

ECONOMIC NEWS

Quebec: Real GDP Is Bouncing Back at a Slower Pace

HIGHLIGHTS

- ▶ Real GDP grew 1.2% in August, a fourth consecutive monthly increase after the 3.4% in July, 7.2% in June and 11.6% in May.
- ▶ Both goods (+1.1%) and services (+1.2%) increased in August.
- ▶ Of the 15 main industries, 13 posted an increase in August. Manufacturing increased the most and utilities had the sharpest decline.
- ▶ The cumulative variation in real GDP from January to August stands at -6.4% compared with the same period in 2019. For Canada, that number is -5.9%.
- ▶ Real GDP for August is 96.7% of February's pre-pandemic level.

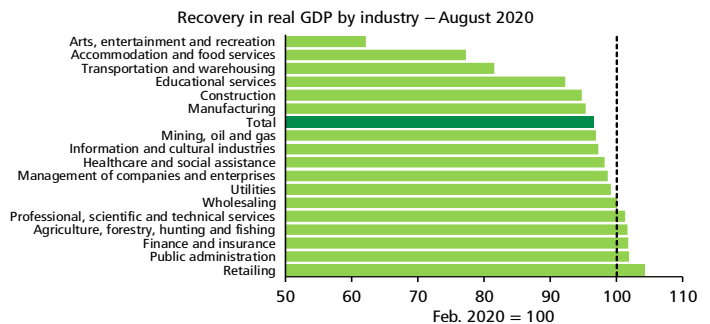
COMMENTS

Real GDP continued to climb in August (+1.2%) at a slightly faster pace than expected (+0.8%). The gain observed in August is fairly widespread, showing that recovery is underway in most activity sectors. Some industries have reached February's pre-pandemic level while others have even exceeded it.

The sectors hardest hit by social distancing measures continued to recover in August. However, this recovery was weak in accommodation and food services (77.3%) and arts, entertainment and recreation (62.1%). There should be some improvement in September's numbers, that is, the extension of the summer period, just before the second shutdown period was ordered. October and the following months will reflect the shutdown of activities in some sectors in maximum alert areas. Employment statistics, which are already available for October, confirm major layoffs in these two industries. Other sectors continued to climb, but total employment nevertheless fell. Real GDP should follow suit in October.

GRAPH

Real GDP recovery is complete in some sectors



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

IMPLICATIONS

Even if results for August and September are positive, the following months will be difficult for Quebec's economy. Future economic statistics will be affected by the measures taken this fall and coming winter to contain the second wave. Even though August's numbers confirm a strong rebound in real GDP in the third quarter, the fourth quarter of 2020 and the first quarter of 2021 should at best be slightly positive.

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