

ECONOMIC NEWS

Quebec: Real GDP Rebounded in the Third Quarter After an Unprecedented Drop in the Spring

HIGHLIGHTS

- ▶ Real GDP rose 12.6% (or 60.6% annualized) in the third quarter of 2020 from the previous quarter.
- ▶ The rebound in activity in the third quarter is greater than that observed for Canada as a whole, i.e., 8.9% (or 40.5% annualized).
- ▶ In both Quebec and Canada, this is the strong quarterly growth in real GDP since the compilation of statistics began in 1981.
- ▶ In Quebec, all the components of domestic demand recovered in the third quarter, for a rebound of 80.3% (annualized).
- ▶ After the drop of the previous two quarters, imports did better than exports. The trade balance, which was briefly positive in the second quarter, moved back into deficit, at \$14.2B in 2012 dollars in the third quarter.
- ▶ The strong growth in real personal disposable income in Q2 gave way to a slight increase.
- ▶ The rebound in consumer spending in the third quarter reduced the savings rate to 19.6% after the peak of 31.1% in the spring.

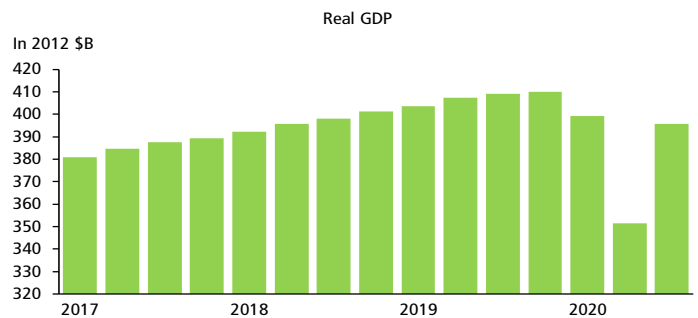
COMMENTS

The extent of the recovery in real GDP in the third quarter was in line with our scenario. This offsets a large part of the drop in economic activity in the first two quarters of 2020. However, the cumulative real GDP for the first nine months of the year is 6.0% lower than for the same period in 2019.

The positive effect of federal government assistance to individuals was more limited in the third quarter. The rapid rise

GRAPH

After a difficult spring, Quebec's economic recovery is well underway



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

in consumer spending explains the drop in the savings rate to 19.6% in Q3, which is higher than the pre-pandemic level of 8.3% in the last quarter of 2019.

IMPLICATIONS

Despite the encouraging real GDP results in the third quarter, the measures taken this fall to limit the effects of the second wave will affect the economy. The results to come for the last quarter of 2020 and the beginning of 2021 will be more mixed. December and January could be negative, which will be mirrored in the quarterly numbers. A sharp drop in real GDP like in the spring is not expected since the restrictions are more targeted for now. The start of the vaccination campaign raises some hope for the future. The positive effects will become more pronounced starting in mid-2021.

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