

March 27, 2009

QUÉBEC

Real GDP pulls back 1.4% in Q4 2008 Damage is less severe than for the rest of Canada

HIGHLIGHTS

- Real GDP shrank by an annualized 1.4% in the fourth quarter of 2008. The drop is not nearly as steep as the 3.4% contraction posted by Canada as a whole for the same period.
- For 2008 as a whole, Québec's real GDP advanced by 1.0%, twice as fast as Canada's (0.5%).
- The trade deficit eased slightly in Q4. In real terms, it stood at -\$25.4B compared with Q3's -\$26.7B. Exports declined for a fourth straight quarter (annualized -6.8%). Imports pulled back further (-8.7%) due to the contraction in domestic demand.
- Consumer spending dipped by an annual 2.6%. The drop was recorded in both spending on goods (-3.4%) and services (-1.9%).
- Residential investment rose an annualized 7.3% from the previous quarter. New construction and renovation spending shot up, while real estate agents' commissions fell.
- Business investment decreased by an annualized 16.5% in 2008's final quarter. Spending on machinery and equipment was cut by 23.8%, steepening the down trend that began early last year.
- Government spending rose again (+2.0%). Despite the ongoing Québec Infrastructure Plan, both current and capital spending posted small increases.

Real GDP at Market Prices

	Quarterly annualized % change		
	2008	Q3 2008	Q4 2008
GDP	1.0	0.6	-1.4
Consumption	3.5	1.1	-2.6
Residential inv.	-0.6	19.2	7.3
Non-residential inv.	0.1	-2.5	-16.5
Gov't spending	5.1	3.3	2.0
Domestic demand	3.3	2.3	-2.5
Exports	-1.9	-7.7	-6.8
Imports	1.3	-5.1	-8.7
Net exports (2002 \$M)	-25,297	-26,710	-25,390
Inventory change (2002 \$M)	485	647	201

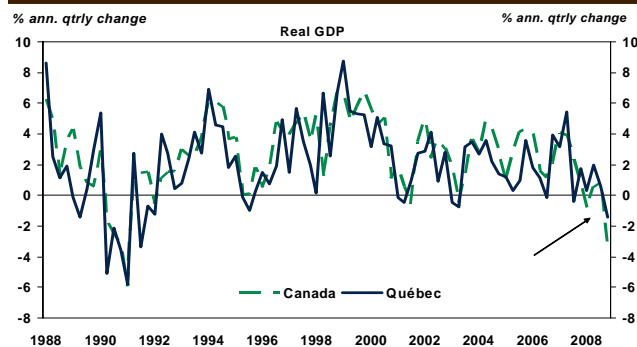
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

COMMENTS

Economic activity was expected to decline in the final quarter of 2008, but we must admit that the damage is not as severe as expected. The contraction in domestic demand does mark a turning point in this cycle. The drop in consumer spending and business investment attests to the current climate of uncertainty. The recession that is affecting most industrialized countries is sending ripples into Québec, which recorded its biggest real GDP contraction since Q2 of 1992.

Implications: The Q4 drop in real GDP, much smaller than for Canada as a whole, is a sign that the recession that will be with us in 2009 will be less severe in Québec.

Québec's GDP declines less than Canada's in Q4



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

Hélène Bégin
Senior Économist

François Dupuis
Vice-President and Chief Economist

Yves St-Maurice
Director and Deputy Chief Economist

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

Chantal Routhier
Economist

514-281-2336 or 1 866 866-7000, ext. 2336
418-835-2450 or 1 866 835-8444, ext. 2450
E-mail: desjardins.economics@desjardins.com

NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information, obtained from sources that are deemed to be reliable. Desjardins Group in no way guarantees that the information is complete or accurate. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. The document may under no circumstances be construed as a commitment by Desjardins Group, which takes no responsibility for the consequences of any decision made based on the information herein. The prices and rates shown are for information purposes only as they may change at any time based on market conditions. Past returns are no guarantee of future performance, and Desjardins Group does not hereby purport to provide any investment advice. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the official position of Desjardins Group. Copyright © 2009, Desjardins Group. All rights reserved.