

ECONOMIC NEWS

Quebec's Real GDP Edged Up in August

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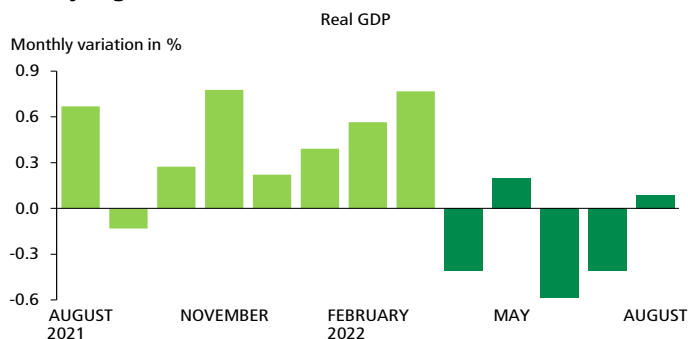
HIGHLIGHTS

- ▶ Real GDP increased 0.1% in August after several monthly declines since the spring.
- ▶ Goods output was stable in August after dropping sharply in July. Several industries were up, but manufacturing continued to slide (-2.3%). Construction rebounded by 3.1%, but the overall trend remains negative since activity peaked in March.
- ▶ Service industries edged up in August (+0.1%). Gains in wholesale trade (+2.2%) and retail trade (+1.6%) were tempered by dips in several other sectors.
- ▶ For the first eight months of 2022, Quebec's real GDP was 3.5% higher than in the same months of 2021. Canada's was up 4.3% over the same period.

COMMENTS

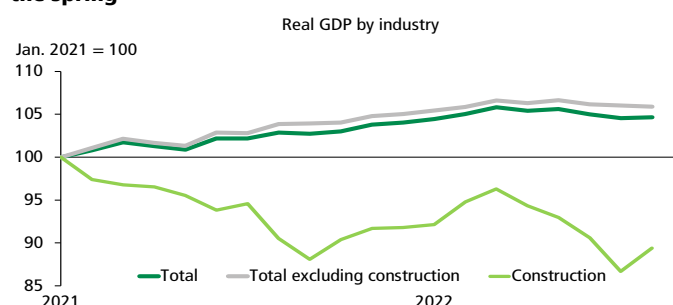
August's slight rise in real GDP was expected, following some negative monthly prints. August's positive figure—while good news—won't necessarily put an end to the downward trend in real GDP that's been prevailing since March. August's rebound in the construction industry will certainly be brief given that

GRAPH 1
Although real GDP edged up in August, the prevailing trend is clearly negative



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

GRAPH 2
The construction industry has been dragging down real GDP since the spring



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

housing starts have plummeted this fall. Stripping out this sector, real GDP dipped by 0.1% in August—evidence that Quebec's economy is somewhat fragile. Most industries have seen declines in activity since the spring peak and the coming months are expected to be challenging.

IMPLICATIONS

Despite the rebound in real GDP in August, the third quarter will be particularly weak. If industrial output remains stable in September and data from previous months are not revised, Quebec's third-quarter real GDP print will be negative. It is therefore likely that a period of economic contraction has already begun in the province. It remains to be seen whether summer 2022 will mark the official start of a recession that should be moderate. The next few months could be a roller coaster, but the economic downturn is far from over.