

ECONOMIC NEWS

Real GDP Growth Slowdown in Quebec: May Figures Up Only Slightly

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HIGHLIGHTS

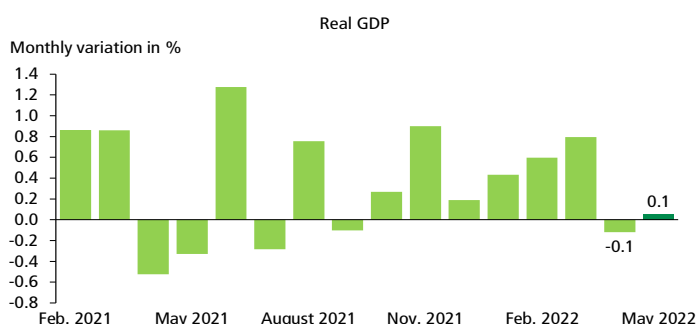
- ▶ Real GDP increased by 0.1% in May after declining 0.1% in April. This is after strong surges in previous months.
- ▶ Goods output fell 0.8% in May, along the same lines as April's 0.9% decrease. All goods-producing industries saw a monthly decline of 1% or more, except for the mining, oil and gas sector, which posted a 4.8% gain.
- ▶ On the services side, there was a 0.4% increase in May, following April's 0.2% rise. Most industries saw gains in May, particularly the recovering sectors such as accommodation and food services (+2.3%) and arts, entertainment and recreation (+1.2%).
- ▶ In the first five months of 2022, real GDP was up 4.4% in Quebec, the same growth rate as Canada.

COMMENTS

May's weak real GDP rebound is in line with our expectations. The statistics published for May were also more positive than what we saw in April. However, it's clear that the economy has started to slow down after a solid first quarter. The sectors hardest hit by lockdowns are catching up. Industries related to consumer spending are doing well, such as retail trade (+1.0%) and transportation and warehousing (+1.8%). However, goods production has plummeted in recent months. While we expected the pace of construction to slow, it's too early to tell if the manufacturing downturn is a sign of something else.

GRAPH

The period of strong real GDP growth is over



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

IMPLICATIONS

May's weak gain in real GDP confirms that the Quebec economy has lost speed this spring. Growth has already declined sharply, and the next few quarters will be difficult. Both consumer- and business-related industries will be affected by soaring inflation and sudden interest rate hikes, not to mention the faltering global economy. While we expect Quebec to keep its head above water, it'll be a fine line between very weak growth and a slight decline in real GDP, as mentioned in a recent [Economic Viewpoint](#).