

ECONOMIC NEWS



Quebec's Real GDP Fell Sharply in July

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HIGHLIGHTS

- ▶ Real GDP contracted 0.5% in July, the fourth consecutive monthly decline.
- ▶ Goods output fell 0.9%, mainly due to a 3.6% drop in construction. Manufacturing (-0.6%) and agriculture and forestry (-3.0%) were also lower.
- ▶ Service industries were down for the second straight month in July (-0.3%), with wholesale trade posting the largest decrease (-4.1%).

COMMENTS

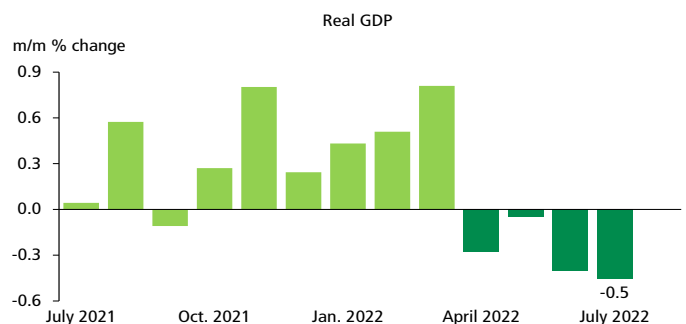
July's real GDP report was a real shocker. We expected Quebec to post a 0.1% gain in line with Canada. Instead it reported its fourth straight monthly decline. It looks as though the cyclical high came in March following a period of strong growth. Construction has seen the biggest contraction, but several other sectors are also down significantly since March.

IMPLICATIONS

Quebec's real GDP came in much lower than Canada's 0.1% uptick in July. As a result, we expect Quebec's third quarter GDP to be significantly weaker. Barring an upturn in the next few months, we could see Quebec GDP contract in the third quarter as GDP should expand about 1% nationwide. Quebec's economy began to slow in the second quarter, with real GDP growth tracking 1.0% annualized. It could really hit the brakes in the third quarter.

GRAPH 1

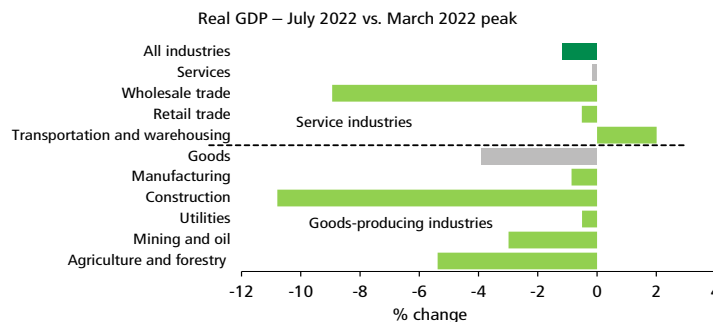
After posting strong growth, real GDP has been weakening since March



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

GRAPH 2

Real GDP is holding up better in the service industries, but has declined in all goods-producing industries



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