

January 23, 2014

QUEBEC

Real GDP accelerates unexpectedly

HIGHLIGHTS

- Real GDP by industry jumped 0.6% from September to October 2013, marking a fourth consecutive monthly increase. In Canada, the increase was 0.3% in October.
- All major sectors contributed to economic growth in October. Goods production shot up 1.5% due largely to advances made by utilities and manufacturing. Agriculture and forestry, as well as mining, oil and gas extraction, also added to the pace.
- Service industry output (+0.2%) grew slower than output for goods in October. Retail and wholesale trade, transportation and warehousing all posted gains.
- Real GDP for the first 10 months of 2013 is 1.1% higher than the corresponding 2012 period. Canada advanced 1.8% for the same months.

COMMENTS

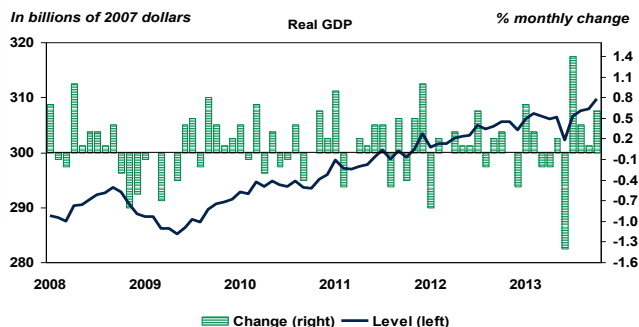
Nothing pointed to the Quebec economy firming up to such an extent in October. Other than Statistics Canada's recently released data on wholesalers' sales, which indicated strong activity in October, the other economic indicators posted weak advances and, in some cases, declines.

Besides the surprise effect, October's 0.6% increase in real GDP is on solid ground. Growth is widespread in all activity sectors, and the standouts—manufacturing and utilities—are not solely responsible for the monthly gain in real GDP.

A pullback effect is anticipated for November. Most indicators have retreated, including manufacturing sales, exports and wholesale trade. The carryover for the final quarter of 2013, already at 3.1% with October's data, is not a good barometer.

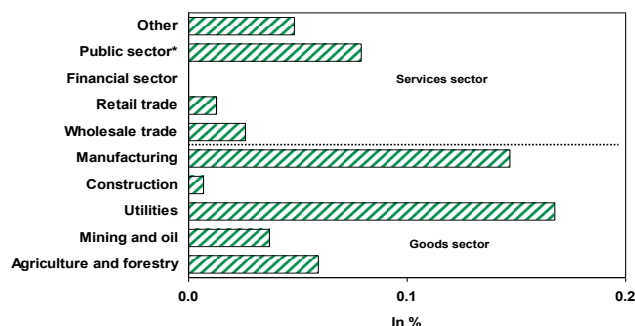
Implications: Despite October's impressive real GDP performance, we must keep in mind that major monthly swings are common. Even though November's results look less favourable, the recent trajectory of Quebec's economy is still

Recent movement in real GDP is favourable



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

Contribution to real GDP growth in October



* Education, healthcare and public administrations.
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

very encouraging. Real GDP in the fourth quarter of 2013 is on track for a strong year end after spending some time gasping for breath. Our scenario of accelerating economic growth seems to be materializing, setting the stage for 2014.

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