

ECONOMIC NEWS

Quebec: Real GDP Declines in October

HIGHLIGHTS

- ▶ In October, real GDP declined 0.4% after posting continuous monthly gains for a year.
- ▶ Most of the main industries saw activity decline in October, in both the goods and the services sectors.
- ▶ Annual real GDP growth went to 2.4% in October after spending several months close to 3%.
- ▶ Goods production retreated 0.9% in October on declines in utilities, manufacturing and construction. However, activity in the goods sector is up 1.8% in the last year.
- ▶ The service industry fell 0.2% in October from the previous month. However, output is 2.6% higher than it was 12 months ago.

COMMENTS

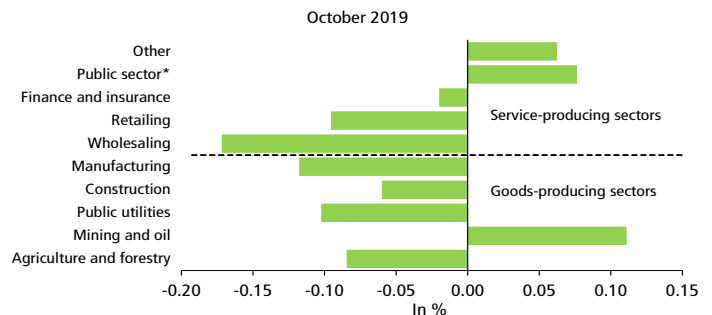
Following the extraordinarily positive results of recent months, the drop by Quebec's real GDP in October is not a source of concern. Periods of economic expansion are sometimes marked by a dip in activity. This is not a change in direction by the economy, although it could mark the start of a slowdown phase. Unless there is a significant rebound the following month, the last quarter of 2019 will be relatively soft.

IMPLICATIONS

While Quebec stood out from the major industrialized economies in terms of growth in the last few quarters, this morning's negative real GDP result signals that the province is not completely immune from an economic slowdown. Our forecast for 2020 calls for growth of 1.7%, a much more restrained pace than the growth of about 3% seen last year. Quebec should therefore go to a pace that is more in line with that of the U.S. and Canadian economies this year, with growth below 2%.

GRAPH 1

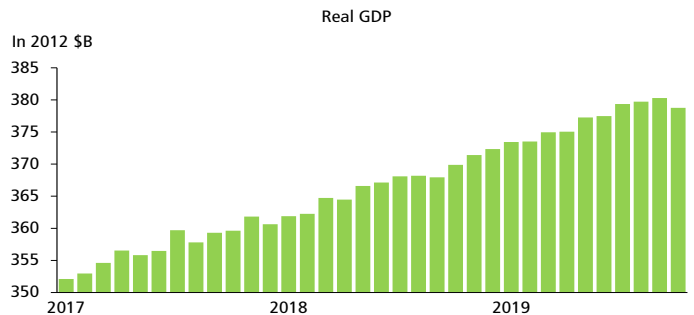
Contribution by sector to real GDP growth



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

GRAPH 2

October's pullback follows several consecutive increases



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

The pullback by Quebec's real GDP in October will result in a fairly soft fourth quarter and a more subdued 2020.

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