

QUEBEC

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Real GDP falls a second time in November

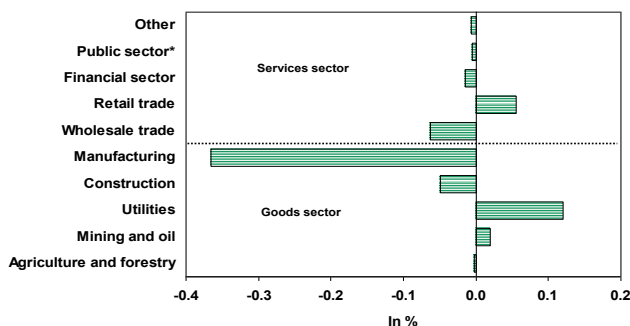
HIGHLIGHTS

- Real GDP by industry recorded a second consecutive monthly decrease. The 0.3% pullback in November follows a 0.2% pullback in October, which contrasts with the 0.7% gain seen in September.
- The cumulative increase for the first 11 months of the 2014 was 1.4%, compared with the same period in 2013.
- November's dip stems mainly from the 2.5% decrease in manufacturing output. Activity in the construction industry also contracted. These two sectors explain the reduction in the goods segment. The services segment was stable in November despite gains in several sectors of activity.
- For the first 11 months of 2014, the goods-producing industry posted a 1.3% increase, while services were up 1.4% compared with the same period in 2013. Manufacturing alone recorded a cumulative gain of 2.4% compared with the previous year.

COMMENTS

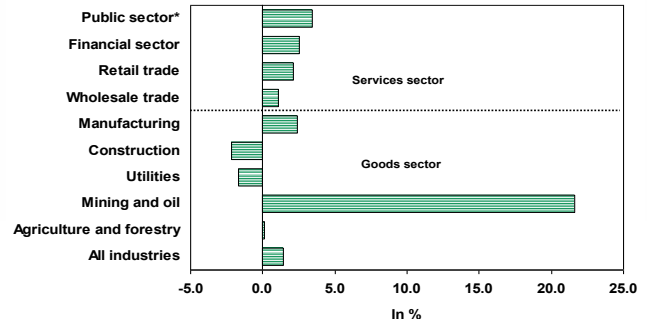
November's numbers are as bracing as a cold shower. While some of Statistics Canada's previously released statistics, such as manufacturing and wholesale sales, suggested a dip in real GDP in November, others, such as retail trade and employment, gave hope for a positive result. With this second consecutive retreat, 2014 will have a tougher-than-expected conclusion. Even if December is favourable, fourth-quarter growth will be below 1%.

Contribution to real GDP growth in November



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

Cumulative annual increase in real GDP for the first 11 months of 2014



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

Implications: Even though the latest statistics give rise to doubt, keep in mind the excellent performance by manufacturers in 2014. While real GDP had a tough time at the end of 2014 and the last quarter is expected to be weak, the annual performance will be positive for most sectors, particularly manufacturing. A faster pace is expected for 2015 despite this morning's disappointing numbers.

We must not focus too much on the disappointing economic activity of the last two months. All eyes are on 2015 and a lot of hope rests on the manufacturing sector. Acceleration of the U.S. economy, a weaker loonie and lower gas prices will make conditions very favourable.

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