

April 23, 2014

QUEBEC

Real GDP starts the year on a high note

HIGHLIGHTS

- Real GDP by industry jumped 0.4% in January 2014 after falling 0.2% in December and 0.1% in November. The annual change for January hit 1.3%.
- Manufacturing led monthly growth by all industries in January, helping the goods sector advance by a strong 1.3% over the month. However, activity has softened in the construction and utilities sectors.
- Production by the service sector was fairly weak (+0.1%), as the increases posted by utilities, finance and insurance, and wholesale trade were offset by drops in other industries, including retail trade.

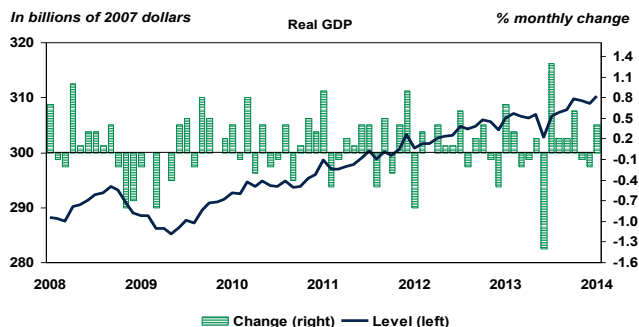
COMMENTS

January's stronger real GDP is reassuring, as the end of 2013 had sowed some doubts. The 0.4% rise by activity stems largely from manufacturing, however. The economy's improvement in January is therefore not widespread, indicating that some economic weaknesses are lingering.

The manufacturing sector did well, with 18 of the 19 industries increasing their production in January. The trend for manufacturing has been positive for few months, although it has a long climb ahead following several difficult years. Given that domestic demand is soft, export businesses should breathe a bit of life into the manufacturing sector.

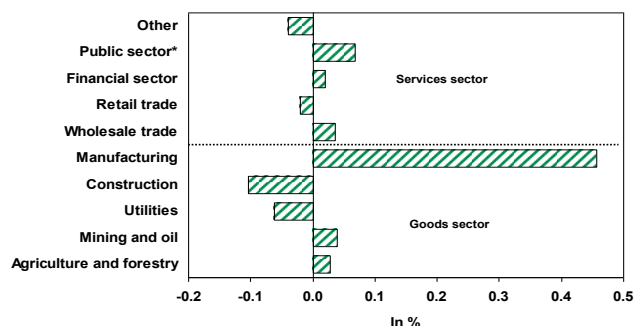
Despite January's solid results (+0.4%), Quebec has not managed to get ahead of Canada, which posted monthly gains of 0.5% for the first month of the year. Furthermore, January's annualized real GDP growth was 2.5% for the country as a whole, compared with 1.3% for the province. In keeping with our economic forecasts, Quebec should maintain a sizable gap with Canada in 2014.

Real GDP by industry is back on track for growth



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

Contribution to real GDP growth in January: Manufacturing stands out



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

Implications: January's rebound by real GDP will help us forget about the disappointing end to 2013. The 0.4% monthly rise is enough to ensure the first quarter posts growth. Although it is too early to say how much growth, our prediction of an annualized 1.5% upswing by real GDP in the first quarter remains appropriate.

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