

May 23, 2014

QUEBEC

Real GDP is keeping a brisk pace

HIGHLIGHTS

- Real GDP by industry jumped 0.4% in February 2014 after posting similar gains the month before. February's annualized change was 1.5%.
- The utilities sector led monthly growth by all industries in February. However, several other sectors were in positive territory, including the mining and oil industry, as well as construction.
- Goods production rose 1.2% in February, while output of services went up just 0.1%. Among the sub-sectors, wholesale and retail trade, as well as real estate, all posted solid growth nevertheless.

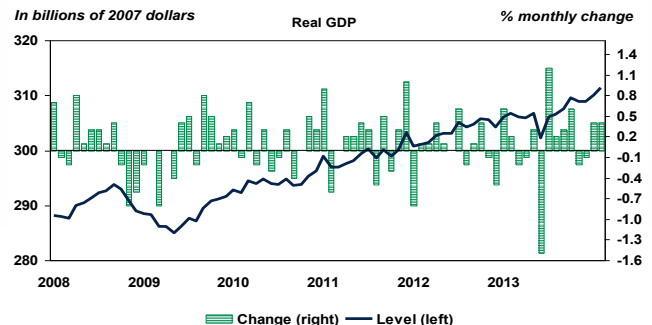
COMMENTS

February's real GDP growth is much stronger than anticipated. This is the second monthly gain in a row to beat expectations, solidifying the foundation for Quebec's economy. This second advance is reassuring, since many of the statistics published recently, including retail sales and employment, have been disappointing.

Although utilities, especially electricity production, were the main source of growth for February, several other industries performed well over the month. Though not generalized, February's real GDP growth relied on several sectors.

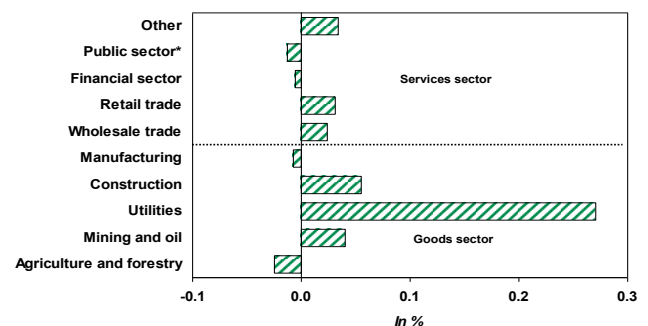
While February's monthly 0.4% rise in economic activity was greater than the 0.2% observed for Canada as a whole, Quebec's annual growth is much weaker. The total increase for the first two months of the year is 1.4% in Quebec and 2.5% in Canada. The country is therefore well ahead of the province, which will have a hard time catching up in 2014. In keeping with our economic forecasts, Quebec should maintain a sizable gap with Canada this year.

Real GDP by industry recorded solid growth for the second straight month



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

Contributions to real GDP growth in February: Besides utilities, several other sectors did well



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

Implications: The first quarter promises to be fairly solid for Quebec, as shown by the 3.0% carryover for the first two months of the year. Some pullback could occur in March, however, so that annualized real GDP growth should be somewhere between 2.0% and 2.5% for the first quarter.

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