

ECONOMIC NEWS

Quebec: Exports Rise in March, Yet First Quarter Is Negative

HIGHLIGHTS

- ▶ The volume of international exports rose 10.6% in March 2017 compared with the previous month. This gain follows two consecutive decreases in January (-12.5%) and in February (-4.3%).
- ▶ Yet the result for the first quarter is negative. The level of exports in real terms is 1.8% lower than it was in the same period last year.
- ▶ Excluding the aeronautics sector, the first quarter of the year was up 1.4%.
- ▶ Four of the 10 main products rose in the first quarter: aluminum (+14.5%), other non-ferrous metals (+9.6%), heavy trucks (+8.7%) and wood pulp (+4.7%).

COMMENTS

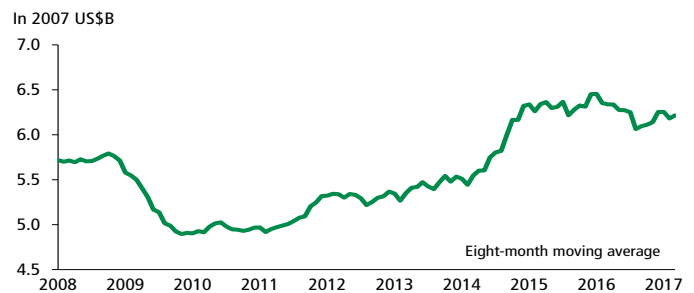
International exports were expected to recover after a rough start to the year. The gain in March is not enough to offset the decreases in January and February, but the picture is not totally bleak, as many products were up considerably.

Lacklustre exports in the first quarter was not surprising in a context where U.S. economic growth was slight for the period. In fact, annualized growth in real GDP was limited to 0.7% in the first quarter. Even though the Canadian dollar stayed around US\$0.75, demand from the United States was not strong enough to support our international trade.

Weakness in exports of aircraft and parts was a negative influence on the first quarter's results. The aeronautics sector, which ranks second in international shipments from Quebec, has dragged all exports down since the beginning of 2017. Excluding this industry, the quarterly result is actually positive. For a few months now, aeronautics sector manufacturers' sales have been rising, which should eventually be reflected in exports.

GRAPH

International exports lost momentum



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

IMPLICATIONS

The Quebec economy should see strong growth in real GDP in the first quarter despite a decrease in international exports. It is not certain that they will recover starting in the second quarter. The forestry sector is weathering an adjustment period given the 20% countervailing duties that the United States is imposing on Canadian lumber exports. There is a risk that the Trump administration will make other changes to trade policies, making the trajectory of Quebec's international exports uncertain. The economy is still well supported by households, which should allow real GDP to maintain a good cruising speed.

Hélène Bégin, Senior Economist

François Dupuis, Vice-President and Chief Economist

Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 418-835-2450 or 1 866-835-8444, ext. 5562450 • desjardins.economics@desjardins.com • desjardins.com/economics

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