



QUEBEC

August 17, 2016

International exports: a disappointing first half

HIGHLIGHTS

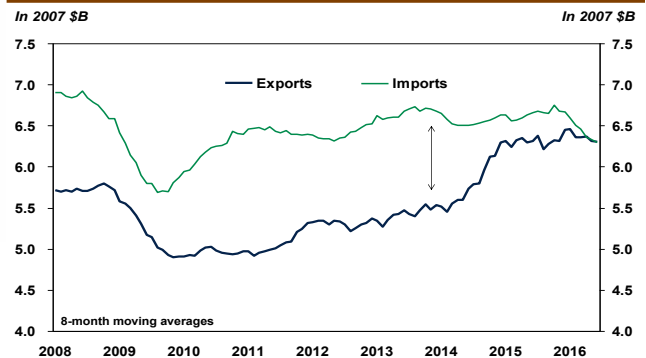
- In real terms, exports of goods abroad rose 3.6% in June. The first six months of 2016 were down 1.3% compared with the same period in 2015.
- Half of the 10 main products exported by Quebec contracted in the first half, particularly aluminum (-3.2%), aircraft (-26.1%) and their parts (-3.2%), copper (-0.3%) and wood pulp (-2.9%).
- The main products that saw an increase in volume for the first six months of the year are iron ore (+18.4%), electricity (+6.2%), pharmaceutical products (+23.6%), paper (+4.0%) and trucks (+0.3%).
- Compared with the same period in 2015, the volume of merchandise imports was down 3.2% in June and 6.0% for the first half.

COMMENTS

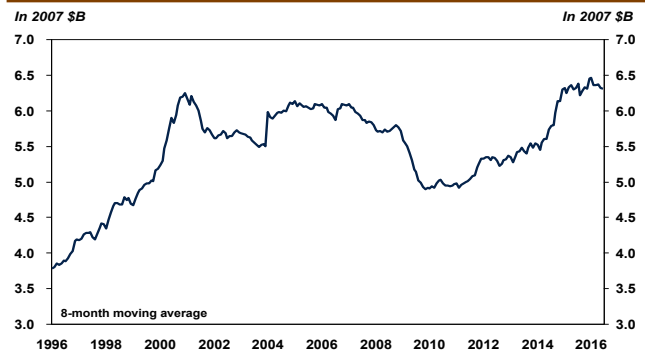
Despite June's increase in international exports, the tumble in the first half of 2016 is more than disappointing. The momentum in international shipments that had been prevailing for some years has waned at a time when the Quebec economy is looking for support. Weak growth in U.S. real GDP in the first and second quarters of 2016 contributed to the decline in exports to the United States, where around 70% of our products are destined. Exports to the rest of the world have also been down since the beginning of the year.

The decline in imports especially reflects the falling volume of crude oil and parts destined for the aeronautics sector. Over the first six months of the year, the 6.0% decrease in the volume of imported products turns out to be larger than the decrease in exports. Consequently, the trade balance with other countries continues to improve.

The gap between international exports and imports closed



International exports lost momentum



Implications: Soft international exports seen in the first half of 2016 should be temporary. Certain statistics suggest that the economy of our neighbour to the south will recover in the second half, which should allow exports from Quebec to bounce back. If international shipments do not show any uptrend in the coming months, Quebec's economic growth will probably be weaker than anticipated.

Hélène Bégin
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

418-835-2450 or 1 866 835-8444, ext. 5562450
E-mail: desjardins.economics@desjardins.com

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