

August 26, 2016

QUEBEC

Real GDP picks up in May

HIGHLIGHTS

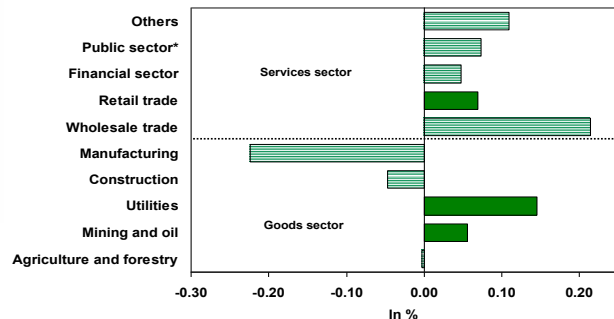
- Real GDP by industry jumped 0.4% in May, whereas no growth had been recorded in the three previous months.
- Monthly real GDP growth is fairly generalized across the main activity sectors. However, manufacturing output suffered a sizable downturn, while the agricultural and forest sectors, along with construction, dipped slightly.
- The increase in real GDP for the first five months of the year stands at 1.3%, compared with the same period of 2015. The majority of the sectors are showing growth.
- The goods sector has seen slight cumulative improvement since the beginning of 2016 (+0.3%) while the service sector has firmed up by 1.7%.
- The accommodation and food services sector reports the strongest annual gain (+6.1%) for the January-to-May period, followed by wholesale trade (+5.8%), transportation and warehousing (+3.6%) and retail trade (+3.3%).

COMMENTS

The significant gain in real GDP in May put the economy back on track, after a lacklustre three months. Although the manufacturing sector is still struggling (with a monthly pullback of 1.5%), many other industries have done well, in particular accommodation and food services which is showing strong growth. This positive trend should continue in the ensuing reporting periods, since the exceptional summer weather and the relative weakness of the Canadian dollar can only be to the tourism sector's advantage.

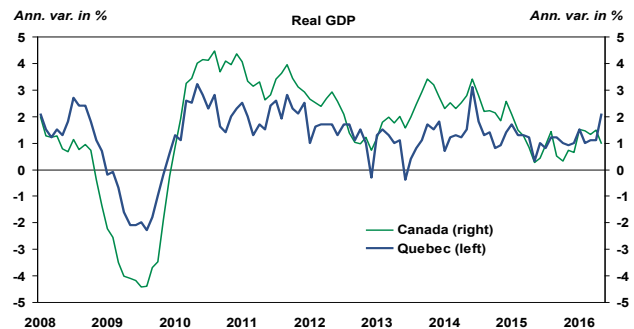
Implications: Thanks to the May rally in real GDP, the second quarter could end up in positive territory. Given that the first quarter was characterized by an annualized increase around 2.0%, the province's economy is doing relatively well.

Many major industries recorded real GDP growth in May



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

Despite the ups and downs of Canada's real GDP, annual growth will be similar to that of Quebec



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

The swings of the Canadian economy that are attributable to low oil prices and the forest fires in Alberta do not seem to have had many repercussions in Quebec, which is showing more stability under the circumstances. Nevertheless, real GDP growth for the year 2016 will be slightly above 1%, i.e. a pace of growth similar to that of the Canadian economy.

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