

August 28, 2014

## QUEBEC

### Real GDP rises in May

#### HIGHLIGHTS

- Real GDP by industry rose 0.1% in May 2014 after sliding 0.2% the month before. The annual change was 1.1% in May.
- Service industries stimulated monthly economic activity. Gains in wholesale and retail trade and the public sector buoyed growth.
- However, goods production fell, despite the increase in the mining, oil and gas sector. Manufacturing, construction, utilities, agriculture and forestry all pulled back.

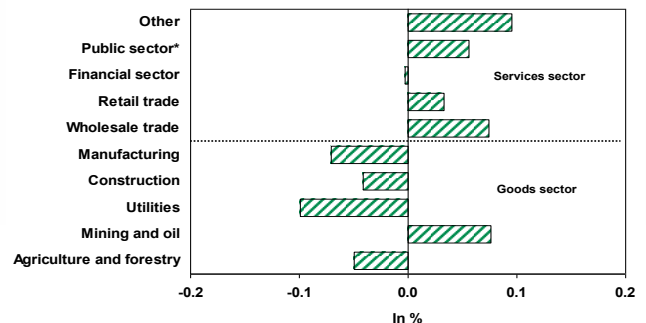
#### COMMENTS

May's 0.1% real GDP increase is both soft and disappointing. The monthly statistics released previously, like retail and wholesale sales, had been solid, while others, such as manufacturing sales, had slid. The better figures Canada-wide, for their part, resulted in monthly real GDP growth of 0.4%. The gap between Quebec's growth and national growth has been widening for several months.

The fact that May's increase is too small to recoup the ground lost the previous month is not promising for Quebec's second quarter. Note that the year got off to a strong start, with an annualized 2.4% jump in economic activity. The harsh weather in North America had a positive impact on Quebec's electricity production, going some way toward explaining those good results.

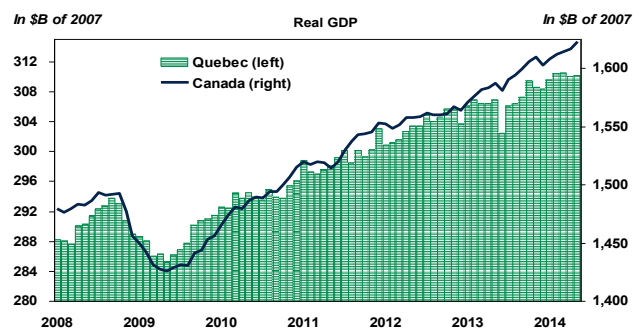
**Implications:** Recent real GDP growth reflects a lacklustre economy, especially in comparison with the Canadian economy. The monthly indicators released to date for June are encouraging for the end of the quarter, but expectations are

#### Contribution to real GDP growth in May



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

#### Quebec's economy lags further behind Canada's



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

fairly small. In keeping with our latest projections, Quebec will see annualized quarterly growth of about 1% in Q2 2014. Real GDP growth should nonetheless hit 1.7% this year, due to the strong start.

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