

October 22, 2015

QUEBEC

Real GDP tumbles again in July

HIGHLIGHTS

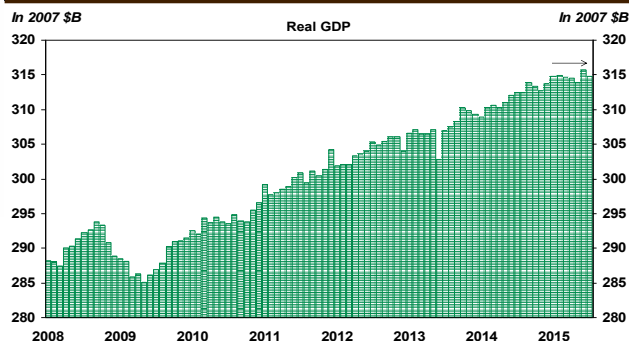
- Real GDP by industry slipped 0.3% in July, following a 0.6% gain in June.
- Many activity sectors have recorded a monthly downturn. Goods production was down 0.1%, with declines in construction, manufacturing and mining, oil and gas extraction. The services industry retreated 0.4% in July due to sharp decreases in wholesaling and the public sector.
- Despite a contraction in July, the cumulative change in real GDP for the first seven months of 2015 is at 1.3% compared with the same period in 2014.
- Canada's performance for the same period was 1.2%.

COMMENTS

The recent trend in the Quebec economy is hard to pin down. Real GDP has been up and down for three months and shows no clear direction. Several negative economic statistics in July suggest reduced activity, but not necessarily of the same intensity. An increase in real GDP is far from a given for the month of August based on the indicators released so far. In this context, real GDP for the third quarter will be fairly weak. Remember that a 0.3% annualized pullback in production occurred in the second quarter following growth of 1.8% the previous quarter. The Quebec economy is therefore going through a rough patch as it waits for activity to accelerate.

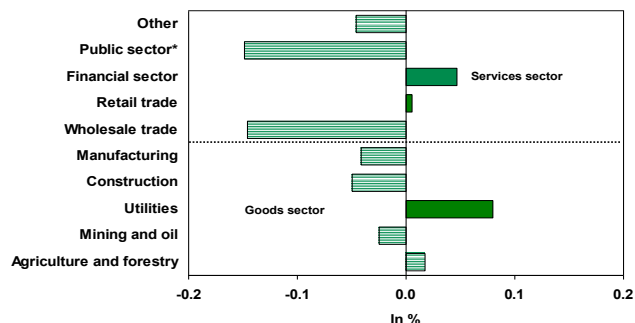
Implications: The numbers released this morning were disappointing. The jump recorded in June had raised hopes, but July's tumble is a hard reality check. The Quebec economy's difficulties are not yet fully behind us. Let's hope the recovery in business investment, which began in the second

Real GDP has been slow to firm up since the start of 2015



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

Only three major industries pushed real GDP up in July



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

quarter, will stay the course and that international exports will be stronger in the coming months. The U.S. economy is doing well, and Quebec really needs to be pulled along in its wake.

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