

QUEBEC

October 25, 2016

Strong acceleration in real GDP in July

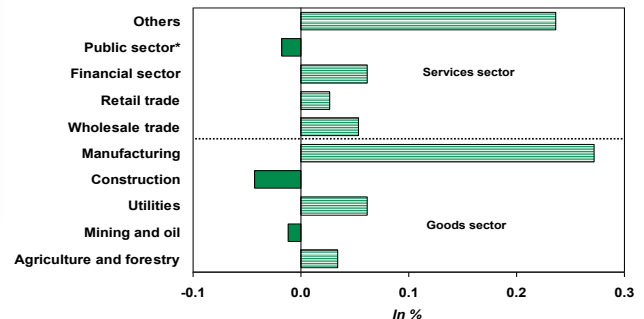
HIGHLIGHTS

- Real GDP by industry shot up by 0.7% in July, after a slight uptick of 0.1% in the previous month.
- The cumulative growth of the first seven months of 2016 surged to 1.6% compared with the same period of last year. This is a definite improvement over the first six months of the year, when growth stood at 1.3% compared with the first half of 2015.
- Sixteen of the twenty major industrial sectors recorded an increase in July. Manufacturing made the largest contribution. Utilities, the finance and insurance industry and wholesale and retail trade also did well.
- The accommodation and food services sector showed the sharpest gain in July (+2.6%) while the arts, entertainment and recreation sector also advanced considerably (+1.4%).
- Monthly pullbacks were noted in the mining and oil industry, in construction and in the public sector.

COMMENTS

Such important real GDP growth in July was totally unexpected. Some monthly statistics that had been released earlier for Quebec did hint at positive results, but of much smaller scope. The monthly gain of 0.7% even outstrips the resurgence of growth that was observed in Canada in June (+0.6%) and in July (+0.5%) after the wildfires that occurred in May. That disaster caused shutdowns in oil production and even paralyzed a portion of Alberta's territory. A significant catching-up in economic activity was therefore foreseeable after that.

Most of the major industries recorded real GDP growth in July



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

The particularly fine weather that Quebec enjoyed in July was certainly a boon to the sectors that are related to tourism. The accommodation and food services sector even reported the strongest monthly growth of all 20 major sectors. The arts, entertainment and recreation sector also stood out. But these two sectors represent just 3% of the Quebec economy, and by themselves cannot account for July's impressive real GDP growth. If we exclude those two industries, the gain comes in at 0.6%, versus 0.7% overall.

Implications: Thanks to this expansion of real GDP in July, the third quarter will certainly be in positive territory. Given the wide variability of monthly data, it would be premature to conclude that 2016's real GDP growth will surpass our prediction of 1.3%. Other less favourable surprises could spring up in the next few months; so for the time being, we are keeping our target unchanged.

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

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2016, Desjardins Group. All rights reserved.