

QUEBEC

November 26, 2015

Real GDP back up in August

HIGHLIGHTS

- Real GDP by industry advanced 0.3% in August, without fully recouping all of the ground lost in July (-0.5%).
- Nearly all of the major sectors posted growth in August. The biggest contributions come from the public sector, retailing and the agriculture and forestry sector. However, activity in wholesaling as well as financing and insurance fell in August.
- The total change in real GDP over the first eight months of 2015 is 1.2% compared with the same time last year.

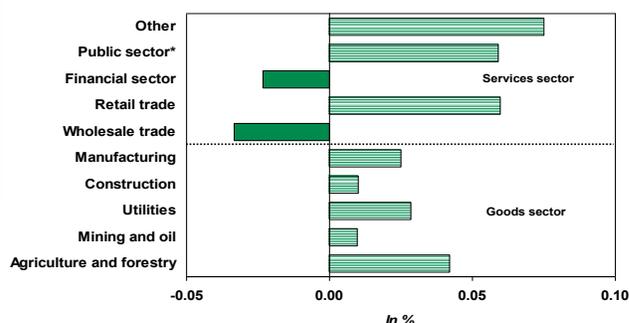
COMMENTS

Economic activity firmed up in August, which is certainly good news. However, further gains are needed in the coming months before we can confirm the emergence of a positive trend. Real GDP has been seesawing month by month for several months now without setting a clear direction, sustaining some uncertainty about the strength of Quebec's economy.

The various statistics released to date for September do not guarantee a second straight increase in output. Retail sales (-1.3%) and manufacturing sales (-1.0%) are heading down, while employment, housing starts and wholesale sales are showing a good increase.

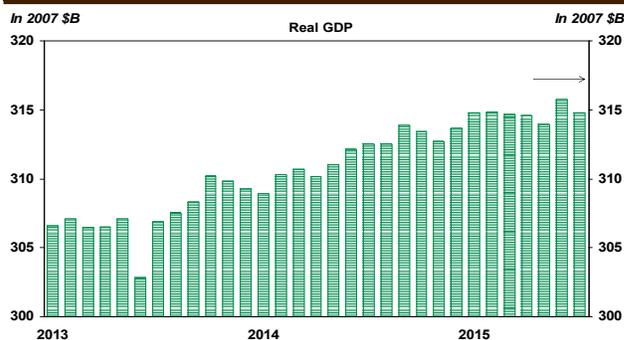
Putting forward an estimate for the third quarter's real GDP growth is risky business. Statistics Canada's historic changes to the annual numbers will be included in the quarterly data of the Institut de la statistique du Québec in early 2016, and some adjustments can be expected. However, with the figures now available, third-quarter growth is not a sure thing.

Nearly all of the major industries saw real GDP growth in August



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

Real GDP has been seesawing for several months



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

Implications: August's real GDP increase is a step in the right direction, but further increases are needed before we can confirm that the economy is back on track for growth. Even though real GDP is poised to see better than 1% growth this year, the path is littered with obstacles. The first quarter's growth gave way to a pause in the second quarter, which could persist into the third quarter. The period of hesitation is taking its time in dissipating.

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