

QUEBEC

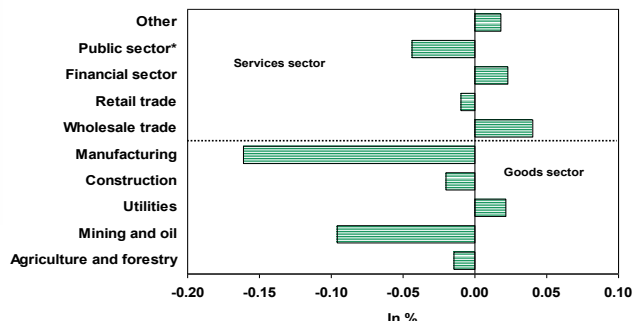
November 27, 2014

Real GDP dips 0.2% in August

HIGHLIGHTS

- Real GDP by industry recorded a second consecutive monthly decrease. The 0.2% pullback in August follows a 0.1% pullback in July, which contrasts with the 0.4% gain seen in June.
- The cumulative increase for the first eight months of the year was 1.5%, compared with the same period last year.
- Most of the ten main activity sectors posted dips in August. Mining, oil and manufacturing also contributed negatively to the monthly change in real GDP. Goods production fell 0.9% while production of services was stable.
- For the first eight months of the year, the goods-producing industry posted a 1.9% increase, while services were up 1.4% compared with the same period last year. Manufacturing alone has recorded a cumulative gain of 2.8% since the start of 2014.

Contribution to real GDP growth in August



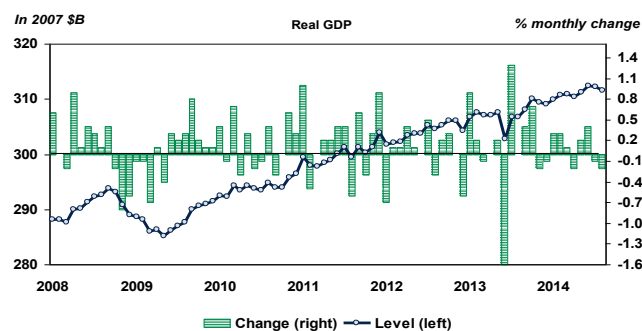
* Education, healthcare and public administrations.
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

COMMENTS

The weakness in the economic data previously released for August suggested a dip in Quebec's real GDP. While an increase would have been comforting given current conditions, recall that the Canadian economy also had a difficult summer in terms of growth. The stability recorded in July and the 0.1% pullback in August mean that Canadian real GDP for the third quarter is expected to grow 1.9%.

September looks rather positive for the Quebec economy. Almost all indicators rebounded during that month, particularly wholesale (+3.7%), retail (+0.7%) and manufacturing (+6.8%) sales. September was also a good month for housing starts, employment and international exports. The third quarter should therefore conclude on a positive note and erase the disappointing economic activity of the last two months.

Real GDP dips in August



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

Implications: Even though the summer was hard for Canada and Quebec in terms of economic growth, we must look to the future. The continued recovery in international exports, the strength of the U.S. economy that seems to be taking firm hold, and the weaker loonie will solidify the contribution of the province's foreign sector. In this context, Quebec should wrap up the year with real GDP up by 1.5%.

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