

QUEBEC

Real GDP falls in April

HIGHLIGHTS

- Real GDP by industry slipped 0.4% in April after sliding 0.1% in March.
- The downturn in real GDP in April stems mainly from the goods-producing sector. Activity slackened in the construction, manufacturing and utilities sectors.
- The services sector only advanced 0.1% in April. The pullback in retail sales and in finance and insurance prevented faster growth.
- The annual cumulative increase for the first four months of the year is 1.4%. During this period, the services sector advanced 1.6% and the goods-producing sector added 0.8%.

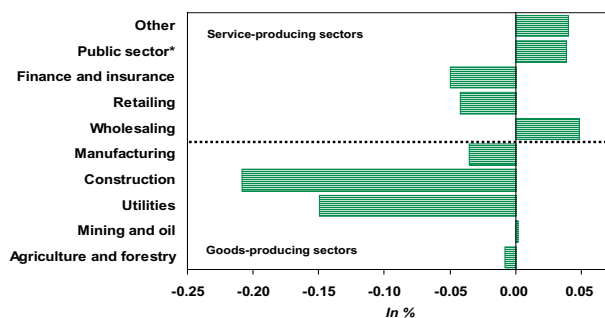
COMMENTS

Several negative statistics released earlier suggest a decline in economic activity. The magnitude of April's drop in real GDP is surprising, and sharply reduces expectations for the second quarter. The carryover for this period is also negative, and even a small recovery in May and June would not be enough to turn things around. Yet the first quarter was fairly positive, with 1.6% growth in real GDP at market prices.

This contrasts with Canada, where we saw an annualized 0.6% contraction in the first quarter of 2015, and the second quarter also looks to be negative. A slight technical recession will likely be unavoidable for the country. However, this situation should not occur in Quebec, which stands out with several positive points. Investment statistics are more favourable than the rest of Canada, and the upward trend in the province's exports seems to be holding steady. Quebec's industrial structure explains why the economy can be little affected by low oil prices. In addition, the province benefits from a weak loonie and robust U.S. and Ontario economies.

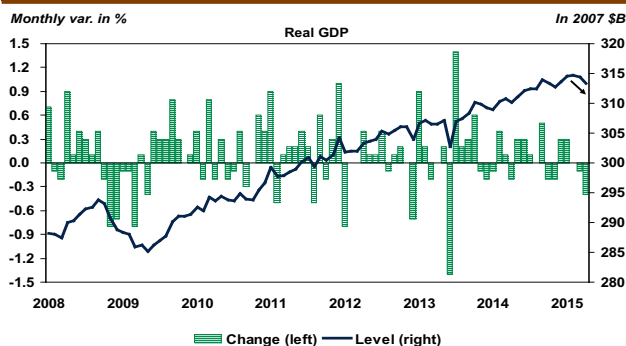
Implications: The significant drop in real GDP in April seems sufficient to trigger a contraction in economic activity in Quebec in the second quarter. Unlike Canada,

Contribution to real GDP growth in April



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

Real GDP has not recorded growth for three months



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

this will be the first quarterly decrease in 2015. In this context, our overall growth scenario for 2015 calling for a 1.5% increase in real GDP will likely be revised downward over the summer.

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