

Quebec: GDP retreat in August but an exceptional Q3

August -0.5% July +1.3% June +0.6% May -0.5%

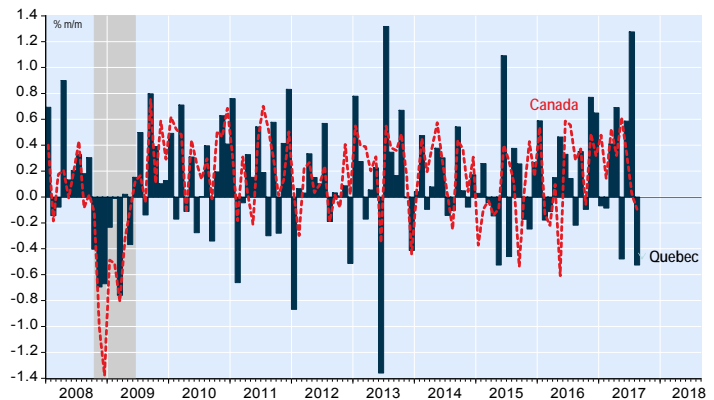
NUMBERS: The Institut de la statistique du Québec (ISQ) reports that Quebec real GDP contracted 0.5% in August (Canada: -0.1%; top chart) following a July surge of 1.3%, revised up from 1.0%. Goods output was down 1.6% in August after a gain of 2.7% in July, with declines in all broad sectors of goods production (manufacturing -1.2%, construction -1.6%, electricity -0.1%, mining and quarrying -8.0%, other primary industries -2.4%). Manufacturing output was down in 11 of 19 industry groups, with a noticeable 5.4% drop in chemicals. Services output edged down 0.1%, with retreats in 10 of the 15 industry groups including the large retailing segment (-1.0%).

OPINION: Despite the August retreat, Quebec GDP is on track for an exceptional Q3. The August pullback followed a spectacular July surge, the strongest since a July 2013 jump following the end of a construction strike. Moreover, a historical review going back to 2014 has upgraded real GDP of last June and July. The combined result is 3.5% real GDP growth over the 12 months ending in August, much faster than the growth of potential GDP and matching the growth of Canada as a whole (middle chart). During this period, Quebec manufacturing output (+4.9%) outpaced that of Canada as a whole (+3.0%), with gains in 18 of the 19 industry groups. So the August decline GDP does not belie the perception that Quebec's economy is flourishing. If real GDP were to come in no more than flat for September, Q3 would still be up 4.7% annualized from Q2. That would be the largest quarterly gain in 13 years (bottom chart), a performance that will most likely exceed that of Canada as a whole.

Marc Pinsonneault

Quebec: Real GDP down 0.5% in August

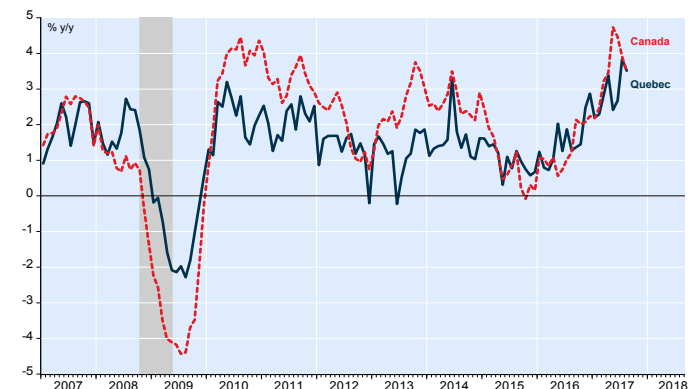
Monthly change in real GDP at basic prices



NBF Economics and Strategy, ISQ and Statistics Canada data

Quebec matches Canada as a whole in 12-month real GDP growth

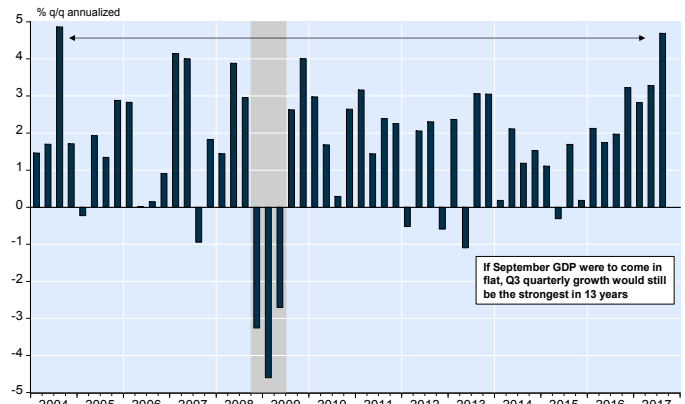
12-month change in real GDP at basic prices



NBF Economics and Strategy, ISQ and Statistics Canada data

Quebec: On track for an exceptional Q3

Annualized quarterly change in real GDP at basic prices



NBF Economics and Strategy, ISQ data

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