Quebec: GDP rebounds by 0.1% in May
By Alexandra Ducharme

After a slight contraction of 0.1% in April, Quebec’s GDP rebounded by the same amplitude in May. With this gain, Quebec’s GDP is now 3.4% above its pre-pandemic level, a stronger recovery than in Canada as a whole (+2.2%). May’s increase was exclusively attributable to the services sector, which recorded a fourth consecutive monthly gain, while the goods sector contributed negatively to growth for a second consecutive month. The services sector is now further along in its recovery than the goods sector (3.5% and 3.1%, respectively). However, this outperformance by services masks heterogeneity in the recovery of its various subsectors, while the goods subsectors are all above their pre-pandemic levels (left chart). Retail trade and professional services, among others, are well above their February 2020 levels, while the management of companies and enterprises and arts, entertainment, and recreation sub-sectors have yet to reach this level. After two months, Quebec’s GDP records an annualized growth of 2.6% in the second quarter, a first slowdown in growth after four quarters of acceleration (right chart). We believe that this period of above-potential growth will come to an end in the third quarter. Quebec’s GDP growth is expected to moderate significantly in the coming quarters as interest rate sensitive sectors are particularly vulnerable.

HIGHLIGHTS:

- According to the Institut de la Statistique du Québec, real GDP increased by 0.1% in May, while the economy in Canada stagnated. This increase is welcomed after an equivalent decline recorded the previous month (vs. Canada: +0.3%).
- On a year-over-year basis, Quebec’s real GDP was up 4.8%, which is less than the 5.6% increase recorded in the country.
- Twelve of the 20 industries surveyed recorded gains in May, including 11 of the 15 services subsectors, but only 1 of the 5 goods subsectors.
- The decrease was due to the goods-producing sector, which contracted by 0.8% in May because of declines in the non-mining primary sector (-1.8%), construction (-1.8%), utilities (-1.0%), and manufacturing (-1.0%). Only the mining sector was up in May (+4.8%).
- The services sector grew by 0.4% in May. This increase was due to gains in the sectors most affected by the pandemic, notably accommodation and food services (+2.3%), transportation and warehousing (+1.8%), other services (+1.4%), arts, entertainment, and recreation (+1.2%) and retail trade (+1.0%) sectors. Conversely, the management of companies and enterprises (-4.7%), wholesale trade (-0.8%) and health care and social assistance (-0.7%) sectors were down.
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