



# QUEBEC - Well positioned to extend a winning streak

*Quebec households and businesses are ready to take on 2020 with aplomb. And why wouldn't they. The provincial economy's impressive growth spurt shows few signs of wearing out and 2020 is set to be another stand-out year, if slightly more restrained.*

Of course, the 2.0% growth rate we project for Quebec wouldn't be much to write home about if it weren't for the weaker state of affairs in other provinces. This will represent a slowdown from an average of 2.6% in the previous three years in the province—and from an upwardly revised 2.5% advance now expected in 2019. The moderation will largely reflect the more mature stage of the economic expansion with capital investment levelling off and labour shortages holding back some businesses in their pursuit of growth opportunities.

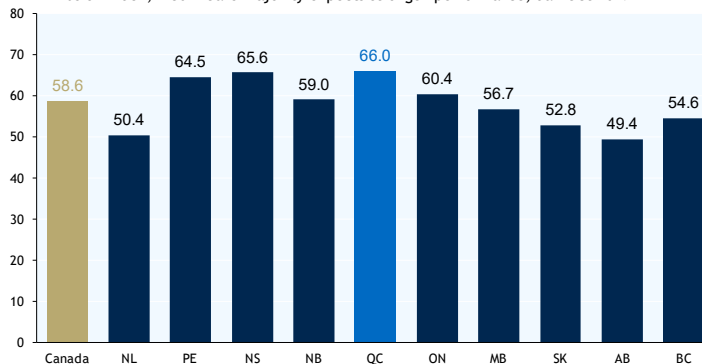
Still, Quebec's economy has shed its earlier reputation of a perennial under-performer. Many things are going in its favour. It has a highly educated and creative labour force. Its industrial base is diversified and currently experiencing broad-based growth. In fact, all major industrial sectors are contributing to the expansion, including manufacturing and mining. Quebec businesses are among the most confident in the country. Households are in a comparatively good financial shape, carrying lower debt levels than Albertans, Ontarians and British Columbians. The cost of living—including housing—is more affordable than many other parts of the country. And the impressive turnaround in the provincial government's budget situation—that produced record-high surpluses last year—opens the door to a more expansionary fiscal policy. Targeted spending increases and tax reductions are on their way.

So the provincial economy will start 2020 with a lot of wind in its sail. The latest monthly GDP estimates have growth running at a rate of slightly under 3% over the first eight months of 2019. Despite an unexpected drop in employment in November, demand for labour remains solid with 45,000 net new jobs created in the past 12 months (ending October) and job vacancies rising to a record high. A low unemployment rate and rising wages not only energize Quebec households but also attract migrants in growing numbers—pushing up population growth to its highest level in 30 years. The provincial housing market continues to be on a tear, with home resales reaching record-high levels and prices increasing at a solid clip. Appreciating property values, in turn, fuel a sense of affluence among existing homeowners.

We expect much of this momentum and confidence to carry into 2020, keeping Quebec's economic growth above the national average for a third-straight year. As the expansion matures, however, the pace will moderate gradually. A projected slowing in the US market will dim the outlook for provincial exports. We expect capital investment to level off, in part reflecting flat spending scheduled in the provincial government's 10-year infrastructure plan and elevated global economic uncertainty. Businesses' unfilled labour needs also will increasingly hamper their ability to expand. We expect these factors to restrain growth further to 1.6% in 2021.

## Quebec: Small Business Confidence

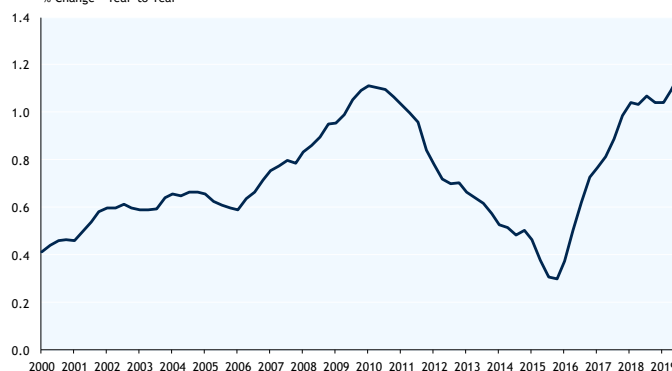
Diffusion index, > 50 means majority expects stronger performance, Jan-Oct 2019



Sources : Canadian Federation of Independent Business, RBC Economics

## Quebec: Population growth

% Change - Year to Year



Source: Statistics Canada, RBC Economics

## Quebec forecast at a glance

% change unless otherwise specified

	2017	2018	2019F	2020F	2021F
Real GDP	2.8	2.5	2.5	2.0	1.6
Nominal GDP	5.0	4.8	4.0	3.8	3.4
Employment	2.2	0.9	1.7	1.1	0.2
Unemployment Rate (%)	6.1	5.5	5.1	5.2	5.9
Retail Sales	5.5	2.9	2.4	2.2	1.8
Housing Starts (Thousands of Units)	46.5	46.9	49.9	47.5	43.5
Consumer Price Index	1.1	1.7	2.1	1.7	1.6