



QUEBEC TO CLEAR ECONOMIC TURBULENCE: RBC ECONOMICS

TORONTO, September 17, 2013 — Despite some turbulence in the second quarter, Quebec's economic performance will continue on track this year and next, according to the latest [RBC Economics Provincial Outlook](#) issued today. RBC projects provincial real GDP to grow at 1.3 per cent in 2013 and 1.9 per cent 2014, thanks to a turnaround in exports, a diminishing drag from weakness in the construction sector and a boost in household spending.

Following a respectable start to the year, the latest data from the Institut de la statistique du Québec (ISQ) indicates that the economy may have contracted in the second quarter, as several sectors of the economy showed weakness, most notably in construction.

“While there was evidence of slowing activity much earlier, major labour strikes in Quebec significantly disrupted construction in June,” said Craig Wright, senior vice-president and chief economist, RBC. “Monthly housing starts trailed 22 per cent below the 10-year average in the second quarter, while units under construction fell nearly nine per cent from the year earlier level.”

Nonetheless, RBC says there continues to be encouraging signs in Quebec's economy. In particular, business picked-up in several manufacturing industries in the second quarter, including: primary metals, transportation equipment, wood products, chemicals, electrical equipment, and furniture.

For the most part, Quebec's export markets are growing. In fact, top export commodities such as aluminium, aircrafts and parts, electricity, wood pulp, and softwood lumber recorded noticeable gains so far this year. RBC expects this upswing in Quebec's trade performance to be sustained through 2014.

“External trade will provide a more visible boost to provincial growth in 2014, when the drag from construction starts to diminish and household spending strengthens,” noted Wright. “We believe that the decline in residential construction will stabilize next year, with housing starts rising modestly from the low levels seen this year.”

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A net loss of 51,000 jobs between January and August of this year – mostly full-time and the majority in the private sector – were a contributing factor to the bumpy ride that the Quebec economy experienced earlier this year, says RBC.

“Dimmer employment prospects so far this year quite possibly weighed on consumers, as spending at retail stores stayed essentially flat in real terms. We expect to see some labour market improvement in the period ahead, which should support stronger household spending,” added Wright.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at www.rbc.com/economics/economic-reports/provincial-economic-forecasts.html.

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