



QUEBEC'S ECONOMIC GROWTH TO SHIFT INTO HIGHER GEAR IN 2014 WITH STRENGTHENING EXPORTS: RBC ECONOMICS

TORONTO, September 11, 2014 — Despite mixed performances across its industrial sectors to date, the overall pace of growth in Quebec's economy is likely to be stronger this year than it was in 2013, according to the latest [Provincial Outlook](#) issued today by RBC Economics. RBC revised its real GDP growth forecast slightly downwardly for 2014—to 1.7 per cent from 1.9 per cent previously—to reflect weaker domestic momentum this year.

“We’re seeing signs that external sources of growth are starting to drive the economy, which is good news because many domestically-oriented industries seem to be operating at lower levels than where they were a year ago,” said Craig Wright, senior vice-president and chief economist, RBC. “Exports are on an impressive run in the province.”

Recent statistics from the Institut de la statistique du Québec (ISQ) indicate that real merchandise exports were up by a solid 6.6 per cent year-over-year during the first half of 2014. Further, the province's net trade position improved because real merchandise imports fell. RBC says that this lays the groundwork for external trade to contribute significantly to growth this year. Indeed, ISQ estimates for Q1 show that net trade accounted for the entire 2.4 per cent annualized gain in real GDP.

On the domestic front, however, businesses have been reluctant to turn up their investments or hiring in the province, and households have been very selective in their spending. Public-sector spending increased, although the load that administrations can carry is limited given the intense fiscal pressures that they face at all levels of government.

“Disappointment in Quebec's domestic economy also applies to a lack of vigour in the provincial job market,” explained Wright. “Year-to-date it's been stagnant – declines in private-sector jobs and full-time positions offset increases in the public sector, the self-employed and part-time positions.”

Still, RBC believes that the benefits of strong and persistent external performance will progressively spread to the domestic side. Among other things, increasing evidence that the rise in U.S. demand is no fluke will likely boost business confidence in investing and hiring in the province.

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RBC's forecast for 2015 unchanged at 1.8 per cent in anticipation of a further contribution from external trade and augmented by stronger business investment.

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 rbc.com/economics/economic-reports/provincial-economic-forecasts.html.

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