



QUEBEC'S ECONOMIC GROWTH SLOWS: RBC ECONOMICS

TORONTO, September 12, 2011 — Following an encouraging growth spurt in the early months of 2011, Quebec's economy slowed to a pause in the second quarter, according to the latest RBC Economics Provincial Outlook report. RBC forecasts that the provincial economy will underperform the national average and grow by 1.7 per cent this year. The pace will pick up in 2012 with a growth rate of 2.1 per cent.

Sluggish demand in the U.S. and a strong Canadian dollar caught up with Quebec's manufacturers in the second quarter. At the same time, changes to mortgage lending rules and deteriorating housing affordability contributed to a cool down in provincial housing sector activity.

"General weakness in Quebec's economic indicators in the second quarter is likely to be even greater than we previously anticipated – it wouldn't be surprising to see a contraction in the province's economy during that period," said Craig Wright, senior vice-president and chief economist, RBC. "Nonetheless, this economic stand-still will be short-lived, as we expect stronger growth in the U.S. economy, improved job prospects, and increased capital spending to stimulate activity in Quebec's economy going forward."

The RBC report notes that moderately accelerating growth in the United States and elsewhere in Canada will re-invigorate demand for Quebec's export products. In addition, steady improvement in the province's job market will support consumer demand.

"Going forward, increased investment in non-residential structures and equipment in the private and public sectors is likely to be a key contributor to Quebec's economic growth," added Wright. "This will generate substantial construction activity outside the residential sector. The majority of this investment will be directed at public infrastructure, electricity generation, and mining and metal refining sectors."

Despite the economic lull this spring, Quebec's job market continued to show improving trends in recent months. The provincial unemployment rate fell in July to 7.2 per cent – its lowest level in three years – before rebounding modestly to 7.6 per cent in August. RBC Economics projects that job creation will be sustained through the remainder of 2011. Overall, a total of almost 60,000 new jobs are expected to be created in the province this year.

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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 <http://www.rbc.com/newsroom/reports.html>.

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