



QUEBEC'S ECONOMY TO BE DRIVEN BY EXPORTS IN 2014: RBC ECONOMICS

TORONTO, December 12, 2013 — Following a challenging year for economic growth, Quebec's economy is positioned to modestly accelerate in 2014, according to the latest [RBC Economics Provincial Outlook](#) issued today. RBC projects Quebec real GDP to expand by 1.1 per cent in 2013, 1.7 per cent in 2014, and 1.6 per cent in 2015.

"Quebec's economic growth in 2013 has been challenged by a number of factors, including deteriorating demographic trends – mainly a rapidly slowing working-age population," said Craig Wright, senior vice-president and chief economist, RBC. "While we do expect economic growth to pick up in 2014, the new normal for the province may well be slower than what was achieved in the past."

In its most recent economic and financial update, the Quebec Ministry of Finance offered what RBC calls "a sobering assessment" of provincial economic performance in 2013, citing slower household spending and softening demand for new housing as key reasons for underperformance relative to expectations.

In fact, the RBC Outlook notes that provincial retail sales in the first nine months of 2013 grew minimally, and that housing starts were down almost 22 per cent year-to-date in October. The lack of traction in Quebec's economy appears to be mostly a domestic phenomenon, RBC says, as provincial exports continue to expand at a decent clip – 4.5 per cent year-over-year during the first three quarters of 2013.

"We expect that Quebec's key export markets will grow in 2014, underpinned by improving demand from south of the border and a weaker loonie relative to the USD," said Wright. "However, economic developments on the domestic side will add even greater strength."

After slumping to 12-year lows in 2013, RBC indicates that housing starts have very limited downside left and that construction will provide a smaller drag on the economy next year. Job creation will set the stage for stronger household spending in 2014, says RBC, following substantial losses during the first half of the 2013.

RBC also observes that the economic stimulus plan announced by the provincial government in October – which includes a variety of measures totalling \$2 billion over four years – will begin to contribute to growth in 2014. And while this plan contains growth-enhancing measures through 2016-2017, RBC says that the recently stated deficit projections of \$2.5 billion and \$1.8 billion in 2013-2014 and 2014-2015, respectively, were accompanied by a vow to further tighten spending in the medium-term.

"Beyond 2014, it is unclear how much of a stimulative impact provincial fiscal policy will have in bolstering Quebec's economic growth. The provincial government indicated that cost containment measures will play a central role in reducing the deficit," added Wright.

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

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