



QUEBEC'S ECONOMY TO SEE A RETURN TO MORE BALANCED GROWTH IN 2015: RBC ECONOMICS

TORONTO, June 3, 2015 — Quebec's economy should turn the page on the mixed economic performance so far this year with broader sectoral strength expected to drive growth in the months ahead, according to the latest [Provincial Outlook](#) issued today by RBC Economics. RBC projects real GDP growth in Quebec to pick up from 1.4 per cent in 2014 to 1.8 per cent in 2015, and 2.0 per cent in 2016.

“Earlier this year, we saw some softness in Quebec's domestic economic activity. At the same time, exporters continued to enjoy success, piggy-backing on the impressive gains made last year,” said Craig Wright, senior vice-president and chief economist, RBC. “We expect provincial performance to be slightly more balanced in the latter half of 2015 with the recent uptick in job gains – which sets the stage for a boost confidence – as well as the positive effects of lower oil prices and a more competitive Canadian dollar.”

So far this year, external trade has been the more encouraging economic story in Quebec. In fact, *Institut de la statistique du Québec* (ISQ) recently noted that real merchandise exports were up by more than 10 per cent in the first quarter of 2015 compared to the same period a year earlier, and that virtually all major exports recorded strong increases.

“Such widespread success speaks volumes about Quebec exporters' ability to capitalize on opportunities arising from a strengthening U.S. economy and the lower Canadian dollar,” Wright said. “Foreign trade will remain a key driver of growth in 2015 and should have positive implications for Quebec's manufacturers.”

The Provincial Outlook report notes that the more disappointing news in Quebec has been the performance on the domestic side of the economy –household spending hit a soft patch; construction had greater signs of weakness; housing starts tracked 29 per cent lower than a year ago in the first four months of 2015; and, homes under construction fell nearly 10 per cent year-over-year in Q1 2015. Nevertheless, there are early indications that residential construction activity may turn a corner later this year. RBC notes that home resales, which are generally an advance indicator for housing starts, rose solidly during March and April.

“After stalling in 2014, job creation in Quebec kicked off again with 50,000 net new positions added during the first four months of this year and we anticipate more are on the way,” stated Wright. “Improving employment prospects will go a long way in re-kindling household spending and in stabilizing residential construction.”

RBC says that another factor potentially weighing on confidence earlier this year was the uncertainty ahead of Quebec's provincial budget which was tabled on March 26, 2015. The provincial government ended up sticking to its commitment to balance its books in the current fiscal year through a strong emphasis on expenditure control. Following six consecutive years of deficit, RBC believes that while fiscal policy will remain restrictive in the near term, balancing the books will lift some of the uncertainty around policy.

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-economics-forecasts.html.

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