



QUEBEC'S ECONOMY POISED TO PICK UP SOME MOMENTUM IN 2013: RBC ECONOMICS

TORONTO, December 13, 2012 — Despite a lacklustre performance in 2012, Quebec's economy is poised for a slight acceleration in 2013, according to the latest [Provincial Outlook](#) issued today by RBC Economics Research. RBC forecasts provincial growth of 1.6 per cent in 2013, up from 0.9 per cent in 2012.

RBC indicates that some of the factors contributing to Quebec's economic weakness in the early part of 2012 – specifically, the six-month labour disruption at an aluminum plant, the rise in provincial sales tax in January, the warmer weather conditions and months of student protests – temporarily weighed on the province's exports, consumer spending, and demand for electricity and education.

“The disappointing performance across several sectors in Quebec, which weighed heavily on growth in 2012, will only have fleeting effects on the provincial economy,” said Craig Wright, senior vice-president and chief economist, RBC. “The reduced impact of these transitory factors, along with improving U.S. demand for Quebec exports, will brighten the province's economic prospects and drive the pace of growth next year.”

Still, RBC warns that Quebec's economy will continue to face significant headwinds, largely driven by fiscal restraints at all levels of government. In its 2013-2014 budget, the provincial government reiterated its commitment to ambitious program spending targets. These targets will translate to absolute declines in spending – in areas other than health, education and family – and will ultimately apply downward pressure on economic contributions from the public sector.

Following eight years of rapid increases, the Quebec government is reducing the medium-term infrastructure plan in its budget, which means that outright capital expenditure cuts will begin in 2013.

Beyond the public sector, RBC expects that the recent cooling in housing market activity will slow residential investment in 2013.

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As demand from the U.S. gains strength and the provincial housing market stabilizes, RBC anticipates further scope for improvement in Quebec's outlook with real GDP growth of 1.9 per cent in 2014.

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/market/pdf/provfcst.pdf.

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