



QUEBEC'S ECONOMIC PROSPECTS TO STAY THE COURSE IN 2012: RBC ECONOMICS

TORONTO, March 20, 2012 — After emerging from the recession ahead of most provinces, Quebec's economy slowed its pace in 2011 and is unlikely to bounce back in 2012, according to the latest [RBC Economics Provincial Outlook](#). RBC expects the province will continue trailing in terms of growth, with a rate of 1.6 per cent in 2012 – unchanged from 2011 – constituting the weakest back-to-back economic performance outside a recession since 1995-1996.

The provincial labour market significantly slowed late last year, with a loss of 61,000 between October and December – a drop almost as large as the 64,000 loss experienced during the 2008-2009 recession in Quebec. This rapid deterioration reverberated in the unemployment rate, which surged to 8.7 per cent by December. Employment is anticipated to eke out minor growth of just 0.2 per cent this year.

“Employment gains made in the first two months of this year weren't sufficient enough to perk up job prospects in a meaningful way, and the current disappointing labour market conditions are now a risk to consumer-dependent sectors of the economy,” explained Craig Wright, senior vice president and chief economist, RBC. “On a slightly more positive note, we expect that economic growth will pick up somewhat in 2013, with real GDP improving to 1.9 per cent due in large part to stronger expected U.S. demand.”

RBC's report notes that residential construction, manufacturing (including primary metals and machinery) and public administration in Quebec were waning in the closing months of 2011. Weakness from these areas follows on the heels of a slight contraction in the provincial economy in the second quarter and minimal growth in the third.

Though the Quebec economy will continue to lag behind the national average, RBC expects that business investment in the province will prove to be a bright spot. Statistics Canada's latest *Public and Private Investment Survey* noted that private firms intend to boost non-residential capital spending by 8.5 per cent this year, virtually all of which will take place in the mining and utilities sectors. In the public sector, capital spending is expected to increase by 5.8 per cent in 2012, up from 2.9 per cent last 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 rbc.com/economics/market/pdf/provfcst.pdf.

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