

QUÉBEC

March's decline by international exports was reined in by the aerospace boom

HIGHLIGHTS

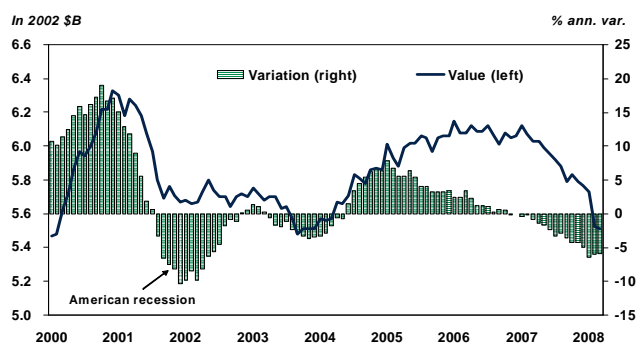
- Exports of goods abroad dipped 0.2% in real terms between February and March of 2008. This slight pullback takes the cumulative first quarter decline to 6.0% compared with the same period in 2007.
- In March, Québec's main export product—complete aircraft—recorded a monthly increase of 40.9%.
- Excluding this product, exports abroad show a larger monthly pullback of 4.2% in real terms for March.

COMMENTS

March's slight pullback by international exports is, in a way, comforting news for Québec's economy. While the overall trend is still downward, the aerospace sector boom is limiting the damage as it is less sensitive to the ups and downs of the American situation.

Just as Ontario is being hurt by the troubles in the automotive sector, Québec is benefiting from the aerospace sector's solid performance. In addition to Bombardier's aircraft deliveries, there are many engine and part suppliers in Québec. They are part of the global integration chain and a number of them even participate in building Airbus's huge A380 aircraft. CAE,

International goods exports continue to pull back



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Héroux-Devtek and Messier-Dowty are a few examples. In the context of a wavering American economy and a loonie that is hovering around parity, the aerospace sector's solid performance is helping Québec get through this period of upheaval.

Implications: Although Québec's international exports avoided a sharp drop in March thanks to the aerospace sector, the downward trend is well entrenched. We can expect deterioration over the next few months as the U.S. economy is on the verge of a recession, if not already in one. A dollar close to parity and global competition are also making things hard for exporters. Foreign trade is the weak link in Québec's economy. Even though the domestic economy has several supports, May's increase in gas prices and drop in consumer confidence show that the risks are also weighing on consumption. Real GDP should, therefore, grow 1.2% this year compared with 2.4% last year.

International exports of key products (in 2002 \$B)

	March 2008 % monthly var.	Jan.-March 2008 % annual
Finished airplanes with engines	40.9	-11.2
Aluminum and alloys	-0.5	-10.3
Aircraft engines and parts	-0.7	18.2
Newsprint	-18.2	5.4
Office machines and equipment	-7.7	-16.0
Total of all products	-0.2	-6.0

Sources: Institut de la statistique du Québec and Desjardins Economic Studies

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