WEEKLY COMMENTARY

Catching Up with Ontario's Economy

Is Quebec On Track? Is Per Capita Comparison the Thief of Joy? Or an Analytical Trap?

Yes

By Sonny Scarfone, Principal Economist

To illustrate the limits of average-based measurements, here's an example from a past life teaching economics and statistics classes: Imagine a café located right next to the university. Twenty or so people are sitting inside. Almost all of them are students, earning student wages. Then, all of a sudden, the highest-paid player from [your local NHL team] walks in. If you look at the *average* income in this café, this café now appears to hold 21 millionaires. But the *median* patron is still just a first-year who's thinking about next month's rent.

Of course, when we're looking at the economic performance of an entire region, we often use averages. These data require little statistical treatment, which is a plus. But median values may be preferred, when available, as they're less sensitive to outliers.

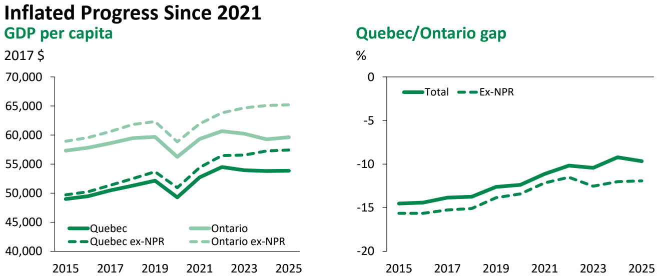
GDP Per Capita

Outgoing premier François Legault has long been concerned by Quebec's wealth gap with Ontario—indeed, closing this gap was a priority of his well before his first term began in 2018. And now many are reviewing his record through the lens of economic performance.

GDP per capita is a logical point of comparison. Quebec and Ontario have the most structurally similar economies, their supply chains are often interconnected and the two provinces are competing for international investment. Traditionally, progress on this front is measured using GDP per capita—the average economic output per person in the population.

And if we compare Quebec's ratio to Ontario's, it looks like Legault has achieved his goal: Quebec is indeed catching up. As shown with the solid line in graph 1, the difference between

Graph 1
Per Capita GDP: Quebec Is Catching Up—but Composition Effects Have Inflated Progress Since 2021



ex-NPR: Excluding non-permanent residents
Statistics Canada and Desjardins Economic Studies

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Quebec's GDP per capita and Ontario's shrunk from 13.7% in 2018 to 9.2% in 2024 before widening to 9.7% in 2025, according to our estimates. Put plainly, the gap was at its narrowest in 2024.

On the left, you can see that GDP per capita has risen 5% in Quebec since 2018 and just 0.3% in Ontario. But these average measurements are influenced by other factors, not the least of which is divergent demographic growth.

This is similar to our café example, but on a grander scale. When individuals with a different economic profile move to a province, it doesn't necessarily mean that the residents who were there *ex ante* will see their individual wealth levels rise or fall… but the average can be impacted.

The dotted lines in graph 1 on page 1 show the change in GDP per capita once we strip out non-permanent residents (NPRs)[1], whose population has grown substantially, especially from 2022 onward. This category includes individuals who generally earn incomes that are below the average for the native-born population, at least for their first few years in Canada. By cross-referencing various Statistics Canada data as of July 1, we see that the share of NPRs in Ontario's population increased by 4.7 percentage points between 2018 and 2025, reaching 8.6%, compared with a 3.9-point rise in Quebec, where it stands at 6.2%.

This difference in demographic composition may be influencing how we view Quebec's economic performance. From this angle, the province has also continued to catch up, as GDP per capita (ex-NPR) kept growing at a faster pace in Quebec than in Ontario, up 9.4% from 2015 compared to 5.5%. Over that same period, the corresponding gap narrowed from 15.1% to 11.9%. That said, Quebec's relative progress appears to have stalled since 2022; from then on, Ontario's changing demographic makeup begins to weigh more heavily on the indicator.

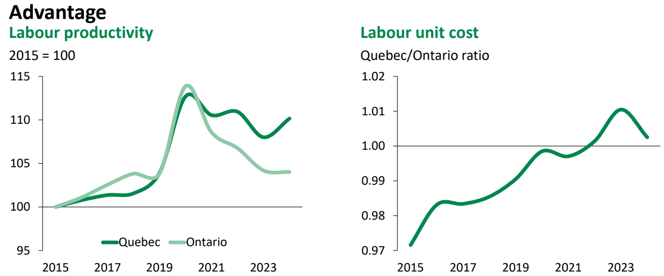
Verdict: Quebec is catching up, but a composition effect may be artificially inflating the province's relative gains since 2022.

Productivity

As we enter a period of slower demographic growth, when the working-age population is expected to stagnate at best, productivity is emerging as the holy grail of economic prosperity. In terms of productivity, Quebec has fared better than Ontario recently.

Between 2015 and 2024, productivity rose 10.2% in Quebec versus 4% in Ontario (graph 2). All the same, it's worth pointing out that there have been no net gains since 2022. The pandemic years do complicate interpretation of these data: here again, composition effects are muddying the waters. Public health restrictions disproportionately affected sectors that typically have lower average productivity, which gave overall productivity an artificial, temporary boost. Productivity has been flat in Quebec since 2022, while it has fallen about 3% in Ontario. Although no causal relationship can be inferred from composition effects alone, this turning point coincides with the demographic changes discussed earlier, specifically the increase in NPRs.

Graph 2
Productivity: Quebec Has Been Catching Up, but Lost Its Competitive Advantage



Statistics Canada and Desjardins Economic Studies

We can also see that Quebec's competitive advantage in terms of unit labour costs has steadily deteriorated over the last decade. Unit labour costs, defined as the ratio between compensation per hour worked and real value added per hour, went from 0.58 in Quebec in 2015 (versus 0.60 in Ontario) to 0.80 in 2024 (versus 0.79 in Ontario).

Here again, it's worth remembering the problem with relying on averages. But this time, sector composition effects do not materially change the conclusion. In 2015, 5 of the 19 business sectors surveyed by Statistics Canada, representing 31% of jobs in Quebec, had a higher unit labour cost than in Ontario. In 2024, this proportion had grown to 12 out of 19 sectors, accounting for 67% of the province's jobs.

Verdict: Quebec has definitely been catching up, although those relative productivity gains have not led to any competitive advantage in terms of unit labour costs. While these productivity gains may boost wages for workers in the short term, they may also undermine Quebec's business competitiveness and investment appeal if rising labour costs outpace productivity improvements.

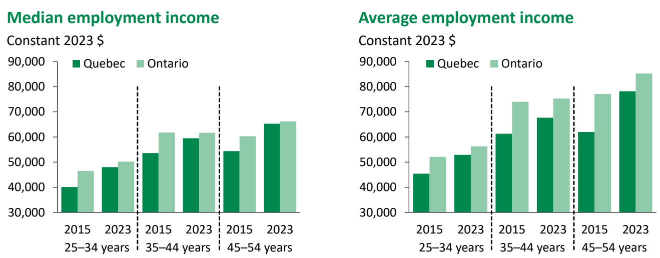
[1] NPR contributions to GDP cannot be measured precisely. This indicator isn't meant to be read on its own; instead, it shows how changes in demographic composition affect the per capita average differently in the two provinces.

Employment Income

The picture is much clearer when it comes to income, although some compositional effects may still be in play. However, this indicator also has an advantage: the median is available, broken down by age group, which makes it possible to draw conclusions that apply to a larger share of the population. We can thus better assess Quebec's progress in this area.

In 2015, Ontario's median employment income for each age group exceeded that of Quebec by more than $5,500. By 2023, the last year for which data are available, the gap had narrowed significantly across all age groups, to $2,200 at most (graph 3).

Graph 3
Income: Quebec Has Indisputably Been Catching Up



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On the one hand, some might argue that Quebec's taxation system—more progressive and burdensome than Ontario's—might not be reflected by a narrowing of the net income gap, to the detriment of Quebec households. But this is an overly simplistic reading of the situation. In return for those taxes, Quebecers benefit from a higher level of provincial public services, and Pierre Fortin's research [in French only] shows that several indicators, after cost-of-living adjustments, suggest that Quebec's economy has already caught up to Ontario's in many ways.

That said, there is still a gap in average employment income, though we know that there are limits to what this average can tell us. With Quebec's economy facing high budget deficits, rising healthcare costs and less favourable demographics, progress on this indicator would represent additional support, both for the sustainability of public finances and Quebec's capacity to offer more qualified, attractive employment opportunities.

Verdict: Quebec has been catching up to Ontario, indisputably.

Conclusion

The analysis is fairly clear: On three key metrics, Quebec's economy is managing to catch up to Ontario's. Yes, Quebec did well. Yes, the province fared better coming out of the pandemic. But we also need to admit that, if Quebec is indeed catching up, it is in part because Ontario's performance has been weaker of late.

All the same, Ontario's economy is still the most comparable to Quebec's, and as such is a worthwhile benchmark—even though the former is home to most of Canada's corporate headquarters and benefits from that concentration of industry. While these indicators may be useful for comparative analysis, one should keep in mind that in many ways, they can be a poor gauge for measuring real economic well-being [in French only]. And as Theodore Roosevelt once said (or didn't; the origin of the quote is still contested), comparison may be "the thief of joy."

What to Watch For

UNITED STATES

* **Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.**

TUESDAY February 10 - 8:30

December	m/m
Consensus	0.4%
Desjardins	0.5%
November	**0.6%**

Retail sales (December) – After a slight decline in October, retail sales returned to growth in November. The upward trend is expected to have continued in December. Total sales likely benefitted from another strong gain in auto sales, among other things. However, we expect a somewhat negative contribution from gas station receipts. Excluding these sectors, the indicators are quite mixed. On the one hand, some figures for credit card transactions were weak. On the other hand, preliminary weekly data from the Federal Reserve Bank of Chicago paint a fairly positive picture. December's slight acceleration in consumer goods prices, especially in grocery stores, restaurants and clothing stores, may have supported retail sales values. All in all, we expect a 0.5% increase in total retail sales and a 0.4% gain in sales excluding motor vehicles and gasoline. January 2026 performance will likely be much weaker due to a decline in new car sales and bad weather in the United States.

WEDNESDAY February 11 - 8:30

January	
Consensus	70,000
Desjardins	85,000
December	**50,000**

Change in nonfarm payrolls (January) – Even though it was relatively short, the government shutdown that began on Saturday and ended Wednesday has nonetheless delayed the release of certain indicators. Job numbers, which were originally scheduled for release on Friday, February 6, will now be published on Wednesday, February 11. Here's what we wrote last week about these numbers: After losing a whopping 173,000 jobs in October, the US labour market made positive but modest gains in November (+56,000) and December (+50,000). We expect a slightly better January print. Unemployment claims have been low so far this year, but consumers are quickly losing confidence in their ability to find a job. Meanwhile weekly data from ADP showed modest employment growth between the December and January reference weeks. All told, we expect the US economy to have added 85,000 jobs in January. But remember that the January report will include the annual revision to the establishment survey data, which might change things. We know that total employment for March 2025 will be revised lower, but we don't know the month-over-month figures or the revisions to subsequent months. The unemployment rate likely remained unchanged at 4.4%.

THURSDAY February 12 - 10:00

January	ann. rate
Consensus	4,210,000
Desjardins	4,100,000
December	**4,350,000**

Existing home sales (January) – Existing home sales posted four consecutive monthly increases at the end of 2025. This extended uptrend included a 5.1% gain in December, the strongest monthly increase since February 2024. However, we expect January's results to show a clear slowdown in momentum. Pending home sales plunged in December, marking their largest month-over-month drop since 2010 (excluding the early months of the pandemic), and this will likely weigh heavily on January sales. Severe weather probably also dampened activity. We expect existing home sales to come in at roughly 4.1 million units. Regional data set for release between now and Thursday should provide a clearer picture.

FRIDAY February 13 - 8:30

January	m/m
Consensus	0.3%
Desjardins	0.3%
December	**0.3%**

Consumer price index (January) – CPI inflation accelerated in December after months of muted gains. We expect the all items index to have risen another 0.3% in January despite lower gasoline prices. Food prices are likely to post another strong increase, albeit slightly below the 0.7% recorded in December. Core CPI, which excludes food and energy, likely firmed, led by goods (partly due to tariffs) and by services excluding shelter and energy. After a 0.4% gain in December, shelter costs are expected to have edged up more slowly. Overall, core CPI is expected to have risen 0.3% in January after a 0.2% increase the previous month. The year-over-year change in the all items index should edge down again to 2.5% from 2.7%, with core inflation likely easing to 2.5% from 2.6%.

OVERSEAS

TUESDAY February 10 - 20:30	
January	**y/y**
Consensus	0.4%
December	**0.8%**

China: Consumer price index (January) – The year-over-year change in China's CPI is expected to have remained just barely in positive territory, consistent with the low inflation seen in recent months. This reflects the continued weakness in domestic demand and the absence of significant cost pressures. It also aligns with the downtrend observed in 2025 across several basket components—including energy, transportation and food—which has significantly held back consumer prices. Overall, we expect January data to point to a gradual pickup, but it likely won't be enough to materially alter the country's monetary policy stance in the near term.

THURSDAY February 12 - 2:00	
Q4 2025	**q/q**
Consensus	0.2%
Q3 2025	**0.1%**

United Kingdom: Real GDP (Q4) – The UK economy slowed through the spring and summer of 2025, and we expect fourth-quarter data to show sluggish real GDP growth. Although monthly GDP growth was stronger in November (+0.3%) than in October (-0.1%) and September (+0.1%), quarterly carryover remained weak. The December indicators available so far are encouraging, including retail sales and PMI readings. The Bank of England's Monetary Policy Report published on Thursday forecast a 0.1% uptick in fourth-quarter real GDP.

Economic Indicators

Week of February 9 to 13, 2026

*** Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.**

Day	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 9	13:30	Speech by Federal Reserve Governor C. Waller				
	14:30	Speech by Federal Reserve Governor S. Miran				
	15:15	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
	17:00	Speech by Federal Reserve Governor S. Miran				
TUESDAY 10	8:30	Employment cost index (q/q)	Q4	0.8%	0.8%	0.8%
	8:30	Export prices (m/m)	Dec.	n/a	0.0%	n/a
	8:30	Import prices (m/m)	Dec.	n/a	0.0%	n/a
	8:30	Retail sales				
		Total (m/m)	Dec.	0.4%	0.5%	0.6%
		Excluding automobiles (m/m)	Dec.	0.4%	0.3%	0.5%
	10:00	Business inventories (m/m)	Nov.	0.2%	0.2%	0.3%
	12:00	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
	13:00	Speech by Federal Reserve Bank of Dallas President L. Logan				
WEDNESDAY 11	8:30	Change in nonfarm payrolls	Jan.	70,000	85,000	50,000
	8:30	Unemployment rate	Jan.	4.4%	4.4%	4.4%
	8:30	Average weekly hours	Jan.	34.2	34.2	34.2
	8:30	Average hourly earnings (m/m)	Jan.	0.3%	0.3%	0.3%
	10:15	Speech by Federal Reserve Vice Chair M. Bowman				
	14:00	Federal budget (US$B)	Jan.	n/a	n/a	-144.7
THURSDAY 12	8:30	Initial unemployment claims	Feb. 2–6	222,000	224,000	231,000
	10:00	Existing home sales (ann. rate)	Jan.	4,210,000	4,100,000	4,350,000
	19:00	Speech by Federal Reserve Bank of Dallas President L. Logan				
	19:05	Speech by Federal Reserve Governor S. Miran				
FRIDAY 13	8:30	Consumer price index				
		Total (m/m)	Jan.	0.3%	0.3%	0.3%
		Excluding food and energy (m/m)	Jan.	0.3%	0.3%	0.2%
		Total (y/y)	Jan.	2.5%	2.5%	2.7%
		Excluding food and energy (y/y)	Jan.	2.5%	2.5%	2.6%
CANADA						
MONDAY 9	---	---				
TUESDAY 10	---	---				
WEDNESDAY 11	8:30	Building permits (m/m)	Dec.	n/a	4.9%	-13.1%
	13:30	Release of the Bank of Canada Summary of Deliberations				
THURSDAY 12	8:45	Speech by Bank of Canada Senior Deputy Governor C. Rogers				
FRIDAY 13	---	---				

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of February 9 to 13, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 8							
Japan	18:50	Current account (¥B)	Dec.	2,957.1		3,137.8	
MONDAY 9							
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TUESDAY 10							
France	1:30	ILO unemployment rate	Q4	7.7%		7.7%	
China	20:30	Consumer price index	Jan.		0.4%		0.8%
China	20:30	Producer price index	Jan.		-1.5%		-1.9%
WEDNESDAY 11							
Italy	4:00	Industrial production	Dec.	-0.5%	2.8%	1.5%	1.4%
Japan	18:50	Producer price index	Jan.	0.2%	2.3%	0.1%	2.4%
THURSDAY 12							
Germany	---	Current account (€B)	Dec.	n/a		15.1	
United Kingdom	2:00	Trade balance (£M)	Dec.	n/a		-6,116	
United Kingdom	2:00	Construction	Dec.	0.5%	-0.1%	-1.3%	-1.1%
United Kingdom	2:00	Index of services	Dec.	0.1%		0.3%	
United Kingdom	2:00	Monthly GDP	Dec.	0.1%		0.3%	
United Kingdom	2:00	Real GDP – preliminary	Q4	0.2%	1.2%	0.1%	1.3%
United Kingdom	2:00	Industrial production	Dec.	0.0%	1.5%	1.1%	2.3%
FRIDAY 13							
Eurozone	5:00	Trade balance (€B)	Dec.	n/a		10.7	
Eurozone	5:00	Net change in employment – preliminary	Q4	n/a	n/a	0.2%	0.6%
Eurozone	5:00	Real GDP	Q4s	0.3%	1.3%	0.3%	1.3%
Russia	5:30	Bank of Russia meeting	Feb.	16.00%		16.00%	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).