

QUEBEC

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Investment outlook: slight growth forecast for 2014

HIGHLIGHTS

- According to Statistic Canada's annual survey, both private and public investment intentions are up for the year. A total increase of 2.0% is expected in Quebec, just above the 1.4% gain for Canada.
- Private sector investment should grow by 2.0% this year in Quebec and 1.3% in Canada.
- The public sector's contribution will be about the same in Quebec and Canada, rising around 2%. Both cases represent a definite deceleration compared to 2013.
- In Quebec, total capital expenditures should rise 1.2% in residential and non-residential construction and 4.1% in machinery and equipment.
- In the manufacturing sector, investment is forecasted to grow 4.1% in Quebec and 4.7% in Canada.

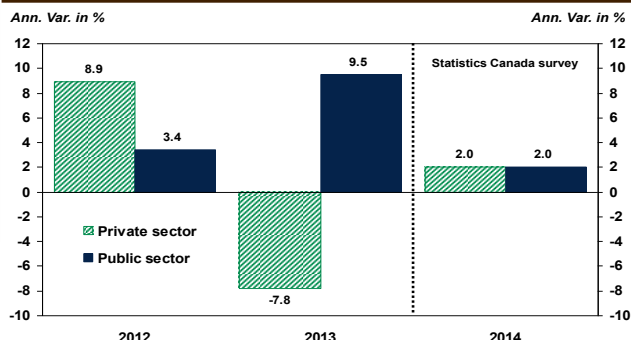
COMMENTS

Weak 2014 growth in investment intentions in Quebec are quite in line with our expectations. A growth outlook that is well-balanced between the private and public sectors is comforting. Another positive sign appears out of the increase stemming from both capital expenditures in construction and investments in machinery and equipment.

From a sector perspective, a major slump in investments should affect utilities (-16.6%) and retail trade (-15.6%). The transportation and warehousing industry shines with a 22.1% investment growth forecast.

The manufacturing sector—critically important for Quebec's exports—will shift focus to equipment modernization. In fact, the 4.1% total increase in manufacturing investment is based solely on the sharp 12.3% jump in investment in machinery and equipment. Forecast investments in plant construction projects are down by nearly 20% for 2014.

Private and public investment intentions will be up this year



Sources: Statistics Canada and Desjardins, Economic Studies

Implications: A slightly higher investment outlook for 2014 is both reassuring and disappointing. While positive for the economy, the contribution will be insufficient to see real GDP growth accelerate this year. The faster economic pace will initially stem from international trade. Despite some recently released less-than-stellar statistics in the United States, economic growth should continue apace and stimulate exports from Quebec. That said, even an anemic increase in private and public investment will be valuable to Quebec's economy. To achieve the 1.8% real GDP growth forecast in our scenario, Quebec will need more than one driver of growth.

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