

ECONOMIC NEWS

Quebec: Best performance by real GDP since the start of the decade

HIGHLIGHTS

- ▶ Real GDP grew an annualized 2.2% in the fourth quarter of 2016.
- ▶ The Institut de la statistique du Québec has also upgraded the numbers for previous quarters.
- ▶ For 2016 as a whole, real GDP growth stands at 2.0%, the biggest increase since 2010.
- ▶ All components of domestic demand contributed to growth in 2016.

COMMENTS

Along with robust economic growth in the last quarter of 2016—well above expectations—the changes made to previous quarters paint a very nice picture for Quebec.

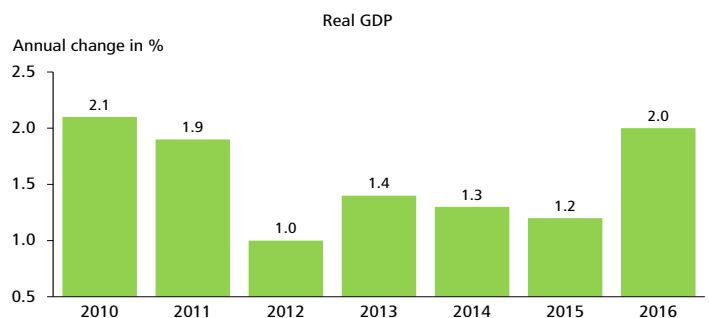
On one hand, after three years of lethargy, the domestic economy emerged from its slumber. Domestic demand grew an annual 2.1%, the strongest advance since 2011, allowing real GDP to pick up its pace. The strong comeback by consumers, helped by good job creation and tax relief that boosted households' disposable income, made the difference in 2016.

Government spending also contributed to economic growth; after declining for several years, it turned around last year. Business investment ended a long downward trajectory. The uptick in investment in machinery and equipment and non-residential construction was not expected, given the figures published previously, but the result is welcome. The housing sector also did well thanks to an upswing in new construction (+3.2%), renovation spending (+1.6%) and home resales (+5.3%).

The only disappointment comes from exports, which were almost flat in 2016. Shipments to other provinces and countries are

GRAPH

Economic growth rises to 2% in 2016



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

behind the weakness. Imports edged down, allowing the trade deficit to decline slightly to \$6.6B in 2007 dollar.

IMPLICATIONS

The results released this morning substantially improve the reading of Quebec's economy. The strong contribution from domestic demand, supported by each of its components, strengthens the foundation for economic growth and raises the outlook for 2017. Given the substantial upside changes to each quarter of 2016, we are changing our forecast for real GDP growth (set at 1.7% a few weeks ago) to a faster pace, which should be in the neighbourhood of 2% in 2017.

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