

QUEBEC

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International exports climb, but investment slides

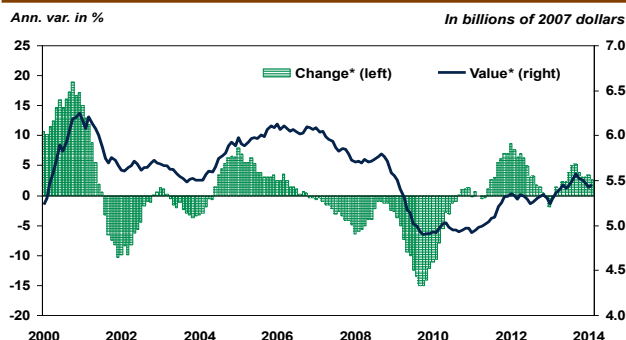
HIGHLIGHTS

- Real exports of goods abroad rose 5.7% in February after dropping the month before. The cumulative volume for the first two months of 2014 posted growth of 4.6% from the same period in 2013.
- The main products driving international exports in February included aircraft and electronic equipment.
- In terms of the main destinations, the data (not seasonally adjusted, in current dollars) shows monthly gains of 2.7% in exports to the United States and 25.5% to Asia. However, shipments to Europe plunged 12.9%.
- In real terms, goods imports from abroad slipped 1.7% from January to February, posting a cumulative drop of 3.3% from the first two months of 2013.
- The Statistics Canada survey on investment in non-residential construction shows a 5.9% decrease in the first quarter of 2014. Amounts invested by businesses are off in the industrial (-16.6%) and commercial (-7.2%) sectors. However, institutional investments by governments recorded quarterly growth of 2.6%.

COMMENTS

February's recovery by international exports is encouraging, but they will have to rise further in the coming months for international trade to really take off. Shipments will continue to rely on the United States and Asia, the respective destinations for 70% and 10% of exported products. The U.S. economy's acceleration, which will hit a pace of nearly 3% this year, and demand from Asia will favour exports. Quebec's exports to Europe could stabilize this year, at best.

International exports are recovering



*8-month moving average
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

The pullback by imports reflects the province's sluggish domestic economy. Weak consumer spending, especially auto sales, is largely responsible for the slump in imports. In 2013, passenger cars were the main product Quebec imported from the United States and Asia. Imports from Europe are dominated by oil and are also down from the start of the year. Overall, the rise in exports combined with falling imports should decrease Quebec's sizable trade deficit.

Implications: The increase in exports and lower business investment are in line with the assumptions in our forecast scenario for 2014. While business investment was expected to fall this year, the figures for the first quarter are a harsh return to reality. Although Quebec's economy can rely on improved international trade this year, a positive contribution from business investment would have gone a long way to solidifying economic growth.

Hélène Bégin
Senior Economist

François Dupuis
Vice-President and Chief Economist

Yves St-Maurice
Senior Director and Deputy Chief Economist

418-835-2450 or 1 866 835-8444, ext. 2450
E-mail: desjardins.economics@desjardins.com

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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