

## ECONOMIC NEWS

# Quebec: Real GDP Off to a Strong Start in 2019

### HIGHLIGHTS

- ▶ Real GDP rose an annualized 2.4% in Q1 2019, compared with 3.0% for the last quarter of 2018.
- ▶ This rate significantly outpaced Canada's, which posted less than 0.5% annualized growth in real GDP for the same period.
- ▶ Domestic demand in Quebec rebounded in the first quarter, growing 3.7% (annualized).
- ▶ Renewed consumer spending was the primary driver of this growth.
- ▶ Residential investment also rose 3.5% (annualized) in Q1. New construction and renovation spending were up while the costs relating to sales of existing properties remained steady.
- ▶ Still, business investment fell in the first quarter. Corporate net profits decreased for the second quarter in a row.
- ▶ International exports plummeted in Q1, while those to the other provinces strengthened.
- ▶ Total exports fell more than imports, and the trade deficit bottomed out at \$18.8B in 2012 dollars in Q1.
- ▶ The hike in real GDP for 2018 has now been calculated at 2.5%, not 2.1% as previously released, due to statistical revisions.

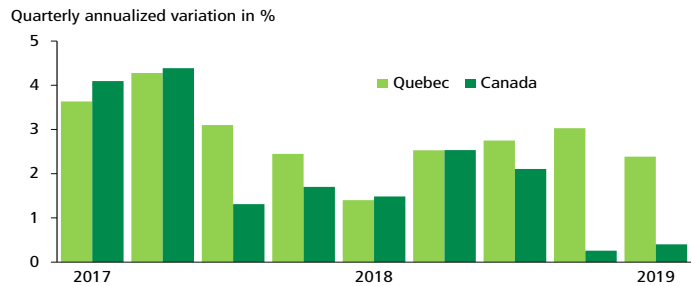
### COMMENTS

The Quebec economy is still humming along at a solid, yet less sustained, pace than in the second half of 2018. Two opposing trends are shaping up for individuals and businesses.

On the one hand, households are behind the rise in consumer spending and residential investment. The favourable labour market is feeding the sharp increase in income and the rise in the savings rate to 5.9% in Q1.

### GRAPH

#### Quebec's real GDP growth remains well above Canada's



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

On the other hand, business indicators—investment, international exports and corporate net profits—are pointing down. The slowdown in the global economy and rising trade tensions have clearly been having an impact until now.

### IMPLICATIONS

Quebec's economy is strong, but the outlook for businesses is less than rosy. Still, the 2.4% (annualized) rise in real GDP in Q1 is an excellent start to the year. Furthermore, the upward revisions for 2018 that saw economic growth of 2.5%, not 2.1%, are painting an even brighter picture. Even if the international economic situation continues to deteriorate for businesses, households will help to soften the blow. As a result, the rise in real GDP should hover around 2% this year.

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