

QUEBEC

The surge in industrial construction puts an end to the pullback in business investment

HIGHLIGHTS

- Investments in non-residential private and public buildings fell 7.2%, annualized, in the second quarter of 2015.
- The fall stems from an 18.1% quarterly annualized slide in the institutional sector, mainly in healthcare establishments. For businesses, stability in the second quarter ends the period of decline.
- Investments in industrial buildings finally turned around in the second quarter. The 5.8% annualized increase is the first in almost two years.
- Yet investments in commercial buildings fell 1.1% on an annualized basis in the second quarter.

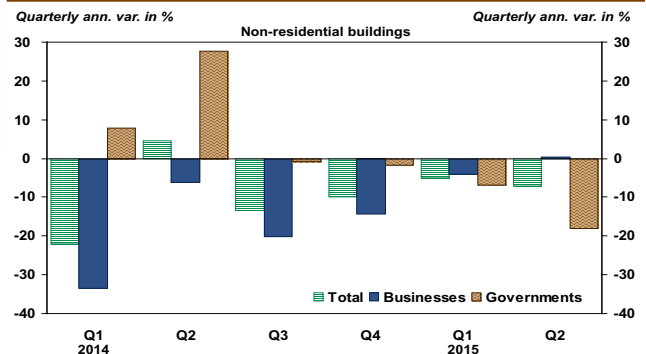
COMMENTS

Despite the overall downturn in non-residential building investment in Quebec, there is some good news upon deeper analysis. First, stability in business investment is a step in the right direction. This puts an end to the downward trend prevailing for close to two years, and gives hope that a turnaround is close at hand.

Next, our forecast scenario that called for an upturn in industrial investment during 2015 still applies. The gains will have to continue in the coming quarters before we can call it a victory. For now, business leader confidence remains fairly low in Quebec, which gives rise to caution. Nonetheless, the recovery in industrial investment is encouraging.

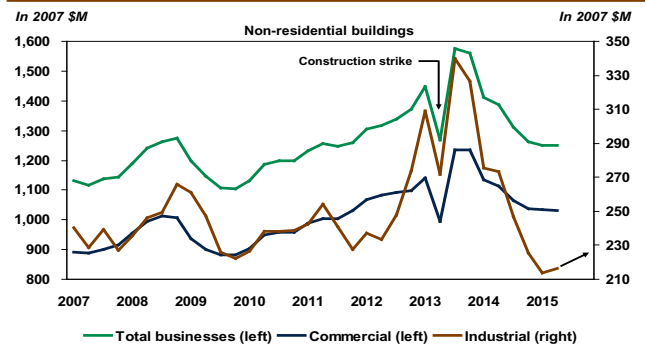
Across the country, non-residential construction by businesses suffered a third consecutive decline. The decline affects both the commercial sector and the industrial sector, while government investment is still on the rise. The difficulties in the Canadian economy, afflicted by low oil prices, explain the downturn in investment.

Investment in non-residential buildings stabilizes for businesses, but falls for the government



Sources: Statistics Canada and Desjardins, Economic Studies

Investment in industrial buildings start a timid recovery



Sources: Statistics Canada and Desjardins, Economic Studies

Implications: The period of decreases should conclude during 2015, at least for the industrial sector, which is benefiting from favourable conditions. The dynamics of the U.S. and Ontario economies, and the weakness of the loonie and oil prices, should allow Quebec to perform better on investments.

Hélène Bégin
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoît P. Durocher
Senior Economist

Francis Généreux
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com