The Québec economy is showing some worrying signs

For the fifth consecutive year, the Fédération des chambres de commerce du Québec (FCCQ) is publishing its annual indicator. It is apparent that productivity in Quebec is growing, but not at the same pace as the rest of Canada. Many challenges will have to be overcome in the next few years in order to ensure a long period of economic growth. Some regions will fare much better than others.

Access to venture capital and the number of entrepreneurs are among the indicators that will require monitoring in the coming years.

Following the 2008 financial crisis, access to venture capital was substantially reduced. While the situation improved slightly in 2009, the signs for 2010 are a cause for considerable concern. We are far from 2005 levels, and many businesses no longer have access to capital to kick-start their growth. In 2005, some 297 businesses had access to capital compared with only 174 last year.

After an increase in recent years, the number of Quebec businesses declined in 2010. This also is an disturbing sign that Quebec is facing a major problem of entrepreneurial succession.

For the first time, the manufacturing industry has fallen below the bar of 15% of GDP. This weakening of an economic sector that is vital to the creation of jobs and value runs the risk in the mid-term of dampening Québec’s economic growth. One fact worth noting is that no other sector appears capable to replace the losses seen in the manufacturing sector.

In 2009, Québec recorded fewer hours worked than in previous years, most likely the result of job losses and retirements. In contrast, productivity per hour worked increased in Québec. Still, the gap with the rest of Canada remains very wide. While the trend is for that gap to narrow, the speed at which productivity is increasing leaves little reason to expect that Québec will catch up with the productivity of neighbouring provinces in the mid-term.
Nord-du-Québec

The region continues to experience a boom. Hydroelectric projects and the price of raw materials are contributing to this phenomenon. Regional GDP grew by 5.5% last year. However, this growth was not uniform across the region. The mining sector, which is the region’s mainstay, is the driving force behind this growth. The non-mining sectors, particularly construction and transportation, also contributed to the region’s economic growth. The construction sector is expected to continue to grow in the coming years, driven by the development projects in the mining and hydroelectric sectors. The transportation sector is also expected to benefit from the construction of new roads and infrastructure projects. Overall, the region’s economy is expected to continue its strong performance in the coming years.

Saguenay-Lac-Saint-Jean

Of note in this region is the importance of the primary and secondary sectors to the regional economy. Agriculture, forestry and manufacturing remain the wealth-creating sectors. Regional growth was very good last year, at 5.1% of GDP. However, this growth has slowed in the past two years, and the region’s per capita GDP and that of Quebec as a whole are now below pre-crisis levels. The employment rate has remained relatively stable, suggesting a strong labor market.

Montréal

This metropolitan region remains Quebec’s main production and economic development region, accounting for 23% of the province’s GDP. However, the economic engine has slowed down. In the past five years, GDP growth has been slower in the region than in Quebec as a whole. Montreal’s strength lies in its service sector, with a regional GDP that is higher than that of Quebec as a whole. The region’s per capita GDP is higher than that of the rest of the province. The manufacturing sector plays a crucial role in the region’s economy, with a regional GDP that is twice that of the rest of the province. The service sector is also important, with a regional GDP that is higher than that of the rest of the province. Overall, the region’s economy is strong and is expected to continue to grow in the coming years.

Capitale-Nationale

This region is the economic powerhouse of Quebec. The region’s per capita GDP is the highest of all the regions in Quebec. However, this growth has been slower in the past two years, and the region’s per capita GDP is now below pre-crisis levels. The employment rate has remained relatively stable, suggesting a strong labor market.

Chaudière-Appalaches

This is a highly diversified region. Home to major industries, Chaudière-Appalaches also has a strong agricultural sector. In the past five years, the region has undergone significant changes, with the manufacturing sector experiencing a decline and the service sector growing. The region’s per capita GDP is lower than that of Quebec as a whole. The manufacturing industry is the region’s economic foundation, with a GDP that is higher than that of the rest of the province. The service sector is also important, with a regional GDP that is lower than that of the rest of the province. Overall, the region’s economy is strong and is expected to continue to grow in the coming years.

Estrie

This region is economically diverse but without the kind of high-growth seen in resource-based regions. Fueled by the price of raw materials. The manufacturing sector’s importance and the drop in exports have dampened the region’s growth. In 2006, the regional per capita GDP was higher than that of Quebec as a whole. This gap has been widening since 2006. The manufacturing industry is the region’s economic foundation, with a GDP that is lower than that of Quebec as a whole. The service sector is also important, with a regional GDP that is lower than that of the rest of the province. Overall, the region’s economy is strong and is expected to continue to grow in the coming years.

Côte-Nord

This region shows signs of an economy in full expansion. Driven by the price of raw materials, the region’s GDP grew at an average annual rate of 2.5% between 2005 and 2010. The region’s primary and secondary sectors account for 61% of Côte-Nord’s economy, compared with 26% for Quebec as a whole. In 2010, more than 14% of the population lived in mining and forestry. To support the expansion of resource development projects, the government has allowed for up to six percentage points each year, primarily to the construction and manufacturing sectors. The employment rate was up six percentage points last year, gradually nearing the Quebec average. With the anticipated development, the region’s economic activity is likely to lead the way in terms of growth.

Capitale-Nationale

This region’s economy is the most stable in Quebec due to large part of the strong performance of Quebec’s public services (15.6% of the region’s GDP). Last year’s GDP growth was similar to that of Quebec as a whole. The region’s per capita GDP has been historically higher than that of Quebec and that of the rest of the province. This gap has been narrowing since 2005. The region’s per capita GDP has been generally lower than that of Quebec as a whole throughout the past five years, except for 2010. Laval’s economy is strongly concentrated in the service sector, with a GDP share that is twice that of the rest of the province.

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