ECONOMIC ALERT FOR QUÉBEC

Low productivity: Sign of a dwindling economy

This was the FCCQ’s take on the Québec economy at the end of 2008, as the largest financial and economic crisis in history got under way. Although the year-end figures for 2009 are not yet available, it is quite possible that the situation has not improved since.

It is understandable that our economy would slow down during a worldwide crisis, but nothing justifies our drop in productivity or the growing productivity gap between Québec and the country as a whole.

A shaky recovery

Considering the extent of the financial crisis in 2008, Québec businesses naturally focused on weathering the economic storm and adopting a defensive attitude. What it is important to realize from this pre-recession snapshot is that, once the meltdown has begun to subside, Québec will not be in a position of strength to kick-start its economy. Except for the energy sector, productivity and wealth creation are not going to be part of the picture. The outlook is therefore alarming.

The experts all agree: wealth is created by increasing productivity in businesses, government agencies and crown corporations. As things stand now, however, neither the private nor the public sector is poised to make this happen. But, if we don’t drive productivity, we will be condemned to falling further and further behind the economic curve.

It isn’t too late, but we have to act. Now!

Businesses and governments cannot continue to turn a blind eye to the warning lights that are flashing all around us in this economic environment.

In times when qualified workers are scarce, we must concentrate our efforts on factors that help boost productivity, such as:

- investments in machinery and equipment
- investments in R&D and technology transfer
- workforce training, especially in high-demand sectors
- investments in technological infrastructure

If there is one message in this economic alert that we want to stress above all others, it is that we need to stop stretching our already overextended resources and work together—private and public sector alike—in order to win the productivity battle. We have the power to address the situation and even to turn it around to our favour. All we have to do is commit to it.
The unemployment rate in the area dropped well above the provincial average of 0.78%. As a result, the economy in Abitibi-Témiscamingue held firm, posting 2.4% GDP growth in 2008.

The region’s performance in terms of the labour market has been excellent, with 11,900 jobs created in 2008. This represents an increase of 6.3%, placing the region in 1st place for job growth. The northern part of the Laurentides region was dealt a major blow by cutbacks in the forestry industry. This in turn had ripple effects on various industries that make up the region’s economic fabric, including tourism and real estate.

Despite the fact that the price of certain staple commodities fell dramatically at the end of the year, the job market continued to pick up momentum in the Capitale-Nationale area, with the creation of 4,400 jobs in 2008. Unemployment eased from 4.9% to 4.6%, the lowest rate in Quebec.

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In Montreal, which accounts for 35% of economic activity in Quebec, there were still signs of sluggishness in 2008. GDP growth on the Island of Montreal was 1.8%, which stimulated the creation of 6,200 new jobs. Unemployment remained high, however, at 8.7% for the year.

Among the top performers in terms of employment creation was the Outaouais region, with 11,000 more jobs in 2008, propelled by an outstanding 6.9% growth in the economy, compared to the Quebec-wide result of 1.9%.

Economic growth in most of the regions throughout the province was solid in 2008. Despite the harsher economic conditions, they succeeded in maintaining positive growth, although to a much lesser extent.

It is not surprising to note that growth was particularly slow in economies traditionally dominated by manufacturing sectors, i.e., the Centre-du-Québec, Chaudière-Appalaches, Côte-Nord, Mauricie and Saguenay–Lac-Saint-Jean regions.

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