

## The eight key areas of analysis

### Entrepreneurship

- ▶ Growth in the size of companies and number of entrepreneurs was strong.
- ▶ Entrepreneurship renewal and seed and start-up venture capital remained weak.

### Industrial structure

- ▶ Québec's industrial structure was slow to shift to higher value-added activities.
- ▶ This finding can be explained by manufacturing industry problems, service sector growth and a relative decline in the technological level of our exports.

### Productivity

- ▶ The productivity gap between Québec and Ontario and Canada decreased in 2007.
- ▶ Investment in machinery and equipment, a major productivity lever, remained relatively weak.

### Qualified Workforce

- ▶ The job market had a great year in 2007, due mainly to a low unemployment rate, a rising level of education and an extension in the work life of Québécois.
- ▶ The lack of qualified workers continued and several shortages were observed.

### Energy potential

- ▶ Electricity exports reached a record level in 2007, adding to Québec's wealth.
- ▶ Major investments in wind-generated power and hydroelectricity strengthened Québec's leadership position in renewable energy.

### Government financial affairs

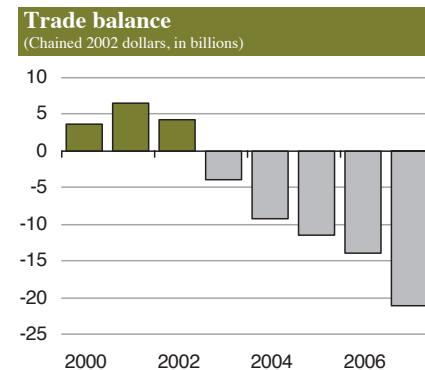
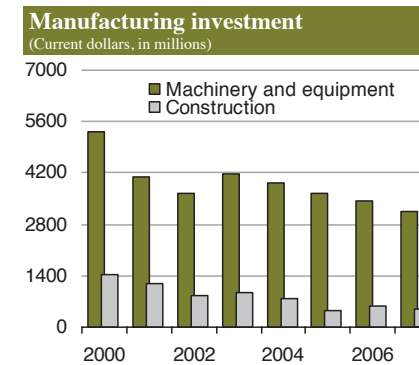
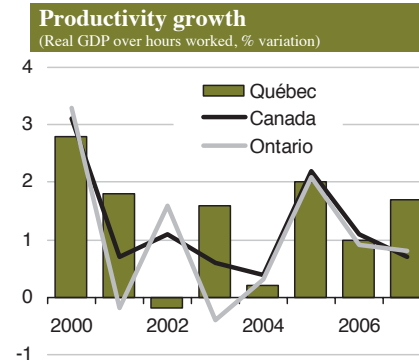
- ▶ For the first time in seven years, Québec government expenditures were lower than revenues.
- ▶ The proportion of public vs. private investments remained very high.

### Innovation

- ▶ Production in high-tech industries increased by only 0.6% in 2007.
- ▶ In relation to the size of its economy, when all sectors are factored in, Québec continues to invest more in R&D than Canada, the United States and the OECD average.

### Direct foreign investment

- ▶ In recent years, investments by foreign manufacturing companies have exceeded those by Québec and Canadian manufacturing companies.
- ▶ Québec's international trade deficit reached a record level in 2007.



## The Québec economy grew in 2007

"The Québec economy experienced positive growth in several key areas that we examined. The province is better prepared to face the fallout from the financial crisis and the looming period of major slowdown," says **Françoise Bertrand**, CEO of the Fédération des chambres de commerce du Québec (FCCQ).

"Nonetheless, we still have a long way to go to reach the business competitiveness and standard of living of other Canadian provinces. In 2007, the FCCQ reported a rise in entrepreneurship and productivity in Québec. Relative to the size of its economy when all sectors are factored in, Québec continues to invest more in research and development than Canada, the United States and the OECD average. In other areas, such as the shortage of qualified workers and renewal of Québec's industrial structure, we continue to face major challenges.

"In spite of this, the financial crisis and its repercussions will likely slow down the progress that has been achieved so far, but hopefully it won't jeopardize our economy," says Ms. Bertrand. "The FCCQ is urging the government to continue its commitment to the Job Pact, its manufacturing strategy, its fiscal measures, investments in infrastructure and the development of Québec's energy potential."



## 2007 Highlights

**Québec's economy fared well overall and grew in 2007. Québec is now in a better position to weather the major economic slowdown that has been forecasted.**

- ▶ The size of small businesses and the number of entrepreneurs grew.
- ▶ Productivity increased and our gap with Ontario and Canada narrowed.
- ▶ Development of Québec's hydroelectric capacity and diversification of its energy portfolio strengthened its leadership position in renewable energy.
- ▶ Québec maximized revenues from its energy-producing operations through electricity exports.
- ▶ In general, when all factors were accounted for, the Nord-du-Québec and Laval regions led the way in economic development in Québec.
- ▶ For the first time in seven years, government expenditures were lower than revenues.

**But if Québec wants to keep up the momentum, it will need to pay special attention to the following realities:**

- ▶ The industrial structure of Québec's economy is having problems shifting to high value-added activities.
- ▶ Investment in machinery and equipment, which is the main lever of productivity, remains weak in Québec.
- ▶ There is a lack of qualified workers, and several labour shortages have been noted.
- ▶ Québec's international trade deficit reached a record level.
- ▶ Improvements to the marketing of discoveries and better protection of intellectual property are needed to encourage innovation.

## The FCCQ Indicator (Fall and spring editions)

Twice a year, the FCCQ assesses how far Québec has progressed in relation to the courses of action set out in its economic vision For a successful Québec.

The fall 2008 report presents a macroeconomic analysis of the territory as a whole and of each administrative region. The spring 2009 issue will provide a sectoral analysis of the Québec economy.

Based on the FCCQ Indicator findings, the Fédération will be able to better target its actions toward public bodies and its partners.

UP-TO-THE-MINUTE FINANCIAL NEWS

RDI EN DIRECT SUR L'ÉCONOMIE

WEEKNIGHTS AT 6:30 P.M. (ET)



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### Nord-du-Québec

1<sup>st</sup> in economic growth  
13<sup>th</sup> in rate of employment

The region is benefiting from the resumption of mining activities and major public investments in hydroelectric infrastructures. It is currently experiencing a period of strong growth.

### Côte-Nord

3<sup>rd</sup> in economic growth  
13<sup>th</sup> in rate of employment

Although the region was adversely affected by forestry industry problems, growth was strong in 2007, due mainly to a resumption of mining activities and hydroelectric development.

### Abitibi-Témiscamingue

2<sup>nd</sup> in economic growth  
11<sup>th</sup> in rate of employment

The region is building on the momentum generated by the resumption of mining activities, major investments, an active construction sector and a marked increase in revenues.

### Saguenay-Lac-Saint-Jean

7<sup>th</sup> in economic growth  
12<sup>th</sup> in rate of employment

The region maintained steady growth in 2007 in spite of a declining population, a manufacturing sector that is concentrated in a few industries, and a labour shortage.

### Capitale-Nationale

10<sup>th</sup> in economic growth  
8<sup>th</sup> in rate of employment

The region experienced its highest growth in four years due mainly to a low unemployment rate, positive net migration, increased investments and several construction sites.

### Lanaudière

5<sup>th</sup> in economic growth  
7<sup>th</sup> in rate of employment

For a seventh consecutive year, the region has experienced higher growth than Québec as a whole, due mainly to favourable population growth, an increase in jobs and an active construction sector.

### Mauricie

15<sup>th</sup> in economic growth  
15<sup>th</sup> in rate of employment

Several factors have undermined the region's economy: stagnant population growth, a high unemployment rate and a manufacturing sector concentrated in traditional industries.

### Laurentides

4<sup>th</sup> in economic growth  
3<sup>rd</sup> in rate of employment

The region's economy is burgeoning with a growing population, strong job creation, increased revenues, investments that are flowing in and an expanding aerospace industry.

### Bas-Saint-Laurent

12<sup>th</sup> in economic growth  
14<sup>th</sup> in rate of employment

Diversification efforts are having a positive effect on the region's economy: investments are up, R&D has become firmly established and exports are heading for new markets.

### Outaouais

14<sup>th</sup> in economic growth  
2<sup>nd</sup> in rate of employment

The region is enjoying steady demographic growth, major investments, a marked increase in household income and an active construction sector.

### Laval

6<sup>th</sup> in economic growth  
1<sup>st</sup> in rate of employment

For the eighth consecutive year, this region has experienced higher growth than Québec thanks to a low unemployment rate, a growing population and a record level of investment.

### Chaudière-Appalaches

13<sup>th</sup> in economic growth  
6<sup>th</sup> in rate of employment

For the fourth consecutive year, growth has remained below the Québec average, with manufacturing sector activities accounting for a major share of the region's economy.

### Montréal

11<sup>th</sup> in economic growth  
9<sup>th</sup> in rate of employment

In recent years, Montréal has seen its economic influence weaken. The region needs to stem the exodus of Montrealers and respond to the problems facing its manufacturing sector.

### Centre-du-Québec

9<sup>th</sup> in economic growth  
4<sup>th</sup> in rate of employment

Diversification efforts and the development of specialty niches have resulted in regional growth that has kept pace with Québec as a whole and a thriving manufacturing sector.

### Montréal

7<sup>th</sup> in economic growth  
5<sup>th</sup> in rate of employment

The large number of high-tech companies and research centres, population growth and low unemployment rate explain this region's vitality.

### Estrie

16<sup>th</sup> in economic growth  
10<sup>th</sup> in rate of employment

In recent years, the region's growth has been stymied by the decline of the manufacturing sector. Once again in 2007, growth was below that of Québec as a whole.

### Gaspésie-Îles-de-la-Madeleine

8<sup>th</sup> in economic growth  
16<sup>th</sup> in rate of employment

In spite of an upturn in growth, the region faced several problems: a decrease in the population, a high rate of unemployment and a decline in private investments.



## Québec Regions in 2007