

ENTREPRENEURSHIP

- Growth in the number of entrepreneurs, while the number of bankruptcies fell
- Venture capital investments once again on the rise at all stages of business development

INDUSTRIAL STRUCTURE

- Increasingly service-oriented economy
- Definitive, albeit slow-paced, shift toward increased use of technology in production

PRODUCTIVITY

- Growing, although still behind other provinces
- Less machinery and equipment per worker than in Ontario and the rest of Canada

LABOUR

- Continued decline in employment despite signs of economic recovery
- Gap in employment rates between Québec and the rest of Canada greater for men
- Employment rate on the rise, except among youth

ENERGY POTENTIAL

- Increased focus on electricity production as a source of revenue
- Growth in exports outpacing that of imports
- Diversification of energy sources for the production of electricity and future increase in production

PUBLIC FINANCE

- Government more involved in the economy than elsewhere in the country
- Return to greater debt service burden

INNOVATION

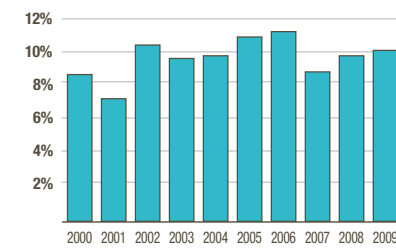
- R&D spending proportionally high, considering the size of economy;
- Resources allocated to R&D not yielding desired results despite positive aspects

TRADE PARTNERS

- International trade balance worsening year after year and interprovincial trade not in our favour

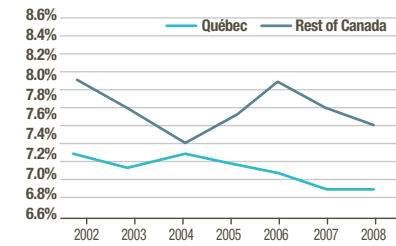
This fourth edition of the "Indicators" edition of the L'Exclusif newsletter was produced by CIRANO, an interuniversity centre of research, liaison, and transfer of knowledge on the analysis of organizations, in collaboration with the FCCQ.

Productivity gap
(% gap, in favour of the rest of Canada)



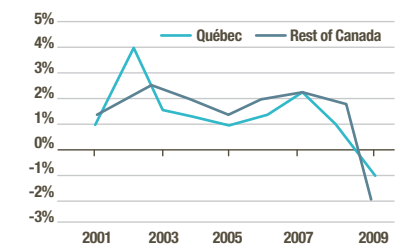
Source: Statistics Canada and authors' calculations

Investments in machinery and equipment
(% of GDP)



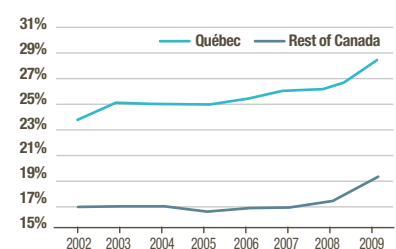
Source: Statistics Canada and authors' calculations

Job growth



Source: Statistics Canada and authors' calculations

Total provincial government program spending
(% of GDP)



Source: Statistics Canada and authors' calculations

L'EXCLUSIF

FCCQ Member Newsletter

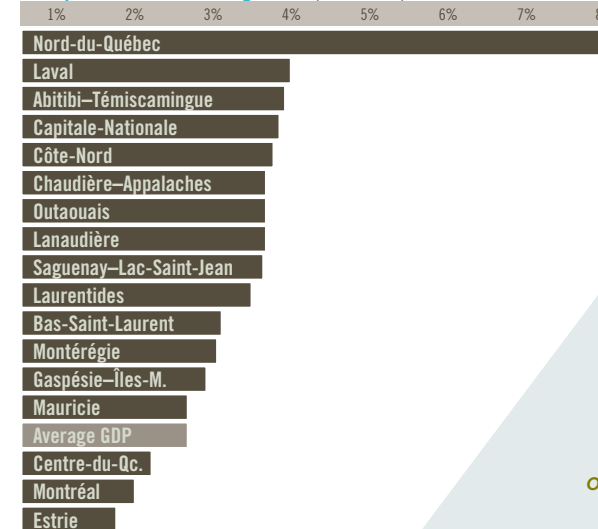


INDICATORS 2010

REGIONAL EDITION

WE'RE ON THE RIGHT TRACK BUT WE'RE NOT THERE YET!

Compound annual GDP growth (2000-09)



For the fourth year in a row, the FCCQ is publishing its annual review of economic indicators. The data shows that, although Québec is faring better than most of its North American partners as the recession eases up, and although the overall situation has improved, the outlook is still a difficult one, with numerous challenges to tackle in order to foster longer-term growth.

"Even though our indicators show improvement, specifically in terms of employment, the availability of venture capital and a slight upward turn in productivity, it's too far early to declare victory and go home. *We still have obstacles to overcome here in Québec to make up for our lagging productivity and to improve the way our public debt is managed*, said Françoise Bertrand, President and CEO of the FCCQ.

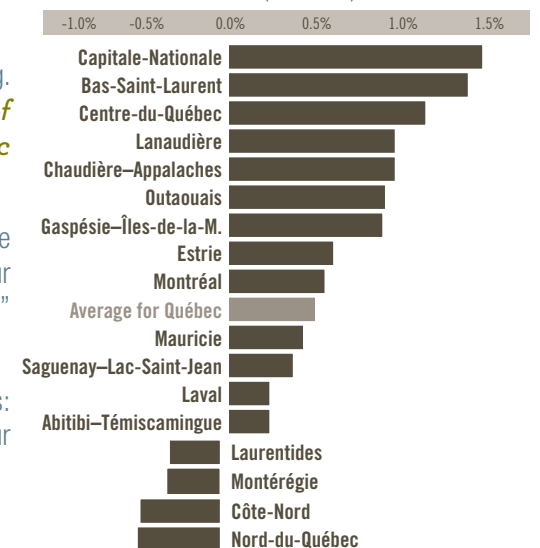
TIGHTER CONTROL OVER GOVERNMENT SPENDING AND MORE PRIVATE-SECTOR INVESTMENT

According to the figures gathered, the impact of the 2008 financial crisis appears to be diminishing. *However, our economy remains vulnerable because of our apparent lack of ability to convert our strengths into competitive advantages, our bloated public sector and our underinvestment in machinery and equipment.*

"The government has done what it had to do to weather the crisis. Now it has to use this same drive and determination to cut spending and come up with a plan to reduce public debt. Our expectations in this regard are not negotiable. The same applies to our collective development," added Ms. Bertrand.

"We are launching the same appeal as we did when we released last year's indicators: *Businesses—Invest, train your people and boost your productivity.* It's vital for your survival and the economic development of the province.

Compound annual employment rate growth (2000-09)



Réduisez **efficacement** vos dépenses énergétiques!

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Agence de l'efficacité énergétique Québec

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L'Exclusif is available at all times on the Federation's website at www.fccq.ca in the Publications section.

With its wide network of more than 150 chambers of commerce, the FCCQ represents more than 40,000 businesses and 100,000 business people involved in all sectors of the economy throughout Québec. The FCCQ strongly supports its members' interests in matters of public policy, thus promoting an innovative and competitive business environment.



555 René-Lévesque Blvd West, 19th floor
Montréal, QC H2Z 1B1
Tel.: 514 844-9571 Fax: 514 844-0226
Toll-free line: 1 800 361-5019
Email: info@fccq.ca

QUÉBEC REGIONS

Nord-du-Québec

Wealth creation per capita has grown at an impressive 8.3% per year on average in the Nord-du-Québec region. This has widened the gap with respect to the average wealth per capita in Québec. While it was 27% in 2000, it is now 104%, which amounts to \$37,600.

As for the employment rate, it has remained under the provincial average since 2002. The employment rate for the region fell 6.1 percentage points between its peak in 2002 and the end of 2009. It is not surprising to learn that the average annual growth in investments in construction, machinery and equipment here has outpaced the other regions of the province, although it did ease off slightly in 2009.

Abitibi-Témiscamingue

GDP per capita in 2009 was a mere 4% under the Québec-wide average, compared with 12% in 2000. After a period of steady growth between 2006 and 2008, the employment rate fell in 2009. The region lost 2,800 jobs and the gap between the regional rate and provincial average rose from 1.9% in 2008 to 3.4% in 2009.

Lanaudière

Over two-thirds of production was attributable to the service sector in 2008. The low GDP per capita here compared with the provincial figure can be explained by the area's proximity to Montréal. The Lanaudière region has nevertheless experienced constant, albeit modest, growth since 2000. This figure, which is largely the result of heavy construction activity, has remained stable over the past decade. The number of jobs available to the working-age population is higher than the provincial average.

Laurentides

The service sector, particularly the finance and real estate service segments, dominates the economy and has represented a growing proportion of production over the years. The region's proximity to Montréal and its appeal to tourists are two factors that have helped maintain a high level of service production. Like the Lanaudière region, the GDP per capita here is lower than the provincial average, primarily because the region is so close to Montréal. Nevertheless, the area has been growing slowly but steadily since 2000. The employment rate is volatile and does not seem to follow any clear patterns. It did dip slightly, however, in 2009.

Outaouais

The strong presence of public services, especially those related to the federal government, means a production structure that is very much geared toward the service sector.

Average annual GDP growth is 4.7%. One of the main reasons for this is the growth in the active population every year, which outpaces GDP growth.

Between 2000 and 2008, the employment rate grew and remained above the provincial average without interruption. In 2009, it went down to 64.6%—a drop of 3 percentage points. The Outaouais region, like everywhere else, experienced a sharp decline in investments—27% in construction and 50% in machinery and equipment. But recent federal urban revitalization initiatives should prompt an upswing in the future.

Montréal

Production is largely service-oriented in the Montréal area. In fact, nearly 77% of production in 2008 fell under the service category, whose key segments include financial, information, cultural and professional services, all of which have increased their share of the production pie over the past decade.

The higher production rate per capita has levelled off over time: in 2000, it was 49% higher than the provincial average; it now stands at 38% higher, the second highest in Québec. Conversely, employment in the city falls short of the provincial figure and has since 2000.

Investments in construction, machinery and equipment have grown at a lacklustre pace since the beginning of the decade. Not surprisingly, the average annual GDP growth rate is 2.3%, or 0.4 percentage points lower than the Québec-wide GDP growth rate.

Saguenay-Lac-Saint-Jean

Agriculture, raw materials processing and forestry are the key industries in this area. The employment rate, which is lower than the provincial average, went down twice in a row in 2008 and 2009, with negative growth of 2.9% and 2.2% respectively.

GDP growth per capita followed Québec-wide trends, only at a slightly higher level (3.3% versus 2.7%). As a result, the gap between this figure and the provincial average dropped from 13% to 8%.

The economic downturn resulted in an accelerated decline in investments in machinery and equipment, whose average annual decrease went from 2.4% between 2000 and 2007 to 9.5% between 2007 and 2009.

Mauricie

The percentage of total production allocated to the service sector has remained relatively stable since 2000. Production per capita is fairly weak compared to the Québec-wide average. The gap between the two has hovered at around 16% since 2000.

The employment rate fluctuated between 50% and 55% during the 2000–2009 period, below the provincial average. Whereas construction investments have grown by 9.6% per year on average, investments in machinery and equipment have declined at an average annual rate of 3%.

Laval

The Laval economy is focused primarily on service production. GDP per capita is generally weaker than in other areas within the province, although annual growth exceeds the provincial rate. The employment rate is also higher than the Québec average. As in other regions, construction investments lead the way, growing 13.3% on average every year. Investments in machinery and equipment have also gone up by the comparatively high average annual rate of 6%.

Montérégie

The manufacturing industry plays a significant role in this region, which is shifting toward strong value-added production sectors such as aerospace, electronics and computers. Employment figures are higher than the provincial average. As is the case elsewhere, investments in construction have had a positive influence on the economy. Investments in machinery and equipment lost momentum in 2009, dropping 15%.

Côte-Nord

The Côte-Nord economy is greatly focused on commodity production (62.9% of total production), mainly because of its abundance of large-scale construction sites and mines. GDP per capita is well above the provincial average. The average annual GDP growth per capita between 2000 and 2009 came to 3.5%. In 2009, investments began to grow again, with an increase upwards of 56% over 2008.

Gaspésie-Îles-de-la-Madeleine

The regional economy is becoming more and more oriented toward services. The development of wind farms and the tourism industry are two of the factors driving this change. Average annual GDP growth per capita is slightly ahead of the Québec-wide figure (2.9% versus 2.7%). A similar observation applies to employment. The growth in investments in machinery and equipment was the second highest in the province, surpassed only by the Nord-du-Québec region.

Capitale-Nationale

Wealth creation in the Capitale-Nationale can be attributed in large part to the service sector, especially finance and provincial administration. Wealth per capita has outstripped the provincial average since 2000, and employment rates have been higher than the Québec-wide figures since 2002.

Bas-Saint-Laurent

Average annual GDP growth per capita was 3.1% here, above the Québec-wide rate of 2.7%. The negative gap in the employment rate relative to the provincial average has been slowly narrowing, especially since 2004, when the regional rate increased faster than the provincial average. Since 2004, an average of 54.5% of the working-age population has been employed.

Chaudière-Appalaches

The service sector is slowly emerging as a dominant production force and is projected to hit the 60% mark or higher within a few years. GDP per capita is 11% lower than the provincial average, but the gap is closing. The unemployment rate here is above the provincial rate.

Centre-du-Québec

A large slice of the production pie in this region belongs to commodities (45.71% in 2008). Wealth per capita grew by 2.5% per year on average between 2000 and 2009, compared with 3.4% for all of Québec. The employment rate here has exceeded the provincial average since 2003.

Estrie

The service sector predominates, representing 67% of production. The gap in terms of GDP per capita compared with the Québec-wide average has widened, from 10% in 2000 to nearly 19% in 2009. The employment rate bucked provincial trends to gain an impressive 5.2 percentage points in 2009. Investments in machinery and equipment have fallen since 2000, to the tune of 3.2% on average per year. Fortunately, construction investments have seen a sharp annual increase of 9.4% on average.

A CHALLENGING CONTEXT FOR QUÉBEC'S REGIONS

The prominent features of 2009 were a stalled growth rate per capita in nominal terms compared with 2008, the widespread impact of the construction industry and, most importantly, the concerns raised by indicators in the Montréal area.

Growth was anemic or slightly negative in all regions, with the Outaouais region at the top (+1.5%) and Saguenay-Lac-Saint-Jean at the bottom (-2.4%). Nominal GDP per capita was down across the board in 2009, except in three regions: Gaspésie-Îles-de-la-Madeleine (+0.9%), Nord-du-Québec (+0.3%) and Bas-Saint-Laurent (0%).

Construction accounts for more than 6% of economic activity in 10 regions and more than 10% in 4 regions. It is the dominant economic sector (7%) after finance (17%), manufacturing (all products put together) (17%) and healthcare (8%).

Overall, the average annual growth in investments in machinery and equipment was virtually non-existent in 2008 and 2009. This is worrisome in terms of productivity growth and competitiveness. However, four regions stood out in terms of these investments in 2009: Capitale-Nationale (11% of GDP), Nord-du-Québec (10%), Côte-Nord (10%) and Abitibi-Témiscamingue (9%).

The opposite was true for construction investments, which maintained an average growth rate of 10% from 2000 to 2009. The leaders in this respect in 2009 were Nord-du-Québec, Côte-Nord, Gaspésie-Îles-de-la-Madeleine and Laurentides, whose investments respectively totalled 68%, 30%, 30% and 23% of their GDP.

Average annual GDP growth from 2000 to 2009 was strongest in Nord-du-Québec (8.5%), Lanaudière (5.9%), Laval (5.4%) and Laurentides (4.9%). The processing of natural resources in the north of the province and the development of the outlying areas of Montréal explain this performance.

Montréal is a cause for concern as employment plummeted in 2009, investments in machinery and equipment have gone down since 2000 and the GDP growth of our "economic engine" fell below the Québec-wide average in 2009.