

Q1 Quebec GDP growth braked by international trade

Seasonally adjusted annual rates

Q1 2018: +1.8% Q4 2017: +2.2% Q3 2017: +4.8%

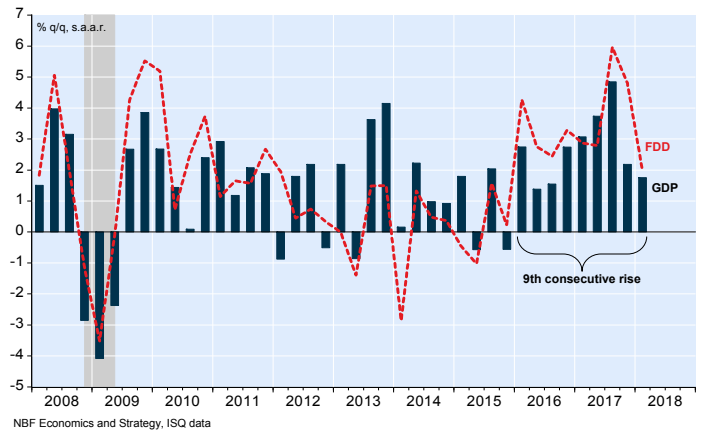
NUMBERS: The Institut de la statistique du Québec (ISQ) reports that Quebec real GDP at market prices expanded at 1.8% annualized in Q4 (Canada: +1.3%) following a Q4 rate of 2.2%. Final domestic demand (FDD) grew at 2.0% in Q1 with support from the sustained vigour of business investment in machinery and equipment (+5.3%), in non-residential structures (+5.5%) and in intellectual property (+5.9%). Household consumption grew at only 1.4%, but that showing followed a run of six quarters of growth at 2.9% or more. Government purchases of goods and services grew at 3.0%, a fifth consecutive quarter of growth topping 2%, and government investment grew at 1.7%. Residential construction edged down 0.1% after two quarters of strong gains. International trade subtracted from growth, with exports contracting 13.0% annualized. That drag was partly offset by inventory accumulation. Corporate profits grew at 4.9%, after jumping 8.9% in Q4.

OPINION: The Quebec economy expanded in Q1 for the ninth quarter in a row, the longest run since 2012 (top chart). Despite uncertainty about international markets, business investment continued to expand. Households were holding back somewhat, but not because of disposable income. Its growth topped that in the rest of Canada for a third consecutive quarter. The upshot is a household net savings rate of 7.3%, the highest in 22 years (middle chart). So households have a comfortable margin to sustain their spending in the quarters ahead. On the downside, the contraction of volume international exports in Q1 left the trade deficit the widest since Q4 2013 (bottom chart). We expect nonetheless that these exports in 2018 will exceed those of 2017 (absent a NAFTA breakdown). This assumption underlies our forecast of Quebec economic growth of 2.1% for 2018 as a whole.

Marc Pinsonneault / Jocelyn Paquet

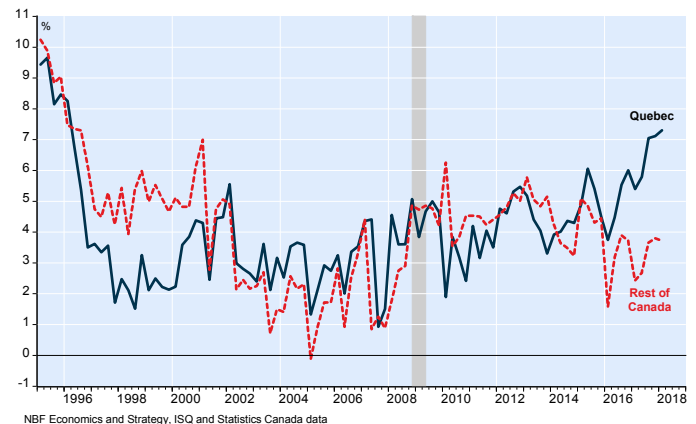
Domestic demand continues to drive expansion

Real growth of GDP and real growth of final domestic demand



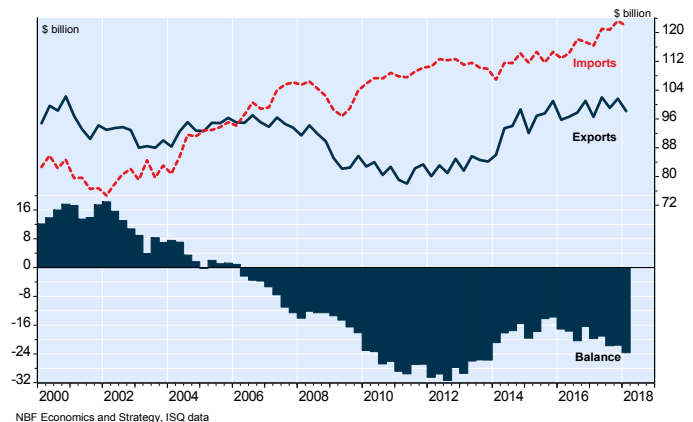
Quebec: Household saving at a 22-year peak

Net saving as % of household disposable income



Quebec: Widest international trade deficit since Q4 2013

Real international exports and imports of goods and services, annualized



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