

## Quebec: Sustained rise of business investment in Q2

By Marc Pinsonneault

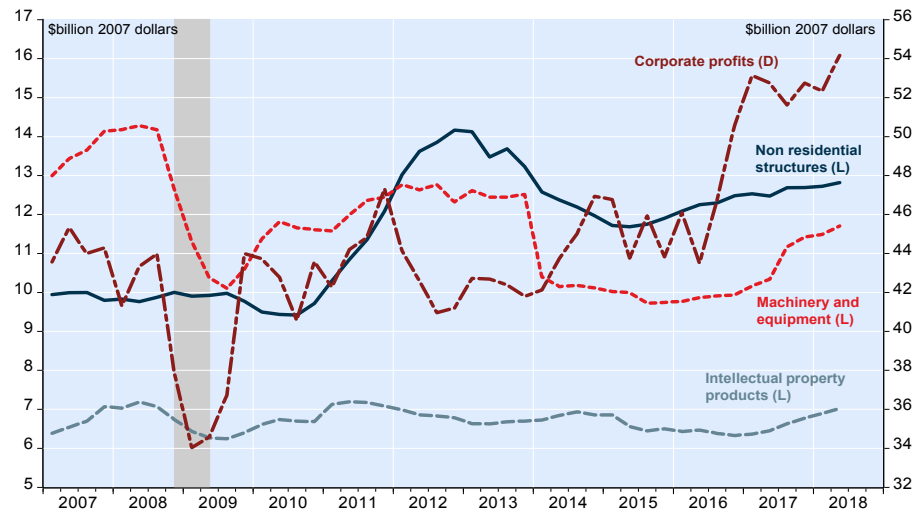
Quebec real GDP expanded in Q2 for a 10th consecutive quarter, the longest such run since February 2001. Growth over these 10 quarters has generally been driven by final domestic demand (left chart). Over the last seven quarters this demand has been strongly fuelled by business investment, notably in machinery and equipment, coinciding with a rise of business profits (right chart). Residential construction and government current and capital spending also contributed to Q2 growth. A contribution from international trade was offset by a cooling of inventory buildup from the previous quarter. Household spending remained cautious, but a continuing high rate of saving shows that this was not for lack of means. Given the strength of this picture, we have no hesitation in maintaining our forecast of 2.4% Quebec economic growth in 2018.

### HIGHLIGHTS:

- Quebec real GDP expanded in Q2 at 2.5% annualized (Canada 2.9%). Q1 growth was revised up to 2.4% from 1.8%.
- Real domestic demand grew at 3.0%.
- Household spending grew at 1.6%, up from 1.1% in Q1.
- Business investment maintained its momentum in the three major categories – nonresidential structures (7.9% annualized), machinery and equipment (15.6%) and intellectual property (5.5%).
- Government current spending grew at 3.3% and government investment at 5.6%.
- Residential construction grew at 8.2%.
- A cooling of inventory accumulation from the previous quarter offset a contribution to growth from international trade.
- Corporate profits jumped 14.9% annualized.
- The household savings rate slipped to a still-high 6.4% (rest of Canada 2.6%).

### Sustained growth of business capital spending

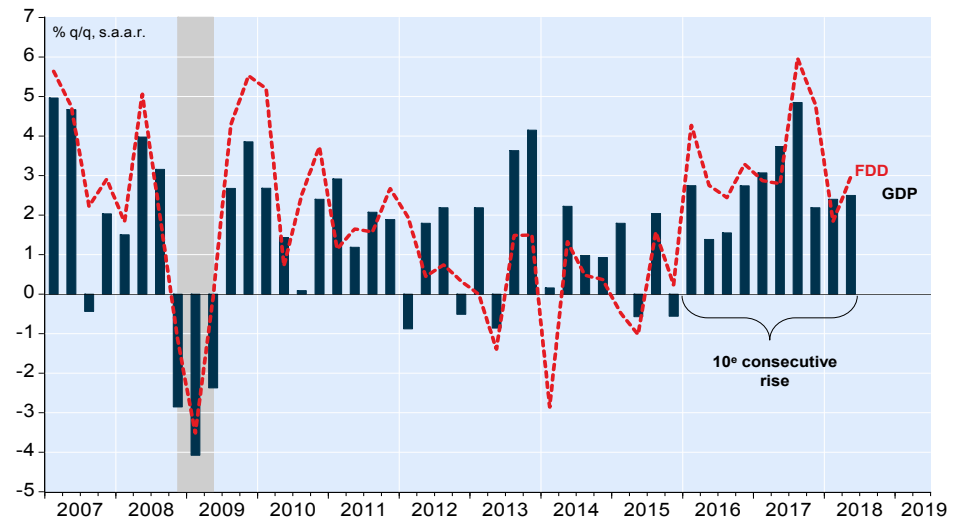
Business investment (real) and profits (nominal)



NBF Economics and Strategy, ISQ data

### Domestic demand continues to drive expansion

Real growth of GDP and real growth of final domestic demand



NBF Economics and Strategy, ISQ data

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