

Quebec: GDP rebounds in Q1. What's next?

By Daren King

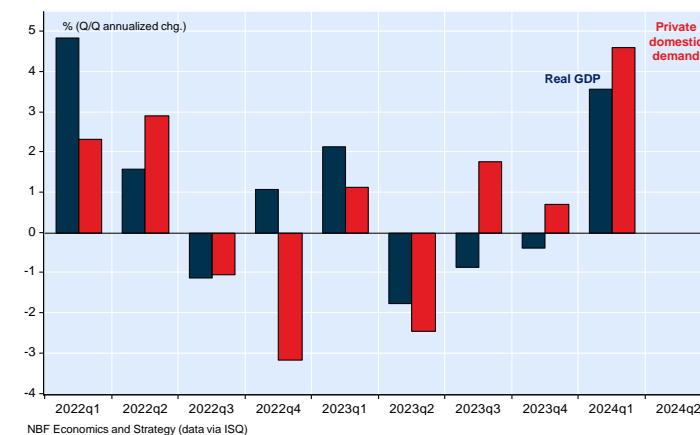
Highlights:

- According to the Institut de la Statistique du Québec, real GDP in Q1 2024 rose by 3.6% on a quarterly annualized basis (Canada: +1.7%), following a 0.4% decline in Q4 2023 (Canada: +0.1%).
- Nominal GDP grew by 3.2% in Q1 2024 (Canada: +0.3%), after increasing by 4.3% in Q4 2023 (Canada: +6.1%).
- In annualized real terms, final domestic demand grew by 4.9% (Canada: +2.9%), an increase explained by investment in intellectual property products (+14.6%), investment in machinery and equipment (+10.2%), government current expenditure (+7.0%), household consumption (+4.5%) and investment in residential buildings (+3.6%). Conversely, government investment (-1.8%) and investment in non-residential construction (-0.2%) declined.
- In annualized real terms, international exports fell by 4.6% (Canada: +1.9%), while imports declined by 5.1% (Canada: +1.5%), making a positive contribution to GDP in Q1. In terms of inventories, the increase was less significant in Q1 (+\$9.624G in Q4 vs. +\$7.260G in Q1), affecting GDP downwards.
- The net household savings rate increased from 12.7% in Q4 to 14.0% in Q1, still well above the 6.9% recorded at national level. On an annualized basis, corporate profits fell by 17.1%
- On a monthly basis, real GDP fell by 0.4% in March (Canada: 0.0%) after rising by 0.3% in February (Canada: +0.2%).

Unsurprisingly, after being heavily impacted by public sector strikes at the end of 2023, Quebec's GDP rebounded in Q1 2024, ending a sequence of three consecutive quarters of contraction. While the upturn in public-sector activity partly explains the growth achieved during the quarter, it should also be noted that private domestic demand, which excludes government spending and investment, rebounded vigorously after a long period of lethargy, with Q1 growth of 4.6% at an annualized rate (top chart). Among other positive highlights, business investment in machinery and equipment, as well as in intellectual property products, rose sharply during the quarter, good news for the province's productivity challenge. Moreover, real GDP per capita has risen for the first time after seven quarters of contraction and is more resilient than in the country as a whole compared with its pre-pandemic level (bottom chart). For the months ahead, however, the rest of 2024 remains fraught with difficulties as monetary policy remains restrictive. Indeed, monthly data for the month of March indicate that real GDP in Quebec has started to decline again after two months of increases, contracting by 0.4% in a context where the goods sector (-1.0%) continues to experience difficulties. However, we continue to believe that Quebec's GDP could prove resilient compared to the rest of the country, notably due to the lower level of household debt, but also thanks to their high savings rate, which continues to rise.

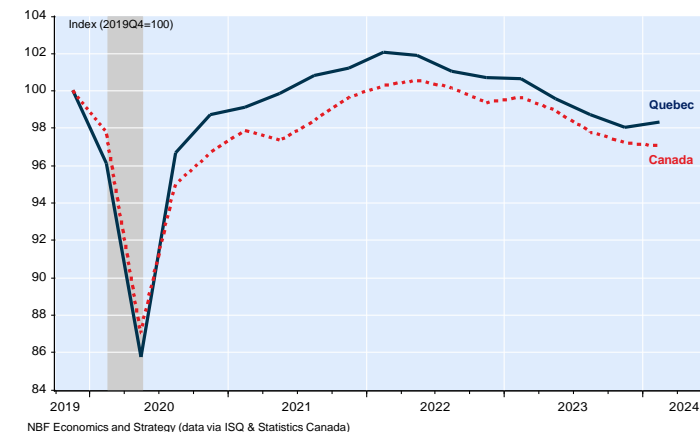
Quebec: Private domestic demand remains robust

Real GDP and private domestic demand. Quarterly annualized change



Quebec: Real GDP per capita rises after seven contractions

Real GDP per capita. Index: 2019Q4=100





Real	Y/Y				Y/Y
	Q1 2024	Q4 2023	Quarter Trend	Contribution To Growth	Q1 2024
GDP	3.6	-0.4	▲	3.6	0.1
Final domestic demand	4.9	-1.3	▲	5.1	0.5
Household consumption	4.5	1.4	▲	2.6	1.7
Goods	4.6	0.1	▲	1.3	1.5
Services	4.4	2.7	▲	1.3	1.8
Governments current expenditure	7.0	-6.2	▲	1.7	0.2
Business investment	5.1	-1.8	▲	0.7	-1.0
Residential structures	3.6	1.4	▲	0.2	-1.9
New constructions	2.9	10.7	▼	0.1	-6.8
Renovations	-12.5	-0.6	▼	-0.4	-5.7
Commission and acquisition costs	70.1	-11.0	▲	0.5	24.2
Machinery and equipment	10.2	-12.5	▲	0.3	-1.9
Intellectual property products	14.6	0.3	▲	0.4	3.3
Governments investment	-1.8	-6.8	▲	-0.1	-7.1
International trade balance	8.7	12.7	▼	0.6	2.4
Exports	-4.6	5.2	▼	-2.1	2.2
Imports	-5.1	2.9	▼	-2.7	2.2
Change investment in inventories	-2364.0	12.0	▼	-2.0	-1908.0
Household Disposable Income	10.2	1.1	▲		5.3

Nominal	Q/Q				Y/Y	% of GDP
	Q1 2024	Q4 2023	Quarter Trend	Contribution to Growth	Q1 2024	
GDP	3.2	4.3	▼	3.2	4.6	100%
Final domestic demand	6.6	3.2	▲	6.8	4.5	
Household consumption	7.3	4.1	▲	4.0	4.8	56%
Goods	4.6	-0.2	▲	1.2	2.9	27%
Services	9.9	8.4	▲	2.8	6.6	29%
Governments current expenditure	6.6	4.5	▲	1.6	7.0	25%
Business investment	6.1	-0.3	▲	1.0	1.8	16%
Residential structures	5.5	0.6	▲	0.4	0.2	7%
New constructions	0.4	10.1	▼	0.0	-7.0	2%
Renovations	-10.9	-0.3	▼	-0.4	-2.4	3%
Commission and acquisition costs	80.1	-14.1	▲	0.7	25.8	1%
Machinery and equipment	13.9	-9.9	▲	0.4	0.8	3%
Intellectual property products	12.0	3.2	▲	0.3	6.9	3%
Governments investment	0.0	-2.3	▲	0.0	-2.9	5%
International trade balance	-19.7	-12.6	▼	-0.9	-5.9	-5%
Exports	-8.9	8.0	▼	-4.3	2.6	46%
Imports	-6.5	8.4	▼	-3.5	1.7	51%
Change in investment in inventories	-3679.0	2179.0	▼	-2.5	-2590.0	1%
Net operating surplus: corporations	-17.1	2.4	▼	-1.8	-4.9	9%
Household Savings Rate, %	14.0	12.7	▲		10.4	
Employee Compensation	6.6	2.4	▲		5.5	
Household Disposable Income	13.3	3.9	▲		8.6	



Real	1-Month Change (%)			Monthly Change (%). 10-year mov. avg.	12-Month Change (%)
	Mar-24	Feb-24	1-Month Trend		
All industries	-0.35	0.30	▼	0.16	-0.15
<u>Goods-producing industries</u>	-1.0	-0.1	▼	0.1	-3.19
Non-mining primary sector	-1.0	0.6	▼	0.0	-4.92
Mining and quarrying	-8.4	8.3	▼	0.8	6.44
Utilities	-5.3	-1.6	▼	0.0	-14.88
Construction	-0.9	-0.3	▼	0.4	-2.91
Manufacturing	0.6	-0.7	▲	0.1	-1.53
<u>Service-producing industries</u>	-0.1	0.4	▼	0.2	0.96
Wholesale trade	-2.3	2.2	▼	0.2	0.81
Retail trade	0.9	0.6	▲	0.3	1.22
Transportation and warehousing	-0.8	1.1	▼	0.2	0.83
Information and cultural industries	-0.3	-0.8	▲	0.2	-1.68
Finance and insurance	0.0	0.5	▼	0.3	1.29
Real estate and rental and leasing	0.3	0.5	▼	0.2	2.58
Professional, scientific and technical services	0.2	0.2	▲	0.3	0.73
Management	-3.4	-4.3	▲	-2.0	-33.51
Administrative and support, waste management and remediation services	-0.5	-0.3	▼	0.0	-0.32
Educational services	0.3	-0.2	▲	0.2	0.45
Health care and social assistance	0.1	0.3	▼	0.2	1.00
Arts, entertainment and recreation	0.7	-0.7	▲	0.2	-2.52
Accommodation and food services	0.3	0.6	▼	0.4	-0.71
Other services (except public administration)	-0.5	0.3	▼	0.2	0.78
Public administration	-0.4	0.3	▼	0.2	1.36



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