

## Quebec: GDP Growth temporarily boosted by international trade in Q1

By Daren King

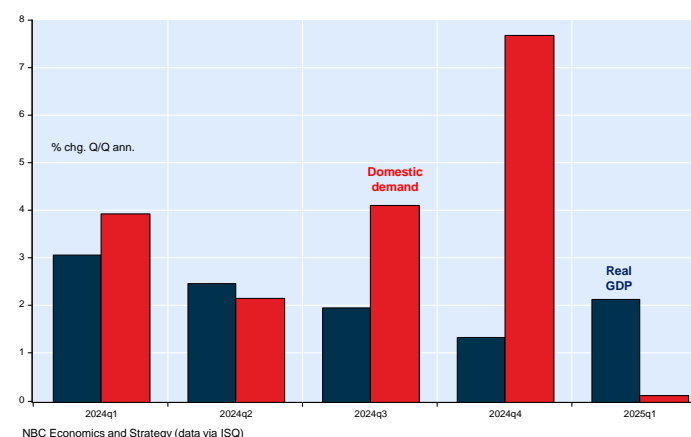
### Highlights:

- According to the Institut de la Statistique du Québec, real GDP in Q1 2025 increased by 2.1% on a quarterly annualized basis (Canada: +2.2%), a larger increase than the 1.3% recorded in Q4 (Canada: +2.1%).
- Nominal GDP grew by 5.3% in Q1 2025 (Canada: +4.9%) after increasing by 5.1% in Q4 (Canada: +5.8%).
- In real annualized terms, final domestic demand remained relatively stable (0.1%, Canada: -0.1%). Increases in investment in residential buildings (+24.3%), machinery and equipment (+8.1%) and intellectual property products (+4.5%) were entirely offset by declines in non-residential construction (-7.6%), government investment (-5.9%), household consumption (-2.4%) and government current spending (-0.4%).
- In real annualized terms, exports jumped 9.4% (Canada: +6.7%), a larger increase than imports (+6.5%, Canada: +4.4%), thus contributing positively to GDP in Q1. In terms of inventories, stocks were up in Q1 (+\$1.614B in Q1 vs. -\$5.650B in Q4), pushing GDP higher.
- The household net saving rate decreased from 9.4% in Q4 to 9.2% in Q1. This remains well above the pre-pandemic level (7.1%) and the national level of 5.7%. On an annualized basis, corporate profits rose by 12.7%.
- On a monthly basis, real GDP increased by 0.05% in March (Canada: +0.12%) after falling 0.30% in February (Canada: -0.18%).

GDP growth in the first quarter of 2025 accelerated compared to the last quarter of 2024, but this should not be seen as a sign of strength for the Quebec economy. This increase is largely due to a significant jump in exports, as our trading partners south of the border brought forward many purchases at the beginning of the year to avoid the impact of tariffs. To illustrate this phenomenon, international exports of goods jumped 20.4% on a quarterly annualized basis, compared with an increase of only 1.0% in exports of goods to other provinces. Quebec businesses also increased their imports, but to a lesser extent, which translated into a strong contribution from net trade and an accumulation of inventories. Excluding the effects of international trade and inventories, final domestic demand remained roughly stable in Q1, after a spectacular jump in Q4 2024 (top graph). It turns out that auto sales had been artificially inflated in Q4 with the significant reduction in electric vehicle subsidies announced for 2025, and that a reversal was going to occur. Nevertheless, the trade dispute with the United States may also have weighed on consumption (-2.4%), as evidenced by the 1.0% decline in services. The first quarter data does contain some good news. It is worth noting the sustained growth in investment in machinery and equipment (+8.1%) and intellectual property products (+4.5%) despite the uncertain economic environment. Investment in residential buildings also rose significantly in Q1, up 24.3%, marking the fourth consecutive quarter of growth after a 47.7% jump in Q4, while housing starts in the province continue to perform well (bottom chart). Investment in new construction rose 72.2%, while commissions and acquisition costs increased only 6.2% and renovation spending fell 3.7%. Looking ahead, we expect to see a reversal in international trade after the front-loading of purchases in Q1. In a context of continued high uncertainty, GDP in Q2 could temporarily slip into negative territory. However, we believe that Quebec has certain strengths to weather the current difficulties, as households are less indebted and have higher savings rates than elsewhere in the country. In addition, Quebec is the province with the most diversified exports in the federation.

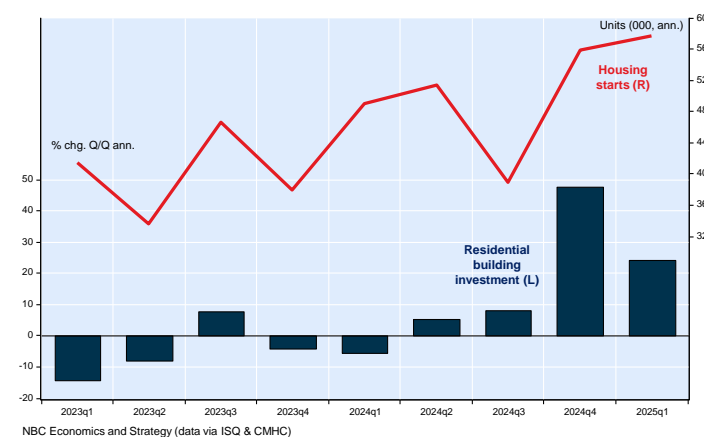
### Quebec: Domestic demand remains stable in Q1

Real GDP and domestic demand. Quarterly annualized change (%)



### Quebec: New construction remains on track

Housing starts and quarterly change in residential building investment





Real	Y/Y				Y/Y	
	Q1 2025	Q4 2024	Quarter Trend	Contribution To Growth	Q1 2025	
<b>GDP</b>	2.1	1.3	▲	2.1	2.0	
Final domestic demand	0.1	7.7	▼	0.1	3.5	
Household consumption	-2.4	7.7	▼	-1.4	3.1	
Goods	-3.9	11.1	▼	-1.1	3.9	
Services	-1.0	4.7	▼	-0.3	2.5	
Governments current expenditure	-0.4	3.1	▼	-0.1	3.5	
Business investment	10.8	20.4	▼	1.6	7.2	
Residential structures	24.3	47.7	▼	1.4	20.2	
New constructions	72.2	72.2	▼	1.5	45.1	
Renovations	-3.7	33.3	▼	-0.1	1.5	
Commission and acquisition costs	6.2	35.9	▼	0.1	18.6	
Non-residential structures	-7.6	-2.3	▼	-0.3	-7.8	
Machinery and equipment	8.1	4.3	▲	0.2	2.7	
Intellectual property products	4.5	7.8	▼	0.1	2.6	
Governments investment	-5.9	-6.8	▲	-0.3	-5.8	
International trade balance	14.0	-34.6	▲	0.9	21.6	
Exports	9.4	-6.4	▲	4.1	2.1	
Imports	6.5	-2.6	▲	3.2	4.0	
Change investment in inventories	1614.0	-5650.0	▲	1.4	-2957.0	
<b>Household Disposable Income</b>	-3.1	3.2	▼		2.3	
Nominal	Q/Q				Y/Y	% of GDP
	Q1 2025	Q4 2024	Quarter Trend	Contribution to Growth	Q1 2025	
<b>GDP</b>	5.3	5.1	▲	5.3	6.4	100%
Final domestic demand	5.7	7.5	▼	5.9	7.3	
Household consumption	1.1	9.1	▼	0.6	6.0	55%
Goods	0.0	11.4	▼	0.0	5.4	26%
Services	2.0	7.0	▼	0.6	6.6	29%
Governments current expenditure	12.8	-3.6	▲	3.0	9.0	25%
Business investment	13.7	24.4	▼	2.2	12.0	17%
Residential structures	24.1	51.1	▼	1.7	24.7	8%
New constructions	66.4	74.0	▼	1.7	47.1	3%
Renovations	0.0	31.3	▼	0.0	5.7	3%
Commission and acquisition costs	4.7	53.3	▼	0.1	27.5	2%
Non-residential structures	-4.0	0.1	▼	-0.2	-3.2	4%
Machinery and equipment	19.3	9.2	▲	0.5	7.8	3%
Intellectual property products	6.4	13.4	▼	0.2	7.4	3%
Governments investment	-3.0	-1.2	▼	-0.1	-0.8	4%
International trade balance	-86.7	55.2	▼	-2.0	13.8	-3%
Exports	15.3	3.9	▲	6.8	9.2	47%
Imports	18.9	-1.9	▲	9.0	9.5	51%
Change in investment in inventories	2276.0	-7998.0	▲	1.5	-4136.0	0%
<b>Net operating surplus: corporations</b>	12.7	9.8	▲	1.4	6.6	12%
<b>Household Savings Rate, %</b>	9.2	9.4	▼		10.1	
<b>Employee Compensation</b>	3.8	2.7	▲		5.8	
<b>Household Disposable Income</b>	0.5	4.2	▼		5.1	



Real	1-Month Change (%)			Monthly Change (%). 10-year mov. avg.	12-Month Change (%)
	Mar-25	Feb-25	1-Month Trend		
<b>All industries</b>	0.05	-0.30	▲	0.18	1.85
<u>Goods-producing industries</u>	0.2	-0.8	▲	0.1	2.42
Agriculture and forestry	-0.5	-3.5	▲	0.0	2.58
Mining and quarrying	-2.1	-7.8	▲	0.7	-4.72
Utilities	-0.9	-0.1	▼	0.1	11.42
Construction	1.2	-1.2	▲	0.4	2.23
Manufacturing	0.2	0.5	▼	0.1	1.38
<u>Service-producing industries</u>	0.0	-0.1	▲	0.2	1.68
Wholesale trade	-1.0	-1.5	▲	0.2	-1.89
Retail trade	2.0	-1.1	▲	0.3	3.73
Transportation and warehousing	-0.3	-0.5	▲	0.2	-0.36
Information and cultural industries	-0.9	0.4	▼	0.2	0.50
Finance and insurance	0.0	0.9	▼	0.3	3.14
Real estate and rental and leasing	-0.1	0.0	▼	0.2	2.02
Professional, scientific and technical services	0.0	0.1	▼	0.4	0.48
Management	-4.4	-4.4	▼	-2.3	-29.18
Administrative and support, waste management and remediation services	0.2	-0.5	▲	0.0	-2.76
Educational services	0.1	0.4	▼	0.2	5.98
Health care and social assistance	0.3	0.2	▲	0.2	2.93
Arts, entertainment and recreation	0.9	-1.8	▲	0.4	1.56
Accommodation and food services	-1.9	-2.2	▲	0.4	1.64
Other services (except public administration)	0.5	0.1	▲	0.1	-0.63
Public administration	-0.3	0.1	▼	0.2	1.18



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