

JULY 2011

# ECONOMIC UPDATE QUEBEC CITY METROPOLITAN REGION

QUÉBEC  
INTERNATIONAL  
Economic Development



## METHODOLOGY

The publication entitled “Economic Update: Quebec City Metropolitan Region” provides an overview of the main economic indicators used to evaluate regional performance. It also compares changes in a number of regional economic variables with those in seven other Canadian metropolitan regions: Montreal, Toronto, Ottawa, Winnipeg, Calgary, Edmonton and Vancouver. These reference regions were selected because, like Quebec City, they are located within the eight largest metropolitan regions in Canada and their economic diversification is comparable to that of the Quebec City CMA. Our analysis focused on four areas: economic growth, employment market, investments and tourist activity. This publication is based on current information in July 2011, as well as on statistical data published by recognized organizations.

## NOTE TO READERS

This study was produced by Québec International’s Department of Economic Studies and Strategic Watch. Our professional team is mandated with ensuring the availability of high-quality economic information. In fulfilling their responsibilities, they track changes in economic conditions and the business environment at the regional, national and international levels. They also conduct research and carry out analyses aimed at identifying opportunities, guiding development strategies and defining actions in support of regional economic growth.

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## SUMMARY

The statistical data available for the second quarter of 2011 indicate that the Quebec City CMA is continuing its growth momentum. The employment market recorded a gain of 3,200 workers, while unemployment held steady at 5.8%. In addition, according to the updated list of local investment projects, a total of 140 initiatives are underway valued at approximately \$8.1 billion. They are expected to create or maintain some 9,000 jobs in the region.

The manufacturing sector also started to send out some positive signals in the second quarter of 2011, attesting to the region's robust economic health. A number of companies have gradually started hiring and investing again. Although much work remains to be done to generate a more suitable growth rate for this sector, regional manufacturers are faring well despite lingering global economic uncertainties. Two factors – regional dynamism and the fine performance of the Canadian economy – are helping to fill local order books.

This encouraging performance augurs well for growth in real GDP, disposable personal income per capita and average incomes. The initial results for 2011 should be available in late August.

The Quebec City CMA is also well positioned for the second half of 2011. Ongoing efforts to diversify the regional economy will help minimize the impacts of constraints that continue to affect the global economy. The region can also count on favourable conditions for attracting investments. In this regard, 14 investment projects are currently being undertaken in Quebec City by foreign companies. These are expected to generate approximately \$1.7 billion in expenditures and should help create or maintain approximately 3,000 jobs.



# 1

## INHERENT RISKS

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Contrary to the forecasts of various experts, the global economic recovery was more modest in the first half of 2011. Geopolitical tensions in the Middle East, catastrophe in Japan, the European sovereign debt crisis, economic overheating risks in the emerging countries and US debt financing are among the various factors that have created imbalance. The second half of the year looks as if it will be just as complicated. Growth prospects are still positive, although more patience will be required before we see results that greatly exceed expectations.

### Despite its enviable position, Canada faces a number of challenges:

- Government stimulus plans have begun winding down.
- Budgetary constraints are keeping government spending in check.
- Higher taxes and fees are prompting consumers to make adjustments.
- The high-flying loonie and the slow US economic recovery are creating headaches for Canadian exporters.

### Patience is still the order of the day for the US:

- Nearly seven million jobs that existed before the crisis have yet to be recovered.
- The public debt situation is sparking concerns among the rating agencies, not to mention vigorous debate within the US government.

### The sovereign debt crisis is making headlines in Europe:

- Stimulus plans are winding down and have not yielded the desired results.
- New austerity measures will be required in some countries.

### Japan is once again in a recession:

- The regions hit by natural catastrophes account for 7% of Japanese GDP.
- However, reconstruction efforts should begin to have a positive impact in the second half of 2011.

### The emerging countries continue to face risks of economic overheating:

- Government authorities are adopting more restrictive monetary policies in a bid to achieve a more sustainable balance between industrial output and consumption.
- Inflation is still a major concern.
- The emerging countries continue to make major contributions to global economic growth.

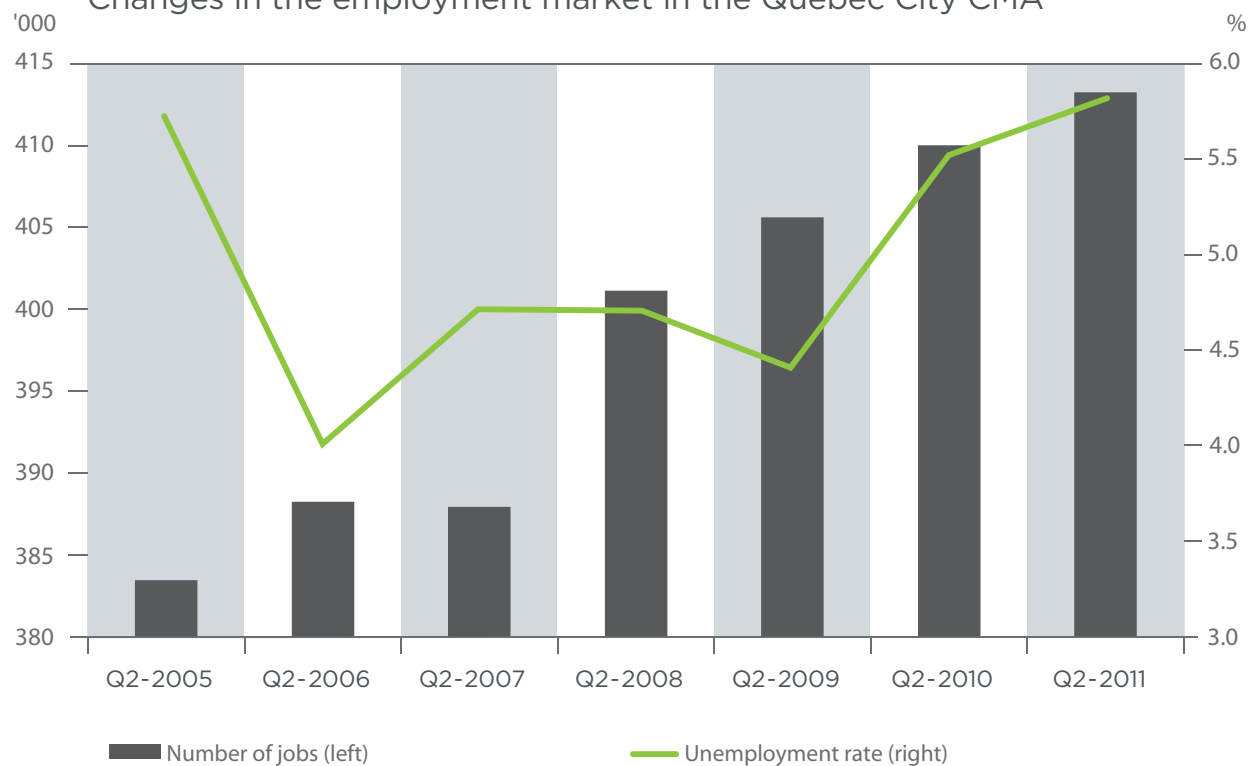


### Quarterly real GDP growth (%)

	Q1-2010	Q2-2010	Q3-2010	Q4-2010
Quebec City	2.1	0.4	0.1	0.6
Saskatoon	3.7	(0.5)	0.7	1.5
Regina	3.2	(0.3)	0.2	1.3
Calgary	1.6	1.6	0.5	0.8
Edmonton	1.9	1.3	0.8	0.8
Montreal	1.9	0.3	(0.2)	0.5
Hamilton	1.2	0.6	0.4	0.5
Toronto	1.1	0.6	0.4	0.4
Ottawa	0.5	0.3	0.4	0.3
Winnipeg	0.7	(0.1)	1.4	0.3
Halifax	1.4	0.6	0.2	0.2
Vancouver	2.0	0.1	0.3	0.2
Victoria	1.6	(0.1)	0.1	(0.0)

Sources: Conference Board of the Canada and Québec International

### Changes in the employment market in the Quebec City CMA



Sources: Statistics Canada and Québec International



# 2

## EMPLOYMENT MARKET

The Quebec City CMA recorded a gain of 3,200 jobs in the second quarter of 2011

The second quarter brought good news for the employment market in the Quebec City CMA. The region had a total of 413,100 jobs, a gain of 3,200 compared with the same period of 2010. The workforce also grew by 1.1%. The unemployment rate was slightly higher because the increase in the workforce was greater than the increase in employment (+0.8%). Unemployment stood at 5.8% in the second quarter of 2011, compared with 5.5% in the same period of 2010.

Once again, hiring intensified for full-time positions. More than 11,900 full-time workers were hired in the region, offsetting the loss of 8,700 part-time positions. In addition, the number of workers aged 25 and older continued to grow compared with last year, with a gain of 18,400 jobs recorded in the second quarter of 2011. However, the number of workers in the 15-to-24 year age group dropped by 15,100 compared with last year.

The regional employment market had a few surprises in store this past spring. For example, the manufacturing sector showed signs of recovery, posting a gain of 5,500 jobs after four consecutive quarters of negative growth. Manufacturers of chemicals, rubber and plastic products boosted hiring prospects in the non-durable goods sector, as did manufacturers of machinery, electronics and computer products in the durable goods sector. The construction industry also fared well, adding 9,500 jobs.

In contrast, hiring tapered off in the services sector, which shed 8,300 jobs compared with the second quarter of 2010. Job losses were also recorded in various sectors (public administration, retail and information, cultural and recreational services). This decline was not offset by gains in other areas (professional, scientific and technical services, administrative services, healthcare services, social services and hotel/restaurant services).

On the whole, the demand for labour remains high in the Quebec City CMA in 2011. In a survey conducted in January by Québec International, the Quebec City Chamber of Commerce and Industry and Léger Marketing, 73% of the CEOs (out of 263 regional companies surveyed) indicated that they expected to hire more workers this year. In addition, Québec International will be supporting several regional companies in their bid to recruit individuals in the US Northeast, France and Brazil.

# 3

## INVESTMENTS



According to data compiled by Québec International, more than 140 investment projects are underway in the Quebec City region. Taken together, these residential, institutional, industrial and commercial projects are expected to generate \$8.1 billion in expenditures and will help create or maintain nearly 9,000 jobs.

The private sector is currently undertaking 77 projects valued at \$4.1 billion. Of these, 16 are being carried out by foreign companies (\$1.7 billion) operating primarily in the R&D, vaccine, fibre optic, oil and retail sectors.

Residential housing activity accounts for 44% of the private projects in Quebec City (34 out of 77, valued at \$1.8 billion). Although this activity sector is less intense this year compared with the 2010 peak (6,652 units), a number of factors are helping to spark the interest of potential buyers. For example, there is an ongoing shortage of rental units (the vacancy rate was 1% in April, one of the lowest in Canada). In addition, hiring opportunities continue to grow, while borrowing conditions remain favourable. Based on these factors, a sense of confidence remains despite the 13.3% year-over-year drop in the number of housing starts in the second quarter of 2011.

The institutional market also continues to grow in Quebec City. A dozen projects valued at more than \$440 million are underway and will add more than one million square feet of office space. Demand for available space continues to outstrip supply, as seen in the low vacancy rate in the second quarter (4.6%), particularly for class B buildings.

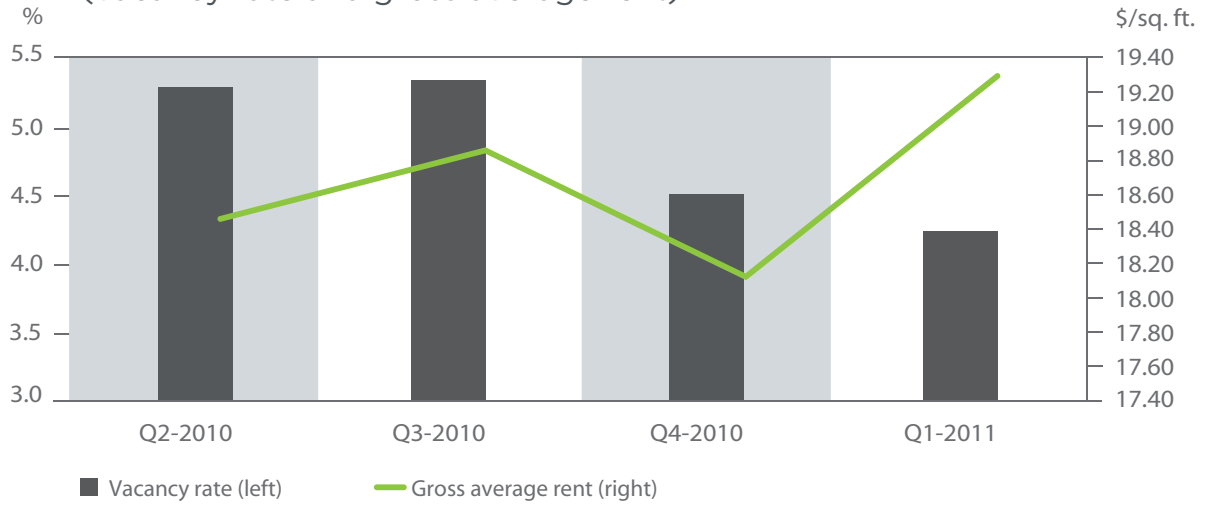
The commercial, industrial, hotel and restaurant sectors are currently undertaking 17 projects valued at \$182 million. Investment in these sectors is being stimulated by the robust regional economy, as well as by large-scale R&D investments and continued improvements to tourist attractions.

The public sector is currently undertaking 60 projects valued at \$4 billion. Improvements to the road network and the water supply network are still on the agenda. Projects aimed at modernizing and expanding hospitals and educational institutions are either underway or will be kicking off soon. In addition, various levels of government are stepping up their involvement in the construction of sports, cultural and scientific infrastructure.

Capital expenditures in the region amount to more than \$8.1 billion

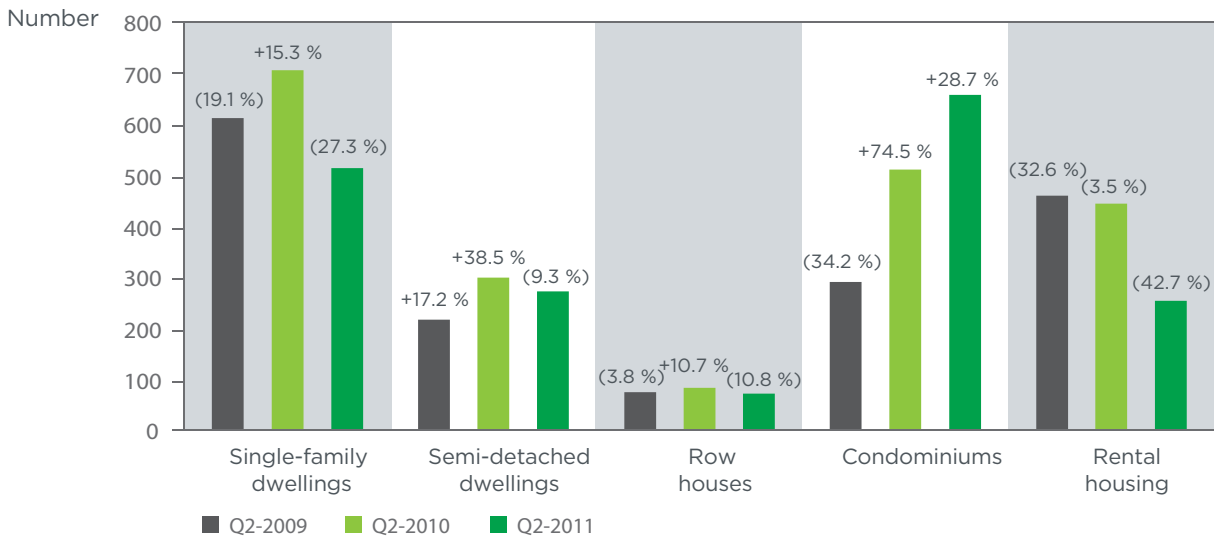


### Office building market (vacancy rate and gross average rent)



Sources: Altus Group and Québec International

### Housing starts by dwelling type



Sources: Canada Mortgage and Housing Corporation and Québec International





# 4

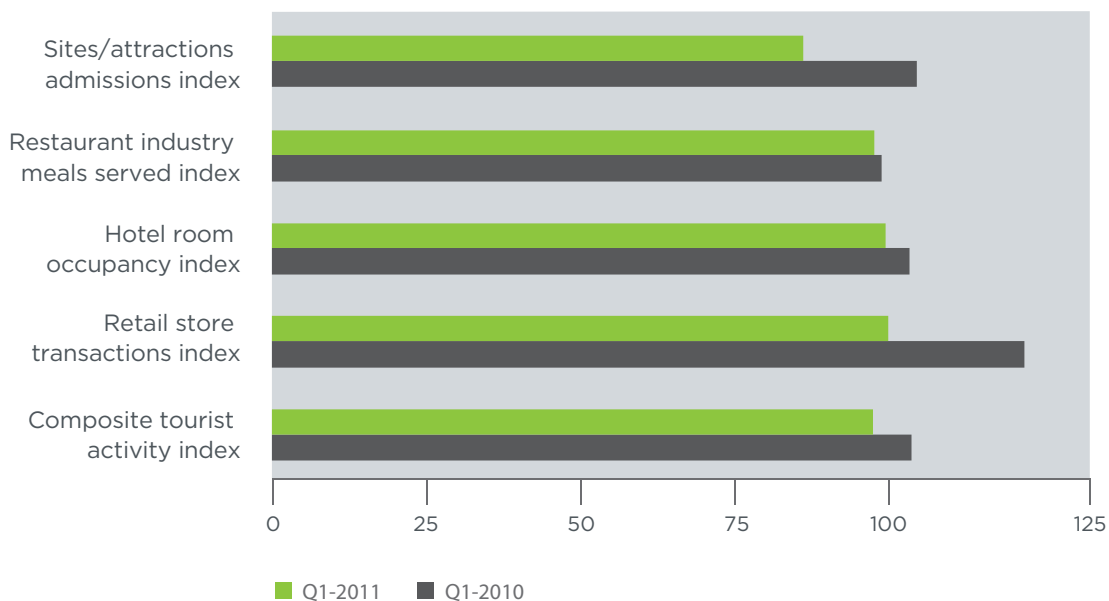
## TOURIST ACTIVITY

According to the Quebec City Tourism Office, the composite index of tourist activity stood at 96.8 in the first quarter of 2011, down from 103.1 in the same period of 2010. All components showed negative growth. The largest decreases were seen in the retail store transactions index (-22%) and the site/attraction admissions index (-18.4%). The hotel occupancy rate was 49.0% in the first quarter, down slightly from 49.4% in the same period of last year.

Traffic levels at Quebec City's Jean Lesage International Airport continued to be very high in the first quarter of 2011. The number of passengers rose by 18.5% compared with last year, reaching a total of 411,779 travelers (arrivals/departures). The traffic increase stemmed from domestic flights (+6.3%), crossborder flights (+14%) and international flights (+32.3%). According to the preliminary results for April and May, traffic at the airport continues to increase, with a 6.9% increase in the number of passengers compared with the same period of 2010. If this fine performance continues, it could end up energizing the entire regional tourist sector.

The number of passengers increased by 18.5% at Quebec City's airport

Tourism indicators for the Quebec City region



Sources: Quebec City Tourism and Québec International



## Non-residential private investment projects underway in the Quebec City CMA

Project	Investment (M\$)	Sector	Description
Ultramar	850.0	Oil	Modernization of the company's petroleum product refinery
Endoceutics & Bayer	300.0	Pharmaceuticals	R&D investment aimed at developing a drug for menopausal women
Bell	225.0	Telecommunications	Optical fibre network installation
GlaxoSmithKline	90.0	Vaccine manufacturing	Plant expansion
GM Développement	88.0	Real estate services	Construction of an office tower
La Capitale Insurance	80.0	Insurance	Head office expansion
Immostar - Place de l'Escarpe ment	59.0	Metal products	Construction d'un immeuble de bureaux
Corbec Corporation	25.0	Biomass	Construction d'une usine
Trimco Gestion & Courtage Immobilier	22.0	Composite materials	Plant construction
Kevlar Group	22.0	Retail	Commercial development
Sanimax	15.0	Food processing	Construction of a biomass boiler
Novik	12.9	Optics/photonics	Expansion
Best Buy	11.0	Commercial	Construction of a new store
Biscuits Leclerc	7.0	Transformation d'aliments	Construction of an R&D innovation centre
EXFO	2.0	Optique-photonique	Head office renovation
Vigneault Chocolatier	1.3	Transformation d'aliments	Market development, new products and equipment

Sources : Indicateur des projets au Québec et Québec International

Primary economic indicators  
Quebec City CMA

	2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Seasonally adjusted statistics</b>						
Real GDP (In millions of 2002 \$)	26,043	26,151	26,185	26,342	NA	NA
Quarterly variation (%)	2.1	0.4	0.1	0.6	NA	NA
Disposable income per capita (\$)	29,527	30,478	30,037	30,106	NA	NA
Quarterly variation (%)	0.4	3.2	(1.4)	0.2	NA	NA
Retail sales (millions of \$)	12,247	12,000	12,145	12,528	NA	NA
Quarterly variation (%)	3.4	(2.0)	1.2	3.2	NA	NA
Consumer price index (2002 = 100)	114.2	114.8	114.6	115.5	NA	NA
<b>Seasonally unadjusted statistics</b>						
<b>Labour market</b>						
Active population	408,700	433,800	440,900	441,000	431,300	438,400
Number of jobs, overall	387,900	409,900	421,700	421,200	400,800	413,100
Manufacturing	32,700	27,300	25,400	31,200	30,800	32,800
Food processing	6,200	6,500	6,300	7,900	4,900	4,200
Chemicals	2,100	3,000	1,800	NA	3,200	3,200
Rubber/plastic products	NA	NA	NA	NA	2,300	4,600
Metal products	4,700	4,800	2,200	1,600	2,700	3,300
Transportation equipment and machinery	2,400	1,500	NA	3,100	3,200	4,900
Computer, electronic and electrical products	1,600	NA	2,500	3,200	2,200	2,100
Construction	16,000	16,800	21,400	23,600	23,300	26,300
Services	336,400	359,000	367,700	360,500	345,400	350,700
Financial, insurance and real estate services	33,600	32,200	34,200	35,000	31,600	31,900
Professional, scientific and technical services	28,900	35,000	36,500	35,100	37,800	38,500
Wholesale and retail trade	61,600	64,700	66,100	63,400	59,000	57,200
Transportation and storage	13,200	14,700	12,300	10,600	12,800	13,400
Accommodation and food services	29,900	27,700	28,600	29,400	28,100	34,500
Public administration	42,700	51,100	53,000	51,000	46,700	46,400
Unemployed persons	20,800	23,900	19,300	19,900	30,500	25,300
Unemployment rate (%)	5.1	5.5	4.4	4.5	7.0	5.8
Participation rate (%)	65.3	69.1	70.0	69.8	68.6	69.0
Employment rate (%)	62.0	65.3	67.0	66.7	64.5	65.0
<b>Real estate</b>						
Housing starts	1,125	2,050	1,688	1,789	1,110	1,777
Single-family dwellings	326	708	422	312	215	515
Semi-detached and row houses	239	385	217	213	206	348
Condominiums	206	512	504	697	523	659
Rental housing	293	445	545	567	166	255
Resale market	2,181	1,977	1,417	1,541	2,004	NA
Residential vacancy rate (%)	0.6		1.0		1.0	
Desjardins Affordability Index	166.9	168.3	165.5	166.3	167.1	NA
Office building vacancy rate (%)	4.6	5.3	5.4	4.6	4.2	4.6
Value of building permits (thousands of \$)	487,626	493,025	370,556	383,243	373,592	NA
Commercial (thousands of \$)	94,661	81,872	56,871	77,331	82,019	NA
Industrial (thousands of \$)	10,477	41,823	28,561	17,418	4,082	NA
Institutional (thousands of \$)	17,246	48,025	16,735	36,251	13,301	NA
Residential (thousands of \$)	365,242	321,305	268,389	252,243	274,190	NA
<b>Bankruptcies</b>						
Personal bankruptcies	478	485	456	537	463	NA
Business bankruptcies	37	29	27	31	37	NA
<b>Tourism</b>						
Overall number of passengers at Quebec City Airport	347,574	275,270	287,697	279,548	411,779	NA

NA: Not Available

Sources: Conference Board of Canada, Canada Mortgage and Housing Corporation, Quebec Statistics Institute (ISQ), Quebec Federation of Real Estate Boards, Office of the Superintendent of Bankruptcy, Altus Group, Quebec City Tourism, Statistics Canada, Quebec City Airport, Desjardins Group and Québec International

## Primary economic indicators Quebec City Region

Annual data	2005	2006	2007	2008	2009	2010
GDP at basic price (\$ million)	23,787	25,029	26,649	27,604	27,821	NA
Quarterly variation (%)	NA	5.2	6.5	3.6	0.8	NA
Disposable personal income per capita (\$)	23,308	24,261	25,257	26,371	27,429	NA
Quarterly variation (%)	NA	4.1	4.1	4.4	4.0	NA
Employment income per capita (\$)	23,106	23,881	24,842	25,855	26,500	NA
Quarterly variation (%)	NA	3.4	4.0	4.1	2.5	NA
Population	664,649	668,734	673,360	679,839	686,408	693,859
Quarterly variation (%)	0.3	0.6	0.7	1.0	1.0	1.1
	2010				2011	
Quarterly data	Q1	Q2	Q3	Q4	Q1	Q2
<b>Labour market</b>						
Active population	368,700	387,400	394,700	393,700	386,400	398,900
Number of jobs, overall	347,900	366,800	378,500	373,300	355,300	373,800
Manufacturing	27,700	23,600	20,600	22,300	23,700	29,300
Food processing	3,500	3,500	2,800	4,800	3,200	3,800
Chemicals	2,400	3,000	1,900	NA	2,800	2,900
Rubber/plastic products	NA	NA	NA	NA	NA	3,100
Metal products	4,200	4,300	2,200	NA	2,300	3,800
Transportation equipment and machinery	NA	NA	NA	2,100	2,100	2,300
Computer, electronic and electrical products	NA	NA	2,600	3,200	2,200	2,100
Construction	11,300	13,500	17,600	20,100	20,400	23,800
Services	303,800	318,800	331,100	325,000	308,100	315,800
Financial, insurance and real estate services	27,300	25,500	27,700	26,700	25,500	25,800
Professional, scientific and technical services	29,300	31,100	31,900	31,100	32,700	32,500
Wholesale and retail trade	56,000	59,200	60,800	55,500	50,900	52,600
Transportation and storage	10,400	11,600	11,300	11,300	13,400	13,900
Accommodation and food services	26,400	25,500	27,300	28,500	26,800	2,900
Public administration	36,800	41,000	44,700	44,500	42,200	41,700
Unemployed persons	20,800	20,600	16,300	20,400	31,000	25,100
Unemployment rate (%)	5.6	5.3	4.1	5.2	8.0	6.3
Participation rate (%)	63.7	66.8	67.8	67.4	66.0	67.9
Employment rate (%)	60.1	63.2	65.0	63.9	60.7	63.6
<b>Real estate</b>						
Value of building permits (thousands of \$)	355,200	505,368	343,104	396,034	295,717	NA
Commercial (thousands of \$)	72,205	93,493	49,341	78,619	56,003	NA
Industrial (thousands of \$)	10,649	44,188	28,541	30,087	4,169	NA
Institutional (thousands of \$)	17,721	45,657	26,995	34,606	12,100	NA
Residential (thousands of \$)	254,625	322,030	238,227	252,723	223,445	NA
<b>Bankruptcies</b>						
Personal bankruptcies	469	492	443	552	448	NA
Business bankruptcies	31	26	27	29	31	NA
<b>Tourism</b>						
Total tourist activity - aggregate index	103.1	98.2	99.4	98.4	96.8	NA
Lodging - room occupancy index	102.7	99.3	104.4	100.2	98.9	NA
Sites and attractions - admissions index	103.9	89.5	85.0	92.3	85.5	NA
Retail stores - transactions evolution index	121.2	99.1	98.7	99.7	99.2	NA
Restaurant industry - meals served index	98.2	99.2	97.6	97.7	97.0	NA
Hotel occupancy rates (%)	49.4	55.1	71.6	48.1	49.0	NA
Overall number of passengers at Quebec City Airport	347,574	275,270	287,697	279,548	411,779	NA

NA: Not Available

Sources: Quebec Statistics Institute (ISQ), Office of the Superintendent of Bankruptcy, Statistics Canada, Quebec City Airport and Québec International

## **CENSUS METROPOLITAN AREA (CMA)**

Area formed by one or more neighbouring municipalities located around a major urban centre. To constitute a CMA, an urban centre must have at least 100,000 inhabitants.

## **UNEMPLOYED**

Individuals who are available to work, have no paid employment and actively looking for work.

## **ACTIVE (WORKING) POPULATION**

Civilian population aged 15 years old and higher not living in an institution and or on a reserve, either employed or unemployed.

## **PARTICIPATION RATE**

Active population expressed as a percentage of the total population aged 15 years and older.

## **EMPLOYMENT RATE**

Number of active workers expressed as a percentage of the total population aged 15 years and older.

## **UNEMPLOYMENT RATE**

Number of unemployed expressed as a percentage of the active population.

## **CONSUMER PRICE INDEX (CPI)**

Measure of the changes in the price paid by consumers for a basket of goods and services.

## **GROSS DOMESTIC PRODUCT (GDP)**

The total unduplicated value of the goods and services produced in an economic area (such as a region) during a given period, regardless of the ownership (foreign/domestic) of the production factors. GDP at basic prices corresponds to the GDP calculated at market prices, less tax deductions applicable to goods, plus consumer subsidies.

## **DISPOSABLE PERSONAL INCOME**

Personal income less direct personal income taxes, social insurance contributions and other current transfers to public administrations.

## **CAPITAL INVESTMENTS**

Capital expenditures related to new construction projects and major improvements to existing buildings, in addition to purchases of new machinery and equipment. These expenditures also include individual expenditures on residential construction, but do not include purchases of land, existing buildings or used machinery or equipment (unless imported).

### VALUE OF BUILDING PERMITS

Corresponds to the value of planned building projects in the non-residential sector, the number of authorized dwelling units and the value of building projects in the residential sector.

### DESJARDINS AFFORDABILITY INDEX

Measure used to determine whether the housing price level is sustainable by comparing the cost of owning a home compared with household incomes. The value of the index is obtained by calculating the ratio between average disposable household income and the income level required by financial institutions for financing purposes.

### VACANCY RATE

The percentage of apartments and row houses unoccupied and available for rent.

### TOURISM INDEX

The baseline index of 100 corresponds to the relation between the sum of the results of a sample taken during a given month and the sum of the results of the same sample for the same month in the baseline year.

### HOTEL VACANCY RATE

The relation between the number of occupied hotel rooms and the number of available hotel rooms in a given area.



# QUÉBEC INTERNATIONAL

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