Quebec: Spectacular economic growth in the first quarter
By Daren King

The Quebec economy continued to grow for a 7th consecutive quarter with a robust Q1 gain of 6.9% in real annualized terms, more than double the growth observed in the country as a whole. Excluding the growth observed directly after the lockdown at the beginning of the pandemic, this is the strongest quarterly growth since Q1 1999. This was achieved even though more restrictive sanitary measures were still in place in January to fight the Omicron variant than in many other provinces. This increase was driven in particular by a 5.9% rise in final domestic demand, characterized by gains in all of its components (with the exception of investment in intellectual property products). Household consumption expenditures picked up after a slight decline in Q4 2021, driven by a 12.3% increase in spending on goods, which more than offset the 1.5% decline in spending on services. As a result, spending on goods continues to significantly outpace its pre-pandemic level, while services still lag (left chart). Also noteworthy is the strong 19.4% annualized growth in nominal GDP in Q1, the strongest quarterly growth since Q2 1983 (excluding the quarters following the end of the lockdown at the beginning of the pandemic). In addition to strong real growth, this was due to a jump in economy-wide inflation, commonly referred to as the GDP deflator, which recorded its strongest quarterly surge since 1990 (right chart). This growth in nominal GDP will certainly have a positive impact on the province’s public finances. In the coming quarters, we expect the province’s economy to grow at a slower pace as inflation and rising interest rates are expected to weigh on the GDP.

Quebec: Services consumption still lagging
Change in household consumption since Q1 2020 de la consommation des ménages depuis T1 2020

Quebec: GDP Inflation at its highest level since 1990
Implicit GDP deflator

HIGHLIGHTS:
- According to the Institut de la Statistique du Québec, real GDP grew by 6.9% on a quarterly annualized basis in Q1 2022 (Canada: +3.1%), following an increase of 4.6% in Q4 2021 (Canada: +6.6%).
- Nominal GDP jumped by 19.4% in Q1 2022 (Canada: +15.7%) after increasing by 16.4% in Q4 2021 (Canada: +15.2%).
- In real annualized terms, final domestic demand increased by 5.9% (Canada: +4.8%), driven by business investment in non-residential construction (+24.4%), residential construction (+9.3%), government investment (+8.8%), household consumption (+5.2%), investment in machinery and equipment (+5.1%), and government current expenditure (+4.9%). Conversely, investment in intellectual property products (-6.6%) declined.
- In real annualized terms, international exports fell by 12.5% (Canada: -9.4%) while imports were down 10.6% (Canada: -2.8%). International trade therefore subtracted from Quebec’s economic growth in Q1. On the other hand, the increase in inventories in Q1 supported growth (+$2.899B vs +$1.905B in Q4).
- In Q1, the household net saving rate remained high at 15.4%. On a yearly basis, corporate profits increased by 33.7%.
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