



# ECONOMIC GROWTH

Report and Outlook 2022 | 2023

# MAP OF THE QUÉBEC CITY CMA



## THE PUBLICATION: REPORT AND OUTLOOK

Each year, Québec International's Economic Studies team sheds light on various important economic indicators in a publication called "Report and Outlook." In addition to analyzing data from the previous year, our economists consider the current context and predictions to form a solid idea of the changes to expect in the coming months. Québec International is therefore pleased to unveil the *Economic Growth* section of this document, which looks at the evolution of gross domestic product (GDP).

## NOTE TO READERS

This study was produced by Québec International's Department of Economic Studies and Strategic Monitoring. The professionals on this team have a mandate to ensure the availability of quality economic information. They monitor changes in the economic and business environment at the regional, national and international levels and carry out various types of research and analysis to identify opportunities, guide development strategies and define actions to be taken in support of regional economic growth. To learn more about the services offered by Québec International, please visit our website at [www.quebecinternational.ca/en](http://www.quebecinternational.ca/en).

# ECONOMIC GROWTH HIGHLIGHTS

Economic growth back to normal despite uncertainty



**\$40.1B**

**Real GDP**

It was \$39.5B in 2021



**+1.5%**

**Real GDP Variation**

Following a 5.0% increase in 2021

The standard of living and productivity in Quebec are lagging  
behind Canada



**\$47,088**

**Standard of living**

(Real GDP per capita)  
The lowest among major  
Canadian regions



**\$91,149**

**Productivity**

(Real GDP per job)  
The lowest among major  
Canadian regions



**-0.2%**

**Variation in  
productivity**

All CMAs had a challenging year  
in terms of productivity

Projections for 2023 remain positive



**+0.4%**

**Real GDP (projection)**

Economic forecasters agree on  
a challenging year





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## SUMMARY

Based on estimates from the Conference Board of Canada (CBoC), real gross domestic product (GDP) in the Québec City census metropolitan area (CMA) was \$40.1B in 2022, an annual increase of 1.5%. This growth is lower than what the CBoC had projected last year. The CBoC's overestimation was caused in part by a resurgence of inflation in 2022. On that front, inflation affected all regions of Canada, not only the Québec City CMA. However, the region's overall growth of 1.5% approaches the average registered between 2010 and 2019.

As for the standard of living and productivity levels, the region continues to lag behind the other major Canadian CMAs. After a challenging year from coast to coast, the region ranked last in Canada, with the standard of living established at \$47,088 and the GDP per job at \$91,469.

Global inflation and economic uncertainty due in part to the war in Ukraine, the sanctions in Russia as a result of the war, the major economic downturn in China, the tense relations in Asia, the inflation pressures and the soaring interest rates will remain current challenges in 2023 and will likely affect growth. According to various forecasters, growth will probably remain modest in the region (+0.4%), the province (+0.2%) and the country (+0.7%). Furthermore, it will be dependent on the increase in productivity during the next year.

**Table 1 – Growth summary in the major Canadian CMAs**

	Real GDP (\$B)			GDP per capita (\$)	GDP per job (\$)
	2022	2021	Variation	2022	2022
<b>Québec City</b>	<b>40.1</b>	<b>39.5</b>	<b>1.5%</b>	<b>47,088</b>	<b>91,149</b>
Montréal	217.9	210.9	3.3%	49,752	93,163
Ottawa	84.4	82.1	2.8%	56,012	106,104
Toronto	397.2	383.0	3.7%	59,178	112,135
Winnipeg	43.9	42.6	3.1%	50,177	95,808
Edmonton	96.7	93.1	3.9%	63,310	120,900
Calgary	126.9	121.7	4.3%	78,295	145,223
Vancouver	157.0	153.3	2.4%	54,939	102,016
Province of Quebec	391.7	381.3	2.7%	45,107	88,884
Canada	2,055.7	1,982.3	3.7%	52,952	105,133

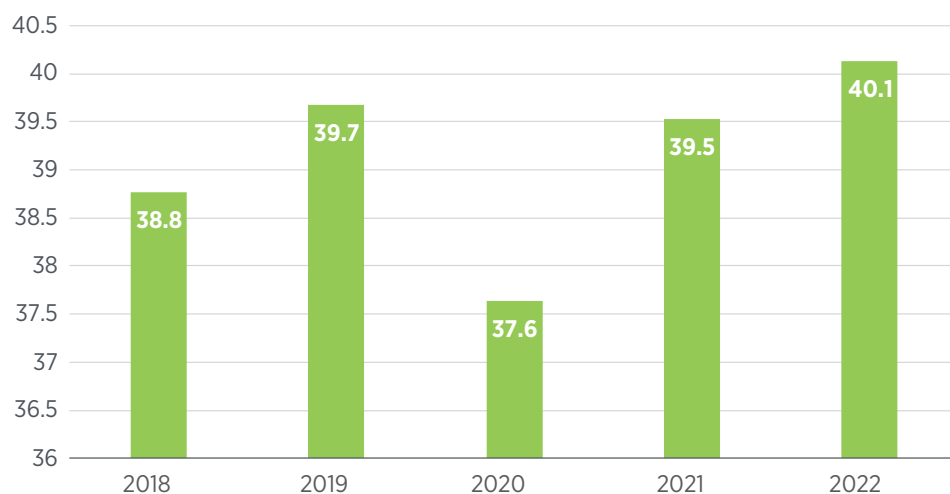
Sources: Conference Board of Canada (annual data), and Québec International.

# GROSS DOMESTIC PRODUCT<sup>1</sup>

## 2022 Review

In 2022, the Québec City CMA exceeded its pre-pandemic level, with a GDP of \$40.1B, compared to \$39.7B in 2019. Its 1.5% economic growth is similar to the 10-year average from before the pandemic (1.7% per year on average from 2010 to 2019), suggesting a return to normal in the region after a post-pandemic rebound of 5% in 2021.

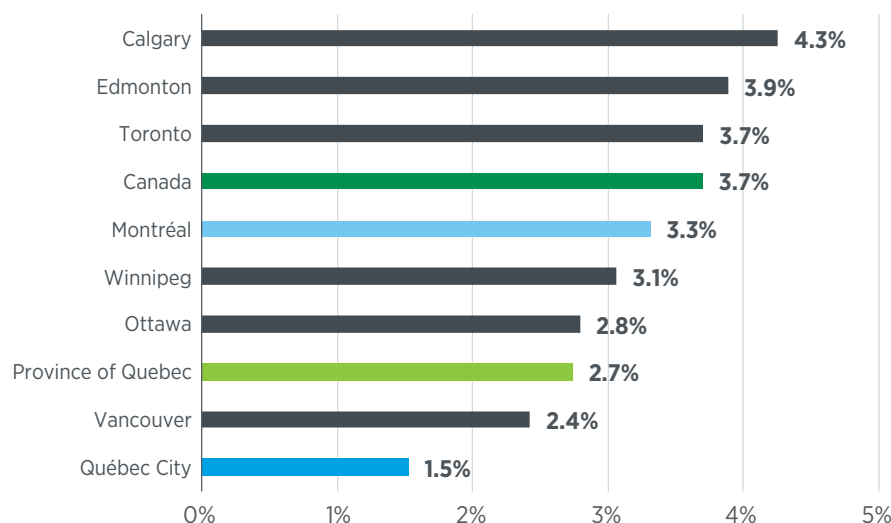
**Figure 1 – Evolution of real GDP in the Québec City CMA (\$B)**



Sources: Conference Board of Canada (annual data), and Québec International.

It is worth noting that the overall Canadian economy recovered to its pre-pandemic level in 2022. On that note, the Québec City CMA is the region with the lowest growth among major Canadian CMAs. For reference, it is the only one below the 2% mark among all regions. While it recovered well after the shock from the pandemic, it continues to lag behind in that area. This gap is explained in part by the structure of its labour market and its industries as well as its aging population, a phenomenon that has been accelerating in recent years. For comparison, economic growth was 3.7% in Canada, against 2.7% in the province of Quebec.

**Figure 2 – Real GDP growth in the major Canadian CMAs, the province of Quebec and Canada in 2022**



Sources: Conference Board of Canada (annual data), and Québec International.

<sup>1</sup> GDP is one of the most widely used overall economic indicators. It measures the total monetary value of the goods and services produced and helps estimate a region's prosperity. However, it does not measure a society's quality of life or well-being. The evolution of the GDP over time (i.e. economic growth or recession) indicates whether more or less value was produced compared to another year.





### BOX 1: WHAT IS “REAL” GDP?

“Nominal gross domestic product” is calculated based on the value of goods and services produced in a given economy, in current dollars. However, prices increase each year, even when the products do not change much, or at all (e.g., a haircut). This is called inflation.

Therefore, to measure the “real” increase of goods and services produced in the economy, i.e. without inflation, we need to use “real gross domestic product,” which is measured in inflation-adjusted dollars, or “constant dollars” (in our case, 2012 dollars).

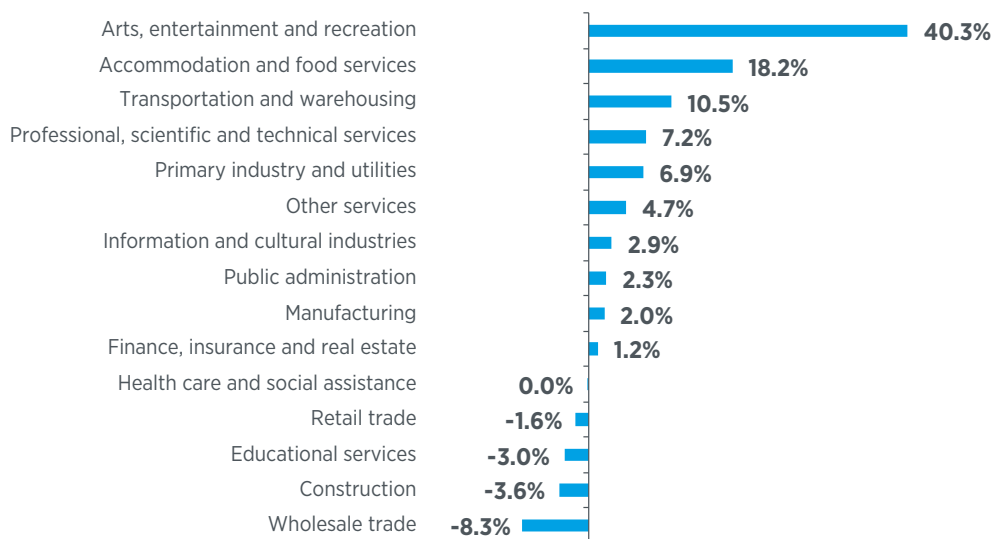
For more information on inflation in the Québec City region, please check out the [Purchasing Power](#) section of “Report and Outlook 2022–2023.”

## Evolution by industry

How to explain the Québec City region’s low growth compared to its counterparts? Part of the solution may be that the CMA’s two main sectors only grew slightly: finance and public administration grew by 1.2% and 2.3%, respectively.

Moreover, the region (and the province) was marked by the strong recovery of the arts and entertainment (+40.3%) and the accommodation and food services (+18.2%) sectors. Nevertheless, these two unfortunately have a low impact on the region’s overall growth due to their low weight in the total GDP (2.6%). Meanwhile, Québec City registered a drop in wholesale trade (-8.3%), a sector that represents 4.4% of the total GDP, as well as a drop in the construction sector (-3.6%), which stands at 6.7% of the region’s GDP.

**Figure 3 – Real GDP growth (%) by industry in the Québec City CMA from 2021 to 2022**



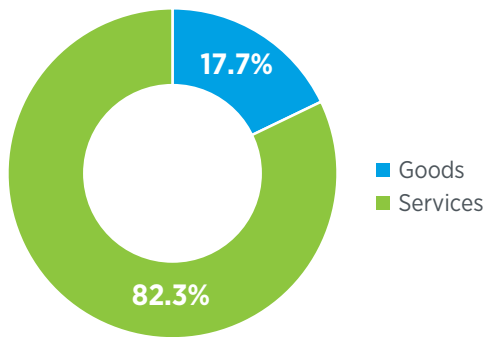
Sources: Conference Board of Canada (annual data), and Québec International.



Economic diversity

In 2022, over 80% of the region’s GDP was generated by the services sector, against slightly less than one fifth generated by the goods-producing sector. This GDP distribution between the two sectors is consistent with other big regions like Montréal and Toronto, where the services sector contributed to 78% and 81% of the GDP in 2022. By themselves, these divisions are nothing surprising as Canada’s overall economy is mostly centred around services.

Figure 4 – Share of GDP by type of industry in the Québec City CMA in 2022

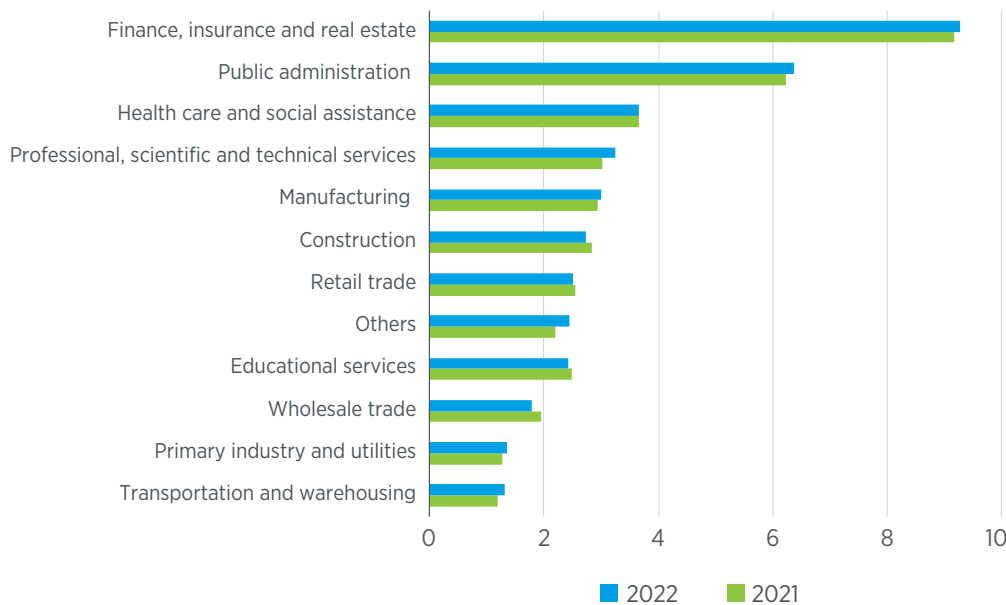


Sources: Conference Board of Canada (annual data), and Québec International.

By looking at the region’s various industries, we can see that they have a similar weight as elsewhere in Canada, which allows us to recognize that despite the public sector making up a significant portion of its economy, the region remains well balanced in terms of its industry structure.

In the CMA, the public sector represents 15.9% of the GDP, or \$6.4B. Ottawa is the only CMA where public administration is more significant, at nearly one third of the region’s GDP (31.2%). In the Québec City CMA, the finance and insurance sector exceeds public administration. The health care and social assistance sector, professional, scientific and technical services, and the manufacturing sector are among the top five industries in the region.

Figure 5 – Relative weight of industries in real GDP (\$B) in the Québec City CMA in 2021 and 2022



Sources: Conference Board of Canada (annual data), and Québec International.





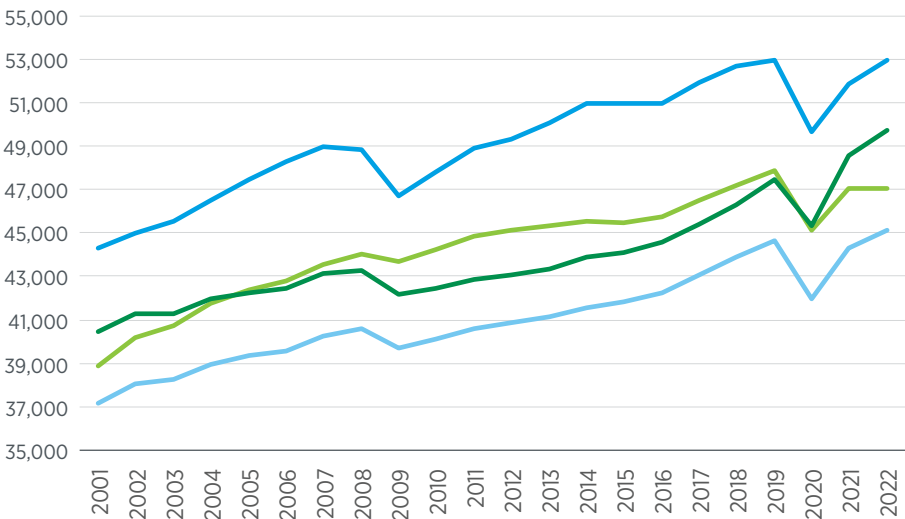
# STANDARD OF LIVING AND PRODUCTIVITY<sup>2</sup>

## Standard of living

Real GDP per capita is commonly used to estimate the standard of living or wealth of a given region. In 2022, real GDP per capita remained stable in the Québec City region, reaching \$47,088 (+0.1%), among the lowest levels registered in Canada. Across Canada, real GDP per capita did not fare much better. Vancouver is the only region to have registered a worse result than Québec City, with a drop of 0.6%. The other CMAs had an average 1.5% increase.

Montréal, however, had the highest growth among all Canadian CMAs, with a 2.5% increase in its GDP per capita.

Figure 6 – Evolution of real GDP per capita between 2001 and 2022

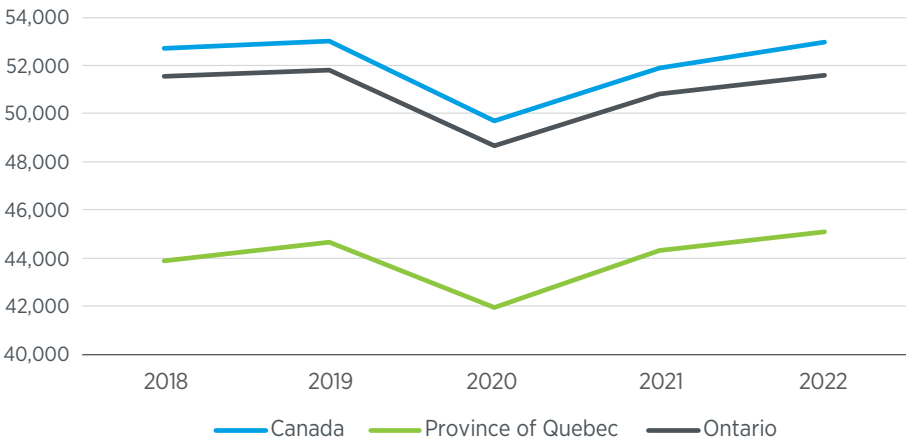


Sources: Conference Board of Canada (annual data), and Québec International.

CMAs are gradually returning to their pre-pandemic levels. In fact, four of the eight major Canadian CMAs (Montréal, Ottawa, Toronto and Vancouver) have finally reached the same standard of living they had in 2019.

It is important to note that the province (and the region) historically lagged behind Ontario on that front. This situation was not fixed in 2022, as the wealth gap between the provinces remained stable.

Figure 7 – Real GDP per capita between 2018 and 2022 in the province of Québec and Ontario



Sources: Conference Board of Canada (annual data), and Québec International.

<sup>2</sup> Population in the Québec City CMA is aging and will grow slowly in the coming years. This raises questions about the potential for growth in Québec City's GDP, as the contributions of population growth and labour force participation to economic expansion fade. Although the latest results in terms of employment and demography remain positive, growth in the standard of living will depend on an increase in productivity, among other things.

BOX 2: WEALTH GAP WITH ONTARIO

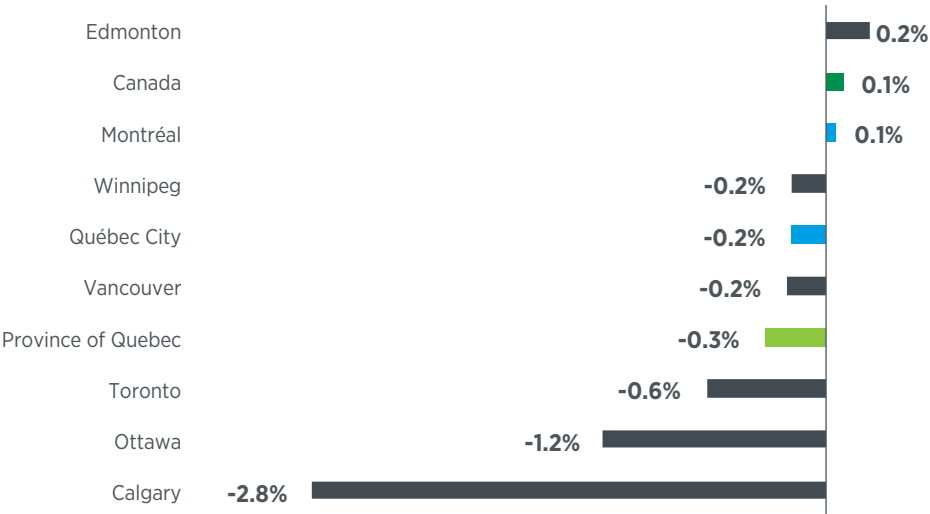
Figure 7 shows that the standard of living in the province of Quebec continues to lag behind the rest of Canada. This wealth gap is often measured in relation to Ontario, which itself is below the Canadian average.

Although this indicator is imperfect and does not take into account other factors such as inequalities or the cost of living, it is clear that efforts will have to continue if the province is to catch up with Ontario's standard of living. Three main factors impact growth in the standard of living: labour productivity, the number of hours worked and the proportion of the population that is employed.

Labour productivity

Labour productivity is measured by the wealth created per hour worked, but this data is not available at the CMA level and will be substituted by the number of jobs in the context of this analysis (see Box 3). Last year, Canadian productivity was stagnant (+0.1%), which could suggest a problem with productivity. As mentioned in the previous section, the province of Quebec lags behind Ontario in terms of wealth and productivity. What that section did not mention, however, is that Ontario also lags behind the rest of Canada. Delving deeper, we can see that Canada also lags behind the OECD average in terms of productivity (Centre sur la productivité et la prospérité, 2023). Therefore, the 0.2% drop in productivity in the Québec City CMA did nothing to improve its situation at the national and international levels.

Figure 8 – Variation in productivity (GDP per job) in the major Canadian CMAs in 2022



Sources: Conference Board of Canada (annual data), and Québec International.

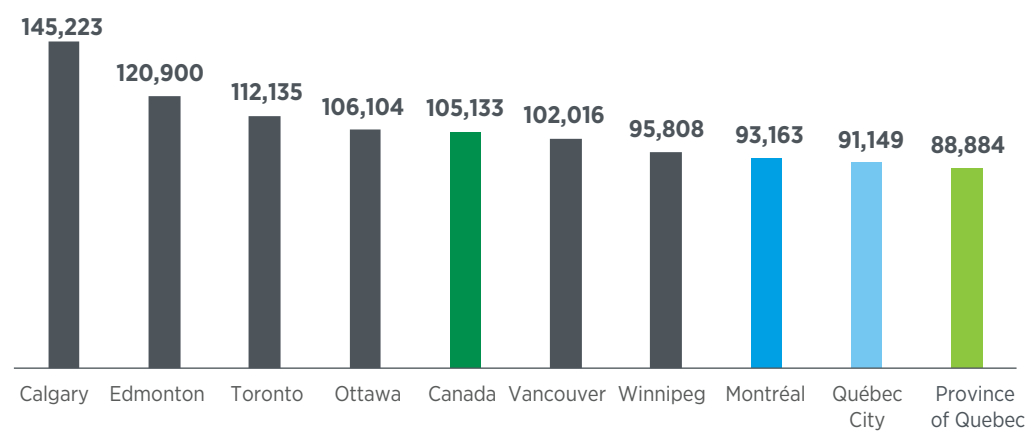
Despite Quebec's productivity lagging behind the rest of Canada and the OECD, it is important to note that Québec City and Montréal had a positive impact on the province's productivity, both of which being above the province average, with \$91,149 and \$93,163, respectively (compared to \$88,884 in the province of Quebec).







**Figure 9 – Productivity (GDP per job) in the major Canadian CMAs in 2022**



Sources: Conference Board of Canada (annual data), and Québec International.

### BOX 3: MEASURING PRODUCTIVITY IS A COMPLEX TASK

Real GDP per job is a partial estimate of productivity since it takes into account only one input—labour (hours worked or, in our case, employment). However, there are a variety of other factors that contribute to productivity, such as capital and technology. More sophisticated methods exist, such as multifactor productivity (MFP), but are beyond the scope of this analysis. In addition, it should be borne in mind that real GDP per job is strongly influenced by the structure of the economy.

## OUTLOOK

The regions registered lower growth than anticipated this year, a phenomenon closely linked to inflation and uncertainty issues in the past year. The current economic situation will persist in 2023, causing low growth expectations, an opinion that forecasters seem to share. All seem to expect growth below the 1% mark in the province, while it should be around 1% in the country.

**Table 2 – Real GDP growth forecast (%) in the province of Quebec and Canada in 2023**

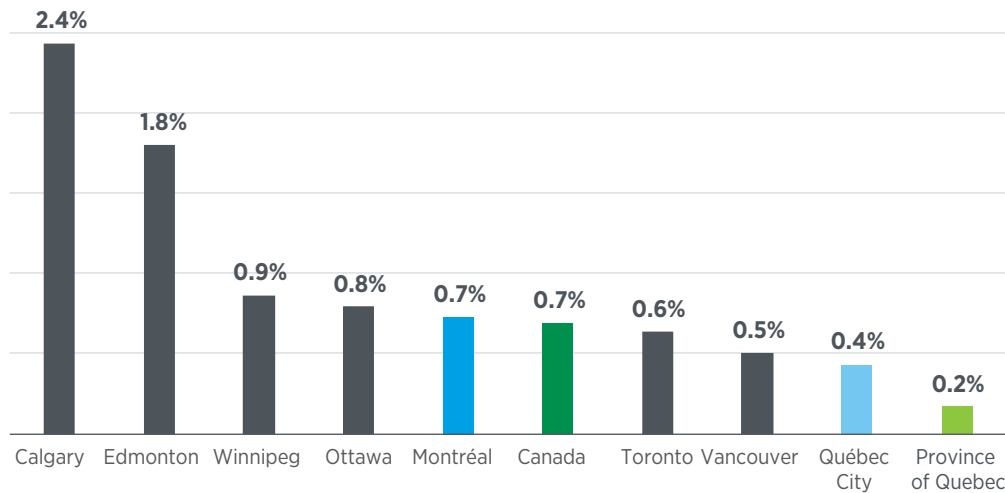
	Province of Quebec	Canada
Conference Board of Canada (March 2023)	0.2	0.7
Desjardins (May 2023)	0.4	1.1
National Bank (May 2023)	0.5	0.9
Government of Quebec (March 2023)	0.6	n/a
Government of Canada (March 2023)	n/a	0.3

Sources: Conference Board of Canada, Desjardins Economic Studies, National Bank of Canada, Ministère des Finances du Québec, Department of Finance Canada.



Across the CMAs, the situation seems to follow the same trend as the province of Quebec and Canada stated above, with all CMAs seemingly heading toward stagnation or low growth in their GDP in 2023. In view of these previsions and despite years marked by inflation, the region's economy appears to show resiliency. However, nothing indicates that the risk of recession is over yet.

Figure 10 – Real GDP growth forecast (%) in major Canadian CMAs in 2023



Sources: Conference Board of Canada (annual data), and Québec International.

Productivity and labour scarcity

By reorganizing their processes and making a digital shift, businesses are able to work more effectively, rather than work more. Therefore, increasing productivity is one of the solutions to the challenges of labour scarcity. Although increased productivity is frequently associated with investments in robotics for manufacturing companies, this concept also applies to the rest of the economy.

In the context of labour scarcity, increasing productivity is therefore a way for businesses to continue to grow and facilitate the attraction and retention of employees. Not only does efficiency reduce the need for labour, it also means better wages for employees. Employees benefit from increased labour productivity as it is a key determinant of compensation.





## CONCLUSION

In May 2022, the Conference Board of Canada was predicting a strong economic upswing, with a 3.4% increase in GDP for Québec City, 3% for the province of Quebec, and 4.1% for Canada. In reality, GDP increase was more moderate in 2022. This is explained by the uncertain economic situation and the soaring inflation.

The standard of living and productivity are intertwined. Although the available indicators are not perfect, they remind us that the CMA and the province of Quebec are lagging behind the rest of Canada in both aspects. The evolution of these two areas is especially important when we consider that in the long term, the region's growth will rely on productivity to cope with the aging of the population.

By making the digital shift and reorganizing work, businesses will become more efficient and therefore more competitive. Although immigration can help alleviate labour scarcity, it is not enough to solve the issue by itself. Productivity gains will be necessary in order to support growth in the coming years.

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