

Quebec: The goods sector supports the economy in January

By Daren King

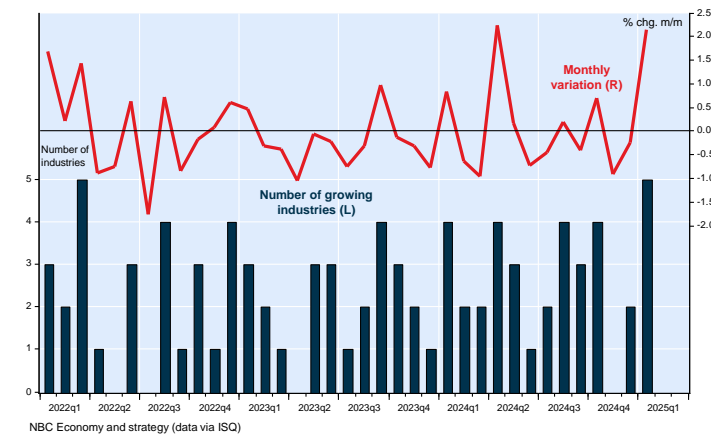
Highlights:

- According to the Institut de la Statistique du Québec, real GDP rose 0.5% in January (Canada: +0.4%), following a 0.3% increase in the previous month (Canada: 0.3%).
- Year-on-year, Quebec's real GDP grew by 2.2%, the same pace as the rest of the country.
- Fourteen of the 20 industries recorded increases in activity in November, including 9 of the 15 service subsectors and all 5 goods subsectors.
- The goods sector grew by 2.1% in January. The mining and quarrying (+11.7%) and utilities (+4.0%) subsectors experienced above-average increases, while construction (+1.7%), agriculture and forestry (+1.4%) and manufacturing (+1.0%) recorded weaker growth.
- The services sector remained stable from December to January. Increases in the accommodation and food services (+1.2%), wholesale trade (+1.0%), transportation and warehousing (+0.7%), arts, entertainment and recreation (+0.6%) and educational services (+0.5%) were completely offset by declines in the retail trade (-2.5%), administrative and support services, waste management and remediation (-0.8%) and information and cultural industries (-0.6%) subsectors.

Quebec's economy grew by a notable 0.5% in January, marking the sixth increase in seven months and the strongest growth since April 2024. This performance was entirely driven by the goods sector, which also saw its strongest growth since April last year, while the services sector remained flat during the month. After declining in the previous two months, growth in the goods sector in January was driven by significant increases across all its subsectors, which is rare since such widespread growth has not been seen since March 2022 (top chart). It is possible that the threat of US tariffs, which began in January, may have stimulated the goods sector, as some US companies may have brought forward purchases to avoid the tariffs. The mining and quarrying subsector partly explains this recovery, rebounding by 11.7% after a 7.5% decline in December. In addition, there was a second consecutive month of significant growth in the utilities sector, which is good news following the difficulties this industry has experienced in recent years with low water levels in Hydro-Québec's reservoirs. GDP growth in January in the province would have been even better had it not been for a sharp contraction in retail trade during the month. This industry has been on a roller coaster ride since the federal government announced the GST holiday in November. Overall, it appears that consumers took full advantage of this measure, with sales rising 3.9% when it took effect in December and falling only 2.5% in January, keeping spending well above its November level (bottom chart). In the coming months, an increase in exports related to the anticipation of certain purchases to avoid tariffs could continue to contribute positively to growth, but uncertainty surrounding the trade war may have begun to undermine household consumption and business investment. However, we believe that Quebec has certain strengths to weather the current crisis, as households are less indebted and have a higher savings rate than elsewhere in the country. In addition, Quebec is the province with the most diversified exports in the federation.

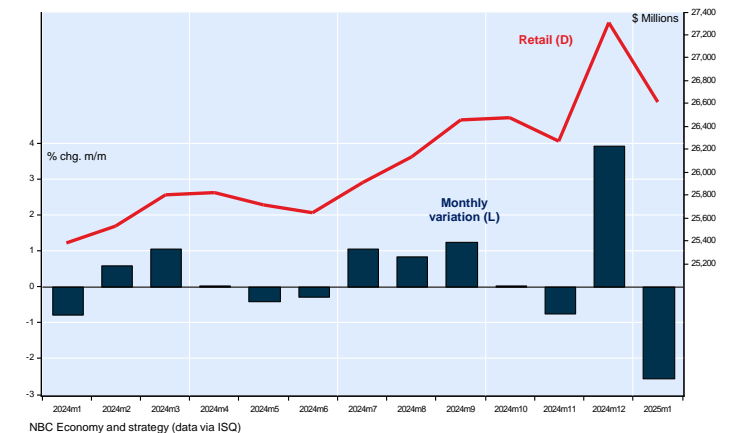
Quebec: Widespread strength in the goods sector

Monthly variation in the goods sector and number of growing subsectors (out of 5)



Quebec: Retail sales still strong despite decline

Monthly change in retail trade





Real	1-Month Change (%)			Monthly Change (%). 10-year mov. avg.	12-Month Change (%)
	Jan-25	Dec-24	1-Month Trend		Jan-25
All industries	0.49	0.35	▲	0.18	2.16
<u>Goods-producing industries</u>	2.1	-0.2	▲	0.1	1.05
Agriculture and forestry	1.4	5.3	▼	0.1	9.60
Mining and quarrying	11.7	-7.5	▲	0.8	8.35
Utilities	4.0	3.6	▲	0.1	7.39
Construction	1.7	-0.2	▲	0.4	0.14
Manufacturing	1.0	-0.9	▲	0.1	-1.61
<u>Service-producing industries</u>	0.0	0.5	▼	0.2	2.53
Wholesale trade	1.0	1.9	▼	0.2	3.35
Retail trade	-2.5	3.9	▼	0.3	4.85
Transportation and warehousing	0.7	-0.2	▲	0.2	-0.73
Information and cultural industries	-0.6	-0.3	▼	0.2	-1.46
Finance and insurance	-0.2	0.1	▼	0.3	3.71
Real estate and rental and leasing	0.1	0.4	▼	0.2	3.79
Professional, scientific and technical services	0.1	-0.1	▲	0.4	1.64
Management	-3.8	-2.5	▼	-2.3	-28.76
Administrative and support, waste management and remediation services	-0.8	1.0	▼	0.0	-4.10
Educational services	0.5	-0.1	▲	0.2	5.72
Health care and social assistance	-0.2	0.2	▼	0.2	3.24
Arts, entertainment and recreation	0.6	1.9	▼	0.5	6.54
Accommodation and food services	1.2	0.8	▲	0.4	6.36
Other services (except public administration)	0.2	0.0	▲	0.1	-1.91
Public administration	0.3	-0.2	▲	0.2	0.43



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