

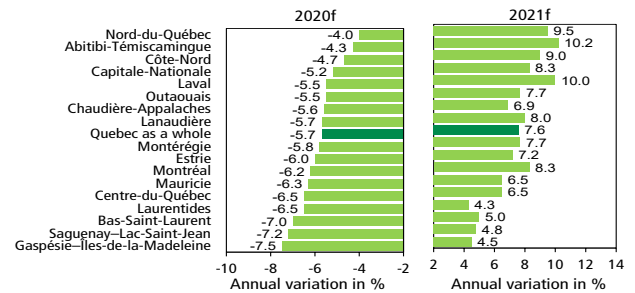
ECONOMIC VIEWPOINT

Economic Overview of Quebec's Regions in 2020 and 2021

The current COVID-19 crisis caused economic growth to fall sharply regionally and provincially in Quebec in 2020 (graph 1). However, Quebec's regional and provincial economies are expected to rebound in 2021. In fact, the economy began to recover as soon as the lockdown started easing in May, but the recovery will be gradual. Quebec's regions are expected to return to the pre-pandemic level of economic activity sometime around mid-2022. However, the forecasts could be trimmed should a major second wave occur. This represents the most significant risk at the present time in the forecast scenario. The health and economic crisis continues to affect many countries, and uncertainty remains.

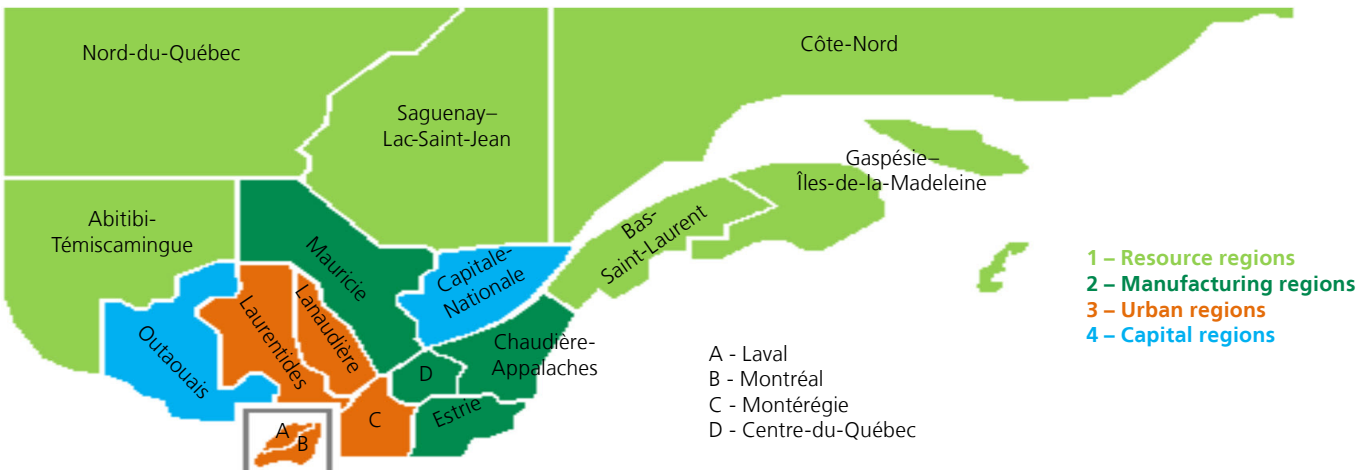
The speed with which economic activity will resume will vary from region to region and depend on many factors, including the recovery of the driving sectors, the performance of supply chains and the ability of businesses to reconcile profitability and the challenge of complying with new public health requirements, including physical distancing measures.

GRAPH 1
Nominal GDP growth in all regions of Quebec will dip in 2020



f: Desjardins forecasts
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

MAP 1 Quebec's regions



Source : Desjardins, Economic Studies

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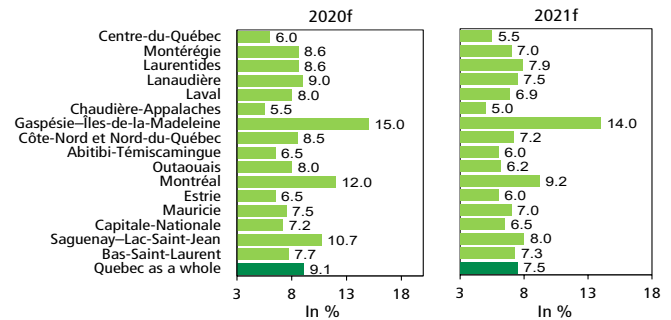
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All Regions and Industries Affected by the Pandemic to Varying Degrees

The economic recovery is underway in Quebec and many regions, but it will be gradual. However, we can expect that there will be some disparity. The speed of recovery is linked, in particular, to the economic sectors affected and businesses' ability to adjust to the new public health rules and their degree of support for the digital shift. Quebec's regions are expected to return to the pre-pandemic level of economic activity sometime around mid-2022.

According to the overall regional impact index by administrative region, published on May 24, 2020, by the Fédération des chambres de commerce du Québec (FCCQ), the pandemic affected regional economies to varying degrees. The data presented in graph 2 accurately show this. During the lockdown period in Quebec, "54% of businesses saw activity (production or service delivery) decline more than 50%, and 45% of businesses saw revenue drop more than 50%."

GRAPH 3
Unemployment rate in 2020 and 2021



f. Desjardins forecasts
Sources : Institut de la statistique du Québec et Desjardins, Études économiques

wait until the end of 2021 to regain pre-pandemic levels. Exports will continue to be weakened by the problems affecting the global economy.

Tourism, a major economic driver for Quebec's regions, will take time to recover and could result in other layoffs and business closures. Several province-wide initiatives were nevertheless implemented to encourage Quebecers to discover the regions this summer, and a \$753M support plan was launched by the Quebec government to support this sector.

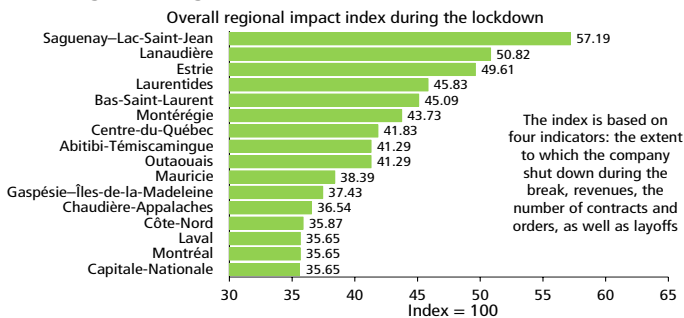
At the same time, Quebec tourists were more attracted by resorts and nature vacations, particularly in Gaspésie-Îles-de-la-Madeleine and the North Shore, to the detriment of urban centres that were much less frequented than usual, particularly Montreal² and Quebec City. This was also observed in the Gaspésie region last summer, when the surge of tourists reached unparalleled levels. In the downtown cores, the scarcity of visitors and regular business customers was partially offset by the gradual reopening of the office towers of private companies as of July 18. However, the occupancy rate of the premises cannot exceed 25% of the workforce.

At the end of the [economic prioritization mandate](#) given to each of the Quebec regions in June by the Quebec government, all Quebec regions implemented their stimulus plan targeting at least three transformative, mobilizing and innovative projects for their territory, which will allow them to seize business opportunities and promote economic recovery.³ Several regional county municipalities and cities have also developed plans for the recovery of their economies.

² Montreal expects to bring in a mere 1 million tourists this year, rather than the regular 11 million visitors, not to mention the cancellation of sporting and cultural events, including the many festivals. Source: [Les restaurants et les bars en arrachent](#), La Presse, July 26, 2020. (Consulted on July 26).

³ [Relance économique au Québec - Mandat de priorisation : des consultations bénéfiques pour l'économie régionale](#), Ministère de l'Économie et de l'Innovation, July 15, 2020.

GRAPH 2
The overall regional impact index by administrative region varies from region to region



Sources: Fédération des chambres de commerce du Québec and Desjardins, Economic Studies

Although the recovery began after the lockdown was lifted in May, it will take time for the labour market to return to pre-COVID-19 levels. The latter is gradually recovering, with the three-month moving average for employment returning to positive territory in July (table 1 on page 5). Unemployment rates, which reached historic peaks in April, May and June, will return to lower levels by the end of the year (graph 3).

Despite the improvement, there are still several sectors that are highly affected, including accommodation, food services, retail and amusement, due in particular to social distancing measures that are more difficult to apply. In this context, these sectors will take several quarters to return to their pre-crisis activity level. As such, other permanent establishment closures could occur during this period. For export-oriented businesses, we will likely have to

¹ [Grande enquête sur les impacts économiques régionaux de la COVID-19](#), Fédération des Chambres de commerce du Québec, May 24, 2020.

At the same time, regional organizations, including the Union des municipalités du Québec (UMQ) and the FCCQ, also launched their plan to prepare for the post-COVID-19 period. They identify the actions to be taken to support the Quebec economy and the regions in their recovery efforts. In addition, the Quebec government should table a new bill in the fall to speed up infrastructure projects across the province, aimed at stimulating an economy hard hit by the health and economic crisis.

Mixed Progress for the Resource Regions

The pace of economic recovery in the resource regions will be mixed. On the one hand, the Bas-Saint-Laurent, Saguenay–Lac Saint-Jean and Gaspésie–Îles-de-la-Madeleine will take longer to recover than their counterparts, as many of their driving industries will continue to struggle. However, the rapid rise in prices for several resources is encouraging.

In March and April, lockdown measures limited sawmill activity in particular. Since then, operations have resumed with gradual lockdown lifting and exceptionally high softwood lumber prices this summer on the North American market. On the agricultural side, the lack of precipitation in early summer across Quebec is raising concerns for producers. The resulting hay shortage is also critical, as is the significant price increase that is expected to entail. However, a crisis committee has been set up to find solutions.

At the same time, these regions must deal with some major issues and challenges that existed before the pandemic, and that persist particularly in forestry (the softwood lumber dispute and the high cost of fibre) and agriculture (the labour shortage, particularly foreign labour, recruitment challenges, and problems in accessing foreign markets). Against this backdrop, their economic recovery will be slower than in Quebec as a whole.

On the other hand, the Abitibi-Témiscamingue, Côte-Nord and Nord-du-Québec regions should recover more quickly thanks to the mining sector, which will continue to do well. In fact, mining activity did not stop for long during the lockdown, and the current projects are still under way. In addition, the strength of mining investment over the past two years will continue to have a positive impact on mining activity in 2020. This should continue in 2021.

The price of gold spiked recently. The pandemic, low bond yields and uncertainty related to China–U.S. trade tensions, in particular, will continue to support demand. On average, the price of gold should reach US\$1,790 per ounce in 2020 and US\$1,835 per ounce in 2021 (US\$1,393 per ounce in 2019). The outlook for base metals is brightening after the drop observed in the spring. The London Metal Exchange (LME) base metal index is expected to be 2,700 this year and 2,870 next year (2,854 in 2019).

Somewhat Uneven Recovery in Manufacturing Regions

The manufacturing industry as a whole has been hit hard, and some sub sectors will take time to return to their pre-COVID-19 activity level, including clothes manufacturing, oil and coal extraction and textile plants. In these industries, further layoffs or permanent business closures could occur. These industries are located mainly in the Mauricie, Chaudière-Appalaches and Centre-du-Québec regions.

Other areas of activity, including the manufacturing of machinery and specialized paper (tissue paper, packing paper and paperboard) in Mauricie, Estrie and Centre-du-Québec, among other regions, will fare better.

Overall, it will be difficult for manufacturing regions to post stronger economic growth than in Quebec overall, especially since they are showing more modest demographic growth and the population is aging at an increased rate.

More than the Majority of Regional Urban Economies Will Rebound Faster than Quebec in 2021

Urban areas were hit hard by the COVID-19 crisis, especially the Greater Montreal municipalities. Besides, their lockdown period was longer than elsewhere in Quebec. Nonetheless, their economies will contract, on average, less quickly than in Quebec overall in 2020 and will recover at a generally more sustained pace in 2021.

Their service-oriented economic structure has enabled businesses to adapt quickly to the new reality, especially through teleworking. In this context, the adverse effects on companies were less than in other sectors, including manufacturing and entertainment. This will continue to be more difficult for Laurentides, as one of its flagship industries, aeronautics, is likely to be weak in the medium term.

Moreover, these regions continue to benefit from Quebec's strongest demographic growth, which provides good support for their economy. Construction of the Réseau express métropolitain (REM) will also continue to stimulate investment, and many residential developments will continue near future stations.

Economies Less Affected in 2020 for Capital Regions

As in the rest of Quebec, the capital regions were affected by the pandemic. However, both regions benefited from a strong public sector presence, which provides good stability to lessen the impact of the health crisis on their economic activities. They are expected to reverse the decline at a faster pace than at the provincial level in 2021.

The diversification of activities in the Capitale-Nationale region over the past 30 years in rapidly growing sectors (optics-photonics, video games, etc.) will be beneficial to the region. For the Outaouais region, the public service remains a major economic driver, accounting for 31% of its GDP in 2017 and 23%

of total employment. It has had one of the highest rates of demographic growth in the province, which is boosting many of its economic sectors.

Several infrastructure projects in these two regions are ongoing or still to come. For the Capitale-Nationale, we note the construction of the new hospital complex (NCH) in Quebec City (\$2B), the expansion of Autoroute Henri IV (\$291M) and the construction of the Medicago vaccine production plant (\$245M). In the Outaouais region, there is the development of the Domaine du Vieux Port, phases II and III (\$700M), the construction of a new archival preservation centre (\$330M) and the AGORA mixed development project (\$250M).

Conclusion

With the gradual reopening, the economic recovery is well under way and should extend until mid-2022. However, the forecasts could be downgraded if a major second wave of the pandemic occurs. This is the most significant risk at this time in the forecast scenario. The COVID-19 crisis is still affecting many countries and uncertainty persists. Lastly, the speed at which businesses and SMEs adapt to the new health reality will be an essential element in the successful revival of their activities. In addition to what we see around the world, supply chains are being improved and shortened, digital penetration is increasing, productivity is rising with a shift to Industry 4.0 and specialization as well as the development of niche products.

Chantal Routhier, Senior Economist

TABLE 1
Job market¹ for Quebec's regions in 2020

IN % (EXCEPT IF INDICATED)	MONTHLY DATA IN 2020							VARIATION (%)
	January	February	March ²	April ³	May ⁴	June	July	July versus February ⁵
Quebec as a whole								
Employment (number)	4,344.8	4,364.8	4,289.8	4,023.0	3,826.5	3,800.4	3,992.4	-8.5
Monthly variation	0.0	0.5	-1.7	-6.2	-4.9	-0.7	5.1	
Unemployment rate	5.3	4.9	5.9	9.7	12.9	13.8	11.3	6.4
Bas-Saint-Laurent								
Employment (number)	88.5	87.8	87.9	82.8	79.5	78.7	83.7	-4.7
Monthly variation	-2.7	-0.8	0.1	-5.8	-4.0	-1.0	6.4	
Unemployment rate	5.3	5.2	5.2	9.3	11.6	12.3	9.1	3.9
Saguenay-Lac-Saint-Jean								
Employment (number)	128.7	128.4	125.2	116.1	109.4	110.3	118.0	-8.1
Monthly variation	-0.4	-0.2	-2.5	-7.3	-5.8	0.8	7.0	
Unemployment rate	5.8	6.2	7.5	12.8	16.1	16.5	11.7	5.5
Capitale-Nationale								
Employment (number)	388.7	385.8	376.7	353.1	335.9	339.1	364.5	-5.5
Monthly variation	-2.2	-0.7	-2.4	-6.3	-4.9	1.0	7.5	
Unemployment rate	4.4	4.4	5.9	9.4	12.0	11.8	8.8	4.4
Mauricie								
Employment (number)	127.5	132.7	130.6	123.0	114.8	113.0	117.3	-11.6
Monthly variation	5.3	4.1	-1.6	-5.8	-6.7	-1.6	3.8	
Unemployment rate	5.8	4.8	6.6	9.7	13.1	13.0	10.8	6.0
Estrie								
Employment (number)	165.2	167.2	165.9	156.5	152.4	150.7	158.2	-5.4
Monthly variation	-0.6	1.2	-0.8	-5.7	-2.6	-1.1	5.0	
Unemployment rate	4.4	4.1	4.6	8.6	10.1	10.9	7.4	3.3
Montréal								
Employment (number)	1,113.8	1,117.1	1,096.1	1,036.6	977.7	958.0	974.3	-12.8
Monthly variation	0.3	0.3	-1.9	-5.4	-5.7	-2.0	1.7	
Unemployment rate	7.5	7.0	7.4	10.3	13.6	15.8	15.6	8.6
Outaouais								
Employment (number)	202.7	203.2	200.8	189.5	180.7	178.7	184.6	-9.2
Monthly variation	-1.1	0.2	-1.2	-5.6	-4.6	-1.1	3.3	
Unemployment rate	5.2	5.0	5.8	8.8	10.8	11.3	9.4	4.4
Abitibi-Témiscamingue								
Employment (number)	73.8	73.6	72.1	66.9	62.7	62.7	65.9	-10.5
Monthly variation	-1.5	-0.3	-2.0	-7.2	-6.3	0.0	5.1	
Unemployment rate	4.1	3.5	4.9	8.8	11.9	10.6	7.3	3.8
Côte-Nord et Nord-du-Québec								
Employment (number)	55.1	55.0	53.9	50.5	48.3	47.7	49.4	-10.2
Monthly variation	-0.2	-0.2	-2.0	-6.3	-4.4	-1.2	3.6	
Unemployment rate	5.8	4.8	5.5	9.5	13.2	13.6	9.4	4.6
Gaspésie-Îles-de-la-Madeleine								
Employment (number)	34.3	34.1	33.3	30.1	27.7	27.3	27.9	-18.2
Monthly variation	1.8	-0.6	-2.3	-9.6	-8.0	-1.4	2.2	
Unemployment rate	14.4	13.9	14.2	15.1	15.6	15.0	15.0	1.1
Chaudière-Appalaches								
Employment (number)	223.6	224.9	225.8	212.6	208.1	207.4	223.0	-0.8
Monthly variation	0.3	0.6	0.4	-5.8	-2.1	-0.3	7.5	
Unemployment rate	3.8	3.5	3.8	7.5	9.2	10.6	6.2	2.7
Laval								
Employment (number)	208.2	213.0	208.4	194.4	187.2	197.1	215.0	0.9
Monthly variation	-0.9	2.3	-2.2	-6.7	-3.7	5.3	9.1	
Unemployment rate	4.0	4.1	5.9	11.1	14.2	13.5	9.0	4.9
Lanaudière								
Employment (number)	269.0	273.1	275.1	265.0	259.1	256.8	265.3	-2.9
Monthly variation	1.0	1.5	0.7	-3.7	-2.2	-0.9	3.3	
Unemployment rate	4.1	3.9	5.6	9.0	14.1	13.4	12.2	8.3
Laurentides								
Employment (number)	305.5	299.5	286.7	259.8	245.6	244.5	265.7	-11.3
Monthly variation	-0.4	-2.0	-4.3	-9.4	-5.5	-0.4	8.7	
Unemployment rate	5.4	5.4	6.6	11.2	14.0	14.6	10.9	5.5
Montérégie								
Employment (number)	826.9	834.2	816.5	760.9	721.6	719.3	766.1	-8.2
Monthly variation	0.1	0.9	-2.1	-6.8	-5.2	-0.3	6.5	
Unemployment rate	3.9	3.2	4.3	9.4	13.1	14.2	10.9	7.7
Centre-du-Québec								
Employment (number)	133.4	135.0	134.9	124.9	115.8	108.9	113.5	-15.9
Monthly variation	3.8	1.2	-0.1	-7.4	-7.3	-6.0	4.2	
Unemployment rate	2.0	1.6	2.5	7.0	10.7	11.5	7.6	6.0

¹ 3-month moving average; ² Start of confinement; ³ Confinement; ⁴ Start of deconfinement; ⁵ Spread in percentage points for the unemployment rate.
 Sources: Institut de la statistique du Québec and Desjardins, Economic Studies