

Montreal: Being a metropolis is a full-time job

Montreal has always had its believers and its detractors. For some, the city is getting its groove back while others think Montreal is in a lethargic state and nothing less than an electroshock will help it regain the lustre that characterized it in the early 20th century. And while both diagnoses differ hugely, everyone wants to see Quebec's metropolis shine so that the province's overall economy can benefit from what makes Montreal tick. Why write about the issue? Because in recent years, economic analyses have often been relegated to a supporting role, well behind political, ethnic, social, legal and other considerations. This text will focus on the economy. We will see that the Montreal region has made advances in spite of the prevailing pessimism, and that many people are brimming with ideas about how to put Montreal back in the driver's seat of Quebec's economy.

OUR DYNAMISM IS FALLING SHORT

It would be easy to cite statistics that put Montreal's economy in a better light, but doing so would miss the point of this exercise. A brief analysis of the basic data is enough to see that Montreal's census metropolitan area (CMA)¹ has indeed progressed since the year 2000, but at a slower pace than many other CMAs in Canada. The figures provided in appendix show that Montreal's real GDP growth was 1.7% from 2000 to 2012, a pace that lags behind Toronto (2.2%), Quebec City (2.4%), Ottawa-Gatineau (2.6%), Vancouver (2.8%), Saskatoon (3.2%) and Calgary (3.3%).

From 2008 to 2012—a period that includes the recession—the **real GDP advanced** by 1.1% in Montreal. Of particular note, this advance bested the progress made in Toronto (1.0%) over the same period, while the previously mentioned CMAs all posted real GDP growth of 1.5% and higher.

Demographic growth is also a critical component of the health of any metropolitan region, as it points to a region's vitality and its power to attract, and suggests but does not guarantee the economic activity that has to be generated to

support employment. The population in the Montreal CMA increased by 13.1% from 2000 to 2012; however, this advance is below the growth recorded in the previously cited metropolitan regions used for comparison purposes, with the exception of Quebec City (10.4%). This growth is also twice as slow as what was recorded in Toronto (24.7%) for the same period.

From 2008 to 2012, Montreal's population grew by 5.1%—a pace that is twice as slow as it was during the period from 2000 to 2012. The other Canadian CMAs recorded greater declines (three times slower in Toronto, Calgary and Ottawa-Gatineau).

Much like the other CMAs in Canada, Montreal enjoys a broad power of attraction among immigrants. However, the Montreal CMA loses more residents to other provinces than it welcomes from across Canada (see page 7). Similarly, each year more Quebecers decide to leave Montreal than take up residence in the city. And this is not unique to Montreal; the same inter-provincial and intra-provincial dynamic has been noted in Toronto as well.

¹ Montreal CMA includes the administrative regions of Montreal and Laval in their entirety, and a portion of the Montérégie, Laurentides and Lanaudière administrative regions.

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As the 2000s unfolded, layoffs in manufacturing plants were so widespread that we lost sight of the fact that other sectors could support Montreal's economic activity. As a result, **employment** still managed to grow by 17.0%, with 287,100 joining the ranks of new workers. This advance, expressed as a percentage, is less than the growth recorded in the other CMAs considered. From 2008 to 2012, more than 61,600 jobs were created, representing growth of 3.2%. Again, this advance was less than that recorded in other CMAs, but the difference is much narrower. Now that surging energy prices have lost their clout, the job growth in the Western CMAs has cooled substantially.

Between 2000 and 2012, the **unemployment rate** in Montreal reached an average of 8.4%—fairly high compared with other CMAs. From 2008 to 2012, it remained at that level. At the same time, the unemployment rate in Toronto was 7.5% and 8.5% respectively, for the two periods. Despite the turbulence of the recession, the Montreal CMA did not see a spike in its average unemployment rate in the past five years, unlike Toronto, Calgary and Vancouver. In fact, in 2012 the average unemployment rate was 8.5% in Hogtown and 8.4% in Montreal.

It must be said that **full-time jobs** have lost some ground—83.7% in 2000 and 81.2% in 2012—compared with part-time jobs, in both Montreal and Toronto. This is not really specific to the Montreal region. Saskatoon is the only city that saw its full-time jobs grow between 2000 and 2012—fueled by oil and potash development.

With regard to construction, the **value of non-residential building permits** increased in the Montreal CMA. The hike was recorded most particularly in the years that followed the recession, which is not the case across Canada. The data on residential housing starts (see page 8) shows so much momentum that Montreal could soon be the envy of the Ottawa-Gatineau and Toronto CMAs.

This brief review of basic data shows that the situation is not as dire as it might appear in the Montreal CMA. The region has scored on some fronts, but not as much as other CMAs in Canada. This discrepancy with regard to Canada's other big cities has helped fuel the notion that Montreal is losing its shine. By focusing on the divergences instead of the gains, we are contributing to the doom and gloom and overlooking some real progress that has been made in recent years.

MONTREAL ON MANY "BEST OF" LISTS

There is no shortage of studies and reports that highlight the enviable position Montreal enjoys on many "best of" lists in North America or globally for that matter, whether they touch on the city's international reputation, business occupancy costs, labour costs, low rents, exceptional quality of life, etc. There is one stand-out asset that everyone agrees with: the quality of Montreal's workforce. We recognize that Montreal benefits from a solid foundation underpinned by four universities, many research centres and the fact that a good portion of its workforce is bilingual, if not trilingual.

This enviable position was highlighted in May 2013 by Aon, a firm that measures the recruitment and transfer risks that organizations face. In 2013, Montreal ranked in the top five out of 138 cities around the world where these risks were the lowest.

Montreal has many undeniable advantages that go beyond the labour issue. It is generally acknowledged that the region stands out in three specific areas: technology, education and culture.

However, other than the favourable rankings the city enjoys on a variety of fronts, those who watch Montreal's economy are still concerned by the city's recent economic results, which came in below expectations. Furthermore, the results usually fall below those posted by Montreal's "rivals" in Canada.

If we look beyond the Canadian landscape, the question should be this: Is Montreal doing enough to showcase its competitive assets just when a new global equilibrium is emerging, despite the best efforts made by various promotional agencies? The axes of economic influence are changing: new economic and financial poles of attraction are emerging beyond China, India and Russia—notably in Southeast Asia (Indonesia, the Philippines, etc.) and in Latin America. Megacities are growing and competing for positions to attract investments, corporations and head offices, in addition to the best talent. In an environment where other Canadian and North American cities are jockeying for position to take advantage of these changes, Montreal does not want to be on the sidelines. Many are worried about the city's ability to get on board, as the train is already pulling away from the station. These are legitimate concerns because they touch on the vitality of the region itself—and by extension, the economic health of Quebec overall.

**Table 1 – Montreal CMA
in the Quebec total**

Indicators	Relative weighting in the Quebec total (%)
Nominal GDP (2011)	53.7
Population (2011)	49.1
Employment (2012)	49.7
Housing starts (2012)	43.5
Investments (2013f)	
Housing	45.9
Private sector	41.7
Public sector	39.7
Total investments	41.1

Sources: Institut de la Statistique du Québec, Canada Mortgage and Housing Corporation, and Desjardins, Economic Studies

ROLE OF ECONOMIC DRIVER

Table 1 shows how important the Montreal CMA is to Quebec's economy. It is often said that the Montreal area is "50% of Quebec," and this is more than just a snapshot image. In 2011, the Montreal CMA represented 53.7% of Quebec's GDP and 49.1% of its population. It accounted for 49.7% of all jobs and 43.5% of all housing starts in 2012. It is also set to host 41.1% of all investments in 2013. The prosperity of Quebec's economy is inextricably tied to Montreal's economy. Furthermore, the city's role as economic driver is not linked solely to its weighting in the balance, but to the spill-over effects it generates.

In recent years the Conference Board² and researchers from different organizations have highlighted the critical role played by Canada's biggest cities in the country's prosperity. The future of different economies is becoming increasingly linked to the big cities, and big cities are the new battleground in the fight to attract investment. We emphasize the fact that urban regions win out because they are the platforms for exported goods and services, which underscores our concerns about Montreal's footing in the new world balance. That said, these exports also depend on other regions that produce their own specific goods and services not made in metropolitan areas.

Big cities are important because they are wellsprings of knowledge and learning—the new weapons in the arsenal of modern economies. Knowledge and learning contribute to creating economic value and lend muscle to the competitive edge some states enjoy. City-regions are the de facto hotbeds of innovation that foster the creation of high value-added products and services.

But having ideas is not enough. Markets need to be analyzed to efficiently deliver these products and services and new ideas need to be sold. These operations also have to be powered by people, and the Montreal CMA has made gains in this area in recent years. As mentioned earlier, with the erosion taking place in the CMA due to inter-provincial and intra-provincial migration, any population growth is largely attributable to the arrival of newcomers. Populations are a key variable in the growth of cities since this is primarily where the pool of workers grows. However, Montreal cannot continue to depend solely on the influx of foreign workers—the city has to manage to hang on to its residents.

The aging of the population also means that Montreal—and Quebec as a whole—will have to double its efforts to innovate and increase productivity. Truth be told, there is no shortage of economic challenges.

CREATING WEALTH

For Montreal and Quebec to prosper, "we have to create wealth." This old economic adage has been oft cited in recent years, from platforms far and wide. Montreal has been described as a city that is structurally less wealthy than other Canadian CMAs or larger North American cities. Two measures exist that show that while Montreal is not breaking any records, it has nevertheless made gains since the turn of the 21st century.

Table 2 shows that the Montreal region has one of the lowest GDP per job ratios of all the Canadian CMAs used in the analysis. Only the Quebec City CMA rates below the mark set last year. Because growth between 2000 and 2012 was stronger elsewhere in the country than in the Montreal CMA, the gap with other CMAs has widened.

Table 2 – GDP per job (\$)

CMA	2000*	2012f*	Change %
Montreal	79,039	80,062	1.3
Quebec City	75,921	77,103	1.6
Ottawa-Gatineau	85,151	88,459	3.9
Toronto	92,633	94,624	2.1
Saskatoon	89,405	100,848	12.8
Calgary	136,275	140,202	2.9
Vancouver	76,602	84,668	10.5

f: forecasts * : Constant dollars

Sources: Statistics Canada, Conference Board of Canada and Desjardins, Economic Studies

² Conference Board of Canada, Mission Possible: Sustainable Prosperity for Canada, final report of The Canada Project, Volume IV, 2007, 76 pages.

This means that Montreal will have to increase its productivity if it hopes to keep up with its Canadian counterparts. Productivity is not an issue we can sidestep, since it goes far beyond regional concerns, extending even beyond North America's borders. This is an issue all mature economies (especially OECD countries) must strive to improve.

Another wealth indicator that allows us to compare Montreal with other CMAs (table 3) is median employment income per family³. In 2000, Montreal (\$23,600) ranked ahead of Saskatoon (\$22,300) only. Between 2000 and 2010, growth in Canada was deeply uneven—the CMAs where development involved capitalizing on natural resources thrived. As such, Montreal experienced an increase of 24.5%, well ahead of Toronto (13.3%) and Vancouver (17.6%), while the other CMAs recorded more than 30% growth. In 2010, the gap narrowed in median employment income with these two CMAs. However, Montreal lags behind in last place (\$29,380), with Vancouver just slightly ahead (\$29,410). Again, gains have been made, but not enough to propel Montreal to the front ranks.

Table 3 – Median employment income per family (\$)

CMA	2000	2010	Change %
Montreal	23,600	29,380	24.5
Quebec City	24,000	32,330	34.7
Ottawa-Gatineau (Qc)	27,400	36,920	34.7
Ottawa-Gatineau (Ont.)	30,200	40,000	32.5
Toronto	27,500	31,150	13.3
Saskatoon	22,300	33,840	51.7
Calgary	26,300	38,740	47.3
Vancouver	25,000	29,410	17.6

Sources: Statistics Canada and Desjardins, Economic Studies

To create wealth, you have to look beyond regional, provincial or national growth. Foreign markets also create wealth—their rapid expansion has made them tremendous levers for creating wealth. While this is not a new idea, it has to be consistently re-examined since it is clearly something we tend to forget. Montreal is already well positioned to capitalize on this with its dynamic aerospace industry that is heavily concentrated in the CMA. In fact, transportation equipment is a sector where more than 80% of the output is exported to foreign markets. In the same vein, let's consider services: culture can also be exported. The success of Cirque du Soleil and all those who are featured on stages in Las Vegas or Europe are just a few examples.

³ Statistics Canada: Census family: parent(s) and children living in the same dwelling. "The sample includes 100% of individuals who filed an individual tax return (T1) or were CCTB (Canada Child Tax Benefit) recipients... When complete, the sample is approximately 95% of the population and is left unweighted, unadjusted."

NO LACK OF IDEAS IN MONTREAL

Montreal continues to kindle interest. At the Summit Conference on the Economy and Employment held in 1996, a workgroup tasked with developing ways to kick-start Montreal submitted a report entitled *Remettre Montréal en mouvement* (Getting Montreal Back on Track). In the past few years, many organizations and analysts have shared their ideas for restoring Montreal to its former glory, making the city the powerhouse of Quebec's prosperity and a leader in this new economic world order.

More recently, business leaders, academics and economic research organizations have unveiled their respective strategies; ideas are melding and taking shape. Some are counting on private companies to step up to the plate while other strategies are targeting manpower or innovation.

As mentioned, the quality of Montreal's labour force is an asset, but we cannot take it for granted. Technological changes can make our thinking and ways of doing business seem outdated. Bolstering training for the labour force in educational institutions and at the corporate level is a must.

Because of the financial benefits granted by municipalities and the authorities elsewhere in Canada and the United States, the business community is insisting that the financial aid being given to corporations not be withdrawn, on the contrary. Business people also believe that a strategy to attract companies has its benefits, but a strategy aimed at keeping businesses that are already up and running in the region will generate greater returns down the line when these companies consolidate their positions in Montreal and boost their investments. This raises another issue: Montreal needs to be visible on the international markets to make its mark. This is a strategy that requires internal machinations (workforce training and keeping Montreal-based companies within the CMA, for example) and external efforts (promoting the region, turning investor attention to Montreal).

Using international trade as a springboard for Montreal's economic development is a proposal that is often made. The benefits of this would be two-fold: not only would it increase exports, but it would also eliminate underperforming companies that have less resilience to international competition, and surrender their market share to their more productive counterparts. The end result would be increased productivity in the region.

Incidentally, if the development of oil and the oil sands gave the Calgary CMA a boost even though the city is located far south of the oil fields, why wouldn't resource explorations in Northern Quebec have trickle down benefits for the Montreal CMA? The Board of Trade of Metropolitan Montreal recently mentioned that it was looking into the economic spin-offs of the projects being planned in Northern Quebec over the next 25 years. In April 2013, the Board of Trade published a study entitled *Les ressources naturelles : un levier porteur pour la métropole (Natural Resources: leverage for the city's growth)*. The economic spill-over for the Montreal CMA was assessed at \$51.8B, or about 15% of the expected operating expenses and capital expenditures. If it's good for Calgary and Saskatoon, could it also be good for Montreal? If so, to what extent?

If some are counting on our natural resources to pave the way, others believe that teamwork or consolidations could also be profitable. This opinion is shared by Richard Florida, a professor at Columbia University who argued in 2009 that the Montreal CMA should strengthen its ties with Toronto, Ottawa-Gatineau and Quebec City to create a mega-region with a population of 20 million inhabitants. Mr. Florida's research work also led him to conclude that creative activities should be favoured over the industrial, and he conveyed this message to the community when he visited the city in 2009. With this in mind, the *Quartier de l'innovation*, the end-result of the collaboration between the École de technologie supérieure (ÉTS), McGill University and several other partners, has just been inaugurated in Griffintown, a few blocks south of downtown Montreal. The goal of this project is to increase Montreal's potential for fostering creation and innovation.

The Conference Board also submitted its "Plan Sud," which includes a budget framework, and which also relies largely on immigration and investment.

Then there are those who have been watching their recent investments take shape, while keeping an eye on future investments. The number of office buildings popping up, a phenomenon not seen in downtown Montreal in the past decade, points to the confidence being shown in the future of the Montreal CMA. This is in addition to the extensive efforts put forth by the tourism industry to put the city back in the spotlight, and in the hearts, of travelers from all over the world.

BEING A METROPOLIS IS A FULL-TIME JOB

From early 2000 onward, Montreal has had to deal with its share of criticism on its economic performance, which has underperformed compared with other CMAs in Canada. And yet advances have been made, but not enough to meet expectations. While this may be true, comparisons with Toronto show that the Montreal CMA was not the only region to fail to emerge from the last decade and the last recession completely unscathed. Both CMAs are having trouble hanging on to their residents, both are the perfect gateways for international immigration, and both are grappling with similar unemployment rates. Toronto and Montreal might be the biggest CMAs in Canada, but we have to acknowledge that they are not the most dynamic.

We cannot lose sight of the other difficulties Montreal needs to address, and even if most of these issues were to be handled successfully, the CMA still faces huge economic challenges. Among these we find, in order of importance, demographics, which are closely tied to workforce vitality, increasing productivity and opening up to new markets—in a context where the rest of the world is evolving rapidly. Creating wealth is likely to be achieved through innovation, productivity and foreign trade, which are interrelated. To get there, we will have to secure the support of all those who have taken part in the debate in the past few years. If Montreal is no longer the richest CMA in Canada, the wealth of ideas put forth in recent years on how to re-gild the lily shows that Montreal still enjoys tremendous support. The motivation shown and the chorus of voices that is joining those who wish to see the city take its rightful place as the powerhouse of Quebec's economy are also part of the solution. The competition is fierce and much work needs to be done, and that why is being a metropolis is a full-time job.

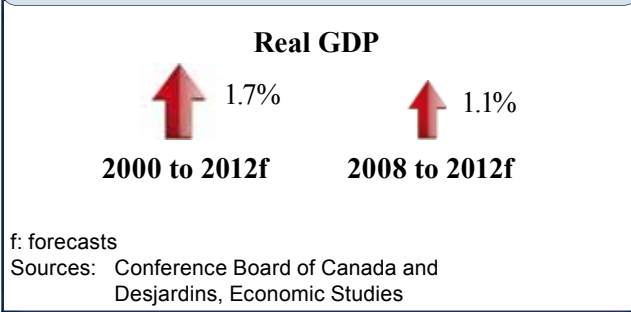
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APPENDIX 1

The Montreal CMA at a glance

Much has been said in recent years about the economic health of the Montreal CMA. The purpose of this appendix is to present the facts. Growth has been recorded.

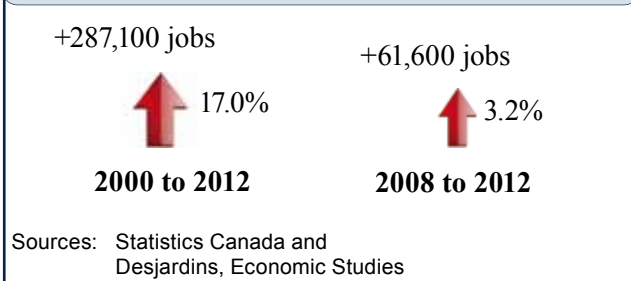
AVERAGE ANNUAL REAL GDP ECONOMIC GROWTH



GDP PER JOB



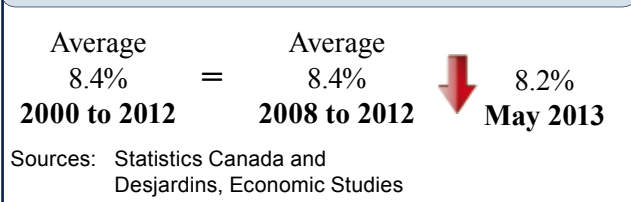
JOB GROWTH



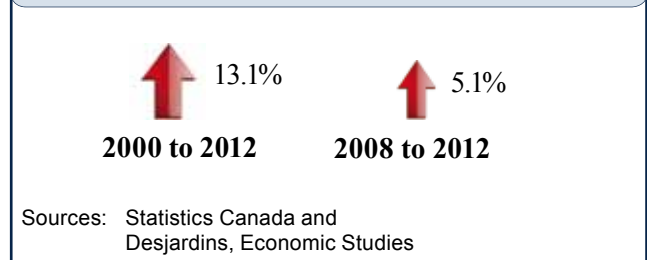
MEDIAN EMPLOYMENT INCOME



UNEMPLOYMENT RATE



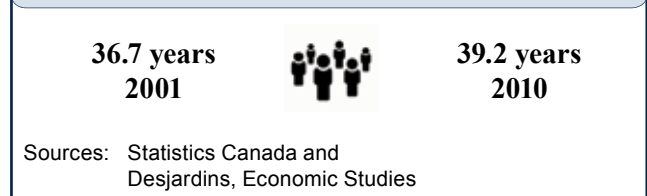
POPULATION GROWTH



PERCENTAGE OF PART-TIME JOBS IN TOTAL EMPLOYMENT

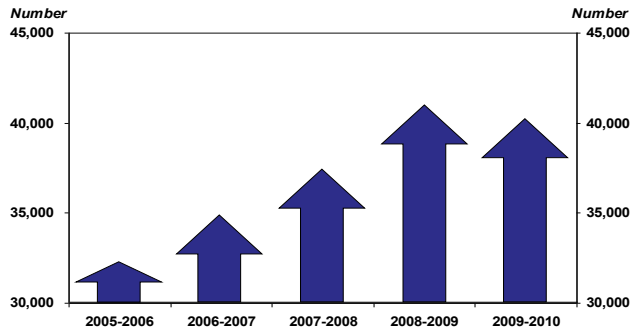


MEDIAN AGE



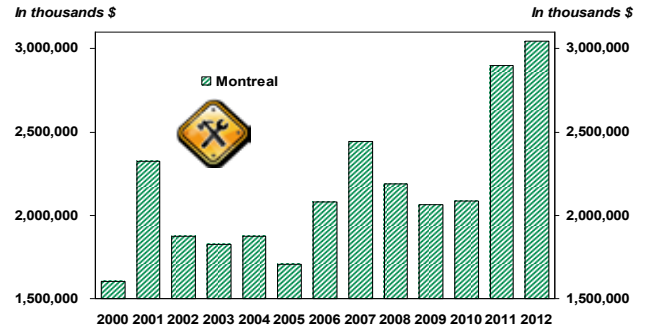
The Montreal CMA at a glance

MIGRATION International



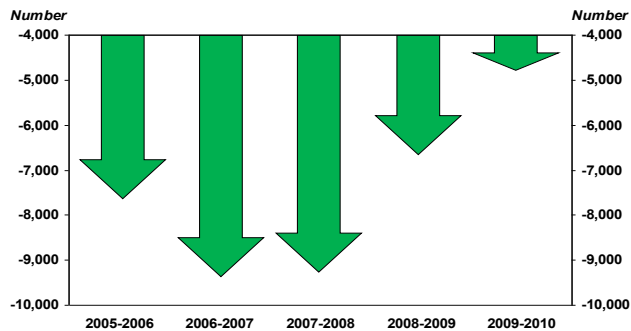
Sources: Statistics Canada and Desjardins, Economic Studies

NON-RESIDENTIAL BUILDING PERMITS Value of permits (in thousands)



Sources: Statistics Canada and Desjardins, Economic Studies

MIGRATION Inter-provincial



Sources: Statistics Canada and Desjardins, Economic Studies

RESIDENTIAL HOUSING STARTS

2000 to 2012

+61.3%



Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

RESIDENTIAL HOUSING STARTS

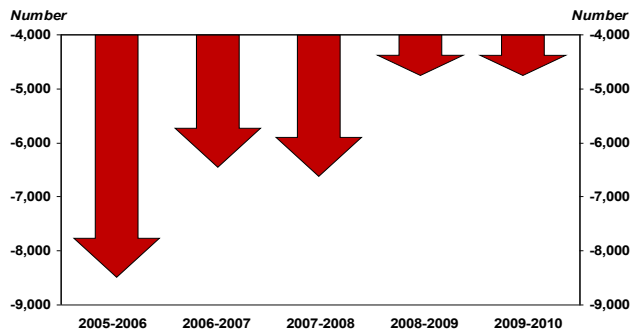
2008 to 2012

+6.1%



Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies








MIGRATION Infra-provincial or inter-regional



Sources: Statistics Canada and Desjardins, Economic Studies

Montreal among other CMAs in Canada

AVERAGE ANNUAL REAL GDP ECONOMIC GROWTH

	2000 to 2012f		2008 to 2012f
Montreal	1.7%		1.1%
Quebec	2.4%		1.9%
Ottawa-Gatineau	2.6%		1.5%
Toronto	2.2%		1.0%
Saskatoon	3.2%		4.1%
Calgary	3.3%		2.0%
Vancouver	2.8%		1.6%

f: forecasts

Sources: Conference Board of Canada and Desjardins, Economic Studies

POPULATION GROWTH

	2000 to 2012	2008 to 2012
Montreal	13.1%	5.1%
Quebec	10.4%	4.2%
Ottawa-Gatineau	17.5%	6.0%
Toronto	24.7%	7.3%
Saskatoon	22.1%	13.1%
Calgary	37.8%	10.1%
Vancouver	20.7%	8.1%

Sources: Statistics Canada and Desjardins, Economic Studies

JOB GROWTH

	2000 to 2012	2008 to 2012
Montreal	17.0%	3.2%
Quebec	28.7%	7.1%
Ottawa-Gatineau	26.3%	4.6%
Toronto	22.0%	4.0%
Saskatoon	30.2%	6.7%
Calgary	39.5%	4.8%
Vancouver	23.9%	5.6%







Sources: Statistics Canada and Desjardins, Economic Studies

MEDIAN AGE

Years	2001	2010	Change
All metropolitan regions in Canada	36.7	38.7	2.0
Montreal	37.6	39.2	1.6

Sources: Statistics Canada and Desjardins, Economic Studies

UNEMPLOYMENT RATE

	2000 to 2012		2008 to 2012
Montreal	8.4%	=	8.4%
Quebec	5.8%		4.9%
Ottawa-Gatineau	6.1%		5.8%
Toronto	7.5%		8.5%
Saskatoon	5.3%		5.0%
Calgary	4.9%		5.5%
Vancouver	6.2%		6.6%

Sources: Statistics Canada and Desjardins, Economic Studies

RESIDENTIAL HOUSING STARTS

	2000	2012	Change
Montreal	12,766	20,591	+61.3%
Quebec	2,275	6,416	+18.2%
Ottawa-Gatineau	7,010	8,785	+25.3%
Toronto	38,982	48,105	+23.4%
Saskatoon	968	3,753	+288.0%
Calgary	11,093	12,841	+15.8%
Vancouver	8,203	19,027	+132.0%

Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies