
QUEBEC IS LIVING BEYOND ITS MEANS

Montreal, January 29, 2014 – A study by the HEC Montréal Centre for Productivity and Prosperity (CPP) reveals that Quebec is definitely living beyond its means. “We already knew that Quebec's economic performance had been declining for the past 30 years. We had also identified the cause of this anemic growth: severely lagging labour productivity. But we had not yet measured the repercussions on our economy,” says CPP Director Robert Gagné. “Quebeckers have a lower standard of living than people in many OECD countries and most other Canadian provinces; as a result, they have fewer financial resources to meet their collective needs. Over time, the province has come to rely on debt to address this situation, and has gone deeper and deeper into debt since the early 2000s.”

Exports in free fall

More specifically, the 2013 *Productivity and Prosperity in Quebec Overview* tells us that in 2012 Quebeckers spent more (\$47,881 per capita) than their standard of living (\$44,428 per capita). In that year, on a per capita basis they racked up household consumer spending of \$26,331, public spending of \$10,723 and investment spending of \$10,827. The result was a shortfall of \$3,453 per capita, representing 8% of their standard of living. The gap between the standard of living and overall per capita spending has been constantly widening since 2002 and set a new record in 2012.

This gap, also known as the “balance of trade,” is due mainly to the substantial reduction in Quebec exports between 2001 and 2012. The value of goods and services sold abroad fell from \$16,346 to \$11,444 per capita over the decade, representing a decline of \$4,902 or 30% over 11 years. Combined with 10.5% standard of living growth over the same period, this decline translated into a decrease in the weight of exports in the GDP, plunging from 41% in 2001 to just 26% today. “Manufacturing sector exports plummeted in Quebec when the Canadian dollar was at par with the US dollar,” explains Gagné. “That is why the province is today importing more than it exports.”

Trailed closely by the Maritimes

Another disturbing finding is that among Canadian provinces, only the Maritimes – Nova Scotia (\$40,473), Prince Edward Island (\$37,966) and New Brunswick (\$41,726) – now have standards of living lower than Quebec (\$44,428). “Since 1981, these provinces have actually seen growth rates exceeding that in Quebec,” notes Gagné. “This means that if Quebec had turned in the same economic performance as New Brunswick over the past 30 years, its standard of living today would be \$54,479, and it would be in fourth place in the country rather than seventh, as is now the case.”

Quebec’s performance on the international scene is no better: it comes in 16th in a comparison with the 20 OECD countries selected for this analysis, far behind Norway, which sits in first place with a standard of living equivalent to \$80,521 per capita. This is hardly surprising, since close to one-third of that country’s GDP comes from oil resources. The United States, with per capita GDP of \$63,414, boasts a standard of living 43% higher than Quebec (\$18,986 more per capita).

Some countries that share common features with Quebec do much better in this ranking, however: Sweden (\$52,771 per capita), Denmark (\$51,739 per capita) and Finland (\$46,962 per capita). All these countries have small economies in which the government is a major player. In global terms, then, Quebec’s standard of living lags behind that of other countries, sometimes substantially, including that of Canada as a whole (\$52,177 per capita).

“Remember that in 1981, Quebec compared very well with the 20 countries in our sample. At the time, the standard of living in the province was close to the average of that in the selected countries. Now there is a gap of nearly 15%,” laments Professor Gagné. “You have to wonder what Quebec is waiting for before it does something. If we don’t focus on improving our productivity and boosting our exports, our province could become the poorest in Canada. By spending more than we earn, we are coming up against the hard fact that we no longer have the means to fulfil our ambitions.”

For more information:

- Consult the report, entitled [Productivity and Prosperity in Quebec – 2013 Overview](#) or its French version, [Productivité et Prospérité au Québec – Bilan 2013](#)
- Download the press release [in French](#).

About the Centre for Productivity and Prosperity

The HEC Montréal Centre for Productivity and Prosperity, created in 2009, has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec and in Canada as a whole. The Centre then shares its research findings, making them widely accessible and, in the end, educating people about productivity and prosperity. For more information on the Centre, visit www.hec.ca/cpp.

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Source:

Liette D’Amours
Media Relations Officer
Tel.: 514 649-2347
info.cpp@hec.ca