
PRESS RELEASE

For immediate publication

Productivity and Prosperity in Quebec – 2017 Overview
THE DECLINE IN THE STANDARD OF LIVING REMAINS A CONCERN

Montréal, February 26, 2018 – The Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP) today released its 2017 edition of *Productivity and Prosperity in Quebec – Overview*. In keeping with a tradition started in 2009, the CPP report updates a number of indicators that draw a portrait of Quebec’s economic situation.

For CPP Director Robert Gagné, who co-authored the report, the province’s economic health remains precarious. “I don’t want to paint too bleak a picture, but the situation really hasn’t improved in recent years. With a standard of living barely higher than \$47,000 per capita in 2016, Quebec still trails the pack as compared with the other Canadian provinces and 20 of the main Western countries.” Only the Maritime provinces, Spain and South Korea have lower standards of living.

According to the authors, this finding is not in the least surprising. “Between 1981 and 2016, labour productivity in Quebec rose by only 0.9% per year on average,” explains Gagné. “This is indisputably the weakest growth out of the thirty economies analyzed. The problem, and it is a serious one, stems from the fact that improvement in the standard of living comes almost entirely from productivity gains. So it is only natural that Quebec’s economy is progressing more slowly than others.”

Structural origins

The authors of the report have been analyzing the province’s economy since 1981, and have seen the origins of Quebec’s lagging economic performance change over the years. In the 80s and 90s, the standard of living gap with the other provinces and countries studied was essentially due to the major recessions during those periods. Since the early 2000s, though, the gap has continued to widen, whether or not the economy has been battling a recession.

“All in all, everything suggests that the province is faced with a deep-rooted problem, i.e. that Quebec’s economic structure prevents it from keeping pace with the other countries and most Canadian provinces,” says Gagné. “Without any action being taken to address this problem, the standard of living gap between Quebec and a vast majority of Western countries is bound to keep spreading over time.”

The heart of the problem

According to the authors, the crux of the problem lies in the decline of Quebec’s manufacturing sector. Manufacturing in Quebec has historically been concentrated in low-tech industries, traditionally considered “soft” sectors, such as the textile, garment, paper and furniture trades. Since these industries are particularly vulnerable to exchange rate fluctuations because of their strong exposure to competition from emerging countries, the province’s manufacturing output declined drastically as the Canadian dollar rose in the early 2000s. “The repercussions were

disastrous for Quebec's economy," maintains the CPP Director. "Because this loss in competitiveness was not offset by productivity gains, the province's economic growth foundered."

Cause for concern

The relatively slow growth in Quebecers' standard of living has had serious consequences, as they have seen their purchasing power shrink steadily. In fact, their disposable income is now lower than that of residents of the other nine Canadian provinces. In 2016, Quebecers had an average of \$4,370 less than Ontarians to spend and save.

"What really hurts," concludes Gagné, "is that Quebec's cost of living advantage has faded over the years. Since the province has been unable to compensate for the loss of this advantage with adequate economic growth, Quebecers' purchasing power has declined significantly in comparison with residents of the other provinces."

For more information:

- Consult the report (in French), entitled *Productivité et prospérité au Québec – Bilan 2017*. The English version will be available soon.
- Téléchargez le communiqué [en français](#).

About the Centre for Productivity and Prosperity – Walter J. Somers Foundation

The Centre for Productivity and Prosperity – Walter J. Somers Foundation has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec. The Centre then shares its research findings through knowledge transfer and educational activities.

About the Walter J. Somers Foundation

The Somers family established the Walter J. Somers Foundation in tribute to the founder of Walter Surface Technologies. Through different donations, the Foundation pursues the family heritage of commitment to the community and contributes to the prosperity of Quebec society, firstly by helping to improve its productivity but also by supporting excellence in youth education.

For more information on the Centre, visit www.hec.ca/cpp or write us at info.cpp@hec.ca.

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