

Sectoral Outlook

2010-2012



Quebec Region

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Summary

Economic environment

Growth in Quebec will be shaped by two elements in the 2010-2012 forecast period: population change and recovery from the 2008-2009 crisis.

Population aging is definitely a phenomenon in Quebec. Immigration may be slowing the effect somewhat, but the impact is not enough to prevent the problems it creates in terms of the need to replenish the labour force. Since 2009, the number of people taking retirement (55-64 years of age) has exceeded the number of young people (20-29) likely to replace them, and that situation will continue for several decades. That is why population change will increasingly affect the labour market in the years ahead and problems recruiting and replacing workers may reach a level that would hinder job creation in Quebec as early as 2013-2014.

One of the worst economic crises ever did not come as a real surprise given how fast and hard economies had fallen. Job losses were smaller in Quebec than in the rest of Canada, but the crisis still had an impact on the labour market: the number of unemployed increased 17%, pushing the unemployment rate higher than it had been since 2004.

The economy will recover faster than it did after the last two recessions. Quebec has a smaller hill to climb, however, and its trading partners will take longer to rebound, so gains will be small and the economy will be weaker.

In 2010, the global economy will rebound against the backdrop of a lukewarm market that is expected to gradually pick up steam. Not until 2011 will there be a more convincing recovery supported by stronger growth.

Sectoral outlook

Because growth in Quebec is tied in with improvement in our partners' economies, job creation will be below 1% this year. As conditions improve, growth will increase in 2011 and 2012.

In the primary sector, resources are doing better but are still not out of the woods. Job losses will occur at a slower rate in 2010, and the problems should be resolved over the 2010-2011 period. However, we will have to wait until late 2011 or even early 2012 for the outlook to get brighter.

In consumer-related manufacturing, the worst years are behind us, but employment will still be down in 2010. The number of jobs should then level off, and there might even be some growth in 2011 and 2012.

Recovery in resource-related manufacturing is complicated. It is dependent on the resource industry, which needs demand and prices to rise. It is not easy to get all the right conditions in place at the same time.

Investment-related manufacturing is heavily dependent on foreign markets and is therefore vulnerable to economic conditions. However, it is also very dynamic. Despite the downturn in transportation equipment manufacturing, the outlook is good: employment levels should stabilize in 2010 and start to rise again in 2011.

In the construction industry, the recession had little impact on the number of hours worked, and an increase is expected over the 2010-2012 period. Civil engineering and roads, which entails massive investment in infrastructure, will continue to thrive, especially in 2010, when the benefits of infrastructure programs are at their peak. Housing starts will be up in 2010 because the industry is making up lost ground. In 2011, however, the number of starts will be lower than it was in 2009 as the industry brings construction in line with the number of new households.

Consumer services were in turmoil at the start of 2009, but conditions improved and consumer confidence in Quebec was restored. Consumer spending in 2009 was almost identical to what it was in 2008, which helped temper the impact of the recession. There will be employment growth in 2010, and growth will then continue at the same pace as in the economy as a whole.

Production services will post the highest average annual employment growth over the 2010-2012 period. All industries in the sector will see average rates of growth higher than the rates for the economy as a whole over the forecast period.

The challenge for public administrations in the next few years will be to balance budgets and manage debt without losing sight of the investment needed to ensure access to health care, social services and education.



Introduction

Each year, Service Canada issues medium-term employment forecasts both by industry and by occupation for Quebec as a whole and for each of its economic regions. The results of these analyses are published in the form of a series of studies intended to provide a comprehensive overview of recent labour market developments and outlooks in Quebec and its various regions.

We hope this series of documents will interest people who are seeking labour market guidance and those who help them, including parents, educational staff and employment assistance services workers. It should also interest businesses and employer associations that want to identify human resources management issues in their industries.

This document is made up of two sections. The first part provides a synopsis of the labour market in the region, including an overview of economic developments and key labour market indicators. The second part presents sectoral outlooks by industrial groups catalogued according to the North American Industry Classification System (NAICS).



Notes on methodology

Employment estimates

The estimated job numbers in each industry are based on Statistics Canada's Labour Force Survey (LFS), which was chosen because it is the only reliable and ongoing source of data on changes in employment both in Quebec as a whole and in the regions. Since the employment level in some industries is very low in a number of economic regions, other sources of data—mainly of an administrative nature—have sometimes been used because LFS figures in these industries are unreliable. In addition, three-year (2007-2008-2009) averages are included in the statistical tables to provide a more reliable indication of employment levels.

The employment outlooks have been established for a three-year period, from 2010 to 2012. They were developed in winter 2009-2010 in co-operation with Service Canada economists working in Quebec's regions. We also wish to thank the Canadian Occupational Projection System (COPS) team, without whom we would not have had access to many of the analysis and forecasting tools that were used to carry out this study.

Industrial groups

The industrial analysis presented in this study is based on an aggregation using the North American Industry Classification System (NAICS). Here, we provide a brief overview of the composition of each of these groups. Precise definitions of the industries are available in the NAICS published by Statistics Canada.

Primary sector

- 11 Agriculture, Forestry, Fishing and Hunting
- 21 Mining and Oil and Gas Extraction

Manufacturing

- 31-33 Manufacturing

When relevant, the following groups are also presented:

Consumer-related manufacturing

- 311 Food Manufacturing
- 312 Beverage and Tobacco Product Manufacturing
- 313 Textile Mills
- 314 Textile Product Mills
- 315 Clothing Manufacturing
- 316 Leather and Allied Product Manufacturing
- 323 Printing and Related Support Activities
- 337 Furniture and Related Product Manufacturing
- 339 Miscellaneous Manufacturing

Resource-related manufacturing

- 321 Wood Product Manufacturing
- 322 Paper Manufacturing
- 324 Petroleum and Coal Products Manufacturing
- 327 Non-Metallic Mineral Product Manufacturing
- 331 Primary Metal Manufacturing



- Investment-related manufacturing
 - 325 Chemical Manufacturing
 - 326 Plastics and Rubber Products Manufacturing
 - 332 Fabricated Metal Product Manufacturing
 - 333 Machinery Manufacturing
 - 334 Computer and Electronic Product Manufacturing
 - 335 Electrical Equipment, Appliance and Component Manufacturing
 - 336 Transportation Equipment Manufacturing
- Construction
 - 23 Construction
- Consumer services
 - 44-45 Retail Trade
 - 51 Information and Cultural Industries
 - 71 Arts, Entertainment and Recreation
 - 72 Accommodation and Food Services
 - 81 Other Services (except Public Administration)
- Production services
 - 22 Utilities
 - 41 Wholesale Trade
 - 48-49 Transportation and Warehousing
 - 52 Finance and Insurance
 - 53 Real Estate and Rental and Leasing
 - 54 Professional, Scientific and Technical Services
 - 55 Management of Companies and Enterprises
 - 56 Administrative and Support, Waste Management and Remediation Services
- Public and parapublic services
 - 61 Educational Services
 - 62 Health Care and Social Assistance
 - 91 Public Administration



Part 1: Overview

Description of the area

More than 80% of the population live in urban areas.

As of January 1, 2010, Quebec had a population of about 7,870,000, approximately 23% of the total population of Canada. By comparison, Canada's biggest province, Ontario, had a population of 13 million, almost 39% of the Canadian total.

There are 1,292 municipalities in Quebec. The 10 biggest together account for almost half the population of the province. More than 80% live in urban areas.

Demography

For several years, Quebec has been recording more births and fewer deaths than expected. The Institut de la statistique du Québec (ISQ) recently revised its demographic forecasts in light of the new trends. If the new base scenario unfolds as expected, Quebec will have a population of 8 million by 2012.

As a result of the "extra" births, natural population growth is running higher than previously forecast. Quebec also receives positive net international migration, but some of that is offset by losses to interprovincial migration. While the negative interprovincial balance has been shrinking over the past three years, more people continue to leave Quebec for other provinces, year after year, than vice versa.

Though population growth has been increasing in Quebec since 1997, it still lags behind growth in the rest of Canada. From 2004 to 2009, the average annual growth rate was 0.8% in Quebec and 1.2% in the rest of Canada. As a result of that gap, Quebec's relative weight in Canada's population is declining year by year.

Demographic decline will have a greater impact in 2013 and beyond.

While migration is buffering the impact of population aging in Quebec to some degree, it will not be enough to eliminate workforce renewal problems. In 2009, the ISQ reported that the number of people approaching retirement (ages 55 to 64) had exceeded the number of young people (ages 20 to 29) in line to replace them. According to the ISQ's projections, this will continue to be the case in the coming decades. In other words, from now on, the number of young people entering the labour market will be consistently smaller than the number of people exiting the labour market.

Quebec's demographic challenges will therefore have a growing impact on the labour market in the years ahead. We expect that starting in 2013-2014, employee recruitment and replacement problems will reach the point where job creation and Quebec's economic dynamics will be adversely affected.

The Quebec economy may be able to withstand a few years of demographic decline. After all, younger generations are always a bit more active in the labour market than the generations before. Another consideration is that people sometimes put off retirement a few years. Higher-than-forecast immigration could also contribute to the labour pool. In short, there are a number of factors that could enable the labour market to ride out at least some problems for a few years. However, while some gains are possible in these conditions, demographic decline will ultimately be an impediment to employment growth.

Economic environment

The United States, Europe and Japan were all pummelled by the worldwide recession, and their economic and financial problems affected their economic partners. Neither Quebec nor Canada as a whole was able to avoid the fallout; both were hit hard by the drop in trade with the United States.

The recovery from the crisis will not be smooth sailing. Public debt, already a problem during the years of growth, has become an obstacle that all economies will have to tackle in the years ahead. Governments have incurred huge deficits in order to put in place economic support and recovery plans. However, those deficits are on top of enormous



In a lukewarm world economy, recovery is bound to be weak.

accumulated debt, and projected growth in revenue is not strong enough to cover the normal increase in spending.

The global economic recovery will unfold against this backdrop in 2010. The market is expected to be soft at first but should gradually gain strength. A more robust recovery driven by more sustained growth is not expected until 2011. The Organization for Economic Co-operation and Development (OECD) projects that world trade will not return to pre-recession levels until the second or third quarter of 2011.

The **Euro Zone** had until very recently seen enough positive signs to assume the economy was rebounding, but government debt is sinking investor confidence. Recovery was one thing, but it will certainly be a while before there can be any talk of growth. Statistically, the problems encountered by the Euro Zone should not put that much pressure on the Quebec economy. However, if it were to become widespread, the lack of investor confidence could plunge stock markets into disarray again and throw the recovery off track.

The American economy has been hard pressed. Recovery will be hard and will take several years.

The recession in the **United States** started in December 2007, and the country is still looking for signs of stable recovery. Many indicators point to recovery, but the decline in employment did not end until January 2010, and the gains since then have been very small, especially compared with the number of jobs that were lost. Consumers are still wary, and because house prices have plummeted, more than a quarter of all mortgages exceed the potential resale value. It is not easy to be confident in those circumstances.

The recession may have bottomed out several months ago, but there are still no tangible signs of real economic recovery. The United States' gross domestic product is already growing, but at the current pace, it is hard to imagine that economic indicators will improve across the board before the middle of 2011. The U.S. Federal Reserve has gone so far as to suggest that it might take five or six years to recoup all the losses.

In **China**, consumer spending rebounded quite quickly following last year's decline. Realistically, it would have been hard to get back to the high level of trade we had during the bumper years of 2006 to 2008, especially since the big Chinese companies had negotiated fixed-price supply arrangements with various countries including discounted prices for a number of materials, such as metals, steel, metal products and ore. The problems Quebec exports could have faced did not materialize. On the contrary, the value of Quebec exports to China increased 15% in 2009 despite the recession.

Canada lost nearly 272,000 jobs in 2009. Ontario accounted for 59% of the job losses, although it has only 40% of jobs in Canada. By comparison, Quebec fared relatively well. Alberta and British Columbia, each of which has a smaller labour market than Quebec, lost more jobs proportionally.

Across the country, manufacturing and construction were particularly hard hit. In Quebec, the largest number of job losses, in absolute terms, was in the service sector.

The Quebec and Canadian economies are well on the road to recovery...

The recession pulled the Canadian dollar down in early 2009, but investors searching for a hedge against the United States' economic difficulties quickly pushed it back up over US\$0.90. The Canadian dollar has been trading high—a few cents below par with the U.S. dollar—for four years now. While a strong currency is usually a drag on exports, the dollar's relative stability could enable businesses to face the situation squarely and plan their activities on that basis.

In **Ontario**, two thirds of the job losses were in manufacturing and attributable to problems in the Canadian and American automotive industries. Closures and job losses in auto plants cascaded into closures and job losses among parts and services suppliers, then suppliers of raw materials, semi-finished products, etc. All this naturally led to a slump in retail trade, wholesale trade, transportation and other industries. The impact on the economy was commensurate with the prominent role played by the Ontario automotive industry and its suppliers in terms of procurement, sales and employment.



The outlook seems brighter this year, even in the automotive industry, but only a small portion of the jobs that were lost will be recovered. Conditions have already improved in other sectors of the economy. The GDP and employment are expected to recover from their crash at least somewhat this year.

Quebec was less affected by the recession than the rest of Canada. The diversity of Quebec's economy has been cited as an explanation for this, and it is true that a diversified industrial base is less vulnerable to jolts of this type. However, there were also other factors involved.

First of all, before the 2008-2009 recession began, difficulties in some industries, in both Quebec and the U.S., had already caused job losses. For example, wood products, furniture and transportation equipment manufacturing had experienced some problems as early as 2003. The residential construction industry in the United States fell apart when the real estate bubble burst in the summer of 2007, causing exports of lumber and other products from Quebec to plummet. Also in 2007, questions about the stability of American financial institutions and the decline of the automotive industry led to a substantial downturn in domestic consumer spending and Quebec exports. Lastly, in the summer of 2008, China significantly scaled back its consumption of raw materials and of industrial products, which also cut into Quebec's exports and reduced activity in industries connected with those products.

Secondly, heavy use of the federal Worksharing program by Quebec businesses reduced the number of layoffs by protecting record numbers of workers.

... but can they continue on this road if their trading partners do not recover?

Thirdly, despite the economic turmoil and uncertainty at the beginning of the year, Quebec consumers did not cut back their spending in 2009, lessening the impact of the recession. Consumer spending accounts for about two thirds of Quebec's GDP, making it the cornerstone of the economy.

Lastly, the various levels of government compensated for some of the shortfall in private investment by introducing major economic stimulus and recovery programs. Public and private investment together are the second largest component of GDP.

In that almost hostile economic environment, Quebec ended 2009 with a 1% decrease in the number of jobs and a 1% decline in its gross domestic product (GDP). By comparison, the decrease in GDP was 3.1% in Ontario and 2.9% in Canada as a whole.

The value of exports fell by a much greater margin, however, in large part because of the decrease in demand and prices for aluminum and pulp and paper, the slump in residential construction in the United States and lower demand for machinery and industrial equipment related to the drop in business investment.

While indications are that the recovery will be rocky in the U.S., inventories must be replenished as of now if only to maintain current levels of activity. With improving economic conditions, there will be demand for other consumer goods and U.S. industries will have to prepare to meet it. These factors suggest that the recovery will become increasingly lucrative for Quebec exporters.

And while India, Brazil and Asia are still minor markets for Quebec in relation to their potential, exporters are already courting these growth markets. With the diversification of Quebec's trading partners, the U.S. now accounts for 70% of the value of Quebec's exports, down from 85% 10 years ago; however, this indicates the U.S. market's continuing importance to Quebec's economy.

In short, because worldwide growth got off to a slow start in 2010, we expect employment growth in Quebec to be weak also, around 0.8%. The rate could rise to 1% if conditions improve during the year. Otherwise, a somewhat stronger recovery will not take hold until 2011-2012, at which time economic growth should be driven by the resumption of major projects, stepped-up regional development and the return of private investment.



Employment growth is therefore expected to be 1.1% in 2011 and 1.2% in 2012. For the three-year 2010-2012 forecast period, an average annual growth rate of 1.0% is projected. All things considered, this is fairly weak—half the growth rate posted in recent years.

Keys to recovery in Quebec in the short and medium term:

- major investment, current and future
- improved economic conditions to restore trade
- replenishment of inventories and resumption of consumer spending in the United States
- ongoing development of our export markets, especially emerging economies
- less weight for the United States in our export portfolio.

Challenges for growth in Quebec in the short and medium term:

- being competitive on international markets despite the fact the loonie is at par with the U.S. dollar
- not all of the world's economies are back on track
- Quebec's population decline will limit prospects for employment growth
- overcoming a return to high energy costs
- the United States continuing to carry a lot of weight in our export portfolio.

Labour market indicators

With a smaller hill to climb, Quebec will see smaller gains than other economies.

In late 2008 and early 2009, the unemployment rate rose quickly in Quebec and the number of jobs declined significantly. Fortunately, signs of stabilization and then recovery began to appear as early as the second half of 2009. In view of the suddenness and extent of the worldwide economic pullback, there were expectations that this would be an economic crisis of historic proportions. While the recession proved much less painful for Quebec than was originally expected and was shorter than previous recessions, it did have a negative impact on the job market.

Quebec lost 37,500 jobs, or 1% of its total jobs. The number of unemployed increased by more than 17%, pushing the unemployment rate to levels not seen since 2004. The job losses were higher at the beginning of the recession, but subsequent gains yielded a less negative final result.

In previous recessions, the recovery took more than a year because it was accompanied by major structural changes. We expect the process to be faster this time because the structural improvements will be smaller in scale and will not extend to all industries. But this factor will still have an impact on how long it takes for Quebec to return to its pre-recession employment levels.

Also, with a smaller hill to climb, the gains will be slighter than in other economies and could give the impression of a slower recovery.



Table 1

Main Labour Market Indicators, 2007–2009				
Quebec Region				
	2007	2008	2009	2007-2009
Population 15+ (000)	6,314.6	6,372.2	6,437.0	6,374.6
Labour force (000)	4,150.1	4,184.9	4,199.4	4,178.1
Employed (000)	3,851.7	3,881.7	3,844.2	3,859.2
Unemployed (000)	298.4	303.3	355.2	319.0
Participation rate	65.7	65.7	65.2	65.5
Unemployment rate	7.2	7.2	8.5	7.6
Employment rate	61.0	60.9	59.7	60.5

Source: Statistics Canada, Labour Force Survey
Data compiled by Service Canada



Part 2: Sectoral Outlook

Overview

Industrial structure

Manufacturing's share of the Quebec industrial base has been steadily shrinking.

Quebec's industrial structure is constantly changing. As the economy cycles and restructuring takes place, the number of jobs in any given industry goes up or down. The current dynamic of the industrial structure reflects the changes that have taken place in the Quebec economy as a result of market globalization and changes in the needs of consumers and businesses both at home and abroad.

The weight a particular industry carries in the industrial structure can change for a number of reasons: employment growth may be higher than in other industries; the industry may expand within the structure; a loss of jobs may lead to a significant decline, especially if other industries continue to flourish; or the industry may be stable, with no employment gains or losses, while the remaining industries are growing.

Table 2

Employment Breakdown and Outlook for Selected Industry Groups			
Quebec Region			
	Average for 2007-2009		2010-2012
	Level (000)	Share of Employment	Average Annual Growth
All Industries	3,859.2	100.0%	1.0%
Primary	94.3	2.4%	0.3%
Manufacturing	539.5	14.0%	0.4%
Construction	207.3	5.4%	1.3%
Services	3,018.1	78.2%	1.1%
Consumer services	1,063.4	27.6%	1.0%
Production services	1,002.9	26.0%	1.6%
Public and parapublic services	951.8	24.7%	0.8%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey

The resource extraction-related primary sector is the smallest sector in Quebec. Over the past 20 years, it has never exceeded 4% of total jobs. Today, it accounts for 2.4% of jobs in Quebec.

Twenty years ago, manufacturing accounted for nearly one out of five jobs in Quebec. After two recessions, restructuring, globalization and the appreciation of the Canadian dollar, the manufacturing sector accounted for less than 14% of jobs in 2009.

Construction is an industry that fluctuates year after year. Dependent on residential construction and private and public investment, the construction industry accounts for 5.4% of jobs today, roughly the same as its position in the industrial structure in 1990.

The service sector is the only one that has increased its weight in Quebec's industrial structure. Services currently account for more than 78% of total employment, up from less than 72% in 1990. The increase is the result of a higher rate of employment growth than in other sectors and a simultaneous decrease in manufacturing jobs over the same period.



Outlook

Growth recovered slightly in 2010 and will gradually improve in the next few years.

Last year, 0.4% job growth was projected for 2010. We have increased the forecast to 0.8% because the recession has proven less severe than expected and the Quebec economy has recovered more quickly. The growth rate is still modest but, as we expect job creation to pick up during the year, it may approach 1%.

However, since the growth of Quebec's labour market is partially dependent on improved conditions among our trading partners, which are expected to see fairly modest growth this year, it is difficult to be more optimistic.

The pace will pick up slightly in 2011 and 2012, with 1.1% and 1.2% job growth respectively. Once again, a faster recovery among our partners could result in slightly higher growth than projected. Subsequently, Quebec's weak demographic growth will act as a drag and will limit job creation.

In the primary sector, resource extraction is faring better but is not yet healthy. The rate of job losses will slow in 2010 and the problems should subside in 2010-2011. However, more positive numbers will not be achieved until late 2011 or even early 2012.

The general decline in the manufacturing sector is expected to end in 2010. We should see job numbers level off this year. Of course, that will not be the case for all industries, and some segments will continue to post some degree of job loss. The post-recession rebound that generally follows a recession will not begin until 2011 and will pick up steam in 2012. In 2011, the three manufacturing segments—consumer, natural resources and investment—will see at least some growth.

In the service sector, growth is expected to be slightly higher than in the economy as a whole in 2010 and 2011. It will level off in 2012 and may decrease afterwards because of the inability of weak demographic growth to support job creation.

Primary sector

Mining will account for almost all the gains expected in the primary sector.

The smallest segment of Quebec's industrial structure is dominated by agriculture, which accounts for about two thirds of the total number of jobs. That leaves little room for the remaining industries: mining (18% of employment), forestry and logging (15%) and fishing, hunting and trapping (less than 2%).

The job outlook for the primary sector is mixed. First, we expect the slight downtrend to continue in agriculture. In forestry and logging, the trend is expected to reverse and the number of jobs should stabilize during the forecast period. Lastly, a recovery is expected in mining, which should see significant average annual growth between now and 2012.

Employment in **agriculture** is up and down, and while there were some good years at the start of the decade, the long-range outlook is for a decline in employment. Farm mechanization is not the only cause. Farmers also have to deal with high procurement and operating costs, the high market value of the Canadian dollar, which hurts exports, lower prices for farm products, etc. The amount of cultivated land in Quebec has been increasing for a decade, but the number of farms has been decreasing for longer than that (1995) and the decline picked up speed in 2002. We expect the average annual growth rate to remain slightly negative (-0.3%) between 2010 and 2012.

The forest industry should stabilize in the next few years.

Forestry and **logging** have faced many significant challenges in recent years. The Canada-U.S. softwood lumber dispute has been resolved and companies have incorporated the Coulombe report into their management operations, but new issues have cropped up. Reports from Quebec's chief forester led to further reductions in the amount of land available for cutting. The residential construction industry in the United States, a major market for Quebec wood products, crumbled after the real estate bubble burst in 2007. A bad situation got worse when a recession hit in 2008-2009. The combination of the need to realize productivity gains and economies of scale, the high Canadian dollar and structural problems in the paper industry means that the forest industry is operating in a tough



economic environment. We expect employment to keep falling in 2010, but those losses will be offset by gains in 2011 and 2012. American inventories need to be replenished, and any growth on that front is only going to help. In addition, residential construction in the United States is expected to rebound during the forecast period, and operating conditions should improve along with the economic environment. We anticipate other gains in the medium term, but they will be very small compared with the levels of employment we saw in the best years.

Table 3

Employment Breakdown and Outlook in the Primary Sector			
Quebec Region			
	Average for 2007-2009		2010-2012
	Level (000)	Share of Employment	Average Annual Growth
Primary sector	94.3	2.4%	0.3%
Agriculture	61.7	1.6%	-0.3%
Forestry and logging	13.8	0.4%	0.0%
Fishing, hunting and trapping	1.5	0.0%	1.9%
Mining	17.2	0.4%	2.5%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey

After five years of very strong global demand, the **mining industry** had to grapple with plummeting demand and prices in the second half of 2008. Following strong employment growth related to the increase in mining and exploration, the industry was forced to scale back operations; the lone exception was gold, where record-high prices are keeping the industry on an even keel. It is hard to say when the recovery will happen, but we believe it will start in 2010. It should be more apparent in 2011 and 2012, with average annual growth of 2.5% over the 2010-2012 period. That is the highest projection for growth. These numbers apply to a small workforce of about 16,000 (2009), but the gain of 1,200 jobs over three years will alone account for almost all growth in the primary sector between now and 2012.

Manufacturing sector

Demand for many products slumped during the past year.

During the 1990s, the manufacturing sector relied on the weak dollar to support sales. As productivity gains have been insufficient to enable the sector to contend with the rise of the Canadian dollar and globalization, production has been transferred to other countries, leading to thousands of job losses in Quebec. Without tariff protection, the manufacturing sector was unable to withstand competition from low-wage countries.

Quebec is not alone in this respect: most Western economies went through the same process some 10 years ago. The 2008-2009 recession occurred in this context. The slump in consumption accelerated the slowdown in industrial activity and caused a sharp drop in exports, which fell in value by nearly 19% in Quebec and 27% in Canada as a whole.

According to Export Development Canada, exports are expected to recover in 2010, in part because of the "return" of certain products to markets, such as aluminum, lumber and pulp and paper. The recovery is starting from the low point of the recession, but we do not think there will be sufficient growth to offset the losses. Growth will also be limited by the fact that some major industries will not be in a position to grow before 2011.

We expect a slight dip in employment in 2010, then slight growth in 2011 and 2012. The average annual growth rate is projected to be 0.4% during the 2010-2012 period. Investment-related manufacturing will account for almost all job creation.

Table 4

Employment Breakdown and Outlook in the Manufacturing Sector			
Quebec Region			
	Average for 2007-2009		2010-2012
	Level ('000)	Share of Employment	Average Annual Growth
Manufacturing sector	539.5	14.0%	0.4%
Consumer-related manufacturing	198.8	5.2%	-0.1%
Food, beverages and tobacco	78.9	2.0%	0.9%
Textile mills and textile product mills	11.6	0.3%	-1.0%
Leather clothing and products	26.0	0.7%	-2.5%
Printing and related activities	27.1	0.7%	-1.6%
Furniture and related products	33.5	0.9%	0.1%
Miscellaneous manufacturing	21.7	0.6%	0.6%
Resource-related manufacturing	115.8	3.0%	0.1%
Wood product manufacturing	40.5	1.0%	0.4%
Paper manufacturing	28.4	0.7%	-1.3%
Petroleum/coal products manufacturing	4.5	0.1%	-3.0%
Non-metallic mineral product manufacturing	14.7	0.4%	1.5%
Primary metal manufacturing	27.7	0.7%	0.8%
Investment-related manufacturing	224.9	5.8%	1.0%
Chemical manufacturing	31.1	0.8%	0.3%
Plastics and rubber products	33.1	0.9%	0.4%
Fabricated metal product manufacturing	42.9	1.1%	1.7%
Machinery manufacturing	25.0	0.6%	1.0%
Computer and electronic products	21.4	0.6%	0.7%
Electrical equipment, appliance and component manufacturing	16.0	0.4%	1.1%
Transportation equipment manufacturing	55.5	1.4%	1.1%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey

Consumer-related manufacturing

Half of the jobs in this sub-sector are in low-growth industries, and half are in industries that are shrinking.

The consumer-related manufacturing sub-sector experienced years of healthy growth in the 1990s. Around 2005, the elimination of tariff barriers and the strong Canadian dollar encouraged the transfer of production activities to low-wage countries. Because foreign demand is a key revenue driver for Quebec industries, a major impact was felt, particularly in labour-intensive industries such as clothing manufacturing, textiles, textile products and furniture.

The worst years are behind us, but negative growth is expected to continue, at least this year. Subsequently, the number of jobs is expected to stabilize and may even increase slightly in 2011 and 2012.



The **food, beverages and tobacco** industry is less sensitive to recession and lower exports, but in tough economic times, households tend to save more and therefore spend less. The impact was greater this time because the price of the goods being consumed did not drop during the recession. The outlook for the next few years is good: employment is expected to grow between 2010 and 2012. With its various manufacturing operations, food, beverages and tobacco is the only consumer-related manufacturing industry that will post three years of employment growth.

In the past 10 years, employment in the **textile and clothing** industry has fallen by two thirds. With the recession, losses continued despite advances in new textiles and the formation of a business consortium in specific commercial niches. This industrial core is expected to grow in the next few years, but because the number of jobs is small, the increase will not be enough to offset the losses expected in the industry as a whole.

Printing and related activities have experienced the same problems as the paper products industry: competition from new media; decrease in print media readership; decrease in the number of publications. In fact, employment has been declining since 2002. A portion of the industry has figured a way out by focusing on electronic publication, a process that is more publishing than printing, but not enough jobs have yet been created to offset the losses. Employment is expected to continue declining over the next three years.

Since employment peaked in 2002, the workforce in the Quebec **furniture** industry has decreased by almost 28%. The drop in consumer spending and the decline in residential construction in the United States since the summer of 2007 have not helped the situation. Office furniture, which accounts for a quarter of the output of Quebec furniture manufacturers, was also affected by the recession. The anticipated decline in residential construction in Quebec to a level more in line with population numbers could be an added obstacle in a year or two. Employment should continue to slide in 2010, but we are more optimistic beyond that and expect that employment will start to grow again, albeit slowly.

Resource-related manufacturing

Recovery of the sub-sector depends on recovery of the resources industry, which has to wait until demand resumes.

In the resource-related manufacturing sub-sector, recovery hinges on renewed growth in resource extraction, which is dependent on increased demand. Prices must also rise again to levels that are satisfactory for resource extraction companies and producers, without returning to the inflated heights seen in recent periods of explosive growth and driving away buyers. Recovery in exports will be limited by economic conditions in the U.S.

The past few years have not been easy for **wood products** manufacturing. The lumber dispute, new resource management guidelines, structural challenges and a dramatic decline in residential construction in the United States all contributed to a drop in demand and prices. Finding markets was hard, and prices and revenue were in freefall. A slight decrease is expected in residential construction in Quebec, but the outlook should improve through the forecast period. Employment is expected to level off in 2010, then grow again in 2011 and 2012, which means that the average annual growth rate in employment between 2010 and 2012 will be slightly positive (0.4%).

As we noted in connection with the printing industry, **paper** manufacturing is affected by competition from new electronic media, a decrease in print media readership and a decrease in the number of publications. All companies were affected by publishers' cuts, structural issues and competition, and others had to deal with the additional problem of finding a source of affordable materials. The result was substantial job losses, and the recession only made matters worse. The recession appears to be over, but other challenges remain. It is because of that difficult environment that we stand by our projection that employment in this industry will decline. However, the decrease will be smaller than in past years, and the medium-term outlook is better.

Partly as a result of investment in infrastructures and major energy projects in Quebec, the outlook for **non-metallic mineral product manufacturing** in the next few years is brighter. We expect average annual growth of 1.5% over the 2010-2012 period.



Because of the need to replenish inventories in the United States and elsewhere, we expect employment in **primary metal manufacturing** to increase starting in 2010. Employment boomed between 2005 and 2008 as a result of a significant increase in worldwide demand, but the crisis in the automotive industry, the recession, the downturn in the aeronautics industry and the deferral of numerous projects changed the economic picture completely. With demand expected to grow in the next few years, job creation should continue.

Investment-related manufacturing

The short- and medium-term outlook is good.

This sub-sector accounts for 42% of the total number of manufacturing jobs in Quebec. It is more dependent on foreign markets than any other sub-sector, which means it is very susceptible to changes in economic conditions but is also more dynamic. The recession caused a substantial drop in transportation equipment manufacturing and employment.

Despite that, the short- and medium-term outlook is good. Employment should level off in 2010, start growing again in 2011 and continue growing in 2012 and beyond.

Chemical manufacturing in Quebec is led by the pharmaceuticals industry, which accounts for almost 40% of employment. To offset the decrease in revenue attributable to competition from generic products, expiration of major patents and a lack of new feature products, the key players in the industry undertook a worldwide restructuring of their research and production operations that led to sites being shut down. Mergers with other pharmaceutical companies stabilized revenue, but the consolidation of some operations had a negative impact on employment. Laboratories and head offices in Quebec did not escape the damage. When problems in petrochemical manufacturing are factored in, employment should continue to decrease in 2010, but 2011 should be a transition year and the situation should improve. Stronger growth is not expected before 2012.

The recession had a significant impact on key segments of investment-related manufacturing...

Three quarters of the jobs in **plastic and rubber parts manufacturing** are in the plastics industry. Most of the output comprises packaging and building materials. The sharp drop in residential construction in the United States killed demand and wiped out any prospect for growth. Other segments, including composite products and rubber products, were dealt a hard blow by the problems in the automotive and aeronautics industries. The skies are clearing, however, in part because the automotive industry has rebounded somewhat and the development of wind energy continues. Losses are still projected for 2010, but there should be significant growth in the following two years.

Metal products manufacturing accounts for almost one fifth of jobs in the investment-related sub-sector. The industry was enjoying a surge in worldwide demand when it was hit by a series of events: a decrease in need in the construction industry, the implosion of the automotive industry, the recession, and the downturn in the American economy and its impact on the aeronautics industry. The decrease in demand caused prices to plummet and led to massive layoffs. After several months of waiting, it appears that the restoration of inventories is imminent, and that should be a sign that the industry has rebounded. As economic conditions improve in the United States and elsewhere, growth will pick up speed. The metal products industry is one of the few manufacturing industries where the outlook for the next three years is good, with average annual growth of 1.7%.

... but the economic recovery, while it will be small in 2010, will nevertheless create jobs.

Quebec **machine** manufacturers export almost 80% of their output, half of it to the United States. For that reason, the industry is very sensitive to economic conditions; two American recessions and the rise in the Canadian dollar have stymied growth in the industry since the early 2000s. The latest economic crisis brought about a sharp decrease in corporate investment, and employment plummeted in 2009. The industry is expected to rebound, albeit it on a small scale, in 2010, creating new jobs. The resumption of private investment and the need of employers to boost their productivity will then contribute to employment growth.

Since the technology bubble burst in 2000, the number of jobs in the **computer and electronic products** industry has decreased by almost half in Quebec, primarily in communications equipment manufacturing and computer hardware and peripherals



manufacturing. Exports of those products and wireless communication equipment are decreasing. The slide may end in 2010, because the industry is showing signs of improvement. That may be enough to stabilize the labour force initially and, once the economy settles down again, to create new jobs. Growth will be limited in 2011 but should become stronger in 2012.

Three quarters of the jobs in Quebec's **transportation equipment** industry are in aerospace products and parts manufacturing. Employment was strong from 2004 on, but the recession changed everything and layoffs became the order of the day in 2009. The situation is expected to improve slightly in 2010. Transportation equipment manufacturing has also been affected by the problems in the automotive industry, but the situation is expected to be stable on that front in 2010. Overall, the industry will not begin to recover until 2011, and recovery will be far slower than it has been in the past. Higher growth rates are not expected before 2012 at the earliest.

Construction industry

Hours worked will grow in 2010, 2011 and 2012.

In terms of hours worked, the recession had a smaller impact, proportionately, than expected. Government economic stimulus programs and the home renovation tax credit were certainly factors. Hours worked decreased 2.7% in 2009 and the Commission de la construction du Québec (CCQ) is forecasting a 3% increase for 2010. The growth will extend, to a lesser degree, over the 2011-2013 period.

Almost 80% of hours worked are in **non-residential construction**, which includes civil engineering and roads and industrial, institutional and commercial buildings.

As a result of heavy investment in infrastructure, the civil engineering and roads sector posted an increase of 14.4% in the number of hours worked in 2009, following an 11.0% increase the previous year. The outlook remains bright for the forecast period, especially 2010, when the benefits of infrastructure programs will be at their peak. Since 2000, the number of hours worked in this sector has more than doubled in Quebec because investment has increased by a factor of 2.5.

Institutional and commercial buildings account for about two thirds of non-residential construction. Over the past 10 years, the number of hours worked has increased almost 50%; only in 2006 (-3.4%) and 2009 (-7.0%) was there a decrease. Government spending on institutional buildings has increased, but the decline of the commercial sector led to a drop in 2009. The number of hours worked is expected to remain steady in 2010. Only with the return of private investment is growth expected in 2011 and 2012.

The **industrial** sector is the only sector of the non-residential construction industry that has had a tough decade. Through six years of decline, the number of hours worked dropped by almost half. Corporate investment is the sector's lifeline. The rate of use of industrial capacity is far lower at present than it could be, which makes it hard to justify spending on projects. The best hope for a quick recovery is in mining.

The number of hours worked in **residential construction** was down 2.5%, owing in part to a 9.4% drop in housing starts. The decrease was expected to be bigger, but when the economy improved in the second half of the year, consumer confidence rebounded. The Canada Mortgage and Housing Corporation (CMHC) projects a 9.0% increase in housing starts in 2010 as the industry makes up lost ground.

Services sector

In Quebec, 80% of jobs are in services.

In Quebec, almost eight out of 10 jobs are in the tertiary sector, that is, services. The proportion has been growing for decades, but the trend is not new; the shift in the economy has been a century in the making.

There are three types of services: consumer services, which account for 35% of jobs in the tertiary sector; production services, which account for 33%; and public and parapublic services, which account for less than 32%.



In 2009, job losses were far smaller than in other economies: fewer than 14,000 service-related jobs—0.5% of total employment in the tertiary sector—were lost in Quebec.

Consumer services

Consumer spending in 2009 was almost the same as in 2008, which helped reduce the impact of the recession.

In terms of employment, this is the biggest component of the industrial structure, with more than a million workers. Growth is tied to Quebec's low population growth and to disposable income, which is expected to be significantly higher in 2010. The sector has benefited from sustained growth in income over the past decade.

2009 got off to a rocky start, but consumer confidence in Quebec rebounded as market conditions improved. Consumer spending in 2009 was almost identical to what it was in 2008, helping to cushion the impact of the recession. Employment will increase in 2010 and will then continue to grow in step with the economy as a whole.

Table 5

Employment Breakdown and Outlook in Consumer Services			
Quebec Region			
	Average for 2007-2009		2010-2012
	Level (000)	Share of Employment	Average Annual Growth
Consumer services	1,063.4	27.6%	1.0%
Retail trade	477.1	12.4%	0.9%
Information, culture and recreation	172.9	4.5%	1.0%
Accommodation and food services	237.4	6.2%	1.0%
Other services	176.0	4.6%	1.3%

Source: Service Canada, Quebec Region

Historical estimates based on Statistics Canada's Labour Force Survey

Retail trade accounts for 45% of jobs in the consumer services sector. Growth in employment was very strong between 1998 and 2003, with an average annual rate of 3.5%, but has fallen off considerably in the past few years. Since there was almost no drop in the number of jobs in 2009, there will be less "catch-up" because consumer spending did not decrease during the recession. The outlook is good for retail trade in the period from 2010 to 2012 even though employment growth in that sector will be lower than in the economy as a whole.

Following the 1990-1992 recession, the number of jobs related to **information, culture and arts, entertainment and recreation** increased significantly. The growth can be attributed to arts, entertainment and recreation, however, since the number of jobs related to information and culture stayed more or less the same.

The future is rather bleak for television and radio networks: lower revenue, increased competition from speciality television and non-conventional media, competition for audience share and advertising dollars, disappearance of AM radio stations (closing down or moving to FM), layoffs, etc. A recent decision by the Canadian Radio-television and Telecommunications Commission (CRTC) could paint a whole new picture for the television industry. The CRTC has allowed private broadcasters (which excludes the CBC) to negotiate royalties with cable companies, which could create a new source of revenue. Discussions have yet to begin because the CRTC is waiting for an opinion from the Federal Court.

The drop in consumer spending affected the other provinces more than it affected Quebec.

Arts, entertainment and recreation will enable the information, culture and recreation industry to grow in 2010-2012.



The outlook is not much brighter for newspaper, periodical and magazine publishers. The decrease in hard-copy readership has forced publishers to rethink their strategy: space issues farther apart; reduce circulation; stop publishing. The situation is not unique to Quebec, which is why the paper manufacturing and printing industries are also in trouble.

Audiences are smaller and funding is harder to come by because of the economic downturn, but the arts, entertainment and recreation sector will get money this year to continue developing regional infrastructure. The sector has benefited significantly from development of tourism and recreation infrastructure over the past 20 years, and while employment was down last year, we anticipate fairly steady growth through the forecast period.

Overall, information, culture and recreation should see average year-over-year growth of 1.0%, primarily because of investment and development in arts, entertainment and recreation.

They may form one sector, but the **accommodation** and **food services** industries perform differently. For starters, food services account for more than 80% of the jobs in the sector. Because it is more sensitive to changes in disposable income, the food services industry has also grown the most over the past 20 years. In 2009, revenue was up 3% despite the state of the economy, although the number of jobs still decreased. Growth in the next few years should make up for the job losses.

Despite economic conditions in 2009, food services revenue increased 3%.

The accommodation industry has not fared as well in the current economy. Coupled with a strong Canadian dollar, the recession caused demand to drop because the number of tourists from the United States and other countries was down. The strong rates of growth the industry saw between 2004 and 2008 are probably a thing of the past, but the accommodation industry will benefit from the development of tourism and culture in the regions between 2010 and 2012.

The accommodation and food services industries will grow at more or less the same rate over the forecast period. Together they will see average annual employment growth of 1.0%. It should be noted that most new jobs will be in food services, because that industry accounts for the lion's share of workers in the sector.

Production services

The number of jobs in production services recently passed the one million mark after a decade of very strong growth. Three groups accounted for the bulk of that growth: finance, insurance, real estate and rental and leasing; professional, scientific and technical services; and management of companies, administrative and support services. Nearly two thirds of jobs in production services were in those groups.

Average annual growth rate higher than in any other industry

Naturally, the growth did not continue in the economic environment of 2009. The slump in interprovincial trade and in exports had a significant impact on these activities, particularly wholesale trade and freight transportation.

Of all the groups discussed in this document, production services will post the best average year-over-year growth between 2010 and 2012. Average job growth in all components of production services will outstrip the economy as a whole during the forecast period.

Wholesale trade consists of wholesale distributors that supply retailers and other businesses. As more than 70% of jobs in this segment depend on the retail trade, any reduction in household spending in Quebec will soon have a negative impact on wholesale trade activity levels. In 2008, however, the greatest impact on wholesalers came from tumbling consumption in the U.S. Nevertheless, employment fell in a number of industry segments, sharply in some cases. The largest losses were among agents and brokers and in automotive parts, personal goods, household appliances and home furnishings. While slow recovery is expected in 2010, even weak growth will lead to an increase in activity and employment in this industry.

Even weak growth in 2010 will generate an increase in employment in wholesale trade and transportation.



Table 6

Employment Breakdown and Outlook in Production Services			
Quebec Region			
	Average for 2007-2009		2010-2012
	Level (000)	Share of Employment	Average Annual Growth
Production services	1,002.9	26.0%	1.6%
Utilities	33.3	0.9%	1.2%
Wholesale trade	155.2	4.0%	1.5%
Transportation and warehousing	178.0	4.6%	1.5%
Finance, insurance, real estate and rental and leasing	228.8	5.9%	1.4%
Professional, scientific and technical services	265.6	6.9%	2.0%
Mgmt. of companies, administrative and support services	142.0	3.7%	1.2%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey

The **transportation and warehousing** sector is very dependent on trade and the level of imports and exports. Any slowdown in consumer spending at home or abroad will have an adverse effect on the sector. This was evident in the past two years with the drop in trade between Quebec and the United States. The recovery will be slow, as slow as the worldwide recovery, but like wholesale trade, the weak growth expected in 2010 should lead to an increase in activity and employment. In 2011, the recovery is expected to pick up steam, increasing activity and employment even more.

While employment fell in 2009 in the **finance, insurance, real estate and rental and leasing** sector, the industry did not encounter any of the risks faced by the American banking system. Financial institutions were affected by the drop in their stock and had to build up their reserves against bad debts, but they were nevertheless able to weather the recession. In the real estate component of the sector, the resale market was down at the beginning of 2009 but then rebounded almost to the normal level. All components of this group are expected to grow in 2010-2012.

Job creation will be stimulated by infrastructure projects.

Growth in employment in the **professional, scientific and technical services** sector is higher than it has been since the 1990-1992 recession. The economy slowed last year, but not enough to stop employment growth. Job creation will be stimulated by investment in infrastructure, the continuation of energy projects and the recovery of the industrial construction industry expected in 2011-2012.

Public and parapublic services

In public and parapublic services, federal and provincial administrations resorted to heavy deficit spending on massive investment programs in order to fight the recession. The challenge in the next few years will be to gradually return to a balanced budget and manage the debt. However, if the economy recovers faster than expected, this will translate into higher government revenues and greater budgetary leeway.



Table 7

Employment Breakdown and Outlook in Public and Parapublic Services			
Quebec Region			
	Average for 2007-2009		2010-2012
	Level (000)	Share of Employment	Average Annual Growth
Public and parapublic services	951.8	24.7%	0.8%
Educational services	258.3	6.7%	0.3%
Ambulatory health care and hospitals	251.3	6.5%	1.4%
Other health care and social assistance	218.0	5.6%	1.8%
Federal public administration	80.7	2.1%	-0.4%
Provincial and territorial public administration	73.8	1.9%	-0.4%
Local, municipal, regional and other public administration	69.7	1.8%	0.5%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey

Deficits will make careful financial management necessary in the years ahead.

In **educational services** as a whole, growth will be very weak in 2010-2012. The average annual rate of employment growth will be 0.3% over the period. However, that rate does not reflect the various factors that will come into play in the next few years. First, the increase in births in the past several years will mean higher kindergarten and primary enrolment and increased pressure on staff. At the other end of the spectrum, the number of high school students is down because of the number who have moved on to college. The need for college staff is expected to peak in 2011, when enrolment is at its highest. In 2012, those students will start moving to university or the labour market.

Needs in the **health and social services** sector are high in all regions of Quebec because of the growing need for access to services. Job creation in this sector is expected to be high but depends on the available of workers.

In recessions, **public administrations** often hire extra staff to deal with the increased demand for services. As the situation improves, staff levels are rebalanced. The post-recession period is also used to resume budget control. In those conditions, it is expected that there will be tighter control of government spending. For that reason, we anticipate very weak growth in the federal and provincial governments in the next few years. In contrast, employment with local, municipal and regional and other governments is expected to increase slightly as the population increases.