

The FORD(Q) Economic Update

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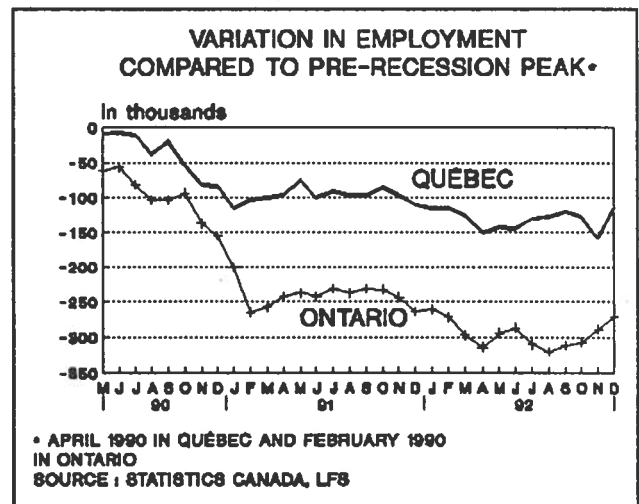
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Changes in main indicators:

- The 2.1% increase in the Desjardins leading indicator in September 1992 augurs a better start to this year than last year. As a result of an increase in sales of durable goods and somewhat of an improvement in the housing sector, especially in the resale market, the indicator's cyclical trend posted a 0.7% increase for the five months ending in September. Statistics Canada's leading indicator rose 0.5% in October, the largest increase in a year. The manufacturing sector appears to be lagging somewhat behind in the overall recovery, however. In Quebec, despite a 2.5% jump in exports during the first nine months of 1992, sales of finished goods abroad fell 2.4% compared to the same period in 1991 and 7.8% compared to 1990.
- After decreasing by 31,000 in November, the number of jobs in Quebec rose by 45,000 in December 1992, equalling the level reached in December 1991. Employment levels in Quebec in December were 114,000 lower than the pre-recession peak of 3,084,000 in April 1990. The gap began to narrow in May 1992, after peaking at 149,000 in April. The gap has since continued to narrow, except in June and with the particular exception of October and November, when it reached a record 159,000. A similar pattern emerged in Ontario, although the gap has narrowed more markedly there over the past few



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The FORD-Q ECONOMIC UPDATE is a monthly publication whose purpose is to inform readers about the most recent economic developments affecting Quebec and its regions.

The information in this monthly report is taken from dailies and weeklies, magazines and other publications on the Quebec economy. Most of the statistical data come from Statistics Canada.

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months. Employment by sector in Quebec grew in personal and community services, transportation and communications but declined in the primary, trade and manufacturing sectors. Insignificant variations were recorded in the other sectors.

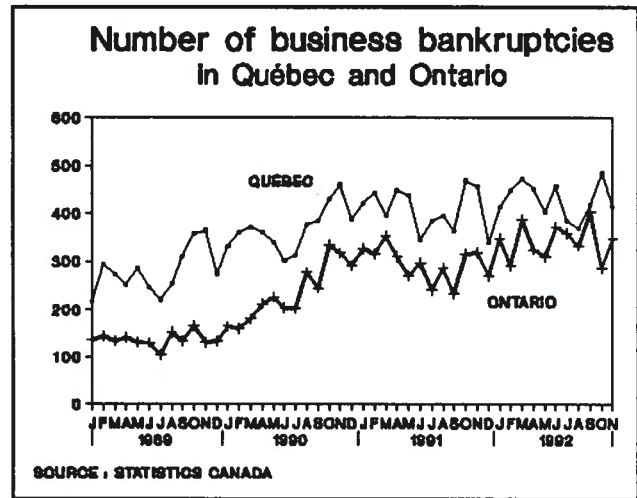


In terms of a moving three-month average, there were 6,000 fewer jobs in Montreal in December 1992 than in the previous month. In comparison with December 1991, Montreal lost 46,000 jobs, slightly less than Toronto (-56,000). However, compared to its pre-recession peak in June 1990, Montreal had 85,000 fewer jobs in December. During the 1982 recession, Montreal lost 102,000 jobs in 16 months. Although losses have not been as great during the current recession, they have been spread out

over a much longer period, 30 months. The Chicoutimi-Jonquière, Trois Rivières and Sherbrooke metropolitan regions have lost large numbers of jobs since December 1991.

- Among the economic regions of Quebec, Montreal Centre and Laval (-40,000) and Montérégie (-32,000) were hardest hit in terms of job losses compared to December 1991. However, in percentage terms, the Gaspé-Magdalen Islands posted the sharpest drop at nearly 20%.
- The unemployment rate in Quebec, despite a 0.9% drop from November's figure, was the fourth highest in Canada in December 1992 at 13.4%. In comparison with December 1991, the unemployment rate in Quebec rose 1.6%.
- Among the metropolitan regions of Quebec, the unemployment rate rose in December in Chicoutimi-Jonquière (0.4% higher than November), Montreal, Trois Rivières and Sherbrooke (0.3%). In comparison with December 1991, the rise was sharpest in Trois Rivières at 5.1%.
- The Gaspé-Magdalen Islands had the highest unemployment rate in Quebec (25.1% in December 1992), followed by the Lower St Lawrence (17.1%), Saguenay-Lac St Jean (16.3%) and Montreal Centre-Laval (14.1%).

The number of **business bankruptcies** in Quebec totalled 413 in November 1992, down from 455 in November 1991. The number of bankruptcies in Quebec has increased almost continuously throughout the recession, and has always been higher than in Ontario. The hardest-hit sectors since the beginning of the year have been trade, the accommodation and food and beverage industries, construction and the manufacturing industry. In terms of business bankruptcy liabilities, Beaver Holding was responsible for more than a third of all liabilities in Quebec.



According to Statistics Canada figures published in early January, the **average weekly wage** in Quebec was \$546.05 in October. The average wage stood at \$584.13 in Ontario, and the average weekly wage in Canada in October was \$554.65. Average wages rose in Quebec, Ontario and Canada as a whole compared to September.

Quebec's **Gross Domestic Product (GDP)** posted its sharpest increase in one year in the third quarter of 1992, rising 1.1%, following increases of 0.7% and 0.2% in the previous quarters. The increase was partly the result of remuneration paid to salaried employees, which accounted for 57% of the GDP. Salaries for this group rose 1.0%, the highest increase since the fourth quarter of 1990.

Regional Review (December 9, 1992 to January 11, 1993):

MONTREAL

Economic highlights:

- Revitalizing the Montreal commuter train system could have a very positive impact on the city's economy. According to a study conducted by the firm Étude

Économique Conseil (EEC), \$60.8 million of the \$110 million initially required will go to local companies. Operating and maintaining the new commuter train lines would create 250 regular jobs and consolidate the 450 jobs needed to operate the existing Rigaud-Montreal and Two Mountains-Montreal lines. The EEC study shows that Quebec's economy will benefit more by relying on trains rather than cars. The study states that unlike cars, whose production and use mostly benefit outside interests, trains--like other means of public transit--rely on local resources.

- The **PORT OF MONTREAL** is now the second largest container port in eastern North America, surpassed only by the Port of New York. The Port of Montreal generates economic spinoffs totalling more than \$1.2 billion and employs 14,000 people. In 1992, 575,000 containers were handled in the Port of Montreal.

However, even though container traffic is high, other activities at the Port of Montreal are not faring so well. The volume of goods handled in 1992, that is, 17 million tonnes, remained relatively unchanged compared to 1991. The steel and grain sectors experienced a second consecutive year of dismal performance. In 1984, its best year, the Port of Montreal handled 24 million tonnes of goods.

Contracts awarded:

- In late December, **SNC-LAVALIN** and **BOMBARDIER** of Montreal won an **\$856-million** contract to build the first phase of the Ankara subway in Turkey. **SNC-LAVALIN** will head the international consortium that will carry out the contract. The **BOMBARDIER** contract goes to its **UTDC SYSTEMS** subsidiary, which also won a **\$35.8-million** contract to manufacture 16 double-decker commuter train cars for the city of San Diego in the United States. Options to manufacture four other cars for the city of San Diego and 30 cars for the city of Los Angeles could bring the total order to **\$102.5 million**.

In addition, Bombardier won a contract totalling **\$856 million** from the Société des chemins de fer belges (SNCB) to manufacture 120 triple electric rail cars, that is, 360 cars, and 163 train cars. Bombardier's Belgian subsidiary, **BOMBARDIER EURORAIL**, will carry out the contract.

BOMBARDIER also won a **\$160-million US** contract to provide Norway's national airline with 15 DASH 8-type planes. Bombardier's Toronto subsidiary, de Havilland, will carry out the contract.

- The Toronto Transit Commission (TTC) Board has chosen **BOMBARDIER** to supply 216 subway cars for the city's subway system. The contract is worth an estimated **\$567 million**. It also includes an option to purchase 286 additional cars, which could bring the total order to \$1.04 billion.
- **NORTHERN TELECOM'S** St Laurent plant won a **\$250-million** contract from MCI, the second largest long-distance carrier in the United States. **NORTHERN** will manufacture FiberWorld products, which MCI will use to upgrade its transmission network by switching over gradually from the older, asynchronous technology to the new synchronous optical network technology (**SONET**).
- **FOSTER WHEELER INC** won a **\$221-million** contract from the Régie intermunicipale de gestion des déchets sur l'île de Montréal (**RIGDIM**) to design, build and operate a composting centre, sorting facility and incinerator. According to the company, a minimum of 1,000 direct and indirect jobs will be created in East End Montreal.
- The **SNC GROUP** and a Toronto partner won a **\$127-million** contract from Canada Post Corporation to supply new mail distribution boxes for residential neighbourhoods throughout Canada.
- The **DMR GROUP** won a **\$27.2-million** contract from the Quebec Department of Energy and Resources. **DMR** will be responsible for developing and managing the mapping of Quebec for taxation purposes.
- In mid December, the federal Department of Transport awarded a **\$11.6-million** contract to **CAE ELECTRONICS INC** of Ville St Laurent to supply a flight simulator for Cessna Citation II-type planes.
- **DMR Group Inc** signed a **\$9.3-million** contract with **REVENUE CANADA** to deliver an integrated computerized Goods and Services Tax (**GST**) processing system. **DMR** will develop the system and provide training, while **NCR CANADA LTD** will supply the hardware, software and support services.

- **HARRIS FARINON INC** of Dorval, which manufactures digital microwave telecommunications equipment, won a **\$9.2-million** network conversion contract from the national oil company of Oman, a small state on the Arabian Peninsula. The company will be responsible for designing, engineering and starting up a new telecommunications network. The company has 350 employees.
- A subsidiary of the SNC Group, **TECHNOLOGIES INDUSTRIELLES SNC**, signed two agreements totalling more than **\$5 million** with Denmark and Norway. The company will supply practice ammunition for tanks.

Major investment:

- Work totalling **\$50 million** will begin in January 1993 on a new casino slated to open at the Palais de la civilisation on Notre Dame Island in July. The work will include building a bridge for cars between Notre Dame Island and St Helen's Island and an underground parking lot and carrying out major renovations to the Palais de la civilisation. The work will provide employment for 400 people. In addition, the casino should generate 700 permanent jobs if predictions are accurate.
- The **MONTREAL AEROSPACE TRADE SCHOOL** will open in May 1994 and will cost **\$31 million**. Construction is slated to begin in March 1993.
- The **CITY OF MONTREAL** will invest at least **\$25 million** over two years to upgrade the Botanical Gardens. There are plans to build a Tree House, an Education Centre on Medicinal Plants and a Scientific Research Institute.
- **BALL PACKAGING PRODUCTS CANADA INC** will concentrate its operations at its Baie D'Urfé plant on Montreal's West Island. The company, which currently has two plants on the Island of Montreal, will invest **\$20 million** to consolidate production under one roof. Production at the Baie D'Urfé plant will employ 160 people, in contrast to the 190 currently employed between the two plants.
- **MOLSON O'KEEFE BREWERY** will invest **\$15 million** over the next few months to improve productivity. The company will restructure the bottling lines at its plant on Notre Dame Street.
- Pharmaceutical manufacturer **MARION MERRELL DOW CANADA** will expand its Laval headquarters at a cost of **\$9.1 million**. The company will add three floors with new offices to its complex and expand its plant by 13,000 square feet.

Layoffs:

- Two Montreal companies, **FL METAL INC**, a steel parts manufacturer, and **BAGATELLE CANADA INC**, a women's clothing manufacturer, had to lay off 450 workers. Both companies filed for legal bankruptcy protection to win time to restructure and refinance their debt.
- The **MCI** bus manufacturing plant in St Eustache will likely close, resulting in 400 layoffs.
- A total of 2,400 employees at the **SIDBEC-DOSCO** steelmill agreed in early December to a 10% pay cut, but 300 layoffs will be required to complete the restructuring plan. The layoffs will take place during the winter.
- **NORTHERN TELECOM** of Ville St Laurent told 173 of its 2,000 employees that they will be laid off as of January 29. According to the company, a large number of the employees in question had been called back to work last summer to meet heavy demand for transmission equipment. However, production has since stabilized, and the company has to scale back its staff in keeping with its current requirements.

CENTRAL REGIONS

Contracts awarded:

- **LES INDUSTRIES C-MAC** of Sherbrooke is beginning 1993 with contracts worth an estimated \$70 million under a new agreement with Northern Telecom. The company manufactures electronic components, such as hybrid microcircuits, for the telecommunications, computer and military equipment sectors. The company is also about to tackle the automotive market.

Major investment:

- In mid January, **DOMTAR** will announce investment totalling approximately \$200 million, \$60 million of which will be at its Cornwall, Ontario plant and \$100 to \$150 million at its Windsor, Quebec plant. The company will be introducing a new patented process to manufacture pulp from waste paper. The new process should reduce the company's manufacturing costs by 15%.
- The Government of Quebec and the City of Quebec officially announced in mid December that a Convention Centre would be built at a cost of \$81.3 million. Work in Quebec's Upper Town is slated to begin in the spring and is expected to take two years.

- **DONNACART** of Donnacona and **CANFIBRE** of Ontario joined forces in late December to establish a new company, **CANFIBRE QUEBEC**, which will manufacture composite board for the furniture and construction industries. The project will cost **\$40 million** and should create 150 jobs over the next two years. Construction of the plant is slated to begin in Donnacona in September 1993.
- **RESSOURCES MINIÈRES CORELAINE INC** of Rouyn-Noranda and international partners plan to build a ferrochromium production plant in Thetford Mines at a cost of **\$32 million**. Feasibility studies should be completed in January or February. Construction should begin in the fall of 1993.
- The world leader in electrical and rail equipment, **GEC ALSTHOM**, will invest **\$25 million** to increase productivity at its Tracy plant, which manufactures turbogenerators for plants that want to lower their energy costs. The company also wants to tackle the booming North American cogeneration systems market.
- A property developer will build a housing project in Cowansville and a hotel complex at Lac Davignon. The project will cost an estimated **\$25 million**. A report by the consulting firm BMTS Richelieu, submitted to the Quebec Department of the Environment for an environmental assessment within the framework of a housing development project less than 300 metres from a lake, shows that the developer's project will not have any negative impact on the environment.
- An **INDUSTRIAL MECHANICS CENTRE** will be set up in St Georges in the Beauce at a cost of **\$20 million**. Once the Centre is fully operational in 1995, it will train 600 technicians. Workers will also be able to take upgrading courses. Construction of the facility is slated to begin in March 1993.

Layoffs:

- **MEUBLES DAVELUYVILLE**, near Victoriaville, went bankrupt in early December, a victim of the recession and its employees' refusal to take a pay cut. A total of **238 workers** are out of work.
- The **MANOIR SAINT-SAUVEUR** laid off **41** of its employees. A franchisee has taken over from the laid-off employees, who used to work in the kitchen, restaurant, bar and banquet facilities.

RESOURCE REGIONS

Contracts awarded:

- **QUNO** of Baie Comeau, formerly known as the **COMPAGNIE DE PAPIER QUÉBEC ET ONTARIO LTÉE**, plans to invest **\$21 million** in 1993 to increase the recycled fibre content of its newsprint from 5% to 12%. The company also plans to invest more than **\$3 million** in Scierie des Outardes to increase the mill's lumber drying capacity by 70%.

Major investment:

- Quebec has given the go-ahead for the **FOYER DE RIMOUSKI** to be expanded and renovated at a cost of more than **\$7.6 million**. Two floors are slated to be added to the facility.
- **OUELLET CANADA, L&G CLOUTIER** and **BERTEC MÉDICAL** of Ville de l'Islet, located between Montmagny and St Jean-Port Joli, will invest **\$4 million** in modern technology to make them more competitive in domestic and foreign markets. The investment will create 35 jobs. The **Federal Office of Regional Development - Quebec** granted a contribution totalling nearly \$700,000 under the Manufacturing Productivity Improvement Program.
- The Quebec Department of Health and Social Services will release **\$3.5 million** for general renovations at the **AMQUI HOSPITAL**, which was built 30 years ago. Renovations should begin in late 1993 or early 1994.

Layoffs:

- A 70% reduction in cod quotas in the Gulf of St Lawrence imposed in December by federal Fisheries Minister John Crosbie will result in at least **700 job losses** for fishermen and fish plant workers this year in Quebec.
- The **SCIERIE BUCKLAND** of Buckland in Bellechasse County has gone bankrupt owing to poor lumber market conditions that have persisted since the late 1980s. The closure will result in the loss of **30 jobs**.
- Some **20 workers** were laid off in late November at the **DENISOT-LEBEL** sawmill in Cap Chat, owing to the company's problems in selling its wood chips. The workers were part of the night shift.

ALL REGIONS:

Economic highlights:

- On December 14, the Government of Canada and the Government of Quebec signed a **\$100-MILLION CANADA-QUEBEC SUBSIDIARY AGREEMENT ON MINERAL DEVELOPMENT**. The agreement will be in effect until March 31, 1998, with each government contributing \$50 million. The Agreement will enable Quebec's mining industry to consolidate its exploration activities and become more productive and competitive.

Major investment:

- The **GOVERNMENT OF QUEBEC** will inject **\$430 million** into the province's economy to spur on the current recovery. The Minister of Finance has announced the following measures:
 - increased government spending totalling **\$295 million** to be allocated for education, higher education, health and social services;
 - **\$100 million** for the Department of Transport to extend Highway 30 between Highways 10 and 15 and Highway 50 between Lachute and Mirabel;
 - Treasury Board is allocating an additional **\$25 million** to the Financial Assistance Program for Aqueduct and Sewer Infrastructure (AIDA);
 - the government is allocating an additional **\$10 million** to the SHQ for home renovations under its Rental Property Renovation Program (PRIL).
- The federal government has offered to invest more than **\$200 million** in Quebec starting in the spring for the second phase of the St Lawrence clean-up. However, the Government of Quebec will have to start its own industrial clean-up program in eight drainage basins in the province. The proposed federal-provincial agreement would force 60 new companies--in addition to the 50 already targeted by the 1988 St Lawrence Action Plan (SLAP)--to reduce their emissions by 90% between now and 1998.

Layoffs:

- The **QUEBEC DEPARTMENT OF TRANSPORT** plans to cut 1,750 of its 12,000 jobs. Most jobs to be eliminated (1,250) are seasonal ones. The layoffs stem from the fact that more than 33,000 kilometres of road will come under municipal jurisdiction, as announced by Claude Ryan in early December.

**EMPLOYMENT
BY PROVINCE**
(Seasonally adjusted data)

Province	Dec 92	Nov 92	Dec 91	Average of last 12 months	Variation Dec92 / Nov92	Variation Dec92 / Dec91
Newfoundland	189	189	199	189	0	-10
Prince Edward Island	53	54	53	53	-1	0
Nova Scotia	356	364	371	362	-8	-15
New Brunswick	288	291	286	289	-3	2
Québec	2970	2925	2974	2953	45	-4
Ontario	4737	4720	4745	4715	17	-8
Manitoba	487	488	494	483	-1	-7
Saskatchewan	441	438	448	441	3	-7
Alberta	1237	1229	1246	1240	8	-9
British Columbia	1551	1558	1504	1517	-7	47
Canada	12310	12253	12317	12242	57	-7
In thousands						
Source: Statistics Canada, LFS						

EMPLOYMENT*
BY METROPOLITAN AREA
(Seasonally adjusted data)

Metropolitan Area	Dec 92	Nov 92	Dec 91	Average of last 12 months	Variation Dec92 / Nov92	Variation Dec92 / Dec91
St-John's (Newfoundland)	67	69	71	69	-2	-4
Halifax	152	152	156	151	0	-4
Saint John (New Brunswick)	54	55	53	54	-1	1
Chicoutimi-Jonquière	54	54	57	55	0	-3
Québec	291	289	290	285	2	1
Montréal	1363	1369	1409	1382	-6	-46
Trois-Rivières	49	49	54	50	0	-5
Sherbrooke	56	55	59	55	1	-3
Ottawa-Hull	438	438	447	440	0	-9
Sudbury	64	63	62	60	1	2
Toronto	1759	1755	1815	1780	4	-56
Hamilton	280	284	293	291	-4	-13
St. Catharines - Niagara	142	143	145	143	-1	-3
London	171	170	158	163	1	13
Windsor	111	112	122	116	-1	-11
Kitchener - Waterloo	185	185	178	186	0	7
Thunder Bay	58	57	61	58	1	-3
Oshawa	108	104	103	103	4	5
Winnipeg	298	298	304	298	0	-6
Regina	87	87	87	88	0	0
Saskatoon	84	84	89	85	0	-5
Calgary	361	363	360	361	-2	1
Edmonton	367	367	375	372	0	-8
Vancouver	836	828	821	820	8	15
Victoria	124	122	131	126	2	-7

*Employment: In thousands, three-month moving average

Source: Statistics Canada, LFS

UNEMPLOYMENT RATE*
BY ECONOMIC REGION
(Unadjusted data)

Québec Economic Region	Dec 92	Nov 92	Dec 91	Average of last 12 months	Variation Dec92 / Nov92	Variation Dec92 / Dec91
Gaspésie - Îles-de-la-Madeleine	25.1	20.8	13.7	20.3	4.3	11.4
Bas-Saint-Laurent	17.1	14.3	14.6	14.2	2.8	2.5
Saguenay - Lac-Saint-Jean	16.3	15.0	13.7	14.3	1.3	2.6
Québec and Québec-Sud	10.1	9.8	9.6	10.6	0.3	0.5
Mauricie - Bois-Francs	13.6	12.6	11.4	12.9	1.0	2.2
Estrie	12.5	12.5	12.4	13.3	0.0	0.1
Montérégie	11.4	10.5	9.4	11.0	0.9	2.0
Montréal-Centre and Laval	14.1	14.1	12.4	13.9	0.0	1.7
Laurentides	13.5	12.7	13.1	12.4	0.8	0.4
Lanaudière	13.8	12.4	12.4	12.3	1.4	1.4
Outaouais	11.4	11.1	7.7	11.0	0.3	3.7
Abitibi-Témiscamingue	11.3	10.2	13.1	14.2	1.1	-1.8
Côte-Nord - Nord-du-Québec	13.1	12.5	13.5	13.4	0.6	-0.4
Province of Québec	13.0	12.4	11.4	12.6	0.6	1.6

*Unemployment rate: In percentage, three-month moving average

Source: Statistics Canada, LFS