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GASPÉ PENINSULA AND MAGDALEN ISLANDS:

Economic growth will slow down next year

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Photo: G. Gagné

The $100M refurbishment of the Matapedia-Gaspé railway is currently the largest construction and infrastructure project in the Gaspé Peninsula. When the railway is fully functioning it will greatly benefit the transport of goods. This will allow cement and windmill blades to get loaded at or near their production plants which will greatly reduce the shipping costs of those goods.

NEW RICHMOND: – The economy of the Gaspé Peninsula and Magdalen Islands will continue growing during the rest of 2018 and into 2019 but at a slower pace than over the last five years. The growth during those years was influenced by the construction of the Port Daniel cement plant and two major wind farms.

That conclusion comes from the annual study carried out by *Mouvement Desjardins*. The construction of the cement plant required an investment of $1.5 billion between 2014 and 2017 inclusively, and the construction of the Mesgi's Ugju's'n wind farm, in Escuminac, and the Roncevaux wind farm, in L'Ascension-de-Patapédia, necessitated cash injections of $365 million and $172 million respectively.

The economic growth rate of the Gaspé Peninsula and Magdalen Islands surpassed the provincial rate in 2015 and 2016, as it reached 8.2% and 6.5% respectively, between two and four times the national average.

"Following those rates of 8.2% and 6.5%, the growth rate was 4% in 2017 and it will be around 3.1% in 2018. I expect 2.7% in 2019. The contribution of the big projects of the last years stays in the economy but it is not as strong as during their construction," explains Chantal Routhier, an economist at *Mouvement Desjardins*.

From $3.15 billion in 2015, the region's gross domestic product gradually climbed to $3.6 billion between that year and 2018. It is expected to keep growing in 2019, to $3.7 billion. The gross domestic product is the total dollar value of all goods and services produced over a specific time period in a defined territory. In other words, it represents the size of the economy.

The total value of construction permits has decreased over the last years in the region, from a peak of $1.3 billion in 2016 to $416 million in 2018.

"If it sticks to the same level in 2019, about $400 million, so if the economy doesn't fall to $100 million or $200 million regarding construction permits, it will be a sign of economic vigour," adds Chantal Routhier.

The unemployment rate, which increased from 11.7% to 13.5% between 2017 and 2018, should fall to 13.3% over the coming year.

"It is a market correction that happens generally after a significant loss like this year's. (…) We have an economy that is diversifying (in the Gaspé Peninsula and Magdalen Islands). When an economic field passes through a difficult time, the other fields are making up for that. That's exactly what the Gaspé Peninsula and the Magdalen Islands have been doing over recent years," analyzes Ms. Routhier, referring to economic diversification.

A higher number of smaller and mid-sized construction projects will characterize the two coming years, unless an unexpected major venture shows up.

The construction of the Unipêche MDM seafood processing plant in Paspebiac is supposed to take place over the next months. The $28 million project was announced in July 2012.

The bulk of the $100 million announced in May 2017 for the upgrading of the Matapedia to Gaspé line should be injected over the next two years.

The construction of the Port Daniel-Gascons water and sewage networks, an initiative expected to cost between $25 million and $30 million, will likely start at the end of 2019 and be completed the following year. In Gaspé, the upgrading of the Michel-Pouliot airport will likely take place over the next two years.

In the Magdalen Islands, the erection of a $25 million wind farm and the construction of a $15.7 million sports complex will start soon.

Like the other parts of Quebec, the region must deal with important challenges because of demographics, which add to the difficulty of those challenges.

Regarding demographics though, Chantal Routhier expects the population decline of the 2011-2016 period to slow down significantly, based on the numbers coming from the Quebec Institute of Statistics. The population of the region, which decreased by 1.9% between 2011 and 2016, shouldn't decline more than 0.4% between 2016 and 2021.

One of the main challenges will be to replace the manpower about to retire. "That rate is 44.2%, which means that for every group of 100 people leaving the labour market, only 44 people are ready to step in and replace them. It leaves employers with the duty of finding and training 56 people," explains Ms. Routhier.

At 2%, the housing vacancy rate also represents a challenge for the Gaspé Peninsula and Magdalen Islands. That vacancy rate was up to 5.1% in 2014.

"I expect 2% in 2019 but we can have surprises. Some new data is about to be released and it will be easier to make a prediction for 2019 when we have it," points out Chantal Routhier.