Trend Chart

Greater Metropolitan Region

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Leveraging Montreal's strenghts to win the talent war

Exclusive partner

Canada Economic Development
Développement économique Canada
Canada

Chambre de commerce du Montréal métropolitain
Board of Trade of Metropolitan Montreal

Table of contents

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Editorial

Leveraging Montreal's strengths to win the talent war

By Isabelle Hudon, president and CEO of the Board of Trade of Metropolitan Montreal

One of the most striking findings of the first *Montreal Health Report* (May 2004) was beyond a doubt the low concentration of university graduates in the Montreal population compared with the other 11 cities examined. Consequently, for the second edition, we decided to focus strictly on analyzing Montreal's performance in terms of talent as measured by the number of university graduates. Our objective was to find out how Montreal is faring on the three major fronts of the talent war – education, attraction and retention – as it rapidly approaches the day, sometime in 2016, when the net growth of its workforce will be entirely fuelled by immigration.

Education: A real strength for Montreal

This year's figures – while confirming that Montreal ranks dead last out of 12 cities in graduates as a percentage of the population – show that our universities nonetheless constitute an exceptional strength for the city.

Our first finding shows that Montreal is narrowing the gap with the other cities relatively quickly. Of course, it still has a long way to go, but the headway achieved is nevertheless encouraging. Montreal has made these great strides mainly by educating local talent. This brings us to the second finding: Our universities make the city a veritable education powerhouse, and this sets it apart favourably from the other cities examined. Indeed, Montreal is sought after for the quality of its universities not only by Quebec students, but also by young people from across Canada and around the world which represent 18% of the students registered.

Attraction: Montreal, in a class of its own

A comparison of Canadian migration data from 1996 and 2001 reveals that Montreal does not attract as many graduates – or for that matter, immigrants overall – as a city of its size and calibre should within the Canadian context. This "sub-performance" stems from the fact that Montreal has had far less success than its Canadian counterparts in attracting international immigrants. As such, Montreal is primarily a centre of excellence for attracting talent from across Quebec and can therefore rely less than the other cities on the migratory movement of graduates to grow its talent pool.

Retention: many who come, stay

Montreal fares better when it comes to retaining talent: While it may attract relatively fewer people than its counterparts, Montreal is not suffering from a brain drain. On the contrary, the city attracts its share of immigrant specially graduates from our universities.

According to a CROP survey conducted among Montreal university graduates, 70% of them remain in the city after completing their studies. The fact that 57% of these students lived in the metropolitan area before enrolling in university means that Montreal manages to hold on to some of those who came here to study. While it is true that most of the graduates who stay come from the other regions of Quebec, the CROP survey nevertheless shows that one out of three students from outside Quebec also choose to make Montreal their home after graduation. This situation is still encouraging considering that no real concerted strategy has been developed in this regard. It also suggests that more could be convinced to remain if such a strategy existed. This is all the more true given that of all the reasons cited for leaving, rarely was a dislike for Montreal one of them. On the contrary, graduates who remain in Montreal cite the quality of life and cultural environment as reasons for making that choice.

Leveraging Montreal's strengths

To summarize, Montreal's most formidable challenge is attracting talent to its territory. Once here, people discover that besides interesting job opportunities, the city has its charms. In this context, it seems quite logical to leverage the drawing power of Montreal's universities to bring more permanent immigrants to Quebec and to make a concerted effort to facilitate their integration and help them settle in the city. In other words, this *Health Report* shows that we should be adjusting our talent strategy based on Montreal's strengths, i.e., focus on tomorrow's talent rather than on the existing pool. ■

Trends and overview

United States

Monetary tightening continues

Job creation in June (+175,000) fell somewhat below expectation. However, the release of June's statistics came with a revision for April and May which fared much better, with 292,000 and 126,000 positions respectively. In all, the market generated 593,000 new jobs in the second quarter, an increase of 8.6% over the previous quarter (546,000). At 5%, **unemployment** in June fell to its lowest level since September 2001.

The vitality of the labour market, together with a robust economy, led the Federal Reserve to raise its **key rate** on August 9 by 25 basis points to 3.5%, its tenth increase in a row. In so doing, America's central bank continued its "measured" monetary tightening policy, not worrying unduly about record high energy prices and considering inflation to be relatively stable.

In fact, at an annualized rate, **inflation** declined in the second quarter. From 3.5% in April, it fell to 2.8% in May and down further to 2.5% a month later. Core inflation – excluding the most volatile components, i.e., food and energy – evolved in a similar but less pronounced fashion, settling at 2% in June and confirming that the economy is far from overheating.

This moderate inflation allowed American consumers to continue spending rather than saving, lifting **retail sales** 1.7% in June and offsetting May's drop (-0.3%). June's performance is largely explained by huge discounts given by carmakers, which boosted vehicle sales 4.8%.

Fuelled for the most part by increased consumer spending (+3.3%), which sustains 70% of the economy, **US GDP** – the ultimate indicator of economic growth – stood at 3.4% in the second quarter, down 4 basis points from the previous quarter. To a lesser extent, it was also bolstered by rebounding **exports** (+12.6%) and slowing **imports** (-2%).

Despite this encouraging trade data, the **trade balance** was once again negative in the second quarter, a trend that has been ongoing for the last three years. The deficit reached US$56.9 billion in April and US$55.4 billion in May. The gap widened even more in June, growing 6.1% to $58.8 billion as a result of an increase in oil imports (+9.8%). In light of the unprecedented heights reached this summer, it's a sure bet that the price of crude will not help the US trade balance any time soon.

Other national indicators also point to a weak economic foundation. The vitality of the **real estate market** in recent years continues to pose a risk and is being closely monitored. Prices in some regions of the U.S. have been propelled to "unsustainable" speculative levels as a result of low interest rates that strangely enough, are not keeping pace with the rising key rate. This creates a false impression of wealth, which diverts household attention from the need to save and pushes them towards a debt level that is just as unsustainable. ■

1. As stated by Alan Greenspan, Chairman of the Federal Reserve.

Trends and overview

Canada

Consumer spending drives growth

The booming real estate market is also a familiar scene in Canada. While housing starts are not growing quite as quickly, the **New housing price index** still attests to the vitality of this market. This index continues to post monthly gains: in April, the price of new construction rose 0.6%, followed by another 0.5% in May and a whopping 0.8% in June, the largest increase since May 2004. These increases are largely due to higher labour and construction material costs.

Like the real estate market, the **labour** market is faring well, with 79,000 new jobs created across the country in the second quarter. This net gain is explained by the fact that during this period, 125,100 full-time jobs were created. During this time, the number of part-time jobs, which are generally associated with a tenuous situation, fell by 46,100.

The creation of quality jobs had an impact on Canadian consumption. Household demand remained strong, stimulated by low interest rates and controlled inflation. The situation was therefore very good for retailers and wholesalers. In April, **retail sales** reached a record level of $30.8 billion in seasonally adjusted data. Although they slipped 1.2% the following month, it was the first decline since December 2004. They then regained almost all the ground lost (+1.1%) to end in June only $40 million less than in April. **Wholesale sales** advanced in pace with the retail sector, rising 1.2% in April and 0.4% in May. June's performance (+0.5%), approaching the $40 billion mark, was the fifth consecutive monthly increase and a new high.

Not surprisingly, this consumption was one of the main engines of Canadian economic growth. **GDP**, at basic prices and constant dollars, declined in March (-0.1%), but increased in April (+0.3%) and May (+0.3%). At an annualized rate, the economy grew 2.8% from May 2004 to May 2005, fuelled primarily by the wholesale trade (+8%), information technologies and communications (+5.8%) and the retail trade (+5.5%).

In contrast, growth in the country was tempered by low **productivity**, a real Achilles heel of Canadian companies for the last two years. In the first quarter of 2005, GDP edged up 0.5% while the number of hours worked rose a mere 0.3%, resulting in anaemic productivity gains (+0.2%). In comparison, output growth in the U.S was three times higher (+0.6%).

On a positive note, **public finances** are in good shape, with Canada the only G8 nation to record a budget surplus. Thus, the first quarter of fiscal 2005-2006 ended with a gain of some $4.8 billion. ■

Trends and overview

Quebec

A mixed picture

Quebec's economic picture was tainted by a number of indicators. The **labour** market lost 7,400 jobs in the second quarter of 2005, completely neutralizing the 6,900 gained in the first three months of the year. On the other hand, the unemployment rate fell to 8% in June, approaching its lowest level in 30 years.

As for the residential market, growth in housing starts slowed in the second quarter (-2,559). Yet far from being dismayed by this fact, residential **building permits** continued to grow, with total monthly permits up 5.2% over the last quarter to $23.9 billion in current dollars.

Provincial growth, measured by **GDP** at basic prices in constant dollars, was positive in January (+0.6%) but declined both in February (-0.2%) and March (-0.1%). In April, it rose a modest 0.1%. According to the Institut de la Statistique du Québec (ISQ), "The trend is uncertain in the manufacturing sector," but production momentum is holding steady in the retail trade industries, thus sustaining the GDP.

Manufacturers have begun to feel the effects of Asian competition, especially from China. According to some experts, Quebec is the most sensitive to this competition because a greater portion of its economy relies on the manufacturing sector. Moreover, manufacturers have had to adjust to a strong Canadian dollar in a context where over 80% of its exports are U.S. bound. After garment and textile manufacturers had to contend with the unravelling of the Multifiber Agreement, now furniture manufacturers (HPL Furniture, Roxton Furniture, Plessis Inc.) and furniture retailers (Dix Versions) are throwing in the towel to China and the loonie.

So far this year, Quebec's economic growth has been fuelled by the retail and wholesale trade. Annualized **wholesale** sales were up in the second quarter after falling in April (-1.1%), reaching a record high of $91.7 billion in June. The picture is much the same on the **retail** side, which has been ringing up increases every month except May (-1.1%). Thus, annualized sales peak at $84.8 billion in June.

Just like in Canada, these two trade categories have been spurred by increased consumption in Quebec and low interest rates and inflation. As well, the arrival of new retail giants on the market and the construction of new shopping centres have nurtured spending behaviour. But consumption inevitably leads to "**dissaving**." Indeed, Quebec households, swept along by the real estate bubble and the accompanying feeling of wealth, are spending more than they earn. Not only have savings been in a freefall since the third quarter of 2004, the savings rate even slipped into the red (-1.7%) in the first quarter for the first time in almost 25 years, coinciding with a decrease in Quebecers' disposable income (-0.8%). ■

Our economic conditions

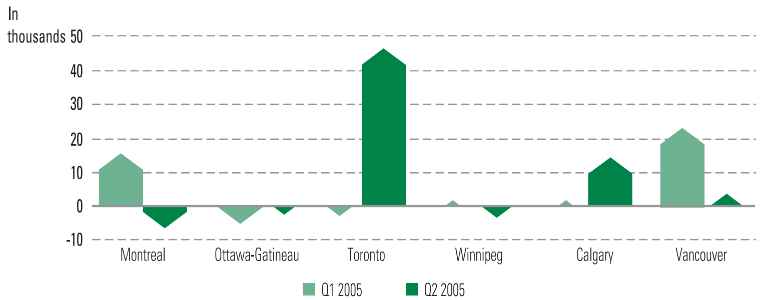
Labour market

Montreal and Quebec hold on to manufacturing jobs

With a loss of 3,300 jobs, the employment picture in the second quarter of 2005 was not very encouraging for **Montreal**. Whereas June ended up with a gain of 19,900 jobs, April (-15,800) and May (-7,400) cast a shadow on the landscape. The unemployment rate seesawed, dipping to 8% in April, rising to 8.5% in May and ending the quarter at 8.3%.

In contrast to the first three months of the year when manufacturing jobs stayed put, this sector was behind almost half of the jobs lost (43.7%) in the second quarter. There is every reason to believe that the recent announcement by the cell phone giant Ericsson to abolish 300 jobs by the end of the year does not augur well for Montreal manufacturing in the months ahead.

Compared with Canada's other major cities, Montreal did not fare well this quarter. Although Vancouver shed more jobs (-7,800), Toronto came out as a powerhouse (+53,000). Still, in the first quarter of the year, Montreal led the way with 31,400 new jobs.



Job creation 2005 – Canadian cities

Source: Conference Board of Canada

In **Quebec**, the June rebound (+25,800) was completely neutralized by the losses of the previous month (-27,300), resulting in a net loss of 7,400 positions in the second quarter. These disappointing results are explained in part by the fact that striking students in the spring were late joining the seasonal labour market.

The job losses in April (-5,900) did not prevent the unemployment rate from falling to 7.9%, its lowest level since March 1976. However, this rate also evolved in see-saw fashion, much like its Montreal counterpart, rising to 8.5% in May and dropping to 8.0% the following month.

While the construction sector recorded gains worthy of mention, creating 14,300 new jobs, manufacturing (-18,300), educational services (-14,600) and information, culture and recreation (-11,700) shed the most jobs in the second quarter.

Unlike Quebec, the **Canadian** situation was very positive, with employment rising by 78,900 in the second quarter thanks to strong performances in April (+29,300) and May (+35,400). However, this is 33% fewer jobs than in the same period last year, which ended with a gain of 117,800.

As for the unemployment rate, it slipped to 6.8% in April, then to 6.7% in June, its lowest level since 1976 with the exception of May and June 2000.

Canadian employment was fuelled mainly by professional, scientific and technical services (+37,100) and construction (+31,400). In contrast, and not surprisingly, the manufacturing sector faltered the most during this period (-42,100) due to the strong dollar. The information, culture and recreation sector was close behind, losing 30,000 jobs.

Compared with its provincial counterparts, Ontario can certainly give lessons on how to create employment, adding 65,200 jobs in the second quarter and thereby fuelling most of the growth in the quarter. British Columbia ranked a distant second with 25,200 jobs. Contrary to all expectations, Alberta fared poorly during this period (+1,300), but its monthly unemployment rate remained exceptionally low (between 3.5% and 4%) as a result of the oil boom and an ongoing labour shortage in this province. ■

Our economic conditions

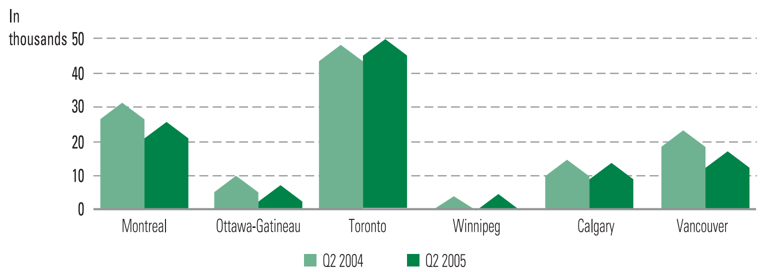
Housing market

Canadian real estate market holds steady

This is now the second consecutive quarter that the real estate market has lost momentum in the **Montreal census metropolitan area (CMA)**, with housing starts tumbling 19.6% from 9,432 to 7,579 year-over-year.

Absolute properties (detached, semi-detached and row housing) declined in June for the eighth month in a row. According to the Canada Mortgage Housing Corporation (CMHC), the evolution of this type of housing signals a new trend, especially in a context where housing prices are rising faster than inflation and could limit access to ownership. Condominiums embarked on a similar trend in January 2005 and have since recorded monthly decreases ranging from 12.9% to 33.7%. The rental segment has fared better, declining only 5% in the second quarter.

The slowdown was especially noticeable on the Island of Montreal (-34.1%) and the South Shore (-33.6%). The North Shore, where housing starts remained pretty much the same, was the exception with April (+517) almost wiping out a poor performance in May (-430) and June (-117).



Housing Start – Canadian cities

Source: Conference Board of Canada

Not surprisingly, the situation in Montreal dragged down **Quebec** as a whole: the downturn in the CMA's housing starts (-1,853) largely explains the province's decline (-2,559) during this period.

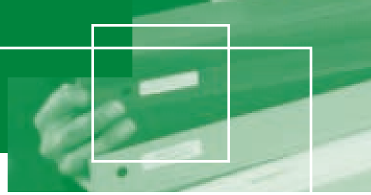
Among cities with 100,000 residents – excluding Montreal –, Sherbrooke and Quebec City set themselves apart in April with respective housing start increases of 32% and 23%. In contrast, May was gloomy for all Quebec cities with more than 10, 000 residents – except for Drummondville – with an overall drop of 31%. June was better for some urban centres such as Gatineau (+14%), but in general, housing starts decreased (-14%) during the month.

Single and multiple starts fell 16.1% and 18% respectively in the second quarter.

In contrast, the **Canadian** housing market showed signs of sustained vitality in the second quarter of the year, which the CMHC explains by low mortgage rates, healthy job creation and an unemployment rate on its way to a level not seen in a long time. In seasonally adjusted annual rates (SAAR), housing starts climbed 10.5%, from 218,400 units in March to 241,300 in June.

On a regional level, in contrast to the weak Quebec market, Ontario was hopping. Actual urban starts increased 37.3 % in the second quarter, jumping from 70 400 in March to 96 700 in June. New construction in the Prairies and British Columbia declined slightly.

Single starts increased significantly and consistently throughout the quarter (+70.4%), while rentals experienced a few jolts before ending June 37.1% ahead. ■



Our economic conditions

Financial market

Inflation rate

In April 2005, consumers paid 2.4% more than a year ago for the goods and services included in the Consumer Price Index (CPI) basket. Excluding energy, the CPI only rose 1.6%, clearly showing that gasoline price hikes (+15.3%) fuelled inflation as they have been doing for the last 12 months. Tempered by a drop in the price of gas (-1.6%), the CPI was 1.6% in May, the lowest since April 2004. In June, the Index inched upwards to 1.7%.

The elements that stimulated inflation during the quarter were homeowners' replacement costs (i.e., expenses that offset property depreciation), restaurant meals and property taxes. On the other hand, computer equipment and supplies and traveler accommodation offset price increases.

The Bank of Canada's core CPI — a variant of the All-Items CPI excluding the eight most volatile components[2] — began sliding from its annual peak in March, losing two tenths of a point in April, slipping to 1.7%, and another basis point each month thereafter before finally settling at 1.5% in June.

Interest rates

At its May 25 meeting, the Bank of Canada decided to keep its target for the overnight rate at 2.5%, citing the need for monetary tightening “over time” in order to contain growth and inflation and prevent the economy from overheating.

The central bank maintained the status quo in its announcement of July 12 but seemed to set the stage for a rate hike in the fall, according to the interpretations of some economists. Maintaining its rate set since last October, the Bank intimated that an increase was in the offing in the near future.

Two days later, in its Monetary Policy Report Update, the Bank indicated that Canadian manufacturers are still adjusting to a strong loonie, that demand remained strong and that this offset the drag on Canadian exports. It expects national economic growth to reach 2.7% by the end of the year and 3.3% in 2006.

According to certain indicators, the economy is running close to capacity. The vitality of the Canadian labour market, for example, is such that the unemployment rate remains low, exerting pressure on salaries, which in turn affects inflation. The Bank will act in the short term in light of the projected 2% inflation by the end of 2006.

2. Fruits, vegetables, gasoline, fuel oil, natural gas and mortgage interest, intercity transportation and tobacco products.

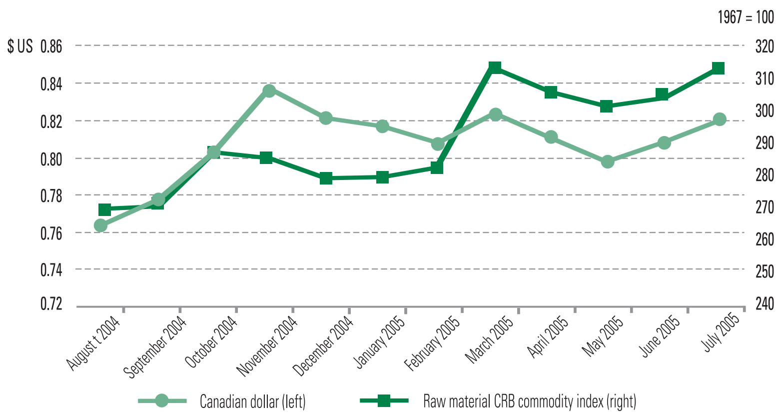
Our economic conditions

Exchange rate

After climbing some 30% since May 2003 against the greenback, the Canadian dollar remained strong throughout the summer. Although the loonie dipped slightly below US$0.80 a few times in the 2nd quarter, it never stayed there for very long.

Our dollar was sustained by rumours of monetary tightening from the Bank of Canada, which is expected to hike its key lending rate in the fall. According to some economists, the fact that Canada is contemplating tightening its monetary policy in the short term is already attracting foreign investments in search of higher interest rates (the European and Japanese central banks have accommodating policies). This should spark demand for the loonie and confirm its strength.

Demand for our dollar is also being spurred by high commodity prices, which plays in our favour since Canada is a net producer and exporter of primary commodities. Lastly, Canadian economic indicators attest to a strong economy, a still growing real estate market and good monthly results in terms of job creation, which also boost the dollar's value.



Change in Canadian dollar and raw material prices

Sources: Bank of Canada; Desjardins

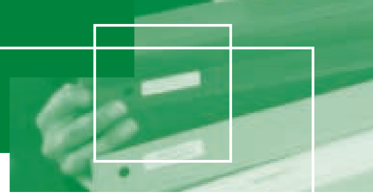
On the currency market, China announced on July 21 that it was ending its 10-year fixed dollar peg, finally succumbing to international pressure, mainly from the Americans, who maintained that an undervalued yuan gave the rise to unfair trade exchanges. Henceforth pegged to a basket of foreign currencies, the yuan decreased from 8.28% to 8.11% for 1 US dollar, representing an increase of 2.1%.

Stock markets

During the summer period, the price of crude and retail gasoline constantly made the headlines, and justifiably so: the price per barrel broke record after record, climbing above US$65 and showing no signs of abating. Be it for political reasons (attacks in London, the death of King Fahd, the resumption of nuclear activities in Iran, etc.) or other events (breakdown in some US refineries, low supply margins, hurricane season, etc.), all disturbed the fragile balance between supply and demand for black gold.

However, unlike most economies suffering from skyrocketing oil prices, Canada, and more specifically, Alberta, is reaping handsome profits. This means that more money is flowing into government coffers and more investments are being made in energy and infrastructure projects. In light of the foregoing, consensus agrees that Canada will enjoy strong economic growth in the next few years.

On the Canadian stock market, the S&P/TSX broke 10,000 in June, buoyed by commodities, more specifically, energy (whose stocks make up 25% of the index), metals and minerals. The Toronto Index advanced more than 7% in the first half of the year. The last time it closed above this threshold was in October 2000, spurred by Nortel and other technology stocks. ■



Our economic conditions

Foreign Trade

Canadian trade balance positive but shrinking

Quebec international exports in current dollars jumped 16.4% to $6.1 billion in March and $6.2 billion in April, the highest in two years, before finally taking a breather in May and contracting 1.4% or $86 million. Highly volatile aircraft and aircraft engine sales fuelled exports since the beginning of the year. Almost without exception, aircraft headed Quebec's export list every month. And as for destination, the US remains Quebec's number one trading partner. Despite a drop in May, exports south of the border have climbed some $800 million since February, an 18.8% increase over three months.

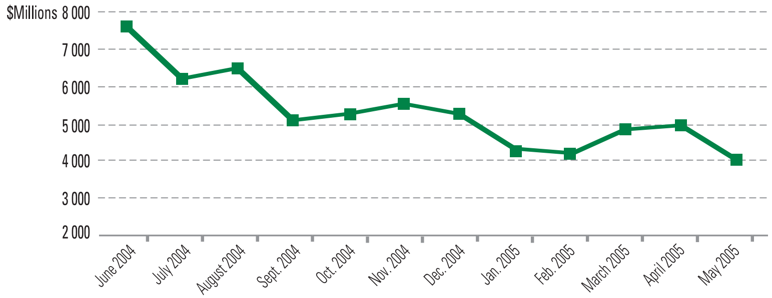
For their part, imports resumed their growth for a fourth consecutive month and even reached a historic high of $6.7 billion in March. While falling 4.2% in April, imports rebounded in May (+1.2%). During this period, imports grew by $766 million or 13.3%. Crude oil did not budge as the top import product, followed by passenger autos and chassis. Imports of both these products rose 3.8% and 27.8 % respectively. Despite a significant pause in April, US imports grew steadily, increasing $331 million or 16.7% for March, April and May.

Quebec's trade balance fell into the red during these three months, plunging to $634 million in March due to a surge in imports. April and May were no better, with losses of $234.5 million and $401.8 million.

The news was better for **Canada**, where exports grew $588 million (+1.6%) in March and $161 million (+0.4%) in April, only to drop back in April closer to the March level of $36.2 billion. Machinery and equipment were the top exports, totalling $8 billion in May. Industrial goods, automotive products and energy products followed close behind. Despite a few industry-specific trade conflicts, the US is still Canada's foremost trading partner. Exports advanced from $29.1 billion in March to $29.4 billion in May.

Imports fluctuated during this time: Dropping ever so slightly in March by $60 million, they almost wiped off the entire loss with a $55 million gain in April. May was even better with a 2.3% or $733 million increase. Demand was strongest for machinery and equipment, increasing $178 million (+2%), good news given our strong dollar. Imports came first and foremost from the US, rising $429 million or 2%.

Canada currently has a positive trade balance. In March the surplus increased $648 million to $4.8 billion and $4.9 billion in April. May was disappointing with the trade balance shrinking $916 million to below $4 billion. This drop is explained by the fact that the trade balance with each one of Canada's partners declined in May. ■



Canadian trade surplus

Source: Statistics Canada

Greater Montreal economy

A prosperous economy based on talent

Today, the world's major urban economies are competing against each other, and the role they play as drivers of wealth creation, innovation and growth requires unflagging support. In this economic context, one thing is clear: cities must be able to rely on a talented workforce capable of ensuring economic prosperity.

Since talented people are highly mobile and the competition to attract and keep them is fierce, cities need a strategy. This is all the more true given that just like many other regions in North America and the world, Quebec and Montreal are facing major demographic issues. An aging population, a low birth rate and a shortage of skilled labour are just a few of the issues characterizing our current demographic reality. In this regard, the fact that by 2016 the net growth of our workforce will be entirely fuelled by immigration is one of the most telling illustrations of this phenomenon. This trend applies to Montreal, which must therefore act quickly to stay in the race to attract, educate and retain talent. Indeed, the Board of Trade focused on this theme in the October 2004 edition of the *Trend Chart*. As well, it recently published a study on this very topic in the second edition of the *Montreal Health Report* (August 2005).

What talented people can offer

While many initiatives can be implemented to attract foreign talent so that they can contribute to the city's development in the same manner as Montrealers or recently established immigrants, we believe that special attention should be paid to attracting foreign students. In fact, a look at the Montreal situation reveals that the city has fewer graduates than its competitors (Table 1) but this gap is reduced because Montreal universities educate so many students (Table 2).

Table 1 – Graduates as a proportion of the population, 2000*

	Metropolitan area	%
1	Boston	23.1
2	Seattle	21.2
3	Ottawa	20.9
4	Atlanta	20.5
5	New York	20.3
6	Chicago	18.4
7	Toronto	18.4
8	Philadelphie	17.7
9	Vancouver	17.0
10	Calgary	16.9
11	Miami	15.5
12	**Montreal**	**14.7**

** Bachelor and higher. 2001 for Canada*
Source: Institut national de la recherche scientifique (INRS)

Table 2 – Growth in graduate proportion, 1990-2000*

	Metropolitan area	Growth %
1	Vancouver	46.0
2	Toronto	37.2
3	**Montreal**	**36.4**
4	Calgary	33.1
5	Ottawa	30.0
6	Chicago	23.0
7	Atlanta	20.9
8	Miami	20.7
9	Philadelphie	19.2
10	Seattle	19.1
11	New York	17.9
12	Boston	13.9

**% graduates in the population of 2000 / % in 1990*
Source: Institut national de la recherche scientifique (INRS)

Indeed, while Montreal universities are already quite popular with foreign students, we believe this aspect should be explored in order to acquire new talent. Indeed, education has become an asset for Montreal not only because it allows the city to increase the number of local graduates, but also because it is a pull factor for future graduates.

Greater Montreal economy

Montreal: An appealing city

Montreal universities are a powerful lever because they educate local talent and thanks to the international recognition of their excellence, they attract many students from outside Quebec who are likely to remain and contribute to its development. Of all the Montreal university graduates, 70% choose to stay for their first job after finishing their studies. Moreover, with 33% of foreign students opting to stay after the end of their studies, Montreal is in itself clearly a factor of retention and an incentive to remain. Students appreciate Montreal for its quality of life and cultural vitality, two critically important aspects of a city's ability to retain individuals.

The Board of Trade believes that we should be adjusting our talent strategy based on Montreal's strengths, i.e., focus on tomorrow's talent rather than on the existing pool. This approach would not only help Montreal set itself apart from its competitors, it would allow future immigrants to truly get to know the city and would facilitate their integration by making it easier for them to build a social and professional network. Last but not least, this strategy would eliminate diploma recognition problems.

Talent to attract and retain

Because students located in Montreal are already exceptional immigration candidates, it would seem logical to focus on their integration and entrenchment in the city during their studies. Many measures can be used to this end. In our view, the following stand out and most importantly, can be easily implemented:

- facilitate the granting of permanent resident status to recent graduates in exchange for a 2-3-year commitment to work in Quebec;
- further exploit the networks of Montreal university graduates to disseminate job offers in the city, particularly to those who have left and may want to return;
- create gateways between the private sector and foreign students by encouraging companies to hire future graduates through on-campus networking activities;
- create a university city that would encourage foreign and local students to live together and forge ties; and lastly,
- not only allow but encourage foreign students to work off campus during their studies.

These initiatives would certainly help Montreal hold onto more foreign students who are already familiar with Montreal and increase the number of immigrants without the need for costly recruitment campaigns abroad.

Finally, in the current economic context and insofar as the city will face major demographic issues, one of the biggest challenges for Montreal is to attract and retain talent, and particularly international talent. Indeed, the study published in the last edition of *Montreal Health Report* clearly shows that foreign university students, when they stay in Montreal, discover and appreciate what our city has to offer. It is therefore only logical to leverage the pull factor of Montreal's universities to attract more foreign students and thus increase the number of candidates for sustainable immigration.

The Board of Trade believes that Montreal can maximize development by exploiting its strengths. In terms of talent, this means leveraging Montreal's strengths in education and retention to ultimately attract all the talent the city needs for its success. This group – young, dynamic, creative, thirsty for knowledge and ready to contribute to Montreal's success – is already here in great numbers. All we have to do now is convince them to stay. ■

A glance at Montreal

An invitation to dream...

By Guy Laliberté, president, founder and CEO, Cirque du Soleil

Last June, we announced our participation in a promising project for Montreal. The Peel Basin revitalization project will help make Montreal a unique and attractive destination of choice. Montreal is worthy of such a status.

For the past 21 years, we have set up our big tops on four continents. Our artistic approach has thrilled more than 50 million spectators. And this number is increasing by 7 million every year.

Each time we visit a new city and share our dreams with a new spectator, we also take along a bit of Montreal and Quebec culture with us. It is this boundless resource — the know-how and creativity of Quebecers — that we share with audiences all over the world.

By rubbing shoulders with different cultures around the planet for 21 years, we have broadened our expertise by taking part in various artistic projects. Our large network of business relations and friends has also been instrumental in making our ambitious dreams come true. But there is no place in Montreal today where we can invite the millions of spectators who see our shows in the many countries we visit. How many times have I longed to say to them: "Come to Montreal. We have an entertainment venue that is unique in the world."

Things happen for a reason. Over the years, I have had the great privilege of meeting partners who, like me, strive to make things happen. Several months ago, Loto-Québec approached us to reflect on what might become an international entertainment complex. They asked us if we could leverage our international experience to guide them in developing a creative approach for an outstanding project.

At that time, I was juggling a number of ideas along with other Cirque du Soleil creators. How could we carry our ideas across multiple creative platforms? How could we offer spectators a truly awe-inspiring, one-of-a-kind experience? How could we develop a human-centred architectural project based on intrinsic values on a site with an historical vocation?

At the heart of this project, there is a physical location. The Peel Basin site was born with an international vocation. When the French came to America, the Peel Basin was an important meeting place for them and the Amerindians. By then, the site had become the hub of the fur trade, host to the annual fur trade fair. When the Lachine Canal opened in 1825, a number of wharfs and basins were modified to allow ships to berth. The downstream portion of the canal had already been dubbed the "Montreal Terminal." Later, the site was even designated as a possible venue for Expo 67! More recently, the Peel Basin site was identified in the Vision 2025 project as a source of revitalization.

Knowing that we could integrate a number of elements to make the site an international complex or "resort," we imagined a venue with a truly international appeal. Each component of the site had to be highly creative, innovative and live up to the talent of Quebecers. Each aspect of the project — from the gardens and spa to the hotel and Quai des artistes — had to reflect one of our core natural resources: the creativity of our people.

We did not imagine a casino. Nor did we develop an architectural approach. Instead, we focused our efforts on designing creative elements that bear our signature and meet the high expectations of international audiences.

A glance at Montreal

I consider my many trips and stopovers in the major capitals and resorts of the world as research and development projects upon which our approach is based. These stays have sometimes been compelling, sometimes not. I have experienced first hand what international audiences want and have witnessed the fierce battle that major cities are waging to capture a share of this highly coveted and ever-growing market. I understand the importance of this competitive battle because some of these cities have approached us to develop projects for them.

My travels abroad have also provided valuable insight into how people perceive Quebec and Montreal: they mention our warm hospitality, the multicultural flavour of our city and the boundless energy that drives us. All the more reason why we should express our openness to the world and not squander a unique opportunity to give Quebec and Montreal the place it deserves on the world stage.

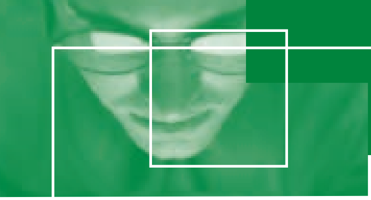
Our creative team has made this dream a reality: the dream of offering Montreal an international venue, of showcasing Quebec know-how, of creating a site that is exhilarating, creative and accessible... the dream of making our creativity available at home on a permanent basis.

Until now, we have always turned down proposals from other big cities in Canada and partners, many of whom have gone on to develop resort projects not very far from here. Why? Because I believe in Quebec and in Montreal. I feel all the pieces are now in place to make things happen. I believe that the development plan proposed by Loto-Québec shows great promise as a business venture. Our international partners are ready and anxious to work with us in Montreal. They see this project as a springboard to other major cities.

In fact, the Peel Basin project extends far beyond the local scene. It will be an international showcase for artists, artisans and creators from here to shine on the world scene. We would be proud to see many of them follow in our footsteps and make their mark all over the planet. For the first time ever, Cirque du Soleil is lending its brand to help other Quebecers to extend their reach to audiences worldwide. I confirm once more that Cirque du Soleil is ready to participate in this project. It's up to the government institutions to seize the opportunity.

Twenty-one years ago, I dreamed of travelling around the globe. I'm still doing that. Today, I dream of sharing my city with the rest of the world. Dreams do come true... if you believe in them.

Dream with us. ■



Guest economist

A trade show centre in Montreal: What does it involve?

By Paul Arsenault, director of the Tourism Intelligence Network of the ESG-UQAM Chair in Tourism

For many years, a number of socio-economic stakeholders in Montreal have questioned the relevance of providing Montreal with a new trade show centre. While this issue is definitely topical, this sphere of activity is still largely misunderstood. Often and incorrectly associated with the convention industry, the exhibition industry is different because of its repetitive nature, i.e., annual or bi-annual shows that are usually subject to five-year leases. As well, unlike conventions, exhibitions are primarily commercial activities. As such, exhibitions are for-profit activities for space promoters and managers.

The trade show industry consists of two major components: specialized trade shows and "consumer" shows, each with its own growth dynamics and specific clienteles. Basically, consumer shows present goods and services to local and regional clienteles in the form of a large exhibition with a view to interesting the end consumer in these products. The Salon du livre and the Salon national de l'habitation are examples of this type of exhibition.

In contrast, a specialized show is a type of commercial trade fair aimed at a business clientele, either industrial or professional, and the participants are both regional and international. It is therefore aimed at a target clientele that is ready and prepared to buy. We estimate that usually 25% of specialized trade show visitors buy directly on the exhibition floor.

Demand for exhibitions is heavily concentrated in some months of the year: March, April, May, and September, October and November. There are almost no activities during the summer and December and January. Demand for space therefore peaks during the six months mentioned earlier with the result that promoters compete for the best dates and space managers find themselves having to refuse certain exhibitions.

As well, just like for many products, exhibitions have lifecycles characterized by long growth. Usually beginning with a local or regional exhibition, major exhibitions get bigger with each edition. This is why sufficient space is critical so that this growth can be allowed to continue. A current practice for promoters is to sign 5-year leases with an option to increase space. For example, in the first year, a promoter may sign a lease for 120,000 ft^2 of exhibition space, with an option for an additional 30,000 ft2 annually in subsequent years, up to 250,000 ft^2 five years later.

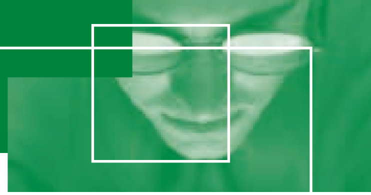
The North American and Canadian trade show market

Two parameters are generally used to measure the evolution of the North American market: growth in the number of exhibitions and growth in the total number of square feet. The first therefore represents the health of certain sectors of economic activity while the second attests to the vitality of existing shows. From 2000 to 2003, Mexico increased its trade show space by 18% (2.7 to 3.2 million ft^2) compared with 5% for Canada (7.6 to 8 million ft^2).

The number of exhibitions in North America has increased from 3,738 in 1990 to over 4,500 in 2003. As such, the number of major exhibitions has climbed 22% in the past 13 years, at an average annual rate of 1.57%. While the annual growth rate since 1995 has been 0.74%, we believe growth in the future will be more modest.

The average size of all types of exhibitions increased some 44% between 1990 and 2003. This growth was 12% between 2001 and 2003 alone and is expected to continue. Moreover, over 39% of North American exhibitions use floor space of more than 100,000 net square feet. In 2002, some 1,700 exhibitions of more than 100,000 net square feet (39% of the total) were held, including 828 that used more than 200,000 net square feet (19% of the total).

After making huge strides in the early 1990s, Canadian growth has lagged behind North America since 1995. Our market share has been 12% of the North American market since 1995, with a growth rate slightly above that of the United States for 2003.



Guest economist

Consumer shows in both the U.S. and Canada expanded in 2002 and 2003, outperforming commercial trade shows. In 2003, 223 shows were held, an increase of nearly 40% over 2002 when commercial trade shows decreased on all levels. The 2001 terrorist attacks had a negative impact on international events, which explains the downturn in commercial trade shows in relation to consumer shows, which are far more regional in nature.

The most active sectors in the area of North American exhibitions (with at least 300 exhibitions) in 2003 are as follows:

- Medicine and health care
- Education
- Computers and applications
- Apparel
- Gifts
- Buildings and construction
- Recreational sports products
- Home design and interior decor

Why should Montreal acquire a trade show infrastructure?

First, it bears mentioning that Toronto, Canada's economic capital, has over 2.6 million ft^2 of exhibition space spread among four cutting-edge centres. More specifically, there are 1.1 million ft^2 at the National Trade Centre alone, 500,000 ft^2 at the Toronto Congress Centre and the International Centre in Mississauga, and 460,000 ft^2 at the Toronto Metro Convention Centre. The Toronto Congress Centre is currently expanding and will soon have 1 million square feet of exhibition space.

In comparison, Montreal has barely 625,000 square feet between Place Bonaventure, the Olympic Stadium and the Palais des congrès.

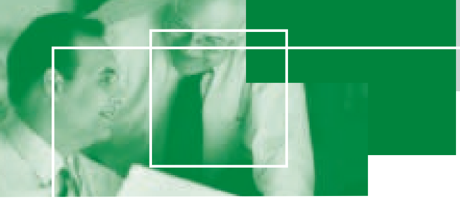
Although the figures are somewhat dated, the American magazine *Trade Show Week* estimates that between 1996 and 2000, Montreal lost 30% of small trade shows and 20% of medium-size shows. We believe Montreal lost at least 21 new events in 2000 alone due to lack of space. And we risk losing more if the city does not build a trade show centre that meets North American standards.

Still, a number of factors position Montreal favourably on the world stage of international events:

- international event organizers often avoid the United States because access is becoming increasingly complicated due to current and future security standards;
- Montreal is well positioned in the international convention industry, ranking second in North America, first in Canada and fourteenth in the world;
- Montreal is viewed in a positive light by convention planners because of the appealing free-time activities it offers (1st in Canada and 11th in North America);
- the presence of high-tech sectors such as aerospace, biopharmaceuticals, biotechnology and information technology.

The projected growth in North America militates in favour of building a new trade show centre in Montreal. Moreover, Toronto's exceptional position on the North American scene is also an indicator that trade show infrastructures are important for injecting vitality into a city. Lastly, Greater Montreal's position on the North American scene and its strategic location make it a destination of choice for European-style trade shows.

Montreal has the potential to attract new events and to lure some back from Toronto provided it has infrastructures that meet new industry standards. This evaluation by industry experts is based on Montreal's characteristics and reputation as an attractive destination and on the fact that the city is home to myriad high-tech sectors that justify building new, major trade show venues. ■



Canada Economic Development report

All aboard... Public transportation's many contributions

Whether you use it or not, public transportation contributes to the quality of life of citizens and to wealth creation. For one, it enhances the efficiency of labour markets by contributing to the mobility of workers. It also can be a tool to deal with environmental problems and has a role to play in social development. This article examines some of these important facets and brings back to light the economic rationale behind public transportation.

Efficiency of labour markets: Mobility

Not so long ago, workers lived very close to their workplace. Getting to and from work was not seen as an obstacle. Then people started to earn enough to afford private vehicles, allowing them to live farther from work. By the 1950's the urban model was built around the image of workplaces in the city core and living spaces in the surrounding suburbs. Those without vehicles for the most part continued to live in the urban core, making use of the concentrated network of public transportation that was available for their necessary trips.

Housing in the core of a city like Montreal has become more expensive. Hence, workers tend to commute longer distances than they used to in the past. Public transportation can thus play a role in matching labour demand and labour supply to the advantages of both workers and businesses. In fact, the economy is more efficient with a strong public transportation system as it allows more workers to participate in the labour force, and helps workers travel to employment opportunities in which they have greater productivity, as opposed to simply taking the job closest to home. As the economy is facing a major hurdle with the oncoming retirements of the baby-boom generation, we will need a greater participation rate in the labour force than at the present in order for the economy to continue to grow and for the quality of life to continue to increase. By ensuring labour mobility, public transportation will thus play an important role in the years to come.

The environment: A public policy tool

Pollution was not that big of a concern in the 1950's and 1960's when urban sprawl began. But the number of cars on the road has increased at a much faster rate than the population. Our transportation infrastructure has had a hard time to keep up with the demand brought upon it, causing congestion and increasing pollution.

Today, there is an emphasis on public transportation as part of the solution to environmental concerns. With more people taking the various forms of public transportation available, greenhouse gas emissions are reduced. Sustainable development plans for the city are built upon efficient, often-used public transportation networks. With less pollution and a system that does not burden future generations with external costs, the quality of life of the society is increased as well.

The social economy

Finally, public transportation allows citizens who do not own private vehicles to participate in social activities. Society is more cohesive with an efficient public transportation system; the factors encouraging exclusion are mitigated. With greater accessibility to services, such as education, medical and other community activities, the overall well-being of all citizens can be increased.

Montreal's transit system is relatively affordable compared to many American cities. The challenge is to maintain and increase the quality of service. Whether they use it personally or not, every one benefits from public transportation which is indeed a public good. ■

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