

ECONOMIC OUTLOOK

Despite the global context, economic activity in Québec should remain dynamic even with the anticipated slowdown in the second half of 2019 and into 2020.

Real GDP growth is forecast at 2.4% in 2019 and 1.8% in 2020, following an increase of 2.5% in 2018.

– This is an upward adjustment of 0.6 percentage point for 2019 and 0.3 percentage point for 2020 compared to the March 2019 forecasts.

In 2019, Québec's economic growth will outstrip that of Canada for the second year in a row.

Employment growth will continue thanks to Québec's healthy economic situation. In 2019, 80 000 jobs should be created, which should push the unemployment rate down to 5.0%. Full use will have to be made of the available workforce in order to support economic growth in the years ahead.

ECONOMIC OUTLOOK FOR QUÉBEC

(percentage change, unless otherwise indicated)

	2018	2019	2020
Real GDP	2.5	2.4	1.8
Exports	3.6	0.6	2.3
Consumer price index	1.7	2.2	2.2
Housing starts (thousands of units)	46.9	51.4	47.4
Job creation (thousands)	38.9	80.0	38.8
Unemployment rate (%)	5.5	5.0	4.9
Canadian financial markets (%)			
Overnight rate target	1.4	1.8	1.5
3-month Treasury bills	1.4	1.6	1.5
10-year Canadian bonds	2.3	1.5	1.6
Canadian dollar (in U.S. cents)	76.9	75.4	76.5

A BALANCED FINANCIAL FRAMEWORK

Taking into account the additional investments provided for in the November 2019 update, a surplus of \$1.4 billion is forecast for 2019-2020. This surplus will be used judiciously to counter a possible slowdown, fight climate change and reduce the debt.

Consolidated revenue reached \$117.4 billion in 2019-2020. Growth is expected to reach an average of 2.6% per year by 2023-2024. Consolidated expenditure reached to \$113.2 billion in 2019-2020. Growth is expected to reach an average of 3.6% per year by 2023-2024.

CONSOLIDATED FINANCIAL FRAMEWORK, 2018-2019 TO 2023-2024

(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Own-source revenue	91 626	91 938	94 559	97 832	101 072	104 469
% change	6.6	0.3	2.9	3.5	3.3	3.4
Federal transfers	23 120	25 436	25 333	25 683	26 032	26 184
% change	2.8	10.0	-0.4	1.4	1.4	0.6
Consolidated revenue	114 746	117 374	119 892	123 515	127 104	130 653
% change	5.9	2.3	2.1	3.0	2.9	2.8
Portfolio expenditures	-97 744	-105 462	-108 491	-111 427	-114 773	-118 288
% change	3.7	7.9	2.9	2.7	3.0	3.1
Debt service	-8 722	-7 741	-8 463	-8 834	-8 754	-8 477
% change	-5.4	-11.2	9.3	4.4	-0.9	-3.2
Consolidated expenditure	-106 466	-113 203	-116 954	-120 261	-123 527	-126 765
% change	2.9	6.3	3.3	2.8	2.7	2.6
Contingency reserve	—	-100	-100	-100	-100	-100
SURPLUS⁽¹⁾	8 280	4 071	2 838	3 154	3 477	3 788
BALANCED BUDGET ACT						
Deposits of dedicated revenues in the Generations Fund	-3 477	-2 671	-2 738	-3 054	-3 377	-3 688
BUDGETARY BALANCE⁽²⁾	4 803	1 400	100	100	100	100

(1) Balance within the meaning of the Public Accounts.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

DEBT REDUCTION

As at March 31, 2020, the gross debt burden will stand at 44.6% of GDP. The objective of reducing the gross debt to 45% of GDP will thus be achieved in the current fiscal year, six years ahead of schedule.

THE GOVERNMENT'S FINANCING PROGRAM, 2019-2020 TO 2023-2024

(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Net financial requirements	6 572	8 463	9 492	10 715	10 390
Repayment of borrowings	13 376	13 280	16 668	14 506	16 134
Use of the Generations Fund to repay borrowings	-2 000	—	—	—	—
Use of pre-financing	-5 949	—	—	—	—
Change in cash position	-1 235	—	—	—	—
Deposits in the Retirement Plans Sinking Fund (RPSF) ⁽¹⁾	1 500	—	—	—	—
Transactions under the credit policy ⁽²⁾	225	—	—	—	—
TOTAL	12 489	21 743	26 160	25 221	26 524

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

(1) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.

(2) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts following, in particular, movements in exchange rates. These amounts have no effect on the debt.

For fiscal 2019-2020, the government's financing program amounts to \$12.5 billion, or \$0.7 billion more than forecast in the March 2019 budget.

Thus far in 2019-2020, the government has contracted 31% of its borrowings on foreign markets, compared to an average of 19% for the past 10 years:

- €1 billion (C\$1.5 billion);
- US\$1 billion (C\$1.3 billion);
- £250 million (C\$407 million);
- 1.7 billion Swedish kronas (C\$245 million);
- A\$100 million (C\$95 million);
- NZ\$66 million (C\$59 million).

To date, approximately 80% of the borrowings contracted in 2019-2020 had a maturity of 10 years or more.

As at March 31, 2019, the average maturity of the debt was 11 years.

CREDIT RATINGS

Québec's credit rating is evaluated by six credit rating agencies. On May 27, 2019, the credit rating agency DBRS confirmed Québec's credit rating at "A (high)" and raised the outlook from "stable" to "positive."

THE QUÉBEC GOVERNMENT'S CREDIT RATINGS

Credit rating agency	Credit rating	Outlook in 2018	Outlook in 2019
Moody's	Aa2	Stable	Stable
Standard & Poor's (S&P)	AA-	Stable	Stable
Fitch	AA-	Stable	Stable
DBRS	A (high)	Stable	Positive
Japan Credit Rating Agency (JCR)	AA+	Stable	Stable
China Chengxin International (CCXI)	AAA ⁽¹⁾	Stable	Stable

(1) Credit rating for bond issues on the Chinese market.

