Fall

2019

UPDATE

ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION

Votre gouvernement

Québec

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Finances Québec

Update on Québec's Economic and Financial Situation – Fall 2019

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UPDATE ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION – FALL 2019

Section A

OVERVIEW

SUMMARY

The November 2019 *Update on Québec's Economic and Financial Situation* allows the government to present the most recent information on Québec's budgetary situation and to continue implementing its commitments thanks to new concrete actions.

The Québec economy is performing remarkably well.

— Real GDP growth in 2019 has been adjusted to 2.4% from the 1.8% forecast of the March 2019 budget.

— In 2019, for the second year in a row, real GDP growth in Québec will outstrip that of Canada.

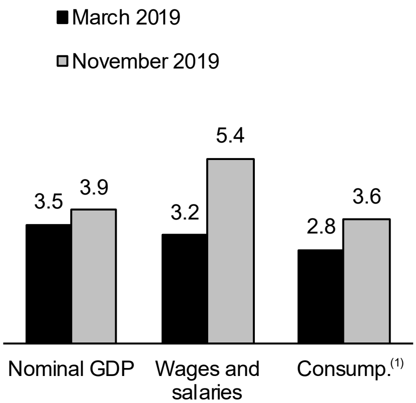
— Several economic indicators have been adjusted upwards, in particular nominal GDP, wages and salaries and nominal household consumption.

The economy's performance has led to an improvement in the budgetary situation, in particular with regard to the government's own-source revenue.

Indeed, own-source revenue was $1.0 billion higher in 2018-2019 than forecast in the March 2019 budget. For 2019-2020, the adjustment is $1.6 billion.

CHART A.1

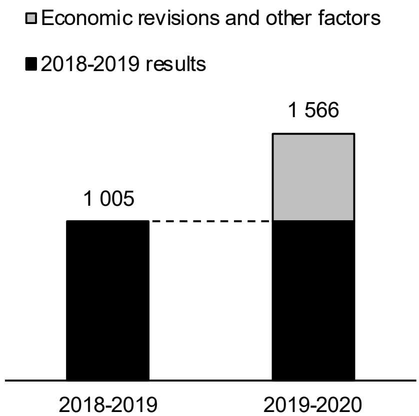
Forecast of the main economic indicators, 2019
(percentage change)



(1) Nominal consumption excluding food expenditures and shelter.
Sources: Institut de la statistique du Québec and Ministère des Finances du Québec.

CHART A.2

Revision of own-source revenue, 2018-2019 and 2019-2020
(millions of dollars)



Note: Consolidated own-source revenue excluding revenue from government enterprises.

❑ Acting now

The favourable economic situation allows for the immediate return of money back to Quebecers to increase their disposable income.

In the November 2019 *Update on Québec's Economic and Financial Situation*, the government provides for additional investments of $857 million in 2019-2020, which will amount to $4.7 billion by 2023-2024.

— The implementation of certain commitments has been accelerated. Investments totalling $332 million in 2019-2020 and which will reach $3.3 billion by 2023-2024 are being announced to put money back in the pockets of Quebecers.

  — The government is fully enhancing the family allowance two years ahead of schedule, giving back $779 per year on average to Québec families starting in 2020.

  — Starting in 2019, that is, for the next income tax return, parents will no longer have to pay the additional contribution for childcare.

  — The government is also committed to substantially reducing healthcare institution parking fees, in particular at hospitals and residential and long-term care centres (CHSLDs).

— Investments of $525 million in 2019-2020, which will reach $1.4 billion by 2023-2024, are also being announced for targeted initiatives to meet specific needs.

TABLE A.1

Financial impact of the initiatives of the *Update on Québec's Economic and Financial Situation*
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total	Ref. page
Putting money back in the pockets of Quebecers	–332	–758	–717	–726	–751	–3 284	B.6
Targeted initiatives to meet specific needs	–525	–119	–155	–281	–344	–1 424	B.23
TOTAL	**–857**	**–876**	**–872**	**–1 007**	**–1 095**	**–4 708**	

Note: Totals may not add due to rounding.

❑ Managing responsibly

In the November 2019 *Update on Québec's Economic and Financial Situation*, the government forecasts the maintenance of a balanced budget for the period covered by the financial framework.[1]

— Given the additional investments being announced, a budgetary surplus of $1.4 billion is forecast in 2019-2020. These funds will make it possible, in particular, to:

  — address a potential economic downturn, which could result in lower-than-expected growth in income;

  — fight climate change in the context of the ongoing development of the Electrification and Climate Change Plan;

  — reduce debt in a context where, despite achieving reduction targets faster than expected, Québec remains the second most indebted province.

In 2019-2020, the level of expenditure remains equivalent to that provided for in the March 2019 budget.

— The initiatives being announced are offset by debt service savings.

❑ Fulfilling commitments

With the November 2019 update, the government is continuing the actions initiated in the fall of 2018 to:

— put money back in the pockets of Quebecers;

— improve health and education services;

— maintain fiscal balance;

— reduce debt.

1 Unless otherwise indicated, this document is based on the data available as at October 18, 2019. The budgetary data presented for 2018-2019 are actual data that have been reclassified according to the 2019-2020 budgetary structure. Those presented for 2019-2020 and subsequent years are forecasts.

1. ACTING FOR THE BENEFIT OF QUÉBEC

1.1 Putting money back in the pockets of Quebecers

The government has committed to providing enhanced and more equitable financial support for families by implementing the family allowance and eliminating the additional contribution for subsidized childcare services before the end of its mandate.

With the measures announced in the November 2019 *Update on Québec's Economic and Financial Situation*, the government is continuing its action to put money back in the pockets of Quebecers.

— Starting in 2020, all families will benefit from the same amount of family allowance per child, regardless of the child's rank in the family. Nearly 679 000 Québec families will see their allowance increase by an average of $779 per year.

— Starting in 2019, families will no longer have to pay the additional contribution for childcare. This contribution, which averages $1 100, will therefore be eliminated for 140 000 families.

— In the spring of 2020, in order to provide financial support to people who must visit healthcare institutions, the government will make the first two hours of parking free and set the daily rate at an amount varying between $7 and $10 depending on the region.

— Last June, the government announced the addition of a level for the supplement for handicapped children requiring exceptional care. This level will provide more support for families who face extraordinary responsibilities because of their child's condition.

— By June 2020, social assistance recipients who have not filed an income tax return will be able to benefit, retroactively to July 2019, from the basic amount of the QST component of the solidarity tax credit.

Overall, considering all the actions implemented by the government during its first year, more than $8.1 billion will be given back to Quebecers by 2023-2024.

TABLE A.2

Financial impact of the initiatives to put money back in the pockets of Quebecers
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
New actions							
Full enhancement of the family allowance	—	–132	–533	–548	–561	–572	–2 346
Immediate elimination of the additional contribution for childcare(1)	—	–161	–55	–17	—	—	–234
Introduction of a second level for the SHCREC(2)	—	–14	–50	–32	–33	–34	–162
Reduction in healthcare institution parking fees	—	–25	–120	–120	–132	–145	–542
Subtotal	**—**	**–332**	**–758**	**–717**	**–726**	**–751**	**–3 284**
Actions already implemented since the fall of 2018(3)	–170	–734	–933	–985	–1 015	–1 029	–4 865
TOTAL	**–170**	**–1 066**	**–1 691**	**–1 702**	**–1 741**	**–1 780**	**–8 149**

Note: Totals may not add due to rounding.
(1) The 2019-2020 budget provided for the gradual elimination of the additional contribution for childcare over four years. The financial impact of this update corresponds only to the advance in 2019 of the elimination of the additional contribution. The total financial impacts of the elimination of the additional contribution are presented on page B.17.
(2) Supplement for handicapped children requiring exceptional care.
(3) Actions already implemented since the fall of 2018 include, in particular, the gradual standardization of school tax rates and the funds already invested for the enhancement of the family allowance. The complete list of actions is presented in Section B, subsection 1.7.

1.2 Targeted initiatives to meet specific needs

In addition to putting money back in the pockets of Quebecers, the government has implemented other commitments since the 2019-2020 budget.

❑ Partnership 2020-2024 with municipalities

The government has signed a new financial and tax agreement with its municipal partners that will significantly increase transfers to municipalities over the next five years.

This new partnership will make it possible, in particular, to support the diversification of municipalities' revenue sources by putting in place a new transfer equivalent to the value of a one-point growth in the QST, and to boost local and regional development through the creation of the regions and rurality fund.

❑ Supporting print media companies

The government has announced a new support plan for print media companies, which provides them with an additional support of approximately $50 million per year by 2023-2024 to help them overcome the significant challenges they face.

This support plan aims to preserve the dissemination of original written content on current events of general interest and specifically addressed at the Québec population in order to support a diversity of ideas, which is needed in a democratic society.

❑ Modernizing the taxi industry

To ensure the sustainability of the taxi industry within the new legislative framework, the government has announced investments of $300 million to compensate taxi licence holders and support the assistance program for the special needs of certain taxi licence holders. A royalty of $0.90 per taxi ride will be charged to fund this assistance measure.

This assistance is in addition to the $250 million already paid in 2018 and the additional $250 million announced in the March 2019 budget.

❑ Extending the electricity discount programs

Electricity discount programs support investment projects related to the conversion of production processes, start-up or increase of production, and improvement of business productivity.

In order to further encourage investment by large industrial companies and commercial greenhouses, the government postpones by four years:

— the deadline for applying for the programs, from December 31, 2019 to December 31, 2023;

— the end of the investment period, from December 31, 2021 to December 31, 2025;

— the discount application period, from December 31, 2028 to December 31, 2032.

In addition, the maximum duration of the discount for large projects is extended from six to eight years.

Moreover, the Electricity Discount Program to Promote Greenhouse Development will be adapted and administered by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation starting January 1, 2020 in order to make it accessible to all commercial greenhouses in Québec, regardless of their electricity supplier.

The extension of the programs will foster additional investments estimated at $3 billion in all regions of Québec.

TABLE A.3

Financial impact of the targeted initiatives to meet specific needs
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Partnership 2020-2024: Towards stronger municipalities and regions	–250	–77	–154	–276	–335	–1 092
New support plan for print media companies	–5	–39	–41	–50	–54	–189
Modernizing the taxi industry to provide users with an efficient, modern and fair service	–270	–4	40	45	45	–144
Extending the electricity discount programs	—	—	—	—	—	—
TOTAL	**–525**	**–119**	**–155**	**–281**	**–344**	**–1 424**

Note: Totals may not add due to rounding.

2. QUÉBEC'S ECONOMIC SITUATION

2.1 Recent change in the Québec economy

Despite the slowdown in global economic growth, Québec's economy is performing remarkably well.

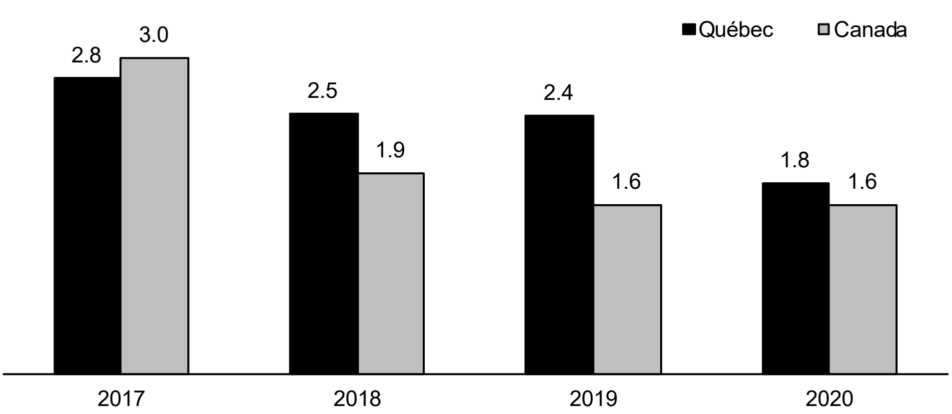
- In 2019, for a second year in a row, Québec's real GDP growth will outstrip that of Canada.
- Real GDP growth is forecast at 2.4% in 2019 and 1.8% in 2020, compared to 1.6% in 2019 and 2020 in Canada.
- This is a significant upward adjustment of 0.6 percentage point for 2019 and 0.3 percentage point for 2020 compared to the March 2019 forecasts.

The good performance of the Québec economy is reflected in particular in:

- good labour market performance. In 2019, 80 000 jobs should be created and the unemployment rate should fall to a historic annual low of 5.0%;
- wages and salaries, which are expected to grow by 5.4% in 2019 and 4.5% in 2020 following a 5.2% increase in 2018. Two consecutive years of growth above 5.0% have not been recorded since the year 2000;
- non-residential business investment, which is expected to grow by 3.8% in 2019 in Québec, while a contraction of 1.7% is expected in Canada.

CHART A.3

Economic growth
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Households and businesses will support economic activity

Over the past few years, households have been the main driver of economic growth in Québec. Their contribution to economic activity will continue in 2019 and 2020.

— Initiatives introduced by the Québec government will support the growth in household disposable income.

— In addition, households will benefit from a dynamic labour market, increases in wages and salaries and low interest rates.

— The favourable situation of households will continue to sustain consumer spending and the residential sector.

On the business side, non-residential business investment is expected to continue rising, sustained by the initiatives announced by the Québec and federal governments as well as by still-low interest rates.

— In addition, in the context of a tightening labour market, businesses will need to raise their level of investment in order to improve their productivity and become more competitive.

— However, businesses will be prudent in the current climate of uncertainty in world trade.

TABLE A.4

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	2018	2019	2020
Contribution of domestic demand	**3.0**	**2.5**	**1.6**
– Household consumption	2.3	2.0	1.8
– Residential investment	3.9	4.5	–0.3
– Non-residential business investment	5.3	3.8	3.5
– Government spending and investment	3.0	2.2	0.8
Contribution of the external sector	**–0.2**	**0.0**	**0.2**
– Exports	3.6	0.6	2.3
– Imports	3.8	0.4	1.7
Contribution of inventories	**–0.2**	**–0.1**	**0.0**
REAL GDP	**2.5**	**2.4**	**1.8**

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.2 Increasing the potential of the Québec economy

❑ First steps taken to boost economic growth

The Québec government's goal is to create wealth and boost Québec's economic potential by taking action on key determinants of growth: private investment, labour market participation, entrepreneurship and innovation.

In this regard, the government has already taken steps, in particular:

— the reform of Investissement Québec to make it a real driving force for the Québec economy. Investissement Québec's new mission will be to:

  — actively participate in Québec's economic development,

  — stimulate innovation, growth, local and foreign investment, exports and the creation of high value-added jobs in all regions of Québec;

— the introduction of accelerated depreciation measures to encourage business investment and increase business productivity;

— the enhancement of the tax credit for career extension and the introduction of a tax holiday on the payroll of employers who employ workers aged 60 and over;

— the implementation of measures to better align immigration with Québec's economic needs and, consequently, to integrate immigrants more quickly into the labour market;

— the implementation of a series of measures pertaining to education to enable each child to reach his or her full potential and thus increase student retention and graduation rate in study programs.

These measures are specifically designed to raise Québec's economic growth beyond its potential in order to reduce or even eliminate, in the longer term, the gap in living standards that persists between Québec and Ontario.

❑ Employment gains are still possible for experienced workers

In the current context of demographic aging, the participation of the entire population in the labour market will be necessary to support economic growth and improve the standard of living of Quebecers.

In recent years, the dynamic labour market in Québec has led to a substantial increase in employment for people aged 15 to 59.

- In 2000, the employment rate for the population aged 15 to 59 reached 69.8% in Québec, compared to 75.4% in Ontario and 74.4% in the rest of Canada.
- In 2018, this employment rate reached 78.6% in Québec and outstripped that of Ontario (74.4%) and the rest of Canada (75.4%).

As a result, given the improvement already achieved, the growth potential for this component is limited for the population aged 15 to 59.

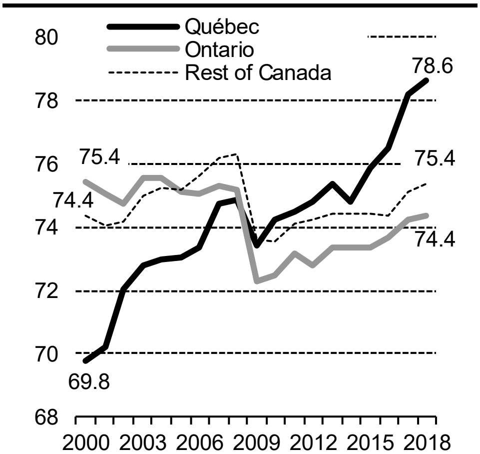
However, gains are still possible for experienced workers.

- In 2018, the employment rate in Québec for those aged 60 and over (20.8%) remained lower than in Ontario (25.2%) and the rest of Canada (25.9%).
- If the employment rate for experienced workers in Québec were to catch up to the rate seen in Ontario in 2018, Québec would have 89 300 additional workers.

Due to the limited gains expected, economic growth and the improvement of Quebecers' standard of living will be more dependent on productivity gains.

CHART A.4

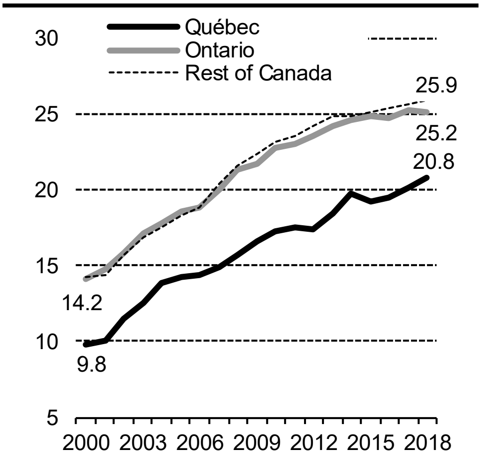
Employment rate of the population aged 15 to 59
(per cent)



Source: Statistics Canada.

CHART A.5

Employment rate of the population aged 60 and over
(per cent)



Source: Statistics Canada.

❑ Productivity gains to close the gap in standards of living

Economic growth and the improvement of Quebecers' standard of living will depend more on productivity gains, that is, real GDP per job.

— Over the past ten years, productivity has been a driver of economic growth in Québec.

— However, over this period, productivity growth in Québec remained lower than in Ontario and Canada.

The significant gap in productivity results in a lower standard of living in Québec than in Canada and Ontario.

— In 2018, Canada's standard of living was 18.4% higher than that of Québec. The difference with Ontario was 16.2%.

— In 2018, productivity in Canada was 19.5% higher than that of Québec. The difference with Ontario was 16.7%.

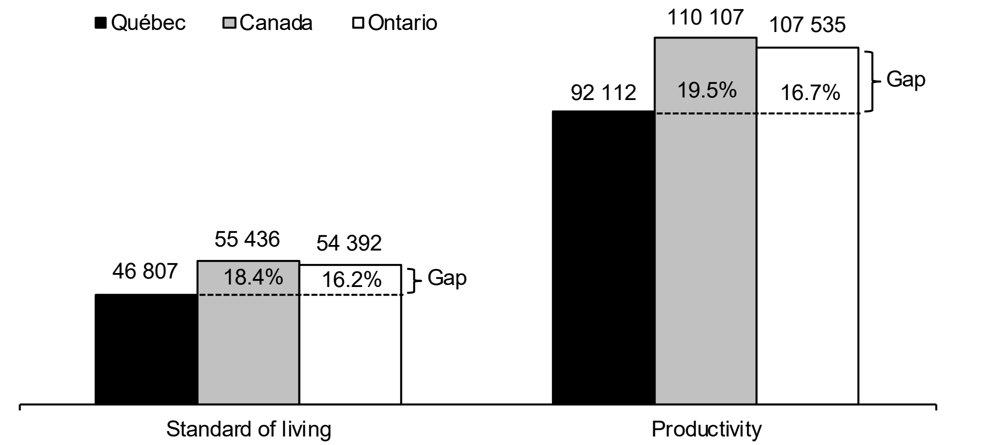
Productivity gaps could be reduced, in particular through an increase in non-residential business investment.

In this regard, the government has already put significant measures in place to support investment.

— For example, Québec businesses can now benefit from significant tax measures aiming to stimulate investment, including an accelerated capital cost allowance.

CHART A.6

Standard of living and productivity, 2018
(in chained 2012 dollars and per cent)



Note: Standard of living as measured by real GDP per capita and productivity as measured by real GDP per job.
Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, Statistics Canada and Ministère des Finances du Québec.

Accelerated economic growth in Québec will be required to catch up with Ontario

The Ministère des Finances du Québec has calculated a scenario that would eliminate the gap in the standard of living with Ontario. To this end, the Ministère has made some assumptions, including that:

- growth in Ontario's standard of living will remain similar to that seen over the past ten years (+0.6% on average annually);
- the increase in the pool of potential workers and in the population of Québec will be equivalent to that of the strong scenario from the most recent demographic projections of the Institut de la statistique du Québec;
- employment rates in Québec by age group and sex will catch up with the best employment rate in Canada over a ten-year period. These rates will be maintained thereafter;
- the additional growth that will close the gap in the standard of living between Québec and Ontario will be driven by productivity.

The Ministère concludes that to close the gap in the standard of living with Ontario over a 25-year period, Québec would need to achieve an average annual productivity growth rate of 1.2%.

- By comparison, from 2009 to 2018, productivity grew by an average of 0.5% annually.

The average annual increase in real GDP would thus reach 2.1% for the period 2019 to 2043.

As a result, exceptional economic performance will be required for Québec to catch up with Ontario's standard of living. Indeed, higher productivity gains than those observed over the last ten years would be required.

Contribution of economic growth factors in Québec
(average annual percentage change and contribution in percentage points)

	1982-2008	2009-2018	2019-2043
REAL GDP	**2.1**	**1.4**	**2.1**
Growth factors (contribution)			
– Potential labour pool(1)	0.6	0.2	0.4
– Employment rate(2)	0.6	0.7	0.4
– Productivity(3)	0.8	0.5	1.2
STANDARD OF LIVING(4)	**1.4**	**0.7**	**1.2**

Note: Totals may not add due to rounding.
(1) Population aged 15-64.
(2) The employment rate corresponds to the total number of workers over the population between 15 and 64 years of age.
(3) Productivity represents real GDP per job.
(4) Standard of living as measured by real GDP per capita.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

3. QUÉBEC'S FINANCIAL SITUATION

3.1 Adjustments to the financial framework

In 2018-2019, the budgetary surplus within the meaning of the *Balanced Budget Act* reached $4.8 billion.

— This represents a $2.3-billion improvement in revenue and expenditure over the March 2019 budget forecasts.[2]

Improvements of $2.3 billion in 2019-2020 and $1.0 billion in 2020-2021 and 2021-2022 are also noted.

— These improvements allowed for the implementation of initiatives totalling nearly $1.0 billion in 2019-2020, 2020-2021 and 2021-2022.

As a result, budgetary surpluses are $1.4 billion in 2019-2020 and $100 million per year for subsequent years.

TABLE A.5

Adjustments to the financial framework since March 2019
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
BUDGETARY BALANCE(1) – MARCH 2019	**2 500**	**—**	**—**	**—**
ECONOMIC AND FINANCIAL SITUATION				
Own-source revenue excluding revenue from government enterprises				
– Tax revenue	441	990	1 138	1 205
– Other revenue	564	576	100	30
Subtotal	1 005	1 566	1 238	1 235
Revenue from government enterprises	475	–342	–369	–362
Federal transfers	–291	512	–267	–267
Subtotal – Revenue	**1 189**	**1 736**	**602**	**606**
Portfolio expenditures	1 308	–567	–246	15
Debt service	177	1 255	675	458
Subtotal – Expenditure	**1 485**	**688**	**429**	**473**
Deposits of dedicated revenues in the Generations Fund	–371	–167	–54	–107
TOTAL IMPROVEMENTS	**2 303**	**2 257**	**976**	**972**
NOVEMBER 2019 INITIATIVES				
Putting money back in the pockets of Quebecers	—	–332	–758	–717
Targeted initiatives to meet specific needs	—	–525	–119	–155
TOTAL INITIATIVES	**—**	**–857**	**–876**	**–872**
BUDGETARY BALANCE(1) – NOVEMBER 2019	**4 803**	**1 400**	**100**	**100**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

2 Details of the adjustments to consolidated revenue are presented on page D.8, and details of the adjustments to consolidated expenditure are presented on page D.9.

Main non-recurring adjustments

In general, improvements in revenue in 2018-2019 are recurrent over the period covered by the financial framework.

Some elements, particularly in connection with revenues from government enterprises and federal transfers, are non-recurring.

- In particular, the improvement in Hydro-Québec's profits in 2018-2019, attributable to colder-than-expected temperatures during the winter of 2019, is followed by lower revenues in subsequent years. These are due to lower energy prices on export markets and the impact of the rate freeze planned for 2020-2021.
- In 2019-2020, significant revenues are recorded in other own-source revenues as a result of gains from the sale of assets by the Mining and Hydrocarbon Capital Fund, as well as in federal transfers due to compensation by the federal government for asylum seekers and the 2019 spring flooding.

In addition, improvements in expenditures in 2018-2019 are mainly due to non-recurring factors, such as a delay in the completion of certain infrastructure projects and various other discrepancies between planned and actual expenditures.

Starting in 2019-2020, improvements in expenditures are mainly due to lower debt service, which is attributable in particular to lower-than-expected interest rates and accelerated debt repayment.

3.2 A balanced five-year financial framework

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

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

Deposits of dedicated revenues in the Generations Fund amount to $2.7 billion in 2019-2020 and will continue in 2020-2021.

TABLE A.6

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*
Total 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***
Consolidated expenditure						
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*
Total 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**

Note : Details of adjustments and change in revenue and expenditure are presented in Section D, subsections 2.1 and 2.2.
(1) Balance within the meaning of the Public Accounts.
(2) Balance within the meaning of the *Balanced Budget Act*.

❑ Change in revenue

Consolidated revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers:

- own-source revenue amounts to $91.9 billion in 2019-2020, with growth of 0.3%. This growth will reach 2.9% in 2020-2021;
  - Personal income tax reached $33.2 billion in 2019-2020, with growth of 4.6%.
  - Consumption taxes reached $22.0 billion in 2019-2020, also with growth of 4.6%.
- federal transfers amount to $25.4 billion in 2019-2020, with growth of 10.0%.
  - This change is due in particular to the signing of an agreement on asylum seekers and income related to the spring 2019 floods.

TABLE A.7

Consolidated revenue, 2018-2019 to 2021-2022
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Personal income tax	31 773	33 240	35 096	36 590
% change	*7.6*	*4.6*	*5.6*	*4.3*
Contributions for health services	6 359	6 547	6 810	6 969
% change	*2.2*	*3.0*	*4.0*	*2.3*
Corporate taxes	9 183	8 707	8 553	8 916
% change	*12.8*	*–5.2*	*–1.8*	*4.2*
School property tax	1 853	1 548	1 513	1 544
% change	*–17.4*	*–16.5*	*–2.3*	*2.0*
Consumption taxes	21 001	21 975	22 531	23 015
% change	*3.3*	*4.6*	*2.5*	*2.1*
Duties and permits	4 361	4 376	4 347	4 426
% change	*8.8*	*0.3*	*–0.7*	*1.8*
Miscellaneous revenue	11 548	11 109	11 011	11 435
% change	*11.5*	*–3.8*	*–0.9*	*3.9*
Government enterprises	5 548	4 436	4 698	4 937
% change	*8.9*	*–20.0*	*5.9*	*5.1*
Own-source revenue	**91 626**	**91 938**	**94 559**	**97 832**
% change	***6.6***	***0.3***	***2.9***	***3.5***
Federal transfers	23 120	25 436	25 333	25 683
% change	*2.8*	*10.0*	*–0.4*	*1.4*
TOTAL	**114 746**	**117 374**	**119 892**	**123 515**
% change	***5.9***	***2.3***	***2.1***	***3.0***

Note: Details of adjustments and change in revenue are presented in Section D, subsection 2.1.

❑ Change in expenditure

Consolidated expenditure consists of portfolio expenditures, which are tied to the delivery of public services, on the one hand, and debt service on the other hand. In particular:

— expenditures in the Éducation et Enseignement supérieur portfolio reached $24.6 billion in 2019-2020, with growth of 6.5%. This growth will reach 3.5% in 2020-2021;

— expenditures in the Santé et Services sociaux portfolio reached $45.4 billion in 2019-2020, with growth of 6.8%. This growth will reach 4.2% in 2020-2021;

— other portfolio expenditures reached $35.4 billion in 2019-2020. Changes of 10.4% in 2019-2020 and 0.8% in 2020-2021 are mainly due to one-time actions in 2019-2020, including expenditures related to the spring 2019 floods and the completion of Phase 1 of the federal infrastructure program *Investing in Canada*;

— debt service reached $7.7 billion in 2019-2020, down 11.2%. This decrease is mainly due to low interest rates and accelerated debt repayment.

TABLE A.8

Consolidated expenditure
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Éducation et Enseignement supérieur	23 080	24 577	25 430	26 376
% change	*4.0*	*6.5*	*3.5*	*3.7*
Santé et Services sociaux	42 556	45 444	47 342	49 337
% change	*3.4*	*6.8*	*4.2*	*4.2*
Other portfolios(1)	32 108	35 441	35 719	35 714
% change	*3.9*	*10.4*	*0.8*	—
Portfolio expenditures	**97 744**	**105 462**	**108 491**	**111 427**
% change	***3.7***	***7.9***	***2.9***	***2.7***
Debt service	8 722	7 741	8 463	8 834
% change	*–5.4*	*–11.2*	*9.3*	*4.4*
TOTAL	**106 466**	**113 203**	**116 954**	**120 261**
% change	***2.9***	***6.3***	***3.3***	***2.8***

Note: Details of adjustments and change in expenditure are presented in Section D, subsection 2.2.
(1) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

❑ Recent change in the budgetary situation

■ Change in the budgetary balance in 2019-2020

The *Monthly Report on Financial Transactions at July 31, 2019* shows a budgetary surplus of $1.2 billion for the first four months of 2019-2020.

For the last eight months of the fiscal year, that is, from August 2019 to March 2020, the financial outlook will remain favourable.

- Revenue and expenditure, excluding new initiatives, should result in a surplus of $1.0 billion after taking into account deposits in the Generations Fund.
- In order to put money back in the pockets of Quebecers, in particular, the government is reinvesting $857 million starting in 2019-2020 to implement the initiatives set out in the November 2019 update.

For the year 2019-2020, budgetary balance is $1.4 billion.

- This surplus will be used to deal with a potential economic slowdown, fight climate change and reduce debt.

TABLE A.9

Change in the budgetary balance for 2019-2020
(millions of dollars)

	2019-2020
MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT JULY 31, 2019[1]	**1 223**
UPCOMING RESULTS FOR AUGUST 2019 TO MARCH 2020	
Results excluding initiatives	
– Consolidated revenue	79 683
– Consolidated expenditure	–76 857
– Deposits of dedicated revenues in the Generations Fund	–1 792
Subtotal	**1 034**
Initiatives – November 2019 update	
– Putting money back in the pockets of Quebecers	–332
– Targeted initiatives to meet specific needs	–525
Subtotal	**–857**
Total	**177**
BUDGETARY BALANCE[1]	**1 400**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Use of the 2019-2020 surplus

The $1.4-billion surplus belongs to all Quebecers and will be used in a disciplined manner to offset a potential economic slowdown, fight climate change and reduce debt.

■ Offsetting a potential economic slowdown

Given the less favourable international context due in particular to the uncertainty in world trade, economic growth is expected to continue in Québec, but at a slower pace starting in the second half of 2019.

— Indeed, real GDP growth is expected to be 2.4% in 2019 and 1.8% in 2020.

However, a greater-than-expected slowdown could result in lower-than-expected revenue growth. The expected surplus will then be used to offset a decline in revenues while maintaining a balanced budget.

The International Monetary Fund also forecasts that global economic growth in 2019 will be at a low point relative to the beginning of the decade, and that it will slow down in many countries.

■ Fighting climate change

Québec is committed to contributing to global efforts to limit global warming to no more than 1.5°C above pre-industrial levels. A motion recognizing the climate emergency was unanimously adopted in the National Assembly in September 2019.

However, the 2013-2020 Climate Change Action Plan is coming to an end. This plan will be replaced by the Electrification and Climate Change Plan, which will allow Québec to make the necessary shift in the fight against climate change by 2030.

This ambitious plan will cover the period 2021 to 2030 and will be based on two pillars: reducing greenhouse gas emissions and adapting to the impacts of climate change.

The key measures of the Electrification and Climate Change Plan, which will be developed by both the government and representatives of civil society, will be made public in 2020.

The development of the Electrification and Climate Change Plan

More than ever, climate transition is an economic, environmental and social priority.

It is in this context that the government is currently developing an ambitious plan, namely the Electrification and Climate Change Plan, which will enable Québec to make the necessary shift in the fight against climate change by 2030.

Extensive work to intensify reflexion

The development of this new plan is based on the mobilization and participation of the public, including stakeholders from various sectors. In this regard, working groups composed of members of civil society have been formed to help the government identify key measures that will contribute to the achievement of the 37.5% reduction target for greenhouse gas emissions in 2030 relative to the 1990 level.

At the same time, several interdepartmental working groups have been established, in particular to examine challenges related to mitigation and adaptation in several sectors, as well as to assess different measures.

A public consultation was conducted

In an effort to reach as many people as possible, the government also carried out a regional tour, a public consultation and targeted consultations with Aboriginal nations and municipalities from August to November 2019.

Towards a new plan in 2020

The Electrification and Climate Change Plan, which will be submitted in 2020, will include, in addition to the government's principles and guidelines for effectively fighting climate change, key measures that will have been developed based in particular on the recommendations of civil society representatives.

3.3 Québec's debt

❑ A still significant debt burden

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 be achieved in the current fiscal year, six years ahead of schedule.

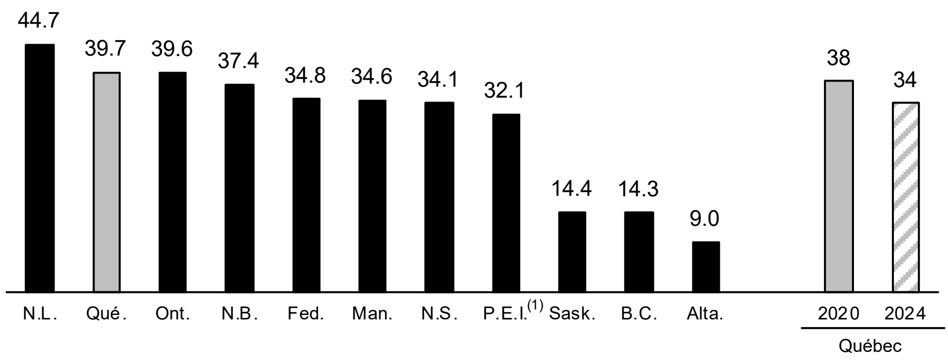
However, Québec remains one of the most indebted provinces in Canada.

— As at March 31, 2019, Québec's net debt burden stood at 39.7% of GDP, compared with the provincial average of 30.3%.[3]

— Québec's debt burden is expected to decrease to 38% of GDP as at March 31, 2020 and to 34% as at March 31, 2024.

CHART A.7

Net debt of governments in Canada as at March 31, 2019
(percentage of GDP)



(1) Data as at March 31, 2018 because the 2018-2019 public accounts of this province had not been published as of October 25, 2019.
Sources: Public accounts of the governments and Ministère des Finances du Québec.

3 Weighted average as a proportion of GDP.

❑ The benefits of debt reduction

The government intends to continue reducing the debt burden, which will enable Québec to:

- counter an eventual economic slowdown;
- ease the tax burden on Quebecers;
- ensure stable funding for the government's chief missions such as health and education;
- cope with the costs associated with population aging;
- fund investment in public infrastructure;
- fight climate change;
- increase Québec's financial autonomy within the federation.

TABLE A.10

Debt of the Québec government as at March 31
(millions of dollars)

	2018	2019	2020
GROSS DEBT(1)	**201 071**	**199 098**	**201 331**
% of GDP	*48.2*	*45.8*	*44.6*
Less: Financial assets, net of other liabilities(2)	–24 528	–26 540	–28 819
NET DEBT	**176 543**	**172 558**	**172 512**
% of GDP	*42.3*	*39.7*	*38.2*
Less: Non financial assets	–69 073	–72 110	–76 135
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS	**107 470**	**100 448**	**96 377**
% of GDP	*25.8*	*23.1*	*21.3*
Plus: Stabilization reserve	7 174	11 977	13 377
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*	**114 644**	**112 425**	**109 754**
% of GDP	*27.5*	*25.9*	*24.3*

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.
(2) Financial assets include, in particular, investments in government enterprises (e.g. Hydro-Québec) and accounts receivable, minus other liabilities (e.g. accounts payable).

❑ Debt reduction objectives

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

— The objective of reducing the gross debt to 45% of GDP will be achieved in the current fiscal year, that is, six years ahead of schedule.

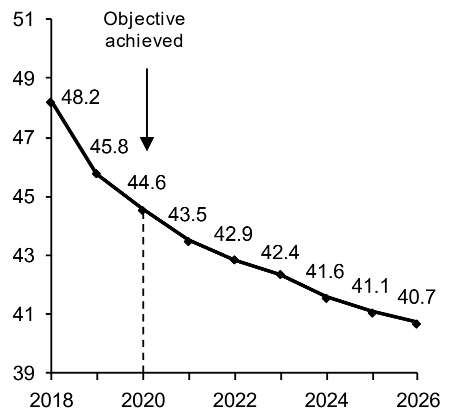
— The objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2023-2024, that is, two years ahead of schedule.

  — For the purposes of that objective, the government intends to use the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve, as this indicator better reflects the actual and anticipated budgetary situation.[4]

CHART A.8

Gross debt as at March 31

(percentage of GDP)

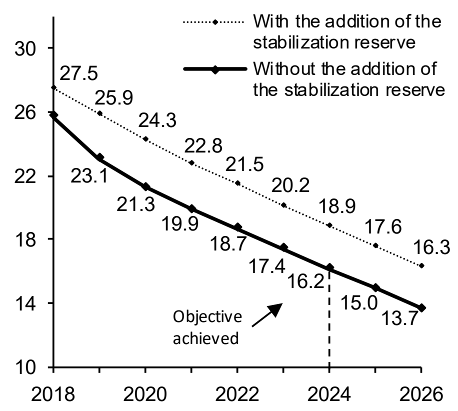


Note: These are projections as of 2025.

CHART A.9

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: These are projections as of 2025.

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4 Legislative amendments will be necessary.

APPENDIX: TABLE ON THE ECONOMIC OUTLOOK FOR QUÉBEC

TABLE A.11

Economic outlook for Québec, 2018 to 2023
(percentage change, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023
Output						
Real gross domestic product	2.5	2.4	1.8	1.3	1.3	1.3
– *March 2019*	*2.3*	*1.8*	*1.5*	*1.3*	*1.3*	*1.3*
Nominal gross domestic product	4.2	3.9	3.8	3.1	3.1	3.1
– *March 2019*	*4.3*	*3.5*	*3.2*	*3.0*	*3.0*	*3.1*
Components of GDP (in real terms)						
Household consumption	2.3	2.0	1.8	1.5	1.4	1.3
– *March 2019*	*2.6*	*2.0*	*1.5*	*1.4*	*1.4*	*1.4*
Government spending and investment	3.0	2.2	0.8	0.9	1.0	0.8
– *March 2019*	*2.6*	*1.7*	*1.0*	*0.6*	*0.8*	*1.0*
Residential investment	3.9	4.5	–0.3	–0.8	–0.2	0.2
– *March 2019*	*3.8*	*–0.8*	*0.1*	*0.2*	*0.2*	*0.3*
Non-residential business investment	5.3	3.8	3.5	2.1	2.3	2.2
– *March 2019*	*4.3*	*5.0*	*3.8*	*2.3*	*2.2*	*2.2*
Exports	3.6	0.6	2.3	2.1	2.0	1.9
– *March 2019*	*2.9*	*2.6*	*2.2*	*2.1*	*2.0*	*1.9*
Imports	3.8	0.4	1.7	1.7	1.7	1.7
– *March 2019*	*3.3*	*2.1*	*1.8*	*1.8*	*1.6*	*1.7*
Other economic indicators (in nominal terms)						
Job creation (thousands)	38.9	80.0	38.8	24.9	22.3	17.8
– *March 2019*	*38.9*	*38.8*	*27.1*	*23.0*	*20.0*	*15.0*
Unemployment rate (in per cent)	5.5	5.0	4.9	4.8	4.7	4.6
– *March 2019*	*5.5*	*5.4*	*5.3*	*5.2*	*5.1*	*5.0*
Household consumption excluding food expenditures and shelter	3.7	3.6	3.5	2.9	2.8	2.8
– *March 2019*	*4.2*	*2.8*	*3.0*	*2.7*	*2.8*	*2.8*
Wages and salaries	5.2	5.4	4.5	3.6	3.1	2.9
– *March 2019*	*5.0*	*3.2*	*3.1*	*3.0*	*3.0*	*2.9*
Household income	4.8	5.5	4.4	3.6	3.3	3.1
– *March 2019*	*4.4*	*3.4*	*3.4*	*3.2*	*3.1*	*3.1*
Net operating surplus of corporations	–0.1	0.9	3.0	3.2	3.3	3.4
– *March 2019*	*3.2*	*4.7*	*4.3*	*3.5*	*3.5*	*3.5*
Consumer price index	1.7	2.2	2.2	2.0	2.0	2.0
– *March 2019*	*1.7*	*1.4*	*2.0*	*2.0*	*2.0*	*2.0*

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Section B

ACTING FOR THE BENEFIT OF QUÉBEC

SUMMARY

Québec's strong economic performance allows the government to continue taking action to implement its priorities.

Over the past year, the government has put in place several measures to put money back in the pockets of Quebecers, in particular by enhancing support for families, reducing school taxes and introducing the senior assistance amount.

With the fall 2019 *Update on Québec's Economic and Financial Situation*, the government is speeding up its action for the benefit of Quebecers, which will allow it to provide them with an additional $3.3 billion over five years. Considering the actions implemented over the past year, more than $8.1 billion will be given back to Quebecers by 2023-2024.

— Parents will be entitled more quickly, that is, starting in 2020, to the full enhancement of the family allowance.

— Starting in 2019, that is, for the next income tax return, parents will no longer have to pay the additional contribution for children attending a subsidized childcare service.

— Healthcare institution parking fees will be reduced as of the spring of 2020.

— Starting in 2019, more families will be eligible for the supplement for handicapped children requiring exceptional care.

— Social assistance recipients who have not filed an income tax return will be able to benefit from a portion of the solidarity tax credit.

In addition, initiatives totalling more than $1.4 billion over five years are also planned to immediately meet specific needs, in particular to:

— establish Partnership 2020-2024: Towards stronger municipalities and regions;

— implement a support plan for print media companies;

— modernize the taxi industry.

TABLE B.1

Financial impact of the actions for the benefit of Québec
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Putting money back in the pockets of Quebecers	–332.3	–757.5	–717.4	–725.8	–750.7	–3 283.7
Targeted initiatives to meet specific needs	–525.0	–118.9	–154.7	–281.4	–343.9	–1 423.9
TOTAL	**–857.3**	**–876.4**	**–872.1**	**–1 007.2**	**–1 094.6**	**–4 707.6**

1. PUTTING MONEY BACK IN THE POCKETS OF QUEBECERS

Improving the financial situation of Quebecers is a key priority for the government.

As part of the fall 2019 *Update on Québec's Economic and Financial Situation*, two major commitments with respect to families will be fulfilled more quickly than planned.

- As of January 2020, for each minor child, parents will be entitled to the same amount of the family allowance, regardless of his or her rank in the family.
- As of 2019, no family will have to pay the additional contribution for childcare. The return to a single reduced rate for subsidized childcare services will take place three years earlier than planned.
  - As a result, for 2019, parents will keep the amount set aside to pay the additional contribution.

In addition, the government is taking this opportunity to address another important issue for Quebecers. As promised, parking fees at hospitals, residential and long-term care centres (CHSLDs) and local community service centres (CLSCs) will be gradually reduced to give a break to people visiting relatives or accessing medical services.

Last June, the government announced the addition of a level for the supplement for handicapped children requiring exceptional care. This level will further support families who face extraordinary responsibilities because of their child's state of health. More families will be eligible for this significant financial assistance.

Social assistance recipients who have not filed an income tax return will be able to benefit from a portion of the solidarity tax credit, retroactive to July 2019, namely the basic amount of the QST component.

These new measures will allow the government to give $3.3 billion back to Quebecers, bringing the total amount of money given back to more than $8.1 billion by 2023-2024.

TABLE B.2

Financial impact of the measures to put money back in the pockets of Quebecers

(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
New actions							
Full enhancement of the family allowance	—	–132.2	–532.8	–548.0	–560.8	–572.0	–2 345.8
Immediate elimination of the additional contribution for childcare(1)	—	–161.4	–55.2	–17.0	—	—	–233.6
Introduction of a second level for the SHCREC(2)	—	–13.7	–49.5	–32.4	–33.0	–33.7	–162.3
Reduction in healthcare institution parking fees	—	–25.0	–120.0	–120.0	–132.0	–145.0	–542.0
Subtotal	**—**	**–332.3**	**–757.5**	**–717.4**	**–725.8**	**–750.7**	**−3 283.7**
Actions already implemented since the fall of 2018(3)	–169.9	–733.5	–933.1	–984.6	–1 014.9	–1 028.8	–4 864.8
TOTAL	**–169.9**	**–1 065.8**	**–1 690.6**	**–1 702.0**	**–1 740.7**	**–1 779.5**	**–8 148.5**

(1) The 2019-2020 budget provided for the gradual elimination of the additional contribution for childcare over four years. The financial impact of this update corresponds only to the advance in 2019 of the elimination of the additional contribution. The total financial impacts of the elimination of the additional contribution are presented on page B.17.
(2) This is the supplement for handicapped children requiring exceptional care.
(3) Actions already implemented since the fall of 2018 include the partial enhancement of the family allowance, the freezing and gradual elimination of the additional contribution for childcare, the increase in the exemption for support payments in respect of dependent children, the extension of the vision care coverage for young people (see to succeed), the gradual standardization of school tax rates, the introduction of the senior assistance amount and the enhancement of the tax credit for career extension for workers aged 60 or over.

1.1 Full enhancement of the family allowance

One of the government's key commitments is the implementation of the family allowance. This new approach will improve the assistance provided to Québec families and make it more equitable for families with more than one child.

Starting next January, that is, two years earlier than expected, the government will have fulfilled its commitment to provide families with a fully enhanced family allowance.

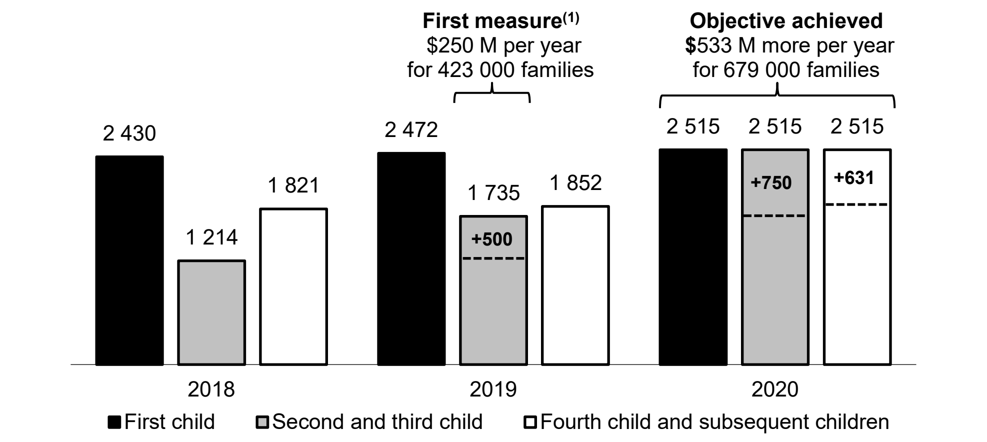
— The family allowance will be fairer and simpler, since families will receive the same amount for each minor child, regardless of the child's rank within the family. For each child, the maximum amount will be $2 515 and the minimum amount, $1 000.

— Nearly 679 000 Québec families will receive an average of $779 more per year starting in 2020.

— Close to $533 million more per year will be invested in families. This amount is in addition to the $250-million enhancement announced last fall.

CHART B.1

Illustration of the increase in the maximum amounts of the family allowance, 2018 to 2020
(dollars)



Note: The amounts take into account annual indexation. For simplification purposes, the increase in the minimum amounts in 2020 is not presented in this chart. However, the financial impacts and clienteles presented take into account the increase in the maximum and minimum amounts.

(1) This measure was announced in the fall 2018 *Update on Québec's Economic and Financial Situation*.

1.1.1 The same amount for each child

In the past, the assistance provided to families was higher for the first child and decreased by half for a second child. However, each child has needs that must be recognized and met fairly.

As a result, last fall, it was announced that the maximum amount in 2019 for a second and third child would be increased by $500 to bring it closer to the amount granted for a first child.

With this economic update, the government is fully meeting its commitment by standardizing, starting in January 2020, the amounts of the family allowance for all children from the same family.

- The maximum amounts granted to a family will be $2 515 for each child under 18 years of age.
- The minimum amounts granted to a family will be increased to $1 000 for each child under 18 years of age.

TABLE B.3

Increases in the family allowance, 2019 and 2020
(dollars)

	Increase in 2019(1)			Increase in 2020			Total gain in 2020
	Before	After	Gain	Before	After	Gain	
Maximum amount							
– First child	2 472	2 472	—	2 515	**2 515**	—	**—**
– Second and third children	1 235	1 735	500	1 765	**2 515**	750	**1 250(2)**
– Fourth child and subsequent children	1 852	1 852	—	1 884	**2 515**	631	**631**
Minimum amount							
– First child	694	694	—	706	**1 000**	294	**294**
– Second child and subsequent children	641	641	—	652	**1 000**	348	**348**

(1) This measure was announced in the fall 2018 *Update on Québec's Economic and Financial Situation*.
(2) This amount excludes indexation of the 2019 enhancement.

1.1.2 An average gain of $779 per family in 2020

The gain from the family allowance will increase according to the number of minor children in the family.

— About 143 000 families with only one minor child will benefit from an average gain of $244 in 2020.

— Families with two or three children represent a large proportion of the families that will benefit from the enhancement of the family allowance. The average gains for these families will be $671 and $1 356 respectively.

Overall, nearly 679 000 families will benefit from an additional assistance of $779 on average starting in 2020.

TABLE B.4

Enhancement of the family allowance by family size, 2020
(dollars, unless otherwise indicated)

Number of minor children	Number of families benefiting from the enhancement	Enhancement		Average enhancement
		From:	To:	
One child(1)	143 000	—	294	**244**
Two children	383 000	642	750	**671**
Three children	117 000	990	1 500	**1 356**
Four children or more	36 000	1 338 +$348 per additional child	2 131 +$631 per additional child	**2 191**
TOTAL	**679 000**	**—**	**—**	**779**

(1) Nearly 253 000 families with one child will not benefit from this enhancement since they are already receiving the maximum amount for their child.

❑ Illustration for a couple with two or three children

In concrete terms, a low- or middle-income family with two children will benefit from an increase of $750 in their family allowance. The gain for a family with a higher income will be $642.

For families with three children, the gain could reach $1 500 up to a family income of $163 467. The gain above this income level will reach $990.

In addition to making the family allowance more equitable, this enhancement represents a significant additional financial assistance for families.

TABLE B.5

Full enhancement of the family allowance for a couple with two or three children, 2020
(dollars)

	Couple with two children(1)			Couple with three children(2)		
Family income	**Before**	**After**	**Gain**	**Before**	**After**	**Gain**
49 842 or less	4 280	5 030	**750**	6 045	7 545	**1 500**
60 000	3 874	4 624	**750**	5 639	7 139	**1 500**
70 000	3 474	4 224	**750**	5 239	6 739	**1 500**
80 000	3 074	3 824	**750**	4 839	6 339	**1 500**
90 000	2 674	3 424	**750**	4 439	5 939	**1 500**
100 000	2 274	3 024	**750**	4 039	5 539	**1 500**
110 000	1 874	2 624	**750**	3 639	5 139	**1 500**
120 000	1 474	2 224	**750**	3 239	4 739	**1 500**
130 000	1 358	2 000	**642**	2 839	4 339	**1 500**
140 000	1 358	2 000	**642**	2 439	3 939	**1 500**
150 000	1 358	2 000	**642**	2 039	3 539	**1 500**
175 000	1 358	2 000	**642**	2 010	3 000	**990**
200 000 or more	1 358	2 000	**642**	2 010	3 000	**990**

(1) The family allowance will be equal to the maximum amount up to a family income of $49 842. It will then be gradually reduced to the minimum amount of $2 000 starting at a family income of $125 592.
(2) The family allowance will be equal to the maximum amount up to a family income of $49 842. It will then be gradually reduced to the minimum amount of $3 000 starting at a family income of $163 467.

The family allowance: a new approach

The family allowance is a tax free benefit paid on a quarterly basis. It is comprised of two amounts: a maximum amount that is reducible according to family income and a universal amount (minimum amount).

Families benefit from a maximum amount, which is established according to the number of minor children in the family. At a certain income level (reduction threshold), this maximum amount is reduced at a rate of 4% for each dollar above this threshold until the minimum amount is reached. The minimum amount aims to provide universal financial assistance to families, regardless of income.

– In 2020, the reduction threshold is set at $49 842 for a couple and $36 256 for a single parent family.

The income level at which families receive the minimum amount also depends on the number of minor children. For example, the income level at which families receive the minimum amount will be $87 717 for a couple with one child and $125 592 for a couple with two children.

A more generous family allowance

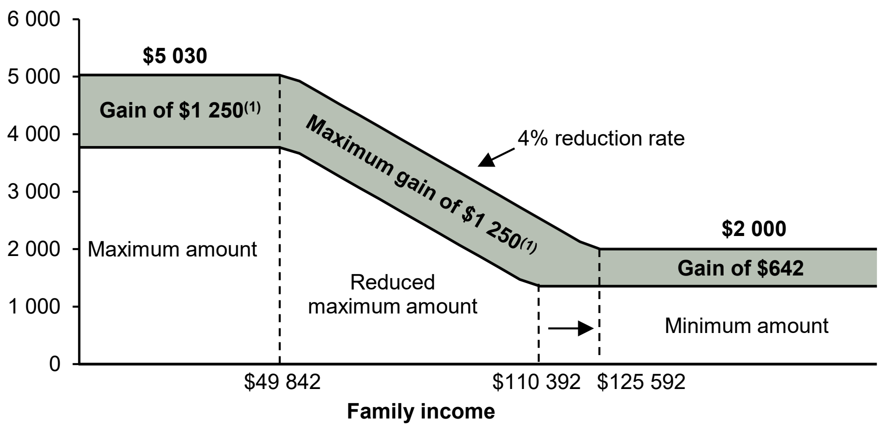
Thanks to the enhancements announced since the fall 2018 update, a couple with two children will benefit from a cumulative increase in the family allowance ranging from $642 to $1 250 in 2020.

– Up to a family income of $49 842, the family allowance will be enhanced by $1 250, to reach $5 030.

– Starting at this family income, the family allowance will be gradually reduced to $2 000 for a family income of $125 592.

– Beyond this family income, the couple will benefit from an increase in the minimum amount, which will represent an enhancement of $642.

Family allowance for a couple with two children, 2020
(dollars)



(1 This amount excludes indexation of the 2019 enhancement.

1.2 Immediate elimination of the additional contribution for childcare

1.2.1 An elimination retroactive to January 1, 2019

Another significant gesture towards families is the return to a single reduced rate for subsidized childcare services.

To follow through on this commitment, the government will eliminate the additional contribution for childcare, effective retroactively to January 1, 2019.[1] Parents will no longer have to pay the additional contribution when they file their income tax return.

— All parents will pay a single reduced amount of $8.25 per day in 2019.

Therefore, the current line 434, which showed the additional contribution that parents had to pay, will be removed from the 2019 tax return form.

More than 100 000 additional families will benefit from the retroactive elimination of the additional contribution.

❑ Prompt action for the benefit of families

The government has been working since last fall to put in place the necessary conditions to gradually eliminate the additional contribution for childcare.

— In last fall's update, the government announced a freeze on the amounts of the additional contribution to the amount that applied in 2018.

— In the 2019-2020 budget, the government announced the gradual elimination of the additional contribution by 2022, exempting more than 40 000 families from paying the additional contribution in 2019.

The elimination of the additional contribution is therefore taking place three years earlier than planned. Of the 220 000 families with a child attending a subsidized childcare service, more than 140 000 families will benefit from a reduction in their childcare fees.

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1 Legislative amendments will be made to implement this commitment.

Gradual elimination provided for in the 2019-2020 budget

In the 2019-2020 budget, the government announced the elimination of the additional contribution for childcare over a period of four years.

- Starting in 2019, the minimum and maximum additional contributions were reduced by $0.70 per day, eliminating the first level of this contribution for 40 000 families and reducing the maximum contribution from $13.90 per day to $13.20 per day.
- In 2020, the threshold at which families had to pay an additional contribution was to be increased to $108 530[1] and the maximum additional contribution was to be reduced from $13.20 per day to $8.80 per day.
- In 2021, the exemption threshold was to be increased to $140 065[1] and the maximum additional contribution, to $4.40 per day.
- In 2022, no family would have had to pay the additional contribution.

1 These amounts were presented in the 2019-2020 budget.

1.2.2 A significant reduction in the cost of childcare for parents

By fulfilling its commitment to eliminate the additional contribution for childcare starting today, the government is putting money back in the pockets of parents more quickly.

— On average, this measure will allow families who would have had to pay an additional contribution to save about $1 100 per year.

About 99 000 families pay an additional contribution for a single child attending a subsidized childcare service.

— These families will save a maximum of $3 614 per year for a first child attending full-time a subsidized childcare service.

— For a family with an income of $100 000, the additional savings can reach $845 per year, for total savings of $1 027.

For the 41 000 families paying an additional contribution for two children or more, the maximum savings will be $5 421.

— For a family with an income of $100 000, the total savings will be $1 542.

TABLE B.6

Illustration of the additional contribution for childcare for a family according to the number of children attending a subsidized childcare service, 2019
(dollars)

	Daily additional contribution(1)			Annual maximum savings(2) for one child			Maximum savings for two children or more
Family income	**Freeze on the contribution**	**Gradual elimination**	**Immediate elimination**	**Gradual elimination**	**Immediate elimination**	**Total**	
Less than 52 220	—	—	—	—	—	**—**	**—**
52 220 to 78 320	0.70	—	—	182	—	**182**	**273**
90 000	2.45	1.75	—	182	455	**637**	**957**
100 000	3.95	3.25	—	182	845	**1 027**	**1 542**
125 000	7.70	7.00	—	182	1 820	**2 002**	**3 003**
150 000	11.45	10.75	—	182	2 795	**2 977**	**4 467**
175 000	13.90	13.20	—	182	3 432	**3 614**	**5 421**

(1) The additional contribution is reduced by half for the second child and is not required for the third child and subsequent children.
(2) Annual savings are calculated on the basis of 260 days of childcare.

❑ Withholdings at source to pay the additional contribution for childcare

Some parents have requested that their source deductions be adjusted to make it easier to pay the additional contribution for childcare when filing their income tax return.

Since the additional contribution is eliminated retroactively, the additional amount deducted in 2019 will no longer be required to pay the additional contribution. As a result, for parents who asked for an adjustment in their source deductions, this amount may be used to reduce the tax they will have to pay or to increase the refund to which they will be entitled.

Other parents have opted to save throughout the year to pay the additional contribution next spring. This will allow them to keep their savings.

1.3 Extending the supplement for handicapped children requiring exceptional care

Last June, to help families of children with serious illnesses or severe disabilities who were not eligible for the supplement for handicapped children requiring exceptional care, the government announced the introduction of a second level of support that is more flexible and less restrictive than the first level.[2]

This supplement is a financial support provided to families with a handicapped child requiring exceptional care to recognize the exceptional nature of their situation and enable them to assume their extraordinary responsibilities. Originally, this supplement consisted of a single level of assistance with specific and restrictive eligibility criteria.

It is estimated that between 3 000 and 4 000 children will be eligible for this new level of support. Their families will therefore benefit from an amount of $652 per month in 2019, or $7 824 per year.

The introduction of a second level of assistance granted under this supplement represents an important action by the government to better support families with handicapped children requiring exceptional care.

❑ A total assistance of more than $60 million per year

The first level of the supplement for handicapped children requiring exceptional care represents assistance of more than $28 million for approximately 2 250 eligible children whose families receive $978 per month in 2019, or $11 736 per year.

The introduction of a second level increased the assistance provided by the supplement from $28 million to over $60 million per year.

TABLE B.7

Financial impact of the supplement for handicapped children requiring exceptional care
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
First level	–28.1	–28.3	–28.5	–28.7	–28.9	–142.5
Second level	–13.7	–49.5(1)	–32.4	–33.0	–33.7	–162.3
TOTAL	**–41.8**	**–77.8**	**–60.9**	**–61.7**	**–62.6**	**–304.8**

(1) This number includes $17.7 million related to retroactive payments for 2019-2020. Indeed, the first families to benefit from the second level of assistance were accepted in the fall of 2019, admissions will continue throughout 2020 to allow Retraite Québec to process all of the applications received.

2 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2019-6*, June 11, 2019.

1.4 Concrete actions for families since 2018

❑ More than $5.1 billion for families since 2018

Several initiatives have been implemented since last fall to support the government's commitments to families. With these new announcements, $5.1 billion more will be directed to families.

This additional assistance comes mainly from the enhancement of the family allowance and the return to a single reduced rate for subsidized childcare services. Other enhancements have been announced for families receiving child support payments or with a handicapped child requiring exceptional care.

TABLE B.8

Financial impact of the measures for families since the fall 2018 *Update on Québec's Economic and Financial Situation*
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Tax credit granting an allowance to families							
Partial enhancement of the family allowance(1)	–61.9	–249.6	–256.6	–263.1	–270.1	–277.0	–1 378.3
Full enhancement of the family allowance(2)	—	–132.2	–532.8	–548.0	–560.8	–572.0	–2 345.8
Introduction of a second level for the SHCREC(3)	—	–13.7	–49.5	–32.4	–33.0	–33.7	–162.3
Subtotal	**–61.9**	**–395.5**	**–838.9**	**–843.5**	**–863.9**	**–882.7**	**–3 886.4**
Elimination of the additional contribution for childcare							
Freeze on the amount in 2019(1)	–0.2	–1.2	–2.2	–3.3	–4.5	–5.9	–17.3
Gradual elimination(4)	–5.4	–42.2	–116.0	–158.7	–180.3	–184.8	–687.4
Immediate elimination(2)	—	–161.4	–55.2	–17.0	—	—	–233.6
Subtotal	**–5.6**	**–204.8**	**–173.4**	**–179.0**	**–184.8**	**–190.7**	**–938.3**
Increase in the exemption for support payments in respect of dependent children(4)	—	–28.4	–36.2	–36.2	–36.2	–36.2	–173.2
See to succeed(4)	—	—	–36.0	–36.0	–36.0	–36.0	–144.0
TOTAL	**–67.5**	**–628.7**	**–1 084.5**	**–1 094.7**	**–1 120.9**	**–1 145.6**	**–5 141.9**

(1) This measure was announced in the fall 2018 *Update on Québec's Economic and Financial Situation*.
(2) This measure is announced in the fall 2019 *Update on Québec's Economic and Financial Situation*.
(3) This is the supplement for children requiring exceptional care. The terms of this measure were presented last June in *Information Bulletin 2019-6*.
(4) This measure was announced in the 2019-2020 budget.

❑ Significant gains for families

All of the measures taken by the government will improve the standard of living of families.

With a family income of $100 000, a couple with a single child attending a subsidized childcare service will benefit from the increase in the minimum family allowance of $294 and a reduction in their childcare fee of $1 027, which represents a gain of $1 321.

For a couple with two children, the couple will benefit from the increase in the maximum amount for their second child of $1 250 and a decrease in their childcare fee of $1 542.[3]

— The two commitments that the government has fulfilled for families will allow this couple to benefit from a gain of $2 792 per year starting in 2020.

For a couple with three children, the family allowance will increase by $2 500, which represents the increase in the maximum amount for the second and third children.

— However, the reduction in their childcare fee will be the same as a couple with two children, since no additional contribution is required for a third child attending a subsidized childcare.

TABLE B.9

Illustration of the gains for a couple, 2020
(dollars)

	One child			Two children			Three children		
Family income	**Family allowance**	**Childcare**	**Total**	**Family allowance**	**Childcare**	**Total**	**Family allowance**	**Childcare**	**Total**
50 000 or less	—	—	**—**	1 250	—	**1 250**	2 500	—	**2 500**
75 000	—	182	**182**	1 250	273	**1 523**	2 500	273	**2 773**
100 000	294	1 027	**1 321**	1 250	1 542	**2 792**	2 500	1 542	**4 042**
125 000	294	2 002	**2 296**	666	3 003	**3 669**	2 428	3 003	**5 431**
150 000	294	2 977	**3 271**	642	4 467	**5 109**	1 500	4 467	**5 967**

Note: The table shows gains for a couple with children attending a reduced-rate childcare service for 260 days. The example shows only the gain related to the measure and excludes the effect of annual indexation.

3 This represents a reduction in the childcare fee of $1 027 for the first child and $515 for the second child.

1.5 Payment of the solidarity tax credit to social assistance recipients

In her *2018-2019 Annual Report*, the Ombudsperson reminds us that some of society's most vulnerable members, namely recipients of last-resort financial assistance, do not receive the QST component of the solidarity tax credit (CIS). She estimated this number at about 40 000 persons in 2018.

The CIS is a refundable tax credit for low- and middle-income households that helps them offset the regressive nature of certain taxes. The CIS has three components:

- the QST component;
- the housing component;
- the component for individuals living in northern villages.

To receive the tax credit, households must file an income tax return that provides the information required to establish their eligibility and calculate the tax credit, including income earned over the year.

Significant efforts have been made by Revenu Québec and the Ministère du Travail, de l'Emploi et de la Solidarité sociale to encourage social assistance recipients to file an income tax return. Despite these efforts, some recipients do not file tax returns and therefore do not have access to the amounts to which they are entitled.

In order to allow this clientele to benefit from the amounts to which they are entitled, the government will pay the basic amount of the QST component of the CIS to individuals who were recipients of social assistance in December 2018[4] and who did not file their income tax returns for the 2018 taxation year. This action makes it possible to respond to the Québec Ombudsperson's recommendation.

- The amount paid will be $292 per adult and will cover the period from July 2019 to June 2020.
- Revenu Québec will pay this amount by June 2020.

The terms of payment are set out in the information bulletin that accompanies this document and will apply as of taxation year 2018.

4 The CIS parameters provide that the eligibility of taxpayers is assessed on the basis of the situation as at December 31 of the year.

On the other hand, the filing of an income tax return and Schedule D will still be required to benefit fully from the amounts under the CIS. For example, a person living alone who files an income tax return and Schedule D could receive additional financial assistance in 2019-2020 of:

— $139 for the additional amount for a person living alone under the QST component;[5]

— $567 under the housing component;[6]

— $1 719 under the component for individuals living in northern villages.[7]

That is why Revenu Québec and the Ministère du Travail, de l'Emploi et de la Solidarité sociale will continue their efforts to help social assistance recipients file their income tax return to make sure that they benefit from all the tax assistance measures to which they are entitled. Revenu Québec already offers assistance to people who need help filing their income tax return through its volunteer program.

5 An individual is eligible for this supplement if he or she lived alone, that is, without another person aged 18 or over throughout the reference year.

6 An individual living alone is eligible for this component if, at the end of the reference year, he or she was the owner or a tenant or subtenant of an eligible dwelling. An eligible dwelling is generally a private dwelling for which no government subsidy is paid.

7 An individual living alone is eligible for this component if, at the end of the reference year, he or she lived in one of the 14 northern villages.

1.6 Reduction in healthcare institution parking fees

The government is committed to reducing healthcare institution parking fees.

As a result, the daily rates for parking at hospitals, CHSLDs and CLSCs will be:

— free for the first two hours;

— progressive between two and four hours;

— capped at $10 in urban areas and $7 in other regions for a period of more than four hours.

Patients, as well as family and friends who support them, will therefore benefit from more affordable parking fees.

The Minister of Health and Social Services will present the terms and conditions of the new fee schedule in the coming weeks.

Investments of $25 million in 2019-2020, $120 million in 2020-2021 and 2021-2022, $132 million in 2022-2023 and $145 million in 2023-2024 are planned to:

— ensure the implementation of this new fee schedule as of spring 2020;

— compensate healthcare institutions for the loss of revenue resulting from lower parking fees.

TABLE B.10

Financial impact of the reduction in healthcare institution parking fees
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Reduction in healthcare institution parking fees(1)	–25.0	–120.0	–120.0	–132.0	–145.0	–542.0

(1) Additional appropriations totalling $542 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Santé et des Services sociaux.

1.7 More than $8.1 billion for the benefit of Quebecers since 2018

All of the actions implemented by the government since the fall 2018 update will enable it to give back to Quebecers more than $8.1 billion by 2023-2024.

TABLE B.11

Financial impact of the measures for the benefit of Quebecers since the fall 2018 *Update on Québec's Economic and Financial Situation*
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
New actions							
Full enhancement of the family allowance	—	–132.2	–532.8	–548.0	–560.8	–572.0	–2 345.8
Immediate elimination of the additional contribution for childcare	—	–161.4	–55.2	–17.0	—	—	–233.6
Introduction of a second level for the SHCREC(1)	—	–13.7	–49.5	–32.4	–33.0	–33.7	–162.3
Reduction in healthcare institution parking fees	—	–25.0	–120.0	–120.0	–132.0	–145.0	–542.0
Subtotal	**—**	**–332.3**	**–757.5**	**–717.4**	**–725.8**	**–750.7**	**–3 283.7**
Actions already implemented since the fall 2018							
Partial enhancement of the family allowance	–61.9	–249.6	–256.6	–263.1	–270.1	–277.0	–1 378.3
Freeze and gradual elimination of the additional contribution for childcare	–5.6	–43.4	–118.2	–162.0	–184.8	–190.7	–704.7
Increase in the exemption for support payments in respect of dependent children	—	–28.4	–36.2	–36.2	–36.2	–36.2	–173.2
See to succeed	—	—	–36.0	–36.0	–36.0	–36.0	–144.0
Gradual standardization of school tax rates	—	–200.0	–266.9	–262.1	–256.5	–251.2	–1 236.7
Introduction of the senior assistance amount	–102.4	–107.6	–113.6	–118.6	–123.6	–128.9	–694.7
Banking on career extension for workers aged 60 or over	—	–104.5	–105.6	–106.6	–107.7	–108.8	–533.2
Sous-total	**–169.9**	**–733.5**	**–933.1**	**–984.6**	**–1 014.9**	**–1 028.8**	**–4 864.8**
TOTAL	**–169.9**	**–1 065.8**	**–1 690.6**	**–1 702.0**	**–1 740.7**	**–1 779.5**	**–8 148.5**

(1) This is the supplement for handicapped children requiring exceptional care.

2. TARGETED INITIATIVES TO MEET SPECIFIC NEEDS

In the fall 2019 Update on Québec's Economic and Financial Situation, the government is addressing specific needs, in particular support for municipalities and the modernization of certain industries.

A new five-year partnership agreement has been signed to increase support for municipalities and regions, this new agreement represents additional investments of nearly $1.1 billion by 2023-2024.

Faced with the print media crisis, the government acted quickly to help print media companies better adapt to the digital economy and protect media diversity. A new plan including assistance for the print media of more than $50 million per year at maturity was therefore announced on last October 2.[8]

To support the transformation of the traditional taxi industry, the government announced additional investments of $300 million to promptly help taxi permit holders.

Moreover, the electricity discount programs will be extended by four years to foster investments in large industrial businesses and greenhouses.

Overall, these initiatives represent more than $1.4 billion over five years.

TABLE B.12

Financial impact of targeted initiatives to meet specific needs
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Partnership 2020-2024: Towards stronger municipalities and regions	–250.0	–76.8	–153.8	–276.1	–335.0	–1 091.7
New support plan for print media companies	–5.0	–38.6	–40.9	–50.3	–53.9	–188.7
Modernizing the taxi industry to provide users with an efficient, modern and fair service	–270.0	–3.5	40.0	45.0	45.0	–143.5
Extending the electricity discount programs(1)	—	—	—	—	—	—
TOTAL	**–525.0**	**−118.9**	**−154.7**	**−281.4**	**−343.9**	**−1 423.9**

(1) This enhancement has no financial impact until 2029.

[8] The announcement was made jointly by the Minister of Finance and the Minister of Culture and Communications during a press conference. The details of this announcement were also presented in the press release entitled “Le gouvernement annonce un nouveau plan d’aide pour soutenir les médias écrits du Québec”.

2.1 Partnership 2020-2024: Towards stronger municipalities and regions

The Québec government, the Fédération québécoise des municipalités, the Union des municipalités du Québec, the Ville de Montréal and the Ville de Québec have agreed on a new partnership for the years 2020 to 2024.

This new agreement will support services provided to all citizens, in particular through the increase in municipal revenues resulting from a new transfer to municipalities which is equivalent to the value of a one-point growth in the QST.

In addition, this partnership will contribute to the development of all regions of Québec through:

— the creation of the regions and rurality fund which will boost local and regional development and inter-municipal cooperation as well as foster the occupancy and vitality of territories;

— the renewal of the funds granted to the Fonds de développement économique de Montréal and the Fonds de la région de la Capitale-Nationale;

— the increase in the amounts granted for the sharing of natural resource royalties, municipal equalization and compensations in lieu of taxes for public lands.

Moreover, to support municipalities as early as 2020, the government has earmarked additional investments of $200 million for local roads and a one-time investment of $70 million for their operation.

These initiatives are in addition to the renewal of all the measures provided for in the previous agreement.

The government is thereby showing that it is committed to establishing a true partnership with the municipal sector in order to maintain and enhance public services throughout Québec.

TABLE B.13

Financial impact of Partnership 2020-2024: Towards stronger municipalities and regions
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Sharing the one point growth in the QST(1)	—	—	–80.9	–148.8	–192.4	–422.1
Special operating allowance(1)	–70.0	—	—	—	—	–70.0
Regions and rurality fund(1)	—	–49.3	–41.3	–39.3	–48.3	–178.2
Fonds de développement économique de Montréal(2)	—	—	—	–50.0	–50.0	–100.0
Local road assistance(3)	–180.0	–20.0	–6.6	–13.0	–19.3	–238.9
Sharing of royalty revenues from natural resources(1)	—	–4.0	–13.0	–13.0	–13.0	–43.0
Equalization grant(1)	—	–2.0	–7.0	–7.0	–7.0	–23.0
Compensation in lieu of taxes for public lands(1)	—	–1.5	–5.0	–5.0	–5.0	–16.5
TOTAL	**–250.0**	**–76.8**	**–153.8**	**–276.1**	**–335.0**	**–1 091.7**

(1) Additional appropriations totalling $752.8 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère des Affaires municipales et de l'Habitation.
(2) Additional appropriations totalling $100 million for the period 2022-2023 to 2023-2024 will be granted to the Ministère de l'Économie et de l'Innovation.
(3) Additional appropriations totalling $238.9 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère des Transports.

2.2 New support plan for print media companies

The print media market is facing significant challenges caused by the digital environment that are disrupting the various actors' business model. The erosion of advertising revenues threatens the viability of several Québec print media companies, whose role is essential to ensure the dissemination of original and public-interest information throughout the province.

Given the urgency of the situation, the government announced on October 2 a new support plan for print media companies that includes the following initiatives in a number of areas:

- a new refundable tax credit to support the salaries of newsroom employees and staff related to the use of information technology in the print media;
- a one-year extension of the refundable tax credit to support the digital transformation of print media companies;
- a two-year extension, as well as the enhancement of budget support programs for print media companies;
- enhanced assistance to fully offset the financial contribution that print media companies must make to municipalities for selective collection services.

In addition, the government announced that it intends to review its advertising placement policy in order to better support regional print media companies. Details of this new policy will be announced at a later date by the Minister of Culture and Communications.

These initiatives will provide additional support totalling approximately $50 million per year for print media companies. A re-evaluation of this support plan will be conducted by 2023-2024 to ensure that the plan meets its objectives.

TABLE B.14

Financial impact of the new support plan for print media companies
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
New tax credit to support print media companies	–3.2	–31.7	–32.2	–34.3	–35.4	–136.8
Extending the tax credit to support the digital transformation of print media companies	—	—	—	—	–2.5	–2.5
Extending and enhancing budget support programs to support print media companies(1)	–1.0	–1.0	–1.0	–6.0	–6.0	–15.0
Supporting print media companies for the costs of selective collection services(1)	–0.8	–5.9	–7.7	–10.0	–10.0	–34.4
TOTAL	**–5.0**	**–38.6**	**–40.9**	**–50.3**	**–53.9**	**–188.7**

(1) Additional appropriations totalling $49.4 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Culture et des Communications.

2.2.1 New tax credit to support print media companies

To enable print media companies to meet the challenges they face, the government announced the introduction of the refundable tax credit to support print media companies.

This tax credit is intended for media that produce and disseminate daily or periodically original written content on general interest news specifically aimed at the Québec population.

In short, the 35% refundable tax credit applies to salaries incurred after December 31, 2018 for employees whose duties relate to:

- the production of original written information content;
- the carrying out of information technology activities relating to the production or dissemination of such content.

This tax credit could reach $26 250 annually per employee, with an annual salary cap of $75 000 per employee.

2.2.2 Extending the tax credit to support the digital transformation of print media companies

The tax credit to support the digital transformation of print media companies was introduced in March 2018 and scheduled to end on December 31, 2022.

The rate of the refundable tax credit, set at 35%, applies to expenses related to the development or integration of digital technologies or tools for the adaptation of the digital media offering of print media companies. This tax credit contributes to improving their marketing capacity, which can provide new sources of income.

Under the new support plan for print media companies, this tax credit is extended by one year, that is, until December 31, 2023.

2.2.3 Extending and enhancing budget support programs to support print media companies

The government plans to extend by two years, that is, until 2023-2024, two assistance measures under the responsibility of the Ministère de la Culture et des Communications, namely:

- the Programme d'aide à l'adaptation numérique des entreprises de la presse d'information écrite (PAANEPIE), which aims to stimulate the adaptation of print media companies' business models by supporting the start or continuation of their digital shift;
- the enhancement, for print media companies, of the Aide au fonctionnement pour les médias communautaires program, which helps to diversify the offering of Québec local and regional information and fosters community participation in their activities.

In addition, the PAANEPIE will be enhanced, in particular through:

- the increase from 50% to 65% in the maximum rate of assistance that can be granted for each project carried out by print media companies;
- the granting of financial assistance for training projects, studies or support activities submitted by grouping organizations with regard to digital adaptation.

Details of these changes will be announced at a later date by the Minister of Culture and Communications.

2.2.4 Supporting print media companies for the costs of selective collection services

Municipalities receive compensation from the companies that generate recyclable materials. This compensation covers the costs related to the collection, transport, sorting and packaging of recyclable materials such as containers, packaging, printed matter and newspapers.

- To this end, print media companies are expected to cover the costs of selective collection activities related to the newspapers they publish.

Since 2017-2018, the government has provided specific financial assistance to print media companies to reduce the costs relating to selective collection services.

To further help print media companies who are faced with the technological transition while maintaining the current system for compensating municipalities, the government announced a $34.4-million increase in the available assistance, which will fully offset the financial contribution of print media companies to the costs of selective collection services until 2023-2024.

2.3 Modernizing the taxi industry to provide users with an efficient, modern and fair service

The government is committed to modernizing the taxi industry and promoting the implementation of new technologies for the benefit of all users.

In this respect, the adoption of the draft bill respecting remunerated passenger transportation by automobile will ensure that a new legal framework model that is fair to all users is put in place.

To support the transformation of the traditional taxi industry, the government has announced an additional $300 million in financial assistance to support:

- faster payment of compensations equivalent to the cost of licence acquisition by taxi permit holders;
- funding for the assistance program for the special needs of certain taxi permit holders.

A royalty of $0.90 per taxi ride will be charged to fund the additional assistance.

This assistance is in addition to the $250 million already paid in 2018 and the additional $250 million announced in the 2019-2020 budget.

TABLE B.15

Financial impact of the modernization of the taxi industry to provide users with an efficient, modern and fair service
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Financial support for the modernization of the taxi industry(1)	–270.0	–25.0	–5.0	—	—	–300.0
Royalty on remunerated passenger transportation by automobile(2)	—	21.5	45.0	45.0	45.0	156.5
TOTAL	**–270.0**	**–3.5**	**40.0**	**45.0**	**45.0**	**–143.5**

(1) The funds will be drawn from the Land Transportation Network Fund.
(2) The funds will be charged to the Land Transportation Network Fund. The collection of the royalty ceases on the date of publication of a notice by the Minister of Transport in the *Gazette officielle du Québec* stating that the royalties has generated revenue corresponding to the cost of the programs concerned, including the average cost of borrowing by the government during the collection of the royalty.

2.4 Extending the electricity discount programs

Electricity discount programs[9] support investment projects related to the conversion of production processes, start-up or increase of production, and improvement of business productivity.

Since 2016, these programs have enabled numerous investment projects and proved to be important levers for Québec's economic development.

- As at October 18, 2019, 114 applications from major industrial companies and commercial greenhouses have been certified. These applications come from 74 companies and represent a total of more than $3.7 billion in investments.

In order to further encourage investment by large industrial companies and commercial greenhouses, the government, in the fall 2019 *Update on Québec's Economic and Financial Situation*, plans to postpone by four years:

- the deadline for applying for the programs, from December 31, 2019 to December 31, 2023;
  - Projects must be submitted in the year in which they will be initiated or in the year preceding the start of the project.
- the end of the investment period, from December 31, 2021 to December 31, 2025;
- the discount application period, from December 31, 2028 to December 31, 2032.

In addition, the maximum duration of the discount for large projects[10] is extended from six to eight years.

The announced extension also applies to investments already submitted.

With respect to greenhouses, municipal and private electricity systems serve consumers who are not connected to the Hydro-Québec grid. As a result, some greenhouses do not have access to the Electricity Discount Program to Promote Greenhouse Development. In order to make it accessible to all commercial greenhouses in Québec, regardless of their electricity supplier, this program will be adapted and administered by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation starting January 1, 2020.

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[9] The Electricity Discount Program Applicable to Consumers Billed at Rate L, the Electricity Discount Program to Promote Greenhouse Development and the Electricity Discount Program for Large Power Consumers Served by Off-Grid Systems.

[10] These are projects of $250 million or more for consumers billed at Rate L and large power consumers served by Hydro-Québec's off-grid systems, and $5 million or more for consumers operating a commercial greenhouse.

Given that the extension of the discount application period applies beyond 2028, no financial impact is observed for the current financial framework. The extension of the programs will foster additional investments estimated at $3 billion in all regions of Québec.

Using clean electricity produced in Québec to encourage investments

Principal parameters of the Electricity Discount Program Applicable to Consumers Billed at Rate L and the Electricity Discount Program for Large Power Consumers Served by Off-Grid Systems

Electricity discount programs applicable to these users consist in granting eligible projects a maximum electricity discount of 20% over a period of four years, providing a reimbursement that may reach 40% of eligible investments made. In addition:

– for projects that reduce greenhouse gas emissions by 20%, the refund can reach 50% of eligible investments;

– for projects of $250 million or more, an electricity discount may be granted for a maximum period of eight years.

To be eligible for electricity discounts, business projects must be carried out in Québec and reach a minimum investment threshold, corresponding to the lesser of 40% of the annual electricity cost and $40 million in investments.

Projects must be submitted by December 31, 2023 and implemented by December 31, 2025. The discount application period end date is December 31, 2032.

Main parameters of the Electricity Discount Program to Promote Greenhouse Development

The Electricity Discount Program to Promote Greenhouse Development consists in granting eligible projects assistance equivalent to a maximum electricity discount of 20% over a period of four years, providing a reimbursement that may reach 40% of eligible investments made. In addition:

– for projects to convert heating systems to electricity, the reimbursement could cover up to 50% of eligible costs;

– for projects of $5 million or more, the assistance can be granted for a maximum of eight years.

To be eligible for the program, projects must be carried out in Québec in a greenhouse whose activities are of a commercial nature and reach a minimum investment threshold of $125 000.

Projects must be submitted by December 31, 2023 and be implemented by December 31, 2025. The assistance application period end date is December 31, 2032.

Note: All the parameters, terms and conditions of the electricity discount programs are available on the Ministère des Finances du Québec's website: http://www.finances.gouv.qc.ca.

3. FINANCIAL IMPACT OF THE MEASURES

TABLE B.16

Financial impact of the actions for the benefit of Québec
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
PUTTING MONEY BACK IN THE POCKETS OF QUEBECERS						
Full enhancement of the family allowance	–132.2	–532.8	–548.0	–560.8	–572.0	–2 345.8
Immediate elimination of the additional contribution for childcare(1)	–161.4	–55.2	–17.0	—	—	–233.6
Introduction of a second level for the SHCREC	–13.7	–49.5	–32.4	–33.0	–33.7	–162.3
Reduction in healthcare institution parking fees(2)	–25.0	–120.0	–120.0	–132.0	–145.0	–542.0
Payment of the solidarity tax credit to social assistance recipients	—	—	—	—	—	—
Total – Putting money back in the pockets of Quebecers	**–332.3**	**–757.5**	**–717.4**	**–725.8**	**–750.7**	**–3 283.7**
TARGETED INITIATIVES TO MEET SPECIFIC NEEDS						
Partnership 2020-2024: Towards stronger municipalities and regions						
Sharing the one-point growth in the QST(3)	—	—	–80.9	–148.8	–192.4	–422.1
Special operating allowance(3)	–70.0	—	—	—	—	–70.0
Regions and rurality fund(3)	—	–49.3	–41.3	–39.3	–48.3	–178.2
Fonds de développement économique de Montréal(4)	—	—	—	–50.0	–50.0	–100.0
Local road assistance(5)	–180.0	–20.0	–6.6	–13.0	–19.3	–238.9
Sharing of royalty revenues from natural resources(3)	—	–4.0	–13.0	–13.0	–13.0	–43.0
Equalization grant(3)	—	–2.0	–7.0	–7.0	–7.0	–23.0
Compensation in lieu of taxes for public lands(3)	—	–1.5	–5.0	–5.0	–5.0	–16.5
Subtotal – Partnership 2020-2024: Towards stronger municipalities and regions	**–250.0**	**–76.8**	**–153.8**	**–276.1**	**–335.0**	**–1 091.7**

TABLE B.16

Financial impact of the measures for the benefit of Québec (cont.)
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
New support plan for print media companies						
New tax credit to support print media companies	–3.2	–31.7	–32.2	–34.3	–35.4	–136.8
Extending the tax credit to support the digital transformation of print media companies	—	—	—	—	–2.5	–2.5
Extending and enhancing budget support programs to support print media companies(6)	–1.0	–1.0	–1.0	–6.0	–6.0	–15.0
Supporting print media companies for the costs of selective collection services(6)	–0.8	–5.9	–7.7	–10.0	–10.0	–34.4
Subtotal – New support plan for print media companies	**–5.0**	**–38.6**	**–40.9**	**–50.3**	**–53.9**	**–188.7**
Modernizing the taxi industry to provide users with an efficient, modern and fair service						
Financial support for the modernization of the taxi industry(7)	–270.0	–25.0	–5.0	—	—	–300.0
Royalty on remunerated passenger transportation by automobile(8)	—	21.5	45.0	45.0	45.0	156.5
Subtotal – Modernizing the taxi industry to provide users with an efficient, modern and fair service	**–270.0**	**–3.5**	**40.0**	**45.0**	**45.0**	**–143.5**
Extending the electricity discount programs(9)	—	—	—	—	—	—
Total – Targeted initiatives to meet specific needs	**–525.0**	**–118.9**	**–154.7**	**–281.4**	**–343.9**	**−1 423.9**
TOTAL	**–857.3**	**–876.4**	**–872.1**	**−1 007.2**	**−1 094.6**	**−4 707.6**

(1) Additional appropriations totalling $233.6 million for the period 2019-2020 to 2021-2022 will be granted to the Ministère de la Famille.
(2) Additional appropriations totalling $542 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Santé et des Services sociaux.
(3) Additional appropriations totalling $752.8 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère des Affaires municipales et de l'Habitation.
(4) Additional appropriations totalling $100 million for the period 2022-2023 to 2023-2024 will be granted to the Ministère de l'Économie et de l'Innovation.
(5) Additional appropriations totalling $238.9 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère des Transports.
(6) Additional appropriations totalling $49.4 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Culture et des Communications.
(7) The funds will be drawn from the Land Transportation Network Fund.
(8) The funds will be charged to the Land Transportation Network Fund. The collection of the royalty ceases on the date of publication of a notice by the Minister of Transport in the *Gazette officielle du Québec* stating that the royalties generate revenue corresponding to the cost of the programs concerned, including the average cost of borrowing by the government during the collection of the royalty.
(9) This enhancement has no financial impact until 2029.

Section C

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2019 AND 2020

SUMMARY

Despite a slowdown in global economic growth, Québec's economy is performing remarkably well and the forecast growth in 2019 has been adjusted upward to 2.4%.

The global economy is still growing, but at a more moderate pace. International trade barriers are impacting the growth of many economies.[1]

— Economic growth slowed in the second quarter in several major economies, including the United States, the euro area and China. In addition, real GDP contracted in Germany and the United Kingdom.

Global economic activity is forecast to expand by 3.1% in 2019 and 3.2% in 2020, after increasing by 3.6% in 2018.

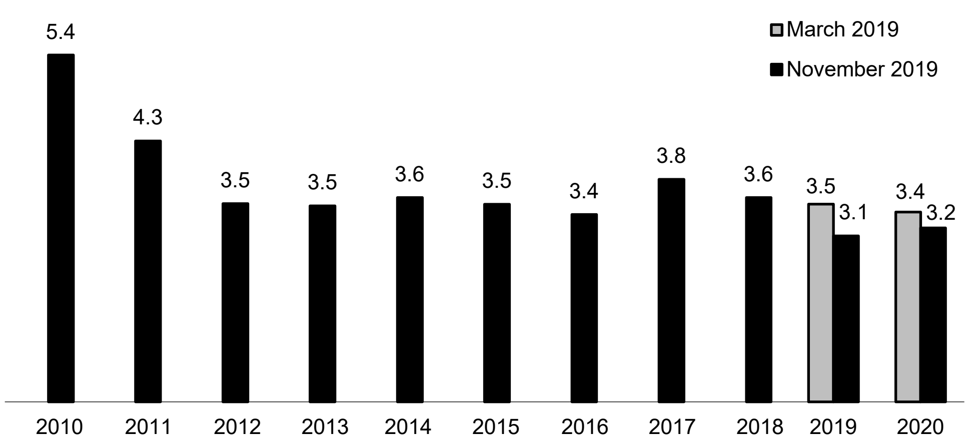
— The lowest growth rate since the start of the decade is expected in 2019, with a slowdown being seen across many countries.

More specifically, U.S. economic growth is expected to decelerate to 2.4% in 2019 and 1.8% in 2020, after reaching 2.9% in 2018.

Canada's real gross domestic product (GDP) is forecast to expand by 1.6% in 2019 and 2020, following 1.9% growth in 2018.

CHART C.1

Global economic growth
(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

1 Unless otherwise indicated, this section is based on data available as at October 18, 2019.

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 increases of 2.8% in 2017 and 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.

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

Québec is on track to rank first in provincial economic growth in Canada for the first time since the provincial economic accounts started in 1981. In 2020, the rate of real GDP growth in Québec is expected to continue exceeding the Canadian average.

In the coming years, Québec will have to count on higher labour productivity to increase the economy's growth potential.

— Québec is confronted with an aging population. This demographic change is exerting pressure on the labour market.

— In addition, Québec's employment rates for several age groups are among the highest in Canada. Consequently, this economic growth component as a source of expansion is limited.

— Against this backdrop, productivity gains hold the greatest potential for improving economic growth and the standard of living.

Despite these challenges, Québec's economy has continued to grow at a solid pace over the past few years, particularly with regard to labour market participation.

TABLE C.1

Economic growth
(real GDP, percentage change)

	2017	2018	2019	2020
Québec	2.8	2.5	2.4	1.8
Canada	3.0	1.9	1.6	1.6
United States	2.4	2.9	2.4	1.8
World	3.8	3.6	3.1	3.2

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

1. THE ECONOMIC SITUATION IN QUÉBEC

1.1 Ongoing dynamic economic growth

Québec has seen particularly dynamic economic activity in recent years. Despite a less favourable global context, the economy is expected to continue expanding in 2019 and 2020.

— Real GDP growth is forecast at 2.4% in 2019 and 1.8% in 2020. 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.

The government set itself a goal to increase the Québec economy's growth potential. A number of steps have been taken since fall 2018 to stimulate growth. In particular, the government has:

— introduced measures to give more than $8.1 billion back to Quebecers from 2018-2019 to 2023-2024, including cuts in school taxes, enhancement of the family allowance and further assistance for low-income seniors;

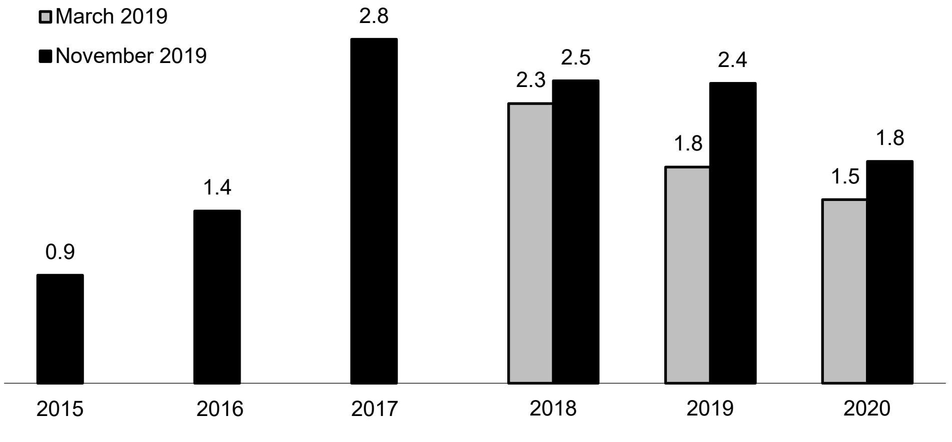
— structurally invested in sectors such as education and infrastructure to catch up and lay the foundations for sustained growth;

— encouraged private investment by introducing accelerated depreciation for investments and increased the incentives to keep experienced workers employed.

In 2019, a real GDP growth rate of over 2.0% is thus expected for the third year in a row, something not seen since 2000.

CHART C.2

Economic growth in Québec
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.2 Domestic demand to support economic activity

The March 2019 forecasts for Québec's real GDP growth have been adjusted upward by 0.6 percentage point for 2019 and 0.3 percentage point for 2020. Economic growth will stand at 2.4% in 2019 and 1.8% in 2020.

— The upward adjustment stems primarily from a stronger contribution from domestic demand to economic growth, driven mainly by an increase in residential investment.

Households will remain the main driver of growth in the coming years.

— Households continue to be in a favourable situation, which will sustain growth in consumer spending and the residential sector. Households will benefit from a dynamic labour market, wage and salary growth and the initiatives introduced by the Québec government in order to increase households' disposable income.

On the business side, non-residential investment is expected to continue rising, sustained by the initiatives announced by the Québec and federal governments as well as by still-low interest rates.

— In addition, in the context of a tightening labour market, businesses will need to raise their level of investment in order to improve their productivity and become more competitive.

— However, businesses will be prudent in the current climate of uncertainty in world trade.

TABLE C.2

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	2018	2019	2020
Contribution of domestic demand	**3.0**	**2.5**	**1.6**
– Household consumption	2.3	2.0	1.8
– Residential investment	3.9	4.5	−0.3
– Non-residential business investment	5.3	3.8	3.5
– Government spending and investment	3.0	2.2	0.8
Contribution of the external sector	**−0.2**	**0.0**	**0.2**
– Exports	3.6	0.6	2.3
– Imports	3.8	0.4	1.7
Contribution of inventories	**−0.2**	**−0.1**	**0.0**
REAL GDP	**2.5**	**2.4**	**1.8**

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ A surprisingly strong labour market

The labour market has been surprisingly dynamic in recent months.

— Québec gained 96 400 jobs between December 2018 and September 2019. By comparison, annual job creation averaged 38 900 in 2018.

— In September 2019, the unemployment rate stood at 4.8%, near the historic low. In addition, the employment rate reached 62.0%, the highest rate seen since Statistics Canada began its Labour Force Survey in 1976.

Employment growth will continue thanks to Québec's healthy economic situation.

— In 2019, an average of 80 000 jobs should be created and the unemployment rate should fall from 5.5% in 2018 to 5.0% in 2019.

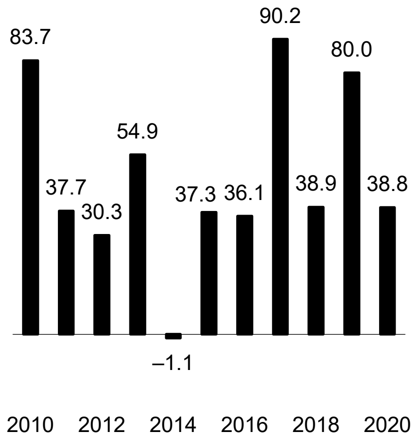
A smaller pool of potential workers, the already low unemployment rate and the high employment rate will put increasing pressure on the labour market and limit job gains in the coming years.

— In 2020, 38 800 jobs should be created and the unemployment rate is expected to fall to 4.9%.

The low unemployment rate allows people looking for a job to take advantage of labour market opportunities. Full use will have to be made of the available workforce in order to support economic growth in the years ahead.

CHART C.3

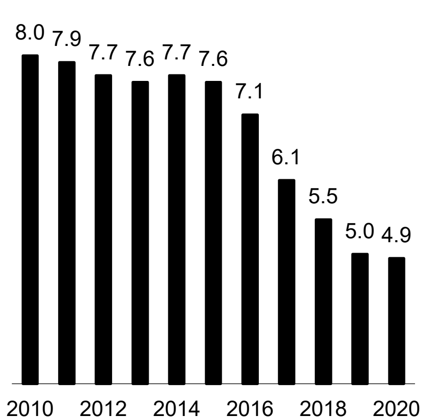
Job creation in Québec
(thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART C.4

Unemployment rate in Québec
(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

1.3 Wage growth to boost household consumption

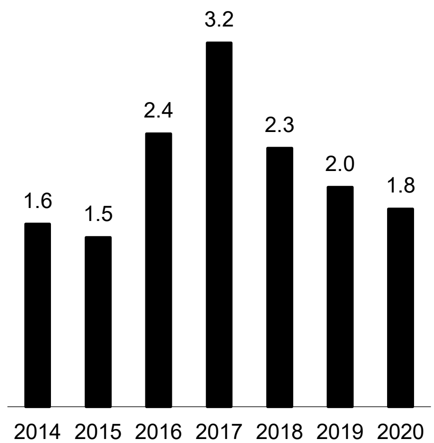
Benefiting from favourable conditions, households will increase their consumption expenditure by 2.0% in 2019 and 1.8% in 2020.

- The initiatives taken by the Québec government to support families, particularly the enhanced family allowance and elimination of the additional contribution for childcare, will increase households' disposable income.
- In the current context of labour shortage, the strong labour market favours faster wage growth.
  - Wages and salaries are projected to increase by 5.4% in 2019 and 4.5% in 2020, after rising by 5.2% in 2018. Two consecutive years of over 5.0% growth have not been seen since 2000.
- The low interest rates will continue to support consumption.

Furthermore, given households' willingness to exercise caution, the household saving rate is expected to rise from 5.4% in 2018 to 5.9% in 2019 and 6.1% in 2020, the highest rate seen since 1995.

CHART C.5

Household consumption expenditure in Québec
(percentage change, in real terms)

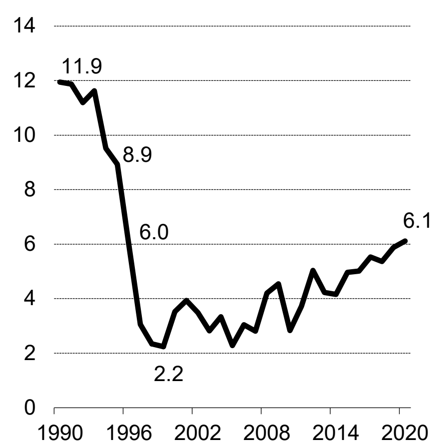


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.6

Household saving rate in Québec

(per cent)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.4 A continually strong residential sector

Québec's real estate sector remains vibrant. Residential investment is expected to go up by 4.5% in 2019.

— Housing demand is still being sustained by the strong job market and the decline in long-term interest rates since the beginning of the year.

— After hitting 46 900 units in 2018, the number of housing starts are expected to climb by 9.6%, to 51 400 units in 2019, a level not seen since 2010.

The level of residential investment should remain high in 2020 despite a 0.3% downturn.

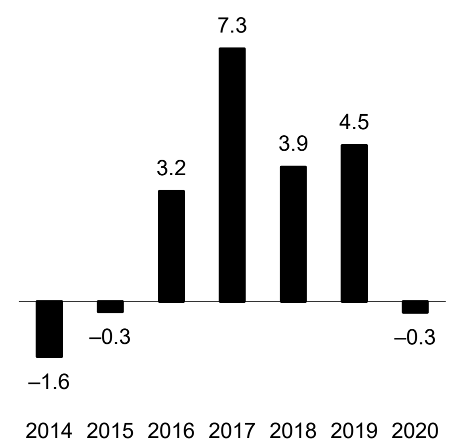
— Housing demand is expected to ease due to more modest employment gains and slower population growth.

— However, the continuing healthy economic situation and still-low interest rates should continue to support the residential sector.

— Consequently, 47 400 housing starts should be seen in 2020, a level that remains high. In fact, the number of new units built is forecast to remain above 45 000 for the fourth year in a row, exceeding the average for the last ten years.

CHART C.7

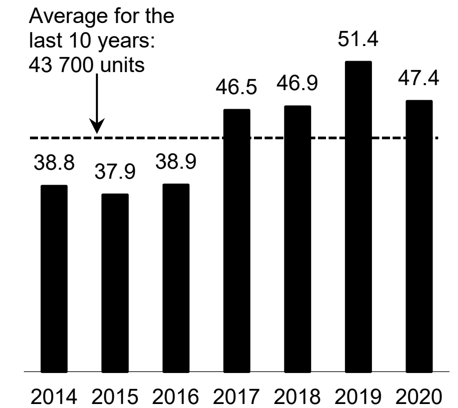
Residential investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.8

Housing starts in Québec
(thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

A booming housing market in Montréal

The housing market in the Montréal census metropolitan area (CMA) is still booming. The strength of the economy and labour market continues to fuel housing demand.

– More specifically, in 2017 and 2018, 116 100 jobs were created in the Montréal CMA, which represents nearly 90% of all new jobs added in Québec.

This favourable environment bolsters residential construction.

– After around 24 800 units in 2017 and 25 000 units in 2018, housing starts averaged 25 500 units in the first nine months of 2019, the highest level since 2004 (28 700 units for the whole year).

The dynamic residential sector is also reflected in the resale market. In January 2019, the sales-to-new-listings ratio (SNLR) in the Montréal CMA hit an all-time high of 0.80. In September, the SNLR was 0.79.

The real estate market is considered balanced when the SNLR is between 0.40 and 0.55. An SNLR above 0.55 is associated with a seller's market.

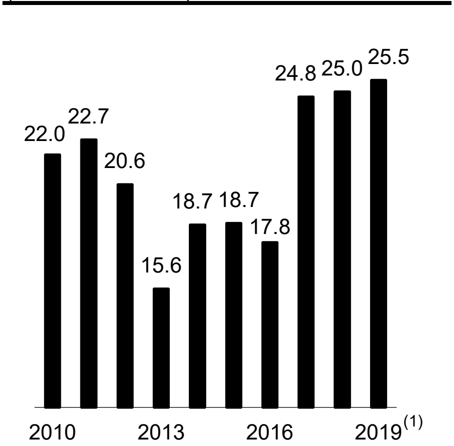
Despite the significant acceleration in the residential market, housing prices have increased at a moderate pace.

– The price for a resale home in the Montréal CMA rose by 4.2% annually, on average, from 2015 to 2018. By comparison, the average price increase for Québec as a whole was 3.5%.

– Housing prices have remained in line with fundamental economic determinants, particularly household income, which increased by 4.8% in 2018.

Housing starts in the Montréal CMA

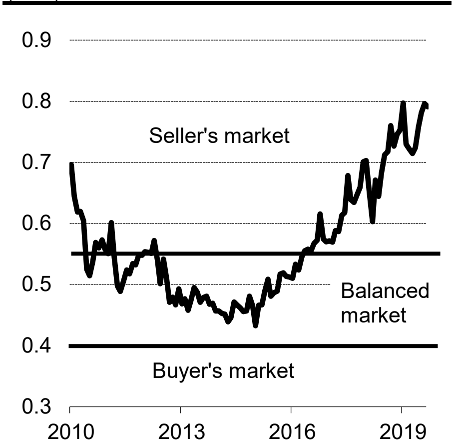
(thousands of units)



(1) Average for the first nine months of 2019.
Source: Canada Mortgage and Housing Corporation.

Sales-to-new-listings ratio in the Montréal CMA

(ratio)



Sources: Haver Analytics, Quebec Professional Association of Real Estate Brokers and Ministère des Finances du Québec.

A booming housing market in Montréal (cont.)

Montréal remains an affordable housing market

The average price of a home in the Montréal CMA resale market has risen faster than the price in Québec as a whole.

– In fact, the average price of a resale home in the Montréal CMA rose by 3.9% in 2016 (+3.0% for Québec as a whole), 5.5% in 2017 (+4.5%) and 5.8% in 2018 (+5.2%).

– On average, in the first nine months of 2019, prices were up by 5.5% in the Montréal CMA, compared to an increase of 4.7% in Québec as a whole.

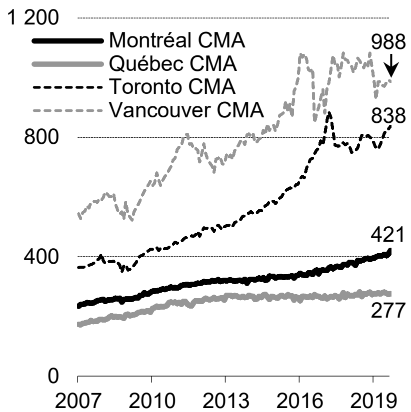
However, from 2015 to 2018, the average annual price growth in Montréal (+4.2%) was below that in Vancouver (+6.6%) and Toronto (+8.6%).

Prices dropped recently in the Toronto and Vancouver housing markets after they adjusted to the new regulations implemented by the federal and provincial governments to slow demand.

Even with the slowdown, housing prices are still considerably lower in Montréal than in Toronto and Vancouver.

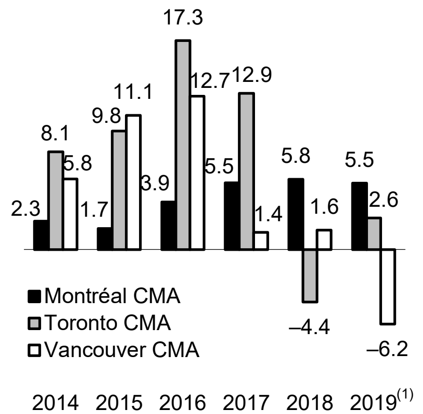
– In September 2019, the average property price in Montréal was $421 000 compared to $838 000 in Toronto and $988 000 in Vancouver.

Average housing price
(thousands of dollars)



Sources: Haver Analytics and Quebec Professional Association of Real Estate Brokers.

Average housing price
(percentage change)



(1) Cumulative for the first nine months of 2019 relative to the same period in 2018.
Sources: Haver Analytics and Quebec Professional Association of Real Estate Brokers.

Fewer foreign buyers in Québec and on the island of Montréal

The share of real estate transactions by foreign buyers[1] in Québec has dropped since the beginning of 2019, especially on the island of Montréal. This contrasts with the situation in 2017 and 2018, when the share of foreign buyers in all real estate transactions increased.

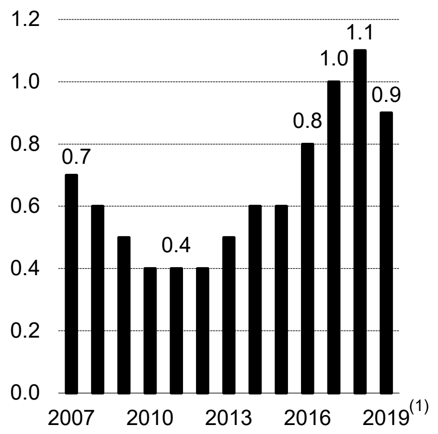
According to Québec land register data, the percentage of foreign buyers in all real estate transactions in Québec fell from 1.1% in 2018 to 0.9% in the first nine months of 2019.

- A similar situation has been seen on the island of Montréal, where the share of real estate transactions by foreign buyers fell from 3.4% in 2018 to 2.4%, on average, in 2019.
- In 2019, buyers from the rest of Canada accounted for 2.4% of transactions in Québec as a whole and 3.1% of transactions in Montréal.

Even if the proportion of foreign buyers has declined over the last few months, the government will continue to watch the real estate market in Québec.

Québec real estate transactions by foreign buyers

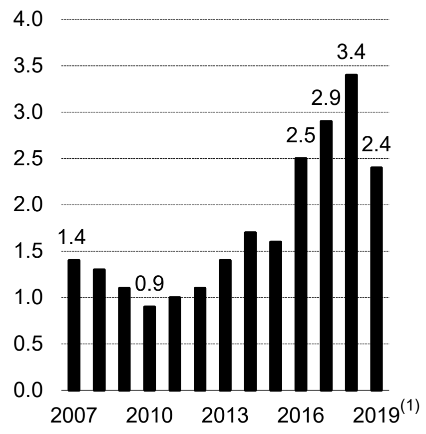
(percentage of total transactions in Québec)



(1) Cumulative for the first nine months of 2019.
Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

Island of Montréal real estate transactions by foreign buyers

(percentage of total transactions on the island of Montréal)



(1) Cumulative for the first nine months of 2019.
Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

1 "Foreign buyers" means buyers who, at the time of the real estate transaction, declared an address of residence outside Canada. This information, which appears in the notarial act, does not indicate the status of the buyer under the *Immigration and Refugee Protection Act*.

1.5 Favourable conditions for non-residential business investment

Following 5.3% growth in 2018, non-residential business investment is expected to continue climbing, with projected increases of 3.8% in 2019 and 3.5% in 2020. The increase will be supported by a number of factors, including:

— the accelerated depreciation measures introduced by the governments of Québec and Canada;

— the shrinking pool of available workers, which encourages businesses to invest in machinery and equipment to enhance their productivity;

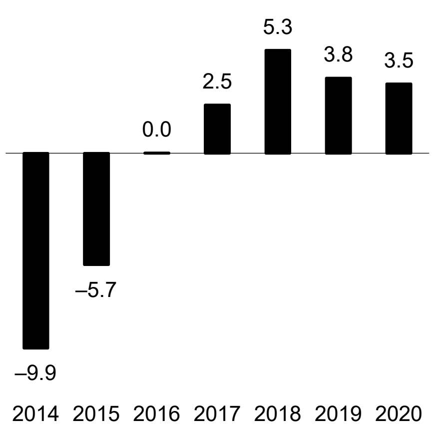
— financial conditions that remain favourable, with interest rates remaining low;

— good economic conditions and healthy public finances in Québec, which reinforce investor confidence.

Moreover, businesses will be prudent in the current climate of uncertainty caused by global trade tensions.

CHART C.9

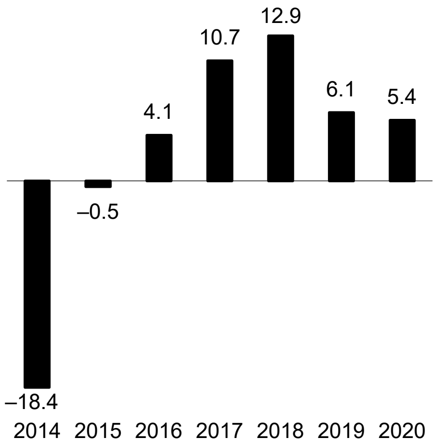
Total non-residential business investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.10

Investment in machinery and equipment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ More government investments in public infrastructure

Public administrations, such as the Québec government, municipalities and the federal government, will boost their investments in the coming years.

— In 2018, the value of investments by all levels of government reached $17.8 billion.

— It is expected to rise to $18.6 billion in 2019 and $19.5 billion in 2020.

More specifically, the Québec government will inject more funding into the 2019-2029 Québec Infrastructure Plan (QIP).

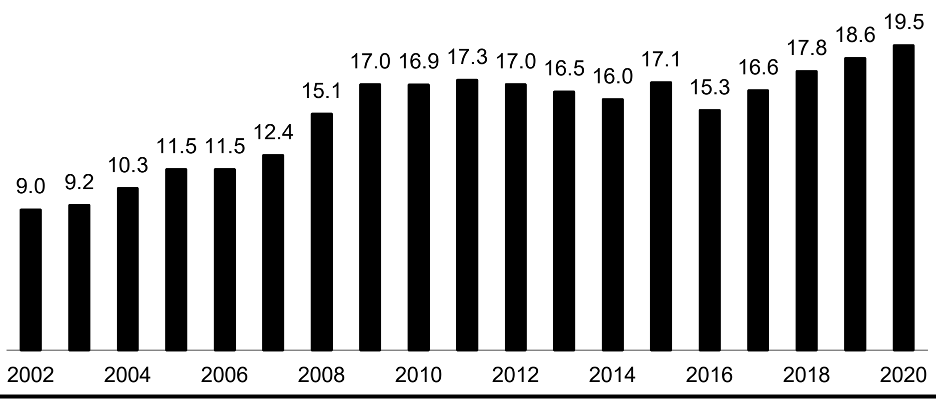
— To meet the public's significant infrastructure needs, the Québec government's *March 2019 Budget Plan* announced an additional $15.0 billion in investments under the 2019-2029 QIP.

— This increase will raise the total investments under the QIP to $115.4 billion over ten years, or roughly $11.5 billion a year from 2019-2020 to 2028-2029.

These investments are an important economic driver, as they ensure that public infrastructure is good-quality and modern.

CHART C.11

Government investments in Québec
(billions of dollars, in nominal terms)



Note: Government investments include investments by the Québec government, the federal government, local public administrations and Aboriginal public administrations.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.6 Slower growth in exports

Exports are expected to see moderate growth in the coming years, with forecast increases of 0.6% in 2019 and 2.3% in 2020. In 2018, exports grew by 3.6%. They will be supported by:

- the removal, in May 2019, of the U.S. tariffs on Canadian steel and aluminum;
- the favourable Canadian dollar exchange rate;
- growth in the U.S. economy;
- the Canada–United States–Mexico Agreement reached in 2018, which eases uncertainties.

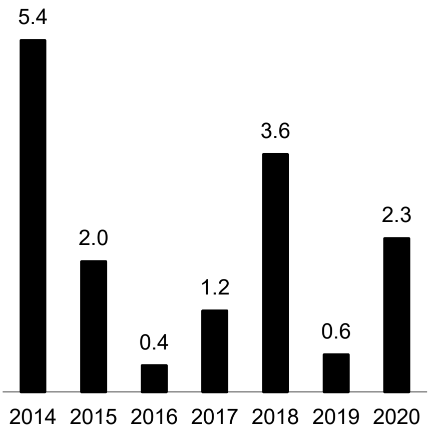
However, a slowdown in global economic activity and the adoption of certain restrictive trade measures, in particular the tariff measures imposed by China on Canadian pork and canola, are expected to dampen export growth.

Moreover, businesses will need to improve their competitiveness if they want to remain competitive in the global marketplace.

As for imports, slower growth is forecast in 2019 due to a more moderate increase in domestic demand. Import growth will decelerate from 3.8% in 2018 to 0.4% in 2019 and 1.7% in 2020.

CHART C.12

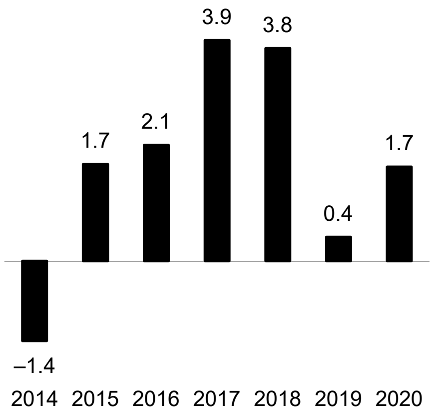
Québec's total exports
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.13

Québec's total imports
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.7 Continued strong growth in nominal GDP

Nominal GDP, which measures the value of output by taking into account the price effect, is forecast to grow by 3.9% in 2019 and 3.8% in 2020, after increasing by 4.2% in 2018.

Despite the slight deceleration, nominal GDP growth will still be strong.

— Economic activity will remain robust, in real terms, despite an anticipated slowdown in the second half of 2019 and into 2020.

— GDP prices will climb by 1.4% in 2019 and 2.0% in 2020. Note that the GDP deflator, the index that measures changes in GDP prices, is determined by two factors:

  — domestic demand prices, of which the consumer price index (CPI) is an important indicator. Positive trends in the economy will sustain CPI growth in the years to come,

  — the ratio of export prices to import prices, that is, the terms of trade. In 2019 and 2020, export prices will rise more slowly than import prices, which will put a drag on the GDP deflator.

❑ Faster inflation in the coming years

Inflation, as measured by consumer price increases, will accelerate in 2019. After a 1.7% increase in 2018, CPI growth will stand at 2.2% in 2019 and 2020.

— A sharp increase of such kind has not been seen since 2011.

The momentum in the economy coupled with strong wage growth in the last few years are leading to faster inflation. The increase is especially seen in service price trends.

TABLE C.3

Nominal GDP growth in Québec
(percentage change)

	2018	2019	2020
Real GDP	2.5	2.4	1.8
– March 2019	*2.3*	*1.8*	*1.5*
Prices – GDP deflator	1.7	1.4	2.0
– March 2019	*2.0*	*1.7*	*1.7*
NOMINAL GDP	**4.2**	**3.9**	**3.8**
– March 2019	*4.3*	*3.5*	*3.2*

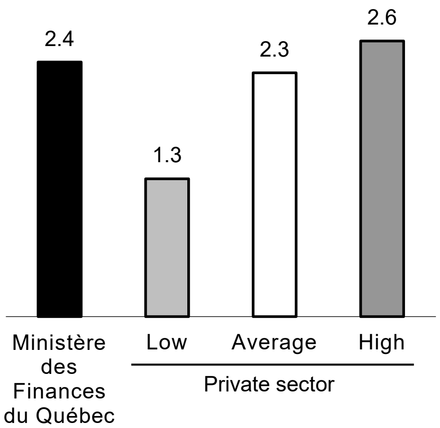
Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.8 Comparison with private sector forecasts

The Ministère des Finances du Québec's economic growth outlook for the coming years is comparable to the average private sector forecasts.

CHART C.14

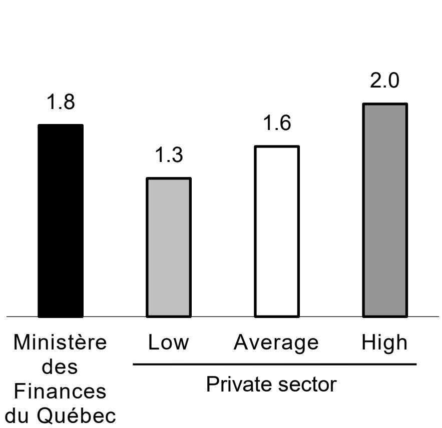
Economic growth in Québec, 2019
(real GDP, percentage change)



Sources: Ministère des Finances du Québec summary as of October 16, 2019, which includes the forecasts of 11 private sector institutions.

CHART C.15

Economic growth in Québec, 2020
(real GDP, percentage change)



Sources: Ministère des Finances du Québec summary as of October 16, 2019, which includes the forecasts of 11 private sector institutions.

TABLE C.4

Québec economic outlook – Comparison with the private sector
(percentage change)

	2018	2019	2020	2021	2022	2023	Average 2019-2023
Real GDP							
Ministère des Finances du Québec	2.5	2.4	1.8	1.3	1.3	1.3	1.6
Private sector average	—	2.3	1.6	1.5	1.4	1.5	1.6
Nominal GDP							
Ministère des Finances du Québec	4.2	3.9	3.8	3.1	3.1	3.1	3.4
Private sector average	—	4.0	3.5	3.4	3.3	3.4	3.5

Note: Averages may not add due to rounding.
Source: Ministère des Finances du Québec summary as of October 16, 2019, which includes the forecasts of 11 private sector institutions.

TABLE C.5

Economic outlook for Québec
(percentage change, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023
Output						
Real gross domestic product	2.5	2.4	1.8	1.3	1.3	1.3
– *March 2019*	*2.3*	*1.8*	*1.5*	*1.3*	*1.3*	*1.3*
Nominal gross domestic product	4.2	3.9	3.8	3.1	3.1	3.1
– *March 2019*	*4.3*	*3.5*	*3.2*	*3.0*	*3.0*	*3.1*
Components of GDP (in real terms)						
Household consumption	2.3	2.0	1.8	1.5	1.4	1.3
– *March 2019*	*2.6*	*2.0*	*1.5*	*1.4*	*1.4*	*1.4*
Government spending and investment	3.0	2.2	0.8	0.9	1.0	0.8
– *March 2019*	*2.6*	*1.7*	*1.0*	*0.6*	*0.8*	*1.0*
Residential investment	3.9	4.5	−0.3	−0.8	−0.2	0.2
– *March 2019*	*3.8*	*−0.8*	*0.1*	*0.2*	*0.2*	*0.3*
Non-residential business investment	5.3	3.8	3.5	2.1	2.3	2.2
– *March 2019*	*4.3*	*5.0*	*3.8*	*2.3*	*2.2*	*2.2*
Exports	3.6	0.6	2.3	2.1	2.0	1.9
– *March 2019*	*2.9*	*2.6*	*2.2*	*2.1*	*2.0*	*1.9*
Imports	3.8	0.4	1.7	1.7	1.7	1.7
– *March 2019*	*3.3*	*2.1*	*1.8*	*1.8*	*1.6*	*1.7*
Other economic indicators (in nominal terms)						
Job creation (thousands)	38.9	80.0	38.8	24.9	22.3	17.8
– *March 2019*	*38.9*	*38.8*	*27.1*	*23.0*	*20.0*	*15.0*
Unemployment rate (in per cent)	5.5	5.0	4.9	4.8	4.7	4.6
– *March 2019*	*5.5*	*5.4*	*5.3*	*5.2*	*5.1*	*5.0*
Household consumption excluding food expenditures and shelter	3.7	3.6	3.5	2.9	2.8	2.8
– *March 2019*	*4.2*	*2.8*	*3.0*	*2.7*	*2.8*	*2.8*
Wages and salaries	5.2	5.4	4.5	3.6	3.1	2.9
– *March 2019*	*5.0*	*3.2*	*3.1*	*3.0*	*3.0*	*2.9*
Household income	4.8	5.5	4.4	3.6	3.3	3.1
– *March 2019*	*4.4*	*3.4*	*3.4*	*3.2*	*3.1*	*3.1*
Net operating surplus of corporations	−0.1	0.9	3.0	3.2	3.3	3.4
– *March 2019*	*3.2*	*4.7*	*4.3*	*3.5*	*3.5*	*3.5*
Consumer price index	1.7	2.2	2.2	2.0	2.0	2.0
– *March 2019*	*1.7*	*1.4*	*2.0*	*2.0*	*2.0*	*2.0*

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

❑ Québec's economic activity is influenced by the situation of its main trading partners

In 2018, over 47% of Québec's nominal GDP was derived from goods and services exports around the world.

Canada was the recipient of nearly 30% of Québec's total merchandise exports, while the rest of the world accounted for roughly 70%. The United States alone was the destination of nearly 50% of Québec's merchandise exports.

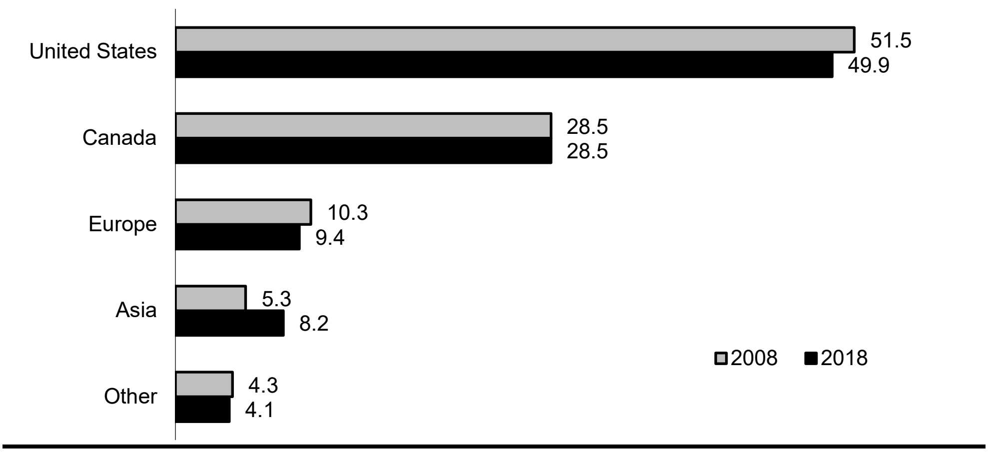
Consequently, trends in Québec exports and economic activity are largely influenced by the economic situation of the province's main trading partners, namely Canada and the United States.

— In Canada, real GDP is expected to expand by 1.6% in 2019 and 2020, after 1.9% growth in 2018.

— In the United States, real GDP growth should come in at 2.4% in 2019 and 1.8% in 2020, following an increase of 2.9% in 2018.

CHART C.16

Share of Québec's merchandise exports by destination
(percentage of total merchandise exports, in nominal terms)



Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.1 The economic situation in Canada

❑ Moderation in real GDP growth in 2019

After a slower start to the year, Canada's economy rebounded in the second quarter of 2019. Despite the upturn, the Canadian economy is expected to expand by just 1.6% in 2019 and 2020, after 1.9% growth in 2018.

— Economic growth is expected to decelerate in most provinces, particularly Ontario, where real GDP rose by 1.9% in the first two quarters of 2019 compared to the same period in 2018. Ontario's real GDP expanded by 2.3% in 2018.

— The situation remains tense in oil producing provinces. Global oil prices fell over the last few months, reflecting slower demand, among other things.

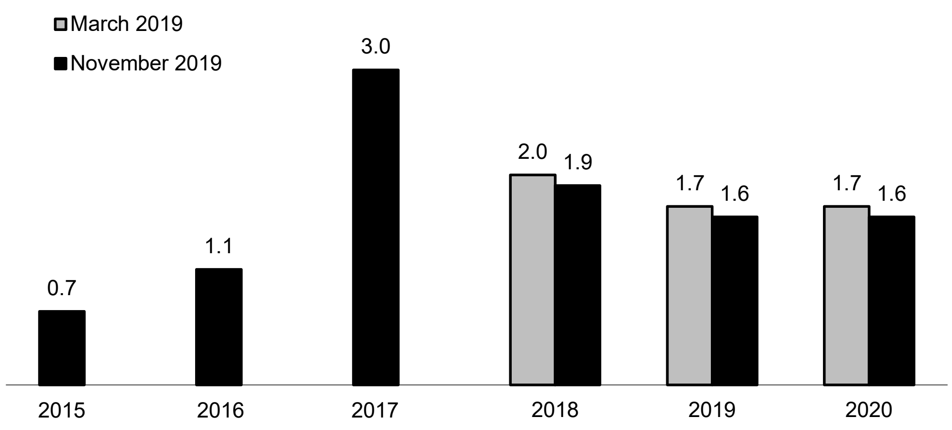
Households will continue to support Canada's economic growth.

— Strong job creation coupled with the drop in the unemployment rate are driving wage and salary growth, which helps boost consumption.

— In addition, after a difficult 18 months, the real estate market has strengthened since spring 2019. Interest rates have stabilized, population growth is sustained and the labour market is robust.

CHART C.17

Economic growth in Canada
(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Business investment weighing on economic growth in 2019

After increasing by 1.9% in 2018, real GDP will grow by 1.6% in 2019 and 2020, sustained primarily by household consumption expenditure, as businesses cut their investments in 2019.

Household spending will support economic activity in the coming years. Job creation is driving wage growth, which in turn is boosting household consumption expenditure.

Furthermore, after a difficult period, the housing market returned to growth in spring 2019. However, despite the upturn, residential investment will restrain economic growth in 2019.

Non-residential business investment is expected to decline in 2019 before picking up again in 2020. The anticipated decline in 2019 is due in part to the decrease in energy investment.

— Furthermore, in Ontario, non-residential business investment contracted by 2.4% in the first two quarters of 2019 compared to the same period in 2018, in spite of the tax incentives for investment.

The deceleration in global economic activity is expected to dampen the growth of Canadian exports.

TABLE C.6

Real GDP and its major components in Canada
(percentage change and contribution in percentage points)

	2018	2019	2020
Contribution of domestic demand	**2.0**	**1.1**	**1.6**
– Household consumption	2.1	1.8	1.9
– Residential investment	−1.5	−1.2	0.5
– Non-residential business investment	2.2	−1.7	3.0
– Government spending and investment	3.0	1.5	0.7
Contribution of the external sector	**0.1**	**0.6**	**0.2**
– Exports	3.2	2.6	2.2
– Imports	2.9	0.8	1.7
Contribution of inventories	**−0.3**	**−0.1**	**−0.2**
REAL GDP	**1.9**	**1.6**	**1.6**

Note: Totals may not add due to rounding.
Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Signs of recovery in the Canadian residential sector

The Canadian residential sector weakened during the past year. In particular, housing starts and resale transactions fell sharply between the beginning of 2018 and spring 2019.

— Deteriorating affordability, due in part to stricter mortgage rules and the high price of housing, has made it harder to purchase a home in Canada.

The housing market has nevertheless been showing signs of recovery since spring 2019, with housing starts and home sales returning to growth.

— Homebuyers have adapted to the measures introduced to calm Canada's biggest housing markets, especially Toronto and Vancouver.

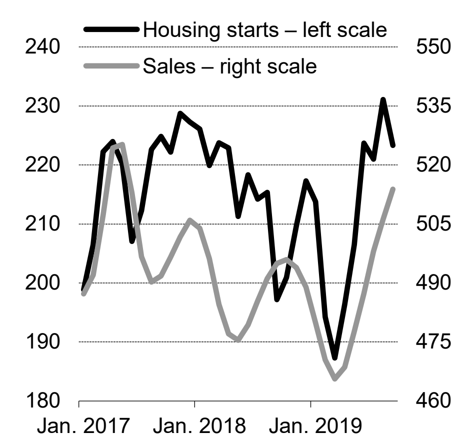
— In addition, the Bank of Canada halted interest rate hikes. Moreover, demand remains high due to the vibrant labour market.

Despite the upturn, residential investment is forecast to decline by 1.2% in 2019 before rising by 0.5% in 2020.

— Among other things, the number of housing starts is expected to decrease by 0.9% in 2019, to 211 000 units, and by 5.8% in 2020, to 198 700 units. Despite the downturn, the number of new units built will remain relatively high, surpassing the 200 000-unit threshold in 2019 for the third year in a row.

CHART C.18

Housing starts and home sales in Canada
(thousands of units, 3-month moving average)

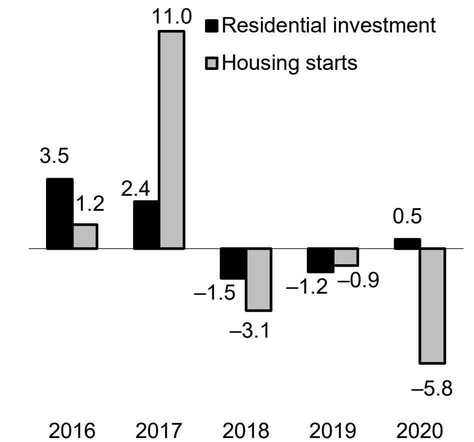


Sources: Canada Mortgage and Housing Corporation, Haver Analytics and Ministère des Finances du Québec.

CHART C.19

Residential investment and housing starts in Canada

(percentage change, in real terms)



Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

The risks on Canadian housing markets remain moderate

Canada's housing market has become less vulnerable in recent months, primarily due to the stricter mortgage rules.

- However, vulnerabilities still exist in some housing markets, in particular Toronto and Vancouver.

The Canada Mortgage and Housing Corporation (CMHC), which conducts quarterly risk assessments of the housing markets, gave the overall Canadian housing market a moderate vulnerability rating for the third quarter of 2019.

- Vancouver's housing market rating was changed to “moderate” after 12 straight quarters with a high degree of vulnerability.
- The Toronto housing market showed a high degree of vulnerability, with signs of overheating, price acceleration and overvaluation.
- By contrast, the degree of overall vulnerability remains low for Montréal for the 10th straight quarter despite some evidence of overheating as a result of the tightening between supply (new listings) and demand (home sales). According to the CMHC, house prices in this census metropolitan area (CMA) have remained in line with economic and demographic factors.
- Furthermore, the Québec CMA shows a low degree of overall vulnerability. According to the CMHC, there was no evidence of overvaluation in the Québec CMA, as house prices remain in line with economic and demographic factors.

Canadian housing market risk assessment, selected CMAs, third quarter 2019

	Vancouver	Toronto	Montréal	Québec	Canada
Overheating	Low	Moderate	Moderate	Low	Low
Price acceleration	Low	Moderate	Low	Low	Low
Overvaluation	Moderate	Moderate	Low	Low	Moderate
Overbuilding	Low	Low	Low	Low	Low
Overall assessment	**Moderate**	**High**	**Low**	**Low**	**Moderate**

Source: Canada Mortgage and Housing Corporation.

❑ Trade tensions weigh on investment

Non-residential business investment is expected to contract by 1.7% in 2019 before returning to growth and increasing by 3.0% in 2020.

— The global economic slowdown and the trade restrictions enacted by China are lowering business expectations with regard to external demand. As a result, businesses will tend to be prudent in their investment decisions.

— However, the accelerated depreciation measures announced in fall 2018 coupled with low borrowing costs will support business investment in the coming years.

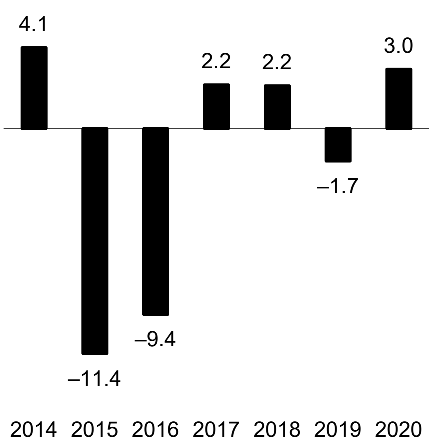
The impact of these measures will not be enough to offset the downturn in energy investment in 2019.

— Despite the easing of oil production limits, the restrictions on production imposed by the Government of Alberta continue to dampen business investment.

CHART C.20

Non-residential business investment in Canada

(percentage change, in real terms)

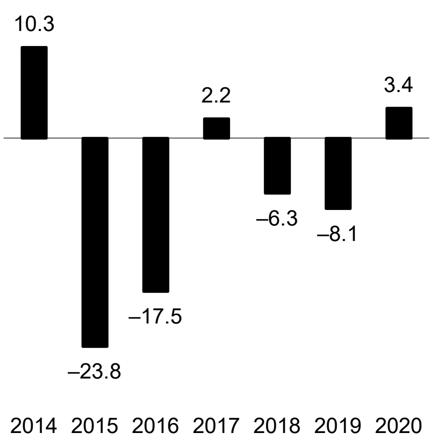


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART C.21

Non-residential business investment in Canada's energy sector

(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.2 The economic situation in the United States

❑ Trade tensions weighing on U.S. economic outlook

After increasing by 2.9% in 2018, U.S. real GDP growth is projected to moderate to 2.4% in 2019 and 1.8% in 2020.

— This forecast is unchanged from the *March 2019 Budget Plan*.

U.S. real GDP growth will continue to benefit from a rise in household consumption expenditure driven by the strong labour market.

In addition, the U.S. Congress raised the spending cap until 2021. As a result, public spending growth over the next two years will boost the economy.

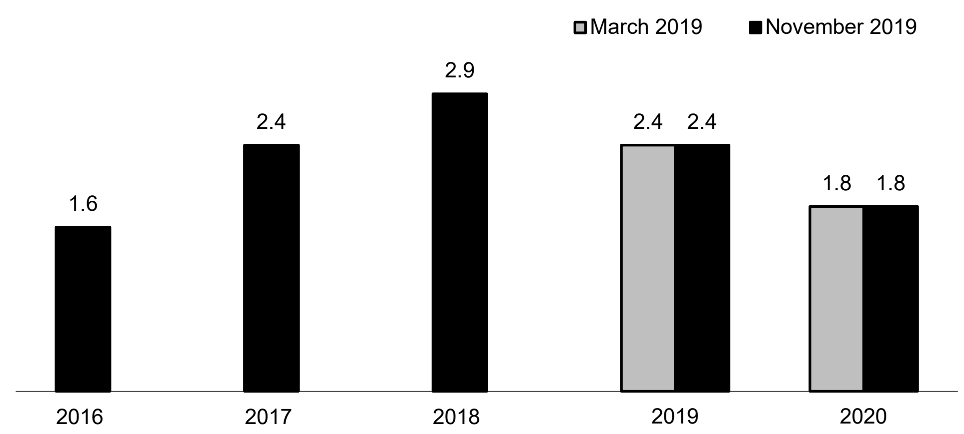
U.S. economic growth is being held back primarily by the trade tensions with China.

— The U.S. government has raised tariffs on imports from China several times since April and the Chinese government has retaliated with its own measures.

— The escalation of the trade dispute has impacted business confidence and manufacturing output in the United States, in addition to increasing financial market volatility.

CHART C.22

Economic growth in the United States
(real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ Climate of uncertainty restraining business investment and trade

Business investment growth slowed in the first half of 2019 and it is expected to continue. The Chinese-U.S. trade tensions have considerably increased uncertainty.

— Business confidence and investment intentions have slid in recent months. In the current climate, businesses have been hesitant to invest.

Consequently, after increasing by 6.4% in 2018, non-residential business investment is expected to moderate and increase by 3.2% in 2019 and 2.3% in 2020.

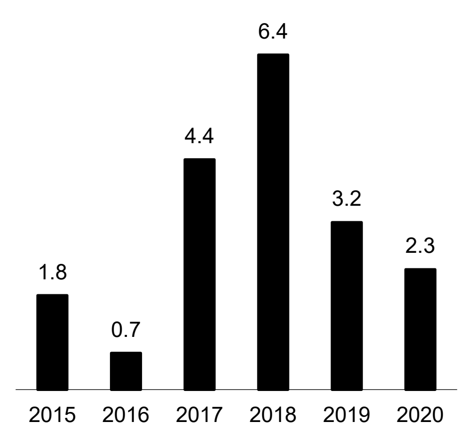
The heightened trade tensions will also weigh on exports and imports, with higher tariffs causing a significant slowdown in the volume of trade in 2019.

— Nearly all U.S. goods imports from China will be subject to tariffs as of December 15, 2019 should the last set of planned tariffs be implemented. However, negotiations in this regard are ongoing.

Consequently, export growth is expected to decelerate to 0.3% in 2019 and then pick up pace and increase to 2.7% in 2020, after 3.0% growth in 2018. Imports are projected to grow by 2.0% in 2019 and 3.3% in 2020, after climbing by 4.4% in 2018.

CHART C.23

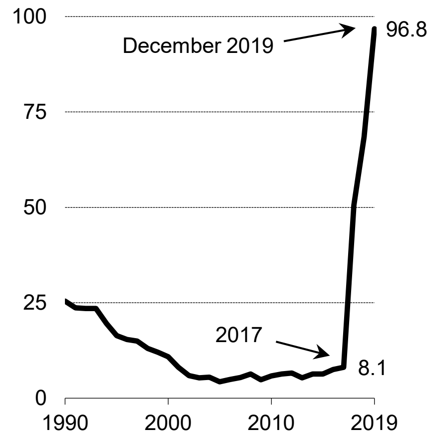
Business investment in the United States
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART C.24

Share of U.S. goods imports from China subject to tariffs
(percentage of total imports)



Source: Peterson Institute for International Economics.

U.S. manufacturing sector affected by trade tensions

Expansion of the manufacturing sector dampened by the trade dispute

The negative impacts of the trade dispute between the United States and China have been felt in the U.S. manufacturing sector especially. The majority of advanced economies are seeing a manufacturing slowdown.

In August, the U.S. manufacturing ISM (Institute for Supply Management) purchasing managers' index fell below 50 points for the first time in three years, signalling a contraction in manufacturing output.

– The companies surveyed cited uncertainty over trade policy and rising costs from tariffs as the main factors restraining manufacturing output.

In addition, a significant slowdown in the creation of manufacturing jobs can be seen, with only 41 000 jobs being added since the beginning 2019, compared to 188 000 jobs during the same period in 2018.

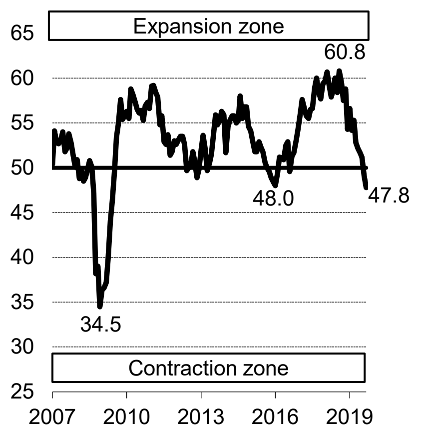
Disturbance in supply chains

As a result of the hike in tariffs on imports from China, U.S. companies have moved to find alternative supply sources. In fact, the value of U.S. imports from China has dropped since the first tariffs took effect.

– The downturn has been offset by a sharp increase in the value of imports from neighbouring economies of China, especially those of Vietnam and Taiwan, which saw their exports to the United States jump in 2019.

U.S. manufacturing ISM index

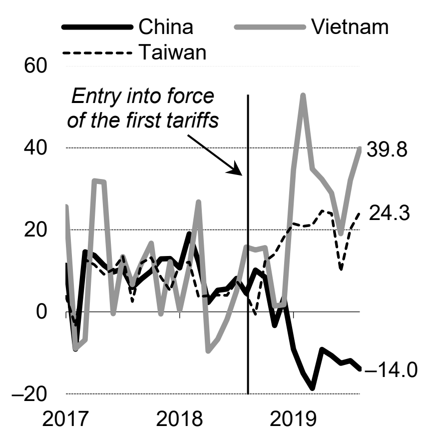
(diffusion index)



Source: Datastream.

U.S. goods imports

(annual percentage change, in nominal terms)



Source: United States Census Bureau.

❑ Household and government spending to continue supporting the U.S. economy

Household consumption expenditure should continue being a major driver of economic growth in the United States. Growth rates of 2.6% in 2019 and 2.2% in 2020 are forecast, following 3.0% growth in 2018.

— U.S. consumers are especially benefiting from good labour market performance, with job creation remaining robust and the unemployment rate staying at near-historic lows, hitting 3.5% in September 2019.

— They are also benefiting from a favourable financial situation, with a solid pace of income growth and a high level of saving.

Furthermore, public spending is expected to continue increasing, with the U.S. Congress having raised the government spending cap in August.

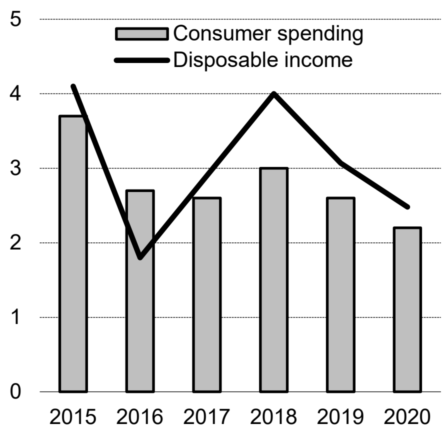
— The higher cap will raise spending by the U.S. federal government by nearly US$50 billion in 2020.

— The Congressional Budget Office estimates that these measures will raise the budget deficit to US$1 000 billion in 2020, or 4.6% of GDP.

Spending by all levels of government in the United States should therefore contribute to real GDP growth. Government spending is forecast to expand by 1.9% in 2019 and 1.8% in 2020, after increasing by 1.7% in 2018.

CHART C.25

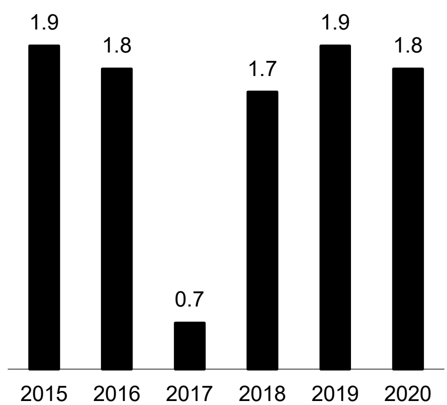
Consumer spending and disposable income in the United States
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART C.26

Spending by all levels of government in the United States
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

3. THE GLOBAL ECONOMIC SITUATION

Global economic growth is forecast at 3.1% in 2019 and 3.2% in 2020, down from 3.6% in 2018. This is a downward adjustment of 0.4 percentage point for 2019 and 0.2 percentage point for 2020 relative to the *March 2019 Budget Plan*.

Global economic activity slowed in the first half of 2019, reflecting heightened trade and geopolitical tensions in several regions as well as the difficult Brexit negotiations.

— Against this backdrop, pessimism set in. Domestic demand weakened in numerous economies, global trade of goods stagnated and industrial output slowed worldwide.

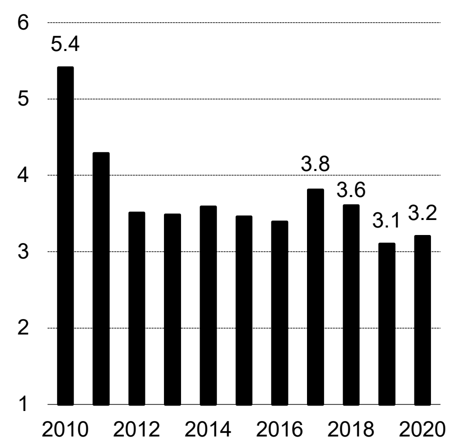
The global economy is expected to continue expanding in 2019 and 2020, but at a slower pace than in 2018.

— Global economic growth should benefit from easing in financial conditions, the strong performance of the labour market and service sector as well as favourable government measures.

However, trade tensions pose a major risk to global economic growth.

CHART C.27

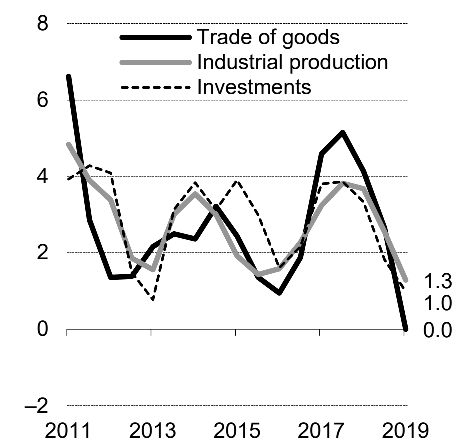
Global economic growth
(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

CHART C.28

Global economic indicators
(annual percentage change, half-year data, in real terms)



Sources: Datastream, CPB Netherlands Bureau for Economic Policy Analysis and Ministère des Finances du Québec.

TABLE C.7

Global economic growth outlook
(real GDP, annual percentage change)

	Weight(1)	2018	2019	2020
World(2)	**100.0**	**3.6**	**3.1**	**3.2**
– *March 2019*		*3.6*	*3.5*	*3.4*
Advanced economies(2)	**41.8**	**2.3**	**1.8**	**1.5**
– *March 2019*		*2.2*	*1.9*	*1.6*
Québec	0.3	2.5	2.4	1.8
– *March 2019*		*2.3*	*1.8*	*1.5*
Canada	1.4	1.9	1.6	1.6
– *March 2019*		*1.8*	*1.7*	*1.7*
United States	15.5	2.9	2.4	1.8
– *March 2019*		*2.9*	*2.4*	*1.8*
Euro area	11.7	1.9	1.1	1.0
– *March 2019*		*1.8*	*1.4*	*1.4*
United Kingdom	2.4	1.4	1.1	1.1
– *March 2019*		*1.4*	*1.2*	*1.6*
Japan	4.4	0.8	0.9	0.5
– *March 2019*		*0.7*	*0.8*	*0.6*
Emerging and developing economies(2)	**58.2**	**4.5**	**4.1**	**4.4**
– *March 2019*		*4.6*	*4.6*	*4.6*
China	17.6	6.6	6.1	5.8
– *March 2019*		*6.6*	*6.2*	*5.9*
India(3)	7.3	6.8	6.2	6.6
– *March 2019*		*7.1*	*7.3*	*7.3*

(1) Weight in global GDP in 2016.
(2) Data based on purchasing power parity.
(3) GDP for the fiscal year (April 1 to March 31).
Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

❑ Economic slowdown in the euro area

The euro area, which accounts for nearly 12% of the global economy, saw slower growth in the second quarter of 2019.

— The unfavourable external environment weighed on growth. As a result, exports fell amid heightened trade tensions and uncertainties surrounding Brexit, among other things.

The economic slowdown in Germany, the euro area's largest economy, contributed to the moderation in growth.

— Germany's real GDP contracted by 0.3% at a quarterly annualized rate in the second quarter of 2019, restrained by external demand.

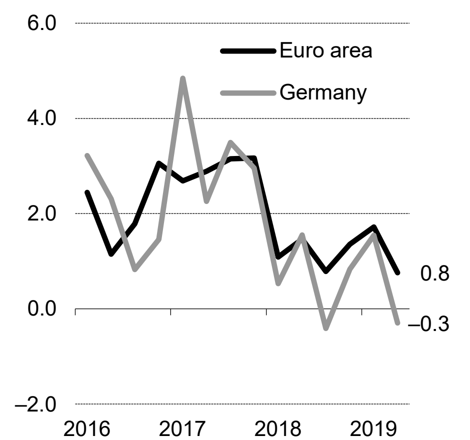
— Fears of a recession arose amid, in particular, difficulties in the automobile industry, where production has weakened since the implementation of new environmental standards in September 2018.

The manufacturing Purchasing Managers' Index, which has been below 50 for months in both Germany and the euro area, signals a contraction in manufacturing activity. The downturn is affecting the global index, which slipped into the contraction zone in Germany and is barely expanding in the euro area.

Overall, real GDP growth in the euro area is forecast to decrease from 1.9% in 2018 to 1.1% in 2019 and 1.0% in 2020.

CHART C.29

Economic growth
(real GDP, quarterly annualized rate change, per cent)

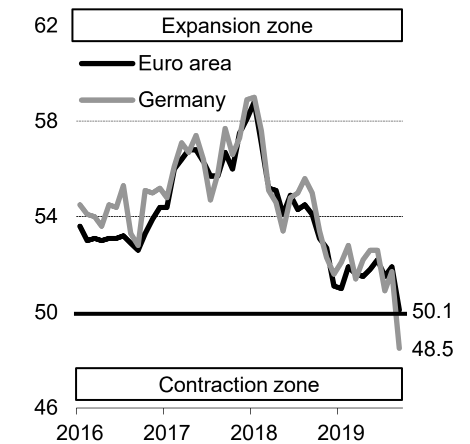


Source: Eurostat.

CHART C.30

Global Purchasing Managers' Index

(diffusion index)



Source: Bloomberg.

❑ Slowdown in emerging economies

Growth in emerging economies is forecast to slow from 4.5% in 2018 to 4.1% in 2019 before rebounding to 4.4% in 2020. The weaker growth in emerging economies was driven by the unfavourable international environment and internal problems inherent to a number of economies. However, government measures coupled with the improvement in financial conditions should help support growth.

More specifically, economic expansion is moderating in China. In the third quarter of 2019, real GDP growth slowed to 6.0% on a year-over-year basis, despite the fiscal and monetary measures implemented to support the economy. This is the Chinese economy's weakest growth since the country began releasing quarterly data in 1992.

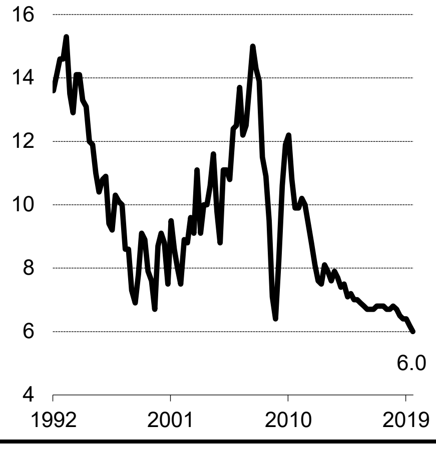
— The trade tensions with the United States have added to weak domestic demand and are holding back trade and investment.

The slowdown is projected to continue in the coming years. After 6.6% growth in 2018, the economy is forecast to expand by 6.1% in 2019 and 5.8% in 2020.

— Growth will be held back by, in particular, the surge in U.S. tariffs from 3.1% in early 2018 to 21% in September 2019, and possibly close to 24% in December 2019 if no deal is reached.

CHART C.31

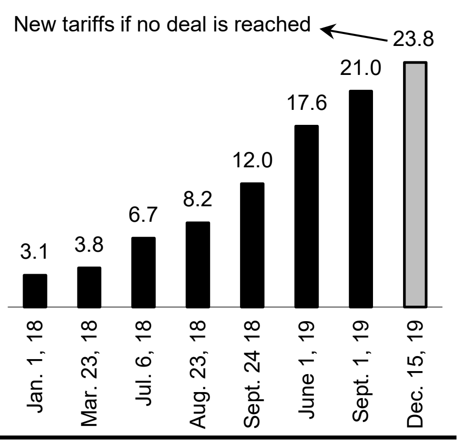
Economic growth in China
(real GDP, annual percentage change)



Source: Datastream.

CHART C.32

U.S. tariffs on products from China
(weighted average rate, per cent)



Source: Peterson Institute for International Economics.

❑ Expansionary government measures

According to the International Monetary Fund (IMF), fiscal policies are expansionary in the major economies. Fiscal measures to boost growth in 2018 were estimated at 1.1 percentage points in the United States and 0.8 percentage point in China.

In 2019, several governments announced fiscal measures aimed at stimulating consumption and investment to support economic growth.

— Germany increased its public spending on transportation infrastructure, child care and education. It also adopted a €54-billion climate package up to 2023.

— Japan ramped up its infrastructure investments and social spending to mitigate the impact of the hike in the consumption tax, which rose from 8% to 10% on October 1, 2019.

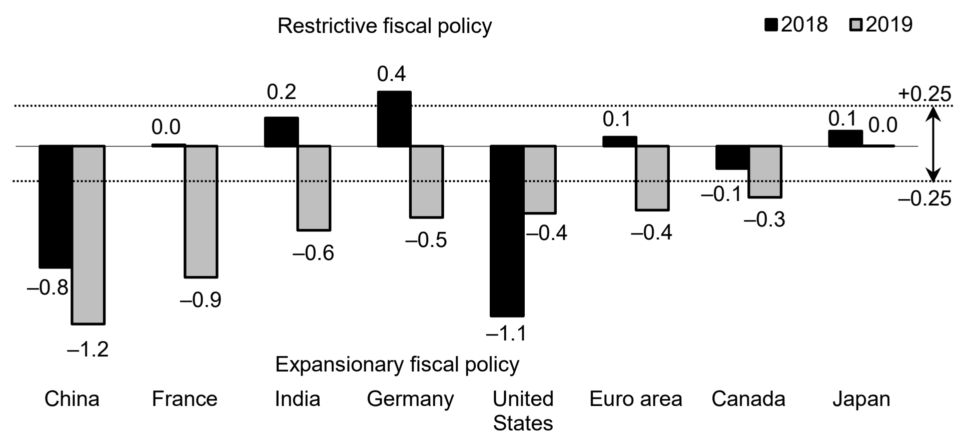
— China introduced tax cuts and increased funding for local infrastructure projects.

— India liberalized its capital market and lowered the corporate tax rate from 30% to 22%, among other steps.

These measures strengthen the impact of monetary easing in many advanced and emerging economies. The IMF encourages economies with sufficient leeway to further coordinate fiscal, trade and monetary measures in order to boost growth.

CHART C.33

Magnitude of fiscal measures
(change in cyclically adjusted balance, excluding interest payments, percentage point of potential GDP)



Note: A fiscal policy is considered neutral if the indicator is between −0.25 and +0.25 percentage point of GDP, and expansionary (restrictive) if the indicator is below −0.25 (above +0.25).
Sources: International Monetary Fund and Ministère des Finances du Québec.

4. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Higher safe-haven demand

Global financial markets have been affected in recent months by the continuing slowdown in the global economy and the escalation of trade tensions. These developments have led to greater risk aversion and increased volatility across financial markets.

— Bond yields fell in the major advanced economies, while the price of gold soared amid strong safe-haven demand.

— The U.S. dollar also benefited from this climate, appreciating against the major currencies.

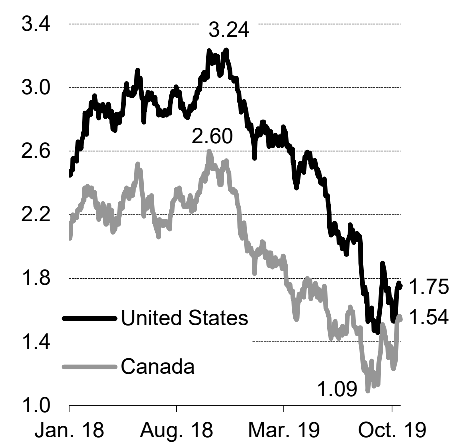
— In addition, the prices of riskier assets such as oil and industrial metals fell amid the uncertainties surrounding global demand, in particular.

Against this backdrop, a number of central banks, such as the U.S. Federal Reserve and the European Central Bank, eased their monetary policy to support growth and mitigate risks to economic outlooks.

— The Bank of Canada, for its part, has opted for the status quo thus far, which has narrowed the spread between U.S. and Canadian key interest rates.

CHART C.34

Yield on 10-year federal government bonds
(per cent)



Note: The most recent data are for October 18, 2019.
Sources: Statistics Canada and Bloomberg.

CHART C.35

Gold price
(U.S. dollars an ounce)

Note: The most recent data are for October 18, 2019.
Source: Bloomberg.

❑ U.S. Federal Reserve eased its monetary policy in 2019

After raising its key interest rate four times in 2018, the U.S. Federal Reserve significantly changed course in 2019, lowering interest rates.

— The Federal Reserve gave the global economic slowdown, trade policy uncertainty and muted inflation pressure in the United States as the reasons to lower rates.

Considering the risks to the U.S. economic outlook, the federal funds rate is expected to remain in a target range of 1.50% to 1.75% for all of 2020.

❑ Bank of Canada expected to be prudent and lower its key interest rate in 2020

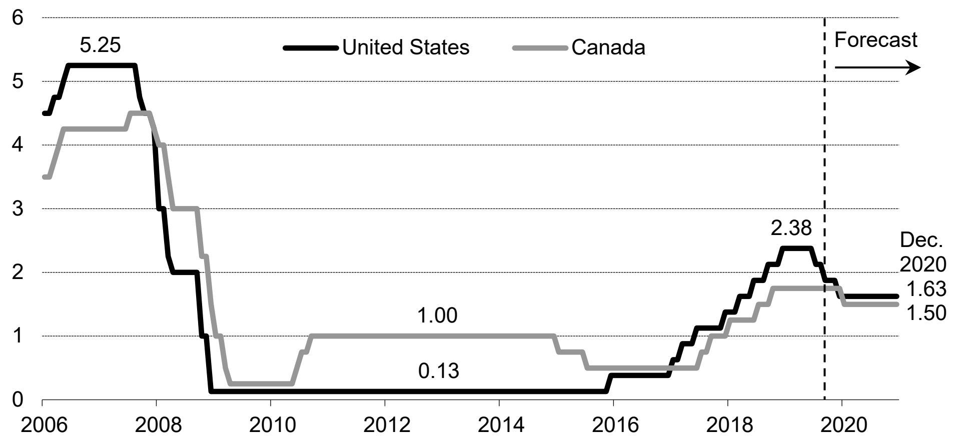
In Canada, the overnight rate target has been at 1.75% since October 2018. Overall, the country is still benefiting from favourable economic conditions marked by a dynamic labour market and inflation near the 2% target.

— However, Canada's economy is facing a number of risks, in particular global trade disputes and the resulting uncertainty.

Against this backdrop, the Bank of Canada is expected to be prudent and lower its key interest rate by 25 basis points, to 1.50%, in 2020.

CHART C.36

Key interest rates in the United States and Canada
(federal funds target rate(1) and overnight rate target, per cent)



(1) Mid-point of the target range.
Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Bond yields expected to remain low

Bond yields in the major advanced economies have fallen significantly over the last few months.

— This development is primarily attributable to the increase in demand for safe havens, such as government bonds, amid the heightened global climate of uncertainty.

— Financial market expectations for monetary easing in several parts of the world have also contributed to the lowering of long-term interest rates.

In the coming quarters, bond yields in advanced economies are expected to remain low, mainly due to the risks to the global economic outlook coupled with highly accommodative monetary policies.

❑ Canadian dollar expected to remain near current values

In the last few months, the Canadian dollar has benefited from more favourable interest rate spreads between the United States and Canada, whereas financial markets were expecting more cuts in the U.S. key interest rate.

— However, heightened risk aversion stemming from trade tensions buoyed the U.S. dollar to the detriment of other currencies.

The Canadian dollar should remain near current levels in the coming quarters. However, oil prices are expected to edge up, which could support Canada's currency.

— Thus, after averaging 76.9 U.S. cents in 2018, the Canadian dollar is expected to average 75.4 U.S. cents in 2019 and 76.5 U.S. cents in 2020.

TABLE C.8

Canadian financial markets
(average annual percentage rate, unless otherwise indicated, end-of-year data in brackets)

	2018	2019	2020
Overnight rate target	1.4 (1.8)	1.8 (1.8)	1.5 (1.5)
3-month Treasury bills	1.4 (1.7)	1.6 (1.5)	1.5 (1.6)
10-year bonds	2.3 (2.0)	1.5 (1.3)	1.6 (1.7)
Canadian dollar (in U.S. cents)	76.9 (73.3)	75.4 (75.8)	76.5 (77.3)
U.S. dollar (in Canadian dollars)	1.30 (1.36)	1.33 (1.32)	1.31 (1.29)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Moderate increase in oil prices

Oil prices have been volatile in the past few months. The price of Brent crude fell from US$69 a barrel in mid-September to below US$60 a barrel in October, near the price at the beginning of the year. The volatility in oil prices is attributable to:

- slower global economic growth, which is weighing on global oil demand;
- fears of oversupply in the oil market;
- worsening geopolitical tensions in the Middle East.

Global oil prices are projected to rise at a moderate pace over the coming quarters, while the oil market will continue to be influenced by many diverging factors.

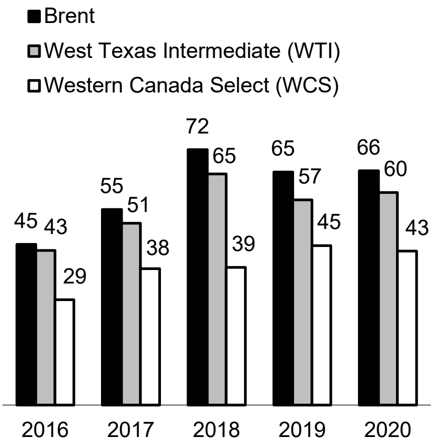
- First, the slowdown in global oil demand and increase in U.S. production are likely to put downward pressure on oil prices.
- Second, the efforts by the Organization of the Petroleum Exporting Countries (OPEC) and its partners to cut their production, coupled with renewed geopolitical tensions, could buoy oil prices.

Despite some fluctuations, oil prices will remain near 2019 levels in 2020.

CHART C.37

Brent, WTI and WCS oil prices

(U.S. dollars per barrel)



Sources: Bloomberg and Ministère des Finances du Québec.

CHART C.38

Oil production of OPEC member countries

(millions of barrels per day)

Source: Bloomberg.

5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

Economic and financial forecasts are based on several assumptions. Some of them are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy.

Such risks include a different trend than forecast for the global economy. The global economy could see slower growth should some of the risks materialize. On the other hand, it could accelerate should the risks wane. The main sources of uncertainty include:

- the risk of trade policy changes;
  - A number of trading partners in dispute are still negotiating to come up with a trade deal that is favourable to each party.
  - An escalation in trade tensions between China and the United States could, for example, put a greater drag on trade, investment and economic activity worldwide. A trade deal, on the other hand, could boost the global economy.
- tensions in Europe driven, in particular, by the difficult negotiations over the United Kingdom's exit from the European Union;
- heightened geopolitical tensions, which would drive commodity prices up, especially the price of oil;
- in the major economies, government policies to support economic growth that are less ambitious than announced;
- limited leeway for central banks to stimulate the economy when interest rates are already very low.

For its part, Québec is confronted with an aging population. This demographic change is exerting pressure on the labour market. With the unemployment rate at historic lows, the labour shortage could limit Québec's economic growth.

In Canada, the housing sector is under pressure in a number of regions, which could limit its contribution to growth in the coming years.

❑ Sensitivity analysis to economic variables

Economic forecasts incorporate certain components of uncertainty that do not depend on the government directly, but which may cause actual results to differ from the forecasts.

■ Sensitivity of Québec's GDP to external variables

Given that the Québec economy is characterized by considerable openness to trade, Québec's economic variables are influenced by several external factors.

— The most important of these factors are related to the economic activity of Québec's main trading partners, namely the United States and the Canadian provinces.

▪ Impact of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression[2] model on the basis of historical data show that a change of 1% in U.S. real GDP entails, on average, a change of 0.45% in Québec's real GDP.

— The maximum effect is felt two quarters later.

Moreover, the same model makes it possible to conclude that a change of 1% in Ontario's real GDP results in an average change of 0.42% in Québec's real GDP.

— The maximum effect takes hold one quarter later.

Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2015, exports to Ontario accounted for more than 58% of Québec's interprovincial exports. The estimated effects for Ontario and the United States are not cumulative.

TABLE C.9

Impact of external shocks on Québec's real GDP growth rate

External shocks of 1%	Maturity(1) (quarters)	Impact on Québec's real GDP (percentage points)
U.S. real GDP	2	0.45
Ontario real GDP	1	0.42

(1) Maturity corresponds to the number of quarters needed for the greatest impact on Québec's real GDP, presented in the right-hand column, to be recorded.
Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, IHS Markit, Statistics Canada, Bloomberg and Ministère des Finances du Québec.

2 This econometric technique is used to estimate, on the basis of numerous observations, the extent to which fluctuations in one economic variable affect another economic variable.

Section D

QUÉBEC'S FINANCIAL SITUATION

SUMMARY

The *Update on Québec's Economic and Financial Situation* is an opportunity for the government to present the most recent information on Québec's financial situation. This section presents Québec's fiscal policy directions and detailed financial framework.[1]

Québec's fiscal policy directions include:

- initiatives to put money back in the pockets of Quebecers;
- boosting Québec's economic potential;
- fighting climate change;
- improvement of services in health and education;
- maintenance of a balanced budget;
- debt reduction.

In addition, the November 2019 update presents the government's detailed financial framework, which shows:

- positive adjustments since March 2019 stemming from the sound economic and budgetary situation;
- a level of spending in 2019-2020 that is equal to the level forecast in the budget of last March. The initiatives announced are offset by savings in debt service;
- additional investments of $2.6 billion by 2022, in particular to give money back to Quebecers;
- a budgetary surplus of $1.4 billion in 2019-2020 to counter a possible economic slowdown, fight climate change and further reduce the debt.
  - For 2018-2019, the recorded surplus amounts to $4.8 billion.

[1] The main adjustments and changes in the financial framework are explained in subsection 1 of this section and the details are presented in subsection 2.

1. QUÉBEC'S FISCAL POLICY DIRECTIONS

❑ Summary financial framework for 2019-2020

In 2019-2020, the Québec government's revenue stands at $117.4 billion, making it possible to fund:

— spending for the government's various functions, totalling $105.5 billion;

— debt service, totalling $7.7 billion;

— deposits of dedicated revenues in the Generations Fund, totalling $2.7 billion.

A budgetary surplus of $1.4 billion is forecast for 2019-2020.

TABLE D.1

Québec's budget – November 2019
(millions of dollars)

	2019-2020
Consolidated revenue	
Own-source revenue	91 938
% change	*0.3*(1)
Federal transfers	25 436
% change	*10.0*(2)
Total consolidated revenue	**117 374**
% change	***2.3***
Consolidated expenditure	
Portfolio expenditures	–105 462
% change	*7.9*(3)
Debt service	–7 741
% change	*–11.2*(4)
Total consolidated expenditure	**–113 203**
% change	***6.3***
Contingency reserve	–100
SURPLUS	**4 071**
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	–2 671
BUDGETARY BALANCE(5)	**1 400**

(1) The change amounts to 1.7% for own-source revenue excluding revenue from government enterprises and −20.0% for revenue from government enterprises.
(2) This change can be attributed to, in particular, the signing of an agreement on asylum seekers, revenue connected to the 2019 spring flooding and growth in equalization.
(3) This change can be attributed to unrealized expenditures in 2018-2019, one-time actions in 2019-2020 and the change in expenditures, including those connected to the 2019 spring flooding.
(4) This change can be attributed to lower interest rates, the investment income of the Retirement Plans Sinking Fund (RPSF) and faster debt repayment using the Generations Fund.
(5) Budgetary balance within the meaning of the *Balanced Budget Act.*
Note: Detailed adjustments and changes in revenue are presented in subsection 2.1 of this section and detailed adjustments and changes in expenditure are presented in subsection 2.2.

1.1 Recent developments in the budgetary situation

There have been positive adjustments in the financial framework since March 2019.

— A portion of the surplus generated by these adjustments is being reinvested now in order to give money back to Quebecers.

The Public Accounts report a budgetary surplus of $4.8 billion for 2018-2019.

Budgetary surpluses are forecast for subsequent years, including a surplus of $1.4 billion for 2019-2020 and $100 million for each year thereafter.

❑ Improvement of the budgetary situation since March 2019

The strong economic performance since March 2019 has, in particular, fostered a more-substantial-than-anticipated increase in tax revenue, creating leeway in the financial framework.

Coupled with the adjustments recorded since March 2019, the changes in Québec's economic and budgetary situation generate, in the financial framework, improvements of $2.3 billion in 2019-2020 and $1.0 billion in 2020-2021 and 2021-2022.

— Several non-recurring factors have an impact on the adjustments in 2019-2020. These factors stem mainly from non-tax revenue, federal transfers and debt service.[2]

These improvements are enabling investments of $857 million in 2019-2020, $876 million in 2020-2021 and $872 million in 2021-2022 to implement new initiatives.

TABLE D.2

Adjustments to the financial framework since March 2019
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
BUDGETARY BALANCE(1) – MARCH 2019	**2 500**	**—**	**—**	**—**
Improvements since the publication of the March 2019 budget	2 303	2 257	976	972
November 2019 initiatives	—	–857	–876	–872
BUDGETARY BALANCE(1) – NOVEMBER 2019	**4 803**	**1 400**	**100**	**100**

Note: Detailed adjustments are presented in subsection 1.1.2. of this section.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

2 Detailed adjustments for 2019-2020 are presented on page D.10.

1.1.1 Results for 2018-2019

The results published in *Public Accounts 2018-2019* show a $4.8 billion surplus after deposits of dedicated revenues in the Generations Fund. This surplus made it possible to reduce the gross debt in 2018-2019.

— This is a positive adjustment of $2.3 billion relative to March 2019.

Consolidated expenditure amounts to $114.7 billion, which represents an increase of 5.9% compared to 2017-2018.

— Revenue has been adjusted upward by $1.2 billion since March 2019, owing mainly to the sound economic performance, which has supported tax revenue.

Consolidated expenditure totals $106.5 billion, which corresponds to an increase of 2.9%, relative to the previous year.

— Expenditure has been adjusted downward by $1.5 billion since March 2019, primarily because of a difference between planned expenditures and those incurred by bodies and special funds, particularly in infrastructure projects.

TABLE D.3

Results for 2018-2019 compared to the March 2019 forecasts
(millions of dollars)

	2018-2019		
	March 2019	**Adjustments**	**Results**
Consolidated revenue	113 557	1 189	114 746
% change			*5.9*
Consolidated expenditure	–107 951	1 485	–106 466
% change			*2.9*
SURPLUS	**5 606**	**2 674**	**8 280**
BALANCED BUDGET ACT			
Deposits of dedicated revenues in the Generations Fund	–3 106	–371	–3 477
BUDGETARY BALANCE(1)	**2 500**	**2 303**	**4 803**

Note: Detailed adjustments to consolidated revenue are presented on page D.8 and detailed adjustments to consolidated expenditure on page D.9.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Adjustments to consolidated revenue

Consolidated revenue totalled $114.7 billion in 2018-2019. It has been adjusted upward by $1.2 billion relative to the March 2019 forecast.

Own-source revenue excluding revenue from government enterprises shows a positive adjustment of $1.0 billion compared to the March 2019 forecast. These results can be attributed to certain specific factors, more precisely:

- a $519-million upward adjustment in personal income tax revenue due to a more-favourable-than-anticipated change in wages and salaries in early 2019;
- a $381-million upward adjustment in miscellaneous revenue owing to, in particular, the higher-than-expected investment income of the Generations Fund;
- a $147-million upward adjustment in corporate tax revenue resulting from higher-than-forecast tax revenue, despite the downward adjustment in the growth of the net operating surplus of corporations (corporate profits) in the first quarter of 2019.

The upward adjustment of $475 million in revenue from government enterprises is caused by, in particular, the impact of colder-than-anticipated weather on the results of Hydro-Québec and by an increase in the value of Investissement Québec investments.

The $291-million decrease in federal transfers is due primarily to the extension of the time limit for completing work under infrastructure projects.

TABLE D.4

Adjustments to consolidated revenue, 2018-2019
(millions of dollars)

MARCH 2019	**113 557**
Own-source revenue excluding revenue from government enterprises	
Personal income tax	519
Miscellaneous revenue	381
Corporate taxes	147
Other	–42
Subtotal	**1 005**
Revenue from government enterprises	475
Federal transfers	–291
Total adjustments	**1 189**
PUBLIC ACCOUNTS 2018-2019	**114 746**

❑ Adjustments to consolidated expenditure

Consolidated expenditure totalled $106.5 billion in 2018-2019. It has been adjusted downward by $1.5 billion relative to the March 2019 forecast.

The difference is due mainly to reductions of:

— $494 million in expenditures for infrastructure projects, essentially because of the extension of the time limit for completing the work;[3]

— $240 million related to changes in medical services delivered by physicians;

— $164 million in provisions for losses on guaranteed financial initiatives of the Economic Development Fund;

— $114 million in the cost of student financial assistance stemming mainly from a decrease in the number of applications for assistance;

— $103 million in the Disaster Financial Assistance Arrangements program in connection with the spring flooding in Québec in 2017;

— $51 million resulting from the lower-than-anticipated cost of work premium tax credits;

— $177 million in debt service mainly because of lower-than-expected interest rates.

TABLE D.5

Adjustments to consolidated expenditure, 2018-2019
(millions of dollars)

MARCH 2019	**107 951**
Portfolio expenditures	
Infrastructure projects	–494
Medical services	–240
Economic Development Fund	–164
Student financial assistance	–114
Disaster financial assistance arrangements	–103
Work premium tax credits	–51
Other	–142
Subtotal	**–1 308**
Debt service	**–177**
Total adjustments	**–1 485**
PUBLIC ACCOUNTS 2018-2019	**106 466**

3 The difference of $494 million results from infrastructure projects of the Ministère des Affaires municipales et de l’Habitation funded by the federal government ($240 million), the Société de financement des infrastructures locales du Québec ($121 million), the Green Fund ($43 million) and the Société d’habitation du Québec ($90 million).

1.1.2 Main adjustments to the financial framework for 2019-2020 to 2021-2022

Robust economic growth has resulted in positive adjustments to the financial framework for 2019-2020 and subsequent years relative to March 2019.

Overall, adjustments related to the economic and budgetary situation total $2.3 billion in 2019-2020 and $1.0 billion in 2020-2021 and 2021-2022.

— These improvements are enabling the government to implement its commitments more quickly.

TABLE D.6

Adjustments to the financial framework since March 2019
(millions of dollars)

	2019-2020	2020-2021	2021-2022
BUDGETARY BALANCE[(1)] – MARCH 2019	—	—	—
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	990	1 138	1 205
– Other revenue	576	100	30
Subtotal	1 566	1 238	1 235
Revenue from government enterprises	–342	–369	–362
Federal transfers	512	–267	–267
Portfolio expenditures	–567	–246	15
Debt service	1 255	675	458
Deposits of dedicated revenues in the Generations Fund	–167	–54	–107
TOTAL IMPROVEMENTS	**2 257**	**976**	**972**
NOVEMBER 2019 INITIATIVES			
Putting money back in the pockets of Quebecers	–332	–758	–717
Targeted initiatives to meet specific needs	–525	–119	–155
TOTAL INITIATIVES	**–857**	**–876**	**–872**
BUDGETARY BALANCE[(1)] – NOVEMBER 2019	**1 400**	**100**	**100**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Adjustments related to the economic and budgetary situation

Adjustments attributable to the economic and budgetary situation are explained by, in particular:

- an increase of $1.6 billion in own-source revenue excluding revenue from government enterprises in 2019-2020 and $1.2 billion in 2020-2021 and 2021-2022, arising from:
  - tax revenue, which includes, among other things, personal income tax and corporate taxes, which are adjusted upward by roughly $1.0 billion per year owing, in particular, to the continued strength of the economy,
  - other revenue, which is adjusted upward by $576 million in 2019-2020, $100 million in 2020-2021 and $30 million in 2021-2022. The adjustments for 2019-2020 are explained by the fact that the results for carbon market auctions are $87 million higher than forecast, by the $167-million increase in the income, particularly the investment income of the Generations Fund, and by the $166-million increase in the revenue of the Mining and Hydrocarbon Capital Fund, which is tied to the sale of the shares held in Quebec Iron Ore;
- a reduction of $342 million in revenue from government enterprises in 2019-2020, $369 million in 2020-2021 and $362 million in 2021-2022 resulting from, in particular, the decrease in the results of Hydro-Québec, which is tied to the rate freeze in 2020-2021, the decline in energy prices on export markets and the drop in the price of aluminum;
- an increase of $512 million in revenues from federal transfers in 2019-2020, owing to, in particular, the reimbursement of expenditures related to asylum seekers and the federal contribution connected with the 2019 spring flooding. The decrease of $267 million in 2020-2021 and 2021-2022 can be attributed in part to lower equalization payments stemming from the relative improvement in Québec's economic situation;
- an increase of $567 million in portfolio expenditures in 2019-2020 and $246 million in 2020-2021, which is explained essentially by the $429-million impact in 2019-2020 connected to the 2019 spring flooding and spending related to federal enhancements, particularly in the area of employment, including $90 million in the Labour Market Development Fund;
- a decrease of $1.3 billion in debt service in 2019-2020, $675 million in 2020-2021 and $458 million in 2021-2022, mainly because of lower-than-expected interest rates and the return on the Retirement Plans Sinking Fund, which was higher than anticipated in 2018-2019 and has an impact on future years.

❑ November 2019 initiatives

The government is putting money back in the pockets of Quebecers immediately thanks to the favourable economic situation. In addition, the government is reinvesting savings on debt service to fund new initiatives.

Through the *Update on Québec's Economic and Financial Situation*, the government is providing for additional investments of $857 million in 2019-2020, $876 million in 2020-2021 and $872 million in 2021-2022 with a view to, among other things:

- fully enhancing the family allowance;
- immediately eliminating the additional contribution for childcare;
- reducing healthcare institution parking fees.

In addition to giving money back to Quebecers, the government has implemented targeted initiatives to meet specific needs.

TABLE D.7

Financial impact of the initiatives in the *Update on Québec's Economic and Financial Situation*[1]
(millions of dollars)

	2019-2020	2020-2021	2021-2022
Putting money back in the pockets of Quebecers			
Full enhancement of the family allowance	–132	–533	–548
Immediate elimination of the additional contribution for childcare	–161	–55	–17
Introduction of a second level in the SHCREC[2]	–14	–50	–32
Reduction of healthcare institution parking fees	–25	–120	–120
Subtotal	**–332**	**–758**	**–717**
Targeted initiatives to meet specific needs			
Partnership 2020-2024: Towards stronger municipalities and regions	–250	–77	–154
New support plan for print media companies	–5	–39	–41
Modernization of the taxi industry to provide users with efficient, modern and fair service	–270	–4	40
Extension of electricity discount programs	—	—	—
Subtotal	**–525**	**–119**	**–155**
TOTAL	**–857**	**–876**	**–872**

Note: Totals may not add due to rounding.
(1) The details of these initiatives are presented in Section B.
(2) Supplement for handicapped children requiring exceptional care.

1.2 Budgetary outlook

This subsection presents Québec's budgetary outlook for the years 2019-2020 to 2023-2024.

❑ Five-year financial framework

Consolidated revenue amounts to $117.4 billion in 2019-2020. By 2023-2024, it is expected to grow by an average of 2.6% per year.

Consolidated expenditure stands at $113.2 billion in 2019-2020. By 2023-2024, it is expected to grow by an average of 3.6% per year.

Deposits of dedicated revenues in the Generations Fund will total $2.7 billion in 2019-2020 and will stay at that level in 2020-2021.

A budgetary surplus of $1.4 billion is forecast for 2019-2020 and $100 million per year for subsequent years.

Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy usually follow a similar trajectory.

From 2008-2009 to 2013-2014, the share of expenditure in the economy exceeded that of revenue owing to deficits. The share of expenditure rose steadily until 2013-2014, when it stood at 26.1%.

From 2014-2015 to 2018-2019, the share of revenue in excess of that of expenditure can be attributed to the budgetary surpluses recorded and efforts to reduce the debt through deposits of dedicated revenues in the Generations Fund.

In 2019-2020, the share of expenditure will rise to 25.1% of GDP. This increase reflects the investments made by the government, particularly to give money back to Quebecers and for education.

For subsequent years, the difference between the share of revenue and that of expenditure as a percentage of GDP will hold steady at nearly 1 percentage point. This difference can be attributed essentially to debt reduction efforts.

Change in the shares of revenue and expenditure in the economy, 2001-2002 to 2023-2024
(percentage of GDP)

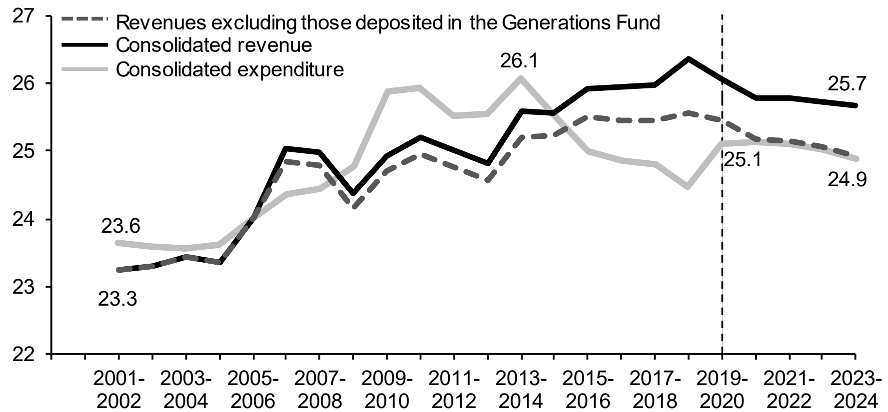


TABLE D.8

Consolidated financial framework, 2018-2019 to 2023-2024

(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Consolidated revenue						
Personal income tax	31 773	33 240	35 096	36 590	37 955	39 410
Contributions for health services	6 359	6 547	6 810	6 969	7 117	7 283
Corporate taxes	9 183	8 707	8 553	8 916	9 101	9 296
School property tax	1 853	1 548	1 513	1 544	1 577	1 610
Consumption taxes	21 001	21 975	22 531	23 015	23 590	24 269
Duties and permits	4 361	4 376	4 347	4 426	4 523	4 613
Miscellaneous revenue	11 548	11 109	11 011	11 435	11 870	12 242
Government enterprises	5 548	4 436	4 698	4 937	5 339	5 746
Own-source revenue	**91 626**	**91 938**	**94 559**	**97 832**	**101 072**	**104 469**
% change	***6.6***	***0.3***(1)	***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*
Total 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***
Consolidated expenditure						
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*
Total consolidated expenditure	**–106 466**	**–113 203**	**–116 954**	**–120 261**	**–123 527**	**–126 765**
% change	***2.9***	***6.3***(2)	***3.3***	***2.8***	***2.7***	***2.6***
Contingency reserve	—	–100	–100	–100	–100	–100
SURPLUS	**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(3)	**4 803**	**1 400**	**100**	**100**	**100**	**100**

Note: Detailed adjustments and changes in revenue are presented in subsection 2.1 of this section and detailed adjustments and changes in expenditure are presented in subsection 2.2.

(1) The change amounts to 1.7% for own-source revenue excluding revenue from government enterprises and −20.0% for revenue from government enterprises.

(2) This change can be attributed to unrealized expenditures in 2018-2019, one-time actions in 2019-2020 and the adjustment to expenditures, including those connected to the 2019 spring flooding.

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

❑ Stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

— As at March 31, 2019, the stabilization reserve stood at $12.0 billion.

TABLE D.9

Stabilization reserve
(millions of dollars)

Fiscal year	Balance, beginning of year	Allocations	Uses	Balance, end of year
2015-2016	—	2 191	—	2 191
2016-2017	2 191	2 361	—	4 552
2017-2018	4 552	2 622	—	7 174
2018-2019	7 174	4 803	—	11 977

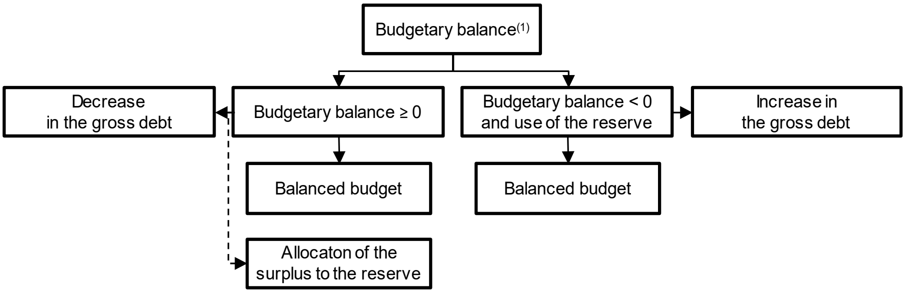
Stabilization reserve

The stabilization reserve facilitates the government's multi-year budget planning, for it can be used in the event of an overrun, that is, a budgetary balance of less than zero. It thus helps to keep the budget balanced under the *Balanced Budget Act*.

The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash. In other words, the stabilization reserve is not money in the bank.

Such surpluses are used during the year to reduce the government's debt on financial markets.

If the government uses the stabilization reserve to balance the budget, an amount corresponding to the overrun would have to be borrowed, giving rise to an increase in the gross debt as shown in the chart below.



(1) Budgetary balance after deposits of dedicated revenues in the Generations Fund.

1.3 Public infrastructure investments

To meet Québec's significant public infrastructure needs, the government announced in the March 2019 budget a $15.0-billion increase in investments under the 2019-2029 Québec Infrastructure Plan (QIP).

— Accordingly, the 2019-2029 QIP stands at $115.4 billion, a record high.

— Major investments are provided for the road network ($24.6 billion), the education and higher education networks ($20.3 billion, including $13.9 billion in schools), the health and social services network ($20.2 billion) and public transit ($9.0 billion).

With this increase, more than $11 billion a year on average will be invested by the government by 2028-2029 in order to:

— restore and maintain the condition of road infrastructure;

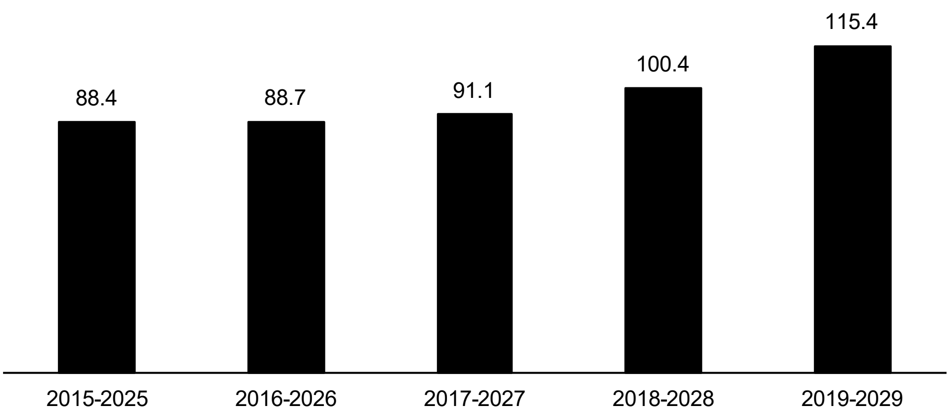
— provide students and teachers with healthy and safe educational settings;

— improve the public infrastructure offering, particularly through the gradual rolling out of kindergarten classes for 4-year-olds and seniors' homes.

The level of the 2020-2030 QIP will be determined in Budget 2020-2021.

CHART D.1

Change in the Québec Infrastructure Plan
(billions of dollars)



2. REVENUE AND EXPENDITURE FORECASTS

The *Update on Québec's Economic and Financial Situation* presents the detailed change in consolidated revenue and expenditure:

— detailed adjustments for 2019-2020 since March 2019;

— the outlook over three years, that is, from 2019-2020 to 2021-2022.

❑ Detailed adjustments to the financial framework since March 2019

The adjustments to the financial framework since March 2019 are making it possible to keep the budget balanced.

The economic and budgetary situation leads to a $2.3-billion positive adjustment of the budgetary balance in 2019-2020. This improvement makes it possible to fund initiatives totalling $857 million aimed, in particular, at giving money back to Quebecers.

A budgetary surplus of $1.4 billion results from these adjustments for 2019-2020.

The level of spending in 2019-2020 is equal to that forecast in the March 2019 budget. The initiatives announced are offset by savings in debt service.

TABLE D.10

Adjustments to the financial framework since March 2019

(millions of dollars)

	2019-2020				
	March 2019	Adjustments			November 2019 update
		Economic and budgetary situation	Initiatives	Total adjustments	
Own-source revenue					
Tax revenue	71 027	990	—	990	72 017
Other revenue	14 909	576	—	576	15 485
Subtotal	85 936	1 566	—	1 566	87 502
% change					*1.7*
Revenue from government enterprises	4 778	–342	—	–342	4 436
% change					*–20.0*
Total	90 714	1 224	—	1 224	91 938
% change					*0.3*
Federal transfers	24 924	512	—	512	25 436
% change					*10.0*
Consolidated revenue	**115 638**	**1 736**	**—**	**1 736**	**117 374**
% change					***2.3***
Portfolio expenditures	–104 038	–567	–857	–1 424	–105 462
% change					*7.9*
Debt service	–8 996	1 255	—	1 255	–7 741
% change					*–11.2*
Consolidated expenditure	**–113 034**	**688**	**–857**	**–169**	**–113 203**
% change					***6.3***
Contingency reserve	–100	—	—	—	–100
SURPLUS	**2 504**	**2 424**	**–857**	**1 567**	**4 071**
BALANCED BUDGET ACT					
Deposits of dedicated revenues in the Generations Fund	–2 504	–167	—	–167	–2 671
BUDGETARY BALANCE(1)	**—**	**2 257**	**–857**	**1 400**	**1 400**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

2.1 Change in revenue

Consolidated revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

Consolidated revenue totals $117.4 billion in 2019-2020, or $91.9 billion in own-source revenue and $25.4 billion from federal transfers.

— Consolidated revenue is adjusted upward by $1.7 billion relative to the March 2019 forecast.

Revenue growth is expected to be 2.3% in 2019-2020. It will be 2.1% in 2020-2021 and 3.0% in 2021-2022.

TABLE D.11

Change in consolidated revenue
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	**Adjustments**	**2019-2020**	**2020-2021**	**2021-2022**
Own-source revenue					
Own-source revenue excluding revenue from government enterprises	85 936	1 566	87 502	89 861	92 895
% change			*1.7*	*2.7*	*3.4*
Revenue from government enterprises	4 778	–342	4 436	4 698	4 937
% change			*–20.0*	*5.9*	*5.1*
Subtotal	**90 714**	**1 224**	**91 938**	**94 559**	**97 832**
% change			***0.3***	***2.9***	***3.5***
Federal transfers	24 924	512	25 436	25 333	25 683
% change			*10.0*	*–0.4*	*1.4*
TOTAL	**115 638**	**1 736**	**117 374**	**119 892**	**123 515**
% change			***2.3***	***2.1***	***3.0***

Note: Detailed adjustments and changes in own-source revenue excluding revenue from government enterprises are presented in subsection 2.1.1 of this section, detailed adjustments and changes in revenue from government enterprises are presented in subsection 2.1.2 and detailed adjustments and changes in federal transfers are presented in subsection 2.1.3.

2.1.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists mainly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. How it changes is tied to economic activity in Québec and to changes in the tax systems.

Own-source revenue also includes other revenue sources, that is, duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most own-source revenue is intended to fund public service delivery and government programs. The excess is allocated to funding specific activities, such as road system maintenance, as well as to the Generations Fund to reduce the debt.

❑ Adjustments for 2019-2020

For fiscal 2019-2020, own-source revenue excluding revenue from government enterprises totals $87.5 billion, which represents an increase of 1.7% relative to the level observed for fiscal 2018-2019.

— Compared with the March 2019 forecast, this revenue is adjusted upward by $1.6 billion.

TABLE D.12

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	Adjustments	2019-2020	2020-2021	2021-2022
Tax revenue	71 027	990	72 017	74 503	77 034
% change			*2.6*	*3.5*	*3.4*
Other revenue	14 909	576	15 485	15 358	15 861
% change			*–2.7*	*–0.8*	*3.3*
TOTAL	**85 936**	**1 566**	**87 502**	**89 861**	**92 895**
% change			***1.7***	***2.7***	***3.4***

■ Tax revenue

Revenue from personal income tax is adjusted upward by $742 million compared to the March 2019 forecast.

— This adjustment is explained by higher-than-expected withholdings at source since the beginning of fiscal 2019-2020 owing to, in particular, the fact that the growth in wages and salaries for 2019 was 2.2 percentage points higher than forecast in March 2019.

TABLE D.13

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	Adjustments	2019-2020	2020-2021	2021-2022
Tax revenue					
Personal income tax	32 498	742	33 240	35 096	36 590
% change			*4.6*	*5.6*	*4.3*
Contributions for health services	6 596	–49	6 547	6 810	6 969
% change			*3.0*	*4.0*	*2.3*
Corporate taxes	8 516	191	8 707	8 553	8 916
% change			*–5.2*(1)	*–1.8*(1)	*4.2*
School property tax	1 553	–5	1 548	1 513	1 544
% change			*–16.5*(2)	*–2.3*	*2.0*
Consumption taxes	21 864	111	21 975	22 531	23 015
% change			*4.6*	*2.5*	*2.1*
Subtotal	**71 027**	**990**	**72 017**	**74 503**	**77 034**
% change			***2.6***	***3.5***	***3.4***
Other revenue					
Duties and permits	4 229	147	4 376	4 347	4 426
% change			*0.3*	*–0.7*	*1.8*
Miscellaneous revenue	10 680	429	11 109	11 011	11 435
% change			*–3.8*(3)	*–0.9*	*3.9*
Subtotal	**14 909**	**576**	**15 485**	**15 358**	**15 861**
% change			***–2.7***	***–0.8***	***3.3***
TOTAL	**85 936**	**1 566**	**87 502**	**89 861**	**92 895**
% change			***1.7***	***2.7***	***3.4***

(1) These changes are explained mainly by the moderate growth in the operating surplus of corporations in 2019 and 2020 and the impact of the tax reduction measures implemented in recent years, in particular the depreciation measure to incentivize businesses to invest more and the gradual reduction of the general corporate income tax rate.
(2) This change is explained mainly by the impact of the tax rate reduction as part of the projected gradual implementation of a single school tax rate.
(3) This change is explained by the non-recurrence of substantial investment income earned in 2018-2019, resulting from the use of the Generations Fund to repay the debt.

Contributions for health services and the school property tax are adjusted only slightly for 2019-2020.

Revenue from corporate taxes is adjusted upward by $191 million compared to the March 2019 forecast. This adjustment is due essentially to more-favourable-than expected monitoring of tax revenues since the beginning of the fiscal year despite the downward adjustment of 3.8 percentage points in the net operating surplus of corporations in 2019.

Revenue from consumption taxes is adjusted upward by $111 million. This adjustment, which results mainly from the Québec sales tax, is due to robust tax revenue and the fact that growth in consumption excluding food expenditures and shelter is 0.8 percentage point higher than forecast in 2019.

■ Other revenue

Revenue from duties and permits is adjusted upward by $147 million due to, in particular, the higher-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission allowances (carbon market).

In addition, miscellaneous revenue is adjusted upward by $429 million, owing chiefly to the higher-than-anticipated investment income of the Generations Fund and the increase in the revenue of the Mining and Hydrocarbon Capital Fund tied to the sale of the shares held in Quebec Iron Ore.

❑ Outlook for 2020-2021 and 2021-2022

Own-source revenue excluding revenue from government enterprises will grow by 2.7% in 2020-2021 and 3.4% in 2021-2022. This growth reflects essentially the vitality of the economic activity forecast for those years and the impact of the fiscal measures implemented.

■ Tax revenue

Personal income tax, the government's largest revenue source, will grow by 5.6% in 2020-2021 and 4.3% in 2021-2022, settling at $35.1 billion and $36.6 billion, respectively.

— This change reflects, in particular, the growth of household income, including wages and salaries, and takes into account the parameters of the personal income tax system.

— It also reflects the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.

Contributions for health services will grow by 4.0% in 2020-2021 and 2.3% in 2021-2022, settling at $6.8 billion and $7.0 billion, respectively.

— This change reflects the fact that wages and salaries are expected to grow by 4.5% in 2020 and 3.6% in 2021.

— It also takes into account the impact of the reduction of the Health Services Fund contribution rate for all Québec SMBs.

Revenue from corporate taxes will decrease by 1.8% in 2020-2021 and increase by 4.2% in 2021-2022, settling at $8.6 billion and $8.9 billion, respectively.

— This change reflects the projected growth of the net operating surplus of corporations, established at 0.9% in 2019, 3.0% in 2020 and 3.2% in 2021.

— It also reflects the measures implemented in recent years to ease the tax burden, in particular the depreciation measure to incentivize businesses to invest more, announced in the December 2018 *Update on Québec's Economic and Financial Situation*, the gradual reduction of the tax rate to 4.0% for all SMBs and the gradual reduction of the general corporate income tax rate.

Revenue from the school property tax will decline by 2.3% in 2020-2021 and increase by 2.0% in 2021-2022. They will stand at $1.5 billion for each of these fiscal years. These changes are explained chiefly by the impact of the tax rate reduction as part of the projected gradual implementation of a single school tax rate.

Revenue from consumption taxes will grow by 2.5% in 2020-2021 and 2.1% in 2021-2022, reaching $22.5 billion and $23.0 billion, respectively.

- This growth reflects the change in household consumption excluding food expenditures and shelter, which will be 3.5% in 2020 and 2.9% in 2021.
- However, this growth will be mitigated in 2020-2021 by the gradual elimination of restrictions on input tax refunds for large businesses.

Other revenue

Revenue from duties and permits will decrease by 0.7% in 2020-2021 and increase by 1.8% in 2021-2022.

- This change is explained primarily by the anticipated growth in revenue from the carbon market.

Miscellaneous revenue will show a change of −0.9% in 2020-2021 and 3.9% in 2021-2022.

- This change stems mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.
  - They also reflect, in particular, the government's decision to make the first two hours of parking at healthcare institutions free of charge and to set the daily rate between $7 and $10 depending on the region.

■ Changes in line with those in the economy

Growth in own-source revenue excluding revenue from government enterprises generally reflects the changes in economic activity and the impact of measures introduced by the government.

Growth in this revenue will stand at 1.7% in 2019-2020 and then increase to 2.7% in 2020-2021.

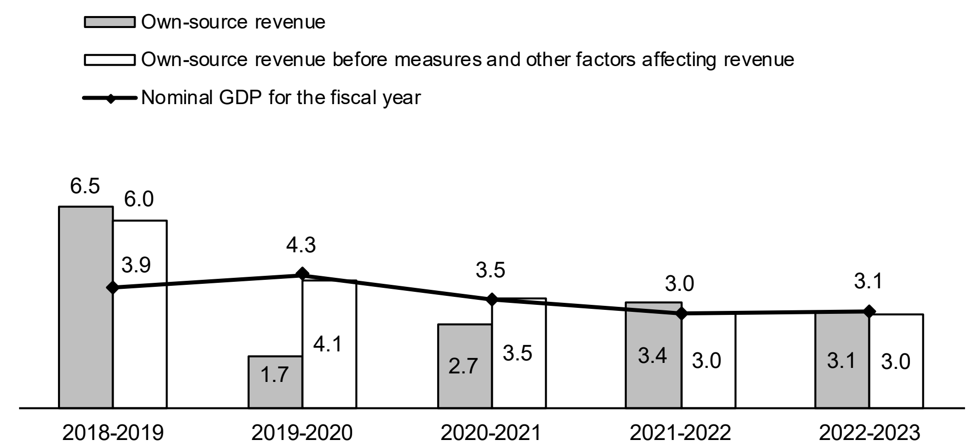
— This growth reflects, in particular, various initiatives implemented in recent years, including the reform of the school tax system announced in Budget 2018-2019, the standardization of the school tax rates announced in Budget 2019-2020 and the depreciation measures announced in the December 2018 *Update on Québec's Economic and Financial Situation*.

— Had it not been for those measures, own-source revenue growth in 2019-2020 would stand at 4.1%, a rate in line with economic growth.

Over the forecast period, revenue growth will keep pace with economic growth.

CHART D.2

Growth in own-source revenue excluding revenue from government enterprises
(per cent)



Revenue growth in line with economic growth

Growth in own-source revenue excluding revenue from government enterprises, 2018-2019 to 2022-2023
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Own-source revenue	**91 626**	**91 938**	**94 559**	**97 832**	**101 072**
% change	***6.6***	***0.3***	***2.9***	***3.5***	***3.3***
Less: Government enterprises	5 548	4 436	4 698	4 937	5 339
Own-source revenue excluding revenue from government enterprises	**86 078**	**87 502**	**89 861**	**92 895**	**95 733**
% change	***6.5***	***1.7***	***2.7***	***3.4***	***3.1***
Measures and other factors affecting revenue growth(1)					
Fall 2019 update	—	—	–99	–75	–87
Budget 2019-2020	—	–314	–381	–377	–374
Fall 2018 update	–62	–544	–651	–316	–280
Recovery measures – August 2018	–108	–83	–48	–21	—
Budget 2018-2019	–803	–1 069	–1 200	–1 238	–1 227
Previous budgets and other(2)	884	–196	–620	–764	–839
Subtotal	**–89**	**–2 206**	**–2 998**	**–2 790**	**–2 807**
Own-source revenue excluding revenue from government enterprises before measures	**86 167**	**89 708**	**92 859**	**95 685**	**98 540**
% change	***6.0***	***4.1***	***3.5***	***3.0***	***3.0***
Nominal GDP growth	***3.9***	***4.3***	***3.5***	***3.0***	***3.1***

Note: Totals may not add due to rounding. Save for some exceptions, the amounts correspond to those published in the budgets and fall updates.
(1) Main measures affecting consolidated revenue growth.
(2) This category includes, in particular, measures affecting revenue published in the budgets and fall updates since fall 2014, revenues from the carbon market, the elimination of restrictions on input tax refunds for large businesses and the investment income of the Generations Fund.

2.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. Revenue from government enterprises corresponds in large part to the net results of the enterprises.

❑ Adjustments for 2019-2020

For 2019-2020, revenue from government enterprises is adjusted downward by $342 million to $4.4 billion. This adjustment can be attributed to, in particular, a decrease in the results of Hydro-Québec, which is tied to the decline in energy prices on export markets and the drop in the price of aluminum.

The downward adjustment in the results for 2019-2020, coupled with the higher-than-usual results in 2018-2019, associated with, in particular, the extraordinary gains resulting from the partial disposal of the TM4 subsidiary of Hydro-Québec, explains the anticipated change of −20.0% for revenue from government enterprises in 2019-2020.

❑ Outlook for 2020-2021 and 2021-2022

Revenue from government enterprises will stand at $4.7 billion in 2020-2021, for an increase of 5.9%, and at $4.9 billion in 2021-2022, for an increase of 5.1%.

— The change in 2020-2021 and 2021-2022 mainly reflects the increase in the anticipated results of Hydro-Québec resulting from the growth forecast for demand for electricity in Québec, taking into account the impact of the rate freeze in 2020-2021.

TABLE D.14

Change in revenue from government enterprises
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	**Adjustments**	**2019-2020**	**2020-2021**	**2021-2022**
Hydro-Québec(1)	2 425	–450	1 975	2 325	2 500
Loto-Québec	1 271	31	1 302	1 303	1 325
Société des alcools du Québec	1 159	5	1 164	1 189	1 214
Investissement Québec	139	74	213	132	133
Société québécoise du cannabis	20	1	21	37	55
Other(2)	–236	–3	–239	–288	–290
TOTAL	**4 778**	**–342**	**4 436**	**4 698**	**4 937**
% change			***–20.0***	***5.9***	***5.1***

(1) Revenue from Hydro-Québec was determined assuming that Bill 34, *An Act to simplify the process for establishing electricity distribution rates*, will be passed.
(2) Other revenue includes, in particular, the forecast for other government enterprises and the impact of the Electricity Discount Program for Consumers Billed at Rate L.

2.1.3 Federal transfers

Federal transfer revenues correspond to revenues from the federal government paid to Québec pursuant to the *Federal-Provincial Fiscal Arrangements Act*, to which is added revenue from other programs under bilateral agreements.

They include mainly equalization and revenue from the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

❑ Adjustments for 2019-2020

In 2019-2020, revenues from federal transfers stand at $25.4 billion, or $512 million more than forecast in the March 2019 budget.

This upward adjustment is explained chiefly by the agreement concluded with the federal government in August 2019 regarding the reimbursement of expenses related to asylum seekers and by the federal contribution to Québec in connection with the 2019 spring flooding.

❑ Outlook for 2020-2021 and 2021-2022

Revenues from federal transfers will decline by 0.4% in 2020-2021 owing to, in particular, the non-recurrence of federal funding in connection with the 2019 spring flooding and the end of Phase 1 of the federal infrastructure program *Investing in Canada*. They will increase by 1.4% in 2021-2022.

For those two years, Québec's share of the equalization envelope for Canada as a whole will decline, from 66.2% in 2019-2020 to 63.6% in 2021-2022, due to the improvement in Québec's economic situation relative to that of the rest of Canada.

TABLE D.15

Change in federal transfer revenues
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	Adjustments	2019-2020	2020-2021	2021-2022
Equalization	13 124	—	13 124	13 198	13 537
% change			*11.9*(1)	*0.6*	*2.6*
Health transfers	6 628	–145	6 483	6 720	6 947
% change			*2.8*	*3.7*	*3.4*
Transfers for post-secondary education and other social programs	1 620	–91	1 529	1 562	1 579
% change			*–4.2*	*2.2*	*1.1*
Other programs	3 552	748	4 300	3 853	3 620
% change			*23.4*(2)	*–10.4*	*–6.0*
TOTAL	**24 924**	**512**	**25 436**	**25 333**	**25 683**
% change			***10.0***	***–0.4***	***1.4***

(1) The equalization envelope grows in pace with Canada's nominal GDP. In addition, growing disparities in fiscal capacity compared to the average of the ten provinces have been observed. Equalization for 2019-2020 is based on data for the years 2015-2016 to 2017-2018.
(2) This change can be attributed to, in particular, the signing of an agreement on asylum seekers and revenue connected to the 2019 spring flooding.

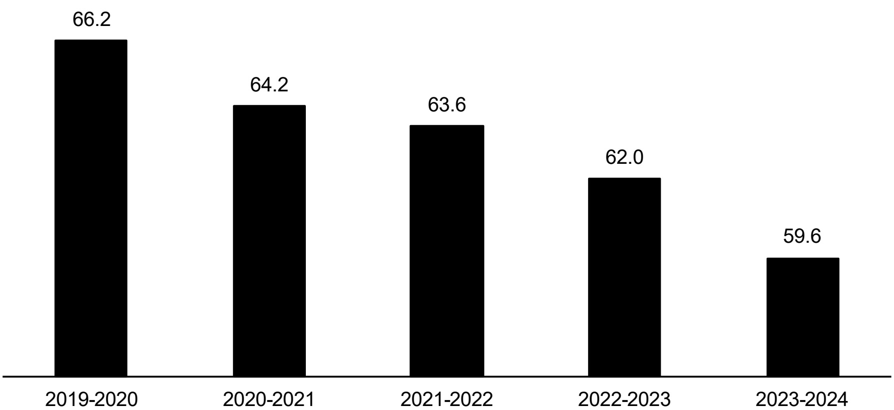
A decline in Québec's share of the equalization envelope

The equalization envelope for Canada as a whole grows in pace with Canada's nominal GDP. Therefore, the envelope, which was set at $19.8 billion in 2019-2020, is expected to increase to $22.8 billion in 2023-2024.

Owing to the improvement in Québec's economic situation relative to that of the rest of Canada, it is anticipated that Québec's share will decline in the coming years.

Québec's share of the equalization envelope for Canada as a whole is expected to decrease from 66.2% in 2019-2020 to 59.6% in 2023-2024.

Anticipated change in Québec's share of the equalization envelope(1)
(per cent)



(1) A smoothing mechanism is applied to determine equalization payments. For example, the equalization payments for the provinces for 2019-2020 are based on data for the years 2015-2016 (25%), 2016-2017 (25%) and 2017-2018 (50%).
Sources: Department of Finance Canada and Ministère des Finances du Québec.

2.2 Change in expenditure

Consolidated expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service.

Consolidated expenditure totals $113.2 billion in 2019-2020, that is, $105.5 billion for portfolio expenditures and $7.7 billion for debt service.

— Portfolio expenditures are adjusted upward by $1.4 billion relative to the March 2019 forecast.

— Debt service is adjusted downward by $1.3 billion.

Consolidated expenditure will stand at $117.0 billion in 2020-2021 and $120.3 billion in 2021-2022.

The level of spending in 2019-2020 is equal to that forecast in the March 2019 budget. The initiatives announced are offset by savings in debt service.

From 2019-2020 to 2021-2022, annual growth in consolidated expenditure will reach 4.1% on average.

TABLE D.16

Change in consolidated expenditure
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	**Adjustments**	**2019-2020**	**2020-2021**	**2021-2022**
Portfolio expenditures	104 038	1 424	105 462	108 491	111 427
% change			*7.9*	*2.9*	*2.7*
Debt service	8 996	–1 255	7 741	8 463	8 834
% change			*–11.2*	*9.3*	*4.4*
TOTAL	**113 034**	**169**	**113 203**	**116 954**	**120 261**
% change			***6.3***	***3.3***	***2.8***

Note: Detailed adjustments and changes in portfolio expenditures are presented in subsection 2.2.1 of this section and detailed adjustments and changes in debt service are presented in subsection 2.2.2.

Consolidated expenditure: adjusted slightly in 2019-2020

The adjustment to consolidated expenditure growth in the November 2019 update relative to March 2019 can be explained by a number of factors:

- lower-than-expected actual expenditures in 2018-2019;
- upward adjustments in expenditures in 2019-2020, in particular for one-time items not foreseen at the beginning of the year, such as flooding costs;
- an adjustment to debt service;
- the implementation of new initiatives.

Lower expenditures for 2018-2019, when compared with the unchanged level of spending in 2019-2020, raise the annual growth in spending in 2019-2020 relative to March 2019.

- Therefore, growth in portfolio expenditures in 2019-2020 increases from 5.0% to 6.4% without changing the level of 2019-2020 expenditures.

Coupled with the $0.6-billion adjustments in spending and new initiatives totalling $0.9 billion for 2019-2020, spending before taking debt service into account amounts to $105.5 billion.

When debt service is taken into account, consolidated expenditure totals $106.5 billion in 2018-2019 and $113.2 billion in 2019-2020, a level equal to that forecast for 2019-2020 in the March 2019 budget.

- Accordingly, consolidated expenditure growth amounts to 6.3% in 2019-2020 and 3.3% in 2020-2021.

From 2018-2019 to 2021-2022, annual growth of consolidated expenditure averages 3.8%.

Adjustments to consolidated expenditure growth
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Portfolio expenditures – March 2019	**99 052**	**104 038**	**107 467**	**110 645**
% change	***5.1***	***5.0***	***3.3***	***3.0***
Unrealized 2018-2019 expenditures	–1 308	—	—	—
Portfolio expenditures after 2018-2019 adjustments	**97 744**	**104 038**	**107 467**	**110 645**
% change	***3.7***	***6.4***	***3.3***	***3.0***
Adjustments in spending – Items not forecast	—	567	246	–15
November 2019 initiatives	—	857	778	797
Portfolio expenditures – November 2019	**97 744**	**105 462**	**108 491**	**111 427**
% change	***3.7***	***7.9***	***2.9***	***2.7***
Debt service	8 722	7 741	8 463	8 834
% change	*–5.4*	*–11.2*	*9.3*	*4.4*
Consolidated expenditure – November 2019	**106 466**	**113 203**	**116 954**	**120 261**
% change	***2.9***	***6.3***	***3.3***	***2.8***

Adjustments to expenditure by departmental portfolio, 2018-2019

In 2018-2019, portfolio expenditures amount to $97.7 billion, which corresponds to a downward adjustment of $1.3 billion relative to the March 2019 forecasts.

These downward adjustments raise the growth rate for the expenditures of each departmental portfolio in 2019-2020.

Overall, from 2018-2019 to 2020-2021, annual expenditure growth will reach 4.8% on average.

Change in expenditure by departmental portfolio, 2018-2019
(millions of dollars)

	March 2019		November 2019 update		
	2018-2019	**Adjustments**	**2018-2019**	**2019-2020**	**2020-2021**
Éducation et Enseignement supérieur	23 261	–181	23 080	24 577	25 430
% change			*4.0*	*6.5*	*3.5*
Santé et Services sociaux	43 101	–545	42 556	45 444	47 342
% change			*3.4*	*6.8*	*4.2*
Other portfolios(1)	32 690	–582	32 108	35 441	35 719
% change			*3.9*	*10.4*	*0.8*
TOTAL	**99 052**	**–1 308**	**97 744**	**105 462**	**108 491**
% change			***3.7***	***7.9***	***2.9***

Note: Totals may not add due to rounding. Detailed adjustments to expenditure in 2018-2019 are presented on page D.9.

(1) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

2.2.1 Portfolio expenditures

To achieve its objectives and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. The array of entities for which a minister is responsible constitutes a portfolio.

❑ Adjustments for 2019-2020

In 2019-2020, portfolio expenditures will reach $105.5 billion, which corresponds to an upward adjustment of $1.4 billion relative to the March 2019 forecasts.

This adjustment is explained by, in particular:

— the $141-million increase in the expenditures of the Éducation et Enseignement supérieur portfolio, due to, in particular, increased spending in the education networks;

— the $1.3-billion increase in the expenditures of other portfolios, resulting essentially from the $429-million impact of the 2019 spring flooding and the $832-million impact of new initiatives.

In addition, the expenditures of the Santé et Services sociaux portfolio have been adjusted slightly.

From 2019-2020 to 2021-2022, annual growth of portfolio expenditures will reach 4.5% on average.

TABLE D.17

Change in expenditures by departmental portfolio
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	Adjustments	2019-2020	2020-2021	2021-2022
Éducation et Enseignement supérieur	24 436	141	24 577	25 430	26 376
% change			*6.5*	*3.5*	*3.7*
Santé et Services sociaux	45 433	11	45 444	47 342	49 337
% change			*6.8*	*4.2*	*4.2*
Other portfolios(1)	34 169	1 272	35 441	35 719	35 714
% change			*10.4*	*0.8*	—
TOTAL	**104 038**	**1 424**	**105 462**	**108 491**	**111 427**
% change			***7.9***	***2.9***	***2.7***

Note: Totals may not add due to rounding.
(1) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

❑ Outlook for 2020-2021 and 2021-2022

In 2020-2021 and 2021-2022, portfolio expenditures will stand at $108.5 billion and $111.4 billion, respectively.

— Growth in spending for those two fiscal years will reach 2.9% and 2.7%, respectively.

In particular, the change of 0.8% in other portfolios in 2020-2021 can be attributed primarily to one-time actions in 2019-2020. In addition, the change in other portfolios in 2021-2022 is influenced by the slower pace of implementation of infrastructure projects, particularly those tied to the integrated bilateral agreement.

❑ Expenditures by key portfolio

■ Expenditures of the Éducation et Enseignement supérieur portfolio

The expenditures of the Éducation et Enseignement supérieur portfolio are allocated primarily to the activities of educational institutions (school boards, CEGEPs, universities, private educational institutions, government schools). This portfolio also includes student financial assistance as well as programs to promote recreation and sports activities.

Spending for the Éducation et Enseignement supérieur portfolio stands at $24.6 billion in 2019-2020 and will amount to $25.4 billion in 2020-2021 and $26.4 billion in 2021-2022. This spending represents roughly 23% of total portfolio expenditures.

— Growth in spending for the Éducation et Enseignement supérieur portfolio stands at 6.5 % in 2019-2020. It will reach 3.5% in 2020-2021 and 3.7% in 2021-2022.

— Over four years, that is, from 2018-2019 to 2021-2022, annual growth of the Éducation et Enseignement supérieur portfolio will average 4.4%.

TABLE D.18

Expenditures of the Éducation et Enseignement supérieur portfolio
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Program spending(1)	19 364	21 154	21 768	22 697
Other spending(2)	3 716	3 423	3 662	3 679
TOTAL	**23 080**	**24 577**	**25 430**	**26 376**
% change	***4.0***	***6.5***	***3.5***	***3.7***

(1) This spending corresponds to expenditures of the Ministère de l'Éducation et de l'Enseignement supérieur funded mainly through income tax and other general taxes.
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

Expenditures of the Santé et Services sociaux portfolio

The expenditures of the Santé et Services sociaux portfolio consist primarily of the activities of the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies such as Héma-Québec.

Spending for the Santé et Services sociaux portfolio stands at $45.4 billion in 2019-2020 and will amount to $47.3 billion in 2020-2021 and $49.3 billion in 2021-2022. This spending represents roughly 44% of total portfolio expenditures.

— Growth in spending for the Santé et Services sociaux portfolio amounts to 6.8% in 2019-2020. It will reach 4.2% in 2020-2021 and 2021-2022.

— Over four years, that is, from 2018-2019 to 2021-2022, annual growth of the Santé et Services sociaux portfolio will average 4.6%.

TABLE D.19

Expenditures of the Santé et Services sociaux portfolio
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Program spending(1)	38 187	40 849	42 667	44 530
Other spending(2)	4 369	4 596	4 675	4 807
TOTAL	**42 556**	**45 444**	**47 342**	**49 337**
% change	***3.4***	***6.8***	***4.2***	***4.2***

Note: Totals may not add due to rounding.
(1) This spending corresponds to expenditures of the Ministère de la Santé et des Services sociaux funded mainly through income tax and other general taxes.
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

Mission expenditures

Government expenditures are broken down into five public service missions. This breakdown of the government's expenditures into its main areas of activity is a stable indicator over time because it is not usually affected by Cabinet shuffles. Moreover, since this breakdown is also used in the Public Accounts, it facilitates comparisons of actual results with forecasts.

The public service missions are:

- Health and Social Services, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- Education and Culture, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;
- Economy and Environment, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;
- Support for Individuals and Families, which includes, in particular, last resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;
- Administration and Justice, which consists mainly of the activities of legislature, central bodies and public security, as well as administrative programs.

Mission expenditures
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Health and Social Services	41 522	44 484	46 230	48 025
Education and Culture	23 887	25 753	26 594	27 515
Economy and Environment	14 730	15 304	16 106	16 052
Support for Individuals and Families	10 095	11 532	11 653	11 672
Administration and Justice(1)	7 510	8 389	7 908	8 163
TOTAL	**97 744**	**105 462**	**108 491**	**111 427**
% change	***3.7***	***7.9***	***2.9***	***2.7***

(1) These amounts include the Contingency Fund reserve. The change in the Administration and Justice mission expenditures in 2020-2021 is due primarily to one-time financial assistance paid in 2019-2020 in connection with the 2019 spring flooding.

2.2.2 Debt service

Debt service consists of interest on the direct debt as well as interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Debt service changes primarily according to the level of the debt, interest rates and the return on the Retirement Plans Sinking Fund (RPSF).

❑ Adjustments for 2019-2020

In 2019-2020, debt service amounts to $7.7 billion, or $6.8 billion for interest on the direct debt and $0.9 billion in interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Compared to March 2019, debt service is adjusted downward by $1.3 billion in 2019-2020, mainly because of lower-than-expected interest rates and the higher-than-anticipated return on the RPSF in 2018-2019. The income of the RPSF is applied against debt service.

— These two factors, combined with accelerated repayment of the debt from the Generations Fund, explain the 11.2% decrease in debt service in 2019-2020.

TABLE D.20

Change in debt service
(millions of dollars)

	March 2019		November 2019 update		
	2019-2020	**Adjustments**	**2019-2020**	**2020-2021**	**2021-2022**
Interest on the direct debt(1)	7 984	–1 143	6 841	7 801	8 470
% change			*–7.9*(3)	*14.0*	*8.6*
Interest on the liability for the retirement plans and other employee future benefits(2)	1 012	–112	900	662	364
% change			*–30.3*(4)	*–26.4*	*–45.0*
TOTAL	**8 996**	**–1 255**	**7 741**	**8 463**	**8 834**
% change			***–11.2***	***9.3***	***4.4***

(1) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowings. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. Given that the revenue forecast for the Sinking Fund for Government Borrowings is closely tied to the change in interest rates, it may be adjusted upward or downward.
(2) This interest corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus the investment income of the Retirement Plans Sinking Fund, individual funds and funds for other employee future benefit programs.
(3) This change is due to lower interest rates and accelerated repayment of the debt from the Generations Fund.
(4) This change can be attributed mainly to the increased investment income of the Retirement Plans Sinking Fund, which is applied against debt service.

❑ Outlook for 2020-2021 and 2021-2022

Overall, debt service will stand at $8.5 billion in 2020-2021 and $8.8 billion in 2021-2022, representing changes of 9.3% and 4.4%.

In 2020-2021 and 2021-2022, interest on the direct debt will grow by 14.0% and 8.6%, respectively, mainly because of the government's capital investments and the anticipated change in long-term interest rates. Long-term interest rates are nevertheless expected to remain low.

The increased growth in 2020-2021 is explained by the low level of debt service in 2019-2020. Indeed, in 2019-2020, the Sinking Fund for Government Borrowings posted non-recurrent revenues. It is mainly these revenues, applied against debt service, which explain the 7.9% decline in interest on the direct debt in 2019-2020.

Interest on the liability for the retirement plans and other employee future benefits will decrease due to the fact that the investment income of the RPSF increases every year. Accordingly, this interest is expected to fall by 30.3% in 2019-2020.

APPENDIX: ADDITIONAL TABLES

Digital dissemination of content reflects the department's desire to improve the messages addressed to the public through the use of electronic documents that can be consulted on a smartphone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Therefore, it disseminates certain additional budgetary information exclusively on its website.

This information includes, in particular:

— *Québec's Budgetary Statistics*, which present, among other things, the government's revenue and expenditure on a historical basis;

— *Budget by the Numbers* and interactive charts;

— the financial framework according to the government's financial organization;

— additional information on own-source revenue and portfolio expenditures;

— margins of prudence, sensitivity analyses and the main risks in the financial framework;

— entities included in the government's reporting entity, classified by portfolio;

— the government's net financial surpluses or requirements.

Additional tables are available on the Ministère des Finances' website. To consult them, visit the documents page for the November 2019 *Update on Québec's Economic and Financial Situation*:

http://www.finances.gouv.qc.ca/update

Section E

THE QUÉBEC GOVERNMENT'S DEBT

SUMMARY

As at March 31, 2019, the gross debt stood at $199.1 billion, or 45.8% of GDP. The objective of reducing the gross debt to 45% of GDP will be achieved in the current fiscal year.

— As at March 31, 2020, the gross debt burden will stand at 44.6% of GDP.

— The objective will be achieved six years ahead of schedule.

The debt burden is being reduced thanks to disciplined management of Québec's public finances and deposits in the Generations Fund.

Furthermore, as a result of the reduction in the debt burden, Québec recently received a favourable review from the DBRS credit rating agency. In spring 2019, DBRS raised the outlook for Québec's credit rating from “stable” to “positive.”

— The government aims to have this rating upgraded by keeping the budget balanced, continuing to reduce the debt burden and increasing Québec's economic potential.

Continuing to reduce the debt burden will enable Québec to:

— counter an eventual economic slowdown;

— ease the tax burden on Quebecers;

— ensure stable funding for the government's chief missions, including health and education;

— cope with the costs associated with population aging;

— fund investment in public infrastructure;

— fight climate change;

— increase Québec's financial autonomy within the federation.

The objective of reducing the debt representing accumulated deficits to 17% of GDP should be achieved as at March 31, 2024, that is, two years ahead of schedule.

In this regard, the government intends to change the definition of “debt representing accumulated deficits” so that it reflects the actual and anticipated budgetary situation. The balance of the stabilization reserve, which is the sum of the budgetary surpluses since 2015-2016, will no longer be added to accumulated deficits.[1]

[1] Legislative amendments will be necessary.

1. QUÉBEC'S DEBT

1.1 Different concepts of debt

A number of different concepts of debt are used to measure a government's indebtedness.

— **Gross debt** corresponds to the debt on financial markets plus the commitments in respect of the retirement plans of government employees. The balance of the Generations Fund is subtracted from the gross debt.

— **Net debt** corresponds to the government's liabilities as a whole less its financial assets.

— **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets.

TABLE E.1

Debt of the Québec government as at March 31 according to various concepts
(millions of dollars)

	2018	2019	2020
GROSS DEBT(1)	**201 071**	**199 098**	**201 331**
% of GDP	*48.2*	*45.8*	*44.6*
Less: Financial assets, net of other liabilities(2)	−24 528	–26 540	–28 819
NET DEBT	**176 543**	**172 558**	**172 512**
% of GDP	*42.3*	*39.7*	*38.2*
Less: Non-financial assets	−69 073	–72 110	–76 135
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS	**107 470**	**100 448**	**96 377**
% of GDP	*25.8*	*23.1*	*21.3*
Plus: Stabilization reserve	7 174	11 977	13 377
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*	**114 644**	**112 425**	**109 754**
% of GDP	*27.5*	*25.9*	*24.3*

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.
(2) Financial assets include, in particular, investments in government enterprises (e.g. Hydro-Québec) and accounts receivable, minus other liabilities (e.g. accounts payable).

Change to the definition of "debt representing accumulated deficits"

As defined in the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits is the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

Accordingly, when a budgetary surplus is recorded, it does not reduce the debt representing accumulated deficits because it is allocated to the stabilization reserve, which is added to accumulated deficits. That is why the debt representing accumulated deficits as at March 31, 2019 is $12.0 billion higher than the accumulated deficits shown in the financial statements.

– Within the meaning of the Public Accounts, the debt representing accumulated deficits stood at $100.4 billion as at March 31, 2019, whereas within the meaning of the *Act to reduce the debt and establish the Generations Fund*, which adds to the debt the balance of the stabilization reserve ($12.0 billion), it was $112.4 billion.

It is important to the government that the debt representing accumulated deficits reflect the actual and anticipated budgetary situation and that it be comparable across governments. Currently, Québec is the only government in Canada to use this concept of debt.

The government therefore intends to change the definition of "debt representing accumulated deficits" so that the balance of the stabilization reserve is no longer added.[1]

This change will have several advantages. The debt representing accumulated deficits will:

– reflect the government's actual and anticipated budgetary situation and, in this regard, be a more accurate indicator for the public;

– correspond exactly to the accumulated deficits shown in the Public Accounts;

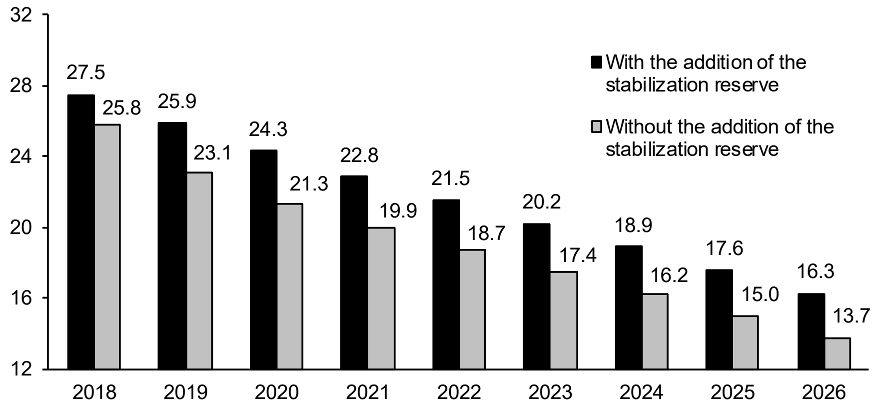
– be fully comparable to that of the other Canadian governments.

This change will have no impact on the gross debt and the net debt, as neither of them are increased by the balance of the stabilization reserve.

1 Legislative amendments will be necessary.

Change to the definition of “debt representing accumulated deficits” (cont.)

Debt representing accumulated deficits as at March 31 with and without the addition of the stabilization reserve
(percentage of GDP)



❑ Accumulated deficits account for half of the gross debt

As at March 31, 2019, accumulated deficits accounted for half of the gross debt, or 50.5%. The share of accumulated deficits in the gross debt is decreasing thanks to:

— maintenance of a balanced budget;

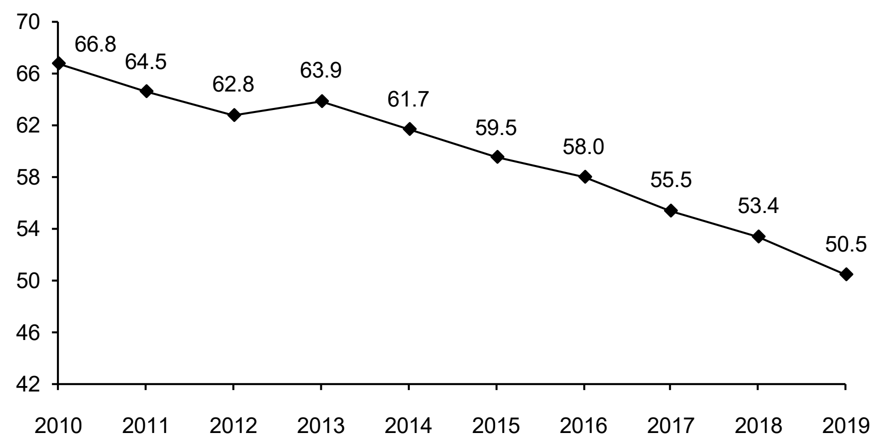
— deposits in the Generations Fund;

— the government's capital investments.

The gross debt is thus increasingly associated with assets, that is, public infrastructure and investments in government enterprises.

CHART E.1

Share of accumulated deficits within the meaning of the Public Accounts in the gross debt as at March 31
(per cent)



1.2 Interprovincial comparison: still-high debt level

Québec's debt is still fairly high despite the posting of budgetary surpluses in recent years.

— Regardless of the debt concept used, Québec remains one of the most indebted provinces in Canada.

The interest that Québec has to pay on this debt represents a large proportion of the government's revenue.

— In 2018-2019, interest payments on the debt totalled $8.7 billion, which represents 7.6% of consolidated revenue, or $1 040 per capita.

— Debt service is the third largest expenditure category of the government, after health and education.

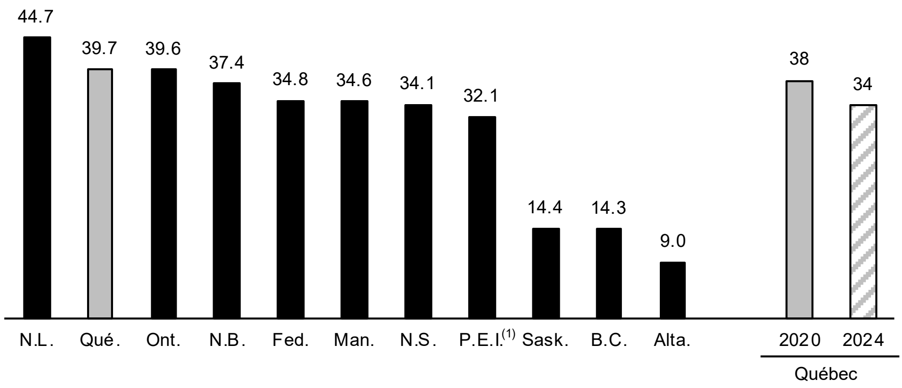
— Every dollar paid in interest is one dollar less for funding public services.

As at March 31, 2019, Québec's net debt burden was 39.7% of GDP, compared with the provincial average of 30.3%.[2]

Québec's debt burden is expected to decrease to 38% of GDP as at March 31, 2020 and to 34% as at March 31, 2024.

CHART E.2

Net debt of governments in Canada as at March 31, 2019
(percentage of GDP)



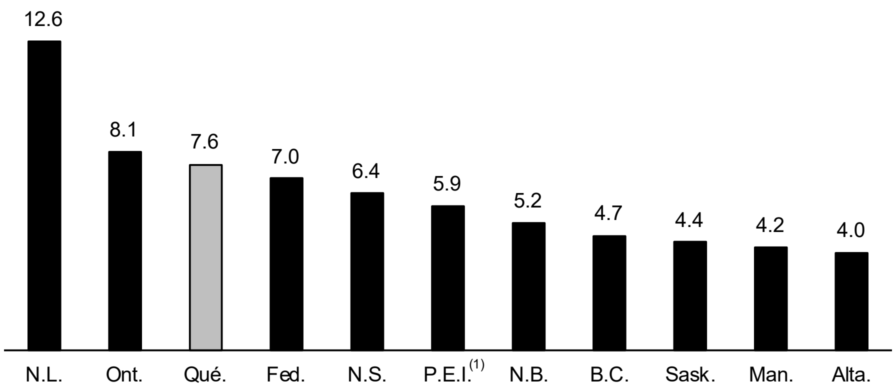
(1) Data as at March 31, 2018, because the 2018-2019 public accounts of this province had not yet been published as of October 25, 2019.
Sources: Governments' public accounts and Ministère des Finances du Québec.

2 Weighted average as a share of GDP.

Comparison of the debt service of governments in Canada

In 2018-2019, Québec's debt service as a percentage of revenue was among the highest in Canada.

Debt service of governments in Canada, 2018-2019
(percentage of revenue)



(1) Data as at March 31, 2018, because the 2018-2019 public accounts of this province had not yet been published as of October 25, 2019.
Sources: Governments' public accounts and Ministère des Finances du Québec.

1.3 The benefits of debt reduction

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

Due to the decrease in the debt burden, Québec benefits from advantageous borrowing costs. Québec currently borrows at lower costs than Ontario.

Continuing to reduce the debt burden will enable Québec to:

— counter an eventual economic slowdown;

— ease the tax burden on Quebecers;

— ensure stable funding for the government's chief missions, including health and education;

— cope with the costs associated with population aging;

— fund investment in public infrastructure;

— fight climate change;

— increase Québec's financial autonomy within the federation.

1.4 Gross debt

The gross debt corresponds to the amount of debt issued on financial markets (consolidated direct debt) plus the net liability for the retirement plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2019, the gross debt stood at $199.1 billion, or 45.8% of GDP. The debt burden is expected to gradually and steadily decline until 2023-2024. The gross debt-to-GDP ratio should stand at 41.6% as at March 31, 2024.

Furthermore, as at March 31, 2024, the sums accumulated in the Retirement Plans Sinking Fund (RPSF) to pay the retirement benefits of government employees will be nearly equal to the government's liability in this regard.

Thus, as at March 31, 2024, the net liability for the retirement plans and other employee future benefits is forecast at just $1.3 billion, compared to $18.4 billion as at March 31, 2019.

TABLE E.2

Gross debt as at March 31
(millions of dollars)

	2018	2019	2020	2021	2022	2023	2024
Consolidated direct debt	191 984	189 029	195 810	204 042	213 308	223 868	234 101
Plus: Retirement plans and other employee future benefits[1]	21 903	18 362	14 485	11 791	8 679	5 347	1 317
Less: Generations Fund	−12 816	−8 293	−8 964	−11 702	−14 756	−18 133	−21 821
GROSS DEBT	**201 071**	**199 098**	**201 331**	**204 131**	**207 231**	**211 082**	**213 597**
% of GDP	***48.2***	***45.8***	***44.6***	***43.5***	***42.9***	***42.4***	***41.6***

(1) Net liability.

❑ The debt level is lower than on the eve of the last recession

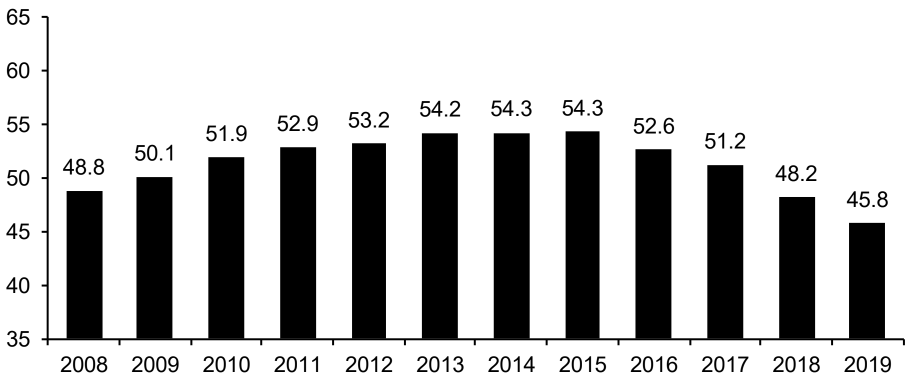
As at March 31, 2008, that is, on the eve of the 2008-2009 recession, the gross debt burden stood at 48.8% of GDP. As at March 31, 2019, it was below that level, standing at 45.8% of GDP.

This puts Québec in a good position to counter an eventual economic slowdown.

As well, against this backdrop, Québec intends to continue reducing the debt burden.

CHART E.3

Change in the gross debt as at March 31
(percentage of GDP)



❑ Adjustments to the gross debt compared to the March 2019 budget

The gross debt as at March 31, 2024 has been adjusted downward by $1.9 billion compared to the March 2019 budget.

The gross debt-to-GDP ratio has been adjusted downward by 0.7 percentage point.

The downward adjustments are primarily attributable to a higher-than-expected budgetary surplus in 2018-2019 and an anticipated budgetary surplus in 2019-2020.

TABLE E.3

Adjustments to the gross debt as at March 31 since the March 2019 budget
(millions of dollars)

	2019	2020	2021	2022	2023	2024
November 2019	199 098	201 331	204 131	207 231	211 082	213 597
% of GDP	*45.8*	*44.6*	*43.5*	*42.9*	*42.4*	*41.6*
March 2019	200 756	204 169	207 318	211 357	214 095	215 494
% of GDP	*46.1*	*45.3*	*44.6*	*44.1*	*43.4*	*42.3*
Adjustments	**−1 658**	**−2 838**	**−3 187**	**−4 126**	**−3 013**	**−1 897**
% of GDP	***−0.3***	***−0.7***	***−1.1***	***−1.2***	***−1.0***	***−0.7***

TABLE E.4

Factors responsible for the change in the Québec government's gross debt

(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Investments, loans and advances	Net capital investments[1]	Other factors[2]	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2009-2010	157 630	3 174[3]	1 746	4 226	−2 733	−725	5 688	163 318	51.9
2010-2011	163 318	3 150	2 507	4 923	298	−760	10 118	173 436	52.9
2011-2012	173 436	2 628	1 861	5 071	1 228	−840	9 948	183 384	53.2
2012-2013	183 384	3 476[4]	659	4 863	445	−961	8 482	191 866	54.2
2013-2014	191 866	2 824	1 349	3 977	−788	−1 421	5 941	197 807	54.3
2014-2015	197 807	1 143[5]	2 146	2 980	1 160	−1 279	6 150	203 957	54.3
2015-2016	203 957	−2 191	808	2 695	−338	−1 584	−610	203 347	52.6
2016-2017	203 347	−2 361	2 527	1 784	194	−2 001	143	203 490	51.2
2017-2018	203 490	−2 622	1 859	2 173	−1 536	−2 293	−2 419	201 071	48.2
2018-2019	201 071	−4 803	1 296	3 002	2 009	−3 477	−1 973	199 098	45.8
2019-2020	199 098	−1 400	2 790	4 025	−511	−2 671	2 233	201 331	44.6
2020-2021	201 331	−100	2 488	3 672	−522	−2 738	2 800	204 131	43.5
2021-2022	204 131	−100	2 740	4 232	−718	−3 054	3 100	207 231	42.9
2022-2023	207 231	−100	2 254	4 909	165	−3 377	3 851	211 082	42.4
2023-2024	211 082	−100	1 459	3 598	1 246	−3 688	2 515	213 597	41.6

(1) Investments made under public-private partnership agreements are included in net capital investments.
(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.
(3) Budgetary balance after use of the stabilization reserve.
(4) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.
(5) Budgetary balance excluding the impact of accounting changes. The budgetary balance including accounting changes totalling $418 million is a deficit of $725 million.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

- The Québec government's contribution to the projects of partners (e.g. municipalities) is not included in net capital investments, whereas it is included in the annual investments of the Québec Infrastructure Plan.

Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2019-2020 to 2023-2024, net capital investments will increase the gross debt by $4.1 billion per year on average.

Net capital investments
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Gross investments(1)	7 034	8 123	8 041	8 779	9 665	8 564
Less: Depreciation	−4 032	−4 098	−4 369	−4 547	−4 756	−4 966
Net capital investments	**3 002**	**4 025**	**3 672**	**4 232**	**4 909**	**3 598**

(1) Gross investments include those made under public-private partnership agreements net of the value of disposals.

Net liability for the retirement plans and other employee future benefits

The net liability for the retirement plans and other employee future benefits corresponds to the government's net commitments toward its public and parapublic sector employees.

The net liability for the retirement plans and other employee future benefits, which is included in the gross debt, is calculated by subtracting from the liability the balance of the sums accumulated to pay for these benefits. The balances concerned are those of the Retirement Plans Sinking Fund (RPSF), the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund.

As at March 31, 2019, the net liability for the retirement plans and other employee future benefits stood at $18.4 billion.

Net liability for the retirement plans and other employee future benefits as at March 31, 2019
(millions of dollars)

Retirement plans	
Liability for the Government and Public Employees Retirement Plan (RREGOP)	63 313
Liability for the Pension Plan of Management Personnel (PPMP) and the Retirement Plan for Senior Officials (RPSO)	19 436
Liability for the other plans(1)	17 176
Retirement plans liability	**99 925**
Less: Retirement Plans Sinking Fund (RPSF)	−81 344
Net retirement plans liability	**18 581**
Other employee future benefits	
Other employee future benefits liability	1 471
Less: Funds dedicated to other employee future benefits	−1 690
Net other employee future benefits liability(2)	**−219**
NET LIABILITY FOR THE RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	**18 362**

(1) The liability for the other plans takes into account the assets of the other plans, including those of the Pension Plan of the Université du Québec.
(2) A negative entry means that the value of assets is higher than the value of liabilities.

1.5 Net debt

The net debt corresponds to the government's liabilities less its financial assets.

As at March 31, 2019, the net debt stood at $172.6 billion, or 39.7% of GDP.

TABLE E.5

Factors responsible for the change in the net debt
(millions of dollars)

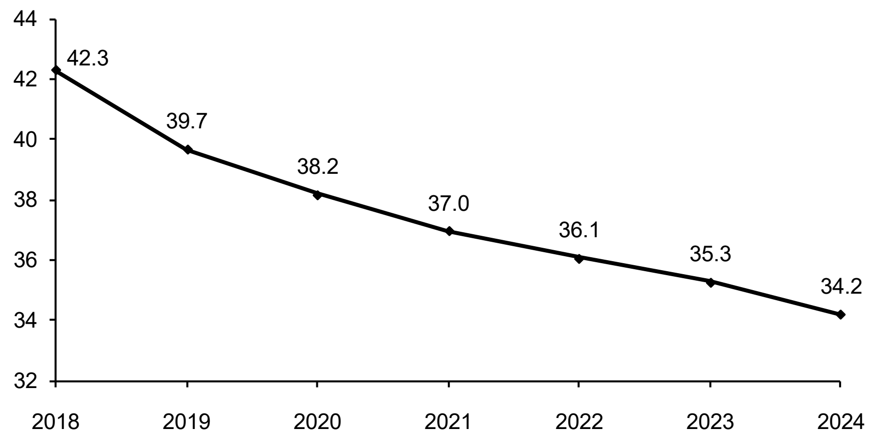
	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Other	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	176 543	−4 803	3 002	1 293(1)	−3 477	−3 985	172 558	39.7
2019-2020	172 558	−1 400	4 025	—	−2 671	−46	172 512	38.2
2020-2021	172 512	−100	3 672	—	−2 738	834	173 346	37.0
2021-2022	173 346	−100	4 232	—	−3 054	1 078	174 424	36.1
2022-2023	174 424	−100	4 909	—	−3 377	1 432	175 856	35.3
2023-2024	175 856	−100	3 598	—	−3 688	−190	175 666	34.2

(1) The increase in the net debt is due, in particular, to the other comprehensive income of Hydro-Québec. This includes accounting entries (e.g. unrealized exchange gains and losses) that, without affecting Hydro-Québec's net earnings, affect its net assets and, consequently, the value of the government's investment in Hydro-Québec.

In the coming years, the net debt-to-GDP ratio will fall and stand at 34.2% as at March 31, 2024.

CHART E.4

Net debt as at March 31
(percentage of GDP)



1.6 Debt representing accumulated deficits

As defined in the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

For the purposes of the reduction objective for this debt, the government intends to use the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve.[3]

Within the meaning of the Public Accounts, the debt representing accumulated deficits stood at 23.1% of GDP as at March 31, 2019.

— It is forecast to drop to 16.2% of GDP as at March 31, 2024.

TABLE E.6

Factors responsible for the change in the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Accounting adjustments	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	107 470	−4 803	1 258(1)	−3 477	−7 022	100 448	23.1
2019-2020	100 448	−1 400	—	−2 671	−4 071	96 377	21.3
2020-2021	96 377	−100	—	−2 738	−2 838	93 539	19.9
2021-2022	93 539	−100	—	−3 054	−3 154	90 385	18.7
2022-2023	90 385	−100	—	−3 377	−3 477	86 908	17.4
2023-2024	86 908	−100	—	−3 688	−3 788	83 120	16.2

(1) The change in the debt representing accumulated deficits in 2018-2019 as a result of accounting adjustments is due, in particular, to the other comprehensive income of Hydro-Québec. This includes accounting entries (e.g. unrealized exchange gains and losses) that, without affecting Hydro-Québec's net earnings, affect its net assets and, consequently, the value of the government's investment in Hydro-Québec.

3 Legislative amendments will be necessary.

❑ Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts compared to the March 2019 budget

The debt representing accumulated deficits within the meaning of the Public Accounts as at March 31, 2024 has been adjusted downward by $3.2 billion compared to the March 2019 budget.

The ratio of debt representing accumulated deficits to GDP has been adjusted downward by 0.8 percentage point.

The downward adjustments are primarily attributable to a higher-than-expected budgetary surplus in 2018-2019 and an anticipated budgetary surplus in 2019-2020.

TABLE E.7

Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts as at March 31 since the March 2019 budget
(millions of dollars)

	2019	2020	2021	2022	2023	2024
November 2019	100 448	96 377	93 539	90 385	86 908	83 120
% of GDP	*23.1*	*21.3*	*19.9*	*18.7*	*17.4*	*16.2*
March 2019	101 864	99 360	96 676	93 729	90 369	86 337
% of GDP	*23.4*	*22.1*	*20.8*	*19.6*	*18.3*	*17.0*
Adjustments	**−1 416**	**−2 983**	**−3 137**	**−3 344**	**−3 461**	**−3 217**
% of GDP	***−0.3***	***−0.8***	***−0.9***	***−0.9***	***−0.9***	***−0.8***

1.7 Debt reduction objectives

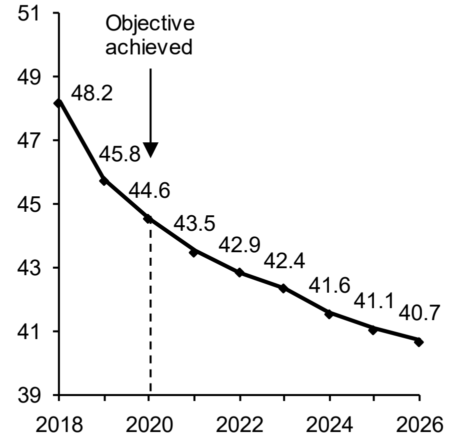
The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

- The objective of reducing the gross debt to 45% of GDP will be achieved in the current fiscal year, that is, six years ahead of schedule.
- The objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2023-2024, that is, two years ahead of schedule.
  - For the purposes of that objective, the government intends to use the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve, as this indicator better reflects the actual and anticipated budgetary situation.[4]

CHART E.5

Gross debt as at March 31

(percentage of GDP)

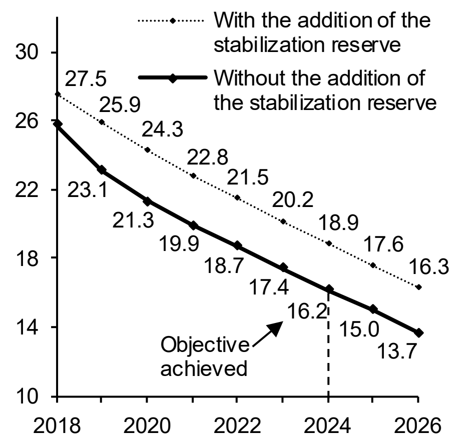


Note: These are projections as of 2025.

CHART E.6

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: These are projections as of 2025.

4 Legislative amendments will be necessary.

1.8 Generations Fund

In 2019-2020, deposits of dedicated revenues in the Generations Fund amount to $2.7 billion. These sums come mainly from:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- revenue stemming from the indexation of the price of heritage electricity;
- mining revenues;
- an amount from the specific tax on alcoholic beverages;
- investment income.

The Generations Fund will stand at $9.0 billion as at March 31, 2020.

TABLE E.8

Generations Fund
(millions of dollars)

	2018-2019(1)	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Book value, beginning of year	**12 816**	**8 293**	**8 964**	**11 702**	**14 756**	**18 133**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	714	741	763	776	818	829
Private producers	106	102	103	105	107	109
Subtotal	**820**	**843**	**866**	**881**	**925**	**938**
Indexation of the price of heritage electricity	258	303	388	535	640	745
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	268	264	291	313	341	373
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	22	20	15	15	15	15
Investment income(2)	1 394	526	463	595	741	902
Total dedicated revenues	**3 477**	**2 671**	**2 738**	**3 054**	**3 377**	**3 688**
Use of the Generations Fund to repay borrowings	−8 000	−2 000	—	—	—	—
BOOK VALUE, END OF YEAR	**8 293**	**8 964**	**11 702**	**14 756**	**18 133**	**21 821**

(1) For information purposes, the market value of the Generations Fund as at December 31, 2018, was $11.3 billion, or $1.1 billion higher than its book value at that date.
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). The forecast may thus be adjusted upward or downward according to the timing of realized gains or losses. The substantial investment income in 2018-2019 is explained by the materialization of a portion of the investment gains resulting from the use of the Generations Fund to repay the debt. In addition to the realized gains from withdrawals from the Generations Fund, an annual return of 4.8% is expected, a rate based on five historic years.

Impact of the Generations Fund

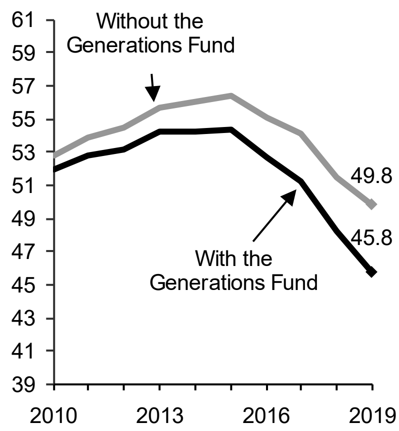
The Generations Fund is a tool that contributes directly to reducing the debt burden.

Without the deposits made in the Generations Fund, the gross debt-to-GDP ratio would be much higher. As at March 31, 2019, the gross debt as a share of GDP stood at 45.8%. Without the Generations Fund, it would have stood at 49.8% of GDP, or 4.0 percentage points higher.

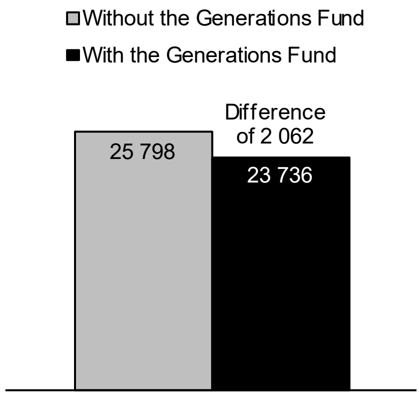
The difference means that, if not for the Generations Fund, the gross debt as at March 31, 2019 would have been $17.3 billion higher.[1]

The gross debt per capita as at March 31, 2019 stood at $23 736, whereas, without the Generations Fund, it would have stood at $25 798, a difference of $2 062 per capita.

Gross debt as at March 31
(percentage of GDP)



Gross debt as at March 31, 2019
(dollars per capita)



1 The $17.3-billion difference is $9 billion higher than the balance of the Generations Fund as at March 31, 2019 ($8.3 billion) owing to the use of $9 billion from the Generations Fund to repay borrowings ($1 billion in 2013-2014 and $8 billion in 2018-2019).

2. FINANCING

2.1 Financing program

The financing program corresponds to long-term borrowings made, in particular, to repay maturing borrowings and to fund the government's capital investments.

For fiscal 2019-2020, the program amounts to $12.5 billion, which is $0.7 billion more than forecast in the March 2019 budget.

The main adjustments leading to this increase stem from net financial requirements, repayments of borrowings, the use of pre-financing and deposits in the Retirement Plans Sinking Fund.

As at October 18, 2019, borrowings contracted in 2019-2020 amounted to $11.5 billion, or 92% of the scheduled financing program.

TABLE E.9

The government's financing program, 2019-2020
(millions of dollars)

	March 2019	Adjustments	November 2019
Net financial requirements	8 118	–1 546	6 572
Repayments of borrowings	11 066	2 310	13 376
Use of the Generations Fund to repay borrowings	–2 000	—	–2 000
Use of pre-financing	–4 167	–1 782	–5 949
Change in cash position	–1 235	—	–1 235
Deposits in the Retirement Plans Sinking Fund (RPSF)(1)	—	1 500	1 500
Transactions under the credit policy(2)	—	225	225
TOTAL	**11 782**	**707**	**12 489**

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 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.

Borrowings contracted in 2019-2020

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

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. However, the government keeps no exposure of its debt to foreign currencies so as to neutralize the impact of variations in foreign exchange rates on debt service.

In 2019-2020, conventional bonds in Canadian dollars were the main debt instrument used.

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.

Long-term borrowings contracted in 2019-2020

Currencies	$million	%
CANADIAN DOLLAR		
Conventional bonds	7 378	64.2
Savings products issued by Épargne Placements Québec	268	2.3
Immigrant investors(1)	258	2.2
Green bonds	—	—
Subtotal	**7 904**	**68.7**
OTHER CURRENCIES		
Euro	1 462	12.8
U.S. dollar	1 328	11.6
Pound sterling	407	3.5
Swedish krona	245	2.1
Australian dollar	95	0.8
New Zealand dollar	59	0.5
Subtotal	**3 596**	**31.3**
TOTAL	**11 500**	**100.0**

Note: Borrowings contracted as at October 18, 2019.
(1) These borrowings are from immigrant investors. The sums advanced by immigrant investors are lent to the government through Investissement Québec.

The financing program will amount to $21.7 billion in 2020-2021.

For the three subsequent years, that is, from 2021-2022 to 2023-2024, it will average $26.0 billion per year.

TABLE E.10

The government's financing program, 2020-2021 to 2023-2024
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024
Net financial requirements	8 463	9 492	10 715	10 390
Repayments of borrowings	13 280	16 668	14 506	16 134
Use of the Generations Fund to repay borrowings	—	—	—	—
TOTAL	**21 743**	**26 160**	**25 221**	**26 524**

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

Green Bond program

In 2017, the government introduced a Green Bond program to fund projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

The program draws on the Green Bond Principles, a guideline that emphasizes the required transparency, accuracy and integrity of information disclosed by issuers.

Québec's Green Bond framework received the highest rating possible from CICERO (Center for International Climate Research).

Four issues totalling $2.3 billion have been made since the program was launched. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec will be a regular issuer of Green Bonds.

For more information, visit www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp.

2.2 Debt management strategy

The government, through its debt management strategy, aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

❑ Structure of the gross debt by currency

As at March 31, 2019, before taking swaps into account, 80.5% of the gross debt was in Canadian dollars, 10.8% in U.S. dollars, 6.3% in euros, 0.8% in Australian dollars, 0.7% in pounds sterling, 0.7% in Swiss francs and 0.2% in other foreign currencies (yen, New Zealand dollars, Hong Kong dollars and Swedish krona).

After taking swaps into account, the entire gross debt is denominated in Canadian dollars.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow for neutralization of the impact of variations in foreign exchange rates on debt service.

TABLE E.11

Structure of the gross debt by currency as at March 31, 2019
(per cent)

	Before swaps	After swaps
Canadian dollar	80.5	100.0
U.S. dollar	10.8	0.0
Euro	6.3	0.0
Australian dollar	0.8	0.0
Pound sterling	0.7	0.0
Swiss franc	0.7	0.0
Other (yen, New Zealand dollar, Hong Kong dollar and Swedish krona)	0.2	0.0
TOTAL	**100.0**	**100.0**

Note: Gross debt including pre-financing.

❑ Structure of the gross debt by interest rate

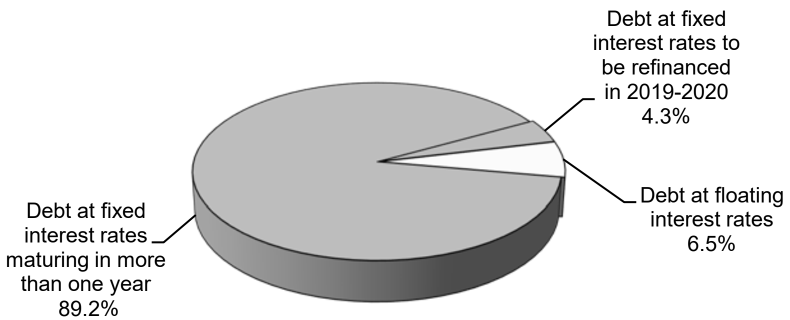
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2019, after taking swaps into account, the proportion of the gross debt at fixed interest rates was 93.5%,[5] while the proportion at floating rates was 6.5%.

In addition, as at March 31, 2019, the share of the gross debt subject to an interest rate change in 2019-2020 stood at 10.8%. This share includes the debt at floating interest rates (6.5%) as well as the debt at fixed rates, which will have to be refinanced in 2019-2020 (4.3%).

CHART E.7

Structure of the gross debt by interest rate as at March 31, 2019
(per cent)



Note: Gross debt including pre-financing.

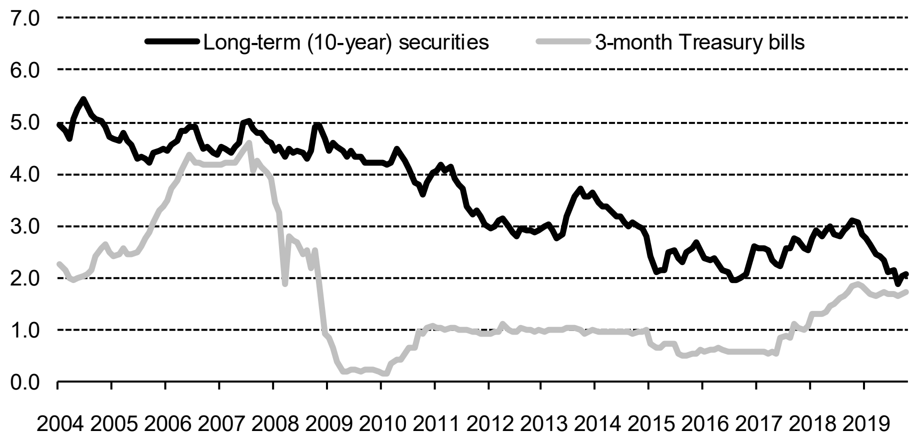
[5] This proportion includes the debt at fixed interest rates maturing in more than one year (89.2%) as well as the debt at fixed interest rates to be refinanced in 2019-2020 (4.3%).

2.3 Yield on Québec's debt securities

The yield on the Québec government's 10-year securities is approximately 2.1%. The rate for such securities hit a historic low in August 2019. The yield on Treasury bills is around 1.7%.

CHART E.8

Yield on the Québec government's securities
(per cent)

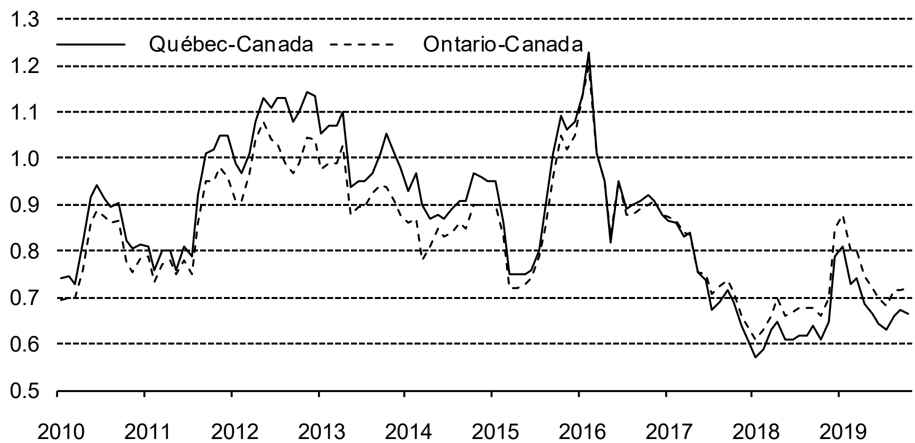


Sources: PC-Bond and Ministère des Finances du Québec.

Since June 2017, a spread in favour of Québec has been observed between the yield on 10-year securities of Québec and those of Ontario.

CHART E.9

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

3. CREDIT RATINGS

3.1 The Québec government's credit ratings

A credit rating measures the ability of a borrower, such as the Québec government, to pay interest on its debt and repay the principal at maturity.

Québec's credit rating is evaluated by six credit rating agencies.

On May 27, 2019, the DBRS credit rating agency confirmed Québec's credit rating at “A (high)” and raised its outlook from “stable” to “positive.”

Québec received a favourable review from DBRS thanks to:

— the continuing fiscal balance and reduction in the debt burden;

— the government's commitment to sound public finances;

— the initiatives taken to improve the potential of Québec's economy.

According to DBRS, Québec could see its credit rating upgraded in spring 2020. If so, it will be the first time DBRS has assigned a credit rating in the “AA” category to Québec.

— A higher credit rating means access to a broader pool of investors and advantageous borrowing costs.

TABLE E.12

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.

The Québec government's credit ratings, which are indicated in the table below, differ from one credit rating agency to another because of the methodology used by each agency to determine credit risk.

DBRS is the only credit rating agency to assign Québec a rating below the “AA” category. This rating has remained unchanged since 2006.

— The government aims to have this credit rating upgraded by keeping the budget balanced, continuing to reduce the debt burden and increasing Québec's economic potential.

TABLE E.13

Credit rating scales for long-term debt

	Moody's	**S&P**	**Fitch**	**DBRS**	**JCR**	**CCXI**(1)
Highest credit quality	Aaa	AAA	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA (high)	AA+	AA+
	Aa2	AA	AA	AA	AA	AA
	Aa3	AA−	AA−	AA (low)	AA−	AA−
	A1	A+	A+	A (high)	A+	A+
	A2	A	A	A	A	A
	A3	A−	A−	A (low)	A−	A−
	Baa1	BBB+	BBB+	BBB (high)	BBB+	BBB+
	Baa2	BBB	BBB	BBB	BBB	BBB
	Baa3	BBB−	BBB−	BBB (low)	BBB−	BBB−
	Ba1	BB+	BB+	BB (high)	BB+	BB+
	Ba2	BB	BB	BB	BB	BB
	Ba3	BB−	BB−	BB (low)	BB−	BB−
	B1	B+	B+	B (high)	B+	B+
	B2	B	B	B	B	B
	B3	B−	B−	B (low)	B−	B−

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

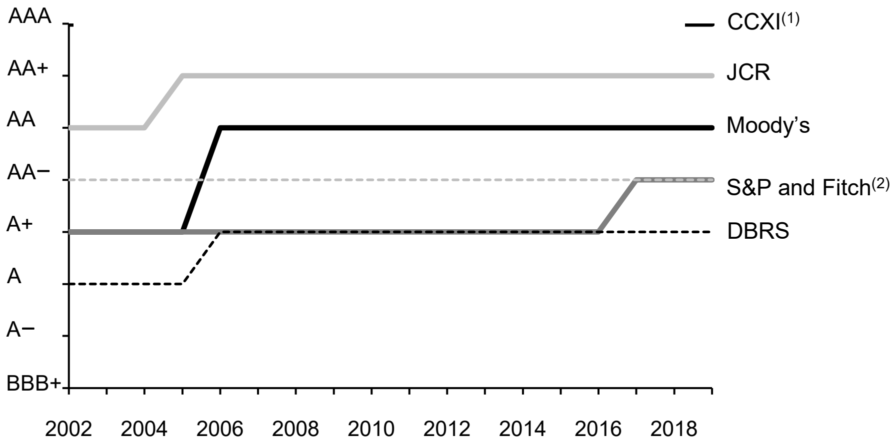
❑ Change in Québec's credit rating

The following chart shows the change in Québec's credit ratings since 2002.

In June 2017, S&P raised Québec's credit rating from “A+” to “AA−”, a first since 1993. In fact, Québec recovered the credit rating assigned by S&P from 1982 to 1993.

CHART E.10

Change in Québec's credit ratings



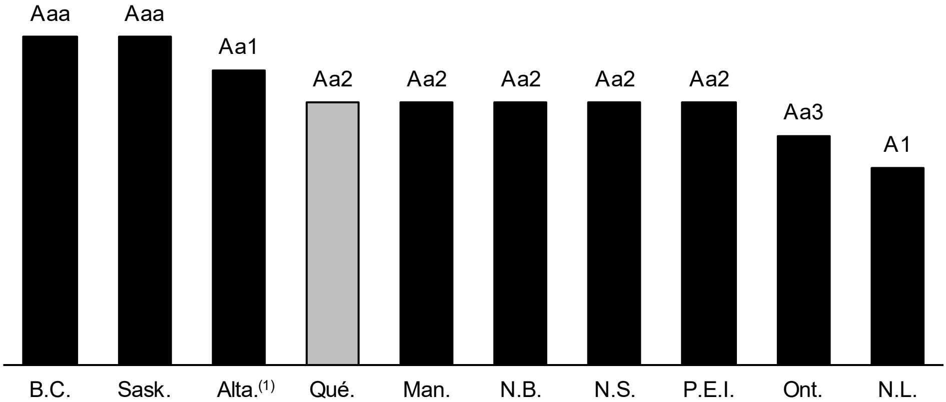
Note: The credit ratings for 2019 are those assigned as at October 25, 2019.
(1) CCXI has assigned Québec a credit rating since 2018.
(2) Fitch's credit rating is indicated by the dotted line.

3.2 Comparison of the credit ratings of the Canadian provinces

The following charts show the credit ratings of the Canadian provinces assigned by Moody's and Standard & Poor's as at October 25, 2019.

CHART E.11

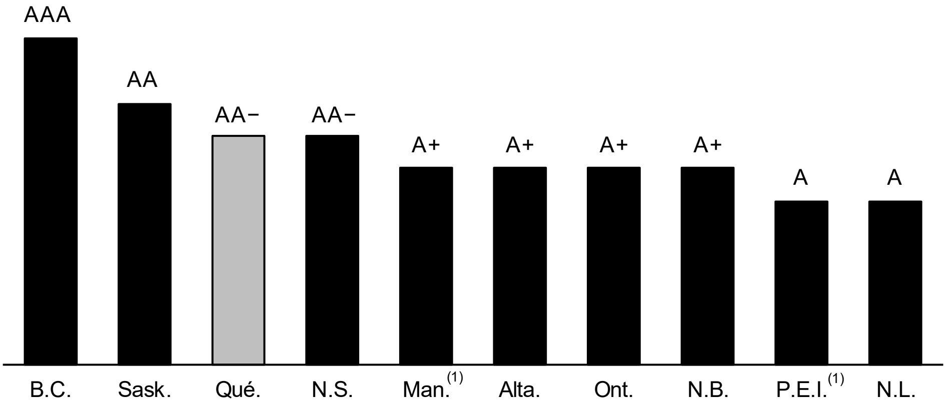
Credit ratings of the Canadian provinces − Moody's



(1) Rating with a negative outlook.

CHART E.12

Credit ratings of the Canadian provinces − Standard & Poor's



(1) Rating with a positive outlook.

APPENDIX 1: RETIREMENT PLANS SINKING FUND

The Retirement Plans Sinking Fund (RPSF) is an asset that was created by the government in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees.

In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective of ensuring that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in respect of the retirement plans of public and parapublic sector employees.

— The objective was reached as at March 31, 2018, that is, two years sooner than anticipated.

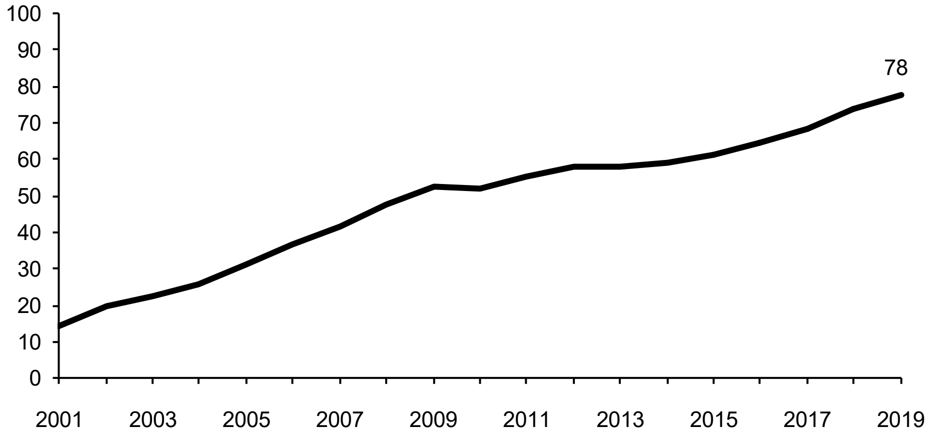
— As at March 31, 2019, the RPSF was equal to 78% of the actuarial obligations in respect of retirement plans.

Sums will continue to be accumulated in the RPSF to ensure that the government continues reducing the gap between its actuarial obligations in respect of the retirement plans of public and parapublic sector employees and the sums it holds to meet these obligations.

As in previous years, deposits in the RPSF will be made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues. Deposits totalling $1.5 billion were made in the RPSF at the beginning of fiscal 2019-2020.

CHART E.13

Book value of the RPSF in proportion to the government's actuarial obligations in respect of the retirement plans of public and parapublic sector employees as at March 31
(per cent)



APPENDIX 2: QUÉBEC'S PUBLIC SECTOR DEBT

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, the municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2019, Québec's public sector debt stood at $269.0 billion, or 61.9% of GDP. These figures must be seen in perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

The ratio of public sector debt to GDP has been falling since 2015-2016.

TABLE E.14

Public sector debt as at March 31
(millions of dollars)

	2015	2016	2017	2018	2019
Government's gross debt	203 957	203 347	203 490	201 071	199 098
Hydro-Québec	41 662	43 843	42 882	43 160	43 054
Municipalities	23 305	23 846	24 058	24 505	25 173
Universities other than the Université du Québec and its constituents	1 624	1 608	1 656	1 321	1 458
Other government enterprises	383	308	258	218	210
PUBLIC SECTOR DEBT	**270 931**	**272 952**	**272 344**	**270 275**	**268 993**
% of GDP	***72.1***	***70.7***	***68.6***	***64.8***	***61.9***

Section F

THE INCOME OF QUEBECERS FOR THEIR RETIREMENT

SUMMARY

To maintain their standard of living in retirement, Quebecers must plan their savings carefully and make informed decisions. In fact, throughout their working lives, they have to make choices that have a significant impact on their retirement income, such as:

— the moment at which they start saving;

— the age at which they apply for their pension under the Québec Pension Plan.

The Québec retirement income system provides individuals with several tools to help them achieve their savings objectives. This system includes, in particular:

— government programs, such as the Old Age Security program, which provides recipients with a basic income, and the Québec Pension Plan, which provides workers with additional savings for their retirement;

— private retirement savings, which are the responsibility of individuals and can provide them with additional income in retirement to achieve their desired standard of living;

— work income, which allows individuals to increase their future income by extending their career and deferring their application for the Québec Pension Plan.

In addition to these tools, the government intends to offer Quebecers an additional option for private pension plans by enabling the implementation of target benefit pension plans.

1. RETIREMENT IN QUÉBEC: A COLLECTIVE AND INDIVIDUAL RESPONSIBILITY

1.1 Retirement age: a reduced gap with the rest of Canada

In 2018, the average retirement age in Québec was 63.1, compared to 63.8 in Canada.

— This gap is much smaller than the one observed fifteen years ago, which suggests that Québec is gradually moving closer to the Canadian average.

— In 2003, the average retirement age was 60.5 in Québec and 61.7 in Canada.

However, Quebecers are more likely than the average Canadian to apply for their public pension at age 60. Under the terms of the Québec Pension Plan, they receive 30% to 36% less than they would receive if they applied for their pension at age 65.

In 2018, 62.2% of new retirees applied for their Québec Pension Plan pension at age 60.

— In comparison 38.2% of participants in the rest of Canada applied for the Canada Pension Plan at age 60.

TABLE F.1

Retirement age and age at which the first payment of the QPP or the CPP is received, 2018

	Québec	Ontario	Alberta	Canada
Average retirement age	63.1	63.7	64.9	63.8
Average age at which the first payment of the QPP or CPP pension is received(1)	61.6	—	—	62.7
Proportion of participants applying for the first pension payment at age 60 (%)	62.2	—	—	38.2

(1) The Canada Pension Plan (CPP) is the equivalent of the Québec Pension Plan (QPP) for the other Canadian provinces and territories.
Sources: Statistics Canada and Retraite Québec.

1.2 Different financial needs in retirement

In order to maintain their standard of living in retirement, retirees generally do not need as much income as they did during their working lives. This is due to their different financial needs. For example:

— retirees usually have fewer expenses related to work, family or mortgage;

— retirement income is not subject to the taxes that apply to work income, such as contributions to the Québec Pension Plan, the Employment Insurance program and the Québec Parental Insurance Plan;

— savings needs related to retirement are less important.

In general, these reduced expenditures allow retirees to maintain a similar standard of living with a lower income. A replacement rate of 60% to 70% of earned income before retirement may therefore be sufficient to maintain a similar standard of living in retirement.

1.3 A multi-level retirement income system

During their working lives, Quebecers have access to various means to accumulate retirement income. The retirement income system[1] is comprised of four levels, namely:

- the Old Age Security program,[2] which offers a minimum income provided by the federal government;
- the Québec Pension Plan, which, when it reaches maturity,[3] will allow Québec workers earning more than $3 500 per year to replace up to 33% of work income in retirement;
- private retirement savings, such as supplementary pension plans, including those offered in the Québec public and parapublic sectors, and retirement savings plans, in particular the Voluntary Retirement Savings Plan (VRSP);[4]
- work income.

In addition to these various means, Quebecers can benefit from their own assets, in particular financial and non-financial assets, such as the value of a property.

In Québec, the first two levels of the retirement income system are generally applicable since the Old Age Security program applies to all Quebecers and contributions to the Québec Pension Plan are mandatory for all workers subject to it.

The other levels are based on the individual responsibility of Quebecers and vary according to their financial capacity and working conditions.

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1 In 2019, the Mercer Melbourne Global Index, which measures the performance of retirement income systems, ranked Canada 9th among the 37 countries being compared. This performance is attributable in particular to the growth in assets held in the Canada Pension Plan and the Québec Pension Plan.

2 The program includes the Old Age Security pension and the Guaranteed Income Supplement.

3 The base plan of the Québec Pension Plan aims to replace 25% of a worker's income. The additional plan will gradually increase the pension to replace up to 33% of income in 2065.

4 In 2013, the Québec government adopted the *Voluntary Retirement Savings Plans Act*, which requires employers to offer a group retirement savings plan to their employees. Since December 31, 2017, all businesses with ten employees or more are required to offer a voluntary retirement savings plan or other group retirement savings plans to all their eligible employees.

ILLUSTRATION F.1

The Québec retirement income system

Level 1 **Old Age Security program**	
Old Age Security pension (OAS)	Guaranteed Income Supplement (GIS)

Level 2 **Québec Pension Plan**

Level 3 **Private retirement savings**				
Retirement savings plans		Supplemental pension plans		
Group: – Group RRSP – Group TFSA – VRSP/PRPP(1)	Individual: – RRSP – TFSA	Defined contribution plans	Defined benefit plans(2)	Other types of plans

Other assets	
Non-financial assets	Financial assets
– Property and real estate (housing and investments) – Private businesses	– Equities and bonds – Mutual funds – Life insurance

Level 4 **Work income**	
Tax credit for career extension	Reduction in SMBs' payroll taxes to foster the retention of experienced workers

RRSP: Registered Retirement Savings Plan.
TFSA: Tax-Free Savings Account.
VRSP: Voluntary Retirement Savings Plan.
PRPP: Pooled Registered Pension Plan.
(1) The VRSP and the PRPP are retirement savings plans for workers and self-employed individuals who do not have access to a private pension plan through their employer.
(2) Defined benefit plans include those offered by the public and parapublic sectors, such as the Government and Public Employees Retirement Plan (RREGOP).

2. GOVERNMENT PROGRAMS FOR THE RETIREMENT OF QUEBECERS

2.1 The Old Age Security program: a minimum income provided by the federal government

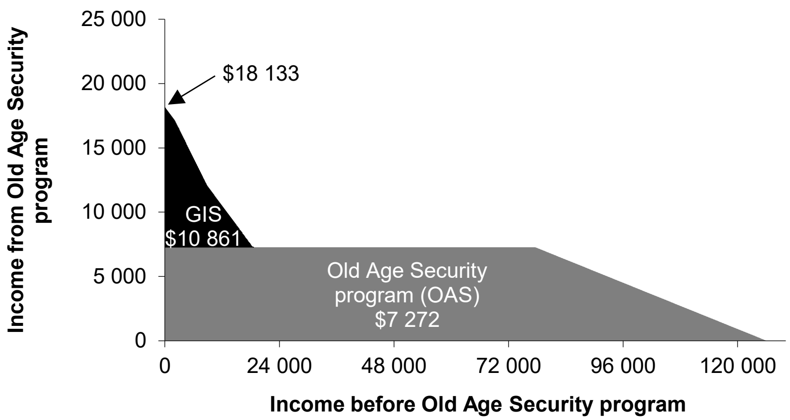
The first level of the Québec retirement income system is the federal government's Old Age Security program.

— The Old Age Security pension is available from age 65.[5] This pension, which can reach $7 272 per year in 2019, varies mainly according to the individual's income[6] and the number of years he or she has lived in Canada.

— Other types of benefits are also available, including the Guaranteed Income Supplement for people aged 65 or over with modest income. This supplement can reach $10 861 per year in 2019 for an individual living alone.[7]

CHART F.1

Illustration of the Old Age Security program for a senior living alone, 2019
(dollars per year)



GIS: Guaranteed Income Supplement.

5 To be eligible, the individual must be a Canadian citizen and have lived in Canada for at least ten years starting at age 18.

6 In 2019, the amount of the pension is reduced from an individual income of $77 580 at a rate of 15% of excess income. The pension ceases to be paid when the net income is $126 058 or more.

7 The Guaranteed Income Supplement benefit gradually decreases based on family income. As a result, a person living alone does not receive the supplement when his or her income reaches $18 600.

2.2 The Québec Pension Plan: an essential savings tool for Quebecers

The Québec Pension Plan is the second level of the Québec retirement income system. It is a public and mandatory plan financed through employer and employee contributions, provided that these workers are 18 years of age or older and that their annual work income exceeds $3 500.

The monthly pension depends on accumulated work income, as well as the age at which the worker chooses to receive it. At age 65, the basic plan aims to replace 25% of average career earnings, up to the maximum pensionable earnings of $57 400 in 2019.

Individuals who choose to extend their career could increase their income throughout retirement by deferring their application for a Québec Pension Plan pension.

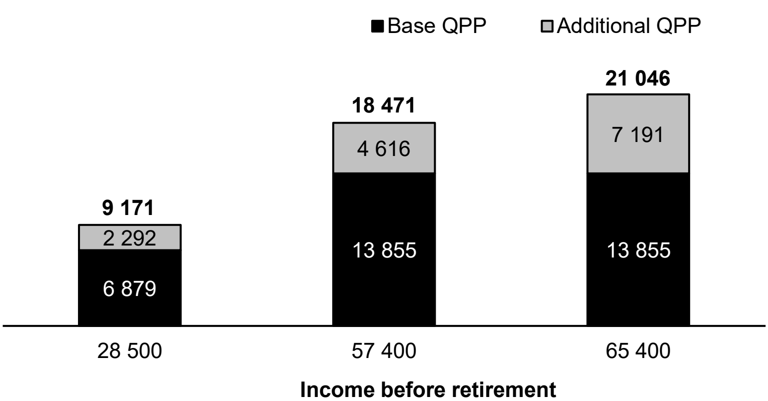
❑ Enhancement of the Québec Pension Plan

Since January 1, 2019, the Québec Pension Plan also includes an additional plan, which will increase the amount of the pension paid to improve the financial security of retired Québec workers.

Contributions to the additional plan will gradually increase from 2019 to 2025. When it achieves maturity, the enhanced Québec Pension Plan will allow Quebecers to replace up to 33% of their eligible career income.[8] For example, a worker earning $65 400 will benefit from an increase of $7 191 in his or her annual pension.

CHART F.2

Maximum annual retirement pension of the Québec Pension Plan starting at 65 years of age according to the income level before retirement, at maturity
(in 2019 dollars, per year)



Note: The maximum pensionable earnings in 2019 is $57 400. Eligible career income will increase and reach 114% of the maximum pensionable earnings by 2025, or $65 400 in 2019 dollars.

8 Eligible career income is salary up to the maximum pensionable earnings.

❑ Deferring your retirement pension, a profitable strategy

The Québec Pension Plan also offers workers the opportunity to increase their retirement pension when they defer the moment at which they apply for their first payment.

The pension can be requested anytime between the ages of 60 and 70. However, if it is requested before the age of 65, it is reduced by a maximum of 7.2% per year of anticipation,[9] whereas it is increased by 8.4% per year of deferral if it is requested after age 65. These adjustments apply for the duration of the pension.

As a result, a person who chooses to work longer or who holds retirement savings can benefit from the deferral of his or her application for a retirement pension from the Québec Pension Plan to increase his or her future income.

■ The benefits of pension deferral

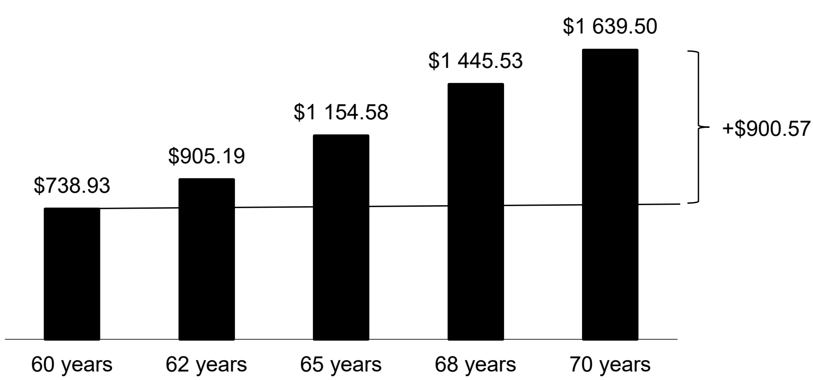
The maximum pension for a person who applies at age 60 is $738.93 per month.

— For a person who applies at age 62, the maximum monthly pension is $905.19, an increase of $1 995 (22.5%) per year.

— For a person who applies at age 70, the maximum monthly pension is $1 639.50, an increase of $10 807 (122%) per year.

CHART F.3

Maximum retirement pension from the Québec Pension Plan by age of first payment, 2019
(dollars per month)



Source: Retraite Québec.

9 The adjustment factor for workers who apply for the QPP pension before age 65 varies with income. Lower-income earners have an adjustment of 6% per year. This adjustment increases gradually to 7.2% per year for individuals whose income corresponds to the maximum pensionable earnings provided for in the Plan.

3. RETIREMENT PLANNING: AN INDIVIDUAL RESPONSIBILITY

3.1 The importance of private savings in retirement preparation

Private retirement savings is the third level of the Québec retirement income system. This includes, in particular, pensions from supplemental pension plans offered by employers and retirement savings plans, whether group or individual.

— Supplemental pension plans include defined contribution plans and defined benefit plans.

— Retirement savings plans include Voluntary Retirement Savings Plans, Registered Retirement Savings Plans and Tax-Free Savings Accounts, whether group or individual.

Adoption of the *Voluntary Retirement Savings Plans Act*

To encourage retirement savings, the government passed the *Voluntary Retirement Savings Plans Act* in 2013.

Since December 31, 2017, this act requires businesses with ten employees or more to offer a group retirement savings plan.

The VRSP: an advantageous tool for participants

The Voluntary Retirement Savings Plan (VRSP) is a group retirement savings tool that helps employers meet their new obligations. It is offered to employees who do not have access to a private pension plan, and is particularly advantageous for participants as it provides for:

– automatic enrolment;

– default investment option and contribution rate;[1]

– management fee limit.[2]

As at September 30, 2019, 12 276 employers had offered a VRSP to their employees, providing a retirement savings plan for 99 749 workers, for a total of $185 million in accumulated assets.

1 The default contribution rate is set at 4% of the gross work income since January 1, 2019.
2 The management fee limit corresponds to 1.25% for the default option and 1.5% for the other options.
Source: Retraite Québec

3.1.1 Target benefit pension plans: an additional savings option

Next spring, the government will introduce a legislative bill to enable the establishment of target benefit pension plans in order to provide more opportunities for employers who want to offer a pension plan to their employees.

❑ Decline in defined benefit plans

There are currently few options for employers who wish to offer a supplemental pension plan. The main plans offered by employers are defined benefit plans[10] and defined contribution plans.[11]

Defined benefit plans have the advantage of providing retirees with a life annuity paid periodically that is guaranteed until death and the amount of which is known in advance. These plans are declining in favour of defined contribution plans, mainly due to cost volatility for the employers.

❑ A better protection than the one offered by defined contribution plans

Target benefit pension plans have some features of defined benefit plans and other features of defined contribution plans:

— the plan guarantees participants the payment of an annuity until death, as in the case of a defined benefit plan, but the level of the annuity may vary depending on changes in the plan's financial situation;

— the employer's contribution to the plan is fixed, and the risks associated with longevity and return on savings are borne by workers and retirees, as in the case of a defined contribution plan.

Therefore, target benefit plans provide employees with better retirement protection than defined contribution plans because they provide for the payment of a life annuity until death, including through risk pooling.

In addition, once a target benefit plan is created, the terms and conditions applicable in the event of a deterioration in the financial situation of the plan will have to be indicated in the plan's provisions. In this situation, the plan could, for example, provide for an increase in employee contributions, a reduction in accrued benefits or a reduction in the target for the future.[12]

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[10] The defined benefit plan provides for a retirement pension in an amount determined in advance. This amount is generally a percentage of the salary multiplied by the years of service recognized under the plan.

[11] In a defined benefit plan, the amount of contributions that must be paid into the pension fund is determined in advance. The amount of retirement income depends, among other things, on the total amount of funds accumulated in the participant’s account.

[12] If the plan’s financial situation changes more favourably than expected, employees could benefit from a decrease in their employee contribution or an increase in their pension.

3.1.2 Private retirement savings: a saver's responsibility

Retirement income from the Old Age Security and Québec Pension Plan programs is not always sufficient to allow retirees to maintain a standard of living equivalent to the one they had before retirement.

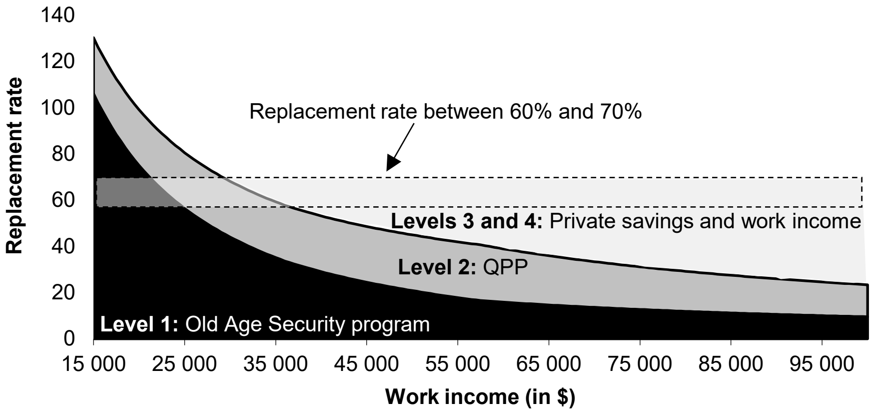
Therefore, it is the savers' responsibility to ensure, to the best of their ability, that their income and private savings are sufficient to enable them to support themselves in retirement. That is why they must contribute sufficiently to the voluntary savings vehicles made available to them to properly prepare for retirement.

According to the literature, a person needs 60% to 70% of the average gross annual income they earned before retirement to maintain the same standard of living in retirement. For a higher-income worker, a target of 60% may be sufficient.

The Old Age Security program and the Québec Pension Plan allow a person with an income of $35 000 to replace about 60% of his or her income when they retire.[13] However, individuals with higher incomes will need private savings or will have to continue working to benefit from the same retirement income replacement rate.

CHART F.4

Work income replacement rate at age 65 for a worker without a private pension plan, 2019
(percentage of average gross annual income earned during the career)



[13] This estimate illustrates the case of a person who applied for his or her Québec Pension Plan and Old Age Security pensions at age 65.

❑ Determining the private savings income required

In order to achieve their objective related to the replacement of their work income in retirement, workers may choose different strategies, such as deferring their application for the Québec Pension Plan pension. Nevertheless, for many Quebecers, the use of private savings may also be necessary to achieve their savings goal.[14]

In 2018, a Question Retraite survey[15] showed that 73% of non-retired Quebecers had not set any goals in connection with their retirement income.

❑ Impact of individual choices in retirement

For example, a retiree whose career income corresponds to the 2019 maximum pensionable earnings of $57 400 and who wishes to replace 60% of income earned during his or her career at age 70 will have to plan his or her retirement based on an annual income target of $34 440.

To obtain such income, and taking into account the income from the Old Age Security and Québec Pension Plan programs, the retiree must provide work income or private savings corresponding to:

— $18 301 if he or she applies for the Québec Pension Plan at age 60;

— $13 313 if he or she applies for the Québec Pension Plan at age 65;

— $7 494 if he or she applies for the Québec Pension Plan at age 70.

TABLE F.2

Composition of income to replace 60% of career income
(dollars per year)

	Age of application for the QPP pension		
	60 years	**65 years**	**70 years**
Target retirement income at age 70(1)	34 440	34 440	34 440
Government programs in 2019			
– Old Age Security program(2)	7 272	7 272	7 272
– Québec Pension Plan	8 867	13 855	19 674
Subtotal	**16 139**	**21 127**	**26 946**
ADDITIONAL INCOME REQUIRED	**18 301**	**13 313**	**7 494**

(1) Income of a person aged 70 living alone whose career income corresponds to the 2019 maximum pensionable earnings of $57 400 and who wishes to replace 60% of this income at retirement.
(2) In this case, the Old Age Security pension is requested at age 65. Benefits could be increased by 36% if the person applies for them at age 70.

14 For more information, see the appendix in this section.

15 Question Retraite, *Le visage de la retraite évolue depuis 15 ans*, October 11, 2018.

The importance of retirement planning

To ensure that their retirement income is sufficient, Quebecers must accumulate private savings throughout their working lives. In this respect, several factors influence the savings efforts that a worker will have to make.

For example, the monthly amount to save[1] will be less if the worker starts saving early or if he or she defers his or her application for the Québec Pension Plan (QPP) pension.

Accumulating private retirement savings at the beginning of the career

For example, Mélanie is 25 years old and has been contributing to the QPP for 7 years. She has a pre-tax salary of $57 400, which corresponds to the maximum pensionable earnings under the QPP. She has not yet accumulated private savings. In order to achieve a 60% salary replacement target at retirement, she will have to save:

– $564 per month (12% of her gross monthly salary) if she plans to apply for the QPP pension at age 60;[2]

– $206 per month (4% of her gross monthly salary) if she plans to apply for the QPP pension at age 65.

Starting to save mid-career

Her colleague, Philippe, is 40 years old and also earns $57 400. He has been contributing to the QPP for 22 years and also wants to replace 60% of his salary. He has not yet started accumulating private savings for retirement. To achieve his goal, Philippe should save:

– $1 283 per month (27% of his gross monthly salary) if he plans to apply for the QPP pension at age 60;

– $483 per month (10% of his gross monthly salary) if he plans to apply for the QPP pension at age 65.

Preparing for retirement: a specific plan for each individual

The age at which a worker begins saving has a significant impact on the amount he or she needs to set aside every month. It is therefore essential to set retirement goals early in a career to ensure that the portion of salary devoted to savings is lower.

Quebecers who, like Philippe, did not start saving at the beginning of their career will probably have to work longer in order to reach their retirement savings goal.

The online service SimulR, made available to the public by Retraite Québec,[3] allows workers to calculate their retirement income and determine the level of personal savings required to meet their future needs.

1 In particular, private retirement savings can be accumulated through an RRSP, a VRSP or a plan offered by the employer.
2 The amounts shown here were calculated using the online tool SimulR, as at October 21, 2019. They are based on a 5% rate of return and a life expectancy of 90 years.
3 See the SimulR tool available on Retraite Québec's website, at www.retraitequebec.gouv.qc.ca.

3.2 Encouraging career extension

Quebecers can also choose to continue working full-time or part-time in retirement. Work income is the fourth level of the retirement income system.

Quebecers who defer their pension application until age 70 can benefit from a significant increase in the amount they receive under the Québec Pension Plan, which means they would not need as much work income to reach their goal.

In order for them to extend their career, the government offers tax assistance to experienced workers who remain employed.

The tax credit for career extension, whose maximum amount gradually increases with age, eliminates the Québec income tax payable on a portion of work income exceeding $5 000, and therefore increases the worker's disposable income.

— As a result, a person who aims to obtain a total income of $34 440 starting at age 60, in particular by remaining in the labour market, could receive a tax credit of $1 500 between the ages of 60 and 64, and $1 650 starting at age 65.

— When the retiree reaches age 70, his or her income is mainly composed of the Québec Pension Plan, which allows him or her to reduce his or her work income.

TABLE F.3

Disposable income of a worker who defers his or her application for a Québec Pension Plan pension to age 70, 2019
(dollars per year)

	60 years	65 years	70 years
Total income			
– Work income	34 440	27 168	7 494
– Old Age Security program	—	7 272	7 272
– Québec Pension Plan	—	—	19 674
Subtotal: total income	**34 440**	**34 440**	**34 440**
Taxes, social and fiscal transfers(1) and social contributions(2)	−5 676	−3 791	−2 690
– Tax credit for career extension(3)	+1 500	+1 650	+374
DISPOSABLE INCOME	**30 264**	**32 299**	**32 124**

Note: To illustrate the full effect of the tax credit for career extension, it is assumed that the worker does not hold any private retirement savings.
(1) Refundable tax credit for the federal goods and services tax and refundable solidarity tax credit.
(2) Contributions to Employment Insurance, the Health Services Fund, the Québec Pension Plan and the Québec Parental Insurance Plan.
(3) At age 70, the retiree's total income is mainly composed of the Québec Pension Plan. As a result, since his or her work income is only $7 494, the tax credit for career extension is lower.

❑ Encouraging the hiring of experienced workers

In addition, since the employment of experienced workers can entail additional costs for businesses, the government provides a reduction in payroll taxes for SMBs that employ them.

Reduction in payroll taxes for SMBs
To promote the hiring and retention of experienced workers, SMBs can benefit from a significant reduction in payroll contributions related to the wages paid to workers aged 60 or over. As a result, SMBs from all sectors can benefit from a reimbursement of Québec payroll taxes of: – 50% for workers aged 60 to 64, up to a maximum of $1 250 per worker per year; – 75% for workers aged 65 and over, up to a maximum of $1 875 per worker per year.

APPENDIX: IMPACT OF INDIVIDUAL CHOICES ON RETIREMENT INCOME

This appendix is intended to illustrate the effect of deferring or advancing an application for a Québec Pension Plan pension on the retirement income replacement rate.

In the following examples, a retiree's career income corresponds to the maximum pensionable earnings.

❑ Illustration of an application for a QPP pension at age 65

In the first example, the retiree applies for his or her Québec Pension Plan and Old Age Security pensions at age 65.

Until the age of 65, the retiree has fully supported himself or herself with his or her work income and private retirement savings. Starting at age 65:

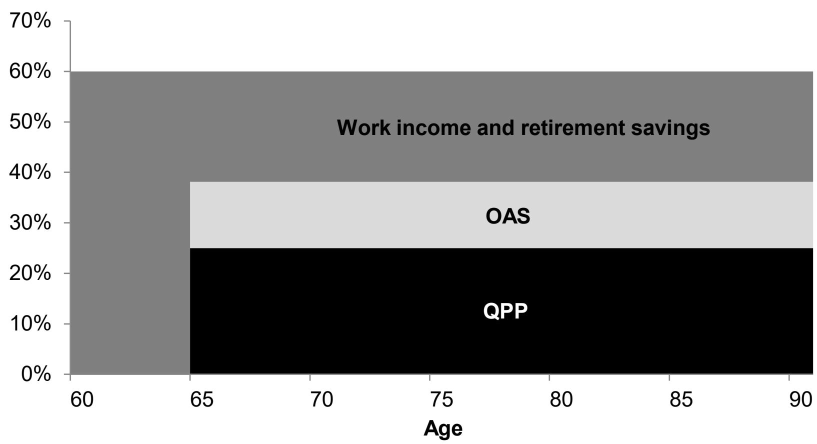
— 25.0% of the retiree's income is replaced by the Québec Pension Plan pension;

— 13.1% of the retiree's income is replaced by the Old Age Security pension.

As a result, private retirement savings and work income must account for 21.9% of income if the individual wishes to replace 60% of his or her career income.

CHART F.5

Income replacement rate in 2019 for an individual receiving the QPP and OAS pension at age 65
(percentage of gross annual income earned over the course of the saver's career)



Note: Income corresponds to maximum pensionable earnings.
Source: Retraite Québec.

❑ Effects of advancing an application for the QPP pension

If the person wishes to apply for his or her pension at age 60 instead of age 65:

— the Québec Pension Plan pension will replace only 16% of his or her income;

— the Old Age Security pension will replace 13.1% of his or her income after age 65.

As a result, if the person still wishes to obtain an income replacement rate of 60%, his or her private retirements savings and work income will have to be higher and represent 44% of his or her income until age 65, and 30.9% thereafter.

❑ Effects of deferring an application for a QPP pension

If the individual wishes to defer his or her application for a Québec Pension Plan and Old Age Security pension to age 70, he or she will significantly reduce future pressure on private savings. He or she will therefore have to live solely on work income and private retirement savings until that age.

Starting at age 70:

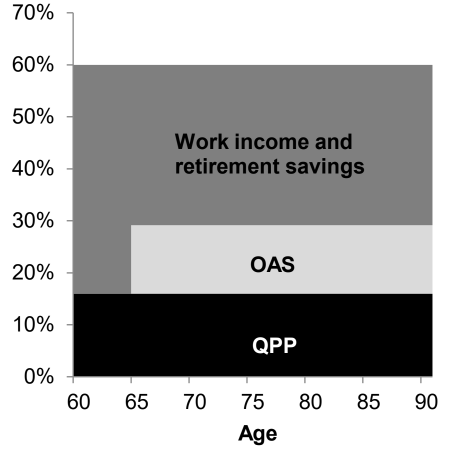
— 35.5% of the retiree's income is replaced by the Québec Pension Plan pension;

— 17.8% of the retiree's income is replaced by the Old Age Security pension.

As a result, private retirement savings and work income must account for only 6.7% of income in order to replace 60% of career income.

CHART F.6

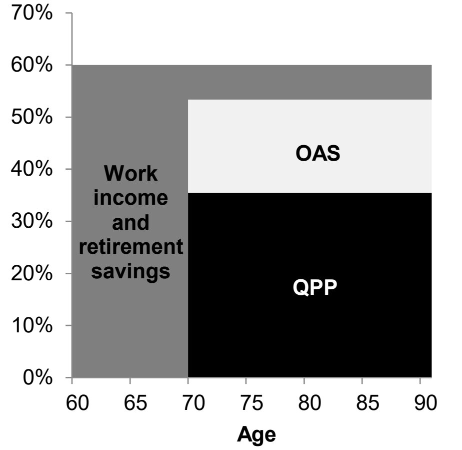
Income replacement rate in 2019 for a person receiving the QPP pension at age 60 and the OAS pension at age 65
(percentage of income)



Note: Income corresponds to maximum pensionable earnings.
Source: Retraite Québec.

CHART F.7

Income replacement rate in 2019 for a person receiving the QPP and OAS pensions at age 70
(percentage of income)



Note: Income corresponds to maximum pensionable earnings.
Source: Retraite Québec.

www.finances.gouv.qc.ca/update

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