

□ Margins of prudence and main risks to Québec's financial situation

TABLE 1

Margins of prudence and main risks to Québec's financial situation

Margins of prudence	Risks	Estimated impact	Ref. pages ⁽¹⁾	
Financial framework				
<ul style="list-style-type: none"> – Contingency reserve: <ul style="list-style-type: none"> ▪ \$100 million per year from 2019-2020 to 2023-2024 – Stabilization reserve: <ul style="list-style-type: none"> ▪ \$9.7 billion as at March 31, 2019 	<ul style="list-style-type: none"> – Generalized global slowdown <ul style="list-style-type: none"> ▪ Variation of 1 percentage point in Québec's GDP ▪ Typical (average) recession 	<ul style="list-style-type: none"> – \$750-million impact on own-source revenue – \$8.1-billion impact on own-source revenue 	<ul style="list-style-type: none"> H.42 H.22 	
		<ul style="list-style-type: none"> – Specific economic risks <ul style="list-style-type: none"> ▪ Faster-than-expected tightening of monetary policy ▪ Changes in the price of oil and other commodities ▪ Sharper-than-anticipated slowdown in Canada's residential sector ▪ Customs duties on steel and aluminum – Government enterprises <ul style="list-style-type: none"> ▪ Hydro-Québec (e.g. variation of 1 °C in winter temperatures compared to normal temperatures) – Federal transfers (change in Québec's share of the population in Canada) 	<ul style="list-style-type: none"> ▪ 0.1 percentage point in GDP ▪ 0.3 percentage point in GDP – Impact of nearly \$50 million on Hydro-Québec's net earnings – \$115 million with a variation of 0.1 percentage point 	<ul style="list-style-type: none"> H.45 H.47
Portfolio expenditures				
<ul style="list-style-type: none"> – Contingency Fund reserve: <ul style="list-style-type: none"> ▪ \$200 million per year from 2019-2020 to 2023-2024 	<ul style="list-style-type: none"> – Covering unforeseen expenditure under government programs 	<ul style="list-style-type: none"> – Undetermined 		
	<ul style="list-style-type: none"> – Changes in target clientele 	<ul style="list-style-type: none"> – Changes in technology 	<ul style="list-style-type: none"> – \$760 million with a variation of 1 percentage point in total population – \$275 million with an increase of 1.0% in technology-related costs for health care 	<ul style="list-style-type: none"> H.53
	<ul style="list-style-type: none"> – Changes in the general level of prices 	<ul style="list-style-type: none"> – Natural disaster – Public capital investment completion rate for a given year (difference of 5%) – Shortfall to be offset 	<ul style="list-style-type: none"> – \$400 million with a variation of 1 percentage point in prices – Undetermined – Impact of \$40 million in expenditure (depreciation and interest) 	<ul style="list-style-type: none"> H.53
		<ul style="list-style-type: none"> – Higher-than-anticipated rise in interest rates – Lower-than expected return of the Retirement Plans Sinking Fund 	<ul style="list-style-type: none"> – \$250 million with a variation of 1 percentage point – \$20 million with a variation of 1 percentage point 	<ul style="list-style-type: none"> H.56

(1) Québec Budget Plan – March 2019, Section H.