

# QUÉBEC'S ECONOMIC AND FINANCIAL SUMMARY

Tuesday, March 22, 2022

## HIGHLIGHTS OF THE BUDGET 2022-2023

### ECONOMIC OUTLOOK

Québec's economy made an impressive recovery in 2021. Real GDP grew by 6.3% after shrinking 5.5% in 2020. Economic activity picked up more quickly than forecast in the *Québec Budget Plan – March 2021*, which at the time of publication was calling for a 4.2% increase.

In Québec, economic growth is expected to reach 2.7% in 2022 and 2.0% in 2023.

In December 2021, employment had exceeded its pre-pandemic level (100.1% of the February 2020 level).

The unemployment rate fell from 6.9% in December 2020 to 4.7% in December 2021. In February 2022, employment remained above its February 2020 level (100.5%) and the unemployment rate reached 4.5%, a historic monthly low.

Strong demand for work will push the unemployment rate downward: it is expected to decline from an average of 6.1% in 2021 to 5.0% in 2022 and 4.7% in 2023.

### ECONOMIC OUTLOOK FOR QUÉBEC

(percentage change, unless otherwise indicated)

	2021	2022	2023
Real GDP	6.3	2.7	2.0
Exports in real terms	5.2	3.9	4.4
Consumer price index	3.8	4.7	2.3
Housing starts (thousands of units)	68.0	58.5	52.7
Job creation (thousands)	169.4	98.4	59.4
Unemployment rate (per cent)	6.1	5.0	4.7
<b>Canadian financial markets</b>			
(average annual percentage rate, unless otherwise indicated)			
Target for the overnight rate	0.3	0.8	1.6
Treasury bills – 3 months	0.1	0.9	1.7
Bonds – 10 years	1.4	2.0	2.3
Canadian dollar (in U.S. cents)	79.7	80.0	80.1

### QUÉBEC'S BUDGETARY SITUATION

In 2022-2023, the budgetary balance shows a deficit of \$6.5 billion. The financial framework provides for a provision for economic risks and other support and recovery measures totalling \$2.5 billion in 2022-2023 and \$1.5 billion per year as of 2023-2024. Fiscal balance is expected to be restored by 2027-2028.

Revenue amounts to \$138.5 billion in 2022-2023, with growth of 2.2%, while expenditure is \$136.6 billion in 2022-2023, with growth of 4.8%.

### CONSOLIDATED FINANCIAL FRAMEWORK FROM 2021-2022 TO 2026-2027

(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	AAGR <sup>(1)</sup>
Own-source revenue	105 914	109 691	112 774	117 042	121 085	125 151	
% change	15.3	3.6	2.8	3.8	3.5	3.4	3.4
Federal transfers	29 547	28 790	29 748	29 118	30 968	31 434	
% change	-3.8	-2.6	3.3	-2.1	6.4	1.5	1.2
<b>Total revenue</b>	<b>135 461</b>	<b>138 481</b>	<b>142 522</b>	<b>146 160</b>	<b>152 053</b>	<b>156 585</b>	
% change	10.5	2.2	2.9	2.6	4.0	3.0	2.9
Portfolio expenditures	-121 874	-127 789	-131 800	-135 219	-140 343	-144 053	
% change	14.8	4.9	3.1	2.6	3.8	2.6	3.4
Debt service	-8 441	-8 842	-8 725	-8 793	-8 588	-8 828	
% change	9.8	4.8	-1.3	0.8	-2.3	2.8	0.9
<b>Total expenditure</b>	<b>-130 315</b>	<b>-136 631</b>	<b>-140 525</b>	<b>-144 012</b>	<b>-148 931</b>	<b>-152 881</b>	
% change	14.5	4.8	2.9	2.5	3.4	2.7	3.2
COVID-19 support and recovery measures	-9 043	-2 355	-462	-18	—	—	
Provision for economic risks and other support and recovery measures	—	-2 500	-1 500	-1 500	-1 500	-1 500	
<b>SURPLUS (DEFICIT)</b>	<b>-3 897</b>	<b>-3 005</b>	<b>35</b>	<b>630</b>	<b>1 622</b>	<b>2 204</b>	
<b>BALANCED BUDGET ACT</b>							
Deposits of dedicated revenues in the Generations Fund	-3 457	-3 445	-3 935	-4 380	-4 622	-4 954	
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>-7 354</b>	<b>-6 450</b>	<b>-3 900</b>	<b>-3 750</b>	<b>-3 000</b>	<b>-2 750</b>	
Use of the stabilization reserve	1 221	—	—	—	—	—	
<b>BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT</b>	<b>-6 133</b>	<b>-6 450</b>	<b>-3 900</b>	<b>-3 750</b>	<b>-3 000</b>	<b>-2 750</b>	

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2022-2023 to 2026-2027.

## DEBT REDUCTION

As at March 31, 2022, the gross debt will stand at \$215.3 billion, or 43.1% of GDP, which is equivalent to the pre-pandemic level. The gross debt burden is expected to gradually decrease in the coming years, reaching 41.9% of GDP as at March 31, 2026, which is below the 45% objective.

In 2022-2023, deposits in the Generations Fund will stand at \$3.4 billion.

## FINANCING

For 2021-2022, the financing program amounts to \$22.9 billion, which is \$5.6 billion less than what was forecast in the March 2021 budget. For 2022-2023, the financing program amounts to \$27.6 billion. For the four subsequent years, from 2023-2024 to 2026-2027, it will average \$30.4 billion per year.

### THE GOVERNMENT'S FINANCING PROGRAM, 2021-2022 TO 2026-2027

(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Net financial requirements	11 037	19 096	14 136	14 698	15 488	14 868
Repayments of borrowings	13 117	14 444	15 927	19 138	17 041	10 156
Use of the Generations Fund to repay borrowings	—	—	—	—	—	—
Withdrawal from the Accumulated Sick Leave Fund	-170	—	—	—	—	—
Use of pre-financing	-8 552	-5 925	—	—	—	—
Transactions under the credit policy <sup>(1)</sup>	1 530	—	—	—	—	—
Pre-financing	5 925	—	—	—	—	—
<b>TOTAL</b>	<b>22 887<sup>(2)</sup></b>	<b>27 615</b>	<b>30 063</b>	<b>33 836</b>	<b>32 529</b>	<b>25 024</b>

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

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

(2) This data is based on borrowings contracted as at March 7, 2022.

While the average for the last 10 years is 24%, the government has so far contracted 37% of its borrowings on foreign markets for the year 2021-2022:

- €4.75 billion (CAD\$6.9 billion);
- US\$1.0 billion (CAD\$1.25 billion);
- CHF250 million (CAD\$337 million).

Québec made a CAD\$500-million Green Bonds issue in May 2021.

Six Green Bonds issues totalling CAD\$3.3 billion have been made since the program was launched in 2017.

To date, approximately 97% of the borrowings contracted in 2021-2022 had a maturity of 10 years or more.

As at March 31, 2022, the average maturity of the debt is expected to be 11 years.

## CREDIT RATINGS

Québec's credit rating is evaluated by six credit rating agencies. In 2021, these credit rating agencies confirmed Québec's credit rating and assigned it a stable outlook.

### QUÉBEC'S CREDIT RATINGS

Credit rating agency	Credit rating	Outlook
Standard & Poor's (S&P)	AA-	Stable
Moody's	Aa2	Stable
Fitch Ratings	AA-	Stable
DBRS Morningstar	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable
China Chengxin International (CCXI) <sup>(1)</sup>	AAA	Stable

Note: Québec's credit ratings as at March 7, 2022.

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

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This document is available on the following Website.

[www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca)

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390, boulevard Charest Est  
Québec (Québec) G1K 3H4  
Tel.: 418 528-7382  
Fax: 418 646-0923  
E-mail: [info@finances.gouv.qc.ca](mailto:info@finances.gouv.qc.ca)

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