

FOR IMMEDIATE RELEASE

Québec's Economic and Financial Situation 2020-2021

Telling Quebecers exactly where they stand

Québec, June 19, 2020. – Today, Minister of Finance Eric Girard provided a snapshot of Québec's financial situation three months after the beginning of the public health crisis caused by the COVID-19 pandemic. Québec's economy was hard hit by the confinement measures and the sudden shutdown of several activity sectors. Thanks to our strong economy and sound public finances prior to the health crisis, it was possible to act quickly and introduce exceptional measures to support Quebecers and businesses and foster economic recovery.

Measures to support Quebecers

Within the space of a few weeks, the government introduced unprecedented financial support, equivalent to that put in place within 24 months during the 2008-2009 financial crisis. The budgetary impact of this support totals more than \$6.6 billion:

- \$3.7 billion to strengthen our health care system to address the public health crisis;
- \$1.0 billion to support workers and individuals;
- \$2.0 billion to mitigate the economic impact of the pandemic.

Since mid-March, these measures have made over \$28 billion in liquidity available to various economic actors in Québec.

An unprecedented shock to the economy

The measures taken to contain the spread of COVID-19 forced the closure of nearly 40% of Québec's economy at the end of March, resulting in the loss of 820 500 jobs and raising the unemployment rate from 4.5% to 17.0% between February and April. However, with the reopening of certain economic sectors in May, 230 900 jobs have been gained, bringing the unemployment rate down to 13.7%.

These temporary disruptions will have a major economic impact despite the confinement measures in effect. Real GDP is projected to contract by 6.5% in Québec in 2020, whereas the March budget banked on growth of 2%. This is an exceptional situation. Relatively speaking, the decline in GDP in 2020 is greater than that observed during the global financial crisis of 2008-2009.

The government's goal is to see the economic situation return rapidly to what it was prior to the public health crisis. We hope to return to December 2019 production levels by December 2021.

A major impact on public finances

The additional expenditures tied to the pandemic, coupled with an estimated decrease of \$8.5 billion in own-source revenue¹, will lead to a record deficit of \$14.9 billion for fiscal 2020-2021. This exceptional situation requires use of the stabilization reserve to comply with the *Balanced Budget Act*. The deficit forecast also includes an unprecedented provision of \$4.0 billion to mitigate potential economic and health risks related to a possible second wave of COVID-19.

In March 2021, the gross-debt-to-GDP ratio is forecast at 50.4%, which is lower than the ratio that still prevailed in 2017. This increase in the debt level results from the deficit combined with the drop in GDP and in no way affects our will to make debt reduction a government priority.

In fact, despite the record deficit, the government aims to return to fiscal balance within five years. This goal will not be achieved at the expense of public services or by increasing Quebecers' tax burden. Putting public finances in order will also be in keeping with the government's goal of building a green economy as announced in the March budget. The government will examine whether the *Act to reduce the debt and establish the Generations Fund* needs be reviewed, particularly with regard to the achievement of the targets set for 2025-2026.

Due to the adjustments to the financial data, a surplus of \$3.0 billion was recorded in 2019-2020, corresponding to an increase of \$1.1 billion relative to the last budget for the same period.² This adjustment is attributable primarily to the still favourable budgetary situation prior to the start of the emergency health period and unrealized expenditures in the past year.

Preparing Québec's economic recovery

In recent weeks, the government has announced assistance for sectors most affected by the public health crisis, such as culture, tourism, restaurants and the retail trade. The government intends to continue its efforts to foster Québec's economic recovery while maintaining support for the health sector so that it can adequately address the population's needs. Education and workforce training will remain a priority for the government to ensure robust long-term growth and fight climate change.

We plan to work with economic actors to ensure optimal economic recovery. The update on Québec's economic and financial situation to be presented in fall 2020 will provide an opportunity to report on the impact of the government's actions and the public health crisis on the economy.

Quote:

"The last few months haven't been easy and we still have a great deal of work to do, but I'm convinced that we will be able to prepare a post-COVID-19 future where Québec and its economy will recover the vitality and momentum that characterized it only a few weeks ago.

Eric Girard, Québec Minister of Finances and Minister Responsible for the Laval Region

¹ Own-source revenue excluding revenue from government enterprises.

² These estimates are preliminary. The final budgetary balance will be known when the Public Accounts are published next fall.

Related links:

To consult, *Québec's Economic and Financial Situation 2020-2021*:
http://www.budget.finances.gouv.qc.ca/budget/portrait_juin2020/index_en.asp.

For information on COVID-19 and all assistance programs available:
Quebec.ca/coronavirus.

– 30 –

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