

QUÉBEC'S ECONOMIC AND FINANCIAL SUMMARY

Thursday, February 20, 2014

HIGHLIGHTS OF THE 2014-2015 BUDGET

ECONOMIC OUTLOOK

In 2013, real GDP growth in Québec strengthened to 1.2%, a higher rate than anticipated last November (0.9%). Growth is expected to accelerate to 1.9% in 2014 and 2015 owing to the anticipated strengthening of growth in the United States and the continuing depreciation of the Canadian dollar, which favours exports.

The Québec labour market continues to trend upward. Following the creation of 30 800 jobs in 2012, another 47 800 jobs were added in 2013. The creation of 44 800 jobs is expected in 2014.

The unemployment rate is expected to continue dropping, falling from 7.6% in 2013 to 7.4% in 2014 and 7.2% in 2015.

QUÉBEC'S ECONOMIC OUTLOOK

(percentage change, unless otherwise indicated)

	2013	2014	2015
Real GDP	1.2	1.9	1.9
Exports	3.5	3.0	3.2
Consumer price index	0.7	1.5	2.1
Housing starts (thousands of units)	37.8	36.4	35.4
Job creation (thousands)	47.8	44.8	42.0
Unemployment rate (%)	7.6	7.4	7.2
Canadian financial markets (%)			
Overnight target rate	1.0	1.0	1.4
Canada Treasury bills – 3 months	1.0	1.0	1.4
Canada bonds – 10 years	2.3	3.2	4.0
Canadian dollar (in U.S. cents)	96.6	89.6	93.3

CHANGE IN THE BUDGETARY SITUATION

Budget 2014-2015 confirms the budgetary objectives set in the November 2013 economic and financial update, namely:

- anticipated deficits of \$2.5 billion in 2013-2014 and \$1.75 billion in 2014-2015;
- a balanced budget in 2015-2016 by pursuing rigorous expenditure control;
- avoidance of recourse to tax increases;
- implementation of economic priorities through Québec's Economic Policy – Putting Jobs First.

Rigorous management of public expenditure is continuing. The level of program spending in 2013-2014 is being maintained at the level anticipated in March 2013. Program spending growth is being held at 2.0% in 2014-2015 and the two subsequent years.

MAINTENANCE OF DEBT REDUCTION OBJECTIVES AND ADDITIONAL DEPOSITS IN THE GENERATIONS FUND STARTING IN 2016-2017

The government is maintaining the debt reduction objectives set for 2025-2026, i.e. 45% of the GDP for the gross debt and 17% of the GDP for the debt representing accumulated deficits. This budget confirms additional deposits of \$425 million per year in the Generations Fund, starting in 2016-2017, to offset the increase in the debt stemming from the deficits in 2013-2014 and 2014-2015.

QUÉBEC GOVERNMENT'S FINANCIAL FRAMEWORK

(millions of dollars)

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Budgetary revenue	69 817	71 583	74 621	77 071	79 465	81 823
Budgetary expenditure						
Program spending	-63 825	-65 132	-66 442	-67 802	-70 033	-72 226
Debt service	-8 510	-8 601	-8 685	-8 971	-9 107	-9 285
Total budgetary expenditure	-72 335	-73 733	-75 127	-76 773	-79 140	-81 511
Consolidated entities⁽¹⁾	1 215	1 696	1 818	2 443	3 010	3 445
Contingency reserves	-125	—	-200	-400	-400	-400
Shortfall to be offset	—	—	530	—	—	—
SURPLUS (DEFICIT)	-1 428	-454	1 642	2 341	2 935	3 357
BALANCED BUDGET ACT						
Deposits of dedicated revenues in the Generations Fund	-1 072	-1 296	-1 642	-1 916	-2 510	-2 932
Additional deposits in the Generations Fund	—	—	—	-425	-425	-425
BUDGETARY BALANCE⁽²⁾	-2 500	-1 750	—	—	—	—

(1) Includes consolidation adjustments for non-budget-funded bodies and special funds.

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

GOVERNMENT'S FINANCING PROGRAM FROM 2013-2014 TO 2016-2017

(millions of dollars)

	2013-2014 ^P			2014-2015 ^P	2015-2016 ^P	2016-2017 ^P
	November 2013 Update	Revisions	Revised program			
GENERAL FUND						
Net financial requirements (surplus) ^{(1),(2)}	2 669	-33	2 636	2 649	1 310	393
Repayments of borrowings	4 641	103	4 744	7 597	7 059	10 679
Use of the Generations Fund to repay maturing borrowings	-1 000	—	-1 000	—	—	—
Change in cash position ⁽³⁾	-3 485	—	-3 485	-4 421	—	—
Deposits in the Retirement Plans Sinking Fund	500	500	1 000	—	—	—
Transactions under the credit policy ⁽⁴⁾	-84	-800	-884	—	—	—
Additional contributions to the Sinking Fund for borrowings	3 538	—	3 538	—	—	—
Subtotal	6 779	-230	6 549	5 825	8 369	11 072
Pre-financing	—	4 421	4 421	—	—	—
GENERAL FUND	6 779	4 191	10 970	5 825	8 369	11 072
FINANCING FUND	7 683	-299	7 384	8 554	7 255	7 094
Subtotal – General Fund and Financing Fund	14 462	3 892	18 354	14 379	15 624	18 166
FINANCEMENT-QUÉBEC	1 000	—	1 000	1 000	1 000	1 000
TOTAL	15 462	3 892	19 354	15 379	16 624	19 166
Including: repayments of borrowings ⁽⁵⁾	9 615	103	9 718	12 261	10 144	14 995

P: Preliminary results based on borrowings contracted or negotiated as at February 12, 2014 for 2013-2014 and forecasts for subsequent years.

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

(1) These amounts exclude the net financial requirements of consolidated entities funded through the financing program of the Financing Fund.

(2) Net financial requirements are adjusted to take into account the non-receipt of RPSF revenues and of funds dedicated to employee future benefits.

(3) Corresponds to pre-financing for the previous year.

(4) Under its credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts because of movements in exchange rates. These amounts do not affect the debt.

(5) Includes repayments of borrowings of the general fund, the Financing Fund and Financement-Québec.

Borrowing in fiscal 2013-2014 should total \$19.4 billion:

- \$12.5 billion through public issues;
- \$5.5 billion through private borrowings;
- \$1.4 billion through other types of borrowings.

In 2013-2014, the government carried out 16.4% of its borrowings on foreign markets:

- €65 million (C\$88 million) in June 2013;
- €1 000 million (C\$1 358 million) in July 2013;
- €1 000 million (C\$1 485 million) in January 2014;
- 200 million Swiss francs (C\$244 million) in February 2014.

For borrowings completed in 2013-2014, 40.6% had a maturity of less than 10 years, 39.0% had a maturity of 10 years and 20.4% had a maturity of 30 years or more.

The government carried out pre-financing of \$4.4 billion during 2013-2014.

The financing program should amount to \$15 379 million in 2014-2015, \$16 624 million in 2015-2016 and \$19 166 million in 2016-2017.

As at March 31, 2014, the average maturity of the debt should be about 11 years.

THE QUÉBEC GOVERNMENT'S CREDIT RATINGS

Agency	Rating	Outlook
Moody's	Aa2	Stable
Standard & Poor's (S&P)	A+	Stable
DBRS	A (high)	Stable
Fitch	AA-	Negative
Japan Credit Rating Agency (JCR)	AA+	Stable

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www.finances.gouv.qc.ca

Published by the Ministère des Finances et de l'Économie:
12, rue Saint-Louis
Québec (Québec) G1R 5L3
Tel.: 418 691-2250
Fax: 418 646-0923
E-mail: info@mfeq.gouv.qc.ca

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