

ECONOMIC OUTLOOK

Economic growth in Québec is expected to reach 1.5% in 2016 and 1.6% in 2017.

In 2015, the Québec economy benefited from the weakness in oil prices and the depreciation of the Canadian dollar.

In 2016 and 2017, the positive impact of low energy prices, depreciation of the Canadian dollar, and export and household consumption growth should be more pronounced, fostering the strengthening of economic activity in Québec.

In 2015, job creation was robust, with the addition of 37 300 jobs (+0.9%). The unemployment rate averaged 7.6%.

Employment growth will continue and nearly 30 000 jobs should be created on average in 2016 and 2017, an annual increase of 0.7%.

The unemployment rate is expected to continue falling, settling at 7.5% in 2016 and 7.2% in 2017.

QUÉBEC'S ECONOMIC OUTLOOK

(percentage change, unless otherwise indicated)

	2015	2016	2017
Real gross domestic product	1.1	1.5	1.6
Exports	1.8	2.8	2.6
Consumer price index	1.1	1.5	2.4
Housing starts (thousands of units)	37.9	36.0	34.4
Job creation (thousands)	37.3	29.8	29.2
Unemployment rate (%)	7.6	7.5	7.2
Canadian financial markets (%)			
Target for the overnight rate	0.6	0.5	0.6
Canada Treasury bills – 3 months	0.5	0.5	0.7
Canada bonds – 10 years	1.5	1.5	2.3
Canadian dollar (U.S. cents)	77.5	70.6	71.9

RETURN TO A BALANCED BUDGET

The budget will be balanced as of 2015-2016. Budget 2016-2017 provides for the maintenance of a balanced budget through responsible spending management.

Consolidated revenue is expected to grow by 3.2% in 2016-2017 and 2.7% in 2017-2018. Consolidated expenditure is expected to grow by 2.5% in 2016-2017 and 2.3% in 2017-2018.

THE QUÉBEC ECONOMIC PLAN 2016-2017

The Québec Economic Plan 2016-2017 includes tax relief for individuals and corporations. It also provides for new initiatives in education and innovation, and to facilitate labour market participation.

REDUCTION OF THE DEBT BURDEN

The government is maintaining its debt reduction objectives for 2025-2026, i.e. 45% of GDP for the gross debt and 17% of GDP for the debt representing accumulated deficits.

Deposits in the Generations Fund are expected to total \$2 028 million in 2016-2017 and \$2 504 million in 2017-2018.

THE QUÉBEC GOVERNMENT'S CONSOLIDATED FINANCIAL FRAMEWORK

(millions of dollars)

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Consolidated revenue						
Own-source revenue	80 331	82 386	84 566	86 821	89 427	91 830
Federal transfers	19 089	20 180	20 759	21 071	21 253	21 962
Total consolidated revenue	99 420	102 566	105 325	107 892	110 680	113 792
% change	3.6	3.2	2.7	2.4	2.6	2.8
Consolidated expenditure						
Expenditure	-87 634	-89 720	-91 906	-93 974	-96 089	-98 296
Debt service	-10 055	-10 418	-10 515	-10 636	-10 880	-11 242
Total consolidated expenditure	-97 689	-100 138	-102 421	-104 610	-106 969	-109 538
% change	2.0	2.5	2.3	2.1	2.3	2.4
Contingency reserve	-300	-400	-400	-400	-400	-500
SURPLUS (DEFICIT)	1 431	2 028	2 504	2 882	3 311	3 754
BALANCED BUDGET ACT						
Deposits of dedicated revenues in the Generations Fund	-1 431	-2 028	-2 504	-2 882	-3 311	-3 754
BUDGETARY BALANCE⁽¹⁾	—	—	—	—	—	—

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

THE QUÉBEC GOVERNMENT'S FINANCING PROGRAM FROM 2015-2016 TO 2018-2019

(millions of dollars)

	2015-2016 ^P			2016-2017 ^P	2017-2018 ^P	2018-2019 ^P
	March 2015	Revisions	Revised program			
GENERAL FUND						
Net financial requirements ⁽¹⁾	1 891	-901	990	2 740	1 707	1 039
Repayments of borrowings	7 370	205	7 575	9 322	5 303	7 769
Change in cash position ⁽²⁾	-8 952	-692	-9 644	-7 584	—	—
Deposits in the Retirement Plans Sinking Fund ⁽³⁾ and other funds related to the retirement plans	—	1 678	1 678			
Transactions under the credit policy ⁽⁴⁾	—	-1 720	-1 720			
Additional contributions to the Sinking Fund for borrowings	—	2 846	2 846			
Pre-financing	—	7 584	7 584			
GENERAL FUND	309	9 000	9 309	4 478	7 010	8 808
FINANCING FUND	7 406	-1 183	6 223	9 000	8 000	8 000
Subtotal – General fund and Financing Fund	7 715	7 817	15 532	13 478	15 010	16 808
FINANCEMENT-QUÉBEC	500	-500	—	500	1 000	1 000
TOTAL	8 215⁽⁵⁾	7 317	15 532	13 978	16 010	17 808
Including: repayments of borrowings	10 525	321	10 846	13 835	10 556	15 810

P: Preliminary results for 2015-2016 based on borrowings contracted or negotiated as at March 7, 2016. Forecasts for 2016-2017, 2017-2018 and 2018-2019.

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 Fund. They are adjusted to take into account the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.

(2) Corresponds to pre-financing carried out the previous year.

(3) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.

(4) Under the 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 have no effect on the debt.

(5) This amount is \$4 billion less than the financing program of \$12.2 billion presented in the March 2015 budget documents. A pre-financing forecast of \$4 billion was then included in the financing program. Given that pre-financing is optional, it was decided to not include forecasts in that regard for 2015-2016 as well as subsequent years. Only pre-financing that has already been carried out is shown in this table.

In 2015-2016, the government's financing program totalled \$15.5 billion. It is expected to stand at \$14.0 billion in 2016-2017, \$16.0 billion in 2017-2018 and \$17.8 billion in 2018-2019.

In 2015-2016, the government carried out 21.9% of its borrowings on foreign markets, i.e.:

- €1 100 million (CAN\$1 605 million);
- US\$1 200 million (CAN\$1 596 million);
- AU\$205 million (CAN\$207 million).

In the case of borrowings contracted in 2015-2016, 28.5% had a maturity of less than 10 years, 44.4% a maturity of 10 years and 27.1% a maturity of 30 years or more. As at March 31, 2016, the average maturity of the debt is expected to be 12 years.

In 2015-2016, the government carried out pre-financing totalling \$7 584 million.

THE QUÉBEC GOVERNMENT'S CREDIT RATINGS

Credit rating agency	Credit 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

QUÉBEC'S ECONOMIC AND FINANCIAL SUMMARY

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