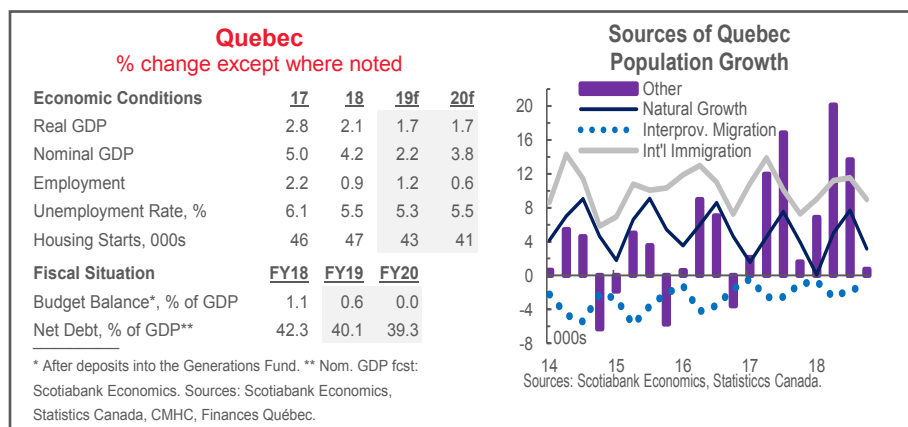


## Quebec: 2019–20 Outlook

- Quebec completed a two-year expansion not seen since 2000–01 in 2018, and real GDP gains are set to slow to 1.7%—a pace closer to its underlying trend growth rate—in both 2019 and 2020. Machinery and equipment (M&E) outlays rose more than 20% from 2016 to 2018 in response to capacity pressures, after languishing throughout much of the preceding decade. While investment fell back in H2-2018, we suspect that provincial accelerated depreciation rules implemented in December will spur a steady, albeit more moderate, rise in capital outlays this year and next. Slower export gains, in line with US growth, are also expected to underlie the softer Quebec expansion.
- Above-trend population growth was another key feature of the recent expansion, and the prospect of more moderate gains should create hurdles for firms given the current elevated number of job vacancies. Quebec has not witnessed two consecutive quarters of positive net interprovincial migration since 2003, and outflows to other regions will likely widen as growth returns to a more sustainable pace. We acknowledge that immigrant job market outcomes in Quebec traditionally lag those in other jurisdictions, but continue to question the planned 20% cut to newcomer admissions for 2019. The province would likely have to exceed last year's record net increase of nearly 40,000 non-permanent residents (see chart)—a volatile category that includes temporary foreign workers and international students—just to sustain modest population growth near 1%.
- Some respite from these challenges may come via measures announced in the 2019–20 budget. The March fiscal blueprint included supports for immigrant and temporary foreign worker integration, and tax credits to incite greater labour force participation among older employees, both of which have the potential to increase the pool of available workers. Quebec will also direct some of its FY19 surplus towards an additional \$15 bn<sup>1</sup> in infrastructure outlays over the next 10 fiscal years.

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<sup>1</sup> Figures reported in Canadian dollars unless otherwise stated.

<b>Provincial Forecast Summary</b>											
<b>The Provinces</b>											
	<small>(annual % change except where noted)</small>										
	<b>CA</b>	<b>NL</b>	<b>PE</b>	<b>NS</b>	<b>NB</b>	<b>QC</b>	<b>ON</b>	<b>MB</b>	<b>SK</b>	<b>AB</b>	<b>BC</b>
<b>Real GDP</b>											
2000–17	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2017	3.0	0.9	3.5	1.5	1.8	2.8	2.8	3.2	2.2	4.4	3.8
2018e	1.8	-0.8	1.9	1.2	1.0	2.1	2.2	1.6	1.4	1.6	1.9
2019f	1.6	1.3	1.5	1.0	0.8	1.7	1.7	1.6	1.6	1.2	2.4
2020f	2.1	0.9	1.1	0.9	0.9	1.7	1.7	1.5	1.7	2.5	3.5
<b>Nominal GDP</b>											
2000–17	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2017	5.6	4.3	4.8	2.9	4.3	5.0	4.1	5.4	4.8	10.0	6.9
2018e	3.6	2.4	3.7	3.0	2.8	4.2	3.4	3.4	3.4	3.6	3.9
2019f	2.6	2.3	3.4	2.7	2.4	2.2	2.3	3.4	3.5	1.8	4.3
2020f	4.6	4.3	3.1	2.9	2.6	3.8	4.0	3.4	4.4	5.3	6.5
<b>Employment</b>											
2000–17	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
2017	1.9	-3.7	3.1	0.6	0.4	2.2	1.8	1.7	-0.2	1.0	3.7
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019f	1.6	1.3	1.0	1.5	0.5	1.2	1.9	1.3	1.2	1.1	2.2
2020f	0.7	0.0	0.7	0.2	0.2	0.6	0.7	0.6	0.6	1.0	1.0
<b>Unemployment Rate (%)</b>											
2000–17	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
2017	6.3	14.8	9.8	8.4	8.1	6.1	6.0	5.4	6.3	7.8	5.1
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019f	5.7	12.6	9.3	6.9	8.0	5.3	5.7	5.8	5.8	6.5	4.5
2020f	5.9	12.5	9.4	7.0	8.0	5.5	5.8	5.8	5.9	6.7	4.7
<b>Housing Starts (units, 000s)</b>											
2000–17	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2017	220	1.4	0.9	4.0	2.3	46	79	7.5	4.9	29	44
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	202	1.3	0.8	3.9	1.8	43	73	6.1	4.2	28	39
2020f	200	1.4	0.8	3.8	2.0	41	72	6.1	5.0	31	37
<b>Motor Vehicle Sales (units, 000s)</b>											
2000–17	1,657	29	6	48	38	413	635	47	45	216	180
2017	2,041	33	9	59	42	453	847	62	56	245	235
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,930	30	8	48	35	430	826	60	48	220	225
2020f	1,900	30	8	47	34	420	810	55	48	215	233
<b>Budget Balances, Fiscal Year Ending March 31 (CAD mn)</b>											
2017	-19,000	-1,148	-1	151	-117	2,361	-991	-764	-1,218	-10,784	2,737
2018	-19,000	-911	75	230	67	2,622	-3,700	-695	-303	-8,023	301
2019e	-14,900	-522	14	28	5	2,500	-11,736	-470	-348	-6,930	374

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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