

Quebec: 2020–21 Outlook*

CLAIMING THE TOP SPOT

Quebec's remarkable streak of above-trend real GDP gains has continued since our last forecast update, and we now expect the province to top provincial growth rankings this year before moderating to a more sustainable rate in 2020–21. That has not occurred at any point since Statistics Canada began publishing provincial GDP data in 1981. Particularly auspicious in the recent data is the upswing in machinery and equipment (M&E) investment, which initially registered as a decline in Q1-2019, but has since been revised to a modest uptick and followed by a sharp spike (chart). This suggests uptake of federal and provincial accelerated depreciation allowances consistent with our initial views. It also puts investment on a healthy trajectory this year alongside a second quarter rebound in non-residential building, major transit projects, and hefty infrastructure outlays.

Quebec's near-term consumer outlook also looks healthy despite a modest downward revision to first-quarter real household spending figures. Full-time job creation has firmed since our last quarterly forecast update, as have weekly wage gains, which continue to significantly outpace inflation amid tightness in labour markets. Two policy rate cuts expected from the Bank of Canada should encourage borrowing among marginal consumers, but the province maintains the advantage of a household saving rate well above the national average.

Above-trend population growth—a key driver of the province's recent expansion—has also persisted. In the three months to April 1, 2019, elevated temporary foreign worker program use drove net non-permanent residents to their highest-ever recorded level, which continues to offset diminished newcomer admissions. As well, net interprovincial migration turned positive for the first time since 2009. In the ensuing quarter, the provincial populace rose 1.2% y/y—its steepest climb since 1989.

Tightness in the Montreal housing market is one of the repercussions of the province's spate of torrid population growth and job creation. As indicated by our [rankings](#) of demand-supply balances in local markets, conditions in Montreal have been some of the most seller-friendly in Canada throughout 2019. The good news is that housing starts and construction have remained elevated and should help realign housing demand and supply as provincial growth eases as well as keep price gains stable.

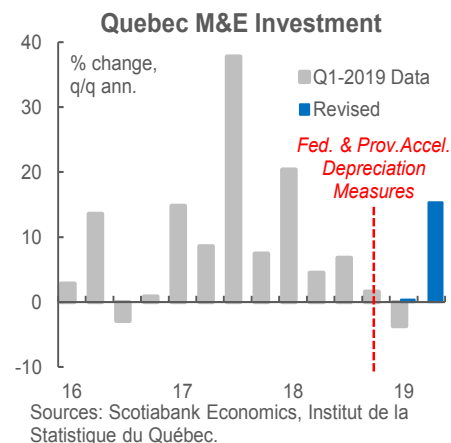
The key risk to the outlook at this time continues to be presented by a weaker global environment vis-à-vis trade uncertainty. A slowdown south of the border would of course weigh significantly on the Quebec economy. However, our base case assumes that downside will be avoided and that Quebec exports will continue to recover from a soft start to the year, supported by strong fundamentals along with a weak exchange rate and solid, albeit easing US growth.

CONTACTS

Marc Desormeaux, Provincial Economist
416.866.4733
Scotiabank Economics
marc.desormeaux@scotiabank.com

Quebec % change except where noted				
Economic Conditions	18	19f	20f	21f
Real GDP	2.5	2.4	1.6	1.6
Nominal GDP	4.2	3.7	3.3	3.6
Employment	0.9	1.6	0.8	0.8
Unemployment Rate, %	5.5	5.2	5.4	5.5
Housing Starts, 000s	47	49	46	44
Fiscal Situation*	FY19	FY20	FY21	
Budget Balance**, % of GDP	0.58	0.0	0.0	
Net Debt, % of GDP	40.1	38.7	37.6	

* Norm. GDP fctst: Scotiabank Economics. ** After deposits into the Generations Fund.. Sources: Scotiabank Economics, Statistics Canada, CMHC, Finances Québec.



* Figures reported in Canadian dollars unless otherwise stated. Data finalized Oct. 9, 2019.

Provincial Forecast Summary

	(annual % change except where noted)										
	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Real GDP											
2000–18	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.6	2.0	2.1	1.3	0.6	2.4	1.7	1.4	1.3	0.5	2.2
2020f	1.8	0.6	1.9	1.3	0.8	1.6	1.7	1.5	1.5	2.4	2.8
2021f	1.9	0.8	1.8	1.1	0.7	1.6	1.6	1.5	1.7	2.7	2.4
Nominal GDP											
2000–18	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	3.2	3.5	4.1	3.0	2.2	3.7	3.3	3.4	3.4	1.9	4.4
2020f	3.8	2.9	3.9	3.2	2.4	3.3	3.4	3.3	3.8	4.5	5.4
2021f	4.3	3.7	3.8	2.8	2.1	3.6	3.9	3.3	4.5	5.7	5.1
Employment											
2000–18	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019f	2.1	1.1	1.8	2.2	0.6	1.6	2.6	1.2	1.7	0.8	3.0
2020f	1.0	0.0	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
2021f	1.0	-0.1	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
Unemployment Rate (%)											
2000–18	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
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	12.1	8.9	6.8	8.1	5.2	5.6	5.4	5.4	6.8	4.6
2020f	5.9	12.1	9.0	6.8	8.1	5.4	5.8	5.5	5.5	6.9	4.8
2021f	5.9	12.0	9.1	6.9	8.0	5.5	5.8	5.6	5.4	6.8	4.9
Housing Starts (units, 000s)											
2000–18	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	210	0.9	1.1	4.6	2.8	49	71	6.8	2.5	27	44
2020f	206	1.3	1.1	4.2	2.4	46	76	6.0	3.3	30	37
2021f	202	1.1	1.0	4.2	2.4	44	78	6.0	3.7	31	32
Motor Vehicle Sales (units, 000s)											
2000–18	1,674	29	6	48	38	415	646	48	45	217	182
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	31	9	51	39	448	810	60	49	223	215
2020f	1,915	26	7	50	38	435	805	58	50	227	219
2021f	1,915	26	7	47	36	435	805	58	51	231	219
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-14,000	-522	14	120	5	2,500	-7,435	-470	-268	-6,711	1,535
2020f*	-19,800	-575	2	31	38	0	-10,252	-360	26	-7,912	179

* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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