

## Quebec

### READY FOR LIFTOFF

- We still anticipate that Quebec's economic growth will be among the strongest of any province this year.
- We expect the province to benefit from very strong US growth, a relatively modest third wave, and its own elevated level of fiscal stimulus.

After carrying the largest absolute and per-capita COVID-19 caseloads in Canada throughout 2020 and in early 2021, Quebec's third wave was modest relative to those in other provinces as well as its own prior rounds.

At the time of writing, the province's infection rate was the lowest outside of Atlantic Canada. That enabled relatively modest restrictions and earlier reopening than many other provinces, which already appear to have translated into stronger economic activity in Quebec than most elsewhere. Gains to date in full-time employment, hours worked, and wages and salaries in La Belle Province have outpaced those at the national level, as did real GDP growth in the first two months of the year.

Alongside the momentum that the province brought into 2021, we believe that Quebec is now poised for the strongest growth of any Canadian province this year. We now anticipate that Quebec's growth will exceed that national average in both the first and second quarter of this year, with Canada likely to witness a slowdown in the latter period under the weight of third wave restrictions. With the strong gains we expect in the first quarter and the astronomical 60% (q/q ann.) in Q3 last year, that would be three out of the last four quarters in which Quebec's growth outpaced the national average.

Upward revisions to our US forecast also contribute positively to our projection for Quebec exports; in our view, these broad demand impacts should outweigh potential downsides from "Buy American" policies.

More specifically, Quebec's export profile is oriented towards production of metals—notably aluminum and iron ore—and forest products, both of which appear to be benefiting from exceptionally strong prices and industrial sector demand and homebuilding. Aerospace—the province's number one export product—took a significant hit last year as global air traffic plunged, but jumped higher in April.

Quebec's 2021 budget highlighted the impact of COVID-19 on the province's fiscal position and the significant potential growth impact from provincial fiscal policy over the forecast period. Read our full analysis [here](#).

As a share of output, Quebec's projected budget balances and net debt loads are towards the high end of the provincial spectrum. However, the government prudently targets a declining debt-to-GDP ratio beyond this fiscal year. The province also aims to increase capital outlays under the Quebec Infrastructure Plan through FY24; that includes projected boosts of 10% this fiscal year and 19% in FY23 that amount to total spending of over 3% of GDP over the two years.

### CONTACTS

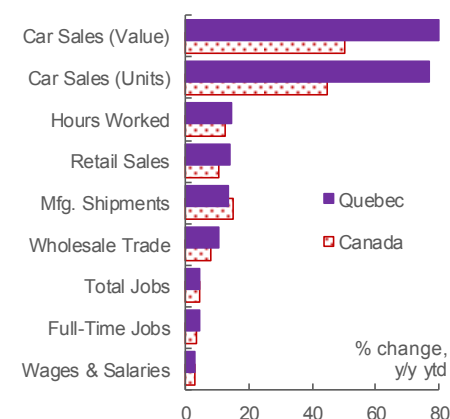
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### Key Economic Indicators

annual % change except where noted

	20E	21F	22F
Real GDP	-5.3	6.9	3.8
Nominal GDP	-4.0	12.2	6.0
Employment	-4.8	4.3	3.2
Unemployment Rate, %	8.9	6.3	4.9
Housing Starts, 000s	53	71	53
Total CPI	0.8	3.0	2.6

### Quebec Growth Beat National Average on Most Indicators to Date This Year



Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC, CREA, Industry Canada.

**Provincial Forecast Summary**

The Provinces	(annual % change except where noted)										
Real GDP*	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
Motor Vehicle Sales (units, 000s)											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
Budget Balances, (CAD mn)											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

\* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. \*\* NL budget balance in 2019 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 and Stabilization Reserve transfers.

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