

The year 2009 was marked by economic tumult. At the beginning of the last month of this “Year of Living Dangerously” for the global economy, CIRANO is publishing *Le Québec économique 2009*, a book that examines the economic events of the past year in Quebec and searches for some initial lessons.

### **2009 in short**

The financial crisis that reached its apex at the end of 2008 spread to the real economy in early 2009. It dragged the world economy into its first technical recession since global output data were first compiled. Quebec slipped into recession during the fourth quarter of 2008.

In Quebec, the first quarter of 2009 witnessed the announcement of historical losses by the Caisse de dépôt et placement du Québec. These losses drove home to Quebecers that they would be impacted by the far-reaching consequences of the global financial crisis.

Job losses and vanishing business profits, in conjunction with other impacts of the financial crisis and the recession, had devastating implications for government finances in Quebec.

In consequence, the government announced a series of budget deficits and temporarily suspended the *Balanced Budget Act* in the spring of 2009, with the result that the *debt-reduction targets of the Act* now appear very elusive.

### **Long-term challenges ...**

Clearly, the challenges confronting Quebec’s economy and public finances must be viewed from a long-term perspective: They are legion. Quebec is confronted with a series of structural challenges: (1) flagging productivity and economic growth; (2) a less dynamic labour market and a lagging education level of the workforce; (3) individual and family income levels significantly below those of the rest of Canada; (4) an aging population and persistent interprovincial outmigration; (5) growing disparities in demographic growth and economic vigour between the urban and peripheral regions; and (7) government expenditures that are higher than elsewhere in Canada and subject to strong upward pressures.

### **... and the strengths we need to bet on!**

We should not, however, diminish Quebec’s impressive accomplishments of recent decades: (1) one of the most open economies on the planet; (2) spectacular gains relative to the rest of Canada in terms of both the employment and unemployment rate; (3) a redistribution system that is particularly efficient; (4) a recent resurgence in the birthrate and a positive international balance of migration; (5) a rising per capita standard of living in all regions; (6) a generous tax system for families by international standards; (7) government expenditures that, despite a strong upward trend in healthcare spending, appear compatible with our collective wealth; and (8) a budget deficit and a net level of debt that are not out of step with international standards.

Quebec will need to draw on its past successes to energetically tackle the challenges of the future, beginning with a concerted effort to clean up government finances as soon as the economic recovery becomes entrenched. The recession of 2009 will certainly have ramifications for Quebec’s taxpayers, for workers in a number of sectors, for regions hardest hit by the decline in manufacturing, for retirees most affected by the erosion of their savings, etc. However, all things considered, Quebec is emerging relatively unscathed from the recession of 2009, and is thus well positioned for the recovery.

In some respects this recession has been an opportunity for us to learn some lessons about how we operate. For example, it seems critical to us that the Caisse de dépôt et placement be able to capitalize on the recovery in order to ensure the sustainability of the pension plans under its aegis.

Furthermore, we cannot overemphasize the importance of rapidly returning to the path of structural equilibrium and, in the medium and long term, of staying the course of reducing Quebec’s debt burden.

For more information, we invite you to consult the book *Le Québec économique 2009*, under the direction of professors Marcelin Joanis and Luc Godbout (Université de Sherbrooke and CIRANO), published by Laval University Press, as well as the Website at the following url: [www.lequebecéconomique.qc.ca](http://www.lequebecéconomique.qc.ca).

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<sup>1</sup> With the collaboration of the Chaire en fiscalité et en finances publiques of Université de Sherbrooke.