

Budget 2023-2024

The budget of a committed Québec

Québec, March 21, 2023. – The Minister of Finance, Mr. Eric Girard, presented today the *Québec Budget Plan - March 2023*, which provides for investments totalling more than \$24 billion over the next five years. As part of this budget, \$9.2 billion will be used to lower taxes for Quebecers starting this year.

Overall, through the new initiatives, Québec is committed to:

- increasing its wealth (press release No. 2);
- developing the potential of youth (press release No. 3);
- making the health care system more effective and more humane (press release No. 4);
- supporting Quebecers (press release No. 5);
- diversifying and consolidating environmental measures (press release No. 6).

A tax cut to improve the disposable income of 4.6 million Quebecers

In the context of a labour shortage and an economic slowdown, high tax rates are a major obstacle to Québec's economic growth. To stimulate the labour supply and reduce the tax burden of Quebecers, the government is announcing a 1-percentage-point decrease in the two bottom tax rates. The 4.6 million taxpayers who pay income tax in Québec will be able to benefit from this tax relief starting this year. The savings will reach \$814 for a person living alone and \$1 627 for a couple.

Several other initiatives are planned to increase the economy's productivity, contribute to the prosperity of the regions and address the labour shortage. Changes are also being made to the Québec Pension Plan to adapt it to the new realities of workers and retired people. The changes will notably increase the maximum age for applying for a retirement pension from 70 to 72 and make contributions to the Québec Pension Plan optional from age 65.

Historic investments in public infrastructure

To meet Québec's significant public infrastructure needs, the government is announcing an increase of \$7.5 billion over 10 years in the Québec Infrastructure Plan (QIP). The 2023-2033 QIP is thus increased to \$150 billion, or \$15 billion per year on average. These historic investments will significantly improve the quality of our infrastructure and meet transportation, health and education needs throughout Québec.

A period of transition before a return to sustainable economic growth

In recent months, inflation and tightening monetary policies have slowed the pace of economic activity in most regions. As a result, economic activity in Québec is expected to decelerate from 2.8% in 2022 to 0.6% in 2023. The year 2023 will represent a transition period, and once inflation is under control and more advantageous credit conditions have been introduced, the Québec economy will regain its momentum: real GDP growth should reach 1.4% in 2024.

Despite this economic uncertainty, a recession is not expected in Québec.

Moreover, the government is maintaining its objective of catching up with Ontario's real GDP per capita and aims to bring the gap with this province down to below 10% by the end of 2026. This collective prosperity will benefit all Quebecers and will ensure long-term funding of public services.

A responsible plan for a return to a balanced budget in 2027-2028

For 2022-2023, the budgetary deficit after deposits in the Generations Fund has decreased from the situation forecast in March 2022, from nearly \$6.5 billion to \$5.0 billion.

The move to a more stable economic environment is an opportunity for the government to table its plan for a return to a balanced budget. According to this plan, the deficit will be limited to \$4.0 billion in 2023-2024, and then progressively reduced by \$1.0 billion per year until fiscal balance is achieved in 2027-2028. This approach achieves the target while reducing personal income tax, fostering economic growth, adequately funding the government's missions, and ensuring that expenditure growth is in line with revenue growth.

A new debt reduction objective

Québec has made remarkable progress in reducing its debt in recent decades, but it remains one of the most indebted provinces. Reducing the debt burden remains a priority for the government. In addition to promoting greater intergenerational fairness, it contributes positively to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

The government is announcing that it will reduce the net debt burden from 37.4% of GDP as at March 31, 2023 to 30% of GDP within 15 years, that is, by the 2037-2038 fiscal year. Québec's net debt burden will therefore gradually move toward the current average of the provinces.

Two alternative forecast scenarios

A high degree of uncertainty surrounds the economic forecasts. In this context, the Ministère des Finances has developed two alternative scenarios, one forecasting a recession and the other forecasting greater-than-anticipated growth.

If the economic situation were to deteriorate, use of the contingency reserve built into the financial framework would make it possible to avoid delaying the return to a balanced budget. Conversely, an improvement in the economic situation could reduce the anticipated deficits, or even allow a return to a balanced budget before 2027-2028.

Quotation:

"Today, I am presenting Quebecers with a prudent and responsible financial framework. A return to a balanced budget and the continued reduction of the debt burden are essential to achieving our ambitions. We are committed to building a prosperous and green Québec, with a more effective and humane health care system and a school system that will provide our young people with all the tools they need to succeed. We will accomplish all this by reducing the tax burden of Quebecers."

Eric Girard, Minister of Finance and Minister Responsible for Relations with English-Speaking Quebecers

Related link:

All the details on Budget 2023-2024: [Québec.ca/en-budget](https://www.quebec.ca/en-budget).

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