

FOR IMMEDIATE RELEASE

Update on Québec's Economic and Financial Situation

The Québec government is deploying the Anti-Inflation Shield to help Quebecers cope with the rising cost of living

Québec, December 8, 2022 – In the economic and financial update, Finance Minister Eric Girard confirmed additional investments of more than \$13 billion over five years to implement the Anti-Inflation Shield and help Quebecers cope with the rising cost of living.

The key measure announced today is a significant enhancement to the senior assistance amount totalling \$8.1 billion. It is in addition to the other Anti-Inflation Shield measures already announced in recent weeks, such as the payment of a new one-time amount of up to \$600 and the 3% government rate indexing limit.

The strong performance of the economy in early 2022 and rising inflation have led to an increase in own-source revenue. As a result, the government has chosen to return this additional money to Quebecers by deploying the Anti-Inflation Shield measures.

Overall, the measures announced in 2022 to address the large rise in the cost of living represent up to \$3 100 in tax assistance for seniors aged 70 or older living alone and \$2 200 for couples.

\$8-billion enhancement of the senior assistance amount

Beginning this year, the maximum amount of the refundable senior assistance tax credit will rise from \$411 to \$2 000.

This will increase the assistance provided to seniors aged 70 or older who already receive this credit, as well as boost the number of eligible recipients. Accordingly, an additional 398 500 seniors will have access to it, for a total of over 1.1 million seniors.

A new one-time cost of living amount of up to \$600

As announced on November 9, the government will provide a new one-time amount of up to \$600 per adult by the end of the year, which will help Quebecers cope with the rising cost of living, which has especially affected the cost of groceries and rent.

This measure is more generous for low-income households, as the maximum amount is targeted to individuals with incomes up to \$50 000 in 2021. Over 71% of the 6.5 million eligible Quebecers will receive the full amount.

The indexation of several government rates will be capped at 3% for the next four years

In order to mitigate the impact of inflation on Quebecers, the government will cap the indexation of several major rates at 3%, including Hydro-Québec rates, driver's licence and registration fees, reduced-contribution childcare fees, university tuition fees and contributions to residential and long-term care centres (CHSLD). In addition to reducing inflationary pressures, this measure represents a reduction of more than \$1.6 billion in Quebecers' expenses over five years.

6.44% indexation of the tax system and social assistance programs

Lastly, the principal parameters of the personal income tax system and social assistance programs will be indexed at 6.44% as at January 1, 2023 to reflect the increase in the price of goods and services. As a result, Quebecers will benefit from significant relief of more than \$2.3 billion per year.

Improving housing affordability and strengthening security in Montréal

The government also wants to improve housing affordability, particularly for lower-income Québec households that have seen the cost of their rent rise in recent years. Thus, the government is providing \$445 million to develop 3 000 social and affordable housing units through a partnership with tax-advantaged funds and Desjardins and to enhance the Shelter Allowance Program.

An additional investment of more than \$250 million over five years is also earmarked to increase security in Montréal with an additional 225 police officers and psychosocial workers. This amount is in addition to the sums already allocated for the fight against armed violence.

Québec's economic growth is slowing

In keeping with the global economy, the economic outlook for Québec and Canada for 2023 has deteriorated. Québec's economic growth is expected to slow from 3.1% in 2022 to 0.7% in 2023. This is a significant downward adjustment from March 2022 expectations, when 2.0% growth was forecast for 2023.

After a record annual increase in 2021 (+4.1%), job creation will slow down. The moderation in economic activity will dampen the demand for labour, which will cause the unemployment rate to rise temporarily. Following a historic annual low in 2022, it will increase to an average of 5% in 2023.

On a more positive note, the gap in living standards between Québec and Ontario continues to narrow. Thanks to the efforts being made, particularly in terms of productivity and wealth creation, this gap has narrowed from 16.4% to 12.8% in four years. The government continues to act on several fronts to finish catching up.

A lower-than-expected budgetary deficit in 2022-2023

The budgetary deficit for 2022-2023 is lower than the March 2022 budget forecasts, decreasing from close to \$6.5 billion to \$5.2 billion. The return to a balanced budget is still forecast by 2027-2028.

Since the March 2022 budget, higher inflation has increased own-source revenue by about \$14 billion over the financial framework horizon. The deployment of the Anti-Inflation Shield allows the government to give this revenue back to Quebecers.

Reducing the debt burden remains a priority for the government, as it promotes greater intergenerational fairness and contributes positively to economic growth. The gross debt burden will stand at 40.4% of GDP as at March 31, 2023, which is below the 45% objective set out in the *Act to reduce the debt and establish the Generations Fund*.

An alternative economic scenario forecasting a recession

In the current economic context of high uncertainty in economic forecasts, an alternative scenario predicting a recession in 2023 was developed to assess the impact of a greater-than-anticipated moderation of real GDP on the financial framework and the Québec government's debt.

According to the recession scenario, economic activity in Québec would decline by 1.0% in 2023 before increasing by 1.2% in 2024. This represents a gap of 1.7 percentage points in 2023 and 0.4 percentage points in 2024 compared to the baseline scenario.

The temporary decline in economic activity projected in the recession scenario would have an upward impact on the budgetary deficits of over \$5.0 billion over the financial framework horizon. In these circumstances, in order to offset the effects of a stronger-than-forecast economic slowdown, the government is exercising caution and discipline by providing a provision for economic risks and other support and recovery measures totalling \$8.0 billion.

Quotation:

“The significant increase in the cost of living is impacting the lives of Quebecers, particularly seniors and low-income individuals. The government has chosen to help them quickly by protecting their purchasing power using the Anti-Inflation Shield. This strong measure, combined with adequate funding for the government’s main missions and a prudent and disciplined financial framework, has positioned us well to face the economic uncertainty that is plaguing Québec and the global economy.”

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

Highlights:

- The maximum amount of the refundable tax credit for senior assistance will be increased from \$411 to \$2 000.
- Due to the significant enhancement to this assistance, the tax credit for seniors’ activities will not be renewed.
- More than \$1.2 billion, or 65% of the tax credit for senior assistance provided for the year 2022, will benefit seniors with personal incomes below \$25 000.
- A new one-time cost of living amount of up to \$600 per individual will be paid to 6.5 million Quebecers by the end of the year.
- The indexation of government rates will be capped at 3% for the next four years.
- The principal parameters of the personal income tax system and social assistance programs will be indexed at 6.44% as at January 1, 2023.
- To protect the health of our youth, a tax contribution will be required on vaping products in Québec and at the federal level.
- Québec’s economic growth is slowing down and is expected to be 0.7% in 2023.
- The budgetary deficit will be lower than expected in 2022-2023, at \$5.2 billion.
- The return to a balanced budget is still forecast for 2027-2028.
- An \$8.0-billion provision for economic risks is included to offset the effects of a stronger-than-expected economic slowdown.

Related link:

Update on Québec’s Economic and Financial Situation: <http://www.finances.gouv.qc.ca/update>

– 30 –

Source: Claudia Loupret
Press Relations Officer
Office of the Minister of Finance and Minister Responsible
for Relations with English-Speaking Quebecers
Tel.: 418 670-6413