



FOR IMMEDIATE RELEASE

Update on Québec's Economic and Financial Situation

Targeted action to meet Quebecers' priorities

Québec, November 7, 2023. – Finance Minister Eric Girard confirmed today, in the economic and financial update, additional investments totalling \$4.3 billion over the next five years to provide better access to housing, combat homelessness, enhance food aid, support training in specific fields, adapt to climate change and foster business investment.

Prudent and responsible management of public finances in recent years has enabled the government to respond to Quebecers' priorities and increase the province's economic potential through targeted actions, while maintaining the objectives of returning to a balanced budget and reducing the debt burden.

Indexation by \$2B per year to the benefit of Quebecers

The economic and financial update is also an opportunity to point out that, as of January 1, 2024, taxpayers will benefit from a 5.08% indexation of the personal income tax system and social assistance benefits. In concrete terms, this means a significant increase in the amounts of several deductions, tax credits and tax assistance for individuals. This indexation, which exceeds the forecast inflation rate for the same period, represents \$2.0 billion per year to the benefit of all Quebecers.

The indexation will correspond to an average amount of \$282 per taxpayer for 2024.

\$1.8B to provide better access to housing

Given the current housing shortage, and in order to make housing more accessible, the government plans to invest \$1.8 billion over the next five years to build 8 000 new social and affordable housing units and help lower-income households find housing.

This sum will be used to build 7 500 units as part of the Québec affordable housing program and the partnership with tax-advantaged funds, as well as 500 units reserved for homeless people.

In addition, \$107 million is earmarked to help lower-income households find housing, by granting 4 000 new units under the Rent Supplement Program and enhancing the Shelter Allowance Program.

\$145M to combat homelessness and enhance food aid

In response to the worrying rise in homelessness, the government will invest \$124 million over five years to increase emergency assistance, enhance support for culturally safe services for Indigenous people experiencing homelessness, and promote social reintegration to prevent people from falling into homelessness. These measures are in addition to the 500 new housing units planned for homeless people.

An additional \$21 million is also being allocated this year to food aid organizations.

\$329M to support training in specific fields

To counter the labour shortage, the government will invest an additional \$329 million over the next two years to support training in priority areas. This sum will be used to launch the Offensive formation en construction, which aims to increase the supply of workers in this important sector, and to support the attractiveness of the public health and social services network, in particular by supporting accelerated training for patient-care attendants.

\$961M to sustain the climate transition and communities

The economic and financial update also makes it possible to take action to sustain the climate transition and communities through measures totalling \$961 million over the next five years.

Of this amount, \$292 million will support climate change adaptation initiatives and mitigate the risks associated with forest fire. In addition, \$404 million will help support communities and the forestry sector in response to forest fires in summer 2023.

Lastly, an additional \$265 million in emergency assistance is planned in 2023-2024 to support the recovery of public transit.

\$995M to foster business investment and increase economic potential

Ambitious objectives have been set for creating wealth and increasing economic potential, and the actions taken in recent years in this area are paying off. The wealth gap with Ontario has narrowed significantly, from 16.1% to 13.5% between 2018 and 2022.

The government intends to continue its efforts to eliminate this gap by 2036. Over the past few months, the Ministère des Finances du Québec has therefore consulted experts from the private sector and universities to identify levers for increasing Québec's economic potential. The experts proposed a variety of investment solutions to close the gap in living standards between Québec and its main trading partners. The main findings and recommendations are presented in this update.

To address some of these recommendations today, including those aimed at promoting business investment and simplifying the tax system, the government is announcing that it will enhance the investment and innovation tax credit. This measure will represent \$1.3 billion over the next five years.

Economic growth adjusted downward for 2024

The persistence of inflation and high interest rates will dampen economic activity this year and next in most economies, and Québec will be no exception. For 2023, projected economic growth in Québec (0.6%) is similar to what was forecast last March. For 2024, economic activity is adjusted downward, from 1.4% to 0.7%.

Commitment to return to a balanced budget in 2027-2028 maintained

Despite the expected economic slowdown, the government is maintaining the budget targets set out in the plan to return to fiscal balance tabled in March 2023.

The adjustments related to the budgetary situation and those resulting from the implementation of targeted actions have a negative impact of about \$1.0 billion per year over the period covered by the financial framework. In this context, part of the contingency reserve will be used to meet the targets that have been set. As a result, the deficit will be limited to \$4.0 billion in 2023-2024, after deposits of dedicated revenues in the Generations Fund, and will then be gradually reduced by \$1.0 billion per year until a balanced budget is achieved in 2027-2028.

Objective of reducing the debt burden maintained

Reducing the debt burden continues to be a priority for the government, since it contributes positively to economic growth through the creation of a climate of confidence conducive to private investment and productivity growth, and also promotes intergenerational equity. The net debt burden will stand at 37.9% of GDP as at March 31, 2024, a lower level than before the pandemic. The objective of reducing the net debt burden to 30% of GDP by 2037-2038 is maintained.

Quotation:

“Our responsible management of public finances allows us to take targeted action to meet the priorities of Quebecers and increase Québec’s economic potential, while maintaining our objectives of returning to a balanced budget and reducing the debt burden.”

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

Highlights:

- Investments totalling an additional \$4.3 billion over the next five years to respond in a targeted way to the priorities of Quebecers.
- Indexation by \$2 billion per year of the tax system and social assistance benefits for Quebecers.
- Construction of 8 000 new social and affordable housing units, including 500 for homeless people.
- \$145 million to combat homelessness and enhance food aid.
- \$329 million to notably implement the Offensive formation en construction and support accelerated training for patient-care attendants.
- \$696 million to sustain climate change adaptation initiatives, mitigate the risks associated with forest fire and support the forestry sector.
- Additional assistance of \$265 million in 2023-2024 for public transit.
- Wealth gap with Ontario narrowed from 16.1% to 13.5% between 2018 and 2022.
- Consultation with experts from the private sector and universities to identify levers for increasing Québec’s economic potential.
- Enhancement of the investment and innovation tax credit and simplification of the investment tax assistance plan.
- Despite a global economic slowdown from which Québec is not immune, the government maintains its objectives of returning to a balanced budget in 2027-2028 and reducing the net debt burden to 30% of GDP by 2037-2038.
- Projected economic growth in 2023 in Québec (0.6%) similar to last March’s forecast. For 2024, economic activity adjusted downward from 1.4% to 0.7%.

Related link:

Update on Québec’s Economic and Financial Situation: www.quebec.ca/update.

– 30 –

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