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Update on Québec's Economic and Financial Situation

Investments of \$13 billion to support Quebecers and allow them to look toward the future

Québec, November 25, 2021. – In light of an exceptional economic recovery and a favourable budget outlook, the Minister of Finance, Eric Girard, is announcing additional initiatives totalling \$10.7 billion over the next five years, bringing the total amount invested by the government since the March 2021 budget to \$13.0 billion to:

- help Quebecers cope with the cost of living;
- take action to combat the labour shortage and stimulate economic growth;
- support families and help communities;
- continue efforts to strengthen the health care system.

Exceptional economic growth in 2021

Thanks to the cooperation and resilience of Quebecers and businesses, the Québec economy has recovered more quickly than expected. Economic growth should reach 6.5% this year, up 2.3 percentage points from the March 2021 budget forecast. This exceptional growth will exceed that of Canada, the United States and even the global average.

The strength of the economic recovery has a major impact on public finances

Québec's budgetary situation is also more favourable than forecast in the March budget. The budgetary deficit for this year is now evaluated at \$6.8 billion after deposits of dedicated revenues in the Generations Fund, or \$5.4 billion less than anticipated.

\$2.1 B to help Quebecers cope with the cost of living

The strong global economic recovery is generating a significant increase in prices that is affecting Quebecers' purchasing power. The government is taking strong action to protect Quebecers, particularly low-income households, against inflation, which could reach close to 4.0% in 2021-2022. In this regard, investments of \$2.1 billion over the next five years will allow for the payment, in early 2022, of the exceptional cost of living allowance, thanks to which 3.3 million low- and middle-income earners will receive an amount of \$400 for a couple and \$275 for a person living alone.

In addition, an enhancement to the senior assistance amount for seniors aged 70 or over will bring the maximum assistance to \$400 per person starting this year. Nearly 709 000 seniors will benefit from this enhancement. Thanks to these two measures, a senior living alone could receive up to \$675.

Additional investments are also provided to help households gain access to housing, particularly by building approximately 2 200 new affordable housing units throughout Québec.

\$3.4 B to combat the labour shortage and stimulate economic growth

Measures taken by the government over the past three years have improved Quebecers' standard of living, narrowing the wealth gap with Ontario, which has shrunk from 16.4% in 2017 to 12.9% in 2021. In order to continue on this trajectory and step up efforts to eliminate this gap, new initiatives totalling \$3.4 billion will be implemented over the next five years to combat the labour shortage and stimulate economic growth.

Of this amount, more than \$2.9 billion will be invested in training, requalifying and attracting workers in key areas of activity such as:

- health and social services;
- education;
- educational childcare services;
- engineering;
- information technologies;
- construction.

In particular, \$1.7 billion will be invested in a new incentive scholarship program for students enrolled in programs in targeted occupations in identified sectors. These incentive scholarships will be awarded after each successful full-time session. Students will be able to receive up to \$9 000 at the college level, \$15 000 at the university level for a three-year program, and \$20 000 for a four-year program after completing their training.

Initiatives totalling \$444 million will accelerate business productivity growth by increasing funding for investment projects and supporting the implementation of the first innovation zones as well as the introduction of innovative projects in Québec. Amounts are also provided to support the recovery of the cultural and artistic sector.

\$3.1 B to support families and help communities

In order to reduce the cost for families whose children attend non-subsidized childcare, the government is providing \$1.1 billion over five years to enhance the refundable tax credit for childcare expenses. As a result, a daily cost of \$40 will be comparable to the cost of a subsidized childcare service. This enhancement represents annual savings of up to \$1 310 for a family with an income of between \$60 000 and \$100 000. Approximately 385 000 families will see their childcare costs reduced as a result of this enhancement.

In addition, the government will implement its action plan for completing the educational childcare services network, which sets aside \$1.2 billion over five years to create 37 000 subsidized childcare spaces by March 2025, consolidate home-based childcare services and improve access to the educational childcare services network.

Additional investments of \$742 million over the next five years will also be earmarked to support communities in Québec, particularly by:

- deploying the Québec strategy to combat gun violence;
- preventing domestic violence and improving support for victims;
- combatting discrimination and racism;
- promoting youth sports and recreational activities.

\$4.4 B to continue efforts to strengthen the health care system

The *Update on Québec's Economic and Financial Situation* also supports continued efforts to strengthen the health care system through additional investments of \$4.4 billion, including \$3.6 billion starting this year, aimed mainly at improving working conditions and attracting personnel to the health care network, but also at improving services to the population and increasing the safety of health care workers. A plan of over \$800 million will also be implemented to reduce waiting lists for surgeries and eliminate the backlog caused by the pandemic.

Return to a balanced budget by 2027-2028

The exceptional economic recovery allows for an improved public finance situation and therefore helps maintain the objective of returning to a balanced budget by 2027-2028. It remains necessary to amend the *Balanced Budget Act* to take this timetable into account.

In addition, the debt level that was initially projected is being lowered. With lower deficits and stronger economic activity, the projected gross debt-to-GDP ratio as at March 31, 2022, has been reduced from 49.2% to 44.3%, an improvement of 4.9 percentage points since the March 2021 budget.

As a result, the gross debt-to-GDP target as set out in the *Act to reduce the debt and establish the Generations Fund* is now projected to be met in 2025-2026.

Quotation:

“Québec’s economy is currently experiencing an extraordinary recovery thanks to the mobilization of Quebecers and a successful vaccination campaign. The substantial improvement in public finances enables us to help Quebecers cope with the cost of living and to act to accelerate economic growth by combatting the labour shortage and stimulating business productivity.”

Eric Girard, Minister of Finance

Highlights:

- An exceptional cost of living allowance of \$275 per person and accessible to 3.3 million Quebecers.
- A \$215-million-per-year enhancement of the refundable tax credit for childcare expenses.
- Bold, targeted measures to train, requalify and attract up to 170 000 workers in key areas of activity over the next five years.
- Over \$1.2 billion to implement the action plan for completing the educational childcare services network, which calls for the creation of 37 000 subsidized childcare spaces by March 2025.
- A plan of over \$800 million to reduce waiting lists for surgeries and eliminate the backlog caused by the pandemic.
- Economic growth of 6.5% this year, exceeding that of Canada, the United States, and even the global average.
- Maintenance of the objective to return to a balanced budget by 2027-2028 and attainment, this year, of the objective to reduce the gross debt burden enshrined in law.

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