

ECONOMIC OUTLOOK

After slowing in 2023 (+0.6%), real GDP growth accelerated in Québec in 2024 (+1.4%). Economic growth is set to continue in 2025 (+1.1%) and 2026 (+1.4%), supported, in particular, by additional interest rate cuts.

However, economic momentum will be dampened by the trade dispute with the United States. This situation will have negative effects, mainly on non-residential investment and exports.

The labour market moderated in 2024. As a result, the unemployment rate increased. It rose from an average of 4.5% in 2023 to 5.3% in 2024. The unemployment rate will temporarily rise to an average of 5.8% in 2025, before declining to 5.4% in 2026.

In Canada, real GDP growth is expected to be 1.4% in 2025 and 1.6% in 2026, while in the United States, growth is set to decelerate to 1.8% in 2025 and 1.9% in 2026, after reaching 2.8% in 2024.

ECONOMIC OUTLOOK IN QUÉBEC

(annual average, percentage change, unless otherwise indicated)

	2024	2025	2026
Real GDP	1.4	1.1	1.4
Exports in real terms	1.7	1.3	2.0
Consumer Price Index	2.3	2.1	2.0
Housing starts (thousands of units)	48.7	50.5	49.3
Job creation (thousands)	43.2	39.1	17.4
Unemployment rate (per cent)	5.3	5.8	5.4
Canadian financial markets (average annual percentage rate, unless otherwise indicated)			
Overnight rate target	4.5	2.7	2.5
3-month Treasury bill	4.3	2.6	2.5
10-year bond	3.4	3.0	3.0
Canadian dollar (in U.S. cents)	72.8	69.5	69.9

QUÉBEC'S BUDGETARY SITUATION

The budgetary balance within the meaning of the *Balanced Budget Act*, after deposits in the Generations Fund, presents deficits of \$10.4 billion in 2024-2025 and \$13.6 billion in 2025-2026. As of 2026-2027, deficits will gradually decrease, reaching \$1.5 billion in 2028-2029. The financial framework includes a contingency reserve of \$2.0 billion in 2025-2026 and 2026-2027, and \$1.5 billion per year as of 2027-2028, for a total of \$8.5 billion over five years.

A balanced budget within the meaning of the *Balanced Budget Act* will be achieved by 2029-2030 at the latest.

Revenue amounts to \$156.3 billion in 2025-2026, growing 0.7%. Growth will increase to 5.7% in 2026-2027.

Expenditure amounts to \$165.8 billion in 2025-2026, growing 1.5%. Growth will be 2.7% in 2026-2027.

FINANCIAL FRAMEWORK FROM 2024-2025 TO 2029-2030

(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	AAGR ⁽¹⁾
Own-source revenue	124 545	125 732	132 825	138 134	143 139	148 186	
% change ⁽²⁾	8.6	1.0	5.6	4.0	3.6	3.5	3.5
Federal transfers	30 636	30 610	32 362	33 071	33 110	33 103	
% change ⁽³⁾	-0.8	-0.1	5.7	2.2	0.1	0.0	1.6
Total revenue	155 181	156 342	165 187	171 205	176 249	181 289	
% change	6.6	0.7	5.7	3.6	2.9	2.9	3.2
Portfolio expenditures	-153 406	-156 102	-159 911	-162 322	-164 092	-167 150	
% change ⁽⁴⁾	8.4	1.8	2.4	1.5	1.1	1.9	1.7
Debt service	-9 853	-9 670	-10 402	-11 556	-12 007	-12 242	
% change ⁽⁵⁾	-1.3	-1.9	7.6	11.1	3.9	2.0	4.4
Total expenditure	-163 259	-165 772	-170 313	-173 878	-176 099	-179 392	
% change	7.7	1.5	2.7	2.1	1.3	1.9	1.9
Contingency reserve	—	-2 000	-2 000	-1 500	-1 500	-1 500	
ACCOUNTING SURPLUS (DEFICIT)⁽⁶⁾	-8 078	-11 430	-7 126	-4 173	-1 350	397	
Gap to be bridged	—	—	—	1 000	2 500	2 500	
Deposits of dedicated revenues in the Generations Fund	-2 354	-2 177	-2 402	-2 522	-2 648	-2 796	
BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT	-10 432	-13 607	-9 528	-5 695	-1 498	101	

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2025-2026 to 2029-2030.

(2) In 2025-2026, the lower growth in own-source revenue is due, in particular, to the change in economic activity influenced by the trade dispute triggered by the United States, and the non-recurrence of a significant portion of the amounts the Québec government will receive in 2024-2025 to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.

(3) The decrease in federal transfers in 2024-2025 is due, among other things, to a decline in equalization resulting from changes made by the federal government to the program in its 2023 budget. The decrease in 2025-2026 is due, in particular, to the non-recurrence of certain revenues, such as the reimbursement of Québec's costs related to the welcoming of refugee protection claimants, announced in June 2024. The growth of 5.7% in 2026-2027 is due, in particular, to the pace of realization of infrastructure projects receiving federal funding.

(4) For 2024-2025, the 8.4% growth in expenditures is attributable to the initiatives announced in March 2024 and November 2024, the increase in the cost of services in the education sector and the costs tied to the delivery of health care and social services, and the lag in the pace of infrastructure realization. This growth is also explained by one-off factors, including unrealized remuneration expenditures due to the strike by school staff in 2023-2024 and the floods caused by post-tropical storm Debby. Growth in 2025-2026 is due, in particular, to non-recurring elements amounting to \$1.9 billion in 2024-2025, notably due to the impact of the accounting change to take into account work already done by public transit authorities, due to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund, and to take into consideration the impact of post-tropical storm Debby. Excluding these elements, growth in expenditures would stand at 3.0% in 2025-2026 instead of 1.8%.

(5) The decrease in debt service in 2024-2025 and 2025-2026 is due to changes in interest rates and the non-recurrence of losses on the disposal of assets. The growth in debt service from 2026-2027 onward is explained by the increase in the debt level and the renewal of maturing fixed-rate loans at higher rates.

(6) This refers to the surplus or deficit on operations presented in the public accounts.

DEBT REDUCTION

As at March 31, 2025, Québec's net debt will stand at \$235.8 billion, or 38.7% of GDP. This is lower than the pre-pandemic level, which was 40.9% of GDP as at March 31, 2020. Net debt to GDP will increase until 2027-2028, due to, in particular, the significant investments in public infrastructure needed to stimulate economic growth in an uncertain environment. It will then fall back to 39.8% of GDP as at March 31, 2030. The government remains committed to reducing long-term debt and is continuing to make deposits in the Generations Fund.

Nevertheless, developments in the budgetary situation and the current uncertain economic context call for an adjustment to the debt reduction targets announced in March 2023. Net debt to GDP must be reduced to 35.5% of GDP by 2032-2033 and to 32.5% of GDP by 2037-2038.

FINANCING

For 2024-2025, the program stands at \$36.7 billion, which is \$0.2 billion more than projected in the March 2024 budget. The financing program will stand at \$29.7 billion in 2025-2026. For the four subsequent years, from 2026-2027 to 2029-2030, it will average \$31.7 billion.

GOVERNMENT'S FINANCING PROGRAM FROM 2024-2025 TO 2029-2030

(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Net financial requirements	25 436	29 084	25 882	22 456	15 280	13 737
Repayments of borrowings	16 753	16 899	14 104	13 309	14 488	17 701
Use of the Generations Fund to repay borrowings	-4 400	-2 500	—	—	—	—
Withdrawal from the Accumulated Sick Leave Fund	-165	—	—	—	—	—
Retirement Plans Sinking Fund withdrawal	-2 500	-2 500	-2 500	-2 500	-2 500	-2 500
Use of pre-financing	-3 150	-9 322	—	—	—	—
Transactions under the credit policy ⁽¹⁾	-2 586	—	—	—	—	—
Pre-financing	9 322	—	—	—	—	—
Increase in the outstanding amount of Québec Treasury bills	-2 000	-2 000	—	—	—	—
TOTAL	36 710	29 661	37 486	33 265	27 268	28 938

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

(1) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives sums in response to exchange rates movements, among other things. These sums do not affect the debt.

Thus far in 2024-2025, the government has contracted 34% of its borrowings on foreign markets, compared to an average of 30% over the last 10 years:

- US\$5.75 billion (CAD 7 761 million);
- €1.25 billion (CAD 1 866 million);
- £750 million (CAD 1 323 million);
- AU\$1.35 billion (CAD 1 212 million);
- CHF290 million (CAD 434 million).

In April 2024, Québec carried out its largest bond issue in any currency, a US\$3.75-billion borrowing (CAD 5.0 billion) with a five-year maturity.

To date, approximately 81% of the borrowings contracted in 2024-2025 had a maturity of 10 years or more, while the average over the last 10 years is 77%. The average maturity of the debt was 11 years as at March 31, 2024.

CREDIT RATINGS

In 2024, all the rating agencies that rate Québec confirmed its credit rating with a stable outlook.

QUÉBEC'S CREDIT RATINGS

Credit rating agency	Credit rating	Outlook
Standard & Poor's (S&P)	AA-	Stable
Moody's	Aa2	Stable
Fitch Ratings	AA-	Stable
Morningstar DBRS	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AAA	Stable

Note: Québec's credit ratings as at March 5, 2025.

