BUDGET 2024-2025

PRIORITIES
HEALTH | EDUCATION

BUDGET PLAN

March 2024

Votre gouvernement

Québec

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BUDGET PLAN

Section A

OVERVIEW

SUMMARY

In the *Québec Budget Plan – March 2024*, the government is prioritizing funding for health and education services. It is strengthening its support for Quebecers and communities, and acting on economic priorities while taking steps to optimize government action. It is presenting a fair and transparent portrait of the state of public finances and reiterating its firm commitment to restoring fiscal balance after deposits in the Generations Fund. A plan will be tabled when Budget 2025-2026 is released, with fiscal balance being achieved by 2029-2030 at the latest.

❑ Québec's economic situation

The global economy proved resilient in 2023, particularly due to the strong performance of the U.S. economy. The difficulties are nevertheless intensifying as the effects of tighter financial conditions become more pronounced and growth turns sluggish in most economies.

The early months of 2024 will remain difficult. This period of economic weakness will continue to lower pressure on prices. Central banks will start easing their monetary policies gradually as of the second quarter of 2024 in response to moderating inflation in particular.

— More stable prices and more advantageous credit conditions will foster the recovery of economic activity in the second half of 2024 and in 2025.

As a result, real GDP growth is expected to accelerate in 2025 in most economies.

In Québec, real GDP stagnated in 2023. Overall, production rose by just 0.2% for the year as a whole. However, the relative weakness of the economy did not spread to all industries. Moreover, the production declines observed are partly attributable to temporary factors, including major forest fires.

The economy stagnated in 2023, but the labour market remained resilient, as job creation continued (+2.3% in 2023). In addition, Québec's unemployment rate, at an average of 4.5% in 2023, remained well below that for Canada as a whole (5.4%) and the lowest among the provinces. Overall, Quebecers' financial situation is solid.

— Between 2018 and 2023, household disposable income in real terms rose by 16.8% in Québec, compared to 13.1% in Canada.

— In addition, the household debt ratio, that is, the value of household liabilities as a proportion of disposable income, is significantly lower in Québec (148.3% in 2022) than in Canada (189.1%).

As a result, Québec's economy is well positioned to begin a sustainable recovery as of the second half of 2024, in synchronization with the gradual decline in interest rates and lower inflation.

❑ Priorities: Health and education

The government is making investments to significantly increase wages in exchange for greater flexibility and significant gains in work organization. It is thereby improving the working conditions of government employees, in particular those in the health and social services and education networks.[1]

— These investments will result in better services for the population, through improved work organization and recognition of workers' expertise and skills. The government is therefore positioning itself as an employer of choice, improving its ability to hire and retain staff.

As part of the *Québec Budget Plan – March 2024*, the government is investing $8.8 billion by 2028-2029. Of this amount, nearly $5 billion benefits health, education and higher education.

In recent years, significant steps have been taken to provide better health and social services to Quebecers. More recently, the *Act to make the health and social services system more effective* was assented to. It will lead to the creation of Santé Québec and allow for a modernization of the network's governance in an effort to support service delivery and facilitate access to services.

— In this budget, investments of nearly $3.7 billion will help improve access to care and services and increase hospital fluidity, ensure the maintenance and quality of care and services for seniors, and consolidate social services for youth and vulnerable individuals.

The government is committed to the educational success of young people and to supporting student retention. The end of 2023 was marked by disrupted classes for many, and the return to school, after many weeks away for some, poses an additional challenge for students and teachers alike.

— Nearly $819 million by 2028-2029 have been earmarked, in particular to help all students make up the educational shortfall by the end of the school year and support the school staff. These funds will also be used to make learning environments more stimulating.

The government considers graduation rates in college and university as an essential lever, particularly for overcoming labour shortages and fostering Québec's socioeconomic development.

— As part of the budget, investments of more than $420 million over five years will help promote the success and retention of university students, support training in priority fields and digital transformation, increase the number of student housing units and maintain the building inventory.

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1 Details on the renewal of collective agreements are presented in sub-section 1.1 of Section G, "Québec's Financial Situation."

In addition to major investments in health care and education, more than $2 billion by 2028-2029 is provided to support Quebecers and communities.

The government is announcing that as of January 1, 2025, the retirement pension reduction will be completely eliminated for seniors with disabilities reaching the age of 65.

— Nearly $1.3 billion will help facilitate access to housing, support youth and families, and promote the social inclusion of the most vulnerable.

— Investments of more than $755 million are aimed at consolidating the public safety intervention capacity and strengthening legal support and services for vulnerable individuals, showcasing culture and promoting the French language, as well as protecting the environment and facilitating adaptation to climate change.

The government is also continuing its efforts to increase Québec's economic potential.

— Investments of nearly $1.9 billion by 2028-2029 are planned to support strategic sectors and economic growth, grow the available labour pool and increase productivity in the construction industry, contribute to the prosperity of the regions and foster immigrants' economic and social integration.

Lastly, the government is taking steps to generate $2.9 billion in revenue by 2028-2029 in order to optimize government action.

— It is adjusting certain tax assistance measures for businesses, asking government enterprises for optimization efforts, continuing its tobacco control efforts and ensuring the fairness and integrity of the tax system.

TABLE A.1

Financial impact of the measures of Budget 2024-2025
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Funding health and social services, education and higher education	−188	−1 058	−925	−935	−907	−903	−4 916
Supporting Quebecers and communities	−129	−438	−486	−411	−282	−282	−2 028
Acting on economic priorities	—	−441	−596	−285	−265	−271	−1 858
Subtotal	**−317**	**−1 937**	**−2 007**	**−1 631**	**−1 454**	**−1 456**	**−8 801**
Optimizing government action	—	86	345	607	847	1 017	2 903
TOTAL	**−317**	**−1 851**	**−1 662**	**−1 023**	**−607**	**−439**	**−5 898**

Note: Totals may not add due to rounding.

❑ A prudent and responsible financial framework

The financial framework paints a fair and transparent portrait of the state of public finances.[2] Despite the deficits anticipated in 2024-2025 and subsequent years, the financial framework remains prudent and responsible.

The government is maintaining its commitment to restore fiscal balance after deposits of dedicated revenues in the Generations Fund. Given the uncertain economic context, it will table a plan to restore fiscal balance when Budget 2025-2026 is released. Fiscal balance within the meaning of the Act will be achieved by 2029-2030 at the latest.[3]

In the meantime, in addition to taking steps to optimize government action, the government will begin the process of reviewing all its tax and budgetary expenditures in spring 2024.

It will also continue to make representations to the federal government to obtain its fair share of federal transfers, while keeping its commitment to create more wealth and increase Québec's economic potential by investing $1.9 billion to act on economic priorities.

The government is staying the course on its objective to reduce the net debt burden to 30% of GDP by 2037-2038.[4] This will be achieved by restoring fiscal balance, continuing deposits in the Generations Fund and implementing initiatives to accelerate economic growth.

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

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2 Unless otherwise indicated, this document is based on budgetary data available as at February 23, 2024. The data presented for 2023-2024 are preliminary results. The data for 2024-2025 to 2028-2029 are forecasts and those for subsequent years are projections.

3 The report on the application of the *Balanced Budget Act* is presented in Appendix 2 of Section G, "Québec's Financial Situation."

4 The *Act to reduce the debt and establish the Generations Fund* provides that, for fiscal 2037-2038, the net debt presented in the government's financial statements may not exceed 32.5% of GDP. This ratio corresponds to the upper limit of a net debt reduction target of 30% of GDP announced in Budget Speech 2023-2024.

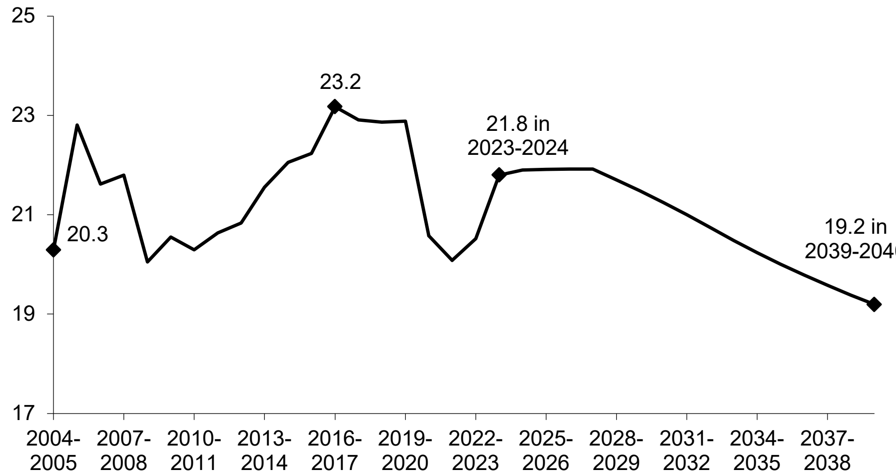
❑ Québec's requests to the federal government

The government will continue to make representations to the federal government to obtain its fair share of federal transfers. The federal government must reimburse Québec for the costs incurred for providing services to asylum seekers. It must also increase its transfers to the provinces in the areas of health, infrastructure and workforce development. Québec is also asking for unconditional opt-out with full financial compensation from the Canadian Dental Care Plan and any future Canadian drug benefit plan.

For Québec, the amounts offered by the federal government for health care are clearly insufficient. They will not catch up to the historic level of federal funding, nor will they provide sustainable health care funding. The share of provincial health care spending covered by the federal government will continue to shrink due to the larger increase in provincial health care spending.

CHART A.1

Share of the Canada Health Transfer in provincial and territorial health expenditures – 2004-2005 to 2039-2040
(per cent)



Sources: Canadian Institute for Health Information, Conference Board of Canada and Department of Finance Canada.

TABLE A.2

Québec's economic and financial outlook
(billions of dollars, unless otherwise indicated)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Revenue	144.3	146.8	150.3	156.6	163.8	168.5	172.8
Expenditure	−147.3	−151.0	−157.6	−162.1	−165.6	−170.1	−174.6
Gap to be bridged	—	—	—	0.8	1.5	1.8	2.0
Surplus (deficit) from operations before contingency reserve	**−3.0**	**−4.2**	**−7.3**	**−4.8**	**−0.3**	**0.1**	**0.2**
Contingency reserve	—	—	−1.5	−1.5	−1.5	−1.5	−1.5
Surplus (deficit) from operations	**−3.0**	**−4.2**	**−8.8**	**−6.3**	**−1.8**	**−1.4**	**−1.3**
% of GDP	*0.6*	*0.7*	*1.5*	*1.0*	*0.3*	*0.2*	*0.2*
Deposits of dedicated revenues in the Generations Fund	−3.1	−2.1	−2.2	−2.2	−2.4	−2.6	−2.7
Budgetary balance within the meaning of the *Balanced Budget Act*(1)	**−6.1**	**−6.3**	**−11.0**	**−8.5**	**−4.2**	**−3.9**	**−3.9**
% of GDP	*1.1*	*1.1*	*1.9*	*1.4*	*0.7*	*0.6*	*0.6*
Net debt	208.7	221.1	237.8	250.9	257.5	263.5	269.4
% of GDP	*38.3*	*39.0*	*40.3*	*41.0*	*40.6*	*40.0*	*39.5*
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
ECONOMIC INDICATORS							
Real GDP (% change)	2.5	0.2	0.6	1.6	1.7	1.7	1.7
Nominal GDP (% change)	8.4	3.9	4.0	3.8	3.7	3.7	3.6

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*, before use of the stabilization reserve. In accordance with the changes to the *Balanced Budget Act*, the stabilization reserve is abolished as of 2023-2024.

1. PRIORITIES: HEALTH AND EDUCATION

As part of the *Québec Budget Plan – March 2024*, the government is investing nearly $8.8 billion by 2028-2029 for the benefit of Quebecers.

1.1 Funding health and social services, education and higher education

In recent years, the government has allocated significant amounts to maintain the quality and ensure the continuity and accessibility of public services in its priority missions. In fact, from 2018-2019 to 2023-2024, expenditures of the Santé et Services sociaux portfolio rose by 42.1%, while those of the Éducation and Enseignement supérieur portfolios increased by 37.4% and 35.7%, or an average annual growth[5] of 7.3%, 6.6% and 6.3% respectively.

In Budget 2024-2025, the government is continuing to invest and is setting aside nearly $5.0 billion over six years, as follows:

- $3.7 billion for supporting a humane and effective organization of health care and social services, particularly by improving access to care and services and hospital fluidity, maintaining the quality of care and services for seniors, and consolidating social services for youth and vulnerable individuals;
- $818.7 million for promoting the educational success of young people, attracting and retaining school staff, supporting partner organizations in education, and enhancing and maintaining the school building inventory;
- $420.5 million for promoting success in higher education, particularly by promoting the success and retention of university students, as well as supporting training in priority fields and digital transformation, increasing the number of student housing units and maintaining the building inventory.

TABLE A.3

Financial impact of the measures to fund health and social services, education and higher education
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting a humane and effective organization of health care and social services	—	−730.1	−751.1	−773.3	−710.9	−710.9	−3 676.3
Fostering the educational success of young people	188.1	−293.0	−109.6	−78.0	−77.0	−73.0	−818.7
Promoting success in higher education	—	−34.5	−64.0	−84.0	−119.0	−119.0	−420.5
TOTAL	**188.1**	**−1 057.6**	**−924.7**	**−935.3**	**−906.9**	**−902.9**	**−4 915.5**

5 Average annual growth rate, corresponding to the geometric mean over five years, from 2019-2020 to 2023-2024.

1.2 Supporting Quebecers and communities

Since fall 2022, the government has announced measures totalling more than $30 billion over seven years to reduce Quebecers' tax burden and enable them to better cope with inflation.[6]

— As a result, despite strong price growth in recent years, the purchasing power of Québec households increased more than that of Canadian households between 2018 and 2023.

— Quebecers enjoyed a 16.8% increase in their purchasing power, as measured by household disposable income in real terms, compared to 13.1% for Canadians over the same period.

In Budget 2024-2025, the government is announcing that the retirement pension reduction currently applicable to seniors with disabilities aged 65 or over will be eliminated as of January 1, 2025.

— This will enhance the pension offered by up to $5 895 annually, including the previous enhancement announced in Budget 2021-2022, and thus increase disposable income for people with disabilities.

In addition, to further support Quebecers and communities, Budget 2024-2025 includes initiatives totalling more than $2 billion over the financial framework period, as follows:

— nearly $1.3 billion over six years for consolidating support for Quebecers, in particular by promoting access to housing, as well as providing support for families, youth and the most vulnerable individuals;

— $440.5 million over five years for supporting communities by promoting sustainable participation in recreation and sports in a safe environment, increasing the public safety intervention capacity, and strengthening legal support and services for vulnerable individuals;

— $187.1 million over five years for showcasing culture and promoting the French language, in particular by supporting the media, businesses and cultural organizations, disseminating Québec's culture, and supporting initiatives aimed at promoting and advancing the French language;

— $127.5 million over five years for protecting the environment and adapting to climate change, in particular to ensure safety and promote Québec's environmental assets.[7]

6 The details are presented in subsection 2.5 of Section C, "Supporting Quebecers and Communities."

7 In addition, the government will soon present an update of the implementation plan for the 2030 Plan for a Green Economy in order to ensure that the investments planned for the next five years fund the most promising actions.

TABLE A.4

Financial impact of the measures to support Quebecers and communities
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting seniors with disabilities	—	—	—	—	—	—	—
Consolidating support for Quebecers	−129.2	−315.6	−299.7	−239.4	−142.5	−146.5	−1 272.9
Supporting communities	—	−60.0	−105.6	−92.0	−90.3	−92.6	−440.5
Showcasing culture and promoting the French language	—	−41.3	−53.7	−41.8	−28.4	−21.9	−187.1
Protecting the environment and adapting to climate change	—	−20.8	−27.1	−37.6	−20.8	−21.2	−127.5
TOTAL	**−129.2**	**−437.7**	**−486.1**	**−410.8**	**−282.0**	**−282.2**	**−2 028.0**

1.3 Acting on economic priorities

The government has committed to creating more wealth and increasing Québec's economic potential. In concrete terms, it aims to reduce the gap in real GDP per capita with Ontario to less than 10% by 2026 and eliminate it by 2036.

Accordingly, major steps have been taken since 2018 to enhance business and government productivity and to foster workers' integration in the labour market in the context of the labour shortage.

- Government action has helped improve Quebecers' standard of living and significantly reduce the wealth gap with Ontario and the rest of Canada. While the gap was 15.9% with Ontario and 20.2% with the rest of Canada in 2018, it should narrow to 11.9% and 15.3% respectively by 2024.

In Budget 2024-2025, the government is continuing its efforts by announcing investments totalling nearly $1.9 billion over five years to act on Québec's economic priorities, namely:

- $443.1 million for supporting strategic sectors and economic growth;
- $126.0 million for growing the available labour pool and increasing productivity in the construction industry;
- $888.5 million for contributing to the prosperity of the regions;
- $400.0 million for facilitating immigrants' economic and social integration.

These initiatives will add to the amount of $1.3 billion over five years announced in the *Update on Québec's Economic and Financial Situation – Fall 2023* for the renewal of the investment and innovation tax credit (C3i).

TABLE A.5

Financial impact of the measures to act on economic priorities
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting strategic sectors and economic growth	−85.1	−94.5	−93.5	−80.0	−90.0	−443.1
Growing the available labour pool and increasing productivity in the construction industry	−103.0	−22.0	−1.0	—	—	−126.0
Contributing to the prosperity of the regions	−173.3	−399.3	−110.2	−105.2	−100.5	−888.5
Fostering immigrants' economic and social integration	−80.0	−80.0	−80.0	−80.0	−80.0	−400.0
TOTAL	**−441.4**	**−595.8**	**−284.7**	**−265.2**	**−270.5**	**−1 857.6**

1.4 Optimizing government action

Government interventions must always be geared toward efficiency. Furthermore, government action must remain in step with the socioeconomic environment of the time.

— To that end, the government must make the necessary adjustments to be able to act effectively in a way that is consistent with the evolution of society and the new priorities that emerge.

— In this respect, the government is taking major steps to improve the efficiency of its interventions in the Québec tax system and the performance of government enterprises.

In order to optimize government action, in Budget 2024-2025, the government is announcing measures representing an additional revenue of $2.9 billion over five years, with the aim of:

— adjusting certain tax assistance measures for businesses ($1.0 billion);

— asking government enterprises for optimization efforts ($1.0 billion);

— continuing tobacco control efforts ($300 million);

— ensuring the fairness and integrity of the tax system ($563 million).

In addition, in spring 2024, the government will initiate a review of all its tax and budgetary expenditures. The first steps that come out of this review will be incorporated into the plan to restore fiscal balance that will be presented when Budget 2025-2026 is released.

TABLE A.6

Financial impact of the steps to optimize government action
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Adjusting certain tax assistance measures for businesses	4.3	50.5	213.0	351.3	421.0	1 040.1
Asking government enterprises for optimization efforts	—	100.0	200.0	300.0	400.0	1 000.0
Continuing tobacco control efforts	40.0	65.0	65.0	65.0	65.0	300.0
Ensuring the fairness and integrity of the tax system	41.9	129.6	129.4	130.9	130.9	562.7
Initiating a review of government expenditures(1)	—	—	—	—	—	—
TOTAL	**86.2**	**345.1**	**607.4**	**847.2**	**1 016.9**	**2 902.8**

(1) The first steps that come out of this review will be incorporated into the plan to restore fiscal balance that will be presented when Budget 2025-2026 is released.

2. QUÉBEC'S ECONOMIC SITUATION

2.1 A more favourable growth environment is expected in the second half of 2024

The global economy proved resilient in 2023, particularly due to the strong performance of the U.S. economy. However, difficulties are intensifying as the effects of tighter financial conditions become more pronounced.

— As a result, production growth is expected to slow in most regions in 2024.

This period of economic weakness will continue to moderate pressure on prices. Consequently, central banks will start easing their monetary policies gradually as of the second quarter of 2024. Controlled inflation and more favourable credit conditions should re-establish an environment conducive to growth.

In Québec, real GDP stagnated in 2023. Overall, production rose by just 0.2% for the year as a whole. However, the relative weakness of the economy in 2023 did not spread to all industries. Moreover, the production declines observed are partly attributable to temporary factors, including forest fires.

The economy stagnated, but the labour market remained resilient, with employment growth at 2.3% in 2023. Québec's financial situation is solid. In fact, the household debt ratio, that is, the value of household liabilities as a proportion of disposable income, is significantly lower in Québec (148.3% in 2022) than in Canada as a whole (189.1%), making Québec households less vulnerable to high interest rates.

As a result, Québec's economy is well positioned for a sustained recovery as of the second half of 2024, in synchronization with the decline in inflation and the easing of monetary policy. In 2025, real GDP growth is expected to accelerate and reach 1.6%.

TABLE A.7

Economic growth
(real GDP, percentage change)

	2022	2023	2024	2025
Québec	2.5	0.2	0.6	1.6
Canada	3.8	1.1	0.7	1.9
United States	1.9	2.5	1.5	1.6
World(1)	3.5	3.0	2.8	3.0

(1) Global real GDP is expressed in purchasing power parity.
Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, S&P Global, LSEG Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

TABLE A.8

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	Change			Contribution		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**
Domestic demand	**−0.1**	**0.9**	**1.7**	**−0.1**	**1.0**	**1.8**
Household consumption	2.3	0.8	1.8	1.3	0.5	1.1
Residential investment	−17.8	0.4	2.6	−1.2	—	0.1
Non-residential business investment	−1.4	2.4	2.9	−0.1	0.2	0.3
Government spending and investment	0.2	0.9	0.9	0.1	0.3	0.3
External sector	**—**	**—**	**—**	**0.7**	**0.1**	**0.1**
Exports	2.3	2.0	2.2	1.0	0.9	1.0
Imports	0.5	1.5	1.9	−0.3	−0.8	−1.0
Inventories	**—**	**—**	**—**	**−0.6**	**−0.5**	**−0.3**
REAL GDP	**0.2**	**0.6**	**1.6**	**0.2**	**0.6**	**1.6**

Note: Total components may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

3. QUÉBEC'S FINANCIAL SITUATION

Budget 2024-2025 presents a deterioration of the financial situation resulting essentially from stagnant economic activity, low runoff in Hydro-Québec's basins, massive government investment in public services—in particular to improve working conditions for public and parapublic sector employees—stronger-than-expected demographic growth and the pace of infrastructure investments.

3.1 Main adjustments in 2023-2024

Since the last budget, the 2023-2024 budgetary deficit has been adjusted upwards, from $4.0 billion to $6.3 billion. The economic and budgetary situation has led to negative adjustments of $2.4 billion in 2023-2024, due in particular to:

— an $898.0-million reduction in own-source revenue excluding revenue from government enterprises, mainly resulting from the downward adjustment of tax revenue attributable to stagnant economic activity;[8]

— a $1.6-billion decline in revenue from government enterprises, primarily due to the decrease in the value of Hydro-Québec's exports resulting from low runoff in the regions where its main basins are located;

— a $1.5-billion increase in federal transfers, mainly due to a decrease in the value of the special Québec abatement, which is deducted from federal transfers, the pace of completion of federally funded infrastructure projects, as well as the Housing Accelerator Fund agreement;

— a $1.7-billion increase in expenditures, mainly resulting from higher-than-expected portfolio expenditures of $1.5 billion, particularly due to the adjustment to the pace of local infrastructure projects and the update to the social housing construction plan;

— targeted initiatives of $1.4 billion announced in the *Update on Québec's Economic and Financial Situation – Fall 2023*, including support for climate transition and communities and better access to housing, as well as those announced in Budget 2024-2025, including helping students with difficulties going back into the classroom and funding for low-income housing renovations;

— the use of the $1.5-billion contingency reserve, which was set aside in March 2023.

[8] The details are presented in subsection 1.2 of Section G, "Québec's Financial Situation."

TABLE A.9

Adjustments to the financial framework since March 2023
(millions of dollars)

	2023-2024
BUDGETARY BALANCE[1] – MARCH 2023	**−3 998**
ECONOMIC AND BUDGETARY SITUATION	
Own-source revenue excluding revenue from government enterprises	
– Tax revenue	−2 400
– Other revenue	1 502
Subtotal	−898
Revenue from government enterprises	−1 610
Subtotal – Own-source revenue	−2 508
Federal transfers	1 548
Subtotal – Revenue	**−960**
Portfolio expenditures	−1 532
Debt service	−186
Subtotal – Expenditure	**−1 718**
Deposits of dedicated revenues in the Generations Fund	292
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**−2 386**
NOVEMBER 2023 INITIATIVES	**−1 101**
MARCH 2024 INITIATIVES	
Funding health and social services, education and higher education	−188
Supporting Quebecers and communities	−129
Acting on economic priorities	—
Subtotal	**−317**
TOTAL INITIATIVES	**−1 418**
Optimizing government action	—
Gap to be bridged for achieving fiscal balance in operations	—
Contingency reserve	1 500
BUDGETARY BALANCE[1] – MARCH 2024	**−6 302**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

3.2 Financial framework

Budget 2024-2025 presents the revenue and expenditure outlook for the Québec government until 2028-2029.

Revenue amounts to $150.3 billion in 2024-2025, with growth of 2.4%. Growth will increase to 4.2% in 2025-2026.

— Over the period covered by the financial framework, that is, until 2028-2029, annual revenue growth will average 3.3%.

Expenditure amounts to $157.6 billion in 2024-2025, with growth of 4.4%. Growth will reach 2.9% in 2025-2026.

— From 2024-2025 to 2028-2029, the annual growth in expenditure will average 2.9%.

— The financial framework provides the funding needed to deliver services in the government's critical missions. As a result, expenditure growth[9] for 2024-2025 stands at:

  — 4.2% in health and social services;

  — 9.3% in education;

  — 3.5% in higher education.

The budgetary balance from operations, before the contingency reserve, shows a deficit of $7.3 billion (or 1.2% of GDP) in 2024-2025 and surpluses starting in 2027-2028.

In addition, the financial framework includes a contingency reserve of $1.5 billion per year starting in 2024-2025 that could be used, in particular, to offset the effects of more moderate economic growth than anticipated, should this occur.

— In 2024-2025, after the contingency reserve, the budgetary balance from operations shows a deficit of $8.8 billion (or 1.5% of GDP).

After deposits of dedicated revenues in the Generations Fund, the budgetary balance within the meaning of the *Balanced Budget Act* shows a deficit of $11.0 billion in 2024-2025 (or 1.9% of GDP).

9 Detailed explanations for expenditure growth are provided in subsection 3.2 of Section G, "Québec's Financial Situation."

TABLE A.10

Multi-year financial framework

(millions of dollars, unless otherwise indicated)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Revenue							
Personal income tax	42 251	42 389	44 952	46 746	48 592	50 577	52 537
Contributions for health services	7 914	8 298	8 670	8 991	9 248	9 526	9 778
Corporate taxes	13 243	11 399	12 116	12 729	13 369	13 795	14 409
School property tax	1 113	1 137	1 310	1 436	1 531	1 553	1 615
Consumption taxes	26 597	27 118	27 991	28 994	29 888	30 859	31 889
Duties and permits	5 741	5 832	5 940	6 274	6 615	6 812	7 099
Miscellaneous revenue	12 083	14 116	14 507	14 703	15 106	15 704	16 238
Government enterprises	6 620	5 197	5 418	6 257	7 588	7 565	7 274
Own-source revenue	**115 562**	**115 486**	**120 904**	**126 130**	**131 937**	**136 391**	**140 839**
% change	***5.4***	***−0.1***	***4.7***	***4.3***	***4.6***	***3.4***	***3.3***
Federal transfers	28 737	31 290	29 397	30 428	31 883	32 112	32 006
% change(1)	*−1.5*	*8.9*	*−6.0*	*3.5*	*4.8*	*0.7*	*−0.3*
Total revenue	**144 299**	**146 776**	**150 301**	**156 558**	**163 820**	**168 503**	**172 845**
% change	***3.9***	***1.7***	***2.4***	***4.2***	***4.6***	***2.9***	***2.6***
Expenditure							
Portfolio expenditures	-137 243	−141 347	−147 815	−152 492	−155 493	−159 140	−162 972
% change	*7.6*	*3.0*	*4.6*	*3.2*	*2.0*	*2.3*	*2.4*
Debt service	−10 058	−9 650	−9 762	−9 583	−10 117	−11 003	−11 642
% change(2)	*16.4*	*−4.1*	*1.2*	*−1.8*	*5.6*	*8.8*	*5.8*
Total expenditure	**-147 301**	**−150 997**	**−157 577**	**−162 075**	**−165 610**	**−170 143**	**−174 614**
% change	***8.1***	***2.5***	***4.4***	***2.9***	***2.2***	***2.7***	***2.6***
Gap to be bridged for achieving fiscal balance in operations	—	—	—	750	1 500	1 750	2 000
SURPLUS (DEFICIT) FROM OPERATIONS BEFORE CONTINGENCY RESERVE	**−3 002**	**−4 221**	**−7 276**	**−4 767**	**−290**	**110**	**231**
Contingency reserve	—	—	−1 500	−1 500	−1 500	−1 500	−1 500
SURPLUS (DEFICIT) FROM OPERATIONS	**−3 002**	**−4 221**	**−8 776**	**−6 267**	**−1 790**	**−1 390**	**−1 269**
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	−3 082	−2 081	−2 222	−2 219	−2 419	−2 554	−2 671
BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*(3)	**−6 084**	**−6 302**	**−10 998**	**−8 486**	**−4 209**	**−3 944**	**−3 940**

Note: Totals may not add due to rounding.

(1) The significant increase in federal transfers in 2023-2024 is due, in particular, to the additional amounts for health care announced by the federal government in February 2023 (nearly $1.1 billion more in 2023-2024, including a non-recurring amount of $447 million), the change in the value of the special Québec abatement ($310 million), and the housing agreement ($900 million over four years, including $225 million in 2023-2024). The decrease 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.

(2) The −4.1% change in debt service in 2023-2024 is due, in particular, to the non-recurrence of losses on the disposal of assets as part of the activities of the Sinking Fund for Government Borrowing in 2022-2023.

(3) Budgetary balance within the meaning of the Balanced Budget Act, before use of the stabilization reserve. In accordance with the Balanced Budget Act, the stabilization reserve is abolished as of 2023-2024.

3.3 A gradual approach to restoring fiscal balance

The government is maintaining its commitment to restore fiscal balance after deposits of dedicated revenues in the Generations Fund. Given the context of economic uncertainty, it will table a plan to restore fiscal balance when Budget 2025-2026 is released.

A balanced budget within the meaning of the *Balanced Budget Act*, that is, after deposits of dedicated revenues in the Generations Fund, will be achieved by 2029-2030 at the latest. To do so, the structural deficit of nearly $4 billion observed from 2026-2027 to 2028-2029 will have to be eliminated.

- To achieve this, the government will need to increase the gap between average annual growth in revenue and the one in expenditure from 0.4 percentage points to 1.1 percentage points.[10]

In the meantime, the government is taking action to achieve fiscal balance in operations in 2027-2028, if no events trigger the use of the contingency reserve. To this end, it is relying on four levers:

- taking immediate steps representing $2.9 billion over five years to optimize government action;
  - The government is adjusting certain tax assistance measures for businesses in line with changes to the labour market and recommendations from experts aimed at maximizing economic potential. It is asking government enterprises for optimization efforts and is continuing its tobacco control efforts by increasing the tax on tobacco products. In addition, it is maintaining its efforts to ensure the fairness and integrity of the tax system.
- shortly beginning the review of all its tax and budgetary expenditures;

[10] Over the period covered by the financial framework, that is, until 2028-2029, average annual growth in revenue (AAGR) will reach 3.3%. Meanwhile, average annual growth in expenditure will reach 2.9%. The gap in growth is currently equivalent to 0.4 percentage points. In order to eliminate the structural deficit, the Ministère des Finances estimates that this gap will need to reach 1.1 percentage points by 2028-2029. Details on revenue and expenditure are presented in Section G, “Québec’s Financial Situation.”

- continuing to make representations to the federal government to obtain its fair share of federal transfers;
  - The federal government must reimburse Québec for the costs incurred for providing services to asylum seekers. It must also increase its transfers to the provinces in the areas of health, infrastructure and workforce development. Québec is also asking for unconditional opt-out with full financial compensation from the Canadian Dental Care Plan and any future Canadian drug benefit plan.
  - The slow growth in federal transfers is leading to budgetary pressure, which is increasing the efforts required to restore fiscal balance.[11]
- continuing its commitment to create more wealth and increase Québec's economic potential by investing $1.9 billion to act on economic priorities.

The expenditure review process will begin as of spring 2024. On the one hand, it will cover tax expenditures related to both the personal and corporate tax systems as well as the consumption tax system, and, on the other hand, it will cover expenditures by government departments and bodies.

The two reviews will make it possible to identify the first sources of savings that will pave the way to a balanced budget after deposits of dedicated revenues in the Generations Fund by 2029-2030. They will be incorporated into the plan to restore fiscal balance, which will be tabled at the same time as Budget 2025-2026.

- At that time, the government is expecting the economic situation to be less uncertain and the Québec economy to be closer to its potential. The government will therefore be in a position to identify the path and additional actions that will result in a balanced budget after deposits in the Generations Fund by 2029-2030.

Fiscal balance will be restored by ensuring stable, predictable funding for the government's main missions, without increasing the tax burden on Quebecers.

11 Slow growth in federal transfers is expected by 2028-2029. An average annual growth rate of 0.5% over five years, from 2024-2025 to 2028-2029, is anticipated. This contrasts with an average annual growth rate of 5.4% for the past 10 years.

Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy generally follow similar paths.

In 2018-2019, expenditure amounted to 24.3% of GDP. This was less than the share of revenue in the economy, which stood at 26.1%. This difference was due to the gradual reduction in the share of expenditure in the economy in previous years.

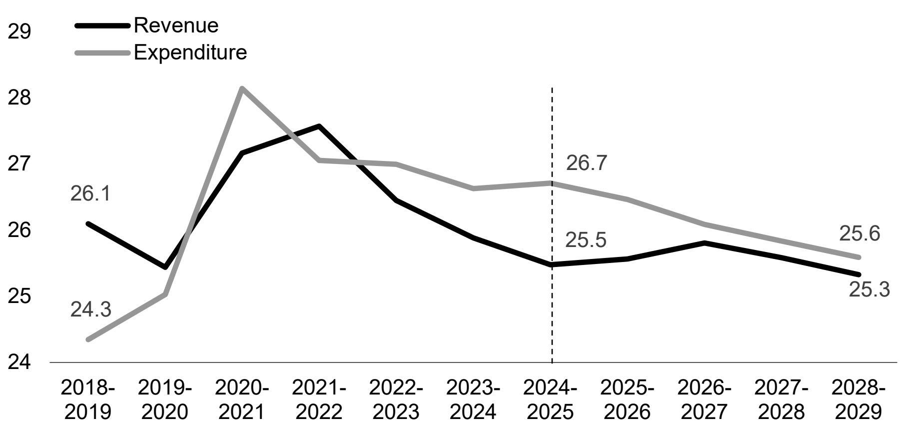
In 2024-2025, expenditure amounts to 26.7% of GDP, which is higher than the share of revenue in the economy of 25.5%.

- In particular, the share of expenditure in the economy illustrates the government's investments aimed at funding public services, notably in health and education, in order to support Quebecers and act on economic priorities.
- As for revenue, its share in the economy is due, in particular, to measures announced in recent years, including the 1-percentage-point reduction in the bottom two personal income tax rates since 2023.

In subsequent years, the difference between the shares of revenue and expenditure as a percentage of GDP will gradually narrow until 2028-2029, reaching 0.3 percentage points.

The expected results of the process to review tax and budgetary expenditures will equalize the shares of revenue and expenditure in the economy as of 2026-2027, if no events trigger the use of the contingency reserve. They will also ensure stable, predictable funding for the government's main missions, while reducing the share of expenditure in the economy to a level comparable to that of the pre-pandemic period.

Change in the shares of government revenue and expenditure in the economy – 2018-2019 to 2028-2029
(percentage of GDP)



3.4 Investments in public infrastructure

Québec has major public infrastructure needs. To meet these needs, the government is announcing an increase of $3.0 billion over 10 years in the Québec Infrastructure Plan (QIP).

— The 2024-2034 QIP therefore amounts to $153.0 billion, or a little over $15.0 billion per year on average.

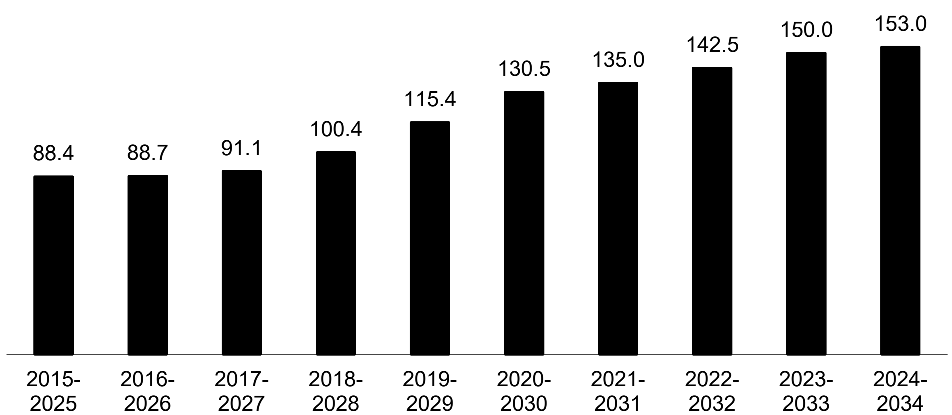
— Over the past six years, the QIP has been increased each year, going from $100.4 billion in March 2018 to $153.0 billion in March 2024. This increase was necessary, given the importance of equipping Québec with modern infrastructure and investing more in maintaining the building infrastructure inventory.[12]

    — 62% of the total investments under the 2024-2034 QIP will be used primarily to maintain the building inventory.[13] New infrastructure will account for 38% of the investments.

The 2024-2034 QIP allocates considerable sums to health and social services, education and higher education, public transit and the road network.[14] It also provides for major investments in social housing.

CHART A.2

Change in the Québec Infrastructure Plan
(billions of dollars)



Source: Secrétariat du Conseil du trésor

12 The asset maintenance deficit is estimated at $37.1 billion in March 2024.

13 This share excludes the central envelope.

14 The 2024-2034 Québec Infrastructure Plan published by the Secrétariat du Conseil du trésor provides detailed information on planned investments by sector.

4. THE QUÉBEC GOVERNMENT'S DEBT

4.1 The debt burden lower than before the pandemic

The net debt burden will stand at 39.0% of GDP as at March 31, 2024. This is lower than the pre-pandemic level of 40.9% of GDP as at March 31, 2020.

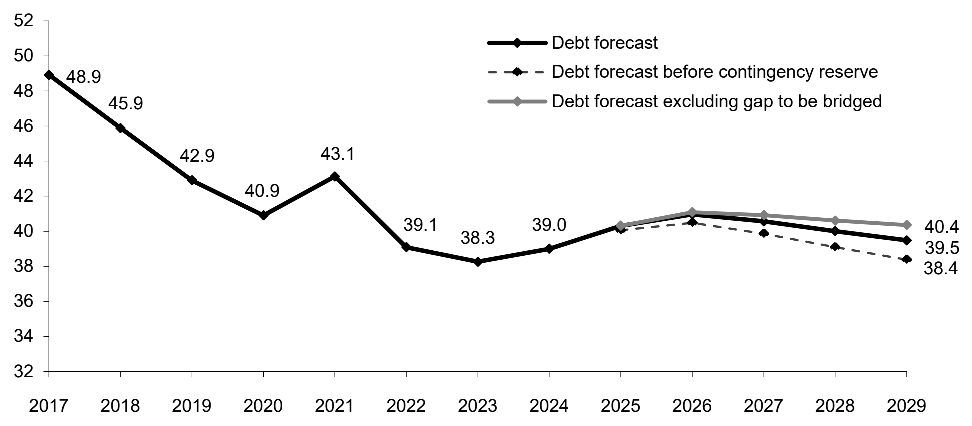
The net debt-to-GDP ratio will increase until 2025-2026, driven by deficits and major investments in public infrastructure. It will then fall back to 39.5% of GDP as at March 31, 2029.

— Excluding the gap to be bridged, the net debt-to-GDP ratio is expected to stand at 40.4% as at March 31, 2029.

— Excluding the contingency reserve of $7.5 billion over five years, from 2024-2025 to 2028-2029, the net debt-to-GDP ratio is expected to stand at 38.4% as at March 31, 2029.

CHART A.3

Net debt as at March 31
(percentage of GDP)



The government is staying the course on its objective to reduce the net debt burden to 30% of GDP by 2037-2038.[15]

— This will be achieved by restoring fiscal balance, continuing payments to the Generations Fund and implementing initiatives to accelerate economic growth.

15 The *Act to reduce the debt and establish the Generations Fund* provides that, for fiscal 2037-2038, the net debt presented in the government's financial statements may not exceed 32.5% of GDP. This ratio corresponds to the upper limit of a net debt reduction target of 30% of GDP announced in Budget Speech 2023-2024.

APPENDIX: QUÉBEC'S ECONOMIC OUTLOOK – 2022 TO 2028

TABLE A.11

Economic outlook in Québec
(annual average, percentage change, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028
Output							
Real GDP	2.5	0.2	0.6	1.6	1.7	1.7	1.7
Nominal GDP	8.4	3.9	4.0	3.8	3.7	3.7	3.6
Nominal GDP (billions of dollars)	545.6	567.1	589.9	612.4	634.9	658.6	682.4
Components of GDP (in real terms)							
Final domestic demand	2.5	−0.1	0.9	1.7	1.5	1.5	1.5
– Household consumption	4.9	2.3	0.8	1.8	1.9	1.9	1.8
– Government spending and investment	3.0	0.2	0.9	0.9	0.3	0.5	0.6
– Residential investment	−11.7	−17.8	0.4	2.6	1.3	1.2	0.9
– Non-residential business investment	1.3	−1.4	2.4	2.9	2.9	2.8	2.5
Exports	0.5	2.3	2.0	2.2	2.5	2.3	2.0
Imports	6.0	0.5	1.5	1.9	1.8	1.6	1.6
Labour market							
Population (thousands)	8 672	8 875	9 124	9 185	9 237	9 283	9 328
Population aged 15 and over (thousands)	7 156	7 260	7 406	7 466	7 518	7 565	7 613
Jobs (thousands)	4 403	4 506	4 550	4 578	4 598	4 618	4 637
Job creation (thousands)	129.7	103.3	43.8	28.0	20.0	19.6	18.9
Unemployment rate (per cent)	4.3	4.5	5.2	4.9	4.6	4.2	4.1
Other economic indicators (in nominal terms)							
Household consumption	10.6	6.1	3.0	3.6	3.7	3.7	3.5
– Excluding food expenditures and shelter	12.3	5.6	2.5	3.6	3.6	3.6	3.4
Housing starts (thousands of units)	57.1	38.9	42.7	43.7	43.0	42.3	41.6
Residential investment	−0.6	−15.8	2.6	5.5	3.6	3.4	3.1
Non-residential business investment	11.3	3.6	4.3	4.2	4.4	4.6	4.5
Wages and salaries	10.4	6.0	5.1	3.7	3.3	3.4	3.2
Household income	7.9	6.0	5.2	3.6	3.3	3.4	3.3
Net operating surplus of corporations	−10.2	−11.0	−2.5	3.0	4.0	4.2	5.4
Consumer price index (CPI)	6.7	4.5	2.8	2.2	2.0	2.0	2.0
CPI (fiscal year)	6.6	4.1	2.5	2.1	2.0	2.0	2.0

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

Section B

FUNDING HEALTH AND SOCIAL SERVICES, EDUCATION AND HIGHER EDUCATION

SUMMARY

Providing services is a key function of government, particularly in fulfilling its main missions: health and social services, education and higher education.

The government recognizes the important contribution and expertise of the individuals who work in public services. Accordingly, it is making investments to improve working conditions and make networks more attractive, thereby helping to attract and retain a skilled and qualified workforce.

Increased compensation, financial incentives for employees, bonuses for obtaining specific diplomas, lighter administrative duties for professionals and the involvement of staff in managing their own schedules are all examples of improvements made to adapt to the new realities of the working world.

In recent years, the government has invested significant amounts to maintain the quality and ensure the sustainability and accessibility of public services.

With this in mind, an amount of nearly $5.0 billion is provided for in Budget 2024-2025.

The expenditures of the Santé et Services sociaux portfolio rose from $41.8 billion in 2018-2019 to $59.4 billion in 2023-2024, an increase of 42.1% or an average annual growth rate of 7.3%.

The expenditures of the Éducation and Enseignement supérieur portfolios climbed from $14.9 billion to $20.5 billion and $7.9 billion to $10.7 billion, respectively, for the same years, representing increases of 37.4% and 35.7%, or average annual growth rates of 6.6% and 6.3%.[1]

The government continues to fund quality services in health and social services, education and higher education. Thus, as part of Budget 2024-2025, an amount of nearly $5.0 billion has been set aside over six years, including:

- $3.7 billion for supporting a humane and effective organization of health care and social services;
- $818.7 million for fostering the educational success of young people;
- $420.5 million for promoting success in higher education.

[1] This is the average annual growth rate, which corresponds to the geometric mean over five years, from 2019-2020 to 2023-2024.

TABLE B.1

Financial impact of the measures aimed at funding health and social services, education and higher education
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting a humane and effective organization of health care and social services	—	−730.1	−751.1	−773.3	−710.9	−710.9	−3 676.3
Fostering the educational success of young people	−188.1	−293.0	−109.6	−78.0	−77.0	−73.0	−818.7
Promoting success in higher education	—	−34.5	−64.0	−84.0	−119.0	−119.0	−420.5
TOTAL	**−188.1**	**−1 057.6**	**−924.7**	**−935.3**	**−906.9**	**−902.9**	**−4 915.5**

❑ Central role of human resources in delivering public services

According to the World Health Organization and UNESCO, all countries are experiencing issues around the availability of human resources, which are essential to delivering services in health and social services, education and higher education.

Québec is no exception, and the challenges are exacerbated by an aging population and historical population growth, two major structural factors that exert pressure on the demand for services, further increasing staff workloads, and on the government's ability to fund public services.

As part of the renewal of collective agreements for public-sector employees and in order to express the value it places on its employees while positioning itself as an employer of choice, the government has proposed significant increases in compensation and attractive, fair and equitable working conditions in exchange for greater flexibility and significant advances in work organization.

In addition, two major acts reforming the governance of the health and social services system and the education system were adopted in December 2023:

— the *Act to make the health and social services system more effective*;

— the *Act to amend mainly the Education Act and to enact the Act respecting the Institut national d'excellence en éducation*.

Now, for these legislative measures to translate into improvements in how care and services are delivered to the public, modernizing work organization is also important.

Significant advances in work organization

The collective agreements for over 600 000 employees in the public and parapublic sectors (public service, school service centres, school boards, colleges and the health and social services network) expired on March 31, 2023.

Agreements in principle were reached with multiple groups in the health and social services, education and higher education sectors. They will deliver significant advances in work organization and improvements in service quality, in particular via:

- the recognition of the seniority of the independent labour pool in the health care sector;
- the possibility of agreeing to non-standard work schedules (e.g. 12-hour shifts) individually with their manager;
- finalizing the class assignment process by August 8, which will enable better school planning and stability in class organization;
- the implementation of self-managed schedules in health care;
- a support staff status review to create greater school team stability;
- an adjustment to bonuses in health care to encourage and recognize staff who work evenings, nights or weekends;
- measures to encourage full-time work;
- a measure to encourage voluntary transfers to avoid service disruptions.

These agreements also make jobs more attractive, while recognizing the expertise and skills of employees, in particular via wage parameters of 17.4% for 2023-2024 to 2027-2028.

TABLE B.2

Wage parameters by year
(percentage change)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Wage parameters	6.0	2.8	2.6	2.5	3.5	17.4

1. SUPPORTING A HUMANE AND EFFECTIVE ORGANIZATION OF HEALTH CARE AND SOCIAL SERVICES

The health and social services missions are critical for the government. In recent years, significant steps have been taken to support the provision of these services and facilitate access to them.

To continue implementing the health care plan, tabled in March 2022, the government is stepping up its efforts to improve access to health care and services, while working on transforming the organization to become an employer of choice. Several concrete results demonstrate this, including:

— registering over 900 000 Quebecers in a family medicine group;

— implementing the Primary Care Access Point (GAP),[2] throughout Québec, for people without access to a family doctor;

— modernizing home-support practices by reducing the administrative burden on service providers;

— implementing the mental health access mechanism in institutions, which serves as an entry point for requests and enables patients to be referred to the right provider for all specific and specialized services for young people and adults;

— opening 22 seniors' homes and alternative homes;

— offering colorectal cancer screening, which is now available to people aged 50 to 74 at all vaccination centres in Québec;

— entering into a collaborative agreement with medical specialists to facilitate consultations.

In addition, in spring 2023, the government passed the *Act limiting the use of personnel placement agencies' services and independent labour in the health and social services sector*. This Act gradually abolishes the use of private agencies.

More recently, in December 2023, the National Assembly assented to the *Act to make the health and social services system more effective*.

[2] The Primary Care Access Point allows people to make an appointment with a health professional.

Today, in Budget 2024-2025, the government is providing an additional amount of nearly $3.7 billion over five years to support a humane and effective organization of health care and social services, as follows:

— $1.8 billion for improving access to care and services and increasing hospital fluidity;

— $1.1 billion for ensuring the continuity and quality of care and services for seniors;

— $738.0 million for consolidating social services for youth and vulnerable individuals.

These amounts contribute to the growth in the expenditures of the Santé et Services sociaux portfolio, which reaches 4.2% in 2024-2025.

— From 2019-2020 to 2023-2024, spending increased by an average of 7.3% per year.[3]

TABLE B.3

Financial impact of the measures aimed at supporting a humane and effective organization of health care and social services
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Improving access to care and services and increasing hospital fluidity	−360.0	−360.0	−360.0	−360.0	−360.0	−1 800.0
Ensuring the continuity and quality of care and services for seniors	−222.5	−243.5	−265.7	−203.3	−203.3	−1 138.3
Consolidating social services for youth and vulnerable individuals	−147.6	−147.6	−147.6	−147.6	−147.6	−738.0
TOTAL	**−730.1**	**−751.1**	**−773.3**	**−710.9**	**−710.9**	**−3 676.3**

3 Average annual growth rate, corresponding to the geometric mean over five years, from 2019-2020 to 2023-2024.

Implementation plan to reform health care

In line with the health care plan, the government has set two main priorities for the coming year: pursue efforts to improve access to health care and social services, while continuing with fundamental changes, to give managers more leeway to act locally.

Over the past year, the government has continued to implement the health care plan by:

- registering over 900 000 people in a family medicine group, 400 000 more than expected;
- offering a digital version of the Primary Care Access Point, which was previously only available by telephone;
- reducing the administrative burden on health professionals, thereby increasing the number of medical appointments provided by 138 000;
- opening 5 new specialized nurse practitioner clinics, bringing the total number of clinics opened to date to 11;
- supporting short-term training programs for patient-care attendants (CHSLD, home-support services, etc.);
- modernizing home-support practices by, in a first phase, reducing the administrative burden on psychosocial workers so they can devote more time to users (e.g. by reducing the time required for assessment tools from 6 hours on average to 90 minutes);
- passing, in spring 2023, the *Act limiting the use of personnel placement agencies' services and independent labour in the health and social services sector*;
  - The Capitale-Nationale, Montréal, Chaudière-Appalaches, Laval and Montérégie administrative regions will be able to use the services of an agency until October 2024.
  - Depending on their geographical location, other regions will be able to do so until October 2025 or 2026.
  - In addition, maximum rates will now apply to new contracts when establishments use the services of private agencies.
- continuing to implement the mental health access mechanism, which plays a strategic role in the continuum of mental health services in institutions;
- strengthening prevention efforts to reduce the need to resort to the *Youth Protection Act* through the Agir tôt program and by referring to frontline social services unfounded youth protection reports, for which a need remains;
- promoting the attractiveness of working in social services through training activities and clinical supervision;
- passing, in December 2023, the *Act to make the health and social services system more effective*, which establishes in particular Santé Québec.

Plan to reform health care (cont.)

Establishment of Santé Québec

The assent of the *Act to make the health and social services system more effective* will lead to the establishment of Santé Québec in 2024 and support a modernization of network governance for the benefit of all Quebecers by:

- returning to proximity management, with a designated manager for each site (hospital, CHSLD, clinic) and services adapted to local needs and realities;
- decentralizing decision-making to make it as close as possible to the patient and reducing bureaucracy.

In January 2024, a transition committee was set up with the mandate of coordinating and monitoring the implementation of the transitional stages. In addition, the committee will advise the Ministère de la Santé et des Services sociaux and the ministers on the major steps to be taken to ensure a smooth transition of the Ministère's operations to Santé Québec.

1.1 Improving access to care and services and increasing hospital fluidity

In recent years, multiple strategies have been adopted to improve access to frontline services, such as expanding the approach developed for vaccination and testing to other services, opening new clinics and setting up an access point for people without a family doctor.

The government wishes to continue the actions implemented to meet the needs of Quebecers. Accordingly, in Budget 2024-2025, an additional $1.8 billion over five years has been earmarked for the purposes of improving access to care and services and increasing hospital fluidity, as follows:

- $902.5 million for accelerating the digital shift in the health care system;
- $457.0 million for ensuring the continuity and development of alternatives to hospitalization;
- $306.5 million in order to add beds to meet the population’s growing needs;
- $113.5 million for continuing to deploy frontline access points under the Primary Care Access Point initiative;
- $20.5 million for enhancing investments in prevention and innovation to better respond to pandemics.

TABLE B.4

Financial impact of the measures aimed at improving access to care and services and increasing hospital fluidity
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Accelerating the digital shift in the health care system	−180.5	−180.5	−180.5	−180.5	−180.5	−902.5
Ensuring the continuity and development of alternatives to hospitalization	−91.4	−91.4	−91.4	−91.4	−91.4	−457.0
Adding beds to meet the population’s growing needs	−61.3	−61.3	−61.3	−61.3	−61.3	−306.5
Continuing to deploy frontline access points under the Primary Care Access Point initiative	−22.7	−22.7	−22.7	−22.7	−22.7	−113.5
Enhancing investments in prevention and innovation to better respond to pandemics	−4.1	−4.1	−4.1	−4.1	−4.1	−20.5
TOTAL	**−360.0**	**−360.0**	**−360.0**	**−360.0**	**−360.0**	**−1 800.0**

Note: The appropriations will be granted to the Ministère de la Santé et des Services sociaux. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

❑ Accelerating the digital shift in the health care system

The health care plan, announced in 2022, sets the stage for major technological changes in health and social services. The anachronism of hospitals using fax machines symbolizes the system's lagging adoption of information technology. It is essential to have the means to carry out the digital transformation in the health care system so that Quebecers have access to service with leading-edge technology.

Information technology modernization efforts will also allow us to continue the digital transformation of the system, one of the health care plan's four implementation pillars.

Accelerating the digital shift, which includes the increased use of artificial intelligence and innovative processes in particular, will benefit all users of the health and social services network. Indeed, it will, among other things, lighten the administrative burden on professionals, enabling them to devote more time to care and services.

In Budget 2024-2025, the government has earmarked an additional $902.5 million over five years to accelerate the digital shift in the health care system, in particular by supporting the arrival of electronic health records.

Patient-based funding

During fiscal year 2024-2025, patient-based funding will be deployed, in particular, in the medicine, emergency, neonatal and dialysis sectors.

Note that patient-based funding began to be implemented in radiation oncology, then in imaging and, as of 2018-2019, in the colonoscopy and digestive endoscopy sector.

In radiation oncology, patient-based funding has increased productivity by 26%, while the average cost of operations has decreased by 7% over the same period. In other words, this funding approach grants better access to radiation oncology services at a lower unit cost.

Similar observations can be made in the imaging and colonoscopy and digestive endoscopy sectors.

In imaging, patient-focused funding increased the volume of procedures in magnetic resonance imaging technical units by 22%, while the unit cost of these procedures declined by 4%.

Expanding patient-based funding to the colonoscopy and digestive endoscopy sector resulted in a 14% increase in productivity and a 31% decline in the case backlog.

Furthermore, the addition of the medicine, emergency, neonatal and dialysis sectors will relieve hospital congestion and provide faster service to patients.

❑ Ensuring the continuity and development of alternatives to hospitalization

The hospital network is currently under enormous pressure, as many patients go to the hospital but do not leave within the expected timeframe. In order to improve access to hospitals, it is important to first work on measures that allow the right patients to be admitted to the hospital, but also to find an alternative, safe location as soon as the patient can leave the hospital.

For example, people who no longer require acute care could recover at home while receiving the necessary professional supervision.

Accordingly, in Budget 2024-2025, the government is setting aside an additional amount of $457.0 million over five years to ensure that alternatives to hospitalization are maintained and developed.

❑ Adding beds to meet the population's growing needs

According to the most recent demographic forecasts, carried out by the Institut de la statistique du Québec, Québec's population is constantly growing. It would rise from 8.7 million inhabitants in 2022 to 9.5 million inhabitants in 2041, and the proportion of people aged 75 and over would increase from 9.1% to 15.8% over the same period.

There are currently 2.3 beds and stretchers per 1 000 inhabitants in Québec hospitals. With population growth, measures must be implemented to continue to meet Quebecers' needs.

In Budget 2024-2025, the government is setting aside an additional amount of $306.5 million over five years to add beds to meet the population's growing needs.

❑ Continuing to deploy the Primary Care Access Point initiative

The Primary Care Access Point (GAP) has significantly improved the ability of people without a family doctor to see a health professional in a timely manner.

It receives requests for medical consultations from people without a family doctor, or from people registered with a group of doctors, analyzes them and directs people to the appropriate professional or medical service that best meets the need. Every week, some 30 000 requests are received and directed to the right service, including:

- 50.0% to a medical appointment;
- 18.3% to another health professional;
- 7.3% for a pending medical appointment;
- 5.5% to a pharmacist.

In addition, 18.9% of requests required no further action, as the need had been met at the time of the call.

The government wishes to continue its efforts to make the frontline access points more accessible for people without a family doctor. As a result, in Budget 2024-2025, the government is providing an additional $113.5 million over five years to continue GAP's digital deployment leading to the implementation of the Votre Santé appointment platform.

❑ Enhancing investments in prevention and innovation to better respond to pandemics

The role of public health is to protect the population while proposing actions that underpin favourable conditions for maintaining and improving the health of the population and general well-being.

While public health focused its efforts on COVID-19 during the public health crisis, it is now directing its efforts toward screening and other prevention activities, such as more effective screening for colorectal cancer, that can, under certain conditions, help reduce mortality.

At the same time, public health continues to systematically monitor new variants of COVID-19, and all other viruses that remain a threat to the population's health and continue to put pressure on the health and social services network.

In Budget 2024-2025, the government is setting aside an amount of $20.5 million over five years to enhance investments in prevention and innovation to better respond to pandemics.

Frontline service points: positive spinoffs

With the conversion of certain vaccination centres set up during the COVID-19 pandemic into frontline screening services, there have been significant improvements to access to frontline care and services.

Since September 2023, local service points have been providing simplified access to numerous public services for citizens.

In addition to helping administer nearly four million vaccines during mass vaccination campaigns (COVID-19, flu and shingles), these service points are enhancing the overall vaccination offer to improve protection for Québec's population.

In only a few months, they have also improved access to screenings for colorectal cancer, streptococcus A and various respiratory viruses, as well as to blood test services.

For example, new screening for colorectal cancer, the second leading cause of cancer deaths in people aged 50 to 74, has been available since February 5, 2024, and already over 21 000 appointments have been made. People aged 50 to 74, especially those without a family doctor, are covered by this program and now have easier access to screening.

Using a single technological and telephone solution to book appointments for all services makes the process much easier for the public.

1.2 Ensuring the continuity and quality of care and services for seniors

As its population ages, Québec is home to a growing number of people aged 75 and over. According to the Institut de la statistique du Québec, the proportion of people aged 75 and over rose from 2.3% to 9.1% between 1971 and 2022, and is expected to reach 15.8% in 2041.

The government is therefore directing significant resources toward home support, housing and long-term care. Accordingly, an additional amount of more than $1.1 billion over five years has been set aside in Budget 2024-2025 to ensure the continuity and quality of care and services for seniors, as follows:

- $581.0 million for enhancing home-support services;
- $121.8 million for strengthening the offering of private seniors' residences;
- $253.5 million for supporting the creation of seniors' homes and alternative homes;
- $182.0 million for continuing to enter into agreements with residential and long-term care centres (CHSLDs).

TABLE B.5

Financial impact of the measures to ensure the continuity and quality of care and services for seniors
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Enhancing home-support services	−116.2	−116.2	−116.2	−116.2	−116.2	−581.0
Strengthening the offering of private seniors' residences	−19.2	−40.2	−62.4	—	—	−121.8
Supporting the creation of seniors' homes and alternative homes	−50.7	−50.7	−50.7	−50.7	−50.7	−253.5
Continuing to enter into agreements with residential and long-term care centres	−36.4	−36.4	−36.4	−36.4	−36.4	−182.0
TOTAL	**−222.5**	**−243.5**	**−265.7**	**−203.3**	**−203.3**	**−1 138.3**

Note: The appropriations will be granted to the Ministère de la Santé et des Services sociaux. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

❑ Enhancing home-support services

In Québec, seniors and people with disabilities or impairments can count on home-support services from the health and social services network. These services include assistance (particularly personal assistance and help with household chores), professional care and services, services for informal and family caregivers and technical support.

Home-support services meet the desire of seniors to preserve their independence and remain in their homes for as long as possible when ongoing medical attention is not required.

Consequently, the government has initiated a major shift in recent years to support the provision of home-support services. In that regard, it is setting aside an additional amount of $581.0 million over five years in Budget 2024-2025 to enhance home-support services.

Changes in the supply of home-support services

The number of hours of home-support services offered rose from 19.5 million in 2018-2019 to 34.7 million in 2023-2024, an increase of 78%, making it possible to offer services to 398 000 people as at March 31, 2024.

By March 31, 2028, the government aims to offer 43.6 million hours of home-support services and meet the needs of 417 000 people, while the number of people on waiting lists would fall to 11 500.

Annual offer of home-support services
(in units)

	March 31, 2019	March 31, 2024P	March 31, 2028P
Number of people having received home-support services in the reference year	360 000	398 000	417 000
Number of hours of home-support services	19 500 000	34 700 000	43 600 000
Number of people waiting for their first home-support service	10 500	15 700	11 500

P: Projection.

Home-support services

More than $750 million to enhance the tax credit for home-support services for seniors

The tax credit for home-support services for seniors was enhanced in Budget 2021-2022 through the gradual increase in the rate of reimbursement from 35% to 40% by 2026.

– Additional assistance and automatic payments to seniors living in residential buildings were also introduced.

This enhancement represents $750.2 million over seven years to help seniors stay in their homes.

More than $8.0 billion in additional funding for home-support services

Since Budget 2019-2020, the additional amounts granted for home-support services total more than $8.0 billion, without taking into account the tax credit for home-support services for seniors and the measures introduced for informal and family caregivers.

Additional amounts granted for home-support services since Budget 2019-2020
(millions of dollars)

	2018-2019 to 2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Budget 2019-2020(1)						
Strengthening home care and services	1 760.0	280.0	280.0	280.0	280.0	2 880.0
Budget 2020-2021						
Continuing to improve home care(2)	500.0	100.0	100.0	100.0	100.0	900.0
Budget 2021-2022						
Increasing public home-support services	600.0	150.0	150.0	150.0	150.0	1 200.0
Budget 2022-2023						
Reinforcing home-support services	390.0	145.0	250.0	250.0	250.0	1 285.0
Budget 2023-2024						
Increasing the supply of home-support services	255.4	202.7	252.7	252.7	252.7	1 216.2
Budget 2024-2025						
Enhancing home-support services	116.2	116.2	116.2	116.2	116.2	581.0
TOTAL	**3 621.6**	**993.9**	**1 148.9**	**1 148.9**	**1 148.9**	**8 062.2**

Note: The information presented in the table does not include the tax credit for home-support services for seniors and the measures introduced for informal and family caregivers.
(1) Budget 2019-2020 also provided an additional amount of $80 million in 2018-2019 to strengthen home care and services.
(2) The amounts announced in Budget 2020-2021 totalled $384 million, including $100 million in 2020-2021 and 2021-2022. However, in a press release on November 15, 2020, the government announced that the annual amount of $100 million would be recurrent.

❑ Strengthening the offering of private seniors' residences

Some seniors continue to face housing challenges, as several private seniors' residences (PSRs) have had to close their doors in recent years due to financial difficulties.

The government has put in place a number of measures to lessen these difficulties, including a salary transition program to address the issues faced by PSR with caregiving staff since the public health crisis.

Wage bonuses paid to PSR caregiving staff during the pandemic were to be phased out starting April 1, 2024.

Given that these residences are still in need of this financial support, the wage bonuses will be maintained at 100% of their initial level until the program ends on December 31, 2026.

In this regard, the government is setting aside an additional amount of $121.8 million over three years in Budget 2024-2025 to extend support for PSRs, thereby strengthening the housing offering for seniors.

In addition, the program which aims to reduce the impact of insurance premium increases on PSRs and other private entities will also be extended by one year.

Establishing a working committee on the support provided to private seniors' residences

Nearly $1.6 billion over seven years to ensure the continuity of services in private seniors' residences

To halt the closure of private seniors' residences (PSRs), the government has put in place several measures, representing a direct investment of more than $509 million over six years, as follows:

- $368.7 million over six years for the salary transition program for PSR caregiving staff;
- $89.0 million over two years to extend the financial assistance program for installing sprinklers;[1]
- $52.0 million over five years for renovation work in small PSRs in order to improve their insurability.

Furthermore, additional investments of nearly $1 045.0 million over seven years have been announced to support the provision of services for seniors, as follows:

- $200.0 million over five years to set up the personalized allowance program to provide financial support to seniors with diminishing autonomy;
- $94.7 million over five years to promote the process for voluntarily converting small PSRs into intermediate resources;
- $750.2 million over seven years to gradually increase the refundable tax credit for home-support services for seniors by 2026.

In addition, the government is providing financial assistance to cover a portion of the increase in insurance premiums for PSRs.

In all, nearly $1.6 billion has been earmarked over seven years to ensure the continuity of services, primarily in PSRs.

Interdepartmental working committee on the support provided to private seniors' residences

Despite the government's ongoing efforts to support PSRs, many of them remain in a precarious financial position, exposing vulnerable seniors to the risk of being forced to leave their living environment.

To further the government's commitment to seniors, an interdepartmental working committee made up of numerous departments and bodies[2] will be created over the coming weeks. Its mandate will be as follows:

- reviewing the effectiveness of PSR support programs and assessing the opportunity to improve these programs;
- evaluating the opportunity to introduce other strategic measures in line with government policy directions and available budgetary resources.

1 Contributions for this initiative total $212.7 million since the program was launched in 2015.
2 The committee will be made up of the Ministère de la Santé et des Services sociaux, the Ministère des Finances, the Secrétariat du Conseil du trésor, the Ministère des Affaires municipales et de l'Habitation, and the Société d'habitation du Québec.

❑ Supporting the creation of seniors' homes and alternative homes

Seniors' homes and alternative homes represent one of the government's key commitments. They provide quality care and housing adapted to the needs of seniors with severely diminished autonomy and adults living with a physical disability, an intellectual disability, an autism-spectrum disorder or a mental disorder.

The gradual rolling out of this new type of housing began in 2022 with the opening of the first home in Sherbrooke. The initiative is part of a major transformation of residential and long-term care environments.

As at March 1, 2024, a total of 22 facilities have opened. By 2026, a total of 3 480 spaces will be available, with the planned opening of 46 facilities.

In this regard, the government is providing an additional amount of $253.5 million over five years in Budget 2024-2025 to support the creation of seniors' homes and alternative homes.

❑ Continuing to enter into agreements with residential and long-term care centres

The government aims to ensure that people living in CHSLDs or in intermediate or family-type resources have access to care and services that meet their needs and adhere to rigorous quality standards. In addition, entering into agreements with private CHSLDs reduces the financial burden on users.

By March 31, 2024, funding agreements for private CHSLDs will have been completed for 13 facilities, while agreements for 16 additional facilities will be completed in the coming year. The government is aiming to finalize funding agreements for all CHSLDs by 2025.

An additional amount of $182.0 million over five years has been earmarked in Budget 2024-2025 to continue funding for CHSLDs.

1.3 Consolidating social services for youth and vulnerable individuals

Social services play an essential role in the protection and well-being of youth and vulnerable individuals. In that regard, the government is setting aside an amount of $738.0 million over five years in Budget 2024-2025 to consolidate services, including:

- $543.0 million for meeting the growing needs in youth protection services;
- $195.0 million for consolidating mental health services, general social services, and services related to disabilities, community organizations, Agir tôt and addiction.

These amounts will complement the significant investments made in recent years, in particular to act in prevention, better protect youth, consolidate mental health services and combat homelessness.[4]

TABLE B.6

Financial impact of the measures to consolidate social services for youth and vulnerable individuals
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Meeting the growing needs in youth protection	−108.6	−108.6	−108.6	−108.6	−108.6	−543.0
Consolidating mental health services, general social services, and services related to disabilities, community organizations, Agir tôt and addiction	−39.0	−39.0	−39.0	−39.0	−39.0	−195.0
TOTAL	**−147.6**	**−147.6**	**−147.6**	**−147.6**	**−147.6**	**−738.0**

Note: The appropriations will be granted to the Ministère de la Santé et des Services sociaux. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

4 For more details, see the box on page B.25.

❑ Meeting the growing needs in youth protection

For several years now, youth protection services have been seeing a significant increase in their activities in support of children and families.

To ensure the safety of children and the well-being of families, the government is setting aside an amount of $543.0 million over five years in Budget 2024-2025. Among other things, this amount will:

— enhance support for family-type resources, in particular by providing the necessary funding to assess local foster families and distribute financial allowances to enable them to care for children;

— consolidate spaces in intermediate resources to meet growing needs;

— increase housing capacity in rehabilitation centres for youth with adjustment difficulties, which currently have extremely high occupancy rates;

— provide services in the fields of adoption, research into socio-biological history and reunifications, to comply with new legislative obligations;

— meet the growing need in youth protection services with respect to receiving and processing reports, conducting assessments, providing direction and carrying out interventions.

❑ Consolidating mental health services, general social services, and services related to disabilities, community organizations, Agir tôt and addiction

Mental health and social services provide crucial support to youth and vulnerable individuals, in particular those suffering from mental disorders, disabilities, addictions or psychosocial problems.

To improve access to these services, the government is setting aside an amount of $195.0 million over five years in Budget 2024-2025.

— Of this amount, $50.0 million over five years will support community organizations in difficulty.

In addition, the funds earmarked for strengthening mental health and social services will make it possible, among other things, to:

— support responses to individuals in crisis, thus avoiding hospitalization and reducing pressure on the network's services;

— continue the mixed practice of psychosocial intervention and community policing;

— enhance housing resources for young children and adolescents living with an intellectual disability, autism-spectrum disorder or physical disability;

— enable people with a severe behavioural disorder to live in a safe environment adapted to their needs;

— meet the need for child psychiatry hospital services for young people;

— continue to implement the youth component of the Québec Program for Mental Disorders, which will improve access to mental health care and services for youth.

Major investments since 2018 to consolidate support for youth and vulnerable individuals

The investments in this budget will consolidate support for social services. In this respect, support for youth, mental health and the fight against homelessness represent three priority issues for fostering the well-being of more vulnerable individuals. Considering the amounts announced since 2018,[1] $4.4 billion in investments has been provided for this purpose by the government, including:

– $2.5 billion to strengthen support for young people, in particular by acting on the recommendations of the Commission spéciale sur les droits des enfants et la protection de la jeunesse (Special Commission on the Rights of the Child and Youth Protection), or commission Laurent, consolidating youth protection services and increasing housing capacity for young people in difficulty;

– $1.3 billion to expand the mental health service offering, in particular by helping implement an interdepartmental mental health action plan to improve services and reduce waiting lists;

– $532.0 million to fight homelessness, including $282.0 million for housing assistance or the construction of social housing for homeless people.

In addition, a number of measures to address the shortage of workers in these areas have been implemented and will continue until 2026, including scholarships for psychology interns and psychotherapists working in the health and social services network, as well as the expansion of hiring and professional practices.

Acting early to detect indicators of developmental difficulties in young children

One of the priorities in mental health is to prevent developmental difficulties and intervene quickly with young people who need it, even before they start school.

In this respect, the introduction of the Agir tôt program represents a major step forward in the early detection of developmental disorders in children aged 0 to 5. This initiative, which brings together the Ministère de la Santé et des Services sociaux, the Ministère de la Famille, the Ministère de l'Éducation and the Ministère de l'Enseignement supérieur, contributes to enhancing mental health prevention efforts and ensuring better development for young people.

Simplified access to services for those in need of assistance

In addition to investments to enhance services, the government wants to ensure that vulnerable individuals in need of help can be directed to the right person. In this respect, the Info-social 811 psychosocial counselling service by telephone offers rapid access to professional consultation.

– Available in 16 regions of Québec since June 2023, this service is essential for supporting, equipping and guiding people struggling with various issues and for responding to crisis situations.

In addition, recent investments in mental health have led to the deployment of more Aire ouverte service points, which offer a variety of services adapted to young people aged 12 to 25 with social adaptation, mental health and addiction problems.

1 These amounts correspond to the amounts provided in budget publications since fall 2018.

1.4 Improving health and social services infrastructure

In order to offer Quebecers access to quality health care institutions, the 2024-2034 Québec Infrastructure Plan provides for investments of $23.8 billion in the Santé et Services sociaux portfolio.

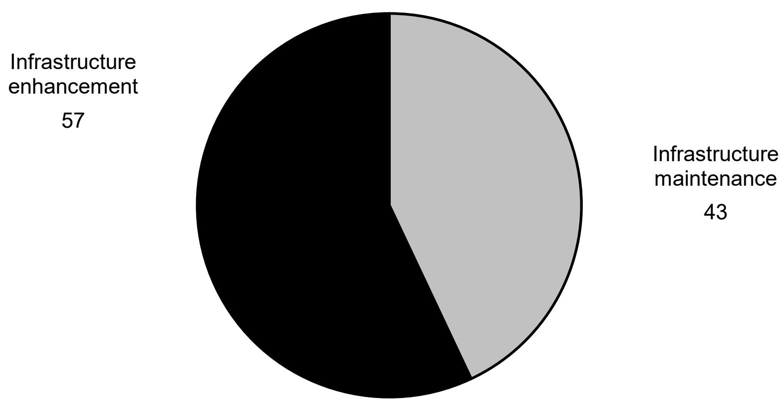
- Investments to maintain current infrastructure in good condition represent 43% of total investments.

- Investments earmarked for new infrastructure in support of development represent 57%.

In particular, these investments will make it possible to continue the construction, expansion or redevelopment of hospitals (to increase the number of beds available, among other things), seniors' homes and alternative homes, the rebuilding and renovation of CHSLDs, and to enter into agreements with private CHSLDs.

CHART B.1

2024-2034 Québec Infrastructure Plan for health and social services by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

2. FOSTERING THE EDUCATIONAL SUCCESS OF YOUNG PEOPLE

Since Budget 2019-2020, many initiatives have been put in place to support student success and retention.

In Budget 2024-2025, education remains the government's top priority. In addition to providing significant wage increases to school staff and a notable increase in spending to ensure the continuity of education services, the government is setting aside an additional amount of $818.7 million over five years, as follows:

— $544.5 million for supporting student success;

— $113.6 million for ensuring the attraction and retention of school staff;

— $60.6 million for supporting partner organizations in education;

— $100.0 million for accelerating maintenance of the school building inventory.

These investments contribute to the growth in the expenditures of the Éducation portfolio,[5] which reaches 9.3% in 2024-2025.

— From 2019-2020 to 2023-2024, expenditure increased by an average of 6.6% per year.[6]

TABLE B.7

Financial impact of the measures to foster the educational success of young people
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting student success	−188.1	−180.9	−42.9	−46.2	−45.2	−41.2	−544.5
Ensuring the attraction and retention of school staff	—	−79.5	−34.1	—	—	—	−113.6
Supporting partner organizations in education	—	−17.1	−17.1	−8.8	−8.8	−8.8	−60.6
Accelerating maintenance of the school building inventory(1)	—	−15.5	−15.5	−23.0	−23.0	−23.0	−100.0
TOTAL	**−188.1**	**−293.0**	**−109.6**	**−78.0**	**−77.0**	**−73.0**	**−818.7**

(1) These amounts represent operating expenses and are in addition to the investments provided in the 2024-2034 Québec Infrastructure Plan to improve education infrastructure.

5 The Éducation portfolio includes the sport, recreation and outdoor activities component.

6 Average annual growth rate, corresponding to the geometric mean over five years, from 2019-2020 to 2023-2024.

Review of the initiatives in education

Since fall 2018, several initiatives in education totalling nearly $11.4 billion have been implemented to increase educational success. These initiatives are aimed at dealing with the biggest challenges facing the education system in Québec.

- Of this amount, approximately $2.3 billion has been invested to support students in vulnerable situations.

To deliver on its commitment to improve the performance of the education system, boost student success, provide a healthy and safe learning environment and give better recognition to teachers, the government is continuing to act on the priorities it set for itself, namely:

- improving the quality of spoken and written French;
- continuing to implement solutions to alleviate the shortage of qualified teachers in the system by developing a fast track for obtaining a teaching permit;
- ensuring the deployment of classroom assistants in more than 14 000 classrooms in preschools (for 5-year-olds) and elementary schools in order to assist teaching staff and foster an environment that is conducive to success;
- making special educational programs, such as art and sports, accessible to a greater number of students in order to boost students' motivation and sense of belonging at school;
- modernizing and making vocational training more appealing to enable young people to pursue studies and develop in their fields of interest, particularly those that play a key role in Québec's economy;
- continuing the transformation of school governance to make the education system more efficient and accountable;
- building new schools, as well as renovating, maintaining and expanding existing schools to provide a school environment that is supportive, stimulating and conducive to student success.

In addition, the government wishes to prevent violence and promote well-being in the school environment by implementing the anti-violence and bullying plan in schools and presenting Bill 47, entitled *An Act to reinforce the protection of students*.

2.1 Supporting student success

The academic success of all Québec students is essential for the development of Québec society. It was also identified as a central element in the consultation on wealth gaps conducted last fall. It is vital to ensure that Québec has an effective education system that offers students all the essential tools to succeed.

Accordingly, a number of initiatives have been prioritized in order to meet the needs of all students and schools. To support academic success among young people, the government is continuing its actions and is providing $544.5 million over five years in Budget 2024-2025, as follows:

— $301.5 million for helping students with difficulties going back into the classroom;

— $213.6 million for consolidating educational activities;

— $13.0 million for improving the safety of school transportation services;

— $16.4 million for continuing the transformation of school governance.

TABLE B.8

Financial impact of measures to support student success
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Helping students with difficulties going back into the classroom(1)	−151.0	−150.5	—	—	—	—	−301.5
Consolidating educational activities(2)	−37.1	−25.0	−37.5	−40.0	−39.0	−35.0	−213.6
Improving the safety of school transportation services(2)	—	−2.6	−2.6	−2.6	−2.6	−2.6	−13.0
Continuing the transformation of school governance(2)	—	−2.8	−2.8	−3.6	−3.6	−3.6	−16.4
TOTAL	**−188.1**	**−180.9**	**−42.9**	**−46.2**	**−45.2**	**−41.2**	**−544.5**

(1) For 2023-2024, the appropriations will be drawn from the envelope of the Ministère de l'Éducation. For 2024-2025, the appropriations will be granted to the Ministère de l'Éducation and drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de l'Éducation. The amounts earmarked for 2023-2024 and 2024-2025 will be drawn from the Contingency Fund.

❑ Helping students experiencing difficulties going back into the classroom

As a result of a strike that affected the public education network, educational services were disrupted and some students missed up to five weeks of school at the end of 2023.

To provide students with all the means necessary to foster their success, in January 2024, the government announced a catch-up plan, which will last until the summer period, to enable affected students to catch up on the academic backlog caused by the strike.

The catch-up plan is aimed at implementing actions that will enable all students, particularly those with difficulties, to make up the shortfall resulting from the strike by the end of the school year, and thus contribute to the success of young Quebecers. These initiatives include:

- tutoring outside of school hours;
- specialized help for students with special needs;
- free summer school for students in Secondary IV and V;
- support for organizations and partners working in education;
- catch-up sessions during the spring break.

Accordingly, in Budget 2024-2025, the government is setting aside $301.5 million over two years to help students go back into the classroom.

❑ Consolidating educational activities

Academic success is one of the government's top priorities. It therefore wishes to continue to support the school network and give students access to the tools they need to succeed.

Additional investments will support the pursuit of initiatives aimed at meeting diverse needs. These initiatives will allow for avenues to be created to overcome current challenges in order to provide better access to high-quality educational services.

Thus, in Budget 2024-2025, the government is providing $213.6 million over six years to consolidate educational activities.

❑ Improving the safety of school transportation services

The government wishes to support specialized schools so that they can assign attendants to school vehicles in order to meet the growing safety challenges associated with transporting students with severe disabilities or significant special needs. Their presence will help improve the school transportation services offered to students and ensure the safety and well-being of the students and the bus driver.

In that regard, the government is setting aside an amount of $13.0 million over five years in Budget 2024-2025 to improve the safety of school transportation services.

❑ Continuing the transformation of school governance

In order to address the major challenges associated with the success of Québec students, the government will continue to transform the governance of the school network, with changes mainly focusing on teacher training, school governance and conclusive data management.

The government's funding is aimed at:

— deploying the Institut national d'excellence en éducation;

— implementing new governance practices in school service centres and introducing management and accountability agreements;

— modernizing practices, processes and systems across the education system to ensure timely access to relevant and reliable data.

In Budget 2024-2025, the government has earmarked an amount of $16.4 million over five years to continue the transformation of school governance.

Continuing the transformation of school governance

The government is continuing its transformation of school governance via the *Act to amend mainly the Education Act and to enact the Act respecting the Institut national d'excellence en éducation* (2023, chapter 32), which was assented to on December 7, 2023 (Bill 23).

- This transformation began with the *Act to amend mainly the Education Act with regard to school organization and governance* (Bill 40), which was assented to in February 2020.

Bill 23 contains amendments regarding the governance of school service centres, including:

- relief measures to foster functional decision-making bodies and boost engagement, such as permission to hold remote meetings;
- measures to improve the performance of the school system, consistency and teaching leadership, such as government appointments for school service centre director generals.

The Act also contains amendments aimed at improving the use of educational information based on relevant and reliable data made available in a timely fashion, in particular by:

- implementing a system for filing and communicating information;
- transferring student files from one school organization to another;
- using levers to implement artificial intelligence;
- introducing measures to support the school network, such as assessing students' needs and identifying dropout risk factors.

The Act establishes the Institut national d'excellence en éducation (INEE), whose mission is to promote excellence in educational services by promoting proven teaching practices in the classroom and enhancing continuing education.

Lastly, the Act also introduces other success and performance levers, such as:

- enhancing continuing education for teachers and having continuing education content recognized by the INEE;
- opening remote educational services in exceptional or unforeseen situations;
- creating new pathways for teacher training, in particular, through the recognition of specialized graduate diplomas (30 credits) to issue teaching permits.

2.2 Ensuring the attraction and retention of school staff

The labour shortage has highlighted the challenges facing the education network and the vital role played by school staff, particularly teachers, in students' educational success.

The new working conditions that were recently negotiated are designed to make professions in the education sector more attractive for the benefit of both students and school staff. However, before the anticipated effect is felt, some measures already in place will be extended for an additional school year. As a result, in Budget 2024-2025, the government is continuing its efforts by earmarking $113.6 million, as follows:

— $39.6 million for making part-time positions more attractive;

— $37.0 million for retaining in employment retirees from the education system;

— $37.0 million for supporting and guiding teaching staff.

TABLE B.9

Financial impact of the measures to ensure the attraction and retention of school staff
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Making part-time positions more attractive	−27.7	−11.9	—	—	—	−39.6
Retaining in employment retirees from the education network	−25.9	−11.1	—	—	—	−37.0
Supporting and guiding teaching staff	−25.9	−11.1	—	—	—	−37.0
TOTAL	**−79.5**	**−34.1**	**—**	**—**	**—**	**−113.6**

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

Improvements to working conditions in education

The agreements with the Fédération autonome de l'enseignement (FAE) and unions affiliated with the Fédération des syndicats de l'enseignement – Centrale des syndicats du Québec (FSE-CSQ) span a period of five years. They are designed to ensure greater stability in schools, provide teachers with more support and autonomy, and make their working conditions more appealing.

In terms of wages, teachers will be entitled to a starting annual salary of $65 000. With seniority, their salary could reach $109 000 per year in 2027-2028.

The teacher assignment process will be brought forward to August 8 to reduce uncertainty for teachers, students and parents.

Teachers have been given more flexibility, including:

- five hours of work in the location of their choice per week to carry out tasks of a personal nature, such as preparing for and planning classes, correcting homework and evaluating students;
- the possibility of teleworking on five of the 20 pedagogical days;
- being relieved of recess supervision, so that they can devote more time to student support;
- the opportunity to work overtime (with financial incentives) on a voluntary basis to help colleagues and encourage taking on more groups;
- more flexible hours, particularly during evenings and weekends, for vocational training courses, on a voluntary basis.

The new collective agreements provide for the creation of 5 000 permanent full-time teaching positions and the equivalent of 4 000 classroom assistant positions.

To reduce class sizes, over 14 000 primary school classes—close to half of the network's classes—will therefore benefit from additional help for their students. Childcare educators will be able to serve as classroom assistants, and their schedules will be adjusted to enable them to work full-time. New classes may also be added, depending on the availability of resources.

In high schools, special education technicians (TES) will also be able to serve as classroom assistants. Their schedules may be increased to the equivalent of full-time.

New positions will improve working conditions and attract more people to the profession.

Students in education programs will also be able to work as substitute teachers during their internships, under certain conditions. The new collective agreements will also allow retired teachers to act as mentors.

All of these improvements to working conditions are in addition to the wage increase of 17.4% over five years and other sector enhancements, which will be announced later.

❑ Making part-time positions more attractive

To address the major teaching staff shortage, the government is taking action to improve the retention of teachers, particularly young casual substitute teachers, by offering them more working time.

The measure is intended to increase the work contracts of part-time teachers in the general youth education sector to up to 100%, by adding additional substitute teaching days to these contracts.

— For example, a part-time teacher who receives a 60% teaching assignment could have their contract increased by 40%, making it equivalent to a full-time assignment, to meet the need for substitute teaching in a school or group of schools.

In Budget 2024-2025, the government is setting aside an amount of $39.6 million and plans to continue its efforts to make part-time positions more attractive.

❑ Retaining in employment retirees from the education network

At the same time, as a further measure to address the issue of teacher shortages, the government plans to continue the temporary financial incentives for retired teachers to return to work.

— For example, retired teachers who are called in to work as substitutes would be paid in accordance with the salary scale based on their experience and education rather than the rate applicable for substitute teaching.

In addition, a lump sum could be granted to retired teachers wishing to return to work. Maintaining these measures would make it possible to attract or retain retirees in employment until June 30, 2025.[7]

In Budget 2024-2025, the government would thus extend its incentives to retain in employment retirees from the education network by earmarking an additional $37.0 million.

7 Subject to a future agreement with the unions.

❑ Supporting and guiding teaching staff

Various projects[8] will be implemented by the school network to rapidly reduce the teaching staff shortage, aimed in particular at:

- offering support and training to non-legally qualified and legally qualified teaching staff;
- making mentoring available, involving a partial release from teaching duties.

In Budget 2024-2025, the government is therefore setting aside $37.0 million to support and guide teaching staff.

8 Subject to a future agreement with the unions.

2.3 Supporting partner organizations in education

As part of its program to support partners in education, the government backs various organizations that carry out structuring projects or activities that benefit Québec students.

To continue supporting partner organizations in education, the government is allocating an amount of $60.6 million over five years in Budget 2024-2025, as follows:

- $34.0 million for entrenching support for the Breakfast Club and La Cantine pour tous;
- $10.0 million for continuing to support AgrÉcoles;
- $16.6 million for enhancing support for partner organizations in education.

With these amounts, the planned increase in the envelope for partner organizations in education amounts to 41.7% in 2024-2025 compared to 2023-2024.

TABLE B.10

Financial impact of the measures to support partner organizations in education
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Entrenching support for the Breakfast Club and La Cantine pour tous(1)	−6.8	−6.8	−6.8	−6.8	−6.8	−34.0
Continuing to support AgrÉcoles(2)	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Enhancing support for partner organizations in education(1)	−8.3	−8.3	—	—	—	−16.6
TOTAL	**−17.1**	**−17.1**	**−8.8**	**−8.8**	**−8.8**	**−60.6**

(1) The appropriations will be granted to the Ministère de l’Éducation. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de l’Éducation ($5 million) and to the Ministère de l’Agriculture, des Pêcheries et de l’Alimentation ($5 million). The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

❑ Entrenching support for the Breakfast Club and La Cantine pour tous

Every day, children from food-insecure families come to school without having had breakfast, which inevitably hampers their learning. In addition, current price hikes are exacerbating the economic situation of underprivileged families.

To that end, the government is continuing to take action by providing funding for the Breakfast Club and La Cantine pour tous, two organizations that work to combat food insecurity among students.

— These organizations help feed many children in disadvantaged areas across Québec, with the aim of improving their academic success.

Accordingly, in Budget 2024-2025, the government is setting aside an amount of $34.0 million over five years to continue supporting the Breakfast Club and La Cantine pour tous.

❑ Continuing to support AgrÉcoles

AgrÉcoles assists schools in integrating agri-food into school life so as to foster students' understanding of their environment and the adoption of healthy lifestyle habits.

The government hopes to bring young people and the agri-food sector together by expanding access to the "L'agroalimentaire s'invite à l'école" program offered by AgrÉcoles.

— Students will have the opportunity to learn more about agriculture, food, the environment, community involvement and buying local.

In Budget 2024-2025, the government is therefore setting aside an amount of $10.0 million over five years in order to continue support for AgrÉcoles and increase the number of participating schools.

❑ Enhancing support for partner organizations in education

The government is eager to provide financial assistance to other organizations working in the field of education that are committed to supporting young people in their development.

The financial assistance will continue to support the operation of organizations working in the field of education and enables projects to be carried out that address current issues and specific education-related needs.

To that end, in Budget 2024-2025, the government is setting aside an amount of $16.6 million over two years.

2.4 Accelerating maintenance of the school building inventory

Despite substantial investments in recent years, many schools are aging. It is therefore necessary to increase the amounts earmarked for maintaining the school building inventory.

The government will thus provide additional financial support to school service centres and school boards to carry out maintenance work on their facilities and thus prevent their deterioration.

In Budget 2024-2025, $100.0 million is being provided by 2028-2029 to accelerate maintenance of the school building inventory.

TABLE B.11

Financial impact of the measure to accelerate maintenance of the school building inventory
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Accelerating maintenance of the school building inventory	−15.5	−15.5	−23.0	−23.0	−23.0	−100.0
TOTAL	**−15.5**	**−15.5**	**−23.0**	**−23.0**	**−23.0**	**−100.0**

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

2.5 Improving educational infrastructure

Educational institutions must provide healthy, safe, accessible and suitable environments for the learning and development of students.

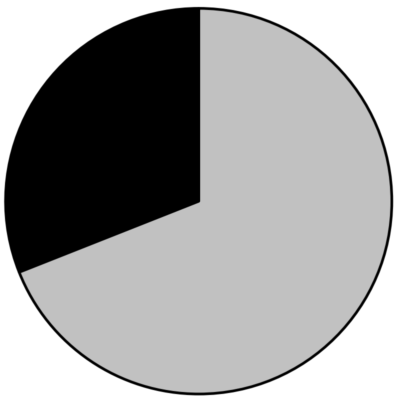
The 2024-2034 Québec Infrastructure Plan provides for investments of $22.7 billion in the education network, which, in particular, will make it possible to continue to repair schools and build new facilities that are necessary for academic success.

— A proportion of 69% of all planned investments will be used to maintain existing infrastructure.

— Investments to improve or build infrastructure account for 31%.

CHART B.2

2024-2034 Québec Infrastructure Plan for education by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

3. PROMOTING SUCCESS IN HIGHER EDUCATION

The graduation rate in higher education is an essential lever for overcoming labour shortages and fostering Québec's socioeconomic development. In recent years, the government has introduced a number of initiatives to foster student access, success and graduation rates in college and university.

In Budget 2024-2025, the government is continuing its efforts to promote success in higher education by earmarking an amount of $420.5 million over five years, as follows:

- $370.0 million for promoting the success and retention of university students;
- $43.0 million for supporting training in priority fields and digital transformation;
- $7.5 million for increasing the number of student housing units and maintaining the building inventory.

These amounts contribute to the growth in the expenditures of the Enseignement supérieur portfolio, which reaches 3.5% in 2024-2025.

- From 2019-2020 to 2023-2024, spending increased by an average of 6.3% per year.[9]

TABLE B.12

Financial impact of the measures to promote success in higher education
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Promoting the success and retention of university students(1)	−25.0	−50.0	−75.0	−110.0	−110.0	−370.0
Supporting training in priority fields and digital transformation	−8.0	−12.5	−7.5	−7.5	−7.5	−43.0
Increasing the number of student housing units and maintaining the building inventory	−1.5	−1.5	−1.5	−1.5	−1.5	−7.5
TOTAL	**−34.5**	**−64.0**	**−84.0**	**−119.0**	**−119.0**	**−420.5**

(1) This amount comes from budgetary reallocations in funding for universities.

9 Average annual growth rate, corresponding to the geometric mean over five years, from 2019-2020 to 2023-2024.

Review of investments in higher education

Higher education is a government priority. Since 2019-2020, the Québec government has invested more than $9.2 billion to improve student access, success and graduation rates in college and university.

Of this amount, nearly $5.0 billion has gone toward providing financial support to higher education institutions with the aim of:

- improving graduation rates and fostering student success;
- enhancing student support services;
- supporting communities and enhancing the innovation and research culture;
- welcoming more international students in French-language programs;
- supporting the transition of information resources to cloud computing.

In addition, more than $4.1 billion has been allocated to direct measures for students, including:

- student financial assistance;
- incentive scholarships in priority sectors facing large labour shortages;
- the elimination of interest on student loans during the pandemic;
- a permanent increase in living expenses.

Amounts invested in higher education since 2019-2020
(billions of dollars)

	Since 2019-2020
Support to higher education institutions	5.0
Direct measures for students	4.1
TOTAL	**9.2**

Note: Totals may not add due to rounding.

New university funding policy

The Minister of Higher Education will unveil Québec's university funding policy in spring 2024. The policy's first milestones will come into effect in the 2024-2025 academic year.

The review of this policy is an opportunity to update university funding to align it with the government's major objectives.

The new policy will take into account the changing context since the 2018 review, such as evolving technologies and labour needs. In particular, it will:

- improve the contribution of universities to the labour supply in sectors of strategic importance to the Québec economy and public services;
- contribute to the vitality of French in Québec, particularly in the field of scientific research;
- strengthen the ability of universities to promote research and innovation from an economic standpoint.

3.1 Promoting the success and retention of university students

The government is supporting universities in order to attract more French-speaking students and to promote their retention in Québec.

— With the measures provided in this budget, universities will be able to, in particular, strengthen the support and services that promote the attraction, success and retention of these future graduates.

In addition, universities will intensify their efforts to develop the French language skills of non-Québec students, in particular, by offering adapted French learning.

As a result, in Budget 2024-2025, the government is setting aside an amount of $370.0 million over five years to promote the success and retention of university students in Québec and thus meet government objectives.

— This amount comes from budgetary reallocations in funding for university facilities.

TABLE B.13

Financial impact of the measure to promote the success and retention of university students
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Promoting the success and retention of university students	−25.0	−50.0	−75.0	−110.0	−110.0	−370.0
TOTAL	**−25.0**	**−50.0**	**−75.0**	**−110.0**	**−110.0**	**−370.0**

3.2 Supporting training in priority fields and digital transformation

To meet the needs of today's labour market, the government is continuing its efforts to improve higher education graduation rates in priority fields, particularly in the energy transition and education sectors.

It is also providing financial support for the digital transformation of college-level educational institutions, enabling them to improve the quality of their training programs and student services.

In Budget 2024-2025, the government is earmarking an amount of $43.0 million over five years to support training in priority fields and the digital transformation of institutions.

TABLE B.14

Financial impact of the measures to support training in priority fields and digital transformation
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Improving graduation rates in the energy transition and other priority fields	−5.0	−9.0	−4.0	−4.0	−4.0	−26.0
Supporting teacher training programs	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Supporting the digital transformation of CEGEPs	−1.0	−1.5	−1.5	−1.5	−1.5	−7.0
TOTAL	**−8.0**	**−12.5**	**−7.5**	**−7.5**	**−7.5**	**−43.0**

Note: The appropriations will be granted to the Ministère de l'Enseignement supérieur. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

❑ Improving graduation rates in the energy transition and other priority fields

Demand for labour in the energy transition sector is rising steadily, particularly with the development of the Vallée de la transition énergétique (VTE) innovation zone and the establishment of Northvolt in Québec.

In response to this challenge, the government aims to increase the number of skilled workers that can quickly start working for businesses in the energy transition sector, particularly in the battery industry. As a result, it is supporting institutions in the development and delivery of training programs tailored to labour needs.

In Budget 2024-2025, the government is earmarking an amount of $26.0 million over five years to increase the number of graduates in the energy transition and other priority fields.

❑ Supporting teacher training programs

Against a backdrop of a significant labour shortage in education, attracting students requires developing new programs of study and updating existing ones, among other things.

To increase the number of qualified teachers in the education system, the government is supporting universities so that they can diversify the pathways into the teaching profession.

In Budget 2024-2025, the government is setting aside an amount of $10.0 million over five years to support teacher training programs.

❑ Supporting the digital transformation of CEGEPs

In recent years, the government has financially supported educational institutions to help them migrate to cloud computing and enhance their digital tools and services.

Building on this momentum, the government is supporting the pooling of services among all colleges in order to help them enhance their cybersecurity measures, introduce digital technology into their learning activities, ensure information security and optimize their teaching activities.

— In particular, these initiatives will enable CEGEPs to quickly respond to attacks or threats of unauthorized data disclosure.

An amount of $7.0 million over five years has been earmarked in Budget 2024-2025 for that purpose.

3.3 Increasing the number of student housing units and maintaining the building inventory

In the tight rental market, the supply of student housing is proving insufficient to meet the specific needs of this clientele.

To increase the supply of affordable student housing through innovative funding models, the government plans to support educational institutions through rental guarantee agreements that they will enter into with rental property owners.

— By enabling institutions to guarantee a minimum occupancy rate, this initiative aims to increase private-sector interest in the construction of student housing.

In addition, the government is increasing the operating envelope for the rental value of private subsidized colleges, which is similar to that for building maintenance in CEGEPs.

— By enabling private subsidized colleges to maintain their building inventory, this initiative is intended to provide college students a safe learning environment and high-quality training facilities that promote student retention and success.

Budget 2024-2025 provides an amount of $7.5 million over five years to increase the number of student-friendly housing units in the short term that are reserved for students and to maintain college building inventory.

TABLE B.15

Financial impact of the measure aimed at increasing the number of student housing units and maintaining the building inventory
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Increasing the number of student housing units and maintaining the building inventory	−1.5	−1.5	−1.5	−1.5	−1.5	−7.5
TOTAL	**−1.5**	**−1.5**	**−1.5**	**−1.5**	**−1.5**	**−7.5**

Note: The appropriations will be granted to the Ministère de l'Enseignement supérieur. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

3.4 Improving higher education infrastructure

Educational institutions must provide healthy, safe, accessible and supportive environments for the learning and development of students.

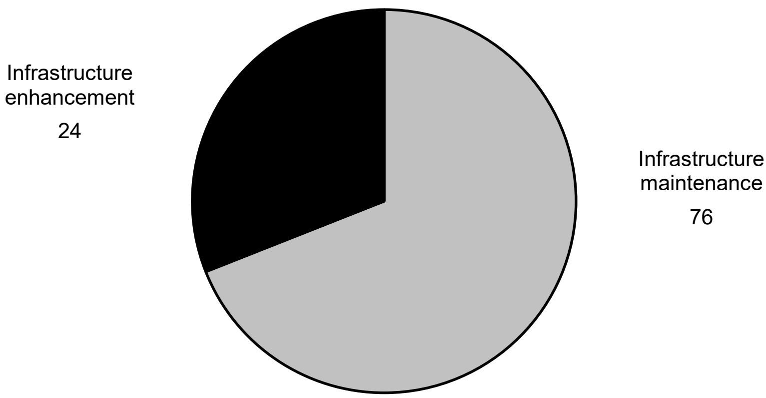
The 2024-2034 Québec Infrastructure Plan provides for investments of over $8.5 billion for the higher education network, which, in particular, will make it possible to continue to repair college and university infrastructure and implement targeted graduation-related measures under Opération main-d’œuvre.

— A proportion of 76% of all planned investments will be used to maintain existing infrastructure in good condition.

— Investments aimed at improving or building infrastructure account for 24%.

CHART B.3

2024-2034 Québec Infrastructure Plan for higher education by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

FINANCIAL IMPACT

TABLE B.16

Financial impact of the measures aimed at funding health and social services, education and higher education
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting a humane and effective organization of health care and social services							
Improving access to care and services and increasing hospital fluidity							
– Accelerating the digital shift in the health care system	—	−180.5	−180.5	−180.5	−180.5	−180.5	−902.5
– Ensuring the continuity and development of alternatives to hospitalization	—	−91.4	−91.4	−91.4	−91.4	−91.4	−457.0
– Adding beds to meet the population’s growing needs	—	−61.3	−61.3	−61.3	−61.3	−61.3	−306.5
– Continuing to deploy the Primary Care Access Point initiative	—	−22.7	−22.7	−22.7	−22.7	−22.7	−113.5
– Enhancing investments in prevention and innovation to better respond to pandemics	—	−4.1	−4.1	−4.1	−4.1	−4.1	−20.5
Subtotal – Improving access to care and services and increasing hospital fluidity	—	−360.0	−360.0	−360.0	−360.0	−360.0	−1 800.0
Ensuring the continuity and quality of care and services for seniors							
– Enhancing home-support services	—	−116.2	−116.2	−116.2	−116.2	−116.2	−581.0
– Strengthening the offering of private seniors’ residences	—	−19.2	−40.2	−62.4	—	—	−121.8
– Supporting the creation of seniors’ homes and alternative homes	—	−50.7	−50.7	−50.7	−50.7	−50.7	−253.5
– Continuing to enter into agreements with residential and long-term care centres	—	−36.4	−36.4	−36.4	−36.4	−36.4	−182.0
Subtotal – Ensuring the continuity and quality of care and services for seniors	—	−222.5	−243.5	−265.7	−203.3	−203.3	−1 138.3

Note: Totals may not add due to rounding.

TABLE B.16

Financial impact of the measures aimed at funding health and social services, education and higher education (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Consolidating social services for youth and vulnerable individuals							
– Meeting the growing needs in youth protection	—	−108.6	−108.6	−108.6	−108.6	−108.6	−543.0
– Consolidating mental health services, general social services, and services related to disabilities, community organizations, Agir tôt and addiction	—	−39.0	−39.0	−39.0	−39.0	−39.0	−195.0
Subtotal – Consolidating social services for youth and vulnerable individuals	—	−147.6	−147.6	−147.6	−147.6	−147.6	−738.0
Subtotal – Supporting a humane and effective organization of health care and social services	**—**	**−730.1**	**−751.1**	**−773.3**	**−710.9**	**−710.9**	**−3 676.3**
Fostering the educational success of young people							
Supporting student success							
– Helping students experiencing difficulties going back into the classroom	−151.0	−150.5	—	—	—	—	−301.5
– Consolidating educational activities	−37.1	−25.0	−37.5	−40.0	−39.0	−35.0	−213.6
– Improving the safety of school transportation services	—	−2.6	−2.6	−2.6	−2.6	−2.6	−13.0
– Continuing the transformation of school governance	—	−2.8	−2.8	−3.6	−3.6	−3.6	−16.4
Subtotal – Supporting student success	−188.1	−180.9	−42.9	−46.2	−45.2	−41.2	−544.5

Note: Totals may not add due to rounding.

TABLE B.16

Financial impact of the measures aimed at funding health and social services, education and higher education (cont.)

(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Ensuring the attraction and retention of school staff							
– Making part-time positions more attractive	—	−27.7	−11.9	—	—	—	−39.6
– Retaining in employment retirees from the education network	—	−25.9	−11.1	—	—	—	−37.0
– Supporting and guiding teaching staff	—	−25.9	−11.1	—	—	—	−37.0
Subtotal – Ensuring the attraction and retention of school staff	—	−79.5	−34.1	—	—	—	−113.6
Supporting partner organizations in education							
– Entrenching support for the Breakfast Club and La Cantine pour tous	—	−6.8	−6.8	−6.8	−6.8	−6.8	−34.0
– Continuing to support AgrÉcoles	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
– Enhancing support for partner organizations in education	—	−8.3	−8.3	—	—	—	−16.6
Subtotal – Supporting partner organizations in education	—	−17.1	−17.1	−8.8	−8.8	−8.8	−60.6
Accelerating maintenance of the school building inventory	—	−15.5	−15.5	−23.0	−23.0	−23.0	−100.0
Subtotal – Fostering the educational success of young people	**−188.1**	**−293.0**	**−109.6**	**−78.0**	**−77.0**	**−73.0**	**−818.7**

Note: Totals may not add due to rounding.

TABLE B.16

Financial impact of the measures aimed at funding health and social services, education and higher education (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Promoting success in higher education							
Promoting the success and retention of university students	—	−25.0	−50.0	−75.0	−110.0	−110.0	−370.0
Supporting training in priority fields and digital transformation							
– Improving graduation rates in the energy transition and other priority fields	—	−5.0	−9.0	−4.0	−4.0	−4.0	−26.0
– Supporting teacher training programs	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
– Supporting the digital transformation of CEGEPs	—	−1.0	−1.5	−1.5	−1.5	−1.5	−7.0
Subtotal – Supporting training in priority fields and digital transformation	—	−8.0	−12.5	−7.5	−7.5	−7.5	−43.0
Increasing the number of student housing units and maintaining the building inventory	—	−1.5	−1.5	−1.5	−1.5	−1.5	−7.5
Subtotal – Promoting success in higher education	**—**	**−34.5**	**−64.0**	**−84.0**	**−119.0**	**−119.0**	**−420.5**
TOTAL	**−188.1**	**−1 057.6**	**−924.7**	**−935.3**	**−906.9**	**−902.9**	**−4 915.5**

Note: Totals may not add due to rounding.

Section C

SUPPORTING QUEBECERS AND COMMUNITIES

SUMMARY

The government is continuing its efforts to address the issues that are a priority for Quebecers and provides the funding needed to improve services and strengthen support for communities.

In this budget, the government is announcing the elimination of the retirement pension reduction for seniors with disabilities aged 65 and over, starting in January 2025.

In addition, an investment of $2 billion over six years is planned to support Quebecers and communities.

The government is supporting seniors with disabilities by announcing that, as of January 2025, these individuals will receive a full retirement pension starting at age 65.

Furthermore, an amount of nearly $1.3 billion over six years will consolidate support for Quebecers, in particular by promoting access to housing, as well as by providing support for families, youth and the most vulnerable individuals.

Over the next five years, the government will also invest $441 million to support communities, $187 million to showcase culture and promote the French language, and $128 million to protect the environment and adapt to climate change.

TABLE C.1

Financial impact of the measures to support Quebecers and communities
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting seniors with disabilities	—	—	—	—	—	—	—
Consolidating support for Quebecers	−129.2	−315.6	−299.7	−239.4	−142.5	−146.5	−1 272.9
Supporting communities	—	−60.0	−105.6	−92.0	−90.3	−92.6	−440.5
Showcasing culture and promoting the French language	—	−41.3	−53.7	−41.8	−28.4	−21.9	−187.1
Protecting the environment and adapting to climate change	—	−20.8	−27.1	−37.6	−20.8	−21.2	−127.5
TOTAL	**−129.2**	**−437.7**	**−486.1**	**−410.8**	**−282.0**	**−282.2**	**−2 028.0**

1. SUPPORTING SENIORS WITH DISABILITIES

In addition to providing basic financial protection at retirement for Québec workers, the Québec Pension Plan (QPP) provides an important safety net for people with disabilities.

Effective January 1, 2024, a person eligible for a disability pension who reaches the age of 60 can apply for their retirement pension, which is reduced based on the number of months the pension is received prior to turning 65.[1] When this person reaches age 65, they stop receiving the disability pension, but they continue to receive a reduced retirement pension for the rest of their life.

The government is aware of how vulnerable these individuals are and of the repercussions they face due to the rising cost of living. Since the plan's financial situation allows it, a significant step can be taken to further support them.

❑ Eliminating the pension reduction starting at age 65

In Budget 2024-2025, the government is announcing that, as of January 1, 2025,[2] it will completely eliminate the retirement pension reduction for seniors with disabilities reaching the age of 65.

— As a result of this enhancement, around 77 000 people aged 65 or over will see an increase in their retirement pension starting in 2025. Moreover, around 23 000 more people currently aged 60 to 64 will benefit from it over the coming years.

This measure represents additional benefits of $135 million per year. At the most recent actuarial valuation of the QPP, the base plan had sufficient financial leeway to fund this enhancement. Accordingly, no increase in contributions will be applied.

— However, considering the impact on the plan's financial leeway, the government does not intend to enhance the QPP further between now and the next public consultation in 2029.

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1 The number of months during which the person was at least 60 years of age but no older than 65 and received a retirement pension.

2 Implementation of this initiative will require legislative amendments.

■ Illustration for a recipient who reaches age 65

A person with a disability may receive a maximum amount of $19 445 per year, including:

— a disability pension of $6 999, which corresponds to the same amount for all recipients with disabilities;

— a maximum retirement pension of $12 445 that is, the pension that would have been paid at age 65, reduced by 0.4% per month in which a pension is received before that age.

As soon as this person reaches age 65, they will receive a retirement pension of up to $16 375, that is, the full pension amount they would have received had they retired at that age.

— This represents an enhancement of up to $3 930 per year, or an increase of approximately 32% in the retirement pension.

TABLE C.2

Maximum pension amount paid to a recipient with a disability
(dollars)

	Current situation		**Starting January 1, 2025**		**Difference**	
	Age 60	**Age 65**	**Age 60**	**Age 65**	**Age 60**	**Age 65**
Disability pension	6 999	—	6 999	—	—	—
Retirement pension	12 445	12 445	12 445	16 375	—	3 930
TOTAL	**19 445**	**12 445**	**19 445**	**16 375**	**—**	**3 930**

Note: Totals may not add due to rounding.
For illustration purposes, the amounts shown are calculated using QPP parameters for 2024 and for a person who applied for their retirement pension at age 60.
The amounts will be indexed on January 1, 2025.

Gains of up to $5 895 per year at term

As a result of this measure and the enhancement already announced in Budget 2021-2022, the maximum annual retirement pension for a person who received a disability pension from age 60 to 64 will rise from $10 480 to $16 375, an increase of $5 895. This is a more than 56% boost in the retirement pension.

TABLE C.3

Illustration of gains for a person with disabilities at age 65 – At term
(dollars)

Retirement pension before Budget 2021-2022	Increases			Total
	Budget 2021-2022	Budget 2024-2025	Subtotal	
5 000	+892	+1 540	+2 432	**7 432**
6 000	+1 079	+1 916	+2 995	**8 995**
7 800(1)	+1 426	+2 656	+4 082	**11 882**
9 000	+1 664	+3 200	+4 863	**13 863**
10 480(2)	+1 965	+3 930	+5 895	**16 375**

Note: Totals may not add due to rounding.
The amounts shown are calculated using QPP parameters for 2024 and for a person who received a disability pension from age 60 to 64. The amounts as at January 1, 2025, are therefore not indexed for 2025.
(1) This is the average retirement pension for people with disabilities.
(2) This is the maximum retirement pension for people who received a disability pension between the ages of 60 and 64.

Enhancement announced in Budget 2021-2022

Before January 1, 2024, the disability pension stopped being paid at age 65 and was converted to a retirement pension. The retirement pension was reduced based on the number of months during which the disability pension was paid from age 60 to 64.

In Budget 2021-2022, the government announced a number of measures to improve conditions for individuals with disabilities. These changes, which represent an amount of $90 million per year, include:

- a decrease from 36% to 24% of the maximum pension reduction for these individuals, representing a gain of up to $1 965 per year;[1]
- the possibility for these people to start getting their retirement pension at age 60, or to postpone it to age 65 without reduction;
- an increase in employment income beyond which people are no longer eligible for a disability pension;
- a reduction in the minimum number of years of contribution for disability pension eligibility purposes, from four to three years out of the last six.

With the elimination of the retirement pension reduction from age 65 announced in Budget 2024-2025, over $225 million per year will be paid to seniors with disabilities.

1 This retirement pension enhancement was granted as of January 1, 2022, to all retirees who received a disability pension from age 60 to 64.

❑ Protecting the benefits of recipients

Pensions are indexed annually to maintain the purchasing power of QPP recipients.

— The new disability and retirement pensions are set according to wage growth, while pensions already being paid are indexed to price trends.

However, exceptionally, as prices have risen faster than wages over the past years, some recipients of a disability pension may experience a slight reduction when their disability pension is converted to a retirement pension.

In this context, the government is announcing that it will protect the benefits of recipients of a disability pension from age 60 to 64 to ensure that their benefits are at least as high as what they were prior to the payment of their retirement pension.[3]

This protection will apply retroactively to January 1, 2024.

■ Illustration for a recipient who reaches age 60

For example, a recipient of the maximum disability pension, aged 59, received $1 600.35 in February 2024. Upon turning 60 in March 2024, their disability pension is converted to a retirement pension.

— However, because the recipient's disability pension had been indexed at a higher rate in recent years, this individual would see their benefits decrease by nearly $3 per month.

With the protection put in place, the recipient's disability pension will be increased so that they keep at least the same benefit amount as the one they had before turning 60.

TABLE C.4

Monthly benefits for a person with a disability
(dollars)

		Current situation		Enhancement in Budget 2024-2025	
	February 2024	**March 2024**	**Difference**	**March 2024**	**Difference**
Retirement pension(1)	—	1 014.28	1 014.28	1 014.28	1 014.28
Disability pension					
– Uniform portion	583.29	583.29	—	586.07	2.78
– Variable portion	1 017.06	—	−1 017.06	—	−1 017.06
Subtotal	**1 600.35**	**583.29**	**−1 017.06**	**586.07**	**−1 014.28**
TOTAL	**1 600.35**	**1 597.57**	**−2.78**	**1 600.35**	**—**

Note: The illustrated case is that of a recipient of a disability pension since 2020 who applies for a retirement pension at age 60 on March 1, 2024.
(1) This is the maximum monthly retirement pension in 2024 for new retirees who are 60 years of age.

3 Implementation of this initiative will require legislative amendments.

A plan with sufficient leeway

In 1998, the government carried out a major reform of the Québec Pension Plan (QPP), at a time when the plan was experiencing financial difficulty. A number of adjustments have since been made to bring the plan back into balance and ensure that future generations will be able to continue receiving their pensions.

The QPP is now in a favourable financial position. This allows the government to announce an increase in benefits for people with disabilities in the current budget.

According to the latest actuarial valuation submitted in 2023, the plan has a leeway of nearly $160 million. This amount represents the difference between the current contribution rate and the plan's steady-state contribution rate of 0.10 percentage points.

Taking into account the increase announced in Budget 2024-2025, the plan's leeway will be 0.02 percentage points. This leeway will help mitigate the impact of financial market volatility and other unforeseen events.

Financial leeway for the QPP base plan
(percentage points)

	Contribution rates
Current contribution rate	10.80
Steady-state contribution rate based on 2021 actuarial valuation	−10.54
– Enhancement announced in Budget 2023-2024(1)	−0.07
– Update of reserve and indexing rates(2)	−0.09
Subtotal	**0.10**
Increases announced in Budget 2024-2025(3)	−0.08
LEEWAY(3)	**0.02**

(1) According to the actuarial report modifying the actuarial valuation of the Québec Pension Plan as at December 31, 2021 (French only), released in October 2023.
(2) Taking into account the partial review of the plan's financial condition that was presented in the last actuarial valuation.
(3) The official financial impact will be presented in a special actuarial valuation to be released in the coming months.

2. CONSOLIDATING SUPPORT FOR QUEBECERS

In recent years, the government has taken action on multiple fronts to help households cope with the difficult economic situation. Measures announced since 2022 represent over $30 billion in financial support.[4] They have not only provided one-time assistance to Quebecers, but also increased the disposable income of households on a sustainable basis.

In Budget 2024-2025, an additional amount of nearly $1.3 billion will be granted to consolidate support for Quebecers, including:

- $482.5 million over four years for promoting access to housing;
- $269.5 million over six years for supporting youth and families;
- $483.0 million over five years for helping the most vulnerable and promoting social inclusion;
- $37.9 million in 2023-2024 for extending the eligibility period for the one-time cost of living support payment.

TABLE C.5

Financial impact of the measures to consolidate support for Quebecers
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Promoting access to housing	−56.3	−196.7	−134.3	−95.2	—	—	−482.5
Supporting youth and families	−35.0	−40.0	−64.7	−46.2	−41.1	−42.5	−269.5
Helping the most vulnerable and promoting social inclusion	—	−78.9	−100.7	−98.0	−101.4	−104.0	−483.0
Extending the eligibility period for the one-time cost of living support payment	−37.9	—	—	—	—	—	−37.9
TOTAL	**−129.2**	**−315.6**	**−299.7**	**−239.4**	**−142.5**	**−146.5**	**−1 272.9**

[4] For more details, see subsection 2.5 “More than $30 billion in financial support since 2022.”

2.1 Promoting access to housing

Housing is a major expense for households, since they often have to devote a large proportion of their income toward it. Moreover, the current scarcity of housing is creating upward pressure on housing costs. The Québec government has made significant efforts in recent years to improve the housing situation.

To promote access to housing, Budget 2024-2025 provides a total investment of $482.5 million, as follows:

- $200.8 million over three years for continuing the assistance offered by the Shelter Allowance Program;
- $219.4 million over four years for maintaining the social housing stock;
- $62.3 million over three years for adapting and promoting the housing market.

This amount is in addition to the considerable investment of $1.8 billion, announced in fall 2023, to build 8 000 social and affordable housing units.

TABLE C.6

Financial impact of the measures to improve access to housing
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Continuing the assistance offered by the Shelter Allowance Program	—	−60.3	−74.9	−65.6	—	—	−200.8
Maintaining the social housing stock	−56.3	−85.5	−48.5	−29.1	—	—	−219.4
Adapting and promoting the housing market	—	−50.9	−10.9	−0.5	—	—	−62.3
TOTAL	**−56.3**	**−196.7**	**−134.3**	**−95.2**	**—**	**—**	**−482.5**

Notes: The amounts earmarked for 2023-2024 and 2024-2025 will be drawn from the Contingency Fund.
The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

Nearly $6.3 billion invested since fall 2018

The investments in Budget 2024-2025 will enhance those already announced in housing since fall 2018, bringing the total to nearly $6.3 billion by 2028-2029.

- Of this total, nearly $4 billion has been announced for housing construction, including $2.3 billion in the last year alone.
- In addition, nearly $1 billion will be earmarked for helping lower-income households pay their rent, through the Shelter Allowance Program and the Rent Supplement Program.[1]

Investments that will contribute to the construction of more than 23 000 housing units

Taking into account units completed in 2023-2024, investments under previous budgets and economic updates will contribute to the construction of more than 23 000 new housing units throughout Québec by 2028-2029.

Number of units and amounts earmarked to build housing

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Projected number of units(1)	2 803	4 757	7 513	4 626	3 111	567	23 377
Planned investments ($million)(2)	373.6	240.3	1 084.2	658.5	233.6	59.2	2 649.4

(1) The number of projected units also includes units from the AccèsLogis program, for which funding was announced prior to 2018.
(2) The investments indicated take into account the housing construction announcements made since fall 2018.

Winning conditions for increasing the housing supply

Over the past few years, the government has taken significant action to encourage the construction of housing.

In addition to the considerable amounts earmarked for the development of social and affordable housing, legislative amendments have given municipalities new powers and greater flexibility, particularly with respect to zoning by-laws and administrative steps to get projects started.

When interest rates fall, housing starts will enjoy a boost. Therefore, in 2024, they should return to a level comparable to their average over the 10 years preceding the pandemic.[2] However, to meet the significant housing needs, the government will continue to facilitate and accelerate housing construction in municipalities.

1 In 2024-2025, these two programs will provide housing assistance to approximately 172 000 households.
2 For more details, see page F.16.

A $1.8 billion investment announced last fall to build 8 000 new housing units

In fall 2023, the Québec government announced a significant $1.8 billion investment over six years for housing construction.

This investment will result in the construction of 8 000 new social and affordable housing units, including 500 housing units for people who are experiencing or at risk of homelessness.

Financial impact of the measures to build social and affordable housing announced in fall 2023
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Building 7 500 new units as part of the PHAQ(1) and the partnership with tax-advantaged funds(2)	−210.0	—	−768.5	−393.1	−155.2	−48.0	−1 574.8
Building 500 housing units for homeless people	—	—	−66.7	−100.0	−47.8	−10.7	−225.2
TOTAL	**−210.0**	**—**	**−835.2**	**−493.1**	**−203.0**	**−58.7**	**−1 800.0**

Note: In addition to these amounts, there are investments planned under previous budgets, including $240 million in 2024-2025. For more details, see the box on page C.13, “Nearly $6.3 billion invested since fall 2018.”
(1) The Québec affordable housing program.
(2) The amounts provided for 2024-2025 have been moved up to 2023-2024 in order to start building units more quickly.

On November 8, 2023, a joint effort by the Québec and federal governments resulted in an agreement enabling Québec to obtain $900 million from the Housing Accelerator Fund.

This fund, whose creation was announced in the 2022 federal budget, has a Canada-wide envelope of $4 billion over four years starting in 2023-2024 and seeks to encourage initiatives that increase the housing supply.

This agreement enables the government to continue investing in the housing sector, implement measures to accelerate housing construction and help lower-income households find housing, in particular by:

- facilitating access to affordable, quality housing;
- increasing and maintaining the social and affordable housing stock;
- helping lower-income Quebecers pay their rent, as well as assisting municipalities that provide services to households awaiting a residence;
- improving housing for Quebecers through various programs.

❑ Continuing the assistance offered by the Shelter Allowance Program

The Shelter Allowance Program provides financial assistance to low-income households that spend too much of their income on housing.[5]

Since 2022, the maximum assistance under the program has depended on the portion of household income spent on housing costs,[6] that is:

— $100 per month if 30% to 50% of their income is spent on housing;

— $150 per month if 50% to 80% of their income is spent on housing;

— $170 per month if 80% or more of their income is spent on housing.

When this increase was announced, it was planned that the first level of assistance, corresponding to $100, would be granted on a temporary basis, until September 30, 2024. In the current context, however, where housing costs have risen sharply, the government has decided to maintain this financial assistance.

In Budget 2024-2025, the government is therefore announcing a total investment of $200.8 million over three years to continue the assistance offered by the Shelter Allowance Program until September 30, 2027.

— This initiative ensures that the financial support of $100 per month is maintained for over 66 000 households that spend between 30% and 50% of their income on housing.

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5 The program is aimed at low-income households, renters or owners with at least one dependent child or one person aged 50 or older.

6 The assistance offered is reduced based on certain income thresholds set out under the program. For more details on income thresholds, depending on the type of household and the level of assistance, see http://www.revenuquebec.ca/en/.

Nearly $547 million invested to modernize the Shelter Allowance Program

Since fall 2021, the government has announced a series of measures to increase the assistance provided to low-income households having difficulty finding housing that they can afford. In all, nearly $547 million will have been invested over eight years to significantly modernize the Shelter Allowance Program.

- In fall 2021, a $228 million investment was announced in particular to increase the maximum assistance available under the program from $80 to $100 per month per household.
- In fall 2022, an additional investment of $50 million provided extra assistance to households spending a greater portion of their income on housing. Since this increase, the amount paid—$100, $150 or $170 per month—is determined by the proportion of income spent on housing.
- In fall 2023, the government announced an additional $68 million to raise income eligibility thresholds. Assistance is now reduced gradually according to income, making more households eligible.[1]
- In this budget, the government is announcing $201 million to continue the program until 2027. In particular, this amount will maintain the first level of assistance of $100 per month for households spending between 30% and 50% of their income on housing.

In addition to substantially increasing the assistance offered, the modernization measures for the Shelter Allowance Program[2] will have made the program even more accessible, increasing the number of households assisted to nearly 150 000 in 2023-2024, up from around 62 200 in 2021-2022.

1 For example, a single person aged 50 or older who spends between 30% and 50% of their income on housing was previously ineligible for the program if their income was just over $21 500. They can now receive assistance, in decreasing amounts up to a maximum income of $22 700.

2 In addition to the above-mentioned changes, the application process has been redesigned and simplified. More specifically, applications can now be submitted online.

❑ Maintaining the social housing stock

In addition to providing assistance to households in need of housing, it is important to preserve and renovate the current social housing stock.

In Budget 2024-2025, the government is providing $219.4 million with the aim of maintaining and operating existing housing units, including:

— $153.3 million over four years for funding low-rental housing stock renovations;

— $66.1 million in 2024-2025 for supporting the operation of low-rental housing.

TABLE C.7

Financial impact of the measures to maintain the social housing stock
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Funding low-rental housing stock renovations(1),(2)	−56.3	−19.4	−48.5	−29.1	—	—	−153.3
Supporting the operation of low-rental housing	—	−66.1	—	—	—	—	−66.1
TOTAL	**−56.3**	**−85.5**	**−48.5**	**−29.1**	**—**	**—**	**−219.4**

(1) These investments will be enhanced by a federal contribution under the Canada-Québec Housing Agreement.
(2) Of these amounts, investments of $97 million are provided for in the 2024-2034 Québec Infrastructure Plan.

Major investments for renovating low-rental housing stock

To improve the general condition of buildings and the quality of life of their occupants, the government has invested significant amounts in recent years to renovate low-rental housing stock, comprising more than 74 000 units.

From 2018-2019 to 2024-2025, the government has invested nearly $2.4 billion in low-rental housing stock through the renovation, improvement and modernization envelope, part of which is funded by the federal government. Of this amount, $384.6 million[1] is earmarked for 2024-2025.

In addition, the Canada-Québec Housing Agreement provides $2.2 billion in joint investments that can be allocated to the renovation of low-rental housing from 2019-2020 to 2027-2028. As part of this agreement, Budget 2024-2025 includes $153.3 million to renovate low-rental housing stock. With the matching contribution from the federal government, a total of $306.6 million will be earmarked for this purpose.

These investments ensure that low-income households live in an even healthier and safer environment.

1 Information as at February 29, 2024.

Funding low-rental housing stock renovations

The low-rental housing stock is aging and requires major renovations for its preservation.

To speed up this work, the government is allocating $153.3 million over the next four years.

With this investment, the federal government will provide an equivalent amount under the Canada-Québec Housing Agreement.

Supporting the operation of low-rental housing

The costs to operate low-rental housing are subject to agreements between the two orders of government. These agreements have gradually been expiring since 2018.

To adequately cover the operating costs of low-rental housing and prevent an increase in housing costs for many households, the government is earmarking $66.1 million in 2024-2025.

— These amounts will also help maintain the supply of social housing on the territory of Nunavik.

❑ Adapting and promoting the housing market

A number of programs and services are in place to ensure that Québec households have access to housing that meets their needs or to provide targeted assistance to those awaiting a residence. Budget 2024-2025 is setting aside an additional $62.3 million aimed at providing funding for this purpose. This amount includes:

— $37.9 million over three years for funding the Residential Adaptation Assistance Program, which helps homeowners cover the cost of adaptations needed to make their dwelling barrier-free for persons with disabilities;

— $16.6 million in 2024-2025 for continuing and enhancing the home ownership program in the Nunavik region, which helps build and renovate housing in the North;

— $7.8 million in 2024-2025 for ensuring that municipalities and housing offices can continue to meet the urgent needs of households still awaiting a residence as July 1 approaches, in particular by reimbursing certain costs for storing or transporting their belongings.

TABLE C.8

Financial impact of the measures to adapt and promote the housing market
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Funding the Residential Adaptation Assistance Program	−26.5	−10.9	−0.5	—	—	−37.9
Continuing and enhancing the home ownership program in the Nunavik region	−16.6	—	—	—	—	−16.6
Helping municipalities and housing offices for July 1	−7.8	—	—	—	—	−7.8
TOTAL	**−50.9**	**−10.9**	**−0.5**	**—**	**—**	**−62.3**

2.2 Supporting youth and families

The government wishes to provide better support for youth and families so that young people have optimal conditions for their development.

In this regard, it is taking concrete measures to give more families access to subsidized childcare, while ensuring adequate funding for childcare services.

In Budget 2024-2025, the government is therefore setting aside $269.5 million to support youth and families, as follows:

- $106.8 million over five years for supporting youth, in particular by funding the 2024-2029 youth action plan;
- $68.6 million over five years for converting 1 000 non-subsidized childcare spaces into subsidized spaces;
- $89.7 million over six years for ensuring adequate funding for childcare services;
- $4.4 million over five years for modifying the eligibility criteria for the supplements for handicapped children under the refundable tax credit granting an allowance to families.

TABLE C.9

Financial impact of the measures to support youth and families
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting youth	—	−26.6	−23.8	−22.4	−17.0	−17.0	−106.8
Converting 1 000 non-subsidized childcare spaces(1)	—	−3.9	−15.7	−16.0	−16.3	−16.7	−68.6
Ensuring adequate funding for childcare services(1)	−35.0	−9.1	−24.5	−6.9	−6.7	−7.5	−89.7
Modifying the eligibility criteria for the supplements for handicapped children	—	−0.4	−0.7	−0.9	−1.1	−1.3	−4.4
TOTAL	**−35.0**	**−40.0**	**−64.7**	**−46.2**	**−41.1**	**−42.5**	**−269.5**

(1) The appropriations will be granted to the Ministère de la Famille. The amounts for 2023-2024 and 2024-2025 will be drawn from the Contingency Fund.

❑ Supporting youth

In Budget 2024-2025, the government wishes to pursue the efforts made in recent years to support youth in their journey to self-sufficiency, in particular from a social and employability standpoint.

To this end, the government is announcing $106.8 million, as follows:

— $84.9 million over five years to fund the 2024-2029 youth action plan, which will promote youth's overall development;

— $21.9 million over three years to ensure stable funding for youth employment centres, aimed at meeting the personal and professional needs and aspirations of youth aged 16 to 35.

The major policy directions of the 2024-2029 youth action plan will be announced by the Minister of Culture and Communications and Minister Responsible for Youth.

TABLE C.10

Financial impact of the measures to support youth
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Ensuring funding for the 2024-2029 youth action plan(1)	−16.9	−17.0	−17.0	−17.0	−17.0	−84.9
Maintaining funding for youth employment centres(2)	−9.7	−6.8	−5.4	—	—	−21.9
TOTAL	**−26.6**	**−23.8**	**−22.4**	**−17.0**	**−17.0**	**−106.8**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de la Culture et des Communications.
(2) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale.

❑ Converting 1 000 non-subsidized childcare spaces

To ensure greater financial equity between families, the government has committed to gradually converting non-subsidized spaces in the network into subsidized spaces.

In order to pursue these efforts, the government is providing recurring funding for the conversion of 1 000 spaces in 2024-2025, which represents $68.6 million for the first five years.

— These 1 000 spaces are in addition to the 8 603 spaces that have already been converted or will soon be converted.[7]

With this measure, a greater number of families will be able to benefit from a reduced contribution childcare rate of $9.10 per day.

Action plan for completing the educational childcare services network
On October 21, 2021, the government released its action plan for completing the educational childcare services network, which detailed concrete actions aimed at completing and modernizing the educational childcare services network. The plan provides for investments totalling $5.9 billion for the period from 2021-2022 to 2025-2026, in particular for the creation of 37 000 subsidized childcare spaces over the next few years. – As at January 31, 2024, 15 366 facility-based spaces had been created and 21 678 facility-based spaces were in the process of being created. – In addition, 6 190 home-based spaces had been created. Furthermore, a new childcare services access point will be launched in 2024, which will improve families' access to the educational childcare services network. On January 31, 2024, there were 300 924 spaces in the network, 78.6% of them subsidized.

7 As at February 23, 2024, 6 148 spaces had been converted.

❑ Ensuring adequate funding for childcare services

While ensuring its growth, Québec's educational childcare services network must also grapple with a number of challenges to maintain a high level of quality, particularly for children with special needs.

Meanwhile, the needs of Québec families are constantly changing. The government must adapt to meet families' needs for childcare spaces for people on non-standard work schedules and must support families in precarious situations.

In this context, the government is taking concrete action aimed at ensuring adequate funding for childcare services, announcing $89.7 million, as follows:

- $53.0 million over three years for adequately funding educational childcare services considering their rising costs to maintain quality environments;
- $30.9 million over five years for providing disabled children with the support resources they need;
- $4.9 million over three years for enhancing the offer of childcare spaces for people with non-standard work schedules by renewing support for educational childcare services and organizations that provide drop-in daycare services;
- $0.9 million in 2024-2025 for better meeting families' needs through the program to support partners for access to educational childcare services, supporting the organization Accueils Au cœur de l'enfance and offering training to educational childcare staff, particularly with regard to children with special needs.

TABLE C.11

Financial impact of the measures to ensure adequate funding for childcare services
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Adequately funding educational childcare services	−35.0	—	−18.0	—	—	—	−53.0
Consolidating support to integrate disabled children with major needs	—	−5.3	−5.5	−5.9	−6.7	−7.5	−30.9
Enhancing the offer of childcare spaces for people with non-standard work schedules	—	−2.9	−1.0	−1.0	—	—	−4.9
Better meeting families' needs	—	−0.9	—	—	—	—	−0.9
TOTAL	**−35.0**	**−9.1**	**−24.5**	**−6.9**	**−6.7**	**−7.5**	**−89.7**

Increasing support for family community organizations

In Budget 2023-2024, the government set aside $6.0 million for the period from 2026-2027 to 2027-2028 to increase support for family community organizations. This is in addition to the $103.3 million announced in Budget 2022-2023.

Considering these investments, family community organizations have made notable gains since 2019. The average grant per organization, which was $98 000 in 2019-2020, has now risen to around $170 000 annually. It will gradually be increased over the next few years to an average of $200 000 by 2027-2028.

❑ Modifying eligibility criteria for the supplements for handicapped children

To better meet the needs of families with disabled children, the government will be modifying the eligibility criteria for the supplements for handicapped children under the Family Allowance.

This budget is setting aside $4.4 million over five years for the purpose of:

— simplifying and updating the eligibility and assessment criteria for the Supplement for Handicapped Children to ensure they are more readily understandable for parents and reflect the medical advancements made in recent years;

— modifying the eligibility criteria for the Supplement for Handicapped Children Requiring Exceptional Care so that certain severely disabled children under age 2 who are currently ineligible can benefit from it.

These modifications will apply as of July 1, 2024.[8] Details are provided in *Additional Information 2024-2025*.

Recent enhancements for severely disabled children
Greater recognition of families of severely disabled children In 2024, the Supplement for Handicapped Children Requiring Exceptional Care provides up to $13 896 in annual financial support to families with a child who has a serious illness or severe disabilities. In order to offer this supplement to families who were not eligible for it, but whose child was severely disabled, the government announced in 2019 the addition of a second more flexible and less restrictive level of assistance to the program. This second level is $9 240 in 2024, benefiting some 2 600 children. Including those receiving the first level of assistance, some 5 600 children benefit from assistance. In addition, the Québec Pension Plan was amended in 2020 to protect these families' retirement pensions. Thus, when calculating the pension, a parent is not penalized for the years without income during which they left the workforce to care for a severely disabled child under the age of 18. **Accelerating children's eligibility for the Basic Income Program** The Basic Income Program offers a benefit of $19 524 in 2024 to single people who have been receiving benefits under the Social Solidarity Program for at least 66 months over the previous 72 months. To allow severely disabled children to receive these more generous benefits earlier, the government announced in Budget 2020-2021 that the calculation of the length of time a person has been a recipient of the Social Solidarity Program would include the length of time the child was eligible for the Supplement for Handicapped Children Requiring Exceptional Care.

8 For the Supplement for Handicapped Children Requiring Exceptional Care, payments related to the modifications will begin in late fall 2024, retroactive to July 1, 2024.

2.3 Helping the most vulnerable and promoting social inclusion

In order to move toward a more inclusive society, the government announces in Budget 2024-2025 an additional $483.0 million investment over five years to help the most vulnerable and promote social integration:

— $119.4 million for implementing targeted actions with local partners;

— $46.0 million for supporting food aid;

— $285.6 million for ensuring the continuity of transportation services for people with reduced mobility;

— $10.0 million for introducing an employment income supplement for social assistance and social solidarity program recipients;

— $22.0 million for funding projects aimed at promoting employment integration for people who are further removed from the labour market.

Taking into consideration the measures presented in other sections of this budget, an investment of $784 million is provided over five years for measures that will strengthen the fight against poverty or promote social and professional inclusion.

TABLE C.12

Financial impact of the measures to help the most vulnerable and promote social inclusion
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Implementing targeted actions with local partners	−31.2	−19.2	−23.8	−23.8	−21.4	−119.4
Supporting food aid	−30.0	−11.5	−1.5	−1.5	−1.5	−46.0
Ensuring the continuity of transportation services for people with reduced mobility(1)	−9.7	−62.0	−66.6	−71.2	−76.1	−285.6
Introducing an employment income supplement for social assistance and social solidarity recipients(2)	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Promoting employment integration for people who are further removed from the labour market(2)	−6.0	−6.0	−4.1	−2.9	−3.0	−22.0
TOTAL	**−78.9**	**−100.7**	**−98.0**	**−101.4**	**−104.0**	**−483.0**

(1) The appropriations will be granted to the Ministère des Transports et de la Mobilité durable. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de l’Emploi et de la Solidarité sociale. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

A $784.4-million investment to reduce poverty and promote social inclusion

As part of Budget 2024-2025, the government wishes to pursue its efforts to further reduce socioeconomic gaps and promote a more inclusive society.

With the amounts already accounted for in other sections of this budget, the additional investment over five years to further support vulnerable individuals and promote their social integration is $784.4 million.

In addition to helping the most vulnerable, these investments will have a positive impact on economic growth.

Investments to fight poverty and promote social inclusion
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Ensuring the continuity of transportation services for people with reduced mobility	−9.7	−62.0	−66.6	−71.2	−76.1	−285.6
Continuing to support the Shelter Allowance Program	−60.3	−74.9	−65.6	—	—	−200.8
Funding actions in communities	−39.5	−27.5	−23.8	−23.8	−21.4	−136.0
Promoting social and professional inclusion	−18.0	−18.0	−16.1	−14.9	−15.0	−82.0
Supporting food aid	−36.8	−18.3	−8.3	−8.3	−8.3	−80.0
TOTAL	**−164.3**	**−200.7**	**−180.4**	**−118.2**	**−120.8**	**−784.4**

❑ Implementing targeted actions with local partners

The fight against poverty requires the mobilization of a number of stakeholders. Adopting a collaborative approach involving community stakeholders, government bodies and community partners is therefore important.

Budget 2024-2025 includes $119.4 million to implement and pursue targeted actions with local partners:

— $89.8 million over five years for maintaining financial support for Solidarity Alliances, which are crucial strategic partners in consolidating Québec's social fabric and supporting local and community initiatives;

— $14.0 million over five years for implementing promising initiatives to fight poverty;

— $12.0 million in 2024-2025 for continuing the volunteer support program, which aims to increase volunteer engagement in communities through targeted grants;

— $3.6 million over two years for supporting the continuity of culturally reassuring services for Indigenous people who are homeless, by supporting work done on Resilience Montreal's premises so that the organization can continue its activities and increase its intake and intervention capacity.

TABLE C.13

Financial impact of the measures to implement targeted actions with local partners
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Maintaining financial support for Solidarity Alliances(1)	−14.6	−14.6	−21.0	−21.0	−18.6	−89.8
Implementing promising initiatives to fight poverty(1)	−2.8	−2.8	−2.8	−2.8	−2.8	−14.0
Continuing the volunteer support program(1)	−12.0	—	—	—	—	−12.0
Supporting the continuity of services for Indigenous people who are homeless(2)	−1.8	−1.8	—	—	—	−3.6
TOTAL	**−31.2**	**−19.2**	**−23.8**	**−23.8**	**−21.4**	**−119.4**

(1) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère du Conseil exécutif. Investments of $3.6 million are provided for in the 2024-2034 Québec Infrastructure Plan.

❑ Supporting food aid

Food aid organizations provide important last-resort assistance to ensure food security for vulnerable individuals and families, in addition to promoting youth educational development.

These organizations are experiencing increased demand for food aid due, in particular, to the rise in the cost of food and economic hardships. This context not only affects households' ability to purchase food, but also that of food aid organizations, which can limit the number of individuals they are able to support.

In Budget 2024-2025, the government is setting aside an additional $80.0 million over five years for the purpose of supporting food aid. Excluding the measures presented elsewhere in the budget,[9] the financial impact of supporting food aid amounts to $46.0 million, as follows:

— $40.0 million over two years for providing financial support to the Food Banks of Québec, so it can supply food to its network of nearly 1 300 organizations;

— $6.0 million over four years for recovering surplus food to feed those in need and improving the culinary skills of youth aged 12 to 17.

TABLE C.14

Financial impact of the measures to support food aid
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Providing financial support to the Food Banks of Québec(1)	−30.0	−10.0	—	—	—	−40.0
Recovering surplus food and improving youth's culinary skills(2)	—	−1.5	−1.5	−1.5	−1.5	−6.0
TOTAL	**−30.0**	**−11.5**	**−1.5**	**−1.5**	**−1.5**	**−46.0**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale.
(2) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

9 This total includes $34 million over five years for the measure to continue supporting the Breakfast Club of Canada and La Cantine pour tous, presented in Section B, "Funding Health Services, Education and Higher Education."

Nearly $149 million announced since fall 2022 to promote food security

The government has stepped up its efforts to meet the growing needs of food aid organizations.

In fall 2023, it announced, in particular, that it would extend $28.8 million to five organizations providing food aid:

- $20.8 million in the fall 2023 update;
- $8.0 million in emergency aid in December 2023, in the run-up to the holiday season.

Taking into consideration the amounts invested previously and those included in this budget, $148.8 million has been announced since fall 2022 to promote food security.

The investments planned in Budget 2024-2025 represent more than half of the amounts announced for food aid since fall 2022. They will enable organizations to better meet the population's growing needs.

Food aid announcements since fall 2022
(millions of dollars)

	Total
Emergency assistance – Fall 2022	6.0
Budget 2023-2024	30.0
Emergency assistance – Summer 2023	4.0
2023 update	20.8
Emergency assistance – Fall 2023	8.0
Budget 2024-2025	
– Food Banks of Québec	40.0
– La Tablée des Chefs	6.0
– Breakfast Club of Canada(1)	25.0
– La Cantine pour tous(1)	9.0
Subtotal	**80.0**
TOTAL	**148.8**

Note: These amounts include only emergency assistance and the amounts provided for in budget publications at the time of each announcement.
(1) This measure is presented in Section B, "Funding Health Services, Education and Higher Education."

❑ Ensuring the continuity of transportation services for people with reduced mobility

Paratransit services are essential to ensuring that people with reduced mobility remain independent, and they also help promote their active participation in the community by giving them access to their workplace, various services and their activities.

That is why the government is renewing its support for paratransit services and increasing funding to ensure that these services remain available.

An amount of $285.6 million over five years has been earmarked in Budget 2024-2025 for that purpose. This investment is in addition to those already planned, bringing paratransit assistance to over $780 million over five years.

❑ Introducing an employment income supplement for social assistance and social solidarity recipients

In Budget 2024-2025, the government is providing $10 million over five years to introduce a 10% employment income supplement for social assistance and social solidarity program recipients.[10]

This supplement, which will come into effect in 2024, will enable them to keep a higher amount of earned income, thereby strengthening their financial security.

— For example, a single person working two days a week at minimum wage will receive an $870 benefit increase over a full year.[11]

This measure will also help increase the incentive to work for recipients of the Social Assistance and Social Solidarity programs in the current labour shortage context.

10 The employment income supplement will correspond to 10% of net employment income in excess of the employment income allowed for benefit calculation purposes, i.e. $200 per month for a single person and $300 per month for a couple.

11 This example is based on the current minimum wage of $15.25 per hour and a 14-hour work week.

❑ Promoting employment integration for people who are further removed from the labour market

Employment integration measures can, in particular, help people who are further removed from the labour market to develop social and professional skills, which will then facilitate their sustainable integration into the workforce. Moreover, not only does their participation in the labour market improve their living conditions by providing them with higher, more stable disposable income, but it also helps alleviate labour shortages.

In Budget 2024-2025, the government is setting aside $22 million over five years to promote employment integration for people who are further removed from the labour market, as follows:

— $17.4 million for implementing actions to promote employment integration for First Nations and Inuit people, as well as certain groups of people who are further removed from the labour market;

— $4.6 million for supporting Solidarity Gardens, which offer, in particular, pre-employability programs, giving participants the opportunity to develop social and professional skills while initiating them to agriculture.

TABLE C.15

Financial impact of the measures to promote employment integration for people who are further removed from the labour market
(millions of dollars)

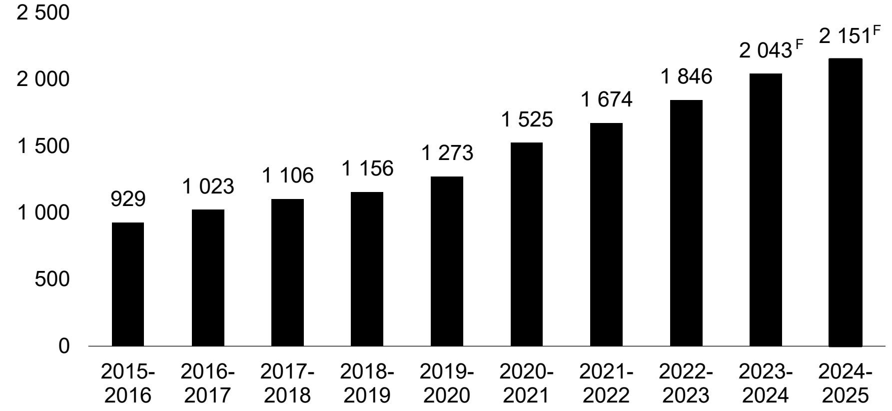
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Implementing actions to promote employment integration	−5.0	−5.0	−3.1	−2.1	−2.2	−17.4
Supporting Solidarity Gardens	−1.0	−1.0	−1.0	−0.8	−0.8	−4.6
TOTAL	**−6.0**	**−6.0**	**−4.1**	**−2.9**	**−3.0**	**−22.0**

Financial support for the community sector has doubled in ten years

As part of Budget 2022-2023, the government announced a major increase in financial support for the community sector, in particular through the announcement of the government action plan for community action. This action plan confirmed the importance of stable, recurring funding to support the overall mission of community organizations.

Taking into consideration prior investments and those in this budget, the government's support for the community sector will be nearly $2.2 billion in 2024-2025, an 86.1% increase compared with 2018-2019.

Changes in government financial support for the community sector
(millions of dollars)



F: Forecast.
Note: Amounts include the three types of funding, including support for the overall mission.

Additional funding of $264 million for community organizations

As part of this budget, the government is increasing its support for community organizations. It is therefore investing $264 million over five years, as follows:

- $80.0 million to support food aid organizations;
- $50.0 million to increase funding for the program to accompany and support social integration;
- $50.0 million to support community organizations, particularly those working in mental health and social services;
- $21.9 million to maintain funding for youth employment centres;
- $61.9 million for other measures to support community action.

2.4 Extending the eligibility period for the one-time cost of living support payment

In November 2022, the government announced a one-time cost of living support payment of up to $600 for individuals whose income in 2021 was less than $54 000, and $400 for individuals whose income was less than $104 000.

— In general, this amount was paid automatically to eligible individuals who had filed their 2021 income tax return before June 30, 2023.

— In total, more than 6.2 million Quebecers were thus able to receive this financial support.

On January 25, 2024, the government announced the extension of this deadline to June 30, 2024.[12] This will allow approximately 65 000 individuals to benefit from this assistance. This extension represents $37.9 million in support in 2023-2024.

A one-time cost of living support payment is being paid out

In February 2024, Revenu Québec started paying out the one-time cost of living support payment of up to $600 to individuals eligible for the deadline extension.

– Individuals who filed their 2021 income tax return before January 31, 2024 already received their payment in February.

– Those who file their income tax return between February 1, 2024 and June 30, 2024 will receive their support payment no later than September 30, 2024.

Moreover, these individuals are also generally eligible for the one-time cost of living support payment of up to $500. An individual eligible for both of these one-time support payments could thus benefit from assistance of up to $1 100 by filing their 2021 income tax return.

12 The extension of the deadline to benefit from the one-time cost of living support payment was announced in *Information Bulletin 2024-2*.

2.5 More than $30 billion in financial support since 2022

The high and persistent inflation of recent years has had a significant impact on Quebecers' purchasing power, particularly for seniors and low-income individuals.

In this environment, the government has implemented multiple measures since fall 2022 aimed at reducing Quebecers' tax burden, helping them better cope with inflation, and promoting Québec's economic growth. This support, which totals more than $30 billion over seven years, includes:

— $11.5 billion for enhancing the senior assistance amount to $2 000;

— $11.1 billion for lowering personal income tax by reducing the two bottom tax rates by 1 percentage point;

— $3.4 billion for granting a one-time cost of living support payment of up to $600 or $400;

— $2.3 billion for limiting rate indexing to 3% for a period of four years, from 2023 to 2026;

— $1.0 billion in additional assistance for limiting the increase in school taxes to an average of 3%;

— $359 million for enhancing the housing component of the solidarity tax credit;

— $319 million for gradually enhancing the Shelter Allowance Program in order to expand eligibility and increase the assistance offered.

TABLE C.16

Overview of the actions to benefit Quebecers since fall 2022
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Enhancing the senior assistance amount	−1 545	−1 574	−1 605	−1 631	−1 653	−1 708	−1 763	−11 479
Lowering income taxes	−402	−1 657	−1 698	−1 750	−1 802	−1 857	−1 913	−11 079
Granting a one-time cost of living support payment	−3 367	−38	—	—	—	—	—	−3 405
Limiting rate indexing to 3%	−32	−377	−604	−302	−335	−346	−351	−2 347
Limiting the increase in school taxes	—	−126	−180	−180	−180	−180	−180	−1 024
Enhancing the solidarity tax credit	—	−43	−59	−61	−63	−65	−67	−359
Enhancing the Shelter Allowance Program	−19	−40	−75	−86	−77	−11	−11	−319
TOTAL	**−5 365**	**−3 854**	**−4 221**	**−4 009**	**−4 110**	**−4 167**	**−4 285**	**−30 011**

Note: Totals may not add due to rounding. Furthermore, the total does not include the effect of automatic indexation of the personal income tax system and social assistance benefits.

A tax reduction benefiting 4.6 million taxpayers

As part of the Budget Speech 2023-2024, the government announced a personal income tax reduction starting in the 2023 taxation year, consisting of:

- a decrease from 15% to 14% for the first tax rate;
- a decrease from 20% to 19% for the second tax rate.

In 2023, the tax reduction could be up to $814 for a person living alone and $1 627 for a couple. It benefits some 4.6 million taxpayers, who thus save $1.7 billion per year in tax.

Starting July 1, 2023, individuals saw their source deductions adjusted to reflect the tax reduction. They were thus able to benefit from a portion of the tax reduction as early as 2023.

By filing their 2023 income tax return in the coming months, taxpayers may receive a refund for the tax overpayment before July 1, 2023.

Quebecers posted the largest increase in purchasing power among the provinces between 2018 and 2022

Overall, inflation has an adverse impact on household purchasing power. However, despite strong price growth in recent years, purchasing power, defined as household disposable income in real terms, has improved considerably in Québec between 2018 and 2022.

– Over this period, it grew by 15.6% in Québec. This is the biggest increase among the provinces. This compares with gains of 11.1% in Canada and 10.1% in Ontario over the same period.

This result is due in particular to strong wage increases and a number of government measures aimed at mitigating the effects of high inflation on Quebecers' wallets.

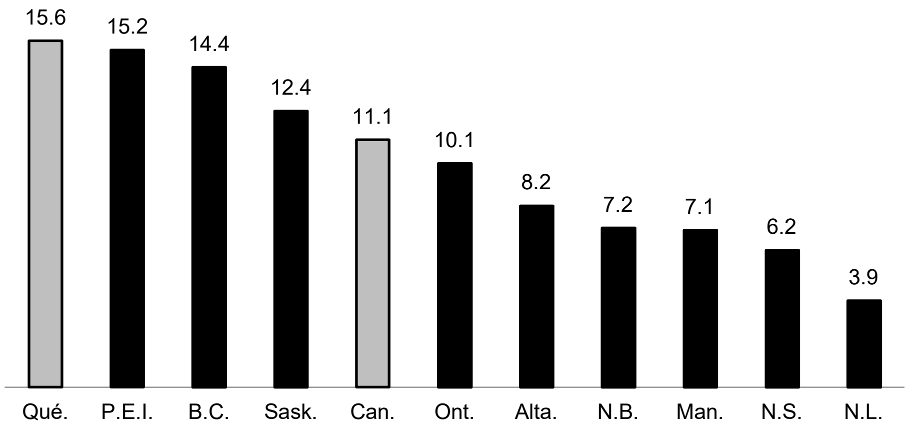
– In particular, wages and salaries jumped by 30.0% in Québec between 2018 and 2022, compared to a gain of 24.7% in Ontario and 23.8% in Canada. During this period, the strength of the Québec labour market and the labour shortage were reflected in earnings.

– In addition, a number of measures have been put in place since fall 2021 to protect Quebecers' purchasing power, including enhanced senior assistance amount, two one-time cost of living support payments and capping the indexation of government rates at 3%.

Québec's strong performance in terms of household purchasing power continued in 2023. Between 2018 and 2023, purchasing power rose by 16.8% in Québec, compared to 13.1% in Canada.

– In particular, the significant indexation of the tax system and social assistance benefits by 6.44% as of January 1, 2023, as well as the Québec government's reduction in personal income tax, helped increase household disposable income.

Growth in household disposable income between 2018 and 2022
(percentage change, in real terms)



Note: The consumer price deflator was used to measure price trends. It reflects changing consumer preferences and takes into account household purchasing habits.
Sources : Statistics Canada and Ministère des Finances du Québec.

3. SUPPORTING COMMUNITIES

Quality public services help create dynamic, fair and safe living environments.

In Budget 2024-2025, an amount of $440.5 million over five years is being invested to support communities:

— $85.8 million for promoting sustainable participation in recreation and sports in a safe environment;

— $214.4 million for consolidating the public safety intervention capacity;

— $140.3 million for strengthening legal support and services for vulnerable individuals.

TABLE C.17

Financial impact of the measures to support communities
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Promoting sustainable participation in recreation and sports in a safe environment	−11.3	−17.3	−22.1	−17.5	−17.6	−85.8
Consolidating the public safety intervention capacity	−26.5	−58.1	−40.4	−43.3	−46.1	−214.4
Strengthening legal support and services for vulnerable individuals	−22.2	−30.2	−29.5	−29.5	−28.9	−140.3
TOTAL	**−60.0**	**−105.6**	**−92.0**	**−90.3**	**−92.6**	**−440.5**

3.1 Promoting sustainable participation in recreation and sports in a safe environment

Physical activity plays an important role in maintaining health, well-being and quality of life. The government therefore continues to support the accessibility and regular practice of sports for all Quebecers in a safe and healthy environment.

In addition, holding major sports events fosters the development of a sports culture among the population, and raises Québec's profile on the national and international stage, while also generating significant economic benefits.

In Budget 2024-2025, the government is thus setting aside an amount of $85.8 million over five years:

- $46.7 million for improving accessibility and safety in recreation and sports;
- $39.1 million for supporting major sports competitions.

TABLE C.18

Financial impact of the measures to promote sustainable participation in recreation and sports in a safe environment
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Improving accessibility and safety in recreation and sports	−4.8	−5.2	−11.6	−12.5	−12.6	−46.7
Supporting major sports competitions	−6.5	−12.1	−10.5	−5.0	−5.0	−39.1
TOTAL	**−11.3**	**−17.3**	**−22.1**	**−17.5**	**−17.6**	**−85.8**

❑ Improving accessibility and safety in recreation and sports

In recent years, the government has made substantial investments in order to promote a safer, more welcoming and inclusive sports environment.

It intends to continue its actions aimed at better protecting physically active individuals so they can participate safely, while thriving in physical, recreational and sports activities.

To this end, the government is providing $46.7 million over five years, as follows:

— $29.7 million for better protecting the integrity of persons in recreation and sports;

— $8.0 million for improving aquatic safety;

— $9.0 million for improving accessibility to sports and recreation.

TABLE C.19

Financial impact of the measures to improve accessibility and safety in recreation and sports
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Better protecting the integrity of persons in recreation and sports	−1.4	−1.8	−8.2	−9.1	−9.2	−29.7
Improving aquatic safety	−1.6	−1.6	−1.6	−1.6	−1.6	−8.0
Improving accessibility to sports and recreation	−1.8	−1.8	−1.8	−1.8	−1.8	−9.0
TOTAL	**−4.8**	**−5.2**	**−11.6**	**−12.5**	**−12.6**	**−46.7**

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

■ Better protecting the integrity of persons in recreation and sports

In recent years, several reprehensible acts, such as psychological, physical or sexual abuse, harassment and violence, have been reported during the practice of recreational activities and sports.

Despite the implementation of numerous measures to counter violence in sports, the problem of violence persists in recreation and sports settings. In February 2024, the Minister Responsible for Sports, Recreation and the Outdoors thus tabled Bill 45, entitled *An Act to amend the Act respecting safety in sports mainly to better protect the integrity of persons in recreation and sports*.

In particular, this bill provides for:

— the creation of an external budget-funded body for handling complaints specific to a recreation or sports setting referred to as the “recreation and sports integrity ombudsman”;

— the development of a financial compensation program in order to reduce the costs associated with the new obligations concerning judicial record verifications for the bodies concerned;

— the establishment of a consultancy office that, in particular, would provide administrative, professional and technical services to the bodies in respect of judicial record verifications.

In Budget 2024-2025, the government is setting aside an amount of $29.7 million over five years in order to better protect the integrity of persons in recreation and sports.

Improving aquatic safety

Participation in aquatic and nautical activities is growing rapidly in Québec. However, the pandemic exacerbated the shortage of lifeguards and aquatic instructors, as several training courses had to be cancelled. This phenomenon forced certain swimming pools to close or cut their opening hours, thereby reducing the supply of swimming lessons for children.

The government thus put in place the Financial Assistance Program for Free Lifeguard and Aquatic Instructor Training in order to maximize recruitment strategies in an effort to address the lack of labour in this area. Budget 2024-2025 provides funding to further the program's objectives.

In addition, the government wishes to continue its support for the Swim to Survive program. This program plays a key role in preventing drownings by enabling children aged 8 to 14 to develop the skills they need to survive an unexpected fall into deep water.

— This program is mainly aimed at schools. A component has also been created for day camps and sleepaway camps.

The government is thus setting aside an additional amount of $8.0 million over five years to improve aquatic safety.

Improving accessibility to sports and recreation

Accessibility is a key aspect in participation in physical, recreational and sports activities. It is therefore essential to put in place environments that promote participation and which encourage and facilitate the adoption and maintenance of a physically active lifestyle, and in a manner that is suitable for the entire population. To that end, the government has planned provisions aimed in particular at:

— financing initiatives to better meet the various needs of persons with disabilities who are Companion Leisure Card[13] holders to encourage their participation in sports and recreation;

— implementing initiatives to make hockey more accessible.

As a result, Budget 2024-2025 includes an amount of $9.0 million over five years aimed at improving accessibility to sports and recreation.

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13 The Companion Leisure Card (CAL) is for people with disabilities age 5 and over who require a companion when they participate in physical, recreational, sports or outdoor activities. It grants free admission to the companion in CAL-partner tourist, cultural or recreational venues.

❑ Supporting major sports competitions

Québec has the expertise and infrastructure to host major sports competitions and events. Supporting these serves to encourage the population to engage in sports and physical activity, while promoting Québec and generating economic benefits.

In Budget 2024-2025, the government is thus setting aside an amount of $39.1 million:

— $28.0 million over five years for continuing the funding of new infrastructure projects for the Jeux du Québec;

— $11.1 million over three years for supporting the organization of the 2027 Canada Games in Québec city.

TABLE C.20

Financial impact of the measures to support major sports competitions
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Continuing the funding of new infrastructure projects for the Jeux du Québec	−6.0	−6.0	−6.0	−5.0	−5.0	−28.0
Supporting the organization of the 2027 Canada Games in Québec city	−0.5	−6.1	−4.5	—	—	−11.1
TOTAL	**−6.5**	**−12.1**	**−10.5**	**−5.0**	**−5.0**	**−39.1**

Note: The appropriations will be granted to the Ministère de l'Éducation.

■ Continuing the funding of new infrastructure projects for the Jeux du Québec

The Jeux du Québec is a major multidisciplinary sports event that represents a significant investment for the host location.

Staging major competitions often requires the host locations to upgrade or build the necessary infrastructure to meet the competition and safety standards.

Financial support is needed to fund the infrastructure projects required to host the Jeux du Québec and thereby enhance the appeal of the cities so that they can put themselves forward.

This initiative will enhance the quality of the experience for young athletes while at the same time helping to promote participation in physical and sports activities and the development of sport in Québec.

In Budget 2024-2025, the government is therefore setting aside an amount of $28.0 million over five years aimed at continuing to fund new infrastructure projects for the Jeux du Québec.

■ Supporting the organization of the 2027 Canada Games in Québec city

In 2027, Québec city will host the Canada Winter Games. Financial support for the host corporation will thus be granted to ensure the organization of the games and to upgrade and build the necessary sports infrastructures in the region, which may ultimately benefit the entire population.

In Budget 2024-2025, the government is therefore setting aside an amount of $11.1 million over three years aimed at supporting the organization of the 2027 Canada Games in Québec city.[14]

[14] The federal government is making a financial contribution equal to that made by the Québec government.

3.2 Consolidating the public safety intervention capacity

The well-being of Quebecers is a priority for the government, which ensures that the entire population feels safe across the province. To achieve this, in Budget 2024-2025, the government is setting aside amounts totalling $214.4 million, as follows:

— $147.8 million over five years for ensuring safety in Indigenous communities;

— $25.0 million in 2025-2026 for improving cellular coverage;

— $26.8 million over five years for combatting sexual violence;

— $11.3 million over five years for following up on the Review Board for Mental Disorder community measures;

— $3.5 million over five years for continuing to fund radicalization prevention initiatives.

TABLE C.21

Financial impact of the measures to consolidate the public safety intervention capacity
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Ensuring safety in Indigenous communities(1)	−19.7	−24.9	−31.6	−34.4	−37.2	−147.8
Improving cellular coverage(2)	—	−25.0	—	—	—	−25.0
Combatting sexual violence(1)	−5.2	−5.4	−5.4	−5.4	−5.4	−26.8
Following up on the Review Board for Mental Disorder community measures(1)	−0.9	−2.1	−2.7	−2.8	−2.8	−11.3
Continuing to fund radicalization prevention initiatives(1)	−0.7	−0.7	−0.7	−0.7	−0.7	−3.5
TOTAL	**−26.5**	**−58.1**	**−40.4**	**−43.3**	**−46.1**	**−214.4**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de la Sécurité publique.
(2) The appropriations will be granted to the Ministère du Conseil exécutif.

❑ Ensuring safety in Indigenous communities

Delivery of policing services by Indigenous police forces ensures that, during interventions, the specific realities and needs of First Nations and Inuit people are better taken into consideration.

The government is therefore increasing its support for the delivery of culturally appropriate policing services in Indigenous communities and is setting aside an amount of $146.4 million over five years for this purpose. These amounts will allow Indigenous police forces and the Nunavik Police Service to consolidate their organizational capacity.

— This additional support will be provided as part of the tripartite agreements for the delivery of policing services between Indigenous communities, the federal government and the Québec government.

An additional investment of $1.4 million is provided in 2024-2025 to extend a pilot project to allow emergency calls to be taken by specially trained personnel, in order to gather the information needed for the safe deployment of policing services and other emergency services, for both the responders and the population served.

❑ Improving cellular coverage

Insufficient cellular coverage in Québec represents a safety concern, especially on several of its roads. As a result, studies have been conducted for the purpose of identifying zones where cellular coverage is non-existent in the various regions of Québec.

A first stage has already begun in order to construct 79 new cellular sites in certain regions of Québec. To continue its efforts to improve safety through better cellular coverage, the government is announcing, in Budget 2024-2025, a second stage that will include the rolling out of 100 new sites.

— These two stages will improve cellular coverage in the Bas-Saint-Laurent, Mauricie, Estrie, Nord-du-Québec, Côte-Nord, Chaudière-Appalaches, Gaspésie–Îles-de-la-Madeleine, Abitibi-Témiscamingue, Laurentides, Saguenay–Lac-Saint-Jean and Centre-du-Québec regions.

In Budget 2024-2025, the government is providing an envelope of $25.0 million for fiscal year 2025-2026 for the purpose of completing the funding needed to roll out these 100 new sites.

— This amount is in addition to those already announced in previous budgets to plan and begin work. In this regard, the government will enter into agreements for the construction of new cellular sites in these administrative regions of Québec.

Operation High Speed: more than 300 000 homes reached

Since 2018, the government has implemented multiple initiatives to increase connectivity across Québec.

With the launch of Operation High Speed, it has set the ambitious goal of making high-speed Internet available to all Québec homes.

To achieve this, since 2018, the government has announced joint investments of $1.3 billion, which were initially expected to help reach about 250 000 households with no high-speed Internet access.

To date, these investments have made it possible to roll out more than 50 000 kilometres of fibre optics, bringing high-speed Internet access to more than 300 000 new households, which is 50 000 more than the initial target.

– Using other technologies, in particular satellite Internet, 100% of the targeted homes were given access to a high-speed Internet solution—a first in Canada.

The majority of Operation High Speed programs will come to an end on March 31, 2024.

– At the end of these programs, Internet service providers will be able to use the tax incentives currently in place to make the investments needed for extending their networks to new households.

❑ Combatting sexual violence

The government has increased its support for combatting crimes of a sexual nature, as evidenced by the numerous actions taken in recent years.

It is ensuring the safety of the population by continuing its efforts to combat sexual violence, granting additional funding of $26.8 million over five years for this purpose.

The operational capacity of the Sûreté du Québec in combatting the sexual exploitation of children on the Internet will be strengthened. This will enable police to process investigations more quickly and continue to protect children from sexual abuse and harm.

Additional resources are also being granted to the Laboratoire de sciences judiciaires et de médecine légale to step up the handling of cases of sexual assault and to quickly identify sexual aggressors through DNA. The Laboratoire will also step up its efforts in the analysis of cases of involuntary intoxication, which will help to guide and support the work of police investigators.

❑ Following up on the Review Board for Mental Disorder community measures

The role of the Review Board for Mental Disorder is to render decisions concerning individuals who have been accused of a criminal offence and who have been subject to a verdict of unfit to stand trial, or a verdict of not criminally responsible on account of a mental disorder.

It is vital to ensure that the conditions of release imposed by the Board are respected in order to prevent the accused from committing an offence, to ensure public safety and to promote the reintegration of the accused individual.

To provide appropriate follow-up, the government is announcing additional funding of $11.3 million over five years in order to foster better collaboration between the various partners. This will enable:

— the correctional services to act, through probation officers, together with the hospitals appointed to follow up on measures involving release with conditions;

— the Sûreté du Québec to work together with the case teams from the Ministère de la Santé et des Services sociaux when implementing an enhanced follow-up program in certain cases.

❑ Continuing to fund radicalization prevention initiatives

Radicalization is a phenomenon found in Québec, like elsewhere in Canada and around the world. A radicalized individual or group, whether motivated by political, religious or ideological reasons, may exacerbate social polarization and stimulate hateful, violent or extremist speech that goes against the values of Québec society.

In order to better understand this phenomenon and better support citizens, the government is announcing an amount of $3.5 million over five years to continue radicalization prevention initiatives.

In particular, this amount will enable research to be conducted in radicalization prevention, upstream intervention in the case of individuals showing signs of radicalization and the heightening of public awareness.

3.3 Strengthening legal support and services for vulnerable individuals

In Budget 2024-2025, the government is stepping in for the purpose of strengthening legal support and services for vulnerable individuals. To this end, it is setting aside $140.3 million over five years, as follows:

— $91.9 million for deploying the court specialized in sexual and domestic violence throughout Québec;

— $31.0 million for enhancing security in courthouses;

— $15.0 million for strengthening the actions of the Curateur public aimed at preventing and detecting abuse of persons under private tutorship;

— $2.4 million for providing guidance and legal support to employees during the filing and handling of a complaint for psychological harassment of a sexual nature in the workplace.

In addition, the government is announcing that it will make legislative and regulatory changes aimed at ensuring that children and their custodial parent receive the support payments to which they are entitled.

TABLE C.22

Financial impact of the measures aimed at strengthening legal support and services for vulnerable individuals
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Deploying the court specialized in sexual and domestic violence throughout Québec(1)	−11.9	−20.0	−20.0	−20.0	−20.0	−91.9
Enhancing security in courthouses(2)	−6.7	−6.6	−5.9	−5.9	−5.9	−31.0
Strengthening the actions of the Curateur public aimed at preventing and detecting abuse of persons under private tutorship(3)	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Providing guidance and legal support in the event of harassment in the workplace(4)	−0.6	−0.6	−0.6	−0.6	—	−2.4
TOTAL	**−22.2**	**−30.2**	**−29.5**	**−29.5**	**−28.9**	**−140.3**

Note: The amounts for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de la Justice.
(2) Appropriations of $7.6 million will be granted to the Ministère de la Justice and appropriations of $23.4 million will be granted to the Ministère de la Sécurité publique. In addition, investments of $5.0 million are provided for in the 2024-2034 Québec Infrastructure Plan.
(3) The appropriations will be granted to the Ministère de la Famille.
(4) The appropriations will be granted to the Ministère du Travail.

❑ Deploying the court specialized in sexual and domestic violence throughout Québec

The *Act to create a court specialized in sexual violence and domestic violence* was passed unanimously on November 25, 2021 by the National Assembly.

The specialized court provides a safe and more welcoming environment for victims and their relatives. It offers better guidance and support before, during and after the judicial process.

The Act provides for the implementation of a pilot project to establish a specialized court in at least five judicial districts by November 30, 2024. To this end, $32.6 million was announced in the *Update on Québec's Economic and Financial Situation – Fall 2021*.

To date, the specialized court pilot project has been deployed in 16 judicial districts.

Furthermore, the Act provides for establishing a permanent specialized court everywhere in Québec within two years after the end of the pilot project.

Therefore, in Budget 2024-2025, the government is setting aside an additional $91.9 million over five years to deploy the court specialized in sexual and domestic violence throughout the territory of Québec.

❑ Enhancing security in courthouses

Strengthening support and ensuring the public's well-being also means protecting the public within Québec's courthouses.

To this end, the government is announcing that it is optimizing protection and detection measures in certain courthouses, as some buildings will see their security systems modernized and reinforced, with more special constables on site.

To that end, in Budget 2024-2025, the government is setting aside $31.0 million, including:

— $7.6 million for the Ministère de la Justice;

— $23.4 million for the Ministère de la Sécurité publique to hire and train special constables.

In addition, the 2024-2034 Québec Infrastructure Plan sets aside investments of $5.0 million for the Ministère de la Justice.

❑ Strengthening the actions of the Curateur public aimed at preventing and detecting abuse of persons under private tutorship

The Curateur public's mission is mainly to see that incapable persons are protected, in particular those under public or private tutorship.

The Curateur public is at the forefront of efforts to combat the financial abuse experienced by vulnerable individuals under private tutorship. In order to optimize the services it provides to this clientele, the body has developed an action plan with the aim, in particular, of enhancing the work tools available to employees and clients, as well as strengthening mechanisms to prevent abuse.

In Budget 2024-2025, the government is setting aside $15.0 million for the purpose of strengthening the actions of the Curateur public aimed at preventing and detecting abuse of persons under private tutorship.

❑ Providing guidance and legal support in the event of harassment in the workplace

Psychological harassment of a sexual nature remains an important issue in the workplace, and the steps that victims must take can be complex.

To provide victims of this type of harassment with further assistance, Budget 2024-2025 sets aside $2.4 million over four years to finance a guidance and legal support service for employees during the filing and handling of a complaint for psychological harassment of a sexual nature in the workplace.

❑ Ensuring support payments are received on a regular basis

The government ensures that support payments to which children and the custodial parent are entitled are paid on time. This income is important and is used by payees to support themselves.

As part of the administration and collection of support payments by Revenu Québec, the government will be introducing a new deterrent measure allowing for the suspension of the driver's licence of highly uncooperative payors who seek to avoid making the support payments they are legally bound to make.

Implementation of this initiative will require legislative and regulatory amendments.

4. SHOWCASING CULTURE AND PROMOTING THE FRENCH LANGUAGE

Québec's culture, in its diverse forms, is enriching and a source of collective pride.

In Budget 2024-2025, the government is setting aside $187.1 million over five years for initiatives aimed at showcasing culture and promoting the French language, including:

— $92.2 million for showcasing Québec culture and heritage;

— $53.9 million for supporting the media and the dissemination of Québec's culture;

— $41.0 million for supporting the promotion and advancement of the French language.

TABLE C.23

Financial impact of the measures aimed at showcasing culture and promoting the French language
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Showcasing Québec culture and heritage	−21.1	−26.7	−25.9	−12.5	−6.0	−92.2
Supporting the media and the dissemination of Québec's culture	−19.2	−17.0	−5.9	−5.9	−5.9	−53.9
Supporting the promotion and advancement of the French language(1)	−1.0	−10.0	−10.0	−10.0	−10.0	−41.0
TOTAL	**−41.3**	**−53.7**	**−41.8**	**−28.4**	**−21.9**	**−187.1**

(1) The appropriations will be granted to the Ministère de la Langue française. The amounts for 2024-2025 will be drawn from the Contingency Fund.

4.1 Showcasing Québec culture and heritage

Culture provides memorable entertainment experiences; it also allows to revisit our past and imagine the future. Culture is also a vibrant economic sector that supports a slate of artists and artisans in developing their talents for the enjoyment of all Quebecers.

In order to showcase Québec's culture and heritage, in Budget 2024-2025 the government is setting aside $92.2 million over five years for the purpose of:

— supporting and guiding cultural businesses;

— supporting cultural organizations;

— augmenting the Québec Cultural Heritage Fund;

— continuing to implement the cultural passport for youth.

TABLE C.24

Financial impact of the measures aimed at showcasing Québec culture and heritage
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting and guiding cultural businesses	—	−5.0	−5.0	−5.0	−6.0	−21.0
Supporting cultural organizations	−4.8	−8.4	−7.5	−7.5	—	−28.2
Augmenting the Québec Cultural Heritage Fund(1)	−13.3	−13.3	−13.4	—	—	−40.0
Continuing to implement the cultural passport for youth	−3.0	—	—	—	—	−3.0
TOTAL	**−21.1**	**−26.7**	**−25.9**	**−12.5**	**−6.0**	**−92.2**

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts for 2024-2025 will be drawn from the Contingency Fund.
(1) Investments of $40.0 million are provided for in the 2024-2034 Québec Infrastructure Plan.

❑ Supporting and guiding cultural businesses

In Budget 2023-2024, the government announced that it would make the Société de développement des entreprises culturelles (SODEC) the gateway for all the financial needs of businesses in the cultural sector.

In Budget 2024-2025, the government is announcing that $21.0 million will be allocated to SODEC by 2028-2029 to enable it to play its full role, in particular through:

— a financing offer enhanced by new financial instruments, including private placement;

— a renewed support mandate, via its programs aimed at stimulating cultural entrepreneurship.

❑ Supporting cultural organizations

Cultural organizations need access to financial support to face a variety of current challenges, in particular labour issues, and to maintain their capacity to innovate.

To that end, the government is setting aside $28.2 million over four years to enhance Conseil des arts et des lettres du Québec (CALQ) programs in order to boost support for cultural organizations.

Government support for the cultural sector through SODEC and CALQ
In recent years, the government has provided significant support to the cultural sector aimed at helping it cope with the effects of the pandemic, speeding up a resumption in its activities and adapting to certain new realities. To this end, significant amounts have been granted to the Société de développement des entreprises culturelles (SODEC) and the Conseil des arts et des lettres du Québec (CALQ), including: – $136.6 million over three years to both of these organizations, in Budget 2022-2023, for enhancing programs in order to provide additional support targeting the cultural sectors most affected by the effects of the pandemic; – $200.0 million in Budget 2023-2024 aimed at making SODEC the gateway for cultural businesses for all their financial needs. In Budget 2024-2025, the government is allocating an additional $49.2 million for these two organizations to ensure they have the amounts required to support their respective client bases.

❑ Augmenting the Québec Cultural Heritage Fund

Since 2006, the Québec Cultural Heritage Fund has provided financial support for initiatives encouraging the preservation and enhancement of important elements of our collective heritage, such as heritage buildings, works of art, permanent exhibits in museums or property protected under the *Cultural Heritage Act*.

In Budget 2024-2025, the government is announcing additional investments of $40.0 million over three years in the 2024-2034 Québec Infrastructure Plan to augment and extend the activities of the Québec Cultural Heritage Fund.

❑ Continuing to implement the cultural passport for youth

The government wishes to intensify and diversify the cultural practices of young people and increase their exposure to Québec's French-language cultural offering.

To this end, it is setting aside $3.0 million in 2024-2025 for the purpose of continuing to develop the digital cultural passport for youth, giving them access to cultural goods and services at an attractive price.

The passport will also be used to promote cultural events, provide a tailored offering and spark a lasting interest in Québec culture among young people.

Like the initiative enabling Quebecers to enjoy free access to certain museum institutions on the first Sunday of every month, this passport will encourage young people to take part in more cultural events.

4.2 Supporting the media and the dissemination of Québec's culture

The media is an important source of information for democratic life that empowers the public to stay informed about local, national and international events.

Furthermore, the preservation and showcasing of Québec culture depend on its dissemination.

The government is setting aside $53.9 million over five years in order to support the media and the dissemination of Québec's culture. The various initiatives planned for this purpose are aimed at:

— continuing to implement the media assistance strategy;

— enhancing programming at Télé-Québec;

— adapting the funding of the audiovisual sector.

TABLE C.25

Financial impact of the measures aimed at supporting the media and the dissemination of Québec's culture
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Continuing to implement the media assistance strategy	−6.4	−5.9	−5.9	−5.9	−5.9	−30.0
Enhancing programming at Télé-Québec	−10.0	−10.0	—	—	—	−20.0
Adapting the funding of the audiovisual sector	−2.8	−1.1	—	—	—	−3.9
TOTAL	**−19.2**	**−17.0**	**−5.9**	**−5.9**	**−5.9**	**−53.9**

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts for 2024-2025 will be drawn from the Contingency Fund.

❑ Continuing to implement the media assistance strategy

For a number of years, the news media sector has been greatly affected by the arrival of new technologies that have changed the way people obtain information.

In order to continue its commitment to supporting the news media, the government is announcing $30.0 million over five years for the media assistance strategy. In particular, this financial support is aimed at renewing the assistance granted to print media with respect to selective collection.

Tax measures to support print media companies in Québec

Since 2019, print media companies have been supported by major tax measures put in place by the governments of Québec and Canada, while their business model has been disrupted by the new digital environment.

These tax measures, which total some $50 million a year for Québec's print media companies, are in addition to the budget measures provided by the Ministère de la Culture et des Communications.

In fact, in addition to tax measures, over $92 million has been invested in media assistance since 2019-2020. In particular, the assistance granted helped support the operation of community media throughout Québec, the digital transformation of private media, the Press Council and compensation for the financial contribution of print media for selective collection.

The two main refundable tax credits available to print media companies support the salaries of employees producing original written informational content:

– the Québec government's tax credit to support print media companies, which provides assistance corresponding to 35% of eligible labour expenditures not exceeding $75 000 per employee annually;

– The federal government's Canadian journalism labour tax credit, which provides assistance corresponding to 25% of eligible salaries, enhanced to 35% for the years 2023 to 2026, up to an annual cap of $85 000 per employee.

Two other tax credits expiring on December 31, 2024 are available to support print media companies:

– the Québec government's refundable tax credit to support the digital transformation of print media companies, which covers 35% of eligible digital conversion costs;

– the federal government's 15% non-refundable digital news subscription tax credit for Canadians.

In addition, the governments of Québec and Canada offer tax incentives for donations made by individuals and businesses to non-profit journalism organizations.

❑ Enhancing programming at Télé-Québec

As a public broadcaster, Télé-Québec plays an important role in the Québec ecosystem and provides access to high-quality cultural and educational content.

The government is setting aside $20.0 million over two years to enable Télé-Québec to enhance its programming by broadcasting more original content aimed at the general public.

❑ Adapting the funding of the audiovisual sector

The arrival of digital technology has changed the audiovisual landscape. The transformation of production methods, the multiplication of streaming platforms and changes in viewing habits have profoundly altered the close relationship between Québec culture and the population. This situation affects both the Québec market and the funding from funds endowed by conventional broadcasters.

To ensure the long-term survival, quality and visibility of Québec audiovisual productions, both in Québec and internationally, the government is providing $3.9 million, in particular for a review of the funding model.

The Minister of Culture and Communications will announce the mandate, the method of consultation and the timetable for completion of this process.

Encouraging the film and television industry in Québec

To recognize the contribution of the film and television industry to Québec's culture and economy, the government offers the tax credit for Québec film or television production (CPCQ) and the tax credit for film production services (CSPC).

These tax measures, which represent a major source of financing for Québec and foreign producers shooting in Québec, help consolidate jobs in the audiovisual sector in Québec.

– They also support the rollout of leading-edge infrastructure and the development of the expertise required to offer optimal filming conditions.

However, Québec's audiovisual industry faces major challenges, in particular rising production costs and tax competitiveness in other jurisdictions, at a time when demand for audiovisual content production has increased with the boom in streaming services.

To encourage more activities related to film and television filming production in Québec, in Budget 2024-2025 the government is planning to:[1]

– enhance the CPCQ by increasing the cap on eligible labour expenditures from 50% to 65% of production expenses;

– raise the CSPC's base rate from 20% to 25%, to attract foreign film shoots to Québec.

These changes will help improve the competitive environment of the Québec film and television ecosystem.

1 For more details, see Section E, "Optimizing Government Action."

4.3 Supporting the promotion and advancement of the French language

The government is continuing its actions aimed at promoting and advancing the French language, in particular by supporting initiatives and partnerships with organizations whose priorities are:

- spreading a positive image of the French language;
- increasing the influence and use of French as the common language;
- supporting the acquisition of proficiency in appropriate French terminology and increased use of French in the workplace.

To this end, Budget 2024-2025 is setting aside $41.0 million over five years to support efforts to promote and advance the French language, as follows:

- $32.0 million for the Ministère de la Langue française;
- $9.0 million for the Office québécois de la langue française.

The French language: A government priority
The government places great importance on the French language. For the past six years, the additional amounts[1] granted for the purposes of protecting, preserving, promoting and advancing the French language have totalled $309.4 million. In particular, these amounts made it possible to support: – actions aimed at promoting and advancing the French language; – the development and implementation of the *Act respecting French, the official and common language of Québec*; – the collection, analysis and production of data to monitor the linguistic situation in Québec on an annual basis. It should be noted that the *Act respecting French, the official and common language of Québec*, was assented to in June 2022 and made multiple amendments strengthening the *Charter of the French language*, which came into effect in 1977, as well as a number of other acts.

1 These amounts are complementary to those supporting the actions of multiple departments and bodies, including the Ministère de l'Immigration, de la Francisation et de l'Intégration, the Ministère de la Culture et des Communications, the Ministère de l'Éducation and the education network.

5. PROTECTING THE ENVIRONMENT AND ADAPTING TO CLIMATE CHANGE

Weather events such as floods and major fires can have serious consequences for the population. According to several experts, climate change is contributing to the intensification of these events, forcing populations to develop adaptation strategies to meet environmental challenges.

Against this backdrop, the government wishes to ensure the populations' safety while also protecting Québec's environment and natural heritage. To this end, it is setting aside $127.5 million over five years, as follows:

— $101.9 million for ensuring safety amid climate change;

— $25.6 million for promoting Québec's environmental assets.

In addition, in the fight against climate change, the government will soon present an update of the Implementation Plan for the 2030 Plan for a Green Economy with a view to ensuring that the investments planned for the next five years fund the most promising actions.

— Accordingly, investments in the 2024-2029 Implementation Plan will reach nearly $9.3 billion.

TABLE C.26

Financial impact of the measures aimed at protecting the environment and adapting to climate change
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Ensuring safety amid climate change(1)	−16.9	−24.0	−24.2	−18.3	−18.5	−101.9
Promoting Québec's environmental assets(2)	−3.9	−3.1	−13.4	−2.5	−2.7	−25.6
Updating the Implementation Plan for the 2030 Plan for a Green Economy(3)	—	—	—	—	—	—
TOTAL	**−20.8**	**−27.1**	**−37.6**	**−20.8**	**−21.2**	**−127.5**

(1) The appropriations will be granted to the Ministère de la Sécurité publique, the Ministère des Ressources naturelles et des Forêts, and the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(3) Investments of nearly $9.3 billion will be earmarked as part of the 2024-2029 Implementation Plan.

5.1 Ensuring safety amid climate change

The frequency and intensity of natural phenomena such as floods and droughts are increasing in Québec. The government therefore wishes to take action and will provide $101.9 million in assistance to ensure safety amid climate change, as follows:

— $61.3 million over five years for responding to the rise in major disasters;

— $29.0 million over five years for increasing the capacity of the Société de protection des forêts contre le feu (SOPFEU) to fight forest fires;

— $7.7 million over five years for ensuring the safety and serviceability of public dams;

— $3.9 million over three years for increasing financial assistance for upgrades to municipal and private dams.

TABLE C.27

Financial impact of the measures aimed at ensuring safety amid climate change
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Responding to the rise in major disasters(1)	−7.7	−13.0	−13.2	−13.6	−13.8	−61.3
Increasing SOPFEU's capacity to fight forest fires(2)	−7.0	−8.0	−8.0	−3.0	−3.0	−29.0
Ensuring the safety and serviceability of public dams(3)	−0.9	−1.7	−1.7	−1.7	−1.7	−7.7
Increasing financial assistance for upgrades to municipal and private dams(3)	−1.3	−1.3	−1.3	—	—	−3.9
TOTAL	**−16.9**	**−24.0**	**−24.2**	**−18.3**	**−18.5**	**−101.9**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de la Sécurité publique. In addition, investments of $0.8 million are provided for in the 2024-2034 Québec Infrastructure Plan.
(2) The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts.
(3) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

❑ Responding to the rise in major disasters

The increased frequency of disasters in Québec is weighing more and more heavily on communities. They can have serious consequences for people, services and essential community infrastructure.

Effective planning and adequate operational capacity are necessary to support responders and protect vulnerable populations, particularly when local and regional disaster response capacities are exceeded. Consequently, the government will do the following:

— help municipalities upgrade their disaster risk management practices and establish a new team dedicated to support and coordination;

— set up a response team consisting of an operational reserve of trained responders who are available on short notice at all times;

— support the École nationale des pompiers du Québec in enhancing its specialized training programs for volunteer and part-time firefighters, and extend financial assistance to municipalities for firefighter training;

— increase the number of divers and amount of diving equipment at the Sûreté du Québec to ensure an optimal response to emergency situations requiring a search for bodies or evidence under water.

The government is therefore announcing $61.3 million over five years to respond to the rise in major disasters.

❑ Increasing SOPFEU's capacity to fight forest fires

SOPFEU had to fight exceptionally large fires in summer 2023 to protect our communities.

Furthermore, due to climate change, the risk of extreme weather events is set to increase. It is therefore important to adapt to this new reality.

To increase SOPFEU's capacity to fight forest fires, the government is setting aside $29.0 million over five years, which may be complemented by a contribution from the federal government. These funds will be used to hire and develop its workforce and acquire new equipment.

Promoting resilience to disasters

Against a backdrop of increasing risks and disasters, on January 31, 2024, the government tabled Bill 50, entitled an *Act to enact the Act respecting civil protection to promote disaster resilience and to amend various provisions relating in particular to emergency communication centres and to forest fire protection*.

With this far-reaching modernization effort, the government intends to pursue the following objectives:

- collectively ensure the development of knowledge on disaster risks, taking climate change into account in particular;
- act upstream of disasters, placing greater emphasis on establishing preventive measures to avoid disasters where possible or to mitigate their potential consequences;
- improve the level of preparedness and disaster response capabilities of all stakeholders, including municipalities, by implementing more effective and better adapted measures.

In order to achieve these objectives in particular, responsibility for the Société de protection des forêts contre le feu (SOPFEU) will be given to the Ministère de la Sécurité publique

❑ Ensuring the safety and serviceability of public dams

One of the government's missions is to oversee the application of the *Dam Safety Act*[15] by ensuring the safety and serviceability of public dams. In particular, it determines the operations required to regulate water flows and levels according to various management parameters and constraints, such as flood risks.

The increase in the number of extreme weather events calls for greater capacity to respond in emergency situations such as floods, forest fires or earthquakes.

In this context, financial assistance of $7.7 million over five years has been earmarked to ensure the safety and serviceability of dams.

❑ Increasing financial assistance for upgrades to municipal and private dams

Municipalities with a population of 50 000 or less that own at least one high-capacity dam receive financial assistance to bring their dams up to standard and meet their obligations under the *Dam Safety Act*. This enables them to conduct dam safety reviews and carry out any necessary remedial work.

However, dam remediation projects are costly, and some private owners of high-capacity dams, which are subject to obligations related to safety reviews and subsequent upgrades, do not receive any support.

A contribution of $3.9 million over three years has been set aside to expand the scope of financial assistance for upgrading municipal dams.

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15 CQLR, chapter S-3.1.01.

5.2 Promoting Québec's environmental assets

The government wants to promote Québec's environmental assets by showcasing its natural attractions, preserving its wildlife resources and continuing to involve Indigenous communities.

Thus, in Budget 2024-2025, it is providing $25.6 million over five years for the purpose of:

- establishing the Anticosti World Heritage Site;
- supporting the creation of the Nibiischii national park;
- continuing to optimize the environmental authorization process for economic development projects;
- supporting Indigenous communities in their management and valorization of wildlife.

TABLE C.28

Financial impact of the measures to promote Québec's environmental assets
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Establishing the Anticosti World Heritage Site(1)	−0.5	−1.2	−11.4	−0.5	−0.6	−14.2
Supporting the creation of the Nibiischii national park(2)	−0.2	−0.2	−0.3	−0.3	−0.4	−1.4
Continuing to optimize the environmental authorization process for economic development projects	−1.7	−1.7	−1.7	−1.7	−1.7	−8.5
Supporting Indigenous communities in their management and valorization of wildlife	−1.5	—	—	—	—	−1.5
TOTAL	**−3.9**	**−3.1**	**−13.4**	**−2.5**	**−2.7**	**−25.6**

Note: The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) Investments of $5.3 million are provided for in the 2024-2034 Québec Infrastructure Plan.
(2) Investments of $15.7 million are provided for in the 2024-2034 Québec Infrastructure Plan.

❑ Establishing the Anticosti World Heritage Site

On September 19, 2023, Anticosti was officially included on the UNESCO World Heritage List. This location, which spans 1 080 square kilometres, contains the most comprehensive fossil record of marine life, covering ten million years of Earth history.

The Québec government wishes to fulfill the international commitments made at the time Anticosti became a World Heritage Site candidate, to meet the expectations of the partners involved in the island's candidacy, such as the scientific community.

For that reason, assistance of $14.2 million over five years is set aside for the establishment of the Anticosti World Heritage Site.

❑ Supporting the creation of the Nibiischii national park

The government has been working on the Nibiischii national park project with the Cree Nation of Mistissini for several years. In 2024-2025, the Nibiischii national park will be created and the government will hand over its operation to the Cree Nation of Mistissini. This will be the first national park to be operated by a Cree Nation community.

The park will protect and showcase significant natural and cultural features and will help develop tourism in the Nord-du-Québec region. It will also help position Québec as a must-see nature destination on the international stage.

The government is setting aside $1.4 million in assistance over five years to support the creation of the Nibiischii national park.

Fee to promote the treatment and remediation of excavated contaminated soil

As of January 1, 2024, a fee of $10.67 per metric ton is payable for contaminated soil sent to contaminated soil landfill sites and engineered landfills.

When the soil is sent to a contaminated soil treatment centre in Québec, the fee is reduced to $5 per metric ton to encourage owners of contaminated soil to opt for treatment rather than the landfill.

By encouraging the remediation of contaminated soil, this fee helps to address certain environmental issues:

- reducing the spread of contamination in soil and groundwater;
- reducing the use of clean soil and decreasing the waste of natural resources;
- increasing the lifespan of engineered landfills, contaminated soil landfills and construction and demolition debris landfills.

Revenues from the fee finance soil remediation projects through the Fund for the Protection of the Environment and the Waters in the Domain of the State.

- In particular, this fund is used as part of the Soil Protection and Contaminated Sites Rehabilitation Policy and finances, for example, the ClimatSol-Plus program.

❑ Continuing to optimize the environmental authorization process for economic development projects

In 2018, the government had announced a $7.3-million funding envelope to ensure the efficiency of the environmental authorization process for economic development projects.

The government is renewing its support for this initiative, and is providing $8.5 million over five years to this end.

❑ Supporting Indigenous communities in their management and valorization of wildlife

Reconciling wildlife conservation and valorization with community activities conducted for food, ritual or social purposes is a prime concern for Indigenous people.

The government also wants to encourage partnerships with Indigenous communities on wildlife issues to increase their involvement in land development.

As a result, financial assistance of $1.5 million has been earmarked to support Indigenous communities in their management and valorization of wildlife.

Blue Fund

The Blue Fund was established by Bill 20, which was assented to on June 9, 2023 and came into force on July 1, 2023. This special fund is used to finance all water protection, restoration, promotion and management measures included in the Québec Water Strategy 2018-2030.

An amount of $500 million has been set aside for 2023-2028 to augment the Blue Fund, part of which comes from the charges payable for the use of water.

As of January 1, 2024, access to information on business water withdrawals, available on the website of the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs, has been improved.

In addition, a review of the regulatory provisions governing the charges and the volumes of water withdrawn is scheduled every five years.

Charges payable for the use of water

In 2011, the government introduced charges payable for the use of water. It applies to industries that withdraw 75 000 litres or more of water per day directly from the environment or from a waterworks system. As of January 1, 2024:

- the charges, which were set at $2.50 and $70 per million litres of water used, were increased to $35 and $150 per million litres of water used, respectively;
- when the water is used for the production of water in bottles or other containers or for the volume transportation of water for commercial purposes, an additional rate of $350 per million litres of water used is added to the rate of $150 per million litres.

Starting January 1, 2026, businesses will be subject to the charges if they withdraw 50 000 litres or more of water.

5.3 Updating the Implementation Plan for the 2030 Plan for a Green Economy

Québec has set a greenhouse gas emission reduction target of 37.5% by 2030 compared to 1990.

To achieve the reductions needed to reach this target, the government updates the investments set out in the Implementation Plan for the 2030 Plan for a Green Economy on an annual basis.

— This enables it to rapidly adjust its climate action and direct investments toward the most promising courses of action.

In the coming weeks, the Minister of the Environment, the Fight Against Climate Change, Wildlife and Parks will present an updated Implementation Plan covering the period from 2024-2025 to 2028-2029.

— This plan will include a review of the rebates for the purchase of electric vehicles under the Roulez Vert program.

❑ Investments of nearly $9.3 billion over the 2024-2029 period to fight climate change

The government is announcing that the next Implementation Plan for the 2030 Plan for a Green Economy will include investments of nearly $9.3 billion over five years.

— This is an increase of nearly 3% compared to the $9.0 billion invested under the previous plan.

— Compared to the initial 2021-2026 Implementation Plan, this represents an increase of $2.6 billion, or 39%.

As a result, since the launch of the 2030 Plan for a Green Economy, $13.6 billion has been earmarked for the fight against climate change over the period from 2021-2022 to 2028-2029.

— With this investment, the government will have more than tripled the amounts allocated compared to the 2013-2020 Climate Change Action Plan.

TABLE C.29

Investments in Implementation Plans for the 2030 Plan for a Green Economy since 2021-2022
(billions of dollars)

	Planned investments
2024-2029 Implementation Plan	9.3
Planned investments, 2021-2022 to 2023-2024	4.3
TOTAL	**13.6**

❑ Reducing Roulez vert program rebates

Since 2012, the government has been granting rebates for the purchase of fully electric and plug-in hybrid vehicles under the Roulez Vert program.

— This incentive was necessary to begin the electrification of the vehicle fleet in Québec at a time when there were few models available, with more limited capacity, and when the charging network was emerging.

However, consumers have shown growing interest in these vehicles, which are becoming more appealing to purchase due to market development, technology and the progressive narrowing of the cost gap with gas-powered vehicles.

The electric vehicle market is maturing, so much so that, in the third quarter of 2023, more than one in five new vehicles sold in Québec were electric. Today, there are more than 240 000 electric vehicles on Québec roads.

In light of this, the government is announcing that the maximum rebates for the purchase of an electric vehicle will be as follows starting on January 1, 2025:

— $4 000 for new fully electric or fuel cell vehicles and $2 000 for new plug-in hybrid vehicles costing less than $65 000;

— $2 000 for used fully electric vehicles and $1 000 for electric motorcycles.

Rebates for the purchase of an electric vehicle will be reduced gradually and will stop being offered on vehicles registered on or after January 1, 2027.[16] These vehicles also continue to be eligible for the federal government's $5 000 rebate until March 31, 2025, or until the funds run out.

The funds released will be used to fight climate change. In addition, the government will continue to invest in the electrification of transportation, targeting in particular the measures in Québec's Electric Vehicle Charging Strategy, such as rebates for charging stations.

TABLE C.30

Revision of terms and conditions for the rebates on the purchase of electric vehicles and charging stations
(dollars)

	Until December 31, 2024	January 1, 2025	January 1, 2026	January 1, 2027
New fully electric or fuel cell vehicles	7 000	4 000	2 000	—
New plug-in hybrid vehicles	5 000	2 000	1 000	—
Used fully electric vehicles	3 500	2 000	1 000	—
Electric motorcycles	2 000	1 000	500	—
Limited-speed electric motorcycles	500	—	—	—
Home charging stations(1)	600	600	600	600

(1) The maximum rebate is $5 000 on workplace or multi-unit residential building charging stations.

16 Rebates on limited-speed electric motorcycles will cease on January 1, 2025.

Taking action to meet the emissions reduction target

Emissions in 2022: An expected decrease compared to pre-pandemic levels

According to the most recent information available, the level of greenhouse gas emissions in Québec is expected to be at approximately 79 million tonnes of CO_2 equivalent in 2022.

– This would represent a reduction of 3 million tonnes of CO_2 equivalent compared to the level preceding the COVID-19 pandemic (2019).

This reduction is consistent with the 60% achievement rate of the greenhouse gas emissions reduction target by 2030, estimated as part of the 2023-2028 implementation plan for the 2030 Plan for a Green Economy (PGE).

Potential optimization of the Québec–California carbon market

Each year, the implementation plan for the PGE is enhanced to make it possible to meet the 2030 target.

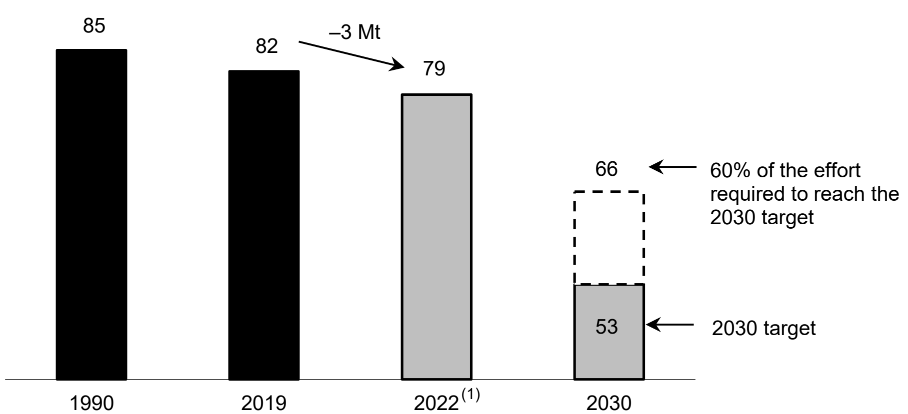
In addition to the actions that have already been defined and funded, the government has created a roadmap to step up its action in the fight against climate change and thus increase greenhouse gas reductions over the coming years.

One of the proposed actions is to optimize the joint carbon market of Québec and the state of California.

– In this respect, both administrations have initiated public consultations to assess possible adjustments to the system.

An update on the impact of measures introduced in Québec on greenhouse gas emissions and the economy will be presented as part of the 2024-2029 implementation plan for the PGE.

Estimated GHG emissions in Québec in 2022 and target for 2030
(millions of tonnes of CO_2 equivalent, unless otherwise indicated)



(1) Estimate based on the information available as at February 29, 2024.
Sources: Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs and Ministère des Finances du Québec.

FINANCIAL IMPACT

TABLE C.31

Financial impact of the measures to support Quebecers and communities
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting seniors with disabilities	—	—	—	—	—	—	—
Consolidating support for Quebecers							
Promoting access to housing							
– Continuing the assistance offered by the Shelter Allowance Program	—	−60.3	−74.9	−65.6	—	—	−200.8
– Maintaining the social housing stock							
▪ Funding low-rental housing stock renovations	−56.3	−19.4	−48.5	−29.1	—	—	−153.3
▪ Supporting the operation of low-rental housing	—	−66.1	—	—	—	—	−66.1
– Adapting and promoting the housing market							
▪ Funding the Residential Adaptation Assistance Program	—	−26.5	−10.9	−0.5	—	—	−37.9
▪ Continuing and enhancing the home ownership program in the Nunavik region	—	−16.6	—	—	—	—	−16.6
▪ Helping municipalities and housing offices for July 1	—	−7.8	—	—	—	—	−7.8
Subtotal – Promoting access to housing	−56.3	−196.7	−134.3	−95.2	—	—	−482.5
Supporting youth and families							
– Supporting youth							
▪ Ensuring funding for the 2024-2029 youth action plan	—	−16.9	−17.0	−17.0	−17.0	−17.0	−84.9
▪ Maintaining funding for youth employment centres	—	−9.7	−6.8	−5.4	—	—	−21.9
– Converting 1 000 non-subsidized childcare spaces	—	−3.9	−15.7	−16.0	−16.3	−16.7	−68.6

TABLE C.31

Financial impact of the measures to support Quebecers and communities (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Consolidating support for Quebecers (cont.)							
– Ensuring adequate funding for childcare services							
▪ Adequately funding educational childcare services	−35.0	—	−18.0	—	—	—	−53.0
▪ Consolidating support to integrate disabled children with major needs	—	−5.3	−5.5	−5.9	−6.7	−7.5	−30.9
▪ Enhancing the offer of childcare spaces for people with non-standard work schedules	—	−2.9	−1.0	−1.0	—	—	−4.9
▪ Better meeting families' needs	—	−0.9	—	—	—	—	−0.9
– Modifying eligibility criteria for the supplements for handicapped children	—	−0.4	−0.7	−0.9	−1.1	−1.3	−4.4
Subtotal – Supporting youth and families	−35.0	−40.0	−64.7	−46.2	−41.1	−42.5	−269.5
Helping the most vulnerable and promoting social inclusion							
– Implementing targeted actions with local partners							
▪ Maintaining financial support for Solidarity Alliances	—	−14.6	−14.6	−21.0	−21.0	−18.6	−89.8
▪ Implementing promising initiatives to fight poverty	—	−2.8	−2.8	−2.8	−2.8	−2.8	−14.0
▪ Continuing the volunteer support program	—	−12.0	—	—	—	—	−12.0
▪ Supporting the continuity of services for Indigenous people who are homeless	—	−1.8	−1.8	—	—	—	−3.6

TABLE C.31

Financial impact of the measures to support Quebecers and communities (cont.)

(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Consolidating support for Quebecers (cont.)							
– Supporting food aid							
▪ Providing financial support to the Food Banks of Québec	—	−30.0	−10.0	—	—	—	−40.0
▪ Recovering surplus food and improving youth's culinary skills	—	—	−1.5	−1.5	−1.5	−1.5	−6.0
– Ensuring the continuity of transportation services for people with reduced mobility	—	−9.7	−62.0	−66.6	−71.2	−76.1	−285.6
– Introducing an employment income supplement for social assistance and social solidarity recipients	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
– Promoting employment integration for people who are further removed from the labour market							
▪ Implementing actions to promote employment integration	—	−5.0	−5.0	−3.1	−2.1	−2.2	−17.4
▪ Supporting Solidarity Gardens	—	−1.0	−1.0	−1.0	−0.8	−0.8	−4.6
Subtotal – Helping the most vulnerable and promoting social inclusion	—	−78.9	−100.7	−98.0	−101.4	−104.0	−483.0
Extending the eligibility period for the one-time cost of living support payment	−37.9	—	—	—	—	—	−37.9
Subtotal – Consolidating support for Quebecers	**−129.2**	**−315.6**	**−299.7**	**−239.4**	**−142.5**	**−146.5**	**−1 272.9**

TABLE C.31

Financial impact of the measures to support Quebecers and communities (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting communities							
Promoting sustainable participation in recreation and sports in a safe environment							
– Improving accessibility and safety in recreation and sports							
▪ Better protecting the integrity of persons in recreation and sports	—	−1.4	−1.8	−8.2	−9.1	−9.2	−29.7
▪ Improving aquatic safety	—	−1.6	−1.6	−1.6	−1.6	−1.6	−8.0
▪ Improving accessibility to sports and recreation	—	−1.8	−1.8	−1.8	−1.8	−1.8	−9.0
– Supporting major sports competitions							
▪ Continuing the funding of new infrastructure projects for the Jeux du Québec	—	−6.0	−6.0	−6.0	−5.0	−5.0	−28.0
▪ Supporting the organization of the 2027 Canada Games in Québec city	—	−0.5	−6.1	−4.5	—	—	−11.1
Subtotal – Promoting sustainable participation in recreation and sports in a safe environment	—	−11.3	−17.3	−22.1	−17.5	−17.6	−85.8

TABLE C.31

Financial impact of the measures to support Quebecers and communities (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting communities (cont.)							
Consolidating the public safety intervention capacity							
– Ensuring safety in Indigenous communities	—	−19.7	−24.9	−31.6	−34.4	−37.2	−147.8
– Improving cellular coverage	—	—	−25.0	—	—	—	−25.0
– Combatting sexual violence	—	−5.2	−5.4	−5.4	−5.4	−5.4	−26.8
– Following up on the Review Board for Mental Disorder community measures	—	−0.9	−2.1	−2.7	−2.8	−2.8	−11.3
– Continuing to fund radicalization prevention initiatives	—	−0.7	−0.7	−0.7	−0.7	−0.7	−3.5
Subtotal – Consolidating the public safety intervention capacity	—	−26.5	−58.1	−40.4	−43.3	−46.1	−214.4
Strengthening legal support and services for vulnerable individuals							
– Deploying the court specialized in sexual and domestic violence throughout Québec	—	−11.9	−20.0	−20.0	−20.0	−20.0	−91.9
– Enhancing security in courthouses	—	−6.7	−6.6	−5.9	−5.9	−5.9	−31.0
– Strengthening the actions of the Curateur publique aimed at preventing and detecting abuse of persons under private tutorship	—	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
– Providing guidance and legal support in the event of harassment in the workplace	—	−0.6	−0.6	−0.6	−0.6	—	−2.4
Subtotal – Strengthening legal support and services for vulnerable individuals	—	−22.2	−30.2	−29.5	−29.5	−28.9	−140.3
Subtotal – Supporting communities	**—**	**−60.0**	**−105.6**	**−92.0**	**−90.3**	**−92.6**	**−440.5**

TABLE C.31

Financial impact of the measures to support Quebecers and communities (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Showcasing culture and promoting the French language							
Showcasing Québec culture and heritage							
– Supporting and guiding cultural businesses	—	—	−5.0	−5.0	−5.0	−6.0	−21.0
– Supporting cultural organizations	—	−4.8	−8.4	−7.5	−7.5	—	−28.2
– Augmenting the Québec Cultural Heritage Fund	—	−13.3	−13.3	−13.4	—	—	−40.0
– Continuing to implement the cultural passport for youth	—	−3.0	—	—	—	—	−3.0
Subtotal – Showcasing Québec culture and heritage	—	−21.1	−26.7	−25.9	−12.5	−6.0	−92.2
Supporting the media and the dissemination of Québec's culture							
– Continuing to implement the media assistance strategy	—	−6.4	−5.9	−5.9	−5.9	−5.9	−30.0
– Enhancing programming at Télé-Québec	—	−10.0	−10.0	—	—	—	−20.0
– Adapting the funding of the audiovisual sector	—	−2.8	−1.1	—	—	—	−3.9
Subtotal – Supporting the media and the dissemination of Québec's culture	—	−19.2	−17.0	−5.9	−5.9	−5.9	−53.9
Supporting the promotion and advancement of the French language	—	−1.0	−10.0	−10.0	−10.0	−10.0	−41.0
Subtotal – Showcasing culture and promoting the French language	**—**	**−41.3**	**−53.7**	**−41.8**	**−28.4**	**−21.9**	**−187.1**

TABLE C.31

Financial impact of the measures to support Quebecers and communities (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Protecting the environment and adapting to climate change							
Ensuring safety amid climate change							
– Responding to the rise in major disasters	—	−7.7	−13.0	−13.2	−13.6	−13.8	−61.3
– Increasing SOPFEU's capacity to fight forest fires	—	−7.0	−8.0	−8.0	−3.0	−3.0	−29.0
– Ensuring the safety and serviceability of public dams	—	−0.9	−1.7	−1.7	−1.7	−1.7	−7.7
– Increasing financial assistance for upgrades to municipal and private dams	—	−1.3	−1.3	−1.3	—	—	−3.9
Subtotal – Ensuring safety amid climate change	—	−16.9	−24.0	−24.2	−18.3	−18.5	−101.9
Promoting Québec's environmental assets							
– Establishing the Anticosti World Heritage Site	—	−0.5	−1.2	−11.4	−0.5	−0.6	−14.2
– Supporting the creation of the Nibiischii national park	—	−0.2	−0.2	−0.3	−0.3	−0.4	−1.4
– Continuing to optimize the environmental authorization process for economic development projects	—	−1.7	−1.7	−1.7	−1.7	−1.7	−8.5
– Supporting Indigenous communities in their management and valorization of wildlife	—	−1.5	—	—	—	—	−1.5
Subtotal – Promoting Québec's environmental assets	—	−3.9	−3.1	−13.4	−2.5	−2.7	−25.6
Updating the implementation plan for the 2030 Plan for a Green Economy	—	—	—	—	—	—	—
Subtotal – Protecting the environment and adapting to climate change	**—**	**−20.8**	**−27.1**	**−37.6**	**−20.8**	**−21.2**	**−127.5**
TOTAL	**−129.2**	**−437.7**	**−486.1**	**−410.8**	**−282.0**	**−282.2**	**−2 028.0**

Section D

ACTING ON ECONOMIC PRIORITIES

SUMMARY

The government has committed to creating more wealth and increasing Québec's economic potential. In concrete terms, it aims to reduce the gap in real GDP per capita with Ontario to less than 10% by 2026 and eliminate it by 2036.

Accordingly, major steps have been taken since 2018 to enhance business and government productivity and promote workers' integration in the labour market in the context of the labour shortage.

The government's actions are bearing fruit and have improved Quebecers' standard of living. As a result, the wealth gap with Ontario has narrowed significantly and continues to close.

The standard of living gap between Québec and Ontario stood at 15.9% in 2018 and is expected to narrow to 11.9% in 2024.

Budget 2024-2025 is an opportunity for the government to act on Québec's economic priorities to help achieve its wealth creation objectives.

Close to $1.9 billion over five years will support economic growth by boosting strategic sectors, growing the available labour pool and increasing productivity in the construction industry.

To achieve this, the government is also relying on the prosperity of the regions and immigrants' economic and social integration.

In Budget 2024-2025, the government is continuing its efforts by announcing investments totalling nearly $1.9 billion over five years to act on Québec's economic priorities, namely:

— $443.1 million with a view to supporting strategic sectors and economic growth;

— $126.0 million for growing the available labour pool and increasing productivity in the construction industry;

— $888.5 million for contributing to the prosperity of the regions;

— $400.0 million for fostering immigrants' economic and social integration.

These initiatives will add to the amount of $1.3 billion over five years announced in the *Update on Québec's Economic and Financial Situation – Fall 2023* for the renewal of the investment and innovation tax credit (C3i).

TABLE D.1

Financial impact of the measures to act on economic priorities
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting strategic sectors and economic growth	−85.1	−94.5	−93.5	−80.0	−90.0	−443.1
Growing the available labour pool and increasing productivity in the construction industry	−103.0	−22.0	−1.0	—	—	−126.0
Contributing to the prosperity of the regions	−173.3	−399.3	−110.2	−105.2	−100.5	−888.5
Fostering immigrants' economic and social integration	−80.0	−80.0	−80.0	−80.0	−80.0	−400.0
TOTAL	**−441.4**	**−595.8**	**−284.7**	**−265.2**	**−270.5**	**−1 857.6**

Québec's standard of living is expected to continue to catch up despite the cyclical economic slowdown

Québec's strong economic performance since 2018 has narrowed the gap in living standards with Ontario and the rest of Canada.

- Between 2018 and 2022, Quebecers' standard of living surged by an average of 0.9% annually. By comparison, real GDP per capita remained relatively stable in Ontario (+0.2%) and the rest of Canada (0.0%) over the same period.
- As a result, the standard of living gap with Ontario has narrowed considerably, decreasing from 15.9% in 2018 to 12.9% in 2022. A similar trend has been observed in comparison to the rest of Canada (narrowing from 20.2% to 15.9%).

The slowdown in economic activity observed around the world in 2023 and 2024 will result in a temporary decline in real GDP per capita, in particular in Ontario and in Québec.

- The standard of living gap between Québec and its main trading partners increased temporarily in 2022 and 2023. This is due in particular to the recovery of the automotive sector that underpinned Ontario's real GDP growth.
- Nevertheless, gains in terms of closing the standard of living gap between Québec and its trading partners are expected to continue in 2024, as changes in real GDP per capita will be more favourable in Québec. The standard of living gap is forecast to reach a low in 2025.

Change in standard of living
(real GDP per capita, change and gap with Québec in per cent)

	2018	2019	2020	2021	2022	2023	2024	2025
Change								
Québec	1.6	1.7	−5.5	6.5	1.3	−2.1	−2.1	0.9
Ontario	1.5	0.4	−5.8	4.8	1.8	−1.8	−3.3	0.5
Rest of Canada	1.2	0.1	−6.2	4.3	2.1	−1.8	−2.9	0.5
Gap								
Ontario	15.9	14.4	14.1	12.3	12.9	13.3	11.9	11.5
Rest of Canada	20.2	18.4	17.5	15.1	15.9	16.3	15.3	14.9

Note: Ontario's real GDP growth for 2023, 2024 and 2025 corresponds to the average forecast of nine private sector institutions as at February 16, 2024. Ontario's population growth for 2024 and 2025 corresponds to the expected growth for Canada excluding Québec. For the rest of Canada, the growth forecasts are for Canada excluding Québec.
Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

Determinants of Québec's economic potential

The government's aim is to raise the standard of living for Quebecers. It will achieve this objective by acting on the determinants of growth, namely:

- productivity;
- the employment rate;
- the demographic weight of the population aged 15 to 64.

Québec's standard of living is expected to continue to catch up despite the cyclical economic slowdown (cont.)

Productivity

Productivity, which is real GDP per job, measures the efficiency of workers to transform their efforts into output. Productivity gains offer the greatest potential for improvement to support growth in the standard of living in Québec.

After posting robust growth of 2.3% in 2021, productivity has stopped contributing to the rise in economic activity. This decline reflects the cyclical slowdown in production in a context of strong job creation. This phenomenon is also seen in Ontario and Canada. Productivity will return to growth in 2025 (+0.9%).

Employment rate

The employment rate for people aged 15 to 64, which reflects an economy's ability to utilize the available labour pool, has risen sharply in recent years. In 2023, it reached an all-time high, and Québec recorded the highest rate in Canada. Given this context, potential employment rate gains will be more difficult to achieve.

Demographic weight of the population aged 15 to 64

Québec's population is aging. The proportion of Québec's population aged 15 to 64 has been declining steadily since the mid-2000s, and demographic trends are difficult to reverse. The various demographic scenarios of the Institut de la statistique du Québec show that even under optimistic assumptions, which assume that Québec will welcome a higher number of immigrants, the demographic weight of the population aged 15 to 64 will continue to decline.

Contribution of factors to Quebecers' standard of living
(average annual percentage change and contribution in percentage points)

	2010 to 2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Growth factors (contribution)							
Demographic weight of 15- to 64-year-olds(1)	−0.6	−0.9	−0.5	−1.2	−1.5	−1.3	−0.7
Employment rate(2)	1.0	−5.3	4.5	3.1	1.5	−0.5	0.6
Productivity(3)	0.7	0.7	2.3	−0.5	−2.1	−0.3	0.9
STANDARD OF LIVING(4)	**1.1**	**−5.5**	**6.5**	**1.3**	**−2.1**	**−2.1**	**0.9**
Real GDP	1.9	−4.7	6.7	2.5	0.2	0.6	1.6
Population	0.8	0.8	0.2	1.2	2.3	2.8	0.7

Note: Totals may not add due to rounding.
(1) The demographic weight of the 15-to-64 age group represents the share of the population aged 15 to 64 as a percentage of the total population.
(2) The employment rate corresponds to the total number of workers in proportion to the population aged 15 to 64.
(3) Productivity as measured by real GDP per job.
(4) Standard of living as measured by real GDP per capita.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1. SUPPORTING STRATEGIC SECTORS AND ECONOMIC GROWTH

To help achieve its wealth creation objectives, the government must continue to invest in sectors that contribute to increasing the productivity of Québec's economy, in particular the aluminum, aerospace and natural resources sectors.

It must also continue to take action on the main determinants of economic growth, namely, the use of productivity-enhancing technology, such as artificial intelligence, quantum and information technologies, entrepreneurial dynamism and the training of qualified workers.

In order to support strategic sectors and economic growth, as part of Budget 2024-2025, the government is planning initiatives totalling $443.1 million over five years aimed at:

— setting up industrial laboratories in innovation zones;

— growing Québec's aerospace sector;

— continuing to develop the aluminum sector;

— promoting the adoption of new technologies and research;

— supporting entrepreneurship and acquisition entrepreneurship;

— recapitalizing the Natural Resources and Energy Capital Fund.

TABLE D.2

Financial impact of the measures to support strategic sectors and economic growth
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Setting up industrial laboratories in innovation zones(1),(2)	−5.0	−15.0	−25.0	−35.0	−45.0	−125.0
Growing Québec's aerospace sector(1)	−14.5	−15.0	−15.0	−15.0	−15.0	−74.5
Continuing to develop the aluminum sector(1)	−9.0	−10.5	−11.5	—	—	−31.0
Promoting the adoption of new technologies and research	−53.6	−51.0	−39.0	−30.0	−30.0	−203.6
Supporting entrepreneurship and acquisition entrepreneurship(1)	−3.0	−3.0	−3.0	—	—	−9.0
Recapitalizing the Natural Resources and Energy Capital Fund(3)	—	—	—	—	—	—
TOTAL	**−85.1**	**−94.5**	**−93.5**	**−80.0**	**−90.0**	**−443.1**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.
(2) Investments of $37.5 million are provided for in the 2024-2034 Québec Infrastructure Plan.
(3) An additional envelope of $500 million will be made available to the Natural Resources and Energy Capital Fund through an advance from the Minister of Finance.

1.1 Setting up industrial laboratories in innovation zones

Innovation zones are intended to position Québec globally in strategic sectors and contribute to its prosperity.

To promote their development, the government plans to equip certain innovation zones with industrial laboratories with a view to accelerating the promotion and transfer of innovations.

— These industrial laboratories will use their expertise to serve businesses in innovation zones with the aim of increasing the impact of government investment in sectors where Québec stands out for its competitiveness and capacity to innovate.

— They will enable businesses to benefit faster from innovations developed through applied research and to solve common industrial challenges, and will provide access to talent and a cutting-edge research ecosystem, speeding up the commercialization of new products and processes.

The government is providing $125.0 million over five years for setting up industrial laboratories.

1.2 Growing Québec's aerospace sector

Since the end of the pandemic, the economic context underpinning Québec's aerospace sector has greatly improved due to the upturn in air traffic. In addition, major projects are expected to launch in the space sector over the coming year.

In order to support this industry, which represents a significant portion of Québec's exports, and maximize the economic benefits of new investment projects, the government is providing $74.5 million over five years. In particular, this amount will go toward:

— supporting the development of new aerospace technologies;

— making businesses in the sector more competitive;

— attracting talent.

1.3 Continuing to develop the aluminum sector

Québec is the largest primary aluminum producer in North America and the fourth largest in the world.

This sector plays an important role in Québec's economy, particularly in the regions. Furthermore, Québec innovations such as the ELYSIS technology, which eliminates GHGs directly linked to aluminum production, enable this sector to stand out on international markets.

In addition to primary aluminum producers, many dynamic SMBs and partners contribute to the development and renown of this innovative sector.

In order to continue developing the aluminum sector, the government is providing $31.0 million over three years. In particular, this amount will go toward:

— accelerating the shift to 4.0, which consists in businesses integrating information technologies and robotization;

— modernizing businesses in the sector and boosting their exports;

— accelerating innovation and research, and leveraging Québec's green aluminum.

1.4 Promoting the adoption of new technologies and research

Given the labour shortage, productivity gains hold the greatest potential for improving the standard of living. To realize these gains, businesses and the government need to accelerate their technological shift.

To promote the adoption of new technologies and research, in Budget 2024-2025, the government is planning initiatives totalling $203.6 million over five years, aimed at:

- continuing to accelerate the government's digital transformation;
- supporting emerging technologies;
- modernizing property taxes to promote robotization;
- facilitating the mandates of the Institut de la statistique du Québec.

TABLE D.3

Financial impact of the measures to promote the adoption of new technologies and research
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Continuing to accelerate the government's digital transformation(1)	−48.6	−46.0	−34.0	−30.0	−30.0	−188.6
Supporting emerging technologies(2)	−5.0	−5.0	−5.0	—	—	−15.0
Modernizing property taxes to promote robotization	—	—	—	—	—	—
Facilitating the mandates of the Institut de la statistique du Québec(3)	—	—	—	—	—	—
TOTAL	**−53.6**	**−51.0**	**−39.0**	**−30.0**	**−30.0**	**−203.6**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de la Cybersécurité et du Numérique.
(2) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.
(3) This measure is designed to facilitate access by the Institut de la statistique du Québec to designated data for its statutory mandates. There is no financial impact.

❑ Continuing to accelerate the government's digital transformation

Since its creation two years ago, the Ministère de la Cybersécurité et du Numérique has been responsible for the government's digital transformation.

To provide, among other things, the public with a secure digital identity to transact with the state through a user-friendly platform, the government is announcing continued investments of $188.6 million over five years to accelerate the pace of the state's digital transformation.

— This amount will make it possible to continue government-wide projects aimed at providing Quebecers with public services that are more intuitive and easier to use, in addition to improving the government's efficiency.

❑ Supporting emerging technologies

Emerging technologies such as artificial intelligence and quantum technologies, as well as innovations in information and communication technologies, help businesses improve their productivity by reducing computing time and making the flow of information more secure, among other things.

To assist businesses in integrating emerging technologies and maintain Québec's position in these fields, the government is providing $15.0 million over three years for:

— conducting multidisciplinary work bringing together two distinct fields of expertise in order to foster collaboration between research sectors and technology transfer;

— financing business innovation projects that help develop the ecosystem for these technologies in Québec.

Investments in artificial intelligence

With the aim of boosting business productivity, the government has taken a number of steps to increase the use of emerging technologies, including artificial intelligence (AI).

The government has made major investments to support the responsible development of AI and the adoption of AI solutions in business and society.

Investments that pay off and set Québec apart

Since 2016, over $750 million has been invested with the aim of supporting the responsible development of the AI ecosystem and fostering the adoption of AI by businesses, including:

- $100.0 million for creating an AI supercluster planned in Budget 2017-2018;
- $329.3 million for speeding up the adoption of AI announced in Budget 2019-2020;
- $125.0 million planned as part of the 2022-2027 Québec Research and Innovation Investment Strategy (QRIIS2), announced in Budget 2022-2023.

These sums have enabled Québec to stand out on several fronts, particularly in deep learning research, through the attraction of large businesses that are leaders in AI and the increase in the development of innovative new businesses.

The investments made have helped create a diverse AI ecosystem comprising:

- over 80 research and transfer institutions;
- nearly 475 businesses developing AI applications and solutions;
- nearly 120 businesses specializing in AI services.

The sums planned as part of the QRIIS2 will go toward pursuing AI responsible development, in particular by:

- attracting and training talent;
- assisting businesses;
- contributing to the coordination of the stakeholders;
- providing financial support for business projects.

In addition, players in the AI field can benefit from advantageous tax incentives, including research and development (R&D) tax credits, the tax credit for the development of e-business and tax holidays for foreign researchers and experts.

❑ Modernizing property taxes to promote robotization

To support robotization and maintain the competitiveness of the Québec tax system, the government plans to modernize the *Act respecting municipal taxation*.[1]

— At present, the Act does not explicitly provide for the treatment of certain robots and robotic handling equipment.

The current situation may have significant tax consequences at a time when businesses are having more and more opportunities to invest in robotization as well as options for doing so.

To promote innovation in robotization in Québec businesses, the government is announcing, as part of Budget 2024-2025, that it will undertake a consultation with municipalities in this regard to modernize[2] certain provisions of the *Act respecting municipal taxation*.

❑ Facilitating the mandates of the Institut de la statistique du Québec

To support research in Québec, it is essential to make the most of the data held by public bodies. To that end, the government has set up a simplified process for accessing this data for research purposes. For example, the government has designated data held by public bodies[3] in the areas of health care, education and tax such that the Institut de la statistique du Québec (ISQ) can share them with researchers attached to a public body. Data held by other public bodies will also be designated at a later date.[4]

Legislative amendments will be proposed to ensure that the ISQ can also use these designated data for its statutory mandates. These mandates include keeping Québec's population record up to date and carrying out work concerning sustainable development, the situation and advancement of the French language in Québec, and the total remuneration of certain employees.

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1 CQLR, chapter F-2.1.

2 Legislative amendments will be required to implement this initiative.

3 Ministère de la Santé et des Services sociaux, Régie de l'assurance maladie du Québec, Ministère de l'Éducation, Ministère de l'Enseignement supérieur and Revenu Québec.

4 Ministère de l'Emploi et de la Solidarité sociale, Ministère du Travail, Ministère de l'Immigration, de la Francisation et de l'Intégration and Retraite Québec.

1.5 Supporting entrepreneurship and acquisition entrepreneurship

Entrepreneurship is at the heart of the government's economic vision. The government's Plan québécois en entrepreneuriat 2022-2025 (PQE) is aimed at:

- promoting entrepreneurs and providing them with high-quality consulting services;
- fostering a business environment conducive to business growth.

To support these activities, the government is providing an additional $9.0 million over three years, in particular to support the acquisition of Québec businesses and ensure entrepreneurial succession.

Providing SMBs with information on tax credits

In Québec, several corporate tax credits help support the growth of businesses, the vast majority of which are SMBs.

- However, only 14% of SMBs currently apply to Revenu Québec for tax credits, mainly because they are unfamiliar with the measures available to them and the application process.

To address this issue, Revenu Québec's 2023-2027 strategic plan includes an initiative to provide SMBs with information, education and support regarding corporate tax credits. Revenu Québec's target is to inform at least 5 000 businesses in 2023-2024 and over 50 000 by 2026-2027.

To achieve this, a pilot project was launched in fall 2023. Over 1 000 SMBs were informed about the tax credits available to them.

This initiative will ensure that more SMBs benefit from the tax credits to which they are entitled.

1.6 Recapitalizing the Natural Resources and Energy Capital Fund

The Natural Resources and Energy Capital Fund supports the development and processing of natural resources, the energy transition and green energy production.

— With $1 billion in capitalization, this fund enables the government to participate directly, as a shareholder, in the projects of supported businesses.

— Since its creation in 2015, it has rolled out over $600 million and has invested in some 20 businesses.

To enable the Natural Resources and Energy Capital Fund to support more investment projects in the coming years, Budget 2024-2025 has set aside an additional envelope of $500.0 million for it.

— In particular, this amount will be used to fund pivotal investment projects, in support of the Stratégie québécoise de développement de la filière batterie and the Québec Plan for the Development of Critical and Strategic Minerals 2020-2025.

2. GROWING THE AVAILABLE LABOUR POOL AND INCREASING PRODUCTIVITY IN THE CONSTRUCTION INDUSTRY

Demand in the construction industry will rise substantially in the coming years with several major construction sites and investment projects in the residential, industrial and public services sectors.

To grow the available labour pool and increase productivity in the construction industry, the government is planning initiatives totalling $126.0 million over three years in Budget 2024-2025 with the aim of:

— continuing the Offensive formation en construction;

— fostering innovation and productivity in the construction industry.

TABLE D.4

Financial impact of the measures to grow the available labour pool and increase productivity in the construction industry
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Continuing the Offensive formation en construction(1)	−98.0	−13.0	—	—	—	−111.0
Fostering innovation and productivity in the construction industry(2)	−5.0	−9.0	−1.0	—	—	−15.0
TOTAL	**−103.0**	**−22.0**	**−1.0**	**—**	**—**	**−126.0**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l’Éducation.
(2) The appropriations will be granted to the Ministère de l’Emploi et de la Solidarité sociale.

Modernizing the construction industry

On February 1, 2024, the Minister of Labour tabled Bill 51, *An Act to modernize the construction industry*, which proposes concrete solutions to the labour shortage in the construction industry.

It will act on several fronts to enable the sector to better carry out projects that meet the needs of the population.

The proposed measures are aimed in particular at increasing productivity and efficiency in the organization of work in the construction industry, by enabling greater versatility for certain tasks performed on construction sites.

2.1 Continuing the Offensive formation en construction

On October 30, 2023, the government launched the Offensive formation en construction aimed at training an additional 4 000 to 5 000 people in the short term for trades in high demand on construction sites.

These accelerated, paid training programs were part of the first phase of the response to the needs of the construction industry. A high level of interest was quickly sparked, with over 4 600 people enrolled in the construction training offensive programs.

— Approximately three quarters of them began their training in January, while the rest started in February or March.

The government is continuing its efforts to increase the supply of labour in this sector by:

— opening a new carpenter-joiners cohort in spring 2024;

— adding a program for lineworkers.

In addition, the funding will make it possible to speed up the development of emerging training programs, such as work-study programs, in order to offer training that is better adapted to certain client groups.

In Budget 2024-2025, the government is providing an amount of $111.0 million over two years.

Furthermore, $7.0 million will be invested in acquiring equipment, the cost of which is included in the Québec Infrastructure Plan.

Recap of the Offensive formation en construction launch

To increase the number of skilled workers in the construction industry, the government launched the Offensive formation en construction in October 2023. To this end, investments of $261.0 million over two years were provided as part of the 2023 fall update.

In addition, $38.1 million was invested in infrastructure to set up the resources associated with the training offer, particularly the facilities, or to acquire equipment.

The purpose of the initiative is to ensure that companies in the construction industry gain quick access to the labour they need to meet demand.

As a result, in January 2024, the government introduced short-term training programs leading to an attestation of vocational studies (AVS) in four fields that will help fill the most significant labour needs in five trades: carpenter-joiners, shovel operators, heavy equipment operators, tinsmiths and refrigerationists.

Furthermore, financial support was provided to increase the appeal of AVS and diploma of vocational studies (DVS) training programs leading to one of these five targeted trades.

The government also increased the capacity of two study programs leading to a DVS, that is, in electricity and in plumbing and heating.

2.2 Fostering innovation and productivity in the construction industry

To ensure that infrastructure projects that benefit the public are completed, the construction sector must have access to a large pool of workers and be able to boost productivity by adopting innovative technologies and modernized ways of working.

To foster productivity gains and innovation, in addition to promoting worker training in the construction sector, in Budget 2024-2025, the government is providing $15.0 million over three years, in particular to support companies in this sector in the digital transformation of their operations through the implementation of a labour productivity pathway.

This initiative complements the government's significant efforts to increase and accelerate workforce training for the construction sector.

3. CONTRIBUTING TO THE PROSPERITY OF THE REGIONS

To increase its wealth, Québec must be able to rely on the economic prosperity of its regions.

In order to contribute to such prosperity, in Budget 2024-2025, the government is planning initiatives totalling $888.5 million over five years with a view to:

— supporting Québec's forestry sector;

— boosting mobility and vitality in the regions;

— fostering the development of the bio-food sector;

— continuing to revitalize the tourism industry;

— strengthening partnerships with First Nations;

— supporting businesses through Accès entreprise Québec.

TABLE D.5

Financial impact of the measures to contribute to the prosperity of the regions
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting Québec's forestry sector	−99.0	−63.5	−62.0	−62.0	−61.0	−347.5
Boosting mobility and vitality in the regions	−29.1	−269.0	−19.0	−10.0	−10.0	−337.1
Fostering the development of the bio-food sector	−19.0	−20.0	−20.0	−24.0	−24.5	−107.5
Continuing to revitalize the tourism industry	−21.2	−19.2	−4.2	−4.2	—	−48.8
Strengthening partnerships with First Nations(1)	−5.0	−5.0	−5.0	−5.0	−5.0	−25.0
Supporting businesses through Accès entreprise Québec(2)	—	−22.6	—	—	—	−22.6
TOTAL	**−173.3**	**−399.3**	**−110.2**	**−105.2**	**−100.5**	**−888.5**

(1) The appropriations will be granted to the Ministère du Conseil exécutif. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

3.1 Supporting Québec's forestry sector

The exceptional forest fires in summer 2023 had a major impact on the communities and forestry companies affected.

Québec's forestry sector is an important vector of economic development in several regions of Québec. To support the industry, as part of Budget 2024-2025, the government is planning a number of initiatives totalling $347.5 million over five years aimed at:

— investing more in Québec's forests;

— maximizing harvesting of available timber volumes.

TABLE D.6

Financial impact of the measures to support Québec's forestry sector
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Investing more in Québec's forests	−73.0	−62.0	−62.0	−62.0	−61.0	−320.0
Maximizing harvesting of available timber volumes	−26.0	−1.5	—	—	—	−27.5
TOTAL	**−99.0**	**−63.5**	**−62.0**	**−62.0**	**−61.0**	**−347.5**

Efforts of more than $900 million to support the forestry sector

The impact of the forest fires in summer 2023 is major for the forestry sector, since just over one million hectares of forest were affected by the fires, some of which may not regenerate adequately without reforestation.

Major actions rapidly implemented

To support the forestry sector, which has been adversely affected by these fires, the government announced, as part of the fall 2023 update, $404.2 million over five years with a view to:

- increasing the fire suppression capacity of the Société de protection des forêts contre le feu (SOPFEU), whose mission includes protecting forests, communities and strategic infrastructure from forest fires;
- providing affected businesses with financial support, including working capital support, among other things;
- meeting the immediate needs of the forest industry in terms of the recovery of burned timber;
- carrying out additional silviculture work to accelerate reforestation.

These amounts were in addition to the $128.0 million announced as part of Budget 2023-2024 for the purpose of:

- increasing the level of investment in silviculture work;
- continuing efforts to protect forests from the spruce budworm;
- supporting the forest industrial structure in the Outaouais and Laurentides regions.

Additional efforts to support the forestry sector

In addition to the risks of extreme weather events, it is necessary to reconcile the different uses of forests with the preservation of natural environments.

In this budget, new measures are being introduced to increase available timber and support the forestry sector by setting aside $347.5 million over five years, including $297.0 million to increase silviculture work that will boost the productivity of Québec's forests.

In addition, $29.0 million is being provided with a view to increasing SOPFEU's capacity to fight forest fires, which would be supplemented by a contribution from the federal government.[1]

As a result, efforts announced since Budget 2023-2024 to support the forestry sector represent investments of more than $900 million.

1 For more details, see the subsection "Protecting the environment and adapting to climate change" of Section C, "Supporting Quebecers and Communities."

❑ Investing more in Québec's forests

The forest industry is facing major challenges, particularly due to extreme weather events. Additional investments are therefore needed to ensure supply for Québec's forest industry, in collaboration with communities.

In this context, as part of Budget 2024-2025, the government is announcing $320.0 million over five years to invest more in Québec's forests, as follows:

— $150.0 million to increase silviculture work in public forests and forest sapling production;

— $147.0 million to continue investments in silviculture in private forests in order to support the supply of wood processing plants;

— $10.0 million to fight the spruce budworm epidemic;

— $9.0 million to renew Québec's participation in the FPInnovations research centre's national collaborative research program and evaluate the potential for automating silviculture work;

— $4.0 million to increase support for local and Indigenous community participation in sustainable forest management.

TABLE D.7

Financial impact of the measures to invest more in Québec's forests
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Increasing silviculture work in public forests and forest sapling production(1)	−30.0	−30.0	−30.0	−30.0	−30.0	−150.0
Continuing investments in silviculture in private forests(1)	−27.0	−30.0	−30.0	−30.0	−30.0	−147.0
Fighting the spruce budworm epidemic	−10.0	—	—	—	—	−10.0
Renewing Québec's participation in the national collaborative research program and evaluating the potential for automating silviculture work	−2.0	−2.0	−2.0	−2.0	−1.0	−9.0
Increasing support for local and Indigenous community participation in sustainable forest management	−4.0	—	—	—	—	−4.0
TOTAL	**−73.0**	**−62.0**	**−62.0**	**−62.0**	**−61.0**	**−320.0**

Note: The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) In 2024-2025, an amount of $26.5 million will be drawn from the envelope of the Ministère des Ressources naturelles et des Forêts.

❑ Maximizing harvesting of available timber volumes

Due to factors such as quality and location, some of the timber available is not harvested.

To ensure that the timber available for harvesting is accessible and economically viable for forestry companies, the government is announcing $27.5 million over two years, as part of Budget 2024-2025, to promote harvesting of available timber volumes, as follows:

- $10.0 million to extend the exceptional program to sell low-quality hardwood in the Outaouais and Laurentides regions;
- $9.0 million to stimulate forest biomass harvesting, particularly in sectors affected by the forest fires of 2023;
- $8.5 million to support timber harvesting in public forests affected by windfall in the Bas-Saint-Laurent region.

TABLE D.8

Financial impact of the measures to maximize harvesting of available timber volumes
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Extending the exceptional program to sell low-quality hardwood in the Outaouais and Laurentides regions(1)	−10.0	—	—	—	—	−10.0
Stimulating the harvesting of forest biomass volumes	−9.0	—	—	—	—	−9.0
Supporting timber harvesting in public forests affected by windfall in the Bas-Saint-Laurent region	−7.0	−1.5	—	—	—	−8.5
TOTAL	**−26.0**	**−1.5**	**—**	**—**	**—**	**−27.5**

Note: The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts. For 2024-2025, $21.0 million will be drawn from the Contingency Fund.
(1) An amount of $5.0 million will be drawn from the Natural Resources Fund.

3.2 Boosting mobility and vitality in the regions

Having access to local services in the heart of our communities and reliable transportation infrastructure and services that enable people to get around throughout Québec contribute to the vitality of our communities.

As a result, in Budget 2024-2025, the government is investing in improving people's mobility and boosting vitality in the regions. To this end, it is setting aside $337.1 million over five years, namely:

- $250.0 million to support the maintenance and improvement of the local road network;
- $27.0 million to boost support for regional air services;
- $10.1 million to open up access to remote and isolated communities;
- $50.0 million to maintain and set up local services in the hearts of towns and villages.

TABLE D.9

Financial impact of the measures to boost mobility and vitality in the regions
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting the maintenance and improvement of the local road network(1),(2)	—	−250.0	—	—	—	−250.0
Boosting support for regional air services(2)	−9.0	−9.0	−9.0	—	—	−27.0
Opening up access to remote and isolated communities(2)	−10.1	—	—	—	—	−10.1
Maintaining and setting up local services in the hearts of towns and villages(3)	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
TOTAL	**−29.1**	**−269.0**	**−19.0**	**−10.0**	**−10.0**	**−337.1**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) Investments of $231.7 million are provided for in the 2024-2034 Québec Infrastructure Plan.
(2) The appropriations will be granted to the Ministère des Transports et de la Mobilité durable.
(3) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

❑ Supporting the maintenance and improvement of the local road network

The government continues to support local communities in maintaining and developing safe and efficient land transportation infrastructure, which secures people's mobility and the transportation of goods.

To support the planning for the work to be carried out on the local road network in 2025-2026, the government is providing $250.0 million in Budget 2024-2025.

❑ Boosting support for regional air services

Having affordable air access to the regions improves people's mobility and contributes to vitality in the regions, especially those that are not connected to the road network and are therefore isolated from the rest of Québec.

As a result, the government is providing $27.0 million over three years to boost its support for regional air services.

This amount will make it possible to better meet the mobility needs of remote communities and offer specific assistance for Nunavik, to take into account the particular situation the region faces.

Stimulating the emergence of affordable regional air services

Since its introduction in spring 2022, the Regional Air Access Program (RAAP) has been contributing to the economic development and vitality of the regions by making interregional air travel more affordable.

The sum of $27.0 million for 2024-2025 to 2026-2027 is in addition to the investment of $234.0 million over five years planned in Budget 2022-2023, bringing the total contribution to $261.0 million over five years.

– This addition will further efforts to provide all Quebecers with access to competitive airline fares, and to enhance the regional air transportation offer.

By encouraging the use of air transportation for interregional travel, the RAAP is in line with the government's desire to stimulate the emergence of more frequent and affordable flights.

❑ Opening up access to remote and isolated communities

The mobility of remote communities and their supply of basic necessities depend on the availability of ships and marine infrastructure. However, these assets can be damaged in unpredictable ways, such as by extreme weather events.

To help maintain ferry and supply services for remote or isolated communities, the government is planning an investment of $10.1 million in 2024-2025 to charter a crew boat and carry out emergency work to maintain safe access to marine infrastructure.

❑ Maintaining and setting up local services in the hearts of towns and villages

Local services are essential to sustaining the quality of life of residents of small communities and villages. As a result, to ensure the vitality of the regions and a dynamic occupation of the land, it is important to maintain and implement a structure of services that are necessary for local development.

In collaboration with municipalities, the government will work to support the hearts of towns and villages, in particular through the maintenance and establishment of local shops.

As a result, an amount of $50.0 million over five years is provided for in Budget 2024-2025 to support the hearts of towns and villages.

Declaration of reciprocity

On December 13, 2023, the government and municipalities signed the Déclaration de réciprocité concernant le nouveau partenariat entre le gouvernement du Québec et les gouvernements de proximité (declaration of reciprocity concerning the new partnership between the Québec government and local governments).

This new phase in relations between the government and municipalities is taking the place of multi-year fiscal pacts in order to ensure flexible, ongoing support for local governments in Québec.

Together, the parties have identified shared priorities and mutual commitments to drive the development of municipal fiscal policy and address the societal challenges affecting communities.

The guiding principles are:

- entrenching the sharing of the one-percentage-point increase in the QST and developing municipal taxation;
- implementing structuring initiatives for climate adaptation and transition;
- encouraging and supporting the development of a sufficient supply of quality housing;
- helping vulnerable people;
- supporting sustainable land development for the benefit of the public and all communities;
- maintaining and planning the renewal of essential municipal infrastructure, particularly water infrastructure.

This new agreement represents a major gain for municipalities and demonstrates the government's undeniable support for their roles as local governments.

3.3 Fostering the development of the bio-food sector

The bio-food sector plays an essential role in Québec's economy and contributes to the enhancement of Québec's land and development in the regions.

To foster the development of the bio-food sector, in Budget 2024-2025, the government is planning initiatives totalling $107.5 million over five years, aimed at:

- supporting sustainable agricultural investments;
- creating an investment fund for land acquisition for the next generation of farmers;
- supporting alcoholic beverage producers.

TABLE D.10

Financial impact of the measures to foster the development of the bio-food sector
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting sustainable agricultural investments(1)	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Creating an investment fund for land acquisition for the next generation of farmers(2)	—	—	—	—	—	—
Supporting alcoholic beverage producers(3)	−9.0	−10.0	−10.0	−14.0	−14.5	−57.5
TOTAL	**−19.0**	**−20.0**	**−20.0**	**−24.0**	**−24.5**	**−107.5**

Note: The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.
(2) An envelope of $50 million will be made available to La Financière agricole du Québec through an advance from the Minister of Finance.
(3) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

❑ Supporting sustainable agricultural investments

La Financière agricole du Québec's Sustainable Growth Investment Program supports sustainable, productive investment by agricultural businesses.

- It funds projects with objectives related to increasing production volumes, adopting agri-environmental practices, profitability, performance or diversification of the company.
- Since June 2023, this program has also supported agricultural businesses experiencing temporary financial difficulties.

To continue supporting sustainable agricultural investments, the government is providing an additional $50.0 million over five years for this program.

❑ Creating an investment fund for land acquisition for the next generation of farmers

The Fonds d'investissement pour la relève agricole (FIRA) supports young entrepreneurs in starting up, expanding or transferring an agricultural business through patient capital investments.

— By the end of its last fiscal year, the FIRA had invested over $43 million and supported close to 140 projects since its creation in 2011.

The FIRA's investment period will end on January 31, 2025.

To ensure continuity in financing projects for the next generation of farmers, the government is announcing, as part of Budget 2024-2025, that an envelope of $50.0 million will be made available to La Financière agricole du Québec for the creation of a new investment fund.

In particular, the new fund will aim to facilitate access to land ownership for young entrepreneurs by offering solutions that are tailored to meet the challenges that come with launching or taking over an agricultural business.

An additional $380 million to support the agricultural sector

To support the agricultural sector and contribute to food autonomy, the government is setting aside $116.0 million over five years in Budget 2024-2025, as follows:

- $50.0 million to create an investment fund for land acquisition for the next generation of farmers;
- $50.0 million to support sustainable agricultural investments;
- $10.0 million to continue to support AgrÉcoles;[1]
- $6.0 million to recover surplus food and improve the culinary skills of young people.[2]

An additional $264.0 million is provided to fund the farm property tax credit program, in recognition of the rapid and substantial increase in farmland value, and to ensure competitive tax treatment for Québec farmers.

These initiatives in the current budget increase support for the agricultural sector to $380.0 million over five years.

1 For more details, see subsection 2.3 "Supporting partner organizations in education" of Section B, "Funding Health Services, Education and Higher Education."
2 For more details, see subsection 2.3 "Helping the most vulnerable and promoting social inclusion" of Section C, "Supporting Quebecers and Communities."

❑ Supporting alcoholic beverage producers

Alcoholic beverage producers play an active part in boosting agrotourism and recreational tourism in the regions.

The Programme d'appui au positionnement des alcools québécois (PAPAQ) was established with the aim of:

— bolstering sales growth in the Société des alcools du Québec network;

— encouraging participation in a reserved designation program;

— supporting marketing initiatives;

— supporting sales development for small-scale wine producers.

The government is providing $57.5 million over five years to extend funding for the PAPAQ.

3.4 Continuing to revitalize the tourism industry

The tourism industry contributes to the vitality of the regions and generates economic benefits throughout Québec.

To continue revitalizing the tourism industry, which was hit hard by the COVID-19 pandemic, the government is setting aside additional sums totalling $48.8 million over four years, as part of Budget 2024-2025, aimed at:

— supporting investment in the tourism industry;

— maintaining the appeal of the Capitale-Nationale region;

— extending the tourist establishment accessibility program.

TABLE D.11

Financial impact of the measures to continue revitalizing the tourism industry
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting investment in the tourism industry	−15.0	−15.0	—	—	—	−30.0
Maintaining the appeal of the Capitale-Nationale region(1)	−4.2	−4.2	−4.2	−4.2	—	−16.8
Extending the tourist establishment accessibility program(2)	−2.0	—	—	—	—	−2.0
TOTAL	**−21.2**	**−19.2**	**−4.2**	**−4.2**	**—**	**−48.8**

(1) The appropriations will be granted to the Secrétariat du Conseil du trésor. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère du Tourisme. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

❑ Supporting investment in the tourism industry

The Québec government offers two investment programs that are tailored to the reality of tourism businesses: the Program Supporting the Development of Tourist Attractions, which has been in place since 2013, and the tourism industry recovery assistance program, which was introduced in fall 2021.

These programs represent major levers for the recovery and growth of Québec's tourism industry.

To continue to support revitalization and investment in the tourism industry, the government is allocating an additional $30.0 million over two years, as follows:

- $25.0 million to support projects that contribute to the revitalization of Québec's tourism industry, which will make it possible to issue a call for projects as part of the tourism industry recovery assistance program;
- $5.0 million to increase the sums available to the Program Supporting the Development of Tourist Attractions.

These amounts will support nearly $110 million in investments in the tourism industry.

TABLE D.12

Financial impact of the measures to support investment in the tourism industry
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting projects that contribute to the revitalization of Québec's tourism industry(1)	−10.0	−15.0	—	—	—	−25.0
Increasing the sums available to the Program Supporting the Development of Tourist Attractions	−5.0	—	—	—	—	−5.0
TOTAL	**−15.0**	**−15.0**	**—**	**—**	**—**	**−30.0**

Note: The appropriations will be granted to the Ministère du Tourisme. For 2024-2025, $10.2 million will be drawn from the Contingency Fund.
(1) Investments of $11.9 million are provided for in the 2024-2034 Québec Infrastructure Plan.

❑ Maintaining the appeal of the Capitale-Nationale region

The regional action support program is the Secrétariat à la Capitale-Nationale's main tool for supporting tourism, economic and cultural projects.

It supports some one hundred economic, tourism, cultural and sports projects each year, contributing to the region's development and influence.

To maintain the appeal of the Capitale-Nationale region, the government is providing $16.8 million over four years for the regional action support program.

❑ Extending the tourist establishment accessibility program

The tourism establishment accessibility program aims to enable people living with one or more disabilities to access tourist accommodations, attractions and services.

To this end, the government is providing $2.0 million in 2024-2025 for new projects under this program.

3.5 Strengthening partnerships with First Nations

The government wishes to continue investing in development activities to harness the value of the land and its resources, particularly in terms of energy development, with the participation and collaboration of Indigenous communities.

In light of this, it recently signed a framework agreement with the Innu of Pessamit First Nation. This agreement will foster collaboration between the government and the First Nation, and will improve predictability in terms of the development of natural resources.

To this end, Budget 2024-2025 provides $25.0 million over five years. Including the amounts planned for 2023-2024 and 2029-2030, a total of $45.0 million over seven years will be granted to the Innu of Pessamit First Nation, enabling the community to invest more in its economic and social development.

3.6 Supporting businesses through Accès entreprise Québec

Established in 2020, Accès entreprise Québec has enabled the recruitment of more than 240 contributors who offer economic development consulting services to businesses in 100 of Québec's regional county municipalities (RCMs) or towns acting as RCMs.

— In 2022-2023, over 9 000 businesses were supported in their projects by these advisers.

These services are provided by regional advisers who support businesses, refer them to the appropriate bodies, programs and tools, and facilitate the funding process through local investment funds and the support of Investissement Québec, among other things.

The government is providing $22.6 million in 2025-2026 to maintain services to support business growth in Québec RCMs.

4. FOSTERING IMMIGRANTS' ECONOMIC AND SOCIAL INTEGRATION

Immigrants play an important role in Québec's economic and social development.

To foster their integration into Québec society and the labour market, the government notably offers immigrants high-quality French language support and learning services through Francisation Québec, as provided for in the *Charter of the French language*.

In Budget 2024-2025, the government is announcing initiatives totalling $400.0 million over five years with a view to:

— responding to the significant increase in the francization clientele and enhancing the offer of services for certain clienteles;

— improving guidance and support for the integration of immigrants;

— supporting the provision of immigration services.

TABLE D.13

Financial impact of the measures to foster immigrants' economic and social integration
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Responding to the significant increase in the francization clientele and enhancing the offer of services for certain clienteles	−40.0	−70.0	−70.0	−70.0	−70.0	−320.0
Improving guidance and support for the integration of immigrants	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Supporting the provision of immigration services	−30.0	—	—	—	—	−30.0
TOTAL	**−80.0**	**−80.0**	**−80.0**	**−80.0**	**−80.0**	**−400.0**

Note: The appropriations will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration. The amounts provided for 2024-2025 will be drawn from the Contingency Fund.

4.1 Responding to the significant increase in the francization clientele and enhancing the offer of services for certain clienteles

As of June 1, 2023, Francisation Québec has become the government's one-stop service for learning French. It has seen a significant increase in its clientele due to the growing interest in francization among people who are not fluent in French, among other things.

In response to this increase, in Budget 2024-2025, the government is announcing $320.0 million over five years with a view to:

- increasing Francisation Québec's capacity to offer courses to individuals;
- supporting businesses that offer francization activities in the workplace;
- continuing to support bodies that carry out initiatives encouraging the acquisition and improvement of French-language skills and awareness.

4.2 Improving guidance and support for the integration of immigrants

Through the program to accompany and support integration, the Québec government provides financial assistance to bodies that accompany and support immigrants so they can participate fully in Québec society.

Due to the sharp rise in the number of immigrants, including outside the territory of the Communauté métropolitaine de Montréal, the services offered by many bodies are insufficient to meet demand.

As a result, in Budget 2024-2025, the government is providing $50.0 million over five years to enhance support for such bodies in all regions of Québec.

4.3 Supporting the provision of immigration services

Demand for services offered by the Ministère de l'Immigration, de la Francisation et de l'Intégration have recently undergone rapid growth, particularly due to the international geopolitical context and labour market needs.

As a result, the various government immigration services are in growing demand, highlighting the need to strengthen them to maintain their quality and reduce application processing times.

To support the provision of immigration services, in Budget 2024-2025, the government is announcing $30.0 million in 2024-2025.

FINANCIAL IMPACT

TABLE D.14

Financial impact of the measures to act on economic priorities
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Supporting strategic sectors and economic growth						
Setting up industrial laboratories in innovation zones	−5.0	−15.0	−25.0	−35.0	−45.0	−125.0
Growing Québec's aerospace sector	−14.5	−15.0	−15.0	−15.0	−15.0	−74.5
Continuing to develop the aluminum sector	−9.0	−10.5	−11.5	—	—	−31.0
Promoting the adoption of new technologies and research						
– Continuing to accelerate the government's digital transformation	−48.6	−46.0	−34.0	−30.0	−30.0	−188.6
– Supporting emerging technologies	−5.0	−5.0	−5.0	—	—	−15.0
– Modernizing property taxes to promote robotization	—	—	—	—	—	—
– Facilitating the mandates of the Institut de la statistique du Québec	—	—	—	—	—	—
Subtotal – Promoting the adoption of new technologies and research	−53.6	−51.0	−39.0	−30.0	−30.0	−203.6
Supporting entrepreneurship and acquisition entrepreneurship	−3.0	−3.0	−3.0	—	—	−9.0
Recapitalizing the Natural Resources and Energy Capital Fund	—	—	—	—	—	—
Subtotal – Supporting strategic sectors and economic growth	**−85.1**	**−94.5**	**−93.5**	**−80.0**	**−90.0**	**−443.1**

TABLE D.14

Financial impact of the measures to act on economic priorities (cont.)

(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Growing the available labour pool and increasing productivity in the construction industry						
Continuing the Offensive formation en construction	−98.0	−13.0	—	—	—	−111.0
Fostering innovation and productivity in the construction industry	−5.0	−9.0	−1.0	—	—	−15.0
Subtotal – Growing the available labour pool and increasing productivity in the construction industry	**−103.0**	**−22.0**	**−1.0**	**—**	**—**	**−126.0**
Contributing to the prosperity of the regions						
Supporting Québec's forestry sector						
– Investing more in Québec's forests						
▪ Increasing silviculture work in public forests and forest sapling production	−30.0	−30.0	−30.0	−30.0	−30.0	−150.0
▪ Continuing investments in silviculture in private forests	−27.0	−30.0	−30.0	−30.0	−30.0	−147.0
▪ Fighting the spruce budworm epidemic	−10.0	—	—	—	—	−10.0
▪ Renewing Québec's participation in the national collaborative research program and evaluating the potential for automating silviculture work	−2.0	−2.0	−2.0	−2.0	−1.0	−9.0
▪ Increasing support for local and Indigenous community participation in sustainable forest management	−4.0	—	—	—	—	−4.0

TABLE D.14

Financial impact of the measures to act on economic priorities (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Contributing to the prosperity of the regions (cont.)						
– Maximizing harvesting of available timber volumes						
▪ Extending the exceptional program to sell low-quality hardwood in the Outaouais and Laurentides regions	−10.0	—	—	—	—	−10.0
▪ Stimulating the harvesting of forest biomass volumes	−9.0	—	—	—	—	−9.0
▪ Supporting timber harvesting in public forests affected by windfall in the Bas-Saint-Laurent region	−7.0	−1.5	—	—	—	−8.5
Subtotal – Supporting Québec's forestry sector	−99.0	−63.5	−62.0	−62.0	−61.0	−347.5
Boosting mobility and vitality in the regions						
– Supporting the maintenance and improvement of the local road network	—	−250.0	—	—	—	−250.0
– Boosting support for regional air services	−9.0	−9.0	−9.0	—	—	−27.0
– Opening up access to remote and isolated communities	−10.1	—	—	—	—	−10.1
– Maintaining and setting up local services in the hearts of towns and villages	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Subtotal – Boosting mobility and vitality in the regions	−29.1	−269.0	−19.0	−10.0	−10.0	−337.1

TABLE D.14

Financial impact of the measures to act on economic priorities (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Contributing to the prosperity of the regions (cont.)						
Fostering the development of the bio-food sector						
– Supporting sustainable agricultural investments	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
– Creating an investment fund for land acquisition for the next generation of farmers	—	—	—	—	—	—
– Supporting alcoholic beverage producers	−9.0	−10.0	−10.0	−14.0	−14.5	−57.5
Subtotal – Fostering the development of the bio-food sector	−19.0	−20.0	−20.0	−24.0	−24.5	−107.5
Continuing to revitalize the tourism industry						
– Supporting investment in the tourism industry						
▪ Supporting projects that contribute to the revitalization of Québec's tourism industry	−10.0	−15.0	—	—	—	−25.0
▪ Increasing the sums available to the Program Supporting the Development of Tourist Attractions	−5.0	—	—	—	—	−5.0
– Maintaining the appeal of the Capitale-Nationale region	−4.2	−4.2	−4.2	−4.2	—	−16.8
– Extending the tourist establishment accessibility program	−2.0	—	—	—	—	−2.0
Subtotal – Continuing to revitalize the tourism industry	−21.2	−19.2	−4.2	−4.2	—	−48.8
Strengthening partnerships with First Nations	−5.0	−5.0	−5.0	−5.0	−5.0	−25.0
Supporting businesses through Accès entreprise Québec	—	−22.6	—	—	—	−22.6
Subtotal – Contributing to the prosperity of the regions	**−173.3**	**−399.3**	**−110.2**	**−105.2**	**−100.5**	**−888.5**

TABLE D.14

Financial impact of the measures to act on economic priorities (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Fostering immigrants' economic and social integration						
Responding to the significant increase in the francization clientele and enhancing the offer of services for certain clienteles	−40.0	−70.0	−70.0	−70.0	−70.0	−320.0
Improving guidance and support for the integration of immigrants	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Supporting the provision of immigration services	−30.0	—	—	—	—	−30.0
Subtotal – Fostering immigrants' economic and social integration	**−80.0**	**−80.0**	**−80.0**	**−80.0**	**−80.0**	**−400.0**
TOTAL	**−441.4**	**−595.8**	**−284.7**	**−265.2**	**−270.5**	**−1 857.6**

Section E

OPTIMIZING GOVERNMENT ACTION

SUMMARY

Government interventions must always be geared toward efficiency. Furthermore, government action must remain in step with the socioeconomic environment of the time.

— To that end, the government must make the necessary adjustments to be able to act effectively, in a way that is consistent with the evolution of society and the new priorities that emerge.

— In this respect, it is taking major steps to improve the efficiency of its interventions in the Québec tax system and the performance of government enterprises.

The government is taking action to adjust certain tax assistance measures for businesses in line with changes to the labour market and recommendations by experts to maximize economic potential. It is asking government enterprises for optimization efforts and is continuing its tobacco control efforts.

The government is also continuing its efforts to ensure the fairness and integrity of the tax system, and is initiating a review of its tax and budgetary expenditures to improve the efficiency of its actions.

In order to optimize government action, in Budget 2024-2025, the government is announcing actions representing additional revenue of $2.9 billion over five years, with the aim of:

— adjusting certain tax assistance measures for businesses;

— asking government enterprises for optimization efforts;

— continuing tobacco control efforts;

— ensuring the fairness and integrity of the tax system.

In addition, in spring 2024, the government will initiate a review of all its tax and budgetary expenditures. The first steps that come out of this review will be incorporated into the plan to restore fiscal balance that will be presented when Budget 2025-2026 is released.

TABLE E.1

Financial impact of the steps to optimize government action

(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Adjusting certain tax assistance measures for businesses	4.3	50.5	213.0	351.3	421.0	1 040.1
Asking government enterprises for optimization efforts	—	100.0	200.0	300.0	400.0	1 000.0
Continuing tobacco control efforts	40.0	65.0	65.0	65.0	65.0	300.0
Ensuring the fairness and integrity of the tax system	41.9	129.6	129.4	130.9	130.9	562.7
Initiating a review of government expenditures(1)	—	—	—	—	—	—
TOTAL	**86.2**	**345.1**	**607.4**	**847.2**	**1 016.9**	**2 902.8**

(1) The first steps that come out of this review will be incorporated into the plan to restore fiscal balance that will be presented when Budget 2025-2026 is released.

Consultation with Québec experts regarding the standard of living gap between Québec and its main partners

The government's aim is for Québec's standard of living to catch up with that of Ontario by 2036.

To that end, in recent months, experts from the private sector and the university community have been consulted to identify possible solutions for closing the wealth gaps with Québec's main partners.

– The results of this consultation were presented in the document entitled *Increasing Québec's Economic Potential – Ambitions and Means to Achieving this Goal* in the fall 2023 economic and financial update.

Main recommendations from the consultation

The experts consulted made recommendations concerning the workforce, the business environment, strategic sectors of the economy, innovation and productivity, including:

– investing more in education and training;

– fostering a competitive business and regulatory environment;

– reviewing industrial policy by targeting the most promising sectors;

– developing large businesses with their decision-making centres in Québec;

– encouraging academics and researchers to transfer their expertise to the private sector;

– continuing to develop innovation zones and implementing an Advanced Research Projects Agency (ARPA) program in Québec, industrial laboratories of excellence, as well as large, concerted mobilizing projects in areas where Québec has a competitive advantage;

– boosting productivity in both the private and public sectors;

– digitizing public administration and adopting cutting-edge technologies.

Improving the efficiency of government intervention

Certain recommendations mention the need for the government to review its tax and budgetary expenditures in order to optimize them, adapt them to the current economic context or reduce them in order to fund measures that would further contribute to creating wealth in Québec.

To that end, the experts recommend, in particular:

– carrying out a comprehensive periodic review of existing programs and measures;

– reducing assistance to underperforming businesses and eliminating outdated measures;

– simplifying the tax system;

– modifying certain fiscal measures for businesses, particularly by reviewing the wage-based tax credits.

Consultation with Québec experts regarding the standard of living gap between Québec and its main partners (cont.)

An initial response to the experts' recommendations

According to the experts consulted, Québec businesses will need to invest more heavily to increase the productivity of the economy. In this regard, they recommended that the government offer tax incentives for investment, as well as better targeting assistance to priorities and focusing it on a small number of simple measures.

In response to these recommendations, the government took a first step to encourage businesses to invest more by announcing, in the fall 2023 *Update on Québec's Economic and Financial Situation*, that the investment and innovation tax credit (C3i) will be renewed until 2029 and that the investment tax assistance plan will be simplified.

The renewed C3i offers a simplified fiscal environment with rates harmonized with those of the tax holiday for large investment projects. It offers fully refundable tax assistance corresponding to 15%, 20% or 25% of eligible investments, depending on the territory in which they are made.

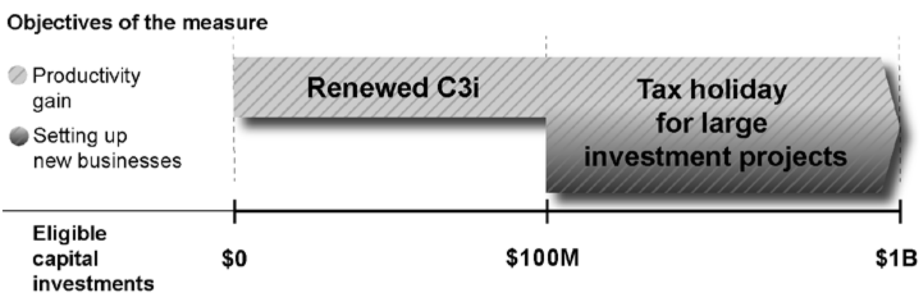
– The renewed C3i represents nearly $1.3 billion in additional financial support over the next five years.

– Together, the renewed C3i and the tax holiday for large investment projects will directly support investments of nearly $60 billion in Québec by 2029.

The additional capital cost allowance of 30%, which essentially targeted the same types of investment as the renewed C3i, was abolished on January 1, 2024 in order to reallocate the generated savings to enhancing the C3i.

– Abolishing this measure simplified the process for claiming various types of tax assistance for investment by grouping them together.

Simplified investment tax assistance plan



Assistance rate:	- Montréal and Québec city metropolitan communities	**15%**
	- Territories with low economic vitality	**25%**
	- Other territories or regions	**20%**

Eligibility period: Until December 31, 2029

1. ADJUSTING CERTAIN TAX ASSISTANCE MEASURES FOR BUSINESSES

In fall 2023, the government received recommendations from consultations with experts on how to improve Québec's standard of living, help create wealth and maximize Québec's economic potential.

Some experts proposed a modernization of wage-based tax credits in the context of the current labour shortage, while there has been a significant increase in their cost in recent years.

- Among other things, from 2013-2014 to 2022-2023, the cost of tax credits supporting jobs in the information technology (IT) sector rose by an average of 10% per year, compared to 5% for the government's own-source revenue.

In Budget 2024-2025, the government plans to adjust certain tax assistance measures for businesses, while taking into account the new labour market context, with the aim of:

- improving the fairness and impact of tax credits supporting jobs in the IT sector by:
  - gradually harmonizing the base rates for the tax credit for the development of e-business (CDAE) and tax credit for multimedia titles (CTMM),
  - refocusing tax assistance to the IT sector on the highest value-added jobs,
  - amending the tax credit for film production services (CSPC);
- enhancing support for Québec film and television production;
- abolishing the tax credit for businesses to foster the retention of experienced workers, which has not produced the expected incentive effect.

The changes will reduce the cost of tax assistance for businesses by approximately $1.0 billion over the period from 2024-2025 to 2028-2029, while maintaining a competitive level of government support.

TABLE E.2

Financial impact of the steps aimed at adjusting certain tax assistance measures for businesses
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Improving the fairness and impact of tax credits supporting jobs in the IT sector	5.6	39.4	169.6	295.9	364.0	874.5
Enhancing support for Québec film and television production	−1.3	−9.1	−22.1	−26.0	−27.8	−86.3
Abolishing the tax credit for businesses to foster the retention of experienced workers	—	20.2	65.5	81.4	84.8	251.9
TOTAL	**4.3**	**50.5**	**213.0**	**351.3**	**421.0**	**1 040.1**

The new labour market context in Québec

The tax credits for multimedia titles (CTMM), for film production services – visual effects and animation (CSPC) and for the development of e-business (CDAE),[1] established in 1996, 1998 and 2008, respectively, apply to labour expenditures.

These tax credits, designed primarily to support employment in the information technology (IT) sector, were introduced at a time when the unemployment rate in Québec was high. When the CTMM was implemented in 1996, it was 11.8%, or 2.6 times higher than the rate of 4.5% observed in 2023 and early 2024.

– Although Québec's labour market has become less tight in recent months, the labour shortage persists, as the vacancy rate was 3.5% in December 2023, close to the high level observed in February 2020 (3.8%).

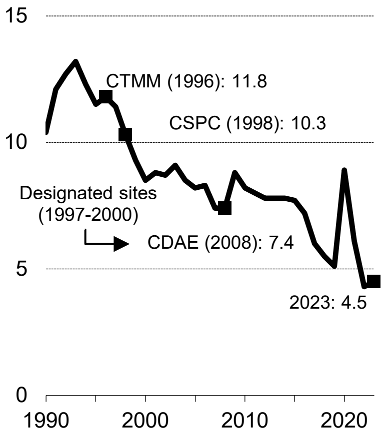
The number of jobs in the IT sector has grown steadily, rising from 103 000 to 165 000 between 2005 and 2023, an increase of 61% compared to a 25% growth for the Québec economy as a whole.

– IT jobs therefore grew 2.5 times faster than all other sectors of activity. In addition, while a slight drop in the number of IT jobs was seen in Canada in late 2023, employment in the sector remains strong in Québec.

This increase in IT sector jobs is a global phenomenon that stems from the rapid digital transformation of the economy and the integration of new technologies into companies' business processes.

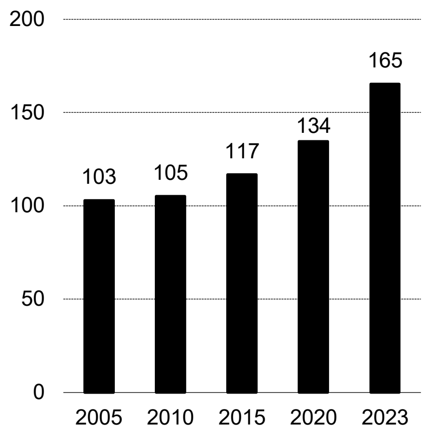
– Employment demand in IT is therefore expected to remain very strong in the coming years, given the growth in IT needs in all sectors. In addition, the changes to the CDAE and CTMM will come into effect as of 2025, allowing businesses a transition period.

Unemployment rate in Québec
(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

IT jobs in Québec
(thousands, annual average)



Sources: Statistics Canada and Ministère des Finances du Québec.

1 The CDAE is a more targeted continuation of government aid for jobs in the IT sector put in place from 1997 to 2000 with tax assistance for designated sites.

1.1 Improving the fairness and impact of tax credits supporting jobs in the IT sector

The government supports economic activity in sectors that make intensive use of IT jobs, in particular through three wage-based tax credits:

- the CDAE, which is aimed at computer systems development and software publishing businesses;
- the CTMM, which mainly targets businesses in the video game sector;
- the CSPC, which, in addition to attracting foreign film shoots to Québec, promotes the creation of visual effects and animation in Québec for foreign productions.

Businesses benefiting from the CDAE and CTMM employ specialized IT workers, as do visual effects and animation firms that provide services in Québec to foreign film producers.

Although these tax credits target different activities and businesses have to call on sector-specific expertise, they apply, for many trades, to employees from the same IT labour pool.

- However, the level of assistance granted differs among these various jobs according to the tax credit.

To improve fairness in the assistance offered and optimize the impact of tax credits targeting sectors that are labour intensive from an IT standpoint, in Budget 2024-2025, the government plans to:

- gradually harmonize the CDAE and CTMM base rates as of 2025;
- refocus tax assistance to the IT sector on the highest value-added jobs as of 2025;
- amend the tax credit for film production services as of 2024.

These changes will serve to optimize the impact of these tax credits and generate savings of $874.5 million by 2028-2029, while maintaining the competitiveness of Québec businesses.

Actions that will limit growth in the cost of certain wage-based tax credits

The cost of the tax credits for the development of e-business (CDAE), for multimedia titles (CTMM) and for film production services (CSPC) saw a significant increase between 2013-2014 and 2022-2023.

– During this period, it rose from under $0.5 billion to $1.15 billion, or more than double.

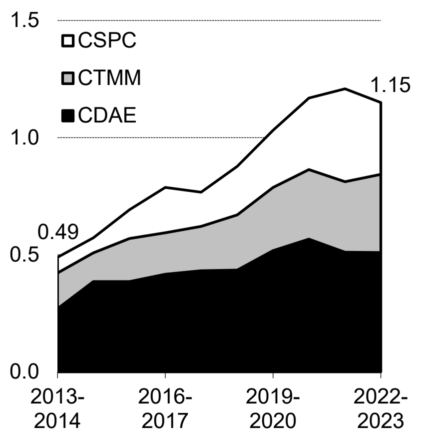
The changes announced in Budget 2024-2025 will limit the rate of growth in the cost of these measures, while ensuring that the level of government support remains competitive.

– The average annual growth rate of the tax expenditure for these three tax credits will therefore be limited to 4.5% by 2028-2029, instead of 8.4%, for a cost of around $1.5 billion.

In 2028-2029, changes to these tax credits will reduce their associated tax expenditures by nearly 20% compared to what was anticipated prior to the 2024-2025 budget announcements.

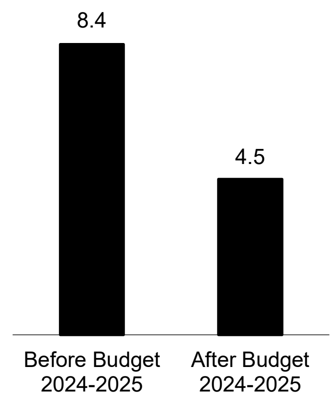
Cost of certain wage-based tax credits – 2013-2014 to 2022-2023

(billions of dollars)



Average annual growth rate of the combined cost of the CDAE, CTMM and CSPC – 2022-2023 to 2028-2029

(per cent)



❑ Gradual harmonization of the CDAE and CTMM base rates as of 2025

In an effort to enhance its impact and ensure greater fairness in the support offered to businesses through the CDAE and the CTMM, the government plans to harmonize the level of refundability in the base rates of these tax credits.

This harmonization will be phased in gradually and will only apply to taxation years beginning after December 31, 2024 in order to allow businesses a transition period.

— The non-refundable portion of the CDAE, which is currently 6%, will increase by 1 percentage point per year until 2028, to 10%.

— A non-refundable portion will be introduced for the CTMM and will increase by 2.5 percentage points per year until 2028, to 10% as well.

TABLE E.3

Change in base rates applicable to the CDAE and CTMM
(per cent)

Fiscal year beginning during the year	CDAE		CTMM	
	Refundable	Non-refundable	Refundable(1)	Non-refundable
2024	24.0	6.0	30.0	—
2025	23.0	7.0	27.5	2.5
2026	22.0	8.0	25.0	5.0
2027	21.0	9.0	22.5	7.5
2028	20.0	10.0	20.0	10.0

(1) These rates apply to titles that are intended for commercialization, excluding vocational training titles, such as interactive learning simulators.

■ A rate structure that maximizes economic benefits in Québec

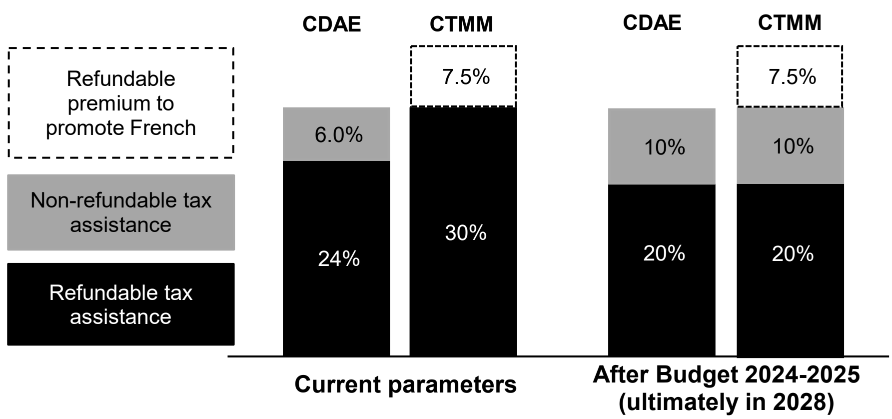
Ultimately, in 2028, the CDAE and CTMM will have base rates comprising a 20% refundable portion and a 10% non-refundable portion.

— The CTMM's 7.5% refundable premium for titles available in French will remain in place to promote the supply of French video games.

These changes will help maximize economic benefits by encouraging companies to commercialize their intellectual property out of Québec or develop decision-making centres for their commercial activities in Québec, in order to generate additional taxable income in Québec and thereby take full advantage of the tax assistance offered.

CHART E.1

Illustration of the rates applicable to the CDAE and CTMM,(1) before and after Budget 2024-2025, ultimately in 2028



(1) These rates apply to titles that are intended for commercialization, excluding vocational training titles, such as interactive learning simulators.

❑ Refocusing tax assistance to the IT sector on the highest value-added jobs as of 2025

To refocus tax assistance on the highest value-added jobs in the IT sector, the government plans to eliminate the salary cap per employee under the CDAE and CTMM and introduce an exclusion threshold equal to the basic personal amount[1] under the personal income tax system.

— This change will apply to corporate tax years starting after December 31, 2024.

— This adjustment will mean that the effective rate will increase rather than decrease based on an employee's salary.

Among other things, removing the salary cap would recognize the strategic nature of certain employees, including software or video game designers and developers and creative and artistic directors, in a context of increasing international competition to attract them.

— In general, these workers are highly specialized, well paid and much sought after for their key role in the teams they are a part of.

— Having more of these employees will further encourage companies to locate high value-added activities in Québec.

In addition, applying an exclusion threshold per employee will mean that the tax credit is offered solely on the portion of salary that is typically taxable for personal income tax purposes.

— This will optimize the profitability of the tax assistance measure for the government.

TABLE E.4

Effective rates of the CDAE and CTMM based on an employee's eligible salary, before and after Budget 2024-2025 (ultimately in 2028)
(per cent)

	CDAE		CTMM(1)	
Employee's eligible salary	**2024(2)**	**2028(3)**	**2024(4)**	**2028(3)**
$50 000	30.0	18.1	37.5	22.7
$100 000	25.0	24.1	37.5	30.1
$150 000	16.7	26.0	25.0	32.6

(1) For an eligible expense at the 37.5% rate, including the 7.5% premium for French.
(2) The annual salary cap applicable is $83 333 per employee.
(3) Assuming that the exclusion threshold per employee, corresponding to the basic personal amount, is indexed to the forecast inflation.
(4) The annual salary cap applicable is $100 000 per employee, although up to 20% of a business's employees are not subject to it. This exclusion is not taken into account in this table.

1 For example, this amount is $18 056 in 2024 and is indexed annually under the personal income tax system.

Tax credits that remain competitive

Québec businesses are facing strong competition in the IT and video game sector, both in Canada and internationally.

As Québec is doing, many jurisdictions offer tax credits to support video game production, while there is no equivalent to the tax credit for the development of e-business (CDAE).[1]

With the changes brought by Budget 2024-2025, Québec's tax credit for multimedia titles (CTMM), will serve to refocus tax assistance on highly specialized, well-paying jobs.

- For example, for a video game programmer with an income of $100 000, the effective rate of tax assistance available in Québec could be up to 41.4%, compared to 40.0% in Ontario.
  - A portion of the activities carried out by such an employee can generally qualify their employer for the federal government's Scientific Research and Experimental Development (SR&ED) tax credit.
    - This tax credit can be combined with the CTMM, which is not possible with the Ontario Interactive Digital Media Tax Credit (OIDMTC).

Combined with the many advantages they present, including with regard to the cost of living and the implementation cost, the tax credits available in Québec will continue to help businesses be competitive and maximize the economic benefits of this ecosystem.

Comparison of the effective rate of tax assistance for a video game programmer with an income of $100 000, Québec (after Budget 2024-2025) and Ontario

	Québec	Ontario
Video game tax credit	CTMM	OIDMTC
– Rate	37.5%(1)	40.0%(2)
– Qualified expenditures	Labour and subcontracting in Québec	Labour
Federal SR&ED tax credit(3)	Can be combined with the CTMM	Cannot be combined with the OIDMTC
Effective rates (provincial and federal)	41.4%(4)	40.0%

(1) Assuming the company is profitable and is producing a video game eligible for the 7.5% premium for French.
(2) Assuming the company is developing and commercializing its own video game in Ontario, and is therefore eligible for the increased rate of 40% rather than a rate of 35%.
(3) A Québec company can combine the federal government's SR&ED tax credit with the CTMM for the same labour expenditure, whereas this is not possible for a company in Ontario with the OIDMTC.
(4) Assuming that the exclusion threshold is $18 623 under the CTMM for 2025 and that 20% of the video game programmer's activities are eligible for the SR&ED tax credit. For an SMB eligible for the 35% rate, this represents an SR&ED tax credit of $10 850 on qualified expenditures of $31 000, including the salary portion of $20 000 and overhead costs of $11 000 (55% of the salary, based on the replacement method).

1 Jurisdictions can offer certain advantages to attract IT business projects, such as property tax holidays, investment assistance or reduced tax rates.

❑ Amending the tax credit for film production services as of 2024

Foreign films produced in Québec promote Québec's expertise abroad. They also benefit local productions, as they support the deployment of modern infrastructure and development of the expertise required to offer optimal filming conditions and leading-edge visual effects and animation services.

To maximize the benefits of the CSPC, in Budget 2024-2025, the government is planning changes aimed at:

— helping attract foreign film shoots to Québec;

— better targeting the CSPC's assistance on labour expenditures related to producing visual effects and animation.

■ Attracting foreign film shoots to Québec

Many jurisdictions are competing to attract major foreign productions, in a context where demand for audiovisual content has increased with the multiplication of streaming platforms.

To help attract foreign film and television shoots to Québec, the government plans to increase the base rate for the tax credit from 20% to 25% as of the day following the day of the 2024-2025 budget speech.

— This assistance will continue to apply to all the costs of a production corresponding to the total cost of eligible labour and goods.

This move will not only enable Québec to remain competitive in a fiercely competitive environment but will also stimulate investment in filming infrastructure and support long-term employment in Québec's audiovisual ecosystem.

■ Targeting tax assistance for visual effects and animation on labour expenditures

Currently, the CSPC allows foreign film producers to benefit from a refundable tax credit of 36% on the total cost of visual effects and animation contracts granted in Québec.

To better target tax assistance on labour expenditures, the government plans to ensure that only 65% of the value of such a contract is considered an eligible expense under the CSPC.

— This 65% portion of eligible expenditures will apply to both the base rate, increased to 25%, and the 16% enhancement for visual effects and animation.

This adjustment, which will take effect on the day following the day of the 2024-2025 budget speech, will also help improve fairness among tax credits supporting sectors that are intensive in terms of IT jobs and will ensure consistency with the tax credits aimed at promoting culture, which are generally capped at 65% of labour expenditures.

— The CSPC is the only wage-based tax credit that can be claimed with respect to the full amount of a subcontract.

■ Maintaining the competitiveness of the visual effects and animation sector

Taking the federal government's tax assistance into consideration, these changes will ensure that the tax treatment of visual effects and animation expenditures is comparable with that of Ontario.

As a result, the CSPC will continue to contribute to the success of the ecosystem and to promote Québec's expertise in the visual effects and animation sector.

TABLE E.5

Comparison of the effective rate of tax assistance for film production services, Québec and Ontario
(per cent)

	Québec		
	Before Budget 2024-2025	**After Budget 2024-2025**	**Ontario**
Rate of provincial tax credit			
– Base portion (labour and other expenditures)	20.0[(1)]	25.0[(1)]	21.5
– Enhancement for visual effects and animation (labour)	16.0[(1)]	16.0[(1)]	18.0
Rate of federal tax credit[(2)] (labour)	16.0	16.0	16.0
Effective rates (provincial and federal) by type of production			
– Production with no visual effects	25.1	29.8	26.5
– Production with 50% visual effects	33.9	31.3	29.5[(3)]
– Production with 100% visual effects	42.7	32.8	32.5[(3)]

(1) Prior to Budget 2024-2025, the total cost of a visual effects and animation contract was considered an eligible expense, whereas only 65% of the total cost will be considered an eligible expense after Budget 2024-2025.
(2) Expenditures that are eligible for the federal government's tax credit are reduced by the provincial tax credit receivable for the same expenditures.
(3) The effective rate assumes that the eligible labour expenditures of the visual effects firm (claiming the Ontario visual effects and animation enhancement) represent 45% of contract costs.

1.2 Enhancing support for Québec film and television production

The film and television industry serves to showcase Québec culture. To support its development and its profile, the government offers the tax credit for Québec film and television production, which represents a major source of support for independent Québec producers.

— It grants assistance potentially ranging from 28% to 66%, applicable to labour expenditures that do not exceed 50% of production costs.

In recent years, rising wages in this industry have placed high pressure on production costs. This situation may constrain producers' artistic choices and affect the content and commercial potential of their productions.

To encourage Québec's film and television industry, the government plans to increase the cap on labour expenditures from 50% to 65% of production costs as of the day following the day of the 2024-2025 budget speech.

— This enhancement will establish a better match between tax assistance and the reality of labour costs in Québec productions.

This initiative will represent additional support for Québec's film and television industry totalling $86.3 million over five years.

Illustration of the impact of the enhanced tax credit

The impact of the increase in the cap on labour expenditures from 50% to 65% could enable a Québec film or television production to benefit from a tax credit amount up to 30% higher.

– For example, a production costing $1 million, where labour expenditures represent at least 65% of the costs, could benefit from a tax credit of $260 000 instead of $200 000.

Illustration of the impact of the increase in the cap on labour expenditures
(dollars, unless otherwise indicated)

Tax credit for Québec film or television productions	Before Budget 2024-2025	After Budget 2024-2025
Production costs	1 000 000	1 000 000
Labour expenditures	650 000	650 000
Cap on labour expenditures	50%	65%
Tax credit		
– Qualified expenditures	500 000	650 000
– Amount of the tax credit (rate of 40%)(1)	200 000	260 000

(1) Corresponds to the base rate granted for an original French-language production that does not benefit from an enhancement.

1.3 Abolishing the tax credit for businesses to foster the retention of experienced workers

To encourage experienced workers to participate in the labour market, the government has introduced a number of measures, including the tax credit for businesses to foster the retention of experienced workers (CMETE) in Budget 2019-2020.

Briefly, this tax credit is available to eligible businesses that employ an individual aged 60 or over. It is calculated on the Québec employer contributions paid in respect of such an employee.[2]

— Assistance can be as much as $1 250 for a worker aged 60 to 64 (rate of 50%) and $1 875 for a worker aged 65 or over (rate of 75%).

In a context of labour shortage, the CMETE loses its incentive effect that encourages the hiring of experienced workers, as the available labour pool is insufficient.

— Employers, who are already limited in their options for filling available positions, would be willing to hire an experienced worker even without a tax incentive.

In addition, changes to the Québec Pension Plan (QPP), applicable as of 2024, will reduce employer contributions for their experienced workers aged 65 and over who decide to stop contributing, thereby considerably reducing the tax advantage offered by the CMETE.

— For SMBs, QPP contributions account for nearly 50% of payroll contributions eligible for reimbursement under the measure.

In this context, as of the day following the day of the 2024-2025 budget speech, the government plans to abolish the CMETE, which it introduced in 2019, due to its lack of efficiency.

— This measure will generate savings of around $251.9 million over five years.

The government continues to encourage experienced workers to participate in the labour market, in particular by offering the tax credit for career extension under the personal income tax system, which benefits just over 350 000 taxpayers per year.

2 Contributions to the Québec Pension Plan (statutory rate of 6.4% up to the maximum pensionable earnings in 2024), the Health Services Fund (1.25% to 4.26%), the Commission des normes, de l'équité, de la santé et de la sécurité du travail (average of 1.54%) and the Québec Parental Insurance Plan (0.692%).

2. ASKING GOVERNMENT ENTERPRISES FOR OPTIMIZATION EFFORTS

In order to optimize their performance, the main government enterprises, namely Hydro-Québec, Loto-Québec, the Société des alcools du Québec, the Société québécoise du cannabis and Investissement Québec, will need to carry out optimization and efficiency efforts totalling $1.0 billion from 2025-2026 to 2028-2029.

— The efforts required of each government enterprise will be determined in collaboration with them over the coming year.

— The enterprises concerned will be responsible for identifying and implementing the revenue optimization measures and expense rationalizations needed to achieve the targets set.

TABLE E.6

Financial impact of efforts being asked of government enterprises
(millions of dollars)

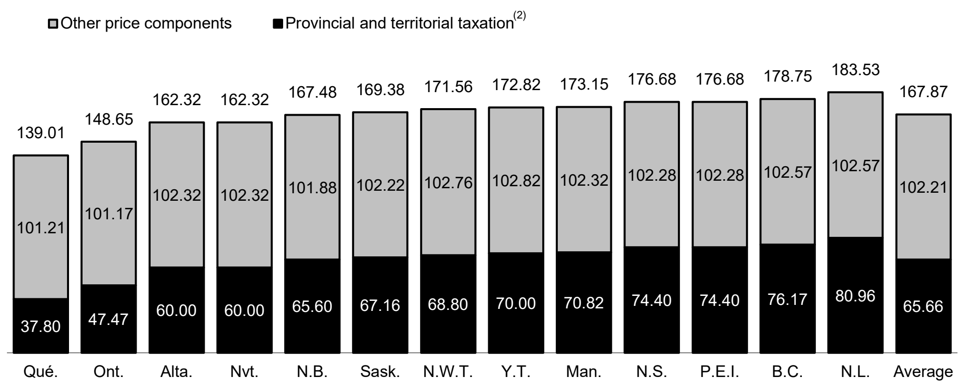
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Asking government enterprises for optimization efforts	—	100.0	200.0	300.0	400.0	1 000.0

3. CONTINUING TOBACCO CONTROL EFFORTS

At $37.80 per carton of 200 cigarettes, provincial taxation of tobacco products in Québec is the lowest in Canada. For example, the gap is $9.67 with Ontario and $27.80 with New Brunswick.

CHART E.2

Average price and taxation of a carton of 200 cigarettes in Canadian provinces and territories(1)
(dollars per carton of 200 cigarettes)



(1) As at March 1, 2024.
(2) Including the harmonized sales tax in provinces where applicable.
Sources: Ministries of Finance, provincial and territorial governments and Department of Finance Canada.

In addition, while vigilance is still needed, the market share of smuggled products has been stable in Québec for a number of years. It is currently estimated at less than 10%.

It is important to optimize revenue from this tax, especially given that smoking accounts for $3.8 billion in annual health costs in Québec and is responsible for the deaths of 13 000 people per year.

The government is therefore announcing two increases to the tax on tobacco products of $2 per carton of 200 cigarettes.[3]

— The tax on tobacco products will increase from $37.80 to $39.80 per carton of 200 cigarettes as of March 13, 2024.

— A second increase will come into effect on January 6, 2025. The tax will then come to $41.80 per carton of 200 cigarettes.

3 See Section A of *Additional Information – March 2024* for more details.

Taxation of tobacco products is one of the best measures for controlling tobacco consumption, particularly among young people. In addition, optimizing revenue from this tax will increase government revenue by $300.0 million over five years and reduce the number of smokers by approximately 40 000.

This reduction will help achieve the objective of the government health prevention policy, which aims to reduce smoking prevalence to 10% by 2025.

In addition, the government will increase funding for the ACCES[4] tobacco committee partners to prevent an increase in tobacco smuggling activities.

TABLE E.7

Financial impact of continuing tobacco control efforts
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Continuing tobacco control efforts	40.0	65.0	65.0	65.0	65.0	300.0

4 Actions concertées pour contrer les économies souterraines (concerted actions to counter the underground economy).

4. ENSURING THE FAIRNESS AND INTEGRITY OF THE TAX SYSTEM

In order to continue to provide high-quality public services and strengthen support for communities, the government must ensure that the fairness and integrity of the tax system are maintained.

To that end, it is announcing investments of $96.5 million over five years to deploy a series of initiatives, including:

- strengthening tax audit and collection;
- stepping up the fight against economic crime.

In addition, Revenu Québec has been noticing, in recent years, a situation of under-declaration of the selling price of used vehicles 10 years old or more, with the aim of evading payment of the Québec sales tax. For example, in 2022, there were more than 130 000 transactions with a declared selling price of $1 or less.

To ensure the integrity of the tax system, the number of years published in the *Guide d'Évaluation Hebdo (Automobiles et Camions Légers)* will be extended from 9 to 14.

These measures will generate additional revenue of nearly $660 million over five years.

TABLE E.8

Financial impact of the actions to ensure the fairness and integrity of the tax system
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Strengthening tax audit and collection	−6.5	−16.8	−17.2	−17.5	−17.9	−75.9
Stepping up the fight against economic crime	−3.0	−5.0	−5.2	−3.7	−3.7	−20.6
Subtotal	**−9.5**	**−21.8**	**−22.4**	**−21.2**	**−21.6**	**−96.5**
Revenue generated by strengthening tax audit and collection	36.4	91.4	91.8	92.1	92.5	404.2
Countering under-declaration of the selling price of used vehicles	15.0	60.0	60.0	60.0	60.0	255.0
Subtotal	**51.4**	**151.4**	**151.8**	**152.1**	**152.5**	**659.2**
TOTAL	**41.9**	**129.6**	**129.4**	**130.9**	**130.9**	**562.7**

A detailed description of the measures announced to ensure the fairness and integrity of the tax system is presented in Section B of *Additional Information − March 2024*.

5. INITIATING A REVIEW OF GOVERNMENT EXPENDITURES

To improve the efficiency of its interventions, the government is announcing that it will initiate a review of all its expenditures in spring 2024.

To that end, one review will cover tax expenditures related to the personal and corporate tax systems as well as the consumption tax system. Another review will cover expenditures by government departments and bodies.

— These exercises will help improve the government's effectiveness by modernizing its interventions in order to ensure that their objectives are being met and they are in line with the current socioeconomic context.

The first steps that come out of these reviews will be incorporated into the plan to restore fiscal balance that will be presented when Budget 2025-2026 is released.

Properly managing government expenditures

Over $70 billion in costs associated with the tax system

In 2023, Québec's tax system included 277 tax expenditures totalling $49.0 billion.

Furthermore, if we include tax measures that are part of the basic tax system, which are presented for information purposes in the publication entitled *Dépenses fiscales*, the total cost of these measures and tax expenditures was $71.3 billion in 2023 and is expected to reach $74.0 billion in 2024.

$136 billion in budgetary expenditures

The budgetary expenditures of government departments and bodies, that is, excluding tax-funded expenditures, total $136.0 billion in 2024-2025.

– Excluding the government's main missions, namely, health care and education, these expenditures amount to $43.7 billion for the same year.

Over $200 billion to be managed efficiently

Efficient government management means ensuring that over $200 billion is used optimally to offer the best possible quality of services to the public and to pursue certain strategic objectives, including at an economic, social and cultural level.

The Ministère des Finances will therefore review tax expenditures, and the Secrétariat du Conseil du trésor will review the expenditures and activities of government departments and bodies. The results of these reviews will be incorporated into the steps to be taken as part of the plan to restore fiscal balance that will be presented when Budget 2025-2026 is released.

FINANCIAL IMPACT

TABLE E.9

Financial impact of the steps to optimize government action

(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Adjusting certain tax assistance measures for businesses						
Improving the fairness and impact of tax credits supporting jobs in the IT sector	5.6	39.4	169.6	295.9	364.0	874.5
Enhancing support for Québec film and television production	−1.3	−9.1	−22.1	−26.0	−27.8	−86.3
Abolishing the tax credit for businesses to foster the retention of experienced workers	—	20.2	65.5	81.4	84.8	251.9
Subtotal – Adjusting certain tax assistance measures for businesses	**4.3**	**50.5**	**213.0**	**351.3**	**421.0**	**1 040.1**
Asking government enterprises for optimization efforts	**—**	**100.0**	**200.0**	**300.0**	**400.0**	**1 000.0**
Continuing tobacco control efforts	**40.0**	**65.0**	**65.0**	**65.0**	**65.0**	**300.0**
Ensuring the fairness and integrity of the tax system						
Strengthening tax audit and collection	−6.5	−16.8	−17.2	−17.5	−17.9	−75.9
Stepping up the fight against economic crime	−3.0	−5.0	−5.2	−3.7	−3.7	−20.6
Subtotal	**−9.5**	**−21.8**	**−22.4**	**−21.2**	**−21.6**	**−96.5**
Revenue generated by strengthening tax audit and collection	36.4	91.4	91.8	92.1	92.5	404.2
Countering under-declaration of the selling price of used vehicles	15.0	60.0	60.0	60.0	60.0	255.0
Subtotal	**51.4**	**151.4**	**151.8**	**152.1**	**152.5**	**659.2**
Subtotal – Ensuring the fairness and integrity of the tax system	**41.9**	**129.6**	**129.4**	**130.9**	**130.9**	**562.7**
Initiating a review of government expenditures	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL	**86.2**	**345.1**	**607.4**	**847.2**	**1 016.9**	**2 902.8**

Section F

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2024 AND 2025

SUMMARY

The global economy proved resilient in 2023, due in particular to the strong performance of the U.S. economy. However, difficulties are intensifying as the effects of tighter financial conditions become more pronounced. Economic activity will slow in most regions in 2024.

— Overall, growth in global real GDP is expected to be 2.8% in 2024 following a 3.0% increase in 2023.[1] In the United States, economic activity growth will weaken, decreasing from 2.5% in 2023 to 1.5% in 2024. In Canada, real GDP growth will slow to 0.7% in 2024 (+1.1% in 2023).

This period of economic weakness will continue to moderate price pressures. Consequently, central banks will start easing their monetary policies gradually as of the second quarter of 2024. More favourable credit conditions and controlled inflation will restore an environment conducive to sustainable growth in 2025.

The Québec economy stagnated in 2023, and real GDP growth will remain modest in 2024 (+0.6%). A more tangible improvement in economic conditions is expected in the second half of 2024 due to a gradual decline in interest rates. Real GDP growth will accelerate to 1.6% in 2025.

The effects of tighter financial conditions are becoming more pronounced in many economies. Early 2024 will therefore remain difficult. A tangible improvement in economic conditions is expected in the second half of 2024 and in 2025 due to a gradual decline in interest rates.

In Québec, real GDP growth will remain modest in 2024 (+0.6%) before accelerating to 1.6% in 2025.

TABLE F.1

Economic growth
(real GDP, percentage change)

	2022	2023	2024	2025
Québec	2.5	0.2	0.6	1.6
Canada	3.8	1.1	0.7	1.9
United States	1.9	2.5	1.5	1.6
World(1)	3.5	3.0	2.8	3.0

(1) Global real GDP is expressed in purchasing power parity.
Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, S&P Global, LSEG Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

[1] Unless otherwise indicated, this section reflects economic data available as at February 29, 2024.

Restrictive monetary policy and high inflation have had significant economic consequences in Québec in recent quarters. Real GDP stagnated in 2023. Overall, production rose by just 0.2% for the year as a whole.

— Economic activity contracted by 0.4% in the second quarter of 2023 and by 0.2% in the third quarter.

— Furthermore, real GDP growth in the last quarter of 2023 was limited by the effect of strikes in the public and parapublic sectors.

The relative weakness of the economy in 2023 did not spread to all industries, however. Moreover, the production declines observed are partly attributable to temporary factors. In particular:

— difficult weather conditions and the consequences of forest fires had repercussions on forestry and logging, paper and wood products manufacturing, utilities and agriculture;

— successive interest rate hikes have affected the construction industry.

The economy stagnated in 2023, but the labour market remained resilient. In particular, the unemployment rate, at an average of 4.5% in 2023, remains well below that for Canada as a whole (5.4%) and the lowest among the provinces.

The good labour market performance was reflected in strong growth in wages and salaries (+6.0 in 2023%). In addition, since July, Quebecers have benefited from the tax reduction granted by the government on their source deductions. These factors supported growth in household disposable income and strengthened Quebecers' financial position.

— Between 2018 and 2023, household disposable income in real terms rose by 16.8% in Québec, compared to 13.1% in Canada.

As a result, Québec's economy is well positioned to begin a sustainable recovery in the second half of 2024, in sync with the gradual decline in interest rates and lower inflation.

❑ Price pressures are gradually easing

Global inflationary pressures are letting up, as the effects of restrictive monetary policies are increasingly being felt. Wage growth is slowing in line with the moderation in economic growth. In addition, the imbalances between supply and demand are diminishing. Supply chain disruptions are easing, and consumers are cautious.

Although inflation has decreased considerably since peaking in 2022, it remains above central bank targets in most economies. The moderate pace of disinflation is mainly due to service prices, whose growth remains high. Housing costs have also been supported by rising interest rates, which have increased mortgage payments.

Nevertheless, the progress made so far with regard to inflation should enable central banks to start easing their monetary policies as of the second quarter of 2024. Growth in the consumer price index (CPI) is expected to continue to decrease gradually in 2024 and 2025. In Canada, the CPI should return to the central bank's 2.0% target in the third quarter of 2025.

TABLE F.2

Consumer price index
(percentage change)

	2022	2023	2024	2025
Québec	6.7	4.5	2.8	2.2
Canada	6.8	3.9	2.7	2.2
United States	8.0	4.1	2.6	2.1
Euro area(1)	8.4	5.4	2.7	2.2
World(1)	8.7	6.8	5.8	4.4

(1) The European Commission's February 2024 forecast for the euro area and the International Monetary Fund's January 2024 forecast for the world.
Sources: Statistics Canada, S&P Global, International Monetary Fund, European Commission and Ministère des Finances du Québec.

❑ A forecast clouded by uncertainty over inflation

The economic forecast scenario is based on a gradual moderation in price growth. A different trajectory could prompt central banks to reconsider their strategies, impacting global economic activity.

— In particular, price increases could resume or remain above the central banks' targets. Such a situation could lead them to raise their policy rates or keep them at restrictive levels for longer than expected. This situation could push the economies of several regions, including Canada and Québec, into recession.

— Conversely, inflation could slow more quickly than expected. Central banks could then begin the monetary easing cycle earlier, and even accelerate the pace of rate cuts. This situation could lead to stronger-than-expected economic growth.

1. QUÉBEC'S ECONOMIC SITUATION

1.1 A more favourable environment for growth is expected as of the second half of 2024

Québec's economy stagnated in 2023.

— Restrictive monetary policy has limited activity in interest-rate-sensitive industries, including construction. In addition, temporary factors such as major forest fires and strikes in the public and parapublic sectors curbed production in some industries.

— After two years of strong growth in 2021 (+6.7%) and 2022 (+2.5%), real GDP rose by just 0.2% in 2023.

Weak growth is also expected in 2024 (+0.6%).

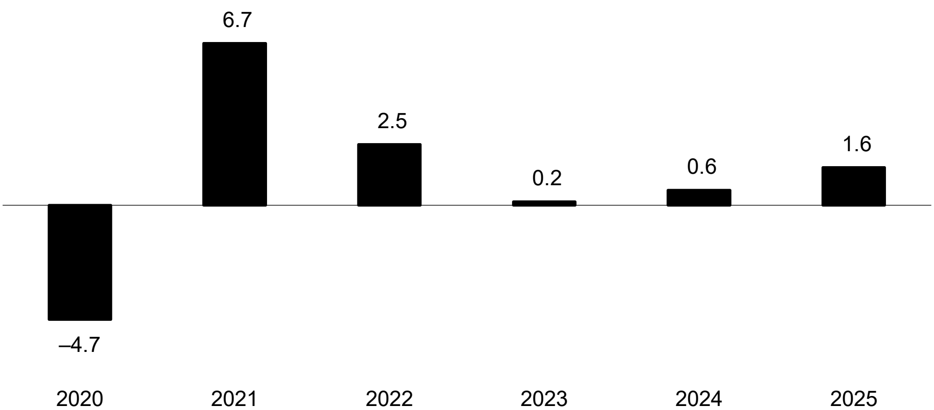
— Interest rates, which will remain at levels higher than those seen before the pandemic, will continue to moderate economic activity in early 2024.

— With inflation expected to slow, the Bank of Canada should begin its monetary policy easing cycle as of the second quarter of 2024. Lower interest rates will provide a more favourable environment for growth.

A tangible improvement in economic conditions is expected in 2025. Real GDP growth will accelerate and is expected to reach 1.6%.

CHART F.1

Economic growth in Québec
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Is Québec in a recession?

Québec's real GDP fell for two consecutive quarters in 2023

The effects of restrictive monetary policy and high inflation, as well as temporary factors such as major forest fires, led Québec into a period of economic stagnation in 2023.

– Québec's real GDP fell by 0.4% in the second quarter of 2023 and by 0.2% in the third quarter. In addition, the fourth quarter is expected to see a modest rise in real GDP due to the public and parapublic sector strikes.

The moderation in economic activity observed in 2023 in Québec does not, however, meet the generally accepted criteria for defining a recession.

Economic growth
(percentage change compared with the previous period)

	Québec		Canada	
	Real GDP	Real GDP per capita	Real GDP	Real GDP per capita
Q1 2023	0.4	0.0	0.6	0.1
Q2 2023	−0.4	−0.9	0.2	−0.5
Q3 2023	−0.2	−0.9	−0.1	−1.0
Q4 2023	0.1	−0.7	0.2	−0.8
2022	**2.5**	**1.3**	**3.8**	**2.0**
2023	**0.2**	**−2.1**	**1.1**	**−1.9**

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

A technical recession is defined as two consecutive quarters of real GDP contraction. Yet this condition is not sufficient according to the entities responsible for declaring the existence of a recession, which examine a number of economic factors before concluding that the economy is in recession.

In the United States, recessions are determined by a committee of experts from the National Bureau of Economic Research (NBER). This committee considers three criteria to determine whether an economic slowdown qualifies as a recession: its depth, its spread throughout the economy, and its duration. The NBER examines a number of indicators to analyze business cycles, including trends in employment and consumer spending.

– There are many examples where two quarters of negative U.S. real GDP growth have not been considered a recession. In particular, the economic slowdown in the United States in 2022 was not considered a recession, since it was concentrated in just a few sectors.

In Canada, economists rely on the cycles identified by the Business Cycle Council of the C.D. Howe Institute to recognize a recession. Like the NBER, it uses a three-dimensional approach in its analysis, which considers the duration, amplitude and scope of the economic slowdown. A recession is usually defined as a pronounced, persistent and pervasive decline in economic activity across multiple sectors.

These two organizations usually wait several quarters before officially announcing a period of recession. In fact, they must ensure that any revised statistics do not invalidate the preliminary interpretation of the data.

Is Québec in a recession? (cont.)

Several indicators must be analyzed to define a recession

In Québec, the moderation in economic activity observed in 2023 does not meet the generally accepted criteria for defining a recession.

In fact, declines in output were limited to a few sectors. On the other hand, most indicators showed positive changes in the third quarter despite the decline in real GDP.

- A weather-related drop in electricity production and demand accounts for much of the decline in real GDP.
- The external sector (contribution of −0.7 percentage points to the change in real GDP) and the reduction in inventories (−0.3 percentage points) were behind the decline in real GDP in the third quarter.
- By contrast, domestic demand remained robust in the third quarter (+0.8 percentage points).
  - In particular, household expenditures in real terms rose by 0.6% over that period.
  - Household disposable income excluding government transfers rose by 0.6% in real terms, a second consecutive quarterly increase (+1.3% in the second quarter).

Recent economic indicators in Québec in 2023
(percentage change compared with the previous period, unless otherwise indicated)

	Q1	Q2	Q3	Q4(1)
GDP by industry (in real terms)	0.4	−0.3	−0.3	0.2
Household disposable income less government transfers (in real terms)	0.0	1.3	0.6	—
Household consumption (in real terms)	1.2	−0.2	0.6	—
Wages and salaries (in nominal terms)	1.5	1.7	1.4	0.5
Employment	1.0	0.1	0.3	0.2
Unemployment rate (per cent)	4.1	4.3	4.4	5.0
Retail sales (in nominal terms)	1.4	−0.3	2.0	0.5
Wholesale sales (in nominal terms)(2)	—	−0.5	−0.8	1.9
Housing starts (thousands)	36.4	35.2	45.2	39.4
International exports of goods (customs basis, in real terms)	−1.1	−1.0	4.1	3.6
Manufacturing shipments (in nominal terms)	0.5	−4.0	2.2	1.6

Note: Shaded indicators are those considered by the NBER to determine a recession.
(1) Cumulative of available months compared with the previous quarter.
(2) Wholesale sales excluding petroleum, petroleum products, and other hydrocarbons, as well as oilseeds and cereal grains.
Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

1.2 The labour market is slowing, but remains resilient

In 2023, monthly data showed that employment was fairly stable. As for the unemployment rate, it rose from 4.3% on average in 2022, a historic annual low, to 4.5% on average in 2023.

— This stabilization of the labour market occurred despite the exceptional population growth observed in Québec in 2023.

The pace of hiring will continue to slow over the next few years. The number of jobs created will fall from 43 800 in 2024 to 28 000 in 2025, representing increases in the pace of hiring of 1.0% and 0.6% respectively.

— In the short term, the slowdown in the economy will continue to dampen labour demand.

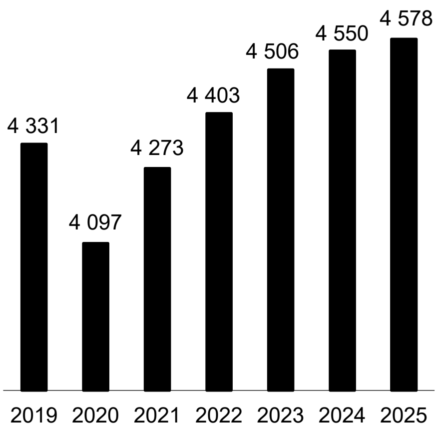
— Moreover, despite a slowdown, wage growth remains high. This trend, combined with declining corporate profits, could lead to job cuts for some businesses.

— At the same time, Québec's population is aging, which is slowing the growth of the potential labour pool. In addition, a possible cap on temporary immigration would slow the growth of the labour force.

— Against this backdrop, the unemployment rate is set to rise briefly to 5.2% in 2024, before declining slightly to 4.9% in 2025. It will nevertheless remain at relatively low levels given the current economic slowdown.

CHART F.2

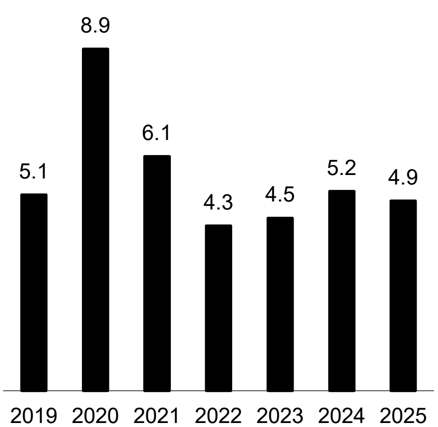
Jobs in Québec
(average annual data in thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART F.3

Unemployment rate in Québec
(average annual data in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

The labour market is gradually rebalancing

Job creation slows

Despite monthly blips, the Québec labour market has been relatively stable since the start of 2023.

- Between January 2023 and January 2024, only 19 800 jobs were created (+0.4%).
- Annual job creation in January 2024 (+0.4%) was exceeded by growth in the labour force (+0.9%). As a result, the unemployment rate rose from 4.0% in January 2023 to 4.5% in January 2024.
- Moreover, the number of vacant jobs continues to fall. After peaking in May 2022 (252 600), the number of vacant jobs gradually declined to 138 100 in December 2023, a number similar to the pre-pandemic level (143 000 in February 2020).

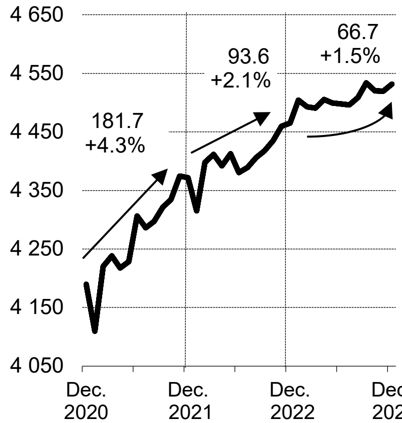
The imbalances in the Québec labour market are gradually dissipating. This trend is reflected in the annual growth in average hourly wages, which is slowing down. It fell from a peak of 7.4% in July 2022 to 3.3% in January 2024.

The labour market nevertheless remains tight

Although economic activity and job creation are moderating, tensions in the labour market persist.

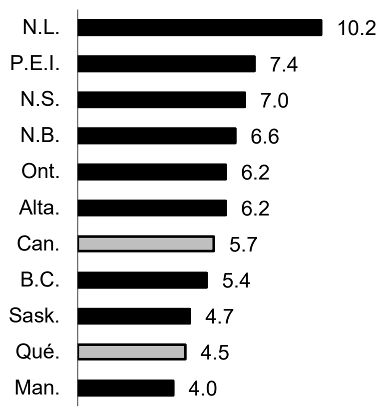
- Despite an upward trend, Québec's unemployment rate remained low at 4.5% in January 2024. Only Manitoba (4.0%) had a lower unemployment rate among the provinces.
- In addition, the employment rate for people aged 15 to 64 stood at 77.7% in January. In this respect, Québec ranked first among the provinces.

Change in employment in Québec
(thousands, per cent)



Source: Statistics Canada.

Unemployment rate in January 2024
(per cent)



Source: Statistics Canada.

1.3 Domestic demand will support real GDP growth

In 2024 and 2025, domestic demand will significantly support real GDP growth.

— Consumer spending will continue to benefit from accumulated household savings. However, consumers will remain cautious and adjust their consumption, especially discretionary spending, in response to higher interest rates. According to the Bank of Canada, 62% of all mortgages in Canada will have been renewed as at January 1, 2025 at higher interest rates than previously obtained. This proportion will increase to 83% as at January 1, 2026. The rising cost of servicing debt will influence households' ability to spend.

— The residential sector will return to growth in 2024. Population growth and the expected drop in financing rates will support demand for housing. Nevertheless, housing affordability will remain an issue for many households.

— Non-residential investment will return to growth in 2024 as borrowing costs fall. However, the start-up of major projects, particularly in the mining sector and the battery industry, will support investment.

Despite a good performance for exports, the external sector will make a modest contribution to economic activity over the next two years. In fact, relatively vigorous domestic demand will support the rise in imports.

TABLE F.3

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	Change			Contribution		
	2023	2024	2025	2023	2024	2025
Domestic demand	**−0.1**	**0.9**	**1.7**	**−0.1**	**1.0**	**1.8**
Household consumption	2.3	0.8	1.8	1.3	0.5	1.1
Residential investment	−17.8	0.4	2.6	−1.2	0.0	0.1
Non-residential business investment	−1.4	2.4	2.9	−0.1	0.2	0.3
Government spending and investment	0.2	0.9	0.9	0.1	0.3	0.3
External sector	**—**	**—**	**—**	**0.7**	**0.1**	**0.1**
Exports	2.3	2.0	2.2	1.0	0.9	1.0
Imports	0.5	1.5	1.9	−0.3	−0.8	−1.0
Inventories	**—**	**—**	**—**	**−0.6**	**−0.5**	**−0.3**
REAL GDP	**0.2**	**0.6**	**1.6**	**0.2**	**0.6**	**1.6**

Note: Total components may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Record population growth in Québec in 2023

International migration is driving strong population growth

Québec experienced exceptional demographic growth in 2023 (+202 500 people, +2.3%), the biggest increase since 1959. This significant population growth will continue in 2024 (+2.8%).

This demographic growth is based almost entirely on net international migration.

– After admitting just over 62 800 permanent immigrants in 2022, Québec welcomed nearly 64 500 people in 2023, a peak partially resulting from a catch-up period after a drop in admissions due to the pandemic.

  ▪ Québec welcomed only 33 500 people per year on average in 2020 and 2021, when border restrictions relating to COVID-19 limited international immigration.

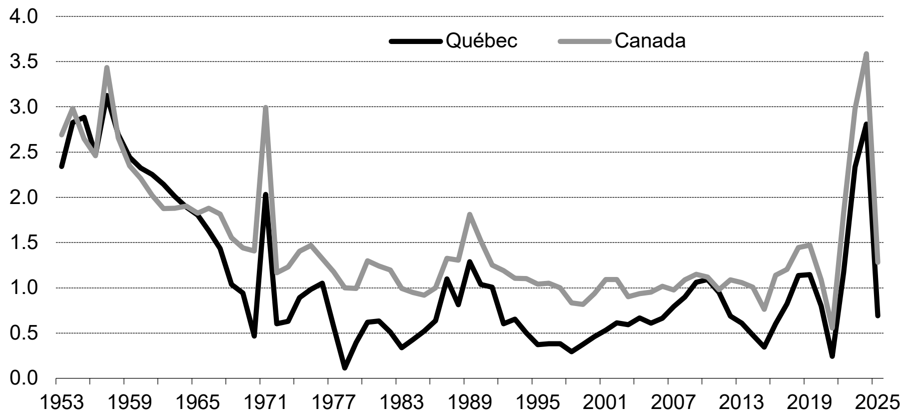
– The number of non-permanent residents saw a record net increase of nearly 149 000 in 2023, bringing the total number to about 471 000.

– Interprovincial migration losses totalled just over 6 000 people in 2023.

– From July 1, 2022 to July 1, 2023, over 99.7% of population growth in Québec was due to net migration, of which around 73% stemmed from temporary immigration.

Conversely, just under 0.3% of population growth was due to the difference between births and deaths.

Population growth rate
(annual population change, per cent)



Note: From 1971 onwards, population data are based on post-census estimates.
Source: Statistics Canada.

Record population growth in Québec in 2023 (cont.)

A record rise in the number of non-permanent residents in 2023

Non-permanent residents account for an increasing share of Québec's demographic growth.

– This group is mainly made up of temporary workers, foreign students and refugee protection claimants, some of whom will eventually obtain permanent immigrant status.

After a period of moderate growth from 2000 to 2015, the number of non-permanent residents has been growing at an ever-increasing rate, until it became the main source of migratory growth in 2018.

– This momentum was halted in 2020 and 2021 by the pandemic and the resulting border closures.

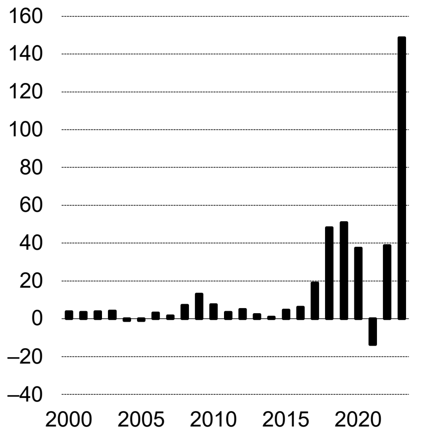
– Subsequently, the increase in non-permanent residents has risen sharply, reaching record growth of almost 149 000 people in 2023. This brings their total number to around 471 000 people as at July 1, 2023.

Of these 149 000 additional non-permanent residents in 2023, 51.3% had a work permit, while 35.9% were refugee protection claimants. Only 3.1% of new non-permanent residents held only a study permit, and 5.0% held both a work and study permit.

In January 2024, the Government of Canada announced that it would introduce an intake cap on international student permit applications for a period of two years to limit international student admissions. This announcement will have a limited effect on demographic trends in Québec.

Non-permanent residents in Québec

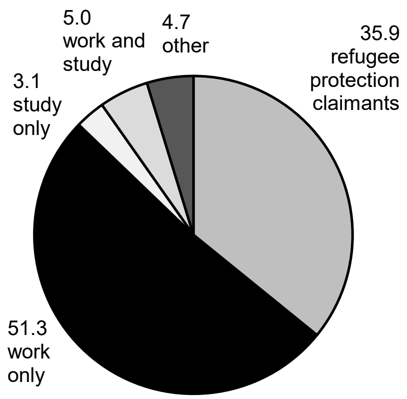
(change in thousands)



Source: Statistics Canada.

Breakdown of the balance of non-permanent residents in 2023 by type

(percentage of total balance)



Note: The "other" type of non-permanent residents refers mainly to family members living with permit holders.
Source: Statistics Canada.

1.4 Interest rate cuts will ease pressure on household finances

After showing resilience in 2023 (+2.3%), household expenditures will moderate in 2024 (+0.8%). They will recover in 2025 (+1.8%), supported by falling interest rates.

— In 2023, the large pool of savings accumulated during the pandemic and strong population growth supported demand for goods and services. In addition, since July, Quebecers have benefited from the tax cut granted by the government on their source deductions.

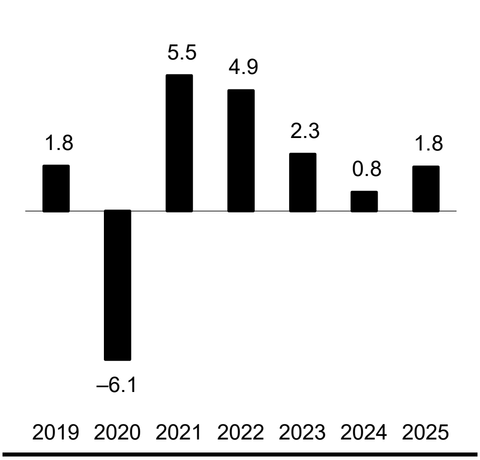
— These factors will continue to support consumption over the next two years. Moreover, household expenditures will be supported by continued increases in wages and salaries, which is expected to reach 5.1% in 2024 and 3.7% in 2025. In particular, public and parapublic sector workers whose collective agreements expired in April 2023 will benefit from new working conditions and salary adjustment payments.

— However, in the short term, many homeowners who have to renew their mortgages will face higher payments, which will affect their ability to spend. High interest rates will have a negative impact on Quebecers' wallets, but to a lesser extent than in the rest of Canada. In fact, the household indebtedness ratio, that is, the value of household liabilities as a proportion of disposable income, is significantly lower in Québec (148.3% in 2022) than in Canada (189.1%), making Québec households less vulnerable to high interest rates.

CHART F.4

Household consumption expenditure in Québec

(percentage change, in real terms)

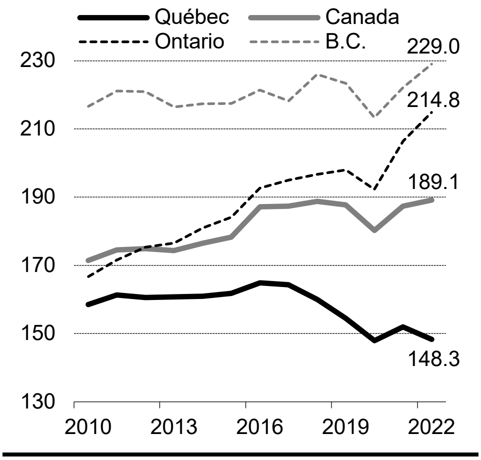


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART F.5

Household indebtedness ratio

(total value of liabilities divided by household disposable income, in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

1.5 The residential sector will return to growth after two difficult years

The housing sector has been shaken by successive rises in interest rates. Residential investment in real terms has thus fallen by 27.4% between 2021 and 2023. It is expected to stabilize in 2024 (+0.4%) before gaining strength in 2025 (+2.6%).

— This rebound will be supported by the gradual decline in interest rates, by low inventories of unsold new properties, and by the vacancy rate, which is at its lowest level since 2003. Moreover, strong population growth will support demand for housing. However, affordability will remain a challenge for many households.

In particular, after two years of significant declines, new residential construction will return to growth.

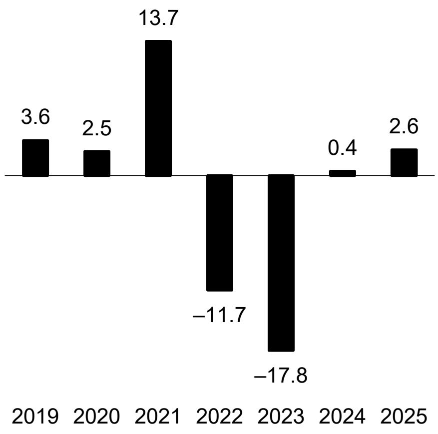
— Housing starts are expected to reach 42 700 units in 2024 and 43 700 units in 2025, levels comparable to the average observed over the 10 years preceding the pandemic (44 200 units per year between 2010 and 2019).

— Nevertheless, the number of units built will remain insufficient in view of the strong demand and the current housing shortage. Housing starts will be limited by still high financing rates and construction costs.

Spending on renovations is set to decline for a third consecutive year in 2024. Mortgage renewals at higher rates will limit homeowners' ability to spend.

CHART F.6

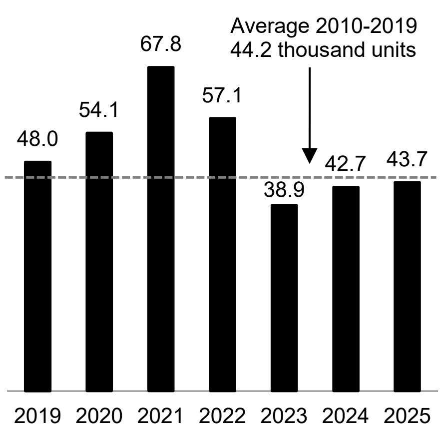
Residential investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART F.7

Housing starts in Québec
(thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

Imbalance between housing supply and demand

Strong demand in a context of limited supply

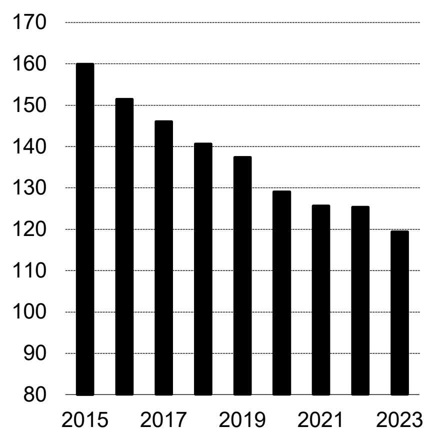
Québec's exceptional population growth is supporting demand for housing. However, housing supply remains limited.

- On the one hand, rising interest rates and high input costs have slowed housing construction. On the other hand, builders have remained cautious due to the heightened uncertainty resulting from the economic slowdown.
  - Against this backdrop, housing starts have fallen from 67 800 units in 2021 to 57 100 units in 2022 and then to 38 900 units in 2023, the lowest level since 2015.
  - The pool of new, unoccupied housing units therefore remained well below pre-pandemic levels.
- The number of new listings on the resale market fell by 4.9% in 2023, the ninth consecutive annual decline.
- Furthermore, the vacancy rate for rental apartments, at 1.3% in 2023 for Québec as a whole, is the lowest recorded since 2003.

The imbalance in the real estate market is reflected in the cost of housing.

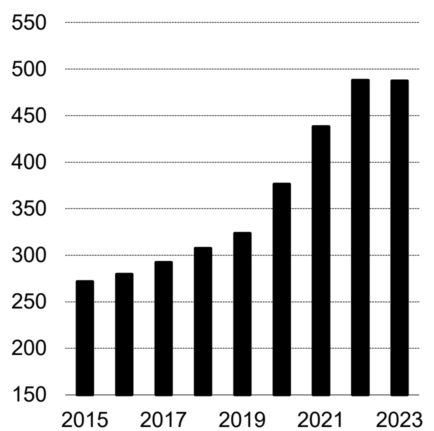
- The average price of a home on the resale market rose from $323 600 in 2019 to $487 400 in 2023, an increase of 50.6%.
- The increase in the average rent of a two-bedroom apartment in Québec accelerated over the same period, from 5.0% in 2020 to 7.1% in 2023.

New listings on the Québec resale market
(thousands of units)



Source: Centris.

Average home resale price in Québec
(thousands of dollars)



Source: Centris.

1.6 Several factors are in place to support the rebound in non-residential investment

Increased uncertainty about economic conditions, slowing demand for goods and services, the declining net operating surplus of corporations and high interest rates prompted businesses to be cautious in 2023.

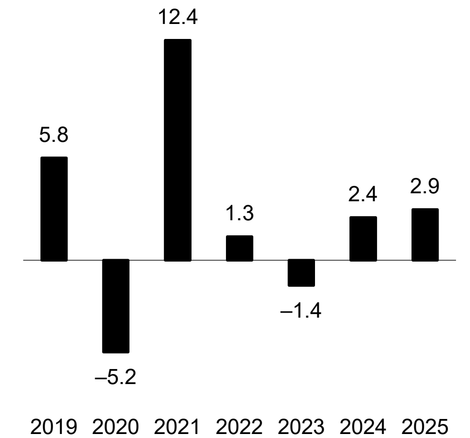
After a decline of 1.4% in 2023, non-residential business investment is expected to grow by 2.4% in 2024 and 2.9% in 2025. Several factors will foster its rebound, in particular:

- the gradual decline in interest rates expected as of the second quarter of 2024, which will make it easier to finance construction and expansion projects, and facilitate investments in machinery and equipment;
- the start-up of large projects, particularly in the mining sector and battery industry;
- improved business confidence, driven by a more favourable economic climate and rising demand;
- the transition to a low-carbon economy.

In the longer term, non-residential business investment will be supported by Hydro-Québec, as described in its *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec*.

GRAPHIQUE F.8

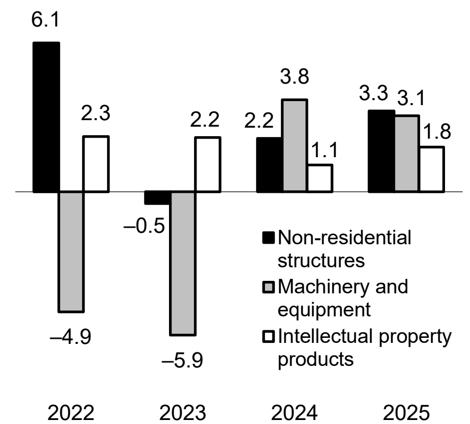
Non-residential business investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

GRAPHIQUE F.9

Components of non-residential business investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.7 The value of government investment reaches a peak

Governments are an important driver of economic activity in Québec. The value of government investment as a proportion of GDP was 4.8% in 2022, compared to 3.6% in Ontario.

This investment will increase by 1.7% in 2024 and 1.9% in 2025 to reach a peak of $28.1 billion in nominal terms.

In particular, investments under the 2024-2034 Québec Infrastructure Plan (QIP) were increased by $3.0 billion in Budget 2024-2025.

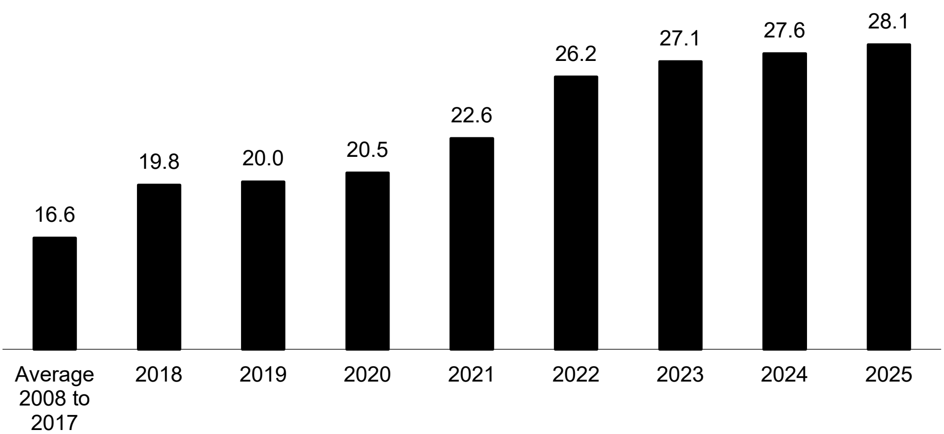
— The 2024-2034 QIP accordingly amounts to $153.0 billion, or over $15.0 billion per year on average.

— Over the past six years, the QIP has been increased each year, going from $100.4 billion in March 2018 to $153.0 billion in March 2024.

Moreover, the levels of investment planned in Québec's municipalities and the federal government's Investing in Canada Plan[2] will also support growth in these investments.

CHART F.10

Government investment in Québec
(billions of dollars, in nominal terms)



Note: Government investment includes investments by the Québec government, the federal government, local public administrations, and Aboriginal public administrations.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

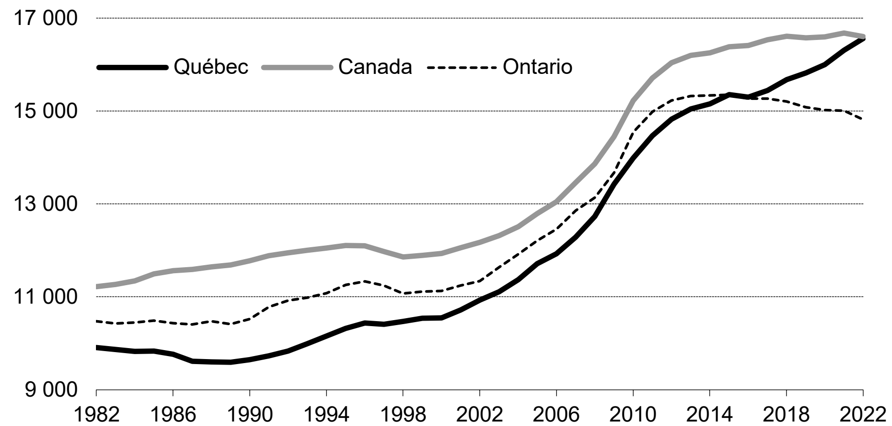
[2] Launched in 2016, the Investing in Canada Infrastructure Program is the federal government's long-term investment plan. The government plans to invest over $33 billion through bilateral agreements with the provinces and territories.

Québec's per capita public capital stock has caught up with that of Canada and has surpassed that of Ontario

Public capital stock is a key determinant of productivity.[1] Historically, Québec's per capita public capital stock, in real terms, has been lower than that of Canada and Ontario. Québec caught up with Ontario in 2015, and in 2022, its per capita public capital stock was similar to that of Canada.

In 2022, Québec's per capita public capital stock stood at $16 564, virtually equivalent to that of Canada ($16 601 per capita); Ontario's stood at $14 813 per capita.

Per capita public capital stock
(dollars per capita, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

1 Public capital stock represents the value of all physical assets in the public sector made up of government investments, less accumulated depreciation. It includes schools, hospitals and roads.

1.8 Exports will be a major contributor to economic activity

Despite the global economic slowdown, exports will continue to grow in 2024 (+2.0%). This growth will benefit primarily from:

- a decrease in supply chain tensions;
- growing demand for many export products, including aerospace products and parts, aluminum and ore;
- the acceleration of the transition to clean energy;
- the weakness of the Canadian dollar against the U.S. dollar, despite a slight appreciation in 2024 and 2025.

In 2025, exports will grow by 2.2%, supported by the improved economic situation of Québec's major trading partners.

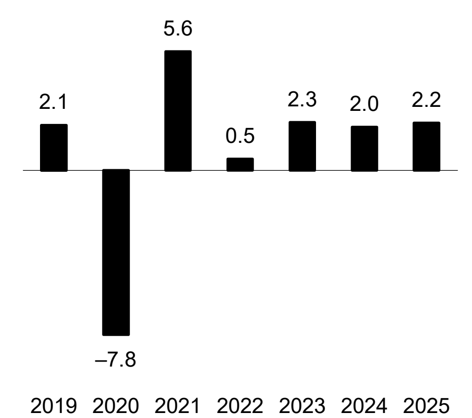
Growth in imports will strengthen in 2024 (+1.5%) and 2025 (+1.9%), following a slight increase of 0.5% in 2023. They will follow a trend similar to that of domestic demand.

Good export growth combined with a rebound in imports will see the external sector make a modest but positive contribution to economic activity over the next two years. Net exports will add 0.1 percentage points per year to the increase in economic activity in 2024 and 2025.

CHART F.11

Exports in Québec

(percentage change, in real terms)

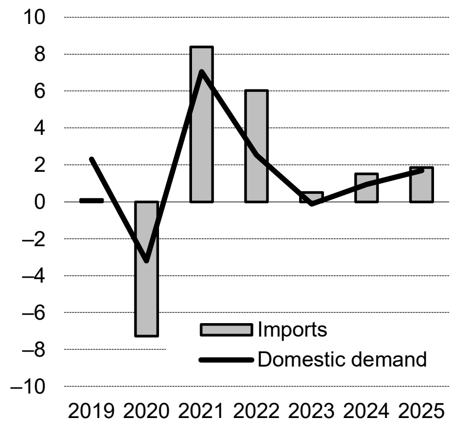


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART F.12

Imports and domestic demand in Québec

(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.9 Price pressures are easing gradually

After peaking in June 2022, CPI inflation is easing. Lower energy prices and the easing of supply chain disruptions largely explain the progress observed in this area. In addition to these factors, weak economic growth and the labour market slowdown have reduced price pressures in recent months.

Although inflation is showing signs of moderation, it remains high as annual price increases in Québec were still exceeding, in January 2024, the 3% upper limit of the Bank of Canada's target range. This is due in part to price increases in the CPI's housing component, which are driven by rising mortgage financing costs and the imbalance between housing supply and demand.

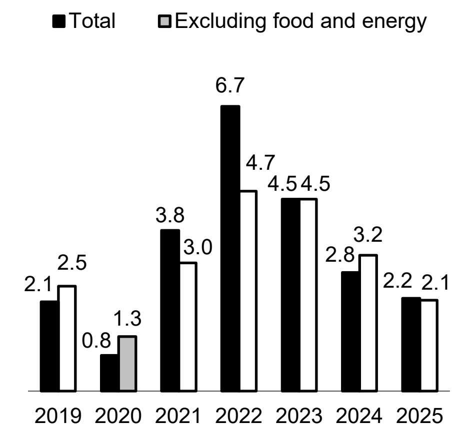
Restrictive monetary policy, which has led Québec's economy into a period of economic stagnation, is gradually easing excess demand. Over the coming months, inflation will continue its downward trend. CPI growth is expected to return below the 3% upper limit as of the second quarter of 2024.

— As for changes in prices measured by the household consumption expenditure deflator,[3] it will reach the 2% target as of the third quarter of 2024. This moderation reflects households' general capacity to adjust their consumption behaviour in the face of high prices.

GRAPHIQUE F.13

CPI in Québec

(percentage change)

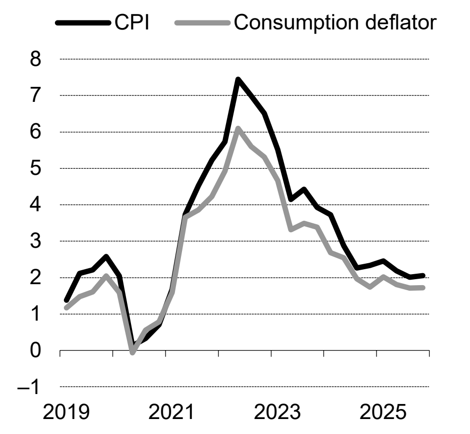


Sources: Statistics Canada and Ministère des Finances du Québec.

GRAPHIQUE F.14

CPI and consumption expenditure deflator in Québec

(annual percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

3 The household consumption expenditure deflator measures price variations by dividing the value of household consumption expenditure by its volume. Unlike the CPI, the deflator does not assume that households consume a fixed basket of goods and services.

The inflation gap between Québec and Canada is gradually closing

Since the beginning of 2023, price pressures have been stronger in Québec than in Canada.

– Annual growth in the CPI reached 3.3% in Québec in January 2024, against 2.9% in Canada. For the 13th consecutive month, Québec's CPI increase exceeded that of Canada.

– Nevertheless, the gap between Québec and Canada is gradually narrowing. It fell from a peak of 1.1 percentage point in October 2023 to 0.4 percentage points in January 2024.

Service inflation still higher than in Canada

The gap in price growth between Québec and Canada is due to inflation in the service sector, while, overall, prices for goods show a similar trend.

– Annual growth in the CPI for services reached 5.2% in Québec in January 2024, compared with 4.2% in Canada. However, annual goods inflation in January was relatively similar (+1.4% in Québec and +1.3% in Canada).

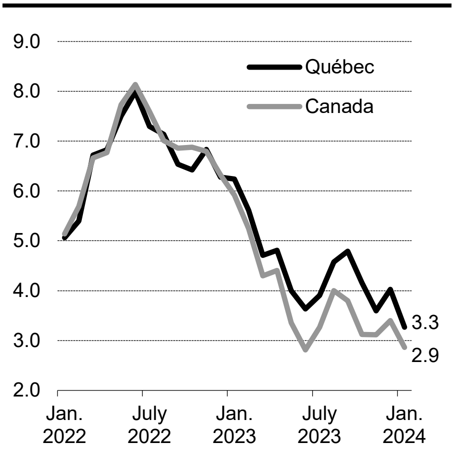
Service prices are based in part on labour costs. However, the labour shortage, which is more pronounced in Québec than in Canada, has put more pressure on wages. In particular, average hourly earnings rose faster in Québec (+20.4%) than in Canada (+18.5%) between 2019 and 2023.

Moreover, wage growth and transfers from all levels of government to households since the start of the pandemic have supported household disposable income and demand for goods and services.

– In particular, between 2018 and 2023, household disposable income rose by 35.1% in Québec, compared to 30.4% in Canada.

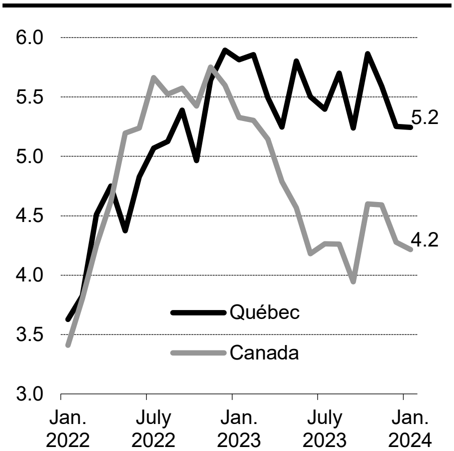
The easing of tensions on the labour market is reflected in reduced pressure on wages, which should moderate inflation in services.

Change in CPI
(annual percentage change)



Source: Statistics Canada.

Change in service prices
(annual percentage change)



Source: Statistics Canada.

The inflation gap between Québec and Canada is gradually closing (cont.)

Strong housing price growth

In recent months, the inflation rate for the housing component has maintained a high growth rate. In particular, soaring mortgage rates have driven up financing costs and prices on the rental market.

– In January 2024 compared with January 2023, the housing price index rose by 6.8% in Québec, compared with 6.2% in Canada.

A decrease in childcare costs across Canada

The federal government has undertaken to reduce childcare costs in all provinces. This measure slows inflation in Canada, but has no effect on price trends in Québec, since the province already benefits from affordable childcare costs.

Growth in the price of food purchased from restaurants in Canada now exceeds that in Québec

Annual increases in food prices have also diverged in recent months. In particular, the labour shortage has put further pressure on the price of food purchased from restaurants in Québec than in Canada. However, this trend reversed in January 2024.

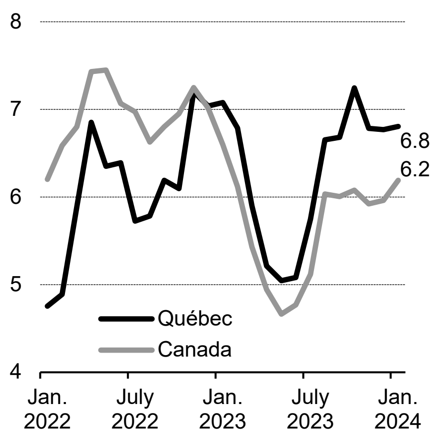
Prices in Québec and Canada will return to a similar growth path

The factors that have kept inflation high in Québec are fading, and the gap between Québec and Canada is gradually narrowing.

– In particular, the moderation in the labour market is easing pressure on wages. In addition, the base effect attributable to the federal childcare program will fade.

CPI, housing component

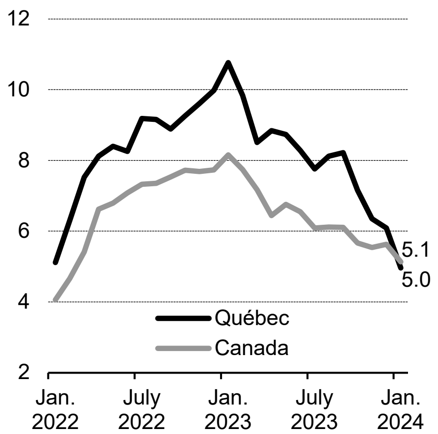
(annual percentage change)



Source: Statistics Canada.

CPI, food purchased from restaurants component

(annual percentage change)



Source: Statistics Canada.

1.10 Nominal GDP growth is moderating but will remain strong

Following two sharp increases (+11.6% in 2021 and +8.4% in 2022), growth in nominal GDP, the broadest measure of the tax base, slowed to 3.9% in 2023. Economic stagnation and falling inflation dampened the increase in the value of output.

- Nevertheless, this increase is equivalent to the average observed over the 10 years preceding the pandemic (+3.8% from 2010 to 2019).

Nominal GDP will keep growing over the next two years. It is expected to reach 4.0% in 2024 and 3.8% in 2025.

The main tax bases underpinning government revenues will generally show a positive trend.

- Wages and salaries will rise by 5.1% in 2024 and 3.7% in 2025, while tensions persist in the labour market.
  - They will also be buoyed by the application of new collective agreements in the public and parapublic sectors, as well as the payment of retroactive pay raises, since the previous labour agreements expired in March 2023.
- After a gain of 6.1% in 2023, the value of consumer spending is expected to decelerate to 3.0% in 2024 and 3.6% in 2025 due to moderating inflation and high interest rates. These increases are comparable to those observed before the pandemic (+3.5% on average annually from 2010 to 2019).
- The net operating surplus of corporations is expected to decline by 2.5% in 2024. It is expected to return to growth in 2025 (+3.0%).
  - Significant financing costs and the difficult economic environment will dampen corporate profits.

TABLE F.4

Nominal GDP in Québec
(percentage change)

	2022	2023	2024	2025
Real GDP	2.5	0.2	0.6	1.6
Price – GDP deflator	5.7	3.8	3.4	2.2
NOMINAL GDP	**8.4**	**3.9**	**4.0**	**3.8**

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.11 Forecasts comparable to those of the private sector

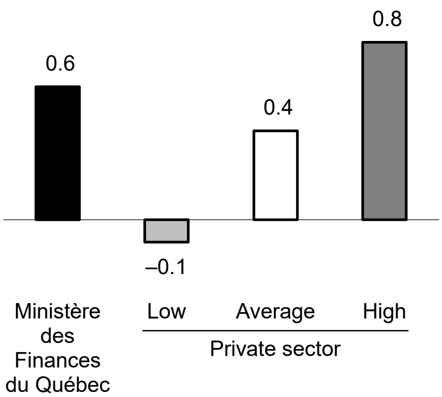
In 2024, the Ministère des Finances du Québec forecasts an increase in economic activity (+0.6%). This is a slightly higher increase than the average private sector forecast (+0.4%).

In 2025, the Ministère des Finances is forecasting 1.6% real GDP growth. This growth is comparable to the average private sector forecast (+1.5%).

The large variation between private sector forecasts reflects the uncertainty arising from the current economic situation.

CHART F.15

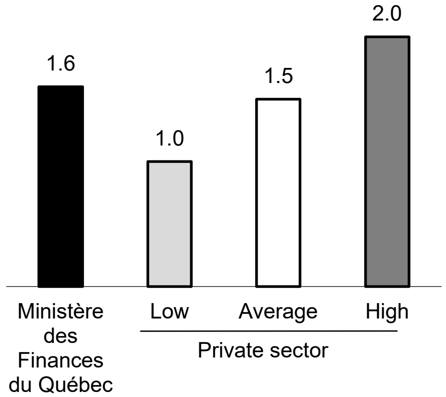
Economic growth in Québec in 2024
(real GDP, percentage change)



Sources: Ministère des Finances du Québec summary as at February 16, 2024, which includes the forecasts of 11 private sector institutions.

CHART F.16

Economic growth in Québec in 2025
(real GDP, percentage change)



Sources: Ministère des Finances du Québec summary as at February 16, 2024, which includes the forecasts of 11 private sector institutions.

TABLE F.5

Economic outlook in Québec – Comparison with the private sector
(percentage change)

	2023	2024	2025	2026	2027	2028	Average 2024-2028
Real GDP							
Ministère des Finances du Québec	0.2	0.6	1.6	1.7	1.7	1.7	1.4
Private sector average	—	0.4	1.5	1.8	1.8	1.6	1.4
Nominal GDP							
Ministère des Finances du Québec	3.9	4.0	3.8	3.7	3.7	3.6	3.8
Private sector average	—	3.0	3.6	3.8	3.7	3.6	3.5

Note: Average may not add due to rounding.
Sources: Ministère des Finances du Québec summary as at February 16, 2024, which includes the forecasts of 11 private sector institutions.

TABLE F.6

Economic outlook in Québec
(annual average, percentage change, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028
Output							
Real GDP	2.5	0.2	0.6	1.6	1.7	1.7	1.7
Nominal GDP	8.4	3.9	4.0	3.8	3.7	3.7	3.6
Nominal GDP (billions of dollars)	545.6	567.1	589.9	612.4	634.9	658.6	682.4
Components of GDP (in real terms)							
Final domestic demand	2.5	−0.1	0.9	1.7	1.5	1.5	1.5
– Household consumption	4.9	2.3	0.8	1.8	1.9	1.9	1.8
– Government spending and investment	3.0	0.2	0.9	0.9	0.3	0.5	0.6
– Residential investment	−11.7	−17.8	0.4	2.6	1.3	1.2	0.9
– Non-residential business investment	1.3	−1.4	2.4	2.9	2.9	2.8	2.5
Exports	0.5	2.3	2.0	2.2	2.5	2.3	2.0
Imports	6.0	0.5	1.5	1.9	1.8	1.6	1.6
Labour market							
Population (thousands)	8 672	8 875	9 124	9 185	9 237	9 283	9 328
Population aged 15 and over (thousands)	7 156	7 260	7 406	7 466	7 518	7 565	7 613
Jobs (thousands)	4 403	4 506	4 550	4 578	4 598	4 618	4 637
Job creation (thousands)	129.7	103.3	43.8	28.0	20.0	19.6	18.9
Unemployment rate (per cent)	4.3	4.5	5.2	4.9	4.6	4.2	4.1
Other economic indicators (in nominal terms)							
Household consumption	10.6	6.1	3.0	3.6	3.7	3.7	3.5
– Excluding food expenditures and shelter	12.3	5.6	2.5	3.6	3.6	3.6	3.4
Housing starts (thousands of units)	57.1	38.9	42.7	43.7	43.0	42.3	41.6
Residential investment	−0.6	−15.8	2.6	5.5	3.6	3.4	3.1
Non-residential business investment	11.3	3.6	4.3	4.2	4.4	4.6	4.5
Wages and salaries	10.4	6.0	5.1	3.7	3.3	3.4	3.2
Household income	7.9	6.0	5.2	3.6	3.3	3.4	3.3
Net operating surplus of corporations	−10.2	−11.0	−2.5	3.0	4.0	4.2	5.4
Consumer price index	6.7	4.5	2.8	2.2	2.0	2.0	2.0
– Excluding food and energy	4.7	4.5	3.2	2.1	2.1	1.9	1.9

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

2. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

The trajectory of Québec's economic activity is largely influenced by changes in its exports. In fact, the value of exports of goods and services accounted for almost 47% of nominal GDP in 2022. As a result, Québec is sensitive to changes in the global economic situation, particularly the situation of its main trading partners.

— In particular, the Canadian and U.S. economies proved resilient in 2023. However, the slowdown caused by restrictive monetary policies is increasingly being felt. Modest growth in their real GDP is thus forecast for 2024.

— Inflation is expected to ease as economic activity slows, allowing the Bank of Canada and the U.S. Federal Reserve to ease their monetary policy. Lower interest rates will provide stimulus and result in a sustainable recovery as of 2025.

2.1 The economic situation in Canada

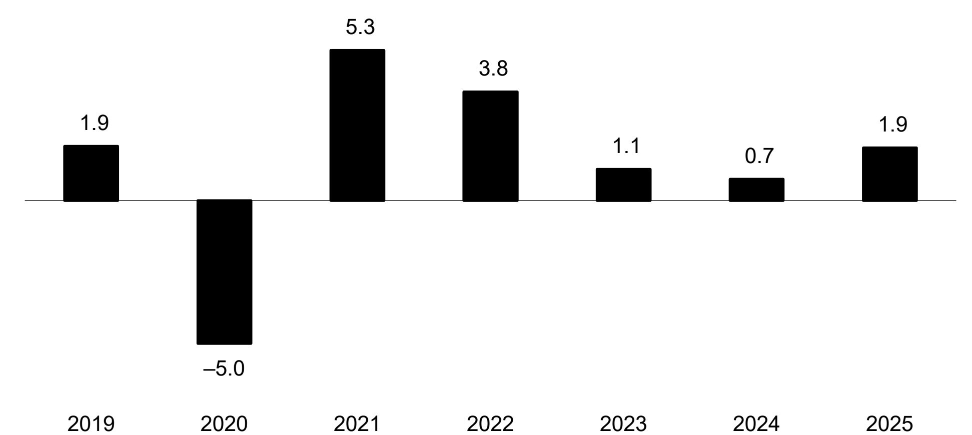
❑ Canada's economy is slowing

The Canadian economy got off to a strong start in 2023, but the pace slowed markedly in the second half of the year. Overall, real GDP growth stood at 1.1% in 2023.

Real GDP growth is expected to decelerate to 0.7% in 2024, before resuming at a more sustained pace in 2025 (+1.9%), supported by the easing of monetary conditions.

CHART F.17

Economic growth in Canada
(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

Economic growth in Canada was supported by temporary factors in 2023

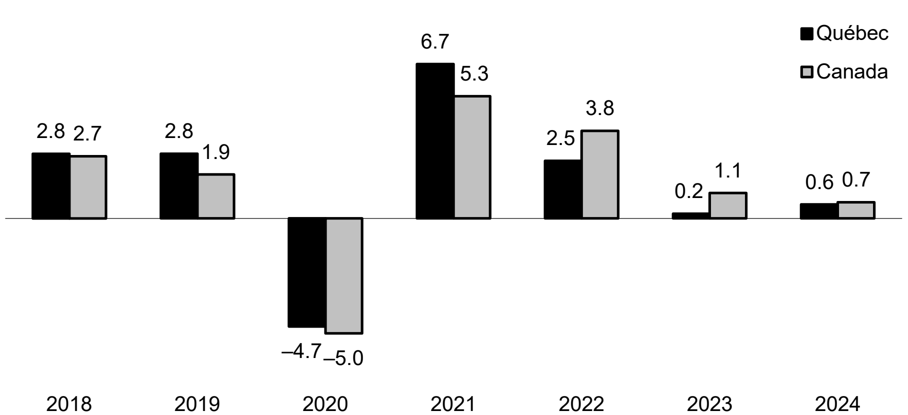
Between 2018 and 2022, real GDP growth was more sustained in Québec (+1.7% annual average) than in Canada (+1.4%). In 2023, Canada benefited from temporary factors that supported economic growth:

- strong production in the automobile industry. The easing of tensions in the supply chains of this industry, which has a strong presence in Ontario, led to a sharp rise in production. Following an 8.1% gain in 2022, motor vehicle manufacturing jumped by 32.6% in 2023;
- more pronounced population growth than in Québec. The Canadian population grew by 1.8% in 2022 and 3.0% in 2023, higher growth rates than in Québec (+1.2% in 2022 and +2.3% in 2023).

In 2024 and 2025, production in Canada and Québec will return to similar growth rates. In particular:

- the recovery in the automobile sector is essentially complete;
- economic activity in Canada will be less supported by households, as Canadians' financial positions are not as strong as those of Quebecers.
  - Quebecers' indebtedness ratio (148.3% in 2022), that is, the value of household liabilities as a proportion of disposable income, is lower than that of Canadians (189.1%).
  - The savings rate in Canada was 5.5% in 2023, lower than in Québec (12.0%). Households in Canada will therefore have a smaller pool of savings from which to finance their spending.
  - Increases in wages and salaries in 2024 will be greater in Québec (+5.1%) than in Canada (+4.5%) due to a tighter labour market and the renewal of collective agreements in Québec's public and parapublic sectors.

Economic growth in Québec and Canada
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Domestic demand will support economic growth

The effects of deteriorating credit conditions are gradually being passed on to the economy. Real GDP growth is therefore expected to moderate from 1.1% in 2023 to 0.7% in 2024. Lower financing costs will allow the economy to return to stronger growth in 2025.

Over the next two years, domestic demand will continue to support economic activity.

— Growth in household consumption expenditure will be supported by strong demographic growth. However, the shock of interest payments, the shrinking pool of savings and the slowdown in job creation will encourage households to exercise caution in their purchases.

— The easing of monetary policy and the need to increase the housing stock will promote a recovery in the residential sector.

— Low oil prices and the uncertainty over economic conditions will moderate non-residential investment in 2024. The start-up of new projects in the mining sector and battery industry will, however, support this investment.

The external sector will make a slight positive contribution, as exports will grow faster than imports.

— In particular, exports will benefit from increased oil and gas transport capacity.

TABLE F.7

Real GDP and its major components in Canada
(percentage change and contribution in percentage points)

	Change			Contribution		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**
Domestic demand	**0.5**	**0.9**	**1.9**	**0.5**	**0.9**	**1.9**
Household consumption	1.7	1.1	2.2	0.9	0.6	1.3
Residential investment	−10.2	0.5	1.3	−0.9	0.0	0.1
Non-residential business investment	−0.7	1.2	2.8	−0.1	0.1	0.3
Government spending and investment	2.1	0.5	0.7	0.5	0.1	0.2
External sector	—	—	—	**1.6**	**0.2**	**0.2**
Exports	5.7	2.4	2.8	1.9	0.7	0.9
Imports	1.0	1.5	2.1	−0.3	−0.5	−0.7
Inventories	—	—	—	**−1.0**	**−0.5**	**−0.2**
REAL GDP	**1.1**	**0.7**	**1.9**	**1.1**	**0.7**	**1.9**

Note: Total components may not add due to rounding.
Sources: Statistics Canada and Ministère des Finances du Québec.

■ Household consumption growth will weaken

Consumer spending is expected to grow by 1.1% in 2024, after rising by 1.7% in 2023.

— Despite the moderation in economic activity, growth in consumer spending will be supported by strong population growth.

— However, financial pressures from interest rates together with the slowdown in job creation will encourage households to exercise caution. Moreover, the pool of savings accumulated by households is declining, as the savings rate has fallen from 10.5% in 2021 to 5.4% in 2022 and 5.5% in 2023.

Household consumption will return to a more sustained growth rate as of 2025 (+2.2%), driven by rising confidence and lower financing costs.

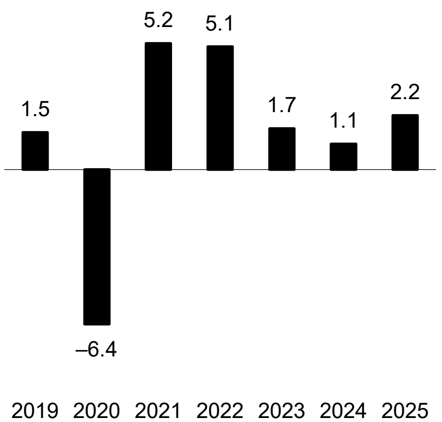
■ Residential investment will stabilize in 2023

After experiencing significant contractions in 2022 (−12.1%) and 2023 (−10.2%), real estate market activity is expected to stabilize in 2024 (+0.5%) before resuming an upward trend.

— Strong population growth, the gradual reduction in mortgage interest rates and the need to increase the supply of housing will be supporting factors for this sector.

CHART F.18

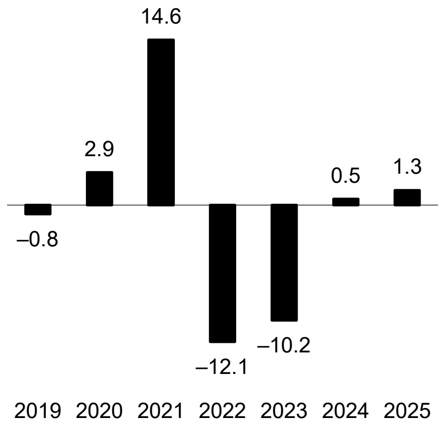
Household consumption expenditure in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART F.19

Residential investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

Housing demand is growing faster than supply

Over the past two years, rising interest rates, increasing commodity prices and uncertainty over the expected economic slowdown have limited the start-up of construction projects. At the same time, affordability conditions have deteriorated in Canada.

– In particular, the average price of a home on the resale market in Canada was $678 300 in 2023, up 35.1% compared to 2019. Moreover, high interest rates have restricted access to home ownership for many potential buyers. They must also undergo a mortgage qualification test that assesses their financial capacity to react to a rate increase. High financing costs are limiting borrowers' leeway by reducing the amount they can borrow. This regulation does, however, protect buyers from an unexpected deterioration in their financial position.

As a result, activity in the housing market has slowed sharply. Housing starts fell by 3.4% in 2022 and 8.2% in 2023. The number of transactions on the resale market fell by 25.1% in 2022 and 11.1% in 2023.

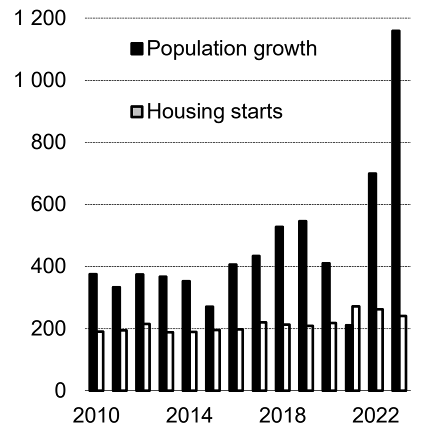
This decline in activity contrasts with a rapidly growing need for housing.

– In 2023, Canada saw record population growth (+3.0%). Immigration accounted for almost all the population growth.

– At the same time, the number of new listings on the resale market fell by 7.7% in 2023, the fifth decline in the last six years.

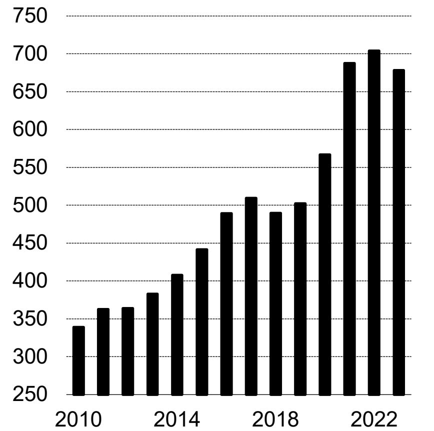
Housing supply is insufficient to meet demand, which is keeping up the pressure on house purchase prices and rents. As a result, real estate prices are likely to remain high.

Population growth and housing starts in Canada
(change in population in thousands and housing starts in thousands of units)



Sources: Canada Mortgage and Housing Corporation and Statistics Canada.

Average home resale price in Canada
(thousands of dollars)



Source: Haver Analytics.

■ Non-residential investment will grow

Despite the current climate of uncertainty and high financing costs, non-residential investment will grow by 1.2% in 2024, following a drop of 0.7% in 2023. Renewed confidence and lower interest rates will drive a rebound in non-residential investment in 2025 (+2.8%).

— Growth in this sector will also be supported by the start-up of new projects in the mining sector and the battery industry. Moreover, the digital transformation and energy transition of the economy will put upward pressure on non-residential investment.

— However, investment in the energy sector will be weighed down by the weakness of oil prices and uncertainty regarding long-term demand amid the transition to a low-carbon economy.

■ Exports will support economic activity

Export growth is expected to go from 5.7% in 2023 to 2.4% in 2024 and to 2.8% in 2025.

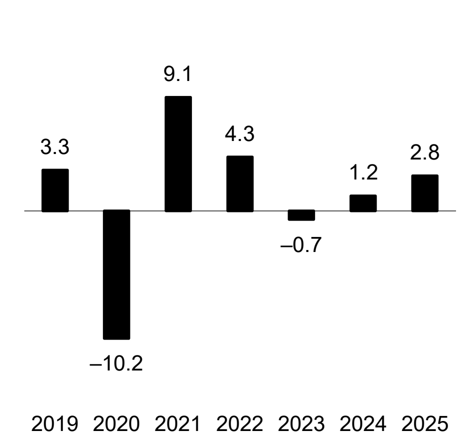
— Exports are expected to weaken in 2024, reflecting falling global demand. However, new oil pipelines being commissioned and improved supply chains will fuel exports.

Imports are expected to grow by 1.5% in 2024 and 2.1% in 2025.

The external sector will make a modest positive contribution to real GDP as export growth will slightly exceed that of imports.

GRAPHIQUE F.20

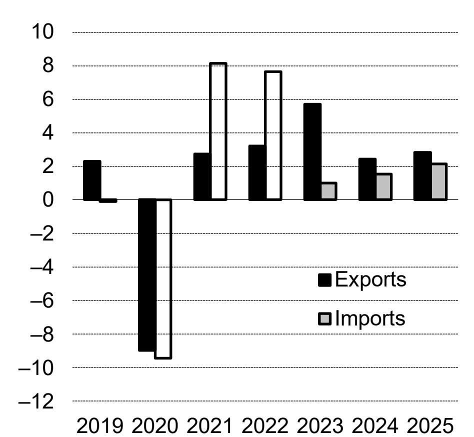
Non-residential business investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

GRAPHIQUE F.21

Exports and imports in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.2 The economic situation in the United States

❑ The U.S. economy will continue to grow

The U.S. economy performed well in 2023. Real GDP expanded by 2.5% despite the unusually rapid pace of tightening in monetary policy and a historic strike in the automobile sector. The probability of a soft landing, consisting of a drop in inflation that would not cause a sharp deterioration in the labour market, has risen in recent months.

— Economic activity was supported in part by a sharp rise in the budgetary deficit, which remains above its 50-year average.

Economic growth is expected to slow over the next two years. Real GDP is expected to rise by 1.5% in 2024 and 1.6% in 2025.

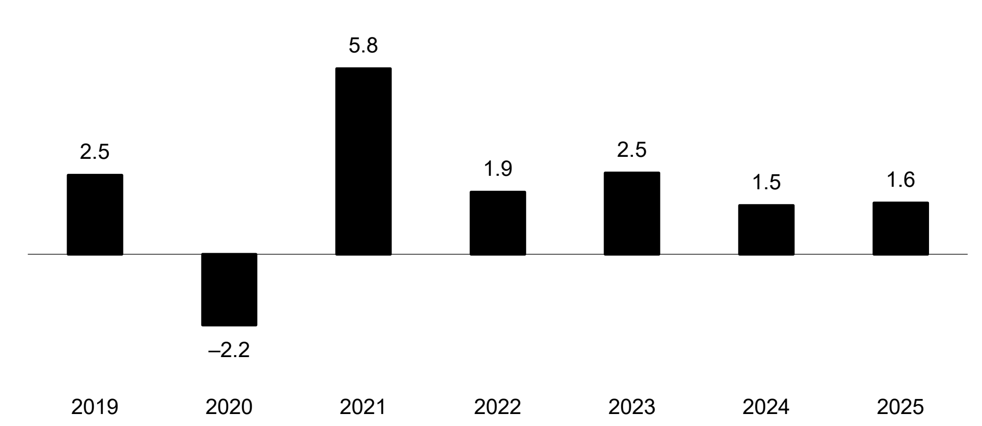
— The economic impacts of high real interest rates will continue to be felt in 2024, while restrictive fiscal policy, the gradual elimination of excess household savings and a looser labour market will dampen domestic demand.

— As a result, consumption, non-residential business investment and government spending are expected to become less dynamic, while residential investment will remain fragile.

Despite the anticipated slowdown, a recession seems increasingly less likely, and a slight acceleration in economic growth is expected in 2025. The easing of monetary policy, due to falling inflation, will support domestic demand.

CHART F.22

Economic growth in the United States
(real GDP, percentage change)



Sources: S&P Global and Ministère des Finances du Québec.

❑ Consumer spending will continue to grow while difficulties in the real estate sector will ease

Consumer spending is expected to grow by 1.6% in 2024 and 1.4% in 2025, after rising by 2.2% in 2023. The slowdown is anticipated due to a decline in job creation, which should curb wage gains.

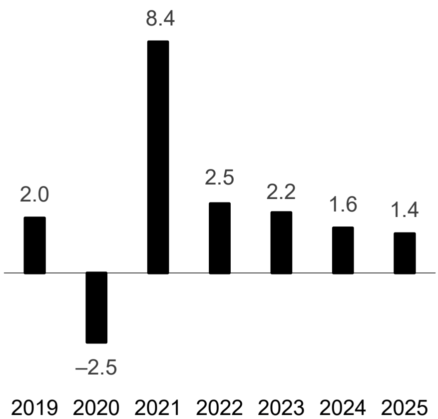
- In addition, the effects of accumulated savings are expected to fade, and households will allocate some income to debt repayments, as debt reached an all-time high in the fourth quarter of 2023.
- Yet, consumers will remain a driving force for the U.S. economy as their confidence improves. Moreover, household financial positions are generally comfortable, due, in particular, to the strong rise in value of their assets in the past.

Residential investment in real terms will increase. It is expected to expand by 0.1% in 2024 and 2.6% in 2025, after shrinking by an average of nearly 10% in 2022 and 2023.

- Residential investment, including in particular investment in new construction and existing home renovations, will remain fragile in the first half of 2024, mainly due to high mortgage rates.
- An easing in credit conditions resulting from looser monetary policy, and supply chains returning to normal which leads to lower material costs should help residential investment recover as soon as the second half of the year.

CHART F.23

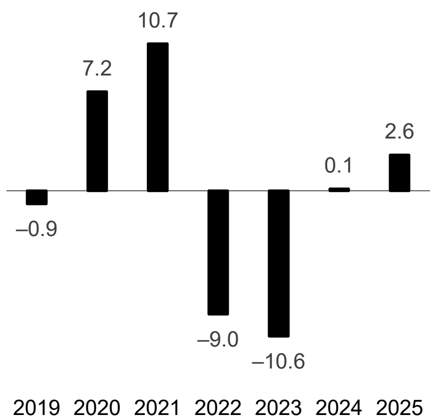
Household consumption expenditure in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

CHART F.24

Residential investment in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

Loosening of the labour market in the United States

In the United States, job creation slipped from 6.2 million in 2022 to 3.5 million in 2023, hitting a low not seen since the start of the pandemic in 2020. Despite this pullback, the labour market has remained strong, with an average monthly creation of 255 000 jobs, well in excess of the 100 000 jobs needed to keep pace with growth in the labour force. However, the slowdown in employment is strengthening signs of a looser labour market.

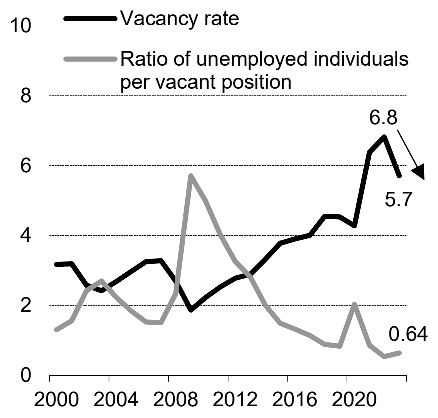
- The vacancy rate, which expresses the number of vacant positions as a proportion of all existing jobs and unfilled positions, stood at 5.7% in 2023, after reaching an all-time high of 6.8% in 2022.
- The ratio of the number of unemployed individuals to vacant positions, one of the indicators measuring the intensity of labour shortages, indicates that there were 0.64 unemployed individuals per vacant position in 2023, compared with a historic low of 0.54 in 2022.
- In addition, in 2023, businesses announced layoffs representing approximately 722 000 jobs cut, the highest number since 2009, excluding 2020. These announcements came mainly from the technology sector.

A looser labour market, attributed in particular to lower demand, economic uncertainty and a larger labour supply, may continue. Many businesses are planning to trim their production costs and therefore to continue layoffs.

However, the labour market is expected to remain relatively tight, with labour sho

Vacancy rate and ratio of unemployed individuals to vacant positions in the United States

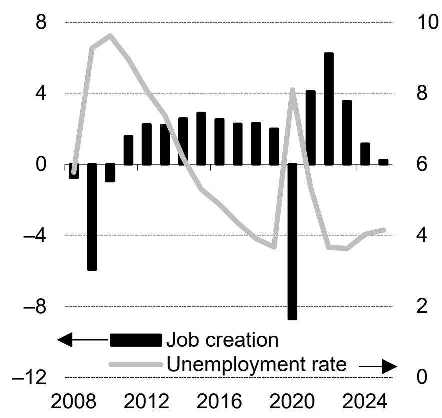
(percentage rate and ratio in units)



Sources: S&P Global and Ministère des Finances du Québec.

Labour market changes and outlook in the United States

(millions of jobs created and unemployment rate in per cent)



Sources: S&P Global and Ministère des Finances du Québec.

Recovery in the residential real estate sector

The U.S. housing market has faced headwinds since the start of the pandemic, which has affected both supply and demand for housing.

– Successive policy rate hikes by the U.S. Federal Reserve to rein in inflation have been passed on to mortgage rates, particularly the 30-year mortgage rate, which climbed from 3.0% in 2021 to 5.4% in 2022 and 6.8% in 2023.

– In particular, high mortgage rates dampened supply, as homeowners were reluctant to sell, and made the housing market very tight, which boosted prices and triggered a deterioration in housing affordability.

– These factors played a role in restricting existing home sales (−18.7%), building permits (−12.8%), housing starts (−8.5%) and residential investment (−10.6%), which contracted in 2023 for a second consecutive year.

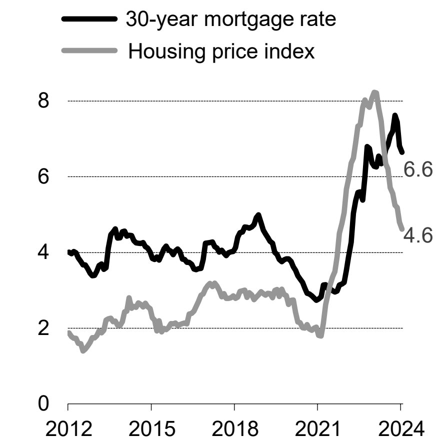
With the Federal Reserve preserving the status quo since its last rate hike in July 2023, and rate cuts expected starting in the second quarter of 2024, mortgage rates are falling. In addition, supply has improved since the beginning of the year.

– The number of new building permits for single-family homes rose for a 12th consecutive month in January 2024, and in February 2024, homebuilder confidence reached its highest level since August 2023.

Some normalization is anticipated in the real estate sector as of the second half of 2024. It will be supported by both stronger demand and supply, which will benefit from monetary easing as well as favourable demographic factors, including continued household formation.

Mortgage rates and annual change in housing prices

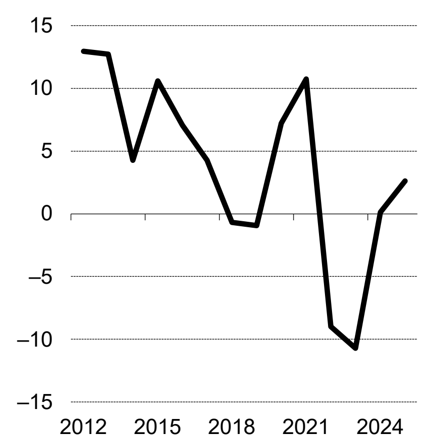
(per cent)



Sources: S&P Global and Ministère des Finances du Québec.

Residential investment

(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

❑ Non-residential investment continues to rise

Non-residential business investment jumped by 4.4% in 2023, driven in part by tax incentives under the *CHIPS and Science Act* and the *Inflation Reduction Act*. Its growth is expected to moderate to 1.8% in 2024, before edging up to 2.1% in 2025.

— This slowdown is due in part to businesses exercising caution in response to economic uncertainty and debt refinancing at higher interest rates. In addition, the effects of recent industrial policies, which have helped boost manufacturing investment, will diminish.

— The three sub-components of investment–equipment, structures and intellectual property products–are expected to increase.

❑ Neutral contribution from net exports

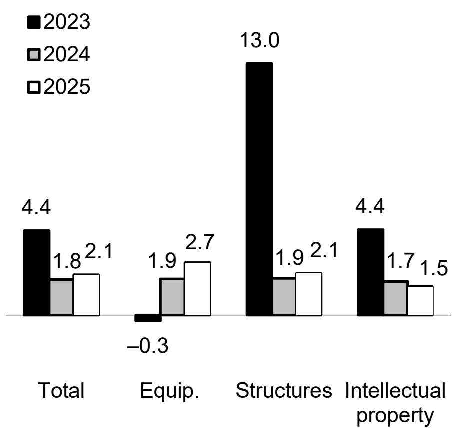
After a strong positive contribution to economic growth in 2023, net exports will become neutral in 2024 and 2025.

— Growth in exports following depreciation in the U.S. dollar will be offset by a recovery in imports, which will be fuelled by demand for goods and services and the end of destocking.

The outlook for foreign trade will be influenced by the significant adjustments underway. The government wishes to improve trade relations with several reliable partners, including Canada and Mexico, and strengthen the supply of certain crucial commodities.

GRAPHIQUE F.25

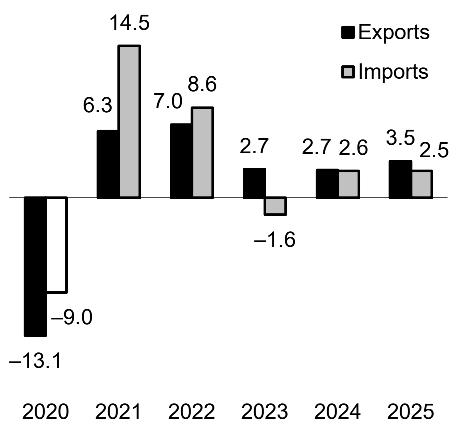
Non-residential business investment in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

GRAPHIQUE F.26

Exports and imports in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

❑ Slowdown in government spending

Government spending is expected to grow by 1.7% in 2024 and 0.4% in 2025, after rising sharply in 2023 (+4.0%).

— Federal government spending is expected to rise by 1.2% this year and by 0.5% next year, while growth in state and local government spending will fall from 2.1% to 0.3%.

In particular, spending will continue to be boosted by the *Infrastructure Investment and Jobs Act* adopted in 2021 for a 5-year period. The moderation in government spending implies that the fiscal policy, which was strongly expansionary in 2023, will gradually become restrictive.

— No new economic stimulus is expected in 2024.

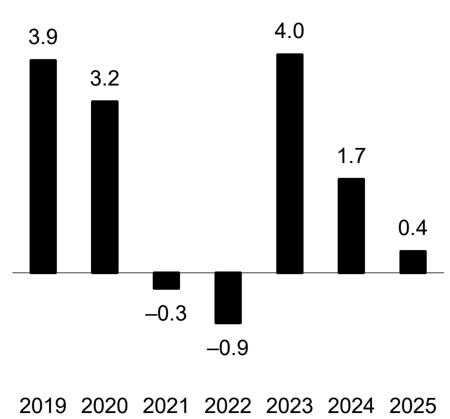
— In addition, the Congressional Budget Office (CBO), a nonpartisan agency of the U.S. Congress, anticipates a reduction in the budget deficit from 6.2% of nominal GDP in fiscal 2023 to 5.6% in 2024. This temporary drop is due in particular to the resumption of tax payments, which had been delayed for taxpayers and companies based in regions affected by natural disasters.

— However, according to the CBO, the deficit will remain above the average of the last 50 years, and public debt will exceed 100% of GDP from 2025 onwards.

— As a result, the budgetary situation remains uncertain.

GRAPHIQUE F.27

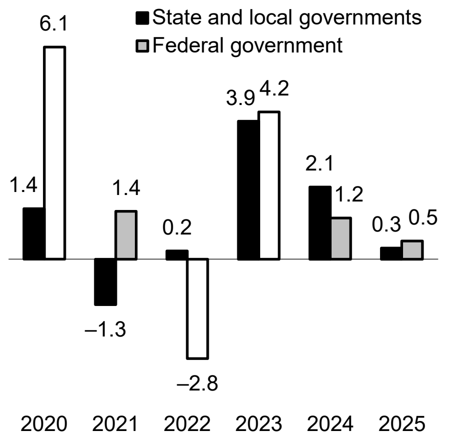
Total government spending in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

GRAPHIQUE F.28

Spending by all levels of government in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

3. THE GLOBAL ECONOMIC SITUATION

❑ A global economic slowdown in 2024 and a rebound in 2025

After its resilience in 2023, driven in particular by favourable U.S. economic performance, global economic growth is expected to slow from 3.0% in 2023 to 2.8% in 2024. However, it will be a transitional year with an acceleration to 3.0% forecast for 2025.

— The slowdown in 2024 will be widespread. Nearly all major advanced and emerging economies are expected to post real GDP growth below or at best equal to 2023 levels.

Inflation should experience a gradual moderation during the year, which will be decisive in determining the trajectory of global economic activity in the short and medium term.

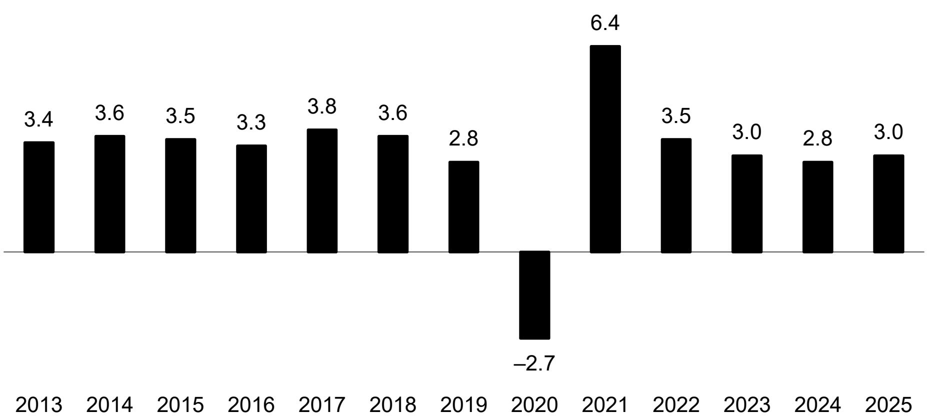
— In particular, the pace of the slowdown in inflation will influence decision-making by central banks in setting monetary policy, which is currently restrictive in multiple economies.

A gradual easing in monetary policies in many major advanced economies, expected to begin in the second quarter of 2024 and to continue in a number of emerging economies, will help restore an environment subsequently conducive to sustainable economic growth.

— However, international economic conditions remain uncertain due to a rise in geopolitical tensions, with economic activity remaining uneven across the various regions and economic sectors.

CHART F.29

Global economic growth
(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, S&P Global, LSEG Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

TABLE F.8

Outlook for global economic growth

(real GDP, annual percentage change)

	Weight(1)	2023	2024	2025
World(2)	**100.0**	**3.0**	**2.8**	**3.0**
Advanced economies(2)	**41.7**	**1.5**	**1.2**	**1.6**
Québec	0.3	0.2	0.6	1.6
Canada	1.4	1.1	0.7	1.9
United States	15.5	2.5	1.5	1.6
Euro area	12.1	0.6	0.6	1.4
– Germany	3.3	−0.3	0.3	1.2
– France	2.3	0.9	0.7	1.3
– Italy	1.9	0.7	0.5	1.0
United Kingdom	2.3	0.1	0.3	1.1
Japan	3.8	1.9	0.8	0.8
Emerging and developing economies(2)	**58.3**	**4.0**	**3.8**	**4.0**
China	18.4	5.2	4.5	4.3
India(3)	7.3	6.6	6.2	6.3

(1) Economic weight according to purchasing power parity. The weights shown are for the year 2022.
(2) GDP in purchasing power parity.
(3) Data for the fiscal year (April 1 to March 31).
Sources: International Monetary Fund, S&P Global, Institut de la statistique du Québec, Statistics Canada, Bloomberg, LSEG Datastream, Eurostat and Ministère des Finances du Québec.

❑ Continued moderation in growth for advanced economies in 2024

Advanced economies are expected to see slower growth in 2024. The full effect of monetary tightening begun in 2022, restrictive fiscal policies and a slowdown in the labour markets and service sector, in particular, are expected to weigh on economic activity.

Real GDP in advanced economies is therefore set to rise slightly, that is, by 1.2% in 2024, after increasing by 1.5% in 2023.

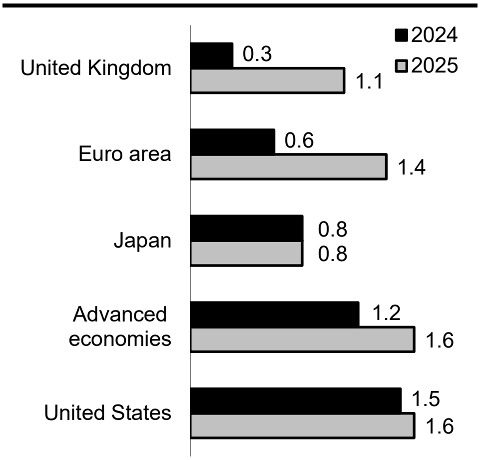
- Despite a slowdown, the United States will be the top-performing major advanced economy in 2024, while the euro area, the United Kingdom and Japan are expected to post real GDP growth below 1%.
  - The euro area economy declined slightly in the second half of 2023, according to purchasing managers' indices. A trough in economic activity has apparently been reached but growth is expected to remain weak at the beginning of the year due to high interest rates.
  - For its part, the United Kingdom's economy showed a slight decline at the end of 2023. In addition, the wave of mortgage renewals at higher interest rates expected in 2024 will continue to weigh on household consumption.

Growth in advanced economies is expected to jump to 1.6% in 2025, due to monetary policy easing as of the second quarter of 2024 and a return to more sustainable inflation levels. Economic growth is expected to accelerate further in advanced countries in Europe and North America.

GRAPHIQUE F.30

Real GDP growth in major advanced economies

(per cent)

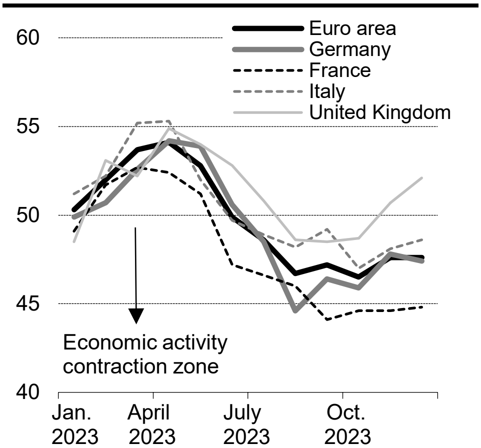


Source: Ministère des Finances du Québec.

GRAPHIQUE F.31

Composite purchasing managers' index in Europe in 2023

(diffusion index; an index above 50 indicates an expansion of the economy)



Sources: Bloomberg and S&P Global.

❑ Moderating growth for emerging countries in 2024

In the group of emerging and developing economies, the slowdown in major economies such as China, India and Brazil in 2024 will be partially offset by faster growth in the other emerging countries in Asia, as well as in Europe, Africa and the Middle East.

— Accordingly, growth in emerging and developing economies is expected to decline from 4.0% in 2023 to 3.8% in 2024, before accelerating to 4.0% in 2025.

— Real GDP growth in these regions in 2025 will occur despite slower economic activity in China, where the economy is struggling with some structural problems.

In particular, restrictive global financial conditions coupled with high public debt, elevated interest rates to counter inflation, geopolitical tensions and a slowdown in world trade dampened economic activity in these economies in 2023.

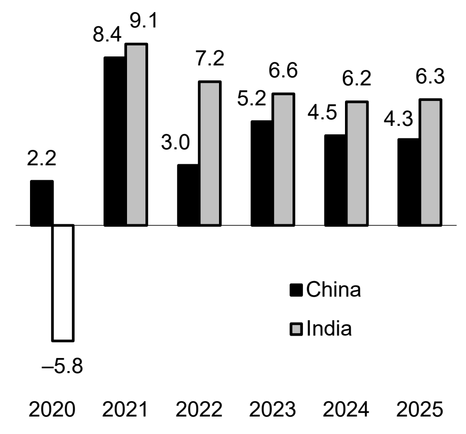
— In 2024, these difficulties stand to continue in part, despite the improvement anticipated this year. The standard of living in a number of these countries, defined by real GDP per capita, will remain below 2019 levels in 2024.

In 2025, a number of emerging countries are expected to benefit from a gradual rise in global demand, as well as from inflation and interest rates returning to more sustainable levels.

GRAPHIQUE F.32

Economic growth in China and India

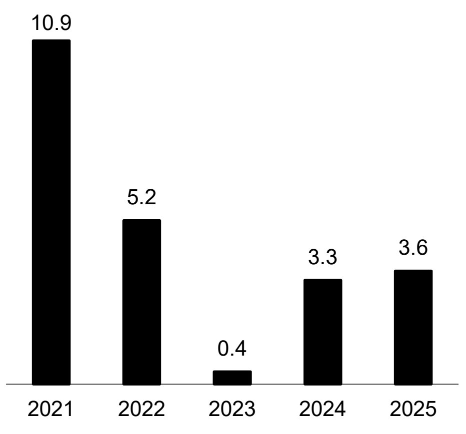
(real GDP, percentage change)



Sources: LSEG Datastream and Ministère des Finances du Québec.

GRAPHIQUE F.33

Growth in world trade in goods and services
(average exports and imports, percentage change)



Source: International Monetary Fund.

The reduction in inflation is well underway

Global price growth slowed sharply in 2023 but remained above central bank targets in most major advanced economies, with a potentially challenging path ahead.

– The decline in inflation in 2023 resulted in particular from lower energy prices and a slowdown in price increases for food.

– However, labour markets remained tight in a number of major advanced economies. As a result, wage growth remained high and led to a more gradual slowdown in core inflation.

Inflation should continue losing pace in 2024. However, a sustained return to central bank targets, typically around 2%, is not expected to occur until late 2024, or even 2025, in several advanced economies.

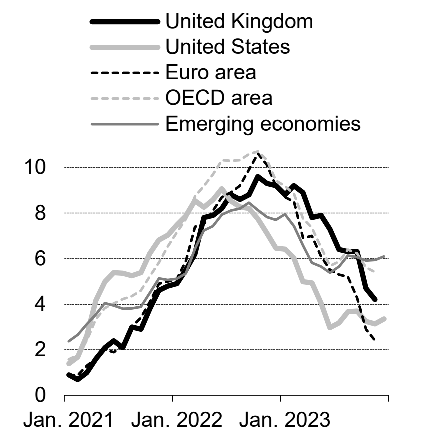
– The full effect of monetary tightening and looser labour markets are expected to help reduce inflation in 2024.

– The forecast moderation in wage growth will help push down core inflation, particularly in the service sector, as it has been more persistent than headline inflation.

– The energy sector stands to make a smaller contribution to reducing inflation, however, due to weaker base effects than in 2023.

Consumer price index

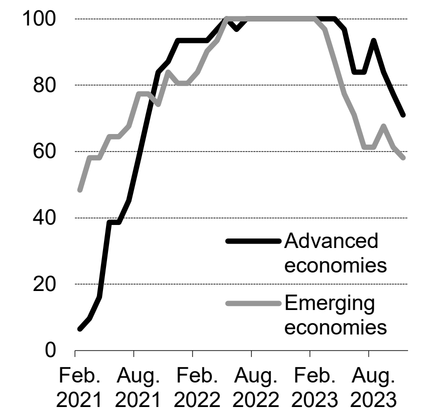
(annual percentage change)



Sources: Organisation for Economic Co-operation and Development and S&P Global.

Economies with above-target inflation rates

(proportion in per cent)



Source: World Bank.

The reduction in inflation is well underway (cont.)

Tensions in supply chains pose a risk to meeting central bank inflation targets

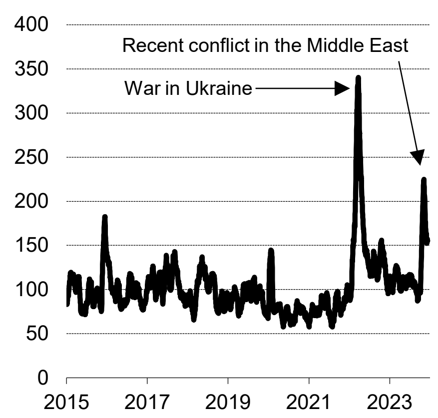
According to the Federal Reserve Bank of New York index, supply chain tensions greatly diminished in 2023 compared to previous years, and are currently hovering around their historical average.

However, the recent rise in geopolitical tensions in the Middle East and their effects on supply chains could generate upward pressure on inflation worldwide.

- On the one hand, the World Bank has suggested that a worsening of the Israel–Gaza conflict—which could spread to neighbouring countries—would lead to higher oil prices, as seen during previous conflicts in that region.
  - That said, OPEC countries and their partners currently have significant excess production capacity, due to production cuts implemented to support prices.
- On the other hand, container prices have risen sharply since the end of 2023. This increase is due in particular to shipping disruptions in the Red Sea.
  - Attacks on merchant ships passing through the area, which normally handles 12% of world trade, have forced ocean carriers to take longer routes, reducing container availability in the short term.

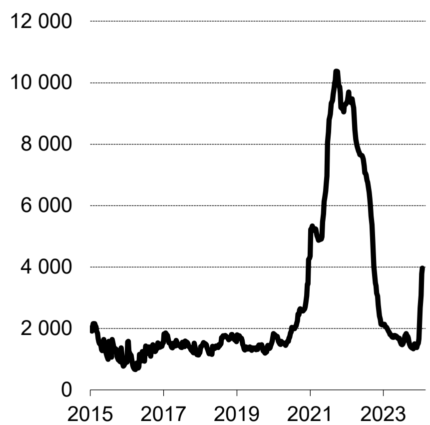
Furthermore, the World Trade Organization (WTO) has noted the growing vulnerability of supply chains in recent years. This is partly due to an increase in the number of products considered bottlenecks, or goods helping economies to function well that are exported by a very small number of countries.

Geopolitical risk index
(points, historical average = 100 points)



Source: World Bank.

Container prices
(U.S. dollars per 40-foot container)



Source: Drewry.

4. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Investors are focused on expected interest rate cuts in 2024

Over the past few months, international financial markets have been focused on a specific issue, that is, anticipating when the major central banks will decide to start cutting their policy rates and the pace at which they will do so.

— Looking at the stock markets, the S&P 500 index established new records in January and February, due to expectations of interest rate cuts in 2024, the steady growth of the U.S. economy and better-than-anticipated financial results.

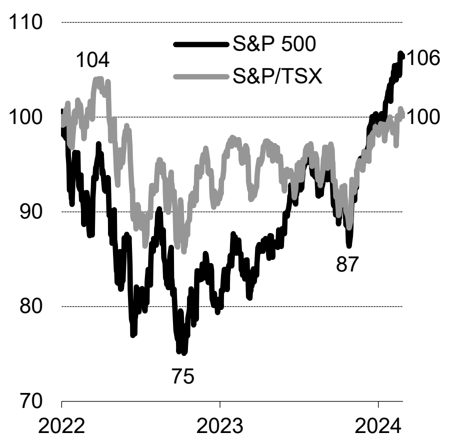
— However, expectations regarding the future path of policy rates remain fairly volatile, which is reflected in bond yields.

  — Since the start of the year, bond yields have risen in advanced economies as investors have tempered their expectations regarding the extent of future monetary easing.

Moreover, oil prices have dropped since fall 2023, against a backdrop of abundant global supply and weak growth prospects for world oil demand. Geopolitical risks still loom, however, and could lead to higher prices and global inflation.

CHART F.34

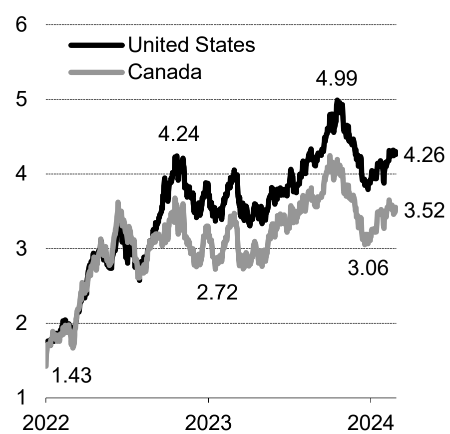
North American stock market developments
(index, December 31, 2021 = 100)



Note: Most recent figure is for February 28, 2024.
Sources: Bloomberg and Ministère des Finances du Québec.

CHART F.35

Yield on 10-year federal bonds
(per cent)



Note: Most recent figure is for February 28, 2024.
Source: Bloomberg.

❑ Monetary easing in the second quarter of 2024 in Canada

In January, the Bank of Canada maintained its policy rate at 5.00% and signalled that it was done with rate hikes.

— Headline inflation has continued to slow in recent months, settling at 2.9% in January. That said, certain core inflation measures remain high, close to 3.5%. Wage growth also remains high, at around 4% to 5%.

The Canadian economy has been stagnating since the third quarter of 2023 as a result of restrictive interest rates. Real GDP growth is expected to remain weak in early 2024, which would help steer inflation towards the 2% target.

— As a result, the Bank of Canada should be in a position to start gradually reducing its policy rate in the second quarter of 2024.

❑ Rate cuts in the second quarter of 2024 in the United States

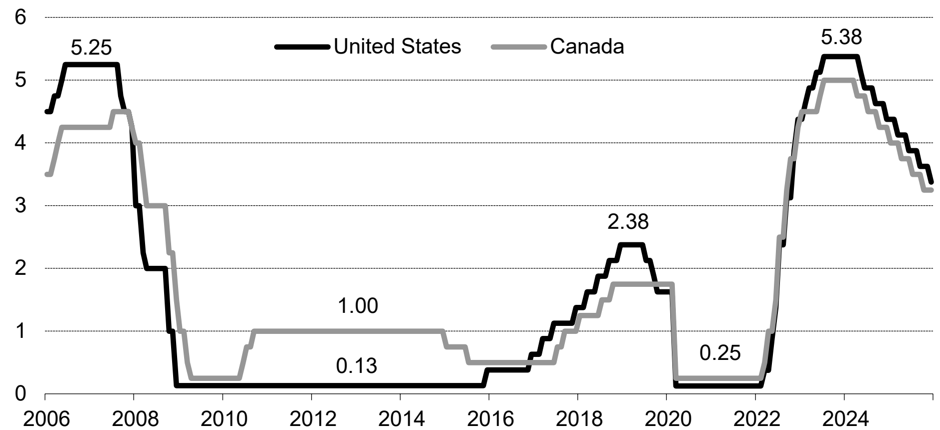
In January, the U.S. Federal Reserve maintained its policy rate within the 5.25%-5.50% range. This was the fourth consecutive status quo.

— Given the significant slowdown in U.S. inflation in recent months, that country's monetary policy is among the most restrictive. In addition, quantitative tightening is continuing in the United States and Canada, adding to the restrictive stance of monetary policies.

Against this backdrop, the expected further decline in inflation should enable the Federal Reserve to start gradually cutting its policy rate in the second quarter (four cuts of 25 basis points expected in total in 2024).

CHART F.36

Policy interest rate in Canada and the United States
(overnight rate target and federal funds target rate,(1) per cent)



(1) The federal funds target rate is the midpoint of the target range.
Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Rebound in bond yields at the start of 2024

Bond yields fell sharply in November and December 2023 in the major advanced economies. Reacting to encouraging inflation data, investors had raised their expectations significantly for early and rapid policy rate cuts in 2024.

As a sign of the volatility prevailing on the bond market, bond yields have changed direction somewhat since the beginning of the year.

— The increase in yields is mainly due to a downward reassessment of financial market expectations with respect to monetary easing in 2024.

— This development follows the release of data showing, in particular, that inflation could prove more persistent than expected, as well as certain comments by central bank officials seeking to moderate expectations of policy rate cuts.

Although bond yields are expected to show high volatility again this year, the continued decline in inflation and the expected easing of monetary policies in 2024 should foster a gradual easing of yields.

❑ The Canadian dollar is expected to gradually appreciate in 2024

In recent months, the Canadian dollar has generally fluctuated between 72 and 75 U.S. cents, hovering around 74 U.S. cents in February. The U.S. dollar has recovered since the start of 2024, after retreating for much of fall 2023.

— The depreciation of the U.S. dollar is set to resume, prompted by the expected drop in interest rates in the United States and elsewhere, which would help to improve growth prospects for the global economy.

— Conversely, the Canadian dollar and other currencies are expected to appreciate against the U.S. dollar over the coming quarters.

TABLE F.9

Canadian financial markets
(average annual percentage, unless otherwise indicated, end-of-year data in brackets)

	2023	2024	2025
Overnight rate target	4.8 (5.0)	4.6 (4.3)	3.6 (3.3)
3-month Treasury bill	4.8 (4.9)	4.6 (4.1)	3.5 (3.0)
10-year bond	3.3 (3.1)	3.3 (3.1)	3.1 (3.1)
Canadian dollar (in U.S. cents)	74.2 (75.7)	75.5 (76.5)	77.6 (78.6)
U.S. dollar (in Canadian dollars)	1.35 (1.32)	1.32 (1.31)	1.29 (1.27)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Global energy markets well supplied in 2024

Oil prices have fallen since last fall. The price of WTI (West Texas Intermediate) has fallen by about 15% since September 2023, averaging nearly US$77 a barrel in February 2024.

As for global oil supply, the market will remain well supplied over the coming quarters due to expected production increases in non-OPEC countries, mainly the United States.

— Despite voluntary production cuts by OPEC and its partners, supply is expected to keep pace with the growth of global demand, which will slow this year, marking the end of its post-pandemic rebound.

Against this backdrop, oil prices are expected to be less volatile this year, and remain at levels slightly below those seen in 2023. However, the lingering tense geopolitical situation in the Middle East remains a major risk for global oil supplies and price trends.

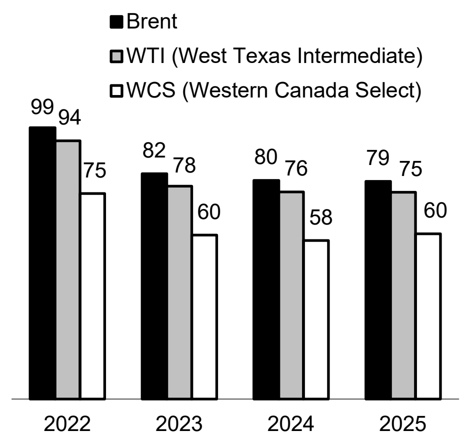
At the same time, U.S. natural gas prices showed limited changes in 2023. This is due to moderate demand and higher-than-normal inventory levels, the result of milder seasonal temperatures.

— Gas prices are expected to rise in 2024, supported by a slowdown in the pace of production in the United States and increased exports of liquefied natural gas. However, this rise in prices will likely be tempered by relatively stable demand and persistently high inventories.

CHART F.37

Change in oil prices

(U.S. dollars per barrel)

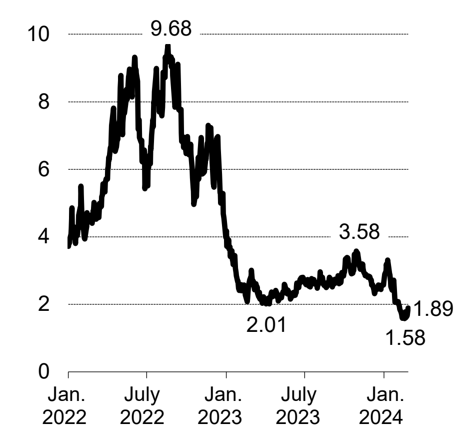


Sources: Bloomberg and Ministère des Finances du Québec.

CHART F.38

Natural gas prices in the United States

(Henry Hub, U.S. dollars per MMBtu)



Note: Most recent figure is for February 28, 2024.
Source: Bloomberg.

5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The economic and financial forecasts in Budget 2024-2025 are based on several assumptions. Some of them are associated with risks that could affect the global economic and financial scenario as well as developments in the Québec economy.

❑ Persistently high inflation

The economic forecast scenario is based on a gradual reduction in price pressures. A different trend in inflation could lead central banks to reconsider their strategy, impacting economic growth.

In particular, price increases could resume or remain above central banks' targets.

- Such a situation could lead central banks to raise their policy rates or keep them at restrictive levels for longer than expected. Growth in economic activity would therefore be weaker than expected, which could translate into a recession in some economies.
- Persistent inflation stemming from a supply-side shock, as observed in 2021 and 2022, would be especially problematic in economies where demand remains weak. This situation would further complicate the work of central banks.
  - In particular, this shock could come from higher shipping costs or increased geopolitical tensions, leading to heightened tensions in supply chains.

Conversely, inflation could slow more quickly than expected.

- Central banks could therefore begin the monetary easing cycle earlier, and even accelerate the pace of rate cuts. This situation could lead to stronger economic growth.

❑ Stronger-than-expected population growth

According to Statistics Canada, Québec passed the symbolic milestone of nine million inhabitants at the end of January 2024. The province is currently experiencing unprecedented population growth. This increase is mainly due to immigration.

If population growth continues at this pace for a prolonged period, the rise in economic activity could be stronger than expected. Such a development would, however, put pressure on housing demand and prices.

❑ A growing imbalance in the housing market

In Canada and Québec, housing accessibility remains a key concern. Strong population growth increases demand. At the same time, heightened economic uncertainty, high interest rates and rising construction costs have slowed housing starts in recent years.

This imbalance between supply and demand has kept prices near record highs, despite the moderation in economic activity.

In 2024 and 2025, housing starts should resume their upward trend, increasing the supply of housing. In addition, slower economic growth and declining affordability should limit housing demand. These developments are expected to reduce pressure on prices.

Nevertheless, there could be an increase in the number of potential buyers on the market in anticipation of lower mortgage rates, or housing starts could remain weaker than expected. Housing prices would then rise, which could generate instability in financial markets and negatively impact household financial positions.

Conversely, a faster-than-expected recovery in real estate construction would ease imbalances between demand and supply in the residential sector, and improve housing affordability.

❑ The effects of monetary policy on households could be more pronounced

Canadian households have seen their financial positions worsen in recent years, mainly due to elevated inflation and high interest rates.

The effects of monetary policy on households could be more pronounced than expected. Over the next few quarters, many of these households will renew their mortgages at a higher interest rate than that previously contracted. Moreover, the indebtedness of Canadian households is at a record high.

Against this backdrop, it is possible that Canadian households will be more cautious than expected and further limit their consumption expenditures.

❑ Weak non-residential business investment continues

Increased uncertainty about economic conditions, slowing demand for goods and services, the declining net operating surplus of corporations and high interest rates prompted businesses to be cautious in 2023.

Although a rebound in non-residential investment is expected in 2024, some businesses may postpone their investment projects.

— In particular, January 18, 2024 marked the deadline for repaying loans from the Canada Emergency Business Account (CEBA). The payment of such a loan could place many businesses in a difficult financial position.

— In addition, if the impacts of monetary policy on households are greater than expected, demand for goods and services could remain modest, driving down corporate profits.

Against this backdrop, some businesses may be faced with difficult decisions or could even declare bankruptcy. This development would lead to negative consequences for non-residential investment.

❑ Different global economic trends than expected

Global economic activity may differ from what is expected.

— In the United States, the economy could grow more than expected, particularly if unemployment remains low despite the loosening of the labour market. This different context would provide further support to consumer confidence and spending. On the other hand, persistent inflation and deteriorating credit conditions could slow the expansion of interest-rate-sensitive sectors such as household consumption, investment and exports.

— In China, ongoing difficulties in the real estate sector and lacklustre consumer and business confidence could, in particular, weigh on growth forecasts. The possibility of a major economic stimulus package being announced remains fairly weak, although it would have a positive impact.

— In the euro area, although natural gas supply difficulties have eased considerably, risks affecting the economic growth outlook remain on the downside. In particular, consumption could be dampened by a deterioration of the labour market or by less monetary easing than expected.

Given the size of these economies in world GDP, a shift in their economic activity could alter the path of global growth.

❑ Changes in geopolitical tensions

The global economy must contend with the intensification of geopolitical tensions in the Middle East, but also with the ongoing war in Ukraine and tensions between the United States and China, in particular.

- A favourable geopolitical context is conducive to trade and global economic growth.
- Conversely, rising geopolitical tensions are influencing trends and volatility in financial markets and energy prices. However, the extent of these effects remains difficult to quantify.
  - In addition, several economies have adopted strategies to secure their supply of critical and strategic metals.
  - The rise in the number of trade restrictions could continue, hampering world trade, increasing the volatility of commodity prices and limiting the potential for economic growth.

The economic and financial scenario is based on the premise that the current tensions will continue without worsening significantly.

❑ A different evolution of energy prices

Energy prices are influenced by numerous factors. A worsening of geopolitical tensions in the Middle East, one of the most important regions in terms of energy resource production, represents a major risk for the stability of global supplies.

- Supply disruptions could result in higher-than-expected oil and natural gas prices.
- On the other hand, a possible end to voluntary production cuts by OPEC and its partners this year could substantially increase global supply on the oil market and lead to a sharp drop in oil prices.

Furthermore, growth in the world economy that differs from what is anticipated could lead to positive or negative consequences on global demand and energy prices.

- A rise in oil prices has significant constraining effects on importing economies such as Québec’s.

❑ A stock market plunge, stoked by a drop in stocks related to artificial intelligence

Stock markets have reached record highs of late, but they remain vulnerable to a correction that could disrupt the economy as a whole.

In particular, the field of artificial intelligence is expanding rapidly, and this is helping boost stock markets, especially in the United States.

— In 2023, the S&P 500 U.S. stock market index posted strong growth of 24%, and the index has continued to increase since the start of 2024.

— However, a handful of stocks, in particular technology companies in the field of artificial intelligence, have been responsible for a significant share of the stock market surge in recent quarters.

The marked increase in the value of these stocks is based largely on high earnings prospects, sometimes in the distant future. Accordingly, in the event that high earnings expectations are not met, artificial intelligence stocks, and stock markets as a whole, could be vulnerable to a significant drop.

— Such a development would lead to negative consequences for investors and for households whose portfolios are partly invested in stock markets.

❑ Climate events

Climate change is having an increasingly significant economic impact. Unexpected weather events could adversely affect the activities of various sectors of the economy and push up commodity prices.

— Climatic disturbances can reduce production and transportation capacities.

— In addition, extreme climate events generate significant costs for rebuilding basic infrastructures and force the construction of protective infrastructures.

Section G

QUÉBEC'S FINANCIAL SITUATION

SUMMARY

Budget 2024-2025 is an opportunity for the government to report on Québec's economic and budgetary situation and to present its related policy directions in this regard. This section reports on developments in Québec's budgetary situation for 2023-2024 and presents the budget forecasts up to 2028-2029.

A number of factors are affecting the government's budgetary outlook, namely stagnant economic activity, low runoff in Hydro-Québec's basins, major investment in public services, particularly to improve working conditions for public and parapublic sector employees, stronger-than-expected demographic growth and the pace of realization of infrastructure investments. They result in a structural deficit of nearly $4 billion from 2026-2027 to 2028-2029, which will have to be eliminated to restore fiscal balance within the meaning of the *Balanced Budget Act*, after deposits of dedicated revenues in the Generations Fund.

The government is maintaining its commitment to restore fiscal balance.

To that end, it is taking immediate action as part of a gradual approach. A plan to restore fiscal balance will be tabled when Budget 2025-2026 is released.

❑ A gradual approach to restoring fiscal balance

The government is maintaining its commitment to restore fiscal balance after deposits of dedicated revenues in the Generations Fund. Given the uncertain economic context, it will table a plan to restore fiscal balance at the same time as Budget 2025-2026. A more favourable growth environment is expected in the second half of 2024.

Fiscal balance within the meaning of the *Balanced Budget Act* will be achieved by 2029-2030[1] at the latest. To achieve this, the government will need to increase the gap between the average annual growth in revenue and the one in expenditure from 0.4 percentage points to 1.1 percentage points.[2]

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1 See Appendix 2 for the report on the application of the *Balanced Budget Act*.

2 To restore fiscal balance, the government must increase the gap between revenue and expenditure. Over the period covered by the financial framework, that is, until 2028-2029, the average annual growth in revenue (AAGR) will reach 3.3%. Meanwhile, average annual growth in expenditure will reach 2.9%. The gap in growth is currently equivalent to 0.4 percentage points. In order to eliminate the structural deficit, the Ministère des Finances estimates that this gap will need to reach 1.1 percentage points by 2028-2029.

In the meantime, the government is taking action to achieve fiscal balance in operations by 2027-2028, if no events trigger the use of the contingency reserve. To this end, it is relying on four levers:

- it is taking immediate steps representing $2.9 billion over five years to optimize government action, namely:
  - adjusting certain tax assistance measures for businesses ($1.0 billion),
  - asking government enterprises for optimization efforts ($1.0 billion),
  - continuing tobacco control efforts ($300 million),
  - ensuring the fairness and integrity of the tax system ($563 million);
- it is launching two review processes in spring 2024, one for tax expenditures and one for budgetary expenditures;
  - This exercise will make it possible to identify the first sources of savings that will pave the way to a balanced budget after deposits of dedicated revenues in the Generations Fund by 2029-2030.
- it is continuing to make representations to the federal government to obtain its fair share of federal transfers;

  The federal government must reimburse Québec for the costs incurred for providing services to asylum seekers. It must also increase its transfers to provinces in the areas of health, infrastructure, and workforce development.

  Québec is also asking for unconditional opt-out with full financial compensation from the Canadian Dental Care Plan and any future Canadian drug benefit plan.

- it is continuing its commitment to create more wealth and increase Québec's economic potential by investing $1.9 billion to act on economic priorities.

The first results of these actions will be incorporated into the plan to restore fiscal balance, which will be tabled at the same time as Budget 2025-2026.

— At that time, the government is expecting the economic situation to be less uncertain and the Québec economy to be closer to its potential. The government will therefore be in a position to precisely set out the trajectory and additional actions that will result in a balanced budget within the meaning of the *Balanced Budget Act* by 2029-2030.

As a result, fiscal balance will be restored by ensuring stable and predictable funding for the government's main missions and without increasing the tax burden on Quebecers.

❑ Multi-year financial framework

Revenue amounts to $150.3 billion in 2024-2025, with growth of 2.4%. Growth will increase to 4.2% in 2025-2026.

— Over the period covered by the financial framework, that is, until 2028-2029, annual revenue growth will average 3.3%.

Expenditure amounts to $157.6 billion in 2024-2025, with growth of 4.4%. Growth will reach 2.9% in 2025-2026.

— From 2024-2025 to 2028-2029, the annual growth in expenditure will average 2.9%.

— The financial framework provides the funding needed to deliver services in the government's critical missions. As a result, expenditure growth[3] for 2024-2025 stands at:

  — 4.2% in health and social services;

  — 9.3% in education;

  — 3.5% in higher education.

The budgetary balance from operations, before the contingency reserve, shows a deficit of $7.3 billion (or 1.2% of GDP) in 2024-2025 and surpluses starting in 2027-2028.

In addition, the financial framework includes a contingency reserve of $1.5 billion per year as of 2024-2025 that could be used, in particular, to offset the effects of more moderate economic growth than anticipated, should this occur, and the uncertainty that could affect longer-term economic and financial forecasts.

— In 2024-2025, after the contingency reserve, the budgetary balance from operations shows a deficit of $8.8 billion (or 1.5% of GDP).

After deposits of dedicated revenues in the Generations Fund, the budgetary balance within the meaning of the *Balanced Budget Act* shows a deficit of $11.0 billion (or 1.9% of GDP) in 2024-2025. The structural deficit of nearly $4 billion between 2026-2027 and 2028-2029 will have to be eliminated to restore fiscal balance within the meaning of the *Balanced Budget Act*.

— Fiscal balance will be achieved by 2029-2030 at the latest.[4]

To restore fiscal balance, the government will need to increase the gap between average annual growth in revenue and the one in expenditure from 0.4 percentage points to 1.1 percentage points.

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3 Detailed explanations for expenditure growth are presented in subsection 3.2.

4 See Appendix 2 for the report on the application of the *Balanced Budget Act*.

TABLE G.1

Multi-year financial framework

(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	AAGR(1)
Revenue							
Personal income tax	42 389	44 952	46 746	48 592	50 577	52 537	
Contributions for health services	8 298	8 670	8 991	9 248	9 526	9 778	
Corporate taxes	11 399	12 116	12 729	13 369	13 795	14 409	
School property tax	1 137	1 310	1 436	1 531	1 553	1 615	
Consumption taxes	27 118	27 991	28 994	29 888	30 859	31 889	
Duties and permits	5 832	5 940	6 274	6 615	6 812	7 099	
Miscellaneous revenue	14 116	14 507	14 703	15 106	15 704	16 238	
Government enterprises	5 197	5 418	6 257	7 588	7 565	7 274	
Own-source revenue	**115 486**	**120 904**	**126 130**	**131 937**	**136 391**	**140 839**	
% change	***−0.1***	***4.7***	***4.3***	***4.6***	***3.4***	***3.3***	***4.0***
Federal transfers	31 290	29 397	30 428	31 883	32 112	32 006	
% change(2)	*8.9*	*−6.0*	*3.5*	*4.8*	*0.7*	*−0.3*	*0.5*
Total revenue	**146 776**	**150 301**	**156 558**	**163 820**	**168 503**	**172 845**	
% change	***1.7***	***2.4***	***4.2***	***4.6***	***2.9***	***2.6***	***3.3***
Expenditure							
Portfolio expenditures	−141 347	−147 815	−152 492	−155 493	−159 140	−162 972	
% change	*3.0*	*4.6*	*3.2*	*2.0*	*2.3*	*2.4*	*2.9*
Debt service	−9 650	−9 762	−9 583	−10 117	−11 003	−11 642	
% change(3)	*−4.1*	*1.2*	*−1.8*	*5.6*	*8.8*	*5.8*	*3.8*
Total expenditure	**−150 997**	**−157 577**	**−162 075**	**−165 610**	**−170 143**	**−174 614**	
% change	***2.5***	***4.4***	***2.9***	***2.2***	***2.7***	***2.6***	***2.9***
Gap to be bridged for achieving fiscal balance in operations	—	—	750	1 500	1 750	2 000	
SURPLUS (DEFICIT) FROM OPERATIONS BEFORE CONTINGENCY RESERVE	**−4 221**	**−7 276**	**−4 767**	**−290**	**110**	**231**	
Contingency reserve	—	−1 500	−1 500	−1 500	−1 500	−1 500	
SURPLUS (DEFICIT) FROM OPERATIONS	**−4 221**	**−8 776**	**−6 267**	**−1 790**	**−1 390**	**−1 269**	

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2024-2025 to 2028-2029.

(2) The significant increase in federal transfers in 2023-2024 is due, in particular, to the additional amounts for health care announced by the federal government in February 2023 (nearly $1.1 billion more in 2023-2024, including a non-recurring amount of $447 million), the change in the value of the special Québec abatement ($310 million) and the housing agreement ($900 million over four years, including $225 million in 2023-2024). The decrease 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.

(3) The −4.1% change in debt service in 2023-2024 is due, in particular, to the non-recurrence of losses on the disposal of assets as part of the activities of the Sinking Fund for Government Borrowing in 2022-2023.

■ Requirements of the *Balanced Budget Act*

Under the *Balanced Budget Act*,[5] the budgetary balance corresponds to the surplus or the deficit presented in the public accounts (surplus or deficit from operations) reduced by the amount of revenues dedicated to the Generations Fund and adjusted to take certain accounting changes into consideration, if applicable.

TABLE G.2

Budgetary balance within the meaning of the *Balanced Budget Act*
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
SURPLUS (DEFICIT) FROM OPERATIONS	**−4 221**	**−8 776**	**−6 267**	**−1 790**	**−1 390**	**−1 269**
Deposits of dedicated revenues in the Generations Fund	−2 081	−2 222	−2 219	−2 419	−2 554	−2 671
BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*	**−6 302**	**−10 998**	**−8 486**	**−4 209**	**−3 944**	**−3 940**

Note: Totals may not add due to rounding.

5 See Appendix 2 for the report on the application of the *Balanced Budget Act*.

1. QUÉBEC'S BUDGETARY SITUATION

In 2024-2025, revenue stands at $150.3 billion, while portfolio expenditures, or expenditures tied to the delivery of public services, stand at $147.8 billion.

— Debt service amounts to $9.8 billion.

The budgetary balance from operations, before the contingency reserve, thus shows a deficit of $7.3 billion (or 1.2% of GDP).

In addition, the financial framework includes a contingency reserve of $1.5 billion to offset the effects of more moderate-than-expected economic growth, should it occur.

— After the contingency reserve, the budgetary balance from operations shows a deficit of $8.8 billion (or 1.5% of GDP).

Lastly, deposits of dedicated revenues in the Generations Fund total $2.2 billion.

According to the *Balanced Budget Act*, the budgetary balance, after deposits of dedicated revenues in the Generations Fund, shows a deficit of $11.0 billion (or 1.9% of GDP) in 2024-2025.

TABLE G.3

Québec's budget – March 2024
(millions of dollars, unless otherwise indicated)

	2024-2025
Revenue	
Own-source revenue	120 904
% change	*4.7*
Federal transfers	29 397
% change	*−6.0*
Total revenue	**150 301**
% change	***2.4***
Expenditure	
Portfolio expenditures	−147 815
% change	*4.6*
Debt service	−9 762
% change	*1.2*
Total expenditure	**−157 577**
% change	***4.4***
SURPLUS (DEFICIT) FROM OPERATIONS BEFORE CONTINGENCY RESERVE	**−7 276**
Contingency reserve	−1 500
SURPLUS (DEFICIT) FROM OPERATIONS	**−8 776**
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	−2 222
BUDGETARY BALANCE[1]	**−10 998**

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.1 Recent developments in the budgetary situation

Budget 2024-2025 presents significant adjustments resulting essentially from stagnant economic activity, low runoff in Hydro-Québec's basins, massive government investment in public services—in particular to improve working conditions for public and parapublic sector employees—stronger-than-expected demographic growth and the pace of realization of infrastructure investments.

❑ Significant investments to improve the working conditions of government employees

Remuneration spending is adjusted significantly for the period covered by the financial framework. As part of the renewal of the 2023-2028 collective agreements, the government is making investments to offer attractive wage parameters and improve working conditions for government employees in return for greater flexibility in the organization of work. The objective is to improve the accessibility and quality of services and become an employer of choice.

— For the public and parapublic sector employees who have reached agreements in principle, the government is offering wage parameters of 17.4% over five years and sector enhancements in response to government priorities and employee requests.

Although negotiations are still underway with certain groups, the financial framework includes an annual adjustment of over $3 billion to portfolio expenditures since the *Update on Québec's Economic and Financial Situation – Fall 2023*, essentially to reflect the agreements reached and the negotiations to come. However, the actual long-term financial impact will depend on the agreements reached and advances in work organization for the government.

❑ Pressure on health and social services spending

The acute phase of the pandemic is over, but its effects are still being felt. To this day, nearly 900 beds are occupied by patients with COVID-19 every day, and catching up on the backlog of surgeries that accumulated during the pandemic continues to require considerable human and financial resources.

The pandemic has also fostered the emergence of innovative solutions benefiting the health and social services system. Some of these innovations are still helping to ease the burden on the health care system, as in the case of screening centres that have been converted into front-line services. However, the sustainability of various additional services developed during the pandemic, particularly in the area of prevention, represents an additional cost for the health care system, which must consequently fund these additional services.

Combined with an aging population, these factors are putting considerable pressure on the costs faced by the health and social services system. In addition, the Canada Health Transfer is insufficient.

❑ Main adjustments from 2023-2024 to 2025-2026

Since Budget 2023-2024, the economic and budgetary situation has led to negative adjustments of $2.4 billion in 2023-2024, $5.4 billion in 2024-2025 and $4.0 billion in 2025-2026.

For this period, the government is planning new initiatives of $1.4 billion in 2023-2024, $2.2 billion in 2024-2025 and $3.1 billion in 2025-2026, in particular to ensure funding for health and social services, education and higher education, to support Quebecers and communities, and to act on economic priorities.

— These amounts include initiatives from the *Update on Québec's Economic and Financial Situation – Fall 2023* aimed at, among other things, providing better access to housing, combatting homelessness and enhancing food aid, as well as supporting training in specific fields.

TABLE G.4

Adjustments to the financial framework since March 2023
(millions of dollars)

	2023-2024	2024-2025	2025-2026
BUDGETARY BALANCE[(1)] – MARCH 2023	**−3 998**	**−2 984**	**−1 980**
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	−2 400	−1 586	−1 470
– Other revenue	1 502	1 553	1 546
Subtotal	−898	−33	76
Revenue from government enterprises	−1 610	−1 267	−382
Subtotal – Own-source revenue	−2 508	−1 300	−307
Federal transfers	1 548	−344	−480
Subtotal – Revenue	**−960**	**−1 644**	**−787**
Portfolio expenditures	−1 532	−4 097	−3 905
Debt service	−186	163	381
Subtotal – Expenditure	**−1 718**	**−3 934**	**−3 524**
Deposits of dedicated revenues in the Generations Fund	292	165	305
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**−2 386**	**−5 413**	**−4 005**
NOVEMBER 2023 INITIATIVES	**−1 101**	**−251**	**−1 089**
MARCH 2024 INITIATIVES			
Funding health and social services, education and higher education	−188	−1 058	−925
Supporting Quebecers and communities	−129	−438	−486
Acting on economic priorities	—	−441	−596
Subtotal	**−317**	**−1 937**	**−2 007**
TOTAL INITIATIVES	**−1 418**	**−2 188**	**−3 096**
Optimizing government action	—	86	345
Gap to be bridged for achieving fiscal balance in operations	—	—	750
Contingency reserve	1 500	−500	−500
BUDGETARY BALANCE[(1)] – MARCH 2024	**−6 302**	**−10 998**	**−8 486**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

■ Adjustments related to the economic and budgetary situation

Changes in the economic and budgetary situation since Budget 2023-2024 have led to a downward adjustment of $2.4 billion in 2023-2024, $5.4 billion in 2024-2025 and $4.0 billion in 2025-2026. These adjustments are primarily explained by the following:

— a decrease in tax revenue of $2.4 billion in 2023-2024, $1.6 billion in 2024-2025 and $1.5 billion in 2025-2026, due to the economic slowdown;

— a positive adjustment to other revenue of $1.5 billion in 2023-2024, $1.6 billion in 2024-2025 and $1.5 billion in 2025-2026,[6] attributable to, among other things, the effect of increased traffic related to the greater-than-expected resumption of post-pandemic activities on the miscellaneous revenue of bodies in the health and social services, education and higher education networks;

— a decrease in revenue from government enterprises of $1.6 billion in 2023-2024, $1.3 billion in 2024-2025 and $382 million in 2025-2026. These decreases are primarily related to Hydro-Québec, whose results have been adjusted downwards over the entire period, due, in particular, to the decrease in the volume of its exports resulting from low runoff in the regions where its main basins are located;

— an increase in federal transfers of $1.5 billion in 2023-2024, followed by decreases of $344 million and $480 million in 2024-2025 and 2025-2026, respectively;

  — The increase in 2023-2024 is attributable to a downward adjustment of the value of the special Québec abatement (16.5% of federal personal income tax), which is deducted from federal transfers, as well as the Housing Accelerator Fund agreement ($900 million over four years), among other things.

  — The decreases in 2024-2025 and 2025-2026 are due, in particular, to the consideration of population data from the 2021 census. The adjustments are also due to the pace of realization of federally funded infrastructure projects.[7]

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6 Pandemic-related public health measures reduced the government's miscellaneous revenue in 2019-2020 and 2020-2021. The gradual resumption of activities led to sustained growth from 2021-2022 to 2023-2024. In 2022-2023 and 2023-2024, the greater-than-expected increase in traffic has offset the slowdown caused by the pandemic. The 2.8% average growth forecast thereafter, from 2024-2025 to 2028-2029, is lower than in the five years prior to the pandemic, when it stood at 4.4% from 2014-2015 to 2018-2019.

7 Adjustments to federal transfer revenues stemming from the pace of realization of federally funded infrastructure projects have no impact on the budgetary balance, as a consideration is recorded in expenditures.

— an increase in portfolio expenditures of $1.5 billion in 2023-2024, $4.1 billion in 2024-2025 and $3.9 billion in 2025-2026;

  — These adjustments are primarily attributable to investment in public services—particularly to improve working conditions for public and parapublic sector employees—but also to a stronger-than-expected demographic growth, the pace of realization of infrastructure investments, the increased cost of refundable tax credits and the higher-than-expected post-pandemic resumption of activities for bodies in the health and social services and education networks.

— an increase in debt service of $186 million in 2023-2024 due to higher-than-anticipated interest rates, followed by a decrease of $163 million in 2024-2025 and $381 million in 2025-2026, due, in particular, to better performance of the Retirement Plans Sinking Fund (RPSF) in 2022-2023;

— a reduction of $292 million in deposits of dedicated revenues in the Generations Fund in 2023-2024 due to decreased realized investment income, which is attributable to the lower-than-forecast investment returns and lower water-power royalties. The downward adjustments of $165 million in 2024-2025 and $305 million in 2025-2026 are due, in particular, to decreased investment income attributable to planned withdrawals from the Generations Fund to repay borrowings.

Budget 2024-2025 initiatives

In this budget, the government is planning initiatives of $1.9 billion for 2024-2025, that is:

- $1.1 billion for funding health and social services, education and higher education;
- $438 million for supporting Quebecers and communities;
- $441 million for acting on economic priorities.

The total cost of the initiatives since Budget 2023-2024 is $1.4 billion in 2023-2024, $2.2 billion in 2024-2025 and $3.1 billion in 2025-2026.

Steps to optimize government action

The government is also taking steps to optimize government action[8] representing $431 million over three years, and aimed at:

- adjusting certain tax assistance measures for businesses;
- asking government enterprises for optimization efforts;
- continuing tobacco control efforts;
- ensuring the fairness and integrity of the tax system.

Gap to be bridged for achieving fiscal balance in operations

The government is taking action to achieve fiscal balance in operations by 2027-2028, if no events trigger the use of the contingency reserve.

To this end, it plans to bridge a gap of $750 million in 2025-2026, reaching $2.0 billion in 2028-2029. To achieve this, the government has various levers at its disposal:

- it is launching two review processes in spring 2024, one for tax expenditures and one for budgetary expenditures;
- it is continuing to make representations to the federal government to obtain its fair share of federal transfers;
- it is continuing its commitment to create more wealth and increase Québec's economic potential by investing $1.9 billion to act on economic priorities.

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8 For more details, see Section E, "Optimizing Government Action."

■ Contingency reserve adjustment

The $1.5-billion contingency reserve that was provided for in Budget 2023-2024 was fully utilized in 2023-2024. Due to the uncertainty surrounding the economic forecast, the provision of $1.0 billion in the last budget has been adjusted upwards by $500 million for 2024-2025 and 2025-2026.

— A contingency reserve of $1.5 billion per year as of 2024-2025, or $7.5 billion over five years, could be used, in particular, to offset the effects of more moderate-than-expected economic growth, should this occur, and the uncertainty that could affect longer-term economic and financial forecasts.

Budget 2024-2025 initiatives

The initiatives in Budget 2024-2025 total $8.8 billion over six years, as follows:

- $4.9 billion for funding health and social services, education and higher education;
- $2.0 billion for supporting Quebecers and communities;
- $1.9 billion for acting on economic priorities.

The government is also taking steps to optimize its action, representing additional revenue of $2.9 billion over five years.

Financial impact of the initiatives of Budget 2024-2025
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Initiatives							
Funding health and social services, education and higher education	−188	−1 058	−925	−935	−907	−903	−4 916
Supporting Quebecers and communities	−129	−438	−486	−411	−282	−282	−2 028
Acting on economic priorities	—	−441	−596	−285	−265	−271	−1 858
Subtotal – Initiatives	**−317**	**−1 937**	**−2 007**	**−1 631**	**−1 454**	**−1 456**	**−8 801**
Optimizing government action	—	86	345	607	847	1 017	2 903
TOTAL	**−317**	**−1 851**	**−1 662**	**−1 023**	**−607**	**−439**	**−5 898**

Recap of November 2023 initiatives

In the *Update on Québec's Economic and Financial Situation – Fall 2023*, the government announced investments totalling $1.1 billion in 2023-2024, $251 million in 2024-2025 and $1.1 billion in 2025-2026.

These investments have made it possible to introduce initiatives for:

- providing better access to housing;
- combatting homelessness and enhancing food aid;
- supporting training in specific fields;
- sustaining the climate transition and communities;
- fostering business investment.

Financial impact of the initiatives of Budget 2024-2025
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Providing better access to housing	−219	−15	−853	−519	−243	−1 848
Combatting homelessness and enhancing food aid	−39	−26	−27	−27	−27	−145
Supporting training in specific fields	−199	−130	—	—	—	−329
Sustaining the climate transition and communities	−649	−101	−77	−96	−40	−961
Fostering business investment	5	21	−133	−372	−516	−995
TOTAL	**−1 101**	**−251**	**−1 089**	**−1 013**	**−825**	**−4 279**

Adjustments since the 2023 fall update

Since the publication of the *Update on Québec's Economic and Financial Situation – Fall 2023*, adjustments to the financial framework are due, in particular, to stagnant economic activity, major investment in public services, stronger-than-expected demographic growth and the pace of realization of infrastructure investments.

– To achieve fiscal balance in operations as early as 2027-2028, the government is taking immediate steps to optimize government action and is implementing two review processes for tax and budgetary expenditures.

Adjustments to the financial framework since the 2023 fall update
(millions of dollars)

	2023-2024	2024-2025	2025-2026
BUDGETARY BALANCE(1) – NOVEMBER 2023	**−3 995**	**−2 982**	**−1 975**
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	−1 702	−554	−297
– Other revenue	413	304	273
Subtotal	−1 289	−250	−24
Revenue from government enterprises	−779	−1 060	−402
Subtotal – Own-source revenue	−2 068	−1 310	−426
Federal transfers	−207	−443	−1 052
Subtotal – Revenue	**−2 275**	**−1 753**	**−1 478**
Portfolio expenditures	−592	−3 210	−3 260
Debt service	217	216	415
Subtotal – Expenditure	**−375**	**−2 994**	**−2 845**
Deposits of dedicated revenues in the Generations Fund	160	82	224
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**−2 490**	**−4 666**	**−4 100**
MARCH 2024 INITIATIVES			
Funding health and social services, education and higher education	−188	−1 058	−925
Supporting Quebecers and communities	−129	−438	−486
Acting on economic priorities	—	−441	−596
TOTAL INITIATIVES	**−317**	**−1 937**	**−2 007**
Optimizing government action	—	86	345
Gap to be bridged for achieving fiscal balance in operations	—	—	750
Contingency reserve	500	−1 500	−1 500
BUDGETARY BALANCE(1) – MARCH 2024	**−6 302**	**−10 998**	**−8 486**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.2 Detailed adjustments in 2023-2024

In 2023-2024, the budgetary deficit stood at $6.3 billion. This represents a decrease of $2.3 billion compared to the budgetary balance forecast in March 2023, due to the following in particular:

- an $893-million reduction in own-source revenue excluding revenue from government enterprises, mainly resulting from the downward adjustment of tax revenue attributable to stagnant economic activity;
- a $1.6-billion decline in revenue from government enterprises, primarily due to the decrease in the value of Hydro-Québec's exports resulting from low runoff in the regions where its main basins are located;
- a $1.5-billion increase in federal transfers, mainly due to a decrease in the value of the special Québec abatement, which is deducted from federal transfers, the pace of realization of federally funded infrastructure projects, as well as the Housing Accelerator Fund agreement;
- a $3.0-billion increase in portfolio expenditures attributable to:
  - higher-than expected expenditures of $1.5 billion, particularly due to the adjustment to the pace of realization of local infrastructure projects and the update to the social housing construction plan,
  - targeted initiatives announced in the *Update on Québec's Economic and Financial Situation – Fall 2023* totalling $1.1 billion, in particular to sustain the climate transition and communities as well as to provide better access to housing,
  - new initiatives announced in Budget 2024-2025 totalling $317 million, in particular to help students with difficulties going back into the classroom following the strike by school staff and to fund low-rental housing stock renovations;
- a $186-million increase in debt service, primarily due to higher-than-anticipated interest rates;
- the use of the $1.5-billion contingency reserve, which was set aside in March 2023;
- a $292-million decrease in deposits of dedicated revenues in the Generations Fund, primarily due to a decrease in realized investment income and lower water-power royalties.

TABLE G.5

Adjustments to the 2023-2024 financial framework since March 2023
(millions of dollars)

	2023-2024				
	March 2023	Adjustments			March 2024
		Economic and budgetary situation	Initiatives and other adjustments	Total	
Own-source revenue					
Tax revenue	92 736	−2 400	5	−2 395	90 341
Other revenue	18 446	1 502	—	1 502	19 948
Subtotal	111 182	−898	5	−893	110 289
Revenue from government enterprises	6 807	−1 610	—	−1 610	5 197
Total own-source revenue	117 989	−2 508	5	−2 503	115 486
Federal transfers	29 742	1 548	—	1 548	31 290
Revenue	**147 731**	**−960**	**5**	**−955**	**146 776**
Portfolio expenditures	−138 392	−1 532	−1 423	−2 955	−141 347
Debt service	−9 464	−186	—	−186	−9 650
Expenditure	**−147 856**	**−1 718**	**−1 423**	**−3 141**	**−150 997**
Contingency reserve	−1 500	—	1 500	1 500	—
SURPLUS (DEFICIT) FROM OPERATIONS	**−1 625**	**−2 678**	**82**	**−2 596**	**−4 221**
Deposits of dedicated revenues in the Generations Fund	−2 373	292	—	292	−2 081
BUDGETARY BALANCE[1]	**−3 998**	**−2 386**	**82**	**−2 304**	**−6 302**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Own-source revenue excluding revenue from government enterprises

For 2023-2024, own-source revenue excluding revenue from government enterprises is adjusted downwards by $893 million compared to the Budget 2023-2024 forecasts and totals $110.3 billion.

— Tax revenue is adjusted downwards by $2.4 billion due to stagnant economic activity.

— Other revenue, namely duties and permits and miscellaneous revenue, is adjusted upwards by $1.5 billion.

TABLE G.6

Adjustments in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	2023-2024
OWN-SOURCE REVENUE[(1)] – MARCH 2023	**111 182**
Tax revenue	
Personal income tax	−737
Contributions for health services	354
Corporate taxes	−1 793
School property tax	−47
Consumption taxes	−172
Subtotal	**−2 395**
Other revenue	
Duties and permits	93
Miscellaneous revenue[(2),(3)]	1 409
Subtotal	**1 502**
Total adjustments	**−893**
OWN-SOURCE REVENUE[(1)] – MARCH 2024	**110 289**

(1) Own-source revenue excluding revenue from government enterprises.
(2) This adjustment is due, in particular, to higher-than-expected revenue for bodies in the health and social services, education and higher education networks, which is attributable to the effect of increased traffic related to the greater-than-expected post-pandemic recovery, among other things. It also stems from the impact of higher interest rates on tax claims administered by Revenu Québec.
(3) This higher revenue is offset by upward adjustments in spending by bodies in the health and social services, education and higher education networks in 2023-2024.

A downward adjustment of more than $2 billion in tax revenue in 2023-2024

In Québec, persistent inflation and the effects of tighter-than-expected monetary policy moderated economic activity in 2023. After two years of sustained growth, real GDP stagnated in 2023, posting growth of 0.2%.

– The economic outlook for 2024 has also deteriorated. Real GDP growth for 2024 has been adjusted downwards compared with what was expected in Budget 2023-2024, from 1.4% to 0.6%.

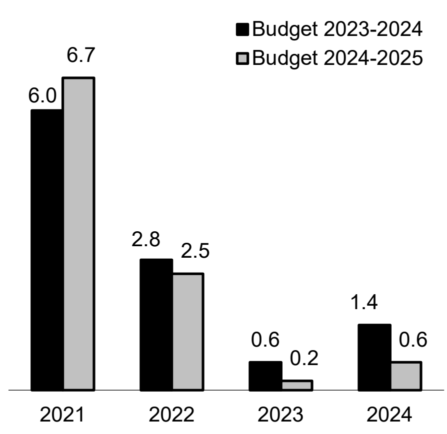
The weaker-than-expected economic outlook has a negative impact of around $2.4 billion on tax revenue in 2023-2024, given that it is closely tied to the main economic indicators.

– Corporate taxes have been adjusted downwards by $1.8 billion, due to the downward adjustment of 6.1 percentage points in the net operating surplus of corporations in 2023, from −4.9% to −11.0%.

– Personal income tax has been adjusted downwards by $737 million due to lower-than-expected tax revenue since March 2023.

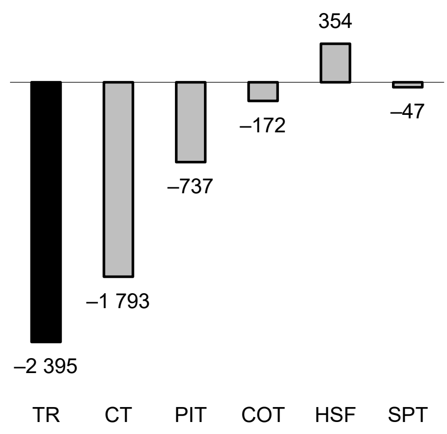
Real GDP – 2021 to 2024

(percentage change)



Tax revenue – 2023-2024

(adjustments in millions of dollars since March 2023)



Notes: TR: tax revenue.
CT: corporate taxes.
PIT: personal income tax.
COT: consumption taxes.
HSF: contributions for health services.
SPT: school property tax.

Tax revenue

For 2023-2024, revenue from personal income tax is adjusted downwards by $737 million compared to the March 2023 forecast.

- This adjustment is due to lower-than-expected tax revenue at the end of fiscal 2022-2023 and in 2023-2024, despite the upward adjustment of wages and salaries by 2.3 percentage points in 2023.

Contributions for health services are adjusted upwards by $354 million in 2023-2024 compared to the March 2023 forecast.

- This improvement can be attributed, in particular, to strong wages and salaries, whose growth was adjusted upwards by 2.3 percentage points in 2023, from 3.7% to 6.0%.

Revenue from corporate taxes is adjusted downwards by $1.8 billion in 2023-2024.

- This decrease can primarily be attributed to the net operating surplus of corporations, whose change was adjusted downwards by 11.7 percentage points in 2022, from 1.5% to −10.2%, and by 6.1 percentage points in 2023, from –4.9% to −11.0%.

Revenue from the school property tax is adjusted downwards by $47 million in 2023-2024.

- This decrease is due in part to the additional contribution from the Québec government to limit the average increase in school taxes to 3% for 2023-2024.[9]

Consumption tax revenue, which is derived mainly from the Québec sales tax, is adjusted downwards by $172 million in 2023-2024.

- This decrease is primarily due to residential construction investments, whose change was adjusted downwards by 8.7 percentage points in 2023, from −7.1% to −15.8%.
- However, this is offset in part by household consumption,[10] whose growth was adjusted upwards by 1.6 percentage points in 2023, from 4.0% to 5.6%.

9 For more details, see the June 16, 2023 press release “Le gouvernement limite la hausse du compte de taxe scolaire,” [Online] http://www.finances.gouv.qc.ca/documents/Communiques/fr/COMFR_20230616_1.pdf (in French only).

10 Household consumption excluding food expenditures and shelter.

■ Other revenue

In 2023-2024, revenue from duties and permits is adjusted upwards by $93 million compared to the March 2023 forecast.

This improvement is particularly due to the higher-than-expected revenue from the auction of GHG emission allowances.

Miscellaneous revenue[11] is adjusted upwards by $1.4 billion in 2023-2024.

— This increase is due, in particular, to higher-than-expected revenue for bodies in the health and social services, education and higher education networks,[12] which is attributable to the effect of increased traffic related to the greater-than-expected post-pandemic recovery, among other things.

— It also stems from the impact of higher interest rates on tax claims administered by Revenu Québec.

11 Miscellaneous revenue includes revenues from interest, the sale of goods and services, tuition fees, user contributions, as well as from fines, forfeitures and recoveries, among other things.

12 This higher revenue is offset by upward adjustments in spending by bodies in the health and social services, education and higher education networks in 2023-2024.

A downward adjustment of own-source revenue in Québec and other Canadian provinces in 2023-2024

In Québec, own-source revenue[1] in 2023-2024 has been adjusted downwards by $893 million, or 0.8%, since the March 2023 budget, due to the following in particular:

– the downward adjustment of the net operating surplus of corporations, resulting in a decrease in expected corporate taxes;

– lower-than-expected personal income tax revenues.

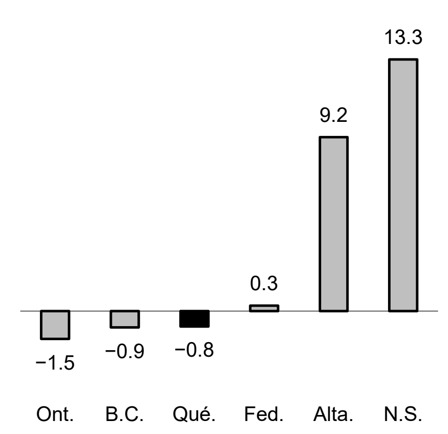
This is also the case for Ontario, which has adjusted its revenue downwards by 1.5%, due to personal income tax and corporate taxes, and British Columbia, which has adjusted its revenue downwards by 0.9%, mainly due to a drop in revenue from natural resources. Alberta, on the other hand, has adjusted its own-source revenue upwards by 9.2%, due, in particular, to tax revenue, investment income and natural resources.

Although an economic environment that is more favourable to growth is expected as of the second half of 2024, a number of risks could influence own-source revenue forecasts in Québec. For example:

– higher-than-expected energy prices could impact activity in certain sectors and adversely affect corporate profits, which would have a negative effect on revenue from corporate taxes;

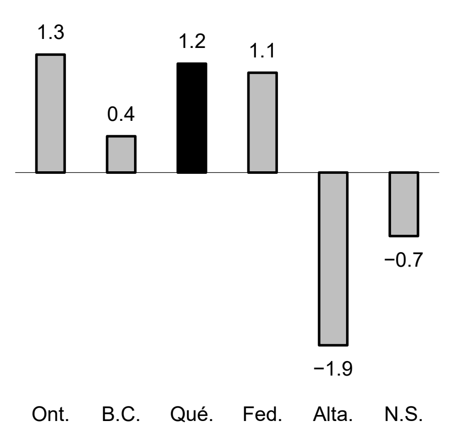
– the impacts of monetary policy on households' disposable income and purchasing power could be more pronounced than expected, which would have a negative impact on revenue from consumption taxes.

Own-source revenue(1) – 2023-2024
(adjustment as a percentage of revenue)



(1) Own-source revenue excluding revenue from government enterprises.
Sources: 2024-2025 budgets for Nova Scotia, Alberta, British Columbia and Québec, financial report for the third quarter of 2023 for Ontario and the federal government's fall update.

Nominal GDP – 2023
(adjustment in percentage points)



Sources: 2024-2025 budgets for Nova Scotia, Alberta, British Columbia and Québec, financial report for the third quarter of 2023 for Ontario and the federal government's fall update.

1 Own-source revenue excluding revenue from government enterprises.

❑ Revenue from government enterprises

For 2023-2024, revenue from government enterprises is adjusted downwards by $1.6 billion to $5.2 billion.

This adjustment is primarily due to:

- a decline in the revenue from Hydro-Québec, in connection to the decrease in its exports resulting from low runoff in the regions where its main basins are located;
  - When Hydro-Québec's reservoirs are lower and it has less electricity to sell, exports are reduced as Hydro-Québec must meet the needs of Quebecers.
- a decline in the revenue from Investissement Québec, due, in particular, to the lower returns on its venture capital portfolios and its investment funds.

TABLE G.7

Adjustments to revenue from government enterprises
(millions of dollars)

	2023-2024
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2023	**6 807**
Hydro-Québec	−1 525
Loto-Québec	9
Société des alcools du Québec	−29
Investissement Québec	−107
Société québécoise du cannabis(1)	9
Other(2)	33
Total adjustments	**−1 610**
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2024	**5 197**

(1) Revenue is allocated to the Fund to Combat Addiction.
(2) The other government enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole, the Société du parc industriel et portuaire de Bécancour and the Fonds d'investissement Eurêka.

❑ Federal transfers

In 2023-2024, revenues from federal transfers stand at $31.3 billion, an upward adjustment of $1.5 billion compared to Budget 2023-2024.

This upward adjustment is due to a decrease in the value of the special Québec abatement of $333 million,[13] which is deducted from federal transfers. Lower tax revenues stemming from federal personal income tax revenues are indeed expected. The adjustment is also due to the pace of realization of federally funded infrastructure projects,[14] as well as the Housing Accelerator Fund agreement, which was signed in November 2023 ($900 million over four years).

TABLE G.8

Adjustments to federal transfer revenues
(millions of dollars)

	2023-2024
FEDERAL TRANSFERS – MARCH 2023	**29 742**
Equalization	—
Health transfers	118
Transfers for post-secondary education and other social programs	85
Other programs, including:	1 345
– *Federal transfers of the Société de financement des infrastructures locales*	*564*
– *Housing Accelerator Fund agreement ($900 million over four years)*	*225*
Total adjustments	**1 548**
FEDERAL TRANSFERS – MARCH 2024	**31 290**

13 The downward adjustment to the value of the special Québec abatement, which corresponds to 16.5% of the federal personal income tax, led to an increase of $168 million in health transfers, $103 million in transfers for post-secondary education and other social programs, and $62 million for other programs.

14 Adjustments to federal transfer revenues stemming from the pace of realization of federally funded infrastructure projects have no impact on the budgetary balance, as a consideration is recorded in expenditures.

❑ Portfolio expenditures

For 2023-2024, portfolio expenditures amount to $141.3 billion, which represents an upward adjustment of $3.0 billion compared to the March 2023 forecasts.

The adjustment is primarily due to $1.4 billion in new initiatives announced since Budget 2023-2024, including:

— $649 million for sustaining the climate transition and communities;

— $387 million for funding health and social services, education and higher education;

— $387 million for supporting Quebecers and communities.

In addition, adjustments to the economic and budgetary situation total $1.5 billion and are primarily due to the update to the social housing construction plan and the adjustment to the pace of realization of local infrastructure projects.

TABLE G.9

Adjustments to portfolio expenditures
(millions of dollars)

	2023-2024
PORTFOLIO EXPENDITURES – MARCH 2023	**138 392**
New initiatives since March 2023	
Sustaining the climate transition and communities	649
Funding health and social services, education and higher education	387
Supporting Quebecers and communities	387
Subtotal – New initiatives since March 2023	**1 423**
Adjustments to the economic and budgetary situation	
Update to the social housing construction plan	668
Adjustment to the pace of realization of local infrastructure projects(1)	599
Other items	265
Subtotal – Adjustments to the economic and budgetary situation	**1 532**
Total adjustments	**2 955**
PORTFOLIO EXPENDITURES – MARCH 2024	**141 347**

Note: Totals may not add due to rounding.
(1) Projects financed by the Société de financement des infrastructures locales. These projects benefit in part from federal funding; for this portion, the expenditure has no effect on the budgetary balance, as a consideration is recorded in the federal transfer revenues.

❑ Debt service

For 2023-2024, the debt service is adjusted upwards by $186 million, to $9.7 billion, primarily due to higher-than-anticipated interest rates.

TABLE G.10

Adjustments to debt service
(millions of dollars)

	2023-2024
DEBT SERVICE – MARCH 2023	**9 464**
Interest on direct debt[(1)]	167
Interest on the liability for the retirement plans and other employee future benefits[(2)]	19
Total adjustments	**186**
DEBT SERVICE – MARCH 2024	**9 650**

(1) Interest on direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is deducted from debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upwards or downwards since it is closely tied to the change in interest rates and market behaviour.
(2) This corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus mainly the investment income of the Retirement Plans Sinking Fund (RPSF).

2. RESTORING FISCAL BALANCE

The current economic and budgetary context is adding significant pressure to the financial framework, both through a reduction in revenue resulting from the stagnation of the economy and low runoff in Hydro-Québec's basins, and through an increase in expenditures due, in part, to a major investment in public services aimed in particular at improving the working conditions of employees in the public and parapublic sectors, stronger-than-expected demographic growth and the pace of realization of infrastructure investments.

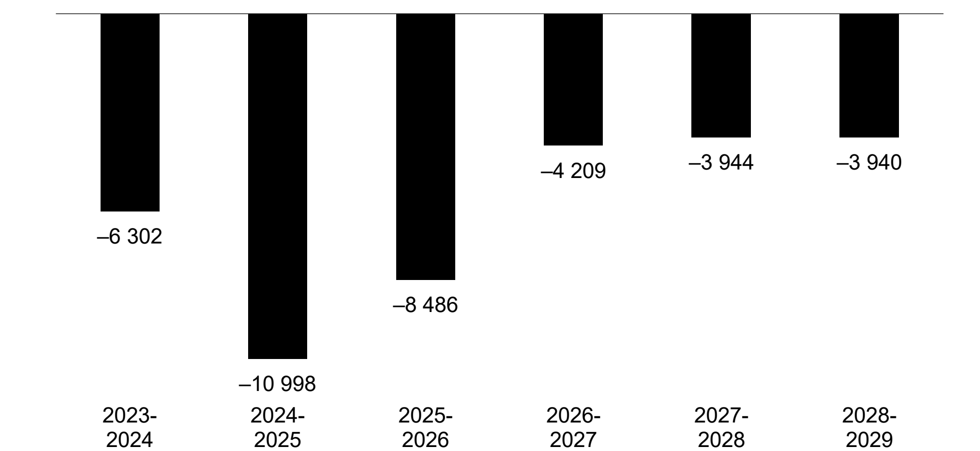
❑ A gradual approach to restoring fiscal balance

Given the uncertain economic context, the government will table a plan to restore fiscal balance when Budget 2025-2026 is released. Thus, fiscal balance within the meaning of the *Balanced Budget Act* will be achieved by 2029-2030[15] at the latest.

The structural deficit of nearly $4 billion observed from 2026-2027 to 2028-2029 will have to be eliminated to restore fiscal balance within the meaning of the *Balanced Budget Act*, after deposits of dedicated revenues in the Generations Fund. To achieve this, the government will need to increase the gap between the average annual growth in revenue and the one in expenditure from 0.4 percentage points to 1.1 percentage points.[16]

CHART G.1

Change in the budgetary balance
(millions of dollars)



15 See Appendix 2 for the report on the application of the *Balanced Budget Act*.

16 To restore fiscal balance, the government must increase the gap between revenue and expenditure. Over the period covered by the financial framework, that is, until 2028-2029, the average annual growth in revenue (AAGR) will reach 3.3%. Meanwhile, average annual growth in expenditure will reach 2.9%. The gap in growth is currently equivalent to 0.4 percentage points. In order to eliminate the structural deficit, the Ministère des Finances estimates that this gap will need to reach 1.1 percentage points by 2028-2029.

In the meantime, the government is taking action to achieve fiscal balance in operations by 2027-2028, if no events trigger the use of the contingency reserve. To this end, it is relying on four levers:

- it is taking immediate steps representing $2.9 billion over five years to optimize government action;
- it is launching two review processes in spring 2024, one for tax expenditures and one for budgetary expenditures;
- it is continuing to make representations to the federal government to obtain its fair share of federal transfers;
- it is continuing its commitment to create more wealth and increase Québec's economic potential by investing $1.9 billion to act on economic priorities.

■ Steps to optimize government action

When large deficits are not eliminated, they limit the government's ability to ensure delivery of public services and intergenerational fairness. As such, in order to optimize government action, in Budget 2024-2025, the government is announcing measures[17] totalling nearly $2.9 billion over five years with the aim of:

- adjusting certain tax assistance measures for businesses;
- asking government enterprises for optimization efforts;
- continuing tobacco control efforts;
- ensuring the fairness and integrity of the tax system.

■ Obtaining a fair share of federal transfers

The government is continuing to make representations to the federal government to obtain its fair share of federal transfers.

The federal government must reimburse Québec for the costs incurred for providing services to asylum seekers. It must also increase its transfers to the provinces in the areas of health, infrastructure and workforce development. Québec is also asking for unconditional opt-out with full financial compensation from the Canadian Dental Care Plan and any future Canadian drug benefit plan.

- The weak growth in federal transfers is leading to budgetary pressure, which is increasing the efforts required to restore fiscal balance.[18]

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[17] For more details, see Section E, "Optimizing Government Action".

[18] Weak growth in federal transfers is expected between now and 2028-2029. An average annual growth rate of 0.5% over five years, from 2024-2025 to 2028-2029, is anticipated. This contrasts with an average annual growth rate of 5.4% for the past 10 years.

■ Expected results of government intervention review processes

The expenditure review processes will begin as of spring 2024. One process will cover tax expenditures related to both the personal and corporate tax systems as well as the consumption tax system, while the second process will cover expenditures by government departments and bodies.[19]

The two review processes will make it possible to identify the first sources of savings that will pave the way to a balanced budget after deposits of dedicated revenues in the Generations Fund by 2029-2030. They will be incorporated into the plan to restore fiscal balance, which will be tabled at the same time as Budget 2025-2026.

— At that time, the government is expecting the economic situation to be less uncertain and the Québec economy to be closer to its potential. The government will therefore be in a better position to identify the path and additional actions that will result in a balanced budget within the meaning of the *Balanced Budget Act* by 2029-2030.

As a result, fiscal balance will be restored by ensuring stable, predictable funding for the government's main missions and without increasing the tax burden on Quebecers.

❑ A prudent and responsible financial framework

The financial framework presents a fair and transparent portrait of the state of public finances. Despite the deficits anticipated in 2024-2025 and subsequent years, the financial framework remains prudent and responsible.

— A contingency reserve of $7.5 billion over five years is included in the financial framework to offset the effects of a temporary decline in economic activity, should one occur, and the uncertainty that could affect longer-term economic and financial forecasts.

— Net debt reduction targets are maintained despite a change to the rate of reduction.

— Deposits in the Generations Fund are continuing. They will reach $2.7 billion in 2028-2029.

[19] For more details, see Section E, "Optimizing Government Action."

3. REVENUE AND EXPENDITURE FORECASTS

Budget 2024-2025 presents the short-term change in revenue and expenditure, that is, the three-year outlook for 2023-2024 to 2025-2026.

TABLE G.11

Change in revenue and expenditure
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Revenue				
Own-source revenue excluding revenue from government enterprises	110 289	115 486	119 873	
% change	*1.2*	*4.7*	*3.8*	*3.2*
Revenue from government enterprises	5 197	5 418	6 257	
% change	*−21.5*	*4.3*	*15.5*	*−1.9*
Federal transfers	31 290	29 397	30 428	
% change	*8.9*	*−6.0*	*3.5*	*1.9*
Total revenue	**146 776**	**150 301**	**156 558**	
% change	***1.7***	***2.4***	***4.2***	***2.8***
Expenditure				
Portfolio expenditures	−141 347	−147 815	−152 492	
% change	*3.0*	*4.6*	*3.2*	*3.6*
Debt service	−9 650	−9 762	−9 583	
% change	*−4.1*	*1.2*	*−1.8*	*−1.6*
Total expenditure	**−150 997**	**−157 577**	**−162 075**	
% change	***2.5***	***4.4***	***2.9***	***3.2***
Gap to be bridged for achieving fiscal balance in operations	—	—	750	
SURPLUS (DEFICIT) FROM OPERATIONS BEFORE CONTINGENCY RESERVE	**−4 221**	**−7 276**	**−4 767**	
Contingency reserve	—	−1 500	−1 500	
SURPLUS (DEFICIT) FROM OPERATIONS	**−4 221**	**−8 776**	**−6 267**	
Deposits of dedicated revenues in the Generations Fund	−2 081	−2 222	−2 219	
BUDGETARY BALANCE(2)	**−6 302**	**−10 998**	**−8 486**	

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

3.1 Change in revenue

Government revenue encompasses own-source revenue, including revenue from government enterprises, as well as revenue from federal transfers.

Government revenue stands at $146.8 billion in 2023-2024, or $115.5 billion in own-source revenue and $31.3 billion from federal transfers.

— In 2023-2024, own-source revenue represents 78.7% of government revenue, while revenue from federal transfers represents 21.3%.

Government revenue will stand at $150.3 billion in 2024-2025 and $156.6 billion in 2025-2026, representing respective growth of 2.4% and 4.2%.

TABLE G.12

Change in revenue
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Own-source revenue				
Own-source revenue excluding revenue from government enterprises	110 289	115 486	119 873	
% change(2)	*1.2*	*4.7*	*3.8*	*3.2*
Revenue from government enterprises	5 197	5 418	6 257	
% change	*−21.5*	*4.3*	*15.5*	*−1.9*
Subtotal	**115 486**	**120 904**	**126 130**	
% change	***−0.1***	***4.7***	***4.3***	***3.0***
Federal transfers	31 290	29 397	30 428	
% change	*8.9*	*−6.0*	*3.5*	*1.9*
TOTAL	**146 776**	**150 301**	**156 558**	
% change	***1.7***	***2.4***	***4.2***	***2.8***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) In 2023-2024, the growth in own-source revenue excluding revenue from government enterprises reflects the stagnation in economic activity in 2023 and the 1-percentage-point decrease in the bottom two tax rates announced in Budget 2023-2024.

3.1.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists mainly of tax revenue, including personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes.

— Changes in own-source revenue generally reflect changes in economic activity in Québec and in the tax system.

Own-source revenue also includes other sources of revenue:

— duties and permits, in particular revenue from the carbon market;

— miscellaneous revenue, such as tuition fees and revenues from interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

In 2023-2024, own-source revenue stands at $110.3 billion, an increase of 1.2% compared to 2022-2023. It will reach $115.5 billion in 2024-2025 and $119.9 billion in 2025-2026, growing by 4.7% and 3.8%, respectively.

TABLE G.13

Change in own-source revenue excluding revenue from government enterprises – Summary
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Tax revenue	90 341	95 039	98 896	
% change(2)	*−0.9*	*5.2*	*4.1*	*2.8*
Other revenue	19 948	20 447	20 977	
% change(3)	*11.9*	*2.5*	*2.6*	*5.6*
TOTAL	**110 289**	**115 486**	**119 873**	
% change	***1.2***	***4.7***	***3.8***	***3.2***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) In 2023-2024, the change in tax revenue is due to the 0.3% increase in revenue from personal income tax, stemming, in particular, from the 6.0% increase in wages and salaries in 2023 and the 1-percentage-point decrease in the bottom two tax rates announced in Budget 2023-2024. The change in tax revenue is also attributable to the −13.9% change in corporate tax revenue, associated with the 11.0% decline in the net operating surplus of corporations in 2023.
(3) In 2023-2024, the growth in other revenue is mainly due to the 16.8% increase in miscellaneous revenue, related, in particular, to the increase in the investment income of the Generations Fund, which rose from $283 million in 2022-2023 to $590 million in 2023-2024, the impact of higher interest rates on tax claims administered by Revenu Québec and the increase in miscellaneous revenue from non-budget-funded bodies, special funds and bodies in the health and social services, education and higher education networks.

❑ Tax revenue

In 2023-2024, revenue from personal income tax, the government's main revenue source, stands at $42.4 billion, up 0.3% compared to 2022-2023. It will reach $45.0 billion in 2024-2025 and $46.7 billion in 2025-2026, growing by 6.0% and 4.0%, respectively. Among other things, this change in revenue from personal income tax reflects:

— the increase in household income, including wages and salaries, which will grow by 6.0% in 2023, 5.1% in 2024 and 3.7% in 2025, due to the strong labour market;

— the 1-percentage-point decrease in the bottom two tax rates announced in Budget 2023-2024 and beginning in the 2023 taxation year;

— all the parameters of the personal income tax system, such as indexation and the progressive nature of the tax system.

Contributions for health services stand at $8.3 billion in 2023-2024, representing an increase of 4.9%. They will reach $8.7 billion in 2024-2025 and $9.0 billion in 2025-2026, representing growth of 4.5% and 3.7%, respectively.

— This favourable change is due to the growth in wages and salaries, which stands at 6.0% in 2023 and will reach 5.1% in 2024 and 3.7% in 2025.

Corporate tax revenue will reach $11.4 billion in 2023-2024, a change of −13.9% from 2022-2023. It will stand at $12.1 billion in 2024-2025 and $12.7 billion in 2025-2026, growing by 6.3% and 5.1%, respectively.

— These figures reflect the expected change in the net operating surplus of corporations, which stands at −11.0% in 2023, −2.5% in 2024 and 3.0% in 2025.[20]

Revenue from the school property tax stands at $1.1 billion in 2023-2024, up 2.2% compared to 2022-2023. It will reach $1.3 billion in 2024-2025 and $1.4 billion in 2025-2026, growing by 15.2% and 9.6%, respectively.

— This increase is influenced by changes in the amount for financing local needs, which considers the projected growth in student population and in the cost of services funded by the school property tax.

— It also reflects the impact of the additional contribution of nearly $180 million per year from the Québec government to limit the increase in school taxes to 3%, on average, for 2023-2024.

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20 The change in corporate tax revenue also reflects export growth, which stands at 5.4% in 2023, 2.8% in 2024 and 3.2% in 2025.

TABLE G.14

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Tax revenue				
Personal income tax	42 389	44 952	46 746	
% change(2),(3)	*0.3*	*6.0*	*4.0*	*3.4*
Contributions for health services	8 298	8 670	8 991	
% change	*4.9*	*4.5*	*3.7*	*4.3*
Corporate taxes	11 399	12 116	12 729	
% change(4),(5)	*−13.9*	*6.3*	*5.1*	*−1.3*
School property tax	1 137	1 310	1 436	
% change(6)	*2.2*	*15.2*	*9.6*	*8.9*
Consumption taxes	27 118	27 991	28 994	
% change	*2.0*	*3.2*	*3.6*	*2.9*
Subtotal	**90 341**	**95 039**	**98 896**	
% change	***−0.9***	***5.2***	***4.1***	***2.8***
Other revenue				
Duties and permits	5 832	5 940	6 274	
% change(7),(8)	*1.6*	*1.9*	*5.6*	*3.0*
Miscellaneous revenue(9)	14 116	14 507	14 703	
% change	*16.8*	*2.8*	*1.4*	*6.8*
Subtotal	**19 948**	**20 447**	**20 977**	
% change	***11.9***	***2.5***	***2.6***	***5.6***
TOTAL	**110 289**	**115 486**	**119 873**	
% change	***1.2***	***4.7***	***3.8***	***3.2***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) In 2023-2024, the change in revenue from personal income tax is due to the 6.0% increase in wages and salaries in 2023 and the 1-percentage-point decrease in the bottom two tax rates announced in Budget 2023-2024 and beginning in the 2023 taxation year.
(3) In 2024-2025, the growth in revenue from personal income tax is due, in particular, to the 5.1% increase in wages and salaries in 2024.
(4) In 2023-2024, the change in revenue from corporate taxes is due, in particular, to the −11.0% change in the net operating surplus of corporations in 2023.
(5) In 2024-2025, the growth in revenue from corporate taxes is primarily due to the decrease in the cost of certain measures, in particular the accelerated depreciation measure announced in the *Update on Québec's Economic and Financial Situation − Fall 2018* and the expensing measure announced in June 2021. This revenue grew despite the −2.5% change in the net operating surplus of corporations in 2024.
(6) In 2023-2024, the growth in revenue from the school property tax reflects the impact of the additional contribution of nearly $180 million per year from the Québec government to limit the increase in school taxes to an average of 3% for 2023-2024.
(7) In 2023-2024, the growth in revenue from duties and permits is due, in particular, to the increase in revenue from the auction of GHG emission allowances, offset in part by the decrease in revenue from natural resources.
(8) In 2025-2026, the growth in revenue from duties and permits is due, in particular, to the increase in revenue from natural resources.
(9) In 2023-2024, the 16.8% growth in miscellaneous revenue is due, in particular, to the increase in the investment income of the Generations Fund, which was below its usual level in 2022-2023, owing to the effect of higher interest rates on tax claims administered by Revenu Québec and the increase in the miscellaneous revenue of non-budget-funded bodies, special funds and bodies in the health and social services, education and higher education networks.

Consumption tax revenue totals $27.1 billion in 2023-2024, up 2.0% compared to 2022-2023. It will stand at $28.0 billion in 2024-2025 and $29.0 billion in 2025-2026, an increase of 3.2% and 3.6%, respectively.

The change in consumption tax revenue reflects, in particular:

- the projected growth in household consumption,[21] which stands at 5.6% in 2023, 2.5% in 2024 and 3.6% in 2025;
- the expected change in residential construction investment, which will fall by 15.8% in 2023 before rising by 2.6% in 2024 and 5.5% in 2025;
- the two increases in the specific tax on tobacco products announced in Budget 2024-2025.

21 Household consumption excluding food expenditures and shelter.

❑ Other revenue

Revenue from duties and permits amounts to $5.8 billion in 2023-2024, an increase of 1.6% compared to 2022-2023. It will stand at $5.9 billion in 2024-2025 and $6.3 billion in 2025-2026, an increase of 1.9% and 5.6%, respectively.

— The change in revenue from duties and permits is due to the change in revenue from natural resources and from the auction of GHG emission allowances.

— It is also due to the effect of capping the indexation of government rates at 3% as of January 1, 2023, for a period of four years, from 2023 to 2026. This cap concerns, in particular, driving licences and vehicle registration fees.

Miscellaneous revenue stands at $14.1 billion in 2023-2024, an increase of 16.8% compared to 2022-2023. It will reach $14.5 billion in 2024-2025 and $14.7 billion in 2025-2026, an increase of 2.8% and 1.4%, respectively.

— The positive trend in miscellaneous revenue is attributable to the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services, education and higher education networks.

  — For example, the growth in the revenue of the higher education network is influenced by, among other things, tuition fee revenues, the change in clientele and user revenues.

  — In addition, growth in miscellaneous revenue in 2023-2024 reflects, among other things, the increase in the investment income of the Generations Fund, which was below its usual level in 2022-2023, as well as the effect of higher interest rates on tax claims administered by Revenu Québec.

  — The change in miscellaneous revenue also takes into account the effect of capping the indexation of government rates at 3% until 2026.

3.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. Revenue from government enterprises corresponds in large part to the net earnings of these enterprises.

This revenue stood at $5.2 billion in 2023-2024, a decrease of 21.5%, $5.4 billion in 2024-2025, an increase of 4.3%, and $6.3 billion in 2025-2026, an increase of 15.5%.

TABLE G.15

Change in revenue from government enterprises
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Hydro-Québec	2 000	2 045	2 690	
Loto-Québec	1 507	1 514	1 529	
Société des alcools du Québec	1 430	1 437	1 475	
Investissement Québec	109	308	357	
Société québécoise du cannabis(2)	101	95	93	
Other(3)	50	19	13	
Subtotal	**5 197**	**5 418**	**6 157**	
Efforts required	—	—	100	
TOTAL	**5 197**	**5 418**	**6 257**	
% change	***−21.5***	***4.3***	***15.5***	***−1.9***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) Revenue is allocated to the Fund to Combat Addiction.
(3) The other government enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole, the Société du parc industriel et portuaire de Bécancour and the Fonds d'investissement Eurêka.

The 21.5% decrease in 2023-2024 is mainly due to the decline in the results of Hydro-Québec, primarily related to the decrease in the value of its exports resulting from low runoff in the regions where its main basins are located.

— When Hydro-Québec's reservoirs are lower and it has less electricity to sell, exports are reduced as Hydro-Québec must meet the needs of Quebecers.

The 4.3% growth in 2024-2025 is mainly due to the increase in the results of Investissement Québec, due, in particular, to the higher returns expected on its venture capital portfolios as well as its investment funds.

The 15.5% growth in 2025-2026 is mainly due to the expected increase in the results of Hydro-Québec, stemming from the increase in the value of its sales in Québec, as well as the additional gains arising from optimization efforts required from government enterprises.[22]

22 For more details, see Section E, "Optimizing Government Action."

3.1.3 Federal transfers

Revenue from federal transfers consists of federal government revenue paid to Québec under the *Federal-Provincial Fiscal Arrangements Act*, to which is added revenue from other programs under bilateral agreements.

It includes mainly equalization and revenue from the Canada Health Transfer (CHT) and from the Canada Social Transfer (CST).

Revenue from federal transfers will grow by 8.9% in 2023-2024, due, in particular, to a one-time increase in the CHT. The increase is also due to the change in the value of the special Québec abatement,[23] which is recorded as a deduction.

In 2024-2025 and in 2025-2026, revenue from federal transfers will vary by −6.0% and 3.5%, respectively. The decrease 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.

These changes mainly concern the estimate of the provinces' fiscal capacity with regard to the non-residential property tax base.

TABLE G.16

Change in federal transfers
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	AAGR(1)
Equalization	14 037	13 316	13 975	14 339	14 981	15 263	
% change	*2.7*	*−5.1*	*4.9*	*2.6*	*4.5*	*1.9*	*1.7*
Health transfers	8 778	8 554	8 886	9 232	9 332	9 376	
% change(2)	*23.9*	*−2.6*	*3.9*	*3.9*	*1.1*	*0.5*	*1.3*
Transfers for post-secondary education and other social programs	1 451	1 351	1 340	1 330	1 316	1 300	
% change(3)	*12.1*	*−6.9*	*−0.8*	*−0.7*	*−1.1*	*−1.2*	*−2.2*
Other programs	7 024	6 176	6 227	6 982	6 483	6 067	
% change(4)	*4.9*	*−12.1*	*0.8*	*12.1*	*−7.1*	*−6.4*	*−2.9*
TOTAL	**31 290**	**29 397**	**30 428**	**31 883**	**32 112**	**32 006**	
% change	***8.9***	***−6.0***	***3.5***	***4.8***	***0.7***	***−0.3***	***0.5***

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2024-2025 to 2028-2029.
(2) Health transfers are increasing by 23.9% in 2023-2024 due, in particular, to the increase in the CHT, related to the change in Canada's nominal GDP and a one-time increase of $2.0 billion (Québec's share of this one-time increase being $447 million).
(3) Transfers for post-secondary education and other social programs are increasing by 12.1% in 2023-2024, mainly due to the decrease in the value of the special Québec abatement, a portion of which is subtracted from this transfer.
(4) Revenues from other programs are expected to decrease in 2024-2025 due to the non-recurrence of certain types of assistance as well as the pace of realization of federally funded infrastructure projects.

23 The increase associated with the change in the value of the special abatement in 2023-2024 is $310 million. The special Québec abatement corresponds to 16.5% of the federal personal income tax collected in Québec, and is subtracted from health transfers (8.5%), transfers for post-secondary education and other social programs (5%) and other programs (3%).

❑ Federal transfers will have weak growth over the next five years

Weak growth in federal transfers is expected between now and 2028-2029. An average annual growth rate of 0.5% over five years, from 2024-2025 to 2028-2029, is anticipated. This contrasts with an average annual growth rate of 5.4% for the past 10 years.

This weak growth is due in particular to:

— the federal government's changes to the equalization formula in its 2023 budget;[24]

— insufficient increase of the Canada Health Transfer (CHT);

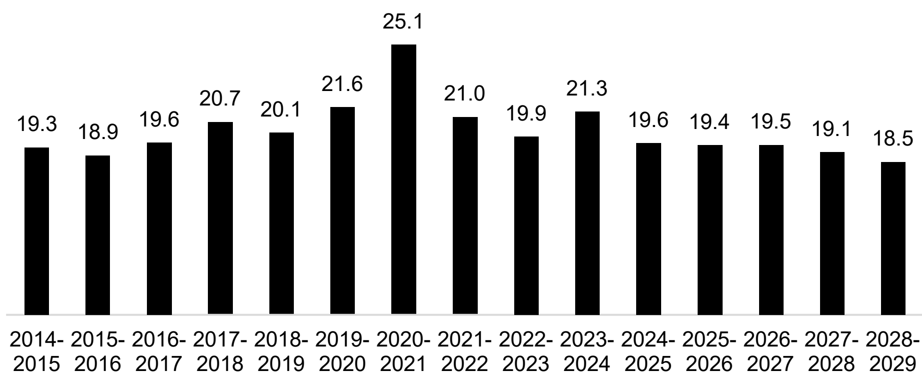
— a decrease in Québec's demographic weight, as the vast majority of transfers to the provinces, notably the CHT, are distributed on a per capita basis;

— one-time payments and time-limited agreements.

As a result, Québec's revenue from federal transfers as a percentage of its total revenue, which will rise to 21.3% in 2023-2024, is expected to decline to 18.5% in 2028-2029.

CHART G.2

Share of federal transfers as a percentage of Québec's total revenue
(per cent)



Source: Ministère des Finances du Québec.

[24] As part of its 2023 budget, the federal government announced changes to be made to the equalization formula starting in 2024-2025. These changes mainly concern the estimate of the provinces' fiscal capacity with regard to the non-residential property tax base. It is estimated that this change to the estimated fiscal capacity with regard to the non-residential property tax base will have an adverse financial impact on Québec's financial framework of $468 million per year on average as of 2024-2025.

❑ Québec's requests to the federal government

In the short term, Québec is asking the federal government to reimburse the costs incurred for welcoming asylum seekers.

— Over three years, from 2021 to 2023, the costs incurred for services offered to asylum seekers amount to over $1 billion.

Québec also considers that the federal government must increase its transfers to the provinces in the areas of infrastructure and workforce development. In addition, it is important that they are unconditional, stable and predictable. Canada-Québec agreements like those concluded in 2021 for early learning and child care, and in 2023 with regard to the Housing Acceleration Fund, must be the standard.

Lastly, Québec expects to receive its share of the additional federal funding for health care, announced on February 7, 2023 unconditionally.[25] This additional funding is intended to support the plan to reform health care.

TABLE G.17

Additional federal funding for health care, Québec's share
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total 6 years
CHT – One-time increase in 2023-2024	447	—	—	—	—	—	447
CHT – Floor of 5% until 2027-2028	—	—	196	347	476	492	1 511
Bilateral agreements	496	493	491	487	484	481	2 932
Long-term care	131	130	129	128	127	—	645
TOTAL	**1 074**	**623**	**816**	**962**	**1 087**	**973**	**5 535**

25 Québec's share of the additional amounts for health care, announced on February 7, 2023 is estimated at $4.9 billion over six years, from 2023-2024 to 2028-2029. Including the amounts promised for long-term care, Québec's share is estimated at $5.5 billion over six years.

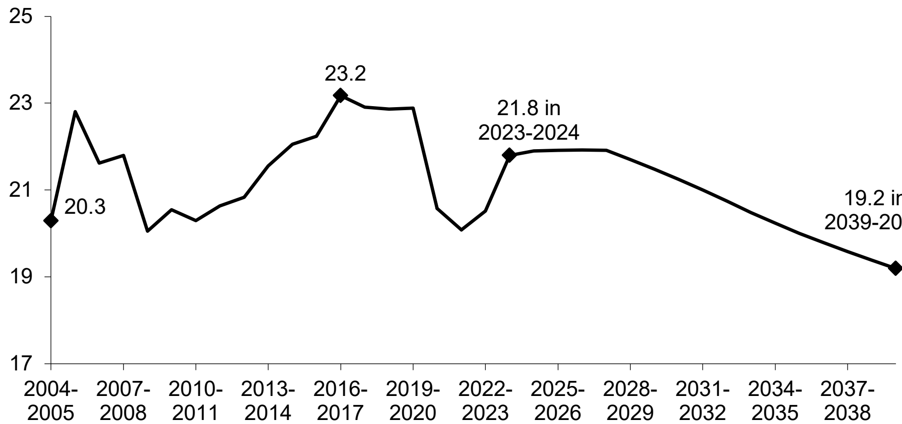
For Québec, the amounts offered by the federal government for health care are clearly insufficient. They will not catch up to the historic level of federal funding, nor will they provide sustainable health care funding. The share of provincial health care spending covered by the federal government will continue to shrink due to the larger increase in provincial health care spending.

— The CHT's share in provincial and territorial health spending, which stood at 21.8% in 2023-2024, is expected to drop to 19.2% by 2039-2040.

Québec is also asking for unconditional opt-out with full financial compensation from the Canadian Dental Care Plan and any future Canadian drug benefit plan.

CHART G.3

Share of the Canada Health Transfer in provincial and territorial health expenditures – 2004-2005 to 2039-2040
(per cent)



Sources: Canadian Institute for Health Information, Conference Board of Canada and Department of Finance Canada.

Québec is asking the federal government to reimburse the costs incurred for welcoming asylum seekers

Québec has welcomed a significant number of asylum seekers since 2017. This number reached all-time highs in 2022 and 2023. In those two years, Québec welcomed 124 335 asylum seekers (58 805 in 2022 and 65 530 in 2023), more than half of the total in Canada, while Québec's demographic weight in Canada is 22%. In addition, as at October 1, 2023, 55.6% of asylum seekers in Canada were in Québec (160 651 people out of 289 047).

While the federal government is primarily responsible for admitting asylum seekers, Québec remains determined to make a humanitarian contribution to ensure that they are always welcomed in a safe and dignified manner.

Québec offers these newcomers temporary housing, educational services, last-resort financial assistance and help in finding housing, as well as francization services.

However, the federal government must reimburse Québec for the costs of providing services to asylum seekers, as it did from 2017 to 2020. To date, the federal government has only reimbursed Québec $66.9 million of the $470.3 million in costs it incurred in 2021 and 2022 ($135.9 million in 2021 and $334.4 million in 2022), an amount equivalent to less than 15%. For 2023, these expenses, borne by Québec, come to $576.9 million. The additional amount recently promised by the federal government to Québec, totalling $150 million, is clearly insufficient.

– Over three years, from 2021 to 2023, the costs incurred for services offered to asylum seekers amount to over $1 billion. The services offered will continue to put pressure on spending in future years.

Costs incurred by Québec for services provided to asylum seekers
(millions of dollars)

	2021	2022	2023	Total
Costs incurred by Québec	135.9	334.4	576.9	1 047.2

Source: Ministère de l'Immigration, de la Francisation et de l'Intégration.

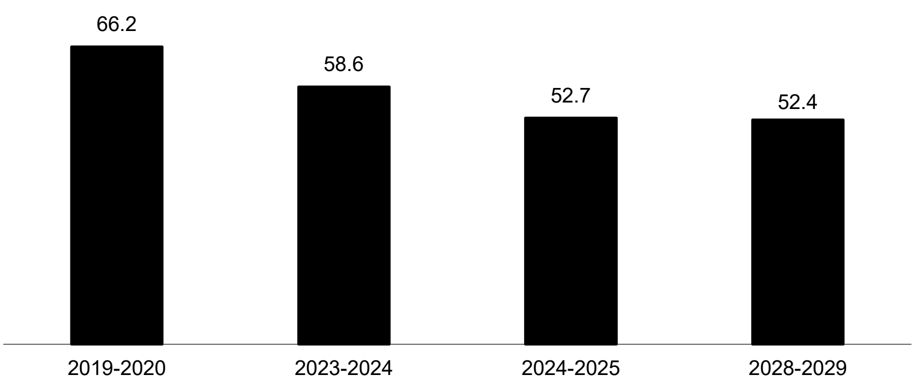
Québec is also requesting reimbursement for the costs incurred for welcoming Ukrainian nationals. Since 2022, Québec has offered exceptional support to Ukrainian nationals, support which the federal government has not hesitated to recognize and compensate fairly in similar situations. These costs totalled $58.3 million in 2022.

An improved economic situation in Québec resulting in a decrease in its share of the equalization envelope

Québec's share of the equalization envelope has been decreasing since 2020-2021, particularly due to Québec's improved economic situation in comparison with the rest of Canada.

Québec's share in the equalization envelope, which was 66.2% in 2019-2020, is expected to decline to 52.4% in 2028-2029. This share could be less than 50% as of 2030-2031.

Expected change in Québec's share of the equalization envelope
(per cent)



Note: A smoothing mechanism with lag is applied to determine equalization payments. For example, the equalization payments for the provinces for 2024-2025 are based on data for 2020-2021 (25%), 2021-2022 (25%) and 2022-2023 (50%).
Sources: Department of Finance Canada and Ministère des Finances du Québec.

3.2 Change in expenditure

Expenditure consists, on the one hand, of portfolio expenditures tied to the delivery of public services, which are influenced by demographics and prices and, on the other hand, debt service, which is mainly driven by the level of debt and interest rates.

Expenditure totals $151.0 billion in 2023-2024, or $141.3 billion in portfolio expenditures and $9.7 billion in debt service.

— It will stand at $157.6 billion in 2024-2025 and $162.1 billion in 2025-2026.

From 2023-2024 to 2025-2026, growth in portfolio expenditures will make it possible to finance the anticipated increase in costs tied to the delivery of public services.

Debt service represents approximately 6.0% of the government's overall expenditure.

— The −4.1% change in debt service in 2023-2024 is due, in particular, to the non-recurrence of losses on the disposal of assets as part of the investment activities of the Sinking Fund for Government Borrowing in 2022-2023.

— In 2024-2025, an increase in debt service of 1.2% is expected, in line with the increase in debt. In 2025-2026, the anticipated change in interest rates will lead to a decrease in debt service.

TABLE G.18

Change in expenditure
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Portfolio expenditures	141 347	147 815	152 492	
% change	*3.0*	*4.6*	*3.2*	*3.6*
Debt service	9 650	9 762	9 583	
% change(2)	*−4.1*	*1.2*	*−1.8*	*−1.6*
TOTAL	**150 997**	**157 577**	**162 075**	
% change	***2.5***	***4.4***	***2.9***	***3.2***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) In 2022-2023, the rapid increase in interest rates led to losses on the disposal of assets in the management of the investment activities of the Sinking Fund for Government Borrowing, resulting in a significant increase in debt service. The non-recurrence of these losses explains the decrease in debt service in 2023-2024.

Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy generally follow similar paths.

In 2018-2019, expenditure amounted to 24.3% of GDP. This was less than the share of revenue in the economy, which stood at 26.1%. This difference was due to the gradual reduction in the share of expenditure in the economy in previous years.

In 2024-2025, expenditure amounts to 26.7% of GDP, which is higher than the share of revenue in the economy, which stands at 25.5%.

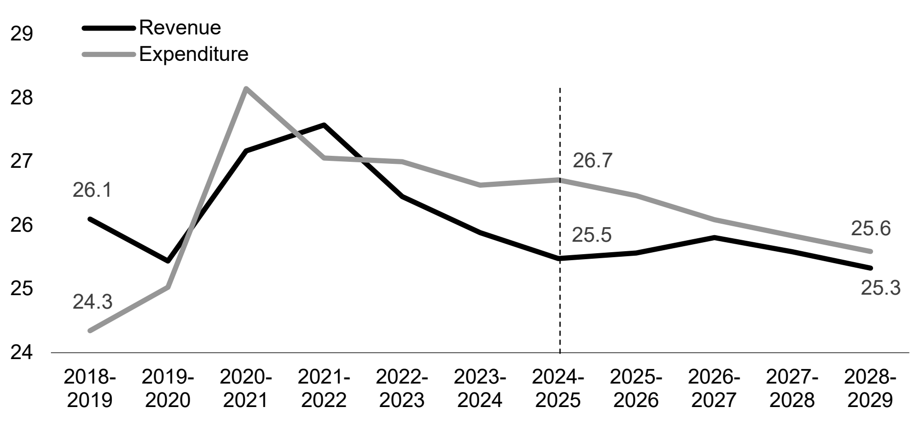
– In particular, the share of expenditure in the economy illustrates the government's investments aimed at funding public services, notably in health and education, in order to support Quebecers and act on economic priorities.

– As for revenue, its share in the economy is due, in particular, to measures announced in recent years, including the 1-percentage-point reduction in the bottom two personal income tax rates since 2023.

In subsequent years, the difference between the shares of revenue and expenditure as a percentage of GDP will gradually narrow until 2028-2029, reaching 0.3 percentage points.

The expected results of the process to review tax and budgetary expenditures will equalize the shares of revenue and expenditure in the economy as of 2026-2027, if no events trigger the use of the contingency reserve. They will also ensure stable, predictable funding for the government's main missions, while reducing the share of expenditure in the economy to a level comparable to that of the pre-pandemic period.

Change in the shares of revenue and expenditure in the economy – 2018-2019 to 2028-2029
(percentage of GDP)



3.2.1 Portfolio expenditures

To achieve its objectives and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. The set of entities under the responsibility of a minister constitutes a portfolio.

TABLE G.19

Change in expenditure by departmental portfolio
(millions of dollars, unless otherwise indicated)

	2023-2024	2024-2025	2025-2026	AAGR(1)
Santé et Services sociaux	59 428	61 909	63 895	
% change(2)	*0.0*	*4.2*	*3.2*	*2.5*
Éducation	20 452	22 364	22 590	
% change(3)	*4.9*	*9.3*	*1.0*	*5.0*
Enseignement supérieur	10 684	11 060	11 230	
% change(4)	*10.7*	*3.5*	*1.5*	*5.2*
Famille	8 723	8 498	9 037	
% change(5)	*11.3*	*−2.6*	*6.3*	*4.9*
Transports et Mobilité durable	6 141	6 603	7 945	
% change(6)	*−4.8*	*7.5*	*20.3*	*7.2*
Emploi et Solidarité sociale	5 742	5 615	5 446	
% change(7)	*−36.1*	*−2.2*	*−3.0*	*−15.4*
Affaires municipales et Habitation	5 323	5 064	5 172	
% change(8)	*8.0*	*−4.9*	*2.1*	*1.6*
Économie, Innovation et Énergie	4 166	3 983	3 727	
% change(9)	*29.9*	*−4.4*	*−6.4*	*5.1*
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 219	2 092	2 146	
% change(10)	*32.6*	*−5.7*	*2.6*	*8.7*
Other portfolios	18 469	21 227	21 304	
% change(11)	*18.3*	*14.9*	*0.4*	*10.9*
Reallocation of expenditures during the year	—	−600	—	
TOTAL	**141 347**	**147 815**	**152 492**	
% change(12)	***3.0***	***4.6***	***3.2***	***3.6***

TABLE G.19

Change in expenditure by departmental portfolio (cont.)

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.

(2) Excluding expenditures related to the COVID-19 support and recovery measures in 2022-2023 and the recurring measures to adapt the health care sector to post-pandemic realities as of 2023-2024 ($503 million), growth would stand at 5.7% in 2023-2024. Average annual growth in portfolio expenditures would stand at 4.4% over three years.

(3) In 2023-2024, growth is due, in particular, to initiatives to launch the Offensive formation en construction and to support students experiencing difficulties going back into the classroom following the strike by school staff. In 2024-2025, growth will make it possible to fund Budget 2024-2025 initiatives and the anticipated increase in costs tied to the delivery of services in the education sector. This growth is combined with the unrealized remuneration expenditures due to the strike by school staff in 2023-2024. If we were to exclude these unrealized remuneration expenditures, growth would be 6.7% in 2024-2025. In 2025-2026, growth is due, in particular, to the end of one-time investments in 2024-2025 for the Offensive formation en construction and support for students experiencing difficulties returning to school following the strike by school staff.

(4) In 2023-2024, growth is due, in particular, to the effect, over a full year, of Québec Perspective scholarships introduced in September 2022 and the initiatives announced in Budget 2023-2024.

(5) In 2023-2024 and 2024-2025, the changes are related to advance payments in 2023-2024 for the purpose of funding subsidized educational childcare services. Excluding these advance payments, expenditure growth would be 7.7% in 2023-2024 and 4.1% in 2024-2025.

(6) In 2023-2024, the change is due, in particular, to the non-recurrence of various one-time initiatives in 2022-2023 to support public transit and the road network. In 2024-2025, growth is due, in particular, to one-time support to municipalities for maintaining and improving the local road network, as well as to higher winter maintenance costs. In 2025-2026, growth is mainly due to investments in public transit, including the enhancement of the government assistance program for public passenger transit and the contribution to the operation of the Réseau express métropolitain. Excluding unrealized planned expenditures in 2022-2023, average annual growth in expenditures is 3.7%.

(7) In 2023-2024, the change is mainly due to the non-recurrence of the one-time cost of living support payments recorded in 2022. Excluding this effect, the level of expenditure is higher in 2023-2024 due to the indexation of social assistance benefits, the implementation of the new basic income program and the increase in the number of households receiving the last-resort financial assistance originating from asylum seekers. If we were to exclude the one-time cost of living support payments granted in 2022-2023, the average annual growth in expenditures is −1.0%. This change is due to the end of increases by the federal government tied to enhanced business assistance programs financed by the Labour Market Development Fund.

(8) In 2023-2024, the growth is due, in particular, to the implementation of social housing programs, including the low-rental housing renovation program. In 2024-2025, the change in expenditures is mainly due to the anticipation of infrastructure investments, tied, in particular, to the Rapid Housing Initiative, as well as to higher expenditures in 2023-2024 by the Regions and Rurality Fund. Excluding one-time housing investments in 2023-2024, growth would be 2.0% in 2024-2025. In 2025-2026, the change is mainly due to the pace of deployment of social housing measures.

(9) In 2023-2024, growth is due, in particular, to the increased cost of refundable tax credits designed to stimulate business investment and support research and development in Québec, as well as higher spending on financial initiatives of the Economic Development Fund, particularly in connection with the battery industry. In 2024-2025, the change is due, in particular, to the anticipated completion of various initiatives announced in previous publications; otherwise, growth would be 3.5%. In 2025-2026, the change is due to the expiry of funding for certain government strategies related to the economy.

(10) In 2023-2024, growth is due, in particular, to the combined effect of unrealized expenditures in 2022-2023, the implementation of the Plan Nature 2030, the establishment of the Blue Fund and additional expenditures financed by higher revenues from the carbon exchange. In 2024-2025, the change is due, in particular, to the granting of sums through the Land Transportation Network Fund. The expenditure is therefore attributable to the Transports et Mobilité durable portfolio. In addition, the downward change in expenditures is due to the non-recurrence of certain measures under the 2030 Plan for a Green Economy. Excluding these elements, growth would be 2.6% in 2024-2025. Excluding unrealized planned expenditures in 2022-2023, average annual growth in expenditures is 4.9%.

(11) In 2023-2024, growth is due, in particular, to the postponement of expenditures financed by the drinking water, waste water, local roads and other infrastructure component of the Gas Tax and Québec Contribution Program originally planned for 2022-2023 and increased tax credits for film production services. In 2024-2025, the change is mainly due to the effect of the Contingency Fund, which includes the budgeting of ongoing negotiations.

(12) Excluding expenditures related to the COVID-19 support and recovery measures in 2022-2023, growth would stand at 6.3% in 2023-2024. Average annual growth in portfolio expenditures would stand at 4.7% over three years.

❑ Santé et Services sociaux

The expenditures of the Santé et Services sociaux portfolio consist primarily of the activities of bodies in the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies, such as Héma-Québec.

These expenditures are influenced by changing demographics and the aging of the population, the remuneration of health care facility staff and the introduction of new technologies and new medications.

In 2023-2024, expenditures remained stable compared to the previous year. This stability is due, on the one hand, to the integration of pandemic costs into the health care system in 2022-2023 and, on the other hand, to the funding of initiatives announced in Budget 2023-2024 aimed at making the health care system more humane and efficient, as well as to the anticipated increase in costs tied to the delivery of public services.

— Excluding expenditures related to the COVID-19 support and recovery measures in 2022-2023 and the recurring measures to adapt the health care sector to post-pandemic realities as of 2023-2024 ($503 million), growth would stand at 5.7% in 2023-2024. In addition, average annual growth in the portfolio's expenditures would stand at 4.4% over three years.

The growth in expenditures of 4.2% in 2024-2025 and 3.2% in 2025-2026 will make it possible to finance the anticipated increase in costs tied to the delivery of health care services, as well as government priorities in health and social services.

❑ Éducation

The expenditures of the Éducation portfolio are primarily devoted to the activities of preschool, primary and secondary education institutions. This portfolio also includes programs to promote recreation and sports, and to manage national parks.

In general, this portfolio's expenditures vary according to the change in the clienteles and the remuneration of the personnel of the school service centres and school boards.

In 2023-2024, the growth in expenditures of 4.9% is due, in particular, to initiatives related to launching the Offensive formation en construction and support for students experiencing difficulties going back into the classroom following the strike by school staff.

In 2024-2025, the growth in expenditures of 9.3% will make it possible to fund Budget 2024-2025 initiatives and the anticipated increase in costs tied to the delivery of services in the education sector. This growth is combined with unrealized remuneration expenditures due to the strike by school staff in 2023-2024. If we were to exclude unrealized remuneration expenditures, growth would be 6.7%.

In 2025-2026, the growth in expenditures of 1.0% is due, in particular, to the end of one-time investments in 2024-2025 for the Offensive formation en construction and support for students experiencing difficulties going back into the classroom following the strike by school staff.

❑ Enseignement supérieur

The expenditures of the Enseignement supérieur portfolio are mainly devoted to the activities of educational institutions at the college and university levels. This portfolio also includes student financial assistance. In general, this portfolio's expenditures vary according to changes in the clientele and in the remuneration of college and university network personnel.

In 2023-2024, the 10.7% growth in expenditures is due, in particular, to the effect, over a full year, of Québec Perspective scholarships introduced in September 2022 and the initiatives announced in Budget 2023-2024.

In 2024-2025 and 2025-2026, the growth in expenditures of 3.5% and 1.5%, respectively, will make it possible to finance the anticipated increase in costs tied to the delivery of services in the higher education sector.

❑ Famille

The expenditures of the Famille portfolio primarily include funding for educational childcare services and financial assistance for families.

In 2023-2024 and 2024-2025, the changes in expenditures of 11.3% and −2.6% respectively are related to advance payments for the funding of subsidized educational childcare services.

In 2025-2026, the growth of 6.3% is mainly due to the indexation of family allowance amounts paid, but also to the funding of new subsidized childcare spaces, including staff salaries, as part of the measures of the action plan for completing the educational childcare services network.

❑ Transports et Mobilité durable

The expenditures of the Transports et Mobilité durable portfolio primarily include the construction, maintenance and operation of road infrastructure as well as the funding of public transit services. Expenditures also include the management of the government's rolling stock, air fleet and ferry services.

In 2023-2024, the −4.8% change in expenditures is due, in particular, to the non-recurrence of various one-time initiatives in 2022-2023 to support public transit and the road network.

In 2024-2025, the growth of 7.5% is due, in particular, to a one-time support to municipalities for maintaining and improving the local road network, as well as to higher winter maintenance costs.

In 2025-2026, the growth of 20.3% is mainly due to investments in public transit, including the enhancement of the government assistance program for public passenger transit and the contribution to the operation of the Réseau express métropolitain.

❑ Emploi et Solidarité sociale

The expenditures of the Emploi et Solidarité sociale portfolio mainly include financial assistance programs for individuals, including last-resort financial assistance, and employment assistance programs. They also include the activities of Services Québec, the Registrar of Civil Status and the Registraire des entreprises, as well as the administration of the Québec Parental Insurance Plan.

In 2023-2024, the −36.1% change in expenditures is mainly due to the non-recurrence of the two one-time cost of living support payments recorded in 2022. Excluding this effect, the level of expenditure is higher in 2023-2024 due to the indexation of social assistance program benefits, the implementation of the new basic income program and the increase in the number of last-resort financial assistance program recipients, an increase attributable to asylum seekers.

In 2024-2025, the −2.2% change in expenditures is mainly due to the end of increases by the federal government tied to enhanced business assistance programs financed by the Labour Market Development Fund.

In 2025-2026, the −3.0% change in expenditures is due, in particular, to the anticipated decline in the number of last-resort financial assistance recipients.

❑ Affaires municipales et Habitation

The expenditures of the Affaires municipales et Habitation portfolio primarily consist of financial support for municipalities, particularly for infrastructure, social housing and compensations in lieu of taxes, as well as regional and metropolitan development measures.

In 2023-2024, the 8.0% growth is due, in particular, to the implementation of social housing programs, including the low-rental housing renovation program.

In 2024-2025, the −4.9% change in expenditures is mainly due to the acceleration in infrastructure investments in 2023-2024, tied, in particular, to the Rapid Housing Initiative, as well as to higher expenditures in 2023-2024 by the Regions and Rurality Fund.

In 2025-2026, the 2.1% increase is mainly due to the pace of deployment of social housing measures.

❑ Économie, Innovation et Énergie

The expenditures of the Économie, Innovation et Énergie portfolio are mainly allocated to funding economic development projects and support for research, innovation and development of energy resources.

In 2023-2024, the 29.9% growth in expenditures is due, in particular, to the increased cost of refundable tax credits designed to stimulate business investment and support research and development in Québec, as well as higher spending on financial initiatives of the Economic Development Fund, particularly in connection with the battery industry.

In 2024-2025, the −4.4% change in expenditures is due, in particular, to the optimization of certain business support programs.

In 2025-2026, the −6.4% change in expenditures is due, in particular, to the expiry of funding for certain government strategies related to the economy.

❑ Environnement, Lutte contre les changements climatiques, Faune et Parcs

The expenditures of the Environnement, Lutte contre les changements climatiques, Faune et Parcs portfolio are primarily directed at funding measures to combat climate change, protect the environment and preserve biodiversity. These expenditures also include the operation of public dams, land management of the state's water domain and conservation of wildlife resources and habitats.

In 2023-2024, the 32.6% growth in expenditures is due, in particular, to the combined effect of unrealized expenditures in 2022-2023, the implementation of the Plan Nature 2030, the establishment of the Blue Fund in July 2023 and additional expenditures financed by higher revenues from the carbon exchange.

In 2024-2025, the −5.7% growth in expenditures is due to the granting of sums through the Land Transportation Network Fund. The expenditure is therefore attributable to the Transports et Mobilité durable portfolio. In addition, the downward change in expenditures is due to the non-recurrence of certain measures under the 2030 Plan for a Green Economy.

In 2025-2026, the 2.6% growth in expenditures will make it possible to finance the portfolio's government priorities, in particular in terms of biodiversity preservation, climate transition and protection of water resources.

❑ Other portfolios

The expenditures in the other portfolios include expenditures in all other portfolios, which include, in particular, programs in the culture, immigration, tourism and natural resources sectors, as well as the activities of the judicial system, public security, international relations, the legislative branch and central agencies.

The change in other portfolios is due in part to the Contingency Fund, which is intended to cover unforeseen expenditures that may arise in government programs. No expenditures are made from the Contingency Fund, as these are included in the programs of departments and bodies subject to decisions by the Conseil du trésor.

In 2023-2024, the 18.3% growth in expenditures is due, in particular, to the postponement of expenditures financed by the drinking water, waste water, local roads and other infrastructure component of the Gas Tax and Québec Contribution Program originally planned for 2022-2023, as well as increased tax credits for film production services.

In 2024-2025, the 14.9% growth in expenditures is mainly due to the effect of the Contingency Fund, which includes the budgeting of ongoing negotiations.

❑ Reallocation of expenditures during the year

Responsible spending management gives the government the leeway it needs to invest in priority sectors. By rigorously monitoring the budgetary envelopes allocated to departments and bodies, the government promotes compliance with the objectives set and allows budgetary resources of approximately 1% of program expenditures to be made available and reallocated during the fiscal year.

Based on the reinvestments observed in recent years, Budget 2024-2025 provides for a reallocation of $600 million in government expenditures for fiscal 2024-2025. This reallocation corresponds in part to leeway anticipated for 2024-2025 and helps maintain the level of services to the public.

Review of COVID-19 support and recovery measures

The pandemic had a major impact on the Québec government's spending. Over $26 billion was invested to support Quebecers and businesses during that period, and subsequently to stimulate the economy.

– Of this amount, more than $20 billion was allocated to the Ministère de la Santé et des Services sociaux to overcome the pandemic. The pandemic forced the health care system to adapt and change the way it operates.

The measures put in place by the government included the following, in particular:

– initiatives to combat COVID-19, including screening, vaccination, the acquisition of antivirals and additional financial incentives for clinical staff in health care establishments;

– support for municipalities, mainly for public transit;

– measures to promote employment and economic development, including recovery measures for the culture and tourism sectors;

– measures to mitigate the economic impact of the pandemic, including commercial rent assistance and the Emergency Assistance Program for Small- and Medium-Sized Businesses (PAUPME);

– alleviation of students' financial burden, including eliminating interest on student loans and enhancing student financial assistance;

– support for student success, including specialized educational support to consolidate learning for elementary and secondary school students;

– support for Quebecers, including assistance for day camps, educational childcare services and volunteering.

Costs tied to COVID-19
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	Total
Overcoming the pandemic	166	8 623	7 617	3 643	20 049
Supporting municipalities	—	2 275	97	297	2 668
Promoting employment and economic development	—	1 005	503	128	1 636
Mitigating the economic impact of the pandemic	87	735	74	—	896
Easing the financial burden on students in the context of the pandemic	—	231	260	140	631
Fostering educational success	—	253	110	60	423
Supporting Quebecers	24	164	35	—	223
TOTAL	**277**	**13 285**	**8 696**	**4 268**	**26 526**

3.2.2 Debt service

Debt service consists of interest on the direct debt as well as interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Debt service changes primarily according to the level of debt, interest rates and the return on the Retirement Plans Sinking Fund (RPSF). It will stand at $9.7 billion in 2023-2024, $9.8 billion in 2024-2025, and $9.6 billion in 2025-2026, representing changes of −4.1%, 1.2% and −1.8%, respectively.

In 2023-2024, 2024-2025 and 2025-2026, interest on the direct debt will change by −1.6%, 3.4% and 3.1%, respectively, owing, in particular, to the anticipated change in interest rates and the debt level.

The −1.6% decrease in 2023-2024 is primarily due to the non-recurrence of the losses on the disposal of assets in the management of the investment activities of the Sinking Fund for Government Borrowing.

— The rapid rise in interest rates in 2022-2023 led to significant losses.

Interest on the liability for the retirement plans and other employee future benefits is decreasing due to the increase in the investment income of the RPSF.

— The income of the RPSF is deducted from debt service.

TABLE G.20

Change in debt service
(millions of dollars, unless otherwise indicated)

	2023-2024	**2024-2025**	**2025-2026**	**AAGR(1)**
Interest on direct debt(2)	9 516	9 843	10 144	
% change	*−1.6*	*3.4*	*3.1*	
Interest on the liability for retirement plans and other employee future benefits(3)	134	−81	−561	
TOTAL	**9 650**	**9 762**	**9 583**	
% change	***−4.1***	***1.2***	***−1.8***	***−1.6***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2023-2024 to 2025-2026.
(2) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is deducted from debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upwards or downwards since it is closely tied to the change in interest rates and market behaviour.
(3) This interest corresponds to the interest on obligations relating to the retirement plans and other future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

4. PUBLIC INFRASTRUCTURE INVESTMENTS

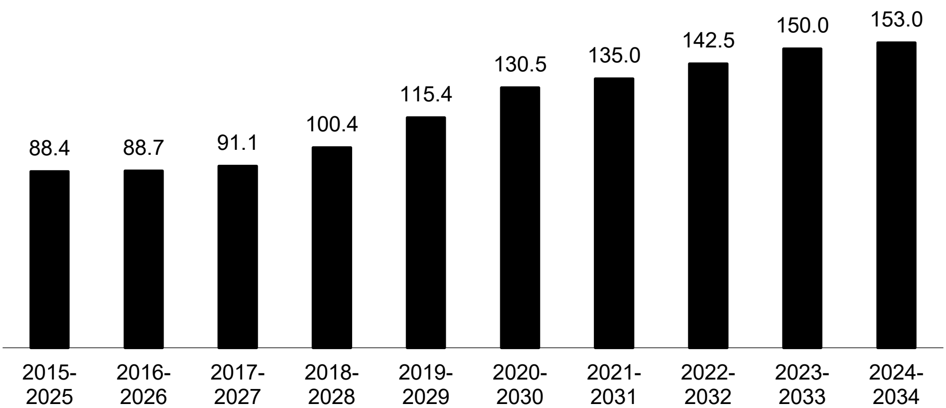
Québec has significant public infrastructure needs. To meet them, the government is announcing an increase of $3.0 billion over 10 years in the 2024-2034 Québec Infrastructure Plan (QIP).

- The 2024-2034 QIP accordingly amounts to $153 billion, or over $15 billion per year on average.
- Over the past six years, the QIP has been increased each year, going from $100.4 billion in March 2018 to $153 billion in March 2024. This increase was necessary, given the importance of equipping Québec with modern infrastructure and investing more in maintaining the building inventory.[26]
  - A 62% share of the investments under the 2024-2034 QIP will be used primarily to maintain the building inventory.[27] New infrastructure will account for 38% of the investments.

The 2024-2034 QIP allocates considerable sums to health and social services, education and higher education, public transit and the road network.[28] It also includes major investments in social housing.

CHART G.4

Change in the Québec Infrastructure Plan
(billions of dollars)



Source: Secrétariat du Conseil du trésor.

[26] The asset maintenance deficit is estimated at $37.1 billion in March 2024.

[27] This share excludes the central envelope.

[28] The 2024-2034 Québec Infrastructure Plan published by the Secrétariat du Conseil du trésor provides detailed information on planned investments by sector.

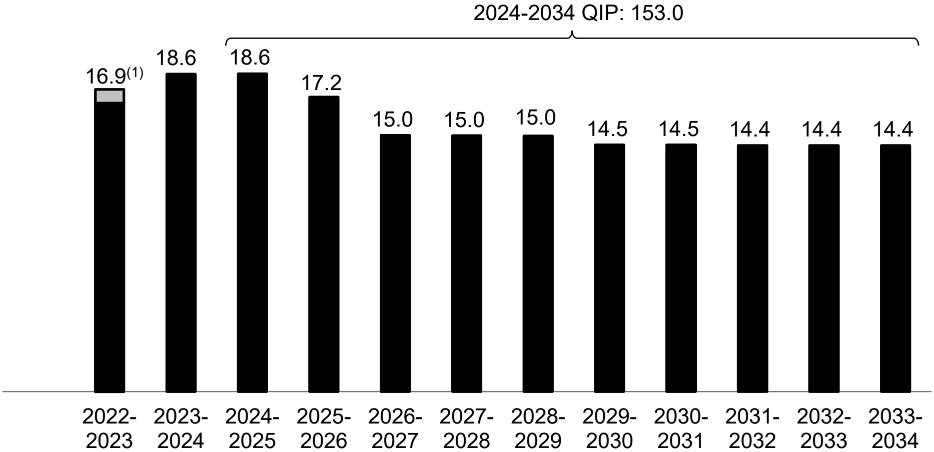
❑ Substantial investments in the first five years

Investments of $153 billion are planned under the 2024-2034 QIP, including $80.8 billion over the first five years.

These considerable investments are necessary, given the importance of improving public services and the need to maintain public infrastructure.

CHART G.5

Annual investments in the 2024-2034 Québec Infrastructure Plan
(billions of dollars)



(1) The investments in 2022-2023 include $0.8 billion in financial assistance advance payments for infrastructure.
Source: Secrétariat du Conseil du trésor.

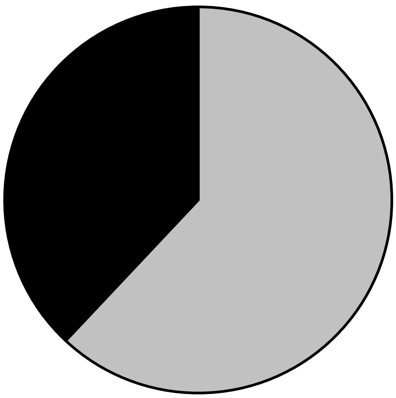
❑ A significant share of the QIP allocated to public infrastructure maintenance

Continued significant investments are necessary to maintain public infrastructure. Some public infrastructure is aging and requires repairs.

Investments under the 2024-2034 QIP, representing 62% of the total, will be used primarily to maintain the building inventory.[29] New infrastructure will account for 38% of the investments.

CHART G.6

2024-2034 Québec Infrastructure Plan by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

[29] This share excludes the central envelope.

APPENDIX 1: PORTFOLIO EXPENDITURES

TABLE G.21

Portfolio expenditure forecasts
(millions of dollars)

	2023-2024	2024-2025
National Assembly	181	186
Persons appointed by the National Assembly	143	148
Affaires municipales et Habitation	5 323	5 064
Agriculture, Pêcheries et Alimentation	1 536	1 651
Conseil du trésor et Administration gouvernementale	1 955	5 275
Conseil exécutif	887	774
Culture et Communications	2 196	1 952
Cybersécurité et Numérique	160	172
Économie, Innovation et Énergie	4 166	3 983
Éducation	20 452	22 364
Emploi et Solidarité sociale	5 742	5 615
Enseignement supérieur	10 684	11 060
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 219	2 092
Famille	8 723	8 498
Finances	4 111	3 529
Immigration, Francisation et Intégration	488	745
Justice	1 708	1 804
Langue française	60	67
Relations internationals et Francophonie	189	202
Ressources naturelles et Forêts	1 577	1 445
Santé et Services sociaux	59 428	61 909
Sécurité publique	2 568	2 518
Tourisme	497	534
Transports et Mobilité durable	6 141	6 603
Travail	213	225
Reallocation of expenditures during the year	—	−600
TOTAL	**141 347**	**147 815**

Note: Totals may not add due to rounding.

APPENDIX 2: REPORT ON THE APPLICATION OF THE *BALANCED BUDGET ACT*

❑ *Balanced Budget Act*

Pursuant to the *Balanced Budget Act*, the Minister of Finance must report to the National Assembly, in the budget speech, on the achievement of the objectives of the Act and any variance recorded.

The *Balanced Budget Act* was passed by the National Assembly in 1996 and modernized in December 2023. The purpose of the Act is to balance the government's budget.

The *Balanced Budget Act* and its modernization

Balanced Budget Act

The *Balanced Budget Act* specifies the calculation of the budgetary balance and sets out the applicable rules in the case of an actual or anticipated budgetary deficit.

The Act allows for an estimated budgetary deficit only in certain circumstances and, in such cases, specifies that a report explaining these circumstances must be produced and distributed. These circumstances are as follows:

- a disaster having a major impact on revenue or expenditure;
- a significant deterioration of economic conditions;
- a change in federal programs of transfer payments to the provinces that would substantially reduce transfer payments to the government.

The Act also provides for the presentation of a plan to restore fiscal balance when the budgetary deficit for a given fiscal year is greater than the revenues recorded in the Generations Fund for that year, and it specifies the cases in which such a plan may be replaced.

The plan must present decreasing deficits over a maximum period of five years and anticipate, for the fiscal year preceding the return to a balanced budget, a deficit of 25% or less of the budget deficit referred to in the previous paragraph.

Modernization of the *Balanced Budget Act*

Since its enactment in 1996, the *Balanced Budget Act* has been amended on several occasions, essentially to suspend some of its effects during periods of recession or economic instability.

Applying the Act during a major economic slowdown proved too rigid. Some of the recommendations in the Act have been amended[1] to make its application simpler and more flexible, while maintaining the constraint of adhering to a balanced budget.

1 The amendments are set out in *An Act respecting the implementation of certain provisions of the Budget Speech of 21 March 2023 and amending other provisions* (S.Q. 2023, c. 30) assented to on December 7, 2023.

The *Balanced Budget Act* and its modernization (cont.)
The main amendments are as follows: – the removal of the obligation to offset deficits; – an increase in the level of the budgetary deficit requiring the presentation of a plan to restore fiscal balance, from $1 billion to the level corresponding to the deposits of dedicated revenues recorded in the Generations Fund; – a maximum deadline of two years to submit a plan to restore fiscal balance in order to allow time for economic recovery; – the elimination of the stabilization reserve. The *Balanced Budget Act* has been amended eight times since its enactment. To make the Act easier to read and interpret, a new Act bearing the same name was enacted (S.Q. 2023, c. 30, s. 29).

❑ Budgetary balance within the meaning of the *Balanced Budget Act*

The objectives of the *Balanced Budget Act* are achieved if the budgetary balance, calculated in accordance with the Act, is zero or positive. Otherwise, the Minister must report on the circumstances causing the anticipated budgetary deficit.

— The budgetary balance corresponds essentially to the surplus or the deficit presented in the Public Accounts (surplus or deficit from operations) reduced by the amount of revenues dedicated to the Generations Fund and adjusted to take certain accounting changes into consideration, if applicable.

■ The 2024-2025 budgetary balance

A budgetary deficit is anticipated for 2024-2025. This deficit is due to a significant deterioration in economic conditions compared with those prevailing when Budget 2023-2024 was tabled, including a sustained rise in interest rates, stagnant economic growth and higher-than-expected population growth, all of which are depriving the government of revenue and resulting in a material increase in forecast expenditures.

Despite the deficits anticipated in 2024-2025 and subsequent years, the government is presenting a prudent and responsible financial framework. Specifically:

— the financial framework includes a contingency reserve of $7.5 billion over five years to offset the effects of more moderate-than-expected economic growth, should this occur, and the uncertainty that could affect longer-term economic and financial forecasts;

— net debt reduction targets are maintained over time despite a change to the rate of reduction;

— deposits in the Generations Fund are continuing.

❑ The plan to restore fiscal balance

Public Accounts 2022-2023, tabled on December 11, 2023, presents a budgetary deficit, within the meaning of the Act, of $6.1 billion. Because this deficit is greater than the revenues recorded in the Generations Fund, which total $3.1 billion, a plan to restore fiscal balance will be presented when Budget 2025-2026 is released.

For Budget 2024-2025, the government can anticipate budgetary deficits.

Given the uncertain economic context, the Minister of Finance will present a plan to restore fiscal balance with the following characteristics in Budget 2025-2026:

— a maximum period of five years, for a return to a balanced budget by 2029-2030;

— shrinking deficits over the period covered by the financial framework;

— a maximum deficit of $1.5 billion in 2028-2029, corresponding to 25% of the $6.1 billion budget deficit recorded in *Public Accounts 2022-2023*.

TABLE G.22

Budgetary balance within the meaning of the *Balanced Budget Act*

(millions of dollars)

Fiscal year	Surplus (deficit) within the meaning of the Public Accounts[1]	Revenues dedicated to the Generations Fund	Accounting changes and other[2]	Budgetary balance within the meaning of the Act	Stabilization reserve[3]		Budgetary balance within the meaning of the Act after reserve[4]
					Allocations	Uses	
2012-2013	−3 298	−961	2 659[5]	−1 600	—	—	−1 600[6]
2013-2014	−2 259	−1 121	556	−2 824	—	—	−2 824[6]
2014-2015	−697	−1 279	1 251	−725	—	—	−725[6]
2015-2016	3 289	−1 453	355	2 191	−2 191	—	—
2016-2017	3 978	−2 001	384	2 361	−2 361	—	—
2017-2018	2 843	−2 293	2 072	2 622	−2 622	—	—
2018-2019	7 715	−3 477	565	4 803	−4 803	—	—
2019-2020	1 903	−2 606	707	4	−4	—	—
2020-2021	−4 409	−3 313	−3 038	−10 760	—	10 760	—
2021-2022	2 618	−3 617	227	−772	—	772	—
2022-2023	−3 002	−3 082	—	−6 084	—	449	−5 635[7]
2023-2024[3]	−4 221	−2 081	—	−6 302	n/a	n/a	n/a
2024-2025	−8 776	−2 222	—	−10 998	n/a	n/a	n/a

(1) The annual surpluses (deficits) were restated to take into account the change in the application of the accounting standard respecting transfer payments.
(2) In order to comply with the provisions of the *Balanced Budget Act*, adjustments to the restated annual surpluses and deficits in the Public Accounts are required to establish the budgetary balance. Adjustments were made to take into account the change in the application of the accounting standard respecting transfer payments and its impact on the accumulated deficit in 2020-2021.
(3) The stabilization reserve was repealed on December 7, 2023.
(4) The budgetary balance within the meaning of the *Balanced Budget Act* after reserve corresponds to the budgetary balance that takes into account allocations to the stabilization reserve and uses of it in order to maintain a balanced budget or reduce the budgetary deficit.
(5) The *Balanced Budget Act* stipulates the exclusion of Hydro-Québec's exceptional loss of $1 876 million for the closure of the Gentilly-2 nuclear power plant from the calculation of the budgetary balance for fiscal 2012-2013.
(6) The budgetary deficits of $1.6 billion, $2.8 billion and $0.7 billion recorded for 2012-2013, 2013-2014 and 2014-2015, respectively, are allowed pursuant to the *Balanced Budget Act*.
(7) The *Balanced Budget Act* was amended in order to suspend the obligation to achieve a balanced budget from March 25, 2021 to March 31, 2023.

APPENDIX 3: SUPPLEMENTARY INFORMATION

The digital dissemination of content reflects the department's desire to improve messages addressed to the public by using electronic documents that can be viewed on a smartphone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Therefore, certain supplementary budgetary information is presented only on the department's website, including:

— *Budget by the Numbers,* which presents the main budgetary data in the form of tables and interactive charts;

— sensitivity analyses, the main risks to Québec's financial position and prudence factors;

— the government's net financial surpluses or requirements.

In addition, the document *Processus et documentation budgétaires : une reddition de comptes sur les finances publiques de l'État* (in French only) provides information on the budget planning process and financial framework development carried out by the Ministère des Finances and highlights budget documents in support of the government's budgetary cycle.

This supplementary information is available on the Ministère des Finances website.
To view this information, visit the Budget 2024-2025 documents page at:

www.finances.gouv.qc.ca/Budget_and_update/budget/

The document *Processus et documentation budgétaires : une reddition de comptes sur les finances publiques de l'État* (in French only) can be found on the Budget 2022-2023 page:

www.finances.gouv.qc.ca/Budget_and_update/budget/2022-2023/

Section H

THE QUÉBEC GOVERNMENT'S DEBT

SUMMARY

Québec has made notable progress in reducing its debt load in recent decades, but it remains high nonetheless.

Reducing the debt burden is a priority for the government. That is why, in March 2023, it introduced new debt reduction targets, which were confirmed in the *Act to reduce the debt and establish the Generations Fund* in December 2023.

As at March 31, 2024, Québec's net debt will stand at $221.1 billion, or 39.0% of GDP. This is lower than the pre-pandemic level of 40.9% of GDP as at March 31, 2020.

As a result of budgetary deficits and significant investment in public infrastructure, net debt to GDP will rise back to 41.0% by 2025-2026, and then fall again to 39.5% as at March 31, 2029. It will then continue to decline gradually until the debt reduction target is reached in 2037-2038.

As at March 31, 2024, the net debt burden will stand at 39.0% of GDP. This is a lower level than the pre-pandemic level.

The government maintains its objective of reducing the net debt burden to 30% of GDP by 2037-2038.[1]

It will achieve this by restoring a balanced budget, continuing deposits in the Generations Fund and implementing initiatives to accelerate economic growth.

In 2024-2025, revenues dedicated to the Generations Fund will stand at $2.2 billion. They will reach $2.7 billion in 2028-2029 and $4.2 billion in 2037-2038.

[1] The *Act to reduce the debt and establish the Generations Fund* stipulates that, for fiscal 2037-2038, the net debt presented in the government's financial statements may not exceed 32.5% of GDP. This ratio corresponds to the maximum limit of a net debt reduction objective of 30% of GDP announced in the budget speech for fiscal 2023-2024.

The balance of the Generations Fund, which will stand at $18.5 billion as at March 31, 2024, is expected to reach $24.1 billion as at March 31, 2029, representing 8.9% of net debt. Withdrawals of $4.4 billion[2] and $2.5 billion will be made in 2024-2025 and 2025-2026, respectively.

These withdrawals will serve to reduce the financing program and alleviate debt service in the current context of high interest rates. With the cost of new borrowings currently higher than the average cost of debt, debt service is coming under upward pressure.

The economic context, the evolution of interest rates and the high level of debt require prudence and the sound management of public finances, because a greater-than-anticipated rise in interest rates would have a substantial impact on the financial framework.

❑ The benefits of reducing the debt burden

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

In addition to supporting collective prosperity, reducing the debt burden will allow Québec to:

— contribute to intergenerational fairness;

— ensure stable funding for the government's main missions, including health and education;

— cope with the costs associated with an aging population;

— implement measures to fight climate change;

— fund substantial investments in public infrastructure;

— ease the tax burden on Quebecers;

— counter a new recession;

— increase its financial autonomy within the federation.

2 These withdrawals include an amount of $400 million that will come from the Territorial Information Fund.

1. QUÉBEC'S DEBT

1.1 Different concepts of debt

A number of different concepts of debt are used to measure a government's indebtedness.

- **Gross debt** corresponds to the debt on financial markets, plus the commitments made with regard to the retirement plans of government employees. The balance of the Generations Fund is subtracted from gross debt.
  - As at March 31, 2024, Québec's gross debt will stand at $235.5 billion, or 41.5% of GDP.
- **Net debt** corresponds to the government's liabilities as a whole, less its financial assets.
  - As at March 31, 2024, Québec's net debt will stand at $221.1 billion, or 39.0% of GDP.
  - The government set itself the objective of reducing net debt to GDP to 30% by 2037-2038.
- **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets. This is the concept that the federal government uses to present the change in its debt.
  - As at March 31, 2024, Québec's debt representing accumulated deficits will stand at $118.8 billion, or 20.9% of GDP.

TABLE H.1

Québec government debt as at March 31 according to different concepts
(millions of dollars)

	2023	2024	2025
GROSS DEBT(1)	**226 065**	**235 504**	**257 781**
% of GDP	*41.4*	*41.5*	*43.7*
Less: Financial assets, net of other liabilities(2)	−17 353	−14 376	−20 010
NET DEBT	**208 712**	**221 128**	**237 771**
% of GDP	*38.3*	*39.0*	*40.3*
Less: Non-financial assets	−93 833	−102 369	−110 577
DEBT REPRESENTING ACCUMULATED DEFICITS	**114 879**	**118 759**	**127 194**
% of GDP	*21.1*	*20.9*	*21.6*

(1) Gross debt excludes pre-financing and takes into account amounts accumulated in the Generations Fund.
(2) Financial assets include, in particular, investments in government enterprises (e.g. Hydro-Québec) and accounts receivable, minus other liabilities (e.g. accounts payable).

1.2 Net debt

Net debt corresponds to the government's liabilities minus its financial assets.

As at March 31, 2024, Québec's net debt will stand at $221.1 billion, or 39.0% of GDP. Net debt to GDP will rise back to 41.0% by 2025-2026, due to deficits and significant investments in public infrastructure. It will then fall again to stand at 39.5% as at March 31, 2029.

— Before the contingency reserve, this ratio is expected to stand at 38.4% of GDP as at March 31, 2029.

TABLE H.2

Factors responsible for the change in net debt
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Accounting adjustments(1)	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	*% of GDP*
2022-2023	196 800	6 084	6 500	2 410	−3 082	11 912	208 712	*38.3*
2023-2024	208 712	6 302	8 536	−341	−2 081	12 416	221 128	*39.0*
2024-2025	221 128	10 998	8 208	−341	−2 222	16 643	237 771	*40.3*
2025-2026	237 771	8 486	7 196	−341	−2 219	13 122	250 893	*41.0*
2026-2027	250 893	4 209	5 173	−341	−2 419	6 622	257 515	*40.6*
2027-2028	257 515	3 944	4 891	−341	−2 554	5 940	263 455	*40.0*
2028-2029	263 455	3 940	5 013	−341	−2 671	5 941	269 396	*39.5*(2)

(1) Accounting adjustments notably include the impact on debt of measuring derivative financial instruments at their fair value. This valuation results in temporary changes in the debt. For forecasting purposes, it is estimated that this impact will be amortized over the average maturity of the debt as at March 31, 2023, which is 12 years.
(2) Before the contingency reserve ($7.5 billion over 5 years, that is, from 2024-2025 to 2028-2029), net debt to GDP is expected to stand at 38.4% as at March 31, 2029.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

Even though gross investments have an impact on debt, net capital investments are presented in the factors responsible for the change in the debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2024-2025 to 2028-2029, net capital investments will increase gross debt by $6.1 billion per year on average.

Net capital investments
(millions of dollars)

	2023-2024	**2024-2025**	**2025-2026**	**2026-2027**	**2027-2028**	**2028-2029**
Gross investments(1)	13 543	13 708	12 995	11 199	11 036	11 526
Less: Depreciation	−5 007	−5 500	−5 799	−6 026	−6 145	−6 513
TOTAL	**8 536**	**8 208**	**7 196**	**5 173**	**4 891**	**5 013**

(1) These investments exclude the Québec government's contribution to the projects of partners (e.g. municipalities), whereas this contribution is included in the annual investments of the Québec Infrastructure Plan and portfolio expenditures.

❑ Net debt is lower than it was before the pandemic

The net debt burden will stand at 39.0% of GDP as at March 31, 2024. This is lower than the pre-pandemic level of 40.9% of GDP as at March 31, 2020.

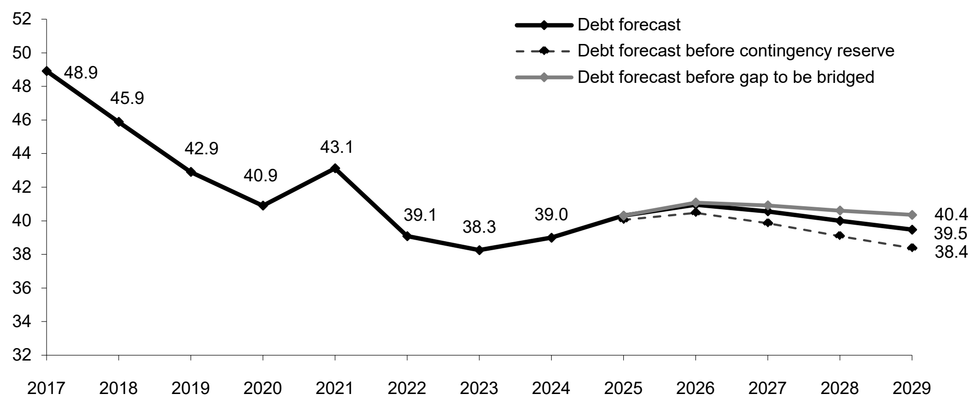
Net debt to GDP will rise by 2025-2026, due to deficits and significant investments in public infrastructure. It will then fall again, to 39.5% of GDP as at March 31, 2029.

— Before the gap to be bridged, net debt to GDP is estimated at 40.4% as at March 31, 2029.

— Before the contingency reserve of $7.5 billion over five years, from 2024-2025 to 2028-2029, net debt to GDP is estimated at 38.4% as at March 31, 2029.

CHART H.1

Net debt as at March 31
(percentage of GDP)



Accounting changes that led to an increase in net debt

In 2021, to comply with the recommendation of the Auditor General of Québec who, since 2012-2013 had issued a recommendation with reservations in the audit of the financial statements, the government changed the application of the accounting standard respecting transfer payments. In particular, it wanted its financial information, including the net debt indicator, to be fully comparable with that of the federal government and other provinces. This change resulted in an increase in net debt of $13.0 billion, or 2.8 percentage points of GDP, as at March 31, 2021.

Moreover, a new accounting standard with retroactive application respecting asset retirement obligations came into effect in 2022-2023 for all governments in Canada. For Québec, the main obligation in this respect concerns asbestos in buildings and roads. This new standard has resulted in an increase in net debt of $4.4 billion, or 1.0 percentage point of GDP, as at March 31, 2021.

Overall, these accounting changes resulted in an increase in net debt of $17.4 billion or 3.8 percentage points of GDP as at March 31, 2021. Without these changes, net debt to GDP would have been 39.3% as at March 31, 2021, instead of 43.1%.

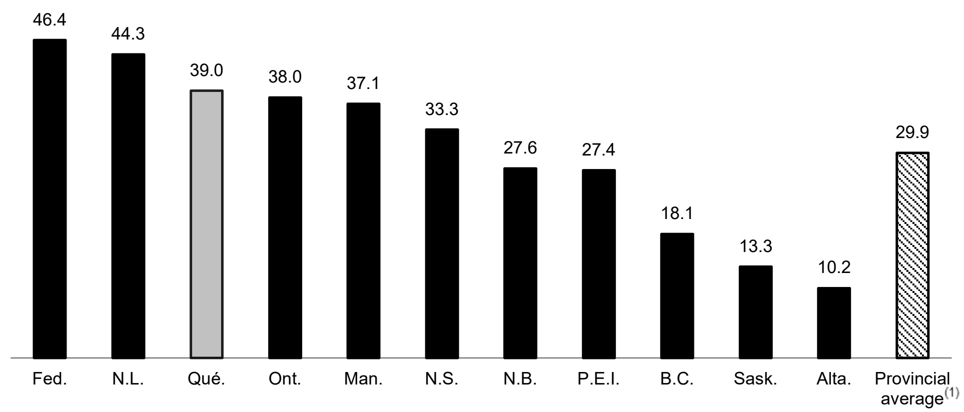
❑ Comparison of the net debt of governments in Canada

As at March 31, 2024, Québec's net debt burden will stand at 39.0% of GDP, compared with the provincial average of 29.9%.[3]

Québec is one of the most indebted governments in Canada.

CHART H.2

Net debt of governments in Canada as at March 31, 2024
(percentage of GDP)



(1) This average is obtained by dividing the sum of provincial debts by the sum of provincial GDP.
Sources: Governments' budget documents.

3 Provincial average as at March 31, 2023 was 29.1%.

1.3 Gross debt

Gross debt corresponds to the amount of debt contracted on financial markets (direct debt) plus the net liability for the pension plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

The gross debt burden will stand at 41.5% of GDP as at March 31, 2024. Due to deficits and significant investments in public infrastructure, an increase in gross debt to GDP is expected by 2026-2027. Gross debt to GDP will then fall to 44.4% as at March 31, 2029.

A decrease in net liability for pension plans and other employee future benefits is also forecast by 2028-2029.

TABLE H.3

Gross debt as at March 31
(millions of dollars)

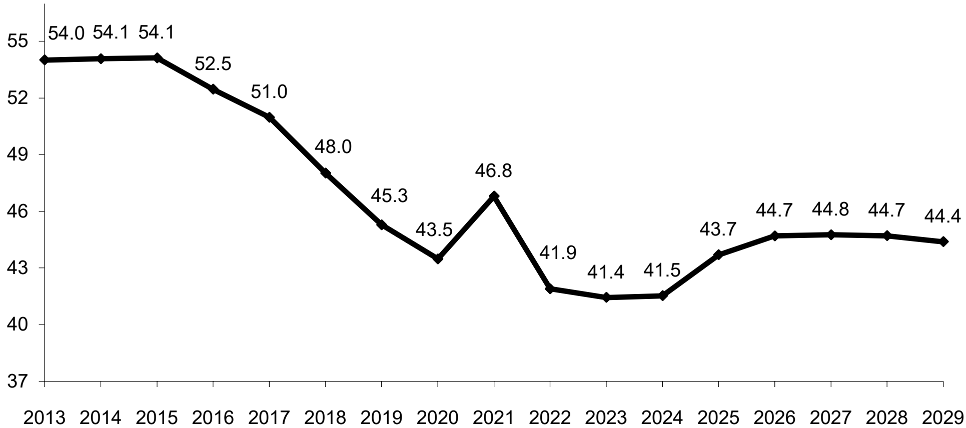
	2023	2024	2025	2026	2027	2028	2029
Direct debt	238 191	250 361	271 284	288 092	301 273	314 110	325 671
Plus: Pension plans and other employee future benefits	6 785	3 635	3 211	2 091	1 741	1 712	1 310
Less: Generations Fund	−18 911	−18 492	−16 714	−16 433	−18 852	−21 406	−24 077
GROSS DEBT	**226 065**	**235 504**	**257 781**	**273 750**	**284 162**	**294 416**	**302 904**
% of GDP	***41.4***	***41.5***	***43.7***	***44.7***	***44.8***	***44.7***	***44.4***

❑ A significant reduction in the gross debt burden since the mid-2010s

The gross debt burden is expected to stand at 44.4% of GDP as at March 31, 2029. This will be much lower than the peak reached in the mid-2010s.

CHART H.3

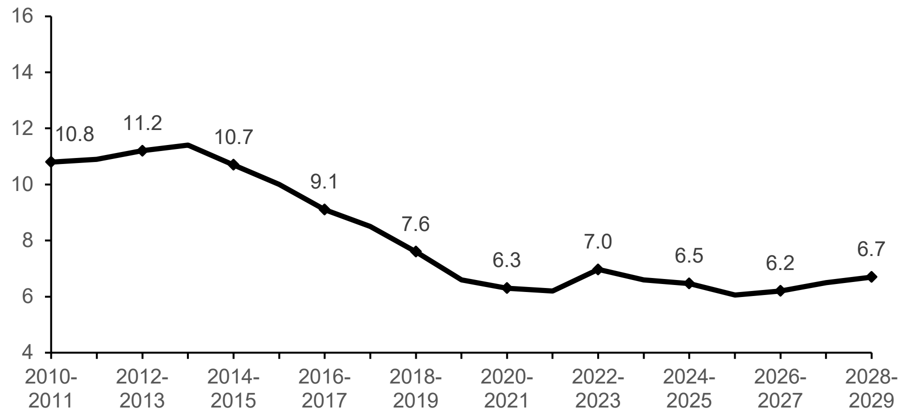
Gross debt as at March 31
(percentage of GDP)



The proportion of revenue dedicated to debt service will remain at historically low levels

Debt service as a proportion of revenue, which will stand at 6.5% in 2024-2025, is expected to increase slightly in future years. Debt service as a proportion of revenue stood at over 10% during the early 2010s.

Debt service
(percentage of revenue)



Sensitivity of debt service to a rise in interest rates

The economic context, the evolution of interest rates and the high level of debt require prudence and sound management of public finances, because a greater-than-anticipated rise in long-term interest rates would have a substantial impact on the financial framework.

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase interest expenditure by $434 million in the first year, by nearly $1.7 billion in the fifth year and by approximately $3 billion in the tenth year.

The impact is increasing, as only a portion of the debt is refinanced each year. The average maturity of the debt was 12 years as at March 31, 2023.

Such a rise in interest rates starting in 2024-2025 would put the proportion of revenue dedicated to debt service at 7.7% in 2028-2029, compared to the currently anticipated ratio of 6.7%.

Impact on interest expenditure of a 1-percentage-point rise in interest rates
(millions of dollars)

	1st year	2nd year	3rd year	4th year	5th year
Impact	434	771	1 080	1 373	1 665

TABLE H.4

Factors responsible for the change in the Québec government's gross debt
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Investments, loans and advances	Net capital investments	Other factors[1]	Deposits in the Generations Fund	Total change	Debt, end of year	*% of GDP*
2022-2023	210 952	6 084	−1 193	6 500	6 804	−3 082	15 113	226 065	*41.4*
2023-2024	226 065	6 302	1 145	8 536	−4 463	−2 081	9 439	235 504	*41.5*
2024-2025	235 504	10 998	4 689	8 208	1 004	−2 622[2]	22 277	257 781	*43.7*
2025-2026	257 781	8 486	2 605	7 196	−99	−2 219	15 969	273 750	*44.7*
2026-2027	273 750	4 209	3 201	5 173	248	−2 419	10 412	284 162	*44.8*
2027-2028	284 162	3 944	2 453	4 891	1 520	−2 554	10 254	294 416	*44.7*
2028-2029	294 416	3 940	2 176	5 013	30	−2 671	8 488	302 904	*44.4*

(1) Other factors notably include the change in other accounts, such as accounts receivable and accounts payable. They also include the impact on debt of measuring derivative financial instruments at their fair value. This valuation results in temporary changes in the debt. For forecasting purposes, it is estimated that this impact will be amortized over the average maturity of the debt as at March 31, 2023, which is 12 years. The increase in debt in 2022-2023 is due in particular to the one-time cost of living amount of $500 per adult, announced in the March 2022 budget. This measure resulted in an expenditure in 2021-2022, but in a cash outflow at the beginning of 2022-2023. The decrease in debt in 2023-2024 is due to expenditures recognized in 2023-2024, but not disbursed in 2023-2024, such as those relating to collective agreement renewal, disbursed in 2024-2025.
(2) Deposits in the Generations Fund in 2024-2025 include an amount of $400 million from the Territorial Information Fund.

Investments, loans and advances

The government makes investments, in the form of investments, loans and advances, in private businesses, through the Economic Development Fund (EDF)[1] as well as in state-owned corporations.

A state-owned corporation may be authorized to keep part of its net earnings.

- For example, every year, Hydro-Québec pays the government a dividend corresponding to 75% of its net earnings. Hydro-Québec uses the portion of net earnings not paid to the government (25%) to finance its requirements.

- For the government, this constitutes an investment that creates a financial requirement and thus an increase in gross debt.

Note that investments, loans and advances may vary from one year to another, particularly because of temporary investments made and redeemed.

1 From 2023-2024 to 2028-2029, the EDF's net acquisitions of investments and loans average close to $900 million annually.

1.4 Debt representing accumulated deficits

Debt representing accumulated deficits consists of accumulated deficits figuring in the government's financial statements. It is the debt that does not correspond to any assets. The federal government uses this concept to present the change in its debt.

As at March 31, 2024, the debt representing Québec's accumulated deficits will stand at $118.8 billion, or 20.9% of GDP.

The burden of the debt representing accumulated deficits is expected to decline as of 2026-2027, to stand at 20.0% of GDP as at March 31, 2029.

TABLE H.5

Factors responsible for the change in debt representing accumulated deficits
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Accounting adjustments(1)	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	*% of GDP*
2022-2023	108 969	6 084	2 908	−3 082	5 910	114 879	*21.1*
2023-2024	114 879	6 302	−341	−2 081	3 880	118 759	*20.9*
2024-2025	118 759	10 998	−341	−2 222	8 435	127 194	*21.6*
2025-2026	127 194	8 486	−341	−2 219	5 926	133 120	*21.7*
2026-2027	133 120	4 209	−341	−2 419	1 449	134 569	*21.2*
2027-2028	134 569	3 944	−341	−2 554	1 049	135 618	*20.6*
2028-2029	135 618	3 940	−341	−2 671	928	136 546	*20.0*

(1) Accounting adjustments notably include the impact on debt of measuring derivative financial instruments at their fair value. This valuation results in temporary changes in the debt. For forecasting purposes, it is estimated that this impact will be amortized over the average maturity of the debt as at March 31, 2023, which is 12 years.

Québec's public sector debt

The public sector debt includes the government's gross debt, the debt of Hydro-Québec, the debt of municipalities as well as the debt of universities other than the Université du Québec and its constituents. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2024, Québec's public sector debt will stand at $321.9 billion, or 56.8% of GDP. These figures must, however, be seen in perspective, for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

Public sector debt as at March 31
(millions of dollars)

	2020	**2021**	**2022**	**2023**	**2024**
Government's gross debt	199 930	211 228	210 952	226 065	235 504
Hydro-Québec	43 839	44 831	46 225	49 438	53 006
Municipalities	29 424	30 020	31 263	30 952	32 017
Universities other than the Université du Québec and its constituents	1 639	1 452	1 379	1 395	1 395
PUBLIC SECTOR DEBT	**274 832**	**287 531**	**289 819**	**307 850**	**321 922**
% of GDP	***59.8***	***63.7***	***57.6***	***56.4***	***56.8***

1.5 The debt reduction objective and the Generations Fund

❑ Debt reduction objectives

Québec has made notable progress in reducing its debt load in recent decades, but it remains high nonetheless.

The *Act to reduce the debt and establish the Generations Fund* was adopted in 2006. By reducing the debt burden, it aims to ensure the long-term financing of the government's main missions as well as a prosperous tomorrow for future generations.

As at March 31, 2024, net debt will stand at 39.0% of GDP. The government intends to reduce the debt to 30% of GDP by 2037-2038.

— The government also aims for the net debt burden to be 33% of GDP by 2032-2033. This is an intermediate target.

At a time when it is difficult to forecast how the economy will change over the long term, the government has provided an interval for these two targets. These two targets were incorporated in the *Act to reduce the debt and establish the Generations Fund* in December 2023.

TABLE H.6

The debt reduction targets

Net debt by 2032-2033 (intermediate target)	33% of GDP (±2.5% of GDP)
Net debt by 2037-2038	30% of GDP (±2.5% of GDP)

The government intends to achieve these targets by restoring a balanced budget, continuing to make payments to the Generations Fund and implementing measures to accelerate economic growth.

It will ensure that these targets can be achieved under the plan to restore fiscal balance, which will be presented in the 2025-2026 budget.

The Ministère des Finances conducts detailed five-year debt forecasts. For information purposes, a projection of the net debt-to-GDP ratio has been made up to 2037-2038.

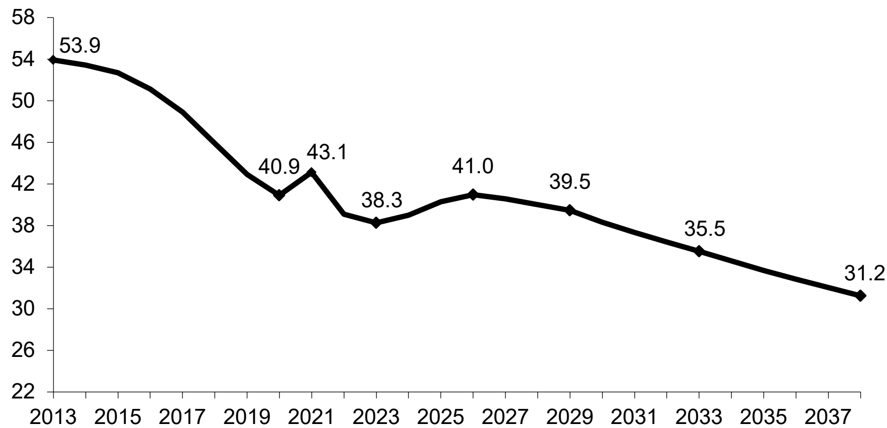
Based on this projection, it is expected that the targets will be met:

- net debt to GDP would stand at 35.5% as at March 31, 2033, the maximum limit;
- net debt to GDP would stand at 31.2% as at March 31, 2038, below the maximum limit of 32.5% of GDP.

Net debt to GDP had peaked in 2012-2013 at 53.9%.

CHART H.4

Net debt projection as at March 31
(percentage of GDP)



❑ Deposits in the Generations Fund

Since 2006, the Generations Fund is an important pillar of the debt reduction strategy.

In accordance with the changes made to the *Act to reduce the debt and establish the Generations Fund* in December 2023, three sources of revenue are now dedicated to the Generations Fund:

— water-power royalties, which are paid by Hydro-Québec and private hydroelectricity producers;[4]

— an additional contribution from Hydro-Québec, set at $650 million per year, taken from the dividend paid by Hydro-Québec to the government;

— income generated by the investment of the sums making up the Generations Fund.

In 2023-2024, revenues dedicated to the Generations Fund will stand at $2.1 billion. They will reach $2.7 billion in 2028-2029 and $4.2 billion in 2037-2038.

As at March 31, 2024, the balance of the Generations Fund will stand at $18.5 billion, which is 8.4% of net debt.

This budget provides for an additional deposit of $400 million to the Generations Fund in 2024-2025, drawn from a portion of the accumulated surplus of the Territorial Information Fund of the Ministère des Ressources naturelles et des Forêts.

This deposit, which reduces the gross debt by an equivalent amount, will be withdrawn in 2024-2025, in order to directly repay maturing borrowings.

Withdrawals from the Generations Fund to repay borrowings will stand at $4.4 billion in 2024-2025 and $2.5 billion in 2025-2026. These withdrawals stood at $2.5 billion in 2023-2024.

Withdrawals serve to reduce the financing program and alleviate debt service in the current context of high interest rates.

With the cost of new borrowings currently higher than the average cost of debt, debt service is coming under upward pressure.

[4] Under the *Watercourses Act* (CQLR, chapter R-13), every holder of hydraulic powers in Québec is required to pay royalties, based in part on the amount of electricity generated.

TABLE H.7

Generations Fund

(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Book value, beginning of year(1)	**18 911**	**18 492**	**16 714**	**16 433**	**18 852**	**21 406**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	730	750	789	884	907	906
Private producers	111	117	120	123	125	128
Subtotal	**841**	**867**	**909**	**1 007**	**1 032**	**1 034**
Additional contribution from Hydro-Québec	650	650	650	650	650	650
Investment income(2)	590	705	660	762	872	987
Total dedicated revenues	**2 081**	**2 222**	**2 219(3)**	**2 419**	**2 554**	**2 671**
Deposit from the Territorial Information Fund	—	400	—	—	—	—
Total deposits	**2 081**	**2 622**	**2 219**	**2 419**	**2 554**	**2 671**
Use of the Generations Fund to repay borrowings	−2 500	−4 400	−2 500	—	—	—
Book value, end of year	**18 492**	**16 714**	**16 433**	**18 852**	**21 406**	**24 077**
% of net debt	***8.4***	***7.0***	***6.5***	***7.3***	***8.1***	***8.9***
% of GDP	***3.3***	***2.8***	***2.7***	***3.0***	***3.3***	***3.5***

(1) For information purposes, as at December 31, 2023, the fair value of the Generations Fund was $19.9 billion, $2.1 billion more than its book value. Like the book value, the fair value includes accounts receivable ($0.5 billion as at December 31, 2023).
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.5% is expected, corresponding to the historical average.
(3) The slight drop in revenues dedicated to the Generations Fund in 2025-2026 is explained by the expected withdrawals in 2024-2025, which will result in lower investment income in 2025-2026.

Returns of the Generations Fund

The sums dedicated annually to the Generations Fund are deposited with the Caisse de dépôt et placement du Québec.

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 15 years out of 17.

– From 2007 to 2023, the average return was 5.6%, while the average cost of new borrowings was 3.2%, which represents a difference of 2.4 percentage points.

These returns contribute to reducing the debt burden.

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs
(per cent, on a calendar year basis)

	Rate of return of the Generations Fund	Cost of new borrowings(1)	*Difference (percentage points)*
2007	5.6	4.7	*0.9*
2008	−22.4	4.5	*−26.9*
2009	11.3	4.4	*6.9*
2010	12.3	4.1	*8.2*
2011	4.0	3.7	*0.3*
2012	8.4	3.0	*5.4*
2013	12.0	3.3	*8.7*
2014	11.7	3.2	*8.5*
2015	8.1	2.4	*5.7*
2016	7.3	2.2	*5.1*
2017	8.5	2.5	*6.0*
2018	4.4	2.9	*1.5*
2019	9.5	2.3	*7.2*
2020	7.0	1.5	*5.5*
2021	11.4	1.9	*9.5*
2022	−7.9	3.5	*−11.4*
2023	9.3	4.1	*5.2*

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

2. FINANCING

2.1 Financing program

The financing program consists of long-term borrowings contracted during the fiscal year. The program is used to, among other things, repay maturing borrowings and meet net financial requirements. The latter include the budgetary deficit as well as the government's capital investments.

For 2023-2024, the program stands at $21.5 billion, which is $8.1 billion less than projected in the March 2023 budget.

The decrease is mainly due to a reduction in net financial requirements, use of pre-financing and an increase in the outstanding amount of Québec Treasury bills.

As at February 23, 2024, borrowings contracted in 2023-2024 amount to $21.4 billion, or 100% of the scheduled program.

TABLE H.8

Government's financing program in 2023-2024
(millions of dollars)

	March 2023	Adjustments	March 2024
Net financial requirements(1)	18 647	−3 880	14 767
Repayments of borrowings	13 396	267	13 663
Use of the Generations Fund to repay borrowings	−2 500	—	−2 500
Withdrawal from the Accumulated Sick Leave Fund	—	−160	−160
Use of pre-financing	—	−2 233	−2 233
Change in cash position	—	295	295
Transactions under the credit policy(2)	—	−372	−372
Pre-financing	—	—	—
Increase in the outstanding amount of Québec Treasury bills	—	−2 000	−2 000
TOTAL	**29 543**	**−8 083**	**21 460**

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.
(1) The downward revision of net financial requirements is mainly due to the postponement to 2024-2025 of the disbursement related to expenses recorded in 2023-2024 arising from the renewal of the collective agreements.
(2) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives sums that fluctuate with the market value of the contracts. The amounts exchanged do not affect the debt.

The financing program will stand at $36.5 billion in 2024-2025.

For the four subsequent years, from 2025-2026 to 2028-2029, it will average $28.4 billion per year.

TABLE H.9

Government's financing program from 2024-2025 to 2028-2029
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Net financial requirements(1)	28 472	22 591	17 540	17 409	16 208
Repayments of borrowings	16 904	17 155	14 025	13 086	14 254
Use of pre-financing	—	—	—	—	—
Use of the Generations Fund to repay borrowings	−4 400	−2 500	—	—	—
Retirement Plans Sinking Fund withdrawal	−2 500	−2 500	−3 500	−4 000	−4 000
Increase in the outstanding amount of Québec Treasury bills	−2 000	−2 000	—	—	—
TOTAL	**36 476**	**32 746**	**28 065**	**26 495**	**26 462**

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.
(1) The high level of net financial requirements in 2024-2025 is mainly due to the cash outflow in 2024-2025 of expenses related to the renewal of collective agreements recorded in 2023-2024, as well as to the budgetary deficit and higher net capital investments than in subsequent years.

2.2 Borrowings contracted in 2023-2024

The government aims to achieve stable financing at the lowest possible cost. To that end, it applies a strategy of diversifying sources of funding by market, financial instrument and maturity.

Thus far in 2023-2024, the government has contracted 34% of its borrowings on foreign markets, compared to an average of 27% over the last 10 years. However, the government keeps no exposure of its debt to foreign currencies in order to neutralize the effects of their fluctuations on debt service.

In 2023-2024, conventional bonds in Canadian dollars are the main debt instrument used.

The average cost of transactions in 2023-2024 was 3.99% with an average maturity of borrowings of 14 years, while the cost of the entire debt was 3.73% with an average remaining maturity of 12 years as at March 31, 2023.

TABLE H.10

Summary of long-term borrowings contracted in 2023-2024

Currencies	$million	%
CANADIAN DOLLAR		
Conventional bonds	12 034	56.3
Savings products issued by Épargne Placements Québec	1 256	5.9
Green bonds	591	2.8
Immigrant investors(1)	190	0.9
Subtotal	**14 071**	**65.9**
OTHER CURRENCIES		
U.S. dollar	6 702	31.4
Swiss franc	586	2.7
Subtotal	**7 288**	**34.1**
TOTAL	**21 359**	**100.0**

Note: Borrowings contracted as at February 23, 2024.
(1) These borrowings are from sums advanced by immigrant investors. These sums are lent to the government through Investissement Québec.

Green Bond program

In 2017, the government introduced a Green Bond program to fund projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

The program draws on the Green Bond Principles, a set of guidelines created to bring more transparency to the issuance, disclosure and reporting process.

The Québec Green Bond program's framework, which was updated in July 2022, received the highest rating possible from Shades of Green (formerly part of CICERO).

Nine issues totalling $5.7 billion have been made since the program was launched, including an issue of $600 million made in June 2023. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec has pledged to be a regular issuer of Green Bonds.

For more information, visit
https://www.finances.gouv.qc.ca/department/financing/green_bonds.

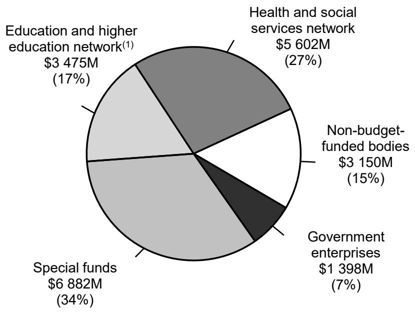
Funding of public bodies

The main mission of the Financing Fund and Financement-Québec is to offer Québec's public sector bodies financing at the lowest possible cost.

The clientele of the Financing Fund consists of public bodies included in the government reporting entity, whereas the clientele of Financement-Québec consists of public bodies not included in the government reporting entity.

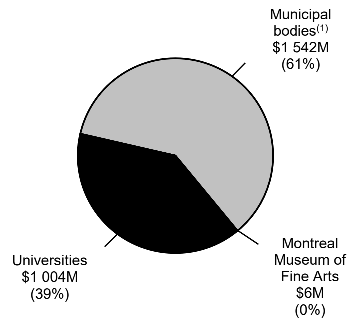
In fiscal year 2023-2024, the Financing Fund and Financement-Québec loan programs stand at $20.5 billion and nearly $2.6 billion, respectively. These amounts are included in the government's net financial requirements.

Financing Fund's loan program in 2023-2024



(1) This category includes school service centres, school boards, CEGEPs and the Université du Québec and its constituents.

Financement-Québec's loan program in 2023-2024



(1) This category includes municipal transit authorities, the Réseau de transport métropolitain and the Autorité régionale de transport métropolitain.

As a result of the change in the application of the accounting standard respecting transfer payments, the government has modified the terms and conditions for the payment of grants related to infrastructure projects. Grants related to investments are now paid in cash rather than as repayment of debt service on long-term loans contracted with the Financing Fund or Financement-Québec.

This change in payment terms was implemented gradually. The Ministère de la Santé et des Services sociaux notably started making cash payments in 2022-2023, followed, in 2023-2024, by the Ministère de l'Éducation. As such, no new long-term loans are made in connection with these grants. Conversely, temporary financing for all subsidized infrastructure projects is now provided by the Financing Fund or Financement-Québec.

The government continues to finance its infrastructure through long-term borrowing on the financial markets regardless of whether it chooses to finance the grant recipient entity on a long-term basis or to pay cash for its grants.

2.3 Debt management strategy

The government's debt management strategy aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

❑ Structure of debt by currency

As at March 31, 2024, before taking swaps into account, 77% of the debt is expected to be in Canadian dollars, 10% in U.S. dollars, 10% in euros, 1% in pounds sterling, 1% in Swiss francs, 1% in Australian dollars and less than 1% in other foreign currencies (yen, New Zealand dollars and Swedish krona).

After taking swaps into account, the entire debt is denominated in Canadian dollars.

The government maintains no exposure of its debt issued on financial markets to foreign currencies. As part of the management of its sinking fund investments, the government invests in financial instruments denominated in foreign currencies. As a result, the government may be exposed to fluctuations in foreign exchange on a portion of its assets.

TABLE H.11

Structure of debt by currency as at March 31, 2024
(per cent)

	Before swaps	After swaps
Canadian dollar	77	100
U.S. dollar	10	0
Euro	10	0
Pound sterling	1	0
Swiss franc	1	0
Australian dollar	1	0
Other (yen, New Zealand dollar and Swedish krona)	0(1)	0
TOTAL	**100**	**100**

Note: This is the debt issued on financial markets by the government and Financement-Québec.
(1) The proportion of debt attributable to other currencies before swaps is less than 1%.

❑ Structure of debt by type of interest rate

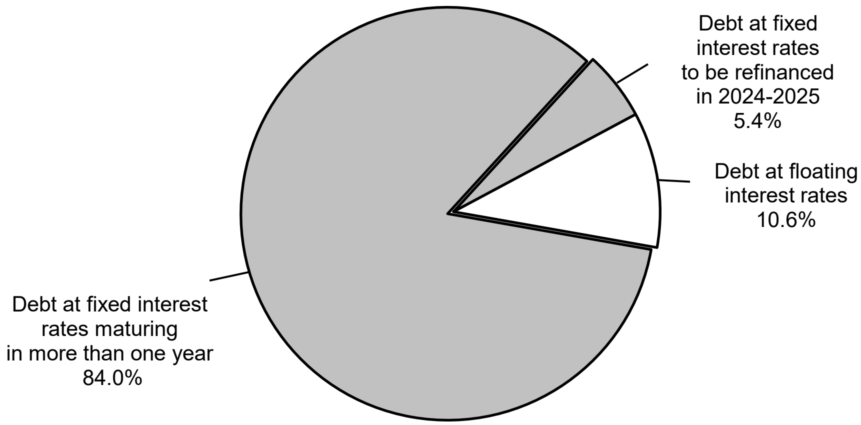
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2024, after taking swaps into account, the proportion of debt at fixed interest rates[5] is expected to be 89.4%, and the proportion at floating interest rates is expected to be 10.6%.

Moreover, as at March 31, 2024, the share of debt subject to an interest rate change in 2024-2025 is expected to stand at 16.0%. This share includes debt at floating interest rates (10.6%) as well as debt at fixed rates to be refinanced in 2024-2025 (5.4%).

CHART H.5

Structure of debt by type of interest rate as at March 31, 2024



Note: This is the debt issued on financial markets by the government and Financement-Québec.

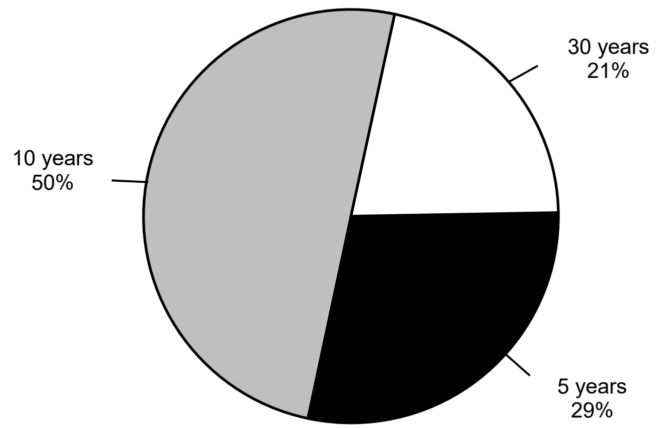
[5] This proportion includes debt at fixed interest rates maturing in more than one year (84.0%) as well as debt at fixed interest rates to be refinanced in 2024-2025 (5.4%).

❑ Debt maturity

Maturities of new borrowings are distributed over time so as to stabilize the refinancing profile and ensure the government's regular presence on capital markets. To date, approximately 71% of the borrowings contracted in 2023-2024 had a maturity of 10 years or more. The average share of issues for this term over the last 10 years represents 77%. The average maturity of borrowings is 14 years in 2023-2024.

CHART H.6

Maturity of transactions carried out in 2023-2024

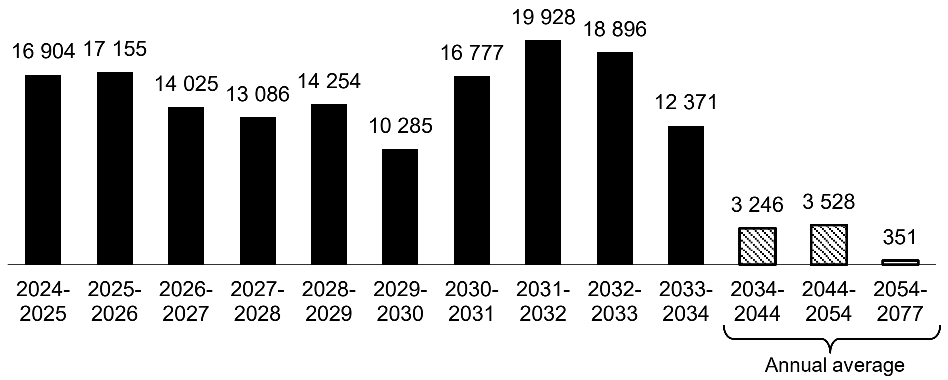


Note: Borrowings contracted as at February 23, 2024.

The diversification of borrowings by term is reflected on the debt maturity profile as shown in the following chart. As at March 31, 2024, the average maturity of the debt is expected to be 11 years.

CHART H.7

Maturity of long-term debt as at March 31, 2024
(millions of dollars)



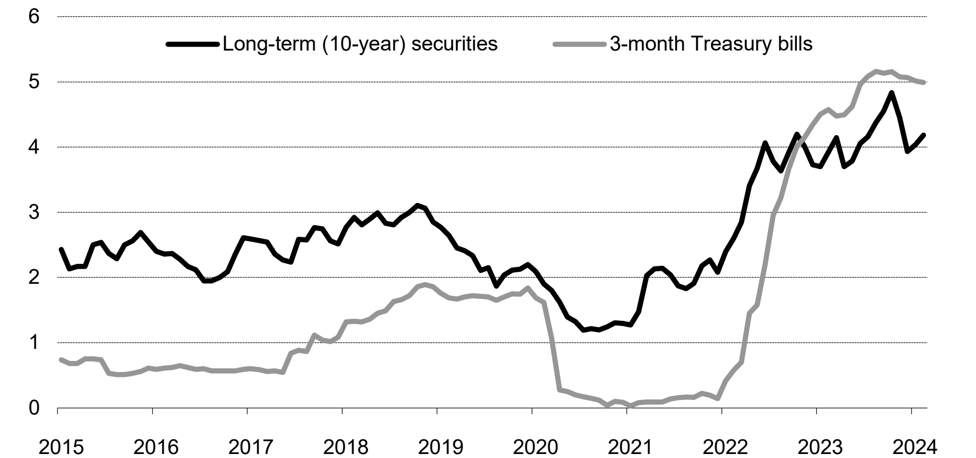
Note: This is the long-term debt of the Québec government and Financement-Québec, minus the balance of the Sinking Fund for Government Borrowing.

2.4 Yield on Québec's debt securities

The recent rise in interest rates brings the yield of 3-month Québec Treasury bills to 5.0%, which is 0.2% less than its highest level since January 2001. Following a low of 1.2% in July 2020, the yield on 10-year Québec government securities stands at 4.2% after peaking at 4.8% in October 2023. An increase in the yield of Québec securities translates into an increase in Québec's debt cost since these securities are used to fulfill the financing program.

CHART H.8

Yield on the Québec government's securities
(per cent)

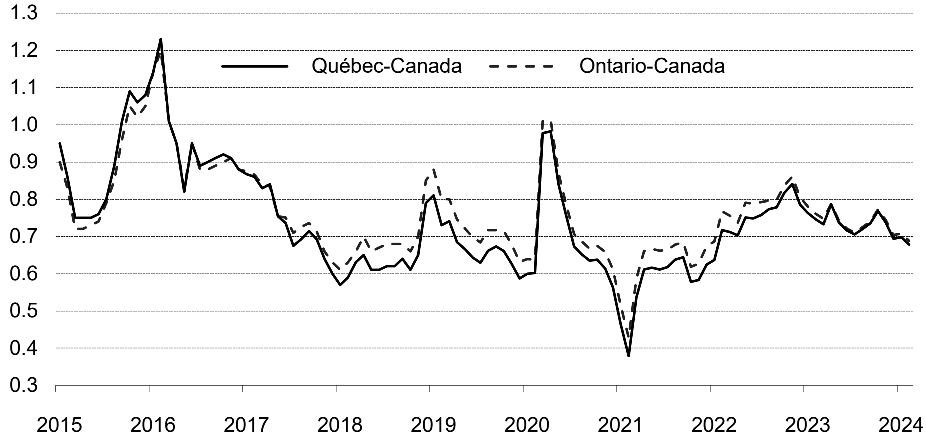


Sources: PC-Bond and Ministère des Finances du Québec.

Yields on 10-year securities in Québec and Ontario are currently very similar. At present, the spread is slightly in Québec's favour, at around 1 basis point.

CHART H.9

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

3. INFORMATION ON PENSION PLANS AND FUNDS DEPOSITED BY THE MINISTÈRE DES FINANCES WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

3.1 Net liability for pension plans

The Québec government covers its share of the funding of its employees' pension plans, which are defined-benefit plans.

In its financial statements, it discloses the pension obligation, which corresponds to the present value of the retirement benefits that it will pay to its employees. This obligation is re-evaluated annually using a method that gradually factors in differences observed relative to forecasts.[6] The result is the liability for pension plans.

Sums are accumulated in the Retirement Plans Sinking Fund (RPSF) and other funds to pay retirement benefits. The value of these assets is subtracted from the liability to measure the government's net commitment, called the net pension plans liability. This amount is included in the government's debt.

As at March 31, 2023, net liability for pension plans and other employee future benefits stood at $6.8 billion, down $2.7 billion from data as at March 31, 2022.

TABLE H.12

Net liability for pension plans and other employee future benefits as at March 31, 2023
(millions of dollars)

Liabilities	
Pension plans liability(1)	120 845
Other employee future benefits liability	1 344
Liability for pension plans and other employee future benefits	**122 189**
Assets	
Retirement Plans Sinking Fund (RPSF) and other funds(2)	−113 903
Funds dedicated to other employee future benefits	−1 501
Asset for pension plans and other employee future benefits	**−115 404**
NET LIABILITY FOR PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	**6 785**

(1) Mainly the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP).
(2) The value of the RPSF stands at $107.1 billion. The other funds consist mainly of that of the Pension Plan of the Université du Québec. For the RPSF, this is the book value. For information purposes, as at December 31, 2023, the market value of the RPSF was $115.0 billion.

6 The value of obligations relating to accrued retirement plan benefits undergoes actuarial valuations every three years. The value is extrapolated between two valuations.

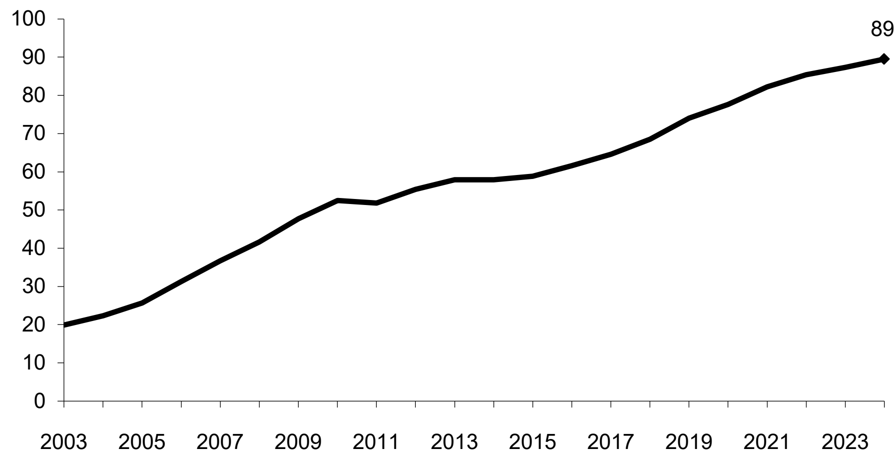
The Retirement Plans Sinking Fund in proportion to actuarial obligations

The Retirement Plans Sinking Fund (RPSF) was created by the Québec government in 1993. It is an asset that was established for the payment of retirement benefits of public and parapublic sector employees. In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective of ensuring that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in respect of the pension plans of public and parapublic sector employees.

- The objective was reached as at March 31, 2018, that is, two years sooner than anticipated.
- As at March 31, 2023, the RPSF was equal to 89% of the actuarial obligations in respect of pension plans.

In order to provide for the payment of pension benefits to government employees, withdrawals from the RPSF will begin as of 2024-2025. Annual withdrawals of $2.5 billion will take place in 2024-2025 and 2025-2026. These withdrawals, which will help reduce the funding program, will then gradually increase to reach $4.0 billion in 2028-2029.

Book value of the RPSF in proportion to the government's actuarial obligations in respect of the pension plans of public and parapublic sector employees as at March 31
(per cent)



3.2 Returns on funds deposited with the Caisse de dépôt et placement du Québec

The main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (RPSF, Generations Fund and Accumulated Sick Leave Fund) are managed in accordance with investment policies established by the Ministère des Finances in cooperation with representatives of the Caisse.

These investment policies are established based on several factors, including 10-year return forecasts, standard deviations and correlations for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2023, the return on funds deposited by the Ministère des Finances with the Caisse was 7.2% for the RPSF, 9.3% for the Generations Fund and 7.2% for the Accumulated Sick Leave Fund (ASLF).

— Good returns on investments in equity markets and high current income from fixed-income securities are the main contributors to the results achieved by the Caisse at the end of 2023.

— The superior return for the Generations Fund can also be explained by differences in investment policies. The Generations Fund, by its very nature, holds more liquid investments such as stocks and bonds.

The investment policies of these three funds are presented on the next page.

TABLE H.13

2023 return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

	Rate of return in 2023 (%)	Market value, as at December 31, 2023 ($billion)
Retirement Plans Sinking Fund (RPSF)	7.2	115.0
Generations Fund	9.3	19.4
Accumulated Sick Leave Fund (ASLF)	7.2	1.1

❑ Comparison of investment policies

TABLE H.14

Investment policies as at January 1, 2024
(per cent)

Specialized portfolio	RPSF and ASLF	Generations Fund	Average benchmark portfolio of depositors as a whole[1]
Short-term investments	1.00	1.00	1.2
Rates[2]	9.50	10.00	10.2
Credit[3]	23.50	30.00	20.3
Total – Fixed income	**34.00**	**41.00**	**31.7**
Infrastructure	12.75	9.00	11.0
Real estate	10.75	7.00	11.9
Total – Real assets	**23.50**	**16.00**	**22.9**
Equity markets	26.50	34.00	30.0
Private equity	16.00	9.00	16.2
Total – Equities	**42.50**	**43.00**	**46.2**
Leverage product	**—**	**—**	**−0.8**
TOTAL	**100.00**	**100.00**	**100.0**

RPSF: Retirement Plans Sinking Fund.
ASLF: Accumulated Sick Leave Fund.
(1) Data as at December 31, 2022, drawn from the *2022 Annual Report* of the Caisse de dépôt et placement du Québec.
(2) This portfolio consists of government bonds.
(3) Broader range of instruments with fixed income securities characteristics.

4. CREDIT RATINGS

4.1 Québec's credit ratings

A credit rating helps measure the ability of a borrower, such as the Québec government, to pay interest on its debt and repay the principal at maturity.

A high credit rating means access to a broader pool of investors and advantageous borrowing costs.

Québec's credit rating is evaluated by six credit rating agencies.

In 2023, all agencies have confirmed Québec's credit rating with a stable outlook.

TABLE H.15

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
China Chengxin International (CCXI)	AAA	Stable

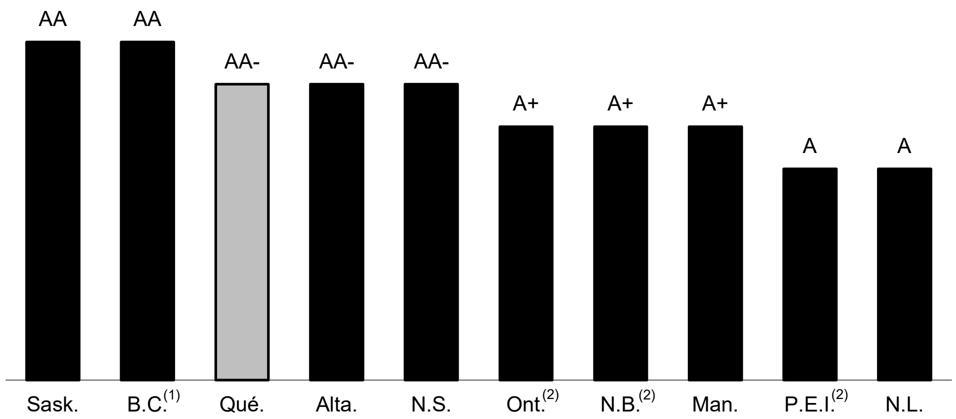
Note: Québec's credit ratings as at February 23, 2024.

4.2 Comparison of the credit ratings of Canadian provinces

The following charts show the credit ratings of Canadian provinces assigned by Standard & Poor's, Moody's, Morningstar DBRS and Fitch Ratings.

CHART H.10

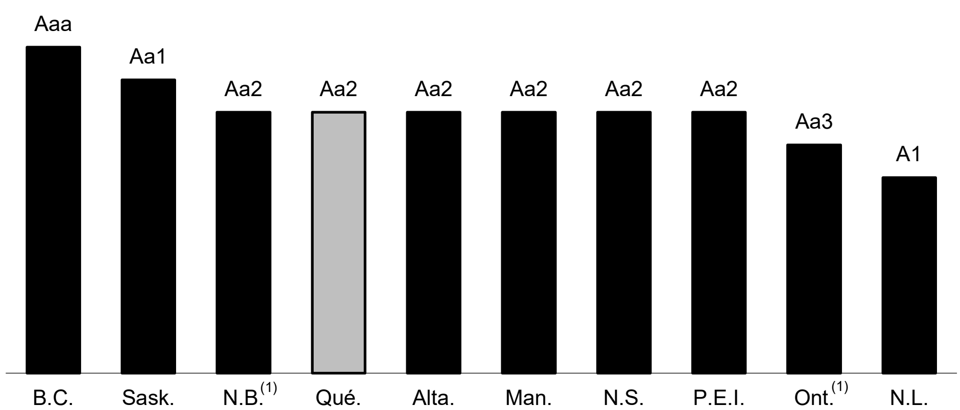
Credit rating of Canadian provinces – Standard & Poor's



Note: Credit ratings as at February 23, 2024.
(1) This province has a negative outlook.
(2) These provinces have a positive outlook.

CHART H.11

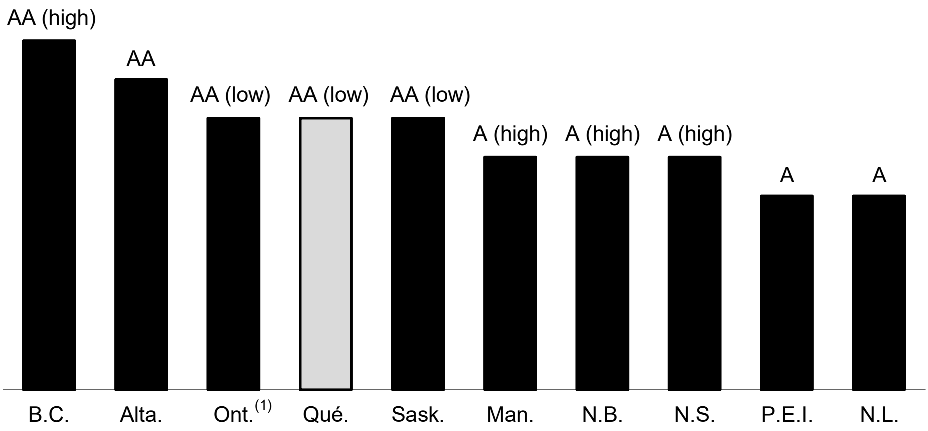
Credit rating of Canadian provinces – Moody's



Note: Credit ratings as at February 23, 2024.
(1) These provinces have a positive outlook.

CHART H.12

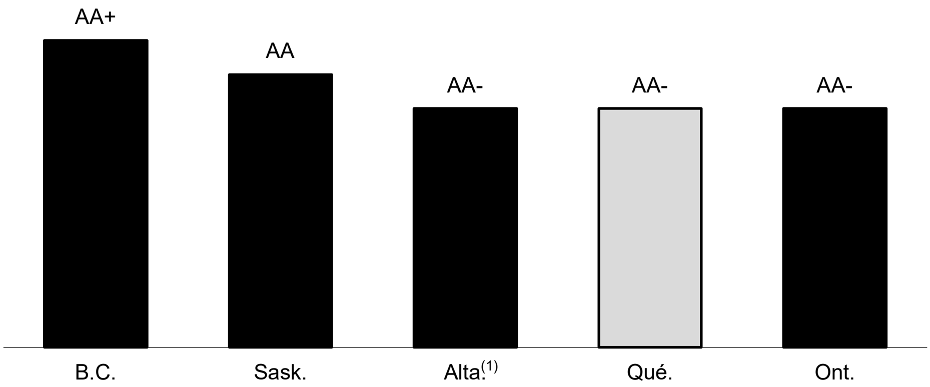
Credit rating of Canadian provinces – Morningstar DBRS



Note: Credit ratings as at February 23, 2024.
(1) This province has a positive outlook.

CHART H.13

Credit rating of Canadian provinces – Fitch Ratings



Note: Five provinces receive a credit rating from Fitch Ratings. Credit ratings as at February 23, 2024.
(1) This province has a positive outlook.

APPENDIX: REPORT ON THE APPLICATION OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*

❑ Debt reduction objective

The *Act to reduce the debt and establish the Generations Fund*, amended on December 7, 2023, stipulates that, for fiscal years 2032-2033 and 2037-2038, the net debt presented in the government's financial statements may not exceed 35.5% and 32.5% of GDP, respectively.[7]

— These ratios correspond to the upper limit of the respective targets of 33% and 30% of GDP that were announced by the government in the budget speech for fiscal 2023-2024.

TABLE H.16

Debt reduction targets

Net debt by 2032-2033 (intermediate target)	33% of GDP (±2.5% of GDP)
Net debt by 2037-2038	30% of GDP (±2.5% of GDP)

As at March 31, 2024, Québec's net debt will stand at $221.1 billion, or 39.0% of GDP.

Net debt to GDP is expected to stand at 39.5% as at March 31, 2029.

❑ Deposits in the Generations Fund and use of the latter to repay maturing borrowings

In accordance with the changes made to the Act in December 2023, three sources of revenue are now dedicated to the Generations Fund:

— water-power royalties, which are paid by Hydro-Québec and private hydroelectricity producers;

— an additional contribution from Hydro-Québec, set at $650 million per year, taken from the dividend paid by Hydro-Québec to the government;

— income generated by the investment of the sums making up the Generations Fund.

7 Changes have been made to the *Act to reduce the debt and establish the Generations Fund* under *An Act respecting the implementation of certain provisions of the Budget Speech of 21 March 2023 and amending other provisions* (S.Q. 2023, c. 30), which was assented to on December 7, 2023.

In 2023-2024 and 2024-2025, revenues dedicated to the Generations Fund will amount to $2.1 billion and $2.2 billion, respectively.

In accordance with the Act, the Generations Fund is allocated exclusively to debt repayment.

- **Additional deposit of $400 million in 2024-2025 from the Territorial Information Fund**

This budget provides for an additional deposit of $400 million to the Generations Fund in 2024-2025, drawn from a portion of the accumulated surplus of the Territorial Information Fund of the Ministère des Ressources naturelles et des Forêts.

Legislative amendments to this effect will be proposed to enable the government to make this deposit in the Generations Fund.

This deposit, which reduces the gross debt by an equivalent amount, will be withdrawn in 2024-2025, in order to directly repay maturing borrowings.

Withdrawals from the Generations Fund to repay borrowings will amount to $4.4 billion in 2024-2025 and $2.5 billion in 2025-2026. These withdrawals amounted to $2.5 billion in 2023-2024.

These withdrawals serve to reduce the financing program and alleviate debt service in the current context of high interest rates. With the cost of new borrowings currently higher than the average cost of debt, debt service is coming under upward pressure.

As at March 31, 2025, the balance of the Generations Fund will stand at $16.7 billion, which corresponds to 7.0% of net debt.

TABLE H.17

Generations Fund
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Book value, beginning of year(1)	**18 911**	**18 492**	**16 714**	**16 433**	**18 852**	**21 406**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	730	750	789	884	907	906
Private producers	111	117	120	123	125	128
Subtotal	**841**	**867**	**909**	**1 007**	**1 032**	**1 034**
Additional contribution from Hydro-Québec	650	650	650	650	650	650
Investment income(2)	590	705	660	762	872	987
Total dedicated revenues	**2 081**	**2 222**	**2 219(3)**	**2 419**	**2 554**	**2 671**
Deposit from the Territorial Information Fund	—	400	—	—	—	—
Total deposits	**2 081**	**2 622**	**2 219**	**2 419**	**2 554**	**2 671**
Use of the Generations Fund to repay borrowings	−2 500	−4 400	−2 500	—	—	—
Book value, end of year	**18 492**	**16 714**	**16 433**	**18 852**	**21 406**	**24 077**
% of net debt	***8.4***	***7.0***	***6.5***	***7.3***	***8.1***	***8.9***
% of GDP	***3.3***	***2.8***	***2.7***	***3.0***	***3.3***	***3.5***

(1) For information purposes, as at December 31, 2023, the fair value of the Generations Fund was $19.9 billion, $2.1 billion more than its book value. Like the book value, the fair value includes accounts receivable ($0.5 billion as at December 31, 2023).
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.5% is expected, corresponding to the historical average.
(3) The slight drop in revenues dedicated to the Generations Fund in 2025-2026 is explained by the expected withdrawals in 2024-2025, which will result in lower investment income in 2025-2026.

Section I

ALTERNATIVE FORECAST SCENARIOS

SUMMARY

In Québec, like elsewhere in the world, economic activity is taking place in an uncertain environment, and multiple events could have an upward or downward effect on the economic outlook in the coming months. For example, a worsening of geopolitical tensions or a shift in inflation would impact global economic growth and, in turn, Québec's economic outlook.

As a result, and to be transparent, the Ministère des Finances is presenting, in its Budget 2024-2025, two alternative economic forecast scenarios to estimate the impacts of a decline in real GDP or stronger-than-forecast economic growth on the financial framework and the Québec government's debt, namely:

- a scenario forecasting a recession, in which economic activity is expected to decline by 0.5% in 2024, then increase slightly by 1.3% in 2025. Significant rebounds are nevertheless expected in 2026 (2.7%) and 2027 (2.0%);
  - In comparison to the baseline scenario, the negative gaps in terms of real GDP reach 1.1 percentage points in 2024 and 0.3 percentage points in 2025. However, growth in economic activity is stronger in 2026 and 2027.
- a scenario forecasting stronger growth, in which the rise in economic activity in 2024 and 2025 is stronger than forecast under the baseline scenario (1.8% for both years). Slightly weaker real GDP growth is nevertheless anticipated for 2026 (0.7%) and 2027 (1.3%).
  - The positive gaps in comparison to the baseline scenario amount to 1.2 percentage points in 2024 and 0.2 percentage points in 2025. However, a more modest increase in economic activity is expected in 2026 and 2027.

TABLE I.1

Real GDP – Québec
(percentage change, shock in percentage points)

	Baseline scenario	Recession scenario		Stronger growth scenario	
	Change	Shock	Change	Shock	Change
2024	0.6	−1.1	−0.5	+1.2	1.8
2025	1.6	−0.3	1.3	+0.2	1.8
2026	1.7	+1.0	2.7	−1.0	0.7
2027	1.7	+0.3	2.0	−0.4	1.3
2028	1.7	—	1.7	—	1.7

Note: The positive and negative shocks under the alternative scenarios in comparison to the baseline scenario are symmetrical. The estimated shock may differ from what is presented.

❑ Impact of alternative scenarios on the budgetary balances and net debt

If one of the two alternative scenarios were to occur, an additional downward or upward effect on the budgetary balance amounting to approximately $3.1 billion over five years would be expected.

If the economic situation were to deteriorate, the projected deficits would be higher in the short term, returning to a level similar to that expected under the baseline scenario as of 2027-2028.

Conversely, if the economic situation were to improve, the projected deficits would be lower in the short term, and the budgetary balance would be similar to that forecast under the baseline scenario as of 2027-2028.

The financial framework presented in Budget 2024-2025 includes a contingency reserve of $7.5 billion over five years.

Use of this reserve could help offset the pressure on the financial framework caused by a temporary decline in economic activity.

Lastly, as at March 31, 2029, the net debt-to-GDP ratio would be 0.4 percentage points higher or 0.5 percentage points lower than to the baseline scenario in Budget 2024-2025.

— The baseline scenario forecasts a ratio of 39.5%, whereas the ratio would be 39.9% under the recession scenario or 39.0% under the stronger growth scenario.

1. AN ECONOMIC FORECAST IN AN UNCERTAIN ENVIRONMENT: TWO ALTERNATIVE SCENARIOS

Two years after the start of the Bank of Canada's monetary policy tightening, the effects of tighter financial conditions are becoming more pronounced and continue to curb economic growth. In Québec, the economy is stagnating.

— After two years of strong growth following the pandemic, real GDP rose by just 0.2% in 2023.

— Weak growth will continue in 2024, with economic activity expected to increase by 0.6%. In 2025, real GDP growth is expected to accelerate and reach 1.6%.

This is in line with the average private sector forecasts (0.4% in 2024 and 1.5% in 2025).

Although the economic forecast is balanced and prudent, it is not shielded from events that could impact the economic outlook, both on the downside and the upside.

❑ Economic activity in Québec is evolving in an uncertain environment

The baseline economic forecast scenario helps the Québec government establish the budgetary framework.

— Many assumptions are tied to it. They reflect as closely as possible the economy's current situation and expected changes. Although the assumptions were reasonable and prudent when the forecast was prepared, there is significant uncertainty in the current economic environment.

  — In particular, the Budget 2024-2025 forecasts reflect a global economic slowdown over which the Québec government has little influence.

— Certain risks[1] can influence the economic forecast scenario. If these risks were to materialize, real GDP growth could either exceed or fall short of the baseline scenario forecast.

[1] The main risks that may influence the economic forecast scenario are presented in subsection 5 of Section F of Budget 2024-2025, "The Québec Economy: Recent Developments and Outlook for 2024 and 2025."

1.1 Two alternative economic forecast scenarios

In light of persistent economic uncertainty, the Ministère des Finances has developed two alternative growth scenarios that could characterize the economy in the coming years, namely:

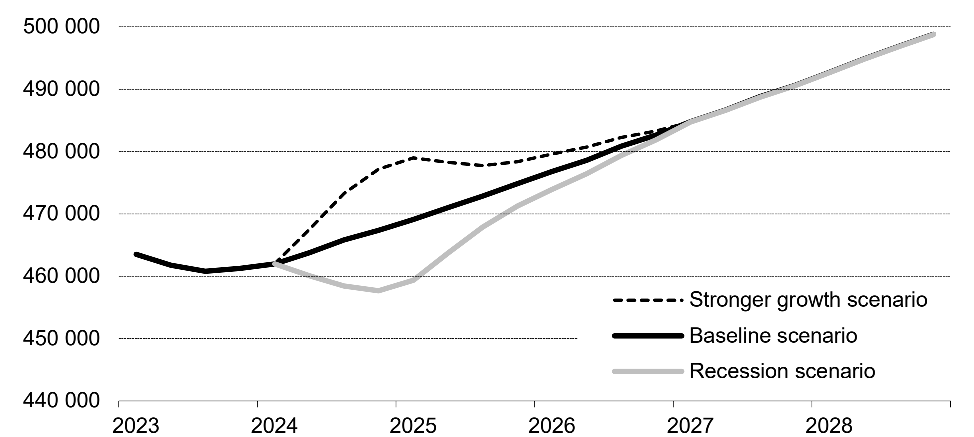
— a scenario forecasting a recession;

— a scenario forecasting stronger growth.

Under these scenarios, the impacts of a recession or stronger-than-expected economic growth on the financial framework and the Québec government's debt are assessed.

CHART I.1

Change in real gross domestic product according to the scenarios in Québec
(millions of chained 2017 dollars)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Recession scenario

The recession scenario reflects a more pronounced economic slowdown in 2024 and 2025 than forecast under the baseline scenario. This scenario would reflect the occurrence of certain risks. For example:

— households and businesses could exercise greater caution. This situation would have a significant adverse impact on residential and non-residential investment and dampen household consumption;

— persistent inflation could prompt central banks to tighten monetary policy further or maintain tight monetary policy longer than anticipated, which would have effects on funding rates;

— a worsening of geopolitical tensions could drive up commodity prices on international markets, increasing the cost of raw materials and energy in particular.

Under this scenario, Québec would experience a recession in 2024. Economic activity would fall by 0.5% in 2024, which represents a negative gap of 1.1 percentage points in comparison to the baseline scenario. A slower recovery than that expected under the baseline scenario would also be seen in 2025 (1.3% compared to 1.6% under the baseline scenario).

— This shock would be followed by a sharper rebound in 2026 and 2027, such that real GDP would return to a level equivalent to the baseline scenario by early 2027.

❑ Stronger growth scenario

The stronger growth scenario reflects a more robust increase in economic activity than forecast under the baseline scenario. Various factors could contribute individually or simultaneously to an improvement in the outlook. For example:

— if inflation moderates faster than forecast under the baseline scenario, central banks could ease monetary policy sooner and more rapidly;

— higher-than-expected economic growth would encourage companies to hire more. A more favourable labour market could result in a sharper rise in consumer spending;

— stronger population growth than that expected under the baseline scenario would boost household consumption expenditure;

— households could also use up a greater portion of the savings they accumulated in recent years. In such a situation, their spending would rise more sharply than forecast under the baseline scenario;

— in addition, the impact of a number of global factors could see real GDP strengthen more than anticipated. In particular, the U.S. economy was resilient in 2023. A stronger-than-expected increase in U.S. real GDP could bolster Québec's exports and economic activity.

Under this scenario, economic activity would grow by 1.8% in 2024 and 2025, which represents positive gaps of 1.2 percentage points and 0.2 percentage points, respectively, in comparison to the baseline scenario.

— This strong pace of growth would ease in 2026 and 2027, bringing real GDP back to a level equivalent to the baseline scenario by early 2027.

TABLE I.2

Real GDP – Québec
(percentage change, shock in percentage points)

	Baseline scenario	Recession scenario		Stronger growth scenario	
	Change	**Shock**	**Change**	**Shock**	**Change**
2024	0.6	−1.1	−0.5	+1.2	1.8
2025	1.6	−0.3	1.3	+0.2	1.8
2026	1.7	+1.0	2.7	−1.0	0.7
2027	1.7	+0.3	2.0	−0.4	1.3
2028	1.7	—	1.7	—	1.7

Note: The positive and negative shocks under the alternative scenarios in comparison to the baseline scenario are symmetrical. The estimated shock may differ from what is presented.

1.2 Alternative scenarios and changes in the main economic indicators

The assumptions regarding the economic outlook affect all the components of the forecast, including real GDP, nominal GDP and employment.

❑ A potential recession would negatively impact the main economic indicators

The recession scenario forecasts a 0.5% decline in real GDP in 2024, followed by a 1.3% decrease in 2025. Under this scenario, households and businesses would exercise greater caution and limit their consumption and investment expenditures, which would lead to a decline in employment and an increase in the unemployment rate.

In particular, in 2024:

— nominal GDP growth would fall from 4.0% under the baseline scenario to 2.8%, a negative gap of 1.2 percentage points;

— a more moderate rise in employment (+0.4%) would be expected compared to job creation of 1.0% under the baseline scenario;

— the unemployment rate would average 5.5%, exceeding the baseline scenario (5.2%);

— the weaker job creation expected under this scenario compared to the expected gains under the baseline scenario would result in a more modest increase in wages and salaries (4.0% compared to 5.1% under the baseline scenario);

— the net operating surplus of corporations would decline by 5.8%, which is more than the 2.5% decrease expected under the baseline scenario;

— growth in consumption, excluding food expenditures and shelter, would stand at 1.8%, while growth of 2.5% is projected under the baseline scenario.

❑ Stronger growth would improve forecasts for most economic indicators

The stronger growth scenario forecasts real GDP growth of 1.8% in 2024. This represents more vigorous growth than that under the baseline scenario (+0.6%). Under this scenario, the labour market would be strong, household expenditures would be robust and greater demand for goods and services would boost business optimism.

In particular, in 2024:

- nominal GDP growth would rise from 4.0% under the baseline scenario to 5.3%, a positive gap of 1.3 percentage points;
- job creation would be expected to stand at 1.5% compared to 1.0% under the baseline scenario;
- the unemployment rate would average 4.9%, a lower level than the baseline scenario (5.2%);
- the strength of the labour market would result in a sharper increase in wages and salaries, which would grow by 6.2% compared to 5.1% under the baseline scenario;
- the net operating surplus of corporations would rise by 1.0%, whereas a 2.5% decrease is expected under the baseline scenario;
- growth in consumption, excluding food expenditures and shelter, would stand at 3.1%, while growth of 2.5% is projected under the baseline scenario.

TABLE I.3

Economic indicators in Québec in 2024 and 2025
(percentage change, unless otherwise indicated)

	Baseline scenario		Recession scenario		Strong growth scenario	
	2024	**2025**	**2024**	**2025**	**2024**	**2025**
GDP, in real terms	0.6	1.6	−0.5	1.3	1.8	1.8
Consumer price index	2.8	2.2	2.5	2.1	3.1	2.2
Employment	1.0	0.6	0.4	0.2	1.5	1.0
Unemployment rate (per cent)	5.2	4.9	5.5	5.5	4.9	4.4
GDP, in nominal terms	4.0	3.8	2.8	3.6	5.3	4.1
Wages and salaries, in nominal terms	5.1	3.7	4.0	3.4	6.2	3.9
Net operating surplus of corporations, in nominal terms	−2.5	3.0	−5.8	2.2	1.0	3.7
Consumption, excluding food expenditures and shelter, in nominal terms	2.5	3.6	1.8	3.5	3.1	3.7

2. POTENTIAL IMPACTS ON THE FINANCIAL FRAMEWORK

2.1 Potential impacts on the budgetary balance

Budget 2024-2025 forecasts an increase in the budgetary deficits over the period covered by the financial framework compared to what was anticipated in Budget 2023-2024. Among other things, revenues declined due to stagnating economic growth in Québec, while expenditures have increased under the influence of massive government investment in public services, stronger-than-expected demographic growth and the pace of realization of infrastructure investments. As a result, under the baseline scenario, the budgetary balance shows, after deposits of dedicated revenues in the Generations Fund, a deficit of $11.0 billion in 2024-2025, $8.5 billion in 2025-2026, and $3.9 billion in 2028-2029.

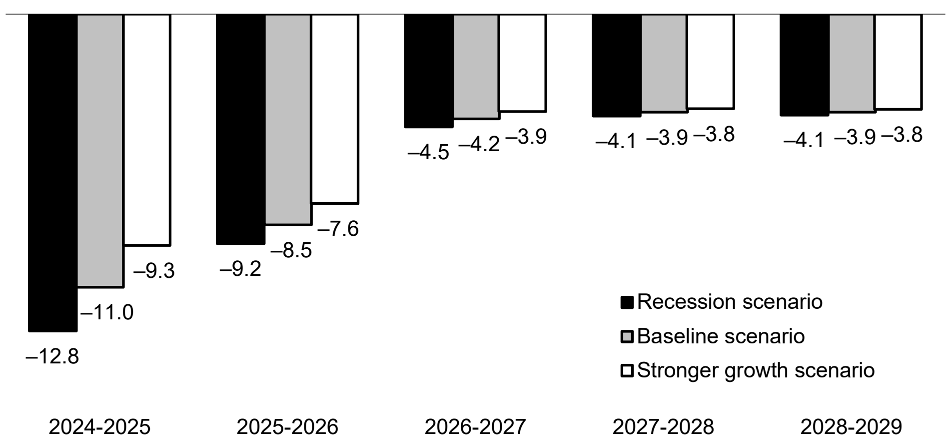
Presenting alternative scenarios forecasting a recession or stronger growth illustrates how the budgetary balance could be affected if the economic situation were to take a different trajectory than that expected in Budget 2024-2025.

— If a recession were to occur, the deficits would be higher in the short term, returning to a level similar to that expected under the baseline scenario as of 2027-2028. Use of the contingency reserve could offset the effects of the temporary decline in economic activity and limit pressure on the financial framework.

— Conversely, if the economic situation were to improve, the projected deficits would be lower in the short term. As of 2027-2028, the budgetary balance would be similar to that forecast in the baseline scenario.

CHART I.2

Budgetary balance – Baseline scenario and alternative scenarios
(billions of dollars)



Note: Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Impact on the financial framework

If the recession scenario or the stronger growth scenario were to occur, a deterioration or an improvement in the budgetary balance amounting to approximately $3.1 billion over five years[2] would be expected.

Specifically, a downward or upward change in own-source revenue amounting to approximately $2.7 billion[2] would be expected over the period covered by the financial framework, while debt-servicing costs would change by about $445 million.[2]

The additional impact of the alternative scenarios on own-source revenue would be higher in 2024-2025 and would then gradually decline starting the following year, as real GDP growth moves back in line with the baseline scenario forecast.

— As a result, in 2024-2025, a downward or upward change in own-source revenue amounting to approximately $1.7 billion would be expected.

— As of 2027-2028, the alternative scenarios would have very little impact on own-source revenue in comparison to the baseline scenario.

TABLE I.4

Additional impact of the alternative scenarios on the budgetary balance
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Budgetary balance(1) – Baseline scenario	**−6 302**	**−10 998**	**−8 486**	**−4 209**	**−3 944**	**−3 940**	
Additional impact of the recession scenario							
Own-source revenue	—	−1 732	−665	−230	−41	−4	−2 672
Debt service	—	−36	−86	−104	−110	−111	−447
Total additional impact	**—**	**−1 768**	**−751**	**−334**	**−151**	**−115**	**−3 119**
Adjusted budgetary balance(1),(2)	**−6 302**	**−12 766**	**−9 237**	**−4 543**	**−4 095**	**−4 055**	
Additional impact of the stronger growth scenario							
Own-source revenue	—	1 652	773	190	33	3	2 651
Debt service	—	35	85	104	109	110	443
Total additional impact	**—**	**1 687**	**858**	**294**	**142**	**113**	**3 094**
Adjusted budgetary balance(1),(3)	**−6 302**	**−9 311**	**−7 628**	**−3 915**	**−3 802**	**−3 827**	

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.
(2) The budgetary balance projected in the recession scenario excludes the financial impacts of possible government intervention to stimulate the economic recovery.
(3) The budgetary balance projected in the stronger growth scenario excludes the financial impacts of any additional measures that may be announced.

2 Average in absolute value of the impacts of the two alternative scenarios over five years.

The impact of the alternative scenarios on debt service would gradually increase over the period covered by the financial framework, in line with the increase or decrease in the budgetary deficits.

— For example, if budgetary deficits were to deteriorate due to the temporary decline in economic activity expected under the recession scenario, debt-servicing costs would ultimately rise by $111 million in 2028-2029.

■ Details of the adjustments by source

The recession and stronger growth scenarios have an impact on own-source revenue and debt-servicing costs.

— Changes in own-source revenue, mainly tax revenue, are closely tied to changes in the main economic indicators.

— Debt-servicing costs are linked to budgetary deficits and interest rates.

In comparison to the baseline scenario, the alternative scenarios would result in a decrease or increase in:

— revenue from personal income tax of nearly $1.2 billion over five years,[3] due to the weaker or stronger growth in wages and salaries forecast under these scenarios in 2024;

— revenue from corporate taxes of $694 million over five years,[3] due, in particular, to the sharper decline or weak growth in the net operating surplus of corporations expected under these scenarios in 2024;

— revenue from consumption taxes of approximately $366 million over five years,[3] due to the weaker or stronger growth in consumption excluding food expenditures and shelter under the alternative scenario forecasts in 2024;

— debt-servicing costs of approximately $445 million over five years[3] due to changes in budgetary deficits.

3 Average in absolute value of the impacts of the two alternative scenarios over five years.

TABLE I.5

Additional impact by source – 2024-2025 and total over five years
(millions of dollars)

	Recession scenario		Stronger growth scenario	
	2024-2025	Total over five years	2024-2025	Total over five years
Own-source revenue				
– Personal income tax	−717	−1 180	721	1 135
– Corporate taxes	−488	−694	378	694
– Consumption taxes	−196	−350	221	381
– Other revenue	−331	−448	332	441
Total – Own-source revenue	**−1 732**	**−2 672**	**1 652**	**2 651**
Debt service	**−36**	**−447**	**35**	**443**
Total additional impact	**−1 768**	**−3 119**	**1 687**	**3 094**

Note: Totals may not add due to rounding.

❑ A sufficient contingency reserve to offset the effects of a recession

Given the uncertain environment in which Québec's economic activity is taking place, and as a precautionary measure to guard against the various risks that could affect the financial framework, the latter includes a contingency reserve totalling $7.5 billion over five years. This reserve could be used to offset the effects of a temporary decline in economic activity, if it were to occur.

— Under the recession scenario, an additional impact of $3.1 billion over five years would be expected, which is less than the amount forecast for the contingency reserve.

— The financial impact of a recession could therefore be managed within the financial framework.

In addition, a gradual approach is proposed in Budget 2024-2025 to reduce the deficits over the period covered by the financial framework and facilitate a return to fiscal balance.[4] As such:

— immediate measures are being implemented to optimize government action;

4 The return to fiscal balance is presented in more detail in subsection 2 of Section G of Budget 2024-2025, "Québec's Financial Situation."

- two review processes for government and tax expenditures will be put in place to identify the first sources of savings that will pave the way to a balanced budget after deposits of dedicated revenues in the Generations Fund by 2029-2030;
  - This exercise of reviewing government and tax expenditures will begin in spring 2024.
- representations to the federal government will continue so that Québec obtains its fair share of federal transfers;
- the government is continuing its commitment to create more wealth and increase Québec's economic potential by investing to act on economic priorities.

If economic growth were stronger than forecast under the baseline scenario, the expected improvements in the budgetary balance could:

- help reduce the deficits and facilitate a return to fiscal balance;
- accelerate the reduction of the debt burden.

3. POTENTIAL IMPACTS ON QUÉBEC'S NET DEBT

Under the baseline scenario in Budget 2024-2025, Québec's net debt will stand at $221.1 billion as at March 31, 2024, or 39.0% of GDP. It will rise to 41.0% of GDP as at March 31, 2026 before gradually declining to 39.5% of GDP as at March 31, 2029.

Under the recession scenario, the net debt-to-GDP ratio would be 1.0 percentage point higher in 2025-2026, bringing it to 42.0%.

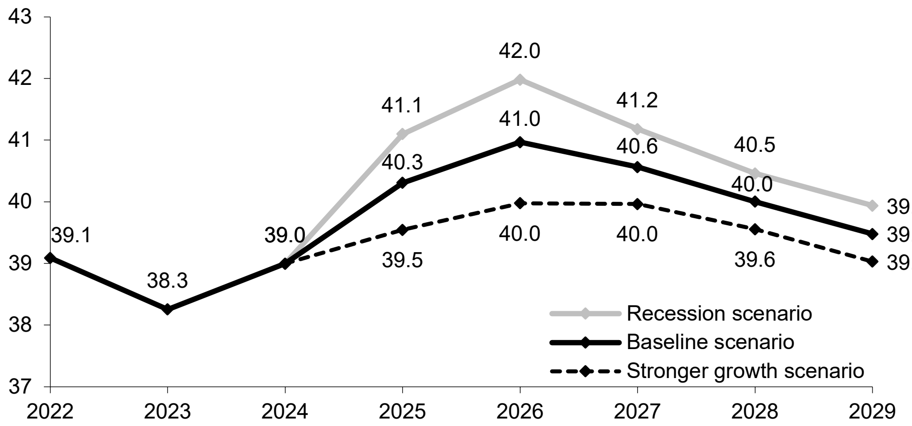
— The ratio would then gradually decline to reach 39.9% of GDP as at March 31, 2029, that is, 0.4 percentage points of GDP or $3.1 billion higher than under the baseline scenario.

— The target of reducing net debt to GDP by 2037-2038 would be met in the recession scenario. However, the intermediate target of 2032-2033 would not be met, unless further action is taken.

Under the stronger growth scenario, the ratio would stand at 39.0% of GDP as at March 31, 2029, or 0.5 percentage points of GDP lower than under the baseline scenario.

CHART I.3

Net debt as at March 31 – Baseline scenario and alternative scenarios
(percentage of GDP)



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