BUDGET 2025-2026

FOR A STRONG QUÉBEC

BUDGET PLAN

March 2025

Votre gouvernement

Québec

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SUMMARY

Québec must face the challenges brought about by the changes in its trade and diplomatic relations with the U.S. administration. The tariffs imposed, and the uncertainty as to their form, scope and duration are already having an impact. These could eventually curb the economic potential of Québec and Canada.

In Budget 2025-2026, the government is focusing its efforts on the economy and protecting health services and education. Despite the economic instability, it is also reiterating its commitment to the sound management of public finances and is presenting a plan to restore fiscal balance by 2029-2030.

❑ Québec's economic situation

Budget 2025-2026 is based on the premise that tariffs would be imposed by the United States on several trading partners, including Canada. The baseline assumption is that these tariffs could be adjusted in the coming months, that the effects would be on average equivalent to 10% tariffs, and that they could be in place for a transitional period of around two years.[1]

The trade dispute triggered by the United States and the climate of uncertainty are already weakening the economic outlook. Growth in real GDP is expected to continue and reach 1.1% in 2025 and 1.4% in 2026. Had it not been for the trade dispute, it would have seen stronger growth in both years.

- The effects of these tariffs will dampen growth in Québec by a total of 0.7 percentage points for 2025 and 2026 and reduce expected gains in the labour market by approximately 25 000 jobs.

Nevertheless, Québec can draw on its strengths to get through this turbulent period. It boasts a diversified economy, a strategic geographical location, a qualified workforce, world-class universities, affordable electricity, abundant natural resources and a tax system that favours investment and innovation.

Moreover, Quebecers are starting off this period in a good position.

- Québec's strong economic performance since 2018 has narrowed the gap in living standards with Ontario and the rest of Canada. The government is on track to meet its objective of a 10% gap with Ontario. According to the latest estimates, the gap is expected to stand at 9.9% in 2026, whereas it was 15.9% in 2018. The gap with the rest of Canada is expected to stand at 13.7% in 2026, down from 20.2% in 2018.
- The Québec government has done a better job of protecting its citizens' wallets than its neighbouring provinces in recent years. Between 2018 and 2023, household purchasing power, as measured by real disposable income per capita, improved by 6.6% in Québec, compared to 3.9% in Canada.

[1] Unless otherwise indicated, this section reflects economic data available as at March 7, 2025.

The baseline economic scenario

A high degree of uncertainty is weighing on the forecasts in Budget 2025-2026. Developments in the trade dispute triggered by the U.S. administration pose the greatest risk to Québec's economic outlook.

– As of the time of printing, several uncertainties remained. In particular, the form, scope and duration of the protectionist trade policies implemented remained uncertain and variable.

The economic forecast of the baseline scenario is based on the assumption that the 25% tariffs announced by the United States on March 4 are a strategic measure designed to exert pressure on its trading partners. The Ministère des Finances has put forth a baseline assumption that these tariffs could be adjusted in the coming months, that the effects would be on average equivalent to 10% tariffs, and that they could be in place for a transitional period of around two years.

– The baseline scenario assumes that the United States will not pursue a broad-based trade war by maintaining 25% tariffs for a protracted period, as these tariffs will adversely affect its economy.
  - High tariffs imposed on Canadian goods will lead to higher costs for U.S. businesses that depend on Canadian imports for their production lines.
  - In addition, Canada has put in place retaliatory measures on imports from the United States, which will reduce U.S. exports. The decline in demand for U.S. goods will adversely affect corporate profits in the United States and slow economic growth.
  - These developments will also lead to higher prices for U.S. consumers.

Canada remains an essential trading partner under U.S. economic strategy, which argues for a less punitive tariff structure.

A scenario that takes into account the implementation of 25% tariffs on U.S. imports (10% on energy products) for a two-year period and equivalent retaliatory measures put in place by targeted partners is, however, presented in Section H, "Alternative forecast Scenarios."

❑ Stimulating wealth creation

In such a context of uncertainty, public administrations are called upon to act as a transitional counterweight to stimulate the economy.

Therefore, in the short term, the government will support businesses experiencing difficulty caused by the trade tensions.

During the transition period, it will strengthen the economy by increasing its investments in infrastructure and by working with the other provinces to reduce trade barriers on the Canadian market.

Lastly, it intends to stay the course on long-term wealth creation by stimulating investments and innovation in businesses, enabling them to strengthen their competitive position on the world stage.

■ Bolstering infrastructure investment

The 2025-2035 Québec Infrastructure Plan (QIP) has been enhanced to $164 billion, an increase of $11 billion, or 7%. Significant amounts will be invested to maintain assets and improve infrastructure in health care, education, higher education and transportation.

In addition, Hydro-Québec will make a significant contribution to Québec's economic growth with the progressive completion of its Action Plan 2035 – Towards a Decarbonized and Prosperous Québec. This plan will require capital investments of between $135 billion and $160 billion over the 2024-2035 period.

Public infrastructure investments will help support the delivery of quality public services, stimulate the economy and increase Québec's long-term economic potential.

The Québec government is also reiterating the urgent need for the federal government to increase infrastructure funding by tabling a new plan in that regard.

■ Revitalizing the economy and leveraging Québec businesses

Businesses are currently facing uncertainty and need to show resilience and adaptability. In other words, Québec needs to adjust to perform in this new context. In Budget 2025-2026, the government is therefore announcing initiatives totalling over $5.4 billion over five years to stimulate wealth creation. These measures are aimed at:

- supporting and revitalizing Québec's economy;
- increasing our capacity for innovation;
- encouraging regional contributions to wealth creation.

Québec is also working closely with the other provinces and territories and the federal government to stimulate trade and reduce interprovincial trade barriers.

- **A tax system conducive to investment and innovation**

In Budget 2025-2026, the government is confirming its intention to harmonize its tax system with the federal government's announced extension of accelerated depreciation measures, when it comes into force. It is also introducing a new simplified tax assistance system for innovation to reduce the administrative requirements and maximize the impact of tax assistance on businesses in order to increase the benefits in Québec.

The changes, which will provide additional financial support totalling more than $2.6 billion over five years, will help stimulate investment and innovation, as well as prepare Québec businesses to meet current and future economic challenges.

❑ Improving health and education services

In recent years, the government has allocated considerable funds to improve the quality and accessibility of public services in the pursuit of its core missions.

In Budget 2025-2026, the government is continuing to invest and plans to spend more than $6.8 billion between now and 2029-2030 to support Quebecers, including nearly $5.0 billion, with a view to:

— improving the delivery of health care and social services by enhancing the accessibility and quality of health care, particularly for seniors, young people in difficulty and people experiencing homelessness;

— encouraging the education and development of young people by promoting school success, improving the accessibility of childcare services, offering better services to young people and promoting participation in recreation and sports.

In addition, investments of $1.9 billion are aimed at:

— promoting the well-being of vulnerable individuals;

— showcasing Québec's culture and identity;

— supporting communities.

In Budget 2025-2026, the government is setting aside nearly $12.3 billion for stimulating wealth creation and supporting Quebecers.

- **At the same time, efforts to improve the income tax system will free up amounts of nearly $3.0 billion over five years.**

❑ Improving the tax system

The government is completing the review of the 277 tax expenditures initiated in Budget 2024-2025.

In Budget 2025-2026 efforts to improve the tax system will free up amounts of nearly $3.0 billion over five years. These measures, which are designed to optimize tax assistance for businesses, simplify and update the tax system, and promote the funding of public services, are part of the plan to return to a balanced budget.

TABLE A.1

Financial impact of the measures of Budget 2025-2026
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Stimulating wealth creation	—	−1 067.1	−1 333.5	−1 011.6	−1 057.0	−959.9	−5 429.1
Supporting Quebecers	−8.9	−1 517.5	−1 602.9	−1 278.6	−1 217.6	−1 223.7	−6 849.2
Subtotal	**−8.9**	**−2 584.6**	**−2 936.4**	**−2 290.2**	**−2 274.6**	**−2 183.6**	**−12 278.3**
Efforts to improve the tax system	—	32.1	270.6	723.0	910.7	1 037.7	2 974.1
TOTAL	**−8.9**	**−2 552.5**	**−2 665.8**	**−1 567.2**	**−1 363.9**	**−1 145.9**	**−9 304.2**

Note: Totals may not add due to rounding.

❑ Ongoing review of budgetary expenditures

The review of budgetary expenditures aimed at improving the efficiency of government intervention in the activities of government departments and bodies, coordinated by the Secrétariat du Conseil du trésor, has led to the announcement of a reduction in expenditures of $3.0 billion in 2029-2030.

The government will continue its work on optimizing resource allocation, particularly with regard to transforming the way the government operates.

❑ Maintaining sound management of public finances

Despite the uncertainty associated with U.S. economic policies, the government remains committed to the sound management of public finances. On a comparable basis to the budgetary balances of other Canadian provinces and the federal government, that is, before deposits of dedicated revenues in the Generations Fund, the accounting deficit is reduced by $700 million, bringing it to $8.1 billion in 2024-2025, or 1.3% of GDP.

In 2025-2026, the accounting balance shows a deficit of $11.4 billion, or 1.8% 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 $13.6 billion, or 2.2% of GDP.

Despite the pressures on the government's financial situation, the initiatives carried out to restore public finances will allow for an accounting surplus in 2029-2030.

The government remains committed to reducing long-term debt and is continuing to make deposits in the Generations Fund. Nevertheless, developments in the budgetary situation and the current uncertain economic context call for an adjustment to the debt reduction targets announced in March 2023. Net debt to GDP must be reduced to 35.5% of GDP by 2032-2033 and to 32.5% of GDP by 2037-2038.

TABLE A.2

Québec's economic and financial outlook[2]
(billions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
FINANCIAL SITUATION						
Revenue	155.2	156.3	165.2	171.2	176.2	181.3
Expenditure	−163.3	−165.8	−170.3	−173.9	−176.1	−179.4
Contingency reserve	—	−2.0	−2.0	−1.5	−1.5	−1.5
Accounting surplus (deficit)	**−8.1**	**−11.4**	**−7.1**	**−4.2**	**−1.4**	**0.4**
% of GDP	***1.3***	***1.8***	***1.1***	***0.6***	***0.2***	***0.1***
DEBT						
Net debt	235.8	255.0	270.4	282.6	286.4	288.1
% of GDP	*38.7*	*40.4*	*41.5*	*41.9*	*41.0*	*39.8*
	2024	**2025**	**2026**	**2027**	**2028**	**2029**
ECONOMIC INDICATORS						
Real GDP (% change)	1.4	1.1	1.4	1.6	1.7	1.7
Nominal GDP (% change)	5.3	3.4	3.4	3.5	3.5	3.6

Note: Totals may not add due to rounding.

2 Unless otherwise indicated, this document is based on budgetary data available as at March 5, 2025. The data presented for 2024-2025 are preliminary results. The data for 2025-2026 to 2029-2030 are forecasts and those for subsequent years are projections.

■ The plan to restore fiscal balance

Through the initiatives put in place to optimize its tax expenditures, the government is presenting a plan to restore fiscal balance in compliance with the *Balanced Budget Act*.

After deposits of dedicated revenues in the Generations Fund, balance will be achieved by 2029-2030 at the latest. To achieve this, the government is committed to bridging gaps of $1.0 billion in 2027-2028 and $2.5 billion in 2028-2029 and 2029-2030, or 0.3% of GDP in 2029-2030.

It has various levers at its disposal to achieve this:

— it will continue its initiatives aimed at creating more wealth and increasing Québec's economic potential;

— it will continue its representations to the federal government to obtain additional federal transfers, particularly for health and infrastructure;

— it could benefit from the non-utilization of the contingency reserve;

— it is committed to promoting efficiency and productivity gains in the delivery of public services.

TABLE A.3

Budgetary balance within the meaning of the *Balanced Budget Act*
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
ACCOUNTING SURPLUS (DEFICIT)	**−8 078**	**−11 430**	**−7 126**	**−4 173**	**−1 350**	**397**
% of GDP	***1.3***	***1.8***	***1.1***	***0.6***	***0.2***	***0.1***
Gap to be bridged	—	—	—	1 000	2 500	2 500
Deposits of dedicated revenues in the Generations Fund	−2 354	−2 177	−2 402	−2 522	−2 648	−2 796
BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*	**−10 432**	**−13 607**	**−9 528**	**−5 695**	**−1 498**	**101**
% of GDP	***1.7***	***2.2***	***1.5***	***0.8***	***0.2***	***0.0***

Note: Totals may not add due to rounding.

1. STIMULATING WEALTH CREATION

The government has set itself the goal of transforming Québec's economy with a view to making it more prosperous and reaching a level of wealth comparable to that of its main trading partners. The economy's strong performance since 2018 has enabled Québec to make historic progress towards closing the standard of living gap with Ontario. Québec's standard of living gap with Ontario narrowed from 15.9% in 2018 to 11.2% in 2024. For the rest of Canada, it narrowed from 20.2% in 2018 to 14.7% in 2024. Furthermore, living standards will continue to catch up over the next few years, and the gap between Québec and Ontario is expected to stand at 9.9% in 2026. The gap with the rest of Canada is expected to reach 13.7%. However, the turbulence in trade relations with the United States represents a significant challenge for the Québec economy.

In Budget 2025-2026, the government is acting to stimulate wealth creation and strengthen our businesses' competitive position. To that end, the government is announcing measures totalling over $5.4 billion over five years, namely:

— $4.1 billion for supporting and revitalizing Québec's economy by providing transitional assistance to businesses affected by U.S. tariffs, supporting investment projects, fostering market diversification, and making it easier to identify Québec products;

— $604.1 million for increasing our capacity for innovation by stimulating innovation and its commercialization through an updated tax assistance system, boosting innovation in strategic sectors, modernizing public services for greater efficiency, and helping SMBs with strong potential;

— $759.0 million for encouraging regional contributions to wealth creation by revitalizing regional economies, leveraging our critical and strategic minerals, supporting the forestry sector, continuing to support the tourism industry and fostering the development of the bio-food sector.

TABLE A.4

Financial impact of the measures to stimulate wealth creation
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting and revitalizing Québec's economy	−802.5	−992.2	−745.0	−821.8	−704.5	−4 066.0
Increasing our capacity for innovation	−77.7	−109.9	−141.3	−128.1	−147.1	−604.1
Encouraging regional contributions to wealth creation	−186.9	−231.4	−125.3	−107.1	−108.3	−759.0
TOTAL	**−1 067.1**	**−1 333.5**	**−1 011.6**	**−1 057.0**	**−959.9**	**−5 429.1**

Note: Totals may not add due to rounding.

Innovating to prosper

Over the past decade, Québec has seen a downward trend in business research and development (R&D), while that of several other jurisdictions has seen a sharp increase.

- In 2022, the ratio of business enterprise expenditures on R&D (BERD) as a percentage of Québec's GDP was below that of our key partners, particularly Ontario, which had been far behind Québec in 2014.
- The decline in business R&D spending is partly due to the tightening of R&D tax credits in 2014, as part of the work of the Québec Taxation Review Committee.

This trend raises concerns about the future prospects for Québec businesses in the face of outside competition.

This decline comes at a time when the business environment has become even more complex due to uncertainties created by trade tensions with the United States.

A broad scientific consensus recognizes that innovation has positive effects on wealth creation through improved business productivity and competitiveness.

However, Québec's current tax assistance system for innovation is complex, and R&D results in recent years indicate that changes are needed to establish an attractive innovation ecosystem for businesses.

Against this backdrop, the government is introducing, in Budget 2025-2026, a new simplified tax assistance system for innovation to reduce the administrative requirements and maximize its impact on businesses in order to boost the economic benefits in Québec.

- The introduction of the tax credit for research, innovation and commercialization (CRIC) will be the pillar of the new tax assistance system for innovation, which will contribute to greater productivity and competitiveness for Québec businesses. This tax credit will replace eight tax measures currently in effect.

The new tax assistance system for innovation will provide additional financial support totalling $271.5 million over five years. It will help stimulate innovation and prepare Québec businesses to meet current and future economic challenges. Details are presented in the document entitled *Innovating to Prosper*.

Financial impact of the new tax assistance system for innovation
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Simplification of the tax assistance for innovation	3.3	101.1	646.6	678.7	711.4	2 141.1
Introducing the CRIC	—	−106.0	−715.9	−769.5	−821.2	−2 412.6
TOTAL	**3.3**	**−4.9**	**−69.3**	**−90.8**	**−109.8**	**−271.5**

2. SUPPORTING QUEBECERS

In recent years, the government has invested significant amounts to improve the quality of public services and guarantee their accessibility, particularly in health care and education.

Since 2018-2019, expenditures in the Santé et Services sociaux, Éducation and Enseignement supérieur portfolios have grown by 52.3%, 54.6% and 40.7%, respectively, representing an average annual growth[3] of 7.3%, 7.5% and 5.9%, respectively.

Despite the uncertain economic context, the government is determined to continue improving services for Quebecers.

In Budget 2025-2026, the government is devoting more than $6.8 billion over six years for supporting Quebecers:

— $3.9 billion for improving the delivery of health care and social services, particularly by providing better access to health care and services for seniors and vulnerable individuals, including young people in difficulty and people experiencing homelessness;

— $1.1 billion for encouraging the education and development of young Quebecers by promoting students' educational success, continuing to improve services for young people and students, promoting participation in recreation and sports, and improving the accessibility of educational childcare services;

— nearly $550 million for fostering the well-being of vulnerable individuals by enhancing the retirement pensions of certain workers who have suffered an employment injury, supporting access to housing and providing targeted assistance to the most disadvantaged individuals;

— nearly $717 million for showcasing Québec's culture and identity, in particular by improving support for the cultural community, promoting Québec heritage and the French language, and ensuring quality services for immigrants;

— more than $635 million for supporting communities, by ensuring a safe and fair society, promoting sustainable development and the vitality of the territory, strengthening efforts to adapt to climate change and enhancing the implementation plan of the 2030 Plan for a Green Economy to fight climate change.

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3 Average annual growth rate, corresponding to the geometric mean over six years, from 2019-2020 to 2024-2025.

TABLE A.5

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

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving the delivery of health care and social services	—	−772.0	−803.5	−766.9	−757.4	−757.9	−3 857.7
Encouraging the education and development of young people	—	−202.6	−178.8	−215.9	−245.9	−246.1	−1 089.3
Fostering the well-being of vulnerable individuals	−8.9	−319.6	−140.7	−61.8	−9.2	−9.5	−549.7
Showcasing Québec's culture and identity	—	−159.5	−149.1	−149.3	−129.7	−129.3	−716.9
Supporting communities	—	−63.8	−330.8	−84.7	−75.4	−80.9	−635.6
TOTAL	**−8.9**	**−1 517.5**	**−1 602.9**	**−1 278.6**	**−1 217.6**	**−1 223.7**	**−6 849.2**

3. RESULTS OF THE REVIEW TO IMPROVE THE TAX SYSTEM

In Budget 2024-2025, the government announced that it would conduct a rigorous review of the 277 tax expenditures in force in 2023, covering measures related to personal and corporate income taxes, as well as consumption taxes.

Now that the review initiated in Budget 2024-2025 has been completed, the government is announcing, in Budget 2025-2026, efforts to improve the tax system that will free up amounts of nearly $3.0 billion over five years. These measures are aimed at:

- optimizing tax assistance for businesses by targeting higher value-added activities in the IT sector and refocusing the tax credit relating to resources on critical and strategic minerals;
- simplifying the tax system by harmonizing the rate of the tax on insurance premiums and that of the Québec sales tax and adjusting the flow-through share regime;
- updating the tax system by adapting fiscal assistance to new economic and social realities, strengthening the fairness of the tax system and eliminating inefficient or little-used tax expenditures;
- fostering the funding of public services by ending indexation of the eligibility threshold for reduced rates of employer contributions to the Health Services Fund, ensuring the sustainable funding of transportation infrastructure and services, and revising the land register consultation fee.

TABLE A.6

Financial impact of the efforts to improve the tax system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Optimizing tax assistance for businesses	—	2.3	138.0	230.1	233.7	604.1
Simplifying the tax system	27.1	100.7	328.3	337.7	347.0	1 140.8
Updating the tax system	−0.9	111.9	90.8	118.5	161.2	481.5
Fostering the funding of public services	5.9	55.7	165.9	224.4	295.8	747.7
TOTAL	**32.1**	**270.6**	**723.0**	**910.7**	**1 037.7**	**2 974.1**

Note: Totals may not add due to rounding.

The results of the review to improve the tax system initiated in Budget 2024-2025 will free up amounts totalling close to $2.6 billion by 2029-2030.

TABLE A.7

Results of the review to improve the tax system for 2029-2030
(millions of dollars)

	Budget 2024-2025	Fall 2024 update	Budget 2025-2026	Total
Measures for individuals	—	461	84	545
Measures for businesses	496	434	234	1 164
Measures targeting duties and taxes	165	—	720	885
TOTAL	**661**	**895**	**1 038**	**2 594**

4. THE ECONOMIC SITUATION: RECENT DEVELOPMENTS AND OUTLOOK FOR 2025 AND 2026

Despite the uncertainty surrounding the form, duration and scope of the protectionist measures to be adopted by the United States, the intensification of trade tensions is already weighing on the global economy, and on financial markets in particular.

Against this backdrop, global economic growth is expected to slow slightly to 3.1% in 2025 and 2026, following growth of 3.2% in 2024. Real GDP growth will decelerate in most regions by 2025.

— However, central banks are expected to continue easing their monetary policies, which will support demand for goods and services.

In Québec, tariffs and equivalent retaliatory measures, expected to average 10% over the next two years according to the budget's baseline scenario, will have a negative impact on economic growth.

After an increase of 1.4% in 2024, economic growth is set to continue in 2025 (+1.1%) and 2026 (+1.4%), supported, in particular, by additional interest rate cuts.

— Like the global economy, Québec's economic momentum will be hampered by the tariffs introduced by the U.S. administration and equivalent retaliatory measures.

  — These tariffs and measures will rein in trade and weaken the confidence of economic agents, limiting the growth of investment and consumption.

TABLE A.8

Economic growth
(real GDP, percentage change)

	2023	2024	2025	2026
Québec	0.6	1.4	1.1	1.4
Canada	1.5	1.5	1.4	1.6
United States	2.9	2.8	1.8	1.9
World(1)	3.4	3.2	3.1	3.1

(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.9

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

	Change			Contribution		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**
Domestic demand	**1.8**	**1.6**	**1.2**	**1.8**	**1.7**	**1.2**
Household consumption	2.3	2.3	1.7	1.4	1.3	1.0
Residential investment	1.6	4.6	1.2	0.1	0.3	0.1
Non-residential business investment	−0.1	0.1	1.1	0.0	0.0	0.1
Government spending and investment	1.8	0.2	0.1	0.5	0.1	0.0
External sector	**—**	**—**	**—**	**0.0**	**−0.3**	**0.2**
Exports	1.7	1.3	2.0	0.8	0.6	0.9
Imports	1.5	1.7	1.4	−0.8	−0.8	−0.7
Inventories	**—**	**—**	**—**	**−0.5**	**−0.3**	**−0.1**
REAL GDP	**1.4**	**1.1**	**1.4**	**1.4**	**1.1**	**1.4**

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

5. QUÉBEC'S FINANCIAL SITUATION

Despite the pressures on the government's financial situation, the initiatives identified as part of the government's expenditure review will allow for an accounting surplus in 2029-2030.

On a comparable basis to the budgetary balances of other Canadian provinces and the federal government, that is, before deposits of dedicated revenues in the Generations Fund, the accounting deficit was brought down to $8.1 billion in 2024-2025, or 1.3% of GDP.

In 2025-2026, the accounting balance shows a deficit of $11.4 billion, or 1.8% 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 $13.6 billion, or 2.2% of GDP.

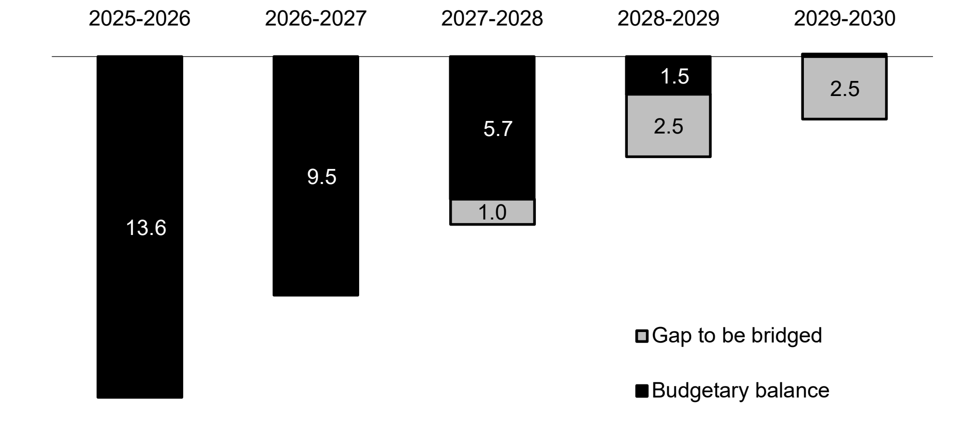
TABLE A.10

Changes to the accounting balance
(billions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Accounting surplus (deficit)	−8.1	−11.4	−7.1	−4.2	−1.4	0.4
% of GDP	*1.3*	*1.8*	*1.1*	*0.6*	*0.2*	*0.1*

CHART A.1

Path for restoring budgetary balance
(billions of dollars)



5.1 Financial framework

The accounting deficit is reduced to $8.1 billion, or 1.3% of GDP, in 2024-2025.

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

— Over the period covered by the financial framework, that is, until 2029-2030, annual revenue growth will average 3.2%.

Total expenditures, or expenditures including debt service, stand at $165.8 billion in 2025-2026, growing 1.5%. Growth will be 2.7% in 2026-2027.

— In 2025-2026, portfolio expenditures will grow by 1.8% due, in particular, to the non-recurrence of 2024-2025 expenditures[4] in 2025-2026. Without these elements, growth in expenditures would stand at 3.0%.

Over the period covered by the financial framework, that is, until 2029-2030, the annual growth in total expenditure will average 1.9%.

— The share of total expenditure in the economy will fall from 26.3% of GDP in 2025-2026 to 24.8% in 2029-2030.

In addition, the financial framework includes a contingency reserve of $2.0 billion in 2025-2026 and 2026-2027, and $1.5 billion per year as of 2027-2028, for a total of $8.5 billion over five years that could be used, in particular, to reduce the effects of more moderate-than-anticipated economic growth.

[4] Expenditures from 2024-2025, not recurring in 2025-2026, are presented on page 43 of Section F, "Québec's Financial Situation."

Share of expenditure and revenue in the economy

The share of government expenditure and revenue[1] in the economy generally follow similar paths.

In 2025-2026, the share of expenditure in the economy stands at 26.3%, exceeding revenue, which amounts to 24.8% of GDP.

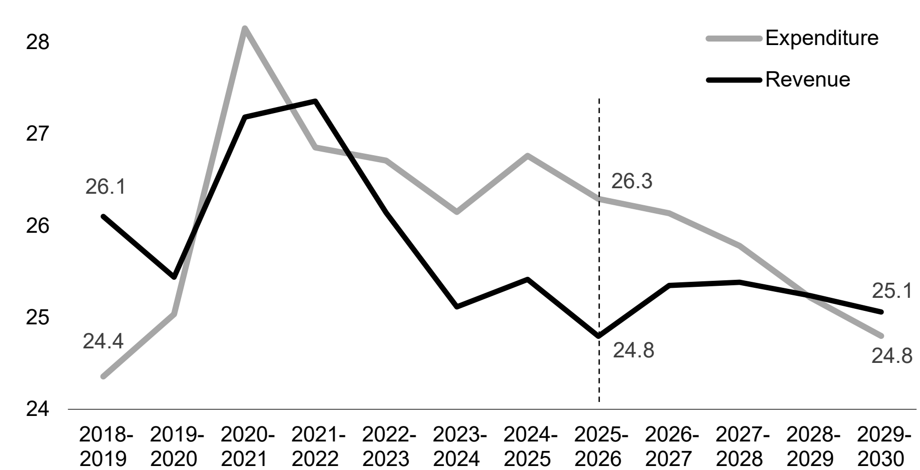
– The increase in the share of expenditure in the economy, from 24.4% in 2018-2019 to 26.3% in 2025-2026, results from government investments to fund public services, such as health care and education.

– The decline in the share of revenue in the economy, from 26.1% in 2018-2019 to 24.8% in 2025-2026, is due in particular to the measures implemented by the government to put money back in the wallets of Quebecers.

Due to the perpetuation of certain services and the recurrence of costs due to high post-pandemic inflation, the gap between expenditure and revenue in 2025-2026 proved to be persistent. This gap will be gradually eliminated to restore fiscal balance and maintain sound public finances over the long term.

– Through the government's initiatives to optimize the tax system and government expenditure, the share of expenditure in the economy will gradually fall to 24.8% in 2029-2030, whereas the share of revenue will rise to 25.1%.

Share of expenditure and revenue in the economy
(percentage of GDP)



1 This represents total expenditure and total revenue.

TABLE A.11

Multi-year financial framework

(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	AAGR(1)
Revenue							
Personal income tax	45 459	46 944	48 967	50 893	53 063	55 006	
Contributions for health services	8 958	9 242	9 551	9 819	10 176	10 477	
Corporate taxes	12 988	12 491	12 970	14 065	14 157	14 771	
School property tax	1 180	1 346	1 482	1 607	1 718	1 819	
Consumption taxes	27 969	28 922	29 933	31 044	32 045	32 983	
Duties, permits and royalties	5 920	6 220	6 833	7 040	7 313	7 634	
Miscellaneous revenue	16 665	15 299	16 047	16 544	17 318	17 966	
Government enterprises	5 406	5 268	7 042	7 122	7 349	7 530	
Own-source revenue	**124 545**	**125 732**	**132 825**	**138 134**	**143 139**	**148 186**	
% change(2)	***8.6***	***1.0***	***5.6***	***4.0***	***3.6***	***3.5***	***3.5***
Federal transfers	30 636	30 610	32 362	33 071	33 110	33 103	
% change(3)	*−0.8*	*−0.1*	*5.7*	*2.2*	*0.1*	*0.0*	*1.6*
Total revenue	**155 181**	**156 342**	**165 187**	**171 205**	**176 249**	**181 289**	
% change	***6.6***	***0.7***	***5.7***	***3.6***	***2.9***	***2.9***	***3.2***
Expenditure							
Portfolio expenditures	−153 406	−156 102	−159 911	−162 322	−164 092	−167 150	
% change(4)	*8.4*	*1.8*	*2.4*	*1.5*	*1.1*	*1.9*	*1.7*
Debt service	−9 853	−9 670	−10 402	−11 556	−12 007	−12 242	
% change(5)	*−1.3*	*−1.9*	*7.6*	*11.1*	*3.9*	*2.0*	*4.4*
Total expenditure	**−163 259**	**−165 772**	**−170 313**	**−173 878**	**−176 099**	**−179 392**	
% change	***7.7***	***1.5***	***2.7***	***2.1***	***1.3***	***1.9***	***1.9***
Contingency reserve	—	−2 000	−2 000	−1 500	−1 500	−1 500	
ACCOUNTING SURPLUS (DEFICIT)(6)	**−8 078**	**−11 430**	**−7 126**	**−4 173**	**−1 350**	**397**	
% of GDP	***1.3***	***1.8***	***1.1***	***0.6***	***0.2***	***0.1***	

Note: Totals may not add due to rounding.

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

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

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

(4) For 2024-2025, the 8.4% growth in expenditures is attributable to the initiatives announced in March 2024 and November 2024, the increase in the cost of services in the education sector and the costs tied to the delivery of health care and social services, and the lag in the pace of infrastructure realization. This growth is also explained by one-off factors, including unrealized remuneration expenditures due to the strike by school staff in 2023-2024 and the floods caused by post-tropical storm Debby. Growth in 2025-2026 is due, in particular, to non-recurring elements amounting to $1.9 billion in 2024-2025, notably due to the impact of the accounting change to take into account work already done by public transit authorities, due to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund, and to take into consideration the impact of post-tropical storm Debby. Without these elements, growth in expenditures would stand at 3.0% in 2025-2026 instead of 1.8%.

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

(6) This refers to the surplus or deficit on operations presented in the public accounts. The budgetary balance within the meaning of the *Balanced Budget Act* is presented on page 7 of Section F, "Québec's Financial Situation."

5.2 An $11-billion increase in infrastructure investments over three years

Public infrastructure investments help support the delivery of quality public services. They also help stimulate economic growth and increase Québec's long-term economic potential. In the current environment, marked by economic uncertainty, the government is announcing an increase in public infrastructure investments.

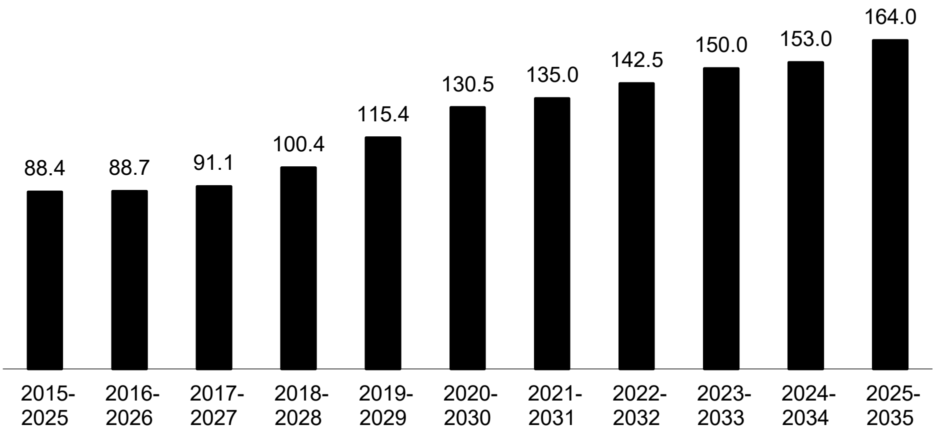
— Over 10 years, the 2025-2035 Québec Infrastructure Plan (QIP) will thus total $164.0 billion,[5] an increase of $11.0 billion, or 7%.

Over the past seven years, the QIP has been increased each year, going from $100.4 billion in March 2018 to $164.0 billion in March 2025. This increase of more than 60% was necessary, given the importance of providing Québec with modern infrastructure and investing more in maintaining the building inventory.

The 2025-2035 QIP allocates considerable sums to health and social services, education, higher education and transportation. It also includes major investments in social housing.

CHART A.2

Change in the Québec Infrastructure Plan
(billions of dollars)



Source: Secrétariat du Conseil du trésor.

In addition, Hydro-Québec will make a significant contribution to Québec's economic growth with the progressive completion of its Action Plan 2035 – Towards a Decarbonized and Prosperous Québec. This plan will require capital investments of between $135 billion and $160 billion over the 2024-2035 period.

5 The 2024-2034 QIP, announced in the March 2024 budget, stood at $153 billion.

5.3 The plan to restore fiscal balance

At the time of tabling the plan to restore fiscal balance, the economic context is uncertain, widening the gap between revenue and expenditure. These deficits will be gradually eliminated to restore fiscal balance and maintain sound public finances over the long term.

Despite the pressures on the government's financial situation, the identified initiatives will allow for an accounting surplus in 2029-2030. 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 subject to a gap of $2.5 billion, or 0.3% of GDP, being bridged by 2029-2030.

5.3.1 The importance of restoring fiscal balance

During the period of upheaval caused by the pandemic, the government prioritized funding for its main missions and infrastructure investments to ensure the delivery of public services.

- These investments were necessary to strengthen public services, including in health and education, and to mitigate some of the consequences of the pandemic that would have had lasting repercussions for the population, in particular with regard to carrying out screening and vaccination, purchasing personal protective equipment, hiring additional staff and catching up on the academic backlog.

- The projected deficits proved to be persistent due to the perpetuation of certain services and the recurrence of costs due to high post-pandemic inflation. This inflation, in addition to demographic growth in 2023 and 2024 and labour shortages in public services, continues to put pressure on public finances.

- Public infrastructure investments contribute to the delivery of quality public services. They also help stimulate the economy and increase Québec's long-term economic potential.

The *Balanced Budget Act* requires the government to return to a balanced budget by 2029-2030. However, beyond the Act, when large deficits are not eliminated, they limit the government's long-term ability to deliver public services, ensure intergenerational equity and respond to unforeseen shocks such as a pandemic.

5.3.2 Initiatives to restore fiscal balance

Ultimately, the plan to restore fiscal balance sets out nearly $6 billion annually in initiatives to achieve fiscal balance by 2029-2030.

The implementation of the plan is in line with the following fiscal policy directions:

- achieving and maintaining fiscal balance;
- reducing the share of expenditure in the economy to a level similar to its pre-pandemic level;
- maintaining deposits of dedicated revenues in the Generations Fund and a long-term debt reduction objective;
- stimulating economic growth and narrowing the wealth gaps with Ontario and the rest of Canada;
- adequately funding the government's missions;
- continuing to make infrastructure investments.

The financial framework provides for a gap to be bridged of $1.0 billion in 2027-2028 and $2.5 billion in 2028-2029 and 2029-2030 (or 0.3% of GDP in 2029-2030). As such, after deposits of dedicated revenues in the Generations Fund, balance will be achieved by 2029-2030 at the latest.

The gap can be bridged with an improvement in the economic situation. The government also has various levers at its disposal:

- it will continue its initiatives aimed at creating more wealth and increasing Québec's economic potential;
- it will continue its representations to the federal government to obtain additional federal transfers, particularly for health and infrastructure;
- it could benefit from the non-utilization of the contingency reserve;
- it is committed to promoting efficiency and productivity gains in the delivery of public services.

Should these levers fail to bridge the entire gap, further initiatives may be determined once the uncertainty surrounding the trade relationship with the United States has dissipated.

TABLE A.12

Initiatives to restore fiscal balance

(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total 6 years
Results of the review to improve the tax system(1)	835	532	850	1 915	2 370	2 594	9 096
Efforts by government enterprises(2)	—	100	200	300	400	400	1 400
Review of budgetary expenditures	—	616	1 268	1 800	2 400	3 000	9 084
IDENTIFIED INITIATIVES	**835**	**1 248**	**2 318**	**4 015**	**5 170**	**5 994**	**19 580**
Gap to be bridged	—	—	—	1 000	2 500	2 500	6 000

Note: Totals may not add due to rounding.
(1) Amounts made available by the review to improve the tax system have been adjusted to reflect the postponement to January 1, 2026 of the implementation of the harmonization of capital gains taxation with that of the federal system.
(2) These are the measures announced in the *Québec Budget Plan – March 2024*.

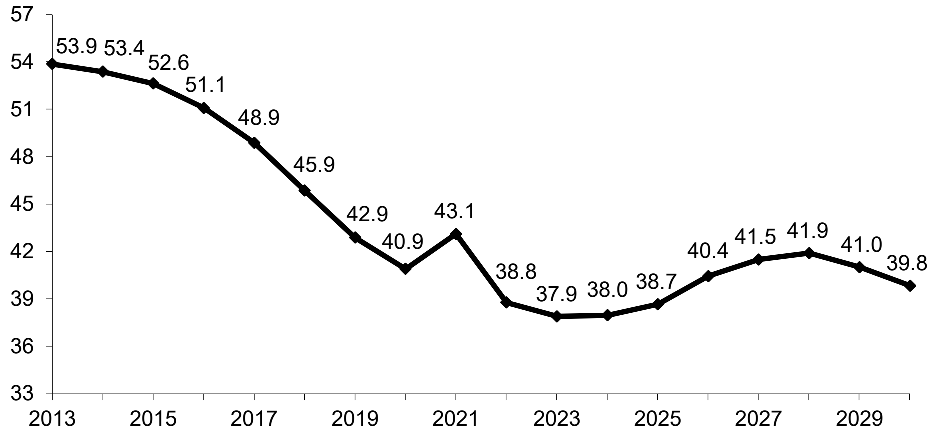
6. THE QUÉBEC GOVERNMENT'S DEBT

The net debt burden will stand at 40.4% of GDP as at March 31, 2026. This is lower than the pre-pandemic level, which was 40.9% of GDP as at March 31, 2020. As at March 31, 2021, during the pandemic, net debt to GDP stood at 43.1% of GDP.

Net debt to GDP will increase until 2027-2028, due to, in particular, the significant investments in public infrastructure needed to stimulate economic growth in an uncertain environment. It will then fall back to 39.8% of GDP as at March 31, 2030.

CHART A.3

Net debt as at March 31
(percentage of GDP)



The government is maintaining its objective of reducing the debt burden in the long term. This will be achieved by restoring fiscal balance by 2029-2030 and continuing the deposits of dedicated revenues in the Generations Fund. Nevertheless, developments in the budgetary situation and the current uncertain economic context call for an upward adjustment of 2.5 percentage points to the debt reduction targets announced in March 2023.[6]

Net debt to GDP must be reduced to 35.5% of GDP by 2032-2033 and to 32.5% of GDP by 2037-2038.

TABLE A.13

The new debt reduction targets

	Targets announced in March 2023	New targets
Net debt by 2032-2033 (intermediate target)	33% of GDP (±2.5% of GDP)	35.5% of GDP (±2.5% of GDP)
Net debt by 2037-2038	30% of GDP (±2.5% of GDP)	32.5% of GDP (±2.5% of GDP)

6 For this purpose, the government will propose amendments to the *Act to reduce the debt and establish the Generations Fund*.

7. ALTERNATIVE FORECAST SCENARIOS

Québec, like many jurisdictions elsewhere in the world, is facing an environment of great uncertainty marked by the protectionist trade policies introduced by the U.S. administration. Although the baseline scenario forecast is the most likely in the current environment, Québec is not shielded from risks that could impact the economic outlook, both on the downside and the upside.

The Ministère des Finances has therefore developed two alternative growth scenarios that could characterize the economy in the coming years. Under these scenarios, the impacts of different economic growth on the financial framework as well as the Québec government's debt and financing program are assessed.

7.1 Two alternative economic forecast scenarios

The first scenario foresees a recession, owing to 25% tariffs being introduced on all U.S. imports except energy products (10%) over a two-year period, and equivalent retaliatory measures imposed by the countries covered by these tariffs.

— Under this scenario, real GDP would fall by 0.1% in 2025, before a weak growth of 0.5% in 2026. In comparison to the baseline scenario, the cumulative negative gap in 2025 and 2026 would reach 2.1 percentage points.

The second scenario forecasts stronger growth. The rise in economic activity would be sharper than in the baseline scenario as a result of a timely resolution of trade disputes and dissipating uncertainties overhanging international trade.

— In this scenario, real GDP growth would accelerate from 1.4% in 2024 to 1.8% in 2025, and then to 2.0% in 2026. In comparison to the baseline scenario, the cumulative positive gap in 2025 and 2026 would reach 1.3 percentage points.

TABLE A.14

Real GDP in Québec under the scenarios
(percentage change, shock in percentage points)

	Baseline scenario	Scenario with 25% tariffs		Stronger growth scenario	
	Change	**Shock**	**Change**	**Shock**	**Change**
2024	1.4	—	1.4	—	1.4
2025	1.1	−1.2	−0.1	+0.7	1.8
2026	1.4	−0.9	0.5	+0.6	2.0
2027	1.6	+0.4	2.0	+0.2	1.8
2028	1.7	—	1.7	—	1.7

The two alternative scenarios are not symmetrical, mainly due to the nature of the effects brought about by each situation.

- The scenario involving substantial tariff barriers imposed over a two-year period would result in a recession with adverse consequences that would permanently lower Québec's economic potential.
- The scenario of stronger growth would boost international trade and would generate positive, progressive and sustained effects, strengthening the potential for long-term growth.

❑ Impacts on the budgetary balance

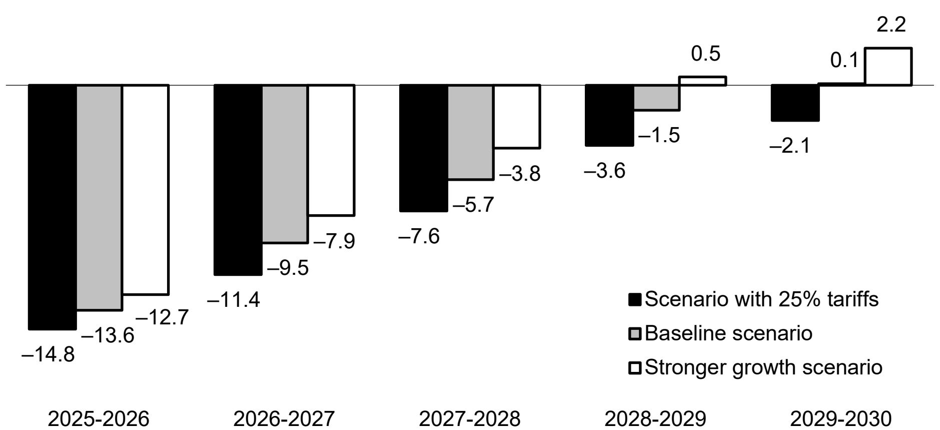
The alternative scenarios illustrate how achieving a balanced budget could be affected if the economic situation were to take a different trajectory than that expected in Budget 2025-2026.

If a recession were to occur due to the trade dispute started by the United States, budgetary deficits would occur in all years of the financial framework and exceed the deficits forecast under the baseline scenario.

- Use of the contingency reserve would limit the effects of any temporary decline in economic activity and reduce pressure on the financial framework.
- However, the provision would not be sufficient to ensure compliance with the *Balanced Budget Act* and to balance the budget by 2029-2030.
- The government could then be required to request a suspension of the application of the Act.

CHART A.4

Budgetary balance – Baseline and alternative scenarios
(billions of dollars)



Note: Budgetary balance within the meaning of the *Balanced Budget Act*.
These three scenarios include the gaps to be bridged included in the financial framework.

Conversely, if the trade disputes were set aside and economic conditions proved more favourable than expected, deficits would be lower in the short term and budget surpluses would be achieved in the financial framework's last two years.

— In such a situation, it would be possible to achieve fiscal balance by 2029-2030 while eliminating the gap to be bridged forecast in the financial framework.

❑ Impacts on net debt to GDP

Under the scenario with 25% tariffs, net debt to GDP would be 2.0 percentage points higher as at March 31, 2030, bringing it to 41.8%, or $9.4 billion higher than under the baseline scenario.

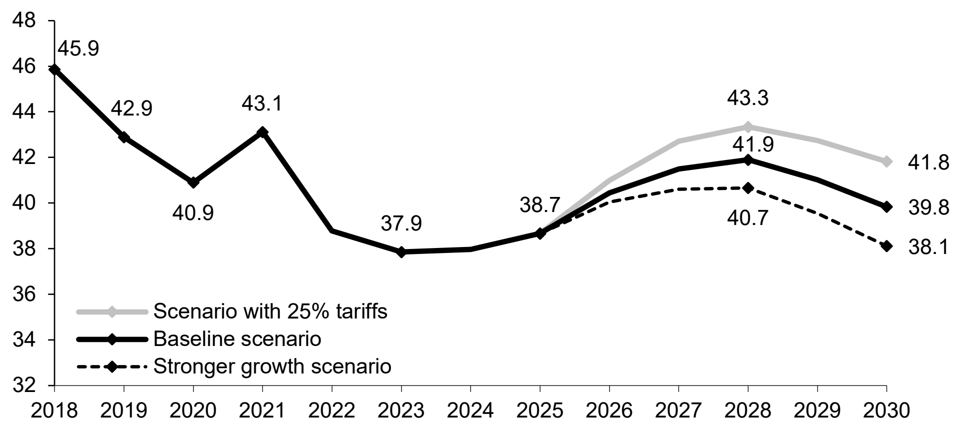
— The new 2032-2033 debt reduction target would not be met, but the 2037-2038 target would be reached.

Under the stronger growth scenario, net debt to GDP would stand at 38.1% as at March 31, 2030, or 1.7 percentage points of GDP lower than under the baseline scenario.

— The new net debt reduction targets would be met.

CHART A.5

Net debt as at March 31 – Baseline scenario and alternative scenarios
(percentage of GDP)



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APPENDIX: QUÉBEC'S ECONOMIC OUTLOOK – 2023 TO 2029

TABLE A.15

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

	2023	2024	2025	2026	2027	2028	2029
Production							
Real GDP	0.6	1.4	1.1	1.4	1.6	1.7	1.7
Nominal GDP	5.0	5.3	3.4	3.4	3.5	3.5	3.6
Nominal GDP (billions of dollars)	579.5	609.9	630.5	651.6	674.4	698.3	723.4
Components of GDP (in real terms)							
Final domestic demand	−0.2	1.8	1.6	1.2	1.3	1.4	1.5
– Household consumption	1.8	2.3	2.3	1.7	1.8	1.9	1.8
– Government spending and investment	−0.4	1.8	0.2	0.1	0.1	0.2	0.5
– Residential investment	−15.1	1.6	4.6	1.2	1.1	0.8	0.8
– Non-residential business investment	1.4	−0.1	0.1	1.1	2.1	2.5	2.6
Exports	4.0	1.7	1.3	2.0	2.2	2.1	2.1
Imports	−0.8	1.5	1.7	1.4	1.5	1.5	1.6
Labour market							
Population (thousands)	8 848	9 056	9 101	9 103	9 102	9 150	9 198
Population aged 15 and over (thousands)	7 252	7 435	7 523	7 541	7 549	7 600	7 649
Jobs (thousands)	4 523	4 566	4 605	4 622	4 639	4 656	4 673
Job creation (thousands)	130.8	43.2	39.1	17.4	16.7	16.3	17.4
Unemployment rate (per cent)	4.5	5.3	5.8	5.4	4.5	4.3	4.3
Other economic indicators (in nominal terms)							
Household consumption	5.8	4.8	4.6	3.5	3.5	3.5	3.5
– Excluding food expenditures and shelter	5.4	3.7	4.0	3.2	3.3	3.3	3.3
Housing starts (thousands of units)	38.9	48.7	50.5	49.3	48.3	46.4	44.9
Residential investment	−12.3	5.6	8.0	3.6	3.4	3.2	3.1
Non-residential business investment	6.8	2.9	1.9	3.2	4.0	4.5	4.7
Wages and salaries	5.2	5.6	3.7	3.0	3.4	3.2	3.2
Household income	5.5	6.7	3.7	3.1	3.3	3.3	3.3
Net operating surplus of corporations	1.6	0.4	−1.1	3.4	3.2	4.3	3.5
Consumer Price Index	4.5	2.3	2.1	2.0	2.0	2.0	2.0
– Excluding food and energy	4.5	2.7	2.4	2.0	2.0	2.0	1.9

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

Section B

STIMULATING WEALTH CREATION

Summary B.3

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1.2 Supporting investment projects B.6

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SUMMARY

The government has set itself the goal of transforming Québec's economy with a view to making it more prosperous and reaching a level of wealth comparable to that of its main trading partners. The economy's strong performance since 2018 has enabled Québec to make historic progress toward closing the standard of living gap with Ontario and the rest of Canada. This progress will continue over the next few years.

— The gap in real GDP per capita between Québec and Ontario, which was 15.9% in 2018, is expected to stand at 9.9% in 2026. The gap with the rest of Canada is expected to narrow to 13.7% in 2026, from 20.2% in 2018.

The turbulence in trade relations with the United States nevertheless represents a significant challenge for the Québec economy. Our businesses are facing a climate of uncertainty and need to show resilience and adaptability. Québec needs to adjust to perform in this new context.

In the short term, the government will support businesses experiencing difficulty caused by trade disputes. During the transition period, it will assist the economy by increasing its investments in infrastructure and by working with the other provinces to reduce trade barriers on the Canadian market. Lastly, it intends to stay the course on long-term wealth creation by stimulating investments and innovation in businesses, enabling them to strengthen their competitive position on the global stage.

Québec has unique advantages that we can leverage to face the coming challenges: a diversified economy, a strategic geographic location, many first-rate universities, a qualified labour force, affordable electric power, abundant natural resources and a tax system that favours investment and innovation.

In Budget 2025-2026, the government is acting to stimulate wealth creation and to strengthen our businesses' competitive position.

Over $5.4 billion over the next five years will be used for supporting and revitalizing Québec's economy, increasing our capacity for innovation and encouraging regional contributions to wealth creation.

In Budget 2025-2026, the government is announcing measures totalling over $5.4 billion over five years to stimulate wealth creation, namely:

— $4.1 billion for supporting and revitalizing Québec's economy;

— $604.1 million for increasing our capacity for innovation;

— $759.0 million for encouraging regional contributions to wealth creation.

TABLE B.1

Financial impact of the measures to stimulate wealth creation
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting and revitalizing Québec's economy	−802.5	−992.2	−745.0	−821.8	−704.5	−4 066.0
Increasing our capacity for innovation	−77.7	−109.9	−141.3	−128.1	−147.1	−604.1
Encouraging regional contributions to wealth creation	−186.9	−231.4	−125.3	−107.1	−108.3	−759.0
TOTAL	**−1 067.1**	**−1 333.5**	**−1 011.6**	**−1 057.0**	**−959.9**	**−5 429.1**

Note: Totals may not add due to rounding.

1. SUPPORTING AND REVITALIZING QUÉBEC'S ECONOMY

The resilience of an economy lies in its capacity to absorb shocks and adapt quickly to changes and unforeseen events.

The U.S. government's new stance toward its trading partners calls for prudence for Québec with regard to its economic and trade relations with the United States. In the current situation, our businesses need to invest to improve their productivity, strengthen their competitive position and reduce their dependency on the U.S. market, thereby mitigating the economic risks associated with trade disruption. For consumers, the situation provides an opportunity to support Québec businesses by choosing local products.

To support and revitalize the Québec economy, the government is announcing, as part of Budget 2025-2026, an investment of $4.1 billion over five years with a view to:

— providing transitional assistance to businesses affected by U.S. tariffs;

— supporting investment projects;

— fostering market diversification;

— making it easier to identify Québec products.

TABLE B.2

Financial impact of the measures to support and revitalize Québec's economy
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Providing transitional assistance to businesses affected by U.S. tariffs(1)	−200.0	−200.0	—	—	—	−400.0
Supporting investment projects	−563.8	−745.0	−707.2	−783.5	−666.2	−3 465.7
Fostering market diversification	−35.7	−45.7	−37.8	−38.3	−38.3	−195.8
Making it easier to identify Québec products(2)	−3.0	−1.5	—	—	—	−4.5
TOTAL	**−802.5**	**−992.2**	**−745.0**	**−821.8**	**−704.5**	**−4 066.0**

(1) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie. The amounts 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. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

1.1 Providing transitional assistance to businesses affected by U.S. tariffs

Tariffs imposed by the U.S. government will cause the price of Québec goods in the United States to rise. In the short term, this could hurt the sales of Québec businesses and reduce their liquidity.

The government wishes to support businesses that would experience liquidity problems resulting from the imposition of tariffs by the U.S. government.

In Budget 2025-2026, the government is providing financial assistance in the form of loans to affected businesses, representing liquidity of $1.6 billion. Appropriations of $400.0 million over two years are earmarked for this initiative.

— In addition, Revenu Québec will use its administrative leeway to support exporting businesses, in particular by speeding up the processing of their tax credit applications. The agency's aim is to halve the processing time to provide these businesses with liquidity. Revenu Québec will also be flexible, to ensure that any liquidity problems are not exacerbated.

1.2 Supporting investment projects

The business and regulatory environment must be competitive to stimulate business investment and to facilitate investment projects that may require tailored support from the government.

To support investment projects, in Budget 2025-2026 the government is announcing an investment of $3.5 billion over five years with a view to:

— extending accelerated depreciation measures;

— promoting business projects;

— continuing the digital transformation offensive;

— continuing the construction training offensive;

— supporting Québec suppliers in the electrical industry;

— ensuring that environmental authorizations are issued within an optimal time frame.

TABLE B.3

Financial impact of the measures to support investment projects

(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending accelerated depreciation measures	−311.1	−330.1	−299.8	−768.1	−650.8	−2 359.9
Promoting business projects(1)	−200.0	−350.0	−350.0	—	—	−900.0
Continuing the digital transformation offensive(2)	−6.0	−6.0	−2.0	—	—	−14.0
Continuing the construction training offensive(3)	−40.4	−40.4	−40.4	−0.4	−0.4	−122.0
Supporting Québec suppliers in the electrical industry(2)	−3.5	−3.5	—	—	—	−7.0
Ensuring that environmental authorizations are issued within an optimal time frame(4)	−2.8	−15.0	−15.0	−15.0	−15.0	−62.8
TOTAL	**−563.8**	**−745.0**	**−707.2**	**−783.5**	**−666.2**	**−3 465.7**

(1) The appropriations will be granted to the Ministère de l’Économie, de l’Innovation et de l’Énergie. The amounts 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. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(3) The appropriations will be granted to the Ministère de l’Éducation. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(4) 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 2025-2026 will be drawn from the Contingency Fund.

Investissement Québec and the Caisse de dépôt et placement du Québec supporting Québec businesses

Québec businesses can count on the support of Investissement Québec (IQ) and the Caisse de dépôt et placement du Québec (CDPQ) in their projects aimed at boosting productivity and diversifying their markets.

IQ: a partner in business growth

IQ's mission is to play an active role in Québec's economic development by conducting its own activities, administering programs and carrying out mandates entrusted to it by the government.

To achieve this, IQ works to stimulate innovation in businesses, entrepreneurship and acquisition entrepreneurship, investment and export growth, as well as to promote high value-added jobs across Québec.

- In 2023-2024, IQ:
  - provided support services to 6 500 businesses with respect to technology, exports, strategy and labour;
  - granted $4.0 billion in financing for projects worth a total of $12.7 billion.
- Over 90% of IQ's initiatives are carried out for businesses with fewer than 200 employees.

IQ's Panorama program: enhanced support for exporting businesses

On February 19, IQ announced the Panorama program, designed to help Québec exporters diversify their exports to markets other than the United States.

Panorama provides businesses with flexible financing and support services by IQ export experts, in collaboration with Québec's economic network abroad and in Canada, as well as with local partners.

New program from the CDPQ to support Québec businesses

On February 6, the CDPQ announced a new program to encourage Québec businesses to launch projects that increase productivity or to strategically pivot to new markets.

This program includes access to flexible financing and support for technological transformation, as well as increased support for all businesses looking to explore new markets to diversify their client base, suppliers or operations.

- For this purpose, CDPQ teams will work to open doors for businesses and support them with its roster of 5 000 portfolio businesses and business partners in 70 countries.

As at December 31, 2024, the CDPQ's investments in Québec totalled $93 billion. The CDPQ has set itself the goal of increasing these to $100 billion by 2026.

❑ Extending accelerated depreciation measures

In response to the U.S. tax reform of 2018, and in the wake of federal government measures, the government announced in its fall 2018 *Update on Québec's Economic and Financial Situation* accelerated depreciation measures to encourage business investment.

— By enabling businesses to write off the cost of their investment more quickly, the government is giving them a large increase in short-term liquidity, thus making their investment more profitable.

— These measures are being gradually eliminated, a process that began on January 1, 2024 and will be completed by the end of 2027.

In its 2024 *Fall Economic Statement*, the federal government announced that accelerated depreciation measures would be extended for a further five years beginning January 1, 2025, with a four-year gradual elimination period after 2029.

— The extension of these measures has not yet come into force because of the prorogation of the Canadian Parliament.

■ Stimulating investment to boost productivity

In Budget 2025-2026, the government is confirming its intention to harmonize with the federal government's announcement, when it comes into force.

— By applying to both provincial and federal taxes, Québec's harmonization with the federal extension of accelerated depreciation measures would allow businesses a more substantial tax advantage, while avoiding the need to complicate the tax system.

Accordingly, the 100% depreciation rate in the year of acquisition would be restored until 2029 on:

— manufacturing and processing machinery and equipment;

— clean energy generation equipment;

— zero-emission vehicles.

In addition, all other types of investments not covered by the increase in the depreciation rate to 100% could be written off at up to three times the amortization amount that usually applies in the first year.

An extension of accelerated depreciation measures would be granted to all 100 000 businesses in Québec that make investments.

— This move would strengthen the competitive position of our businesses with tax relief of $2.4 billion over five years.

Ensuring a competitive global tax environment

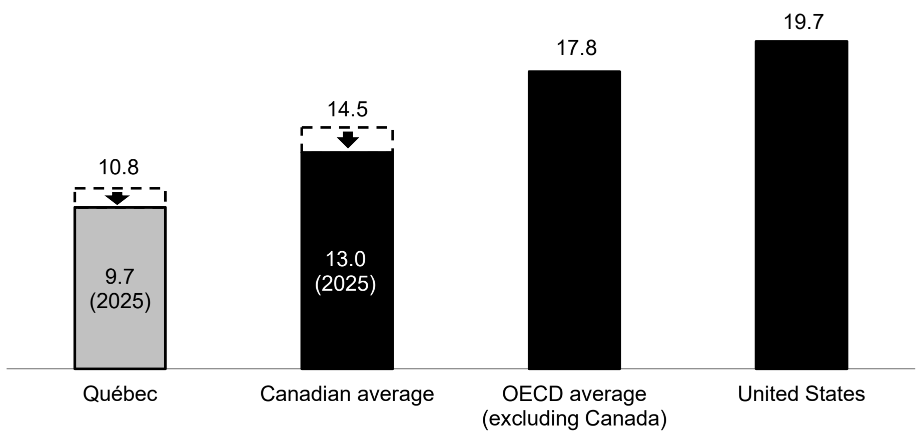
The competitiveness of the business tax system is crucial to creating a business climate that stimulates investment. This is particularly reflected in the marginal effective tax rate (METR) on investments.

- The METR is a theoretical measure of the impact of the tax system on new investments. It represents the effect of all tax expenses and rules that influence the return on invested capital.

With the extension of accelerated depreciation measures by Québec and the federal government, the average METR for Québec would be 9.7%, compared with an average of:

- 13.0% in Canada;
- 17.8% in OECD countries;
- 19.7% in the United States.

Marginal effective tax rate (METR) on investments − 2024
(per cent)



Sources: Ministère des Finances du Québec and Department of Finance Canada.

❑ Promoting business projects

Due to the U.S. government's new stance on its trade relations, Québec businesses will have to make a stronger commitment to investment so they can increase their productivity and thus position themselves favourably, in particular in new markets.

The government has a number of tools at its disposal, including the Economic Development Fund, to provide flexible support tailored to the specific situation of certain businesses.

— These tools make it possible, in particular, to provide financial assistance for business projects with the aim of promoting automation, robotization, digital transformation and the incorporation of artificial intelligence.

In order to continue its support for strategic economic projects, the government is setting aside $900.0 million over three years.

❑ Continuing the digital transformation offensive

The Québec government launched its digital transformation offensive in 2020 to encourage businesses to boost their productivity through investments aimed at automation, integrating artificial intelligence into their operations, and digitalization.

Since then, 38 projects have been implemented by organizations that assist businesses in making the digital transformation in a number of activity sectors, including manufacturing, construction, retail, mining, tourism, agriculture and forestry.

— Amounts allocated to these projects total over $360.0 million, and have enabled over 125 000 businesses to become aware of the importance of the digital transformation, while also providing support to more than 15 000 of them.

In Budget 2025-2026, the government is announcing an investment of $14.0 million over three years in order to continue the digital transformation offensive and support businesses in their efforts to improve productivity.

❑ Continuing the construction training offensive

Given the labour shortage in the Québec construction sector and the current climate of economic uncertainty, it is vital to continue investing in specialized training to meet the needs of the market.

To follow up on phases 1 and 2 of the construction training offensive, the government is continuing its drive to train or requalify 10 000 additional workers in this sector by 2028 in order to ensure the completion of major upcoming infrastructure projects, including Hydro-Québec's *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec*.

Additional training initiatives in the construction sector include:

— increasing the available places in certain vocational training programs, particularly those leading to the trades of carpenter-joiner, electrician, bricklayer-mason, refrigerationist, pipefitter, lineworker and crane operator;

— enhancing the skills of construction workers already in employment, with particular emphasis on apprentices without diplomas and greater use of internships;

— developing a wide-ranging campaign to promote and highlight the importance of trades in this sector and raise awareness of the importance of upcoming projects.

For this purpose, in Budget 2025-2026, the government plans to invest $122.0 million by 2029-2030 to support additional training initiatives in the construction sector.

Report on the construction training offensive

The construction training offensive was launched in October 2023 with the aim of quickly training 4 000 to 5 000 workers in certain high-demand construction trades. It was mainly based on a temporary offer of short training courses leading to an attestation of vocational studies (AEP).

In Budget 2024-2025, the government announced that it would continue its efforts to increase the labour supply in this sector and also enable the development of emerging training programs, such as work-study programs.

– Phase 1 was completed in November 2024. The most recent data show that the graduation target of some 3 100 people has been met at 93% for the targeted trades.

– Phase 2 is still underway, with over 2 500 students enrolled in carpentry-joinery training.

An $11-billion increase in public infrastructure investments over three years to support the economy

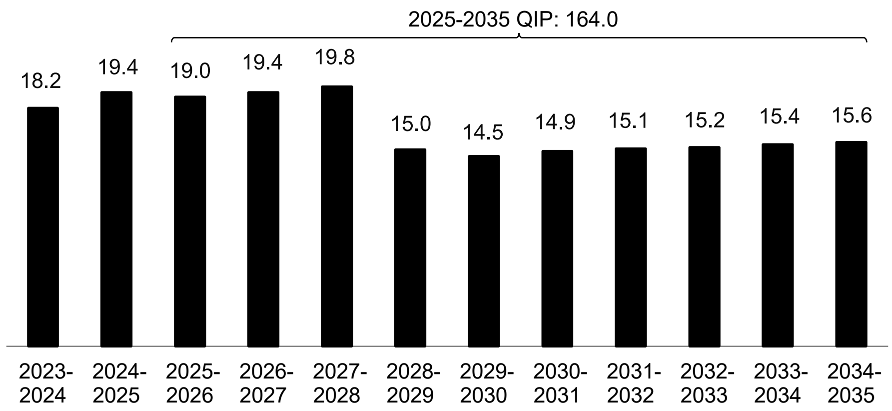
Public infrastructure investments help support the delivery of quality public services. They also help stimulate the economy and increase Québec's long-term economic potential. In the current environment, marked by economic uncertainty, the government is announcing an $11-billion increase in infrastructure investments over three years, from 2025-2026 to 2027-2028.

Numerous projects throughout Québec are in progress. To rapidly complete them and to stimulate the economy, the government will take annual public infrastructure investments to over $19 billion, on average, over the next three years.

Over 10 years, the 2025-2035 Québec Infrastructure Plan (QIP) will thus total $164.0 billion, an increase of $11 billion or 7%. Lower levels of investment are planned from 2028-2029. The level of investment could be maintained if the federal government announces a new long-term infrastructure plan.

– The federal government's most recent large-scale infrastructure funding plan dates back to 2016, and the funds available to Québec under the subsequent Integrated Bilateral Agreement were all allocated in March 2023.[1]

Annual investments in the 2025-2035 Québec Infrastructure Plan
(billions of dollars)



Note: Totals may not add due to rounding.
Source: Secrétariat du Conseil du trésor.

In addition, Hydro-Québec will make a significant contribution to Québec's economic growth with the progressive completion of its *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec*.

– This plan will require capital investments of between $135 billion and $160 billion over the 2024-2035 period.

1 Projects funded under this agreement must be completed by October 31, 2033.

❑ Supporting Québec suppliers in the electrical industry

Launched in 2022, the project for strategic Québec electrical supply (PASQE) has provided support to Québec businesses in the development of the electrical industry.

— Among other things, this initiative has supported projects that have increased the capacity of Québec businesses to produce various components needed in the hydroelectricity sector, particularly to replace imported equipment and critical components for electricity production and transmission.

Given its ambitious goals for energy transition and the development of electricity supply, in Budget 2025-2026 the government is setting aside $7.0 million over two years to prolong and enhance the initiative, which will become PASQE 2.0, in order to improve the supply chain and boost economic benefits in Québec.

❑ Ensuring that environmental authorizations are issued within an optimal time frame

In recent years the government has succeeded in speeding up the issuance of environmental authorizations required for economic development projects of importance for Québec.

This is why the resources that have made it possible to accelerate the services regarding environmental authorizations must be maintained. The increase in staffing levels made it possible to issue 88% of authorizations within 75 days or less, exceeding the 85% target that had been set.

In addition, investment in the Bureau d'audiences publiques sur l'environnement (BAPE) will be extended so that it can continue to efficiently carry out its mandates as part of the procedure for examining and assessing environmental impacts.

The government is setting aside $62.8 million over five years to renew the staffing levels required for the study of the environmental effects of essential economic development projects in Québec.

1.3 Fostering market diversification

Given the uncertainty surrounding our trade relations with the United States, many businesses will be looking to modify their supply chains and diversify their markets.

Excluding the United States, Canada's numerous free trade agreements give Québec privileged access to over 1 billion consumers in 50 other countries. Québec boasts modern, efficient transportation infrastructure that enables goods to be shipped by land, rail, sea or air.

To foster market diversification, in Budget 2025-2026 the government is announcing an investment of $195.8 million over five years with a view to:

— pursuing the maritime strategy;

— encouraging the realization of export projects;

— defending Québec's interests and creating wealth by supporting our network of offices abroad.

TABLE B.4

Financial impact of the measures to foster market diversification
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Pursuing the maritime strategy(1)	−21.8	−31.8	−31.8	−32.3	−32.3	−150.0
Encouraging the realization of export projects(2)	−7.9	−7.9	—	—	—	−15.8
Defending Québec's interests and creating wealth by supporting our network of offices abroad(3)	−6.0	−6.0	−6.0	−6.0	−6.0	−30.0
TOTAL	**−35.7**	**−45.7**	**−37.8**	**−38.3**	**−38.3**	**−195.8**

Note: The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère des Transports et de la Mobilité durable.
(2) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.
(3) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie.

Increasing trade with our Canadian partners

The Canadian market plays an essential role in the Québec economy. Exports of goods and services to other provinces and territories account for a significant proportion of Québec's trade, and make a major contribution to its gross domestic product, representing over $103 billion in 2023 and close to 18% of Québec's GDP, making the Canadian market not only our main partner but also our top client.

– According to Statistics Canada, goods and services worth over $530 billion were traded between the provinces and territories in 2023, representing over 18% of Canada's GDP.

The Canadian Free Trade Agreement

In effect since 2017, the Canadian Free Trade Agreement (CFTA) seeks to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services and investments within Canada. Québec's participation in this agreement helps secure this substantial market for the benefit of our businesses and consumers.

In the face of U.S. tariff threats, Québec is working closely with the other provinces and territories and the federal government to stimulate trade and reduce interprovincial trade barriers wherever possible.

Québec's contribution to efforts to increase domestic trade

Based on recommendations made by the Committee on Internal Trade, the federal, provincial and territorial premiers announced on March 5 a series of concrete actions to strengthen commitments under the CFTA, promote mutual recognition, facilitate labour mobility and stimulate domestic markets. As such, Québec:

– is carefully reviewing its CFTA exceptions, to identify those that could be withdrawn or modified, and has already identified at least five for potential withdrawal;

– remains committed to supporting all the work of the Regulatory Reconciliation and Cooperation Table established under the CFTA;

  ▪ Among other things, it is participating in a pilot project aimed at concluding a mutual recognition agreement for the trucking sector by the end of 2025.

– is contributing, in accordance with its own objectives, to efforts to facilitate labour mobility in Canada through ongoing improvements, such as the development of a service standard of a maximum of 30 days from receipt of a complete application to reduce delays for certified workers wishing to work in Québec, while ensuring the protection of the public and the French language;

– is continuing to support Québec businesses looking to expand into the Canadian market, in particular through its network of Québec offices in Canada and through the specialized support services provided by Investissement Québec International, in order to further capitalize on the rich potential of Canadian markets, where proximity and accessibility go hand in hand with profitability and prosperity.

❑ Pursuing the maritime strategy

The government intends to continue its efforts to develop the potential of the St. Lawrence River by continuing to roll out its maritime strategy. This strategy aims to make the river a high-performance economic corridor.

To support this initiative, in Budget 2025-2026 the government is setting aside $150.0 million over five years, which will ultimately generate private and institutional investment, and continue to increase Québec's port capacity to enhance business competitiveness and promote the diversification of their exports.

❑ Encouraging the realization of export projects

In 2023, international and interprovincial exports of goods and services represented 29% and 18% respectively of Québec's GDP.

Exports are a key component of Québec's economy, but due to the economic uncertainty related to recent changes in the stance of the United States, the destination of 74% of Québec's international goods exports in 2023, many Québec businesses would do well to diversify their trading partners.

Against this backdrop, the government is setting aside $15.8 million over two years to encourage the realization of export projects. This amount will be used with a view to:

— supporting regional export promotion organizations (ORPEX) that assist businesses with their export or market diversification projects, and foster support for foreign direct investment;

— allocating to Investissement Québec an additional $2 million per year over two years to support Québec businesses in their efforts to diversify in the rest of Canada and internationally.

❑ Defending Québec's interests and creating wealth by supporting our network of offices abroad

Québec's new international policy, which will be launched shortly, is rolling out at a time when the international geopolitical and economic order is being called into question.

To defend Québec's interests and create wealth, the government ensures that Québec's network of offices abroad has the resources it needs to operate effectively.

As part of Budget 2025-2026, the government is setting aside $30.0 million over five years to support Québec's network of offices abroad.

In particular, this funding is aimed at:

— continuing the implementation of territorial strategies on the international stage;

— supporting business intelligence initiatives;

— maintaining personnel to promote economic interests in Québec's network of offices abroad;

— supporting the international ambitions of Québec business networks and enterprises.

Influence of Québec's network of offices abroad

According to a study by Sanctuary Counsel released in 2022, Québec is recognized as one of the most influential federated states in the world, thanks in particular to its 33 offices in 19 countries and its 2 multilateral representations linked to La Francophonie and UNESCO.

Québec's offices abroad are responsible for:

- supporting Québec's exporting businesses;
- promoting Québec's interests, culture and identity;
- attracting foreign investment;
- increasing Québec's appeal to Francophone and Francotrope workers and students.

This diplomatic presence enables the Québec government to provide Québec businesses, creators, institutions and researchers with services, advice and activities tailored to the specific circumstances of the various countries within the network.

- These services vary according to the number and types of positions in each office and the relationships established with host states, and mainly concern the economy, education, culture, immigration and public affairs.

Types of positions abroad

	Number	Head	Activity sectors of services provided
General delegation	8	Government-appointed Delegate-General	Economy, education, culture, immigration and public affairs
Delegation	11	Government-appointed delegate	Economy, education, culture and public affairs
Bureau	9	Director appointed by the Minister or deputy minister of MRIF(1)	Limited number of sectors
Trade office	5	Reports to a delegation	Limited number of sectors
TOTAL	**33**	**n/a**	**n/a**

(1) MRIF: Ministère des Relations internationales et de la Francophonie.
Source: Québec government, *Québec government offices abroad*, [Online], [URL: https://www.quebec.ca/en/gouvernement/ministeres-organismes/relations-internationales/quebec-government-offices-abroad], (Page consulted February 17, 2025).

Unprecedented challenges to the international geopolitical and economic order necessitate maintaining current resources and personnel devoted to Québec diplomacy.

The offices remain, among other things, at the forefront of negotiations with the U.S. and international governments and business networks.

Simplified governance of the international youth mobility service offering

International work experience can represent a unique and decisive opportunity in young adults' career choices. This is why the government body Les Offices jeunesse internationaux du Québec (LOJIQ) enables young adults aged 18 to 35 to take part in mobility and exchange programs in Québec, Canada and abroad.

– Every year, between 4 000 and 5 000 young people benefit from the organization's programs and financial support.

In the coming months, the government will transform the governance of the international youth mobility service offering by integrating LOJIQ's activities into the Ministère des Relations internationales et de la Francophonie.

By going ahead, the government aims to simplify administrative structures while improving the range of services available to young people. This reorganization will also strengthen consistency with current government priorities, and give greater prominence to the long-standing partnership with France.

1.4 Making it easier to identify Québec products

Buying local is one way to mitigate the effects of the current trade problems with the United States. To this end, it is vital that Québec businesses have access to certifications that make it easier to identify their products.

The mission of the non-profit organization Les Produits du Québec is to facilitate the purchase of Québec products, through three certification marks that guarantee product origin. The three certification marks are as follows:

- "Product of Québec" means that at least 85% of the direct costs related to the purchase of inputs, their processing and assembly are incurred in Québec;
- "Manufactured in Québec" means that the last substantial transformation that gives a product its specific characteristics occurs in Québec;
- "Designed in Québec" means that the product's design and conception staff is wholly located in Québec, but that the product is not produced or manufactured in Québec.

The government is setting aside $4.5 million over two years to continue funding this organization and make it easier to identify Québec products.

2. INCREASING OUR CAPACITY FOR INNOVATION

Innovation is essential to Québec's economic development. Integrating innovation into its activities enables a business to stand out from the competition, both in terms of developing innovative products and optimizing its production processes.

To increase our capacity for innovation, in Budget 2025-2026, the government is setting aside $604.1 million over five years with a view to:

- stimulating innovation and its commercialization through an updated tax assistance system;
- boosting innovation in strategic sectors;
- modernizing public services for greater efficiency;
- helping SMBs with strong potential.

TABLE B.5

Financial impact of the measures to increase our capacity for innovation
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Stimulating innovation and its commercialization through an updated tax assistance system	3.3	−4.9	−69.3	−90.8	−109.8	−271.5
Boosting innovation in strategic sectors	−52.4	−62.2	−39.2	−20.1	−20.1	−194.0
Modernizing public services for greater efficiency	−17.3	−27.3	−17.3	−17.2	−17.2	−96.3
Helping SMBs with strong potential	−11.3	−15.5	−15.5	—	—	−42.3
TOTAL	**−77.7**	**−109.9**	**−141.3**	**−128.1**	**−147.1**	**−604.1**

Note: Totals may not add due to rounding.

2.1 Stimulating innovation and its commercialization through an updated tax assistance system

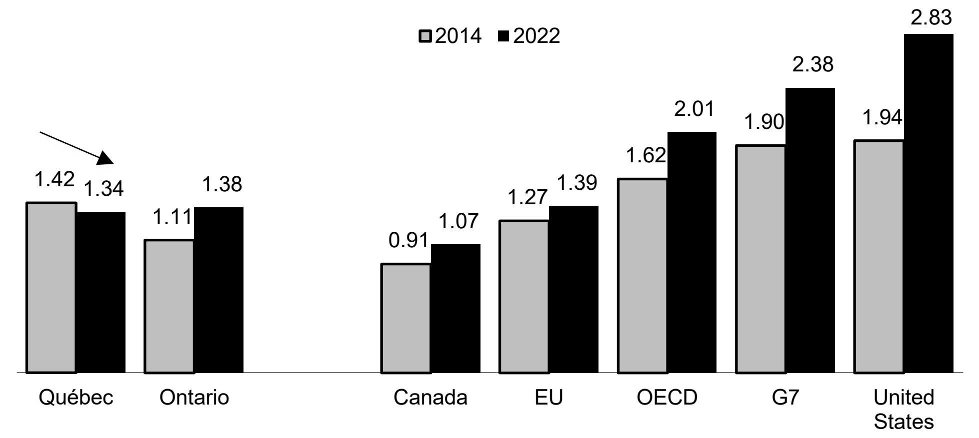
Over the years, considerable effort has been made to put in place mechanisms and tools to improve Québec's innovation performance, in particular through tax assistance.

However, over the past decade, Québec has seen a downward trend in the intensity of R&D spending by businesses, while several other jurisdictions have seen an upward trend, including Ontario, which has now overtaken Québec in this area.

— This situation is cause for concern, raising questions about Québec's ability to sustain its competitiveness and attain its goal of catching up to living standards in Ontario.

CHART B.1

Business enterprise expenditures on R&D (BERD) as a percentage of GDP – 2014 and 2022
(per cent)



Source: Institut de la statistique du Québec.

In this context, the government has launched a major study on optimizing the Québec model for supporting R&D and business innovation, and is planning, in Budget 2025-2026, a new optimized tax assistance system for innovation that will increase benefits in Québec.

— The government drew on the recommendations of experts, including the Conseil de l'innovation du Québec (CIQ) which, under the 2022-2027 Québec Research and Innovation Investment Strategy (QRIIS[2]), was mandated to examine R&D incentives and submit recommendations to optimize them. The CIQ report was made public in April 2024.

The changes, which will provide additional financial support totalling $271.5 million over five years, will help create an environment more conducive to innovation, competitiveness and business growth, while enabling businesses to be better equipped to meet today's global economic challenges.

TABLE B.6

Financial impact of the measures to stimulate innovation and its commercialization through an updated tax assistance system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Simplifying tax assistance for innovation with the abolition of certain measures(1)						
– R&D tax credits	—	93.9	632.7	662.4	693.0	2 082.0
– Tax credit for an in-house design activity (industrial design component)	—	0.8	4.3	4.4	4.6	14.1
– Tax credit for technological adaptation services	—	1.0	1.7	1.7	1.8	6.2
– Tax holiday for foreign researchers	2.5	4.2	6.1	7.9	9.3	30.0
– Tax holiday for foreign experts	0.8	1.2	1.8	2.3	2.7	8.8
Subtotal	3.3	101.1	646.6	678.7	711.4	2 141.1
Introducing the tax credit for research, innovation and commercialization (CRIC)(2)	—	−106.0	−715.9	−769.5	−821.2	−2 412.6
TOTAL	**3.3**	**−4.9**	**−69.3**	**−90.8**	**−109.8**	**−271.5**

(1) The abolished tax credits can be claimed for corporate taxation years that began no later than on the day of the 2025-2026 budget speech.
(2) The CRIC may be claimed by corporations for taxation years that begin after the day of the 2025-2026 budget speech.

❑ The new tax credit for research, innovation and commercialization

The new tax assistance system for innovation will comprise two key measures:

- a new enhanced and improved tax credit, the tax credit for research, innovation and commercialization (CRIC), which will replace eight tax measures;[1]
- a preferential system for intellectual property, namely the incentive deduction for the commercialization of innovations (IDCI), already in force.

In short, the CRIC will be fully refundable and will support R&D and pre-commercialization activities for projects carried out in Québec. It will apply to:

- salaries and wages and equipment expenses;
- 50% of the amount of a subcontract entered into with a university, public research centre or research consortium.

The CRIC does not provide for assistance rates based on the size of a business, but rather on the volume of a business's eligible expenditures, in order to maximize the leverage effect on innovation of any business, namely:

- a rate of 30% for the first $1 million of eligible expenditures in excess of an exclusion threshold;
- a rate of 20% for eligible expenditures in excess of the $1 million limit.

To encourage higher value-added jobs and ensure equity between businesses according to project size, the exclusion threshold for a business's eligible expenditures will correspond to the higher of:

- the basic personal amount under the personal income tax system applicable for each employee, adjusted to the proportion of their time spent carrying out eligible R&D or pre-commercialization activities;
- $50 000.

Details of the changes involved in optimizing Québec's support model for R&D and innovation are presented in the document entitled *Innovating to Prosper.*

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1 These are the four R&D tax credits, the tax credit for an in-house design activity (industrial design component), the tax credit for technological adaptation services and the two tax holidays for hiring foreign researchers and experts.

TABLE B.7

Main parameters of the tax credit for research, innovation and commercialization

Eligible corporations	Rate	Eligible expenses	Exclusion threshold
Corporation with an establishment in Québec that carries on a business here	30% on the first million dollars of eligible expenditures in excess of the exclusion threshold 20% for eligible expenditures in excess of the $1 million limit	Expenditures related to R&D or pre-commercialization activities:(1) – labour costs or 50% of the value of a contract entered into with a subcontractor – equipment acquisition costs	The higher of: – the exclusion threshold amounts per employee(2) – $50 000

(1) To be eligible, pre-commercialization activities must constitute a continuation of an R&D project carried out in Québec.
(2) The exclusion threshold amount for an employee represents the basic personal amount under the personal income tax system (e.g., $18 571 in 2025) adjusted to the proportion of their time spent carrying out eligible R&D or pre-commercialization activities.

Québec's new tax assistance system for innovation, featuring the CRIC, will be more complementary to the federal government's tax support and in line with its recent R&D and innovation intentions.

— Since 2022, the federal government has been reviewing its tax support for R&D and intellectual property. In the *2024 Fall Economic Statement*, it announced enhancements to its R&D tax credit, including restoring the eligibility of capital expenditures.

— The federal government also announced its intent to create a patent box regime, and that it was continuing its analysis.

A significant step in optimizing innovation assistance

The tax changes proposed in Budget 2025-2026 represent a significant step toward optimizing innovation assistance. Special attention will be paid to ensuring that budgetary and tax interventions are well coordinated to increase their effectiveness and ensure optimal use of public resources.

Budgetary support measures must consider the scope of tax measures, to avoid overlap between different financial interventions.

– Better coordination will lead to the harmonization of efforts, simplifying procedures for businesses, and increasing the overall impact of government support.

In addition, greater transparency and better monitoring of results will allow resources to be reallocated efficiently to the most promising sectors and projects.

– To this end, an evaluation of the impact of the introduction of the tax credit for research, innovation and commercialization (CRIC) on innovation expenditures will be carried out periodically to ensure its effectiveness.

2.2 Boosting innovation in strategic sectors

Over the years, Québec has established a world-class scientific research base, positioning itself as a leader in cutting-edge fields such as artificial intelligence, quantum technologies and life sciences.

To promote innovation in strategic sectors, the government is announcing, as part of Budget 2025-2026, $194.0 million over five years with a view to:

- supporting the development of the Technum Québec innovation zone;
- renewing the Québec Life Sciences Strategy;
- supporting corporate research and innovation in priority sectors;
- continuing funding for Mila;
- renewing support for Finance Montréal's activities.

TABLE B.8

Financial impact of the measures to promote innovation in strategic sectors
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting the development of the Technum Québec innovation zone(1)	−20.7	−20.0	−20.0	−20.0	−20.0	−100.7
Renewing the Québec Life Sciences Strategy(1)	−15.0	−25.5	−13.5	—	—	−54.0
Supporting corporate research and innovation in priority sectors(1)	−5.0	−5.0	−5.0	—	—	−15.0
Continuing funding for Mila(1)	−11.0	−11.0	—	—	—	−22.0
Renewing support for Finance Montréal's activities	−0.7	−0.7	−0.7	−0.1	−0.1	−2.3
TOTAL	**−52.4**	**−62.2**	**−39.2**	**−20.1**	**−20.1**	**−194.0**

Note: Totals may not add due to rounding.
(1) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Supporting the development of the Technum Québec innovation zone

The MiQro Innovation Collaborative Centre (C2MI) is a non-profit organization with a mission to accelerate the development and commercialization of components essential to digital and quantum technologies. C2MI is part of the Technum Québec innovation zone, located in Bromont.

C2MI will soon initiate a project to develop an innovative semiconductor manufacturing and post-production process. This process will enable Technum Québec to position itself advantageously in the semiconductor industry, whose production capacities are quite limited in North America.

To provide financial support for the development of the Technum Québec innovation zone, in Budget 2025-2026, the government is setting aside $100.7 million over five years. The addition of this amount is conditional to investments by the federal government and the private sector.

❑ Renewing the Québec Life Sciences Strategy

Investments in life sciences are crucial to meeting health care needs and fostering economic growth and innovation.

The 2022-2025 Québec Life Sciences Strategy has generated more than $3 billion in private investment, spurred the emergence of the ribonucleic acid (RNA)-based therapy industry, and increased the presence of Québec businesses in local and international supply chains.

As the Québec Life Sciences Strategy is coming to an end, the government is setting aside $54.0 million over three years to renew the strategy, which is focused on the following five priorities:

- generating synergies to address major health challenges;
- developing human capital and attracting talent;
- supporting the creation and growth of innovative businesses;
- attracting and materializing investment projects;
- spurring the commercialization of innovations.

❑ Supporting corporate research and innovation in priority sectors

In recent years, through the support of the Québec government, significant research and development investments have been made in strategic sectors such as the battery industry, life sciences, artificial intelligence, microelectronics and aerospace.

These sectors are coming of age with regards to commercialization, and it is essential that the work carried out by Québec businesses come to fruition, so they can increase their productivity and position themselves favourably in their markets.

To achieve this, the government is announcing an investment of $15.0 million over three years in Budget 2025-2026, with a view to:

— supporting collaborative research and technology transfer by leveraging the expertise and infrastructure of public research centres;

— accelerating the adoption of cutting-edge technologies by businesses, including by supporting collaborative innovation projects and the development of innovative goods, services and processes.

❑ Continuing funding for Mila

Mila is a research centre specializing in artificial intelligence that brings together, in particular, resources from the Université de Montréal and McGill University.

It is recognized worldwide for its major contributions to artificial intelligence and stands out for its expertise in language modelling, machine translation, object recognition and generative models.

The Québec government is setting aside $22.0 million over two years to continue the funding granted to Mila, so it can maintain its ability to attract the best researchers, train the next generation, and contribute to partnerships aimed at the deployment and adoption of artificial intelligence.

❑ Renewing support for Finance Montréal's activities

Finance Montréal, Québec's finance cluster, has as its main objective to grow and promote the financial services industry in Québec by bringing together actors from the world of finance, with a view to making Québec an innovative financial centre recognized worldwide.

In Budget 2025-2026, the government is setting aside:

— $1.65 million by 2027-2028, or $550 000 per year over three years, to support Finance Montréal in its objective to make sustainable finance a key factor in the development and influence of Québec's finance industry;

— $0.5 million over five years to help the organization achieve its objectives and fund its operational activities.

TABLE B.9

Financial impact of the measures to renew support for Finance Montréal's activities
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Sustainable finance activities	−0.6	−0.6	−0.6	—	—	−1.8
Operational activities	−0.1	−0.1	−0.1	−0.1	−0.1	−0.5
TOTAL	**−0.7**	**−0.7**	**−0.7**	**−0.1**	**−0.1**	**−2.3**

Notes: Totals may not add due to rounding.
The appropriations will be granted to the Ministère des Finances.
For 2025-2026, $0.45 million will be drawn from the Contingency Fund.

2.3 Modernizing public services for greater efficiency

Innovation and digitalization in the government apparatus are necessary to improve efficiency and provide Quebecers with intuitive, easy-to-use public services.

For the purpose of modernizing public services for greater efficiency, in Budget 2025-2026 the government is announcing an investment of $96.3 million over five years with a view to:

- automating government processes;
- reforming the governance of technological infrastructure and related resources;
- promoting digital sovereignty by greater pooling of application solutions;
- reducing wait times involved in accessing data for research purposes.

TABLE B.10

Financial impact of the measures aimed at modernizing public services for greater efficiency
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Automating government processes(1)	−10.0	−15.0	−15.0	−16.9	−16.9	−73.8
Reforming the governance of technological infrastructure and related resources(1)	−2.0	−2.0	−2.0	—	—	−6.0
Promoting digital sovereignty by greater pooling of application solutions(1)	−5.0	−10.0	—	—	—	−15.0
Reducing wait times involved in accessing data for research purposes(2)	−0.3	−0.3	−0.3	−0.3	−0.3	−1.5
TOTAL	**−17.3**	**−27.3**	**−17.3**	**−17.2**	**−17.2**	**−96.3**

Note: The amounts provided for 2025-2026 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 des Finances.

❑ Automating government processes

In order to meet citizens' growing expectations of efficient, intuitive and easily accessible digital services, the government is investing $73.8 million over five years to automate its processes and improve the quality of public services and government efficiency. This measure will accelerate the use of automation and digital transformation in government processes.

This amount will enable the delivery of digital services through the implementation of intelligent call centres based on the responsible use of artificial intelligence, which will contribute to faster intake, increased access, improved customer service and ultimately productivity gains.

❑ Reforming the governance of technological infrastructure and related resources

After an examination of current practices and in the interests of efficiency and resource optimization, the government is investing $6.0 million over three years to reform the governance of technological infrastructure and related resources.

Accordingly, people working in information resources as well as certain technological infrastructure assets of the departments and budget-funded bodies will be grouped together within the Ministère de la Cybersécurité et du Numérique.

— This strengthening of governance helps solidify cybersecurity and digital sovereignty, while ensuring better control of associated spending growth.

❑ Promoting digital sovereignty by greater pooling of application solutions

With the aim of freeing itself from dependency on various technologies and favouring digital sovereignty, the government is investing $15.0 million over two years to create a digital environment that will enable the pooling of application solutions.

— This amount will serve to set up a government platform that will allow efficient development of government application solutions and improve public bodies' cybersecurity posture.

❑ Reducing wait times involved in accessing data for research purposes

Under its constituting act, the Institut de la statistique du Québec (ISQ) has the responsibility of ensuring that data are passed on to researchers attached to a public body.[2]

That being said, although the ISQ's improvements to its research data access services are having an effect, substantial wait times persist. To remedy the situation, amendments to the constituting act will be proposed with a view to providing additional tools enabling the ISQ to respond rapidly to requests from researchers. Furthermore, these amendments will be aimed at optimizing the ISQ's statistics output, particularly through the use of already available research data to facilitate the production of economic statistics.

Legislative amendments will also be proposed to eliminate certain administrative obstacles that hamper the ISQ's ability to perform mandates it is entrusted with under the act. These obstacles mainly concern the transmission of data to researchers, the signing of agreements, and the procedure that applies when the ISQ, in accordance with its constituting act, accesses data obtained from public bodies. Lastly, legislative amendments will also be proposed to increase fines imposed for breaches of the act, with a view to strengthening the deterrent effect.

The government is setting aside $1.5 million over five years to facilitate the implementation of measures to reduce wait times involved in accessing data for research purposes.

2 Currently, data from the fields of health, education and taxation are accessible to researchers.

Review of research data access services

Since June 2021, the government has been able to designate data held by a public body such that the Institut de la statistique du Québec (ISQ) can share them with researchers attached to a public body.

To that end, designation orders have been issued for data held by the following public bodies:

– 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.

Once de-identified, these data can be communicated to researchers via ISQ's research data access services.

Since these services were established, nearly 500 requests have been submitted by researchers.

Work is continuing to designate other data.

At present, six ISQ research data access centres (CADRISQs) enable researchers to consult data in a secure environment that ensures data confidentiality and protection of personal information. These centres are located in universities, hospitals and on ISQ premises.[1]

Simplified, cross-referenced and secure access to such data enables the ISQ and researchers attached to a public body to contribute to the enrichment of Québec's collective knowledge.

1 CADRISQs located at Université de Montréal, Université de Sherbrooke, McGill University, Centre hospitalier universitaire Sainte-Justine, Sherbrooke Health Campus and on ISQ premises in Québec.

2.4 Helping SMBs with strong potential

To increase its productivity and grow its wealth, Québec must focus on entrepreneurial dynamism, encourage innovative new businesses to enter the market, and facilitate acquisition entrepreneurship.

To support SMBs with strong potential, in Budget 2025-2026 the government is announcing an investment of $42.3 million over three years with a view to:

— implementing the 2025-2028 SMB plan;

— propelling young businesses.

TABLE B.11

Financial impact of the measures to support SMBs with strong potential
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Implementing the 2025-2028 SMB plan	−11.3	−15.5	−15.5	—	—	−42.3
Propelling young businesses	—	—	—	—	—	—
TOTAL	**−11.3**	**−15.5**	**−15.5**	**—**	**—**	**−42.3**

Notes: The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.
The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Implementing the 2025-2028 SMB plan

According to the ISQ, in December 2023, there were approximately 277 500 small and medium-sized businesses (SMBs) in Québec.[3] They represented 99.7% of Québec businesses having employees.[4]

However, in Québec the number of entrepreneurs per capita is much lower than in Ontario and British Columbia. To this must be added the sharp drop in the number of entrepreneurs and the increase in their average age.

To help entrepreneurs and SMBs make a greater contribution to Québec's economy, the government is setting aside $42.3 million over three years for implementing the 2025-2028 SMB plan.

In addition, SMBs will benefit from tailored support from Investissement Québec, which provides over 90% of its initiatives to businesses with fewer than 200 employees.

3 Small and medium-sized businesses are those with fewer than 500 employees.

4 ISQ, *Nombre d'entreprises actives au Québec*, [Online], [https://statistique.quebec.ca/fr/document/nombre-entreprises-actives-quebec], (Page consulted March 7, 2025).

2025-2028 SMB plan

The objective of the SMB plan is to help businesses in all regions of Québec have access to the services and support they need to ensure their development and growth.

To support them and make them aware of the services available, the 2025-2028 SMB plan proposes an integrated and shared vision of the main actions taken by the Québec government and its local and regional partners to support SMBs.

This plan is aimed at:

- providing a gateway to SMBs in all regions;
- supporting SMBs in their innovation projects;
- supporting entrepreneurs at the various stages of business development;
- increasing the competitiveness and productivity of SMBs;
- enhancing the provision of support for acquisition entrepreneurship;
- reducing the administrative burden on businesses.

Details of the 2025-2028 SMB plan will be announced at a later date.

Regulatory and administrative streamlining

The government is making regulatory and administrative streamlining one of its economic priorities in order to increase competitiveness in the business environment and boost the development of businesses.

To this end, several measures have been implemented in recent years, including:

- adoption of the 2020-2025 Government Action Plan on Regulatory and Administrative Streamlining, comprising 47 streamlining measures and three targets for reducing the administrative burden on businesses, including a recurring $200-million reduction target in the annual cost of administrative formalities for businesses;

- the government's commitment to introduce an omnibus bill each year to reduce the regulatory and administrative burden on businesses, which has resulted in the tabling of four bills in the National Assembly since 2021;

- reinforcement of the "one-for-one" requirement of the government's policy on regulatory and administrative streamlining, which requires all relevant departments and bodies to offset the addition of a new administrative formality for businesses with the removal, at the same time, of another formality of equivalent cost.

The series of measures deployed over the past few years have resulted in significant progress being made toward achieving the targets set out in the action plan, including an 18% reduction in the cost of administrative formalities for businesses by the end of 2023-2024, representing a recurring annual reduction of more than $170 million.

The government will continue its efforts to reduce regulatory and administrative streamlining by:

- continuing deployment of Zone entreprise, the portal under the responsibility of Services Québec, designed to provide single-window access to services for businesses;

- strengthening the governance framework supporting regulatory streamlining;

- developing the government's next action plan on regulatory and administrative streamlining.

❑ Propelling young businesses

In Budget 2020-2021, the Québec government set up the Impulsion PME program aimed at supporting innovative young businesses with strong growth potential by offering them investment capital at the start-up stage.

— Since this program's launch in 2021, it has made about 60 investments totalling $52.6 million.

To ensure the continuity of funding for young innovative businesses with strong potential, in Budget 2025-2026 the government is announcing the creation of a new investment fund.

— The new fund will have an envelope of $200 million, drawn from investment envelopes initially dedicated to the Impulsion PME program, plus an additional $50-million envelope drawn from the budget of the 2022-2027 Québec Research and Innovation Investment Strategy (QRIIS[2]).

— These amounts will provide continued support for investments and the commercialization of innovations by young businesses.

Details of the fund will be announced at a later date.

3. ENCOURAGING REGIONAL CONTRIBUTIONS TO WEALTH CREATION

Collective wealth creation depends on the contribution of all Québec regions and on the vitality of their strategic activity sectors. These elements contribute to the resilience and diversification of the Québec economy.

To encourage regional contributions to wealth creation, in Budget 2025-2026 the government is announcing an investment of $759.0 million over five years with a view to:

- revitalizing regional economies;
- leveraging our critical and strategic minerals;
- supporting the forestry sector;
- continuing to support the tourism industry;
- fostering the development of the bio-food sector.

TABLE B.12

Financial impact of the measures to encourage regional contributions to wealth creation
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Revitalizing regional economies	−52.9	−67.3	−43.2	−26.4	−27.6	−217.4
Leveraging our critical and strategic minerals	−26.5	−27.1	−17.0	−18.0	−18.0	−106.6
Supporting the forestry sector	−45.4	−36.9	−12.4	—	—	−94.7
Continuing to support the tourism industry	−24.0	−54.0	−20.0	−20.0	−20.0	−138.0
Fostering the development of the bio-food sector	−38.1	−46.1	−32.7	−42.7	−42.7	−202.3
TOTAL	**−186.9**	**−231.4**	**−125.3**	**−107.1**	**−108.3**	**−759.0**

3.1 Revitalizing regional economies

If regions are to contribute fully to Québec's economic development, they must have access to high-quality services.

To revitalize regional economies, in Budget 2025-2026 the government is announcing an investment of $217.4 million over five years with a view to:

— continuing with initiatives for better connectivity;

— renewing the Government Social Economy Action Plan;

— extending funding for the economic development program to help revitalize territories;

— facilitating development of the integrated energy resources management plan;

— accelerating local and regional economic development;

— supporting the development of Capital régional et coopératif Desjardins.

TABLE B.13

Financial impact of the measures to revitalize regional economies
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Continuing with initiatives for better connectivity(1)	−34.1	−30.0	−10.0	—	—	−74.1
Renewing the Government Social Economy Action Plan(2),(3)	−8.0	−14.5	−15.5	−15.5	−15.5	−69.0
Extending funding for the economic development program to help revitalize territories(2)	—	−10.0	−5.0	—	—	−15.0
Facilitating development of the integrated energy resources management plan(2)	−0.5	−1.3	—	—	—	−1.8
Accelerating local and regional economic development(2)	−3.0	−3.0	−3.0	—	—	−9.0
Supporting the development of Capital régional et coopératif Desjardins	−7.3	−8.5	−9.7	−10.9	−12.1	−48.5
TOTAL	**−52.9**	**−67.3**	**−43.2**	**−26.4**	**−27.6**	**−217.4**

(1) The appropriations will be granted to the Ministère de la Cybersécurité et du Numérique. The amounts provided for 2025-2026 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. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(3) Investments of $13 million are provided for in the 2025-2035 Québec Infrastructure Plan.

❑ Continuing with initiatives for better connectivity

Since 2018, the government has embarked on a series of initiatives aimed at providing all Quebecers with better connectivity services across the territory.

During 2024, the government continued to invest in an effort to improve cellular coverage across its territory. Budget 2025-2026 provides for the construction of new cellular sites.

— In this regard, the government has received proposals for innovative business models to complete cellular coverage throughout the inhabited territory.

In total, more than $230 million has been allocated to the construction of more than 200 new cellular sites, promoting safety and regional development.

With a view to increasing security across its territory and pursuing its connectivity objectives, particularly regarding network resilience and speed, the government is also taking further measures, setting aside amounts to:

— ensure the reliability of the Îles-de-la-Madeleine integrated electronic communications network's connectivity infrastructure in order to maintain service continuity;

— complete connectivity work in the Nord-du-Québec region.

To maintain the funding necessary to roll out the new cellular sites and launch other connectivity initiatives, in Budget 2025-2026 the government is setting aside a $74.1-million envelope over three years.

Simplifying administrative structures regarding digitalization

The government is continuing its efforts to improve connectivity for all Quebecers with initiatives such as Operation High Speed and major investments aimed at improving cellular coverage.

In this context, and for the purpose of optimizing government initiatives regarding connectivity and digital transformation, the activities of the Secrétariat à l'Internet haute vitesse et aux projets spéciaux de connectivité will be brought under the Ministère de la Cybersécurité et du Numérique as of April 1, 2025.

This reorganization will both reduce administrative structures and strengthen the coordination of government digitalization measures.

❑ Renewing the Government Social Economy Action Plan

Social economy enterprises are cooperatives, mutuals and non-profit organizations that produce, sell or exchange goods or services, while meeting the social needs of their members and their community.

They hold an important place in the Québec economy and play a major role in many regions of Québec.

— Québec has over 11 200 social economy enterprises operating in various areas of activity and employing more than 220 000 people in all regions of Québec.

Only four years after its introduction, the 2020-2025 Government Social Economy Action Plan has generated investments of $531 million, exceeding the $520-million target a year before the deadline.

The government is setting aside $69.0 million over five years to renew the Government Social Economy Action Plan for the 2025-2030 period.

❑ Extending funding for the economic development program to help revitalize territories

In fall 2023, the government introduced the economic development program to help revitalize territories (DÉPART) to provide financial support to the businesses of the most devitalized RCMs.

This program grants funding for innovative projects that align with the priorities of those RCMs concerned by supporting feasibility studies, investments and the creation of new products or processes.

To allow businesses' projects, which sometimes extend over several years, the government is setting aside $15.0 million over two years as of 2026-2027. This funding is in addition to the budget already available for the program.

❑ Facilitating development of the integrated energy resources management plan

In developing the integrated energy resources management plan (PGIRE), the government wants to consult municipalities and stakeholders, as well as carry out a number of technical studies.

To ensure completion of the work required for the development of the PGIRE, in Budget 2025-2026, the government is setting aside $1.8 million over two years.

❑ Accelerating local and regional economic development

With regional economies facing numerous challenges, the government continues to take action to improve their capacity to contribute to wealth creation.

To this end, sectoral agreements between the RCMs and government departments with an economic mission, notably through regional consultation tables, will be concluded to, in particular:

- provide financial support to projects and certain activity sectors;
- respond to certain regional issues.

In addition, to enable government departments to adapt their initiatives in response to specific regional needs, they will assist RCMs with their strategic planning.

For this purpose, in Budget 2025-2026 the government is setting aside $9.0 million over three years to accelerate local and regional economic development.

❑ Supporting the development of Capital régional et coopératif Desjardins

Through its investments in Québec SMBs, Capital régional et coopératif Desjardins (CRCD) promotes Québec's economic development, particularly in the regions.

- Today, the fund has over 110 000 shareholders and more than 700 businesses in its portfolio.

To enable CRCD to realize its full intervention potential and increase its capacity to support regional economic development, in Budget 2025-2026, the government plans on:

- updating the business model;
- increasing the level of share issuance.

■ Updating the business model

Under the current business model, CRCD shares become redeemable after seven years and have no maximum holding period.

- As a result, CRCD must maintain liquidity in order to honour potential shareholder redemptions, which could limit its support for the development of Québec SMBs.

To maintain CRCD's capacity to intervene and thus encourage economic development in the regions, the government is announcing changes to CRCD's business model in Budget 2025-2026.

As of 2025, a maximum holding period of 14 years will be introduced for new shares issued by CRCD.

- This holding limit will apply only to new shares.

Furthermore, starting in 2025, a lifetime contribution limit of $45 000 will also be introduced.

- CRCD shareholders who have contributed more than $45 000 will no longer be eligible for the tax credit.

These two changes will make the tax credit for the acquisition of CRCD shares available to a greater number of savers.

■ Increasing the level of share issuance

To enable CRCD to fulfil its mission, starting in 2025, the government plans to introduce a new annual ceiling on share issuance for CRCD.

As of 2025, CRCD will be able to issue $150 million in shares to invest these amounts in Québec SMBs.

— The ceiling on share issuance will increase annually in line with nominal GDP growth, reaching $170 million in 2029.

To limit the financial impact associated with the increase in the annual ceiling on share issuance, Budget 2025-2026 provides that the tax credit rate for the acquisition of CRCD shares will be reduced from 30% to 25% as of 2025.

Over the next five years, $800 million will thus be made available to CRCD to finance Québec businesses, particularly those located in the regions.

These changes will represent additional support of $48.5 million over five years.

TABLE B.14

Main parameters of CRCD

Parameters	As of 2025
Annual level of share issuance	– $150 million in 2025 – $155 million in 2026 – $160 million in 2027 – $165 million in 2028 – $170 million in 2029
Tax credit rate	25%
Share holding period	– Minimum: 7 years – Maximum: 14 years
Lifetime contribution limit	$45 000

3.2 Leveraging our critical and strategic minerals

Québec's subsoil contains mineral resources essential to the pursuit of energy transition, innovative technological development and high-quality regional job creation objectives.

To leverage our minerals, particularly our critical and strategic minerals, in Budget 2025-2026 the government is announcing an investment of $106.6 million over five years with a view to:

— adopting a new Québec Plan for the Development of Critical and Strategic Minerals for the 2025-2030 period;

— assessing the feasibility of optimizing railway transportation from the Labrador Trough;

— supporting the acquisition of knowledge in asbestos management.

TABLE B.15

Financial impact of the measures to leverage our critical and strategic minerals
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Adopting a new Québec Plan for the Development of Critical and Strategic Minerals for the 2025-2030 period(1)	−18.0	−17.1	−17.0	−18.0	−18.0	−88.1
Assessing the feasibility of optimizing railway transportation from the Labrador Trough(2)	−5.0	−10.0	—	—	—	−15.0
Supporting the acquisition of knowledge in asbestos management(3)	−3.5	—	—	—	—	−3.5
TOTAL	**−26.5**	**−27.1**	**−17.0**	**−18.0**	**−18.0**	**−106.6**

Note: The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts.
(2) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.
(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.

A tax credit refocused on critical and strategic minerals[1]

Following an examination of tax expenditures, the government is reviewing its support for the exploration of mining resources with a view to stimulating the development of critical and strategic minerals (CSMs) while preserving a competitive environment for Québec's mining industry.

Consequently, in Budget 2025-2026, the government is setting aside a renewed tax credit for resources, which will include:

- temporarily enhanced tax credit rates in favour of CSMs, which will be set until December 31, 2029, at rates of:
  - 45% for mining exploration corporations that do not exploit any mineral resources or operate any oil or gas wells,
  - 20% for other types of mining corporations;
- a widening of eligible expenses for development work on mining resources, with a view to recognizing the importance of steps subsequent to exploration, so as to fulfil the economic potential of discoveries, particularly for CSMs.

The enhanced rates of the renewed tax credit for resources will provide additional assistance estimated at $27 million over four years for CSM projects only.

Together with the renewal of the Québec Plan for the Development of Critical and Strategic Minerals for the 2025-2030 period, the implementation of the renewed tax credit for resources will allow the government to maintain and step up its efforts to enable Québec to take full advantage of the promising prospects held out by CSMs.

1 For more details, see Section D, "Results of the review to improve the tax system."

❑ Adopting a new Québec Plan for the Development of Critical and Strategic Minerals for the 2025-2030 period

The government has set itself the goal of making Québec a leader in the production, transformation and recycling of critical and strategic minerals (CSMs) to actively contribute to the global energy and technology transition and to wealth creation for the regions, particularly in local and Indigenous communities.

A number of initiatives in recent years as part of the Québec Plan for the Development of Critical and Strategic Minerals (QPDCSM) 2020-2025 have already contributed to the development of CSMs and enabled the Québec economy to benefit from the high level of interest in this sector.

To continue the QPDCSM for the 2025-2030 period, the government is setting aside, in Budget 2025-2026, $88.1 million over five years to, in particular:

— increase discoveries of new deposits, innovation and expertise;

— support new mining projects and continue to develop value chains;

— promote economic benefits for host communities and responsible management of our resources.

Preliminary review of the Québec Plan for the Development of Critical and Strategic Minerals 2020-2025

The Québec Plan for the Development of Critical and Strategic Minerals (QPDCSM) 2020-2025, launched in fall 2020, has, in particular, contributed to:

– creating a business environment conducive to the development of this industry and its sectors;

– carrying out a number of projects for the acquisition of knowledge relating to Québec's mineral potential;

– developing expertise in processes and the circular economy.

A number of significant impacts related to the implementation of the QPDCSM can already be observed, including:

– an increase in CSM exploration work, with the number of exploration projects having more than doubled between 2020 and 2023, rising from 249 to 523;

– an increase in CSM mining investments between 2020 and 2023, which rose from $51.5 million to $274.7 million in exploration, and from $8.6 million to $173.2 million in development;

– support for research projects on advances in R&D and innovation, including a dozen initiatives for reclaiming mining residues and for recycling in the CSM industry.

Source: Ministère des Ressources naturelles et des Forêts.

❑ Assessing the feasibility of optimizing railway transportation from the Labrador Trough

The Labrador Trough is essential to the economic vitality of the Côte-Nord, particularly because of its large CSM deposits, including high-purity iron.

To ensure its optimal development, the government is setting aside, in Budget 2025-2026, $15.0 million over two years for a feasibility study on the construction of two sections intended to optimize railway transportation from the Labrador Trough.

This project would in particular improve existing railway capacity. In addition, connecting existing railway and port facilities would help diversify Québec's exports to various markets such as Europe, North Africa and the Middle East.

❑ Supporting the acquisition of knowledge in asbestos management

Following the BAPE report on the health and environmental issues related to asbestos-related risks, as well as the need for regional economic development, the *Plan d'action gouvernemental 2022-2025 – Amiante et résidus miniers amiantés au Québec : vers la transformation d'un passif en actif durable*, was put in place.

Under the plan, the government wants to extend its support for the acquisition of knowledge regarding the environmental impact of asbestos mining residues, considering the significant issues and economic benefits of such knowledge.

Financial assistance of $3.5 million has been set aside for this purpose for 2025-2026.

3.3 Supporting the forestry sector

For several years now, the forestry industry has been facing a number of challenges, such as extreme weather events and trade tensions with the United States.

To support this sector, the government is announcing, in Budget 2025-2026, an investment of $94.7 million over three years with a view to:

- diversifying the forest products industry and fostering innovation;
- renewing the program to protect investments in silviculture against the spruce budworm;
- continuing the exceptional program to sell low-quality hardwood from the Outaouais and Laurentides regions.

This funding will bring to nearly $1.5 billion the government's support for the forestry sector in recent years.

TABLE B.16

Financial impact of the measures to support the forestry sector
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Diversifying the forest products industry and fostering innovation	−22.6	−17.1	−12.4	—	—	−52.1
Renewing the program to protect investments in silviculture against the spruce budworm	−17.8	−17.8	—	—	—	−35.6
Continuing the exceptional program to sell low-quality hardwood from the Outaouais and Laurentides regions	−5.0	−2.0	—	—	—	−7.0
TOTAL	**−45.4**	**−36.9**	**−12.4**	**—**	**—**	**−94.7**

Notes: The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts.
The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

Nearly $1.5 billion to support the forestry sector

The forestry sector has been facing major challenges for several years now, such as the exceptional forest fires of summer 2023 and the softwood lumber dispute, that are causing uncertainty for businesses.

To this end, the government has announced significant amounts over the past few years to support businesses and maintain this important sector of the Québec economy, as follows:

- $128.0 million in Budget 2023-2024, in particular to increase investment in silviculture work;
- $469.0 million in the fall 2023 update, including initiatives in response to the exceptional forest fires of summer 2023;[1]
- $347.5 million in Budget 2024-2025, in particular to increase silviculture investments in public and private forests;
- $455.0 million in the fall 2024 update, in particular to invest in reforestation efforts, including a $220-million contribution from the federal government.[2]

New funding of $94.7 million over three years is also announced in this budget to continue supporting the forestry sector.

As a result, efforts announced since Budget 2023-2024 to support the forestry sector represent investments of nearly $1.5 billion.

In addition, the Ministère des Ressources naturelles et des Forêts is currently working to modernize the forest regime to promote the sustainable, harmonious and predictable development of Québec's forests.

1 Including the amount of $64.8 million set aside for the period from 2028-2029 to 2031-2032.
2 Including the amount of $202.8 million set aside for the period from 2029-2030 to 2030-2031.

❑ Diversifying the forest products industry and fostering innovation

The forestry sector is an important part of the economy in many regions of Québec and also contributes to the efforts to reduce GHG emissions.

To make the forestry sector more resilient and ensure its sustainability, the government is setting aside $52.1 million over three years to diversify the forest products industry and foster innovation, mainly to provide financial support for:

— large-scale innovative projects, including through the Innovation Bois program;

— the Centre d'expertise sur la construction commerciale en bois (Cecobois), a major partner in the implementation of the policy for the use of wood in construction.

❑ Renewing the program to protect investments in silviculture against the spruce budworm

Implemented several years ago, the aerial biological insecticide spraying program is helping to limit the spread of the spruce budworm, which is an insect causing widespread devastation in Québec's forests.

To preserve forest resources and enable the Société de protection des forêts contre les insectes et maladies (SOPFIM) to continue its efforts to protect Québec's forests from the spruce budworm, the government is setting aside an amount of $35.6 million over two years.

❑ Continuing the exceptional program to sell low-quality hardwood from the Outaouais and Laurentides regions

In 2019, the closure of a key wood processing plant weakened the industrial structure of the Outaouais and Laurentides regions. Since then, the government has identified an investment project to relaunch the Thurso industrial site to benefit the local economy.

To support the forestry sector in the Outaouais and Laurentides regions during this transition period, the government is setting aside $7.0 million over two years to continue the exceptional program to sell low-quality hardwood from the Outaouais and Laurentides regions.

3.4 Continuing to support the tourism industry

Tourism makes a significant contribution to the economic vitality of various regions in Québec.

In the current climate of uncertainty, the tourism industry, which has seen a significant recovery in recent years, can play a major role in supporting the resilience of the Québec economy.

To continue its support of the tourism industry, the government is setting aside, in Budget 2025-2026, $138.0 million over five years with a view to:

— supporting festivals and tourist events;

— investing in our tourist attractions and establishments;

— extending agreements with our tourism partners.

TABLE B.17

Financial impact of the measures to continue supporting the tourism industry
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting festivals and tourist events(1)	—	−20.0	−20.0	−20.0	−20.0	−80.0
Investing in our tourist attractions and establishments	−7.0	−17.0	—	—	—	−24.0
Extending agreements with our tourism partners	−17.0	−17.0	—	—	—	−34.0
TOTAL	**−24.0**	**−54.0**	**−20.0**	**−20.0**	**−20.0**	**−138.0**

(1) The appropriations will be granted to the Ministère du Tourisme. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Supporting festivals and tourist events

Festivals and tourist events contribute to Québec’s appeal among international tourists and benefit all Quebecers.

— The government, through its financial assistance program for festivals and tourist events, provides financial support for over 300 events each year.

To continue its support of festivals and tourist events, the government is setting aside, in Budget 2025-2026, $80.0 million over four years as of 2026-2027.

— This is in addition to the $15.1 million per year available for this program.

❑ Investing in our tourist attractions and establishments

To stimulate private investment in order to renew and diversify the tourism offering, particularly in the accommodation sector, the government has had the Program Supporting the Development of Tourist Attractions (PADAT) in place for several years.

— Since 2013, over 240 investment projects have been supported with financial assistance granted through PADAT.

Furthermore, for several years, the government has been supporting accessibility to Québec's tourist establishments and their services for people with disabilities.

— The extension of the tourist establishment accessibility program (PAET) will enable the government to maintain its commitment to tourism businesses.

To continue its investment in our tourist attractions and establishments, the government is setting aside, in Budget 2025-2026, $24.0 million over two years, as follows:

— $20.0 million for maintaining PADAT;

— $4.0 million for extending PAET.

TABLE B.18

Financial impact of the measures to invest in our tourist attractions and establishments
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Maintaining the Program Supporting the Development of Tourist Attractions(1)	−5.0	−15.0	—	—	—	−20.0
Extending the tourist establishment accessibility program(2)	−2.0	−2.0	—	—	—	−4.0
TOTAL	**−7.0**	**−17.0**	**—**	**—**	**—**	**−24.0**

Note: The amounts provided for 2025-2026 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) The appropriations will be granted to the Ministère du Tourisme.

❑ Extending agreements with our tourism partners

The government has major partners for supporting the tourism industry, including:

— regional tourism associations, which play a key role of coordinators and catalysts in their regions;

— sectoral tourism associations, which exercise leadership to promote the convergence of sectoral tourism initiatives.

To support the regional tourism associations in carrying out a wide range of tourism projects, the government has set up regional partnership and digital transformation agreements for tourism (EPRTNT).

In addition, the government supports the sectoral tourism associations through agreements with each of them.

To renew the agreements with these partners, the government is setting aside $34.0 million over two years, as follows:

— $24.0 million for extending EPRTNT;

— $10.0 million for renewing the agreements with the sectoral tourism associations.

TABLE B.19

Financial impact of the measures to extend agreements with our tourism partners
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending the regional partnership and digital transformation agreements for tourism	−12.0	−12.0	—	—	—	−24.0
Renewing the agreements with sectoral tourism associations	−5.0	−5.0	—	—	—	−10.0
TOTAL	**−17.0**	**−17.0**	**—**	**—**	**—**	**−34.0**

Notes: The appropriations will be granted to the Ministère du Tourisme.
The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

3.5 Fostering the development of the bio-food sector

The bio-food sector plays an essential role in Québec's economy, contributing, in particular, to the enhancement of Québec's land and development in the regions.

To promote the development of this sector and Québec's food autonomy, in Budget 2025-2026, the government is providing $202.3 million over five years with a view to:

- continuing the 2020-2030 Sustainable Agriculture Plan;
- implementing the 2025-2035 bio-food policy;[5]
- funding the Sustainable Growth Investment Program.

TABLE B.20

Financial impact of the measures to foster development of the bio-food sector
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Continuing the 2020-2030 Sustainable Agriculture Plan	−20.0	−20.0	−20.0	−20.0	−20.0	−100.0
Implementing the 2025-2035 bio-food policy	−16.1	−16.1	−2.7	−12.7	−12.7	−60.3
Funding the Sustainable Growth Investment Program	−2.0	−10.0	−10.0	−10.0	−10.0	−42.0
TOTAL	**−38.1**	**−46.1**	**−32.7**	**−42.7**	**−42.7**	**−202.3**

Notes: The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.
The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

[5] Considering the funds already available, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation will have $225.0 million available for the bio-food policy in 2025-2026 and in 2026-2027, and more than $1.0 billion over five years.

❑ Continuing the 2020-2030 Sustainable Agriculture Plan

The 2020-2030 Sustainable Agriculture Plan (PAD) aims to improve the environmental performance of agricultural businesses by, on the one hand, rewarding farmers' good practices and, on the other hand, supporting the research, transfer and support initiatives of agricultural businesses.

Funding the PAD for 2025-2030 will make it possible to continue with agri-environmental practices that have proven to be successful. For example, 66% of participating businesses have carried out developments that promote biodiversity.

To continue the government's support of the agricultural sector from a sustainability standpoint, the government is setting aside $100.0 million over five years, bringing the total PAD envelope to $225.0 million since 2020.

❑ Implementing the 2025-2035 bio-food policy

To ensure the sustainability of this sector and strengthen its impact on the economy, environment and public health, the 2018-2025 bio-food policy was introduced to consolidate and adapt the range of programs and initiatives available.

To implement the 2025-2035 bio-food policy, the government is setting aside an additional $60.3 million over five years in Budget 2025-2026. Therefore, considering the funds already available, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation will have $225.0 million available for the bio-food policy in 2025-2026 and in 2026-2027, and more than $1.0 billion over five years. The new policy, which will cover the 2025-2035 period, will focus, in particular, on:

— increasing the sector's productivity and competitiveness on the markets in Québec and elsewhere;

— developing the potential of the regions and bio-food players;

— stepping up the response to climate change and the adoption of sustainable practices;

— strengthening collaboration between players and stimulating innovation.

❑ Funding the Sustainable Growth Investment Program

La Financière agricole du Québec's Sustainable Growth Investment Program supports agricultural and agri-food businesses in making productive, sustainable investments.

— It funds projects aimed at increasing and diversifying production, integrating agri-environmental practices, and improving business profitability and performance.

— It also offers supports to young farmers, new customers and agricultural businesses faced with short-term liquidity needs.

To fund the Sustainable Growth Investment Program, the government is allocating, in Budget 2025-2026, $42.0 million over five years.

This funding is in addition to the $50.0 million announced for the program in Budget 2024-2025.

The amount of $92.0 million available for this program is expected to support investments of more than $600 million over the next five years.

FINANCIAL IMPACT

TABLE B.21

Financial impact of the measures to stimulate wealth creation
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting and revitalizing Québec's economy						
Providing transitional assistance to businesses affected by U.S. tariffs	−200.0	−200.0	—	—	—	−400.0
Supporting investment projects						
– Extending accelerated depreciation measures	−311.1	−330.1	−299.8	−768.1	−650.8	−2 359.9
– Promoting business projects	−200.0	−350.0	−350.0	—	—	−900.0
– Continuing the digital transformation offensive	−6.0	−6.0	−2.0	—	—	−14.0
– Continuing the construction training offensive	−40.4	−40.4	−40.4	−0.4	−0.4	−122.0
– Supporting Québec suppliers in the electrical industry	−3.5	−3.5	—	—	—	−7.0
– Ensuring that environmental authorizations are issued within an optimal time frame	−2.8	−15.0	−15.0	−15.0	−15.0	−62.8
Subtotal – Supporting investment projects	−563.8	−745.0	−707.2	−783.5	−666.2	−3 465.7
Fostering market diversification						
– Pursuing the maritime strategy	−21.8	−31.8	−31.8	−32.3	−32.3	−150.0
– Encouraging the realization of export projects	−7.9	−7.9	—	—	—	−15.8
– Defending Québec's interests and creating wealth by supporting our network of offices abroad	−6.0	−6.0	−6.0	−6.0	−6.0	−30.0
Subtotal – Fostering market diversification	−35.7	−45.7	−37.8	−38.3	−38.3	−195.8
Making it easier to identify Québec products	−3.0	−1.5	—	—	—	−4.5
Subtotal – Supporting and revitalizing Québec's economy	**−802.5**	**−992.2**	**−745.0**	**−821.8**	**−704.5**	**−4 066.0**

Note: Totals may not add due to rounding.

TABLE B.21

Financial impact of the measures to stimulate wealth creation (cont.)
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Increasing our capacity for innovation						
Stimulating innovation and its commercialization through an updated tax assistance system						
– Simplifying tax assistance for innovation with the abolition of certain measures						
▪ R&D tax credits	—	93.9	632.7	662.4	693.0	2 082.0
▪ Tax credit for an in-house design activity (industrial design component)	—	0.8	4.3	4.4	4.6	14.1
▪ Tax credit for technological adaptation services	—	1.0	1.7	1.7	1.8	6.2
▪ Tax holiday for foreign researchers	2.5	4.2	6.1	7.9	9.3	30.0
▪ Tax holiday for foreign experts	0.8	1.2	1.8	2.3	2.7	8.8
– Introducing the tax credit for research, innovation and commercialization (CRIC)	—	−106.0	−715.9	−769.5	−821.2	−2 412.6
Subtotal – Stimulating innovation and its commercialization through an updated tax assistance system	3.3	−4.9	−69.3	−90.8	−109.8	−271.5

Note: Totals may not add due to rounding.

TABLE B.21

Financial impact of the measures to stimulate wealth creation (cont.)
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Increasing our capacity for innovation (cont.)						
Boosting innovation in strategic sectors						
– Supporting the development of the Technum Québec innovation zone	−20.7	−20.0	−20.0	−20.0	−20.0	−100.7
– Renewing the Québec Life Sciences Strategy	−15.0	−25.5	−13.5	—	—	−54.0
– Supporting corporate research and innovation in priority sectors	−5.0	−5.0	−5.0	—	—	−15.0
– Continuing funding for Mila	−11.0	−11.0	—	—	—	−22.0
– Renewing support for Finance Montréal’s activities						
▪ Sustainable finance activities	−0.6	−0.6	−0.6	—	—	−1.8
▪ Operational activities	−0.1	−0.1	−0.1	−0.1	−0.1	−0.5
Subtotal – Boosting innovation in strategic sectors	−52.4	−62.2	−39.2	−20.1	−20.1	−194.0
Modernizing public services for greater efficiency						
– Automating government processes	−10.0	−15.0	−15.0	−16.9	−16.9	−73.8
– Reforming the governance of technological infrastructure and related resources	−2.0	−2.0	−2.0	—	—	−6.0
– Promoting digital sovereignty by greater pooling of application solutions	−5.0	−10.0	—	—	—	−15.0
– Reducing wait times involved in accessing data for research purposes	−0.3	−0.3	−0.3	−0.3	−0.3	−1.5
Subtotal – Modernizing public services for greater efficiency	−17.3	−27.3	−17.3	−17.2	−17.2	−96.3

Note: Totals may not add due to rounding.

TABLE B.21

Financial impact of the measures to stimulate wealth creation (cont.)
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Increasing our capacity for innovation (cont.)						
Helping SMBs with strong potential						
– Implementing the 2025-2028 SMB plan	−11.3	−15.5	−15.5	—	—	−42.3
– Propelling young businesses	—	—	—	—	—	—
Subtotal – Helping SMBs with strong potential	−11.3	−15.5	−15.5	—	—	−42.3
Subtotal – Increasing our capacity for innovation	**−77.7**	**−109.9**	**−141.3**	**−128.1**	**−147.1**	**−604.1**
Encouraging regional contributions to wealth creation						
Revitalizing regional economies						
– Continuing with initiatives for better connectivity	−34.1	−30.0	−10.0	—	—	−74.1
– Renewing the Government Social Economy Action Plan	−8.0	−14.5	−15.5	−15.5	−15.5	−69.0
– Extending funding for the economic development program to help revitalize territories	—	−10.0	−5.0	—	—	−15.0
– Facilitating development of the integrated energy resources management plan	−0.5	−1.3	—	—	—	−1.8
– Accelerating local and regional economic development	−3.0	−3.0	−3.0	—	—	−9.0
– Supporting the development of Capital régional et coopératif Desjardins	−7.3	−8.5	−9.7	−10.9	−12.1	−48.5
Subtotal − Revitalizing regional economies	−52.9	−67.3	−43.2	−26.4	−27.6	−217.4

Note: Totals may not add due to rounding.

TABLE B.21

Financial impact of the measures to stimulate wealth creation (cont.)

(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Encouraging regional contributions to wealth creation (cont.)						
Leveraging our critical and strategic minerals						
– Adopting a new Québec Plan for the Development of Critical and Strategic Minerals for the 2025-2030 period	−18.0	−17.1	−17.0	−18.0	−18.0	−88.1
– Assessing the feasibility of optimizing railway transportation from the Labrador Trough	−5.0	−10.0	—	—	—	−15.0
– Supporting the acquisition of knowledge in asbestos management	−3.5	—	—	—	—	−3.5
Subtotal – Leveraging our critical and strategic minerals	−26.5	−27.1	−17.0	−18.0	−18.0	−106.6
Supporting the forestry sector						
– Diversifying the forest products industry and fostering innovation	−22.6	−17.1	−12.4	—	—	−52.1
– Renewing the program to protect investments in silviculture against the spruce budworm	−17.8	−17.8	—	—	—	−35.6
– Continuing the exceptional program to sell low-quality hardwood from the Outaouais and Laurentides regions	−5.0	−2.0	—	—	—	−7.0
Subtotal – Supporting the forestry sector	−45.4	−36.9	−12.4	—	—	−94.7

Note: Totals may not add due to rounding.

TABLE B.21

Financial impact of the measures to stimulate wealth creation (cont.)

(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Encouraging regional contributions to wealth creation (cont.)						
Continuing to support the tourism industry						
– Supporting festivals and tourist events	—	−20.0	−20.0	−20.0	−20.0	−80.0
– Investing in our tourist attractions and establishments						
▪ Maintaining the Program Supporting the Development of Tourist Attractions	−5.0	−15.0	—	—	—	−20.0
▪ Extending the tourist establishment accessibility program	−2.0	−2.0	—	—	—	−4.0
– Extending agreements with our tourism partners						
▪ Extending the regional partnership and digital transformation agreements for tourism	−12.0	−12.0	—	—	—	−24.0
▪ Renewing the agreements with sectoral tourism associations	−5.0	−5.0	—	—	—	−10.0
Subtotal – Continuing to support the tourism industry	−24.0	−54.0	−20.0	−20.0	−20.0	−138.0
Fostering the development of the bio-food sector						
– Continuing the 2020-2030 Sustainable Agriculture Plan	−20.0	−20.0	−20.0	−20.0	−20.0	−100.0
– Implementing the 2025-2035 bio-food policy	−16.1	−16.1	−2.7	−12.7	−12.7	−60.3
– Funding the Sustainable Growth Investment Program	−2.0	−10.0	−10.0	−10.0	−10.0	−42.0
Subtotal – Fostering the development of the bio-food sector	−38.1	−46.1	−32.7	−42.7	−42.7	−202.3
Subtotal − Encouraging regional contributions to wealth creation	**−186.9**	**−231.4**	**−125.3**	**−107.1**	**−108.3**	**−759.0**
TOTAL	**−1 067.1**	**−1 333.5**	**−1 011.6**	**−1 057.0**	**−959.9**	**−5 429.1**

Note: Totals may not add due to rounding.

Section C

SUPPORTING QUEBECERS

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SUMMARY

Despite uncertainty, the government is determined to continue improving the quality and accessibility of public services.

In this budget, the government has chosen to continue investing in health and education to improve access to services and their quality.

Overall, Budget 2025-2026 provides more than $6.8 billion in funding over six years to support Quebecers.

Of this amount, nearly $3.9 billion is invested to improve health care and social services, particularly with a view to consolidating access to frontline services, supporting vulnerable people, ensuring quality living environments for seniors and prioritizing health prevention.

An investment of nearly $1.1 billion will also make it possible to provide the best conditions for young people to reach their full potential by encouraging, among other things, educational success and participation in sports, as well as by supporting access to educational childcare services.

In addition, the government wants to protect vulnerable Quebecers' wallets, notably by supporting access to housing and providing targeted assistance to the most disadvantaged individuals. Nearly $550 million is earmarked over six years to promote the well-being of vulnerable individuals.

- The Québec Pension Plan will be enhanced to increase the retirement pensions of certain workers who have suffered an employment injury and are receiving an indemnity from the Commission des normes, de l'équité, de la santé et de la sécurité du travail.

Furthermore, the advancement of culture and the French language is essential to preserve Québec's unique identity as a French-speaking society in an English-speaking North American environment. To that end, the budget is setting aside more than $715 million to showcase Québec's culture and identity.

Lastly, the government is reaffirming its support for communities by setting aside an investment of over $635 million, in particular to ensure a safe and just society, promote sustainable development and improve Québec's ability to adapt to climate change.

TABLE C.1

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

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving delivery of health care and social services	—	−772.0	−803.5	−766.9	−757.4	−757.9	−3 857.7
Encouraging the education and development of young people	—	−202.6	−178.8	−215.9	−245.9	−246.1	−1 089.3
Fostering the well-being of vulnerable individuals	−8.9	−319.6	−140.7	−61.8	−9.2	−9.5	−549.7
Showcasing Québec culture and identity	—	−159.5	−149.1	−149.3	−129.7	−129.3	−716.9
Supporting communities	—	−63.8	−330.8	−84.7	−75.4	−80.9	−635.6
TOTAL	**−8.9**	**−1 517.5**	**−1 602.9**	**−1 278.6**	**−1 217.6**	**−1 223.7**	**−6 849.2**

1. IMPROVING DELIVERY OF HEALTH CARE AND SOCIAL SERVICES

Ensuring funding for health and social services is a priority. In recent years, the Québec government has allocated significant resources to support the delivery of care and services.

— Since 2018-2019, spending on health and social services has grown by an average of 7.3% per year.

Accordingly, the expenditures of the Santé et Services sociaux portfolio rose 52.3%, from $41.7 billion in 2018-2019 to $63.6 billion in 2024-2025.

TABLE C.2

Change in expenditures of the Santé et Services sociaux portfolio
(billions of dollars, unless otherwise indicated)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025P	AAGR(1)
Portfolio expenditures	−41.7	−44.4	−53.6	−56.6	−59.3	−61.0	−63.6	
% change	*3.4*	*6.4*	*20.7*	*5.5*	*4.8*	*2.8*	*4.3*	*7.3*

P: Projection.
(1) Average annual growth rate, corresponding to the geometric mean calculated over six years, from 2019-2020 to 2024-2025.

The growth in health and social services expenditures illustrates the priority given to this fundamental mission, whether it be to overcome the COVID-19 pandemic, improve working conditions for staff in the sector, meet the growing needs of an aging population or support the introduction of new treatments.

In order to shift the governance of the health and social services network toward a proximity-based management style that is both more efficient and on a human scale, the *Act respecting the governance of the health and social services system* was passed in December 2023.

This Act introduced the creation of Santé Québec, a state-owned enterprise with, among other things, a mandate to make the health and social services system more efficient and facilitate access to safe, high-quality care and services.

— More recently, in December 2024, a significant milestone was reached, with most health and social services facilities being integrated into Santé Québec.

Ultimately, the deployment of Santé Québec will modernize the governance of the health and social services system, improving the delivery of care and services for the benefit of all Quebecers.

Accordingly, in Budget 2025-2026, the government is providing an additional amount of nearly $3.9 billion over five years to improve the delivery of health care and social services, as follows:

- $2 221 million for improving access to care and services;
- $1 050 million for strengthening social services for vulnerable individuals, including young people in difficulty and people experiencing homelessness;
- $318 million for ensuring quality living environments for seniors;
- $269 million for prioritizing health prevention.

TABLE C.3

Financial impact of the measures to improve delivery of health care and social services
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving access to care and services	−417.4	−450.2	−450.7	−451.2	−451.7	−2 221.2
Strengthening social services for vulnerable individuals	−206.0	−210.9	−210.9	−210.9	−210.9	−1 049.6
Ensuring quality living environments for seniors	−60.6	−69.4	−69.4	−59.4	−59.4	−318.2
Prioritizing health prevention	−88.0	−73.0	−35.9	−35.9	−35.9	−268.7
TOTAL	**−772.0**	**−803.5**	**−766.9**	**−757.4**	**−757.9**	**−3 857.7**

Note: Appropriations will be granted to the Ministère de la Santé et des Services sociaux. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

The challenge of funding health and social services

Ensuring the sustainability and continued improvement of the Québec public health and social services system is a major challenge for public finances, particularly as the population is increasing and aging.

- Institut de la statistique du Québec projections show that the proportion of people aged 65 or over will rise from 21.7% currently to nearly 24.4% in 2050.
- During the same period, the proportion of people aged 85 or over will more than double, rising from 2.6% to 5.7%.

Other factors are putting pressure on the public health and social services system, such as growing infrastructure and workforce needs, as well as the introduction of new technologies and changes in drug prices.

More specifically, the impact of population aging is giving rise, in particular, to greater needs for medical care, drugs, as well as home services and long-term care in the case of people with diminishing autonomy.

The arrival of Santé Québec will modernize the governance of the health and social services system by optimizing the management of its activities through efficiency gains, ensuring that every dollar invested generates better delivery of care and services.

- To that end, Santé Québec recently established working groups with a mission to review the administrative services of health and social services facilities.
- Among other things, the measures adopted should improve service access and quality, operational efficiency, work organization, rapid decision-making and local management, thereby generating economies of scale.

In short, Santé Québec is aiming to adjust how it is organized to better meet current and future health and social services challenges, for the benefit of the population.

1.1 Improving access to care and services

The demographic changes brought about by population growth and aging are forcing the government to take action to adjust to this situation. In particular, the rising life expectancy, combined with other factors, is leading to an increase in the prevalence of certain diseases whose treatments are proving to be increasingly expensive.

Demographic growth also requires additional infrastructure to meet the needs of the entire population. To this end, the government has invested significant sums in recent years to build and expand health care and social services facilities such as hospitals, as well as seniors' homes and alternative homes. The commissioning of these buildings generates operating and clinical costs that need to be funded.

Significant efforts have also been made in recent years to improve access to health care and health services, notably by establishing the Primary Care Access Point for people who do not have a family doctor or are not attached to a family medicine group. The government is continuing its efforts in this regard by also taking action on the number of new doctors.

Today, the government is consolidating its efforts and planning new initiatives totalling more than $2.2 billion over five years to improve access to care and services:

— $1.5 billion for funding pharmaceutical treatments in hospitals;

— $629.2 million for deploying new health care and social services facilities;

— $50.0 million for accelerating the digital shift of the Régie de l'assurance maladie du Québec;

— $37.5 million for training more doctors;

— $4.5 million for supporting adapted services in health and adult general education in Montréal.

TABLE C.4

Financial impact of the measures to improve access to care and services
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Funding pharmaceutical treatments in hospitals	−300.0	−300.0	−300.0	−300.0	−300.0	−1 500.0
Deploying new health care and social services facilities	−100.0	−132.3	−132.3	−132.3	−132.3	−629.2
Accelerating the digital shift of the Régie de l’assurance maladie du Québec	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Training more doctors	−6.5	−7.0	−7.5	−8.0	−8.5	−37.5
Supporting adapted services in health and adult general education in Montréal	−0.9	−0.9	−0.9	−0.9	−0.9	−4.5
TOTAL	**−417.4**	**−450.2**	**−450.7**	**−451.2**	**−451.7**	**−2 221.2**

❑ Funding pharmaceutical treatments in hospitals

The arrival of new treatments on the market, offering patients alternative therapeutic solutions, generates additional expenditures for health facilities. For example, some new oncology treatments can cost several hundreds of thousands of dollars per patient.

In recent years, the wider range of pharmaceutical treatments available in facilities has improved patients' health status, but has also had the effect of increasing financial pressure.

To offset rising costs, in Budget 2025-2026, the government is providing an additional $1.5 billion over five years to fund the supply of pharmaceutical treatments in hospitals.

❑ Deploying new health care and social services facilities

The construction and expansion of health care and social services facilities such as hospitals (e.g. expansion of the Institut universitaire de cardiologie et de pneumologie du Québec-Université Laval), as well as seniors' homes and alternative homes, have become necessary due to population growth and its changing needs in recent years.

— In the case of seniors' homes and alternative homes, the gradual rolling out of this new type of housing began in 2022 and is part of a major transformation of residential and long-term care environments.

These additions to the building inventory generate maintenance costs in addition to clinical operating expenditures, such as employee wages and training related to the new facilities and new equipment.

Accordingly, in Budget 2025-2026, the government is providing an additional $629.2 million over five years to deploy new health care and social services facilities.

❑ Accelerating the digital shift of the Régie de l'assurance maladie du Québec

The Régie de l'assurance maladie du Québec (RAMQ) has aging digital infrastructures. As a result of this obsolescence, considerable effort is required on an annual basis to maintain current assets. It is therefore imperative for the RAMQ to undertake a digital transformation aimed at modernizing its services.

The RAMQ's digital shift stems from the 2023-2027 digital transformation plan and will put the use of cloud solutions at the forefront.

To that end, in this budget, the government is providing an additional $50 million over five years to accelerate the RAMQ's digital shift.

❑ Training more doctors

The government is continuing its efforts to improve access to health care by increasing the number of residency positions for future specialists and family doctors to meet the population's current and future needs.

From 2018-2019 to 2025-2026, the number of residency positions authorized has risen from 845 to 984, an increase of 16.5%.

For 2025-2026, a total of 984 residency positions will therefore be authorized, 541 in family medicine and 443 in specialized medicine.

Accordingly, in Budget 2025-2026, the government is providing $37.5 million over five years to train more doctors.

❑ Supporting adapted services in health and adult general education in Montréal

Adapted services in health and adult general education are provided jointly by the Ministère de la Santé et des Services sociaux and the Ministère de l'Éducation. The aim is to offer educational services to individuals with multiple disabilities once they have finished school.

Under this project, individuals are supported by health and educational professionals once they have completed their studies. They can continue their education, thereby maintaining what they have learned, in addition to developing new knowledge, skills and fields of interest. Furthermore, rehabilitation professionals are on hand at the training centre to support individuals throughout the process.

In Budget 2025-2026, the government is providing $4.5 million over five years to support adapted services in health and adult general education in Montréal.

1.2 Strengthening social services for vulnerable individuals

In recent years, the government has taken important steps to enable vulnerable individuals to receive the help and support they need. Major investments have been earmarked to increase support for young people in difficulty, mental health and the fight against homelessness.

In Budget 2025-2026, the government is consolidating its action and investing more than $1 billion over five years to strengthen social services for vulnerable individuals:

- $725.0 million for meeting the growing needs in youth protection;
- $175.0 million for increasing support for housing services;
- $42.6 million for providing support services to vulnerable individuals who benefit from the Rent Supplement Program;
- $50.0 million for increasing funding for community organizations;
- $7.0 million for consolidating the mixed practice of psychosocial interventions and community policing;
- $50.0 million for entrenching support for Indigenous clienteles.

TABLE C.5

Financial impact of the measures aimed at strengthening social services for vulnerable individuals
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Meeting the growing needs in youth protection	−145.0	−145.0	−145.0	−145.0	−145.0	−725.0
Increasing support for housing services	−35.0	−35.0	−35.0	−35.0	−35.0	−175.0
Providing support services to vulnerable people benefiting from the Rent Supplement Program	−4.6	−9.5	−9.5	−9.5	−9.5	−42.6
Increasing funding to community organizations	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Consolidating the mixed practice of psychosocial interventions and community policing	−1.4	−1.4	−1.4	−1.4	−1.4	−7.0
Entrenching support for Indigenous clienteles	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
TOTAL	**−206.0**	**−210.9**	**−210.9**	**−210.9**	**−210.9**	**−1 049.6**

❑ Meeting the growing needs in youth protection

Services for vulnerable young people came under particularly significant pressure between 2018 and 2024. During this period, the number of youth protection reports rose by about 30%.

- In May 2019, the government mandated the Special Commission on the Rights of the Child and Youth Protection (Laurent Commission) to carry out a review, mainly concerning youth protection services and legislation.
- This commission made a number of recommendations to improve not only youth protection interventions, but also prevention in various spaces frequented by children.

In response to these recommendations and growing needs, the government has made major investments by increasing annually the support for vulnerable young people. Announcements made since 2019 bring the increase in annual financial support for vulnerable young people to more than $500 million.[1]

- In particular, this additional funding has made it possible to deploy the negligence intervention program, introduce the Agir tôt program, increase youth protection resources and consolidate housing funding for young people in difficulty.
- As of May 31, 2024, some 131 measures had already been or were being implemented in response to the Laurent Commission's recommendations.

■ A significant investment to support young people in difficulty

Although the rate of increase in reporting appears to be slowing, the pressure on all services for young people in difficulty remains high, and a consolidation of resources is needed to maintain these services.

In Budget 2025-2026, the government is therefore announcing an additional $145 million per year, or $725 million over five years.

- In particular, this investment will increase funding for the Youth in Difficulty program, and increase support for the housing resources that are essential to provide children with a safe and stable living environment.

[1] This amount does not include investments announced in this budget.

❑ Increasing support for housing services

Some vulnerable people need support to be able to live in an environment that takes their special needs into account. The government wants to ensure that they receive the care and services they need to promote their residential stability.

Budget 2025-2026 earmarks $175 million over five years to increase housing support for people with intellectual or physical disabilities, autism spectrum disorders or mental health disorders, young people leaving youth centres or people experiencing homelessness.

— These funds will be used to launch calls for projects or to fund regional organizations in order to offer the services required to meet the needs of each client group.

❑ Providing support services to vulnerable people benefiting from the Rent Supplement Program

When the Rent Supplement Program helps vulnerable individuals, such as young people leaving youth protection centres or people experiencing homelessness, funds are generally set aside to provide them with support services.

— In the first year, support services can take the form of assistance to find housing and sign a lease, and help to buy furniture and settle in.

— In subsequent years, social workers can assist with daily activities such as grocery shopping, medical appointments and communication with the landlord.

In Budget 2025-2026, $42.6 million is therefore earmarked over five years to provide services to 900 vulnerable individuals who benefit from the Rent Supplement Program.[2]

— This assistance will be granted to young people leaving youth protection centres and to people experiencing or at risk of homelessness. This will help to promote residential stability and prevent homelessness.

These amounts are in addition to the significant investments made in recent years to prevent and reduce homelessness. A total of over $1 billion has been earmarked for this purpose since fall 2021.

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2 In addition to the $42.6 million granted over five years to provide support services, an investment of $32.7 million is allocated over the same period to grant 1 000 new units of the Rent Supplement Program. Details of this measure are presented in subsection 3.2 “Supporting access to housing.”

Over $1 billion in funding planned since fall 2021 to prevent and reduce homelessness

The government recognizes the significant issues associated with homelessness. These complex and multifaceted issues have intensified in recent years, particularly with the rising cost of living, and especially increasing rent.

Faced with the urgent need to take action, a number of initiatives have been implemented to increase support for people experiencing or at risk of homelessness.

An interdepartmental action plan on homelessness

In fall 2021, the interdepartmental action plan on homelessness 2021-2026, entitled *S'allier devant l'itinérance*, was introduced. With funding of nearly $277 million over five years, the plan's mission is not only to prevent homelessness, but also to help people experiencing homelessness stabilize their residential and financial situations.

It also aims to increase collaboration between all sectors of intervention in order to coordinate action to prevent and reduce homelessness.

Additional investments of $726 million since the release of the action plan

In response to the gravity of the situation, several additional measures were implemented following the release of the interdepartmental action plan on homelessness in fall 2021. Taking into account the various announcements since its release, as well as measures in this budget, the government has earmarked additional investments of $726 million.[1] This amount includes:

– $550 million for providing housing assistance or building housing for people experiencing or at risk of homelessness;

– $139 million for increasing support for emergency shelters;

– $37 million for other actions, in particular to improve support services and police and psychosocial intervention services.

Combining these additional investments with the $277 million in funding provided under the interdepartmental action plan on homelessness 2021-2026, a total of over $1 billion has been earmarked since fall 2021 to prevent and reduce homelessness.

1 This total includes investments planned over the period from 2021-2022 to 2029-2030. Note that the total does not include amounts earmarked for issues indirectly linked to homelessness, such as improving mental health, combatting addiction and funding community organizations involved in housing women who are victims of violence or for young people in difficulty.

❑ Increasing funding to community organizations

Community action is a significant component of Québec's social support. In the health and social services sector, thousands of community organizations provide services for the well-being of communities. They provide support to a variety of clienteles, offering innovative and adapted solutions for young people, women, people with disabilities or people with mental health issues.

— These organizations' contributions enable the provision of services that complement those provided by the public health and social services network.

In Budget 2025-2026, the government wants to ensure the continuation of the mission of these organizations, and is announcing an amount of $50 million over five years to increase funding for community organizations related to health and social services, particularly those funded by the support program for community organizations.

❑ Consolidating the mixed practice of psychosocial interventions and community policing

In the course of their work, police officers are increasingly confronted with homelessness and mental health issues. In the context of crisis intervention, the mixed-practice team approach combines police and psychosocial interventions to better meet the clientele's mental health needs.

— The deployment of mixed-practice teams in several Québec municipalities is already showing positive results. However, funding granted to some projects will soon run out.

In order to maintain these services and deploy projects in new areas, Budget 2025-2026 is setting aside $7 million over five years to consolidate the mixed practice of psychosocial interventions and community policing.

❑ Entrenching support for Indigenous clienteles

Over the past few years, the Québec government has promoted better access to health care and social services for First Nations and Inuit people, notably by supporting the implementation of cultural safety in the network.

To entrench support for Indigenous clienteles, the government is providing $50 million over five years in this budget.

1.3 Ensuring quality living environments for seniors

With age, it can become difficult for certain people to stay in their home. In that regard, there are several types of residences tailored to seniors' needs.

— For example, private seniors' residences (PSRs) provide services tailored to residents' needs by offering a safe living environment respectful of their independence.

— Residential and long-term care centres (CHSLDs) are essential resources for seniors with significant loss of autonomy, or daily medical care and support needs.

The government recognizes that it is important for seniors to be able to live in a safe environment adapted to their needs. To achieve this, $318.2 million over five years has been earmarked in Budget 2025-2026 for the purpose of ensuring quality living environments for seniors, including:

— $288.2 million for perpetuating funding to harmonize public and private CHSLDs;

— $30.0 million for protecting people living in PSRs.

TABLE C.6

Financial impact of the measures to ensure the quality of living environments for seniors
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Perpetuating funding to harmonize public and private CHSLDs	−50.6	−59.4	−59.4	−59.4	−59.4	−288.2
Protecting people living in private seniors' residences	−10.0	−10.0	−10.0	—	—	−30.0
TOTAL	**−60.6**	**−69.4**	**−69.4**	**−59.4**	**−59.4**	**−318.2**

❑ Perpetuating funding to harmonize private and public residential and long-term care centres

The government has taken steps to harmonize the delivery of care and services in public and private CHSLDs. The government's aim is to ensure that seniors receive care and services regardless of the status of the living environment where they reside.

Budget 2025-2026 provides $288.2 million over five years to perpetuate funding to harmonize public and private CHSLDs.

❑ Protecting people living in private seniors' residences

PSRs are an essential partner of the health and social services network when it comes to home-support services for seniors. Consequently, as of Budget 2021-2022, the government has taken significant steps to ensure the continuity of services in PSRs as well as the safety of seniors who live there, notably through support for installing sprinklers.

To continue efforts to protect residents in PSRs, the government is setting aside, in Budget 2025-2026, an investment of $30 million over three years to extend the financial assistance program for installing sprinklers in PSRs until 2027.

In addition, the government is announcing that it will be extending by one year the program designed to mitigate the impact of insurance premium increases on PSRs and other private entities.

TABLE C.7

Financial impact of the measures to protect people living in private seniors' residences
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending financial assistance for installing sprinklers to ensure resident safety	−10.0	−10.0	−10.0	—	—	−30.0
Extending by one year the financial assistance program to reduce the impact of insurance premium increases(1)	—	—	—	—	—	—
TOTAL	**−10.0**	**−10.0**	**−10.0**	**—**	**—**	**−30.0**

(1) The amounts will be drawn from the available budgetary resources of the Ministère de la Santé et des Services sociaux.

■ Extending financial assistance for installing sprinklers to ensure resident safety

In 2015, the government announced a financial assistance program to reimburse a significant portion of the costs related to the requirement to install a sprinkler system in PSRs.

PSRs had to meet the requirement by December 2, 2024. However, many PSRs were not able to comply with this requirement before the deadline, having their own issues.

— The deadline for PSRs to install sprinklers was therefore recently extended to December 2, 2027.

To maintain consistency between the assistance program and the deadline, the government is announcing an investment of $30 million over three years to extend until December 2, 2027, the financial assistance program for installing sprinklers in PSRs.

■ Extending by one year the financial assistance program to reduce the impact of insurance premium increases

In Budget 2021-2022, the government introduced the assistance program for private seniors' residences and other related private entities[3] to mitigate the impact of insurance premium increases.

— The program limits the impact of insurance premium increases,[4] which affect seniors' rents and jeopardize the financial viability of PSRs and other related private entities.

This program was scheduled to end on March 31, 2023, but it has been renewed several times up until March 31, 2025. Since the increase in insurance costs persists for these entities, the government is announcing that it is extending the program for an additional year, that is, until March 31, 2026.

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3 In addition to PSRs, entities covered include funded and unfunded private CHSLDs, home-support social-economy enterprises, intermediate resources housing seniors with diminishing autonomy and funded private rehabilitation hospitals.

4 Eligible insurance premiums are related to property insurance, general civil or professional liability insurance, and directors' and officers' liability insurance for performing the duties of eligible entities.

Investments of nearly $1.1 billion to ensure the continuity of services in private seniors' residences

Since 2020, nearly one hundred private seniors' residences (PSRs) have stopped operations every year. With the aim of ensuring the continuity of services in PSRs by limiting these closures, the government has announced several initiatives representing an investment of nearly $1.1 billion, including those in the current budget.

As part of Budget 2024-2025, to further its commitment to seniors, the government set up an interdepartmental working committee, jointly led by the Ministère de la Santé et des Services sociaux and the Ministère des Finances du Québec. This committee was mandated to review the effectiveness of existing programs and assess whether they should be modified to ensure that they are achieving their objectives.

The committee's work revealed that the temporary assistance measures introduced were able to address several urgent issues in PSRs, in particular those related to labour costs and the insurability of residences. However, these measures do not aim to address long-term challenges in PSRs.

Consequently, due to the current difficulties in PSRs, in line with government policy directions and budgetary resources, the committee recommends extending assistance programs to reduce the impact of insurance premium increases and the cost of installing sprinklers to protect residents.

In view of the challenges posed by an aging population, the Ministère de la Santé et des Services sociaux, in collaboration with the Ministère des Finances, will continue its reflections to optimize the funding allocated to maintain seniors with diminishing autonomy in their living environments, while ensuring greater financial predictability for PSRs.

Financial impact of the measures to maintain services for seniors in PSRs
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Salary transition program for caregiving staff	−64.6	−98.9	−96.9	−76.7	−76.7	−76.7	—	−490.5
Assistance program for installing sprinklers(1)	−70.0	−70.0	−44.5	−44.5	−10.0	−10.0	−10.0	−259.0
Assistance program for bringing certain PSRs up to standard	−5.6	−11.6	−11.6	−11.6	−11.6	—	—	−52.0
Personalized allowance program	—	—	−31.0	−42.6	−42.6	−41.2	−42.6	−200.0
Conversion of PSRs into intermediate resources	—	—	−10.0	−21.5	−21.5	−20.2	−21.5	−94.7
TOTAL	**−140.2**	**−180.5**	**−194.0**	**−196.9**	**−162.4**	**−148.1**	**−74.1**	**−1 096.2**

(1) The financial impact includes the announcement in Budget 2025-2026.

1.4 Prioritizing health prevention

In health care, prevention is aimed at hindering the onset of a disease or slowing its progression. Over time, these efforts can have an impact on patients' lives and state of health, and health care system overcrowding.

By strengthening prevention, the government is bringing together winning conditions to deal early with health issues that would require more resources if discovered later.

In Budget 2025-2026, the government is planning new initiatives totalling $268.7 million over five years for health prevention:

— $243.7 million for extending vaccination to vulnerable clienteles;

— $15.0 million for implementing the national integrated health prevention strategy;

— $10.0 million for continuing to deploy spinal muscular atrophy screenings for newborns.

TABLE C.8

Financial impact of the measures to prioritize health prevention
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending vaccination to vulnerable clienteles	−71.0	−71.0	−33.9	−33.9	−33.9	−243.7
Implementing the national integrated health prevention strategy	−15.0	—	—	—	—	−15.0
Continuing to deploy spinal muscular atrophy screenings for newborns	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
TOTAL	**−88.0**	**−73.0**	**−35.9**	**−35.9**	**−35.9**	**−268.7**

❑ Extending vaccination to vulnerable clienteles

Québec is continuing its prevention efforts in Budget 2025-2026, particularly for the purchase of COVID-19 vaccines. Note that the federal government is withdrawing its funding in this area as of 2025, transferring the task of purchasing COVID-19 vaccines to the provinces.

In addition, the government is continuing to expand the supply of respiratory syncytial virus (RSV) vaccines to new age groups and populations deemed vulnerable.

Consequently, in this budget, the government is providing $243.7 million over five years to extend vaccination to vulnerable clienteles.

❑ Implementing the national integrated health prevention strategy

The national integrated health prevention strategy aims to reduce the burden of disease, reduce health inequalities and improve the population's state of health.

Faced with rising health care expenditures, the strategy is based on structural prevention initiatives to reduce the demand for care and improve the quality of life of Quebecers. It is helping to make Québec a healthy, and therefore more prosperous and more resilient, society.

To that end, in Budget 2025-2026, the government is providing $15 million in 2025-2026 for implementing the national integrated health prevention strategy.

Note that the appropriations authorized for public health have risen from $427.6 million to $1 122 million, between 2018-2019 and 2024-2025, an increase of over 162%.

❑ Continuing to deploy spinal muscular atrophy screenings for newborns

Currently, most children who are diagnosed with spinal muscular atrophy are at an advanced stage of the disease. However, new therapies that change the natural history of the disease are now available in Québec for patients with spinal muscular atrophy.

Screening for spinal muscular atrophy is available for all babies born in Québec since December 11, 2023.

To continue the deployment of spinal muscular atrophy screening for newborns, an amount of $10 million over five years is provided in this budget.

1.5 Maintaining and developing health and social services infrastructure

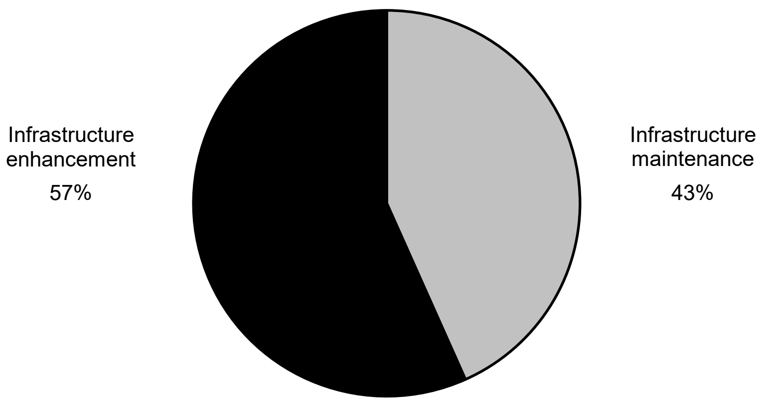
The 2025-2035 Québec Infrastructure Plan provides $24.7 billion in Health and Social Services investments.

— Around 43% of these investments are earmarked for maintaining existing infrastructure in good condition, while approximately 57% are earmarked for new infrastructure.

These investments will make it possible to continue the construction, expansion or redevelopment of hospitals, seniors' homes and alternative homes, as well as CHSLDs.

CHART C.1

2025-2035 Québec Infrastructure Plan for the health and social services sector by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

2. ENCOURAGING THE EDUCATION AND DEVELOPMENT OF YOUNG PEOPLE

In recent years, the government has made education a top priority. It has devoted considerable effort to ensure the growth and development of young people, right from early childhood.

Concrete steps have been taken to improve the academic success of Québec students, encourage participation in recreation and sports, facilitate access to higher education and increase graduation rates. Investments to modernize and develop the network of educational childcare services are also coming to fruition.

In Budget 2025-2026, the government remains fully committed to the education and development of young people, setting aside nearly $1.1 billion over five years. This investment will go toward:

- fostering educational success;
- consolidating support for young people and students;
- promoting participation in recreation and sports;
- supporting access to childcare services.

TABLE C.9

Financial impact of the measures to encourage the education and development of young people
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Fostering educational success	−108.8	−83.2	−58.9	−58.9	−58.9	−368.7
Consolidating support for young people and students	−53.6	−54.5	−56.8	−56.8	−56.8	−278.5
Promoting participation in recreation and sports	−6.0	−7.2	−66.0	−96.0	−96.0	−271.2
Supporting access to childcare services	−34.2	−33.9	−34.2	−34.2	−34.4	−170.9
TOTAL	**−202.6**	**−178.8**	**−215.9**	**−245.9**	**−246.1**	**−1 089.3**

2.1 Fostering educational success

Education continues to be the government's top priority. In this respect, the government's objective is to protect services by providing every student with all the means necessary to reach their full potential.

Since Budget 2019-2020, a number of initiatives have been implemented to support educational success. In addition to the significant investments made in recent years, the government is continuing its efforts to improve the school success of students.

- The Éducation portfolio expenditures rose from $14.9 billion in 2018-2019 to $23.0 billion in 2024-2025, an increase of 54.6% or an average annual growth rate of 7.5%.[5]

In Budget 2025-2026, the government is announcing new initiatives totalling $368.7 million over five years:

- $165.6 million for supporting academic success;
- $39.2 million for training a greater number of qualified teachers;
- $68.9 million for encouraging retirees to return to the education network;
- $95.0 million for meeting temporary school space needs.

TABLE C.10

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

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting academic success	−30.0	−40.2	−31.8	−31.8	−31.8	−165.6
Training a greater number of qualified teachers	−6.8	−8.1	−8.1	−8.1	−8.1	−39.2
Encouraging retirees to return to the education network	−53.0	−15.9	—	—	—	−68.9
Meeting temporary school space needs	−19.0	−19.0	−19.0	−19.0	−19.0	−95.0
TOTAL	**−108.8**	**−83.2**	**−58.9**	**−58.9**	**−58.9**	**−368.7**

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

5 Average annual growth rate, corresponding to the geometric mean over six years, from 2019-2020 to 2024-2025.

❑ Supporting academic success

In addition to the many initiatives introduced for supporting academic success, the government encourages an inclusive and stimulating educational environment for everyone to reduce the dropout rate,[6] which has increased since the pandemic. In recognition that some students have academic difficulties and a lack of motivation and commitment, the government is planning new initiatives to deal with these learning challenges.

Moreover, reading difficulties appear as soon as children start elementary school, making it all the more essential to support the development of reading skills.

Lastly, school staff face many challenges in meeting the needs of students, particularly immigrant students as well as their families, such as language barriers, adaptation to the Québec school system and social integration.

Against this backdrop, the government is implementing three concrete initiatives to support academic success and is announcing $165.6 million over five years:

— $95.0 million for increasing support for the linguistic, social and academic integration of newcomers;

— $54.2 million for supporting the development of students' reading skills;

— $16.4 million for offering a new special school project focused on vocational discovery.

TABLE C.11

Financial impact of the measures to support academic success
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving support for the linguistic, social and academic integration of newcomers	−19.0	−19.0	−19.0	−19.0	−19.0	−95.0
Supporting the development of reading skills	−10.6	−17.2	−8.8	−8.8	−8.8	−54.2
Offering a new special school project focused on vocational discovery	−0.4	−4.0	−4.0	−4.0	−4.0	−16.4
TOTAL	**−30.0**	**−40.2**	**−31.8**	**−31.8**	**−31.8**	**−165.6**

6 The rate of students leaving school without a diploma or qualification was 16.3% in 2021-2022 and 15.1% in 2022-2023. These are the highest rates in at least nine years.

Improving support for the linguistic, social and academic integration of newcomers

The challenges faced by school staff looking to meet the needs of immigrant students and their families are many and varied. These include the language barrier, adapting to the Québec school system, isolation and social integration.

To facilitate the integration and academic success of newcomer students, the government is continuing to improve its program for the linguistic, social and academic integration of these students in the general youth education sector. This program is aimed at:

- offering reception and support services for learning French;
- promoting understanding and respect for different cultures at school, while helping newcomers integrate into the host society;
- establishing collaborations between schools and families to support student success;
- providing teachers with tools and guides to help them support immigrant students.

Supporting the development of students' reading skills

Reading is recognized as a key factor in school success. Ensuring reading skills are better monitored from the earliest school years is a lever for promoting this success. Research shows that the use of progress tracking tools is effective in supporting students in their early stages of learning to read. These tools enable the tracking of specific skills, such as word recognition, reading speed and fluency.

Among other things, this measure aims to support teachers in their interventions with students starting from the earliest school years by enabling them to acquire tools for tracking specific reading skills. In addition, a Québec-wide success indicator for reading will be established in Cycle 1 of elementary school to enable better tracking of learning.

Increased support for teacher intervention leading to more targeted tracking of students during the early years of learning to read will not only help students succeed in reading throughout their schooling, but will also help them achieve overall academic success.

■ Offering a new special school project focused on vocational discovery

To deliver on its commitment and achieve its graduation rate objectives, the government wishes to act quickly to help students with motivational difficulties, by offering them training programs adapted to their needs, and by helping them succeed in these programs.

With this in mind, a new special school project will be proposed, as of the 2026-2027 school year, aimed at vocational exploration starting in Cycle 1 of secondary school. This initial exploration can then lead students in Cycle 2 of secondary school[7] to the new special school project focused on vocational discovery or to the exploration of trades component of the Métier d'avenir-études path.

This measure will enrich these young people's educational and vocational guidance through immersion and hands-on experience, helping to better position vocational training in their education.

[7] Cycle 2 of secondary school lasts three years and starts in Secondary 3.

❑ Training a greater number of qualified teachers

With the significant increase in the number of students enrolled and the retirement of many teachers, the education network is facing a shortage of qualified teachers. To remedy this shortage, the government is investing in three capacity-building projects and announcing $39.2 million over five years to train a greater number of qualified teachers:

— $18.0 million for supporting university initiatives to combat the shortage of qualified teachers;

— $14.1 million for helping non-legally qualified teachers in their journey to obtain a teaching certificate;

— $7.1 million for implementing the *J'obtiens mon brevet* service.

Through the government's support, the universities in the Université du Québec network will be able to implement a number of initiatives to combat the shortage of qualified teachers. These initiatives are aimed at making training programs more flexible and diversified, supporting teachers in training, promoting the teaching profession, improving recognition of the prior learning process and creating pathways to obtain specialized graduate diplomas.

— These measures are designed to improve the training and qualifications of teachers, and encourage students to stay in the profession.

Furthermore, financial support will be offered to school organizations for the reimbursement of tuition fees relating to training leading to teaching certificates for non-legally qualified teachers on the job.

In addition, the *J'obtiens mon brevet* service, created in fall 2024, provides support for non-legally qualified teachers in the process of obtaining their teaching certificate. This service will thus increase the number of qualified teachers in the Québec school network.

❑ Encouraging retirees to return to the education network

To meet the challenges of the teacher shortage, the government is maintaining temporary financial incentives for retired teachers to return to work for an additional year. This measure has been in force since 2022-2023.

— The purpose of this measure is to ensure that retired teachers who are called in to work as substitutes are paid in accordance with the salary scale based on their experience and education, rather than at the rate usually applied for substitute teachers.

— In addition, a lump sum will continue to be granted to retired teachers wishing to return to work.

Maintaining these measures will make it possible to attract or retain retirees in employment until June 30, 2026.

In Budget 2025-2026, the government is extending its incentives to encourage retirees to return to the education network by earmarking an additional $68.9 million.

❑ Meeting temporary school space needs

The need for space in Québec schools remains significant. Investment granted to add space is not enough to meet all the needs.

Therefore, additional efforts are required to meet a temporary need for space during the implementation of an infrastructure project or a one-off situation.

In this budget, the government is allocating an additional $95 million between now and 2029-2030 to temporarily meet a need for space by leasing buildings.

An agreement to benefit food aid in schools

Every child should benefit from the best possible start in life. However, due to rising grocery prices, some families are finding it more difficult to buy the food their children need. When a child is hungry, their ability to learn and develop is affected.

To support all children in reaching their full potential, the federal and Québec governments have reached an agreement that will provide Québec with $65.2 million over three years to fund school food programs.

By transferring funds set aside for the National School Food Program to Québec, the Québec government can effectively and efficiently continue its interventions in school food programs to support children in need.

Overview of Québec school food aid programs

Québec increased the budgetary envelopes for food aid in schools from $25.5 million in 2017-2018 to $65.1 million in 2024-2025, an increase of 156% since 2018.

The Québec government provides food aid in schools in two ways:

- through subsidies to partner organizations, such as the Breakfast Club of Canada and La Cantine pour tous;
- through direct funding to elementary and secondary schools with the aim of providing breakfast, lunch and snacks to students in need while at school or in childcare services. All communities may receive an allowance, with disadvantaged areas receiving a higher amount.

In 2023-2024, through direct school funding, 2 232 public schools out of 2 356 reported offering food aid. As a result, 711 315 students out of 1 018 701 received food aid.

With these investments for young people to adopt a healthy diet, the Québec government wants to eliminate food insecurity. Their implementation is ensured by a collaborative and concerted structure between the Québec government and its partners to meet needs across the province.

Maintaining and developing educational institution infrastructure

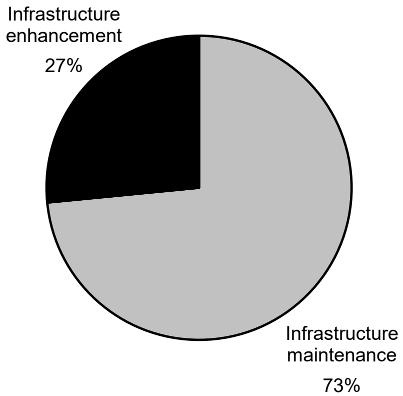
Educational institutions must provide healthy, safe, accessible and supportive environments for the learning and development of students.

The 2025-2035 Québec Infrastructure Plan includes investments of $23.5 billion to rehabilitate and add space to elementary and secondary schools as well as investments of $9.0 billion for higher education institutions.

– Around 74% of these investments are earmarked for maintaining existing infrastructure in good condition, whereas new infrastructure represents 26%.

2025-2035 Québec Infrastructure Plan for education by type of investment

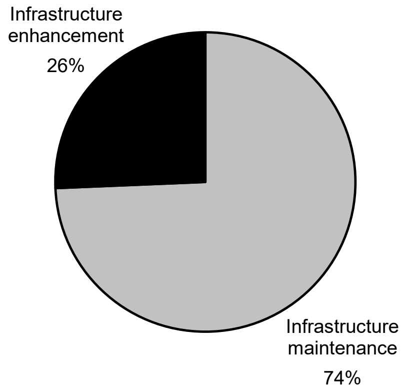
(per cent)



Source: Secrétariat du Conseil du trésor.

2025-2035 Québec Infrastructure Plan for higher education by type of investment

(per cent)



Source: Secrétariat du Conseil du trésor.

Increasing investments for maintenance of the CEGEP building inventory

In its May 2024 audit report, the Auditor General of Québec raised issues related to the condition of CEGEP buildings.

To improve the condition of the CEGEP building inventory and extend its useful life, the government will continue to increase the envelopes that will be dedicated to these infrastructures in the coming years.

– Investments initially set at $247 million for 2024-2025, dedicated to the maintenance of the CEGEP building inventory, will gradually increase to $273 million by 2027-2028, an expected increase of 11% over three years.

In particular, renovating CEGEP buildings ensures students and staff enjoy a healthy and quality environment.

2.2 Consolidating support for young people and students

The government is committed to the well-being of young people and students, recognizing their key role in Québec's development. To enable them to contribute fully to our society's growth and vitality, it is essential that we continue improving the support provided to them and to the organizations that serve them.

— The Enseignement supérieur portfolio expenditures rose from $7.9 billion in 2018-2019 to $11.1 billion in 2024-2025, an increase of 40.7% or an average annual growth rate of 5.9%.[8]

Budget 2025-2026 earmarks $278.5 million over five years to consolidate support for young people and students. This investment will go toward:

— funding the Student Financial Assistance program;

— maintaining services for young people.

TABLE C.12

Financial impact of the measures to consolidate support for young people and students
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Funding the Student Financial Assistance program(1)	−45.0	−45.0	−45.0	−45.0	−45.0	−225.0
Maintaining services for young people(2)	−8.6	−9.5	−11.8	−11.8	−11.8	−53.5
TOTAL	**−53.6**	**−54.5**	**−56.8**	**−56.8**	**−56.8**	**−278.5**

Note: The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l'Enseignement supérieur.
(2) The appropriations will be granted to the Ministère de la Culture et des Communications.

8 Average annual growth rate, corresponding to the geometric mean over six years, from 2019-2020 to 2024-2025.

❑ Funding the Student Financial Assistance program

The government continues to support students with financial needs with the aim of giving them better access to higher education, while promoting retention and success.

In this budget, the government is investing an additional $45 million per year, beginning in 2025-2026, for the Student Financial Assistance program. This represents $225 million over five years to notably fund the program's indexation.

❑ Maintaining services for young people

The government recognizes the importance of providing funding to organizations that support young Quebecers in their journey to self-sufficiency.

Consequently, the government has earmarked $53.5 million over five years to continue funding various measures that guide and support young people aged 12 to 35 in areas such as culture, the environment, employment, entrepreneurship, health, education and social involvement.

— $49.0 million has been set aside over five years for initiatives under the 2025-2030 youth action plan. The details of this action plan will be unveiled by the Minister Responsible for Youth in 2025.

— A total of $4.5 million over five years is being earmarked for the Créneau carrefour jeunesse program, to maintain social involvement projects for young people removed from the labour market and in vulnerable situations, who use youth employment centre services.

2.3 Promoting participation in recreation and sports

Promoting participation in recreation and sports is essential for fostering the well-being and health of our community. By investing in quality infrastructure and supporting inclusive initiatives, the government wishes to encourage broad participation in sports and physical activity and provide access to a diverse range of activities. With this in mind, priority is being placed, in particular, on extending key measures in the recreation, sports and outdoor activities sectors.

In Budget 2025-2026, the government is implementing concrete initiatives to ensure adequate funding for promoting participation in recreation and sports. It is announcing $330 million, as follows:

- $300 million over six years for developing and maintaining recreational, sports and outdoor infrastructure;
- $15 million over five years for supporting participation in recreational activities by people with disabilities;
- $15 million over five years for supporting student sport and developing sporting excellence in Québec.

TABLE C.13

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

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Developing and maintaining recreational, sports and outdoor infrastructure(1)	—	−1.2	−60.0	−90.0	−90.0	−241.2
Supporting participation in recreational activities by people with disabilities	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Supporting student sport and developing sporting excellence in Québec	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
TOTAL	**−6.0**	**−7.2**	**−66.0**	**−96.0**	**−96.0**	**−271.2**

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) Considering the $58.8 million in 2030-2031, the investments will total $300 million over six years. These investments are provided for in the 2025-2035 Québec Infrastructure Plan.

❑ Developing and maintaining recreational, sports and outdoor infrastructure

In Québec, many sports, recreational and outdoor infrastructures are in need of renovation to ensure their sustainability. Moreover, some localities lack adequate infrastructure to meet the population's needs. It is therefore crucial to modernize existing infrastructure and create new facilities to provide safe, accessible spaces that encourage regular physical activity.

An envelope of $300 million was earmarked in Budget 2023-2024, and 322 projects were selected through the first call for projects under the financial assistance program for recreational, sports and outdoor infrastructure.

Given the significant needs that remain, the government intends to continue delivering on its commitment to support construction and renovation projects for recreational, sports and outdoor infrastructure.

To that end, additional investments of $300 million are provided for in the 2025-2035 Québec Infrastructure Plan.

❑ Supporting participation in recreational activities by people with disabilities

People living with physical or intellectual limitations can find it challenging to access recreational activities. They encounter numerous barriers, including a lack of support, transportation and accessible sites and facilities.

The financial assistance program for regional authorities responsible for recreational activities for people with disabilities supports recreational activities for people with disabilities and facilitates their participation. In particular, this program funds the hiring of attendants needed for people with disabilities to participate in recreational activities.

As part of Budget 2025-2026, investments of $15 million are planned by 2029-2030 to extend support for participation in recreational activities by people with disabilities.

❑ Supporting student sport and developing sporting excellence in Québec

Government intervention in sport relies on sports federations, which are responsible for developing participation in sports.

The government is helping them fulfill this responsibility by continuing to support sports federations that oversee student sport, thereby reducing costs. This funding promotes student sport without increasing the financial burden on parents.

In addition, the government is continuing to fund sports federations that develop and support athletes, coaches and officials toward high performance and help them prepare, in particular, for the Canada Games.

In this budget, $15 million will be invested by 2029-2030 to increase support for student sport and develop sporting excellence in Québec.

2.4 Supporting access to childcare services

It is crucial that families have access to quality educational childcare services, adapted to their needs, regardless of their child's condition or living environment.

To support access to childcare services, in Budget 2025-2026, the government is setting aside $170.9 million over five years for initiatives aimed at:

- converting 1 000 non-subsidized childcare spaces into subsidized spaces;
- maintaining services in line with family needs;
- deploying the new childcare services registration portal.

TABLE C.14

Financial impact of the measures to support access to childcare services
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Converting 1 000 non-subsidized childcare spaces	−4.1	−16.8	−17.1	−17.2	−17.4	−72.6
Maintaining services in line with family needs	−24.9	−17.1	−17.1	−17.0	−17.0	−93.1
Deploying the new childcare services registration portal	−5.2	—	—	—	—	−5.2
TOTAL	**−34.2**	**−33.9**	**−34.2**	**−34.2**	**−34.4**	**−170.9**

Note: The appropriations will be granted to the Ministère de la Famille. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Converting 1 000 non-subsidized childcare spaces

In recent years, the government has introduced concrete measures for completing and modernizing the network of educational childcare services under its *Grand chantier pour les familles* action plan.

In addition, to promote greater equity between families, the government has undertaken to convert thousands of unsubsidized childcare spaces in the network into subsidized spaces.

In Budget 2025-2026, this process continues with the announcement of recurring funding representing $72.6 million over the first five years for the conversion of 1 000 additional spaces.

— This measure will enable a greater number of families to benefit from a reduced contribution childcare rate of $9.35 per day in 2025. This budget announcement will bring the total number of spaces converted to nearly 11 000.

— These converted spaces will be added to the existing network of nearly 247 000 reduced-contribution childcare spaces. This network provides crucial support for Québec families, and has inspired the creation of an equivalent system across Canada.

Major investments for completing the educational childcare services network

In recent years, the government has made significant investments to increase the availability of subsidized childcare spaces.

Launched on October 21, 2021, the *Grand chantier pour les familles* action plan provides for investments totalling $5.9 billion over five years. In particular, this action plan aims to create 37 000 subsidized childcare spaces.

– As at January 31, 2025, a total of 27 427 subsidized places had been created. In addition, 16 023 facility-based spaces were in the process of being created.

The action plan also provided for a pilot project to convert 3 500 non-subsidized childcare spaces into subsidized spaces. Moreover, additional conversions were announced, representing investments of $655 million from 2023-2024 to 2029-2030[1] as follows:

– $496.9 million over seven years, from 2023-2024 to 2029-2030, for converting 5 000 spaces as announced in Budget 2023-2024;

– $85.7 million over six years, from 2024-2025 to 2029-2030, for converting 1 000 spaces as announced in Budget 2024-2025;

– $72.6 million over five years, from 2025-2026 to 2029-2030, for converting 1 000 spaces as announced in Budget 2025-2026.

1 The amounts are recurring as of 2030-2031.

❑ Maintaining services in line with family needs

Children with special needs require tailored support to be fully integrated into educational childcare services. In recent years, educational childcare services have continued to welcome a growing number of children with special needs, while maximizing their available resources.

In addition, childcare spaces for people with non-standard work schedules, recently developed to address parents' needs, must be maintained, particularly in community settings.

To ensure continuation of these services, the government is announcing an investment of $93.1 million over five years:

— $82.0 million for continuing, optimizing and adjusting allowances to integrate vulnerable children into childcare services to better support those with greater needs;

— $7.5 million for promoting the participation of children with special needs in community drop-in daycare activities;

— $0.8 million in 2025-2026 for extending the increase in the allowance paid to providers of non-standard childcare services;

— $2.8 million for concluding an agreement with the Naskapi Nation of Kawawachikamach and increasing support for the Atikamekw Nation Council, to enable Indigenous communities to exercise their autonomy over educational childcare services.

❑ Deploying the new childcare services registration portal

The government wants to modernize the childcare services registration system to promote transparency and equal opportunity for all children.

To achieve this, a new childcare services registration portal will be launched in 2025, to replace the current La Place 0-5 gateway. This new portal will ensure consistency in the process and that spaces are allocated fairly and transparently.

To support its launch, $5.2 million in 2025-2026 is being earmarked to:

— deploy the new childcare services registration portal;

— support families, educational childcare services providers and all their partners through this transition.

3. FOSTERING THE WELL-BEING OF VULNERABLE INDIVIDUALS

Québec's social safety net is a significant asset. It defines Québec as an inclusive society that prioritizes the collective well-being, protection and support of all its members.

In Budget 2025-2026, the government recognizes the importance of maintaining this social safety net and protecting the wallets of vulnerable Quebecers. To achieve this, it is setting aside a total of $549.7 million over six years.

— The Québec Pension Plan (QPP) will be enhanced so that the retirement pension calculation excludes months during which individuals receive a reduced income replacement indemnity from the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST).

— An amount of $302.6 million will be invested over five years to support access to housing, in particular by maintaining the low-rental housing stock, supporting residential adaptation and responding to urgent housing needs.

— An investment of $247.1 million over six years is planned to support people in need. This funding will promote the integration of people into the workforce, provide assistance to individuals in difficult circumstances and increase food aid.

These amounts are in addition to the significant increase in investments set aside for the community sector in recent years.

TABLE C.15

Financial impact of the measures to foster the well-being of vulnerable individuals
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving retirement pensions for workers who have suffered an employment injury(1)	—	—	—	—	—	—	—
Supporting access to housing(2)	—	−173.9	−69.4	−44.6	−7.2	−7.5	−302.6
Providing targeted assistance to people in need	−8.9	−145.7	−71.3	−17.2	−2.0	−2.0	−247.1
TOTAL	**−8.9**	**−319.6**	**−140.7**	**−61.8**	**−9.2**	**−9.5**	**−549.7**

(1) Retirement pensions are paid by the Québec Pension Plan. Their enhancement will be funded by employer contributions to the CNESST, which will then transfer the necessary funds to the QPP.
(2) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

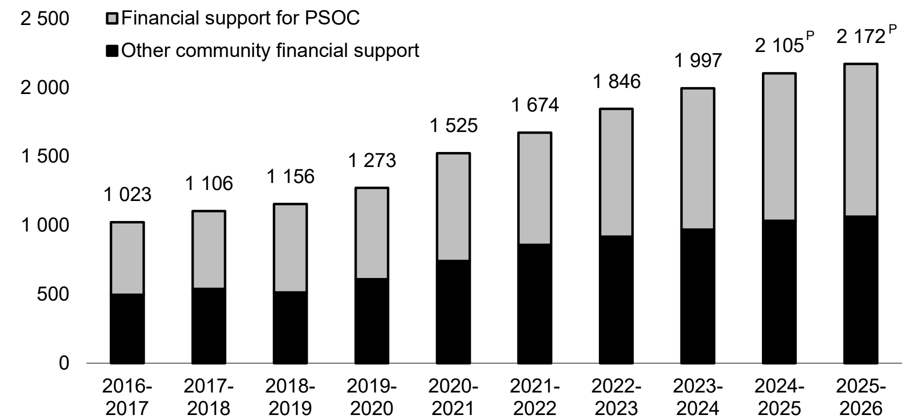
Nearly $2.2 billion planned for the community sector in 2025-2026

Community organizations play a crucial role in our society. They provide essential services to meet the basic needs of individuals and families, such as food aid, housing support and access to health services. They play a key role in supporting the most vulnerable individuals and maintaining social cohesion.

In recent years, the government has announced successive and unprecedented increases in financial support for community organizations, in particular those funded by the health and social services sector's support program for community organizations (PSOC).

- The PSOC's annual envelope, which benefits over 3 400 organizations, has more than doubled over the past 10 years, reaching $1.1 billion in 2025-2026.
- 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 2025-2026.

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



P: Projection.
PSOC: Support program for community organizations.
Note: The support presented includes all types of funding, including support for the overall mission.

3.1 Improving retirement pensions for workers who have suffered an employment injury

The CNESST is responsible for ensuring the well-being of workers. After enhancing the CNESST's services in recent years,[9] the government is continuing its work to improve them.

CNESST's support measures include an income replacement indemnity for individuals who have suffered an employment injury and are unable to return to their usual job. To maintain their standard of living, the indemnity compensates for the loss of 90% of after-tax income, and may be:

— reduced, if the individual is able to take a lower-paying job;

— paid at the full rate, if they are completely unable to work.

To protect the retirement pensions of individuals receiving a full income replacement indemnity, the CNESST has an agreement with the QPP. Under this agreement, the months of disability are excluded from the retirement pension calculation, so as not to reduce the amount of the pension.

However, recipients of a reduced income replacement indemnity continue to contribute to the QPP if they are working. Since their income is lower, so are their contributions, significantly reducing their retirement pension.

Exclusion from QPP pension calculation

The retirement pension under the Québec Pension Plan (QPP) is calculated on the basis of employment income earned between the age of 18 and retirement.

However, to avoid penalizing retirees for exceptional life events, the QPP allows certain contribution periods to be excluded from the calculation. From now on, excluded periods can be:

– months in which a QPP disability pension was received;

– months in which any income replacement indemnity from the CNESST was received, if this indemnity is for a period of at least 24 months, given the measure presented in Budget 2025-2026;

– months in which family benefits were received, such as Family Allowance, for a child under 7.[1]

In addition, all retirement pension recipients can exclude the 15% of months in which their income was lowest.

It is important to note that only the QPP base plan allows exclusions. There is no such provision in the additional plan.

1 Months in which family benefits were received for a disabled child requiring exceptional care are also excluded until the child reaches 18 years of age.

9 These enhancements were stipulated in the *Act to modernize the occupational health and safety regime*, assented to in 2021, and in the *Act to prevent and fight psychological harassment and sexual violence in the workplace*, assented to in 2024.

❑ Protecting the retirement pensions of workers who have suffered an employment injury

To enable workers who have suffered an employment injury to benefit from a higher retirement pension, the government is announcing that starting January 1, 2026, the QPP will protect those receiving a reduced income replacement indemnity in the same way as those already receiving a full indemnity.

The QPP will exclude the months of disability from the retirement pension calculation for workers who have suffered an employment injury and are able to return to work.[10] As for beneficiaries of a full income replacement indemnity, the measure applies only to the QPP base plan.

— This QPP retirement pension protection applies to people who have received any income replacement indemnity for at least 24 months. The change will help up to 2 000 new retirees per year.

TABLE C.16

Parameters of retirement pension protection for workers who have suffered an employment injury

	Full indemnity	Reduced indemnity	
		Before this budget	**After this budget**
Pension protection	Exclusion of months of indemnity	No protection	Exclusion of months of indemnity
Minimum duration of disability	24 months of indemnity	—	24 months of indemnity
Coverage	Base plan	—	Base plan

10 Implementation of this initiative will require legislative amendments. This will be funded entirely by employer contributions to the CNESST.

❑ Illustration for an injured worker

For example, a worker earning $50 000 a year contributes $2 511 to the QPP, which will provide him with a retirement pension of $11 673.[11]

After a 25-year career, the worker suffers a work-related injury that prevents him from earning his full income.

— His annual employment income then drops to $25 000, and he receives a non-taxable income replacement indemnity of $12 596.

— At this employment income, his QPP contribution decreases to $1 161 per year, reducing his retirement pension to $9 492.

Thanks to the measure announced in Budget 2025-2026, this injured worker's retirement pension will be protected. It will accordingly remain at the same level as if he had not had an accident, namely $11 673. This represents an increase in his retirement pension of $2 181 per year for the rest of his life.

TABLE C.17

Illustration of the improved annual retirement pension for an injured worker – Ultimately
(dollars)

		Receives a reduced indemnity		
	No accident	**Before this budget**	**After this budget**	**Difference**
Before age 65				
Employment income	50 000	25 000	25 000	—
Income replacement indemnity	—	12 596	12 596	—
QPP contribution(1)	2 511	1 161	1 161	—
QPP retirement pension from age 65(1)	**11 673**	**9 492**	**11 673**	**+2 181**

Note: All amounts are in 2025 dollars. The illustration depicts the situation of a worker earning $50 000 in 2025 since the age of 18.
(1) This is for the QPP base plan only.

11 This entire illustration is for the QPP base plan only.

Recap of initiatives since Budget 2021-2022 for the benefit of people with disabilities

Since Budget 2021-2022, the government has announced a $240-million increase in the pension paid annually to seniors with disabilities, namely:

- $90 million announced in Budget 2021-2022;
- $150 million announced in Budget 2024-2025.

Budget 2021-2022 announcements

In Budget 2021-2022, the Québec government announced that it would begin work on improving the Québec Pension Plan (QPP) disability pension. This work led to the implementation of the following improvements:

- the decrease from 36% to 24% of the maximum retirement pension reduction for seniors receiving the QPP disability pension, representing a gain of up to $2 064 per year;
- 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.

Budget 2024-2025 announcements

The government continued its efforts to improve the disability pension, announcing in Budget 2024-2025 the elimination of the retirement pension reduction for disabled seniors.

- This improvement came into effect on January 1, 2025, and will enable more than 82 000 people to receive on average an additional $1 800 per year.

To protect disabled seniors from the rising cost of living, the government has also announced an adjustment to the calculation of QPP benefits, retroactive to January 1, 2024.

- This adjustment prevents a reduction in benefits when a disability pension[1] is converted to a retirement pension.

1 This adjustment covers recipients of a disability pension, as well as recipients of a disability pension combined with a surviving spouse's pension.

3.2 Supporting access to housing

In recent years, the government has taken significant steps to improve access to housing for vulnerable people, including young people in difficulty and people experiencing homelessness.[12]

In particular, recent housing initiatives have increased the supply of affordable housing, helped low-income households pay their rent and contributed to the renovation of the rental housing stock.

In the current budget, the government wants to continue its work with households whose housing conditions are inadequate. It is therefore providing $302.6 million over five years for additional initiatives to support access to housing:

— $228.0 million over three years for funding the maintenance of the low-rental housing stock;

— $74.6 million by 2029-2030 for funding housing adaptations and meeting urgent housing needs.

TABLE C.18

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

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Funding the maintenance of low-rental housing stock	−128.2	−62.4	−37.4	—	—	−228.0
Adapting housing and meeting urgent needs	−45.7	−7.0	−7.2	−7.2	−7.5	−74.6
TOTAL	**−173.9**	**−69.4**	**−44.6**	**−7.2**	**−7.5**	**−302.6**

When also considering health and social services network investments announced to ensure better access to housing for vulnerable people,[13] Budget 2025-2026 provides a total of $520.2 million to offer better housing conditions for Québec households.

12 For more details on investments made to prevent and reduce homelessness, see the box in subsection 1.2, “Over $1 billion in funding planned since fall 2021 to prevent and reduce homelessness.”

13 The financial impact and description of the measures to increase support for housing services and for support services to vulnerable individuals benefiting from the Rent Supplement Program are presented in subsection 1.2.

Investments that will enable the construction of over 23 000 housing units by 2029-2030

The government intends to meet its goal of delivering over 23 000 housing units by 2029. Considering the units completed since 2023-2024, the planned investments will contribute to the construction of over 23 000 new housing units across Québec, representing an investment of $2.6 billion over six years.

Number of units and planned investments for housing construction

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Projected number of units	2 523	3 019	6 485	8 373	2 914	65	23 379
Planned investments ($million)(1)	373.6	240.3	1 084.2	658.5	233.6	59.2	2 649.4

(1) This total does not take into account the $184 million investment announced in fall 2024, which will be used to implement new financial tools to encourage housing construction.

Considering the investments announced since 2018, $6.9 billion have been earmarked for housing between now and 2029-2030.

New financial tools to encourage housing construction

Since the fall 2024 economic update, the government has been working on innovative approaches to accelerate the construction of housing.

– At present, the Société d'habitation du Québec mainly funds its interventions by providing grants to projects that improve housing conditions for Quebecers.

– New approaches have been developed to encourage the construction of new housing at a lower cost and thus improve the housing market situation.

The Société d'habitation du Québec's Housing Financial Assistance Program will provide a framework for the use of new financial tools. These tools will take the form of loan guarantees and concessionary loans, and will help complete the financing of affordable unit projects.

❑ Funding the maintenance of low-rental housing stock

Built for the most part in the 1970s and 1980s, the low-rental housing stock is aging and in significant need of renovation. Operating the low-rental housing stock also entails annual costs.

The government is planning an additional investment of $228 million over three years to maintain and fund the operation of the low-rental housing stock.

— Of this amount, $186.8 million over three years will be used for low-rental housing stock renovations. This investment will be bolstered by a matching contribution from the federal government, as provided for in the Canada-Québec Housing Agreement, bringing the total investment to $373.6 million.

— In addition, $41.2 million in 2025-2026 will be used to support housing operating costs, in particular by covering maintenance, electricity or insurance costs that are not fully offset by rents. This will allow many households to avoid a significant increase in costs. Part of this amount will be used to maintain the supply of social housing for Nunavik inhabitants.

TABLE C.19

Financial impact of the measures to fund the maintenance of the low-rental housing stock
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Funding low-rental housing stock renovations(1)	−87.0	−62.4	−37.4	—	—	−186.8
Funding the operation of low-rental housing	−41.2	—	—	—	—	−41.2
TOTAL	**−128.2**	**−62.4**	**−37.4**	**—**	**—**	**−228.0**

(1) Investments of $124.8 million are provided for in the 2025-2035 Québec Infrastructure Plan.

❑ Adapting housing and meeting urgent needs

The government is planning a total investment of $74.6 million over five years in order to maintain its interventions with households having special needs due to their physical condition or a situation that requires emergency assistance:

— $38.0 million in 2025-2026 for continuing the Residential Adaptation Assistance Program, which helps homeowners cover the cost of adaptations needed to make their dwelling barrier-free for persons with disabilities who occupy it;

— $32.7 million over five years for providing 1 000 new Rent Supplement Program units for households in urgent need, for young people leaving youth protection services, or for people experiencing or at risk of homelessness;

— $3.9 million in 2025-2026 for funding municipalities and housing offices that assist households with urgent needs, including those without housing on the eve of July 1.

TABLE C.20

Financial impact of the measures to adapt housing and meet urgent needs
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending the Residential Adaptation Assistance Program	−38.0	—	—	—	—	−38.0
Granting 1 000 new units under the Rent Supplement Program(1)	−3.8	−7.0	−7.2	−7.2	−7.5	−32.7
Meeting urgent needs on the eve of July 1	−3.9	—	—	—	—	−3.9
TOTAL	**−45.7**	**−7.0**	**−7.2**	**−7.2**	**−7.5**	**−74.6**

(1) If the $3.4 million in 2030-2031 is considered, the funding required will total $36.1 million.

More than $75 million set aside in Budget 2025-2026 to enhance the Rent Supplement Program

The Rent Supplement Program enables households to live in private dwellings while paying rent that is limited to 25% of their family income.

– For instance, a young adult with an eligible annual income of $16 400 and rent of $1 000 per month would spend $342 per month for housing (25% of the young adult's income), while the program would cover the remaining $658.

In addition, when the Société d'habitation du Québec grants Rent Supplement Program units to a vulnerable clientele, such as young people in difficulty and people experiencing homelessness, funds are generally set aside for the health and social services network to provide them with support services.[1]

– These services help promote residential stability for vulnerable people. For example, social workers can support them in finding housing, signing a lease, acquiring furnishings and assuming the responsibilities related to occupying a dwelling.

Taking into account the amounts earmarked to enable the Ministère de la Santé et des Services sociaux to support vulnerable people, the total amount invested in this budget to enhance the Rent Supplement Program is $75.3 million over five years.

Summary of the amounts invested in Budget 2025-2026 to enhance the Rent Supplement Program
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Granting 1 000 new Rent Supplement units	−3.8	−7.0	−7.2	−7.2	−7.5	−32.7
Providing support services to vulnerable people benefiting from the Rent Supplement Program	−4.6	−9.5	−9.5	−9.5	−9.5	−42.6
TOTAL	**−8.4**	**−16.5**	**−16.7**	**−16.7**	**−17.0**	**−75.3**

Note: If the $8.3 million in 2030-2031 is considered, the funding over six years will total $83.6 million.

Rent assistance for nearly 180 000 households

In addition to the Rent Supplement Program, the government provides financial assistance to low-income households to pay their rent through the Shelter Allowance Program. Enhanced in 2021 and 2022, the program grants assistance up to $170 per month.

– In 2025-2026, these two programs will grant rent assistance to 179 300 households, compared to 96 400 households in 2021-2022, representing an 86% increase over four years.

1 The financial impact and description of this measure are presented in subsection 1.2.

3.3 Providing targeted assistance to people in need

In Budget 2025-2026, the government is including an investment of $247.1 million over six years to provide targeted assistance to people in need, including:

- $140.6 million for promoting employment integration, with the aim of improving the inclusion and financial security of people further removed from the labour market;
- $69.5 million for helping people in difficult situations, particularly those who have had to leave their home countries;
- $27.0 million for increasing food aid in response to the significant rise in the population's needs;
- $10.0 million over five years for extending Family Allowance payments by 12 months to parents coping with bereavement following the death of their minor child.

TABLE C.21

Financial impact of the measures to provide targeted assistance to people in need
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Promoting employment integration	—	−78.2	−48.2	−14.2	—	—	−140.6
Helping people in difficult situations	−8.9	−49.0	−11.6	—	—	—	−69.5
Increasing food aid	—	−16.5	−9.5	−1.0	—	—	−27.0
Enhancing the Family Allowance for bereaved parents	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
TOTAL	**−8.9**	**−145.7**	**−71.3**	**−17.2**	**−2.0**	**−2.0**	**−247.1**

❑ Promoting employment integration

The current context is marked by challenges linked to economic uncertainty. At the same time, the efforts invested in job integration help improve social inclusion and strengthen individuals' financial security.

In Budget 2025-2026, the government aims to continue its initiatives to encourage financial security and support integrating and maintaining employment for persons with disabilities and others further removed from the labour market. To this end, it is setting aside $140.6 million over three years, as follows:

— $95.2 million over two years for extending the enhanced income support policy, which enables participants to benefit from financial assistance while taking part in certain employment integration measures;

— $45.4 million over three years for adopting a new national strategy for labour market integration and maintenance of handicapped persons.

TABLE C.22

Financial impact of the measures to promote employment integration
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending the enhanced income support policy	−63.5	−31.7	—	—	—	−95.2
Adopting a new national strategy for labour market integration and maintenance of handicapped persons	−14.7	−16.5	−14.2	—	—	−45.4
TOTAL	**−78.2**	**−48.2**	**−14.2**	**—**	**—**	**−140.6**

Note: The amounts will be funded from appropriations already set aside for the Labour Market Development Fund.

❑ Helping people in difficult situations

The government wants to help people in difficult situations. For instance, conflicts in various regions of the world are forcing people to leave their homes in search of safer environments, such as Québec. In addition, volunteering is an essential resource for meeting specific community needs.

The government is therefore announcing $69.5 million over three years:

- $31.5 million over three years to address the increased number of refugee protection claimants on social assistance through the hiring of resources for the period in question;
- $25.4 million in 2025-2026 to extend by one year the assistance program aimed specifically at Ukrainians—a financial aid similar to social assistance—which was provided to approximately 2 050 households in January 2025;
- $12.0 million in 2025-2026 to extend the enhancement of the volunteer support program, which encourages citizens and organizations to engage in volunteer work;
- $0.6 million over two years for interpreting services for immigrant, refugee, and precarious-status women to offer them better support in shelters for women who are victims of violence.

TABLE C.23

Financial impact of the measures to help people in difficult situations
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Providing resources to deal with the increased number of refugee protection claimants on social assistance(1)	−8.9	−11.3	−11.3	—	—	—	−31.5
Extending the assistance program for Ukrainians(1)	—	−25.4	—	—	—	—	−25.4
Enhancing the volunteer support program(1)	—	−12.0	—	—	—	—	−12.0
Interpreting services for immigrant, refugee, and precarious-status women(2)	—	−0.3	−0.3	—	—	—	−0.6
TOTAL	**−8.9**	**−49.0**	**−11.6**	**—**	**—**	**—**	**−69.5**

(1) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale. The amounts for 2024-2025 and 2025-2026 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie with the proceeds going to the Secrétariat à la condition féminine. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

Significant support for shelters for women who are victims of domestic violence

Shelters for women who are victims of domestic violence play a central role in supporting women and children dealing with difficult situations. As a result, in recent years, the government has announced a significant increase in the financial support provided to them.

This enhancement will be gradual, peaking in 2026-2027. Ultimately, the government will provide more than $165 million per year for services offered by these resources.

Between 2019-2020 and 2026-2027, nearly $1.1 billion will be invested in the services provided by shelters.

Financial support provided for services in shelters
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
First-stage emergency shelters	77.2	91.2	111.2	125.4	129.6	134.4	136.7	139.5	945.2
Second-stage shelters	—	10.0	10.0	14.0	20.3	22.4	23.7	25.8	126.2
TOTAL	**77.2**	**101.2**	**121.2**	**139.4**	**149.9**	**156.8**	**160.4**	**165.3**	**1 071.4**

A significant increase in financial support for first-stage emergency shelters

First-stage emergency shelters take in women who leave their homes for periods ranging from one night to several weeks.

– In 2026-2027, funding for services will rise to approximately $140 million,[1] an increase of $62 million over 2019-2020. This represents an increase of approximately 80% in government support.

Enhanced, recurring support now assured for second-stage shelters

Second-stage shelters enable women leaving emergency shelters to transition to independent living, over an average of eight months.

Prior to 2020, the majority of those shelters did not receive regular, recurring financial support. The amounts announced represent a major enhancement in their financial support, since in addition to being increased, they are now predictable and recurrent from one year to the next. This support will reach around $26 million annually in 2026-2027.

Construction is under way in response to needs

In addition to financial support, the government is committed to helping shelters grow their network.

To achieve this, it is working with representatives from shelters to resolve issues delaying the construction of new shelters and accelerate their completion.[2]

1 In 2026-2027, approximately 112 first-stage shelters are expected to be in operation. Average government funding per first-stage shelter will therefore be approximately $1.2 million per year.

2 The Société d’habitation du Québec, the Ministère de la Santé et des Services sociaux, the Secrétariat à la condition féminine and the Ministère des Finances are taking part in this initiative.

❑ Increasing food aid

In recent years, the rising cost of groceries has hit less well-off households particularly hard. Additional resources are therefore needed to meet the growing needs among part of the population for food support.

In Budget 2025-2026, the government is therefore setting aside:

— $24.0 million over two years for increasing funding for the Food Banks of Québec for the purchase of food, in response to the substantial increase in both demand and food prices;

— $3.0 million over two years, under the 2025-2035 Québec Infrastructure Plan, for improving the infrastructure and supply of the Food Banks of Québec network.

TABLE C.24

Financial impact of measures to increase food aid
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Increasing funding for the Food Banks of Québec for the purchase of food(1)	−15.5	−8.5	—	—	—	−24.0
Improving the infrastructure and supply of the Food Banks of Québec network(2)	−1.0	−1.0	−1.0	—	—	−3.0
TOTAL	**−16.5**	**−9.5**	**−1.0**	**—**	**—**	**−27.0**

(1) The appropriations will be granted to the Ministère de l’Emploi et de la Solidarité sociale. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de l’Agriculture, des Pêcheries et de l’Alimentation and drawn from the Contingency Fund. Investments of $3.0 million are provided for in the 2025-2035 Québec Infrastructure Plan.

Substantial investments in food aid

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

- In Budget 2024-2025, $80 million over five years was earmarked to support the Food Banks of Québec, the Breakfast Club of Canada, La Cantine pour tous and La Tablée des Chefs.

Taking into consideration the amounts invested previously and those included in this budget, a total of $175.8 million in food aid has been announced since fall 2022.

In addition, the Québec and Canadian governments reached an agreement that would provide Québec with $65 million over three years to fund school food services.[1]

Food aid announcements since fall 2022
(millions of dollars)

	Prior to 2024-2025	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Previous announcements[(1)]	**−45.8**	**−7.0**	**−7.0**	**−7.0**	**−2.0**	**—**	**−68.8**
Budget 2024-2025							
Providing financial support to the Food Banks of Québec	—	−30.0	−10.0	—	—	—	−40.0
Entrenching support for the Breakfast Club of Canada and La Cantine pour tous[(2)]	—	−6.8	−6.8	−6.8	−6.8	−6.8	−34.0
Recovering surplus food and improving youth's culinary skills (La Tablée des Chefs)	—	—	−1.5	−1.5	−1.5	−1.5	−6.0
Subtotal – Budget 2024-2025	**—**	**−36.8**	**−18.3**	**−8.3**	**−8.3**	**−8.3**	**−80.0**
Budget 2025-2026							
Increasing funding for the Food Banks of Québec organization for the purchase of food	—	—	−15.5	−8.5	—	—	−24.0
Improving the infrastructure and supply network of the Food Banks of Québec organization	—	—	−1.0	−1.0	−1.0	—	−3.0
Subtotal – Budget 2025-2026	**—**	**—**	**−16.5**	**−9.5**	**−1.0**	**—**	**−27.0**
TOTAL	**−45.8**	**−43.8**	**−41.8**	**−24.8**	**−11.3**	**−8.3**	**−175.8**

Notes: Amounts announced in budget publications since fall 2022.
The amounts are in addition to those granted by the Ministère de l'Éducation directly to organizations and schools for the implementation of school food aid initiatives.
(1) For more details, see the box on page C.30 of Budget 2024-2025.
(2) This funding is recurrent.

1 For more information on this agreement, see the box in subsection 2.1, "An agreement to benefit food aid in schools."

❑ Enhancing the Family Allowance for bereaved parents

The government is sensitive to the ordeal that parents face after the death of a minor child.

Responding to the psychological, social and economic consequences of such a tragedy, Budget 2025-2026 is providing $10 million over five years to extend by 12 months the Family Allowance following the death of an eligible child under the age of 18.[14]

This extension of the Family Allowance, which will come into effect on July 1, 2025, also applies to amounts paid to the parents of children eligible for the Supplement for Handicapped Children and the Supplement for Handicapped Children Requiring Exceptional Care.

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[14] This measure applies if the child had previously been registered for the Family Allowance and if all eligibility criteria for the tax credit are met.

4. SHOWCASING QUÉBEC'S CULTURE AND IDENTITY

The government is eager to preserve Québec's culture, a shared asset that contributes to Québec's influence in multiple ways. To that end, Budget 2025-2026 is setting aside close to $717 million over five years to showcase Québec's culture and identity.

— Of this amount, over $544 million will be dedicated to showcasing Québec's culture and heritage. In particular, these amounts will be used for the purposes of enhancing funding for the Conseil des arts et des lettres du Québec and continuing to support cultural businesses through the Société de développement des entreprises culturelles.

— In addition, close to $173 million will go to promoting Québec's identity, particularly by promoting the French language.

TABLE C.25

Financial impact of the measures to showcase Québec's culture and identity
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Showcasing Québec's culture and heritage	−124.2	−113.8	−114.0	−96.4	−96.0	−544.4
Promoting Québec's identity	−35.3	−35.3	−35.3	−33.3	−33.3	−172.5
TOTAL	**−159.5**	**−149.1**	**−149.3**	**−129.7**	**−129.3**	**−716.9**

4.1 Showcasing Québec's culture and heritage

Artists, organizations and businesses active in the cultural sector are key to the preservation and promotion of Québec's culture and identity.

Through their commitment, they not only ensure the vitality and future of Québec's culture, but also play a part in forging Québec's identity.

To promote Québec's culture and heritage, in Budget 2025-2026, the government is setting aside over $544 million over five years to:

- increase funding for the Conseil des arts et des lettres du Québec;
- continue to support cultural businesses through the Société de développement des entreprises culturelles (SODEC);
- support service organizations;
- preserve our cultural heritage;
- support the digital shift of print media and Télé-Québec;
- increase the funding of the Mécénat Placements Culture program.

TABLE C.26

Financial impact of the measures aimed at promoting Québec's culture and heritage
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Increasing funding for the Conseil des arts et des lettres du Québec[1]	−63.9	−68.6	−68.6	−58.4	−58.4	−317.9
Continuing to support cultural businesses through SODEC[1]	−44.2	−30.0	−30.0	−30.0	−30.0	−164.2
Supporting service organizations[1]	−4.0	−4.0	−4.0	−2.0	−2.0	−16.0
Preserving our cultural heritage[1]	−8.3	−7.5	−8.5	−5.0	−4.6	−33.9
Supporting the digital shift of print media and Télé-Québec	−2.8	−2.7	−1.9	—	—	−7.4
Increase the funding of the Mécénat Placements Culture program[2]	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
TOTAL	**−124.2**	**−113.8**	**−114.0**	**−96.4**	**−96.0**	**−544.4**

(1) The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(2) Appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2025-2026 will be drawn from the Contingency Fund. Starting in 2026-2027, the measure will be funded by an additional $1 million per year from revenues generated by the specific tax on tobacco products. These amounts will be granted to the Avenir Mécénat Culture Fund, which is used to fund this program.

❑ Increasing funding for the Conseil des arts et des lettres du Québec

The mission of the Conseil des arts et des lettres du Québec (CALQ) is to support creation, experimentation, production and dissemination in the various disciplines of literature and the arts in all regions of Québec.

In recent years, the CALQ's clientele has succeeded in facing many challenges and maintaining their activities for the benefit of all Quebecers. The cultural sector has benefited from significant, tailored government support to meet its needs.

- In particular, the government has supported the cultural sector by enhancing the CALQ's grant programs and introducing assistance for putting on Québec shows in theatres and concert halls to ensure they remain on offer in such venues.

In Budget 2025-2026, the government is reaffirming its support of the CALQ by increasing and enhancing its funding to support artists and bodies that help showcase our culture.

To this end, it is setting aside $317.9 million over five years, which will increase funding for the CALQ's programs to $200 million per year from 2025-2026 to 2027-2028.

- As a result, the CALQ's expenditures will record average annual growth of 8.6% from 2019-2020 to 2025-2026.

❑ Continuing to support cultural businesses through SODEC

The mission of SODEC is to support the development of cultural businesses and the promotion of Québec's cultural intellectual property.

The SODEC fulfills this role by designing programs and administering financial and taxation assistance to cultural businesses in Québec.

The government is providing $164.2 million over five years for continuing to support cultural businesses through SODEC.

This amount will allow SODEC to maintain a number of initiatives aimed chiefly at developing and promoting the distribution of television productions with strong potential and at supporting digital experience producers.

In addition, this amount will increase funding for SODEC's programs to over $125 million in 2025-2026.

❑ Supporting service organizations

To assist organizations in offering services to their various clienteles, the government is providing $16.0 million over five years in aid of the following cultural activities:

— $6.0 million over three years for maintaining the service offering of cultural umbrella organizations and thus providing backing and support to the various cultural sectors;

— $5.0 million over five years for supporting the network of accredited private archival agencies in its mission to acquire, conserve and disseminate private archives;

— $5.0 million over five years for enhancing operational assistance for regional centres that support and provide services to public libraries in communities in Québec having 5 000 inhabitants or fewer.

TABLE C.27

Financial impact of the measures to support service organizations
(millions of dollars)

	2025-2026	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**	**Total**
Maintaining the service offering of cultural umbrella organizations	−2.0	−2.0	−2.0	—	—	−6.0
Supporting the network of accredited private archival agencies	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
Enhancing operational assistance for regional centres providing services to public libraries	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
TOTAL	**−4.0**	**−4.0**	**−4.0**	**−2.0**	**−2.0**	**−16.0**

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Preserving our cultural heritage

Heritage property is part of Québec's cultural landscape, constituting a rich collective asset that must be preserved.

In Budget 2025-2026, the government is setting aside $33.9 million over five years for initiatives aimed at preserving Québec's heritage, as follows:

- $30.0 million over five years provided in the 2025-2035 Québec Infrastructure Plan for maintaining the Québec Cultural Heritage Fund's operations by improving support for the knowledge, protection, promotion and transmission of cultural heritage;
- $2.5 million over five years for carrying out emergency interventions on heritage buildings whose integrity and durability are at risk;
- $1.4 million over three years for restoring and rehabilitating Maison René-Lévesque with the aim of bringing this heritage building back to life for the benefit of the Québec and Gaspésian community.

TABLE C.28

Financial impact of the measures to preserve our cultural heritage
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Maintaining the Québec Cultural Heritage Fund's operations(1)	−7.0	−7.0	−8.0	−4.2	−3.8	−30.0
Carrying out emergency interventions on heritage buildings	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5
Restoring and rehabilitating Maison René-Lévesque(2)	−0.8	—	—	−0.3	−0.3	−1.4
TOTAL	**−8.3**	**−7.5**	**−8.5**	**−5.0**	**−4.6**	**−33.9**

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) Investments of $30.0 million are provided for in the 2025-2035 Québec Infrastructure Plan.
(2) Investments of $4.2 million are provided for in the 2025-2035 Québec Infrastructure Plan.

❑ Supporting the digital shift of print media and Télé-Québec

Traditional media face many challenges that are pushing them to invest more heavily in digital transformation.

In Budget 2025-2026, the government is providing $7.4 million over three years for supporting the digital shift of print media and Télé-Québec:

- $5.4 million over three years for extending the tax credit to support the digital transformation of print media companies for one year, until December 31, 2025;
- $2.0 million in 2025-2026 for continuing the digital shift at Télé-Québec in order to consolidate its digital ecosystem and maintain its appeal.

TABLE C.29

Financial impact of the measures aimed at supporting the digital shift of print media and Télé-Québec
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending the tax credit to support the digital transformation of print media companies	−0.8	−2.7	−1.9	—	—	−5.4
Continuing the digital shift at Télé-Québec(1)	−2.0	—	—	—	—	−2.0
TOTAL	**−2.8**	**−2.7**	**−1.9**	**—**	**—**	**−7.4**

(1) The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

The tax credit to support the digital transformation of print media companies

Since 2018, the Québec government has provided the refundable tax credit for the digital transformation of print media, which will be extended until December 31, 2025.

- From 2018-2019 to 2024-2025, this tax credit will have provided $22.6 million in financial assistance to print media.

Main parameters of the tax credit to support the digital transformation of print media companies

Qualified corporation(1)	– A corporation operating a media outlet that produces and disseminates original daily or periodic written content focusing on general interest news
Eligible activities	– Development or integration of digital technologies or tools for adapting the media outlet's digital offering
Eligible expenses	– Salaries paid to full-time employees who spend at least 75% of their time on eligible digital conversion activities – 80% of the cost of an eligible digital conversion contract for the hiring of a consultant or for the acquisition (or rental) of equipment or technology
Assistance level	– 35% of qualified expenditures – $20 million cap on annual expenditures – Maximum tax credit of $7 million per corporation annually
Duration of assistance	– From March 28, 2018 to December 31, 2025

(1) To qualify, a corporation must have its own editorial team in Québec made up of journalists responsible for producing original written content and must not be the holder of a broadcasting licence.

❑ Increasing the funding of the Mécénat Placements Culture program

The Mécénat Placements Culture program enables eligible cultural organizations to set up a permanent fund replenished by a funding campaign and government matching of donations received.

This program has proven its ability to encourage donations to cultural organizations. With the aim of boosting its donation-matching capacity, the government is announcing a $1-million per year increase in the envelope from 2025-2026.

The envelope for the funding of the Mécénat Placements Culture program will thus rise from $5 million to $6 million per year.

Abolition of the tax credit for cultural patronage
In addition to the Mécénat Placements Culture program that benefits cultural organizations, major donors can benefit from a 30% non-refundable tax credit for substantial cash donations to organizations of this type. As part of a review of support for cultural patronage, the tax credit for cultural patronage will be abolished on the day after the tabling of the budget in consideration of the enhancement of the Mécénat Placements Culture program. However, patrons who already have a donation agreement will continue to benefit from the tax credit for the remaining period. Moreover, other major donors will be able to benefit from an additional 25% tax credit for a substantial cultural donation and from the tax credit for donations of up to 25.75%. This measure is part of the review of tax expenditures.[1]

1 See “Results of the review to improve the tax system” in Section D.

4.2 Promoting Québec's identity

The collective rights of the Québec nation, respect for its social values, the French language and laicity of the state are essential elements of Québec's identity. In this regard, the government has taken numerous steps to promote the French language and ensure that immigrants who settle in Québec benefit from the tools they need to adopt French as the language of integration.

To continue promoting Québec's identity, in Budget 2025-2026, the government is providing an investment of $172.5 million over five years for:

- promoting the French language;
- ensuring quality services for immigrants;
- creating a research observatory on Québec's constitutional issues.

TABLE C.30

Financial impact of the measures to promote Québec's identity
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Promoting the French language	−7.0	−7.0	−7.0	−5.0	−5.0	−31.0
Ensuring quality services for immigrants(1)	−28.2	−28.2	−28.2	−28.2	−28.2	−141.0
Creating a research observatory on Québec's constitutional issues(2)	−0.1	−0.1	−0.1	−0.1	−0.1	−0.5
TOTAL	**−35.3**	**−35.3**	**−35.3**	**−33.3**	**−33.3**	**−172.5**

(1) The appropriations will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de la Justice. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Promoting the French language

The government is maintaining its commitment to promote the French language by supporting actions taken to increase its use and foster its influence.

To that end, in Budget 2025-2026, the government is setting aside $31.0 million over five years, as follows:

— $25.0 million to enable the Office québécois de la langue française to promote the French language;

— $6.0 million to support the 2025-2028 government action plan on the Canadian Francophonie.

TABLE C.31

Financial impact of the measures to promote the French language
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Promoting the French language	−5.0	−5.0	−5.0	−5.0	−5.0	−25.0
Supporting the 2025-2028 government action plan on the Canadian Francophonie	−2.0	−2.0	−2.0	—	—	−6.0
TOTAL	**−7.0**	**−7.0**	**−7.0**	**−5.0**	**−5.0**	**−31.0**

Note: The appropriations will be granted to the Ministère de la Langue française. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Ensuring quality services for immigrants

The government offers a wide range of services for immigrants, to help them learn French and integrate into Québec society.

The government is setting aside $141 million over five years in Budget 2025-2026 to support the Ministère de l'Immigration, de la Francisation et de l'Intégration in providing quality services.

— This will make it possible to continue francization, guidance and integration initiatives.

This is in addition to the $370 million over five years announced in Budget 2024-2025 to respond to the increase in the francization clientele, and to strengthen integration guidance and support for immigrants.

❑ Creating a research observatory on Québec's constitutional issues

In its report published in November 2024, the Comité consultatif sur les enjeux constitutionnels du Québec au sein de la fédération canadienne presented its recommendations on fundamental issues for Québec, including the French language, laicity, autonomy and the collective rights of the Québec nation.

The government wishes to support and broaden the development of knowledge and research regarding Québec's place within the Canadian federation, monitor developments on a variety of constitutional issues, particularly those reviewed by the committee, and analyze any new issues as they arise. The government is therefore pursuing its commitment to create new research chairs in Québec studies.

To that end, Budget 2025-2026 is setting aside $0.5 million over five years to create a research observatory on constitutional issues that are fundamental for Québec, including the French language, laicity, autonomy and the collective rights of the Québec nation.

5. SUPPORTING COMMUNITIES

Québec is a fair and safe society that ensures everyone enjoys equal rights, while protecting the most vulnerable and effectively fighting crime. In addition, to promote quality living environments in the long term, the government is also focusing on sustainable development and increased climate change resilience.

In this budget, more than $635 million is being set aside over five years to renew support for communities.

- Of that amount, the government is allocating $207.9 million for, in particular, implementing the Québec strategy to combat crime, protecting the rights of Quebecers and providing better support for individuals.
- In addition, $332.0 million will bolster sustainable development and the vitality of territories, in particular by stepping up efforts to protect the environment and supporting road network maintenance and improvement to ensure mobility across Québec's territory.
- Lastly, an investment of $95.7 million will be used for the purposes of strengthening Québec's capability to adapt to climate change, particularly by protecting the territory from floods, increasing resources for disaster victims, and sustaining and adapting infrastructure to make it more resilient.

Furthermore, the 2025-2030 Implementation Plan under the 2030 Plan for a Green Economy, which will be presented in the coming months, will receive $10.2 billion in funding for combatting climate change, representing an increase of approximately $200 million compared to the previous plan.

TABLE C.32

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

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Ensuring a fair and safe society	−31.1	−37.7	−43.5	−44.4	−51.2	−207.9
Bolstering sustainable development and the vitality of the territory	−15.5	−269.2	−20.8	−14.0	−12.5	−332.0
Strengthening efforts to adapt to climate change	−17.2	−23.9	−20.4	−17.0	−17.2	−95.7
TOTAL	**−63.8**	**−330.8**	**−84.7**	**−75.4**	**−80.9**	**−635.6**

5.1 Ensuring a fair and safe society

Quebecers' well-being is a top priority for the government, as evidenced by the measures it implements to strengthen public safety. In addition, it wishes to ensure equitable access to services for the various communities, including any that face barriers in obtaining information or culturally appropriate services.

In Budget 2025-2026, the government is setting aside amounts totalling $207.9 million over five years:

- $119.6 million for implementing the Québec strategy to combat crime;
- $31.1 million for maintaining specialized police response teams in various areas of policing;
- $24.2 million for streamlining the judicial process for Québec families;
- $23.0 million for providing culturally safe services to Indigenous communities;
- $10.0 million for improving accessibility to services for English-speaking communities.

TABLE C.33

Financial impact of the measures to ensure a fair and safe society
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Implementing the Québec strategy to combat crime(1)	−12.2	−25.7	−25.7	−26.5	−29.5	−119.6
Maintaining specialized police response teams in various areas of policing(1)	−13.5	−5.1	−5.1	−3.7	−3.7	−31.1
Streamlining the judicial process for Québec families(2)	—	−0.3	−5.8	−7.2	−10.9	−24.2
Providing culturally safe services to Indigenous communities	−4.4	−4.5	−4.6	−4.7	−4.8	−23.0
Improving accessibility to services for English-speaking communities(3)	−1.0	−2.1	−2.3	−2.3	−2.3	−10.0
TOTAL	**−31.1**	**−37.7**	**−43.5**	**−44.4**	**−51.2**	**−207.9**

(1) The appropriations will be granted to the Ministère de la Sécurité publique. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère de la Justice. From 2025-2026 to 2027-2028, the amounts will be drawn from the Contingency Fund. In addition, investments of $0.9 million are provided for in the 2025-2035 Québec Infrastructure Plan.
(3) The appropriations will be granted to the Ministère des Finances. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.

❑ Implementing the Québec strategy to combat crime

Preventing and combatting crime are vital to ensuring Quebecers' safety. Accordingly, the government is implementing the Québec strategy to combat crime, offering support for police forces, municipalities and community organizations that is optimized and tailored to current realities.

In particular, this strategy will provide more effective funding for community organizations working in crime prevention and initiatives to combat crime.

In addition, it will support work by police, correctional services and government stakeholders in their efforts to prevent delinquency associated with street gangs.

To this end, the government plans to grant an additional $119.6 million in funding over five years for the strategy to combat crime.

❑ Maintaining specialized police response teams in various areas of policing

The expertise of police forces and their partners is vital for an appropriate response in a wide range of situations involving public safety issues. Specialized police response teams play a particularly important role in responding effectively in what are often urgent situations.

Accordingly, in Budget 2025-2026, the government is setting aside $31.1 million over five years, as follows:

- $18.1 million over five years for maintaining the integrated missing persons and abduction coordination team of the Sûreté du Québec and the Service de police de la Ville de Montréal, and preserve the capability of the Laboratoire de sciences judiciaires et de médecine légale to leverage various technological tools to identify deceased persons;

- $8.6 million in 2025-2026 for preserving higher-intensity efforts to combat organized crime, in particular to allow the Sûreté du Québec to maintain its organized crime homicide investigation team and retain the expertise of the Bureau de la récupération des actifs criminels;

- $4.4 million over three years for renewing funding for the Sûreté du Québec's team dedicated to combatting intimate partner violence, to help victims and contribute to the improvement of police practices and preventive strategies.

TABLE C.34

Financial impact of the measures to maintain specialized police response teams in various areas of policing
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Maintaining the integrated missing persons and abduction coordination team	−3.5	−3.6	−3.6	−3.7	−3.7	−18.1
Preserving higher-intensity efforts to combat organized crime	−8.6	—	—	—	—	−8.6
Renewing funding for the team dedicated to combatting intimate partner violence	−1.4	−1.5	−1.5	—	—	−4.4
TOTAL	**−13.5**	**−5.1**	**−5.1**	**−3.7**	**−3.7**	**−31.1**

❑ Streamlining the judicial process for Québec families

In recent years, the government has carried out a vast reform of family law with Bill 2, passed in June 2022, Bill 12, passed in May 2023, and Bill 56, passed in May 2024, always with the child's interests as a priority.

In this regard, the government proposes, with Bill 91, tabled on February 25, 2025, to establish the Unified Family Tribunal within the Court of Québec. The bill proposes a more efficient, less costly and above all more humane way of managing family disputes, by introducing a streamlined judicial process, including mandatory mediation and judicial conciliation, which will enable families to play an active part in resolving their conflicts.

This is a significant first step toward single-window access that would ultimately enable Québec families to settle all their disputes before the same body, the Unified Family Tribunal. In Budget 2025-2026, the government is setting aside $24.2 million over four years for streamlining the judicial process for Québec families.

❑ Providing culturally safe services to Indigenous communities

In response to the recommendations from the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec (Viens Commission) and the National Inquiry into Missing and Murdered Indigenous Women and Girls, the government has introduced several initiatives, since 2020, to enhance Indigenous confidence in public services, in particular within the police forces and the justice system.

Taking into account historical and cultural realities when providing these services makes it possible to provide better services to Indigenous people, favours non-judicial treatment measures for individuals and strengthens their sense of safety and confidence in stakeholders.

To continue providing culturally safe services to Indigenous communities, the government is setting aside $23 million over five years, as follows:

— $14.5 million for maintaining safe policing services outside of communities, by having joint response teams supported by Indigenous liaison officers within the Sûreté du Québec, in a number of municipalities with a strong Indigenous presence;

— $8.5 million for supporting funding for services to assist Indigenous victims, thereby strengthening their confidence in the justice system by providing adapted support, particularly for sexual and domestic violence cases before the specialized tribunal.

TABLE C.35

Financial impact of the measures to provide culturally safe services to Indigenous communities
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Maintaining culturally safe policing services outside of communities(1)	−2.8	−2.8	−2.9	−3.0	−3.0	−14.5
Supporting the funding of assistance services for Indigenous victims(2)	−1.6	−1.7	−1.7	−1.7	−1.8	−8.5
TOTAL	**−4.4**	**−4.5**	**−4.6**	**−4.7**	**−4.8**	**−23.0**

Note: The amounts provided for 2025-2026 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 de la Justice.

❑ Improving accessibility to services for English-speaking communities

The government takes into account the needs and concerns of English-speaking Quebecers and promotes equity in access to public services for its entire population, in compliance with the laws applicable in Québec.

In this budget, the government is announcing an additional $10 million over five years for the program to strengthen the vitality of Québec's English-speaking communities, in order to promote better access to services. In particular, the enhancement is aimed at:

— promoting access to information and support for English-speaking citizens to afford them easier access to the health and social services network offering in their regions;

— expanding the supply of community mental health services for a population experiencing higher levels of psychological distress and anxiety than the general population;

— maintaining accessibility to legal information services by ensuring the law is clearly communicated.

Action Plan for Official Languages
Québec recently signed the Canada-Québec Agreement with the federal government for the implementation of the *Action Plan for Official Languages*. Respecting Québec's exclusive jurisdictions and priorities in education and health, this agreement will provide Québec with $343.5 million from the federal government over four years, from 2024-2025 to 2027-2028. – The funds will support Québec's minority-language education, second-language instruction and English-language services.

5.2 Bolstering sustainable development and the vitality of the territory

The government must continue developing its territory in a sustainable way, which means aligning economic development with environmental preservation. It will therefore continue to take certain steps aimed at the conservation and protection of the territory, resource management and the optimization of mobility.

In Budget 2025-2026, the government is setting aside $332.0 million over five years to bolster sustainable development and the vitality of the territory, as follows:

- $39.6 million for stepping up efforts to protect the environment and biodiversity;
- $27.4 million for supporting Indigenous communities in participating in wildlife management and development;
- $15.0 million for continuing to pursue sound residual materials management;
- $250.0 million for strengthening assistance to municipalities for maintaining and improving local road network.

TABLE C.36

Financial impact of the measures to bolster sustainable development and the vitality of the territory
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Stepping up efforts to protect the environment and biodiversity	−6.6	−9.2	−10.2	−7.8	−5.8	−39.6
Supporting Indigenous communities in participating in wildlife management and development(1)	−3.9	−5.0	−5.6	−6.2	−6.7	−27.4
Continuing to pursue sound residual materials management	−5.0	−5.0	−5.0	—	—	−15.0
Strengthening assistance to municipalities for maintaining and improving local road network(2)	—	−250.0	—	—	—	−250.0
TOTAL	**−15.5**	**−269.2**	**−20.8**	**−14.0**	**−12.5**	**−332.0**

(1) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs. In addition, investments of $4.8 million are provided for in the 2025-2035 Québec Infrastructure Plan. The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(2) The appropriations will be granted to the Ministère des Transports et de la Mobilité durable. Investments of $231.7 million are provided for in the 2025-2035 Québec Infrastructure Plan.

❑ Stepping up efforts to protect the environment and biodiversity

In recent years, the government has committed to increasing resources allocated to nature and wildlife conservation.

With this in mind, in Budget 2025-2026, the government is announcing $39.6 million for measures to step up environmental and biodiversity protection efforts, as follows:

— $24.0 million over five years for hiring additional wildlife protection officers to ensure improved coverage of the territory, carry out prevention activities and raise public awareness of best practices;

— $11.4 million over five years for carrying out integrity analysis and remedial work for problematic inactive hydrocarbon wells, in particular to ensure environmental protection;

— $4.2 million over three years for protecting Atlantic salmon by allowing organizations to continue actively helping to monitor, count and protect fish populations.

This additional funding reflects the government's commitment to protecting the environment and biodiversity.

TABLE C.37

Financial impact of the measures to step up environmental and biodiversity protection efforts
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Hiring additional wildlife protection officers(1)	−4.8	−4.8	−4.8	−4.8	−4.8	−24.0
Carrying out work on problematic inactive hydrocarbon wells(2)	−0.4	−3.0	−4.0	−3.0	−1.0	−11.4
Protecting Atlantic salmon(1)	−1.4	−1.4	−1.4	—	—	−4.2
TOTAL	**−6.6**	**−9.2**	**−10.2**	**−7.8**	**−5.8**	**−39.6**

Note: The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.
(2) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

❑ Supporting Indigenous communities in participating in wildlife management and development

The government is responsible for executing agreements made with Indigenous communities, particularly to better reconcile wildlife conservation and management needs with the traditional activities of the Indigenous people.

These partnerships also allow Indigenous communities to participate in wildlife development and management.

Against this backdrop, assistance amounting to $27.4 million over five years has been set aside to fund certain agreements to allow Indigenous communities to contribute to wildlife management and development.

❑ Continuing to pursue sound residual materials management

The government wishes to continue building a green economy, in particular by promoting sound residual materials management across its territory.

Accordingly, financial assistance of $15 million over three years has been set aside to renew support for residual materials management initiatives.

This investment will result in continuing efforts to better align recycled materials with market needs, combat food waste and optimize Québec's ecocentre network.

It also helps isolated communities manage residual materials, household and community composting, and the circular economy in tourism.

❑ Strengthening assistance to municipalities for maintaining and improving local road network

Municipalities are responsible for maintaining and improving much of Québec's road infrastructure. The government provides them with financial support to ensure Quebecers have access to a reliable and safe road network for their travel.

To support 2026-2027 local road network work planning, an additional amount of $250 million has been set aside in Budget 2025-2026. This funding will strengthen assistance to municipalities for maintaining and improving local roads, bringing the available envelope to nearly $400 million in 2025-2026 and 2026-2027.

5.3 Strengthening efforts to adapt to climate change

Adapting to climate change impacts both public safety and infrastructure. Dealing with this range of issues requires structuring initiatives that the government actively continues to support.

In Budget 2025-2026, the government is continuing its efforts by earmarking $95.7 million over five years to strengthen efforts to adapt to climate change, as follows:

- $48.4 million for ensuring resilience to disasters;
- $30.3 million for entrenching the resources required for the safety of public dams;
- $17.0 million for increasing the resilience of technological infrastructures.

In addition, the government will present in the coming months an updated implementation plan for the 2030 Plan for a Green Economy. This update will cover the next five years.

- The 2025-2030 Implementation Plan will receive $10.2 billion in funding to fight climate change, representing an increase of approximately $200 million compared to the previous plan.

TABLE C.38

Financial impact of the measures to strengthen efforts to adapt to climate change
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Ensuring resilience to disasters	−11.8	−15.5	−11.9	−4.6	−4.6	−48.4
Entrenching the resources required for the safety of public dams(1)	−4.4	−4.4	−4.5	−8.4	−8.6	−30.3
Increasing the resilience of technological infrastructures(2)	−1.0	−4.0	−4.0	−4.0	−4.0	−17.0
Updating the implementation plan for the 2030 Plan for a Green Economy(3)	—	—	—	—	—	—
TOTAL	**−17.2**	**−23.9**	**−20.4**	**−17.0**	**−17.2**	**−95.7**

Note: The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère de l’Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.
(2) The appropriations will be granted to the Ministère de la Cybersécurité et du Numérique.
(3) Investments of $10.2 billion will be earmarked as part of the 2025-2030 Implementation Plan for the 2030 Plan for a Green Economy.

Relaunching the Roulez vert program on April 1, 2025

Since 2012, the government has been granting rebates for the purchase of fully electric and plug-in hybrid vehicles under the Roulez vert program.

- In this regard, over 376 000 rebates have been granted since its launch, for a total cost of nearly $2.3 billion.

To continue supporting the electrification of transportation, the Québec government confirms in Budget 2025-2026 that the Roulez vert program will once again be accessible as of April 1, 2025 for the purchase of electric vehicles.[1]

As announced in Budget 2024-2025, the maximum rebates for the acquisition of electric vehicles will be:

- $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.

Maximum rebates granted under the Roulez vert program
(dollars)

	January 1, 2025	January 1, 2026	January 1, 2027
New fully electric vehicle	4 000	2 000	—
New plug-in hybrid vehicle	2 000	1 000	—
Used fully electric vehicle	2 000	1 000	—
Electric motorcycle	1 000	500	—
Limited speed electric motorcycle	—	—	—

Note: To be eligible for the Roulez vert program, the manufacturer's suggested retail price (MSRP) for vehicles must be less than $65 000.

1 The Roulez vert program will benefit from a closed budget envelope for 2025-2026. Details will be provided by the Minister of the Environment, the Fight against Climate Change, Wildlife and Parks when the 2025-2030 Implementation Plan for the 2030 Plan for a Green Economy is published.

❑ Ensuring resilience to disasters

Recent years have seen an increase in the frequency, intensity and variety of disasters affecting the population. The government must ensure Québec's resilience in the face of these events that compromise the safety of communities.

That is why, in Budget 2025-2026, the government is setting aside $48.4 million over five years for initiatives aimed at ensuring Québec's resilience to disasters, as follows:

— $26.1 million over three years for extending the work of flood protection project offices and ensuring that concrete achievements continue on the ground;

— $18.9 million over five years for consolidating capacity for action in civil protection, primarily in the disaster response and recovery phases, for the purpose of optimizing operational monitoring in Québec, strengthening presence on the ground and ensuring support for municipalities;

— $3.4 million over five years for enhancing and renewing the grant to the Canadian Red Cross, enabling it to continue providing emergency assistance for disaster victims, interim housing assistance and support services for vulnerable clienteles.

TABLE C.39

Financial impact of the measures to ensure resilience to disasters
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Extending the flood protection work(1)	−7.6	−11.1	−7.4	—	—	−26.1
Consolidating capacities for action in civil protection(2)	−3.6	−3.7	−3.8	−3.9	−3.9	−18.9
Enhancing and renewing the grant to the Canadian Red Cross(2)	−0.6	−0.7	−0.7	−0.7	−0.7	−3.4
TOTAL	**−11.8**	**−15.5**	**−11.9**	**−4.6**	**−4.6**	**−48.4**

Note: The amounts provided for 2025-2026 will be drawn from the Contingency Fund.
(1) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.
(2) The appropriations will be granted to the Ministère de la Sécurité publique.

❑ Entrenching the resources required for the safety of public dams

The Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs is responsible for managing close to a thousand dams. In particular, it oversees the application of the *Dam Safety Act*[15] by ensuring the rigorous monitoring of these structures.

In recent years, the government has invested in the resources needed to maintain and operate the dams under its responsibility.

These resources make it possible to take effective action with regard to adapting dams to climate change by, for example, continuously monitoring the instruments essential for flood management in order to respond in real time to adverse climate events.

In this context, $30.3 million over five years has been earmarked for entrenching the resources required for the safety of public dams.

❑ Increasing the resilience of technological infrastructures

With climate change and the increased occurrence of disasters, the government must continue to make investments to better protect its technological infrastructures and support the resilience of its fundamental services. For this purpose, the government is investing $17 million over five years.

— These investments will reduce the risks that natural disasters pose to technological infrastructures, and avoid service disruptions for citizens and businesses.

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15 CQLR, chapter S-3.1.01.

❑ 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 rapidly adjust its climate action, 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 the government to direct investments toward the most promising courses of actions and increase the resilience of the economy and communities to climate change.

In the coming months, the Minister of the Environment, the Fight Against Climate Change, Wildlife and Parks will present an updated implementation plan covering the period from 2025-2026 to 2029-2030.

■ Investments of $10.2 billion for fighting climate change

Each year, the government makes significant investments to foster Québec's transition to a more resilient, low-carbon economy.

Accordingly, the government is announcing that the next implementation plan for the 2030 Plan for a Green Economy includes investments of $10.2 billion over five years.

— This is an increase of approximately $200 million compared to the $10.0 billion invested under the previous plan.

This amount is in addition to the significant investments made since 2021-2022 under the 2030 Plan for a Green Economy, which total $6.2 billion.

For the period from 2021-2022 to 2029-2030, a total of $16.4 billion will have been invested in Québec to fight climate change.

TABLE C.40

Investments in implementation plans for the 2030 Plan for a Green Economy since 2021-2022
(billions of dollars)

	Planned investments
2025-2030 Implementation Plan	10.2
Investments, 2021-2022 to 2024-2025(1)	6.2
TOTAL	**16.4**

(1) Since 2024-2025, the budget for implementation plans takes into account investments of the Energy Transition, Innovation and Efficiency Fund, which has been merged with the Electrification and Climate Change Fund.

FINANCIAL IMPACT

TABLE C.41

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

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving delivery of health care and social services							
Improving access to care and services							
– Funding pharmaceutical treatments in hospitals	—	−300.0	−300.0	−300.0	−300.0	−300.0	−1 500.0
– Deploying new health care and social services facilities	—	−100.0	−132.3	−132.3	−132.3	−132.3	−629.2
– Accelerating the digital shift of the Régie de l'assurance maladie du Québec	—	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
– Training more doctors	—	−6.5	−7.0	−7.5	−8.0	−8.5	−37.5
– Supporting adapted services in health and adult general education in Montréal	—	−0.9	−0.9	−0.9	−0.9	−0.9	−4.5
Subtotal – Improving access to care and services	—	−417.4	−450.2	−450.7	−451.2	−451.7	−2 221.2
Strengthening social services for vulnerable individuals							
– Meeting the growing needs in youth protection	—	−145.0	−145.0	−145.0	−145.0	−145.0	−725.0
– Increasing support for housing services	—	−35.0	−35.0	−35.0	−35.0	−35.0	−175.0
– Providing support services to vulnerable people benefiting from the Rent Supplement Program	—	−4.6	−9.5	−9.5	−9.5	−9.5	−42.6
– Increasing funding to community organizations	—	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
– Consolidating the mixed practice of psychosocial interventions and community policing	—	−1.4	−1.4	−1.4	−1.4	−1.4	−7.0
– Entrenching support for Indigenous clienteles	—	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Subtotal – Strengthening social services for vulnerable individuals	—	−206.0	−210.9	−210.9	−210.9	−210.9	−1 049.6

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Improving delivery of health care and social services (cont.)							
Ensuring quality living environments for seniors							
– Perpetuating funding to harmonize public and private CHSLDs	—	−50.6	−59.4	−59.4	−59.4	−59.4	−288.2
– Protecting people living in private seniors' residences							
▪ Extending financial assistance for installing sprinklers to ensure resident safety	—	−10.0	−10.0	−10.0	—	—	−30.0
▪ Extending by one year the financial assistance program to reduce the impact of insurance premium increases	—	—	—	—	—	—	—
Subtotal – Ensuring quality living environments for seniors	—	−60.6	−69.4	−69.4	−59.4	−59.4	−318.2
Prioritizing health prevention							
– Extending vaccination to vulnerable clienteles	—	−71.0	−71.0	−33.9	−33.9	−33.9	−243.7
– Implementing the national integrated health prevention strategy	—	−15.0	—	—	—	—	−15.0
– Continuing to deploy spinal muscular atrophy screenings for newborns	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Subtotal – Prioritizing health prevention	—	−88.0	−73.0	−35.9	−35.9	−35.9	−268.7
Subtotal – Improving delivery of health care and social services	**—**	**−772.0**	**−803.5**	**−766.9**	**−757.4**	**−757.9**	**−3 857.7**

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Encouraging the education and development of young people							
Fostering educational success							
– Supporting academic success							
▪ Improving support for the linguistic, social and academic integration of newcomers	—	−19.0	−19.0	−19.0	−19.0	−19.0	−95.0
▪ Supporting the development of reading skills	—	−10.6	−17.2	−8.8	−8.8	−8.8	−54.2
▪ Offering a new special school project focused on vocational discovery	—	−0.4	−4.0	−4.0	−4.0	−4.0	−16.4
– Training a greater number of qualified teachers	—	−6.8	−8.1	−8.1	−8.1	−8.1	−39.2
– Encouraging retirees to return to the education network	—	−53.0	−15.9	—	—	—	−68.9
– Meeting temporary school space needs	—	−19.0	−19.0	−19.0	−19.0	−19.0	−95.0
Subtotal – Fostering educational success	—	−108.8	−83.2	−58.9	−58.9	−58.9	−368.7
Consolidating support for young people and students							
– Funding the Student Financial Assistance program	—	−45.0	−45.0	−45.0	−45.0	−45.0	−225.0
– Maintaining services for young people							
▪ Funding the next youth action plan	—	−7.7	−8.6	−10.9	−10.9	−10.9	−49.0
▪ Offering social involvement projects as part of the Créneau carrefour jeunesse program	—	−0.9	−0.9	−0.9	−0.9	−0.9	−4.5
Subtotal – Consolidating support for young people and students	—	−53.6	−54.5	−56.8	−56.8	−56.8	−278.5

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Encouraging the education and development of young people (cont.)							
Promoting participation in recreation and sports							
– Developing and maintaining recreational, sports and outdoor infrastructure	—	—	−1.2	−60.0	−90.0	−90.0	−241.2
– Supporting participation in recreational activities by people with disabilities	—	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
– Supporting student sport and developing sporting excellence in Québec	—	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Subtotal – Promoting participation in recreation and sports	—	−6.0	−7.2	−66.0	−96.0	−96.0	−271.2
Supporting access to childcare services							
– Converting 1 000 non-subsidized childcare spaces	—	−4.1	−16.8	−17.1	−17.2	−17.4	−72.6
– Maintaining services in line with family needs							
▪ Continuing, optimizing and adjusting allowances to integrate vulnerable children into childcare services	—	−22.0	−15.0	−15.0	−15.0	−15.0	−82.0
▪ Promoting the participation of children with special needs in community drop-in daycare activities	—	−1.5	−1.5	−1.5	−1.5	−1.5	−7.5
▪ Extending the enhancement for non-standard childcare services	—	−0.8	—	—	—	—	−0.8
▪ Improving the autonomy of Indigenous communities in childcare	—	−0.6	−0.6	−0.6	−0.5	−0.5	−2.8

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Encouraging the education and development of young people (cont.)							
Supporting access to childcare services (cont.)							
– Deploying the new childcare services registration portal	—	−5.2	—	—	—	—	−5.2
Subtotal – Supporting access to childcare services	—	−34.2	−33.9	−34.2	−34.2	−34.4	−170.9
Subtotal – Encouraging the education and development of young people	**—**	**−202.6**	**−178.8**	**−215.9**	**−245.9**	**−246.1**	**−1 089.3**
Fostering the well-being of vulnerable individuals							
Improving retirement pensions for workers who have suffered an employment injury	—	—	—	—	—	—	—
Supporting access to housing							
– Funding the maintenance of low-rental housing stock							
▪ Funding low-rental housing stock renovations	—	−87.0	−62.4	−37.4	—	—	−186.8
▪ Funding the operation of low-rental housing	—	−41.2	—	—	—	—	−41.2
– Adapting housing and meeting urgent needs							
▪ Extending the Residential Adaptation Assistance Program	—	−38.0	—	—	—	—	−38.0
▪ Granting 1 000 new Rent Supplement units	—	−3.8	−7.0	−7.2	−7.2	−7.5	−32.7
▪ Meeting urgent needs on the eve of July 1	—	−3.9	—	—	—	—	−3.9
Subtotal – Supporting access to housing	—	−173.9	−69.4	−44.6	−7.2	−7.5	−302.6

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Fostering the well-being of vulnerable individuals (cont.)							
Providing targeted assistance to people in need							
– Promoting employment integration							
▪ Extending the enhanced income support policy	—	−63.5	−31.7	—	—	—	−95.2
▪ Adopting a new national strategy for labour market integration and maintenance of handicapped persons	—	−14.7	−16.5	−14.2	—	—	−45.4
– Helping people in difficult situations							
▪ Providing resources to deal with the increased number of refugee protection claimants on social assistance	−8.9	−11.3	−11.3	—	—	—	−31.5
▪ Extending the assistance program for Ukrainians	—	−25.4	—	—	—	—	−25.4
▪ Enhancing the volunteer support program	—	−12.0	—	—	—	—	−12.0
▪ Interpreting services for immigrant, refugee, and precarious-status women	—	−0.3	−0.3	—	—	—	−0.6

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Fostering the well-being of vulnerable individuals (cont.)							
– Increasing food aid							
▪ Increasing funding for the Food Banks of Québec organization for the purchase of food	—	−15.5	−8.5	—	—	—	−24.0
▪ Improving the infrastructure and supply network of the Food Banks of Québec organization	—	−1.0	−1.0	−1.0	—	—	−3.0
– Enhancing the Family Allowance for bereaved parents	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Providing targeted assistance to people in need	−8.9	−145.7	−71.3	−17.2	−2.0	−2.0	−247.1
Subtotal – Fostering the well-being of vulnerable individuals	**−8.9**	**−319.6**	**−140.7**	**−61.8**	**−9.2**	**−9.5**	**−549.7**

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Showcasing Québec's culture and identity							
Promoting Québec's culture and heritage							
– Increasing funding for the Conseil des arts et des lettres du Québec	—	−63.9	−68.6	−68.6	−58.4	−58.4	−317.9
– Continuing to support cultural businesses through SODEC	—	−44.2	−30.0	−30.0	−30.0	−30.0	−164.2
– Supporting service organizations							
▪ Maintaining the service offering of cultural umbrella organizations	—	−2.0	−2.0	−2.0	—	—	−6.0
▪ Supporting the network of accredited private archival agencies	—	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
▪ Enhancing operational assistance for regional centres providing services to public libraries	—	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
– Preserving our cultural heritage							
▪ Maintaining the Québec Cultural Heritage Fund's operations	—	−7.0	−7.0	−8.0	−4.2	−3.8	−30.0
▪ Carrying out emergency interventions on heritage buildings	—	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5
▪ Restoring and rehabilitating Maison René-Lévesque	—	−0.8	—	—	−0.3	−0.3	−1.4

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Showcasing Québec's culture and identity (cont.)							
Showcasing Québec's culture and heritage (cont.)							
– Supporting the digital shift of print media and Télé-Québec							
▪ Extending the tax credit to support the digital transformation of print media companies	—	−0.8	−2.7	−1.9	—	—	−5.4
▪ Continuing the digital shift at Télé-Québec	—	−2.0	—	—	—	—	−2.0
– Increasing the funding of the Mécénat Placements Culture program	—	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
Subtotal – Showcasing Québec's culture and heritage	—	−124.2	−113.8	−114.0	−96.4	−96.0	−544.4
Promoting Québec's identity							
– Promoting the French language							
▪ Promoting the French language	—	−5.0	−5.0	−5.0	−5.0	−5.0	−25.0
▪ Supporting the 2025-2028 government action plan on the Canadian Francophonie	—	−2.0	−2.0	−2.0	—	—	−6.0
– Ensuring quality services for immigrants	—	−28.2	−28.2	−28.2	−28.2	−28.2	−141.0
– Creating a research observatory on Québec's constitutional issues	—	−0.1	−0.1	−0.1	−0.1	−0.1	−0.5
Subtotal – Promoting Québec's identity	—	−35.3	−35.3	−35.3	−33.3	−33.3	−172.5
Subtotal – Showcasing Québec's culture and identity	**—**	**−159.5**	**−149.1**	**−149.3**	**−129.7**	**−129.3**	**−716.9**

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting communities							
Ensuring a fair and safe society							
– Implementing the Québec strategy to combat crime	—	−12.2	−25.7	−25.7	−26.5	−29.5	−119.6
– Maintaining specialized police response teams in various areas of policing							
▪ Maintaining the integrated missing persons and abduction coordination team	—	−3.5	−3.6	−3.6	−3.7	−3.7	−18.1
▪ Preserving higher-intensity efforts to combat organized crime	—	−8.6	—	—	—	—	−8.6
▪ Renewing funding for the team dedicated to combatting intimate partner violence	—	−1.4	−1.5	−1.5	—	—	−4.4
– Streamlining the judicial process for Québec families	—	—	−0.3	−5.8	−7.2	−10.9	−24.2
– Providing culturally safe services to Indigenous communities							
▪ Maintaining culturally safe policing services outside of communities	—	−2.8	−2.8	−2.9	−3.0	−3.0	−14.5
▪ Supporting the funding of assistance services for Indigenous victims	—	−1.6	−1.7	−1.7	−1.7	−1.8	−8.5
– Improving accessibility to services for English-speaking communities	—	−1.0	−2.1	−2.3	−2.3	−2.3	−10.0
Subtotal – Ensuring a fair and safe society	—	−31.1	−37.7	−43.5	−44.4	−51.2	−207.9

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting communities (cont.)							
Bolstering sustainable development and the vitality of the territory							
– Stepping up efforts to protect the environment and biodiversity							
▪ Hiring additional wildlife protection officers	—	−4.8	−4.8	−4.8	−4.8	−4.8	−24.0
▪ Carrying out work on problematic inactive hydrocarbon wells	—	−0.4	−3.0	−4.0	−3.0	−1.0	−11.4
▪ Protecting Atlantic salmon	—	−1.4	−1.4	−1.4	—	—	−4.2
– Supporting Indigenous communities in participating in wildlife management and development	—	−3.9	−5.0	−5.6	−6.2	−6.7	−27.4
– Continuing to pursue sound residual materials management	—	−5.0	−5.0	−5.0	—	—	−15.0
– Strengthening assistance to municipalities for maintaining and improving local road network	—	—	−250.0	—	—	—	−250.0
Subtotal – Bolstering sustainable development and the vitality of the territory	—	−15.5	−269.2	−20.8	−14.0	−12.5	−332.0

TABLE C.41

Financial impact of the measures to support Quebecers (cont.)

(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Supporting communities (cont.)							
Strengthening efforts to adapt to climate change							
– Ensuring resilience to disasters							
▪ Extending the flood protection work	—	−7.6	−11.1	−7.4	—	—	−26.1
▪ Consolidating capacities for action in civil protection	—	−3.6	−3.7	−3.8	−3.9	−3.9	−18.9
▪ Enhancing and renewing the grant to the Canadian Red Cross	—	−0.6	−0.7	−0.7	−0.7	−0.7	−3.4
– Entrenching the resources required for the safety of public dams	—	−4.4	−4.4	−4.5	−8.4	−8.6	−30.3
– Increasing the resilience of technological infrastructures	—	−1.0	−4.0	−4.0	−4.0	−4.0	−17.0
– Updating the implementation plan for the 2030 Plan for a Green Economy	—	—	—	—	—	—	—
Subtotal – Strengthening efforts to adapt to climate change	—	−17.2	−23.9	−20.4	−17.0	−17.2	−95.7
Subtotal – Supporting communities	**—**	**−63.8**	**−330.8**	**−84.7**	**−75.4**	**−80.9**	**−635.6**
TOTAL	**−8.9**	**−1 517.5**	**−1 602.9**	**−1 278.6**	**−1 217.6**	**−1 223.7**	**−6 849.2**

Section D

RESULTS OF THE REVIEW TO IMPROVE THE TAX SYSTEM

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SUMMARY

In Budget 2024-2025, the government announced that it would conduct a rigorous review of the 277 tax expenditures in force in 2023, covering measures related to personal and corporate income taxes, as well as consumption taxes.

Of this number, certain tax expenditures were excluded from the review, in particular to maintain the harmonization of certain tax measures with the federal tax system, with the aim of offering taxpayers a simpler tax system.

Accordingly, over the past year, close to 170 tax measures have been reviewed to determine ways of improving the efficiency of the Québec tax system, thereby contributing to the plan to return to a balanced budget.

Now that the review of tax expenditures initiated in Budget 2024-2025 has been completed, the government is announcing, in Budget 2025-2026, efforts to improve the tax system representing nearly $3.0 billion over five years.

Analyses carried out as part of the review were aimed at:

- assessing whether the objectives of the measures were met, whether they were in line with the current socioeconomic context and whether they complemented budgetary support;
- ensuring compliance with the tax principles of fairness, integrity and simplicity;
- controlling costs to ensure they were consistent with Quebecers' ability to pay.

The review also provided an opportunity to review taxation and rate measures to ensure that they are effective, equitable and meet their underlying socioeconomic objectives.

To inform its work, the government consulted several groups of researchers, including:

- the Research Chair in Taxation and Public Finance at Université de Sherbrooke;
- the Jacques-Parizeau Research Chair in Economic Policy;
- the Centre interuniversitaire de recherche en analyse des organisations (CIRANO);
- the Centre for Productivity and Prosperity – Walter J. Somers Foundation.

Thus, in Budget 2025-2026, the government presents the findings of the review to improve the tax system, which will free up amounts of nearly $3.0 billion over five years. These measures are aimed at:

— optimizing tax assistance for businesses;

— simplifying the tax system;

— updating the tax system;

— fostering the funding of public services.

TABLE D.1

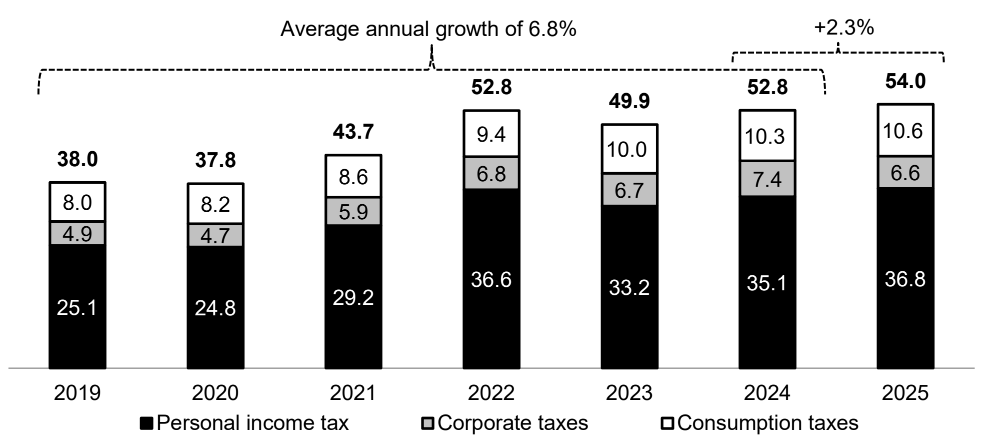
Financial impact of the efforts to improve the tax system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Optimizing tax assistance for businesses	—	2.3	138.0	230.1	233.7	604.1
Simplifying the tax system	27.1	100.7	328.3	337.7	347.0	1 140.8
Updating the tax system	−0.9	111.9	90.8	118.5	161.2	481.5
Fostering the funding of public services	5.9	55.7	165.9	224.4	295.8	747.7
TOTAL	**32.1**	**270.6**	**723.0**	**910.7**	**1 037.7**	**2 974.1**

From 2019 to 2024, the cost of tax expenditures rose at an average annual rate of 6.8%, reaching a total of $52.8 billion.

CHART D.1

Change in tax expenditures
(billions of dollars, unless otherwise indicated)



Results of the review of tax expenditures

The review of tax expenditures begun in Budget 2024-2025 will free up amounts of close to $2.6 billion by 2029-2030, in particular by:

- as part of Budget 2024-2025:
  - adjusting tax credits supporting labour-intensive IT sectors,
  - abolishing the tax credit for businesses to foster the retention of experienced workers;
- in the fall 2024 economic update:
  - optimizing the tax credit for career extension,
  - harmonizing with federal capital gains measures;
- for Budget 2025-2026:
  - harmonizing the rate of the tax on insurance premiums and that of the QST,
  - refocusing on higher value-added IT activities with a tax credit for the development of e-business integrating artificial intelligence (CDAE^{IA}),
  - refocusing of the tax credit relating to resources on critical and strategic minerals,
  - gradually restoring the balance between the property tax and the public utilities tax,
  - eliminating the tax shield and tax credit for political party contributions.

Results of the review to improve the tax system for 2029-2030
(millions of dollars)

	Budget 2024-2025	Fall 2024 update	Budget 2025-2026	Total
Measures for individuals	—	461	84	545
Measures for businesses	496	434	234	1 164
Measures targeting duties and taxes	165	—	720	885
TOTAL	**661**	**895**	**1 038**	**2 594**

1. OPTIMIZING TAX ASSISTANCE MEASURES FOR BUSINESSES

To boost the productivity of Québec businesses and achieve its wealth creation objectives, the government must capitalize on the strengths of the Québec ecosystem in cutting-edge fields.

As part of Budget 2025-2026, the government is announcing the optimization of certain tax measures for businesses, with the aim of redirecting support toward activities which, in the current economic environment, offer high added value. These initiatives will generate savings of $604.1 million over four years and are aimed at:

— targeting higher value-added activities in the IT sector;

— refocusing the tax credit relating to resources on critical and strategic minerals.

In addition to these measures, a new innovation tax assistance system is being introduced, with the tax credit for research, innovation and commercialization (CRIC),[1] replacing eight currently available tax measures, including R&D tax credits.

— The changes will provide additional financial support totalling $271.5 million over five years, and will help create a business environment more conducive to innovation with a simpler and more effective tax assistance system.

TABLE D.2

Financial impact of the measures aimed at optimizing tax assistance for businesses
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Targeting higher value-added activities in the IT sector	—	—	119.4	208.7	212.7	540.8
Refocusing the tax credit relating to resources on critical and strategic minerals	—	2.3	18.6	21.4	21.0	63.3
TOTAL	**—**	**2.3**	**138.0**	**230.1**	**233.7**	**604.1**

1 For more details, see the document entitled *Innovating to Prosper*.

1.1 Targeting higher value-added activities in the IT sector

The tax credit for the development of e-business (CDAE) has been aimed at businesses specializing in IT, and is designed to stimulate the supply of IT solutions, thereby fostering the growth of Québec businesses in all sectors, while helping them improve the efficiency and productivity of their business processes through the integration of IT.

Since its introduction in 2008, the tax credit has supported essentially the same activities related to the design and development of computer systems and software.

However, in recent years, IT services and solutions have evolved at an accelerated pace due to the rapid growth of technological developments in the IT sector.

- These advances have enabled businesses to integrate cutting-edge IT solutions into their business processes, in particular those integrating artificial intelligence (AI).

On the other hand, some of the activities currently supported by the CDAE represent little added value in the service offering of businesses specialized in IT.

In order to promote higher value-added IT activities and focus tax assistance on the AI computing sector, in Budget 2025-2026, the government plans to replace the CDAE with the tax credit for the development of e-business integrating artificial intelligence (CDAE^{IA}), with the aim of:

- redirecting tax assistance to AI solutions;
- maximizing the benefits in Québec.

The CDAE^{IA}, which replaces the CDAE, will apply to corporate taxation years beginning after December 31, 2025, and will generate savings for the government of over $540 million over the period covered by the financial framework.

❑ Redirecting tax assistance to AI solutions

Currently, to qualify for the CDAE, an activity must be primarily related to e-business, meaning that it must involve transforming a company's core business processes by integrating IT.

In order to redirect tax assistance to companies specializing in AI and support higher value-added IT activities, the CDAE^{IA} stipulates that employees of an eligible company will have to carry out the following activities, which must be tied to e-business and incorporate AI functionalities in a significant way:

— IT consulting services related to technology, systems development, or e-business processes and solutions;

— development and integration of information systems and technological infrastructures;

— development of security and identification services.

In addition, a company's eligibility criteria, based on gross revenue, will be eased to take into account the business model of AI companies, a significant proportion of whose revenue may come from hosting or data processing.

The introduction of the CDAE^{IA} will help create new synergy with players in Québec's IT sector, facilitating the deployment and integration of AI solutions into the business processes of various Québec businesses.

AI solutions
Artificial intelligence (AI) is a field of computer science dedicated to the design of systems capable of performing tasks usually requiring human intelligence, such as speech recognition, natural language understanding, decision-making and problem-solving. – AI solutions are designed to improve efficiency, reduce human error and offer customized solutions to businesses. An AI solution is an application or software that uses advanced technology, such as automatic learning and neural networks, to accomplish specific tasks. These tools can automate business processes, analyze large amounts of data, provide recommendations based on machine learning algorithms, and deliver personalized customer experiences. Here are a few examples of how AI solutions are used: – AI-powered automated chat systems and virtual assistants use voice recognition and natural language processing to interact quickly and efficiently with users; – recommendation personalization systems suggest relevant products or services by analyzing customers' purchasing behaviours and preferences, thereby boosting sales and customer satisfaction; – data analysis tools can analyze large quantities of data to provide information or insights that are particularly useful and significant for forecasting future demand, thus helping businesses to make more informed and strategic decisions. In short, AI solutions, which facilitate decision-making, solve problems, increase productivity and enable employees to focus on higher value-added tasks, are indispensable for businesses seeking to improve their performance, stay competitive and meet today's challenges in an efficient and innovative way.

❑ Maximizing the benefits of the CDAE^{IA}

With the introduction of the CDAE^{IA}, the government is redirecting tax assistance for the IT sector toward higher value-added activities and jobs.

To further maximize the benefits in Québec, the terms and conditions for applying the CDAE^{IA} also stipulate that:

— activities relating to the development or integration of information systems and technological infrastructures, which will be eligible, will not include activities relating to the maintenance and evolution of such systems or infrastructures, even if the latter are ancillary to the former;

— the level of tax assistance will be halved for subsidiaries of foreign corporations that provide IT services to their parent companies outside Québec, where such services represent at least 50% of their gross revenue.

■ Supporting higher value-added activities

The services offered by businesses in the IT sector require a variety of skill levels, particularly in the context of a digital transformation project affecting a company's business processes.

Among the activities that can make up an IT corporation's service offering, the maintenance and evolution of information systems and technological infrastructures are considered lower value-added activities.

- They provide technical support to adequately deploy and operate technological systems and infrastructures.
- The salaries associated with these tasks are often lower, and the skills required to perform them are generally less complex.

Thus, to support activities requiring a high level of specialization, the CDAE^{IA} stipulates that such activities will not be eligible.

■ Adapting the level of assistance to the business risk of subsidiaries of foreign corporations

Attracting foreign businesses can help develop leading-edge expertise in the IT sector, and at the same time create significant economic activity in Québec that generates export revenues.

In addition, to qualify for the CDAE^{IA}, a corporation may not carry out IT activities for the benefit of its group of corporations.

However, in the case of a subsidiary of a foreign corporation providing IT services for the benefit of its parent company, these services may be eligible for CDAE^{IA} under certain conditions, similar to the current situation with CDAE.

- When IT services are provided within the same group of corporations, only services attributable to the development of an application used exclusively outside Québec will be eligible for tax assistance, so as not to undermine the competitive position of Québec businesses.

To adapt the level of assistance to the more limited business risk of outsourcing contracts within the same group of corporations, compared to IT services provided to external clients, the CDAE^{IA} tax credit rates are reduced by half when such contracts represent at least 50% of an IT corporation's gross revenue.

TABLE D.3

Main parameters of the CDAE^{IA}, after Budget 2025-2026[1]

Eligible corporations	Specialized IT corporations with an establishment in Québec that have a minimum of six eligible employees and meet the following three gross revenue criteria: – 75% of its gross revenue must come from the IT sector – 50% of its gross revenue must derive from development, software publishing and data processing and hosting activities – 75% of its gross revenue from eligible activities must come from services ultimately provided to third parties or from services relating to applications developed for use exclusively outside Québec				
Eligible activities	Activities mainly related to e-business that incorporate significant AI functionalities and that concern: – IT consulting services[2] related to technology, systems development, or e-business processes and solutions – Development and integration of information systems and technological infrastructures – Development of security and identification services				
Eligible expenses	Labour expenses in excess of an exclusion threshold per eligible employee[3] corresponding to the basic personal amount under the personal income tax system[4]				
Rate of assistance		**2025**	**2026[5]**	**2027[5]**	**2028 and after[5]**
	Refundable tax credit	23%	22%	21%	20%
	Non-refundable tax credit	7%	8%	9%	10%

(1) For taxation years beginning after December 31, 2025.
(2) IT consulting services will be eligible provided they relate to one of the two other eligible activities that may be carried out by the eligible corporation.
(3) The employee must hold a full-time job and devote at least 75% of their time to carrying out eligible activities, excluding salaries related to certain government contracts.
(4) For example, this amount is $18 571 in 2025 and is indexed annually under the personal income tax system.
(5) These rates will be reduced by half for a corporation that derives at least 50% of its gross revenue from services provided to a non-arm’s length beneficiary or beneficiaries for applications used exclusively outside Québec.

1.2 Refocusing the tax credit relating to resources on critical and strategic minerals

For several years now, Québec has granted very beneficial tax assistance to mining corporations by supporting part of their exploration activities.

— Moreover, Québec is the Canadian province that offers the most generous tax support, with the tax credit relating to resources.

More recently, interest in critical and strategic minerals (CSMs) has grown, mainly due to their essential role in the transition to renewable energy, in the manufacturing of batteries for electric vehicles, and in the production of cutting-edge technological products.

The production, processing and recycling of CSMs will therefore represent promising opportunities for wealth creation over the coming years.

— However, CSM projects are riskier for corporations due to the complex and expensive mineral development processes involved.

To enable Québec to develop the potential and business opportunities that CSM development can represent, the government is planning to make changes aimed at offering a renewed tax credit relating to resources, thereby:

— enhancing tax assistance for CSMs[2] while maintaining the competitiveness of tax assistance for other mining resources;

— making mineral resource development expenses eligible, while introducing a ceiling on eligible expenses to ensure a fair distribution of the tax expenditure.

Overall, the changes made to tax assistance for mining resources will generate savings for the government of $63.3 million over four years.

— The changes will apply to expenses incurred after the day of the budget speech, but the introduction of the ceiling on eligible expenses will apply to a taxation year that begins after that day.

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[2] The critical minerals covered by the measure are as follows: antimony, bismuth, cadmium, cesium, copper, tin, gallium, indium, tellurium and zinc. The strategic minerals covered by the measure are as follows: cobalt, rare earth elements, platinum group elements, graphite (natural), lithium, magnesium, nickel, niobium, scandium, tantalum, titanium and vanadium.

❑ A renewed tax credit to promote the development of CSMs

Compared with projects regarding more traditional minerals such as iron and gold, mining projects involving certain CSMs are riskier and require more time and work, particularly at the development stage.

To make an active contribution to the energy and technology transition, and to wealth creation in Québec, CSM projects need to be developed at a sustained pace.

In order to seize the opportunities associated with the exploitation of CSMs, and to recognize the challenges inherent in deposit development in Québec, the government is planning, as part of Budget 2025-2026, a renewed tax credit relating to resources that will offer both competitive tax assistance and enhanced support for CSMs.

As a result, the tax credit rates for mining resource expenses, which currently range from 12% to 38.75%, depending on the type of corporation incurring the eligible expenses and where these expenses are incurred, will be as follows under the renewed tax credit relating to resources:

— 22.5% for corporations that do not exploit any mineral resources or operate any oil or gas wells;

— 10% for other types of corporations.

For work concerning CSMs, the rates of the renewed tax credit relating to resources will be doubled until December 31, 2029, to 45% or 20%, as appropriate.

— As for expenses relating to renewable energy and energy savings, the rates will remain at 28% and 24%, depending on the type of corporation. The rate for expenses relating to other natural resources (dimension stone) will remain at 12%.

This increase will represent additional support of nearly $27 million over four years for the development of the CSM sector.

❑ Preserving a competitive environment for Québec's mining industry

Currently, the tax credit relating to resources offers financial assistance that is limited to the mining exploration stage.

— However, the subsequent stages are crucial to fulfilling the economic potential of discoveries, particularly in the context of CSMs, since such projects often come up against considerable technical and financial challenges.

In order to preserve Québec's competitive environment, the government plans to extend eligibility for the renewed tax credit relating to resources to include expenses related to the development of mineral resources, thereby providing better support for businesses in the post-exploration stage.

— This broader range of eligible expenses will stimulate investment and accelerate the development of mining projects in this sector.

Québec's tax assistance will remain competitive with that of British Columbia, which is the only other Canadian province to offer a similar tax credit, and where the base rate of 20% applies only to exploration expenses.

In addition, in order to ensure a fair distribution of the tax expenditure, particularly during an expansion cycle, a cumulative ceiling on eligible expenses of $100 million per five-year period will be introduced.

These changes will help maximize the impact of public investment on the vitality and sustainability of Québec's mining sector.

TABLE D.4

Main parameters of the tax credit relating to resources applicable to mining resource expenses,[1] before and after Budget 2025-2026[2]

Eligible corporations	Corporations that, in the taxation year, have an establishment in Québec and operate a business there. They must also have incurred eligible expenses.	
Eligible expenses	**Before Budget 2025-2026**	**After Budget 2025-2026**
	All expenses incurred by the corporation during a taxation year and which correspond to Canadian exploration expenses incurred in Québec	All expenses incurred by the corporation during a taxation year and which correspond to Canadian exploration and development expenses incurred in Québec
Assistance ceiling	No ceiling	$100 million of cumulative eligible expenses over five years
Rate of assistance	For a corporation that does not exploit any mineral resources or operate any oil or gas wells:[3] – 38.75% for expenses related to mining resources in the Plan Nord territory – 28% for expenses related to mining resources elsewhere in Québec For other corporations: – 18.75% for expenses related to mining resources in the Plan Nord territory – 12% for expenses related to mining resources elsewhere in Québec	For a corporation that does not exploit any mineral resources or operate any oil or gas wells:[3] – 45%[4] for expenses related to a project dedicated to CSMs – 22.5% for expenses related to a project not dedicated to CSMs For other corporations: – 20%[4] for expenses related to a project dedicated to CSMs – 10% for expenses related to a project not dedicated to CSMs

(1) For clarification, the rates of the tax credit relating to resources applicable to renewable energy and energy savings expenses in Québec will remain at 28% for a corporation that does not exploit any mineral resources or operate any oil or gas wells, and 24% for any other corporation, while the rate will remain at 12%, for any corporation, for expenses related to other natural resources (dimension stone) in Québec.

(2) The changes to the renewed tax credit relating to resources will apply to expenses incurred after the day of the 2025-2026 budget speech, but the introduction of the ceiling on eligible expenses will apply to a taxation year that begins after that day.

(3) This corporation must also not be part of an associated group a member of which exploits a mineral resource or operates an oil or gas well.

(4) This rate will apply until December 31, 2029.

Illustration of the benefits of the renewed tax credit relating to resources for work related to critical and strategic minerals

For a junior corporation[1] carrying out exploration and development work for critical and strategic minerals (CSMs) in the area covered by the Plan Nord, the renewed tax credit relating to resources may provide it with 50% more tax assistance than it currently does.

– The renewed tax credit relating to resources will allow for the qualification of development expenses and, until December 31, 2029, double the rates for CSM expenses.

For example, if such a corporation had exploration expenses of $1 million and development expenses of $350 000, the renewed tax credit relating to resources would provide tax assistance of $607 500, or $220 000 more than it currently provides.

Illustration of the benefits of the renewed tax credit relating to resources
(dollars, unless otherwise indicated)

	Exploration phase	Development phase	Total
Before Budget 2025-2026			
Eligible expenses incurred	1 000 000	—	1 000 000
Tax credit rate	38.75%	—	
Subtotal	**387 500**	**—**	**387 500**
After Budget 2025-2026			
Eligible expenses incurred	1 000 000	350 000	1 350 000
Tax credit rate	45.00%	45.00%	
Subtotal	**450 000**	**157 500**	**607 500**
GAINS	**62 500**	**157 500**	**220 000**

1 A junior corporation is a corporation that does not exploit any mineral resources or operate any oil or gas wells.

Québec: an attractive jurisdiction for mining investment

According to the 2023 results of the Fraser Institute's *Annual Survey of Mining Companies*, Québec ranks second in Canada behind Saskatchewan and fifth worldwide among the most attractive places to invest.

- This ranking takes into account the mineral potential of jurisdictions and the public policies in place (e.g., taxation regime, regulatory burden and quality of infrastructure).

Québec's business environment, in particular its stable mining rights regime combined with the wealth of Québec's subsoil, enabled the province to place high in the rankings, confirming its competitiveness for mining investment.

- With the actions taken in Budget 2025-2026, Québec will remain an attractive jurisdiction for the development of mining projects in the years to come, while improving its positioning with regard to critical and strategic mineral projects.

2. SIMPLIFYING THE TAX SYSTEM

The review of tax expenditures provided an opportunity not only to assess the consistency of the system's components, but also to compare it with the federal tax system and ascertain the differences.

In Budget 2025-2026, the government is announcing two measures totalling $1.1 billion over five years that will simplify the system, namely:

- harmonizing the rate of the tax on insurance premiums and that of the Québec sales tax (QST);
- adjusting the flow-through share regime.

TABLE D.5

Financial impact of the measures to simplify the tax system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Harmonizing the rate of the tax on insurance premiums and that of the QST	—	72.8	299.4	307.9	316.1	996.2
Adjusting the flow-through share regime	27.1	27.9	28.9	29.8	30.9	144.6
TOTAL	**27.1**	**100.7**	**328.3**	**337.7**	**347.0**	**1 140.8**

2.1 Harmonizing the rate of the tax on insurance premiums and that of the Québec sales tax

In Québec, insurance premiums are not subject to QST, but rather to the tax on insurance premiums at a rate of 9%, which is different from the QST rate of 9.975%.

The analysis of the tax on insurance premiums showed no reason justifying why the rate should be lower than that of the QST. Furthermore, when the tax was introduced in 1985, the rate applicable to insurance premiums was identical to that of the sales tax in force at the time.

In addition, in other provinces where a tax on insurance premiums is in effect, the rate applicable on these premiums is identical to the provincial portion of the sales tax applicable to goods and services.[3]

Budget 2025-2026 provides for an increase in the tax rate on insurance premiums from 9% to 9.975%, as of January 1, 2027, to harmonize it with the QST rate.

— This harmonization will generate additional revenues of $996.2 million over four years, including $316.1 million in 2029-2030.

— For example, for a household whose annual expenditures on taxable insurance premiums are $4 000,[4] the impact of the tax rate change will be $39.

However, the tax exemptions in force, including that on individual life and health insurance premiums and that on insurance premiums for certain mandatory plans, will continue to apply.

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3 In the province of Newfoundland and Labrador, the tax rate on insurance premiums is 15%, equivalent to the harmonized sales tax, including the federal portion.

4 Taxable premiums include, in particular, automobile and home insurance.

2.2 Adjusting the flow-through share regime

Complementary to the tax credit relating to resources, the flow-through share regime is designed to foster the discovery of mineral resources in Québec by facilitating access to capital to finance eligible exploration and development expenses.

In order to offer exploration corporations competitive tax assistance while improving consistency with the federal system, the government is announcing, as part of Budget 2025-2026, an adjustment to the flow-through share regime by:

— putting an end to additional deductions;

— removing the additional capital gains exemption for certain resource properties.

These measures will harmonize the flow-through share regime with the federal regime and generate savings of $144.6 million by 2029-2030.

TABLE D.6

Main parameters of the flow-through share regime, before and after Budget 2025-2026

	Before Budget 2025-2026	After Budget 2025-2026
Form of assistance	Income deduction for taxpayers (individuals or corporations) who acquire flow-through shares	
Eligible expenses	Exploration and development expenses in Canada	
Rate of assistance	Basic deduction: – Exploration expenses: 100% – Development expenses: 30% declining balance Additional deductions for exploration expenses (available only to individuals): – Mining exploration expenses incurred in Québec by a corporation that does not exploit any mineral resources: 10% – Surface mining exploration expenses incurred in Québec by a corporation that does not exploit any mineral resources: 10% Maximum deduction: 120%	– Exploration expenses: 100% – Development expenses: 30% declining balance

■ Abolishing two additional deductions

The review of tax expenditures revealed that the flow-through share regime applicable in Québec is more generous than in the rest of Canada.

Furthermore, the additional deductions available to individuals under the current flow-through share regime apply to virtually all projects in Québec, regardless of the type of project or recipient corporation.

To simplify the flow-through share regime and thereby harmonize it with the federal system, in Budget 2025-2026, the government is announcing the abolition of two additional deductions, namely:

— deduction for mining exploration expenses incurred in Québec by a corporation that does not mine a mineral resource (10%);

— deduction for surface mining exploration expenses incurred in Québec by a corporation that does not mine a mineral resource (10%).

Budget 2025-2026 provides for the abolition of these additional deductions for flow-through shares issued after the day of the budget speech.

■ Harmonizing tax treatment with that of the federal government

Under the federal and Québec tax systems, the price paid to acquire flow-through shares is deemed to be nil, since such property generally qualifies for significant tax deductions.

However, when flow-through shares are disposed of, the Québec regime is more generous, providing an additional capital gains exemption in respect of certain resource properties, which generally allows the capital gain generated by the disposal to be fully offset.

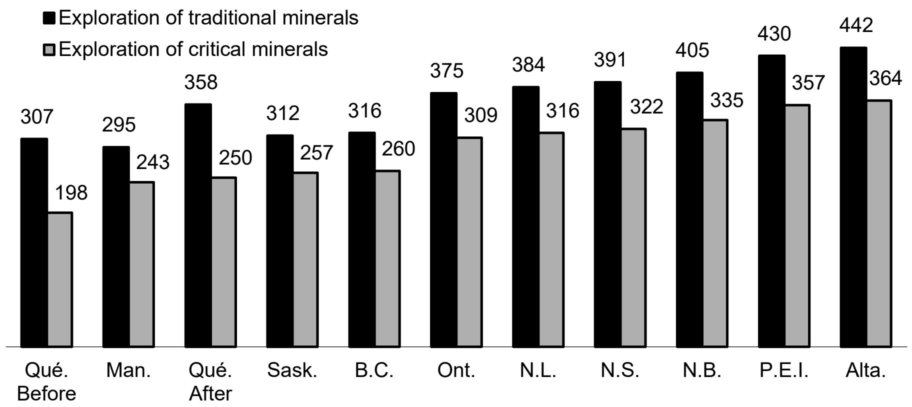
In order to harmonize the treatment of the acquisition and disposal of flow-through shares with federal legislation, Budget 2025-2026 will abolish the additional capital gains exemption in respect of certain resource properties for the disposal of flow-through shares after the day of the budget speech.

Preserving competitiveness in Canada's flow-through share regime

The changes to the flow-through share regime will enable it to maintain its position among the most competitive in Canada, including federal assistance measures.

Whereas Québec ranked first before the changes announced in Budget 2025-2026, the net cost of a $1 000 investment for a taxpayer would place Québec second, behind Manitoba, among the most advantageous regimes in Canada for critical and strategic minerals, and fourth, ahead of Ontario, for traditional minerals.

Québec's ranking following the abolition of the additional deductions, before and after Budget 2025-2026
(after-tax cost for a $1 000 investment)



Note: This illustration does not include tax benefits related to charitable donation tax credits or the additional capital gains exemption in respect of certain resource properties.

3. UPDATING THE TAX SYSTEM

Tax measures reflect the socioeconomic context of the time in which they are introduced. In order to remain relevant and contribute to achieving Québec's objectives, the Québec tax system must adapt to changing economic and social contexts.

As part of Budget 2025-2026, the government is therefore announcing an updating of its tax system, which will generate amounts totalling $481.5 million over five years. The changes are aimed at:

- adapting fiscal assistance to new economic and social realities;
- strengthening the fairness of the tax system;
- eliminating inefficient or little-used tax expenditures.

TABLE D.7

Financial impact of the measures to update the tax system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Adapting fiscal assistance to new economic and social realities	2.6	12.9	13.0	13.2	13.4	55.1
Strengthening the fairness of the tax system	−3.7	63.0	41.5	68.5	109.2	278.5
Eliminating inefficient or little-used tax expenditures	0.2	36.0	36.3	36.8	38.6	147.9
TOTAL	**−0.9**	**111.9**	**90.8**	**118.5**	**161.2**	**481.5**

3.1 Adapting fiscal assistance to new economic and social realities

To adapt tax expenditures to the new economic and social realities, the government is announcing, in Budget 2025-2026, measures that will generate savings of $55.1 million over five years with a view to:

- reducing the age limit from 16 to 14 for the refundable tax credit for childcare expenses;
- excluding certain practitioners from the tax credits for medical expenses;
- no longer recognizing certain institutions for the non-refundable tax credit for tuition and examination fees;
- adjusting tax assistance to the cooperative sector.

TABLE D.8

Financial impact of the measures to adapt fiscal assistance to new economic and social realities
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Reducing the age limit from 16 to 14 for the refundable tax credit for childcare expenses	—	10.2	10.4	10.6	10.8	42.0
Excluding certain practitioners from the tax credits for medical expenses(1)	—	—	—	—	—	—
No longer recognizing certain institutions for the non-refundable tax credit for tuition and examination fees(1)	—	—	—	—	—	—
Adjusting tax assistance to the cooperative sector	2.6	2.7	2.6	2.6	2.6	13.1
TOTAL	**2.6**	**12.9**	**13.0**	**13.2**	**13.4**	**55.1**

(1) These changes generate small savings.

❑ Reducing the age limit from 16 to 14 for the refundable tax credit for childcare expenses

The personal income tax system allows families to benefit from a refundable tax credit for childcare expenses, with the exception of fees paid to a reduced-contribution childcare service.

Generally speaking, to benefit from the measure, the child for whom childcare expenses are paid must be under 16 years of age during the year. There is no age limit for children with a severe and prolonged impairment in mental or physical functions.

The review of tax expenditures is an opportunity to refocus tax assistance on families with younger children.

Thus, starting in 2026, the age criterion for children eligible for the tax credit for childcare expenses will be reduced from under 16 to under 14 years old. This change does not apply to children who are dependent due to a severe and prolonged impairment in mental or physical functions.

❑ Excluding certain practitioners from the tax credits for medical expenses

Individuals are entitled to claim a non-refundable tax credit for medical expenses, in recognition of the fact that significant expenditures in this area can reduce the ability to pay taxes. In addition, a refundable tax credit can be claimed to cover the special health-related needs of lower-income taxpayers.

The government wants to better regulate medical expenses paid to a health professional that qualify for tax assistance. As a result, starting in 2026, only medical expenses for health services provided by practitioners who are members of a professional order in Québec will be eligible for the two tax credits for medical expenses.

This will have the effect of harmonizing more closely with the federal tax credit by excluding medical expenses for alternative medicine services, such as those provided by homeopaths, osteopaths,[5] naturopaths and phytotherapists.

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[5] Efforts by osteopaths to obtain recognition are under way, following the favourable opinion of the Office des professions du Québec. Once osteopaths have a professional order, medical expenses will be eligible for the tax credit.

❑ No longer recognizing certain institutions for the tax credit for tuition and examination fees

As part of the review of tax expenditures, the government will update the criteria for establishing the recognition of educational institutions eligible for the non-refundable tax credit for tuition and examination fees.

More specifically, the government is announcing that, as of 2026, new designation and exclusion criteria will be introduced to enable Revenu Québec to better oversee the process of recognizing institutions eligible for the tax credit.[6]

— This measure will curb the recognition of institutions offering training that is not always aimed at employment and thus avoid granting tax assistance to people attending such institutions.[7]

❑ Adjusting tax assistance to the cooperative sector

The Cooperative Investment Plan (CIP) promotes the growth of certain types of cooperatives by granting tax benefits to members and workers who acquire the qualifying securities they issue.

— In general, the CIP deduction is equal to 125% of the acquisition cost of the security and is included in calculating the taxable income of individuals who acquire qualifying securities.

  — For example, workers who acquire a $1 000 share in the cooperative where they work are eligible for a $1 250 deduction.

However, Québec and Canada offer a wide range of grants to support the capitalization of cooperatives, reducing the need for a deduction greater than 100% for the CIP.

As part of Budget 2025-2026, the government is announcing that the rate of the CIP deduction will be reduced from 125% to 100% for qualifying securities acquired the day after the budget speech.

This measure will generate savings of $2.6 million a year starting in 2025-2026.

[6] See *Section A of Additional Information – March 2025* for more details on criteria.

[7] It should be noted that the tax credit for tuition and examination fees does not assess the quality of training, but rather whether the fees paid were for the purpose of acquiring or improving knowledge necessary for employment.

3.2 Strengthening the fairness of the tax system

One of the fundamental principles of an efficient tax policy is respect for the principle of tax fairness, which aims to ensure a fair and equitable distribution of the tax burden among taxpayers.

The government is announcing efforts totalling $278.5 million over five years for strengthening the fairness of the tax system through initiatives aimed at:

— transforming certain deductions into tax credits;

— gradually restoring the balance between the property tax and the public utilities tax (PUT);

— updating the additional registration fee for luxury vehicles.

TABLE D.9

Financial impact of the measures to strengthen the fairness of the tax system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Transforming certain deductions into tax credits	—	0.9	0.9	0.9	0.9	3.6
Gradually restoring the balance between the property tax and the public utilities tax	−3.7	72.4	77.3	98.8	127.9	372.7
Updating the additional registration fee for luxury vehicles	—	−10.3	−36.7	−31.2	−19.6	−97.8
TOTAL	**−3.7**	**63.0**	**41.5**	**68.5**	**109.2**	**278.5**

❑ Transforming certain deductions into tax credits

In the tax expenditure review, the government analyzed the nature of certain types of assistance in the personal tax system, in particular to determine whether it was still appropriate to maintain certain deductions in this form.

After analysis, it appears that certain deductions can be converted into tax credits while still meeting their objectives.

— While deductions reduce taxable income, non-refundable tax credits reduce the tax payable. Thus, the higher the taxpayer's income, the more significant the tax reduction resulting from the deduction, which is not the case with a non-refundable tax credit whose rate is uniform regardless of income.

Starting in 2026, two deductions will be converted to non-refundable tax credits at the base rate of 14%.

— The religious residence deduction is a measure designed to reduce the taxable benefit arising from the use of a residence provided by one's employer to receive the faithful.

— The deduction for assistance received for the payment of tuition fees for adult basic education programs will be converted to be consistent with tax assistance for students, which is generally non-refundable tax credits, such as the tax credit for tuition and examination fees.

These conversions will make the tax system more consistent and equitable by treating certain expenditures the same way and offering the same level of assistance regardless of an individual's income.[8]

[8] The financial impact of these measures is detailed in Table D.15.

❑ Gradually restoring the balance between the property tax and the public utilities tax

Businesses that operate an electricity, gas or telecommunications network are subject to the public utilities tax (PUT).

— The PUT is a substitute for the property tax, applying to assets that are not on the municipal property assessment roll.

However, the amounts collected through this tax, whose main parameters have not been adjusted for 20 years, increased by only 1.5% from 2005 to 2021, and are far lower than they would be under Québec's property tax system.

— In addition, the amounts collected are also much lower than they would be in Ontario, where the assets concerned are assessed and taxed according to the property tax system, levied by municipalities.

To gradually restore the balance between the property tax and the PUT, Budget 2025-2026 provides for PUT rates to be increased from 2027 onward, reaching a flat rate of 1.5% in 2035, a rate similar to the lowest property tax rate currently levied by Québec municipalities.

— To avoid an increase in electricity rates, electricity transmission and distribution assets will remain subject to current rates.

This will increase government revenue by $372.7 million by 2029-2030.

TABLE D.10

Public utility tax rates – 2026 to 2035
(per cent)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Electricity(1)										
– First $750 million	0.2	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.5
– Portion exceeding $750 million	0.55	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.5
Telecommunications	0.7	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.5
Gas										
– First $750 million	0.75	0.75	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.5
– Portion exceeding $750 million	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Note: The rates applicable in 2026 correspond to those currently in effect.
(1) With the exception of electricity transmission and distribution assets, to which current rates will continue to apply.

■ Exemption for municipalities and Indigenous communities

Municipalities, as well as a corporation or partnership owned solely by a municipality, are not subject to the PUT.

— However, if the municipality operates a network through a corporation or partnership with other shareholders or partners who are not municipalities, then the exemption cannot be granted.

To encourage the involvement of municipalities and Indigenous communities in energy development, Budget 2025-2026 provides for the following:

— that the current PUT exemption will be extended to an Indigenous community, on a declaratory basis;

— that a refund for the PUT deemed paid for a municipality or Indigenous community, in proportion to shares held, will be provided for when a corporation or partnership operates a network with third parties. This measure will apply from calendar year 2025.

❑ Updating the additional registration fee for luxury vehicles

Since 1998, an additional registration fee for luxury vehicles has applied annually to all passenger vehicles and vehicles used for commercial purposes, weighing 3 000 kg or less, whose production year dates back seven years or less and whose value is over $40 000.

Since 2018, electric[9] and plug-in hybrid vehicles have been eligible for an exemption from this fee on the portion of their value between $40 000 and $75 000.

Today, however, due to significant growth in vehicle prices, the additional registration fee for luxury vehicles applies to a growing proportion of vehicles, and is moving away from its original objective, namely to induce motorists choosing a more expensive vehicle to contribute more to the funding of transportation networks. As a result, the government is raising the threshold for the luxury vehicle tax from $40 000 to $62 500.

In addition, the incentive exemption applicable to electric vehicles and plug-in hybrids will be withdrawn. The rapid growth in the number of these vehicles on the road in Québec and the convergence toward price parity between combustion and electric vehicles show that this exemption is no longer necessary. Nevertheless, by raising the threshold to $62 500, most basic electric vehicles will remain exempt from this tax.

The change to this fee will apply to fees payable to put a vehicle on the road after December 31, 2026, and to fees payable to retain the right to drive after that date.

As a result, the current provisions of the *Regulation respecting road vehicle registration* will be amended so that the 1% rate will be applied annually to the market value of a vehicle exceeding $62 500, instead of $40 000.

— For example, the tax on a $70 000 vehicle, currently $300, will be reduced to $75, a saving of $225.

Many of Québec’s best-selling models, such as Chrysler Grand Caravan or Toyota RAV4, priced between $40 000 and $62 500, will no longer be subject to the additional registration fee for luxury vehicles.

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9 Electric vehicles also include hydrogen fuel cell vehicles.

3.3 Eliminating inefficient or little-used tax expenditures

Over the years, a number of measures have been added to the tax system, making it increasingly complex to understand and administer.

However, the tax expenditure review showed that some tax expenditures are little used, or do not meet the intended objective.

To eliminate certain inefficient or little-used tax expenditures, the government is announcing the abolition of the tax shield, the tax credit for contributions to political parties and nine little-used measures. The abolition of these measures will generate savings of $147.9 million over five years.

TABLE D.11

Financial impact of the measures to eliminate inefficient or little-used tax expenditures
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Abolishing the tax shield	—	34.4	34.6	34.8	35.0	138.8
Standardizing the tax treatment of contributions to political parties	—	0.5	0.5	0.5	2.0	3.5
Ending certain little-used tax measures	0.2	1.1	1.2	1.5	1.6	5.6
TOTAL	**0.2**	**36.0**	**36.3**	**36.8**	**38.6**	**147.9**

❑ Abolishing the tax shield

The tax shield is a refundable tax credit designed to compensate for the loss of certain socio-fiscal transfers in a year when employment income rises.

Many tax measures decrease as income rises, which can potentially discourage workers from increasing their earnings if they believe this would reduce their government assistance.

However, the tax shield is a complex and little-known measure, which lessens its impact on work incentives. In addition, the effect is limited to just two measures: work premiums and the tax credit for childcare expenses.

In Budget 2025-2026, the government plans to abolish the tax shield as of January 1, 2026.

— This abolition will lead to an increase in revenue of $138.8 million over four years.

Approximately 140 000 people will be affected annually, with an average loss of $244 per taxpayer. However, the vast majority of these people will be affected for one year only, since most individuals do not benefit from the tax shield for two consecutive years.

❑ Standardizing the tax treatment of contributions to political parties

In Québec, only contributions to municipal political parties are eligible for tax assistance. Contributors are entitled to a tax credit of up to $155, equal to:

— 85% of the first $50, for a total of $42.50;

— 75% of the next $150, for a total of $112.50.

In order to standardize the way donations to parties at all levels of government are treated, in Budget 2025-2026 the government is announcing that the tax credit for contributions to political parties will be abolished as of January 1, 2026.

❑ Ending certain little-used tax measures

Certain tax measures were introduced several years ago, in a socioeconomic context that has since changed. The review of tax expenditures also revealed that some measures are claimed by few taxpayers and have a low cost, indicating that they are poorly targeted, too complex to claim or no longer relevant in the current context.

Therefore, in Budget 2025-2026, the government is announcing the abolition of certain measures, namely:[10]

— little-used measures in the personal income tax system;

  — The deduction for the purchase of an income-averaging annuity for artists will be abolished as of 2026. This measure allows individuals to deduct the amount paid to purchase an annuity in order to spread their income over a maximum of seven years. It is rarely used, with fewer than ten annuities purchased per year.

  — The tax holiday for Québec sailors will be abolished after the day of the budget speech. This tax holiday applies to sailors assigned to international goods transport, and benefits fewer than 100 sailors each year. In addition, Québec is the only province to offer such a tax holiday.

  — The tax credit for cultural patronage will be abolished after the day of the budget speech. Donation agreements made prior to this date will be honoured for their remaining period. In return, the government will increase funding for the Mécénat Placements Culture program by $1.0 million per year.[11]

  — The tax holiday for foreign specialists in an international financial centre and for foreign specialists employed by a new financial services corporation will be abolished after the day of the budget speech. Specialists who already have their certification will continue to benefit from their tax holiday for the remainder of their five-year period.

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10 The financial impact of abolishing these measures is detailed in Table D.15.

11 For more details, see the section titled “Supporting Quebecers.”

- two little-used public transit measures with a scheduled expiry date of December 31, 2027;
  - The additional deduction of 100% in the calculation of an employer's income − public transit, whose number of beneficiaries stands at only a hundred or so companies, mainly due to the rise of teleworking.
  - The non-taxation of benefits granted to employees who receive public transit passes from their employer.
- a measure related to the corporate tax system, which is used very little and does not meet the needs of businesses, namely the tax credit to foster synergy between Québec businesses. This tax credit enables businesses that invest in an eligible SMB to claim a non-refundable tax credit equivalent to 30% of the value of their investment in eligible shares. SMBs will continue to have access to several other sources of financing (e.g., venture capital investment funds). This measure will be abolished after the day of the budget speech;
- a measure concerning the fuel tax system, namely the refund of the biodiesel fuel tax. This measure has not achieved its objective of encouraging the use of biodiesel in Québec and thus contributing to GHG reduction efforts, due to the small number of businesses using it and the small amounts involved. This measure will be abolished after the day of the budget speech.

Harmonizing with capital gains measures

To maintain simplicity in the tax treatment of capital gains and ensure consistency with the federal tax system, the Québec government has aligned itself with the changes announced by the federal government regarding capital gains.

In accordance with the federal government's latest announcements, as of January 1, 2026, the capital gains inclusion rate is expected to be increased from 50% to 66.7%:

- on the portion of capital gains exceeding $250 000 for individuals;
- on all capital gains for corporations and trusts.

As a corollary, the reduction in the rate of the deduction for security options will apply starting on the same date, namely January 1, 2026.

Conversely, the government has implemented mitigation measures to encourage investment:

- as of June 25, 2024, an increase of the limited capital gains exemption to $1.25 million for qualified small business corporation shares and farm and fishing property;
- in 2025, an incentive for entrepreneurs that halves the inclusion rate for eligible capital gains.

Overall, these measures will increase government revenue by more than $1.8 billion over five years.

Financial impact of the measures to harmonize capital gains provisions as of January 1, 2026
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Increase in capital gains inclusion rate	123.7	47.5	525.4	727.0	752.4	2 176.0
Mitigation measures to promote investment	−66.2	−68.9	−69.9	−70.8	−71.7	−347.5
TOTAL	**57.5**	**−21.4**	**455.5**	**656.2**	**680.7**	**1 828.5**

Uncertainty surrounding the coming into force of the inclusion rate increase

Although the inclusion rate increase has been postponed to January 1, 2026, uncertainties remain regarding the passage of the federal bill to increase the capital gains inclusion rate.

The Québec government will closely monitor any potential announcement on this matter, and its decision in response to any changes will take into consideration the best interests of Québec.

4. FOSTERING THE FUNDING OF PUBLIC SERVICES

In Budget 2025-2026, the government is announcing measures that will increase revenue by $747.7 million to foster the funding of public services for Quebecers. These measures are aimed at:

— ending indexation of the eligibility threshold for reduced rates of employer contributions to the Health Services Fund;

— ensuring the sustainable funding of transportation infrastructure and services;

— revising the land register consultation fee.

TABLE D.12

Financial impact of the measures to foster the funding of public services
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Ending indexation of the eligibility threshold for reduced rates of employer contributions to the Health Services Fund	5.9	30.0	53.0	72.9	97.6	259.4
Ensuring the sustainable funding of transportation infrastructure and services	—	18.0	104.6	143.3	189.5	455.4
Revising the land register consultation fee	—	7.7	8.3	8.2	8.7	32.9
TOTAL	**5.9**	**55.7**	**165.9**	**224.4**	**295.8**	**747.7**

4.1 Ending indexation of the eligibility threshold for reduced rates of employer contributions to the Health Services Fund

Under the employer contributions to the Health Services Fund (HSF) plan, businesses whose total payroll is below a certain threshold are eligible for reduced contribution rates.

This threshold, which was $5.0 million prior to 2018, has been significantly increased in recent years:

— a gradual increase to $7.0 million between 2018 and 2022;

— annual indexation starting in 2023, so that it will have reached $7.8 million by 2025.

Of all the parameters of the general corporate tax system, this threshold is the only one subject to indexation.

In Budget 2025-2026, the government is announcing the end of indexation of the payroll threshold entitling to reduced rates of employer contributions to the HSF, which will be maintained at $7.8 million.

This move will contribute to the long-term financing of the health care system.

— By 2029-2030, additional revenues will reach $259.4 million.

4.2 Ensuring the sustainable funding of transportation infrastructure and services

The specific tax on fuel is the main source of revenue for the Land Transportation Network Fund (LTNF), which is allocated to funding the road network and public transit. The allocation of this revenue to the LTNF creates a direct link between users of the road network and its funding.

Revenue from the specific tax on fuel is set to decline in the coming years, due, in particular, to the growing share of electric and plug-in hybrid vehicles in the Québec motor vehicle fleet.

— There is growing interest in these types of vehicles among motorists. In the third quarter of 2024, nearly one third of new vehicles registered in Québec were electric and plug-in hybrid vehicles. The convergence toward price parity between combustion vehicles and electric vehicles should drive further market growth.

In addition, vehicles with green licence plates have free access to toll bridges and certain ferries, resulting in lower revenues for the LTNF and the Société des traversiers du Québec.

However, the investments required to maintain and develop the road network and support public transit needs are growing. New sources of revenue must be determined to ensure the sustainable funding of transportation infrastructure and services.

In this context, and to ensure greater fairness among motorists, the government is announcing two initiatives to ensure that owners of electric and plug-in hybrid vehicles, as users of the road network and beneficiaries of public transit, contribute to their funding:

— introducing, as of January 1, 2027, an annual contribution for electric and plug-in hybrid vehicles, which will generate nearly $380 million in additional revenue by 2029-2030;

— ending free access to toll bridges and ferries for vehicles with green licence plates, as of April 1, 2027, which will generate additional revenue of over $75 million by 2029-2030.

TABLE D.13

Financial impact of the measures to ensure the sustainable funding of transportation infrastructure and services
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Introducing an annual contribution for electric and plug-in hybrid vehicles(1)	—	18.0	80.7	118.1	162.8	379.6
Ending free access to toll bridges and ferries for electric and plug-in hybrid vehicles(2)	—	—	23.9	25.2	26.7	75.8
TOTAL	**—**	**18.0**	**104.6**	**143.3**	**189.5**	**455.4**

(1) Amounts collected will be granted to the Land Transportation Network Fund.
(2) Amounts collected to cross toll bridges will be granted to the Land Transportation Network Fund and amounts collected to access ferries will be retained by the Société des traversiers du Québec.

❑ Introducing an annual contribution for electric and plug-in hybrid vehicles

Motorists pay the specific tax on fuel and registration fees on the basis of the "user pays" principle, since these contributions are used to fund the road network and public transit. However, motorists using electric or plug-in hybrid vehicles contribute less to this funding, even though they enjoy the same benefits of these transportation networks.

This is why an annual contribution of $125 for electric vehicles[12] and $62.50 for plug-in hybrid vehicles will be introduced. These amounts are still lower than those paid by the majority of motorists for the specific tax on fuel.

TABLE D.14

Amount of the specific tax on fuel paid annually for various models of combustion vehicles
(dollars)

	Amount paid for the specific tax on fuel (1)
Honda Civic 2024	265
Toyota RAV4 2024	315
Ford F150 2024	461

(1) This amount is based on an average use of 20 000 kilometres per year, as indicated in the *Guide d'évaluation Hebdo (automobiles et camions légers)*, and calculated using consumption ratings published by Natural Resources Canada.

12 Electric vehicles also include hydrogen fuel cell vehicles.

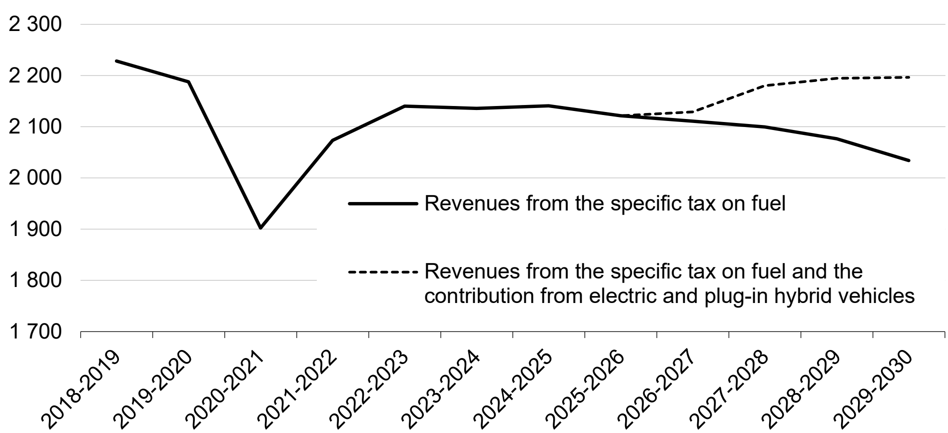
The new fee will be in addition to fees payable to put a vehicle on the road after December 31, 2026, or to fees payable to retain the right to drive after that date. It will subsequently be indexed annually.[13]

Revenues from this contribution will grow as the number of electric and plug-in hybrid vehicles on the road increases. This measure is expected to generate revenue of over $150 million per year by 2030, which will be allocated to the LTNF.

The measure is in line with the government's efforts to find new sources of revenue for funding land transportation infrastructure and services, and to ensure fairness among users of these services. It will partially offset the predictable drop in revenues from the specific tax on fuel.

CHART D.2

Historical and projected change in revenues from the specific tax on fuel allocated to the LTNF and the contribution from electric and plug-in hybrid vehicles
(millions of dollars)



Note: Forecast data from 2024-2025.

13 Based on the Consumer Price Index excluding alcoholic beverages, tobacco products and recreational cannabis.

❑ Ending free access to toll bridges and ferries for electric and plug-in hybrid vehicles

Since 2016, access to toll bridges and Société des traversiers du Québec's fare-based ferry services has been free for vehicles with green licence plates, namely electric[14] and plug-in hybrid vehicles.

— The free service applies to the Québec–Lévis, Rivière-du-Loup–Saint-Siméon, Matane–Baie-Comeau–Godbout and Sorel-Tracy–Saint-Ignace-de-Loyola crossings, as well as the toll bridges on autoroutes 25 and 30 in the Montréal area.

This was introduced as a temporary measure to encourage the use of low-emission vehicles, at a time when these vehicles had limited appeal. Such incentives have stimulated the market and kick-started the electrification of Québec's motor vehicle fleet. In December 2023, the government announced the extension of this measure until March 31, 2027.

However, the rapid growth in the number of electric and plug-in hybrid vehicles on Québec roads since 2023 means that this measure is no longer necessary.

Therefore, the government is announcing that it will not be extending free access to toll bridges and ferries for vehicles with green licence plates beyond March 31, 2027.

The additional revenue generated by tolls will go toward funding the road network and public transit through the LTNF. The additional revenue generated by ferry services will consolidate funding for the Société des traversiers du Québec's operations.

4.3 Revising the land register consultation fee

Consulting the land register incurs a fee of $1 per document. The fee has remained unchanged since 2002. To generate additional revenue for the Territorial Information Fund, which, in particular, funds cadastral activities, this fee will be increased to $1.50 per document as of April 1, 2026, the level it would have reached had it been indexed to inflation. Subsequently, like many other fees, it will be indexed to inflation.

To ensure a more appropriate indexation of the consultation fee, the *Act respecting registry offices* will be amended to set the fee at $1.50 as of April 1, 2026, an increase of $0.50, representing the cumulative effect of past indexations.

This adjustment will generate additional revenue of approximately $8 million per year from 2026-2027 onward. Amendments to the *Act respecting registry offices* will be proposed.

14 Electric vehicles also include hydrogen fuel cell vehicles.

FINANCIAL IMPACT

TABLE D.15

Financial impact of the efforts to improve the tax system
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Optimizing tax assistance measures for businesses						
Targeting higher value-added activities in the IT sector						
– Refundable portion	—	—	96.5	162.7	160.8	420.0
– Non-refundable portion	—	—	22.9	46.0	51.9	120.8
Subtotal – Targeting higher value-added activities in the IT sector	—	—	119.4	208.7	212.7	540.8
Refocusing the tax credit relating to resources on critical and strategic minerals	—	2.3	18.6	21.4	21.0	63.3
Subtotal – Optimizing tax assistance measures for businesses	**—**	**2.3**	**138.0**	**230.1**	**233.7**	**604.1**
Simplifying the tax system						
Harmonizing the rate of the tax on insurance premiums and that of the QST	—	72.8	299.4	307.9	316.1	996.2
Adjusting the flow-through share regime	27.1	27.9	28.9	29.8	30.9	144.6
Subtotal – Simplifying the tax system	**27.1**	**100.7**	**328.3**	**337.7**	**347.0**	**1 140.8**

TABLE D.15

Financial impact of the efforts to improve the tax system (cont.)
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Updating the tax system						
Adapting fiscal assistance to new economic and social realities						
– Reducing the age limit from 16 to 14 for the refundable tax credit for childcare expenses	—	10.2	10.4	10.6	10.8	42.0
– Excluding certain practitioners from the tax credits for medical expenses(1)	—	—	—	—	—	—
– No longer recognizing certain institutions for the non-refundable tax credit for tuition and examination fees(1)	—	—	—	—	—	—
– Adjusting tax assistance to the cooperative sector	2.6	2.7	2.6	2.6	2.6	13.1
Subtotal – Adapting fiscal assistance to new economic and social realities	2.6	12.9	13.0	13.2	13.4	55.1
Strengthening the fairness of the tax system						
– Transforming certain deductions into tax credits						
▪ Religious residence deduction	—	0.8	0.8	0.8	0.8	3.2
▪ Deduction for assistance received for the payment of tuition fees for adult basic education programs	—	0.1	0.1	0.1	0.1	0.4
– Gradually restoring the balance between the property tax and the public utilities tax	−3.7	72.4	77.3	98.8	127.9	372.7
– Updating the additional registration fee for luxury vehicles	—	−10.3	−36.7	−31.2	−19.6	−97.8
Subtotal – Strengthening the fairness of the tax system	−3.7	63.0	41.5	68.5	109.2	278.5

TABLE D.15

Financial impact of the efforts to improve the tax system (cont.)
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Updating the tax system (cont.)						
Eliminating inefficient or little-used tax expenditures						
– Abolishing the tax shield	—	34.4	34.6	34.8	35.0	138.8
– Standardizing the tax treatment of contributions to political parties	—	0.5	0.5	0.5	2.0	3.5
– Ending certain little-used tax measures						
▪ Income averaging for artists(1)	—	—	—	—	—	—
▪ Tax holiday for Québec sailors	—	0.7	0.7	0.7	0.7	2.8
▪ Tax credit for cultural patronage	0.2	0.2	0.2	0.2	0.2	1.0
▪ Tax holiday for foreign specialists employed by an international financial centre	—	—	0.1	0.1	0.1	0.3
▪ Tax holiday for foreign specialists employed by a new financial services corporation	—	0.1	0.1	0.2	0.2	0.6
▪ Additional deduction of 100% in the calculation of an employer's income – public transit	—	—	—	0.1	0.1	0.2
▪ Non-taxation of benefits granted to employees – public transit	—	—	—	0.1	0.2	0.3
▪ Tax credit to foster synergy between Québec businesses	—	0.1	0.1	0.1	0.1	0.4
▪ Refund of the biodiesel fuel tax(1)	—	—	—	—	—	—
Subtotal – Eliminating inefficient or little-used tax expenditures	0.2	36.0	36.3	36.8	38.6	147.9
Subtotal – Updating the tax system	**−0.9**	**111.9**	**90.8**	**118.5**	**161.2**	**481.5**

TABLE D.15

Financial impact of the efforts to improve the tax system (cont.)

(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Fostering the funding of public services						
Ending indexation of the eligibility threshold for reduced rates of employer contributions to the Health Services Fund	5.9	30.0	53.0	72.9	97.6	259.4
Ensuring the sustainable funding of transportation infrastructure and services						
– Introducing an annual contribution for electric and plug-in hybrid vehicles	—	18.0	80.7	118.1	162.8	379.6
– Ending free access to toll bridges and ferries for electric and plug-in hybrid vehicles	—	—	23.9	25.2	26.7	75.8
Subtotal – Ensuring the sustainable funding of transportation infrastructure and services	—	18.0	104.6	143.3	189.5	455.4
Revising the land register consultation fee	—	7.7	8.3	8.2	8.7	32.9
Subtotal – Fostering the funding of public services	**5.9**	**55.7**	**165.9**	**224.4**	**295.8**	**747.7**
TOTAL	**32.1**	**270.6**	**723.0**	**910.7**	**1 037.7**	**2 974.1**

(1) These changes generate small savings.

Section E

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2025 AND 2026

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SUMMARY

The global economy is currently facing a very uncertain environment. In particular, the U.S. administration is taking a more unilateral approach in setting its policies. In the process, it imposed significant tariffs on some of its economic partners, including Canada.

Despite the uncertainty surrounding the form, scope and duration of the protectionist measures adopted by the United States, trade tensions are already weighing on the global economy, and on financial markets in particular.

Against this backdrop, global economic growth is expected to slow slightly to 3.1% in 2025 and 2026, following growth of 3.2% in 2024. Real GDP growth will decelerate in most regions in 2025.[1]

— The baseline assumption is that these tariffs could be adjusted in the coming months, that the effects would be on average equivalent to 10% tariffs, that they could be in place for a transitional period of around two years, and would have a negative impact on global economic growth.

— These tariffs will rein in trade and weaken the confidence of economic agents, limiting the growth of investment and consumption.

— Nevertheless, central banks are expected to continue easing their monetary policies, which will support demand for goods and services.

Real GDP growth in Québec is expected to reach 1.1% in 2025 and 1.4% in 2026.

Tariffs will have a negative impact on economic growth by limiting exports and non-residential business investment.

TABLE E.1

Economic growth
(real GDP, percentage change)

	2023	2024	2025	2026
Québec	0.6	1.4	1.1	1.4
Canada	1.5	1.5	1.4	1.6
United States	2.9	2.8	1.8	1.9
World(1)	3.4	3.2	3.1	3.1

(1) Global 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 March 7, 2025.

❑ Québec is entering a turbulent period on solid ground

After slowing sharply in 2023 (+0.6%), real GDP growth accelerated in Québec in 2024 (+1.4%) as the Bank of Canada began its monetary policy easing cycle last June.

Economic growth is set to continue in 2025 (+1.1%) and 2026 (+1.4%), supported, in particular, by additional interest rate cuts.

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

Nonetheless, Québec has a number of strengths to draw on in facing this turbulent period.

- Québec's strong economic performance since 2018 has narrowed the gap in living standards with Ontario and the rest of Canada.
  - Between 2018 and 2024, real GDP per capita rose by 2.6% in Québec, while it fell in Ontario (−1.6%) and in the rest of Canada (–2.1%) over that period.
- Québec households are benefiting from a favourable financial position.
  - Between 2018 and 2023, household purchasing power, as defined by disposable income in real terms per capita (+6.6%), has improved faster than in Canada (+3.9%).
  - In addition, Quebecers' debt ratio (146.1% in 2023), that is, the value of household liabilities as a proportion of disposable income, is lower than that of Canadians (186.2%).
  - Furthermore, in 2024, Québec households had a higher savings rate (9.8%) than that in Canada (6.1%).
- Although Québec's labour market slowed in 2024, the unemployment rate remained at a historic low (average of 5.3% in 2024) and was the lowest among Canadian provinces.
- The easing of monetary policy has put the residential sector on the road to recovery.
- In addition, the Canadian dollar, which remains at a relatively low level, supports the competitiveness of exports.

In short, although there are many sources of uncertainty, Québec is well positioned to get through this period with resilience. In the current environment, business diversification and innovation are strategies for preserving and stimulating economic momentum in the years ahead.

❑ Inflation moderation and further monetary easing will foster growth

Inflationary pressures have eased since the start of 2024.

— The global annual inflation rate declined from 6.7% in 2023 to 5.7% in 2024.

— In Canada, annual growth in the Consumer Price Index (CPI) fell from 2.9% in January 2024 to 1.9% in January 2025.

The progress made has enabled most major central banks to begin their monetary easing cycle.

— Between June 2024 and January 2025, the Bank of Canada cut its policy rate from 5.00% to 3.00%, and the U.S. Federal Reserve lowered its key interest rate by 100 basis points to within the 4.25% to 4.50% range.

Over the coming quarters, global inflation is expected to remain close to central bank targets.

— In Canada, annual CPI growth is expected to average 2.2% in 2025 and 2.1% in 2026. In Québec, it will average 2.1% in 2025 and 2.0% in 2026.

— In 2026, headline inflation in Québec is expected to be lower than that observed in Canada for the third year in a row.

Steady inflation hovering around 2% and the forecast moderation in economic activity in Canada are expected to prompt further cuts in the Bank of Canada's policy rate, which is projected to reach 2.5% around mid-2025.

TABLE E.2

Consumer Price Index
(percentage change)

	2023	2024	2025	2026
Québec	4.5	2.3	2.1	2.0
Canada	3.9	2.4	2.2	2.1
United States	4.1	3.0	2.5	2.5
Euro area(1)	5.4	2.4	2.1	2.0
World(1)	6.7	5.7	4.2	3.5

(1) International Monetary Fund's January 2025 forecast.
Sources: Statistics Canada, S&P Global, International Monetary Fund, Eurostat and Ministère des Finances du Québec.

1. HIGH UNCERTAINTY ASSOCIATED WITH U.S. ECONOMIC POLICIES

1.1 Upheavals that give cause for concern

Over the next few years, changes in the global economy and financial markets will be greatly influenced by the economic and trade policies implemented by the U.S. administration.

— The measures it adopts will have a direct impact on international trade relations, global investment and market dynamics.

In particular, the U.S. administration wants to promote domestic industries, mainly through tariffs and tax cuts.

It is also banking on increased exploitation of natural resources and intends to tighten U.S. migration policy. In addition, initiatives from the Department of Government Efficiency (DOGE)[2] may also have significant consequences on the U.S. economy.

The implementation of tariffs combined with the persistent uncertainty surrounding upcoming reforms and the measures that will actually be adopted are weakening the economic outlook.

— Prolonged uncertainty will undermine the stability of global financial markets and contribute to higher financing costs for businesses.

— This rising uncertainty has a direct impact on the confidence of consumers and businesses. Such a deterioration in the climate of confidence will hinder investment and damage international trade relations.

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[2] A new entity created by the U.S. administration. Its main mission is to improve the efficiency of the U.S. federal government by massively reducing the number of federal employees and government spending.

❑ Repercussions for the global economy

The trade dispute triggered by the United States will have deep and lasting repercussions on the global economy.

While many details concerning the form, duration and scope of the tariffs remain uncertain and variable, it is undeniable that a trade dispute will disrupt supply chains and global economic growth. All economic agents will be affected by this dispute.

- Tariffs will drive up input prices and consumer goods prices, thereby accentuating inflationary pressures both for the country that imposed the tariffs and for the exporting country that will choose to retaliate. Higher prices will slow demand and may lead to a contraction in economic activity.
- By increasing the cost of imports, tariffs will limit foreign producers' access to the domestic market.
- As demand drops and input prices rise, corporate profits will fall, prompting companies to cut back on staff and investment. This trend will lead to a decline in innovation and productivity.
- The global economic slowdown will then trigger a drop in commodity prices.
- Faced with an economic slowdown, governments will increase their transfers to households and businesses. However, such measures will lead to an additional burden on public finances, thereby amplifying long-term economic challenges.

❑ Consequences for financial markets

The introduction of tariffs and retaliatory measures have repercussions on financial markets.

- Tariffs cause significant fluctuations on the currency market.
  - For example, imposing a tariff on a country's exports reduces demand for its currency, which can lead to a depreciation of that currency.
- Central banks will also be faced with a dilemma. On the one hand, tariffs will cause an increase in the cost of imported goods, fuelling inflationary pressures. On the other hand, they will dampen economic activity, which will limit price rises.
  - Central banks will therefore have to adopt an approach that takes into consideration all these reactions in conducting monetary policy.

❑ Uncertainty is already having an impact on financial markets

Financial markets adjust quickly to the potential effects of a shock. Market participants' expectations therefore play a key role in the pricing of financial assets. As soon as the first tariff threats were made against Canada, toward the end of November 2024, certain financial variables reacted negatively. One of the most sensitive indicators to this trade uncertainty is the Canadian dollar.

— While the Canadian currency was already on a downward trend, its slide accelerated sharply in late November. In mid-December, the dollar fell below 70 U.S. cents for the first time since March 2020, at the very start of the pandemic.

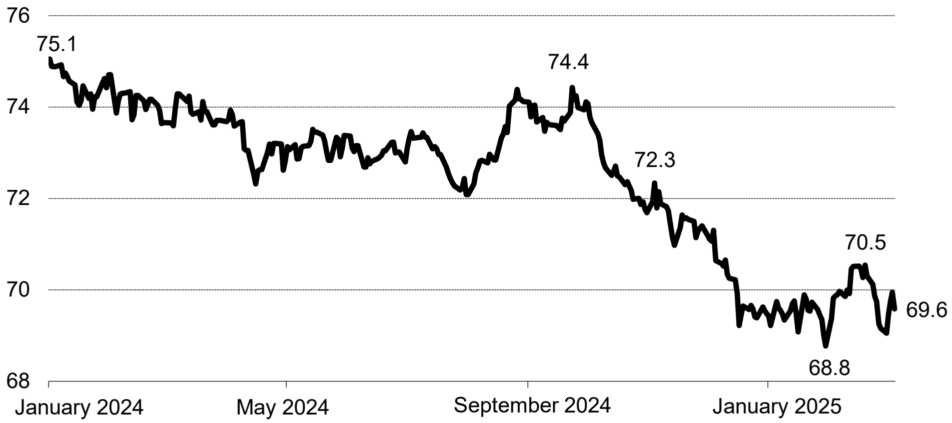
— Pressure on the dollar intensified following threats of 25% tariffs being imposed on Canadian products. The dollar thus hit 68.8 U.S. cents on January 31, its lowest level since 2016. Subsequently, the Canadian currency has fluctuated around 70 U.S. cents, influenced by the U.S. administration's announcements on tariffs.

— In addition, the U.S. administration's tariff threats prompted markets to raise their expectations concerning monetary policy easing by the Bank of Canada. In particular, this was reflected in lower rates on Treasury bills and short- and longer-term bonds.

Over the coming months, financial markets are expected to remain marked by significant volatility. In particular, U.S. political decisions will play a decisive role in their developments.

CHART E.1

Canadian dollar exchange rate
(U.S. cents)



Note: Most recent figure is for March 7, 2025.
Source: Bloomberg.

❑ Uncertainty is already affecting the Canadian economy

In Canada and Québec, there are signs that trade tensions are already affecting economic activity.

In particular, the Conference Board of Canada's consumer confidence index has declined sharply in recent months.

— In Québec, the index fell from a recent peak of 91.7 points in August 2024 to 64.3 points in February 2025. A similar trend has been observed in Canada.

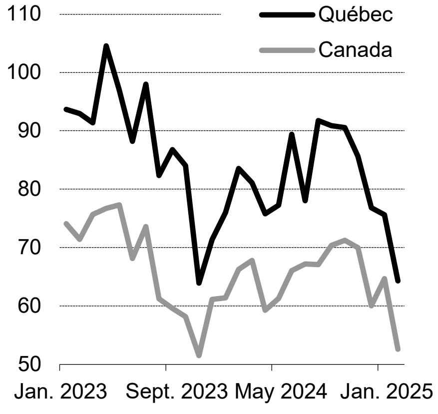
Meanwhile, the Bank of Canada's Business Outlook Survey shows that business confidence fell in December 2024.

— The Bank of Canada noted that uncertainty surrounding the economic situation had weakened confidence.

Falling consumer confidence may lead to a reduction in household spending, particularly on durable goods and consumer discretionary goods. In addition, faced with heightened uncertainty, businesses may postpone or cancel certain investment projects.

CHART E.2

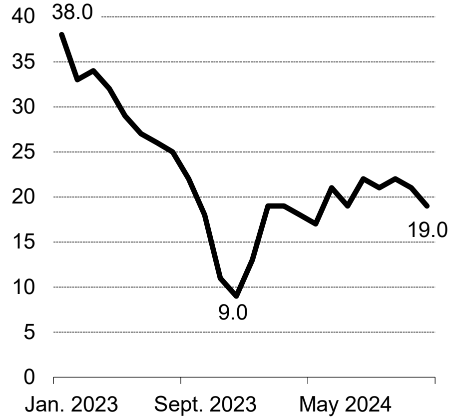
Consumer confidence index
(points, 2014 = 100)



Source: Conference Board of Canada.

CHART E.3

Business confidence in Canada
(points)



Note: Percentage of firms reporting positive sentiment about business conditions minus the percentage reporting negative sentiment, three-month moving average.
Source: Bank of Canada.

1.2 Assumptions tied to the baseline scenario

The projections currently include a high level of uncertainty. Rising protectionism in the United States represents the biggest risk to changes in the economic outlook.

- At the time of going to press, the form, duration and scope of the trade dispute remain uncertain and variable.

The economic forecast of the baseline scenario is based on the assumption that the tariffs announced on March 4 is a strategic measure intended to exert pressure on the United States' trading partners. The Ministère des Finances has put forth a baseline assumption that these tariffs could be adjusted in the coming months, that the effects would be on average equivalent to 10% tariffs, and that they could be in place for a transitional period of around two years.

- The introduction of tariffs will cut growth for 2025 and 2026 by a total of 0.7 percentage points, and reduce job gains by about 25 000.
  - However, Québec's economic strengths, higher-than-expected population growth in the last quarter and further monetary easing will mitigate the extent of this shock on the economy.

Section H presents two alternative growth scenarios.

- The first one, the scenario with 25% tariffs, predicts a recession triggered by the introduction of universal tariffs, excluding energy products for which tariffs of 10% would be applied, for a period of around two years. In response, the countries targeted by these tariffs would impose equivalent retaliatory measures.

- The second scenario, the stronger growth scenario, predicts a more sustained increase than anticipated in the baseline scenario, due to the rapid resolution of trade disputes and the dissipation of uncertainties surrounding international trade.

2. QUÉBEC'S ECONOMIC SITUATION

2.1 Economic growth will continue amid uncertainty

After a slight increase observed in 2023 (+0.6%), economic activity accelerated in 2024 (+1.4%).

— Strong population growth and monetary policy easing initiated by the Bank of Canada in June 2024 boosted household consumer spending and led to a rebound in residential investment.

— The Canadian dollar, which remained at a relatively low level, supported the competitiveness of Québec's international exports.

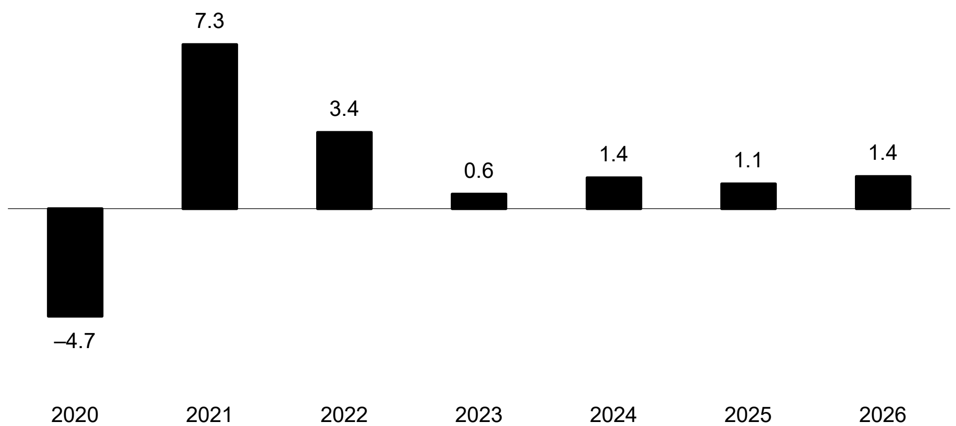
The Québec economy will continue to grow in 2025 (+1.1%) and 2026 (+1.4%), mainly supported by continued monetary policy easing.

— Nevertheless, the trade dispute triggered by the U.S. administration will limit growth in non-residential business investment and exports over the next few years.

— In addition, the deceleration in population growth, due in part to a reduction in the number of non-permanent residents (NPRs), will dampen real GDP growth.

CHART E.4

Economic growth in Québec
(real GDP, percentage change)



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

2.2 The Québec government will pursue its goal of increasing economic potential

Major steps have been taken since fall 2018 to increase the potential of Québec's economy in an effort to create more wealth. These actions, combined with Québec's strong economic performance, have led to a considerable rise in the standard of living in Québec, as defined by real GDP per capita. Between 2018 and 2022, the standard of living in Québec rose by 5.0%.

Then, in 2023 and 2024, the standard of living declined slightly in Québec.

— In 2023, real GDP growth was dampened by the effects of restrictive monetary policy and high inflation. In addition, temporary factors specific to Québec, such as forest fires, low water levels in Hydro-Québec's basins and public and parapublic sector strikes, curbed the rise in economic activity.

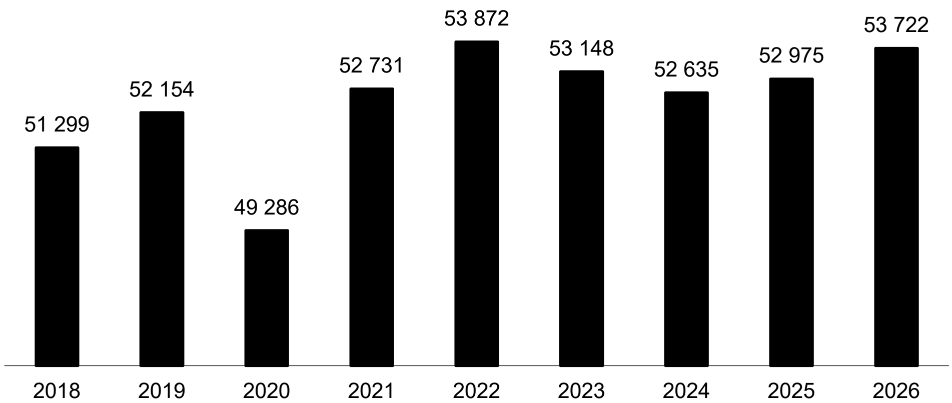
— In 2024, the economic recovery was accompanied by record population growth.

In 2025, an increase in economic activity combined with slower population growth will allow the standard of living to resume an upward trajectory.

In 2026, real GDP per capita is expected to reach just over $53 700, an increase of 4.7% compared to 2018.

CHART E.5

Québec's standard of living
(real GDP in chained 2017 dollars per capita)



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

❑ Strong economic performance that is narrowing standard of living gaps

Québec's strong economic performance since 2018 has narrowed the gaps in living standards with Ontario and the rest of Canada.

— Between 2018 and 2022, the standard of living measured by real GDP per capita rose by an average of 1.2% per year in Québec, compared to increases of just 0.5% in Ontario and 0.2% in the rest of Canada.

— Québec's standard of living gap with Ontario narrowed from 15.9% in 2018 to 12.4% in 2022. The standard of living gap with the rest of Canada narrowed from 20.2% in 2018 to 15.5% in 2022.

In 2023 and 2024, real GDP per capita declined for both Québec and its main trading partners. However, since the relative changes in the standard of living have been more favourable in Québec than in Ontario and the rest of Canada, gains in terms of catching up on the standard of living gap have continued.

— As a result, the gap in real GDP per capita between Québec and Ontario has continued to narrow, reaching 11.2% in 2024. The gap between Québec and the rest of Canada narrowed to 14.7% in 2024.

Living standards will continue to catch up over the next few years. The gap between Québec and Ontario is expected to reach 9.9% in 2026, while that between Québec and the rest of Canada is expected to stand at 13.7% in 2026.

Québec is on track to achieve the government's ambitious goal of reducing the real GDP per capita gap with Ontario to 10% by 2026. The Québec government intends to build on this momentum and take further action on the main determinants of living standards.

TABLE E.3

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	2026	2019 to 2026(1)
Change										
Québec	1.6	1.7	−5.5	7.0	2.2	−1.3	−1.0	0.6	1.4	4.7
Ontario	1.5	0.4	−5.8	5.5	2.1	−1.4	−2.0	0.2	0.7	−0.7
Rest of Canada	1.2	0.1	−6.2	5.0	2.3	−1.4	−1.6	0.4	0.8	−0.9
Difference										
Ontario	15.9	14.4	14.1	12.5	12.4	12.3	11.2	10.7	9.9	—
Rest of Canada	20.2	18.4	17.5	15.3	15.5	15.4	14.7	14.4	13.7	—

Note: Ontario's real GDP growth for 2024 and 2025 corresponds to the average forecast of nine private sector institutions as at March 7, 2025. For the rest of Canada and the Ontario population in 2025 and 2026, the growth forecasts are for Canada excluding Québec.
(1) Changes over the entire period.
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. While the trade dispute has been a shock to the economy, the government must not deviate from its mission. It is by acting on the determinants of growth that this objective will be achieved. At the same time, growth in economic potential will ensure that Québec's economy will be more resilient to external shocks.

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.

The **employment rate**, which is the total number of workers as a proportion of the population aged 15 to 64, reached an all-time high in 2023, with Québec recording the highest rate among the provinces. As in Canada as a whole, the employment rate fell in 2024. Nevertheless, it remained the highest rate among all the provinces. Consequently, potential gains in this area are still possible but will be more difficult to achieve in the long term.

The **demographic weight of the main labour pool** represents the share of the population aged 15 to 64 compared to the total population. Québec's population is aging, which limits the growth of the available labour pool. As a result, this factor's contribution to growth has been in decline since the mid-2000s. Demographic trends are difficult to reverse, and it is expected that this component will continue to limit potential economic growth.

TABLE E.4

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	2026	2027 to 2029
Growth factors (contribution)									
Demographic weight of 15- to 64-year-olds(1)	−0.7	−0.7	−0.8	−0.6	−0.1	0.1	−0.5	−0.8	−0.5
Employment rate(2)	1.0	−5.0	4.8	2.4	1.1	−1.5	0.9	1.2	0.6
Productivity(3)	0.8	0.2	2.9	0.3	−2.3	0.4	0.3	1.0	1.3
STANDARD OF LIVING(4)	**1.1**	**−5.5**	**7.0**	**2.2**	**−1.3**	**−1.0**	**0.6**	**1.4**	**1.3**
Real GDP	1.9	−4.7	7.3	3.4	0.6	1.4	1.1	1.4	1.7
Population	0.8	0.8	0.2	1.2	2.0	2.4	0.5	0.0	0.3

Note: Totals may not add due to rounding.
(1) The demographic weight of 15- to 64-year-olds 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.

2.3 Population growth will slow

Québec, like Canada as a whole, experienced record demographic growth last year. In 2024, the population grew by 2.4% in Québec and by 3.0% in Canada. Over the next few years, population growth in Québec and Canada is expected to slow.

— In particular, the various measures announced in 2024 by the federal and Québec governments to reduce the number of non-permanent residents (NPRs), as well as to lower annual targets for permanent immigration, are expected to slow population growth.

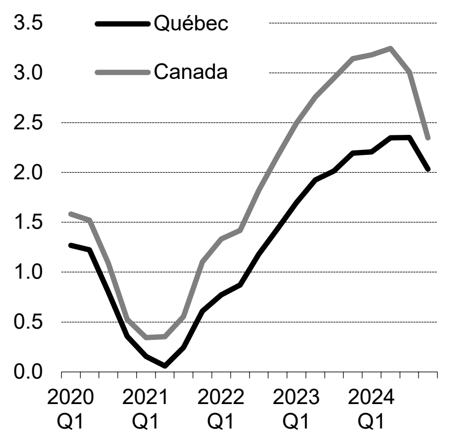
  — Specifically, the federal government announced that it would lower its targets for permanent immigration from 2025 to 2027. For its part, the Québec government announced various measures, including a freeze on the Temporary Foreign Worker Program, the temporary suspension of the Québec graduate stream of the Québec Experience Program, and a temporary halt to invitations to apply for permanent selection under the Regular Skilled Worker Program (RSWP).

— These measures already seem to be having an effect, as the end of 2024 saw the start of a deceleration in population growth. In Québec in particular, annual population growth fell from a peak of 2.4% in the third quarter of 2024 to 2.0% in the fourth quarter.

As a result, Québec's population is expected to grow by only 0.5% in 2025 and remain stable (0.0%) in 2026.

CHART E.6

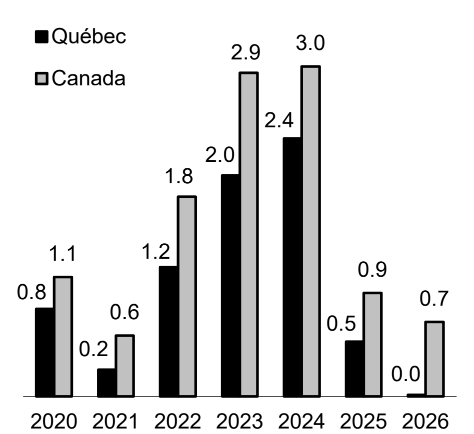
Population growth
(annual population change, per cent)



Source: Statistics Canada.

CHART E.7

Population in Québec and Canada
(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

Strong population growth in 2024, which will slow over the next few years

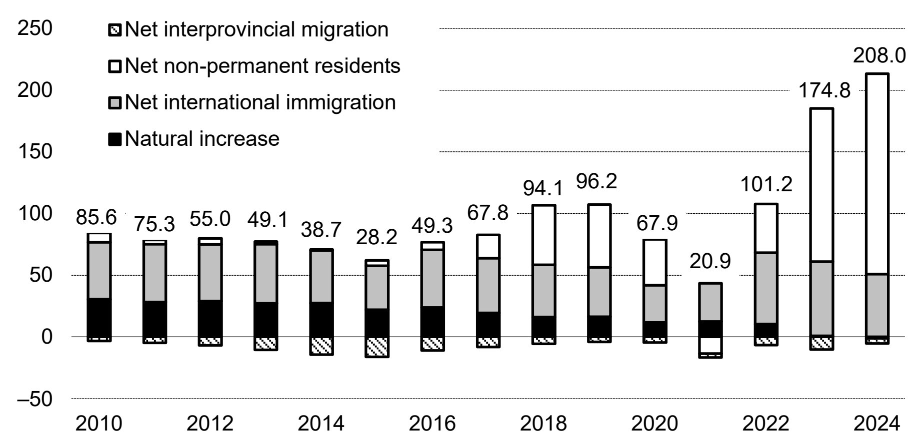
In 2024, the Québec population continued to grow at a steady pace. As at July 1, 2024, Québec had a population of 9 056 000, an increase of 208 000 people (+2.4%) since July 1, 2023.

Population growth was based entirely on international migration.

– The net increase in the number of non-permanent residents (162 500 people) and international immigrants (50 800 people) accounts for the total population growth.

– Interprovincial migration (−4 100) and natural increase (−1 300) did not contribute to population growth.

Components of population growth in Québec
(annual change in population and its components, in thousands of people)



Sources: Statistics Canada and Ministère des Finances du Québec.

Expected slowdown in the pace of population growth

To slow the rate of Canada's population growth, in March 2024, the federal government announced its goal to reduce the proportion of non-permanent residents (NPRs) in the Canadian population. Efforts by the federal and Québec governments have slowed the growth of temporary immigration in Québec.

– On a net basis, Québec welcomed 26 400 NPRs in the fourth quarter of 2024. This was the lowest number recorded since the second quarter of 2023.

– Consequently, annual population growth, which stood at 2.0% in the fourth quarter, slowed for the first time since the second quarter of 2021.

The pace of population growth will continue to slow over the coming quarters, as the number of NPRs declines, in line with enhancements made to federal and provincial policies to reduce temporary immigration.

2.4 Caution from businesses and slower population growth will curb hiring

The labour market slowed in 2024 as the lingering effects of restrictive monetary policy tempered demand for labour. At the same time, the labour supply surged, fuelled by strong population growth.

— Following an increase of 130 800 jobs in 2023 (+3.0%), 43 200 jobs were created in 2024 (+1.0%). Meanwhile, the unemployment rate increased from an average of 4.5% in 2023 to 5.3% in 2024.

Job gains will remain modest in the coming years. An average of just over 39 000 jobs will be created in 2025 (+0.9%), followed by 17 400 jobs in 2026 (+0.4%). The unemployment rate will temporarily rise to an average of 5.8% in 2025, before declining to 5.4% in 2026.

— As the relief provided by easing monetary policy feeds through to the economy, demand for labour will grow.

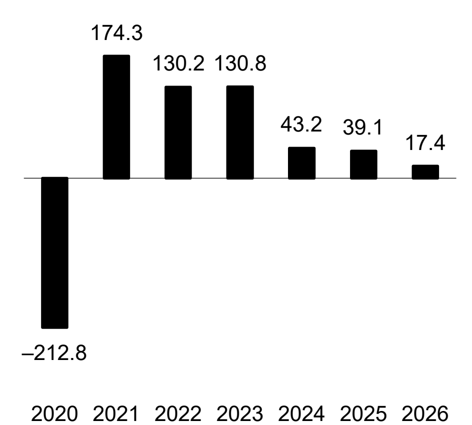
— However, the expected drop in the number of NPRs will limit growth in the working-age population. In addition, the decline in overall demand for goods and services resulting from the trade dispute could slow hiring.

As the labour market moderates, wage and salary growth will gradually lose pace, slowing from 5.6% in 2024 to 3.7% in 2025 and 3.0% in 2026.

— Nevertheless, wage gains will remain historically high.

CHART E.8

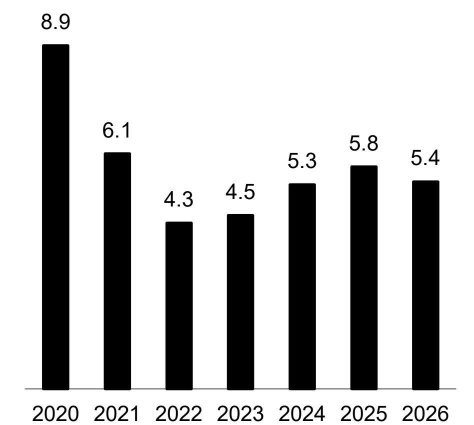
Job creation in Québec
(average annual data in thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.9

Unemployment rate in Québec
(average annual data in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

The labour market is loosening

The labour market moderated in 2024. On average, 43 200 jobs were created (+1.0%), the lowest growth rate since 2020. This took place against a backdrop of strong growth in labour supply, as over the same period, 183 000 people were added to the population aged 15 and over (+2.5%).

As a result, the labour market has not generated enough jobs to absorb population growth. At the same time, the number of vacant jobs fell from a peak of 252 900 in September 2021 to 123 500 in December 2024.

Consequently, the unemployment rate rose from an average of 4.5% in 2023 to 5.3% in 2024.

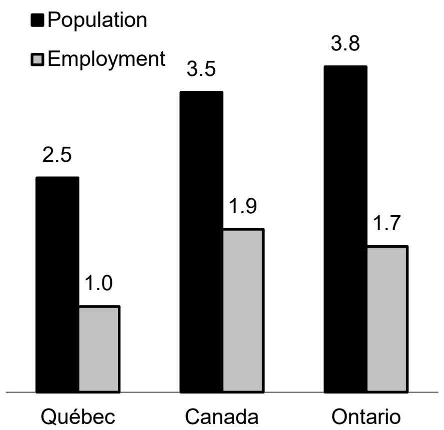
The labour market has also moderated in Canada. Job creation in the country (+395 700 in 2024, +1.9%) was supported by strong growth in the working-age population (+3.5% in 2024).

– This population increase has put upward pressure on unemployment and downward pressure on the employment rate in all provinces.

Although Québec's labour market is trending toward equilibrium, it remains one of the tightest in the country. Québec's unemployment rate, which was 5.3% in 2024, remained the lowest among the provinces (6.3% for Canada as a whole). In addition, the employment rate for people aged 15 to 64 stood at 77.3% on average in 2024. In this respect, Québec ranks first among the provinces (74.7% in Canada as a whole).

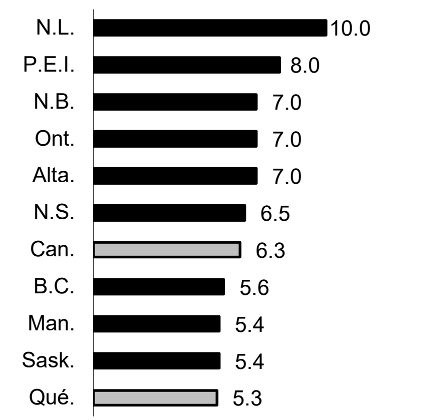
Over the coming quarters, the tightening of migration policies is expected to slow population growth. At the same time, the introduction of tariffs will curb hiring. As a result, job creation is expected to remain relatively modest.

Growth in the population aged 15 and over and employment in 2024
(per cent)



Source: Statistics Canada.

Unemployment rate in 2024
(per cent)



Source: Statistics Canada.

Young people and immigrants were affected by the labour market slowdown in 2024

The moderation in the labour market in a context of strong population growth has led to an increase in the number of unemployed individuals and a rise in the unemployment rate.

- On average in 2024, Québec had 45 000 more unemployed individuals than in 2023.
- Although the province had the lowest unemployment rate in Canada, it rose by 0.8 percentage points over 2023, reaching 5.3% in 2024.

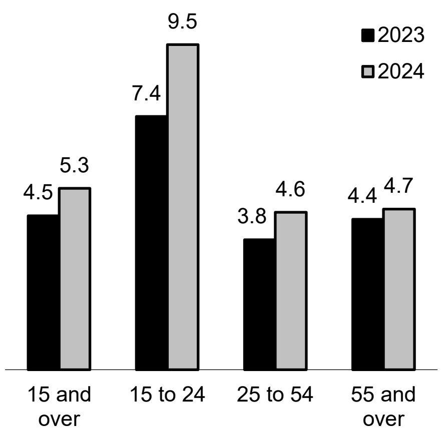
Certain more vulnerable population groups have been particularly affected by the labour market slowdown.

- The increase in the unemployment rate has been more marked among young people, that is, the population aged 15 to 24 (+2.1 percentage points, reaching 9.5% in 2024), compared to people aged 25 to 54 (+0.8 points, reaching 4.6%) and people aged 55 and over (+0.3 points, reaching 4.7%).
- Similarly, the rise in the unemployment rate has been more pronounced among newcomers. Unemployment rates for immigrants aged 25 to 54 welcomed within the last 5 years (+1.3 percentage points, reaching 9.7% in 2024) and for immigrants welcomed between 5 and 10 years ago (+2.2 percentage points, reaching 7.9%) rose more significantly than for immigrants welcomed more than 10 years ago (+0.5 percentage points, reaching 5.6%) and for people born in Canada (+0.4 percentage points, reaching 3.5%).

Despite this upward trend, the unemployment rate for young people aged 15 to 24 in 2024 remained the lowest among Canadian provinces (13.1% in Canada).

Unemployment rate by age group

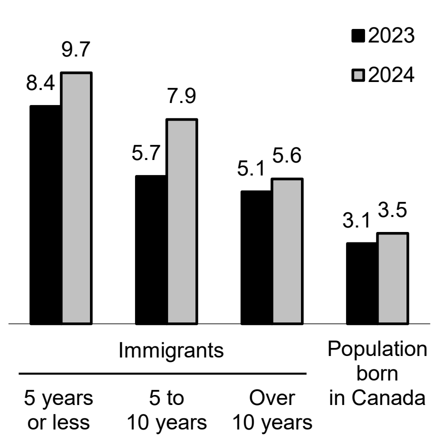
(per cent)



Source: Statistics Canada.

Unemployment rates for immigrants welcomed and people born in Canada, aged 25 to 54

(per cent)



Source: Statistics Canada.

2.5 Domestic demand expected to spearhead growth

In 2025 and 2026, domestic demand will be the key factor underpinning growth.

— Household consumption expenditure will be boosted by lower interest rates. Nevertheless, the slowdown in population growth and a moderating labour market will dampen the growth of consumption expenditure.

— Residential investment will pick up in 2025 (+4.6%), supported by successive policy rate cuts and pent-up demand. It will continue to grow in 2026, but at a more moderate pace.

— Despite lower financing costs, growth in non-residential business investment will be weak over the next two years due to trade barriers.

The external sector's net contribution to economic activity will remain relatively modest. It will reduce real GDP growth by 0.3 percentage points in 2025, but will contribute 0.2 percentage points in 2026.

— Export growth is expected to slow in 2025. Tariffs and uncertainty could lead some U.S. companies to abandon their Québec suppliers.

— Nevertheless, the lower exchange rate will make Québec exports more attractive on the international market, although it will also result in more expensive imports.

TABLE E.5

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

	Change			Contribution		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**
Domestic demand	**1.8**	**1.6**	**1.2**	**1.8**	**1.7**	**1.2**
Household consumption	2.3	2.3	1.7	1.4	1.3	1.0
Residential investment	1.6	4.6	1.2	0.1	0.3	0.1
Non-residential business investment	−0.1	0.1	1.1	0.0	0.0	0.1
Government spending and investment	1.8	0.2	0.1	0.5	0.1	0.0
External sector	**—**	**—**	**—**	**0.0**	**−0.3**	**0.2**
Exports	1.7	1.3	2.0	0.8	0.6	0.9
Imports	1.5	1.7	1.4	−0.8	−0.8	−0.7
Inventories	**—**	**—**	**—**	**−0.5**	**−0.3**	**−0.1**
REAL GDP	**1.4**	**1.1**	**1.4**	**1.4**	**1.1**	**1.4**

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

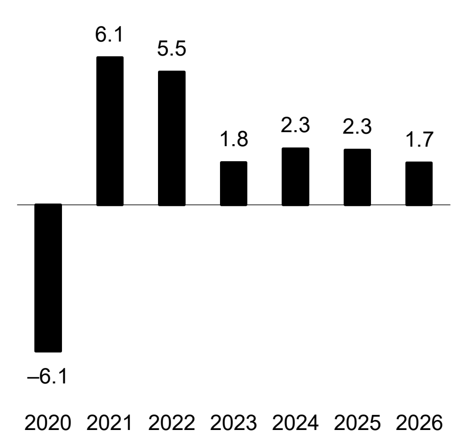
2.6 Household expenditures will be the main driver of economic activity

After a gain of 2.3% in 2024, consumer spending will continue to rise in 2025 (+2.3%) and 2026 (+1.7%). It will remain the main driver of economic growth.

- It will be supported in part by the favourable financial position of households.
- In addition, households will continue to benefit from lower interest rates, particularly for durable goods.
- In addition, certain measures presented in the Québec government's November update will provide support to consumers, including the indexation of the basic personal amount and the maximum family allowance.
- Nevertheless, decelerating population growth will dampen demand for goods and services. In addition, wage and salary growth will gradually slow as the labour market moderates after four years of strong gains. In addition, even as interest rates fall, many households may see higher mortgage payments upon renewal, limiting their ability to spend.

CHART E.10

Household consumption expenditure in Québec
(percentage change, in real terms)

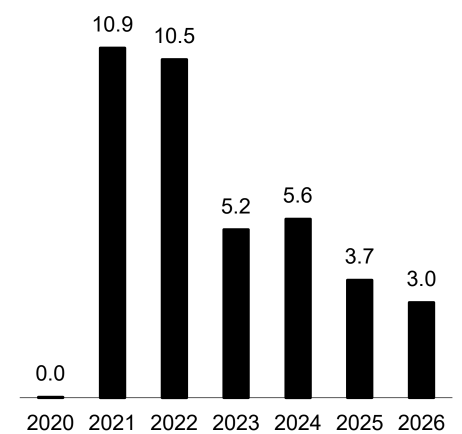


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.11

Wages and salaries in Québec

(percentage change, in nominal terms)



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

Québec households are benefiting from a favourable financial position

Québec's household purchasing power per capita has improved faster than in Canada since 2018

Purchasing power is defined as household disposable income in real terms per capita. In Québec, it has improved considerably between 2018 and 2023. Over this period, it grew by 6.6%, the second-biggest increase among the provinces (+3.9% in Canada).

– This is due in part to the strong performance of the labour market and the shortage of labour, which have resulted in significant wage gains. Between 2018 and 2023, per capita wages and salaries in Québec jumped 29.8% (+21.9% in Canada).

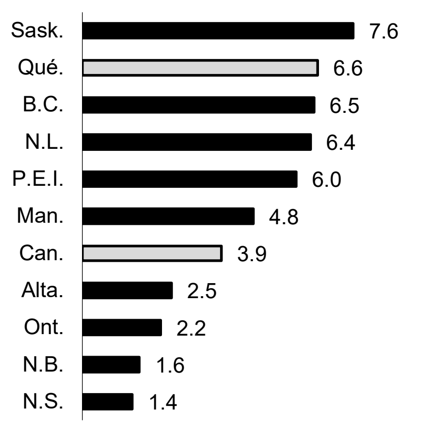
– In addition, household purchasing power has been supported by a number of measures put in place by the Québec government since fall 2021, including a reduction in personal income tax, enhanced senior assistance, two one-off cost of living support payments and a 3% cap on the indexation of government rates.

The improved purchasing power observed in recent years has strengthened the financial position of Québec households.

– Québec's savings rate (9.8% in 2024) remained higher than the savings rate observed in Canada (6.1% in 2024). In addition, the household debt ratio, that is, the value of household liabilities as a proportion of disposable income, is lower in Québec (146.1% in 2023) than in Canada (186.2%).

Growth in household disposable income per capita between 2018 and 2023

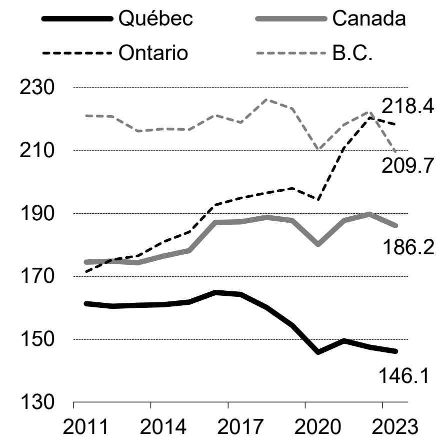
(percentage change, in real terms)



Note: The consumer price deflator was used to measure price trends.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Household debt ratio

(per cent)



Note: The debt ratio corresponds to the total value of liabilities divided by household disposable income.
Sources: Statistics Canada and Ministère des Finances du Québec.

2.7 Residential investment is growing again

After declining 24.5% between 2021 and 2023, residential investment is back on track for growth in 2024 (+1.6%). Residential investment is divided into three main components: new residential construction, renovations and property transfer costs.

— Population growth and lower borrowing costs during the year supported new residential construction (+3.5% in 2024) and property transfer costs (+18.2%), which are linked to transactions on the resale market. Renovation expenditures (−5.6%) fell for the third consecutive year, mainly due to financing costs, which remained at historically high levels.

Residential investment will pick up in 2025 (+4.6%) and is expected to continue to grow in 2026 (+1.2%). It will be supported notably by additional interest rate cuts. In particular, after a significant rebound in 2024 (+25.2% to 48 700 units), housing starts are expected to remain at a high level, reaching 50 500 units in 2025 and 49 300 units in 2026.

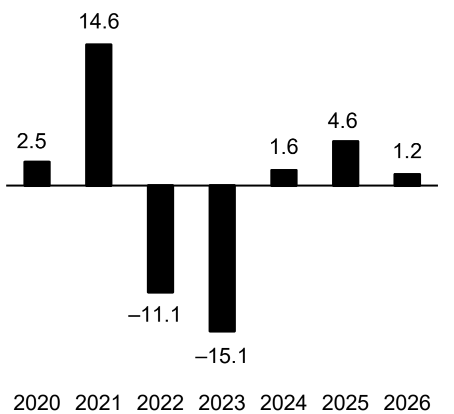
— In addition, measures such as extending the maximum amortization period from 25 to 30 years for first-time buyers of new or existing properties will increase demand for properties. Moreover, access to housing will remain a priority for the government, which will continue to support residential construction.

— Nevertheless, decelerating population growth will dampen demand for housing.

CHART E.12

Residential investment in Québec

(percentage change, in real terms)

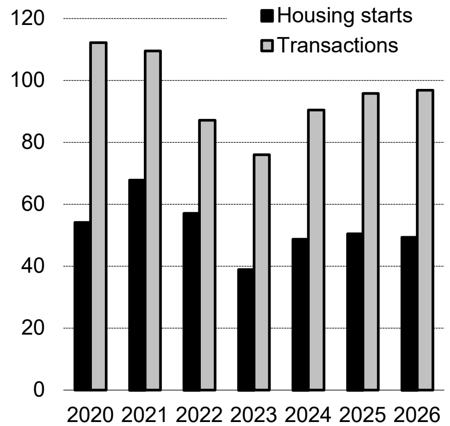


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.13

Housing starts and transactions on the resale market in Québec

(thousands of units)



Sources: Canada Mortgage and Housing Corporation, Centris and Ministère des Finances du Québec.

Imbalances in the rental market gradually fading

In the last few years, population growth has accelerated. At the same time, housing starts fell to record lows, undermined in part by successive interest rate hikes and high input costs. This imbalance between supply and demand drove an increase in housing prices.

In 2024, a significant rebound in activity was observed in the housing market. After reaching a low in 2023 (38 900 units), housing starts jumped 25.2% to 48 700 units.

– This impetus for new residential construction came from the rental segment, which posted a 41.1% gain to 37 600 units in 2024. Conversely, housing starts for homes with private entrances fell by 9.3% (11 100 units).

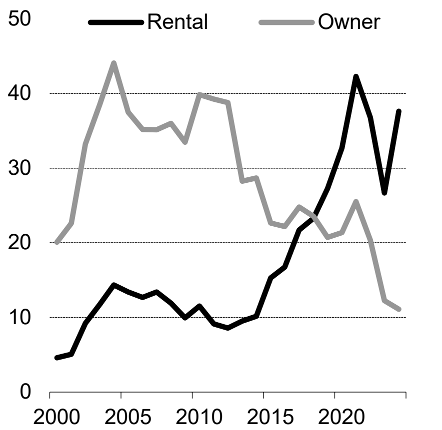
This development has been encouraged by various government measures. In response to the housing shortage, the Québec government, along with a number of municipalities, has taken steps to encourage residential construction. In addition, funds have been invested since fall 2023 to accelerate the construction of social and affordable housing.

The upturn in rental unit construction in 2024 has eased the pressure on this market.

– The rental apartment vacancy rate for Québec as a whole rose from a recent low of 1.3% in 2023 to 1.8% in 2024. Average rent growth in Québec slowed from 7.4% in 2023 to 6.3% in 2024.

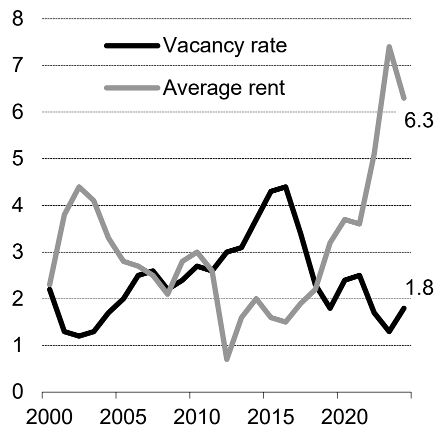
The rental market is expected to continue to soften over the next few years, while rental apartment construction will remain strong. At the same time, the decline in the number of non-permanent residents and the increased number of first-time buyers will further reduce demand. As a result, rental growth will continue to slow.

Housing starts by unit type in Québec
(thousands of units)



Source: Canada Housing and Mortgage Corporation.

Rental vacancy rate and average annual change in rent in Québec
(per cent)



Source: Canada Housing and Mortgage Corporation.

Resale market conditions remain tight

The Québec resale market saw an upturn in activity in 2024. In particular, purchasing conditions improved due to lower interest rates, which supported demand.

– After reaching a recent low in 2023 (75 900 transactions), transactions picked up again in 2024 (90 300 transactions), an increase of 19.0% compared to the previous year.

New listings on the resale market rose by 12.8% in 2024 (133 800 listings), the first gain following nine consecutive annual declines.

Despite the increase in newly for sale properties on the market, the sales-to-new-listings ratio (SNLR) stood at 0.68 in 2024, indicating that the market remained a seller's market for the eighth consecutive year. Note that the real estate market is considered balanced when the SNLR is between 0.40 and 0.55.

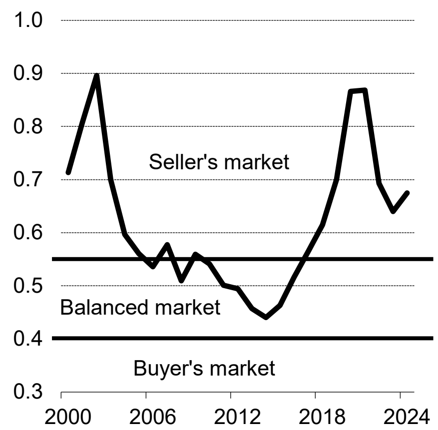
This has led to a rise in property prices. The average price of a home on the resale market rose by 7.3% in 2024, averaging a record $522 800.

Over the next few months, housing costs are expected to remain under pressure.

– The pool of potential buyers will continue to grow, due in particular to lower mortgage rates and the extension of the maximum amortization period from 25 to 30 years for first-time buyers.

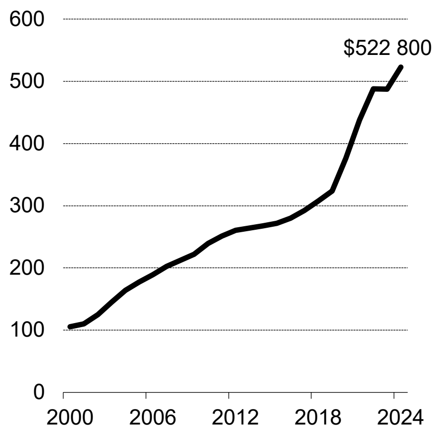
– Nevertheless, decelerating population growth and the labour market slowdown are expected to dampen demand.

Sales-to-new-listings ratio on the Québec resale market
(ratio)



Sources: Centris, Canadian Real Estate Association and Ministère des Finances du Québec.

Average home resale price in Québec
(thousands of dollars)



Sources: Centris and Canadian Real Estate Association.

2.8 The trade dispute will slow investment

Despite lower financing costs, non-residential business investment is expected to remain relatively modest in 2025 and 2026.

— The trade dispute and the high level of uncertainty will lead to certain investment projects being postponed or cancelled. Businesses could also choose to relocate some of their activities to the United States.

Investment in machinery and equipment, whose components are mainly imported, will be the hardest hit. The relative weakness of the Canadian dollar will make them more expensive.

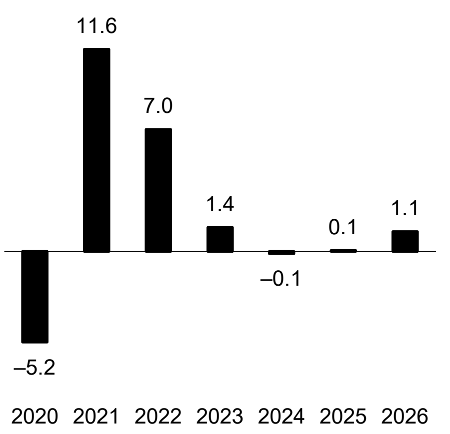
Meanwhile, investment in intellectual property products will continue to be driven by the acceleration of digital transformation and automation.

Furthermore, the transition to a low-carbon economy will continue to support non-residential investment. The latter may include developing wind or hydroelectric projects, improving the energy efficiency of buildings or setting up new infrastructures for electric vehicles or public transit.

In addition, non-residential business investment will be supported by Hydro-Québec. Its *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec* includes capital expenditures of between $135 billion and $160 billion by 2035.

CHART E.14

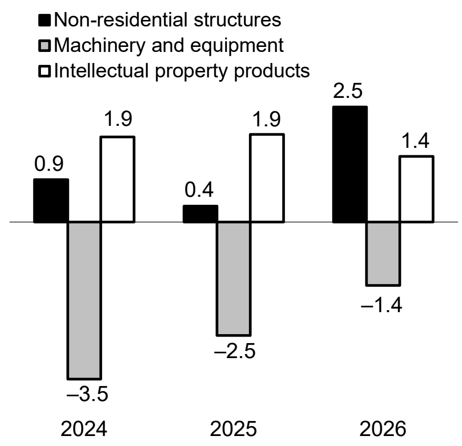
Non-residential business investment in Québec
(percentage change, in real terms)



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

CHART E.15

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.

2.9 Government investment will continue to support Québec's economy

Governments are an important driver of economic activity in Québec. The value of government investment as a proportion of GDP was 4.5% in 2023, compared to 3.2% in Ontario.

Over the next few years, the anticipated decline in non-residential business investment will be partially offset by an increase in investments by governments.

These investments, which include investments by the Québec government, the federal government, local public administrations, and Indigenous public administrations, are expected to reach a record $27.1 billion in 2026.

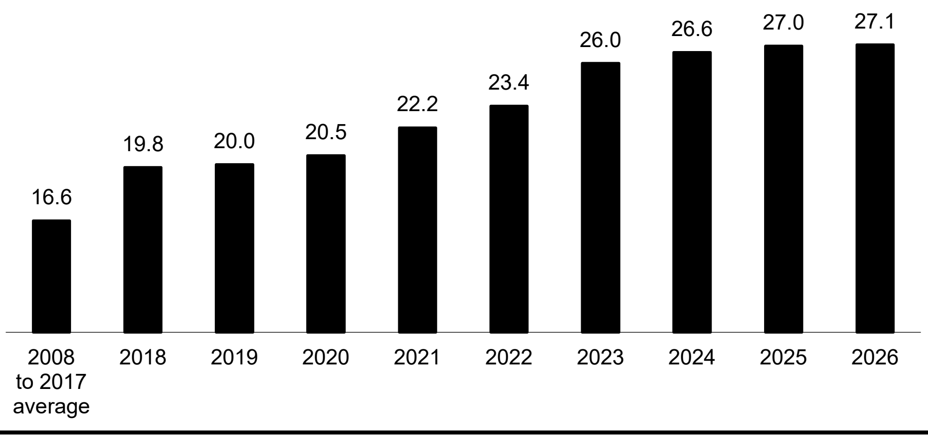
— The 2025-2035 QIP accordingly amounts to $164.0 billion, or over $16.0 billion per year on average.

— From 2018 to 2025, the QIP has been increased by more than 60%, from $100.4 billion in March 2018 to $164.0 billion in March 2025.

— Significant amounts will be invested to preserve the quality of public services, ensure their continuity and guarantee their accessibility in the government's priority missions, namely health, social services, education and higher education.

CHART E.16

Government investment in Québec
(billions of dollars, in nominal terms)



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

2.10 The trade dispute is expected to limit exports

After an increase of 1.7% in 2024, Québec exports are expected to grow by only 1.3% in 2025. They should return to more sustained growth starting in 2026 (+2.0%).

— The imposition of tariffs and the uncertain economic climate will limit export growth.

— However, the continuing weakness of the Canadian dollar will help make Québec's exports more competitive on the international market.

At the same time, Québec's imports of goods and services will remain modest, posting gains of 1.7% in 2025 and 1.4% in 2026.

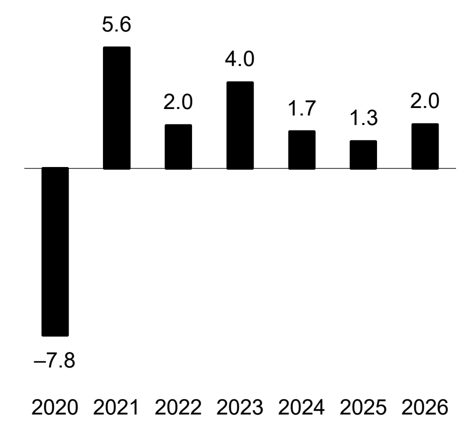
— This trend is partly due to the relative weakness of the dollar and the drop in investment in machinery and equipment (−2.5% in 2025 and −1.4% in 2026), whose components are primarily imported.

— However, import growth will continue to be supported by the downward trend in interest rates, which will boost consumption.

CHART E.17

Québec exports

(percentage change, in real terms)

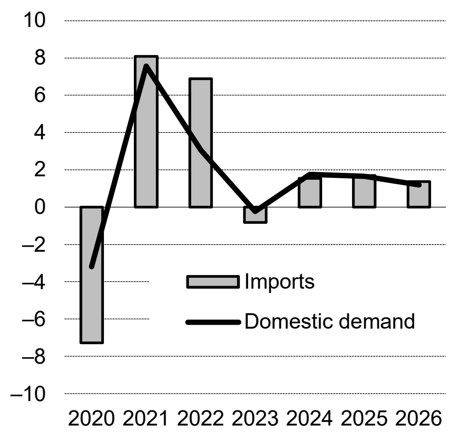


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART E.18

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.

Québec's international exports

Foreign trade plays a significant role in Québec's economy. According to economic accounts' statistics, international exports of goods represented the equivalent of 22.2% of the province's nominal GDP in 2024.

The United States is Québec's main international trading partner, due to its geographical proximity and the size of its market. In 2024, 73.4% of Québec's international exports of goods were destined for the United States, compared to 10.3% for Asia and 11.4% for Europe.

Metal and non-metallic mineral products, which include aluminum, rank first among exported products to the United States with a 23.2% share of international goods exports. Transport equipment, including aircraft and motor vehicles, ranks second (20.7%). Other significant products are consumer goods (16.3%), forestry products (13.0%) and machinery and equipment (11.7%).

Québec's international exports of goods in 2024
(millions of current dollars and percentage share of all products)

	To United States		Total exports	
	Value	Share	Value	Share
Agricultural and fish products	2 227	2.4	3 804	3.1
Energy products	4 157	4.6	4 718	3.8
– Electricity	550	0.6	550	0.4
Metal ores and non-metallic minerals	914	1.0	7 107	5.7
Metal and non-metallic mineral products	21 122	23.2	24 749	19.9
– Aluminum and aluminum products	10 241	11.2	10 689	8.6
Chemicals, plastics and rubber products	5 408	5.9	6 591	5.3
Forestry products	11 809	13.0	13 334	10.7
– Pulp and paper	3 485	3.8	4 568	3.7
– Wood and wood products	3 498	3.8	3 659	2.9
Machinery and equipment	10 692	11.7	15 833	12.8
Transport equipment	18 904	20.7	27 511	22.2
– Aircraft and parts	11 823	13.0	18 540	14.9
– Motor vehicles and parts	6 328	6.9	8 079	6.5
Consumer goods	14 823	16.3	18 224	14.7
– Food, beverages and tobacco products	6 800	7.5	8 784	7.1
TOTAL	**91 107**	**100.0**	**124 075**	**100.0**

Note: International exports of goods on a customs basis. Totals may not add due to rounding.
Sources: Institut de la statistique du Québec and Ministère des Finances du Québec.

2.11 Inflation is under control

In recent months, monetary policy has taken effect and inflationary pressures have eased. In Québec, annual growth in the Consumer Price Index (CPI) has decelerated sharply, from a recent peak of 6.7% on average in 2022 to 4.5% in 2023 and then 2.3% in 2024.

— The drop in energy prices (−0.8% on average in 2024) partly explains the progress observed in this area. Meanwhile, food price inflation slowed from 8.3% in 2023 to 2.0% in 2024. Excluding these two volatile components, the increase in prices stood at 2.7% in 2024.

— The increase in the housing component remained the main contributor to CPI growth (+6.4% in 2024), supported by high mortgage interest rates and rents.

A similar trend was observed in Canada, where annual CPI growth averaged 2.4% in 2024, the smallest increase since 2020.

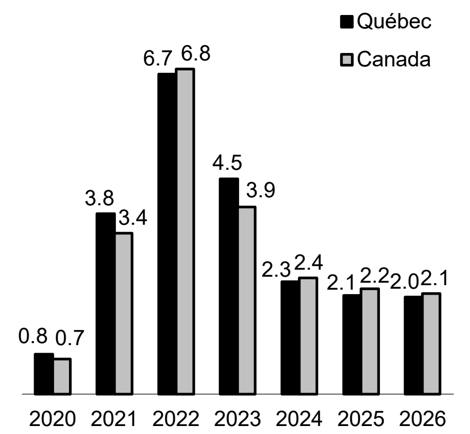
Over the coming months, inflation is expected to remain within the Bank of Canada's target range of 1% to 3%. In Québec, it is expected to continue to slow, averaging 2.1% in 2025 and 2.0% in 2026.

— Oil prices, which will remain at relatively low levels, and the deceleration in wage and salary growth, will limit CPI growth. Nevertheless, the application of tariffs will exert upward pressure on the prices of some goods and services. In addition, the low value of the Canadian dollar will increase the price of imported goods.

In 2026, headline inflation in Québec is expected to be lower than that observed in Canada for the third year in a row.

CHART E.19

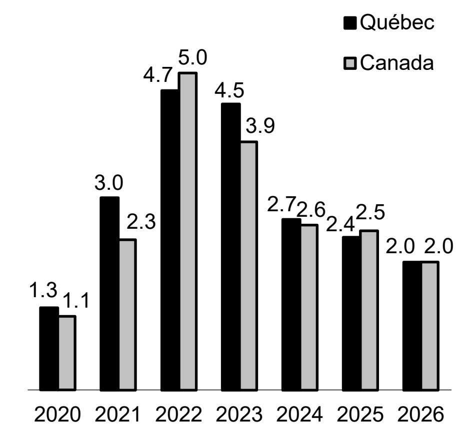
Total CPI
(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.20

CPI excluding food and energy
(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.12 Nominal GDP growth will slow

After posting strong growth since 2021, nominal GDP, the broadest measure of the tax base, should post more moderate gains, falling from 5.3% in 2024 to 3.4% in 2025 and 2026 respectively.

- This is largely due to the deceleration in GDP price growth. In addition, the positive impact of renewing collective agreements in the public and parapublic sectors will dissipate.
- Growth in output value over the next two years will be slightly lower than the average observed over the 10 years preceding the pandemic (+3.8% from 2010 to 2019).

While the main tax bases underpinning government revenues will generally show a positive trend, their growth will slow.

- Wages and salaries will lose pace from 5.6% in 2024 to 3.7% in 2025 and 3.0% in 2026. In particular, the loosening of the labour market will ease pressure on wages.
- Following a 4.8% gain in 2024, consumer spending growth in nominal terms is set to slow to 4.6% in 2025 and 3.5% in 2026, due to moderating inflation and slowing population growth.
- Meanwhile, the net operating surplus of corporations is expected to contract by 1.1% in 2025 before returning to growth in 2026 (+3.4%).
  - The trade dispute will limit export growth, which is expected to weigh on corporate profitability in the short term.
  - A stabilization of economic conditions should favour a return to growth as early as 2026.

TABLE E.6

Nominal GDP in Québec
(percentage change)

	2023	2024	2025	2026
Real GDP	0.6	1.4	1.1	1.4
Prices – GDP deflator	4.3	3.8	2.2	1.9
Nominal GDP	**5.0**	**5.3**	**3.4**	**3.4**

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

2.13 Forecasts comparable to those of the private sector

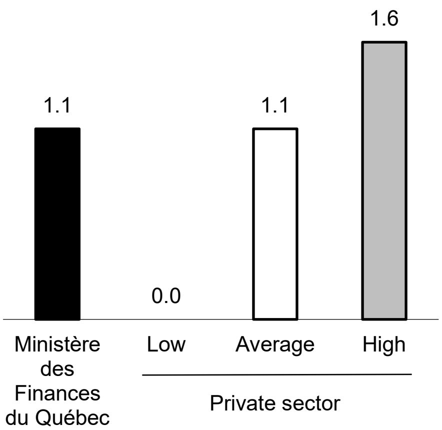
In 2025, the Ministère des Finances du Québec forecasts an increase in economic activity (+1.1%). This is an increase in line with the average private sector forecast (+1.1%).

In 2026, the Ministère des Finances is forecasting 1.4% real GDP growth. This is a slightly stronger growth than the average private sector forecast (+1.2%).

The large variation between private sector forecasts reflects the uncertainty arising from the current economic situation.

CHART E.21

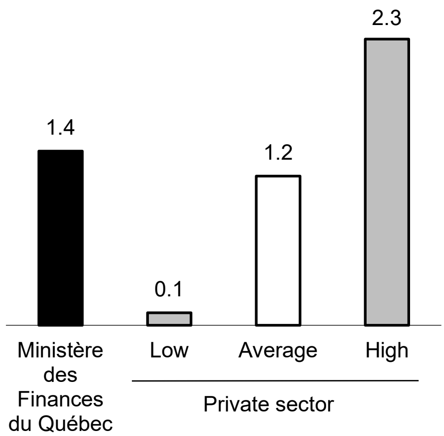
Economic growth in Québec in 2025
(real GDP, percentage change)



Source: MFQ summary as at March 7, 2025, which includes the forecasts of 11 private sector institutions.

CHART E.22

Economic growth in Québec in 2026
(real GDP, percentage change)



Source: MFQ summary as at March 7, 2025, which includes the forecasts of 11 private sector institutions.

TABLE E.7

Economic outlook in Québec – Comparison with the private sector
(annual percentage change)

	2024	2025	2026	2027	2028	2029	Average 2025-2029
Real GDP							
Ministère des Finances du Québec	1.4	1.1	1.4	1.6	1.7	1.7	1.5
Private sector average	—	1.1	1.2	1.5	1.5	1.5	1.4
Nominal GDP							
Ministère des Finances du Québec	5.3	3.4	3.4	3.5	3.5	3.6	3.5
Private sector average	—	3.0	3.1	3.4	3.4	3.4	3.3

Note: Averages may not add due to rounding.
Source: Ministère des Finances du Québec summary as at March 7, 2025, which includes the forecasts of 11 private sector institutions.

TABLE E.8

Economic outlook in Québec

(annual average, percentage change, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029
Production							
Real GDP	0.6	1.4	1.1	1.4	1.6	1.7	1.7
Nominal GDP	5.0	5.3	3.4	3.4	3.5	3.5	3.6
Nominal GDP (billions of dollars)	579.5	609.9	630.5	651.6	674.4	698.3	723.4
Components of GDP (in real terms)							
Final domestic demand	−0.2	1.8	1.6	1.2	1.3	1.4	1.5
– Household consumption	1.8	2.3	2.3	1.7	1.8	1.9	1.8
– Government spending and investment	−0.4	1.8	0.2	0.1	0.1	0.2	0.5
– Residential investment	−15.1	1.6	4.6	1.2	1.1	0.8	0.8
– Non-residential business investment	1.4	−0.1	0.1	1.1	2.1	2.5	2.6
Exports	4.0	1.7	1.3	2.0	2.2	2.1	2.1
Imports	−0.8	1.5	1.7	1.4	1.5	1.5	1.6
Labour market							
Population (thousands)	8 848	9 056	9 101	9 103	9 102	9 150	9 198
Population aged 15 and over (thousands)	7 252	7 435	7 523	7 541	7 549	7 600	7 649
Jobs (thousands)	4 523	4 566	4 605	4 622	4 639	4 656	4 673
Job creation (thousands)	130.8	43.2	39.1	17.4	16.7	16.3	17.4
Unemployment rate (per cent)	4.5	5.3	5.8	5.4	4.5	4.3	4.3
Other economic indicators (in nominal terms)							
Household consumption	5.8	4.8	4.6	3.5	3.5	3.5	3.5
– Excluding food expenditures and shelter	5.4	3.7	4.0	3.2	3.3	3.3	3.3
Housing starts (thousands of units)	38.9	48.7	50.5	49.3	48.3	46.4	44.9
Residential investment	−12.3	5.6	8.0	3.6	3.4	3.2	3.1
Non-residential business investment	6.8	2.9	1.9	3.2	4.0	4.5	4.7
Wages and salaries	5.2	5.6	3.7	3.0	3.4	3.2	3.2
Household income	5.5	6.7	3.7	3.1	3.3	3.3	3.3
Net operating surplus of corporations	1.6	0.4	−1.1	3.4	3.2	4.3	3.5
Consumer Price Index	4.5	2.3	2.1	2.0	2.0	2.0	2.0
– Excluding food and energy	4.5	2.7	2.4	2.0	2.0	2.0	1.9

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

3. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

Québec has an open economy. In 2024, total exports accounted for over 46% of Québec's nominal GDP. As a result, exports and economic activity in Québec are largely influenced by the situation of its main trading partners.

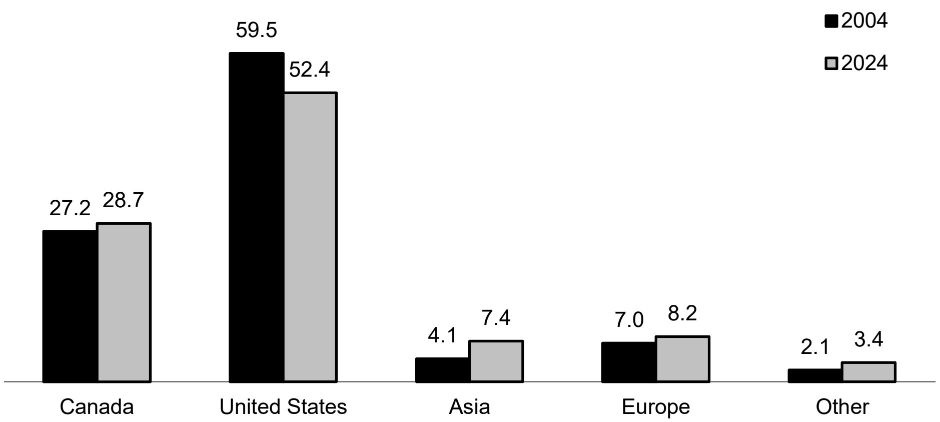
In 2024, nearly 30% of all Québec merchandise exports were destined for Canada, whereas the United States imported a little over 52%.

— Although its trade destinations have diversified over the past 20 years, Canada and the United States remain Québec's main economic partners.

Against a backdrop of uncertainty fuelled by the trade conflict triggered by the United States, Québec's dependence on its traditional trading partners, particularly the U.S., makes it vulnerable.

CHART E.23

Share of Québec's total merchandise exports by main trading partner
(percentage of total merchandise exports, in nominal terms)



Note: Total exports include international merchandise exports as well as interprovincial exports.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

3.1 The economic situation in Canada

❑ Relatively modest economic growth, which is set to continue

Despite strong population growth in Canada (+3.0% in 2024), real GDP growth has stabilized at 1.5% in 2023 and 2024.

— Inflation slowed gradually throughout the year, returning to the Bank of Canada's 2% target, enabling it to begin its monetary policy easing in June 2024.

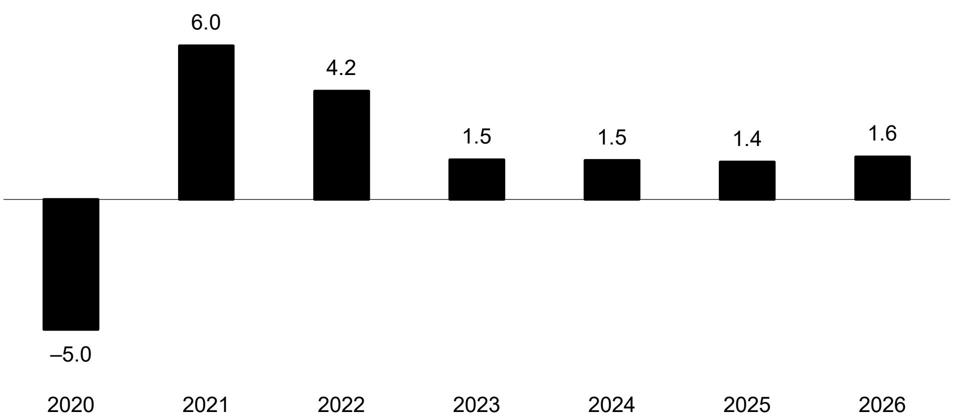
Over the next two years, economic growth is likely to remain relatively modest (+1.4% in 2025 and +1.6% in 2026), despite ongoing monetary easing.

— Like Québec, the Canadian economy will have to contend with a high level of uncertainty, mainly due to the trade dispute triggered by the United States. The introduction of tariffs will limit business investment and exports.

— Moreover, recent changes in immigration policy aimed at reducing the number of newcomers could curb economic growth.

CHART E.24

Economic growth in Canada
(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Domestic demand will support economic growth

In 2025 and 2026, real GDP growth will remain relatively stable. Domestic demand will continue to support economic activity.

— Waning population growth and the slowdown in job creation will encourage households to exercise caution in their purchases. However, one-off measures taken by the federal government and some provincial governments will support spending.

— The easing of monetary policy and pent-up demand will promote a recovery in the residential sector.

— The trade dispute and low oil prices will temper non-residential investment.

Meanwhile, although the external sector made a significant contribution to the increase in economic activity during the post-pandemic recovery, it will only make a small positive contribution in 2026.

— Tariffs introduced by the United States will raise the cost of exported goods, which will slow demand for Canadian products, particularly natural resources and motor vehicles. Nevertheless, the relative weakness of the Canadian dollar will support exports. It will, however, make imports more expensive.

TABLE E.9

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

	Change			Contribution		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**
Domestic demand	**2.0**	**1.6**	**1.5**	**2.0**	**1.6**	**1.6**
Household consumption	2.4	1.9	2.2	1.3	1.1	1.2
Residential investment	−1.1	3.6	1.6	−0.1	0.2	0.1
Non-residential business investment	−1.5	0.5	1.2	−0.2	0.1	0.1
Government spending and investment	3.8	0.9	0.3	1.0	0.2	0.1
External sector	**—**	**—**	**—**	**0.0**	**0.0**	**0.1**
Exports	0.6	1.5	1.9	0.2	0.5	0.6
Imports	0.6	1.3	1.4	−0.2	−0.4	−0.4
Inventories	**—**	**—**	**—**	**−0.5**	**−0.2**	**−0.1**
REAL GDP	**1.5**	**1.4**	**1.6**	**1.5**	**1.4**	**1.6**

Note: Totals may not add due to rounding.
Sources: Statistics Canada and Ministère des Finances du Québec.

Household consumption will remain strong

Consumer spending growth is expected to remain strong, hovering at around 2.0% in 2025 and 2026.

- Increased consumption will be driven by continued monetary policy easing. In addition, a wave of one-off measures from the federal government and some provincial governments will temporarily bolster household spending.
- However, decelerating population growth from 3.0% in 2024 to 0.9% in 2025 and 0.7% in 2026 and a moderating labour market will curb demand for goods and services.

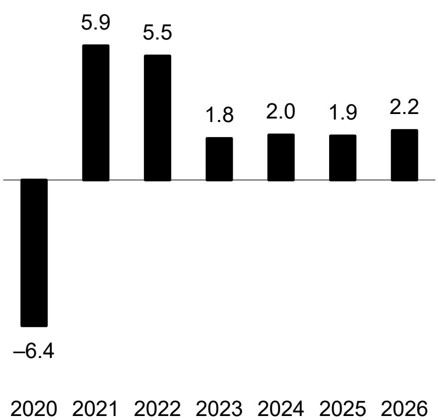
Residential investment will return to growth in 2025

After contracting 19.1% between 2021 and 2024, real estate market activity should recover in 2025 (+3.6%) and 2026 (+1.6%).

- The gradual reduction in mortgage interest rates, which will benefit first-time buyers, and the need to increase the supply of housing will be supporting factors for this sector.

CHART E.25

Household consumption expenditure in Canada
(percentage change, in real terms)

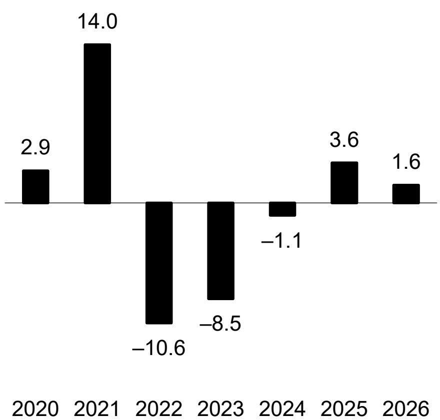


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.26

Residential investment in Canada

(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

Investments will return to growth in 2025

Non-residential business investment will return to growth in 2025 (+0.5%) and 2026 (+1.2%) but will remain modest. It will be supported, in particular, by interest rate cuts. However, the trade dispute will lead to certain investment projects being postponed or cancelled.

— Furthermore, investment in the energy sector will be weighed down by low oil prices. In addition, the net operating surplus of corporations fell 4.2% in 2024, reaching its lowest level since 2020. This means that companies have little cash to invest.

Export growth will continue despite uncertainty

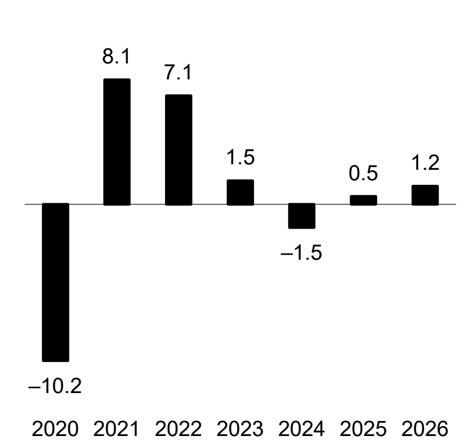
After a modest gain of 0.6% in 2024, export growth should strengthen to reach 1.5% in 2025 and 1.9% in 2026. This increase will be supported, in particular, by the completion of the Trans Mountain pipeline extension and the new liquefied natural gas (LNG) export facilities scheduled for mid-2025. In addition, the relative weakness of the Canadian dollar will benefit exports.

— However, the introduction of tariffs will raise the cost of exports, which will slow demand for Canadian products.

Imports are expected to grow by 1.3% in 2025 and 1.4% in 2026. They will be supported by a strong increase in domestic demand. However, factors such as decelerating population growth and the depreciation of the Canadian dollar will temper these increases.

CHART E.27

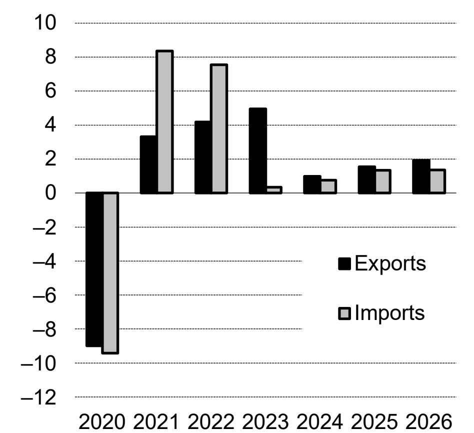
Non-residential business investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART E.28

Exports and imports in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

3.2 The economic situation in the United States

❑ Economic growth will slow in 2025

After robust growth of 2.8% in 2024, the U.S. economy will return to more moderate economic growth rates of 1.8% in 2025 and 1.9% in 2026.

The outlook for the U.S. economy incorporates some of the potential effects of the economic policies that the new administration may put in place.

On the one hand, tax stimulus measures could help boost consumption and business investment. On the other hand, the favourable effects of these measures could be mitigated by headwinds, such as the new restrictive trade policy and the decrease in immigration.

— In particular, the expected imposition of new tariffs on U.S. imports will hinder job creation.

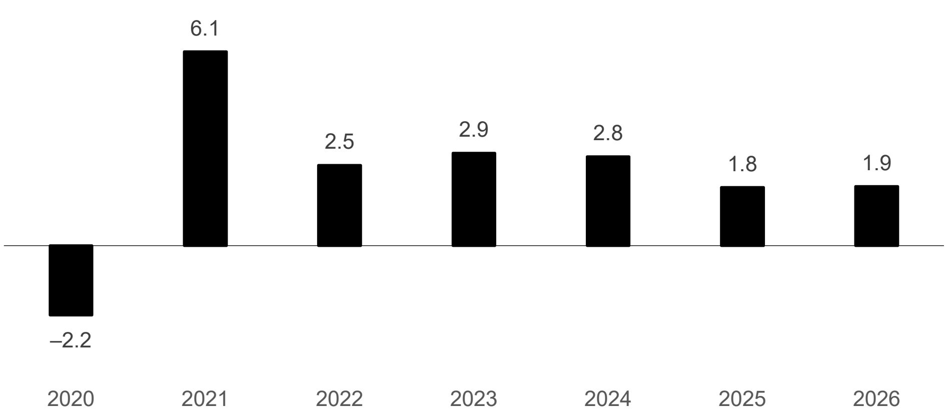
— What's more, the fact that the U.S. economy is already at full employment will make it difficult to reindustrialize the economy without a sufficient workforce. Future increases in production could therefore require significant internal transformations of the U.S. economy.

The potentially inflationary effects of tariffs and tax incentives will make the Federal Reserve cautious about easing monetary policy.

The risks weighing on the U.S. economic outlook are numerous. There is still considerable uncertainty about the impact of tariffs and retaliatory measures by targeted countries, and how long these policies will remain in place.

CHART E.29

Economic growth in the United States
(real GDP, percentage change)



Sources: S&P Global and Ministère des Finances du Québec.

Canada, a key trading partner for the United States

The United States is grappling with a structural trade deficit, which reached almost US$800 billion, or 2.8% of GDP in 2023. The country has not recorded a trade surplus since 1975.

– However, the U.S. trade deficit with Canada was only US$40.6 billion in 2023, or 5.2% of the total, placing Canada tenth among the United States' trading partners in terms of deficit significance.

Nevertheless, on March 4, 2025, the new U.S. administration announced a 25% tariff on imports from Canada (10% on energy imports). These tariffs target an essential, indispensable and reliable trading partner for U.S. companies.

– Canada ranked second in 2023 among U.S. suppliers (12.5% of total U.S. imports), after Mexico, and first for several products, including energy (48.5%), forest products (40.5%), and minerals and metals (18.6%).

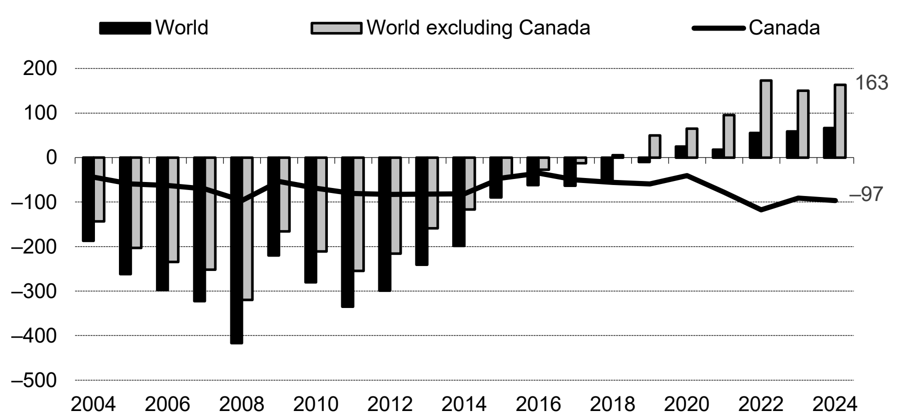
– In addition, Canada is the main destination for U.S. exports (14.4% in 2023), ahead of Mexico (12.0%) and China (6.4%).

In terms of energy, as its main supplier of oil and natural gas, Canada enables the United States to rank among the world's leading producers and exporters of petroleum products, generating significant trade surpluses in this area.

– In 2024, the United States had a total trade surplus of US$66 billion in oil and natural gas, while it had a deficit of US$97 billion with Canada (and therefore a surplus of US$163 billion with the world, excluding Canada).

– This trade deficit with Canada enables the United States to be a net exporter of energy. Without their low-cost imports of Canadian energy, they would be forced to reduce their exports to the rest of the world.

United States' trade balance for oil and natural gas
(billions of U.S. dollars)



Note: The balance for oil and natural gas is on a customs basis.
Sources: U.S. Census Bureau and Ministère des Finances du Québec.

❑ Consumption will lose steam

Following robust growth of 2.8% in 2024, household consumer spending is expected to increase by 2.0% in 2025 and 1.9% in 2026.

— High wages and wealth effect stemming from the strong stock market performance in recent years will continue to support consumption. Households will also benefit from the continued decline in inflation, which will fall from 3.0% in 2024 to 2.5% in 2025 and 2026.

— However, a looser labour market, tariff hikes targeting Canada, Mexico and China, trade uncertainty and lower net immigration will dampen household demand.

❑ The labour market will continue to loosen

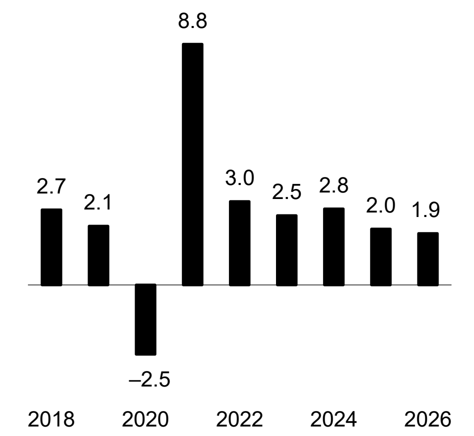
The U.S. labour market has been slowing down since 2023, and this trend is expected to continue over the next two years.

— After the creation of 2.1 million jobs in 2024, of which nearly 30% were in the public sector, job gains will be less than 1 million on average in 2025 and 2026. The unemployment rate will rise to 4.3% on average, the highest since 2021, and will not return to levels recorded in 2018 and 2019.

— In addition to the impact of economic policy uncertainty on business confidence, weaker immigration growth will limit the expansion of the labour force.

CHART E.30

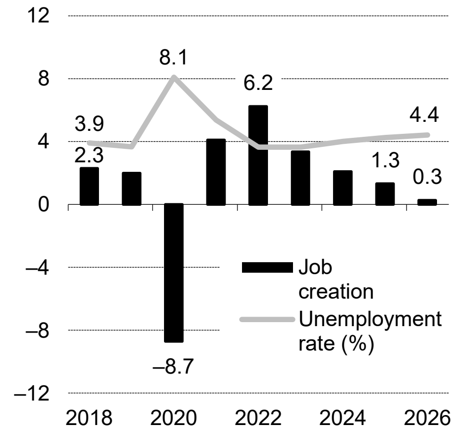
Household consumption expenditure in the United States
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

CHART E.31

Job creation and unemployment rate in the United States
(millions, unless otherwise indicated)



Sources: S&P Global and Ministère des Finances du Québec.

❑ Moderation in residential investment

The robust 4.2% growth in residential investment in 2024 will be followed by increases of just 0.5% in 2025 and 1.2% in 2026.

— Slower population growth will curb the pace of household formation to below its long-term average. Housing starts are therefore expected to decline.

— However, the slight drop in mortgage rates, coupled with the moderation in property price growth due to a more abundant supply of housing than in recent years, will spur residential investment.

❑ Slowdown in business investment

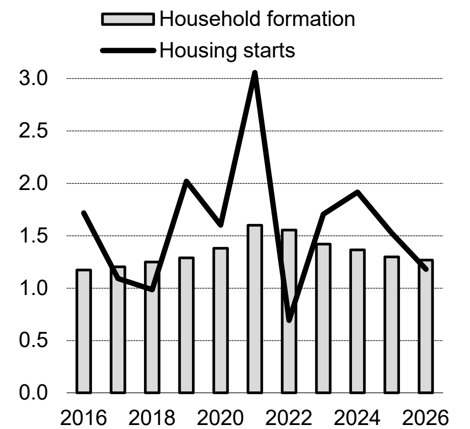
After increasing 3.6% in 2024, non-residential business investment is expected to rise by 1.9% in 2025 and 1.8% in 2026, its slowest pace since 2016 with the exception of the first year of the pandemic (−4.6% in 2020).

— Despite interest rate cuts, borrowing costs remain high. In addition, persistent uncertainty will slow investment. In particular, growth in investment in machinery and equipment will slow to 2.5% on average in 2025 and 2026 (+3.3% in 2024).

— However, tax cuts for businesses and the easing of certain regulations will stimulate investment. Investments in the energy sector, among others, will benefit from measures to facilitate oil and gas production and LNG exports.

CHART E.32

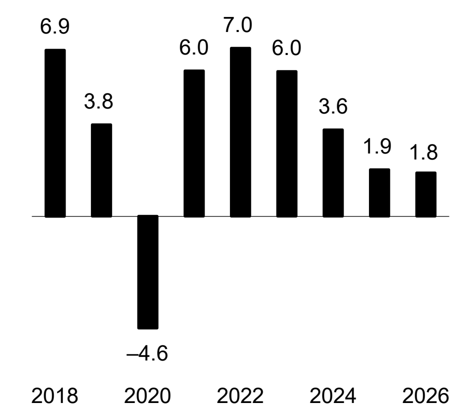
Housing starts and household formation
(millions)



Note: Household formation lags a year.
Sources: S&P Global and Ministère des Finances du Québec.

CHART E.33

Non-residential business investment
(percentage change)



Sources: S&P Global and Ministère des Finances du Québec.

❑ Government spending is expected to dampen

After rising 3.4% in 2024, expenditure by all levels of government will increase at a slower pace. Growth is expected to slow significantly to 1.2% in 2025 and just 0.6% in 2026.

— Federal government spending is expected to rise by 1.6% in 2025 and 0.9% in 2026, while state and local government spending is expected to grow by 1.0% and 0.5%, respectively.

The outlook for the U.S. budget is uncertain. The new U.S. administration has begun its term with budgetary and tax proposals, such as the extension of certain tax cuts at the end of 2025 and funding for enhanced border control, which are likely to substantially increase the budgetary deficit and debt over the next few years. In addition to these measures, among others, federal employees are being laid off, with the aim of reducing public spending.

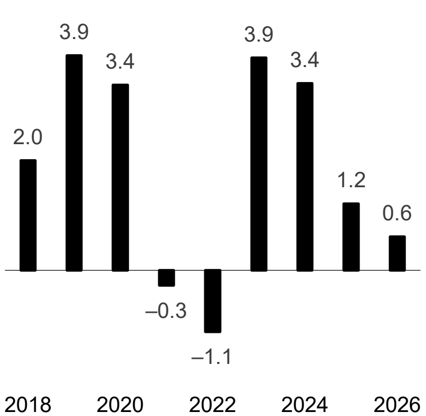
According to the *Committee for a Responsible Federal Budget*, by 2034, the budgetary deficit could reach 6.5% of GDP, and public debt could reach 126% of GDP, should these measures be implemented.

— If current policies were maintained, the budgetary deficit and public debt would be lower, at 6.1% of GDP and 117% of GDP, respectively, by 2034.

However, according to some analysts, the government has other measures at its disposal that could help limit growth in the budgetary deficit and debt, such as reducing health care spending.

CHART E.34

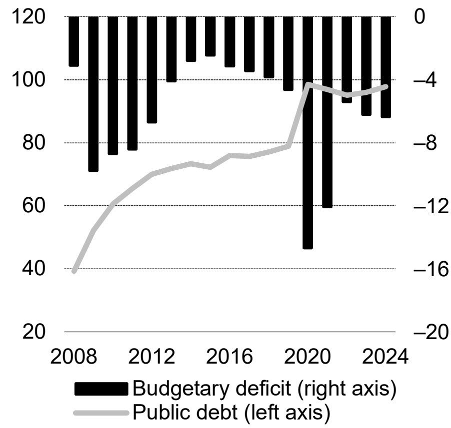
Government spending
(percentage change)



Sources: S&P Global and Ministère des Finances du Québec.

CHART E.35

Budgetary balance and public debt
(percentage of GDP)



Source: Congressional Budget Office.

Structural current account deficits, fuelled in particular by high budgetary deficits

The United States current account has been in deficit since 1982, if we exclude 1991, a trend that has gained momentum in recent years. Deficits have grown significantly since the pandemic, reaching over US$900 billion in 2023, or 3.3% of GDP (2.1% of GDP in 2019).

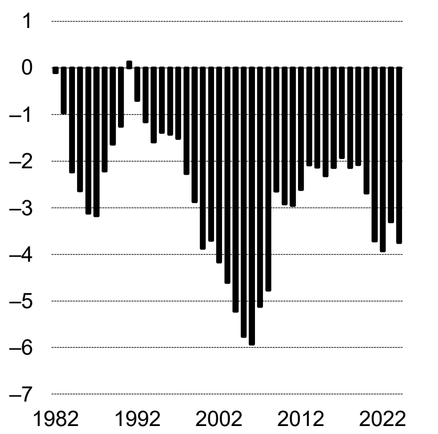
These persistent deficits reflect an imbalance between the United States and the rest of the world in the flow of goods, the balance of which is also showing significant deficits (nearly US$1 100 billion in 2023), accounting for more than the entire current account deficit.

- Excessive consumer spending, which stimulates imports, and public spending that is insufficiently funded by taxes or other sources of revenue and which generates very high structural budgetary deficits, are weakening overall savings and fuelling current account deficits (twin deficits phenomenon).
  - According to the International Monetary Fund, the current account balance deteriorated by around 1 percentage point of GDP in 2023, mainly as a result of robust domestic demand.
- The surplus in investment compared to savings also explains these imbalances, while capital inflows into the United States in search of attractive investments are bolstering the U.S. dollar and imports.

To correct these imbalances, the U.S. administration has started to raise tariffs on U.S. imports to a level that could represent a high since 1939, or 13.8% in 2025, according to an estimate by the Tax Foundation.

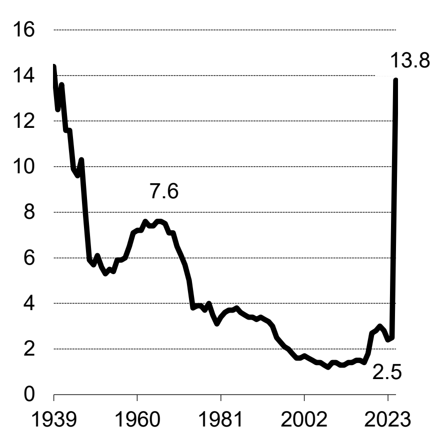
- However, while imposing tariffs could, to some extent, reduce budgetary and current account deficits, this policy would not target one of the main causes of twin deficits, namely weak savings.
- Moreover, since the U.S. consumer is one of the drivers of the global economy, a rebalancing could have significant repercussions on it.

U.S. current account balance
(percentage of GDP)



Sources: Congressional Budget Office and Ministère des Finances du Québec.

Tariffs on imports
(average rate, per cent, 1939-2025)



Note: Historical data up to 2023, a projection for 2024 and an estimate for 2025 as at February 27.
Source: Tax Foundation.

❑ The external sector will slow growth

Export growth is expected to slow from 3.2% in 2024 to 2.8% in 2025 and 2.3% in 2026. A similar trend will be noted for import growth, which is expected to increase to 3.3% in 2025 and 1.2% in 2026 (+5.4% in 2024).

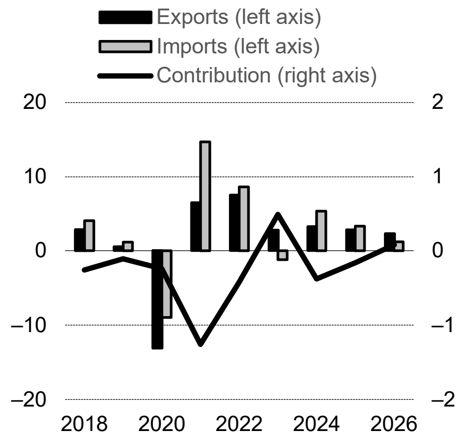
— Accordingly, the external sector is expected to reduce real GDP growth by 0.2 percentage points in 2025 and add 0.1 percentage points the following year.

The slowdown in domestic demand, resulting in part from a moderation in non-residential business investment, and less robust external demand, will limit import and export growth.

Furthermore, additional tariffs imposed on imports from China, Canada and Mexico and the impact of significant tariff policy uncertainty vis-à-vis other countries, will rein in trade.

CHART E.36

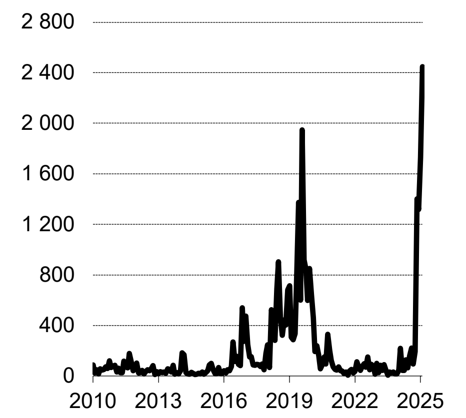
Exports and imports
(percentage change and contribution in percentage points)



Sources: S&P Global and Ministère des Finances du Québec.

CHART E.37

U.S. Trade Policy Uncertainty Index
(index)



Note: The index is based on search results for specific words such as “uncertainty,” “tariff” and “trade” in 10 U.S. newspapers.
Source: *Measuring Economic Policy Uncertainty* by Scott Baker, Nicholas Bloom and Steven J. Davis via PolicyUncertainty.com.

4. THE GLOBAL ECONOMIC SITUATION

❑ A slight global economic slowdown in 2025

Global economic growth is expected to slow for the fourth year in a row in 2025. Despite inflation returning to more sustainable levels and policy rate cuts in a number of countries, economic activity will moderate.

— Global real GDP is projected to grow by 3.1% in 2025, compared to 3.2% in 2024, amid economic slowdowns in the U.S. and China and uncertainty from multiple sources worldwide.

— In addition, global economic growth is expected to level off at 3.1% in 2026, below the average for the five-year period preceding the pandemic (+3.4%).

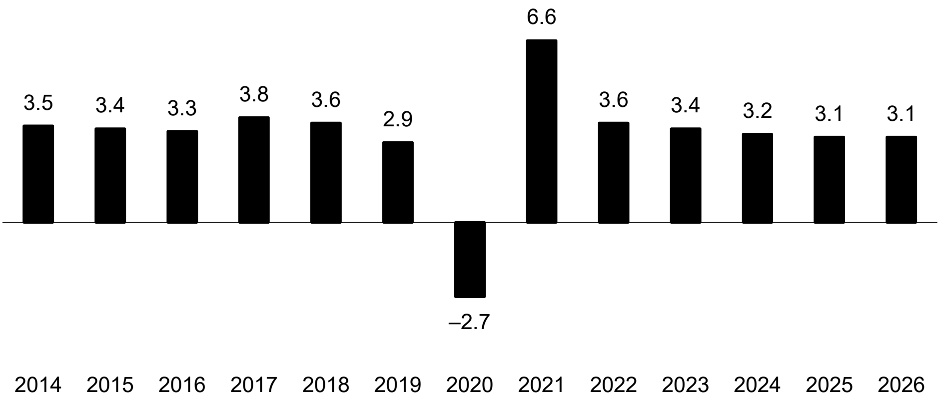
In particular, the global economy has to contend with the imposition of tariffs on imports from the United States, and with uncertainty as to their scope and duration.

— This U.S. trade policy echoes the global rise in protectionism of recent years, coupled with significant geopolitical tensions.

— In this complex environment, international trade in goods and services is expected to grow at a moderate pace in 2025 and 2026. That being said, like global economic growth, it is expected to fall short of the pre-pandemic average.

CHART E.38

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 E.10

Outlook for global economic growth
(real GDP, annual percentage change)

	Weight(1)	2024	2025	2026
World(2)	**100.0**	**3.2**	**3.1**	**3.1**
Advanced economies(2)	**40.7**	**1.8**	**1.5**	**1.6**
Québec	0.3	1.4	1.1	1.4
Canada	1.4	1.5	1.4	1.6
United States	15.0	2.8	1.8	1.9
Euro area	11.9	0.9	1.0	1.2
– Germany	3.2	−0.2	0.4	1.0
– France	2.3	1.2	0.7	1.0
– Italy	1.9	0.7	0.7	0.9
United Kingdom	2.2	0.9	1.2	1.4
Japan	3.5	0.1	1.2	0.8
Emerging and developing economies(2)	**59.3**	**4.2**	**4.0**	**4.1**
China	18.7	5.0	4.3	4.1
India(3)	8.0	6.5	6.5	6.5

(1) Economic weight according to purchasing power parity. The weights shown are for the year 2023.
(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.

❑ Rising real incomes will support economic growth in multiple advanced economies

Real GDP in a number of major advanced economies is expected to grow faster in 2025 than in 2024. This will be the case in the euro area, driven in particular by slight rebounds in Germany, as well as in the United Kingdom and Japan, to name a few.

— However, due to a slowdown in the United States, average growth in advanced economies is expected to stand at 1.5% in 2025, compared to 1.8% in 2024. In 2026, the rate is projected to be 1.6%.

High post-pandemic inflation, particularly in the food and energy sectors, has weighed on consumer confidence. Against this backdrop, growth in consumer spending has remained contained, with savings rates staying high across a range of economies, particularly in Europe.

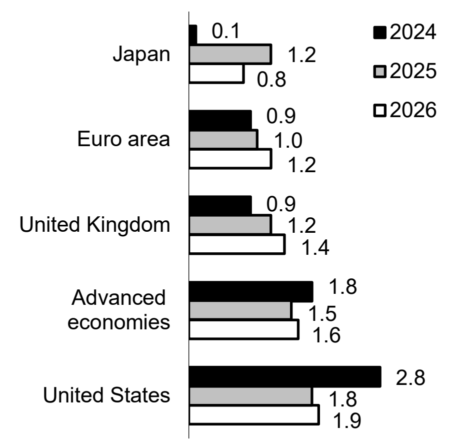
— In the coming years, despite labour market slowdowns, advanced economies will continue to enjoy higher real incomes, resulting from sharp wage increases as price growth moderates, bolstering household confidence and consumption.

That being said, rising global trade policy uncertainty is expected to dampen investment and consumer confidence. In addition, overall, budgetary policy will tighten in advanced economies in 2025 and 2026, slightly slowing economic growth.

CHART E.39

Economic growth in major advanced economies

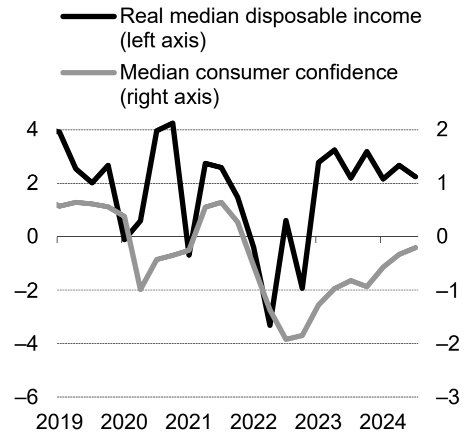
(real GDP, percentage change)



Sources: International Monetary Fund, S&P Global, LSEG Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

CHART E.40

Disposable income and consumer confidence in advanced economies
(annualized quarterly rate change in per cent and index in points compared to the historical average)



Source: Organisation for Economic Co-operation and Development.

❑ Growth slowdown in emerging countries in 2025

Like advanced economies, emerging and developing economies will see slightly weaker real GDP growth in 2025 (4.0%) than in 2024 (4.2%). In 2026, real GDP growth is expected to stand at 4.1%.

Among the major emerging economies, China and Brazil will experience slowdowns in 2025 and 2026, with growth levelling off at a high level in India (6.5%).

— Alongside persistent structural problems, such as the housing crisis, a declining population, and dwindling consumer and business confidence, the Chinese economy runs the risk of an escalation of the trade dispute with the United States.

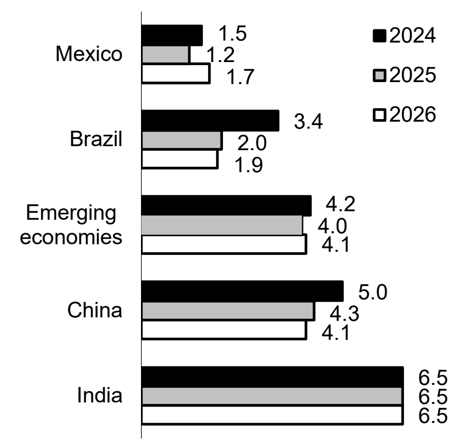
In Mexico, economic growth will slow in 2025 but is poised to accelerate afterward. With its significant dependence on U.S. trade, the Mexican economy is suffering the fallout of changes in U.S. trade policy.

In addition, emerging and developing economies have a growing weight in the global economy, having exceeded that of advanced economies over a decade ago.

— Ten of the largest emerging economies form BRICS+, which seeks to challenge the influence of G7 nations.

CHART E.41

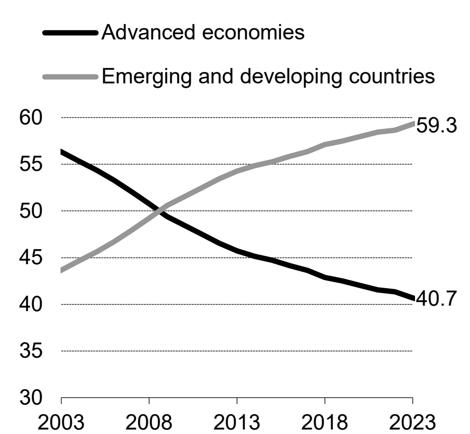
Economic growth in major emerging economies
(real GDP, percentage change)



Sources: International Monetary Fund, S&P Global, LSEG Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

CHART E.42

Global economic weight according to purchasing power parity
(per cent)



Source: International Monetary Fund.

5. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Financial markets are evolving in an uncertain environment

Risk appetite has generally remained strong in international financial markets in recent months, reflecting sustained investor confidence. In particular, this optimism was fuelled by monetary policy easing in a number of major advanced economies and by inflation returning closer to central bank targets.

— However, U.S. trade policy uncertainty has prompted many investors to become somewhat cautious and makes financial markets more volatile.

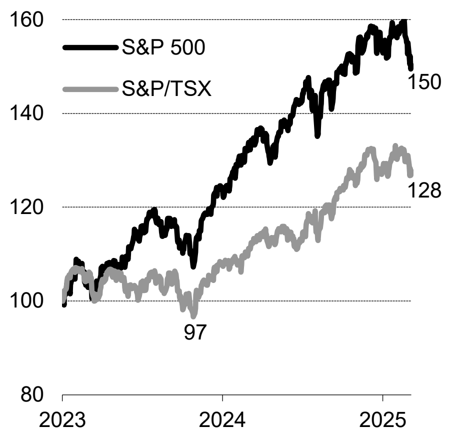
— Following an outstanding year for returns in 2024, North American stock markets have shown more hesitation since early 2025 due to trade tensions. The imposition of U.S. tariffs against Canada, Mexico and China in early March led to a significant drop in the major stock market indices.

— Meanwhile, U.S. bond yields have generally risen in recent months, as expectations of monetary easing have moderated.

Furthermore, the foreign exchange market has been impacted by the uncertainty surrounding U.S. trade policy. The Canadian dollar was particularly impacted, depreciating sharply against the U.S. dollar.

CHART E.43

North American stock market developments
(index, December 30, 2022 = 100)

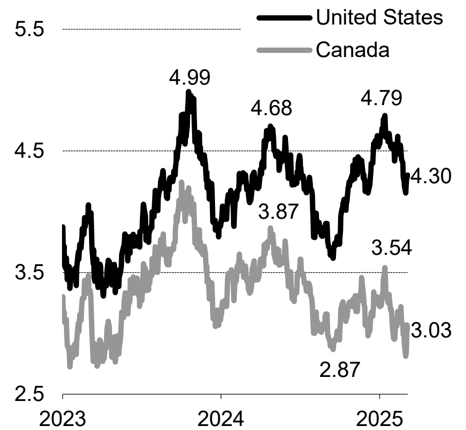


Note: Most recent figure is for March 7, 2025.
Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.44

Yield on 10-year federal bonds

(per cent)



Note: Most recent figure is for March 7, 2025.
Source: Bloomberg.

❑ Monetary easing will continue in Canada

The Bank of Canada has cut its policy rate from 5.00% in June 2024 to 3.00% in January 2025, its lowest level since September 2022.

— Headline inflation has remained close to the Bank of Canada's 2% target since summer 2024, standing at 1.9% in Canada in January 2025. That being said, core inflation measures remain higher.

The Canadian economy will benefit from continued interest rate cuts in the coming quarters, but U.S. trade policy uncertainty will limit the pace of economic growth.

— Steady inflation hovering around 2% and persistent excess economic supply are expected to prompt further cuts in the Bank of Canada's policy rate in 2025, which is projected to fall to 2.50%.

❑ More gradual monetary easing in the United States

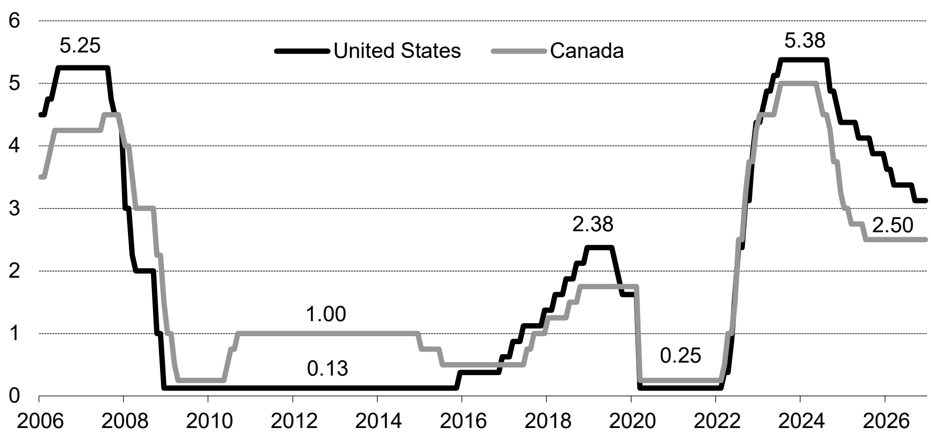
The U.S. Federal Reserve cut its policy rate three times between September and December 2024 (−100 basis points). It then left the rate unchanged in January 2025, within the 4.25%-4.50% target range.

— Given continued moderate economic growth, inflation that remains above the 2% target, and uncertainty about the impact of the U.S. administration's proposed measures, the Fed is expected to be prudent in the coming months.

In this environment, two 25-basis-point cuts in the policy rate are anticipated this year, followed by three further cuts in 2026.

CHART E.45

Policy interest rate in Canada and the United States
(overnight rate target and federal funds target rate,[1] per cent)



(1) Midpoint of the target range for the federal funds rate.
Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

The Bank of Canada ranks among the major central banks pursuing the most energetic monetary easing

In 2024, the monetary easing cycle got underway in most advanced economies to both acknowledge the progress achieved in the fight against inflation and also boost economic activity. However, the pace and scale of easing have varied across countries and regions.

In June 2024, the Bank of Canada was one of the first major central banks to embark on policy rate cuts. It has also been one of the most energetic with rate cuts of 200 basis points between its decisions in June 2024 and January 2025.

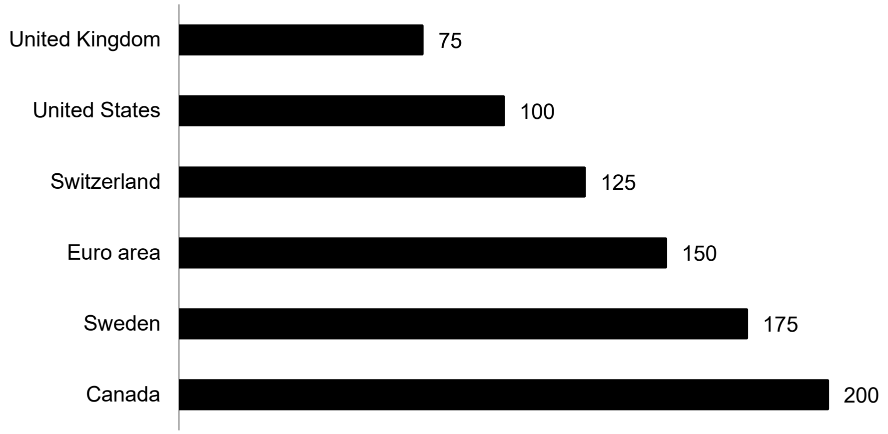
– The extent of monetary easing in Canada has been warranted by inflation hovering back near the 2% target and the Canadian economy's higher sensitivity to interest rates. At 5.00%, Canada's policy rate peak also ranked among the highest in advanced economies.

The Fed cut its policy rate three times in fall 2024 for a total of 100 basis points. Since then, it has left its policy rate unchanged, awaiting further progress on inflation and greater clarity on the extent of trade and economic policy decisions by the U.S. administration.

In Europe, starting in June 2024, the European Central Bank made six policy rate cuts, for a cumulative total of 150 basis points. In the United Kingdom, the Bank of England has adopted a more gradual approach to monetary easing, shedding 75 basis points since August 2024.

Most major central banks are expected to continue monetary easing in the coming months. However, uncertainty surrounding the global economic outlook owing to trade and geopolitical tensions may influence the pace and scale of rate cuts.

Monetary easing in select major advanced economies
(cumulative policy rate cut in basis points compared to the peak rate, as at March 7, 2025)



Note: For the euro area, this is the deposit facility rate.
Sources: LSEG Datastream and Ministère des Finances du Québec.

❑ Bond yields will remain volatile for some time before levelling off

Bond yields have been volatile in recent months in multiple advanced economies, including Canada.

In the United States, yields have generally trended upward with investors downgrading expectations of the extent of monetary easing, projected to be more gradual than anticipated.

— Reasons include a buoyant domestic economy and more persistent inflation. Yields were also supported by the potential inflationary impact of the U.S. administration's economic policy proposals.

Bond yields are expected to remain volatile for some time, influenced in particular by both trade policy shifts and uncertainty about the political and budgetary situation in some countries. An even higher budgetary deficit in the United States, in particular, could disrupt markets.

— However, yields are expected to level off as the major central banks continue monetary easing and some sources of uncertainty dissipate in the coming quarters.

❑ Canadian dollar to remain under pressure in 2025

The global foreign exchange market has been volatile in recent months, owing in particular to the strength of the U.S. dollar and the more gradual pace of monetary easing in the United States than in other advanced economies. Volatility has also been exacerbated by the threat of U.S. tariffs.

— In this environment, the Canadian dollar has sharply depreciated against the U.S. dollar since September 2024, generally remaining below 70 U.S. cents since December 2024.

Canadian dollar weakness is expected to persist in 2025 due to economic uncertainty, a significant and persistent interest rate differential between Canada and the United States, and developments in commodity prices.

TABLE E.11

Canadian financial markets
(average annual percentage, unless otherwise indicated, end-of-year data in brackets)

	2023	2024	2025	2026
Overnight rate target	4.8 (5.0)	4.5 (3.3)	2.7 (2.5)	2.5 (2.5)
3-month Treasury bill	4.8 (4.9)	4.3 (3.2)	2.6 (2.5)	2.5 (2.5)
10-year bond	3.3 (3.1)	3.4 (3.3)	3.0 (3.0)	3.0 (3.0)
Canadian dollar (in U.S. cents)	74.2 (75.7)	72.8 (69.5)	69.5 (69.6)	69.9 (70.8)
U.S. dollar (in Canadian dollars)	1.35 (1.32)	1.37 (1.44)	1.44 (1.44)	1.43 (1.41)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Oil market environment to remain uncertain

Oil prices have fallen sharply since the beginning of the year. After reaching US$80 a barrel in mid-January, the price of WTI crude oil has fallen to an average price of US$71 a barrel in February 2025.

- The lacklustre growth outlook for global oil demand as well as trade tensions are poised to continue weighing on prices.
- In terms of global oil supply, the gradual lifting of voluntary production cuts by OPEC and its partners starting in April 2025, and persistently robust oil production in some countries, particularly the United States, are expected to be conducive to oversupply this year.

Against this backdrop, WTI crude prices are expected to fall short of 2024 levels, hovering around US$70 in 2025 and 2026.

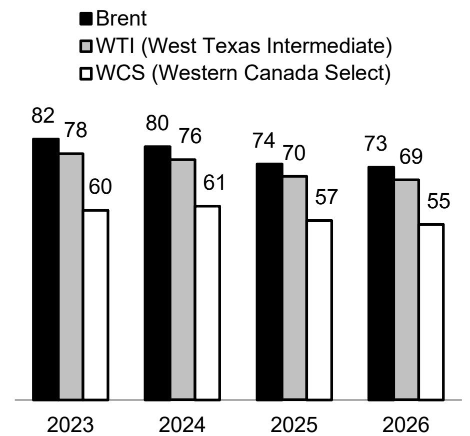
- However, a persistently tense geopolitical environment and the impact of some previously announced U.S. sanctions, such as on Iranian oil exports, represent a risk for global oil supply and price trends.

Meanwhile, U.S. natural gas prices have been trending higher since fall 2024. They were bolstered by rises in U.S. consumption and foreign demand for LNG. Further gas price growth is expected in 2025, owing primarily to the anticipated increase in U.S. exports as well as higher foreign demand.

CHART E.46

Change in Brent, WTI and WCS oil prices

(U.S. dollars per barrel)



Sources: Bloomberg and Ministère des Finances du Québec.

CHART E.47

Change in natural gas price

(Henry Hub, U.S. dollars per MMBtu)

Note: Most recent figure is for March 7, 2025.
Source: Bloomberg.

6. THE MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The baseline scenario is based on multiple assumptions, which are tied to risks that may impact the forecast.

- The main risk relates to the economic and trade policies that the U.S. government will actually implement.
  - In particular, introducing trade barriers could disrupt supply chains and dampen international trade, further slowing global economic growth.
  - However, the introduction of further economic measures and structural reforms, including adjustments to fiscal policies, could support U.S. real GDP growth, which would have positive repercussions on global GDP, and on Québec's GDP.

Other risks with potential favourable or unfavourable effects include:

- a shift in inflation;
  - Under the baseline scenario, headline inflation is expected to hold close to central bank targets. However, implementing tariffs could spark inflationary pressures. Conversely, introducing tariffs may also curb economic activity, potentially limiting inflation. In this environment, central banks are expected to show flexibility in conducting monetary policy.
- a broad-based weakening of the global economy;
  - Under the baseline scenario, a slight slowdown in global real GDP is anticipated in 2025. Heightened uncertainly or the occurrence of certain risks may trigger a sharper-than-expected decline in global growth. Such developments would slow Québec's exports. They may also adversely affect oil prices; the province is a net oil importer.
- stronger-than-expected population growth in Québec and Canada over the next few years;
  - Should population growth decelerate less rapidly than expected over the next few quarters in Québec and Canada, economic activity growth forecast for 2025 to 2027 could be stronger than anticipated. Higher population growth would fuel demand for goods and services and housing needs.

- a worsening of geopolitical tensions, including conflicts in the Middle East and Ukraine;
  - The global economy must contend with significant geopolitical tensions. In particular, heightened tensions in the Middle East, a leading energy-producing region, represent a risk for global oil supply stability and the commodity's future market price trends.
- potential financial market disruptions;
  - A rapid and sudden change in investor perception about the future economic and financial situation could result in significant financial market disruptions.
- a different development in U.S. fiscal policy, which is expected to be restrictive in 2025 and 2026;
  - A deterioration of the budgetary situation could also destabilize financial markets.
- climate events;
  - Climate change and unexpected weather events may have a significant economic impact and push up commodity prices.
  - For example, forest fires and low runoff reported in Hydro-Québec's basins in 2023 slowed economic growth.
- widespread use of artificial intelligence in business operations.
  - Such a development would boost long-term productivity and economic growth. However, such a transformation could spark temporary disruptions as businesses adapt to this new technology.

Section F

QUÉBEC'S FINANCIAL SITUATION

Summary F.3

1. Québec's budgetary situation F.9

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SUMMARY

Budget 2025-2026 is an opportunity for the government to provide an overview of Québec's economic and budgetary situation and to set out its policy directions in this regard. This section reports on developments in Québec's budgetary situation for 2024-2025 and presents the budget outlook up to 2029-2030.

Despite the pressures on the government's financial situation, the initiatives identified from the reviews of tax and budgetary expenditures will allow for an accounting surplus in 2029-2030.

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 subject to a gap of $2.5 billion, or 0.3% of GDP, being bridged by 2029-2030.

Since Budget 2023-2024, Québec's financial situation has deteriorated under the weight of high inflation, major investments in public services, notably to improve working conditions for public and parapublic sector employees, the record demographic growth in 2023 and 2024, and lower-than-expected revenues from Hydro-Québec resulting, in particular, from low runoff.

— In addition, federal transfers to the provinces for health and infrastructure are insufficient.

In accordance with the *Balanced Budget Act*,[1] Budget 2025-2026 is an opportunity to table the government's plan to restore fiscal balance by 2029-2030.

Optimization initiatives stemming from the reviews of tax and budgetary expenditures will improve the budgetary balance by nearly $6 billion in 2029-2030. The initiatives identified as part of these reviews will allow for an accounting surplus to be achieved by 2029-2030.

[1] See Appendix 2 for the report on the application of the *Balanced Budget Act*.

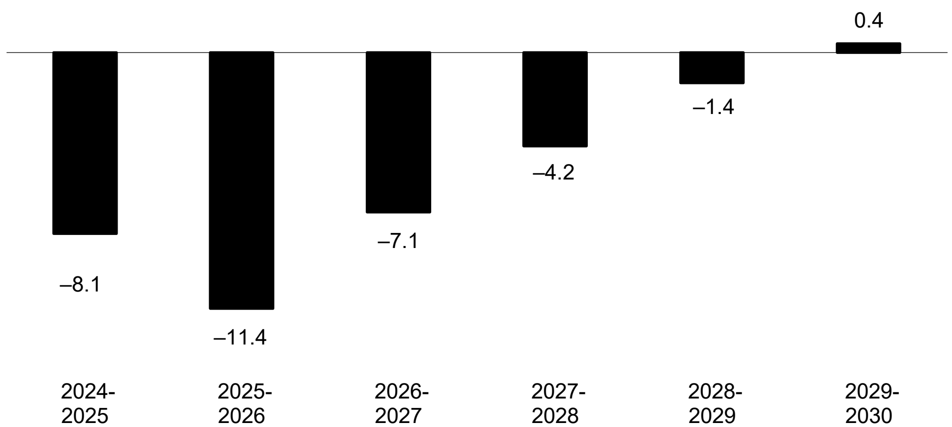
The accounting deficit in 2024-2025 has been brought down from $8.8 billion to $8.1 billion, or 1.3% of GDP. The accounting balance is calculated on a comparable basis to the budgetary balances of other Canadian provinces and the federal government, that is, before deposits of dedicated revenues in the Generations Fund.

In 2025-2026, the accounting balance shows a deficit of $11.4 billion, or 1.8% 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 $13.6 billion, or 2.2% of GDP, in 2025-2026.

CHART F.1

Changes to the accounting balance
(billions of dollars)



❑ Multi-year financial framework

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

— Over the period covered by the financial framework, that is, until 2029-2030, annual revenue growth will average 3.2%.

Total expenditure stands at $165.8 billion in 2025-2026, growing 1.5%. Growth will be 2.7% in 2026-2027.

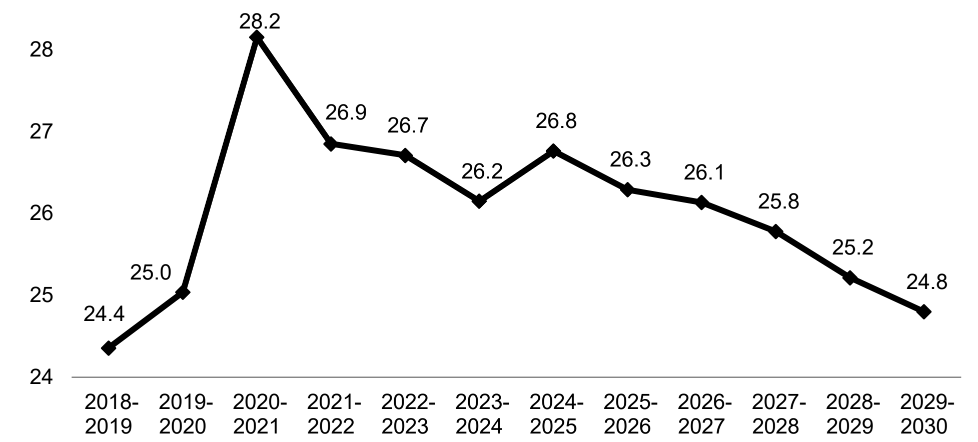
— In 2025-2026, portfolio expenditures will grow by 1.8% due, in particular, to the non-recurrence of 2024-2025 expenditures in 2025-2026.[2] Without these elements, growth in expenditures would stand at 3.0% in 2025-2026.

Over the period covered by the financial framework, that is, until 2029-2030, the annual growth in total expenditure will average 1.9%.

— The share of total expenditure in the economy, that is, expenditure including debt service, will fall from 26.3% of GDP in 2025-2026 to 24.8% of GDP by 2029-2030.

CHART F.2

Change in the share of total expenditure in the economy
(percentage of GDP)



In addition, the financial framework includes a contingency reserve of $2.0 billion in 2025-2026 and 2026-2027, and $1.5 billion per year as of 2027-2028, for a total of $8.5 billion over five years that could be used, in particular, to reduce the effects of more moderate-than-anticipated economic growth.

[2] Detailed explanations of the growth of portfolio expenditures in 2024-2025 and 2025-2026 are presented on page F.42.

TABLE F.1

Multi-year financial framework

(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	AAGR(1)
Revenue							
Personal income tax	45 459	46 944	48 967	50 893	53 063	55 006	
Contributions for health services	8 958	9 242	9 551	9 819	10 176	10 477	
Corporate taxes	12 988	12 491	12 970	14 065	14 157	14 771	
School property tax	1 180	1 346	1 482	1 607	1 718	1 819	
Consumption taxes	27 969	28 922	29 933	31 044	32 045	32 983	
Duties, permits and royalties	5 920	6 220	6 833	7 040	7 313	7 634	
Miscellaneous revenue	16 665	15 299	16 047	16 544	17 318	17 966	
Government enterprises	5 406	5 268	7 042	7 122	7 349	7 530	
Own-source revenue	**124 545**	**125 732**	**132 825**	**138 134**	**143 139**	**148 186**	
% change(2)	***8.6***	***1.0***	***5.6***	***4.0***	***3.6***	***3.5***	***3.5***
Federal transfers	30 636	30 610	32 362	33 071	33 110	33 103	
% change(3)	*−0.8*	*−0.1*	*5.7*	*2.2*	*0.1*	*0.0*	*1.6*
Total revenue	**155 181**	**156 342**	**165 187**	**171 205**	**176 249**	**181 289**	
% change	***6.6***	***0.7***	***5.7***	***3.6***	***2.9***	***2.9***	***3.2***
Expenditure							
Portfolio expenditures	−153 406	−156 102	−159 911	−162 322	−164 092	−167 150	
% change(4)	*8.4*	*1.8*	*2.4*	*1.5*	*1.1*	*1.9*	*1.7*
Debt service	−9 853	−9 670	−10 402	−11 556	−12 007	−12 242	
% change(5)	*−1.3*	*−1.9*	*7.6*	*11.1*	*3.9*	*2.0*	*4.4*
Total expenditure	**−163 259**	**−165 772**	**−170 313**	**−173 878**	**−176 099**	**−179 392**	
% change	***7.7***	***1.5***	***2.7***	***2.1***	***1.3***	***1.9***	***1.9***
Contingency reserve	—	−2 000	−2 000	−1 500	−1 500	−1 500	
ACCOUNTING SURPLUS (DEFICIT)(6)	**−8 078**	**−11 430**	**−7 126**	**−4 173**	**−1 350**	**397**	
% of GDP	***1.3***	***1.8***	***1.1***	***0.6***	***0.2***	***0.1***	

Note: Totals may not add due to rounding.

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

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

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

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

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

(6) This refers to the surplus or deficit on operations presented in the public accounts. The budgetary balance within the meaning of the *Balanced Budget Act* is presented on page F.7.

Budgetary balance within the meaning of the *Balanced Budget Act*

Maintaining a balanced budget and reducing the debt burden

The *Balanced Budget Act*, which obliges the government to balance the budget, establishes a more demanding definition of budgetary balance than those that apply in other provinces or are prescribed by accounting standards for determining a government's surplus (deficit).

Indeed, the budgetary balance within the meaning of the Act excludes certain revenue considered in the accounting surplus (deficit) as it is invested in the Generations Fund to repay the debt. This revenue is earmarked in the *Act to reduce the debt and establish the Generations Fund*.

This legislative framework is designed to ensure the long-term sustainability of public finances.

Budgetary balance within the meaning of the Act

The budgetary balance according to the Act shows deficits of $10.4 billion in 2024-2025, or 1.7% of GDP, and $13.6 billion in 2025-2026, or 2.2% of GDP. As of 2026-2027, deficits will gradually decrease, reaching $1.5 billion in 2028-2029, or 0.2% of GDP.

– Fiscal balance will be achieved by 2029-2030 at the latest.

Restoring fiscal balance

The financial framework provides for a gap to be bridged of $1.0 billion in 2027-2028 and $2.5 billion in 2028-2029 and 2029-2030, or 0.3% of GDP in 2029-2030. As such, after deposits of dedicated revenues in the Generations Fund, balance will be achieved by 2029-2030 at the latest. This gap could be bridged through:

– an improved economic situation and wealth creation;

– continued representations to the federal government to obtain additional transfers, particularly for health and infrastructure;

– non-utilization of the contingency reserve;

– efficiency and productivity gains in the delivery of public services.

Budgetary balance within the meaning of the *Balanced Budget Act*
(millions of dollars, unless otherwise indicated)

	2024-2025	**2025-2026**	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**
ACCOUNTING SURPLUS (DEFICIT)	**−8 078**	**−11 430**	**−7 126**	**−4 173**	**−1 350**	**397**
% of GDP	***1.3***	***1.8***	***1.1***	***0.6***	***0.2***	***0.1***
Gap to be bridged	—	—	—	1 000	2 500	2 500
Deposits of dedicated revenues in the Generations Fund	−2 354	−2 177	−2 402	−2 522	−2 648	−2 796
BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*	**−10 432**	**−13 607**	**−9 528**	**−5 695**	**−1 498**	**101**
% of GDP	***1.7***	***2.2***	***1.5***	***0.8***	***0.2***	***0.0***

Note: Totals may not add due to rounding.

1. QUÉBEC'S BUDGETARY SITUATION

In 2025-2026, revenue stands at $156.3 billion, while portfolio expenditures, or expenditures tied to the delivery of public services, stand at $156.1 billion.

— Debt service amounts to $9.7 billion.

In addition, the financial framework includes a contingency reserve of $2.0 billion to reduce the effects of more moderate-than-anticipated economic growth due to the trade dispute between Canada and the United States.

— After use of the contingency reserve, the accounting balance shows a deficit of $11.4 billion, or 1.8% of GDP.

— After deposits of dedicated revenues in the Generations Fund, the budgetary balance shows a deficit of $13.6 billion, or 2.2% of GDP.

TABLE F.2

Québec's budget – March 2025
(millions of dollars, unless otherwise indicated)

	2025-2026
Revenue	
Own-source revenue	125 732
% change	*1.0*
Federal transfers	30 610
% change	*−0.1*
Total revenue	**156 342**
% change	***0.7***
Expenditure	
Portfolio expenditures	−156 102
% change(1)	*1.8*
Debt service	−9 670
% change	*−1.9*
Total expenditure	**−165 772**
% change	***1.5***
Contingency reserve	−2 000
ACCOUNTING SURPLUS (DEFICIT) – MARCH 2025	**−11 430**
% of GDP	***1.8***
Deposits of dedicated revenues in the Generations Fund	−2 177
BUDGETARY BALANCE(2)	**−13 607**
% of GDP	***2.2***

(1) Detailed explanations of the growth of portfolio expenditures in 2024-2025 are presented on page F.26.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.1 Recent developments in the budgetary situation

This section presents the recent developments in Québec's budgetary situation as well as the main adjustments to the forecasts from 2024-2025 to 2026-2027.

❑ Main adjustments from 2024-2025 to 2026-2027

Since Budget 2024-2025, the economic and budgetary situation has led to negative adjustments of $1.2 billion in 2024-2025, $1.8 billion in 2025-2026 and $1.7 billion in 2026-2027.

For this period, the government is planning new initiatives totalling $2.8 billion in 2025-2026 and $3.2 billion in 2026-2027 to respond to trade issues and economic deterioration, should it occur. The proposed initiatives will stimulate wealth creation and support communities, in particular to improve the delivery of health care and social services, and to encourage the education and development of young people.

— In particular, the government is announcing increased infrastructure investments, initiatives to strengthen Canadian economic integration and international market diversification, and measures to stimulate research and development, private investment and productivity gains.

The measures announced in this budget stemming from the reviews of tax and budgetary expenditures will generate savings in the financial framework of:

— $32 million in 2025-2026 and $271 million in 2026-2027 due to efforts to improve the tax system;

— $616 million in 2025-2026 and $1.3 billion in 2026-2027 from the review of budgetary expenditures.

TABLE F.3

Adjustments to the financial framework since March 2024

(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027
ACCOUNTING SURPLUS (DEFICIT)[1] – MARCH 2024	**−8 776**	**−7 017**	**−3 290**
% of GDP	***1.4***	***1.1***	***0.5***
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	779	47	186
– Other revenue[2],[3]	2 138	542	1 144
Subtotal	2 917	589	1 329
Revenue from government enterprises[4]	−12	−989	−533
Federal transfers[5]	1 239	182	479
Subtotal – Revenue	**4 144**	**−218**	**1 275**
Portfolio expenditures[6]	−5 218	−1 493	−2 698
Debt service	−91	−87	−285
Subtotal – Expenditure	**−5 309**	**−1 580**	**−2 983**
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**−1 164**	**−1 798**	**−1 708**
NOVEMBER 2024 INITIATIVES[7]	**371**	**−179**	**−230**
MARCH 2025 INITIATIVES			
Stimulating wealth creation	—	−1 067	−1 334
Supporting Quebecers	−9	−1 518	−1 603
Subtotal	**−9**	**−2 585**	**−2 936**
TOTAL INITIATIVES	**362**	**−2 763**	**−3 166**
Efforts to improve the tax system	—	32	271
Review of budgetary expenditures	—	616	1 268
Contingency reserve	1 500	−500	−500
ACCOUNTING SURPLUS (DEFICIT) – MARCH 2025	**−8 078**	**−11 430**	**−7 126**
% of GDP	***1.3***	***1.8***	***1.1***

Note: Totals may not add due to rounding.

(1) The accounting surplus (deficit) has been adjusted to exclude the March 2024 gap to be bridged of $750 million in 2025-2026 and $1 500 million in 2026-2027.

(2) In 2024-2025, the favourable adjustment of other revenue is attributable, among other things, to the amounts the Québec government will receive to offset smoking-related health costs under the plan of arrangement between tobacco companies and their creditors and the favourable adjustment of revenue from interest on tax claims administered by Revenu Québec.

(3) In 2026-2027, the adjustment of other revenue is due to the amounts the Québec government expects to receive to offset smoking-related health costs under the plan of arrangement between tobacco companies and their creditors, higher revenue from unclaimed property, and the favourable change in revenue from the auction of GHG emission allowances.

(4) The negative adjustments in 2025-2026 and 2026-2027 are mainly due to adjustments made to Hydro-Québec's results, resulting, in particular, from the inclusion of the impact of the renewal of the Churchill Falls electricity supply agreement, as well as lower exports due to low runoff.

(5) The rise in 2024-2025 is primarily due to the $750 million granted by the federal government in June 2024 to reimburse Québec's costs for welcoming asylum seekers.

(6) The adjustment of $5.2 billion in 2024-2025 is mainly due to higher-than-expected expenditures in the Santé et Services sociaux portfolio and in infrastructure investments, particularly in public transit, as well as to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund. Detailed explanations of adjustments to portfolio expenditures in 2024-2025 are presented on page F.26. The adjustments for 2025-2026 and 2026-2027 are mainly due to higher-than-expected expenditures for health and social services and the compensation program for victims of crime, and increased infrastructure investments.

(7) The cost of the November 2024 initiatives has been adjusted to reflect the postponement to January 1, 2026 of the implementation of the harmonization of capital gains taxation with that of the federal system. The box on page F.15 presents the November 2024 initiatives.

Adjustments related to the economic and budgetary situation

Changes in the economic and budgetary situation since the last budget result in negative adjustments of $1.2 billion in 2024-2025, $1.8 billion in 2025-2026, and $1.7 billion in 2026-2027. These adjustments are primarily attributable to:

- an increase in own-source revenue excluding revenue from government enterprises of $2.9 billion in 2024-2025, $589 million in 2025-2026 and $1.3 billion in 2026-2027. These adjustments are due to:
  - an increase in tax revenue of $779 million in 2024-2025, due to the improved economic outlook in 2024. The less favourable economic performance in 2025 and 2026, given the trade dispute triggered by the United States, translates into lower adjustments in 2025-2026 and 2026-2027, of $47 million and $186 million, respectively,
  - a favourable adjustment of other revenue of $2.1 billion in 2024-2025, $542 million in 2025-2026 and $1.1 billion in 2026-2027, attributable, among other things, to the amounts the Québec government expects to receive to offset smoking-related health costs under the plan of arrangement between tobacco companies and their creditors[3] and the favourable adjustment of revenue from interest on tax claims administered by Revenu Québec;
- a decrease in revenue from government enterprises of $12 million in 2024-2025, $989 million in 2025-2026 and $533 million in 2026-2027, mainly due to adjustments made to Hydro-Québec's results, resulting, in particular, from the inclusion of the impact of the renewal of the Churchill Falls electricity supply agreement, as well as lower exports due to low runoff;
  - The adjustments are also due to lower forecast sales growth for the Société des alcools du Québec.
- an upward adjustment in federal transfers of $1.2 billion in 2024-2025, $182 million in 2025-2026 and $479 million in 2026-2027;
  - The rise in 2024-2025 is primarily due to the $750 million granted by the federal government in June 2024 to reimburse Québec's costs for welcoming asylum seekers.

[3] The Québec government will receive an initial payment of nearly $1.7 billion. The remainder of the amount, nearly $5.0 billion, will be paid over some 20 years.

- an upward adjustment to portfolio expenditures of:
  - $5.2 billion[4] in 2024-2025, mainly due to higher-than-expected expenditures in the Santé et Services sociaux portfolio and in infrastructure investments, particularly in public transit, as well as to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund,
  - $1.5 billion in 2025-2026 and $2.7 billion in 2026-2027, mainly due to higher-than-expected expenditures for health and social services and the compensation program for victims of criminal offences, and increased infrastructure investments;
- an increase in debt service of $91 million in 2024-2025, $87 million in 2025-2026 and $285 million in 2026-2027 due to higher-than-expected interest on retirement plans, increased deficits in 2025-2026 and 2026-2027, and capital investments.

[4] Detailed explanations of adjustments to portfolio expenditures in 2024-2025 are presented on page F.26.

Budget 2025-2026 initiatives

In this budget, the government is planning initiatives of $2.6 billion for 2025-2026, that is:

- $1.1 billion for stimulating wealth creation;
- $1.5 billion for supporting Quebecers.

Budget 2025-2026 initiatives

The initiatives in Budget 2025-2026 total $12.3 billion over six years, as follows:

- $5.4 billion for stimulating wealth creation;
- $6.8 billion for supporting Quebecers.

The government is also taking steps to improve the tax system, which represents additional revenue of $3.0 billion over five years.

Financial impact of the initiatives of Budget 2025-2026
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total 6 years
Initiatives							
Stimulating wealth creation(1)	—	−1 067	−1 334	−1 012	−1 057	−960	−5 429
Supporting Quebecers(2)	−9	−1 518	−1 603	−1 279	−1 218	−1 224	−6 849
Subtotal – Initiatives	**−9**	**−2 585**	**−2 936**	**−2 290**	**−2 275**	**−2 184**	**−12 278**
Efforts to improve the tax system(3)	—	32	271	723	911	1 038	2 974
TOTAL	**−9**	**−2 553**	**−2 666**	**−1 567**	**−1 364**	**−1 146**	**−9 304**

Note: Totals may not add due to rounding.
(1) For more details, see Section B, “Stimulating Wealth Creation.”
(2) For more details, see Section C, “Supporting Quebecers.”
(3) For more details, see Section D, “Results of the Review to Improve the Tax System.”

Recap of the November 2024 initiatives

In the *Update on Québec's Economic and Financial Situation − Fall 2024*, the government announced investments totalling $365 million in 2024-2025, $463 million in 2025-2026 and $431 million in 2026-2027.

These investments have made it possible to introduce initiatives for:

- increasing support for the forestry sector;
- consolidating support for Quebecers;
- fostering community development;
- ensuring the safety of communities.

The fall 2024 update was also an opportunity for the government to continue its actions aimed at optimizing and updating its tax expenditures. These additional actions represent a reduction in tax expenditures of approximately $2.8 billion over five years.[1]

Financial impact of the November 2024 initiatives
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Increasing support for the forestry sector	−15	−22	−32	−92	−92	−252
Consolidating support for Quebecers	−60	−80	−38	−31	−9	−218
Fostering community development	—	−325	−327	−290	−237	−1 180
Ensuring the safety of communities	−290	−37	−34	−34	−39	−433
Subtotal	**−365**	**−463**	**−431**	**−447**	**−377**	**−2 083**
Ongoing review of tax expenditures(1)	736	285	202	675	873	2 770
TOTAL	**371**	**−179**	**−230**	**228**	**496**	**688**

Note: Totals may not add due to rounding.
(1) Amounts made available by the review to improve the tax system have been adjusted to reflect the postponement to January 1, 2026 of the implementation of the harmonization of capital gains taxation with that of the federal system.

1 Amounts made available by the review to improve the tax system have been adjusted to reflect the postponement to January 1, 2026 of the implementation of the harmonization of capital gains taxation with that of the federal system.

Efforts to improve the tax system and review of budgetary expenditures

Reviews of tax and budgetary expenditures will generate savings in the financial framework of:

- $32 million in 2025-2026 and $271 million in 2026-2027 due to efforts to improve the tax system;
- $616 million in 2025-2026 and $1.3 billion in 2026-2027 from the review of budgetary expenditures.

Contingency reserve adjustment

The contingency reserve of $1.5 billion that was provided for in Budget 2024-2025 was fully utilized in 2024-2025.

- Given the more significant short-term risks, the contingency reserve is increased to $2.0 billion in 2025-2026 and 2026-2027, before settling at $1.5 billion per year as of 2027-2028. The reserve, which totals $8.5 billion over five years, could be used, in particular, to reduce the effects of a more moderate-than-anticipated economic growth.

Gap to be bridged

The initiatives to optimize taxation and government expenditures enable the elimination of the gap to be bridged forecast in the fall 2024 economic and financial update for fiscal years 2025-2026 and 2026-2027.

The financial framework provides for a gap to be bridged of $1.0 billion in 2027-2028, then $2.5 billion in 2028-2029 and 2029-2030, or 0.3% of GDP in 2029-2030. These amounts remain smaller than the deposits of dedicated revenues in the Generations Fund.

In accordance with the *Balanced Budget Act*, fiscal balance, after deposits of dedicated revenues in the Generations Fund, will be achieved by 2029-2030 at the latest.

This gap could be bridged through:

- an improved economic situation and wealth creation;
- continued representations to the federal government to obtain additional transfers, particularly for health and infrastructure;
- non-utilization of the contingency reserve;
- efficiency and productivity gains in the delivery of public services.

Adjustments since the fall 2024 update

Since the publication of the *Update on Québec's Economic and Financial Situation – Fall 2024*, the adjustments to the financial framework are due, in particular, to:

- lower revenue from government enterprises, mainly due to a decline in Hydro-Québec's results;
- an increase in portfolio expenditures:
  - in 2024-2025 due to the impact of the accounting change to take into account work already done by public transit authorities, higher-than-expected expenditures in the Santé et Services sociaux portfolio, and the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund,
  - in 2025-2026 and 2026-2027 due to increased infrastructure investments;
- a decrease in debt service in 2024-2025 and 2025-2026 due to lower-than-expected short-term interest rates. In 2026-2027, the upward adjustment in debt service is due, in particular, to the increase in capital investments.

These negative adjustments are partially offset by the increase in own-source revenue.

Adjustments to the financial framework since the fall 2024 update
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027
ACCOUNTING SURPLUS (DEFICIT)(1) – NOVEMBER 2024	**−8 755**	**−7 800**	**−3 287**
% of GDP	***1.4***	***1.2***	***0.5***
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises	2 884	147	886
Revenue from government enterprises	77	−750	−489
Federal transfers	−406	−102	57
Subtotal – Revenue	**2 555**	**−705**	**454**
Portfolio expenditures	−2 694	−571	−2 240
Debt service	75	83	−154
Subtotal – Expenditure	**−2 619**	**−488**	**−2 394**
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**−64**	**−1 193**	**−1 941**
MARCH 2025 INITIATIVES			
Stimulating wealth creation	—	−1 067	−1 334
Supporting Quebecers	−9	−1 518	−1 603
TOTAL INITIATIVES	**−9**	**−2 585**	**−2 936**
Efforts to improve the tax system	—	32	271
Review of budgetary expenditures	—	616	1 268
Contingency reserve	750	−500	−500
ACCOUNTING SURPLUS (DEFICIT) – MARCH 2025	**−8 078**	**−11 430**	**−7 126**
% of GDP	***1.3***	***1.8***	***1.1***

Note: Totals may not add due to rounding.
(1) The accounting surplus (deficit) has been adjusted to exclude the November 2024 gap to be bridged.

1.2 Detailed adjustments in 2024-2025

In 2024-2025, the accounting deficit stands at $8.1 billion. This represents an improvement of $0.7 billion compared to the accounting deficit of $8.8 billion forecast in March 2024, due, in particular, to:

- a $3.7-billion increase in own-source revenue excluding revenue from government enterprises, due to:
  - a $1.5-billion increase in tax revenue, due to the improved economic outlook in 2024 and the effect of harmonization with certain measures proposed in the April 2024 federal budget, including the increase in the capital gains inclusion rate,[5]
  - a $2.1-billion increase in other revenue, due, in particular, to amounts that the Québec government will receive to offset smoking-related health care costs under the plan of arrangement between tobacco companies and their creditors, and the favourable adjustment of interest revenue on tax claims administered by Revenu Québec;
- a $1.2-billion increase in federal transfers, due, in particular, to the $750 million granted by the federal government in June 2024 to reimburse Québec's costs for welcoming asylum seekers, to announcements in the 2024 federal budget regarding the Housing Accelerator Fund, among other things, and to the pace of completion of infrastructure projects receiving federal funding;
- a $5.6-billion increase in portfolio expenditures, including:
  - an adjustment of $5.2 billion,[6] mainly due to higher-than-expected expenditures in the Santé et Services sociaux portfolio and in infrastructure investments, particularly in public transit, as well as to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund,
  - targeted initiatives announced in the *Update on Québec's Economic and Financial Situation – Fall 2024* and Budget 2025-2026 totalling $373 million, in particular to address the impact of flooding in the summer of 2024;
- a $91-million increase in debt service, mainly due to higher-than-expected interest on pension plans;
- use of the $1.5-billion contingency reserve, which was set aside in March 2024.

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5 Despite the postponement of its implementation to January 1, 2026, the harmonization of capital gains taxation with that of the federal system resulted in transactions initially scheduled for 2025 and 2026 being brought forward.

6 Detailed explanations of adjustments to portfolio expenditures in 2024-2025 are presented on page F.26.

TABLE F.4

Adjustments to the 2024-2025 financial framework since March 2024

(millions of dollars)

	2024-2025				
	March 2024	Adjustments			March 2025
		Economic and budgetary situation	Review,(1) initiatives and other adjustments	Total	
Own-source revenue					
Tax revenue	95 039	779	736	1 515	96 554
Other revenue	20 447	2 138	—	2 138	22 585
Subtotal	115 486	2 917	736	3 653	119 139
Revenue from government enterprises	5 418	−12	—	−12	5 406
Total own-source revenue	120 904	2 905	736	3 641	124 545
Federal transfers	29 397	1 239	—	1 239	30 636
Revenue	**150 301**	**4 144**	**736**	**4 880**	**155 181**
Portfolio expenditures(2)	−147 815	−5 218	−373	−5 591	−153 406
Debt service	−9 762	−91	—	−91	−9 853
Expenditure	**−157 577**	**−5 309**	**−373**	**−5 682**	**−163 259**
Contingency reserve	−1 500	—	1 500	1 500	—
ACCOUNTING SURPLUS (DEFICIT)	**−8 776**	**−1 164**	**1 862**	**698**	**−8 078**

Note: Totals may not add due to rounding.

(1) The $736-million adjustment to tax revenue is due to harmonization with certain tax measures in the 2024 federal budget. Despite the postponement of its implementation to January 1, 2026, the harmonization of capital gains taxation with that of the federal system resulted in transactions initially scheduled for 2025 and 2026 being brought forward to 2024.

(2) Detailed explanations of adjustments to portfolio expenditures in 2024-2025 are presented on page F.26.

❑ Own-source revenue excluding revenue from government enterprises

For 2024-2025, own-source revenue excluding revenue from government enterprises is adjusted upward by $3.7 billion compared to Budget 2024-2025 forecasts and totals $119.1 billion.

— Tax revenue is adjusted upward by $1.5 billion, due, in particular, to the improved economic outlook in 2024.

— Other revenue, namely duties, permits and royalties, as well as miscellaneous revenue,[7] are adjusted upward by $2.1 billion, due, in particular, to amounts that the Québec government will receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.

TABLE F.5

Adjustments to own-source revenue excluding revenue from government enterprises
(millions of dollars)

	2024-2025
OWN-SOURCE REVENUE(1) – MARCH 2024	**115 486**
Tax revenue	
Personal income tax	507
Contributions for health services	288
Corporate taxes	872
School property tax	−130
Consumption taxes	−22
Subtotal	**1 515**
Other revenue	
Duties, permits and royalties	−20
Miscellaneous revenue(2)	2 158
Subtotal	**2 138**
Total adjustments	**3 653**
OWN-SOURCE REVENUE(1) – MARCH 2025	**119 139**

(1) Own-source revenue excluding revenue from government enterprises.
(2) The adjustment to miscellaneous revenue is due, in particular, to amounts that the Québec government will receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.

7 Miscellaneous revenue includes interest revenue, revenue from the sale of goods and services, tuition fees, and user contributions, as well as from fines, forfeitures and recoveries, among other things.

Tax revenue

For 2024-2025, revenue from personal income tax is adjusted upward by $507 million compared to the March 2024 forecast, while contributions for health services are adjusted upward by $288 million.

— These improvements can be attributed, in particular, to wages and salaries, whose growth was adjusted upward by 0.5 percentage points in 2024, from 5.1% to 5.6%.

— The adjustments to revenue from personal income tax are also due to the harmonization of capital gains taxation with that of the federal system, which, despite the postponement of its implementation to January 1, 2026, resulted in transactions initially scheduled for 2025 and 2026 being brought forward to 2024.

Corporate tax revenue is adjusted upward by $872 million in 2024-2025.

— This favourable adjustment is due, in particular, to the net operating surplus of corporations, whose change was adjusted upward by 2.9 percentage points, in 2024, from −2.5% to 0.4%.

— It is also due to the harmonization of capital gains taxation with that of the federal system.

Revenue from the school property tax is adjusted downward by $130 million in 2024-2025.

— This decrease is mainly due to the additional contribution from the Québec government to limit the average increase in school taxes to 3% for 2024-2025.[8]

Consumption tax revenue, which is derived mainly from the Québec sales tax, is adjusted downward by $22 million in 2024-2025, despite the upward adjustment of 1.2 percentage points in household consumption[9] in 2024, from 2.5% to 3.7%.

— This decrease is due, in particular, to lower revenue from the specific tax on tobacco products, due, among other things, to a sharper-than-expected decline in smoking in Québec.

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8 For more details, see the press release *Le gouvernement agit pour limiter la hausse du compte de taxe scolaire à 3 % en moyenne (the government is taking action to limit the increase in school taxes to 3%, on average)*, [Online – in French only], June 14, 2024, https://www.quebec.ca/nouvelles/actualites/details/le-gouvernement-agit-pour-limiter-la-hausse-du-compte-de-taxe-scolaire-a-3-en-moyenne-56721.

9 Household consumption excluding food expenditures and shelter.

■ Other revenue

In 2024-2025, revenue from duties, permits and royalties is adjusted downward by $20 million compared to the March 2024 forecast.

— This decrease is due, in particular, to the lower-than-expected revenue from the auction of GHG emission allowances.

— However, it is partially offset by the reclassification under duties, permits and royalties of certain revenue previously presented under miscellaneous revenue, in accordance with the *Public Accounts 2023-2024.*[10]

Miscellaneous revenue is adjusted upward by $2.2 billion in 2024-2025, due in particular to:

— amounts that the Québec government will receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors;

— increase in revenue from interest on tax claims administered by Revenu Québec.

Plan of arrangement with tobacco companies
On March 6, 2025, the Ontario Superior Court approved the plan of arrangement between the three major tobacco companies (JTI-Macdonald; Imperial Tobacco; Rothmans, Benson & Hedges) and their creditors, including tobacco victims for damages suffered and all Canadian provinces for costs borne by their respective health care systems as a result of tobacco consumption. This plan of arrangement, established under the *Companies' Creditors Arrangement Act*,[1] stipulates that creditors will receive total compensation of $32.5 billion. Of this amount, $6.7 billion will be paid to the Québec government and $4.1 billion will be paid to Québec tobacco victims. For Québec victims, the plan calls for an initial payment of nearly $3.9 billion. The remaining $250 million will be paid out during the following year. The Québec government will receive an initial payment of nearly $1.7 billion. The remainder of the amount, nearly $5.0 billion, will be paid out over some 20 years.

1 R.S.C., 1985, c. C-36.

10 In accordance with the treatment used in the *Public Accounts 2023-2024*, certain Société de l'assurance automobile du Québec revenue previously presented under miscellaneous revenue has been reclassified under duties, permits and royalties. This mainly concerns management fees for drivers' licences and vehicle registrations.

An upward adjustment of own-source revenue in Québec and other Canadian provinces in 2024-2025

In Québec, own-source revenue[1] in 2024-2025 has been adjusted upward by $3.7 billion, or 3.2%, since the March 2024 budget, due to the upward adjustment of:

– other revenue (+$2.1 billion), primarily due to amounts that the government will receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors;

– tax revenue (+$1.5 billion), including personal income taxes (+$507 million) and corporate taxes (+$872 million), due to the improved economic outlook in 2024 and the harmonization of capital gains taxation with that of the federal system.

Like Québec, some other provinces have also seen their revenue improve in 2024-2025:

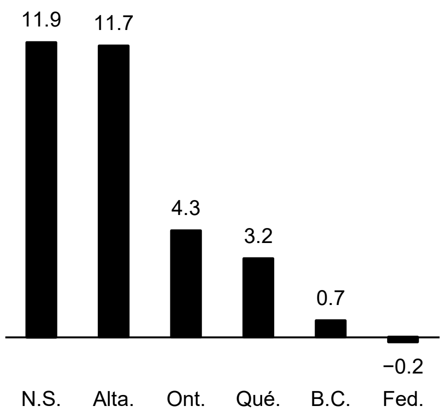
– Nova Scotia adjusted its revenue upward by $1.1 billion (11.9%), due, in particular, to personal income taxes (+$0.4 billion), corporate taxes (+$0.1 billion) and adjustments, mainly to prior-year tax assessments (+$0.5 billion);

– Alberta adjusted its revenue upward by $6.9 billion (11.7%), due, in particular, to natural resources (+$4.2 billion) and other non-tax revenue (+$1.9 billion);

– Ontario adjusted its revenue upward by $7.0 billion (4.3%), due, in particular, to personal income taxes (+$2.8 billion), corporate taxes (+$3.0 billion) and sales tax (+$1.1 billion);

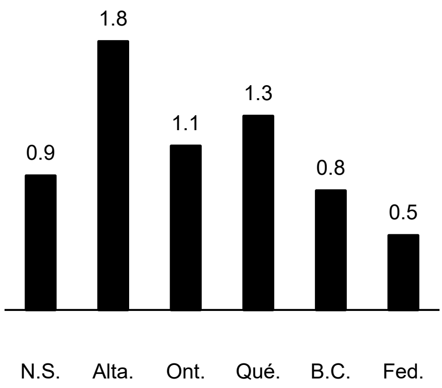
– British Columbia adjusted its revenue upward by $0.4 billion (0.7%), due, in particular, to personal income taxes (+$0.4 billion).

Own-source revenue – 2024-2025
(percentage adjustment)



Sources: 2025-2026 budgets for Nova Scotia, Alberta, British Columbia and Québec, fall 2024 economic updates for Ontario and the federal government.

Nominal GDP – 2024
(adjustment in percentage points)



Sources: 2025-2026 budgets for Nova Scotia, Alberta, British Columbia and Québec, fall 2024 economic updates for Ontario and the federal government.

1 Own-source revenue excluding revenue from government enterprises.

❑ Revenue from government enterprises

For 2024-2025, revenue from government enterprises is adjusted downward by $12 million, to $5.4 billion.

This adjustment is primarily due to the decline in revenue from Investissement Québec, due to lower returns from its venture capital portfolios and investment funds, as well as its financing portfolio.

TABLE F.6

Adjustments to revenue from government enterprises
(millions of dollars)

	2024-2025
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2024	**5 418**
Hydro-Québec	105
Loto-Québec	—
Société des alcools du Québec	−43
Investissement Québec	−114
Société québécoise du cannabis(1)	25
Other(2)	15
Total adjustments	**−12**
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2025	**5 406**

(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 2024-2025, revenue from federal transfers stands at $30.6 billion, an upward adjustment of $1.2 billion compared to Budget 2024-2025.

This upward adjustment is due, in particular, to the $750-million reimbursement from the federal government announced in June 2024 for costs incurred by Québec for welcoming asylum seekers, announcements in the 2024 federal budget in connection with the Housing Accelerator Fund, and the pace of realization of infrastructure projects receiving federal funding.[11]

TABLE F.7

Adjustments to federal transfer revenues
(millions of dollars)

	2024-2025
FEDERAL TRANSFERS – MARCH 2024	**29 397**
Equalization	—
Health transfers	−129
Transfers for post-secondary education and other social programs	−1
Other programs	1 369
Total adjustments	**1 239**
FEDERAL TRANSFERS – MARCH 2025	**30 636**

[11] 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 2024-2025, portfolio expenditures amount to $153.4 billion, which represents an upward adjustment of $5.6 billion compared to the March 2024 forecasts.

The adjustment is in part due to $373 million in new initiatives announced since Budget 2024-2025, including:

- $15 million for increasing support for the forestry sector;
- $69 million for supporting Quebecers;
- $290 million for ensuring the safety of communities.

Adjustments to the economic and budgetary situation total $5.2 billion, mainly due to higher-than-expected expenditures in the Santé et Services sociaux portfolio and for infrastructure investments, particularly in public transit, as well as to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund.

TABLE F.8

Adjustments to portfolio expenditures
(millions of dollars)

	2024-2025
PORTFOLIO EXPENDITURES – MARCH 2024	**147 815**
New initiatives since March 2024	
Increasing support for the forestry sector	15
Supporting Quebecers	69
Ensuring the safety of communities	290
Subtotal – New initiatives since March 2024	**373**
Adjustments to the economic and budgetary situation	
Santé et Services sociaux portfolio	1 687
Cost of infrastructure investments	1 459
Change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund	515
Cost of refundable tax credits(1)	186
Liability for contaminated sites	136
Other items	1 235
Subtotal – Adjustments to the economic and budgetary situation	**5 218**
Total adjustments	**5 591**
PORTFOLIO EXPENDITURES – MARCH 2025	**153 406**

Note: Totals may not add due to rounding.
(1) The Santé et Services sociaux portfolio refundable tax credits are included in the $1 687-million adjustment.

❑ Debt service

For 2024-2025, the debt service is adjusted upward by $91 million, to $9.9 billion, due in particular to higher-than-expected interest on pension plans.

TABLE F.9

Adjustments to debt service
(millions of dollars)

	2024-2025
DEBT SERVICE – MARCH 2024	**9 762**
Interest on direct debt(1)	25
Interest on the liability for the retirement plans and other employee future benefits(2)	66
Total adjustments	**91**
DEBT SERVICE – MARCH 2025	**9 853**

(1) 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 upward or downward 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. REVENUE AND EXPENDITURE FORECASTS

Budget 2025-2026 presents the short-term change in revenue and expenditure, that is, the three-year outlook for 2024-2025 to 2026-2027.

TABLE F.10

Change in revenue and expenditure
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Revenue				
Own-source revenue excluding revenue from government enterprises	119 139	120 464	125 783	
% change(2)	*8.9*	*1.1*	*4.4*	*4.8*
Revenue from government enterprises	5 406	5 268	7 042	
% change(3)	*3.1*	*−2.6*	*33.7*	*10.3*
Federal transfers	30 636	30 610	32 362	
% change(4)	*−0.8*	*−0.1*	*5.7*	*1.6*
Total revenue	**155 181**	**156 342**	**165 187**	
% change	***6.6***	***0.7***	***5.7***	***4.3***
Expenditure				
Portfolio expenditures	−153 406	−156 102	−159 911	
% change(5)	*8.4*	*1.8*	*2.4*	*4.1*
Debt service	−9 853	−9 670	−10 402	
% change(6)	*−1.3*	*−1.9*	*7.6*	*1.4*
Total expenditure	**−163 259**	**−165 772**	**−170 313**	
% change	***7.7***	***1.5***	***2.7***	***4.0***
Contingency reserve	—	−2 000	−2 000	
ACCOUNTING SURPLUS (DEFICIT)	**−8 078**	**−11 430**	**−7 126**	
% of GDP	***1.3***	***1.8***	***1.1***	

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.
(2) In 2025-2026, the lower growth in own-source revenue excluding revenue from government enterprises is due, in particular, to the change in economic activity influenced by the trade dispute triggered by the United States, and the non-recurrence of a significant portion of the amounts the Québec government will receive in 2024-2025 to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.
(3) The increase for 2026-2027 is mainly due to the increase in Hydro-Québec's results, due to higher export volumes with the commissioning of infrastructure related to two major export contracts with the United States.
(4) The decrease in federal transfers in 2024-2025 is due, among other things, to a decline in equalization resulting from changes made by the federal government to the program in its 2023 budget. The decrease in 2025-2026 is due, in particular, to the non-recurrence of certain revenues, such as the reimbursement of Québec's costs related to the welcoming of asylum seekers, announced in June 2024. The growth of 5.7% in 2026-2027 is due, in particular, to the pace of realization of infrastructure projects receiving federal funding.
(5) For 2024-2025, the 8.4% growth in expenditures is attributable to the initiatives announced in March 2024 and November 2024, the increase in the cost of services in the education sector and the costs tied to the delivery of health care and social services, and the lag in the pace of infrastructure realization. This growth is also explained by one-off factors, including unrealized remuneration expenditures due to the strike by school staff in 2023-2024 and the floods caused by post-tropical storm Debby. Growth in 2025-2026 is due, in particular, to non-recurring elements amounting to $1.9 billion in 2024-2025, notably due to the impact of the accounting change to take into account work already done by public transit authorities, due to the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund, and to take into consideration the impact of post-tropical storm Debby. Excluding these elements, growth in expenditures would stand at 3.0% in 2025-2026 instead of 1.8%.
(6) The decrease in debt service in 2024-2025 and 2025-2026 is due to changes in interest rates and the non-recurrence of losses on the disposal of assets. The growth in debt service from 2026-2027 onward is explained by the increase in the debt level and the renewal of maturing fixed-rate loans at higher rates.

2.1 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 $155.2 billion in 2024-2025, or $124.5 billion in own-source revenue and $30.6 billion in federal transfers.

— In 2024-2025, own-source revenue represents 80.3% of government revenue, while revenue from federal transfers represents 19.7%.

Government revenue will stand at $156.3 billion in 2025-2026 and $165.2 billion in 2026-2027, representing respective growth of 0.7% and 5.7%.

TABLE F.11

Change in revenue
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Own-source revenue				
Own-source revenue excluding revenue from government enterprises	119 139	120 464	125 783	
% change(2),(3)	*8.9*	*1.1*	*4.4*	*4.8*
Revenue from government enterprises	5 406	5 268	7 042	
% change	*3.1*	*−2.6*	*33.7*	*10.3*
Subtotal	**124 545**	**125 732**	**132 825**	
% change	***8.6***	***1.0***	***5.6***	***5.0***
Federal transfers	30 636	30 610	32 362	
% change	*−0.8*	*−0.1*	*5.7*	*1.6*
TOTAL	**155 181**	**156 342**	**165 187**	
% change	***6.6***	***0.7***	***5.7***	***4.3***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.
(2) In 2024-2025, the growth in own-source revenue excluding revenue from government enterprises is due, in particular, to developments in economic activity, the effect of harmonization with certain measures proposed in the April 2024 federal budget, including the increase in the capital gains inclusion rate, and the effect of the amounts the Québec government will receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.
(3) In 2025-2026, the lower growth in own-source revenue excluding revenue from government enterprises is due, in particular, to the change in economic activity influenced by the trade dispute triggered by the United States, and the non-recurrence of a significant portion of the amounts the Québec government will receive in 2024-2025 to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.

2.1.1 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, permits and royalties, 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 2024-2025, own-source revenue stands at $119.1 billion, an increase of 8.9% compared to 2023-2024. It will reach $120.5 billion in 2025-2026 and $125.8 billion in 2026-2027, growing by 1.1% and 4.4%, respectively.

TABLE F.12

Change in own-source revenue excluding revenue from government enterprises – Summary
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Tax revenue	96 554	98 945	102 903	
% change(2)	*7.2*	*2.5*	*4.0*	*4.6*
Other revenue	22 585	21 519	22 880	
% change(3)	*16.5*	*−4.7*	*6.3*	*5.7*
TOTAL	**119 139**	**120 464**	**125 783**	
% change(4)	***8.9***	***1.1***	***4.4***	***4.8***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.
(2) In 2024-2025, the growth in tax revenue is primarily due to developments in economic activity and the effect of harmonization with certain measures proposed in the April 2024 federal budget, including the increase in the capital gains inclusion rate.
(3) In 2024-2025, the growth in other revenue is primarily due to the 23.4% increase in miscellaneous revenue resulting, in particular, from the amounts the Québec government will receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors, and from the growth in miscellaneous revenues from non-budget-funded bodies, special funds and bodies in the education and higher education networks.
(4) In 2025-2026, the lower growth in own-source revenue excluding revenue from government enterprises is due, in particular, to the change in economic activity influenced by the trade dispute triggered by the United States, and the non-recurrence of a significant portion of the amounts the Québec government will receive in 2024-2025 to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.

❑ Tax revenue

In 2024-2025, revenue from personal income tax, the government's main revenue source, stands at $45.5 billion, an increase of 8.6% compared to 2023-2024. It will reach $46.9 billion in 2025-2026 and $49.0 billion in 2026-2027, growing by 3.3% and 4.3%, 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 5.6% in 2024, 3.7% in 2025 and 3.0% in 2026;
- all the parameters of the personal income tax system, such as indexation and the progressive nature of the tax system;
- the effect of harmonization with certain measures proposed in the April 2024 federal budget, including the increase in the capital gains inclusion rate;
- the effect of optimizing the tax credit for career extension as of 2025-2026.

Contributions for health services stand at $9.0 billion in 2024-2025, representing an increase of 5.0%. They will reach $9.2 billion in 2025-2026 and $9.6 billion in 2026-2027, representing growth of 3.2% and 3.3%, respectively.

Among other things, this change in contributions for health services reflects:

- the growth in wages and salaries, which stands at 5.6% in 2024, 3.7% in 2025 and 3.0% in 2026;
- the effect of the end of indexation of the payroll threshold[12] entitling employers to reduced rates of contribution to the Health Services Fund, announced in Budget 2025-2026.

[12] This threshold will be maintained at $7.8 million.

TABLE F.13

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Tax revenue				
Personal income tax	45 459	46 944	48 967	
% change(2)	*8.6*	*3.3*	*4.3*	*5.4*
Contributions for health services	8 958	9 242	9 551	
% change	*5.0*	*3.2*	*3.3*	*3.8*
Corporate taxes	12 988	12 491	12 970	
% change(3)	*13.9*	*−3.8*	*3.8*	*4.4*
School property tax	1 180	1 346	1 482	
% change(4)	*2.6*	*14.1*	*10.1*	*8.8*
Consumption taxes	27 969	28 922	29 933	
% change(5)	*3.3*	*3.4*	*3.5*	*3.4*
Subtotal	**96 554**	**98 945**	**102 903**	
% change	***7.2***	***2.5***	***4.0***	***4.6***
Other revenue				
Duties, permits and royalties	5 920	6 220	6 833	
% change(6)	*0.5*	*5.1*	*9.9*	*5.1*
Miscellaneous revenue	16 665	15 299	16 047	
% change(7),(8)	*23.4*	*−8.2*	*4.9*	*5.9*
Subtotal	**22 585**	**21 519**	**22 880**	
% change	***16.5***	***−4.7***	***6.3***	***5.7***
TOTAL	**119 139**	**120 464**	**125 783**	
% change	***8.9***	***1.1***	***4.4***	***4.8***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.
(2) In 2024-2025, the growth in revenue from personal income tax is due to the 5.6% increase in wages and salaries in 2024. In addition, despite the postponement of its implementation to January 1, 2026, the harmonization of capital gains taxation with that of the federal system resulted in transactions initially scheduled for 2025 and 2026 being brought forward to 2024.
(3) In 2024-2025 and 2025-2026, the growth in revenue from corporate taxes is due, in particular, to the harmonization of capital gains taxation with that of the federal system, which caused transactions initially scheduled for 2025 and 2026 to be brought forward to 2024, and the change in the net operating surplus of corporations, from 0.4% in 2024 to −1.1% in 2025, linked to the trade dispute triggered by the United States.
(4) In 2024-2025, the growth in revenue from the school property tax reflects the impact of the additional contribution of nearly $150 million per year from the Québec government to limit the increase in school taxes to an average of 3% for 2024-2025. In 2025-2026 and 2026-2027, the 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.
(5) In 2024-2025, the increase in consumption taxes is due to the 3.7% increase in household consumption in 2024, the effect of which is offset by higher input tax refunds.
(6) In 2026-2027, growth in revenue from duties, permits and royalties is due, in particular, to the increase in revenue from natural resources and revenue from the auction of GHG emission allowances.
(7) In 2024-2025, the growth in miscellaneous revenue is due to the amounts the Québec government will receive to offset smoking-related health costs under the plan of arrangement between tobacco companies and their creditors, to the increase in the investment income of the Generations Fund and to the increase in miscellaneous revenue from non-budget-funded bodies, special funds and bodies in the education and higher education networks.
(8) In 2025-2026, the change in miscellaneous revenue is due, in particular, to the non-recurrence of a significant portion of the amounts the Québec government will receive in 2024-2025 to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors.

In 2024-2025, revenue from corporate taxes stands at $13.0 billion, an increase of 13.9% compared to 2023-2024. It will stand at $12.5 billion in 2025-2026 and $13.0 billion in 2026-2027, a change of −3.8% and 3.8%, respectively.

The change in corporate tax revenue reflects in particular:

- the expected change in the net operating surplus of corporations, which stands at 0.4% in 2024, −1.1% in 2025 and 3.4% in 2026[13] and reflects the trade dispute triggered by the United States;
- the effect of harmonization with certain measures proposed in the April 2024 federal budget, in particular, the increase in the capital gains inclusion rate;
- the effect of harmonization with the extension of accelerated depreciation measures announced in the federal government's *2024 Fall Economic Statement*.

In 2024-2025, revenue from the school property tax stands at $1.2 billion, an increase of 2.6% compared to 2023-2024. It will reach $1.3 billion in 2025-2026 and $1.5 billion in 2026-2027, growing by 14.1% and 10.1%, 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 $150 million per year from the Québec government to limit the increase in school taxes to 3% on average for 2024-2025.

In 2024-2025, consumption tax revenue totals $28.0 billion, an increase of 3.3% compared to 2023-2024. It will stand at $28.9 billion in 2025-2026 and $29.9 billion in 2026-2027, an increase of 3.4% and 3.5%, respectively.

The change in consumption tax revenue reflects, in particular:

- the increase in household consumption,[14] which stands at 3.7% in 2024, 4.0% in 2025 and 3.2% in 2026;
- the growth in residential construction investment, which stands at 5.6% in 2024, 8.0% in 2025 and 3.6% in 2026;
- the harmonization of the tax rate on insurance premiums and that of the QST starting on January 1, 2027, announced in Budget 2025-2026;
- the two increases in the specific tax on tobacco products, effective March 13, 2024 and January 6, 2025, announced in Budget 2024-2025.[15]

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[13] The change in corporate tax revenue also reflects export growth, which stands at 4.1% in 2024, 2.7% in 2025 and 3.5% in 2026.

[14] Household consumption excluding food expenditures and shelter.

[15] These two increases in the specific tax on tobacco products will generate additional revenue of $40 million in 2024-2025 and $65 million in 2025-2026.

❑ Other revenue

Revenue from duties, permits and royalties amounts to $5.9 billion in 2024-2025, an increase of 0.5% compared to 2023-2024. It will stand at $6.2 billion in 2025-2026 and $6.8 billion in 2026-2027, an increase of 5.1% and 9.9%, respectively.

— The change in revenue from duties, permits and royalties 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 $16.7 billion in 2024-2025, an increase of 23.4% compared to 2023-2024. It will reach $15.3 billion in 2025-2026 and $16.0 billion in 2026-2027, a change of −8.2% and 4.9%, respectively.

The change in miscellaneous revenue reflects, in particular:

— the effect of amounts that the Québec government expects to receive to offset smoking-related health care costs under the plan of arrangement between the tobacco companies and their creditors;

— the change in investment income of the Generations Fund;

— the anticipated revenue of special funds, non-budget-funded bodies, and bodies in the education and higher education networks;

  — For example, the growth in the revenue of the higher education network is influenced by, among other things, the change in clientele.

— the effect of capping the indexation of government rates at 3% until 2026.

2.1.2 **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 stands at $5.4 billion in 2024-2025, an increase of 3.1%, $5.3 billion in 2025-2026, a decrease of 2.6%, and $7.0 billion in 2026-2027, an increase of 33.7%.

TABLE F.14

Change in revenue from government enterprises
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Hydro-Québec	2 150	1 905	3 562	
Loto-Québec	1 514	1 517	1 578	
Société des alcools du Québec	1 394	1 419	1 420	
Investissement Québec	194	268	324	
Société québécoise du cannabis(2)	120	126	146	
Other(3)	34	33	12	
TOTAL	**5 406**	**5 268**	**7 042**	
% change	***3.1***	***−2.6***	***33.7***	***10.3***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.
(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 3.1% growth in 2024-2025 is largely due to the increase in Hydro-Québec's results, stemming, in particular, from an increase in its sales in Québec.

The 2.6% decrease in 2025-2026 is mainly due to the decline in Hydro-Québec's results, due to the drop in its exports resulting from low runoff.

The 33.7% growth in 2026-2027 is mainly due to the increase in Hydro-Québec's results, due to higher export volumes with the commissioning of infrastructure related to two major export contracts with the United States.

2.1.3 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 is expected to decline by 0.8% in 2024-2025, and by 0.1% in 2025-2026. This 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. The decrease in 2025-2026 is due to the non-recurrence of certain revenues, such as the reimbursement of Québec's costs related to the welcoming of asylum seekers, announced in June 2024.

TABLE F.15

Change in federal transfers
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	AAGR(1)
Equalization	13 316	13 567	14 299	15 033	15 411	15 925	
% change	*−5.1*	*1.9*	*5.4*	*5.1*	*2.5*	*3.3*	*3.6*
Health transfers	8 425	8 942	9 259	9 396	9 540	9 739	
% change	*−3.3*	*6.1*	*3.5*	*1.5*	*1.5*	*2.1*	*2.9*
Transfers for post-secondary education and other social programs	1 350	1 330	1 332	1 329	1 326	1 317	
% change	*−7.0*	*−1.5*	*0.2*	*−0.2*	*−0.2*	*−0.7*	*−0.5*
Other programs	7 545	6 771	7 472	7 313	6 833	6 122	
% change	*13.1*	*−10.3*	*10.4*	*−2.1*	*−6.6*	*−10.4*	*−4.1*
TOTAL	**30 636**	**30 610**	**32 362**	**33 071**	**33 110**	**33 103**	
% change	***−0.8***	***−0.1***	***5.7***	***2.2***	***0.1***	***0.0***	***1.6***

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

❑ Federal transfers will have weak growth over the next five years

Weak growth in federal transfers is expected between now and 2029-2030. An average annual growth rate of 1.6% over five years, from 2025-2026 to 2029-2030, is anticipated. This contrasts with an average annual growth rate of 5.2% for the past 10 years, from 2015-2016 to 2024-2025.

This also contrasts with the average annual growth rate of 3.9% of Canada's nominal GDP projected from 2025 to 2029, which typically serves as a reliable indicator of government revenue growth.

This weak growth in Québec's revenue from federal transfers is explained, in particular, by:

— an insufficient increase in the CHT and CST;[16]

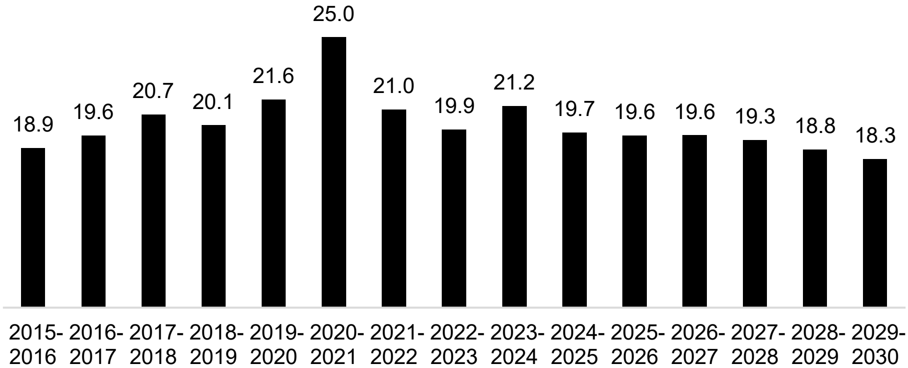
— a decrease in Québec's demographic weight, as the vast majority of transfers to the provinces, notably the CHT, are distributed on a per capita basis;

— one-time payments and time-limited agreements.

As a result, Québec's revenue from federal transfers as a percentage of its total revenue, which stood at 21.6% in 2019-2020, is expected to decline to 19.6% in 2025-2026, and only 18.3% in 2029-2030.

CHART F.3

Share of federal transfers as a percentage of Québec's total revenue
(per cent)



Source: Ministère des Finances du Québec.

[16] The CST envelope for Canada, which aims to support post-secondary education, has been limited to an increase of 3% per year since 2008-2009.

❑ Québec's requests to the federal government

Québec considers that the federal government must immediately increase its funding to the provinces, in three key areas: infrastructure, workforce development and health care. In addition, it is important that this funding takes the form of unconditional transfers.

The federal government's most recent large-scale infrastructure funding plan dates back to 2016, and the funds available to Québec under the subsequent Integrated Bilateral Agreement had all been allocated as at March 2023. The federal government must make a greater contribution to funding infrastructure in the provinces by rapidly announcing a new long-term infrastructure plan.

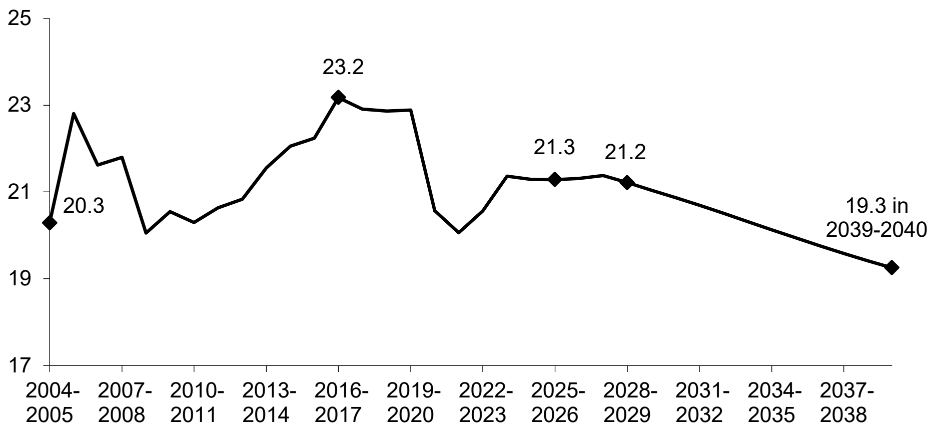
In 2024-2025, the federal government reduced funding to the provinces under transfer agreements tied to the labour market. In the current environment, marked by economic uncertainty and an increase in unemployment, this funding must be restored quickly.

Québec is also asking for a larger increase in the CHT. The amounts for health care announced by the federal government in February 2023 are clearly insufficient. The CHT's share in provincial and territorial health spending will stand at 21.3% in 2025-2026, whereas it was at 23.2% in 2016-2017. More importantly, this share will decline as of 2028-2029, because the CHT's minimum annual increase will fall from 5% to 3% as of 2028-2029 compared to its current level.

Lastly, Québec is demanding an unconditional opt-out with full financial compensation from the Canadian Dental Care Plan and the first phase of the Canadian pharmacare program announced in the April 2024 federal budget.

CHART F.4

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, Department of Finance Canada and Ministère des Finances du Québec.

2.2 Change in expenditure

Expenditure consists, on the one hand, of portfolio expenditures tied to the delivery of public services, which are influenced by demographics, wage increases and inflation and, on the other hand, debt service, which is mainly driven by the level of debt and interest rates.

Expenditure totalled $163.3 billion in 2024-2025, or $153.4 billion in portfolio expenditures and $9.9 billion in debt service.

— They will stand at $165.8 billion in 2025-2026 and $170.3 billion in 2026-2027.

In 2024-2025, portfolio expenditures grew by 8.4%, due to the initiatives announced in March 2024 and November 2024, the increase in the cost of services in the education sector and the costs tied to the delivery of health care and social services, and the lag in the pace of infrastructure realization. This growth is also explained by one-off factors, including unrealized remuneration expenditures due to the strike by school staff in 2023-2024 and the floods caused by post-tropical storm Debby.

In 2025-2026, portfolio expenditures will grow by 1.8% due, in particular, to the non-recurrence of 2024-2025 expenditures in 2025-2026.[17] Excluding these elements, growth in expenditures would stand at 3.0% in 2025-2026.

In 2026-2027, growth in portfolio expenditures, which will stand at 2.4%, reflects the anticipated increase in costs tied to the delivery of government services and the increase in infrastructure investments.

Debt service represents approximately 6% of the government's overall expenditure.

— The −1.3% change in debt service in 2024–2025 is due, in particular, to the non-recurrence of losses on the disposal of assets recorded in 2023-2024 as part of the investment activities of the Sinking Fund for Government Borrowing.

From 2024-2025 to 2026-2027, annual growth in expenditure will average 4.0%.

TABLE F.16

Change in expenditure
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Portfolio expenditures	153 406	156 102	159 911	
% change	*8.4*	*1.8*	*2.4*	*4.1*
Debt service	9 853	9 670	10 402	
% change	*−1.3*	*−1.9*	*7.6*	*1.4*
TOTAL	**163 259**	**165 772**	**170 313**	
% change	***7.7***	***1.5***	***2.7***	***4.0***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.

17 Expenditures from 2024-2025, not recurring in 2025-2026, are presented on page F.43.

2.2.1 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 F.17

Change in expenditure by portfolio
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Santé et Services sociaux	63 596	65 527	66 810	
% change(2)	*4.3*	*3.0*	*2.0*	*3.1*
Éducation	23 016	23 517	23 996	
% change(3)	*14.7*	*2.2*	*2.0*	*6.2*
Enseignement supérieur	11 081	11 311	11 275	
% change(4)	*5.8*	*2.1*	*−0.3*	*2.5*
Famille	8 684	9 308	9 389	
% change(5)	*−2.6*	*7.2*	*0.9*	*1.7*
Transports et Mobilité durable	7 571	7 308	8 415	
% change(6)	*13.0*	*−3.5*	*15.1*	*7.9*
Emploi et Solidarité sociale	5 796	5 804	5 536	
% change(7)	*1.2*	*0.1*	*−4.6*	*−1.1*
Affaires municipales et Habitation	5 146	5 623	5 290	
% change(8)	*4.7*	*9.3*	*−5.9*	*2.5*
Économie, Innovation et Énergie	4 858	4 521	4 522	
% change(9)	*26.8*	*−6.9*	*0.0*	*5.7*
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 435	2 436	2 743	
% change(10)	*0.2*	*0.0*	*12.6*	*4.1*
Other portfolios	21 223	21 347	21 935	
% change(11)	*21.3*	*0.6*	*2.8*	*7.8*
Reallocation of expenditures during the fiscal year	—	−600	—	
TOTAL	**153 406**	**156 102**	**159 911**	
% change	***8.4***	***1.8***	***2.4***	***4.1***

TABLE F.17

Change in expenditure by portfolio (cont.)

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2024-2025 to 2026-2027.
(2) The portfolio growth reflects the expected rise in costs tied to the delivery of health care and social services. As of 2025-2026, growth will gradually be mitigated by the phasing out of the use of independent labour and by the anticipated efficiency gains of Santé Québec.
(3) In 2024-2025, the growth is mainly due to the increase in clientele, additional classroom support staff, Budget 2024-2025 initiatives, and the postponement of certain expenditures from 2023-2024 to 2024-2025, in particular for the Offensive formation en construction. This growth is combined with unrealized remuneration expenditures due to the strike by school staff in 2023-2024. Excluding the impact of the school staff strike, growth would be 11.1%. In 2025-2026, growth is mitigated by the end, in 2024-2025, of one-time investments for the catch-up plan for students and the Offensive formation en construction.
(4) In 2024-2025 and 2025-2026, growth is tied to the one-time increase in infrastructure investment in 2024-2025. In 2026-2027, the change is due to the end of Opération main-d'œuvre funding, in particular the phasing out of the Perspective Québec scholarship program.
(5) In 2024-2025 and 2025-2026, the changes are tied to advance payments in 2023-2024 for the purpose of funding subsidized educational childcare services, and for funding new subsidized childcare spaces as part of the measures of the action plan for completing the educational childcare services network. Excluding these advance payments, the growth in expenditures would be 3.9% in 2024-2025 and 3.8% in 2025-2026. In 2026-2027, the growth reflects the pace of creating spaces in educational childcare services and the low growth in the cost of the Family Allowance stemming from a modest indexation and the decrease in recipients.
(6) The changes in expenditures in 2024-2025 and 2025-2026 are tied to the impact of the accounting change to take into account, in 2024-2025, work already done by public transit authorities. In 2026-2027, the growth is mainly due to increased investment in public and active transit assistance programs.
(7) In 2024-2025, the growth 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 and 2026-2027, the changes are explained in particular by the anticipated decline in the clientele of social assistance programs, the phasing out of Opération main-d'œuvre and, in 2026-2027, the non-renewal of one-off initiatives from 2025-2026, including the assistance program for Ukrainians, as well as the elimination of the tax shield.
(8) The increases are mainly due to the planned sequence for building units under the Québec affordable housing program and the AccèsLogis program.
(9) In 2024-2025, the growth is due, in particular, to the increase in financial interventions and the change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund, and the rise in the cost of tax credits for the development of e-business, and for investment and innovation. In 2025-2026, the change is explained in particular by the effect of the change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund in 2024-2025. This decline is mitigated by the amounts earmarked to provide transitional assistance to businesses affected by the U.S. tariffs, and to promote the completion of business projects. Excluding the effect of the change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund in 2024-2025, portfolio expenditures would be up 4.1%. In 2026-2027, the stagnation of expenditures is linked, in particular, to measures stemming from the review of tax expenditures, including the abolition of the tax credit for businesses to foster the retention of experienced workers and the adjustment of the tax credits supporting jobs in the information technology sector.
(10) In 2024-2025, the growth is due, in particular, to the adjustment in expenditures under the 2024-2029 Implementation Plan of the 2030 Plan for a Green Economy following the decrease in revenue from the carbon market paid into the Electrification and Climate Change Fund. In 2025-2026, the funding increase for public transit from the Electrification and Climate Change Fund is accounted for in the Transports et Mobilité durable portfolio. If this funding were accounted for in the Environnement, Lutte contre les changements climatiques, Faune et Parcs portfolio, the portfolio growth in 2025-2026 would be 7.4%. In 2026-2027, the growth is due, in particular, to intensified efforts to fight climate change, particularly in the industrial and buildings sectors, driven by an expected increase in revenue from the carbon market.
(11) In 2024-2025, the growth is mainly due to the effect of the Contingency Fund, as well as the cost of responding to the impact of flooding in the summer of 2024. In 2025-2026, the growth in other portfolios is affected, in particular, by the impact of the measures related to the review of expenditures.

Impact of non-recurring elements on the growth in portfolio expenditures

Portfolio expenditures change generally based on the changing needs of the Québec population and on the implementation of government initiatives and strategies. The stable and predictable change in portfolio expenditures can, however, be affected by one-off amounts that have significant effects on growth.

In 2024-2025, the government recorded non-recurring elements worth $1 882 million due, in particular, to the impact of the accounting change to take into account work already done by public transit authorities, due to the change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund, and to take into consideration the impact of post-tropical storm Debby. Excluding these elements, growth in expenditures would stand at 3.0% in 2025-2026 instead of 1.8%.

Impact of non-recurring elements on growth in portfolio expenditures
(millions of dollars)

	2024-2025	Non-recurring elements	Provision transfer(1)	2024-2025 comparable to 2025-2026	2025-2026	% change
Santé et Services sociaux	63 596	—	−12	63 584	65 527	3.1
Éducation	23 016	−436(2)	−142	22 438	23 517	4.8
Enseignement supérieur	11 081	—	−24	11 057	11 311	2.3
Famille	8 684	285(3)	—	8 969	9 308	3.8
Transports et Mobilité durable	7 571	−1 000(4)	—	6 571	7 308	11.2
Emploi et Solidarité sociale	5 796	—	−65	5 731	5 804	1.3
Affaires municipales et Habitation	5 146	—	—	5 146	5 623	9.3
Économie, Innovation et Énergie	4 858	−515(5)	—	4 343	4 521	4.1
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 435	—	—	2 435	2 436	0.0
Other portfolios	21 223	−216(6)	242	21 249	21 347	0.5
Reallocation of expenditures during the fiscal year	—	—	—	—	−600	
TOTAL	**153 406**	**−1 882**	—	**151 524**	**156 102**	**3.0**

(1) Expenditures funded by a provision in another portfolio, namely the provision for activities supporting integration, the provision for francization of immigrants or the provision for initiatives concerning revenues of and fraud against the state.
(2) Measures to help students experiencing difficulties going back into the classroom and concerning the Offensive formation en construction.
(3) Advance payment in 2023-2024 to fund subsidized educational childcare services.
(4) Impact of the accounting change to take into account work already done as at March 31, 2024 by public transit authorities.
(5) Effect of the change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund.
(6) Impact of the passage of post-tropical storm Debby, overruns at SOPFEU for putting out forest fires in summer 2024, additional expenditures due to the fire at the Olympic Park on March 21, 2024, and rolling out new cell sites.

❑ Santé et Services sociaux

The expenditures of the Santé et Services sociaux portfolio primarily cover the activities of Santé Québec, which coordinates the operations of the health and social services network as well as programs administered by the Régie de l'assurance maladie du Québec. They also cover the activities of other government bodies involved in health and social services, 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.

From 2024-2025 to 2026-2027, the portfolio growth reflects the expected rise in costs tied to the delivery of health care and social services. As of 2025-2026, growth will gradually be mitigated by the phasing out of the use of independent labour and by the anticipated efficiency gains of Santé Québec.

❑ 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 2024-2025, the 14.7% growth in expenditures is mainly due to the increase in clientele, additional classroom support staff, Budget 2024-2025 initiatives, and the postponement of certain expenditures from 2023-2024 to 2024-2025, in particular for the Offensive formation en construction. This growth is combined with unrealized remuneration expenditures due to the strike by school staff in 2023-2024. Excluding the impact of the school staff strike, growth would be 11.1%.

In 2025-2026, the 2.2% growth in expenditures is due to costs tied to the delivery of services and Budget 2025-2026 investments, offset by the end, in 2024-2025, of one-time investments for the catch-up plan for students and the Offensive formation en construction.

The 2.0% growth in expenditures in 2026-2027 will cover the costs related to changes in the clientele.

❑ 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 as well as changes to infrastructure investments for chartered universities.

In 2024-2025 and 2025-2026, the changes in expenditures of 5.8% and 2.1%, respectively, are tied to the one-time increase in infrastructure investment in 2024-2025.

In 2026-2027, the −0.3% change in expenditures is due to the end of Opération main-d'œuvre funding, in particular the phasing out of the Perspective Québec scholarship program as of 2025-2026.

❑ Famille

The expenditures of the Famille portfolio primarily include funding for educational childcare services and financial assistance for families.

In 2024-2025 and 2025-2026, the changes in expenditures of −2.6% and 7.2% are tied to advance payments in 2023-2024 for the purpose of funding subsidized educational childcare services, and for funding new subsidized childcare spaces as part of the measures of the action plan for completing the educational childcare services network.

The 0.9% growth in expenditures in 2026-2027 reflects the pace of creating spaces in educational childcare services and the low growth in the cost of the Family Allowance stemming from a modest indexation and the decrease in recipients.

❑ 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. They also include the management of the government's rolling stock, air fleet and ferry services.

The changes in expenditures of 13.0% in 2024-2025 and −3.5% in 2025-2026 are tied to the impact of the accounting change to take into account, in 2024-2025, work already done by public transit authorities.

In 2026-2027, the 15.1% growth in expenditures is mainly due to increased investment in public and active transit assistance programs.

❑ 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 2024-2025, the 1.2% growth 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 and 2026-2027, the changes in expenditures of 0.1% and −4.6%, respectively, are explained in particular by the anticipated decline in the clientele of social assistance programs, the phasing out of Opération main-d'œuvre and, in 2026-2027, the non-renewal of one-off initiatives from 2025-2026, including the assistance program for Ukrainians, as well as the elimination of the tax shield.

❑ 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 2024-2025, the 4.7% growth in expenditures reflects funding for the Société d'habitation du Québec's activities and is due, in particular, to increased deliveries under the affordable housing program and to measures announced in March 2024.

In 2025–2026 and 2026–2027, the changes in expenditures of 9.3% and −5.9% are due to the planned sequence for building the units under the AccèsLogis Québec Program, those under the Québec affordable housing program, those in partnership with tax-advantaged funds, and the renovation of social housing.

❑ 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 2024-2025, the 26.8% growth in expenditures is due, in particular, to the increase in financial interventions and the change related to sustainable losses in value and adjusted provisions for losses of the Economic Development Fund, and the rise in the cost of tax credits for the development of e-business, and for investment and innovation.

In 2025-2026, the −6.9% change is notably explained by the effect of the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund in 2024-2025. This decline is mitigated by the amounts earmarked to provide transitional assistance to businesses affected by the U.S. tariffs, and to promote the completion of business projects. Excluding the effect of the change related to sustainable losses in value and the adjusted provisions for losses of the Economic Development Fund in 2024-2025, portfolio expenditures would be up 4.1%.

The stagnation of expenditures in 2026-2027 is linked, in particular, to measures stemming from the review of tax expenditures, including the abolition of the tax credit for businesses to foster the retention of experienced workers and the adjustment of the tax credits supporting jobs in the information technology sector.

❑ 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 2024-2025, the increase of 0.2% is due, in particular, to the adjustment in expenditures under the 2024-2029 Implementation Plan of the 2030 Plan for a Green Economy following the decrease in revenue from the carbon market paid into the Electrification and Climate Change Fund.

The funding increase for public transit from the Electrification and Climate Change Fund is accounted for in the Transports et Mobilité durable portfolio. If this funding were accounted for in the Environnement, Lutte contre les changements climatiques, Faune et Parcs portfolio, the portfolio growth in 2025-2026 would be 7.4% instead of a stagnation of expenditures.

In 2026-2027, the 12.6% growth in expenditures is due, in particular, to intensified efforts to fight climate change, particularly in the industrial and buildings sectors, driven by an expected increase in revenue from the carbon market.

❑ 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.

In 2024-2025, the 21.3% growth in expenditures is mainly due to the effect of the Contingency Fund, as well as the cost of responding to the impact of flooding in the summer of 2024.

— In particular, the Contingency Fund is intended to cover unforeseen expenditures that may arise in government programs. Since the 2023-2024 year is over, there is no Contingency Fund reserve for unforeseen expenditures in 2023-2024, inducing this growth for 2024-2025.

In 2025-2026, the growth in other portfolios is affected, in particular, by the impact of the measures related to the review of expenditures.

❑ Reallocation of expenditures during the fiscal 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 2025-2026 provides for a reallocation of $600 million in government expenditures for fiscal 2025-2026.

2.2.2 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 $9.9 billion in 2024-2025, $9.7 billion in 2025-2026, and $10.4 billion in 2026-2027, representing changes of −1.3%, −1.9% and 7.6%, respectively.

In 2024-2025, 2025-2026 and 2026-2027, interest on the direct debt will change by −1.3%, 4.7% and 9.6%, respectively, owing, in particular, to the increase in the debt level and the anticipated change in interest rates.

— The 1.3% decrease in 2024-2025 is due, in particular, to the non-recurrence of losses on the disposal of assets recorded in 2023-2024 as part of the investment activities of the Sinking Fund for Government Borrowing.

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, which is deducted from debt service. It will reduce debt service as of 2025-2026.

TABLE F.18

Change in debt service
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	AAGR(1)
Interest on direct debt(2)	9 730	10 183	11 163	
% change	*−1.3*	*4.7*	*9.6*	
Interest on the liability for retirement plans and other employee future benefits(3)	123	−513	−761	
TOTAL	**9 853**	**9 670**	**10 402**	
% change	***−1.3***	***−1.9***	***7.6***	***1.4***

(1) Average annual growth, or geometric mean, from 2024-2025 to 2026-2027.
(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 upward or downward since it is closely tied to the change in interest rates and market behaviour.
(3) 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).

3. AN $11-BILLION INCREASE IN INFRASTRUCTURE INVESTMENTS OVER THREE YEARS

Public infrastructure investments help support the delivery of quality public services. They also help stimulate the economy and increase Québec's long-term economic potential. In the current environment, marked by economic uncertainty, the government is announcing an $11.0-billion increase in public infrastructure investments over three years, from 2025-2026 to 2027-2028.

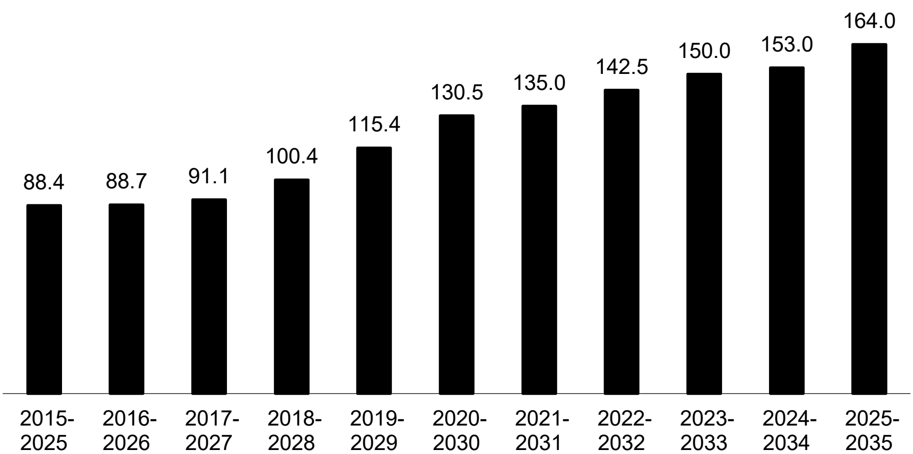
— Over 10 years, the 2025-2035 Québec Infrastructure Plan (QIP) will thus total $164 billion,[18] an increase of $11 billion or 7%.

Over the past seven years, the QIP has been increased each year, going from $100.4 billion in March 2018 to $164.0 billion in March 2025. This increase of more than 60% was necessary, given the importance of providing Québec with modern infrastructure and investing more in maintaining the building inventory.[19]

The 2025-2035 QIP allocates considerable sums to health and social services, education, higher education and transportation.[20] It also includes major investments in social housing.

CHART F.5

Change in the Québec Infrastructure Plan
(billions of dollars)



Source: Secrétariat du Conseil du trésor.

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18 The 2024-2034 QIP, announced in the March 2024 budget, stood at $153.0 billion.

19 The asset maintenance deficit is estimated at $40.2 billion in March 2025.

20 The 2025-2035 Québec Infrastructure Plan published by the Secrétariat du Conseil du trésor provides, in particular, detailed information on public infrastructure investments planned in all government sectors.

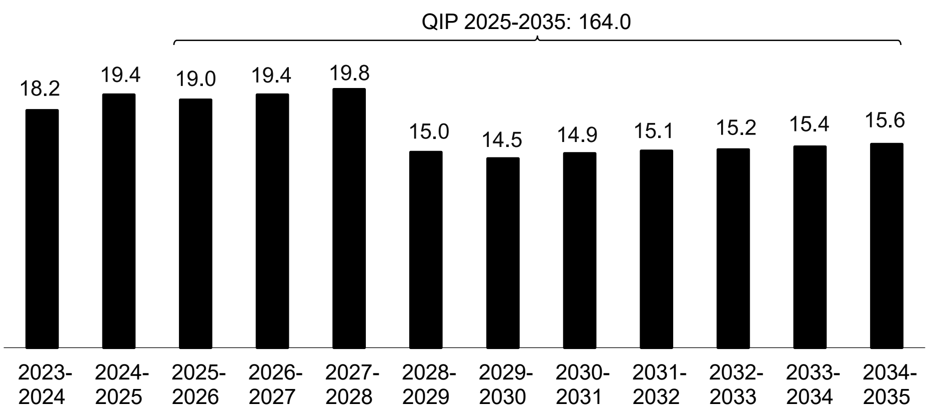
❑ Average annual investments will reach over $19 billion over the next three years

Numerous projects throughout Québec are in progress. To ensure that they can be completed rapidly and to stimulate the economy, the government will invest over $19 billion annually, on average, in public infrastructure over the next three years.

Investments are expected to be lower as of 2028-2029. The level of investment could be maintained if the federal government announces a new long-term infrastructure plan.

CHART F.6

Annual investments in the 2025-2035 Québec Infrastructure Plan
(billions of dollars)



Note: Totals may not add due to rounding.
Source: Secrétariat du Conseil du trésor.

In addition, Hydro-Québec will make a significant contribution to Québec's economic growth with the progressive completion of its *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec*.

— This plan will require capital investments of between $135 billion and $160 billion over the 2024-2035 period.

A new long-term federal infrastructure plan is needed

The federal government's last large-scale infrastructure funding plan dates back to 2016, and the funds available to Québec under the subsequent Integrated Bilateral Agreement were all allocated as at March 2023.[1]

- In 2021, the federal government promised the creation of a permanent Canada-wide public transit fund of $3 billion per year starting in 2026-2027, but no agreement has been reached to ensure that Québec will receive its fair share. This is also the case for the Canada Housing Infrastructure Fund, whose creation was announced by the federal government in its April 2024 budget.

The federal government must make a greater contribution to funding infrastructure in the provinces and territories by rapidly announcing a new long-term infrastructure plan.

Given the federal government's strong financial capacity, and the significance of public infrastructure investments in increasing the economic potential of Québec and Canada, Québec expects increased contributions from the federal government. Over the past nine years, from 2015-2016 to 2023-2024, the federal government's contribution to Québec investments has averaged only 11% per year.[2]

A new approach is therefore needed. As with the Canada Health Transfer (CHT) and the Canada Social Transfer (CST), this increase in federal infrastructure funding should take the form of a permanent block transfer, replacing administrative agreements. In particular, this type of transfer would eliminate delays in deploying federal investments to support the priorities of provinces and territories, while ensuring that they get their fair share of planned investments.

Lastly, the federal government must honour its commitment to fund 40% of the extension of the Montréal metro blue line and 40% of the Ville de Québec tramway, with the total cost of each project estimated at $7.6 billion. The federal government's contribution currently stands at 26% for the blue line and 16% for the tramway.

1 Projects funded under this agreement must be finalized by October 31, 2033.
2 This is the federal government's contribution to public infrastructure investments in Québec, including the contribution of partners.

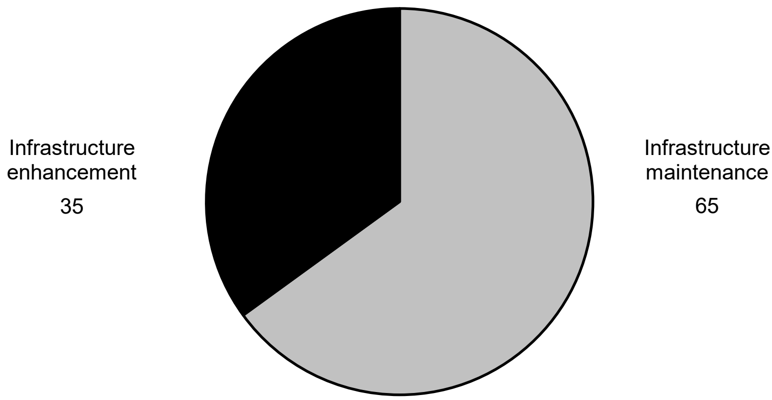
❑ A significant share of the QIP allocated to public infrastructure maintenance

Continued significant investments are vital to public infrastructure maintenance. Some public infrastructure is aging and requires repair work.

A 65% share of 2025-2035 QIP investments will be used for infrastructure maintenance.[21] New infrastructure will account for 35% of investments.

CHART F.7

2025-2035 Québec Infrastructure Plan by type of investment
(per cent)



Source: Secrétariat du Conseil du trésor.

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21 This share excludes the central envelope.

❑ Public infrastructure investments in Québec are significant

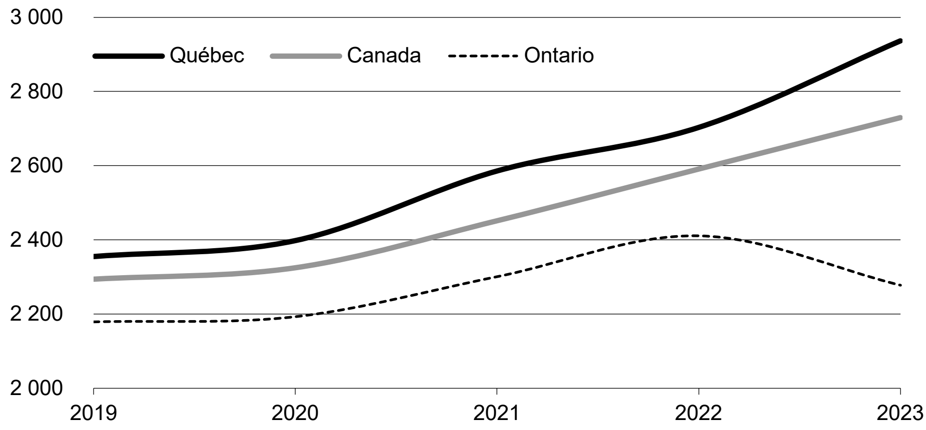
Public infrastructure investments are a key determinant of productivity. Over the past five years, on a per capita basis, investments in Québec were higher than those in Ontario and the Canadian average.

In 2023, public infrastructure investments in Québec amounted to $2 936 per person, compared to $2 278 per person in Ontario and $2 730 per person in Canada.

This trend is expected to continue given the major investments announced in this budget.

CHART F.8

Changes in infrastructure investments per capita by public administration from 2019 to 2023
(dollars per capita, calendar years)



Note: These are new capital investment expenditures by all public administrations.
Source: Statistics Canada.

4. THE PLAN TO RESTORE FISCAL BALANCE

4.1 The importance of restoring fiscal balance

During the period of upheaval caused by the pandemic, the government prioritized funding for its main missions and infrastructure investments to ensure the delivery of public services.

— These investments were necessary to strengthen public services, including in health and education, and to mitigate certain consequences of the pandemic that would have had lasting repercussions for the population.

— The projected deficits proved to be persistent due to the perpetuation of certain services and the recurrence of costs due to high post-pandemic inflation. This inflation, in addition to demographic growth in 2023 and 2024 and labour shortages in public services, continues to put pressure on public finances.

— Public infrastructure investments contribute to the delivery of quality public services. They also help stimulate the economy and increase Québec's long-term economic potential.

The tabling of Budget 2025-2026 comes at a time of great uncertainty. The trade dispute triggered by the United States will moderate economic growth in Québec and North America as a whole. In this context, the government is maintaining its commitment by presenting its plan to restore fiscal balance.

The *Balanced Budget Act* requires the government to return to a balanced budget by 2029-2030. However, beyond the Act, when large deficits are not eliminated, they limit the government's long-term ability to deliver public services, ensure intergenerational equity and respond to unforeseen shocks such as a pandemic.

— This objective of returning to a balanced budget must, however, be achieved at a pace compatible with the current economic situation.

— By returning to a balanced budget after deposits of dedicated revenues in the Generations Fund in 2029-2030, Québec will put an end to nine consecutive years of deficits.

❑ The benefits of sound management of public finances

The sound management of public finances fosters a climate of confidence conducive to private investment, economic growth and higher productivity. Achieving a balanced budget is essential to the government's debt burden reduction strategy, and to public and investor confidence. It sends a message to individuals and businesses that the tax burden will be stable over time.

By ensuring greater intergenerational equity, reducing the debt burden also guarantees sustainable funding for essential government missions such as health and education, while meeting the challenges of an aging population and climate change.

Moreover, it paves the way for crucial investments in public infrastructure and strengthens Québec's ability to cope with future economic crises. The sound management of public finances provides a solid foundation for collective wealth and sustainable prosperity.

Comparable budgetary challenges in Canadian provinces

Québec is facing the same challenge as the majority of Canadian provinces, which are planning to straighten out their financial situation and thus eliminate their deficits in the medium term.

Québec stands out from the other provinces, however, for its stricter definition of budgetary balance. What's more, it is the only jurisdiction, along with Ontario and Alberta, whose legislation requires the tabling of a plan or a deadline to restore fiscal balance when a deficit is recorded.

Québec plans to bring its budget back into balance by 2029-2030, while the majority of Canadian jurisdictions with deficits have no timeline for restoring fiscal balance. Implementation of the plan to restore fiscal balance is all the more important given that Québec's debt is higher than the other provinces' average debt. Québec is the second most heavily indebted province after Newfoundland and Labrador.

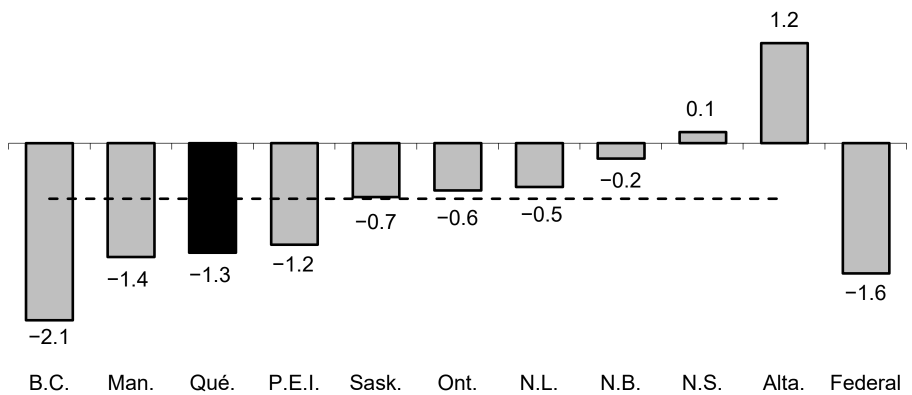
In 2024-2025, most Canadian jurisdictions showed budgetary deficits. On a comparable basis to the budgetary balances of other Canadian jurisdictions, that is, before deposits of dedicated revenues in the Generations Fund, Québec's accounting deficit[1] stood at $8.1 billion in 2024-2025, or 1.3% of GDP.

– This is one of the highest deficits among Canadian provinces, after British Columbia (2.1% of GDP) and Manitoba (1.4% of GDP). These two provinces have lower debt levels than Québec.

In 2024-2025, only Alberta and Nova Scotia recorded budget surpluses of 1.2% and 0.1% of GDP, respectively. However, these provinces are forecasting deficits in 2025-2026.

As in Québec, the budgetary situation in the provinces deteriorated in 2024-2025 compared to 2023-2024, by an average of 0.3 percentage points of GDP.

2024-2025 budgetary balance
(percentage of GDP)



Notes: The provincial average is −0.7% (dotted black line).
For Québec, the accounting deficit is comparable to that of other provinces.
Chart information reflects data available as at March 5, 2025.

1 Accounting surplus (deficit) refers to the surplus (deficit) from operations as presented in the public accounts.

4.2 The plan to restore fiscal balance

This budget provides for the implementation of a plan to restore fiscal balance, with concrete initiatives aimed at eliminating the deficit. Through these efforts, after deposits of dedicated revenues in the Generations Fund, fiscal balance will be achieved by 2029-2030 at the latest, in accordance with the *Balanced Budget Act*.

The implementation of the plan to restore fiscal balance is in line with the following fiscal policy directions:

- achieving and maintaining fiscal balance;
- reducing the share of expenditure in the economy to a level similar to its pre-pandemic level;
- maintaining deposits of dedicated revenues in the Generations Fund and a long-term debt reduction objective;
- stimulating economic growth and narrowing the wealth gap with Ontario;
- adequately funding the government's missions;
- continuing to make infrastructure investments.

The government's initiatives under the plan to restore fiscal balance are in line with these policy directions and associated objectives.

4.2.1 The path for restoring fiscal balance

The purpose of the *Balanced Budget Act* is to balance the government's budget. In particular, the Act 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.

Since the budgetary deficit recorded in the *Public Accounts 2022-2023*, tabled on December 11, 2023, is $6.1 billion within the meaning of the Act and exceeds the dedicated revenues in the Generations Fund, which amount to $3.1 billion, the government must table, as part of this budget, a plan to restore fiscal balance that meets the following characteristics:

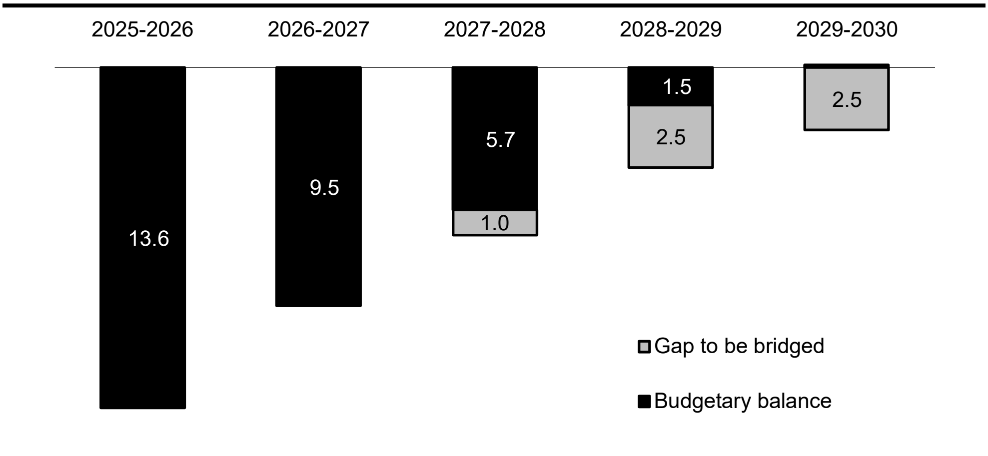
— a maximum period of five years, for a return to a balanced budget by 2029-2030;

— 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 budgetary deficit recorded in *Public Accounts 2022-2023*.

CHART F.9

Path for restoring fiscal balance
(billions of dollars)



Note: Budgetary balance within the meaning of the *Balanced Budget Act*.

4.2.2 **Initiatives to restore fiscal balance**

In response to budgetary challenges, the government remains committed to implementing concrete initiatives to improve the budgetary balance and comply with the *Balanced Budget Act*.

The initiatives taken since Budget 2024-2025 and those in the current budget will total nearly $6 billion in 2029-2030, and focus on the following areas:

— review to improve the tax system;

— identification of optimization and efficiency efforts by government enterprises;

— review of budgetary expenditures by government departments and bodies.

As of 2027-2028, the government will use all necessary levers to bridge the remaining gap.

TABLE F.19

Initiatives to restore fiscal balance
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total 6 years
Results of the review to improve the tax system(1)	835	532	850	1 915	2 370	2 594	9 096
Efforts by government enterprises(2)	—	100	200	300	400	400	1 400
Review of budgetary expenditures	—	616	1 268	1 800	2 400	3 000	9 084
IDENTIFIED INITIATIVES	**835**	**1 248**	**2 318**	**4 015**	**5 170**	**5 994**	**19 580**
Gap to be bridged	—	—	—	1 000	2 500	2 500	6 000

Note: Totals may not add due to rounding.
(1) Amounts made available by the review to improve the tax system have been adjusted to reflect the postponement to January 1, 2026 of the implementation of the harmonization of capital gains taxation with that of the federal system.
(2) These are the measures announced in the *Québec Budget Plan – March 2024*.

❑ Results of the review to improve the tax system

In Budget 2024-2025, the government announced that it would conduct a rigorous review of existing tax expenditures, covering measures related to personal and corporate income taxes, as well as consumption taxes.[22]

The review to improve the tax system also provided an opportunity to review taxation measures and fees to ensure that they are effective and equitable and that they meet their underlying socioeconomic objectives.

This review process, which began in the spring of 2024, is expected to improve the efficiency of the Québec tax system and free up amounts of $2.6 billion in 2029-2030.

TABLE F.20

Financial impact of the review to improve the tax system
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total 6 years
Budget 2024-2025							
Adjusting certain tax assistance measures for businesses	4	51	213	351	421	496	1 536
Continuing tobacco control efforts	40	65	65	65	65	65	365
Ensuring the fairness and integrity of the tax system	55	100	100	100	100	100	555
Subtotal	**99**	**216**	**378**	**516**	**586**	**661**	**2 456**
Fall 2024							
Optimizing the tax credit for career extension	—	227	223	220	217	214	1 101
Harmonizing capital gains taxation with the federal tax system(1)	736	58	−21	456	656	681	2 564
Subtotal	**736**	**285**	**202**	**675**	**873**	**895**	**3 665**
Budget 2025-2026							
Optimizing tax assistance for businesses	—	—	2	138	230	234	604
Simplifying the tax system	—	27	101	328	338	347	1 141
Updating the tax system	—	−1	112	91	119	161	482
Fostering the funding of public services	—	6	56	166	224	296	748
Subtotal	**—**	**32**	**271**	**723**	**911**	**1 038**	**2 974**
TOTAL	**835**	**532**	**850**	**1 915**	**2 370**	**2 594**	**9 096**

Note: Totals may not add due to rounding.
(1) Amounts made available by the review to improve the tax system have been adjusted to reflect the postponement to January 1, 2026 of the implementation of the harmonization of capital gains taxation with that of the federal system.

22 For more details, see Section D, "Results of the Review to Improve the Tax System."

❑ Efforts by government enterprises

As part of Budget 2024-2025, the government announced that the main government enterprises—Hydro-Québec, Loto-Québec, Société des alcools du Québec, Investissement Québec and Société québécoise du cannabis—will have to make efforts.

To follow up on this announcement, the enterprises concerned have each produced a plan detailing the initiatives to be taken and the resulting additional benefits, thereby committing themselves to the efforts requested.

Plans from these enterprises include various measures to optimize revenue and rationalize expenditure, including:

- increasing labour productivity;
- optimizing building management;
- reducing communications and marketing expenditures;
- adjusting opening hours.

❑ Review of budgetary expenditures

The review of budgetary expenditures aimed at improving the efficiency of government intervention in the activities of departments and bodies, coordinated by the Secrétariat du Conseil du trésor, has led to the announcement of a reduction in expenditures of $3.0 billion in 2029-2030.[23] It identified gains stemming from:

- updates to certain programs;
- the optimization of administrative expenditures and processes;
- the capping of independent labour rates in the health and social services sector;
- the transformation of government operations.

The key efficiency and expenditure optimization measures focus in particular on:

- the optimization of space and rents for government administration;
- the creation of new purchasing groups;
- the disposal of surplus buildings requiring major investments;
- the centralized management of people working in information technology and of technological assets;
- the creation of intelligent call centres.

TABLE F.21

Financial impact of the measures related to the review of budgetary expenditures
(millions of dollars)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total 5 years
Updates to certain programs	115	287	353	405	443	1 603
Optimization of administrative expenditures and processes	124	302	576	996	1 369	3 368
Capping of independent labour rates in the health and social services sector	240	384	580	580	580	2 364
Transformation of government operations	136	295	292	418	609	1 750
TOTAL	**616**	**1 268**	**1 800**	**2 400**	**3 000**	**9 084**

Note: Totals may not add due to rounding.
Source: Secrétariat du Conseil du trésor, *Budget de dépenses 2025-2026*, volume 1 : *Stratégie de gestion des dépenses et renseignements supplémentaires*.

23 Volume 1 of the *Budget de dépenses 2025-2026,* entitled *Stratégie de gestion des dépenses et renseignements supplémentaires*, provides more information on the review of budgetary expenditures.

Ongoing efforts to increase government efficiency
Since 2018-2019, the government has been committed to optimizing public expenditures. It led projects aimed at increasing government performance, focusing, in particular, on improving information technology management, optimizing government procurement and reviewing programs, thereby generating recurring savings of over $2.0 billion by 2022-2023. As part of the review of budgetary expenditures, all government entities were asked to propose structural changes aimed at innovating and reviewing operations, particularly with regard to administrative services. The government is continuing this process. In a continued effort to review budgetary expenditures, the government intends to take further action toward transforming the way the government operates. Improved performance is also expected.

❑ Bridging a gap over time

The financial framework provides for a gap to be bridged of $1.0 billion in 2027-2028 and $2.5 billion in 2028-2029 and 2029-2030, or 0.3% of GDP in 2029-2030. As such, after deposits of dedicated revenues in the Generations Fund, balance will be achieved by 2029-2030 at the latest.

The gap could be bridged with an improvement in the economic situation. Even without an improvement, the government has various levers at its disposal:

— it will continue its initiatives aimed at creating more wealth and increasing Québec's economic potential;

— it will continue its representations to the federal government to obtain federal transfers, particularly for health and infrastructure;

— it could benefit from the non-utilization of the contingency reserve;

— it is committed to promoting efficiency and productivity gains in the delivery of public services.

Should these levers fail to bridge the entire gap, further initiatives may be determined once the uncertainty surrounding the trade relationship with the United States has dissipated.

4.3 Ensuring the continuity of services and the sustainability of public finances

Achieving a balanced budget is an essential condition for the long-term sustainability of public finances and for controlling the change in the debt burden.

Trends in the various indicators of public finance sustainability show that the plan to restore fiscal balance will have a favourable impact, enabling us to compare the future situation favourably with that of 2018-2019, that is, before the start of the pandemic.

- The share of revenue as a proportion of GDP will be lower in 2029-2030 (25.1%) than it was in 2018-2019 (26.1%).
- The plan to restore fiscal balance will return expenditure as a proportion of GDP to a level similar to its pre-pandemic level, while the basket of services will have increased.
- Lastly, the initiatives taken as part of the plan to restore fiscal balance will make it possible to keep debt-servicing costs low as a proportion of revenue, and to control changes in the debt burden.
  - A low cost of debt servicing as a proportion of revenue provides leeway to better fund public services. Through these initiatives, the proportion of revenues devoted to debt service will remain at historically low levels (6.8%), thus preserving the government's budgetary flexibility.

TABLE F.22

Impact of the plan to restore fiscal balance on indicators of public finance sustainability, viability and budgetary flexibility
(per cent)

		2029-2030			
	2018-2019	Without restore plan	With restore plan(1)	Difference	Change compared to 2018-2019
Revenue as a proportion of GDP	26.1	24.7	25.1	0.3	−1.0
Expenditure as a proportion of GDP	24.4	25.3	24.8	−0.5	0.4
Debt-servicing costs as a proportion of revenue	7.7	7.3	6.8	−0.5	−1.0
Net debt as a proportion of GDP	42.9	43.6	39.8	−3.8	−3.1

Notes: Differences may not add due to rounding.
The grey boxes are those showing a favourable impact on sustainability indicators.
(1) The gap to be bridged is not included in the calculation of ratios of revenue and expenditure as a proportion of GDP.

❑ Share of expenditure and revenue in the economy

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

In 2025-2026, the share of expenditure in the economy stands at 26.3%, exceeding revenue, which amounts to 24.8% of GDP.

- The increase in the share of expenditure in the economy, from 24.4% in 2018-2019 to 26.3% in 2025-2026, results from government investments to fund public services, such as health care and education.
- The decline in the share of revenue in the economy, from 26.1% in 2018-2019 to 24.8% in 2025-2026, is due in particular to the measures implemented by the government to put money back in the wallets of Quebecers.

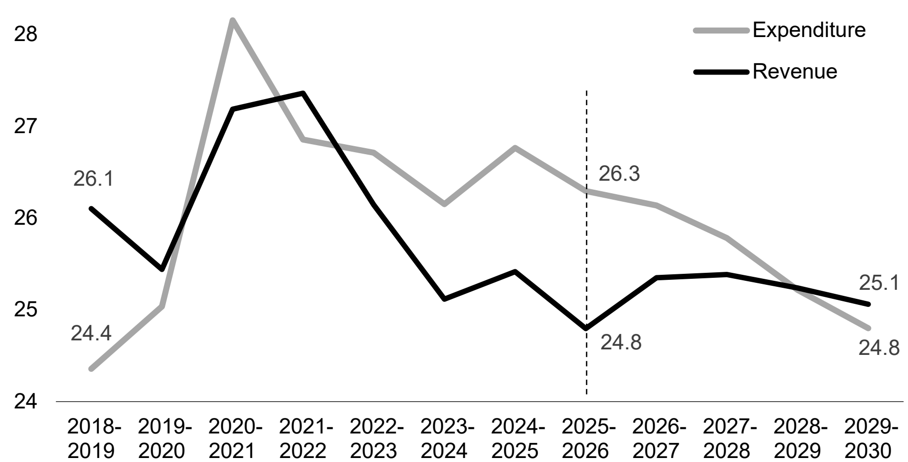
Due to the perpetuation of certain services and the recurrence of costs due to high post-pandemic inflation, the gap between expenditure and revenue in 2025-2026 proved to be persistent.

This gap will be gradually eliminated to restore fiscal balance and maintain sound public finances over the long term.

- Through the government's initiatives to improve the tax system and review budgetary expenditures, the share of expenditure in the economy will fall to 24.8% in 2029-2030, whereas the share of revenue will rise to 25.1%.

CHART F.10

Share of expenditure and revenue in the economy
(percentage of GDP)



APPENDIX 1: PORTFOLIO EXPENDITURES

TABLE F.23

Portfolio expenditure forecasts
(millions of dollars)

	2024-2025	2025-2026
National Assembly	185	193
Persons appointed by the National Assembly	153	168
Affaires municipales et Habitation	5 146	5 623
Agriculture, Pêcheries et Alimentation	1 628	1
Conseil du trésor et Administration gouvernementale	4 486	4 524
Conseil exécutif	597	602
Culture et Communications	1 937	2 083
Cybersécurité et Numérique	385	297
Économie, Innovation et Énergie	4 858	4 521
Éducation	23 016	23 517
Emploi et Solidarité sociale	5 796	5 804
Enseignement supérieur	11 081	11 311
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 435	2 436
Famille	8 684	9 308
Finances	3 745	3 885
Immigration, Francisation et Intégration	514	768
Justice	1 976	2 103
Langue française	72	80
Relations internationales et Francophonie	176	165
Ressources naturelles et Forêts	1 421	1 495
Santé et Services sociaux	63 596	65 527
Sécurité publique	3 072	2 681
Tourisme	645	536
Transports et Mobilité durable	7 571	7 308
Travail	231	240
Reallocation of expenditures during the fiscal year	—	−600
TOTAL	**153 406**	**156 102**

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 purpose of the Act is to balance the government's budget. To this end, it limits the circumstances that may result in forecasting a budgetary deficit and sets out, in certain cases and with full transparency, a process to restore fiscal balance.

Balanced Budget Act

The *Balanced Budget Act* was passed by the National Assembly in 1996 and modernized in December 2023. The Act specifies how the budgetary balance is calculated 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:

– 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.

❑ 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. Table F.24 shows the components for establishing the budgetary balance within the meaning of the Act.

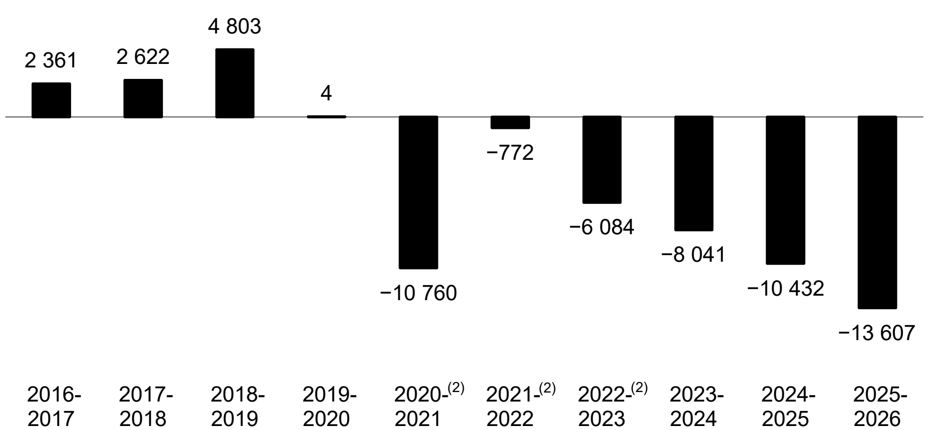
Balanced budgets within the meaning of the Act were achieved for fiscal years 2016-2017 to 2019-2020. For 2020-2021, 2021-2022 and 2022-2023, the COVID-19 pandemic had a major impact on the government's financial framework. The *Balanced Budget Act* was amended to suspend the obligation to achieve a balanced budget in those years. However, a balanced budget was achieved in 2020-2021 and 2021-2022 through the use of the stabilization reserve. A plan to offset budget overruns was presented during the 2023-2024 budget speech in accordance with the *Balanced Budget Act* in effect at that time.

In December 2023, the Act was modernized to make it simpler and more flexible, while keeping it equally binding in terms of the obligation to provide for a balanced budget. The new legislative provisions were applicable when Budget 2024-2025 was tabled, including the deadline for tabling a plan to restore fiscal balance. However, the forecast of a higher deficit than the previous year was warranted by a significant deterioration in economic conditions compared to those prevailing when Budget 2023-2024 was tabled.

The first year of the plan to restore fiscal balance is 2025-2026. Accordingly, the government may forecast a deficit with no limit regarding its level.

CHART F.11

Budgetary balances(1) from 2016-2017 to 2025-2026
(millions of dollars)



(1) Budgetary balance within the meaning of the *Balanced Budget Act*. Prior to 2023-2024, this balance takes into account allocations to the stabilization reserve and uses of the reserve to maintain a balanced budget.
(2) Use of the stabilization reserve resulted in balanced budgets for 2020-2021 and 2021-2022, and a budget deficit balance of $5 635 million for 2022-2023.

Budgetary balance within the meaning of the Act

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. This definition of budgetary balance is more restrictive than in other provinces and reflects the government's determination to reduce the debt and preserve generational fairness.

Before 2023-2024, the Act allowed the stabilization reserve to be taken into account in assessing whether a balanced budget had been achieved. Where the calculated budgetary balance was a deficit, the government used an equivalent amount from the reserve to present a nil budgetary balance and achieve a balanced budget without having to implement an offsetting financial plan. The budgetary balance thus obtained corresponded to the budgetary balance within the meaning of the Act after taking into account the stabilization reserve; however, the stabilization reserve was abolished as of 2023-2024.

❑ The plan to restore fiscal balance

The framework of the plan to restore fiscal balance provided for in the *Balanced Budget Act* and the trajectory of this plan are presented in subsection 4.2.1.

TABLE F.24

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 and other changes[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	
2013-2014	−2 259	−1 121	556	−2 824	—	—	−2 824[5]
2014-2015	−730	−1 279	1 284	−725	—	—	−725[5]
2015-2016	3 269	−1 453	375	2 191	−2 191	—	
2016-2017	3 944	−2 001	418	2 361	−2 361	—	—
2017-2018	2 804	−2 293	2 111	2 622	−2 622	—	—
2018-2019	7 675	−3 477	605	4 803	−4 803	—	—
2019-2020	1 845	−2 606	765	4	−4	—	—
2020-2021	−4 378	−3 313	−3 069	−10 760	—	10 760	—
2021-2022	2 567	−3 617	278	−772	—	772	—
2022-2023	−3 126	−3 082	124	−6 084	—	449	−5 635[6]
2023-2024	−5 994	−2 047	—	−8 041[7]	n/a	n/a	n/a
2024-2025	−8 078	−2	—	−10 432[8]	n/a	n/a	n/a
2025-2026	−11 430	−2 177	—	−13 607[7]	n/a	n/a	n/a

(1) The annual surpluses (deficits) were restated to take into account, in particular, the accounting standards respecting transfer payments and asset retirement obligations.
(2) To comply with the *Balanced Budget Act*, adjustments are made to take into account restatements in the public accounts, including 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 budgetary deficits of $2.8 billion and $0.7 billion recorded for 2013-2014 and 2014-2015, respectively, are allowed pursuant to the *Balanced Budget Act*.
(6) The obligation to achieve a balanced budget was suspended from March 25, 2021 to March 31, 2023.
(7) A plan to restore fiscal balance was tabled in 2023-2024 and 2025-2026.
(8) The higher deficit than the previous year is warranted by a significant deterioration in economic conditions compared to those prevailing when the plan was tabled.

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:

— sensitivity analyses, the main risks to Québec's financial position and prudence factors;

— the government's net financial surpluses or requirements;

— Québec's budgetary statistics, which present, in particular, the government's revenue, expenditure and debt on a historical basis.

In addition, the document *Processus et documentation budgétaires : une reddition de comptes sur les finances publiques de l'État* (in French only) contains information on the budget planning process and financial framework development carried out by the Ministère des Finances and provides budget documents in support of the government's budgetary cycle.

Supplementary information is available on the Ministère des Finances website.
To view this information, visit the Budget 2025-2026 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_et_mise_a_jour/budget/2022-2023/

Section G

THE QUÉBEC GOVERNMENT'S DEBT

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SUMMARY

Québec has made notable progress in reducing its debt load in recent decades, even though it remains high.

As at March 31, 2025, Québec's net debt will stand at $235.8 billion, or 38.7% of GDP. This is lower than the pre-pandemic level, which was 40.9% of GDP as at March 31, 2020. As at March 31, 2021, during the pandemic, net debt to GDP stood at 43.1% of GDP.

In the face of economic uncertainty, the government is staying the course on wealth creation. It has chosen to support economic growth by increasing its public infrastructure investments and by championing measures to stimulate investment and innovation in businesses, enabling them to consolidate their competitive position. In this context, net debt to GDP will rise to 41.9% as at March 31, 2028. It will resume its downward trend starting in 2028-2029 due to, in particular, the improvement in the budgetary situation and deposits in the Generations Fund.

While the increase in investment calls for a review of debt reduction targets, the government is maintaining deposits in the Generations Fund and its objective of reducing the debt burden in the long term.

Over the past 24 months, the government has also increased its investments in public services, notably to improve working conditions for public and parapublic sector employees. Another recent significant event has been low runoff in Hydro-Québec's basins, which has reduced government revenue.

In this context, the government is adjusting its targets for reducing net debt to GDP by 2032-2033 from 33.0% to 35.5% and its target for reducing net debt to GDP by 2037-2038 from 30.0% to 32.5%.[1]

Net debt to GDP will increase until 2027-2028 due to, in particular, the significant increase in public infrastructure investments and some measures destined to businesses that will support economic growth in an uncertain environment.

The debt burden will subsequently resume its downward trend until reaching a new net debt reduction objective of 32.5% of GDP by 2037-2038.

[1] The *Act to reduce the debt and establish the Generations Fund* currently 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 March 2023 budget speech. The government will propose raising this maximum limit to 35.0% of GDP, corresponding to a net debt reduction objective of 32.5% of GDP.

In 2025-2026, revenues dedicated to the Generations Fund will stand at $2.2 billion. They will reach $2.8 billion in 2029-2030. The balance of the Generations Fund, which will be $16.8 billion as at March 31, 2025, is expected to reach $26.9 billion as at March 31, 2030, representing 9.3% of net debt.

The uncertain economic context, the evolution of interest rates and the high level of debt require prudence and the sound management of public finances, since higher-than-anticipated interest rates would have a substantial impact on the financial framework.

❑ The benefits of reducing the debt burden

The government is maintaining its objective of reducing the debt burden in the long term. Thanks in particular to a return to a balanced budget by 2029-2030 and continued deposits in the Generations Fund, the net debt burden will resume a downward trajectory starting in 2028-2029.

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;
- continue to fund substantial investments in public infrastructure;
- ease the tax burden on Quebecers;
- counter a new recession;
- increase its financial autonomy within the federation.

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, 2025, Québec's gross debt will stand at $258.4 billion, or 42.4% of GDP.

— **Net debt** corresponds to the government's liabilities as a whole, less its financial assets.

  — As at March 31, 2025, Québec's net debt will stand at $235.8 billion, or 38.7% of GDP.

— **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, 2025, the debt representing Québec's accumulated deficits will stand at $126.1 billion, or 20.7% of GDP.

TABLE G.1

Québec government debt as at March 31 according to different concepts
(millions of dollars, unless otherwise indicated)

	2024	2025	2026
GROSS DEBT(1)	**245 832**	**258 369**	**279 634**
% of GDP	*42.4*	*42.4*	*44.4*
Less: Financial assets, net of other liabilities(2)	−25 816	−22 543	−24 631
NET DEBT	**220 016**	**235 826**	**255 003**
% of GDP	*38.0*	*38.7*	*40.4*
Less: Non-financial assets	−101 711	−109 739	−117 782
DEBT REPRESENTING ACCUMULATED DEFICITS	**118 305**	**126 087**	**137 221**
% of GDP	*20.4*	*20.7*	*21.8*

(1) Gross debt excludes pre-financing and takes into account the 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, 2025, Québec's net debt will stand at $235.8 billion, or 38.7% of GDP. This increase over the previous year is due to the budgetary deficit and investments in public infrastructure. Net debt to GDP is expected to continue increasing until 2027-2028. A gradual reduction is expected as of 2028-2029 tied to, in part, the improved budgetary situation.

TABLE G.2

Factors responsible for the change in net debt
(millions of dollars, unless otherwise indicated)

	Debt, beginning of year	**Accounting deficit (surplus)(1)**	**Net capital investments**	**Accounting adjustments(2)**	**Total change**	**Debt, end of year**	***% of GDP***
2023-2024	208 820	5 994	8 238	−3 036	11 196	220 016	*38.0*
2024-2025	220 016	8 078	8 028	−296	15 810	235 826	*38.7*
2025-2026	235 826	11 430	8 043	−296	19 177	255 003	*40.4*
2026-2027	255 003	7 126	8 602	−296	15 432	270 435	*41.5*
2027-2028	270 435	3 173	9 276	−296	12 153	282 588	*41.9*
2028-2029	282 588	−1 150	5 289	−296	3 843	286 431	*41.0*
2029-2030	286 431	−2 897	4 911	−296	1 718	288 149	*39.8*

(1) From 2027-2028 to 2029-2030, the accounting balance includes the gap to be bridged.
(2) Accounting adjustments include the impact of revaluation elements on net debt. As at March 31, 2024, the reduction in net debt is mainly due to revaluation gains related to government enterprises.

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 accounting balance.

From 2025-2026 to 2029-2030, net capital investments will increase net debt by $7.2 billion per year on average. A reduction is expected in 2028-2029 tied to the reduction in annual investments under the Québec Infrastructure Plan.

Net capital investments
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Gross investments(1)	13 548	13 894	14 662	15 597	12 072	12 348
Less: Depreciation(2)	−5 520	−5 851	−6 060	−6 321	−6 783	−7 437
TOTAL	**8 028**	**8 043**	**8 602**	**9 276**	**5 289**	**4 911**

(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.
(2) Depreciation is included in portfolio expenditures.

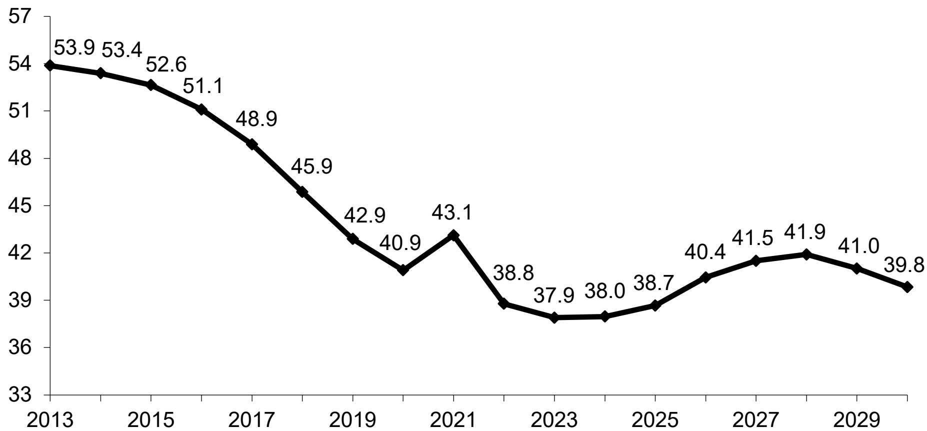
❑ The net debt burden will resume its downward trend starting in 2028-2029

The net debt burden will stand at 40.4% of GDP as at March 31, 2026. This is lower than the pre-pandemic level, which was 40.9% of GDP as at March 31, 2020. As at March 31, 2021, during the pandemic, net debt to GDP stood at 43.1% of GDP.

Net debt to GDP will increase until 2027-2028, due to, in particular, the significant investments in public infrastructure needed to stimulate economic growth in an uncertain environment. It will then fall back to 39.8% of GDP as at March 31, 2030. This will be much lower than the peak reached in 2012-2013, at 53.9% of GDP.

CHART G.1

Net debt as at March 31
(percentage of GDP)



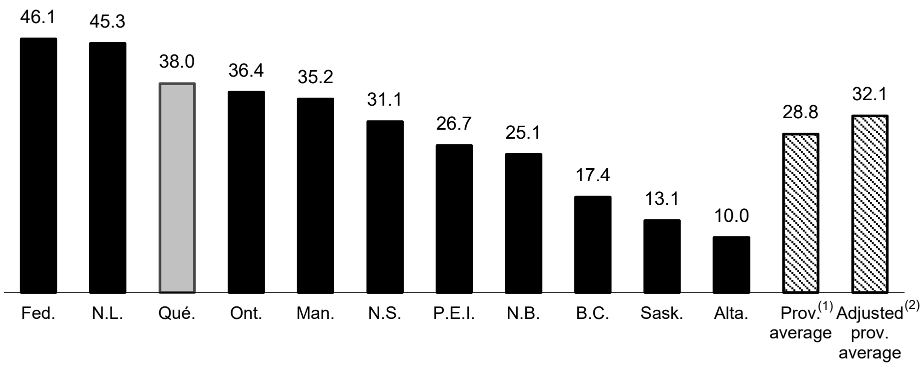
❑ Comparison of the net debt of governments in Canada

As at March 31, 2024, Québec's net debt burden stood at 38.0% of GDP, compared with the provincial average of 28.8%.[2] Excluding the least indebted province, Alberta, and the most indebted province, Newfoundland and Labrador, this average rises to 32.1%.

Québec is one of Canada's most indebted jurisdictions and aims to reduce its net debt to GDP to 32.5% by 2037-2038.

CHART G.2

Net debt of governments in Canada as at March 31, 2024
(percentage of GDP)



(1) GDP-weighted average.
(2) GDP-weighted average excluding the least indebted province, Alberta, and the most indebted province, Newfoundland and Labrador.
Sources: Governments' public accounts and Statistics Canada.

2 Provincial average as at March 31, 2023 was 28.6%.

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 42.4% of GDP as at March 31, 2025. An increase in gross debt to GDP is forecast by 2027-2028, due in particular to the significant investments in public infrastructure needed to stimulate economic growth in an uncertain environment. Gross debt to GDP will then fall to 45.0% as at March 31, 2030.

Furthermore, as of 2027-2028, sums accumulated to pay the retirement benefits of government employees are projected to exceed the government's liability in this regard.

TABLE G.3

Gross debt as at March 31
(millions of dollars, unless otherwise indicated)

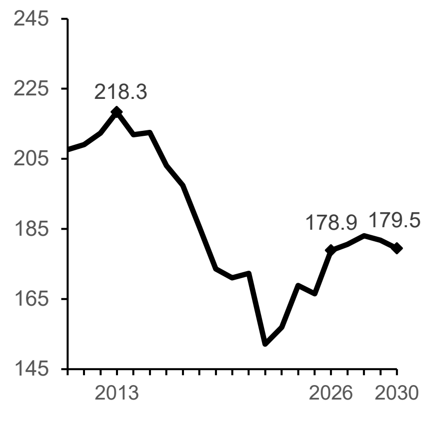
	2024	2025	2026	2027	2028	2029	2030
Direct debt	260 670	271 893	294 095	316 924	336 322	348 521	359 274
Plus: Pension plans and other employee future benefits(1)	3 620	3 288	2 028	293	−1 568	−4 051	−7 078
Less: Generations Fund	−18 458	−16 812	−16 489	−18 891	−21 413	−24 061	−26 857
GROSS DEBT	**245 832**	**258 369**	**279 634**	**298 326**	**313 341**	**320 409**	**325 339**
% of GDP	***42.4***	***42.4***	***44.4***	***45.8***	***46.5***	***45.9***	***45.0***

(1) A positive entry represents a net liability while a negative entry represents a net asset.

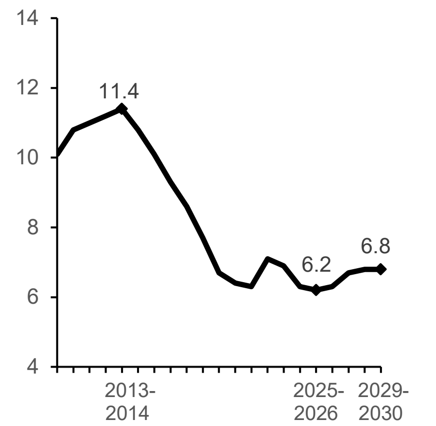
The proportion of revenue dedicated to debt service will remain at historically low levels

The gross debt and debt service as proportions of revenue are two key financial indicators monitored by credit rating agencies. Debt service as a proportion of revenue, which will stand at 6.2% in 2025-2026, is expected to increase slightly in future years. It will remain well below the level reached in the early 2010s.

Gross debt as at March 31
(percentage of revenue)



Debt service
(percentage of revenue)



The uncertain economic context, the evolution of interest rates and the high level of debt require prudence and the sound management of public finances, because higher-than-anticipated 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 $496 million in the first year and by $1.8 billion in the fifth year.

The impact is increasing, as only a portion of the debt is refinanced each year. The average maturity of the debt was 11 years as at March 31, 2024.

Such a rise in interest rates starting in 2025-2026 would put the proportion of revenue dedicated to debt service at 7.7% in 2029-2030, compared to the currently anticipated ratio of 6.8%. An interest rate cut of 1 percentage point as of 2025-2026 would decrease this share to 5.8% in 2029-2030.

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	496	888	1 208	1 491	1 771

TABLE G.4

Factors responsible for the change in the Québec government's gross debt

(millions of dollars, unless otherwise indicated)

	Debt, beginning of year	Accounting deficit (surplus)(1)	Investments, loans and advances	Net capital investments	Other factors(2)	Total change	Debt, end of year	*% of GDP*
2023-2024	226 344	5 994	2 328	8 238	2 928	19 488	245 832	*42.4*
2024-2025	245 832	8 078	1 998	8 028	−5 567	12 537	258 369	*42.4*
2025-2026	258 369	11 430	3 278	8 043	−1 486	21 265	279 634	*44.4*
2026-2027	279 634	7 126	3 193	8 602	−229	18 692	298 326	*45.8*
2027-2028	298 326	3 173	2 612	9 276	−46	15 015	313 341	*46.5*
2028-2029	313 341	−1 150	2 385	5 289	544	7 068	320 409	*45.9*
2029-2030	320 409	−2 897	2 246	4 911	670	4 930	325 339	*45.0*

(1) From 2027-2028 to 2029-2030, the accounting balance includes the gap to be bridged.
(2) The decrease in gross debt in 2024-2025 is due to the disposition of temporary investments acquired in the previous year.

Investments, loans and advances

The government makes investments, in the form of investments, loans and advances, in private businesses, in particular through the Economic Development Fund (EDF)[1] as well as in state-owned enterprises.

A state-owned enterprise 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.

1 From 2024-2025 to 2029-2030, the EDF's net acquisitions of investments and loans average close to $530 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, 2025, the debt representing Québec's accumulated deficits will stand at $126.1 billion, or 20.7% of GDP.

Due to budgetary deficits, the debt burden representing accumulated deficits will increase until 2026-2027. It will decrease as of 2027-2028 to stand at 19.7% of GDP as at March 31, 2030.

TABLE G.5

Factors responsible for the change in debt representing accumulated deficits
(millions of dollars, unless otherwise indicated)

	Debt, beginning of year	Accounting deficit (surplus)(1)	Accounting adjustments(2)	Total change	Debt, end of year	*% of GDP*
2023-2024	114 936	5 994	−2 625	3 369	118 305	*20.4*
2024-2025	118 305	8 078	−296	7 782	126 087	*20.7*
2025-2026	126 087	11 430	−296	11 134	137 221	*21.8*
2026-2027	137 221	7 126	−296	6 830	144 051	*22.1*
2027-2028	144 051	3 173	−296	2 877	146 928	*21.8*
2028-2029	146 928	−1 150	−296	−1 446	145 482	*20.8*
2029-2030	145 482	−2 897	−296	−3 193	142 289	*19.7*

(1) From 2027-2028 to 2029-2030, the accounting balance includes the gap to be bridged.
(2) Accounting adjustments include the impact of revaluation elements on debt representing accumulated deficits. As at March 31, 2024, the reduction in debt representing accumulated deficits is mainly due to revaluation gains related to government enterprises.

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, 2025, Québec's public sector debt will stand at $350.5 billion, or 57.5% 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, unless otherwise indicated)

	2021	2022	2023	2024	2025
Government's gross debt	211 441	211 198	226 344	245 832	258 369
Hydro-Québec	44 831	46 225	49 438	53 537	57 146
Municipalities	30 020	31 263	30 952	32 414	33 436
Universities other than the Université du Québec and its constituents	1 452	1 379	1 463	1 519	1 519
PUBLIC SECTOR DEBT	**287 744**	**290 065**	**308 197**	**333 302**	**350 470**
% of GDP	***63.8***	***57.2***	***55.9***	***57.5***	***57.5***

1.5 The debt reduction objective and the Generations Fund

❑ New debt reduction targets

Québec has made notable progress in reducing its debt load in recent decades, even though it remains high.

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 of 2010, the Act stated that, for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP. These objectives were set following the 2008 financial crisis and changes to government accounting, which made it impossible to reach the targets established in 2006.

In March 2023, the government announced the replacement of these targets by net debt reduction targets, which were confirmed in December 2023 in the *Act to reduce the debt and establish the Generations Fund*.

— Unlike the gross debt, the net debt subtracts financial assets that will ultimately be used to reduce the debt on financial markets.[3] As at March 31, 2026, net debt to GDP is expected to stand at 40.4%, compared with 44.4% for gross debt.

Nevertheless, developments in the budgetary situation since the March 2023 budget call for a review of the debt reduction targets.[4]

— Over the past 24 months, the government has increased its public infrastructure investments and invested in public services, notably to improve working conditions for public and parapublic sector employees. Budget 2025-2026 also includes measures to stimulate business investment and innovation. Another recent significant event has been low runoff in Hydro-Québec's basins, which has reduced government revenue.

— In this context, the government is adjusting its targets for reducing net debt to GDP by 2032-2033 from 33.0% to 35.5% and its target for reducing net debt to GDP by 2037-2038 from 30.0% to 32.5%. Given the difficulty of forecasting how the economy will change over the long term, the government is continuing to provide an interval for these two targets.

TABLE G.6

The new debt reduction targets

	Targets announced in March 2023	New targets
Net debt by 2032-2033 (intermediate target)	33% of GDP (±2.5% of GDP)	35.5% of GDP (±2.5% of GDP)
Net debt by 2037-2038	30% of GDP (±2.5% of GDP)	32.5% of GDP (±2.5% of GDP)

3 However, the Generations Fund is also subtracted from gross debt.

4 For this purpose, the government will propose amendments to the *Act to reduce the debt and establish the Generations Fund*.

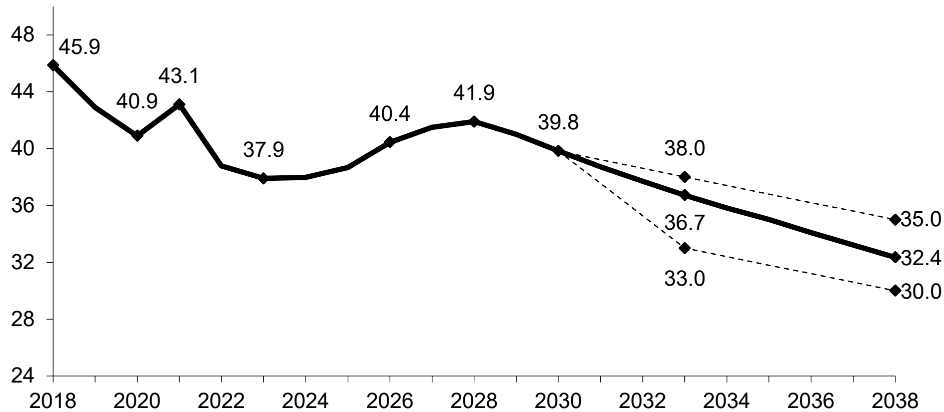
The Ministère des Finances conducts detailed five-year debt forecasts. For information purposes, a projection of the net debt-to-GDP ratio has been made up to 2037-2038.

Based on this projection, it is expected that:

- net debt to GDP will stand at 36.7% as at March 31, 2033, below the new maximum limit of 38.0% of GDP;
- net debt to GDP will stand at 32.4% as at March 31, 2038, below the new maximum limit of 35.0% of GDP.

CHART G.3

Net debt projection as at March 31
(percentage of GDP)



Note: The dotted lines represent the interval established by the government.

❑ 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;[5]

— 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 2025-2026, revenues dedicated to the Generations Fund will stand at $2.2 billion. They will rise to $2.8 billion in 2029-2030 and $4.2 billion in 2037-2038.

As at March 31, 2025, the balance of the Generations Fund will stand at $16.8 billion, which is 7.1% of net debt.

Withdrawals from the Generations Fund to repay borrowings will stand at $2.5 billion in 2025-2026. They amounted to $4.4 billion in 2024-2025.[6]

Withdrawals serve to reduce the financing program and alleviate debt service.

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5 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.

6 As announced in Budget 2024-2025, these withdrawals include an additional deposit of $400 million to the Generations Fund, drawn from a portion of the accumulated surplus of the Territorial Information Fund of the Ministère des Ressources naturelles et des Forêts.

TABLE G.7

Generations Fund
(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Book value, beginning of year(1)	**18 458**	**16 812**	**16 489**	**18 891**	**21 413**	**24 061**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	736	757	880	892	904	933
Private producers	115	121	124	126	129	131
Subtotal	**851**	**878**	**1 004**	**1 018**	**1 033**	**1 064**
Additional contribution from Hydro-Québec	650	650	650	650	650	650
Investment income(2)	853	649	748	854	965	1 082
Total dedicated revenues	**2 354**	**2 177(3)**	**2 402**	**2 522**	**2 648**	**2 796**
Deposit from the Territorial Information Fund	400	—	—	—	—	—
Total deposits	**2 754**	**2 177**	**2 402**	**2 522**	**2 648**	**2 796**
Use of the Generations Fund to repay borrowings	−4 400	−2 500	—	—	—	—
Book value, end of year	**16 812**	**16 489**	**18 891**	**21 413**	**24 061**	**26 857**
% of net debt	***7.1***	***6.5***	***7.0***	***7.6***	***8.4***	***9.3***
% of GDP	***2.8***	***2.6***	***2.9***	***3.2***	***3.4***	***3.7***

(1) For information purposes, as at December 31, 2024, the fair value of the Generations Fund was $19.2 billion, $3.0 billion more than its book value. Like the book value, the fair value includes accounts receivable ($0.5 billion as at December 31, 2024).
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on 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 4.4% is expected, corresponding to the historical average.
(3) The drop in revenues dedicated to the Generations Fund in 2025-2026 is explained by 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. The returns generated help reduce the debt burden.

- From 2007 to 2024, the average return was 5.8%, while the average cost of new borrowings was 3.2%, which represents a difference of 2.6 percentage points.
- In 2024, the difference stood at 6.3 percentage points.

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs
(per cent, unless otherwise indicated, 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*
2024	10.4	4.1	*6.3*

(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 2024-2025, the program stands at $36.7 billion, which is $0.2 billion more than projected in the March 2024 budget.

This adjustment is due to pre-financing carried out in 2024-2025, whereas all other changes reduce financial requirements.

As at March 5, 2025, the financing program is completed for 2024-2025, and $9.3 billion in pre-financing has been carried out.

TABLE G.8

Government's financing program in 2024-2025
(millions of dollars)

	March 2024	Adjustments	March 2025
Net financial requirements(1)	28 472	−3 036	25 436
Repayments of borrowings	16 904	−151	16 753
Use of the Generations Fund to repay borrowings	−4 400	—	−4 400
Withdrawal from the Accumulated Sick Leave Fund	—	−165	−165
Retirement Plans Sinking Fund withdrawal	−2 500	—	−2 500
Use of pre-financing	—	−3 150	−3 150
Transactions under the credit policy(2)	—	−2 586	−2 586
Pre-financing	—	9 322	9 322
Increase in the outstanding amount of Québec Treasury bills	−2 000	—	−2 000
TOTAL	**36 476**	**234**	**36 710**

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.
(1) The downward adjustment to net financial requirements is explained, in particular, by transfer revenues received at the beginning of 2024-2025 in relation to agreements with the federal government concluded at the end of 2023-2024.
(2) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives sums in response to exchange rates movements, among other things. These sums do not affect the debt.

The financing program will stand at $29.7 billion in 2025-2026.

For the four subsequent years, from 2026-2027 to 2029-2030, it will average $31.7 billion.

TABLE G.9

Government's financing program from 2025-2026 to 2029-2030
(millions of dollars)

	2025-2026	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**
Net financial requirements	29 084	25 882	22 456	15 280	13 737
Repayments of borrowings	16 899	14 104	13 309	14 488	17 701
Use of pre-financing	−9 322	—	—	—	—
Use of the Generations Fund to repay borrowings	−2 500	—	—	—	—
Retirement Plans Sinking Fund withdrawal	−2 500	−2 500	−2 500	−2 500	−2 500
Increase in the outstanding amount of Québec Treasury bills	−2 000	—	—	—	—
TOTAL	**29 661**	**37 486**	**33 265**	**27 268**	**28 938**

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

2.2 Borrowings contracted in 2024-2025

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 2024-2025, the government has contracted 34% of its borrowings on foreign markets, compared to an average of 30% over the last 10 years. In April 2024, Québec carried out its largest bond issue in any currency, a US$3.75-billion borrowing (C$5.07 billion) with a five-year maturity. Québec plans to continue to take advantage of opportunities to issue on foreign markets.

In 2024-2025, conventional bonds in Canadian dollars are the main debt instrument used.

The average cost of transactions in 2024-2025 was 4.11% with an average maturity of borrowings of 16 years, while the cost of the entire debt was 3.87% with an average remaining maturity of 11 years as at March 31, 2024.

TABLE G.10

Summary of long-term borrowings contracted in 2024-2025

Currencies	$million	%
CANADIAN DOLLAR		
Conventional bonds	23 568	64.2
Savings products issued by Épargne Placements Québec	543	1.5
Green bonds	—	—
Immigrant investors(1)	3	—
Subtotal	**24 114**	**65.7**
OTHER CURRENCIES		
U.S. dollar	7 761	21.1
Euro	1 866	5.1
Pound sterling	1 323	3.6
Australian dollar	1 212	3.3
Swiss franc	434	1.2
Subtotal	**12 596**	**34.3**
TOTAL	**36 710**	**100.0**

Note: Borrowings contracted as at March 5, 2025.
(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. 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/.

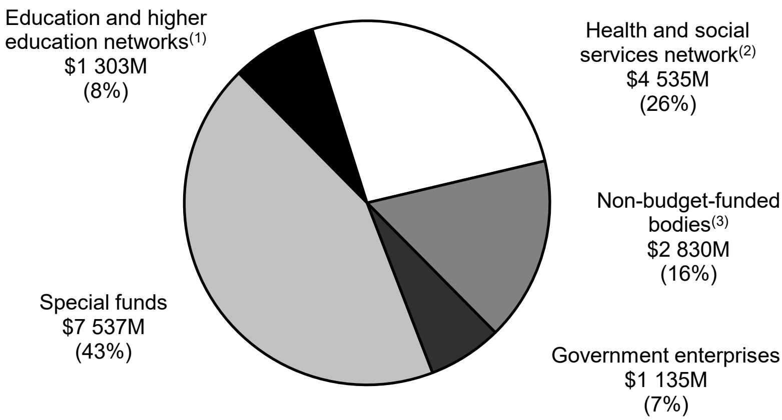
Funding of public bodies

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 2024-2025, the Financing Fund's loan program amounted to $17.3 billion. This amount is included in the government's net financial requirements.

Financing Fund's loan program in 2024-2025



(1) This category includes school service centres, school boards, CEGEPs and the Université du Québec and its constituents.
(2) For presentation purposes, Santé Québec is included in this category.
(3) This category includes 27 bodies, such as Société québécoise des infrastructures, Société d'habitation du Québec and Société des établissements de plein air du Québec. It excludes Santé Québec.

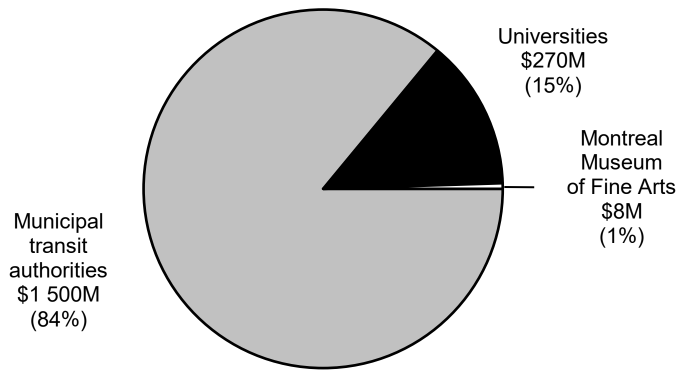
Under an Act,[1] Financement-Québec will be dissolved on March 31, 2025. Accordingly, as of April 1, 2025, Financement-Québec's activities will be transferred to the Financing Fund, except for the rights and obligations related to Financement-Québec's bonds, which will be assumed by the government. As a result of this transfer, municipal bodies, private universities and the Montreal Museum of Fine Arts will contract borrowings for their subsidized projects from the Financing Fund.

1 *An Act respecting the implementation of certain provisions of the Budget Speech of 12 March 2024 and amending other provisions* (S.Q. 2024, c. 39).

Funding of public bodies (cont.)

In fiscal 2024-2025, the loan program of Financement-Québec, which will be dissolved on March 31, 2025, amounted to $1.8 billion. This amount is included in the government's net financial requirements.

Financement-Québec's loan program in 2024-2025



Following the new application of the accounting standard respecting transfer payments, grants related to infrastructure projects are 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. In 2024-2025, the Ministère de l'Enseignement supérieur and the Ministère des Transports et de la Mobilité durable started making cash payments. As such, no new long-term loans are made in connection with these grants. Conversely, short-term financing for all subsidized infrastructure projects is now provided by the Financing Fund or Financement-Québec.

Essentially, the government continues to finance its infrastructure through long-term borrowing on the financial markets.

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, 2025, before taking swaps into account, 74% of the debt is expected to be in Canadian dollars, 12% in U.S. dollars, 11% in euros, 1% in pounds sterling, 1% in Australian dollars, 1% in Swiss francs, and less than 1% in other foreign currencies (Swedish kronor, yen and New Zealand dollars).

After taking swaps into account, the entire debt is denominated in Canadian dollars.

The government maintains no exposure to foreign currencies of its debt issued on financial markets in order to neutralize the impact of exchange rate variations on debt service.

TABLE G.11

Expected structure of debt by currency as at March 31, 2025
(per cent)

	Before swaps	After swaps
Canadian dollar	74	100
U.S. dollar	12	—
Euro	11	—
Pound sterling	1	—
Australian dollar	1	—
Swiss franc	1	—
Other (Swedish krona, yen and New Zealand dollar)	—(1)	—
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

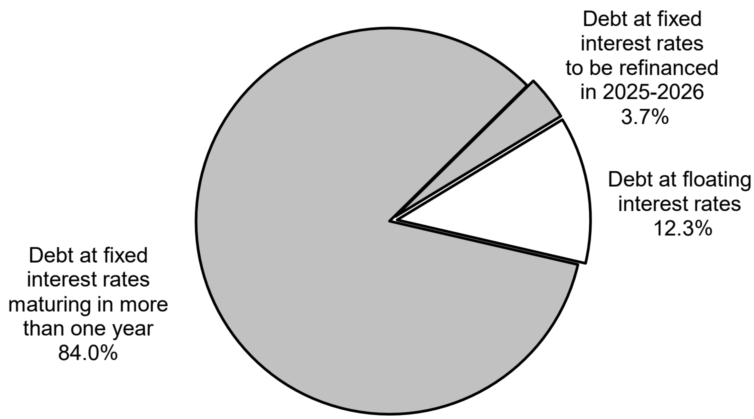
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2025, after taking swaps into account, the share of debt subject to an interest rate change in 2025-2026 is expected to stand at 16.0%. This share includes debt at floating interest rates (12.3%) as well as debt at fixed rates to be refinanced in 2025-2026 (3.7%).

The proportion of debt at fixed interest rates is expected to be 87.7%, made up of 84.0% of debt maturing in more than one year and 3.7% of debt to be refinanced in 2025-2026.

CHART G.4

Expected structure of debt by type of interest rate as at March 31, 2025



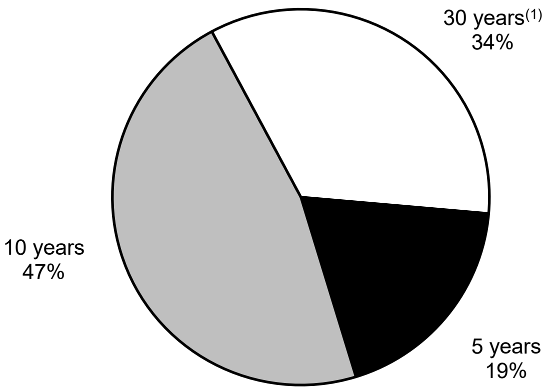
Note: This is the debt issued on financial markets by the government and Financement-Québec.

❑ Debt maturity

Maturities of new borrowings are distributed over time to ensure a stable refinancing profile as well as the government's regular presence on capital markets. To date, approximately 81% of the borrowings contracted in 2024-2025 had a maturity of 10 years or more. The average share of issues for these terms over the last 10 years represents 77%. The average maturity of borrowings is 16 years in 2024-2025.

CHART G.5

Maturity of transactions carried out in 2024-2025

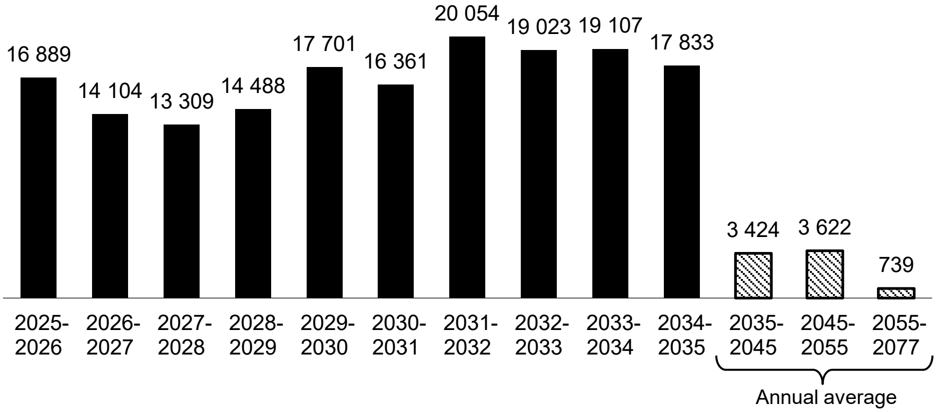


Note: Borrowings contracted as at March 5, 2025.
(1) This category includes a €1.25-billion issue with a 15-year maturity.

The diversification of borrowings by term is reflected on the debt maturity profile as shown in the following chart. As at March 31, 2025, the average maturity of the debt is expected to be 11 years.

CHART G.6

Expected maturity of long-term debt as at March 31, 2025
(millions of dollars)



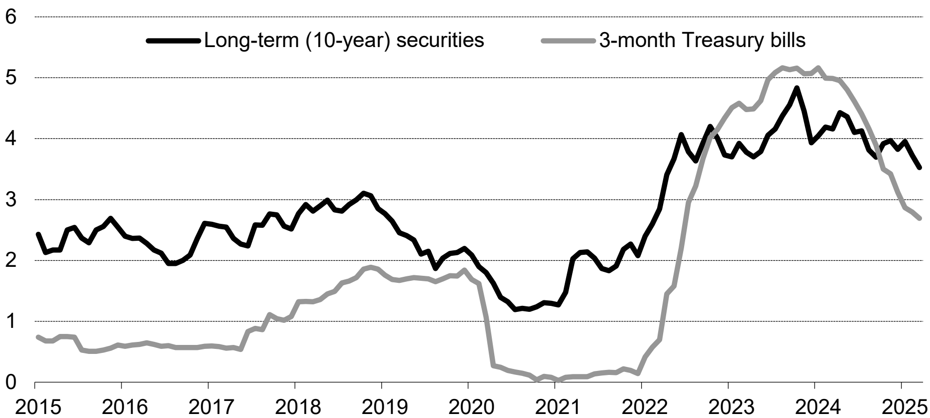
Note: This is the long-term debt of the Québec government and Financement-Québec issued on financial markets, minus the balance of the Sinking Fund for Government Borrowing.

2.4 Yield on the Québec government's securities

The recent fall in interest rates brings the yield of 3-month Québec Treasury bills to 2.7%, its lowest level since June 2022. The yield on 10-year Québec government securities stands at 3.5% after reaching 4.8% in October 2023. The decline in yields in recent months reflects the gradual reduction in the Bank of Canada's policy rate since June 2024.

CHART G.7

Yield on the Québec government's securities
(per cent)

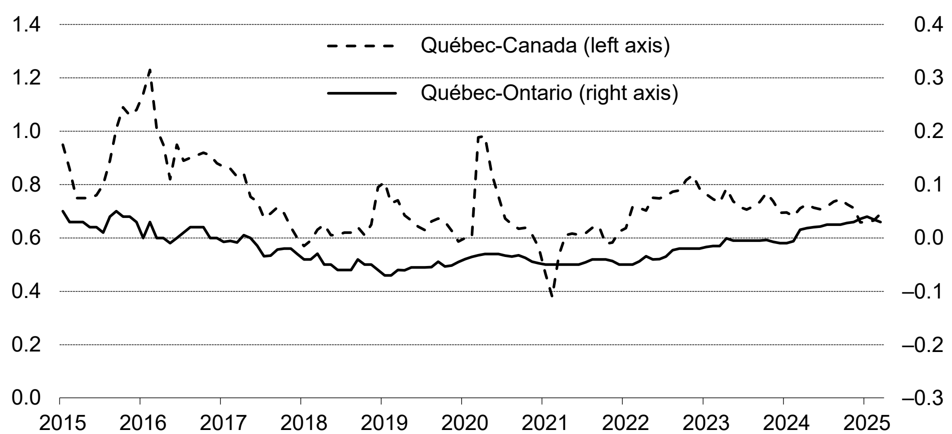


Sources: PC-Bond and Ministère des Finances du Québec.

Since March 2024, yields on 10-year Québec government securities have been higher than those issued by Ontario for the same maturity using the constant maturity method. At present, the spread is around 3 basis points.

CHART G.8

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

3. 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 its pension obligations, which correspond to the present value of the retirement benefits that it will pay to its employees. These obligations are re-evaluated annually. The result is the pension plans liability.

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, 2024, the net liability for pension plans and other employee future benefits stood at $3.6 billion, down $3.2 billion from data as at March 31, 2023.

TABLE G.12

Net liability for pension plans and other employee future benefits as at March 31, 2024
(millions of dollars)

Liabilities	
Pension plans liability(1)	124 640
Other employee future benefits liability	1 315
Liability for pension plans and other employee future benefits	**125 955**
Assets	
Retirement Plans Sinking Fund (RPSF) and other funds(2)	−120 902
Funds dedicated to other employee future benefits	−1 433
Asset for pension plans and other employee future benefits	**−122 335**
NET LIABILITY FOR PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	**3 620**

(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 $114.3 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, 2024, the market value of the RPSF was $123.2 billion.

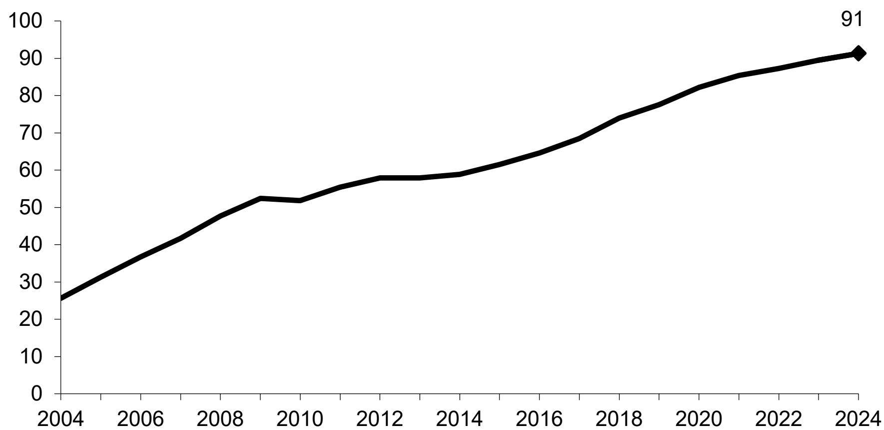
The Retirement Plans Sinking Fund in proportion to actuarial obligations

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 had 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, 2024, the RPSF was equal to 91% of the actuarial obligations in respect of pension plans.

To provide for the payment of government employees' pension benefits, a first withdrawal from the RPSF of $2.5 billion was made in 2024-2025. Annual withdrawals of the same amount are planned until 2029-2030. Withdrawals help to reduce the financing program.

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 [ASLF]) 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 2024, the return on funds deposited by the Ministère des Finances with the Caisse was 9.6% for the RPSF, 10.4% for the Generations Fund and 9.6% for the ASLF.

- The results achieved by the Caisse in 2024 are mainly due to good returns on its investments in equity markets.
- The superior return for the Generations Fund can be explained by differences in its investment policy. 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 G.13

2024 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 2024 (%)	Market value as at December 31, 2024 ($billion)
Retirement Plans Sinking Fund (RPSF)	9.6	123.2
Generations Fund	10.4	18.7
Accumulated Sick Leave Fund (ASLF)	9.6	1.0

❑ Comparison of investment policies

TABLE G.14

Investment policies as at January 1, 2025
(per cent)

Specialized portfolio	RPSF and ASLF	Generations Fund	Average benchmark portfolio of depositors as a whole(1)
Short-term investments	1.0	1.0	1.2
Rates(2)	9.5	10.0	10.0
Credit(3)	24.5	30.0	20.4
Total – Fixed income	**35.0**	**41.0**	**31.6**
Infrastructure	13.5	9.0	11.9
Real estate	10.0	7.0	11.8
Total – Real assets	**23.5**	**16.0**	**23.7**
Equity markets	25.5	34.0	29.4
Private equity	16.0	9.0	16.7
Total – Equities	**41.5**	**43.0**	**46.1**
Leverage product	**—**	**—**	**−1.4**
TOTAL	**100.0**	**100.0**	**100.0**

RPSF: Retirement Plans Sinking Fund.
ASLF: Accumulated Sick Leave Fund.
(1) Data as at December 31, 2023, drawn from the 2023 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 five credit rating agencies.

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

TABLE G.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

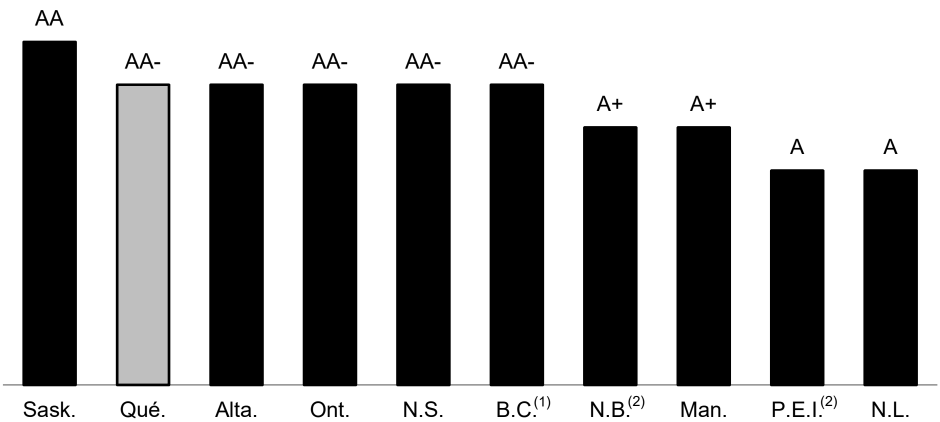
Note: Québec's credit ratings as at March 5, 2025.

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, Fitch Ratings and Morningstar DBRS.

CHART G.9

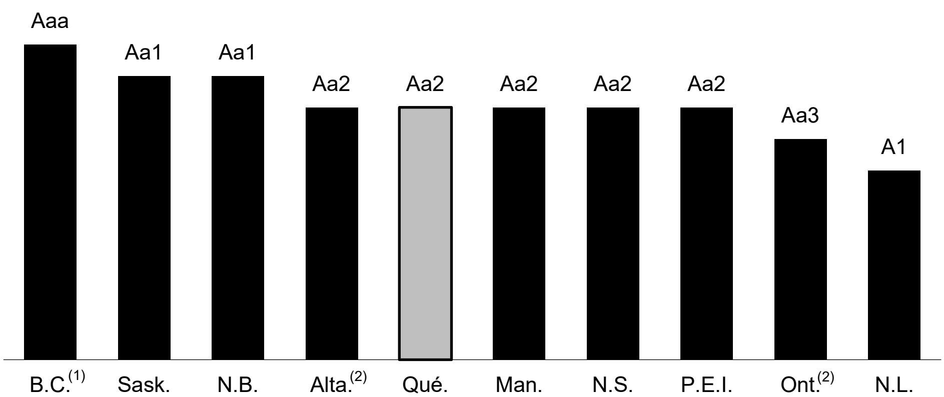
Credit rating of Canadian provinces – Standard & Poor's



Note: Credit ratings as at March 5, 2025.
(1) This province has a negative outlook.
(2) These provinces have a positive outlook.

CHART G.10

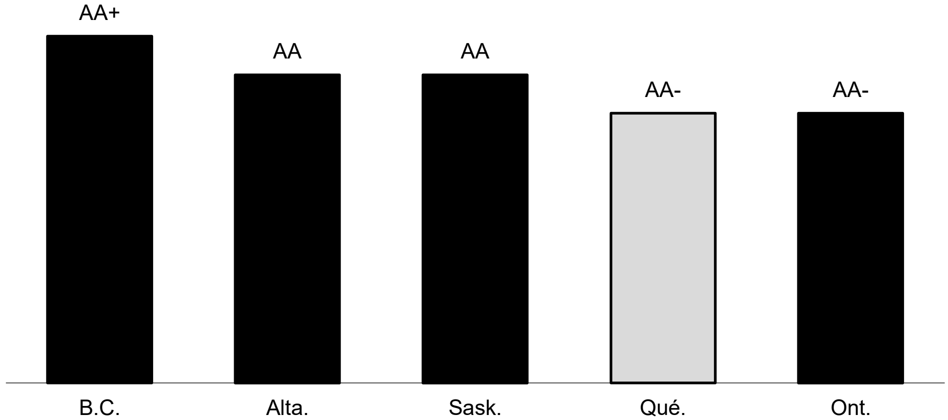
Credit rating of Canadian provinces – Moody's



Note: Credit ratings as at March 5, 2025.
(1) This province has a negative outlook.
(2) These provinces have a positive outlook.

CHART G.11

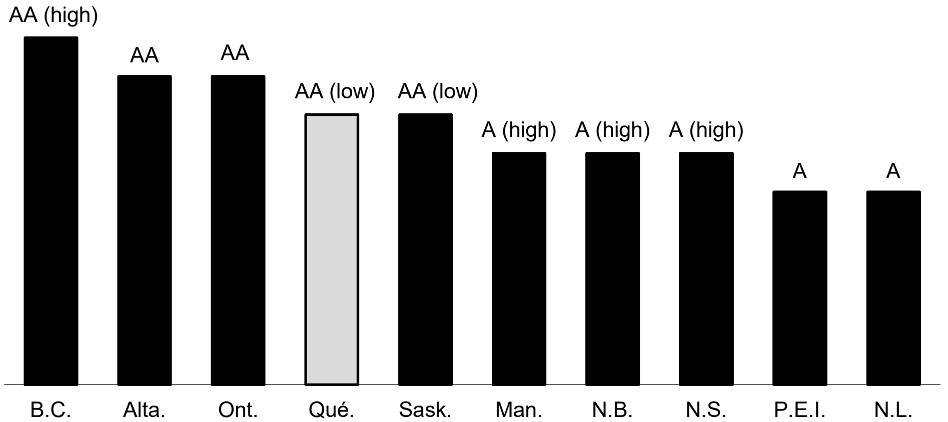
Credit rating of Canadian provinces – Fitch Ratings



Note: Five provinces receive a credit rating from Fitch Ratings. Credit ratings as at March 5, 2025.

CHART G.12

Credit rating of Canadian provinces – Morningstar DBRS



Note: Credit ratings as at March 5, 2025.

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* 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. These ratios correspond to the maximum limit of the respective targets of 33% and 30% of GDP that were announced by the government in the March 2023 budget speech.

Developments in the budgetary situation since the March 2023 budget call for a review of these targets.

— Over the past 24 months, the government has increased its public infrastructure investments and invested in public services, notably to improve working conditions for public and parapublic sector employees. Budget 2025-2026 also includes measures to stimulate business investment and innovation. Another recent significant event has been low runoff in Hydro-Québec's basins, which has reduced government revenue.

— In this context, the government is adjusting its targets for reducing net debt to GDP by 2032-2033 from 33.0% to 35.5% and its target for reducing net debt to GDP by 2037-2038 from 30.0% to 32.5%. Given the difficulty of forecasting how the economy will change over the long term, the government is continuing to provide an interval for these two targets.[7]

TABLE G.16

The new debt reduction targets

	Targets announced in March 2023	New targets
Net debt by 2032-2033 (intermediate target)	33% of GDP (±2.5% of GDP)	35.5% of GDP (±2.5% of GDP)
Net debt by 2037-2038	30% of GDP (±2.5% of GDP)	32.5% of GDP (±2.5% of GDP)

As at March 31, 2025, Québec's net debt will stand at $235.8 billion, or 38.7% of GDP.

[7] For this purpose, the government will propose legislative amendments to the *Act to reduce the debt and establish the Generations Fund*.

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:

- net debt to GDP will stand at 36.7% as at March 31, 2033, below the new maximum limit of 38.0% of GDP;
- net debt to GDP will stand at 32.4% as at March 31, 2038, below the new maximum limit of 35.0% of GDP.

❑ Deposits in the Generations Fund

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.

In 2025-2026, revenues dedicated to the Generations Fund will stand at $2.2 billion. They will rise to $2.8 billion in 2029-2030 and $4.2 billion in 2037-2038.

As at March 31, 2025, the balance of the Generations Fund will stand at $16.8 billion, which is 7.1% of net debt.

Withdrawals from the Generations Fund to repay borrowings will stand at $2.5 billion in 2025-2026. They amounted to $4.4 billion in 2024-2025.[8]

Withdrawals serve to reduce the financing program and alleviate debt service.

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8 As announced in Budget 2024-2025, these withdrawals include an additional deposit of $400 million to the Generations Fund, drawn from a portion of the accumulated surplus of the Territorial Information Fund of the Ministère des Ressources naturelles et des Forêts.

TABLE G.17

Generations Fund

(millions of dollars, unless otherwise indicated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Book value, beginning of year(1)	**18 458**	**16 812**	**16 489**	**18 891**	**21 413**	**24 061**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	736	757	880	892	904	933
Private producers	115	121	124	126	129	131
Subtotal	**851**	**878**	**1 004**	**1 018**	**1 033**	**1 064**
Additional contribution from Hydro-Québec	650	650	650	650	650	650
Investment income(2)	853	649	748	854	965	1 082
Total dedicated revenues	**2 354**	**2 177(3)**	**2 402**	**2 522**	**2 648**	**2 796**
Deposit from the Territorial Information Fund	400	—	—	—	—	—
Total deposits	**2 754**	**2 177**	**2 402**	**2 522**	**2 648**	**2 796**
Use of the Generations Fund to repay borrowings	−4 400	−2 500	—	—	—	—
Book value, end of year	**16 812**	**16 489**	**18 891**	**21 413**	**24 061**	**26 857**
% of net debt	***7.1***	***6.5***	***7.0***	***7.6***	***8.4***	***9.3***
% of GDP	***2.8***	***2.6***	***2.9***	***3.2***	***3.4***	***3.7***

(1) For information purposes, as at December 31, 2024, the fair value of the Generations Fund was $19.2 billion, $3.0 billion more than its book value. Like the book value, the fair value includes accounts receivable ($0.5 billion as at December 31, 2024).
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on 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 4.4% is expected, corresponding to the historical average.
(3) The drop in revenues dedicated to the Generations Fund in 2025-2026 is explained by withdrawals in 2024-2025, which will result in lower investment income in 2025-2026.

Section H

ALTERNATIVE FORECAST SCENARIOS

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2. Two alternative economic forecast scenarios H.9

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SUMMARY

Since the beginning of 2025, Québec, like most jurisdictions elsewhere in the world, is facing high uncertainty, and a number of events could have an upward or downward effect on the economic and fiscal outlook in the coming months. In particular, developments in the trade dispute started by the United States and potential economic policy shifts by the U.S. administration could impact GDP growth globally and, in turn, on Québec's growth.

In this context, and for the sake of transparency, the Ministère des Finances is presenting two alternative economic forecast scenarios in the *Québec Budget Plan – March 2025* to estimate the impact of a recession or stronger-than-forecast economic growth on the financial framework, as well as the Québec government's debt and financing program.

- The first scenario foresees a recession, owing to 25% tariffs being introduced on all U.S. imports except energy products (tariffed at 10%) over a two-year period, and equivalent retaliatory measures imposed by the countries covered by these tariffs.
  - Under this scenario, real GDP would fall by 0.1% in 2025, before returning to slow growth in 2026 (0.5%). In comparison to the baseline scenario, the cumulative negative gap in 2025 and 2026 would reach 2.1 percentage points.
- The second scenario forecasts stronger growth. The rise in economic activity would be sharper than in the baseline scenario as a result of a timely resolution of trade disputes and dissipating uncertainties overhanging international trade.
  - In this scenario, real GDP growth would accelerate from 1.4% in 2024 to 1.8% in 2025, and then to 2.0% in 2026. In comparison to the baseline scenario, the cumulative positive gap in 2025 and 2026 would reach 1.3 percentage points.

For the first time since the alternative scenarios were released, Budget 2025-2026 presents asymmetric forecast scenarios, given the structural effects arising from tariffs potentially being imposed by the United States.

TABLE H.1

Real GDP – Québec
(percentage change, shock in percentage points)

	Baseline scenario	Scenario with 25% tariffs		Stronger growth scenario	
	Change	Shock	Change	Shock	Change
2024	1.4	—	1.4	—	1.4
2025	1.1	−1.2	−0.1	+0.7	1.8
2026	1.4	−0.9	0.5	+0.6	2.0
2027	1.6	+0.4	2.0	+0.2	1.8
2028	1.7	—	1.7	—	1.7

❑ Impacts of alternative scenarios on the budgetary balance and net debt

■ Scenario with 25% tariffs

If a recession were to occur owing to temporarily imposed 25% tariffs from the U.S. administration (10% energy tariffs) and equivalent retaliatory measures, the budgetary balance would be expected to deteriorate by $9.4 billion over six years after deposits of dedicated revenues in the Generations Fund.

— Budgetary deficits would occur in all years of the financial framework and those would be higher than in the baseline scenario.

— Ultimately, a downward impact of approximately $2.1 billion on the budgetary balance would be expected.

The use of the contingency reserve would curb increases in projected deficits and offset the pressure on the financial framework caused by a temporary decline in economic activity.

However, fiscal balance would not be restored in 2029-2030, which could force the government to request a suspension of the application of the *Balanced Budget Act*.

The trade dispute started by the United States could significantly impact Québec's budgetary situation. This could be mitigated through the use of the contingency reserve.

As at March 31, 2030, the net debt-to-GDP ratio would be 41.8%, or 2.0 percentage points higher in comparison to the baseline scenario in Budget 2025-2026 (39.8%).

■ Stronger growth scenario

In the event of stronger-than-anticipated economic activity in Québec than in the baseline scenario, owing to a quick resolution of trade disputes and dissipating uncertainties hanging over international trade, the budgetary balance would be expected to improve $8.6 billion over six years after deposits of dedicated revenues in the Generations Fund.

— Deficits would be lower in the short term and budget surpluses would be achieved as of 2028-2029.

— Ultimately, an upward impact of approximately $2.0 billion on the budgetary balance would be expected.

The gap to be bridged currently stated in the financial framework as of 2027-2028 could be eliminated.

The use of part of the contingency reserve would allow a balanced budget to be achieved in 2029-2030.

As at March 31, 2030, the net debt-to-GDP ratio would be 38.1%, or 1.7 percentage points lower in comparison to the baseline scenario in Budget 2025-2026 (39.8%).

❑ The government's financing program

If either of the two alternative forecast scenarios were to materialize, an additional upward or downward impact of approximately $1.0 billion would be expected on the government's financing program in 2025-2026.

— In the baseline scenario, the financing program stands at $29.7 billion in 2025-2026, whereas it would be $30.8 billion under the scenario with 25% tariffs and $28.8 billion under the stronger growth scenario.

1. A CLIMATE OF UNCERTAINTY LOOMS OVER ECONOMIC AND BUDGETARY FORECASTS

Since the beginning of 2025, Québec, like many jurisdictions elsewhere in the world, is facing an environment of great uncertainty marked by the protectionist trade policies introduced by the U.S. administration. Although Québec started the year positively on the economic front, there are risks which, should they materialize, could impact the government's budget planning and make restoring fiscal balance by 2029-2030 more difficult.

From one year to the next, the economic and budgetary forecasts on which the budget is based are subject to uncertainties that can cause economic growth to vary, either upward or downward.

— That being said, higher-than-normal uncertainty in the current environment calls for heightened prudence in budget planning.

The main risks surrounding the baseline scenario are tied to developments in the trade dispute and economic policies to be implemented by the U.S. administration.

— In particular, the introduction of tariffs exceeding those forecast in the baseline scenario would disrupt supply chains, further dampen trade and, in turn, global economic slowdown would be more pronounced.

— Furthermore, the introduction of other economic policies and structural reforms, including adjustments to fiscal policies, could support the growth of the U.S. economy, which would have positive repercussions on global GDP, and particularly on Québec's GDP.

In addition, from a budgetary outlook perspective, the budget to be tabled by the federal government in the coming months could impact Québec's public finances.

— The measures in response to the trade dispute yet to be announced could have impacts for Québec. Also, new federal programs that may be announced, particularly regarding infrastructure, together with any changes to the federal tax system that would have to be harmonized with Québec's own tax system, could cause the Québec government to adjust its budget estimates.

Presenting pessimistic and optimistic alternative economic forecast scenarios puts the budget baseline scenario into perspective and illustrates a range of potential results. The strong uncertainty of the current context makes these scenarios all the more pertinent.

1.1 The baseline economic forecast scenario

The baseline economic forecast scenario helps the Québec government establish the budgetary framework. It involves many parameters and reflects expected changes in the economy as closely as possible. Although the assumptions used are reasonable and prudent, there is significant uncertainty in the current circumstances.

The economic forecast in the baseline scenario operates on the premise that the tariffs, announced by the United States on March 4, are a strategic measure designed to exert pressure on its trading partners. The Ministère des Finances has put forth a baseline assumption that these tariffs could be adjusted in the coming months, that the effects would be on average equivalent to 10% tariffs, and that they could be in place for a transitional period of around two years.

- The scenario assumes that the United States will not continue waging a broad-based and protracted trade dispute. Owing to high levels of economic integration, the tariffs imposed will adversely affect the United States.
  - High tariffs imposed on Canadian goods would mean higher costs for U.S. businesses that depend on Canadian imports for their production lines.
  - In addition, Canada instituted retaliatory measures on imports from the United States, which will reduce exports from the United States. The decline in demand for U.S. goods will adversely affect U.S. corporate profits and slow economic growth.
- In addition, Canada remains an essential trading partner under U.S. economic strategy, which argues for a less punitive tariff structure.
- Furthermore, the transitional period of about two years is also framed in a context of potential renegotiation of the Canada-United States-Mexico Agreement (CUSMA) in 2026.

The effects of tariffs of approximately 10% being introduced will dampen growth for 2025 and 2026 by a total of 0.7 percentage points and reduce job gains by about 25 000. Consequently, real growth in Québec is expected to remain relatively stable, changing from 1.4% in 2024 to 1.1% in 2025 and to 1.4% in 2026.

- This is in line with average private sector forecasts (1.1% in 2025 and 1.2% in 2026).

2. TWO ALTERNATIVE ECONOMIC FORECAST SCENARIOS

In light of the current climate of uncertainty, the Ministère des Finances has developed two alternative growth scenarios that could characterize the economy in the coming years, namely:

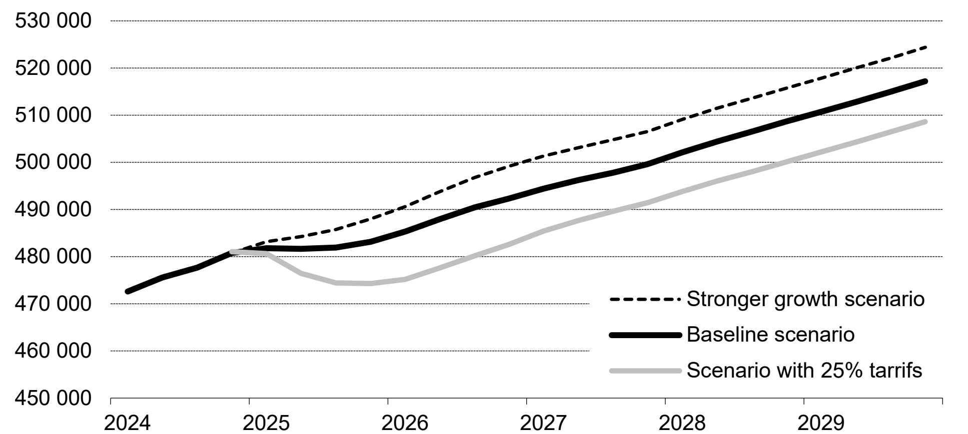
— a scenario with 25% tariffs;

— a scenario forecasting stronger growth.

Under these scenarios, the impacts of a recession or stronger-than-expected growth on the financial framework, as well as on the Québec government's debt and financing program are assessed.

CHART H.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.

❑ Two scenarios with asymmetric impacts

The two alternative scenarios are not symmetrical. The asymmetry mainly results from the nature of the effects brought about by each situation.

— A scenario involving substantial tariff barriers imposed over a two-year period would result in a recession with adverse consequences that would permanently lower Québec's economic potential.

— Conversely, a stronger growth scenario, stemming from the timely resolution of trade disputes and dissipating uncertainties related to international trade, would boost international trade and generate positive, gradual and sustained effects, which would strengthen long-term growth potential.

2.1 A scenario incorporating 25% tariffs

This scenario is based on the assumption that 25% tariffs would be introduced, over a two-year period, on all U.S. imports except energy products, which would be tariffed at 10%. In response, tariffed countries would impose equivalent retaliatory measures.

— Under this scenario, real GDP would fall during the four quarters of 2025 before slightly growing in 2026, yet without staging a significant rebound. Significant job losses would also be observed in 2025 and 2026.

In this context, real GDP would fall slightly in 2025 (−0.1%) and would record weak growth of 0.5% in 2026. Accordingly:

— exports and imports would fall, leading to reduced business profits. Businesses would postpone or abandon certain investment projects. They could also choose to relocate some of their activities to the United States;

— deterioration in the labour market would adversely affect household consumption and residential investments;

— inflation would climb due, in particular, to the higher cost of imported goods. The slowdown in economic activity would prompt the Bank of Canada to reassess its monetary policy.

In comparison to the baseline scenario, the cumulative negative gap in growth in economic activity in 2025 and 2026 would be 2.1 percentage points. A positive gap of 0.4 percentage points is expected in 2027, when the trade dispute would end.

This scenario would result in a permanent output loss. Real GDP would not reach the baseline scenario level forecast, even with tariffs lifted at the end of two years.

TABLE H.2

Real GDP in Québec – Baseline scenario and scenario with 25% tariffs
(percentage change, shock in percentage points)

	Baseline scenario	Scenario with 25% tariffs	
	Change	Shock	Change
2024	1.4	—	1.4
2025	1.1	−1.2	−0.1
2026	1.4	−0.9	0.5
2027	1.6	+0.4	2.0
2028	1.7	—	1.7

❑ A potential recession would negatively impact the main economic indicators

The scenario with 25% tariffs would result in a recession. In particular, in 2025 and 2026, in comparison to the baseline scenario:

— the negative gap in real GDP growth would amount to 2.1 percentage points, owing in particular to four quarters of decline in 2025, and nominal GDP growth would be 1.8 percentage points lower;

— over 71 000 jobs would be lost. These job losses would be on top of the 25 000 positions eliminated as a result of economic uncertainty and the assumption of 10% tariffs imposed on average for a period of about two years under the baseline scenario. The imposition of 25% tariffs for a two-year period would result in the loss of approximately 100 000 jobs in Québec;

— the average unemployment rate would stand at 6.8% in 2025 and 6.9% in 2026;

— job losses would result in more modest rises in wages and salaries (−2.0 percentage points) and weaker growth in consumption excluding food expenditures and shelter (−1.6 percentage points);

— growth in the net operating surplus of corporations would show a cumulative negative gap of 3.8 percentage points;

— Consumer Price Index growth would exceed the baseline scenario forecast.

TABLE H.3

Economic indicators in Québec in 2025 and 2026 –
Baseline scenario and scenario with 25% tariffs
(in nominal terms, percentage change and shock in percentage points, unless otherwise indicated)

	2025			2026			Cumulative effects
	Baseline	W/tariffs	Shock	Baseline	W/tariffs	Shock	
GDP, in real terms	1.1	−0.1	−1.2	1.4	0.5	−0.9	−2.1
Consumer Price Index	2.1	2.3	+0.2	2.0	2.4	+0.4	+0.6
Jobs (thousands)	39.1	−9.7	−48.8	17.4	−5.1	−22.5	−71.3
Unemployment rate (per cent)	5.8	6.8	+1.0	5.4	6.9	+1.5	n/a
GDP	3.4	2.5	−0.9	3.4	2.5	−0.9	−1.8
Wages and salaries	3.7	2.6	−1.1	3.0	2.1	−0.9	−2.0
Net operating surplus of corporations	−1.1	−2.5	−1.4	3.4	1.0	−2.4	−3.8
Consumption excluding food expenditures and shelter	4.0	2.9	−1.1	3.2	2.7	−0.5	−1.6

Note: Baseline: baseline scenario; W/tariffs: scenario with 25% tariffs.

❑ An assumption akin to that used by the Bank of Canada

The alternative scenario of the Ministère des Finances for the Québec economy forecasts 25% tariffs on all imports into the United States (10% tariffs on energy). This assumption is similar to that used by the Bank of Canada in January 2025.[1]

- However, while the Ministère des Finances estimates the impact of tariffs over a two-year period in its alternative scenario, the Bank of Canada, in its evaluation, assumes instead that permanent tariffs are imposed.

- Under this working assumption, the Ministère des Finances arrives at an outcome for the Canadian economy that corresponds to the evaluation carried out by the Bank of Canada.

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1 Bank of Canada, *Evaluating the potential impacts of US tariffs*, [Online], 2025, [https://www.bankofcanada.ca/publications/mpr/mpr-2025-01-29/in-focus-1/].

The Bank of Canada's estimates on the potential impacts of imposing tariffs on the Canadian economy

In its *Monetary Policy Report* released in January 2025, the Bank of Canada estimated the potential impacts on the Canadian economy of the United States imposing tariffs on their imports.[1]

– The example used by the Bank of Canada for its simulations was based on the assumptions of **permanent** tariffs of 25% on all goods imported by the United States, including those from Canada, with equivalent retaliatory measures from all the United States' trading partners.

An impact of about 4 percentage points on Canada's real GDP growth after two years

The simulation results show weaker Canadian real GDP growth and higher inflation compared to a scenario without tariffs.

Under the Bank of Canada's main scenario, Canada's real GDP growth would be about 2.4 percentage points lower in the first year than the scenario without tariffs.

In the second year, it would be lower by 1.5 percentage points, totalling nearly 4 percentage points after two years. After three years, GDP growth would have essentially returned to normal.

According to this analysis, the tariffs imposed by the U.S. administration would make Canadian exports to the United States less competitive.

– Business investment would weaken, mainly due to a highly uncertain economic environment and costlier capital goods imports from the United States.

CPI inflation growth is expected to be higher by 0.1 percentage points in the first year, 0.5 percentage points in the second year, and 1.0 percentage point in the third year.

– Significant excess supply in the economy and lower commodity prices would essentially offset the direct impact of tariffs on inflation in the first year. However, inflation would rise as excess supply recedes in the following years.

The Ministère des Finances du Québec's estimates are equivalent to those of the Bank of Canada

According to Ministère des Finances du Québec estimates, 25% **permanent** tariffs introduced by the United States on Canadian goods[2] would lower real GDP by 4.1% in Canada and 2.7% in Québec, after one year.

– Permanent tariffs could result in approximately 160 000 job losses in Québec.

1 Bank of Canada, *Evaluating the potential impacts of US tariffs*, [Online], 2025 [https://www.bankofcanada.ca/publications/mpr/mpr-2025-01-29/in-focus-1/].

2 The scenario assumes permanent 25% tariffs on goods imported by the United States from Canada, with the exception of 10% tariffs on energy. Tariffs will also be applied to Mexico and the European Union (25%) as well as to China (20%). Canada's 25% retaliatory measures on $155 billion of goods from the United States will also be introduced. Half of the resulting revenues are redistributed to households.

2.2 A stronger growth scenario

Under the stronger growth scenario, trade disputes with the United States are resolved, the uncertainty overhanging the economy rapidly dissipates, and the business climate improves. Interprovincial trade barriers are also reduced, promoting economic growth. As a result, real GDP growth is stronger than forecast under the baseline scenario.

In this scenario, real GDP growth would accelerate from 1.4% in 2024 to 1.8% in 2025, and then to 2.0% in 2026.

- Renewed household and business confidence would support non-residential business investment and consumption.
- Exports would show higher growth due to the increase in demand for goods and services, bolstering the operating surplus of businesses.
- Higher demand for goods and services would encourage businesses to step up hiring. A more favourable labour market could lead to more robust wage gains.
- Higher-than-forecast non-residential investments would stimulate productivity and growth potential.

In this scenario, the cumulative positive gap in growth in economic activity would be 1.3 percentage points in 2025 and 2026 in comparison to the baseline scenario.

- A rise in potential GDP in Québec would help maintain output at a higher level than the baseline scenario forecast.

TABLE H.4

Real GDP in Québec – Baseline and stronger growth scenarios
(percentage change, shock in percentage points)

	Baseline scenario	Stronger growth scenario	
	Change	Shock	Change
2024	1.4	—	1.4
2025	1.1	+0.7	1.8
2026	1.4	+0.6	2.0
2027	1.6	+0.2	1.8
2028	1.7	—	1.7

❑ Stronger growth would improve forecasts for most economic indicators

Under the stronger growth scenario, economic activity would expand at a faster pace over the next two years. In particular, in 2025 and 2026, in comparison to the baseline scenario:

— the cumulative positive gap in real GDP growth would be 1.3 percentage points, and nominal GDP growth would be 1.2 percentage points higher;

— just over 31 000 additional jobs would be created;

— the average unemployment rate would stand at 5.6% in 2025 and 5.0% in 2026;

— additional job gains would result in higher rises in wages and salaries (1.0 percentage points) and stronger growth in consumption excluding food expenditures and shelter (1.8 percentage points);

— growth in the net operating surplus of corporations would show a cumulative positive gap of 3.5 percentage points;

— strong economic expansion would support inflation growth, which would slightly exceed the baseline scenario forecast.

TABLE H.5

Economic indicators in Québec in 2025 and 2026 – Baseline and stronger growth scenarios
(in nominal terms, percentage change and shock in percentage points, unless otherwise indicated)

	2025			2026			Cumulative effects
	Baseline	High	Shock	Baseline	High	Shock	
GDP, in real terms	1.1	1.8	+0.7	1.4	2.0	+0.6	+1.3
Consumer Price Index	2.1	2.2	+0.1	2.0	2.2	+0.2	+0.3
Jobs (thousands)	39.1	52.0	+12.9	17.4	36.2	+18.8	+31.7
Unemployment rate (per cent)	5.8	5.6	−0.2	5.4	5.0	−0.4	n/a
GDP	3.4	4.0	+0.6	3.4	4.0	+0.6	+1.2
Wages and salaries	3.7	4.2	+0.5	3.0	3.5	+0.5	+1.0
Net operating surplus of corporations	−1.1	0.6	+1.7	3.4	5.2	+1.8	+3.5
Consumption excluding food expenditures and shelter	4.0	4.9	+0.9	3.2	4.1	+0.9	+1.8

Note: Baseline: baseline scenario; High: stronger growth scenario.

3. POTENTIAL IMPACTS ON QUÉBEC'S BUDGETARY SITUATION

3.1 Impact on the financial framework

The scenarios with 25% tariffs or stronger growth have an impact on own-source revenue and debt-servicing costs.[2]

- 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.

If a scenario incorporating 25% tariffs over a two-year period were to occur, a deterioration in the budgetary balance of $9.4 billion over six years would be expected.

Conversely, if economic activity were to be stronger than forecast under the baseline scenario, an improvement in the budgetary balance of $8.6 billion over six years would be expected.

TABLE H.6

Additional impact of the alternative scenarios on the budgetary balance
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Budgetary balance[1] – Baseline scenario	**−10 432**	**−13 607**	**−9 528**	**−5 695**	**−1 498**	**101**	
Additional impact of scenario with 25% tariffs							
Own-source revenue	−70	−1 119	−1 832	−1 748	−1 895	−1 911	−8 575
Debt service	−2	−26	−86	−160	−234	−312	−820
Total additional impact	**−72**	**−1 145**	**−1 918**	**−1 908**	**−2 129**	**−2 223**	**−9 395**
Adjusted budgetary balance[1],[2]	**−10 504**	**−14 752**	**−11 446**	**−7 603**	**−3 627**	**−2 122**	
Additional impact of the stronger growth scenario							
Own-source revenue	39	916	1 558	1 747	1 787	1 861	7 907
Debt service	1	20	71	139	211	286	728
Total additional impact	**40**	**936**	**1 629**	**1 886**	**1 998**	**2 147**	**8 635**
Adjusted budgetary balance[1],[3]	**−10 392**	**−12 671**	**−7 899**	**−3 809**	**500**	**2 248**	

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.
(2) The adjusted budgetary balance excludes the financial impacts of possible government intervention to stimulate economic recovery.
(3) The adjusted budgetary balance excludes the financial impacts of any additional measures that may be announced.

2 The alternative scenarios could also impact expenditures, particularly those related to a government intervention with the aim of stimulating economic recovery. The impact cannot be estimated, however, because it depends on the form of assistance chosen.

❑ Scenario with 25% tariffs

If a recession were to occur due to a trade dispute started by the United States, an $8.6-billion downward change over six years would be expected in own-source revenue as a whole, in comparison to the baseline scenario.

- The additional impact would be $1.1 billion in 2025-2026 and $1.8 billion in 2026-2027.

- It would remain at approximately $1.9 billion in subsequent years.

The additional impact on debt service would gradually increase over the period covered by the financial framework, consistent with increases in the budgetary deficits, reaching $312 million in 2029-2030.

The scenario with 25% tariffs assumes that the shock of the tariffs and equivalent retaliatory measures imposed on real GDP would be temporary but that the effects of the recession would result in a permanent output loss.

- As a result, the shock to real GDP would affect tax bases, which would sharply contract in 2025-2026 and 2026-2027 and not return to their pre-recession levels, despite the rebound in economic growth in 2027.
  - As a result, the additional impact of this scenario on own-source revenue would be permanent.

In comparison to the baseline scenario and in all years of the financial framework, the scenario with 25% tariffs would result in the following changes:

- a $3.1-billion downward change in personal income tax revenue due, in particular, to the weaker growth in wages and salaries expected in 2025 and 2026;

- a $2.0-billion downward change in corporate tax revenue, due, in particular, to the sharper-than-expected decline in the net operating surplus of corporations in 2025, followed by more moderate growth in 2026;

- a $2.6-billion downward change in consumption tax revenue, resulting, in particular, from weaker growth in consumption excluding food expenditures and shelter expected in 2025 and the more moderate growth in the indicator expected in 2026;

- an $820-million upward change in debt-servicing costs, driven by higher budgetary deficits.

TABLE H.7

Additional impact of scenario with 25% tariffs – By source
(millions of dollars)

	2025-2026	2026-2027	Thereafter(1)	Total over six years
Own-source revenue				
− Personal income tax	−180	−668	−749	−3 107
− Corporate taxes	−294	−433	−446	−2 038
− Consumption taxes	−502	−540	−500	−2 613
– Other revenue	−143	−191	−157	−817
Total – Own-source revenue	**−1 119**	**−1 832**	**−1 851**	**−8 575**
Debt service	**−26**	**−86**	**−235**	**−820**
Total additional impact	**−1 145**	**−1 918**	**−2 087**	**−9 395**

Note: Totals may not add due to rounding.
(1) Average impact for 2027-2028 to 2029-2030.

❑ Stronger growth scenario

If economic activity were to be stronger than forecast under the baseline scenario, a $7.9-billion change over six years would be expected on all own-source revenue.

As under the scenario with 25% tariffs, the additional impact on own-source revenue would gradually increase in 2025-2026 and 2026-2027, and remain stable thereafter.

— The additional impact would be $916 million in 2025-2026 and $1.6 billion in 2026-2027.

— It would amount to approximately $1.8 billion per year as of 2027-2028.

Debt-servicing costs would gradually decrease over the period covered by the financial framework, due to decreases in budgetary deficits, amounting to $286 million in 2029-2030.

In comparison to the baseline scenario and in all years of the financial framework, the stronger growth scenario result in the following changes:

— a $2.1-billion upward change in personal income tax revenue, owing, in particular, to the stronger growth in wages and salaries expected in 2025 and 2026;

— a $2.5-billion upward change in corporate tax revenue, due, in particular, to the stronger growth in the net operating surplus of corporations expected in 2025, and 2026;

— a $2.6-billion upward change in consumption tax revenue, due, in particular, to the stronger growth in consumption excluding food expenditures and shelter expected in 2025 and 2026;

— a $728-million downward change in debt-servicing costs, due to lower budgetary deficits.

TABLE H.8

Additional impact of the stronger growth scenario – By source
(millions of dollars)

	2025-2026	2026-2027	Thereafter(1)	Total over six years
Own-source revenue				
− Personal income tax	288	439	466	2 133
− Corporate taxes	244	461	581	2 459
− Consumption taxes	306	514	583	2 584
– Other revenue	78	144	168	731
Total – Own-source revenue	**916**	**1 558**	**1 798**	**7 907**
Debt service	**20**	**71**	**212**	**728**
Total additional impact	**936**	**1 629**	**2 010**	**8 635**

Note: Totals may not add due to rounding.
(1) Average impact for 2027-2028 to 2029-2030.

The additional impacts on the budgetary balance generated by this scenario are not symmetrical to those caused by the scenario with 25% broad-based tariffs (10% energy tariffs).

— The shocks expected under the two alternative scenarios affect the main economic indicators differently and, as a result, do not impact tax bases in the same way, with some being more affected under one scenario than under the other.

— For example, in the stronger growth scenario, the shock to wages and salaries is more moderate than under the scenario with 25% tariffs, which is reflected in the additional expected impacts of the scenarios on personal income tax.

3.2 Impacts on the budgetary balance

In accordance with the *Balanced Budget Act*, the *Québec Budget Plan – March 2025* implements a plan that aims to return to a balanced budget by 2029-2030.[3] Under the baseline scenario, the budgetary deficit, after deposits of dedicated revenues in the Generations Fund, stands at $10.4 billion in 2024-2025 and $13.6 billion in 2025-2026. An improvement in the budgetary deficit is expected each year thereafter until it is eliminated in 2029-2030.

— Multiple actions taken since Budget 2024-2025 will gradually reduce deficits over the period covered by the financial framework, including measures implemented to optimize government action and others announced following the review of government and tax expenditures.

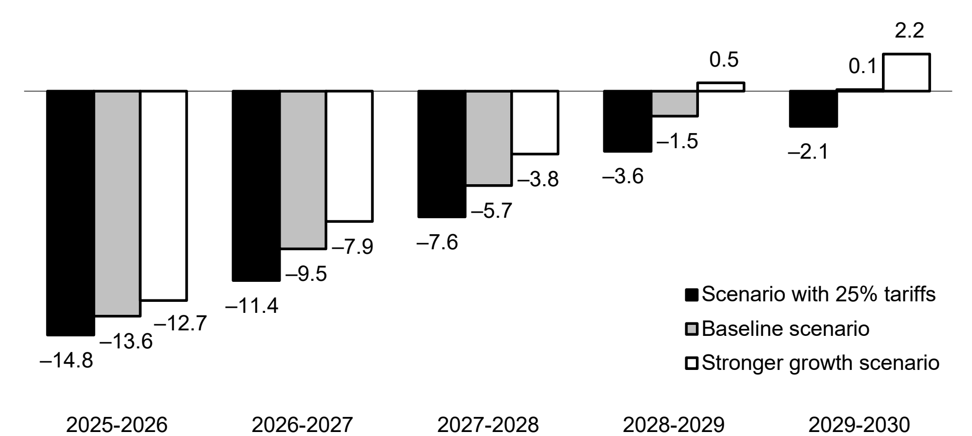
— Barring an improved economic situation, additional measures will also need to be identified as of 2027-2028 to eliminate the gap to be bridged included in the financial framework, which stands at $1.0 billion in 2027-2028, and $2.5 billion in 2028-2029 and 2029-2030.

— Accordingly, a balanced budget, after deposits of dedicated revenues in the Generations Fund, will be achieved by 2029-2030 at the latest.

The approach adopted in this plan is gradual and structured. It aims to maintain the quality of public services, given the uncertainty affecting both the economic and the budgetary outlook.

CHART H.2

Budgetary balance – Baseline and alternative scenarios
(billions of dollars)



Notes: Budgetary balance within the meaning of the *Balanced Budget Act*.
These three scenarios include the gaps to be bridged included in the financial framework.

[3] The plan to restore fiscal balance is presented in more detail in Section F, "Québec's Financial Situation."

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 2025-2026.

If a recession were to occur as a result of the tariffs imposed by the U.S. administration and equivalent retaliatory measures adopted by the countries covered by these tariffs, budgetary deficits would occur in all years of the financial framework and exceed the deficits forecast under the baseline scenario.

— A $3.6-billion budgetary deficit would be expected in 2028-2029, exceeding the maximum deficit of $1.5 billion[4] set forth in the *Balanced Budget Act*.

— The budgetary deficit would be $2.1 billion in 2029-2030.

Conversely, if the trade disputes were set aside and economic conditions proved more favourable than expected, deficits would be lower in the short term and budget surpluses would be achieved in the financial framework's last two years.

— A budget surplus of $0.5 billion would be expected in 2028-2029.

— The budget surplus would be $2.2 billion in 2029-2030.

[4] This amount represents 25% of the budgetary deficit recorded in Public Accounts 2022-2023, namely $6.1 billion.

3.3 The repercussions of alternative scenarios on the plan to restore fiscal balance

❑ Scenario with 25% tariffs

Temporarily imposed 25% broad-based tariffs (10% energy tariffs), coupled with equivalent retaliatory measures adopted by the tariffed countries, would significantly impact Québec's economic activity and, in turn, its budgetary forecasts.

— A downward impact on the budgetary balance of approximately $2.1 billion per year thereafter would be expected in such a scenario.

Use of the contingency reserve would limit the effects of any temporary decline in economic activity and reduce pressure on the financial framework.

— However, this provision would not be sufficient to ensure compliance with the requirements of the *Balanced Budget Act*, in particular the deficit target in 2028-2029, and to maintain the budgetary balance at equilibrium in 2029-2030.

The government could then be required to request a suspension of the application of the *Balanced Budget Act* to ensure public services continue to be delivered.

In addition, the government could intervene to stimulate economic recovery through the implementation of targeted measures. It will study the form that government assistance may take, which could be determined by the source of the economic slowdown. Government levers for action may take various forms, such as:

— assistance to support households and businesses most affected by the economic slowdown;

— temporary supports for businesses to allow them to remain in operation once tariffs are imposed by the U.S. administration.

❑ Stronger growth scenario

If the threat of a trade dispute between the United States and Canada were lifted and Québec's economic activity were stronger than forecast under the baseline scenario, improvements would be expected in all years of the financial framework.

— Budget surpluses would be achieved in 2028-2029 and 2029-2030, owing to higher own-source revenue and lower debt service.

— An upward impact on the budgetary balance of approximately $2.0 billion per year thereafter would be expected in such a scenario.

Under this scenario, it would be possible to eliminate the gap to be bridged currently stated in the financial framework as of 2027-2028.

The use of a portion of the contingency reserve would meet the deficit target of $1.5 billion in 2028-2029 and achieve a budgetary balance at equilibrium in 2029-2030, after deposits of dedicated revenues in the Generations Fund.

The plan to restore fiscal balance by 2029-2030 could be maintained.

TABLE H.9

Maintaining a balanced budget – Stronger growth scenario
(millions of dollars)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Adjusted budgetary balance – Stronger growth scenario(1),(2)	**−10 392**	**−12 671**	**−7 899**	**−3 809**	**500**	**2 248**
Elimination of the gap to be bridged	—	—	—	−1 000	−2 500	−2 500
Use of the contingency reserve	—	—	—	1 000	500	252
Budgetary balance with no gap to be bridged and with use of contingency reserve(1),(2)	**−10 392**	**−12 671**	**−7 899**	**−3 809**	**−1 500**	**—**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.
(2) The budgetary balance excludes the financial impacts of any additional measures that may be announced.

4. POTENTIAL IMPACTS ON QUÉBEC'S NET DEBT AND THE GOVERNMENT'S FINANCING PROGRAM

❑ Québec's net debt

Under the baseline scenario in Budget 2025-2026, the net debt will stand at $235.8 billion as at March 31, 2025, or 38.7% of GDP. Net debt to GDP is expected to continue increasing until 2027-2028. A gradual reduction is expected as of 2028-2029 tied to, in part, the improved budgetary situation. The new net debt reduction target as at March 31, 2038, corresponding to a maximum limit of 35.0% of GDP, would be met.

Under the scenario with 25% tariffs, net debt to GDP would be 2.0 percentage points higher as at March 31, 2030, bringing it to 41.8%, or $9.4 billion higher than under the baseline scenario.

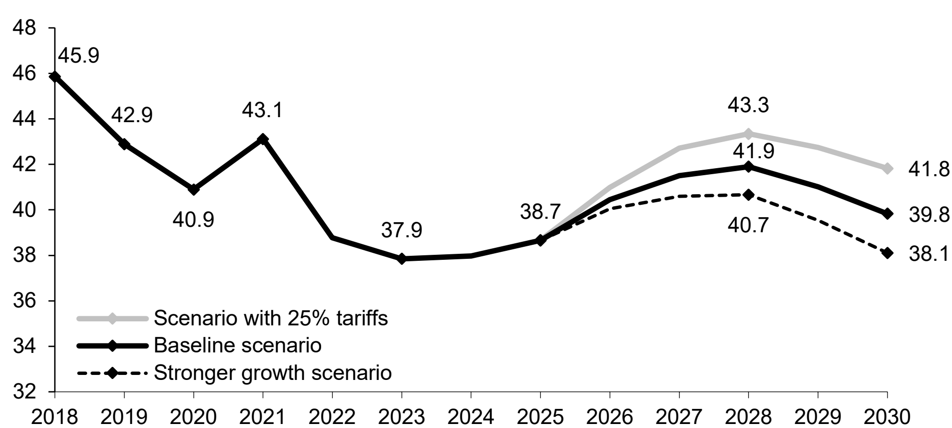
— The new 2032-2033 debt reduction target would not be met, but the 2037-2038 target would be reached.

Under the stronger growth scenario, net debt to GDP would stand at 38.1% as at March 31, 2030, or 1.7 percentage points of GDP lower than under the baseline scenario.

— As under the baseline scenario, the new net debt reduction targets would be met.

CHART H.3

Net debt as at March 31 − Baseline and alternative scenarios
(percentage of GDP)



❑ The government's financing program

The government's 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.

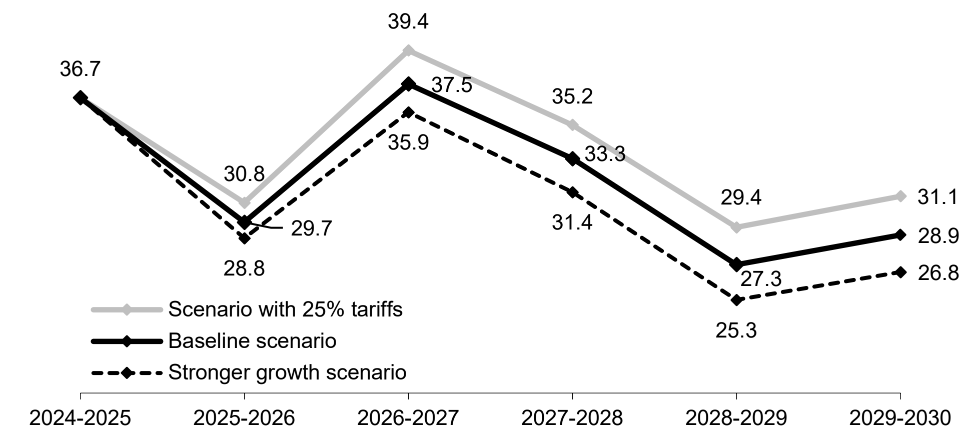
For 2024-2025, the financing program stands at $36.7 billion. Under the baseline scenario, the program will stand at $29.7 billion in 2025-2026.

— Under the scenario with 25% tariffs, the financing program would increase by $1.1 billion in 2025-2026, to $30.8 billion.

— Under the stronger growth scenario, the financing program would decline by $0.9 billion in 2025-2026, to $28.8 billion.

CHART H.4

Long-term borrowing outlook – Baseline and alternative scenarios
(billions of dollars)



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