Ministère des Finances Québec

Press release

PRESS RELEASE No. 1

Update on Québec's Economic and Financial Situation

$2.1B for addressing Quebecers' priority issues

Québec city, November 21, 2024. – The Minister of Finance, Eric Girard, is announcing today, as part of the fall 2024 economic and financial update, additional investments of $2.1 billion over the next five years to address Quebecers' priority issues.

The government is acting responsibly and in a targeted manner to, among other things:

- increase support for the forestry sector;
- promote access to housing;
- support public transit;
- ensure the safety of Quebecers.

$252M for increasing support for the forestry sector
Additional investments of $252 million over five years are being made to support the wood processing sector and invest in reforestation efforts. Combined with federal government support, these sums will support initiatives worth $540 million over the next seven years.

$218M for consolidating support for Quebecers
To provide additional support for Quebecers, the government plans to invest $208 million to promote access to housing, and nearly $10 million to increase work income supplements for social assistance recipients.

Of this amount, $184.0 million over four years will be injected to accelerate the construction of new housing units, and $17.8 million over four years will be used to allocate 500 new units of the Rent Supplement Program to young people leaving the youth protection system.

$1.2B for fostering community development
Additional investments totalling nearly $1.2 billion over five years are also being made to foster community development by supporting the transition of public transit bodies and contributing to the vitality of Montréal and the Capitale-Nationale.

More specifically, an additional sum of nearly $880 million is being injected into the five-year public transit assistance plan. Furthermore, $300 million is earmarked for extending the Montréal Economic Development Fund and the Capitale-Nationale Region Fund.

$433M for ensuring the safety of Quebecers
The government is also committed to ensuring a safe environment for all Quebecers in all its regions, which translates into additional investments of $433 million over five years for responding to the impact of floods, deploying new cell sites and honouring police coverage obligations in Nunavik.

In particular, $250 million has been earmarked to assist victims of post-tropical storm Debby and rebuild damaged infrastructure, and $16.4 million over two years will enable the addition of 18 cell sites in the Bas-Saint-Laurent, Mauricie and Saguenay–Lac-Saint-Jean administrative regions.

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Economic recovery stronger than forecast
After slowing sharply in 2023 (+0.6%), the economy has begun to recover. Real GDP growth is expected to reach 1.2% in 2024, whereas last March, an increase of 0.6% was expected.

Québec's economy is therefore well positioned for sustained expansion, supported by the gradual decline in interest rates and inflation. In 2025, growth in economic activity will accelerate slightly to 1.5%.

Québec's strong economic performance since 2018 has narrowed the gap in living standards with Ontario. This gap has narrowed from 15.9% in 2018 to 11.1% in 2024. In addition, purchasing power, defined as household disposable income in real terms per capita, improved considerably between 2018 and 2023. Over this period, it grew by 6.6% in Québec, compared with 2.2% in Ontario.

Indexation of personal income tax parameters
As of January 1, 2025, Quebecers will benefit from an indexation of personal income tax system parameters and social assistance benefits at a rate of 2.85%. Overall, this indexation translates into tax relief for households of $5.2 billion over five years.

Reduction of $3.4 billion in tax expenditures over the next five years
The government is also taking action to optimize the tax system, which translates into a $3.4 billion reduction in tax expenditures over five years. It is continuing its review of tax expenditures to better align the tax system with Québec's current realities. This review covers all 277 tax expenditures, the total cost of which is estimated at $49 billion in 2023.

This update provides for the optimization of the tax credit for career extension, making it more effective and better adapted to the current labour market context. This is in addition to the measure announced since the last budget to harmonize capital gains taxation with changes to the federal tax system.

Commitment to return to a balanced budget by 2029-2030 maintained
The budgetary balance will improve by nearly $700 million in 2028-2029, thanks to the continuation of actions related to the review of tax expenditures. This corresponds to a reduction in the structural deficit to $3.2 billion, or 0.5% of GDP.

The budgetary deficit within the meaning of the *Balanced Budget Act*, after deposits of dedicated revenues in the Generations Fund, remains at $11 billion in 2024-2025 (1.8% of GDP).

The accounting deficit remains at $8.8 billion, or 1.4% of GDP, placing Québec between British Columbia (2.1% of GDP) and Ontario (0.6% of GDP).

The financial framework includes a contingency reserve of $750 million in 2024-2025 and $1.5 billion per year from 2025-2026, that could be used, in particular, to limit the effects of more moderate economic growth than anticipated, should this occur.

The government maintains its objective of returning to a balanced budget by 2029-2030, after deposits of dedicated revenues in the Generations Fund, and will table the plan to achieve this at the time of publication of the 2025-2026 budget.

Debt reduction objective maintained
Reducing the debt burden remains a priority for the government. It contributes positively to economic growth by creating a climate of confidence conducive to private investment and higher productivity, and also promotes intergenerational fairness. The net debt burden will stand at 39.0% of GDP as at March 31, 2025, a lower level than before the pandemic. The objective of reducing this burden to 30% of GDP by 2037-2038 is maintained.

Quote:

"The economic recovery is beginning in Québec. Today, we are continuing our targeted action by focusing on Quebecers' priority issues. The review of tax expenditures will help us prepare for the return to budgetary balance in a gradual and responsible manner."

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

Highlights:

- Investments totalling $2.1 billion more over the next five years for addressing Quebecers' priority issues.
- Reduction of $3.4 billion in government tax expenditures over the next five years.
- Indexation of $1.2 billion per year of the tax system and social assistance benefits for Quebecers.
- Allocation of 500 new units of the Rent Supplement Program to youth leaving the youth protection system.
- Additional investments of $880 million over four years in the five-year public transit assistance plan.
- Investment of $262 million over three years for responding to the impact of floods.
- Addition of 18 cell sites in the Bas-Saint-Laurent, Mauricie and Saguenay–Lac-Saint-Jean administrative regions.
- Economic growth to reach 1.2% in 2024, compared with the March forecast of 0.6%.
- Accounting deficit maintained at $8.8 billion, or 1.4% of GDP, placing Québec between British Columbia (2.1% of GDP) and Ontario (0.6% of GDP).
- Objective of returning to a balanced budget, after deposits of dedicated revenues in the Generations Fund, by 2029-2030 maintained, and plan to achieve this to be tabled at the time of publication of the 2025-2026 budget.
- Objective of reducing net debt burden to 30% of GDP by 2037-2038 maintained.

Related link:
Update on Québec's Economic and Financial Situation: www.quebec.ca/update.

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