WEEKLY COMMENTARY

Quebec's 2026 Economic Update: From Promises to Choices

The 2028–2029 balanced budget target stands. Now the government must show how it plans to meet it

By Sonny Scarfone, Principal Economist

The upcoming economic update will be the first opportunity for the new government to spell out its plans for Quebec's public finances. It will coincide with the government's first steps in the National Assembly, which reconvenes on December 1. The starting point is clear: Quebec remains in deficit, fiscal room is limited and needs continue to mount.

One important question has now been settled: the government is maintaining its commitment to return to balance in 2028–2029, one year ahead of the deadline set out in the *Balanced Budget Act*. In our post-election analysis, we already considered that target particularly ambitious. It still is. The question is therefore no longer whether the deadline will be pushed back, but how Quebec intends to meet it.

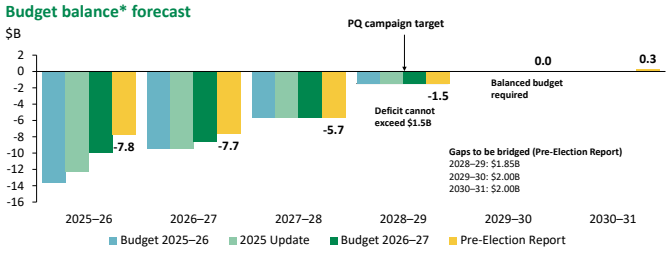
A Slightly Better Starting Position

Quebec's finances have improved modestly since the 2026–27 budget, but without creating much additional room to manoeuvre. The projected deficit for 2026–2027 fell from $8.6B in March to $7.7B in the pre-election report, largely due to higher-than-anticipated revenues. As we noted recently, government revenues have been more resilient than the Labour Force Survey might have suggested. Instead, they're more in line with recent payroll and administrative data. The improvement is welcome, but the medium-term challenge remains.

The issue is less the deficit in any single year than the path required to return sustainably to balance. The pre-election report projected a deficit of $1.5B in 2028–2029, with another $1.85B in "gaps to be bridged," that is, measures that have yet to be identified. To put this into perspective, these gaps would already exceed the $1.5B contingency reserve built into the fiscal framework. Balancing the budget by 2028–2029 was therefore always going to be a very tall order, even excluding the latest developments (graph 1). The new government may be inheriting a slightly better situation than was anticipated this spring, but it has hardly been given a blank cheque.

Graph 1

Returning to Balance Was Already a Tall Order Before the Election



* As defined by the *Balanced Budget Act* (after deposits to the Generations Fund).
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Since the Election, the Task Has Become More Daunting

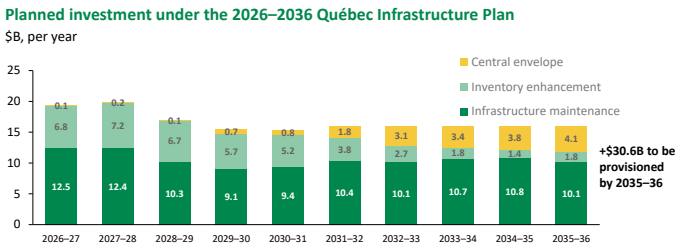
Several developments have occurred in the weeks following the election, complicating the task ahead. In September, the Government of Canada introduced its Productivity Mega Deduction. Quebec is now caught between a rock and a hard place: harmonizing its own tax system could reduce revenue by nearly $1B per year, but failing to do so could make Quebec less attractive for certain investments. The stakes are even higher now that Ontario has announced that it will follow the federal government's lead. The new Quebec government has not yet announced its decision.

Nor did the November 5 federal budget provide any meaningful boost to major transfers, beyond what was already expected. Ottawa is grappling with new budget priorities of its own, namely in defence and strategic investments. This means that Quebec can't count on an unexpected increase in transfers to ease the return to balance.

Municipal budgets are also under pressure. In Montreal, residential property taxes will rise by an average of 9.8% in 2027, largely due to a new infrastructure maintenance tax. The new ten-year capital works program has also been refocused on existing assets: 76.5% of the planned $23.4B will be devoted to preserving assets, while some development projects will be scaled back or deferred. While the municipal and provincial situations aren't directly comparable, the underlying tension is similar: needs are rising across the board while financial resources remain limited.

The trade-offs that lie ahead are plainly illustrated by infrastructure. The 2026–2036 Québec Infrastructure Plan (QIP) already calls for $167B in investment, with 71% of the allocated funding going toward maintaining existing infrastructure (graph 2). And yet, this plan does not yet capture all future needs: $64.9B will need to be provisioned in later QIPs for major projects that are already under study or at the planning stage (in French only). As a result, the apparent drop in investment toward the end of the plan partly reflects spending that has not yet been incorporated.

Graph 2
The Current QIP Does Not Yet Capture All Future Needs



Note: The central envelope, already included in the QIP, consists of funding not yet allocated to sector envelopes. It totals $18.0B over the 2026–36 horizon. A further $64.9B will need to be provisioned in future QIPs for major projects currently under study or in planning, including $30.6B within the 2026–36 horizon and $34.3B in subsequent years.

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Early signals from the government suggested that more explicit choices would have to be made. The Minister of Finance has already raised the possibility of revisiting the timelines and scope of some projects, while the relevance of others may be re-examined. As we discussed in our analysis of the asset maintenance deficit, these trade-offs are becoming all the more necessary, as a growing share of resources must be devoted to preserving existing assets. Postponing maintenance can increase costs over time.

In a forthcoming analysis, we'll show that the constraints will extend beyond financing. Labour availability, construction sector capacity and access to energy will also limit how many projects can move forward at once. Prioritizing could therefore become just as important as financing.

"When" Is Less Important Than "How"

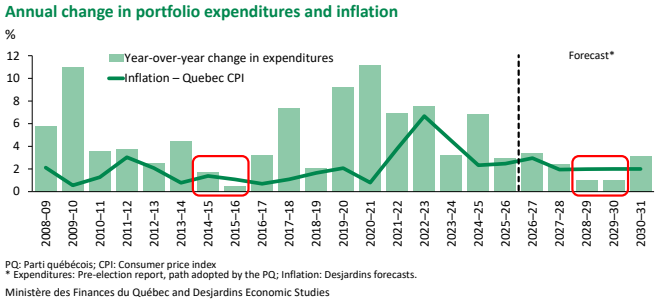
Quebec has now chosen to stick with its 2028–2029 target. The focus is therefore shifting to the measures needed to get there. Bringing the budget back into balance sooner than required would have little merit if doing so required difficult-to-sustain spending restraint or the deferral of necessary investment. The target will be credible only if the path toward it is credible as well.

The financial framework that the government has inherited was based on spending assumptions that were already quite demanding. Finding several billion dollars in additional savings without compromising services or postponing necessary investments could therefore prove difficult.

Little Room for Further Restraint

The government's path back to balance already relied on a significant slowdown in portfolio spending. After several years of strong growth, spending was projected to increase by 3.4% this year, 2.5% in 2027–2028 and then just 1% in the two following fiscal years. This growth is below the projected rate of inflation (graph 3 on page 3). This would be an unusually tight spending path: there have been very few comparable periods since the 2008–2009 financial crisis, apart from during the mid-2010s when inflation was below the Bank of Canada target.

Graph 3
Fiscal Framework: The PQ Has Inherited a Very Tight Spending Path



PQ: Parti québécois; CPI: Consumer price index
* Expenditures: Pre-election report, path adopted by the PQ; Inflation: Desjardins forecasts.
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This doesn't mean that spending pressures are easing, though. The aging population will continue to increase demand for health care, while wages, operating costs and infrastructure maintenance will all continue to add to spending pressures. Keeping expenditure growth below inflation will require either considerable productivity gains or even more difficult spending choices elsewhere.

The financial backdrop is also less favourable than it was during the previous decade. Major economies are borrowing heavily to ramp up their spending on defence, infrastructure and technology, which is putting upward pressure on long-term sovereign yields. For Quebec, these higher borrowing costs mean it will be more expensive to use debt to postpone fiscal adjustments.

It will therefore be important not to confuse balancing the books with achieving sustainable fiscal balance. A path that reaches balance in 2028–2029 but relies on spending assumptions that prove difficult to maintain would merely postpone some of the adjustment.

A more favourable economic environment could, however, make the target considerably easier to achieve. According to the pre-election report, resolving the trade dispute with the United States and stronger economic growth in Quebec would improve the budget balance by an average of $2.4B a year beginning in 2028–2029. This would be enough to cover the gap within that same year. But while those events would have a considerable impact on public finances, it would be unwise to assume they'll come to pass.

Hard Choices Ahead

Nicolas Marceau has already called for sobriety and simplicity (link in French only) when it comes to infrastructure, and this restraint will need to be expanded across the entire fiscal framework. Which spending should be protected, which can grow more slowly and which investments should be prioritized? Maintaining the 2028–2029 target should therefore not be judged simply on whether Quebec balances the budget on time. What matters is how it gets there. Clear choices and a realistic path could build credibility, but unsustainable levels of restraint or further delays to necessary adjustments will do the opposite.

The government's first economic update will therefore be judged less on its near-term deficit reduction than on the choices underpinning its path to the 2028–2029 target. The promises have been made. Now comes the time for choices.

What to Watch For

UNITED STATES

TUESDAY December 1 - 10:00

November	
Consensus	55.0
Desjardins	55.2
October	**55.5**

ISM Manufacturing index (November) – The ISM Manufacturing index rose to 55.5 in October, moving closer to July's recent peak of 55.6, which was its highest level since May 2022. The index's production component hasn't been this elevated since 2021. Comments from manufacturers that were published with October's index reported strong demand from the technology and commodities sectors. It'll be interesting to see if this momentum continued in November. Regional manufacturing indexes published so far this month are sending rather mixed signals. We therefore expect little change in the index in November, which would still be a fairly good outcome for the US manufacturing sector.

THURSDAY December 3 - 10:00

November	
Consensus	54.5
Desjardins	54.6
October	**54.5**

ISM Services index (November) – The ISM Services index continued its slow decline that began in September. October's reading of 54.5 was still high, but some components are painting a more nuanced picture. Business activity fell to its lowest level this year, although it remains above the 50-point mark. Like the ISM Manufacturing index, November's services index is expected to come in fairly flat. This view is supported by the regional non-manufacturing indexes published to date, as well as by the consumer confidence indexes.

FRIDAY December 4 - 8:30

November	
Consensus	90,000
Desjardins	200,000
October	**165,000**

Change in nonfarm payrolls (November) – The US labour market has been up and down in recent months. After just 60,000 jobs were added in September, October's gain of 165,000 workers blew past expectations. There's clearly a risk that this seesaw pattern will continue in November with a slowdown in new jobs, but the signs are pointing in the opposite direction. The surprisingly low number of weekly jobless claims once again points to strong job gains. This view is supported by the Conference Board Consumer Confidence Index's data on the ease of finding a job, with the net view of the labour market at its highest level since May 2025. ADP's weekly survey also shows a modest pickup in hiring in the second half of October. Together, these elements suggest a gain of approximately 200,000 jobs in November. That said, caution is warranted given the string of surprises in recent employment reports. As for the household survey, the unemployment rate is expected to edge back up to 4.2%. We'll also have to keep a close eye on wage growth, which jumped in October.

FRIDAY December 4 - 10:00

December	
Consensus	53.0
Desjardins	55.5
November	**51.5**

University of Michigan consumer sentiment index (December – preliminary) – In November, the University of Michigan consumer sentiment index rose for the first time since July. Falling gasoline prices during the month certainly contributed to this improvement. The increased gain between the preliminary and final November prints also suggests that the outcome of the midterms impacted the index. Specifically, the expectations index surged for Democrats and independents. These two factors could still have a positive impact on household sentiment in December. Gasoline prices have also fallen further in recent weeks. That said, the weak stock market may have curbed any gains in confidence. Look for the index to gain four points, which would push it up to its highest level since February.

CANADA

MONDAY November 30 - 8:30

September	**m/m**
Consensus	-0.1%
Desjardins	0.0%
August	**0.0%**

Real GDP by industry (September) – We anticipate that real GDP was unchanged in September, beating Statistics Canada's flash estimate. Weak performance in manufacturing and wholesale trade is expected to have provided some headwind to growth. In contrast, growth likely came primarily from resource extraction and utilities. Looking to October, our tracking is pointing to a possible acceleration in real GDP growth.

MONDAY November 30 - 8:30

Q3 2026	ann. rate
Consensus	1.5%
Desjardins	1.7%
Q2 2026	**3.3%**

Real GDP by expenditure (Q3 2026) – Turning to real GDP by expenditure, we anticipate Q3 growth of 1.7% annualized. This is below the Bank of Canada's forecast of 2.0% in the October 2026 Monetary Policy Report. Household consumption and government expenditures likely drove much of the strength in the quarter. We anticipate a modest contribution from business and residential investment as well. Net exports were likely a boost as imports fell in the quarter, probably a reflection of weaker domestic demand compared to Q2. These potential positive contributions to growth should be partly offset by a modest drag on growth from inventories.

THURSDAY December 3 - 8:30

Q3 2026	q/q
Consensus	n/a
Desjardins	-0.4%
Q2 2026	**1.0%**

Labour productivity (Q3 2026) – We expect that business sector labour productivity fell 0.4% q/q in Q3 following a 0.8% increase in the prior quarter. A sharp uptick in business sector total hours (0.9%) likely dwarfed growth in business sector real GDP (0.6%), probably driving the decline.

FRIDAY December 4 - 8:30

November	
Consensus	20,000
Desjardins	20,000
October	**-4,700**

Net change in employment (November) – Following three consecutive months of job losses, we expect employment to have rebounded by roughly 20k in November. Combined with the continued downward trend in labour force participation, that should be enough to nudge the unemployment rate down one tick to 6.6%. Still, weakness in trade-exposed sectors remains a key concern, particularly as another month has passed without meaningful progress on Canada–US trade relations.

OVERSEAS

SUNDAY November 29 - 20:30

November	
Consensus	n/a
October	**49.7**

China: Composite PMI (November) – China's composite PMI slipped from 50.7 in September to 49.7 in October. This decline was due to China's national holiday, Golden Week, as well as some holiday-related manufacturing orders being fast-tracked in September. Despite the recent tech stock correction, exports of components used in data centres and artificial intelligence continued to underpin industrial activity. With energy prices declining and order volumes normalizing, the composite PMI is expected to move back above the 50-point threshold in November.

Economic Indicators

Week of November 30 to December 4, 2026

Day	Time	Indicator	Period	Consensus	⬡	Previous reading
UNITED STATES						
MONDAY 30	9:45	Chicago PMI	Nov.	n/a	53.0	55.3
TUESDAY 1	---	Total vehicle sales (ann. rate)	Nov.	15,700,000	15,700,000	15,540,000
	10:00	Construction spending (m/m)	Oct.	0.8%	1.0%	-1.9%
	10:00	ISM Manufacturing index	Nov.	55.0	55.2	55.5
WEDNESDAY 2	---	---				
THURSDAY 3	8:30	Initial unemployment claims	Nov. 23–27	193,000	202,000	189,000
	10:00	ISM Services index	Nov.	54.5	54.6	54.5
	10:00	Factory orders (m/m)	Oct.	0.4%	0.3%	1.8%
FRIDAY 4	8:30	Change in nonfarm payrolls	Nov.	90,000	200,000	165,000
	8:30	Unemployment rate	Nov.	4.1%	4.2%	4.1%
	8:30	Average weekly hours	Nov.	34.4	34.4	34.4
	8:30	Average hourly earnings (m/m)	Nov.	0.3%	0.2%	0.4%
	10:00	University of Michigan consumer sentiment index – prel.	Dec.	52.5	55.5	51.5
CANADA						
MONDAY 30	8:30	Real GDP by industry (m/m)	Sep.	-0.1%	0.0%	0.0%
	8:30	Real GDP (ann. rate)	Q3	1.5%	1.7%	3.3%
TUESDAY 1	---	---				
WEDNESDAY 2	---	---				
THURSDAY 3	8:30	Labour productivity (q/q)	Q3	n/a	-0.4%	1.0%
FRIDAY 4	8:30	Net change in employment	Nov.	20,000	20,000	-4,700
	8:30	Unemployment rate	Nov.	6.6%	6.6%	6.7%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). ⬡ Desjardins Economic Studies forecast.

Economic Indicators

Week of November 30 to December 4, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 29							
Japan	18:50	Retail sales	Oct.	1.0%	2.7%	-0.7%	2.3%
Japan	18:50	Industrial production – preliminary	Oct.	2.1%	2.7%	2.0%	1.7%
China	20:30	Composite PMI	Nov.	n/a		49.7	
China	20:30	Manufacturing PMI	Nov.	49.4		49.3	
China	20:30	Non-manufacturing PMI	Nov.	49.6		49.7	
MONDAY 30							
Japan	0:00	Housing starts	Oct.		-6.7%		-2.7%
Germany	2:00	Retail sales	Oct.	1.5%	-1.5%	-2.0%	2.3%
Italy	5:00	Consumer price index – preliminary	Nov.	-0.2%	5.7%	1.0%	5.5%
Germany	8:00	Consumer price index – preliminary	Nov.	-0.3%	2.7%	-0.2%	2.8%
Japan	18:30	Unemployment rate	Oct.	2.4%		2.4%	
TUESDAY I							
United Kingdom	2:00	Nationwide house prices	Nov.	-0.2%	0.2%	0.0%	0.5%
Italy	3:45	Manufacturing PMI	Nov.	49.8		49.4	
France	3:50	Manufacturing PMI – final	Nov.	47.9		47.9	
Germany	3:55	Manufacturing PMI – final	Nov.	55.0		55.0	
Eurozone	4:00	Manufacturing PMI – final	Nov.	52.9		52.9	
Italy	4:00	Real GDP – final	Q3	0.0%	0.8%	0.0%	0.8%
United Kingdom	4:30	Manufacturing PMI – final	Nov.	52.7		52.7	
Eurozone	5:00	Consumer price index – preliminary	Nov.	-0.4%	3.8%	0.5%	4.0%
WEDNESDAY 2							
Eurozone	5:00	Unemployment rate	Oct.	6.5%		6.5%	
Japan	19:30	Composite PMI – final	Nov.	n/a		51.5	
THURSDAY 3							
Italy	3:45	Composite PMI	Nov.	50.8		50.8	
Italy	3:45	Services PMI	Nov.	51.7		52.0	
France	3:50	Composite PMI – final	Nov.	46.2		46.2	
France	3:50	Services PMI – final	Nov.	46.6		46.6	
Germany	3:55	Composite PMI – final	Nov.	55.0		55.0	
Germany	3:55	Services PMI – final	Nov.	54.0		54.0	
Eurozone	4:00	Composite PMI – final	Nov.	51.7		51.7	
Eurozone	4:00	Services PMI – final	Nov.	51.2		51.2	
United Kingdom	4:30	Composite PMI – final	Nov.	52.3		52.3	
United Kingdom	4:30	Services PMI – final	Nov.	52.0		52.0	
FRIDAY 4							
France	2:45	Industrial production	Oct.	0.4%	-1.0%	-0.5%	-1.3%
Eurozone	5:00	Retail sales	Oct.	0.4%	0.4%	-0.7%	0.4%

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).