ECONOMIC VIEWPOINT

Quebec 2026: A Pivotal Moment for Demographic Policy
For a transparent public debate on immigration and demographics

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HIGHLIGHTS

▶ Quebec is entering a period of structurally low unemployment, driven primarily by demographic factors. Given the province's demographic fundamentals, namely rising retirements, low birth rates and slower growth in the labour force, Quebec's unemployment rate is likely to continue converging toward 4% for the remainder of the decade, barring a recession.

▶ The announced immigration targets will help slow the demographic decline, but they will not prevent stagnation in the labour force. Compared to the lower targets that were considered, the chosen objective (45,000 permanent immigrants per year) will better mitigate the effects of the aging population, but it will not be enough to offset the now-negative natural population growth, nor will it sustainably support labour supply.

▶ The aging population will intensify pressures on public finances, unless productivity gains are made. The rising dependency ratio, combined with the falling participation rate, will limit growth in tax revenues, even as spending continues to increase, particularly on health care.

▶ The appendixes present the analytical foundations of the report. Appendix 1 explores six demographic scenarios from now to 2050, based on different assumptions for immigration and fertility. Appendix 2 examines the decline in fertility and the limited effectiveness of pro-natalist policies. Appendix 3 assesses the productivity and capital accumulation gains required to offset the demographic constraints on economic growth.

2025 was full of twists and turns, few of which were positive. But in December, Quebec's unemployment rate was lower than it was 12 months before, despite the uncertainty caused by the US election results and the resultant upheaval in our main export partner's trade policy.
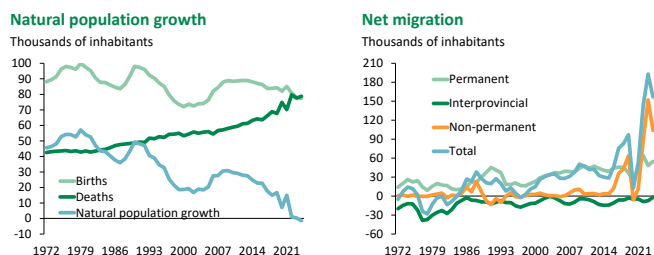
While lower unemployment may initially seem encouraging, it's part of a more complex dynamic: a demographic shift that's putting increasing pressure on the labour market. Given the province's demographic fundamentals (rising retirements, falling birth rates and slower growth in the working-age population), Quebec's unemployment rate will likely continue to converge towards 4% for the rest of the decade unless there's a recession. There is a chance it may fall even lower. This may sound positive, but it doesn't necessarily bode well for Quebec's economic well-being. It poses big challenges for economic growth, the provincial budget and the long-term viability of public services.

Against this backdrop, on November 5, the Quebec government announced that permanent immigration targets for 2026–2029 would be set at 45,000 people per year—a level slightly below those seen in the 2010s.

While this was the highest of the targets publicly considered, it won't be enough to reverse the current demographic trend. Deaths now outnumber births in Quebec (graph 1 on page 2). In 2024, this led natural population growth to turn negative for the first time, a stark change from the annual increase of more than 20,000 people seen ten years ago.

Graph 1
Quebec's Population Will Decline Without Positive Net Migration

Natural population growth
Thousands of inhabitants

Births
Deaths
Natural population growth

1972 1979 1986 1993 2000 2007 2014 2021

Net migration
Thousands of inhabitants

Permanent
Interprovincial
Non-permanent
Total

1972 1979 1986 1993 2000 2007 2014 2021

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Graph 2
Hiring Difficulties Persist in Some Less-Urban Areas

Job vacancy rates by administrative region – Q3 2025 (%)

Pre-COVID average
Q3 2023
Q3 2025

CNNQ: 3.4 GIM: 2.4 BSL: 2.6 CNat: 2.7 CA: 2.6 Estrie: 4.2 CQ: 3.2 Mont: 3.0 Mtl: 2.6 Laval: 2.5 Lan: 2.9 Lau: 2.2 Out: 2.0 AT: 4.2 Mau: 3.7 SLSJ: 2.3

BSL: Bas-Saint-Laurent
SLSJ: Saguenay–Lac-Saint-Jean
CNat: Capitale-Nationale
Mau: Mauricie
Mtl: Montréal
Out: Outaouais
AT: Abitibi-Témiscamingue
CNNQ: Côte-Nord et Nord-du-Québec
GIM: Gaspésie–Îles-de-la-Madeleine
CA: Chaudière-Appalaches
Lan: Lanaudière
Lau: Laurentides
Mont: Montérégie
CQ: Centre-du-Québec

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Meanwhile, the various levels of government want to bring the proportion of non-permanent residents (NPRs) down to 5% of the population, from just under 7% in Quebec today.
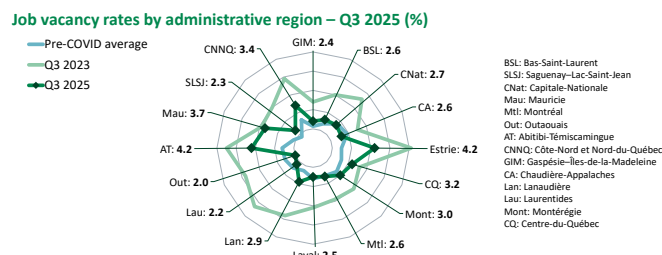
The desire to reduce immigration targets—especially for NPRs—stems from legitimate concerns: strained public services, housing pressures, rising youth unemployment and the challenges of integrating newcomers into a French-speaking society that's a minority in North America. That said, we must consider the medium- and long-term effects of these decisions. Given Quebec's aging population and stagnant labour force, aggressively cutting back on immigration could exacerbate labour shortages, slow down economic growth and make it harder to balance public finances. These decisions must be made transparently, with a clear understanding of the trade-offs involved, both now and in the long term.

Our Baseline Scenario

We've developed an analytical framework to estimate the impact of different demographic policies through 2050. It factors in a number of variables: permanent immigration targets, decisions on temporary immigration (as a percentage of the population), birth rates, labour force participation by age and gender, projected life expectancy for different age groups and household formation rates. In Appendix 1, we explore six different scenarios based on contrasting assumptions, as well as the potential demographic outcomes for each one.
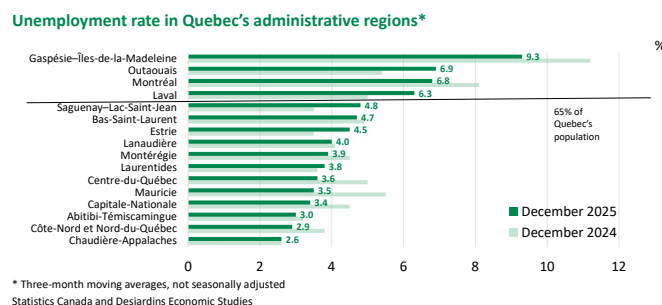
Since July, when the Institut de la statistique du Québec (ISQ) predicted that population growth would remain flat for the next decade, we've expressed our skepticism that the government targets used as inputs in these demographic projections would be reached. Several factors need to be considered, including persistent hiring difficulties in non-urban areas, where job vacancy rates mostly remain above the pre-pandemic average (graph 2). It's also worth noting that as of December 2025, two-thirds of Quebec's population live in administrative regions that do not experience cyclical unemployment, that is, joblessness directly linked to economic conditions (graph 3).

Graph 3
Most Quebecers Live in Regions with No Cyclical Unemployment

Unemployment rate in Quebec's administrative regions*

Gaspésie–Îles-de-la-Madeleine 9.3
Outaouais 6.9
Montréal 6.8
Laval 6.3
Saguenay–Lac-Saint-Jean 4.8
Bas-Saint-Laurent 4.7
Estrie 4.5
Lanaudière 4.0
Montérégie 3.9
Laurentides 3.8
Centre-du-Québec 3.6
Mauricie 3.5
Capitale-Nationale 3.4
Abitibi-Témiscamingue 3.0
Côte-Nord et Nord-du-Québec 2.9
Chaudière-Appalaches 2.6

65% of Quebec's population

December 2025
December 2024

0 2 4 6 8 10 12

* Three-month moving averages, not seasonally adjusted
Statistics Canada and Desjardins Economic Studies

We also still expect that the province will be unable to successfully reduce NPR levels to their new targets over the 2026-2029 horizon. The decrease could be mitigated by several factors, including the potential introduction of special measures, like a grandfather clause maintaining the eligibility of immigrants already living in the province—especially outside of urban areas. Furthermore, most NPRs have already spent years trying to integrate into Quebec society. They've developed their skills at their workplaces, and the companies that employ them have already invested in their training. In many cases, they hold jobs that Canadian-born workers often don't want.
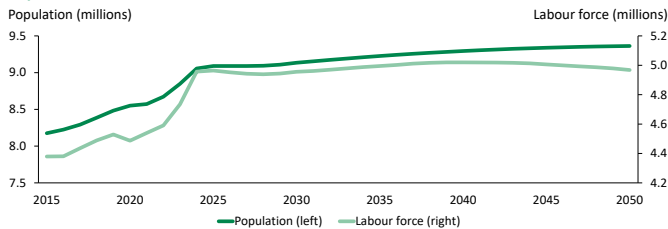
We based the demographic forecasts in graphs 4 and 5 on the following assumptions:

▶ The permanent immigration targets announced for 2026 to 2029 will be met.

▶ After that, permanent immigration levels will return to the 2000–2019 average, or approximately 0.6% of the population. This amounts to about 55,000 to 60,000 permanent immigrants per year between 2030 and 2050.

- The number of NPRs will eventually drop closer to the new target of 5% of the total population, albeit over a longer timeline. This target will be held over the longer term.
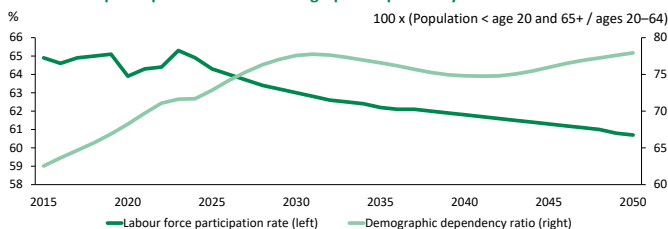
- The birth rate will remain stable.

Graph 4
Baseline Scenario: Quebec's Population Is Expected to Rise Slightly by 2050, but the Labour Force Will Stagnate
Population and labour force

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Graph 5
Baseline Scenario: The Number of Workers Available to Support Youth and Seniors Is Falling
Labour force participation rate and demographic dependency ratio

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Graph 4 shows the population stagnating through 2030, followed by a gradual return to growth. But this recovery will remain limited: The population is projected to grow by only 275,000 between 2025 and 2050, about half the absolute growth seen since 2022. In contrast, the working-age population would hold steady at its current level over the coming decades.

Graph 5 illustrates the impacts that an aging population would have on the labour force participation rate and dependency ratio. The labour force participation rate would gradually fall to about 60%, which is where it was in the late 1970s. Back then, women had begun entering the workforce in large numbers, a trend that continued when Quebec introduced subsidized daycare in the late 1990s. Today, Quebec has one of the highest female labour force participation rates in the world.

At the same time, the dependency ratio would hit a peak of about 80. This means that there would be around 80 people of school or retirement age for every 100 people of working age. The last time this ratio was that high, the baby boomers were

still in school. This time, however, the demographic pressure will come mainly from an aging population whose healthcare needs far exceed the costs associated with educating young people in primary and secondary school.

This trend will have major implications for Quebec's public finances. With a stagnant working-age population and a declining labour force participation rate, the tax burden on workers will likely increase, while tax revenue growth will lag behind spending. Unless there are some major changes—to productivity growth, fiscal policy or public services—the current fiscal template may become hard to sustain over the medium and long term.

Spotlight on 2026: A Collective Decision That Must Be Embraced with Clear Eyes

Obviously, the demographic trajectory will hinge on a number of variables. In Appendix 1, we examine several potential scenarios and their outcomes for the population. In Appendix 2, we take a closer look at the challenges posed by the falling birth rate, which hit a new low of 1.34 children per woman in Quebec in 2024. Although increasing the birth rate could support natural population growth, it would also raise the dependency ratio until those newborns reach working age, which means the demographic benefits wouldn't be felt for decades.

Ultimately, as the French philosopher Auguste Comte once said, "demography is destiny." Allowing the labour force participation rate and the pool of workers supporting youth and seniors to shrink is a societal choice, which may be justified by non-economic considerations. Our baseline scenario sees the working-age population staying about the same size, but assumes that permanent immigration targets will return to pre-pandemic levels. However, if the government maintains its target at 45,000 after 2030, the working-age population will start to contract at an accelerating pace starting in the late 2030s.

Conversely, it would also be a reasonable societal choice to keep immigration levels high, with all the challenges this would entail in terms of promoting the use of French, integrating newcomers and dealing with increased pressure on public services. What matters most is transparency about the trade-offs that must be made, regardless of the path chosen.

Under these circumstances, the new target of 45,000 permanent immigrants per year seems reasonable for the short term. It partly meets labour market needs while also considering the strains placed on the province's capacity for settling and integrating newcomers in recent years.

However, over the medium and long term, barring any significant productivity gains—the likes of which haven't been seen in many years—maintaining such a target could reduce Quebec's attractiveness to investors and set off a vicious circle that would

limit its economic growth potential. Appendix 3 examines in greater detail that gains that would be needed, beyond the growth of the working-age population, to keep potential growth at a pace comparable to what is estimated today.

Meanwhile, the budget pressures stemming from the aging population cannot be ignored. The cost of healthcare for seniors will grow faster than the tax revenues collected from the stagnant working-age population. Without structural reforms—to modernize public services, review fiscal policies or reach a consensus that will break down barriers to wealth creation and boost productivity—the sustainability of Quebec's social safety net could be jeopardized.

Appendix I
Six Scenarios Covering the 2025–2050 Horizon

In addition to our baseline scenario (Scenario 1), we've developed five additional scenarios to illustrate the long-term impacts of the choices made both today and from 2030 onward (table 1). In these scenarios, no adjustments are made over time. The assumptions used in each scenario are instead taken to their absolute limit. These scenarios should therefore be considered purely hypothetical.

Table 1
Our Scenarios: Assumptions

SCENARIO	ASSUMPTIONS			
	Perm. immigration 2026–2029 (in persons)	Perm. immigration 2030–2050 (% of the population)	NPR admissions brought to 5% of the population (year)	Birth rate (total fertility rate)
#1 – Baseline	45,000	0.60%	2038	1.35
#2 – Limited immigration over the longer term*	25,000	0.40%	2027	1.35
#3 – Limited immigration and a rebound in the birth rate*	25,000	0.40%	2027	1.60
#4 – Immigration adjusted upward	55,000	0.66%	2037	1.35
#5 – Immigration and birth rate both adjusted upward	55,000	0.66%	2036	1.60
#6 – Stable working-age population	45,000	0.60%	2040	1.50

NPR: Non-permanent residents
* Lower NPR targets met each year; 50% achieved for Scenarios 1, 4, 5 and 25% achieved for Scenario 6.
Desjardins Economic Studies

Here is what each scenario entails:

▶ **1 – The baseline scenario**. Presented in the main text, this scenario calls for an annual target of 45,000 permanent immigrants at first. This target is then gradually increased to bring immigration levels in line with their average from 2000 to 2019, as a share of the population. That's around 55,000 per year from 2030 to 2040. In this scenario, the goal of reducing non-permanent resident levels is only met halfway. This means their share of the population won't fall to 5% until 2038. The birth rate remains close to its current level.

▶ **2 – Limited immigration over the longer term.** Here, the short-term target for permanent immigration has been dropped to 25,000, which was the lowest figure the current government had considered. From 2030 onward, the number of permanent immigrants admitted is held at 0.4% of the population. This is roughly 30% lower than in the 2000s. In this scenario, the reduced target for non-permanent residents is met each year, bringing their share of the population to 5% by 2027. The birth rate remains close to current levels.

▶ **3 – Limited immigration and a rebound in the birth rate.** Same as Scenario 2, except that the birth rate rises to 1.6 children per woman, the level observed between 2006 and 2017, as well as before 1997.
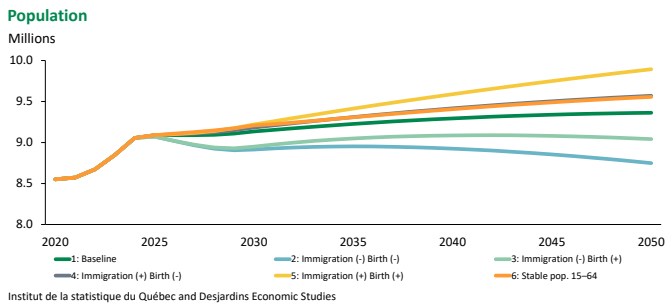
▶ **4 – Immigration adjusted upward.** The short-term target for permanent immigrants is raised to 55,000 and the long-term target is aligned with the average seen in the early 2020s, which is 0.66% of the population, or around 60,000 permanent immigrants per year in the 2030s. The goal of reducing non-permanent resident levels is only halfway met, meaning their share of the population falls to 5% in 2037. The birth rate remains close to its current level.

▶ **5 – Immigration and birth rate both adjusted upward.** Same as Scenario 4, but with a birth rate of 1.6 children per woman.

▶ **6 – The working-age population stabilizes.** This scenario was reverse-engineered with the specific goal of reducing fluctuations in Quebec's working-age population from 2026 to 2050. To achieve this, it assumes a short-term target of 45,000 permanent immigrants per year, to be followed by a target that's in line with the average, as a share of the population, from 2000 to 2019. It also assumes the birth rate is somewhere between its current and pre-pandemic levels. The goal of reducing NPR levels is only 25% met, which prevents short-term contractions in the working-age population.

Note: The other parameters are kept the same, even though they influence demographic dynamics: net interprovincial immigration rate (slightly negative); net international emigration rate (stable at current levels); survival rates of different age cohorts over time are modelled on the rates forecast by the ISQ.
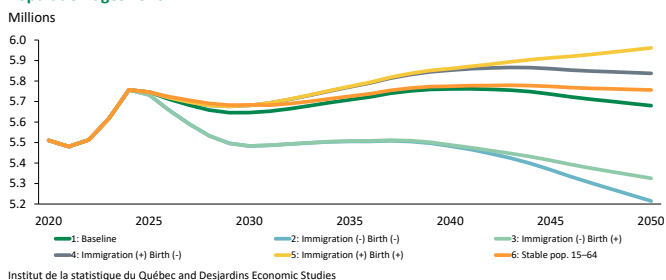
The following graphs illustrate the key demographic findings that these assumptions yield.

Graph 6 on page 6 presents how the population would change between now and 2050. Depending on the scenario selected, it ranges from 8.75 million to 9.89 million inhabitants, with the base scenario calling for 9.36 million.

Graph 6
Scenario Results: Between 8.7M and 9.9M Quebecers in 2050

Population
Millions

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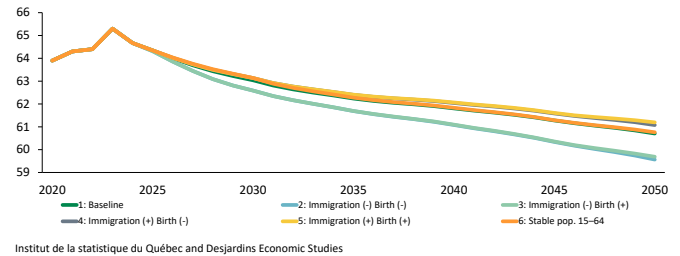
The working-age population varies more significantly between scenarios (graph 7). Scenarios 2 and 3, which are more restrictive on permanent immigration and reach the new targets for NPRs more quickly, lead to a significant contraction of the population ages 15–64, with around 300,000 fewer people by the end of this decade. This population then remains relatively stable through the 2030s before falling again in the 2040s. By 2050, Scenario 2 would lead to a decrease of more than 500,000 working-age individuals, about 10% of our current working-age population. Only the two higher-immigration scenarios lead to an increase in the working-age population. With the others, it remains stable at best or decreases slightly, including in our baseline scenario.

Graph 7
Scenario Results: A Working-Age Population of 5.2M to 6.0M Individuals

Population ages 15–64
Millions

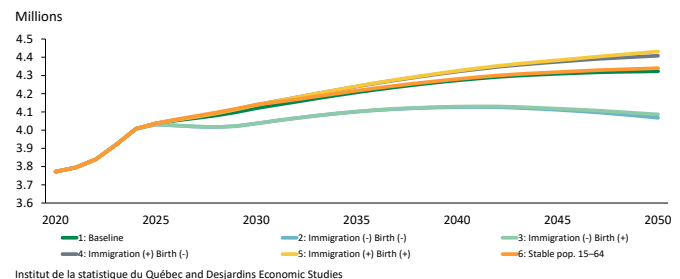Institut de la statistique du Québec and Desjardins Economic Studies

In every scenario, the labour force participation rate is expected to decline over the entire forecast horizon. Currently around 65%, it will fall to between 59.6% and 61.2% by 2050, assuming that the rates specific to each cohort (by gender and age) remain the same or increase slightly to match the levels observed in Ontario, particularly for workers ages 55 and over.

Graph 8
Scenario Results: A Labour Force Participation Rate Between 59.6% and 61.2%

Labour force participation rate
(As a percentage)

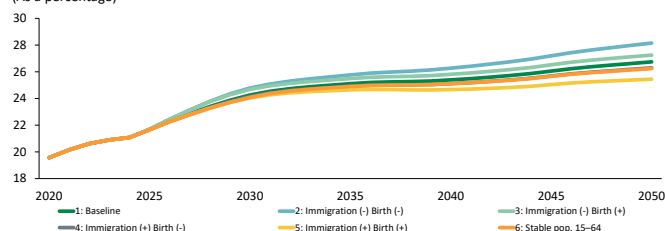Institut de la statistique du Québec and Desjardins Economic Studies

The number of households is expected to rise in every scenario. This trend is mainly caused by the aging population, which is reducing the average number of individuals per household, as well as changing lifestyles and the lower birth rate. In the limited-immigration scenarios, the number of households in 2050 winds up being just 1% higher than the 2025 estimate. In our baseline scenario, this number is 7% higher, and it grows by 9% in the higher-immigration scenarios.

Graph 9
Scenario results: Between 4.1M and 4.4M Households

Number of households
Millions

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The proportion of the population ages 65 and over, a key indicator of healthcare cost pressures (despite the improvements seen in the younger cohorts of the group), will inevitably increase. In 2050, it will include everyone born before 1986, or roughly a third of millennials. While this group accounts for 21.1% of the population today, that figure should rise to somewhere between 25.4% (scenario with higher immigration and higher birth rate) and 28.1% (limited immigration, no rebound in the birth rate).

Graph 10
Scenario Results: Seniors Would Account for 25.4% to 28.1% of the Population
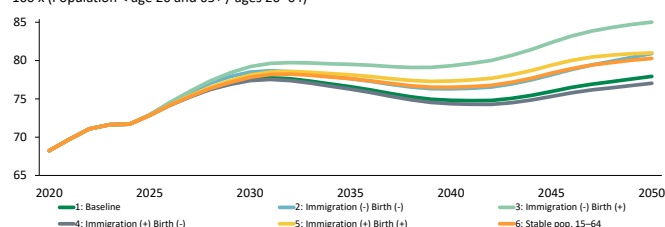**Proportion of the population ages 65 and over**
(As a percentage)

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Legend:
- 1: Baseline
- 2: Immigration (-) Birth (-)
- 3: Immigration (-) Birth (+)
- 4: Immigration (+) Birth (-)
- 5: Immigration (+) Birth (+)
- 6: Stable pop. 15–64

The demographic dependency ratio, a key indicator of tax pressures, estimates the number of working-age individuals compared to those who contribute less to government income, namely retirees and young people under 20, who are usually still in school. In a way, this indicator is a natural continuation of the previous one, though it must be noted that an increase in the birth rate will change the picture over a decades-long timeframe. This ratio is currently at 72.8, meaning that for every 100 working-age individuals, there are nearly 73 individuals outside of that pool. This ratio rises to 77 in the scenario with higher immigration but no rebound in the birth rate and 85 in the scenario where immigration is limited but the birth rate rises.

Graph 11
Scenario Results: Between 77 and 85 Seniors or Young People per 100 Workers
Demographic dependency ratio
100 x (Population < age 20 and 65+ / ages 20–64)

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Legend:
- 1: Baseline
- 2: Immigration (-) Birth (-)
- 3: Immigration (-) Birth (+)
- 4: Immigration (+) Birth (-)
- 5: Immigration (+) Birth (+)
- 6: Stable pop. 15–64

The full results can be found in table 2.

Table 2
Our Scenarios: Results

SCENARIO	2050 RESULTS					
	Total population	Population ages 15–64	Labour force participation rate	Number of households	% population ages 65 and over	Demographic dependency ratio
In 2025 (estimate)	**9.09M**	**5.76M**	**64.9%**	**4.04M**	**21.1%**	**72.8**
#1 – Baseline	9.36M	5.68M	60.7%	4.32M	26.7%	77.9
#2 – Limited immigration over the longer term*	8.75M	5.21M	59.6%	4.07M	28.1%	80.9
#3 – Limited immigration and a rebound in the birth rate*	9.04M	5.33M	59.7%	4.09M	27.2%	85.0
#4 – Immigration adjusted upward	9.57M	5.84M	61.1%	4.41M	26.3%	77.0
#5 – Immigration and birth rate both adjusted upward	9.89M	5.96M	61.2%	4.43M	25.4%	81.0
#6 – Stable working-age population	9.41M	5.73M	60.5%	4.28M	26.5%	80.9

NPR: Non-permanent residents
* Lower NPR targets met each year; 50% achieved for Scenarios 1, 4, 5 and 25% achieved for Scenario 6.
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Appendix 2
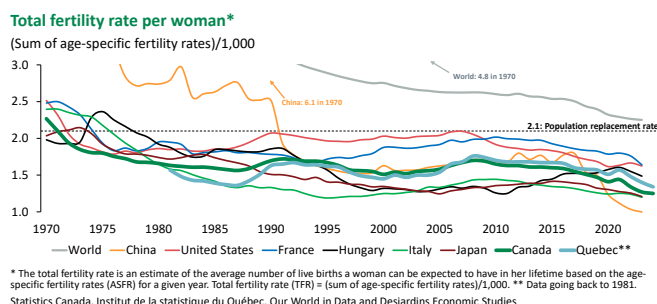## The Birth Rate: Its Evolution and the Scope of Incentives

In most developed nations, birth rates have fallen precipitously over the last few decades. Since the pandemic, a number of countries have watched their births hit all-time lows. This includes Canada, where the birth rate has dropped from 3.8 children per woman in 1960 to just 1.3 in 2024. The same trend can be observed throughout Europe, Asia and the Americas, even in countries with ambitious public policies to support families.

Governments worldwide have introduced a series of measures in an attempt to change course. These include family benefits, extended parental leave, subsidized childcare and generous tax breaks for mothers and parents. Countries like Norway, Poland, South Korea and Japan (where the number of empty homes has risen sharply and populations are shrinking rapidly in rural areas) have all invested considerable amounts, but with no lasting success. Pro-family policies seem to have a marginal effect on fertility, including on the decision to have a second or third child, and thus far have failed to bring birth rates close to the replacement level. While they may be desirable from an equity or work-life balance perspective, their impact on the total number of births remains limited. And what's more, these programs often come with a hefty cost.

Hungary is often raised as an example by pronatalists, particularly in the United States, where some conservative groups have been calling for a new "baby boom." However, the Hungarian experiment has yielded mixed results. Between 2011 and 2018, the birth rate did rise from 1.2 to 1.6 children per woman (graph 12), thanks to a panoply of incentives, including tax breaks, direct financial assistance and free childcare. The cost of these measures came in at nearly 5.5% of the country's GDP. This share of spending is the equivalent of the combined 2024–2025 budgets for Quebec's departments of education and higher education, which together accounted for $34.7B, or 5.6% of the province's nominal GDP.

But despite these incentives, Hungary's brief surge in fertility did not last. Its birth rate began falling again in 2021 and is now lower than in the United States and France. This suggests that instead of having more children, families simply moved up their timeline for the children they already planned to have. Quebec also experienced a temporary spike in its birth rate, starting in the mid-2000s. It's suspected that this phenomenon was caused by the more widespread deployment of its subsidized daycare system.

Graph 12
Fewer Children Are Being Born in the West and Elsewhere

Total fertility rate per woman*
(Sum of age-specific fertility rates)/1,000

* The total fertility rate is an estimate of the average number of live births a woman can be expected to have in her lifetime based on the age-specific fertility rates (ASFR) for a given year. Total fertility rate (TFR) = (sum of age-specific fertility rates)/1,000. ** Data going back to 1981.
Statistics Canada, Institut de la statistique du Québec, Our World in Data and Desjardins Economic Studies

Recent research by Kearney and Levine, among others, suggests that the decline in fertility cannot be fully explained by costs or access to services. Instead, it reflects a profound shift in priorities: more women are simply choosing not to have children, and those who do choose to have fewer. While polling indicates that many families express a desire to have more children, the reality is that they don't always prioritize that desire, instead focusing on material goals and personal growth. Others have suggested that socioeconomic issues, such as a lack of affordable housing, may be keeping birth rates low in Canada (and in Australia and Norway). But birth rates are falling even in countries with stable real estate prices. The trend is widespread and does not neatly correlate with any one economic variable. This suggests that smaller family size is largely the byproduct of shifting cultural norms and preferences, and is not necessarily driven by financial conditions—though it is true that housing costs can accentuate the trend. British Columbia, for example, has a particularly low birth rate.

In Quebec, pro-family policies have made it easier to achieve a work-life balance, which has in turn allowed a greater number of mothers to enter the workforce. However, these policies have had only a small effect on the number of births. They improve the economic trajectories of parents—a laudable goal in itself—but have failed to reverse demographic trends.

The birth rate assumptions we've included in our scenarios are therefore based on a widely documented finding: even when countries pour immense sums into pro-family incentives, the effects are modest and often temporary. In countries like Hungary and South Korea, where several percentage points of GDP have been invested in these measures, birth rates are still below the replacement rate. This can be explained by structural factors, including shifting norms for family sizes, economic constraints and cultural changes that cannot be altered via

monetary policy. Against this backdrop, it's likely that birth rates will remain stable and low until 2050. Conservative assumptions seem more appropriate, rather than predicting a significant rebound. That's why we've used rates of 1.3 and 1.6 for scenarios involving stable birth rates and rising rates, respectively.

With birth rates below the replacement level in nearly all of the world (outside of sub-Saharan Africa and some regions in central Asia), competition to attract immigrants—particularly skilled immigrants—may well become a critical issue in the long term. In a context where population growth is increasingly dependent on migration flows, a country's prosperity and global influence could depend on their ability to bring together some much-needed conditions. These include capacity (housing, infrastructure, public services), a clear societal consensus around integration (both the goals and methods) and the ability to provide economic opportunities and a quality of life that are attractive to newcomers.

Appendix 3
How Demographics Influence Economic Growth

Over the long term, it's better to base economic growth forecasts on the projected changes in the factors of production. According to economic theory, the factors that determine the level of production (Y) are the available amounts of labour (L), capital (K), as well as another variable (A), total factor productivity, which measure how efficiently labour and capital are used. The relationship between these variables can be expressed using a Cobb-Douglas form with constant returns to scale, which corresponds to the equation:

$$Y = AL^{\alpha}K^{1-\alpha}$$

The coefficient α corresponds to the relative share of labour in total production, which is estimated by the share of total income generated by workers. In Quebec, we estimate this coefficient to be around 0.67.

The linearized form of this equation expresses the relationship between changes in its different components. The change in Y will depend on the change in A, as well as on the changes in L and K, adjusted for coefficient α.

$$\Delta Y = \Delta A + \alpha(\Delta L) + (1-\alpha)(\Delta K)$$

If labour force growth is projected to be weak, it will limit growth by factor L in this equation, reducing potential economic growth. We can also calculate what contributions are needed from the other factors of production (accumulation of capital and productivity growth) to maintain a given level of economic growth over the long term, in different demographic scenarios. Our calculations assume that economic growth will continue at 1.4% per year.

$$\Delta Y = 1.4 = \Delta A + \alpha(\Delta L) + (1-\alpha)(\Delta K)$$
$$1.4 - \alpha(\Delta L) = \Delta A + (1-\alpha)(\Delta K) =$$
contribution from other factors of production

Factor L is usually measured by the total number of hours worked. To keep things simple, our projections assume the other determinants in the number of hours worked are kept constant. Only a change in the labour force will cause a change in the labour factor.
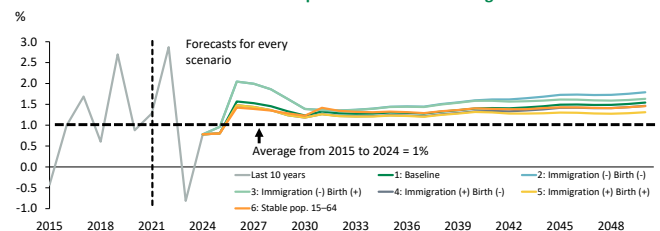
Between 2015 and 2024, Quebec's real GDP growth averaged 2%, with roughly equal contributions from the labour factor and the other factors of production. The data can be very volatile from one year to the next, but the trend remains clear. In all of our demographic scenarios, our forecasts indicate that the combined contributions of capital accumulation and productivity

growth needs to hold above the recent average in order to support economic growth of 1.4% (graph 13). Scenario 2 is the one where the weak contribution from labour is the most difficult to offset. In that case, the contributions from non labour factors would need to increase by 1.8% per year. This remains achievable, but it represents a substantial challenge. Conversely, the stronger demographic fundamentals of Scenario 5 reduce the required contributions to 1.3%. In all scenarios considered, the gains needed are above the 1% average observed between 2015 and 2024.

Graph 13
In All Scenarios, the Other Factors of Production Must Rise to Keep Economic Growth at 1.4%
Contributions from the other factors of production to economic growth

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It should also be noted that in 2026 and 2027, the economy will still be able to leverage the current stock of unemployed individuals to increase the number of workers and the volume of hours worked. Once the unemployment rate returns to equilibrium, however, changes in the labour factor will be largely determined by changes in the labour force.