

WEEKLY COMMENTARY

Income Inequality in Quebec: Do We Have the Full Picture?

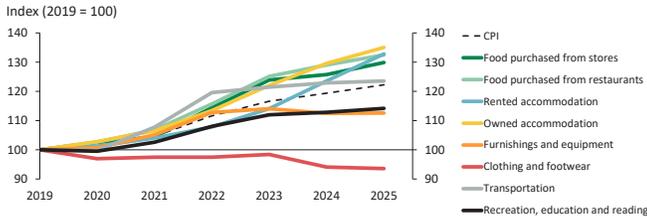
By Sonny Scarfone, Principal Economist

Lately, the public discourse has been increasingly focused on the idea of a “K-shaped economy”—a situation where the well-off keep pulling ahead and those who are already struggling fall further behind. There’s a fair chance we’ll hear more of the same if debates over inequality in Quebec intensify in the years ahead. Given the fact that many of today’s inflationary shocks, especially in gas, food and housing (graph 1), will likely place a greater financial strain on the province’s less well-off households, it seems wise to take stock of the situation in Quebec. Without a clear view of the facts, we can’t have a truly informed debate. And while the matter has been studied for quite some time, the information we do have is inherently biased and incomplete.

The Gini Coefficient: Before and After Taxes and Transfers

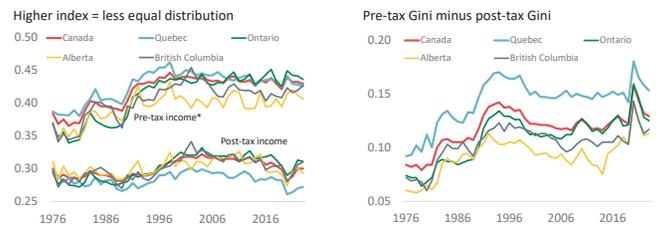
The most commonly used indicator to track income inequality is the Gini coefficient. It’s an index that ranges from 0 to 1 and is used to describe income concentration in a society. When it’s closer to 0, income is more equally distributed across the population, and when it’s closer to 1, that means that income is concentrated among a smaller number of individuals. While it’s widely accepted that inequality is on the rise, this indicator actually presents a more nuanced picture. If we look at the pre-tax Gini, we can see that market income inequality has been slowly falling since the mid-1990s, and that Quebec’s ratio today is in line with the national average. Among the more populated provinces, Ontario’s index is slightly higher than the others, whereas Alberta’s is the lowest (graph 2, left).

Graph 1
Prices for Groceries and Rental Housing Have Risen Around 30% Since 2019



Statistics Canada and Desjardins Economic Studies

Graph 2
According to the Most Commonly Used Measure, Inequality Hasn’t Increased in Quebec for Nearly 40 Years



* To account for the economies of scale present in larger households, incomes have been adjusted by dividing household income by the square root of the household size.
Statistics Canada and Desjardins Economic Studies

CONTENTS

Musing of the Week 1 What to Watch For 3 Economic Indicators 5

Jimmy Jean, Vice-President, Chief Economist and Strategist • Randall Bartlett, Deputy Chief Economist
 Benoit P. Durocher, Director and Principal Economist • Royce Mendes, Managing Director and Head of Macro Strategy
 Mirza Shaheryar Baig, Foreign Exchange Strategist • Marc-Antoine Dumont, Senior Economist • Tiago Figueiredo, Macro Strategist
 Francis Généreux, Principal Economist • Florence Jean-Jacobs, Principal Economist • Kari Norman, Senior Economist • Sonny Scarfone, Principal Economist
 Oskar Stone, Macro Strategy Associate • LJ Valencia, Economist

Desjardins Economic Studies: 514-281-2336 or 1-866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively. **IMPORTANT:** This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. Data on prices and margins is provided for information purposes and may be modified at any time based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. Unless otherwise indicated, the opinions and forecasts contained herein are those of the document’s authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2026, Desjardins Group. All rights reserved.

But governments redistribute income via taxes and transfers. Once we take the “redistribution effect” into account—the difference between the pre-tax and post-tax Gini coefficients—the income gap in Quebec after redistribution is smaller than it is in other major provinces, and is in fact nearing the lows recorded in the mid-1980s. Redistribution efforts have increased since the pandemic and are well above the levels witnessed in the 1970s and early 1980s (graph 2 on page 1, right). Historically, these efforts have been greater in Quebec than in the rest of Canada.

However, this ability to reduce inequality depends on limited public resources. Every dollar used for redistribution comes at a real economic cost, since it must first be raised through taxes or borrowed. And in addition to the amount paid or spent, it’s important to consider the indirect effects of collecting these revenues, whether on household behaviour, investment decisions or economic activity in general. This is referred to as the “marginal cost of public funds.” In other words, there’s always a trade-off somewhere. While redistribution is still a practical tool for addressing inequality, the effectiveness and scope of each measure must be thoroughly assessed. Empirical research typically estimates this cost to be between 1.2 and 1.5, which means that every additional dollar of public revenue raised can lead to a total economic cost of between \$1.20 and \$1.50.

This Picture Is Missing Asset Income

If we analyze economic inequality by focusing solely on income, we may be missing a critical angle. Wealth held as financial assets, real estate and business capital is often a more pronounced vector of inequality than current income. Some work suggests that measures of Quebec’s inequality could change dramatically if this were taken into account. The 2023 personal income tax statistics published by the Ministère des Finances du Québec give us a clearer idea of how income is distributed within the population (graph 3).

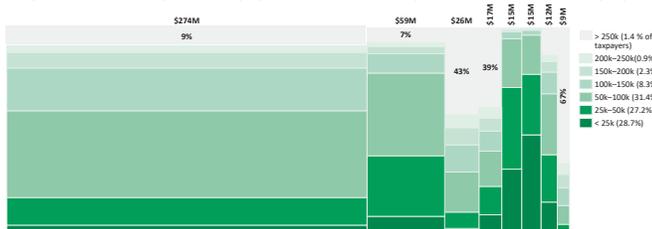
Analysis becomes more complex once capital income is included. Individual decisions on when to realize or declare this type of income can further skew the data. All of this makes it more challenging to estimate inequality, but if this angle isn’t taken into consideration, it will be impossible to get an accurate picture of how wealth and income are distributed in Quebec.

Conclusion

Quebec stands out from the other provinces in terms of its sustained redistribution efforts, which have kept inequality in a reasonable range by Canadian standards. However, the picture may begin to shift once we start looking at assets, how much income they generate for top earners, and how assets are concentrated differently from one province to the next. Future work will first assess the state of empirical research, then examine the different issues at play before attempting to measure inequality in Quebec, once the role of wealth is taken into consideration. A better understanding of these dynamics is vital if we wish to more accurately track inequality in the years ahead.

Graph 3
Inequalities Vary Significantly Depending on the Income Type

Proportion of total reported taxpayer income in 2023, by cohort and income category



* PE: QPP/CPP, personal retirement plan; II: Investment income; BI: Business income; OAS: Old Age Security pension; ISB: Indemnities, support payments, benefits; C: Taxable capital gains; O: Other
Ministère des Finances du Québec and Desjardins Economic Studies

What to Watch For

TUESDAY March 31 - 9:00

January	y/y
Consensus	n/a
Desjardins	1.35%
December	1.38%

TUESDAY March 31 - 10:00

March	
Consensus	88.0
Desjardins	86.0
February	91.2

WEDNESDAY April 1 - 8:30

February	m/m
Consensus	0.4%
Desjardins	0.6%
January	-0.2%

WEDNESDAY April 1 - 10:00

March	
Consensus	52.3
Desjardins	52.1
February	52.4

FRIDAY April 3 - 8:30

March	
Consensus	50,000
Desjardins	100,000
February	-92,000

UNITED STATES

S&P/Case-Shiller home price index (January) – Existing home prices have been rising at a fairly brisk pace. As in November, the monthly gain in December came in at 0.5%. We hadn't seen such strong back-to-back increases since 2023. Growth is expected to slow somewhat in January. Existing home sales fell sharply during the month (before rebounding in February), while the number of active listings jumped. We expect the index to climb 0.3%, which would keep year-over-year appreciation at around 1.4%.

Conference Board Consumer Confidence Index (March) – In the very short term, the biggest unknown for the economy is how the war in Iran and the resulting surge in gasoline prices have impacted consumer confidence. Confidence indicators improved slightly in February but probably worsened again in March. The University of Michigan index has already posted a March drop, with sentiment plummeting between early survey responses and later ones. Gasoline prices have jumped 35% since late February, the stock market has fallen roughly 5% and mortgage rates are rising—all factors that will likely weigh on consumer sentiment. The survey's cutoff date is usually around the 17th of the month. This means that even if the situation changes in the next few days, the March reading won't be affected. We expect the Conference Board Index to fall five points to 86.0.

Retail sales (February) – Retail sales fell in January after flatlining in December. But we expect a rebound in February. The biggest boost probably came from motor vehicles, as the number of new vehicles sold rose 6.3%, the largest jump in nearly a year. Gasoline station receipts likely climbed as well, thanks to the increase in gasoline prices (even before they spiked due to the war in Iran). Indicators for retailers in other sectors are more mixed. The positive signals include an increase in hours worked at retailers, rising consumer confidence in February and an uptick in card transactions. But bad weather in some regions and preliminary weekly data from the Federal Reserve Bank of Chicago paint a more negative picture. All in all, we expect a 0.6% increase in total sales and a 0.2% gain in sales excluding motor vehicles and gasoline.

ISM Manufacturing index (March) – The ISM Manufacturing index remained relatively strong in February, inching down from 52.6 in January to 52.4. It was the first time since the summer of 2022 that the index had stayed above 52 for two straight months. Regional manufacturing surveys point to the ISM flatlining in March. Rising oil prices may yet change the outlook. On the one hand, the resulting uncertainty and higher input costs could dampen manufacturer sentiment. On the other hand, some energy-sector suppliers could benefit. Overall, we're expecting a slight dip in the index.

Change in nonfarm payrolls (March) – After a slightly stronger-than-expected gain in January, the US labour market delivered a huge downside surprise in February with a net loss of 92,000 jobs. Part of the decline reflected labour disputes in the health care sector that have since been resolved, which means we can expect a rebound on that front. It remains to be seen whether other sectors did better. But it would be surprising if the conditions in place since early March—rising uncertainty and the potentially negative impact of higher gasoline prices on confidence and economic growth—have led to a significant increase in hiring outside the natural resources sector. That said, weekly jobless claims remained relatively low from mid-February to mid-March, and ADP survey data showed persistent private-sector job growth over the same period. The employment-related components of the ISM and consumer confidence indicators should provide further insight. For now, we expect a gain of 100,000 jobs. The unemployment rate will likely remain unchanged at 4.4%.

TUESDAY March 31 - 8:30

January	m/m
Consensus	0.1%
Desjardins	0.0%
December	0.2%

THURSDAY April 2 - 8:30

February	\$B
Consensus	-1.80
Desjardins	-1.80
January	-3.65

MONDAY March 30 - 21:30

March	
Consensus	n/a
February	49.5

TUESDAY March 31 - 5:00

March	y/y
Consensus	2.6%
February	1.9%

CANADA

Real GDP by industry (January) – We anticipate that real GDP did not change in January, in line with Statistics Canada’s flash estimate. Gains in natural resources and retail trade were probably offset by weak performance in manufacturing. Looking ahead to the February 2026 real GDP release, we expect Statistics Canada’s flash estimate will show an acceleration in growth.

International trade (February) – Canada’s trade deficit likely narrowed in February. We expect a rise in imports stateside, probably driven by higher US motor vehicle sales in the month. On the other hand, Canadian exports likely also increased on the back of rising crude oil exports, especially as oil prices began to advance leading up to the conflict in Iran. However, it should be noted there is a lot of data that feeds into our trade estimates that is still unavailable as a result of the US government shutdown last year.

OVERSEAS

China: Composite PMI (March) – After a slight dip in February, the composite PMI may show further softening. This is consistent with recent trends, as most of its sub-indexes remain below 50, suggesting that the business environment remains fragile despite stimulus measures. The conflict in Iran has added to the pressure by driving energy prices sharply higher in Asia and prompting China to temporarily restrict fuel exports to protect domestic supply. The impact on economic activity should nevertheless remain contained in March, as oil shocks normally take some time to work their way through the economy. But the effects may multiply over the next few weeks, especially in April. China’s manufacturing sector remains the most exposed to this risk, as it’s both energy-intensive and highly integrated with global value chains.

Eurozone: Consumer price index (March – preliminary) – Headline inflation in the eurozone accelerated slightly in February, with year-over-year growth in the consumer price index rising from 1.7% to 1.9%. Energy prices also rose in February compared to January. That uptick, however, pales in comparison with the jump expected for March. The repercussions of the war in Iran and the closure of the Strait of Hormuz have sent fuel costs soaring in Europe. Since late February, gasoline prices have climbed by approximately 33%, and natural gas prices by 76%. We therefore expect a sharp run-up in headline inflation starting in March.

Economic Indicators

Week of March 30 to April 3, 2026

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 30	10:30	Speech by Federal Reserve Chair J. Powell				
	16:00	Speech by Federal Reserve Bank of New York President J. Williams				
TUESDAY 31	9:00	S&P/Case-Shiller home price index (y/y)	Jan.	n/a	1.35%	1.38%
	9:45	Chicago PMI	March	55.1	52.0	57.7
	10:00	Consumer confidence	March	88.0	86.0	91.2
	12:00	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	15:00	Speech by Federal Reserve Vice Chair M. Barr				
WEDNESDAY 1	---	Total vehicle sales (ann. rate)	March	15,830,000	16,000,000	15,750,000
	8:30	Retail sales				
		Total (m/m)	Feb.	0.4%	0.6%	-0.2%
		Excluding automobiles (m/m)	Feb.	0.3%	0.3%	0.0%
	9:05	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
	9:10	Speech by Federal Reserve Vice Chair M. Barr				
10:00	ISM Manufacturing index	March	52.3	52.1	52.4	
10:00	Business inventories (m/m)	Jan.	n/a	-0.1%	0.1%	
THURSDAY 2	8:30	Initial unemployment claims	March 23–27	n/a	214,000	210,000
	8:30	Trade balance – Goods and services (US\$B)	Feb.	-59.2	-52.3	-54.5
FRIDAY 3	---	Markets closed (Good Friday)				
	8:30	Change in nonfarm payrolls	March	50,000	100,000	-92,000
	8:30	Unemployment rate	March	4.4%	4.4%	4.4%
	8:30	Average weekly hours	March	34.3	34.3	34.3
	8:30	Average hourly earnings (m/m)	March	0.3%	0.3%	0.4%
CANADA						
MONDAY 30	---	---				
TUESDAY 31	8:30	Real GDP by industry (m/m)	Jan.	0.1%	0.0%	0.2%
WEDNESDAY 1	13:00	Release of the Bank of Canada Summary of Deliberations				
THURSDAY 2	8:30	International trade (\$B)	Feb.	-1.80	-1.80	-3.65
FRIDAY 3	---	Markets closed (Good Friday)				

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 Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of March 30 to April 3, 2026

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
MONDAY 30								
Eurozone	5:00	Consumer confidence – final	March	n/a		-16.3		
Eurozone	5:00	Industrial confidence	March	-8.0		-7.1		
Eurozone	5:00	Services confidence	March	4.0		5.0		
Eurozone	5:00	Economic confidence	March	96.7		98.3		
Germany	8:00	Consumer price index – preliminary	March	1.1%	2.7%	0.2%	1.9%	
Japan	19:30	Tokyo Consumer Price Index	March		1.6%		1.6%	
Japan	19:30	Unemployment rate	Feb.	2.7%		2.7%		
Japan	19:50	Industrial production – preliminary	Feb.	-2.0%	0.4%	4.3%	0.7%	
Japan	19:50	Retail sales	Feb.	-0.9%	0.9%	4.1%	1.8%	
China	21:30	Composite PMI	March	n/a		49.5		
China	21:30	Manufacturing PMI	March	50.2		49.0		
China	21:30	Non-manufacturing PMI	March	49.9		49.5		
TUESDAY 31								
Japan	1:00	Housing starts	Feb.		-4.5%		-0.4%	
United Kingdom	2:00	Real GDP – final	Q4	0.1%	1.0%	0.1%	1.0%	
United Kingdom	2:00	Current account (€B)	Q4	-23.4		-12.1		
France	2:45	Personal consumption expenditures	Feb.	-0.4%	n/a	0.5%	0.4%	
France	2:45	Consumer price index – preliminary	March	0.8%	1.5%	0.6%	0.9%	
Eurozone	5:00	Consumer price index – preliminary	March	1.3%	2.6%	0.6%	1.9%	
Italy	5:00	Consumer price index – preliminary	March	0.5%	1.8%	0.7%	1.5%	
Japan	19:50	Tankan Large Manufacturers Index	Q1	16		15		
Japan	20:30	Manufacturing PMI – final	March	n/a		51.4		
WEDNESDAY 1								
Italy	3:50	Manufacturing PMI	March	50.9		50.6		
France	3:50	Manufacturing PMI – final	March	50.2		50.2		
Germany	3:55	Manufacturing PMI – final	March	51.7		51.7		
Eurozone	4:00	Manufacturing PMI – final	March	51.4		51.4		
Italy	4:00	Unemployment rate	Feb.	5.2%		5.1%		
United Kingdom	4:30	Manufacturing PMI – final	March	51.2		51.4		
Eurozone	5:00	Unemployment rate	Feb.	6.1%		6.1%		
THURSDAY 2								
Italy	5:00	Retail sales	Feb.	n/a	n/a	0.6%	2.3%	
Japan	20:30	Composite PMI – final	March	n/a		52.5		
Japan	20:30	Services PMI – final	March	n/a		52.8		
FRIDAY 3								
France	2:45	Industrial production	Feb.	-0.1%	1.6%	0.5%	2.4%	

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 Daylight Time (GMT -4 hours).