

## ECONOMIC VIEWPOINT

# Quebec: Budget 2026–27 Preview

## Public Services Caught Between Fiscal Discipline and Demographic Pressures

By Sonny Scarfone, Principal Economist

### HIGHLIGHTS

- ▶ Finance Minister Eric Girard will table the 2026–27 budget this Wednesday. This is the last budget before the provincial election scheduled for October. In the 2025 Update on Quebec’s Economic and Financial Situation, released in November, the deficit forecast for the current fiscal year (FY26) was \$12.4B, and the deficit for FY27 was projected at \$9.5B.<sup>1</sup>
- ▶ From last spring up until September 2025, quarterly reports on Quebec’s financial situation showed revenues and expenditures that were in line with their expected trajectories. Since then, however, the economy has [slowed](#). Still, the contingency reserve should be enough to absorb any revenue shortfall, and fiscal targets should remain within reach for FY26.
- ▶ The loss of momentum we’ve seen in recent months may have a greater impact on the province’s ability to keep the deficit at the \$9.5B projected for FY27. The labour force is stalling, and prolonged geopolitical uncertainty (the ongoing trade war and the escalating conflict in the Middle East, which will undermine purchasing power) could dampen wage growth and household spending. These factors collectively pose downside risks to the forecasted 3.9% growth in own-source revenue for FY27.
- ▶ On the expenditure side, the government’s projections already appeared ambitious given the challenges observed in the health and education systems, on top of the wage commitments already agreed to in those sectors for the coming years. And as for any new commitments, Minister Eric Girard has stated this budget will be “sober,” with no electoral promises. This restraint has already manifested in Quebec’s approach to some of the federal support measures introduced in 2025, which the province chose not to enhance, unlike Ontario. This includes the elimination of GST on new housing for first-time buyers and the decision to keep carbon pricing for individuals. Quebec’s credit rating was also downgraded last year.
- ▶ Beyond these challenges, the province still needs to find another \$2.5B to return to a balanced budget by 2029–30 and comply with the provisions of the *Balanced Budget Act*. In other words, Quebec will be walking a fiscal tightrope, with pressures mounting on both revenues and expenditures. All the same, the province’s debt ratios will get a boost from the recent revisions to provincial GDP figures, which could make it easier to reach its target net debt-to-GDP ratio of 35.5% by 2032–33, even if some government assumptions were to prove overly optimistic.

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<sup>1</sup> Unless otherwise indicated, this document refers to the budgetary balance after deposits in the Generations Fund.

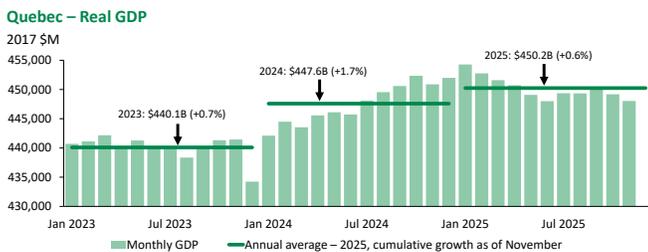
Finance Minister Eric Girard will table the 2026–27 budget this Wednesday. This is the last budget before the provincial election scheduled for October. In the 2025 Update on Quebec’s Economic and Financial Situation, released in November, the deficit forecast for the current fiscal year (FY26) was \$12.4B, and the deficit for FY27 was projected at \$9.5B.

In this pre-budget analysis, we first present our expectations for the results to be released for FY26, along with projections for FY27. We then focus on the fiscal outlook through FY30—the year in which the government is [legally required](#) to return to a balanced budget—as well as the evolution of the province’s debt burden.

### Recent Economic Developments

Since the budget was tabled last March, Quebec’s economy has been volatile. Overall, the government’s relatively conservative economic outlook for 2025, which assumed growth of 1.1%, may still have been overly optimistic. We instead expect growth to come in around 0.8%: as of November, Quebec’s real GDP was just 0.6% higher than it was in 2024. However, this average conceals an even less favourable reality. Quebec’s GDP peaked in January 2025, when many businesses were ramping up production to get ahead of US tariffs. After that, the economy contracted in eight of the following ten months, bringing the November 2025 GDP back to its July 2024 level (graph 1).

**Graph 1**  
Quebec’s Real GDP Is at Its Summer 2024 Level

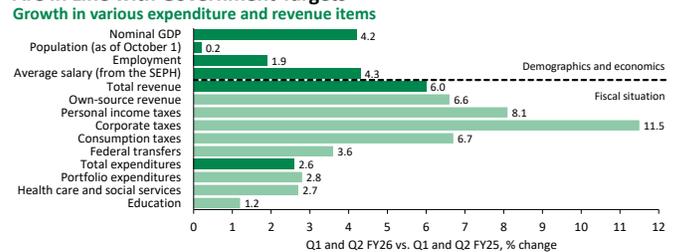


Institut de la statistique du Québec and Desjardins Economic Studies

The trade war is largely to blame. Manufacturing-sector GDP has fallen by 6.4% since January 2025, while exports to the United States declined by 6.9% over the year as a whole, according to a report released last week by the Institut de la statistique du Québec. This leaves the province on weak footing at the start of 2026. We expect growth to remain modest, at 1.1% for the year. This performance would be the [weakest among the provinces](#), in part because Quebec, alongside Ontario, faces the highest effective tariff rates in the country.

Despite this disappointing performance, quarterly reports on Quebec’s financial situation up until [September](#) showed revenues and expenditures that were in line with their expected trajectories (graph 2). While Quebec’s economy has [slowed](#) since then (and may even have contracted in the fourth quarter), the labour market held up relatively well until [February’s sharp turnaround](#), and the \$2B contingency reserve should be enough to absorb any revenue shortfall. The fiscal target for FY26 should therefore still be within reach.

**Graph 2**  
Revenues Are Fairly Robust Under the Circumstances, and Expenditures Are in Line with Government Targets



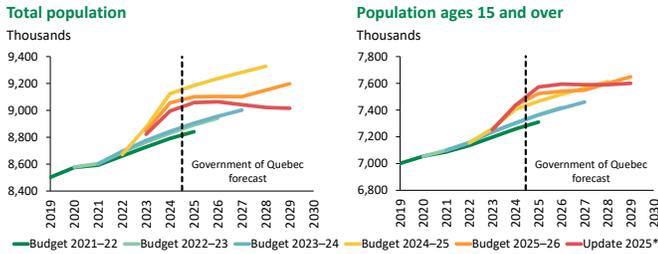
Ministère des Finances du Québec, Statistics Canada and Desjardins Economic Studies

### The Impact of the Economy on Revenue for FY27 and Beyond

However, the loss of momentum we’ve seen in recent months may have a greater impact on the province’s ability to keep the deficit at the \$9.5B projected for FY27. The labour force is stalling, and prolonged geopolitical uncertainty (the ongoing trade war and the escalating conflict in the Middle East, which will undermine purchasing power) could dampen wage growth and household spending. These factors collectively pose downside risks to the forecasted 3.9% growth in own-source revenue for FY27.

As we noted in a recent [Economic Viewpoint](#), population aging will increase pressures on public finances unless productivity growth strengthens meaningfully or the decline in the participation rate is less severe than anticipated. Since most age cohorts are already showing participation rates near all-time highs, the second scenario seems unlikely, and the first cannot be taken for granted. The most recent government forecasts, presented in the 2025 Update, indicate that the total population will fall below the trajectory extrapolated from earlier projections, before the strong annual gains seen in recent years. (See the projections from the 2021–22 and 2023–24 budgets, included in graph 3 on page 3.)

**Graph 3**  
Population Revised Downward; Potential GDP Growth Falls From 1.7% to 1.5%



\* Update on Quebec's Economic and Financial Situation. Quebec government budget documents and Desjardins Economic Studies

[Université de Sherbrooke's Research Chair in Taxation and Public Finance \[in French only\]](#) recently assessed the sustainability of Quebec's finances over the medium, long and very long term. Its report contained diverse assumptions related to productivity and labour force participation. Other scenarios took into account a swift return to a balanced budget, which would directly affect the expected size of future deficits. In other words, even though the law calls for a return to fiscal balance by 2029–30, this achievement would have knock-on effects far past that horizon.

The government's financial framework, the most recent version of which is presented in the table below, does give us a roadmap for capturing the gains that would arise from fiscal consolidation. Overall, although the growth projections for own-source revenues were revised downward in the 2025 Update to account for population shifts, their average growth, estimated at 3.7%, remains exposed to downside risk over the coming years.

**Table**  
Quebec Fiscal Forecasts

\$B (unless otherwise indicated)	2024–25		2025–26		2026–27		2027–28		2028–29		2029–30	
	Budget	Update*										
<b>Total revenue</b>	<b>155.2</b>	<b>156.1</b>	<b>156.3</b>	<b>158.7</b>	<b>165.2</b>	<b>164.6</b>	<b>171.2</b>	<b>170.3</b>	<b>176.2</b>	<b>175.3</b>	<b>181.3</b>	<b>179.5</b>
Own-source revenue	124.5	125.6	125.7	127.5	132.8	132.5	138.1	138.2	143.1	142.8	148.2	147.5
Federal transfers	30.6	30.5	30.6	31.2	32.4	32.1	33.1	32.1	33.1	32.5	33.1	31.9
<b>Total expenses</b>	<b>163.3</b>	<b>161.3</b>	<b>165.8</b>	<b>166.6</b>	<b>170.3</b>	<b>169.8</b>	<b>173.9</b>	<b>173.0</b>	<b>176.1</b>	<b>175.2</b>	<b>179.4</b>	<b>177.7</b>
Program spending	153.4	151.3	156.1	156.4	159.9	159.5	162.3	161.7	164.1	163.6	167.2	166.0
Debt service	9.9	10.0	9.7	10.2	10.4	10.3	11.6	11.3	12.0	11.6	12.2	11.7
Contingency reserve	---	---	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
<b>Accounting surplus (deficit)</b>	<b>-8.1</b>	<b>-5.2</b>	<b>-11.4</b>	<b>-9.9</b>	<b>-7.1</b>	<b>-7.1</b>	<b>-4.2</b>	<b>-4.2</b>	<b>-1.4</b>	<b>-1.4</b>	<b>0.4</b>	<b>0.3</b>
% of GDP	-1.3	-0.8	-1.8	-1.5	-1.1	-1.1	-0.6	-0.6	-0.2	-0.2	0.1	0.0
Generations Fund	2.4	2.4	2.2	2.5	2.4	2.4	2.5	2.5	2.6	2.6	2.8	2.8
Gap to be bridged**	---	---	---	---	---	---	1.0	1.0	2.5	2.5	2.5	2.5
<b>Budget balance within the meaning of the Act</b>	<b>-10.5</b>	<b>-7.5</b>	<b>-13.6</b>	<b>-12.4</b>	<b>-9.5</b>	<b>-9.5</b>	<b>-5.7</b>	<b>-5.7</b>	<b>-1.5</b>	<b>-1.5</b>	<b>0.1</b>	<b>0.0</b>
% of GDP	-1.7	-1.2	-2.2	-1.9	-1.5	-1.4	-0.9	-0.8	-0.2	-0.2	0.0	0.0
<b>Net debt (% of GDP)</b>	<b>38.7</b>	<b>38.3</b>	<b>40.4</b>	<b>39.7</b>	<b>41.5</b>	<b>40.8</b>	<b>41.9</b>	<b>41.3</b>	<b>41.0</b>	<b>40.4</b>	<b>39.8</b>	<b>39.3</b>
Real GDP (% change)	1.4	1.7	1.1	0.9	1.4	1.1	1.6	1.4	1.7	1.5	1.7	1.5
Nominal GDP (% change)	5.3	5.9	3.4	4.0	3.4	3.1	3.5	3.3	3.5	3.4	3.6	3.4
<b>Financing program</b>	<b>36.7</b>	<b>36.5</b>	<b>29.7</b>	<b>24.3</b>	<b>37.5</b>	<b>34.1</b>	<b>33.3</b>	<b>33.6</b>	<b>27.3</b>	<b>27.5</b>	<b>28.9</b>	<b>27.6</b>
Net financial requirements	25.4	25.4	29.1	28.3	25.9	26.5	22.5	22.5	15.3	15.1	13.7	11.9

\* Fall 2025 economic and financial update; \*\* Note that, starting with the 2025–26 Budget, the gap to be bridged is calculated after the accounting balance. Ministère des Finances du Québec and Desjardins Economic Studies

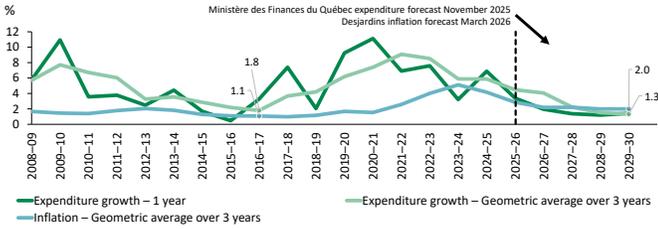
### Choices to Be Made Regarding Public Services

On the expenditure side, the government's projections seem ambitious given the challenges observed in the health care and education systems, on top of the wage commitments already agreed to in those sectors for the coming years. And as for any new commitments, Minister Eric Girard has stated this budget will be "sober," with no electoral promises. This restraint has already manifested in Quebec's approach to some of the federal support measures introduced in 2025, which the province chose not to enhance, unlike Ontario. This includes the elimination of GST on new housing for first-time buyers and the decision to keep carbon pricing for individuals. Quebec's credit rating was also downgraded last year.

In keeping with this cautious approach, projected portfolio spending also seems especially conservative. Growth is forecast at just 1.5% from 2025–26 to 2029–30. This is four fiscal years in which growth is expected to remain below 2%, the threshold generally associated with annual inflation. This level of restraint has only been witnessed twice since the 2008–09 fiscal year: in 2014–15 and in 2015–16, during the previous government's efforts to restore fiscal balance in Quebec.

The cumulative effect of this growth should also be considered. The average annual growth in expenditures over the three fiscal years leading up to the anticipated return to balance is estimated at 1.3%, well below the previous low of 1.8% recorded between 2014–15 and 2016–17. In those years, it should be noted that annual inflation was closer to 1.1% (graph 4 on page 4). Consecutive years of such limited growth may jeopardize the government's ability to maintain services. And although

**Graph 4**  
**Ministère des Finances du Québec Forecasts Already Call for Tighter Expenditure Control**  
**Growth in portfolio expenditures and inflation**



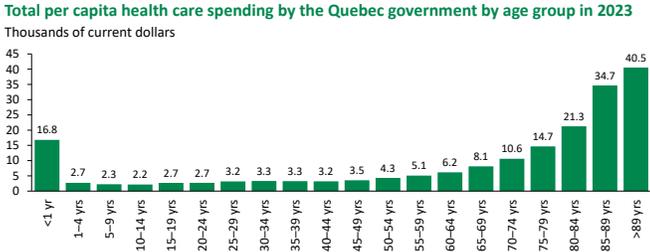
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year-to-year fluctuations can be volatile, three-year average expenditure growth has never fallen below inflationary pressures over the same period—something that would occur for the first time in at least 20 years starting in 2028–29, when spending would lag inflation by more than half a percentage point.

Many could argue that this slow pace of growth does not necessarily constitute disinvestment. First, expenditure growth has significantly outpaced inflation since the pandemic. Second, by FY29, Quebec will already be spending more per capita than the [seven other most populous provinces](#) in the country (though this spending is also commensurate with the province’s taxation rates).

However, in health care (the largest expenditure item, representing more than 40% of portfolio spending), it is hard to believe that expenditure growth will drop below total inflation unless significant efficiency gains are realized. Graph 5 shows the Quebec government’s per capita health care expenditures by age group in 2023. As an increasing number of baby boomers (born 1946–1964) enter the 75 and over cohort—where average expenditures are 40% higher than in the preceding age group—the scale of the efficiency gains required will need to be particularly impressive if the government is to meet its targets without affecting service quality. And all of this is happening

**Graph 5**  
**It Will Be Difficult to Contain Health Care Spending at the Overall Inflation Rate**  
**Total per capita health care spending by the Quebec government by age group in 2023**



Canadian Institute for Health Information and Desjardins Economic Studies

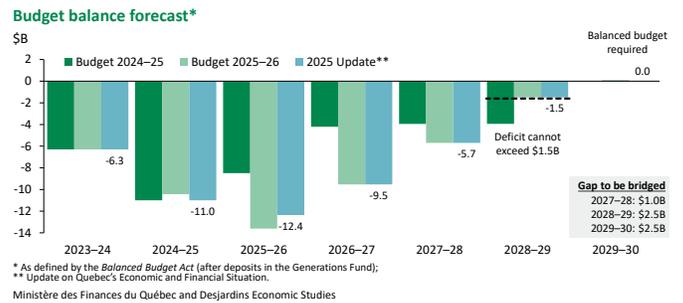
at a time when a considerable share of the population already has negative views on the performance and, even more so, the accessibility of the health care system.

**Looking Past the Upcoming Fiscal Year: Structural Pressure and Geopolitical Uncertainty**

Beyond these challenges, the province still needs to find another \$2.5B to return to a balanced budget by 2029–30 and comply with the provisions of the *Balanced Budget Act*. With the population aging, immigration on a steep downward trend, international strife on the rise, and a major trading partner that no longer sees free trade as mutually beneficial, the government is left with very little room to manoeuvre.

There is also another \$2.5B to be identified in FY29, for which the budget will be tabled in two years. This budget must include a deficit of no more than \$1.5B (graph 6). Clarification on how the government intends to meet these targets would be welcome so that external analysts could assess their feasibility. In other words, Quebec will be walking a fiscal tightrope.

**Graph 6**  
**Details Expected on the Path Back to a Balanced Budget by 2029–30**

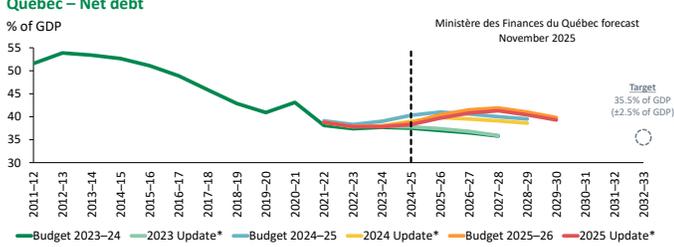


\* As defined by the *Balanced Budget Act* (after deposits in the Generations Fund);  
 \*\* Update on Quebec’s Economic and Financial Situation.  
 Ministère des Finances du Québec and Desjardins Economic Studies

**What to Watch on Wednesday**

In addition to all the elements noted above, we will pay particular attention to the province’s debt ratio projections, which will get a boost from last fall’s revision of provincial GDP estimates. Quebec’s GDP for 2024 was revised upward by 1.6%, which should mechanically bring the debt ratio down by about 0.5%. This could make it easier to reach the target net-debt-to-GDP ratio of 35.5% in 2032–33 (graph 7 on page 5), even though some government assumptions may prove to be overly optimistic. It will also be interesting to see whether this relative relief encourages the government to enhance the Quebec Infrastructure Plan at a time when its asset maintenance deficit continues to make headlines.

**Graph 7**  
**The Debt Target for 2032–33, Revised Upward Last Year, Will Be Easier to Achieve Following the GDP Revision**  
**Quebec – Net debt**



\* Update on Quebec's Economic and Financial Situation.  
 Ministère des Finances du Québec and Desjardins Economic Studies

After a year marked by economic uncertainty and persistent structural pressures, the upcoming budget will be a key moment to determine whether the promised discipline will translate into a genuinely sustainable fiscal framework. Based on the first few months of 2026, we can expect the year ahead to be just as eventful as the last one.