

WEEKLY COMMENTARY

The Asset Maintenance Deficit: An Off-Balance-Sheet Liability with Tangible Economic Costs

The Most Visible Public Debt Can Obscure an Often More Costly Bill

By Sonny Scarfone, Principal Economist

Quebec’s public finances are typically assessed using a few well-established indicators. The annual deficit, net debt and how they fluctuate as a share of GDP inform most of the public debate. Debt ratios in particular provide a clear—and sometimes reassuring—snapshot of the province’s financial position.

These same indicators also shape how public investment is perceived. New projects, infrastructure spending and inaugurations play a central role in assessing how a government is performing. Politically, this focus is understandable. Projects that are financed, accounted for and officially opened are the easiest to showcase, especially given that electoral cycles are much shorter than the useful life of public assets.

Yet while attention is focused on these metrics and visible investments, another bill continues to grow out of sight. Quebec’s asset maintenance deficit now exceeds \$40 billion, nearly four times its level in the mid-2010s. The deterioration of existing infrastructure attracts less attention, precisely because it doesn’t lend itself to major announcements or ribbon-cutting ceremonies, despite its very real economic impact.

Explaining the Asset Maintenance Deficit

The asset maintenance deficit represents the amount the government would have to spend to restore all of its infrastructure to an acceptable condition. It measures the

cumulative maintenance backlog on existing assets—transit networks, public buildings and other public infrastructure. Unlike investment in new projects, it reflects the government’s ability to preserve what already exists.

However, this concept differs fundamentally from financial debt in the accounting sense. The asset maintenance deficit involves no borrowing, no repayment schedule and no explicit interest charges. It doesn’t appear on the government’s balance sheet. Yet it represents a very real economic obligation: deferred maintenance doesn’t disappear and typically becomes more costly over time.

The scale of the deficit makes it a major macroeconomic issue. It has ballooned by more than \$30 billion in just over a decade, from about \$12 billion in 2015–16 to almost \$45 billion in 2026–27. However, this increase should not be automatically interpreted as evidence of uniformly accelerating infrastructure deterioration.

Much of the spike reflects gradual improvements in how the deficit is measured. Over time, methodologies have become more sophisticated, additional asset classes have been included for assessment and existing deterioration has been more systematically documented. In other words, part of the increase stems from better measurement of existing infrastructure issues

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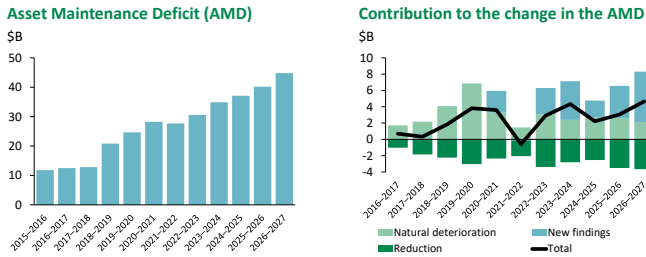
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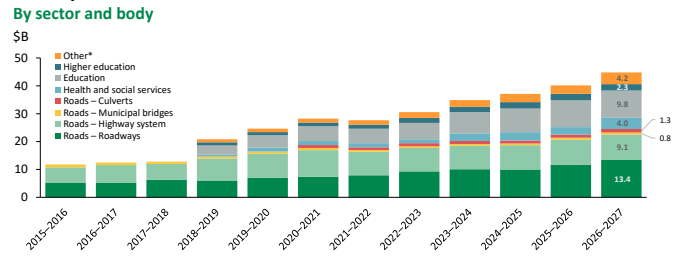
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Graph 1
New Findings Are Driving the Spike in the Deficit Despite Reduction Efforts



New findings: Scope reassessment and expansion.
Québec Infrastructure Plans and Desjardins Economic Studies

Graph 2
Efforts to Better Measure the Asset Maintenance Deficit Have Broadened Its Scope



* \$4.2 billion in 2026-27 – Marine, air, rail and other transportation (\$142.4 million), Culture (\$338 million), Tourism and recreational activities (\$763.1 million), Social and community housing (\$563.4 million), Government administration (\$1,765.5 million) and Environment (\$633.7 million).
Québec Infrastructure Plans and Desjardins Economic Studies

(graph 1). As assessment tools continue to evolve, the scope of the deficit could expand further.

This nuance is important when interpreting the trend, but it doesn't diminish its economic significance. Whether the increase reflects new deterioration or delayed recognition of existing needs, the deficit ultimately points to future budgetary pressure. Unlike financial debt, where costs are explicit, regulated and transparent, the asset maintenance deficit generates costs that are uncertain, deferred and frequently underestimated. These costs will eventually materialize in future budgets, either through more extensive repairs or costlier fiscal trade-offs.

Why Delaying Maintenance Is So Costly

Delaying infrastructure maintenance doesn't eliminate costs—it shifts them into the future, often at a premium. Routine maintenance slows the natural deterioration of assets. When it's postponed, deterioration accelerates, repairs become more extensive and, in many cases, replacement becomes the most viable option. The immediate expense is avoided, but the total life cycle cost rises.

From an economic standpoint, the mechanism is straightforward. Timely maintenance entails known and relatively controlled costs. Allow an asset to deteriorate, and the required repairs become more complex, more expensive and riskier, from both a budget and operational standpoint. The scale and timing of the work required also become more uncertain. By contrast, financing costs for new projects are still fairly predictable in a relatively stable interest rate environment.

Data on Quebec's asset maintenance deficit illustrate this imbalance. At the turn of the last decade, the annual deterioration of public infrastructure typically ranged from \$3 billion to \$7 billion. Despite a sharp increase in maintenance spending, repair efforts have rarely been sufficient to offset this deterioration. Across most networks, infrastructure continues to degrade faster than it is rehabilitated, causing the maintenance deficit to expand over time. (Graph 2 shows the trend in the estimated asset maintenance deficit by sector and body.)

This phenomenon has direct implications for Quebec's budget. By postponing infrastructure maintenance, the government is effectively accepting a recurring "asset degradation tax"—an implicit economic cost stemming from higher future repair needs. In many cases, these costs are comparable to, or even exceed, the annual debt servicing cost associated with new capital spending. In other words, deferring maintenance does not reduce spending; it substitutes an explicit, planned and controllable cost with an implicit, less visible and potentially much larger one.

The False Appeal of New Projects

New public infrastructure projects are the ones that make headlines. They're financed over the long term, carry clear and explicit costs, and are directly reflected in the budget indicators that structure public debate. Above all, they're socially and politically valued, with high-profile announcements, defined timelines and, ultimately, ribbon-cutting ceremonies.

In contrast, maintaining existing assets is much less visible. Maintenance rarely attracts attention, let alone public recognition, even though it's often the most cost-effective use of public funds over the long term. By prioritizing new projects, the government is implicitly accepting a growing liability tied to the assets it already owns. The stock of new infrastructure continues to expand, even as the cost of maintaining aging assets rises.

That said, a shift has begun in recent years. A larger share of the Québec Infrastructure Plan budget has been allocated to maintaining and upgrading existing assets rather than building new ones. This rebalancing reflects growing awareness of the issue and an implicit recognition that long-term fiscal sustainability is contingent on extending the life of existing infrastructure.

However, while this effort is commendable, the data show that it's still not enough to reverse the trend. Sector-specific examples are telling.

The road network, which accounted for about \$25 billion of the 2026–2027 asset maintenance deficit, or more than half the

total, has some of the highest maintenance investments. Annual maintenance spending of more than \$1 billion has not been enough to stop the asset maintenance deficit from increasing. Even in the highest-priority network, deterioration continues to outpace repairs—a reality that’s especially apparent in spring as potholes proliferate.

In the education sector, including grade schools and the higher education system, the cumulative deficit is approaching \$12 billion. Although the sector’s very high deterioration ratios have gradually decreased, this doesn’t signal a rapid improvement in infrastructure conditions. Rather, it reflects a system contending with a much larger backlog, with gradual progress from a degraded starting point.

The healthcare sector illustrates the combined effect of delayed intervention and improved identification of asset maintenance projects. Its deficit rose from less than \$1 billion to around \$4 billion in just a few years, largely due to new findings. This increase doesn’t point to a sudden decline in conditions, but rather the maintenance backlog in a network with demanding operational requirements.

Taken together, these observations show that the QIP’s renewed focus on maintenance is necessary, but still not sufficient to offset decades of underinvestment. The appeal of new projects is that they’re visible, measured and politically rewarded. In contrast, the costs of deferred maintenance accumulate more quietly. Yet they translate into future budget pressures that often prove more difficult to manage than the predictable debt service costs of new projects—particularly when labour costs and resource availability may be more uncertain and more difficult to control in the future.

However, as mentioned at the beginning, this analysis must be interpreted with care. The surge in the asset maintenance deficit since the mid-2010s is not just a reflection of deteriorating infrastructure but also improved identification of needs. This distinction matters for understanding the trend, but not for assessing its consequences. Regardless of how it’s measured, the asset maintenance deficit signals future fiscal pressures and difficult trade-offs that governments will eventually have to confront.

Rethinking How to Manage Public Funds

Sound fiscal management cannot be reduced to tracking the annual deficit or the trajectory of net debt. While these are vital indicators, they offer only a partial view of the government’s long-term financial position. Likewise, a steady stream of visible, budgeted projects doesn’t necessarily reflect the most efficient use of public funds.

A more rigorous approach requires accounting for the full life cycle cost of public assets—and making difficult choices

about what to build, what to maintain and what to let decline. The asset maintenance deficit is a reminder that neglecting maintenance doesn’t generate savings; it shifts costs into the future, often to a time when conditions are less favourable and the budget is tighter.

Focusing on present visibility at the expense of future deterioration means accepting higher costs—not despite existing debt, but because of a failure to prioritize between new investment, maintenance and deferral. Over the long term, the sustainability of public finances depends not only on the size of the balance sheet, but on the quality of the assets it supports.

What to Watch For

TUESDAY May 26 - 9:00

March	y/y
Consensus	1.00%
Desjardins	0.90%
February	0.90%

TUESDAY May 26 - 10:00

May	
Consensus	92.0
Desjardins	90.0
April	92.8

THURSDAY May 28 - 8:30

April	m/m
Consensus	0.5%
Desjardins	0.6%
March	0.9%

THURSDAY May 28 - 10:00

April	ann. rate
Consensus	660,000
Desjardins	695,000
March	682,000

THURSDAY May 28 - 8:30

Q1 2026	\$B
Consensus	-2.50
Desjardins	-5.00
Q4 2025	-0.71

UNITED STATES

S&P/Case-Shiller home price index (March) – Home prices in the resale market fell slightly in February, the first monthly decrease since June 2025. Since US mortgage rates climbed and existing home sales slowed in March, we can expect the S&P/Case-Shiller index to record another monthly decline. Our forecast is for a 0.2% drop. This would leave year-over-year growth stuck at 0.9%.

Conference Board consumer confidence index (May) – The Conference Board’s consumer confidence index has risen steadily since January. This was unexpected, given the frustration shown by consumers since the beginning of the Middle East conflict. But the University of Michigan survey, the TIPP index and more political polls like the Gallup have all posted declines, and we’d be surprised if the Conference Board index bucks the trend for much longer. As both gasoline prices and mortgage rates have continued to rise, the Conference Board index probably started falling in May. That said, the stock market’s relatively strong performance and the job market’s recent resilience are still support factors. We nevertheless expect the index to drop to 90.0.

Consumer spending (April) – US consumers are showing their mettle. In March, even as gasoline prices skyrocketed and bit into real disposable personal income, real spending still increased by 0.2%. We expect another uptick in April. Even after rising prices are taken into account, retail sales point to increased spending on durable and non-durable goods, as well as food services. One of the few dark spots is the slowdown in motor vehicle sales. We also expect energy consumption ramped back up after two months of declines caused by milder weather. Consequently, total real consumer spending probably edged up 0.1% in April. Combined with the anticipated sharp rise in the Personal Consumption Expenditures price index, this would result in a 0.6% increase in nominal consumption. Disposable income probably went up as well, as households benefited from higher tax refunds and solid growth in employment and hours worked.

New home sales (April) – After a rocky start to the year, new single-family home sales surged in February and March. Although the high volatility of this indicator means we can’t rule out a pullback in April, another monthly advance—albeit a modest one—is expected. Single-family building permits, builder confidence and especially online searches for new homes suggest new single-family home sales may have inched up.

CANADA

Current account balance (Q1) – We anticipate that the current account deficit widened to -\$5.0B in the first quarter of 2026, from -\$0.7B in Q4 2025. A larger trade deficit due to stronger import levels likely outweighed the gains from strong Canadian equity performance.

FRIDAY May 29 - 8:30

March	m/m
Consensus	0.1%
Desjardins	0.0%
February	0.2%

FRIDAY May 29 - 8:30

Q1 2026	ann. rate
Consensus	1.5%
Desjardins	1.8%
Q4 2025	-0.6%

SATURDAY May 30 - 21:30

May	n/a
Consensus	
April	50.1

Real GDP by industry (March) – We expect that real GDP remained unchanged in March, in line with Statistics Canada’s flash estimate. Growth likely came from wholesale trade and transportation. In addition, the [March Labour Force Survey](#) showed modest job gains and little change in the unemployment rate. In contrast, weak performance in retail trade and resource extraction likely provided some headwind to growth in March. Looking ahead to the April 2026 real GDP release, we expect that Statistics Canada’s flash estimate will show an acceleration in growth.


Real GDP (Q1) – Turning to real GDP by expenditure, growth in Q1 2026 probably came in at 1.8% annualized, above the Bank of Canada’s forecast described in the [April 2026 Monetary Policy Report](#). Household consumption likely remained solid, with positive contributions from non-durable goods purchases and consumer services. Modest growth in government spending probably supported growth again following two consecutive outsized quarterly gains. We anticipate that residential and business investment rose in the first quarter, with the latter reflecting the ramp-up in oil prices due to the [Iran conflict](#). Despite the jump in energy prices in March, net exports were likely a drag, with gains in export volumes offset by a pronounced spike in real imports early in the quarter.


OVERSEAS

China: Composite PMI (May) – After the April decline in China’s PMI, paired with a slowdown in industrial production, the May PMI reading should tell us more about the strength of the Chinese economy in the second quarter. The persistent property crisis, as well as the ongoing uncertainty in the external environment, continue to limit prospects for a near-term rebound in the country’s economy. We’re therefore maintaining our forecast of modest growth in 2026. That said, the crisis in the Middle East poses an additional downside risk, mainly as a result of higher energy costs. Preliminary data suggest that certain industrial segments are already under pressure, particularly petrochemicals and, more broadly, energy-intensive sectors such as fabricated metal products.

Economic Indicators

Week of May 25 to 29, 2026

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 25	---	Markets closed (Memorial Day)				
TUESDAY 26	9:00	S&P/Case-Shiller home price index (y/y)	March	1.00%	0.90%	0.90%
	10:00	Consumer confidence	May	92.0	90.0	92.8
	20:20	Speech by Federal Reserve Bank of Minneapolis President N. Kashkari				
WEDNESDAY 27	4:00	Speech by Federal Reserve Bank of Dallas President L. Logan				
	15:55	Speech by Federal Reserve Governor L. Cook				
	20:00	Speech by Federal Reserve Vice Chair P. Jefferson				
THURSDAY 28	8:30	Initial unemployment claims	May 18–22	210,000	212,000	209,000
	8:30	Real GDP (ann. rate)	Q1s	2.1%	2.0%	2.0%
	8:30	Durable goods orders (m/m)	April	3.2%	9.0%	0.8%
	8:30	Personal income (m/m)	April	0.4%	0.7%	0.6%
	8:30	Personal consumption expenditures (m/m)	April	0.5%	0.6%	0.9%
	8:30	Personal consumption expenditures deflator				
		Total (m/m)	April	0.5%	0.5%	0.7%
		Excluding food and energy (m/m)	April	0.3%	0.3%	0.3%
		Total (y/y)	April	3.8%	3.8%	3.5%
		Excluding food and energy (y/y)	April	3.3%	3.3%	3.2%
	8:55	Speech by Federal Reserve Bank of New York President J. Williams				
	10:00	New home sales (ann. rate)	April	660,000	695,000	682,000
	10:15	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
15:00	Speech by Federal Reserve Bank of Richmond President T. Barkin					
FRIDAY 29	0:00	Speech by Federal Reserve Bank of San Francisco President M. Daly				
	6:50	Speech by Federal Reserve Bank of Kansas City President J. Schmid				
	8:30	Goods trade balance – preliminary (US\$B)	April	-88.2	-84.9	-87.9
	8:30	Retail inventories (m/m)	April	0.3%	n/a	0.7%
	8:30	Wholesale inventories – preliminary (m/m)	April	0.6%	n/a	1.3%
	9:10	Speech by Federal Reserve Vice Chair M. Bowman				
	9:15	Speech by Federal Reserve Bank of Philadelphia President A. Paulson				
	9:45	Chicago PMI	May	51.2	49.0	49.2
CANADA						
MONDAY 25	---	---				
TUESDAY 26	8:30	Speech by Bank of Canada External Deputy Governor N. Vincent				
WEDNESDAY 27	---	---				
THURSDAY 28	8:30	Current account balance (\$B)	Q1	-2.50	-5.00	-0.71
	11:00	Speech by Bank of Canada Governor T. Macklem and Senior Deputy Governor C. Rogers				
FRIDAY 29	8:30	Real GDP by industry (m/m)	March	0.1%	0.0%	0.2%
	8:30	Real GDP (ann. rate)	Q1	1.5%	1.8%	-0.6%

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 May 25 to 29, 2026

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
MONDAY 25							
---	---	---					
TUESDAY 26							
Japan	1:00	Leading index – final	March	n/a		114.5	
Japan	1:00	Coincident index – final	March	n/a		116.5	
New Zealand	22:00	Reserve Bank of New Zealand meeting	May	2.25%		2.25%	
WEDNESDAY 27							
France	2:45	Consumer confidence	May	82		84	
THURSDAY 28							
South Korea	---	Bank of Korea meeting	May	2.50%		2.50%	
Italy	4:00	Consumer confidence	May	90.0		90.8	
Italy	4:00	Economic confidence	May	n/a		95.2	
Eurozone	5:00	Consumer confidence – final	May	n/a		-19.0	
Eurozone	5:00	Industrial confidence	May	-8.0		-7.7	
Eurozone	5:00	Services confidence	May	0.3		0.9	
Eurozone	5:00	Economic confidence	May	92.6		93.0	
Japan	19:30	Tokyo Consumer Price Index	May		1.6%		1.5%
Japan	19:30	Unemployment rate	April	2.7%		2.7%	
Japan	19:50	Industrial production – preliminary	April	-0.5%	0.9%	-0.4%	2.4%
Japan	19:50	Retail sales	April	0.4%	1.3%	1.3%	1.7%
FRIDAY 29							
Japan	1:00	Consumer confidence	May	32.6		32.2	
Japan	1:00	Housing starts	April		14.8%		-29.3%
France	2:45	Personal consumption expenditures	April	0.0%	n/a	0.7%	0.5%
France	2:45	Consumer price index – preliminary	May	0.2%	2.5%	1.0%	2.2%
France	2:45	Real GDP – final	Q1	0.0%	1.1%	0.0%	1.1%
Italy	4:00	Unemployment rate	April	5.3%		5.2%	
Italy	5:00	Consumer price index – preliminary	May	0.0%	3.0%	1.1%	2.7%
Italy	6:00	Real GDP – final	Q1	0.2%	0.7%	0.2%	0.7%
Germany	8:00	Consumer price index – preliminary	May	0.3%	3.0%	0.6%	2.9%
SATURDAY 30							
China	21:30	Composite PMI	May	n/a		50.1	
China	21:30	Manufacturing PMI	May	n/a		50.3	
China	21:30	Non-manufacturing PMI	May	n/a		49.4	

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).