UPDATE ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION

FALL 2021

Votre gouvernement

Québec

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Finance Québec

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Section A

OVERVIEW

SUMMARY

Over the last 20 months, Quebecers have mobilized to protect the public's health and the economy against the repercussions of the COVID-19 pandemic.[1]

The first two waves of the pandemic were difficult for both the health care system and our loved ones. Thanks to the resilience of Quebecers and an effective and successful vaccination campaign, the third and fourth waves were less severe than in the rest of Canada and elsewhere in the world.

— Quebecers achieved a vaccination rate of 90.8%,[2] among the highest worldwide.

On the economic front, Québec has performed exceptionally well in 2021. With real GDP expected to grow 6.5%, Québec is ahead of Ontario, Canada, the United States, and even the global average. In addition, Québec's nominal GDP growth will stand at 10.8% this year.

The strong economic recovery has had a major impact on the Québec government's financial situation.

— The budgetary deficit forecast for 2021-2022 now stands at $6.8 billion, a decrease of $5.4 billion from the forecast in the last budget.

— The structural deficit has been adjusted downward by $3.0 billion and is now $4.0 billion.

❑ Québec is looking toward the future

The economic recovery underway around the world has brought with it major challenges, including weakened supply chains. These disruptions have led, in particular, to a significant increase in consumer prices.

— For fiscal 2021-2022, inflation is expected to reach close to 4.0% in Québec.

Such a major rise in inflation has an impact on households, particularly those with lower incomes. The government is therefore providing investments of $2.1 billion to help Quebecers cope with the cost of living, including:

— implementing an extraordinary cost of living allowance;

  — $400 for a couple and $275 for an individual living alone.

— enhancing the senior assistance amount for seniors aged 70 and over.

  — The maximum assistance amount in 2021 will be $400 for a senior living alone and $800 for a senior couple.

  — A senior living alone will therefore be eligible for up to $675 with the extraordinary allowance.

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1 Unless otherwise indicated, this document is based on data available as at October 28, 2021. The budgetary data presented for 2020-2021 are actual data that have been reclassified according to the 2021-2022 budgetary structure. Those presented for 2021-2022 and subsequent years are forecasts.

2 Percentage of the population aged 12 and older having received at least one vaccine dose as at November 12, 2021 (13.4 million doses administered).

As its economy recovers, Québec, like a number of developed countries, is facing issues related to workforce availability. Despite an increase of more than 50 000 unemployed workers since the start of the pandemic, some 200 000 positions remain vacant in Québec.

The government is therefore providing $3.4 billion to speed up its initiatives to increase available labour and support economic growth:

- $2.9 billion to combat the labour shortage by supporting training and requalification for workers and attracting talent;
- nearly $500 million to accelerate the growth in business productivity by supporting private investment, establishing the first innovation zones and introducing innovative projects in Québec.

The government is also taking action to support families and help communities, particularly through the creation of childcare spaces for parents who need them, so that everyone can benefit from the economic recovery.

- $3.1 billion are being provided for this purpose, including $1.1 billion to enhance the refundable tax credit for childcare expenses.

Lastly, the government is pursuing its efforts to strengthen the health care system. The fall 2021 *Update on Québec's Economic and Financial Situation* provides substantial sums to attract and retain personnel, enlarge the pool of health care workers and reduce the surgery waiting list, which grew at the height of the pandemic.

- Measures to continue efforts to strengthen the health care system total $4.4 billion.

$13 billion in initiatives

Since the March 2021 budget, initiatives totalling $13 billion are being provided for by 2025-2026 to help Québec look toward the future, including $10.7 billion in the fall 2021 *Update on Québec's Economic and Financial Situation*.

TABLE A.1

Financial impact of the measures since March 2021
(millions of dollars)

	2021-2022	**2022-2023**	**2023-2024**	**2024-2025**	**2025-2026**	**Total**	**Ref. section**
Coping with the cost of living	–946	–313	–254	–254	–295	–2 061	C
Taking action to combat the labour shortage and stimulate economic growth	–248	–877	–845	–749	–679	–3 398	D
Supporting families and helping communities	–444	–749	–589	–643	–675	–3 100	E
Continuing efforts to strengthen the health care system	–3 593	–614	–184	—	—	–4 391	F
TOTAL	**–5 231**	**–2 554**	**–1 871**	**–1 646**	**–1 649**	**–12 951**	

Note: Totals may not add due to rounding.

Québec's financial situation

The exceptional economic growth expected in 2021 and in the coming years will make up for the lag in production caused by the pandemic by 2025.

Restoring sound public finances remains a priority for the government, and the return to a balanced budget by 2027-2028 is still projected. In March 2021, the government announced that the impacts of the *Balanced Budget Act* would be suspended in order to gradually reduce the deficit without hindering the sustainable recovery and growth of the economy.

Thanks to the exceptional economic rebound, the Québec government expects once again to meet the gross debt-to-GDP target of 45% as at March 31, 2026, as required by the Act.[3] However, the objective for the debt representing accumulated deficits of 17% will not be met. The Act setting debt targets will therefore need to be amended.

[3] This refers to the *Act to reduce the debt and establish the Generations Fund*.

TABLE A.2

Multi-year financial framework – November 2021

(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	AAGR(1)
Revenue							
Own-source revenue	91 868	101 608	104 854	108 245	112 324	116 090	
% change	*0.1*	*10.6*	*3.2*	*3.2*	*3.8*	*3.4*	*4.0*
Federal transfers	30 716	29 464	28 517	29 898	29 415	30 170	
% change	*21.8*	*–4.1*	*–3.2*	*4.8*(2)	*–1.6*	*2.6*	*3.0*
Total revenue	**122 584**	**131 072**	**133 371**	**138 143**	**141 739**	**146 260**	
% change	***4.8***	***6.9***	***1.8***	***3.6***	***2.6***	***3.2***	***3.8***
Expenditure							
Portfolio expenditures	−105 664	–118 106	–123 363	–127 185	–131 172	–136 379	
% change	*–0.7*(3)	*11.8*(4)	*4.5*	*3.1*	*3.1*	*4.0*	*4.2*
Debt service	–7 689	–8 565	–8 846	–8 743	–8 999	–8 985	
% change	*0.2*	*11.4*	*3.3*	*–1.2*	*2.9*	*–0.2*	*2.7*
Total expenditure	**–113 353**	**–126 671**	**–132 209**	**–135 928**	**–140 171**	**–145 364**	
% change	***–0.6***	***11.7***	***4.4***	***2.8***	***3.1***	***3.7***	***4.1***
COVID-19 support and recovery measures	–12 995	–7 610	–978	–94	–18	—	
Change in the application of the accounting standard respecting transfer payments	–462	–350	–1 230	–1 265	–819	–13	
Provision for economic risks and other support and recovery measures	—	—	–1 250	–1 000	–500	–500	
SURPLUS (DEFICIT)	–4 226	–3 559	–2 296	–144	231	383	
Deposits of dedicated revenues in the Generations Fund	–3 313	–3 288	–3 251	–3 899	–4 257	–4 400	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–7 539**	**–6 847**	**–5 547**	**–4 043**	**–4 026**	**–4 017**	
Accounting changes(5)	–3 221	—	—	—	—	—	
Use of the stabilization reserve	10 760	1 221	—	—	—	—	
BUDGETARY BALANCE(6)	—	–5 626	–5 547	–4 043	–4 026	–4 017	

Note: Totals may not add due to rounding.
(1) Average annual growth, corresponding to the geometric mean over six years, from 2020-2021 to 2025-2026.
(2) The increase of 4.8% in 2023-2024 is due to the increase in the Canada Health Transfer (CHT) envelope and the equalization program, which is based on the average annual growth of Canada's nominal GDP in 2021 (1/3), 2022 (1/3) and 2023 (1/3).
(3) The 0.7% decrease in 2020-2021 is mainly due to a slowdown in regular government activities resulting from the pandemic.
(4) The 11.8% increase in portfolio expenditures is the result of the implementation of initiatives announced in Budget 2021-2022 and in this economic and financial update, and also of the slowing of regular government activities in 2020-2021 due to the pandemic.
(5) Accounting changes attributable to the effect of the change in the application of the accounting standard respecting transfer payments for years prior to 2020–2021.
(6) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

1. QUÉBEC LOOKS TOWARD THE FUTURE

The fall 2021 *Update on Québec's Economic and Financial Situation* provides for $13.0 billion in initiatives between now and 2025-2026 to help Québec look toward the future, which are focused on the following four major areas:

— coping with the cost of living;

— taking action to combat the labour shortage and stimulate economic growth;

— supporting families and helping communities;

— continuing efforts to strengthen the health care system.

1.1 Coping with the cost of living

The effects of accelerating inflation have been felt in 2021, particularly by lower-income families, for whom rises in the price of food and housing can prove especially constraining.

The government wants to help Quebecers, particularly low-income households, to better deal with inflation through a range of initiatives, such as:

- implementing an extraordinary cost of living allowance;
  - $400 for a couple and $275 for an individual living alone.
- enhancing the senior assistance amount for seniors aged 70 and over;
  - The maximum assistance amount in 2021 will be $400 for a senior living alone and $800 for a senior couple.
  - With the extraordinary allowance, a senior living alone will be eligible for up to $675.
- implementing an affordable housing construction assistance program;
- helping low-income households pay their rent.

❑ Measures totalling close to $2.1 billion

In the fall 2021 *Update on Québec's Economic and Financial Situation*, the government provides close to $2.1 billion between now and 2025-2026 to help Quebecers cope with the cost of living, that is:

- $1.8 billion to fund measures to help mitigate the rising cost of living, particularly for seniors and low-income earners;
- $304 million to help households access housing.

TABLE A.3

Financial impact of initiatives aimed at helping Quebecers cope with the cost of living
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Mitigating the cost of living increase	–969	–296	–196	–145	–152	–1 757
Supporting access to housing	22	–17	–58	–109	–143	–304
TOTAL	**–946**	**–313**	**–254**	**–254**	**–295**	**–2 061**

Note: Totals may not add due to rounding.

1.2 Taking action to combat the labour shortage and stimulate economic growth

Despite an increase of more than 50 000 unemployed workers since the start of the pandemic, more than 200 000 positions are currently vacant. The government plans to make this issue an economic priority in 2022. The fall 2021 update therefore includes initiatives to give employers access to a sufficient pool of qualified labour in high-priority sectors.

These initiatives will also enable the government to continue to provide essential public services, particularly health care, education and educational childcare services.

Resources are also being provided to support businesses in boosting their productivity.

❑ Measures totalling nearly $3.4 billion

In its fall 2021 *Update on Québec's Economic and Financial Situation*, the government provides for measures totalling nearly $3.4 billion by 2025-2026 in order to:

— expand the supply of public services by increasing the number of workers in essential education, health and social services sector jobs;

— expand worker training, requalification and talent attraction initiatives in sectors of the economy deemed a priority such as engineering, information technology and construction;

— increase funding for business investment projects;

— support implementation of the first innovation zones and innovative projects in Québec;

— support the recovery of Québec's cultural sector.

TABLE A.4

Financial impact of initiatives to combat the labour shortage and stimulate economic growth
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Combatting the labour shortage	–101	–754	–745	–686	–616	–2 901
Accelerating business productivity growth	–101	–123	–100	–60	–60	–444
Supporting the recovery of Québec's cultural sector	–46	—	—	–4	–4	–53
TOTAL	**–248**	**–877**	**–845**	**–749**	**–679**	**–3 398**

Note: Totals may not add due to rounding.

1.3 Supporting families and helping communities

To support families, the government plans to enhance the refundable tax credit for childcare expenses and, starting in 2021, offset a larger portion of childcare expenses paid by parents. It also plans to complete the educational childcare services network by creating 37 000 subsidized spaces by March 2025.

In addition, the government is committed to providing even more support to Québec communities. To do this, it is announcing a series of measures to ensure the safety of all Quebecers. It is also providing measures to develop community housing and local transportation infrastructure, as well as to encourage sports, recreation and leisure activities.

❑ $3.1 billion in support

More specifically, $3.1 billion over five years is provided, that is:

- $2.4 billion to support families through measures aimed in particular at:
  - enhancing the refundable tax credit for childcare expenses to reduce the costs paid by families with children attending a non-subsidized childcare service and to make the net rate more comparable to the cost of a subsidized service,
  - completing the educational childcare services network by creating 37 000 subsidized spaces by March 2025, consolidating home-based childcare services and improving access to the network;
- $742 million to support communities in order to:
  - increase crime prevention efforts,
  - combat gun violence, racism and domestic violence,
  - support households with special housing needs,
  - develop local road transportation,
  - encourage sports, recreation and leisure activities.

TABLE A.5

Financial impact of measures to support families and help communities
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting families	–310	–429	–491	–545	–583	–2 358
Helping communities	–133	–320	–98	–98	–93	–742
TOTAL	**–444**	**–749**	**–589**	**–643**	**–675**	**–3 100**

Note: Totals may not add due to rounding.

1.4 Continuing efforts to strengthen the health care system

For the last 20 months, Québec has been working hard to collectively fight the pandemic, and its efforts are starting to pay off. Among other things, the vaccination campaign helped limit the scope of the fourth wave and the number of hospitalizations.

The government has taken a number of measures since the onset of COVID-19. These have included purchasing protective equipment for all health care personnel, accelerated training for patient-care attendants and providing screening tests.

Québec must continue its efforts to strengthen the health care system, which has revealed its limitations during the pandemic. Teams in the health and social services network will benefit from additional staff and measures aimed at improving work organization. In addition, the government plans to reduce the surgery waiting list.

❑ Measures totalling nearly $4.4 billion

The fall 2021 *Update on Québec's Economic and Financial Situation* provides an overview of the measures carried out and new initiatives totalling nearly $4.4 billion by 2025-2026, including nearly $3.6 billion in 2021-2022 in order to:

- reduce the surgery waiting list so surgeries can resume at a more sustained pace;
- overcome the pandemic through measures aimed at improving working conditions and attracting staff to health care institutions, as provided for in the attraction and retention program for nursing and cardiorespiratory personnel.

The government will have invested $17.3 billion to strengthen the health care system since March 2020.

TABLE A.6

Financial impact of initiatives to continue efforts to strengthen the health care system
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Reducing the surgery waiting list(1)	**—**	**–134**	**–86**	**–184**	**—**	**—**	**–404**
Overcoming the pandemic(2)							
Implementing financial incentives related to the COVID-19 pandemic	—	–1 143	—	—	—	—	–1 143
Attraction and retention program for nursing and cardiorespiratory personnel(3)	—	–380	–528	—	—	—	–908
Enhancing services to the public and the safety of health care workers	—	–1 936	—	—	—	—	–1 936
Subtotal – Overcoming the pandemic	**—**	**–3 459**	**–528**	**—**	**—**	**—**	**–3 987**
Subtotal	**—**	**–3 593**	**–614**	**–184**	**—**	**—**	**–4 391**
Measures before the fall 2021 update(4)	–7 616	–2 334	–750	–750	–750	–750	–12 950
TOTAL	**–7 616**	**–5 927**	**–1 364**	**–934**	**–750**	**–750**	**–17 342**

Note: Totals may not add due to rounding.
(1) Initiatives totalling $804 million are earmarked for a plan to reduce the surgery waiting list. At least $400 million from the Institut de la pertinence des actes médicaux will fund part of this plan: $35 million in 2021-2022, $240 million in 2022-2023 and $125 million in 2023-2024.
(2) In these forecasts, measures related to the public health emergency end on December 31, 2021.
(3) The addition of measures to combat the labour shortage will further attract workers and brings the financial impact of the measures to $1.1 billion.
(4) For 2020-2021, this amount includes an upward adjustment of $1.1 billion to the cost of initiatives in Budget 2021-2022.

2. QUÉBEC'S ECONOMIC SITUATION

2.1 Stronger-than-forecast economic growth

After recording a historic 5.5% decline in 2020, real GDP has been growing steadily over the past few quarters, despite the various waves of infection.

— Québec's economy has shown great resilience. Quebecers have adapted to the constraints imposed by public health restrictions. In particular, businesses have made more widespread use of telework and continued to develop their online sales platforms.

— In addition, the mass vaccination campaign and introduction of vaccination passports have prevented non-essential sectors from being shut down.

Québec should see a 6.5% rebound in economic activity in 2021. This is an upward adjustment of 2.3 percentage points to the forecasts presented in the *Québec Budget Plan – March 2021*.

In 2021, Québec's economic growth is forecast to exceed that of Canada and the United States, and even the global average.

For its part, nominal GDP is expected to rise 10.8% in 2021, the highest increase ever recorded.

Following this rebound, economic growth is projected to stand at 3.3% in 2022, a slightly lower increase than anticipated in March 2021. The slower growth in 2022 is a consequence of the very robust recovery in 2021.

However, pandemic developments could still impact the economic outlook. In addition, the labour shortage and imbalances seen worldwide, such as supply chain disruptions and rising energy prices, could exert inflationary pressure and affect economic growth.

TABLE A.7

Economic growth
(real GDP, percentage change)

	2020	2021	2022
Québec	**–5.5**	**6.5**	**3.3**
– March 2021	*–5.2*	*4.2*	*4.0*
Canada	**–5.2**	**5.0**	**4.4**
– March 2021	*–5.4*	*4.4*	*4.1*
United States	**–3.4**	**6.0**	**4.4**
– March 2021	*–3.5*	*5.0*	*3.8*
World	**–3.1**	**5.8**	**4.6**
– March 2021	*–3.5*	*5.3*	*4.2*

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

2.2 Domestic demand will fuel growth

Households, businesses and governments will support economic activity. Real GDP components are projected to grow significantly.

— Household consumption will continue to be one of the main drivers of growth. Accumulated savings, the labour market's sound performance and latent demand, particularly for services, will support spending.

— Residential investment is expected to increase by 14.9% in 2021 due to an exceptional start to the year. The level of residential investment will remain high in 2022, but will be tempered by less affordable prices, which will reduce the number of buyers. In addition, the reopening of all sectors of the economy will redirect household spending toward the consumption of services.

— Rising demand and low interest rates will have a positive effect on businesses' investment intentions over the coming years.

— Moreover, the increase in infrastructure investments will continue to support the rise in total spending by public administrations.

Strong growth in foreign demand, particularly from the United States, will contribute to the recovery of exports. At the same time, robust domestic demand will spur imports. Supply chain disruptions will, however, slow the growth of international trade.

TABLE A.8

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	Change			Contribution		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
Domestic demand	**–3.8**	**5.7**	**3.3**	**–3.9**	**6.0**	**3.5**
– Household consumption	–6.1	5.0	5.5	−3.4	3.0	3.2
– Residential investment	3.1	14.9	–6.9	0.2	1.1	–0.6
– Non-residential business investment	–9.1	3.0	5.6	–0.8	0.2	0.5
– Government spending and investment	0.4	5.7	1.8	0.1	1.6	0.5
External sector	**—**	**—**	**—**	**0.5**	**–1.2**	**–0.3**
– Exports	–7.9	3.5	5.7	–3.6	1.5	2.3
– Imports	–8.5	5.9	5.7	4.1	–2.7	–2.6
Inventories	**—**	**—**	**—**	**–2.0**	**1.7**	**0.1**
REAL GDP	**–5.5**	**6.5**	**3.3**	**–5.5**	**6.5**	**3.3**

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Toward a more prosperous Québec

The Québec government has set ambitious objectives for creating wealth and increasing Québec's economic potential. The major steps taken since fall 2018 to enhance business productivity and promote worker integration and retention in the labour market have borne fruit. They've helped improve the standard of living for Quebecers and thus reduce the wealth gap with Ontario.

- The wage gap in Ontario's favour narrowed from 16.4% in 2017 to 12.9% in 2021, a reduction of 3.5 percentage points.

Stepping up efforts to catch up with Ontario's standard of living

The government would like to build on this momentum and intensify its efforts to close the standard of living gap between Québec and Ontario. To achieve this, it has set the following ambitious objectives:

- reduce the gap in real GDP per capita with Ontario to less than 10.0% by 2026;
- catch up with Ontario's real GDP per capita by 2036.

Québec has all the assets it needs to achieve this objective, but additional efforts will be required to enlarge the labour pool and increase productivity. These efforts will represent an increase of nearly $17 000 per Quebecer when fully implemented.

Qualified workers to meet labour force needs

The labour pool will need to grow in order to catch up with Ontario's standard of living. Québec has a number of levers at its disposal to achieve this objective, including:

- increasing the labour force pool by enabling more workers to obtain training, particularly through greater access to education, and by attracting workers with the skills sought by employers;
- promoting everyone's contribution to the labour market by requalifying unemployed workers in order to integrate into cutting-edge sectors, extending the careers of experienced workers and strengthening the integration of immigrants into the workforce.

A more productive economy to create more wealth

Given the labour shortage, productivity gains hold the greatest potential for boosting economic growth and improving the standard of living. In this regard, Québec can use several levers, such as:

- business investment;
- entrepreneurial vitality and the commercialization of innovations;
- the business environment.

Boosting economic performance will benefit all Quebecers by improving their standard of living. This collective prosperity is necessary to ensure that Québec's public services are funded in the long term.

- When fully implemented, this will increase the average annual wage by more than $14 000 for Québec workers and generate more than $40 billion in additional annual revenue for the government.

3. QUÉBEC'S FINANCIAL SITUATION

Québec's budgetary situation is more favourable than forecast in last March's budget. Improvements in the financial framework will make it possible to:

- protect Quebecers against the effects of inflation and deploy new measures to continue the economic recovery;
- ensure stable, predictable funding for the government's main priorities;
- stay on target for a return to a balanced budget. The structural deficit now stands at $4.0 billion as of 2023-2024.

3.1 A $6.8-billion budgetary deficit in 2021-2022

The budgetary deficit for 2021-2022, after deposits of dedicated revenues in the Generations Fund, is lower than forecast in March 2021, and now stands at $6.8 billion.

- Improvements in the economic and budgetary situation stand at $9.0 billion, which is largely due to the increase in revenue. These improvements fund initiatives totalling $5.2 billion.
- The removal of the provision for economic risks and other support and recovery measures reduces the budgetary deficit by $1.3 billion.

TABLE A.9

Adjustments to the financial framework since March 2021
(millions of dollars)

	2021-2022
BUDGETARY BALANCE[1] – MARCH 2021	**–12 250**
ECONOMIC AND BUDGETARY SITUATION	
Own-source revenue excluding revenue from government enterprises	5 109
Revenue from government enterprises	831
Federal transfers	2 565
Portfolio expenditures	390
Debt service	48
COVID-19 support and recovery measures	267
Deposits of dedicated revenues in the Generations Fund	–208
Subtotal – Economic and budgetary situation	**9 002**
Initiatives since March 2021	–5 231
Change in the application of the accounting standard respecting transfer payments	382
Provision for economic risks and other support and recovery measures	1 250
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–6 847**
Use of the stabilization reserve[2]	1 221
BUDGETARY BALANCE[1] – NOVEMBER 2021	–5 626

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.
(2) The stabilization reserve will be fully utilized in 2021-2022: its balance will be zero as at March 31, 2022.

❑ The strong economic recovery brings additional own-source revenue

Since the publication of Budget 2021-2022, the main economic indicators affecting own-source revenue[4] have been adjusted favourably for 2021.

— Nominal GDP has been adjusted upward by 4.8 percentage points to stand at 10.8%, as against 6.0% in March 2021.

— Wages and salaries have been adjusted upward by 2.2 percentage points, rising from 6.0% to 8.2%.

— Net operating surplus of corporations has been adjusted upward by 17.8 percentage points, rising from 2.2% to 20.0%.

— Consumption, excluding food expenditures and shelter, has been adjusted upward by 0.6 percentage points, rising from 8.3% to 8.9%.

The sound economic performance since March 2021 has had a positive effect on government revenue, which is adjusted upward by $5.1 billion in 2021-2022. In particular:

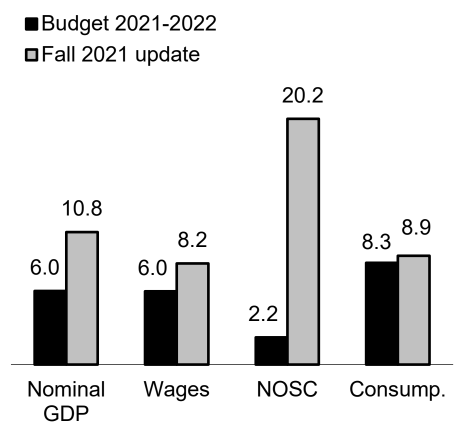
— personal income tax is adjusted upward by $1.7 billion;

— corporate taxes are adjusted upward by $1.8 billion;

— consumption taxes are adjusted upward by $950 million.

CHART A.1

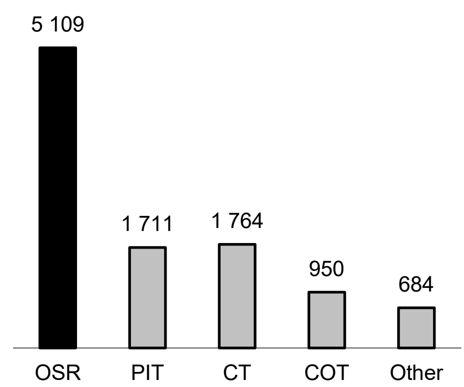
Nominal GDP and other economic indicators – 2021
(percentage change)



Note: Wages: wages and salaries;
NOSC: net operating surplus of corporations;
Consump.: household consumption excluding food expenditures and shelter.

CHART A.2

Adjustment to own-source revenue in 2021-2022 since March 2021
(millions of dollars)



Note: OSR: own-source revenue excluding revenue from government enterprises; PIT: personal income tax; CT: corporate taxes; COT: consumption taxes.

4 Own-source revenue excluding revenue from government enterprises.

3.2 Budgetary outlook

The growth in economic activity brings a favourable budgetary outlook for the coming years.

However, the fact that the pandemic is ongoing, despite the fading of the fourth wave, demands the exercise of great caution.

For this reason, the government will continue to implement additional measures to overcome the pandemic and ensure lasting economic recovery.

- The budgetary deficit decreases to $5.5 billion in 2022-2023 and to $4.0 billion in 2023-2024, according to current forecasts.
- For the same years, the financial framework makes provisions for economic risks and other support and recovery measures totalling $1.3 billion and $1.0 billion respectively.
- Deposits of dedicated revenues in the Generations Fund amount to $3.3 billion in 2022-2023 and $3.9 billion in 2023-2024.

A $7.5-billion budgetary deficit in 2020-2021

The 2020-2021 budgetary deficit, before use of the stabilization reserve, stands at $7.5 billion, a downward adjustment of $7.5 billion compared with Budget 2021-2022, mainly due to:

- a $2.3-billion increase in revenue, supported by robust economic activity, and in federal transfers;
- portfolio expenditures that were $4.1 billion[1] lower than expected, mainly due to the adjustment of Revenu Québec's allowance for doubtful accounts, a deferral of infrastructure projects, and lower-than-expected program requirements for government departments and bodies resulting from a slowdown in operations due to containment measures related to the COVID-19 pandemic;
- non-use of the $1.3-billion provision for economic risks and other support and recovery measures.

Note: Totals may not add due to rounding. Details of adjustments are presented on page I.9 of the section “Québec's financial situation”.
1 The adjustment related to portfolio expenditures includes COVID-19 support and recovery measures.

3.3 Stable, predictable funding of expenditure

Public finances, supported by a strong economy, will provide growing funding to support Québec's priorities. Portfolio expenditures total $118.1 billion in 2021-2022.

- Santé et Services sociaux portfolio expenditures, excluding COVID-19 support and recovery measures, will reach $53.1 billion in 2022-2023, a growth of 6.0%. Growth is expected to average 6.3% per year between now and 2023-2024.
- Éducation portfolio expenditures will reach $18.6 billion in 2022-2023, a growth of 3.5%. Growth is expected to average 4.8% per year between now and 2023-2024.
- Enseignement supérieur portfolio expenditures will reach $10.1 billion in 2022-2023, a growth of 9.0%. Growth is expected to average 9.1% per year between now and 2023-2024.
- Expenditures of other portfolios will reach $41.7 billion in 2022-2023, a growth of 1.9%. Growth is expected to average 6.6% per year between now and 2023-2024.

TABLE A.10

Change in expenditures by departmental portfolio
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Santé et Services sociaux	50 086	53 089	55 720	
% change	*8.0*	*6.0*	*5.0*	*6.3*
Éducation	17 926	18 560	19 202	
% change	*7.6*	*3.5*	*3.5*	*4.8*
Enseignement supérieur(2)	9 234	10 064	10 416	
% change	*15.1*	*9.0*	*3.5*	*9.1*
Other portfolios(3)	40 861	41 650	41 847	
% change	*18.1*	*1.9*	*0.5*	*6.6*
Subtotal – Before COVID-19 support and recovery measures	**118 106**	**123 363**	**127 185**	
% change	***11.8***	***4.5***	***3.1***	***6.4***
COVID-19 support and recovery measures	7 610	978	94	
Change in the application of the accounting standard respecting transfer payments	350	1 230	1 265	
TOTAL	**126 066**	**125 571**	**128 544**	
% change	***5.8***	***–0.4***	***2.4***	***2.6***

Note: Totals may not add due to rounding.
(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) The growth in 2021-2022 is due to the resumption of certain activities in educational institutions that were limited or cancelled in 2020-2021, to an increase in infrastructure projects in 2021-2022, and to investments in Budget 2021-2022. In 2022-2023, it stems mainly from new incentive scholarships.
(3) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

3.4 Returning to a balanced budget and reducing Québec's debt

The return to sound public finances remains a priority and the return to a balanced budget is still projected by 2027-2028. The sustained growth of economic activity allows for an upward adjustment of the budgetary balance announced in the March 2021 budget.

The structural deficit is reduced to $4.0 billion from 2023-2024.

— Budgetary balance within the meaning of public accounts, that is, excluding deposits of dedicated revenues in the Generations Fund, is projected to be achieved in 2024-2025.

The improvements in the budgetary and public health situations enable the government to remain focused on the orientations to ensure sound management of public finances based on the following principles:

— the government's commitment not to increase the tax burden;

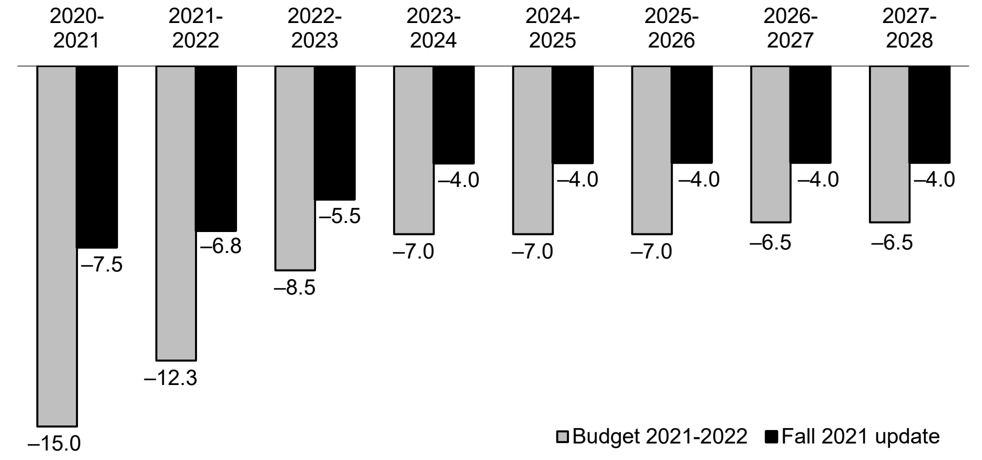
— the acceleration of economic growth.

The return to a balanced budget will not be achieved at the expense of public services. The significant and growing needs in the health network require an increased federal contribution for health spending.

— Québec continues to ask the federal government to immediately increase the Canada Health Transfer (CHT) to 35% of provincial health spending.

CHART A.3

Change in the budgetary balance
(billions of dollars)



❑ Reducing the debt burden

Despite the increase in the debt caused by the pandemic in 2020-2021, the government forecasts that the objective regarding the gross debt will be attained, thanks to a strong economic recovery. The debt is indeed under control.

— The gross debt burden will decrease to 44.3% of GDP as at March 31, 2022, which is below the 45% objective.

— The decrease will continue in the coming years as the result of economic growth, an improvement in the financial situation and deposits of dedicated revenues in the Generations Fund. The gross debt burden is expected to reach 42.5% of GDP as at March 31, 2026.

A decrease in the ratio of the debt representing accumulated deficits is also expected as of 2021-2022. It is currently expected to stand at 19.5% as at March 31, 2026, a gap of 2.5 percentage points compared to the 17% objective.

Reducing the debt burden remains a priority for the government. It is a matter of intergenerational fairness. Québec is one of the most indebted Canadian provinces, and this makes its economy more sensitive to an increase in interest rates or another economic downturn.

CHART A.4

Gross debt as at March 31

(percentage of GDP)

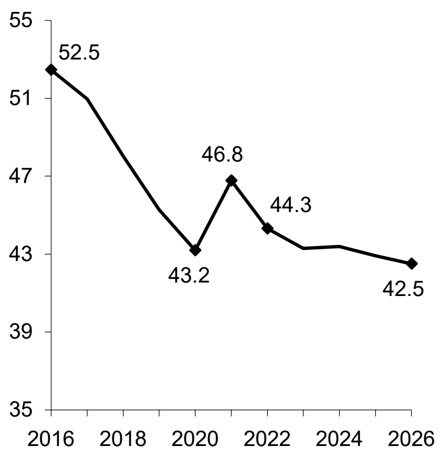
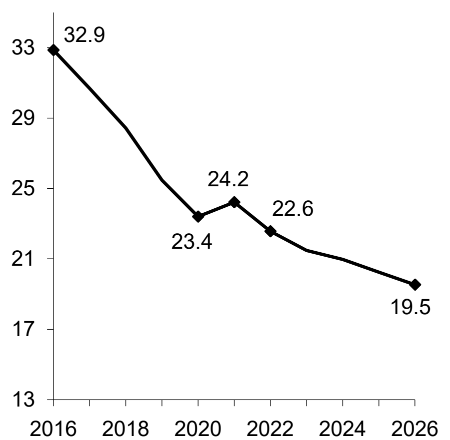


CHART A.5

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Call to academic economists

Following the 2020 consultation, in July 2021 the Ministère des Finances again appealed to university economists. They were asked to submit proposals regarding the targets or budgetary rules that the government should set for the purpose of ensuring sound management of public finances, and regarding the role that taxation and direct and indirect assistance can play in the attaining of two government objectives, namely an increase in Québec's economic potential and the fight against climate change.

More than ten research teams are currently at work. Proposals that have been accepted concern, for example, an analysis of interactions between the various sectors of the Québec economy, an examination of taxation measures conducive to innovation, modernizations that could be made to the *Balanced Budget Act*, and the effectiveness of Québec's carbon market.

These proposals, which are expected by late November 2021, will contribute to deliberations on the preparation of Budget 2022-2023.

Until then, the proposals received last year regarding measures to be prioritized to speed up economic recovery can be consulted at the following address:

https://consultations.finances.gouv.qc.ca/RelanceEconomique/propositions_en.html

APPENDIX: ECONOMIC OUTLOOK AND ADJUSTMENTS TO THE FINANCIAL FRAMEWORK SINCE THE MARCH 2021 BUDGET

TABLE A.11

Economic outlook for Québec
(annual average, percentage change, unless otherwise indicated)

	2020	2021	2022
Output			
Real gross domestic product	–5.5	6.5	3.3
– *March 2021*	*–5.2*	*4.2*	*4.0*
Nominal gross domestic product	–2.4	10.8	7.2
– *March 2021*	*–4.0*	*6.0*	*5.8*
Nominal gross domestic product (billions of dollars)	449.1	497.5	533.4
– *March 2021*	*442.0*	*468.4*	*495.7*
GDP components (in real terms)			
Household consumption	–6.1	5.0	5.5
– *March 2021*	*–5.4*	*5.0*	*4.3*
Government spending and investment	0.4	5.7	1.8
– *March 2021*	*–0.4*	*4.7*	*3.8*
Residential investment	3.1	14.9	–6.9
– *March 2021*	*1.0*	*5.5*	*0.9*
Non-residential business investment	–9.1	3.0	5.6
– *March 2021*	*–9.7*	*6.3*	*5.3*
Exports	–7.9	3.5	5.7
– *March 2021*	*–10.5*	*3.1*	*4.5*
Imports	–8.5	5.9	5.7
– *March 2021*	*–13.7*	*7.9*	*6.2*
Other economic indicators (in nominal terms)			
Job creation (thousands)	–208.5	167.3	107.5
– *March 2021*	*–208.5*	*148.9*	*75.5*
Unemployment rate (%)	8.9	6.3	5.7
– *March 2021*	*8.9*	*6.4*	*6.0*
Household consumption excluding food expenditures and shelter	–9.9	8.9	10.1
– *March 2021*	*–8.6*	*8.3*	*7.4*
Wages and salaries	0.2	8.2	7.0
– *March 2021*	*0.3*	*6.0*	*3.5*
Household income	5.8	3.9	3.8
– *March 2021*	*6.2*	*1.6*	*2.7*
Net operating surplus of corporations	14.5	20.0	–4.2
– *March 2021*	*–5.3*	*2.2*	*–3.8*
Consumer price index	0.8	3.4	2.9
– *March 2021*	*0.8*	*1.9*	*2.2*

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

TABLE A.12

Adjustments to the financial framework since March 2021
(millions of dollars)

	2021-2022	2022-2023	2023-2024
BUDGETARY BALANCE[1] – MARCH 2021	**–12 250**	**–8 500**	**–7 000**
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	4 792	4 165	3 925
– Other revenue	317	238	215
Subtotal	5 109	4 403	4 140
Revenue from government enterprises	831	163	48
Subtotal – Own-source revenue	5 940	4 566	4 188
Federal transfers	2 565	2 359	3 109
Subtotal – Revenue	**8 505**	**6 925**	**7 297**
Portfolio expenditures	390	–1 249	–1 559
Debt service	48	154	245
Subtotal – Expenditure	**438**	**–1 095**	**–1 314**
COVID-19 support and recovery measures	267	201	18
Deposits of dedicated revenues in the Generations Fund	–208	–43	–122
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**9 002**	**5 988**	**5 879**
INITIATIVES			
Coping with the cost of living	–946	–313	–254
Taking action to combat the labour shortage and stimulate economic growth	–248	–877	–845
Supporting families and helping communities	–444	–749	–589
Continuing efforts to strengthen the health care system	–3 593	–614	–184
TOTAL INITIATIVES	**–5 231**	**–2 554**	**–1 871**
Change in the application of the accounting standard respecting transfer payments	382	–481	–801
Provision for economic risks and other support and recovery measures	1 250	—	–250
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–6 847**	**–5 547**	**–4 043**
Use of the stabilization reserve[2]	1 221	—	—
BUDGETARY BALANCE[1] – NOVEMBER 2021	–5 626	–5 547	–4 043

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*, before shortfall to be offset and after use of the stabilization reserve.
(2) The stabilization reserve will be fully utilized in 2021-2022, resulting in a zero balance of the reserve as of March 31, 2022.

Section B

TOWARD A MORE PROSPEROUS QUÉBEC

1. AN OBJECTIVE OF COLLECTIVE WEALTH

The Québec government has set ambitious objectives for creating wealth and increasing Québec's economic potential.

— It has taken major steps in this regard since the fall of 2018, particularly to enhance business productivity and promote workers' integration and retention in the labour market.

These steps are paying off. They have helped improve the standard of living for Quebecers and reduce the wealth gap with Ontario.

1.1 Historic progress toward closing the standard of living gap between Québec and Ontario since 2018

Between 2009 and 2017, average annual growth in Ontario's standard of living outpaced that of Québec. Since 2018, this trend has reversed itself, enabling Québec to make historic progress toward closing the standard of living gap with Ontario.

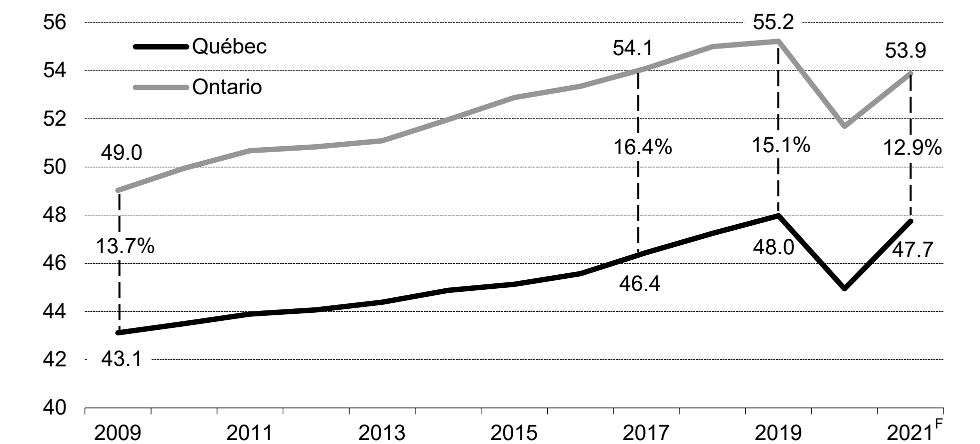
— In fact, between 2017 and 2021, Québec's average annual growth in per capita GDP stood at 0.7%, compared to a decrease of 0.1% for Ontario.

— The wealth gap in Ontario's favour narrowed from 16.4% in 2017 to 12.9% in 2021, a reduction of 3.5 percentage points. This has narrowed the gap by more than $1 500 per capita.

The government wants to increase its efforts to eliminate this wealth gap.

CHART B.1

Changes in standard of living in Québec and Ontario
(real GDP per capita, thousands of chained 2012 dollars and percentage differences)



F: Forecast.
Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

1.2 Québec has set an objective to catch up with Ontario within 15 years

The government would like to continue on this path and intensify its efforts to close the standard of living gap between Québec and Ontario. To achieve this, it has set the following ambitious objectives:

— reduce the gap in real GDP per capita with Ontario to less than 10% by 2026;

— catch up with Ontario's real GDP per capita by 2036.

Québec has all the assets it needs to achieve these objectives, but additional efforts will be required. To catch up with Ontario's standard of living within 15 years, Québec will need to maintain an average annual increase in real GDP per capita of 0.8 percentage points higher than that of Ontario.

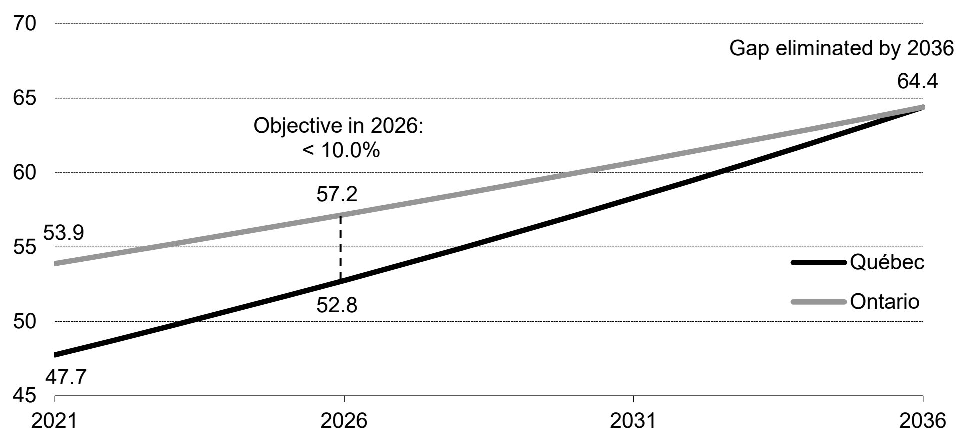
To accomplish this, Québec's real GDP per capita needs to grow by an average of 2.0% per year between 2021 and 2036 if the average rate of growth in Ontario's real GDP per capita for the same period is equivalent to that of the last ten years, or 1.2% per year.

Achieving this objective will boost Québec's real GDP by more than $190 billion per year, an increase of nearly $17 000 per Quebecer.

— This will translate into annual wage growth of more than $14 000 for Québec workers and will generate more than $40 billion in additional revenue per year for the government when fully implemented.

CHART B.2

Projected change in real GDP per capita to close the standard of living gap between Québec and Ontario by 2036
(thousands of chained 2012 dollars and percentage difference)



Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

1.3 The labour pool and productivity will need to grow

In order to close the standard of living gap with Ontario, each component of real GDP per capita must be leveraged:

— the labour force pool, which corresponds to the labour force as a percentage of the total population;

— the labour force employment rate, which represents the number of workers in proportion to the labour force;

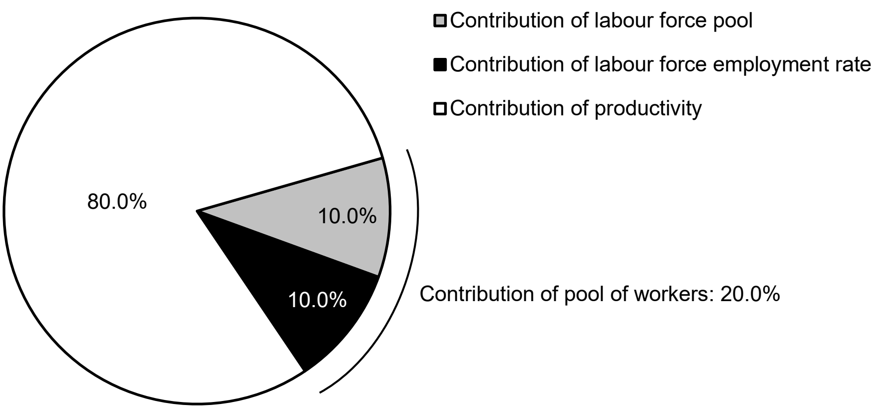
— productivity, or real GDP per job.

In short, 20.0% of the wealth increase needed to eliminate the standard of living gap with Ontario will need to be generated by growing the pool of workers, while the bulk of it, or 80.0%, will need to come from increasing productivity.

— Productivity is therefore the main driver of increased wealth.

CHART B.3

Contribution of components of real GDP per capita in catching up with Ontario's standard of living by 2036



Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

❑ Efforts will require improvements to all growth components

The efforts needed to increase Québec's economic potential and catch up with Ontario's standard of living in 15 years will require:

— an average increase in productivity of 1.6% per year from 2021 to 2036, which will represent an average production gain of $26 000 per worker when fully implemented;

— growth of the labour pool, with the labour force pool and the labour force employment rate needing to increase an average of 0.2% per year.

TABLE B.1

Contribution of economic growth factors
(average annual percentage change and contribution in percentage points)

	Québec			Ontario		
	Between 2009 and 2019	**Between 2017 and 2019**	**Between 2021 and 2036**	**Between 2009 and 2019**	**Between 2017 and 2019**	**Between 2021 and 2036**
Real GDP	**1.9**	**2.9**	**2.6**	**2.3**	**2.7**	**2.3**
Growth factors (contribution)						
Labour force pool(1)	0.0	0.1	0.2	–0.1	0.4	N/A
Labour force employment rate(2)	0.4	0.5	0.2	0.4	0.2	N/A
Productivity(3)	0.7	1.1	1.6	0.9	0.4	N/A
STANDARD OF LIVING(4)	**1.1**	**1.6**	**2.0**	**1.2**	**1.0**	**1.2**

Notes: Since 2020 was atypical due to the pandemic, it is not presented.
Totals may not add due to rounding.
(1) Labour force in proportion to the total population.
(2) The employment rate corresponds to the total number of workers in proportion to the labour force.
(3) Productivity as measured by real GDP per job.
(4) Standard of living as measured by real GDP per capita.
Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

2. QUALIFIED WORKERS TO MEET LABOUR FORCE NEEDS

The labour shortage is a major challenge to accelerating economic growth and enhancing the prosperity of Quebecers. The demographic weight of the population aged 15 to 64 in Québec declined at twice the rate as in Ontario over the last ten years.

There is a significant need for workers. In Québec, the number of unemployed individuals is declining, while the number of job vacancies is rising. For example, in the second quarter of 2021, Québec had the second-highest job vacancy rate in the country.

The labour pool will need to grow in order to catch up with Ontario's standard of living. This will require sustained increases in the labour force pool and the labour force employment rate.

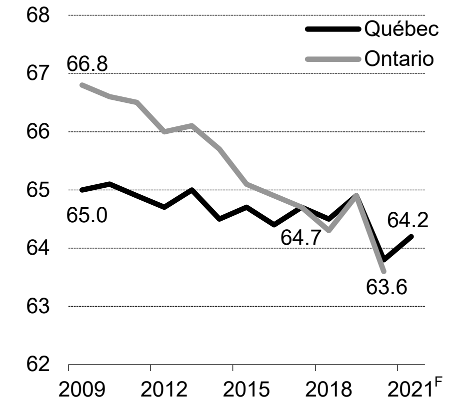
Québec has a number of levers at its disposal to achieve this objective, including:

— increasing the labour force pool by enabling more workers to qualify, particularly through greater access to education, and by attracting workers with the skills sought by employers;

— promoting everyone's contribution to the labour market by requalifying unemployed workers in order to integrate them into cutting-edge sectors, extending the careers of experienced workers and strengthening the integration of immigrants into the workforce.

CHART B.4

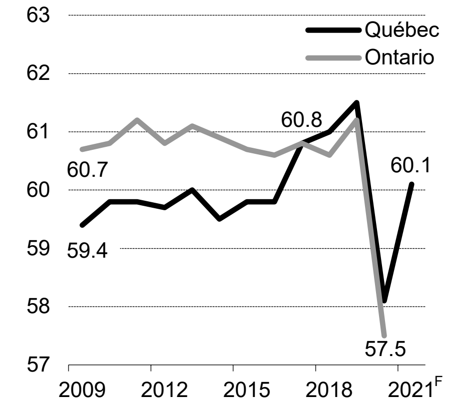
Participation rate of the population aged 15 and over
(per cent)



F: Forecast.
Note: Data for Ontario in 2021 are not available.
Sources: Statistics Canada and Ministère des Finances du Québec.

CHART B.5

Employment rate of the population aged 15 and over
(per cent)



F: Forecast.
Note: Data for Ontario in 2021 are not available.
Sources: Statistics Canada and Ministère des Finances du Québec.

2.1 Growing the available labour pool

Québec's population is aging, which limits growth of its labour force and, by extension, its pool of available labour. Québec is facing a phenomenon of demographic aging which translates into a strong growth of the population aged 65 and over.

- The population aged 65 and over grew an average of 3.4% per year between 2009 and 2019. Over that period, the population aged 15 to 64 saw annual average growth of just 0.1%.

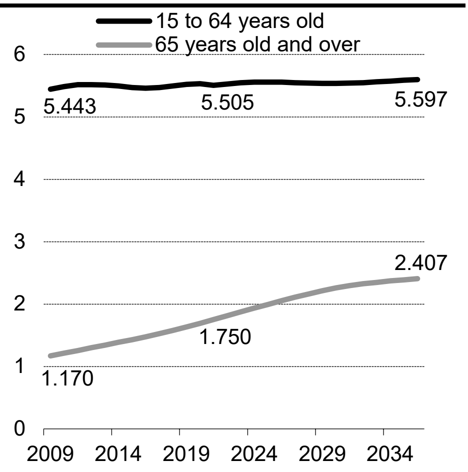
Population aging is leading to a decline in the demographic weight of the population aged 15 to 64.

- In 2009, people aged 15 to 64 represented 69.4% of Québec's entire population. That percentage had dropped to 64.0% in 2021.
- At the same time, the demographic weight of the population aged 65 and over grew from 14.9% in 2009 to 20.3% in 2021.
- Based on the most recent demographic scenario by the Institut de la statistique du Québec, these trends are expected to continue until 2030, and then begin to abate.

The population aged 15 to 64 makes up the main pool of potential workers. Its reduced demographic weight is limiting growth of the labour force and exerting greater pressure on the labour market.

CHART B.6

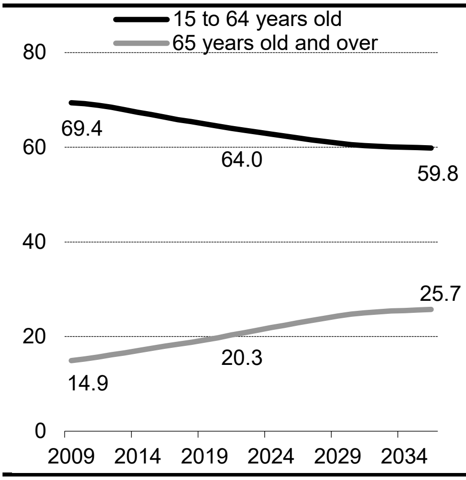
Changes in the populations aged 15 to 64 and 65 and over in Québec
(millions of people)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART B.7

Demographic weight of the populations aged 15 to 64 and 65 and over in Québec
(percentage of total population)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Promoting growth of the labour force pool

From 2009 to 2017, Québec's labour force pool, or the labour force as a percentage of the total population, fell an average of 0.1% per year. This means that the proportion of the total population that was employed or looking for work was declining, thereby limiting growth of the labour force pool.

— However, this downward trend stabilized, and the situation had improved before the pandemic. Between 2017 and 2019, Québec's labour force pool saw average annual growth of 0.1% despite population aging.

— By 2019, the labour force pool had grown to 53.4% in Québec, comparable to Ontario's level (53.7%). In 2009, the gap between Québec and Ontario was 0.7 percentage points.

Due to Québec's demographic situation, efforts will need to be stepped up in the coming years to build on the recent progress, which is necessary to increase Québec's pool of potential workers.

■ A target of adding 550 000 people to the labour force

To catch up with Ontario's standard of living, the labour force pool will need to continue to grow by 0.2% annually by 2036, a faster pace than that observed between 2017 and 2019.

— This will add 240 000 people to the labour force by 2026 and 550 000 by 2036.

TABLE B.2

Average annual change in the labour force pool in Québec

	Between 2009 and 2017	Between 2017 and 2019	Objective between 2021 and 2036
Labour force pool	–0.1%	0.1%	0.2%

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.1.1 Providing access to training to a greater number of people

Quality education services promote the collective prosperity of Quebecers. They are essential for ensuring sustainable economic growth and training skilled workers, which will increase the labour force pool.

— A better graduation rate and greater access to education would enable more people to train for jobs. In addition, qualified workers remain in the labour market longer.

Improving student retention will be required to increase the number of Quebecers with the skills employers are looking for in the labour force. Although higher than the average for advanced economies, Québec's post-secondary graduation rate was 11 percentage points lower than Ontario's in 2019.

— This can be explained by a lower graduation rate for high school and college equivalents, particularly among male students.

The education system will need to ensure a better match between workforce skills and labour market needs, especially in high-demand sectors such as science and technology.

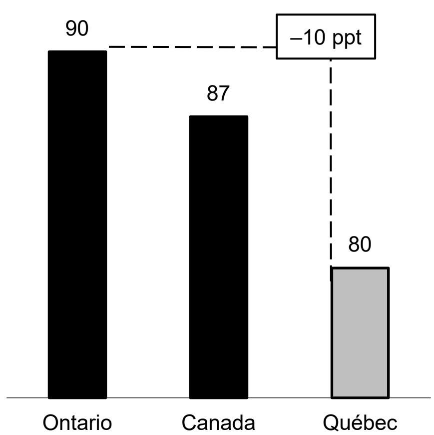
— Despite a high number of job vacancies in science, technology, engineering and mathematics (STEM), Québec lagged Ontario by 4.8 percentage points in 2018-2019 in terms of the proportion of students registered in these fields.

A potential solution would be to improve the attraction and retention of foreign students. Québec currently admits half as many foreign students as Ontario as a proportion of all post-secondary students and retains 20% fewer after graduation.

— Foreign students are more likely to choose to study certain STEM fields than students born in Canada and living in Québec.

CHART B.8

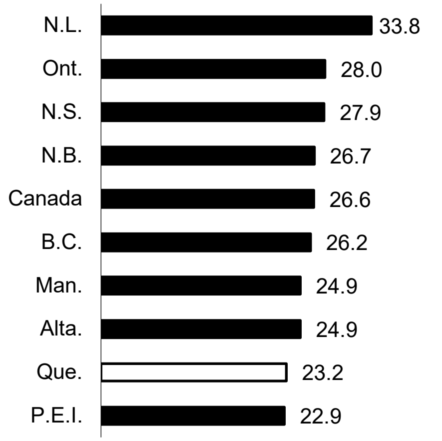
Male high school graduation rates – 2017-2018
(per cent)



Ppt: Percentage points.
Source: Statistics Canada.

CHART B.9

Proportion of students newly registered in STEM – 2018-2019
(per cent)



Note: Data for Saskatchewan are not available.
Source: Statistics Canada.

2.1.2 Attracting workers with in-demand skills

In the current demographic context, immigration can serve as a lever for supporting the growth of the labour force pool in Québec.

— To fully benefit from their contribution to the economy, measures need to be taken to encourage immigrants to develop the skills sought by employers and settle permanently in Québec.

The retention of immigrants in Québec and their participation in the labour market hinge on strengthening our capacities with respect to francization.

— Two thirds of interprovincial migrants who left Québec between 2011 and 2016 did not have French as their mother tongue.

Although net interprovincial migration has improved in recent years, it remains negative, and efforts in this regard must continue in order to meet labour market demand.

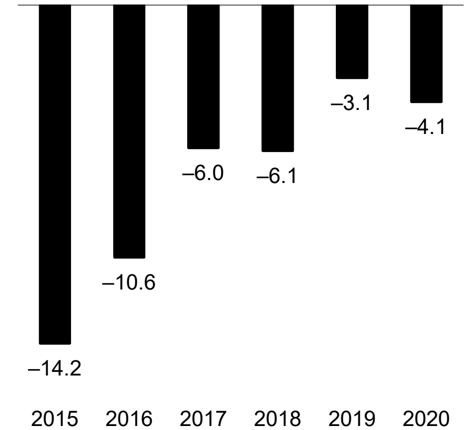
Better retention of migrants would also help increase the pool of skilled workers, as they tend to have a high level of education.

— For example, nearly 42% of migrants who left Québec for another province between 2011 and 2016 had a university degree, compared to 21% of the overall Québec population aged 15 and over.

CHART B.10

Net interprovincial migration in Québec

(thousands of people)

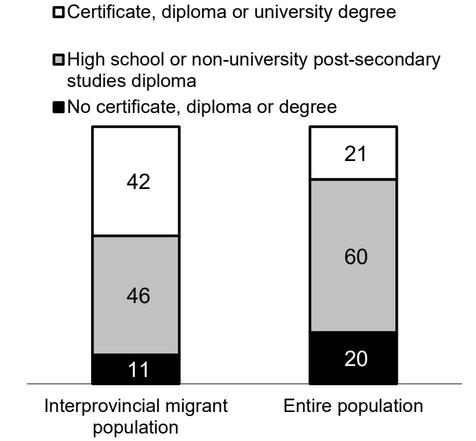


Source: Statistics Canada.

CHART B.11

Highest level of education attained, population aged 15 and over in Québec – 2011-2016

(proportion of the population)



Sources: Statistics Canada, Ministère de l'Immigration, de la Francisation et de l'Intégration and Ministère des Finances du Québec.

Substantial measures to grow the available labour pool

Supporting educational success

Several education initiatives totalling more than $6 billion have been introduced since fall 2018, including to improve educational success, increase graduation rates in higher education and support educational staff. The government has announced major investments aimed at:

- improving educational success and providing students with more stimulating learning environments;
- enhancing student financial assistance and improving student support services;
- fostering student retention and supporting higher education;
- valuing, attracting and mobilizing school network staff;
- promoting participation in recreation and sports;
- encouraging educational success for students with special needs.

Fostering the attraction and retention of foreign students

Foreign students who settle permanently in Québec represent a potential solution for businesses and regions that are struggling with a shortage of qualified labour.

- To that end, the government has provided funding to enter into agreements with Montréal International, Québec International and the Société de développement économique de Drummondville aimed at attracting and retaining foreign students.

Promoting French learning

Proficiency in French is crucial for newcomers. It helps them integrate into their community and actively participate in the labour market. The government has introduced several measures to support French learning, such as:

- enhancing financial assistance encouraging francization to support immigrants taking French courses;
- implementing new measures to promote the successful francization and integration of immigrants;
- implementing, in partnership with the Chamber of Commerce of Metropolitan Montreal, a language partnering program that offers free francization workshops led by university students to merchants who would like to learn French in their workplace.

2.2 Promoting everyone's contribution to the labour market

The Québec economy needs workers. In recent years, a strong economy and a tightening labour pool have resulted in more job vacancies and fewer unemployed people.

— The number of vacancies has been steadily increasing since 2016.

  — It rose from about 70 000 in the second quarter of 2015 to over 194 000 in the second quarter of 2021.

  — The increase is expected to continue in the third quarter of 2021 as there were nearly 220 000 vacancies in August.

— At the same time, the unemployment-to-job vacancies ratio has fallen.

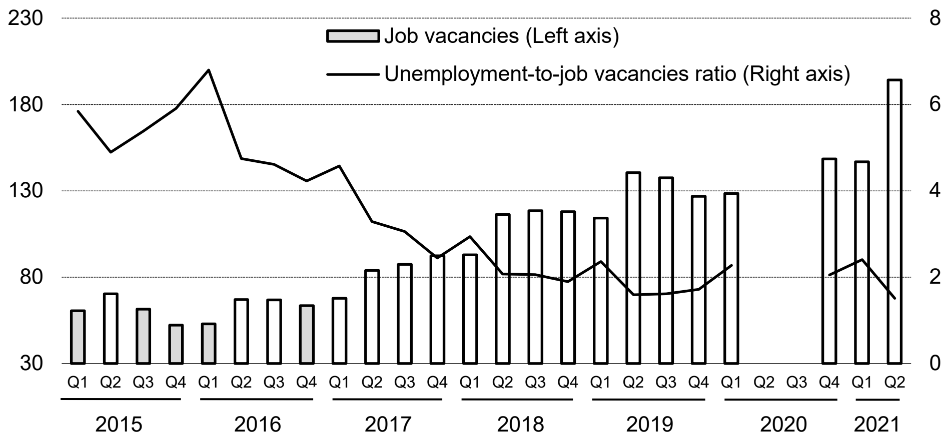
  — It dropped from 4.9 in the second quarter of 2015 to 1.5 in the second quarter of 2021.

Despite the increase in the number of unemployed workers and the jobs lost in 2020, the tightening labour pool remains an issue.

— This phenomenon reflects both the post-pandemic strength of the Québec economy and the mismatch between labour supply and demand across all sectors and job categories.

CHART B.12

Number of job vacancies and unemployment-to-job vacancies ratio in Québec
(thousands of job vacancies and unemployment-to-job vacancies ratio)



Note: Data unadjusted for seasonality. Job vacancy data for the second and third quarters of 2020 are not available because the survey was suspended due to the pandemic.
Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Maintaining the strong performance of the labour force employment rate

Québec's labour force employment rate, or the number of workers as a proportion of the labour force, has improved in recent years, rising from an average annual growth rate of 0.3% between 2009 and 2017 to 0.5% between 2017 and 2019.

— This progress has allowed Québec to have a higher labour force employment rate than Ontario since 2018.

This rate must continue to increase in the coming years in order to meet labour needs.

■ A target of further reducing the unemployment rate to 3.5%

For Québec to close the wealth gap with Ontario, the labour force employment rate will have to continue to increase by 0.2% per year.

— This pace is lower than that observed since 2009, since significant gains have already been made and the unemployment rate in Québec is among the lowest in Canada.

This gain will add 270 000 workers by 2026 and 660 000 by 2036, by increasing the available labour pool and further reducing the unemployment rate associated with higher labour force participation to 3.5% in 2036.

TABLE B.3

Average annual change in the labour force employment rate in Québec

	Between 2009 and 2017	Between 2017 and 2019	Objective between 2021 and 2036
Labour force employment rate	0.3%	0.5%	0.2%

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.2.1 Requalifying unemployed workers for cutting-edge sectors

In order to increase the labour force employment rate in Québec, businesses must be able to recruit workers who meet their needs to fill available jobs.

— In the second quarter of 2021, Québec's job vacancy rate stood at 5.3%, the second-highest in the country. This rate is 1 percentage point higher than Ontario's rate.

The world of work is evolving quickly. This has the effect of amplifying employers' recruitment difficulties, particularly in sectors where specialized labour is required.

— Of all the job vacancies in Québec in the second quarter of 2021, 43.7% required an apprenticeship, trade school, college or university education.

— More than half of these specialized jobs were in health (20.4%), business, finance and administration (17.9%), and natural and applied sciences (17.4%).

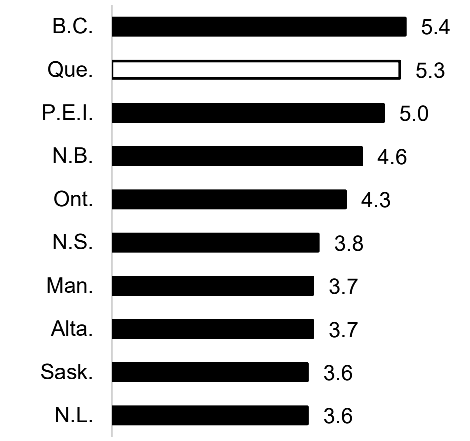
Requalifying is therefore an important lever for ensuring a better match between the skills of people ready to work and the needs of employers.

— In particular, it enables unemployed workers to acquire the skills needed in cutting-edge sectors where there is a strong demand for labour, and thus to obtain well-paid jobs that match their aspirations and the reality of the labour market.

CHART B.13

Job vacancy rate – second quarter of 2021

(job vacancies as a percentage of occupied and vacant jobs)

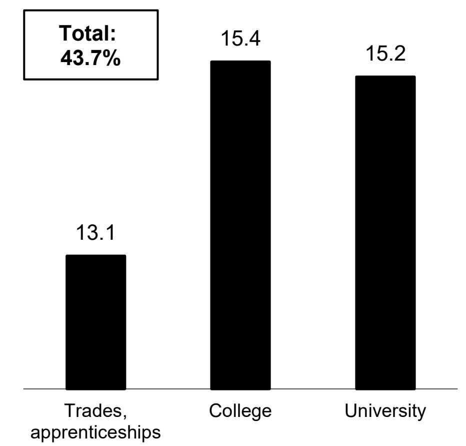


Source: Statistics Canada.

CHART B.14

Québec job vacancies by minimum desired level of education – second quarter of 2021

(percentage of job vacancies)



Source: Statistics Canada.

2.2.2 Extending the careers of experienced workers

Greater participation by experienced workers would significantly increase the labour supply and partially offset the labour shortage. Extending the careers of experienced workers increases both the labour force pool and the labour force employment rate.

In 2019, Québec had a higher employment rate than Ontario and Canada as a whole for all age groups from 15 to 59.

- In particular, for the 55- to 59-year-old population, Québec had an employment rate of 72.2% in 2019, higher than Ontario's 71.3%.

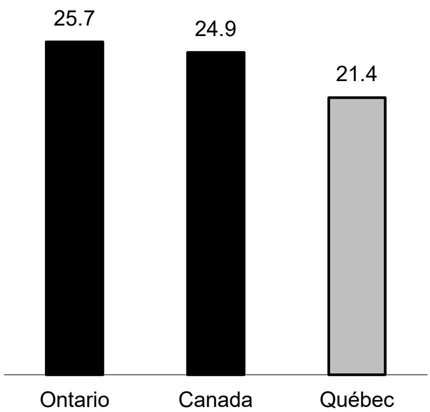
However, employment rates for the population aged 60 and over in Québec lag behind Ontario's. Overall, the employment rate of the population aged 60 and over stood at 21.4% in Québec and 25.7% in Ontario in 2019.

- In particular, the employment rate of the population aged 60 to 64 was 48.1% in Québec compared to 54.9% in Ontario in 2019.
- If the employment rates of the population aged 60 and over in Québec had been equivalent to Ontario's in 2019, Québec would have 93 600 more workers, including 40 600 people in the 60 to 64 age group.

CHART B.15

Employment rate of the population aged 60 and over – 2019

(per cent)

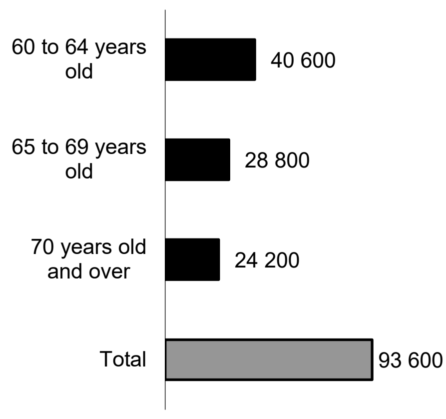


Source: Statistics Canada.

CHART B.16

Additional workers in Québec based on an employment rate identical to that of Ontario for the population aged 60 and over – 2019

(number of people)



Sources: Statistics Canada and Ministère des Finances du Québec.

The significant contribution of experienced workers

Québec has caught up with Ontario's employment rate for 55- to 59-year-olds

Historically, the proportion of experienced workers in employment is lower in Québec than in Ontario. However, for the 55- to 59-year-old population, Québec has gradually caught up over the last two decades so that their employment rate has drawn level with Ontario's.

– Between 1994 and 2019, the employment rate of the 55- to 59-year-old population in Québec rose by 23.9 percentage points to 72.2%. This compares to 71.3% in 2019 in Ontario.

This catching up is notably based on the improvement in the education of the workforce, which leads workers to stay in the labour market longer.

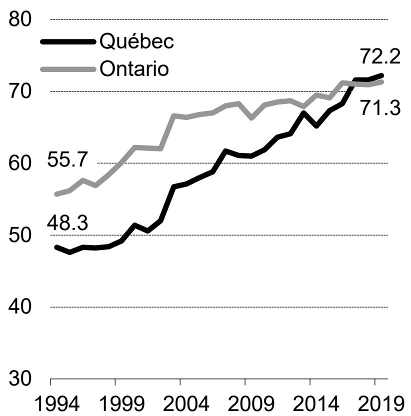
– The proportion of the population aged 15 to 54 with a university degree increased from 13.3% in 1994 to 27.2% in 2019.

Over the next few years, the structural increase in employment rates is expected to continue among the older cohorts.

– The employment rate of experienced workers is expected to increase as the 55- to 59-year-old population, which is more active on the labour market, ages and moves into the 60- to 64-year-old cohort.

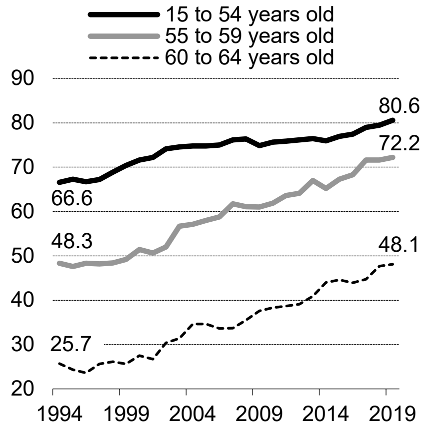
Thus, Québec will be able to continue to rely on employment rate gains to grow its economic potential and improve the standard of living of all Quebecers.

Employment rate of the population aged 55 to 59
(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

Employment rate in Québec
(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.2.3 Strengthening the integration of immigrants into the workforce

Immigration makes a substantial contribution to Québec's labour market and helps it mitigate the effects of demographic changes.

— From 2009 to 2019, the immigrant population aged 15 and over filled 285 700 new jobs, or approximately 63% of all jobs created.

However, the integration of newcomers in the labour market can still be improved. The employment rate for immigrants is lower than for Canadian-born Québec residents.

— In 2019, the employment rate for immigrants aged 25 to 54 was 79.7%, compared to 87.2% for Canadian-born Québec residents.

— However, the situation has improved in the last few years, as the gap in the employment rate between Canadian-born Québec residents and immigrants narrowed from 12.4 percentage points in 2009 to 7.5 percentage points in 2019.

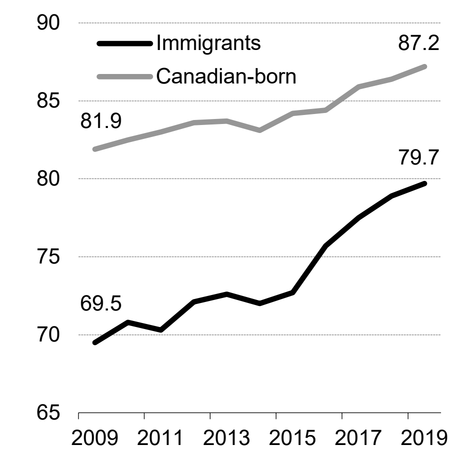
Increased participation of immigrants in the labour market would therefore help boost the labour pool and fill job vacancies.

Québec also stands to gain from better leveraging immigrants' skills to realize the full potential of immigration and help narrow the wealth gap with Ontario.

— In 2015, the wage gap between immigrants and the Québec average was 13.6% despite a higher university graduation rate.

CHART B.17

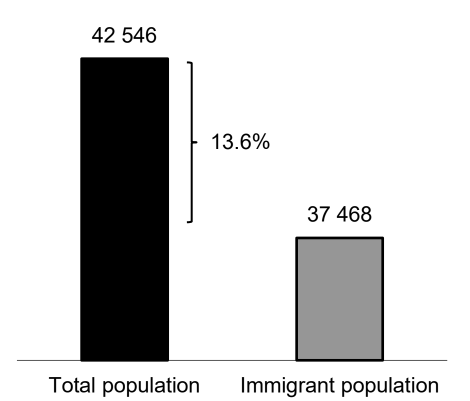
Québec's employment rate for the population aged 25 to 54
(per cent)



Source: Statistics Canada.

CHART B.18

Average total income in Québec – 2015
(in current dollars)



Source: Statistics Canada.

Significant measures to encourage full participation in the labour market

Supporting the requalification of the workforce

To address the labour shortage and accelerate growth and the transition to the new economy, the government has invested in requalifying the workforce and making it easier for people to enter the labour market. In particular, these investments aim to:

- develop the workforce in information technology and other strategic sectors for the post-pandemic recovery, specifically health care and construction;
- increase the number of qualified educators in childcare services;
- boost labour market participation by increasing the graduation rate;
- provide access to training, particularly in high-demand sectors, for skills development and a quick reintegration into the labour market.

Encouraging experienced workers to stay in the labour market

In recent years, the government has introduced measures to encourage the retention of experienced workers, including:

- enhancing the tax credit for career extension, which provides a tax reduction for workers aged 60 to 64;
- initiating the tax credit for small and medium-sized businesses to foster the retention of experienced workers, which provides eligible employers with a reduction in payroll contributions for the wages paid to workers aged 60 and over.

The government has also provided financial assistance to allow a greater number of businesses to develop their employees' digital skills, particularly those of experienced workers, and has enhanced public employment services programs to better support experienced workers.

Promoting the integration of immigrants

The government has invested in a new immigration pathway to offer support to immigrant workers that is better adapted to their skills and better suited to the needs of the labour market.

- This new pathway aims to improve access to a number of integration and francization programs, support communities and assist businesses in recruiting and retaining temporary foreign workers.

The resulting initiatives will be beneficial to all immigrants, particularly temporary foreign workers and permanent residents established in Québec for several years, and will promote their integration into Québec society and the labour market.

3. A MORE PRODUCTIVE ECONOMY TO CREATE MORE WEALTH

Labour productivity measures the efficiency with which workers turn effort into production. Given the labour shortage, productivity gains hold the greatest potential for boosting economic growth and improving the standard of living.

Québec's productivity is below that of Ontario, primarily due to a lower amount of non-residential business investment. This gap has persisted over time, with Ontario posting average annual productivity growth of 0.9% between 2009 and 2019, compared to 0.7% for Québec.

To catch up with Ontario's standard of living, Québec will need to further boost its productivity.

— In short, 80.0% of the wealth increase necessary to close the standard of living gap with Ontario must be driven by productivity.

In this regard, Québec can use several levers, namely:

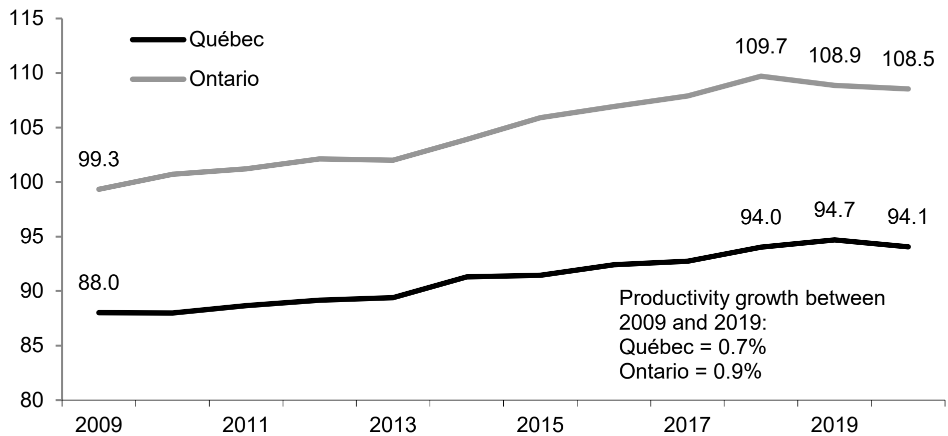
— business investment;

— entrepreneurial vitality and the commercialization of innovations;

— the business environment.

CHART B.19

Productivity in Québec and Ontario
(real GDP per worker, thousands of chained 2012 dollars)



Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

3.1 Boosting productivity: the main lever for closing standard of living gaps

Québec trails Ontario in productivity.

— In 2019, real GDP per worker was $94 695 in Québec, compared to $108 865 in Ontario, a difference of 15.0%.

Measures taken by the government since 2018 to spur business investment have helped narrow the productivity gap between the two provinces.

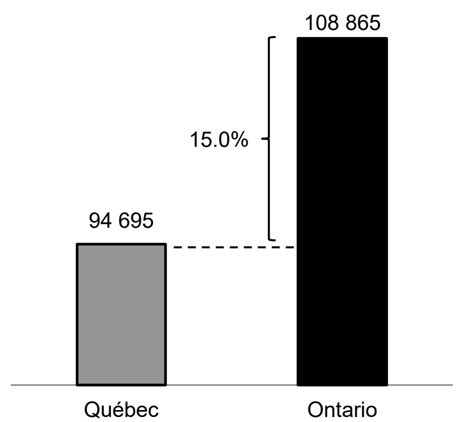
— In fact, the productivity gap between Québec and Ontario shrank from 16.4% in 2017 to 15.0% in 2019.

Boosting productivity is the main driver that will enable Québec to catch up with Ontario's standard of living.

— As productivity and the standard of living are closely tied, an improvement in productivity in Québec compared to Ontario would directly contribute to narrowing the standard of living gap between the two provinces.

CHART B.20

Productivity in Québec and Ontario – 2019
(real GDP per worker and per cent difference)

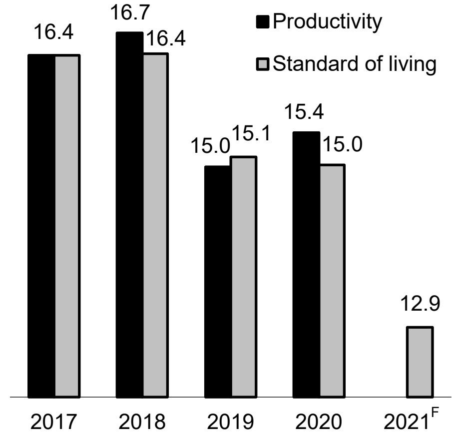


Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

CHART B.21

Productivity and standard of living gaps between Québec and Ontario

(per cent)



F: Forecast.
Note: The productivity gap for 2021 is not available.
Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

❑ Accelerating productivity growth

Québec's productivity saw an average annual increase of 1.1% between 2017 and 2019, which was higher than the 0.7% growth seen between 2009 and 2017.

— Despite this recent improvement, the gap with Ontario is still considerable.

Québec will need to increase its productivity to catch up with Ontario's level, particularly in the public sector.

— In 2019, Québec's public administration sector recorded labour productivity that was 6.6% below that of all industries combined.

■ An annual growth objective of 1.6%

To catch up with Ontario's standard of living, Québec's productivity will need to grow an average of 1.6% per year.

In concrete terms, real GDP per job will need to grow from $96 300 in 2021 to $104 300 by 2026 and $122 300 by 2036.

— In this regard, business investment is still the main driver of a more productive economy.

TABLE B.4

Average annual variation in productivity in Québec

	Between 2009 and 2017	Between 2017 and 2019	Objective between 2021 and 2036
Productivity	0.7%	1.1%	1.6%

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

3.1.1 Business investment: driver of a more productive economy

Non-residential business investment is a powerful driver of growth. In particular, investment in machinery and equipment as well as in construction will increase robotization and automation and generate major productivity gains.

To close the productivity gap with Ontario, Québec businesses will need to invest more. Québec has yet to achieve its full potential on the business investment front.

— In 2019, non-residential business investment stood at $11 135 per private-sector job. This was less than Ontario's level of $12 822 per private-sector job.

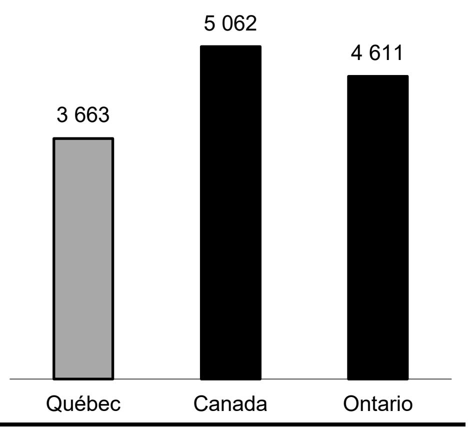
The gap between Québec and Ontario is primarily due to an under-investment in production equipment, which plays a decisive role in productivity.

— In 2019, Québec's level of business investment in machinery and equipment lagged behind Ontario by 26% per private-sector job.

— The gap is even wider for investment in information and communication technologies (ICT), a strong contributor to productivity, which was 49% higher in Ontario than in Québec in 2019.

CHART B.22

Investment in machinery and equipment per private-sector job – 2019
(chained 2012 dollars)

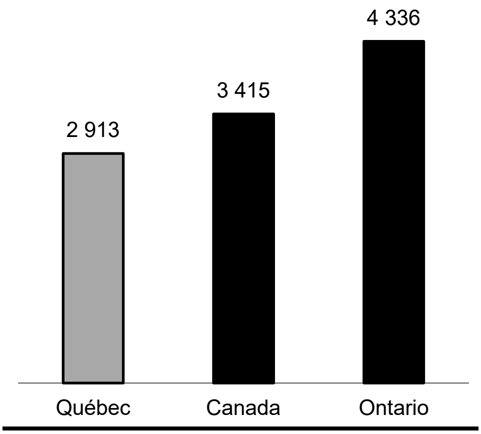


Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

CHART B.23

Investment in ICT per private-sector job – 2019

(dollars, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ The emergence of more large businesses

Large businesses contribute significantly to productivity growth as they have a much greater capacity for investments than SMBs.

— They also build comprehensive networks of suppliers and are more inclined to export their products.

Québec has a smaller proportion of large businesses than Ontario. However, Québec boasts the largest proportion of medium-sized businesses in Canada.

— Québec would need 40 new large businesses to catch up with Ontario's proportion of large businesses.

Given the size of Québec's local market, Québec businesses must increase their presence in export markets to accelerate their development. For Québec's SMBs to grow, they need to be able to count on export markets. Similarly, Québec's large businesses must boost their exports to support their growth.

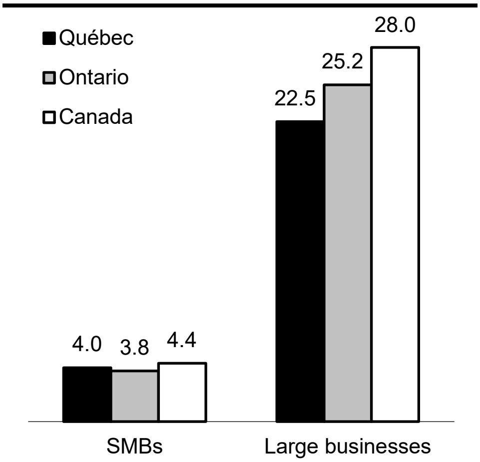
■ Export markets: a key lever of growth

International exports represented 35% of Ontario's GDP in 2019, compared to 29% in Québec. Québec businesses export fewer goods internationally than Ontario, particularly large businesses.

— In 2019, there were 20% fewer large exporting businesses in Québec than in Ontario. The average value of their exports was 11% less than large exporting businesses in Ontario.

CHART B.24

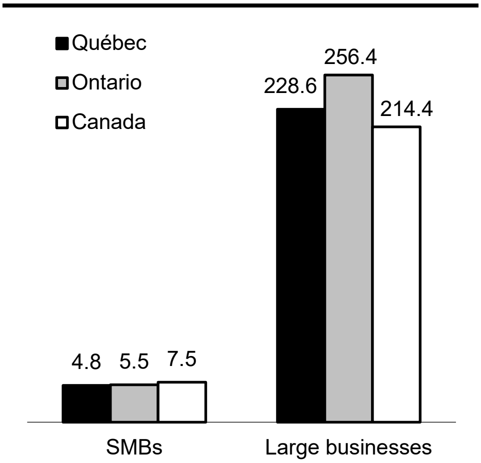
Proportion of businesses that export internationally – 2019
(per cent)



Note: Large businesses are those with 500 employees or more.
Sources: Statistics Canada and Ministère des Finances du Québec.

CHART B.25

Value of international exports by business – 2019
(millions of dollars)



Note: Large businesses are those with 500 employees or more.
Sources: Statistics Canada and Ministère des Finances du Québec.

3.1.2 Entrepreneurial vitality to spur growth and productivity

Entrepreneurial vitality, which is the foundation for creating wealth, must grow in order to close the productivity gap with Ontario.

Productivity growth is driven by the entry of new businesses that implement new ideas and encourage existing businesses to innovate.

In 2018, the enterprise entry rate for Québec's private sector was 10.8%, putting it in last place in Canada in terms of business creation.

— Out of all businesses, 20.6% fewer new businesses were created in Québec than in Ontario.

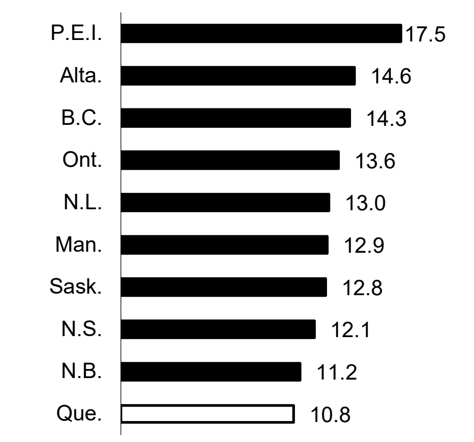
Québec created fewer new businesses than Ontario in the professional, scientific and technical services sector, which includes IT, legal, accounting, engineering, consulting and scientific research and development services.

— This could be due to the gap between Québec and Ontario when it comes to the graduation rate in STEM, as well as in business, management, marketing and related support services.

CHART B.26

Private enterprise entry rate – 2018

(percentage of total existing enterprises)

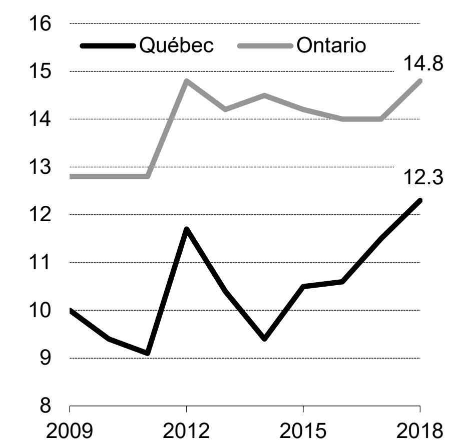


Source: Statistics Canada.

CHART B.27

Private enterprise entry rate in the professional, scientific and technical services sector

(percentage of total existing enterprises)



Source: Statistics Canada.

❑ The commercialization of innovations: a key driver of productivity

Québec can increase its productivity by improving its performance with regard to innovation and commercialization, particularly by boosting the creation of innovative businesses and accelerating their development.

— Despite its strong performance in research and development (R&D) spending per capita, for which it ranks second in Canada, Québec lags in the development of patents by population, ranking fourth among the provinces in this area.

It will need to step up its investments in start-ups in sectors with a high potential for innovation. To maximize the impact of government investments, they should be made in partnership with the private sector.

— Québec attracts nearly 31% less private venture capital by population than Ontario, particularly in the start-up phase, where the gap is 67%.

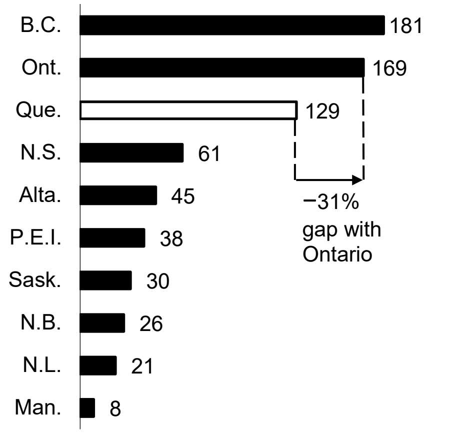
— For both venture capital and R&D, Québec businesses receive twice as much capital from parapublic funds than Ontario businesses.

Québec's R&D investments are strongly focused on manufacturing relative to the sector's weight in the economy.

— In addition, the proportion of R&D spending, particularly in ICT, which has a strong potential for productivity gains, was 29.6% in Québec in 2019, compared to 50.5% in Ontario.

CHART B.28

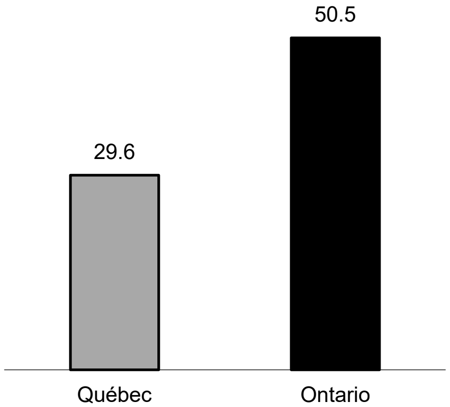
Venture capital investment per capita – 2017-2020
(annual average in U.S. dollars)



Source: McKinsey.

CHART B.29

Proportion of R&D spending on ICT across all sectors – 2019
(per cent)



Source: Statistics Canada.

3.1.3 **The business environment: an asset for attracting foreign investments**

In addition to having access to a qualified workforce, Québec must be able to offer high-quality public infrastructure and a competitive tax system for workers and businesses, as well as facilitate business between the private and public sectors.

Québec's business environment must be competitive with comparable North American areas that have high levels of productivity in order to attract and retain foreign subsidiaries.

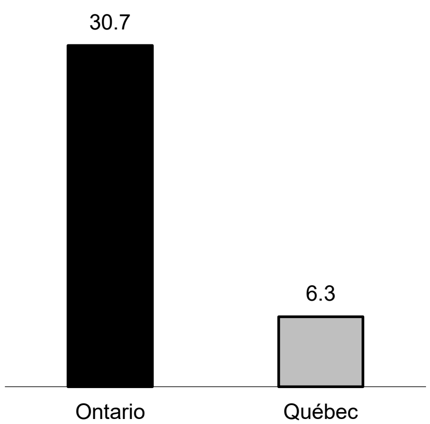
— Québec draws nearly five times fewer foreign direct investments than Ontario, despite their major contribution to productivity growth.

— In addition, foreign subsidiaries generate 41% fewer jobs in Québec than in Ontario.

CHART B.30

Foreign direct investments – 2019

(billions of dollars)

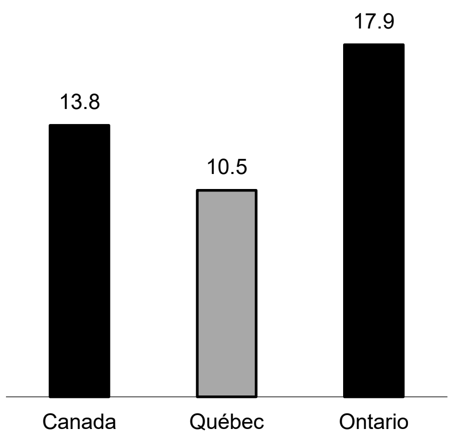


Sources: fDiMarkets and Pitchbook.

CHART B.31

Jobs created by foreign subsidiaries – 2018

(percentage of total jobs)



Source: Statistics Canada.

Significant measures to spur business investment and increase productivity

An environment conducive to business investment

Since 2018, the government has introduced a series of measures aimed at supporting investments and realizing productivity gains, such as:

- accelerated depreciation measures to considerably reduce the cost of investment for Québec businesses;
- the investment and innovation tax credit (C3i), which supports the acquisition of new technologies enabling the digitization of production processes.

Promoting entrepreneurship and business growth

A number of steps have been taken since fall 2018 to promote entrepreneurship and business development, such as:

- improving the entrepreneurship training offer;
- providing specialized support and financing for businesses;
- establishing the Québec Enterprise Growth Fund.

Promoting the commercialization of innovations in Québec

To support innovation and its commercialization, in Budget 2020-2021, the government introduced the incentive deduction for the commercialization of innovations (IDCI).

- This measure encourages businesses from all sectors of the economy to commercialize Québec innovations in Québec by offering them the most competitive tax rate in North America.

The government has also supported innovative product research, innovation and the deployment of innovation zones across Québec.

Accelerating export growth

Accelerating the growth of Québec businesses is strongly linked to their ability to expand their pool of consumers, particularly through exports to new markets.

In this regard, the government introduced the Plan d'action pour la relance des exportations, which includes targeted measures for exporting businesses, as well as sector and regional bodies that coordinate and promote exports.

Attracting greater foreign investment

In June 2020, Investissement Québec officially deployed its new expanded mandate, which is aimed at attracting greater foreign investment, among other things.

- To support this change, the government also introduced the Plan d'action pour la croissance des investissements étrangers et des exportations, which objective is to double Québec's foreign investments.

4. A MORE PROSPEROUS QUÉBEC FOR THE BENEFIT OF ALL

Québec has set itself the ambitious goal of closing the standard of living gap with Ontario by 2036. This will call for sustained economic growth, beyond the level seen in the last ten years.

— Québec is on the right track, with its growth in real GDP per capita enabling it to make historic progress toward closing the standard of living gap with Ontario.

Québec must continue on this trajectory. By spurring each component of economic growth, it will be able to achieve its objectives.

— These efforts will enable Québec to boost its productivity and overcome labour shortage issues.

Boosting economic performance will benefit all Quebecers by improving their standard of living.

— This collective prosperity is necessary to ensure that Québec's public services are funded in the long term.

❑ Immediate measures to increase the labour pool and productivity

To realize the government's goals of creating wealth, the labour shortage needs to be addressed quickly.

In the fall 2021 *Update on Québec's Economic and Financial Situation*, the government is taking significant steps to confront this challenge, particularly by implementing measures that will generate well-paying jobs and develop promising economic sectors.

— These measures will help address the labour shortage by supporting training and requalifying of workers and attracting talent in priority sectors.

— The government also announced that it will add 37 000 subsidized spaces in educational daycares in order to offer daycare services to all families, which will promote the participation of parents in the labour market.

In addition, the government is providing a substantial envelope to accelerate productivity growth through measures to increase private investment and innovation projects by businesses.

These measures are in addition to the government's actions aimed at catching up with Ontario's standard of living.

Section C

COPING WITH THE COST OF LIVING

SUMMARY

The rising cost of living has been keenly felt in 2021. The consumer price index has risen more sharply in 2021 than forecast at the start of the year. For lower-income families, the extra expense for such things as groceries, gas and housing can be particularly hard to cope with.

The government wants to keep helping Quebecers cope with the cost of living through a range of initiatives, such as:

- implementing the extraordinary cost of living allowance;
- enhancing the senior assistance amount;
- implementing the affordable housing construction assistance program;
- providing households with financial support to help them pay their rent.

The government is therefore dedicating nearly $2.1 billion over five years especially to fight the effects of inflation:

- $1.8 billion for measures to mitigate the cost of living increase for Québec households;
- $304.4 million to help low-income households access housing.

TABLE C.1

Financial impact of actions to help Quebecers cope with the cost of living
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Mitigating the cost of living increase	–968.6	–296.3	–196.0	–144.6	–151.5	–1 757.0
Supporting access to housing	22.3	–16.6	–57.7	–109.1	–143.3	–304.4
TOTAL	**–946.3**	**–312.9**	**–253.7**	**–253.7**	**–294.8**	**–2 061.4**

New initiatives to help Quebecers cope with the cost of living

Since Budget 2021-2022, the government has made a series of announcements to help Quebecers cope with the cost of living. New measures are also provided for in the fall 2021 *Update on Québec's Economic and Financial Situation*.

Specifically, the government is providing nearly $1.8 billion to mitigate the cost of living increase:

- $1.4 billion announced in the fall 2021 update to implement the extraordinary cost of living allowance and to enhance the senior assistance amount;
- $328.6 million announced since the last budget to extend the temporary enhancement to student financial assistance by two years.

Furthermore, the government is providing $304.4 million to help households access housing:

- $132.7 million announced in the fall 2021 update, particularly to implement the program to help build affordable housing;
- $171.7 million announced since the last budget, particularly to modernize the Shelter Allowance Program.

Financial impact of actions to help Quebecers cope with the cost of living
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Mitigating the cost of living increase						
– Measures set out in the fall 2021 economic update	–863.6	–132.0	–136.7	–144.6	–151.5	–1 428.4
– Announcements since Budget 2021-2022	–105.0	–164.3	–59.3	—	—	–328.6
Subtotal	**–968.6**	**–296.3**	**–196.0**	**–144.6**	**–151.5**	**–1 757.0**
Supporting access to housing						
– Measures set out in the fall 2021 economic update	—	–4.4	–13.0	–38.3	–77.0	–132.7
– Announcements since Budget 2021-2022	22.3	–12.2	–44.7	–70.8	–66.3	–171.7
Subtotal	**22.3**	**–16.6**	**–57.7**	**–109.1**	**–143.3**	**–304.4**
TOTAL	**–946.3**	**–312.9**	**–253.7**	**–253.7**	**–294.8**	**–2 061.4**

Bank of Canada forecasts a return of inflation near the 2% target toward the end of 2022

Under current legislation, indexation of the 2022 tax system is based on real data for the period from October 2020 to September 2021. Therefore, the tax system will be indexed at a rate of 2.64% in 2022.

However, for 2021-2022, meaning from April 2021 to March 2022, the annual growth of the consumer price index is forecast at 3.9%.

To mitigate the negative effects of the increase in the cost of living, the government is introducing initiatives to support Quebecers, particularly the most vulnerable.

Three main factors driving the inflationary trend

In its October *Monetary Policy Report*, the Bank of Canada identified three key factors behind the current inflation.

- First, supply disruptions are increasing the price of certain goods.
- Second, the rebound in the demand for hard-to-distance services is spurring an increase in the price of personal services.
- Third, the higher cost of energy is exerting upward pressure on prices.

The Bank of Canada reports that the main forces driving price increases are more persistent than it thought in the past. However, it adds that expectations for inflation over the medium and long term remain well anchored to the 2% target, and that pressures on salaries continue to be moderate.

- The Bank of Canada continues to expect a gradual drop in inflation, but it is likely to remain higher for longer than anticipated in earlier economic forecasts. It forecasts a return to inflation around the 2% target by the end of 2022.

1. MITIGATING THE COST OF LIVING INCREASE

To mitigate the negative impacts of the increase in the cost of living, the government is introducing initiatives to support Quebecers.

This is why, in its fall 2021 economic update, the government is allocating nearly $1.8 billion for measures aimed at mitigating the cost of living increase for Québec households, including:

- $739.6 million to introduce the extraordinary cost of living allowance;
- $688.8 million to enhance the senior assistance amount;
- $328.6 million to extend by two years the temporary enhancement to student financial assistance announced in July 2021.

These measures are an effective way to put money back in the pockets of Quebecers, especially more vulnerable people who may be struggling with the recent rise in the cost of living.

TABLE C.2

Financial impact of the measures to mitigate the cost of living increase
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Introducing the extraordinary cost of living allowance	–739.6	—	—	—	—	–739.6
Enhancing the senior assistance amount	–124.0	–132.0	–136.7	–144.6	–151.5	–688.8
Extending the temporary enhancement to student financial assistance for two years(1)	–105.0	–164.3	–59.3	—	—	–328.6
TOTAL	**–968.6**	**–296.3**	**–196.0**	**–144.6**	**–151.5**	**–1 757.0**

(1) Additional appropriations of $223.6 million will be allocated to the Ministère de l'Enseignement supérieur. For 2021-2022, the amounts will be drawn from the budgetary resources made available during the fiscal year by the Ministère.

Moreover, indexing fiscal measures and social assistance programs will also help protect households' purchasing power.[1] Indexing, which represents approximately $1 billion per year, will help support households by raising the level of a number of tax deductions and credits based on the increase in the consumer price index in Québec.

[1] An indexing rate of 2.64% is being announced on November 25, 2021 in a press release titled *Indexing of the parameters of the personal income tax system and certain government fees by 2.64% for the 2022 taxation year*.

Enhancing the refundable tax credit for childcare expenses

As of the 2021 taxation year, the government is enhancing the refundable tax credit for childcare expenses. This will allow parents whose children attend a non-subsidized daycare to benefit from net childcare costs that are relatively equivalent[1] to the costs of a subsidized daycare, regardless of family income.

– The enhanced tax credit will have a financial impact of nearly $1.1 billion by 2025-2026 and will benefit some 385 000 families.

– The average annual gain per family is estimated at roughly $411.

As a result of this enhancement, a family with an income between $60 000 and $100 000 could see its bill for childcare decrease by $1 310 as of this year.

– The maximum reduction in a family's childcare costs could be as much as $4 381.

This measure is presented in section E, “Supporting families and helping communities.”

1 Equivalence is estimated based on an average childcare cost of $40 per day of care for 260 days of care per year.

Protection for taxpayers' purchasing power

The legislation calls for automatically indexing the main parameters of the personal income tax system and social assistance programs, which updates the tax treatment and social assistance benefits so that they reflect the annual increase in the cost of goods and services.

Substantial indexing for 2022

The indexing rate for the 2022 taxation year is 2.64%,[1] more than twice the 1.26% rate applicable last year. The rate is the highest in 10 years—it reached 2.66% in 2012—and the third highest applied since automatic indexing of the tax system was started in 2002.

$1 billion in protection for purchasing power

This protection of citizens' purchasing power represents an expenditure of nearly $1 billion for the government.

Indexing the parameters of the personal income tax system will correspond to tax relief of $898.8 million in 2022-2023 for taxpayers. Thus, the value of most tax measures under the personal income tax system will increase by a level equivalent to the rise in consumer prices in Québec in 2021.

- For example, the basic personal amount will increase by $415 in 2022, rising from $15 728 to $16 143 and representing a maximum tax reduction of $62.25.
- The maximum family allowance payments will rise from $2 547 to $2 614, an increase of $67 per child.

Furthermore, the indexation of social assistance benefits will allow the most disadvantaged Quebecers to receive additional financial assistance of nearly $69.5 million in 2022-2023.

- For example, the monthly social assistance benefit for a single person will climb from $708 to $726, an annual increase of $216.

Financial impact of indexing at a rate of 2.64% in 2022
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Personal income tax	–205.3	–898.8	–920.1	–929.9	–954.6	–3 908.7
Social assistance benefits	–17.1	–69.5	–67.5	–63.8	–62.1	–280.0
TOTAL	**–222.4**	**–968.3**	**–987.6**	**–993.7**	**–1 016.7**	**–4 188.7**

Note: The cost includes the impact of indexing in 2022 and subsequent years.

1 The 2022 indexing rate corresponds to the percentage change in the consumer price index for Québec, excluding alcoholic beverages, tobacco products and recreational cannabis, between the 12-month period ending September 30, 2021 and the 12-month period ending September 30, 2020.

1.1 Introducing the extraordinary cost of living allowance

The increase in the cost of living is currently accelerating. However, this increase is not being fully taken into account by the indexation of the tax system and social assistance programs for 2022, since the indexation is based on real data for the period from October 2020 to September 2021.

The tax system will be indexed for 2022 at a rate of 2.64%,[2] whereas it is estimated that the increase in the consumer price index could close in on 4% in the last quarter of 2021. However, inflation over the coming months will not be taken into account in the indexation of the personal income tax system until 2023.

Therefore, while waiting for this next tax system indexation, the government is, here and now, increasing Quebecers' liquidity so that they can deal with the large, abrupt jump in inflation.

❑ Helping low- and middle-income households

The increase in consumer prices seen in the last year has reduced Québec households' purchasing power. While it may be relatively easy for high-income families to absorb the price increase, the same is not true for low- and middle-income households.

Low-income households, which generally spend a higher proportion of their income on essentials like food and housing, are unable to increase their resources to pay for these essentials. Consequently, these households have tough choices to make about consumption.

In this context, in its fall 2021 *Update on Québec's Economic and Financial Situation*, the government is announcing the introduction of the extraordinary cost of living allowance, a single,[3] non-reducible lump sum payment that comprises:

— an amount of $200 per adult;

— an additional amount of $75 per person living alone.

To get this benefit, a household must have received the refundable solidarity tax credit for July 2021 to June 2022.[4] The extraordinary allowance will be disbursed automatically to eligible households starting January 24, 2022.

2 The 2022 indexing rate for the tax system is based on the percentage change in the consumer price index for Québec, excluding alcoholic beverages, tobacco products and recreational cannabis, between the 12-month period ending September 30, 2021 and the 12-month period ending September 30, 2020.

3 This assistance will take the form of a refundable tax credit.

4 For details, see the information bulletin published by the Ministère des Finances on November 25, 2021.

Refundable solidarity tax credit

The refundable solidarity tax credit is granted to low- and middle-income households to mitigate the regressive nature of certain taxes. The tax credit is awarded for the period that runs from the month of July in one year to the month of June of the following year, and has three components:

- the Québec sales tax (QST) component;
- the housing component;
- the component for individuals living in northern villages.

The refundable solidarity tax credit is reducible based on the household's income, currently starting at a threshold of $35 845.

For example, a household that is only eligible for the QST component can receive the tax credit up to a family income of:

- $50 645 for a person living alone;
- $55 912 for a couple.

❑ Additional assistance for 3.3 million individuals

The extraordinary cost of living allowance will be disbursed to 3.3 million individuals, representing an amount of:

- $400 for couples;
- $275 for persons living alone;
- $200 for single persons living in shared accommodations.

The extraordinary benefit, combined with indexation of the parameters of the tax system, will mitigate much of the increase in the cost of living faced by low- and middle-income Québec households.

The benefit will be disbursed automatically to all eligible households. They will not have to file an additional application to get it.

The extraordinary cost of living allowance represents additional assistance totalling $739.6 million in 2021-2022 to Québec low- and middle-income households. It aims to help these households cope with the situational rise in the cost of living seen in 2021.

A benefit that will shield lower-income Quebecers from the surge in the cost of goods and services

The Market Basket Measure is a low-income indicator that is based on the cost of a predetermined basket of goods and services.

- In 2020, the value of this basket is estimated to be $20 709 for a single person and $29 287 for a childless couple.[1]

The amount of the extraordinary cost of living allowance, $275 for people living alone and $400 for couples, will help shield lower-income Quebecers from the substantial increase in the cost of goods and services.

Here, this initiative will offset up to 100% of the gap between the increase in the value of the Market Basket Measure on inflation of 4% and the tax system indexing rate of 2.64%.

1 Corresponds to the Market Basket Measure for the Montréal region in 2019 (2018 base year), indexed by the rate of increase in the 2020 consumer price index, which is 0.8%.

1.2 Enhancing the senior assistance amount

During publication of the fall 2018 *Update on Québec's Economic and Financial Situation,* the government announced that it was introducing a senior assistance amount. With an initial value of $200 per senior, this tax assistance was designed to provide additional help to low-income seniors who were 70 years of age or older.

The income of the most disadvantaged seniors does not change much from year to year, and is mainly comprised of government benefits (such as the Old Age Security program). These seniors have no other income sources to allow them to deal with the increase in the cost of living.

Accordingly, to provide additional financial assistance for low-income seniors, the government is enhancing the senior assistance amount as of the 2021 taxation year.

The maximum annual assistance offered will rise from $209 to $400 per senior aged 70 or older starting in 2021.

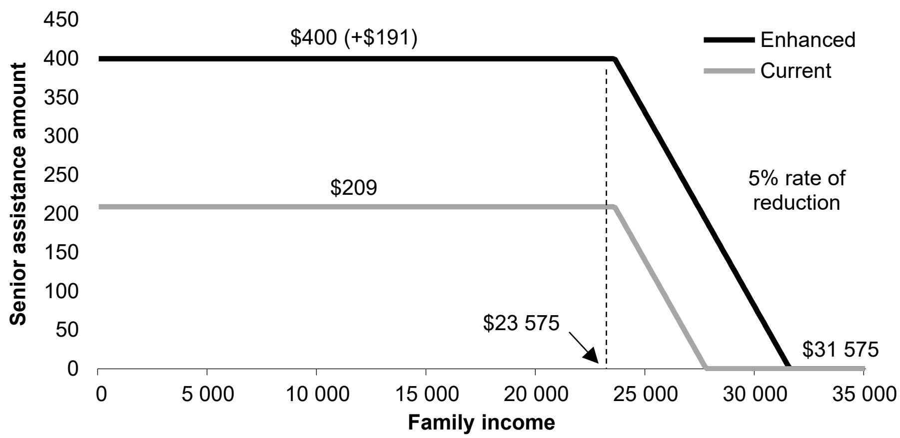
Subsequent to this enhancement, seniors aged 70 or older will be able to benefit from the tax credit up to a family income of:

— $31 575 for seniors living alone;

— $54 340 for couples where both spouses are 70 years of age or older.

CHART C.1

Illustration of the enhanced senior assistance amount for single seniors – 2021
(dollars)



❑ A measure targeted at supporting low-income seniors

The refundable senior assistance tax credit remains reducible based on family income to ensure that the assistance goes solely to the low-income seniors who need it the most.

Therefore, for 2021, a single person will receive the maximum amount offered, $400, up to a family income of $23 575, while a couple in which both spouses are 70 years of age or older will receive a maximum of $800 up to a family income of $38 340.

TABLE C.3

Illustration of the enhanced senior assistance amount – 2021
(dollars)

	Senior living alone aged 70 or older			Senior couple aged 70 or older		
Family income	Current amount	Enhanced amount	Gain	Current amount	Enhanced amount	Gain
20 000 or less	209	400	**191**	418	800	**382**
25 000	138	329	**191**	418	800	**382**
30 000	—	79	**79**	418	800	**382**
35 000	—	—	**—**	418	800	**382**
40 000	—	—	**—**	335	717	**382**
45 000	—	—	**—**	85	467	**382**
50 000	—	—	**—**	—	217	**217**
60 000	—	—	**—**	—	—	**—**

❑ Additional assistance for nearly 709 000 seniors

The enhanced senior assistance amount will increase the disposable income of nearly 709 000 seniors aged 70 or older as of 2021, 84 000 more seniors than at present.

Starting in 2021-2022, an additional $124.0 million per year will be disbursed to low-income seniors, for a total of $688.8 million by 2025-2026.

❑ Assistance combined with the extraordinary cost of living allowance

The additional assistance offered by the senior assistance amount will be combined with that provided by the extraordinary cost of living allowance.

Implementation of these two measures will enable a person aged 70 or over who lives alone to receive additional assistance of $466 up to an income of $27 575 to deal with the rise in the cost of living in 2021.

A low-income senior living alone will receive up to $675 in total, namely:

— $400 from the senior assistance amount;

— $275 from the extraordinary cost of living allowance.

TABLE C.4

Illustration of additional support offered to single seniors aged 70 or over –2021
(dollars)

	Before the economic update	After the economic update			
Income(1)	**Senior assistance amount**	**Senior assistance amount**	**Extraordinary allowance**	**Total**	**Additional assistance**
Under 15 000	209	400	275	675	**466**
20 000	209	400	275	675	**466**
25 000	138	329	275	604	**466**
27 575(2)	—	191	275	466	**466**
30 000	—	79	275	354	**354**
35 000	—	—	275	275	**275**
40 000	—	—	275	275	**275**
45 000	—	—	275	275	**275**
50 000	—	—	275	275	**275**
55 000	—	—	—	—	**—**

(1) Including Old Age Security and Guaranteed Income Supplement benefits.
(2) Current income at which a senior living alone no longer receives the senior assistance amount, before this enhancement.

1.3 Extending the temporary enhancement to student financial assistance for two years

The costs associated with schooling may be a key factor in the decision to go on to higher education. The government makes higher education more accessible through its student financial assistance program.

To encourage students to stay in and return to school during the current situation, the government announced, in July 2021, that it was extending the temporary enhancement to student financial assistance for an additional two years, until the 2022-2023 school year.

- Note that this measure is intended to add an extraordinary eligible expense, thus increasing the amount of assistance awarded.
- This extraordinary expense of $96 per month can be claimed by students who live with their parents, while it is $205 for others.

For example, a full-time university student for two terms will see their financial assistance increase from a maximum[5] of $768 if they live with their parents and $1 640 if they do not.

Extending the temporary enhancement to financial assistance for the next two school years[6] will provide an additional $328.6 million to students by fiscal 2023-2024.

TABLE C.5

Financial impact of the measure to extend the temporary enhancement to student financial assistance for two years
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Extending the temporary enhancement to student financial assistance for two years	–105.0	–164.3	–59.3	—	—	–328.6

5 The amount may vary based on the financial contribution of the student to their studies, or that of their parents, if applicable.

6 From September 2021 to August 2023.

Review of support offered to students during the pandemic

The investment of $328.6 million to extend the temporary enhancement to student financial assistance announced in July is in addition to the $730.6 million already announced during the pandemic.

Enhanced student financial assistance

The government quickly offered students support, announcing in August 2020 that it was enhancing its student financial assistance program, representing an investment of $540 million over three years:

- $200 million for the temporary enhancement of eligible expenses for the 2020-2021 school year;[1]
- $265 million to permanently enhance the Loans and Bursaries program and increase the allowance for training support materials for the period 2020-2021 to 2022-2023;
- $75 million for educational support as well as material and psychosocial support provided to the student community for the 2020-2021 school year.

Elimination of interest on student loans

In addition to the Deferred Payment Plan and Loan Remission Program, the government announced:

- $72 million under the 2021-2022 budget to eliminate interest on student loans charged between April 1, 2021 and March 31, 2022;
- $36 million, in spring 2020, to suspend payments on student loans for six months, from April to September 2020 inclusively. The interest was also borne by the government.

Lump sum of $100 per term

To acknowledge the difficulties students have experienced during the pandemic, the government disbursed a lump sum amount of $100 for each of the fall 2020 and winter 2021 terms to full-time college or university students.

- This assistance totalled $82.6 million in 2021-2022.

1 The cost of this measure will have a financial impact of $150 million for fiscal 2020-2021 and $50 million for 2021-2022.

Review of support offered to students during the pandemic (cont.)

Financial impact of support for students during the pandemic
(millions of dollars)

	2020-2021	2021-2022	2022-2023	Total
Enhancing student financial assistance				
Temporary enhancement for the 2020-2021 school year	–150.0	–50.0	—	–200.0
Permanent enhancement of the Loans and Bursaries program(1)	–65.0	–100.0	–100.0	–265.0
Educational support for the 2020-2021 school year	–75.0	—	—	–75.0
Subtotal	**–290.0**	**–150.0**	**–100.0**	**–540.0**
Elimination of interest on student loans				
Elimination of interest on student loans between April 1, 2021 and March 31, 2022	—	–72.0	—	–72.0
Moratorium on student loan repayments for six months	–36.0	—	—	–36.0
Subtotal	**–36.0**	**–72.0**	**—**	**–108.0**
Lump sum of $100 per term	—	–82.6	—	–82.6
TOTAL	**–326.0**	**–304.6**	**–100.0**	**–730.6**

(1) This measure will have a recurring financial impact of $100 million for fiscal 2021-2022.

$3.4 billion returned to Quebecers in 2021-2022

Since the fall of 2018, the government has taken concrete actions that have returned $3.4 billion to Quebecers in 2021-2022.

These amounts especially benefited seniors, workers and families.

More support for seniors and caregivers

In 2018, the government implemented the senior assistance amount. This amount is enhanced in the fall 2021 *Update on Québec's Economic and Financial Situation*, reaching a maximum of $400 for each eligible senior starting in 2021.

In addition, the refundable tax credit for home-support services for seniors will be enhanced effective January 2022 to help those aged 70 or older take advantage of these services. Seniors will therefore benefit from the gradual increase in the credit for home-support services from 35% to 40%, as well as the increase from $600 to $1 200 in monthly rent eligible for the tax assistance for seniors living in a residential building.

In 2020, the government also introduced the refundable tax credit for caregivers, which provides assistance up to $2 500 to eligible caregivers.

These changes represent additional support of almost $400 million for Québec seniors in 2021-2022, an amount that will climb to nearly $600 million per year by 2025-2026.

Additional assistance for workers

In December 2020, the government announced a simplified deduction for teleworkers. In their 2020 income tax returns, teleworkers could claim a deduction of $2 for each day they worked at home due to the pandemic, up to a maximum of $400 for the year.

Furthermore, enhancement of the tax credit for career extension, announced in the 2019-2020 budget, encourages people aged 60 or older to remain in the labour market. It provides workers with additional assistance of more than $100 million per year.

Assistance for families so they can care for their children, deal with the rising cost of living and reduce their health expenses

Over the past few years, Québec families have benefited from a variety of enhancements to assistance offered to care for their children, an increase in the family allowance, the additional support for disabled children and, most recently, enhancement of the refundable tax credit for childcare expenses.

Furthermore, the government will ensure that the impact of the increase in the cost of living on the well-being of less wealthy Quebecers is reduced by granting an extraordinary cost of living allowance, amounting to total assistance of $739.6 million.

In addition, since 2018, the government has considerably reduced the tax burden on families by putting in place a single school tax rate and by returning to one rate for subsidized childcare services.

Together, the family assistance measures will total more than $13 billion by 2025-2026, or approximately $2 billion per year.

TABLE C.6

Financial impact of actions for Quebecers since the fall of 2018
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Seniors							
Tax credit for home-support services for seniors	—	–10.5	–45.3	–83.8	–111.8	–142.8	–394.2
Senior assistance amount	–105.2	–233.1	–245.1	–253.9	–266.2	–277.7	–1 381.2
Assistance to caregivers	–59.0	–50.0	–50.0	–50.0	–50.0	–50.0	–309.0
Tax credit for caregivers	–102.3	–104.3	–106.4	–108.5	–110.7	–114.9	–647.1
Subtotal	**–266.5**	**–397.9**	**–446.8**	**–496.2**	**–538.7**	**–585.4**	**–2 731.5**
Workers							
Deduction for telework expenses	–20.8	—	—	—	—	—	–20.8
Tax credit for career extension	–105.6	–106.6	–107.7	–108.8	–109.9	–111.0	–649.6
Subtotal	**–126.4**	**–106.6**	**–107.7**	**–108.8**	**–109.9**	**–111.0**	**–670.4**
Families and health							
Extraordinary cost of living allowance	—	–739.6	—	—	—	—	–739.6
Tax credit for childcare expenses	—	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
Family allowance	–765.7	–802.0	–807.8	–813.1	–816.7	–818.4	–4 823.7
Single school tax rate	–621.7	–702.3	–651.3	–601.6	–556.6	–514.5	–3 648.0
Single rate for subsidized childcare services	–173.4	–179.0	–184.8	–190.7	–196.8	–203.1	–1 127.8
Support for children with disabilities	–45.5	–54.1	–58.3	–60.5	–62.7	–63.5	–344.6
Exemption for support payments in respect of dependent children	–36.2	–36.2	–36.2	–36.2	–36.2	–36.2	–217.2
See better to succeed	–36.0	–36.0	–36.0	–36.0	–36.0	–36.0	–216.0
Reduction in healthcare institution parking fees	–120.0	–120.0	–132.0	–145.0	–159.6	–159.6	–836.2
Subtotal	**–1 798.5**	**–2 894.8**	**–2 121.6**	**–2 095.2**	**–2 075.6**	**–2 047.9**	**–13 033.6**
TOTAL	**–2 191.4**	**–3 399.3**	**–2 676.1**	**–2 700.2**	**–2 724.2**	**–2 744.3**	**–16 435.5**

Note: The financial impact presented in this table does not take into account indexing of the tax system announced in the fall 2021 *Update on Québec's Economic and Financial Situation*.

2. SUPPORTING ACCESS TO HOUSING

The government also wants to help lower-income Quebecers secure affordable housing. This is why the fall 2021 *Update on Québec's Economic and Financial Situation* provides for $304.4 million between now and 2025-2026 for housing-related measures. This amount includes:

- $123.5 million to implement a new affordable housing construction assistance program;
  - The total cost of the program will be $197.3 million to build approximately 2 200 affordable housing units.[7]
- $34.8 million to help low-income households pay their rent, through the Rent Supplement Program;
- $146.1 million to modernize the Shelter Allowance Program to further help low-income individuals pay their rent.

TABLE C.7

Financial impact of actions supporting access to housing for Québec households
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Implementing the affordable housing construction assistance program(1)	—	–2.9	–10.5	–35.7	–74.4	–123.5
Helping low-income households pay their rent(2)	–4.4	–8.1	–7.3	–7.4	–7.6	–34.8
Modernizing the Shelter Allowance Program(3),(4)	26.7	–5.6	–39.9	–66.0	–61.3	–146.1
TOTAL	**22.3**	**–16.6**	**–57.7**	**–109.1**	**–143.3**	**–304.4**

Note: The required funding will be granted to the Ministère des Affaires municipales et de l'Habitation.
(1) If the $32.4 million for 2026-2027 is considered, financing required will total $155.9 million. An additional $41.4 million will be contributed by the federal government under the Canada-Québec Housing Agreement, which will bring the total expenditure on this measure to $197.3 million.
(2) If the $6.6 million in 2026-2027 is considered, financing required will total $41.4 million.
(3) If the $49.0 million in 2026-2027 and the $32.5 million in 2027-2028 are considered, financing required will total $227.6 million.
(4) For 2021-2022, the amounts currently provided under the Shelter Allowance Program in the balanced budgets of the Société d'habitation du Québec will allow it to be self-funding. Thus, savings of $26.7 million are forecast for 2021-2022.

7 Affordable housing allows households with a modest income to avoid spending an excessive portion of their income on housing. Each year, the Société d'habitation du Québec will determine the income levels that will be considered modest along with the rents considered affordable according to a table of median rents in the market, by region. This table will also take into account the size of lodging needed by the household.

2.1 Implementing the affordable housing construction assistance program

In recent years, the vacancy rate for rental units on the private market in Québec has fallen sharply, to below 3.0%. In rental housing markets, a 3.0% vacancy rate is generally considered to be in balance.

— Low vacancy rates make it more difficult for renters to find housing that meets their needs and financial capacity.

❑ A new program to encourage the creation of affordable housing

The Minister of Municipal Affairs and Housing will soon announce a new approach to encourage the creation of affordable housing in Québec.

As part of the fall 2021 *Update on Québec's Economic and Financial Situation*, the government is announcing an investment of nearly $200 million to implement an affordable housing construction assistance program, which represents a new vision in the affordable housing arena.

— Starting in 2022, this amount will make it possible to build approximately 2 200 affordable housing units.

TABLE C.8

New affordable housing construction assistance program
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
Total cost of program implementation	—	–9.0	–31.1	–50.4	–74.4	–32.4	–197.3
Funding from the Canada-Québec Housing Agreement	—	6.1	20.6	14.7	—	—	41.4
Financial impact of the new program	**—**	**–2.9**	**–10.5**	**–35.7**	**–74.4**	**–32.4**	**–155.9**

Source: Société d'habitation du Québec.

❑ Lowering rents

Through this innovative new program, the government aims to increase the supply of affordable housing on the private market in the coming years. The pace of the program's deployment will depend on its success.

Assistance will be provided in the form of a subsidy designed to lower construction costs for promoters.

— In return for this financial assistance, promoters will have to commit, through a written agreement, to reduce rents charged to tenants in order to maintain affordable levels for a period of up to 35 years. The longer the agreement term, the higher the level of financial assistance granted.

— Community and private-sector promoters will be eligible for this program, which will help them contribute more to developing the affordable housing sector.

2.2 Helping low-income households pay their rent

In recent years, the Québec government has taken significant action to help low-income households cope with growing housing needs and rising rents.

In this area, the government's Rent Supplement Program provides low-income households with affordable housing on the private market.

To finance the allocation of future units available for a rent supplement, the government is providing $41.4 million, including $34.8 million by 2025-2026. More specifically, these funds will help in:

- adding 1 000 more units to the Rent Supplement Program for private rentals;
- converting over 500 units from the Emergency Rent Supplement Program[8] to the Rent Supplement Program for private rentals.

TABLE C.9

Financial impact of measures to help low-income households pay their rent
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
Adding 1 000 units to the Rent Supplement Program for private rentals(1),(2)	–0.4	–4.6	–4.8	–4.8	–5.0	–4.6	–24.2
Converting 500 units of the Emergency Rent Supplement Program to units for private rentals	–4.0	–3.5	–2.5	–2.6	–2.6	–2.0	–17.2
TOTAL	**–4.4**	**–8.1**	**–7.3**	**–7.4**	**–7.6**	**–6.6**	**–41.4**

(1) Of the 1 000 units in the Rent Supplement Program for private rentals, 500 may be granted for units whose rent is up to 110% of the market median, and 500 for units whose rent is up to 120% of the market median.
(2) This measure was announced on June 11, 2021.

8 This is Component 1 of the Emergency Rent Supplement and municipal subsidy program.

❑ Adding 1 000 units to the Rent Supplement Program for private rentals

On June 11, 2021, the Minister of Municipal Affairs and Housing announced a series of measures to help low-income households that were still searching for housing the day before July 1.

These measures included adding 1 000 new units to the Rent Supplement Program for private rentals, to be granted for a five-year period.

— In light of recent rent increases, the government has also raised the maximum allowable rent limit for some of these units from 110% to 120% of the median market rent. This will facilitate the allocation of units by expanding the range of housing units eligible for the program.

The government is providing $24.2 million, including $19.6 million by 2025-2026, to finance these units, which were announced in June 2021.

Rent Supplement Program

The Rent Supplement Program allows low-income households to live in lower-cost housing that is on the private rental market or owned by a housing cooperative, non-profit organization or housing authority.

– The rent paid by the beneficiary is the same as that in low-rental housing units, that is, 25% of the gross household income earned during the previous calendar year. The government pays the difference.

– To benefit from this program, a household must contact its local municipal housing authority, which administers the program. The housing authority determines a household's priority for rent supplement based on its characteristics.

The private rental component of this program provides for the allocation of units whose rent can reach up to 120% of the median rent, for a five-year period.

The emergency component is designed to help households that find themselves suddenly homeless at the end of their lease. Rent for occupied units can be up to 150% of the median rent.

❑ Converting 500 units of the Emergency Rent Supplement Program to units for private rentals

On June 11, 2021, the government also announced $6.0 million over two years to add 800 units to the Emergency Rent Supplement Program, which can be granted for a 12-month period.

— With this initiative, the government is ensuring that it has the necessary resources at its disposal to quickly assist households that find themselves suddenly homeless, particularly on the day before July 1.

A number of Emergency Rent Supplement units were not required during this period. Meanwhile, additional units are needed for the Rent Supplement Program for private rentals.

■ An additional $11.2 million investment

As part of the fall 2021 *Update on Québec's Economic and Financial Situation*, the government plans to renew 500 units that were not allocated among the 800 units of the Emergency Rent Supplement announced on June 11, 2021 as private rental units under the Rent Supplement Program.

— This conversion will enable 500 low-income households to pay only 25% of their income in rent, for a period of five years instead of one year.

— Of these units, some must be allocated in order to meet the needs of organizations that will receive funding for the construction of housing under the federal government's second Rapid Housing Initiative.[9]

To fund this initiative, the government is providing an additional $11.2 million, including $9.2 million by 2025-2026.

TABLE C.10

Financial impact of converting 500 units of the Emergency Rent Supplement Program to units for private rentals
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
Adding 800 units to the Emergency Rent Supplement Program(1)	–4.0	–2.0	—	—	—	—	–6.0
Converting 500 new units to the Rent Supplement Program for private rentals	—	–1.5	–2.5	–2.6	–2.6	–2.0	–11.2
TOTAL	**–4.0**	**–3.5**	**–2.5**	**–2.6**	**–2.6**	**–2.0**	**–17.2**

(1) This measure was announced on June 11, 2021.

9 The Rapid Housing Initiative provides funding to organizations for the development of social and community housing within a 12-month period.

Adding 1 800 units to the Rent Supplement Program

With the announcements regarding the Rent Supplement Program since June 11, 2021, the number of units has increased by 1 800:

- 1 500 units from the Rent Supplement Program for private rentals, bringing the total number of private rental units to 18 386;
- 300 units from the Emergency Rent Supplement Program, bringing the total to 1 709 units.

Considering all types of Rent Supplement Program units, the number of units climbs to 41 984.

Number of Rent Supplement Program units used or available by type of supplement
(number)

	General duration	As at March 31, 2021	Increase			Fall 2021
			Summer 2021	Update	Total	
Rent supplement on private rentals	5 years	16 886	1 000	+500	1 500	18 386
Rent supplement on AccèsLogis units	5 years	21 889	—	—	—	21 889
Emergency rent supplement	1 year	1 409(1)	800	–500	300	1 709
TOTAL	**—**	**40 184**	**1 800**	**—**	**1 800**	**41 984**

(1) Including 100 units from the Emergency Rent Supplement Program, announced in the spring of 2021, for women who are victim of domestic violence and excluding 1 493 units that expired on June 30, 2021.

2.3 Modernizing the Shelter Allowance Program

The Shelter Allowance Program offers additional financial assistance to low-income households that spend an excessive portion of their income on housing. It is aimed at households with at least one dependent child, or individuals aged 50 or over.

The governments of Québec and Canada have entered into the Canada-Québec Housing Agreement. This Agreement will provide for $454.4 million in federal government funding between now and 2027-2028, and will be used to enhance the Shelter Allowance Program in the coming years.[10]

The Agreement stipulates that the Québec government will contribute to funding a modernized Shelter Allowance Program, amounting to $684.1 million by 2027-2028.

Canada-Québec Housing Agreement

The Canada-Québec Housing Agreement allocates $1.8 billion to Québec.

To obtain this amount, the Québec government must invest an equivalent amount, bringing the total investment to nearly $3.7 billion.

These funds will be used for three major initiatives, helping in:

- funding Québec's housing priorities, including the accessibility, renovation and construction of affordable housing;
- maintaining, regenerating and growing the stock of social and community housing, including units reserved for Indigenous populations in urban areas;
- financing or enhancing all programs that directly provide households with assistance designed to improve housing affordability, including the Shelter Allowance Program.

10 On August 13, 2021, the governments of Québec and Canada announced an agreement on the terms and conditions surrounding enhancement of the Shelter Allowance Program.

❑ A substantial increase in direct assistance to households

The modernization of the Shelter Allowance Program provides for a major increase in assistance offered to low-income households to help them pay their rent.

For several years, assistance available under the Shelter Allowance Program was capped at $80 per month. This was increased to $100 as of October 2021, for the 2021-2022 programming year.[11]

In the coming years, the calculation of financial assistance will be adjusted to provide for an amount indexed to households' rent-to-income ratios. Once fully implemented, monthly assistance rates for the 2024-2025 programming year will be:

— $130 for households that spend 50% to 80% of their income on rent;

— $150 for households that spend 80% or more of their income on rent.

❑ A program whose total cost will exceed $1.1 billion

Through the Canada-Québec Housing Agreement, the Shelter Allowance Program will be enhanced by $911 million, for a total exceeding $1.1 billion.

— The program will benefit approximately 127 000 households annually.

TABLE C.11

Québec and federal government contributions to the modernization of the Shelter Allowance Program
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Other years(1)	Total
Québec funding before the Canada-Québec Housing Agreement(2)	–32.5	–32.5	–32.5	–32.5	–32.5	–65.0	–227.5
Additional funding provided under the Agreement							
– Federal government contribution	–30.5	–39.2	–50.9	–59.0	–78.8	–196.0	–454.4
– Québec government contribution	–3.5	–36.8	–72.2	–99.4	–95.8	–148.9	–456.6
Subtotal	**–34.0**	**–76.0**	**–123.1**	**–158.4**	**–174.6**	**–344.9**	**–911.0**
TOTAL	**–66.5**	**–108.5**	**–155.6**	**–190.9**	**–207.1**	**–409.9**	**–1 138.5**

(1) For the years 2026-2027 and 2027-2028.
(2) These amounts are not recognized for the purposes of the Agreement.

11 The programming year for the Shelter Allowance Program runs from October 1 to September 30 of the following year.

To enable the Société d'habitation du Québec to finance the Québec contribution for the modernization of the Shelter Allowance Program, the government is allocating an additional $227.6 million.

TABLE C.12

Additional funding required from Québec to enhance the Shelter Allowance Program
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Other years(1)	Total
Québec government contribution	–3.5	–36.8	–72.2	–99.4	–95.8	–148.9	–456.6
Amounts self-funded by the Société d'habitation du Québec	–30.2	–31.2	–32.3	–33.4	–34.5	–67.4	–229.0
Additional financing required	**26.7**	**–5.6**	**–39.9**	**–66.0**	**–61.3**	**–81.5**	**–227.6**

(1) For the years 2026-2027 and 2027-2028.

3. SUBSTANTIAL SUPPORT TO HELP HOUSEHOLDS COPE WITH THE RISING COST OF LIVING

With the measures in the fall 2021 *Update on Québec's Economic and Financial Situation*, the government is taking action to support Québec households, and particularly low-income households, so they can more easily deal with the rising cost of living.

In this area, nearly $6.3 billion will be put back into Quebecers' pockets, in various forms, by 2025-2026, namely:

- $1.8 billion in direct support to households for:
  - implementing the extraordinary cost of living allowance,
  - enhancing the senior assistance amount,
  - extending the temporary enhancement to student financial assistance, for two years;
- $4.2 billion from indexing:
  - parameters of the tax system,
  - social assistance benefits;
- $304 million in housing assistance for:
  - implementing the affordable housing construction assistance program,
  - helping low-income households pay their rent,
  - modernizing the Shelter Allowance Program.

In addition to these measures, there is the increased tax credit for childcare expenses, for which the government is providing more than $1 billion.[12]

In total, more than $7.3 billion will provide Québec households with the resources they need to better cope with the rising cost of living.

[12] This measure is presented in section E, “Supporting families and helping communities.”

TABLE C.13

Initiatives to help cope with the cost of living

(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Support for households						
– Introducing the extraordinary cost of living allowance	–739.6	—	—	—	—	–739.6
– Enhancing the senior assistance amount	–124.0	–132.0	–136.7	–144.6	–151.5	–688.8
– Extending the temporary enhancement to student financial assistance for two years	–105.0	–164.3	–59.3	—	—	–328.6
Subtotal – Support for households	**–968.6**	**–296.3**	**–196.0**	**–144.6**	**–151.5**	**–1 757.0**
Indexing of parameters(1)						
– Personal income tax	–205.3	–898.8	–920.1	–929.9	–954.6	–3 908.7
– Social assistance benefits	–17.1	–69.5	–67.5	–63.8	–62.1	–280.0
Subtotal – Indexing	**–222.4**	**–968.3**	**–987.6**	**–993.7**	**–1 016.7**	**–4 188.7**
Housing						
– Implementing the affordable housing construction assistance program(2)	—	–2.9	–10.5	–35.7	–74.4	–123.5
– Helping low-income households pay their rent(3)	–4.4	–8.1	–7.3	–7.4	–7.6	–34.8
– Modernizing the Shelter Allowance Program(4)	26.7	–5.6	–39.9	–66.0	–61.3	–146.1
Subtotal – Housing	**22.3**	**–16.6**	**–57.7**	**–109.1**	**–143.3**	**–304.4**
SUBTOTAL	**–1 168.7**	**–1 281.2**	**–1 241.3**	**–1 247.4**	**–1 311.5**	**–6 250.1**
Childcare						
– Enhancing the refundable tax credit for childcare expenses	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
Subtotal–Childcare	**–225.6**	**–215.2**	**–212.1**	**–211.0**	**–216.6**	**–1 080.5**
TOTAL	**–1 394.3**	**–1 496.4**	**–1 453.4**	**–1 458.4**	**–1 528.1**	**–7 330.6**

(1) This financial impact is calculated according to the 2022 indexing rate of 2.64% for 2022, which corresponds to the percentage change in the consumer price index for Québec, excluding alcoholic beverages, tobacco products and recreational cannabis, between the 12-month period ending September 30, 2021 and the 12-month period ending September 30, 2020.

(2) Considering the $32.4 million for 2026-2027, the financial impact of this measure will total $155.9 million. An additional $41.4 million will be contributed by the federal government under the Canada-Québec Housing Agreement, which will bring the total expenditure to $197.3 million.

(3) This agreement includes the addition of 1 500 units to the Rent Supplement Program for private rentals and 300 units to the Emergency Rent Supplement Program. Considering the $6.6 million for 2026-2027, the financial impact of this measure will total $41.4 million.

(4) Considering the $49.0 million for 2026-2027 and $32.5 million for 2027-2028, the financial impact of this measure will total $227.6 million.

FINANCIAL IMPACT

TABLE C.14

Financial impact of actions to help Quebecers cope with the cost of living
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Mitigating the cost of living increase						
Measures set out in the fall 2021 economic update						
– Introducing the extraordinary cost of living allowance	–739.6	—	—	—	—	–739.6
– Enhancing the senior assistance amount	–124.0	–132.0	–136.7	–144.6	–151.5	–688.8
Subtotal	–863.6	–132.0	–136.7	–144.6	–151.5	–1 428.4
Announcements since Budget 2021-2022						
– Extending the temporary enhancement to student financial assistance for two years	–105.0	–164.3	–59.3	—	—	–328.6
Subtotal	–105.0	–164.3	–59.3	—	—	–328.6
Subtotal	**–968.6**	**–296.3**	**–196.0**	**–144.6**	**–151.5**	**–1 757.0**
Supporting access to housing						
Measures set out in the fall 2021 economic update						
– Implementing the affordable housing construction assistance program	—	–2.9	–10.5	–35.7	–74.4	–123.5
– Converting 500 new units to the Rent Supplement Program for private rentals	—	–1.5	–2.5	–2.6	–2.6	–9.2
Subtotal	—	–4.4	–13.0	–38.3	–77.0	–132.7
Announcements since Budget 2021-2022						
– Adding 1 000 units to the Rent Supplement Program for private rentals	–0.4	–4.6	–4.8	–4.8	–5.0	–19.6
– Adding 800 units to the Emergency Rent Supplement Program	–4.0	–2.0	—	—	—	–6.0
– Modernizing the Shelter Allowance Program	26.7	–5.6	–39.9	–66.0	–61.3	–146.1
Subtotal	22.3	–12.2	–44.7	–70.8	–66.3	–171.7
Subtotal	**22.3**	**–16.6**	**–57.7**	**–109.1**	**–143.3**	**–304.4**
TOTAL	**–946.3**	**–312.9**	**–253.7**	**–253.7**	**–294.8**	**–2 061.4**

Section D

TAKING ACTION TO COMBAT THE LABOUR SHORTAGE AND STIMULATE ECONOMIC GROWTH

SUMMARY

The government is pursuing the ambitious goal of closing Québec's wealth gap with Ontario within 15 years. To achieve this, Québec needs a workforce skilled and large enough to fill all available jobs. Businesses must be in a position to increase productivity.

The government must also improve the provision of essential public services, including education, health and social services, and ensure access to educational childcare services.

In its fall 2021 *Update on Québec's Economic and Financial Situation*, the government is including additional measures totalling over $3.3 billion by 2025-2026, in order to:

— combat the labour shortage by supporting training and requalification for workers and attracting new talent;

— accelerate the growth in business productivity by supporting private investment and the implementation of the first innovation zones and innovative projects in Québec;

— support the recovery of Québec's cultural sector.

Meanwhile, COP26[1] has been an opportunity to remind all nations that economic growth cannot be achieved without taking climate change into consideration. Québec's vision of economic development is firmly aligned with this concept of sustainable economic growth.

Also taking into account the additional $94-million investment announced in July 2021 to pursue the objective of connecting all Quebecers to high-speed Internet by September 2022, the government's interventions since Budget 2021-2022 total nearly $3.4 billion over five years.

1 COP26 refers to the 26th United Nations Climate Change Conference of the Parties, held in Glasgow, Scotland in 2021.

TABLE D.1

Financial impact of the measures to combat the labour shortage and stimulate economic growth
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Measures set out in the fall 2021 economic update						
– Combatting the labour shortage	–100.8	–754.2	–744.7	–685.7	–615.7	–2 901.1
– Accelerating business productivity growth	–45.0	–85.0	–100.0	–60.0	–60.0	–350.0
– Supporting the recovery of Québec's cultural sector	–46.1	—	—	–3.5	–3.5	–53.1
Subtotal	–191.9	–839.2	–844.7	–749.2	–679.2	–3 304.2
Announcements since Budget 2021-2022						
– Continuing to connect all Quebecers to high-speed Internet	–56.0	–38.0	—	—	—	–94.0
TOTAL	**–247.9**	**–877.2**	**–844.7**	**–749.2**	**–679.2**	**–3 398.2**

1. COMBATTING THE LABOUR SHORTAGE

Québec's economy needs a workforce large and skilled enough to achieve its full potential.

Québec is facing major demographic challenges that are exacerbating the labour shortage observed in many sectors, including those offering essential public services to the population.

The government must therefore be agile in its response to labour market realities to empower Québec to prosper.

To put in place favourable conditions that will contribute to the economic development of the targeted sectors, the government is planning to invest close to $3.9 billion over five years, that is, over $2.9 billion in additional investments and $988.6 million financed from the departments' current budget envelopes, to combat the labour shortage.

With this funding, the government intends to:

— expand the supply of public services by increasing the number of workers in essential education, health and social services sector jobs;

— expand the workforce in educational childcare services;

— expand worker training, requalification and talent attraction initiatives in sectors of the economy deemed a priority such as engineering, information technology and construction.

These measures will aim primarily to:

— improve the working conditions of the employees concerned;

— increase the graduation rate and skills development;

— encourage retirees to return to the labour market;

— attract foreign workers.

Québec is aiming to train, requalify and attract close to 170 000 workers within five years in these sectors:

- 27 000 in health and social services;
- 8 000 in education;
- 25 000 in educational childcare services;
- 55 000 in engineering and information technology;
- 55 000 in construction.

The government believes that:

- 85 000 workers will fill in-demand jobs after benefiting from workforce training and requalification measures;
- 63 000 jobs will be filled through measures to improve attraction, retention and working conditions;
- 22 000 jobs will be filled through measures to attract and retain foreign workers.

The Minister of Labour, Employment and Social Solidarity will announce the details of measures to combat the labour shortage.

TABLE D.2

Financial impact of the measures to combat the labour shortage
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Health and social services	–52.9	–328.3	–236.5	–178.5	–156.5	–952.7
Education	–15.6	–121.9	–136.7	–139.3	–137.2	–550.7
Educational childcare services	–27.3	–58.9	–63.7	–38.0	–24.7	–212.6
Engineering and information technology	–5.0	–223.7	–286.4	–308.5	–291.3	–1 114.9
Construction	—	–21.4	–21.4	–21.4	–6.0	–70.2
TOTAL	**–100.8**	**–754.2**	**–744.7**	**–685.7**	**–615.7**	**–2 901.1**

❑ Temporary wage bonuses for retirees in certain public sector and childcare occupations

Retired workers returning to work help support the government's effort to ensure the presence of a sufficient and skilled workforce in the near future.

However, public sector and childcare retirees who return to work no longer contribute to their pension plan.[2] As a result, they no longer receive the employer's financial contribution to the pension plan. This can be a barrier to returning to the labour market.

To combat the labour shortage, the Québec government plans to introduce new wage bonuses. To encourage retirees to return to work, the amount of these bonuses will be similar to that of the government contribution to the worker's pension plan for a non-retired employee. These bonuses are for:

- nursing personnel,[3] patient-care attendants, psychologists, social workers and human relations officers;
- elementary and secondary school teachers, special education technicians and school daycare technicians;
- childcare educators.

These bonuses, which will apply until March 31, 2023,[4] represent an investment of $60.3 million over two years.

These new wage bonuses will provide an incentive for retirees to return to work in occupations that have been hard hit by labour shortages and that are essential to maintaining quality public services.

For example, for an eligible retiree with a work income of $40 000 per year, the wage bonus will correspond to an additional income of $2 640 to $3 156 over the year as a whole.

2 A retiree who returns to work receives both their wages and their pension.

3 Nursing professionals include nurses, nursing assistants, clinical nurses, nurse practitioners and respiratory therapists.

4 To be eligible, the employee must have signed a retirement agreement before November 25, 2021.

Review of measures to encourage retirees to return to work

Nursing and cardiorespiratory personnel attraction and retention program

On September 23, 2021, in the context of the public health emergency, the government announced that it was implementing healthcare attraction and retention bonuses of:

- $12 000 to $15 000, depending on the region, for workers who had gone into the private system and agreed to come back full time for one year, including retirees;
- $15 000 to $18 000, depending on the region, for employees working in the network who pledge to work full time for one year.

These incentives are offered to nursing and cardiorespiratory personnel in the health and social services network, in private residential and long-term care centres that are not party to an agreement, and in private seniors' residences.[1]

Increased remuneration for retired teachers who do substitute teaching

Since September 21, 2020, in response to the public health emergency, substitute teachers retired since July 1, 2015, are remunerated on the basis of their experience and their position on the scale at retirement as soon as they start teaching. Previously, this increased remuneration only applied after 20 days of substitute teaching.

Tax credit for career extension

Along with these measures, workers aged 60 or older can receive the tax credit for career extension, which reduces tax payable by an amount equal to 15% of eligible income in excess of $5 000.

- The tax savings can reach $1 500 for workers aged 60 to 64, and $1 650 for workers 65 and older. The relief decreases at a rate of 5% of eligible earned income in excess of $35 650 for 2021.

The tax credit can be deducted at source by filling out the source deductions form (TP-1015) issued by the employer or can be claimed when filing the tax return.

This tax assistance is a significant incentive to continue working or return to work for close to 350 000 workers.

Refundable tax credit for SMBs to foster the retention of experienced workers

Moreover, a refundable tax credit is available for the contributions[2] paid by SMBs since January 1, 2019, for workers aged 60 and older, to promote the hiring and retention of experienced workers. This tax credit can cover as much as:

- 50% of contributions for workers aged 60 to 64 to a maximum of $1 250 per worker annually;
- 75% of contributions for workers aged 65 and older to a maximum of $1 875 per worker annually.

1 The incentives for nursing personnel in private seniors' residences are set at $7 500, while those for nursing personnel in private residential and long-term care centres that are not party to an agreement are set at $15 000.

2 The following employer contributions are eligible for this measure: the Health Services Fund, the Québec Pension Plan, the Québec Parental Insurance Plan and the Commission des normes, de l'équité, de la santé et de la sécurité du travail.

1.1 Health and social services

The health and social services sector is among those hardest hit by the labour shortage. Québec needs to have enough qualified workers to offer essential services to the population. The main occupations targeted by the proposed actions are nurses, clinical nurses and nursing assistants, respiratory therapists, patient-care attendants, health and social services assistants, psychologists, social workers and human relations officers.

For this reason, the government is putting in place concrete initiatives that will:

— better attract and retain employees in healthcare institutions;

— offer a new temporary wage bonus to retirees to encourage them to return to work;[5]

— optimize work organization by training and hiring administrative officers, in order to free clinicians from clerical tasks and allow them to spend more time with patients and users;

— increase the graduation rate by offering incentive scholarships at the college and university level for full-time students in targeted fields;

— develop the skills of unemployed people who wish to requalify or reorient themselves by offering short-term training programs during which participants receive an increased allowance;

— attract new foreign workers by allowing immigrants awaiting permanent residence status to quickly join the labour market by receiving work permits.

The government is investing more than $1.1 billion, that is, $952.7 million in additional investments and $187.8 million financed from the departments' current budget envelopes by 2025-2026, in order to meet labour needs in the health and social services sector.

[5] The wage bonus will be paid to nurses, nursing assistants, clinical nurses, nurse practitioners, respiratory therapists, perfusionists, patient-care attendants, psychologists, social workers and human relations officers.

TABLE D.3

Financial impact of the measures to expand the workforce in the health and social services sector
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Expanding the workforce in the health and social services sector	–52.9	–328.3	–236.5	–178.5	–156.5	–952.7

Note: The following funding will be granted: $567.8 million to the Ministère de l'Enseignement supérieur, $202.8 million to the Ministère de la Santé et des Services sociaux, $116.4 million to the Ministère de l'Éducation, $33.0 million to the Ministère de l'Immigration, de la Francisation et de l'Intégration and $32.7 million to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

Incentive scholarship program

The government is introducing substantial financial incentives to increase college and university graduation rates in disciplines leading to priority sectors facing large labour shortages.

The incentive scholarship program is designed to boost recognition, attraction, retention and timely graduation. This is a cross-cutting measure, affecting targeted occupations in the health and social services, education, childcare, engineering and information technology sectors.

It is in addition to various concomitant measures and targets training areas that are strategic for the Québec economy and public services.

The program provides incentive scholarships after each successful full-time session, in addition to the assistance under the existing Loan and Bursary Program:

- $1 500 at the college level, for a total of $9 000 for a three-year program;
- $2 500 at the university level, for a total of $15 000 for a three-year program and $20 000 for a four-year program.

All Québec students in the identified priority sectors will be eligible whether they are at the beginning, middle or end of their studies, starting in the fall 2022 session. Incentive scholarships will be awarded to full-time students to support timely graduation, thereby accelerating the response to labour needs throughout Québec.

The estimated cost of the measure is $1.7 billion by 2025-2026.

1.2 Education

The government intends to take targeted action to respond to the labour shortage in the education sector. The main initiatives proposed are aimed at preschool, elementary and secondary school teachers, as well as school-based childcare workers and special education technicians.

For this reason, the government is putting in place initiatives that will:

— promote the profession and increase the number of qualified teachers by facilitating access to teacher-training programs, and in particular master's degree equivalency programs leading to teaching certificates;

— mobilize and retain personnel in the school network;

— offer a new temporary wage bonus to retirees to encourage them to return to work;[6]

— ensure there are enough doctoral students to meet the long-term needs for research professors in faculties of educational sciences by implementing a bursary program for doctoral studies;

— enhance the training offer to educators in school childcare services by expanding the use of online training methods.

The government is investing $682.4 million, that is, $550.7 million in additional investments and $131.8 million financed from the departments' current budget envelopes by 2025-2026 for the implementation of these initiatives, which will make it possible to recruit more preschool, elementary, and secondary school teachers.

TABLE D.4

Financial impact of the measures to expand the workforce in the education sector
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Expanding the workforce in the education sector	–15.6	–121.9	–136.7	–139.3	–137.2	–550.7

Note: The following funding will be granted: $385.9 million to the Ministère de l'Enseignement supérieur and $164.8 million to the Ministère de l'Éducation.

[6] The salary bonus will be paid to elementary and secondary school teachers, special education technicians and school daycare technicians.

1.3 Educational childcare services

For the educational childcare services network to function well, it needs enough educators. On October 21, 2021, the government announced an action plan to create 37 000 subsidized childcare spaces by March 2025 to better meet the needs of families.

In this context, and to ensure the network develops well, actions to deal with the labour shortage in childcare services must be strengthened. Nearly 17 800 new educators must be hired, while 7 000 educators who are already working in the network must be qualified.

To achieve this, the government plans to improve working conditions and rely on all pools of workers to meet these needs: graduates, people who want to requalify, retirees, and foreign workers.

In an effort to act quickly to improve the retention and attraction of educators, the government announced an increase in their compensation on October 14, 2021.[7]

Furthermore, additional actions to meet labour needs in educational childcare services total $295.3 million between now and 2025-2026, that is, $212.6 million in additional investments and $82.7 million financed from the departments' current budget envelopes.

The additional investments will be used primarily to:

- increase participation in paid, short-term work-study training through the educational childcare component of the short-term training program (COUD) promoting internships in priority professions, launched last April;
- support employers whose employees are engaged in a recognition of skills and experience process, expand the service offering, and ensure it is offered free of charge at educational institutions;
- offer a temporary wage bonus to retirees to encourage them to return to work.[8]

[7] At the same time, negotiations with the unions are continuing.

[8] The wage bonus will be paid to educational childcare educators.

TABLE D.5

Financial impact of the measures to expand the workforce in educational childcare services
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Expanding the workforce in educational childcare services	–27.3	–58.9	−63.7	–38.0	–24.7	–212.6

Note: The following funding will be granted: $115.1 million to the Ministère du Travail, de l'Emploi et de la Solidarité sociale, $87.6 million to the Ministère de l'Enseignement supérieur and $9.9 million to the Ministère de la Famille.

Short-term training program focusing on internships in priority professions

The short-term training program (COUD) focusing on internships in priority professions offered by the Commission des partenaires du marché du travail provides financial support to businesses and collective sponsors who want to adapt training programs to meet their labour needs.

– Eligible training programs can thus be adapted with the collaboration of recognized educational institutions to accelerate participants' graduation by planning internships in businesses.

So far, the program has delivered substantial results, with a participant graduation rate of approximately 85% and a job retention rate of 91%.

1.4 Engineering and information technology

The government has already made substantial investments in Budget 2021-2022 to support workforce development and recruiting in information technology (IT). To date, this sector's need for labour remains high.

Businesses in the engineering sector also have a considerable labour shortage.

To increase the number of qualified workers and fill jobs in fields that are a priority for Québec's economy, the government is expanding the actions it has announced in the last few months while implementing new initiatives.

The government is committed to:

- improving student attraction and retention in these fields, through incentive scholarships in particular;
- ensuring better educational support of engineering and IT students by increasing the number of teaching staff with the eventual hiring of 500 teachers;
- supporting businesses that are struggling to recruit by adapting study programs and allowing workers at participating businesses to be released to take training when some of the program occurs on the job through internships.

The government is investing close to $1.7 billion, that is, $1.1 billion in additional investments and $559.1 million financed from the departments' current budget envelopes between now and 2025-2026, for the implementation of these initiatives to meet labour needs in the engineering and IT sectors.

TABLE D.6

Financial impact of the measures to expand the workforce in the engineering and information technology sectors
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Expanding the workforce in engineering and information technology	–5.0	–223.7	–286.4	–308.5	–291.3	–1 114.9

Note: The following funding will be granted: $912.0 million to the Ministère de l'Enseignement supérieur and $202.9 million to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

Recent initiatives to combat the labour shortage in information technology

Labour market forecasts indicate that around 50 000 skilled information technology (IT) workers will be needed by 2025-2026.

This sector's substantial need for workers was noted prior to the public health crisis. Nonetheless, the expansion of e-commerce and widespread use of telework prompted by the pandemic magnified demand for the services provided by IT businesses.

To support the development and recruiting of skilled IT workers, the government previously announced nearly $283.5 million:[1]

- $95.0 million in the March 2021 budget to increase the graduation rate at the college and university levels, and award bursaries to college students;
- $171.6 million to roll out the project on educational success at the college and university levels;[2]
- $6.5 million in the fall 2020 economic update for calls for short-term training projects to make it easier for the unemployed to requalify;
- $10.4 million for specific measures in regular and continuing education at the college level.[2]

In addition, the Information and Communication Technology Requalification and Training Program (PRATIC), launched on July 1, 2021, seeks to encourage people who are unemployed to pursue a career in the field of information and communication technology (ICT).

PRATIC will provide financial assistance of $650 per week to full-time students during their training. Upon successful completion of the training, students will also receive a lump sum of $1 950 to support their professional integration.

As of November 5, 2021, there were just over 2 000 people participating in PRATIC, with another 2 000 or so expected to take part in the coming months.

1 Note that some of the incentive scholarships currently in effect will be increased and integrated into the new incentive scholarship program.
2 These are compilations of the measures announced in the March 2021 and previous budgets.

1.5 Construction

The construction sector is one of Québec's leading activity sectors. It is also a critical sector, since investing in infrastructure helps stimulate the economy.

In March 2021, the government announced the action plan for the construction sector, designed to support the industry in order to execute Québec's priority infrastructure projects.

— This plan called for a total of $95.3 million in measures over the 2020-2023 period, including $32.4 million for initiatives designed to reduce the labour shortage.

In addition to these measures, the government will provide further support for people who want to work in the construction sector or for workers in this field who want to upgrade their skills.

Overall, actions to reduce the labour shortage in the construction sector total $97.4 million by 2025-2026, that is, $70.2 million in additional investments and $27.2 million financed from the departments' current budget envelopes.

The investments will be used primarily to:

— increase the graduation rate and develop skills, in particular by expanding support for people who want to requalify or upgrade their skills;

— accelerate and facilitate the integration of workers in the industry, in particular by promoting the hiring of women, Indigenous people and immigrants.

TABLE D.7

Financial impact of the measures to expand the workforce in the construction sector
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Expanding the workforce in the construction sector	—	–21.4	–21.4	–21.4	–6.0	–70.2

Note: The funding will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

Action plan for the construction sector

In an effort to stimulate the economy by promoting the completion of priority infrastructure projects for Québec, the government announced the action plan for the construction sector on March 21, 2021.

- The purpose of this plan is to develop and support the capacity of the construction industry through the implementation of measures aimed at reducing the labour shortage, increasing industry productivity and supporting the growth of construction businesses.

These measures will make it possible to maximize the impact of investments under the 2021-2031 Québec Infrastructure Plan (QIP), which total $135 billion. They are a powerful engine of economic vitality and have a positive impact on all regions of Québec by creating well-paying jobs and boosting many other spheres of activity.

Of the 42 measures set out in the action plan for the construction sector, totalling $120 million over the 2020-2023 period, of which nearly $25 million is funded from the departments' current budget envelopes, 39 measures had been initiated as at September 30, 2021, including:

- the referral of over 1 100 unemployed workers to training for construction industry trades and the provision of a wage subsidy for the hiring of over 400 unemployed workers;
- accelerating the entry of 4 300 apprentices into the journeyperson qualification examination;
- the issuance of more than 1 100 student certificates making it easier to enter the construction trades.

These measures have contributed to achieving concrete results, together with other government actions, such as the passage of the *Act respecting the acceleration of certain infrastructure projects.*

- The construction sector employed an average of 288 300 people after 10 months in 2021, compared to 256 000 in 2020 and 266 600 in 2019.
- After seven months, real GDP in the construction sector was 107.7% of its pre-pandemic level, compared to 100.3% for all industries.
- Other indicators suggest a record level of activity after nine months in 2021 compared to 2020, including a 41.7% increase in housing starts.

These results indicate that the action plan for the construction sector has contributed to the economic recovery and will continue, until 2023, to increase Québec's collective wealth.

2. ACCELERATING BUSINESS PRODUCTIVITY GROWTH

To close the standard of living gap with Ontario, Québec must tackle productivity growth by fostering business investment, particularly in digitization, process automation and innovation.

The government is thus providing $350 million over five years in its fall 2021 *Update on Québec's Economic and Financial Situation* for:

— increasing funding for business investment projects;

— supporting implementation of the first innovation zones and innovative projects in Québec.

Also considering the $94-million investment announced in July 2021 to continue the objective of connecting all Quebecers to high-speed Internet by September 2022, the government's interventions since Budget 2021-2022 amount to $444 million over five years.

TABLE D.8

Financial impact of the measures to accelerate business productivity growth
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Increasing funding for business investment projects	–15.0	–25.0	–40.0	–40.0	–40.0	–160.0
Supporting implementation of the first innovation zones and innovative projects in Québec	–30.0	–60.0	–60.0	–20.0	–20.0	–190.0
Continuing to connect all Quebecers to high-speed Internet	–56.0	–38.0	—	—	—	–94.0
TOTAL	**–101.0**	**–123.0**	**–100.0**	**–60.0**	**–60.0**	**–444.0**

2.1 Increasing funding for business investment projects

Québec is lagging behind Ontario in the area of private investment. Business investment is a key element in increasing an economy's productivity.

In order to achieve its economic development objectives, the government is stepping up its efforts and providing $160 million over five years to support businesses in their investment projects.

This amount will provide a total of $600 million in financial support for investment projects designed in particular to:

- increase the productivity, competitiveness and expansion of Québec businesses;
- accelerate business digitization and automation;
- reduce the environmental footprint of businesses.

The Minister of Economy and Innovation will announce the details at a later date.

TABLE D.9

Financial impact of the measures to increase funding for business investment projects
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Increasing funding for business investment projects	–15.0	–25.0	–40.0	–40.0	–40.0	–160.0

Note: The funding will be granted to the Ministère de l'Économie et de l'Innovation.

Main initiatives introduced to stimulate private investment since fall 2018

Since fall 2018, the government has introduced major initiatives to stimulate private investment, including:

- implementing tax incentives such as the accelerated depreciation measure and the investment and innovation tax credit (C3i);
- enhancing Investissement Québec's capitalization by $1 billion, taking it to $5 billion;
- creating the Québec Enterprise Growth Fund, with a budget envelope of $1 billion;
- extending the Financial Assistance for Investment Program;
- launching Investissement Québec's Productivity Innovation initiative;
- several initiatives to:
  - support key sectors of Québec's economy,
  - launch a business digitization offensive,
  - stimulate export growth.

Also, the government's ESSOR program, run by Investissement Québec, is one of its key tools to support investment related to increasing productivity and employment.

Making the Financial Assistance for Investment Program more flexible

The Financial Assistance for Investment Program[9] (PAFI) supports investment projects related to converting production processes, launching or increasing production, and improving business productivity. The assistance is provided in the form of electricity discounts.

- As at November 9, 2021, 159 applications from major industrial businesses have been certified. These applications come from 80 businesses and represent a total of more than $5.6 billion in investments.

Because of the public health crisis, businesses are facing additional delays in carrying out projects for which they have started to receive an electricity discount. To support these businesses, and give them more time to make their investments, the government is providing the option for this 48-month electricity discount to be distributed over a maximum of 72 months.

9 The Electricity Discount Program Applicable to Consumers Billed at Rate L and the Electricity Discount Program for Large Power Consumers Served by Off-Grid Systems have been grouped under the PAFI.

To take advantage of this opportunity, businesses must submit an application to the Ministère des Finances, including proof of the public health crisis's impact on the projects included in their previously certified applications under the PAFI, for which discounts are now being applied to electricity bills.

— Applications must be submitted by December 31, 2022.

Given that the more flexible application period only applies to projects for which businesses are already receiving a discount on their electricity bills, and that the projects being carried out had already been included in the program's costs, no additional financial impact is anticipated.

Using clean electricity produced in Québec to encourage investment

Main parameters of the Financial Assistance for Investment Program

The Financial Assistance for Investment Program (PAFI) grants eligible projects a maximum electricity discount of 20% over a period of four years, providing a reimbursement of up to 40% of eligible investments made. Moreover:

– projects that reduce the intensity of greenhouse gas emissions by 20% are eligible for a reimbursement of up to 50% of eligible costs;

– for projects of $250 million or more, an electricity discount may be granted for a maximum period of eight years;

– for projects whose execution has been hampered by the public health crisis, an electricity discount can be granted for four years distributed over a maximum of six years.

  - Under this new rule, an eligible business will be able to receive a discontinuous discount, providing additional flexibility in managing its investments.

To be eligible for electricity discounts, the business projects must be carried out in Québec and reach a minimum investment threshold, corresponding to the lesser of 40% of the annual electricity cost and an investment of $40 million.

Projects must be submitted by December 31, 2023, and be implemented by December 31, 2025. The discount application period end date is December 31, 2032.

Note: The PAFI parameters can be viewed on the Ministère des Finances website at www.finances.gouv.qc.ca.

2.2 Supporting implementation of the first innovation zones and innovative projects in Québec

Québec's prosperity depends on its ability to innovate and turn Quebecers' knowledge into wealth. To strengthen the conditions conducive to innovation and develop Québec expertise in all regions, the government plans to support:

— deployment of the first innovation zones;

— innovative projects in Québec with strong economic development potential.

In its fall 2021 *Update on Québec's Economic and Financial Situation*, the government is providing $190 million over five years for these two initiatives.

The Minister of Economy and Innovation will announce the details at a later date.

TABLE D.10

Financial impact of the measures to support implementation of the first innovation zones and innovative projects in Québec
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Deploying the first innovation zones	–20.0	–40.0	–40.0	—	—	–100.0
Supporting innovative projects in Québec	–10.0	–20.0	–20.0	–20.0	–20.0	–90.0
TOTAL	**–30.0**	**–60.0**	**–60.0**	**–20.0**	**–20.0**	**–190.0**

Note: The funding will be granted to the Ministère de l'Économie et de l'Innovation.

❑ Deploying the first innovation zones

Innovation zones aim to increase exports, local and foreign investment, and business productivity, among other things.

In its fall 2021 *Update on Québec's Economic and Financial Situation*, the government is providing an additional $100 million over three years to support the first projects to be covered by an official Zones d'innovation Québec designation.

— This amount is in addition to the $40 million announced previously to help deploy innovation zones, which was $20 million in Budget 2020-2021 and $20 million in Budget 2021-2022.

Innovation zones

An ambitious vision to increase Québec's productivity

Innovation zones are at the heart of the government's economic vision, banking on Québec's talent and expertise in promising sectors and cutting-edge technologies.

Deploying innovation zones is part of a long-term vision. The engagement of the key actors must therefore result in a long-term plan.

Along with attracting considerable private investment, such innovation zones will make it easier to transition from the idea to the market phases, and will foster clean, sustainable economic growth by uniting researchers, businesses and employees in dynamic, attractive living environments.

The innovation zones must also help:

– improve the socioeconomic performance of the territories;

– increase business productivity and the creation of high-value-added businesses;

– increase Québec's exports and showcase Québec on the international stage;

– attract and retain talent and increase quality of life.

These zones will draw on different regional socioeconomic actors, such as businesses, economic organizations, research and teaching establishments, and municipalities.

A rigorous analytical framework

In November 2019, the government published the innovation zones project presentation guide, which sets out the rationale, definition, objectives, implementation stages and framework for presenting and analyzing innovation zone projects.

To date, a number of innovation zone projects have been tabled and are now receiving thorough study and support, drawing on the expertise of several departments and bodies.

The first innovation zones will be unveiled soon

The first innovation zones will be unveiled soon. Once implemented, they will give Québec a distinctive position internationally.

The amounts set aside in the fall 2021 *Update on Québec's Economic and Financial Situation* will help support the implementation of the first innovation zones. The government's investments for innovation zones will evolve as the various projects selected are rolled out.

❑ Supporting innovative projects in Québec

In addition to deploying the innovation zones, the government wants to support a number of innovation projects with strong economic development potential for Québec.

Complementing existing programs, the support aims to help with the execution of initiatives that will make businesses more competitive and help create high-value-added jobs.

In its fall 2021 *Update on Québec's Economic and Financial Situation*, the government is therefore providing $90 million over five years to support innovative projects in Québec.

Phase II of Canada-Québec Operation High Speed
On July 21, 2021, the Québec government and the federal government jointly announced new projects that will provide more than 18 200 additional households with access to high-speed Internet services by September 2022, thanks to an investment of $94 million for projects by cooperatives, non-profit organizations and local businesses. This investment will also enhance existing projects to ensure that all households in the target area are covered, as well as accelerate the deployment of infrastructure so that high-speed Internet service will be available by September 2022.

Source: Québec government, “Opération haute vitesse : la stratégie gouvernementale”, [Online], updated July 20, 2021, [www.quebec.ca/gouv/ministeres-et-organismes/sihv/operation-haute-vitesse].

Economic growth in the context of fighting climate change

Québec has set very ambitious targets for the fight against climate change, in a context in which 99% of its electricity is produced from renewable sources, putting it in a leading position with respect to the lowest greenhouse gas (GHG) emissions per capita compared to American states and Canadian provinces.

Its objective is to reduce its GHG emissions by 37.5% from 1990 levels by 2030, with the aim of becoming carbon neutral in 2050.

To tackle this sizeable challenge, Québec plans to speed up electrification of its economy and rely on effective tools, primarily:

- the 2030 Plan for a Green Economy and its implementation plan;
- its greenhouse gas emission cap-and-trade system (CAT system).

2030 Plan for a Green Economy

Québec's approach to fighting climate change makes it possible to reinvest all of the substantial revenue generated by the CAT system in the 2030 Plan for a Green Economy's five-year implementation plans.

- The implementation plan will be updated in the spring of each year, allowing the government to focus on the most effective measures and actions.

Here, the 2021-2026 implementation plan has set up a financial framework, with numbers, calling for a budget of $6.7 billion distributed across approximately 50 concrete measures that are subject to stringent reporting. Among other things, these measures promote:

- bus electrification and the purchase of electric vehicles;
- prohibiting the sale of new gas-powered vehicles as of 2035;
- support for the industrial sector in making the energy and climate transition;
- Québec's adaptation to climate change.

The launch of the 2030 Plan for a Green Economy created a major economic project that, in particular, draws on Québec's energy advantages to combat climate change and reach its environmental goals, in addition to helping create wealth.

Economic growth in the context of fighting climate change (cont.)

CAT system

Québec has shown leadership, implementing a carbon market, the CAT system, as early as 2013, and linking it to California's in 2014.

GHG emission allowances are traded in this market, their prices adjusting mainly based on supply and demand. This market promotes GHG reductions where it is least costly to do so in the sectors covered (transportation, industry, buildings and electricity production).

The CAT system covers about 80% of total GHG emissions and, since the quantity of emission allowances issued declines each year, it generates GHG emission reductions in the sectors covered by the common market.

Major commitments under COP26

From October 31 to November 12, 2021, Québec participated in the 26th UN Climate Change Conference of the Parties (COP26) held in Glasgow, Scotland. The Québec government used the opportunity to make several announcements, including:

- a $5-billion investment to electrify 55% of urban buses by 2030 and adapt the garages of transportation businesses, among other things;[1]
- a $45.8-million investment in collaboration with Hydro-Québec for a $94-million project to electrify the Diageo distillery and make it carbon neutral;
- approximately $80 million in support of ArcelorMittal Mining Canada's project to modify its manufacturing processes and reduce GHG emissions by more than 20%.

Ongoing effort in the coming years

To meet its 2030 target and become carbon neutral by 2050, Québec will have to continue its efforts in the coming years. In this respect, the government will:

- present a bill to shut down the hydrocarbon industry and no longer extract hydrocarbons in its territory;
- unveil the update to the energy transition, innovation and efficiency master plan and the Québec strategy on green hydrogen and bioenergy;
- focus on developing the electric transportation manufacturing sectors that are already present in Québec.

To foster the energy transition in the buildings sector, Québec will rely on energy distributors with a new dual energy offering aimed at optimal electrification of the building to heat homes and manage energy consumption efficiently during peak periods.

Lastly, in the coming months, the government will put forward a new, balanced approach to the allocation of free units for major industrial businesses that are subject to the CAT system for the 2024-2030 period.

1 This investment will allow the electrification of more than 2 000 buses.

3. SUPPORTING THE RECOVERY OF QUÉBEC'S CULTURAL SECTOR

The public health crisis has spotlighted the importance of the role our cultural sector plays in our lives. Québec's arts and cultural sector has innovated and reinvented itself to keep pursuing its mission with Québec's population during these trying times.

As most of the public health measures are being lifted, the return to cultural activities is an opportunity for Quebecers to get back to a more normal life, safely.

In this context, in its fall 2021 *Update on Québec's Economic and Financial Situation*, the government is providing an additional $46.1 million to support the arts and cultural sector's recovery.

In addition, the government will invest $20.0 million to support a large-scale cultural project, as well as an additional $7.0 million to ensure the operation and maintenance of this project.

TABLE D.11

Financial impact of the measures to support the recovery of Québec's cultural sector
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting the arts and cultural sector's recovery(1)	–46.1	—	—	—	—	–46.1
Investing in a large-scale cultural project(2)	—	—	—	–3.5	–3.5	–7.0
TOTAL	**–46.1**	**—**	**—**	**–3.5**	**–3.5**	**–53.1**

(1) The funding will come from financial resources made available during the year.
(2) The funding will be granted to the Ministère de la Culture et des Communications.

3.1 Supporting the arts and cultural sector's recovery

The arts and cultural sector showed resilience during the pandemic. However, it still faces challenges.

To support the arts and cultural sector's recovery, the government is providing $46.1 million in 2021-2022, including to:

- continue the temporary support program for maintaining production capacity in the audiovisual sector;
- continue the temporary assistance program for alternative and private venues;
- continue the temporary component for cultural recovery projects of the innovative initiatives program;
- increase the budget envelopes of the financial assistance programs for arts and crafts.

Nearly $810 million for the cultural sector's recovery

The pandemic has had major repercussions on the cultural sector's economy.

Since March 2020, the Ministère de la Culture et des Communications has joined forces with organizations in the cultural sector to support struggling cultural fields.

In this regard, in June 2020, the government launched the Cultural Sector Economic Recovery Plan. The initiatives it contains help:

- protect essential venues and ensure shows are maintained in the performing arts, music and variety shows;
- promote the resumption of shooting on Québec and foreign audiovisual productions;
- support organizations in Québec's cultural ecosystem so that they can pursue their mission to train, provide consulting, and support entrepreneurship;
- stimulate innovation and creativity so that the sector can adapt to the new means for reaching their audience;
- encourage Quebecers to purchase local works and cultural products and visit Québec cultural sites that have reopened.

With the funds earmarked in this update, an amount of close to $810 million is available to promote the cultural sector's recovery.

3.2 Investing in a large-scale cultural project

While actively contributing to the Québec economy, the cultural sector plays an essential role in the expression and dissemination of Québec's identity. To promote Québec culture and enhance its influence, the government is providing $20.0 million in infrastructure funding to support a large-scale cultural project.

An additional $7.0 million from 2024-2025 to 2025-2026 is planned to ensure the operation and maintenance of this project.

The Minister of Culture and Communications will announce the details at a later date.

FINANCIAL IMPACT

TABLE D.12

Financial impact of the measures implemented since Budget 2021-2022 to combat the labour shortage and stimulate economic growth
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Combatting the labour shortage						
Measures set out in the fall 2021 economic update						
– Health and social services	–52.9	–328.3	–236.5	–178.5	–156.5	–952.7
– Education	–15.6	–121.9	–136.7	–139.3	–137.2	–550.7
– Educational childcare services	–27.3	–58.9	–63.7	–38.0	–24.7	–212.6
– Engineering and information technology	–5.0	–223.7	–286.4	–308.5	–291.3	–1 114.9
– Construction	—	–21.4	–21.4	–21.4	–6.0	–70.2
Subtotal	**–100.8**	**–754.2**	**–744.7**	**–685.7**	**–615.7**	**–2 901.1**
Accelerating business productivity growth						
Measures set out in the fall 2021 economic update						
– Increasing funding for business investment projects	–15.0	–25.0	–40.0	–40.0	–40.0	–160.0
– Supporting implementation of the first innovation zones and innovative projects in Québec						
▪ Deploying the first innovation zones	–20.0	–40.0	–40.0	—	—	–100.0
▪ Supporting innovative projects in Québec	–10.0	–20.0	–20.0	–20.0	–20.0	–90.0
Subtotal	–45.0	–85.0	–100.0	–60.0	–60.0	–350.0
Announcements since Budget 2021-2022						
– Continuing to connect all Quebecers to high-speed Internet	–56.0	–38.0	—	—	—	–94.0
Subtotal	**–101.0**	**–123.0**	**–100.0**	**–60.0**	**–60.0**	**–444.0**

TABLE D.12

Financial impact of the measures implemented since Budget 2021-2022 to combat the labour shortage and stimulate economic growth (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting the recovery of Québec's cultural sector						
Measures set out in the fall 2021 economic update						
– Supporting the arts and cultural sector's recovery	–46.1	—	—	—	—	–46.1
– Investing in a large-scale cultural project	—	—	—	–3.5	–3.5	–7.0
Subtotal	**–46.1**	**—**	**—**	**–3.5**	**–3.5**	**–53.1**
TOTAL	**–247.9**	**–877.2**	**–844.7**	**–749.2**	**–679.2**	**–3 398.2**

Section E

SUPPORTING FAMILIES AND HELPING COMMUNITIES

SUMMARY

The government is announcing major investments to support families and help communities across Québec.

To support families, the government is dedicating nearly $2.4 billion over five years in particular to:

- enhance the refundable tax credit for childcare expenses so as to ensure greater neutrality between the cost of reduced-rate childcare and non-subsidized childcare;
- complete the educational childcare services network with measures presented in the action plan announced on October 21, 2021.

To better help communities, the government plans to inject $742 million over five years. In particular, this investment will be used to:

- implement the Québec strategy to combat gun violence;
- provide more support to municipalities for the improvement of local road networks.

In total, the government will spend $3.1 billion on these objectives by 2025-2026.

TABLE E.1

Financial impact of the measures to support families and help communities
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting families	–310.4	–429.3	–491.0	–544.6	–582.7	–2 358.0
Helping communities	–133.1	–320.1	–97.9	–98.2	–92.7	–742.0
TOTAL	**–443.5**	**–749.4**	**–588.9**	**–642.8**	**–675.4**	**–3 100.0**

Initiatives in addition to those announced since Budget 2021-2022

Since Budget 2021-2022, the government has made several announcements to support families and help communities. New measures are also provided for in the fall 2021 *Update on Québec's Economic and Financial Situation*.

Specifically, the government is providing almost $2.4 billion to support families, including:

- $1.1 billion announced in the November 2021 update to enhance the refundable tax credit for childcare expenses;
- $1.3 billion announced since Budget 2021-2022 to complete the educational childcare services network and modernize family law.

In addition, the government is providing $742 million to help communities, including:

- $345.6 million announced as part of the November 2021 update to, in particular, prevent gun violence, combat discrimination and racism, and improve local transportation;
- $396.4 million announced since Budget 2021-2022 to prevent domestic violence and provide healthy environments for youth.

Financial impact of the actions to support families and help communities
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting families						
– Measures set out in the November 2021 update	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
– Announcements since Budget 2021-2022	–84.8	–214.1	–278.9	–333.6	–366.1	–1 277.5
Subtotal	**–310.4**	**–429.3**	**–491.0**	**–544.6**	**–582.7**	**–2 358.0**
Helping communities						
– Measures set out in the November 2021 update	–10.0	–252.5	–27.9	–27.7	–27.5	–345.6
– Announcements since Budget 2021-2022	–123.1	–67.6	–70.0	–70.5	–65.2	–396.4
Subtotal	**–133.1**	**–320.1**	**–97.9**	**–98.2**	**–92.7**	**–742.0**
TOTAL	**–443.5**	**–749.4**	**–588.9**	**–642.8**	**–675.4**	**–3 100.0**

1. SUPPORTING FAMILIES

To provide greater support for families, the government is taking action to ensure they will have access to high-quality educational childcare services at a comparable cost, regardless of the childcare service the child attends.

To reduce the costs paid by families with children attending a non-subsidized childcare service and to make the net rate more comparable to the cost of a subsidized service, the government is announcing a significant enhancement of the refundable tax credit for childcare expenses, beginning in 2021.

— The enhancement represents nearly $1.1 billion from now to 2025-2026.

— It ensures greater neutrality between the cost of reduced-rate and non-subsidized childcare.

On October 21, the government announced a wide-reaching action plan to complete the educational childcare services network.

— This action plan will make it easier to meet parents' needs, in part by creating 37 000 subsidized childcare spaces by March 2025.

The government is also investing $43.2 million over five years to modernize family law to better reflect the reality of today's families.

Overall, nearly $2.4 billion will be allocated to Québec families over five years.

In addition, the government is expanding access to infertility treatment services for thousands of people who want to have a child, amounting to $249.7 million by 2025-2026.[1]

TABLE E.2

Financial impact of the measures to support families
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Enhancing the refundable tax credit for childcare expenses	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
Completing the educational childcare services network	–71.7	–202.4	–271.1	–328.3	–360.8	–1 234.3
Modernizing family law	–13.1	–11.7	–7.8	–5.3	–5.3	–43.2
TOTAL	**–310.4**	**–429.3**	**–491.0**	**–544.6**	**–582.7**	**–2 358.0**

1 These funds are already provided for in the budget envelope of the Ministère de la Santé et des Services sociaux.

1.1 Enhancing the refundable tax credit for childcare expenses

To quickly reduce financial pressure on families facing high costs in non-subsidized childcare services, the government is enhancing the refundable tax credit for childcare expenses, beginning in the 2021 taxation year.

A person who is working, studying or actively seeking employment is entitled to a refundable tax credit based on their family income and eligible childcare expenses[2] paid for children attending a non-subsidized daycare.

The enhanced tax credit is intended to ensure that parents pay a net fee that is relatively equivalent to that of a subsidized daycare, regardless of their family income.

The eligible expense limit for children under 7 years old is increased to cover a rate of $40 per day for a full year, that is, 260 days of care. In addition, the tax credit rates have been increased to provide more generous tax assistance.

— The limit for disabled children is increased, as well.

Overall, the enhancement of the tax credit will have a financial impact of about $215 million per year, or $1.1 billion over five years, and will affect some 385 000 families.

Benefiting from the enhanced tax credit more quickly
Families that claim the refundable tax credit for childcare expenses will benefit from the enhancement for the 2021 taxation year after they file their tax returns next spring. To benefit more quickly from the enhancement for 2022, families can apply for an advance refund using the *Tax Credit for Childcare Expenses: Application for Advance Payments* form *(TPZ-1029.8.F-V)* or through My Account for individuals on the Revenu Québec website. Families that have already applied for advance payment for the 2022 taxation year will have their advance refund automatically adjusted by Revenu Québec in the first months of 2022.

2 Eligible childcare expenses are those paid, in respect of a child who is under 16 years of age or who is dependent because of a mental or physical impairment, to an individual, a daycare centre, a boarding school or a summer camp, with the exception of the reduced parental contribution paid to a subsidized daycare.

❑ Limit covering a gross rate of $40 per day

The limit for qualifying childcare expenses for children under 7 years old is increased to $10 400 per year, beginning in 2021, which is equivalent to a daily rate of $40 for a child attending daycare full-time, or 260 days.

- This limit covers the average amount claimed in advance by parents in 2021, which is $39.64 per day.
- For parents whose children do not attend childcare all year, this new limit may cover a daily rate higher than $40.
  - For example, the tax credit covers a daily rate of nearly $58 for a child who is in childcare for only 180 days a year.

This limit is also indexed annually and will reach $10 675 in 2022, the equivalent of a daily rate of $41.06.

To provide more support for families with a disabled child, the limit that applies to disabled children will be increased to $14 230 in 2021 and indexed to $14 605 in 2022.

TABLE E.3

Increase in the limits applicable to qualified childcare expenses – 2021
(dollars)

	Under age 7	Disabled	School age(1)
Current limit	9 950	13 615	5 235
New limit	10 400	14 230	5 235
ENHANCEMENT	**+450**	**+615**	**—**

(1) These are children aged 7 to 15 without disabilities.

❑ Greater proportion of childcare expenses refunded

The changes made to the tax credit table assure parents that the government will refund to them, through the tax credit, at least two thirds of either their qualifying childcare expenses or the limit, as applicable.

The tax assistance is enhanced by:

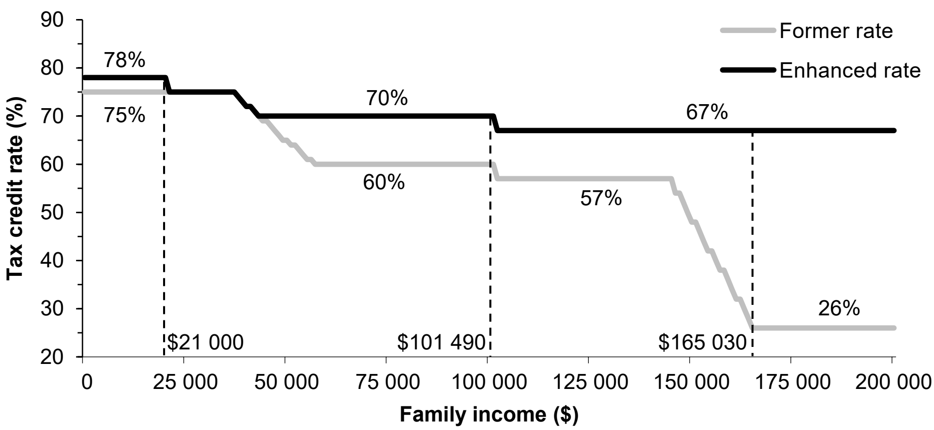
— adding a new tier, at a rate of 78%, for households with family incomes up to $21 000;

— increasing the rate to 70% for families with a family income between $43 880 and $101 490;

— increasing the minimum rate in the table from 26% to 67%, which is now reached at a family income of over $101 490.

CHART E.1

Enhancement of the refundable tax credit rates for childcare expenses – 2021



❑ Similar net rates, regardless of income

With the current refundable tax credit for childcare expenses and a gross daily rate of $40, parents are generally paying a net daily rate of about $5 more than at a subsidized $8.50 daycare, for family incomes up to $150 000.

— Above this family income, parents may pay a net rate three times as high as the subsidized childcare rate.

The enhancement of this tax credit will allow families to pay a daily rate comparable to the subsidized rate, regardless of their family income.

For example, a family with two equal incomes totalling $100 000 with a single child is currently paying, in 2021, $5.04 more for non-subsidized childcare, or a net rate of:

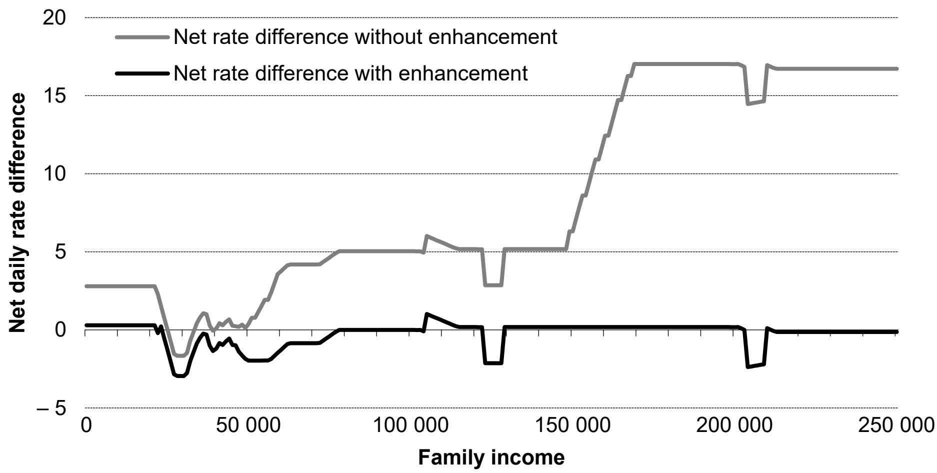
— $7.03 for subsidized $8.50 childcare;[3]

— $12.07 for non-subsidized $40 childcare.

With the enhancement of the tax credit, the net rate for non-subsidized childcare will be $7.03, or the same as for a reduced-rate childcare service.

CHART E.2

Difference in the net daily rate of subsidized $8.50 childcare and non-subsidized $40 childcare – 2021
(dollars)



Note: The gap shown is for a couple with equal work incomes and one child in daycare.

❑ Obligation to issue an RL-24 slip

To facilitate the processing of tax assistance claims, the issuance of an RL-24 slip will become mandatory as of the 2022 taxation year for all childcare expenses eligible for the refundable tax credit for childcare expenses.

Work will be undertaken by Revenu Québec to implement this measure.

3 The calculation of the net childcare rate also takes the federal tax assistance into account.

❑ Illustration for a couple with one child

Thanks to the increase in the refundable tax credit for childcare expenses, a couple with one child will pay a similar rate for non-subsidized childcare at $40 and subsidized childcare at $8.50, regardless of family income.

- Couples with incomes under $70 000 will pay slightly less for non-subsidized childcare.
- Couples with an income between $80 000 and $100 000 will pay the same net rate, regardless of the type of childcare.
- Those with income between $60 000 and $100 000 will see their net rate reduced by $5.04 per day.
  - On an annual basis, this represents savings of $1 310 for these families.

The maximum gain under the tax credit enhancement could reach $4 381.

TABLE E.4

Illustration for a couple with two equal incomes and one child – 2021
(dollars)

		Non-subsidized daycare ($40 per day)				Gain	
Family income	Subsidized daycare ($8.50 per day)	Net rate before	Difference	Net rate after	Difference	Per day	Annual
20 000	7.82	10.62	2.80	8.12	0.30	2.50	650
30 000	7.92	6.26	–1.66	4.96	–2.96	1.30	338
40 000	6.67	6.74	0.07	5.46	–1.21	1.28	333
50 000	6.42	6.82	0.40	4.46	–1.96	2.36	614
60 000	6.85	10.61	3.76	5.57	–1.28	5.04	1 310
70 000	6.89	11.08	4.19	6.04	–0.85	5.04	1 310
80 000	7.17	12.21	5.04	7.17	—	5.04	1 310
90 000	7.17	12.21	5.04	7.17	—	5.04	1 310
100 000	7.03	12.07	5.04	7.03	—	5.04	1 310
150 000	6.78	13.08	6.30	6.95	0.17	6.13	1 594
175 000	6.77	23.80	17.03	6.95	0.18	16.85	4 381

Note: For more details, see the Daily childcare cost for 2021 calculator available on the website of the Ministère des Finances, www.finances.gouv.qc.ca.

1.2 Completing the educational childcare services network

The government is committed to supporting all Québec families. An increase in the refundable tax credit for childcare expenses forms part of a major project aimed at providing a space for every child in the educational childcare services network.

Since its creation in 1997, the educational childcare services network has played a crucial role for families in Québec—both in early childhood development and in the greater participation of women in the labour market. However, some parents are still having difficulty finding a childcare space.

Consequently, on October 21, 2021, the government tabled the action plan titled "Grand chantier pour les familles – Plan d'action pour compléter le réseau des services de garde éducatifs à l'enfance."[4]

Over $1.2 billion over five years has been earmarked for:

- creating 37 000 subsidized childcare spaces;
- consolidating home-based childcare services;
- improving access to the educational childcare services network.

TABLE E.5

Financial impact of the measures to complete the educational childcare services network
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Creating 37 000 subsidized childcare spaces	–21.0	–149.9	–215.2	–291.5	–321.9	–999.5
Consolidating home-based childcare services	–42.0	–13.2	–18.6	–6.8	–6.8	–87.4
Improving access to the educational childcare services network	–8.7	–39.3	–37.3	–30.0	–32.1	–147.4
TOTAL	**–71.7**	**–202.4**	**–271.1**	**–328.3**	**–360.8**	**–1 234.3**

Note: The required funding will be granted to the Ministère de la Famille.

4 OFFICES OF THE PREMIER AND OF THE MINISTER OF FAMILIES, "Grand chantier pour les familles – Un plan d'action concret pour que chaque enfant ait enfin accès à une place en service de garde," [Press release], [www.quebec.ca/nouvelles/actualites/details/grand-chantier-pour-les-familles-un-plan-daction-concret-pour-que-chaque-enfant-ait-enfin-acces-a-une-place-en-service-de-garde-35560].

In addition, the government has announced measures to address labour needs in childcare services. They are presented in Section D, “Taking Action to Deal with the Labour Shortage and Stimulate Economic Growth.”

Addressing labour needs in educational childcare services
To complete the educational childcare services network, the government plans to step up its actions aimed at increasing the numbers of available educators. Taking into account the needs of the current network and the creation of 37 000 spaces, 17 800 new hires will be necessary, and close to 7 000 educators already working in the network will be incited to get qualified. To meet labour needs in educational childcare services, initiatives totalling $295.3 million are planned between now and 2025-2026, including $212.6 million in additional investments and $82.7 million financed from the departments' current budget envelopes. The additional investments will be used primarily to: – increase participation in remunerated short training courses alternating work and study; – support the process of obtaining recognition of acquired know-how and skills and favouring graduation; – provide a temporary salary bonus to retirees participating in the pension plan for personnel of CPEs and recognized private childcare services in Québec; – step up recruitment by promoting the vocation and attracting more students or foreign workers to this field.

1.2.1 Creating 37 000 subsidized childcare spaces

In order to provide childcare spaces for all families, the government aims to create 37 000 subsidized childcare spaces by 2024-2025, as announced in the action plan for completing the educational childcare services network.

To quickly add subsidized childcare spaces and meet its goal of creating 37 000 spaces by March 2025,[5] the government announced funding for:

— the addition of 4 655 subsidized spaces to an ongoing request for proposals on August 23, 2021;

— the creation of 17 000 subsidized spaces on October 21, 2021.

Furthermore, until very recently, new subsidized spaces were assigned to applicants through requests for proposals issued sporadically and at irregular intervals.

— This process was difficult to anticipate for promoters.

The process of allocating 17 000 subsidized spaces is now done through a rolling submission of projects rather than at a fixed date. The request for proposals will remain open in each territory until the desired balance between supply and demand for spaces has been obtained.

In total, these new spaces represent a cost of close to $1 billion over five years.

TABLE E.6

Financial impact of the measures to create 37 000 subsidized childcare spaces
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Rapidly adding 4 655 subsidized spaces	–8.8	–40.2	–55.0	–67.2	–70.0	–241.2
Creating 17 000 subsidized spaces	–12.2	–109.7	–160.2	–224.3	–251.9	–758.3
TOTAL	**–21.0**	**–149.9**	**–215.2**	**–291.5**	**–321.9**	**–999.5**

5 The government plans to create 37 000 additional subsidized childcare spaces. However, the financial impact concerns only 21 655 spaces, because funding for the other spaces has already been set aside.

1.2.2 **Consolidating home-based childcare services**

Many families place their children in home-based childcare services. However, the number of subsidized childcare spaces offered by home childcare providers has been falling over the past few years.

— Between 2014 and 2020, the number of home childcare providers fell by more than 20%.

In order to consolidate home-based childcare services and stimulate the creation of new spaces, the government has announced the implementation of several measures as part of the action plan for completing the educational childcare services network presented on October 21, 2021.

In particular, the government has earmarked $87.4 million over five years to:

— integrate non-recognized persons into the educational childcare services network;

— support home-based childcare service start-ups;

— offer a financial incentive for providing childcare for six children.

TABLE E.7

Financial impact of the measures to consolidate home-based childcare services
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Integrating non-recognized persons into the educational childcare services network	—	–6.8	–6.8	–6.8	–6.8	–27.2
Supporting home-based childcare service start-ups	–5.5	–6.4	–11.8	—	—	–23.7
Offering a financial incentive for providing childcare for six children(1)	−36.5	—	—	—	—	−36.5
TOTAL	**–42.0**	**–13.2**	**–18.6**	**–6.8**	**–6.8**	**–87.4**

(1) The financial incentive for the care of six children will be in effect until March 31, 2022. Thereafter, the increased subsidy for home childcare providers will replace the financial incentive.

❑ Integrating non-recognized persons into the educational childcare services network

To ensure high-quality home-based childcare services, the government has announced its intention to integrate non-recognized persons into the educational childcare services network.[6]

- Non-recognized persons are those who offer unsubsidized home-based childcare services and are not recognized by the Ministère de la Famille.

The government has set aside $27.2 million over four years to ensure that home childcare coordinating offices have the resources they need to accommodate non-recognized persons who wish to become home childcare providers.

❑ Supporting home-based childcare service start-ups

To stimulate the creation of new home-based childcare spaces, a lump sum of $3 500 for the start-up of a home-based childcare service was announced in June 2021.

This sum will support those who have submitted an application for recognition as home childcare providers and who undertake to provide the service for at least one year.

Taking into account applications from non-recognized persons who will want to become home childcare providers, the government has set aside $23.7 million over three years to support home-based childcare service start-ups.

❑ Offering a financial incentive for providing childcare for six children

In order to provide childcare for more children, the government also announced a financial incentive for subsidized home childcare providers who care for at least six children full time.

- These providers will be required to provide this level of service from June 1, 2021, to March 31, 2022 to receive a lump sum payment of $3 000.

After that, this incentive will be replaced by a significant increase in subsidies to home childcare providers.[7]

The government is setting aside $36.5 million for this financial incentive in 2021-2022.

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6 Implementation of this measure will require legislative and regulatory amendments.

7 This increase was announced on October 4, 2021.

1.2.3 Improving access to the educational childcare services network

To improve access to the network of educational childcare services, the government announced other measures on October 21, 2021, when it unveiled the action plan for completing the educational childcare services network.

The government has earmarked $147.4 million over five years for this purpose, in particular to:

— bring the single-window access under government responsibility;

— support the fitting out of temporary premises;

— extend drop-in childcare activities;

— follow the plan for accelerating space accessibility;

— support disabled children and those with special needs.

TABLE E.8

Financial impact of the measures to improve access to the educational childcare services network
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Bringing the single-window access under government responsibility	—	–1.0	–6.0	–1.7	–1.7	–10.4
Supporting the fitting out of temporary premises	–2.1	–10.3	–3.1	—	—	–15.5
Extending drop-in childcare activities	—	–6.0	–6.0	–6.0	–8.0	–26.0
Following the plan for accelerating space accessibility	–6.6	–13.7	–13.8	–13.8	–13.8	–61.7
Supporting disabled children and those with special needs	—	–6.4	–6.4	–6.4	–6.4	–25.6
Favouring development of smaller facilities	—	–1.4	–1.5	–1.6	–1.7	–6.2
Upholding the distinct character of educational childcare services in Indigenous communities	—	–0.5	–0.5	–0.5	–0.5	–2.0
TOTAL	**–8.7**	**–39.3**	**–37.3**	**–30.0**	**–32.1**	**–147.4**

Bill to amend the *Educational Childcare Act*

On October 21, 2021, the government tabled Bill 1, *An Act to amend the Educational Childcare Act to improve access to the educational childcare services network and complete its development*.

This bill proposes the legislative amendments necessary to implement measures to complete the educational childcare services network, in particular to:

- integrate non-recognized persons into the educational childcare services network;
- bring the single-window access under government responsibility;
- extend drop-in childcare activities;
- uphold the distinct character of educational childcare services in Indigenous communities.

In addition to these measures, the bill will improve access to and development of daycares, in particular to:

- make the right to a space in an educational childcare service a reality;
- increase the maximum number of children per facility and remove the permit limit on CPEs;
- review the composition and mandate of advisory committees on the provision of educational childcare services and reduce the time taken to analyze projects;
- strengthen the levers necessary to protect children's health and safety;
- harmonize the practices of home childcare coordinating offices;
- determine the admission criteria of subsidized educational childcare services and prioritize access to educational childcare for children living in a precarious socioeconomic context.

❑ Bringing the single-window access under government responsibility

The terms of access to the educational childcare services network are important for parents. They wish to see a transparent and fair waiting list that guarantees the protection of personal information.

In this context, the government will henceforth take direct responsibility for the operation of the single admission window in order to ensure that a true waiting list, listing children in order of priority, can be established.[8]

The government will devote $10.4 million over four years for this purpose.

❑ Supporting the fitting out of temporary premises

To reduce wait times, the government has announced that it will reimburse municipalities and band councils for part of the expense of making temporary facilities available for a childcare service that complies with the requirements of the Ministère de la Famille.

To be eligible, each temporary facility must advance by a minimum of three months the creation of at least 10 new spaces granted by the Ministère de la Famille.

The maximum reimbursement will be $56 250 per temporary facility, as follows:

- 100% of the first $37 500 of eligible expenses;
- 50% of the following $37 500.

Taking into account operating subsidies for the spaces advanced, the financial impact of this measure corresponds to $15.5 million over three years.

❑ Extending drop-in childcare activities

In order to better meet families' needs for occasional or temporary childcare, the government is expanding allowed drop-in childcare activities.

- Drop-in activities are offered in particular by community organizations and aim to provide flexible childcare services that meet the diverse needs of parents in their community.

This expansion will also make it possible to reach more children from precarious socioeconomic backgrounds, who are less likely to attend educational childcare.

In this regard, the government is providing $26.0 million over four years to further support organizations that offer drop-in daycare activities.[8]

8 Implementation of this measure will require legislative and regulatory amendments.

❑ Following the plan for accelerating space accessibility

In the winter of 2019, the government launched a plan to accelerate the accessibility of spaces in educational childcare services. This plan jump-started the creation of thousands of spaces, and a maximum completion period of 24 months was imposed on all project promoters.

An amount of $61.7 million over five years has been earmarked to enable the Ministère de la Famille to provide all promoters with close, ongoing support.

❑ Supporting disabled children and those with special needs

To better support disabled children and those with special needs, the government has set aside $25.6 million over four years to support childcare services that receive these children.

❑ Favouring development of smaller facilities

The government will favour the development of smaller facilities in regions, where demand does not justify the construction of large facilities. It has set aside $6.2 million over four years for this purpose.

❑ Upholding the distinct character of educational childcare services in Indigenous communities

The government is also taking an unprecedented step in proposing that, by means of agreements, any standard set out in the *Educational Childcare Act* be adapted to harmonize with any custom, tradition or lifestyle of an Indigenous community.[9]

This provision would make it possible to better adapt legislative and regulatory frameworks to the sociocultural and geographic realities of Indigenous people, particularly as regards the practice of their traditional or cultural activities.

Funding of $2.0 million over four years is provided for this purpose.

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9 Implementation of this measure will require legislative and regulatory amendments.

1.3 Modernizing family law

To foster the well-being of families, the government wants to update family law, to better reflect today's realities.

— Family law oversees legal relationships within the family and between the family and individuals. It covers in particular the rules that govern marriage, adoption and parental authority.

In June 2015, the Comité consultatif sur le droit de la famille tabled its final report, proposing, among other things, to update the rules related to filiation and to children born to a surrogate mother.

The last changes to the rules of filiation were made almost 20 years ago. For a number of years, there have been calls for legislative amendments to ensure the equality of sexual minority parents and to reflect their family reality.

As such, on October 21, 2021, the government tabled Bill 2, *An Act respecting family law reform with regard to filiation and amending the Civil Code in relation to personality rights and civil status*. This is a first step in the modernization of family law.

The sum of $43.2 million over five years has been set aside to implement the amendments brought about by the bill.

TABLE E.9

Financial impact of the modernization of family law
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Modernizing family law	–13.1	–11.7	–7.8	–5.3	–5.3	−43.2

Note: The following funding will be granted: $30.7 million to the Ministère de la Santé et des Services sociaux, $11.1 million to the Ministère du Travail, de l'Emploi et de la Solidarité sociale and $1.4 million to the Ministère de la Justice.

1.4 Expanding access to infertility treatments

As of November 15, 2021, all of the provisions of the *Act to amend various provisions respecting assisted procreation* are now in force in Québec, which restores public coverage of several medically assisted procreation (MAP) and in vitro fertilization services, including coverage of one cycle[10] of in vitro fertilization for women under the age of 41.

These changes to the MAP program will facilitate access to infertility treatment for thousands of Quebecers who want to have a child.

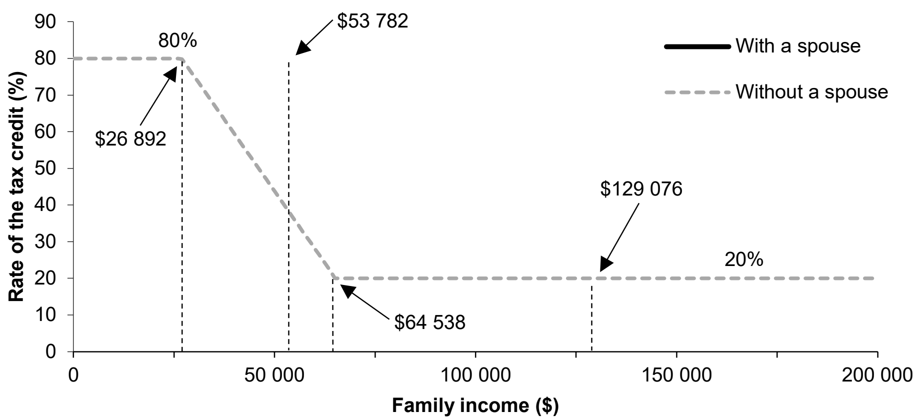
❑ Expanded eligibility for tax credit

The refundable tax credit for the treatment of infertility[11] has been changed to make it complementary to the public health coverage now offered by the MAP program. There are no longer any limits on the number of cycles eligible for the tax credit. In addition, the cost of artificial insemination for individuals who do not qualify for the MAP program is now eligible for the tax credit, regardless of the woman's age.

A person who does not have access to the services covered by the MAP program may receive assistance ranging from 80% to 20% of the eligible costs, based on their family income and family status, for a maximum of $20 000 in eligible expenses annually. This tax credit represents a maximum annual assistance of $16 000 to $4 000, depending on the applicable rate.

CHART E.3

Illustration of tax credit for infertility treatment – 2021



10 An in vitro fertilization cycle can only include one ovarian puncture. It begins at the time of the first ovarian stimulation or at the time of the ovarian puncture, as the case may be, and ends when no embryo was produced following the ovarian puncture or when all embryos produced following the ovarian puncture have been transferred.

11 The changes to the tax credit were announced in *Information Bulletin 2021-7*, published on November 10, 2021, and came into effect on November 15, 2021.

2. HELPING COMMUNITIES

The government intends to do more to help communities prevent armed violence, combat racism and prevent domestic violence.

In addition, additional funds will be invested in social housing support services, road network improvements and public transit.

Lastly, the government wants to do more to ensure the health and safety of young people in schools and to encourage sports activities.

In total, the government will invest $742 million over five years to help Québec communities, that is:

- $46.4 million to increase crime prevention efforts;
- $103.5 million to deploy Opération CENTAURE;[12]
- $20.8 million to combat discrimination and racism;
- $232.3 million to prevent domestic violence and provide better support for victims;[13]
- $26.5 million to finance support services for social and community housing;
- $120.0 million to provide more support to municipalities to improve the local road network;
- $100.0 million to support the Autorité régionale de transport métropolitain for the funding of public transit;
- $75.0 million to make schools safer by installing CO_2 monitors;[14]
- $17.5 million to support youth sports and recreation.[15]

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12 Of this amount, the government announced an investment of over $90 million on September 24,2021.

13 Of this amount, the government announced close to $200 million on April 23, 2021, to combat domestic violence and $32.6 million on September 15, 2021, following the tabling of Bill 92 on the establishment of a court specializing in sexual and domestic violence.

14 The government announced the acquisition and installation of the CO_2 monitors on June 2, 2021.

15 Of this amount, the government provided $5 million in support for day and sleepaway camps on July 7, 2021.

TABLE E.10

Financial impact of the measures to help communities
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Implementing the Québec strategy to combat gun violence						
Increasing crime prevention efforts	−2.7	−10.0	−11.5	−11.2	−11.0	−46.4
Deploying Opération CENTAURE	–11.8	–22.8	–22.7	−23.0	–23.2	–103.5
Subtotal	**–14.5**	**–32.8**	**–34.2**	**–34.2**	**–34.2**	**–149.9**
Combatting discrimination and racism	–1.2	–4.9	–4.9	–4.9	–4.9	–20.8
Preventing domestic violence and improving support for victims	–32.5	–49.3	–51.8	–52.1	–46.6	–232.3
Funding social and community housing support services	–0.5	–5.0	–7.0	–7.0	–7.0	–26.5
Providing municipalities with greater support for improving the local road network	—	–120.0	—	—	—	–120.0
Supporting the Autorité régionale de transport métropolitain for the funding of public transit	—	–100.0	—	—	—	–100.0
Equipping schools with CO_2 monitors	–75.0	—	—	—	—	–75.0
Promoting youth sports and recreational activities	–9.4	–8.1	—	—	—	–17.5
TOTAL	**–133.1**	**–320.1**	**–97.9**	**–98.2**	**–92.7**	**–742.0**

Initiatives in addition to those announced since Budget 2021-2022

The government is continuing its action to help Québec communities. To do this, it is announcing investments of $345.6 million in the November 2021 update, broken down as follows:

- $46.4 million to increase crime prevention efforts;
- $19.4 million to provide legal support to Opération CENTAURE;
- $20.8 million to combat discrimination and racism;
- $26.6 million to finance support services for social and community housing;
- $120.0 million to provide more support to municipalities to improve the local road network;
- $100.0 million to support the Autorité régionale de transport métropolitain with funding for public transit;
- $12.5 million to get young people moving again and enhance the skills of recreation and sports stakeholders;

These investments are in addition to the $396.4 million that has already been announced since Budget 2021-2022, which is distributed as follows:

- $84.1 million to strengthen police capacity through CENTAURE squads;
- $232.3 million to prevent domestic violence and provide better support for victims;
- $75.0 million to make schools safer by installing CO_2 monitors;
- $5.0 million to support day camps and sleepaway camps.

Recognizing the work of community organizations

The community action sector is an essential part of the social and economic development of Québec.

Organizations in this sector work primarily with vulnerable people, including women victim of domestic violence and people who are unhoused or facing poverty or isolation.

Annual funding of $1.4 billion

The government recognizes the importance of the work carried out by the organizations in the community action sector. For this reason, it is granting over $1.4 billion annually to more than 5 000 community organizations.

In 2021, the government increased its financial support by $312 million over five years, as follows:

- $175 million in Budget 2021-2022;
- $137 million announced since April 2021, in particular to increase support for women victim of domestic violence and combat femicide.

Excluding emergency assistance, funding will increase by about $130 million in 2021-2222 compared to 2020-2021, up 10%.

2.1 Implementing the Québec strategy to combat gun violence

In recent months, Québec has witnessed a worrisome increase in the number of violent events involving firearms, primarily in the greater Montréal region. These recurring incidents, involving mainly members of criminal groups, constitute a threat to safety and disrupt the peace and tranquillity of the public.

To combat this wave of violence and uphold the safety of people across Québec, the government is adopting a strategy to combat gun violence, which is divided into two main areas, namely:

- crime prevention;
- the repression of crimes involving firearms.

2.1.1 Increasing crime prevention efforts

In order to help communities, and particularly young people, the government is putting in place several initiatives to support organizations dedicated to crime prevention that intervene upstream, and is increasing the assistance provided to these organizations to do so.

Community-based organizations are of paramount importance in crime prevention. They intervene directly with at-risk populations and provide better care for vulnerable people.

The government hopes to prevent firearm-related violence by allowing young people to develop their interests and passions and to achieve their full potential through sports, artistic and cultural activities adapted to their needs. It also wants to provide more support for people at risk of becoming involved in crime.

In addition, the government will implement training to prevent racial and social profiling and to equip police officers to better understand the complex issues they face in a diverse society.

The government will also focus on preventing criminal recidivism by supporting inmates before the end of their sentence and by providing them with services to promote their reintegration into society.

In addition, it will support research into firearm violence in order to gain a better overview of the issue and more effectively guide stakeholders' actions.

The government is providing funding of $46.4 million over five years for crime prevention.

TABLE E.11

Financial impact of the measures to increase crime prevention efforts
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Improving support for crime prevention organizations(1)	–1.9	–8.8	–10.3	–10.2	–10.0	–41.2
Focusing on the prevention of criminal recidivism(1)	–0.3	–0.7	–0.7	–0.7	–0.7	–3.1
Supporting research into firearm violence(2)	–0.5	–0.5	–0.5	–0.3	–0.3	–2.1
TOTAL	**–2.7**	**–10.0**	**–11.5**	**–11.2**	**–11.0**	**–46.4**

(1) The required funding will be granted to the Ministère de la Sécurité publique. Of this amount, $0.9 million will be granted to the École nationale de police du Québec.
(2) The required funding will be granted to the Ministère des Affaires municipales et de l'Habitation.

2.1.2 Deploying Opération CENTAURE

On September 24, 2021, the government announced the establishment of Opération CENTAURE (Coordination des efforts nationaux sur le trafic d'armes, unis dans la répression et les enquêtes) as part of Québec's strategy to combat gun violence.

Deploying Opération CENTAURE will strengthen the capacity of organized crime squads all across Québec and maximize intelligence sharing on a provincial scale. As a result, the number of investigations and interventions will be increased, particularly to disrupt the illegal supply of firearms.

— More than a hundred new resources will be assigned to combat armed violence and firearms trafficking. These resources will be used to deploy specialized integrated teams and expand the capacity of the Laboratoire de sciences judiciaires et de médecine légale.

Opération CENTAURE

Opération CENTAURE was launched in September 2021 and has already produced results in its fight against organized crime and firearms trafficking.

Visibility operation

A visibility operation took place on the weekend of October 2 and 3, 2021. The purpose of this operation was to gather information and develop links with the keepers and staff of establishments with a liquor permit.

A total of 144 such establishments in Montréal, Laval, Québec, Longueuil, Gatineau, Trois-Rivières and the Eastern Townships were visited. More than 200 police officers from 14 police forces were involved in this operation. Four arrests were made, including for breach of conditions and execution of warrants.

Major searches in Québec

On November 4, 2021, Opération CENTAURE resources conducted searches in several Québec regions. Approximately 30 searches of homes and vehicles were conducted in 10 different investigations.

More than 170 kilograms of cocaine were seized, as well as a dozen long guns, some handguns, silencers, magazines, ammunition, various quantities of other drugs and tens of thousands of dollars in cash.

The implementation of Opération CENTAURE will impact judicial activities on many levels. Additional resources are required to enable the Ministère de la Justice, the Directeur des poursuites criminelles et pénales and the Commission des services juridiques to contribute to the efficient processing of the files that will be generated.

The government is providing $103.5 million over five years for the implementation of Opération CENTAURE.

TABLE E.12

Financial impact of the measures to deploy Opération CENTAURE
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Strengthening police capacity with CENTAURE squads(1)	–10.6	–18.3	–18.2	–18.4	–18.6	–84.1
Providing legal support to Opération CENTAURE(2)	–1.2	–4.5	–4.5	–4.6	–4.6	–19.4
TOTAL	**–11.8**	**–22.8**	**–22.7**	**–23.0**	**–23.2**	**–103.5**

(1) The required funding will be granted to the Ministère de la Sécurité publique.
(2) The required funding will be granted to the Ministère de la Justice.

2.2 Combatting discrimination and racism

The Commission des droits de la personne et des droits de la jeunesse is an independent organization whose mission is to, in particular:

- inform the public about rights recognized by the *Charter of Human Rights and Freedoms*;
- carry out investigations in cases of discrimination and exploitation;
- offer an advisory service on reasonable accommodation;
- monitor the application of equal access to employment programs;
- manage complaints, in particular about racism and discrimination.

In recent years, the Commission has recorded a large increase in the number of complaints related to discrimination and racism. The growing demand for its services limits the support it can offer to the public as a whole, given the staff at its disposal.

Thus, the government has set aside $20.8 million over five years to allow the Commission to hire more staff, which will allow it to:

- take greater action in regions to respond to local and neighbourhood realities, particularly among Indigenous peoples and minority groups;
- reduce complaint processing time, particularly in the area of housing, in accordance with the recommendation made by the action group against racism in its report titled *Racism in Québec: Zero Tolerance*, tabled on December 14, 2020;
- provide more training on discrimination and racism.

TABLE E.13

Financial impact of the measure to combat discrimination and racism
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Combatting discrimination and racism	−1.2	–4.9	–4.9	–4.9	–4.9	−20.8

Note: The required funding will be granted to the Ministère de la Justice.

2.3 Preventing domestic violence and improving support for victims

Québec has been profoundly shaken by the wave of femicides that have occurred this year. The government is taking strong action to prevent violence against women and provide better support for victims. A number of measures have been announced since April 2021.

These initiatives, which are consistent with the recommendations tabled by the expert committee on support for victims of sexual assault and domestic violence, correspond to additional funding of more than $232 million over five years. They have the following objectives:

— prevent domestic violence and femicides;

— complete two new shelter projects for women victim of domestic violence;

— set up a court specialized in sexual violence and domestic violence.

TABLE E.14

Financial impact of the measures to prevent domestic violence and improve support for victims
(millions of dollars)

	2021-2022	**2022-2023**	**2023-2024**	**2024-2025**	**2025-2026**	**Total**
Preventing domestic violence and femicides(1)	–30.1	–39.2	–40.4	–43.4	–46.6	–199.7
Completing two new shelter projects for women victim of domestic violence(2)	—	—	—	—	—	—
Setting up a court specialized in sexual violence and domestic violence(3)	–2.4	–10.1	–11.4	–8.7	—	–32.6
TOTAL	**–32.5**	**–49.3**	**–51.8**	**–52.1**	**–46.6**	**–232.3**

(1) Taking into account the funding from the envelope already set aside for the recommendations of the Viens Commission and the Ministère de la Justice envelope for support for victims of violence, a total of $222.9 million will be invested in the implementation of these initiatives. The required funding will be granted to the government departments responsible for implementing the measures.
(2) An amount of $5 million in 2021-2022 will be funded using the available budgetary resources of the Société d'habitation du Québec.
(3) The required funding will be granted to the Ministère de la Justice.

These measures are in addition to the $202.5 million over six years announced before April 2021 to address violence against women, which includes:

— $180 million for the implementation of the 2020-2025 specific action plan to prevent high-risk domestic violence and increase victim safety;

— $22.5 million announced in Budget 2021-2022 to increase funding for shelters from 2021-2022 to 2025-2026.

❑ Preventing domestic violence and femicides

On April 23, 2021, the government announced a series of measures aimed at preventing domestic violence and femicides and ensuring the safety of victims.

One of the key measures of the plan is to increase the funding of first-stage shelters by $92.0 million over five years.[16]

This additional funding will allow spaces to be created and consolidated in these shelters and enable resources to be hired so that external services available to victims, such as a crisis line, support and social services can rapidly be enhanced.

Since the fight against domestic violence and femicides must be waged on a number of fronts, in addition to support for shelters, the measures announced in the spring of 2021 are also aimed at:

— helping women and children get out of a dangerous environment and obtain immediate access to diverse essential resources, including temporary housing;

— increasing the funding of organizations to help men with violent behaviour;

— maintaining and setting up new rapid intervention cells that ensure a safety net for victims of domestic violence and developing others in order to cover all regions;

— creating new second-stage shelter units that enable women leaving first-stage shelters to make the transition to independent living;

— appointing more domestic violence resources in police forces, correctional services and the department of the director of criminal and penal prosecutions;

— consolidating the interventions of the organization SOS violence conjugale, by improving its 24/7 emergency and referral phone line with a chat and text message service;

— applying the principle of vertical prosecution in domestic violence and sexual assault cases[17] throughout Québec, so that victims can be supported by a single prosecutor from beginning to end.

In addition, measures have been announced to take into account the specific realities of First Nations and Inuit communities.

The government has provided investments totalling $222.9 million over five years for the implementation of these measures.

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16 These shelters provide emergency housing for women who leave their home and have urgent needs for accommodation.

17 An exemption is granted to the itinerant court.

❑ Completing two new shelter projects for women victim of domestic violence

The government is planning an additional $5-million investment in 2021-2022[18] to fund the completion of two new second-stage shelters for women victim of domestic violence.[19]

This amount is in addition to the investments announced in the spring of 2021 for projects to combat violence against women.

❑ Setting up a court specialized in sexual violence and domestic violence

All too often, victims of sexual assault or domestic violence hesitate to report their aggressor. One of the reasons for this is their lack of trust in the judicial system.

Consequently, on September 15, 2021, the government tabled Bill 92, now titled *An Act to create a court specialized in sexual and domestic violence*.

The main objective of the bill is to create a court specialized in sexual violence and domestic violence within a new specialized division of the Criminal and Penal Division of the Court of Québec.

The creation of this court will make it possible to provide better support and assistance for victims before, during and after the judicial process, and thus rebuild citizens' confidence in the justice system.

■ Setting up a pilot project

The first stage in the creation of the court will be a pilot project. This will make it possible to develop the best practices in the field and plan the specialized resources necessary to cover the whole of Québec, thereby facilitating the transition to a permanent specialized court.

In this regard, the government has allocated $32.6 million over four years to establish a pilot project for a court specialized in sexual violence and domestic violence.

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18 This measure will be funded using the available budgetary resources of the Société d'habitation du Québec.

19 These shelters provide accommodation for women who have experienced domestic violence to enable them to transition to independent living.

2.4 Funding social and community housing support services

Over the coming months, more than 1 200 housing units receiving funding under the first Rapid Housing Initiative will be completed or about to be completed.[20]

The majority of these housing units will be occupied by households having special housing needs and requiring support services provided by community organizations. Households with special housing needs may include, for example, persons who are homeless or at risk of homelessness, victims of domestic violence and persons suffering from addiction.

To fund these services, the government is setting aside $26.5 million over five years to benefit close to 1 000 households that will be living in social or community housing resulting from the federal government's first Rapid Housing Initiative.

TABLE E.15

Financial impact of the measure to fund support services
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Funding social and community housing support services	−0.5	−5.0	−7.0	−7.0	−7.0	−26.5

Note: The required funding will be granted to the Ministère de la Santé et des Services sociaux.

Support services

Housing for households with special housing needs can be twinned with support services funded by the Ministère de la Santé et des Services sociaux. These services, generally provided by community organizations, are aimed in particular at ensuring housing stability for households that receive them. The degree of support may vary depending on the clientele.

For example, support may take the form of help finding housing and signing a lease, assistance with acquiring and installing furniture, support for daily activities (e.g., grocery shopping, medical appointments, communicating with the landlord) and, more broadly, psychosocial support.

20 The Rapid Housing Initiative, introduced by the federal government, provides funding to organizations for the development of social and community housing within a 12-month period.

The 2021-2026 interdepartmental action plan on homelessness

On October 18, 2021, the Ministère de la Santé et des Services sociaux unveiled the 2021-2026 interdepartmental action plan on homelessness.

This plan, which draws on the national policy to fight homelessness, is principally aimed at preventing and reducing homelessness, but also at supporting homeless persons, with particular regard to stabilizing their residential, socio-professional, financial, legal or health situation. It is a follow-up to the 2015-2020 interdepartmental action plan on homelessness.

Funding of $280 million over five years

The plan's measures are grouped into 14 actions and will allow several departments and bodies to collaborate so that concerted, lasting action can be taken. The plan's total funding is close to $280 million over five years including, in particular:

- $34 million for enhancing the Qualifying Youth Program;
- over $77 million to provide affordable housing for people who are homeless or at risk of becoming homeless;
- over $53 million for emergency and transitional housing services, including $10 million reserved for services for women;
- $40 million to improve the continuum of addiction services for homeless people;
- close to $14 million for projects aimed at reducing homelessness among Indigenous people;
- $30 million to consolidate local services for the homeless;
- close to $11 million to stabilize the economic and socio-professional situation of the most disaffiliated people;
- over $17 million to improve knowledge and intervention practices, and to train and raise the awareness both of those who have dealings with homeless people and of the general public.

2.5 Providing municipalities with greater support for improving the local road network

The Québec government supports municipalities in the management, maintenance and improvement of local roads under their responsibility. Given that the local road network represents one third of Québec's roads, this support is essential to ensure the safety of users and the efficiency of travel.

However, the current funding available to support local road improvements is insufficient to meet all of the requests for financial assistance received for projects to be completed during the coming year.

To enable municipalities to accelerate the completion of necessary work on the local road network, the government is providing an additional investment of $120 million in 2022-2023.

This increase will bring the local road network financial assistance program envelope for 2022-2023 to $477.7 million.

TABLE E.16

Financial impact of the measure to provide municipalities with greater support for improving the local road network
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Providing municipalities with greater support for improving the local road network	—	–120.0	—	—	—	–120.0

Note: These funds will be drawn from the Land Transportation Network Fund. The required funding will be granted to the Ministère des Transports.

2.6 Supporting the Autorité régionale de transport métropolitain for the funding of public transit

The Autorité régionale de transport métropolitain (ARTM) is responsible for the planning of all services provided by public transit bodies in the Montréal metropolitan region. The ARTM was created in June 2017 as part of a reorganization of public transit governance. To facilitate the establishment of this new organization, the Québec government provided the ARTM with financial assistance.

The ARTM's revenue has fallen since 2020, however, mainly because of the pandemic, which has had substantial impacts on public transit ridership.

Additional funding of $100 million is allocated to the ARTM for 2022-2023. This assistance will maintain the level of services the metropolitan population expects to meet its mobility needs.

TABLE E.17

Financial impact of the measure to support the Autorité régionale de transport métropolitain
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting the Autorité régionale de transport métropolitain for the funding of public transit	—	–100.0	—	—	—	–100.0

Note: These funds will be drawn from the Land Transportation Network Fund. The required funding will be granted to the Ministère des Transports.

2.7 Equipping schools with CO_2 monitors

To maintain the quality of indoor air for students and staff in all classrooms in the school network, the Québec government is currently in the process of acquiring carbon dioxide (CO_2) monitors.

The installation of these monitors in learning spaces will enable continuous collection of air quality data in schools.

The government's goal is to ensure that the monitors will be distributed by the end of December 2021 to all pre-school, primary and secondary school classrooms as well as vocational and adult education classrooms.

— In total, approximately 90 000 school spaces will be equipped with these monitors, 81 000 in public institutions and 9 200 in private institutions.

— The spaces include classrooms, music rooms, language and art rooms, and libraries.

In order to equip all Québec classrooms with monitors of this type, the government has provided a one-time investment of $75 million for 2021-2022.

TABLE E.18

Financial impact of the measure to equip schools with CO_2 monitors
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Equipping schools with CO_2 monitors	–75.0	—	—	—	—	–75.0

Note: The required funding will be granted to the Ministère de l'Éducation. This is an estimate of costs based on the original agreements, which may be subject to revision.

2.8 Promoting youth sports and recreational activities

Regular practice of sports and recreational activities brings physical and psychological benefits. In particular, these activities have significant positive effects on willingness to learn and on self-development.

However, the health situation has put a brake on participation in such activities with the closure of various sports facilities.

With the relaxation of health measures, the government is keen to get young people moving again to position physical activity as a vector of pride, and of individual and collective achievement.

— In the March 2021 budget, $113.3 million for 2021-2022 to 2025-2026 was announced to promote participation in sports and recreational activities in Québec for all, especially young people.

— In the fall 2021 update, the government is providing additional funding of $12.5 million over two years to promote youth sports, recreation and leisure activities. In addition, the government invested $5 million to support day and sleepaway camps in the summer of 2021.

TABLE E.19

Financial impact of the measures to promote youth sports and recreational activities
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Getting young people moving again and enhancing the skills of recreation and sports stakeholders	−4.4	−8.1	—	—	—	−12.5
Supporting day camps and sleepaway camps	−5.0	—	—	—	—	−5.0
TOTAL	**–9.4**	**−8.1**	**—**	**—**	**—**	**−17.5**

Note: The required funding will be granted to the Ministère de l'Éducation.

❑ Getting young people moving again and enhancing the skills of recreation and sports stakeholders

The proposed measures are aimed at:

— encouraging projects to promote, recruit and recognize volunteers in the various regions of Québec;

— supporting the relaunch of sports events at the local, regional, provincial, national and international levels;

— funding projects to recruit, train and recognize sports officials;

— giving stakeholders tools to initiate young people to a variety of sports activities.

For this purpose, the government is providing $12.5 million over two years.

❑ Supporting day camps and sleepaway camps

Day camps and sleepaway camps present ideal opportunities for initiating children and youth to various sports and recreational activities.

Exceptionally, in summer 2021, the government renewed the assistance granted in 2020 to non-municipal day camps and sleepaway camps in Québec.

— Indeed, the government has given support to day camps and sleepaway camps to ensure that youth are in a safe environment, by ensuring that the camps implement health measures to enhance the safety of campers and employees.

Accordingly, $5.0 million has been allocated to these camps in 2021-2022.

FINANCIAL IMPACT

TABLE E.20

Financial impact of the measures to support families and help communities
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
SUPPORTING FAMILIES						
Fall 2021 update						
Enhancing the refundable tax credit for childcare expenses	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
Subtotal – Fall 2021 update	**–225.6**	**–215.2**	**–212.1**	**–211.0**	**–216.6**	**–1 080.5**
Announcements since Budget 2021-2022						
Completing the educational childcare services network						
Creating 37 000 subsidized childcare spaces						
– Rapidly adding 4 655 subsidized spaces	–8.8	–40.2	–55.0	–67.2	–70.0	–241.2
– Creating 17 000 subsidized spaces	–12.2	–109.7	–160.2	–224.3	–251.9	–758.3
Subtotal	–21.0	–149.9	–215.2	–291.5	–321.9	–999.5
Consolidating home-based childcare services						
– Integrating non-recognized persons into the educational childcare services network	—	–6.8	–6.8	–6.8	–6.8	–27.2
– Supporting home-based childcare service start-ups	–5.5	–6.4	–11.8	—	—	–23.7
– Offering a financial incentive for providing childcare for six children	–36.5	—	—	—	—	–36.5
Subtotal	–42.0	–13.2	–18.6	–6.8	–6.8	–87.4

TABLE E.20

Financial impact of the measures to support families and help communities (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Improving access to the educational childcare services network						
– Bringing the single-window access under government responsibility	—	–1.0	–6.0	–1.7	–1.7	–10.4
– Supporting the fitting out of temporary premises	–2.1	–10.3	–3.1	—	—	–15.5
– Extending drop-in childcare activities	—	–6.0	–6.0	–6.0	–8.0	–26.0
– Following the plan for accelerating space accessibility	–6.6	–13.7	–13.8	–13.8	–13.8	–61.7
– Supporting disabled children and those with special needs	—	–6.4	–6.4	–6.4	–6.4	–25.6
– Favouring development of smaller facilities	—	–1.4	–1.5	–1.6	–1.7	–6.2
– Upholding the distinct character of educational childcare services in Indigenous communities	—	–0.5	–0.5	–0.5	–0.5	–2.0
Subtotal	–8.7	–39.3	–37.3	–30.0	–32.1	–147.4
Subtotal – Completing the educational childcare services network	–71.7	–202.4	–271.1	–328.3	–360.8	–1 234.3
Modernizing family law	–13.1	–11.7	–7.8	–5.3	–5.3	−43.2
Subtotal – Announcements since Budget 2021-2022	**–84.8**	**–214.1**	**–278.9**	**–333.6**	**–366.1**	**–1 277.5**
SUBTOTAL – SUPPORTING FAMILIES	**–310.4**	**–429.3**	**–491.0**	**–544.6**	**–582.7**	**–2 358.0**

TABLE E.20

Financial impact of the measures to support families and help communities (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
HELPING COMMUNITIES						
Fall 2021 update						
Implementing the Québec strategy to combat gun violence						
Increasing crime prevention efforts						
– Improving support for crime prevention organizations	–1.9	–8.8	–10.3	–10.2	–10.0	–41.2
– Focusing on the prevention of criminal recidivism	–0.3	–0.7	–0.7	–0.7	–0.7	–3.1
– Supporting research into firearm violence	–0.5	–0.5	–0.5	–0.3	–0.3	–2.1
Subtotal	–2.7	–10.0	–11.5	–11.2	–11.0	–46.4
– Providing legal support to Opération CENTAURE	–1.2	–4.5	–4.5	–4.6	–4.6	–19.4
Subtotal – Implementing the Québec strategy to combat gun violence	–3.9	–14.5	–16.0	–15.8	–15.6	–65.8
Combatting discrimination and racism	–1.2	–4.9	–4.9	–4.9	–4.9	–20.8
Completing two new shelter projects for women victim of domestic violence	—	—	—	—	—	—
Funding social and community housing support services	–0.5	–5.0	–7.0	–7.0	–7.0	–26.5
Providing municipalities with greater support for improving the local road network	—	–120.0	—	—	—	–120.0
Supporting the Autorité régionale de transport métropolitain for the funding of public transit	—	–100.0	—	—	—	–100.0
Getting young people moving again and enhancing the skills of recreation and sports stakeholders	–4.4	–8.1	—	—	—	–12.5
Subtotal – Fall 2021 update	**–10.0**	**–252.5**	**–27.9**	**–27.7**	**–27.5**	**–345.6**

TABLE E.20

Financial impact of the measures to support families and help communities (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Announcements since Budget 2021-2022						
Strengthening police capacity with CENTAURE squads	–10.6	–18.3	–18.2	–18.4	–18.6	–84.1
Preventing domestic violence and improving support for victims						
– Preventing domestic violence and femicides	–30.1	–39.2	–40.4	–43.4	–46.6	–199.7
– Setting up a court specialized in sexual violence and domestic violence	–2.4	–10.1	–11.4	–8.7	—	–32.6
Subtotal	–32.5	–49.3	–51.8	–52.1	–46.6	–232.3
Equipping schools with CO_2 monitors	–75.0	—	—	—	—	–75.0
Supporting day camps and sleepaway camps	–5.0	—	—	—	—	–5.0
Subtotal – Announcements since Budget 2021-2022	**–123.1**	**–67.6**	**–70.0**	**–70.5**	**–65.2**	**–396.4**
SUBTOTAL – HELPING COMMUNITIES	**–133.1**	**–320.1**	**–97.9**	**–98.2**	**–92.7**	**–742.0**
TOTAL	**–443.5**	**–749.4**	**–588.9**	**–642.8**	**–675.4**	**–3 100.0**

Section F

CONTINUING EFFORTS TO STRENGTHEN THE HEALTH CARE SYSTEM

SUMMARY

For 20 months now, Québec has been waging a battle against the COVID-19 pandemic. During this period, the health care system stakeholders have been able to adapt and be creative in order to find innovative solutions and maintain services for Quebecers.

The pandemic has brought to light a number of challenges facing the health care system. The fall 2021 *Update on Québec's Economic and Financial Situation* takes stock of the efforts made to date and provides for new initiatives of nearly $4.4 billion by 2025-2026, including $3.6 billion in 2021-2022. These initiatives aim to further strengthen the health and social services network and enhance care and services to the public through:

- an $804.0-million plan to reduce the surgery waiting list to ensure that surgical activities can continue at a more sustained pace;
  - An amount of at least $400 million in the form of a financial contribution from the Institut de la pertinence des actes médicaux (IPAM) will fund part of this plan, in accordance with the agreement reached between the government and the Fédération des médecins spécialistes du Québec in 2019.
- measures of nearly $4.0 billion to improve working conditions and attract staff to health care institutions, among other things.

In total, more than $17.3 billion have been invested to date to strengthen the health care system and overcome the pandemic.

TABLE F.1

Financial impact of the measures to continue efforts to strengthen the health care system
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Reducing the surgery waiting list(1)	—	−134.0	−86.0	−184.0	—	—	−404.0
Overcoming the pandemic(2)	—	−3 459.0	−528.4	—	—	—	−3 987.4
Subtotal	**—**	**−3 593.0**	**−614.4**	**−184.0**	**—**	**—**	**−4 391.4**
Measures before the fall 2021 update(3)	−7 616.1	−2 334.0	−750.0	−750.0	−750.0	−750.0	−12 950.1
TOTAL	**−7 616.1**	**−5 927.0**	**−1 364.4**	**−934.0**	**−750.0**	**−750.0**	**−17 341.5**

Note: Totals may not add due to rounding.
(1) Initiatives of $804 million are allocated for a plan to reduce the surgery waiting list. At least $400 million from the IPAM will fund a portion of this plan, including $35 million in 2021-2022, $240 million in 2022-2023, and $125 million in 2023-2024.
(2) In this forecast, measures related to the public health emergency end on December 31, 2021.
(3) For 2020-2021, this amount includes $1 049 million in upward adjustments to initiatives compared to the Budget 2021-2022.

Financial impact of the measures to continue efforts to strengthen the health care system since March 2020

Concrete actions had to be put in place to overcome the pandemic and strengthen the health care system. By 2025-2026, these actions will total nearly $20.8 billion, namely:

- $5.3 billion to recognize the extra efforts of health care workers and improve their working conditions;
- $11.1 billion to enhance services to the public and the safety of health care workers;
- $3.9 billion to make sustainable improvements to health care;
- $404.0 million for a plan to reduce the surgery waiting list.

Some activities had to be postponed so that resources could be made available to care for COVID-19 patients. The slowdown in activity generated a decrease in spending totalling more than $3.4 billion.

As a result, the financial impact of the measures to overcome the pandemic since March 2020 is over $17.3 billion.

Financial impact of the measures to continue efforts to strengthen the health care system since March 2020
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Reducing the surgery waiting list	**—**	**−134.0**	**−86.0**	**−184.0**	**—**	**—**	**−404.0**
Overcoming the pandemic							
Acknowledging the extra efforts and improving the conditions of health care workers(1)	−2 568.0	−2 222.8	−528.4	—	—	—	−5 319.2
Enhancing services to the public and the safety of health care workers(1)	−7 205.0	−3 931.1	—	—	—	—	−11 136.1
Improving health care in a lasting manner	−175.7	−750.0	−750.0	−750.0	−750.0	−750.0	−3 925.7
Subtotal – Strengthening the health care system	**−9 948.7**	**−7 037.9**	**−1 364.4**	**−934.0**	**−750.0**	**−750.0**	**−20 785.0**
Slowdown in activity	2 332.6	1 110.8	—	—	—	—	3 443.4
TOTAL	**−7 616.1**	**−5 927.0**	**−1 364.4**	**−934.0**	**−750.0**	**−750.0**	**−17 341.5**

Note: Totals may not add due to rounding.
(1) In this forecast, measures related to the public health emergency end on December 31, 2021.

1. REDUCING THE SURGERY WAITING LIST

Québec had to make difficult choices to fight the pandemic. Slowing down non-emergency activities was necessary so that workers, protective equipment and beds could be devoted to treating COVID-19 patients.

Now that many Quebecers have been vaccinated, the government is putting in place a plan to reduce the surgery waiting list so that surgeries can continue at a more sustained pace.

The plan aims to eliminate the backlog of surgeries and diagnostic tests caused by the pandemic. The goal is to increase the pace of activity and perform, over a two-and-a-half-year period, the 125 000 surgeries that were supposed to be done. It will also allow for the completion of:

- more than 740 000 imaging exams;
- close to 730 000 outpatient clinic visits;
- close to 70 000 colonoscopy procedures.

A resumption of activities within health care institutions and an alliance with private clinics so that they perform 14% of the total number of surgeries are planned to meet the targets.

The gradual return of employees who were reassigned to treat COVID-19 patients or vaccinate the population will allow for a gradual resumption of the pace of surgical activities in health care institutions.

TABLE F.2

Surgeries planned by 2023-2024
(number)

	2021-2022	2022-2023	2023-2024	Total
Usual number of elective surgeries	460 000	460 000	460 000	1 380 000
Backlog surgeries	29 000	52 000	44 000	125 000
TOTAL	**489 000**	**512 000**	**504 000**	**1 505 000**

The fall 2021 *Update on Québec's Economic and Financial Situation* includes $804.0 million under the plan to reduce the surgery waiting list.

— An amount of at least $400.0 million in the form of a financial contribution from the IPAM will fund part of this plan in accordance with the agreement reached between the government and the Fédération des médecins spécialistes du Québec in 2019.

TABLE F.3

Financial impact of the measures to reduce the surgery waiting list
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Reducing the surgery waiting list	—	−169.0	−326.0	−309.0	—	—	−804.0
Financial contribution from the IPAM	—	35.0	240.0	125.0	—	—	400.0
TOTAL	**—**	**−134.0**	**−86.0**	**−184.0**	**—**	**—**	**−404.0**

The Institut de la pertinence des actes médicaux

The government and the Fédération des médecins spécialistes du Québec signed a memorandum of understanding in 2019 to, among other things, create the Institut de la pertinence des actes médicaux (IPAM).

The IPAM's mandate is to identify and adopt measures to restrict or eliminate medical acts that are inappropriate, performed with excessive frequency or that do not comply with good medical practices.

According to the memorandum of understanding, $1.6 billion are to be recovered by fiscal year 2022-2023.

Savings generated by the Institut de la pertinence des actes médicaux
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Savings	69.2	208.9	313.0	428.4	585.2	1 604.7

These savings are then reinvested in measures aimed at improving access to specialty medicine services, in particular through:

- clinical service projects in specialty niches such as oncology or tertiary cardiology (creation of new services or reinforcement of existing ones);
- the development of computerized solutions to support practice, such as digital pathology and the registry of installed prostheses (e.g., hip or knee replacements);
- the acquisition of specific medical equipment (e.g., laboratory analyzers).

From these savings, at least $400.0 million will fund a portion of the plan to reduce the surgery waiting list, including $35.0 million in 2021-2022.

These expenditures bring the savings reinvested to date by the IPAM to improve access to specialty services to $554.0 million.

2. OVERCOMING THE PANDEMIC

Concrete actions had to be put in place to overcome the COVID-19 pandemic. The measures put in place since March 2020 and the investments outlined in the fall 2021 *Update on Québec's Economic and Financial Situation* will total nearly $17.0 billion by 2025-2026.

The fall 2021 *Update on Québec's Economic and Financial Situation* provides for initiatives totalling nearly $4.0 billion, including:

— $2.1 billion to acknowledge the extra efforts of health care workers and improve their working conditions;

— $1.9 billion to enhance services to the public and the safety of health care workers, in particular by increasing the daily processing capacity for laboratory screening tests and vaccination.

Since the beginning of the pandemic, the government has therefore put in place a number of measures totalling $16.9 billion by 2025-2026 to overcome the pandemic.

TABLE F.4

Financial impact of the measures to overcome the pandemic
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Acknowledging the extra efforts and improving the conditions of health care workers	—	−1 523.1	−528.4	—	—	—	−2 051.5
Enhancing services to the public and the safety of health care workers	—	−1 935.9	—	—	—	—	−1 935.9
Subtotal	**—**	**−3 459.0**	**−528.4**	**—**	**—**	**—**	**−3 987.4**
Measures before the fall 2021 update	−7 616.1	−2 334.0	−750.0	−750.0	−750.0	−750.0	−12 950.1
TOTAL	**−7 616.1**	**−5 793.0**	**−1 278.4**	**−750.0**	**−750.0**	**−750.0**	**−16 937.5**

Notes: Totals may not add due to rounding.
In this forecast, measures related to the public health emergency end on December 31, 2021.

2.1 Acknowledging the extra efforts and improving the conditions of health care workers

The health and social services network is facing major challenges, particularly in terms of recruiting and retaining workers.

The fall 2021 *Update on Québec's Economic and Financial Situation* provides for initiatives totalling nearly $2.1 billion, including:

- $1.1 billion to maintain the bonuses implemented in connection with COVID-19;
- $908.4 million for an attraction and retention program for nursing and cardiorespiratory personnel so as to increase the pool of health care workers and encourage them to work full time.[1]

Therefore, since the beginning of the pandemic, the government has put in place a number of measures totalling more than $5.3 billion by 2025-2026 to acknowledge the efforts of health care workers and to attract new workers so that they can assist employees in health care institutions.

The government has:

- provided incentives, including bonuses for employees of the health and social services network who work on an ongoing basis with COVID-19 patients;
- implemented accelerated training to hire 10 000 new patient-care attendants. As at October 20, 2021, more than 8 200 employees have joined the network. The government is continuing its commitment;
- assigned a responsible manager to each of the CHSLDs in order to increase their capacity to care for seniors, among other things.

[1] On September 23, the government announced an attraction and retention program for nursing and cardiorespiratory personnel to tackle the labour shortage, bringing the total incentives to $1.1 billion.

TABLE F.5

Financial impact of the measures to acknowledge the extra efforts and improve the conditions of health care workers
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Implementation of financial incentives in connection with the COVID-19 pandemic(1)	—	−1 143.1	—	—	—	—	−1 143.1
Attraction and retention program for nursing and cardiorespiratory personnel(2)	—	−380.0	−528.4	—	—	—	−908.4
Subtotal	**—**	**−1 523.1**	**−528.4**	**—**	**—**	**—**	**−2 051.5**
Measures before the fall 2021 update	−2 568.0	−699.7	—	—	—	—	−3 267.7
TOTAL	**−2 568.0**	**−2 222.8**	**−528.4**	**—**	**—**	**—**	**−5 319.2**

Note: Totals may not add due to rounding.
(1) These costs include, among other things, bonuses of 8% for staff who work on an ongoing basis with COVID-19 patients and 4% for other health care workers, as well as temporary lump sums as an incentive to work full time.
(2) The addition of the measures to address the labour shortage will attract more workers and brings the financial impact of the measures to $1.1 billion.

2.1.1 Attraction and retention program for nursing and cardiorespiratory personnel

On September 23, the government announced a series of measures aimed at attracting and retaining nursing and cardiorespiratory personnel in order to reduce pressure on work teams and rebalance their workloads.

Increasing the number of full-time personnel and retaining workers will improve work-life balance, provide stable and predictable schedules, eliminate mandatory overtime and reduce the use of private employment agencies.

The program aims to offer the best working conditions to the employees of the public network. As such, employees coming from private placement agencies will now mainly be offered the less attractive evening, night and weekend shifts.

In addition, administrative officers will be hired to free up clinical staff from administrative duties.

Moreover, the program provides for several attraction and retention incentives totalling more than $900 million, including:

- a lump sum for new employees, including retired workers, of $12 000 to $15 000 depending on the region;
- a lump sum of $15 000 to $18 000 for all full-time employees already employed in the health and social services network;
- a lump sum of $2 000 for daytime employees who commit to working full time in the evening or at night for four consecutive weeks;
- a lump sum of up to $400 for each additional shift worked on weekend days off;
- reimbursement of the cost of licenses to the Ordre des infirmières et infirmiers du Québec for retired personnel returning to work.

Finally, these measures are in addition to those being implemented following the signature of collective agreements, including initiatives to increase the number of full-time positions, bring the regular work week to 37.5 hours, and to implement 12-hour shifts in certain sectors.

2.2 Enhancing services to the public and the safety of health care workers

The pandemic has significantly increased the need for services to the public and safety for health care personnel so that everyone gets through the various waves of the COVID-19 pandemic. This has resulted, among other things, in health and social services staff having to work more overtime.

In response to these needs, the government has put in place a series of initiatives to protect personnel and to provide more care and services to all Quebecers, for example, by increasing the daily processing capacity for laboratory screening tests, purchasing more drugs to relieve hospitalized patients, vaccinating the population and providing psychological assistance.

In addition, the government has implemented a vaccine passport so that people who are adequately vaccinated can resume a relatively normal life. The government intends to lift the state of public health emergency once children between the ages of 5 and 11 have been vaccinated.

The fall 2021 *Update on Québec's Economic and Financial Situation* provides for additional initiatives of nearly $2.0 billion to those in the Budget 2021-2022, including:

- an additional $1.7 billion in salary costs and operating expenses, including overtime to provide ongoing services;
- an additional $163.4 million to support community organizations and residential resources to provide care and services to the general population;
- an additional $25.9 million to vaccinate the population against COVID-19.

As a result, since the beginning of the pandemic, the government has put in place various measures totalling nearly $7.7 billion by 2025-2026 to enhance services to the public and the safety of health care workers.

TABLE F.6

Financial impact of the measures to enhance services to the public and the safety of health care workers
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Salary costs and operating expenditures	—	−1 732.0	—	—	—	—	−1 732.0
Cost of medical remuneration and Prescription Drug Insurance Plan(1)	—	−3.7	—	—	—	—	−3.7
Support for addiction treatment facilities, community organizations and others	—	−163.4	—	—	—	—	−163.4
Vaccination	—	−25.9	—	—	—	—	−25.9
Other measures(2)	—	−10.9	—	—	—	—	−10.9
Subtotal	**—**	**−1 935.9**	**—**	**—**	**—**	**—**	**−1 935.9**
Measures before the fall 2021 update	−4 872.4	−884.4	—	—	—	—	−5 756.8
TOTAL	**−4 872.4**	**−2 820.3**	**—**	**—**	**—**	**—**	**−7 692.7**

Note: Totals may not add due to rounding.
(1) Additional costs are for medical and clinical professionals receiving remuneration from the Régie de l'assurance maladie du Québec and for the purchase of drugs against COVID-19.
(2) Other measures include the development of the vaccine passport, psychological assistance for the population and employees of the health and social services network, the addition of beds for alternative care and rehabilitation environments, infection protection and control measures, and the slowdown in activity.

Harmonization of CHSLDs

The government has announced its intention to convert private unfunded CHSLDs (residential and long-term care centres) into private funded CHSLDs. The goal is to ensure the same quality of care and services for all residents.

Pilot project rollout

On September 30, the government announced the implementation of a pilot project to develop a harmonization process for several private unfunded CHSLDs across Québec.

The parameters of the agreement must be established in consultation with the owners of the private unfunded CHSLDs identified as stakeholders in the pilot project. Eligibility criteria for agreement include the quality of care and services offered, the presence of adequate human and management resources, and building compliance.

As part of this pilot project, agreements with the owners of private unfunded CHSLDs must be made. The following three locations have been targeted:

- the CHSLD Côté Jardins, in Québec;
- the Jardins du Haut-Saint-Laurent, in Québec;
- the Résidence du Bonheur, in Laval.

The pilot project will validate the processes leading to the implementation of the measures and approaches, before moving to a larger-scale implementation.

Government action plan for caregivers

Caregivers play a fundamental role in supporting the most vulnerable individuals. In Québec, 1 500 000 people provide help or support to a loved one who suffers from a health problem, a disability or problems related to aging. While this support is generally rewarding, it is often at the cost of significant personal sacrifice.

The government action plan builds on the *Act to recognize and support caregivers*, adopted in October 2020, and the national policy for caregivers, tabled in April 2021. This governmental action plan, published on October 22, 2021, covers 4 axes and 12 orientations from the national policy, and links 61 concrete measures to them.

An action plan focused on services for caregivers

The 2021-2026 Government action plan for caregivers represents a total of $200.6 million in support over 5 years. Through this action plan, the government will invest:

- $155.6 million to improve services to caregivers in order to continue developing respite care services and improve the services offer;
- $20.9 million to improve the collection and sharing of information as well as the development of skills, in particular through the creation of the Observatoire québécois de la proche aidance, which will coordinate and stimulate research in this area;
- $20.6 million to promote recognition of caregivers, in particular through territorial caregiving coordination, which will make it possible to mobilize civil society stakeholders more effectively;
- $3.5 million to improve the living conditions of caregivers, for example by facilitating access to municipal services, transportation services and financial support programs.

Investments for the implementation of the Government action plan for caregivers – 2021-2022 to 2025-2026
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Developing services for caregivers	−12.8	−17.8	−35.6	−43.4	−45.9	−155.6
Sharing information and resources with caregivers	−2.4	−7.1	−4.6	−3.8	−3.0	−20.9
Acknowledging caregivers	−3.5	−5.8	−3.8	−3.8	−3.8	−20.6
Improving the living conditions of caregivers	−0.2	−1.2	−1.2	−0.6	−0.4	−3.5
TOTAL	**−18.9**	**−31.9**	**−45.2**	**−51.6**	**−53.0**	**−200.6**

Note: Totals may not add due to rounding.

3. THE CANADA HEALTH TRANSFER MUST BE INCREASED

Health care is a top priority for the government. Québec is making significant investments to strengthen its network, which is under pressure and will continue to be so due to the aging of the population and the improvement of services related, among other things, to the arrival of new drugs and access to new state-of-the-art equipment.

Over the past 20 months, the provinces and territories have received one-time funding from the federal government to help them fight COVID-19 and its impacts in the short term. However, nothing has been done to address the issue of long-term health funding, 78% of which is provided by the provinces and territories.

The Council of the Federation is calling on the federal government to immediately and unconditionally increase the Canada Health Transfer (CHT) to 35% of provincial and territorial health spending and to maintain this ratio thereafter, using an progression factor.

— Compared to the federal government's projected CHT level in 2021-2022 ($43 billion), this would represent a $28-billion increase. Each province and territory would receive the same amount per capita. For Québec, this would represent an increase of about $6 billion per year.

A very well-known and documented issue

The issue of federal health funding is well-known. Two important reports have been published in this regard in the past year:

– in October 2020, the Conference Board of Canada published a report on the health care cost drivers in Canada.[1] The report estimates this growth at an average of 5% per year over the long term;

– in March 2021, the Council of the Federation released a report prepared by provincial and territorial finance ministers entitled *Increasing the Canada Health Transfer will Help Make Provinces and Territories More Financially Sustainable Over the Long Term*.[2] Based on long-term fiscal projections, this report demonstrates that the federal government has the capacity to increase the CHT.

1 *Health Care Cost Drivers in Canada: Pre-and Post-COVID-19*, Ottawa, 2020.
2 *Increasing the Canada Health Transfer will Help Make Provinces and Territories More Financially Sustainable Over the Long Term – Report of the Provincial and Territorial Ministers of Finance to the Council of the Federation*, February 2021.

On this front, it is urgent to act, and the federal government will have to increase the CHT in its 2022-2023 budget. Without an increase in the CHT, the share of federal funding in provincial and territorial health spending will continue to decline and the fiscal imbalance between the two levels of government will increase.

Québec believes that any increase in federal funding for health care must be done through the CHT rather than through targeted programs or funds. Only the CHT ensures stable and predictable funding and gives provinces and territories enough flexibility to respond quickly and invest funds according to their needs and priorities.

The increase in the CHT will be used to support funding for initiatives already implemented by Québec, such as the training and hiring of patient-care attendants in CHSLDs. It will also be used to hire nurses and doctors, improve home care and access to mental health services, fund living environments better adapted to the reality of seniors, such as seniors' homes, promote access to new therapies and new categories of drugs, increase the number of interventions to reduce waiting times, and catch up on the backlog caused by pandemic-related postponements.

Given the imbalance in public finances, the federal government has a duty to support the provinces financially. This financial support must, however, be provided within the framework of the established federal order and, therefore, respect the exclusive powers of the provinces with respect to health. Therefore, it can only take the form of an unconditional transfer, which constitutes a guarantee of stability and flexibility, making it possible to ensure an adequate response by the provinces and territories to the needs specific to each.

— Health is an exclusive provincial jurisdiction. The *Constitution Act, 1867*, which determines the exclusive powers of the provinces, is very clear in this regard. The Act stipulates that the provinces have exclusive jurisdiction over the “Establishment, Maintenance and Management of Hospitals”.

❑ The federal contribution will continue to decline if no changes are made

The CHT has been growing at the rate of Canada's nominal gross domestic product (GDP)[2] since 2017-2018, whereas it previously grew by 6% per year. The increase has thus been reduced to 3.8% per year from 2017-2018 to 2020-2021.

On account of this lower indexation, the federal contribution to provincial and territorial health spending is declining and if no changes are made, this trend will continue.

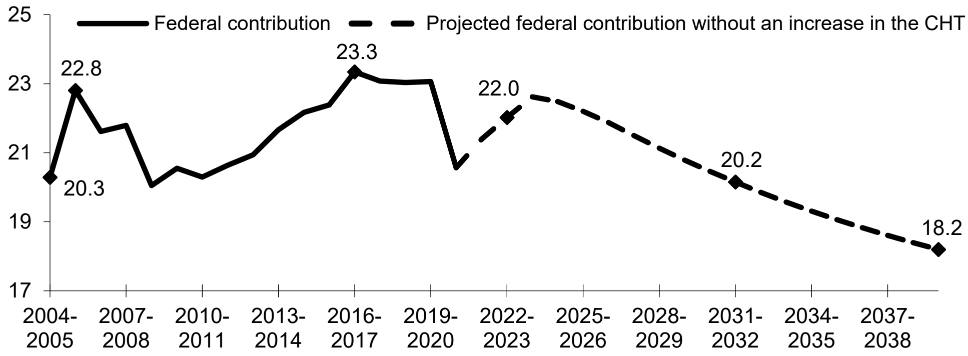
— Without an increase in the CHT, the federal share of provincial and territorial health expenditures could decline to 20.2% in 2031-2032 and 18.2% in 2039-2040.

2 Indexation is subject to a minimum of 3% per year.

— From 2023-2024 to 2039-2040, the CHT is projected to grow at an average of 3.9% per year, which is less than the Conference Board of Canada's projection of provincial and territorial health care cost increases. In fact, the Conference Board of Canada estimates that provincial and territorial health expenditures will increase by an average of 5.0% per year over the long term.[3]

CHART F.1

Share of federal funding in provincial and territorial health spending without an increase in the CHT – 2004-2005 to 2039-2040
(per cent)



Sources: Canadian Institute for Health Information, Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

Without a renewed long-term financial partnership with the federal government, the provinces and territories will have no choice but to spend an increasingly large share of their budgets on health care, to the detriment of their other important missions.

❑ An increase in the CHT will ensure a better fiscal balance between the two levels of government

The federal government has the flexibility to provide additional financial support to the provinces and territories. This was confirmed by long-term fiscal projections from the Conference Board of Canada, which were the subject of a report released by the Council of the Federation in March 2021.[4]

3 It is projected that growth in provincial and territorial health expenditures averaging 4.15% per year from 2023-2024 to 2039-2040 will be required to maintain health services (system costs). Service improvements, based on past experiences, will increase provincial and territorial health expenditures by 0.85% per year, for a total of 5.0% per year on average.

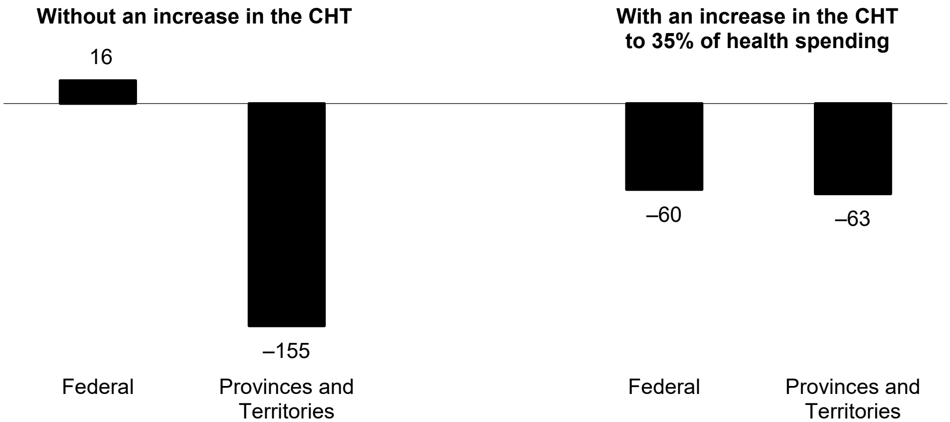
4 *Increasing the Canada Health Transfer will Help Make Provinces and Territories More Financially Sustainable Over the Long Term – Report of the Provincial and Territorial Ministers of Finance to the Council of the Federation*, February 2021, 20 p.

If no change is made, the fiscal imbalance between the two levels of government will grow significantly. Only an increase in the CHT to the level requested by the provinces and territories would prevent such an imbalance and make their public finances sustainable in the long term.

It is projected that, following an increase in the CHT to 35% of provincial and territorial health expenditures starting in 2021-2022, the federal government and the provinces and territories would be in a comparable fiscal position by 2035-2036. Overall, this would result in lower government deficits at the Canadian level, as the federal government benefits from lower borrowing costs than the provinces and territories. This would be a clear benefit to Quebecers and Canadians.

CHART F.2

Projected federal and provincial and territorial fiscal positions in 2035-2036 without and with an increase in the CHT
(budgetary balance in billions of dollars)



Source: Report of the Provincial and Territorial Ministers of Finance to the Council of the Federation.

Section G

FINANCIAL IMPACT

TABLE G.1

Financial impact of the measures since March 2021
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
COPING WITH THE COST OF LIVING						
Mitigating the cost of living increase						
Measures set out in the fall 2021 economic update						
– Introducing the extraordinary cost of living allowance	–739.6	—	—	—	—	–739.6
– Enhancing the senior assistance amount	–124.0	–132.0	–136.7	–144.6	–151.5	–688.8
Subtotal – Measures set out in the fall 2021 economic update	–863.6	–132.0	–136.7	–144.6	–151.5	–1 428.4
Announcements since Budget 2021-2022						
– Extending the temporary enhancement to student financial assistance for two years	–105.0	–164.3	–59.3	—	—	–328.6
Subtotal – Announcements since Budget 2021-2022	–105.0	–164.3	–59.3	—	—	–328.6
Subtotal	**–968.6**	**–296.3**	**–196.0**	**–144.6**	**–151.5**	**–1 757.0**
Supporting access to housing						
Measures set out in the fall 2021 economic update						
– Implementing the affordable housing construction assistance program	—	–2.9	–10.5	–35.7	–74.4	–123.5
– Converting 500 new units to the Rent Supplement Program for private rentals	—	–1.5	–2.5	–2.6	–2.6	–9.2
Subtotal – Measures set out in the fall 2021 economic update	—	–4.4	–13.0	–38.3	–77.0	–132.7

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Announcements since Budget 2021-2022						
– Adding 1 000 units to the Rent Supplement Program for private rentals	–0.4	–4.6	–4.8	–4.8	–5.0	–19.6
– Adding 800 units to the Emergency Rent Supplement program	–4.0	–2.0	—	—	—	–6.0
– Modernizing the Shelter Allowance Program	26.7	–5.6	–39.9	–66.0	–61.3	–146.1
Subtotal – Announcements since Budget 2021-2022	22.3	–12.2	–44.7	–70.8	–66.3	–171.7
Subtotal	**22.3**	**–16.6**	**–57.7**	**–109.1**	**–143.3**	**–304.4**
SUBTOTAL – COPING WITH THE COST OF LIVING	**–946.3**	**–312.9**	**–253.7**	**–253.7**	**–294.8**	**–2 061.4**
TAKING ACTION TO COMBAT THE LABOUR SHORTAGE AND STIMULATE ECONOMIC GROWTH						
Combatting the labour shortage						
Measures set out in the fall 2021 economic update						
– Health and social services	–52.9	–328.3	–236.5	–178.5	–156.5	–952.7
– Education	–15.6	–121.9	–136.7	–139.3	–137.2	–550.7
– Educational childcare services	–27.3	–58.9	–63.7	–38.0	–24.7	–212.6
– Engineering and information technology	–5.0	–223.7	–286.4	–308.5	–291.3	–1 114.9
– Construction	—	–21.4	–21.4	–21.4	–6.0	–70.2
Subtotal – Measures set out in the fall 2021 economic update	–100.8	–754.2	–744.7	–685.7	–615.7	–2 901.1
Subtotal	**–100.8**	**–754.2**	**–744.7**	**–685.7**	**–615.7**	**–2 901.1**

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Accelerating business productivity growth						
Measures set out in the fall 2021 economic update						
– Increasing funding for business investment projects	–15.0	–25.0	–40.0	–40.0	–40.0	–160.0
– Supporting implementation of the first innovation zones and innovative projects in Québec						
▪ Deploying the first innovation zones	–20.0	–40.0	–40.0	—	—	–100.0
▪ Supporting innovative projects in Québec	–10.0	–20.0	–20.0	–20.0	–20.0	–90.0
Subtotal – Measures set out in the fall 2021 economic update	–45.0	–85.0	–100.0	–60.0	–60.0	–350.0
Announcements since Budget 2021-2022						
– Continuing to connect all Quebecers to high-speed Internet	–56.0	–38.0	—	—	—	–94.0
Subtotal – Announcements since Budget 2021-2022	–56.0	–38.0	—	—	—	–94.0
Subtotal	**–101.0**	**–123.0**	**–100.0**	**–60.0**	**–60.0**	**–444.0**

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting the recovery of Québec's cultural sector						
Measures set out in the fall 2021 economic update						
– Supporting the arts and cultural sector's recovery	–46.1	—	—	—	—	–46.1
– Investing in a large-scale cultural project	—	—	—	–3.5	–3.5	–7.0
Subtotal – Measures set out in the fall 2021 economic update	–46.1	—	—	–3.5	–3.5	–53.1
Subtotal	**–46.1**	**—**	**—**	**–3.5**	**–3.5**	**–53.1**
SUBTOTAL – TAKING ACTION TO COMBAT THE LABOUR SHORTAGE AND STIMULATE ECONOMIC GROWTH	**–247.9**	**–877.2**	**–844.7**	**–749.2**	**–679.2**	**–3 398.2**
SUPPORTING FAMILIES AND HELPING COMMUNITIES						
Supporting families						
Measures set out in the fall 2021 economic update						
– Enhancing the refundable tax credit for childcare expenses	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
Subtotal – Measures set out in the fall 2021 economic update	–225.6	–215.2	–212.1	–211.0	–216.6	–1 080.5
Announcements since Budget 2021-2022						
– Completing the educational childcare services network						
▪ Creating 37 000 subsidized childcare spaces						
○ Rapidly adding 4 655 subsidized spaces	–8.8	–40.2	–55.0	–67.2	–70.0	–241.2
○ Creating 17 000 subsidized spaces	–12.2	–109.7	–160.2	–224.3	–251.9	–758.3

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting families (cont.)						
Announcements since Budget 2021-2022 (cont.)						
▪ Consolidating home-based childcare services						
○ Integrating non-recognized persons into the educational childcare services network	—	–6.8	–6.8	–6.8	–6.8	–27.2
○ Supporting home-based childcare service start-ups	–5.5	–6.4	–11.8	—	—	–23.7
○ Offering a financial incentive for providing childcare for six children	−36.5	—	—	—	—	−36.5
▪ Improving access to the educational childcare services network						
○ Bringing the single-window access under government responsibility	—	–1.0	–6.0	–1.7	–1.7	–10.4
○ Supporting the fitting out of temporary premises	–2.1	–10.3	–3.1	—	—	–15.5
○ Extending drop-in childcare activities	—	–6.0	–6.0	–6.0	–8.0	–26.0
○ Following the plan for accelerating space accessibility	–6.6	–13.7	–13.8	–13.8	–13.8	–61.7
○ Supporting disabled children and those with special needs	—	–6.4	–6.4	–6.4	–6.4	–25.6
○ Favouring development of smaller facilities	—	–1.4	–1.5	–1.6	–1.7	–6.2
○ Upholding the distinct character of educational childcare services in Indigenous communities	—	–0.5	–0.5	–0.5	–0.5	–2.0
– Modernizing family law	–13.1	–11.7	–7.8	–5.3	–5.3	–43.2
Subtotal – Announcements since Budget 2021-2022	–84.8	–214.1	–278.9	–333.6	–366.1	–1 277.5
Subtotal	**–310.4**	**–429.3**	**–491.0**	**–544.6**	**–582.7**	**–2 358.0**

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Supporting communities						
Measures set out in the fall 2021 economic update						
Implementing the Québec strategy to combat gun violence						
– Increasing crime prevention efforts						
▪ Improving support for crime prevention organizations	–1.9	–8.8	–10.3	–10.2	–10.0	–41.2
▪ Focusing on the prevention of criminal recidivism	–0.3	–0.7	–0.7	–0.7	–0.7	–3.1
▪ Supporting research into firearm violence	–0.5	–0.5	–0.5	–0.3	–0.3	–2.1
Subtotal	–2.7	–10.0	–11.5	–11.2	–11.0	–46.4
– Providing legal support to Opération CENTAURE	–1.2	–4.5	–4.5	–4.6	–4.6	–19.4
Subtotal – Implementing the Québec strategy to combat gun violence	–3.9	–14.5	–16.0	–15.8	–15.6	–65.8
– Combatting discrimination and racism	–1.2	–4.9	–4.9	–4.9	–4.9	–20.8
– Completing two new shelter projects for women victim of domestic violence	—	—	—	—	—	—
– Funding social and community housing support services	–0.5	–5.0	–7.0	–7.0	–7.0	–26.5
– Providing municipalities with greater support for improving the local road network	—	–120.0	—	—	—	–120.0
– Supporting the Autorité régionale de transport métropolitain for the funding of public transit	—	–100.0	—	—	—	–100.0
– Getting young people moving again and enhancing the skills of recreation and sports stakeholders	–4.4	–8.1	—	—	—	–12.5
Subtotal	–10.0	–252.5	–27.9	–27.7	–27.5	–345.6

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Helping communities (cont.)						
Announcements since Budget 2021-2022						
– Strengthening police capacity with CENTAURE squads	–10.6	–18.3	–18.2	–18.4	–18.6	–84.1
– Preventing domestic violence and improving support for victims						
▪ Preventing domestic violence and femicides	–30.1	–39.2	–40.4	–43.4	–46.6	–199.7
▪ Setting up a court specialized in sexual violence and domestic violence	–2.4	–10.1	–11.4	–8.7	—	–32.6
– Equipping schools with CO_2 monitors	–75.0	—	—	—	—	–75.0
– Supporting day camps and sleepaway camps	–5.0	—	—	—	—	–5.0
Subtotal – Announcements since Budget 2021-2022	–123.1	–67.6	–70.0	–70.5	–65.2	–396.4
Subtotal	**–133.1**	**–320.1**	**–97.9**	**–98.2**	**–92.7**	**–742.0**
SUBTOTAL – SUPPORTING FAMILIES AND HELPING COMMUNITIES	**–443.5**	**–749.4**	**–588.9**	**–642.8**	**–675.4**	**–3 100.0**

TABLE G.1

Financial impact of the measures since March 2021 (cont.)
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
CONTINUING EFFORTS TO STRENGTHEN THE HEALTH CARE SYSTEM						
Measures set out in the fall 2021 economic update						
– Reducing the surgery waiting list	–169.0	–326.0	–309.0	—	—	–804.0
– Overcoming the pandemic	–3 079.0	—	—	—	—	–3 079.0
– Financial contribution from the Institut de la pertinence des actes médicaux	35.0	240.0	125.0	—	—	400.0
– Attraction and retention program for nursing and cardiorespiratory personnel	–380.0	–528.4	—	—	—	–908.4
Subtotal – Measures set out in the fall 2021 economic update	–3 593.0	–614.0	–184.0	—	—	–4 391.0
SUBTOTAL – CONTINUING EFFORTS TO STRENGTHEN THE HEALTH CARE SYSTEM	**–3 593.0**	**–614.0**	**–184.0**	**—**	**—**	**–4 391.0**
TOTAL – MEASURES SET OUT IN THE FALL 2021 ECONOMIC UPDATE	**–4 884.1**	**–2 057.7**	**–1 418.4**	**–1 170.8**	**–1 151.8**	**–10 682.8**
TOTAL – ANNOUNCEMENTS SINCE BUDGET 2021-2022	**–346.6**	**–496.2**	**–452.9**	**–474.9**	**–497.6**	**–2 268.2**
TOTAL	**–5 230.7**	**–2 553.9**	**–1 871.3**	**–1 645.7**	**–1 649.4**	**–12 951.0**

Section H

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2021 AND 2022

SUMMARY

After a 5.5% decline in real GDP in 2020, a 6.5% rebound in economic activity is expected in 2021.[1] This outlook is much more optimistic than that of the *Québec Budget Plan – March 2021*, in which an increase of 4.2% was forecast for 2021. Nominal GDP is expected to grow by 10.8%, the largest increase ever recorded.

— Real GDP growth in 2021 will be stronger than those expected in Canada and the United States, Québec's main trading partners.

Québec's economy has recovered more quickly than expected. Indeed, real GDP has already returned to the level of output recorded before the start of the pandemic. Last March, the forecast was for a full recovery by the end of 2021.

— The vaccination campaign and improvement in the epidemiological situation have allowed for a partial lifting of health restrictions and provided a favourable context for growth. Moreover, the unprecedented measures adopted by the government authorities have supported households and businesses.

The resilience of the economy will allow the output gap with the pre-pandemic situation to close quickly. By 2025, Québec's real GDP will have returned to the level that was projected in March 2020.

However, the pandemic is not over, and its evolution remains a risk to the economic outlook. In addition, labour shortage in advanced economies as well as global imbalances, such as supply chain disruptions and rising energy prices, could exert inflationary pressures and slow growth.

TABLE H.1

Economic growth
(real GDP, percentage change)

	2020	2021	2022
Québec	**−5.5**	**6.5**	**3.3**
– *March 2021*	*−5.2*	*4.2*	*4.0*
Canada	**−5.2**	**5.0**	**4.4**
– *March 2021*	*−5.4*	*4.4*	*4.1*
United States	**−3.4**	**6.0**	**4.4**
– *March 2021*	*−3.5*	*5.0*	*3.8*
World	**−3.1**	**5.8**	**4.6**
– *March 2021*	*−3.5*	*5.3*	*4.3*

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

[1] Unless otherwise indicated, this section is based on data available as at November 9, 2021.

1. QUÉBEC, A RESILIENT ECONOMY

1.1 The economy is back to its pre-pandemic level

The Québec economy has shown resilience and is catching up to its pre-pandemic level earlier than expected.

— Output did not decline as expected in the first quarter of 2021. Real GDP grew at a quarterly rate of 1.9%, while the *Québec Budget Plan – March 2021* forecast called for a 2.1% contraction.

In addition, economic growth continued in the second quarter (+0.8%).

— This increase allowed the economy to grow 0.4% above its pre-pandemic level, which was in the fourth quarter of 2019. According to the March 2021 outlook, recovery was not expected to be complete until the fourth quarter of 2021.

Therefore, the Québec economy has successfully adapted to the pandemic situation.

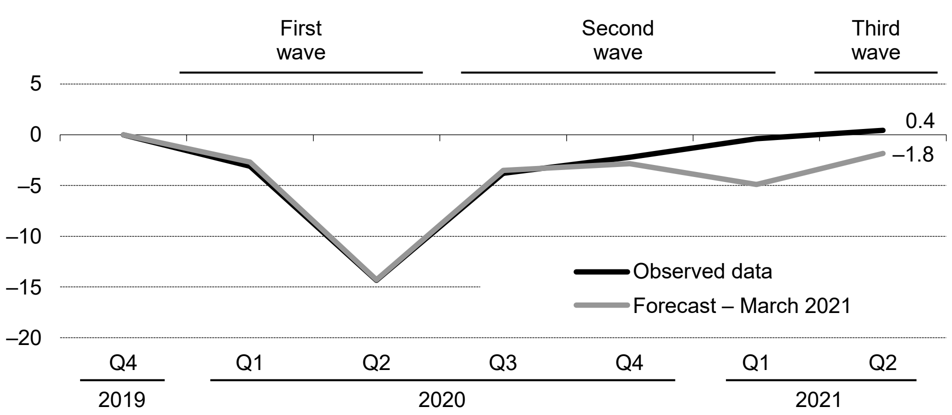
— The vaccination rate of the Québec population has reached very high levels, with 87% of the population aged 12 and over having received two doses of vaccine. Also, the health measures implemented in recent quarters have been more targeted than those put in place during the first wave.

— Businesses have adjusted to the "new normal" by accelerating their digital transformation.

— Moreover, the generous support programs put in place at the beginning of the pandemic have supported the recovery of economic activity in Québec.

CHART H.1

Change in economic activity in Québec
(real GDP, percentage change from the fourth quarter of 2019)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ A slower recovery for sectors subject to health restrictions

The resilience of the industries least affected by the pandemic has led to a faster-than-expected recovery in real GDP. However, some sectors recover more slowly.

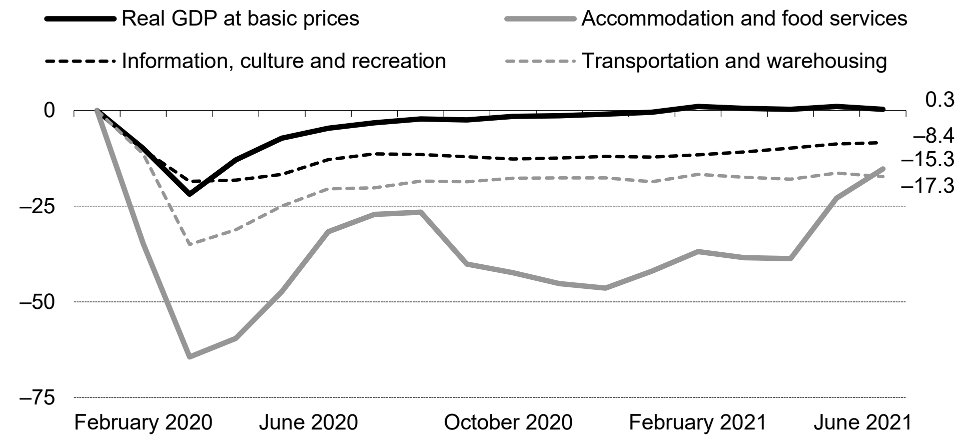
— They are those where physical distancing is difficult to achieve. They are generally more vulnerable to restrictions. These include the accommodation and food services as well as the information, culture and recreation industries.

— Despite the successful vaccination campaign and the implementation of the vaccine passport, uncertainties surrounding the evolution of the pandemic could slow the return to normalcy in these sectors.

Slower recovery in these sectors could have resulted in a production gap that would have been difficult to bridge. However, the resilience of Québec's economy over the last few quarters has made it possible to minimize this gap.

CHART H.2

Change in output for selected industries in Québec
(real GDP at basic prices, percentage change from February 2020)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ Québec's performance is better than that of Canada

Monthly data show that the recovery in Québec's economic activity in recent months has been stronger than in Canada.

— In particular, Québec was 0.3% above its pre-pandemic level of output in July. Canada, meanwhile, was still 1.4% behind its February 2020 level in August.

Several factors account for Canada's more modest recovery.

— The health measures implemented in the second and third waves were generally more severe in Ontario than in Québec.

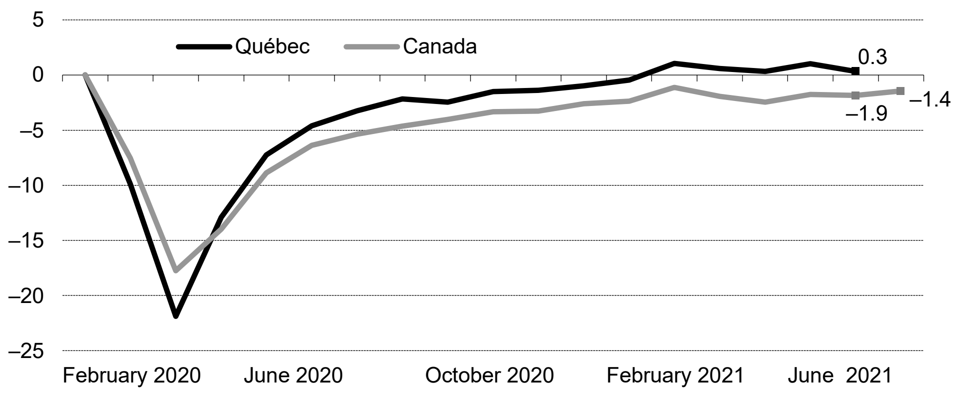
— The automobile industry, which has a strong presence in Ontario, is facing a global shortage of materials used in the manufacture of electronic chips. As a result, assembly plants have slowed or temporarily stopped operations in recent months.

— Despite the recovery in world oil prices since the beginning of the year, capital investment in the Canadian oil industry remains weak.

— During the summer, western Canada was affected by an extreme heat wave, a severe drought and numerous forest fires.

CHART H.3

Change in economic activity since the beginning of the pandemic in Québec and Canada
(real GDP at basic prices, percentage change from February 2020)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.2 The output gap is quickly closing

The shock of the COVID-19 pandemic could have led to a significant decline in output that would have been difficult to overcome.

However, the economy has shown great resilience. After a historic 5.5% decline in 2020, real GDP has been growing at a good pace in recent quarters and the economy has already completed its recovery phase.

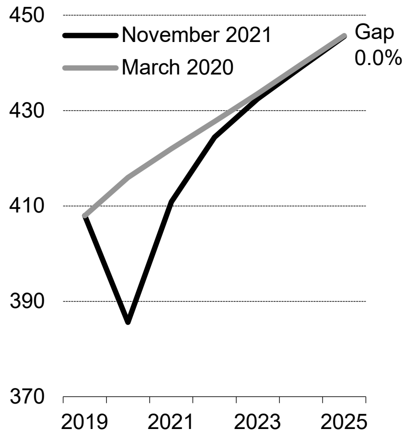
As a result, the strength of the economy will allow the output gap between the pre-pandemic GDP forecast and the actual GDP to close more quickly.

— By 2025, Québec's real GDP will have returned to the pre-pandemic forecast. As such, it will be equivalent to the level forecast in March 2020.

— Nominal GDP will have caught up with the March 2020 forecast as early as 2021. In 2025, it will be 4.0% higher than the level forecast in March 2020.

CHART H.4

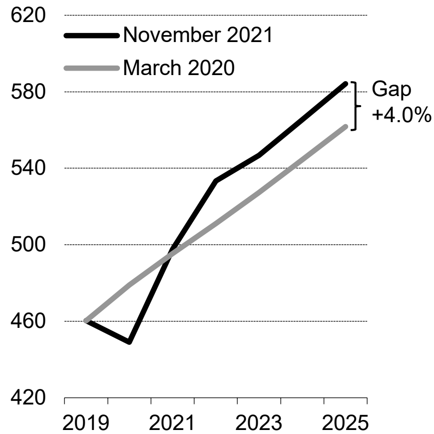
Real GDP forecast for Québec
(billions of chained 2012 dollars)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.5

Nominal GDP forecast for Québec
(billions of dollars)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Québec has reduced standard of living gaps with Ontario

Between 2017 and 2019, Québec's economy was firing on all cylinders. Economic growth in Québec was based on strong employment gains and productivity increases.

– During that period, average annual growth in economic activity in Québec (+2.9%) grew at a faster pace than in Ontario (+2.7%).

– At the same time, the pool of potential workers grew only slightly in Québec (+0.5%), while it was the main determinant of economic growth in Ontario (+1.5%).

– On the other hand, the participation of Quebecers in the labour market increased more significantly. The employment rate rose by 1.3% on average annually in Québec compared to a 0.8% increase in Ontario.

– Similarly, productivity grew faster on average per year in Québec (+1.1%) than in Ontario (+0.4%).

– As a result, the standard of living rose faster in Québec (+1.6%) than in Ontario (+1.0%) on average annually.

In 2020, the standard of living declined more sharply in Ontario (−6.4%) than in Québec (−6.3%).

The resilience of the Québec economy has allowed the wealth gap with Ontario to continue to narrow.

Contribution of economic growth factors
(average annual percentage change and contribution in percentage points)

	Québec		Ontario	
	2017-2019	**2020**	**2017-2019**	**2020**
Real GDP	**2.9**	**−5.5**	**2.7**	**−5.1**
Growth factors (contribution)				
Pool of potential workers (1)	0.5	−0.1	1.5	0.9
Employment rate(2)	1.3	−4.8	0.8	−5.6
Productivity(3)	1.1	−0.7	0.4	−0.3
STANDARD OF LIVING(4)	**1.6**	**−6.3**	**1.0**	**−6.4**

Note: Totals may not add due to rounding.
(1) Population aged 15-64.
(2) The employment rate corresponds to the total number of workers over the population aged 15-64.
(3) Productivity as measured by real GDP per job.
(4) Standard of living as measured by real GDP per capita.
Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance and Ministère des Finances du Québec.

2. THE ECONOMIC SITUATION IN QUÉBEC

2.1 A stronger-than-expected economic growth

After recording a historic decline of 5.5% in 2020, real GDP has grown at a good pace in recent quarters, despite the various waves of infection.

— The Québec economy has shown great resilience in the first half of 2021. Economic agents have adapted to the constraints resulting from health restrictions. In particular, businesses have made more widespread use of teleworking and have continued to develop their online business platforms.

— In addition, the government relaxed health measures over the summer, supporting a stronger recovery in industries where physical distancing is difficult to achieve.

— Moreover, the large-scale vaccination campaign and the implementation of the vaccine passport have made it possible to avoid closing non-essential sectors.

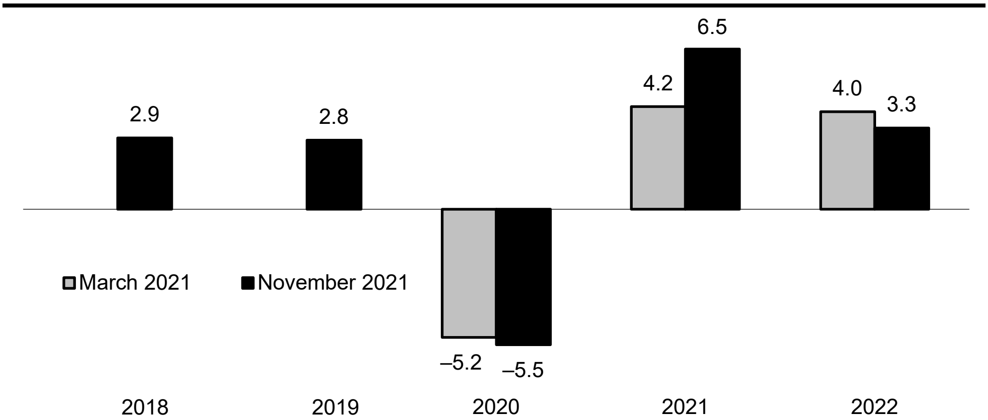
Overall, real GDP is expected to increase by 6.5% in 2021.

— This is an upward revision of 2.3 percentage points from the forecast of the *Québec Budget Plan – March 2021*.

After this rebound, economic growth will be 3.3% in 2022, which is slightly lower than what was expected last March. This is because the much higher-than-expected growth in 2021 limits growth potential for 2022.

CHART H.6

Economic growth in Québec
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.2 Domestic demand will support economic activity

Households, businesses and governments will support economic activity. Real GDP components are expected to increase strongly.

- Household consumption will remain an important driver of growth. Accumulated savings, a strong labour market and latent demand, particularly for services, will lead to a surge in consumer spending.
- Residential investment is expected to increase by 14.9% in 2021, due to an exceptional start to the year. The level of residential investment will remain strong in 2022, but it will be tempered by deteriorating housing affordability, which will reduce the number of buyers. In addition, the opening up of all sectors of the economy will redirect household expenditures toward the consumption of goods and services.
- Low interest rates and growing demand for goods and services will encourage businesses to implement their investment projects.
- Moreover, increased infrastructure investment will continue to support growth in total spending by public administrations.

Exports will benefit from strong external demand, particularly from the United States. Meanwhile, strong domestic demand will boost imports. However, disruptions in production lines will slow down growth in the external sector.

TABLE H.2

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	Change			Contribution		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
Domestic demand	**−3.8**	**5.7**	**3.3**	**−3.9**	**6.0**	**3.5**
– Household consumption	−6.1	5.0	5.5	–3.4	3.0	3.2
– Residential investment	3.1	14.9	−6.9	0.2	1.1	−0.6
– Non-residential business investment	−9.1	3.0	5.6	−0.8	0.2	0.5
– Government spending and investment	0.4	5.7	1.8	0.1	1.6	0.5
External sector	**—**	**—**	**—**	**0.5**	**−1.2**	**−0.3**
– Exports	−7.9	3.5	5.7	−3.6	1.5	2.3
– Imports	−8.5	5.9	5.7	4.1	−2.7	−2.6
Inventories	**—**	**—**	**—**	**−2.0**	**1.7**	**0.1**
REAL GDP	**−5.5**	**6.5**	**3.3**	**−5.5**	**6.5**	**3.3**

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.3 Rapid recovery of the labour market

After a historic annual decline of 208 500 jobs in 2020, job creation has resumed. Increases of 167 300 jobs in 2021 and 107 500 jobs in 2022 are expected, up 4.1% and 2.5%, respectively.

— The increase in the labour market is driven by strong economic growth.

— In addition, mass vaccination, combined with the implementation of the vaccine passport allowing participation in non-essential activities, is helping to boost employment in the sectors most affected by the pandemic.

— Moreover, the end of certain financial measures for workers affected by COVID-19 should facilitate hiring for businesses.

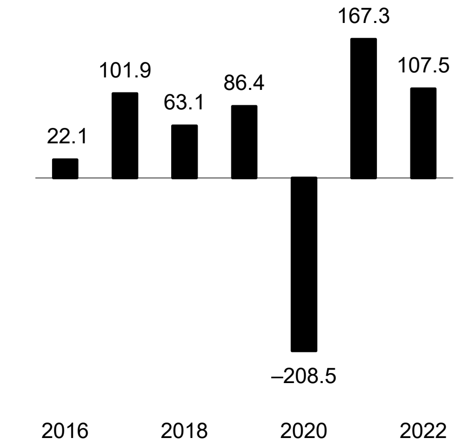
The average unemployment rate is expected to decline from 8.9% in 2020 to 6.3% in 2021 and 5.7% in 2022.

— Despite this decline, the unemployment rate will remain above its pre-pandemic level (5.1% in 2019).

In spite of this positive outlook, challenges remain in the labour market, including changing demographics and labour shortages in some industries. To ensure that the labour market continues to grow, Québec must be able to count on the participation of all its workers.

CHART H.7

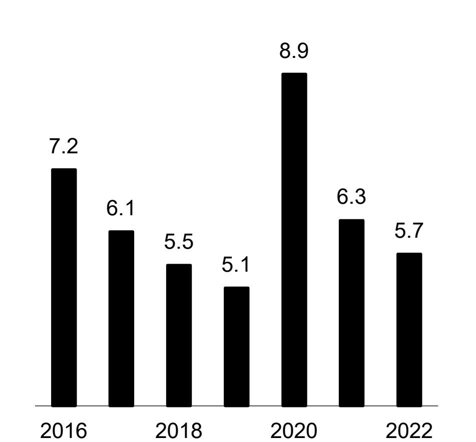
Job creation in Québec
(average annual data in thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.8

Unemployment rate in Québec
(average annual data in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ More than 140 000 jobs created between December 2020 and December 2021

The labour market has been strong in Québec in recent months.

— As a result, 142 100 jobs should be created between December 2020 and December 2021.

— Québec had recorded a drop of 123 900 jobs between December 2019 and December 2020.

At the same time, the unemployment rate will decrease from 6.8% in December 2020 to 5.7% in December 2021.

Moreover, an increase in the labour force is expected in the coming months, which should help keep the unemployment rate close to current levels. This is due to the following factors:

— the opening of the borders will allow immigration to resume, and newcomers will increase the labour force;

— the end of the Canada Recovery Benefit (CRB) on October 23 will encourage some people to get back into the workforce.

The strong performance of the labour market will continue into 2022.

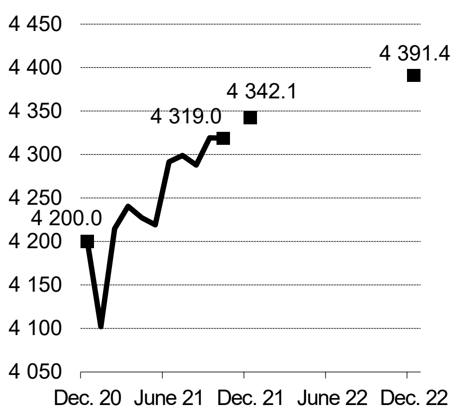
— Between December 2021 and December 2022, 49 300 jobs will be created.

— The unemployment rate is expected to be 5.6% in December 2022.

CHART H.9

Change in employment in Québec

(thousands)

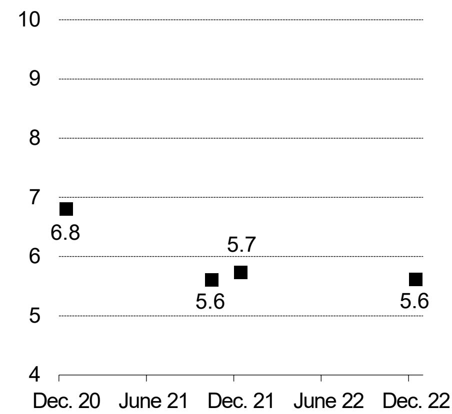


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.10

Change in the unemployment rate in Québec

(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

Tightening of the labour market

Economic growth and labour shortage put pressure on the labour market

The unemployment rate fell 12.0 percentage points from its April 2020 peak to October 2021, from 17.6% to 5.6%, the lowest level since the start of the pandemic (4.5% in February 2020).

– This is also one of the lowest unemployment rates among the provinces (7.0% in Ontario and 6.7% in Canada in October).

– At the same time, the employment rate for those aged 15 to 64, the main labour pool, stood at 76.4% in October, which is close to the rate observed in February 2020 (76.9%). This is the highest employment rate among the provinces.

The high employment rate and the low unemployment rate reflect the good performance of the Québec economy and the aging of the population.

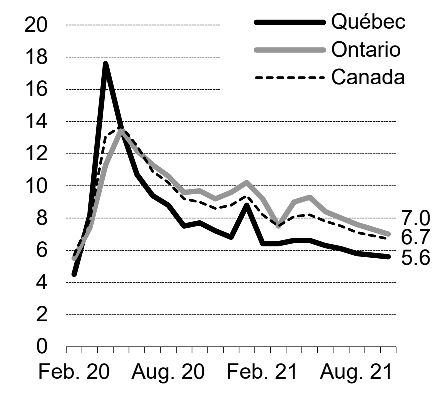
– In fact, the Québec population aged 15 to 64 experienced 11 consecutive monthly declines from December 2020 to September 2021. It decreased by 0.4% between February 2020 and October 2021.

– By comparison, the population aged 15 to 64 was up in Canada (+0.3%) and Ontario (+0.7%) during this period.

In the coming months, economic growth, which stimulates demand for labour, and a shrinking pool of potential workers will continue to put pressure on the labour market. However, labour shortage can be mitigated by better utilizing available workers.

Change in the unemployment rate

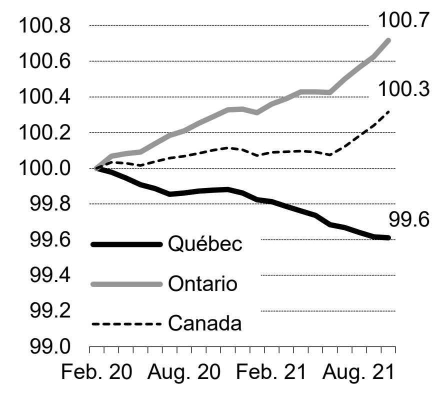
(per cent)



Source: Statistics Canada.

Change in the population aged 15 to 64

(index, February 2020 = 100)



Sources: Statistics Canada and Ministère des Finances du Québec.

Tightening of the labour market (cont.)

Labour shortage will limit the pace of job creation in Québec

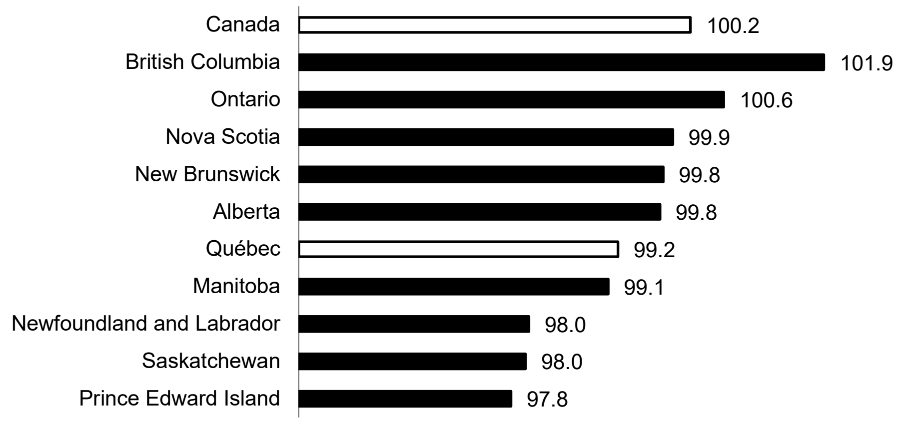
Overall, the labour market is strong in Québec. Since May 2021, the gradual easing of health measures has resulted in an increase of 99 700 jobs in Québec (+2.4%).

- Eight of the top sixteen industries had more employees in October 2021 than before the pandemic, in February 2020. This is particularly true of the finance, insurance, real estate, rental and leasing industries (115.8%) and educational services (111.3%).
- However, the situation remained difficult for the industries most affected by the health measures, including accommodation and food services (70.8%), information, culture, and recreation (87.1%), and transportation and warehousing (91.5%).
  - These industries may find it difficult to rehire staff quickly due to labour shortage. On the other hand, the successful completion of the vaccination campaign and the implementation of the vaccine passport support non-essential activities and the recovery of these industries.
- Excluding the sectors most vulnerable to restrictions,[1] employment grew by 95 300 between February 2020 and October 2021 (102.7%).

As a result, in October 2021, the level of employment in Québec remained below that of February 2020 (99.2%).

Moreover, the employment rate stood at 60.7% in October. Despite a recovery from the low point in April 2020 (50.1%), the employment rate is still 83 500 jobs short of its pre-pandemic level (61.9% in February 2020).

Job recovery rate in Canada
(employment level in October 2021 compared to February 2020)



Sources: Statistics Canada and Ministère des Finances du Québec.

1 These include accommodation and food services, transportation and warehousing, information, culture and recreation, and other services. Other services include services rendered to private households by self-employed persons for tasks primarily related to the operation of the home, personal services, including hairdressing and beauty services, as well as funeral services, repair or maintenance, for example for motor vehicles, and religious activities.

The pandemic is exacerbating recruitment challenges

Labour shortage is a global phenomenon[1] that also impacts the Québec economy. For the past few years, the labour market has had to deal with the challenge of labour availability. Recruitment difficulties have been exacerbated by the pandemic, despite the increase in the number of unemployed individuals.

- During the pandemic, some people were laid off while others left the labour force due to difficulties in finding a job, government support measures or early retirement, among other reasons.
  - In particular, the number of unemployed people rose by 68 000 between the second quarter of 2019 and the second quarter of 2021.

Despite the increase in the number of unemployed individuals, more than 194 000 positions were vacant in Québec in the second quarter of 2021, which is 54 000 more than in the second quarter of 2019 (+38.3%).

- Moreover, in the second quarter of 2021, the vacancy rate, that is, the number of vacant positions as a percentage of all vacant or occupied positions, was 5.3%.

This is partly due to a tightening labour pool.

- In the second quarter of 2019, when the economy was firing on all cylinders, Québec had 1.6 unemployed workers per vacant job. By the second quarter of 2021, this ratio had declined to 1.5.

Therefore, despite the increase in the number of unemployed individuals, employers are still facing recruitment challenges as economic activity continues to grow.

Change in the number of vacancies and vacancy rate in Québec during the pandemic
(number of vacancies and unemployed individuals in units, vacancy rate in per cent and difference in percentage points)

	2nd quarter of 2019	2nd quarter of 2021	Difference
Number of vacant jobs	140 420	194 145	+53 725
Vacancy rate(1)	3.8	5.3	+1.5
Number of unemployed individuals	225 200	293 100	+68 000
NUMBER OF UNEMPLOYED INDIVIDUALS PER VACANT JOB	**1.6**	**1.5**	**−0.1**

Note: Job vacancy data are not seasonally adjusted. It is recommended to compare them with those of the same quarter of the previous year. However, Statistics Canada did not conduct its survey in the second and third quarters of 2020 due to the pandemic.
(1) Number of vacancies as a percentage of all jobs, either occupied or vacant.
Source: Statistics Canada.

1 See page H.52 for more information.

Filling job vacancies: a potential of more than $5 billion for Québec's real GDP

The number of vacant positions in the first quarter of 2021 was 194 145 in Québec. This represents 127 170 more vacant jobs than in the second quarter of 2016 (situation without tension in the labour market).

The labour shortage is an important issue for Québec, as it limits the growth of the economy and the standard of living.

Supporting a higher standard of living for Quebecers

Eliminating the 127 170 vacancies in Québec would add $5.4 billion to its real GDP over the long term, compared to the situation observed in recent quarters.

- Businesses would be able to produce at their full potential, which would have a positive effect on net exports ($3.0 billion) as well as on investments ($1.1 billion).

Moreover, filling these jobs would have a positive effect on Quebecers' standard of living as real disposable income would be higher ($1.9 billion).

Concrete actions by the Québec government

In order to respond to the significant challenge posed by the labour shortage in Québec, the government implemented the action plan for the workforce in the fall of 2019.

It is against this backdrop that the fall 2021 update provides for additional measures totalling more than $2.9 billion for the period 2021-2026.

Economic potential of filling vacancies in Québec
(billions of 2019 dollars, unless otherwise indicated)

Consumption	1.3
Investment	1.1
Net exports	3.0
TOTAL – GDP	**5.4**
Disposable income	*1.9*
Consumer price (%)	*−0.9*

Notes: Totals may not add due to rounding.
Estimates based on the General Equilibrium Model of the Ministère des Finances du Québec (MEGFQ).
Source: Ministère des Finances du Québec.

2.4 Household consumption at the heart of economic growth

Household consumption expenditure is at the heart of economic growth. In real terms, it will increase by 5.0% in 2021 and 5.5% in 2022, following a decline of 6.1% in 2020.

— These increases are supported in part by generous government benefits that have had a positive impact on household income. In addition, the robust labour market, which is driving wages and salaries increases, and the savings accumulated since the start of the pandemic are supporting household expenditure.

Moreover, the pandemic and lockdown have changed consumption patterns.

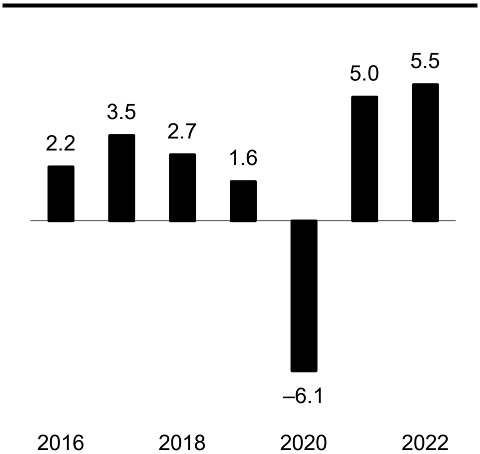
— Historically, spending on goods and services has followed a similar trajectory. However, in 2020, purchases of goods declined (−0.6%) less sharply than those of services (−11.0%).

  — Purchases of goods continued through electronic commerce, whereas health measures restricted the provision of many services that cannot be delivered or consumed online.

In 2022, the services sector will benefit from a more complete recovery in activity, particularly in the tourism, transportation, and recreation sectors. Growth in spending on goods will be more moderate.

CHART H.11

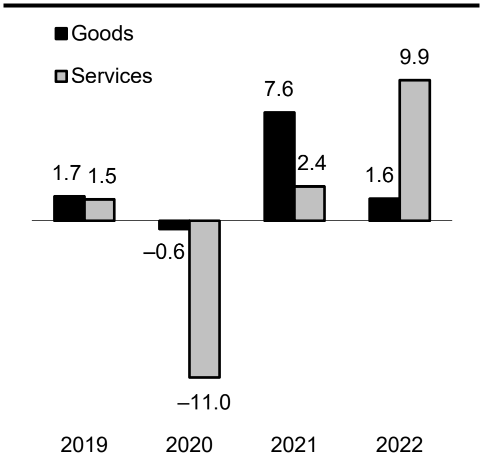
Household consumption expenditure in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.12

Consumption expenditure on goods and services in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Consumption rests on solid foundations

The pandemic had significant effects on income, savings and household spending.

– In 2020, household disposable income jumped by 9.1%. This strong increase is the result of generous income support measures provided by the different levels of government to compensate for lost employment income.

– Over the next few years, household disposable income will continue to rise, despite the end of income assistance programs. The recovery of the labour market, against a background of labour shortage, will lead to a strong increase in wages and salaries. Wages and salaries are expected to increase by 8.2% in 2021 and 7.0% in 2022, the highest increases since 2000.

In addition, households have changed their consumption patterns. The temporary closing of non-essential businesses has curtailed consumer expenditure.

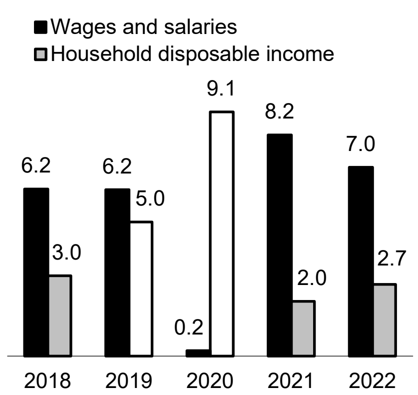
The increase in household disposable income combined with a decrease in consumption resulted in a significant increase in savings.

– The saving rate rose from 7.0% in 2019 to 19.4% in 2020, the highest since 1981, when Québec's economic accounts were first published.

– The easing of health measures should allow households to tap into these savings. As a result, the saving rate will gradually decline from an average of 14.9% in 2021 to 10.2% in 2022.

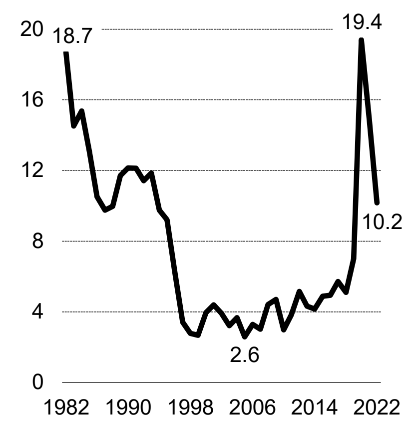
The increase in household income and savings provides a solid foundation for sustainable growth.

Wages and salaries and household disposable income in Québec
(percentage change, in nominal terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Household saving rate in Québec
(per cent)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.5 The real estate market, an important driver of economic vitality

The real estate market performed well in 2020 despite the construction industry's shutdown in the spring. With an increase of 3.1%, residential investment is one of the only major components of real GDP to have grown.

This market's strength will continue in 2021 due to an exceptional start to the year. Residential investment is expected to grow by 14.9% in real terms, to $33.9 billion.

— In particular, spending on new residential construction will jump by 23.4% in 2021. The imbalance between housing demand and supply will propel housing starts to a record high, with 69 700 new units built in 2021.

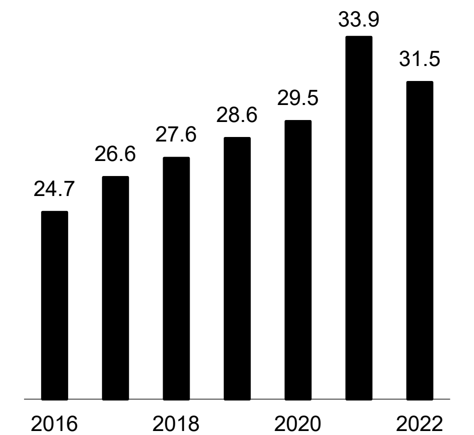
In 2022, the momentum in this market will fade. Residential investment is expected to decline by 6.9%, to $31.5 billion. Despite this decline, the level of investment will remain high from a historical perspective.

— Households are expected to redirect some of their spending away from housing. In addition, the decline in affordability due to price increases and the tightening of mortgage rules will help to moderate this market.

Moreover, improved balance between housing supply and demand will lead to a decrease in housing starts. Nonetheless, housing starts are expected to reach 57 300 units in 2022, a level that will remain higher than the average between 2010 and 2019 (44 200 units).

CHART H.13

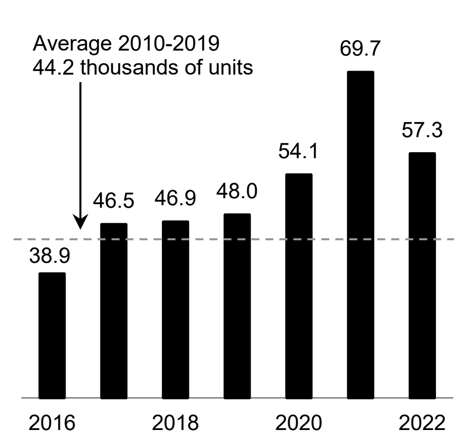
Residential investments in Québec
(billions of chained 2012 dollars)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.14

Housing starts in Québec
(thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

The housing market is starting to ease up

Québec's housing market has reached record highs

Although the pandemic brought residential market activity to a standstill in March and April 2020, the sector surprised by its strength. For the year 2020 as a whole:

- housing starts were up 12.7% to 54 100 units;
- resale market transactions increased by 16.1% to 112 200 units.

The momentum continued into 2021, as housing starts and resale market transactions peaked in January at 113 500 and 136 600 units started and sold, respectively.

An imbalance between supply and demand has put pressure on prices

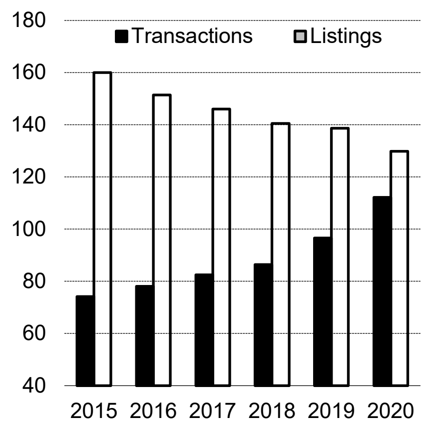
Since the start of the pandemic, demand for housing has risen sharply in Québec. Teleworking and the lockdown have changed the housing needs of many households. In addition, low interest rates and the accumulation of savings resulting from increased government transfers and reduced consumption have supported housing demand.

At the same time, the supply of properties on the market was insufficient to absorb such a surge in demand.

- New listings of properties for sale fell 6.4% in 2020. This was the sixth consecutive annual decline.

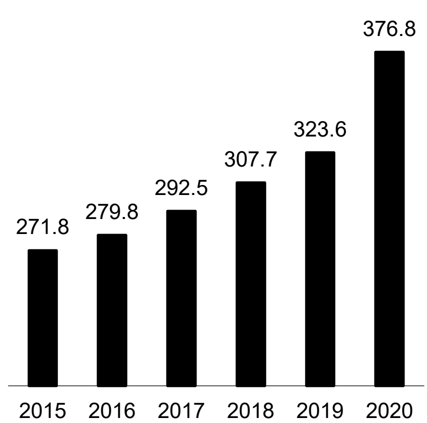
The imbalance between supply and demand has put pressure on prices. As a result, average prices for properties on the resale market jumped 16.5% in 2020 to $376 800. This was the highest annual increase ever recorded. Nonetheless, housing on the resale market remains much more affordable in Québec than in Ontario ($705 700 in 2020).

Resale market transactions and listings in Québec
(thousands of units)



Source: Haver Analytics.

Average home resale price in Québec
(thousands of dollars)



Source: Haver Analytics.

The housing market is starting to ease up (cont.)

The momentum has slowed in recent months

After peaking in early 2021, housing demand has moderated in recent months.

– Housing starts, while still at high levels, have declined for six months between February and September. Resale market transactions are also on a downward trend.

The moderation in housing demand can be attributed to several factors.

– Properties have become less affordable and mortgage interest rates have stopped falling and started to rise slightly. In addition, rising material prices have contributed to dampening enthusiasm for new home purchases.

– Moreover, as of June 1, 2021, buyers are subject to a new federal rule that limits their borrowing ability.

– Lastly, the gradual recovery of activities, including recreation activities and travel, has reduced the household budget allocated to housing.

At the same time, the supply of properties on the market has increased.

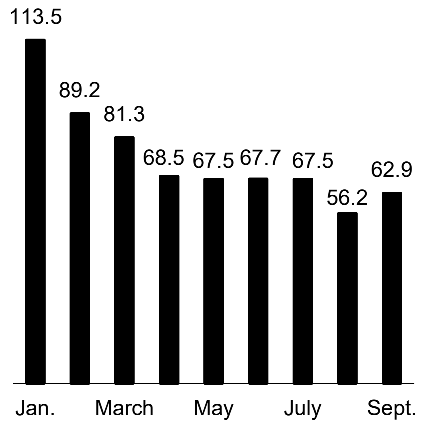
– High housing prices have encouraged some homeowners to put their homes up for sale.

– In addition, the recent boom in new residential construction has increased the number of homes available on the market.

The decrease in demand combined with the increase in supply should gradually bring some balance to the housing market and limit price increases.

Housing starts in Québec in 2021

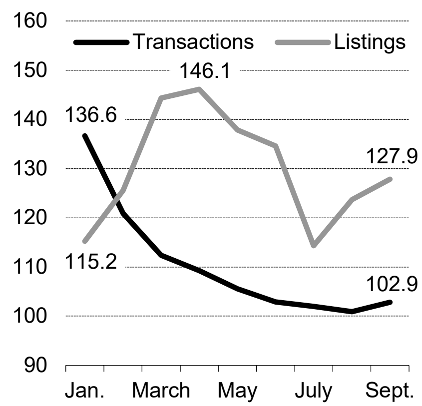
(thousands of units)



Source: Canada Mortgage and Housing Corporation

Resale market transactions and listings in Québec in 2021

(thousands of units)



Source: Haver Analytics.

Foreign buyers still have little presence in Québec and on the island of Montréal due to the pandemic

In recent months, lower immigration and restrictions on international travellers to Québec have limited home purchases by foreign buyers.

– The share of real estate transactions by foreign buyers[1] has declined since its peak in 2018. For the first nine months of 2021, it averaged 0.7% in Québec as a whole and 2.8% on the island of Montréal. In 2018, this share stood at 1.1% and 3.4% respectively.

Moreover, the share of transactions made in Québec by buyers from the rest of Canada has continued to grow in recent months, but it remains low.

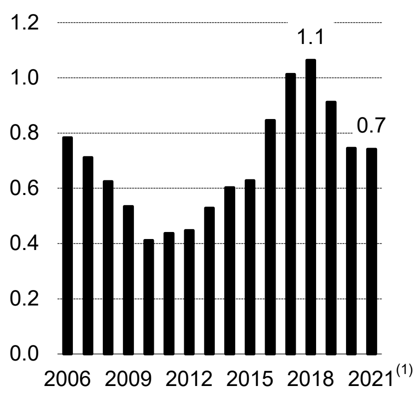
– For Québec as a whole, it has risen from 2.3% in 2018 to an average of 3.4% in 2021. On the island of Montréal, these proportions were 3.1% and 3.8% respectively.

As a result, for both Québec as a whole and the island of Montréal, the vast majority of real estate transactions are carried out by Québec buyers.

– On average in 2021, 95.8% of all real estate transactions in Québec and 93.4% of all real estate transactions on the island of Montréal were carried out by Québec buyers.

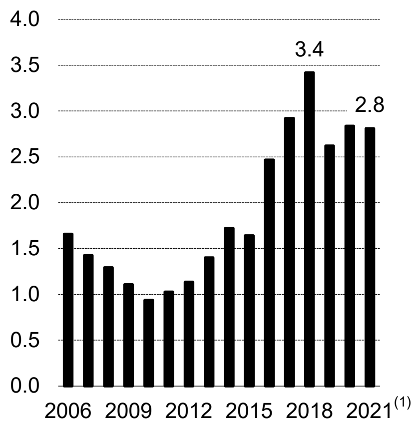
Although the proportion of foreign buyers has decreased since 2018, the government will continue to keep a close watch on developments in the Québec real estate market.

Real estate transactions by foreign buyers in Québec
(percentage of total transactions in Québec)



(1) Average from January to September 2021.
Sources: JLR solutions foncières and Ministère des Finances du Québec.

Real estate transactions by foreign buyers on the island of Montréal
(percentage of total transactions on the island of Montréal)



(1) Average from January to September 2021.
Sources: JLR solutions foncières and Ministère des Finances du Québec.

1 Buyers who had a residential address outside of Canada at the time of the real estate transaction. This information, which appears in the deed, does not indicate the buyer's status under the *Immigration and Refugee Protection Act*.

2.6 Non-residential investment rebounds

Following a 9.1% decline in 2020, non-residential business investment is expected to grow by 3.0% in 2021 and 5.6% in 2022. The resilience of the economy and low interest rates will have a positive impact on Québec businesses' investment intentions over the next few years.

— Rising demand will put pressure on production capacity, which should support investment in machinery and equipment. In addition, labour shortages could encourage entrepreneurs to invest in machinery in order to increase their productivity.

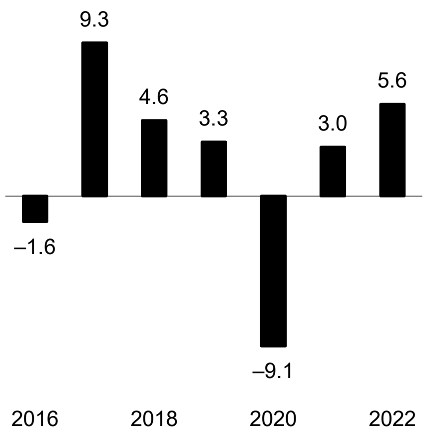
— Spending on non-residential construction will also be boosted by the increase in demand. However, the increased availability of space due to the shift to teleworking may limit this new investment.

— The digital shift in the economy should have a positive effect on business spending on intellectual property products.

However, disruptions in global supply chains could delay the start of some investment projects.

CHART H.15

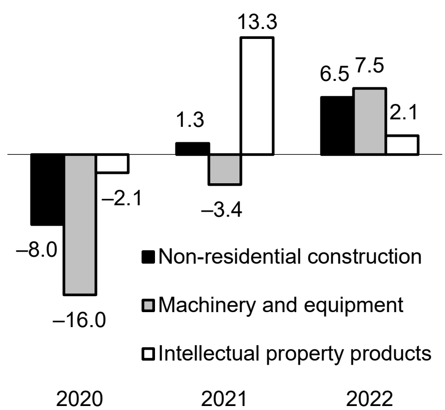
Non-residential business investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.16

Components of non-residential business investment in Québec
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.7 Government investment – a pillar of growth

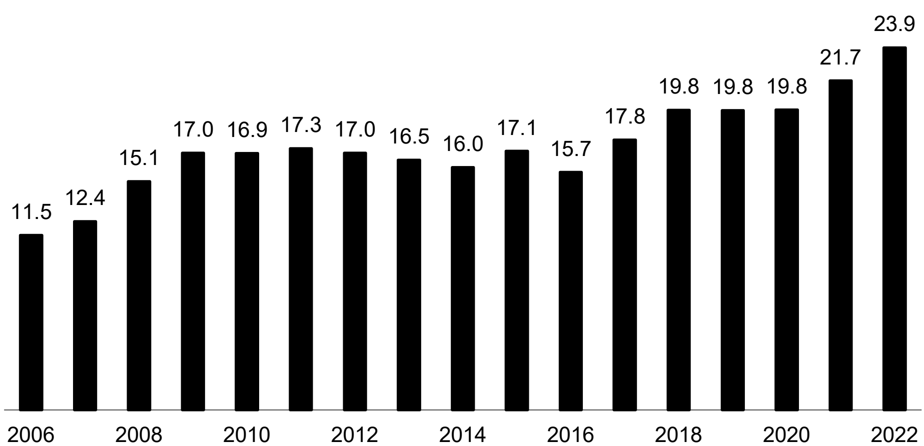
Investment by public administrations will increase significantly in 2021 and 2022. It is expected to grow by 9.7% in 2021 and 10.1% in 2022, reaching $23.9 billion in nominal terms in 2022.

Governments have already increased infrastructure investments in their 2020 stimulus packages.

- In particular, the Québec government announced an increase in investments under the Québec Infrastructure Plan (QIP) in the *Québec Budget Plan – March 2021*. The QIP allows for the acceleration of infrastructure projects and the elimination of asset maintenance deficits.
  - Last March, the Québec government announced a $4.5 billion increase in investments under the 2021-2031 QIP.
  - With this increase, the QIP stands at $135.0 billion over a 10-year horizon.
- The federal government's Investing in Canada program and the increase in investment in major Québec cities including Montréal, Québec and Laval, will also support growth in government investments.

CHART H.17

Public administrations' investments in Québec
(billions of dollars, in nominal terms)



Note: Government investments include investments by the Québec government, the federal government, local public administrations and Aboriginal public administrations.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.8 Increased foreign demand will support exports

Accelerating global economic activity will support growth in Québec's exports.

- Strong growth in foreign demand, particularly from the United States, will contribute to the recovery in exports.
- Québec will also benefit from a recovery in tourism, which will support international services exports.
- However, bottlenecks in supply chains and maritime shipping logistics problems could affect Québec's international trade.

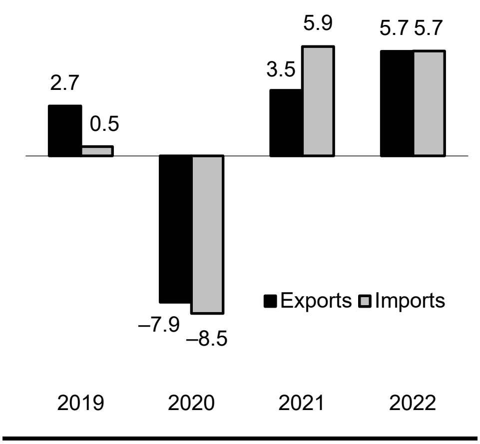
Moreover, exports are expected to grow more slowly than imports in 2021.

- In 2020, the decline in imports was more pronounced than that of exports. As a result, imports will experience a more pronounced gain in 2021. Imports will be boosted by a strong increase in domestic demand.
- Furthermore, the appreciation of the Canadian dollar favours imports, but impacts the international competitiveness of goods and services offered by Québec businesses, thereby limiting exports.

CHART H.18

Exports and imports in Québec

(percentage change, in real terms)

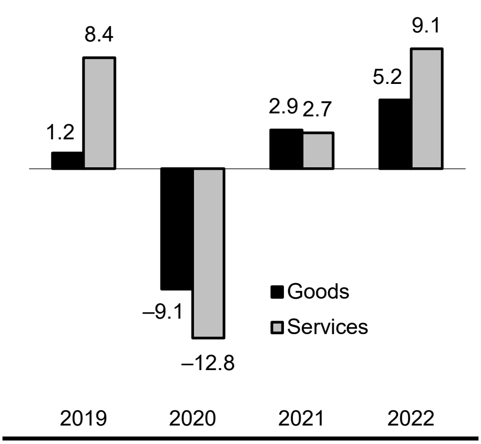


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.19

International exports of goods and services in Québec

(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.9 A robust increase in nominal GDP

Nominal GDP, which measures the value of output by taking into account the price effect, will jump 10.8% in 2021 and 7.2% in 2022, following a 2.4% decline in 2020. These increases are due to the growth in economic activity in real terms. In addition, GDP prices are expected to increase by 4.0% in 2021 and 3.8% in 2022.

It should be noted that the GDP deflator, the index that measures changes in GDP prices, is determined by two factors:

— domestic demand prices, of which the consumer price index (CPI) is an important indicator;

— the terms of trade, which can be measured by the ratio of export prices to import prices.

The government's main tax bases are also showing strong increases.

— Growth in wages and salaries will rise from 0.2% in 2020 to 8.2% in 2021 and 7.0% in 2022. This will be supported by a strong labour market and labour shortages in several sectors, which puts pressure on employment income.

— Net operating surplus of corporations will experience a robust gain of 20.0% in 2021. A decline is expected in 2022 (−4.2%), as various business subsidy programs end.

— Nominal consumption will increase by 7.5% in 2021 and 8.2% in 2022. Accumulated savings, latent demand, and increased wages and salaries will help spur household spending.

TABLE H.3

Nominal GDP in Québec
(percentage change)

	2020	2021	2022
Real GDP	**−5.5**	**6.5**	**3.3**
– *March 2021*	*−5.2*	*4.2*	*4.0*
Price – GDP deflator	**3.3**	**4.0**	**3.8**
– *March 2021*	*1.3*	*1.7*	*1.8*
NOMINAL GDP	**−2.4**	**10.8**	**7.2**
– *March 2021*	*−4.0*	*6.0*	*5.8*

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

The effects of rising oil prices on the Québec economy

Oil prices have been on an upward trend since October 2020, and this trend has intensified in recent months.

– The average price of West Texas Intermediate (WTI) oil has risen from US$40 per barrel in October 2020 to US$81 in October 2021.

The increase in the price of a barrel of oil will have adverse effects on consumers and businesses, who will incur substantial cost increases.

A US$10 price increase represents a $1.6 B increase in the cost of crude oil imports

Québec is a net importer of crude oil. In 2019, prior to the pandemic, it was purchasing approximately 358 000 barrels of crude oil per day.

When the *Québec Budget Plan – March 2021* was released, the expected price of WTI oil for 2022 was US$58 per barrel. The current forecast is for US$64. The Ministère des Finances du Québec estimates that a US$10 increase in crude oil prices would increase the cost of supplying crude oil by CAD$1.6 billion, or a 0.3% decrease in nominal GDP.

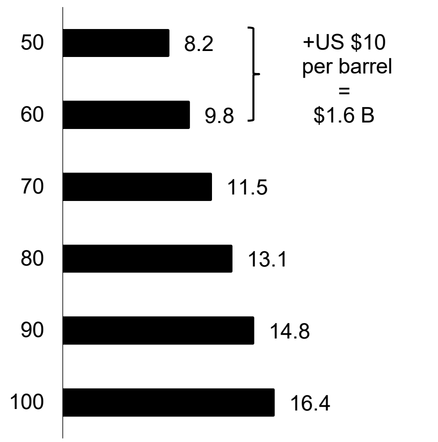
The additional cost affects several components of the economy:

– high fuel prices have a direct effect on business profits. Businesses could therefore increase prices to compensate for the increased costs;

– consumers will have to pay higher energy bills, especially in terms of prices at the pump.

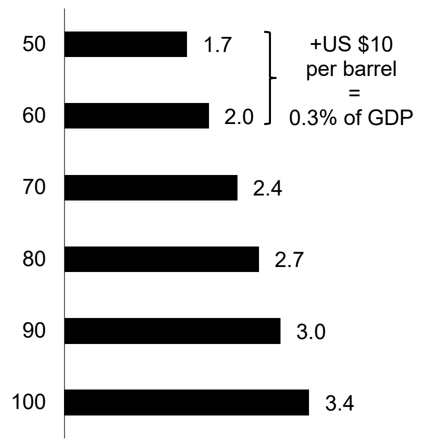
Higher oil prices will have adverse effects on the Québec economy. However, the strength of the Québec economy will mitigate the negative effects of higher energy prices.

Cost of crude oil imports based on WTI oil price
(billions of dollars)



Note: Figures have been rounded. Calculation is based on 2019 import volume; prices are in U.S. dollars and the exchange rate used is CAD $1.25 per U.S. dollar.
Source: Ministère des Finances du Québec.

Cost of crude oil imports based on WTI oil price
(as a percentage of nominal GDP)



Note: Figures have been rounded. Calculation is based on 2019 import volume; prices are in U.S. dollars and the exchange rate used is CAD $1.25 per U.S. dollar.
Source: Ministère des Finances du Québec.

2.10 Cyclical factors put pressure on prices

The pandemic had a significant impact on inflation as measured by CPI. Overall, the CPI grew by only 0.8% in 2020. In recent months, however, pressures on prices have increased.

The CPI is expected to rise by 3.4% in 2021 and 2.9% in 2022. Excluding food and energy, two volatile components of the index, prices are expected to rise by 2.8% in 2021 and 2022. Various factors explain this increase.

— Supported by the recovery in economic activity, commodity prices have rebounded from their 2020 lows.

— The strong labour market and the labour shortage are driving up wages and salaries.

— Moreover, the imbalance between housing supply and demand has put pressure on housing prices.

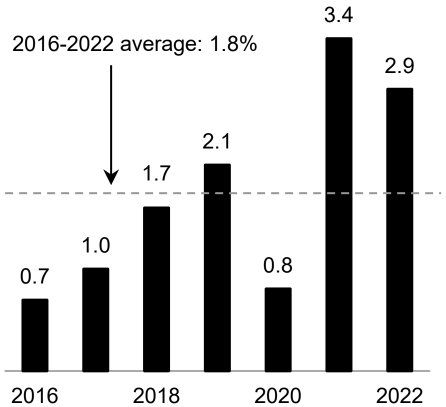
— In addition, increased demand for goods and services due in part to accumulated savings, coupled with limited supply due to availability issues, is resulting in increased shipping costs and putting upward pressure on prices. Furthermore, some businesses have adjusted their rates to compensate for pandemic-related losses.

Pressure on prices should ease as the effects of cyclical factors fade. The CPI is expected to temporarily exceed the top end of the 1% to 3% inflation range of the Bank of Canada. It should gradually move closer to the 2% target.

CHART H.20

Québec consumer price index

(percentage change)

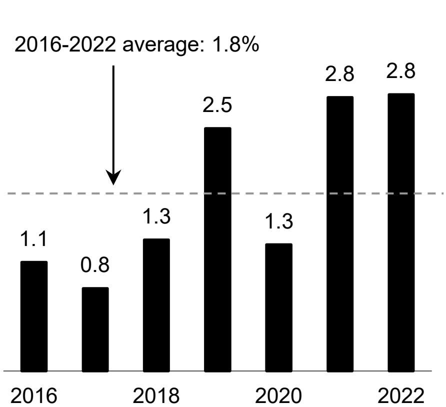


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.21

Québec consumer price index excluding food and energy

(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

A surge in inflation

In Canada and around the world, inflation has risen sharply in recent months.

- In September 2021 compared to September 2020, prices measured by the Consumer Price Index (CPI) rose by 4.4% in Canada. In Québec, annual inflation was 5.1% in September, the highest since December 1991.

Three main factors behind the inflationary surge

In the October *Monetary Policy Report*, the Bank of Canada identified three main factors behind the current surge in prices.

- First, supply disruptions are pushing up the prices of some goods. Health restrictions and pandemic concerns, as well as economic support measures, have boosted demand for goods and housing. These sectors also faced supply constraints, which put upward pressure on prices.
  - The Bank of Canada points to homeowner's replacement cost, which rose 14% over 12 months, and motor vehicle prices, which rose 7%.
- Second, the rebound in demand for hard-to-distance services has pushed up prices for in-person services. The Bank of Canada cites recent increases in airfare prices, as well as traveller accommodation prices, including hotel rates, as many Canadians have started travelling again.
- Finally, the Bank of Canada estimates that higher energy prices are expected to contribute almost 2 percentage points to overall inflation in the fourth quarter of 2021.

The Bank of Canada expects inflation to return close to the 2% target by the end of 2022

All in all, the Bank of Canada believes that the main forces driving up prices appear to be more persistent than previously expected. However, the Bank of Canada also noted that medium and longer-term inflation expectations remain well anchored at the 2% target, and that pressure on wages remains moderate.

- The Bank of Canada continues to expect a gradual decline in inflation, but it is likely to remain higher for longer than expected in previous economic projections. The Bank expects inflation to return close to the 2% target by the end of 2022.

Source: Bank of Canada.

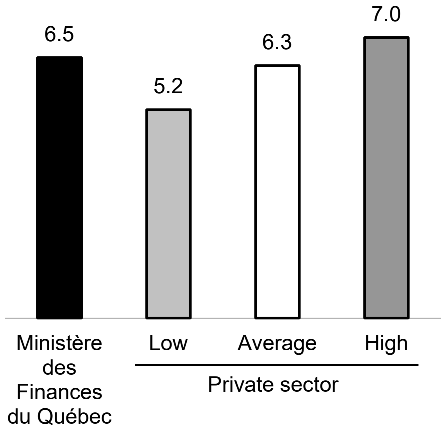
2.11 Comparison with private sector forecasts

In 2021, the growth expected by the Ministère des Finances du Québec (+6.5%) is slightly higher than that anticipated by private sector forecasters (+6.3%). The large variation in private sector forecasts reflects the uncertainty arising from the pandemic.

In 2022, the Ministère des Finances du Québec expects slightly weaker growth in economic activity (+3.3%) than the average private sector forecast (+3.5%).

CHART H.22

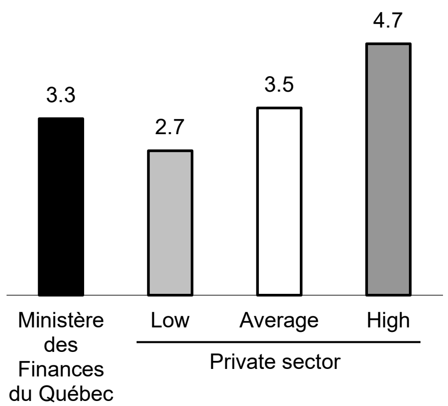
Economic growth in Québec, 2021
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at October 27, 2021, which includes the forecasts of 11 private sector institutions.

CHART H.23

Economic growth in Québec, 2022
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at October 27, 2021, which includes the forecasts of 11 private sector institutions.

TABLE H.4

Québec's economic outlook – Comparison with the private sector
(percentage change)

	2020	2021	2022	2023	2024	2025	Average 2021-2025
Real GDP							
Ministère des Finances du Québec	−5.5	6.5	3.3	1.9	1.5	1.5	2.9
Private sector average	—	6.3	3.5	2.2	1.6	1.5	3.0
Nominal GDP							
Ministère des Finances du Québec	−2.4	10.8	7.2	2.5	3.4	3.3	5.4
Private sector average	—	11.1	5.5	4.0	3.6	3.4	5.5

Note: Averages may not add due to rounding.
Source: Ministère des Finances du Québec summary as at October 27, 2021, which includes the forecasts of 11 private sector institutions.

TABLE H.5

Economic outlook for Québec
(annual average, percentage change, unless otherwise indicated)

	2020	2021	2022
Output			
Real GDP	−5.5	6.5	3.3
– *March 2021*	*−5.2*	*4.2*	*4.0*
Nominal GDP	−2.4	10.8	7.2
– *March 2021*	*−4.0*	*6.0*	*5.8*
Nominal GDP (billions of dollars)	449.1	497.5	533.4
– *March 2021*	*442.0*	*468.4*	*495.7*
Components of GDP (in real terms)			
Household consumption	−6.1	5.0	5.5
– *March 2021*	*−5.4*	*5.0*	*4.3*
Government spending and investment	0.4	5.7	1.8
– *March 2021*	*−0.4*	*4.7*	*3.8*
Residential investment	3.1	14.9	–6.9
– *March 2021*	*1.0*	*5.5*	*0.9*
Non-residential business investment	−9.1	3.0	5.6
– *March 2021*	*−9.7*	*6.3*	*5.3*
Exports	−7.9	3.5	5.7
– *March 2021*	*−10.5*	*3.1*	*4.5*
Imports	−8.5	5.9	5.7
– *March 2021*	*−13.7*	*7.9*	*6.2*
Other economic indicators (in nominal terms)			
Job creation (thousands)	−208.5	167.3	107.5
– *March 2021*	*−208.5*	*148.9*	*75.5*
Unemployment rate (per cent)	8.9	6.3	5.7
– *March 2021*	*8.9*	*6.4*	*6.0*
Household consumption excluding food expenditures and shelter	−9.9	8.9	10.1
– *March 2021*	*−8.6*	*8.3*	*7.4*
Wages and salaries	0.2	8.2	7.0
– *March 2021*	*0.3*	*6.0*	*3.5*
Household income	5.8	3.9	3.8
– *March 2021*	*6.2*	*1.6*	*2.7*
Net operating surplus of corporations	14.5	20.0	–4.2
– *March 2021*	*−5.3*	*2.2*	*–3.8*
Consumer price index	0.8	3.4	2.9
– *March 2021*	*0.8*	*1.9*	*2.2*

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

3. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

The global economy is returning to growth after a historic 3.1% drop in 2020. The acceleration of economic activity is synchronized in most advanced economies, including Canada and the United States, Québec's main trading partners.

3.1 The economic situation in Canada

❑ Temporary difficulties are slowing growth

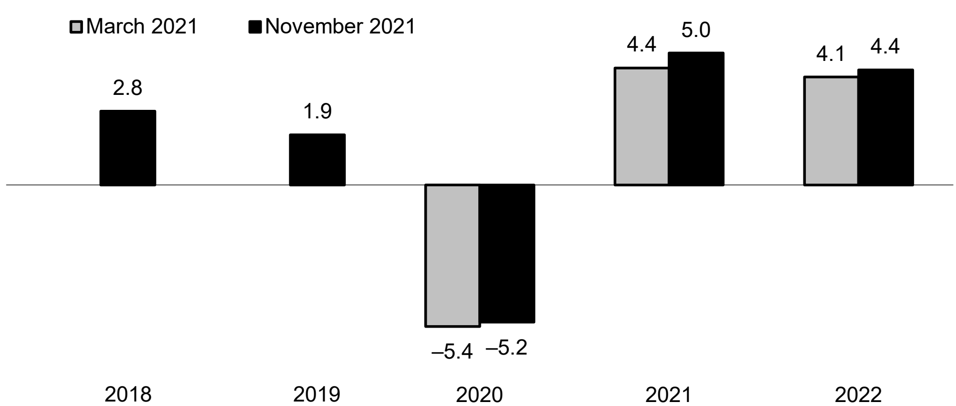
After a contraction in economic activity of 5.2% in 2020, Canada's real GDP should increase by 5.0% in 2021 and 4.4% in 2022. These are upward revisions of 0.6 percentage points in 2021 and 0.3 percentage points in 2022 from the forecast in the *Québec Budget Plan – March 2021*.

Despite the improved outlook, Canada continues to face temporary challenges that are slowing progress in economic activity.

- In particular, the automobile manufacturing sector is facing supply difficulties that are restricting its output and exports.
- During the summer, western Canada was affected by an extreme heat wave, a severe drought and numerous forest fires.
- Moreover, changes in the epidemiological situation and sanitary measures could limit economic activity in some provinces.

CHART H.24

Economic growth in Canada
(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Increased economic activity supported by domestic demand

As in Québec, domestic demand will support growth in Canada.

— Household consumption will increase thanks to the easing of health measures, the improvement in the labour market and accumulated savings.

— These factors will also support residential investment. However, the housing boom will gradually fade as affordability deteriorates and borrowing rules and mortgage rates tighten.

— Non-residential business investment will increase. However, it will remain weak in the oil and gas sector. Limited transportation capacity and an increased focus on climate change will continue to affect the sector.

— Growth in government spending will accelerate, particularly through infrastructure investment.

Exports and imports will grow over the next few years, supported by the recovery in global economic activity and rising domestic demand, respectively.

— Nevertheless, export growth will be more moderate given supply difficulties, including those affecting the automobile sector.

TABLE H.6

Real GDP and its major components in Canada
(percentage change and contribution in percentage points)

	Change			Contribution		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
Domestic demand	**−4.1**	**5.6**	**3.4**	**−4.1**	**5.6**	**3.4**
– Household consumption	−6.2	4.6	5.3	−3.5	2.5	3.0
– Residential investment	4.3	16.7	−7.8	0.3	1.2	−0.6
– Non-residential business investment	−10.5	3.1	9.3	−1.2	0.3	0.9
– Government spending and investment	0.9	5.7	1.4	0.3	1.4	0.3
External sector	**—**	**—**	**—**	**0.6**	**−1.7**	**0.7**
– Exports	−9.7	2.2	7.6	−3.1	0.7	2.3
– Imports	−10.8	7.9	5.2	3.7	−2.4	−1.6
Inventories	**—**	**—**	**—**	**−1.7**	**1.0**	**0.2**
REAL GDP	**−5.2**	**5.0**	**4.4**	**−5.2**	**5.0**	**4.4**

Note: Totals may not add due to rounding.
Sources: Statistics Canada and Ministère des Finances du Québec.

Households are ready to spend

As in Québec, Canada's household saving rate has risen sharply, from 2.1% in 2019 to 14.8% in 2020.

These accumulated savings, combined with the easing of health measures, pent-up demand and a recovering labour market, will lead to robust consumption growth.

— As a result, household spending is expected to grow by 4.6% in 2021 and 5.3% in 2022.

Despite moderation since last spring, the housing market remains strong

Residential investment is expected to grow by 16.7% in 2021.

— This strong growth will be supported by the good performance of the labour market and household savings.

Although it continues to enjoy enviable levels of activity, the residential sector has shown signs of slowing since last spring.

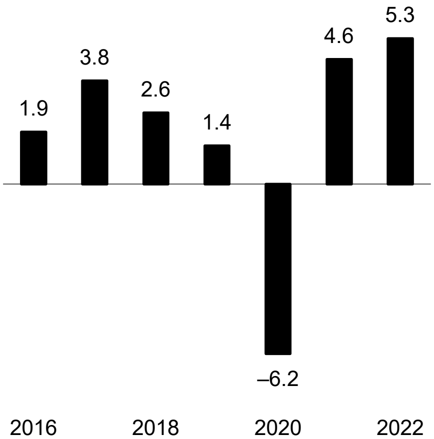
— The gradual deconfinement allows households to increase the share of their budget devoted to spending on recreational activities.

— In addition, the temporary drop in immigration, tighter mortgage rules that limit buyers' borrowing ability, and reduced affordability will dampen the housing boom.

CHART H.25

Household consumption expenditure in Canada

(percentage change, in real terms)

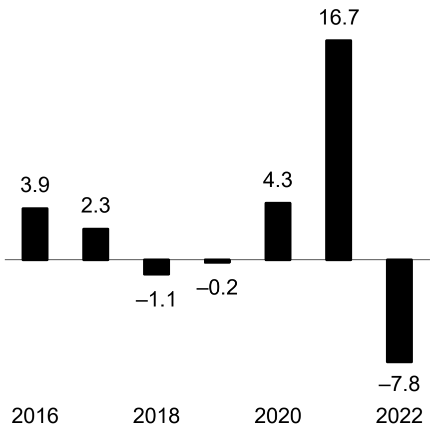


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.26

Residential investment in Canada

(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

■ Business investment recovers

Non-residential business investment will gradually recover. Capacity pressures are expected to intensify due to rising demand. In addition, continued accommodating credit conditions should support investment.

— On the other hand, the Canadian oil industry is still facing challenges. Despite rising oil prices, the level of investment in the energy sector will remain lower than before the pandemic.

  — Limited transportation capacity and an increased focus on climate change and low-carbon economic development will continue to affect the sector.

❑ Supply issues limit exports

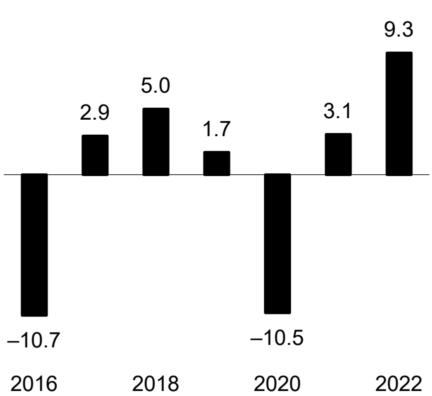
Exports are expected to increase by 2.2% in 2021 and 7.6% in 2022. These increases are mainly due to the recovery in global economic activity, particularly in the United States.

— However, the 2021 rebound will be mitigated by the appreciation of the Canadian dollar and by disruptions in production lines, particularly in the automobile sector.

Import growth will be supported by strong domestic demand and a rising exchange rate, which reduces the cost in Canadian dollars of goods and services produced abroad.

CHART H.27

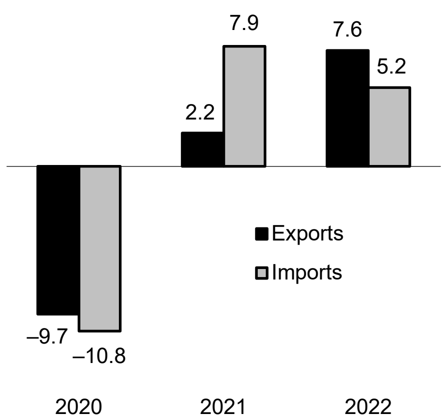
Non-residential business investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.28

Canadian exports and imports
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

3.2 The economic situation in the United States

❑ The economy was resilient in the first half of 2021

Economic growth was robust in the United States in the first half of 2021 as the economy showed resilience in the face of the various COVID-19 outbreaks. As a result, real GDP surpassed its pre-pandemic level by 1.4% in the third quarter of 2021.

— Businesses and consumers have adapted to the health measures. In addition, the stimulus packages enacted by Congress in late 2020 and early 2021 have supported growth.

The strength of the economy in the first half of the year is expected to result in a 6.0% increase in real GDP in the United States for the year 2021, following a 3.4% decline in 2020. For 2022, real GDP growth is expected to moderate to 4.4%.

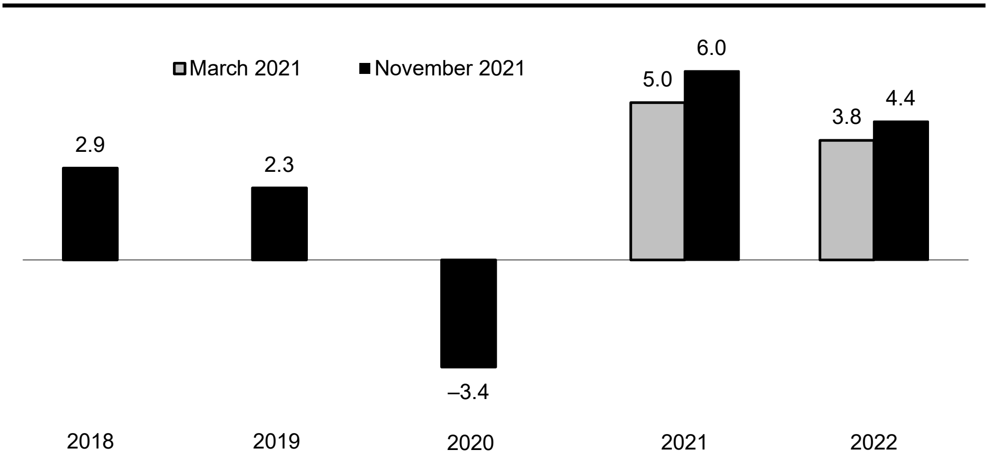
— These are upward revisions of 1.0 and 0.6 percentage points for 2021 and 2022 respectively compared to what was presented in the *Québec Budget Plan – March 2021*.

Despite the upward revision, several factors should lead to slower growth in 2022, including the withdrawal of fiscal support, in particular with the expiration of special unemployment insurance programs, supply chain bottlenecks and labour shortages.

In addition, the pandemic remains a major source of risk. Despite the widespread availability of vaccines in the United States, some States have low vaccination rates, and the emergence of new variants could temporarily slow economic growth.

CHART H.29

Economic growth in the United States
(real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ Domestic demand will moderate after strong gains in 2021

Domestic demand is expected to grow robustly in 2021, supported by the federal government's December 2020 and March 2021 stimulus packages and the easing of health measures.

— However, it is expected to moderate from 2022 onwards as the impulse provided by the fiscal support fades. Moreover, labour shortage and supply chain bottlenecks will limit the ability of businesses to meet high demand.

In particular, household consumption expenditure is expected to grow by 7.8% in 2021 and 3.7% in 2022.

— The increase in consumption in 2021 would be the highest in 75 years. However, consumption is expected to slow in 2022, reflecting, among other things, lower federal government transfers to households, high inflation, and continued pandemic-related disruptions and fears.

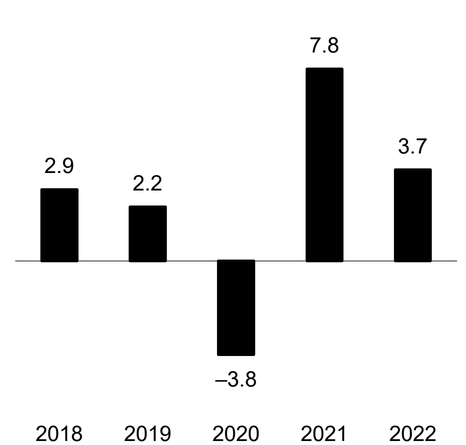
A similar pattern is expected for residential investment, which should grow by 9.8% in 2021 and 0.7% in 2022.

— As in Québec, residential investment in the United States benefited from the surge in demand at the beginning of 2021.

— However, activity has moderated recently, due in part to significant price increases for both existing homes and building materials. These factors are expected to continue to limit residential investment growth in 2022.

CHART H.30

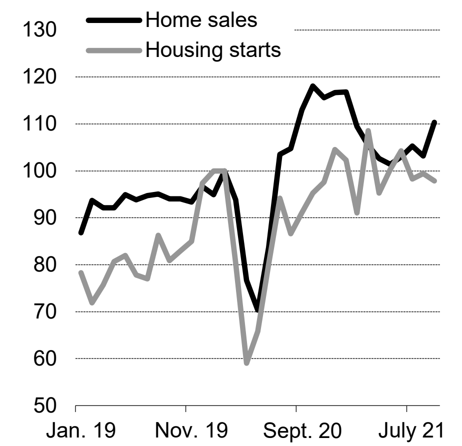
Consumption expenditure in the United States
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART H.31

Existing home sales and housing starts in the United States
(index, February 2020 = 100)



Sources: IHS Markit and Ministère des Finances du Québec.

Stimulus packages have supported economic growth

The U.S. Congress adopted two ambitious stimulus packages in December 2020 and March 2021 for a total of US$2.8 trillion, which represents 13.4% of GDP for 2020.

– These plans included significant income support measures, such as direct payments of $2 000 per individual with an annual income of less than $75 000, and an additional $300 per week in unemployment insurance benefits.

– The transfers resulted in a large increase in disposable income in the first half of 2021, bringing consumer excess savings to almost US$2.6 trillion (12.3% of GDP for 2020).

Against this backdrop, consumer spending recorded impressive growth of 11.4% and 12.0% at an annualized rate in the first and second quarters of 2021, respectively, supporting real GDP growth.

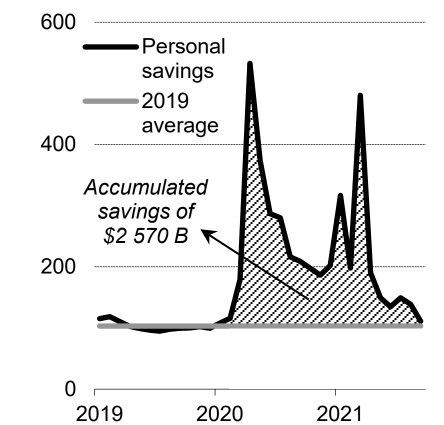
Support from stimulus packages expected to gradually fade in 2022

Support from the stimulus packages for economic growth is expected to gradually fade in 2022 as most income support measures expired, including supplemental unemployment benefits. This should result in a decline in personal disposable income in the short run and a moderation in consumer spending despite accumulated savings.

Moreover, the enactment by Congress of the physical infrastructure spending plan and the possible adoption of the social expenditure plan could limit the negative impacts of the withdrawal of income support measures. However, given that infrastructure spending is expected to be spread over several years, the effects on economic growth would be modest in 2022.

Excess savings in the United States

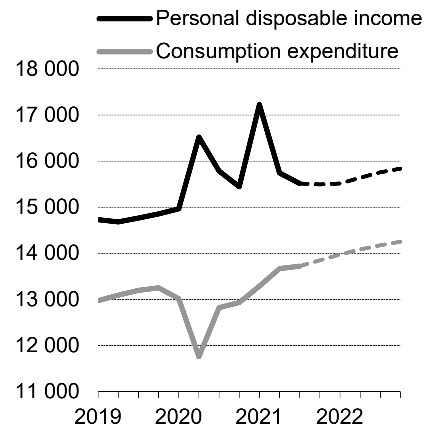
(billions of U.S. dollars, in nominal terms)



Sources: IHS Markit and Ministère des Finances du Québec.

Personal disposable income and consumption expenditure in the United States

(billions of 2012 chained U.S. dollars)



Sources: IHS Markit and Ministère des Finances du Québec.

Boom in the U.S. housing market has moderated

The housing market in the United States experienced a boom in late 2020 and early 2021.

- Changes in housing preferences brought on by the pandemic, falling mortgage rates, and significant accumulated savings gave a strong boost to the residential sector.
- During this period, home sales and housing starts reached their highest levels in almost 15 years.

Strong demand for housing has led to price increases

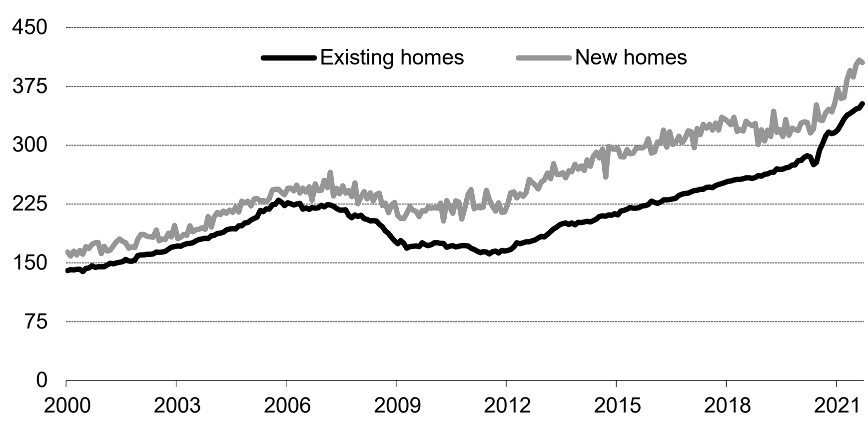
In recent months, the U.S. housing market has moderated considerably, largely due to increases in home prices, which has reduced affordability for many households.

- These upward price pressures are mostly due to strong demand and insufficient supply, particularly in the entry-level home segment. Median prices for both new and existing homes have hit historic highs in recent months.

Moreover, shortages of several materials and the resulting price increases, such as for lumber, have also contributed to limiting the pace of housing starts, which have fallen by 9.9% since peaking in March 2021.

- These factors have therefore exacerbated the upward pressure on new home prices.

Median home price in the United States
(thousands of U.S. dollars)



Sources: Federal Reserve Bank of St. Louis, IHS Markit and Ministère des Finances du Québec.

❑ Businesses face significant supply and labour challenges

Following a 5.3% decline in 2020, business investment is expected to grow by 8.4% in 2021 and 6.0% in 2022.

— It will be supported, in particular, by energy investments, which will benefit from higher oil prices, and by investments in intellectual property products as the pandemic has encouraged the digital shift.

Nevertheless, growth in business investment will slow in 2022. This moderation will primarily be the result of the significant supply and labour issues businesses face, which will limit output in the short term.

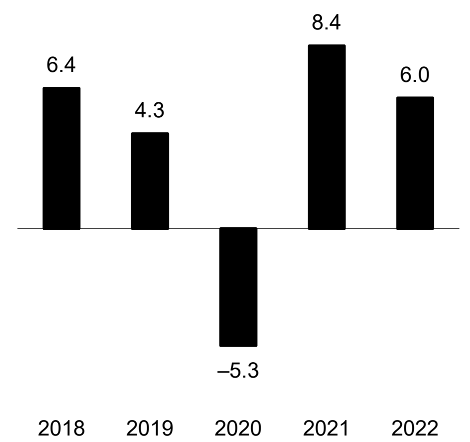
— On the one hand, the pandemic has disrupted trade flows, resulting in a number of supply chain disruptions. Delivery times are near historic highs, and business inventories have fallen sharply in recent quarters due to shortages of many materials.

— On the other hand, businesses are facing a labour shortage. Indeed, they are having difficulty filling vacant positions, while many individuals are delaying their return to the labour market mainly because of fears related to the pandemic and the significant savings they have accumulated.

  — The situation could, however, foster some medium-term investments in machinery and equipment to make up for the lack of workers.

CHART H.32

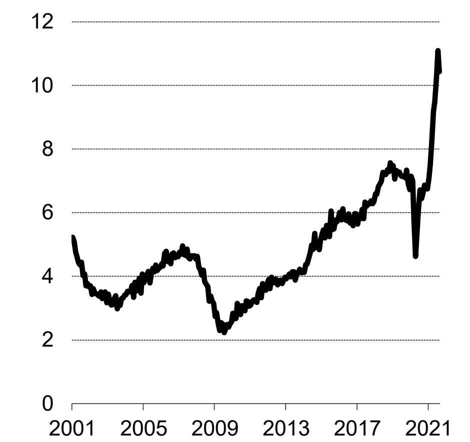
Business investment in the United States
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART H.33

Number of job openings in the United States
(millions)



Source: IHS Markit.

A strong inflation mainly due to cyclical factors

Inflation as measured by the Consumer price index (CPI) has been more robust than expected in 2021. From April through September 2021, the annual change in the total CPI averaged 5.1%. The core CPI, which excludes food and energy, rose by an average of 3.9% over the same period. These are the largest increases in nearly 30 years.

Base effects help explain some of these high numbers. The CPI level for 2021 is compared to that of 2020, when prices for several goods and services were unusually low.

High inflation is also due to cyclical factors.

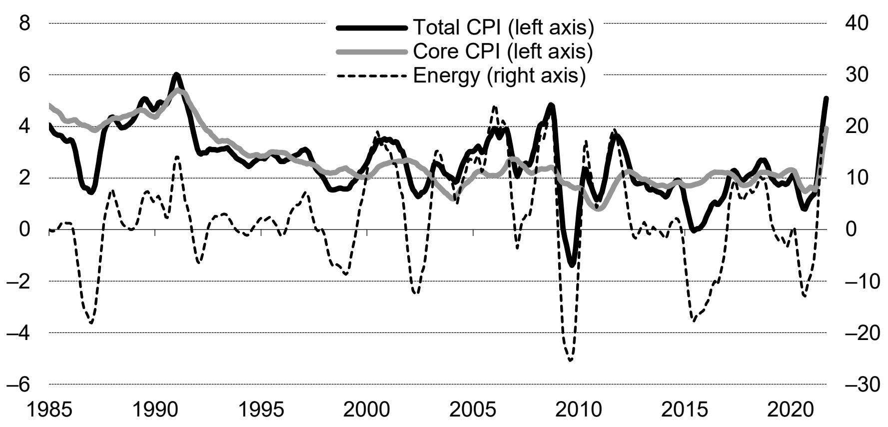
– On the one hand, a sharp increase in prices was observed for several services in the tourism sector following the reopening of the economy.

– On the other hand, the prices of several goods have been pushed upward due to bottlenecks and material shortages. In particular, vehicle prices rose sharply as a shortage of semiconductor chips limited production when demand was high.

The U.S. Federal Reserve mentioned, however, that the rise in inflation should be temporary. Indeed, the Federal Reserve's various measures of underlying inflation show that inflationary pressures are more moderate than the CPI suggests.

The evolution of inflation will depend on how quickly the bottlenecks are resolved. In addition, high inflation could be more persistent than expected if upward pressure on wages increases in the coming years due to labour shortages.

Consumer price index in the United States
(annual percentage change of 6-month moving average)



Sources: IHS Markit and Ministère des Finances du Québec.

4. THE GLOBAL ECONOMIC SITUATION

❑ Stronger-than-expected global growth

Global real GDP is expected to grow by 5.8% in 2021 and 4.6% in 2022, following a sharp drop in 2020 (−3.1%). These are upward revisions of 0.5 percentage points and 0.3 percentage points, respectively, compared to what was presented in the *Québec Budget Plan – March 2021*.

— The upward revision reflects a stronger-than-expected recovery, particularly in the United States and the euro area, which account for more than 28% of global GDP.

— Continued easing of mobility restrictions and favourable economic policies should also support demand in 2021.

The global economy continued to gradually return to its pre-pandemic level in the first half of 2021. Buoyed in particular by vaccination and significant economic stimulus, the global economy has shown some resilience despite the spike in infections due to the Delta variant.

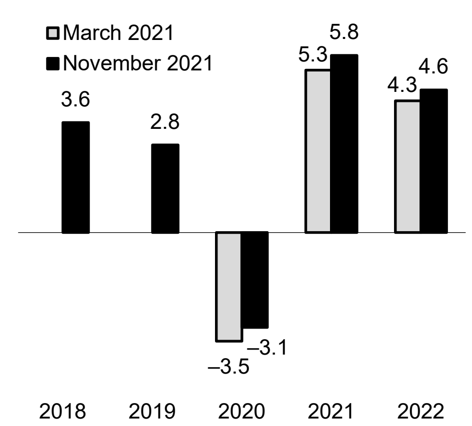
However, signals of a slowdown were observed, particularly in the manufacturing and services purchasing managers' index (PMI) in the third quarter.

— The reintroduction of restrictive health measures in some countries with low vaccination rates as well as supply issues have dampened business confidence and fuelled inflation in several countries.

The evolution of the pandemic, supply difficulties, and labour shortages are among the main risks that could dampen growth.

CHART H.34

Global real gross domestic product
(in purchasing power parity, percentage change)

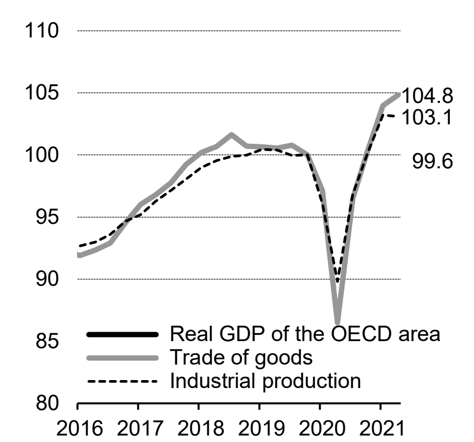


Sources: Statistics Canada, International Monetary Fund, IHS Markit, Bloomberg, Datastream, Eurostat and Ministère des Finances du Québec.

CHART H.35

Global economic indicators

(index; fourth quarter of 2019 = 100)



Sources: Datastream, CPB Netherlands Bureau for Economic Policy Analysis and Ministère des Finances du Québec.

The following table presents the detailed global economic forecast by region and country.

TABLE H.7

Outlook for global economic growth
(real GDP, percentage change)

	Weight(1)	2020	2021	2022
World(2)	**100.0**	**−3.1**	**5.8**	**4.6**
– *March 2021*		*−3.5*	*5.3*	*4.3*
Advanced economies(2)	**43.0**	**−4.5**	**5.2**	**4.2**
– *March 2021*		*−4.7*	*4.3*	*3.7*
Québec	0.3	−5.5	6.5	3.3
– *March 2021*		*−5.2*	*4.2*	*4.0*
Canada	1.4	−5.2	5.0	4.4
– *March 2021*		*−5.4*	*4.4*	*4.1*
United States	15.8	−3.4	6.0	4.4
– *March 2021*		*−3.5*	*5.0*	*3.8*
Euro area	12.5	−6.4	5.0	4.4
– *March 2021*		*−6.6*	*4.2*	*4.0*
United Kingdom	2.4	−9.7	6.6	5.3
– *March 2021*		*−9.9*	*4.3*	*5.5*
Japan	4.1	−4.6	2.5	2.8
– *March 2021*		*−4.8*	*2.8*	*2.0*
Emerging and developing economies(2)	**57.0**	**−2.0**	**6.2**	**5.0**
– *March 2021*		*−2.6*	*6.0*	*4.7*
China	17.3	2.3	8.3	5.6
– *March 2021*		*2.3*	*8.2*	*5.5*
India(3)	7.1	−7.3	8.8	7.1
– *March 2021*		*−8.0*	*9.5*	*6.1*

(1) Weight in global GDP in 2019.
(2) Data based on purchasing power parity.
(3) For the financial year (April 1 to March 31).
Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

❑ The Delta variant has caused new waves of infection

Transmission of COVID-19 has increased sharply on several occasions during 2021 due to highly contagious variants, including the Delta variant. This variant is found in more than 190 countries and causes more than 90% of new cases in many of them.

— Some Asian countries, such as Japan, Malaysia and India, and some regions, including North America and Europe, have been particularly affected.

After a substantial decline in new cases worldwide since the end of August due to vaccination, the number of infections has resumed a slight upward trend. However, hospitalizations and deaths remain low.

❑ Vaccination has progressed at an uneven rate around the world

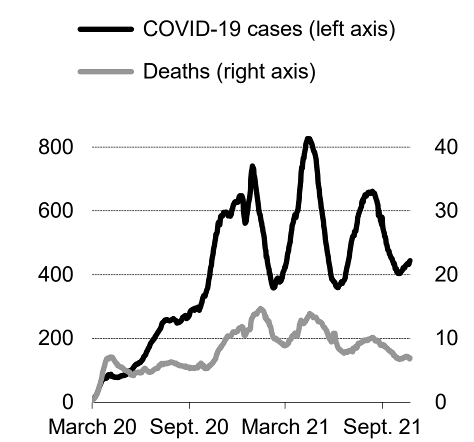
Vaccination against COVID-19 has progressed. As at November 5, 7.2 billion doses of vaccine had been administered and 39.5% of the world's population had been vaccinated.

However, the vaccination pace has slowed to 30.5 million doses per day, which represents a decrease from the summer peak, and the vaccination rate is very uneven across countries, as only 4.2% of the population in low-income countries has received at least a first dose. Some experts fear the emergence of new variants and an acceleration of transmission if this situation persists.

— Some governments, however, have introduced incentives to increase vaccination, limit health restrictions and keep the economy going. Like Canada, Europe, Japan and other countries have implemented vaccine passports. Such efforts join those of some governments and international organizations that are working together to improve access to vaccines around the world.

CHART H.36

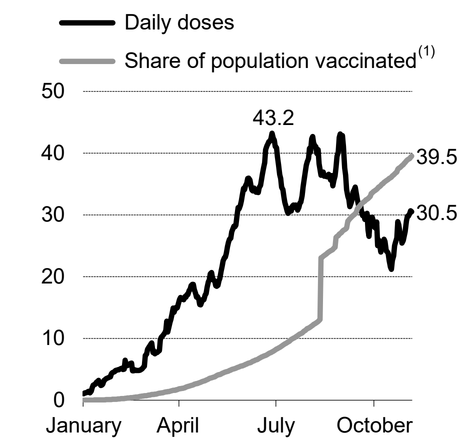
New daily cases of COVID-19 and deaths
(7-day moving average; in thousands; as at November 5)



Sources: Our World in Data and Ministère des Finances du Québec.

CHART H.37

Change in global vaccination in 2021
(daily doses in millions and percentage share; as at November 5)



(1) The leaps are due to the irregular integration of China's data.
Sources: Our World in Data and Ministère des Finances du Québec.

❑ Robust growth in some advanced economies

Real GDP growth in advanced economies is expected to reach 5.2% in 2021 and moderate to 4.2% in 2022, following a 4.5% decline in 2020. In particular, the successful vaccination campaign should support domestic demand. This is an upward revision of economic activity, including:

- in the United States, where economic activity has already returned to its pre-pandemic level after benefiting from significant stimulus measures;
- in the euro area, where spending under the European plan called "Next Generation EU" should help support domestic demand. The plan aims to finance, among other things, green and digital public investments in EU member states.

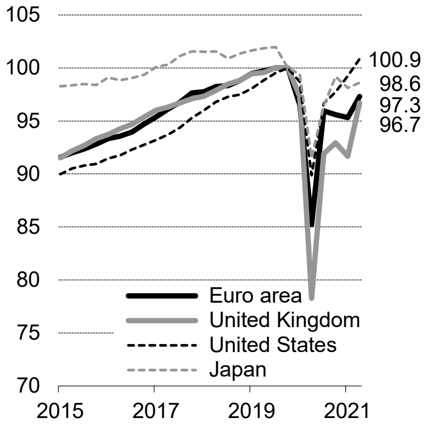
Despite the high level of infection cases, the restrictions put in place in the first half of the year have been limited and the mobility of people has improved. Indeed, several countries have improved their management of the pandemic and vaccination has continued, supporting growth.

In 2022, however, the gradual withdrawal of fiscal measures in some countries, such as the United States, as well as the continuing labour shortage and bottlenecks in global supply chains should lead to more moderate growth.

In addition, growth prospects are uncertain. They will be influenced by, among other things, the evolution of the pandemic and the implementation of stimulus packages to sustain the economies in the long term.

CHART H.38

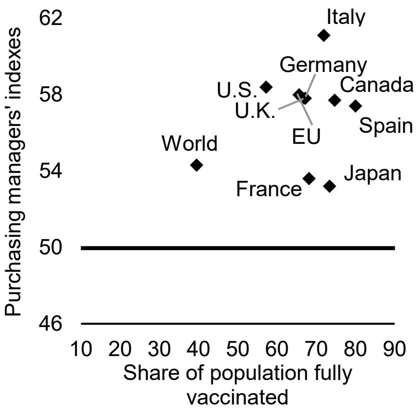
Real gross domestic product of advanced economies
(index; fourth quarter of 2019 = 100; second quarter of 2021)



Sources: IHS Markit and Datastream.

CHART H.39

Share of population fully vaccinated and manufacturing PMI
(October PMI > 50 = expansion; percentage share; as at November 5)



Note: Vaccination rate as at November 4 for Spain and France.
Sources: Bloomberg and Our World in Data.

❑ Growth limited by the pandemic in emerging economies

Emerging and developing economies are expected to recover by 6.2% in 2021 and 5.0% in 2022, following a 2.0% contraction in 2020. They should benefit from high commodity prices and stronger demand from advanced economies.

In China, real GDP growth is expected to accelerate to 8.3% in 2021 and to moderate to 5.6% in 2022, following a 2.3% increase in 2020. Growth will be driven in part by government measures.

— Recent data have provided mixed signals. Several indicators have shown the recovery losing steam due in particular to the zero-case COVID-19 policy to limit the spread of the Delta variant, anti-pollution measures, which have dampened industrial activity, and supply chain disruptions. However, the PMI rose since September.

India's real GDP is expected to grow 8.8% in fiscal 2021-2022 and increase 7.1% the following year.

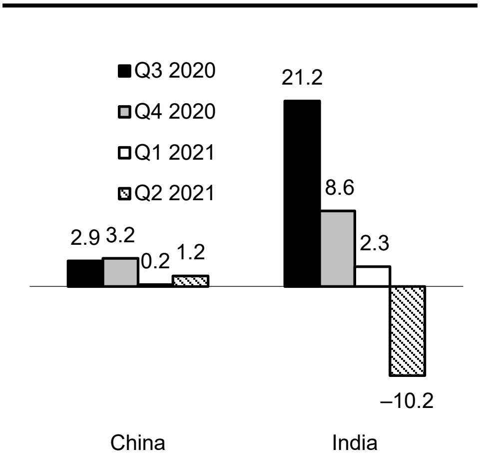
— The Indian economy experienced a second wave of infections between March and May 2021, which resulted in a sharp contraction in economic activity in the second quarter. Despite this downturn, the acceleration of vaccination should help restore confidence and support economic recovery.

Overall, economic activity in emerging and developing economies may continue to be held back by delays in vaccination, weak support measures, inflation developments, and factors such as the limited recovery in tourism and high levels of debt.

CHART H.40

China and India's real GDP

(quarterly change in per cent)

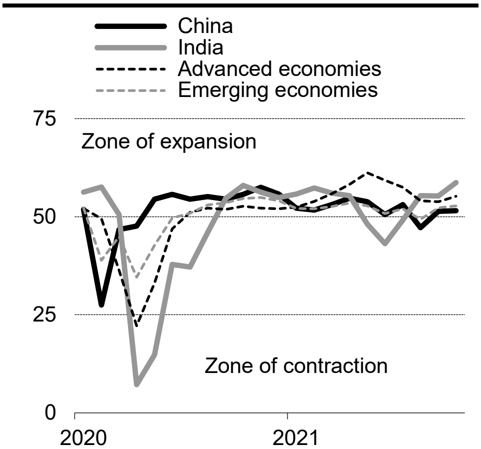


Source: Datastream.

CHART H.41

Composite purchasing managers' index

(index > 50 = expansion zone)



Source: Bloomberg.

Major disruptions in supply chains

Global supply chains have experienced significant bottlenecks in 2021. These are characterized by constraints on production capacity, very long delivery times, and maritime shipping costs estimated at more than seven times 2019 prices. Some experts fear continued difficulties.

Disruptions caused in particular by the recovery and COVID-19

One reason for the disruptions is the strong recovery in demand for shipments. After the shock of the pandemic, in 2020, global merchandise trade has caught up to pre-pandemic levels during the last quarter of the year, which has increased pressure on maritime transportation costs.

On the other hand, container and labour shortages, bad weather, and especially COVID-19 which affected some Asian countries such as Malaysia and China, limited delivery capacity and increased delays, according to some experts.

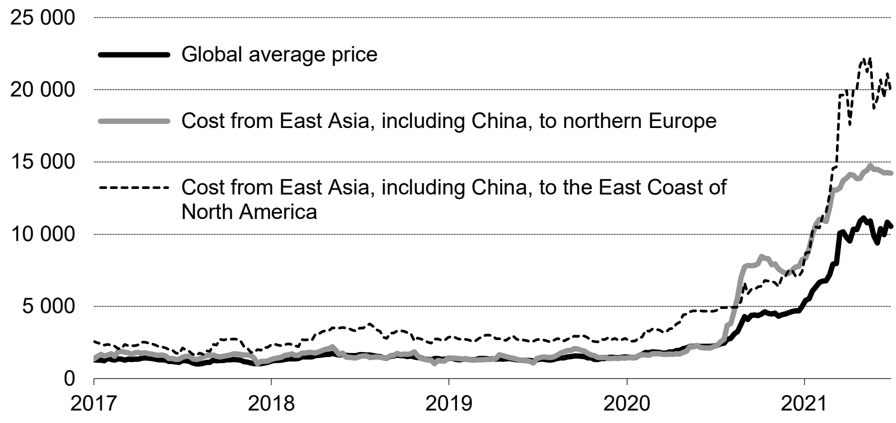
– According to the Asian Development Bank (ADB), transportation disruptions were exacerbated by the closure of the Suez Canal in March, the partial closure of ports in China between June and August after the discovery of COVID-19 cases among workers, and the typhoon that hit the region during that same period.

Some analysts anticipate continued supply constraints, despite easing demand. Indeed, there is significant congestion at the U.S. ports of Los Angeles and Long Beach as the number of vessels waiting to unload reached an all-time high in September 2021.

– In addition, delivery capacity relief is unlikely in 2022, as new vessels ordered in 2021 will not be delivered until 2023, according to the ADB.

– Moreover, the International Maritime Organization's new decarbonization rule for shipping, which goes into effect in January 2023, will compel ships from the Organization's member states to reduce their speed, according to IHS Markit.

Cost of shipping goods by container from East Asia, including China
(U.S. dollars; 40-foot container)



Note: Transportation cost is measured by Freightos' Baltic Index, available as at November 5.
Source: Datastream.

Major disruptions in supply chains (cont.)

Rising inflation associated with supply constraints

Supply constraints have affected certain components such as microchips and other materials and have created major bottlenecks in sectors such as automobiles, construction, industrial equipment and technology, according to some analysts.

– Among other things, the shortage of semiconductors, due in part to COVID-19, has curtailed global automobile production, causing dealers to run out of inventory and limiting sales to consumers.

Commodity prices also rose sharply, adding to inflationary pressures in several countries, including the United States, Canada, the United Kingdom and some emerging economies.

– However, inflation remained relatively low in several other economies, such as China, and in advanced Asian economies.

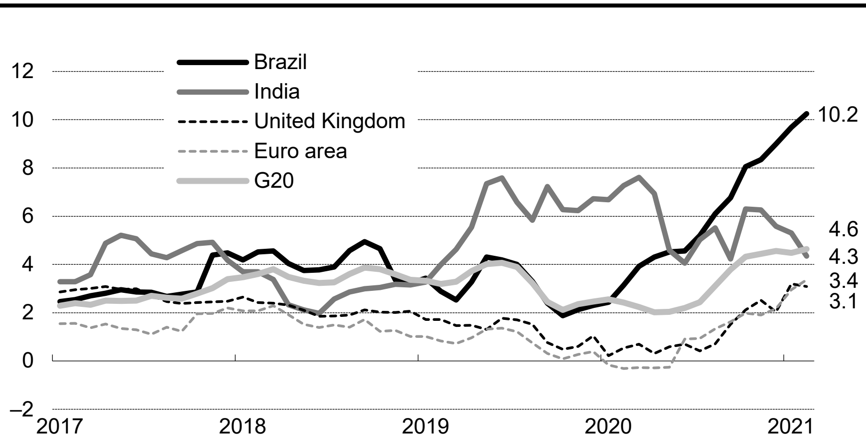
The Organisation for Economic Co-operation and Development (OECD) estimates that higher commodity prices and global transportation costs have raised the average inflation rate in the G20 countries by about 1.5 percentage points. It reached 4.6% in September, the highest since October 2008.

The sharp rise in inflation is generally seen as temporary. The OECD expects inflation to moderate from 4.5% at the end of 2021 to about 3.5% at the end of 2022.

– Specifically, supply pressures are expected to ease gradually, while wage growth should remain moderate, and inflation expectations should remain firmly anchored.

However, inflation could continue to rise if demand is more robust, supply shortages last longer, or even if wages increase more strongly in a context of labour shortage.

Inflation rate in G20 countries
(per cent, annual change of the Consumer price index)



Source: Datastream.

The labour shortage in advanced economies

The pandemic has exacerbated the labour shortage

The labour shortage is a global phenomenon. In many advanced economies, suppliers in certain sectors, such as food processing, construction, food service and transportation, are reporting difficulties in filling job vacancies.

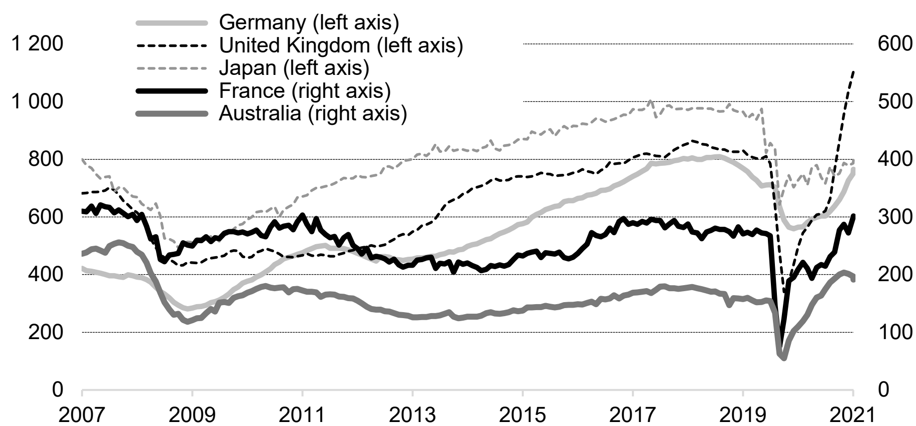
- Job vacancies were at historic highs in the United States in July and were still at historic highs in the United Kingdom in August. In particular, these countries have experienced a shortage of truck drivers, which has increased pressure on supply chains.
- In the euro area, the job vacancy rate reached 2.3% in the second quarter of 2021. Moreover, rates were high in Belgium (4.2%), the Netherlands (3.8%) and Germany (2.9%), in particular.

Therefore, despite the still high level of unemployment in some countries, the pandemic has exacerbated the labour shortage.

- Mandatory quarantine for sick or potentially infected people, early retirements, border closures, lower immigration, Brexit in the case of the United Kingdom, and the uneven reopening of economies have limited the availability of labour.
- Changes in the sectoral and regional distribution of jobs may also have led to a mismatch between labour supply and demand. The skills and training sought by employers diverge from those of potential workers, whose work preferences have changed as a result of the pandemic.

The International Labour Organization estimates that the pandemic will create a full-time job gap of 125 million in 2021. Thus, labour shortage will remain an issue for some businesses.

Change in job vacancies
(thousands; seasonally adjusted monthly data)



Note: For the United Kingdom, data are available until August and are quarterly averages. For other countries, data are available until September.
Sources: Datastream and Ministère des Finances du Québec.

5. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Investors are cautious and moderating their expectations for economic growth

Global financial markets have generally been optimistic in recent months. Confidence has been fuelled by the continuation of vaccination campaigns, the easing of health measures, and central bank support for economic recovery.

However, the resurgence of COVID-19 cases last summer and some concerns from China have prompted investors to be cautious and moderate their expectations for global economic growth.

— On the one hand, the major North American market indexes have continued to trend upward in recent months and were near record levels in November.

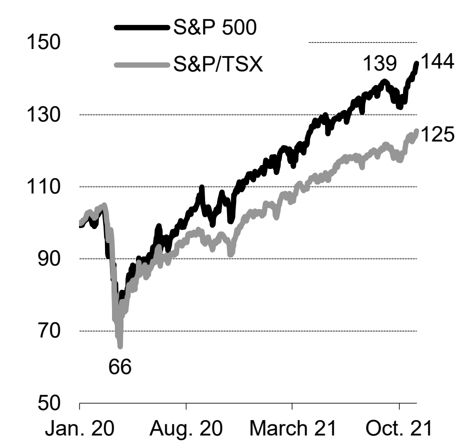
— On the other hand, bond yields in advanced economies declined over the summer. However, they have risen again this fall and remain well above the levels seen at the beginning of the year.

The U.S. dollar took advantage of its safe-haven status to appreciate against the Canadian dollar, among others. Commodity prices have been volatile, influenced by the outlook for global demand and supply disruptions.

CHART H.42

U.S. and Canadian stock markets

(indexes, January 2, 2020 = 100)

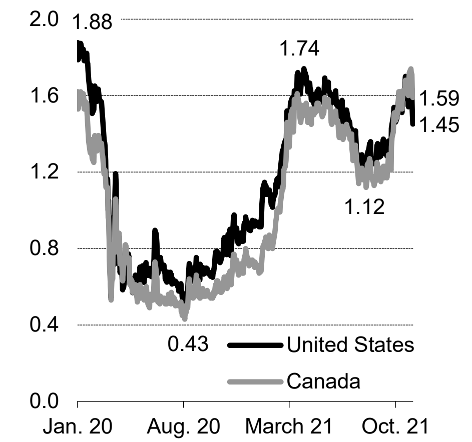


Note: Most recent data as at November 5, 2021.
Sources: Bloomberg and Ministère des Finances du Québec.

CHART H.43

Yield on 10-year federal government bonds

(per cent)



Note: Most recent data as at November 5, 2021.
Sources: Statistics Canada and Bloomberg.

❑ Bank of Canada – First rate hike in 2022

The Bank of Canada has continued to reduce the pace of its federal bond purchases in recent months and, in October, decided to end its quantitative easing program as the economic recovery progressed.

— The Bank of Canada will thus stop increasing monetary stimulus, which should help moderate inflationary pressures.

In addition, the Bank of Canada has indicated that it will keep its policy interest rate unchanged until economic slack is absorbed. In an environment of still very high uncertainty regarding the future evolution of the global and Canadian economies, it is expected that the first increase in the policy interest rate will occur in the second half of 2022 in Canada.

Moreover, a more persistent rise in inflation than expected is a risk that could lead to a more rapid adjustment in overall monetary policy.

❑ U.S. Federal Reserve – Assets purchases begin to slow

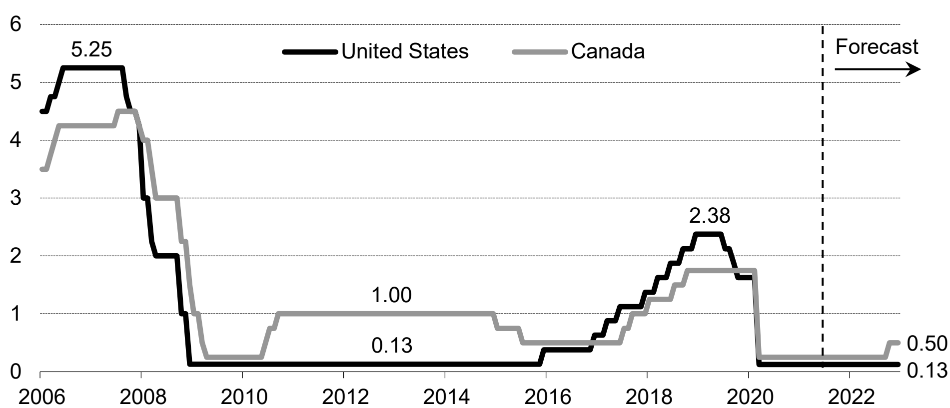
The U.S. Federal Reserve announced in November that it was beginning to reduce its asset purchases. It judged that the U.S. economy had made substantial progress toward its goals of maximum employment and 2% inflation.

— The Federal Reserve aims to reduce its purchases by US$15 billion per month, which means it could end its quantitative easing program by mid-2022. However, the pace of purchases could be adjusted depending on the evolution of the U.S. economy.

Moreover, the Federal Reserve made it clear that this process is not intended to signal an upcoming interest rate hike. According to the forecast, the Federal Reserve is expected to begin raising its key interest rate in the first quarter of 2023.

CHART H.44

Key interest rates in the United States and Canada
(federal funds target rate[(1)] and overnight rate target, per cent)



(1) Mid-point of the target range.
Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Bond yields expected to rise at a gradual pace

After rising sharply in the early months of 2021, bond yields fell during part of the summer in advanced economies.

- One reason for the decline in long-term interest rates was concerns about economic growth resulting from the spread of the Delta variant.

However, bond yields have rebounded this fall as financial markets' inflation expectations have increased due to supply chain disruptions. Bond yields should continue to rise at a gradual pace over the next few quarters.

- On the one hand, concerns about the pandemic should diminish as a significant proportion of the population becomes adequately vaccinated in advanced economies. In addition, the global economy is showing resilience.
- On the other hand, several central banks, including the U.S. Federal Reserve and the Bank of Canada, will cease the extraordinary monetary easing measures they had put in place at the beginning of the pandemic.

❑ The Canadian dollar will fluctuate near current values

Last June, the Canadian dollar reached a six-year high of 83 U.S. cents. Since then, the Canadian dollar has moved slightly lower, mainly due to the general appreciation of the U.S. dollar and the moderation of the Canadian and global economic growth outlook.

- The Canadian currency has essentially fluctuated between 78 and 81 U.S. cents since last August and has appreciated since the beginning of fall 2021.

The Canadian dollar is expected to fluctuate near these values over the next few quarters. It will be influenced by expectations regarding the evolution of U.S. and Canadian monetary policies, by the expected moderation in oil and other commodity prices, and by risk appetite in financial markets.

TABLE H.8

Canadian financial markets
(average annual percentage rate, unless otherwise indicated, end-of-year data in brackets)

	2020	2021	2022
Overnight rate target	0.5 (0.3)	0.3 (0.3)	0.3 (0.5)
3-month Treasury bill	0.4 (0.1)	0.1 (0.2)	0.4 (0.5)
10-year bond	0.7 (0.7)	1.3 (1.5)	1.7 (1.9)
Canadian dollar (in U.S. cents)	74.6 (78.6)	79.8 (78.9)	79.2 (79.6)
U.S. dollar (in Canadian dollars)	1.34 (1.27)	1.25 (1.27)	1.26 (1.26)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Sharp increase in oil and natural gas prices

Oil prices have risen in recent months as the price of WTI rose from an average of US$70 per barrel over the summer to US$81 in October, the highest since 2014. Several factors have fuelled the price increase, including:

— an improved outlook for global oil demand as the global economy recovers and global inventories decline;

— continued efforts by the Organization of the Petroleum Exporting Countries (OPEC) and its partners to limit production;

— the slow recovery of U.S. oil production and production disruptions in the Gulf of Mexico area due to hurricanes.

Oil prices should moderate in the coming months as a result of a slowdown in global demand growth that is expected next year and the gradual increase in production by OPEC and its partners. The oil market is also expected to experience a supply surplus during 2022.

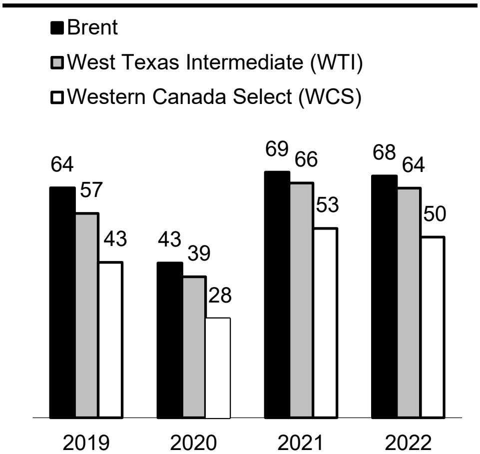
— In addition, the evolution of oil prices will remain subject to various sources of uncertainty. For example, the continuation of the pandemic and the pace of growth in U.S. oil production could influence prices.

Moreover, natural gas prices have risen sharply in major world markets. The surge in prices is mainly the result of strong demand, particularly from Europe, at a time when European inventories are below normal levels for this time of year.

CHART H.45

Change in oil prices

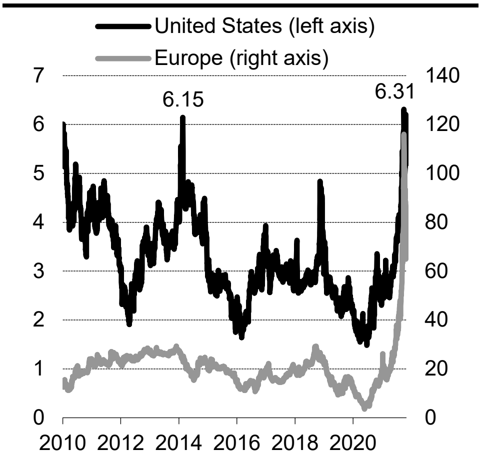
(U.S. dollars per barrel)



Sources: Bloomberg and Ministère des Finances du Québec.

CHART H.46

Change in natural gas prices
(U.S. dollars per MMBtu in the United States and euros per MWh in Europe)



Note: The U.S. price is for delivery to the Henry Hub in Louisiana and the European price is for delivery to the Netherlands Title Transfer Facility (TTF).
Source: Bloomberg.

Disruptions in commodity markets

Commodity prices have fluctuated significantly since the start of the pandemic. In October, the Bank of Canada commodity price index excluding energy was up 36% from its pre-pandemic level.

A significant imbalance between supply and demand supported prices

Several factors contributed to the sharp increase in prices, both on the supply and demand sides. A certain degree of speculation has also supported the increase.

Demand for commodities, like other products, fell drastically at the beginning of the pandemic, but quickly recovered as economies reopened. Demand for industrial metals and lumber, in particular, grew strongly.

Supply, however, struggled to adjust to this sudden increase in demand.

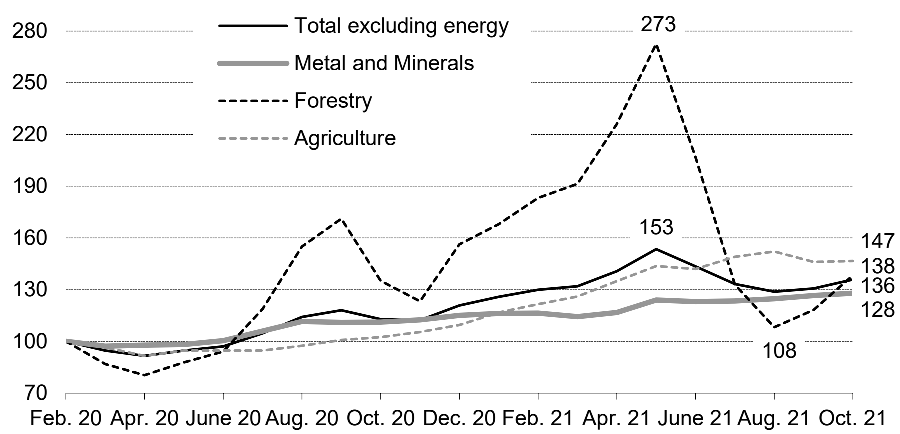
– On the one hand, the lockdown measures put in place at the beginning of the pandemic caused production to fall in several mines and sawmills, for example.

– On the other hand, disruptions in supply chains have resulted in significant delays in ore deliveries. Labour shortages in many countries are also exacerbating production constraints, including in the agricultural sector.

In addition, idiosyncratic factors have also affected the production of certain commodities, including Chinese pollution regulations that have constrained steel and aluminum production in China and droughts that have affected crops. Forest product prices, particularly lumber, have declined since the spring, but remain above pre-pandemic levels.

Higher commodity prices are affecting business input costs as well as the prices of several consumer goods.

Bank of Canada commodity price index
(index, February 2020 = 100)



Sources: Bank of Canada and Ministère des Finances du Québec.

6. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The economic and financial forecasts in the *Update on Québec's Economic and Financial Situation* are based on several assumptions. Some of them are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy.

— Once again this year, the pandemic remains the greatest source of uncertainty for the economic and financial outlook.

— There are also other risks in the real estate sector and in the financial markets.

❑ Evolution of the pandemic and progress with the vaccination campaign

The global outlook could be revised upward or downward as the pandemic evolves and in relation to progress with the vaccination campaign.

— A resurgence of infection or the emergence of vaccine-resistant variants could slow down economic recovery, forcing the extension or reintroduction of restrictive health measures both in Québec and worldwide.

— Moreover, global economic growth could be weaker if the vaccination campaign progresses more slowly than expected.

  — Greater difficulty in controlling the pandemic could trigger greater caution on the part of households and businesses. They could decide to postpone their consumption and investment expenditures.

— On the other hand, the development of new treatments, the efficient and widespread rollout of the vaccines, and increased confidence in the economic outlook represent positive developments for global growth.

❑ Continued supply chain disruptions

Increased demand in a context of limited supply due to production stoppages has led to significant disruptions in global supply chains. Shortages are being experienced in several inputs, including semiconductors. In addition, logistics problems in the global maritime shipping industry are causing significant delivery delays.

— These pressures have resulted in significant increases in material and transportation costs.

Pressures on production lines are expected to gradually ease in the coming quarters and delivery times are expected to decrease. Continued pressure, however, could limit the pace of the global economic recovery and put upward pressure on prices.

❑ A different evolution of commodity and energy prices

The prices of several commodities have increased since the beginning of 2021, mainly due to an imbalance between supply and demand following the recovery of economic activity in most countries.

- In particular, energy prices have risen sharply in recent months. Oil prices have reached their highest levels since 2014 while natural gas prices have hit a historic high in Europe.

Commodity prices, including energy prices, could remain higher than expected, which would have mixed effects for the Québec and Canadian economies.

❑ Labour shortage

Like many developed economies, Québec is faced with an aging population, which is resulting in a shrinking pool of potential workers. For some years now, the labour market has had to deal with the problem of labour availability. Recruitment difficulties have been intensified by the pandemic, despite the increase in the number of unemployed individuals.

The labour shortage may affect economic growth more than anticipated. In this context, the participation of all workers is needed to meet labour needs.

❑ High inflation persisting longer than expected

The rise in inflation in recent months is primarily due to temporary factors. However, persistent inflationary pressures for a longer period than expected could prompt some central banks, in particular the U.S. Federal Reserve and the Bank of Canada, to raise interest rates sooner and at a faster pace than expected.

- A lesser degree of monetary easing could therefore have an impact on economic and financial market developments.

❑ A faster and more pronounced adjustment in the real estate sector in Québec and Canada

The real estate market boom in Québec and Canada has increased the risk of an overvaluation of prices in some cities.

- The supply of available properties has proven to be insufficient to meet the surge in demand. This imbalance has put upward pressure on prices, which are reaching record highs.
- However, the deterioration in affordability in recent months appears to have tempered demand.
- There could be a correction in real estate prices in reaction to an increase in mortgage rates or a demand that is running out of steam. That could spur a faster slowdown than forecast in residential investment and curb economic growth as a result.

❑ Support measures and spending plans in the United States

The federal government in the United States has put in place significant fiscal support and stimulus measures since the beginning of the pandemic. Some of the relief measures have expired, while spending plans are being negotiated in Congress.

— On the one hand, household consumption growth in the United States could slow more than expected as a result of the withdrawal of income support measures. Canada and Québec would thus feel the effects of weaker-than-expected growth in U.S. domestic demand.

— On the other hand, the Canadian and Québec economies could benefit from the infrastructure spending plan that was recently adopted, as well as the social spending plan being negotiated in Congress, which would stimulate economic growth in the United States.

❑ A sharper-than-expected slowdown in the Chinese economy

The Chinese economy may grow less than expected. China's growth has been held back by the pandemic, power outages, supply chain disruptions and anti-pollution measures, among other factors. These factors limited industrial activity, while health measures contributed to curbing consumer spending.

— In addition, activity in the real estate sector moderated as new regulations were put in place.

Given China's weight in the global economy, weaker-than-expected growth in 2021 or a sharper-than-expected slowdown thereafter would have significant implications for both its major trading partners and the global economy.

— According to the International Monetary Fund, a possible disorderly default or debt restructuring of China's real estate sector businesses could have repercussions for the rest of the world.

6.1 Sensitivity analysis

Economic forecasts incorporate certain components of uncertainty that may cause actual results to differ from the forecasts.

❑ Sensitivity of Québec's GDP to external variables

Given that the Québec economy is characterized by considerable openness to trade, Québec's economic variables are influenced by several external factors.

— The most important factors are related to the economic activity of Québec's main trading partners, namely the United States and the Canadian provinces.

■ Effects of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression model[2] on the basis of historical data show that a change of 1% in U.S. real GDP entails, on average, a change of 0.45% in Québec's real GDP.

— The maximum effect is felt two quarters later.

Moreover, the same model makes it possible to conclude that a change of 1% in Ontario's real GDP results in an average change of 0.42% in Québec's real GDP.

— The maximum effect takes hold one quarter later.

Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2018, the Ontario market accounted for more than 59% of Québec's interprovincial exports. The estimated effects for Ontario and the United States are not cumulative.

TABLE H.9

Impact of external shocks on Québec's real GDP growth rate

External shocks of 1%	Maturity(1) (quarters)	Impact on Québec's real GDP (percentage points)
U.S. real GDP	2	0.45
Ontario real GDP	1	0.42

(1) Maturity corresponds to the number of quarters needed for the greatest impact on Québec's real GDP, presented in the right-hand column, to be recorded.
Sources: Institut de la statistique du Québec, Statistics Canada, Ontario Ministry of Finance, IHS Markit, Bloomberg and Ministère des Finances du Québec.

2 This econometric technique is used to estimate, on the basis of numerous observations, the extent to which fluctuations in one economic variable affect another economic variable.

Section I

QUÉBEC'S FINANCIAL SITUATION

SUMMARY

The fall 2021 *Update on Québec's Economic and Financial Situation* is an opportunity for the government to reiterate its policy directions and present an update on Québec's budgetary situation. This section reports on recent developments in Québec's financial situation for 2021-2022 and provides a picture of the budgetary outlook from 2022-2023 to 2025-2026.

Since the publication of Budget 2021-2022, Québec's financial situation has greatly improved, reflecting stronger growth in economic activity and initiatives that have been implemented to help Québec overcome the pandemic and return to growth.

- Upward adjustments of $9.0 billion in 2021-2022, $6.0 billion in 2022-2023 and $5.9 billion in 2023-2024 are provided for in the financial framework. From 2021-2022 to 2023-2024, these adjustments are primarily due to:
  - an increase in own-source revenue averaging $4.9 billion, driven by a stronger-than-expected rebound in the economy;
  - an increase in federal transfers averaging $2.7 billion.

These improvements provide:

- funding for new initiatives totalling $5.2 billion in 2021-2022 and an average of $2.2 billion for 2022-2023 and 2023-2024, primarily aimed at:
  - coping with the cost of living,
  - taking action to deal with the labour shortage and stimulate economic growth,
  - supporting families and helping communities,
  - continuing efforts to strengthen the health care system;
- stable and predictable funding for key government priorities:
  - Santé et Services sociaux portfolio spending growth will reach 6.0% in 2022-2023 and 5.0% thereafter,
  - spending growth will reach 3.5% for the Éducation portfolio and 9.0% for the Enseignement supérieur portfolio in 2022-2023. Thereafter, it will be 3.5% for both portfolios;
- a $5.4-billion reduction in the budgetary deficit in 2021-2022, bringing it down from $12.3 billion to $6.8 billion;
- a $3.0-billion reduction, approximately, in the structural deficit projected in Budget 2021-2022: this deficit will now stand at $4.0 billion starting in 2023-2024.

❑ Multi-year financial framework

Revenue amounts to $131.1 billion in 2021-2022, with growth of 6.9%. Growth will reach 1.8% in 2022-2023.

— Over the time period of the financial framework into 2025-2026, average annual revenue growth will reach 3.8%.

Expenditure[1] amounts to $126.7 billion in 2021-2022, with growth of 11.7%. Growth will reach 4.4% in 2022-2023.

— From 2020-2021 to 2025-2026, average annual expenditure growth will reach 4.1%.

Deposits of dedicated revenues in the Generations Fund will total $3.3 billion in 2021-2022 and 2022-2023.

The financial framework includes a provision for economic risks and other support and recovery measures totalling $1.3 billion in 2022-2023 and $1.0 billion in 2023-2024.

A budgetary deficit of $6.8 billion in 2021-2022 and $5.5 billion in 2022-2023 is forecast.

[1] Expenditures are those before taking into account support and recovery measures implemented to fight COVID-19 and before the impact of the change in the application of the accounting standard respecting transfer payments.

TABLE I.1

Multi-year financial framework

(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	AAGR(1)
Revenue							
Personal income tax	34 998	37 632	38 721	40 192	41 710	43 290	
Contributions for health services	6 398	7 189	7 405	7 518	7 713	7 911	
Corporate taxes	8 951	9 777	9 728	9 652	10 320	10 834	
School property tax	1 156	1 087	1 148	1 225	1 298	1 349	
Consumption taxes	21 377	24 275	25 861	26 622	27 386	28 204	
Duties and permits	4 613	5 178	4 821	4 924	4 950	5 065	
Miscellaneous revenue	9 884	10 981	11 606	12 301	12 917	13 246	
Government enterprises	4 491	5 489	5 564	5 811	6 030	6 191	
Own-source revenue	**91 868**	**101 608**	**104 854**	**108 245**	**112 324**	**116 090**	
% change	***0.1***	***10.6***	***3.2***	***3.2***	***3.8***	***3.4***	***4.0***
Federal transfers	30 716	29 464	28 517	29 898	29 415	30 170	
% change	*21.8*	*–4.1*	*–3.2*	*4.8*(2)	*–1.6*	*2.6*	*3.0*
Total revenue	**122 584**	**131 072**	**133 371**	**138 143**	**141 739**	**146 260**	
% change	***4.8***	***6.9***	***1.8***	***3.6***	***2.6***	***3.2***	***3.8***
Expenditure							
Portfolio expenditures	–105 664	–118 106	–123 363	–127 185	–131 172	–136 379	
% change	*–0.7*(3)	*11.8*(4)	*4.5*	*3.1*	*3.1*	*4.0*	*4.2*
Debt service	–7 689	–8 565	–8 846	–8 743	–8 999	–8 985	
% change	*0.2*	*11.4*	*3.3*	*–1.2*	*2.9*	*–0.2*	*2.7*
Total expenditure	**–113 353**	**–126 671**	**–132 209**	**–135 928**	**–140 171**	**–145 364**	
% change	***–0.6***	***11.7***	***4.4***	***2.8***	***3.1***	***3.7***	***4.1***
COVID-19 support and recovery measures	–12 995	–7 610	–978	–94	–18	—	
Change in the application of the accounting standard respecting transfer payments	–462	–350	–1 230	–1 265	–819	–13	
Provision for economic risks and other support and recovery measures	—	—	–1 250	–1 000	–500	–500	
SURPLUS (DEFICIT)	–4 226	–3 559	–2 296	–144	231	383	
Deposits of dedicated revenues in the Generations Fund	–3 313	–3 288	–3 251	–3 899	–4 257	–4 400	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–7 539**	**–6 847**	**–5 547**	**–4 043**	**–4 026**	**–4 017**	
Accounting changes(5)	–3 221	—	—	—	—	—	
Use of the stabilization reserve	10 760	1 221	—	—	—	—	
BUDGETARY BALANCE(6)	—	–5 626	–5 547	–4 043	–4 026	–4 017	

Note: Totals may not add due to rounding.
(1) Average annual growth rate, corresponding to the geometric mean over six years, from 2020-2021 to 2025-2026.
(2) The 4.8% increase in 2023-2024 is due to the increase in the Canada Health Transfer (CHT) and the equalization program envelope, which is based on the average annual growth of Canada's nominal GDP in 2021 (1/3), 2022 (1/3) and 2023 (1/3).
(3) The 0.7% decrease in 2020-2021 is mainly due to a slowdown in regular government activities resulting from the pandemic.
(4) The 11.8% increase in portfolio expenditures is the result of the implementation of initiatives announced in the March 2021 budget and in this economic and financial update, and also of the slowing of regular government activities in 2020-2021 due to the pandemic.
(5) Accounting adjustments attributable to the impact of the change in the application of the accounting standard respecting transfer payments for years prior to 2020-2021.
(6) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

Expenditure after exceptional items

Expenditure forecast in the financial framework excludes exceptional items.

With the inclusion of COVID-19 support and recovery measures and costs arising out of the change in the application of the accounting standard respecting transfer payments, total expenditure will stand at $134.6 billion in 2021-2022, $134.4 billion in 2022-2023 and $137.3 billion in 2023-2024.

– Expenditure after exceptional items shows an average annual growth of 4.0%.

Change in expenditure – After COVID-19 support and recovery measures and the change in the application of the accounting standard respecting transfer payments
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	AAGR(1)
Portfolio expenditures(2)	–105 664	–118 106	–123 363	–127 185	–131 172	–136 379	
COVID-19 support and recovery measures	–12 995	–7 610	–978	–94	–18	—	
Change in the application of the accounting standard respecting transfer payments	–462	–350	–1 230	–1 265	–819	–13	
Total portfolio expenditures	**–119 121**	**–126 066**	**–125 571**	**–128 544**	**–132 009**	**–136 392**	
% change	***11.1***	***5.8***	***–0.4***	***2.4***	***2.7***	***3.3***	***4.1***
Debt service	–7 689	–8 565	–8 846	–8 743	–8 999	–8 985	
% change	*0.2*	*11.4*	*3.3*	*–1.2*	*2.9*	*–0.2*	*2.7*
Total expenditure	**–126 810**	**–134 631**	**–134 417**	**–137 287**	**–141 008**	**–145 377**	
% change	***10.4***	***6.2***	***–0.2***	***2.1***	***2.7***	***3.1***	***4.0***

Note: Totals may not add due to rounding.
(1) Average annual growth rate, corresponding to the geometric mean over six years, from 2020-2021 to 2025-2026.
(2) Portfolio expenditures exclude COVID-19 support and recovery measures and the change in the application of the accounting standard respecting transfer payments.

1. QUÉBEC'S BUDGETARY SITUATION

In 2021-2022, the budgetary balance after deposits of dedicated revenues in the Generations Fund is a deficit of $6.8 billion.

- Revenue stands at $131.1 billion.
- Portfolio expenditures, or expenditures tied to the delivery of public services, stand at $118.1 billion.[2]
- Debt service amounts to $8.6 billion.
- The exceptional support and recovery measures implemented to fight COVID-19 represent an additional $7.6 billion in spending.
- The change in the application of the accounting standard respecting transfer payments[3] increases expenditure by $350 million.
- Deposits of dedicated revenues in the Generations Fund total $3.3 billion.

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2 Portfolio expenditures are those before taking into account the support and recovery measures implemented to fight COVID-19 and before the change in the application of the accounting standard respecting transfer payments.

3 The box on page I.16 provides more details regarding the impact of the standard’s change in application.

TABLE I.2

Québec's Budget – November 2021
(millions of dollars)

	2021-2022
Revenue	
Own-source revenue	101 608
% change	*10.6*
Federal transfers	29 464
% change	*–4.1*
Total revenue	**131 072**
% change	***6.9***
Expenditure	
Portfolio expenditures	–118 106
% change	*11.8*
Debt service	–8 565
% change	*11.4*
Total expenditure	**–126 671**
% change	***11.7***
COVID-19 support and recovery measures	–7 610
Change in the application of the accounting standard respecting transfer payments	–350
SURPLUS (DEFICIT)	–3 559
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	–3 288
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–6 847**
Use of the stabilization reserve(1)	1 221
BUDGETARY BALANCE(2)	–5 626

(1) The stabilization reserve will be fully utilized in 2021-2022, resulting in a zero balance as of March 31, 2022.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

1.1 Recent developments in the budgetary situation

The Québec economy has improved in recent months. Economic activity has resumed a steady pace and the current outlook is more optimistic than that projected in Budget 2021-2022.

This good performance leads to upward adjustments over the period covered by the financial framework, allowing for additional initiatives and reducing the effort needed to restore a balanced budget.

❑ Main adjustments in 2020-2021

The 2020-2021 budgetary deficit is revised downward by $7.5 billion from the $15.0 billion deficit[4] forecast in March 2021. This adjustment is primarily due to:

— the upward adjustment of own-source revenue excluding revenue from government enterprises by $1.3 billion, due in particular to additional tax revenues from consumption and corporate taxes;

  — The strength of economic activity was reflected in better-than-expected developments in household consumption,[5] residential investment and net operating surplus of corporations.

— the upward adjustment in revenue from government enterprises of $503 million primarily stemming from:

  — the good performance of Investissement Québec's venture-capital portfolio and its investment funds,

  — increased exports by Hydro-Québec;

— an increase in federal transfers of $442 million over the March 2021 forecast, due in particular to a federal contribution to increase access to high-speed Internet services;

— portfolio expenditures that were lower than expected by $4.1 billion, mainly due to the downward adjustment of Revenu Québec's allowance for doubtful accounts, a deferral of infrastructure projects, and lower-than-expected program requirements for government departments and bodies resulting from a slowdown in operations due to containment measures related to the COVID-19 pandemic;

— non-use of the $1.3-billion provision for economic risks and other support and recovery measures.

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4 The 2020-2021 deficit was revised to $10.0 billion on June 23 (see box on page I.10).

5 Household consumption excluding food expenditures and shelter.

TABLE I.3

Adjustments to the 2020-2021 results – November 2021
(millions of dollars)

	2020-2021
BUDGETARY BALANCE[1] – MARCH 2021	**–15 000**
Own-source revenue excluding revenue from government enterprises	1 337
Revenue from government enterprises	503
Federal transfers	442
Subtotal – Revenue	**2 282**
Portfolio expenditures[2]	4 082
Debt service	–24
Subtotal – Expenditure	**4 058**
Change in the application of the accounting standard respecting transfer payments	170
Provision for economic risks and other support and recovery measures	1 250
Deposits of dedicated revenues in the Generations Fund	–299
Total adjustments	**7 461**
BUDGETARY BALANCE[1],[3] – NOVEMBER 2021	**–7 539**

(1) Budgetary balance before use of the stabilization reserve.
(2) The adjustment of portfolio expenditures includes COVID-19 support and recovery measures.
(3) The use of the stabilization reserve achieves a balanced budget within the meaning of the *Balanced Budget Act*.

Adjustments to the budgetary balance since the June 23, 2021 estimate

On June 23, 2021, the government had estimated that the deficit would reach $10.0 billion in 2020-2021. The final deficit reported in the public accounts is $2.5 billion lower, primarily due to lower expenditures.

This adjustment is the result of the finalization, during the summer, of the analysis of the progress of infrastructure projects carried out or financed by government entities, of Revenu Québec's allowance for doubtful accounts, and of the various needs of departments and bodies to carry out their programs.

Adjustments to results since June 2021
(millions of dollars)

	2020-2021
BUDGETARY BALANCE[1] – JUNE 2021	**–10 000**
Adjustment to revenue	–3
Adjustment to expenditure	2 294
Change in the application of the accounting standard respecting transfer payments	170
Total adjustments	**2 461**
BUDGETARY BALANCE[1],[2] – NOVEMBER 2021	**–7 539**

(1) Budgetary balance before use of the stabilization reserve.
(2) The use of the stabilization reserve achieves a balanced budget within the meaning of the *Balanced Budget Act*.

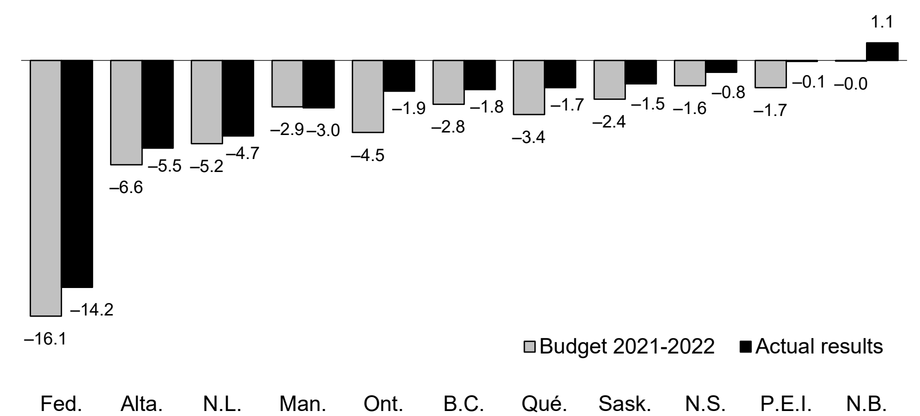
Better-than-expected results across Canada

For 2020-2021, Québec's budgetary deficit is revised downward by $7.5 billion from what was projected in Budget 2021-2022. Higher-than-expected revenue and lower portfolio expenditures are the main reasons for this favourable adjustment.

A downward adjustment of budgetary deficit is also observed elsewhere than in Québec. All governments, both federal and provincial, have reported a better-than-expected budgetary balance for 2020-2021, with the exception of Manitoba.

- The results show that Québec's budgetary deficit represents 1.7% of the province's nominal GDP, an improvement of 1.7 percentage points (pp.) over the March 2021 forecast.
- In addition to Québec, Ontario and the federal government stand out for the size of their adjustments, with an improvement of 2.6 pp. and 1.9 pp. respectively. The adjustment is about 0.9 pp. in the other provinces.
  - As in Québec, the differences in Ontario and the federal government are due to both higher-than-expected revenue and lower-than-budgeted expenditure.
- Overall, Québec's budgetary balance as a proportion of GDP (−1.7%) is above the average for governments in Canada (−3.1%).

Forecast and actual budgetary balances – 2020-2021
(percentage of nominal GDP)



Note: For the federal government, these are preliminary results.
Sources: Provincial and federal budgets, provincial public accounts, the federal government's Fiscal Monitor – March 2021, and Ministère des Finances du Québec calculations.

❑ Main adjustments from 2021-2022 to 2023-2024

The economy's strong performance brings significant favourable adjustments in the government's financial situation, allowing for the implementation of additional initiatives to overcome the pandemic and ensure sustainable economic recovery.

TABLE I.4

Adjustments to the financial framework since March 2021
(millions of dollars)

	2021-2022	2022-2023	2023-2024
BUDGETARY BALANCE(1) – MARCH 2021	**–12 250**	**–8 500**	**–7 000**
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	4 792	4 165	3 925
– Other revenue	317	238	215
Subtotal	5 109	4 403	4 140
Revenue from government enterprises	831	163	48
Subtotal – Own-source revenue	5 940	4 566	4 188
Federal transfers	2 565	2 359	3 109
Subtotal – Revenue	**8 505**	**6 925**	**7 297**
Portfolio expenditures	390	–1 249	–1 559
Debt service	48	154	245
Subtotal – Expenditure	**438**	**–1 095**	**–1 314**
COVID-19 support and recovery measures	267	201	18
Deposits of dedicated revenues in the Generations Fund	–208	–43	–122
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	**9 002**	**5 988**	**5 879**
INITIATIVES			
Coping with the cost of living	–946	–313	–254
Taking action to deal with the labour shortage and stimulate economic growth	–248	–877	–845
Supporting families and helping communities	–444	–749	–589
Continuing efforts to strengthen the health care system	–3 593	–614	–184
TOTAL INITIATIVES	**–5 231**	**–2 554**	**–1 871**
Change in the application of the accounting standard respecting transfer payments	382	–481	–801
Provision for economic risks and other support and recovery measures	1 250	—	–250
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–6 847**	**–5 547**	**–4 043**
Use of the stabilization reserve(2)	1 221	—	—
BUDGETARY BALANCE(1) – NOVEMBER 2021	**–5 626**	**–5 547**	**–4 043**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*, before shortfall to be offset and after use of the stabilization reserve.
(2) The stabilization reserve will be fully utilized in 2021-2022: its balance will be zero as of March 31, 2022.

Adjustments related to the economic and budgetary situation

Since Budget 2021-2022, upward adjustments of $9.0 billion in 2021-2022, $6.0 billion in 2022-2023, and $5.9 billion in 2023-2024 are included in the financial framework. These adjustments are explained by, in particular:

- an increase in own-source revenue excluding revenue from government enterprises of $5.1 billion in 2021-2022, $4.4 billion in 2022-2023 and $4.1 billion in 2023-2024;
  - The improvement in the growth of nominal GDP in 2021 results in favourable adjustments of most revenue sources, particularly personal income tax and corporate taxes, and consumption taxes, due to upward adjustments to wages and salaries, net operating surplus of corporations, and household consumption.[6]
- an upward adjustment to revenue from government enterprises of $831 million in 2021-2022, $163 million in 2022-2023 and $48 million in 2023-2024;
  - For 2021-2022, the adjustments come primarily from Hydro-Québec.[7] These are mainly due to the increase in the value of its net exports and to the growth in the demand for electricity in Québec, and from Investissement Québec, due to good performance in its equity and venture-capital portfolios as well as returns on its investment funds.
  - For 2022-2023, adjustments are essentially due to the increase in the results of Investissement Québec, Loto-Québec and Hydro-Québec.
  - For 2023-2024, the adjustments mainly result from the increase in the results of Investissement Québec and Loto-Québec.
- an increase in revenues from federal transfers of $2.6 billion in 2021-2022, $2.4 billion in 2022-2023 and $3.1 billion in 2023-2024;
  - These upward adjustments include a one-time payment of $1.1 billion to the Government of Québec in 2021-2022 to support the health care system and vaccination, as well as an unconditional Asymmetrical Childcare Agreement with the federal government worth $6.0 billion over five years starting in 2021-2022.
  - In addition, equalization revenue is adjusted upward in 2023-2024 due to rising oil prices that increase the fiscal capacity gap between provinces.

[6] Household consumption excluding food expenditures and shelter.

[7] The forecasts concerning Hydro-Québec are based on available data as at November 9, 2021.

— a decrease in portfolio expenditures of $390 million in 2021-2022 due to a more gradual recovery in government activities than anticipated, an increase of $1.2 billion in 2022-2023 that is mainly the result of new agreements on municipal infrastructures and an increase of $1.6 billion in 2023-2024 due to an increase in spending on health and social services;

— a decrease in debt service of $48 million in 2021-2022, $154 million in 2022-2023, and $245 million in 2023-2024 due to lower deficits and a higher-than-expected return on the Retirement Plans Sinking Fund (RPSF)[8] in 2020-2021;

— a downward adjustment in the cost of previously announced COVID-19 support and recovery measures by $267 million in 2021-2022, $201 million in 2022-2023, and $18 million in 2023-2024, due to lower-than-anticipated expenditures. The funds released are allocated primarily to health because of the prolonged public health emergency;

— an increase in deposits in the Generations Fund of $208 million in 2021-2022, $43 million in 2022-2023 and $122 million in 2023-2024, partly due to an increase in mining revenues.

■ Fall 2021 initiatives

In the fall 2021 update, the government is providing $5.2 billion in initiatives for 2021-2022:

— $946 million for coping with the cost of living;

— $248 million to take action to deal with the labour shortage and stimulate economic growth;

— $444 million to support families and help communities;

— $3.6 billion to continue efforts to strengthen the health care system.

Initiatives implemented to address these priorities total $2.6 billion in 2022-2023 and $1.9 billion in 2023-2024.

8 See page J.11 of the section “The Québec Government's Debt” for more details on the net liability for retirement plans and the value of the RPSF as at March 31, 2021.

Other adjustments

The fall 2021 update presents adjustments to the financial impact of the change in the application of the accounting standard respecting transfer payments. The financial impacts of the standard now account for the integration of the 2021-2031 Quebec Infrastructure Plan (QIP).

— This change results in a decrease in the cost of applying the standard of $382 million in 2021-2022, followed by an increase of $481 million in 2022-2023 and $801 million in 2023-2024.

Lastly, the balance of the stabilization reserve reduces the budgetary deficit by $1.2 billion in 2021-2022. The stabilization reserve will be fully utilized in 2021-2022, resulting in a zero balance of the reserve as of March 31, 2022.

Application of the accounting standard respecting transfer payments

In Budget 2021-2022, the government complied with the Auditor General of Québec's recommendation regarding the application of the accounting standard respecting transfer payments. This standard covers accounting rules for the funding of public infrastructures owned by third parties—for example, when the Québec government subsidizes municipal construction projects, cultural and heritage infrastructures, public transit, local road networks and chartered universities.

Thus, for the funding of public infrastructures owned by third parties, it now records an expenditure in the fiscal year when the transfer is authorized and when the recipient meets the eligibility criteria, rather than at the rate of repayment of the debt incurred by the recipients for the infrastructure acquisition.

It should be noted that the costs included in Budget 2021-2022 were not new expenditures, but expenditures which, under the previous practice, would have been included in the financial framework over a much longer period.

The change in accounting practice led to an increase in the net debt and the debt representing accumulated deficits of $13.0 billion as at March 31, 2021. This amount corresponds to subsidies that must be paid for infrastructure projects that had been completed or were in progress as of that date. Close to 90% of the $13.0 billion increase in the debt is attributable to years prior to 2018-2019.

Thanks to this change, the independent auditor's report in *Public Accounts 2020-2021* no longer states any reservations regarding these subsidies, and Québec's net debt and debt representing accumulated deficits as a proportion of GDP can now be adequately compared with those of other provinces.

Costs related to the change in the application of the accounting standard respecting transfer payments have been updated based on the 2021-2031 Québec Infrastructure Plan (QIP). The assessment included in the March budget was based on the 2020-2030 QIP.

Illustration of the change in the application of the accounting standard

As an illustration, take the case of a commitment by the government to provide $20 million to fund part of the construction of a municipal building. In this example, suppose that work will begin in April 2023 and finish in March 2027, and that the completion rate will be constant over the four years.

– Using the formerly recommended budgetary practice, the government's contribution would have taken the form of a repayment of principal of a loan to be contracted by the municipality over a 20-year period. The government would thus have provided for an expenditure of $1 million per year from 2026-2027 to 2045-2046, which would have been voted annually by the National Assembly.

– With the change in the application of the accounting standard, the annual expenditure would be $5 million from 2023-2024 to 2026-2027, which would be voted by National Assembly for each of the four fiscal years.

In both cases, the government's expenditure totals $20 million.

Note: The appendix to Section I of Budget 2021-2022, "The Québec Government's Debt" details the impact of this change in application.

1.2 Detailed adjustments in 2021-2022

The fall 2021 update outlines the detailed adjustments to revenue and expenditure for 2021-2022 since March 2021.

The economic and budgetary situation leads to a $9.0-billion positive adjustment in the budgetary balance in 2021-2022. This adjustment is mainly due to:

- a $5.9-billion increase in own-source revenue related to the upward adjustment of the nominal GDP from 6.0% to 10.8% in 2021-2022;
- a $2.6-billion increase in federal transfers resulting from a one-time transfer to support the health care system and vaccination, and from the conclusion of an Asymmetrical Childcare Agreement;
- a $390-million decrease in portfolio expenditure due to a more gradual recovery in government activities than anticipated;
- a $267-million decrease in the cost of previously announced support measures implemented to fight COVID-19.

Initiatives and other components of the financial framework, excluding the use of the stabilization reserve, lead to downward adjustments of $3.6 billion for the same year. These adjustments are due to:

- an increase in portfolio expenditures, amounting to:
  - $1.6 billion to implement new budget initiatives, including implementation of the extraordinary cost of living allowance and enhancements to tax credits for senior assistance and childcare expenses,
  - $3.6 billion for the deployment of additional support and recovery measures implemented to fight COVID-19;
- a $382-million decrease in the impact of the change in the application of the accounting standard respecting transfer payments;
- elimination of the provision for economic risks and other support and recovery measures, leading to an upward adjustment of $1.3 billion.

These adjustments total $5.4 billion and bring the budgetary balance to a deficit of $6.8 billion in 2021-2022.

- If the use of the $1.2-billion stabilization reserve is included, the budgetary deficit is reduced to $5.6 billion.

TABLE I.5

Adjustments to the 2021-2022 financial framework since March 2021
(millions of dollars)

	2021-2022				
	March 2021	Adjustments			November 2021
		Economic and budgetary situation	Initiatives and other adjustments	Total	
Own-source revenue					
Tax revenue	75 168	4 792	—	4 792	79 960
Other revenue	15 842	317	—	317	16 159
Subtotal	91 010	5 109	—	5 109	96 119
Revenue from government enterprises	4 658	831	—	831	5 489
Total own-source revenue	95 668	5 940	—	5 940	101 608
Federal transfers	26 899	2 565	—	2 565	29 464
Revenue	**122 567**	**8 505**	**—**	**8 505**	**131 072**
Portfolio expenditures	–116 858	390	–1 638	–1 248	–118 106
Debt service	–8 613	48	—	48	–8 565
Expenditure	**–125 471**	**438**	**–1 638**	**–1 200**	**–126 671**
COVID-19 support and recovery measures	–4 284	267	–3 593	–3 326	–7 610
Change in the application of the accounting standard respecting transfer payments	–732	—	382	382	–350
Provision for economic risks and other support and recovery measures	–1 250	—	1 250	1 250	—
SURPLUS (DEFICIT)	**–9 170**	**9 210**	**–3 599**	**5 611**	**–3 559**
Deposits of dedicated revenues in the Generations Fund	–3 080	–208	—	–208	–3 288
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–12 250**	**9 002**	**–3 599**	**5 403**	**–6 847**
Use of the stabilization reserve	—	—	1 221	1 221	1 221
BUDGETARY BALANCE(1)	**–12 250**	**9 002**	**–2 378**	**6 624**	**–5 626**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

❑ Own-source revenue excluding revenue from government enterprises

For 2021-2022, own-source revenue excluding revenue from government enterprises shows a downward adjustment of $5.1 billion compared to the March 2021 forecast and totals $96.1 billion.

— Tax revenue is adjusted upward by $4.8 billion.

— Other revenue is adjusted upward by $317 million.

TABLE I.6

Adjustments to own-source revenue excluding revenue from government enterprises
(millions of dollars)

	2021-2022
OWN-SOURCE REVENUE(1) – MARCH 2021	**91 010**
Tax revenue	
Personal income tax	1 711
Contributions for health services	393
Corporate taxes	1 764
School property tax	–26
Consumption taxes	950
Subtotal	**4 792**
Other revenue	
Duties and permits	325
Miscellaneous revenue	−8
Subtotal	**317**
Total adjustments	**5 109**
OWN-SOURCE REVENUE(1) – NOVEMBER 2021	**96 119**

(1) Own-source revenue excluding revenue from government enterprises.

■ Tax revenue

For 2021-2022, revenue from personal income tax is adjusted upward by $1.7 billion compared to the March 2021 forecast, while health services contributions are adjusted upward by $393 million.

— This increase is explained by the upward adjustment of wages and salaries by 2.2 percentage points in 2021, with growth rising from 6.0% to 8.2%, and 3.5 percentage points in 2022, with growth rising from 3.5% to 7.0%.

In 2021-2022, revenue from corporate taxes is adjusted upward by $1.8 billion compared to the March 2021 forecast.

— This increase comes mainly from the upward adjustment of net operating surplus of corporations by 19.8 percentage points in 2020, with the variation rising from −5.3% to 14.5%, and 17.8 percentage points in 2021, with growth rising from 2.2% to 20.0%.

Revenue from the school property tax is adjusted downward by $26 million in 2021-2022.

— This adjustment is primarily due to a decrease in projected student growth, which results in a downward adjustment of the growth in the cost of services funded by this tax.

Consumption tax revenue, which is derived mainly from the Québec sales tax, is adjusted upward by $950 million in 2021-2022.

— This increase is mainly due to the upward adjustment of household consumption[9] by 0.6 percentage points in 2021, with growth rising from 8.3% to 8.9%, and residential investment by 17.8 percentage points in 2021, with growth rising from 10.6% to 28.4%.

■ Other revenue

Revenue from duties and permits is adjusted upward by $325 million in 2021-2022.

— This adjustment is specifically due to the increase in mining revenues resulting from sustained market prices for metals since 2020[10] and higher timber royalties.

Miscellaneous revenue is adjusted downward by $8 million in 2021-2022.

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9 Household consumption excluding food expenditures and shelter.

10 Mining revenues are deposited in the Generations Fund.

A favourable adjustment of own-source revenue[1] in Québec and in the other provinces

The upward adjustment of $5.1 billion in own-source revenue excluding revenue from government enterprises in 2021-2022 is mainly due to the recurrence of favourable results seen in 2020-2021 and the improved economic outlook.

In 2020-2021, own-source revenue excluding revenue from government enterprises is adjusted by $1.3 billion compared to what was forecast in Budget 2021-2022, which represents a 1.6% increase in revenue.

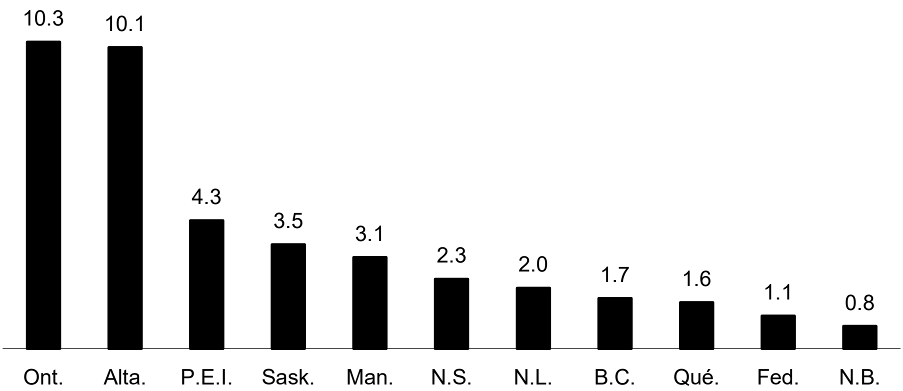
The difference is mainly from tax revenue, particularly consumption and corporate taxes. It is predominantly explained by:

- economic activity that was higher than expected, influencing upward trends in household consumption,[2] residential investment and net operating surplus of corporations;
- government assistance provided to individuals and businesses.

Like the Québec government, all governments have seen upward adjustments of their revenue.

- Ontario and Alberta stand out as a result of their vigorous economic recovery, generating an upward adjustment of more than 10% in revenue from the forecast in Budget 2021-2022.
- British Columbia (1.7%), Québec (1.6%), the federal government (1.1%) and New Brunswick (0.8%) have the smallest favourable adjustments in proportion to their revenue.

Adjustments to own-source revenue in Canada since Budget 2021-2022 for 2020-2021
(percentage of revenue)



Sources: Provincial and federal budgets, provincial public accounts, the federal government's Fiscal Monitor – March 2021, and Ministère des Finances du Québec calculations.

1 Own-source revenue excluding revenue from government enterprises.
2 Household consumption excluding food expenditures and shelter.

❑ Revenue from government enterprises

For 2021-2022, revenue from government enterprises is adjusted upward by $831 million to $5.5 billion.

This increase is primarily due to improved results from:

— Hydro-Québec, mainly as result of the increase in the value of net exports and rising demand for electricity in Québec;

— Investissement Québec, which is essentially due to good performance in its equity and venture-capital portfolios and to returns on its investment funds.

TABLE I.7

Adjustments to revenue from government enterprises
(millions of dollars)

	2021-2022
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2021	**4 658**
Hydro-Québec	425
Loto-Québec	27
Société des alcools du Québec	23
Investissement Québec	356
Société québécoise du cannabis(1)	—
Other(2)	—
Total adjustments	**831**
REVENUE FROM GOVERNMENT ENTERPRISES – NOVEMBER 2021	**5 489**

(1) Revenue allocated to the Cannabis Sales Revenue Fund.
(2) Other government enterprises include Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and Société du parc industriel et portuaire de Bécancour.

❑ Federal transfers

In 2021-2022, revenue from federal transfers amounts to $29.5 billion.

— This represents an upward adjustment of $2.6 billion compared to Budget 2021-2022.

This upward adjustment is primarily due to:

— a one-time payment of $1.1 billion to Québec to support the health care system and vaccination;

— an unconditional Asymmetrical Childcare Agreement of $6.0 billion over five years, including $660 million in 2021-2022.

It is also explained by the vaccines received, by changes made to the Canada Student Loans Program, for which Québec has the right to opt out with full compensation, and by the agreement on the Rapid Housing Initiative signed in August 2021.

TABLE I.8

Adjustments to revenue from federal transfers
(millions of dollars)

	2021-2022
FEDERAL TRANSFERS – MARCH 2021	**26 899**
Equalization	—
Health transfers	1 113
Transfers for post-secondary education and other social programs	−8
Other programs, including:	1 460
– *The Asymmetrical Childcare Agreement*	*660*
Total adjustments	**2 565**
FEDERAL TRANSFERS – NOVEMBER 2021	**29 464**

❑ Portfolio expenditures

For the year 2021-2022, portfolio expenditures, before taking into account COVID-19 support and recovery measures and the change in the application of the accounting standard respecting transfer payments, are $118.1 billion, which is an upward adjustment of $1.2 billion from the March 2021 forecast.

The adjustment is primarily due to:

— new initiatives in the fall 2021 update that are not COVID-19 support and recovery measures: $946 million for coping with the cost of living, $248 million for taking action to deal with the labour shortage and to stimulate economic growth, and $444 million to support families and help communities;

— a more gradual recovery in government activities than anticipated, resulting in a $390-million downward adjustment in spending.

With the addition of the COVID-19 support and recovery measures of $7.6 billion and the effect of the change in the application of the accounting standard respecting transfer payments amounting to $350 million, portfolio expenditures will reach $126.1 billion.

TABLE I.9

Adjustments to portfolio expenditures
(millions of dollars)

	2021-2022
PORTFOLIO EXPENDITURES – MARCH 2021	**116 858**
Coping with the cost of living	946
Taking action to deal with the labour shortage and stimulate economic growth	248
Supporting families and helping communities	444
More-gradual-than-expected resumption of government activities	–390
Total adjustments	**1 248**
PORTFOLIO EXPENDITURES – BEFORE COVID-19 SUPPORT AND RECOVERY MEASURES AND THE CHANGE IN THE APPLICATION OF THE ACCOUNTING STANDARD RESPECTING TRANSFER PAYMENTS	**118 106**
COVID-19 support and recovery measures(1)	7 610
Change in the application of the accounting standard respecting transfer payments(1)	350
PORTFOLIO EXPENDITURES – NOVEMBER 2021	**126 066**

Note: Totals may not add due to rounding.
(1) The entire forecast expenditure for 2021-2022.

❑ Debt service

For 2021-2022, debt service is adjusted downward by $48 million to $8.6 billion.

— The downward adjustment is primarily due to higher Retirement Plans Sinking Fund (RPSF) investment income recorded in 2020-2021. RPSF income[11] is deducted from debt service.

— The improved budgetary situation results in a downward adjustment of debt service primarily as of 2022-2023.

TABLE I.10

Adjustments to debt service
(millions of dollars)

	2021-2022
DEBT SERVICE – MARCH 2021	**8 613**
Interest on the direct debt(1)	6
Interest on the liability for retirement plans and other employee future benefits(2)	–54
Total adjustments	**–48**
DEBT SERVICE – NOVEMBER 2021	**8 565**

(1) Interest on the direct debt includes income from the Sinking Fund for Government Borrowing. This income, which is deducted from debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upward or downward since it is closely tied to the change in interest rates and market behaviour.
(2) This interest corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

11 See page J.11 of the section “The Québec Government's Debt” for more details on the net liability for retirement plans and the value of the RPSF as at March 31, 2021.

1.3 Budgetary outlook

The multi-year economic and budgetary developments are more favourable than projected in Budget 2021-2022. The improvements recorded in the fall 2021 update allow the government to:

- present a favourable outlook and a solid financial framework;
- protect Quebecers against the effects of inflation and deploy new measures to continue the economic recovery;
- ensure stable, predictable funding for the government's main priorities;
- adjust the structural deficit downward.

❑ Actions for Québec and stable funding of public services

The new initiatives totalling $5.2 billion in 2021-2022 and $2.2 billion on average for the two subsequent years are essentially aimed at:

- coping with the cost of living;
- taking action to deal with the labour shortage and stimulate economic growth;
- supporting families and helping communities;
- continuing efforts to strengthen the health care system.

The financial framework also provides for stable, predictable funding for the government's key priorities:

- the growth in Santé et Services sociaux portfolio expenditures will reach 6.0% in 2022-2023 and 5.0% thereafter;
- expenditure growth will reach 3.5% for the Éducation portfolio and 9.0% for the Enseignement supérieur portfolio in 2022-2023. Thereafter, it will be 3.5% for both portfolios.

❑ Returning to a balanced budget

The restoration of sound public finances is a priority and the return to a balanced budget by 2027-2028 is still projected. However, the more sustained growth of economic activity allows for an upward adjustment of the budgetary balances announced in Budget 2021-2022.

Thus, the structural deficit is reduced to $4.0 billion as of 2023-2024.

— Budgetary balance within the meaning of public accounts, i.e. excluding deposits in the Generations Fund, is projected to be achieved in 2024-2025.

In Budget 2021-2022, the government announced that the impacts of the *Balanced Budget Act* would be suspended to enable the government to gradually reduce the deficit without affecting sustainable recovery of economic growth.

The improvement in the budgetary and health situations enables the government to remain focused on the orientations to ensure sound management of public finances based on the following principles:

— the government's commitment not to increase the tax burden;

— spending growth tied to revenue growth;

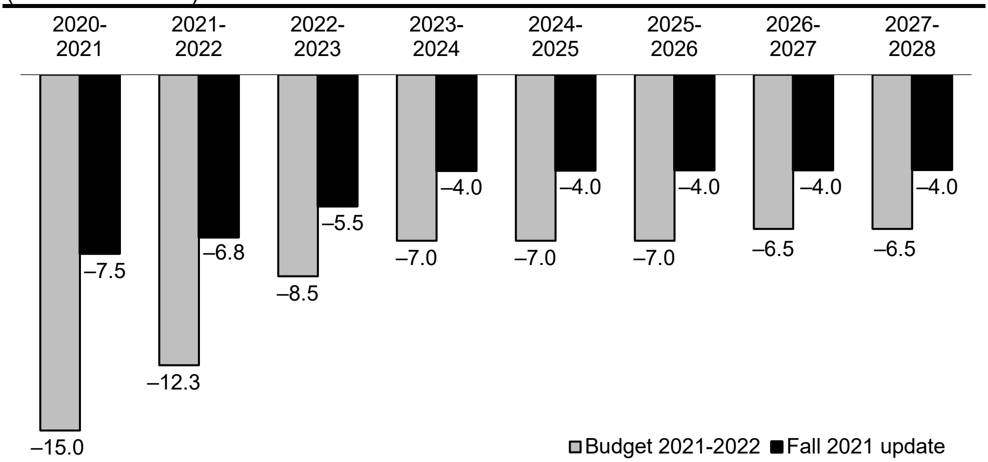
— the acceleration of economic growth;

— an increased federal contribution to health care expenditures.

Lastly, the return to a balanced budget will not be achieved at the expense of public services.

CHART I.1

Change in the budgetary balance
(billions of dollars)



Note: Budgetary balance before use of the stabilization reserve.

❑ The stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

— As at March 31, 2020, the stabilization reserve stood at $12.0 billion. It will be used partly in 2020-2021, to achieve budgetary balance, then fully in 2021-2022, to reduce the budgetary deficit within the meaning of the *Balanced Budget Act*.

TABLE I.11

Stabilization reserve
(millions of dollars)

Fiscal year	Balance, beginning of year	Allocations	Uses	Balance, end of year
2015-2016	—	2 191	—	2 191
2016-2017	2 191	2 361	—	4 552
2017-2018	4 552	2 622	—	7 174
2018-2019	7 174	4 803	—	11 977
2019-2020	11 977	4	—	11 981
2020-2021	11 981	—	–10 760	1 221
2021-2022	1 221	—	–1 221	—

The stabilization reserve

The stabilization reserve facilitates the government's multi-year budget planning, for it can be used in the event of a budgetary balance of less than zero. It thus helps to keep the budget balanced under the *Balanced Budget Act*.

The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash because the surpluses freed up are used to reduce the debt. In other words, the stabilization reserve is not money in the bank.

Within the meaning of the Act, the government is using the stabilization reserve in 2020-2021 to balance the budget and in 2021-2022 to reduce the deficit.

2. REVENUE AND EXPENDITURE FORECASTS

The fall 2021 *Update on Québec's Economic and Financial Situation* presents the detailed change in revenue and expenditure, that is, the three-year budgetary outlook from 2021-2022 to 2023-2024.

TABLE I.12

Changes in revenue and expenditure
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Revenue				
Own-source revenue excluding revenue from government enterprises	96 119	99 290	102 434	
% change	*10.0*	*3.3*	*3.2*	*5.4*
Revenue from government enterprises	5 489	5 564	5 811	
% change	*22.2*	*1.4*	*4.4*	*9.0*
Federal transfers	29 464	28 517	29 898	
% change	*–4.1*	*–3.2*	*4.8*	*–0.9*
Total revenue	**131 072**	**133 371**	**138 143**	
% change	***6.9***	***1.8***	***3.6***	***4.1***
Expenditure				
Portfolio expenditures	–118 106	–123 363	–127 185	
% change	*11.8*	*4.5*	*3.1*	*6.4*
Debt service	–8 565	–8 846	–8 743	
% change	*11.4*	*3.3*	*–1.2*	*4.4*
Total expenditure	**–126 671**	**–132 209**	**–135 928**	
% change	***11.7***	***4.4***	***2.8***	***6.2***
COVID-19 support and recovery measures	–7 610	–978	–94	
Change in the application of the accounting standard respecting transfer payments	–350	–1 230	–1 265	
Provision for economic risks and other support and recovery measures	—	–1 250	–1 000	
SURPLUS (DEFICIT)	–3 559	–2 296	–144	
Deposits of dedicated revenues in the Generations Fund	–3 288	–3 251	–3 899	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	**–6 847**	**–5 547**	**–4 043**	
Use of the stabilization reserve	1 221	—	—	
BUDGETARY BALANCE(2)	–5 626	–5 547	–4 043	

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

2.1 Change in revenue

Government revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

Government revenue totals $131.1 billion in 2021-2022: $101.6 billion in own-source revenue and $29.5 billion from federal transfers.

Government revenue will stand at $133.4 billion in 2022-2023 and $138.1 billion in 2023-2024, representing growth of 1.8% and 3.6% respectively.

TABLE I.13

Change in revenue
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Own-source revenue				
Own-source revenue excluding revenue from government enterprises	96 119	99 290	102 434	
% change	*10.0*	*3.3*	*3.2*	*5.4*
Revenue from government enterprises	5 489	5 564	5 811	
% change	*22.2*	*1.4*	*4.4*	*9.0*
Subtotal	**101 608**	**104 854**	**108 245**	
% change	***10.6***	***3.2***	***3.2***	***5.6***
Federal transfers	29 464	28 517	29 898	
% change	*–4.1*	*–3.2*	*4.8*	*–0.9*
TOTAL	**131 072**	**133 371**	**138 143**	
% change	***6.9***	***1.8***	***3.6***	***4.1***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

2.1.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists mainly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. Changes in own-source revenue are generally tied to economic activity in Québec and to changes in the tax system.

Own-source revenue also includes revenue from other sources, namely duties and permits, in particular revenue from the carbon market, and miscellaneous revenue such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Own-source revenue amounts to $96.1 billion in 2021-2022, an increase of 10.0%. It will stand at $99.3 billion in 2022-2023 and $102.4 billion in 2023-2024, representing growth of 3.3% and 3.2% respectively.

TABLE I.14

Change in own-source revenue excluding revenue from government enterprises – Summary
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Tax revenue	79 960	82 863	85 209	
% change	*9.7*	*3.6*	*2.8*	*5.3*
Other revenue	16 159	16 427	17 225	
% change	*11.5*	*1.7*	*4.9*	*5.9*
TOTAL	**96 119**	**99 290**	**102 434**	
% change	***10.0***	***3.3***	***3.2***	***5.4***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Tax revenue

Personal income tax, the government's largest revenue source, totals $37.6 billion in 2021-2022, up 7.5% compared to 2020-2021. It will reach $38.7 billion in 2022-2023 and $40.2 billion in 2023-2024, representing growth of 2.9% and 3.8% respectively.

— This growth results in particular from the increase in household income, including wages and salaries, which will increase by 8.2% in 2021, by 7.0% in 2022 and by 2.1% in 2023.

— It also takes into account all the parameters of the personal income tax system, such as indexation and the progressive nature of the tax system.

Contributions for health services stand at $7.2 billion in 2021-2022, which will then increase to $7.4 billion in 2022-2023 and $7.5 billion in 2023-2024, or a growth of 12.4%, 3.0% and 1.5% respectively.

— These changes reflect the expected growth of wages and salaries, which is 8.2% in 2021, 7.0% in 2022 and 2.1% in 2023.

Revenue from corporate taxes will reach $9.8 billion in 2021-2022, an increase of 9.2%. It will stand at $9.7 billion in 2022-2023 and 2023-2024, representing a decrease of 0.5% and 0.8% respectively.

— These changes are influenced by the projected variation of net operating surplus of corporations, established at 20.0% in 2021, −4.2% in 2022 and −1.5% in 2023.

— It also reflects the measures implemented in recent years to ease the tax burden, in particular the reduction of the tax rate for SMBs announced in Budget 2021-2022 and depreciation measure aimed at incentivizing businesses to invest more, announced in the December 2018 *Update on Québec's Economic and Financial Situation.*

Revenue from the school property tax stands at $1.1 billion in 2021-2022, down 6.0% compared to 2020-2021. It will stand at $1.1 billion in 2022-2023 and $1.2 billion in 2023-2024, or increases of 5.6% and 6.7% respectively.

— The decrease in revenue in 2021-2022 is due to the impact of the tax rate reduction resulting from the implementation of a single school tax rate on July 1, 2020.

— The change also takes into account the increase in the number of students and the anticipated increase in the cost of services funded by the school property tax.

Revenue from consumption taxes totals $24.3 billion in 2021-2022, up 13.6% compared to 2020-2021. It will stand at $25.9 billion in 2022-2023 and $26.6 billion in 2023-2024, or a growth of 6.5% and 2.9% respectively.

— These changes primarily reflect projected growth in household consumption[12] of 8.9% in 2021, 10.1% in 2022 and 4.3% in 2023.

— They also reflect the projected change in residential investment of 28.4% in 2021, −4.1% in 2022 and 0.2% in 2023.

TABLE I.15

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Tax revenue				
Personal income tax	37 632	38 721	40 192	
% change	*7.5*	*2.9*	*3.8*	*4.7*
Contributions for health services	7 189	7 405	7 518	
% change	*12.4*	*3.0*	*1.5*	*5.5*
Corporate taxes	9 777	9 728	9 652	
% change	*9.2*	*–0.5*	*–0.8*	*2.5*
School property tax	1 087	1 148	1 225	
% change	*–6.0*	*5.6*	*6.7*	*2.0*
Consumption taxes	24 275	25 861	26 622	
% change	*13.6*	*6.5*	*2.9*	*7.6*
Subtotal	**79 960**	**82 863**	**85 209**	
% change	***9.7***	***3.6***	***2.8***	***5.3***
Other revenue				
Duties and permits	5 178	4 821	4 924	
% change	*12.2*	*–6.9(2)*	*2.1*	*2.2*
Miscellaneous revenue	10 981	11 606	12 301	
% change	*11.1*	*5.7*	*6.0*	*7.6*
Subtotal	**16 159**	**16 427**	**17 225**	
% change	***11.5***	***1.7***	***4.9***	***5.9***
TOTAL	**96 119**	**99 290**	**102 434**	
% change	***10.0***	***3.3***	***3.2***	***5.4***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) The 6.9% decrease in revenue from duties and permits in 2022-2023 is explained by the decrease in revenue from natural resources and by the non-recurrence of revenue associated with the 2021-2022 resale of greenhouse gas (GHG) emissions allowances that had remained unsold at auctions in May and August 2020.

12 Household consumption excluding food expenditures and shelter.

❑ Other revenue

Revenue from duties and permits amounts to $5.2 billion in 2021-2022, an increase of 12.2% compared to 2020-2021. It will total $4.8 billion in 2022-2023 and $4.9 billion 2023-2024, or changes of −6.9% and 2.1% respectively.

— The 12.2% growth in revenue from duties and permits in 2021-2022 is explained primarily by an increase in revenues from the auction sale of greenhouse gas (GHG) emissions allowances, when units left unsold in the auctions in May and August 2020 were put back up for sale. The non-recurrence of these amounts contributes to the 6.9% decrease in revenue from duties and permits in 2022-2023.

Miscellaneous revenue stands at $11.0 billion in 2021-2022, an increase of 11.1% compared to 2020-2021. It will reach $11.6 billion in 2022-2023 and $12.3 billion in 2023-2024, representing increases of 5.7% and 6.0% respectively.

— This growth stems mainly from the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

  — The upward change in the revenue of the education networks is influenced, in part, by revenue from tuition fees, the change in clienteles and user revenue.

2.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. Revenue from government enterprises corresponds in large part to the net earnings of these enterprises.

Revenue from government enterprises amounts to $5.5 billion in 2021-2022, an increase of 22.2%, $5.6 billion in 2022-2023, an increase of 1.4%, and $5.8 billion in 2023-2024, an increase of 4.4%.

The 22.2% growth in 2021-2022 stems principally from the increase in the anticipated results of:

— Hydro-Québec, due to the increase in electricity sales in Québec and in the value of its net electricity exports;

— Loto-Québec, due to the gradual reopening of its facilities with the application of the required physical distancing measures.

The 1.4% growth in 2022-2023 is mainly due to the increase in the anticipated results of Loto-Québec attributable to its gradual return to full operational capacity.

— This increase is partly offset by the non-recurrence of Investissement Québec's exceptional revenue in 2021-2022.

The 4.4% growth in 2023-2024 stems principally from the increase in the anticipated results of Hydro-Québec due to the increase in electricity sales in Québec and in the value of its net electricity exports.

TABLE I.16

Change in revenue from government enterprises
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Hydro-Québec	2 550	2 500	2 675	
Loto-Québec	1 088	1 474	1 494	
Société des alcools du Québec	1 305	1 323	1 366	
Investissement Québec	448	154	158	
Société québécoise du cannabis(2)	88	105	110	
Other(3)	10	8	8	
TOTAL	**5 489**	**5 564**	**5 811**	
% change	***22.2***	***1.4***	***4.4***	***9.0***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) Revenue allocated to the Cannabis Sales Revenue Fund.
(3) The other government enterprises are Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and Société du parc industriel et portuaire de Bécancour.

2.1.3 **Federal transfers**

Revenues from federal transfers correspond to revenues from the federal government paid to Québec pursuant to the *Federal-Provincial Fiscal Arrangements Act*, to which is added revenue from other programs under bilateral agreements.

They include mainly equalization and revenue from the Canada Health Transfer (CHT)[13] and the Canada Social Transfer (CST).

Revenues from federal transfers decrease by 4.1% in 2021-2022 due to the one-time payment, the previous year, of amounts stemming from agreements concluded with the federal government in the context of the pandemic. They will decline by 3.2% in 2022-2023 for the same reason.

Revenues from federal transfers will increase by 4.8% in 2023-2024, because the CHT envelope and the equalization envelope will grow in proportion to the increase in Canada's nominal GDP.[14]

TABLE I.17

Change in federal transfers
(millions of dollars)

	2021-2022	**2022-2023**	**2023-2024**	**AAGR(1)**
Equalization	13 119	12 921	13 474	
% change	*–1.0*	*–1.5*	*4.3*	*0.6*
Health transfers	8 138	7 169	7 767	
% change	*19.7*	*–11.9*	*8.3*	*4.5*
Transfers for post-secondary education and other social programs	1 624	1 618	1 670	
% change	*2.1*	*–0.4*	*3.2*	*1.6*
Other programs	6 583	6 809	6 987	
% change	*–27.4*	*3.4*	*2.6*	*–8.3*
TOTAL	**29 464**	**28 517**	**29 898**	
% change	***–4.1***	***–3.2***	***4.8***	***–0.9***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

13 Québec is asking the federal government for an increase in the CHT to 35% of the provinces' and territories' health spending. No revenue associated with this request has been included in the financial framework.

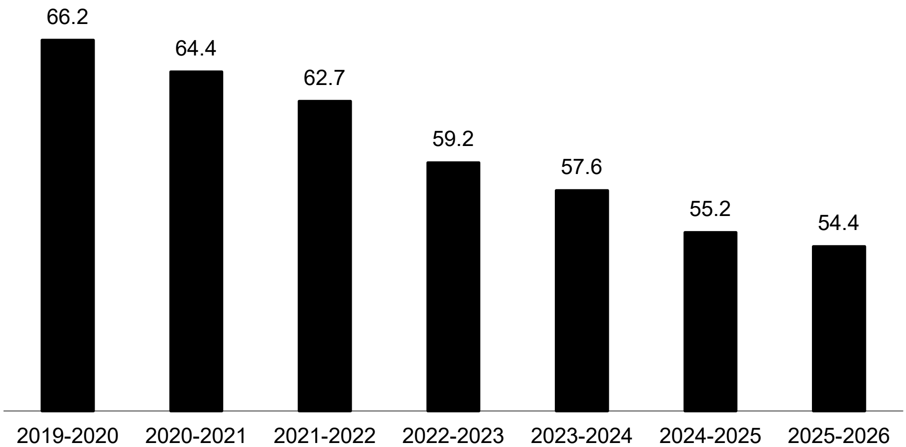
14 In 2023-2024, the increase in the CHT envelope and the equalization envelope is based on the average annual growth in Canadian nominal GDP for 2021 (1/3), 2022 (1/3) and 2023 (1/3).

Ongoing decline in Québec's share of the equalization envelope

Québec's share of the equalization envelope has been declining since 2020-2021. This trend will continue in the years ahead because of the expected improvement in Québec's economic situation in comparison with the rest of Canada.

It is anticipated that Québec's share in the equalization envelope, which was 66.2% in 2019-2020, will decline to 54.4% in 2025-2026.

Anticipated change in Québec's share of the equalization envelope
(per cent)



Note: A smoothing mechanism with lag is applied to determine equalization payments. For example, the equalization payments for the provinces for 2021-2022 are based on data for the years 2017-2018 (25%), 2018-2019 (25%) and 2019-2020 (50%).
Sources: Department of Finance Canada and Ministère des Finances du Québec.

❑ Québec is the equalization-payment recipient that receives the lowest per-capita equalization amount

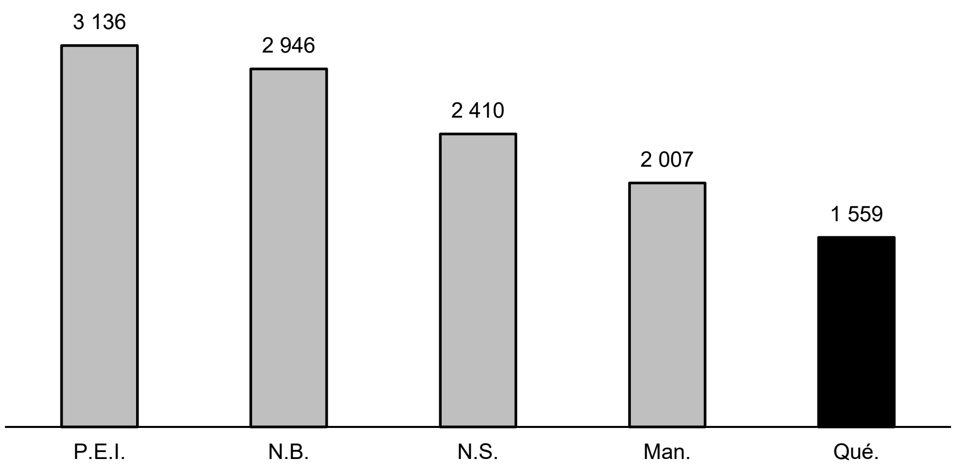
The provinces do not all have the same fiscal capacity, that is, they do not all have the same capacity to generate revenue.

Provinces whose fiscal capacity, in dollars per capita, is below the average of the 10 provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the 10 provinces to provide public services.[15]

In 2021-2022, five provinces will receive equalization payments: Manitoba, Québec, New Brunswick, Nova Scotia and Prince Edward Island. Québec is the recipient that receives the least equalization per capita ($1 559 per capita).

CHART I.2

Equalization payments of the provinces – 2021-2022
(dollars per capita)



Source: Department of Finance Canada.

15 The provinces' fiscal capacity is assessed using five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

2.2 Change in expenditure

Expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service.

Expenditure[16] totals $126.7 billion in 2021-2022, or $118.1 billion in portfolio expenditures and $8.6 billion in debt service.

— It will stand at $132.2 billion in 2022-2023 and $135.9 billion in 2023-2024.

Expenditure will increase by 11.7% in 2021-2022, by 4.4% in 2022-2023 and by 2.8% in 2023-2024.

— The 11.7% growth in 2021-2022 is explained by the 11.8% increase in portfolio expenditures resulting from the particularly high base effect[17] for the Enseignement supérieur portfolio and the other portfolios, because of the decreases in spending posted in 2020-2021.

— It is also due to the 11.4% increase in debt service, mainly attributable to the increase in the debt and the rise in interest rates.

From 2021-2022 to 2023-2024, the average annual growth in expenditure will stand at 6.2%.

TABLE I.18

Change in expenditure
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Portfolio expenditures	118 106	123 363	127 185	
% change	*11.8*	*4.5*	*3.1*	*6.4*
Debt service	8 565	8 846	8 743	
% change	*11.4*	*3.3*	*–1.2*	*4.4*
TOTAL(2)	**126 671**	**132 209**	**135 928**	
% change	***11.7***	***4.4***	***2.8***	***6.2***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) COVID-19 support and recovery measures are not included in the total expenditures. Portfolio expenditures before and after taking into account COVID-19 support and recovery measures are presented on pages I.41 and I.43.

16 COVID-19 support and recovery measures are not included in the total expenditure. Portfolio expenditures before and after taking into account COVID-19 support and recovery measures are presented on pages I.41 and I.43.

17 The base effect is the result of the decrease in expenditures incurred in 2020-2021, combined with the maintenance of the expenditure forecast from the last budget for 2021-2022 (see box on next page).

Increase in portfolio expenditures in 2021-2022[1] higher than projected in Budget 2021-2022

In Budget 2021-2022, it was anticipated that portfolio expenditures would reach $116.9 billion in 2021-2022, an increase of 5.4%.

Since Budget 2021-2022, projected portfolio expenditures for 2020-2021 and 2021-2022 have been revised.

– For 2020-2021, portfolio expenditures of less than $5.2 billion were recorded.
  - This adjustment is due primarily to the slowdown in certain regular government activities stemming from the pandemic, the deferral of infrastructure projects and the decrease in the allowance for doubtful accounts.

– Anticipated portfolio expenditures for 2021-2022 were adjusted upward by $1.2 billion, due to:
  - new initiatives in the fall 2021 update totalling $1.6 billion;
  - a more gradual recovery in government activities than anticipated, resulting in a $390 million downward adjustment in spending.

It is now expected that portfolio expenditures will amount to $118.1 billion in 2021-2022, an increase of 11.8%.

– Had it not been for the lower recorded level of portfolio expenditures in 2020-2021, growth in anticipated spending for 2021-2022 would have been 6.6%.

Portfolio expenditures
(millions of dollars)

	March 2021	Adjustment	November 2021
2020-2021	110 821	**−5 157**	105 664
2021-2022	116 858	**1 248**	118 106
% change	***5.4***		***11.8***

Note: The data exclude COVID-19 support and recovery measures and the change in the application of the accounting standard respecting transfer payments.

1 The data exclude COVID-19 support and recovery measures and the change in the application of the accounting standard respecting transfer payments.

2.2.1 Portfolio expenditures

To achieve its objectives and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. The array of entities for which a minister is responsible constitutes a portfolio.

Before taking into account COVID-19 support and recovery measures and the change in the application of the accounting standard respecting transfer payments, portfolio expenditures will stand at $118.1 billion in 2021-2022, $123.4 billion in 2022-2023 and $127.2 billion in 2023-2024.

— From 2021-2022 to 2023-2024, the annual growth of portfolio expenditures will reach 6.4% on average.

COVID-19 support and recovery measures will amount to $7.6 billion in 2021-2022, $1.0 billion in 2022-2023 and $0.1 billion in 2023-2024.

TABLE I.19

Change in expenditure by departmental portfolio
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Santé et Services sociaux	50 086	53 089	55 720	
% change	*8.0*	*6.0*	*5.0*	*6.3*
Éducation	17 926	18 560	19 202	
% change	*7.6*	*3.5*	*3.5*	*4.8*
Enseignement supérieur(2)	9 234	10 064	10 416	
% change	*15.1*	*9.0*	*3.5*	*9.1*
Other portfolios(3)	40 861	41 650	41 847	
% change	*18.1*	*1.9*	*0.5*	*6.6*
Subtotal – Before COVID-19 support and recovery measures	**118 106**	**123 363**	**127 185**	
% change	***11.8***	***4.5***	***3.1***	***6.4***
COVID-19 support and recovery measures	7 610	978	94	
Change in the application of the accounting standard respecting transfer payments	350	1 230	1 265	
TOTAL	**126 066**	**125 571**	**128 544**	
% change	***5.8***	***–0.4***	***2.4***	***2.6***

Note: Totals may not add due to rounding.
(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) The growth in 2021-2022 is due to the resumption of certain activities in educational establishments that were limited or cancelled in 2020-2021, to an increase in infrastructure projects in 2021-2022, and to investments in Budget 2021-2022. In 2022-2023, it stems mainly from new scholarships.
(3) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

COVID-19 support and recovery measures

Even though the majority of support and recovery measures in response to the public health crisis were implemented in 2020-2021, the government will continue to support Quebecers and the economy over the coming years. The government intends to lift the public health emergency after the vaccination of children between the ages of 5 and 11.

Support and recovery measures amount to $7.6 billion in 2021-2022, $1.0 billion in 2022-2023 and $0.1 billion in 2023-2024.

COVID-19 support and recovery measures
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	Total
Santé et Services sociaux					
Overcoming the pandemic	6 004	550	—	—	6 554
Subtotal	**6 004**	**550**	**—**	**—**	**6 554**
Éducation					
Supporting educational success	110	60	—	—	170
Helping Quebecers get back into the labour market	65	—	—	—	65
Supporting volunteering	10	—	—	—	10
Subtotal	**185**	**60**	**—**	**—**	**245**
Enseignement supérieur					
Alleviating the financial burden of students during the pandemic	155	—	—	—	155
Enhancing student financial assistance and improving student support services	50	—	—	—	50
Helping Quebecers get back into the labour market	26	—	—	—	26
Subtotal	**230**	**—**	**—**	**—**	**230**
Other portfolios					
Supporting Quebecers	46	8	—	—	54
Supporting requalification of workers and their integration into the labour market	217	174	5	—	396
Driving economic growth	476	85	76	18	654
Promoting regional economic development	233	75	11	—	319
Continuing to support businesses affected by the pandemic	150	—	—	—	150
Creating wealth through innovation	69	26	2	—	97
Subtotal	**1 191**	**368**	**94**	**18**	**1 669**
TOTAL	**7 610**	**978**	**94**	**18**	**8 698**

Note: Totals may not add due to rounding.

Portfolio expenditures including support and recovery measures

The pandemic's arrival in Québec called for extraordinary measures to reinforce the health care system, accelerate growth, speed up the transition to the new economy and support Quebecers. 2021-2022 saw a high level of spending due to initiatives put in place to deal with the public health crisis.

With the COVID-19 support and recovery measures included, portfolio expenditures will amount to $125.7 billion in 2021-2022, $124.3 billion in 2022-2023 and $127.3 billion in 2023-2024.

– From 2021-2022 to 2023-2024, the annual growth of portfolio expenditures will reach 2.4% on average.

Change in expenditure by departmental portfolio – After COVID-19 support and recovery measures
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR[(1)]
Santé et Services sociaux	56 090	53 639	55 720	
% change	*2.5*	*–4.4*	*3.9*	*0.6[(2)]*
Éducation	18 110	18 620	19 202	
% change	*6.9*	*2.8*	*3.1*	*4.3*
Enseignement supérieur	9 464	10 064	10 416	
% change	*14.5[(3)]*	*6.3*	*3.5*	*8.0*
Other portfolios[(4)]	42 052	42 018	41 941	
% change	*8.6*	*–0.1*	*–0.2*	*2.7*
Subtotal – Portfolio expenditures after COVID-19 support and recovery measures	**125 716**	**124 341**	**127 279**	
% change	***5.9***	***–1.1***	***2.4***	***2.4***
Change in the application of the accounting standard respecting transfer payments	350	1 230	1 265	
TOTAL	**126 066**	**125 571**	**128 544**	
% change	***5.8***	***–0.4***	***2.4***	***2.6***

Note: Totals may not add due to rounding.
(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) The weak growth is mainly attributable to the decrease in investments to respond to the public health crisis.
(3) The strong growth is mainly due to the resumption of certain activities in higher education establishments that were limited or cancelled in 2020-2021, to an increase in infrastructure projects in 2021-2022, and to investments in Budget 2021-2022 aimed chiefly at easing the financial burden on students in the context of the pandemic.
(4) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

❑ Santé et Services sociaux

Expenditures of the Santé et Services sociaux portfolio consist primarily of the activities of the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies such as Héma-Québec.

Before taking into account COVID-19 support and recovery measures, Santé et Services sociaux portfolio expenditures will amount to $50.1 billion in 2021-2022, $53.1 billion in 2022-2023 and $55.7 billion in 2023-2024. This spending represents roughly 42% of total portfolio expenditures.

— The 8.0% growth in spending in 2021-2022 is mainly attributable to the implementation of initiatives aimed at intensifying public home-support services by hiring additional resources, and at reinforcing care and accommodation services by adding beds and spaces while awaiting the opening of seniors' homes.

— Expenditure will increase by 6.0% in 2022-2023 and by 5.0% in 2023-2024.

From 2021-2022 to 2023-2024, annual growth of the Santé et Services sociaux portfolio will average 6.3%.

Support and recovery measures for the Santé et Services sociaux portfolio will total $6.0 billion in 2021-2022 and $550 million in 2022-2023. They consist mainly of measures to overcome the pandemic.

TABLE I.20

Santé et Services sociaux portfolio expenditures
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Regular Santé et Services sociaux portfolio expenditures	**50 086**	**53 089**	**55 720**	
% change	***8.0***	***6.0***	***5.0***	***6.3***
COVID-19 support and recovery measures	6 004	550	—	
TOTAL SANTÉ ET SERVICES SOCIAUX PORTFOLIO EXPENDITURES	**56 090**	**53 639**	**55 720**	
% change	***2.5***	***–4.4***	***3.9***	***0.6***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Éducation

Expenditures of the Éducation portfolio are primarily devoted to the activities of preschool, primary and secondary education establishments. This portfolio also includes programs aimed at promoting sports and leisure activities and programs related to the status of women.

Before taking into account COVID-19 support and recovery measures, Éducation portfolio expenditures will amount to $17.9 billion in 2021-2022, $18.6 billion in 2022-2023 and $19.2 billion in 2023-2024. This spending represents roughly 15% of total portfolio expenditures.

— The 7.6% growth in expenditures in 2021-2022 is mainly due to the resumption of certain activities in school service centres that were limited or cancelled in 2020-2021 and to Budget 2021-2022 investments mainly aimed at improving support for the school network.

— In 2022-2023 and 2023-2024, Éducation portfolio spending will remain stable at 3.5%.

From 2021-2022 to 2023-2024, average annual growth of the Éducation portfolio will reach 4.8%.

Support and recovery measures for the Éducation portfolio will total $185 million in 2021-2022 and $60 million in 2022-2023. They consist mainly of measures to boost support for students and personnel in schools and to increase their safety during the public health crisis.

TABLE I.21

Éducation portfolio expenditures
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Regular Éducation portfolio expenditures	**17 926**	**18 560**	**19 202**	
% change	***7.6***	***3.5***	***3.5***	***4.8***
COVID-19 support and recovery measures	185	60	—	
TOTAL ÉDUCATION PORTFOLIO EXPENDITURES	**18 110**	**18 620**	**19 202**	
% change	***6.9***	***2.8***	***3.1***	***4.3***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Enseignement supérieur

Expenditures of the Enseignement supérieur portfolio are mainly devoted to the activities of colleges and universities. This portfolio also includes student financial assistance.

Before taking into account COVID-19 support and recovery measures, Enseignement supérieur portfolio expenditure will amount to $9.2 billion in 2021-2022, $10.1 billion in 2022-2023 and $10.4 billion in 2023-2024. This spending represents roughly 8% of total portfolio expenditures.

— The 15.1% growth in expenditures in 2021-2022 is mainly due to the resumption of certain activities in higher education establishments that were limited or cancelled in 2020-2021, to an increase in infrastructure projects in 2021-2022, and to investments in Budget 2021-2022 chiefly aimed at supporting perseverance and graduation rates in higher education.

— The 9.0% growth in expenditures in 2022-2023 essentially results from measures to increase the graduation rate in order to meet the need for workers and from enhancement of the student financial assistance program.

— In 2023-2024, Enseignement supérieur portfolio spending will increase by 3.5%.

From 2021-2022 to 2023-2024, annual growth of the Enseignement supérieur portfolio will average 9.1%.

Support and recovery measures in response to the pandemic for the Enseignement supérieur portfolio will total $230 million in 2021-2022. They mainly consist of measures aimed at alleviating the financial burden of students in the context of the pandemic.

TABLE I.22

Enseignement supérieur portfolio expenditures
(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR(1)
Regular Enseignement supérieur portfolio expenditures	**9 234**	**10 064**	**10 416**	
% change	***15.1***	***9.0***	***3.5***	***9.1***
COVID-19 support and recovery measures	230	—	—	
TOTAL ENSEIGNEMENT SUPÉRIEUR PORTFOLIO EXPENDITURES	**9 464**	**10 064**	**10 416**	
% change	***14.5***	***6.3***	***3.5***	***8.0***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Other portfolios

Expenditures of other portfolios include expenditures of all portfolios except Santé et Services sociaux, Éducation, and Enseignement supérieur. They provide financing for the cultural community as well as the transportation and childcare sectors, and support for persons, municipalities and businesses.

Before taking into account COVID-19 support and recovery measures, expenditures of other portfolios will amount to $40.9 billion in 2021-2022, $ 41.7 billion in 2022-2023 and $41.8 billion in 2023-2024. These expenditures represent roughly 35% of total portfolio expenditures, including 1% for the Culture et Communications portfolio.

— The strong growth in expenditures of 18.1% in 2021-2022 is mainly due to:
  — a resumption of government activities, which were slowed in 2020-2021;
  — the initiatives of the fall 2021 update, particularly the implementation of the extraordinary cost of living allowance and the development of childcare services;
  — deployment of the Plan for a Green Economy and the implementation of social housing projects.
— The low growth in 2022-2023 is mainly due to the end of the extraordinary cost of living allowance.
— The low growth in 2023-2024 is mainly due to the end of the second agreement with the federal government on the Rapid Housing Initiative and the end of certain municipal infrastructure projects.

From 2021-2022 to 2023-2024, average annual growth of other portfolios will reach 6.6%.

Support and recovery measures in response to the pandemic for other portfolios will total $1.2 billion in 2021-2022, $368 million in 2022-2023 and $94 million in 2023-2024. They mainly consist of measures aimed at stimulating growth and supporting workers and businesses.

TABLE I.23

Expenditures of other portfolios

(millions of dollars)

	2021-2022	2022-2023	2023-2024	AAGR[1]
Regular expenditures of other portfolios	**40 861**	**41 650**	**41 847**	
% change	***18.1***	***1.9***	***0.5***	***6.6***
COVID-19 support and recovery measures	1 191	368	94	
TOTAL EXPENDITURES OF OTHER PORTFOLIOS	**42 052**	**42 018**	**41 941**	
% change	***8.6***	***–0.1***	***–0.2***	***2.7***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

Expenditure by mission

Government expenditures are broken down into five public service missions. This breakdown of the government's expenditures into its main areas of activity is a stable indicator over time because it is not usually affected by Cabinet shuffles. Moreover, since this breakdown is also used in public accounts, it facilitates comparisons of actual results with forecasts.

The public service missions are the following:

- Health and Social Services, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- Education and Culture, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;
- Economy and Environment, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;
- Support for Individuals and Families, which includes, in particular, last-resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;
- Administration and Justice, which consists mainly of the activities of legislature, central bodies and public security, as well as administrative programs.

Expenditure by mission
(millions of dollars)

	2021-2022	2022-2023	2023-2024
Health and Social Services[1]	54 872	52 299	54 289
Education and Culture	28 126	29 014	29 856
Economy and Environment	18 679	18 495	18 575
Support for Individuals and Families	12 694	12 533	12 726
Administration and Justice[2]	11 345	12 000	11 833
Subtotal	**125 716**	**124 341**	**127 279**
Change in the application of the accounting standard respecting transfer payments	350	1 230	1 265
TOTAL	**126 066**	**125 571**	**128 544**
% change	***5.8***	***–0.4***	***2.4***

Note: Expenditure by mission includes COVID-19 support and recovery measures.
(1) The expenditures of the Health and Social Services mission are lower than those of the Santé et Services sociaux portfolio mainly because expenditures for entities in other portfolios are treated differently. Such spending is eliminated in the missions when the expenditures are established for each mission whereas it is eliminated under a separate heading, “Inter-portfolio eliminations”, when expenditures are established for each portfolio.
(2) These amounts include the Contingency Fund reserve.

2.2.2 **Debt service**

Debt service consists of interest on the direct debt as well as interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Debt service changes primarily according to the level of the debt, interest rates and the return on the Retirement Plans Sinking Fund (RPSF).[18] Debt service will stand at $8.6 billion in 2021-2022, $8.8 billion in 2022-2023 and $8.7 billion in 2023-2024, representing changes of 11.4%, 3.3% and −1.2% respectively.

In 2021-2022, interest rates have begun to rise. This, together with the increase in the debt, accounts for the 17.8% increase in interest on the direct debt. Note that interest rates fell to a historic low in 2020-2021.

In 2022-2023 and 2023-2024, interest on the direct debt will increase by 6.3% and 3.4% respectively, mainly as a result of forecast changes in long-term interest rates.

Interest on the liability for retirement plans and other employee future benefits will decrease due to the increase in the investment income of the RPSF. The income of the RPSF is deducted from debt service.

TABLE I.24

Change in debt service
(millions of dollars)

	2021-2022	**2022-2023**	**2023-2024**	**AAGR(1)**
Interest on the direct debt(2)	8 012	8 514	8 802	
% change	*17.8*	*6.3*	*3.4*	
Interest on the liability for retirement plans and other employee future benefits(3)	553	332	–59	
TOTAL	**8 565**	**8 846**	**8 743**	
% change	***11.4***	***3.3***	***–1.2***	***4.4***

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.
(2) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is deducted from debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upward or downward since it is closely tied to the change in interest rates and market behaviour.
(3) This interest corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

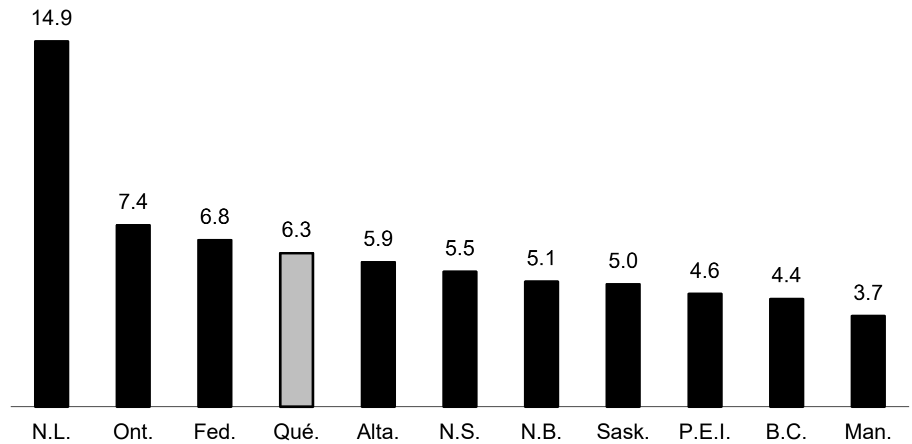
18 See page J.11 of the section “The Québec Government's Debt” for more details on the net liability for retirement plans and the value of the RPSF as at March 31, 2021.

Comparison of the debt service of governments in Canada

In 2020-2021, Québec's debt service as a percentage of revenue was among the highest in Canada.

- Interest payments on the debt totalled $7.7 billion in 2020-2021, which represents 6.3% of revenue or $896 per capita.
- Debt service is the fourth largest expenditure category of the government, after health, education and higher education.

Debt service of governments in Canada in 2020-2021
(percentage of revenue)



Sources: Public accounts and budget documents.

3. PUBLIC INFRASTRUCTURE INVESTMENTS

Québec has significant public infrastructure needs. To meet them and to relaunch the economy, in Budget 2021-2022 the government announced an increase of $4.5 billion over 10 years for the 2021-2031 Québec Infrastructure Plan (QIP).

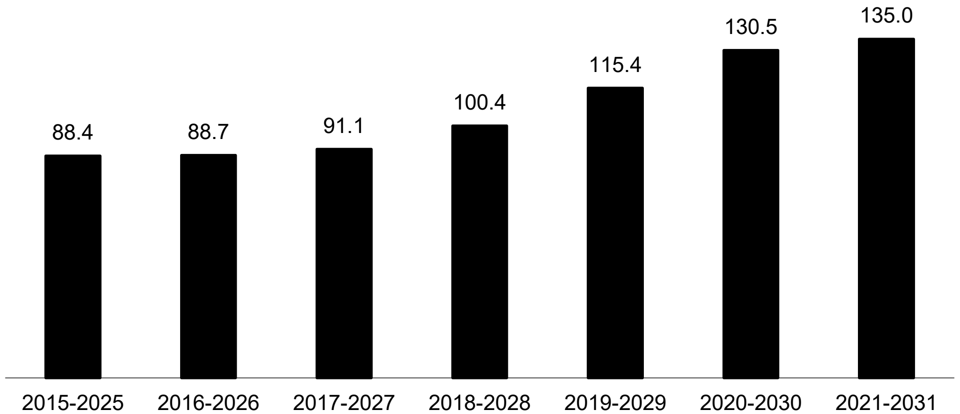
— The 2021-2031 QIP thus amounts to $135.0 billion, an average of $13.5 billion per year.

— These investments will have positive effects on the economy and employment in all regions of Québec.

The level of the 2022-2032 QIP will be determined in the 2022-2023 budget.

CHART I.3

Changes in the Québec Infrastructure Plan
(billions of dollars)



❑ Federal infrastructure funding and implementation of a block transfer

The development and sustainability of public infrastructure, both essential to the growth of Québec's economic potential, require long-term planning and stable, predictable funding. In this respect, in March 2021 the Québec government announced, in the QIP, investments of $135.0 billion over 10 years.

To be fully effective, federal infrastructure funding must be aligned with this principle and must complement Québec's investments as provided for in the QIP, in order to meet the needs and support the specific priorities of the Québec population.

Federal infrastructure funding must be increased and transferred to provinces and territories more effectively, through a block transfer. Multiple agreements with unduly complex administrative conditions and the setting up of multiple programs on a merit basis that ignore Québec's priorities must be avoided.

Québec must obtain its fair share of federal funds and must remain in full charge of the planning and prioritization of public infrastructure development and maintenance projects in its territory.

The implementation of a true block transfer will guarantee Québec stable, predictable federal funding that respects its autonomy and powers. Québec will then be able to use these funds in accordance with its priorities, particularly for strategic public transit projects, schools, post-secondary educational establishments, hospitals, seniors' residences, and the maintenance of infrastructures (particularly roads) and technological infrastructures.

APPENDIX: SUPPLEMENTARY INFORMATION

Digital dissemination of content reflects the department's desire to improve the messages addressed to the public through the use of electronic documents that can be consulted on a smartphone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Certain supplementary additional budgetary information is therefore available exclusively on the department's website, including:

— *Budget by the Numbers*, which presents the main budgetary data in the form of tables and interactive graphics;

— sensitivity analyses, the main risks to Québec's financial position and prudence factors;

— the government's net financial surpluses or requirements.

This supplementary information is available on the Ministère des Finances website. To consult it, visit this page on the November 2021 update documents:

www.finances.gouv.qc.ca/lepoint

Section J

THE QUÉBEC GOVERNMENT'S DEBT

SUMMARY

As at March 31, 2021, the gross debt stood at $210.1 billion, or 46.8% of GDP. Despite the increase in the debt resulting from the pandemic in 2020-2021, the government expects that the objective regarding the gross debt will be attained, thanks to a strong economic recovery. The debt is indeed under control.

— The gross debt burden will fall to 44.3% of GDP as at March 31, 2022, which is below the 45% objective.

— This downward trend will continue in the coming years as the result of economic growth, an improvement in the financial situation and deposits of dedicated revenues in the Generations Fund. The gross debt burden is expected to reach 42.5% of GDP as at March 31, 2026.

Deposits in the Generations Fund help to reduce the debt and thus to improve intergenerational fairness. This is why the government is maintaining deposits in the Generations Fund despite the anticipated deficits.

— In 2021-2022, deposits in the Generations Fund will stand at $3.3 billion.

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

— The gross debt-to-GDP ratio will stand at 42.5% as at March 31, 2026, which is below the 45% objective. The accumulated deficit debt-to-GDP ratio is currently expected to reach 19.5% as at March 31, 2026, a gap of 2.5 percentage points of GDP over the 17% objective.

Québec's economic situation remains uncertain. Over the coming months, the government will continue to monitor developments in the economy and public finances. In light of information to be gathered, the government will propose amendments to the *Act to reduce the debt and establish the Generations Fund*.

❑ The benefits of reducing the debt burden

Reducing the debt burden remains a priority for the government. Québec is one of the most indebted Canadian provinces, and this makes its economy more sensitive to an increase in interest rates or another economic downturn.

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

In addition to contributing to collective prosperity, reducing the debt burden will allow Québec to:

— contribute to intergenerational fairness;

— ensure stable funding for the government's main missions, including health and education;

— cope with the costs associated with an ageing population;

— implement measures to fight climate change;

— fund investment in public infrastructure;

— ease the tax burden on Quebecers;

— counter a potential future economic downturn;

— increase its financial autonomy within the federation.

1. QUÉBEC'S DEBT

1.1 Different concepts of debt

Several different concepts of debt are used to measure a government's indebtedness.

- **Gross debt** corresponds to the debt on financial markets, plus the commitments made with regard to the pension plans of government employees. The balance of the Generations Fund is subtracted from the gross debt.

- **Net debt** corresponds to the government's liabilities as a whole, minus its financial assets. Several other provinces use this concept to present the evolution of their debt.[1]

- **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets. This is the concept that the federal government uses to present the evolution of its debt.

TABLE J.1

Québec government debt as at March 31 according to various concepts
(millions of dollars)

	2021	2022	2023
GROSS DEBT(1)	**210 072**	**220 434**	**230 869**
% of GDP	*46.8*	*44.3*	*43.3*
Less: Financial assets, net of other liabilities(2)	−19 827	−21 870	−24 995
NET DEBT	**190 245**	**198 564**	**205 874**
% of GDP	*42.4*	*39.9*	*38.6*
Less: Non-financial assets	−81 517	−86 277	−91 291
DEBT REPRESENTING ACCUMULATED DEFICITS	**108 728**	**112 287**	**114 583**
% of GDP	*24.2*	*22.6*	*21.5*

(1) Gross debt does not include pre-financing and takes into account amounts accumulated in the Generations Fund.
(2) Financial assets include, in particular, investments in government enterprises (e.g. Hydro-Québec) and accounts receivable, minus other liabilities (e.g. accounts payable).

1 The International Monetary Fund compares countries' debt using, in particular, their net debt.

1.2 Gross debt

Gross debt corresponds to the amount of debt contracted on financial markets (consolidated direct debt) plus the net liability for the pension plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

The gross debt burden stood at 46.8% of GDP as at March 31, 2021. It will fall to 44.3% as at March 31, 2022, which is below the 45% objective. This 2.5 percentage point reduction is a result of the strong economic recovery. The gross debt-to-GDP ratio should continue to fall over the coming years to reach 42.5% as at March 31, 2026.

Furthermore, as at March 31, 2026, sums accumulated in the Retirement Plans Sinking Fund (RPSF) to cover the retirement benefits of government employees should exceed the government's liability in this regard.

— Thus, the government will be in a net asset position with regard to pension plans and other employee future benefits.

— In the coming years, the government will thus be able to use the assets of the RPSF to pay the retirement benefits of its employees.

TABLE J.2

Gross debt as at March 31
(millions of dollars)

	2021	2022	2023	2024	2025	2026
Consolidated direct debt	209 916	226 335	243 083	257 107	269 276	281 701
Plus: Retirement plans and other employee future benefits(1)	12 368	9 599	6 537	2 860	197	−2 106
Minus: Generations Fund	−12 212	−15 500	−18 751	−22 650	−26 907	−31 307
GROSS DEBT	**210 072**	**220 434**	**230 869**	**237 317**	**242 566**	**248 288**
% of GDP	***46.8***	***44.3***	***43.3***	***43.4***	***42.9***	***42.5***

(1) A positive entry represents a net liability while a negative entry represents a net asset.

❑ A reduction in the debt burden starting 2021-2022

During the five years leading up to the pandemic, strong economic performance and fiscal consolidation contributed to a gradual reduction of the debt as a proportion of GDP.

Despite the substantial increase in the debt in 2020-2021 due to the pandemic, a reduction of the gross debt-to-GDP ratio is expected to begin this year, thanks to a strong economic recovery.

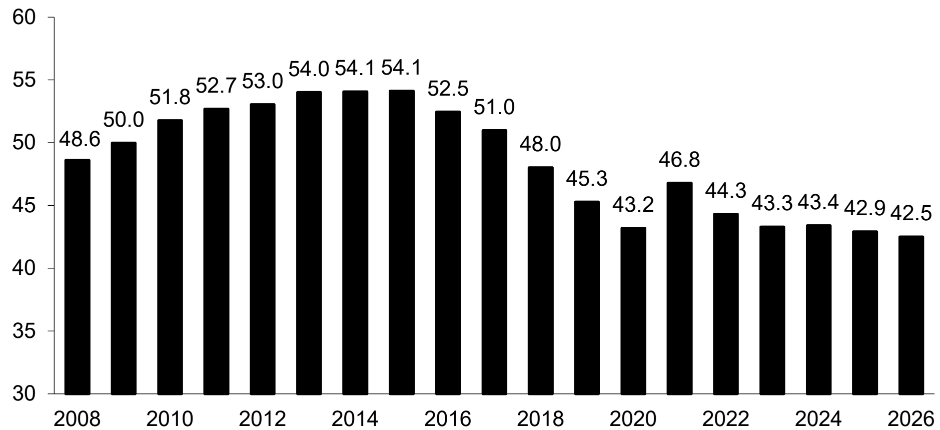
— As at March 31, 2022, the debt burden will stand at 44.3%, as against 46.8% a year previously – a 2.5 percentage point fall.

In the coming years, the debt burden will continue to fall as the result of economic growth, an improvement in the financial situation and deposits in the Generations Fund.

— The gross debt burden will stand at 42.5% of GDP as at March 31, 2026, which is below the 45% objective.

GRAPH J.1

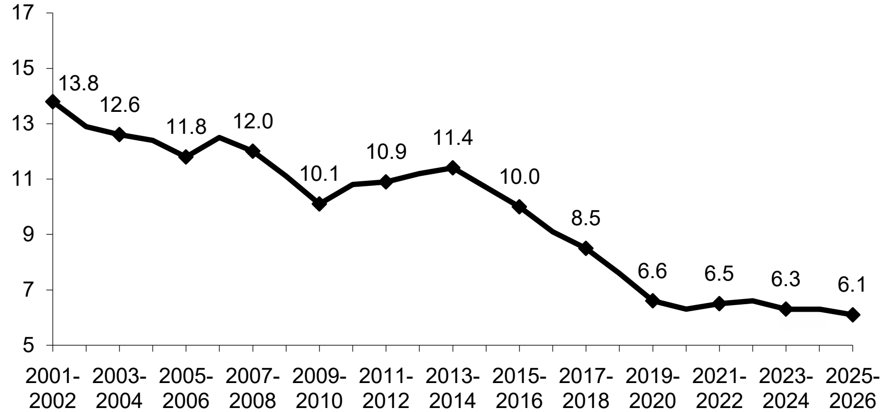
Change in the gross debt as at March 31
(percentage of GDP)



The proportion of revenue devoted to debt service will remain at historically low levels

Despite a substantial increase in the debt due to the pandemic, the proportion of revenue devoted to debt service will remain at historically low levels due to low interest rates. In 2021-2022, this proportion will stand at 6.5%. It will fall slightly to reach 6.1% in 2025-2026.

Debt service
(percentage of revenue)



Sensitivity of debt service to a rise in interest rates

The high level of debt requires prudence and sound management of public finances, because a greater-than-anticipated rise in long-term interest rates would have a substantial impact on the financial framework.

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase interest expenditure by $499 million in the first year and close to $2 billion in the fifth year.

Such a rise in interest rates in 2022-2023 would put the proportion of revenue devoted to debt service at 7.3% in 2025-2026, as against the currently anticipated ratio of 6.1%.

Impact on interest expenditure of a 100-basis-point rise in interest rates
(millions of dollars)

	1st year	2nd year	3rd year	4th year	5th year
Impact	499	930	1 281	1 623	1 967

TABLE J.3

Factors responsible for the change in the Québec government's gross debt
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Investments, loans and advances	Net capital investments(1)	Other factors(2)	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2016-2017	203 347	−2 146	2 093	1 784	413	−2 001	143	203 490	51.0
2017-2018	203 490	−721	431	2 173	−2 009	−2 293	−2 419	201 071	48.0
2018-2019	201 071	−4 413	−250	3 002	3 165	−3 477	−1 973	199 098	45.3
2019-2020	199 098	523	402	3 737	−2 362	−2 606	−306	198 792	43.2
2020-2021	198 792	7 539	6 351	4 351	−3 648	−3 313	11 280	210 072	46.8
2021-2022	210 072	6 847	3 101	4 760	−1 058	−3 288	10 362	220 434	44.3
2022-2023	220 434	5 547	1 811	5 014	1 314	−3 251	10 435	230 869	43.3
2023-2024	230 869	4 043	1 953	5 136	−785	−3 899	6 448	237 317	43.4
2024-2025	237 317	4 026	2 267	4 972	−1 759	−4 257	5 249	242 566	42.9
2025-2026	242 566	4 017	1 667	5 265	−827	−4 400	5 722	248 288	42.5

(1) Investments made under public-private partnership agreements are included in net capital investments.
(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2021-2022 to 2025-2026, net capital investments will increase the gross debt by $5.0 billion per year on average.

Net capital investments
(millions of dollars)

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Gross investments(1)	9 388	9 974	10 458	10 627	11 103
Less: Depreciation	−4 628	−4 960	−5 322	−5 655	−5 838
Net capital investments	**4 760**	**5 014**	**5 136**	**4 972**	**5 265**

(1) These investments exclude the Québec government's contribution to the projects of partners (e.g. municipalities), whereas this contribution is included in the annual investments of the Québec Infrastructure Plan and portfolio expenditures.

Investments, loans and advances

Investments, loans and advances refer to investments made by the government in enterprises, mainly government enterprises.

Such investments may be made through advances or capital outlays. A government enterprise may also be allowed to keep part of its net earnings.

- For example, every year, Hydro-Québec pays the government a dividend corresponding to 75% of its net earnings. Hydro-Québec uses the portion of net earnings not paid to the government (25%) to finance its investments, in hydroelectric dams in particular.
- For the government, this constitutes an investment that creates a financial requirement and thus an increase in the gross debt.

Note that investments, loans and advances may vary from one year to another, particularly because of temporary investments made and redeemed.

Net liability for retirement plans and other employee future benefits

The net liability for retirement plans and other employee future benefits corresponds to the government's net commitments toward its public and parapublic sector employees.

The net liability for retirement plans and other employee future benefits, which is included in the gross debt, is calculated by subtracting from the liability the balance of the sums accumulated to pay for these benefits. The sums in question are the balances of the Retirement Plans Sinking Fund (RPSF) and other funds.

As at March 31, 2021, the net liability for retirement plans and other employee future benefits stood at $12.4 billion.

Net liability for retirement plans and other employee future benefits as at March 31, 2021
(millions of dollars)

Retirement plans	
Retirement plans liability(1)	112 861
Less: Retirement Plans Sinking Fund (RPSF) and other funds(2)	−100 304
Net liability for retirement plans	**12 557**
Other employee future benefits	
Other employee future benefits liability	1 445
Less: Funds dedicated to other employee future benefits	−1 634
Net liability for other employee future benefits(3)	**−189**
NET LIABILITY FOR RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	**12 368**

(1) Mainly the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP).
(2) The value of the RPSF stands at $94 149 million. The other funds mainly include the Pension Plan of the Université du Québec.
(3) A negative entry means that the value of assets is higher than the value of liabilities.

1.3 Net debt

The net debt corresponds to the government's liabilities less its financial assets. Several other provinces use this concept to present the evolution of their debt. As at March 31, 2022, Québec's net debt will stand at $198.6 billion, or 39.9% of GDP, with the net debt-to-GDP ratio declining from the previous year as a result of the strong economic recovery.

TABLE J.4

Factors responsible for the change in the net debt
(millions of dollars)

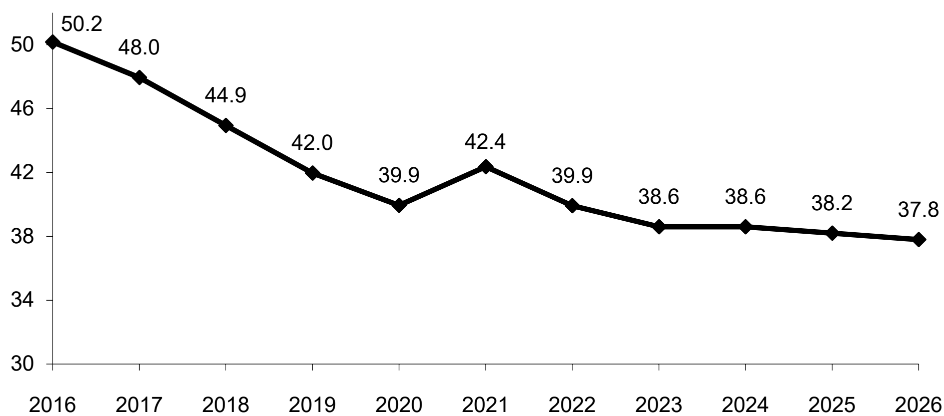
	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Other(1)	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2020-2021	183 817	7 539	4 351	−2 149	−3 313	6 428	190 245	42.4
2021-2022	190 245	6 847	4 760	—	−3 288	8 319	198 564	39.9
2022-2023	198 564	5 547	5 014	—	−3 251	7 310	205 874	38.6
2023-2024	205 874	4 043	5 136	—	−3 899	5 280	211 154	38.6
2024-2025	211 154	4 026	4 972	—	−4 257	4 741	215 895	38.2
2025-2026	215 895	4 017	5 265	—	−4 400	4 882	220 777	37.8

(1) The change in the net debt is mainly due to the other comprehensive income of government enterprises, particularly unrealized gains and losses on future benefits of Hydro-Québec employees. These elements are excluded from the government's annual results and are recorded directly in the accumulated deficit. In 2020-2021, the variation in interest rates led to actuarial gains on future benefits and consequently to a reduction in the net debt.

After falling gradually over several years, the net debt rose to 42.4% of GDP as at March 31, 2021 due to the impact of the public health crisis. The net debt-to-GDP ratio will decline in the coming years, reaching 37.8% as at March 31, 2026.

GRAPH J.2

Net debt as at March 31
(percentage of GDP)



❑ Comparison of the net debt of governments in Canada

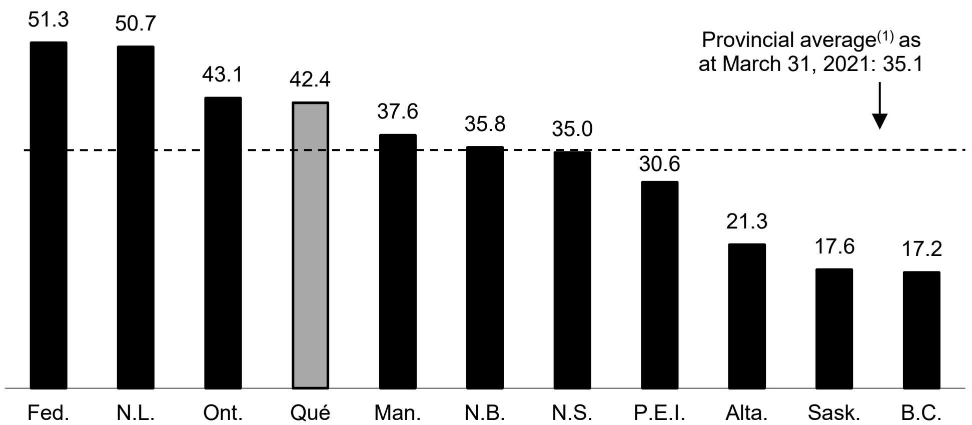
As at March 31, 2021, Québec's net debt burden was 42.4% of GDP, compared with the provincial average of 35.1%.

The change in the application of the accounting standard respecting transfer payments, announced in March 2021, triggered a $13.0-billion increase in the net debt as at March 31, 2021.

— This change now makes it possible to adequately compare Québec's net debt burden with that of other provinces.

GRAPH J.3

Net debt of governments in Canada as at March 31, 2021
(percentage of GDP)



(1) Average obtained by dividing the sum of provincial debts by the sum of provincial GDPs.
Sources: Public accounts, budgetary documents and Statistics Canada.

1.4 Debt representing accumulated deficits

The debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements. It is the debt that does not correspond to any assets. The federal government uses this concept to present the change in its debt.

After falling gradually over several years, the debt representing accumulated deficits climbed back up to 24.2% of GDP as at March 31, 2021 due to the impact of the public health crisis.

The burden of debt representing accumulated deficits will resume its downward trend as of 2021-2022, reaching 19.5% of GDP as at March 31, 2026.

TABLE J.5

Factors responsible for the change in the debt representing accumulated deficits
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Accounting adjustments[1]	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2020-2021	107 710	7 539	−3 208	−3 313	1 018	108 728	24.2
2021-2022	108 728	6 847	—	−3 288	3 559	112 287	22.6
2022-2023	112 287	5 547	—	−3 251	2 296	114 583	21.5
2023-2024	114 583	4 043	—	−3 899	144	114 727	21.0
2024-2025	114 727	4 026	—	−4 257	−231	114 496	20.3
2025-2026	114 496	4 017	—	−4 400	−383	114 113	19.5

(1) This change in the debt representing accumulated deficits is due to the other comprehensive income of government enterprises, particularly unrealized gains and losses on future benefits of Hydro-Québec employees. These elements are excluded from the government's annual results and are recorded directly in the accumulated deficit. In 2020-2021, the variation in interest rates led to actuarial gains on future benefits and consequently to a reduction in the debt representing accumulated deficits.

Québec's public sector debt

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, the municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2021, Québec's public sector debt stood at $286.5 billion, or 63.8% of GDP. These figures must however be seen in perspective, for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

Public sector debt as at March 31
(millions of dollars)

	2017	2018	2019	2020	2021
Government's gross debt	203 490	201 071	199 098	198 792	210 072
Hydro-Québec	42 882	43 160	43 054	43 839	44 955
Municipalities	26 761	27 490	28 103	29 424	30 020
Universities other than the Université du Québec and its constituents	1 656	1 321	1 458	1 639	1 452
Other government enterprises(1)	258	218	210	—	—
PUBLIC SECTOR DEBT	**275 047**	**273 260**	**271 923**	**273 694**	**286 499**
% of GDP	***68.9***	***65.3***	***61.8***	***59.5***	***63.8***

(1) The amounts correspond to the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity. As of 2020, this debt is included in the gross debt.

1.5 Generations Fund

❑ Deposits in the Generations Fund

Deposits in the Generations Fund help to reduce the debt[2] and thus to improve intergenerational fairness. This is why the government is maintaining deposits in the Generations Fund despite the anticipated deficits.

- In 2021-2022, revenue totalling $3.3 billion will be dedicated to the Generations Fund. The same level will be maintained in 2022-2023.
- As at March 31, 2022, the Generations Fund should stand at $15.5 billion. Pursuant to the *Act to reduce the debt and establish the Generations Fund*, this amount can only be used to repay debt on the financial markets.

TABLE J.6

Generations Fund
(millions of dollars)

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Book value, beginning of year(1)	**8 899**	**12 212**	**15 500**	**18 751**	**22 650**	**26 907**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	720	752	763	818	829	835
Private producers	114	103	106	108	110	113
Subtotal	**834**	**855**	**869**	**926**	**939**	**948**
Indexation of the price of heritage electricity	382	492	520	720	850	975
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	574	580	335	346	353	395
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	39	27	34	252	272	40
Investment income(2)	769	619	778	940	1 128	1 327
Total dedicated revenues	**3 313**	**3 288**	**3 251**	**3 899**	**4 257**	**4 400**
BOOK VALUE, END OF YEAR	**12 212**	**15 500**	**18 751**	**22 650**	**26 907**	**31 307**

(1) For information purposes, as at June 30, 2021, the fair value of the Generations Fund was $14.6 billion, $1.5 billion more than its book value.
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.8% is expected, a rate based on five historic years.

2 For example, the book value of the Generations Fund is applied to reduce the debt on the financial markets.

1.6 Debt reduction targets

The *Act to reduce the debt and establish the Generations Fund* was adopted in 2006. By reducing the debt burden, it aims to ensure a prosperous tomorrow for future generations.

Under the Act, for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP. These targets were set in 2010. The 2008 financial crisis and changes to government accounting made it impossible to reach the targets established in 2006.

Despite the increase in debt resulting from the pandemic, the government expects that the objective regarding gross debt will be attained. Currently, the gross debt-to-GDP ratio is expected to stand at 42.5% as at March 31, 2026, which is below the 45% objective.

The accumulated deficit debt-to-GDP ratio is currently expected to reach 19.5% as at March 31, 2026, a gap of 2.5 percentage points of GDP or $14.8 billon over the 17% objective.

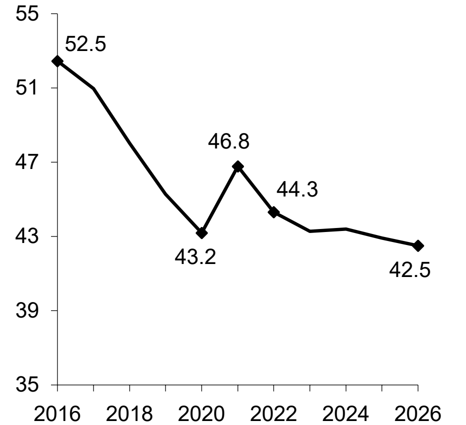
The difference is due to:

- budget deficits caused by the pandemic;
- the government's decision to comply with the Auditor General of Québec's recommendation regarding application of the standard respecting transfer payments, which triggered an increase in the debt representing accumulated deficits of $13.0 billion as at March 31, 2021.

GRAPH J.4

Gross debt as at March 31

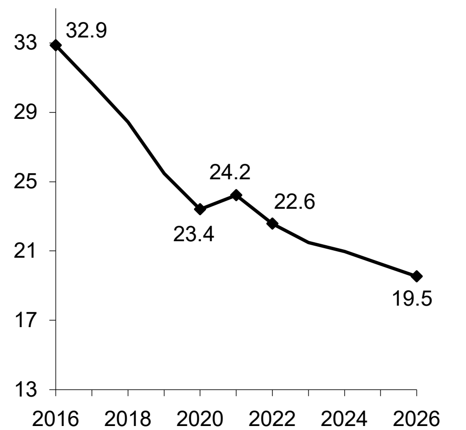
(percentage of GDP)



GRAPH J.5

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Québec's economic situation remains uncertain. Over the coming months, the government will continue to monitor developments in the economy and public finances. In light of information to be gathered, the government will propose amendments to the *Act to reduce the debt and establish the Generations Fund*.

Reducing the debt burden remains a priority for the government.

❑ The benefits of reducing the debt burden

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

In addition to contributing to collective prosperity, reducing the debt burden will allow Québec to:

- contribute to intergenerational fairness;
- ensure stable funding for the government's main missions, including health and education;
- cope with the costs associated with an ageing population;
- implement measures to fight climate change;
- fund investment in public infrastructure;
- ease the tax burden on Quebecers;
- counter a potential future economic downturn;
- increase its financial autonomy within the federation.

The importance of setting a long-term objective

Setting a long-term debt reduction objective is an excellent way to ensure sound management of public finances. Year after year, it makes the government accountable for reaching its objectives toward parliamentarians and citizens and results in more transparent, more efficient government action.

This long-term orientation reduces uncertainty and contributes to economic growth. Citizens and businesses can better anticipate the government's budgetary and fiscal policies, allowing them to make better decisions.

- For example, thanks to debt reduction objectives, the government can plan its annual infrastructure investments over a long period, that is, 10 years.

It also makes it possible to work towards achieving a common objective, which, in this case, is not to leave future generations with the heavy burden of repaying the debt.

Lastly, it sends a positive signal to investors and credit rating agencies.

2. FINANCING

2.1 Financing program

The financing program corresponds to long-term borrowings contracted, in particular, to repay maturing borrowings and to fund the government's capital investments and the budgetary deficit.

For 2021-2022, the financing program has been adjusted downward by $3.9 billion relative to the March 2021 budget to stand at $24.5 billion.

The increase in pre-financing is the main factor behind the decrease in the financing program. This decrease is partially offset by an increase in needs related to transactions under the credit policy.

As at November 9, 2021, borrowings contracted in 2021-2022 amount to $16.5 billion, or 67% of the scheduled program.

TABLE J.7

The government's financing program in 2021-2022
(millions of dollars)

	March 2021	Adjustments	November 2021
Net financial requirements	20 065	−912	19 153
Repayments of borrowings	12 688	224	12 912
Use of the Generations Fund to repay borrowings	—	—	—
Use of pre-financing	−4 292	−4 260	−8 552
Change in cash position	—	—	—
Transactions under the credit policy[1]	—	1 019	1 019
TOTAL	**28 461**	**−3 929**	**24 532**

Note: A positive entry represents a financial requirement and a negative entry indicates a source of financing.
(1) Under the credit policy, which is designed to limit risk with respect to counterparties, the government disburses or receives amounts following, in particular, movements in exchange rates. These amounts have no effect on the debt.

Borrowings contracted in 2021-2022

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

Thus far in 2021-2022, the government has contracted 32% of its borrowings on foreign markets, compared to an average of 24% over the last 10 years. However, the government keeps no exposure of its debt to foreign currencies so as to neutralize the impact of variations in exchange rates on debt service.

In 2021-2022, conventional bonds in Canadian dollars were the main debt instrument used.

To date, approximately 97% of the borrowings contracted in 2021-2022 had a maturity of 10 years or more. The average share of issuances for this term over the last 10 years is 70%.

Summary of long-term borrowings contracted in 2021-2022

Currencies	$million	%
CANADIAN DOLLAR		
Conventional bonds	10 225	62.0
Green bonds	498	3.0
Savings products issued by Épargne Placements Québec	266	1.6
Immigrant investors(1)	249	1.5
Subtotal	**11 238**	**68.1**
OTHER CURRENCIES		
Euro	3 673	22.3
U.S. dollar	1 250	7.6
Swiss franc	337	2.0
Subtotal	**5 260**	**31.9**
TOTAL	**16 498**	**100.0**

Note: Borrowings contracted as at November 9, 2021.
(1) These borrowings are from sums advanced by immigrant investors. These sums are lent to the government through Investissement Québec.

The financing program will amount to $30.9 billion in 2022-2023.

For the three subsequent years, 2023-2024 to 2025-2026, it will average $31.7 billion per year.

TABLE J.8

The government's financing program from 2022-2023 to 2025-2026
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026
Net financial requirements	16 532	13 981	13 839	15 263
Repayments of borrowings	14 408	16 017	19 116	17 022
Use of the Generations Fund to repay borrowings	—	—	—	—
TOTAL	**30 940**	**29 998**	**32 955**	**32 285**

Note: A positive entry represents a financial requirement and a negative entry indicates a source of financing.

Green Bond program

In 2017, the government introduced a Green Bond program to fund projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

The program draws on the Green Bond Principles, a set of guidelines created to bring more transparency to the issuance, disclosure and reporting process.

Québec's Green Bond framework received the highest rating possible from CICERO (Center for International Climate Research).

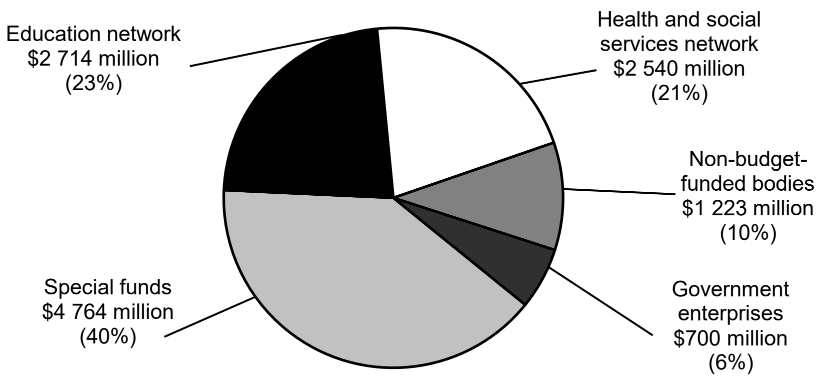
Six issues totalling $3.3 billion have been made since the program was launched. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec has pledged to be a regular issuer of Green Bonds.

For more information, visit
http://www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp.

Funding of public bodies

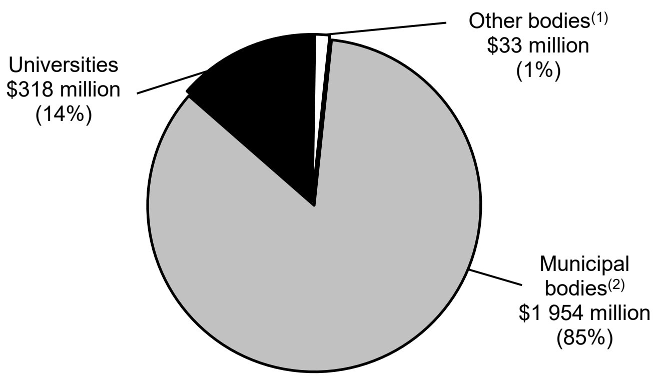
The main mission of the Financing Fund and Financement-Québec is to offer Québec's public sector bodies financing at the lowest possible cost. The clientele of the Financing Fund consists of public bodies included in the government reporting entity. In fiscal 2021-2022, the Financing Fund's long-term loan program amounts to more than $11.9 billion.

Financing Fund's long-term loan program in 2021-2022



The clientele of Financement-Québec consists of public bodies not included in the government reporting entity. In fiscal 2021-2022, the long-term loan program of Financement-Québec amounts to $2.3 billion.

Long-term loan program of Financement-Québec in 2021-2022



(1) Montreal Museum of Fine Arts and Mohawk Council of Kahnawake.
(2) Société de transport de Montréal, Autorité régionale de transport métropolitain, Réseau de transport métropolitain and Société de transport de Québec.

2.2 Debt management strategy

The government's debt management strategy is aimed at minimizing the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

❑ Structure of the gross debt by currency

As at March 31, 2021, before taking swaps into account, 77% of the gross debt was in Canadian dollars, 12% in U.S. dollars, 8% in euros, 1% in pounds sterling, 1% in Australian dollars, 1% in Swiss francs and less than 1% in other foreign currencies (yen, New Zealand dollars, Hong Kong dollars and Swedish krona).

After taking swaps into account, the entire gross debt is denominated in Canadian dollars.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow for neutralization of the impact of variations in foreign exchange rates on debt service.

TABLE J.9

Structure of the gross debt by currency as at March 31, 2021
(per cent)

	Before swaps	After swaps
Canadian dollar	77	100
U.S. dollar	12	0
Euro	8	0
Pound sterling	1	0
Australian dollar	1	0
Swiss franc	1	0
Other (yen, New Zealand dollar, Hong Kong dollar and Swedish krona)	0(1)	0
TOTAL	**100**	**100**

Note: Gross debt including pre-financing.
(1) The proportion of the debt attributable to other currencies before swaps is less than 1%.

❑ Structure of the gross debt by interest rate

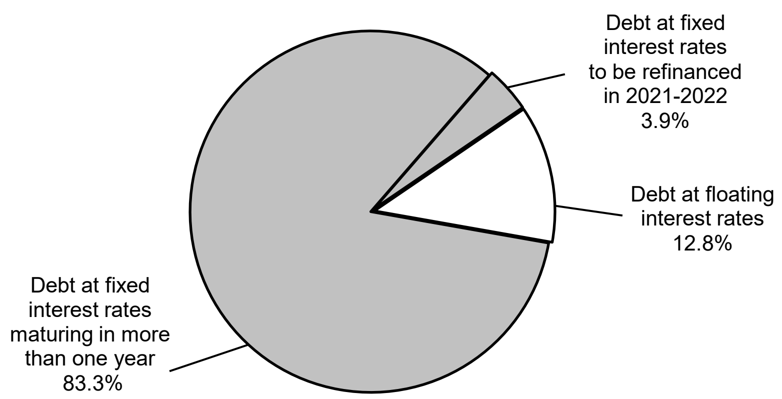
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2021, after taking swaps into account, the proportion of the gross debt at fixed interest rates was 87.2%,[3] while the proportion at floating interest rates was 12.8%.

In addition, as at March 31, 2021, the share of gross debt subject to an interest rate change in 2021-2022 was 16.7%. This share includes the debt at floating interest rates (12.8%), as well as the debt at fixed interest rates to be refinanced in 2021-2022 (3.9%).

GRAPH J.6

Structure of the gross debt by interest rate as at March 31, 2021
(per cent)



Note: Gross debt including pre-financing.

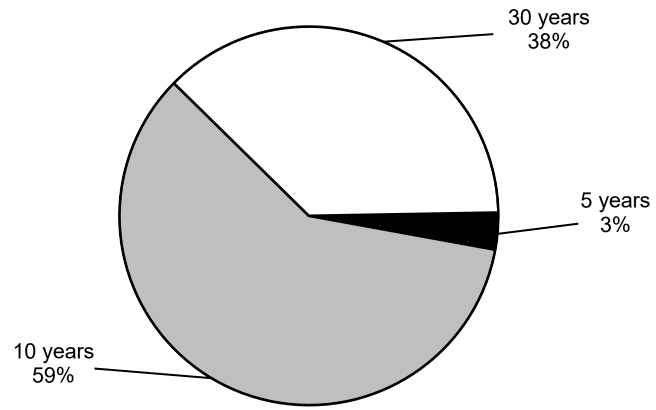
3 This proportion includes the debt at fixed interest rates maturing in more than one year (83.3%) as well as the debt at fixed interest rates to be refinanced in 2021-2022 (3.9%).

❑ Debt maturity

Maturities of new borrowings are distributed over time to obtain a stable refinancing profile and ensure the government's regular presence on capital markets. In 2021-2022, the average maturity of borrowings is 18 years. The average cost of transactions carried out in 2021-2022 is 2.37%, while the cost of the debt was 3.00% as at March 31, 2021.

GRAPH J.7

Maturity of transactions carried out in 2021-2022
(per cent)

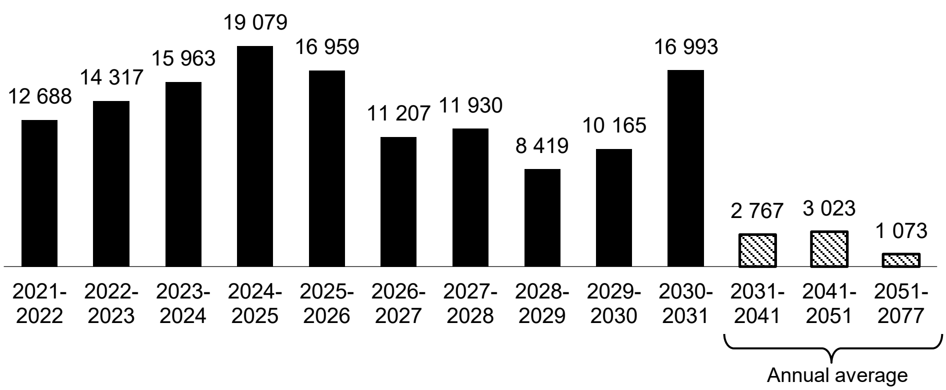


Note: Borrowings contracted as at November 9, 2021.

This diversification is reflected in the maturity of the debt as shown in the following chart. As at March 31, 2021, the average maturity of the debt was approximately 11 years.

GRAPH J.8

Maturity of the long-term debt as at March 31, 2021
(millions of dollars)



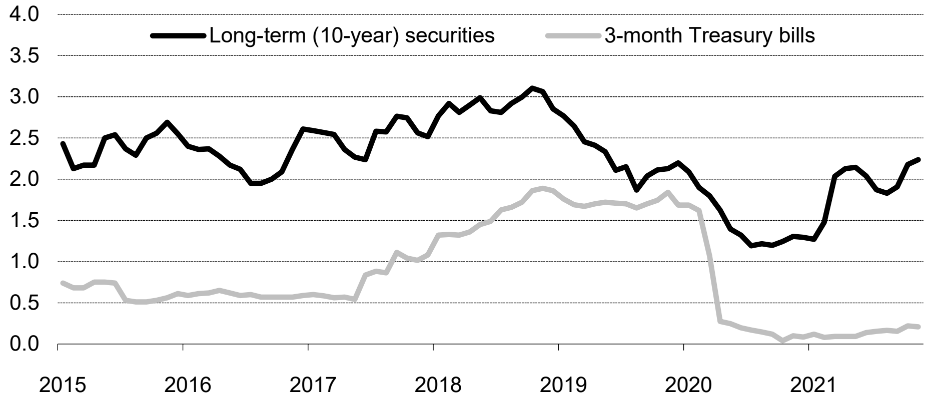
Note: Long-term debt of the Québec government and Financement-Québec.

2.3 Yield on Québec's debt securities

The yield on the Québec government's 10-year securities is approximately 2.2%. The yield on Treasury bills is around 0.2%.

GRAPH J.9

Yield on the Québec government's securities
(per cent)

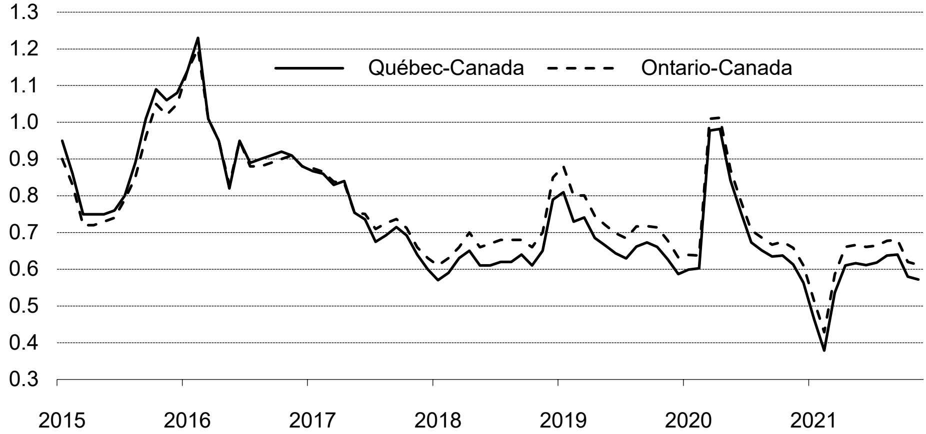


Sources: PC-Bond and Ministère des Finances du Québec.

Since June 2017, a spread varying between 0.0 and 7.5 basis points in favour of Québec has been observed between the yield on 10-year securities of Québec and those of Ontario.

GRAPH J.10

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

3. CREDIT RATINGS

3.1 Québec's credit ratings

A credit rating measures the ability of a borrower, such as the Québec government, to pay interest on its debt and repay the principal at maturity.

A high credit rating means access to a broader pool of investors and advantageous borrowing costs.

Québec's credit rating is evaluated by six credit rating agencies.

In 2021, despite the heavy turbulence caused by the pandemic, the six agencies that rate Québec confirmed its credit rating, with a stable outlook.

Overall, the credit rating agencies emphasized that Québec entered the crisis in a favourable economic and financial position. They also affirmed that Québec had a strong, diversified economy, and that the government's commitment to returning to a balanced budget demonstrated sound management of public finances. The agencies also noted that the ongoing deposits to the Generations Fund were a positive factor.

TABLE J.10

Québec's credit ratings

Credit rating agency	Credit rating	Outlook
Standard & Poor's (S&P)	AA−	Stable
Moody's	Aa2	Stable
Fitch Ratings	AA−	Stable
DBRS Morningstar	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable
China Chengxin International (CCXI)[(1)]	AAA	Stable

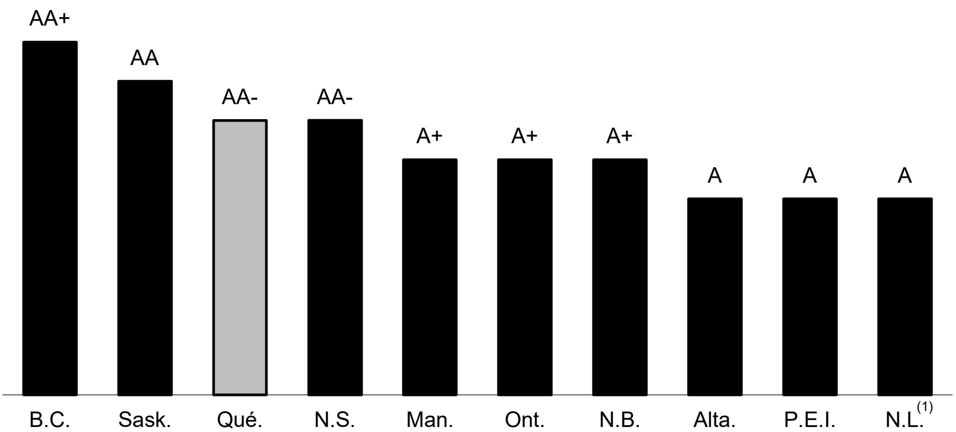
Note: Québec's credit ratings as at November 9, 2021.
(1) Credit rating for bond issues on the Chinese market.

3.2 Comparison of the credit ratings of Canadian provinces

The following charts show the credit ratings of Canadian provinces by Standard & Poor's and Moody's.

GRAPH J.11

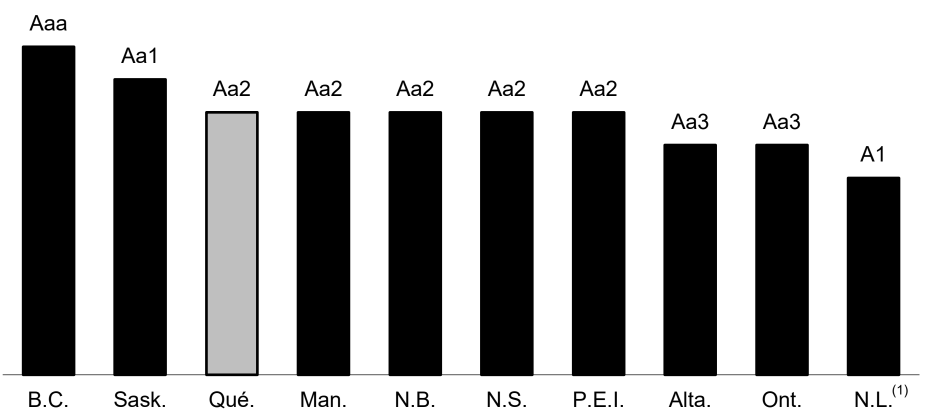
Credit ratings of Canadian provinces – Standard & Poor's



Note: Credit ratings as at November 9, 2021.
(1) This province has a negative outlook.

GRAPH J.12

Credit ratings of Canadian provinces − Moody's



Note: Credit ratings as at November 9, 2021.
(1) This province has a negative outlook.

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