Scotiabank

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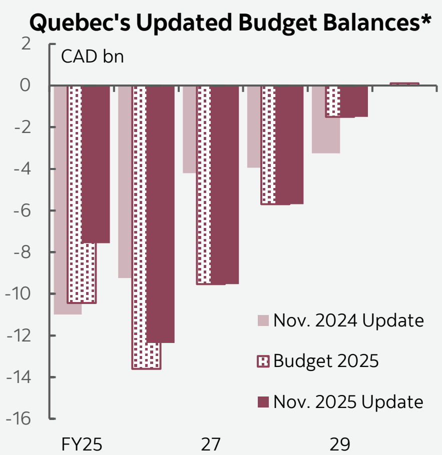
## Contributors


**Mitch Villeneuve**
Director, Economic Policy
Scotiabank Economics
416.350.1175
mitch.villeneuve@scotiabank.com

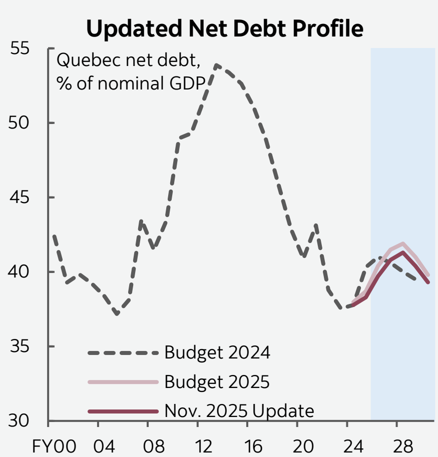
**John Fanjoy**
Economist
Scotiabank Economics
416.866.4735
john.fanjoy@scotiabank.com


Chart 1




* After deposits into Generations Fund.
Sources: Scotiabank Economics, Finances Quebec.

Chart 2




Sources: Scotiabank Economics, Finance Canada, Finances Quebec.

# Quebec: 2025–26 Mid-Year Fiscal Update

## STRONGER REVENUES HELP FUND NEW MEASURES

- **Despite a somewhat lower growth forecast, upward revisions to historical GDP have helpfully led to an increase in expected revenues (and a lower debt burden). The government has used the higher revenues for new measures that support workers and sectors most impacted by the tariffs, as well as further incentives to encourage investment, without increasing the deficit and debt paths.**
- **Budget balance forecasts: temporary revenue windfalls support a smaller deficit of -$12.4 bn (-1.9% of nominal GDP) in FY26, while maintaining the projection for outer years unchanged and reaching a balanced budget in FY30 (chart 1).**
- **Economic assumptions: real GDP growth was revised lower to 0.9% in 2025 and 1.1% in 2026, and assumes that the average effective tariff rate will remain below 10% for Canadian exports to the US.**
- **Net debt: higher levels of net debt in FY25 are offset by higher nominal GDP resulting in a lower handoff at 38.3% with the net debt burden rising to a lower peak of 41.3% in FY28 before declining thereafter (chart 2).**
- **Borrowing requirements: for FY26 are complete at $24.3 bn, with $34.1 bn planned in FY27, falling to an average of $29.6 bn for FY28 through FY30.**

## OUR TAKE

**Quebec's mid-year budget update present a smaller deficit in the near term owing to temporary revenue windfalls, with the budget balance projection unchanged in the outer years.** The final estimate for fiscal year 2024–25 (FY25) is a headline deficit of -$7.6 bn (-1.2% of nominal GDP), compared to -$10.4 bn (-1.7%) expected in Budget 2025, owing to $1 bn higher own-source revenues and $2.1 bn less in program spending. The deficit is now projected to increase to -$12.4 bn (-1.9%) in FY26, compared to the -$13.6 bn projected in the Budget. The deficit projections remain unchanged in the outer years but rely on achieving strong revenue growth while limiting total expenditure growth, and securing $2.5 bn in additional annual revenues and/or underspending, to achieve a balanced budget in FY30.

**On an "accounting basis", Quebec's deficit is lower.** Quebec's budget legislation requires it to present the Generations Fund deposit as an expense, even though it is used to reduce debt. Looking at the figures before the Generations Fund deposit is more comparable to the reporting of other provinces. On this basis, Quebec's deficit was -0.8% as a share of GDP in FY25, and projected to increase to -1.5% this year, before declining thereafter.

**The mid-year update announces a number of new measures related to affordability and resilience.** Affordability measures include reducing workers' contributions to the Québec Pension Plan and premium rates for the Québec Parental Insurance Plan, as well as confirming the indexation of personal income tax brackets for 2026. Resilience measures include a Health Services Fund contribution holiday for firms in the agriculture, fishing, and forestry industries, as well as an expansion of accelerated depreciation to cover buildings used for manufacturing. The latter will enable Quebec's tax incentives for investment in the manufacturing sector to better align with the federal government's measures, at a cost of $130 mn over five years.

**Quebec's own-source revenue in FY26 is projected to be $1.8 bn higher than Budget 2025.** Total revenue for the current fiscal year is projected to grow 1.7% compared to FY25. Total revenue is then projected to increase by 3.7% in FY27, and grow by an average 3.1% from FY27 through FY30, largely driven by rising own-source revenue.

**Total expenditure in FY26 is projected to be $0.86 bn higher than projected in Budget 2025 owing to an additional $0.53 bn in debt servicing costs and $0.33 bn more in program spending.** This will drive up spending for the current fiscal year by 3.3% compared to FY25. Total expenditure is then projected to increase by less than 2% in both FY27 and FY28, and average 1.6% growth from FY27 through FY30.

**The baseline forecast in the Fall update assumes that the average effective tariff rate of US tariffs imposed on Canadian exports will remain below 10%,** as opposed to the Spring budget which assumed that the effective tariff rate would average 10% for two years. Projections for real GDP were revised lower to 0.9% in 2025 and 1.1% in 2026, down from 1.1% and 1.4% in 2025 and 2026 respectively in the Spring budget, before improving to 1.4% in 2027. Nominal GDP is assumed to grow 4% in 2025 before slowing to 3.1% in 2026 and 3.3% in 2027.

**The province's projected net debt levels for FY26 onwards were revised down from the budget but maintain an increasing path that reaches a peak in FY28 before declining thereafter.** Despite the level of net debt for FY25 being revised up $0.34 bn in the mid-year update, the debt burden as a share of GDP was revised down to 38.3% compared to 38.7% in the Spring budget owing to higher levels of historical nominal GDP in the latest national accounts. Net debt as a share of GDP is still projected to increase in the near term to FY28, reaching a peak 41.3% as opposed to 41.9% in the Spring budget, before declining to 39.3% in FY30.

**Total borrowing for FY26 is complete as of November 12, 2025, with a total of $24.3 bn in financing,** $5.4 bn less than projected in the Spring budget. Total borrowing in FY27 is expected to increase to $34.1 bn, of which $0.45 bn has already been pre-financed. Total borrowings will then average $29.6 bn from FY28 through FY30.

**Long-Run Fiscal Forecast**
**$ millions except where noted**

| | FY25 | | FY26 | | FY27 | | FY28 | | FY29 | | FY30 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mar. '25 | Final | Mar. '25 | Nov. '24 | Mar. '25 | Nov. '24 | Mar. '25 | Nov. '24 | Mar. '25 | Nov. '24 | Mar. '25 | Nov. '24 |
| **Total Revenue** | **155,181** | **156,088** | **156,342** | **158,735** | **165,187** | **164,620** | **171,205** | **170,265** | **176,249** | **175,331** | **181,289** | **179,462** |
| Own-Source | 124,545 | 125,590 | 125,732 | 127,541 | 132,825 | 132,543 | 138,134 | 138,177 | 143,139 | 142,785 | 148,186 | 147,527 |
| Fed. Transfers | 30,636 | 30,498 | 30,610 | 31,194 | 32,362 | 32,077 | 33,071 | 32,088 | 33,110 | 32,546 | 33,103 | 31,935 |
| **Total Expenditure** | **163,259** | **161,263** | **165,772** | **166,633** | **170,313** | **169,769** | **173,878** | **172,950** | **176,099** | **175,193** | **179,392** | **177,677** |
| Programs | 153,406 | 151,294 | 156,102 | 156,435 | 159,911 | 159,486 | 162,322 | 161,669 | 164,092 | 163,607 | 167,150 | 165,950 |
| Debt Service | 9,853 | 9,969 | 9,670 | 10,198 | 10,402 | 10,283 | 11,556 | 11,281 | 12,007 | 11,586 | 12,242 | 11,727 |
| *% of Revenue* | 6.3 | 6.4 | 6.2 | 6.4 | 6.3 | 6.2 | 6.7 | 6.6 | 6.8 | 6.6 | 6.8 | 6.5 |
| **Reserve** | **0** | — | **2,000** | **2,000** | **2,000** | **2,000** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** |
| **Accounting Surplus (Deficit)** | **-8,078** | **-5,175** | **-11,430** | **-9,898** | **-7,126** | **-7,149** | **-4,173** | **-4,185** | **-1,350** | **-1,362** | **397** | **285** |
| Gap to be bridged | — | — | — | — | — | — | 1,000 | 1,000 | 2,500 | 2,500 | 2,500 | 2,500 |
| Generations Fund Deposits | 2,354 | 2,397 | 2,177 | 2,461 | 2,402 | 2,379 | 2,522 | 2,510 | 2,648 | 2,638 | 2,796 | 2,785 |
| **Surplus/Deficit** | **-10,432** | **-7,572** | **-13,607** | **-12,359** | **-9,528** | **-9,528** | **-5,695** | **-5,695** | **-1,498** | **-1,500** | **101** | **—** |
| % of GDP | -1.7 | -1.2 | -2.2 | -1.9 | -1.5 | -1.4 | -0.8 | -0.8 | -0.2 | -0.2 | 0.0 | 0.0 |
| **Net Debt** | **235,826** | **236,163** | **255,003** | **254,511** | **270,435** | **269,818** | **282,588** | **281,849** | **286,431** | **285,669** | **288,149** | **286,914** |
| % of GDP | 38.7 | 38.3 | 40.4 | 39.7 | 41.5 | 40.8 | 41.9 | 41.3 | 41.0 | 40.4 | 39.8 | 39.3 |

Sources: Scotiabank Economics, Finances Québec.