

FISCAL PULSE

November 25, 2025

Contributors

Mitch Villeneuve

Director, Economic Policy

Scotiabank Economics

416.350.1175

mitch.villeneuve@scotiabank.com

John Fanjoy

Economist

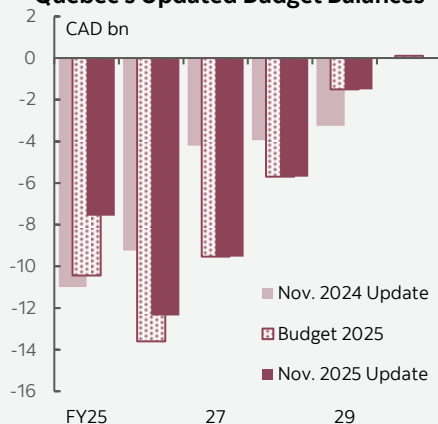
Scotiabank Economics

416.866.4735

john.fanjoy@scotiabank.com

Chart 1

Quebec's Updated Budget Balances*

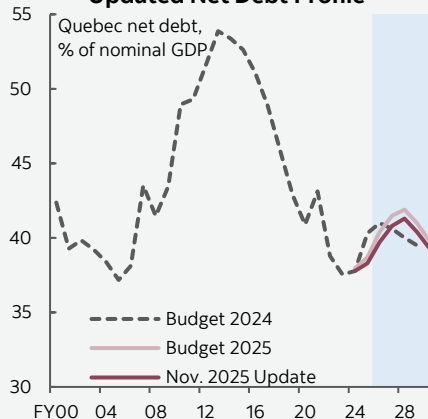


* After deposits into Generations Fund.

Sources: Scotiabank Economics, Finances Quebec.

Chart 2

Updated Net Debt Profile



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.

November 25, 2025

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.

Sources: Scotiabank Economics, Finances Québec.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.