NAVIGATOR

Bare Bones Budget in Brittle Economy

Quebec Budget 2025
March 2025

Budget 2025

March 2025

Top Line

Quebec Finance Minister Éric Girard presented the CAQ's seventh budget in a time of turbulence and economic uncertainty caused by diplomatic tensions and trade relations with the U.S. administration. The budget aims to help Quebec weather these difficult times while maintaining sound public finances.

The budget introduces measures to support businesses affected by U.S. tariffs, increase innovation, diversify markets, and invest in major infrastructure projects. It is also an opportunity for the province to foster growth through the reduction of administrative processes and regulatory red tape. Quebec will also continue to invest in improving the healthcare and education systems.

With the budget presented only a week before the American-imposed tariffs are set to come into effect on April 2, the Quebec government remains optimistic that trade discussions over the next months will yield less negative outcomes. The budget was forecasted on this hypothesis. Nevertheless, the situation of uncertainty is expected to have a lasting impact on the Quebec economy.

Investments to stimulate the economy will be coupled with a cut back on overall spending and changes to fiscal measures with the goal to achieve a balanced budget by 2029-2030. Quebecers can expect to see some tax incentives removed, a hike in prices, and changes to certain previously subsidized services.

Minister Girard is framing the budget as difficult decisions to strengthen the province in a time of uncertainty likened to the beginning of the pandemic in 2020.

"We are preparing Québec to face the challenges posed by changes in its trade and diplomatic relations with the U.S. administration.

Québec has many assets on which we build a strong economy that will deliver quality public services while maintaining sound public finances."

- Éric Girard, Minister of Finances

Key Financial Metrics

The 2025-2026 budget foresees a record deficit of $13.6 billion, up from $11 billion the previous year. The net debt burden represents 38.7% of GDP.

These figures are based on an optimistic assumption that the effects of U.S. tariffs will, on average, be equivalent to a 10% rate. Should the tariffs come into effect and are maintained at the announced 25%, a higher deficit of up to $2 billion additional is to be expected.

The budget foresees spending of nearly $12.3 billion over the next five years to stimulate wealth creation and support Quebecers. Investments in infrastructure are expected to reach $164 billion over the next 10 years—$11 billion more than previously forecasted.

Finally, economic growth is expected to slow to 1.1% in 2025, with a projected increase to 1.4% in 2027.

2029-2030

Balanced Budget

$13.6 Billion

Record Deficit

Insight – Tariffs

The 2025–2026 budget is based on a baseline scenario in which the 25% tariffs announced by the United States could be adjusted in the coming months. Their effects would, on average, be equivalent to tariffs of 10% and are expected to remain in place for a transitional period of approximately two years.

Against this backdrop, the government is announcing investments totaling $4.1 billion to support and revitalize the Quebec economy. This includes $400 million over two years to assist companies facing liquidity challenges resulting from the U.S. tariffs. The remaining funds will be allocated to supporting investment projects, promoting market diversification, and facilitating the identification of Quebec products.

The government also plans to leverage innovation to address tariff-related challenges through investments amounting to $604.1 million. In a context of declining corporate R&D spending, the budget introduces a new tax credit for research, innovation, and commercialization (CRIC), which is intended to become the “cornerstone of tax support for innovation in Quebec.”

Insights – Health and Education

The budget for health and social services will be $65.5 billion in 2025-26, a 3% increase compared to the previous fiscal year. As for education, the province will spend $23.5 billion, which represents a 2.2% hike. However, with the increases in investments barely matching inflation rates, this year's budget is essentially at a standstill.

Health care access, a longstanding issue in the province, is the target of this spending through optimization measures. Late last year, state entity Santé Québec was established to make sweeping changes to the province's health care system in hopes to reduce spending and increase access to care.

When it comes to education, the funds are destined to the development and education of youth and supporting accessible childcare services by converting 1000 non-subsidized childcare spaces. On the other hand, parents who previously benefited from a tax credit for childcare for children up to the age of 16 will see that fiscal measure scaled back, with a new age limit of 14 coming into effect in 2026. This measure is expected to save the government $42 million over four years.

Insights – Critical and Strategic Minerals

Against a budgetary backdrop that restricts strategic initiatives, the Quebec government is nevertheless reaffirming its commitment to the development of the mining sector, particularly through an enhancement of a tax credit for resources. This initiative aims to attract investors and promote the exploration of critical and strategic minerals, which are vital for the energy transition and the production of batteries for electric vehicles.

Work related to critical and strategic minerals will receive a substantial boost, with tax credit rates doubled until December 31, 2029.

This enhancement, representing approximately $27 million over four years, will support the development of the critical and strategic minerals sector. The government is committed to making Quebec an attractive destination for mining investors by increasing accessibility to tax credits for exploration and project development, regardless of the location of these projects in the province.

NAVIGATOR

When you can't afford to lose.®

navltd.com