WEEKLY COMMENTARY

Quebec 2026: A Pivotal Moment for Demographic Policy

A sensible target for permanent immigration won't be enough without major productivity gains

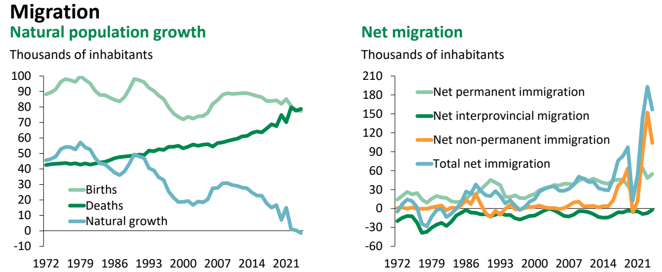
By Sonny Scarfone, Principal Economist

2025 has been full of twists and turns, few of which were positive. Yet in October, Quebec's unemployment rate was lower than it was 12 months before despite the uncertainty caused by the US election results and the attendant upheaval in our main export partner's trade policy.

While lower unemployment may initially seem encouraging, it's part of a more complex dynamic: a demographic shift that's putting increasing pressure on the labour market. Given the province's demographic fundamentals (rising retirements, falling birth rates and slower growth in the working-age population), the unemployment rate will likely continue to converge towards 4% for the rest of the decade unless there's a major recession. This may sound positive, but it doesn't necessarily bode well for Quebec's economic well-being. It poses big challenges for economic growth, the provincial budget and the long-term viability of public services.

Against this backdrop, on November 5, the Quebec government announced that permanent immigration targets for 2026–2029 would be set at 45,000 people per year—a level slightly below those seen in the 2010s. Although this is the most ambitious target considered, it won't be enough to reverse the current demographic trend. Deaths now outnumber births in Quebec (graph 1). In 2024, this led natural population growth to turn negative for the first time, a stark change from the annual increase of more than 20,000 people seen ten years ago.

Graph 1
Quebec's Population Growth Will Decline Without Positive Net Migration



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Meanwhile, the various levels of government want to bring the proportion of non-permanent residents (NPRs) down to 5% of the population, from just under 7% in Quebec today.

The desire to reduce immigration targets—especially for NPRs—stems from legitimate concerns: strained public services, housing pressures, rising youth unemployment and the challenges of integrating newcomers into a French-speaking society that's a minority in North America. That said, we must consider the medium- and long-term effects of these decisions. Given Quebec's aging population and stagnant labour force, aggressively cutting back on immigration could exacerbate labour shortages, slow down economic growth and make it harder to balance public finances. These decisions must be made transparently, with a clear understanding of the trade-offs involved.

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Our Baseline Scenario

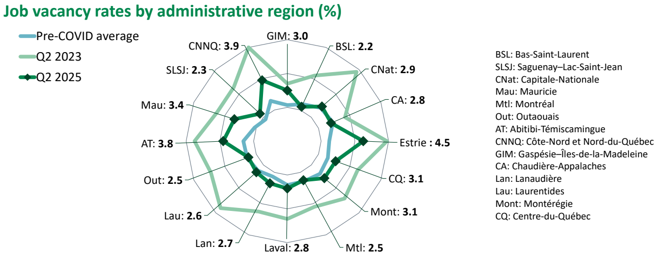
We've developed an analytical framework to estimate the impact of different demographic policies through 2050. It factors in a number of variables: permanent immigration targets, decisions on temporary immigration (as a percentage of the population), birth rates, labour force participation by age and gender, and projected life expectancy for different age groups.

Since July, when the Institut de la statistique du Québec predicted that population growth would remain flat for the next decade, we've expressed our skepticism that the policy intentions used as inputs in these demographic projections would remain intact. Several factors need to be considered, including persistent hiring difficulties in non-urban areas, where job vacancy rates mostly remain above the pre-pandemic average (graph 2).

We still expect that the province won't be able to fully meet its targets for reducing the number of NPRs over the period in question. This decrease could be mitigated by factors such as the potential introduction of exceptional measures, like a grandfather clause maintaining the eligibility of immigrants already living in the province—especially outside of urban areas. Most NPRs have already spent years trying to integrate into Quebec society and developing their skills at their workplaces, and the companies that employ them have already invested in their training. In many cases, they hold jobs that Canadian-born workers often don't want.

Graph 2
Hiring Difficulties Persist Outside Urban Areas

Job vacancy rates by administrative region (%)



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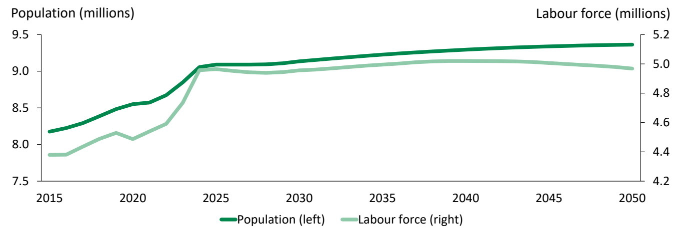
We based the demographic forecasts in graphs 3 and 4 on the following assumptions:

- The permanent immigration targets announced for 2026 to 2029 will be met.
- After that, permanent immigration levels will return to the 2000–2019 average, or approximately 0.6% of the population. This amounts to about 55,000 to 60,000 permanent immigrants per year between 2031 and 2050.
- NPR reduction targets will be partially achieved, though this will happen over a longer period, with a target of 5% of the total population maintained over the long term.
- The birth rate remains stable.

Graph 3
Quebec's Population Is Expected to Rise Slightly by 2050, but Its Labour Force Will Stay the Same
Population and labour force



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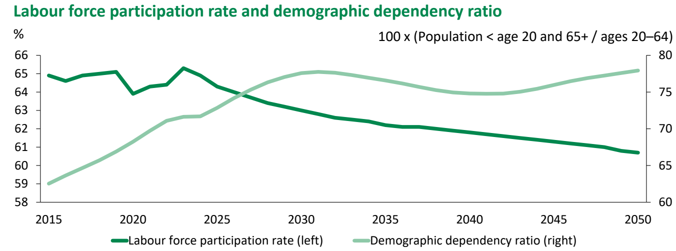
Graph 4
The Number of Workers Available to Support Youth and Seniors Is Falling

Labour force participation rate and demographic dependency ratio



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Graph 3 shows the population stagnating through 2030, followed by a gradual return to growth. But this recovery remains limited: The population is projected to grow by only 275,000 between 2025 and 2050, about half the absolute growth seen since 2022. In contrast, the working-age population would hold steady at its current level over the coming decades.

Graph 4 illustrates the impacts of an aging population on the labour force participation rate and dependency ratio. The labour force participation rate would gradually fall to about 60%, which is where it was in the late 1970s. Back then, women started entering the workforce in large numbers, a trend that accelerated in the 1990s when Quebec introduced subsidized daycare. Today, Quebec has one of the highest female labour force participation rates in the world.

At the same time, the dependency ratio would hit a peak of about 80. This means that there would be around 80 people of school or retirement age for every 100 people of working age. The last time this ratio was that high, the baby boomers were still in school. This time, however, the demographic pressure will come mainly from an aging population whose healthcare needs far exceed the costs associated with educating young people in primary and secondary school.

This trend will have major implications for Quebec's public finances. With a stagnant working-age population and a declining labour force participation rate, the tax burden on workers will likely increase, while tax revenue growth will lag behind spending. Unless there are some major changes—to productivity growth, fiscal policy or public services—the current fiscal template may become hard to sustain over the medium and long term.

Spotlight on 2026: A Collective Decision That Must Be Fully Embraced

Obviously, a number of variables could lead to different demographic trajectories. In a forthcoming analysis, we'll examine various scenarios while taking a closer look at the challenges posed by the falling birth rate, which hit a new low of 1.34 children per woman in Quebec in 2024. Although increasing the birth rate could support natural population growth, it would also raise the dependency ratio until newborns reach working age, which means the demographic benefits won't be felt for decades.

Ultimately, as the French philosopher Auguste Comte once said, demography is destiny. Allowing the labour force participation rate and the pool of workers supporting youth and seniors to shrink is a societal choice that may be justified by non-economic factors. Our baseline scenario sees the working-age population staying about the same size, but assumes that permanent immigration targets will return to pre-pandemic levels. But if the government maintains the target of 45,000 after 2030, the labour pool will start to contract immediately, with the decline picking up speed in the late 2030s.

Conversely, it would also be a reasonable societal choice to keep immigration levels high, with all the challenges this would entail in terms of promoting the use of French, integrating newcomers and dealing with increased pressure on public services. What matters most is transparency about the trade-offs that must be made, regardless of the path chosen. As Quebec heads into an election year, it would be wise for the various parties to fully address the issues surrounding their proposals without glossing over the compromises they entail.

Under these circumstances, the new target of 45,000 permanent immigrants per year seems fairly balanced. It partly meets labour market needs while also considering the strains placed on the province's capacity for settling and integrating newcomers in recent years. However, without the significant productivity gains that are needed—something we haven't seen in a long time—maintaining this level beyond the next few years could dampen Quebec's appeal to investors and limit its potential for medium- and long-term economic growth. We'll discuss this topic in more detail in our upcoming report.

Meanwhile, the budget pressures stemming from an aging population cannot be ignored. The cost of health care for seniors will grow faster than the tax revenues collected from a stagnant working-age population. Without structural reforms—to modernize public services, review fiscal policies or reach a consensus that will break down barriers to wealth creation and boost productivity—the sustainability of Quebec's fiscal framework could be jeopardized.

What to Watch For

UNITED STATES

*** Due to the US government shutdown, there may be some changes to the data release schedule.**

TUESDAY November 25 - 8:30

September	m/m
Consensus	0.5%
Desjardins	0.5%
August	**0.6%**

Retail sales (September) – Due to the government shutdown, the release of September retail sales data was postponed to Tuesday, November 25. Here's what we wrote ahead of the initial publication date: Our forecast anticipates a fairly solid increase in sales. A small uptick in new car purchases is a positive factor. Gas station sales likely got a lift from gasoline prices that came in slightly higher after seasonal adjustments. Good weather and a lack of hurricanes in September should be positive factors for other retail categories. Preliminary data from the Federal Reserve Bank of Chicago, as well as data on card transactions, also look promising. That said, we need to keep our eye on the effects of the new tariffs, especially the end of the small package exemption, which may have reduced purchase volumes but increased their value. All in all, we expect a 0.5% increase in both total nominal sales and sales excluding motor vehicles and gasoline.

TUESDAY November 25 - 9:00

September	y/y
Consensus	n/a
Desjardins	1.40%
August	**1.58%**

S&P/Case-Shiller home price index (September) – After falling for five consecutive months, this existing home price index posted a 0.2% gain in August. Could this mark the start of a new upward trend? It's definitely too soon to know, but we should have a better indication when the September results come out. The National Association of Realtors' existing home sales data show that median prices fell in September, but these figures aren't seasonally adjusted, unlike the Case-Shiller index. However, the month-over-month decline was less steep than it has been over the past three years, which is a good sign. We therefore expect the index to post another 0.2% monthly increase, which would bring the year-on-year change down from 1.6% to 1.4%.

TUESDAY November 25 - 10:00

November	
Consensus	93.3
Desjardins	95.0
October	**94.6**

Conference Board Consumer Confidence Index (November) – Consumer confidence, as measured by the Conference Board Index, fell for the third consecutive month in October. In early November, it looked as though the negative trend would persist throughout the month. Both the University of Michigan consumer sentiment index (first estimate) and the TIPP index showed a continued deterioration. However, these surveys were conducted during the government shutdown, when it was still hard to foresee an end to the impasse. Now that the longest shutdown in history has ended, confidence levels are expected to rise. We already got an early read with the slight increase in the University of Michigan's second estimate for November. Any improvement in consumer sentiment, however, could be tempered by ongoing stock market uncertainty since late October. But since gas prices and mortgage rates have remained relatively stable, along with unemployment claims, we expect the Conference Board Consumer Confidence Index to edge up slightly.

CANADA

THURSDAY November 27 - 8:30

Q3 2025	$B
Consensus	-14.68
Desjardins	-17.00
Q2 2025	**-21.16**

Current account balance (Q3 2025) – We anticipate that the current account deficit narrowed to -$17.0B in Q3 2025 from -$21.2B in the second quarter. The drag from a weak Canadian dollar was probably offset by strong performance in Canadian equities during the three-month period. A modest uptick in seasonally adjusted oil prices likely also provided some tailwind. Note, however, that these forecasts are based on limited trade data as a result of the US government shutdown.

FRIDAY November 28 - 8:30

Q3 2025	ann. rate
Consensus	0.5%
Desjardins	0.5%
Q2 2025	**-1.6%**

Real GDP by expenditure (Q3 2025) – Turning to real GDP by expenditure, we anticipate growth in Q3 2025 likely came in at 0.5% annualized, in line with the Bank of Canada forecast described in the October 2025 Monetary Policy Report. Household consumption likely continued to be positive. We anticipate modest growth in government expenditures. We also expect some recovery in net exports, in part because of the business rush to achieve CUSMA compliance and the removal of some retaliatory tariffs, although data on this remains scarce in the wake of the US government shutdown. Lastly, we expect residential investment saw a modest uptick in the third quarter, but business investment likely tracked lower after a steep drop in the second quarter.

FRIDAY November 28 - 8:30

September	m/m
Consensus	0.2%
Desjardins	0.1%
August	**-0.3%**

Real GDP by industry (September) – We anticipate real GDP increased by 0.1% m/m in September, in line with Statistics Canada's flash estimate. Gains in resource extraction and manufacturing likely drove this improvement. In addition, the September Labour Force Survey posted solid job gains. In contrast, weak performance in retail and wholesale trade likely provided some headwind on growth. Looking ahead to the October 2025 real GDP release, we expect Statistics Canada's flash estimate will show no change.

OVERSEAS

SATURDAY November 29 - 20:30

November	
Consensus	n/a
October	**50.0**

China: Composite PMI (November) – Upcoming PMIs should reflect conflicting signals from recent data releases. October's industrial output and retail sales figures paint a mixed picture. While domestic consumption edged higher, factory activity slowed amid weakening external demand. These trends underscore the persistent pressure on the manufacturing sector, which could keep the official index hovering near the contraction threshold. Meanwhile the service sector is still getting some support, which should keep the non-manufacturing PMI in expansionary territory, though it likely won't show a notable acceleration. Overall, the PMIs are expected to confirm that the economy is seeking stability as stimulus measures struggle to spark a meaningful rebound. That said, the recent agreement between the US and China could provide a boost to growth in the coming months.

Economic Indicators

Week of November 24 to 28, 2025

*** Due to the US government shutdown, there may be some changes to the data release schedule.**

Day	Time	Indicator	Period	Consensus	Desjardins	Previous reading
UNITED STATES						
MONDAY 24	---	---				
TUESDAY 25	8:30	Producer price index				
		Total (m/m)	Sep.	0.3%	0.4%	-0.1%
		Excluding food and energy (m/m)	Sep.	0.3%	0.3%	-0.1%
	8:30	Retail sales				
		Total (m/m)	Sep.	0.5%	0.5%	0.6%
		Excluding automobiles (m/m)	Sep.	0.4%	0.5%	0.7%
	9:00	S&P/Case-Shiller home price index (y/y)	Sep.	n/a	1.40%	1.58%
	10:00	Consumer confidence	Nov.	93.3	95.0	94.6
	10:00	Business inventories (m/m)	Sep.	n/a	0.0%	0.2%
	10:00	Pending home sales (m/m)	Oct.	n/a	n/a	0.0%
WEDNESDAY 26	8:30	Initial unemployment claims	Nov. 17–21	230,000	227,000	220,000
	8:30	Durable goods orders (m/m)	Sep.	1.1%	0.8%	2.9%
	9:45	Chicago PMI	Nov.	44.5	43.0	43.8
	14:00	Release of the Beige Book				
THURSDAY 27	---	Markets closed (Thanksgiving Day)				
FRIDAY 28	---	---				
CANADA						
MONDAY 24	---	---				
TUESDAY 25	---	---				
WEDNESDAY 26	---	---				
THURSDAY 27	8:30	Current account balance ($B)	Q3	-14.68	-17.00	-21.16
FRIDAY 28	8:30	Real GDP by industry (m/m)	Q3	0.5%	0.5%	-1.6%
	8:30	Real GDP (ann. rate)	Sep.	0.2%	0.1%	-0.3%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of November 24 to 28, 2025

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
MONDAY 24							
Germany	4:00	ifo Business Climate Index	Nov.	88.5		88.4	
Germany	4:00	ifo Current Assessment Index	Nov.	85.5		85.3	
Germany	4:00	ifo Expectations Index	Nov.	91.7		91.6	
TUESDAY 25							
Germany	2:00	Real GDP – final	Q3	0.0%	0.3%	0.0%	0.3%
New Zealand	20:00	Reserve Bank of New Zealand meeting	Nov.	2.25%		2.50%	
WEDNESDAY 26							
Japan	0:00	Leading index – final	Sep.	n/a		108.0	
Japan	0:00	Coincident index – final	Sep.	n/a		114.6	
THURSDAY 27							
South Korea	---	Bank of Korea meeting	Nov.	2.50%		2.50%	
Germany	2:00	Consumer confidence	Dec.	-23.5		-24.1	
Eurozone	4:00	M3 money supply	Oct.		2.8%		2.8%
Italy	4:00	Consumer confidence	Nov.	97.6		97.6	
Italy	4:00	Economic confidence	Nov.	n/a		94.3	
Eurozone	5:00	Consumer confidence – final	Nov.	n/a		-14.2	
Eurozone	5:00	Industrial confidence	Nov.	-8.4		-8.2	
Eurozone	5:00	Economic confidence	Nov.	96.9		96.8	
Eurozone	5:00	Services confidence	Nov.	4.2		4.0	
Japan	18:30	Unemployment rate	Oct.	2.5%		2.6%	
Japan	18:50	Industrial production – preliminary	Oct.	-0.6%	-0.5%	2.6%	3.8%
Japan	18:50	Retail sales	Oct.	0.9%	0.8%	0.3%	0.5%
FRIDAY 28							
Japan	0:00	Housing starts	Oct.		-4.9%		-7.3%
France	2:45	Consumer confidence	Nov.	90		90	
France	2:45	Consumer price index – preliminary	Nov.	0.0%	1.0%	0.1%	0.9%
France	2:45	Real GDP – final	Q3	0.5%	0.9%	0.5%	0.9%
Italy	4:00	Real GDP – final	Q3	0.0%	0.4%	0.0%	0.4%
Italy	5:00	Consumer price index – preliminary	Nov.	-0.1%	1.3%	-0.3%	1.2%
Germany	8:00	Consumer price index – preliminary	Nov.	-0.2%	2.4%	0.3%	2.3%
SATURDAY 29							
China	20:30	Composite PMI	Nov.	n/a		50.0	
China	20:30	Manufacturing PMI	Nov.	49.4		49.0	
China	20:30	Non-manufacturing PMI	Nov.	n/a		50.1	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).