

January 17, 2022

"What's going on in Quebec?"

By Stéfane Marion

We've been receiving calls from more and more foreign institutional clients wondering "What's going on in Quebec?" Since investors from abroad hold one-third of Quebec's provincial debt (versus 20% for Ontario), the question is pertinent. The Quebec government has responded to the Omicron wave with public-health measures much stricter than in the rest of North America. The difference measured by the Bank of Canada between restrictions on Quebecers and the Canadian national average has never been greater (**Chart 1**). As a result, we have been obliged to reduce our outlook for Quebec real GDP growth in 2022 by more than half a percentage point. However, the Quebec situation in terms of daily new Covid-19 cases is not that different from those of other Canadian provinces or countries. Similarly, Quebec intensive-care hospitalization is near the average for industrial countries that release such data (**Chart 2**). So what is prompting our authorities to such stringency? An inadequate vaccination campaign? On the contrary. Our clients' eyes widen when we tell them that more than 85% of Quebec's population has been vaccinated at least once (**Chart 3**) and 90% of adult Quebecers are twice vaccinated, a percentage that many countries would envy.

Yet the provincial government has stated in recent days that unvaccinated people impose a large financial burden on the majority of Quebecers and that it is thinking of levying a substantial financial penalty on them. It points to evidence that 13% of all Quebecers who could be vaccinated are unvaccinated, compared to 28% of new admissions to hospital for Covid-19. In other words, twice their proportion of the population. But these government counts include children 5 or older. Do our authorities intend to levy a penalty on unvaccinated 5- to 18-year-olds, a cohort that is not stressing the hospital system? If not, and the measure would apply to the 8.2% of unvaccinated adults (as of January 10) who are a financial burden on Quebecers, should there not be an age distinction in the application of this new measure, for consistency with its spirit? If so, those 60 and older need to fasten their seatbelts. **The 5% of people in this age group who are unvaccinated – barely 1.7% of the adult population – account for 60% of daily new hospitalizations for Covid attributable to unvaccinated people (Table 1).** Could a severe financial penalty substantially increase the vaccination rate for an age group of whom 95% have been vaccinated at least twice – already a resounding success?

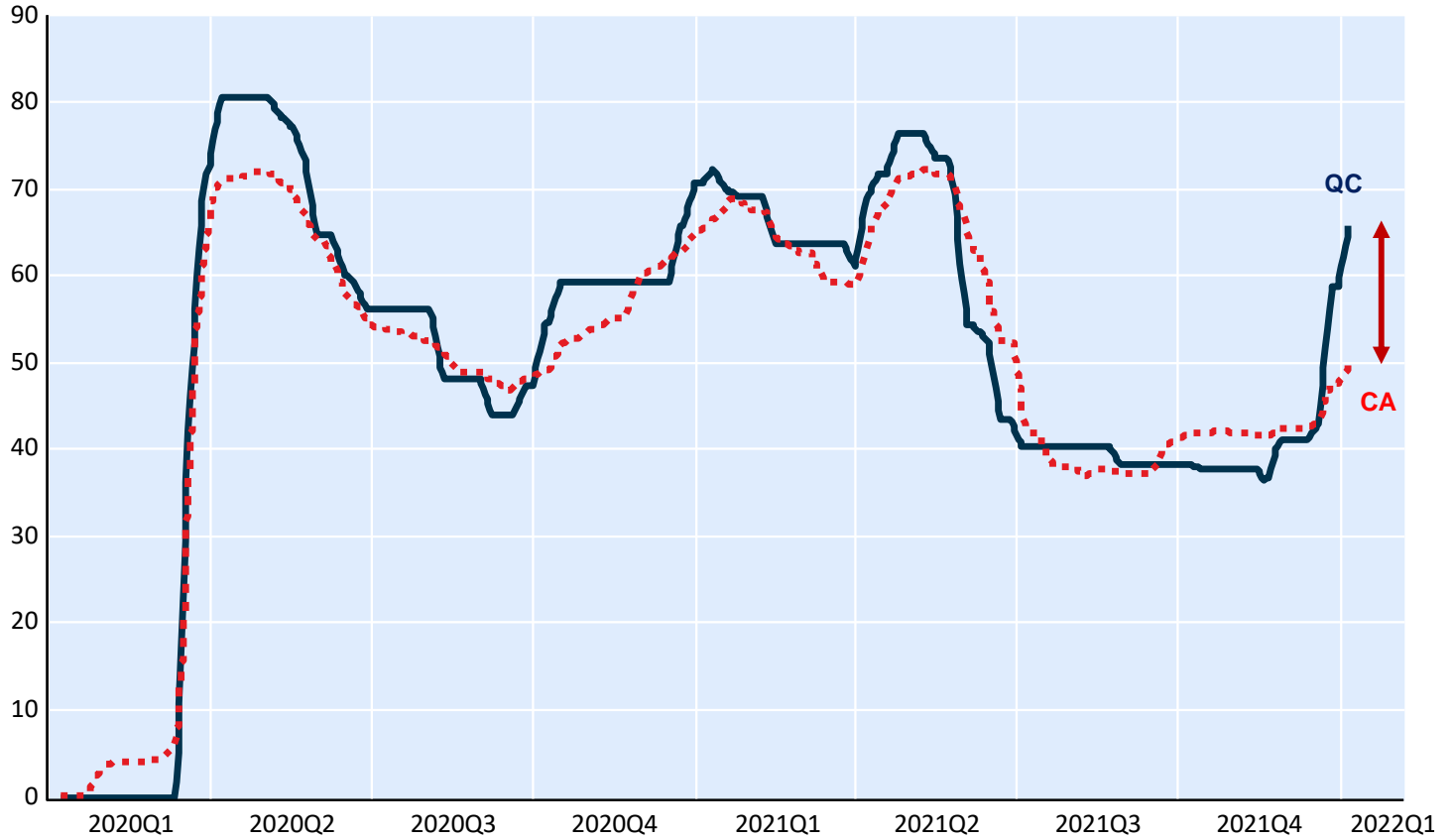
In the circumstances, we doubt punitive measures would be effective in clearly and durably relieving pressures on our health-care system, especially since we know little about the socio-demographic make-up of the unvaccinated and the true vaccinatable population (there are certainly some people who are medically exempt). In any case, if the presence of 282 Covid patients in Quebec intensive-care units – not that big a number, thanks to a highly successful vaccination campaign – can slow the momentum of an economy of more than 8 million people, we have a health-care capacity problem that may require an injection of public funds (**Chart 4**). In which case we suggest that the government should rapidly revisit its position and revive the Health Contribution that ended in 2017. However, such a contribution, levied on all Quebec taxpayers, should take a form different from the previous version to ensure greater accountability of the system. As the holder of the Université de Sherbrooke chair in taxation and public finance, Luc Godbout, has suggested, a health contribution would gain much in relevance if it were to fund a specified portion of the health care budget, a proportion that would in turn determine the annual amount. Such a mechanism would prompt the public to demand more effectiveness in services so as to avoid excessive growth of health-care spending and therefore of the health contribution. We think this proposal merits consideration as we move toward endemic management of Covid-19.

Conclusion

The pandemic has revealed inadequate capacity in the health-care system that might well compromise Quebec potential GDP and the government's ambitious objective of catching up with Ontario in GDP per capita. For now, the spread of Quebec government bonds will continue to do well, but this is not a time for complacency. The government in its next budget should revisit its priorities to ensure that our health-care system does not become a structural obstacle to economic growth when Covid-19 comes under endemic management.

Chart 1: An unprecedented gap with the national

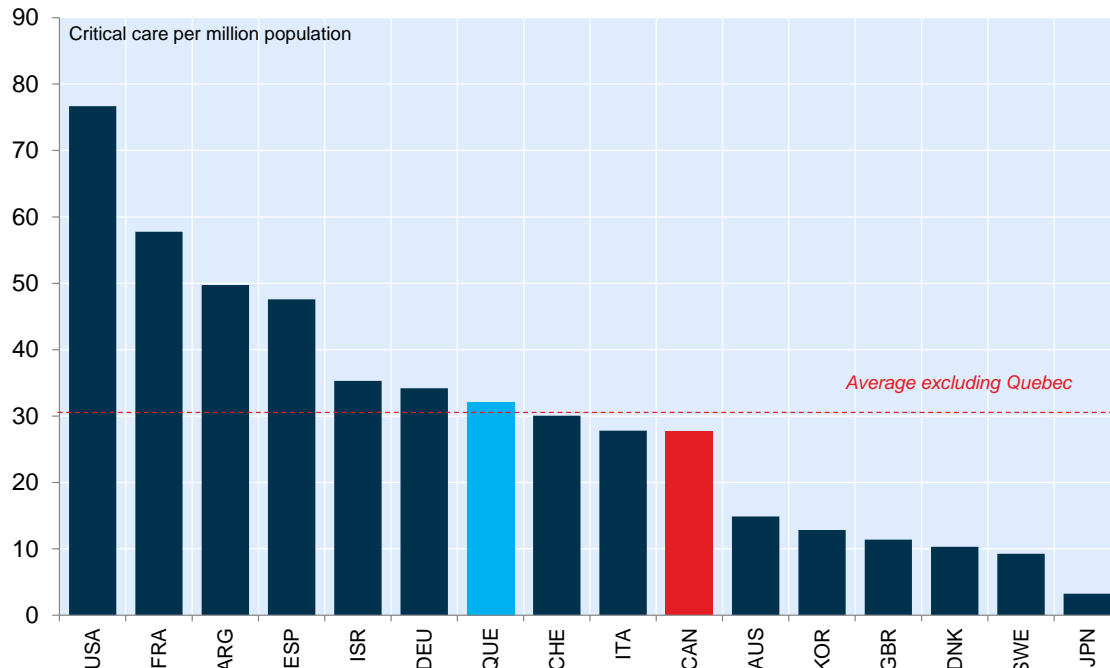
Harshness index of sanitary measures (7-day moving average): Quebec and Canada to January 13, 2022



NBF Economics and Strategy (data via Bank of Canada)

Chart 2: International comparison of critical care

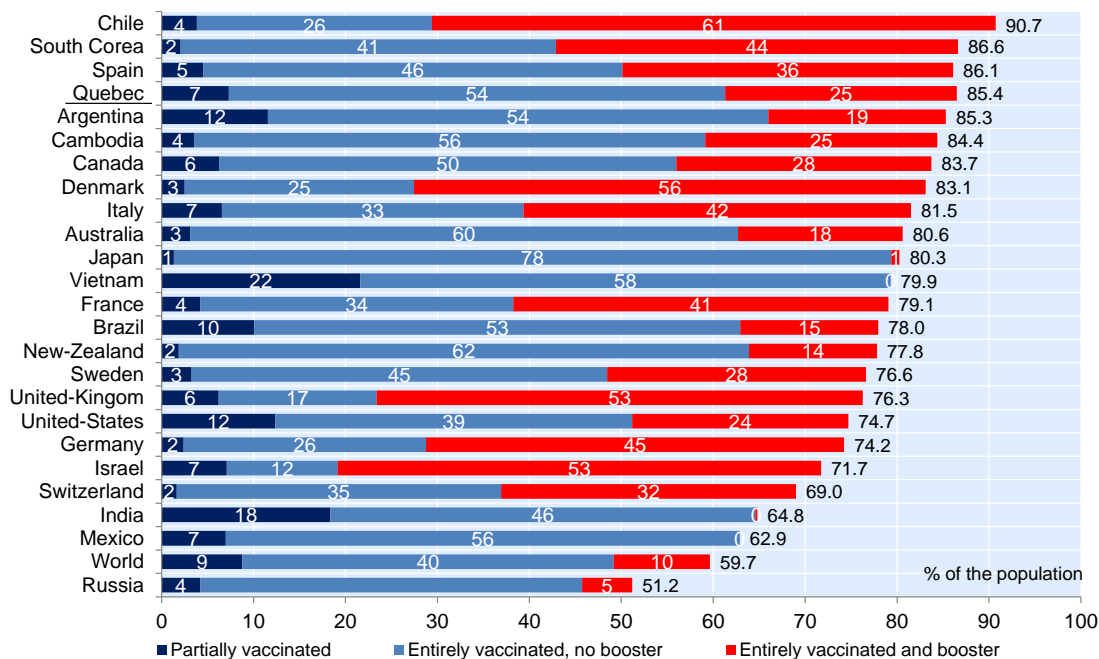
People in intensive care with COVID per million population as of January 13, 2022



NBF Economics and Strategy (data from <https://ourworldindata.org/grapher/covid-icu-patients-per-million>, <https://ici.radio-canada.ca/info/2020/coronavirus-covid-19-pandemie-cas-carte-maladie-symptomes-propagation/>)

Chart 3: A successful vaccination campaign in Quebec

Percentage of the population partially and fully vaccinated against COVID-19 as of January 13, 2022



NBF Economics and Strategy (data from <https://ourworldindata.org/covid-vaccinations>, <https://covid19tracker.ca/vaccinationtracker.html> for Canada)

Table 1: The impact of non-vaccinated people in Quebec

Vaccination and hospitalization profile of population with COVID as of January 10, 2022

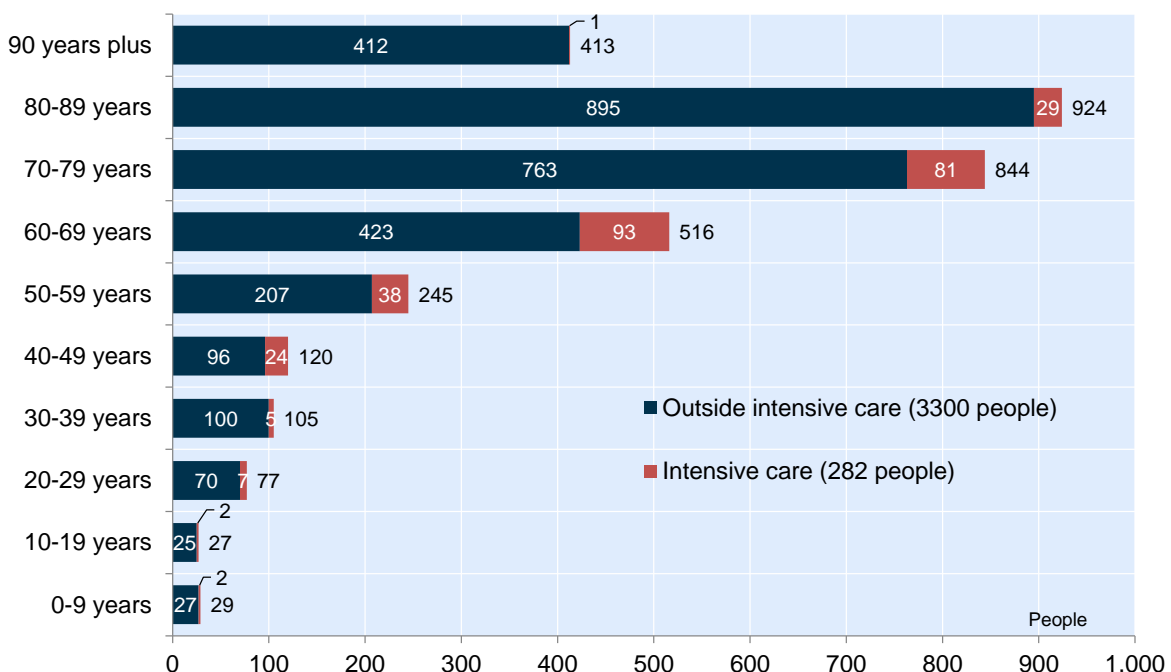
	Adults	18-59 years*	60 years +
Unvaccinated population as a proportion of the adult population (%)	8.2	6.5	1.7
Share of new hospitalizations (including ICU) of unvaccinated adults, January 10	-	40.3	59.7
Share of total adult hospitalizations (including ICU) in progress (%)	-	17.6	82.4

*20-59 years for hospitalizations

NBF Economics and Strategy (data from INSPQ, Open Data Quebec, https://vaccintrackerqc.ca/cas_et_hospitalisations/#cas-actifs-vs-hospitalisations)

Chart 4: Profile of hospitalizations with COVID in Quebec

Age distribution of people hospitalized with COVID-19 (as of January 16, 2022)*



* Aggregate data including all vaccination statuses
NBF Economics and Strategy (data from <https://covid19tracker.ca/provincevac.html?p=QC>)



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