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2014 Québec Election Results: The Québec Liberal Party returns to power with a majority

- The federalist Québec Liberal Party (PLQ), led by Dr. Philippe Couillard, won 70 seats, representing a majority of the 125 seats up for grabs. The Parti Québécois (PQ) will form the official opposition party, with 30 seats. The Coalition Avenir Québec (CAQ) with 22 seats, and Québec Solidaire (QS) with 3 seats will complete L'Assemblée nationale.
- From a financial market perspective, last night's result is likely to be well received. It fully removes from the table the risk of another sovereignty referendum in the province, at least over the next four years. Furthermore, the election of a strong majority government increases certainty surrounding government policy since budgets and other key legislation can be passed without support from opposition parties.
- Here are some highlights of the PLQ's platform document:
 - The party expects a \$1.42 billion deficit in fiscal 2014-15 (PQ had estimated a \$1.75b shortfall in its 2014 budget), while maintaining the former government's commitment on deficit elimination by fiscal 2015-16. Thereafter, the party promised to allocate the surplus in the following way: a contribution to the Generations Fund, and a 50-50 split of the remainder between reducing the provincial debt and reducing taxes.
 - Keep overall spending growth under 3% by cutting discretionary spending by \$1.3 billion over the next two fiscal years. Health spending is projected to increase by 4% per year and education by 3.5%. The party has emphasized its desire to increase infrastructure spending in the short run.
 - Implement tax reform to incentivize work and investment (for both households and the private sector) in a way that does not impact the government's bottom line. Details on the how-to have not been communicated. The introduction of a home renovation tax credit also made waves during the election campaign.
 - The PLQ is targeting net job creation of 250k over the next 5 years, or 50k a year. This would be above the province's record of 41k on average over the past decade and 30k per year over the past 5 years.
 - The PLQ will not follow through with the PQ's proposal in their February Budget to increase daily daycare fees from \$7 to \$9 by September 2015. They will instead index the fee to inflation starting in January 2015.
- TD Economics forecasts Québec real GDP growth to accelerate moderately to 1.9% in 2014 and 2.3% in 2015, helped by an improving U.S. economy. Given that the new government will face significant economic and fiscal challenges, we have not adjusted our forecast based on this election result. That said, to the extent that business and investor confidence in the province improves, the risks surrounding our call appear to have tilted to the upside. Increased infrastructure spending may also support near-term economic growth, although it would likely entail adding to the province's already-high debt-load. The implementation of tax reform could also provide support to longer-term growth but concrete plans will be necessary before we can assess their potential economic benefits.

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