

THE FINANCIAL PROFILE today

2004-2005 Budget Speech

HIGHLIGHTS

- Zero deficit in 2003-2004, before exceptional losses of the Société générale de financement du Québec (\$364 million).
- Zero deficit in 2004-2005.
- Increase in program spending limited to 2.9%:
 - health: increase of 5.1%;
 - education: increase of 2.7%;
 - other departments: increase of 0.5%.
- Reduction of the tax burden by \$1 billion.
- The government anticipates \$880 million in revenue from the sale of assets as part of the review of the role of government.
- Tax assistance is maintained for research and development:
 - Québec's system is the most competitive in Canada.
- Economic interventions will be better targeted and more efficient:
 - the government will act as a partner in support of private-sector developers.
- Raising of the tax on capital exemption from \$600 000 to \$1 million:
 - 75% of Québec corporations will no longer pay tax on capital.
- Program spending as a percentage of GDP will be, in 2005-2006, at its lowest level since 1970-1971.

TIGHTER DEBT CONTROL

- The debt will be managed more rigourously.
- Two types of action are announced in the Budget:
 - investment in government corporations will be held to a minimum;
 - a new capital-spending policy will be formulated:
 - in particular, where possible, special consideration will be given to public-private partnerships.

SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS¹

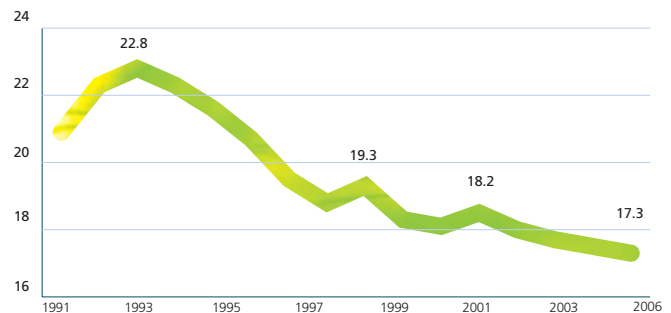
(Millions of dollars)

	2003-2004	2004-2005
Budgetary transactions of the Consolidated Revenue Fund		
Own-source revenue before exceptional losses of SGF	42 824	45 358
Federal transfers	9 377	8 476
Total revenue	52 201	53 834
Program spending	-45 800	-47 151
Debt service	-6 668	-6 939
Total expenditure	-52 468	-54 090
Net results of consolidated organizations	267	256
Budget balance before exceptional losses of SGF		
Exceptional losses of SGF	-364	—
Consolidated budgetary balance	-364	0
Consolidated non-budget requirements	-1 069	-464
Consolidated net financial requirements		
Consolidated Revenue Fund	-200	500
Consolidated organizations	-1 233	-964
Total	-1 433	-464

¹ Preliminary results for 2003-2004 and forecasts for 2004-2005.

PROGRAM SPENDING¹

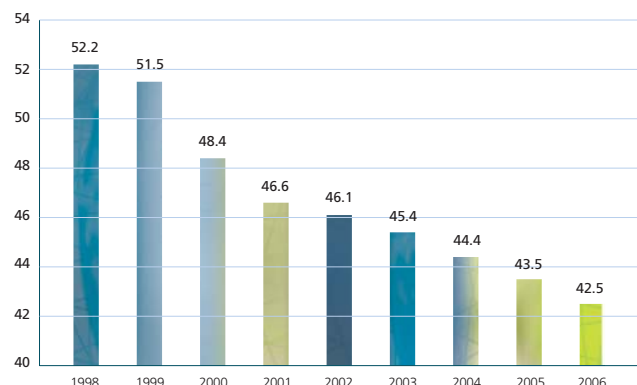
(Per cent of GDP)



¹ Preliminary results for 2003-2004 and forecasts for 2004-2005 and 2005-2006.

TOTAL DEBT¹

(Per cent of GDP)



¹ Fiscal year ending March 31. Preliminary results for 2003-2004 and forecasts for 2004-2005 and 2005-2006.

ECONOMY AND FINANCING

ECONOMY

- Québec's economy grew by 1.7% in 2003:
 - domestic demand remained buoyant;
 - however, international exports declined 0.9%, reflecting the rise in the Canadian dollar;
 - 57 200 jobs were created.
- Economic growth should accelerate to 2.7% in 2004:
 - exports will be more vigorous with a 3.2% increase;
 - job creation will remain strong with 54 000 new jobs;
 - inflation should be relatively low at 1.5%.

SELECTED ECONOMIC INDICATORS

	2003	2004
Real GDP	1.7%	2.7%
- International exports	-0.9%	3.2%
Consumer price index (Canada)	2.8%	1.5%
Jobs (thousands)	57	54
Unemployment rate	9.1%	9.1%
Exchange rate (Canadian dollar in American cents)	71.4	76.5

FINANCING PROGRAMS

GOVERNMENT AND FINANCING FUND

FINANCING PROGRAM¹

(Millions of dollars)

	2003-2004	2004-2005
Consolidated Revenue Fund		
Net financial requirements ²	200	-500
Repayment of borrowings	4 842	5 303
Change in cash position	-4 110	-1 644
Retirement Plans Sinking Fund ³	2 364	2 545
Pre-financing	1 644	—
	4 940	5 704
Financing Fund⁴	2 500	2 500
Total	7 440	8 204

Note: A positive entry indicates a financing requirement and a negative entry, a source of financing.

¹ Preliminary results for 2003-2004 and forecasts for 2004-2005.

² Excluding consolidated organizations.

³ Deposits to the Retirement Plans Sinking Fund are optional.

⁴ The Financing Fund makes loans to certain consolidated organizations and government corporations.

Government and financing fund

- The government and the Financing Fund borrowed \$7.4 billion for 2003-2004:
 - 97% of the financing was carried out in Canadian dollars, including a \$500-million issue on the Canadian Euro-dollar market;
 - an issue of A\$200 million was also carried out in February 2004.
- For 2004-2005, the financing requirements of the government and the Financing Fund will amount to \$8.2 billion.

Financement-Québec

- Financement-Québec completed a borrowing program of \$1.5 billion in 2003-2004:
 - the program was carried out via two public bond issues and medium-term note sales on the domestic market.
- The program for 2004-2005 amounts to \$2.5 billion.

FINANCEMENT-QUÉBEC

FINANCING PROGRAM¹

(Millions of dollars)

	2003-2004	2004-2005
	1 508	2 500

Note: A positive entry indicates a financing requirement and a negative entry, a source of financing.

¹ Preliminary results for 2003-2004 and forecast for 2004-2005.

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