

# FINANCIAL PROFILE TODAY

# 2007-2008 BUDGET

Tuesday, February 20, 2007

## HIGHLIGHTS OF THE 2007-2008 BUDGET

### DISCIPLINED, RESPONSIBLE MANAGEMENT OF PUBLIC FINANCES

- ◆ A balanced budget maintained in 2006-2007 and 2007-2008.
- ◆ Program spending: increase of 4.0% in 2007-2008.
  - ◆ Health: increase of 6.0%;
  - ◆ Education: increase of 4.4%;
  - ◆ Other portfolios: increase of 1.0%;
  - ◆ Average annual growth of 4.1% in program spending in Québec from 2003-2004 to 2006-2007 compared to 6.3% for the Canadian provinces as a whole.
- ◆ Major investments in infrastructure: \$16.1 billion since 2003.

### REDUCTION OF THE TAX BURDEN OF INDIVIDUALS

- ◆ Personal income tax reduction of \$464 million:
  - ◆ Increase of the taxable income thresholds of the tax table;
  - ◆ Increase in the tax credit for retirement income;
  - ◆ Retirement income splitting.
- ◆ Additional reduction of \$355 million with the indexation of the tax system.
- ◆ The gap in the tax burden between Québec and the other provinces will have been reduced from \$2.2 billion in 2003 to \$770 million in 2008, a decrease of nearly 65%.

### REDUCTION OF THE TAX BURDEN OF BUSINESSES

- ◆ Corporate tax reduction of \$212 million:
  - ◆ Increase in the rate of the capital tax credit from 5% to 10% for new investments in manufacturing and processing equipment, and extension of the tax credit until 2012.

### REDUCTION OF THE DEBT BURDEN

- ◆ Reduction of the debt burden in the economy: from 52.2% of GDP in 1997-1998 to 41.6% in 2008-2009.
- ◆ Exceptional contribution of \$500 million to the Generations Fund on February 15, 2007.
  - ◆ Anticipated balance of the Generations Fund in 2008: \$1 billion.

### ECONOMIC DEVELOPMENT

- ◆ New Strategy for the Development of Every Region: \$825 million over five years.

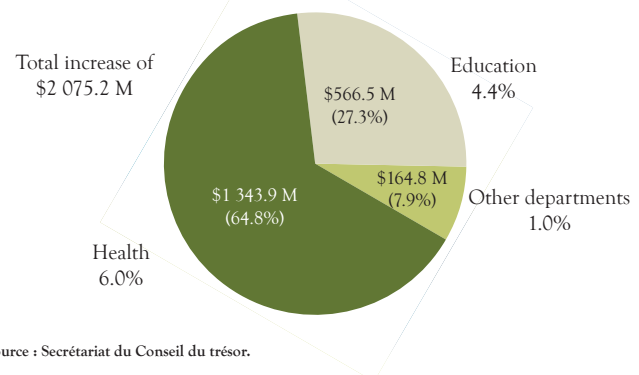
## SUMMARY OF CONSOLIDATED BUDGETARY TRANSACTIONS<sup>P</sup>

(millions of dollars)

	2006-2007	2007-2008
Budgetary revenue	59 489	60 262
Budgetary expenditure		
Program spending	-51 519	-53 594
Debt service	-6 990	-7 229
<b>Total</b>	<b>-58 509</b>	<b>-60 823</b>
Net results of consolidated organizations	37	61
Deposit in the Generations Fund	-500	
Allocation to the budgetary reserve	-500	
Use of the reserve to finance pay equity		500
<b>Consolidated budgetary balance for the purposes of the <i>Balanced Budget Act</i></b>	<b>17</b>	<b>0</b>
Net results of the Generations Fund	575	446
<b>Consolidated budgetary balance</b>	<b>592</b>	<b>446</b>

P : Preliminary results for 2006-2007 and forecasts for 2007-2008.

## PROGRAM SPENDING GROWTH IN 2007-2008



Source : Secrétariat du Conseil du trésor.

## TOTAL DEBT<sup>1</sup>

(as a percentage of GDP)



<sup>1</sup> Fiscal year ended March 31.



## ECONOMY

- ◆ Continued real GDP growth: 1.7% in 2006 and expected to amount to 1.8% in 2007.
- ◆ Robust domestic demand: consumption growth in real terms of 3.1% in 2006 and expected to reach 3.2% in 2007.
- ◆ Excellent performance of the labour market: unemployment rate of 8.0% in 2006 and 2007.

## FINANCING PROGRAMS

### CONSOLIDATED REVENUE FUND AND FINANCIAL FUND

- ◆ The borrowings of the Consolidated Revenue Fund and the Financing Fund totalled \$14.8 billion in 2006-2007.
- ◆ Particularly favourable conditions on financial markets led to a higher-than-anticipated level of borrowings, making it possible to, among others:
  - ◆ obtain pre-financing of \$5.9 billion;
  - ◆ deposit an additional \$1.5 billion in the retirement plans sinking fund.
- ◆ The government made \$2.9 billion worth of borrowings this year with a maturity of 50 years or more.
- ◆ In 2006-2007, 17.5% of borrowings were made in foreign currency, notably:
  - ◆ one borrowing of 1.5 billion US dollars in November;
  - ◆ two issues in Swiss francs: one of 300 million in December and one of 200 million in February 2007;
  - ◆ 100 millions euros in April;
  - ◆ one issue of 750 million Hong Kong dollars in February 2007, Québec's first issue on this market;
  - ◆ 5 billion yen in February 2007.
- ◆ The borrowings of the Consolidated Revenue Fund and the Financing Fund will amount to \$5.6 billion in 2007-2008 and \$10.6 billion in 2008-2009.

### FINANCEMENT-QUÉBEC

- ◆ Financement-Québec is a government corporation that borrows in its own name on financial markets to meet the capital expenditure funding needs of institutions in the health and education networks.
- ◆ The Québec government guarantees the borrowings of Financement-Québec.
- ◆ Borrowings by Financement-Québec totalled \$2.5 billion in 2006-2007.
- ◆ In 2007-2008 and 2008-2009, the financing program of Financement-Québec is expected to amount to \$2.0 billion.

## ECONOMIC OUTLOOK FOR QUÉBEC

	2006	2007	2008
Real GDP (annual % change)	1.7	1.8	2.5
GDP (annual % change)	3.9	4.3	3.5
Real consumption (annual % change)	3.1	3.2	2.4
Unemployment rate (%)	8.0	8.0	7.9

### FINANCING PROGRAM-CONSOLIDATED REVENUE FUND AND FINANCING FUND

(millions of dollars)

	2006-2007	2007-2008	2008-2009
<b>Consolidated Revenue Fund</b>			
Net financial requirements (surplus) <sup>1</sup>	250	-500	-500
Repayment of borrowings	5 198	5 348	5 609
Change in cash position	-2 684	-5 955	-
Retirement plans sinking fund	4 481	4 956	3 528
Pre-financing	5 955	-	-
<b>Total Consolidated Revenue Fund</b>	<b>13 200</b>	<b>3 849</b>	<b>8 637</b>
<b>Financing Fund<sup>2</sup></b>	<b>1 579</b>	<b>1 750</b>	<b>2 000</b>
<b>Total</b>	<b>14 779</b>	<b>5 599</b>	<b>10 637</b>

Note: Preliminary results for 2006-2007 and forecasts for subsequent years. A positive entry indicates a financial requirement and a negative entry, a source of financing.

<sup>1</sup> Excluding consolidated organizations.

<sup>2</sup> The Financing Fund makes loans to certain consolidated organizations and government corporations.

### FINANCING PROGRAM-FINANCEMENT-QUÉBEC

(millions of dollars)

	2006-2007	2007-2008	2008-2009
	2 529	2 000	2 000

Note: Preliminary results for 2006-2007 and forecasts for subsequent years.

## FINANCIAL PROFILE TODAY

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