

FINANCIAL PROFILE TODAY 2011-2012

Thursday, March 17, 2011

HIGHLIGHTS OF THE 2011-2012 BUDGET

ECONOMIC AND BUDGETARY OUTLOOK

Economic growth in 2010 was better than forecast: 3.0% of real GDP compared with forecast growth of 2.3% in the March 2010 budget.

For 2011: forecast growth in real GDP is 2.0%.

For 2012: forecast growth in real GDP is 2.2%.

The objective of returning to a balanced budget by 2013-2014 is maintained. In 2009-2010, the deficit was \$3.2 billion (\$1.1 billion less than forecast). Forecast deficits for subsequent years amount to:

- \$4.2 billion in 2010-2011 (\$300 million less than forecast);
- \$3.8 billion in 2011-2012;
- \$1.5 billion in 2012-2013;
- balanced budget in 2013-2014 and subsequent years.

DEBT BURDEN REDUCTION

In the 2010-2011 Budget, the government set new targets for debt reduction for 2025-2026:

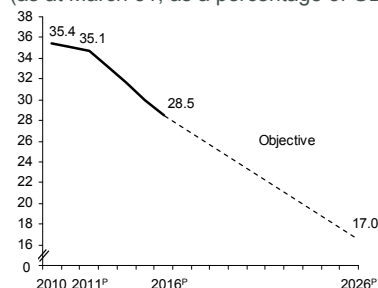
- 17% of GDP for the debt representing accumulated deficits;
- 45% of GDP for the gross debt.

To achieve these targets, electricity rates will be raised gradually beginning in 2014-2015 and the additional revenue will be paid into the Generations Fund. This budget announces:

- first, that the government will gradually reduce its investments in infrastructure over the coming years, while maintaining their quality;
- in addition, that 25% of mining, oil and gas royalties in excess of \$200 million will be paid into the Generations Fund beginning in 2014-2015.

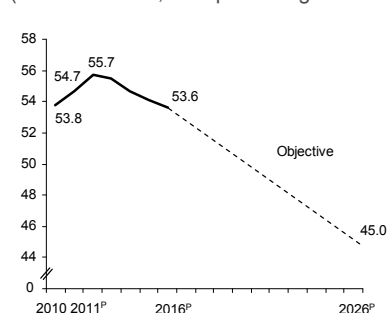
DEBT REPRESENTING ACCUMULATED DEFICITS

(as at March 31, as a percentage of GDP)



GROSS DEBT

(as at March 31, as a percentage of GDP)



P: Preliminary results for 2011, forecasts for 2012 to 2016 and projections for subsequent years.

ECONOMIC OUTLOOK FOR QUÉBEC

Percentage change	2010	2011	2012
Real gross domestic product	3.0	2.0	2.2
Exports	-0.3	3.4	4.4
Housing starts (thousands)	51.4	45.1	41.0
Job creation (thousands)	66.7	55.4	40.5
Unemployment rate (%)	8.0	7.7	7.5
Canadian financial markets (%)			
Target overnight rate	0.6	1.3	2.6
Treasury Bills – 3 months	0.6	1.4	2.7
Bonds – 10 years	3.2	3.6	4.6

QUÉBEC GOVERNMENT FINANCIAL FRAMEWORK – 2011-2012 BUDGET

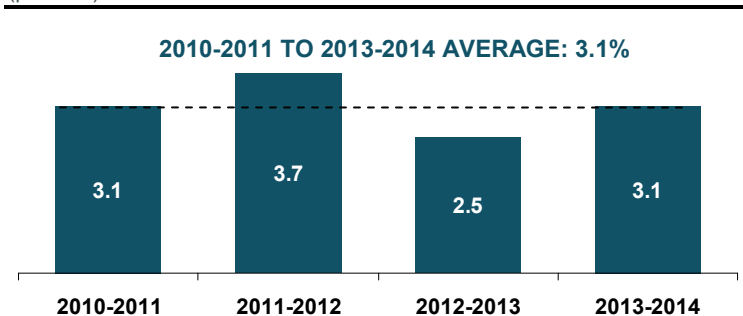
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Budgetary revenue	62 376	65 375	69 087	72 087
Budgetary expenditure				
Program spending	- 59 819	- 61 284	- 62 113	- 63 325
Debt service	- 6 934	- 7 794	- 8 646	- 9 334
Total budgetary expenditure	- 66 753	- 69 078	- 70 759	- 72 659
Net results of consolidated entities	1 209	1 143	1 119	655
Contingency reserve	- 300	- 300	- 200	—
Measures to be identified	—	—	300	1 025
SURPLUS (DEFICIT)	- 3 468	- 2 860	- 453	1 108
Payments of revenue dedicated to the Generations Fund	- 732	- 940	- 1 047	- 1 108
BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT	- 4 200	- 3 800	- 1 500	0

Taking the changes to the structure of the government's financial framework into account, the following table shows the growth in spending on a comparable basis to last year's budget.

CHANGE IN PROGRAM SPENDING GROWTH 2010-2011 TO 2013-2014

(per cent)



Note: Change in program spending, increased by the Fund to Finance Health and Social Services Institutions (FINSSS), the Land Transportation Network Fund (FORT), the Tax Administration Fund (FRAF) and the allowance for doubtful accounts of the Agence du revenu du Québec.

THE GOVERNMENT'S FINANCING PROGRAM

Borrowings during 2010-2011 should amount to \$18.9 billion.

A total of \$17.0 billion was borrowed on the Canadian market in 2010-2011, including:

- public issues, \$13.5 billion;
- private borrowings, \$2.4 billion.

In 2010-2011, the government carried out 8.6% of its borrowings on foreign markets, in two different currencies:

- a borrowing of €35 million (CAN\$47 million) in April 2010;
- a borrowing of US\$1 500 million (CAN\$1 549 million) in July 2010.

In 2010-2011, the government's carried out \$3.0 billion of borrowings in advance.

The forecast financing program for 2011-2012 amounts to \$17 355 million. It would have amounted to \$20 315 million had borrowings not been made in advance in 2010-2011.

The financing program for 2012-2013 is expected to reach \$15 036 million.

Over the last 10 years, the proportion of Québec's borrowings in foreign currencies has averaged 22%.

THE GOVERNMENT'S FINANCING PROGRAM

(millions of dollars)

	2010-2011 ^P	2011-2012 ^P	2012-2013 ^P
CONSOLIDATED REVENUE FUND			
Net financial requirements ^{1,2}	3 613	5 587	2 524
Repayments of borrowings	4 324	6 728	4 512
Change in cash position	- 4 283	- 2 960	—
Retirement Plans Sinking Fund, other assets of plans and funds dedicated to employee future benefits - Deposits	2 000	—	—
Transactions under the credit policy ³	479	—	—
Pre-financing	2 960	—	—
TOTAL — Consolidated Revenue Fund	9 093	9 355	7 036
FINANCING FUND			
Including: repayment of borrowings	1 769	542	1 264
FINANCEMENT-QUÉBEC	4 327⁴	3 500	3 500
Including: repayment of borrowings	400	1 936	1 839
TOTAL	18 886	17 355	15 036
Including: repayment of borrowings	6 493	9 206	7 615

P: Preliminary results for 2010-2011 and forecasts for subsequent years.

N.B.: A negative amount indicates a source of financing and a positive amount, a financial requirement.

1 The amounts include net financial requirements of consolidated entities.

2 Net financial requirements are adjusted to reflect non-receipt of RPSF and FCMA revenue.

3 Under its credit policy, which is designed to limit counterparty risk, the government made disbursements of \$479 million in 2010-2011 following exchange rate movements. These payments have no effect on the debt.

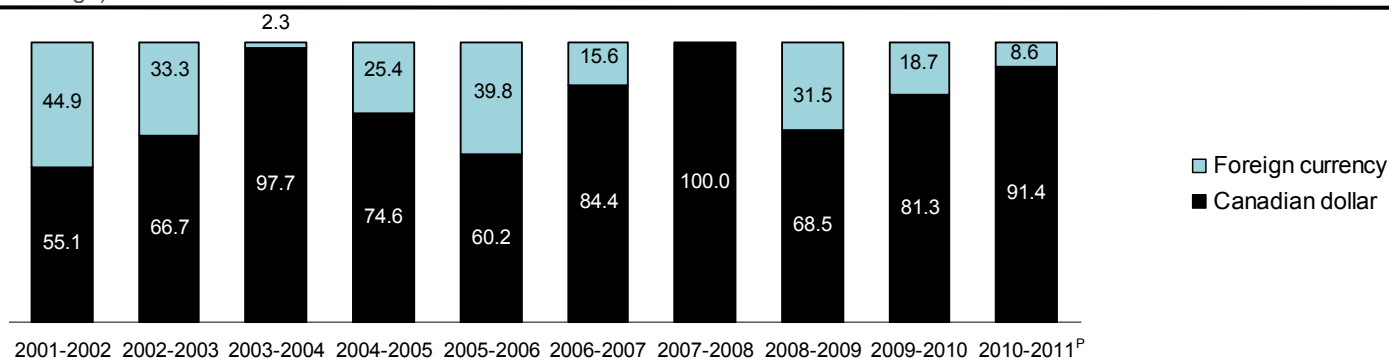
4 This amount includes borrowings of \$886 million made with CMHC under low-interest loan program for municipal infrastructure, and borrowings of \$286 million to be made under this program from now until March 31, 2011.

THE QUÉBEC GOVERNMENT'S CURRENT CREDIT RATINGS

AGENCY	RATING	OUTLOOK
Moody's	Aa2	Stable
Standard & Poor's (S&P)	A+	Stable
Dominion Bond Rating Service (DBRS)	A (high)	Stable
Fitch Ratings (Fitch)	AA-	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable

BORROWINGS BY CURRENCY¹

(percentage)



P: Preliminary results.

1 Borrowings of the consolidated revenue fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

FINANCIAL PROFILE TODAY

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