

QUÉBEC'S ECONOMIC AND FINANCIAL SUMMARY

Tuesday, March 20, 2012

HIGHLIGHTS OF THE 2012-2013 BUDGET

ECONOMIC AND BUDGETARY OUTLOOK

For 2012: real GDP growth forecast at 1.5%.

For 2013: real GDP growth forecast at 1.9%.

The government is staying the course: fiscal balance will be restored in 2013-2014 as forecast. In 2009-2010 and in 2010-2011, deficits were \$1.1 billion per year less than forecast. The forecast deficits for subsequent years are:

- \$3.3 billion (1% of GDP) in 2011-2012, i.e. \$500 million less than forecast;
- \$1.5 billion (0.4% of GDP) in 2012-2013;
- fiscal balance restored as of 2013-2014.

Growth in program spending for the period 2010-2011 to 2013-2014 will average 2.2%, a marked decline compared with the average growth of 5.6% from 2006-2007 to 2009-2010.

DEBT REDUCTION

In Budget 2010-2011, the government set new debt reduction targets to be achieved by 2025-2026:

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

To achieve these objectives, a gradual increase in the price of heritage pool electricity was announced in the March 2010 budget, starting in 2014-2015. All the revenue from this increase will be paid into the Generations Fund.

In last year's budget, it was announced that 25% of mining, oil and gas royalties in excess of \$200 million will be paid into the Generations Fund.

In addition, Budget 2012-2013 stipulates additional payments to the Generations Fund:

- \$300 million from the accumulated surplus of the Territorial Information Fund;
- 25% of the funds from auctioning licences to explore for petroleum, natural gas and underground reservoirs, like other mining, petroleum and natural gas royalties.

The balance of the Generations Fund is expected to reach \$12.6 billion by March 31, 2017.

QUÉBEC'S ECONOMIC OUTLOOK

Percentage change	2011	2012	2013
Real gross domestic product	1.6	1.5	1.9
Exports	1.4	3.4	3.4
Housing starts (thousands of units)	48.4	45.7	41.6
Job creation (thousands)	38.5	21.3	35.7
Unemployment rate (%)	7.8	8.0	7.9
Canadian financial markets (%)			
Target for the overnight rate	1.0	1.0	1.0
Canada Treasury bills – 3 months	0.9	0.9	1.0
Canada Bonds – 10 years	2.8	2.3	3.0

QUÉBEC GOVERNMENT FINANCIAL FRAMEWORK – 2012-2013 BUDGET

(millions of dollars)

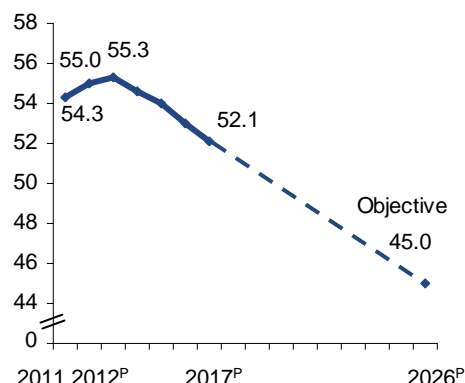
	2011-12	2012-13	2013-14	2014-15
Budgetary revenue⁽¹⁾	65 539	69 395	72 524	73 987
Budgetary expenditure⁽¹⁾				
Program spending	– 61 384	– 62 642	– 63 751	– 65 635
Debt service	– 7 452	– 8 237	– 8 827	– 8 897
Total budgetary expenditure	– 68 836	– 70 879	– 72 578	– 74 532
Consolidated entities	1 145	1 195	1 295	1 245
Contingency reserves	– 300	– 300	– 200	—
Differences to be offset	—	—	—	875
SURPLUS (DEFICIT)	– 2 452	– 589	1 041	1 575
Deposit of dedicated revenues in the Generations Fund	– 848	– 911	– 1 041	– 1 575
BUDGETARY BALANCE⁽²⁾	– 3 300	– 1 500	0	0

(1) Corresponds to the revenue and expenditure of the general fund.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

GROSS DEBT

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

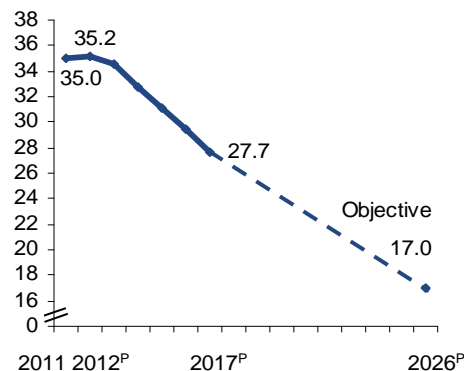


P: Preliminary results for 2012, forecasts for 2013 to 2017 and projections for subsequent years.

Note: The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

DEBT REPRESENTING ACCUMULATED DEFICITS

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



P: Preliminary results for 2012, forecasts for 2013 to 2017 and projections for subsequent years.

THE GOVERNMENT'S FINANCING PROGRAM

Borrowings carried out during 2011-2012 should amount to \$20.1 billion.

In 2011-2012, \$18.5 billion was borrowed on the Canadian market including:

- public issues, \$15.7 billion;
- private borrowings, \$1.4 billion.

For fiscal year 2011-2012, the government carried out 8.1% of its borrowings on foreign markets, in three currencies:

- a borrowing of US\$1 400 million (CAN\$1 373 million) in August 2011;
- a borrowing of AUS\$225 million (CAN\$231 million) in July 2011;
- a borrowing of €27 million (CAN\$36 million) in December 2011.

In 2011-2012, the government carried out advance borrowings of \$4.4 billion.

In 2012-2013, the forecast financing program amounts to \$14 950 million and should amount to \$17 773 million in 2013-2014. These programs include additional contributions to the sinking fund relating to government borrowings of \$3 billion per year in 2012-2013 and 2013-2014 to increase the level of the government's prudential liquidity to \$6 billion. This liquidity will be used in the event of a major financial market disturbance.

THE GOVERNMENT'S FINANCING PROGRAM

(millions of dollars)

	2011-2012 ^P	2012-2013 ^P	2013-2014 ^P
GENERAL FUND⁽¹⁾			
Net financial requirements ^{(2), (3)}	6 124	2 732	297
Repayment of borrowings	7 034	4 519	4 476
Change in cash position	- 4 518	- 4 401	—
Deposits in the Retirement Plans Sinking Fund	1 000	—	—
Transactions under the credit policy ⁽⁴⁾	- 644	—	—
Additional contributions to the sinking fund for borrowings	—	3 000	3 000
Pre-financing	4 401	—	—
TOTAL — General Fund	13 397	5 850	7 773
FINANCING FUND			
Including: repayment of borrowings	548	1 254	1 251
FINANCEMENT-QUÉBEC	3 391	4 000	5 500
Including: repayment of borrowings	1 962	1 866	3 722
TOTAL	20 148	14 950	17 773
Including: repayment of borrowings	9 544	7 639	9 449

P: Preliminary results for 2011-2012 and forecasts for subsequent years.

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

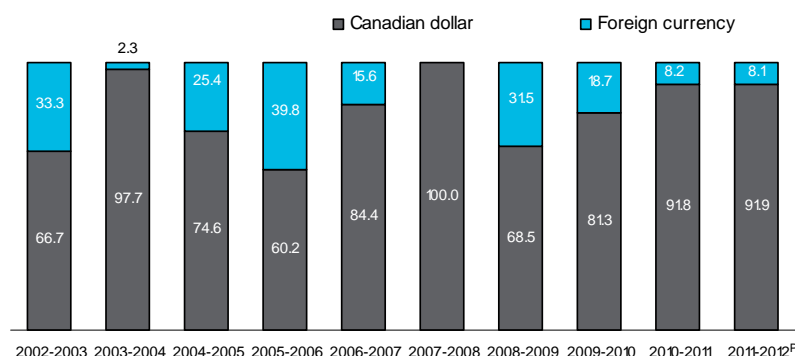
- (1) The general fund is the new name of the former Consolidated Revenue Fund.
- (2) The amounts exclude net financial requirements of consolidated entities.
- (3) Net financial requirements are adjusted to reflect non-receipt of revenue of the RPSF and the funds dedicated to employee future benefits.
- (4) Under its credit policy, which is designed to limit counterparty risk, the government received \$644 million in 2011-2012 following exchange rate movements. These receipts reduce financial requirements to be met with new borrowings.

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 CURRENCY⁽¹⁾

(per cent)



P: Preliminary results.

(1) Borrowings of the general fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

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This document is available on the following Website.

www.finances.gouv.qc.ca

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