

FINANCIAL PROFILE

TODAY

MARCH 31, 1998

THE 1998-1999 BUDGET: LAST STEP TOWARD A ZERO DEFICIT

- The 1997-1998 deficit forecast, at \$2.2 billion in the Budget Speech, has been attained.
- The 1998-1999 deficit will be reduced to \$1.2 billion while the zero-deficit goal for 1999-2000 will be maintained, in keeping with the *Act respecting the elimination of the deficit and a balanced budget*.
- Current account surplus of \$207 million beginning in 1998-1999.
- The deficit ceilings set by law are respected both before and after the reform of government accounting. With this reform, the government will present consolidated financial statements and enter all its commitments with respect to the retirement plans as a liability, in keeping with the recommendations of the Canadian Institute of Chartered Accountants (CICA) and the Auditor General.

ZERO DEFICIT IN 1999-2000: ON TARGET

(in millions of dollars)	1994-1995	1995-1996	1996-1997	1997-1998 ¹	1998-1999 ¹	1999-2000 ¹
DEFICIT	- 5 814	- 3 951	- 3 217	- 2 069	- 1 127	0
NET FINANCIAL REQUIREMENTS	- 4 876	- 2 948	- 2 136	- 980	- 200	750

¹ Prior to the reform of government accounting

SUMMARY OF FINANCIAL TRANSACTIONS

(in millions of dollars)	1997-1998	1998-1999	Change
Budgetary revenue			
Own-source revenue	33 084	34 618	4.6%
Federal transfers	5 666	5 578	- 1.6%
— Adjustments due to the Canada-Québec labour market agreement	—	519	—
Total	38 750	40 715	5.1%
Budgetary expenditure			
Program spending	- 34 642	- 34 888	0.7%
— Adjustment due to the Canada-Québec labour market agreement	—	- 519	—
— Extraordinary expenditures related to the ice storm	- 319	- 37	—
Debt service	- 5 858	- 6 398	9.2%
Total	- 40 819	- 41 842	2.5%
DEFICIT	- 2 069	- 1 127	
REFORM OF GOVERNMENT ACCOUNTING	- 125	- 73	
DEFICIT AFTER THE REFORM OF GOVERNMENT ACCOUNTING	- 2 194	- 1 200	

A MORE VIGOROUS ECONOMY IN 1997

<i>(percentage change)</i>	March 1997 Budget forecast	Preliminary results
OUTPUT		
Real gross domestic product	1.5	2.4
Gross domestic product	3.1	4.0
LABOUR MARKET		
Employment	0.8	1.5
– in thousands	25.0	47.7
Unemployment rate (as a %)	11.9	11.4

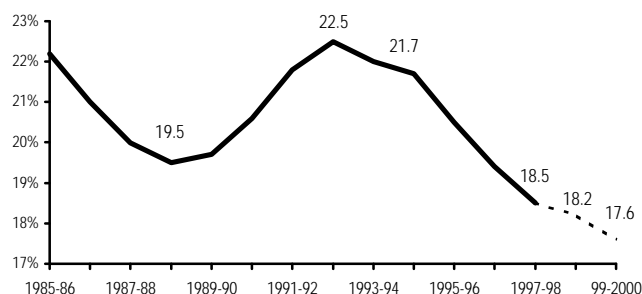
CONSERVATIVE ECONOMIC FORECASTS

- Conservative assumptions for real GDP growth:
 - 2.3% in 1998: 0.6% less than the private sector consensus of 2.9%;
 - 2.4% in 1999 and an average of 2.3% for 1998 to 2000.
 - Interest rate forecasts higher than the private sector consensus:
 - short rates at 5.0% in 1998 and 4.7% in 1999 (4.6% and 4.8% according to the private sector consensus);
 - long rates at 6.5% in 1998 and 6.4% in 1999 (6.0% for both years according to the private sector consensus).
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A KEY ELEMENT IN THE PLAN TO ELIMINATE THE DEFICIT: REDUCTION IN PROGRAM SPENDING

- Program spending will have dropped considerably as a share of GDP in recent years, from 21.7% in 1994-1995 to 18.2% in 1998-1999.
- Program spending as a proportion of GDP will continue to fall and reach 17.6% in 1999-2000, the lowest level since the early 1970s.

PROGRAM SPENDING
(as a percentage of GDP)



FINANCIAL REQUIREMENTS

(in millions of dollars)	1996-1997	1997-1998	1998-1999
BASIC PROGRAM			
GOVERNMENT			
Net financial requirements	2 136	980	200
Regular repayments	3 458	5 487	4 139
Change in cash position	- 1 433	—	—
SUB-TOTAL	4 162	6 467	4 339
OPTIONAL PROGRAM			
GOVERNMENT			
Optional repayments	2 795	2 519	1 709
Retirement plans sinking fund	91	73	1 100
Change in cash position - pre-financing	—	—	—
FINANCING FUND	1 732	2 024	1 500
SUB-TOTAL	4 618	4 616	4 309
TOTAL	8 779	11 083	8 648

EMPHASIS ON DIVERSIFICATION

- Net financial requirements for 1998-1999 are down by \$780 million.
- The entire financing program amounts to \$8.6 billion.
- Use of public markets will be about \$4.3 billion.

SOURCES OF FINANCING

PUBLIC BOND MARKETS

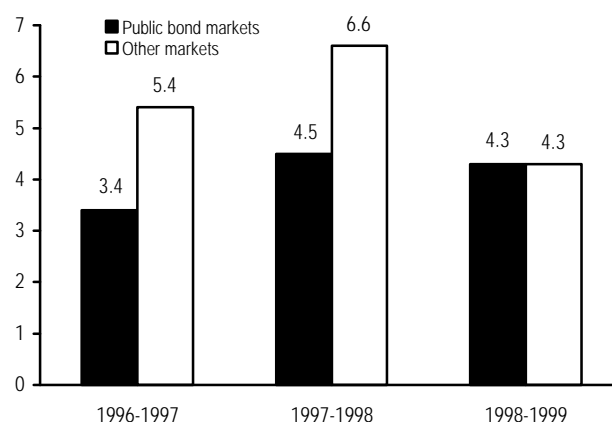
domestic and international

OTHER SOURCES

Treasury bills
 Commercial paper in Canada
 Commercial paper in the United States
 Commercial paper in Europe
 Saving products
 Discount bonds
 Medium-term notes in Canada
 Medium-term notes in the United States
 Medium-term notes in Europe
 Private borrowings from the Caisse de dépôt et placement du Québec
 Private borrowings on various markets

SOURCES OF FINANCING

(in billions of dollars)



THE FINANCIAL PROFILE TODAY

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