

2000-2001
BUDGET

Budget

Plan

Section 1

Review of the Economic Situation in 1999 and Outlook

The economic situation in 1999	3
❑ Vigorous economic growth	3
❑ Exceptional spin-offs for the labour market	5
- The unemployment rate fell below a 23-year-old threshold	6
- Montréal catches up with Toronto	8
❑ Sustained growth in domestic demand	10
❑ Expanding world economy	13
- Faster-than-anticipated economic recovery in Asia	13
- Another outstanding year for the US economy	14
❑ Acceleration in the growth of Québec's international exports	15
❑ More restrictive monetary conditions	17
Economic outlook for 2000	19
❑ Foreign markets should continue to expand	19
- Stronger European economy, but uncertainty in Japan	19
- Sustained growth of the US economy	20
❑ Interest rates will continue to rise	21
❑ Continued growth in Québec	22
❑ Temporary acceleration of inflation	23
❑ Additional growth in exports	25
❑ Domestic demand	26
❑ Comparison with private-sector forecasts	29

Review of the Economic Situation in 1999 and Outlook

This section presents the highlights of the economic situation in Québec in 1999 as well as the economic outlook used to prepare the Budget Plan.

The economic situation in 1999

Vigorous economic growth

At 3.7%, economic growth was particularly vigorous in Québec last year. This rate, which outpaced that observed in 1998 (2.6 %), was one of the best performances since 1988 and substantially higher than the average rate recorded over the past 20 years (2.0%).

GRAPH 1.1

REAL GDP IN QUÉBEC
(average annual percentage change)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

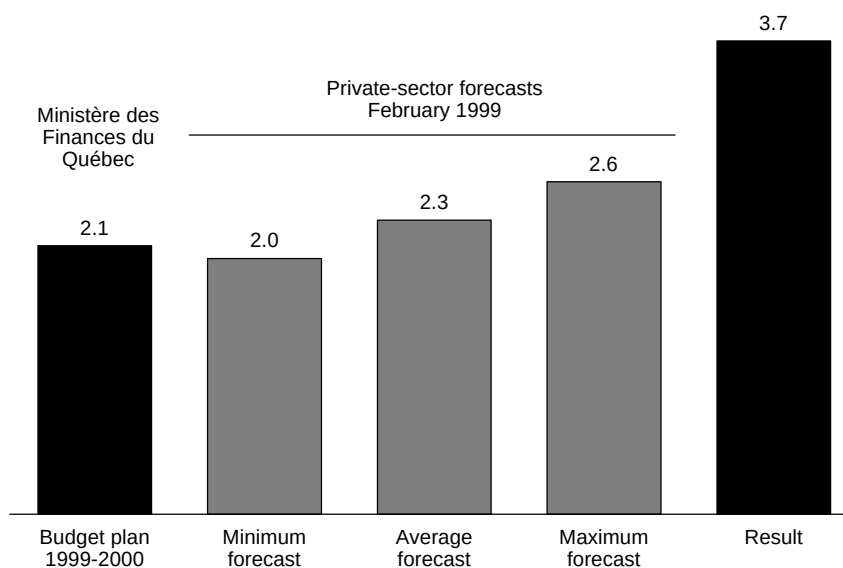
At the time of last year's Budget Speech, experts did not anticipate that economic growth would be as strong as actually observed. Even the most optimistic forecast did not exceed 2.6%. This situation was attributable to, among other things, the uncertainty associated with the financial crisis in Southeast Asian countries and the slowdown expected in the United States. Forecasts were thus outpaced by an average of about one and a half percentage points.

This better-than-anticipated performance is due mainly to:

- dynamic domestic demand by both households and enterprises;
- a more vigorous world economy than initially expected.

GRAPH 1.2

HIGHER-THAN-ANTICIPATED GROWTH LAST YEAR – 1999
(as a percentage)



Source: Ministère des Finances du Québec.

TABLE 1.1

OVERVIEW – 1999
(percentage change)

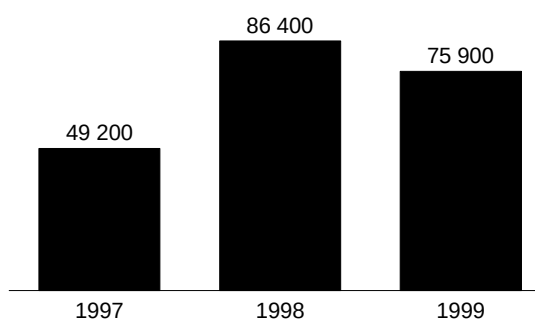
	1999-2000 Budget forecast	Results	Difference
OUTPUT			
— Gross domestic product (constant dollars)	2.1	3.7	1.6
— Gross domestic product	2.9	4.8	1.9
LABOUR MARKET			
— Employment	1.6	2.3	0.7
— in thousands	54.0	75.9	21.9
— Unemployment rate (%)	9.9	9.3	-0.6

Sources: Institut de la statistique du Québec and Statistics Canada.

Exceptional spin-offs for the labour market

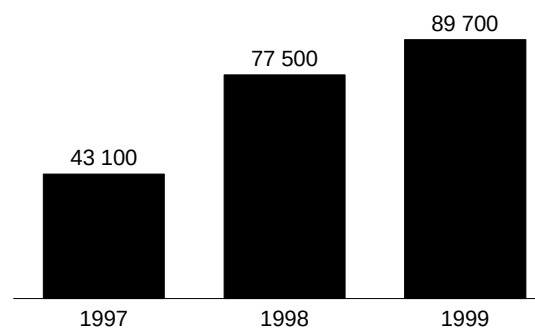
On account of the very good performance of the Québec economy over the past two years, labour market conditions have improved substantially. In 1999, 75 900 jobs were created in Québec. This is the best performance since 1987, after that observed in 1998 (86 400 jobs).

GRAPH 1.3

JOB CREATION – QUÉBEC
(number)

Source: Statistics Canada.

GRAPH 1.4

CREATION OF FULL-TIME JOBS – QUÉBEC
(number)

Source: Statistics Canada.

Another sign of improved labour market conditions is the fact that all of the jobs created last year were full-time jobs (89 700). Furthermore, nearly 14 000 part-time jobs were replaced by full-time positions.

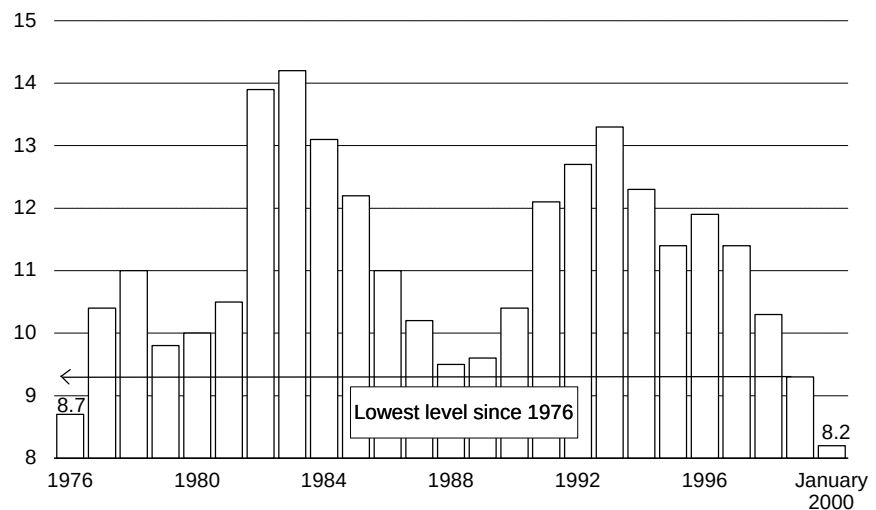
For the second year in a row, young people aged 15 to 24 benefited the most from job creation in Québec, obtaining more than one third of the 75 900 new jobs created, i.e. 28 100. For this age group, this was the highest annual increase since 1973. Filling 52 300 new jobs in two years, young people obtained one third of all new jobs created in Québec even though they account for only 16% of the working-age population.

The unemployment rate fell below a 23-year-old threshold

Overall, Québec's unemployment rate fell to its lowest levels in 23 years, averaging 9.3% in 1999, the lowest rate since 1976 (8.7%). It decreased by one percentage point compared with 1998 and by four percentage points between 1993 and 1999. Moreover, it has declined even further in recent months, to 8.2% in January 2000, the lowest level since May 1976.

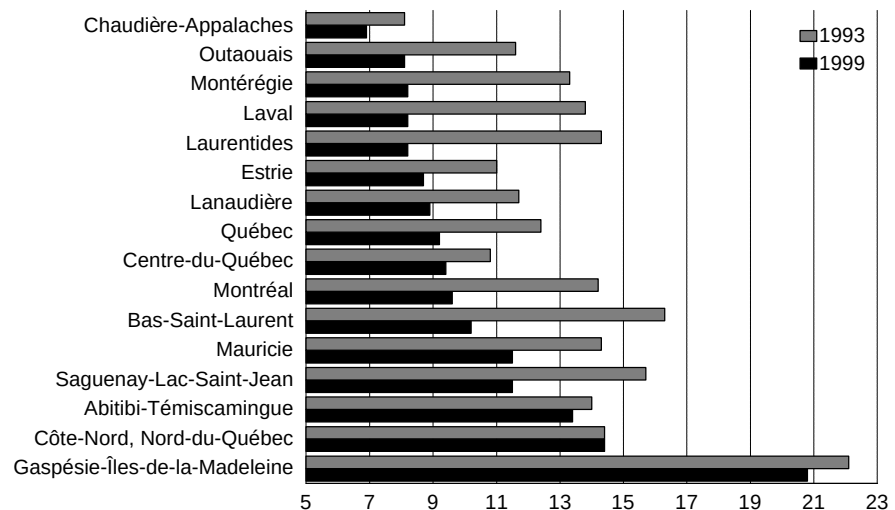
GRAPH 1.5

LOWEST UNEMPLOYMENT RATE SINCE 1976 (as a percentage)



Source: Statistics Canada.

GRAPH 1.6

UNEMPLOYMENT RATE BY ADMINISTRATIVE REGION
 (as a percentage)


Source: Statistics Canada.

Compared with 1993, the unemployment rate declined in all Québec regions, except the Côte-Nord and Nord-du-Québec. Major reductions were recorded in the Bas-Saint-Laurent (-6.1 points), Saguenay-Lac-Saint-Jean (-4.2), the Outaouais (-3.5), the Québec City region (-3.2) and Montréal (-4.6) and in the regions around Montréal, particularly the Laurentides (-6.1), Laval (-5.6) and the Montérégie (-5.1).

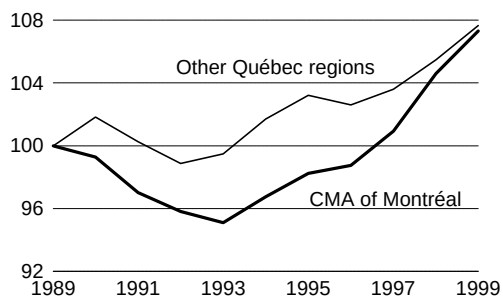
In several regions, the unemployment rate is now similar to that which prevailed in the late 1980s, while in a few regions, such as the Bas-Saint-Laurent, Montréal, the Laurentides and Saguenay-Lac-Saint-Jean, it is already lower.

After being harder hit than other Québec regions by the 1990-1991 recession, the Census Metropolitan Area of Montréal, hereinafter referred to as the CMA of Montréal, has made considerable progress. As a result of the recession, the unemployment rate in the CMA of Montréal rose to 13.9% in 1993, compared with an average of 12.7% in other Québec regions. Since that time, Montréal has not only recovered the jobs lost during the recession but has caught up with other parts of Québec. On account of the progress made between 1995 and 1999, employment growth in the CMA of Montréal for the decade as a whole was almost the same as the average rate observed in other Québec regions. In 1999, the unemployment rate in the CMA of Montréal was 8.6%, seven tenths less than the Québec average.

Over the past six months, there has been a further, particularly rapid, reduction in the unemployment rate in the Montréal region. In January 2000, it amounted to only 6.5%, 1.7 percentage points less than the Québec average and the lowest rate observed since July 1976. Montréal's unemployment rate thus fell below the Canadian average for the first time since 1984.

GRAPH 1.7

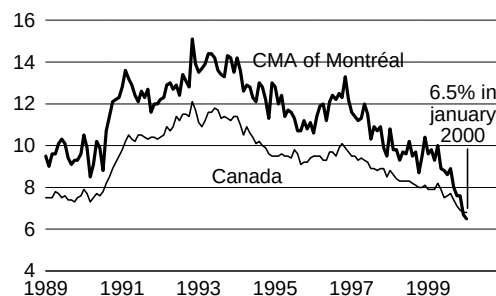
EMPLOYMENT: MONTRÉAL HAS CAUGHT UP WITH OTHER QUÉBEC REGIONS
(Indices 1989 = 100)



Source: Statistics Canada.

GRAPH 1.8

UNEMPLOYMENT RATE: MONTRÉAL'S RATE IS BELOW THE CANADIAN AVERAGE
(as a percentage)



Source: Statistics Canada.

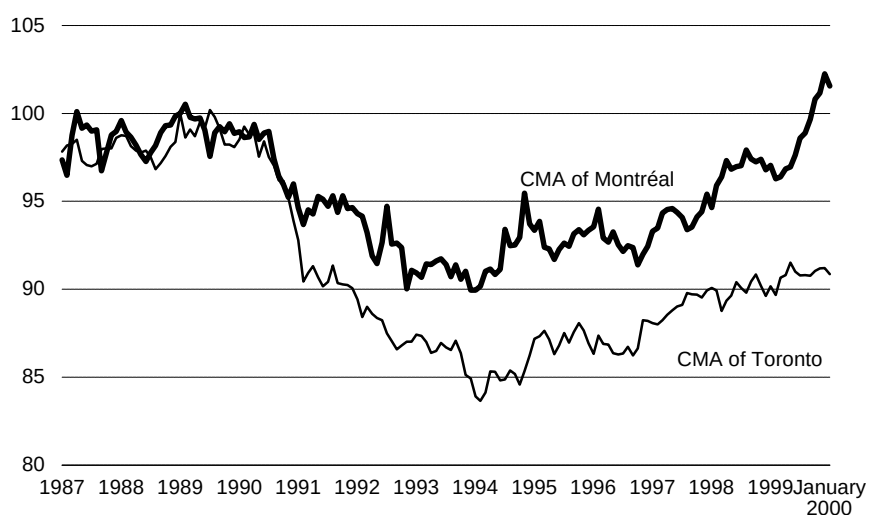
Montréal catches up with Toronto

Over the past decade, the performance of Montréal's labour market has been much better than that of Toronto's, when demography is taken into account. Given the major difference in population growth between these two regions, any comparison of relative change must obviously be made on a per capita basis if it is to be valid. The employment rate, that is, the employment/population ratio, is one of the two main labour market indicators, the other being the unemployment rate.

The results in this regard speak for themselves: the proportion of Montrealers who now have a job is higher than it was in 1989, while the proportion of Torontonians who are currently employed is 9% less than it was 10 years ago. This relative progress is reflected by a substantial reduction in the gap between unemployment rates in Montréal and Toronto, from 5.6 percentage points in 1989 to 2.5 points in 1999 and only 1.1 point in January 2000.

GRAPH 1.9

EMPLOYMENT RATE: MONTRÉAL HAS IMPROVED ITS POSITION IN RELATION TO TORONTO
(Indices January 1989 = 100)



Source: Statistics Canada.

TABLE 1.2

UNEMPLOYMENT RATE: GAP BETWEEN MONTRÉAL AND TORONTO
(as a percentage)

	1989	1999	January 2000
Montréal	9.6	8.6	6.5
Toronto	4.0	6.1	5.4
Difference	5.6	2.5	1.1

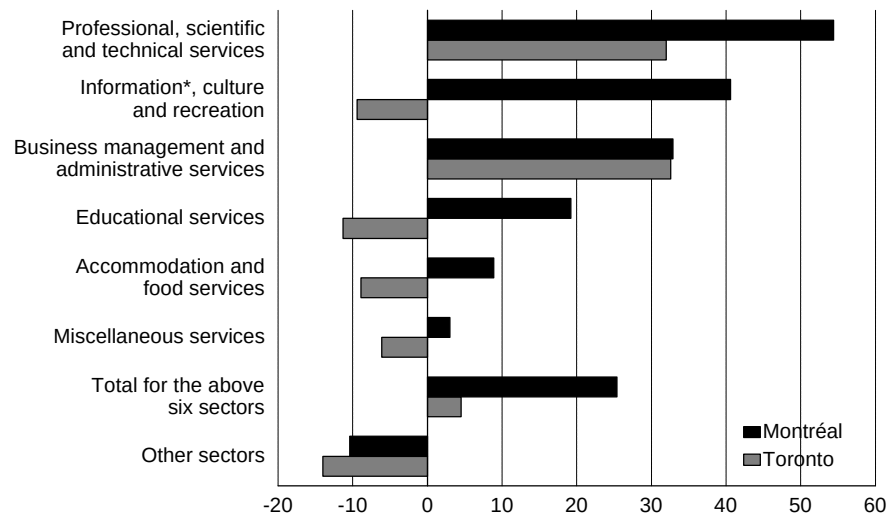
Source: Statistics Canada.

Montréal's performance is attributable to the development of sectors based primarily on knowledge, such as professional, scientific and technical services, business management and administrative services, educational services and services related to information,¹ culture and recreation.

¹ Including notably telecommunications.

GRAPH 1.10

**EMPLOYMENT GROWTH HIGHER IN MONTRÉAL THAN IN TORONTO
OWING TO SIX SECTORS OF ACTIVITY**
(percentage change between 1989 and 1999)



* Including notably telecommunications.

Source: Statistics Canada.

Sustained growth in domestic demand

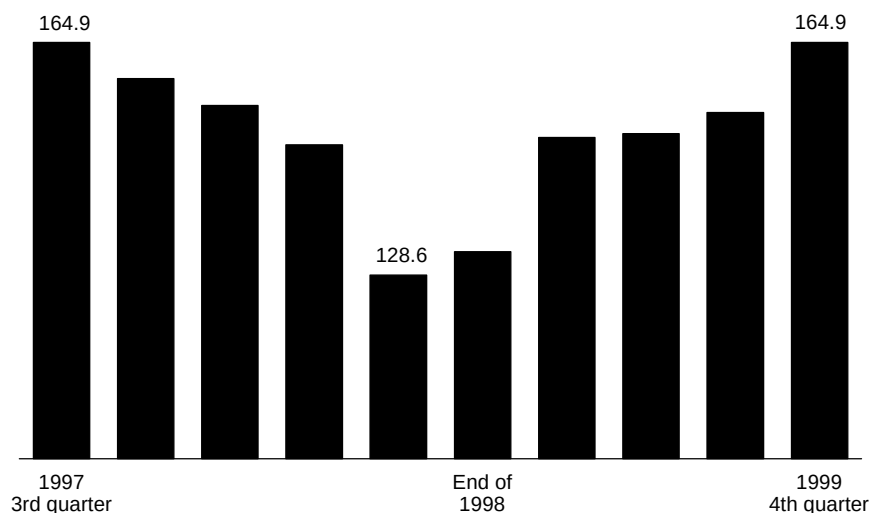
Relatively low interest rates and rapidly growing household and business confidence sustained growth in domestic demand by both consumers and enterprises. Matching the rate in 1998, domestic demand rose 3.4% in 1999, the best result observed since 1988.

The Business Confidence Index, after declining substantially from mid 1997 to late 1998, began to climb again rapidly. By the end of 1999, after recovering all of the ground lost owing to the uncertainty caused by the Asian crisis, it returned to the level recorded in the third quarter of 1997, a level not seen since 1979.

GRAPH 1.11

SHARP INCREASE IN BUSINESS CONFIDENCE

(Index 1991 = 100)



Source: Conference Board of Canada.

This renewed confidence coincided with the better world outlook for economic growth, the recovery in the price of raw materials and the substantial rise in profits (13.4% in 1999). These factors resulted in a 5.4% growth in investment by private-sector enterprises.

In addition, improved labour market conditions and relatively low interest rates had an impact on household confidence, which reached its highest level since 1988.

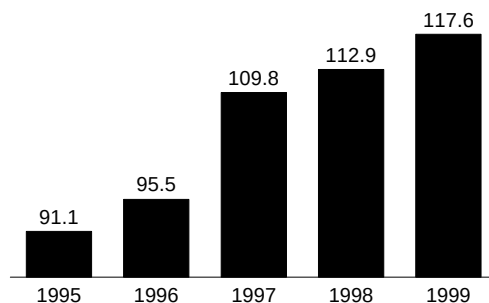
According to a survey by the Conference Board of Canada, 1999 was the best time for a record number of consumers to make a major purchase, such as a house or an automobile.

Feeling confident, households increased their spending more rapidly than their income, bringing about a major decline in the household savings rate, which fell close to zero, an unprecedented low.

In 1999, real consumer spending rose by 2.6%. Purchases of durable goods, such as automobiles, furniture and household appliances, which are usually expensive, recorded the most substantial gains.

GRAPH 1.12

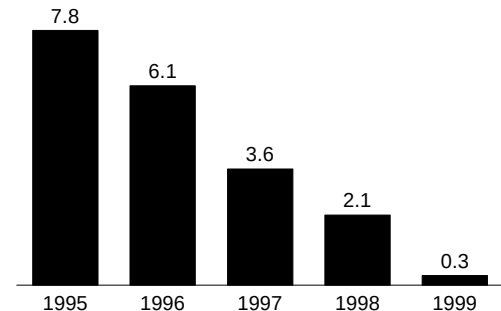
HOUSEHOLD CONFIDENCE – QUÉBEC (Index 1991 = 100)



Source: Conference Board of Canada.

GRAPH 1.13

HOUSEHOLD SAVINGS – QUÉBEC (as a percentage of disposable personal income)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

Moreover, a strong rebound was observed in the residential sector in 1999. Residential investment, in constant dollars, grew by 9.2%, owing to renovation work (11.7%) and the incipient recovery in new housing construction. The number of housing starts rose from 23 100 in 1998 to 25 700 in 1999.

Expanding world economy

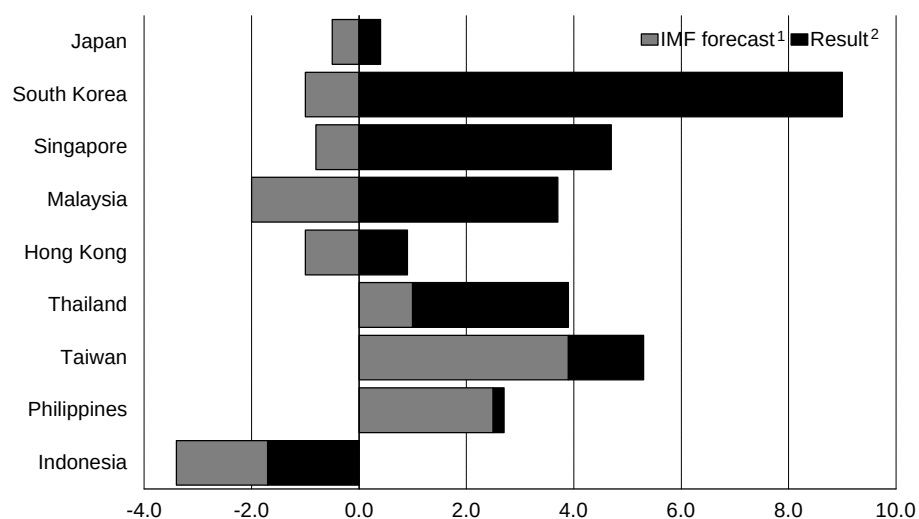
The Québec economy benefited from an external environment that was favourable to trade. The year 1999 was marked by rapid economic recovery in the Asian countries and by an exceptionally vigorous economy in the United States.

Faster-than-anticipated economic recovery in Asia

At the time of the 1999-2000 Budget Speech, most experts anticipated that the economic recovery in Asian countries would be slow and that the situation in emerging countries would remain fragile. In addition, the IMF forecast a downturn in economic activity in several Southeast Asian countries and Japan.

GRAPH 1.14

GROWTH IN REAL GDP IN 1999 – VARIOUS ASIAN COUNTRIES (as a percentage)



1 IMF forecast of December 1998.

2 Result for the first three quarters of 1999.

Sources: International Monetary Fund and Datastream.

However, nothing of the sort occurred. On the contrary, the Asian countries experienced a major economic recovery on account of demand stimulation programs, a decline in interest rates made possible by the stabilization of financial markets, and renewed world-wide demand for electronic products.

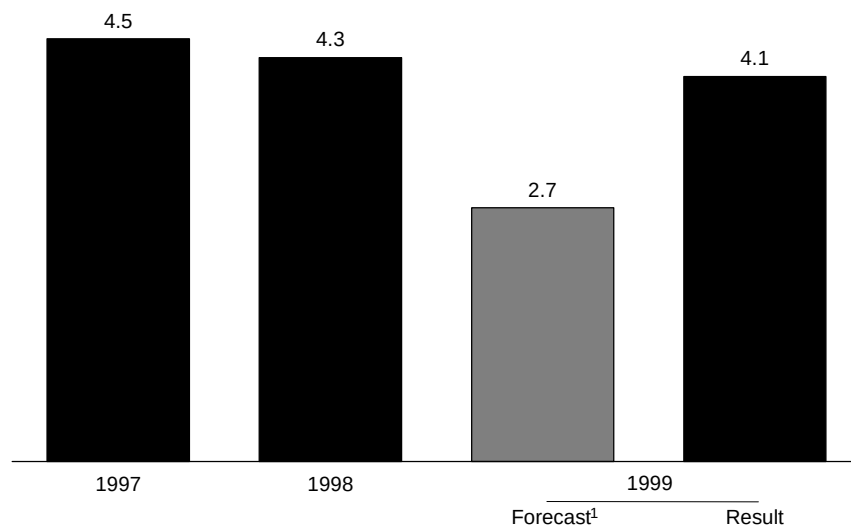
The Japanese economy remains fragile even though it has now emerged from the worst recession since the end of World War II. It continues to be paralyzed by major structural problems. Overall, the results of the first three quarters of 1999 indicate an annual growth rate in the order of half a percentage point.

Another outstanding year for the US economy

The US economy ended the decade on a strong note. In 1999, it grew by 4.1%, nearly one and a half percentage points higher than forecast by US experts a year ago. For the third consecutive year, the United States has seen its economy expand by over 4.0%.

GRAPH 1.15

GROWTH IN REAL GDP – UNITED STATES (as a percentage)



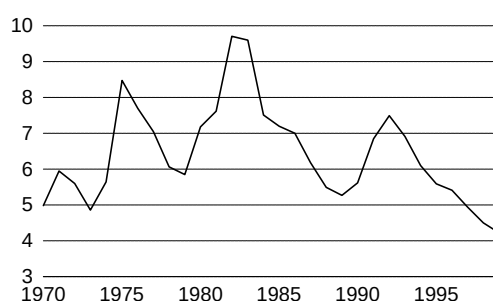
¹ At the time of the 1999-2000 Budget.

Sources: United States Bureau of Economic Analysis and Data Resources Inc.

On account of the vitality of the US economy, the unemployment rate declined again in 1999, reaching its lowest level in 30 years (4.2%). Nevertheless, inflationary pressures remained weak because growth in the Consumer Price Index (CPI) for commodities other than food and energy fell slightly, from 2.3% in 1998 to 2.1% in 1999. However, the overall inflation rate rose by 0.6 percentage points, to 2.2%, owing to the sharp increase (34% on average in 1999) in the price of oil.

GRAPH 1.16

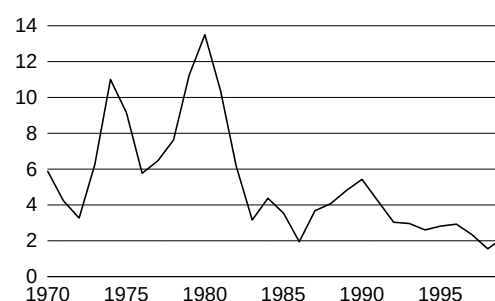
UNEMPLOYMENT RATE – UNITED STATES
(as a percentage)



Source: United States Bureau of Labor Statistics.

GRAPH 1.17

INFLATION RATE – UNITED STATES
(as a percentage)



Source: Data Resources Inc.

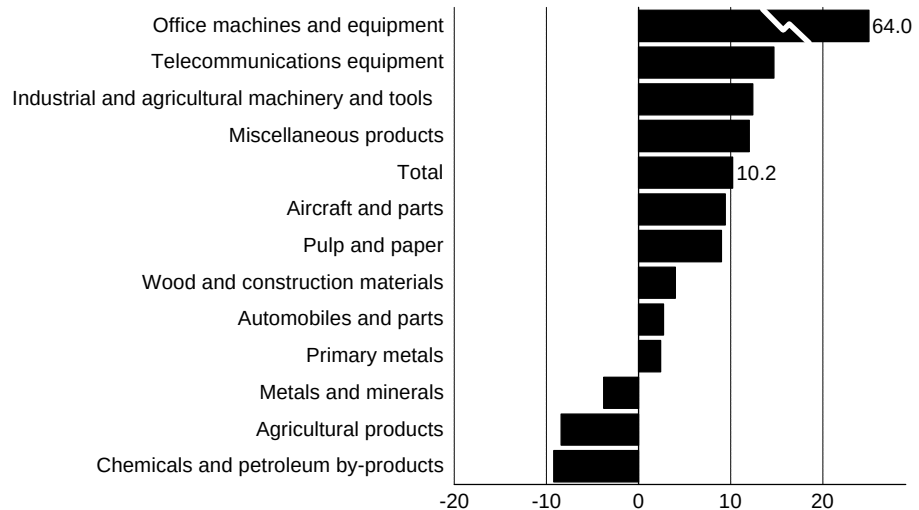
Acceleration in the growth of Québec's international exports

Given the good performance of the US economy, growth in exports accelerated in 1999. The volume of international exports of goods rose by 10.2% in 1999 (6.4% in 1998).

Exports of high-value-added manufactured products, such as office machines and equipment, telecommunications equipment and aircraft and parts recorded the most substantial gains. However, the growth in exports was partly offset by a decline in certain sectors, such as agricultural products, metals and minerals, and chemicals and petroleum by-products, which were still affected by weak world demand for these products following the financial crisis in Asia.

GRAPH 1.18

**QUÉBEC'S INTERNATIONAL EXPORTS OF GOODS IN CONSTANT DOLLARS
– 1999**
(percentage change)



Source: Institut de la statistique du Québec.

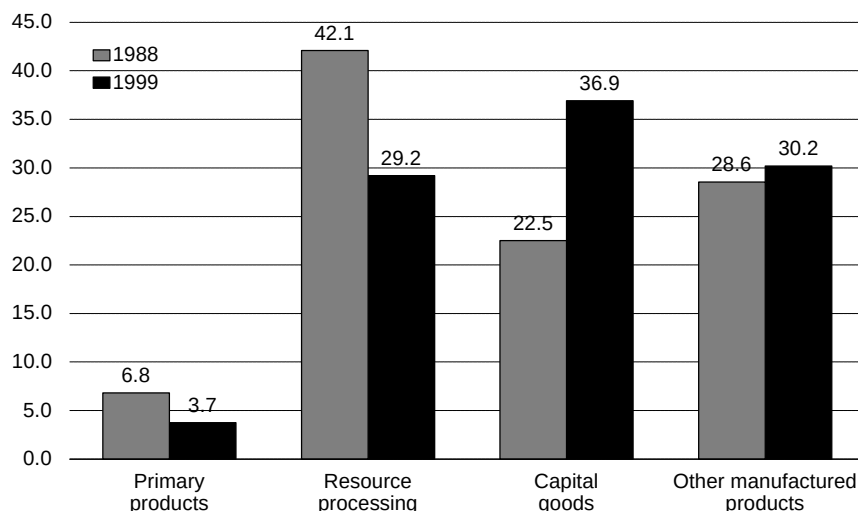
The vigorous growth in international exports last year follows a trend that emerged several years ago. Since the conclusion of the Canada-United States Free Trade Agreement, the relative importance of international exports of goods has doubled, from 17.9% of GDP in 1988 to 33.6% in 1999.

Québec's growing openness to international markets has been accompanied by a change in the structure of its exports to the benefit of goods from sectors that use advanced technology and require a high level of knowledge. As a result, exports are based less and less on natural resources, and high-value-added goods (capital goods² and other manufactured products³) now account for more than two thirds of international exports of goods, compared with less than half in 1988.

2 Telecommunications equipment, office machines, tools and equipment, aeronautical equipment and other transportation equipment, except for that relating to automobiles.

3 Including notably chemicals, plastics and petroleum by-products, automobile products and consumer products.

GRAPH 1.19

STRUCTURE OF INTERNATIONAL EXPORTS OF GOODS - QUÉBEC
 (as a percentage of total exports)


Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

More restrictive monetary conditions

The more favourable economic context world-wide, particularly in North America, prompted central banks to reorient their monetary policies during the year.

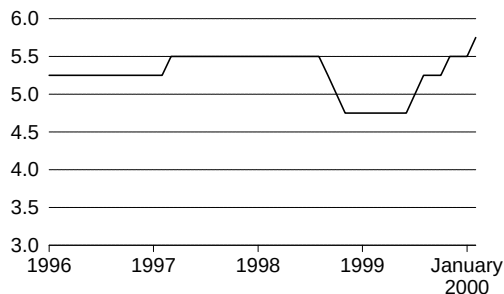
On account of the stabilization of financial markets at the international level and the tight labour market in the United States, the US Federal Reserve adopted a more restrictive monetary policy in 1999. To prevent possible inflationary pressures, it raised the federal funds rate by 100 basis points between June 1999 and February 2000, to its current rate of 5.75%.

Interest rates also increased in Canada, although to a lesser extent. The discount rate has edged up by 50 basis points since last fall, reaching 5.25% in early March 2000.

These interest rate hikes, coupled with the improvement in the price of raw materials observed over the past year, raised the value of the Canadian dollar by about 6%, i.e. approximately US 4 cents, between the beginning and the end of 1999.

GRAPH 1.20

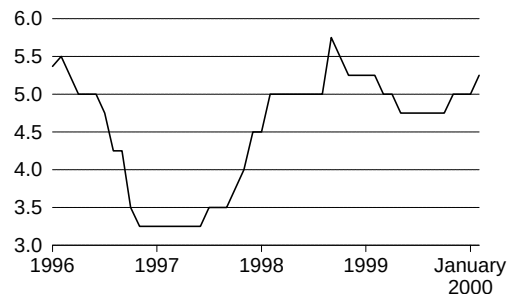
FEDERAL FUNDS RATE – UNITED STATES
(as a percentage)



Source: United States Federal Reserve.

GRAPH 1.21

DISCOUNT RATE – CANADA
(as a percentage)



Source: Bank of Canada.

Economic outlook for 2000

Foreign markets should continue to expand

Stronger European economy, but uncertainty in Japan

European countries should experience more robust growth in 2000 owing to changes in the world economy that are favourable to exports and more vigorous domestic demand.

TABLE 1.3

GROWTH OF REAL GDP – EUROPE (as a percentage)

	1999	2000
Euro zone	2.2	3.0
United Kingdom	1.9	2.9

Sources: Data Resources Inc. and Datastream.

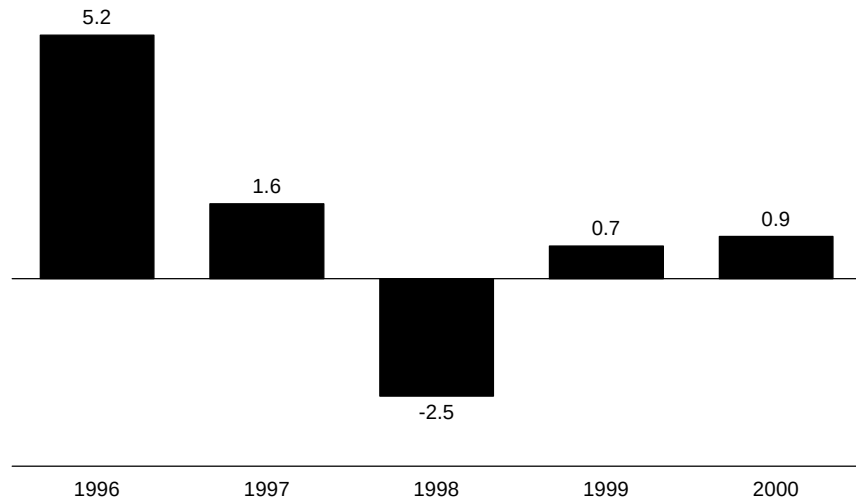
The economy of euro zone countries and the United Kingdom will expand by approximately 3%, one percentage point more than last year.

The recovery will continue this year in most Southeast Asian countries. However, the growth of the Japanese economy will continue to be curtailed by the major structural problems that still affect it.

Consequently, the Bank of Japan will have to keep its interest rate policy at 0%. In late 1999, the Japanese government had to introduce a new macroeconomic recovery plan, its ninth since 1992. This plan worth ¥18 trillion (US\$172 billion) is equal to about 4% of GDP. Despite these efforts, experts anticipate that Japan's economic growth will remain below 1% over the next few years.

GRAPH 1.22

GROWTH IN REAL GDP – JAPAN
(as a percentage)



Source: Data Resources Inc.

Sustained growth of the US economy

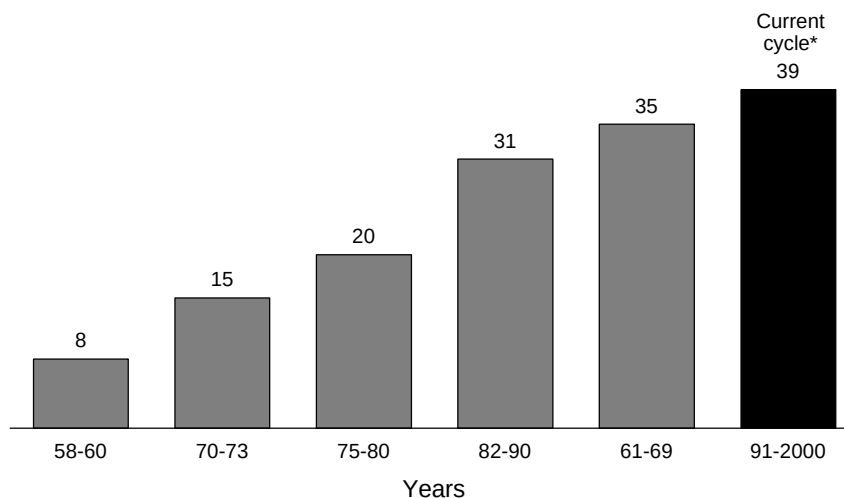
According to experts, economic activity should grow by 3.6% in the United States this year. The unemployment rate should remain low, around 4% on average.

The US economy is currently experiencing its longest expansionary cycle since World War II. By the end of 2000, the cycle will have lasted 39 quarters.

Despite the vitality of the economy, analysts anticipate that inflationary pressures will be contained and that the inflation rate will amount to approximately 2.4%.

GRAPH 1.23

LENGTH OF ECONOMIC CYCLES IN THE UNITED STATES (number of quarters)



* As at December 31, 2000.

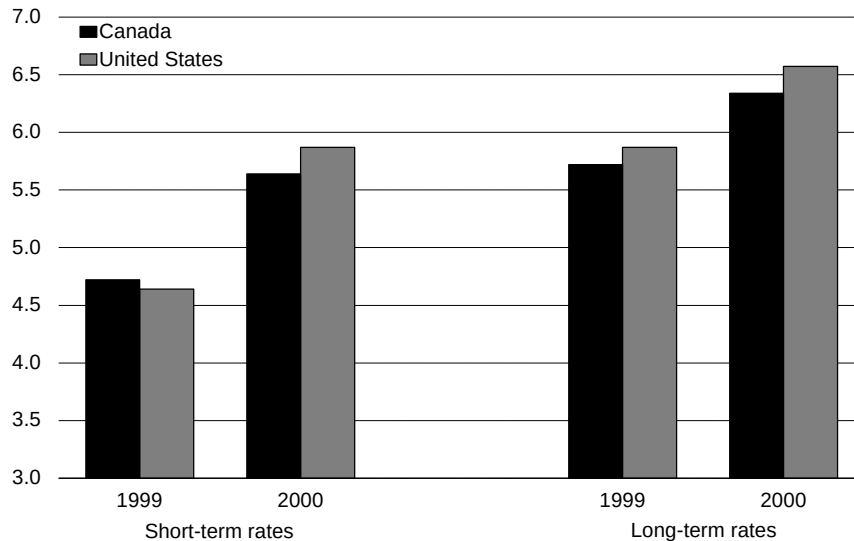
Sources: United States Bureau of Economic Analysis and Data Resources Inc.

Interest rates will continue to rise

Sustained economic growth and a growing risk of inflation will push up interest rates in all industrialized countries. In the United States and Canada, more restrictive monetary policies will continue to be implemented. Consequently, it is estimated that in Canada short-term interest rates will be about 90 basis points higher than in 1999, while long-term interest rates will increase by roughly 60 basis points.

GRAPH 1.24

INTEREST RATES – UNITED STATES AND CANADA (as a percentage)



Sources: Bank of Canada, United States Federal Reserve and ministère des Finances du Québec.

Continued growth in Québec

Overall, the economic context will be conducive to continued economic growth in Québec. The Québec economy will not only be able to count on a vigorous US economy and economic recovery in Europe and Asia, but will also be supported by fiscal and budgetary policies favourable to growth.

However, the economy will have to contend with more restrictive monetary policies and a reduction in the purchasing power of consumers stemming from the increase in the price of oil. In this context, real GDP should grow by 3.3% in 2000 and 2.7% in 2001.

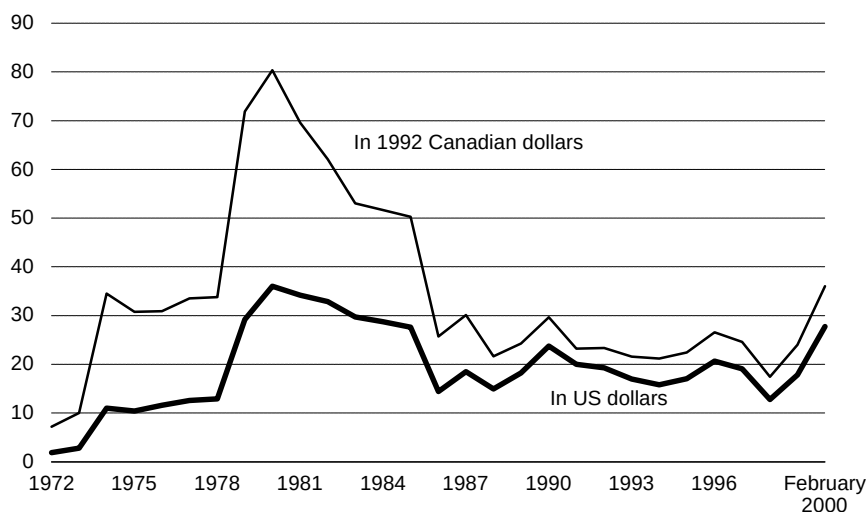
This year, labour market conditions should continue to improve with the addition of 70 000 new jobs and a further decrease of one percentage point in the unemployment rate, to 8.3%. In 2001, the unemployment rate should fall to 7.9%.

Temporary acceleration of inflation

Despite the absence of domestically generated inflationary pressures, the inflation rate has risen in Québec in recent months. This increase, which has also been observed in Canada, the United States and other industrialized countries, is attributable mainly to the rapid rise in crude oil prices world-wide. In February 2000, even though these prices were half what they were in the early 1980s in 1992 Canadian dollars, they were at their highest level since the Gulf War in late 1990.

GRAPH 1.25

PRICE OF A BARREL OF OIL¹ (in dollars)

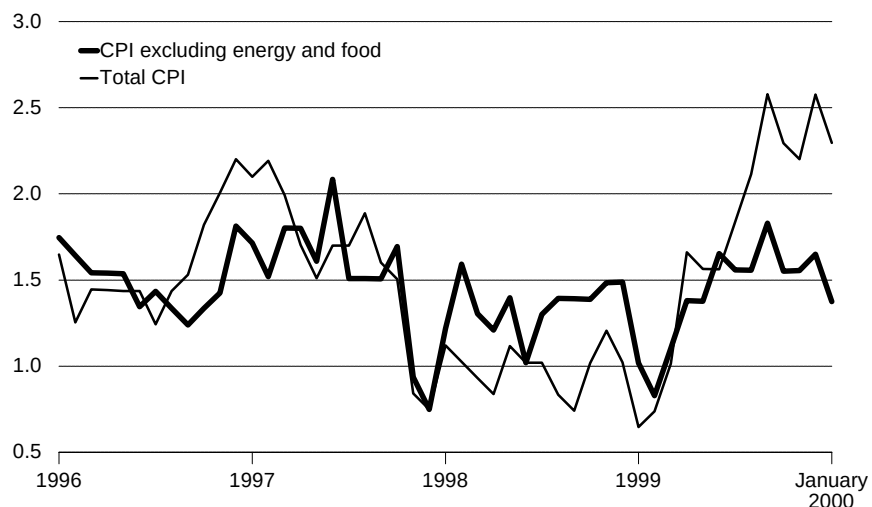


1 Price of North Sea oil beginning in 1982 and of Arab light oil prior to that date.
Sources: International Energy Agency, Statistics Canada and Bank of Canada.

Between January 1999 and January 2000, the price of a barrel of oil more than doubled, from US\$11.07 to US\$25.44 (crude oil from the North Sea). This sharp increase had an impact on the price of fuel and heating oil. Over the same period, the CPI for gasoline and fuel oil rose by over 20% in Québec and Canada.

However, between January 1999 and January 2000, the price index for commodities other than energy and food increased by only 1.4% in Canada (1.7% in Québec). This rate is lower than the midpoint of the target band (1% to 3%) set by the Bank of Canada.

GRAPH 1.26

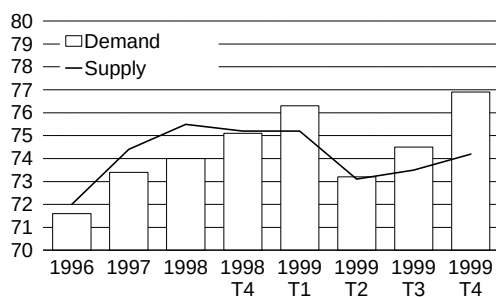
CONSUMER PRICE INDEX - CANADA
(annual percentage change)

Source: Statistics Canada.

According to experts, part of the rise in the price of oil should be temporary. Most foresee a gradual decline, particularly because of an increase in the output of OPEC and non-OPEC countries during the year. Based on the current average private-sector forecast, the price of oil is expected to fall in 2001 to nearly US\$21. This would be equivalent to the price that prevailed in the mid 1990s, before the Asian crisis led to the lows reached in early 1999.

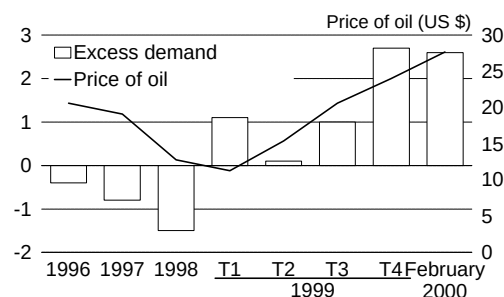
The anticipated decrease in the price of oil will be reflected in the prices paid by consumers, which will help to reduce inflation in 2001.

GRAPH 1.27

WORLD OIL SUPPLY AND DEMAND
 (in millions of barrels per day)


Source: International Energy Agency.

GRAPH 1.28

EXCESS OIL DEMAND
 (in millions of barrels per day)


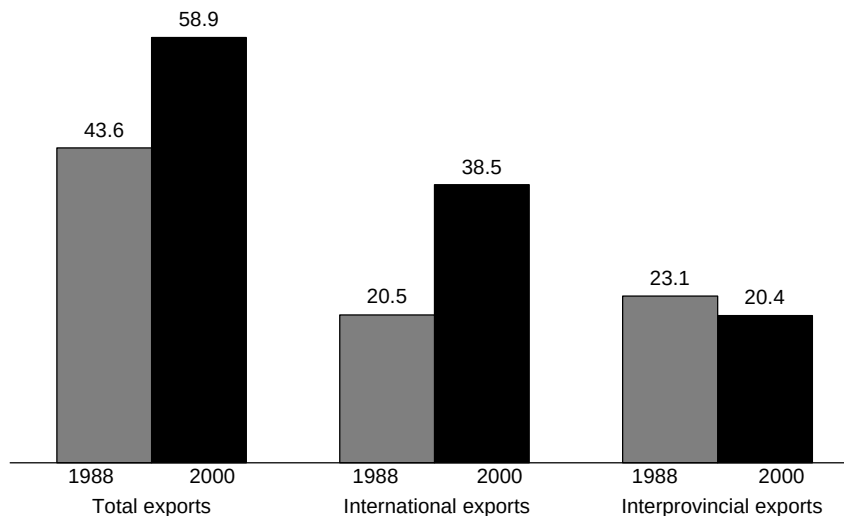
Source: International Energy Agency.

Additional growth in exports

International exports of goods should grow more rapidly than GDP again this year on account of free trade, slow growth in unit labour costs and the favourable Canadian dollar.

International exports of goods should thus increase by 6.1% in 2000 and 5.4% in 2001 (constant dollars).

GRAPH 1.29

QUÉBEC'S INTERNATIONAL AND INTERPROVINCIAL EXPORTS
(as a percentage of GDP)

Sources: Statistics Canada and ministère des Finances du Québec.

Domestic demand

The considerable improvement in labour market conditions in late 1999, the income tax reductions announced for this year and additional government spending will all support household consumer demand in 2000. However, households, which are deeply indebted, will have to contend with higher interest rates and less purchasing power on account of the rise in energy prices.

This year consumer spending should grow by 3.0% in constant dollars and by 4.5% in current dollars, rates higher than those observed last year (2.6% in constant dollars and 3.8% in current dollars).

Residential investment should continue to increase this year owing notably to the decline in the number of unsold new housing units and the vacancy rate for rental housing. In this context, real residential spending should climb by 4.7% this year, while housing starts should reach 26 400 units.

The context will remain favourable to the growth of non-residential investment this year, while work on major construction sites, such as the Alcan and Magnola projects in Alma and Asbestos respectively, will be pursued.

The financial health of enterprises improved substantially in 1999. Corporate profits rose by 13% last year after falling slightly in 1998 on account of the weak raw material prices generated by the financial crisis in Southeast Asia. However, many enterprises, which are operating at close to full production capacity, will have to boost their investments if they are to meet sustained domestic and foreign demand. Consequently, non-residential investment should grow by 4.7% this year.

TABLE 1.4

ECONOMIC OUTLOOK
(percentage change)

	1999	2000	2001
OUTPUT			
— Real gross domestic product	3.7	3.3	2.7
— Gross domestic product	4.8	5.3	4.0
COMPONENTS OF EXPENDITURE			
— Consumption	3.8	4.5	4.2
— Housing starts ('000)	25.7	26.4	27.4
— Non-residential investment	3.0 ¹	4.7	2.1
— International exports of goods ²	10.2	6.1	5.4
COMPONENTS OF INCOME AND PRICES			
— Wages and salaries	3.5	4.2	3.6
— Personal income	2.8	4.0	4.1
— Corporate profits	13.4	14.0	3.7
— Consumer prices	1.5	1.9	1.4
LABOUR MARKET			
— Labour force	1.1	1.0	1.0
— Employment	2.3	2.1	1.6
— in thousands	76	70	54
— Unemployment rate (%)	9.3	8.3	7.9
INTEREST RATES – CANADA (%)			
— 3-month Treasury bills	4.7	5.6	5.8
— 30-year Canada bonds	5.7	6.3	6.4

1 Statistics Canada, Private and public investment.

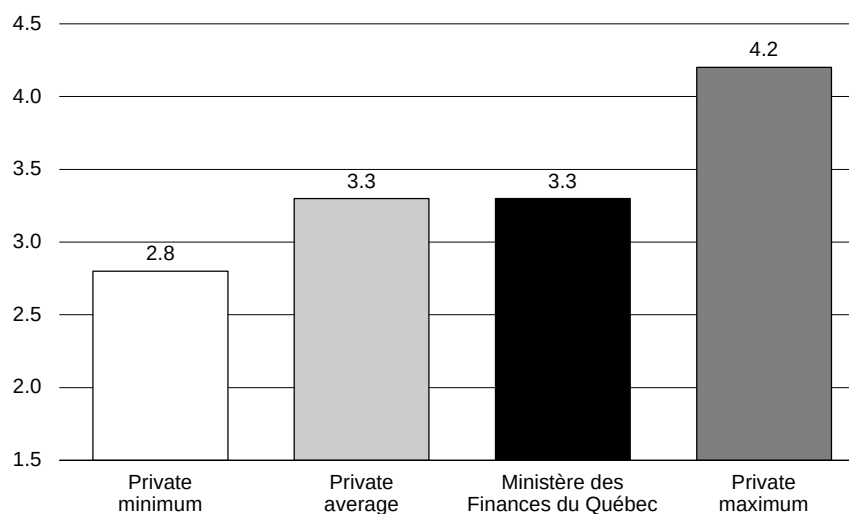
2 Constant 1992 dollars.

Comparison with private-sector forecasts

The forecasts used to prepare the financial framework are comparable to the average rate that emerged from a recent survey of private-sector forecasts. The economic growth forecasts included in this Budget are identical to those of the private sector, for both 2000 (3.3%) and 2001 (2.7%).

GRAPH 1.30

ECONOMIC GROWTH IN QUÉBEC – 2000 COMPARISON WITH PRIVATE-SECTOR FORECASTS (percentage change)



Source: According to a ministère des Finances du Québec survey.

As for the interest rate assumptions used to prepare the Budget, they are not very different from the average private-sector forecasts for 2000 and slightly higher than those for 2001.

TABLE 1.5

COMPARISON WITH PRIVATE-SECTOR FORECASTS - QUÉBEC
(as a percentage)

	Private sector	Ministère des Finances du Québec
REAL GROSS DOMESTIC PRODUCT		
2000	3.3	3.3
2001	2.7	2.7
CONSUMER PRICES		
2000	2.1	1.9
2001	2.0	1.4
INTEREST RATES		
Short-term		
2000	5.4	5.6
2001	5.4	5.8
Long-term		
2000	6.4	6.3
2001	6.2	6.4

Source: According to a ministère des Finances du Québec survey.

Section 2

The Government's Financial Position in 1999-2000 and Public Sector Borrowings

The government's financial transactions	3
Budgetary revenue	5
Budgetary expenditure	9
Non-budgetary transactions	11
Financing	13
Repayment of borrowings	19
Government debt	20
Public sector borrowings and investments	26
Historical data and preliminary results	33
Financial transactions of the gouvernement du Québec	
☐ Summary	33
☐ Budgetary revenue.....	34
☐ Budgetary expenditure	35
☐ Non-budgetary transactions	36
☐ Financing transactions	38
Borrowings for the Consolidated Revenue Fund in 1999-2000	39
Borrowings for consolidated organizations in 1999-2000	40
Borrowings by the government for non-consolidated organizations in 1999-2000	41
Borrowings by the government for Financement-Québec in 1999-2000	42
Borrowings by Hydro-Québec in 1999	43

Appendices

2.1 Data from the 1999-2000 Budget Speech and preliminary results according to the 2000-20001 budgetary structure.....	45
2.2 Results of consolidated organizations	49
2.3 List of consolidated organizations	53

The government's financial transactions¹

*Balanced budget achieved
again in 1999-2000*

The preliminary results of the government's financial transactions for the year ending March 31, 2000 indicate that a balanced budget will be achieved again in 1999-2000.

Consolidated budgetary revenue for the 1999-2000 fiscal year is \$1 789 million higher than forecast in the last Budget. This growth in revenue may be explained by an increase of \$2 413 million in own-source revenue and a decrease of \$624 million in Government of Canada transfers.

Consolidated budgetary expenditure is adjusted upward by \$1 789 million, to \$46 961 million. On the one hand, this change reflects the impact of the additional resources announced in this Budget Speech, particularly for health and social services and for young people and education. On the other hand, debt service is adjusted downward by \$211 million compared with the level anticipated at the time of the last Budget. This adjustment is essentially attributable to lower interest rates and a stronger Canadian dollar relative to other currencies than forecast in the March 1999 Budget Speech.

*Net financial surplus of
\$460 million: \$220 million
more than anticipated*

The consolidated net financial surplus is adjusted to \$460 million, an improvement of \$220 million compared with the figure anticipated in the March 1999 Budget.

With respect to financing transactions, the \$1 924-million increase in the change in direct debt compared with the initial forecast is mainly due to new borrowings of \$1 699 million to finance additional deposits in the retirement plans sinking fund.

¹ The data included in this section have been adjusted, for purposes of comparison, on the basis of the budgetary and financial structure that will prevail in 2000-2001. The adjustments made to the forecasts presented in the Budget Speech of March 9, 1999 are shown in Appendix 2.1.

TABLE 2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS
(in millions of dollars)

	1998-1999		1999-2000	
	Actual results ¹	Budget Speech 1999-03-09 ¹	Preliminary results ²	Change compared with Budget
Budgetary transactions				
Own-source revenue	38 560	38 264	40 677	2 413
Government of Canada transfers	8 090	6 908	6 284	- 624
Total revenue	46 650	45 172	46 961	1 789
Operating expenditure	- 39 332	- 37 573	- 39 573	- 2 000
Debt service	- 7 187	- 7 599	- 7 388	211
Total expenditure	- 46 519	- 45 172	- 46 961	- 1 789
Budgetary surplus	131	0	0	0
Non-budgetary transactions				
Investments, loans and advances	- 1 402	- 1 258	- 1 755	- 497
Capital expenditures	- 217	- 300	- 372	- 72
Retirement plans	1 020	1 440	1 629	189
Other accounts	991	358	958	600
Non-budgetary surplus	392	240	460	220
Net financial surplus (requirements)	523	240	460	220
Financing transactions				
Change in cash position	- 1 983	2 627	2 182	- 445
Change in direct debt	2 490	- 1 740	184	1 924
Retirement plans sinking fund ³	- 1 030	- 1 127	- 2 826	- 1 699
Total financing of transactions	- 523	- 240	- 460	- 220

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 For purposes of comparison, the data have been adjusted on the basis of the 2000-2001 budgetary and financial structure. The adjustments required regarding the data from the Budget Speech of March 9, 1999 are presented in Appendix 2.1.

2 The preliminary results for 1999-2000 are based on actual data recorded from April 1999 to January 2000 and on an estimate, as at March 3, 2000, of the February and March results for which transactions will be posted, up to the closing of the books, to 1999-2000 transactions.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

Budgetary revenue

For the 1999-2000 fiscal year, budgetary revenue totals \$46 961 million. Own-source revenue grew by 5.5%, while federal transfers fell by 22.3 %.

Own-source revenue

Own-source revenue is \$2 413 million higher than forecast in the 1999-2000 Budget Speech. This result reflects the strength of revenue from income taxes and other taxes, which benefited from the better-than-anticipated economic performance in 1999 and from recurrent supplementary revenue recorded at the end of 1998-1999. Compared with the initial forecasts, the revenue from government enterprises is adjusted upward by \$805 million and that of the consolidated organizations, by \$59 million.

TABLE 2.2

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE (in millions de dollars)

	1998-1999			1999-2000	
	Actual results	Budget Speech 1999-03-09	Preliminary results	Change compared with Budget	Change compared with 1998-1999 (%)
Personal income tax	15 293	15 354	15 979	625	4.5
Health Services Fund	4 117	4 083	4 208	125	2.2
Corporate taxes	3 406	3 325	3 575	250	5.0
Sales tax	6 426	6 369	6 868	499	6.9
Government enterprises	3 131	2 937	3 742	805	19.5
Consolidated organizations	1 680	1 670	1 729	59	2.9
Other sources	4 507	4 526	4 576	50	1.5
Total own-source revenue	38 560	38 264	40 677	2 413	5.5

Revenue from personal income tax is revised upward by \$625 million and that from contributions to the Health Services Fund, by \$125 million. These adjustments are mainly attributable to the stronger-than-anticipated growth in employment and remuneration.

Corporate tax revenue is increased by \$250 million, owing to the fact that corporate profits grew much more vigorously than expected in 1999.

Revenue from the Québec sales tax is adjusted upward by \$499 million compared with the forecast in the 1999-2000 Budget Speech. Most of this increase may be explained by the sustained growth of consumption in 1999.

Revenue from government enterprises is revised upward by \$805 million, mainly owing to an \$882-million increase in the profits of certain enterprises, primarily the Société générale de financement du Québec and the Commission de la santé et de la sécurité du travail. Revenue from Loto-Québec is also adjusted upward by \$125 million to reflect the higher-than-anticipated profits from the operation of video lottery machines and traditional lotteries. However, Hydro-Québec's net profits are \$211 million lower than initially forecast because of weaker-than-anticipated electricity sales and a downward adjustment of revenue from other operating products.

As described in Appendix 2.2, the revenue of consolidated organizations is \$59 million higher than expected in the 1999-2000 Budget Speech.

Lastly, the revision of amounts from other sources is explained for the most part by higher-than-anticipated revenue from duties and permits, interest income and the tobacco tax. However, these revisions are partially offset by the decrease in revenue from the fuel tax and by lower-than-expected sales of goods and services and recoveries.

Federal transfers

Compared with the forecast in the March 1999 Budget Speech, the preliminary results for 1999-2000 indicate a downward revision of \$624 million in Government of Canada transfers, which total \$6 284 million. This difference mainly reflects a decline in revenue from the Canada Health and Social Transfer (CHST).

TABLE 2.3

SUMMARY OF THE CHANGE IN GOVERNMENT OF CANADA TRANSFERS (in millions of dollars)

	1998-1999			1999-2000	
	Actual results	Budget Speech 1999-03-09	Preliminary results	Change compared with Budget	Change compared with 1998-1999 (%)
Equalization	5 385	4 385	4 388	3	- 18.5
Canada Health and Social Transfer	1 697	1 682	1 120	- 562	- 34.0
EPF and other transfers related to fiscal arrangements	60	15	11	- 4	- 81.7
Other programs	690	577	517	- 60	- 25.1
Consolidated organizations	258	249	248	- 1	- 3.9
Total Government of Canada transfers	8 090	6 908	6 284	- 624	- 22.3

Revenue from the Canada Health and Social Transfer (CHST) is revised downward by \$562 million in 1999-2000. This revision is due for the most part to the deferral of the receipt of \$482 million from the CHST trust account, an amount that had been integrated into the financial framework of the 1999-2000 Budget. This adjustment also reflects the higher value of the tax points related to Québec's special abatement, which reduce the financial transfers paid under this program by the federal government to Québec accordingly.

Equalization revenue is practically unchanged compared with the initial forecasts. On the one hand, Québec's relative fiscal capacity is revised upward, particularly for corporate income tax and the sales taxes, thus reducing Québec's equalization entitlements. On the other hand, the provincial revenue used to establish equalization entitlements, notably personal income tax and oil and gas royalties, is adjusted upward. This increase helps to raise equalization entitlements high enough to offset the impact of the revision of Québec's relative fiscal capacity.

Lastly, revenue from other programs has been adjusted downward by \$60 million since the 1999-2000 Budget Speech, particularly with respect to tax transfers related to other programs.

Budgetary expenditure

Additional resources allocated mainly for health and social services and for young people and education

Budgetary expenditure for fiscal 1999-2000 amounts to \$46 961 million, \$1 789 million more than forecast in the Budget Speech of March 9, 1999. This increase is mainly the result of the new initiatives announced in this Budget and the additional resources allocated in particular in the health and social services sector and the education sector. In all, there is a slight increase of 1.0% in budgetary expenditure compared with 1998-1999.

TABLE 2.4

SUMMARY OF THE CHANGE IN BUDGETARY EXPENDITURE (in millions of dollars)

	1998-1999				1999-2000
	Actual results	Budget Speech 1999-03-09	Preliminary results	Change compared with Budget	Change compared with 1998-1999 (%)
Program spending objective	37 964	36 327	36 327	—	— 4.3
Extent to which objective was achieved	—	—	1 947	1 947	—
Program spending	37 964	36 327	38 274	1 947	0.8
Consolidated organizations	1 368	1 246	1 299	53	— 5.0
Total operating expenditure	39 332	37 573	39 573	2 000	0.6
Debt service					
• Consolidated Revenue Fund					
- Direct debt service	4 160	4 286	4 112	— 174	— 1.2
- Retirement plans	2 414	2 648	2 612	— 36	8.2
	6 574	6 934	6 724	— 210	2.3
• Consolidated organizations	613	665	664	— 1	8.3
Total debt service	7 187	7 599	7 388	— 211	2.8
Total budgetary expenditure	46 519	45 172	46 961	1 789	1.0

Operating expenditure

Operating expenditure is revised to \$39 573 million, \$2 000 million more than forecast in the March 1999 Budget Speech.

This Budget announces a \$1 947-million increase in the program spending objective in 1999-2000, of which nearly \$800 million have been allocated to the health and social services sector. First, additional resources of \$630 million have been granted mainly to ensure that institutions in this network will balance their budgets in 1999-2000 and to cover the additional expenditures incurred with regard to the collective agreements. An amount of \$152 million has also been provided for the Régie de l'assurance-maladie du Québec (RAMQ) primarily for the purposes of the prescription drug insurance program. This amount excludes the \$84-million deficit of the Fonds de l'assurance-médicaments in 1999-2000, which is shown in the results of the consolidated organizations.

Expenditures for education and youth are increased by nearly \$500 million, owing mainly to the addition of nearly \$300 million for the ministère de l'Éducation, including \$150 million for promoting the financial health of the education networks. An additional \$120 million has been earmarked for the creation of the new Youth Fund and another \$120 million for the activities of Valorisation-Recherche Québec.

Lastly, over \$600 million have been invested in other sectors, particularly to improve public services through, among other things, municipal, environmental and transportation infrastructure projects.

As described in Appendix 2.2, the expenditures of consolidated organizations show an increase of \$53 million compared with the March 1999 Budget Speech.

Debt service

Debt service forecasts amount to \$7 388 million, of which \$4 112 million is for the direct debt service of the Consolidated Revenue Fund, \$2 612 million for interest expenditures in regard to the retirement plans liability and \$664 million for the debt service of consolidated organizations. This represents a downward adjustment of \$211 million compared with the forecast in the last Budget.

This change essentially reflects a reduction of \$174 million in direct debt service, stemming for the most part from lower interest rates and a stronger-than-anticipated Canadian dollar. In addition, interest expenditures in regard to the retirement plans are adjusted downward by \$36 million owing to an increase in deposits in the retirement plans sinking fund. The revenue of this fund is applied against the interest expenditure recorded with regard to the retirement plans liability.

Non-budgetary transactions

The surplus in non-budgetary transactions totals \$460 million, \$220 million more than forecast in the March 1999 Budget Speech.

TABLE 2.5

SUMMARY OF NON-BUDGETARY TRANSACTIONS

(in millions of dollars)

	Budget Speech 1999-03-09	1999-2000	
		Preliminary results	Change
Investments, loans and advances			
Government enterprises			
Shares and investments, and change in the equity value of investments	- 1 277	- 1 739	- 462
Loans and advances	1	14	13
	- 1 276	- 1 725	- 449
Loans and advances to municipalities, municipal bodies, individuals, corporations and others	- 20	3	23
	- 1 296	- 1 722	- 426
Capital expenditures	260	266	6
Retirement plans	1 440	1 629	189
Other accounts	354	591	237
Consolidated organizations	- 518	- 304 ¹	214
Non-budgetary surplus	240	460	220

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

1 Details shown in Table 2.17.

Preliminary results for investments, loans and advances indicate a \$426-million increase in funding requirements compared with the initial forecast. This difference is mainly attributable to the rise in the value of government investments, stemming from the higher profits of government enterprises.

The \$6-million reduction in capital expenditures is explained mainly by lower investments by departments and agencies than anticipated at the time of the last Budget.

The annual retirement plans account surplus shows an increase of \$189 million. This change is attributable mainly to the improvement of the retirement plans following the recognition of the rights of same-sex spouses and to the lower-than-anticipated benefits paid in 1999-2000.

Transactions related to the other non-budgetary accounts represent year-to-year changes in these financial items. These accounts, which include, in particular, cash and bills on hand, outstanding cheques, accounts receivable and accounts payable, can fluctuate a great deal because of the variability of government cash inflow and disbursements. For 1999-2000, the balance of the other accounts shows an increase of \$237 million compared with the figure announced in the March 1999 Budget, particularly because of the anticipated increase in the balance of accounts payable as at March 31, 2000.

In regard to consolidated organizations, the \$214-million upward adjustment stems mainly from faster-than-anticipated cash inflow for certain special funds.

Financing

Preliminary results show that the change in direct debt amounts to \$184 million, \$1 924 million more than forecast in the 1999-2000 Budget Speech. Borrowings in fiscal 1999-2000 for the Consolidated Revenue Fund and consolidated organizations amount to \$5 991 million, \$1 934 million more than anticipated in the last Budget Speech. The increase in borrowings mainly reflects the decision to make additional deposits in the retirement plans sinking fund.

TABLE 2.6

SUMMARY OF FINANCING TRANSACTIONS (in millions of dollars)

	1999-2000		
	Budget Speech 1999-03-09	Preliminary results	Change
Change in cash position			
Consolidated Revenue Fund	2 814	2 073	- 741
Consolidated organizations	- 187	109	296
Total change in cash position	2 627	2 182	- 445
Change in direct debt			
Consolidated Revenue Fund			
- New borrowings	2 758	5 241	2 483
- Repayment of borrowings	- 5 195	- 5 238	- 43
	- 2 437	3	2 440
Consolidated organizations			
- New borrowings ¹	1 299	750	- 549
- Repayment of borrowings	- 602	- 569	33
	697	181	- 516
Total change in direct debt	- 1 740	184	1 924
Retirement plans sinking fund	- 1 127	- 2 826	- 1 699
Total financing of transactions	- 240	- 460	- 220

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 Including borrowings of \$296 million to finance the work of municipal bodies.

Financing of the Consolidated Revenue Fund

Preliminary results show that the change in the direct debt of the Consolidated Revenue Fund amounts to \$3 million, an increase of \$2 440 million compared with the forecast in the 1999-2000 Budget Speech. Borrowings in fiscal 1999-2000 amount to \$5 241 million, \$2 483 million more than anticipated in the last Budget. This revision is explained notably by \$1 699 million in additional borrowings relating to the additional deposits made in the retirement plans sinking fund (RPSF), \$758 million in pre-financing and a \$43-million increase in the repayment of borrowings.

The decision to deposit additional amounts in the RPSF was made in the context of the creation of the Fonds Québec-Mondial, a new investment vehicle set up by the Caisse de dépôt et placement du Québec for its depositors. This initiative led to increased demand for Québec securities, and as a result, in 1999-2000, the additional deposits in the RPSF were financed by purchases of government bonds by the Caisse de dépôt et placement du Québec rather than by the increase in the issue of bonds on public markets.

Owing to pre-financing, the cash level was reduced by \$2 073 million, although a \$2 814-million decrease was forecast in last year's Budget Speech.

Financing of consolidated organizations

Preliminary results show that the change in the direct debt of consolidated organizations amounts to \$181 million. This is a downward revision of \$516 million compared with the forecast in the 1999-2000 Budget Speech. Borrowings in fiscal 1999-2000 total \$750 million, a decrease of \$549 million compared with the amount forecast in the last Budget Speech.

This revision is explained by three factors: a \$296-million decrease in long-term financial requirements, given that the anticipated financing was carried out through a reduction in the cash level, a \$220-million reduction in the anticipated net financial requirements of consolidated organizations, and the \$33-million downward revision in the repayment of borrowings.

Borrowings

In all the government contracted borrowings of \$7 378 million in 1999-2000, of which \$5 241 million was for Consolidated Revenue Fund needs (including \$2 826 million to make deposits in the retirement plans sinking fund), \$750 million for consolidated organizations (including \$296 million to finance the work of municipal bodies), \$443 million for non-consolidated organizations (mainly the Corporation d'hébergement du Québec) and \$944 million for Financement-Québec.¹

Realization of the financing program was characterized by the exceptional receptivity of financial markets to Québec securities.

In all, 66% of the financing program, or \$4 874 million, was carried out on the Canadian market. The government carried out on this market two public issues with terms of 5 and 30 years, and real return issues, for a total of \$829 million. Private investments totalling \$3 487 million were made with the Caisse de dépôt et placement du Québec, while \$106 million were obtained through the issue of medium-term notes and \$6 million through the Canada Pension Plan Investment Fund. Lastly, the savings products sold by Placements Québec should provide the government with \$446 million in financing.

Borrowings totalling \$2 504 million, or 34% of the financing program, were obtained on foreign markets as part of the government's financing sources diversification strategy. Two public bond issues were carried out on these markets. First, a global bond issue in US dollars with a 30-year term for US\$1.5 billion (CAN\$2.2 billion) was carried out in September 1999. The government then carried out a first public bond issue on the euro market for €150 million (CAN\$217 million). Québec is the first province in Canada to carry out a public bond issue on this market.

1 Financement-Québec is a government enterprise that was created in 1999-2000 to make loans to certain public sector establishments in Québec, particularly those in the health and social services network and the education network. Previously, these establishments contracted borrowings from the Financing Fund. Over the coming months, Financement-Québec should begin to make borrowings on financial markets in its own name, with guarantees from the government. Fiscal 1999-2000 was a transition year for the Financing Fund and Financement-Québec. An amount of \$944 million recorded as borrowings of Financement-Québec is made up of \$500 million advanced to Financement-Québec by the Consolidated Revenue Fund and an amount of \$444 million advanced to the Financing Fund by the Consolidated Revenue Fund for making loans to establishments currently served by Financement-Québec. These borrowings were transferred to Financement-Québec during the fiscal year.

TABLE 2.7

SUMMARY OF BORROWINGS IN 1999-2000

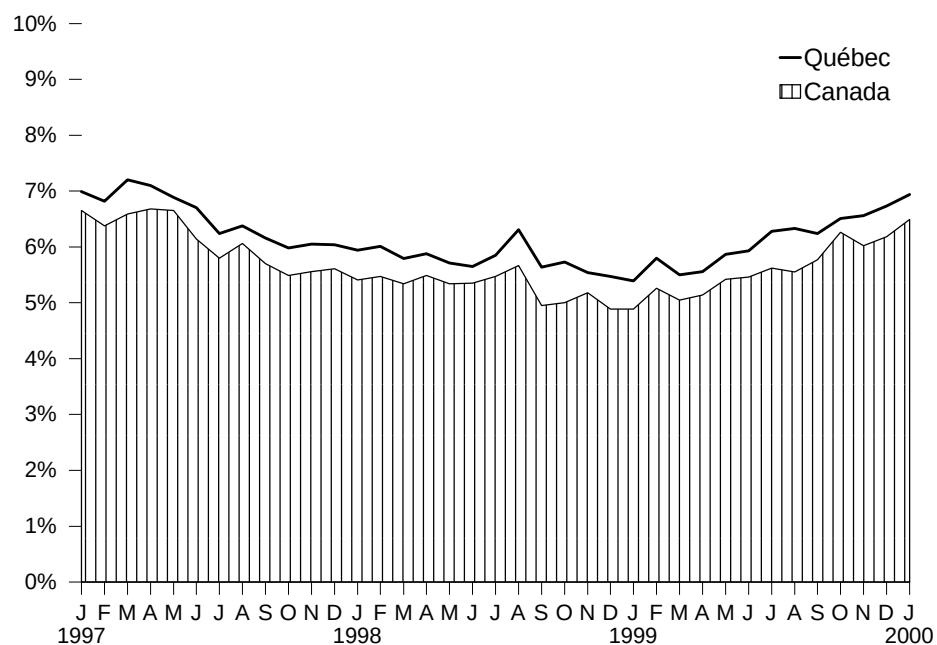
(in millions of dollars)

Currency and market	Consolidated Revenue Fund	Consolidated organizations ¹	Non- consolidated organizations	Financement- Québec ²	Total (%)	
Canadian dollar						
Canadian market						
• Public issues						
Negotiable bonds	431	—	—	398	829	11.2
• Private issues						
Caisse de dépôt et placement du Québec	1 777	721	443	546	3 487	47.3
Canada Pension Plan Investment Fund	6	—	—	—	6	0.1
• Savings products	446	—	—	—	446	6.0
• Medium-term notes	106	—	—	—	106	1.5
Sub-total	2 766	721	443	944	4 874	66.1
US dollar						
US euro dollar market						
• Medium-term notes	—	29	—	—	29	0.4
World market						
• Negotiable bonds	2 200	—	—	—	2 200	29.8
Sub-total	2 200	29	--	--	2 229	30.2
Other currencies						
• Public issue						
Euro market	217	—	—	—	217	2.9
• Private issue						
Japanese yen market	58	—	—	—	58	0.8
Sub-total	275	—	--	--	275	3.7
Total	5 241	750	443	944	7 378	100.0

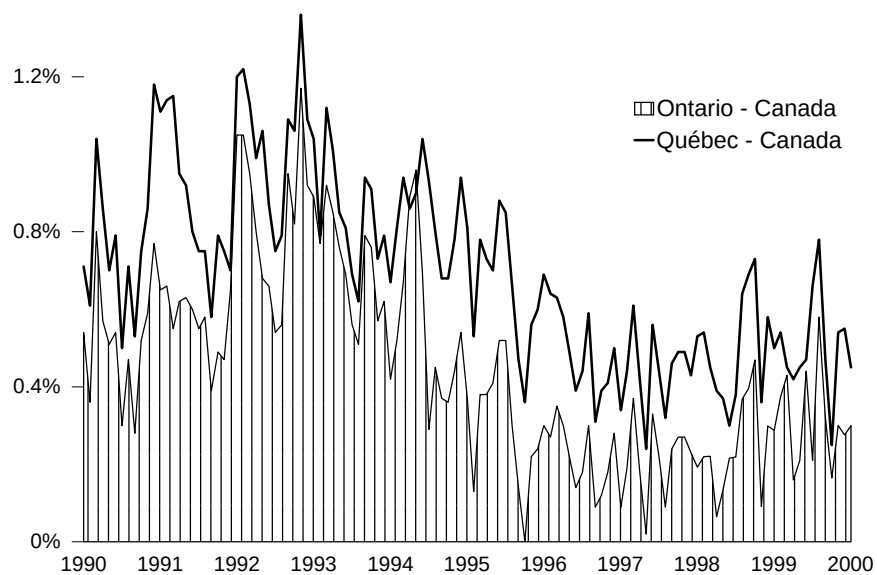
1 Including borrowings of \$296 million to finance the work of municipal bodies.

2 Borrowings to finance institutions in the health and social services network and the education network.

GRAPH 2.1

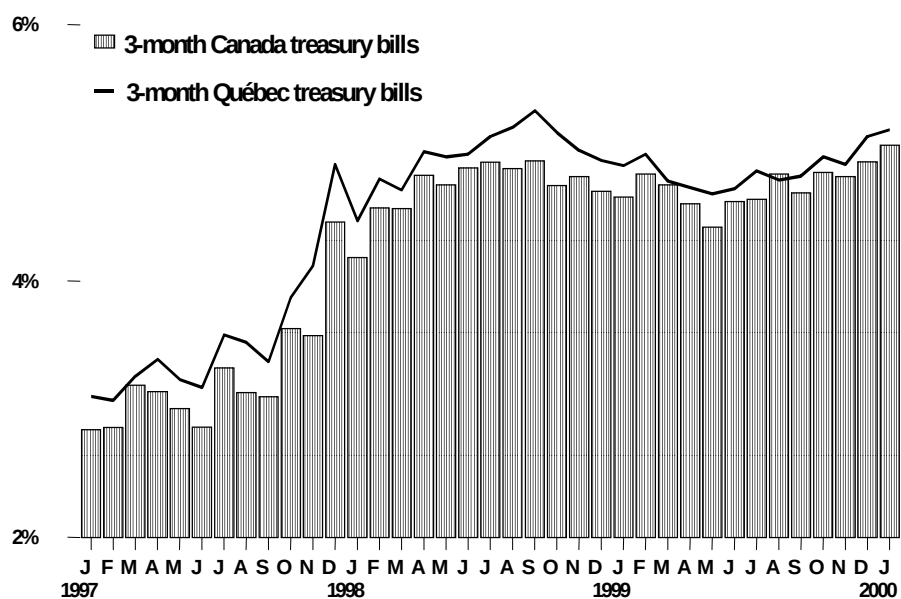
**YIELD ON QUÉBEC AND CANADA LONG-TERM (10 YEAR)
GOVERNMENT SECURITIES**


GRAPH 2.2

YIELD SPREADS ON LONG-TERM (10-YEAR) SECURITIES


GRAPH 2.3

YIELD ON SHORT-TERM SECURITIES



Repayment of borrowings

Preliminary results show that the repayment of borrowings of the Consolidated Revenue Fund and consolidated organizations for fiscal 1999-2000 amounts to \$5 807 million, \$10 million more than forecast in the Budget Speech of March 9, 1999.

Repayment of borrowings of the Consolidated Revenue Fund

Preliminary results show that the repayment of borrowings of the Consolidated Revenue Fund amounts to \$5 238 million, \$43 million more than anticipated in the Budget Speech of last March.

Repayment of borrowings of consolidated organizations

Preliminary results show that the repayment of borrowings of consolidated organizations for fiscal 1999-2000 amounts to \$569 million, \$33 million less than anticipated in the last Budget Speech.

Government debt

The government's total debt consists of the consolidated direct debt and the net retirement plans liability. The consolidated direct debt is the sum of the direct debt of the Consolidated Revenue Fund and the debt of consolidated organizations. As for the net retirement plans liability, it consists of the retirement plans liability minus the balance of the retirement plans sinking fund (RPSF), an asset that may eventually be used to pay the retirement benefits of public and parapublic sector employees.

According to the preliminary data, the consolidated direct debt amounts to \$61 688 million as at March 31, 2000, or \$57 988 million as direct debt of the Consolidated Revenue Fund and \$3 700 million as debt of consolidated organizations.

It should be noted that an amount of \$758 million included in the consolidated direct debt represents pre-financing in 1999-2000 that will be used to cover part of the borrowings to be made in 2000-2001. Excluding this pre-financing, the consolidated direct debt of the Québec government amounts to \$60 930 million as at March 31, 2000, including \$57 230 million as direct debt of the Consolidated Revenue Fund.

The net retirement plans liability totals \$39 227 million as at March 31, 2000 and consists of \$44 262 million as the retirement plans liability minus the value of the RPSF, or \$5 035 million.

Excluding pre-financing, the total debt is \$100 157 million.

TABLE 2.8

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2000 (in millions of dollars)

	Consolidated direct debt			Retirement plans liability	Total debt
	Direct debt of the Consolidated Revenue Fund	Consolidated organizations	Total		
Anticipated debt as at March 31, 2000	57 988	3 700	61 688	44 262	105 950
Retirement plans sinking fund	—	—	—	– 5 035	– 5 035
Pre-financing	– 758	—	– 758	—	– 758
Total	57 230	3 700	60 930	39 227	100 157

Structure of the government's total debt

As at March 31, 2000, the proportion of the consolidated direct debt in Canadian dollars amounts to 65.8% and the proportion in foreign currency, 34.2%. If the net retirement plans liability, for which all commitments are in Canadian dollars, is also taken into account, the proportion of the total debt in Canadian dollars rises to 79.1%.

TABLE 2.9

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2000 INCLUDING THE IMPACT OF CURRENCY SWAPS (in millions of dollars)

Currency	Consolidated direct debt					Net retirement plans liability	Total debt	(%)
	Direct debt of the Consolidated Revenue Fund	(%)	Consolidated organizations	Total	(%)			
Canadian dollar	36 985	63.8	3 588	40 573	65.8	39 227	79 800	79.1
US dollar	12 489	21.5	112	12 601	20.4	—	12 601	12.5
Japanese yen	6 471	11.2	—	6 471	10.5	—	6 471	6.4
Swiss franc	1 362	2.3	—	1 362	2.2	—	1 362	1.3
Euro	681	1.2	—	681	1.1	—	681	0.7
Sub-total	57 988	100.0	3 700	61 688	100.0	39 227	100 915	100.0
Pre-financing	– 758		—	– 758		—	– 758	
Total	57 230		3 700	60 930		39 227	100 157	

Note: The debt in foreign currency is expressed in the Canadian equivalent at the exchange rates effective on February 18, 2000.

Structure of the direct debt of the Consolidated Revenue Fund

The proportion of the direct debt of the Consolidated Revenue Fund in Canadian dollars amounts to 63.8% and the proportion in foreign currency, 36.2%. At the end of the current fiscal year, the share at fixed rates amounts to 55.3%, while the share at variable rates stands at 44.7%.

The weighted average maturity of this debt, excluding savings bonds and Treasury bills, rose from 10.6 years as at March 31, 1999 to 11.4 years as at March 31, 2000.

Savings products outstanding should total \$2 635 million and represent 4.5% of this debt. Treasury bills outstanding total \$1 774 million, or 3.1% of the direct debt of the Consolidated Revenue Fund.

Net retirement plans liability

The retirement plans liability is the recorded value of government commitments with regard to the retirement plans of public and parapublic sector employees. As at March 31, 2000, this value amounts to \$44 262 million.

In 1993, the government created the retirement plans sinking fund (RPSF), which constitutes a cash reserve that may eventually be used for paying the retirement benefits of public and parapublic sector employees. It is managed by the Caisse de dépôt et placement du Québec (CDPQ).

As at March 31, 2000, the value of the RPSF amounts to \$5 035 million, \$2 826 million more than the previous fiscal year. This increase is due to deposits of \$2 612 million made by the government in 1999-2000 and investment income of \$214 million.

As at March 31, 2000, the net retirement plans liability totals \$39 227 million.

The government issues bonds on financial markets in order to make deposits in the RPSF. It should be noted that the amounts deposited in the RPSF during the fiscal year do not affect the government's total debt. The amount of borrowings made to make deposits in the RPSF increases the direct debt of the Consolidated Revenue Fund while reducing the net retirement plans liability by the same amount.

To analyze the change in the components of the direct debt of the Consolidated Revenue Fund from one fiscal year to the next, it is important to exclude the impact of the RPSF.

As shown in the following table, the direct debt of the Consolidated Revenue Fund rose by \$1 496 million between March 31, 1999 and March 31, 2000 (after adjustment to take pre-financing into account). However, this increase is entirely due to the substantial deposits made in the RPSF in 1999-2000. If the value of the RPSF as at March 31 of each fiscal year were subtracted from the direct debt of the Consolidated Revenue Fund, it can be noted that this debt, in the absence of the RPSF, would have decreased by \$1 330 million, while the retirement plans liability would have increased by \$1 629 million.

TABLE 2.10

**IMPACT OF THE RPSF ON THE DIRECT DEBT OF THE CONSOLIDATED
REVENUE FUND AND THE RETIREMENT PLANS LIABILITY**
(in millions of dollars)

	As at March 31		
	1999 ¹	2000 ²	Change
Direct debt of the Consolidated Revenue Fund (including the RPSF)	58 565	57 988	- 577
Pre-financing	- 2 831	- 758	2 073
Direct debt of the Consolidated Revenue Fund (including the RPSF)	55 734	57 230	1 496
Balance of the RPSF	- 2 209	- 5 035	- 2 826
Direct debt of the Consolidated Revenue Fund (excluding the RPSF)	53 525	52 195	- 1 330
Net retirement plans liability	40 424	39 227	- 1 197
Balance of the RPSF	2 209	5 035	2 826
Retirement plans liability	42 633	44 262	1 629
Total debt³	96 158	96 457	299

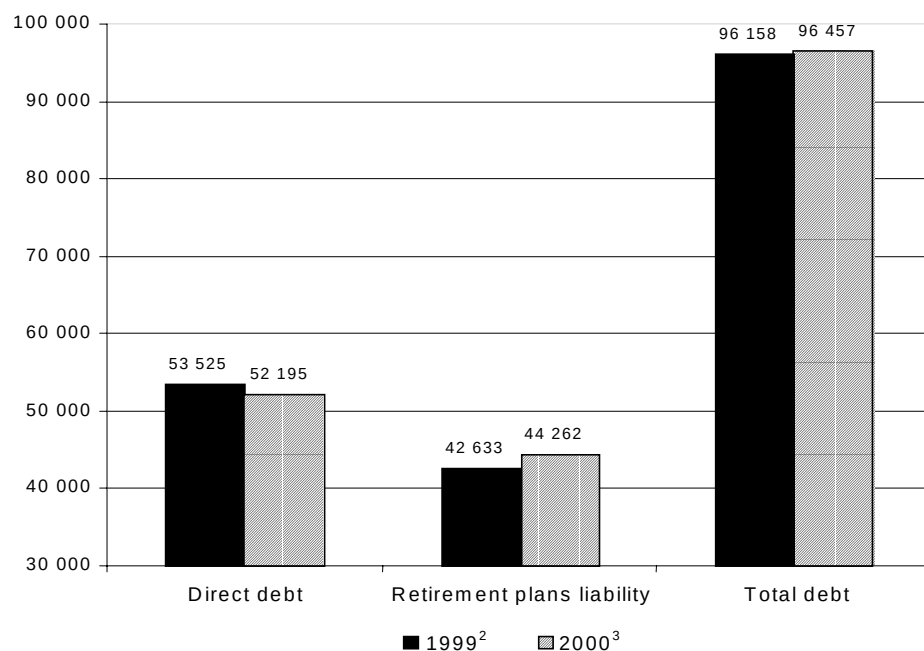
1 Preliminary results.

2 Forecast.

3 Excluding the debt of consolidated organizations.

GRAPH 2.4

**DIRECT DEBT (EXCLUDING THE RPSF), RETIREMENT PLANS LIABILITY
AND TOTAL DEBT¹**
(in millions of dollars)



1 Excluding the debt of consolidated organizations.

2 Preliminary results.

3 Forecast.

Acceleration of deposits in the RPSF

Last December, the government announced that it would accelerate its deposits in the RPSF to ensure that, 20 years from now, the sums accumulated in this fund would be equal to 70% of the government's actuarial obligations with respect to the retirement plans of public and parapublic sector employees.

The introduction of a policy to accelerate deposits in the RPSF is in keeping with the agreement reached last December for the renewal of the collective agreements of public and parapublic sector employees.

Reduction in the debt service

This new policy should lead to a reduction in the government's debt service expenditures. Since the rates of return on funds managed by the Caisse de dépôt et placement du Québec are generally higher than the interest rates on Québec government bonds, RPSF income, which is applied against the government's debt service, will be higher than the additional interest expenditures stemming from new borrowings. Consequently, there will be a net reduction in the government's debt service.

No impact on budgetary expenditure

It should also be noted that the acceleration of deposits in the RPSF does not mean that there will be an increase in the government's budgetary expenditure with respect to the retirement plans of its employees. The recording of government commitments with regard to these plans is already very rigorous. Every fiscal year, the government enters as expenditure the total present value of the retirement benefits it will eventually have to pay in respect of service rendered by its employees during that year. In addition, in accordance with the accounting practices recommended by the Canadian Institute of Chartered Accountants (CICA), the value of previous commitments with regard to the retirement plans of government employees is already taken into account in the government's financial statements. Therefore, the policy to accelerate deposits in the RPSF will not affect the value of budgetary expenditures with respect to the retirement plans.

A flexible policy

The government will have all the flexibility it needs to apply this policy. Deposits will be made in the RPSF only when financial market conditions, particularly interest rates and the receptivity of markets to bond issues, are favourable. In addition, the government may, if it so wishes, accelerate its deposits in the RPSF even further, as it did during the current fiscal year.

Public sector borrowings and investments

During the 1999 calendar year, gross long-term public sector borrowings totalled \$13 700 million, a decline of \$356 million compared with the previous year.

TABLE 2.11

LONG-TERM PUBLIC SECTOR BORROWINGS (in millions of dollars)

	Calendar year				
	1995	1996	1997	1998	1999 ¹
Gross borrowings					
Government ²	7 799	6 984	8 351	8 382	7 126
Educational institutions	799	1 259	881	468	982
Health and social services institutions	286	750	570	453	504
Hydro-Québec ³	2 222	1 792	1 884	2 481	2 220
Other government enterprises	1 097	1 361	1 117	105	699
Municipal bodies	2 490	2 575	2 086	2 167	2 169
Total	14 693	14 721	14 889	14 056	13 700
Repayments	8 123	10 015	12 259	13 069	9 626
Net borrowings	6 570	4 706	2 630	987	4 074

1 Preliminary results.

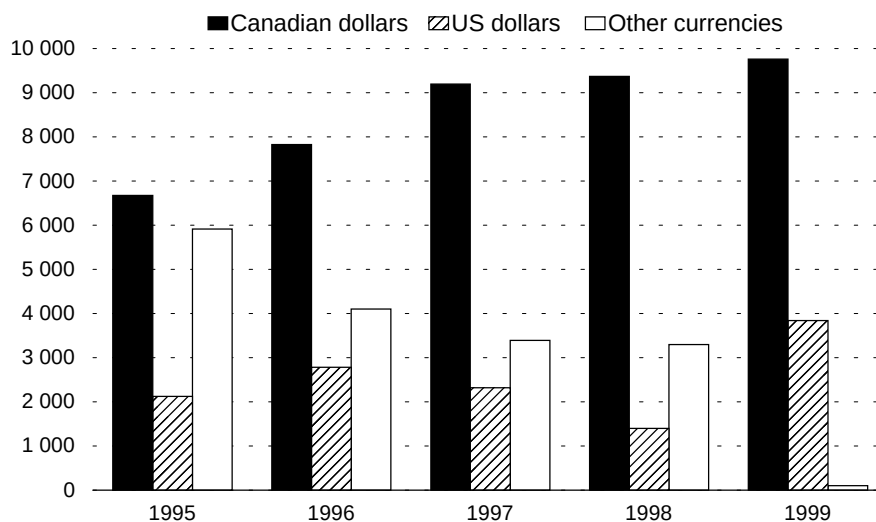
2 Amounts borrowed during the calendar year for the requirements of the Consolidated Revenue Fund, excluding less-than-one-year net borrowings made as long-term financing transactions, which explains the difference between this list and the list of borrowings given later in this text. These amounts also exclude borrowings to cover the requirements of consolidated organizations, non-consolidated organizations and Financement-Québec, which are distributed among the organizations and networks for which they were intended.

3 Amounts borrowed during the calendar year, excluding less-than-one-year net borrowings made as long-term financing transactions, which explains the difference between this list and the list of borrowings given later in this text.

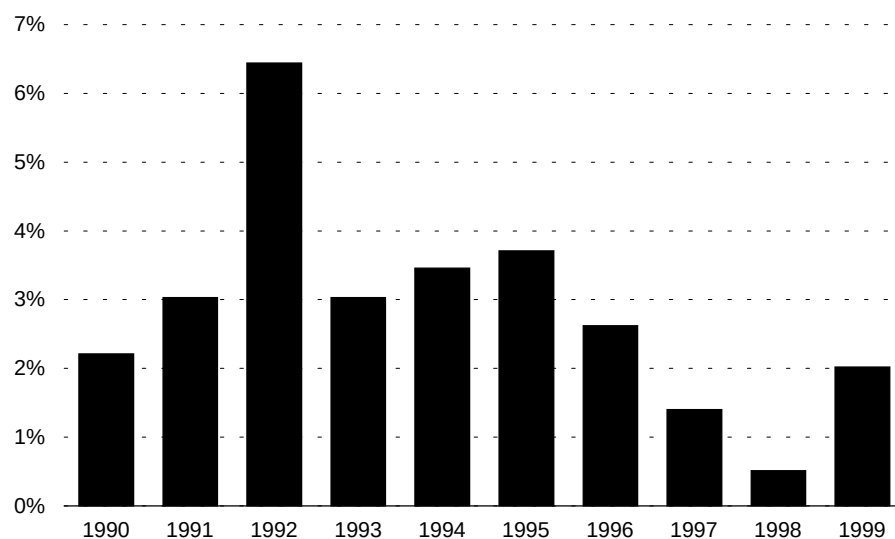
Gross borrowings in Canadian dollars totalled \$9 760 million in 1999, or 71.2% of total borrowings by the public sector. Gross borrowings in US dollars reached \$3 837 million, or 28.0% of the total, while those in other currencies amounted to \$103 million, or 0.8% of the total.

Taking refinancing and repayments into consideration, net public sector borrowings are estimated at \$4 074 million in 1999. The ratio of net borrowings to gross domestic product rose from 0.5% of GDP in 1998 to 2.0% in 1999. This increase is due to two factors: borrowings made by the government in 1999 to make additional deposits in the RPSF and the very sharp decline in the repayment of government borrowings between 1998 and 1999, which increases net borrowings for 1999. This situation is attributable to the fact that repayments in fiscal 1998-1999 were concentrated in 1998, while those in 1999-2000 were concentrated in the first quarter of 2000.

GRAPH 2.5

GROSS PUBLIC SECTOR BORROWINGS BY CURRENCY
 (in millions of dollars)


GRAPH 2.6

NET PUBLIC SECTOR BORROWINGS COMPARED WITH GROSS DOMESTIC PRODUCT


In 1999, public sector investments amounted to \$6 401 million, a decrease of \$225 million.

TABLE 2.12

PUBLIC SECTOR INVESTMENTS
(in millions of dollars)

	Calendar year				
	1995	1996	1997	1998	1999 ¹
Government ²	992	878	799	907	962
Educational institutions ³	599	681	818	697	928
Health and social services institutions ³	472	448	409	628	623
Hydro-Québec ⁴	2 775	2 047	1 571	1 986	1 637
Other government enterprises ⁵	661	393	463	454	527
Municipal bodies ⁶	2 197	2 142	1 948	1 954	1 724
Total	7 696	6 589	6 008	6 626	6 401

1 Preliminary results.

2 Government investments include its capital expenditures as well as grants and loans for investments made available to economic agents outside the public sector. Financial investments in other components of the public sector are therefore excluded.

Sources: Public Accounts of the gouvernement du Québec, Conseil du trésor and ministère des Finances du Québec.

3 Investments by school boards, colleges, universities and health and social services institutions include the share paid by the institutions themselves. It should be noted that the share paid by the government is financed by subsidies for the debt service.

Source: Conseil du trésor.

4 Financial investments and commercial programs were excluded beginning in 1997.

Source: Hydro-Québec.

5 Investments by government enterprises correspond to the increase in long-term assets. Investments of the Société québécoise d'assainissement des eaux are included under "municipal bodies".

Sources: Financial statements of the enterprises of the gouvernement du Québec and ministère des Finances du Québec.

6 Investments by municipal bodies include those related to water purification, public transportation and cultural and community facilities, as well as other municipal investments.

Sources: Conseil du trésor, ministère des Affaires municipales et de la Métropole and ministère des Finances du Québec.

The following table presents a comparative analysis of borrowings and investments by the public sector as a whole. Total net public sector borrowings include, in addition to the net long-term borrowings mentioned earlier, less-than-one-year borrowings made as long-term financing transactions, including Treasury bills and Treasury notes issued by the government, and the annual surplus of the government's retirement plans account. Over the four preceding years, net public sector borrowings were systematically lower than public sector investments. In 1999, the ratio of net borrowings to investments was 0.43.

TABLE 2.13

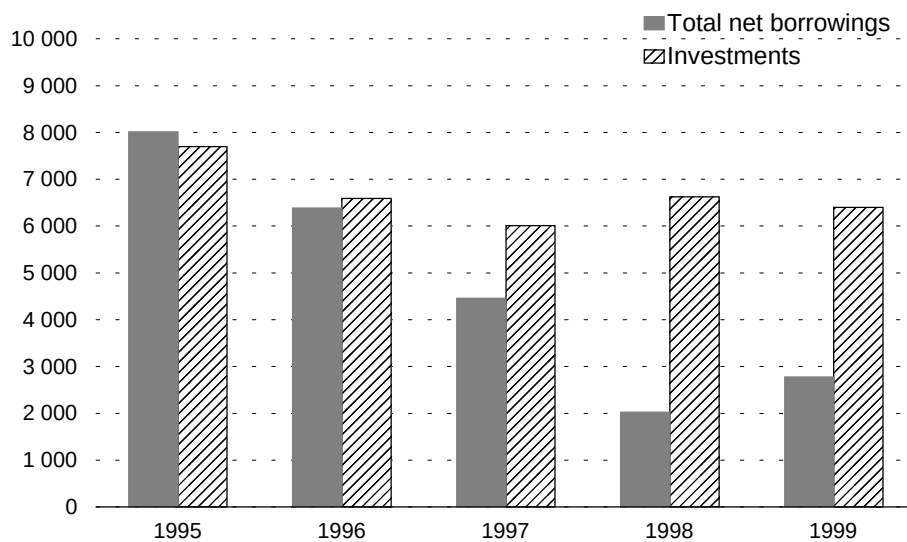
TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)

	Calendar year				
	1995	1996	1997	1998	1999 ¹
Net long-term borrowings	6 570	4 706	2 630	987	4 074
Less-than-one-year net borrowings made as long-term financing transactions	177	—	—	—	—
Surplus from the government retirement plans account ²	1 264	1 678	1 827	1 040	– 1 294
Total net borrowings	8 011	6 384	4 457	2 027	2 781
Investments	7 696	6 589	6 008	6 626	6 401
Ratio	1.04	0.97	0.74	0.31	0.43

1 Preliminary results.

2 This amount takes into account deposits made in the retirement plans sinking fund and the income of this fund.

GRAPH 2.7

TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)

Historical data and preliminary results

TABLE 2.14

GOVERNEMENT DU QUÉBEC SUMMARY OF FINANCIAL TRANSACTIONS (in millions of dollars)

	Before reform of government accounting		After reform of government accounting		
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000 ¹
Budgetary transactions					
Own-source revenue	30 645	31 175	35 773	38 560	40 677
Government of Canada transfers	8 142	6 719	5 989	8 090	6 284
Total revenue	38 787	37 894	41 762	46 650	46 961
Operating expenditure	- 36 702	- 35 254	- 36 578	- 39 332	- 39 573
Debt service	- 6 034	- 5 855	- 7 343	- 7 187	- 7 388
Total expenditure	- 42 736	- 41 109	- 43 921	- 46 519	- 46 961
Budgetary surplus (deficit)	- 3 949	- 3 215	- 2 159	131	0
Non-budgetary transactions					
Investments, loans and advances	- 287	- 792	- 1 315	- 1 402	- 1 755
Capital expenditures	—	—	- 209	- 217	- 372
Retirement plans	1 701	1 928	1 888	1 020	1 629
Other accounts	- 413	- 57	111	991	958
Non-budgetary surplus	1 001	1 079	475	392	460
Net financial surplus (requirements)	- 2 948	- 2 136	- 1 684	523	460
Financing transactions					
Change in cash position	853	1 433	473	- 1 983	2 182
Change in direct debt ²	2 169	794	1 295	2 490	184
Retirement plans sinking fund ³	- 74	- 91	- 84	- 1 030	- 2 826
Total financing of transactions	2 948	2 136	1 684	- 523	- 460

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease. For purposes of comparison, the data are presented on the basis of the 2000-2001 budgetary and financial structure.

1 The preliminary results for 1999-2000 are based on actual data recorded from April 1999 to January 2000 and on an estimate, as at March 3, 2000, of the February and March results for which transactions will be posted, up to the closing of the books, to 1999-2000 transactions.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
(in millions of dollars)

	Before reform of government accounting		After reform of government accounting		
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Own-source revenue					
Income and property taxes					
Personal income tax	12 988	13 220	14 447	15 293	15 979
Contributions to Health Services Fund	3 694	3 768	3 893	4 117	4 208
Corporate taxes	2 517	2 931	3 443	3 406	3 575
Succession duties	—	- 1	—	—	—
	19 199	19 918	21 783	22 816	23 762
Consumption taxes					
Sales	5 614	5 213	5 488	6 426	6 868
Fuel	1 407	1 454	1 486	1 559	1 554
Tobacco	265	283	323	523	509
Pari mutuel	2	—	—	—	—
	7 288	6 950	7 297	8 508	8 931
Duties and permits					
Motor vehicles	482	490	641	664	679
Alcoholic beverages	126	123	129	135	137
Natural resources	236	227	381	242	339
Other	165	169	179	181	186
	1 009	1 009	1 330	1 222	1 341
Miscellaneous					
Sales of goods and services	482	510	533	501	481
Interest	269	234	283	346	338
Fines, forfeitures and recoveries	471	368	422	356	353
	1 222	1 112	1 238	1 203	1 172
Revenue from government enterprises					
Société des alcools du Québec	351	372	378	408	440
Loto-Québec	806	972	1 068	1 167	1 243
Hydro-Québec	422	661	636	754	1 022
Other	348	181	652	802	1 037
	1 927	2 186	2 734	3 131	3 742
Consolidated organizations	—	—	1 391	1 680	1 729
Total own-source revenue	30 645	31 175	35 773	38 560	40 677
Government of Canada transfers					
Programs					
Equalization	4 321	4 103	4 229	5 385	4 387
Canada Health and Social Transfer	—	2 554	1 660	1 697	1 120
Contributions to welfare programs	2 031	- 2	—	—	—
EPF and other transfers related to fiscal arrangements	1 689	- 38	26	60	11
Other programs	101	102	- 244	690	518
Consolidated organizations	—	—	318	258	248
Total Government of Canada transfers	8 142	6 719	5 989	8 090	6 284
Total budgetary revenue	38 787	37 894	41 762	46 650	46 961

TABLE 2.16

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	Before reform of government accounting		After reform of government accounting		
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Assemblée nationale	77	71	65	71	72
Personnes désignées par l'Assemblée nationale	99	42	36	94	42
Affaires municipales et Métropole	1 440	1 260	1 199	1 011	1 114
Agriculture, Pêcheries et Alimentation	659	600	515	550	533
Conseil du trésor, Administration et Fonction publique ¹	521	616	608	425	429
Conseil exécutif	61	45	41	44	180
Culture et Communications	400	392	392	493	458
Éducation	10 453	10 040	9 449	9 580	9 764
Emploi et Solidarité sociale	4 008	3 943	3 762	4 133	4 047
Environnement	189	180	152	180	253
Famille et Enfance	998	1 000	1 187	1 400	1 436
Faune et Parcs	83	87	117	108	75
Finances (excluding debt service)	262	188	312	354	357
Industrie et Commerce	171	159	173	145	152
Justice et Condition féminine	460	465	459	492	466
Recherche, Science et Technologie	138	139	138	243	305
Régions	163	130	106	133	154
Relations avec les citoyens et Immigration	159	161	155	161	172
Relations internationales	120	103	97	108	119
Ressources naturelles	376	346	300	369	477
Revenu	511	631	1 085	845	659
Santé et Services sociaux	13 101	12 920	12 984	14 667	14 535
Sécurité publique	719	696	664	704	702
Tourisme	43	53	57	75	111
Transports	1 460	930	1 363	1 507	1 589
Travail	70	68	68	72	73
	36 741	35 265	35 484	37 964	38 274
Change in the allowance for loss on share investments ²	- 39	- 11	—	—	—
Program spending	36 702	35 254	35 484	37 964	38 274
Consolidated organizations	—	—	1 094	1 368	1 299
Total operating expenditure	36 702	35 254	36 578	39 332	39 573
Debt service					
• Consolidated Revenue Fund	6 034	5 855	6 766	6 574	6 724
• Consolidated organizations	—	—	577	613	664
Total debt service	6 034	5 855	7 343	7 187	7 388
Total budgetary expenditure	42 736	41 109	43 921	46 519	46 961

1 The 1999-2000 preliminary results contain provisions which allow transfers to other departments and agencies between the date the budget documents are produced and the end of the fiscal year.

2 Provision created and incorporated into expenditures when the accumulated deficit of a government enterprise exceeds the cost of the investment in shares held by the government. In the wake of the reform of government accounting, it is now shown under revenue.

TABLE 2.17

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	Before reform of government accounting		After reform of government accounting		
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Investments, loans and advances					
Consolidated Revenue Fund					
GOVERNMENT ENTERPRISES					
SHARES AND INVESTMENTS:					
Société générale de financement du Québec	62	186	- 90	- 40	- 150
Société Innovatech du Grand Montréal	—	—	—	- 101	- 30
Société Innovatech Québec et Chaudière-Appalaches	—	—	—	- 31	- 9
Société Innovatech Sud du Québec	—	—	—	- 7	- 5
Société Innovatech Régions ressources	—	—	—	—	- 8
Other	—	—	- 3	- 5	- 1
	62	186	- 93	- 184	- 203
CHANGE IN THE EQUITY VALUE OF INVESTMENTS	- 359	- 731	- 931	- 1 282	- 1 536
LOANS AND ADVANCES:					
Société générale de financement du Québec	—	—	9	—	14
Société Innovatech du Grand Montréal	—	- 26	- 36	62	—
Société Innovatech Québec et Chaudière-Appalaches	—	- 7	- 14	21	—
Société Innovatech Sud du Québec	—	- 4	—	3	—
Other	—	- 21	—	—	—
	—	- 58	- 41	86	14
Total government enterprises	- 297	- 603	-1 065	-1 380	-1 725
INDIVIDUALS, CORPORATIONS AND OTHERS	7	- 192	- 356	- 119	- 1
MUNICIPALITIES AND MUNICIPAL BODIES	3	3	5	3	4
	- 287	- 792	- 1 416	- 1 496	- 1 722
Consolidated organizations	—	—	101	94	- 33
Total investments, loans and advances	- 287	- 792	- 1 315	- 1 402	- 1 755
Capital expenditures					
Consolidated Revenue Fund					
- Net investments	—	—	-117	-69	-98
- Amortization	—	—	381	372	364
	—	—	264	303	266
Consolidated organizations	—	—	-473	-520	-638
Total capital expenditures	—	—	-209	-217	-372

TABLE 2.17 (CONT.)

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	Before reform of government accounting		After reform of government accounting		
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Retirement plans					
CONTRIBUTIONS BY THE GOVERNMENT					
Contributions by the government as employer					
RREGOP					
• Cost of constituted benefits ¹	506	534	608	693	727
• Amortization of actuarial gain (-) or loss	- 477	- 380	—	66	66
• Amortization of unrecorded actuarial liabilities and cost of changes to plan	93	139	—	—	16
Other plans					
• Annual cost of constituted benefits ¹	188	169	135	147	154
• Amortization of actuarial gain (-) or loss	- 2	- 4	—	—	20
• Amortization of unrecorded actuarial liabilities and cost of change to plans	746	758	—	24	37
Total government contribution	1 054	1 216	743	930	1 020
Contributions by independent employers	23	22	22	8	10
Participants contributions	154	156	120	206	121
Total contributions	177	178	142	214	131
Benefits, repayments and administrative expenses	- 1 351	- 1 506	- 2 046	- 2 624	- 2 348
Interest on retirement plans account charged to debt service ²	1 821	2 040	3 049	2 500	2 826
Total retirement plans	1 701	1 928	1 888	1 020	1 629
Other accounts					
Consolidated Revenue Fund	- 413	- 57	555	904	591
Consolidated organizations	—	—	- 444	87	367
Total other accounts	- 413	- 57	111	991	958
Total non-budgetary transactions	1 001	1 079	475	392	460

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

1 Cost of retirement benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service. The annual cost of constituted benefits includes the retirement charge of the consolidated organizations, i.e. \$47 million in 1999-2000.

2 Excluding the revenue produced by the retirement plans sinking fund.

TABLE 2.18

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
(in millions of dollars)

	Before reform of government accounting		After reform of government accounting		
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Change in cash position					
Consolidated Revenue Fund	853	1 433	-22	-2 831	2 073
Consolidated organizations	—	—	495	848	109
Total change in cash position	853	1 433	473	-1 983	2 182
Change in direct debt					
Consolidated Revenue Fund					
- New borrowings	5 227	7 049	9 027	9 355	5 241
- Repayment of borrowings	- 3 058	- 6 255	- 8 015	- 6 399	- 5 238
	2 169	794	1 012	2 956	3
Consolidated organizations					
- New borrowings	—	—	1 094	296	750
- Repayment of borrowings	—	—	-811	-762	-569
	—	—	283	-466	181
Total change in direct debt	2 169	794	1 295	2 490	184
Retirement plans sinking fund¹	- 74	- 91	- 84	- 1 030	- 2 826
Total financing of transactions	2 948	2 136	1 684	- 523	- 460

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

- 1 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.19

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 1999-2000

Amount in Canadian dollars ¹	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
20	—	4.50	May 18	2026-12-01	100.124	4.492 ⁸
10	—	4.50	May 31	2026-12-01	100.000	4.500 ⁸
5	—	4.50	June 1	2026-12-01	100.220	4.486 ⁸
4	—	4.50	June 7	2026-12-01	100.000	4.500 ⁸
55 ⁴	—	7.75	July 7	2006-03-30	110.323	5.869
129 ⁴	—	11.00	July 7	2009-04-01	136.812	5.959
60 ⁴	—	9.375	July 12	2023-01-16	137.574	6.292
52 ⁴	—	5.25	August 5	2002-04-01	98.511	5.860
20 ⁴	—	7.75	August 5	2006-03-30	108.396	6.189
50 ⁴	—	11.00	August 5	2009-04-01	133.739	6.283
22 ⁴	—	9.00	August 5	2012-02-10	122.120	6.403
34 ⁴	—	6.00	August 5	2029-10-01	92.495	6.574
362	—	6.00	August 17	2029-10-01	90.573	6.734
98 ⁴	—	5.25	September 3	2002-04-01	98.310	5.965
78 ⁴	—	6.50	September 3	2007-10-01	101.301	6.291
68 ⁴	—	8.50	September 3	2026-04-01	123.521	6.609
2 200	US\$1 500	7.50	September 24	2029-09-15	99.547	7.538
92 ⁴	—	7.75	October 5	2006-03-30	108.618	6.120
78 ⁴	—	6.50	October 5	2007-10-01	101.930	6.190
79 ⁴	—	6.00	October 5	2029-10-01	92.867	6.546
58	¥ 4 000	2.11*	December 8	2009-12-08	100.000	2.100
221 ⁴	—	7.50	December 10	2003-12-01	103.849	6.388
94 ⁴	—	9.375	December 10	2023-01-16	130.166	6.772
25	—	4.50	January 21	2026-12-01	101.832	4.383 ⁸
127 ⁴	—	6.50	February 4	2007-10-01	97.161	6.983
56 ⁴	—	5.50	February 4	2009-06-01	89.839	7.001
5	—	4.50	February 4	2026-12-01	102.260	4.356 ⁸
67 ⁴	—	6.00	February 4	2029-10-01	88.343	6.931
129 ⁴	—	6.50	March 6	2007-10-01	99.404	6.600
28 ⁴	—	5.50	March 6	2009-06-01	92.198	6.642
140 ⁴	—	8.50	March 6	2026-04-01	124.273	6.546
217	€ 150	5.75*	March 15	2006-12-15	101.400	5.490
446 ⁵	—	Various	Various	Various	Various	Various
6 ⁶	—	Various	Various	Various	Various	Various
106 ⁷	—	Various	Various	Various	Various	Various
5 241						

* Interest payable annually.

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

2 Interest payable semi-annually except where marked with an asterisk.

3 Yield to investor is determined on the basis of interest payable semi-annually.

4 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

5 Savings products issued by Placements Québec.

6 Borrowings from the Canada Pension Plan Investment Fund.

7 Medium-term notes on the Canadian market.

8 Real return bonds. The principal and the interest rate of these bonds are adjusted according to the change in the Consumer Price Index in Canada.

Note: The gouvernement du Québec has credit agreements with various banks and financial institutions for a total of US\$3 500 million. None of the credit agreements is being drawn upon.

TABLE 2.20

BORROWINGS FOR CONSOLIDATED ORGANIZATIONS IN 1999-2000¹

Amount in Canadian dollars	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
31 ⁴	—	6.50	September 3	2007-10-01	101.144	6.316
98 ⁴	—	5.50	September 3	2009-06-01	93.897	6.348
89 ⁴	—	5.25	September 21	2002-04-01	98.621	5.844
155 ⁴	—	6.50	September 21	2007-10-01	101.848	6.204
161 ⁴	—	5.50	September 21	2009-06-01	94.658	6.241
52 ⁴	—	7.50	December 10	2003-12-01	103.849	6.388
45 ⁴	—	5.50	February 4	2009-06-01	89.839	7.001
27 ⁴	—	5.25	March 6	2002-04-01	98.101	6.239
63 ⁴	—	7.50	March 10	2003-12-01	103.414	6.450
29 ⁵	—	Various	Various	Various	Various	Various
750						

1 Including borrowings of \$296 million to finance the work of municipal bodies.

2 Interest payable semi-annually.

3 Yield to investor is determined on the basis of interest payable semi-annually.

4 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

5 Medium-term notes on various European markets.

TABLE 2.21

BORROWINGS BY THE GOVERNMENT FOR NON-CONSOLIDATED ORGANIZATIONS IN 1999-2000

Amount in Canadian dollars	Face value in foreign currency	Interest rate ¹	Date of issue	Date of maturity	Price to investor	Yield to investor ²
(in millions)		%			\$	%
63 ³	—	6.50	September 3	2007-10-01	101.144	6.316
10 ³	—	6.50	September 21	2007-10-01	101.848	6.204
93 ³	—	5.50	November 4	2009-06-01	92.897	6.508
34 ³	—	7.50	November 10	2003-12-01	104.286	6.285
117 ³	—	9.375	November 10	2023-01-16	129.973	6.789
126 ³	—	9.375	December 10	2023-01-16	130.166	6.772
443						

1 Interest payable semi-annually.

2 Yield to investor is determined on the basis of interest payable semi-annually.

3 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

TABLE 2.22

BORROWINGS BY THE GOVERNMENT FOR FINANCEMENT-QUÉBEC IN 1999-2000¹

Amount in Canadian dollars	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
98 ⁴	—	7.75	June 23	2006-03-30	110.664	5.819
99 ⁴	—	6.50	June 25	2007-10-01	103.870	5.900
99 ⁴	—	5.50	June 30	2009-06-01	95.456	6.117
98 ⁴	—	9.50	June 30	2011-09-02	127.501	6.240
4 ⁴	—	6.50	September 3	2007-10-01	101.144	6.316
46 ⁴	—	6.50	September 21	2007-10-01	101.848	6.204
398	—	6.50	February 28	2005-12-01	99.533	6.596
102 ⁴	—	5.50	March 6	2009-06-01	92.198	6.642
944						

1 Financement-Québec is a government enterprise that was created in 1999-2000 to make loans to certain public sector establishments in Québec, particularly those in the health and social services network and the education network. Previously, these establishments contracted borrowings from the Financing Fund. Over the coming months, Financement-Québec should begin to make borrowings on financial markets in its own name, with guarantees from the government. Fiscal 1999-2000 was a transition year for the Financing Fund and Financement-Québec. An amount of \$944 million recorded as borrowings of Financement-Québec is made up of \$500 million advanced to Financement-Québec by the Consolidated Revenue Fund and an amount of \$444 million advanced to the Financing Fund by the Consolidated Revenue Fund for making loans to establishments currently served by Financement-Québec. These borrowings were transferred to Financement-Québec during the fiscal year.

2 Interest payable semi-annually.

3 Yield to investor is determined on the basis of interest payable semi-annually.

4 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

TABLE 2.23

BORROWINGS BY HYDRO-QUÉBEC IN 1999

Amount in Canadian dollars ¹	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
404	—	6.00	January 26	2031-08-15	100.913	5.936
405	—	6.00	February 22	2031-08-15	101.263	5.912
497	—	6.00	June 30	2009-07-15	99.417	6.078
881 ⁴	—	Various*	Various	Various	Various	Various
7 ⁵	—	Various	Various	Various	Various	Various
26 ⁶	Various	Various	Various	Various	Various	Various
2 220						

* Interest payable annually.

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

2 Interest payable semi-annually except where marked with an asterisk.

3 Yield to investor is determined on the basis of interest payable semi-annually.

4 Medium-term notes on the Canadian market.

5 Medium-term notes on various European markets.

6 Amounts received under interest rate and currency swap agreements.

Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US\$1 800 million. None of the credit agreements was being drawn upon at December 31, 1999.

Section 2

Appendix 2.1

**Data from the 1999-2000 Budget Speech
and preliminary results according to the
2000-20001 budgetary structure**

TABLE 2.1.1

DATA FROM THE 1999-2000 BUDGET SPEECH AND PRELIMINARY RESULTS ACCORDING TO THE 2000-2001 BUDGETARY STRUCTURE
(in millions of dollars)

	Budget Speech of March 9, 1999			Preliminary results
	1999-2000 budgetary structure	Adjustments ¹	2000-2001 budgetary structure	
REVENUE				
Income and property taxes	23 022	– 48	22 974	23 949
Consumption taxes	8 556	—	8 556	9 066
Duties and permits	1 402	7	1 409	1 507
Miscellaneous	2 367	21	2 388	2 413
Revenue from government enterprises	2 937	—	2 937	3 742
Own-source revenue	38 284	– 20	38 264	40 677
Government of Canada transfers	6 908	—	6 908	6 284
Total revenue	45 192	– 20	45 172	46 961
EXPENDITURE				
Health and Social Services	– 14 051	2	– 14 049	– 14 884
Education and Culture	– 10 051	10	– 10 041	– 10 383
Support for Individuals and Families	– 4 736	– 53	– 4 789	– 4 780
Economy and Environment	– 4 894	41	– 4 853	– 5 473
Administration and Justice	– 3 143	20	– 3 123	– 3 344
Amortization of capital expenditures	– 718	—	– 718	– 709
Sub-total	– 37 593	20	– 37 573	– 39 573
Debt service	– 7 599	—	– 7 599	– 7 388
Total expenditure	– 45 192	20	– 45 172	– 46 961
Surplus	—	—	—	—

- 1 Details of adjustments required to make the data from the 1999-2000 Budget comparable with those from the 2000-2001 Budget:
- implementation in 2000-2001 of the last component of the family policy regarding subsidized day care spaces in day care centres, which increases revenue and expenditure by \$61 million;
 - integration of the Curateur public into the budgetary structure, which increases revenue and expenditure by \$28 million;
 - the revenue and expenditure of consolidated organizations are reduced by \$109 million to eliminate transactions carried out between organizations in the government's reporting entity.

As a whole, these adjustments lead to a \$20 million decline in consolidated revenue and expenditure. They do not have any impact on the surplus.

Section 2

Appendix 2.2

Results of consolidated organizations

Results of consolidated organizations

Revenue from consolidated organizations totals \$1 977 million, an increase of \$58 million compared with the Budget Speech of last March. Expenditure totals \$1 963 million, an increase of \$52 million. These changes are mainly attributable to the growth in the volume of transactions carried out by these organizations with entities that are not included in the government's reporting entity.

Net results for the consolidated organizations show a surplus of \$14 million, \$6 million more than anticipated in the March 1999 Budget Speech. The better-than-anticipated results for certain organizations, including the Fonds de lutte contre la pauvreté par la réinsertion au travail and Investissement-Québec, more than offset the deficit anticipated for the Fonds de l'assurance-médicaments.

TABLE 2.2.1

CHANGE IN NET RESULTS FOR CONSOLIDATED ORGANIZATIONS¹ (in millions of dollars)

	1998-1999	1999-2000		
	Actual results	Budget Speech 1999-03-09	Preliminary results	Change compared with Budget
Own-source revenue	1 680	1 670	1 729	59
Government of Canada transfers	258	249	248	- 1
Total revenue	1 938	1 919	1 977	58
Operating expenditure	- 1 368	- 1 246	- 1 299	- 53
Debt service	- 613	- 665	- 664	1
Total expenditure	- 1 981	- 1 911	- 1 963	- 52
Net results	- 43	8	14	6

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

1 The data in this table exclude transactions carried out with other entities in the government's reporting entity.

Section 2

Appendix 2.3

List of consolidated organizations

ORGANIZATIONS

Agence de l'efficacité énergétique
 Agence métropolitaine de transport
 Bibliothèque nationale du Québec
 Bureau d'accréditation des pêcheurs et des aides-pêcheurs du Québec
 Commissaire de l'industrie de la construction
 Commission de la capitale nationale du Québec
 Commission de reconnaissance des associations d'artistes
 Commission des lésions professionnelles
 Commission des normes du travail
 Commission des services juridiques
 Commission des valeurs mobilières du Québec
 Conseil des arts et des lettres du Québec
 Corporation d'urgences-santé de la région de Montréal métropolitain
 Fondation de la faune du Québec
 Fonds d'aide aux recours collectifs
 Fonds d'assurance-prêts agricoles et forestiers
 Fonds de la recherche en santé du Québec
 Fonds pour la formation de chercheurs et l'aide à la recherche
 Grande bibliothèque
 Héma-Québec
 Institut de la statistique du Québec
 Institut de police du Québec
 Institut de tourisme et d'hôtellerie du Québec
 Institut national de santé publique du Québec
 Investissement-Québec
 Musée d'art contemporain de Montréal
 Musée de la civilisation
 Musée du Québec
 Office de la sécurité du revenu des chasseurs et piégeurs cris
 Office des professions du Québec
 Parc technologique du Québec métropolitain
 Régie de l'assurance-maladie du Québec
 Régie de l'énergie
 Régie des installations olympiques
 Sidbec
 Société de développement de la zone de commerce international de Montréal à Mirabel
 Société de développement des entreprises culturelles
 Société de financement agricole
 Société de la Place des Arts de Montréal
 Société de télédiffusion du Québec
 Société d'habitation du Québec
 Société d'investissement Jeunesse
 Société du Centre des congrès de Québec
 Société du Grand Théâtre de Québec
 Société du Palais des congrès de Montréal
 Société du parc industriel et portuaire de Bécancour

Société immobilière du Québec
 Société nationale de l'amiante
 Société québécoise d'assainissement des eaux
 Société québécoise d'information juridique
 Société québécoise de récupération et de recyclage
 Société des traversiers du Québec
 Tribunal administratif du Québec

SPECIAL FUNDS

Fonds d'aide à l'action communautaire autonome
 Fonds d'aide aux victimes d'actes criminels
 Fonds d'assistance financière pour certaines régions sinistrées
 Fonds de conservation et d'amélioration du réseau routier
 Fonds de développement du marché du travail
 Fonds de développement régional
 Fonds de financement
 Fonds de gestion de l'équipement roulant
 Fonds de la gestion des immeubles du Québec à l'étranger
 Fonds de la réforme du cadastre québécois
 Fonds de l'assurance-médicaments
 Fonds de l'état civil
 Fonds de l'industrie des courses de chevaux
 Fonds de l'information gouvernementale
 Fonds de lutte contre la pauvreté par la réinsertion au travail
 Fonds de partenariat touristique
 Fonds de perception
 Fonds des contributions des automobilistes au transport en commun
 Fonds des pensions alimentaires¹
 Fonds des registres
 Fonds des services de police
 Fonds des services gouvernementaux
 Fonds des technologies de l'information du Conseil du trésor
 Fonds des technologies de l'information du ministère de l'Emploi et de la Solidarité sociale
 Fonds des technologies de l'information du ministère des Finances
 Fonds des technologies de l'information du ministère du Revenu
 Fonds d'information géographique et foncière
 Fonds du centre financier de Montréal
 Fonds forestier
 Fonds relatif à la tempête du verglas
 Fonds spécial de financement des activités locales
 Fonds spécial olympique.

Note: This list contains only the organizations and special funds active in the 1999-2000 fiscal year.

¹ This entity also carries out trust operations.

Section 3

The Government's Budgetary and Financial Stance

Maintaining a balanced budget, reducing taxes and increasing the resources allocated to public services	3
A significant improvement in the financial situation due to rigorous management.....	5
Government revenue	8
Government expenditure	16
Appendices	
3.1 Anticipated and actual budget deficit since 1995-1996	19
3.2 Additional information on budgetary revenue in 2000-2001.....	21
3.3 Additional information on the Québec government's financial position	27

This section of the 2000-2001 Budget Plan indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget balance and net financial surplus forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in the 2000-2001 Budget Speech.

Maintaining a balanced budget, reducing taxes and increasing the resources allocated to public services

The government's Budget Plan once again calls for a balanced budget for 1999-2000. This balance will be maintained through 2000-2001 and 2001-2002, in accordance with the Act respecting the elimination of the deficit and a balanced budget.

TABLE 3.1

SUMMARY OF CONSOLIDATED FINANCIAL OPERATIONS^{1, 2} (in millions of dollars)

	1997-98	1998-99	99-2000 ^P	2000-01 ^P	2001-02 ^P
Budgetary transactions					
Own-source revenue	35 773	38 560	40 677	40 947	41 479
Federal transfers	5 989	8 090	6 284	7 306	7 827
Total revenue	41 762	46 650	46 961	48 253	49 306
Operating expenditure	- 36 578	- 39 332	- 39 573	- 40 828	- 41 831
Debt service	- 7 343	- 7 187	- 7 388	- 7 425	- 7 475
Total expenditure	- 43 921	- 46 519	- 46 961	- 48 253	- 49 306
Budgetary surplus (deficit)	- 2 159	131	0	0	0
Non-budgetary surplus	475	392	460	- 474	77
Net financial surplus (requirements)					
- Consolidated revenue fund	- 906	905	750	0	500
- consolidated organizations	- 778	- 382	-290	- 474	- 423
- total	- 1 684	523	460	- 474	77

P: Preliminary results for 1999-2000 and forecasts for subsequent years.

1 A negative entry indicates a financial requirement and a positive entry, a source of financing.

2 Based on the budgetary structure in effect in 2000-2001.

The government has decided to use the surpluses achieved as compared to the forecasts in the 1999-2000 Budget Speech to:

- Reduce personal taxes more rapidly and substantially than originally projected;
- Increase the resources allocated to public services, especially in the health and social services and education sectors.

However, it has ensured that this redistribution to citizens of the gains made in fighting the deficit does not jeopardize the maintenance of a balanced budget, for this year or the years following.

For a second consecutive year, net financial surpluses will be achieved in 1999-2000, i.e. \$460 million. However, for 2000-2001, the government's net financial requirements will total \$474 million, given that the expenditures recorded in 1998-1999 and 1999-2000 following the recent wage agreements reached with government employees will not result in disbursements until 2000-2001. In 2001-2002, net financial surpluses of \$77 million will once again be achieved.

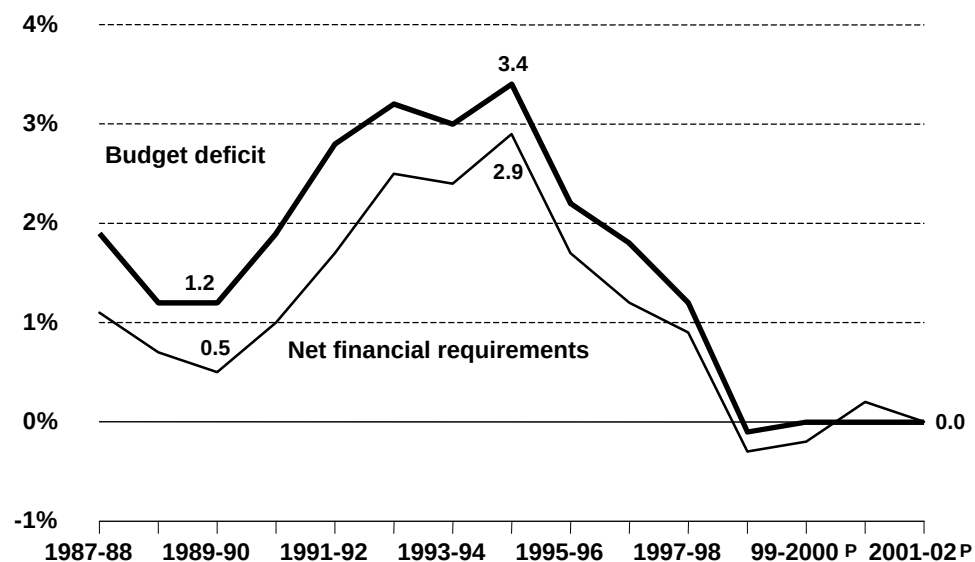
A significant improvement in the financial situation due to rigorous management

The government action taken in recent years has substantially improved its financial situation.

Since 1994-1995, when the budgetary deficit accounted for 3.4% of gross domestic product (GDP), this proportion has gradually been reduced to zero, and the government intends to maintain this rigorous management in the years ahead.

GRAPH 3.1

BUDGET DEFICIT AND NET FINANCIAL REQUIREMENTS (as a percentage of GDP)



P: Preliminary results for 1999-2000 and forecasts for subsequent years.

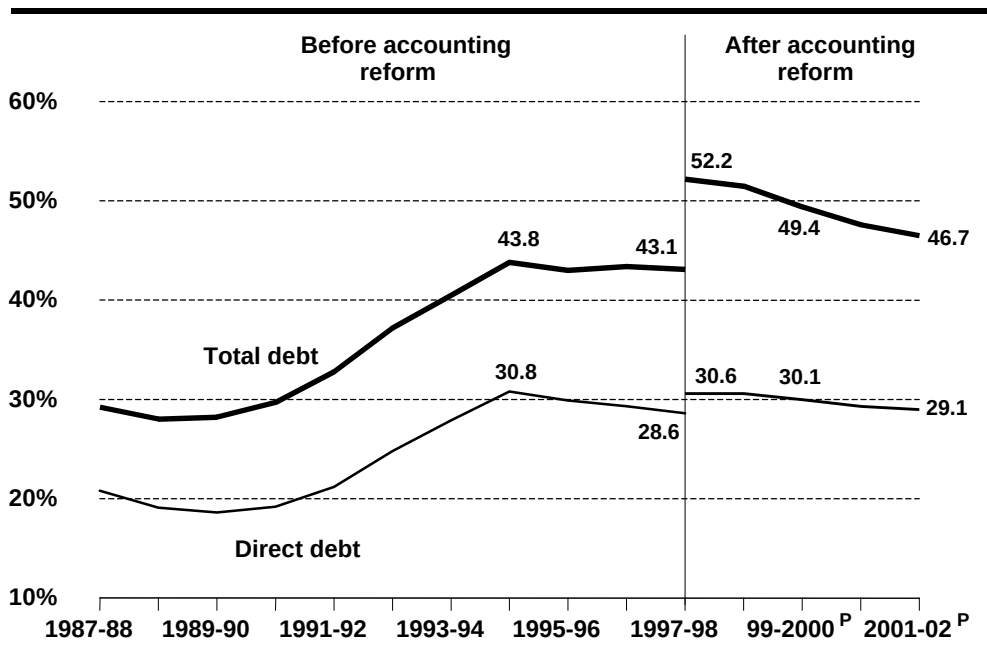
The government's indebtedness rate continues to decline

The gradual elimination of the deficit has resulted in a reduction of the government's indebtedness rate. The direct consolidated debt should represent 29.1% of GDP at the end of fiscal 2001-2002, whereas that proportion stood at 30.6% in 1997-1998.

As a proportion of GDP, the total consolidated debt, which comprises the direct consolidated debt and the government's net liability under the retirement plans of public and parapublic sector employees, will also continue to decline, dropping from 52.2% in 1997-1998 to 46.7% in 2001-2002.

GRAPH 3.2

GOVERNMENT DEBT AT THE END OF THE FISCAL YEAR¹ (as a percentage of GDP)



P: Preliminary results for 1999-2000 and forecasts for subsequent years.

1 Excluding the pre-financing of \$2 831 million in borrowings in 1998-1999 and \$758 million in 1999-2000.

The portion of government revenue allocated to interest payments on the debt is decreasing

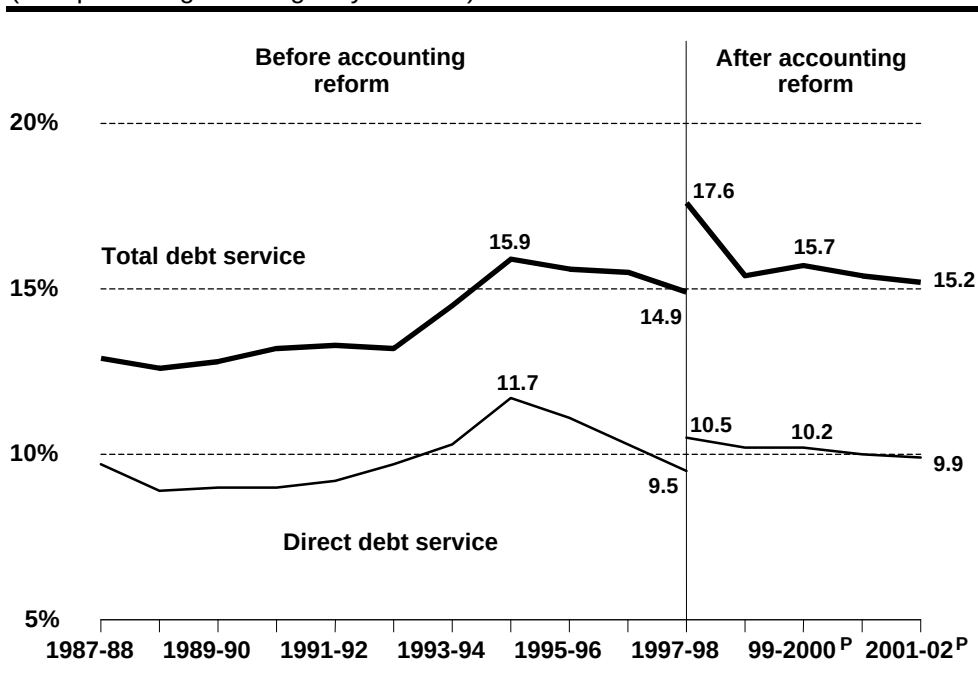
The portion of government revenue allocated to direct debt service should, over the forecast period, total around 10%. Direct debt service does not include interest on the liability under retirement plans and includes, since the reform of government accounting, the debt service of the consolidated organizations.

As for the portion of budgetary revenue allocated to total debt service, it should decline from 17.6% in 1997-1998 to 15.2% in 2001-2002.

GRAPH 3.3

DEBT SERVICE

(as a percentage of budgetary revenue)



P: Preliminary results for 1999-2000 and forecasts for subsequent years.

Government revenue

Budgetary revenue

The government's budgetary revenue should total \$48 253 million in 2000-2001, i.e. \$40 947 million in own-source revenue and \$7 306 million in federal transfers. After rising 0.7% in 1999-2000, budgetary revenue should gain 2.8% in 2000-2001 and 2.2% in 2001-2002.

TABLE 3.2

BUDGETARY REVENUE (in millions of dollars)

	1997-98	1998-99	99-2000 ^P	2000-01 ^P	2001-02 ^P
Own-source revenue	35 773	38 560	40 677	40 947	41 479
% change	n.a.	7.8	5.5	0.7	1.3
Federal transfers	5 989	8 090	6 284	7 306	7 827
% change	n.a.	35.1	- 22.3	16.3	7.1
Budgetary revenue	41 762	46 650	46 961	48 253	49 306
% change	n.a.	11.7	0.7	2.8	2.2
Nominal GDP growth rate in % ¹	4.1	3.2	4.8	5.3	4.0
Inflation rate in Canada in % ¹	1.6	0.9	1.7	2.1	1.3

P: Preliminary results for 1999-2000 and forecasts for subsequent years.

n.a.: Not applicable.

1 For the calendar year ending three months before the end of the fiscal year.

Own-source revenue

In 1999-2000, own-source revenue should rise by 5.5% compared with the preceding year. The most substantial increases will be recorded for corporate taxes, consumption taxes and revenue from government enterprises.

The positive performance of own-source revenues is essentially attributable to strong growth in the major tax bases. It also reflects the increase in Hydro-Québec's profits.

TABLE 3.3

OWN-SOURCE REVENUE, BY SOURCE

(in millions of dollars)

	1999-2000 ^P	2000-2001 ^P	2001-2002 ^P
Personal income tax	15 979	15 705	15 961
% change	4.5	- 1.7	1.6
Health Services Fund	4 208	4 198	4 181
% change	2.2	- 0.2	- 0.4
Corporate taxes	3 575	4 121	4 308
% change	5.0	15.3	4.5
Consumption taxes	8 931	9 202	9 474
% change	5.0	3.0	3.0
Other sources	2 513	2 423	2 386
% change	3.6	- 3.6	- 1.5
Sub-total	35 206	35 649	36 310
% change	4.3	1.3	1.9
Government enterprises	3 742	3 428	3 429
% change	19.5	- 8.4	0.0
Consolidated organizations	1 729	1 870	1 740
% change	2.9	8.2	- 7.0
Own-source revenue	40 677	40 947	41 479
% change	5.5	0.7	1.3
Nominal GDP growth rate in % ¹	4.8	5.3	4.0

P: Preliminary results for 1999-2000 and forecasts for subsequent years.

1 For the calendar year ending three months before the end of the fiscal year.

For 2000-2001 and 2001-2002, a slowdown in the growth rate of own-source revenue is expected. In 2000-2001, the increase should amount to no more than 0.7% due to the tax reductions announced in this Budget and the budgets of the last two years. In 2001-2002, the rise will be 1.3%, given that the impact of the tax cuts on the growth in revenue will be less substantial than in the preceding year.

Changes in revenue by source:

- Personal income tax, the main source of government revenue,¹ should decline by 1.7% in 2000-2001 to just over \$15.7 billion. During this fiscal year, the increase in tax revenue arising from growth in income subject to tax will be more than offset by the impact of the tax reduction announced in this Budget. In 2001-2002, the increase in revenue should amount to 1.6%, which is compatible with the rise in income subject to tax, taking the impact of the fiscal measures into account;
- Health Services Fund contributions should remain virtually unchanged at \$4.2 billion in 2000-2001, with the growth in wages and salaries being offset by the decrease in the contribution rate for small and medium enterprises in force since January 1, 2000. In 2001-2002, Health Services Fund contributions are expected to fall 0.4% because of the additional reduction in the contribution rate which will become effective January 1, 2001 and the measure announced in the 1999-2000 Budget aimed at reducing personal contributions;
- The 15.3% rise in revenue expected in corporate taxes in 2000-2001 is due mainly to the strong performance of corporate profits. In 2001-2002, revenue should increase by 4.5% given the anticipated slowdown in the growth of corporate profits;
- Consumption tax revenue should increase by 3.0% in 2000-2001 and 2001-2002, comparable to the rate of growth in household consumption when the change in input tax refunds is taken into account;
- Revenue from government enterprises is expected to fall 8.4% in 2000-2001 because of the anticipated drop in the revenue of Hydro-Québec, Loto-Québec and other enterprises. However, this is partly offset by the forecast rise in the profits of the Société des alcools du Québec. In 2001-2002, revenue from government enterprises should remain stable, since the increase in Hydro-Québec and Société des alcools du Québec profits will be offset by a decrease in the revenue of the other government enterprises;

¹ Appendix 3.2 presents, in particular, the breakdown of the main sources of the government's own-source revenue since 1970-1971.

- Revenue from consolidated organizations should grow by 8.2% in 2000-2001, due to the restructuring of the financing of some of these organizations, before plummeting 7.0% in 2001-2002;
- Lastly, revenue from other sources should decrease slightly in 2000-2001 and 2001-2002.

Link between growth in own-source revenue and economic growth

Broadly speaking, growth in own-source revenue is expected to match nominal economic growth. Once the financial impact of the fiscal measures has been taken into account, the average annual growth rate for own-source revenue over the next two years should be 4.6%, the same as for gross domestic product.

TABLE 3.4

OWN-SOURCE REVENUE AND GDP (in millions of dollars)

	2000-2001 ^F	2001-2002 ^F
Revenue, excluding government enterprises and consolidated organizations	35 649	36 310
% change	1.3	1.9
Less:		
Impact of measures in the 1999-2000 and 2000-2001 budgets: ¹		
□ personal income tax reduction	– 1 000	– 1 500
□ other measures	– 269	– 543
Impact of measures in the 1997-1998 and 1998-1999 budgets ²	– 765	– 822
Revenue before measures	37 683	39 175
% change	5.4	4.0
Gross domestic product	213 316	221 751
% change	5.3	4.0
Elasticity³	1.01	1.00

F: Forecasts.

1 Source: 2000-2001 and 1999-2000 Budget Speeches, Additional Information on the Budgetary Measures.

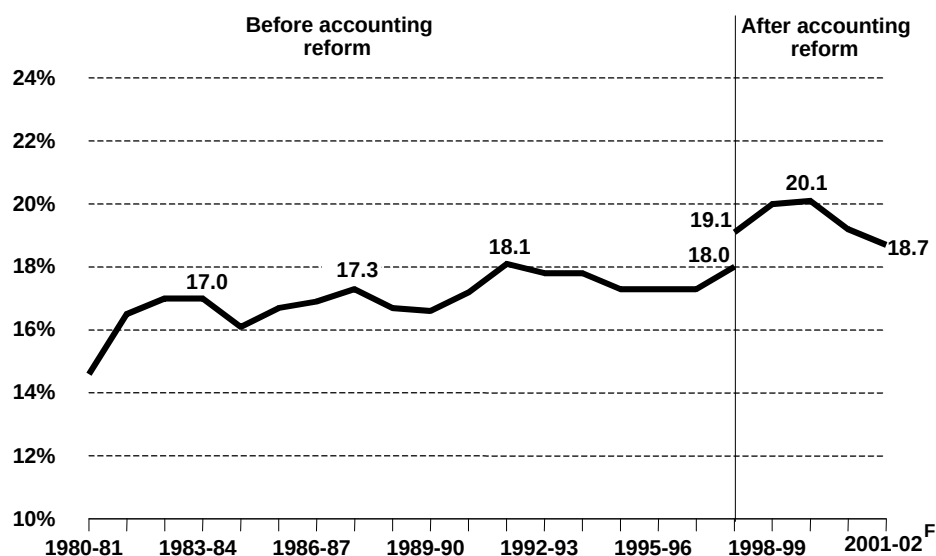
2 Does not include the measures for collecting all revenue owed to the government and deferral of QST rebate to large enterprises. Sources: 1997-1998 Budget Speech, Appendix A, and 1998-1999 Budget Speech, Additional Information on the Budgetary Measures.

3 Elasticity measures the link between growth in revenue before various measures and growth in gross domestic product. An elasticity of 1.00 means that a 1% increase in gross domestic product will result in a 1% increase in own-source revenue.

Own-source revenue as a proportion of gross domestic product, including consolidated organizations, should amount to 20.1% in 1999-2000. Given the tax reductions announced in this Budget and those of previous years, this ratio should decline over the forecast period to 18.7% in 2001-2002.

GRAPH 3.4

OWN-SOURCE REVENUE
(as a percentage of GDP)



F: Forecast.

Federal transfers

Following a drop of 22.3% in 1999-2000, Government of Canada transfers should rise by 16.3% in 2000-2001 and 7.1% in 2001-2002.

On an accrual basis, i.e. by adjusting the data to allocate the amounts received to the year they relate to, federal transfers should grow by 7.6% and by 8.7% in 2000-2001 and 2001-2002 respectively, following a decline of 2.5% in 1999-2000.

TABLE 3.5

FEDERAL TRANSFER REVENUE (in millions of dollars)

	1997-98	1998-99	1999-00 ^P	2000-01 ^P	2001-02 ^P
Cash basis					
Consolidated Revenue Fund	5 671	7 832	6 036	7 050	7 577
% change	- 15.6	38.1	- 22.9	16.8	7.5
Consolidated organizations	318	258	248	256	250
Total	5 989	8 090	6 284	7 306	7 827
% change	n.a.	35.1	- 22.3	16.3	7.1
Adjustment to charge amounts to the appropriate year	902	- 1 232	403	- 112	- 4
Accrual basis	6 891	6 858	6 687	7 194	7 823
% change	n.a.	- 0.5	- 2.5	7.6	8.7

P: Preliminary results for 1999-2000 and forecasts for subsequent years.

n.a.: Not applicable.

On a cash basis, the substantial increase of 16.3% in federal transfers in 2000-2001 is mainly a reflection of the planned withdrawal of funds from the Canada Health and Social Transfer (CHST) trust account. It also reflects an increase in equalization revenue following the anticipated rise in provincial revenues subject to this program. In 2001-2002, federal transfers should grow by 7.1%. As in 2000-2001, the withdrawal of funds from the CHST trust account will provide temporary support for the growth in federal transfer revenue.

CHST trust account

As part of its budget last year, the federal government created a CHST trust account in which it deposited \$3.5 billion for the use of the provinces. Of this amount, Québec's share was \$841 million. Last year's Québec Budget stipulated that \$482 million would be withdrawn from the trust account and used in 1999-2000, \$240 million in 2000-2001 and \$119 million in 2001-2002.

In its last budget, the federal government announced that \$2.5 billion would be added to the CHST trust account over four years for the provinces as a whole. As far as Québec is concerned, this addition means that its share will rise by \$600 million, which can be withdrawn between now and March 31, 2004. In view of these additional amounts, Québec plans to withdraw \$420 million from the trust account in 2000-2001, \$765 million in 2001-2002 and \$256 million in 2002-2003.

TABLE 3.6

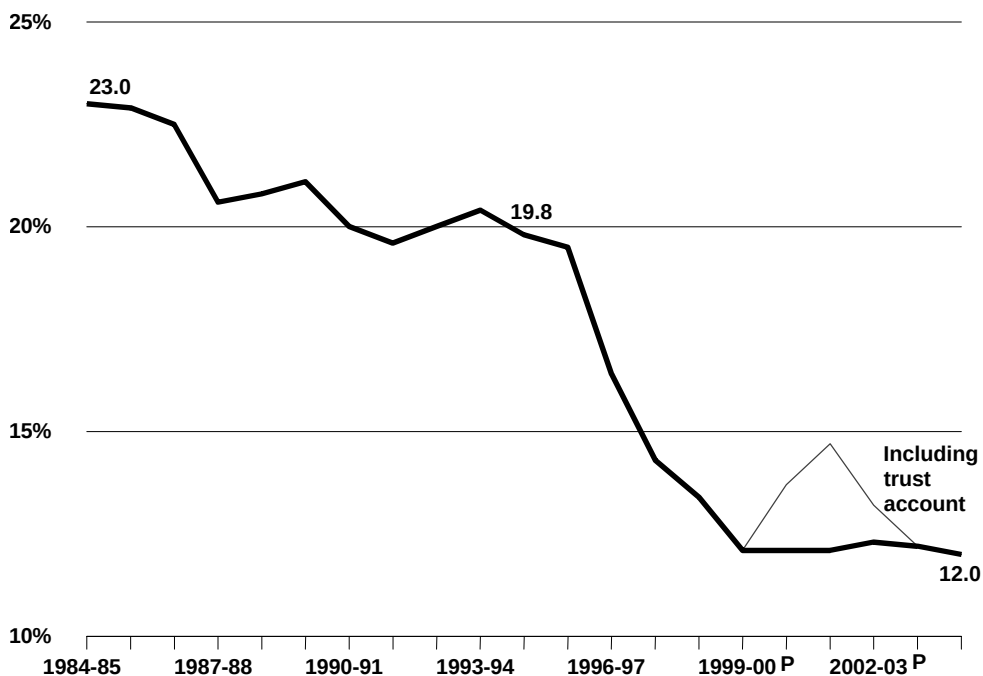
FORECAST WITHDRAWALS FROM THE CHST TRUST ACCOUNT (in millions of dollars)

	99-2000	2000-01	2001-02	2002-03	2003-04	Total
1999-2000 Budget	482	240	119	—	—	841
2000-2001 Budget						
- 1999-2000 endowment	—	420	421	—	—	841
- 2000-2001 endowment	—	—	344	256	—	600
Total	—	420	765	256	—	1 441

It is worth noting that the federal contribution to social programs funding, even including the additions made by the federal government last year and this year, will continue to stagnate in the medium term. This contribution, which amounted to 23% of Québec's spending in the mid-1980s, will account for only 12% in 2004-2005, basically the same percentage as in 1999-2000.

GRAPH 3.5

FEDERAL CHST TRANSFERS TO QUÉBEC¹
 (as a percentage of Québec's social spending²)



1 Including the value of the special Québec abatement.

2 Health, education and income security spending.

P: Preliminary results for 1999-2000 and forecasts for subsequent years.

Government expenditure

The government's budgetary expenditure should total \$48 253 million in 2000-2001, up 2.8% compared to 1999-2000. Operating expenditures will amount to \$40 828 million, while debt service will total \$7 425 million.

Operating expenditures include the program spending of government departments as well as the expenditures of consolidated organizations. Similarly, debt service includes the debt service of the Consolidated Revenue Fund and that of consolidated organizations.

TABLE 3.7

BUDGETARY EXPENDITURE¹ (in millions of dollars)

	1997-98	1998-99	99-2000 ^P	2000-01 ^P	2001-02 ^P
Operating expenditure					
□ Program spending	- 35 484	- 37 964	- 38 274	- 39 460	- 40 613
% change	n.a.	1.9 ¹	0.8	3.1	2.9
□ Consolidated organizations	- 1 094	- 1 368	- 1 299	- 1 368	- 1 218
Total operating expenditure	- 36 578	- 39 332	- 39 573	- 40 828	- 41 831
% change	n.a.	2.6 ¹	0.6	3.2	2.5
Debt service					
□ Consolidated Revenue Fund	- 6 766	- 6 574	- 6 724	- 6 750	- 6 851
% change	n.a.	- 2.8	2.3	0.4	1.5
□ Consolidated organizations	- 577	- 613	- 664	- 675	- 624
Total debt service	- 7 343	- 7 187	- 7 388	- 7 425	- 7 475
% change	n.a.	- 2.1	2.8	0.5	0.7
Budgetary expenditure	- 43 921	- 46 519	- 46 961	- 48 253	- 49 306
% change	n.a.	1.8 ¹	1.0	2.8	2.2
Nominal GDP growth rate in % *	4.1	3.2	4.8	5.3	4.0
Inflation rate in Canada in % *	1.6	0.9	1.7	2.1	1.3

P: Preliminary results for 1999-2000 and forecasts for subsequent years.

n.a.: Not applicable.

* For the calendar year ending three months before the end of the fiscal year.

1 Excluding the impact of expenditures incurred to implement the financial restructuring and consolidation plan for health and social services network institutions, and to improve the financial situation of universities, and excluding the impact of the Canada-Québec Labour Market Agreement which became effective in 1998-1999.

Program spending

The government has achieved a substantial surplus compared to the forecasts in the 1999-2000 Budget Speech. Some of the surplus is being reinvested in program spending. Consequently, program spending growth should reach 3.1% in 2000-2001. The significant addition of resources will secure and improve the delivery of public services, in the health and social services sector among others, as well as in sectors affecting young people and education.

In 2001-2002, program spending should rise at a rate similar to that forecast for 2000-2001, i.e. 2.9%. This growth rate is compatible with the government's objectives in terms of maintaining a balanced budget and reducing taxes.

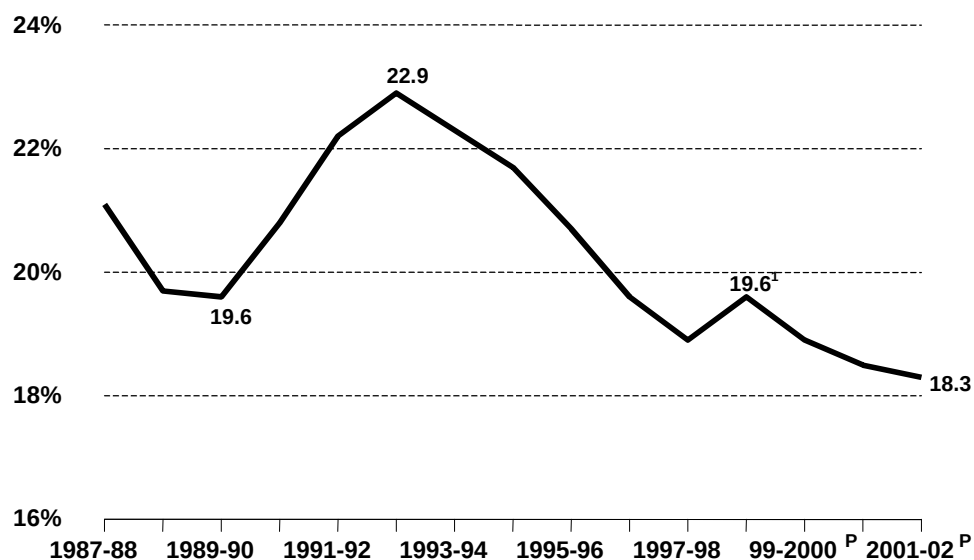
New spending initiatives

The 2000-2001 Budget Speech announces that additional resources totalling \$2.7 billion are being allocated in the health and social services sector. Furthermore, an additional \$1 billion is allocated to fund the education networks. Lastly, substantial resources are provided for other initiatives for young people and education, to support economic transformation and job creation, to bolster regional development, and for culture.

Taking into account the measures announced in this Budget and the policy directions retained for the next few years, the ratio of the government's program spending to GDP should continue falling to 18.9% in 1999-2000 and 18.3% in 2001-2002.

GRAPH 3.6

PROGRAM SPENDING
(as a percentage of GDP)



P: Preliminary results for 1999-2000 and forecasts for subsequent years.

1 The increase between 1997-1998 and 1998-1999 in the program spending/GDP ratio is attributable to expenditures of \$1 377 million in 1998-1999 to implement the financial restructuring and consolidation plan for health and social services network institutions, and to improve the financial situation of universities.

Section 3

Appendix 3.1

Anticipated and actual budget deficit since 1995-1996

The government eliminated the deficit in 1998-1999, one year earlier than forecast. As a result, it has accumulated surpluses of \$1 401 million in relation to the deficit targets stipulated in the Act respecting the elimination of the deficit and a balanced budget.

In accordance with the Act, these surpluses could be used to offset possible overruns compared with a balanced budget in the years to come.

TABLE 3.1.1

ANTICIPATED AND ACTUAL BUDGET DEFICIT (in millions of dollars)

	1995-96	1996-97	1997-98 ¹	1998-99 ¹	99-2000 ^{P 1}
Deficit anticipated in the Budget Speech in each year	- 3 975	- 3 275	- 2 200	- 1 200	0
Actual deficit	- 3 966 ²	- 3 217 ²	- 2 192	126	0
Surplus	9	58	8	1 326	0
Accumulated surplus compared with the Act	-	67	75	1 401	1 401
Adjusted deficit ³	- 3 949	- 3 215	- 2 159	131	0

P: Preliminary results.

1 According to the government's new accounting framework implemented in fiscal year 1997-1998.

2 Data drawn from the public accounts reflecting the accounting policies in effect each year.

3 Based on the budgetary structure in effect in 2000-2001.

Section 3

Appendix 3.2

Additional information on budgetary revenue in 2000-2001

The Québec government's revenue should total \$48 253 million in 2000-2001. This revenue is derived from two sources: own-source revenue and federal transfer revenue.

Own-source revenue accounts for almost 85% of the government's revenue

In 2000-2001, the Québec government's own-source revenue should reach \$40 947 million, or 84.9% of budgetary revenue. Own-source revenue can be divided into three categories. The first category consists of tax revenue, which essentially includes personal income tax, corporate taxes and consumption taxes. The next category takes in non-tax revenue, such as various duties and permits (registration fees, hunting and fishing permits, etc.), miscellaneous revenue (interest, recoveries, sales of goods and services, fines, etc.) and the revenue of consolidated organizations. The last category comprises revenue from government enterprises, such as Hydro-Québec, Loto-Québec and the Société des alcools du Québec.

TABLE 3.2.1

BUDGETARY REVENUE IN 2000-2001^F

	In \$M	In %
Own-source revenue	40 947	84.9
Federal transfers	7 306	15.1
	48 253	100.0

F: Forecast.

Tax revenue makes up the bulk of own-source revenue

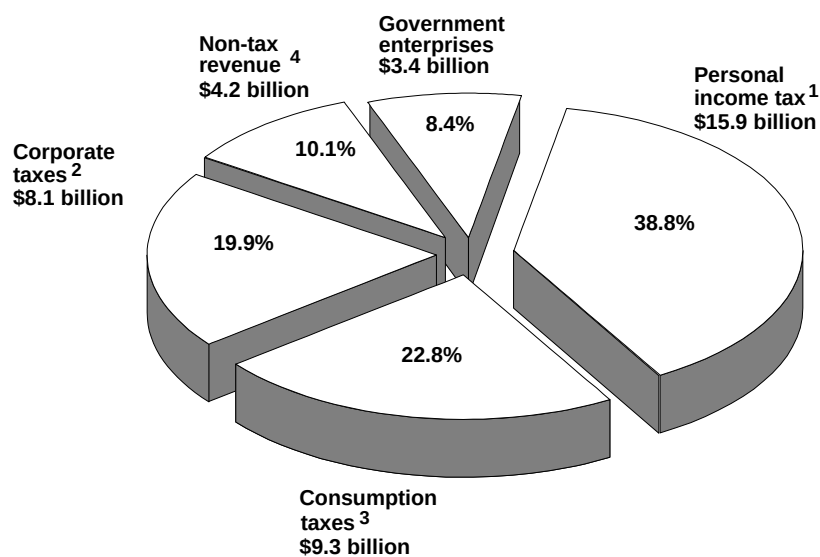
In 2000-2001, personal income tax will be the largest source of own-source revenue (38.8%), followed by consumption taxes (22.8%) and corporate taxes (19.9%). These three sources, which make up tax revenue, account for 81.5% of all own-source revenue.

The balance of own-source revenue consists of revenue from government enterprises (8.4%) and non-tax revenue (10.1%), which includes fees for government services and the revenue of consolidated organizations.

GRAPH 3.2.1

DISTRIBUTION OF OWN-SOURCE REVENUE BY SOURCE IN 2000-2001^F

Total: \$40.9 billion



- F: Forecast.
 1 Including individuals' contributions to the Health Services Fund.
 2 Including corporate contributions to the Health Services Fund.
 3 Including duties on alcoholic beverages.
 4 Including revenue of consolidated organizations.

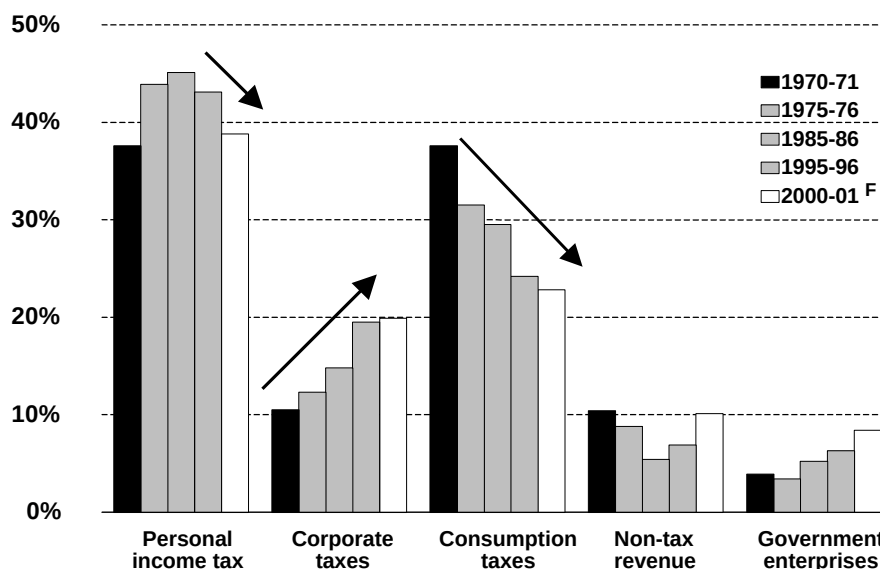
Change in own-source revenue by source

The composition of own-source revenue has changed considerably over the years. Personal income tax as a proportion of overall revenue has declined over the past two decades, while the share of corporate taxes has grown appreciably, almost doubling since 1970-1971. The share of consumption taxes has fallen sharply, from 37.6% in 1970-1971 to 22.8% in 2000-2001. The share of consumption taxes has fallen sharply, from 37.6% in 1970-1971 to 22.8% in 2000-2001.

The importance of revenue from government enterprises and non-tax revenue has grown in recent years, in particular because of the improved profitability of government corporations and cost-effective fees for government services. Furthermore, the addition of consolidated organizations to the government accounting entity since 1997-1998 has helped to significantly increase the share of these two revenue sources in total own-source revenue.

GRAPH 3.2.2

OWN-SOURCE REVENUE BY SOURCE (as a percentage of the total)



F: Forecast.

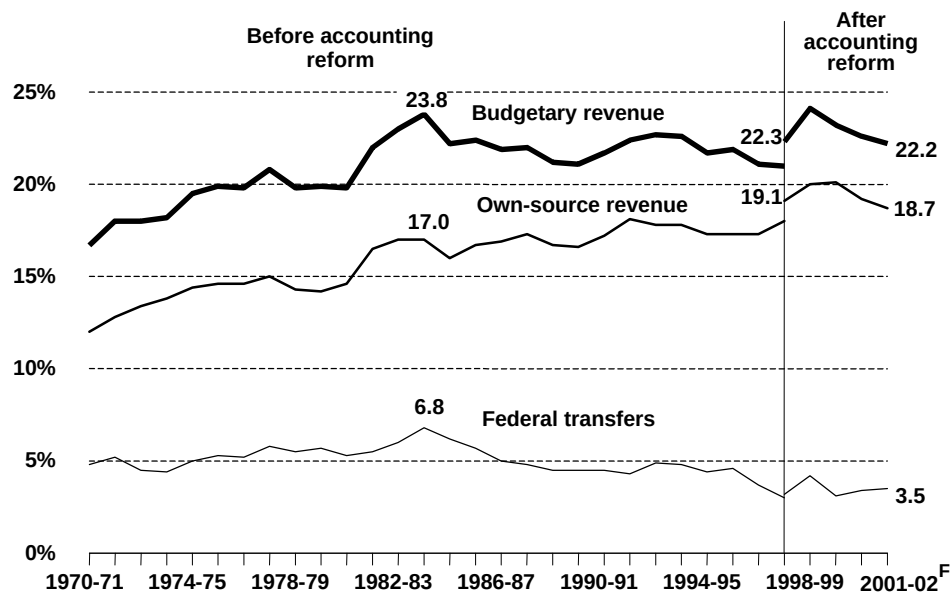
Budgetary revenue

Since the early 1980s, budgetary revenue has accounted for a relatively steady proportion of GDP, although this ratio has risen since 1997-1998 with the consolidation of certain organizations within the government accounting entity.

However, the share of own-source revenue has risen during this period, while that of federal transfers has fallen because of federal cuts to funding for social programs.

GRAPH 3.2.3

BUDGETARY REVENUE (as a percentage of GDP)



F: Forecast.

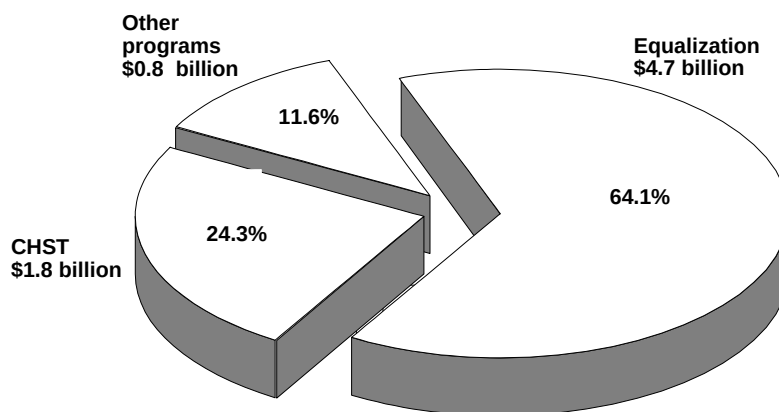
Equalization accounts for almost two-thirds of federal transfers

The Québec government's revenue also includes federal transfers. In 2000-2001, these transfers will reach \$7 306 million, or 15.1% of budgetary revenue. Federal transfers include equalization, the Canada Health and Social Transfer (CHST), as well as revenue from a number of cost-sharing agreements between Québec and the federal government.

GRAPH 3.2.4

DISTRIBUTION OF FEDERAL TRANSFERS BY SOURCE IN 2000-2001^F

Total: \$7.3 billion



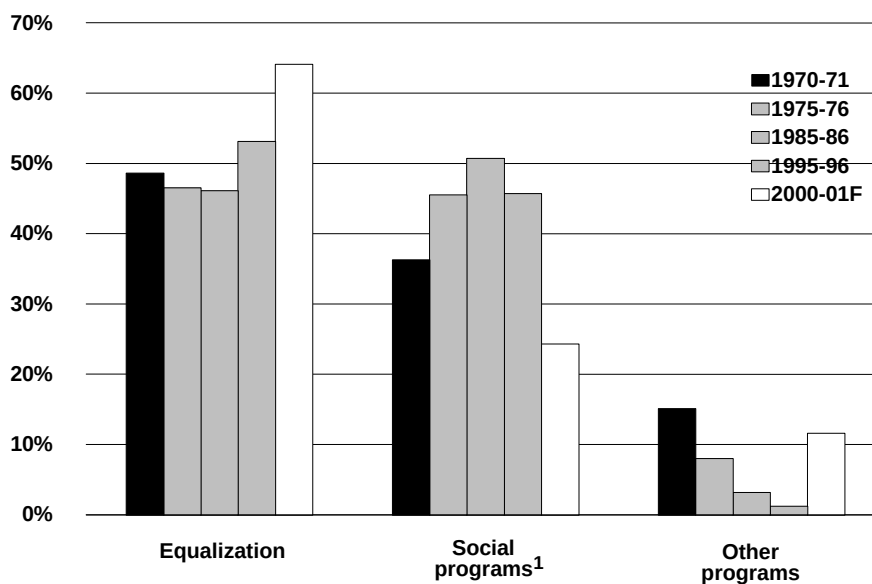
F: Forecast.

Share of federal transfers for health, education and income security down sharply

As the following graph shows, the share of federal cash transfers for health, education and income security services has fallen sharply since the early 1980s. This decline has recently accelerated with the implementation of the CHST in 1996-1997, which was accompanied by a substantial drop in the federal contribution to social programs funding.

GRAPH 3.2.5

FEDERAL TRANSFERS BY SOURCE (as a percentage of the total)



F: Forecast.

1 Cash transfers only (excluding the special Québec abatement).

Section 3

Appendix 3.3

Additional information on the Québec government's financial position

TABLE 3.3.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS¹
(in millions of dollars)

	Budgetary transactions						
	Own-source revenue	Federal transfers	Budgetary revenue	Operating expenditure	Debt service	Budgetary expenditure	Surplus (deficit)
Before reform of government accounting							
1970-1971	2 747	1 095	3 842	− 3 790	− 197	− 3 987	− 145
1971-1972	3 183	1 294	4 477	− 4 622	− 210	− 4 832	− 355
1972-1973	3 743	1 262	5 005	− 5 110	− 242	− 5 352	− 347
1973-1974	4 364	1 377	5 741	− 6 112	− 288	− 6 400	− 659
1974-1975	5 358	1 872	7 230	− 7 376	− 296	− 7 672	− 442
1975-1976	6 099	2 224	8 323	− 8 906	− 368	− 9 274	− 951
1976-1977	7 118	2 523	9 641	− 10 361	− 456	− 10 817	− 1 176
1977-1978	7 996	3 090	11 086	− 11 184	− 606	− 11 790	− 704
1978-1979	8 517	3 271	11 788	− 12 469	− 817	− 13 286	− 1 498
1979-1980	9 453	3 757	13 210	− 14 640	− 970	− 15 610	− 2 400
1980-1981	10 750	3 899	14 649	− 16 748	− 1 382	− 18 130	− 3 481
1981-1982	13 445	4 479	17 924	− 18 595	− 1 950	− 20 545	− 2 621
1982-1983	14 685	5 178	19 863	− 20 026	− 2 300	− 22 326	− 2 463
1983-1984	15 706	6 235	21 941	− 21 593	− 2 511	− 24 104	− 2 163
1984-1985	16 147	6 247	22 394	− 23 255	− 3 012	− 26 267	− 3 873
1985-1986	18 074	6 190	24 264	− 24 383	− 3 354	− 27 737	− 3 473
1986-1987	19 848	5 839	25 687	− 25 103	− 3 556	− 28 659	− 2 972
1987-1988	22 300	6 131	28 431	− 27 151	− 3 675	− 30 826	− 2 395
1988-1989	23 702	6 403	30 105	− 28 006	− 3 802	− 31 808	− 1 703
1989-1990	24 784	6 693	31 477	− 29 222	− 4 015	− 33 237	− 1 760
1990-1991	26 568	6 992	33 560	− 32 084	− 4 437	− 36 521	− 2 961
1991-1992	28 249	6 766	35 015	− 34 649	− 4 666	− 39 315	− 4 300
1992-1993	28 161	7 782	35 943	− 36 216	− 4 756	− 40 972	− 5 029
1993-1994	28 801	7 780	36 581	− 36 200	− 5 316	− 41 516	− 4 935
1994-1995	29 455	7 510	36 965	− 36 908	− 5 881	− 42 789	− 5 824
1995-1996	30 645	8 142	38 787	− 36 702	− 6 034	− 42 736	− 3 949
1996-1997	31 175	6 719	37 894	− 35 254	− 5 855	− 41 109	− 3 215
After reform of government accounting							
1997-1998	35 773	5 989	41 762	− 36 578	− 7 343	− 43 921	− 2 159
1998-1999	38 560	8 090	46 650	− 39 332	− 7 187	− 46 519	131
1999-2000 ^P	40 677	6 284	46 961	− 39 573	− 7 388	− 46 961	0

P: Preliminary results.

1 A negative entry indicates a financial requirement and a positive entry, a source of financing.

Non-budgetary transactions					Net financial requirements
Investments, loans and advances	Capital investments	Retirement plans	Other accounts	Surplus	
- 73	—	2	26	- 45	- 190
- 63	—	1	113	51	- 304
- 53	—	- 1	18	- 36	- 383
- 122	—	25	459	362	- 297
- 146	—	104	319	277	- 165
- 186	—	109	622	545	- 406
- 183	—	187	- 161	- 157	- 1 333
- 229	—	265	- 488	- 452	- 1 156
- 189	—	316	119	246	- 1 252
- 188	—	683	551	1 046	- 1 354
- 56	—	822	416	1 182	- 2 299
- 586	—	1 007	71	492	- 2 129
- 761	—	1 051	- 40	250	- 2 213
- 672	—	1 057	- 437	- 52	- 2 215
- 167	—	1 183	887	1 903	- 1 970
40	—	1 269	493	1 802	- 1 671
- 380	—	1 355	260	1 235	- 1 737
- 680	—	2 203	- 494	1 029	- 1 366
- 670	—	1 634	- 266	698	- 1 005
- 516	—	1 164	296	944	- 816
- 458	—	1 874	63	1 479	- 1 482
- 411	—	1 916	140	1 645	- 2 655
- 490	—	1 525	81	1 116	- 3 913
- 623	—	1 668	64	1 109	- 3 826
- 1 142	—	1 509	581	948	- 4 876
- 287	—	1 701	- 413	1 001	- 2 948
- 792	—	1 928	- 57	1 079	- 2 136
- 1 315	- 209	1 888	111	475	- 1 684
- 1 402	- 217	1 020	991	392	523
- 1 755	- 372	1 629	958	460	460

TABLE 3.3.2

GOUVERNEMENT DU QUÉBEC
TOTAL DEBT AT THE END OF THE FISCAL YEAR¹

	Direct debt ²		Retirement plans liability ³		Total debt	
	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
Before reform of government accounting						
1970-1971	2 478	10.7	—	—	2 478	10.7
1971-1972	2 920	11.7	—	—	2 920	11.7
1972-1973	3 309	11.8	—	—	3 309	11.8
1973-1974	3 679	11.6	—	—	3 679	11.6
1974-1975	4 030	10.8	67	0.2	4 097	11.0
1975-1976	4 955	11.8	179	0.4	5 134	12.2
1976-1977	6 035	12.3	354	0.7	6 389	13.1
1977-1978	7 111	13.3	620	1.2	7 731	14.4
1978-1979	8 325	14.0	915	1.5	9 240	15.5
1979-1980	9 472	14.2	1 598	2.4	11 070	16.6
1980-1981	12 247	16.5	2 420	3.3	14 667	19.8
1981-1982	14 184	17.4	3 428	4.2	17 612	21.6
1982-1983	16 485	19.1	4 489	5.2	20 974	24.3
1983-1984	18 880	20.5	5 545	6.0	24 425	26.5
1984-1985	21 216	21.1	6 729	6.7	27 945	27.8
1985-1986	23 633	21.8	7 998	7.4	31 631	29.2
1986-1987	25 606	21.8	9 353	8.0	34 959	29.8
1987-1988	26 819	20.8	10 883	8.4	37 702	29.2
1988-1989	27 091	19.1	12 597	8.9	39 688	28.0
1989-1990	27 699	18.6	14 320	9.6	42 019	28.2
1990-1991	29 637	19.2	16 227	10.5	45 864	29.7
1991-1992	33 106	21.2	18 143	11.6	51 249	32.8
1992-1993	39 231	24.8	19 668	12.4	58 899	37.2
1993-1994	45 160	27.9	20 483	12.6	65 643	40.5
1994-1995	52 468	30.8	21 997	12.9	74 465	43.8
1995-1996	52 886	29.9	23 624	13.1	76 510	43.0
1996-1997	52 625	29.3	25 461	14.2	78 086	43.4
After reform of government accounting						
1997-1998	57 294	30.6	40 434	21.6	97 728	52.2
1998-1999	59 144 ⁴	30.6	40 424	20.9	99 568 ⁴	51.5
1999-2000 ^P	60 930 ⁵	30.1	39 227	19.4	100 157 ⁵	49.4

P: Preliminary results.

1 Adjusted data excluding the impact of the pre-recording of expenditures from 1987-1988 to 1989-1990.

2 Including Treasury bills, Treasury notes and long-term debt. As of 1976-1977, the debt in foreign currency has been expressed in the Canadian equivalent, based on the exchange rate at March 31 of the fiscal year under consideration.

3 Balance of retirement plans account less amount accumulated in the retirement plans sinking fund.

4 Excluding the pre-financing of \$2 831 million in borrowings in 1998-1999.

5 Excluding the pre-financing of \$758 million in borrowings in 1999-2000.

TABLE 3.3.3

GOUVERNEMENT DU QUÉBEC
DEBT SERVICE

	Direct debt service		Interest on the retirement plans liability ¹		Total debt service	
	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue
Before reform of government accounting						
1970-1971	197	5.1	—	—	197	5.1
1971-1972	210	4.7	—	—	210	4.7
1972-1973	242	4.8	—	—	242	4.8
1973-1974	288	5.0	—	—	288	5.0
1974-1975	296	4.1	—	—	296	4.1
1975-1976	368	4.4	—	—	368	4.4
1976-1977	456	4.7	—	—	456	4.7
1977-1978	606	5.5	—	—	606	5.5
1978-1979	763	6.5	54	0.5	817	6.9
1979-1980	882	6.7	88	0.7	970	7.3
1980-1981	1 217	8.3	165	1.1	1 382	9.4
1981-1982	1 686	9.4	264	1.5	1 950	10.9
1982-1983	1 921	9.7	379	1.9	2 300	11.6
1983-1984	2 031	9.3	480	2.2	2 511	11.4
1984-1985	2 414	10.8	598	2.7	3 012	13.5
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.8
1987-1988	2 751	9.7	924	3.2	3 675	12.9
1988-1989	2 665	8.9	1 137	3.8	3 802	12.6
1989-1990	2 829	9.0	1 186	3.8	4 015	12.8
1990-1991	3 026	9.0	1 411	4.2	4 437	13.2
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.7	1 281	3.6	4 756	13.2
1993-1994	3 750	10.3	1 566	4.3	5 316	14.5
1994-1995	4 332	11.7	1 549	4.2	5 881	15.9
1995-1996	4 287	11.1	1 747	4.5	6 034	15.6
1996-1997	3 906	10.3	1 949	5.1	5 855	15.5
After reform of government accounting						
1997-1998	4 378	10.5	2 965	7.1	7 343	17.6
1998-1999	4 773	10.2	2 414	5.2	7 187	15.4
1999-2000 ^P	4 776	10.2	2 612	5.6	7 388	15.7

P: Preliminary results for 1999-2000.

1 Amount of interest ascribed to the retirement plans account less income from the retirement plans sinking fund.