

2000-2001 Budget Speech

Highlights

- ❖ The budget is balanced in 1999-2000 and 2000-2001 (the third year in a row).
- ❖ The economy's good performance has generated surpluses compared with the forecasts in the March 1999 Budget. These surpluses are applied mainly to:
 - lower personal income tax more quickly and more significantly than forecast;
 - support the transformation of the economy and create even more jobs;
 - increase resources allocated to the health and education sectors.
- ❖ The share of program spending in GDP continues to decrease. It will be 18.3% in 2001-2002.
- ❖ The elimination of the deficit has caused the debt ratio to fall. The government's total debt dropped from:
 - 52.2% of GDP in 1997-1998; to
 - 49.4% of GDP in 1999-2000; and will drop to
 - 46.7% of GDP in 2001-2002.

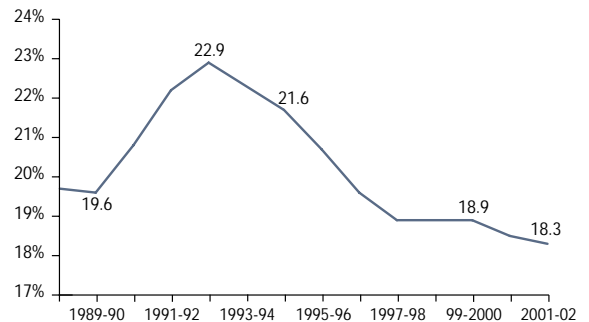
Personal income tax relief

- ❖ Personal income tax cut by \$4.5 billion:
 - \$1 billion in 2000-2001:
 - \$700 million more than forecast in the 1999-2000 Budget;
 - retroactive to January 1, 2000.
 - \$1.5 billion in 2001-2002.
 - \$2 billion in 2002-2003.
- ❖ An average income tax reduction of 13%.
- ❖ Full automatic indexation of tax tables as of 2003.
- ❖ The government is doing more, and doing it more rapidly than what was forecast in the last Budget.

Summary of financial transactions
(in millions of dollars)

	99-2000	2000-01	2001-02
Budgetary revenue			
Own-source revenue	40 677	40 947	41 479
Federal transfers	6 284	7 306	7 827
	46 961	48 253	49 306
Budgetary expenditure			
Operating expenditure	-39 573	-40 828	-41 831
Debt service	-7 388	-7 425	-7 475
	-46 961	-48 253	-49 306
Budgetary surplus	0	0	0
Non-budgetary surplus	460	-474	77
Net financial surplus	460	-474	77

Program spending¹
(as a percentage of GDP)



¹ Excluding extraordinary expenditures of \$1 377 million in 1998-1999.

**BUDGET
REMAINS
BALANCED**

**TAX CUT OF
\$4.5 BILLION
FOR
INDIVIDUALS**

The economy

Highlights for 1999

- ❖ Real GDP growth of 3.7%.
- ❖ Buoyant labour market:
 - 76 000 new jobs created:
 - for the second year in a row, the best performance since 1987.
 - Unemployment rate:
 - 8.1% in December 1999;
 - the lowest it has been since 1976.

Forecasts

- ❖ The economic growth forecasts used for the Budget are 3.3% in 2000 and 2.7% in 2001:
 - equivalent to the average private sector forecast.

Financing

The financing program

- ❖ The financing program for 2000-2001 is estimated at \$6.3 billion:
 - \$3.1 billion for the basic program;
 - \$3.2 billion for the optional program.
- ❖ Public markets will provide some \$3.2 billion in 2000-2001.

Financement-Québec

- ❖ This new government corporation will borrow on public and private markets:
 - on its own behalf;
 - with the government's guarantee;
 - in order to lend funds mainly to institutions in the health and education networks (formerly served by the Financing Fund).
- ❖ The financial requirements of Financement-Québec are estimated at \$1.2 billion in 2000-2001.

Economic outlook (change in percentage)

	2000	2001
Real gross domestic product	3.3	2.7
Consumer prices	1.9	1.4
Interest rates		
Short-term	5.6	5.8
Long-term	6.3	6.4

Financial requirements (in millions of dollars)

	1999-2000	2000-2001
Basic program		
<i>Consolidated Revenue Fund</i>		
– Net financial requirements ¹	-750	—
– Regular repayments	5 017	3 854
– Change in cash position	-2 831	-758
	1 436	3 096
Optional program		
<i>Consolidated Revenue Fund</i>		
– Optional repayments	221	297
– Retirement Plans		
Sinking Fund	2 826	1 877
– Pre-financing	758	—
<i>Financing fund</i>	1 193	1 000
	4 998	3 174
Total	6 434	6 270

¹ Excluding net financial requirements for consolidated organizations.

Financement-Québec (in millions of dollars)

	1999-2000	2000-2001
Financial requirements	944 ¹	1 200

¹ Represents advances of \$500 million made by the Consolidated Revenue Fund to Financement-Québec, and loans of \$444 million made by the Financing Fund to the institutions now served by Financement-Québec before the latter began its operations.