

2001-2002 Budget Speech

Highlights

- ❖ Strong economic growth in 2000 generated more revenue than forecast.
- ❖ This extra revenue was used to:
 - further cut personal income tax;
 - substantially reduce the debt;
 - allocate additional resources to health and education, and promote economic development;
 - set up a reserve of \$950 million to be used, in particular, to modernize the health and education networks, for social solidarity and research.

BUDGET SURPLUSES

DEBT REDUCTION

ADDITIONAL PERSONAL INCOME TAX REDUCTION

Summary of financial transactions (in millions of dollars)

	2000-01	2001-02	2002-03
Budgetary revenue			
Own-source revenue	42 729	41 652	42 817
Federal transfers	8 174	9 484	9 557
	50 903	51 136	52 374
Budgetary expenditure			
Operating expenditure	-41 789	-43 226	-44 582
Debt service	-7 664	-7 910	-7 792
	-49 453	-51 136	-52 374
Reserve for health, education, social solidarity and research	-950	—	—
Budgetary surplus after reserve	500	0	0
Non-budgetary transactions	-932	-770	-241
Net financial requirements	-432	-770	-241

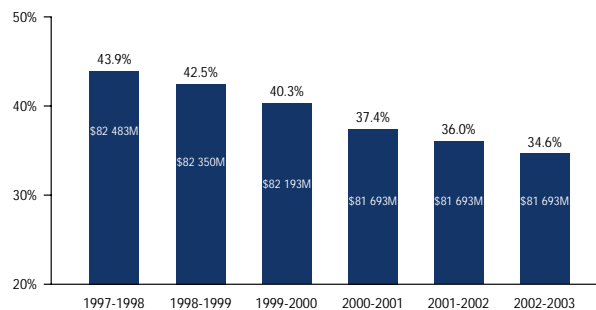
Debt reduction

- ❖ In 2000-2001, the Québec government entered a new phase in restoring order to public finances:
 - budget surplus of a half-billion dollars;
 - used to reduce the debt.

Personal tax burden reduced

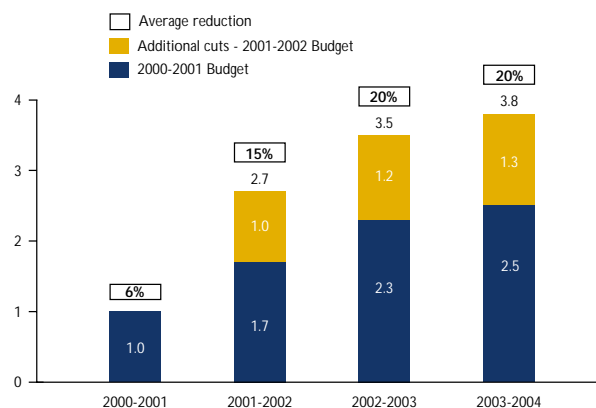
- ❖ Personal income tax reduced by an additional \$3.5 billion over three years:
 - the tax cuts of the last two budgets total \$11 billion over four years.
- ❖ In 2002, the personal tax burden will have fallen by an average of 20%.
- ❖ To protect taxpayers' purchasing power, tax tables will be fully indexed one year earlier, on January 1, 2002.

Debt representing accumulated deficits¹ (as a percentage of GDP)



¹ Including the adjustments shown in the public accounts.

Personal income tax reduction (in billions of dollars)



Economy

Highlights of 2000

- ❖ Real GDP growth of 4.3% in 2000, the fourth consecutive year of vigorous economic growth:
 - thanks to sustained growth in domestic demand and strong international exports.
- ❖ Buoyant labour market:
 - over 80 000 new jobs created;
 - average unemployment rate of 8.4%:
 - the lowest level since 1975.

**VIGOROUS
ECONOMIC
GROWTH**

Forecasts for 2001

- ❖ The 2001-2002 Budget was prepared using an economic growth forecast of 2.7%:
 - equivalent to the average private-sector forecast.
- ❖ The unemployment rate should decline to 8.0%.
- ❖ Inflation and interest rates should remain relatively low.

Financing

Government and Financing Fund

- ❖ The financing program for 2001-2002 is estimated at \$6.8 billion:
 - \$3.3 billion for the basic program of the Consolidated Revenue Fund;
 - \$2.1 billion for the optional program;
 - \$1.4 billion for the Financing Fund.

Financement-Québec

- ❖ Financement-Québec's borrowing requirements are estimated at \$1.4 billion in 2001-2002.

**FINANCING
PROGRAMS**

Economic results and forecasts (as a percentage)

	2000	2001
Real GDP growth	4.3	2.7
Consumer price index	2.4	1.4
Unemployment rate	8.4	8.0
Interest rates		
Short-term	5.5	5.0
Long-term	5.9	5.3

Government and Financing Fund Financing program (in millions of dollars)

	2000-2001	2001-2002
Consolidated Revenue Fund		
<i>Basic program</i>		
– Net financial requirements ¹	—	—
– Maturing debt	4 595	4 741
– Change in cash position	-506	-1 477
	4 089	3 264
<i>Optional program</i>		
– Retirement Plans Sinking Fund	2 014	2 112
– Pre-financing	1 477	—
	3 491	2 112
	7 580	5 376
Financing Fund²	1 001	1 400
Total	8 581	6 776

¹ Excluding net financial requirements for consolidated organizations.
² Borrowings are made out of the Financing Fund to certain consolidated organizations and government corporations.

Financement-Québec (in millions of dollars)

	2000-2001	2001-2002
Financing program	1 690 ¹	1 400

¹ Including \$243 million in pre-financing.

THE FINANCIAL PROFILE
Today

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