

2002-2003 Budget Speech

- ❖ The Québec government has decided to present its 2002-2003 Budget five months ahead of schedule:
 - to provide a clear vision of Québec's economy and public finances in the economic aftermath of the September 11 attacks in the United States;
 - to announce an action plan aimed at bolstering consumer confidence and investment.

The zero-deficit objective is maintained

- ❖ As prescribed in the *Act respecting the elimination of the deficit and a balanced budget*, the objective of a zero deficit is maintained for 2001-2002, 2002-2003 and subsequent years.
- ❖ Revenue forecasts are lowered by \$1.8 billion for 2001-2002 and 2002-2003, due to:
 - more moderate growth of the economy;
 - a decrease in the investment income of certain government corporations as a result of poor stock-market performance.
- ❖ However, reduced interest rates will lower debt service costs by \$944 million for 2001-2002 and 2002-2003.
- ❖ A balanced budget will be maintained by:
 - use of the balance of the budgetary reserve (\$670 million);
 - measures to curb tax evasion, and an increase in the tobacco tax;
 - rigorous spending management: the program spending targets set in the March 2001 Budget are maintained.

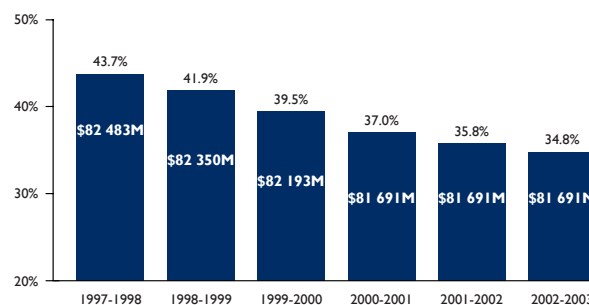
Debt ratios continue to decline

- ❖ The debt ratio representing accumulated deficits as a percentage of GDP continues to decline:
 - from 43.7% in 1997-1998, it should drop to 34.8% in 2002-2003.

Summary of consolidated financial transactions
(in millions of dollars)

	2000-2001	2001-2002	2002-2003
Budgetary revenue			
Own-source revenue	42 856	40 298	42 691
Federal transfers	8 161	9 660	9 247
	51 017	49 958	51 938
Budgetary expenditure			
Operating expenditure	-41 959	-43 506	-44 582
Debt service	-7 606	-7 402	-7 356
	-49 565	-50 908	-51 938
Budgetary reserve			
Funds allocated to reserve	-950	—	—
Use of funds allocated to reserve			
Financing new spending	—	280	—
Maintaining a balanced budget	—	670	—
Budgetary surplus after reserve			
	502	0	0
Non-budgetary requirements	-1 018	-707	-645
Net financial surplus (requirements)	-516	-707	-645

Debt representing accumulated deficits¹
(as a percentage of GDP)



¹ Including the adjustments shown in the public accounts.

Action plan

- ❖ Support measures of \$400 million for consumers, including:
 - an injection of \$250 million, made in December, targeting 2.5 million low- and middle-income individuals.
- ❖ Acceleration of public-sector investments amounting to nearly \$3 billion.
- ❖ Measures for businesses, including:
 - \$525 million in additional liquidity for SMEs, through a six-month deferral of certain tax instalments for the fourth quarter of 2001;
 - 50% reduction in the tax on capital by 2007 (from 0.64% to 0.30%) and full exemption for 60% of businesses by January 2003;
 - enhancement of certain assistance programs for private investments.

More moderate growth in 2001

- ❖ The March 2001 Budget was based on economic growth of 2.7% in 2001 and 2.6% in 2002, down from 4.7% growth observed in 2000.
- ❖ More moderate growth of the real GDP is now anticipated, i.e. 1.1% for 2001, 1.7% for 2002 and 1.9% for 2003:
 - due to a more pronounced economic slowdown in the United States and the September 11 terrorist attacks.

Recovery starting in 2002

- ❖ The key factors underpinning the recovery are already in place:
 - strong domestic demand until very recently (5% increase in retail sales for the first 8 months of the year);
 - sharp reduction of interest rates in Canada and the United States;
 - measures announced by the U.S. government to stimulate the economy;
 - major tax cuts introduced in Québec over the past two years;
 - the action plan in the present Budget should have a positive impact of 0.7% on growth in 2002.

Public-sector investment acceleration plan (in millions of dollars)

Public investments

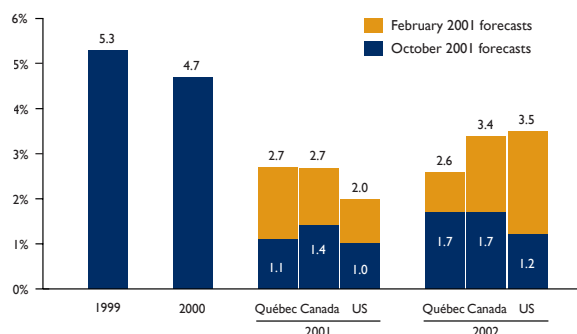
- Health and social services	500
- Housing	457
- Education	400
- Road network	400
- Municipal infrastructures	350
- Research, science and technology	100
- Other	250

Sub-total: public investments **2 457**

Government corporations investments **500**

Total **2 957**

Real gross domestic product – Québec, Canada and the United States (change in percentage)



Sources : Consensus Economics and ministère des Finances du Québec.

Economic outlook (change in percentage)

	2000	2001	2002	2003
Québec				
Real GDP	4.7	1.1	1.7	1.9
Consumption	4.8	3.9	3.3	2.9
International merchandise exports	12.3	-7.4	-0.2	4.8
Unemployment rate (%)	8.4	8.6	8.9	8.6
Consumer price index (CPI)	2.4	2.8	2.1	1.6
Canada				
Interest rates				
- Government of Canada Treasury bills (3 months)	5.5	3.9	3.0	4.4
- Government of Canada bonds (10 years)	5.9	5.5	5.5	6.2

Sources : Bank of Canada, Institut de la statistique du Québec and ministère des Finances du Québec.

Government and Financing Fund

- ❖ The 2001-2002 financing program is revised upward \$870 million to \$7 646 million:
 - pre-financing of \$855 million is forecast:
 - to partially cover the repayment of borrowings scheduled for April 1, 2002.
 - borrowings of \$1 031 million are to be made by March 31, 2002.
- ❖ For 2002-2003, the financing program of the government and the Financing Fund totals \$5.8 billion:
 - \$3.8 billion for the Consolidated Revenue Fund;
 - \$2 billion for the Financing Fund.

Government and Financing Fund
Financing programs 2001-2002 and 2002-2003
(in millions of dollars)

	2001-2002				2002-2003
	Budget Speech March 29, 2001	Revised	Completed	Remaining	
Consolidated Revenue Fund					
<i>Basic Program</i>					
Net financial requirements ¹	—	—			-500
Maturing debt	4 741	4 602			2 934
Change in cash position	- 1 477	- 1 477			-855
	3 264	3 125			1 579
<i>Optional program</i>					
Retirement Plans Sinking Funds	2 112	2 266			2 236
Pre-financing	—	855			—
Sub-total	2 112	3 121			2 236
	5 376	6 246	5 753	493	3 815
Financing Fund²	1 400	1 400	862	538	2 000
Total	6 776	7 646	6 615	1 031	5 815

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

- ❖ The Financement-Québec program remains unchanged for 2001-2002, at \$1.4 billion:
 - borrowings of \$783 million are to be made by March 31, 2002.
- ❖ For 2002-2003, the Financement-Québec financing program amounts to \$2.2 billion.

Financement-Québec
(in millions of dollars)

	2001-2002				2002-2003
	Budget Speech March 29, 2001	Revised	Completed	Remaining	
Financing program	1 400	1 400	617	783	2 200

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Today

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