

# The Financial Profile

# Today

Tuesday March 19, 2002

- The Québec government today released a Supplementary Statement to the 2002-2003 Budget that:
  - updates the most important economic and financial data;
  - and introduces a number of new measures to lower the personal tax burden and promote economic development.

## Sustained economic growth

- Québec's economy has held up well to the sharp economic downturn in the major industrialized countries:
  - real GDP growth of 0.6% in the fourth quarter of 2001 and 1.1% for the year as a whole;
  - employment up 1.8% since June 2001 (63 000 jobs created).
- Economic growth should reach 1.7% in 2002 and 2.9% in 2003.

## The budget will remain balanced

- As stipulated in the *Act respecting a balanced budget*, the budget will remain balanced in 2001-2002, 2002-2003 and subsequent years.
- Compared to the forecasts of the Budget tabled on November 1, 2001, own-source revenue is adjusted upward by \$586 million in 2001-2002 and 2002-2003:
  - this additional revenue partially offsets the downward adjustment to federal transfers of \$778 million for the same years.
- Debt service is adjusted downward by a total of \$192 million in 2001-2002 and 2002-2003.
- Program spending remains as stated in the November 1, 2001 Budget.

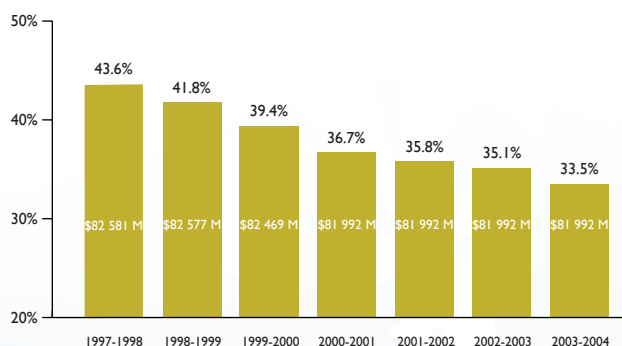
## Lower debt

- The ratio of the debt representing accumulated deficits as a percentage of GDP will continue to fall, dropping from 43.6% in 1997-1998 to 33.5% by the end of 2003-2004.

## Summary of consolidated financial transactions (in millions of dollars)

	2001-02	2002-03	2003-04
<b>Budgetary revenue</b>			
Own-source revenue	40 806	43 065	45 231
Federal transfers	9 287	8 842	8 074
	<b>50 093</b>	<b>51 907</b>	<b>53 305</b>
<b>Budgetary expenditure</b>			
Operating expenditure	-43 671	-44 713	-45 699
Debt service	-7 372	-7 194	-7 606
	<b>-51 043</b>	<b>-51 907</b>	<b>-53 305</b>
<b>Use of budgetary reserve</b>	<b>950</b>	<b>—</b>	<b>—</b>
<b>Budgetary surplus after reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>
Non-budgetary transactions	-655	-872	-705
<b>Net financial requirements</b>	<b>-655</b>	<b>-872</b>	<b>-705</b>

## Debt representing accumulated deficits (as a percentage of GDP)



## Economic development

- Targeted personal income tax cut of \$172 million for 780 000 households:
  - in addition to income tax cuts of 20% already in effect for 2002.
- Québec intends to foster the development of the biotechnology sector:
  - introduction of a financing program and designation of two new development centres offering tax benefits.
- The public investment acceleration plan of close to \$3 billion, announced in last November's budget, is underway:
  - projects worth a total of \$1.9 billion have already been approved.

## Financing

- The financing program of the government and the Financing Fund:
  - amounted to \$9.2 billion in 2001-2002, including pre-financing of \$1 178 million:
    - to fund repayments of debt maturing on the first day of fiscal year 2002-2003.
  - will be \$6.0 billion in 2002-2003.
- Québec maintains its objectives of diversification of sources of financing and promotion of the liquidity of its securities. In 2001-2002:
  - 60% of the financing program was carried out on the domestic market (five public issues for a total of \$2.4 billion);
  - 40% on foreign markets (1 billion US dollars, 50 billion yen and 1.5 billion euros).
- Financement-Québec's borrowing requirements are estimated at \$1.4 billion in 2001-2002 and \$2.2 billion in 2002-2003.
- Financement-Québec is a government corporation that makes loans to institutions of the education and health and social services sector.

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

<b>Public investments</b>	
- Health and social services	500
- Housing	457
- Education	400
- Road network	400
- Municipal infrastructures	350
- Research, science and technology	100
- Other	250
<b>Sub-total: public investments</b>	<b>2 457</b>
<b>Government corporation investments</b>	<b>500</b>
<b>Total</b>	<b>2 957</b>
<b>Approved projects</b>	<b>1 880</b>

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

	2001-2002 <sup>1</sup>	2002-2003
<b>Consolidated Revenue Fund</b>		
<i>Basic program</i>		
– Net financial requirements <sup>2</sup>	—	-500
– Maturing debt	4 854	2 911
– Change in cash position	-1 477	-1 178
	<u>3 377</u>	<u>1 233</u>
<i>Optional program</i>		
– Retirement Plans Sinking Fund	3 148	2 765
– Pre-financing	1 178	—
	<u>4 326</u>	<u>2 765</u>
	<b>7 703</b>	<b>3 998</b>
<b>Financing Fund<sup>3</sup></b>	<b>1 510</b>	<b>2 000</b>
<b>Total</b>	<b>9 213</b>	<b>5 998</b>

<sup>1</sup> Preliminary results.

<sup>2</sup> Excluding net financial requirements for consolidated organizations.

<sup>3</sup> Borrowings are made out of the Financing Fund to certain consolidated organizations and government corporations.

## Financement-Québec (in millions of dollars)

	2001-2002 <sup>1</sup>	2002-2003
<b>Financing program</b>	<b>1 400</b>	<b>2 200</b>

<sup>1</sup> Preliminary results.

# The Financial Profile Today

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