

FINANCIAL PROFILE TODAY

2006-2007 BUDGET

THURSDAY, MARCH 23, 2006

PRELIMINARY RESULTS FOR 2005-2006

- A balanced budget will be achieved in 2005-2006, in accordance with the *Balanced Budget Act*.

2006-2007 BUDGET

- We will also maintain a balanced budget in 2006-2007 and in 2007-2008.
- Program spending growth will be limited to 3.9%, below that of projected nominal GDP growth.
 - The ratio of program spending to GDP will continue to decline, to 17.6% in 2006-2007 and 17.5% in 2007-2008, the lowest level in 35 years.
- The tax burden of individuals will be reduced by \$362 million.
 - The average tax burden differential with the other Canadian provinces will have decreased from \$2.2 billion in 2003 to less than \$1 billion.
- The government's debt burden continues to decline:
 - from 52.2% in 1997-1998, the total debt/GDP ratio should fall to 42.0% in 2006-2007;
 - and to 41.1% in 2007-2008.
- Projected economic growth in 2006 is 2.5%.
 - In 2007, projected growth is 2.4%.

DEBT REDUCTION: THE GENERATIONS FUND

- The government is creating the Generations Fund, which will allow for gradual reduction of the debt.
 - The aim of this fund is to lower the debt to less than 25% of GDP by 2025.
- The Generations Fund will be financed chiefly by water-power royalties.
 - Hydro-Québec will gradually be subject to these royalties;
 - Royalties collected from private producers of hydro-electricity will also be gradually paid into the Fund.
- Other revenue sources may also be used:
 - a portion of the profits from surplus electricity sales on foreign markets generated by the planned increase in Hydro-Québec's production capacity;
 - a royalty on harnessing water;
 - the sale of non-strategic government assets.

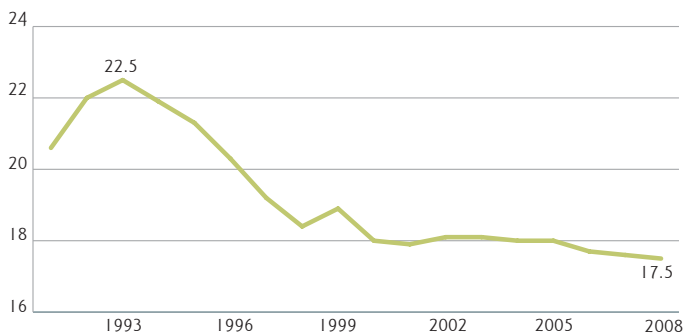
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS

(millions of dollars)

	2005-2006 ^P	2006-2007 ^P	2007-2008 ^P
Budgetary transactions of the Consolidated Revenue Fund			
Own-source revenue	45 476	47 105	48 475
Federal transfers	9 972	10 796	11 148
Total revenue	55 448	57 901	59 623
Program spending	- 48 940	- 50 873	- 52 450
Debt service	- 6 849	- 7 205	- 7 323
Total expenditure	- 55 789	- 58 078	- 59 773
Net results of consolidated organizations	341	177	150
Budgetary balance for the purposes of the <i>Balanced Budget Act</i>	0	0	0
Net results of the Generations Fund	-	74	390
Consolidated budgetary balance	0	74	390

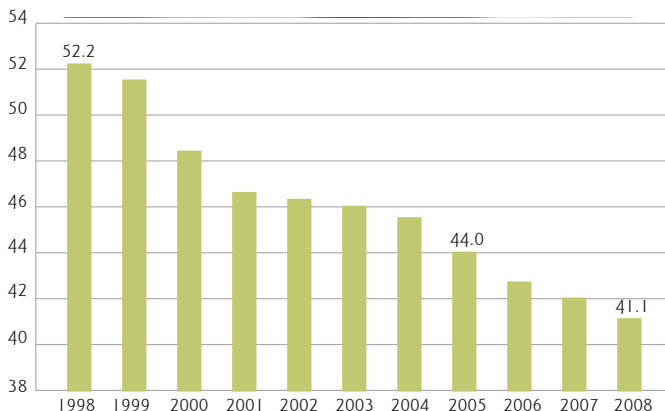
P: Preliminary results for 2005-2006 and forecasts for subsequent years.

PROGRAM SPENDING¹ (as a percentage of GDP)



¹ Fiscal year ended March 31. Preliminary results for 2005-2006.

TOTAL DEBT¹ (as a percentage of GDP)



¹ Fiscal year ended March 31.



FINANCING PROGRAM: CONSOLIDATED REVENUE FUND AND FINANCING FUND

- ♦ The borrowings of the Consolidated Revenue Fund and the Financing Fund amounted to \$13.3 billion in 2005-2006.
- ♦ Good borrowing conditions favoured a higher-than-anticipated level of borrowings, which enabled, among other things:
 - ♦ pre-financing of \$2.6 billion;
 - ♦ deposits of \$3 billion in the Retirement Plans Sinking Fund that would normally have been made in subsequent years.
- ♦ Under its credit policy regarding counterparties, the government made a disbursement of \$1.5 billion in the wake of currency movements. Such disbursements, which are financed by new borrowings, are similar to repayments of debt, and thus have no impact on the level of the government's debt.
- ♦ Several bond issues in foreign currency were carried out:
 - ♦ US\$1 billion in May;
 - ♦ US\$1.25 billion in March;
 - ♦ 1.5 billion euros in October;
 - ♦ two issues in Swiss francs, one for 350 million in October and one for 150 million in November;
 - ♦ two issues in Australian dollars, one for 300 million in July and one for 150 million in October;
 - ♦ a first issue in New Zealand dollars for 300 million;
 - ♦ a first issue in Mexican pesos for 1.5 billion.
- ♦ For 2006-2007, the needs of the Consolidated Revenue Fund and the Financing Fund amount to \$6.5 billion.

FINANCING PROGRAM - CONSOLIDATED REVENUE FUND AND FINANCING FUND (MILLIONS OF DOLLARS)

	2005-2006	2006-2007
Consolidated Revenue Fund		
Net financial surpluses ¹	-100	-500
Repayment of borrowings	6 174	4 748
Change in cash position	-2 662	-2 590
Optional repayment of borrowings	0	57
Retirement plans sinking fund ²	4 213	2 987
Pre-financing	2 590	0
Credit policy	1 481	0
Total Consolidated Revenue Fund	11 696	4 702
Financing Fund³	1 643	1 750
Total	13 339	6 452

Note: Preliminary results for 2005-2006 and forecasts for 2006-2007. A negative entry indicates a source of financing and a positive entry, a financial requirement.

1 Excluding consolidated organizations.

2 The deposits in the Retirement Plans Sinking Fund are optional.

3 The Financing Fund makes loans to certain consolidated organizations and government corporations.

FINANCEMENT-QUÉBEC FINANCING PROGRAM (MILLIONS OF DOLLARS)

	2005-2006	2006-2007
	2 029	2 000

Note: Preliminary results for 2005-2006 and forecast for 2006-2007.

FINANCEMENT-QUÉBEC

- ♦ Financement-Québec is a government corporation created in 1999 that contracts borrowings in its own name on financial markets to meet the needs of health and education network institutions for the financing of their capital expenditures.
- ♦ The Québec government guarantees the borrowings of Financement-Québec.
- ♦ Financement-Québec contracted borrowings of \$2 billion in 2005-2006.
- ♦ Similarly, for 2006-2007, the needs of Financement-Québec amount to \$2 billion.

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