

FINANCIAL PROFILE TODAY

2007 2008 | MAY 2007 BUDGET

Thursday, May 24, 2007

SOUND MANAGEMENT OF PUBLIC FINANCES

- ♦ Budgetary surplus of \$29 million in 2006-2007.
- ♦ Zero deficit in 2007-2008 and 2008-2009, in accordance with the *Balanced Budget Act*.
- ♦ Program spending growth limited to 3.9% in 2007-2008:
 - ♦ rate below nominal GDP growth (4.2%);
 - ♦ two thirds of increase allocated to health;
 - ♦ weight of program spending in relation to GDP in 2008-2009: 18.1%, one of the lowest levels in 35 years.
- ♦ 3.0% spending growth forecast for 2008-2009.

GENERAL INCOME TAX REDUCTION

- ♦ General personal income tax reduction of \$950 million as of January 1, 2008.
- ♦ Between 2003 and 2008, Québec will have gone from 9th to 5th position in the provincial ranking of lowest tax burden in Canada.

ENHANCED BUSINESS ENVIRONMENT

- ♦ The tax on capital will be eliminated after December 31, 2010 for all businesses.
- ♦ The rate of the capital tax credit for manufacturing companies is increased from 5% to 10%. This means the elimination of the capital tax for businesses that invest.
- ♦ Increase in capital cost allowance rates for investments.
- ♦ Reduction of nearly 20% in the administrative burden of small businesses.

INFRASTRUCTURE INVESTMENTS

- ♦ \$30-billion, five-year plan announced for public infrastructure renewal:
 - ♦ record investments of \$6.4 billion for 2007-2008, 30.5% more than in 2006-2007.

REDUCTION OF THE DEBT LOAD

- ♦ Additional deposits in the Generations Fund:
 - ♦ \$200 million in 2007-2008;
 - ♦ an average of \$400 million a year, as of 2010-2011, from additional Hydro-Québec profits on electricity exports.
- ♦ These amounts are in addition to the \$500 million deposited in February 2007.
- ♦ As at March 31, 2009, the Generations Fund balance will be almost \$2 billion;
 - ♦ as at March 31, 2026, it will be nearly \$42 billion.

SUMMARY OF CONSOLIDATED BUDGETARY TRANSACTIONS^P (millions of dollars)

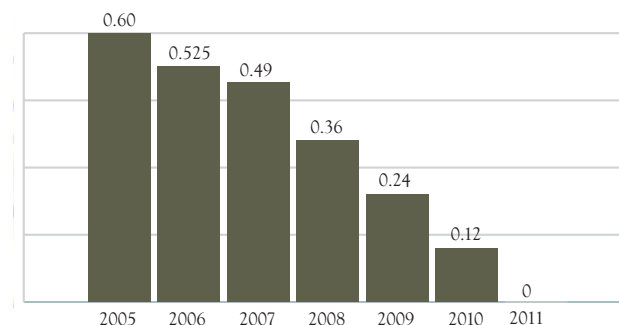
	2006-2007	2007-2008	2008-2009
Budgetary revenue	60 305	61 016	61 269
Budgetary expenditure			
Program spending	-51 769	-53 802	-55 393
Debt service	-6 967	-7 244	-7 158
Total	-58 736	-61 046	-62 551
Net results of consolidated organizations	260	30	182
Additional contributions to the Generations Fund	-500 ¹	-200	
Allocation to the budgetary reserve	-1 300		
Use of the budgetary reserve		200	1 100
Consolidated budgetary balance for the purposes of the <i>Balanced Budget Act</i>	29	0	0
Net results of the Generations Fund	578	653	740
Consolidated budgetary balance	607	653	740

P: Preliminary results for 2006-2007 and forecasts for subsequent years.

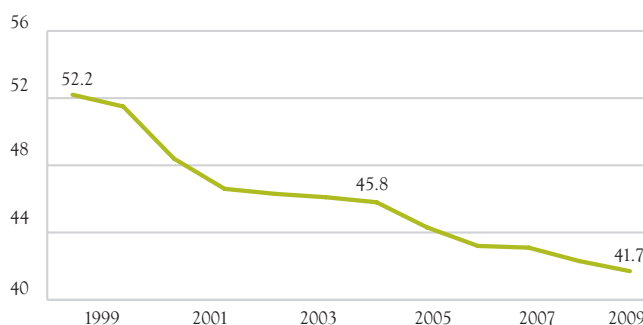
1 Additional deposit stemming from the sale of Hydro-Québec's interest in Transelec Chile.

PLAN TO ELIMINATE THE TAX ON CAPITAL

(general rate of the tax on capital, in percent)



TOTAL DEBT¹ (as a percentage of GDP)



1 Fiscal year ending on March 31.

FINANCING PROGRAMS

CONSOLIDATED REVENUE FUND AND FINANCING FUND

- ♦ Borrowings of the Consolidated Revenue Fund and the Financing Fund totalled \$14.8 billion in 2006-2007.
- ♦ Particularly favourable conditions on financial markets led to higher borrowings than forecast, making possible, among other things:
 - ♦ pre-financing of \$6.1 billion;
 - ♦ additional deposits in the retirement plans sinking fund, for a total of \$3 billion.
- ♦ In 2006-2007, the government made \$2.9 billion worth of borrowings with a maturity of 50 years or more:
 - ♦ these borrowings will mature between 2056 and 2065.
- ♦ In 2006-2007, 17.4% of borrowings were in foreign currency, such as:
 - ♦ one borrowing for 1.5 billion US dollars in November 2006;
 - ♦ two borrowings in Swiss francs: one for 300 million Swiss francs in December 2006 and the other for 200 million Swiss francs in February 2007;
 - ♦ one issue for 750 million Hong Kong dollars in February 2007, Québec's first on this market.
- ♦ Borrowings of the Consolidated Revenue Fund and the Financing Fund will total \$5.2 billion in 2007-2008. They would have amounted to \$11.2 billion without the 2006-2007 pre-financing.
- ♦ In 2008-2009, the financing program will total \$12.4 billion.

FINANCEMENT-QUÉBEC

- ♦ Financement-Québec is a government corporation that makes borrowings on financial markets in its name to meet the capital funding needs of institutions in the health and social services and education networks.
- ♦ The Québec government guarantees borrowings by Financement-Québec.
- ♦ Financement-Québec borrowings amounted to \$2.5 billion in 2006-2007.
- ♦ Financement-Québec's financing program is expected to total \$2 billion in 2007-2008 and 2008-2009.

FINANCING PROGRAM - CONSOLIDATED REVENUE FUND AND FINANCING FUND (millions of dollars)

	2006-2007	2007-2008	2008-2009
Consolidated Revenue Fund			
Net financial requirements (surplus) ¹	257	-500	-500
Repayment of borrowings	5 154	5 110	5 603
Change in cash position	-2 684	-6 069	0
Retirement plans sinking fund	4 440	4 876	5 334
Pre-financing	6 069	0	0
Total Consolidated Revenue Fund	13 236	3 417	10 437
Financing Fund²	1 579	1 750	2 000
Total	14 815	5 167	12 437

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

1 Excluding consolidated organizations.

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

FINANCING PROGRAM - FINANCEMENT-QUÉBEC (millions of dollars)

	2006-2007	2007-2008	2008-2009
	2 529	2 000	2 000

Note: Preliminary results for 2006-2007 and forecasts for subsequent years.

FINANCIAL PROFILE TODAY

is published by:
Ministère des Finances
12, rue Saint-Louis, bureau 2.08
Québec (Québec) G1R 5L3
Tel.: (418) 691-2250
Fax: (418) 646-0923
E-mail: sri@finances.gouv.qc.ca

This document is available on the following Website:
www.finances.gouv.qc.ca
Legal deposit — Bibliothèque nationale du Québec
2nd quarter 2007