

2002-2003
BUDGET

Budget

Plan

November 1, 2001

The Budget Plan 2002-2003

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Economic Situation Since the Beginning of 2001 and Revised Outlook for 2001 and 2002

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Economic Situation Since the Beginning of 2001 and Revised Outlook for 2001 and 2002

A number of events have affected the economic situation since the 2001-2002 Budget was tabled, the most important one being the tragic terrorist attacks on New York and Washington on September 11. This section reviews the current economic situation in Québec in the light of these new factors and the information available in mid-October 2001. It also presents the revised economic forecasts for 2001 and 2002 since the last Budget and compares them with private-sector forecasts.

Economic situation since the beginning of 2001

More severe economic slowdown than anticipated in the United States in 2001

It was predicted by the majority of experts that the U.S. economy, after a steady annual rate of growth of over 4% from 1997 to 2000, would grow more slowly in 2001. When the last budget was prepared, private-sector forecasters projected an average growth of about 2% in the U.S. economy in 2001, the same rate used to prepare the economic outlook for Québec in last March's budget.

The slowdown in the U.S. economy was anticipated because of several factors, notably:

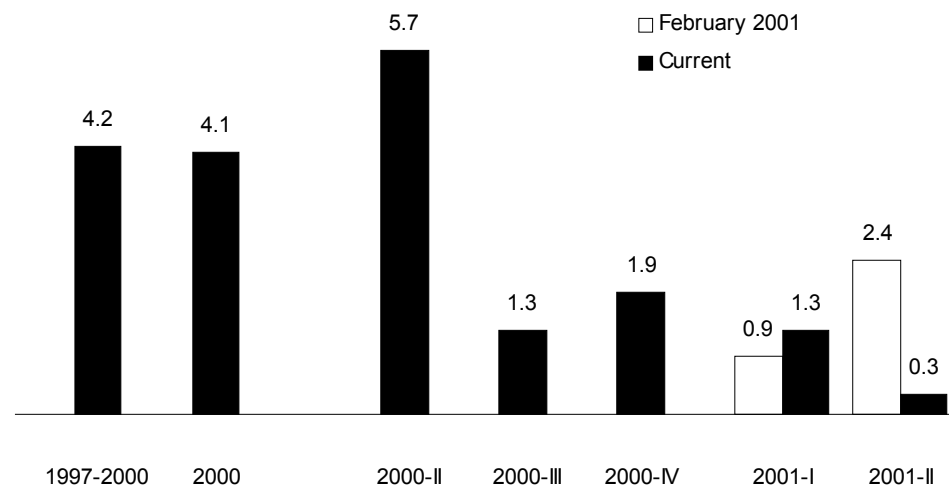
- considerable monetary tightening by the U.S. Federal Reserve in 2000: hike in interest rates – federal funds – from 4.75% in June 1999 to 6.50% in May 2000, where they stayed until December 2000;
- the continually high cost of energy, which would reduce households' purchasing power and businesses' profit margins: the price of oil rose from US\$18 in 1999 to US\$28 in 2000;
- the major downturn in stock markets, which would curb business investment and household consumption: between mid-March 2000 and February 2001, the Nasdaq (market index consisting primarily of technology issues) fell by 57% and the S&P 500 (market index of the 500 largest U.S. corporations) declined by 7%;
- the projected continued decline in automobile sales in the United States, given the renewal of the vehicle fleet in recent years: forecasters anticipated a decrease of approximately 8% in the number of vehicles sold in 2001.

Not only did the predicted slowdown occur, but it was also slightly more severe than expected during the first eight months of 2001.

GRAPH 1.1

MORE SEVERE ECONOMIC SLOWDOWN THAN ANTICIPATED IN THE UNITED STATES IN 2001

(real GDP, percentage change at annual rate)



Source: DRI-WEFA.

After reaching an annual rate of 5.7% in the second quarter of 2000, real GDP growth never again exceeded 2%: it was 1.3% and 1.9%, respectively, in the third and fourth quarters of 2000, and 1.3% and 0.3%, respectively, in the first and second quarters of 2001.

However, it was not until the second quarter of 2001 and during the summer that the U.S. economy really started to show signs that the slowdown would be worse than predicted.

Principal factors

A number of factors combined to exacerbate the economic slowdown in the United States in 2001.

- ***Stronger downturn in stock markets***

Stock markets have continued to plunge since the beginning of the year, even more so than predicted. This downturn primarily reflects a downward adjustment in profit outlooks and excess investment in certain economic sectors in recent years. Between January 30 and September 10, 2001, the Nasdaq market index fell by 40% (from 2838 to 1695) while the S&P 500 dropped by over 20% (from 1374 to 1093). These decreases are in addition to those observed in 2000. Hence, the speculative bubble in high-technology stocks, observed in the late 1990s, rapidly burst.

The drop in stock market prices led to a major restructuring of the information technologies and communications sector, and forced businesses to abandon or delay certain capital projects. Similarly, by reducing household wealth, the stock market correction affected household confidence and planned spending.

GRAPH 1.2

BURSTING OF THE SPECULATIVE BUBBLE IN TECHNOLOGY STOCKS (Nasdaq Index)



Source: Bloomberg.

GRAPH 1.3

MAJOR DOWNTURN IN S&P 500 (S&P 500 Index)



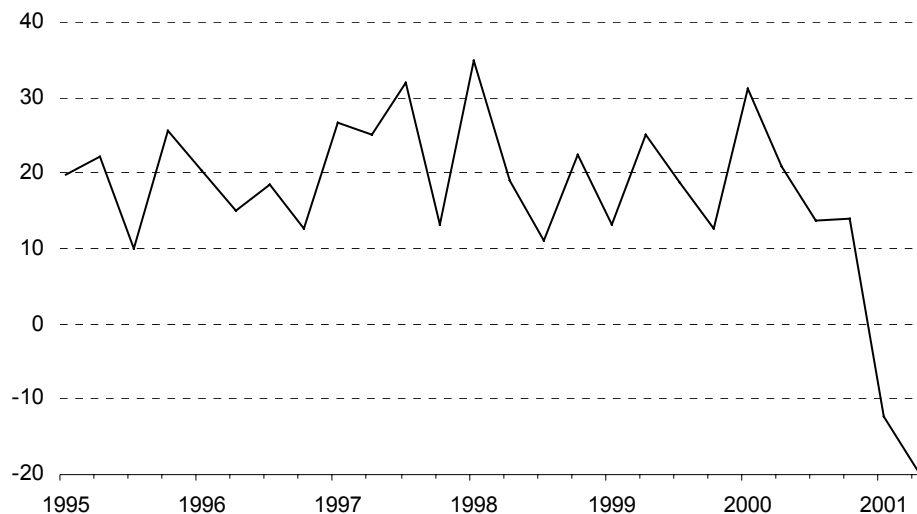
Source: Bloomberg.

- ***Decline in demand for computer and telecommunications equipment***

Faced with flagging demand, lower profits, more difficult access to corporate financing and excess inventory, U.S. companies have cut back spending on computer and telecommunications equipment substantially since the beginning of the year. After increasing at an average annual rate of nearly 20% since 1995, demand for such products fell by 12.4% and 19.5% in the first and second quarters of 2001, respectively.

GRAPH 1.4

SHARP DECLINE IN COMPUTER AND TELECOMMUNICATIONS EQUIPMENT SPENDING IN THE UNITED STATES
(percentage change at annual rate)



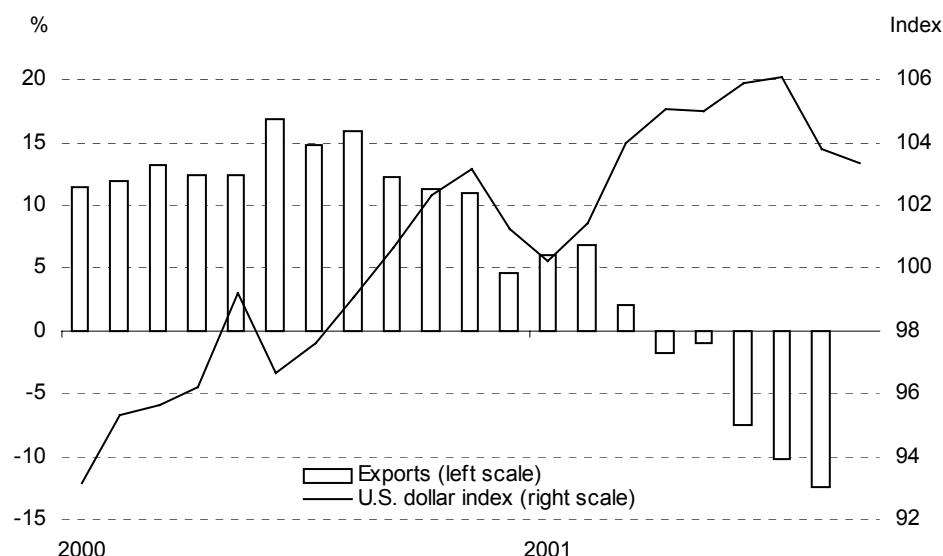
Source: U.S. Bureau of Economic Analysis.

▪ **Strong U.S. currency**

Despite the slowdown in economic growth, the U.S. dollar rose nearly 6% in value between January and July 2001 relative to the currencies of the country's main trading partners. This increase is attributable to a substantial inflow of foreign capital owing to the role of the American dollar as a safe haven and the favourable medium-term economic outlook in the United States. The strong American dollar contributed to a nearly 13% decline in U.S. exports between August 2000 and August 2001.

GRAPH 1.5

APPRECIATION OF THE U.S. DOLLAR CONTRIBUTED TO THE DECLINE IN U.S. EXPORTS (percentage change and index)



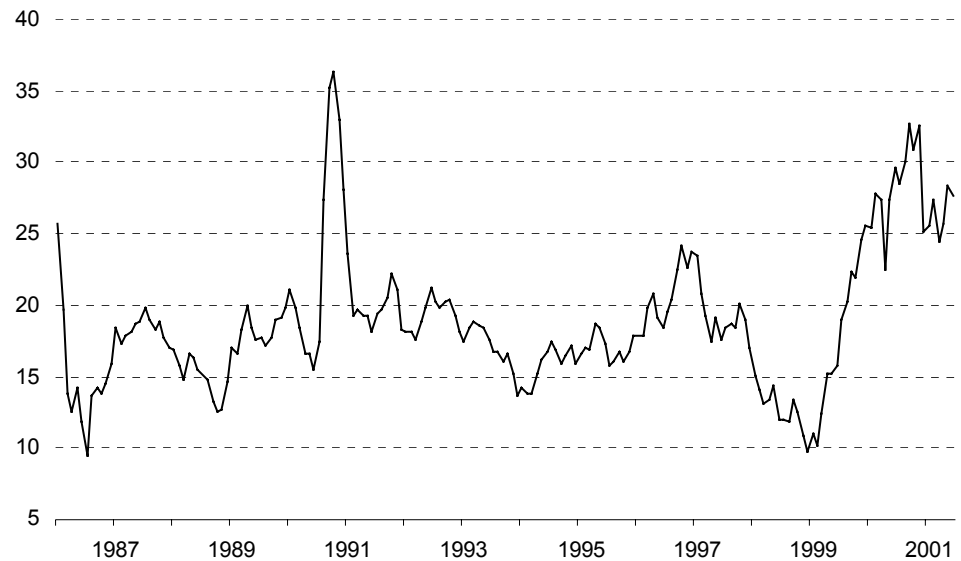
Source: DRI-WEFA.

▪ **Higher energy and food prices**

The higher-than-expected energy and food prices in the first half of 2001 reduced households' purchasing power and, as concerns energy prices, businesses' profit margins.

The price of oil remained relatively high during the first six months of 2001, averaging nearly US\$27, a sharp increase over the average price observed during the past 15 years (US\$18.5). The price thus remained at the top of the OPEC target band (between US\$22 and US\$28).

GRAPH 1.6

**PRICE OF OIL REMAINED HIGH
IN THE FIRST HALF OF 2001**
(US\$/barrel)

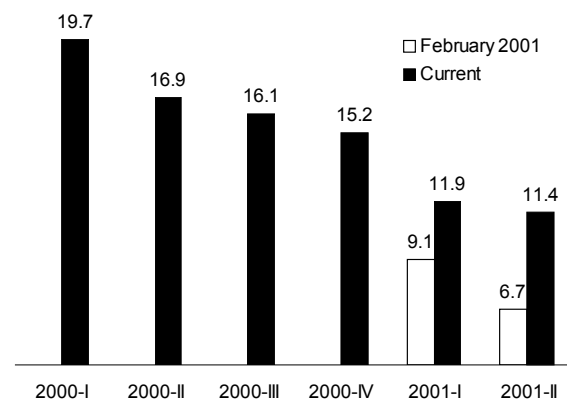
Source: Bloomberg.

The price of gas was not only affected by the high price of oil, but it was also under greater pressure from a low inventory level and temporary reduction in refining capacity due, in particular, to major fires at refineries in the United States. Oil refineries also concentrated on producing other, more profitable products, such as fuel oil, during this period. A sharp increase was also observed in the price of natural gas, due mainly to considerable construction of new houses using this form of energy. Lastly, the energy crisis in California, which was primarily the result of poor deregulation planning, led to an increase in electricity prices in that region.

GRAPH 1.7

DROP IN U.S. ENERGY PRICES SLOWER THAN PREDICTED

(annual percentage change)

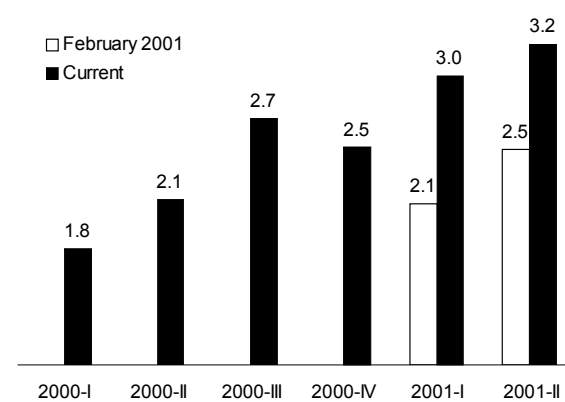


Source: DRI-WEFA.

GRAPH 1.8

SHARP INCREASE IN U.S. FOOD PRICES

(annual percentage change)



Source: DRI-WEFA.

The price of food products rose more than expected, due to various factors that affected supply. Fruit and vegetable prices were affected by adverse climatic conditions in the southwestern United States, while meat and related products suffered from the lower supply on international markets following epizootic diseases in Europe.

Slowdown aggravated by the terrorist attacks in the United States

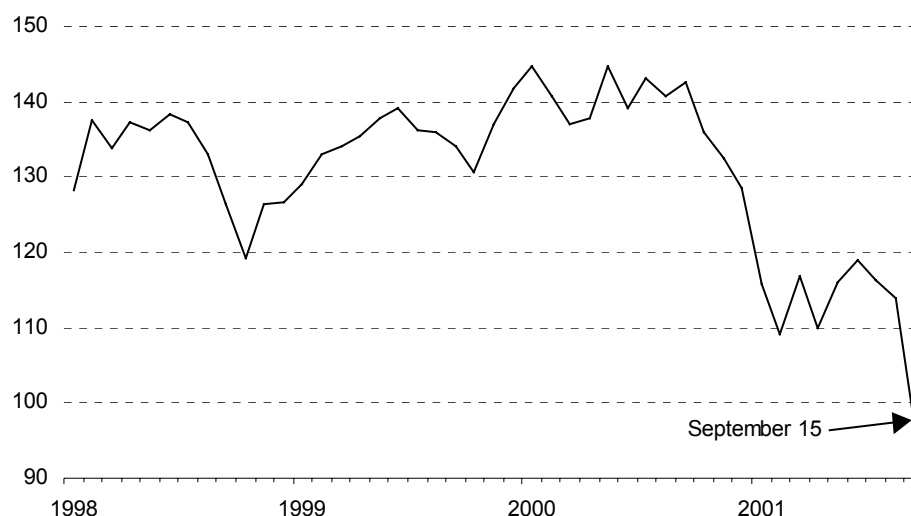
The terrorist attacks on September 11, 2001 exacerbated an already slowing U.S. economy. In the short term, in addition to severely slowing down economic and financial activity in one of the United States' largest cities, the attacks led to:

- significant declines in activity in the air transportation, aeronautics, tourism and financial sectors, which in turn resulted in major layoffs;
- a loss of confidence on the part of economic agents owing to the uncertainty created by the attacks.

However, a significant erosion of household confidence had already begun in the United States even before the events of September 11. The household confidence index, compiled by the Conference Board, dropped 21% between May 2000 and August 2001, primarily due to the deterioration in the job market – nearly 500 000 jobs lost in the last six months – and stock markets. An additional 15% decline was observed in September following the attacks.

GRAPH 1.9

CONSUMER CONFIDENCE (Conference Board Index)



Source: DRI-WEFA.

Reaction of U.S. authorities

U.S. authorities nevertheless moved quickly to revive the economy and mitigate the effects of the terrorist attacks. Several measures were put forward after September 11.

First, additional liquidity was injected into the banking system to ensure its smooth operation. Then, the federal funds interest rate was cut by 100 basis points (-50 points on September 17 and -50 points on October 2), to 2.5%, for a total reduction of 400 points in short-term interest rates in the United States since the beginning of the year.

The U.S. government also set up a number of emergency funds, the first one consisting of US\$40 billion to aid victims of the attack, shore up security and clean up and restore damaged sites. It subsequently announced a US\$15-billion aid package to help the airlines.

Lastly, the U.S. government undertook to implement an economic stimulus plan centred on tax cuts, at a cost of roughly US\$100 billion. These tax reductions would be in addition to the US\$55-billion cut in 2001 already implemented as part of the planned tax reduction of US\$1 350 billion over 11 years approved earlier this year.

Despite the U.S. authorities' swift response to the September 11 attacks, economic conditions have deteriorated quickly over the past few months,

requiring forecasters to revise the projected growth in the U.S. economy in 2001 downward.

Slowdown in the United States affects Québec

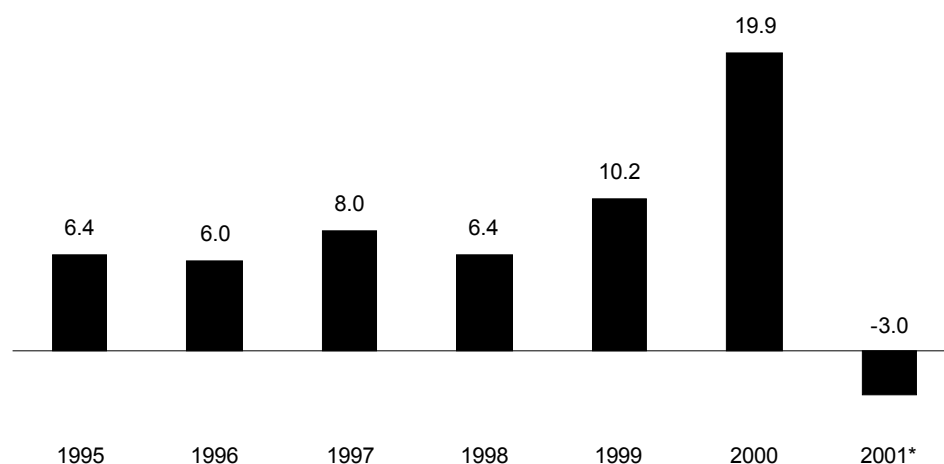
With over half of Québec's goods exports being destined for the United States, the Québec and U.S. economies are highly integrated. Québec has therefore been feeling the effects of the economic changes south of the border since the beginning of the year.

Downturn in international exports

After soaring nearly 20% last year, Québec's international exports of goods have been down an average of 3.0% since the beginning of the year, compared with the same period in 2000.

GRAPH 1.10

QUÉBEC'S INTERNATIONAL EXPORTS AFFECTED BY SLOWDOWN IN UNITED STATES
(percentage change, in constant dollars)



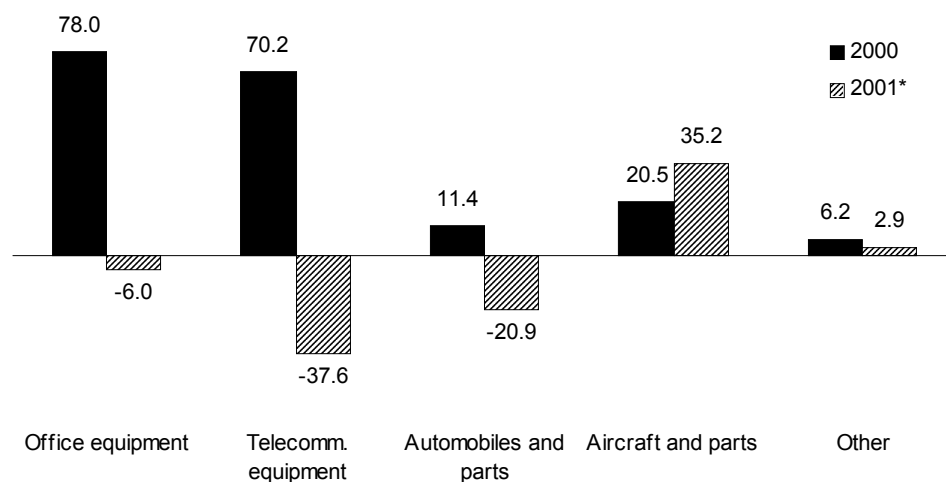
* Average for first seven months of 2001.

Source: Institut de la statistique du Québec.

Among the hardest-hit sectors are office and telecommunications equipment, down 6.0% and 37.6%, respectively, since the beginning of the year. Both sectors had posted strong growth in 2000. This year, they have been impacted by the marked downturn in investment in computer and telecommunications equipment in the United States. The automobile sector has also experienced a significant decline, dropping 20.9%. In contrast, the aeronautics sector was showing strong growth (35.2%) prior to the events of September 11, while the increase in other sectors was more subdued (2.9%).

GRAPH 1.11

DOWNTURN IN 2001 EXPORTS MAINLY IN OFFICE AND TELECOMMUNICATIONS EQUIPMENT
(percentage change, in constant dollars)



* Average for first seven months of 2001.

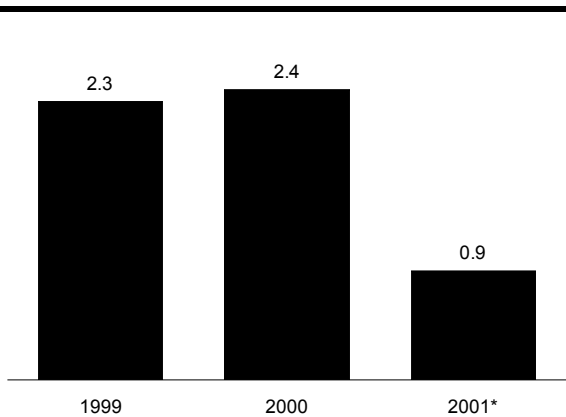
Source: Institut de la statistique du Québec.

Levelling off of labour market

The sag in exports had repercussions on the labour market. Employment continued to grow, but at a slower pace. After rising 2.4% in 2000, the growth in employment slowed to an average rate of 0.9% for the first three quarters of 2001 relative to the same period last year. Between December 2000 and September 2001, some 45 000 jobs were created in Québec, compared with 27 000 in Canada. Despite job increases, the unemployment rate was up, reaching an average of 8.6% since the beginning of the year (8.4% in September).

GRAPH 1.12

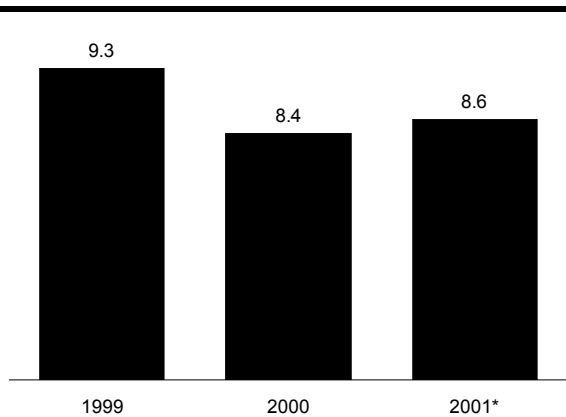
SLOWER EMPLOYMENT GROWTH
(percentage change)



* Average for first three quarters.
Source: Statistics Canada.

GRAPH 1.13

INCREASE IN UNEMPLOYMENT RATE
(in percent)



* Average for first three quarters.
Source: Statistics Canada.

Domestic demand continues to climb

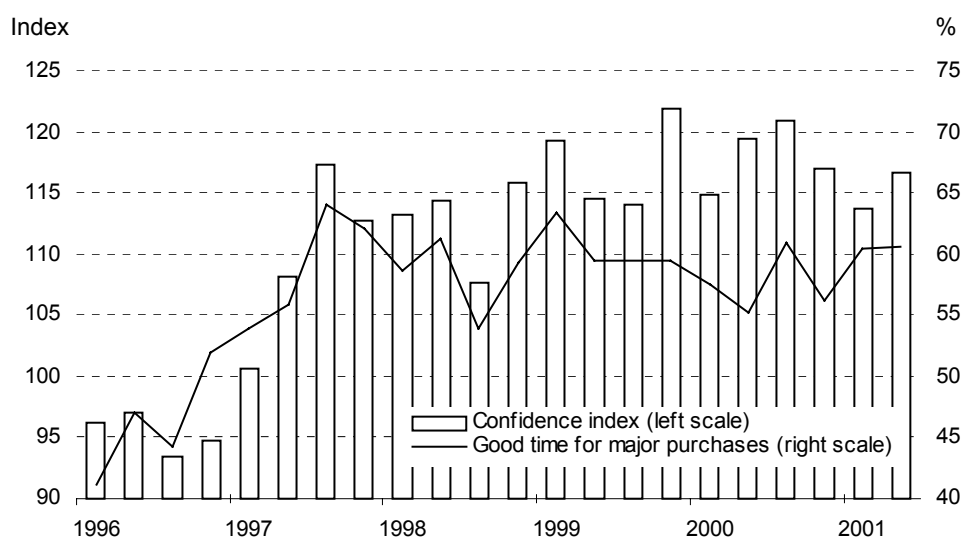
Household confidence still good before the attacks

Despite the slowdown, domestic demand continued to grow, with household confidence remaining relatively high before the September 11 terrorist attacks. With more purchasing power, mainly as a result of major personal income tax reductions, households have continued to spend more on consumer goods and housing since the beginning of the year.

GRAPH 1.14

QUÉBEC CONSUMER CONFIDENCE REMAINED HIGH BEFORE THE ATTACKS

(index and response rate in percent)



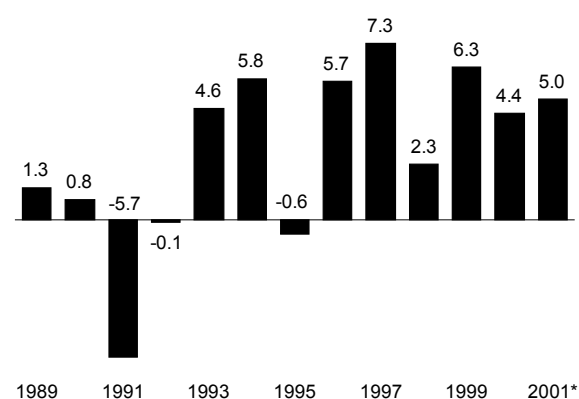
Source: Conference Board of Canada.

Good consumer spending growth

Retail sales continued to grow at a relatively high rate this year, reaching an average of 5.0% for the first eight months of 2001, compared with the same period last year. This is a higher increase than that recorded in 2000 (4.4%) and markedly stronger growth than recorded during previous economic slowdowns.

GRAPH 1.15

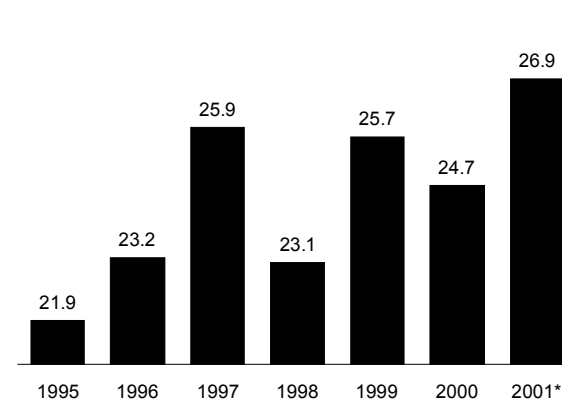
GOOD RETAIL SALES GROWTH (percentage change)



* Average for first eight months of 2001.
Source: Statistics Canada.

GRAPH 1.16

INCREASE IN HOUSING STARTS (thousands of units)



* Average for first nine months of 2001.
Source: Canada Mortgage and Housing Corporation.

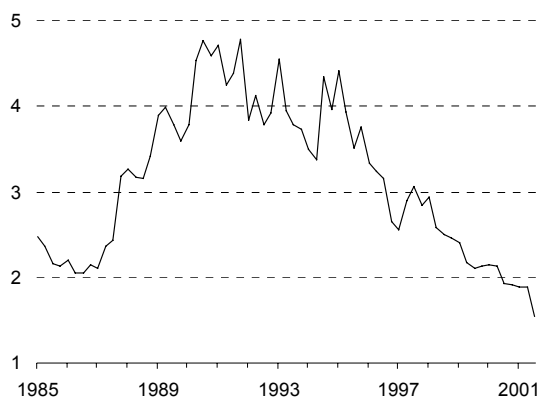
Increase in residential construction

Sparked by major mortgage rate cuts and low excess supply, housing starts rose sharply during the first months of 2001, reaching an average of 26 900 units from January to September, the highest level recorded in seven years.

Excess supply was massively absorbed in the housing sector, as witnessed by the currently low listing/sales ratio and rental housing vacancy rate. After peaking at 7.5% in 1992, the rental housing vacancy rate dropped to 2.2% in 2000.

GRAPH 1.17

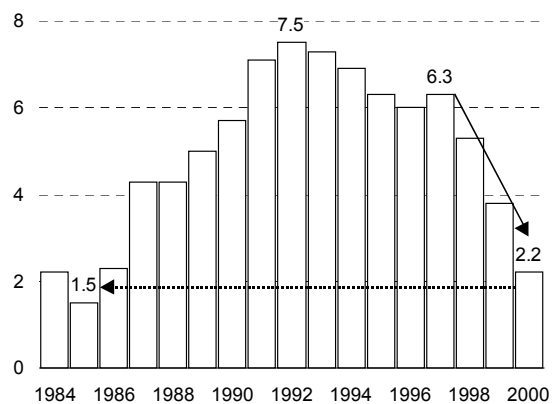
DROP IN LISTING/SALES RATIO (ratio)



Source: Canadian Real Estate Association.

GRAPH 1.18

RENTAL HOUSING VACANCY RATE IN QUÉBEC (in percent)



Sources: Canada Mortgage and Housing Corporation and ministère des Finances du Québec.

TABLE 1.1

PRINCIPAL ECONOMIC INDICATORS – QUÉBEC AND CANADA

		Percentage change		
		2000	2001 ¹	
		Last period available		
CANADA				
—	Real GDP	2nd quar.	4.4	2.3
—	Consumer prices	September	2.7	3.0
QUÉBEC				
—	Real GDP	2nd quar.	4.7	2.4
—	Nominal GDP	2nd quar.	6.2	3.8
—	Exports (1997 \$) ²	July	19.9	-3.0
—	Retail sales	August	4.4	5.0
—	Wages and salaries	June	6.5	4.0
—	Housing starts	September	-4.1	7.6
—	Housing resales	August	8.0	12.4
—	Non-residential investment ³	July	6.1	-0.9 ⁴
—	Manufacturing shipments	August	13.5	-1.7
—	Employment	September	2.4	0.9
—	Unemployment rate ⁵	September	8.4	8.6

1 Average for available months in 2001, compared with same period in 2000.

2 On customs basis.

3 Statistics Canada, Private and public investment, July 2001.

4 Decrease owing to the completion of two major investment projects: the Alcan project in Alma and the Magnola project in Asbestos. Notwithstanding these two projects, non-residential investment should grow around 4%.

5 Average level in percent (8.4% in September 2001).

Revised outlook for 2001 and 2002

2001-2002 Budget already predicted a slowdown

In the economic outlook presented in the 2001-2002 Budget, significantly slower economic growth was already predicted in Québec owing to the downturn in the United States. After four consecutive years of particularly robust growth, including a 4.7% increase in 2000, the rate was expected to slow to 2.7% in 2001 and 2.6% in 2002.

So far in 2001, the Québec economy has suffered from the deepening slowdown in the U.S. economy. Québec exports, in particular, have been greatly affected by the marked decline in investment in computer and telecommunications equipment in the United States. They will continue to be weakened between now and the end of the year by the drop in demand resulting from the September 11 attacks.

Short-term growth prospects weakened by the terrorist attacks

If not for the terrorist attacks in the United States, the Québec economy would probably have gotten stronger in the second half of 2001, and the economic outlook for 2002 would not have been much different from that presented in the 2001-2002 Budget. At the beginning of September, most economists still considered this the most likely scenario given the substantial reduction in short-term interest rates since January (-300 basis points in the United States and -175 points in Canada) and the fiscal and budgetary policies favourable to growth implemented through recent budgets. However, because of the September 11 attacks, the recovery forecasters initially expected to take place in the second half of 2001 will not occur until 2002.

In the space of a few weeks, the economic outlook changed considerably as a result of the terrorist attacks. It quickly became apparent that certain sectors had suffered more than others, notably air transportation, aeronautics and tourism. In addition, economic agents' confidence, which is crucial to undertaking projects and commitments in the medium term, was shaken, not only in the United States, but in the other major industrialized countries as well, owing to their strong economic interdependence.

Accounting for these impacts, private-sector forecasters revised their 2001 and 2002 growth prospects for the United States substantially downward between September and October 2001. They are now anticipating average growth of only 1% in 2001 and 1.2% in 2002, or respectively 0.6% and 1.5% below the assumptions prevailing in early September, just before the attacks. Since February of this year, projected economic growth in the United States has been lowered by 1% and 2.3% for 2001 and 2002, respectively.

TABLE 1.2

REVISED U.S. ECONOMIC FORECASTS
 (real GDP, percentage change)

	2000*	2001	2002
February 2001	4.1	2.0	3.5
Before September 11	4.1	1.6	2.7
October 2001	4.1	1.0	1.2

* Observed.

Source: Consensus Economics.

The economic outlook for all of the major industrialized countries has also been revised significantly downward for 2001 and 2002. On average, projected growth for the G-7 countries has been lowered by about one percentage point for 2001 and two percentage points for 2002 since February.

TABLE 1.3

ECONOMIC OUTLOOK FOR G-7 COUNTRIES
 (real GDP, percentage change)

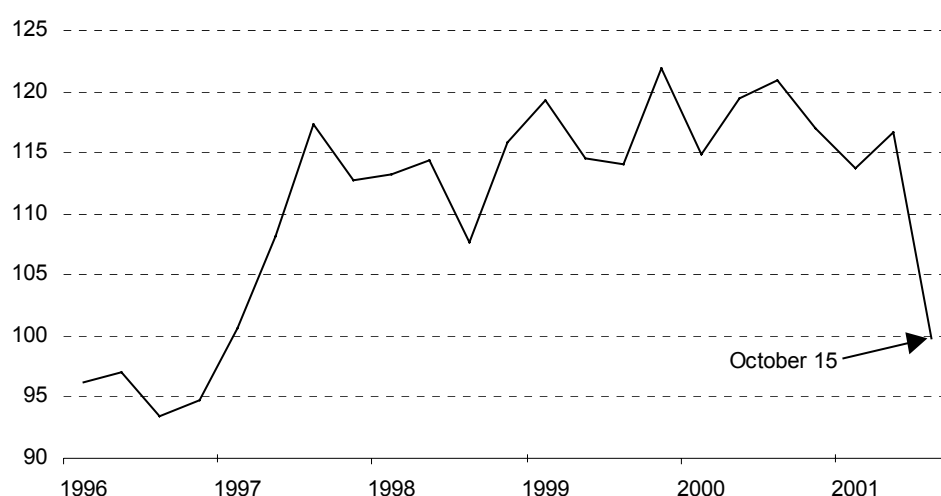
	2001			2002		
	February	October	Revision	February	October	Revision
United States	2.0	1.0	-1.0	3.5	1.2	-2.3
Canada	2.7	1.4	-1.3	3.4	1.7	-1.7
France	2.9	2.0	-0.9	3.0	1.8	-1.2
Germany	2.6	0.9	-1.7	2.7	1.5	-1.2
Italy	2.4	1.9	-0.5	2.7	1.5	-1.2
United Kingdom	2.5	2.1	-0.4	2.7	2.1	-0.6
Japan	1.4	-0.5	-1.9	1.8	-0.4	-2.2
G-7	2.1	1.0	-1.1	3.0	1.1	-1.9

Source: Consensus Economics.

In addition to the significant impacts felt through its exports to the United States, Québec has also been directly affected by the short-term negative economic impacts arising from the terrorist attacks in the United States. Major layoffs in the sectors previously mentioned were announced soon after September 11. In addition, the heightened uncertainty prevailing since the attacks is reflected in a 15% decline in household confidence between June 15 and October 15, 2001, a similar drop to the one observed in the United States.

GRAPH 1.19

**MARKED DECLINE IN QUÉBEC CONSUMER CONFIDENCE
AFTER THE ATTACKS**
(index)



Source: Conference Board of Canada.

Key factors in renewed growth in 2002

The majority of experts anticipate an economic recovery beginning early next year, when the short-term negative impacts of the attacks and the bursting of the speculative bubble in the stock markets will be behind us. Several factors that are crucial to this recovery are already in place; others are being implemented through this Budget.

Major easing of monetary policy

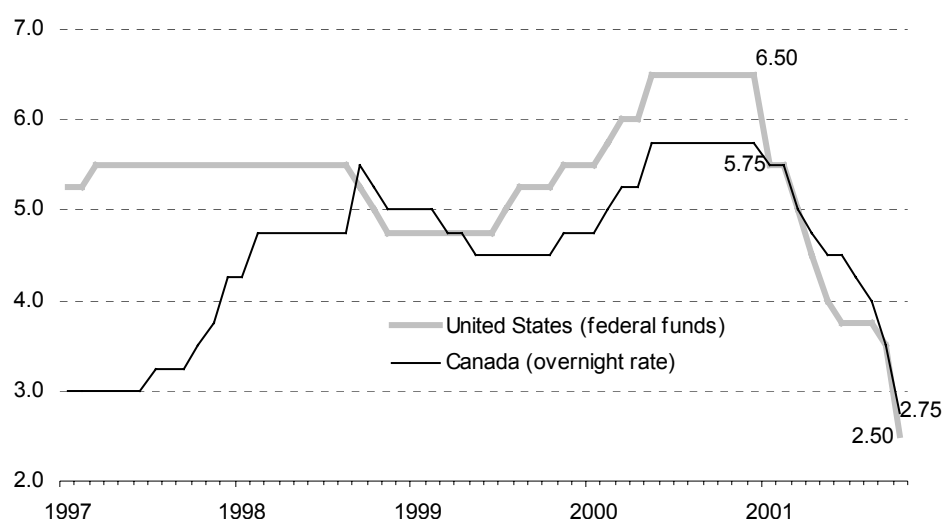
The American and Canadian central banks have already slashed their leading interest rates.

In the United States, the Federal Reserve cut the federal funds rate by 400 basis points during the first ten months of 2001, bringing the leading rate down from 6.5% in early January to 2.5% in October 2001, its lowest level since 1962. For its part, the Bank of Canada reduced its base rate by 300 basis points, to 2.75%. Since the attacks, the Federal Reserve has reduced its leading rates by 100 basis points, and the Bank of Canada, by 125 points. Given the weak growth prospects in the short term, further rate cuts may be made between now and the end of 2001.

GRAPH 1.20

MAJOR EASING OF MONETARY POLICY

(interest rate in percent)



Sources: DRI-WEFA and Bank of Canada.

Government economic support measures

Both the U.S. and Canadian governments have also implemented a major tax and budgetary stimulus in the past year. In Québec, the personal income tax reduction that took effect on July 1, 2001 will help sustain economic activity while increasing households' purchasing power by \$1 billion in 2001-2002 and \$3.5 billion by 2003-2004. In 2002, thanks to the cuts announced over the past two years, taxpayers will see an average 20% reduction in their annual income taxes.

As previously mentioned, the U.S. government has already put forth additional measures to stimulate its economy. The new measures announced in this Budget will further support economic recovery by increasing consumer purchasing power as well as the level of investment. These measures alone should boost economic growth by 0.7 percentage points in 2002 and help create or sustain some 30 000 jobs over three years, including 16 000 in 2002.

Revised outlook for 2001 and 2002

On the whole, Québec's economy should continue to grow, albeit at a more subdued rate than previously anticipated. Based on the economic support measures introduced through this Budget, 1.1% growth is expected in 2001 and 1.7% in 2002. These growth rates should translate into 30 000 new jobs this year and nearly 20 000 more next year. Given the foreseeable increase in the active population, the unemployment rate will rise slightly to an average of 8.9% in 2002.

More sustained economic growth and greater job creation are expected in 2003, with a more vigorous upswing in the U.S. economy and a rebound in high-technology investment in the United States.

TABLE 1.4

ECONOMIC GROWTH IN QUÉBEC: REVISIONS SINCE THE 2001-2002 BUDGET (real GDP, percentage change)

	2001	2002
2001-2002 Budget	2.7	2.6
Before September 11	1.7	2.3
After September 11	1.1	1.0
— Impact of measures contained in this Budget	---	+0.7
2002-2003 Budget	1.1	1.7

Upturn in exports in 2002

With the upturn in economic activity in the United States in early 2002, Québec should see a rapid recovery in its production of manufactured goods and in international exports. Office and telecommunications equipment should be among the first sectors to benefit from the increase in U.S. demand.

However, since the more marked slowdown in the U.S. economy and the problems experienced in the telecommunications sector resulted in a significant decline in this year's exports, the upturn anticipated in 2002 will not be sufficient to fully offset the downturn in 2001. Consequently, on the basis of annual averages, Québec's international exports, in constant dollars, should decline 7.4% in 2001 and 0.2% in 2002, before rebounding in 2003.

Continued growth in domestic demand

Sustained by fiscal and budgetary policies that are highly conducive to growth, as well as by low interest rates, domestic demand should continue to rise at a moderate rate both this year and next.

Thanks to personal income tax reductions and an improvement in the QST tax credits, the purchasing power of households will be maintained. This should bolster household confidence and enable an increase in real consumer spending of nearly 2% this year and next (3.9% and 3.3%, respectively, in current dollars).

Furthermore, given the current residential market conditions, i.e. low mortgage rates and low excess supply, housing starts should reach 26 700 units in 2001 and 27 700 units in 2002, higher levels than those recorded in recent years.

Following a slight downturn in 2001 owing to the completion of two major investment projects (Alcan and Magnola), private and public non-residential investment should revive with economic growth in 2002. Sustained by the investment acceleration program introduced in this Budget, non-residential investment by the public and private sectors should climb 5.7% next year.

TABLE 1.5

ECONOMIC OUTLOOK
(percentage change)

	2000	2001	2002	2003
OUTPUT				
— Real gross domestic product	4.7	1.1	1.7	1.9
— Gross domestic product	6.2	3.3	3.0	3.2
COMPONENTS OF EXPENDITURE				
— Consumption	4.8	3.9	3.3	2.9
— Housing starts ('000)	24.7	26.7	27.7	27.7
— Non-residential investment	6.1 ¹	-0.9 ¹	5.7	1.6
— International exports of goods ²	12.3	-7.4	-0.2	4.8
COMPONENTS OF INCOME AND PRICES				
— Wages and salaries	6.5	3.2	2.5	3.2
— Personal income	5.7	3.2	2.6	3.2
— Corporate profits	12.2	0.2	-0.5	5.7
— Consumer prices	2.4	2.8	2.1	1.6
LABOUR MARKET				
— Labour force	1.4	1.1	0.8	0.9
— Employment	2.4	0.9	0.6	1.2
— in thousands	80	30	19	40
— Unemployment rate (%)	8.4	8.6	8.9	8.6
INTEREST RATE – CANADA (%)				
— 3-month Treasury bills	5.5	3.9	3.0	4.4
— 10-year Canadian bonds	5.9	5.5	5.5	6.2

1 Statistics Canada, Private and public investment.

2 Constant 1997 dollars based on economic accounts.

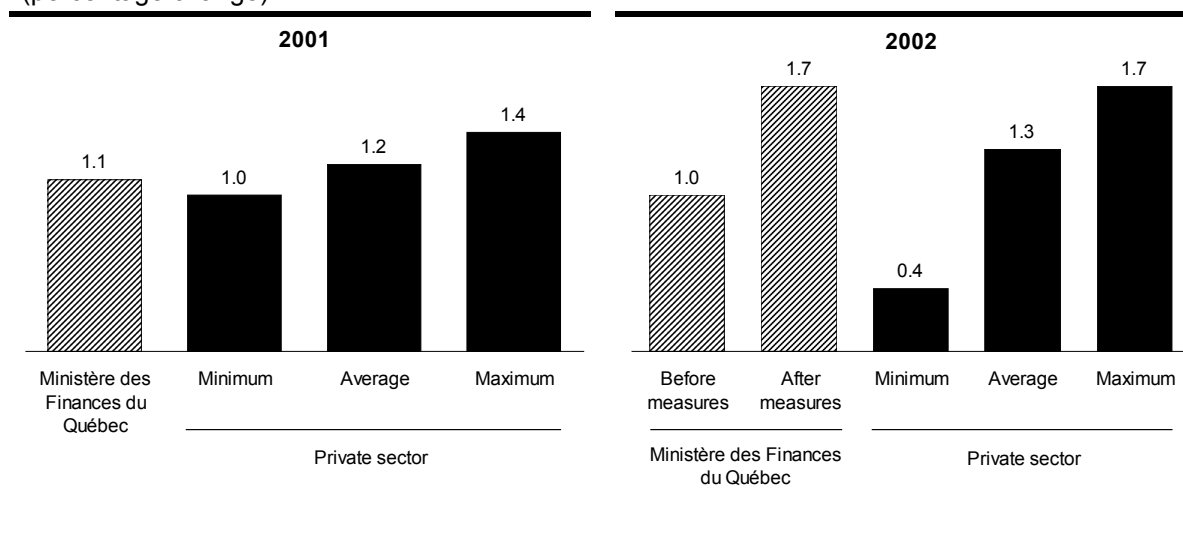
Comparison with private-sector forecasts

Private-sector forecasters anticipate 1.2% growth in the Québec economy in 2001, virtually the same rate as that used by the ministère des Finances du Québec (1.1%).

However, owing to the higher level of uncertainty than in previous years because of the September 11 attacks, they are divided on the rate of Québec's economic growth in 2002: the predicted growth ranges from 0.4% to 1.7%. On average, private-sector forecasters predict the economy will grow by 1.3%. The ministère des Finances du Québec anticipates slightly higher growth (1.7%), because it takes into account the impact of the economic support measures announced in this Budget.

GRAPH 1.21

ECONOMIC GROWTH IN QUÉBEC – COMPARISON WITH PRIVATE-SECTOR FORECASTS (percentage change)



Source: According to a ministère des Finances du Québec survey.

Section 2

The Government's Financial Position in 2001-2002 and Public Sector Borrowings

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The government's financial transactions

The zero deficit forecast announced for the 2001-2002 fiscal year in the Budget Speech of last March 29 is maintained.

Consolidated budgetary revenue for fiscal 2001-2002 is revised to \$49 958 million, \$1 178 million less than anticipated in the last Budget. This decline in revenue may be explained by a \$1 354-million decrease in own-source revenue and a \$176-million increase in federal transfers.

As for consolidated budgetary expenditure, it is revised downward by \$228 million, to \$50 908 million in 2001-2002. This change reflects the \$508-million decline in debt service compared with the forecast in the last Budget. This adjustment is essentially attributable to the sharp drop in short-term interest rates since the beginning of fiscal 2001-2002. This change also reflects a \$280-million upward adjustment of operating expenditures that stems from spending financed by the budgetary reserve.

In addition, \$670 million from the budgetary reserve will be used to maintain a balanced budget. To that end, an amendment to the draft legislation respecting the budgetary reserve will be tabled.

Consolidated net financial requirements are revised to \$707 million, a decrease of \$63 million compared with the figure anticipated in the March 2001 Budget.

With respect to financing transactions, the change in direct debt is revised upward to \$1 009 million compared with the initial forecast, mainly because of pre-financing of \$855 million that is to be obtained. These pre-financing transactions will make it possible to cover the repayment of certain borrowings that will fall due on the first day of the next fiscal year.

TABLE 2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS
(in millions of dollars)

	2000-2001	2001-2002		
	Actual results ¹	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget
Budgetary transactions				
Own-source revenue	42 856	41 652	40 298	- 1 354
Federal transfers	8 161	9 484	9 660	176
Total revenue	51 017	51 136	49 958	- 1 178
Operating expenditure	- 41 959	- 43 226	- 43 506	- 280
Debt service	- 7 606	- 7 910	- 7 402	508
Total expenditure	- 49 565	- 51 136	- 50 908	228
Budgetary reserve				
Funds allocated to reserve	- 950	—	—	—
Use of funds allocated to reserve				
Financing new spending	—	—	280	280
Maintaining a balanced budget	—	—	670	670
Budgetary surplus after reserve	502	0	0	—
Non-budgetary transactions				
Investments, loans and advances	- 1 632	- 2 771	- 1 317	1 454
Capital expenditures	- 473	- 691	- 691	—
Retirement plans	1 793	1 888	1 987	99
Other accounts	- 706	804	- 686	- 1 490
Non-budgetary requirements	- 1 018	- 770	- 707	63
Net financial requirements	- 516	- 770	- 707	63
Financing transactions				
Change in cash position	- 473	1 859	941	- 918
Change in direct debt ²	3 008	1 023	2 032	1 009
Retirement plans sinking fund ³	- 2 019	- 2 112	- 2 266	- 154
Total financing of transactions	516	770	707	- 63

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 The data have been adjusted, for purposes of comparison, on the basis of the 2001-2002 budgetary and financial structure.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

Budgetary revenue

For the 2001-2002 fiscal year, budgetary revenue is expected to amount to \$49 958 million, a decline of 2.1% compared with 2000-2001. This result may be attributed to the combined impact of a 6% decrease in own-source revenue and an 18.4% increase in federal transfers.

Own-source revenue

Own-source revenue is expected to amount to \$40 298 million, a decrease of \$1 354 million compared with the forecast in the 2001-2002 Budget Speech. These adjustments are partly explained by the impact of the fiscal measures announced in this Budget. They are also due to the effects of the economic slowdown on revenue from income taxes and other taxes and the impact of the downturn in the financial markets on revenue from government enterprises.

TABLE 2.2

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE
(in millions of dollars)

	2000-2001				2001-2002
	Actual results	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget	Change compared with 2000-2001
					%
Personal income tax	17 068	15 902	15 559	– 343	– 8.8
Health Services Fund	4 488	4 436	4 396	– 40	– 2.0
Corporate taxes	4 217	4 374	3 817	– 557	– 9.5
Consumption taxes	9 393	9 742	9 845	103	4.8
Government enterprises	3 496	3 256	2 707	– 549	– 22.6
Consolidated organizations	1 851	1 662	1 662	—	– 10.2
Other revenue	2 343	2 280	2 312	32	– 1.3
Total own-source revenue	42 856	41 652	40 298	– 1 354	– 6.0

Revenue from personal income tax and contributions to the Health Services Fund is adjusted downward by \$343 million and \$40 million respectively. These adjustments are mainly attributable to the fiscal measures announced in this Budget and the weaker-than-anticipated growth in remuneration.

Corporate tax revenue is also revised downward by \$557 million, owing to lower-than-expected growth in corporate profits and, in particular, the measure taken to improve the liquidity of small and medium-sized enterprises by \$525 million in the wake of the terrorist attacks.

Revenue from consumption taxes is \$103 million higher than forecast in the 2001-2002 Budget, mainly because of the additional revenue generated by the tobacco tax increases announced on last April 5 and in this Budget. However, these impacts were partly offset by lower-than-anticipated revenue from the fuel tax, owing to high prices at the beginning of the year, and from the sales tax.

The forecast for revenue from government enterprises is revised downward by \$549 million. This adjustment is largely attributable to the decrease in the anticipated profits of the Commission de la santé et de la sécurité du travail (CSST) and the Société de l'assurance automobile du Québec (SAAQ). This reduction reflects, notably, the unfavourable change in investment income, a situation that mirrors the general trend observed on financial markets. The anticipated profits of Hydro-Québec are also reduced by \$107 million compared with the initial forecast, owing to the decrease in the price of electricity on markets outside Québec.

TABLE 2.3

ANTICIPATED PROFITS OF THE CSST AND THE SAAQ

(in millions of dollars)

	2001-2002		
	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget
Commission de la santé et de la sécurité du travail	286	- 65	- 351
Société de l'assurance automobile du Québec	32	- 45	- 77

Federal transfers

The revised forecasts for the 2001-2002 fiscal year show an increase of \$176 million in federal transfers compared with the level anticipated in the Budget Speech of last March. Federal transfers should thus amount to \$9 660 million for fiscal 2001-2002.

TABLE 2.4

SUMMARY OF THE CHANGE IN FEDERAL TRANSFERS

(in millions of dollars)

	2000-2001			2001-2002	
	Actual results	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget	Change compared with 2000-2001
					%
Equalization	5 650	5 615	5 777	162	2.2
Canada Health and Social Transfer	1 597	2 960	2 915	- 45	82.5
Other transfers related to fiscal arrangements	30	15	15	—	- 50.0
Other programs	634	535	531	- 4	- 16.2
Consolidated organizations	250	359	422	63	68.8
Total federal transfers	8 161	9 484	9 660	176	18.4

Equalization revenue has been revised upward by \$162 million since the last Budget despite the decline in the provincial revenue that is subject to this program. This result may be attributed to a decrease in Québec's relative fiscal capacity with regard to corporate tax, and to an upward adjustment of payments in respect of 1998-1999.

Revenue from the Canada Health and Social Transfer (CHST) is revised downward by \$45 million owing to the higher value of the tax points related to the special Québec abatement, which reduces accordingly the cash transfers paid to Québec by the federal government under this program.

Revenue from consolidated organizations is adjusted upward by \$63 million, notably because of the better-than-anticipated results of the Financière agricole du Québec.

Budgetary expenditure

The forecast for budgetary expenditure is revised to \$50 908 million for fiscal 2001-2002, \$228 million less than anticipated in the Budget Speech of March 29, 2001. This change stems, on the one hand, from the use of the budgetary reserve to carry out new spending in certain departments, particularly the ministère de la Santé et des Services sociaux, and, on the other hand, from the decrease in debt service. In all, there is a 2.7% increase in budgetary expenditure compared with 2000-2001.

TABLE 2.5

SUMMARY OF THE CHANGE IN BUDGETARY EXPENDITURE

(in millions of dollars)

	2000-2001			2001-2002	
	Actual results	Budget Speech 2001-03-29	Revised forecasts	Change compared with Budget	Change compared with 2000-2001
					%
Program spending objective	40 776	41 929	41 929	—	2.8
Use of budgetary reserve for new spending	—	—	280	280	—
Program spending	40 776	41 929	42 209	280	3.5
Consolidated organizations	1 183	1 297	1 297	—	9.6
Total operating expenditure	41 959	43 226	43 506	280	3.7
Debt service					
Consolidated Revenue Fund					
Direct debt service	4 378	4 632	4 098	– 534	– 6.4
Retirement plans	2 594	2 611	2 637	26	1.7
	6 972	7 243	6 735	– 508	– 3.4
Consolidated organizations	634	667	667	—	5.2
Total debt service	7 606	7 910	7 402	– 508	– 2.7
Total budgetary expenditure	49 565	51 136	50 908	– 228	2.7

Operating expenditure

Operating expenditure is revised to \$43 506 million, \$280 million more than forecast in the March 2001 Budget Speech. This new spending will be financed by the budgetary reserve.

Debt service

Debt service is revised downward by \$508 million compared with the forecast in the 2001-2002 Budget Speech; it currently amounts to \$7 402 million, of which \$4 098 million is for direct debt service, \$2 637 million for the interest on the net retirement plans liability and \$667 million for the debt service of consolidated organizations.

This revision is essentially due to the sharp drop in short-term interest rates since the beginning of fiscal 2001-2002.

Non-budgetary transactions

Net financial requirements stemming from non-budgetary transactions are practically unchanged compared with the forecast in the March 2001 Budget Speech. However, there are major changes in investments, loans and advances and other accounts owing mainly to the use of the \$950-million budgetary reserve created at the time of the March 2001 Budget.

The anticipated investment of \$950 million with the Caisse de dépôt et placement du Québec for the budgetary reserve will not be made. This change leads to a \$950-million improvement in investments, loans and advances, which is offset by a negative change of the same amount in other accounts since the amounts allocated to the budgetary reserve will be used in full in 2001-2002.

TABLE 2.6

SUMMARY OF NON-BUDGETARY TRANSACTIONS

(in millions of dollars)

	2001-2002		
	Budget Speech 2001-03-29	Revised forecasts	Change
Consolidated Revenue Fund			
Investments, loans and advances			
Government enterprises	- 1 739	- 1 223	516
Municipalities, municipal bodies, individuals, corporations and others	- 976	- 38	938
	- 2 715	- 1 261	1 454
Capital expenditures	150	150	—
Retirement plans	1 888	1 987	99
Other accounts	734	- 756	- 1 490
Total Consolidated Revenue Fund	57	120	63
Consolidated organizations	- 827	- 827	—
Non-budgetary requirements	- 770	- 707	63

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

Debt representing accumulated deficits

At the end of the current fiscal year, the debt (accumulated deficits) will amount to \$81 691 million, the same level as the previous fiscal year. This concept of debt corresponds to deficits accumulated and budgetary surpluses achieved over the years. It is important to specify that there is a difference between reducing the debt that represents accumulated deficits and reducing borrowings that have been contracted by the government. For example, the government may decide to increase its borrowings during a fiscal year in order to take advantage of favourable market conditions without any effect on the debt representing accumulated deficits.

TABLE 2.7

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions of dollars)

	As at March 31		
	2001	2002 ¹	Change
Consolidated direct debt ²	63 630	66 028	2 398
Net retirement plans liability	39 111	38 832	- 279
Total debt²	102 741	104 860	2 119
Less: financial assets and capital expenditures net of other liabilities	- 21 050	- 23 169	- 2 119
Debt representing accumulated deficits	81 691	81 691	0
Budgetary surplus after reserve	502	0	—

1 Revised forecast.

2 Excluding pre-financing of \$1 475 million in 2000-2001 and \$855 million in 2001-2002. Including pre-financing, the total debt reaches \$104 216 million in 2000-2001 and \$105 715 million in 2001-2002.

Financing

The revised forecasts show that the change in the direct debt should amount to \$2 032 million, \$1 009 million more than anticipated in the 2001-2002 Budget Speech. Borrowings in fiscal 2001-2002 will amount to \$7 374 million (\$6 246 million for the Consolidated Revenue Fund and \$1 128 million for consolidated organizations), \$870 million more than forecast in the last Budget Speech.

TABLE 2.8

SUMMARY OF FINANCING TRANSACTIONS

(in millions of dollars)

	2001-2002		
	Budget Speech 2001-03-29	Revised forecasts	Change
Change in cash position			
Consolidated Revenue Fund	1 477	622	– 855
Consolidated organizations	382	319	– 63
Total change in cash position	1 859	941	– 918
Change in direct debt			
Consolidated Revenue Fund			
New borrowings	5 376	6 246	870
Repayment of borrowings	– 4 741	– 4 602	139
	635	1 644	1 009
Consolidated organizations			
New borrowings	1 128	1 128	—
Repayment of borrowings	– 740	– 740	—
	388	388	—
Total change in direct debt	1 023	2 032	1 009
Retirement plans sinking fund	– 2 112	– 2 266	– 154
Total financing of transactions	770	707	– 63

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

Financing of the Consolidated Revenue Fund

The revised forecasts show that the change in the direct debt of the Consolidated Revenue Fund amounts to \$1 644 million, an increase of \$1 009 million compared with the figure announced in the 2001-2002 Budget Speech. Borrowings in fiscal 2001-2002 will amount to \$6 246 million, \$870 million more than forecast in the last Budget. This increase in borrowings is due mainly to the decision to obtain pre-financing to cover the repayment of borrowings that will fall due on the first day of the next fiscal year. These pre-financing transactions are estimated at \$855 million. The increase in borrowings is also explained by the fact that deposits in the retirement plans sinking fund will be \$154 million higher than expected, while repayments of borrowings will be \$139 million lower than anticipated.

Owing to pre-financing, the cash level will be reduced by only \$622 million, although a \$1 477-million decrease was forecast in the Budget Speech of last March.

Financing of consolidated organizations

The change in the direct debt of consolidated organizations should amount to \$388 million, the same level as anticipated in the last Budget.

Borrowings

In all, the government plans to contract borrowings of \$7 646 million in 2001-2002, of which \$6 246 million will be for Consolidated Revenue Fund needs (including \$2 266 million to make deposits in the retirement plans sinking fund) and \$1 400 million, for the Financing Fund. The borrowings of the Financing Fund are used to meet the financial requirements of consolidated organizations (\$1 128 million) and non-consolidated organizations (\$272 million).

The implementation of the financing program in 2001-2002 is characterized by the excellent receptivity of financial markets to Québec securities, as shown by the fact that 87% of the financing program has already been realized.

In all, 38% of the financing program, or \$2 888 million, has been conducted on the Canadian market. The government carried out on this market three public issues of negotiable bonds for a total of \$1 397 million, and real return issues for a total of \$28 million. Private investments totalling \$772 million were made with the Caisse de dépôt et placement du Québec. Lastly, savings products sold by Placements Québec have provided the government with \$209 million in financing.

Borrowings totalling \$3 727 million, or 49% of the financing program, were obtained on foreign markets as part of the government's financing sources diversification strategy. Three public bond issues were made on these markets. First, a global bond issue in US dollars for US\$1 billion, (CAN\$1 558 million, of which CAN\$400 million was advanced to the Financing Fund in order to be loaned to consolidated organizations) was carried out in April 2001. A bond issue for 50 billion yen (CAN\$625 million) was then made in May. Lastly, the government carried out a bond issue on the euro market for \$1.5 billion euros (CAN\$1 944 million) in June.

TABLE 2.9

SUMMARY OF BORROWINGS ANTICIPATED IN 2001-2002

(in millions of dollars)

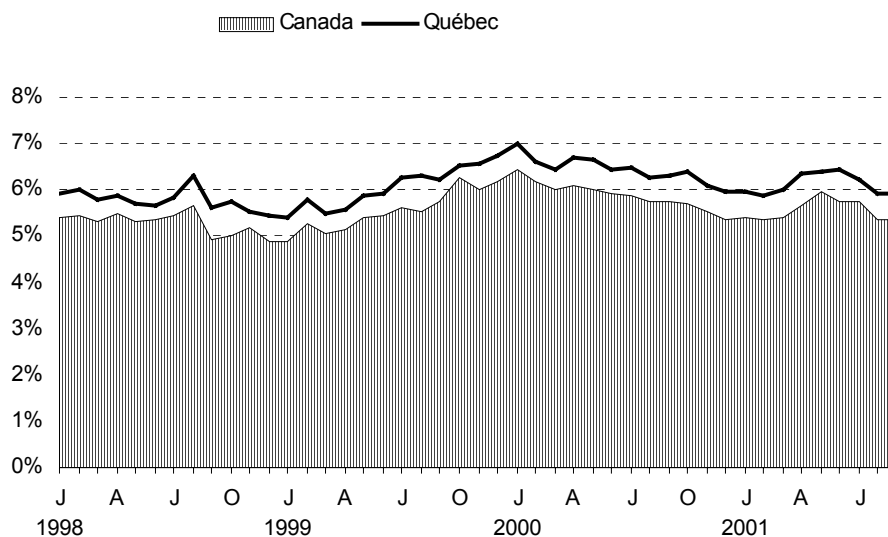
Currency and market	Consolidated Revenue Fund	Consolidated organizations	Non- consolidated organizations	Total %	
Borrowings contracted					
Canadian dollar					
Canadian market					
Public issues					
Negotiable bonds	1 397	400 ²	—	1 797	62.2
Real return bonds	28	—	—	28	1.0
Medium-term notes	25	—	—	25	0.9
Private issues					
Caisse de dépôt et placement du Québec	310	436	26	772	26.7
Canada Pension Plan investment Fund	4	—	—	4	0.1
Savings products	209	—	—	209	7.3
Immigrant Investor Program	50	—	—	50	1.7
Change in the debt resulting from currency swaps	3	—	—	3	0.1
Sub-total	2 026	836	26	2 888	37.8
US dollar					
Public issue					
Negotiable bonds	1 158 ²	—	—	1 158	100.0
Sub-total	1 158	—	—	1 158	15.1
Other currencies					
Public issues					
Euro	1 944	—	—	1 944	75.7
Yen	625	—	—	625	24.3
Sub-total	2 569	—	—	2 569	33.6
Total borrowings contracted¹	5 753	836	26	6 615	86.5
Borrowings to be contracted	493	292	246	1 031	13.5
Total	6 246	1 128	272	7 646	100.0

1 Borrowings contracted as at October 19, 2001.

2 The original borrowing totalled US\$1 billion, or CAN\$1 558 million. An amount of CAN\$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.

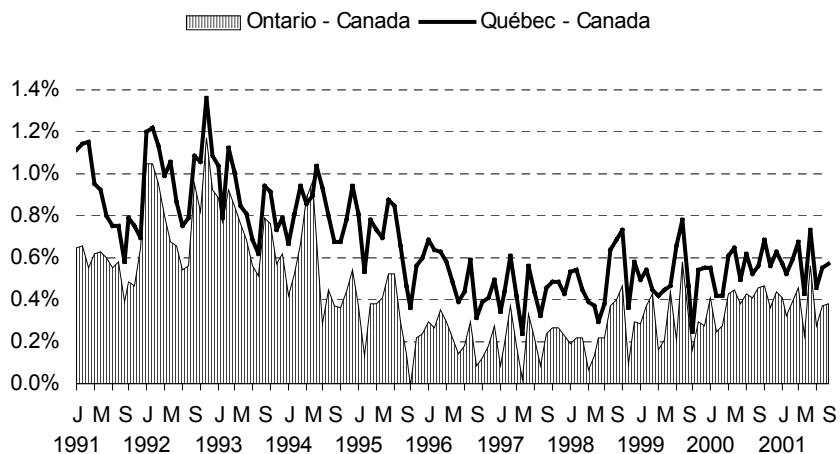
GRAPH 2.1

YIELD ON QUÉBEC AND CANADA LONG-TERM (10-YEAR) GOVERNMENT SECURITIES

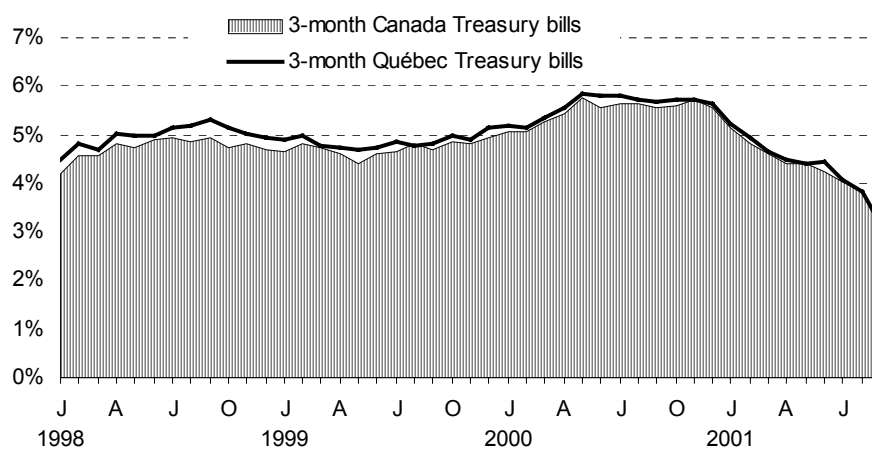


GRAPH 2.2

YIELD SPREAD ON LONG-TERM (10-YEAR) SECURITIES



GRAPH 2.3

YIELD ON SHORT-TERM SECURITIES

Repayment of borrowings

The revised forecasts show that the repayment of borrowings of the Consolidated Revenue Fund and consolidated organizations for fiscal 2001-2002 will amount to \$5 342 million, \$139 million less than forecast in the Budget Speech of March 29, 2001. This decrease is due mainly to lower-than-anticipated repayments of savings products.

Total government debt

The government's total debt consists of the consolidated direct debt and the net retirement plans liability. The consolidated direct debt is the sum of the direct debt of the Consolidated Revenue Fund and the debt of consolidated organizations. As for the net retirement plans liability, it consists of the retirement plans liability minus the balance of the retirement plans sinking fund (RPSF), an asset that may eventually be used to pay the retirement benefits of public and parapublic sector employees.

The consolidated direct debt should amount to \$66 883 million as at March 31, 2002, or \$62 803 million as direct debt of the Consolidated Revenue Fund and \$4 080 million as debt of the consolidated organizations.

It should be noted that an amount of \$855 million included in the consolidated direct debt represents pre-financing in 2001-2002 that will be used to cover part of the borrowings to be made in 2002-2003.

The net retirement plans liability should total \$38 832 million as at March 31, 2002 and consists of \$48 157 million as the retirement plans liability minus the value of the RPSF, or \$9 325 million.

Excluding pre-financing, the total debt should be \$104 860 million.

TABLE 2.10

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2002

(in millions de dollars)

	Consolidated direct debt			Retirement plans liability	Total debt
	Direct debt of the Consolidated Revenue Fund	Consolidated organizations	Total		
Anticipated debt as at March 31, 2002	62 803	4 080	66 883	48 157	115 040
Retirement plans sinking fund	—	—	—	– 9 325	– 9 325
Sub-total	62 803	4 080	66 883	38 832	105 715
Pre-financing	– 855	—	– 855	—	– 855
Total	61 948	4 080	66 028	38 832	104 860

Structure of the government's total debt

The following table shows the anticipated debt as at March 31, 2002, broken down by currency using the structure observed on September 30, 2001. On this basis, the proportion of the consolidated direct debt in Canadian dollars amounts to 75.9% and the proportion in foreign currency, 24.1%. If the net retirement plans liability, for which all commitments are in Canadian dollars, is also taken into account, the proportion of the total debt in Canadian dollars is 84.8%.

TABLE 2.11

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2002 INCLUDING THE IMPACT OF CURRENCY SWAPS (in millions of dollars)

Currency	Consolidated direct debt					Net retirement plans liability	Total debt	
	Direct debt of the Consolidated Revenue Fund ¹	%	Consolidated organizations	Total	%			
Canadian dollar	46 818	74.5	3 960	50 778	75.9	38 832	89 610	84.8
Yen	9 456	15.1	—	9 456	14.1	—	9 456	8.9
US dollar	6 529	10.4	120	6 649	10.0	—	6 649	6.3
Sub-total	62 803	100.0	4 080	66 883	100.0	38 832	105 715	100.0
Pre-financing	- 855		—	- 855		—	- 855	
Total	61 948		4 080	66 028		38 832	104 860	

1 The breakdown of the debt by currency reflects that observed on September 30, 2001.

Structure of the direct debt of the Consolidated Revenue Fund

The proportion of the direct debt of the Consolidated Revenue Fund in Canadian dollars amounts to 74.5% and that in foreign currency, 25.5%. The share at fixed rates is 67.8%, while the share at variable rates stands at 32.2%.

Net retirement plans liability

The net retirement plans liability is the recorded value of government commitments with regard to the retirement plans of public and parapublic sector employees, minus the value of the retirement plans sinking fund (RPSF). As at March 31, 2002, the net retirement plans liability should amount to \$38 832 million.

Change in the direct debt and the RPSF

To analyse the change in the components of the direct debt of the Consolidated Revenue Fund from one fiscal year to the next, it is important to exclude the impact of the RPSF.

As shown in the following table, the direct debt of the Consolidated Revenue Fund should rise by \$2 010 million between March 31, 2001 and March 31, 2002 (after adjustment to take pre-financing into account). However, this increase is essentially due to the substantial deposits that will have been made in the RPSF in 2001-2002. If the value of the RPSF as at March 31 of each fiscal year were subtracted from the direct debt of the Consolidated Revenue Fund, it can be noted that this debt, in the absence of the RPSF, would have decreased by \$256 million, while the retirement plans liability would have risen by \$1 987 million in 2001-2002.

TABLE 2.12

IMPACT OF THE RPSF ON THE DIRECT DEBT AND THE RETIREMENT PLANS LIABILITY¹
(in millions of dollars)

	As at March 31		
	2001	2002 ²	Change
Direct debt (including the RPSF and pre-financing)	61 413	62 803	1 390
Pre-financing	- 1 475	- 855	620
Direct debt (including the RPSF)	59 938	61 948	2 010
Balance of the RPSF	- 7 059	- 9 325	- 2 266
Direct debt (excluding the RPSF)	52 879	52 623	- 256
Net retirement plans liability	39 111	38 832	- 279
Balance of the RPSF	7 059	9 325	2 266
Retirement plans liability	46 170	48 157	1 987
Total debt	99 049	100 780	1 731

1 Excluding the debt of consolidated organizations.

2 Revised forecasts.

Historical data and revised forecasts

TABLE 2.13

GOUVERNEMENT DU QUÉBEC SUMMARY OF FINANCIAL TRANSACTIONS¹ (in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Budgetary transactions				
Own-source revenue	38 605	41 047	42 856	40 298
Federal transfers	8 090	6 352	8 161	9 660
Total revenue	46 695	47 399	51 017	49 958
Operating expenditure	- 39 382	- 39 997	- 41 959	- 43 506
Debt service	- 7 187	- 7 372	- 7 606	- 7 402
Total expenditure	- 46 569	- 47 369	- 49 565	- 50 908
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	126	30	502	—
Non-budgetary transactions				
Investments, loans and advances	- 1 402	- 2 022	- 1 632	- 1 317
Capital expenditures	- 217	- 359	- 473	- 691
Retirement plans	1 020	1 740	1 793	1 987
Other accounts	996	1 328	- 706	- 686
Non-budgetary surplus (requirements)	397	687	- 1 018	- 707
Net financial surplus (requirements)	523	717	- 516	- 707
Financing transactions				
Change in cash position	- 1 983	2 246	- 473	941
Change in direct debt ²	2 490	- 132	3 008	2 032
Retirement plans sinking fund ³	- 1 030	- 2 831	- 2 019	- 2 266
Total financing of transactions	- 523	- 717	516	707

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease. For purposes of comparison, the data are presented on the basis of the 2001-2002 budgetary and financial structure.

1 Actual results for fiscal 1998-1999, 1999-2000 and 2000-2001, and revised forecasts for fiscal 2001-2002.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.14

**GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE**

(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Own-source revenue				
Income and property taxes				
Personal income tax	15 356	16 029	17 068	15 559
Contributions to Health Services Fund	4 117	4 291	4 488	4 396
Corporate taxes ¹	3 406	3 643	4 217	3 817
	22 879	23 963	25 773	23 772
Consumption taxes				
Sales	6 426	6 761	7 374	7 663
Fuel	1 559	1 560	1 536	1 544
Tobacco	523	498	483	638
	8 508	8 819	9 393	9 845
Duties and permits				
Motor vehicles	664	667	646	649
Alcoholic beverages	135	139	146	148
Natural resources ²	242	354	265	204
Other	168	182	180	164
	1 209	1 342	1 237	1 165
Miscellaneous				
Sales of goods and services	450	422	406	413
Interest	346	363	390	391
Fines, forfeitures and recoveries	402	345	310	343
	1 198	1 130	1 106	1 147
Revenue from government enterprises				
Société des alcools du Québec	408	442	471	480
Loto-Québec	1 167	1 289	1 358	1 307
Hydro-Québec	754	1 090	1 160	970
Other	802	1 122	507	- 50
	3 131	3 943	3 496	2 707
Consolidated organizations	1 680	1 850	1 851	1 662
Total own-source revenue	38 605	41 047	42 856	40 298
Federal transfers				
Programs				
Equalization	5 385	4 387	5 650	5 777
Canada Health and Social Transfer	1 697	1 120	1 597	2 915
Contributions to welfare programs	—	11	—	—
Other transfers related to fiscal arrangements	60	11	30	15
Other programs	690	553	634	531
Consolidated organizations	258	270	250	422
Total federal transfers	8 090	6 352	8 161	9 660
Total budgetary revenue	46 695	47 399	51 017	49 958

1 Including tax on corporate profits, tax on capital and tax on insurance company premiums, as well as tax on telecommunications, gas and electricity beginning in 2000-2001.

2 Including forest, mining and hydraulic resources.

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	1998-1999	1999-2000	2000-2001	2001-2002 ¹
Operating expenditure				
Assemblée nationale	74	74	80	84
Personnes désignées par l'Assemblée nationale	94	41	42	46
Affaires municipales et Métropole	996	1 099	1 346	1 446
Agriculture, Pêcheries et Alimentation	550	531	729	628
Conseil du trésor, Administration et Fonction publique	412	372	435	590 ²
Conseil exécutif	44	179	61	71
Culture et Communications	524	496	541	485
Education	9 580	9 825	10 130	10 635
Emploi et Solidarité sociale	4 158	4 064	4 089	3 944
Environnement	190	271	244	194
Famille, Enfance et Condition féminine	1 470	1 497	1 524	1 678
Faune et Parcs	111	80	148	114
Finances (excluding debt service)	354	303	419	571 ²
Industrie et Commerce	130	155	277	151
Justice	486	459	468	472
Recherche, Science et Technologie	258	299	246	221
Régions	135	152	126	194
Relations avec les citoyens et Immigration	147	142	179	202
Relations internationales	88	98	104	107
Ressources naturelles	369	485	363	314
Revenu	845	721	640	685
Santé et Services sociaux	14 596	14 828	16 104	16 847
Sécurité publique	703	701	744	752
Tourisme, Loisir et Sport	121	173	151	147
Transports	1 507	1 578	1 507	1 557
Travail	72	81	79	74
Program spending	38 014	38 704	40 776	42 209
Consolidated organizations	1 368	1 293	1 183	1 297
Total operating expenditure	39 382	39 997	41 959	43 506
Debt service				
Consolidated Revenue Fund	6 574	6 751	6 972	6 735
Consolidated organizations	613	621	634	667
Total debt service	7 187	7 372	7 606	7 402
Total budgetary expenditure	46 569	47 369	49 565	50 908

1 Including budgetary readjustments to reflect the impact of certain measures announced in the Budget Speech of March 29, 2001, whose financing was originally provided by the contingency fund administered by the Conseil du trésor.

2 The revised forecasts for 2001-2002 contain provisions that will allow appropriations to be transferred to various departments and agencies during the fiscal year ending March 31, 2002.

TABLE 2.16

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Investments, loans and advances				
Consolidated Revenue Fund				
GOVERNMENT ENTERPRISES				
SHARES AND INVESTMENTS:				
Société générale de financement du Québec	- 40	- 150	- 350	- 750
Société Innovatech du Grand Montréal	- 101	- 35	- 42	- 38
Société Innovatech Québec et Chaudière-Appalaches	- 31	- 9	- 11	- 29
Société Innovatech Sud du Québec	- 7	- 4	- 6	- 16
Société Innovatech Régions ressources	—	- 8	- 13	- 15
Other	- 5	- 1	- 3	- 27
	- 184	- 207	- 425	- 875
 CHANGE IN THE EQUITY VALUE OF INVESTMENTS	- 1 282	- 1 798	- 1 157	- 346
LOANS AND ADVANCES:				
Société générale de financement du Québec	—	14	—	—
Société Innovatech du Grand Montréal	62	—	—	—
Société Innovatech Québec et Chaudière-Appalaches	21	—	—	—
Société Innovatech Sud du Québec	3	—	—	—
Other	—	10	—	- 2
	86	24	—	- 2
 Total government enterprises	- 1 380	- 1 981	- 1 582	- 1 223
INDIVIDUALS, CORPORATIONS AND OTHERS	- 119	- 53	- 20	- 40
MUNICIPALITIES AND MUNICIPAL BODIES	3	6	1	2
	- 1 496	- 2 028	- 1 601	- 1 261
Consolidated organizations	94	6	- 31	- 56
Total investments, loans and advances	- 1 402	- 2 022	- 1 632	- 1 317
 Capital expenditures				
Consolidated Revenue Fund				
Net investments	- 69	- 85	- 144	- 184
Amortization	372	354	334	334
	303	269	190	150
Consolidated organizations	- 520	- 628	- 663	- 841
Total capital expenditures	- 217	- 359	- 473	- 691

TABLE 2.16 (CONT.)

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Retirement plans				
CONTRIBUTIONS BY THE GOVERNMENT				
Contributions by the government as employer:				
RREGOP:				
Annual cost of constituted benefits ¹	693	754	990	1 136
Amortization of actuarial gain (-) or loss	66	77	66	66
Amortization of unrecorded actuarial liabilities and cost of changes to plan	—	44	—	—
Other plans:				
Annual cost of constituted benefits ¹	147	140	166	163
Amortization of actuarial gain (-) or loss	—	62	26	20
Amortization of unrecorded actuarial liabilities and cost of changes to plans	24	—	—	51
Total government contribution	930	1 077	1 248	1 436
Contributions by independent employers	8	24	—	8
Participants contributions	206	124	106	78
Total contributions	214	148	106	86
Benefits, repayments and administrative expenses	- 2 624	- 2 336	- 2 567	- 2 768
Interest on retirement plans liability charged to debt service ²	2 500	2 851	3 006	3 233
Total retirement plans	1 020	1 740	1 793	1 987
Other accounts				
Consolidated Revenue Fund	909	1 021	- 565	- 756
Consolidated organizations	87	307	- 141	70
Total other accounts	996	1 328	- 706	- 686
Total non-budgetary transactions	397	687	- 1 018	- 707

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

- 1 Cost of retirement benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service.
- 2 Excluding revenue generated by the retirement plans sinking fund.

TABLE 2.17

**GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS**

(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Change in cash position				
Consolidated Revenue Fund	- 2 831	2 325	- 969	622
Consolidated organizations	848	- 79	496	319
Total change in cash position	- 1 983	2 246	- 473	941
Change in direct debt				
Consolidated Revenue Fund				
New borrowings	9 355	5 189	7 569	6 246
Repayment of borrowings	- 6 399	- 5 509	- 4 616	- 4 602
	2 956	- 320	2 953	1 644
Consolidated organizations				
New borrowings	296	891	1 025	1 128
Repayment of borrowings	- 762	- 703	- 970	- 740
	- 466	188	55	388
Total change in direct debt	2 490	- 132	3 008	2 032
Retirement plans sinking fund¹	- 1 030	- 2 831	- 2 019	- 2 266
Total financing of transactions	- 523	- 717	516	707

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

- 1 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.18

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
1 158	US\$743 ⁵	5.50	April 11	2006-04-11	99.763	5.555
625	¥50 000	1.60	May 9	2013-05-09	99.138	1.679
372	—	6.25	June 4	2032-06-01	93.111	6.785
1 944	€1 500	5.63 ⁶	June 21	2011-06-21	99.440	5.700
516	—	6.50	July 31	2005-12-01	103.149	5.668
509	—	6.25	August 31	2010-12-01	101.872	5.982
28 ⁷	—	Various	Various	Various	Various	Various
310 ⁸	—	Various	Various	Various	Various	Various
25 ⁹	—	Various	Various	Various	Various	Various
209 ¹⁰	—	Various	Various	Various	Various	Various
4 ¹¹	—	Various	Various	Various	Various	Various
50 ¹²	—	Various	Various	Various	Various	Various
3 ¹³	Various	Various	Various	Various	Various	Various
5 753						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 The original borrowing totalled US\$1 billion, or CAN\$1 558 million. An amount of CAN\$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.

6 Interest payable annually.

7 Real return bonds. The principal and the interest rate of these bonds are adjusted according to the change in the Consumer Price Index in Canada.

8 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

9 Medium-term notes on the Canadian market.

10 Savings products issued by Placements Québec.

11 Borrowings from the Canada Pension Plan Investment Fund.

12 Borrowings contracted under the Immigrant Investor Program.

13 Amount received under interest rate and currency swap agreements.

Note: The gouvernement du Québec has credit agreements with various banks and financial institutions for a total of US\$3 500 million. None of the credit agreements is being drawn upon.

TABLE 2.19

BORROWINGS FOR CONSOLIDATED ORGANIZATIONS IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
400 ⁵	—	5.67	April 11	2006-04-11	100.000	5.673
160 ⁶	—	6.25	September 26	2010-12-01	102.031	5.958
10 ⁶	—	6.50	September 26	2005-12-01	106.513	4.761
147 ⁶	—	6.25	October 10	2010-12-01	102.973	5.825
119 ⁶	—	6.25	October 16	2010-12-01	102.098	5.948
836						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Amount derived from the borrowing of US\$1 billion (CAN\$1 558 million) contracted by the Consolidated Revenue Fund.

6 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

Table 2.20

BORROWINGS FOR NON-CONSOLIDATED ORGANIZATIONS IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
24 ⁵	—	6.25	October 10	2010-12-01	102.973	5.825
2 ⁵	—	6.25	October 16	2010-12-01	102.098	5.948
26						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.

TABLE 2.21

BORROWINGS BY FINANCEMENT-QUÉBEC IN 2001-2002¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
49	—	5.75	April 9	2008-12-01	98.613	5.977
10	—	5.75	April 9	2008-12-01	98.765	5.952
35	—	5.75	April 9	2008-12-01	98.916	5.927
5	—	5.75	April 10	2008-12-01	99.067	5.902
5	—	5.75	April 12	2008-12-01	99.014	5.911
513	—	6.30	May 14	2006-06-01	102.540	5.713
617						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

TABLE 2.22

BORROWINGS BY HYDRO-QUÉBEC IN 2001¹

Amount in Canadian dollars ²	Face value in foreign currency	Interest rate ³	Date of issue	Date of maturity	Price to investor	Yield to investor ⁴
(in millions)		%			\$	%
518	—	6.50	January 19	2011-02-15	103.542	6.025
1 149 ⁵	US\$750	6.30	May 11	2011-05-11	99.831	6.323
1 405 ⁶	—	Various	Various	Various	Various	Various
3 072						

1 Borrowings contracted as at October 19, 2001.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Borrowing on the world market.

6 Medium-term notes on the Canadian market.

Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US\$1 500 million. None of the credit agreements was being drawn upon at October 19, 2001.

Section 3

**The Government's Budgetary and
Financial Stance**

Balanced budget maintained despite the stronger-than-anticipated economic slowdown 3

The government's financial position 5

Government revenue 8

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Appendices

3.1 Additional information on the budgetary revenue forecast for 2002-2003 19

3.2 Additional information on the government's financial position..... 25

This section of the 2002-2003 Budget Plan indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget balance, and net financial requirements or surplus forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in the Budget Speech.

Balanced budget maintained despite the stronger-than-anticipated economic slowdown

A balanced budget will be achieved again in 2001-2002 following the use of the budgetary reserve of \$950 million created in 2000-2001. Of this amount, \$280 million will be used to finance new spending and \$670 million to maintain a balanced budget. The draft legislation respecting the budgetary reserve will be amended to allow the fund to be used in this manner. A balanced budget will also be achieved in 2002-2003, as prescribed by the *Act respecting the elimination of the deficit and a balanced budget*.

TABLE 3.1

SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS¹

(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002 ^F	2002-2003 ^F
Budgetary transactions					
Own-source revenue	38 605	41 047	42 856	40 298	42 691
Federal transfers	8 090	6 352	8 161	9 660	9 247
Total revenue	46 695	47 399	51 017	49 958	51 938
Operating expenditure	- 39 382	- 39 997	- 41 959	- 43 506	- 44 582
Debt service	- 7 187	- 7 372	- 7 606	- 7 402	- 7 356
Total expenditure	- 46 569	- 47 369	- 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	126	30	502	0	0
Net financial surplus (requirements)					
Consolidated Revenue Fund	905	826	35	0	500
Consolidated organizations	- 382	- 109	- 551	- 707	- 1 145
Total	523	717	- 516	- 707	- 645

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

F: Forecast.

1 Based on the budgetary and financial structure in effect in 2001-2002.

The last Budget Speech forecast that the Québec economy would slow to some extent in 2001-2002 and 2002-2003. The slowdown, which is stronger than anticipated, has been exacerbated by the events of September 11, 2001 and has led to a downward adjustment of economic growth forecasts and, therefore, government revenue. Revenue forecasts are revised downward by \$1.8 billion for 2001-2002 and 2002-2003. However, owing to the sharp drop in interest rates, anticipated expenditures for debt service for the same years are also down by over \$900 million.

Nevertheless, a balanced budget will be maintained since the net impact of these adjustments, i.e. roughly \$900 million, will be offset by two mechanisms:

- use of the balance of the budgetary reserve not reserved for spending, i.e. \$670 million;
- a special tax recovery program and an increase in the tobacco tax.

To act rapidly with respect to the economy, this Budget Speech announces the implementation of a self-financed action plan. While the action plan will make it possible to inject over \$3 billion into the economy, its gross cost will be limited to \$641 million for 2001-2002 and 2002-2003, owing to the fact that the plan consists mainly of investments whose cost will be spread over several years. The gross cost of the action plan will be offset by additional tax revenue of \$306 million, from which the government will benefit because of the action plan's economic impact, and by the reallocation of expenditures of \$281 million, which corresponds to the cost of the new spending initiatives included in the action plan.

Total net financial requirements will be \$707 million in 2001-2002 and \$645 million in 2002-2003.

No net financial requirements are forecast for the Consolidated Revenue Fund for fiscal 2001-2002. Net financial surpluses of \$500 million are anticipated for 2002-2003.

However, the net financial requirements of consolidated organizations will amount to \$707 million in 2001-2002 and \$1 145 million in 2002-2003. These requirements stem for the most part from the acceleration of capital investments, particularly for the Fonds de conservation et d'amélioration du réseau routier.

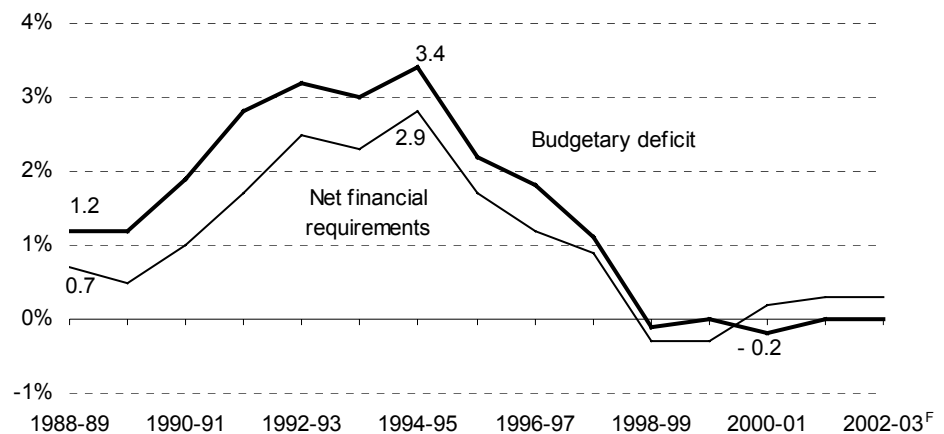
The government's financial position

The government's financial position has improved considerably in recent years. While the budgetary deficit accounted for 3.4% of gross domestic product in 1994-1995, it was gradually eliminated thereafter, and surpluses have been recorded since 1998-1999. The government intends to achieve a balanced budget again in 2001-2002 and 2002-2003.

GRAPH 3.1

BUDGETARY DEFICIT AND NET FINANCIAL REQUIREMENTS

(as a percentage of GDP)



F: Forecast.

The indebtedness rate continues to decline

The debt representing accumulated deficits is the indicator used by the government to show the change in its financial position. As at March 31, 2001, this debt totalled \$81 691 million, and it will remain stable throughout the forecast period.

TABLE 3.2

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS (in millions of dollars)

	2000-2001	2001-2002 ^F	2002-2003 ^F
Opening balance	82 193¹	81 691	81 691
Less:			
<i>Budgetary surplus after reserve</i>	<i>502</i>	<i>0</i>	<i>0</i>
Closing balance	81 691	81 691	81 691

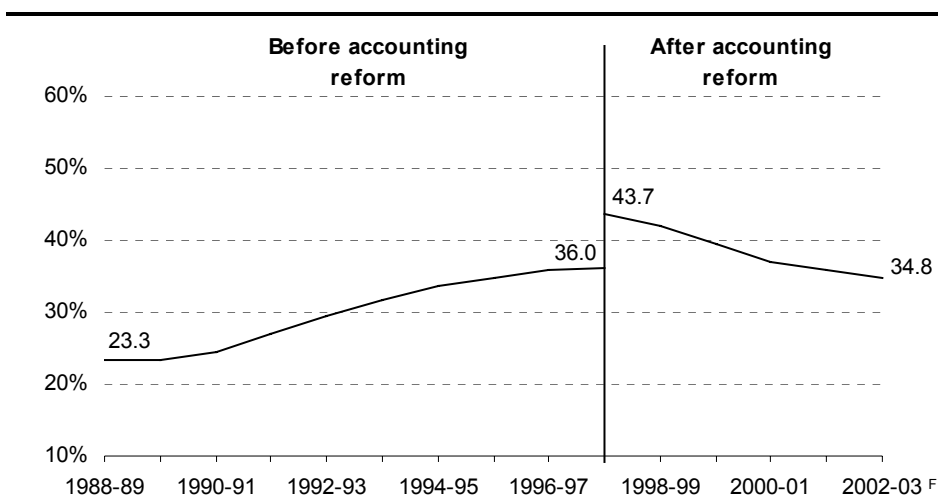
F: Forecast.

1 1999-2000 closing balance as shown in the 1999-2000 Public Accounts.

The elimination of the deficit since 1998-1999 has led to a decrease in the government's indebtedness rate. As a proportion of GDP, the debt (accumulated deficits) has declined, reaching 34.8% as at March 31, 2003, a drop of over 20% in five years.

GRAPH 3.2

DEBT REPRESENTING ACCUMULATED DEFICITS (as a percentage of GDP)



F: Forecast.

The interest on the debt represents an increasingly smaller share of government revenue

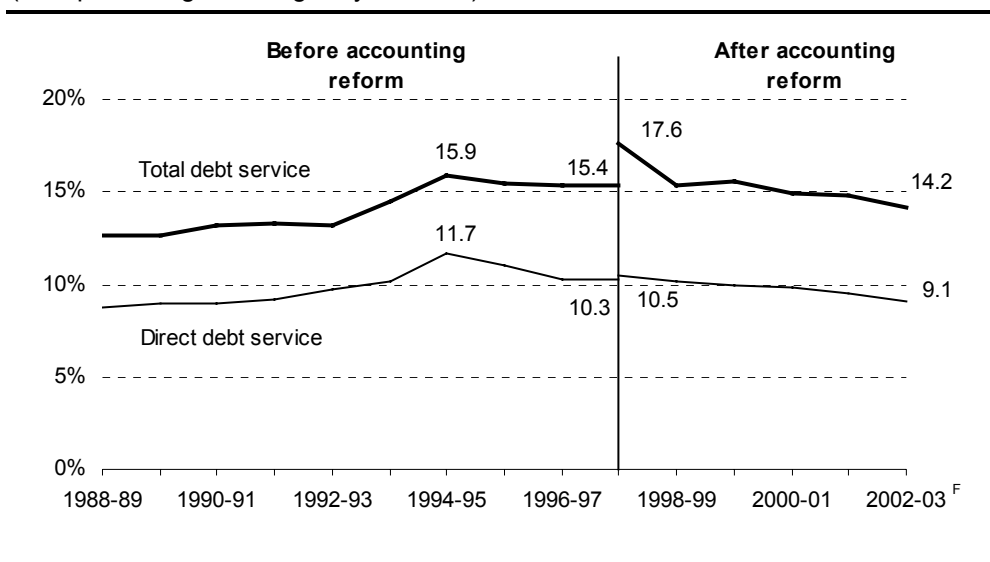
The portion of budgetary revenue allocated to the direct debt service of the Consolidated Revenue Fund and consolidated organizations should continue to fall, to 9.1% in 2002-2003.

As for the portion of budgetary revenue allocated to total debt service, which includes the interest on the net retirement plans liability and the debt service of consolidated organizations, it should amount to 14.2% in 2002-2003, compared with 17.6% in 1997-1998.

GRAPH 3.3

DEBT SERVICE

(as a percentage of budgetary revenue)



F: Forecast.

Government revenue

Budgetary revenue

The government's budgetary revenue should total \$51 938 million in 2002-2003, i.e. \$42 691 million in own-source revenue and \$9 247 million in federal transfers. After falling by 2.1% in 2001-2002, budgetary revenue should grow by 4% in 2002-2003.

TABLE 3.3

CHANGE IN BUDGETARY REVENUE

(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002 ^F	2002-2003 ^F
Own-source revenue	38 605	41 047	42 856	40 298	42 691
% change	7.7	6.3	4.4	- 6.0	5.9
Federal transfers	8 090	6 352	8 161	9 660	9 247
% change	35.1	- 21.5	28.5	18.4	- 4.3
Budgetary revenue	46 695	47 399	51 017	49 958	51 938
% change	11.6	1.5	7.6	- 2.1	4.0
Nominal GDP growth rate in % ¹	4.0	5.9	6.2	3.3	3.0
Inflation rate in Canada in % ¹	1.0	1.7	2.7	2.9	1.9

F: Forecast.

1 For the calendar year ending three months before the end of the fiscal year.

Own-source revenue

Own-source revenue should decline by 6% in 2001-2002 compared with the preceding year, the most substantial decreases being recorded with regard to personal income tax, corporate tax and revenue from government enterprises. In 2002-2003, own-source revenue should grow by 5.9%.

TABLE 3.4

CHANGE IN OWN-SOURCE REVENUE BY SOURCE (in millions of dollars)

	2000-2001	2001-2002 ^F	2002-2003 ^F
Personal income tax	17 068	15 559	15 656
% change	6.5	- 8.8	0.6
Health Services Fund	4 488	4 396	4 538
% change	4.6	- 2.0	3.2
Corporate taxes	4 217	3 817	4 757
% change	15.8	- 9.5	24.6
Consumption taxes	9 393	9 845	10 320
% change	6.5	4.8	4.8
Other revenue	2 343	2 312	2 340
% change	-5.2	- 1.3	1.2
Sub-total excluding government enterprises and consolidated organizations	37 509	35 929	37 611
% change	6.4	- 4.2	4.7
Government enterprises	3 496	2 707	3 297
% change	- 11.3	- 22.6	21.8
Consolidated organizations	1 851	1 662	1 783
% change	0.1	- 10.2	7.3
Own-source revenue	42 856	40 298	42 691
% change	4.4	- 6.0	5.9
Nominal GDP growth rate in % ¹	6.2	3.3	3.0

F: Forecast.

1 For the calendar year ending three months before the end of the fiscal year.

With regard to the change in own-source revenue:

- Personal income tax, the main source of government revenue,¹ should decrease by 8.8% in 2001-2002, to \$15.6 billion. During this fiscal year, the increase in tax revenue arising from the growth in income subject to tax will be more than offset by the impact of the measures announced in this Budget and the effect of the income tax reductions announced in previous budgets. In 2002-2003, revenue will rise by only 0.6%, owing to the growing impact of the tax reductions announced.
- Health Services Fund contributions should amount to \$4.4 billion in 2001-2002, slightly less than the preceding year. The increase stemming from the growth in wages and salaries is entirely offset by the impact of the tax holiday granted in the previous Budget to manufacturing enterprises in resource regions and by the reduction in the contribution rate of small and medium-sized enterprises effective since January 1, 2001. This reduction is the last of the gradual reductions introduced as part of the corporate taxation reform announced in the 1998-1999 Budget. In 2002-2003, Health Services Fund contributions are expected to grow at the same rate as forecast for wages and salaries, i.e. 3.2%.
- The 9.5% decrease in revenue anticipated from corporate taxes in 2001-2002 is due to the weaker-than-anticipated growth in corporate profits and, particularly, the measure to improve by \$525 million the liquidity of small and medium-sized enterprises. Such enterprises will be able to defer for six months the tax instalments they were supposed to pay in October, November and December 2001. This deferral also explains the growth rate of 24.6% forecast in 2002-2003.
- Consumption tax revenue should rise by 4.8% in 2001-2002, reflecting, among other things, the tobacco tax increase that took effect last April 5 and the tobacco tax increase announced in this Budget. The anticipated growth rate of 4.8% in 2002-2003 is comparable to that of household consumption, when the full impact of the additional increase in the tobacco tax is taken into account.
- Revenue from government enterprises should grow by 21.8% in 2002-2003 because of the improvement in the financial position of government corporations as a whole.

¹ Appendix 3.1 presents the breakdown of the main sources of the government's own-source revenue since 1970-1971.

Link between growth in own-source revenue and economic growth

Broadly speaking, growth in own-source revenue is expected to match nominal economic growth. Once the financial impact of fiscal measures and certain extraordinary revenue has been taken into account, the average annual growth rate for own-source revenue for fiscal 2001-2002 and 2002-2003 should be 3.4%, compared with a 3.2% increase in gross domestic product.

TABLE 3.5

CHANGE IN OWN-SOURCE REVENUE ON A COMPARABLE BASIS (in millions of dollars)

	2000-2001	2001-2002 ^F	2002-2003 ^F
Revenue excluding government enterprises and consolidated organizations	37 509	35 929	37 611
% change		- 4.2	4.7
Less:			
2002-2003 Budget measures: ¹			
❑ Fiscal measures	—	- 264	- 96
❑ Financing measures	—	30	225
❑ Deferral of SME tax instalments	—	- 525	525
Measures announced in previous budgets:			
❑ Personal income tax reductions ²	- 1 052	- 2 867	- 3 765
❑ Other measures ³	- 615	- 880	- 933
Tobacco tax increase of April 2001	—	105	105
Retroactivity and pay equity ⁴	300	100	—
Revenue on a comparable basis	38 876	40 230	41 550
% change		3.5	3.3
Gross domestic product in %		3.3	3.0
Elasticity⁵		1.06	1.09

F: Forecast.

1 Source: 2002-2003 Budget Speech. *Additional Information on the Budgetary Measures*.

2 Tax relief granted to individuals since the 2000-2001 Budget.

Source: 2001-2002 Budget Speech, *Personal Income Tax Reduction*, Appendix 2.

3 Source: 1998-1999 to 2001-2002 budget speeches. *Additional Information on the Budgetary Measures*.

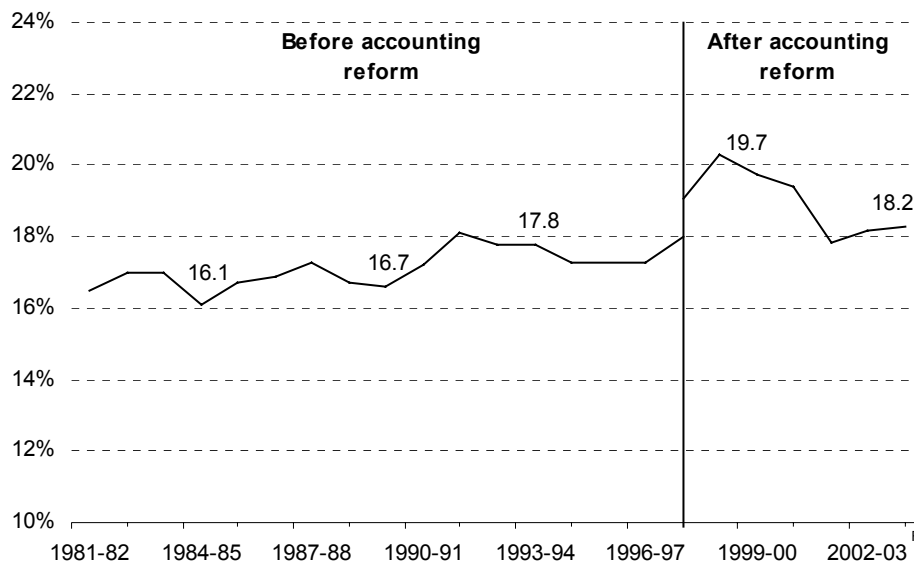
4 Non-recurring impact of retroactive wage and pay equity payments of nearly \$1.1 billion to Québec government employees and pay equity payments totalling \$875 million to federal employees.

5 Elasticity between growth in revenue on a comparable basis and growth in gross domestic product. An elasticity of 1.00 means that a 1% increase in gross domestic product will result in a 1% increase in own-source revenue.

Own-source revenue as a proportion of gross domestic product, including consolidated organizations, peaked at 19.7% in 1999-2000. Given the tax reductions announced in this Budget and in those of previous years, the ratio should decline to 18.2% in 2002-2003.

GRAPH 3.4

CHANGE IN OWN-SOURCE REVENUE
(as a percentage of GDP)



F: Forecast.

Federal transfers

After growing by 18.4% in 2001-2002, mainly because of the withdrawal of \$1 004 million from the Canada Health and Social Transfer (CHST) trust accounts, federal transfers will slow down by 4.3% in 2002-2003. The amounts paid for the CHST will decrease substantially in 2002-2003, owing to the expiry of two of the three CHST trust accounts, which more than offsets the impact of the federal announcements of September 2000.

In regard to consolidated organizations, transfer revenue is expected to grow by over \$170 million in 2001-2002 and should decline slightly thereafter. This change may be attributed essentially to the creation of La Financière agricole du Québec, which groups the activities of the Société de financement agricole and the Régie des assurances agricoles du Québec. Previously, revenue from federal transfers paid to the Régie was not included in the government's reporting entity.

TABLE 3.6

CHANGE IN FEDERAL TRANSFER REVENUE (in millions of dollars)

	1999-2000	2000-2001	2001-2002 ^F	2002-2003 ^F
Consolidated Revenue Fund	6 082	7 911	9 238	8 879
% change	- 22.3	30.1	16.8	- 3.9
Consolidated organizations	270	250	422	368
Total	6 352	8 161	9 660	9 247
% change	- 21.5	28.5	18.4	- 4.3

F: Forecast.

CHST trust accounts

Since 1999, the federal government has created three CHST trust accounts. The amount allocated to Québec in the three trust accounts totals \$1 675 million.

The financial plan of this Budget renews the withdrawals provided for in Québec's March 2001 Budget.

The Québec government withdrew \$420 million from the trust accounts in 2000-2001. As provided in the 2001-2002 Budget, \$1 004 million will be withdrawn in 2001-2002 and \$251 million in 2002-2003.

TABLE 3.7

WITHDRAWALS FROM THE CHST TRUST ACCOUNTS

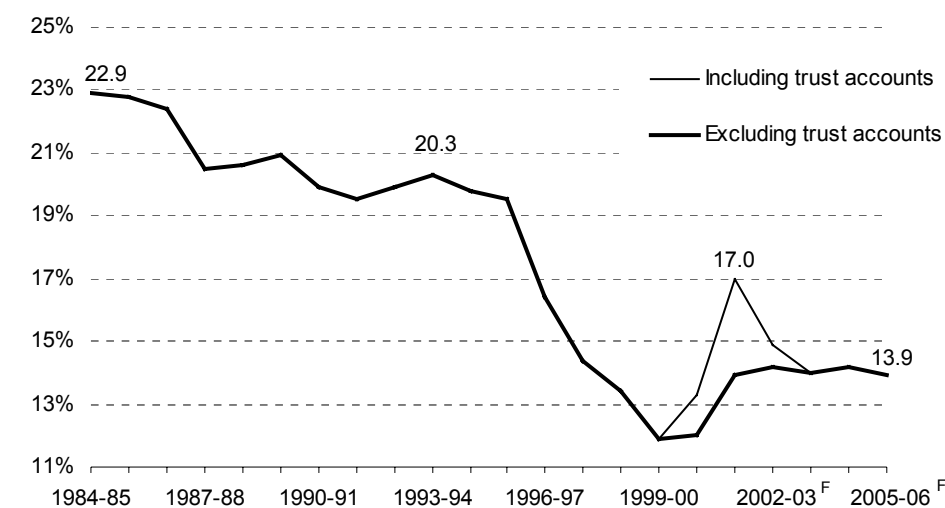
(in millions of dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	Total
□ 1999-2000 allotment	420	420	—	—	840
□ 2000-2001 allotment	—	345	251	—	596
□ Federal announcement of September 2000	—	239	—	—	239
Total	420	1 004	251	—	1 675

However, it should be noted that despite the trust accounts and the federal reinvestments in the CHST announced in September 2000, the federal contribution to Québec's health, education and income security programs will pursue the downward trend observed since the early 1980s. While federal funding accounted for 22.9% of Québec's spending for these programs in the mid 1980s, it will account for barely 13.9% from 2001-2002 to 2005-2006.

GRAPH 3.5

FEDERAL CHST TRANSFERS TO QUÉBEC¹
(as a percentage of Québec's social spending²)



F: Forecast.

1 Including the value of the special Québec abatement.

2 Health, education and income security spending.

Government expenditure

The government's budgetary expenditure should total \$51 938 million in 2002-2003. Operating expenditure will amount to \$44 582 million, while debt service will total \$7 356 million.

Operating expenditure includes the program spending of government departments and the expenditures of consolidated organizations. Similarly, debt service includes the debt service of the Consolidated Revenue Fund and that of consolidated organizations.

TABLE 3.8

CHANGE IN BUDGETARY EXPENDITURE (in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002 ^F	2002-2003 ^F
Operating expenditure					
□ Program spending excluding use of budgetary reserve	- 38 014	- 38 704	- 40 776	- 41 929	- 43 223
% change	—	1.8	5.4	2.8	3.1
New spending financed by budgetary reserve	—	—	—	- 280	—
□ Program spending	- 38 014	- 38 704	- 40 776	- 42 209	- 43 223
% change	—	1.8	5.4	3.5	2.4
□ Consolidated organizations	- 1 368	-1 293	-1 183	- 1 297	-1 359
Total operating expenditure	- 39 382	- 39 997	- 41 959	- 43 506	- 44 582
% change	—	1.6	4.9	3.7	2.5
Debt service					
□ Consolidated Revenue Fund	- 6 574	- 6 751	- 6 972	- 6 735	- 6 683
% change	—	2.7	3.3	- 3.4	- 0.8
□ Consolidated organizations	- 613	- 621	- 634	- 667	- 673
Total debt service	- 7 187	- 7 372	- 7 606	- 7 402	- 7 356
% change	—	2.6	3.2	- 2.7	- 0.6
Budgetary expenditure	- 46 569	- 47 369	- 49 565	- 50 908	- 51 938
% change	—	1.7	4.6	2.7	2.0
Nominal GDP growth rate in % ¹	4.0	5.9	6.2	3.3	3.0
Inflation rate in Canada in % ¹	1.0	1.7	2.7	2.9	1.9

F: Forecast.

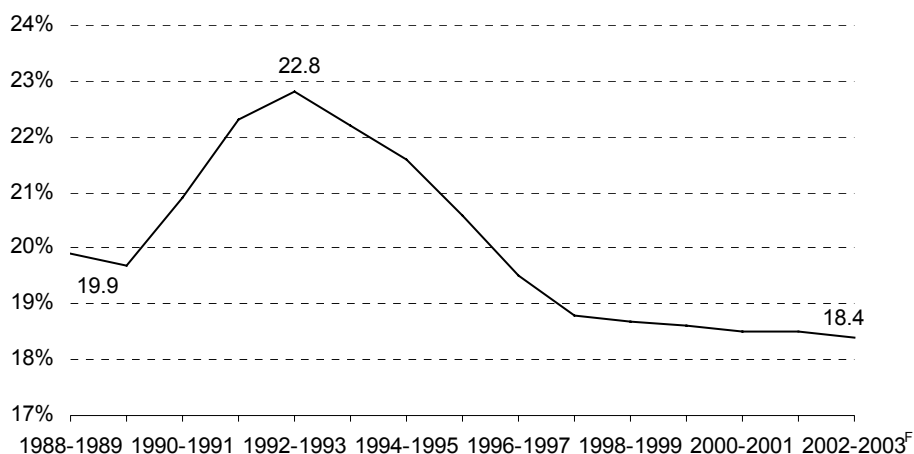
1 For the calendar year ending three months before the end of the fiscal year.

Program spending will grow by 2.4% in 2002-2003. This growth rate is less than that of nominal GDP, which is compatible with the government's objectives in terms of maintaining a balanced budget.

The ratio of the government's program spending to GDP should continue to fall, to 18.4% in 2002-2003, the lowest level in at least 30 years.

GRAPH 3.6

PROGRAM SPENDING¹
(as a percentage of GDP)



F: Forecast.

1 Excluding the extraordinary expenditure of \$1 377 million in 1998-1999 to implement the consolidation and financial restructuring plan for health and social services network institutions and to improve the financial situation of universities.

Section 3

Appendix 3.1

Additional information on the budgetary revenue forecast for 2002-2003

The Québec government's revenue should total \$51 938 million in 2002-2003. This revenue is derived from two sources: own-source revenue and federal transfer revenue.

Own-source revenue accounts for 82.2% of the government's revenue

In 2002-2003, the Québec government's own-source revenue should reach \$42 691 million, or 82.2% of budgetary revenue. Own-source revenue consists of tax revenue, which essentially includes personal income tax, corporate taxes and consumption taxes. It also consists of non-tax revenue, such as various duties and permits (registration fees, forest royalties, hunting and fishing permits, etc.), miscellaneous revenue (interest, recoveries, sales of goods and services, fines, etc.) and the revenue of consolidated organizations. Lastly, it includes revenue from government enterprises, such as Hydro-Québec, Loto-Québec and the Société des alcools du Québec.

TABLE 3.1.1

BUDGETARY REVENUE ANTICIPATED IN 2002-2003

	In millions of dollars	In %
Own-source revenue	42 691	82.2
Federal transfers	9 247	17.8
Total	51 938	100.0

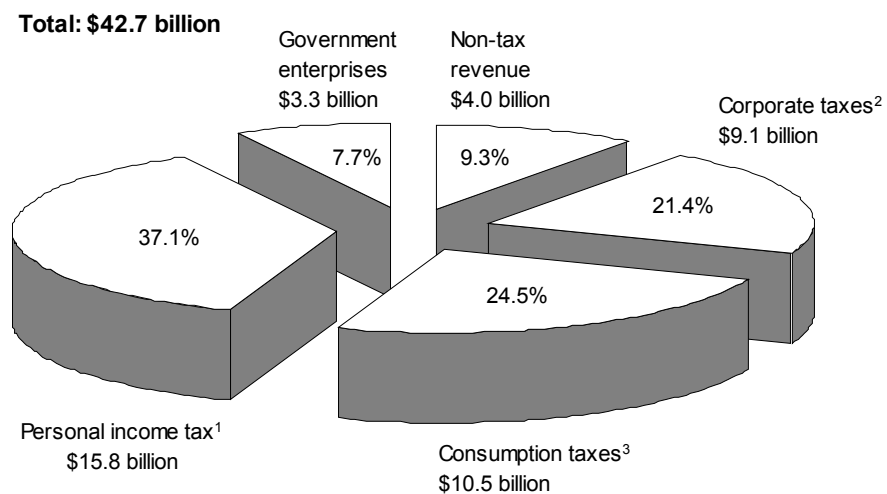
Tax revenue makes up the bulk of own-source revenue

In 2002-2003, personal income tax will be the largest source of own-source revenue (37.1%), followed by consumption taxes (24.5%) and corporate taxes (21.4%). These three sources, which make up tax revenue, account for 83 % of all own-source revenue.

The balance of own-source revenue consists of revenue from government enterprises (7.7%) and non-tax revenue (9.3%), which includes fees for government services and the revenue of consolidated organizations.

GRAPH 3.1.1

DISTRIBUTION OF ANTICIPATED OWN-SOURCE REVENUE BY SOURCE IN 2002-2003



- 1 Including individuals' contributions to the Health Services Fund.
- 2 Including corporate contributions to the Health Services Fund.
- 3 Including duties on alcoholic beverages.

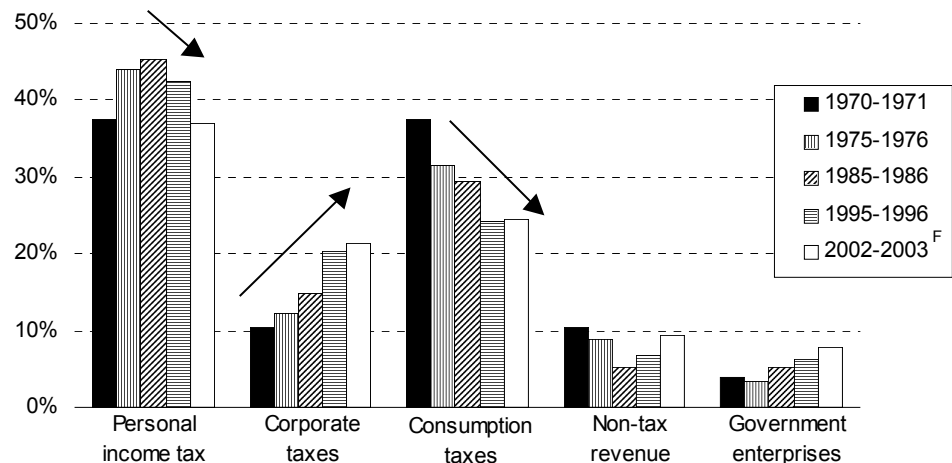
Major changes to the structure of revenue

The composition of own-source revenue has changed considerably over the years. Personal income tax as a proportion of overall revenue has declined over the past two decades, while the share of corporate taxes has grown appreciably, doubling since 1970-1971. The share of consumption taxes has fallen sharply, from 37.6% in 1970-1971 to 24.5% in 2002-2003.

The importance of revenue from government enterprises and non-tax revenue has grown in recent years, in particular because of the improved profitability of government corporations and cost-effective fees for government services. Furthermore, the addition of consolidated organizations to the government's reporting entity since 1997-1998 has helped to significantly increase the share of these revenue sources in total own-source revenue.

GRAPH 3.1.2

CHANGE IN OWN-SOURCE REVENUE BY SOURCE (as a percentage of the total)



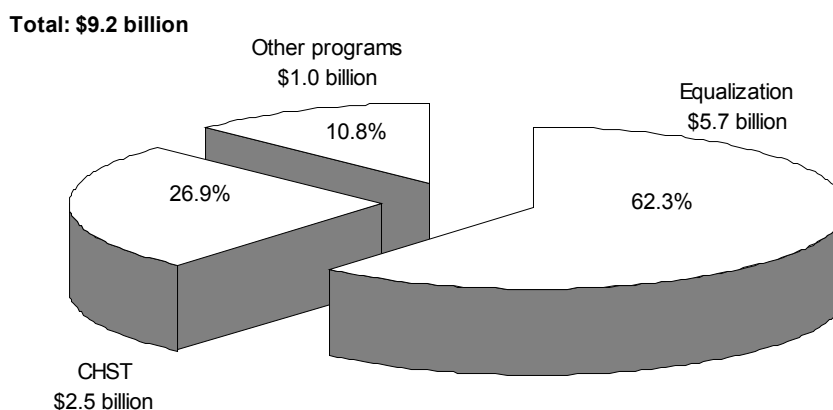
F: Forecast.

Equalization accounts for almost two-thirds of federal transfers

The Québec government's revenue also includes federal transfers. In 2002-2003, these transfers will reach \$9 247 million, or 17.8% of budgetary revenue. Federal transfers include equalization, the Canada Health and Social Transfer (CHST) and revenue from a number of cost-sharing agreements between Québec and the federal government.

GRAPH 3.1.3

DISTRIBUTION OF ANTICIPATED FEDERAL TRANSFERS BY SOURCE IN 2002-2003

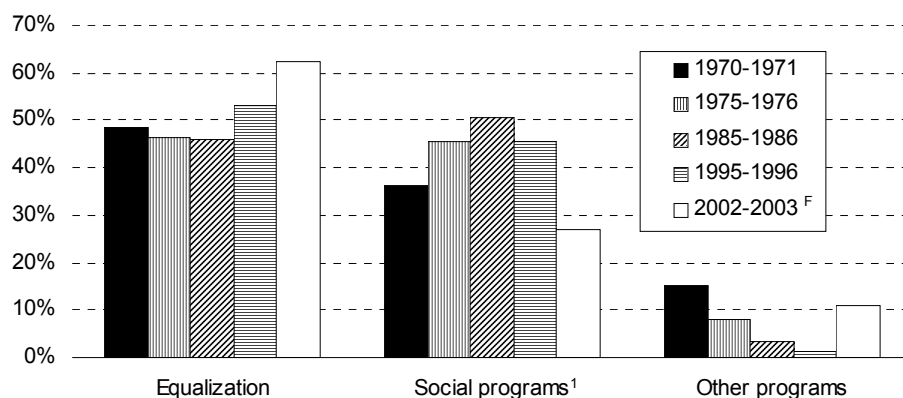


Share of federal transfers for health, education and income security down sharply

As the following graph shows, the share of federal cash transfers for health, education and income security has fallen sharply since the early 1980s. This decline has accelerated recently with the implementation of the CHST in 1996-1997, which was accompanied by a substantial drop in the federal contribution to social programs funding.

GRAPH 3.1.4

CHANGE IN FEDERAL TRANSFERS BY SOURCE (as a percentage of the total)



F: Forecast.

1 Cash transfers only (excluding the special Québec abatement).

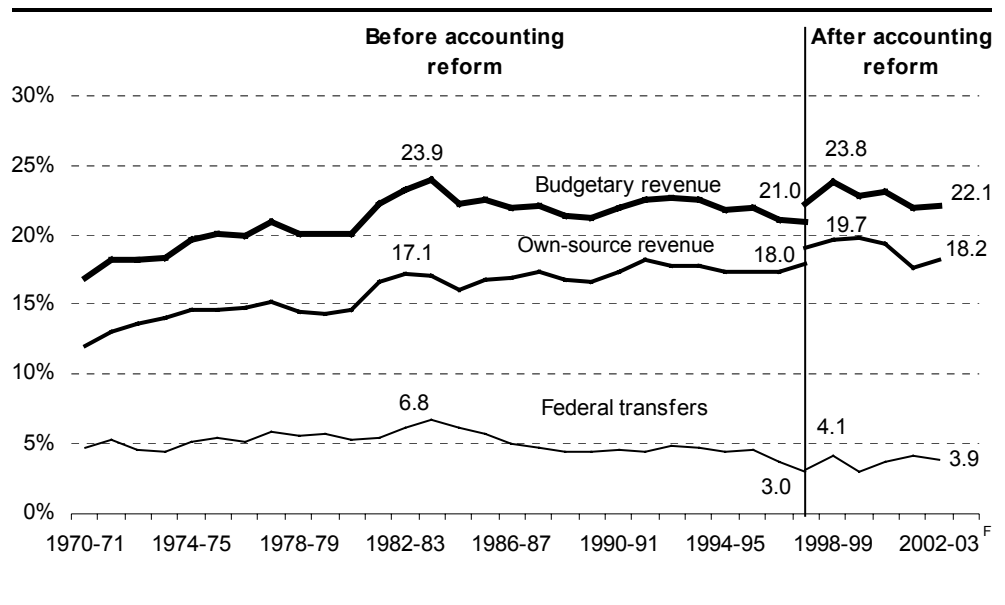
Owing to income tax reductions, the budgetary revenue/GDP ratio will decrease

Since the early 1980s, budgetary revenue has accounted for a relatively steady proportion of GDP, although the ratio has risen since 1997-1998 with the inclusion of certain organizations within the government's reporting entity.

However, on account of the measures announced in this Budget and in those of previous years, this ratio should fall from 23.8% in 1998-1999 to 22.1% in 2002-2003.

GRAPH 3.1.5

CHANGE IN BUDGETARY REVENUE (as a percentage of GDP)



F: Forecast.

Section 3

Appendix 3.2

Additional information on the government's financial position

TABLE 3.2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS¹
(in millions of dollars)

	Budgetary transactions						Surplus (deficit) after reserve
	Own- source revenue	Federal transfers	Budgetary revenue	Operating expenditure	Debt service	Budgetary expenditure	Budgetary reserve
Before reform of government accounting							
1970-1971	2 747	1 095	3 842	- 3 790	- 197	- 3 987	- 145
1971-1972	3 183	1 294	4 477	- 4 622	- 210	- 4 832	- 355
1972-1973	3 743	1 262	5 005	- 5 110	- 242	- 5 352	- 347
1973-1974	4 368	1 377	5 745	- 6 116	- 288	- 6 404	- 659
1974-1975	5 364	1 872	7 236	- 7 382	- 296	- 7 678	- 442
1975-1976	6 105	2 224	8 329	- 8 912	- 368	- 9 280	- 951
1976-1977	7 126	2 523	9 649	- 10 369	- 456	- 10 825	- 1 176
1977-1978	8 006	3 090	11 096	- 11 194	- 606	- 11 800	- 704
1978-1979	8 527	3 271	11 798	- 12 479	- 817	- 13 296	- 1 498
1979-1980	9 464	3 757	13 221	- 14 651	- 970	- 15 621	- 2 400
1980-1981	10 763	3 899	14 662	- 16 761	- 1 382	- 18 143	- 3 481
1981-1982	13 460	4 479	17 939	- 18 610	- 1 950	- 20 560	- 2 621
1982-1983	14 725	5 178	19 903	- 20 066	- 2 300	- 22 366	- 2 463
1983-1984	15 738	6 235	21 973	- 21 626	- 2 511	- 24 137	- 2 164
1984-1985	16 182	6 247	22 429	- 23 290	- 3 012	- 26 302	- 3 873
1985-1986	18 102	6 190	24 292	- 24 411	- 3 354	- 27 765	- 3 473
1986-1987	19 885	5 839	25 724	- 25 140	- 3 556	- 28 696	- 2 972
1987-1988	22 334	6 131	28 465	- 27 186	- 3 675	- 30 861	- 2 396
1988-1989	23 737	6 403	30 140	- 28 042	- 3 802	- 31 844	- 1 704
1989-1990	24 812	6 693	31 505	- 29 254	- 4 015	- 33 269	- 1 764
1990-1991	26 592	6 992	33 584	- 32 122	- 4 437	- 36 559	- 2 975
1991-1992	28 287	6 766	35 053	- 34 688	- 4 666	- 39 354	- 4 301
1992-1993	28 198	7 782	35 980	- 36 254	- 4 756	- 41 010	- 5 030
1993-1994	28 855	7 780	36 635	- 36 242	- 5 316	- 41 558	- 4 923
1994-1995	29 499	7 510	37 009	- 36 949	- 5 881	- 42 830	- 5 821
1995-1996	30 692	8 142	38 834	- 36 747	- 6 034	- 42 781	- 3 947
1996-1997	31 221	6 719	37 940	- 35 297	- 5 855	- 41 152	- 3 212
After reform of government accounting							
1997-1998	35 842	5 989	41 831	- 36 645	- 7 343	- 43 988	- 2 157
1998-1999	38 605	8 090	46 695	- 39 382	- 7 187	- 46 569	126
1999-2000	41 047	6 352	47 399	- 39 997	- 7 372	- 47 369	30
2000-2001	42 856	8 161	51 017	- 41 959	- 7 606	- 49 565	- 950
2001-2002 ^F	40 298	9 660	49 958	- 43 506	- 7 402	- 50 908	950

F: Forecast.

1 A negative entry indicates a financial requirement and a positive entry, a source of financing.

Non-budgetary transactions					
Investments, loans and advances	Capital expenditures	Retirement plans	Other accounts	Excess amount (shortfall)	Net financial surplus (requirements)
- 73		2	26	- 45	- 190
- 63		1	113	51	- 304
- 53		- 1	18	- 36	- 383
- 122		25	459	362	- 297
- 146		104	319	277	- 165
- 186		109	622	545	- 406
- 183		187	- 161	- 157	- 1 333
- 229		265	- 488	- 452	- 1 156
- 189		316	119	246	- 1 252
- 188		683	551	1 046	- 1 354
- 56		822	416	1 182	- 2 299
- 586		1 007	71	492	- 2 129
- 761		1 051	- 40	250	- 2 213
- 672		1 057	- 436	- 51	- 2 215
- 167		1 183	887	1 903	- 1 970
40		1 269	493	1 802	- 1 671
- 380		1 355	260	1 235	- 1 737
- 680		2 203	- 493	1 030	- 1 366
- 670		1 634	- 265	699	- 1 005
- 516		1 164	300	948	- 816
- 458		1 874	77	1 493	- 1 482
- 411		1 916	141	1 646	- 2 655
- 490		1 525	82	1 117	- 3 913
- 623		1 668	52	1 097	- 3 826
- 1 142		1 509	578	945	- 4 876
- 287		1 701	- 415	999	- 2 948
- 792		1 928	- 60	1 076	- 2 136
- 1 315	- 209	1 888	109	473	- 1 684
- 1 402	- 217	1 020	996	397	523
- 2 022	- 359	1 740	1 328	687	717
- 1 632	- 473	1 793	- 706	- 1 018	- 516
- 1 317	- 691	1 987	- 686	- 707	- 707

TABLE 3.2.2

GOUVERNEMENT DU QUÉBEC
DEBT AT THE END OF THE FISCAL YEAR

	Total debt					
	Direct debt ¹		Net retirement plans liability ²		Total	
	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
Before reform of government accounting						
1970-1971	2 478	10.9			2 478	10.9
1971-1972	2 920	11.9			2 920	11.9
1972-1973	3 309	12.0			3 309	12.0
1973-1974	3 679	11.8			3 679	11.8
1974-1975	4 030	11.0	67	0.2	4 097	11.1
1975-1976	4 955	12.0	179	0.4	5 134	12.4
1976-1977	6 035	12.5	354	0.7	6 389	13.2
1977-1978	7 111	13.5	620	1.2	7 731	14.6
1978-1979	8 325	14.2	915	1.6	9 240	15.7
1979-1980	9 472	14.4	1 598	2.4	11 070	16.9
1980-1981	12 247	16.8	2 420	3.3	14 667	20.1
1981-1982	14 184	17.6	3 428	4.2	17 612	21.8
1982-1983	16 485	19.3	4 489	5.3	20 974	24.5
1983-1984	18 880	20.5	5 545	6.0	24 425	26.5
1984-1985	21 216	21.1	6 729	6.7	27 945	27.8
1985-1986	23 633	22.0	7 998	7.4	31 631	29.4
1986-1987	25 606	21.8	9 353	8.0	34 959	29.8
1987-1988	26 819	20.8	10 883	8.5	37 702	29.3
1988-1989	27 091	19.2	12 597	9.0	39 688	28.2
1989-1990	27 699	18.7	14 320	9.6	42 019	28.3
1990-1991	29 637	19.3	16 227	10.5	45 864	29.8
1991-1992	33 106	21.3	18 143	11.6	51 249	32.9
1992-1993	39 231	24.7	19 668	12.4	58 899	37.1
1993-1994	45 160	27.7	20 483	12.6	65 643	40.3
1994-1995	52 468	30.6	21 997	12.8	74 465	43.4
1995-1996	52 886	29.7	23 624	13.2	76 510	42.9
1996-1997	52 625	29.0	25 461	14.0	78 086	43.0
After reform of government accounting						
1997-1998	57 294	30.3	40 438	21.4	97 732	51.7
1998-1999	59 144 ³	30.1	40 428	20.6	99 572 ³	50.7
1999-2000	61 209 ³	29.4	39 337	18.9	100 546 ³	48.3
2000-2001	63 630 ³	28.8	39 111	17.7	102 741 ³	46.5
2001-2002 ^F	66 028 ³	28.9	38 832	17.0	104 860 ³	46.0

F: Forecast.

1 Including Treasury bills, Treasury notes and long-term debt. As of 1976-1977, the debt in foreign currency has been expressed in the Canadian equivalent, based on the exchange rates effective on March 31 of the fiscal year under consideration.

2 Balance of the retirement plans liability less amount accumulated in the retirement plans sinking fund.

3 Excluding pre-financing of \$2 831 million in 1998-1999, \$506 million in 1999-2000, \$1 475 million in 2000-2001 and \$855 million in 2001-2002. Including pre-financing, the total debt reaches \$102 403 million in 1998-1999, \$101 052 million in 1999-2000 and \$104 216 million in 2000-2001 and will reach \$105 715 million in 2001-2002.

Financial assets and other liabilities		Debt representing					
		Net debt		Capital expenditures		Accumulated deficits ⁵	
In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
188	0.8	2 290	10.1			2 290	10.1
275	1.1	2 645	10.8			2 645	10.8
317	1.2	2 992	10.9			2 992	10.9
28	0.1	3 651	11.7			3 651	11.7
4	0.0	4 093	11.1			4 093	11.1
90	0.2	5 044	12.2			5 044	12.2
36	0.1	6 353	13.2			6 353	13.2
673	1.3	7 058	13.4			7 058	13.4
780	1.3	8 460	14.4			8 460	14.4
234	0.4	10 836	16.5			10 836	16.5
341	0.5	14 326	19.6			14 326	19.6
5 043	6.2	12 569	15.6			12 569	15.6
5 936	6.9	15 038	17.6			15 038	17.6
7 127	7.7	17 298	18.8			17 298	18.8
6 490	6.5	21 455	21.3			21 455	21.3
5 896	5.5	25 735	23.9			25 735	23.9
6 243	5.3	28 716	24.5			28 716	24.5
6 587	5.1	31 115	24.2			31 115	24.2
6 869	4.9	32 819	23.3			32 819	23.3
7 436	5.0	34 583	23.3			34 583	23.3
8 306	5.4	37 558	24.4			37 558	24.4
9 364	6.0	41 885	26.9			41 885	26.9
11 985	7.5	46 914	29.5			46 914	29.5
13 806	8.5	51 837	31.8			51 837	31.8
16 788	9.8	57 677	33.9			57 677	33.9
14 886	8.4	61 624	34.6			61 624	34.6
13 253	7.3	64 833	35.7			64 833	35.7
9 233	4.9	88 499	46.9	6 016	3.2	82 483	43.7
13 820 ⁴	7.0	88 583	45.1	6 233	3.2	82 350	41.9
12 166 ⁴	5.9	88 886	42.7	6 693	3.2	82 193	39.5
15 359 ⁴	7.0	88 857	40.2	7 166	3.2	81 691	37.0
16 167 ⁴	7.1	89 548	39.2	7 857	3.4	81 691	35.8

4 Taking into account pre-financing that totals \$2 831 million in 1998-1999, \$506 million in 1999-2000 and \$1 475 million in 2000-2001 and that will total \$855 million in 2001-2002.

5 Including various accounting adjustments that have not been the object of a surplus (deficit) adjustment for previous years.

TABLE 3.2.3

GOUVERNEMENT DU QUÉBEC
DEBT SERVICE

	Direct debt service		Interest on the net retirement plans liability ¹		Total debt service	
	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue
Before reform of government accounting						
1970-1971	197	5.1			197	5.1
1971-1972	210	4.7			210	4.7
1972-1973	242	4.8			242	4.8
1973-1974	288	5.0			288	5.0
1974-1975	296	4.1			296	4.1
1975-1976	368	4.4			368	4.4
1976-1977	456	4.7			456	4.7
1977-1978	606	5.5			606	5.5
1978-1979	763	6.5	54	0.5	817	6.9
1979-1980	882	6.7	88	0.7	970	7.3
1980-1981	1 217	8.3	165	1.1	1 382	9.4
1981-1982	1 686	9.4	264	1.5	1 950	10.9
1982-1983	1 921	9.7	379	1.9	2 300	11.6
1983-1984	2 031	9.2	480	2.2	2 511	11.4
1984-1985	2 414	10.8	598	2.7	3 012	13.4
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.8
1987-1988	2 751	9.7	924	3.2	3 675	12.9
1988-1989	2 665	8.8	1 137	3.8	3 802	12.6
1989-1990	2 829	8.9	1 186	3.8	4 015	12.7
1990-1991	3 026	9.0	1 411	4.2	4 437	13.2
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.6	1 281	3.6	4 756	13.2
1993-1994	3 750	10.2	1 566	4.3	5 316	14.5
1994-1995	4 332	11.7	1 549	4.2	5 881	15.9
1995-1996	4 287	11.0	1 747	4.5	6 034	15.5
1996-1997	3 906	10.3	1 949	5.1	5 855	15.4
After reform of government accounting						
1997-1998	4 378	10.5	2 965	7.1	7 343	17.6
1998-1999	4 773	10.2	2 414	5.2	7 187	15.4
1999-2000	4 740	10.0	2 632	5.6	7 372	15.6
2000-2001	5 012	9.8	2 594	5.1	7 606	14.9
2001-2002 ^F	4 765	9.5	2 637	5.3	7 402	14.8

F: Forecast.

1 Amount of interest ascribed to the retirement plans liability less revenue from the retirement plans sinking fund.