

1999-2000
BUDGET

Budget

Plan

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Review of the Economic Situation in 1998 and Outlook

This section describes the economic situation in Québec in 1998 and presents the economic outlook used to prepare the budget plan.

The economic situation in 1998

Outstanding performance of the US economy despite the less favourable context world-wide

The international economic environment deteriorated in 1998, plunging over one third of the world economy into difficulty. The economies of Japan and Southeast Asia went into a deep recession, and the so-called “Asian crisis” spread to Russia and Brazil. The worsening economic situation in most emerging countries had a negative impact on financial markets and the growth of industrialized countries.

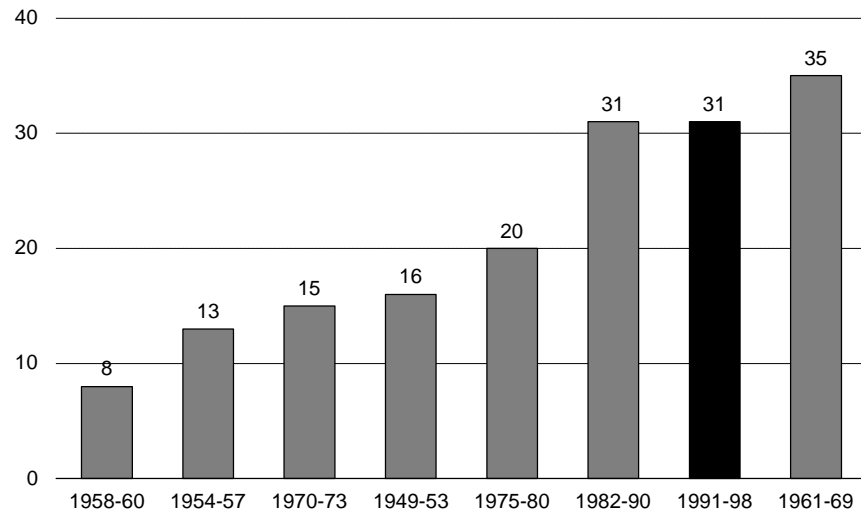
Despite this unfavourable context and the decline in exports to Asian countries affected by the crisis, the US economy performed exceptionally well again in 1998. Economic growth reached 3.9%, over one percentage point higher than forecast at this time last year by experts on the US economy.

Owing to the vitality of the economy in the United States, the unemployment rate fell again, reaching its lowest level since the early 1970s (4.5%). Despite the vigorous US economy, inflationary pressures remained weak and the inflation rate dropped to a level comparable to that observed in the 1960s (1.6%). In addition, the US government achieved its first budget surplus in 30 years.

With another year of outstanding economic growth, economic expansion has lasted 31 quarters to date, a period equal to that of the 1982-1990 cycle. The current cycle is thus the second longest since World War II, with only four quarters less than that of 1961-1969, which lasted 35 quarters.

GRAPH 1.1

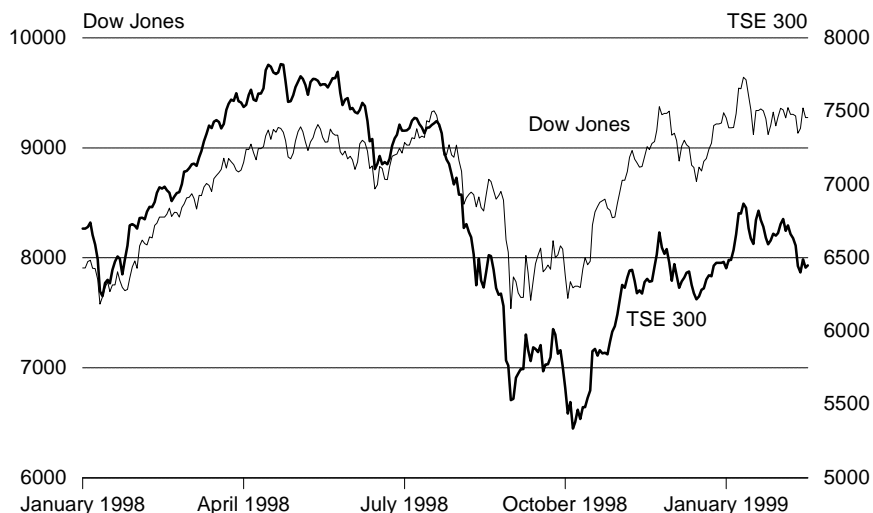
ECONOMIC CYCLES IN THE UNITED STATES
(number of quarters)



Source: Data Resources Inc.

Despite these excellent results, financial markets in North America were shaken by the crisis in emerging countries. Stock markets in particular were very volatile. For example, the Dow Jones Average of the New York Stock Exchange fell by close to 20.0% near the end of the summer, while the TSE 300 of the Toronto Stock Exchange lost over 30.0% of its value between the spring and early fall.

GRAPH 1.2

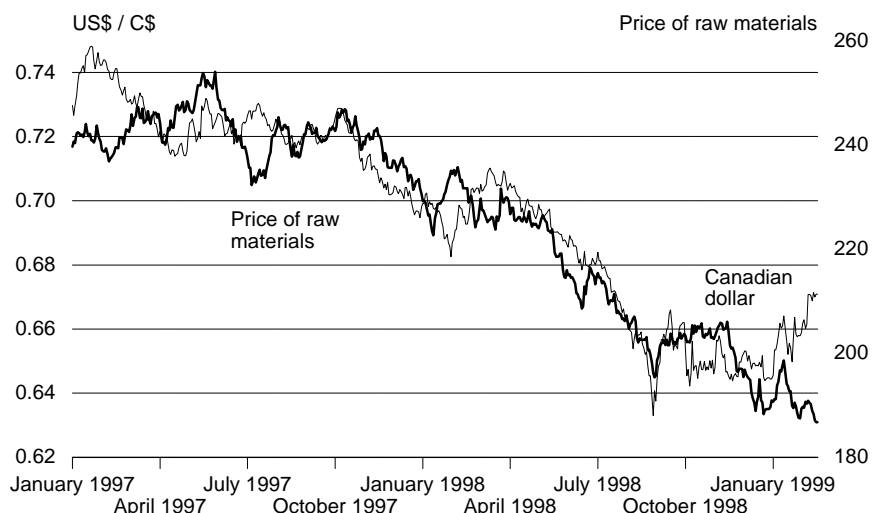
STOCK MARKET INDICES — UNITED STATES AND CANADA

Source: Datastream.

Owing to this instability, the US Federal Reserve reduced the federal funds rate by 75 basis points to 4.75% during the last few months of the year, a measure that subsequently reassured investors. As a result, stock market indices have gained about 20.0% since October.

The financial crisis in emerging countries also led to a substantial decline in the price of raw materials. This in turn resulted in a sharp depreciation of the Canadian dollar, given that Canada is a major exporter of raw materials. The value of the Canadian dollar reached record lows, falling from 70.0 cents in the spring of 1998 to 63.5 cents at the end of August.

GRAPH 1.3

CANADIAN DOLLAR AND PRICE OF RAW MATERIALS¹

¹ Commodity Research Bureau Price Index.
Source: Datastream.

To support the Canadian dollar, the Bank of Canada raised its key policy rates by 100 basis points at the end of the summer. However, owing to the interest rate reductions initiated by the Federal Reserve in the fall and the relative stability of the Canadian dollar (which has since become even stronger), the Bank of Canada was able to partly offset this increase in interest rates by lowering its discount rate by 75 basis points to 5.25% in the fall.

In Québec: one of the best performances of the decade

Despite the difficult international context and the ice storm of January 1998, which brought economic activity to a standstill in a large part of Québec, the Québec economy recorded one of its best performances of the decade. In 1998, Québec's real gross domestic product (GDP) grew by 2.8%, one tenth more than the previous year.

A remarkable year for the labour market

The economy's good performance led to the creation of a large number of jobs. In 1998, 67 200 jobs — almost all of which were full-time — were created. This is one of the best performances since 1994 and the second best of the decade.

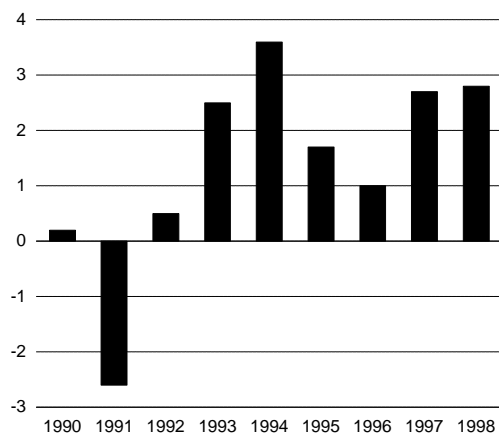
Employment increased in most industrial sectors, notably, professional, scientific and technical services (19 600), manufacturing (18 200), trade (14 100) and management, administrative and other support services (13 000).

Mainly young people benefited from the favourable employment situation in 1998, filling more than half of the jobs created (34 000). This is the best result in 25 years.

Last year, the unemployment rate fell by one percentage point to 10.4% on average, and since October, it has remained below 10.0%. This is the best result observed since 1990.

GRAPH 1.4

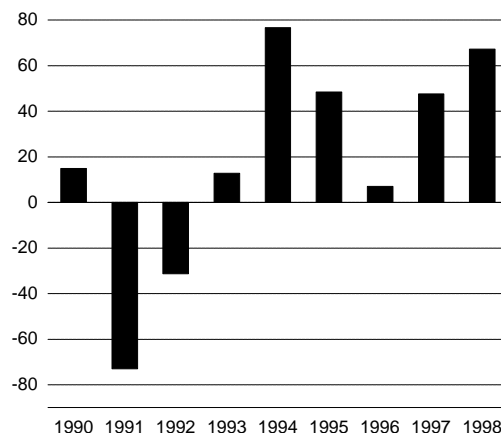
REAL GROSS DOMESTIC PRODUCT — QUÉBEC
(percentage change)



Source: Bureau de la statistique du Québec.

GRAPH 1.5

JOB CREATION — QUÉBEC
(in thousands)



Source: Statistics Canada.

Much better results than anticipated

In general, last year's economic results were better than forecast in the 1998-1999 Budget Speech. According to the preliminary data, economic growth reached 2.8%, half a percentage point higher than the rate anticipated (2.3%).

The labour market was also more dynamic than expected. The number of jobs created amounted to nearly 20 000 more than initially forecast, while the average unemployment rate was half a percentage point lower than anticipated.

However, according to the preliminary data, growth in GDP in current dollars was weaker than expected: 2.0% instead of 3.4%. Thus, for the first time since such data have been available (1961), GDP in current dollars grew more slowly (2.0%) than GDP in constant dollars (2.8%), meaning that GDP prices as a whole declined by 0.8%.

This situation is attributable to the deterioration in the terms of trade. On the one hand, the substantial depreciation of the Canadian dollar led to a sharp rise in the price of imports. On the other hand, the decline in the price of raw materials lessened the increase in the price of many exported goods. Although domestic prices rose by 0.9%, GDP prices fell by 0.8% owing to the deterioration in the terms of trade.

If the external sector is excluded, growth in GDP in current dollars was half a percentage point higher than the rate forecast in the 1998-1999 Budget. This can be explained by the better-than-anticipated performance of household consumer spending and of residential investment.

TABLE 1.1

PRELIMINARY OVERVIEW – 1998
(percentage change)

	1998-1999 Budget forecast	Preliminary results	Difference
Output			
— Real gross domestic product	2.3	2.8	0.5
— Gross domestic product	3.4	2.0	-1.4
– excluding external sector	2.8	3.3	0.5
Labour market			
— Employment	1.5	2.1	0.6
– in thousands	48.0	67.2	19.2
— Unemployment rate (%)	10.9	10.4	-0.5

Sources: Bureau de la statistique du Québec and Statistics Canada.

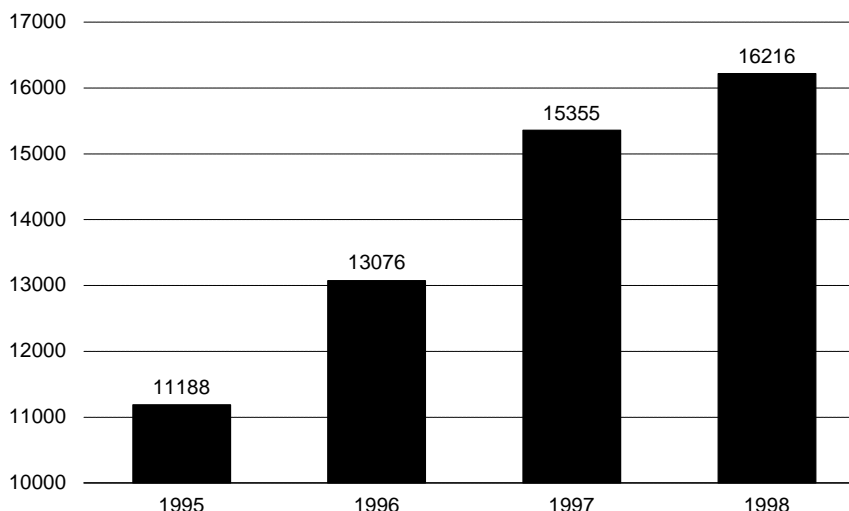
Domestic demand: the engine of economic activity in 1998

In 1998, domestic demand was the engine driving the growth of Québec's economy, which expanded by 3.0%, an increase compared with the rate observed in 1997, i.e. 2.1%.

Non-residential investment was particularly vigorous. According to Statistics Canada's most recent survey of investment intentions, non-residential investment climbed by 8.0%, over three times the growth rate recorded in Canada.

For the sixth consecutive year, the private sector continued to boost its investments, injecting some \$16.2 billion into the economy in 1998. With the additional gain of 5.6% in 1998, the private sector has increased its investments by 44.9% since 1995.

GRAPH 1.6

PRIVATE NON-RESIDENTIAL INVESTMENT IN QUÉBEC
(in millions of dollars)

Source: Statistics Canada.

Spending in the residential sector also rose sharply last year (7.1%) owing to vigorous activity on the housing resale market and in the renovation sector.

The resale market has expanded rapidly since 1996. Real estate commissions, after growing by a total of 45.7% between 1995 and 1997, rose by an additional 5.7% in 1998.

This upswing in activity, coupled with the repair work required because of the damage caused by the ice storm, had a positive impact on the renovation sector. Spending in this sector grew by 15.0% last year.

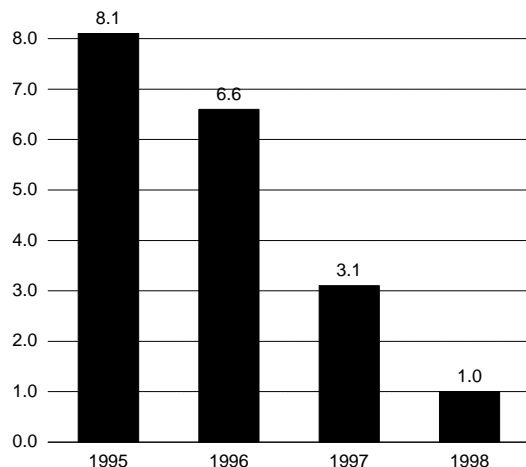
However, new housing construction, which recorded surpluses again, mainly in the rental sector, declined slightly in 1998, by 0.9%.

The interest rate hikes introduced in late 1997 and early 1998 affected household spending. Consumer spending by households rose by 2.3%, which is lower than the increase of 3.2% recorded in 1997, the strongest annual growth rate observed since the end of the 1980s.

Despite this minor downturn, consumer spending grew more rapidly than disposable personal income, leading to an additional decline in the savings rate, which fell to an unprecedented low of 1.0%, on average, in 1998. This low savings rate reflects considerable consumer confidence, which, in 1998, reached its highest level since 1988.

GRAPH 1.7

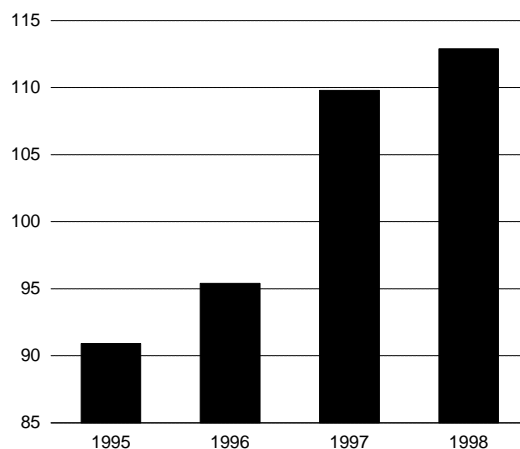
SAVINGS RATE OF HOUSEHOLDS – QUÉBEC
(as a percentage of disposable personal income)



Sources: Bureau de la statistique du Québec and ministère des Finances du Québec.

GRAPH 1.8

HOUSEHOLD CONFIDENCE – QUÉBEC
(1991 index = 100)



Source: Conference Board du Canada.

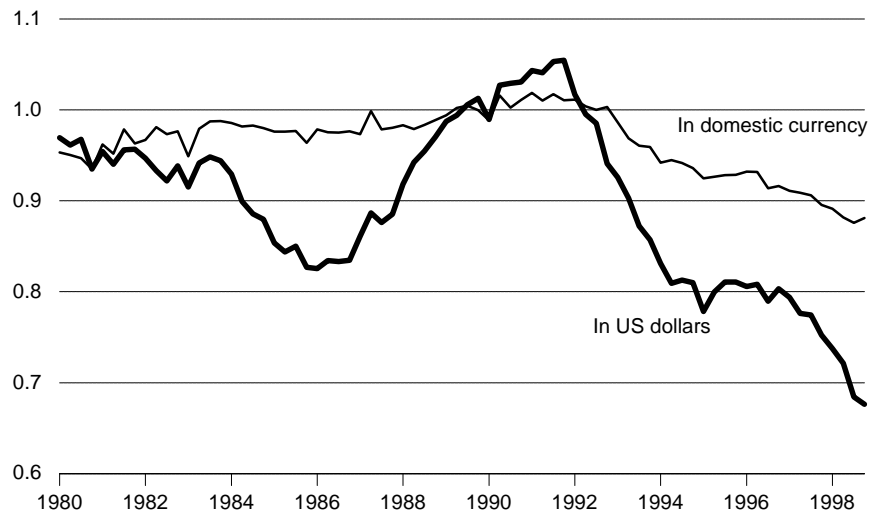
Steady growth in international exports

Although the engine of economic growth in 1998 was household and business demand, foreign sales continued to increase at a steady pace. Despite growing economic problems in certain countries, export firms benefited from the strong growth of the US economy (3.9%), the decline in the value of the Canadian dollar and weaker growth in unit labour costs than in the United States. Despite strikes in the automobile and pulp and paper sectors, the volume of Québec's international exports of goods rose by 6.3% in 1998.

GRAPH 1.9

UNIT LABOUR COSTS: QUÉBEC / UNITED STATES

(1989 indices = 1.00)



Sources: Data Resources Inc., Bureau de la statistique du Québec and
Ministère des Finances du Québec.

Several sectors recorded substantial gains in 1998, notably aircraft and parts (23.0%), wood and construction materials (11.2%), primary metals (9.9 %) and chemicals and petroleum by-products (6.0%).

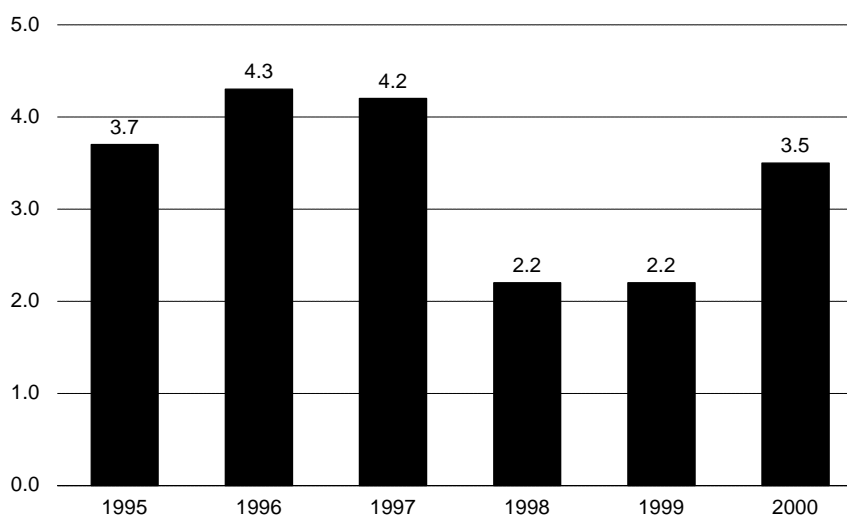
World economic outlook in 1999

Stable economic growth

According to the IMF, world economic growth, after slowing down substantially in 1998, should stabilize in 1999 at around 2.2%, the same rate as last year.

GRAPH 1.10

GROWTH IN WORLD REAL GDP (as a percentage)



Source: IMF.

However, this apparent stability masks major differences from one country to another. On the one hand, despite a certain downturn in activity, economic growth will remain vigorous in the United States. On the other hand, Southeast Asia countries, which are still in the throes of a recession, will see their economy start to stabilize, while Japan will experience a slowdown similar to that observed last year. Economic activity will also decelerate significantly in continental Europe and in the United Kingdom. As for the crisis in emerging countries, it has now spread to Latin America.

Recession to continue in Japan

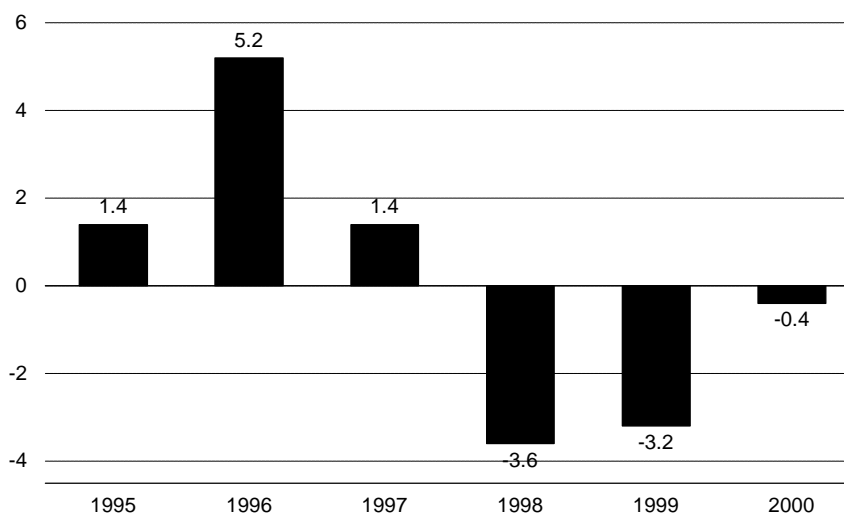
Japan is currently struggling with its worst recession since the end of World War II, given that its economy is paralyzed by major structural problems which affect its financial system in particular: inadequate regulation of financial institutions, non-performing loans and a credit crunch.

Last November, the government of Japan presented a new macroeconomic recovery plan based on public works and reductions in income tax and other taxes. Since 1992, this country has witnessed the implementation of a total of nine macroeconomic recovery plans which, even though they represented 20% of GDP, have not been very successful. Not only did these plans fail to revitalize the economy, but they caused a major deterioration in public finances. Japan's debt now exceeds 100% of its GDP, which is double what it represented in the early 1990s.

Experts predict that Japan's economic recession will probably continue until the year 2000, mainly because of weak household consumption and business investment.

GRAPH 1.11

GROWTH IN REAL GDP IN JAPAN (as a percentage)



Sources: Data Resources Inc. and Datastream.

Economic situation to remain fragile in emerging countries

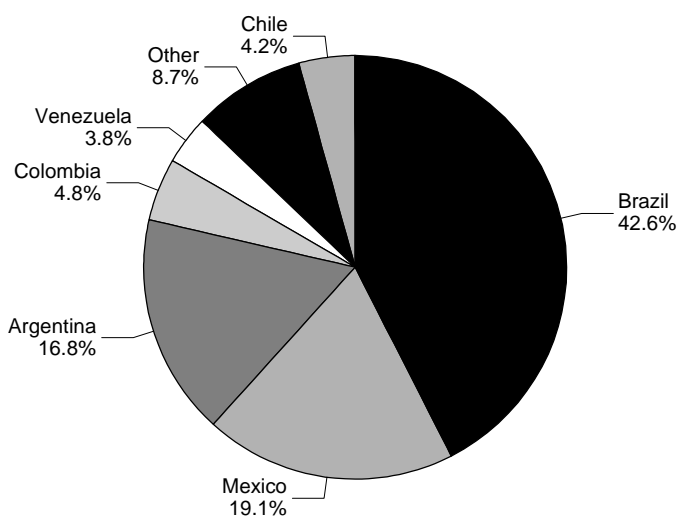
According to the IMF, even though the situation seems to be stabilizing in Southeast Asian countries, economic growth will decline again in 1999, although to a lesser extent than in 1998.

In Brazil, the crisis intensified in early 1999, causing major upheaval on the country's stock market. The rapid decline in investor confidence seriously affected Brazil's central bank. Its chairman resigned in mid-January and, recently, his successor was also replaced. In addition, the fixed exchange rate system was supplanted by a floating exchange rate system, and since then, the value of the real (Brazil's currency) has fallen by approximately 35%.

There is a major risk that this crisis will spread to the rest of Latin America, given that Brazil accounts for about 43.0% of the region's GDP and constitutes the world's eighth largest economy.

GRAPH 1.12

IMPORTANCE OF THE BRAZILIAN ECONOMY IN LATIN AMERICA (as a percentage of Latin America's GDP)



Source: World Bank.

In this context, the IMF predicts a continued slowdown in economic growth in Latin America. In addition, Brazil's real GDP will experience negative growth in 1999 (-1.0%).

TABLE 1.2

GROWTH OF REAL GDP IN LATIN AMERICA
(as a percentage)

	1997	1998	1999
Latin America	5.1	2.5	1.5
— Argentina	8.6	5.2	3.0
— Brazil	3.2	0.5	-1.0
— Mexico	7.0	4.6	3.0
— Venezuela	5.1	-2.5	0.1

Source: IMF.

Slowdown anticipated in Europe

In the United Kingdom, the more restrictive monetary policy pursued from mid-1997 to mid-1998, the strong pound sterling and the unfavourable international context will lead to a major slowdown in economic growth, from 2.3% in 1998 to 1.0 % in 1999.

TABLE 1.3

GROWTH OF REAL GDP IN EUROPE
(as a percentage)

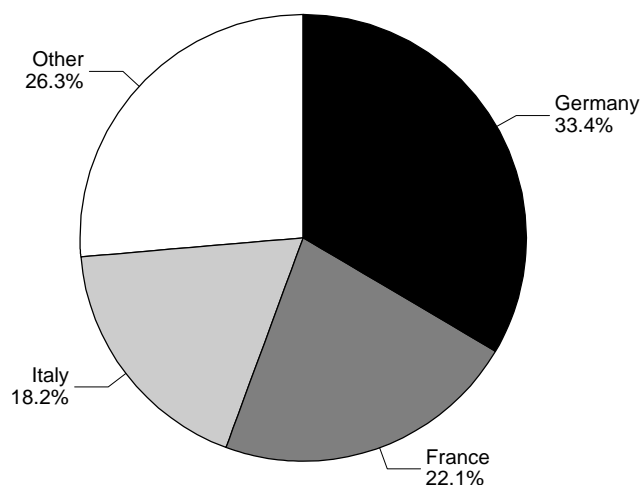
	1997	1998	1999
United Kingdom	3.5	2.3	1.0
Euro zone	2.5	2.9	2.2
— Germany	2.2	2.6	1.6

Source: Data Resources Inc. and Datastream.

The countries in the Economic and Monetary Union (euro zone) will also experience an economic slowdown. However, this downturn will be more pronounced in Germany, which has the largest economy of the 11 European Union countries.

GRAPH 1.13

IMPORTANCE OF THE GERMAN ECONOMY IN THE ECONOMIC AND MONETARY UNION
(as a percentage of Economic and Monetary Union GDP)

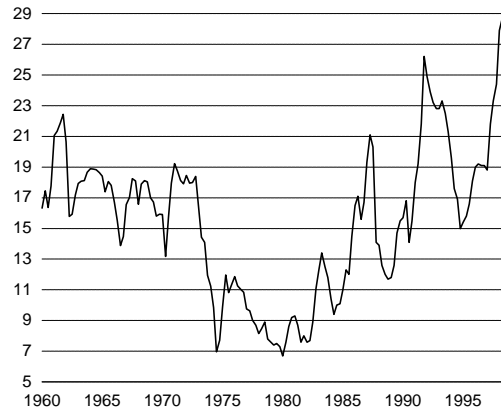


Source: Eurostat.

Weaker economic growth in the United States than in 1998

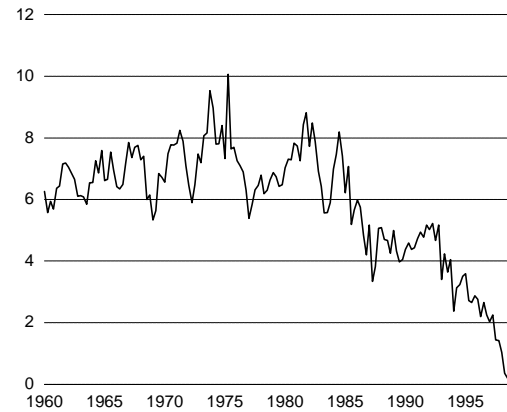
Despite the outstanding performance of the US economy, certain imbalances were exacerbated during the year: record deficit in the current account, very high price/earnings ratios and a record-low household savings rate.

GRAPH 1.14

**New York Stock Exchange:
price/earnings ratios**


Source: Data Resources Inc.

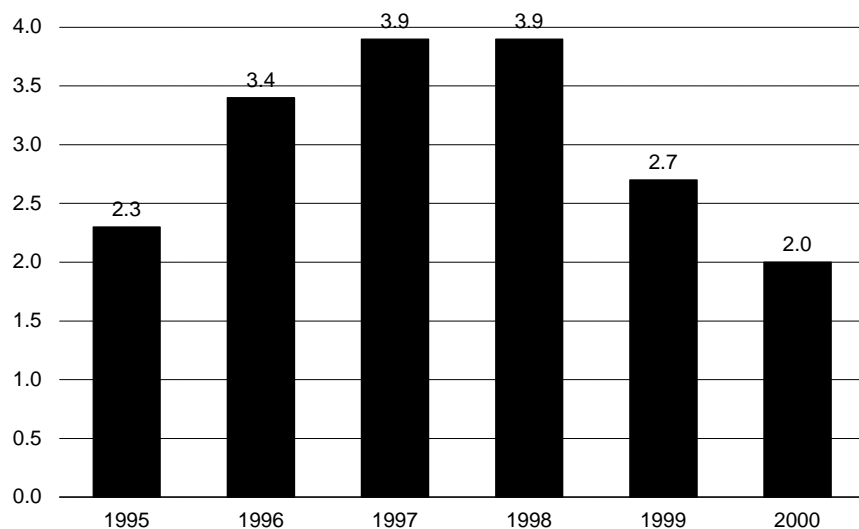
GRAPH 1.15

**Household savings rate — United States
(as a percentage of disposable income)**


Source: Data Resources Inc.

In this context, consumer spending should increase at a more moderate pace. Consequently, US economic growth, which reached 3.9% in 1998, should decline to 2.7% in 1999 and 2.0% in the year 2000.

GRAPH 1.16

**GROWTH IN REAL GDP — UNITED STATES
(as a percentage)**


Source: Data Resources Inc.

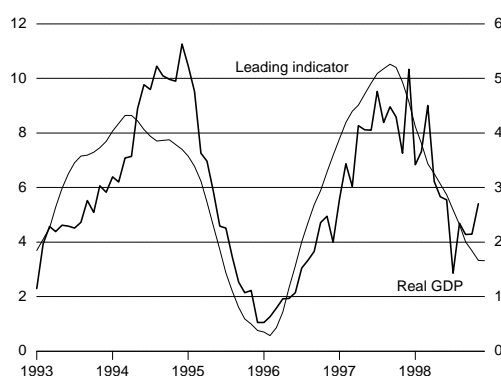
Economic outlook in Québec

Moderate growth in 1999

Given the somewhat uncertain international and financial context and the slowdown in the US economy forecast by experts, the Québec economy should grow less rapidly in 1999 than in 1998. In Canada, the leading economic growth indicators already point to a downturn in the coming months. This is the case, for example, of changes in the money supply, which are usually followed, some six to nine months later, by similar fluctuations in economic growth.

GRAPH 1.17

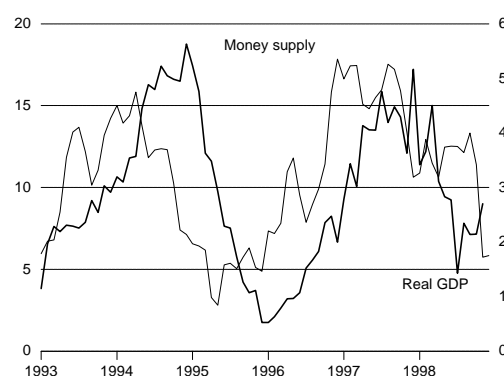
LEADING INDICATOR AND ECONOMIC GROWTH — CANADA (annual percentage change)



Source: Statistics Canada.

GRAPH 1.18

MONEY SUPPLY AND ECONOMIC GROWTH — CANADA (annual percentage change)



Sources: Bank of Canada and Statistics Canada.

Economic growth in Canada should amount to 2.4% this year and 2.8% next year.

As for the Québec economy, it should grow by 2.1% in 1999. In general, labour market conditions should continue to be favourable with the creation of some 54 000 jobs this year, while the unemployment rate should amount to 9.9% on average.

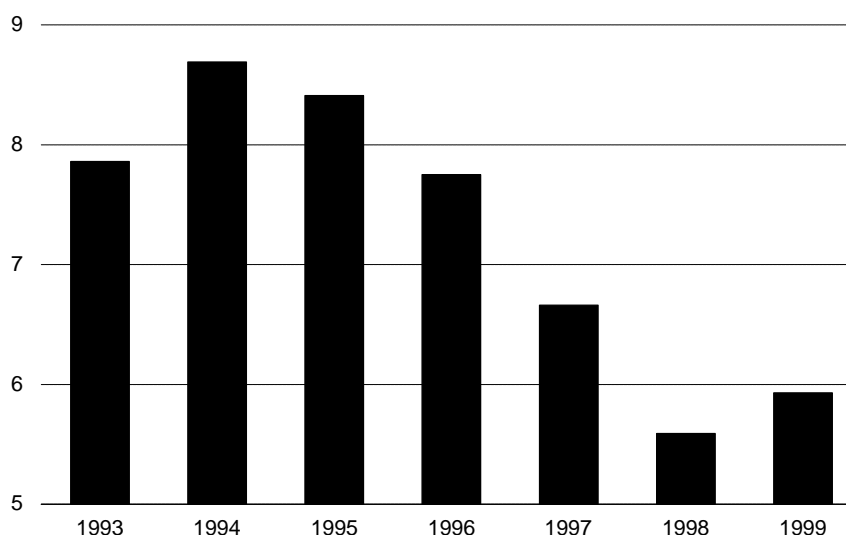
Generally low interest rates

Moderate economic growth in North America will keep short-term interest rates relatively low in both Canada and the United States.

Sound public finances and weak inflationary pressures in North America will also have a favourable impact on long-term interest rates, which will remain low in 1999 in the United States and Canada.

GRAPH 1.19

30-YEAR BOND RATE — CANADA (as a percentage)



Sources: Bank of Canada and ministère des Finances du Québec.

International exports

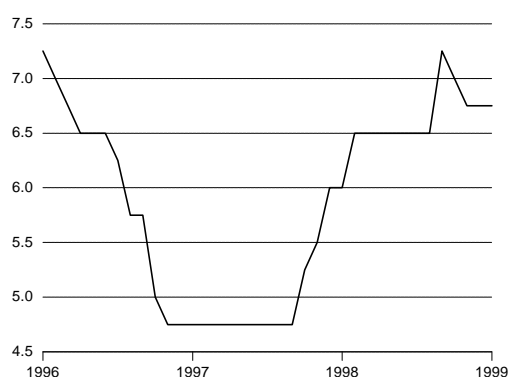
Despite the slowdown anticipated in the economy of our main trading partner, the volume of international exports of goods should increase at a steady pace this year. Owing to the favourable exchange rate in relation to the US dollar and to weak growth in unit labour costs, export firms will be able to continue boosting their presence on the US market. This year, the volume of international exports of goods should grow by 6.6%.

Household demand

The delayed impact of interest rate hikes and the high rate of indebtedness will curb consumption. In addition, households have almost no more leeway for further reducing their savings rate in order to support their consumption. In this context, consumer spending should grow by 1.8% this year.

GRAPH 1.20

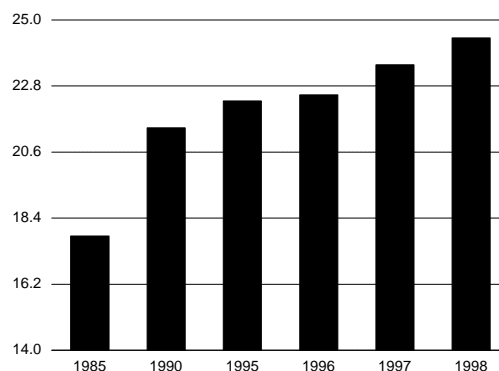
PRIME RATE — CANADA (as a percentage)



Source: Bank of Canada.

GRAPH 1.21

CONSUMER DEBT — QUÉBEC (as a percentage of disposable income)



Source: Bureau de la statistique du Québec.

Residential construction will increase again this year, although at a slower pace (2.2%) than in 1998. The housing resale market, which has experienced strong growth over the past three years, should slow this year as the surplus in housing units put up for sale is eliminated. However, this situation, combined with the decline in the vacancy rate in the rental sector, will favour the new housing market. In this context, the number of housing starts should reach 25 600 units this year, an increase of 9.1%.

Renovation expenditures should remain stable in 1999 after an exceptional year of growth (15%), stemming, in part, from the repair work required by the ice storm.

Business investment

Owing, among others, to the acceleration of work on major construction sites such as the Alcan and Magnola projects in Alma and Asbestos respectively, business investment will experience another year of growth in 1999.

According to Statistics Canada's most recent survey of investment intentions, private-sector non-residential investment should increase by 4.4% in Québec this year, while declining by 2.3% in Canada as a whole. Thus, for the second year in a row, growth in non-residential investment by the private sector in Québec will surpass the Canadian average.

Since 1995, such investment has grown by 51.3%, a rate much higher than that observed in Canada (33.2%) or in Ontario (32.9%).

Manufacturing (24.5%) and trade (16.9%) will be two of the most dynamic sectors. In the manufacturing sector, in particular, significant gains are anticipated in the primary metals (80.2%), non-metallic mineral products (62.3%), pulp and paper (20.3%) and transportation equipment industries (19.6%).

TABLE 1.4

ECONOMIC OUTLOOK
(percentage change)

	1998	1999	2000
OUTPUT			
— Real gross domestic product	2.8	2.1	2.3
— Gross domestic product	2.0	2.9	4.2
COMPONENTS OF EXPENDITURE			
— Consumption	3.7	3.1	3.5
— Housing starts ('000)	23.5	25.6	30.1
— Non-residential investment	8.0 ¹	0.9 ¹	0.8
— International exports of goods ²	6.3	6.6	4.3
COMPONENTS OF INCOME AND PRICES			
— Wages and salaries	3.0	3.4	3.1
— Personal income	2.5	3.1	3.4
— Corporate profits	-4.4	-1.9	9.2
— Consumer prices	1.4	1.3	1.7
LABOUR MARKET			
— Labour force	0.9	1.1	1.1
— Employment	2.1	1.6	1.3
— in thousands	67	54	47
— Unemployment rate (%)	10.4	9.9	9.7
INTEREST RATES – Canada (%)			
— 3-month Treasury bills	4.7	5.3	5.6
— 30-year Canada bonds	5.6	5.9	6.2

1 Statistics Canada, Private and public investment.

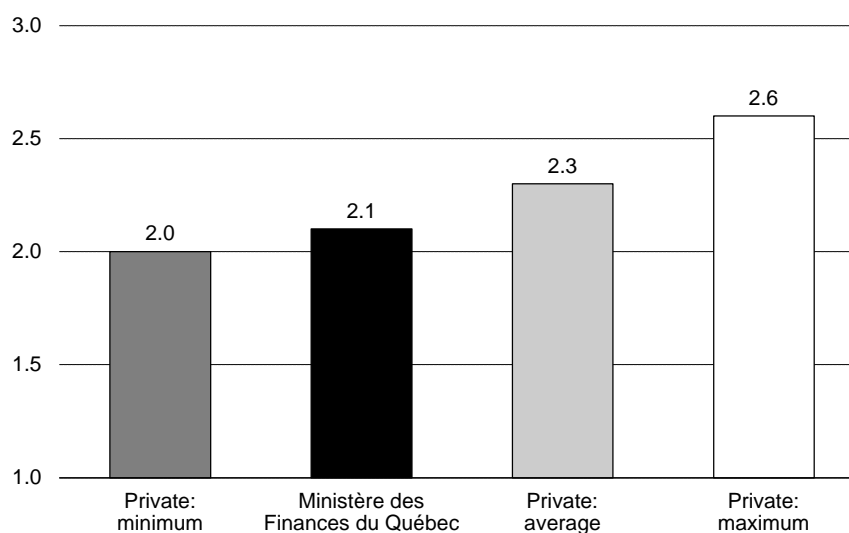
2 Constant 1992 dollars.

Comparison with private-sector forecasts

Private-sector analysts predict that Québec's economy will continue to grow in 1999. Growth will amount to 2.3% on average and, according to some forecasters, could even reach 2.6%. The forecasts used to prepare the budget plan are lower than those provided by the private sector and are actually near the low end of the range of private-sector forecasts.

GRAPH 1.22

ECONOMIC GROWTH IN QUÉBEC – 1999 COMPARISON WITH PRIVATE-SECTOR FORECASTS (percentage change)



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

As for the inflation forecasts included in the present Budget, they are lower than the average rate predicted by the private sector. The interest rate forecasts, on the other hand, are much higher.

TABLE 1.5

COMPARISON WITH PRIVATE-SECTOR FORECASTS — QUÉBEC
 (as a percentage)

	Private sector	Ministère des Finances du Québec
REAL GROSS DOMESTIC PRODUCT		
1999	2.3	2.1
2000	2.5	2.3
CONSUMER PRICES		
1999	1.5	1.3
2000	1.8	1.7
INTEREST RATES		
Short-term		
1999	4.5	5.3
2000	4.7	5.6
Long-term		
1999	5.3	5.9
2000	5.6	6.2

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

Section 2

The Government's Financial Position in 1998-1999 and Public Sector Borrowings

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The government's financial transactions¹

*"Zero" deficit objective
achieved in 1998-1999:
deficit is \$1 200 million
less than anticipated*

The preliminary results of the government's financial transactions for the year ending March 31, 1999 indicate that the government's commitment to eliminate the deficit will have been met in 1998-1999, one year earlier than in the schedule provided for in the *Act respecting the elimination of the deficit and a balanced budget*. The deficit is \$1 200 million less than the amount forecast in the March 31, 1998 Budget Speech and \$2 177 million less than the deficit recorded in 1997-1998.

Consolidated budgetary revenue for the 1998-1999 fiscal year is \$2 806 million higher than anticipated in the last Budget. The growth in revenue is explained by an increase of \$1 164 million in own-source revenue and \$1 642 million in Government of Canada transfers.

Consolidated budgetary expenditure is adjusted upward by \$1 606 million, to total \$45 663 million. This change reflects, among other things, the impact of investments in the health and social services sector and in the education sector announced in this Budget Speech. Debt service is adjusted downward by \$806 million compared with the level anticipated at the time of the last Budget. This adjustment is essentially attributable to the drop in the interest rate applicable to the retirement plans account in the wake of the 1998 actuarial revaluation.

*Net financial surplus of
\$385 million:
\$1 412 million more than
anticipated*

Net consolidated financial requirements amounted to \$1 027 million in the last Budget, whereas there is now a net financial surplus of \$385 million, an improvement of \$1 412 million compared with the March 1998 Budget forecast. The change reflects the \$1 200-million reduction in the deficit and an increase of \$212 million from the surplus in non-budgetary transactions.

In regard to financial transactions, most noteworthy are the increases of \$2 300 million in the government's cash position, stemming from pre-financing transactions as at March 31, 1999, and of \$818 million in the change in direct debt compared with the initial forecast.

¹ The data in this section are presented according to the government's new accounting framework implemented in 1997-1998.

TABLE 2.1

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

	1997-1998	1998-1999	
	Actual results	Budget Speech 1998-03-31 ¹	Preliminary results ²
Budgetary transactions			
Own-source revenue	35 749	36 497	37 661
Government of Canada transfers	5 990	6 360	8 002
Total revenue	41 739	42 857	45 663
Operating expenditure	- 36 556	- 35 993	- 38 405
Debt service	- 7 360	- 8 064	- 7 258
Total expenditure	- 43 916	- 44 057	- 45 663
Deficit	- 2 177	- 1 200	0
Non-budgetary transactions			
Investments, loans and advances	- 1 315	- 1 415	- 1 341
Capital expenditures	- 214	- 453	- 246
Retirement plans	1 888	2 041	919
Other accounts	443	—	1 053
Surplus	802	173	385
Net financial requirements	- 1 375	- 1 027	385
Financing transactions			
Change in cash position	164	—	- 2 300
Change in direct debt	1 295	2 127	2 945
Retirement plans sinking fund ³	- 84	- 1 100	- 1 030
Total financing of transactions	1 375	1 027	- 385

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 For comparison purposes, the data in the March 31, 1998 Budget Speech have been adjusted to take into account the government's new accounting framework. Details of these adjustments are given in Appendix 2.1.

2 The preliminary results for 1998-1999 are based on actual data recorded from April 1998 to January 1999 and on an estimate, as at February 26, 1999, of the February and March results for which transactions will be posted, up to the closing of the books, to 1998-1999 transactions.

3 This sinking fund receives amounts to be eventually used to cover retirement benefits payable by the government under the public sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest credited to the retirement plans account.

Impact of consolidation on the 1998-1999 deficit

A list of the new consolidated organizations, excluding government enterprises whose net profits are recorded at their equity value, is given in Appendix 2.2. Revenue from these organizations totals \$1 935 million, an increase of \$135 million compared with last March's Budget Speech. Expenditure totals \$1 975 million, \$120 million more than in the last Budget. These changes are mainly attributable to the increase in the volume of operations of certain organizations.

Net results for the consolidated organizations increase the government deficit by \$40 million, i.e. \$15 million less than anticipated in the March 1998 Budget Speech.

TABLE 2.2

CHANGE IN NET RESULTS FOR CONSOLIDATED ORGANIZATIONS¹

(in millions of dollars)

	1997-1998	1998-1999		
	Actual results	Budget Speech 1998-03-31	Preliminary results	Change compared with Budget
Own-source revenue	1 441	1 537	1 645	108
Government of Canada transfers	318	263	290	27
Total revenue	1 759	1 800	1 935	135
Operating expenditure	- 1 147	- 1 236	- 1 367	- 131
Debt service	- 569	- 619	- 608	11
Total expenditure	- 1 716	- 1 855	- 1 975	- 120
Net results	43	- 55	- 40	15

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

¹ Excluding government enterprises recorded at equity value. The data in this table exclude the transactions carried out with other entities in the government's reporting entity.

Budgetary revenue

For the 1998-1999 fiscal year, budgetary revenue totals \$45 663 million, an increase of 9.4% compared with the 1997-1998 results. Own-source revenue grew by 5.3%, while federal transfers climbed 33.6%.

Own-source revenue

Own-source revenue is \$1 164 million higher than forecast in the 1998-1999 Budget Speech. Of this amount, \$793 million is from an economic performance that was better than anticipated in 1998 and from recurrent supplementary revenue recorded at the end of 1997-1998. The revenue of government enterprises now totals \$263 million more than initially anticipated. Lastly, revenue of the consolidated organizations in the government's reporting entity increased by \$108 million.

TABLE 2.3

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE

(in millions of dollars)

	1997-1998				1998-1999
	Actual results	Budget Speech 1998-03-31	Preliminary results	Change compared with Budget	Change compared with 1997-1998 %
Personal income tax	14 389	14 588	15 038	450	4.5
Health Services Fund	3 893	4 010	4 057	47	4.2
Corporate taxes	3 443	3 046	3 265	219	- 5.2
Retail sales	5 488	6 264	6 231	- 33	13.5
Tobacco	323	395	490	95	51.7
Government enterprises	2 734	2 758	3 021	263	10.5
Consolidated organizations	1 441	1 537	1 645	108	14.2
Other sources	4 038	3 899	3 914	15	- 3.1
Total own-source revenue	35 749	36 497	37 661	1 164	5.3

The anticipated revenue from personal income tax is revised upward by \$450 million. Most of this increase is attributable to the progression of tax revenue, which indicates, as employment data confirm, that the growth in wages and salaries in 1998 was higher than anticipated. In addition, it is now estimated that income tax refunds to be made before April 1, 1999 will be lower than anticipated, owing to the impact of changes in income tax

returns, particularly the introduction of the joint return. Lastly, the processing since last April of personal income tax returns for the 1997 taxation year show that income tax payable is higher than anticipated at the time of the Budget.

Because wages and salaries are higher than expected, contributions to the Health Services Fund are also higher, i.e. \$47 million more than forecast in the 1998-1999 Budget.

Corporate tax revenue grew by \$219 million, despite a lower-than-anticipated increase in corporate profits in 1998. This result is mainly attributable to recurrent supplementary revenue recorded at the end of 1997-1998 and higher taxable incomes than initially forecast, as shown in the processing of 1997 income tax returns since last April.

Although growth in the Québec sales tax base was greater than anticipated, revenue is revised downward by \$33 million compared with the forecast in the 1998-1999 Budget Speech. This is the result of the \$95-million decrease in revenue from the retail sales tax and the increase by an identical amount in tobacco taxes in the wake of the measure announced last June to limit cigarette smuggling. On June 23, 1998, the retail sales tax on tobacco products, which had been remitted to the government by retailers, was eliminated. In consideration of this, the specific tax on tobacco, remitted directly to the government by manufacturers, was increased by an equivalent amount.

Revenue from government enterprises is revised upward by \$263 million. Higher sales resulted in an approximately \$11-million improvement in the profits of the Société des alcools du Québec. Revenue from Loto-Québec is also revised upward, by \$105 million, as profits from the operation of video lottery machines were higher than anticipated. However, Hydro-Québec's net profits are \$170 million lower than initial forecasts because sales of electricity were weaker than anticipated. Lastly, preliminary results indicate an upward revision of \$317 million in the profits of the other government enterprises.

The revenue of consolidated organizations in the government's reporting entity is \$108 million higher than forecast in the 1998-1999 Budget Speech. These revisions are mainly the result of the transactions of these organizations, which, considered as a whole, proved more substantial than forecast.

Lastly, the revision of amounts from other sources is explained for the most part by higher-than-anticipated revenue from the fuel tax, and duties and permits. However, miscellaneous revenue should stand at a lower level than initially anticipated.

Government of Canada transfers

Compared with the forecast in the March 1998 Budget Speech, the preliminary results for 1998-1999 indicate an upward revision of \$1 642 million in Government of Canada transfers, which total \$8 002 million. This is mainly the result of the revision of equalization revenue. In addition, revenue from the organizations in the government's reporting entity now totals \$290 million, \$27 million more than initially anticipated.

TABLE 2.4

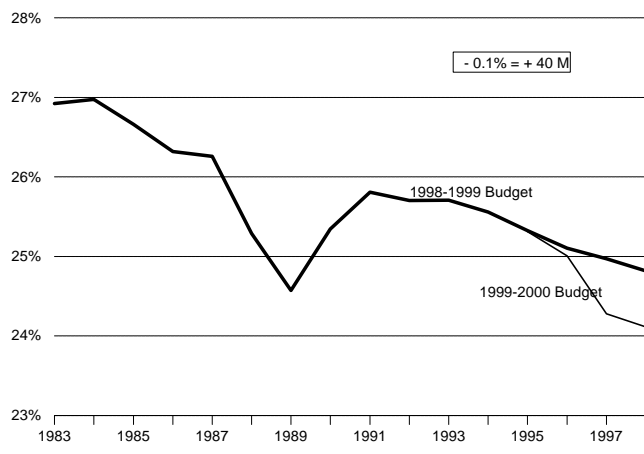
SUMMARY OF THE CHANGE IN GOVERNMENT OF CANADA TRANSFERS (in millions of dollars)

	1997-1998				1998-1999
	Actual results	Budget Speech 1998-03-31	Preliminary results	Change compared with Budget	Change compared with 1997-1998
					%
Equalization	4 229	3 726	5 296	1 570	25.2
Canada Health and Social Transfer	1 660	1 778	1 697	– 81	2.2
EPF and other transfers related to fiscal arrangements	27	98	70	– 28	—
Other programs	– 244	495	649	154	—
Consolidated organizations	318	263	290	27	– 8.8
Total Government of Canada transfers	5 990	6 360	8 002	1 642	33.6

Equalization revenue is \$1 570 million higher than the initial forecasts. The increase is explained mainly by the updating of fiscal capacity indicators, particularly for personal income tax and corporate income taxes (graphs 2.1 and 2.2), as well as for the sales taxes. It also reflects the new population data from the 1996 census and revisions of provincial revenue subject to equalization. The revision of fiscal capacity indicators for personal and corporate income taxes is the result of heavy growth in tax receipts in Ontario for 1997.

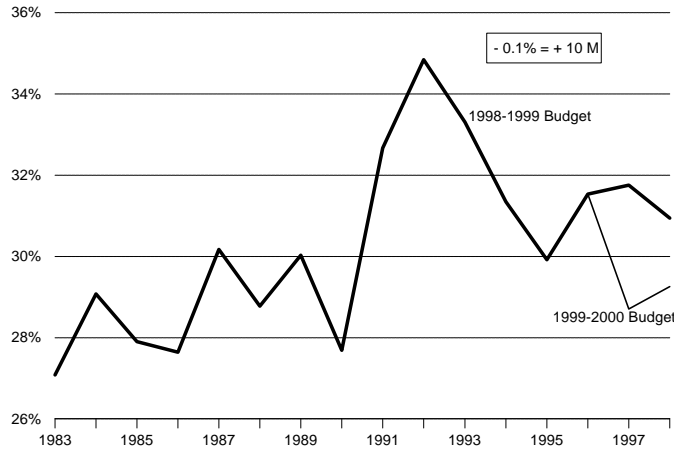
GRAPH 2.1

**PERSONAL INCOME TAX
CHANGE IN QUÉBEC'S SHARE OF
THE PERCENTAGE FOR THE PROVINCES
CONSTITUTING THE NORM¹**



GRAPH 2.2

**CORPORATE INCOME TAXES
CHANGE IN QUÉBEC'S SHARE OF
THE PERCENTAGE FOR THE PROVINCES
CONSTITUTING THE NORM¹**



1 Québec, Ontario, Manitoba, Saskatchewan and British Columbia.

The updating of equalization program data since the last Budget affects not only the calculations of equalization for 1998-1999, but also those for all the years since 1995-1996. Changes for the prior years alone result in a non-recurrent increase in equalization payments of \$949 million in 1998-1999.

Revenue from the Canada Health and Social Transfer (CHST) is revised downward by \$81 million compared with the amount anticipated in the 1998-1999 Budget Speech. This result is explained mainly by the decrease in the Québec population according to the 1996 census. It also reflects the increase in the tax transfer used to calculate the CHST, which reduces cash payments to Québec accordingly.

Revenue related to Established Programs Financing (EPF) and to other transfers under fiscal arrangements is revised downward by \$28 million. This revision reflects a decline of \$18 million in EPF because of the new population data from the 1996 census. It also reflects a reduction in the transfer related to income taxes on the dividends of preferred shares.

Lastly, the revenue from all the other transfer programs is \$154 million higher. This change is mainly the result of the signing of the Canada-Québec Agreement on assistance for the employability of disabled persons, which means an increase in payments in 1998-1999 and retroactive payments for 1996-1997 and 1997-1998. The revision also reflects higher revenue than anticipated from the compensation that Québec receives for opting out of the Canadian Student Loan Program.

Budgetary expenditure

Major investments in the health and social services sector and in the education sector in 1998-1999

Preliminary results for budgetary expenditure for fiscal 1998-1999 stand at \$45 663 million, \$1 606 million higher than anticipated in the March 31, 1998 Budget Speech. This rise is mainly the result of the investments announced in this Budget in the health and social services sector and in the education sector for the 1998-1999 fiscal year. In all, budgetary expenditure will grow by 4.0% over 1997-1998.

TABLE 2.5

CHANGE IN BUDGETARY EXPENDITURE

(in millions of dollars)

	1997-1998				1998-1999
	Actual results	Budget Speech 1998-03-31	Preliminary results	Change compared with Budget	Change compared with 1997-1998 %
Program spending objective	35 409	34 757	34 822	65	- 1.7
Extent of achievement of objective					
New initiatives announced in the 1999-2000 Budget Speech	—	—	1 532	1 532	—
Actuarial revaluation of retirement plans	—	—	234	234	—
Additional expenditures	—	—	450	450	—
	—	—	2 216	2 216	—
Program spending	35 409	34 757	37 038	2 281	4.6
Consolidated organizations	1 147	1 236	1 367	131	19.2
Total operating expenditure	36 556	35 993	38 405	2 412	5.1
Debt service					
• Consolidated Revenue Fund					
– Direct debt service	3 826	4 271	4 236	- 35	10.7
– Retirement plans	2 965	3 174	2 414	- 760	- 18.6
	6 791	7 445	6 650	- 795	- 2.1
• Consolidated organizations	569	619	608	- 11	6.9
Total debt service	7 360	8 064	7 258	- 806	- 1.4
Total budgetary expenditure	43 916	44 057	45 663	1 606	4.0

Operating expenditure

Operating expenditure has been revised to \$38 405 million, \$2 412 million more than anticipated in the March 1998 Budget Speech.

Firstly, this Budget announces additional investments totalling \$1 532 million in 1998-1999, including \$1 155 million in the health and social services sector, essentially for the plan for the financial restructuring and the strengthening of the network. In addition, \$207 million will be invested in the education sector, \$170 million of which to improve the financial situation of universities. Lastly, \$100 million are announced for the Corporation Valorisation-Recherche Québec and \$70 million, for various other measures.

As it does every three years, the Commission administrative des régimes de retraite et d'assurances (CARRA) carried out an actuarial revaluation of the various retirement plans of government employees. This revaluation, completed last fall, resulted in an increase of \$234 million in the expenditures anticipated in 1998-1999.

Additional expenditures of \$450 million were identified for certain expenditure items. A portion of these expenditures was earmarked for the health and social services sector to ensure the provision of services. Other expenditures were incurred for, among other things, the holding of the last general election, public security, mainly in regard to disasters, and new cultural initiatives.

Lastly, as mentioned above, the expenditures of consolidated organizations have increased from \$131 million compared with the March 1998 Budget Speech.

In all, the growth in operating expenditure is 5.1% compared with the previous year.

Debt service

Preliminary results for the debt service total \$7 258 million, of which \$4 236 million is for direct debt service, \$2 414 million for interest on the retirement plans account and \$608 million for the debt service of consolidated organizations. This represents a downward adjustment of \$806 million compared with the forecast in the last Budget.

This change essentially reflects a reduction of \$760 million in interest expenditures in regard to the retirement plans account stemming mainly from the reduction in interest rates following the 1998 actuarial revaluation. The direct debt service is \$35 million lower than forecast in the last Budget.

Non-budgetary transactions

Preliminary results show that the surplus in non-budgetary transactions amounts to \$385 million, i.e. \$212 million more than anticipated in the March 1998 Budget Speech. This change reflects a reduction of \$46 million in financing requirements in the form of investments, loans and advances, a reduction of \$1 122 million in the anticipated surplus of the retirement plans account, and an additional source of financing of \$1 003 million from the change in the other non-budgetary accounts and of \$150 million for capital expenditures. The financing requirements of consolidated organizations are \$135 million lower.

TABLE 2.6

SUMMARY OF NON-BUDGETARY TRANSACTIONS

(in millions of dollars)

	1998-1999		
	Budget Speech 1998-03-31	Preliminary results	Change
Investments, loans and advances			
Government enterprises			
Shares and investments, and change in the equity value of investments	- 1 445	- 1 421	24
Loans and advances	<u>69</u>	<u>99</u>	<u>30</u>
	- 1 376	- 1 322	54
Loans and advances to municipalities, municipal bodies, individuals, corporations and others	<u>- 39</u>	<u>- 47</u>	<u>- 8</u>
	- 1 415	- 1 369	46
Capital expenditures	132	282	150
Retirement plans	2 041	919	- 1 122
Other accounts	- 125	878	1 003
Consolidated organizations	- 460	- 325	135
Surplus	173	385	212

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

The \$24-million reduction in financing requirements relating to investments in government enterprises is explained mainly by the decrease in investments in shares in certain government corporations.

Refunds of advances from government enterprises are \$30 million higher than forecast. Funding needs for loans and advances to municipalities, municipal bodies, individuals, corporations and others are \$8 million higher than initially forecast.

The \$150-million reduction in capital expenditures is explained mainly by lower investments by departments and organizations than anticipated at the time of the Budget.

The annual retirement plans account surplus, estimated at \$2 041 million in the last Budget was revised downward by \$1 122 million to \$919 million. This change is the result of the actuarial revaluation, which brought about a substantial reduction in the interest rate applicable to the retirement plans account. The interest rate applied to the retirement plans account, in regard to the liabilities of the retirement plans, is the same as that used in the actuarial valuation. Most of the \$760-million reduction in interest was the result of this revaluation. A disbursement of \$340 million not provided for at the time of the last Budget was made during the year in accordance with the arrangements signed under the July 1997 retirement incentive program.

Transactions related to the other non-budgetary accounts represent year-to-year changes in these financial items. These accounts, which include, in particular, cash and bills on hand, outstanding cheques, accounts receivable and accounts payable, can fluctuate a great deal because of the variability of government cash inflow and disbursements. For 1998-1999, the balance of the other accounts shows a source of financing of \$878 million, compared with financial requirements of \$125 million anticipated in the March 1998 Budget Speech. This change is explained mainly by the increase in accounts payable stemming from the measures announced in this Budget.

Financing

Net financing transactions are expected to amount to \$2 945 million, i.e. \$818 million more than anticipated in the 1998-1999 Budget Speech. Borrowings in the 1998-1999 fiscal year total \$9 442 million, i.e. \$1 218 million more than anticipated in the last Budget Speech.

TABLE 2.7

SUMMARY OF FINANCING TRANSACTIONS

(in millions de dollars)

	1998-1999		
	Budget Speech 1998-03-31	Preliminary results	Change
Change in cash position			
• Consolidated Revenue Fund	—	– 2 814	– 2 814
• Consolidated organizations	—	514	514
Total change in cash position	—	– 2 300	– 2 300
Change in direct debt			
• Consolidated Revenue Fund			
– New borrowings	7 460	9 336	1 876
– Repayment of borrowings	– 5 848	– 6 242	– 394
	1 612	3 094	1 482
• Consolidated organizations			
– New borrowings ¹	764	106	– 658
– Repayment of borrowings	– 249	– 255	– 6
	515	– 149	– 664
Total change in direct debt	2 127	2 945	818
Retirement plans sinking fund	– 1 100	– 1 030	70
Total financing of transactions	1 027	– 385	– 1 412

Note: A negative entry indicates a financial requirements 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 Excluding a borrowing of \$84 million to finance the work of municipal bodies.

Financing of the Consolidated Revenue Fund

Net financing transactions of the Consolidated Revenue Fund should total \$3 094 million, an upward adjustment of \$1 482 million compared with the forecast in the 1998-1999 Budget Speech. Borrowings in fiscal 1998-1999 total \$9 336 million, \$1 876 million more than the amount anticipated in the last Budget Speech. This revision is explained by \$2 814 million in pre-financing, a \$394-million increase in refunds, a \$1 262-million decline in net financing requirements and a \$70-million decrease in interest revenue of the retirement plans sinking fund, mainly because of the deferment, until the end of the fiscal year, of payments made to the fund.

The cash level recorded an increase of \$2 814 million, whereas no change was anticipated in this regard in last year's Budget Speech.

Financing of consolidated organizations

The net financing transactions of consolidated organizations show that repayments were \$149 million greater than new borrowings. This is a downward revision of \$664 million compared with the forecast in the 1998-1999 Budget Speech. Borrowings in fiscal 1998-1999 total \$106 million, a decrease of \$658 million compared with the amount anticipated in the last Budget Speech. This revision is partly explained by the reduction of \$404 million in the borrowings of the Road Network Preservation and Improvement Fund and by the reduced needs of the other funds.

The \$664-million reduction in financing was offset for the most part by a decrease of \$514 million in the cash level compared with the forecast in last year's Budget Speech.

Borrowings

Borrowings totalled \$10 234 million in 1998-1999, of which \$9 336 million was for Consolidated Revenue Fund needs, \$190 million for consolidated organizations and \$708 million for non-consolidated organizations.¹

Realization of the financing program was characterized by the exceptional receptivity of the financial markets to Québec securities.

¹ The borrowings of non-consolidated organizations mainly concern those carried out on behalf of the government to finance institutions in the health and social services network and the education network.

In all, nearly 66% of the financing program, or \$6 717 million, was carried out on the Canadian market, the highest percentage in nine years. The government carried out on this market six public issues with terms of 10 and 30 years, for a total of \$2 188 million. Private issues totalling \$1 527 million were negotiated with the Caisse de dépôt et placement du Québec, and \$689 million were obtained through the issue of medium-term notes. The savings products sold by Placements Québec should provide \$989 million in financing.

A total of \$3 517 million, or nearly 34% of the financing program, was obtained on foreign markets. Several public bond issues were also carried out on these markets. The government carried out a first issue on the Swedish kroner market as part of its financing sources diversification strategy. In addition, a public issue for \$1.25 billion Deutsche marks (CAN\$1.1 billion) with a 10-year term was carried out in August 1998. In addition, a world-wide bond issue in US dollars with a 10-year term for US\$1 billion (CAN\$1.5 billion) was carried out in February 1999.

As in previous years, the medium-term note program in Europe contributed to Québec's financial requirements, with an amount of \$574 million, of which \$536 million was in US dollars. A total of \$191 million was also obtained through the issue of medium-term notes in the United States.

TABLE 2.8

SUMMARY OF BORROWINGS IN 1998-1999

(in millions of dollars)

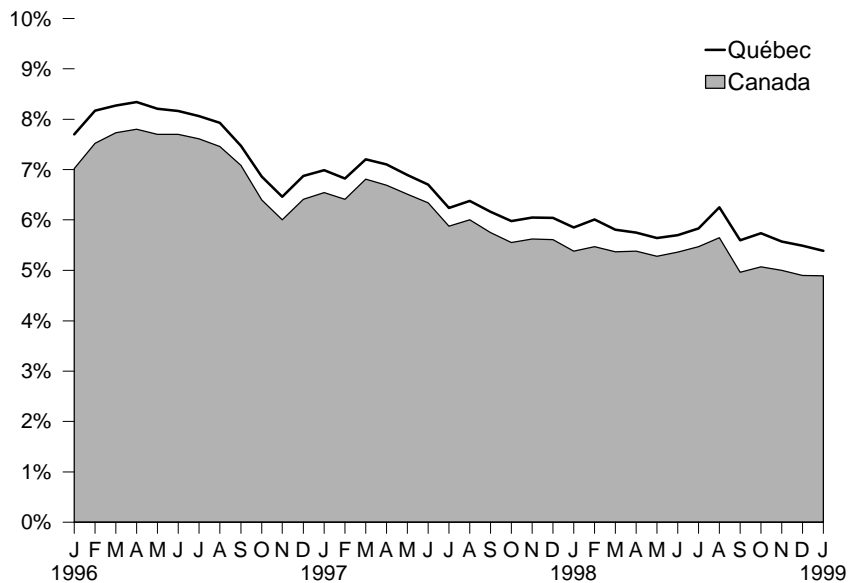
Currency and market	Consolidated Revenue Fund	Consolidated organizations ¹	Non- consolidated organizations ²	Total	
					%
Canadian dollar					
Canadian market					
• Public issues					
Negotiable bonds	2 039	—	149	2 188	21.4
• Private issues					
Caisse de dépôt et placement du Québec	885	190	452	1 527	14.9
Other	501	—	—	501	4.9
• Savings products	989	—	—	989	9.7
• Medium-term notes	689	—	—	689	6.7
• Amounts received under interest rate and currency swap agreements	716	—	—	716	7.0
• Borrowings made out of the repayment by the consolidated organizations	—	—	107	107	1.0
Sub-total	5 819	190	708	6 717	65.6
US dollar					
US euro dollar market					
• Medium-term notes	191	—	—	191	1.9
World market					
• Negotiable bonds	1 483	—	—	1 483	14.5
Sub-total	1 674	—	—	1 674	16.4
Other currencies					
• Public issues					
German market	1 058	—	—	1 058	10.3
Swedish market	93	—	—	93	0.9
• Private issues					
Japanese market	72	—	—	72	0.7
German market	46	—	—	46	0.5
• Medium-term notes					
European market	574	—	—	574	5.6
Sub-total	1 843	—	—	1 843	18.0
Total	9 336	190	708	10 234	100.0

1 Including a borrowing of \$84 million to finance the work of municipal bodies.

2 Borrowings mainly to finance institutions in the health and social services network and the education network.

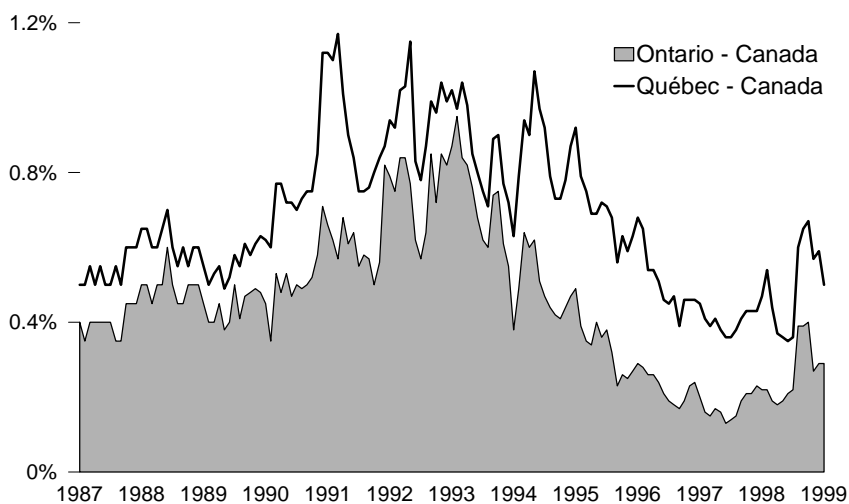
GRAPH 2.3

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

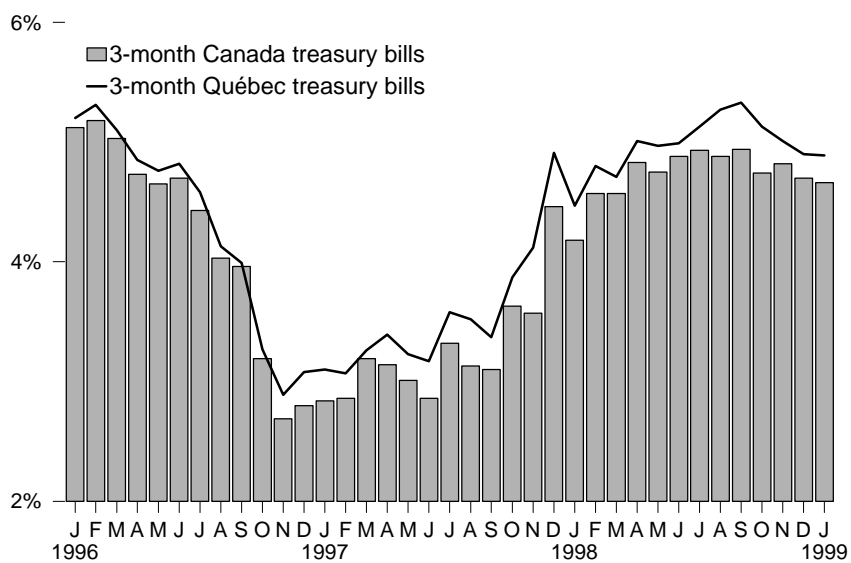


GRAPH 2.4

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



GRAPH 2.5

YIELD ON SHORT-TERM SECURITIES

Repayment of borrowings

Preliminary results show that the repayment of borrowings for fiscal 1998-1999 totals \$6 497 million, i.e. \$400 million more than anticipated in the March 31, 1998 Budget Speech.

Repayment of borrowings of the Consolidated Revenue Fund

Preliminary results show that repayments of borrowings of the Consolidated Revenue Fund total \$6 242 million, i.e. \$394 million more than anticipated in the March 31, 1998 Budget Speech.

The increase can be explained mainly by the complete repayment of the \$387 million in Treasury notes outstanding.

The repayment of more than \$6 billion includes refinancing transactions of \$1 715 million prior to maturity. Given the possibility of renegotiating certain borrowings under more favourable terms, the government exercised its call options on borrowings that were not due to mature this year. These transactions have made it possible to reduce the cost of debt service by \$38 million for fiscal 1998-1999 and by \$60 million for fiscal 1999-2000.

Repayment of borrowings of consolidated organizations

Preliminary results indicate that the repayment of borrowings of consolidated organizations for fiscal 1998-1999 totals \$255 million, i.e. \$6 million more than anticipated in the last Budget Speech.

Government debt

The government's total debt consists of the balance of the retirement plans account and the consolidated direct debt (direct debt of the Consolidated Revenue Fund and debt of consolidated organizations). The retirement plans account should total \$40 327 million as at March 31, 1999.

According to preliminary data, the Québec government's consolidated direct debt should amount to \$62 373 million as at March 31, 1999 (\$58 540 million as direct debt of the Consolidated Revenue Fund and \$3 833 million as debt of consolidated organizations).

It should be noted that an amount of \$2 814 million included in the consolidated direct debt represents pre-financing in 1998-1999 that will be used to cover part of the borrowing to be made in 1999-2000. Excluding this pre-financing, the direct consolidated debt of the Québec government would be \$59 559 million as at March 31, 1999, of which \$55 726 million as direct debt of the Consolidated Revenue Fund.

TABLE 2.9

ANTICIPATED CONSOLIDATED DIRECT DEBT OF THE GOVERNMENT AS AT MARCH 31, 1999 INCLUDING THE EFFECT OF CURRENCY SWAPS (in millions of dollars)

Currency	Direct debt	%	Consolidated organizations ¹	Consolidated direct debt	%
Canadian dollar	39 024	66.7	3 718	42 742	68.5
US dollar	8 820	15.1	115	8 935	14.3
Japanese yen	5 753	9.8	—	5 753	9.2
Swiss franc	2 708	4.6	—	2 708	4.4
Euro	1 693	2.9	—	1 693	2.7
Pound sterling	542	0.9	—	542	0.9
Sub-total	58 540	100.0	3 833	62 373	100.0
Pre-financing	- 2 814		—	- 2 814	
Total	55 726		3 833	59 559	

Note: The debt in foreign currency is expressed in the Canadian equivalent at the exchange rates effective on February 19, 1999.

1 Excluding the long-term borrowings to finance the work of municipal bodies.

Direct debt of the Consolidated Revenue Fund

The borrowings carried out and the interest rate swaps reduced the share of the direct debt of the Consolidated Revenue Fund at fixed rates from 65.2% last year to 51.1% at the end of fiscal 1998-1999, while the share of the government's direct debt at variable rates stands at 48.9%.

The weighted average maturity of the direct debt of the Consolidated Revenue Fund, excluding savings bonds and Treasury bills, rose from 9.9 years at March 31, 1998 to 10.7 years at March 31, 1999. Savings products outstanding total \$2 473 million, or 4.2% of this debt. Treasury bills outstanding total \$1 774 million, or 3.0% of the direct debt of the Consolidated Revenue Fund. Outstanding Treasury notes, which were at \$387 million at March 31, 1998, have been completely repaid.

As at March 31, 1999, the proportion of the direct debt of the Consolidated Revenue Fund of which the commitments are in Canadian dollars amounts to 66.7% and the proportion in foreign currency, at 33.3%. If the retirement plans account, of which the total commitments are in Canadian dollars, and the debt of consolidated organizations are considered, the proportion of the total debt in Canadian dollars rises to 80.9%.

Public sector borrowings and investments

During the 1998 calendar year, gross long-term public sector borrowings totalled \$14 056 million, a decline of \$833 million compared with the previous year. Increases of \$31 million, \$597 million and \$81 million were recorded for the government, Hydro-Québec and municipal bodies, respectively. However, decreases of \$413 million, \$117 million and \$1 012 million were recorded in the education network, the health and social services network and in the other government enterprises, respectively.

TABLE 2.10

LONG-TERM PUBLIC SECTOR BORROWINGS (in millions of dollars)

	Calendar year				
	1994	1995	1996	1997	1998 ¹
Gross borrowings					
Government ²	5 757	7 799	6 984	8 351	8 382
Educational institutions	805	799	1 259	881	468
Health and social services institutions	535	286	750	570	453
Hydro-Québec ³	3 614	2 222	1 792	1 884	2 481
Other government enterprises	354	1 097	1 361	1 117	105
Municipal bodies	2 246	2 490	2 575	2 086	2 167
Total	13 311	14 693	14 721	14 889	14 056
Repayments	7 432	8 123	10 015	12 259	13 224
Net borrowings	5 879	6 570	4 706	2 630	832

1 Preliminary results.

2 Amounts borrowed during the calendar year for the requirements of the Consolidated Revenue Fund, excluding less-than-one-year net borrowings made as long-term financing transactions, which explains the difference between this list and the list of borrowings given later in this text. These amounts also exclude borrowings to cover the requirements of consolidated organizations, which are distributed among the organizations for which they were intended.

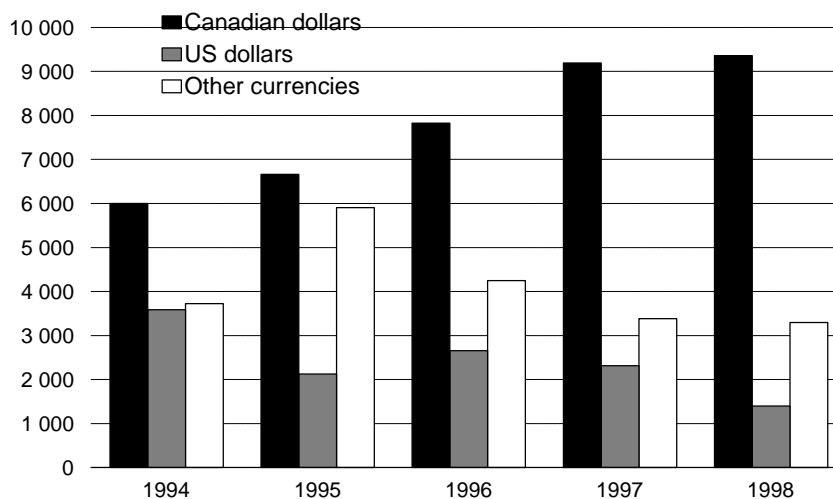
3 Amounts borrowed during the calendar year, excluding less-than-one-year net borrowings made as long-term financing transactions, which explains the difference between this list and the list of borrowings given later in this text.

Source: Ministère des Finances du Québec.

Gross borrowings in Canadian dollars totalled \$9 361 million in 1998, or 66.6% of total borrowings by the public sector. Gross borrowings in US dollars reached \$1 398 million, or 9.9% of the total, while those in other currencies amounted to \$3 297 million, or 23.5% of the total.

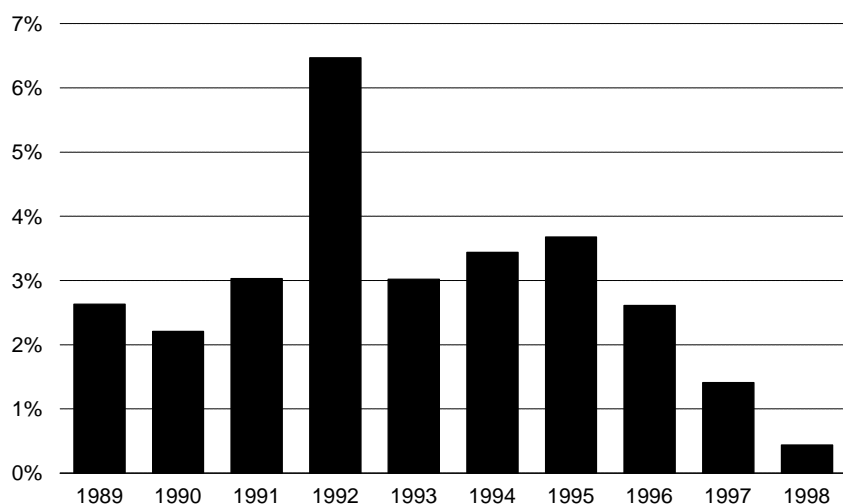
Taking refinancing and repayments into consideration, net public sector borrowings are estimated at \$832 million in 1998, the lowest level for as long as these data have been compiled. The ratio of net borrowings to gross domestic product fell from 1.4% in 1997 to 0.4% in 1998.

GRAPH 2.6

GROSS PUBLIC SECTOR BORROWINGS BY CURRENCY
 (in millions of dollars)


Source: Ministère des Finances du Québec.

GRAPH 2.7

**NET PUBLIC SECTOR BORROWINGS
COMPARED WITH GROSS DOMESTIC PRODUCT**


Source: Ministère des Finances du Québec.

In 1998, public sector investments amounted to \$7 239 million, an increase of \$1 108 million. Increases were recorded for the public sector as a whole.

TABLE 2.11

PUBLIC SECTOR INVESTMENTS

(in millions of dollars)

	Calendar year				
	1994	1995	1996	1997	1998 ¹
Government ²	912	992	878	806	922
Educational institutions ³	645	599	681	821	827
Health and social services institutions ³	515	472	448	404	703
Hydro-Québec ⁴	3 291	2 775	2 047	1 683	2 157
Other government enterprises ⁵	592	661	393	463	528
Municipal bodies ⁶	2 139	2 197	2 142	1 954	2 102
Total	8 094	7 696	6 589	6 131	7 239

1 Preliminary results.

2 Government investments include its capital expenditures, as well as grants and loans for investments to economic agents outside the public sector. Financial investments in other components of the public sector are therefore excluded.

Sources: Public Accounts of the gouvernement du Québec, Conseil du trésor and ministère des Finances du Québec.

3 Investments by school boards, colleges, universities and health and social services institutions include the share paid by the institutions themselves. It should be noted that the share paid by the government is financed by subsidies for the debt service.

Source: Conseil du trésor.

4 Financial investments were excluded beginning in 1997.

Source: Hydro-Québec.

5 Investments by government enterprises correspond to the increase in long-term assets. Investments of the Société québécoise d'assainissement des eaux are included under "municipal bodies".

Sources: Financial statements of the enterprises of the gouvernement du Québec and ministère des Finances du Québec.

6 Investments by municipal bodies include those related to water purification, public transportation and cultural and community facilities, as well as other municipal investments.

Sources: Conseil du trésor, ministère des Affaires municipales and ministère des Finances du Québec.

In order to take into account the interrelation between the government's financial policy and the situation in the various sectors under its jurisdiction, a comparative analysis of borrowings and investments must consider the situation of the public sector as a whole. Total net public sector borrowings include, in addition to the net long-term borrowings mentioned earlier, less-than-one-year borrowings made as long-term financing transactions, including Treasury bills and Treasury notes issued by the government, and financing obtained from the government's retirement plans account. Over the four preceding years, the ratio of total net borrowings to investments was constantly reduced, to reach 0.3 in 1998.

TABLE 2.12

TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)

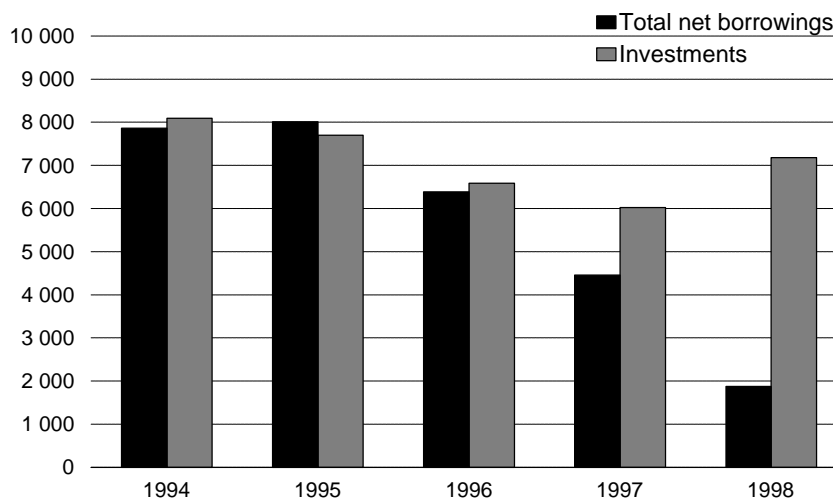
	Calendar year				
	1994	1995	1996	1997	1998 ¹
Net long-term borrowings	5 879	6 570	4 706	2 630	832
Less-than-one-year net borrowings made as long-term financing transactions	894	177	—	—	—
Surplus from the government retirement plans account ²	1 089	1 264	1 678	1 827	1 040
Total net borrowings	7 862	8 011	6 384	4 457	1 872
Investments	8 094	7 696	6 589	6 131	7 239
Ratio	0.97	1.04	0.97	0.73	0.26

1 Preliminary results.

2 Once contributions to and revenue from the retirement plans sinking fund have been deducted.

Source: Ministère des Finances du Québec.

GRAPH 2.8

TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)

Source: Ministère des Finances du Québec.

Historical data and preliminary results

TABLE 2.13

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

	Before reform of government accounting				After reform of government accounting	
	1994-1995	1995-1996	1996-1997	1997-1998	1997-1998	1998-1999 ¹
Budgetary transactions						
Own-source revenue	29 370	30 557	31 087	33 713	35 749	37 661
Government of Canada transfers	7 510	8 142	6 719	5 672	5 990	8 002
Total revenue	36 880	38 699	37 806	39 385	41 739	45 663
Operating expenditure	- 36 820	- 36 612	- 35 163	- 35 544	- 36 556	- 38 405
Debt service	- 5 874	- 6 038	- 5 860	- 5 886	- 7 360	- 7 258
Total expenditure	- 42 694	- 42 650	- 41 023	- 41 430	- 43 916	- 45 663
Deficit	- 5 814	- 3 951	- 3 217	- 2 045	- 2 177	0
Non-budgetary transactions						
Investments, loans and advances	- 1 142	- 287	- 792	- 543	- 1 315	- 1 341
Capital expenditures	—	—	—	—	- 214	- 246
Retirement plans	1 509	1 701	1 928	1 746	1 888	919
Other accounts	571	- 411	- 55	- 131	443	1 053
Surplus	938	1 003	1 081	1 072	802	385
Net financial requirements	- 4 876	- 2 948	- 2 136	- 973	- 1 375	385
Financing transactions						
Change in cash position	- 573	853	1 433	- 22	164	- 2 300
Change in direct debt ²	5 444	2 169	794	1 068	1 295	2 945
Retirement plans sinking fund ³	5	- 74	- 91	- 73	- 84	- 1 030
Total financing of transactions	4 876	2 948	2 136	973	1 375	- 385

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 comparison purposes, the data are shown on the basis of the budgetary and financial structure in force in 1998-1999.

- 1 The preliminary results for 1998-1999 are based on actual data recorded from April 1998 to January 1999 and on an estimate, as at February 26, 1999, of the February and March results for which transactions will be posted, up to the closing of the books, to 1998-1999 transactions.
- 2 The change in direct debt includes the new borrowings, less repayments of borrowings. It excludes the effect of the change in the exchange rate on the outstanding debt in foreign currencies as at March 31.
- 3 This sinking fund receives amounts to be used to eventually cover retirement benefits payable by the government under the public sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest credited to the retirement plans account.

TABLE 2.14

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
(in millions of dollars)

	Before reform of government accounting				After reform of government accounting	
	1994-1995	1995-1996	1996-1997	1997-1998	1997-1998	1998-1999
Own-source revenue						
Income and property taxes						
Personal income tax	12 453	12 913	13 145	14 389	14 389	15 038
Contributions to Health Services Fund	3 300	3 694	3 768	3 893	3 893	4 057
Corporate taxes	2 123	2 517	2 931	3 443	3 443	3 265
Succession duties	- 1	—	- 1	—	—	—
	17 875	19 124	19 843	21 725	21 725	22 360
Consumption taxes						
Retail sales	5 430	5 614	5 213	5 488	5 488	6 231
Fuel	1 340	1 407	1 454	1 486	1 486	1 562
Tobacco	181	265	283	323	323	490
Pari mutuel	5	2	—	—	—	—
	6 956	7 288	6 950	7 297	7 297	8 283
Duties and permits						
Motor vehicles	500	482	490	641	641	652
Alcoholic beverages	117	126	123	129	129	134
Natural resources	157	236	227	381	381	268
Other	143	153	156	163	163	166
	917	997	996	1 314	1 314	1 220
Miscellaneous						
Sales of goods and services	485	482	510	535	533	501
Interest	235	268	234	283	283	319
Fines, forfeitures and recoveries	720	471	368	422	422	312
	1 440	1 221	1 112	1 240	1 238	1 132
Revenue from government enterprises						
Société des alcools du Québec	326	351	372	378	378	400
Loto-Québec	688	806	972	1 068	1 068	1 110
Hydro-Québec	920	422	661	636	636	822
Other	248	348	181	55	652	689
	2 182	1 927	2 186	2 137	2 734	3 021
Consolidated organizations	—	—	—	—	1 441	1 645
Total own-source revenue	29 370	30 557	31 087	33 713	35 749	37 661
Government of Canada transfers						
Programs						
Equalization	3 543	4 321	4 103	4 229	4 229	5 296
Canada Health and Social Transfer	—	—	2 554	1 660	1 660	1 697
Contributions to welfare programs	2 092	2 031	- 2	—	—	—
EPF and other transfers related to fiscal arrangements	1 880	1 689	- 38	27	27	70
Other programs	- 5	101	102	- 244	- 244	649
Consolidated organizations	—	—	—	—	318	290
Total Government of Canada transfers	7 510	8 142	6 719	5 672	5 990	8 002
Total budgetary revenue	36 880	38 699	37 806	39 385	41 739	45 663

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	Before reform of government accounting				After reform of government accounting	
	1994-1995	1995-1996	1996-1997	1997-1998	1997-1998	1998-1999
Assemblée nationale	77	77	71	67	68	73
Personnes désignées par l'Assemblée nationale	86	99	42	42	38	97
Affaires municipales	1 379	1 379	1 278	1 194	1 194	976
Agriculture, Pêcheries et Alimentation	657	659	600	520	518	521
Conseil du trésor, Administration et Fonction publique ¹	541	515	595	687	315	389
Conseil exécutif	52	51	38	35	34	42
Culture et Communications	430	425	433	432	430	499
Education	10 521	10 524	10 110	9 985	9 524	9 446
Emploi, Solidarité et Condition féminine	4 045	4 062	3 997	3 814	3 818	4 104
Environnement et Faune	275	262	247	227	222	235
Famille et Enfance	829	854	856	1 069	1 065	1 288
Finances (excluding debt service)	87	81	78	78	79	174
Industrie, Commerce, Science et Technologie	418	380	295	368	368	346
Justice	489	454	460	458	455	460
Métropole	110	119	41	64	64	80
Recherche, Science et Technologie ²	—	—	—	—	—	100
Régions et Affaires autochtones	185	171	142	117	152	117
Relations avec les citoyens et Immigration	149	148	147	142	141	149
Relations internationales	95	100	83	78	78	83
Ressources naturelles	406	376	346	325	308	355
Revenu	490	511	631	1 086	1 089	754
Santé et Services sociaux	13 137	13 107	12 934	12 701	12 997	14 332
Sécurité publique	719	719	696	950	947	745
Tourisme	49	44	53	57	58	75
Transports	1 551	1 461	930	992	1 376	1 526
Travail	77	73	71	72	71	72
	36 854	36 651	35 174	35 560	35 409	37 038
Change in the allowance for loss on share investments ³	- 34	- 39	- 11	- 16	—	—
Program spending	36 820	36 612	35 163	35 544	35 409	37 038
Consolidated organizations	—	—	—	—	1 147	1 367
Total operating expenditure	36 820	36 612	35 163	35 544	36 556	38 405
Debt service						
• Consolidated Revenue Fund	5 874	6 038	5 860	5 886	6 791	6 650
• Consolidated organizations	—	—	—	—	569	608
Total debt service	5 874	6 038	5 860	5 886	7 360	7 258
Total budgetary expenditure	42 694	42 650	41 023	41 430	43 916	45 663

1 The 1998-1999 preliminary results contain provisions which allow transfers to other departments and organizations between the date the budget documents are produced and the end of the fiscal year.

2 The 1999-2000 budgetary structure will take into account the addition of this new department.

3 Allowance created and incorporated into expenditures when the accumulated deficit of a government enterprise exceeds the cost of the investment in shares held by the government. In the wake of the reform of government accounting, it is now shown under revenue.

TABLE 2.16

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

	Before reform of government accounting				After reform of government accounting	
	1994-1995	1995-1996	1996-1997	1997-1998	1997-1998	1998-1999
Investments, loans and advances						
• Consolidated Revenue Fund						
GOVERNMENT ENTERPRISES						
SHARES AND INVESTMENTS:						
Société générale de financement du Québec	—	62	186	- 90	- 90	- 40
Société Innovatech du Grand Montréal	—	—	—	—	—	- 90
Société Innovatech Québec et Chaudière-Appalaches	—	—	—	—	—	- 31
Société Innovatech Sud du Québec	—	—	—	—	—	- 10
Other	- 1	—	—	- 19	- 3	- 9
	- 1	62	186	- 109	- 93	- 180
CHANGE IN THE EQUITY VALUE OF INVESTMENTS ¹	- 1 177	- 359	- 731	- 350	- 931	- 1 241
LOANS AND ADVANCES:						
Société générale de financement du Québec	35	—	—	9	9	5
Société Innovatech du Grand Montréal	—	—	- 26	- 36	- 36	71
Société Innovatech Québec et Chaudière-Appalaches	—	—	- 7	- 14	- 14	20
Société Innovatech Sud du Québec	—	—	- 4	—	—	7
Other	7	—	- 21	—	—	- 4
	42	—	- 58	- 41	- 41	99
Total government enterprises	- 1 136	- 297	- 603	- 500	-1 065	-1 322
INDIVIDUALS, CORPORATIONS AND OTHERS	- 9	7	- 192	- 48	17	- 50
MUNICIPALITIES AND MUNICIPAL BODIES	3	3	3	5	5	3
	- 1 142	- 287	- 792	- 543	- 1 043	- 1 369
• Consolidated organizations	—	—	—	—	- 272	28
Total investments, loans and advances	- 1 142	- 287	- 792	- 543	- 1 315	- 1 341
Capital expenditures						
• Consolidated Revenue Fund						
- Net investments	—	—	—	—	-116	-95
- Amortization	—	—	—	—	381	377
	—	—	—	—	265	282
• Consolidated organizations	—	—	—	—	-479	-528
Total capital expenditures	—	—	—	—	-214	-246

TABLE 2.16 (cont.)

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

	Before reform of government accounting				After reform of government accounting	
	1994-1995	1995-1996	1996-1997	1997-1998	1997-1998	1998-1999
Retirement plans						
CONTRIBUTIONS BY THE GOVERNMENT						
Contributions by the government as employer						
RREGOP						
• Cost of constituted benefits ²	503	506	534	587	608	652
• Amortization of actuarial gain (-) or loss	- 353	- 477	- 380	- 211	—	66
• Amortization of unrecorded actuarial liabilities and cost of changes to plan	90	93	139	153	—	—
Other plans						
• Annual cost of constituted benefits ²	169	188	169	134	135	173
• Amortization of actuarial gain (-) or loss	- 2	- 2	- 4	- 6	—	30
• Amortization of unrecorded actuarial liabilities and cost of change to plans	653	746	758	789	—	—
Total government contribution	1 060	1 054	1 216	1 446	743	921
Contributions by independent employers	22	23	22	48	22	17
Participants contributions	172	154	156	119	120	117
Total contributions	194	177	178	167	142	134
Benefits, repayments and administrative expenses ³	- 1 290	- 1 351	- 1 506	- 2 046	- 2 046	- 2 635
Interest on retirement plans account charged to debt service ⁴	1 545	1 821	2 040	2 179	3 049	2 499
Total retirement plans	1 509	1 701	1 928	1 746	1 888	919
Other accounts						
• Consolidated Revenue Fund	571	- 411	- 55	- 131	286	878
• Consolidated organizations	—	—	—	—	157	175
Total other accounts	571	- 411	- 55	- 131	443	1 053
Total non-budgetary transactions	938	1 003	1 081	1 072	802	385

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

1 Net amount including the change in the allowance for loss on share investments.

2 Cost of pension benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service. In the wake of the reform of government accounting, the annual cost of constituted benefits includes the retirement charge of the new consolidated organizations, i.e. \$17 million in 1998-1999.

3 Includes, in 1998-1999, a payment of \$340 million to the Caisse de dépôt et placement du Québec in accordance with the agreements signed as part of the July 1997 retirement incentive program.

4 Excluding the revenue produced by the retirement plans sinking fund.

TABLE 2.17

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
(in millions of dollars)

	Before reform of government accounting				After reform of government accounting	
	1994-1995	1995-1996	1996-1997	1997-1998	1997-1998	1998-1999
Change in cash position						
• Consolidated Revenue Fund	-573	853	1 433	-22	-22	-2 814
• Consolidated organizations	—	—	—	—	186	514
Total change in cash position	- 573	853	1 433	- 22	164	-2 300
Change in direct debt						
• Consolidated Revenue Fund						
- New borrowings	8 656	5 227	7 049	9 038	9 027	9 336
- Repayment of borrowings	- 3 212	- 3 058	- 6 255	- 7 970	- 8 015	- 6 242
	5 444	2 169	794	1 068	1 012	3 094
• Consolidated organizations						
- New borrowings	—	—	—	—	1 094	106
- Repayment of borrowings	—	—	—	—	-811	-255
	—	—	—	—	283	-149
Total change in direct debt	5 444	2 169	794	1 068	1 295	2 945
Retirement plans sinking fund¹	5	- 74	- 91	- 73	- 84	- 1 030
Total financing of transactions	4 876	2 948	2 136	973	1 375	- 385

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 eventually cover retirement benefits payable by the government under the public sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest credited to the retirement plans account.

TABLE 2.18

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 1998-1999

Amount in Canadian dollars ¹	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
388	—	6.00	May 1	2029-10-01	97.000	6.218
392	—	6.00	May 25	2029-10-01	98.039	6.141
105	—	4.50	May 28	2026-12-01	104.516	4.226
395	—	6.00	June 1	2029-10-01	98.779	6.087
104	—	4.50	June 4	2026-12-01	104.463	4.229
226 ⁴	—	7.75	June 30	2006-03-30	112.890	5.670
72	¥ 6 727	1.91 *	June 30	2008-06-30	100.000	1.900
93	SEK 500	5.25 *	July 7	2004-07-07	101.950	4.867
53	—	4.50	July 13	2026-12-01	104.961	4.199
100 ⁴	—	6.00	July 27	2029-10-01	99.961	6.002
1 058	DM 1 250	5.125 *	August 18	2009-01-04	99.623	5.112
14	—	4.50	September 2	2026-12-01	96.008	4.758
10	—	4.50	September 18	2026-12-01	98.361	4.604
5	—	4.50	October 7	2026-12-01	96.511	4.725
10	—	4.50	October 19	2026-12-01	94.948	4.830
95	—	4.78 *	October 27	1999-10-27	99.950	4.833
77	—	6.00	October 28	2001-10-15	102.885	4.941
18	—	6.00	October 28	2001-10-15	102.768	4.983
46	DM 50	variable	November 20	2008-11-20	99.900	variable
306	—	6.00	December 21	2029-10-01	101.946	5.862
249	—	5.50	January 15	2009-06-01	99.439	5.571
10	—	4.50	February 2	2026-12-01	97.620	4.653
98 ⁴	—	6.00	February 3	2029-10-01	102.047	5.855
309	—	5.50	February 8	2009-06-01	99.804	5.524
1 483	US\$1 000	5.75	February 18	2009-02-15	99.738	5.785
161 ⁴	—	5.50	March 4	2009-06-01	97.449	5.833
211 ⁴	—	7.75	March 4	2006-03-30	111.224	5.792
89 ⁴	—	5.25	March 4	2002-04-01	98.977	5.615
989 ⁵	—	Varied	Varied	Varied	Varied	Varied
689 ⁶	Varied	Varied	Varied	Varied	Varied	Varied
191 ⁷	Varied	Varied	Varied	Varied	Varied	Varied
574 ⁸	Varied	Varied	Varied	Varied	Varied	Varied
716 ⁹	Varied	Varied	Varied	Varied	Varied	Varied
9 336¹⁰						

* Interest payable annually.

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

2 Interest payable semi-annually except where marked with an asterisk.

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

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

5 Savings products.

6 Medium-term notes on the Canadian market.

7 Medium-term notes on the US market.

8 Medium-term notes on various European markets.

9 Amounts received under interest rate and currency swap agreements.

10 Excluding borrowings of \$708 million mainly to finance institutions in the health and social services network and the education network.
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 1998-1999¹

Amount in Canadian dollars	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
100 ⁴	—	7.50	December 29	2003-12-01	110.584	5.044
90 ⁴	—	5.50	February 8	2009-06-01	99.804	5.524
190						

1 Including a borrowing of \$84 million to finance the work of municipal bodies.

2 Interest payable semi-annually.

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

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

TABLE 2.20

BORROWINGS BY THE GOVERNMENT IN 1998-1999 MAINLY TO FINANCE INSTITUTIONS IN THE HEALTH AND SOCIAL SERVICES NETWORK AND THE EDUCATION NETWORK

Amount in Canadian dollars	Face value in foreign currency	Interest rate ¹	Date of issue	Date of maturity	Price to investor	Yield to investor ²
(in millions)		%			\$	%
113 ³	—	7.75	June 16	2006-03-30	113.267	5.621
142 ³	—	11.00	June 17	2009-04-01	142.441	5.682
100 ³	—	6.50	December 16	2007-10-01	108.285	5.307
97 ³	—	10.00	December 21	2010-06-28	138.294	5.474
149	—	5.50	January 15	2009-06-01	99.439	5.571
107 ⁴	—	Varied	Varied	Varied	Varied	Varied
708						

1 Interest payable semi-annually.

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

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

4 Borrowings made out of the repayment by the consolidated organizations.

TABLE 2.21

BORROWINGS BY HYDRO-QUÉBEC IN 1998

Amount in Canadian dollars ¹	Face value in foreign currency	Interest rate ²	Date of issue	Date of maturity	Price to investor	Yield to investor ³
(in millions)		%			\$	%
95 ⁴	FS 96	3.60 *	February 6	2008-02-06	—	—
496	—	5.50	March 6	2003-05-15	99.266	5.663
584	DM 750	5.375 *	March 19	2008-03-19	102.289	5.08
137	—	10.00	May 12	2011-09-26	137.433	5.910
544 ⁵	US\$90	Varied	Varied	Varied	Varied	Varied
74 ⁶	—	Varied	Varied	Varied	Varied	Varied
511 ⁷	Varied	Varied	Varied	Varied	Varied	Varied
40 ⁸	Varied	Varied	Varied	Varied	Varied	Varied
2 481						

* Interest payable annually.

1 Borrowings in foreign currency given at the value of the currency swaps or in Canadian equivalent of their face value on the date of borrowing.

2 Interest payable semi-annually, except where marked with an asterisk.

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

4 Borrowing fully subscribed by the Caisse de dépôt et placement du Québec.

5 Medium-term notes on the Canadian market.

6 Medium-term notes on the US market.

7 Amounts received under interest rate and currency swap agreements.

8 Interest capitalized on deep-premium or discount borrowings.

Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US\$1 800 million. None of the credit agreements was being drawn upon at December 31, 1998.

Section 2

Appendix 2.1

1998-1999 Budget Speech data according to the government's new accounting framework

The financial forecasts in the March 31, 1998 Budget Speech did not incorporate in a detailed manner the data relating to the government's new accounting framework.

The overall impact of this change, as presented in the 1998-1999 Budget, was \$73 million for fiscal 1998-1999, \$55 million of which for consolidated organizations, raising the anticipated deficit of \$1 127 million to \$1 200 million.

The forecast for the new consolidated organizations had to be adjusted in order to incorporate the revenue and expenditure of certain organizations for which only net results were available at the time of last March's Budget Speech. In one case, the Agence métropolitaine de transport had not submitted any forecast for the anticipated levels of revenue and expenditure. The Société d'habitation du Québec had to modify its legal and financial structure in compliance with the provisions for the implementation of the new accounting framework. The anticipated revenue and expenditure for this organization at the time of the Budget therefore had to be adjusted, once the impact of the change in structure was known. These adjustments do not affect the net results anticipated in the March 1998 Budget Speech.

The new accounting framework also increased the anticipated net financial requirements from \$827 million to \$1 027 million. The change in the borrowings of consolidated organizations was \$515 million and of the Consolidated Revenue Fund, \$312 million. In the latter case, the increase is the result of the \$256-million rise in government contributions for the Road Network Preservation and Improvement Fund, following the application of new accounting policies for capital expenditures, and of the government's \$56-million contribution for the Fonds de gestion des départs assistés.

GOUVERNEMENT DU QUÉBEC
FINANCIAL FORECAST IN THE MARCH 31, 1998 BUDGET SPEECH AFTER
REFORM OF GOVERNMENT ACCOUNTING FRAMEWORK
(in millions of dollars)

	Budget 1998-03-31 before accounting reform	Accounting reform				Budget 1998-03-31 after accounting reform
		Consolidated Revenue Fund	Consolidated organizations			
			Budget forecast	Adjustment	Adjusted forecast	
Budgetary transactions						
Own-source revenue	34 618	342 ¹	1 410	127	1 537	36 497
Federal transfer	6 097	—	48	215	263	6 360
Total revenue	40 715	342	1 458	342	1 800	42 857
Program spending	- 35 444	687	- 894	- 342	- 1 236	- 35 993
Debt service	- 6 398	- 1 047	- 619	—	- 619	- 8 064
Total expenditure	- 41 842	- 360	- 1 513	- 342	- 1 855	- 44 057
Deficit	- 1 127	- 18	- 55	—	- 55	- 1 200
Non-budgetary transactions						
Investments, loans and advances	- 1 070	- 345	—	—	—	- 1 415
Capital expenditures	—	132	- 585	—	- 585	- 453
Retirement plans	1 729	312	—	—	—	2 041
Other accounts	268	- 393	125	—	125	—
Surplus	927	- 294	- 460	—	- 460	173
Net financial requirements	- 200	- 312	- 515	—	- 515	- 1 027
Financing transactions						
Change in cash position	—	—	—	—	—	—
Change in direct debt	1 300	312	515	—	515	2 127
Retirement plans sinking fund	- 1 100	—	—	—	—	- 1 100
Total financing of transactions	200	312	515	—	515	1 027

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 Corresponds to the net profits of government enterprises recorded according to their equity value.

Section 2

Appendix 2.2

List of consolidated organizations

ORGANIZATIONS

Agence de l'efficacité énergétique
 Agence métropolitaine de transport
 Bibliothèque nationale du Québec
 Commissaire de l'industrie de la construction
 Commission de la capitale nationale du Québec
 Commission de reconnaissance des associations d'artistes
 Commission des lésions professionnelles
 Commission des normes du travail
 Commission des services juridiques
 Commission des valeurs mobilières du Québec
 Conseil des arts et des lettres du Québec
 Conseil des assurances de dommages
 Conseil des assurances de personnes
 Corporation d'urgences-santé de la région de Montréal métropolitain
 Fondation de la faune du Québec
 Fonds d'aide aux recours collectifs
 Fonds d'assurance-prêts agricoles et forestiers
 Fonds de la recherche en santé du Québec
 Fonds pour la formation de chercheurs et l'aide à la recherche
 Grande bibliothèque
 Héma-Québec¹
 Institut de police du Québec
 Institut de recherche et d'information sur la rémunération
 Institut de tourisme et d'hôtellerie du Québec
 Institut national de santé publique du Québec
 Investissement-Québec
 Musée d'art contemporain de Montréal
 Musée de la civilisation
 Musée du Québec
 Office de la sécurité du revenu des chasseurs et piégeurs cris
 Office des professions du Québec
 Parc technologique du Québec métropolitain
 Régie de l'assurance-maladie du Québec
 Régie de l'énergie
 Régie des installations olympiques
 Sidbec
 Société de développement des entreprises culturelles
 Société de financement agricole
 Société de la Place des Arts de Montréal
 Société de télédiffusion du Québec
 Société d'habitation du Québec
 Société d'investissement Jeunesse
 Société du Centre des congrès de Québec
 Société du Grand Théâtre de Québec
 Société du Palais des congrès de Montréal
 Société du parc industriel et portuaire de Bécancour
 Société du parc industriel et portuaire Québec-Sud

Société immobilière du Québec
 Société nationale de l'amiante
 Société québécoise d'assainissement des eaux
 Société québécoise d'information juridique
 Société québécoise de récupération et de recyclage
 Société des traversiers du Québec
 Tribunal administratif du Québec

SPECIAL FUNDS

Fonds d'aide à l'action communautaire autonome
 Fonds d'aide aux victimes d'actes criminels
 Fonds d'assistance financière pour certaines régions sinistrées
 Fonds de l'assurance-médicaments
 Fonds de conservation et d'amélioration du réseau routier
 Fonds de développement du marché du travail
 Fonds de développement régional
 Fonds de financement
 Fonds de gestion des départs assistés
 Fonds de gestion de l'équipement roulant
 Fonds de la gestion des immeubles du Québec à l'étranger
 Fonds de la réforme du cadastre québécois
 Fonds de l'état civil
 Fonds de l'industrie des courses de chevaux
 Fonds de l'information gouvernementale
 Fonds de lutte contre la pauvreté par la réinsertion au travail
 Fonds de partenariat touristique
 Fonds de perception
 Fonds des contributions des automobilistes au transport en commun
 Fonds des pensions alimentaires²
 Fonds des registres du ministère de la Justice
 Fonds des services gouvernementaux
 Fonds des services de police
 Fonds des technologies de l'information du Conseil du trésor
 Fonds des technologies de l'information du ministère de l'Emploi, Solidarité et Condition féminine
 Fonds des technologies de l'information du ministère des Finances
 Fonds des technologies de l'information du ministère du Revenu
 Fonds d'information géographique et foncière
 Fonds du Bureau de la statistique du Québec
 Fonds forestier
 Fonds pour la vente de biens et services du ministère des Ressources naturelles
 Fonds relatif à la tempête du verglas
 Fonds spécial de financement des activités locales
 Fonds spécial olympique

Note: This list contains only the organizations and special funds active in the 1998-1999 fiscal year.

1 The financial forecasts for this organization were not available for fiscal 1998-1999.

2 This entity also carries out trust operations.

Section 2

Appendix 2.3

Impact of the January 1998 ice storm on the government's financial framework

According to the latest estimates, the January 1998 ice storm cost the Québec government and Hydro-Québec \$1 656 million. This amount covers mainly the emergency measures implemented during the disaster, direct government assistance to individuals, institutions, municipalities and enterprises, the repair of electricity transmission and distribution networks and losses in revenue:

- the departments of the Québec government incurred estimated total expenditures of \$749 million, essentially in costs related to the implementation of emergency measures and government assistance to disaster victims;
- total costs for Hydro-Québec are estimated at \$815 million:
 - \$90 million in revenue losses;
 - \$200 million in costs incurred for the implementation of emergency measures; these costs will be refunded to Hydro-Québec by the government;
 - \$525 million in investments to rapidly restore electricity to customers and to repair installations;
- losses in own-source revenue for the government, excluding government corporations, are estimated at \$75 million;
- revenue losses incurred by Loto-Québec and the Société des alcools du Québec are estimated at \$17 million.

Costs related to the ice storm are eligible for compensation by the federal government. The federal contribution is estimated at \$628 million, \$150 million of which has been paid. Hence, the impact on the Québec government's financial framework is reduced to \$1 028 million.

The Québec government continues to claim from the federal government the repayment of part of the costs incurred by Hydro-Québec for the implementation of emergency measures (\$200 million) and repair of its network (\$235 million).

IMPACT OF THE ICE STORM

(in millions of dollars)

	Costs and revenue losses presented in the Budget Speech	Revised costs and revenue losses	Change
Departmental expenditures	– 964	– 749	215
Hydro-Québec			
• revenue losses	– 90	– 90	—
• expenditures related to emergency measures	– 200	– 200	—
• investments to repair electricity transmission and distribution networks ¹	– 525	– 525	—
	– 815	– 815	—
Losses in own-source revenue (excluding government corporations)	– 175	– 75	100
Loto-Québec and Société des alcools du Québec			
• revenue losses	– 17	– 17	—
Total cost	– 1 971	– 1 656	315
Less:			
• share of expenditures assumed by federal government			
– departmental expenditures	837	628	209
– Hydro-Québec's expenditures	0	0	0
Impact on Québec government's financial framework²	– 1 134	– 1 028	106

Note: A negative entry indicates a decrease in revenue or an increase in expenditures.

1 The Québec government is committed to paying \$235 million on a 10-year amortization plan.

2 Excluding Hydro-Québec's investments to restore its electricity transmission and distribution networks (\$525 million), the total impact on the Québec government's financial framework is \$503 million, of which \$459 million was recorded in 1997-1998, \$32 million in 1998-1999 and \$12 million in subsequent fiscal years.

Section 3

The Government's Budgetary and Financial Stance

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Introduction

This section of the 1999-2000 Budget Plan indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget deficit and net financial requirements forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in the 1999-2000 Budget Speech. This section also presents various indicators describing the government's current financial position.

A balanced budget one year earlier than forecast

First balanced budget in 40 years

The deficit is eliminated in 1998-1999 and the budget remains balanced thereafter. The budget is balanced a year earlier than stipulated in the timetable of the Act respecting the elimination of the deficit and a balanced budget. This is the first balanced budget a Québec government has tabled in 40 years.

TABLE 3.1

SUMMARY OF CONSOLIDATED FINANCIAL OPERATIONS^{1,2}

(in millions of dollars)

	Before reform of government accounting				After reform of government accounting			
	1994-95	1995-96	1996-97	1997-98	1997-98	1998-99 ^P	99-2000 ^P	2000-01 ^P
Budgetary transactions								
Own-source revenue	29 451	30 641	31 170	33 779	35 815	37 738	38 284	38 952
Federal transfers	7 510	8 142	6 719	5 672	5 990	8 002	6 908	6 839
Total revenue	36 961	38 783	37 889	39 451	41 805	45 740	45 192	45 791
Operating expenditure	- 36 901	- 36 696	- 35 246	- 35 610	- 36 622	- 38 482	- 37 593	- 38 162
Debt service	- 5 874	- 6 038	- 5 860	- 5 886	- 7 360	- 7 258	- 7 599	- 7 629
Total expenditure	- 42 775	- 42 734	- 41 106	- 41 496	- 43 982	- 45 740	- 45 192	- 45 791
Deficit	- 5 814	- 3 951	- 3 217	- 2 045	- 2 177	0	0	0
Non-budgetary transactions	938	1 003	1 081	1 072	802	385	240	648
Net financial requirements	- 4 876	- 2 948	- 2 136	- 973	- 1 375	385	240	648

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

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

2 Based on the budgetary structure in effect in 1999-2000.

Net financial surpluses as of 1998-1999

The government will achieve net financial surpluses starting this year, i.e. \$385 million in 1998-1999, \$240 million in 1999-2000 and \$648 million in 2000-2001. Excluding the financial requirements of consolidated organizations, a surplus of \$750 million will be achieved in each of these years.

The improvement in public finances in recent years has been remarkable. In only four years, the deficit has been cut from a peak of \$5 814 million in 1994-1995 to zero in 1998-1999.

Full compliance with the requirements of the Act respecting the elimination of the deficit and a balanced budget

In addition, the government has met all the deficit targets stipulated in the Act respecting the elimination of the deficit and a balanced budget, which set deficit caps of \$3 275 million for 1996-1997, \$2 200 million for 1997-1998, \$1 200 million for 1998-1999 and zero as of 1999-2000.

For fiscal years 1996-1997 and 1997-1998, the deficit was \$58 and \$23 million respectively below the target set. The result achieved for fiscal 1998-1999, namely a balanced budget, is \$1 200 million under the target authorized by the Act and forecast in the March 1998 budget. Accordingly, up to now, the government has accumulated surpluses of \$1 281 million which, in accordance with the Act, could be used to offset possible overruns compared with a balanced budget in the years to come.

TABLE 3.2

ANTICIPATED AND ACTUAL BUDGET DEFICIT
(in millions of dollars)

	1995-96	1996-97	1997-98 ¹	1998-99 ^{P, 1}
Deficit anticipated in the Budget Speech in each year	- 3 975	- 3 275	- 2 200	- 1 200
Actual deficit	- 3 966 ²	- 3 217 ²	- 2 177	0
Discrepancy	9	58	23	1 200
Accumulated difference compared to the Act	—	58	81	1 281
Adjusted deficit ³	- 3 951	- 3 217	- 2 177	0

P: Preliminary results.

1 According to the government's new accounting framework implemented in fiscal year 1997-1998.

2 Data drawn from the public accounts reflecting the accounting policies in effect each year.

3 Based on the budgetary structure in effect in 1999-2000.

A substantially better financial situation

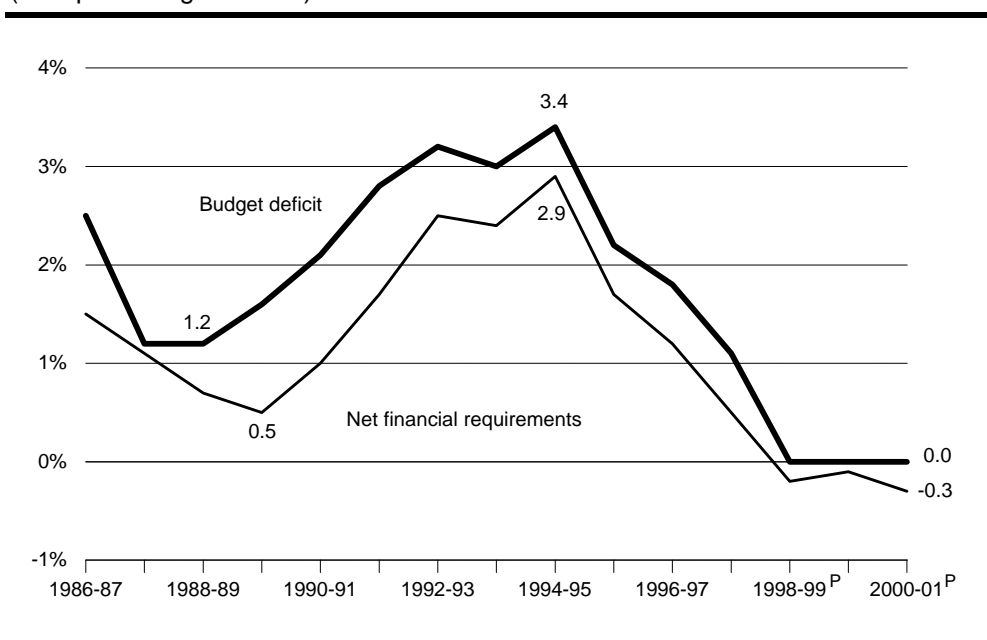
The government's financial situation has improved substantially in recent years. The government intends to continue in this direction and maintain rigorous management of public finances for the years ahead.

The budgetary deficit as a proportion of gross domestic product (GDP) has been reduced from 3.4% in 1994-1995 to zero as of 1998-1999.

Furthermore, the government will achieve large net financial surpluses, amounting to 0.3% of GDP in 2000-2001.

GRAPH 3.1

BUDGET DEFICIT AND NET FINANCIAL REQUIREMENTS (as a percentage of GDP)



P: Preliminary results for 1998-1999 and forecasts for subsequent years.

The government's indebtedness rate continues to decline

The epic battle against the deficit has enabled the government to gradually reduce its indebtedness rate since 1994-1995. It should be noted that the reform of government accounting announced in the last Budget has altered the presentation of certain liability items in the amount of \$17.3 billion as at April 1, 1997, because:

- of the new accounting method for retirement plan commitments (\$13.3 billion);
- the addition of the debt of consolidated organizations (\$4 billion).

It is important to note that this change has no effect on the government's financial situation; this financial information was already known and disclosed in full in a note to the financial statements, as far as the retirement plans are concerned, and in the public accounts, for consolidated organizations.

*The government's
indebtedness rate declines
throughout the forecast
period*

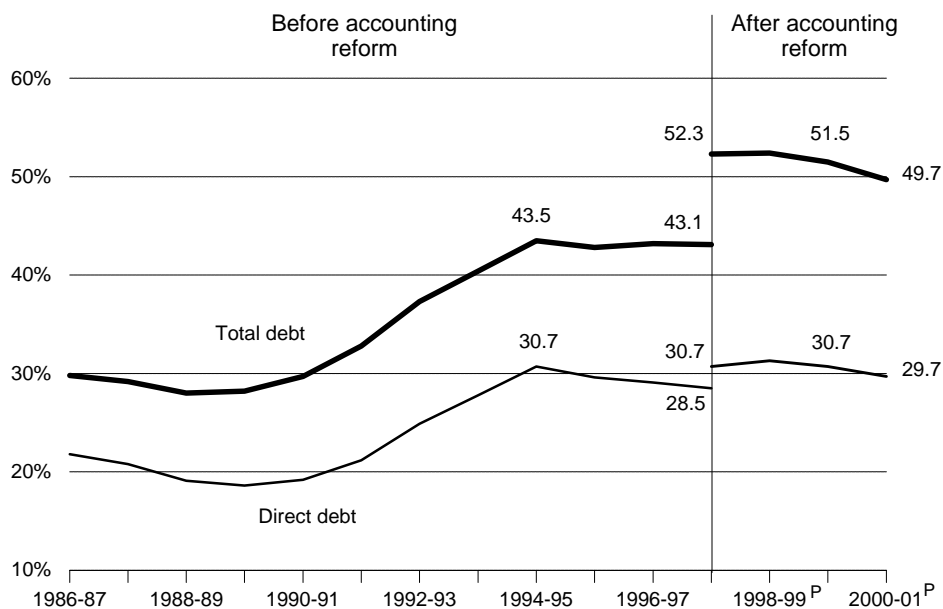
In spite of this adjustment, the downward trend in the debt/GDP ratio continues throughout the forecast period.

The ratio of the direct debt to GDP will fall from 30.7% in 1997-1998 to 29.7% by the end of 2000-2001.

As a proportion of GDP, the total debt, which includes the direct debt and all the government's commitments under the retirement plans of public and parapublic sector employees, should decline from 52.3% in 1997-1998 to 49.7% in 2000-2001.

GRAPH 3.2

GOVERNMENT DEBT AT THE END OF THE FISCAL YEAR^{1, 2}
(as a percentage of GDP)



P: Preliminary results for 1998-1999 and forecasts for subsequent years.

1 Adjusted data excluding the impact of pre-recording expenditures from 1987-1988 to 1989-1990.

2 Excluding the pre-financing of \$2 814 million in borrowings in 1998-1999.

The portion of government revenue allocated to interest payments on the debt is gradually decreasing

The adjustment to the size of the debt as at April 1, 1997, as a result of the reform of government accounting, resulted in a corresponding adjustment to debt service as of 1997-1998.

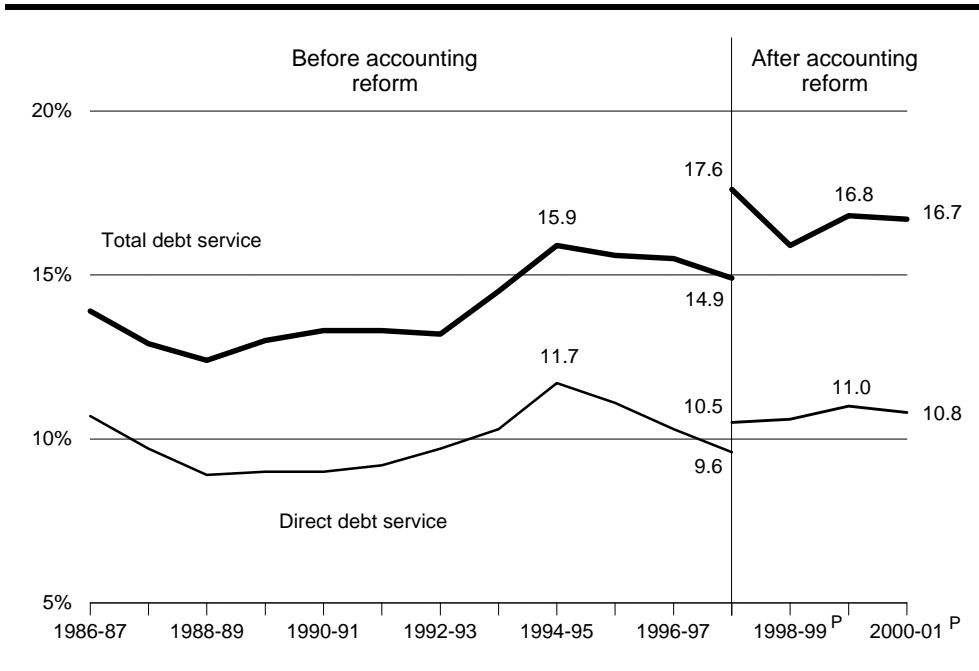
Accordingly, direct debt service, which excludes interest on the retirement plans account, now includes the debt service of the new consolidated organizations. Over the forecast period, the proportion of budgetary revenue allocated to direct debt service should remain stable at less than 11%.

The portion of budgetary revenue allocated to total debt service should decline from 17.6% of budgetary revenue in 1997-1998 to 16.7% in 2000-2001. The substantial reduction in 1998-1999 stems from the significant drop in the interest rate used to calculate the interest on the retirement plans following the new actuarial valuation. In 1999-2000, the reduction in budgetary revenue compared to 1998-1999 causes the ratio to rise to 16.8%.

GRAPH 3.3

DEBT SERVICE¹

(as a percentage of budgetary revenue)



P: Preliminary results for 1998-1999 and forecasts for subsequent years.

1 Adjusted data excluding the impact of pre-recording expenditures from 1987-1988 to 1989-1990.

Government revenue

Budgetary revenue

The government's budgetary revenue should total \$45 192 million in 1999-2000, i.e. \$38 284 million in own-source revenue and \$6 908 million in federal transfers. After rising 9.4% in 1998-1999, budgetary revenue should decline by 1.2% in 1999-2000 and then gain 1.3% in 2000-2001.

As the following table shows, the reform of government accounting added almost \$2.4 billion to budgetary revenue in 1997-1998, including \$1.8 billion for the consolidated organizations. This addition to budgetary revenue has a counterpart of the same magnitude in government expenditure, so that the impact on the deficit, as show in Table 3.1, is \$132 million.

TABLE 3.3

BUDGETARY REVENUE

(in millions of dollars)

	Before reform of government accounting				After reform of government accounting			
	1994-95	1995-96	1996-97	1997-98	1997-98	1998-99 ^P	99-2000 ^P	2000-01 ^P
Own-source revenue	29 451	30 641	31 170	33 779	35 815	37 738	38 284	38 952
% change	2.2	4.0	1.7	8.4	n.a.	5.4	1.4	1.7
Federal transfers	7 510	8 142	6 719	5 672	5 990	8 002	6 908	6 839
% change	- 3.5	8.4	- 17.5	- 15.6	n.a.	33.6	- 13.7	- 1.0
Budgetary revenue	36 961	38 783	37 889	39 451	41 805	45 740	45 192	45 791
% change	1.0	4.9	- 2.3	4.1	n.a.	9.4	- 1.2	1.3
Nominal GDP growth rate in % *	5.3	4.4	1.1	3.4	3.4	2.0	2.9	4.2
Inflation rate in Canada in % *	0.2	2.2	1.6	1.6	1.6	0.9	1.5	1.6

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

n.a.: Not applicable.

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

Own-source revenue

Own-source revenue should rise by 5.4% in 1998-1999 compared with the preceding period. Substantial increases will be recorded for personal income tax, the Health Services Fund, consumption taxes, as well as revenue from government enterprises and consolidated organizations of the government accounting entity.

The good performance of own-source revenue is essentially attributable to accelerating growth in the major tax bases, with the exception of corporate taxes. It also reflects the recovery in profits of Hydro-Québec which had been negatively impacted in late 1997-1998 by the ice storm.

TABLE 3.4

OWN-SOURCE REVENUE, BY SOURCE¹ (in millions of dollars)

	1998-1999 ^P	1999-2000 ^P	2000-2001 ^P
Personal income tax	15 115	15 293	15 748
% change	4.6	1.2	3.0
Health Services Fund	4 057	4 083	4 002
% change	4.2	0.6	- 2.0
Corporate taxes	3 265	3 325	3 609
% change	- 5.2	1.8	8.5
Consumption taxes	8 283	8 455	8 719
% change	13.5	2.1	3.1
Other revenue	2 352	2 412	2 421
% change	- 7.8	2.6	0.4
Sub-total excluding government enterprises and consolidated organizations	33 072	33 568	34 499
% change	4.5	1.5	2.8
Government enterprises	3 021	2 937	2 771
% change	10.5	- 2.8	- 5.7
Consolidated organizations	1 645	1 779	1 682
% change	14.2	8.1	- 5.5
Own-source revenue	37 738	38 284	38 952
% change	5.4	1.4	1.7
Growth rate in %: ¹			
Final domestic demand	3.9	3.2	3.1
GDP	2.0	2.9	4.2

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

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

For 1999-2000 and 2000-2001, a slowdown in the growth rate of own-source revenue is expected. In 1999-2000, the increase should amount to 1.4% in particular because of the tax measures announced in the 1999-2000 Budget and the budgets of the last two years. The slowdown in growth will be more pronounced for personal income tax, the Health Services Fund and consumption taxes. In 2000-2001, the rise should be limited to 1.7%, given that the full impact of the tax measures will be felt.

Changes in revenue by source:

- Personal income tax, the main source of government revenue, should increase 1.2% in 1999-2000, to nearly \$15.3 billion.¹ During this fiscal year, the increase in tax revenue arising from growth in income subject to tax will be reduced by the impact over a full year of the tax reduction in effect since January 1, 1998. In 2000-2001, the increase in revenue amounts to 3%, which is compatible with the rise in income subject to tax, taking the tax reductions announced in this Budget into account.
- Health Services Fund contributions should rise by 0.6% in 1999-2000, with the growth in wages and salaries being almost entirely offset by the decrease in the contribution rate for small and medium enterprises in force since January 1, 1999 as part of the reform of corporation taxation announced in the 1998-1999 budget. In 2000-2001, Health Services Fund contributions are expected to fall 2%, in particular because of the additional reduction in the contribution rate of small and medium enterprises which will become effective January 1, 2000.
- The 1.8% rise in revenue expected in corporate taxes in 1999-2000, in spite of the anticipated stagnation in corporate profits growth, stems from the increase in the tax rate on small and medium enterprises as part of the reform of corporate taxation. In 2000-2001, revenue should increase by 8.5% given the expected improvement in corporate profits.
- Consumption tax revenue should achieve gains of 2.1% in 1999-2000 and 3.1% in 2000-2001, comparable to the rate of growth in household consumption, taking the change in input tax refunds into account.
- Revenue from government enterprises is expected to fall 2.8% in 1999-2000 because of the anticipated drop in revenue of enterprises added to the government's accounting entity. However, this decrease is partially offset by the forecast rise in profits of the Société des alcools du Québec, Loto-Québec and Hydro-Québec. In 2000-2001, the anticipated drop of 5.7% stems mainly from the expected decrease in Hydro-Québec's profits resulting, in particular, from higher interest charges.

¹ Appendix 3.2 presents the breakdown of the main sources of the government's own-source revenue since 1970-1971.

- Revenue from consolidated organizations should grow by 8.1% in 1999-2000, in particular because of the resumption of payment of part of the tobacco tax to the Fonds spécial olympique. These payments had been interrupted in 1998-1999 following the sale of the Olympic Village. In 2000-2001, revenue from consolidated organizations should fall 5.5% because of the reduction in levies of the Fonds de financement des activités locales and because the amounts needed to build up the Fonds de lutte à la pauvreté will be fully provided for by the end of 1999-2000;
- Lastly, revenue from other sources should remain relatively stable in 1999-2000 and 2000-2001.

Link between growth in own-source revenue and economic growth

Broadly speaking, growth in revenue is expected to match nominal economic growth. Once account has been taken of the financial impact of fiscal measures and measures intended to eliminate tax evasion and unreported work, the average growth rate for own-source revenue over the next two years will be 3.7%, compared with a 3.5% increase in gross domestic product.

TABLE 3.5

OWN-SOURCE REVENUE AND GDP (in millions of dollars)

	1998-1999 ^P	1999-2000 ^P	2000-2001 ^P
Revenue, excluding government enterprises and consolidated organizations	33 010¹	33 568	34 499
% change	—	1.7	2.8
Less:			
❑ Impact of measures in this budget ²	—	– 75	– 436
❑ Impact of measures in the 1997-1998 and 1998-1999 budgets ³	– 122	– 484	– 765
❑ Measures to maintain a sound tax system	1 150	1 225	1 300
Revenue before measures	31 982	32 902	34 400
% change	—	2.9	4.6
Gross domestic product	190 558	196 006	204 241
% change	—	2.9	4.2
Elasticity⁴	—	1.01	1.08

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

1 Excluding \$62 million from the tobacco tax retained in 1998-1999 because of the sale of the Olympic Village. Source: Table 3.4.

2 Source: 1999-2000 Budget Speech, Additional Information on the Budgetary Measures, Table "Financial Impact of Fiscal and Budgetary Measures", Section 4, p. 2.

3 Excluding measures to collect all revenue owed to the government and the postponement of the refund of the QST to large companies. Sources: 1997-1998 Budget Speech, Appendix A, p. 240 and 241 and 1998-1999 Budget Speech, Additional Information on the Budgetary Measures, Section 3, p. 1 to 3.

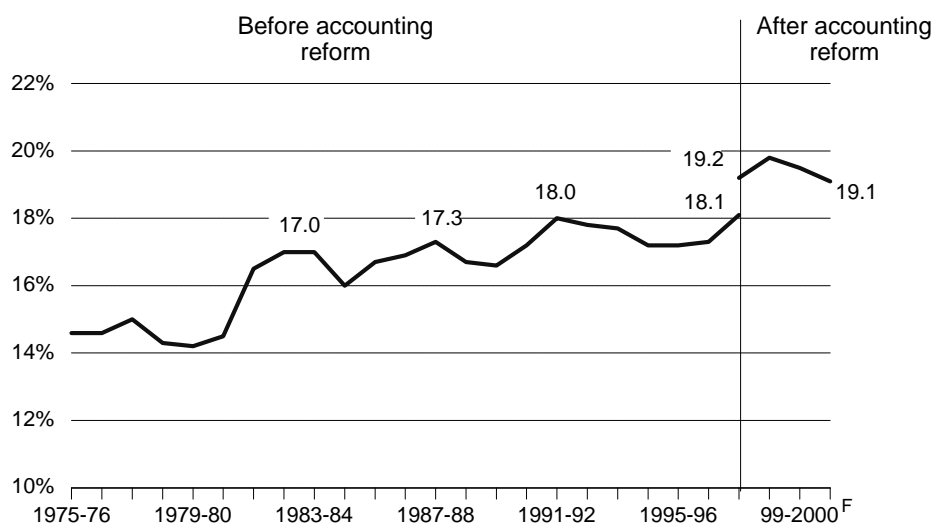
4 Elasticity measures the link between growth in revenue before various measures and growth in gross domestic product. An elasticity of 1.00 means that a 1% increase in gross domestic product will lead to a 1% increase in own-source revenue.

Own-source revenue as a proportion of gross domestic product, including consolidated organizations, amounts to 19.2% in 1997-1998. Accordingly, given the tax reductions announced in this Budget and those of the last two years, the own-source revenue/GDP ratio should decline over the forecast period.

However, growth in own-source revenue can differ from that in GDP from year to year because of the relative changes in the tax bases included in GDP. Such was the case in 1998-1999, when GDP growth was negatively affected by deteriorating terms of trade. However, since own-source revenue is not significantly affected by net exports, it rose more in line with the growth rate of final domestic demand which stood at 3.9%, almost double that of GDP (2%). The result was an isolated increase in the own-source revenue/GDP ratio.

GRAPH 3.4

OWN-SOURCE REVENUE (as a percentage of GDP)



F: Forecast.

Federal transfers

Following an increase of 33.6% in 1998-1999, cash transfers from the federal government are expected to fall 13.7% in 1999-2000 and 1.0% in 2000-2001.

On an accrual basis, i.e. by charging the amounts received to the year to which they apply, federal transfers will increase 0.7% in 1998-1999. Excluding the additional revenue from the Canada-Québec labour market agreement, federal transfers would have fallen 5.6%. Subsequently, they should drop by 2.1% in 1999-2000 and rise by 0.5% in 2000-2001.

TABLE 3.6

FEDERAL TRANSFER REVENUE

(in millions of dollars)

	Before reform of government accounting				After reform of government accounting			
	1994-95	1995-96	1996-97	1997-98	1997-98	1998-99 ^P	99-2000 ^P	2000-01 ^P
Cash basis								
Consolidated Revenue Fund	7 510	8 142	6 719	5 672	5 672	7 712	6 659	6 609
% change	- 3.5	8.4	- 17.5	- 15.6	- 15.6	36.0	- 13.6	- 0.7
Consolidated organizations	n.a.	n.a.	n.a.	n.a.	318	290	249	230
Total	7 510	8 142	6 719	5 672	5 990	8 002	6 908	6 839
% change	- 3.5	8.4	- 17.5	- 15.6	n.a.	33.6	- 13.7	- 1.0
Adjustment to charge amounts to the appropriate year	415	- 140	- 60	1 004	1 004	- 959	- 12	91
Accrual basis	7 925	8 002	6 779	6 676	6 994	7 043	6 896	6 930
% change	1.3	1.0	- 15.3	- 1.5	n.a.	0.7	- 2.1	0.5

P: Preliminary results for 1998-1999 and forecasts for subsequent years. These amounts include the additional revenue from the Canada-Québec labour market agreement.

n.a.: Not applicable.

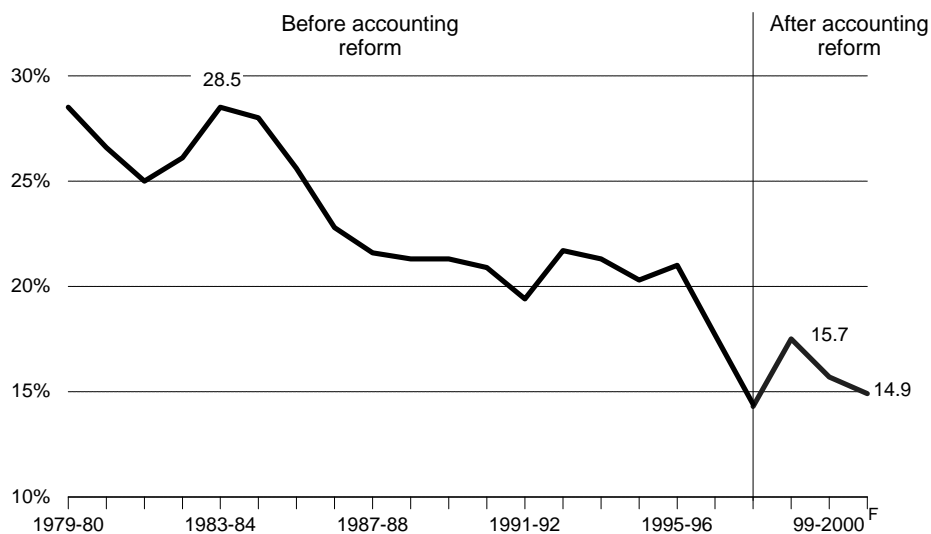
In spite of the additional amounts received under the Canada Health and Social Transfer (CHST) announced in the last federal budget, federal transfers will drop substantially in 1999-2000. The reduction is due mainly to the decline in equalization revenue and growth in the value of CHST tax transfers² which reduces cash payments by an equivalent amount. Federal cash transfers will fall again in 2000-2001, to \$6.8 billion.

2 Tax transfers correspond to personal and corporate income tax points that the federal government ceased collecting in the past, leaving the tax room to the provinces. The federal government subtracts the value of tax transfers from the total entitlements under the CHST in order to calculate the cash transfers it pays to the provinces under the program. When the value of tax transfers increases, cash transfers under the CHST decrease.

Given the federal government's repeated cuts in social programs funding since the early 1980s, these transfers, which accounted for 28.5% of the Québec government's total budgetary revenue in 1983-1984, will amount to only 14.9% in 2000-2001. The increase in the CHST announced in the last federal budget will not have a fundamental impact on this trend.

GRAPH 3.5

FEDERAL CASH TRANSFERS TO QUÉBEC
(as a percentage of budgetary revenue)



F: Forecasts.

Government expenditure

The government's budgetary expenditure should total \$45 192 million in 1999-2000. Operating expenditure will account for \$37 593 million, while debt service will amount to \$7 599 million.

Operating expenditure includes program spending by 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 3.7

BUDGETARY EXPENDITURE¹

(in millions of dollars)

	Before reform of government accounting				After reform of government accounting			
	1994-95	1995-96	1996-97	1997-98	1997-98	1998-99 ^P	99-2000 ^P	2000-01 ^P
Operating expenditure								
□ Program spending	- 36 901	- 36 696	- 35 246	- 35 610	- 35 475	- 37 115	- 36 238	- 37 031
% change	2.0	- 0.6	- 4.0	1.0	n.a.	3.4 ¹	- 2.4	2.2
□ Consolidated organizations	n.a.	n.a.	n.a.	n.a.	- 1 147	- 1 367	- 1 355	- 1 131
Total operating expenditure	- 36 901	- 36 696	- 35 246	- 35 610	- 36 622	- 38 482	- 37 593	- 38 162
% change	2.0	- 0.6	- 4.0	1.0	n.a.	3.9 ¹	- 2.3	1.5
Debt service								
□ Consolidated Revenue Fund	- 5 874	- 6 038	- 5 860	- 5 886	- 6 791	- 6 650	- 6 934	- 6 959
% change	10.5	2.8	- 2.9	0.4	n.a.	- 2.1	4.3	0.4
□ Consolidated organizations	n.a.	n.a.	n.a.	n.a.	- 569	- 608	- 665	- 670
Total debt service	- 5 874	- 6 038	- 5 860	- 5 886	- 7 360	- 7 258	- 7 599	- 7 629
% change	10.5	2.8	- 2.9	0.4	n.a.	- 1.4	4.7	0.4
Budgetary expenditure	- 42 775	- 42 734	- 41 106	- 41 496	- 43 982	- 45 740	- 45 192	- 45 791
% change	3.1	- 0.1	- 3.8	0.9	n.a.	3.0 ¹	- 1.2	1.3
Nominal GDP growth rate in % *	5.3	4.4	1.1	3.4	3.4	2.0	2.9	4.2
Inflation rate in Canada in % *	0.2	2.2	1.6	1.6	1.6	0.9	1.5	1.6

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

n.a.: Not applicable.

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

1 Excluding the impact of the Canada-Québec labour market agreement which became effective in 1998-1999.

Budgetary expenditure should fall by 1.2% in 1999-2000, mainly because of extraordinary expenditures of \$1 170 million recorded in 1998-1999 for the financial restructuring and consolidation plan of health and social services institutions, and investments to improve the financial situation of universities. Excluding these amounts, budgetary expenditure should rise by 0.3% in 1998-1999 and by 1.4% in 1999-2000.

Program spending

Program spending should fall 2.4% in 1999-2000 following a rise of 3.4% in 1998-1999. However, excluding the extraordinary expenditures recorded in 1998-1999, program spending is up 0.1% in 1998-1999 and 0.8% in 1999-2000. This growth rate is compatible with the objective of maintaining a balanced budget in 1999-2000.

Program spending should rise by 2.2% in 2000-2001, which will stabilize per capita program spending, maintain a balanced budget and lower the tax burden.

TABLE 3.8

PROGRAM SPENDING (in millions of dollars)

	1998-99 ^P	99-2000 ^P	2000-01 ^P
Program spending in the 1999-2000 budget	- 37 115	- 36 238	- 37 031
% change	3.4 ¹	- 2.4	2.2
Less: extraordinary expenditures recorded in 1998-1999			
<input type="checkbox"/> Financial restructuring and consolidation plan for health institutions	1 000		
<input type="checkbox"/> Improvement of the financial situation of universities	170		
Program spending before extraordinary measures in 1998-1999	- 35 945	- 36 238	- 37 031
% change	0.1 ¹	0.8	2.2
Nominal GDP growth rate in % *	2.0	2.9	4.2
Inflation rate in Canada in % *	0.9	1.5	1.6

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

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

1 Excluding the impact of the Canada-Québec labour market agreement which became effective in 1998-1999.

New spending initiatives

Overall, the new spending initiatives announced in this Budget amount to \$1 532 million in 1998-1999 and \$1 145 million in 1999-2000:

- In the health sector, the government is investing an additional \$1 billion in 1998-1999 to support the financial restructuring and consolidation plan for health and social services institutions. Of this amount, \$700 million will be applied to eliminate the network's debt, while \$300 million in additional resources will be used to stabilize the network's operation. Additional resources of \$155 million in 1998-1999 and \$592 million in 1999-2000 are provided to maintain and improve services.
- In the education sector, new investments of \$207 million are planned for 1998-1999, including \$170 million to improve the financial situation of universities and \$30 million to purchase books for school libraries and dictionaries and grammar books for schools. The reform of education and certain other initiatives will total \$7 million in 1998-1999 and \$51 million in 1999-2000. Lastly, in 1999-2000, \$342 million in additional funding will be applied to maintain and improve the quality of education services.
- The other measures announced in this Budget will amount to \$170 million in 1998-1999 and \$160 million in 1999-2000. These measures chiefly involve job creation, supporting regional and local development and sustaining investments in culture.

TABLE 3.9

NEW PROGRAM SPENDING INITIATIVES IN THE 1999-2000 BUDGET
(in millions of dollars)

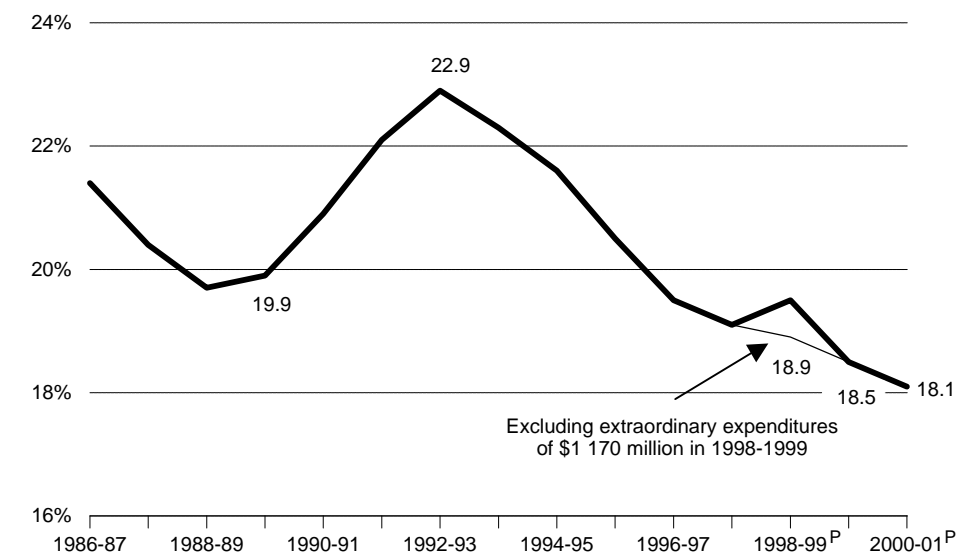
	1998-1999	1999-2000
Additional investments in the health and social services sector:		
❑ Financial restructuring and consolidation plan for network institutions:		
– elimination of the network's debt	– 700	—
– additional resources to stabilize network operations	– 300	—
❑ Additional resources to maintain and improve services	– 155	– 592
	– 1 155	– 592
Additional investments for education and youth:		
❑ Improvement in the financial situation of universities	– 170	—
❑ Reform of education, and others	– 7	– 51
❑ Purchase of dictionaries, grammar and other books	– 30	—
❑ Additional resources to maintain and improve the quality of education services	—	– 342
	– 207	– 393
Other measures of the 1999-2000 budget	– 170	– 160
Total	– 1 532	– 1 145

The government's budgetary and financial stance in recent years has significantly reduced program spending as a proportion of the economy, to the point where it is now more in line with Quebecers' ability to pay. Now that the budget is balanced, it will be possible to invest more in public services, while taking the government's budgetary and fiscal objectives into account.

In view of the measures announced in this Budget and the policy stance adopted for the coming years, the government's program spending should amount to 18.5% of GDP in 1999-2000 and 18.1% in 2000-2001.

GRAPH 3.6

PROGRAM SPENDING¹
(as a percentage of GDP)



P: Preliminary results for 1998-1999 and forecasts for subsequent years.

1 Adjusted data excluding the impact of pre-recording expenditures from 1987-1988 to 1989-1990.

Consolidated organizations net results management method

Following the consolidation of new organizations within the government accounting entity, the government's expenditure management method is changed. Henceforth, in addition to having to remain within the amount of appropriations it has been allocated, each department will have to see to it that the consolidated organizations for which it is responsible achieve their net results target, i.e. the difference between their revenue and their expenditure.

On the whole, for fiscal year 1999-2000, total revenue from consolidated organizations should exceed forecast expenditure by \$8 million. In 2000-2001, a surplus of \$111 million is estimated.

TABLE 3.10

NET RESULTS OF CONSOLIDATED ORGANIZATIONS^{1, 2}
(in millions of dollars)

	1997-1998	1998-1999 ^P	1999-2000 ^P	2000-2001 ^P
Own-source revenue	1 441	1 645	1 779	1 682
Government of Canada transfers	318	290	249	230
Total revenue	1 759	1 935	2 028	1 912
Operating expenditure	- 1 147	- 1 367	- 1 355	- 1 131
Debt service	- 569	- 608	- 665	- 670
Total expenditure	- 1 716	- 1 975	- 2 020	-1 801
Net results	43	- 40	8	111

P: Preliminary results for 1998-1999 and forecasts for subsequent years.

1 Excluding government enterprises recorded at equity value.

2 Excluding transactions with other entities within the government accounting entity.

Section 3

Appendix 3.1

Source and use of surpluses over the forecasts in the 1998-1999 Budget Speech

The 1998-1999 Budget Speech forecast a deficit of \$1 200 million for fiscal year 1998-1999. The preliminary results indicate that the deficit will be adjusted to zero, an improvement of \$1 200 million compared to the initial forecast. In 1999-2000, the budget will be balanced as initially forecast.

Since last year's Budget, own-source revenue has been adjusted upward by \$1 164 million in 1998-1999. This adjustment is attributable mainly to better economic performance than expected. In 1999-2000, the upward adjustment to own-source revenue amounts to \$651 million.

Federal transfers have been raised by \$1 642 million in 1998-1999 essentially because of additional equalization of \$1.4 billion which will be paid during March 1999. These amounts are not fully recurring, so federal transfer revenue is adjusted by \$616 million in 1999-2000.

Budgetary expenditure is adjusted downward by \$58 million in 1998-1999 and upward by \$107 million in 1999-2000.

Taken as a whole, these adjustments result in surpluses over the forecasts in the 1998-1999 Budget Speech, amounting to \$2 864 million in 1998-1999 and \$1 066 million in 1999-2000.

These surpluses have been applied on a priority basis to eliminate the budget deficit in 1998-1999.

Furthermore, amounts totaling \$1.7 billion over two years have been invested in the health and social services sector, including \$1 155 million in 1998-1999 and \$592 million in 1999-2000, as follows:

- \$700 million to eliminate the network's debt;
- \$300 million to stabilize the network's operations;
- \$747 million allocated over two years to maintain and improve direct public services.

For education and youth, \$600 million will be invested over two years, including \$207 million in 1998-1999, in particular to improve the financial situation of universities. In 1999-2000, \$342 million will be applied to preserve and improve the quality of services, while the reform of education and other initiatives will total \$51 million.

Lastly, \$383 million has been allocated over two years in particular for job creation in various sectors of economic activity.

TABLE 3.1.1

**SOURCE AND USE OF SURPLUSES OVER THE
FORECASTS IN THE 1998-1999 BUDGET SPEECH**
(in millions of dollars)

	1998-1999	1999-2000	Total
Deficit forecast in the 1998-1999 Budget Speech	- 1 200	0	
SOURCE OF SURPLUSES:			
□ Own-source revenue	1 164	651	
□ Federal transfers	1 642 ¹	616	
□ Budgetary expenditure	58	- 107	
□ Measures required in the 1998-1999 Budget Speech to balance the budget in 1999-2000	—	- 94	
Surplus in relation to the 1998-1999 Budget Speech	2 864	1 066	3 930
USE OF SURPLUSES			
1. Elimination of the deficit in 1998-1999	- 1 200	—	- 1 200
2. Additional investments in the health and social services sector:			
□ Elimination of the network's debt	- 700	—	
□ Additional resources to stabilize network operations	- 300	—	
□ Additional resources to maintain and improve services	- 155	- 592	
	- 1 155	- 592	- 1 747
3. Additional investments for education and youth:			
□ Improvement in the financial situation of universities	- 170	—	
□ Reform of education, and others	- 7	- 51	
□ Purchase of dictionaries, grammar and other books	- 30	—	
□ Additional resources to maintain and improve the quality of education services	—	- 342	
	- 207	- 393	- 600
4. Investments to promote job creation, innovation and other initiatives:			
□ Valorisation-Recherche Québec	- 100	—	
□ Innovation Québec	—	- 32	
□ Others ²	- 202	- 49	
	- 302	- 81	- 383
Deficit forecast in the 1999-2000 Budget Speech	0	0	

1 Including \$1.4 billion in equalization revenue which will be paid during March 1999.

2 Including investments to promote regional and local development, cultural development, and increases in basic budgets.

Section 3

Appendix 3.2

Additional information on budgetary revenue in 1999-2000

The Québec government's revenue should total \$45 192 million in 1999-2000. This revenue is derived from two sources: own-source revenue and federal transfer revenue.

Own-source revenue accounts for almost 85% of the government's revenue

In 1999-2000, the Québec government's own-source revenue should reach \$38 284 million, or 84.7% of budgetary revenue. Own-source revenue can be divided into three categories. The first category consists of tax revenue, which essentially includes personal income tax, corporate taxes and consumption taxes. The next category takes in non-tax revenue, such as various duties and permits (registration fees, hunting and fishing permits, etc.), miscellaneous revenue (interest, recoveries, sales of goods and services, fines etc.) and the revenue of consolidated organizations. The last category encompasses revenue from government enterprises, such as Hydro-Québec, Loto-Québec and the Société des alcools du Québec.

TABLE 3.2.1

BUDGETARY REVENUE IN 1999-2000^F

	In \$M	In %
Own-source revenue	38 284	84.7
Federal transfers	6 908	15.3
	45 192	100.0

F: Forecasts.

Tax revenue makes up the bulk of own-source revenue

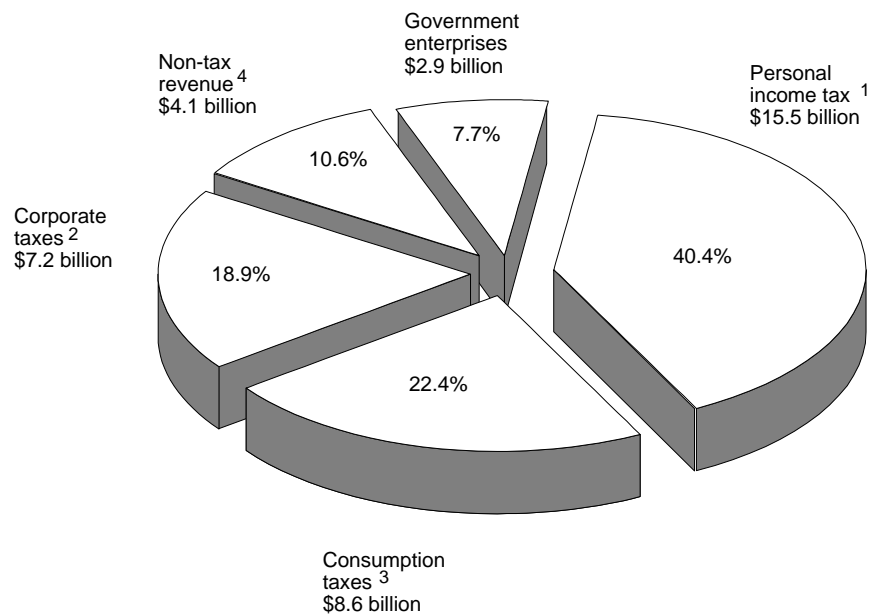
In 1999-2000, personal income tax will be the largest source of own-source revenue (40.4%), followed by consumption taxes (22.4%) and corporate taxes (18.9%). These three sources, which make up tax revenue, account for 81.7% of all own-source revenue.

The balance of own-source revenue consists of revenue from government enterprises (7.7%) and non-tax revenue (10.6%) which includes fees for government services and the revenue of consolidated organizations.

GRAPH 3.2.1

DISTRIBUTION OF OWN-SOURCE REVENUE BY SOURCE IN 1999-2000^F

Total: \$38.3 billion



F: Forecasts.

1 Including individuals' contributions to the Health Services Fund.

2 Including corporate contributions to the Health Services Fund.

3 Including duties on alcoholic beverages.

4 Including revenue of consolidated organizations.

Corporate taxes account for a growing share of revenue

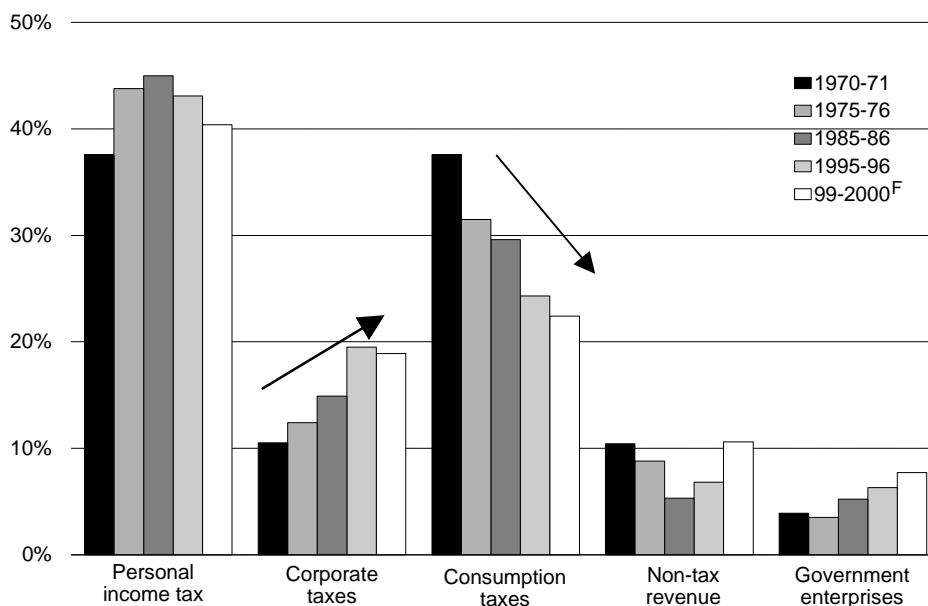
The composition of own-source revenue has altered considerably over the years. Personal income tax as a proportion of overall revenue has declined over the past two decades. On the other hand, the share of corporate taxes has grown appreciably, almost doubling since 1970-1971. The relative importance of consumption taxes has declined considerably, from 37.6% in 1970-1971 to 22.4% in 1999-2000.

The relative 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 accounting entity since 1997-1998 has helped to significantly increase the share of these two revenue sources in total own-source revenue.

GRAPH 3.2.2

OWN-SOURCE REVENUE BY SOURCE

(as a percentage of the total)



F: Forecasts.

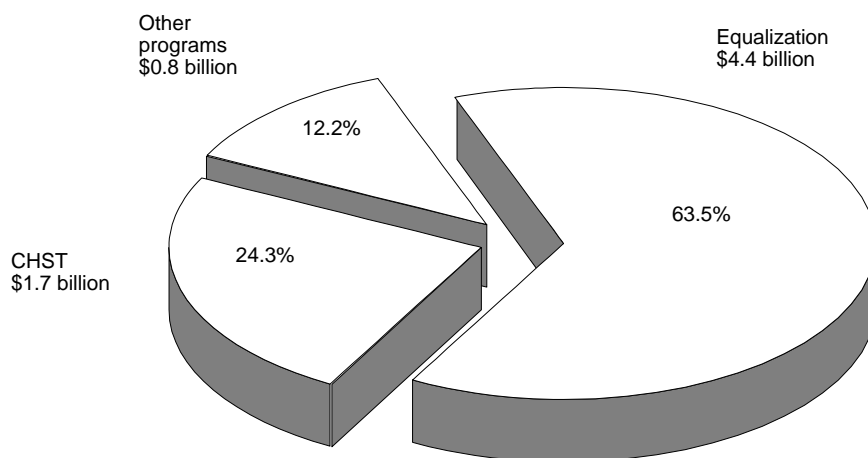
Equalization accounts for almost two-thirds of federal transfers

The Québec government's revenue also includes federal transfers. In 1999-2000, these transfers will reach \$6 908 million, or 15.3% of budgetary revenue. Federal transfers include equalization, the Canada Health and Social Transfer (CHST), as well as revenue from a number of cost-sharing agreements between Québec and the federal government.

GRAPH 3.2.3

DISTRIBUTION OF FEDERAL TRANSFERS BY SOURCE IN 1999-2000^F

Total: \$6.9 billion



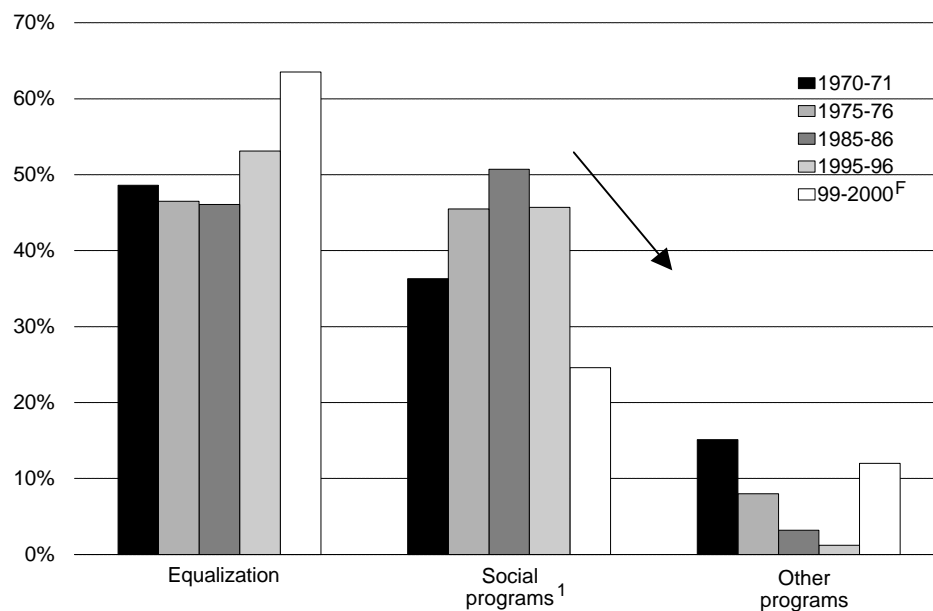
F: Forecasts.

Share of federal transfers for health and social services down sharply

As the following graph shows, the share of federal cash transfers for health, post-secondary education and social services has fallen sharply since the early 1980s. This decline has recently accelerated 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 3.2.4

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



F: Forecasts.

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

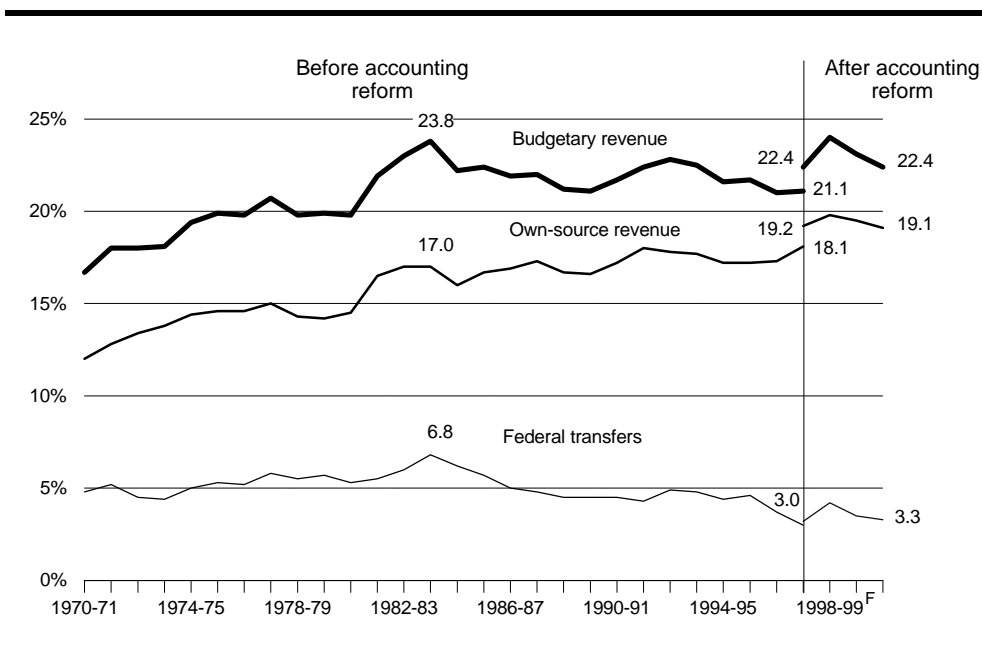
Own-source revenue accounts for a growing share of budgetary revenue

Since the early 1980s, budgetary revenue has accounted for a relatively constant proportion of GDP, though this ratio has risen since 1997-1998 with the consolidation of certain organizations within the government accounting entity.

However, the share of own-source revenue has risen during this period, while that of federal transfers has fallen because of federal cuts to funding for social programs.

GRAPH 3.2.5

BUDGETARY REVENUE (as a percentage of GDP)



F: Forecasts.

Section 3

Appendix 3.3

Additional information on the Québec government's financial position

TABLE 3.3.1

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

	Budgetary transactions				
	Own-source revenue	Federal transfers	Total revenue	Expenditure	Deficit
Before reform of government accounting					
1970-1971	2 747	1 095	3 842	- 3 987	- 145
1971-1972	3 183	1 294	4 477	- 4 832	- 355
1972-1973	3 743	1 262	5 005	- 5 352	- 347
1973-1974	4 360	1 377	5 737	- 6 396	- 659
1974-1975	5 352	1 872	7 224	- 7 666	- 442
1975-1976	6 093	2 224	8 317	- 9 268	- 951
1976-1977	7 110	2 523	9 633	- 10 809	- 1 176
1977-1978	7 986	3 090	11 076	- 11 780	- 704
1978-1979	8 507	3 271	11 778	- 13 276	- 1 498
1979-1980	9 442	3 757	13 199	- 15 599	- 2 400
1980-1981	10 736	3 899	14 635	- 18 116	- 3 481
1981-1982	13 430	4 479	17 909	- 20 530	- 2 621
1982-1983	14 643	5 178	19 821	- 22 284	- 2 463
1983-1984	15 662	6 235	21 897	- 24 061	- 2 164
1984-1985	16 098	6 247	22 345	- 26 218	- 3 873
1985-1986	18 030	6 190	24 220	- 27 693	- 3 473
1986-1987	19 796	5 839	25 635	- 28 607	- 2 972
1987-1988	22 248	6 131	28 379	- 30 775	- 2 396
1988-1989	23 647	6 403	30 050	- 31 754	- 1 704
1989-1990	24 726	6 693	31 419	- 33 183	- 1 764
1990-1991	26 490	6 992	33 482	- 36 457	- 2 975
1991-1992	28 193	6 766	34 959	- 39 260	- 4 301
1992-1993	28 154	7 782	35 936	- 40 966	- 5 030
1993-1994	28 805	7 780	36 585	- 41 508	- 4 923
1994-1995	29 451	7 510	36 961	- 42 775	- 5 814
1995-1996	30 641	8 142	38 783	- 42 734	- 3 951
1996-1997	31 170	6 719	37 889	- 41 106	- 3 217
1997-1998	33 779	5 672	39 451	- 41 496	- 2 045
After reform of government accounting					
1997-1998	35 815	5 990	41 805	- 43 982	- 2 177
1998-1999 ^P	37 738	8 002	45 740	- 45 740	0

P: Preliminary results for 1998-1999.

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

Non-budgetary transactions					Net financial requirements
Investments, loans and advances	Capital investments	Retirement plans	Other accounts	Surplus	
- 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	571	938	- 4 876
- 287	—	1 701	- 411	1 003	- 2 948
- 792	—	1 928	- 55	1 081	- 2 136
- 543	—	1 746	- 131	1 072	- 973
- 1 315	- 214	1 888	443	802	- 1 375
- 1 341	- 246	919	1 053	385	385

TABLE 3.3.2

GOUVERNEMENT DU QUÉBEC
TOTAL DEBT AT THE END OF THE FISCAL YEAR¹

	Direct debt ²		Retirement plans ³		Total debt	
	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	10.8	—	—	2 478	10.8
1971-1972	2 920	11.8	—	—	2 920	11.8
1972-1973	3 309	11.9	—	—	3 309	11.9
1973-1974	3 679	11.6	—	—	3 679	11.6
1974-1975	4 030	10.8	67	0.2	4 097	11.0
1975-1976	4 955	11.8	179	0.4	5 134	12.3
1976-1977	6 035	12.4	354	0.7	6 389	13.1
1977-1978	7 111	13.3	620	1.2	7 731	14.5
1978-1979	8 325	14.0	915	1.5	9 240	15.5
1979-1980	9 472	14.3	1 598	2.4	11 070	16.7
1980-1981	12 247	16.6	2 420	3.3	14 667	19.9
1981-1982	14 184	17.4	3 428	4.2	17 612	21.6
1982-1983	16 485	19.1	4 489	5.2	20 974	24.3
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	21.8	7 998	7.4	31 631	29.2
1986-1987	25 606	21.8	9 353	8.0	34 959	29.8
1987-1988	26 819	20.8	10 883	8.4	37 702	29.2
1988-1989	27 091	19.1	12 597	8.9	39 688	28.0
1989-1990	27 699	18.6	14 320	9.6	42 019	28.2
1990-1991	29 637	19.2	16 227	10.5	45 864	29.7
1991-1992	33 106	21.2	18 143	11.6	51 249	32.8
1992-1993	39 231	24.9	19 668	12.5	58 899	37.3
1993-1994	45 160	27.8	20 483	12.6	65 643	40.4
1994-1995	52 468	30.7	21 997	12.9	74 465	43.5
1995-1996	52 886	29.6	23 624	13.2	76 510	42.8
1996-1997	52 625	29.1	25 461	14.1	78 086	43.2
1997-1998	53 311	28.5	27 135	14.5	80 446	43.1
After reform of government accounting						
1997-1998	57 294	30.7	40 438	21.7	97 732	52.3
1998-1999 ^P	59 559 ⁴	31.3	40 327	21.2	99 886 ⁴	52.4

P: Preliminary results for 1998-1999.

1 Adjusted data excluding the impact of pre-recording expenditures from 1987-1988 to 1989-1990.

2 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 rate at March 31 of the fiscal year under consideration.

3 Balance of retirement plans account less amount accumulated in the retirement plans sinking fund.

4 Excluding the pre-financing of \$2 814 million in borrowings in 1998-1999.

TABLE 3.3.3

GOUVERNEMENT DU QUÉBEC
DEBT SERVICE¹

	Direct debt service		Interest on the retirement plans account ²		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	9.3	480	2.2	2 511	11.5
1984-1985	2 414	10.8	598	2.7	3 012	13.5
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.9
1987-1988	2 751	9.7	924	3.3	3 675	12.9
1988-1989	2 665	8.9	1 071	3.6	3 736	12.4
1989-1990	2 829	9.0	1 252	4.0	4 081	13.0
1990-1991	3 026	9.0	1 411	4.2	4 437	13.3
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.7	1 281	3.6	4 756	13.2
1993-1994	3 750	10.3	1 566	4.3	5 316	14.5
1994-1995	4 325	11.7	1 549	4.2	5 874	15.9
1995-1996	4 291	11.1	1 747	4.5	6 038	15.6
1996-1997	3 911	10.3	1 949	5.1	5 860	15.5
1997-1998	3 780	9.6	2 106	5.3	5 886	14.9
After reform of government accounting						
1997-1998	4 395	10.5	2 965	7.1	7 360	17.6
1998-1999 ^P	4 844	10.6	2 414	5.3	7 258	15.9

P: Preliminary results for 1998-1999.

1 Adjusted data excluding the impact of pre-recording expenditures from 1987-1988 to 1989-1990.

2 Amount of interest ascribed to the retirement plans account less income from the retirement plans sinking fund.