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THE QUÉBEC GOVERNMENT'S DEBT

The Québec Government's Debt
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INTRODUCTION

In recent years, the subject of the government's debt has become more prominent in discussions on public finances. People are concerned by the size of the debt and its growth.

Various governments in Canada use a number of debt concepts to measure indebtedness. The main concepts are debt representing accumulated deficits, gross debt, net debt and the debt of the public sector as a whole. Each concept has its own rationale.

This document explains the various concepts of debt in Québec as well as those used by the federal and provincial governments in Canada.

Moreover, the government's objective when it created the Generations Fund in June 2006 was to reduce the total debt to 25% of GDP by 2025-2026.

Since then, the concept of gross debt was created to include organizations whose results are henceforth consolidated line-by-line, further to the 2007 accounting reform. The concept of debt used for the purposes of the legislation respecting debt reduction has not been changed. In addition, the economic slowdown has resulted in the ratio of total debt to GDP moving further from the objective.

In this context, it is worthwhile reflecting on the concept of debt to use for the purposes of the legislation respecting debt reduction and on the targets that should be set in that regard.

1. DEBT CONCEPTS USED BY THE QUÉBEC GOVERNMENT

Several concepts of debt can be used to measure a government's indebtedness.

1.1 Debt representing accumulated deficits

The debt representing accumulated deficits corresponds to the difference between the government's liabilities and its assets. It represents the government's "bad debt", i.e. the debt that does not correspond to an asset or the debt incurred when an economic slowdown prompts the government to post a deficit. It is often said that this is the debt incurred to "pay for the groceries". By way of analogy with the "net equity" of an individual or a business, the debt representing accumulated deficits represents the government's "negative net equity".

As at March 31, 2009, the Québec government's debt representing accumulated deficits stood at \$98.5 billion, i.e. 32.4% of GDP.

TABLE 1

Debt representing accumulated deficits as at March 31, 2009

(millions of dollars)

| | |
|---|---------------|
| Liabilities | 182 758 |
| Less: Assets | - 84 299 |
| DEBT REPRESENTING ACCUMULATED DEFICITS¹ | 98 459 |
| As a % of GDP | 32.4 |

1 After taking the stabilization reserve into account.

This concept is also used as a measure of indebtedness by the federal government and the governments of Ontario and Alberta in their budget papers.

Another way to describe the debt representing accumulated deficits that makes the connection with the gross debt, is as follows: subtract from the gross debt the value of the government's financial assets (e.g.: investments in a government corporation), net of other liabilities (e.g.: accounts payable) as well as the value of non-financial assets (e.g.: fixed assets).

TABLE 2

Debt representing accumulated deficits as at March 31, 2009

(millions of dollars)

| | |
|---|---------------|
| Gross debt | 151 385 |
| Less: Financial assets, net of other liabilities | - 22 159 |
| Less: Non-financial assets | - 30 767 |
| DEBT REPRESENTING ACCUMULATED DEFICITS¹ | 98 459 |
| <i>As a % of GDP</i> | 32.4 |

1 After taking the stabilization reserve into account.

Over the coming years, the debt representing accumulated deficits is expected to increase by \$8.5 billion, reaching \$106.9 billion as at March 31, 2014. It will then amount to 30.0% of GDP. This increase is attributable to the deficits of \$13.2 billion that will be posted from 2009-2010 to 2013-2014, partially offset by the increase of \$4.7 billion in the Generations Fund. The debt representing accumulated deficits will stop rising once the budget is balanced and will then decline year after year at the rate of increase of the Generations Fund.

TABLE 3

Growth factors of the debt representing accumulated deficits

(millions of dollars)

| | Debt, beginning of year | Budget deficits (surplus) | Generations Fund | Total change | Debt, end of year | As a % of GDP |
|------------------------|--|--|-----------------------------|-------------------------|------------------------------|--------------------------|
| 2009-2010 ^P | 98 459 | 4 695 | - 715 | 3 980 | 102 439 | 32.4 |
| 2010-2011 ^P | 102 439 | 4 675 | - 881 | 3 794 | 106 233 | 33.9 |
| 2011-2012 ^P | 106 233 | 2 639 | - 958 | 1 681 | 107 914 | 32.9 |
| 2012-2013 ^P | 107 914 | 1 268 | - 1 039 | 229 | 108 143 | 31.6 |
| 2013-2014 ^P | 108 143 | - 88 | - 1 128 | - 1 216 | 106 927 | 30.0 |

P: Projections based on data from the fall 2009 Update on Québec's Economic and Financial Situation.

The Québec Government's Financial Assets and Liabilities

Financial assets consist chiefly of the value of the government's investments in its government corporations, accounts receivable and long-term investments.

Financial liabilities consist mainly of accounts payable, deferred revenue and federal government transfers to be repaid.

Financial assets, net of other liabilities, represent the difference between financial assets and other financial liabilities, i.e. liabilities other than the gross debt (consolidated direct debt and net retirement plans and employee future benefits liabilities).

As at March 31, 2009, financial assets, net of other liabilities, amounted to \$22.2 billion.

Net financial assets, net of other liabilities, as at March 31, 2009

(millions of dollars)

| | | |
|---|-----------------|---------------|
| Financial assets | | |
| Participations in government enterprises ¹ | 25 867 | |
| Accounts receivable | 12 440 | |
| Long-term investments | 5 063 | |
| Other | 49 | |
| Subtotal | 43 419 | |
| Financial liabilities other than the debt | | |
| Accounts payable | - 14 122 | |
| Deferred income | - 3 032 | |
| Transfers from the federal government to be repaid | - 1 673 | |
| Other | - 2 000 | |
| Subtotal | - 20 827 | |
| Stabilization reserve | | - 433 |
| TOTAL FINANCIAL ASSETS, NET OF OTHER LIABILITIES | | 22 159 |

1. Represents mainly the government's participation in Hydro-Québec, which essentially corresponds to Hydro-Québec's earnings not paid to the government as dividends, and the participation of the latter in the Société générale de financement du Québec.

The Québec Government's Non-Financial Assets

Non-financial assets consist of the government's net fixed assets, the net investment in the health and social services and the education networks as well as inventories and pre-paid expenses. As at March 31, 2009, non-financial assets totalled \$30.8 billion.

The government's net fixed assets correspond chiefly to the book value of roads, buildings, information systems development as well as machinery and equipment. At the time they are acquired, these fixed assets are carried to the government's balance sheet. Subsequently, they are gradually charged to expenditure based on their useful life. This expenditure is called "depreciation". As at March 31, 2009, net fixed assets stood at \$21.5 billion.

The net investment in the networks corresponds mainly to loans made to health and social services and education institutions to fund their capital investments. As at March 31, 2009, the net investment in the networks stood at \$9.0 billion.

Inventories and prepaid expenses totalled \$238 million as at March 31, 2009.

Non-financial assets as at March 31, 2009 (millions of dollars)

| | | |
|--|--------|---------------|
| Net fixed assets¹ | | |
| Complex networks ² | 12 241 | |
| Buildings | 5 824 | |
| Information systems development | 1 289 | |
| Material and equipment | 1 187 | |
| Land | 769 | |
| Improvements | 180 | |
| Subtotal | | 21 490 |
| Net investment in the health and social services and the education networks | | |
| Health and social services network | 4 580 | |
| Education network | 4 459 | |
| Subtotal | | 9 039 |
| Inventories and prepaid expenses | | 238 |
| TOTAL NON-FINANCIAL ASSETS | | 30 767 |

1 Corresponds to the stock of fixed assets less accumulated depreciation.

2 Includes mostly roads.

**Debt Representing Accumulated Deficits for
the Purposes of the Public Accounts**

The budgetary balance shown in the Public Accounts reflects the government's revenues and expenditures incurred during a fiscal year.

According to the *Act to establish a budgetary surplus reserve fund*, the Minister of Finance may allocate all or part of the excess of revenue over expenditure to a reserve. This reserve can be applied to keep the budget balanced. In September 2009, this statute was repealed by the *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform*. In addition, the latter created a stabilization reserve, to which the amounts allocated to the budgetary reserve after April 1, 2006, are deemed to have been allocated.

The budgetary balance in the Public Accounts does not reflect the amounts allocated to the stabilization reserve or their utilization. Consequently, the debt representing accumulated deficits in the Public Accounts is different from that shown in the budget papers because of the stabilization reserve.

The balance of the stabilization reserve was \$433 million as at March 31, 2009. It is going to be used to reduce the 2009-2010 deficit.

After taking the stabilization reserve into account, the debt representing accumulated deficits stood at \$98.5 billion as at March 31, 2009, i.e. \$433 million more than the \$98.0 billion shown in the Public Accounts.

Debt representing accumulated deficits as at March 31, 2009

(millions of dollars)

| | |
|---|---------------|
| DEBT REPRESENTING ACCUMULATED DEFICITS ACCORDING TO THE PUBLIC ACCOUNTS | 98 026 |
| As a % of GDP | 32.3 |
| Plus: Balance of the stabilization reserve | 433 |
| DEBT REPRESENTING ACCUMULATED DEFICITS AFTER TAKING THE STABILIZATION RESERVE INTO ACCOUNT | 98 459 |
| As a % of GDP | 32.4 |

1.2 Gross debt

The gross debt corresponds to the sum of the debt contracted on financial markets and the net liability for the retirement plans and employee future benefits of public and para-public sector employees, from which the balance of the Generations Fund is subtracted.

This debt concept was created at the time of the December 2007 accounting reform.

The gross debt includes the government's debt and that of all entities whose results are consolidated line by line with those of the government¹. The gross debt includes the debt of organizations that make loans to entities of the health and social services and the education networks, namely Financement-Québec and the Corporation d'hébergement du Québec.

As at March 31, 2009, the gross debt amounted to \$151.4 billion, equivalent to 49.9% of GDP.

TABLE 4

Gross debt as at March 31, 2009

(millions of dollars)

| | |
|---|----------------|
| Direct debt of the Consolidated Revenue Fund ¹ | 87 043 |
| Debt of consolidated entities | 37 586 |
| Consolidated direct debt ² | 124 629 |
| Plus: Net retirement plans liability | 28 649 |
| Plus: Net employee future benefits liability | 59 |
| Less: Generations Fund | - 1 952 |
| GROSS DEBT | 151 385 |
| As a % of GDP | 49.9 |

1 Excluding pre-financing.

2 The consolidated direct debt represents the debt that has been contracted on financial markets.

1 In the December 2007 accounting reform, the financial data of institutions of the health and social services and the education networks were included using the modified equity value accounting method in the government financial statements. Under this method, the debt of network establishments contracted in their own name is not included in the government's gross debt. It constitutes a separate component of Québec's public sector debt.

The following table shows how the government's gross debt has changed since March 31, 1998. The data for years prior to the 2007 accounting reform have been restated to make them comparable with those following the reform, i.e. for 2007 and subsequent years. This is the first time such data are available.

TABLE 5

Gross debt of the Québec government¹ as at March 31

| | \$ million | As a % of GDP |
|-------------------|------------|---------------|
| 1998 | 110 900 | 58.9 |
| 1999 | 114 719 | 58.5 |
| 2000 | 116 009 | 55.0 |
| 2001 | 119 731 | 53.2 |
| 2002 | 123 065 | 53.1 |
| 2003 | 128 234 | 53.1 |
| 2004 | 132 302 | 52.8 |
| 2005 | 135 879 | 51.7 |
| 2006 | 138 707 | 51.1 |
| 2007 | 143 424 | 50.8 |
| 2008 | 148 151 | 49.8 |
| 2009 | 151 385 | 49.9 |
| 2010 ^P | 161 621 | 53.5 |
| 2011 ^P | 173 139 | 55.2 |
| 2012 ^P | 180 950 | 55.2 |
| 2013 ^P | 186 629 | 54.5 |
| 2014 ^P | 190 642 | 53.4 |

Note: Gross debt figures prior to March 31, 2007 have been restated to reflect the impacts of the reform of government accounting in December 2007. The purpose of this restatement was to obtain comparable debt levels over a long period. Moreover, once line-by-line recording of the results of institutions of the health and social services and the education networks is complete, gross debt data will be restated.

P: Projections based on data from the fall 2009 Update on Québec's Economic and Financial Situation.

1 Excluding pre-financing.

❑ What causes the debt to rise?

The main factors that cause the debt to rise are:

- The budget deficit.
- Investments made by the government in its enterprises are another factor causing the debt to rise. Such investments can be made by means of an advance, a direct capital injection or by allowing a government corporation to keep a part of its earnings to fund its own investments.

For example, Hydro-Québec pays part of its net earnings to the government as dividends and keeps part to fund its investments, in particular hydro-electricity dams. The portion of earnings the government allows Hydro-Québec to keep is in fact a capital injection by the government in Hydro-Québec that creates a financial requirement for the government and therefore causes the gross debt to rise.

In addition, sometimes the government makes capital injections in government corporations, for example the Société générale de financement du Québec. Such capital injections cause the government's financial requirements, and therefore its debt, to rise.

- Moreover, the net investment in the health and social services and the education networks, including loans by Financement-Québec and the Corporation d'hébergement du Québec to institutions to fund their capital investments, cause the government's debt to rise.
- The government also makes investments in fixed assets (e.g.: roads), that require borrowings and cause the debt to rise. At the time they are made, these investments are carried to the government's balance sheet. Subsequently, they are gradually charged to expenditure based on their useful life.
- The change in certain other government asset and liability items, for example accounts payable and accounts receivable, can also cause the debt to rise.
- Lastly, payments to the Generations Fund cause the debt to decrease.

□ Increase in the gross debt

The following table shows in detail the factors contributing to the increase in the debt since March 31, 1998.

TABLE 6

Growth factors of the Québec government's gross debt

(millions of dollars)

| | Debt, beginning of year | Budgetary deficit (surplus) ¹ | Investments, loans and advances | Net investment in the networks ² | Net capital expenditures ³ | Other factors ⁴ | Generations Fund | Total change | Debt, end of year ⁵ | As a % of GDP |
|------------------------|-------------------------------|--|---------------------------------------|---|--|-------------------------------|---------------------|-----------------|-----------------------------------|------------------|
| 1998-1999 | 110 900 | - 126 | 1 312 | 761 | 396 | 1 476 | | 3 819 | 114 719 | 58.5 |
| 1999-2000 | 114 719 | - 7 | 1 989 | 122 | 200 | - 1 014 | | 1 290 | 116 009 | 55.0 |
| 2000-2001 | 116 009 | - 427 | 1 701 | 841 | 578 | 1 029 | | 3 722 | 119 731 | 53.2 |
| 2001-2002 | 119 731 | - 22 | 1 248 | 934 | 1 199 | - 25 | | 3 334 | 123 065 | 53.1 |
| 2002-2003 | 123 065 | 728 | 1 921 | 631 | 1 706 | 183 | | 5 169 | 128 234 | 53.1 |
| 2003-2004 | 128 234 | 358 | 1 367 | 560 | 1 186 | 597 | | 4 068 | 132 302 | 52.8 |
| 2004-2005 | 132 302 | 664 | 1 303 | 1 486 | 1 006 | - 882 | | 3 577 | 135 879 | 51.7 |
| 2005-2006 | 135 879 | - 37 | 1 488 | 1 013 | 1 179 | - 815 | | 2 828 | 138 707 | 51.1 |
| 2006-2007 | 138 707 | - 109 | 2 157 | 1 002 | 1 177 | 1 074 | - 584 | 4 717 | 143 424 | 50.8 |
| 2007-2008 | 143 424 | — | 2 658 | 487 | 1 457 | 774 | - 649 | 4 727 | 148 151 | 49.8 |
| 2008-2009 | 148 151 | — | 1 086 | 622 | 2 297 | - 52 | - 719 | 3 234 | 151 385 | 49.9 |
| 2009-2010 ^P | 151 385 | 4 695 | 1 195 | 904 | 3 731 | 426 | - 715 | 10 236 | 161 621 | 53.5 |
| 2010-2011 ^P | 161 621 | 4 675 | 1 912 | 2 291 | 3 763 | - 242 | - 881 | 11 518 | 173 139 | 55.2 |
| 2011-2012 ^P | 173 139 | 2 639 | 945 | 1 723 | 3 688 | - 226 | - 958 | 7 811 | 180 950 | 55.2 |
| 2012-2013 ^P | 180 950 | 1 268 | 1 165 | 1 655 | 2 645 | - 15 | - 1 039 | 5 679 | 186 629 | 54.5 |
| 2013-2014 ^P | 186 629 | - 88 | 948 | 1 700 | 2 609 | - 28 | - 1 128 | 4 013 | 190 642 | 53.4 |

Note: Gross debt figures prior to 2006-2007 have been restated to reflect the impacts of the government's accounting reform in December 2007. A positive number indicates an increase in the debt; a negative number, a decrease.

P: Projections based on data from the fall 2009 Update on Québec's Economic and Financial Situation.

- 1 Prior to 2006-2007, the budgetary balance could not be restated to reflect the impact of the December 2007 government accounting reform because information on a comparable basis is not available.
- 2 Includes mainly loans by Financement-Québec and the Corporation d'hébergement du Québec to institutions of the health and social services and the education networks. As of 2006-2007, the net investment in the networks also includes the change in the accumulated deficits of network institutions.
- 3 Investments in fixed assets made during the year less the annual depreciation expense. Includes investments made in the course of public-private partnership agreements.
- 4 Includes in particular the change in "other accounts", such as accounts receivable and accounts payable, as well as the change in the value of the debt in foreign currencies.
- 5 Excluding pre-financing.

Overall, between March 31, 1998 and March 31, 2009, the Québec government's gross debt rose by \$40.5 billion from \$110.9 billion to \$151.4 billion.

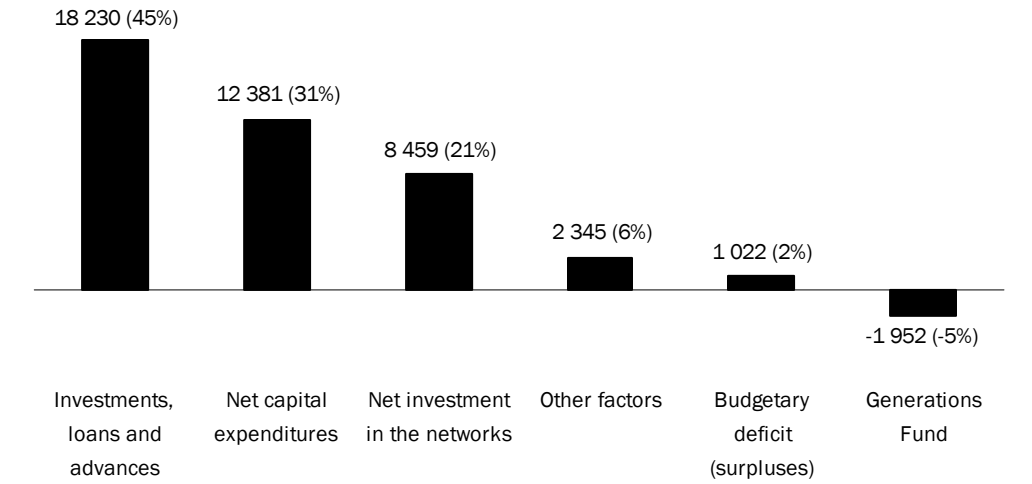
Investments, loans and advances of \$18.2 billion, including \$10.0 billion representing Hydro-Québec earnings reinvested in the corporation, the government's investments of \$12.4 billion in its fixed assets as well as the net investment in the networks of \$8.5 billion so they can fund their capital investments account for the essential of the increase in the gross debt between 1998 and 2009.

Budget deficits caused the gross debt to rise \$1.0 billion over this period, while "other factors" contributed \$2.3 billion to the increase.

Lastly, deposits to the Generations Fund caused the gross debt to decrease by almost \$2.0 billion.

CHART 1

Growth factors of the gross debt from 1998 to 2009

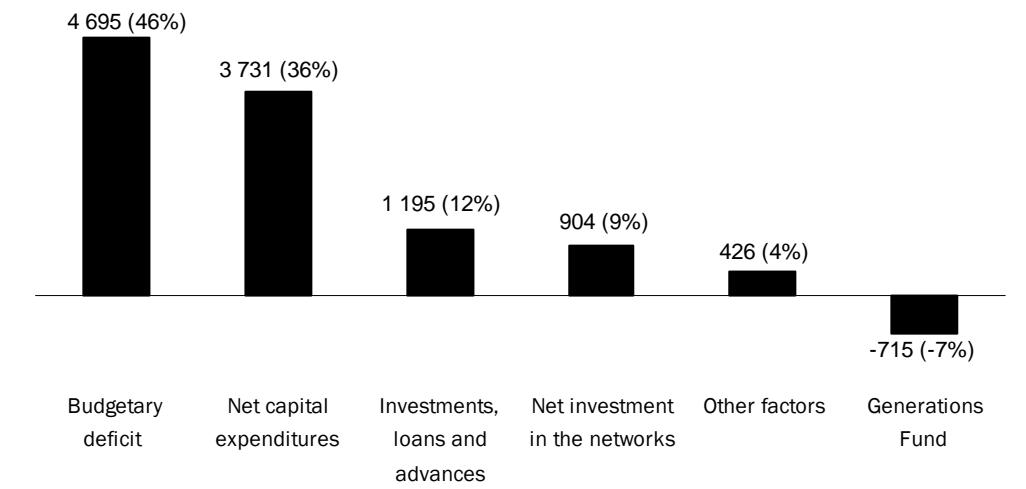


□ Increase in the gross debt in 2009-2010

In 2009-2010 (i.e. between March 31, 2009 and March 31, 2010), the gross debt should rise by \$10 236 million. This increase is attributable mainly to the forecast deficit of \$4.7 billion and investments by the government in its fixed assets (e.g.: roads) (\$3.7 billion).

CHART 2

Growth factors of the gross debt in 2009-2010



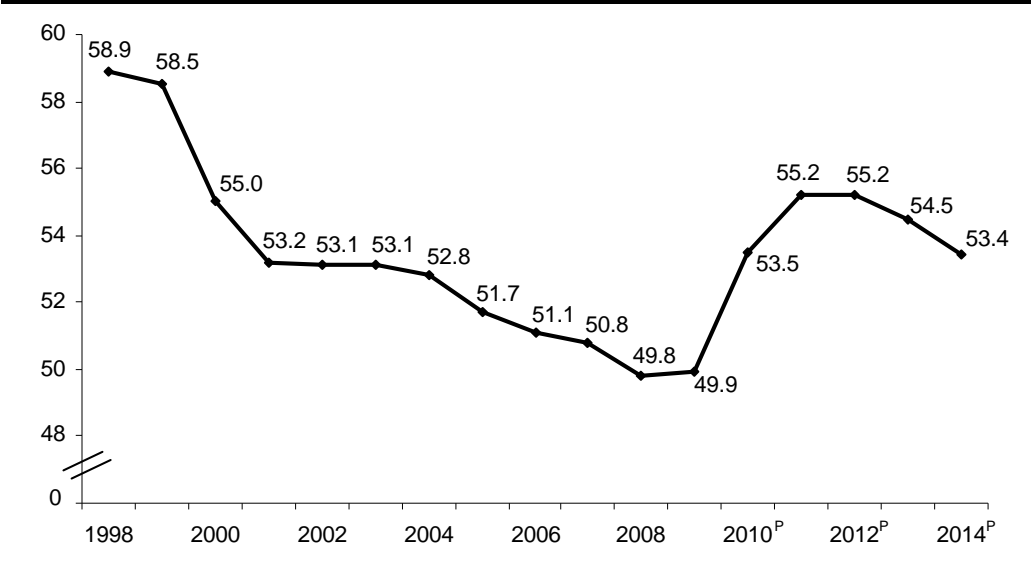
□ Debt burden

One way to measure the extent of the government's indebtedness is to compare its debt to the size of the economy, i.e. gross domestic product (GDP). The debt/GDP ratio is then calculated. GDP represents the total value of goods and services produced in an economy during a given period. It is the source of the revenue the government collects to fund its activities, including payment of debt service. The comparison of the government's debt to GDP is similar, for example, to the case of a person that wants to borrow to buy a house. The amount of his debt (mortgage, car loan, etc.) is compared to his income to assess his level of indebtedness.

Since March 31, 1998, the Québec government's gross debt/GDP ratio has fallen significantly. While gross debt was equivalent to 58.9% of GDP as at March 31, 1998, this percentage stood at 49.9% as at March 31, 2009. The ratio is expected to rise to 55.2% as at March 31, 2011, in particular because of the forecast deficits and the economic situation. The debt/GDP ratio should then decline to 53.4% as at March 31, 2014.

CHART 3

Gross debt¹ as at March 31
(as a percentage of GDP)



P: Projections based on data from the fall 2009 Update on Québec's Economic and Financial Situation.
1 Excluding pre-financing.

Components of the Gross Debt

□ The consolidated direct debt

The consolidated direct debt corresponds to the debt that has been contracted on financial markets. It consists of the debt issued for the purposes of the Consolidated Revenue Fund and those of the consolidated entities.

Consolidated entities are entities whose results (revenue, expenditure, assets and liabilities) are consolidated line by line with those of the government. The main consolidated entities are the Road Network Preservation and Improvement Fund, Financement-Québec, the Corporation d'hébergement du Québec, Immobilière SHQ, the Société québécoise d'assainissement des eaux, the Société immobilière du Québec, Investissement-Québec, the Agence métropolitaine de transport, the Financière agricole du Québec and the Société du Palais des congrès de Montréal. As at March 31, 2009, the debt of these entities accounted for more than 90% of all the debt of entities consolidated line by line.

□ Net liability for the retirement plans

The net liability for the retirement plans is calculated by subtracting the balance of the Retirement Plans Sinking Fund (RPSF) and other assets of the plans from the gross retirement plans liability.

The gross liability for the retirement plans represents the present value of the retirement benefits that the government will pay to public and para-public sector employees, taking into account the conditions of their plans and their years of service. This gross liability stood at \$65.5 billion as at March 31, 2009.

The government created the RPSF in 1993. It is an asset that will be used to pay the retirement benefits of public and para-public sector employees. As at March 31, 2009, the book value of the RPSF stood at \$36.0 billion. The other assets of the plans amounted to \$829 million.

The net liability for the retirement plans was \$28.6 billion as at March 31, 2009.

Net liability for the retirement plans as at March 31, 2009

(millions of dollars)

| | |
|--|---------------|
| Gross liability for the retirement plans: | |
| Government and Public Employees Retirement Plan (RREGOP) | 35 631 |
| Pension Plan of Management Personnel (PPMP) | 7 924 |
| Other plans | 21 948 |
| Subtotal | 65 503 |
| Less: Retirement Plans Sinking Fund | – 36 025 |
| Other assets of the plans | – 829 |
| NET LIABILITY FOR THE RETIREMENT PLANS | 28 649 |

Components of the Gross Debt (continued)

□ Net employee future benefits liability

The government records under its debt the value of its commitments regarding future benefits programs for its employees, namely, accumulated sick leave, which is payable notably when an employee retires, and pensions paid to the survivors of a government employee. These programs give rise to long-term obligations whose costs are covered in full by the government.

Since the December 2007 accounting reform, an actuarial valuation is done of future employee benefits and, like the liability for the retirement plans, these benefits are included in the government's gross debt. Previously, future employee benefits were entered in the government's accounts payable and the Survivor's Pension Plan Fund was entered under long-term investments.

In addition, as part of the December 2007 accounting reform, the government undertook to create the Accumulated Sick Leave Fund. This fund was created in October 2008. The sums accumulated in this new fund are subtracted from the liability for future employee benefits.

The balance of the net employee future benefits liability stood at \$59 million as at March 31, 2009.

Net employee future benefits liability as at March 31, 2009

(millions of dollars)

| | |
|---|-----------|
| Accumulated sick leave | 717 |
| Survivor's pension plan | 397 |
| Accumulated Sick Leave Fund | - 616 |
| Survivor's Pension Plan Fund | - 439 |
| NET EMPLOYEE FUTURE BENEFITS LIABILITY | 59 |

Components of the Gross Debt (continued)

□ The Generations Fund

In 2006, the government implemented a debt reduction strategy with the creation of the Generations Fund. The amounts paid into the Fund will be used solely to debt repayment.

The sources of revenue dedicated exclusively to debt repayment are:

- water-power royalties paid by Hydro-Québec and private hydro-electricity producers;
- royalties on harnessed water;
- asset sales;
- gifts, bequests and other contributions received by the Minister of Finance;
- unclaimed property managed by the Minister of Revenue;
- investment income on the amounts that constitute the Fund.

Moreover, the Generations Fund legislation allows the government to order the direct payment into the Fund of amounts it collects or receives and which the National Assembly is entitled to allocate.

As at March 31, 2009, the book value of the Generations Fund stood at \$1 952 million.

Generations Fund

(millions of dollars)

| | |
|---|--------------|
| BOOK VALUE AS AT MARCH 31, 2008 | 1 233 |
| Dedicated revenue in 2008-2009 | |
| Water-power royalties | |
| Hydro-Québec | 548 |
| Private producers | 88 |
| | 636 |
| Unclaimed property | 1 |
| Investment income | - 50 |
| Payment from the stabilization reserve ¹ | 132 |
| Total | 719 |
| BOOK VALUE AS AT MARCH 31, 2009 | 1 952 |

1 Amount of \$132 million further to the sale of assets by the Société immobilière du Québec, paid into the Generations Fund from the stabilization reserve.

1.3 Net debt

In addition to the gross debt and the debt representing accumulated deficits, other debt concepts are used. The net debt is a concept that can be described as “intermediate”, i.e. it is situated between the gross debt and the debt representing accumulated deficits.

The net debt is equal to the government’s liabilities less its financial assets. It represents the debt that has been used to finance capital investments as well as the “bad debt” that has been used to fund current spending. The net debt is obtained by subtracting the government’s financial assets, net of other liabilities, from the gross debt.

As at March 31, 2009, the net debt stood at \$129.2 billion, equivalent to 42.6% of GDP.

TABLE 7

The Québec government’s net debt as at March 31, 2009

(millions of dollars)

| | |
|--|----------------|
| GROSS DEBT¹ | 151 385 |
| Less: Financial assets, net of other liabilities | – 22 159 |
| NET DEBT² | 129 226 |
| <i>As a % of GDP</i> | 42.6 |

1 Excluding pre-financing.

2 After taking the stabilization reserve into account.

The difference between the net debt and the debt representing accumulated deficits is that the net debt includes both the debt used to finance capital investments and the “bad debt” used to fund current spending, while the debt representing accumulated deficits reflects only the “bad debt”.

1.4 **Total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund***

When the *Act to reduce the debt and establish the Generations Fund* was passed in June 2006, the concept of total debt was used for the purposes of the Act. This was the debt of entities that, at the time, were included in the government's reporting entity, i.e. entities whose revenues, expenditures and other operations were included in the results shown in the Public Accounts.

With the December 2007 accounting reform, the government reporting entity was broadened to include the entities of the health and social services and the education networks.

The concept of gross debt was then created to reflect the changes made to the reporting entity.

Since the objectives of the *Act to reduce the debt and establish the Generations Fund* were determined on the basis of the size of the total debt, it was decided, at the time of the accounting reform, not to change the concept of debt used for the purposes of the Act. That is why the objectives of the Act continue to be monitored on the basis of the total debt.

As at March 31, 2009, the government's total debt amounted to \$130.3 billion, i.e. 42.9% of GDP. Under the *Act to reduce the debt and establish the Generations Fund*, the total debt must reach 38.0% of GDP by March 31, 2013, 32.0% of GDP by March 31, 2020 and 25.0% of GDP by March 31, 2026.

TABLE 8

**The Québec government's total debt and gross debt
as at March 31, 2009**

(millions of dollars)

| | |
|---|----------------|
| TOTAL DEBT FOR THE PURPOSES OF THE ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND¹ | 130 324 |
| As a % of GDP | 42.9 |
| Plus: Debt of Financement-Québec | 14 356 |
| Debt of the Corporation d'hébergement du Québec and other entities | 2 371 |
| Debt of the Société québécoise d'assainissement des eaux | 2 356 |
| Debt of Immobilière SHQ | 1 919 |
| Net employee future benefits liability | 59 |
| GROSS DEBT¹ | 151 385 |
| As a % of GDP | 49.9 |

1 Excluding pre-financing.

Because of the expected deficits in future fiscal years, the total debt burden as a percentage of GDP should rise temporarily despite the continued deposits to the Generations Fund.

For this reason, from now until the tabling of the 2011-2012 Budget, i.e. once economic recovery is well under way, the government will review the targets set in the *Act to reduce the debt and establish the Generations Fund*. Furthermore, since the total debt represents the debt of only a part of the entities whose results are consolidated with those of the government, there is reason to consider the concept of debt to be used for the purposes of setting debt targets.

1.5 Debt of Québec's public sector as a whole

We have seen previously that the gross debt represents the debt level of the government and all governmental organizations that are part of the government reporting entity in accordance with generally accepted accounting principles (GAAP). That means that the debt of commercial government enterprises, such as Hydro-Québec or the Société générale de financement du Québec, is not included in the gross debt. That is also the case of municipalities, which are independent organizations whose results are not consolidated with those of the government.

That is why an indicator representing the indebtedness of the entire public sector has been developed. The debt of the public sector represents the total of the debts of all organizations in Québec's public sector.

As at March 31, 2009, the long-term debt of Québec's public sector stood at \$208.1 billion, equivalent to 68.5% of GDP. Essentially, the difference between the government's gross debt and the public sector debt (\$151.4 billion versus \$208.1 billion) is the debt of Hydro-Québec and the municipalities.

TABLE 9

Public sector debt as at March 31, 2009

(millions of dollars)

| | |
|--|----------------|
| Government's gross debt ¹ | 151 385 |
| Hydro-Québec | 36 668 |
| Municipalities ² | 18 639 |
| Health and social services and education networks ³ | 931 |
| Other government enterprises ⁴ | 434 |
| TOTAL | 208 057 |
| As a % of GDP | 68.5 |

1 Excluding pre-financing.

2 Corresponds to the long-term debt contracted by municipalities in their own name. A portion of this debt is subsidized by the government (\$2 846 million as at March 31, 2009).

3 Corresponds to the long-term debt contracted by network institutions in their own name and whose debt service is subsidized by the government through transfers for the payment of interest and principal on the borrowings.

4 Excluding the debt of these enterprises guaranteed by a third party or by assets, such as inventories and accounts receivable.

Information Supplied to Regulatory Authorities and Data on Québec's Debt

To borrow on foreign financial markets, the Québec government must comply with the requirements of the regulatory authorities of those markets. Accordingly, Québec files a variety of information with the Securities and Exchange Commission (SEC) in the United States, the Financial Services Authority (FSA) in the United Kingdom, the Australia Stock Exchange and Japan's regulatory authority.

Every year, Québec files Form 18-K, an information document, with the SEC. This document contains all the information required under the *Securities Act of 1933*. Annual filing of Form 18-K avoids having to file a prospectus for each borrowing, which would cause additional cost and delay. The information contained in Form 18-K must reflect the borrower's financial position as fairly as possible. This requirement provides investors with all the relevant information for them to make informed investment decisions.

Concerning the debt, the SEC legislation requests inclusion of the "funded debt", i.e. the debt maturing in more than one year and contracted on financial markets, as well as the "floating debt", i.e. the short-term debt continuously renewed for the purposes of funding operations. Québec also provides information concerning the liability regarding the retirement plans of the public and para-public sectors.

The information relating to the public sector long-term debt in Form 18-K is requested by the SEC and shown in four categories. The difference between debt figure of \$181.5 billion as at March 31, 2009 in Form 18-K and that of \$208.1 billion shown in Table 8 on the preceding page is attributable mainly to the short-term debt and the liability regarding the retirement plans. The liability regarding the retirement plans and the short-term debt are shown elsewhere in Form 18-K.

Public sector long-term debt as at March 31, 2009^P for the purposes of Form 18-K
(millions of dollars)

| | |
|--|----------------|
| Government Funded Debt | |
| Borrowings – Government | 124 837 |
| Borrowings – to finance government enterprises | 224 |
| Government Guaranteed Debt ¹ | 36 668 |
| Municipal Sector Debt | 18 639 |
| Other institutions ² | 1 088 |
| LONG-TERM DEBT OF THE PUBLIC SECTOR | 181 456 |

P: Preliminary results.

Note: Data of the annual Form 18-K submitted to the SEC in June 2009.

1 Represents mainly the debt of Hydro-Québec.

2 Borrowings contracted by institutions in their own name (education institutions, health and social services institutions and other government enterprises).

Québec provides other regulatory authorities around the world with the same information supplied to the SEC.

2. DEBT COMPARISONS WITH OTHER GOVERNMENTS IN CANADA

It is worthwhile comparing the concepts of debt used by the Québec government with those used by other governments in Canada.

An analysis of the budget papers of the federal and provincial governments shows that the concepts of debt used to assess the financial position vary widely from province to province. Three governments use the concept of debt representing accumulated deficits as a measure of indebtedness in their budget papers. They are the **federal government** and the governments of **Ontario** and **Alberta**. British Columbia and Saskatchewan use the concept of direct debt. Ontario, Alberta, New Brunswick, Newfoundland and Labrador, Manitoba and Nova Scotia use the concept of net debt. The recent budget papers of Prince Edward Island make no mention of its debt.

Governments That Use the Concept of Debt Representing Accumulated Deficits

Federal government

“The federal debt-to-GDP ratio (accumulated deficit) stood at 29.8 per cent in 2007–08, down significantly from its peak of 68.4 per cent in 1995–96. The debt ratio is expected to fall to 28.6 per cent in 2008–09, before increasing to 31.6 per cent in 2009–10 and 32.1 per cent in 2010–11. The debt burden is projected to be below its 2008–09 level in 2013–14.” (Canada’s Economic Action Plan, Budget 2009, p. 218)

“Since 2005–2006, the Government has reduced the federal debt by \$37 billion.” (Canada’s Economic Action Plan, Budget 2009, p. 282)

Ontario

“Second, our government will reduce the size of the deficit in each year subsequent to this. In 2009–10, we will ensure that Ontario’s relative deficit and debt are in line with most provinces and our own historical performance. The 2009–10 deficit-to-GDP ratio, deficit-to-revenue ratio and debt-to-GDP ratio are all below those of the United States now and Ontario in the 1990s.” (2009 Budget Speech, p. 3)

“Consistent with the Province’s fiscal performance and with slower-than-anticipated gross domestic product (GDP) growth this year, the Province’s accumulated deficit-to-GDP ratio is forecast at 18.4 per cent in 2008–09, down from 25.2 per cent in 2003–04.” (2009 Ontario Budget, p. 50)

Alberta

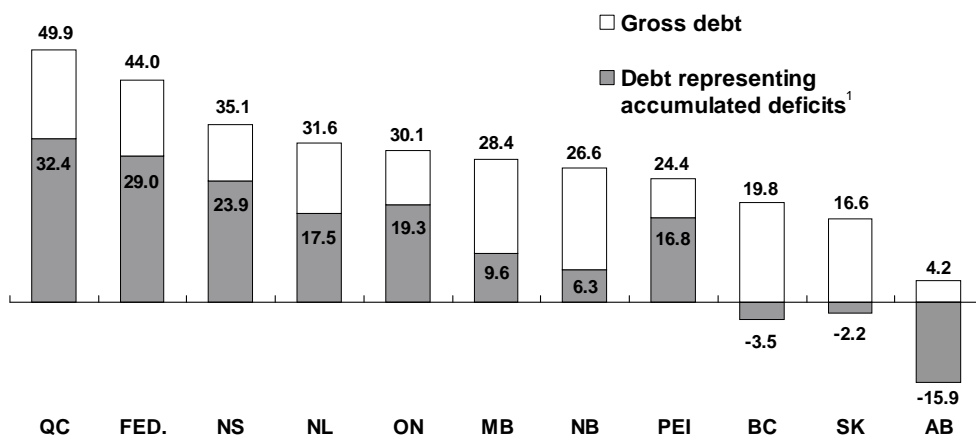
“Alberta is strong because we have been saving money. We have paid off an accumulated debt of nearly \$23 billion.” (Budget Speech 2009, p. 2)

“The deficits of 1980s and early 1990s that produced the accumulated debt were eliminated in 1994-95. The accumulated debt was paid down by 2004-05.” (Fiscal Plan 2009-12, Fiscal Overview, p. 21).

On the basis of the concept of debt representing accumulated deficits, the Québec government, with a debt ratio of 32.4% of GDP as at March 31, 2009, is the most heavily indebted province.

CHART 4

Gross debt and debt representing accumulated deficits as at March 31, 2009
(as a percentage of GDP)



1 A negative sign means that the government is in an accumulated surplus position.
Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

The following table shows, for the federal government and all the provinces, debt figures according to the three concepts described earlier. The figures in boxes refer to the concept used by the government concerned in its budget papers to measure its indebtedness. Some governments use more than one concept.

TABLE 10

Debt as at March 31, 2009 according to various concepts

(millions of dollars)

| | QC | Fed. | ON | BC | AB | NB | NL | MB | SK | NS | PEI |
|---|----------------------------|----------------|----------------|----------------|-----------------|--------------|--------------|---------------|----------------|---------------|--------------|
| Consolidated direct debt | 124 629 | 514 020 | 176 825 | 37 562 | 2 064 | 6 755 | 6 595 | 12 446 | 4 796 | 10 225 | 1 092 |
| Net retirement plans liability | 28 649 | 139 909 | - 4 819 | 3 | 10 081 | - 210 | 1 704 | 2 003 | 5 475 | 1 358 | 34 |
| Net employee future benefits liability | 59 | 50 311 | 5 223 | 1 908 | 241 | 718 | 1 630 | 0 | 418 | 430 | 23 |
| Generations Fund | - 1 952 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross debt¹ | 151 385 | 704 240 | 177 229 | 39 473 | 12 386 | 7 263 | 9 929 | 14 449 | 10 689 | 12 013 | 1 149 |
| As a % of GDP | 49.9 | 44.0 | 30.1 | 19.8 | 4.2 | 26.6 | 31.6 | 28.4 | 16.6 | 35.1 | 24.4 |
| Less: | | | | | | | | | | | |
| Financial assets ² | - 22 159 | - 179 027 | - 23 904 | - 14 933 | - 42 812 | 125 | - 1 961 | - 2 951 | - 7 165 | 311 | 260 |
| Net debt³ | 129 226⁴ | 525 213 | 153 325 | 24 540 | - 30 426 | 7 388 | 7 968 | 11 498 | 3 524 | 12 324 | 1 409 |
| As a % of GDP | 42.6 | 32.8 | 26.1 | 12.3 | - 10.4 | 27.1 | 25.3 | 22.6 | 5.5 | 36.0 | 29.9 |
| Less: | | | | | | | | | | | |
| Non-financial assets | - 30 767 | - 61 503 | - 40 087 | - 31 459 | - 15 848 | - 5 679 | - 2 466 | - 6 594 | - 4 921 | - 4 157 | - 616 |
| Debt representing accumulated deficits³ | 98 459⁴ | 463 710 | 113 238 | - 6 919 | - 46 274 | 1 709 | 5 502 | 4 904 | - 1 397 | 8 167 | 793 |
| As a % of GDP | 32.4 | 29.0 | 19.3 | - 3.5 | - 15.9 | 6.3 | 17.5 | 9.6 | - 2.2 | 23.9 | 16.8 |

Note: The boxes show the debt concept used in the government's budget papers.

- 1 The gross debt is not shown in most government public accounts. However, the public accounts do show the components of gross debt, i.e. the consolidated direct debt, the net liability regarding the retirement plans and the net liability for employee future benefits. It is therefore possible to deduce the amount of the gross debt.
- 2 Financial assets, net of other liabilities.
- 3 A negative sign means that the government is in a net asset or accumulated surplus position.
- 4 After taking the stabilization reserve into account.

Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

3. INTERNATIONAL DEBT COMPARISONS

The Organization for Economic Co-operation and Development (OECD) produces statistics enabling comparisons among its 30 member countries.

It can be informative to compare Québec's debt with that of OECD countries. To do so, a number of adjustments must be made to Québec's data for consistency with the methodology developed by the OECD.

Under this methodology, a country's "public debt" corresponds to its total liabilities excluding commitments on account of retirement plans. In Québec's case, total liabilities include the gross debt, excluding commitments on account of retirement plans, as well as "other liability items" such as accounts payable.

In addition, the debt must include that of all public sector bodies (i.e. government, municipalities, etc.). In Québec's case, a portion of the federal government's debt must also be included. There are many methods for calculating the share of the federal debt attributable to Québec. Here the allocation has been made on the basis of population.

Applying the OECD's methodology, Québec's "public debt" as at March 31, 2009, amounted to \$285.6 billion, the equivalent of 94.0% of GDP. This figure will be used to make comparisons with the OECD figures as at December 31, 2008.

TABLE 11

Québec's debt as at March 31, 2009 – OECD methodology

| | Millions of dollars | % of GDP |
|---|------------------------|-------------|
| Gross Debt¹ | 151 385 | 49.9 |
| Less: Net retirement plans liability | – 28 649 | – 9.4 |
| Sub-total ² | 122 736 | 40.5 |
| Plus: | | |
| Other government liabilities ³ | 20 393 | 6.7 |
| Debt of municipalities | 18 639 | 6.1 |
| Debt of networks issued in their own name | 931 | 0.3 |
| Subtotal | 162 699 | 53.6 |
| Share of the federal government's debt ⁴ | 122 876 | 40.4 |
| Québec's public debt (OECD methodology) | 285 575 | 94.0 |
| Gross domestic product (GDP) | 303 671 | |

1 Excluding pre-financing.

2 This amount corresponds to the direct debt (\$124 629 million) plus the net liability on account of employee future benefits (\$59 million) less the balance of the Generations Fund (\$1 952 million).

3 The Québec government's other liabilities as at March 31, 2009, (in millions of dollars) are:

| | |
|--|---------------|
| Accounts and expenses payable | 14 122 |
| Deferred revenue | 3 032 |
| Other liabilities | 2 137 |
| Transfers from the federal government to be repaid | 1 673 |
| Deferred gain (loss) on foreign exchange | – 571 |
| Total other liabilities | 20 393 |

4 The share of the federal government's debt attributed to Québec is calculated as follows:

| | |
|---|----------------|
| Federal government's debt to be allocated to Québec (according to the OECD) | 528 076 |
| Québec's population | 7 751 |
| Canada's population | 33 311 |
| Québec's % | 23.3 % |
| Share of the federal government's debt allocated to Québec | 122 876 |

Sources: Ministère des Finances du Québec and Statistics Canada.

With a ratio of 94.0%, Québec ranks 5th compared to OECD countries after Japan, Italy, Greece and Iceland. Québec's debt is higher than that of Canada, the United States and the average of OECD countries (78.4%).

TABLE 12

Public debt according to the OECD's methodology
(as a percentage of GDP)

| Rank | Country | 2008 |
|-------------|---------------------------|-------------|
| 1 | Japan | 172.1 |
| 2 | Italy | 114.4 |
| 3 | Greece | 102.6 |
| 4 | Iceland | 96.3 |
| 5 | Québec¹ | 94.0 |
| 6 | Belgium | 93.5 |
| 7 | Total OECD | 78.4 |
| 8 | Hungary | 77.0 |
| 9 | France | 75.7 |
| 10 | Portugal | 75.2 |
| 11 | Euro zone | 73.2 |
| 12 | United States | 70.0 |
| 13 | Canada | 69.7 |
| 14 | Germany | 68.8 |
| 15 | Austria | 66.2 |
| 16 | Netherlands | 65.8 |
| 17 | United Kingdom | 56.8 |
| 18 | Norway | 56.0 |
| 19 | Poland | 54.0 |
| 20 | Ireland | 48.5 |
| 21 | Sweden | 47.1 |
| 22 | Spain | 47.0 |
| 23 | Switzerland | 44.0 |
| 24 | Finland | 40.7 |
| 25 | Czech Republic | 40.7 |
| 26 | Denmark | 39.8 |
| 27 | Slovakia | 30.8 |
| 28 | Korea | 26.8 |
| 29 | New Zealand | 25.3 |
| 30 | Luxembourg | 16.3 |
| 31 | Australia | 14.3 |
| 32 | Estonia | 8.2 |

1 Gross debt as at March 31, 2009 from which is excluded the net retirement plans liability and to which is added the government's other liabilities (e.g.: accounts payable), the debt of the health and social services and the education networks contracted in their own name, the debt of the municipalities and Québec's share of the federal government's debt – according to % of population.

Sources: OECD for countries' debt – figures as at December 31, 2008;
Ministère des Finances du Québec for Québec's debt.

CONCLUSION

This document presented and defined the concepts relating to a government's indebtedness.

Two fundamental concepts for measuring the Québec government's indebtedness emerge: the gross debt and the debt representing accumulated deficits.

The gross debt corresponds to the debt that has been contracted on financial markets and the net commitments of the government regarding the retirement plans and employee future benefits, from which the balance of the Generations Fund is subtracted. As at March 31, 2009, the Québec government's gross debt amounted to \$151.4 billion, equivalent to 49.9% of GDP.

The debt representing accumulated deficits represents the difference between the government's liabilities and all its assets, both financial and non-financial. As at March 31, 2009, the Québec government's debt representing accumulated deficits stood at \$98.5 billion, equivalent to 32.4% of GDP.

APPENDIX 1: GLOSSARY

Consolidated direct debt

The consolidated direct debt corresponds to the debt that has been contracted on financial markets. It consists of the direct debt contracted for the Consolidated Revenue Fund needs and the debt of consolidated entities.

Total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund*

The total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund* includes the consolidated direct debt and the net liability for the retirement plans, from which the balance of the Generations Fund is subtracted.

For the purposes of monitoring the targets in the *Act to reduce the debt and establish the Generations Fund*, the concept of total debt corresponds to the reporting entity that was in force at the time the Generations Fund was created.

Gross debt

The gross debt corresponds to the total of the consolidated direct debt, the net liability for the retirement plans and the net employee future benefits liability. The balance of the Generations Fund is subtracted from this amount.

Net debt

The concept of net debt represents the debt that was used to fund non-financial assets (fixed assets, net investment in networks and inventories and prepaid expenses) and the accumulated deficits. It is obtained by subtracting all the government's financial assets from its liabilities.

Debt representing accumulated deficits

The debt representing accumulated deficits represents the difference between the government's liabilities and its assets (financial and non-financial). It is considered "bad debt", i.e. debt that does not correspond to any asset.

Debt of the public sector

The debt of the public sector corresponds to the total of all the debts of organizations in Québec's public sector.

Borrowings made in advance (pre-financing)

Borrowings made by the Consolidated Revenue Fund during a fiscal year that will be used to meet the financial requirements of the next fiscal year.

Retirement Plans Sinking Fund (RPSF)

The Retirement Plans Sinking Fund is an asset constituted by the government to pay the benefits of public and para-public sector employees. This asset is subtracted from the gross liability for the retirement plans to give the net liability for the retirement plans.

Gross liability for the retirement plans

The gross liability for the retirement plans represents the present value of the retirement benefits the government will pay to public and para-public sector employees, taking into account the conditions of their plans and their years of service.

Net liability for the retirement plans

The net liability for the retirement plans is calculated by subtracting the balance of the Retirement Plans Sinking Fund and other assets of the plans from the gross liability for the retirement plans.

Net employee future benefits liability

The net employee future benefits liability represents the present value of obligations regarding sick leave and the survivor's pension plan, reduced by the balance of the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund.

APPENDIX 2: HISTORICAL DATA

TABLE 13

Debt of Québec government

| | Retirement plans | | | | | | Employee future benefits | | | Less: Generations Fund | Debt ¹ | | |
|---|---------------------------------------|---------------|---|-------------------------------------|--------------------------------|--------|------------------------------------|---|--|------------------------|-------------------|--|---------------|
| | Consolidated direct debt ¹ | | Retirement plans liability ² | Less: Retirement Plans Sinking Fund | Net retirement plans liability | | Employee future benefits liability | Less: Funds dedicated to employee future benefits | Net employee future benefits liability | | | | |
| | \$M | As a % of GDP | | | \$M | \$M | | | | | | | As a % of GDP |
| Before government accounting reforms | | | | | | | | | | | | Total debt – Figures not restated to reflect the impacts of the accounting reforms in 1997-1998 and 2006-2007 | |
| 1970-1971 | 2 478 | 10.9 | | | | | | | | | | 2 478 | 10.9 |
| 1971-1972 | 2 920 | 11.9 | | | | | | | | | | 2 920 | 11.9 |
| 1972-1973 | 3 309 | 12.0 | | | | | | | | | | 3 309 | 12.0 |
| 1973-1974 | 3 679 | 11.8 | | | | | | | | | | 3 679 | 11.8 |
| 1974-1975 | 4 030 | 11.0 | | | | 67 | 0.2 | | | | | 4 097 | 11.2 |
| 1975-1976 | 4 955 | 12.0 | | | | 179 | 0.4 | | | | | 5 134 | 12.4 |
| 1976-1977 | 6 035 | 12.5 | | | | 354 | 0.7 | | | | | 6 389 | 13.2 |
| 1977-1978 | 7 111 | 13.4 | | | | 620 | 1.2 | | | | | 7 731 | 14.6 |
| 1978-1979 | 8 325 | 14.1 | | | | 915 | 1.6 | | | | | 9 240 | 15.7 |
| 1979-1980 | 9 472 | 14.4 | | | | 1 598 | 2.4 | | | | | 11 070 | 16.8 |
| 1980-1981 | 12 247 | 16.8 | | | | 2 420 | 3.3 | | | | | 14 667 | 20.1 |
| 1981-1982 | 14 184 | 17.6 | | | | 3 428 | 4.3 | | | | | 17 612 | 21.9 |
| 1982-1983 | 16 485 | 19.3 | | | | 4 489 | 5.3 | | | | | 20 974 | 24.6 |
| 1983-1984 | 18 880 | 20.6 | | | | 5 545 | 6.0 | | | | | 24 425 | 26.6 |
| 1984-1985 | 21 216 | 21.2 | | | | 6 729 | 6.7 | | | | | 27 945 | 27.9 |
| 1985-1986 | 23 633 | 22.0 | | | | 7 998 | 7.4 | | | | | 31 631 | 29.4 |
| 1986-1987 | 25 606 | 21.9 | | | | 9 353 | 8.0 | | | | | 34 959 | 29.9 |
| 1987-1988 | 26 819 | 20.9 | | | | 10 883 | 8.5 | | | | | 37 702 | 29.4 |
| 1988-1989 | 27 091 | 19.2 | | | | 12 597 | 8.9 | | | | | 39 688 | 28.1 |
| 1989-1990 | 27 699 | 18.7 | | | | 14 320 | 9.6 | | | | | 42 019 | 28.3 |
| 1990-1991 | 29 637 | 19.3 | | | | 16 227 | 10.6 | | | | | 45 864 | 29.9 |
| 1991-1992 | 33 106 | 21.3 | | | | 18 143 | 11.7 | | | | | 51 249 | 33.0 |
| 1992-1993 | 39 231 | 24.8 | | | | 19 668 | 12.4 | | | | | 58 899 | 37.2 |
| 1993-1994 | 45 160 | 27.8 | 21 337 | - 854 | 20 483 | 12.6 | | | | | | 65 643 | 40.4 |
| 1994-1995 | 52 468 | 30.8 | 22 846 | - 849 | 21 997 | 12.9 | | | | | | 74 465 | 43.7 |
| 1995-1996 | 52 886 | 29.8 | 24 547 | - 923 | 23 624 | 13.3 | | | | | | 76 510 | 43.1 |
| 1996-1997 | 52 625 | 29.2 | 26 475 | - 1 014 | 25 461 | 14.1 | | | | | | 78 086 | 43.3 |
| Figures restated to reflect the impacts of the accounting reforms in 2006-2007 | | | | | | | | | | | | Gross debt | |
| 1997-1998 | 69 995 | 37.1 | 41 617 | - 1 179 | 40 438 | 21.5 | 759 | - 292 | 467 | | | 110 900 | 58.9 |
| 1998-1999 | 73 803 | 37.6 | 42 637 | - 2 209 | 40 428 | 20.6 | 805 | - 317 | 488 | | | 114 719 | 58.5 |
| 1999-2000 | 76 166 | 36.1 | 44 377 | - 5 040 | 39 337 | 18.7 | 867 | - 361 | 506 | | | 116 009 | 55.0 |
| 2000-2001 | 80 108 | 35.6 | 46 170 | - 7 059 | 39 111 | 17.4 | 894 | - 382 | 512 | | | 119 731 | 53.2 |
| 2001-2002 | 84 451 | 36.5 | 48 259 | - 10 199 | 38 060 | 16.4 | 938 | - 384 | 554 | | | 123 065 | 53.1 |
| 2002-2003 | 89 083 | 36.9 | 50 266 | - 11 840 | 38 426 | 15.9 | 1 083 | - 358 | 725 | | | 128 234 | 53.1 |
| 2003-2004 | 93 325 | 37.2 | 52 485 | - 14 204 | 38 281 | 15.3 | 1 034 | - 338 | 696 | | | 132 302 | 52.8 |
| 2004-2005 | 98 842 | 37.6 | 54 619 | - 18 333 | 36 286 | 13.8 | 1 086 | - 335 | 751 | | | 135 879 | 51.7 |
| 2005-2006 | 103 339 | 38.1 | 57 193 | - 22 563 | 34 630 | 12.8 | 1 095 | - 357 | 738 | | | 138 707 | 51.1 |
| 2006-2007 | 110 412 | 39.1 | 59 721 | - 26 877 | 32 844 | 11.6 | 1 176 | - 424 | 752 | - 584 | | 143 424 | 50.8 |
| 2007-2008 | 118 032 | 39.7 | 62 368 | - 31 749 | 30 619 | 10.3 | 1 166 | - 433 | 733 | - 1 233 | | 148 151 | 49.8 |
| 2008-2009 | 124 629 | 41.0 | 64 674 | - 36 025 | 28 649 | 9.4 | 1 114 | - 1 055 | 59 | - 1 952 | | 151 385 | 49.9 |

1 Excluding deferred foreign exchange gains or losses and pre-financing.

2 Gross retirement plans liability minus assets related to retirement plans, other than the Retirement Plans Sinking Fund.

TABLE 14

Debt representing accumulated deficits of Québec government

| | Debt representing accumulated deficits for the purposes of the Public Accounts ^{1,2} | | Plus : balance of the stabilization reserve | Debt representing accumulated deficits after taking into account the stabilization reserve | |
|--|---|-------------------|---|--|-------------------|
| | \$M | As a % of the GDP | | \$M | As a % of the GDP |
| Before government accounting reforms | | | The figures from 1970-1971 to 1996-1997 are not comparable with those from 1997-1998 to 2008-2009 | | |
| 1970-1971 | 2 290 | 10.1 | | 2 290 | 10.1 |
| 1971-1972 | 2 645 | 10.8 | | 2 645 | 10.8 |
| 1972-1973 | 2 992 | 10.9 | | 2 992 | 10.9 |
| 1973-1974 | 3 651 | 11.7 | | 3 651 | 11.7 |
| 1974-1975 | 4 093 | 11.2 | | 4 093 | 11.2 |
| 1975-1976 | 5 044 | 12.2 | | 5 044 | 12.2 |
| 1976-1977 | 6 353 | 13.2 | | 6 353 | 13.2 |
| 1977-1978 | 7 058 | 13.3 | | 7 058 | 13.3 |
| 1978-1979 | 8 460 | 14.4 | | 8 460 | 14.4 |
| 1979-1980 | 10 836 | 16.5 | | 10 836 | 16.5 |
| 1980-1981 | 14 326 | 19.6 | | 14 326 | 19.6 |
| 1981-1982 | 12 569 | 15.6 | | 12 569 | 15.6 |
| 1982-1983 | 15 038 | 17.6 | | 15 038 | 17.6 |
| 1983-1984 | 17 298 | 18.8 | | 17 298 | 18.8 |
| 1984-1985 | 21 455 | 21.4 | | 21 455 | 21.4 |
| 1985-1986 | 25 735 | 24.0 | | 25 735 | 24.0 |
| 1986-1987 | 28 716 | 24.5 | | 28 716 | 24.5 |
| 1987-1988 | 31 115 | 24.2 | | 31 115 | 24.2 |
| 1988-1989 | 32 819 | 23.3 | | 32 819 | 23.3 |
| 1989-1990 | 34 583 | 23.3 | | 34 583 | 23.3 |
| 1990-1991 | 37 558 | 24.5 | | 37 558 | 24.5 |
| 1991-1992 | 41 885 | 27.0 | | 41 885 | 27.0 |
| 1992-1993 | 46 914 | 29.6 | | 46 914 | 29.6 |
| 1993-1994 | 51 837 | 32.0 | | 51 837 | 32.0 |
| 1994-1995 | 57 677 | 33.8 | | 57 677 | 33.8 |
| 1995-1996 | 61 624 | 34.8 | | 61 624 | 34.8 |
| 1996-1997 | 64 833 | 35.9 | | 64 833 | 35.9 |
| After government accounting reform of 1997-1998 | | | The figures from 1997-1998 to 2005-2006 are not comparable with those from 1970-1971 to 1996-1997 and those from 2006-2007 to 2008-2009. | | |
| 1997-1998 | 82 581 | 43.8 | | 82 581 | 43.8 |
| 1998-1999 | 82 577 | 42.1 | | 82 577 | 42.1 |
| 1999-2000 | 82 469 | 39.1 | | 82 469 | 39.1 |
| 2000-2001 | 81 042 | 36.0 | 950 | 81 992 | 36.5 |
| 2001-2002 | 84 538 | 36.5 | | 84 538 | 36.5 |
| 2002-2003 | 85 885 | 35.6 | | 85 885 | 35.6 |
| 2003-2004 | 86 290 | 34.4 | | 86 290 | 34.4 |
| 2004-2005 | 87 224 | 33.2 | | 87 224 | 33.2 |
| 2005-2006 | 91 699 ³ | 33.8 | | 91 699 | 33.8 |
| After government accounting reform of 2006-2007 | | | The figures from 2006-2007 to 2008-2009 are not comparable with earlier figures. | | |
| 2006-2007 | 96 124 | 34.1 | 1 300 | 97 424 | 34.5 |
| 2007-2008 | 94 824 | 31.9 | 2 301 | 97 125 | 32.7 |
| 2008-2009 | 98 026 | 32.3 | 433 | 98 459 | 32.4 |

1 Before taking into account amounts deposited in the stabilization reserve.

2 Including various accounting restatements that have not undergone a surplus (deficit) adjustment for previous years.

3 The increase observed in 2005-2006 is mainly attributable to the implementation of accrual accounting for federal transfers.

