

2013

ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

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Québec's economy:
creative, innovative, competitive
and open to the World

Sections

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ECONOMY

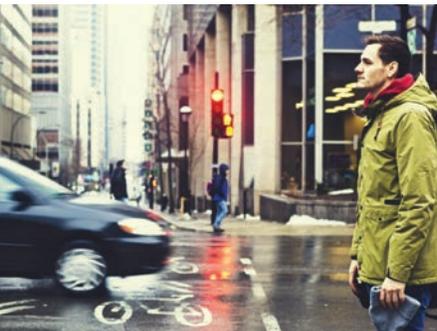
Québec, an
excellent business
environment



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PUBLIC FINANCES

Québec,
rigorous
management
of public finances



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ongoing presence
on Canadian
and international
markets



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Québec in 2013

1.

QUÉBEC ENCOMPASSES THE LARGEST TERRITORY IN CANADA. IN TERMS OF POPULATION, QUÉBEC RANKS SECOND, AT JUST OVER EIGHT MILLION PEOPLE.

2.

QUÉBEC'S GROSS DOMESTIC PRODUCT IS \$358 BILLION, REPRESENTING ALMOST 20% OF CANADA'S ECONOMY.

3.

A NATURAL GATEWAY TO NORTH AMERICA, QUÉBEC ENJOYS PREFERRED ACCESS TO A MARKET OF 460 MILLION CONSUMERS THROUGH ITS PARTICIPATION IN THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA).

4.

PUBLIC FINANCES ARE RIGOROUSLY MANAGED. THE QUÉBEC GOVERNMENT HAS UNDERTAKEN TO RESTORE FISCAL BALANCE IN 2013-2014 WHILE MAINTAINING THE QUALITY OF PUBLIC SERVICES.

5.

FOR BUSINESSES, INVESTING IN QUÉBEC MEANS ENJOYING A COMPETITIVE TAX ENVIRONMENT AND LOW LOCATION AND OPERATING COSTS.

6.

QUÉBEC STANDS OUT WITH ITS HIGHLY EDUCATED WORKFORCE, REMARKABLE DEVELOPMENT POTENTIAL IN ADVANCED SECTORS AND THE DEVELOPMENT OF NATURAL RESOURCES, HIGHLIGHTED PARTICULARLY IN THE DEVELOPMENT OF THE NORTH.

Today's Québec

A vast territory,
a dynamic economy,
rigorous management of public finances,
abundant natural resources
and remarkable human capital





ECONOMY

A place of growth
and investment

5. An economy driven by its human capital
6. An innovative economy
7. A competitive economy
8. An economy focused on high technology
10. An economy open to the world
11. The North for all
12. Abundant natural resources
14. Hydro-Québec

Québec's workforce consists of skilled, educated and experienced workers.

An economy driven by its human capital

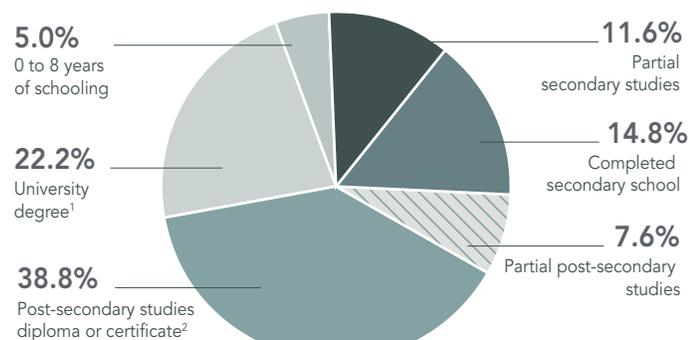
AN ECONOMY THAT WELCOMES QUALIFIED WORKERS AND THE PARTICIPATION OF EXPERIENCED WORKERS

Québec attracts almost 50 000 immigrants a year from around the world, contributing to the depth of its qualified labour pool. It has entered into agreements with Ontario and France to promote labour mobility.

Québec also relies on the know-how of experienced workers. Accordingly, a tax credit on earned income was put in place in 2012 for workers age 65 or over.

Moreover, businesses receive a refundable tax credit for manpower training in the manufacturing, mining and forestry sectors.

DISTRIBUTION OF QUÉBEC'S WORKFORCE BY LEVEL OF SCHOOLING – 2012 (as a percentage of the population age 15 to 64)



1 Bachelor's degree or higher.
2 Lower than a bachelor's degree.

SOURCE: STATISTICS CANADA.



AN EDUCATED WORKFORCE

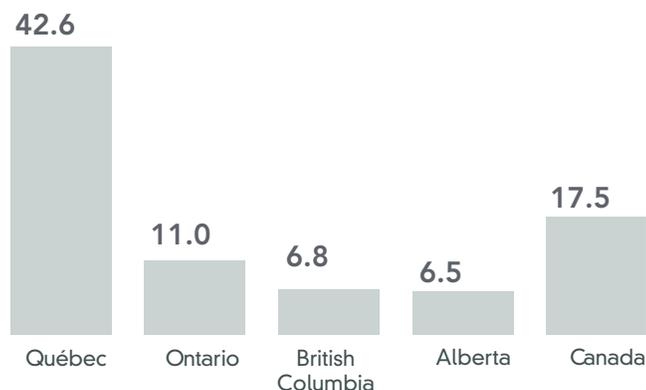
Québec has a large pool of educated workers.

- 83% of Québec's population has a secondary or post-secondary school diploma.
- 22% of the population aged 15 to 64 holds a university degree.

A POPULATION FLUENT IN MANY LANGUAGES

- ALMOST HALF OF QUÉBEC'S POPULATION IS FLUENT IN AT LEAST TWO LANGUAGES, AND 42.6% SPEAK CANADA'S TWO OFFICIAL LANGUAGES, FRENCH AND ENGLISH.
- MONTRÉAL, ONE OF THE WORLD'S LARGEST FRENCH-SPEAKING CITIES, IS A COSMOPOLITAN AND CULTURALLY RICH METROPOLIS THAT IS HOME TO AT LEAST 80 ETHNIC GROUPS. THE METROPOLITAN AREA HAS CLOSE TO FOUR MILLION INHABITANTS.

KNOWLEDGE OF BOTH OFFICIAL LANGUAGES (as a percentage of the total population)



SOURCE: SOURCE: STATISTICS CANADA, 2011 CENSUS.

To stimulate innovation,
tax assistance of \$1.3 billion
is granted each year

An innovative economy

A LEADER AMONG INDUSTRIALIZED COUNTRIES

In 2010, Québec allocated 2.4% of its GDP to research and development (R&D), the highest level of all the Canadian provinces.

- This rate exceeds the average rate in the European Union and is comparable with the average rates in the OECD and G8 countries.

R&D SPENDING IN CANADA: QUÉBEC STANDS OUT

R&D spending is growing faster in Québec than in the other Canadian provinces.

- Since 1995, Québec has been the province that, as a proportion of its GDP, has posted the highest level of R&D spending in Canada.

TAX TREATMENT THAT ENCOURAGES INNOVATION

Companies that invest in R&D enjoy favourable tax treatment.

- It is the most competitive in Canada for small and medium-size enterprises and among the most competitive among the G8 countries for large enterprises.

VENTURE CAPITAL: A STRATEGY THAT IS PRODUCING RESULTS

Québec is deploying major efforts to develop a diversified venture capital industry with the emphasis on private financing.

Its efforts have produced results, with greater and more diversified sources of financing available for Québec technology companies.

- In 2012, \$409 million was invested in venture capital in Québec. That accounts for 28% of all venture capital invested in Canada, a proportion that exceeds Québec's share of Canada's economy, which stands at 20%.

GROSS DOMESTIC EXPENDITURES ON R&D – 2010

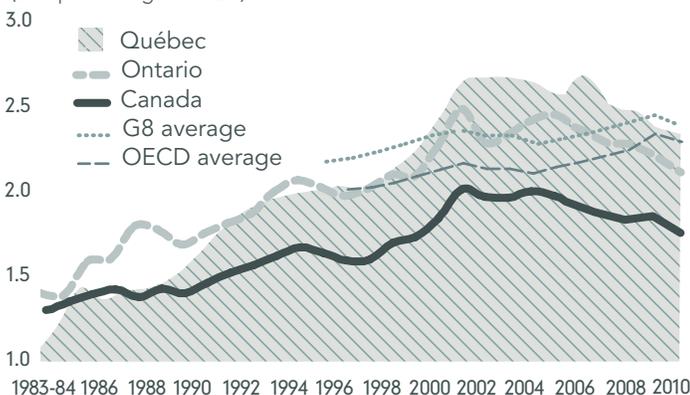
(as a percentage of GDP)

G8 countries	2.5
Québec	2.4
OECD member countries	2.4
Ontario	2.2
European Union member countries	1.9
Canada	1.8

SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

GROSS DOMESTIC EXPENDITURES ON R&D – 1983 TO 2010

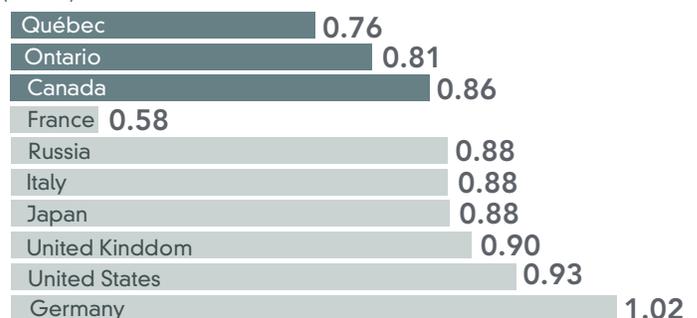
(as a percentage of GDP)



SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

NET COST OF AN R&D EXPENDITURE FOR A LARGE ENTERPRISE^{1,2}

(dollars)



¹ Revenue needed to cover an R&D expenditure of \$1 for a large enterprise. The lower the index, the more generous the tax relief measures.

² Rates in effect on January 1, 2013 for Québec, Ontario and Canada. Rates in effect in 2008 for other countries (most recent data compiled by the OECD).

SOURCES: OECD, SCIENCE, TECHNOLOGY AND INDUSTRY OUTLOOK 2012, JANUARY 2013, OECD PUBLISHING, AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC

Many tax incentives enable Québec businesses to reduce their operating costs.

A competitive economy

STATISTICS CANADA'S SURVEY ON PRIVATE AND PUBLIC INVESTMENT (MARCH 2013), WHICH LOOKS AT BUSINESS INVESTMENT INTENTIONS, INDICATES THAT THE VALUE OF NON-RESIDENTIAL INVESTMENT IN QUÉBEC SHOULD RISE BY 1.0% IN 2013.

MANUFACTURING INVESTMENTS WILL EXCEED \$4.5 BILLION FOR THE THIRD YEAR IN A ROW.

A COMPETITIVE TAX SYSTEM FOR INVESTMENT

Companies in Québec operate under a globally competitive tax system for new investments.

The tax rate on investment in Québec is below the average rates of the United States and OECD countries. Moreover, it is one of the lowest in Canada, mainly due to:

- the investment tax credit on acquisitions of manufacturing and processing equipment;
- the refund of the sales tax paid on capital goods.



LOW BUSINESS LOCATION AND OPERATING COSTS

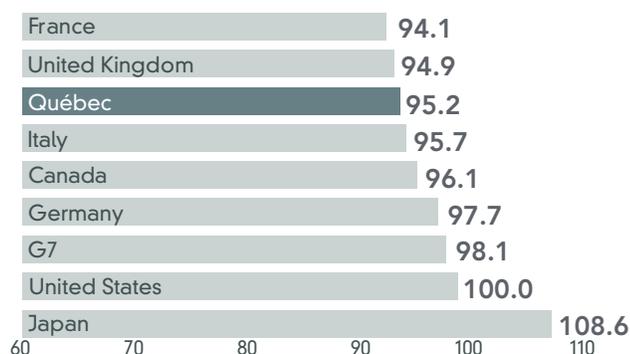
Québec's business location and operating costs are competitive within Canada and compare well with those in the major industrialized countries.

According to the most recent figures, these costs are 4.8% lower than in the United States and 2.9% below the average of the G7 countries.

In particular, Québec stands out with competitive labour costs as well as a competitive tax system.

BUSINESS LOCATION AND OPERATING COSTS¹

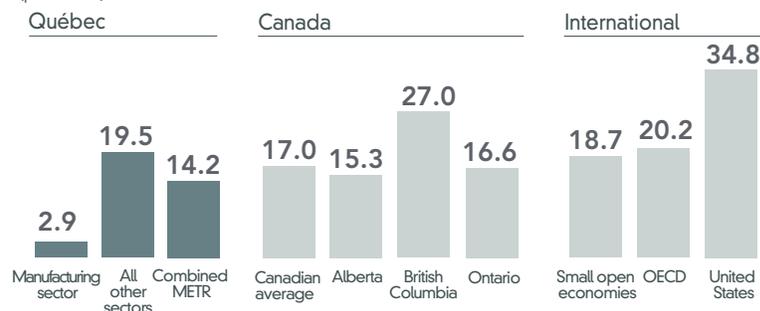
(index, United States = 100)



¹ Average of 19 activity sectors - Québec and major industrialized countries.

COMPARISON OF MARGINAL EFFECTIVE TAX RATES (METR)¹ ON INVESTMENT – 2014

(per cent)



¹ METRs are indicators of the impact of the tax system on new investments. They represent the effect of all tax expenses and rules affecting the return on capital invested. In particular, they take into account the tax on capital, sales tax, corporate income tax, depreciation rules and rates as well as accounting methods for inventories.

Advanced technologies make a major contribution to Québec's economy.

An economy focused on high technology

LIFE SCIENCES

The life sciences industry employs more than 25 000 people in Québec in more than 400 companies.

The pharmaceutical sector alone represents more than 7 500 jobs in Québec. Nine of the world's ten largest pharmaceutical companies have facilities in Québec, including Pfizer, Merck and Sanofi. Over the last six years, biopharmaceutical companies in Québec are estimated to have invested nearly \$5 billion, including \$3 billion in R&D, more than \$800 million in infrastructure and more than \$1 billion in a variety of partnerships.

The medical devices industry is enjoying robust growth. Over the last five years, more than \$130 million has been invested in this sector in Québec. The industry has more than 130 companies, most of them SMEs, employing approximately 5 300 people. Many multinational companies have opened facilities in Québec, including Becton Dickinson, Medtronic, Elekta and Nobel Biocare.

Furthermore, some companies in the life sciences sector specialize in the manufacture of natural health products, such as the Neptune Technologies & Bioressources, which markets, under the NKO® brand, an oil rich in omega-3 sourced from processing krill.

Québec also holds a major position in North America in the biotechnology sector. More than half of Québec biotechnology firms specialize in human health.



AERONAUTICS

THE AERONAUTICS SECTOR EMPLOYS MORE THAN 42 500 WORKERS IN QUÉBEC. THE SECTOR HAD SALES OF \$12.1 BILLION IN 2012. AIRCRAFT AND PARTS ACCOUNT FOR 16.7% OF THE VOLUME OF QUÉBEC'S INTERNATIONAL EXPORTS OF GOODS.

- MORE THAN 50% OF CANADA'S AERONAUTICS WORKFORCE IS IN QUÉBEC.
- NEARLY 55% OF THE AERONAUTICAL PRODUCTS DELIVERED BY CANADA COME FROM QUÉBEC.

QUÉBEC'S AERONAUTICS INDUSTRY INCLUDES MORE THAN 200 COMPANIES SPECIALIZED IN MAKING AIRPLANES, HELICOPTERS, ENGINES, PARTS AND FLIGHT SIMULATORS. MANY OF THESE OCCUPY A DOMINANT POSITION ON THE INTERNATIONAL SCENE:

- BOMBARDIER AEROSPACE, THE WORLD'S THIRD-LARGEST MANUFACTURER IN TERMS OF SALES;
- BELL HELICOPTER TEXTRON CANADA, MAJOR PLAYER IN THE MANUFACTURE OF CIVIL HELICOPTERS WITH ONE THIRD OF THE WORLD HELICOPTER FLEET;
- PRATT & WHITNEY CANADA, LEADER IN THE DESIGN AND PRODUCTION OF ENGINES FOR REGIONAL AIRCRAFT AND HELICOPTERS AND IN SMALL AND MEDIUM POWER TURBINES FOR BUSINESS AIRCRAFT.

ACCORDINGLY, THE GREATER MONTRÉAL REGION IS RECOGNIZED INTERNATIONALLY AS ONE OF THE MAJOR WORLD CENTRES OF AERONAUTICS, ALONG WITH SEATTLE AND TOULOUSE.

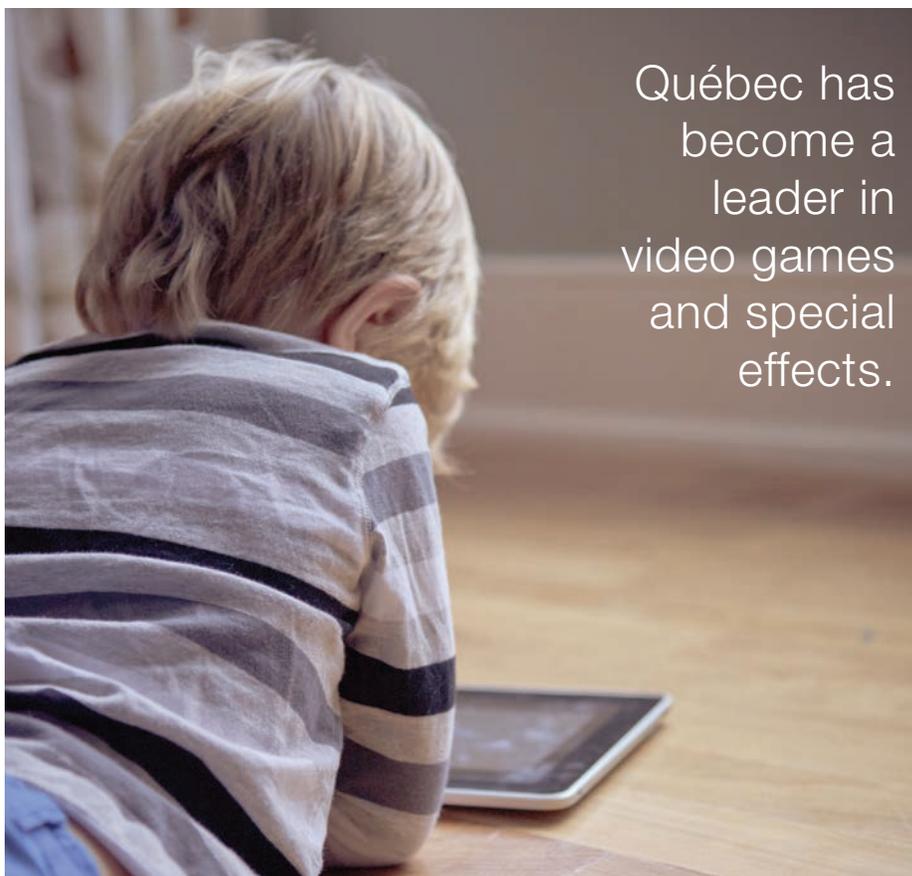
GREEN TECHNOLOGY

Québec adheres to the highest environmental protection standards. It has clean energy, hydroelectricity, leaving products manufactured in Québec with a small carbon footprint.

The Québec government has put in place a strategy for the development of Québec's green technology industry.

- Québec has adopted a cap and trade system for greenhouse gas emission rights, which will be linked to California's system in 2014, confirming their leadership status in North America. Québec has also undertaken to achieve a 20% reduction in its emissions by 2020 compared with their 1990 level.
- The Québec government has implemented measures to accelerate Quebecers' adoption of electric vehicles and to promote the development of biofuels.
- The bioenergy sector: the BIOCARDEL firm has developed an innovative technology for the production of biodiesel from waste oils; Bio-Terre Systems has developed a unique technology of low temperature anaerobic digestion; Enerkem is the world leader in the production of second-generation cellulosic ethanol.
- Water sector: Premier Tech Aqua, international leader in onsite decentralized wastewater treatment technologies; H₂O Innovation, solidly established in the United States offers advanced membrane technologies for the production of drinking water.

MANY QUÉBEC COMPANIES HAVE DEVELOPED UNIQUE GREEN TECHNOLOGIES THAT ALLOW THEM TO HOLD AN ENVIABLE POSITION ON THE INTERNATIONAL ENVIRONMENTAL MARKET.



Québec has become a leader in video games and special effects.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES IN THE DIGITAL AGE

Information and communications technologies (ICT) are a key industry that contributes to the productivity and competitiveness of all economic sectors in Québec. With more than 120 000 jobs and revenue exceeding \$30 billion, this industry accounts for 5.1% of Québec's GDP and is growing 3.5 times faster than the rest of the economy. This industry alone accounts for more than one third of R&D spending and venture capital investment in Québec.

Québec has become a leader in video games and special effects. The industry in Québec has experienced annual workforce growth in excess of 20%. In addition to Québec companies that hold a significant place in the market, such as Behaviour Interactive, Frima and Sava, many international companies have located in Québec because of its creative talent and advantageous tax system, in particular Ubisoft, Warner Bros, Activision, Babel, Gameloft and EIDOS.

Software and computer services are enjoying robust growth in Québec. Many multinationals have chosen Québec to develop software for various sectors: Dassault Systèmes in aeronautics; SITA, which develops telecommunications solutions and manages global air transportation from Montréal; Nuance, the world leader in voice recognition; SAP, specialist in integrated business management. The Québec-based multinational CGI, through its acquisition of Logica, has expanded in Europe and now employs 71 000 people around the world.

Many Québec manufacturing companies in ICT are posting solid results. They include Ericsson, VoiceAge, Myriad, Vantrix and Bluestreak in telecommunications, IBM and Teledyne Dalsa in microelectronics, Matrox in computer systems, Exfo, ABB, Creaform, TeraXion and Olympus NDT in optics-photonics and instrumentation.

Québec is developing and diversifying its export markets.

An economy open to the world

INCREASINGLY DIVERSIFIED EXPORTS

The products exported by Québec and their destinations are increasingly diverse. Although the United States remain Québec's largest trading partner, with 68.5% of Québec's international exports in 2012, a growing share is shipped to high-growth countries such as China, India, Brazil, Mexico and South Korea.

Between 2002 and 2012, Québec's exports to Europe and countries other than the United States have grown steadily, their proportion rising:

- from 9.3% to 13.5% to Europe;
- from 7.1% to 18.0% to other countries.

The products exported by Québec in 2012 are also very diversified:

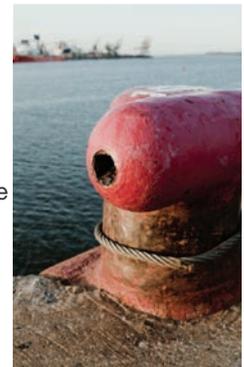
- metallic and non-metallic products (aluminum and alloys, steel, metal subassemblies), the main category of products exported, accounted for 19.7% of international exports of goods;
- machinery and equipment represented 12.9%;
- aircraft and parts accounted for 11.6% of exports.

Québec's export outlook is very encouraging, in particular because of growing demand from emerging economies for Québec's natural resources. In addition, Bombardier's launch of its CSeries aircraft should support growth of Québec's exports over the coming years.

QUÉBEC'S PORTS

Québec has five international ports. In particular:

- the Port of Montréal, the most direct intermodal link between the industrial heart of North America and markets of northern Europe and the Mediterranean;
- the Port of Sept-Îles, one of the largest ports in Canada: - this port's capacity will reach 100 million tonnes per year thanks to ongoing investments of \$220 million to build a deep-water multi-user wharf.



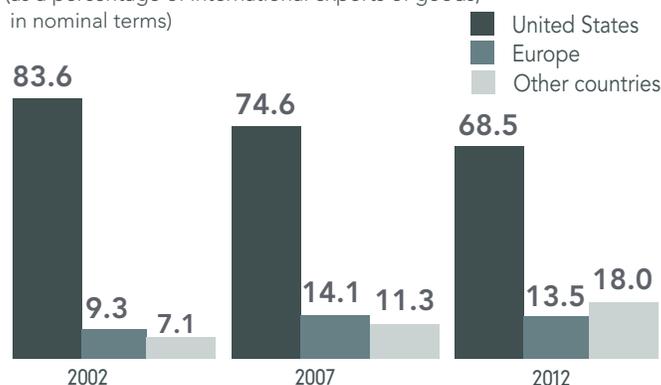
AN ECONOMY INTEGRATED WITH THE NORTH AMERICAN MARKET

QUÉBEC ENJOYS AN ADVANTAGEOUS GEOGRAPHICAL SITUATION. IT IS ONE OF THE MAJOR GATEWAYS TO THE HUGE NORTH AMERICAN MARKET.

THANKS, AMONG OTHER THINGS, TO THE FREE TRADE AGREEMENT (FTA) AND THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA), QUÉBEC'S INTERNATIONAL EXPORTS HAVE GROWN FROM 21% OF GDP IN 1988 TO 25% IN 2012. INTERPROVINCIAL EXPORTS REPRESENT 21% OF QUÉBEC'S GDP.

SHARES OF INTERNATIONAL EXPORTS ACCORDING TO TRADING PARTNER

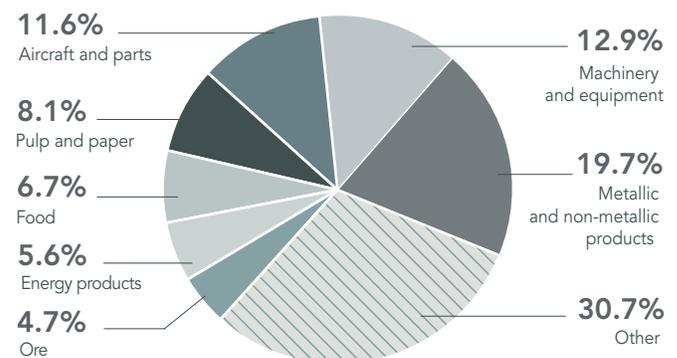
(as a percentage of international exports of goods, in nominal terms)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

BREAKDOWN OF EXPORTS BY PRODUCT CATEGORY – 2012

(as a percentage of international exports of goods, in real terms)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

The North for all



Northern Québec is an immense area with a huge potential in natural resources.

- The territory boasts an incalculable amount of varied mineral resources including gold, iron, rare earths and copper that are much in demand on international markets.
- There is also a significant forest potential, abundant clean and renewable energy resources as well as a unique tourism potential.

To benefit from this wealth and maximize its spinoffs for all Quebecers, the Québec government is proposing the North for all, a sustainable and responsible development model for northern Québec with three main components:

- social development of northern communities;
- sensitivity to the environment biodiversity;
- economic development.

INVESTMENTS IN PUBLIC INFRASTRUCTURES OF ROUGHLY \$1 BILLION OVER 5 YEARS

To encourage the development of northern Québec's wealth, the Québec government will invest some \$1 billion over the next five years to support large-scale strategic investment projects including:

- roads, to open up the territory and promote its economic development;
- social housing, contributing to the well-being of local, Aboriginal and non-Aboriginal communities;
- priority municipal infrastructure projects, helping local municipalities deal with the pressures brought about by northern development;
- national parks, ensuring sustainable and environmentally friendly development of the territory.

These investments will contribute to Québec's economic growth by fostering job creation and generating unprecedented business opportunities.

COORDINATED NORTHERN DEVELOPMENT

THE QUÉBEC GOVERNMENT HAS SET UP THE SECRÉTARIAT AU DÉVELOPPEMENT NORDIQUE TO ENSURE THAT ITS APPROACH IS SUCCESSFUL. IT WILL:

- CONNECT THE SOCIAL AND ECONOMIC DEVELOPMENT ACTIVITIES IN NORTHERN TERRITORIES WITH THE PLAYERS THAT INFLUENCE THEM;
- WORK TO OPTIMIZE ALL THE RESOURCES MADE AVAILABLE TO THE NORTHERN TERRITORY, BOTH PRIVATE AND PUBLIC, TO ACHIEVE DEVELOPMENT THAT IS HARMONIOUS, ETHICAL AND SENSITIVE TO POPULATIONS.

A FAVOURABLE CONTEXT FOR INVESTMENT

TO HELP PRIVATE INVESTMENT PROJECTS MOVE FORWARD AND ENSURE THEY ARE CARRIED OUT QUICKLY AND CONSISTENTLY, THE GOVERNMENT IS INVOLVING THE GROUPE D'ACTION MINISTÉRIELLE POUR LA MISE EN ŒUVRE DES PROJETS D'INVESTISSEMENT PRIVÉ. CHAIRED BY THE PREMIER, THE GROUP ENSURES AN INTEGRATED GOVERNMENT APPROACH TO HELP IMPLEMENT MAJOR PRIVATE INVESTMENT PROJECTS.



Given the significant ongoing mining investments, mining production should continue to make gains over the next few years.

Abundant natural resources

GLOBAL DEMAND FOR RAW MATERIALS: AN OPPORTUNITY FOR QUÉBEC

The rapid industrialization of emerging economies, resulting in growing global demand for raw materials, has resulted in higher prices of the main ores extracted or processed in Québec.

- Despite recent price fluctuations, prices for raw materials produced by Québec remain twice as high as 10 years ago.

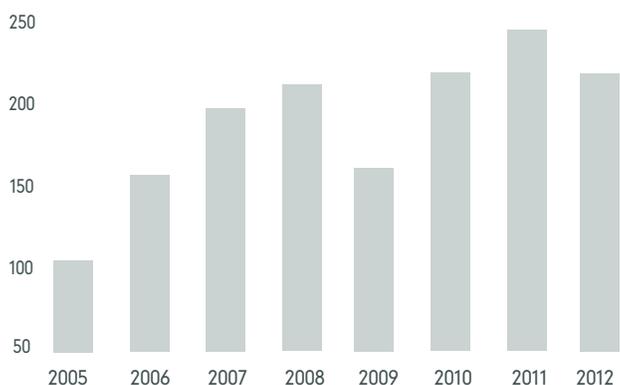


This demand is reflected in the value of mining output in Québec, which has more than doubled between 2005 and 2012, while nearly one quarter of Québec's international exports are related to natural resources.

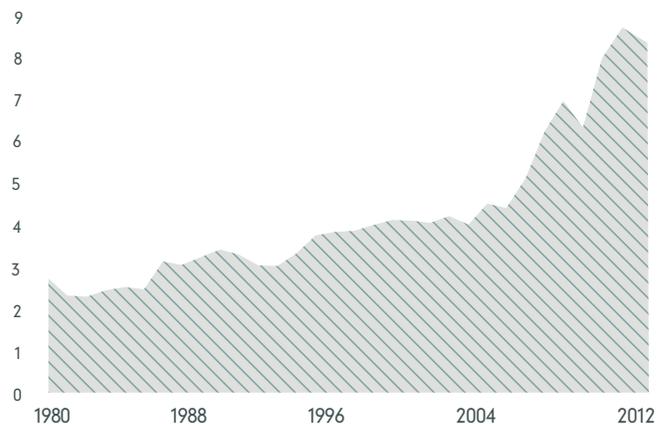
- Québec is a major player on the aluminum and iron markets. In 2012, its exports accounted for more than 80% of Canadian exports of aluminum and nearly half of iron ore exports.

QUÉBEC'S IMPORTANCE ON THE NICKEL AND ZINC MARKETS SHOULD GROW OVER THE COMING YEARS, AS THESE METALS ARE AMONG THOSE MOST IN DEMAND.

PRICE INDEX OF COMMODITIES PRODUCED BY QUÉBEC
(index, 2005 = 100)



MINING PRODUCTION IN QUÉBEC
(billions of dollars, in nominal terms)



SOURCES: BLOOMBERG AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

SOURCE: NATURAL RESOURCES CANADA.



MINING RESOURCES

Québec stands apart with remarkable mining potential in particular for iron, zinc, nickel, silver and gold development.

The opening up of northern Québec is an opportunity for the mining industry because it offers very attractive development prospects.

In 2012, mining companies invested a record amount of \$4.3 billion in Québec, a 25.5% increase from 2011. In 2013, investments are expected to reach \$3.7 billion.

FOREST RESOURCES

A COUNTRY OF LAKES AND RIVERS, QUÉBEC IS ALSO A LAND OF FORESTS. INDEED, QUÉBEC'S FORESTS ACCOUNT FOR 20% OF CANADA'S AND 2% OF THE WORLD'S FORESTS.

QUÉBEC'S FORESTS ARE MANAGED RESPONSIBLY.

- THEY ARE MANAGED TO ENSURE THEIR LONG-TERM VIABILITY AND SUSTAINABLE DEVELOPMENT.
- THE FOREST INDUSTRY IS PUTTING INNOVATION AND CREATIVITY TO WORK WITH THE DEVELOPMENT AND MARKETING OF HIGH VALUE-ADDED PRODUCTS.

FOLLOWING A NUMBER OF DIFFICULT YEARS STEMMING CHIEFLY FROM THE COLLAPSE OF THE HOUSING SECTOR IN THE UNITED STATES, QUÉBEC'S LUMBER EXPORTS ARE RISING.

- ACCORDINGLY, THE PRICE OF LUMBER IS UP 112% SINCE 2009 AND IS NOW AT ITS HIGHEST POINT SINCE 2005.

THE ONGOING HOUSING RECOVERY IN THE UNITED STATES SHOULD FOSTER QUÉBEC'S LUMBER EXPORTS FOR AN EXTENDED PERIOD.



The La Romaine complex is one of the country's largest infrastructure projects with investments of \$6.5 billion.

Hydro-Québec

A PILLAR IN FAVOUR OF SUSTAINABLE DEVELOPMENT IN QUÉBEC

Québec has one of the most abundant supplies of water in the world. There are more than 130 000 watercourses. More than 40% of Canada's water resources lie within its territory. The Québec government has developed this potential since the founding, in 1944, of Hydro-Québec, a government corporation of which it is the sole shareholder.

Hydro-Québec produces, transmits and distributes electricity. It develops essentially renewable energy, especially hydro-electricity. Its production base includes in particular 60 hydroelectric power stations, with installed capacity of 35 125 megawatts (MW). Hydro-Québec supports the development of other power options – like wind power and biomass – through its purchases from private producers.

For a number of years, Hydro-Québec has promoted energy efficiency and implemented programs that produce energy savings for its customers.

In 2012, the Québec government decided to cancel the refurbishment of the Gentilly-2 nuclear power plant. This decision was made in accordance with Hydro-Québec's recommendation.

- The cost of refurbishing the plant had become too high.
- Québec's surplus electricity situation and low export prices made continued power production at the plant uneconomic for the government corporation.

At the end of 2012, water power accounted for 98% of Hydro-Québec's electricity production. This is a green and renewable source of energy with a high degree of development flexibility and a very small greenhouse gas (GHG) footprint. In comparison, a coal-fired plant emits 100 times more. As a result, the electricity sector represents only 0.6% of GHG emissions in Québec.

Furthermore, Hydro-Québec has recently completed commissioning of the Eastmain-1-A and Sarcelle (918 MW) power plants. The project is a great success and is considered a model of social and environmental integration.

Hydro-Québec continues to work towards the complete commissioning of the La Romaine complex (1 550 MW), with planned investment of \$6.5 billion by 2020.

- The project includes the development of four power plants with annual production of 8.0 terawatt hours.
- More than 1 400 workers were at work on the site in April 2013; their number could exceed 2 300 in 2014.

MAJOR PRODUCERS OF HYDROELECTRICITY IN THE WORLD – 2011

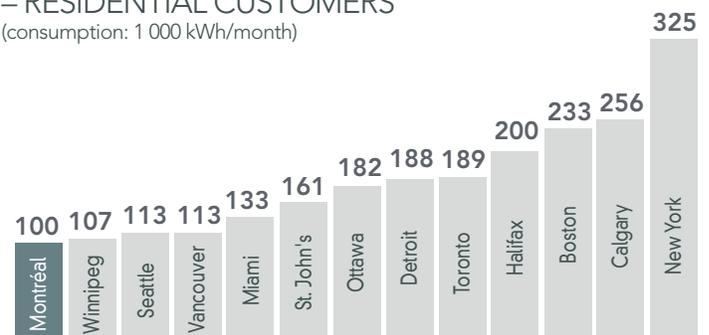
(terawatt hours)



Note: Québec's production does not include supplies from Churchill Falls.

COMPARATIVE INDEX OF ELECTRICITY PRICES – RESIDENTIAL CUSTOMERS

(consumption: 1 000 kWh/month)



Note: Monthly bills excluding taxes. Rates in force April 1, 2011.

HYDRO-QUÉBEC – 2012 HIGHLIGHTS

(millions of dollars)

Income	12 228
Net earning	860 ¹
Total assets	70 517
Staff level (persons)	22 596
Installed capacity (MW)	35 829

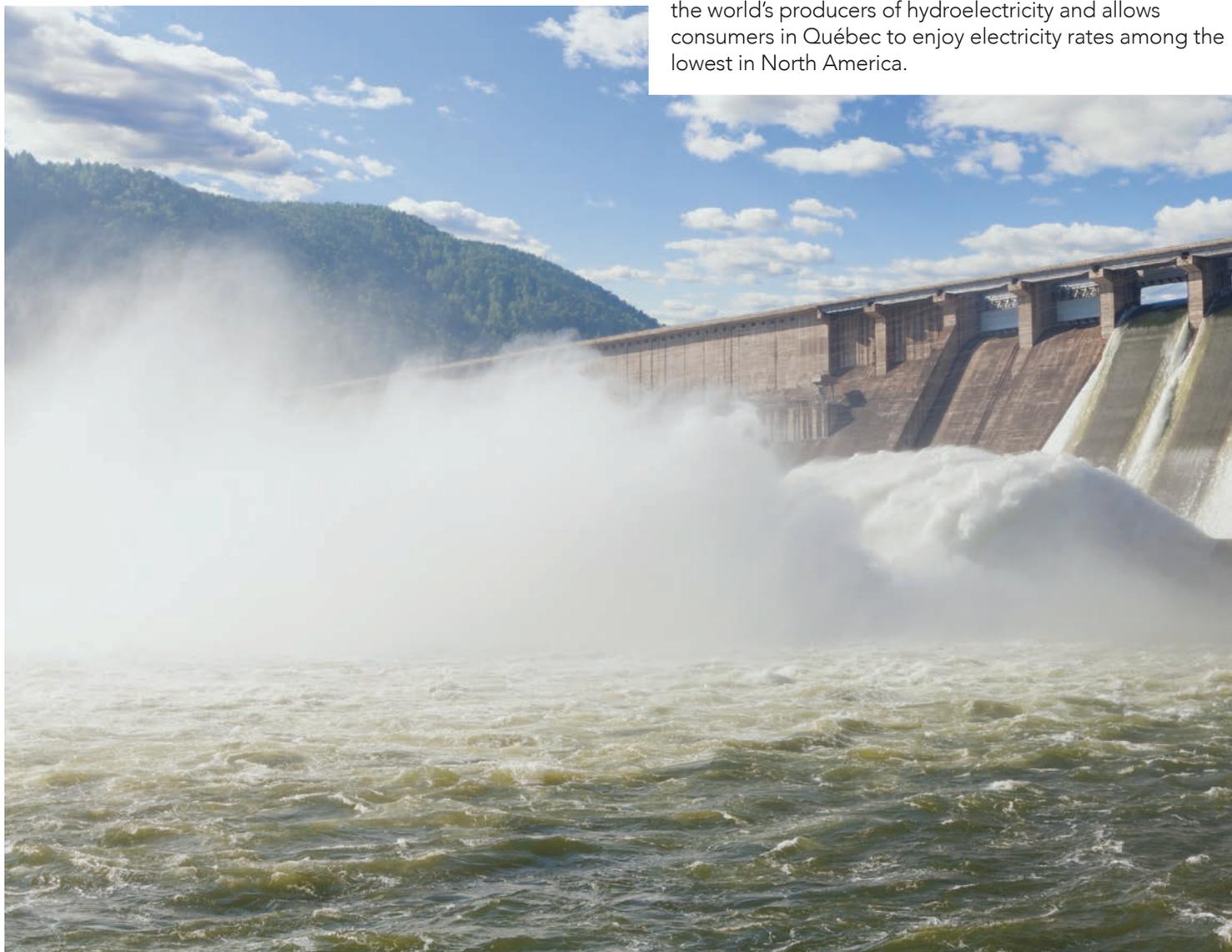
¹ Net earnings reflect the exceptional loss \$1 876 million resulting from the closure of the Gentilly-2 nuclear power plant.

SOURCE: HYDRO-QUÉBEC, 2012 ANNUAL REPORT.

THESE MAJOR RENEWABLE ENERGY PROJECTS WILL ENABLE HYDRO-QUÉBEC TO SECURE QUEBECERS' SUPPLY OF ELECTRICITY AND CREATE SPARE CAPACITY TO ACCOMMODATE NEW WEALTH-CREATING BUSINESSES, WHILE OPTIMIZING ITS EXPORTS.

Hydro-Québec's transmission network, the largest in North America, includes 33 911 km of lines with interconnections with the neighbouring provinces and the Northeastern United States. Hydro-Québec is continuing discussions on its possible participation in a planned underground transmission line between Québec and New York State, as well as a new interconnection with New Hampshire.

Hydro-Québec intends to consolidate its place in these markets and market its surplus. Hydro-Québec's electricity production puts Québec in fourth place among the world's producers of hydroelectricity and allows consumers in Québec to enjoy electricity rates among the lowest in North America.





PUBLIC FINANCES

A rigorous management
of public finances

- 17. **Disciplined management of public finances**
- 17. Stay the course towards fiscal balance
- 17. Improved management of infrastructure investments
- 18. The Canadian federation
- 18. Diversified revenue sources
- 19. **The Generations Fund, a positive step for the future**
- 19. Debt reduction: a priority for the government

Disciplined management of public finances

STAY THE COURSE TOWARDS FISCAL BALANCE

The government is holding to its objective of restoring fiscal balance.

A balanced approach is being taken to achieve this objective:

- rigorous control of spending to limit its growth;
- improved management of infrastructure investments.

RIGOROUS SPENDING CONTROL

The entire government apparatus is participating to limit spending growth, while ensuring that public services are maintained.

- Spending control is necessary to restore fiscal balance.

For 2013-2014, program spending breaks down as follows:

- 49% for Health and Social Services;
- 16% for Education, Recreation and Sport;
- 10% for Higher Education, Research, Science and Technology;
- 4% for Family;
- 21% for all other portfolios.



The 2013-2023 Québec Infrastructures Plan will contribute directly to increasing the stock of public capital in the economy. The stock of public capital is a key determinant productivity and economic growth.

IMPROVED MANAGEMENT OF INFRASTRUCTURE INVESTMENTS

THE QUÉBEC GOVERNMENT HAS UNDERTAKEN TO IMPROVE THE PLANNING AND MANAGEMENT OF INFRASTRUCTURE INVESTMENTS TO EQUIP QUÉBEC WITH QUALITY INFRASTRUCTURES WHILE KEEPING WITHIN TAXPAYERS' ABILITY TO PAY.

ACCORDINGLY, THE GOVERNMENT HAS SET THE LEVEL OF ALL PUBLIC INFRASTRUCTURE INVESTMENTS UNTIL 2025-2026 USING A TEN-YEAR INFRASTRUCTURE PLANNING HORIZON UNDER THE QUÉBEC INFRASTRUCTURES PLAN.

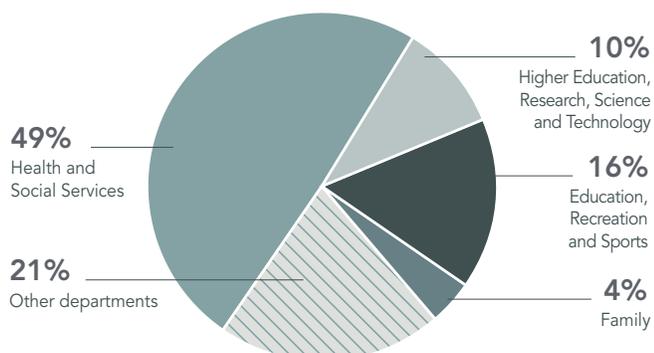
OVER THE NEXT FIVE YEARS, I.E. FROM 2013-2014 TO 2017-2018, THE AVERAGE AMOUNT OF INVESTMENT STIPULATED IN THE 2013-2023 QUÉBEC INFRASTRUCTURES PLAN WILL AMOUNT TO \$9.5 BILLION ANNUALLY.

FOR THE FOLLOWING FIVE YEARS, I.E. FROM 2018-2019 TO 2022-2023, THE AVERAGE ANNUAL AMOUNT OF INFRASTRUCTURE INVESTMENT WILL REACH \$8.9 BILLION.

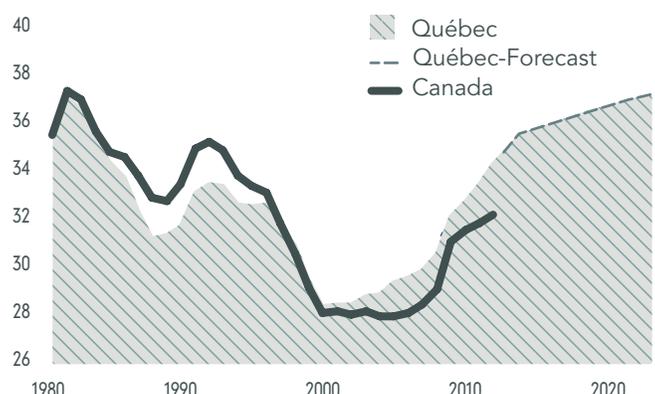
HISTORICALLY, THESE LEVELS ARE VERY HIGH. THEY WILL ENABLE THE GOVERNMENT TO ACHIEVE ITS OBJECTIVES FOR MAINTAINING ASSETS IN GOOD CONDITION AND OVERCOMING THE MAINTENANCE DEFICIT, WHILE STAYING WITHIN THE GOVERNMENT'S FINANCIAL CAPACITY.

AS A PERCENTAGE OF REAL GDP, THE STOCK OF PUBLIC CAPITAL, AFTER RISING FROM 28.3% OF GDP IN 2001 TO 34.2% IN 2012, WILL CONTINUE TO GROW AND WILL STABILIZE AT LEVELS ABOVE 37% AS OF 2023. THIS WILL RESTORE THE STOCK OF PUBLIC CAPITAL TO THE LEVEL THAT PREVAILED IN THE EARLY 1980S. IT WILL HELP TO INCREASE BUSINESS PRODUCTIVITY AND THE STANDARD OF LIVING IN QUÉBEC.

BREAKDOWN OF PROGRAM SPENDING BY GOVERNMENT DEPARTMENT – 2013-2014
(per cent)



CHANGE IN THE STOCK OF PUBLIC CAPITAL
(as a percentage of GDP, 2007 dollars)



SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.



THE CANADIAN FEDERATION

Québec is part of Canada, a federation created in 1867.

The jurisdictions of the federal government and the ten provinces are defined in the Constitution.

- The federal government is responsible for international trade, national defence, currency, monetary policy and employment insurance, among other things.
- The provinces have exclusive jurisdiction in many fields including health, education, social services and municipal affairs.

The various orders of government in Canada collect revenue equivalent to 34% of GDP, of which:

- 44% is collected by the federal government;
- 56% is collected by provincial governments and local administrations (municipalities and school boards).

DIVERSIFIED REVENUE SOURCES

THE QUÉBEC GOVERNMENT'S REVENUE COMES FROM TWO SOURCES: :

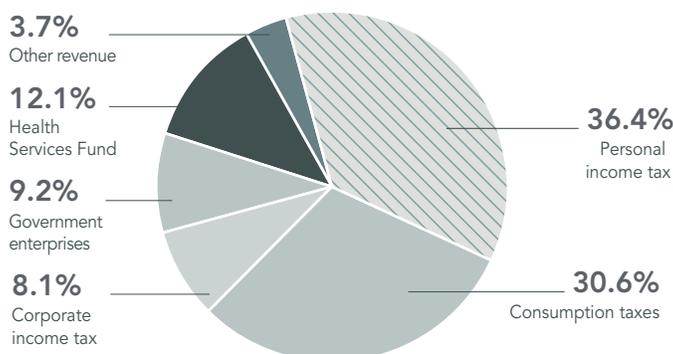
- OWN-SOURCE REVENUE (77.2%);
- FEDERAL TRANSFERS (22.8%).

MOST OF OWN-SOURCE REVENUE IS DERIVED FROM PERSONAL INCOME TAX (36.4%) AND TAXES ON CONSUMPTION (30.6%).

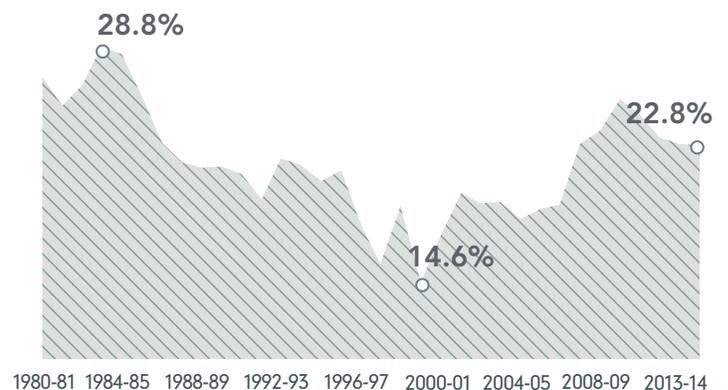
IN ADDITION, QUÉBEC IS ONE OF THE SIX PROVINCES THAT RECEIVE TRANSFER PAYMENTS UNDER THE FEDERAL EQUALIZATION PROGRAM.

- QUÉBEC AND THE NINE OTHER PROVINCES ALSO RECEIVE TRANSFERS FOR SOCIAL PROGRAMS SUCH AS HEALTH AND POST-SECONDARY EDUCATION.

BREAKDOWN OF THE GOVERNMENT'S OWN-SOURCE REVENUE – 2013-2014¹



FEDERAL TRANSFERS, 1980-1981 TO 2013-2014 (as a percentage of budgetary revenue)



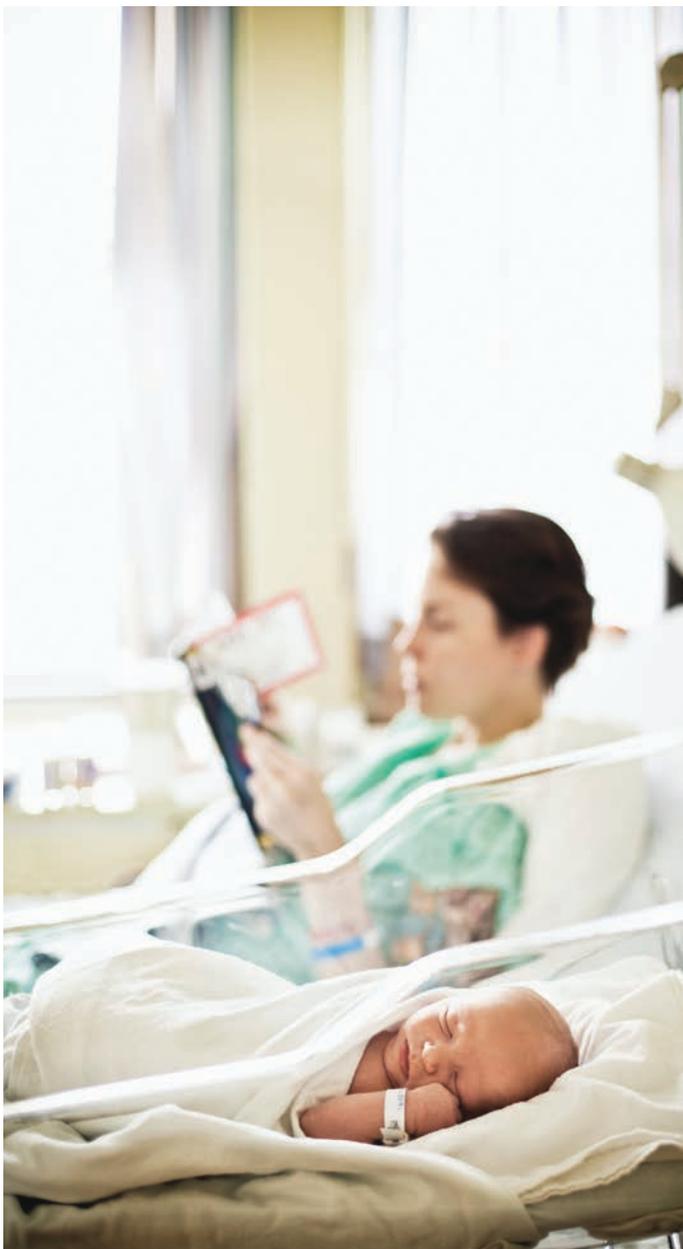
¹ Forecasts taken from the Update on Québec's Economic and Financial Situation, Spring 2013, Ministère des Finances et de l'Économie du Québec.

The Generations Fund, a positive step for the future

DEBT REDUCTION: A PRIORITY FOR THE GOVERNMENT

The government's debt reduction objectives are written in the *Act to reduce the debt and establish the Generations Fund*:

- 45% of GDP as at March 31, 2026 for the gross debt;
- 17% of GDP as at March 31, 2026 for the debt representing accumulated deficits.



To achieve these objectives, the government announced in the November 20, 2012 budget, that it will deposit in the Generations Fund:

- the revenue resulting from indexing the price of heritage electricity as of 2014;
- all mining royalties as of 2015-2016;
- the revenue of \$215 million per year, as of 2017-2018, stemming from the increase in Hydro-Québec's net earnings resulting from the closure of the Gentilly-2 nuclear power plant;
- as of 2014-2015, \$100 million per year arising from the increase in the specific tax on alcoholic beverages.

The government also announced a reduction in planned capital investments of \$1.5 billion per year as of 2013-2014.

These debt reduction measures will allow the government to achieve the objectives set in the *Act to reduce the debt and establish the Generations Fund*.

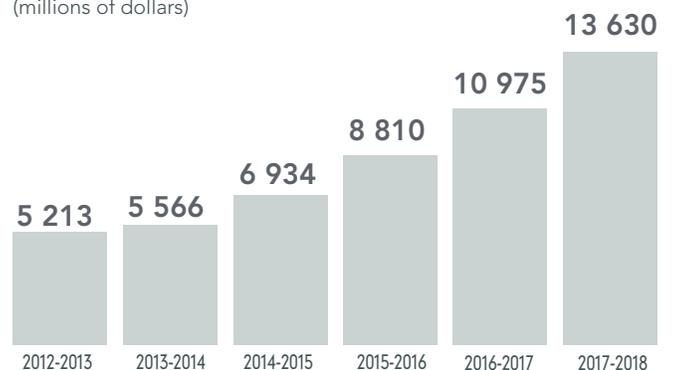
Lastly, the government will withdraw \$1 billion from the Generations Fund in 2013-2014 to repay maturing borrowings.



THE NEW REVENUE SOURCES, ADDED TO THOSE CURRENTLY DEDICATED TO THE GENERATIONS FUND, WILL ENABLE THE FUND'S BALANCE TO REACH \$13.6 BILLION BY MARCH 31, 2018.

BALANCE OF THE GENERATIONS FUND

(millions of dollars)



Notes: Preliminary results for 2012-2013 and forecasts for subsequent years.
A withdrawal of \$1 billion will be made from the Generations Fund in 2013-2014 to repay maturing borrowings.



FINANCING

A strategy
of diversifying sources
of financing

21. A major issuer on the Canadian market
22. An ongoing and recognized presence on international markets

A major issuer on the Canadian market



GENERAL FUND AND FINANCING FUND

The government's financing program is designed essentially to:

- meet new financing requirements, in particular for capital investment and investments in government corporations;
- repay maturing borrowings;
- contribute to sinking funds for future payment of retirement benefits and future employee benefits to public and parapublic sector employees.

Since April 1, 2013, the Financing Fund is responsible for short and long-term financing of organizations within the government reporting entity, such as organizations of the health and social services and the education networks. Before then, such financing was provided by Financement-Québec.

AN INCREASE IN PRUDENTIAL

LIQUIDITY

IN 2012-2013, THE GOVERNMENT IMPLEMENTED A NEW POLICY TO INCREASE THE LEVEL OF PRUDENTIAL LIQUIDITY. THE OBJECTIVE IS TO INCREASE THE GOVERNMENT'S LIQUIDITY BY \$6 BILLION OVER TWO YEARS. THESE FUNDS MAY BE USED IN THE EVENT OF SIGNIFICANT UPHEAVAL ON FINANCIAL MARKETS.

AN AMOUNT OF \$3 860 MILLION WAS PAID INTO THE SINKING FUND RELATING TO BORROWINGS FOR PURPOSES OF PRUDENTIAL LIQUIDITY IN 2012-2013.

LIQUID PUBLIC OFFERINGS

The Québec government carries out most of its bond issues on the Canadian market; roughly 80% of its borrowings are carried out on that market.

Public offerings form the majority of the government's transactions on the Canadian market.

To foster the liquidity of its securities, the government sets benchmark issues and increases their size until the amount outstanding is considered optimal.

BENCHMARK ISSUES IN CANADA

(millions of dollars)

	COUPON (%)	ISSUE DATE	MATURITY DATE	AMOUNT OUTSTANDING
Short term	5.25	2003	2013	2 152
	5.50	2004	2014	2 500
	5.00	2005	2015	2 500
	4.50	2006	2016	3 000
Medium term	4.50	2007	2017	5 000
	4.50	2008	2018	4 000
	4.50	2009	2019	5 000
	4.50	2010	2020	5 900
	4.25	2011	2021	7 500
	3.50	2011	2022	6 000
	3.00	2012	2023	4 500
Long term	6.00	1998	2029	2 737
	6.25	2000	2032	4 200
	5.75	2003	2036	4 083
	5.00	2006	2038	5 000
	5.00	2009	2041	8 000
	4.25	2011	2043	7 000
	3.50	2013	2045	1 500

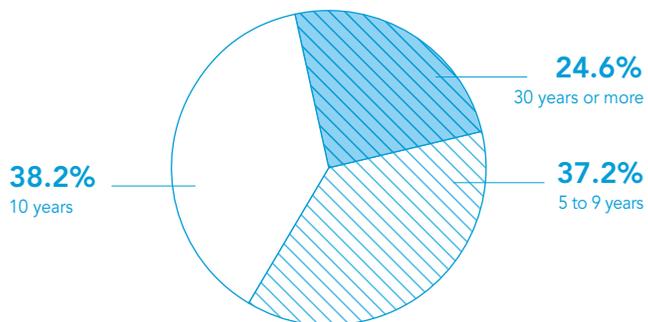
DIVERSIFICATION BY MATURITY

The Québec government borrows on a number of segments of the yield curve on the Canadian market. In recent years, where market conditions have been favourable, the government has floated a number of very long-term issues. To date, the longest maturity for a Québec government security is in 2076.

In 2012-2013, 37.2% of borrowings completed had a maturity of 5 to 9 years, 38.2%, 10 years and 24.6%, 30 years or more.

	COUPON (%)	ISSUE DATE	MATURITY DATE	AMOUNT OUTSTANDING
Very long term	5.00	2006	2051	420
	Various	2006	2056	1 500
	6.70	2006	2062	150
	Various	2009	2065	385
	6.35	2006	2065	940
	Various	2012	2065	335
	Various	2012	2075	100
	Various	2007	2076	500

BORROWINGS COMPLETED IN 2012-2013 BY MATURITY^P



P: Preliminary results.

An ongoing and recognized presence on international markets

DIVERSIFICATION BY MARKET

Over the last ten years, 19% of the Québec government's borrowings were in foreign currencies. In 2012-2013, the government carried out 7.8% of its borrowings on foreign markets.

Financing transactions are carried out regularly on major international markets, i.e. in the United States, Europe and Asia.

To ensure good liquidity on the secondary market, large issues are floated.

ACTIVITIES ON INTERNATIONAL MARKETS

Since 2001, the government has made 17 benchmark issues in US dollars and in euros¹ :

- 11 issues in US dollars for a total of US\$12.65 billion;
- 6 issues in euros for a total of €8.25 billion.

The government intends to remain a regular issuer on international markets. The objective is to issue one benchmark bond in US dollars and one in euros each year.

1. Of these 17 benchmark issues, it should be noted that three in US dollars and two in euros have matured.

YIELD ON QUÉBEC SECURITIES

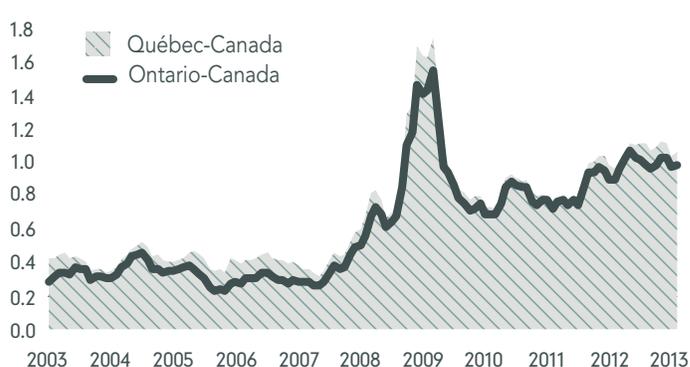
(per cent)



SOURCES: PC-BOND AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

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

(per cent)



SOURCE: PC-BOND.

ISSUES IN FOREIGN CURRENCIES

MARKET	COUPON (%)	ISSUE DATE	MATURITY DATE	OUTSTANDING (millions ¹)
ISSUES IN US DOLLARS				
	4.875	2004	2014	1 000
	4.60	2005	2015	1 000
	5.00	2006	2016	1 250
	5.125	2006	2016	1 500
	4.625	2008	2018	1 000
	3.50	2010	2020	1 500
	2.75	2011	2021	1 400
	2.625	2013	2023	1 250
	7.50	1993	2023	1 000
	7.125	1994	2024	1 000
	7.50	1999	2029	1 500
ISSUES IN EUROS				
	3.625	2005	2015	1 500
	3.375	2005	2016	1 500
	4.75	2008	2018	1 250
	5.00	2009	2019	1 500
ISSUES IN OTHER CURRENCIES				
Swiss franc	3.50	2008	2014	250
	3.125	2009	2015	350
	2.25	2005	2015	500
	2.625	2006	2017	500
	3.375	2008	2018	250
	3.875	2009	2018	200
	2.875	2009	2021	200
	1.125	2013	2023	250
Australian \$	5.75	2005	2015	450
	6.50	2011	2021	225
New Zealand \$	6.75	2005	2015	300
Mexican peso	8.27	2006	2016	1 500

¹ In millions of units of the currency.



EURO MARKET: QUÉBEC PRESENT FROM THE BEGINNING

Québec was the first Canadian province to borrow in euros, on January 11, 1999, 11 days after the birth of the currency.

The government carried out its first benchmark issue in euros in June 2001.

DATE OF THE FIRST QUÉBEC BOND ISSUES

Pound sterling	1874
US dollar	1879
German mark	1968
Yen, Swiss franc, French franc	1972
Italian lira	1991
Dutch guilder	1992
Spanish peseta	1997
Swedish crown, Luxembourg franc	1998
Euro	1999
Australian dollar	2001
New Zealand dollar	2005
Mexican peso	2006
Hong Kong dollar	2007

A LONGSTANDING PRESENCE ON INTERNATIONAL MARKETS

THE GOVERNMENT'S PRESENCE ON INTERNATIONAL FINANCIAL MARKETS DATES BACK TO 1874 IN LONDON AND 1879 IN NEW YORK, WHEN THE QUÉBEC GOVERNMENT WAS THE FIRST FOREIGN BORROWER ON THAT MARKET.

THE QUÉBEC GOVERNMENT HAS BORROWED FOR MORE THAN 45 YEARS IN EUROPE AND ASIA.

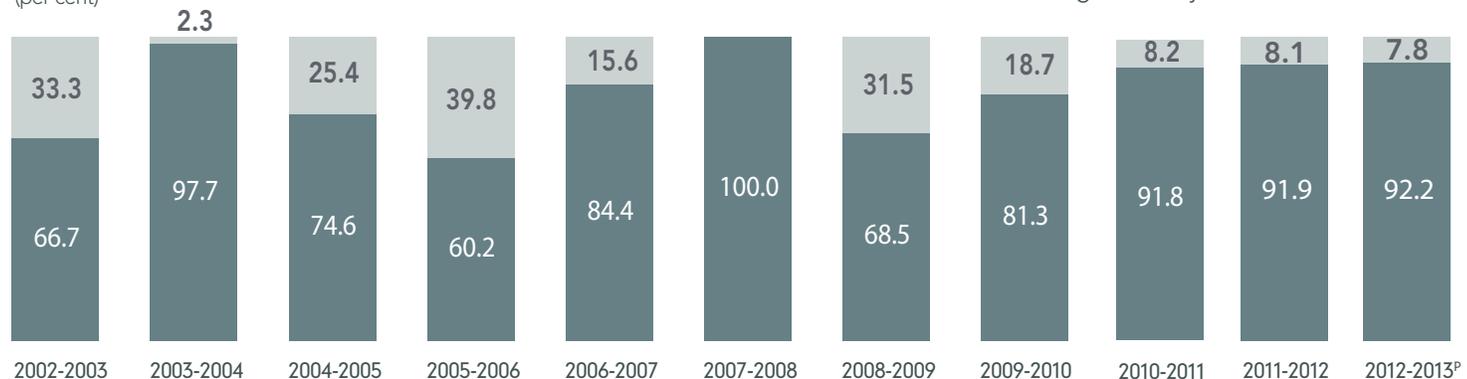
- THE FIRST BORROWING IN GERMAN MARKS OCCURRED IN 1968.
- THE FIRST BORROWING IN YEN WAS IN 1972.
- INDEED, THE QUÉBEC GOVERNMENT WAS THE SECOND FOREIGN GOVERNMENT TO BORROW IN YEN.

RECOGNITION BY INTERNATIONAL FINANCIAL MARKETS

The financial magazine *EuroWeek* has awarded prizes to the Québec government for its transactions in US dollars and in euros carried out in 2001, 2002, 2003, 2005, 2008, 2009 and 2011. The *International Financing Review* also awarded a prize for the Québec government's issue in Swiss francs in 2005.

HISTORY OF BORROWINGS BY CURRENCY

(per cent)



P: Preliminary results.

Note: Borrowings of the general fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

DEBT MANAGEMENT: MINIMIZE COST AND RISK

The government's debt management strategy seeks to minimize the cost of the debt while limiting the risk tied to fluctuations in exchange rates and interest rates.

Borrowings are made where funds are available, at the lowest possible cost.

Interest rate and currency swaps are used to achieve the desired debt proportions by currency and rate type, i.e. fixed or floating rate.

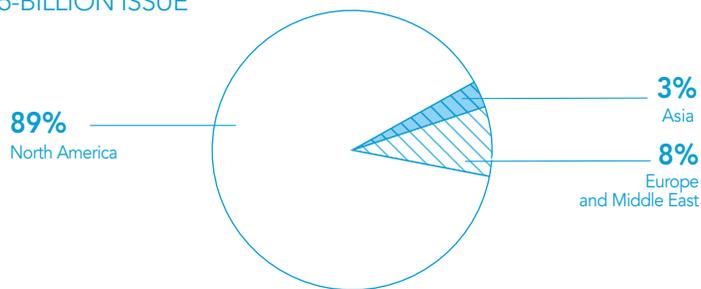
BY CURRENCY

As at March 31, 2013, the proportion of the gross debt in Canadian dollars, after taking interest rate and currency swap contracts into account, stood at 100%.

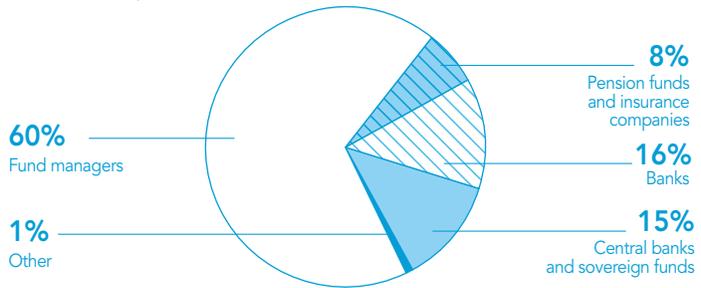
BY RATE

As at March 31, 2013, the proportion of the gross debt at floating rates, after taking interest rate and currency swap contracts into account, stood at 11.3%.

GEOGRAPHIC BREAKDOWN OF PURCHASES OF THE FEBRUARY 2013 US\$1.25-BILLION ISSUE



BREAKDOWN BY TYPE OF INVESTOR OF PURCHASES OF THE FEBRUARY 2013 US\$1.25-BILLION ISSUE



THE QUÉBEC GOVERNMENT'S US DOLLAR BORROWING IN FEBRUARY 2013

The most recent issue of Québec bonds in US dollars was floated on February 13, 2013. Demand came from more than 85 investors and was such as to enable an issue of US\$1.25 billion with a maturity of 10 years.

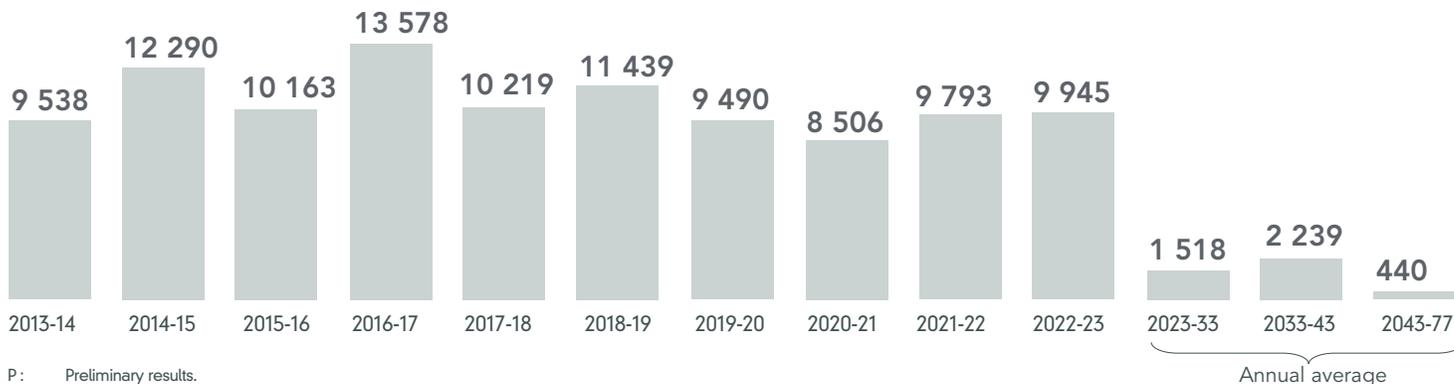
Québec now has eleven benchmark issues on the US market with maturities ranging between 2014 and 2029.

A STABLE MATURITY SCHEDULE

DIVERSIFYING BORROWINGS BY MATURITY RESULTS IN A STABLE REFINANCING SCHEDULE, WHICH ENSURES A REGULAR PRESENCE ON FINANCIAL MARKETS. THE AVERAGE MATURITY OF THE DEBT IS 12 YEARS.

MATURITY OF THE LONG-TERM DEBT AS AT MARCH 31, 2013^P

(millions of dollars)



P: Preliminary results.

Note: The long-term debt includes the direct debt of the general fund, debt contracted to make advances to the Financing Fund and debt of Financement-Québec

*Finances
et Économie*

Québec



2013

ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

in brief

June 2013

ECONOMY

Economic Outlook

THE ECONOMY CONTINUED TO GROW IN 2012, FOR THE THIRD YEAR IN A ROW, DESPITE THE FRAGILE INTERNATIONAL ECONOMIC SITUATION.

QUÉBEC'S ECONOMY CONTINUES TO GROW

Québec has a dynamic and resilient economy that emerged from the last recession in good shape. Real GDP posted a gain of 1.0% in 2012 after rising by 1.9% in 2011.

According to the forecasts of the Ministère des Finances et de l'Économie, real GDP growth should gradually accelerate to 1.3% in 2013 and 1.8% in 2014.

- Domestic demand will continue to sustain economic growth in Québec. It will be based both on rising household consumption, supported by job creation, and an increase in business investment.
- Firmer growth in the United States and gradual improvement in the world economy will stimulate growth in Québec's exports.

ECONOMIC INDICATORS

(percentage change, unless otherwise indicated)

QUÉBEC	2012	2013	2014
Real gross domestic product	1.0	1.3	1.8
Gross domestic product	3.4	3.6	3.9
Real consumption	1.1	1.8	2.1
Housing starts (thousands)	47.4	41.4	40.1
Real business non-residential investments	7.6	2.0	3.7
Real total exports	1.7	2.8	3.0
Unemployment rate (per cent)	7.8	7.5	7.4
Job creation (thousands)	30.8	44.5	36.5
Consumer price index	2.1	1.6	1.9
CANADA	2012	2013	2014
Treasury Bills – 3 months (%)	1.0	1.0	1.4
Bonds – 10 years (%)	1.9	2.3	3.2
Canadian dollar (in US cents)	100.1	98.8	99.6

SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC, STATISTICS CANADA AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.



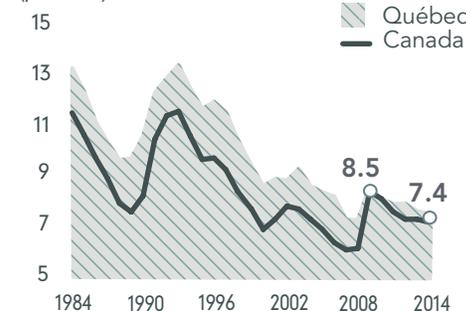
GOOD PERFORMANCE IN EMPLOYMENT

Québec's labour market experienced positive growth in 2012.

- For the year as a whole, 30 800 jobs were created in Québec and the unemployment rate held at 7.8%.

Continued economic growth should result in 44 500 jobs being created in 2013 and 36 500 in 2014. The labour market's good performance should enable the unemployment rate to fall to 7.5% in 2013 and 7.4% in 2014.

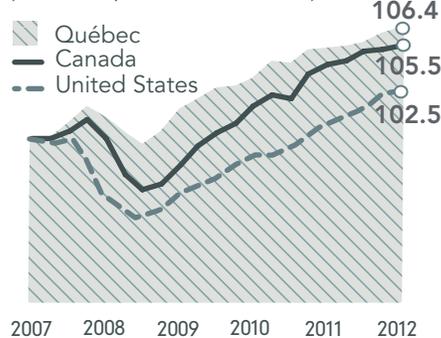
UNEMPLOYMENT RATE IN QUÉBEC



SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

REAL GDP – QUÉBEC AND ITS MAIN PARTNERS

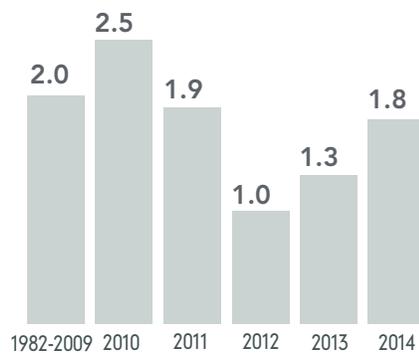
(index, 4th quarter of 2007 = 100)



SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

REAL GDP – QUÉBEC

(percentage change)



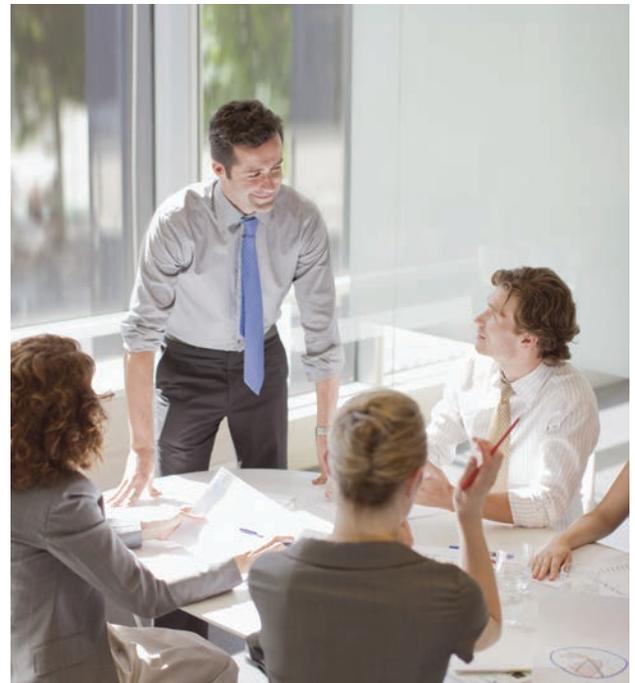
SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC, STATISTICS CANADA AND MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC.

Disciplined management of public finances

STAY THE COURSE TOWARDS FISCAL BALANCE AND DEBT REDUCTION

The government is staying the course on returning to fiscal balance and reducing the debt, while fostering long-term economic development. Budgetary objectives are being met over the time period planned to restore fiscal balance.

- For 2012-2013, the budget deficit objective of \$1.5 billion is maintained.
- A return to fiscal balance is forecast as of 2013-2014.



SUMMARY OF ADJUSTED BUDGETARY TRANSACTIONS – MARCH 2013 (millions of dollars)

	2012-2013	2013-2014	2014-2015
Budgetary revenue	68 652	72 109	74 133
% change	4.8	5.0	2.8
Budgetary expenditure	-70 464	-72 341	-73 946
% change	2.3	2.7	2.2
Consolidated entities	1 298	1 485	1 051
Contingency reserves	-50	-200	-300
Shortfall to be offset	—	—	430
Exceptional loss – Closure of Gentilly-2	-1 876	—	—
SURPLUS (DEFICIT)	-2 440	1 053	1 368
BALANCED BUDGET ACT			
Payments of revenue dedicated to the Generations Fund	-936	-1 053	-1 368
Exclusion – Exceptional loss	1 876	—	—
BUDGETARY BALANCE⁽¹⁾	-1 500	—	—
En % du PIB	-0.4	—	—

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

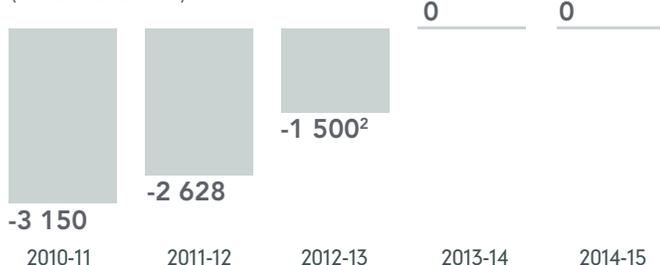
RIGOROUS SPENDING CONTROL

Overall, annual growth in consolidated expenditure excluding debt service will average 2.7% from 2012-2013 to 2014-2015, a decrease compared to the 5.7% growth observed from 2006-2007 to 2009-2010 and the growth rates in 2010-2011 and 2011-2012.

More specifically, consolidated expenditure excluding debt service is expected to increase by:

- 2.8% in 2012-2013;
- 2.6% in 2013-2014;
- 2.6% in 2014-2015.

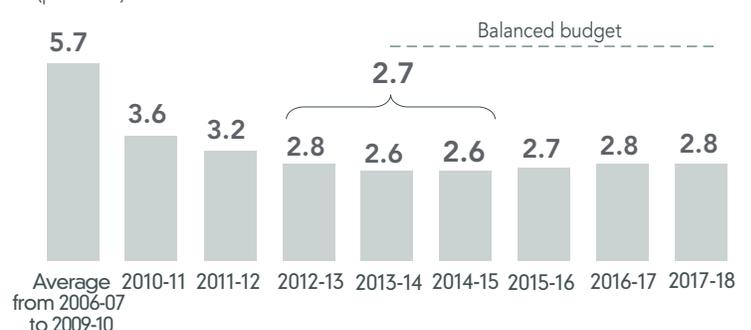
BUDGETARY BALANCE FROM 2010-2011 TO 2014-2015¹ (millions of dollars)



¹ Budgetary balance within the meaning of the *Balanced Budget Act*.

² For 2012-2013, the budgetary balance excludes the accounting impact arising from Hydro Québec's exceptional loss for the closure of the Gentilly-2 nuclear power plant. The impact amounts to \$1 876 million, i.e. \$71 million more than the \$1 805 million estimated at the time of Budget 2013-2014.

GROWTH IN CONSOLIDATED EXPENDITURE EXCLUDING DEBT SERVICE (per cent)



The government's debt

DEBT REDUCTION: A PRIORITY FOR THE GOVERNMENT

The government's debt reduction objectives are written into the *Act to reduce the debt and establish the Generations Fund*.

- As at March 31, 2013, the gross debt stood at 54.2% of GDP. The government's objective is to reduce this to 45% as at March 31, 2026.
- As at March 31, 2013, the debt representing accumulated deficits amounted to 32.9% of GDP. The government's objective is to reduce this to 17% as at March 31, 2026.

DEBT

THE GOVERNMENT'S GROSS DEBT INCLUDES THE DIRECT DEBT, THE NET LIABILITY UNDER THE RETIREMENT PLANS AND THE NET LIABILITY FOR EMPLOYEE FUTURE BENEFITS. THE GROSS DEBT IS REDUCED BY THE AMOUNTS ACCUMULATED IN THE GENERATIONS FUND.

PRELIMINARY RESULTS SHOW THAT THE GROSS DEBT STOOD AT \$193.6 BILLION AS AT MARCH 31, 2013, EQUIVALENT TO 54.2% OF GDP.



THE GOVERNMENT'S GROSS DEBT AS AT MARCH 31, 2013^P

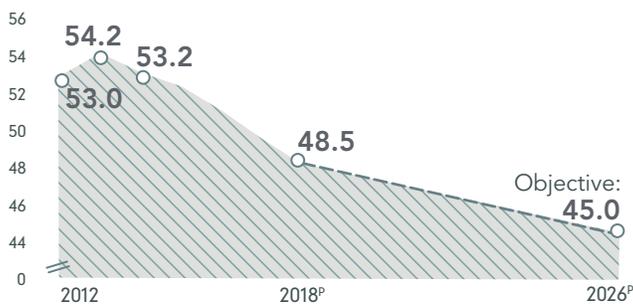
(billions of dollars)

Consolidated direct debt	170.6
Net retirement plans and employee future benefits liability	28.2
Less:	
Amount accumulated in the Generations Fund	-5.2
GROSS DEBT	193.6

P: Preliminary results.

GROSS DEBT

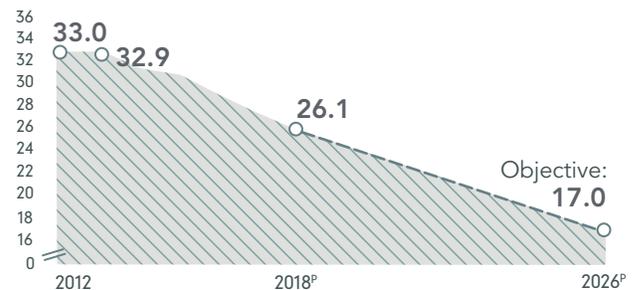
(as at March 31, as a percentage of GDP)



P: Preliminary data for 2013, forecasts for 2014 to 2018 and projections for subsequent years.
 Note: The gross debt excludes borrowings made in advance and takes the amounts accumulated in the Generations Fund into account.

DEBT REPRESENTING ACCUMULATED DEFICITS

(as at March 31, as a percentage of GDP)



P: Preliminary data for 2013, forecasts for 2014 to 2018 and projections for subsequent years.

FINANCING

THE GOVERNMENT'S FINANCING PROGRAM

The government's financing program aims primarily to meet new capital investment financing requirements, to repay maturing borrowings and to contribute to sinking funds.

The financing program for 2012-2013 amounted to \$20 121 million. It is expected to be \$11 671 million in 2013-2014 and \$17 549 million in 2014-2015.

FINANCING PROGRAM (millions of dollars)			
	2012-2013 ^P	2013-2014 ^P	2014-2015 ^P
GENERAL FUND			
Net financial requirements ^{(1),(2)}	4 920	-392	400
Repayments of borrowings	4 665	4 569	7 649
Use of the Generations Fund to repay maturing borrowings	—	-1 000	—
Change in cash position ⁽³⁾	-4 436	-2 646	—
Deposits in the Retirement Plans Sinking Fund or retirement plans ⁽⁴⁾	1 149	—	—
Transactions under the credit policy ⁽⁵⁾	-347	—	—
Additional contributions to the Sinking Fund for borrowings	3 860	2 140	—
Pre-financing	2 646	—	—
TOTAL – General fund	12 457	2 671	8 049
FINANCING FUND			
Subtotal – General fund and Financing Fund	16 535	10 671	16 549
FINANCEMENT-QUÉBEC			
	3 586	1 000	1 000
TOTAL	20 121	11 671	17 549
Including: repayments of borrowings ⁽⁶⁾	7 785	9 538	12 290

P: Preliminary results for 2012-2013 and forecasts for subsequent years.
 Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.
 (1) These amounts exclude the net financial requirements of the consolidated entities, which are financed through Financing Fund and Financement-Québec financing program.
 (2) Net financial requirements are adjusted to take into account the non-receipt of Retirement Plans Sinking Fund (RPSF) revenues and of funds dedicated to employee future benefits.
 (3) Corresponds to pre-financing made in the preceding year.
 (4) Deposits to the RPSF are optional.
 (5) Under its credit policy, which is designed to limit financial risk with respect to counterparties, the government received \$347 million in 2012-2013 because of the change in foreign exchange rates. These receipts reduce financial requirements to be satisfied with new borrowings.
 (6) Includes repayments of borrowings by the general fund, the Financing Fund and Financement-Québec.

COMMENTS FROM CREDIT-RATING AGENCIES

MOODY'S – APRIL 11, 2013

"The ratings [...] reflect the province's inherent credit strengths, including a large and diverse economy that supports its sizeable own-source resources and considerable policy flexibility over budgetary outcomes through an unfettered access to a broad range of taxes as well as the ability to adjust its expenditure base when required."

"[...] the government's commitment to ease back on debt accumulation through planned reductions in cash requirements and contribution to a debt reserve fund are of key importance to the credit outlook," added Mr. Yake [Assistant Vice-President - Analyst with Moody's]."

STANDARD & POOR'S – MAY 7, 2013

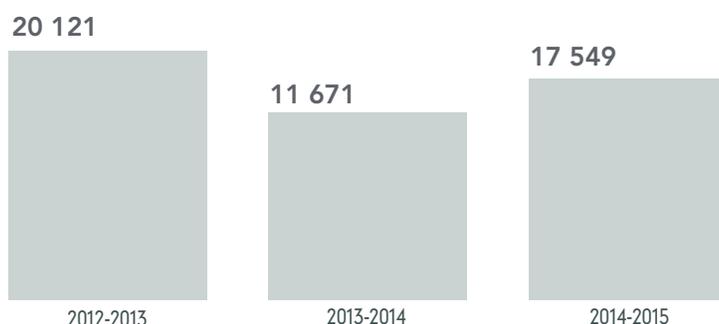
"In our view, the Province of Quebec has good prospects to achieve a balanced budget by fiscal 2014 and has demonstrated its commitment to reducing debt in the medium-to-long term."

CREDIT RATINGS

AGENCY	RATING	OUTLOOK	DATE OF CONFIRMATION
Moody's	Aa2	Stable	April 2013
Standard & Poor's	A+	Stable	May 2013
Dominion Bond Rating Service (DBRS)	A (high)	Stable	May 2013
Fitch Ratings	AA-	Stable	May 2013
Japan Credit Rating Agency	AA+	Stable	July 2012

FINANCING PROGRAM^P

(millions of dollars)



P: Preliminary results for 2012-2013 and forecasts for subsequent years.

BENCHMARK ISSUES IN CANADA

(millions of dollars)

	COUPON (%)	ISSUE DATE	MATURITY DATE	AMOUNT OUTSTANDING
5 years	4.50	2008	2018	4 000
10 years	3.00	2012	2023	4 500
30 years	3.50	2013	2045	1 500