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CNW CODE 01 + WEEKLIES**

Economic and financial update

The government is adding \$800 million to its action plan to support the economy

Québec City, October 27, 2009 – “Québec's economy is faring better than other economies. We have suffered less than our key trading partners have from the recession. Our plan to support employment and prepare for economic recovery has produced the anticipated results. However, the recovery is fragile and we must more broadly support the economy. For this reason, the government is announcing today \$800 million in additional funding to help Québec businesses and thus protect jobs,” noted Finance Minister Raymond Bachand during the presentation of the Québec economic and financial update.

The additional funds will enhance the Renfort program, the allocation for which will reach \$2 billion by the end 2010. This program aimed at increasing the cash resources and capitalization of enterprises is enjoying considerable success. Nearly 90% of the initial \$1.2-billion allocation is being committed in 2009.

Economic outlook

Worldwide economic activity contracted markedly in the first quarter of 2009 and the big advanced economies experienced striking downturns in real gross domestic product (GDP). These downturns were generally bigger than experts had anticipated. The situation nonetheless began to stabilize in the summer and the economy is showing signs of recovery. Most observers anticipate the gradual resumption of growth at the end of this year and in 2010.

As was true of the other advanced economies, Québec entered a recession in recent quarters. **In 2009**, the drop in real GDP should exceed the forecast in the Budget last March. The anticipated downturn now stands at 1.5%, as against the 1.2% decrease forecast in the Budget. However, this economic decline is less pronounced than elsewhere. The Ontario government is now predicting a 3.5% decrease in the province, while the figure for Canada is an estimated 2.3%. In the United States, a 2.6% downturn is expected.

Moreover, growth in Québec's real GDP should reach 1.7%, on average, **in 2010**, a downward revision of 0.2 percentage point in relation to the Budget forecast.

“If Québec has better withstood international turbulence, it is because of the measures that the government has implemented, a robust housing market and the importance of the aerospace industry, which has been less hard hit than the automobile industry,” added Minister Bachand.

Economic recovery plans are bearing fruit

Over the past year, several countries have adopted economic stimulus plans, whose impact is already apparent. The plans have mitigated the extent of the economic slowdown.

In Québec, since the fall of 2008, the government has intervened on several occasions to support the economy. “Initial results confirm that our action plan will have a significant impact in 2009 and 2010. Roughly \$8 billion has been committed for 2009, i.e. the entire amount announced last March. Nearly \$7.5 billion will be invested in the economy in 2010, for a total of \$15.5 billion over two years,” Mr. Bachand said.

He pointed out that one area for intervention in the plan, the Employment Pact Plus, has contributed to maintaining in employment over 21 000 workers through the program to support enterprises that risk being affected by the economic slowdown (SERRÉ) measure.

Pursue our efforts to foster recovery

The Québec economy should continue to benefit in 2010 from the measures that our government has implemented, in particular the Renfort program, the Élan d’entreprise fund, the Employment Pact Plus, investment in social and community housing and in public infrastructure, the elimination of the capital tax, the creation of technology funds and investment to develop northern Québec.

“We are going to continue to rigorously, closely monitor the economy but are confident that the worst is behind us. While the recovery is fragile, it is apparent and the Québec economy is in a good position to take advantage of it,” the Finance Minister concluded.

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