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Economic and financial update

Québec's public finances are holding up well

Québec City, October 27, 2009 – "Although we are announcing today a revised 2009-2010 deficit, we must acknowledge that Québec's public finances have coped better than is the case of many of our neighbours. Québec's public finances are under control," Finance Minister Raymond Bachand noted during the presentation of the government's annual economic and financial update.

Revision of the 2009-2010 budgetary balance

In 2009-2010, the government must contend with a drop in its revenues and the additional cost of the measures implemented to support employment and maintain the funding of public services. "The anticipated deficits for this year and next will be higher than anticipated, although proportionally smaller than elsewhere," the Minister added.

Québec now estimates its budget deficit for 2009-2010 at $4.7 billion, up $749 million in relation to the Budget forecast. By contrast, Ontario predicts a $24.7-billion deficit for the same period, $10.6 billion more than forecast. The federal government has revised upward its deficit by $22.5 billion, to $55.9 billion.

"Quebec's type of economy favours it. The developmental measures in recent years and the adjustment measures that the government quickly adopted have enabled us to better control the situation and avoid an exploding deficit," the Minister said.

Shortfall

The anticipated $749-million increase in the deficit in 2009-2010 includes a $300-million reserve to cover possible additional revenue shortfalls. It also stems, among other things, from a more marked economic slowdown that led to a $500-million downward revision in own-source revenues, increased expenditures to fund the enhancement of the allocation for the Renfort program, and an increase in debt service.

However, this deterioration has been offset, in part, by positive revisions in federal transfers of $315 million and an additional $138-million withdrawal from the stabilization reserve.

$300-million reserve
The financial position of all governments has changed rapidly over the past year. “To better protect against such a risk, in 2009-2010 the financial framework incorporates a $300-million reserve to offset possible revenue shortfalls, a prudent gesture,” the Finance Minister noted.

2010-2011 budgetary balance
The 2010-2011 budget deficit is now estimated at $4.7 billion, $915 million more than the Budget forecast. This revision is attributable, in particular, to a downward revision in own-source revenues, a reduction in the revenues of government-owned enterprises, a reduction in the results of consolidated entities including, among others, La Financière agricole du Québec, and higher debt service.

A return to fiscal balance
With the publication of the *Update on Québec’s Economic and Financial Situation*, the Finance Minister is reiterating the government’s and his department’s intention to pursue the sound management of public finances. “More than ever, it is important to display transparency when the economy is lagging. Despite the deficits anticipated in 2009 and 2010, I wish to assert that this in no way alters our objective of restoring budgetary balance in 2013-2014,” the Minister concluded.

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Source: Catherine Poulin
Press Officer
Office of the Minister of Finance and
Minister responsible for the Montréal region
418-643-5270
514-873-5363