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Economic and financial update

The future: sound public finances to protect our values

Québec, October 27, 2009 – “Despite the pressure exerted on public finances by the recession, the government is maintaining its target of returning to balanced budgets by 2013-2014. To that end, I am today releasing a document that describes the economic outlook for 2009-2013 and identifies the main issues Québec will face to return to balanced budgets,” the Minister of Finance, Raymond Bachand, said while presenting the government’s annual economic and financial update.

Five-year financial framework

The update to the government’s budgetary forecasts brings the expected deficits for the period from 2009-2010 to 2013-2014 to \$13.2 billion after implementation of the Plan to return to balanced budgets, i.e. \$1.7 billion more than in the 2009-2010 Budget.

Accordingly, the additional measures that need to be identified to meet the targets of the Plan to return to balanced budgets amount to \$5.1 billion by 2013-2014, an increase of \$1.3 billion compared to what was forecast last March.

Spending control

For 2008-2009 and 2009-2010, the average annual growth in program spending will be 4.7%, which is comparable to the rise during the period from 2003-2004 to 2008-2009, while the average increase in the other provinces was 7.6% for the same period, with 8.5% in Ontario.

In the course of implementing the Plan to return to balanced budgets, slower revenue growth will require that growth in overall spending be reduced. Accordingly, as announced in the last budget, annual growth in program spending must be decreased to 3.2% as of 2010-2011, a rate compatible with economic growth and taxpayers’ ability to pay.

“Our commitment regarding spending growth is firm. We will do everything to slow the current rate of growth. My colleague the Chair of the Conseil du trésor and Minister responsible for Government Administration will present the government with a series of measures to achieve our objective,” Minister Bachand said.

Tax evasion

In addition, the government announced today that it is intensifying its efforts against tax evasion and tax avoidance. These efforts are part of the measures identified by the government in its Plan to return to balanced budgets.

Accordingly, the government is announcing that the appropriations of Revenu Québec will be increased by \$20 million in 2010-2011. Revenu Québec will also be able to hire 250 more full-time employees. These measures should help increase the government's revenues by \$200 million in 2010-2011. "My colleague the Minister of Revenue will soon announce other measures to counter tax evasion in the tobacco and restaurant sectors," Minister Bachand specified.

Consultations

The update to the government's budgetary forecasts brings the annual effort needed in 2013-2014 to return to balanced budgets to \$5.1 billion. The identification of additional measures is needed to meet the requirements stipulated in Bill 40, passed by the National Assembly last September 18.

To start the discussion, the government is releasing the document *A Return to Balanced Budgets by 2013-2014*. This marks the beginning of the pre-budget consultations that will be broadened this year. Accordingly, the public will be consulted not only on the means to take to return to balanced budgets by 2013-2014 but also on the broad economic policies Québec should focus on, as it emerges from recession, to develop the vast potential of its economy and thus create the wealth necessary to maintain the quality of public services, on the basis of the values all Quebecers hold dear.

"To provide input during this consultation, I am also announcing today the creation of an advisory committee that I will co-chair with Robert Gagné, head of the Centre sur la productivité et la prospérité and professor at the Institut d'économie appliquée of HEC Montréal. In the coming weeks, we will be advising you of the other eminent experts from the world of economics who will take part in the consultations and the committee's work. These people will enrich our analyses. Québec will have to make difficult choices in the coming years, but these choices must be made publicly and in complete transparency," Minister Bachand concluded.

- 30 -

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