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**Québec's economy and public finances:
"Our government made the right choices at the right time"**

Raymond Bachand, Minister of Finance and Minister of Revenue

Québec City, November 26, 2010 – In response to questioning from the Official Opposition in the National Assembly concerning the state of public finances, Minister of Finance, Minister of Revenue and Minister responsible for the Montréal region Raymond Bachand pointed out several important facts concerning the current situation of the Québec economy.

The Minister first emphasized that the sound economic growth observed in late 2009 and early 2010 had led to robust job creation.

"The Québec economy now has 60 000 jobs more than it did when the crisis struck. We have thus recovered twice the number of jobs lost during the recession, which is rather remarkable. As a result of the sound decisions that we made at the right time, the downturn in output was less severe in Québec than elsewhere, which meant that it was one of the first jurisdictions to come out of the recession and to record one of the lowest deficits in the Canadian provinces," Minister Bachand stressed.

Québec has fared better than most of its economic partners at the end of the recession. Overall, the situation here is better than elsewhere in North America, an assessment confirmed by the Fédération des chambres de commerce du Québec in its 2010 indicators, published last week.

In 2009, Québec's real GDP only fell 0.3%, according to the latest Statistics Canada estimates, compared with decreases of 3.6% in Ontario, 2.5% in Canada, and 2.6% in the United States. The slowdown in economic activity in Québec was among the lowest compared with the OECD countries. "Among the 33 member nations, only three economies, Australia, South Korea and Israel, fared better than Québec did," Minister Bachand noted.

"These results confirm that our strategy responded the best to the challenges that we were facing. We decided to first support Quebecers' jobs and to revive the economy. Now that recovery is under way, we have resolutely turned to eliminating the deficit within three years, sooner than Ontario, which is aiming for 2017-2018, and before the federal government, which has targeted 2015-2016. A fairly rapid return to fiscal balance was necessary because we are facing the twofold constraint of heavier debt than all of the other Canadian provinces and a demographic challenge that cannot be ignored."

The Minister indicated that his response to the questioning in the National Assembly will be fully confirmed next week when he takes stock of the state of Québec's public finances and tables the government's Public Accounts.

Overall government spending has been identified

As the president of the Conseil du trésor announced on November 11, 2010, the government has already identified all of the measures in respect of the initiatives to which it has committed itself under the plan to return to budget balance.

These measures, totalling \$5.2 billion, will lead, first of all, to a \$2.5-billion reduction in costs related to the public administration, secondly, to \$1 billion in savings stemming from the revision of programs, and thirdly, to a \$1.7-billion reduction in growth in spending resulting from enhanced fiscal discipline.

The spending control measures imposed on other public bodies will generate \$530 million in additional savings by 2013-2014.

The fight against tax evasion: ensure that everyone pays his fair share

During the same period, efforts to combat tax evasion will enable the government to recover \$1.2 billion. "Far from asking taxpayers who pay their taxes honestly to make an additional contribution, we are instead recovering revenues due to the government such that each individual pays his fair share to fund the services from which the population as a whole benefits," Minister Bachand stated emphatically.

Reduce the debt: \$4 billion paid into the Generations Fund by 2013-2014

Despite the difficult period that Québec has just traversed, the government has maintained its payments to the Generations Fund and, consequently, its commitment to reduce the weight of the debt. By 2013-2014, i.e. between 2010-2011 and 2013-2014, nearly \$4 billion will be paid into the fund.

"Our objective is to halve over 15 years the weight of the debt representing accumulated deficits, the so-called 'bad debt', from 35% to 17% of gross domestic product. We have also adopted the objective of reducing the gross debt to 45% of GDP during the same period," Mr. Bachand noted.

A credible, effective action plan

"The credit rating agencies have favourably received our government's policy directions in the realm of public finances and, consequently, they have decided to maintain Québec's credit rating," the Minister was pleased to add.

Minister Bachand concluded his presentation by quoting the Mouvement Desjardins, which reacted thus to Québec's plan to return to budget balance tabled in March 2010: "The plan presented is realistic and calls upon most economic agents while protecting lower-income individuals and families."

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