

PRINCE EDWARD ISLAND BUDGET 2010

April 26, 2010

Diminishing deficits

On Friday, Finance Minister Wesley Sheridan closed out the 2010 provincial budget season by presenting Prince Edward Island's 2010-11 fiscal plan. The Province announced that the 2009-10 deficit has been revised down by \$1.1 million to \$84.2 million (or 1.8% of provincial GDP) and projected a smaller deficit of \$54.9 million (1.1% of GDP) for 2010-11.

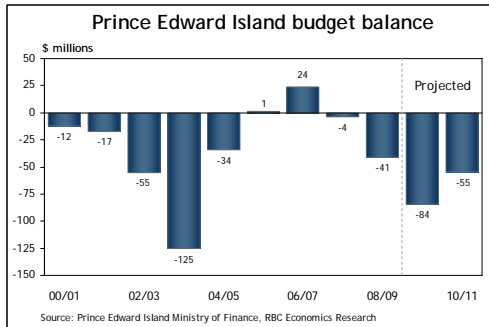
The budget is expected to return to balance within a four-year time span (marking a change from the two-year horizon expected at the release of last year's budget); however, no specific details of the fiscal projections were laid out. The budget made no new announcements of changes in tax policy or spending cuts, so the medium-term return to balance appears to be predicated upon an expected upturn in the economic cycle. For 2010, the government forecasts real GDP growth of 2.0%, inline with RBC's forecast of 2.1%.

In the 2010-11 fiscal year, provincial own-source revenues are projected to rise by 4.6% to \$800 million, while overall revenues (including federal transfers, sinking fund earnings and Crown Corporation earnings) are forecast to increase by 2.9% to \$1.46 billion. Provincial expenditures are set to rise by 0.8% to \$1.52 billion, with spending on the two largest expenditure categories, education and healthcare, projected to grow at 6.6% (to \$221 million) and 5.0% (to \$509 million), respectively.

The projected deficit this fiscal year will contribute to pushing PEI's net debt higher from \$1.5 billion (approximately 32% of GDP) in 2009/10 to \$1.7 billion (35% of GDP) in 2010/11.

Prince Edward Island fiscal plan

| \$ millions | Actual | Actual | Forecast | Estimate |
|----------------------------------------------------|-----------|------------|------------|------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| Revenue | 1,302 | 1,340 | 1,419 | 1,461 |
| Expense | 1,306 | 1,387 | 1,504 | 1,516 |
| Restatement of provincial paving to capital budget | | 6 | | |
| Surplus/ (deficit) | -4 | -41 | -84 | -55 |



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