



Budget Highlights

Deficit Streak Continues

Fiscal Year 10/11

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April 23, 2010

The Province of Prince Edward Island is projecting a fourth consecutive budget deficit in FY2010/11, though the shortfall is a marked improvement from last fiscal year. The deficit is expected to be \$54.9 mln (1.1% of GDP), compared to the prior period's shortfall of \$84.2 mln, which is slightly improved from last year's \$85.3 mln estimate. The Province is anticipating a return to balance in four years, but did not lay out a plan to get there.

Total revenue is projected to grow 2.9% to \$1.5 bln in FY2010/11, lifted by 4.6% growth in own source revenues, to \$800 mln, while Federal transfers will dip 0.2% to \$627 mln. Total spending is projected to grow a very modest 0.8% in FY2010/11, to \$1.5 bln. Program spending will rise just 0.3%, but interest charges will jump more than 8% to \$110 mln, or 7.5%

of revenue. This budget contains no significant new tax or spending measures, and the province will likely lean on a combination of economic recovery and modest spending growth to return to balance in four years.

PEI continues to carry out its five-year capital plan, which includes close to \$130 mln in outlays for FY2010/11. Combined with the deficit and borrowing on behalf of Crown corporations, this pegs total financial requirements at \$241 mln in FY2010/11, which includes \$100 mln in long-term borrowing. This will lift net debt to \$1.7 bln, or 35% of GDP.

PEI was the only province to see positive real GDP growth in 2009, posting a 0.6% advance—no small potatoes given the severity of the recession. The province is expecting 2% growth

this year, which seems realistic given our call 2.6%. Ongoing infrastructure investment and recovering U.S. export demand should help.

Fiscal Outlook

(C\$ millions)

	estimate 09/10	projection 10/11
Revenues	1,419.4	1,461.0
Provincial Own Sources	764.9	800.1
Federal Sources	628.3	627.3
Sinking Fund Earnings	12.5	14.9
Net Consolidated Surplus of Crown Corporations	13.7	18.7
Expenditures	1,503.6	1,515.9
Program Expenditures	1,360.0	1,364.7
Interest Charges on Debt	101.5	109.9
Amortizations	42.1	41.3
Consolidated Surplus (Deficit)	(84.2)	(54.9)

() = deficit

Note: Totals may not add due to rounding.

Source: Provincial forecasts

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