



HIGHLIGHTS

- Fiscal 2009/10 budget deficit of \$84.2 million (1.8% of GDP), \$1.1 million lower than budgeted
- \$55 million (1.1% of GDP) deficit projected in fiscal 2010/11
- Budget balance expected within 4 years
- Net debt expected at \$1.7 billion in fiscal 2010/11
- Health care (+5.0%) and education (+6.6%) continue to receive top billing on spending side

HOLDING THE LINE IN P.E.I.

All levels of government in Canada have had to face a difficult budget planning season in the midst of a severe global recession, and Prince Edward Island has been no exception. With some optimism, last year's budget foresaw a return to zero deficits within two years. Although the provincial economy has fared relatively well compared to others in the global recession, this Budget takes a longer-term approach with a return to zero budget balance within 4 years. There were no new announcements or deferrals on the tax side of the ledger.

The Island's budget deficit closed out the last fiscal year (2009/10) with a marginally (\$1.1 million) smaller-than-expected deficit of \$84.2 million, representing 1.8% of our estimate of real GDP in calendar 2009. We estimate that PEI nominal GDP grew by a modest 1% last year, compared to a national GDP contraction of 4.5%.

The Island economy is expected to record some modest growth of 2% in real terms, or 4% in nominal terms, in 2010. By keeping expenditure growth below that of revenue growth, the government expects a \$30 million decline in the deficit to \$55 million in fiscal 2010/11, representing 1.1% of GDP. Net debt is expected to increase to \$1.7 billion, around 35% of GDP, which is in the middle of the pack compared to other jurisdictions.

PRINCE EDWARD ISLAND GOVERNMENT FISCAL POSITION

[C\$ Millions, unless otherwise indicated]

Fiscal year	Actual					Est.	Budget
	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Revenues	1,116	1,170	1,231	1,302	1,340	1,419	1,461
% change	9.3	4.8	5.2	5.8	2.9	5.9	2.9
Expenditures	1,135	1,169	1,207	1,306	1,387	1,504	1,516
% change	3.7	3.0	3.3	8.2	6.2	8.4	0.8
Program spending	1,033	1,057	1,091	1,187	1,277	1,402	1,406
Debt charges	102	113	116	119	110	102	110
BUDGET BALANCE	-34	1	24	-4	-41	-84	-55
% of GDP	-0.9	0.0	0.6	-0.1	-0.9	-1.8	-1.1
Net Debt	990	990	1,312	1,347	1,438	1,522	1,700
% of GDP*	33.4	32.3	30.9	30.0	31.1	32.6	35.0

Source: P.E.I. Budget 2010. * Est. TD Economics for 2009/10 and 2010/11.

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