

Thursday, October 18, 2001

Embargoed until 12:15 p.m.

Finance Minister releases fiscal and economic update in response to global economic slowdown

Alberta government takes corrective action in aftermath of September 11

*Red Deer...*The Alberta government has released details of corrective actions it is taking in response to the global economic slowdown, accelerated by the September 11 terrorist attacks on the United States.

“This is a managed approach in response to a rapid global economic slowdown,” said Minister of Finance Patricia Nelson. “This government is committed to maintaining the balance between fiscal responsibility and meeting Albertans’ priorities, which means taking a realistic look at the current economic situation around the world and making adjustments sooner rather than later.”

Nelson released a fiscal and economic update that showed government revenues were expected to be down \$1.7 billion this fiscal year from Budget 2001’s forecast, as a result of lower natural gas prices and investment income. As well, the report provided a breakdown of total government savings from corrective measures announced by Premier Ralph Klein on September 27:

• 1 per cent reduction in base ministry spending	\$ 160 million
• Lapses of 2001-02 electricity/natural gas rebates	\$ 285 million
• Additional department lapses	\$ 80 million
• Capital project deferrals	<u>\$ 735 million</u>
Total government savings	\$1.26 billion

“It was imperative to report back to Albertans with this fiscal and economic update, so they could be assured the province’s fiscal framework was strong, and that through our corrective actions the budget remains balanced and there were no tax hikes,” said Nelson. “Even with the impacts of September 11, Alberta’s economy continues to lead the rest of Canada and is in the best position to respond to the global economic slowdown.”

Alberta’s economic growth is expected to double the rest of Canada at 4.9 per cent for 2001—slightly higher than projected in Budget 2001—and overall investment is projected to rise by 14.2 per cent, the fastest in Canada. As well, more than 40,000 new jobs are expected to be created in Alberta this year, the most in the country.

The Minister of Finance also released a revised fiscal outlook, which included the following:

	2001-02 Budget	2001-02 First Quarter Update	2001-02 Fiscal & Economic Update
Revenues	\$22.7 billion	\$22.6 billion	\$21.0 billion
Resource Revenues	\$7.5 billion	\$7.1 billion	\$6.0 billion
Expenses	\$21.6 billion	\$21.8 billion	\$20.7 billion
Oil price (WTI, US\$/bbl)	\$25.00	\$25.63	\$25.00
Natural Gas (Cdn\$/mcf)	\$5.03	\$4.53	\$3.75
Economic Cushion	\$817 million	\$485 million	\$12 million

“The economic situation we’re looking at is still very positive. But, with the impacts of the global slowdown on revenues, it has taken some deliberate actions on our part to ensure the right decisions for the future. Being prudent and realistic are important for consumer and investor confidence—key factors in a vibrant economy,” added Nelson. “Our government will continue to monitor ongoing developments around the world and take further appropriate action, if necessary.”

The Minister of Finance also indicated she will be releasing the provincial government’s Second Quarter Fiscal Update for the 2001-02 fiscal year by the end of November.

For media inquiries, please contact:

Ed Greenberg
Alberta Finance Communications
(780) 427-5364
(780) 718-5699 (cell)

Attachments:

- Backgrounder: Spending reductions, by ministry
- Backgrounder: Fiscal and Economic Update Charts (*Editor’s Note: Electronic versions of these charts can be downloaded from the Alberta Finance website.*)
- News release: Health system supports balanced budget with smaller increases
- News release: Students remain top priority
- News release: Capital projects delayed in fiscal adjustment
- News release: Alberta Transportation defers projects
- News release: Public safety a priority for Alberta Solicitor General
- October Fiscal and Economic Update

This news release is available on the Alberta Finance homepage at: <http://www.finance.gov.ab.ca>