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Solid planning and increased revenue lead to lower deficit forecast

Land lease sales and higher oil prices improve province's bottom line

First Quarter Fiscal Highlights

- Revenue for 2011-12 is forecast at \$38.3 billion, up \$2.7 billion from budget
- Expense for 2011-12 is forecast at \$39.6 billion, an increase of \$650 million from budget, mainly for disasters and emergencies
- Deficit for 2011-12 is forecast at \$1.3 billion, a decrease of \$2.1 billion from budget
- Sustainability Fund assets forecast at \$9.7 billion at March 31, 2012, an increase of \$4.4 billion from budget

Edmonton... An improved forecast for revenue, largely due to higher oil prices and near-record land sales, have lowered Alberta's expected 2011-12 deficit to \$1.3 billion, a decrease of 60 per cent from budget.

"With a strengthening economy, more Albertans working and a smaller deficit forecast, the province is in good shape," said Premier Ed Stelmach. "We put the Way Forward plan into action in 2009, and this plan has served Albertans well through the recession and recovery. We continue to manage our spending, have made carefully considered investments in infrastructure and key priority programs, and will use our savings in the Sustainability Fund to cover the deficit until we return to balanced budgets."

"The first-quarter results are encouraging and confirm we are on the right path," said Lloyd Snelgrove, Minister of Finance and Enterprise. "We must remain cautious and continue to be prudent fiscal managers. Mounting government debt problems in the U.S. and Europe, and fluctuating oil prices and exchange rates, demonstrate how volatile and interconnected the global economy is, and Alberta's prospects are significantly influenced by the global situation."

Revenue is projected to be \$2.7 billion higher than forecast at budget due to strong land lease sales and higher oil prices. Investment income is also forecast to be higher.

Expense is forecast to increase \$650 million from budget, with the majority (\$456 million) related to disaster and emergency funding, including for forest fire-fighting and assistance to Slave Lake. Operating spending is up slightly by \$62 million, with nearly half the increase going towards increased lump sum payments for employees of community-based agencies that provide care on behalf of government for children and people with disabilities.

The deficit will be covered by Alberta's savings account, the Sustainability Fund. Government built up this account with money from its past savings to help fund priority public programs and services, maintain significant capital spending and keep taxes low during difficult economic times. The Sustainability Fund is forecast to end the year with \$9.7 billion in assets, an increase of \$4.4 billion from the budget estimate. The increase is due to the lower deficit, cash transferred to the account from last fiscal year's results and positive changes in capital or other cash adjustments.

Summary (\$ millions)

	Budget 2011-12	1st Quarter Forecast	Change from Budget
Revenue	\$35,600	\$38,300	\$2,700
Non-Renewable Resource Revenue	\$8,321	\$10,657	\$2,336
Total Expense	\$38,994	\$39,644	\$650
Operating Expense	\$33,943	\$34,005	\$62
Surplus (Deficit)	(\$3,394)	(\$1,344)	\$2,050
Oil Price (WTI US\$/bbl)	\$89.40	\$97.85	\$8.45
Natural Gas Price (ARP - Cdn\$/GJ)	\$3.45	\$3.45	\$-----
Exchange Rate (US¢/Cdn\$)	98.38¢	102.53¢	4.15¢

Heritage Fund

In the first three months of the fiscal year, the Alberta Heritage Savings Trust Fund earned \$269 million in net investment income, and its fair market value was \$15.1 billion at June 30, 2011. Investment income for the fiscal year is forecast at \$999 million, a decrease of \$51 million from budget, due to the higher exchange rate forecast. Struggling and uncertain world equity and financial markets will likely impact the performance of fund assets for the remainder of the year.

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Media inquiries may be directed to:

Robyn Cochrane, Communications

Alberta Finance and Enterprise

780-427-5364

robyn.cochrane@gov.ab.ca

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