

## FOREWORD

The global economy is threatened in ways not imagined even a few short weeks ago. The liquidity crisis in financial markets has undermined business and consumer confidence around the world. The resulting impacts on investment and jobs are real, present, and directly affect individuals, families, businesses and governments. Ontario is no exception.

Using the best information available at October 16, 2008, the *2008 Ontario Economic Outlook and Fiscal Review* adjusts the economic assumptions contained in the 2008 Ontario Budget. The impact of these changes is applied to the government's revenue and expenditure projections, which revises the anticipated financial results for the current fiscal year.

This document establishes the principles that will guide the government's response to the range of challenges occasioned by the global economic situation. It also details steps to be undertaken in the coming days that will help manage the Province's finances through the balance of the fiscal year and it responds to the new global reality. These steps begin a process that will culminate in the 2009 Budget.

### TODAY'S ENVIRONMENT

At the time of the 2008 Budget, the consensus private-sector forecast for growth in the Ontario economy in 2008 was 1.2 per cent. Since then, the private-sector average estimate for 2008 has declined to 0.1 per cent.

As a result, the Province's revenue is projected to decline in 2008–09 while expenditures will increase in certain areas. Due primarily to lower revenues, the government is now projecting a deficit of \$500 million in 2008–09.

The new economic reality is forcing governments around the world to re-examine their expenditures, adjust their assumptions and respond in an environment where the only constant is uncertainty.

### GUIDING PRINCIPLES

As a first principle, the McGuinty government's five-point economic plan will continue to be the foundation of its approach to today's economy. Investing in skills, infrastructure and innovation while lowering business costs and building partnerships remains the right response in turbulent times.

The Reaching Higher Plan for postsecondary education and investments in skills training means that 100,000 more Ontarians are being trained in colleges and universities today and 50,000 more are learning a trade.

Three years ago, the government launched ReNew Ontario, a five-year, \$30 billion infrastructure investment that is building new roads, new schools, new hospitals, new bridges and transit right across Ontario. Today there are over 100 major construction projects that have been initiated. The government's projects will create over 100,000 jobs this year.

Innovation creates jobs. In addition to historic investments to attract new high technology jobs to Ontario, the government has proposed a tax incentive to commercialize Canadian ideas so that home-grown ideas turn into hometown jobs.

Strategic tax cuts announced since 2004 have already saved businesses more than \$1.5 billion and will save businesses nearly \$3 billion annually when they are fully implemented. These targeted measures promote new investment and create jobs.

The McGuinty government understands that Ontario is at its best when partners work together. Ontario is partnering with key sectors of the economy, with First Nations, with municipalities and others to foster growth. The government will also continue to press the federal government to respond to Ontario's needs fairly.

These undertakings, coupled with Ontario's multi-billion-dollar investment in the renewal of Ontario's public health care system, are coming to fruition at the precise time they are most needed.

The five-point economic plan is creating jobs and enhancing Ontario's competitive strength for tomorrow.

The second principle guiding the government's approach is that the Province must continue to be prudent while maintaining the ability to respond quickly to changing economic circumstances.

Since taking office, the McGuinty government has eliminated its inherited and hidden \$5.5 billion deficit, produced three consecutive balanced budgets, decreased Ontario's debt-to-GDP ratio and kept the rate of growth in Provincial expenditures below the rate of growth in revenue, all while making strategic investments.

The government's Second Career Strategy, for example, which will be enhanced this fall, helps retrain laid-off workers for new jobs. It is a key part of the \$2 billion Skills to Jobs Action Plan, which further enhances skills and builds places to learn.

Most importantly, in spite of the downturn in North America's manufacturing and forestry sectors, Ontario has seen an increase of more than half a million net new jobs since assuming office. Real income has grown and unemployment is below what it was in 2003.

Prudence dictates that the government take into account how global circumstances will affect capital markets, labour markets and the Province's finances.

The government will never lose sight of the fact that underneath all the statistics, all the uncertainty and all the turmoil, there are real people with real fears, real concerns and very real needs.

The third principle that will guide the government's decisions recognizes that the Province must protect the gains it has made while taking a balanced, comprehensive approach to future growth.

Ontario cannot spend its way out of today's difficulties.

Initiatives taken as part of the five-point plan constitute an economic stimulus package that is helping families, businesses and communities today.

The McGuinty government will continue to bring a laser-like focus to its priorities and, as part of that focus, has begun a comprehensive review of government expenditures. As a measured and balanced approach to slowing revenues, the government will delay or slow down the implementation of some new spending commitments.

Tax cuts alone are no substitute for a plan. Targeted business tax cuts coupled with a strategy for smart regulation will encourage investment and job growth over time.

The dramatic, unanticipated changes in the global economy mean Ontario will experience a deficit this year. A deficit, followed by a plan for its elimination, represents a balanced response to today's global reality. The alternative would be deep cuts to the very programs and initiatives that are helping families, businesses and communities weather the current storm.

## **THE NEXT SIX MONTHS**

The McGuinty government will continue to update the people of Ontario through quarterly economic updates. Uncertainty and anxiety about the global economy will no doubt continue. The McGuinty government will diligently monitor and respond to events as they unfold.

The government's plan is the right plan for the times. It is flexible so that it can accommodate changing economic circumstances. As in other times of uncertainty, Ontario will rise to the current challenges and seize opportunities to strengthen economic growth, create new jobs and continue to be a great place to live and invest.

**\*\* N.B. The following Annexes are based on the most recent information available as of October 16, 2008.\*\***

