



STRENGTHENING ONTARIO'S ECONOMY FOR A PROSPEROUS FUTURE

March 25, 2008

ONTARIO'S ECONOMIC RESILIENCE IN THE FACE OF GLOBAL CHALLENGES

Ontario's economy has been strong and resilient in recent years, with higher-than-forecast employment growth, and robust consumer and business investment spending. Ontario's real gross domestic product (GDP) rose by an estimated 2.1 per cent in 2007. Stronger-than-expected growth occurred despite a significantly more challenging external environment, including weakening U.S. growth, higher oil prices and a stronger Canadian dollar.

ON TRACK FOR SIX CONSECUTIVE BALANCED BUDGETS

The McGuinty government's prudent approach to managing the province's finances continues to produce positive results. It has eliminated the \$5.5 billion deficit it inherited and is now on track to achieve its third consecutive surplus and post six consecutive balanced budgets between 2005-06 and 2010-11. A \$600 million surplus is forecast for 2007-08, representing an in-year improvement of \$1 billion from the 2007 Budget Plan.

In line with the projected six consecutive balanced budgets, the province's accumulated deficit-to-GDP ratio is forecast to improve from 25.2 per cent in 2003-04 to 16.2 per cent by 2010-11.

MEDIUM-TERM FISCAL OUTLOOK

The province's total expense outlook is projected to grow from \$96.2 billion in 2008-09 to \$102.6 billion by 2010-11. This \$6.4 billion increase reflects the initiatives and investments announced in this Budget for health, education, postsecondary education and training, social services, justice, infrastructure and the environment.

Holding the average annual growth of spending to less than that of revenue is a key element of prudence and discipline built into the government's medium-term fiscal plan. The average annual growth of expense is projected at 3.3 per cent over the medium term. Due largely to economic growth, total revenue is forecast to increase by \$6.9 billion, from \$96.9 billion in 2008-09 to \$103.8 billion in 2010-11, yielding a higher average annual growth rate of 3.5 per cent.

The fiscal plan also includes prudence in the form of reserves of \$0.8 billion in 2008-09, \$1.0 billion in 2009-10 and \$1.2 billion in 2010-11.

Medium-Term Fiscal Plan and Outlook
(\$ Billions)

	Interim 2007-08	Plan 2008-09	Outlook	
			2009-10	2010-11
Total Revenue	96.6	96.9	100.6	103.8
Expense				
Programs				
Health Sector	38.1	40.4	42.4	44.7
Education Sector ¹	12.4	13.1	13.4	13.4
Postsecondary Education and Training Sector	6.6	6.2	6.4	6.5
Children's and Social Services Sector	11.3	11.8	12.0	12.1
Justice Sector	3.7	3.7	3.9	4.0
Other Programs	14.9	11.9	12.5	12.8
Total Programs	87.0	87.3	90.6	93.4
Interest on Debt	9.0	8.9	9.0	9.1
Total Expense	96.0	96.2	99.6	102.6
Reserve	—	0.8	1.0	1.2
Surplus/(Deficit)	0.6	0.0	0.0	0.0

¹ Excludes Teachers' Pension Plan

Note: Numbers may not add due to rounding.

STRONG JOB GAINS SINCE 2003

Since October 2003, the Ontario economy has created 456,800 net new jobs — 383,500, or 84 per cent, have been full time — and there has been very strong employment growth in sectors paying above-average wages, including finance, education, health care and social assistance, construction and professional services.

The Ontario economy created 101,100 net new jobs in 2007, a gain of 1.6 per cent – the largest increase since 2004. Ontario industries that posted strong job growth in 2007 include health care and social assistance (+32,800), accommodation and food services (+26,500), professional, scientific and technical services (+24,000), education (+21,600), and construction (+7,400).

The Ministry of Finance is projecting employment to increase by one per cent this year, 1.1 per cent in 2009 and 1.3 per cent in 2010, which translates into a total gain of 230,000 net new jobs over this three-year period.

CHALLENGING EXTERNAL ECONOMIC ENVIRONMENT

Modest economic growth is anticipated in 2008 due to a slowing U.S economy, high oil prices and a strong Canadian dollar. The Ministry of Finance is projecting real GDP growth of 1.1 per cent in 2008, 2.1 per cent in 2009 and 2.7 per cent in 2010.

The high value of the Canadian dollar has created challenges for Ontario's export-oriented manufacturing, agriculture, forestry and tourism sectors. The Canadian dollar averaged 93.1 cents US in 2007, rising for the fifth straight year. However, the higher Canadian dollar has also benefited Ontario businesses importing goods and services, including lowering the cost of imported machinery and equipment.

Forecasters, on average, call for a Canadian dollar of 98.7 cents US in 2008, 96.2 cents US in 2009 and 97.9 cents US in 2010.

Oil prices averaged \$72.30 US per barrel in 2007, rising for the sixth consecutive year as they climbed from less than \$50 US in mid-January 2007 to more than \$110 US in early March 2008. They are expected to remain elevated over the forecast horizon due to restrained supply growth, strong global demand and geopolitical uncertainty. However, elevated oil prices do not pose the same risk as they did in the past — the Ontario economy is over 50 per cent more energy efficient than it was during the oil shocks in the 1970s.

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