



ONTARIO'S ECONOMIC OUTLOOK AND FISCAL PLAN

March 27, 2012

The global economy is recovering and Ontario's economy is growing stronger. Just as Ontario took definitive action to help families through the recession, the Province is now taking strong action to balance the budget to ensure a robust economy and continued job creation.

Given the impact of the worldwide recession and the ongoing uncertainty in the global economy, Ontario cannot rely on economic growth alone to balance the budget. European countries, where interest rates remain at unsustainable levels, demonstrate the consequences of not addressing deficits and debts soon enough.

The status quo is not an option. If action is not taken, the deficit would increase, which would hurt Ontario's ability to continue focusing on its priorities: education, health care and smart, strategic investments to spur job creation. Escalating deficits would also impair the Province's ability to set and control its future priorities, choices and actions.

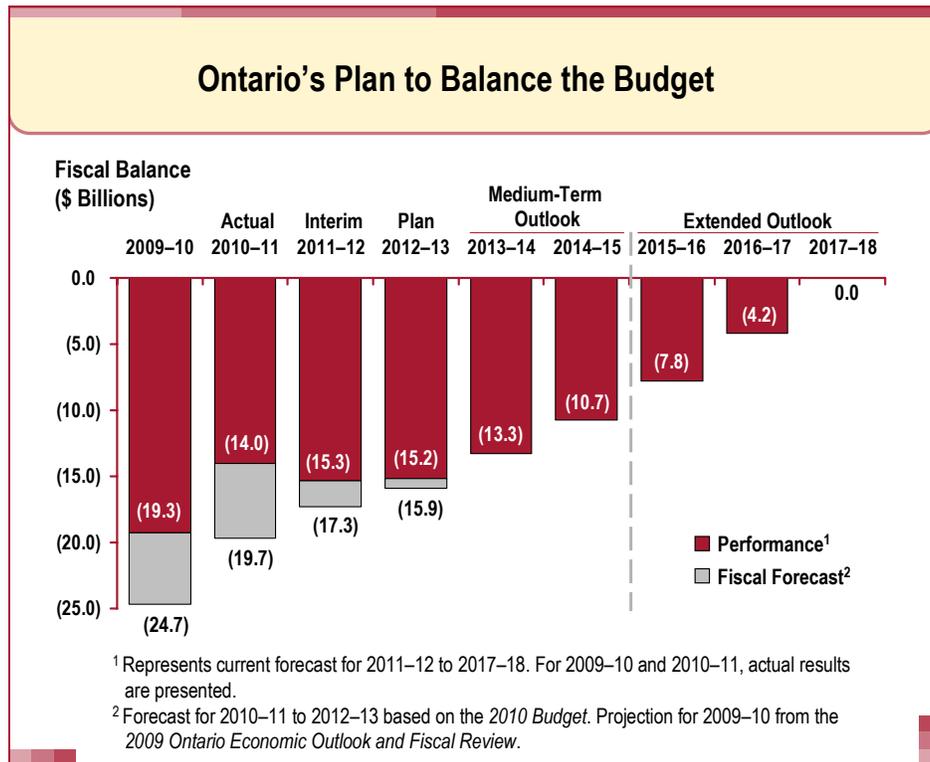
Balancing the Budget

The 2012 Budget is the next step in the McGuinty government's plan to balance the budget. It is a fair, balanced and reasonable plan to strengthen the economy and provide a great quality of life for Ontario families.

For every dollar in new revenues outlined in the 2012 Budget, there are four dollars of savings and cost-containment measures. This means that program spending will be reduced by a cumulative \$17.7 billion over the next three years compared to what it would have otherwise been.

Average annual growth in program spending will be held to 1.0 per cent between 2011–12 and 2014–15. The government is taking strong action to manage current and future compensation costs. Overlap and duplication will be eliminated, services will be delivered more efficiently and the value of taxpayer assets will be maximized.

By maintaining a low rate of growth in spending and building on a record of beating the deficit targets laid out in the 2010 and 2011 Budgets, the McGuinty government will balance the budget by 2017-18. A balanced budget will make the economy stronger and better able to create jobs while protecting gains in education and health care.



Meeting and Exceeding Fiscal Targets

The deficit for 2011-12 is now projected to be \$15.3 billion — \$1.0 billion lower than the 2011 Budget forecast and over 38 per cent lower than the 2009-10 deficit of \$24.7 billion forecast in the fall of 2009. This was achieved through the government's commitment to manage growth in spending.

The government is building on its track record of beating its fiscal targets, just as it has in the last three years. The Province is on track to meet the medium-term fiscal targets established in the 2011 Budget.

Medium-Term Fiscal Plan and Outlook

(\$ Billions)

	Interim 2011–12	Plan 2012–13	Outlook	
			2013–14	2014–15
Total Revenue	109.3	112.2	116.1	121.0
Expense				
Programs	114.5	115.8	117.0	117.9
Interest on Debt	10.1	10.6	11.2	12.3
Total Expense	124.6	126.4	128.2	130.3
Reserve	–	1.0	1.2	1.5
Surplus/(Deficit)	(15.3)	(15.2)	(13.3)	(10.7)

Note: Numbers may not add due to rounding.

Total revenue is projected to grow at an average annual rate of 3.5 per cent between 2011–12 and 2014–15.

Total expense is projected to increase at an average annual rate of 1.5 per cent over the same period, lower than the 2.2 per cent growth forecast in the 2011 Budget.

Encouraging Growth and Creating Jobs

Ontario real gross domestic product (GDP) has fully recovered from the global recession. Real GDP increased by 1.8 per cent in 2011. As of the fourth quarter of 2011, Ontario real GDP was an estimated 1.6 per cent above the pre-recession level in the second quarter of 2008.

The recovery was supported by the strong action of the McGuinty government, a robust rebound in business investment encouraged by Ontario's Tax Plan for Jobs and Growth, and consumer spending.

For planning purposes, the Ministry of Finance is assuming GDP growth of 1.7 per cent in 2012, 2.2 per cent in 2013, 2.4 per cent in 2014 and 2.5 per cent in 2015.¹

¹ Based on information available up to March 6, 2012.

Ontario Economic Outlook

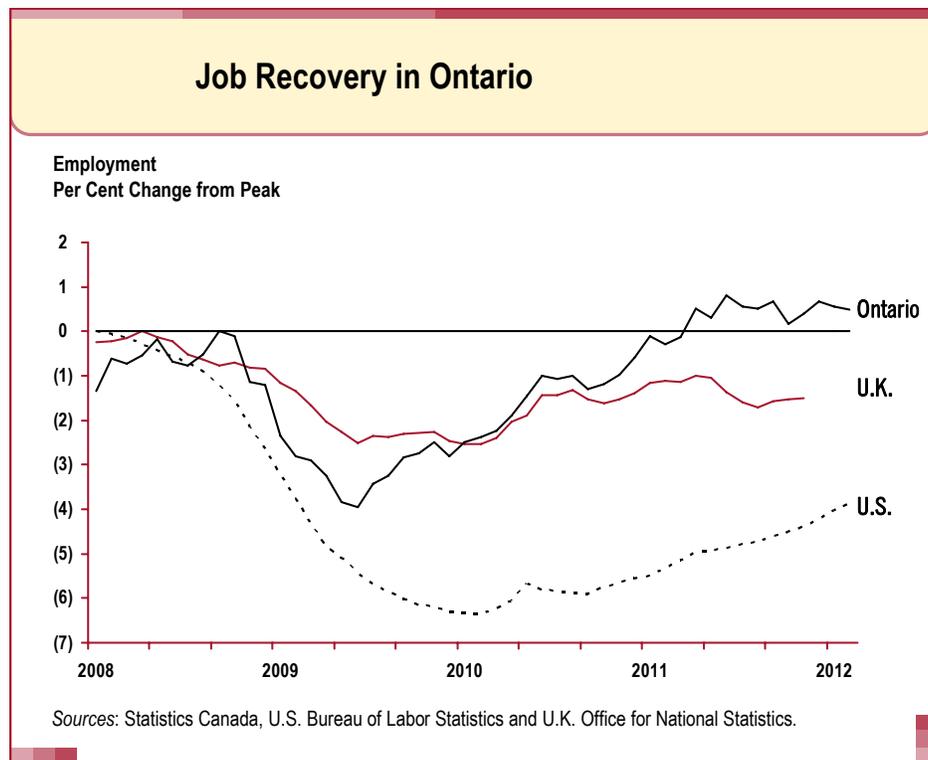
(Per Cent)

	2009	2010	2011	2012p	2013p	2014p	2015p
Real GDP Growth	(3.2)	3.0	1.8e	1.7	2.2	2.4	2.5
Nominal GDP Growth	(0.9)	5.3	4.2e	3.4	4.1	4.2	4.3
Employment Growth	(2.5)	1.7	1.8	0.9	1.3	1.5	1.6
CPI Inflation	0.4	2.5	3.1	1.7	2.0	2.0	2.0

e = estimate. p = Ontario Ministry of Finance planning projection.

Sources: Statistics Canada and Ontario Ministry of Finance.

Since the recessionary low in June 2009, 299,300 net jobs have been created. Full-time employment rose by 300,300 over this period, while part-time employment has remained stable. The majority of the net new jobs were in industries paying above-average wages. As of February 2012, Ontario employment was 33,500 net jobs above its pre-recession peak in September 2008.



Ontario's unemployment rate has also declined from a recessionary high of 9.4 per cent in June 2009 to 7.6 per cent in February 2012. The pace of job creation in Ontario since June 2009 is ahead of that of the United Kingdom, the United States and all of the Great Lakes States, and also leads Canada's as a whole.

Employment is forecast to increase by 0.9 per cent in 2012, or 59,000 net new jobs.

The government will establish a Jobs and Prosperity Council, which will advise the government on a plan to boost Ontario's productivity. The Council will seek to leverage the experience of business, labour, academics and non-government organizations.

The Council will provide advice to the government on consolidating and refocusing existing business support programs. Ontario currently provides about \$3.5 billion a year in support to business and people, through the tax system and through dozens of grant and training programs across many ministries.

The government will consolidate many of its programs into one Jobs and Prosperity Fund that will focus on supporting productivity and job creation.

The McGuinty government will wind down those support programs that do not fit the new productivity focus, for overall savings of \$250 million in 2014–15.

Ontario is projecting 360,000 net new jobs by 2015 and the unemployment rate is expected to fall to 6.7 per cent from a high of 9.4 per cent in June 2009.

Increasing Revenues Without Raising Taxes

In a trend that has been developing for many years, Ontario tax revenue has been falling as a share of the economy. Tax revenues are 11.6 per cent of GDP, almost 15 per cent lower today than the ratio in 1994. While some may argue for tax increases, the McGuinty government will not take this path to balance the budget.

This Budget proposes to freeze the general Corporate Income Tax (CIT) rate at 11.5 per cent until Ontario's budget is balanced. This measure would save Ontario almost \$1.5 billion over the next three years, while maintaining Ontario's competitive advantage.

The CIT rate is currently scheduled to fall to 11 per cent on July 1, 2012 and to 10 per cent on July 1, 2013. When Ontario returns to a balanced budget, CIT rate reductions would resume and the general CIT rate would continue to fall.

The Budget is also proposing to temporarily freeze the Business Education Tax (BET) reduction plan, beginning in 2013. This move would avoid revenue decreases, providing fiscal savings growing to more than \$300 million annually by 2014–15. BET rates will continue to be reduced to offset reassessment increases.

When Ontario returns to a balanced budget, the government is committed to resuming the BET rate reductions.

Revenues are projected to increase at an annual average rate of 3.5 per cent over the 2011–12 to 2014–15 period. This forecast is based on the Ministry of Finance economic outlook and reflects revenue measures that the government is proposing in order to manage the fiscal plan responsibly and to achieve the targets announced in its balanced budget plan.

Slowing the Rate of Growth on Expense

In 2011–12, Ontario’s per capita program spending is projected to be \$8,560. This is the lowest among the provinces and 11 per cent below the average spent across the other nine provincial governments.

Program expense for 2011–12 is projected to be \$161 million below the 2011 Budget plan, reflecting the government’s commitment to manage growth in spending. With interest on debt expense coming in below forecast, total expense for 2011–12 is projected to decrease by \$353 million compared with the 2011 Budget forecast. This would mark the third consecutive year that the projection for total expense has come in lower than the Budget plan.

Between 2010–11 and 2017–18, program spending growth will be held to an average of 0.9 per cent — in line with the recommendation of the Commission on the Reform of Ontario’s Public Services. These projections reflect the government’s commitment to control growth in program expense while protecting gains made in education and health care. Given the government’s record of beating its fiscal targets by managing growth in recent years, this target for expense growth is achievable, underpinned by the \$17.7 billion in expense measures announced in the 2012 Budget.

Long-Term Public Borrowing

Ontario successfully completed its annual borrowing program in 2011-12, despite continuing challenges in global financial markets. Going forward, the Province's long-term public borrowing for 2012-13 has declined by \$3 billion since the 2011 Budget.

Strong global investor demand for Canadian-dollar assets, the liquidity of Ontario benchmark bonds and continuing confidence in the Province have allowed Ontario to borrow 81 per cent in the Canadian-dollar market in 2011-12, up from 59 per cent in 2010-11 and well above the target of at least 60 per cent set out in the 2011 Budget.

In 2012-13, the Province plans to borrow at least 70 per cent in the Canadian-dollar market. This is in line with the historical average of issuing approximately three-quarters in that market, but represents a considerable decline in the reliance on foreign markets during the global financial crisis. In 2009-10, more than 50 per cent of the Province's issuance was in international markets.

- 30 -

FOR MEDIA INQUIRIES ONLY:

Aly Vitunski, Minister's Office, 416-325-9819
Scott Blodgett, Ministry of Finance, 416-325-0324

ontario.ca/finance-news

Disponible en français

FOR PUBLIC INQUIRIES CALL:

1-800-337-7222

TTY: 1-800-263-7776