Mid-Year Economic and Fiscal Outlook

2015 Budget Commitment

The government’s plan to balance the budget is focused on managing growth in spending and delivering the best possible value for every dollar spent.

Impact

By focusing on creating jobs and increasing business competitiveness to grow the economy, the Province ensures the sustainability of essential public services that Ontarians rely on.

Ontario is committed to balancing the budget by 2017–18 in a way that is fair and responsible while continuing to make investments that support economic growth, create jobs and enhance prosperity for all Ontarians.

Progress Report

The government now forecasts revised deficits of $7.5 billion in 2015–16 and $4.5 billion in 2016–17, an improvement of $1 billion in 2015–16 and $0.3 billion in 2016–17 compared to the targets outlined in the 2015 Budget.

The improvement in the deficit projection for 2015-16 is mainly the result of the government’s progress on the asset optimization strategy outlined in the 2015 Budget related to the recent Hydro One initial public offering – which increases revenue by $1.1 billion – and lower interest on debt expense of $140 million. The government also proposes a down payment of $325 million in 2015-16 through a Green Investment Fund that will be targeted at reducing GHG emissions while strengthening the economy.

The government has committed to using the net proceeds from its asset optimization strategy to support infrastructure investments. This is why the government has proposed amendments to the Trillium Trust Act, 2014, that would, if passed, ensure that all fiscal benefits related to the Hydro One initial public offering from the gain on the sale of shares and the deferred tax benefit would be directed to the Trillium Trust.

This is in addition to the $1.35 billion that has already been credited to the Trillium Trust from the sale of the Province’s shares in General Motors in previous years.

The government’s plan – supported by the proposed amendments to the Act – will dedicate the net proceeds, dollar for dollar, of these transactions into the Trillium Trust. In fact, over the life of the plan, the government will spend it all on transit, transportation, and critical infrastructure projects under Moving Ontario Forward, while meeting the timeline to balance the budget in 2017–18.

Ontario’s economy is growing in an increasingly competitive global environment and many economists expect Ontario to be a growth leader in Canada over the next two years.

Ontario’s real gross domestic product is projected to grow 1.9 per cent in 2015, slower than the 2.7 per cent assumed in the 2015 Budget. Growth projections remain on track, averaging 2.2 per cent annually for 2016 to 2018.

Ontario’s unemployment rate is below the national average, reaching 6.8 per cent in October 2015. Ontario has created 559,600 jobs since the recessionary low in June 2009.

The Province’s achievements in combating the underground economy have generated a $225 million revenue increase above what was reported in the 2015 Budget.

On November 1, Ontario implemented a new beer charge, equivalent to 25 cents per 24-pack. In four years, once the charge is fully phased in, it will increase annual government revenue from beer sales by $100 million.

The first phase of broadening Hydro One’s ownership was completed in November. The government is on track to generate $4 billion in net revenue gains to be invested in transit and infrastructure, and $5 billion to reduce debt.