

ONTARIO BUDGET 2012 UPDATE

April 25, 2012

Ontario revises deficit projections slightly lower

Today, Ontario Finance Minister Dwight Duncan released new fiscal projections that include new measures negotiated in recent days with opposition party NDP in order to pass the March 27 budget. The projections now show a slightly lower profile for the deficit throughout the fiscal plan, although the elimination of the deficit is still scheduled for 2017/18. Deficits are now forecasted to be between \$400 million and \$700 million lower than projected in the March budget. For the next three years, the new deficit projections are \$14.8 billion in 2012/13 (versus \$15.2 billion in the March budget), \$12.8 billion in 2013/14 (down from \$13.3 billion) and \$10.1 billion in 2014/15 (down from \$10.7 billion). The end point of 2017/18 now shows a small \$500 million surplus instead of a zero balance.

The adjustments announced today reflect mostly higher revenues from the introduction of a new, temporary tax bracket kicking in for individuals earning more than \$500,000 annually. Earnings above \$500,000 will now be subject to a two-percentage point surtax being applied to the top income tax rate. The implementation of this new tax bracket will be prorated this year (when the surtax will be one percentage point) but in full swing in 2013. It is set to expire at the end of 2017. The Ontario Ministry of Finance estimates that this new measure will bring in \$280 million in extra revenues to the province in 2012/13, rising to a run rate of \$500 million by 2014/15.

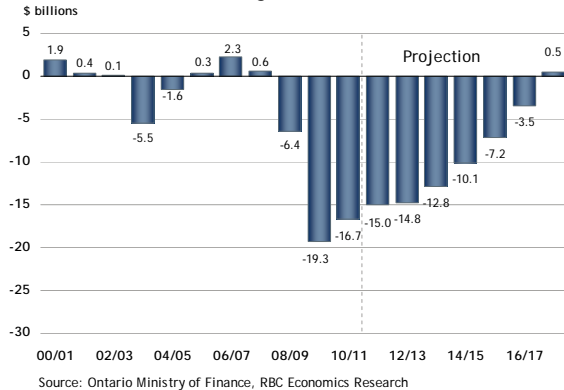
Other revenue measures being reflected in the new fiscal projections include a number of tax changes announced in the March 29 federal budget that will be paralleled in Ontario under federal-provincial taxation agreements. These changes will add an extra \$105 million to the provincial coffers by 2014/15.

Although there were several small spending increases in 'priority areas', there were no net increases in program expenditures, as offsetting cuts were made in other spending areas.

Minister Duncan also revealed that last year's deficit will be \$15.0 billion or \$300 million lower than estimated in last month's budget. The downward revision primarily reflects the elimination of \$250 million in operating contingency funds that will not be required.

Ontario's new elected Liberal government is currently in a minority status, which required support from one of the opposition parties in order to pass the budget yesterday.

Revised Ontario Budget Balance



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Ontario's fiscal plan

(\$ billions)	Actual	Interim	Plan	Mid-term Outlook		Extended Outlook		
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total revenues	95.8	109.3	112.6	116.6	121.6	126.9	131.8	136.4
Total expenditures	115.1	124.3	126.4	128.2	130.3	132.6	133.8	134.4
Program spending	106.3	114.2	115.8	117.0	117.9	118.5	118.7	118.9
Interest on public debt	8.7	10.1	10.6	11.2	12.3	14.1	15.1	15.4
Reserve	-	-	1.0	1.2	1.5	1.5	1.5	1.5
Surplus/(Deficit)	(19.3)	(15.0)	(14.8)	(12.8)	(10.1)	(7.2)	(3.5)	0.5

Source: Ontario Ministry of Finance, RBC Economics Research

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