

## ONTARIO THIRD-QUARTER BUDGET UPDATE

January 22, 2013

### Ontario's 2012-2013 deficit revised lower

Ontario Finance Minister Dwight Duncan today presented a third-quarter update of the province's budget performance and it was encouraging news. The latest numbers are coming better than expected with the deficit now projected at \$11.9 billion in 2012-2013 or \$3 billion lower than estimated at the time of the 2012 budget and \$2.5 billion lower than the second-quarter update estimate. The improvement came from both the revenue and expense sides of the ledger, with additional help coming from a \$500 reduction in the reserve.

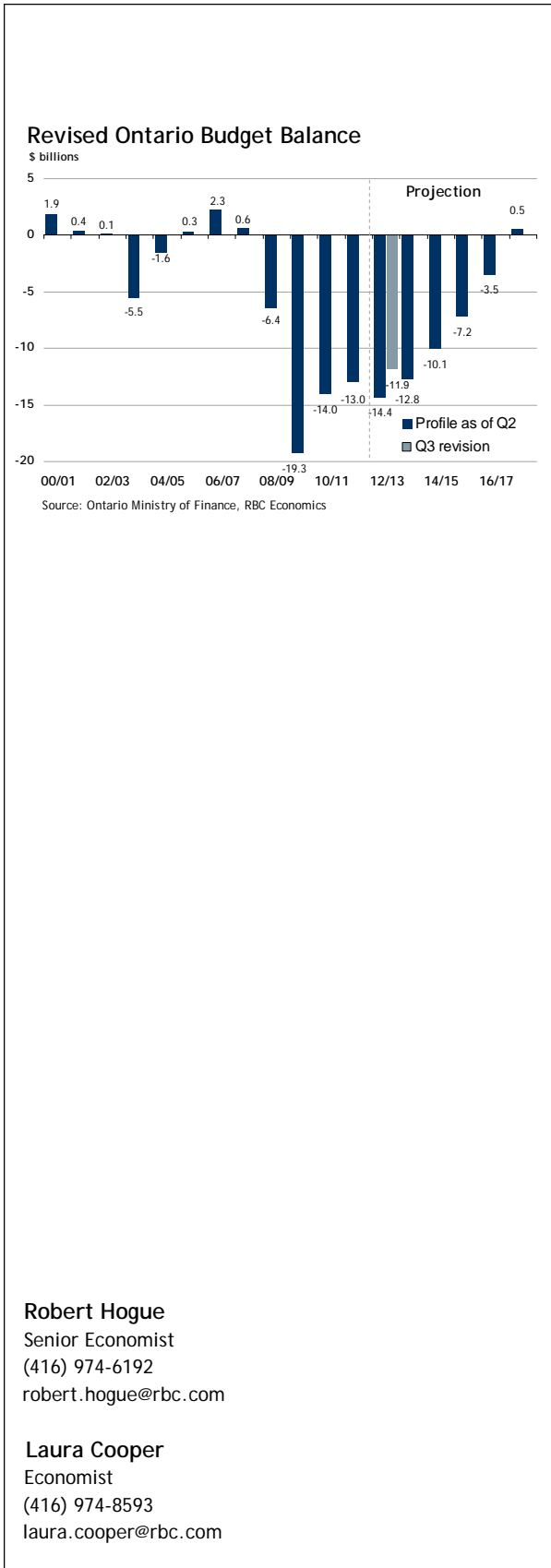
Revenues were revised upwardly by \$1.2 billion in 2012-2013, primarily because of a \$1.1 billion lift to corporate tax revenues that reflected a higher 2011 tax base (from which 2012-2013 estimates are calculated) and a one-time boost from tax assessments for years prior to 2011.

Expenditures were revised downwardly by \$1.2 billion, almost entirely the result of savings from a reduction in liabilities within the Ministry of Education including one-time measures surrounding sick day banking and grandfathering retiree health benefits for education. These projected \$1.07 billion in program expenditure savings were coupled with lower expected interest charges which contributed the remaining \$158 million in savings.

Because this third-quarter update focused on the current fiscal year, no changes were made to projections beyond 2012-2013. Therefore, the return to balance remains targeted for 2017-2018.

Today's third-quarter update stated that Ontario's borrowing requirements remained unchanged from the 2012 budget at \$34.5 billion in 2012-2013 (\$30.1 billion already completed to date) but were scaled back by \$2.7 billion from the previous estimate to \$36.4 billion in 2013-2014.

These improved projected results for 2012-2013 further form a track record of the Ontario government moving ahead of its plan to eliminate the deficit (this would be the fourth consecutive year that it 'beat' the initial deficit projection). Nonetheless, at 1.8% of GDP, the updated 2012-2013 deficit remains elevated and progress made to date represents less than half of the journey to a balanced budget. Much work remains to be done for Minister Duncan or, most likely, his successor.



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**Ontario's fiscal plan**

(\$ billions)	Actual		Budget	Q3 Update	Mid-term Outlook		Extended Outlook		
	2010/11	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total revenues	106.7	109.8	112.6	113.8	116.6	121.6	126.9	131.8	136.4
Total expenditures	120.7	122.7	126.4	125.2	128.2	130.3	132.6	133.8	134.4
Program spending	111.2	112.7	115.8	114.7	117.0	117.9	118.5	118.7	118.9
Interest on public debt	9.5	10.1	10.6	10.5	11.2	12.3	14.1	15.1	15.4
Reserve	-	-	1.0	0.5	1.2	1.5	1.5	1.5	1.5
Surplus/(Deficit)	(14.0)	(12.9)	(14.8)	(11.9)	(12.8)	(10.1)	(7.2)	(3.5)	0.5

Source: Ontario Ministry of Finance, RBC Economics Research

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