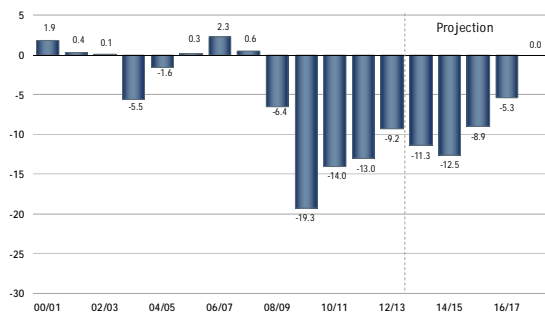


## 2014 ONTARIO BUDGET

July 14, 2014

Ontario budget balance

Billions of C\$



Source: Ontario Ministry of Finance, RBC Economics Research

### May budget re-introduced 'as is'

Ontario's newly elected Liberal government today re-introduced the budget it presented (but never passed) in May, just before the June 12 provincial elections was called. This budget is hefty and ambitious with several new major initiatives being announced, including a provincial pension plan, multi-billion dollar funds to build transportation infrastructure and attract "global anchor investments", a council to advise on selling provincial assets and higher taxes for individuals earning \$150,000 or more. The government remains committed to balancing its books by 2017/18; however, it will run higher deficits than previously expected in the intervening three years: \$12.5 billion in 2014/15, \$8.9 billion in 2015/16 and \$5.3 billion in 2016/17.

For a detailed review and analysis of the budget contents, please see our [budget commentary dated May 1](#).

Developments since May put Ontario's upwardly revised deficits in the short term and rapidly rising debt into sharper focus. Earlier this month, credit rating agency Moody's put the Province on credit watch with a negative outlook for its rating, citing greater than previously anticipated challenge to return to balanced budget as a source of concern. Standard and Poor's is expected to finalize its review of Ontario's rating (launched two years ago) shortly and, given that a negative outlook is currently in effect, the outcome could be a downgrade.

### Real GDP forecast summary

Real GDP growth (%)	2014	2015	2016
Budget 2014 planning assumption	2.1	2.5	2.5
RBC	2.3	2.8	-
Private sector average*	2.2	2.6	2.6

\* July 14 budget shows the same private sector average as the May 1 budget, therefore it does not reflect more recent forecast updates.

Source: Ontario Ministry of Finance, RBC Economics Research

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## Ontario's fiscal plan

(\$ billions)	Actual	Interim	Plan	Mid-term Outlook		Extended Outlook
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total revenues	113.4	115.7	118.9	124.5	129.4	134.8
Total expenditures	122.6	127.0	130.4	132.1	133.5	133.6
Program spending	112.3	116.4	119.4	120.1	120.2	119.4
Interest on public debt	10.3	10.6	11.0	12.0	13.3	14.2
Reserve	-	-	1.0	1.2	1.2	1.2
Surplus/(Deficit)	(9.2)	(11.3)	(12.5)	(8.9)	(5.3)	0.0

Source: Ontario Ministry of Finance, RBC Economics Research

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