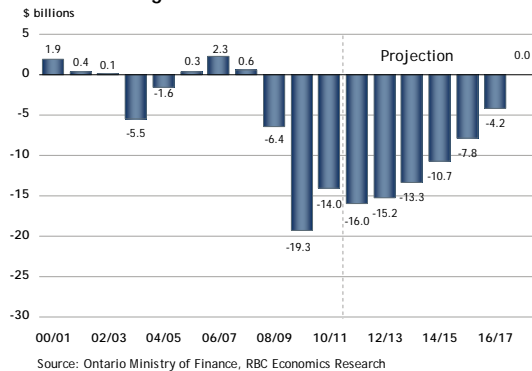


2011 ONTARIO MID-YEAR FISCAL REVIEW

November 24, 2011

Ontario Budget Balance



In his fall update on the economic outlook and provincial budget, Ontario Finance Minister Dwight Duncan confirmed his government's commitment to staying the course on eliminating the provincial deficit by 2017-18 despite dimmer growth prospects for the economy. Except for a slight downward revision to the 2011-12 deficit (to \$16.0 billion from \$16.3 billion projected earlier), the update stuck to the deficit profile targeted in the March 2011 budget.

Weaker projected growth for the Ontario economy (the government now assumes real GDP to grow by 1.8% in both 2011 and 2012 (down from 2.4% and 2.7%, respectively in the budget) is a key factor contributing to a downward revision of \$433 million to revenues (now \$108.2 billion) in 2011-12. However, lower expected interest charge on the provincial debt (-\$193 million) and in program spending (-\$72 million) are also reducing expenditures. Additionally, with half of the fiscal year now booked, the government is taking its forecast allowance reserve down from \$700 million at budget to \$200 million. All things considered, the 2011-12 deficit is now projected to come in \$322 million lower than projected in the March 2011 budget.

For next year and beyond through the medium term, the government has made relatively small downward adjustments to revenues (both from own source and federal transfers) but they are fully offset by lower expected interest on debt. As a result, the earlier deficit projections still stand: -\$15.2 billion in 2012-13, -\$13.3 billion in 2013-14, -\$10.7 billion in 2014-15, -\$7.8 billion in 2015-16, -\$4.2 billion in 2016-17 and balance in 2017-18.

In the update, there was only one notable new spending initiative – the Healthy Homes Renovation Tax Credit – but this was fairly small (\$60 million) and will be funded by “using reductions in other programs”.

The government indicated that borrowing requirement for 2011–12 will remain at \$35 billion, unchanged from the latest budget.

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Ontario's fiscal plan

(\$ billions)	Actual	March budget	November Update			Projected Outlook (March Budget)			
			2010/11	2011/12	2011/12	2012/13	2013/14	2014/15	2015/16
Total revenues	106.7	108.5	108.3	111.3	116.3	122.8	129.0	135.4	142.2
Total expenditures	120.7	124.1	124.1	125.5	128.7	132.6	135.8	138.6	141.2
Program spending	111.2	113.8	114.0	114.9	117.0	118.8	121.0	122.9	124.9
Interest on public debt	9.5	10.8	10.1	10.6	11.7	14.4	15.4	15.9	16.2
Reserve	-	0.7	0.2	1.0	1.0	1.0	1.0	1.0	1.0
Surplus/(Deficit)	(14.0)	(16.3)	(16.0)	(15.2)	(13.3)	(10.7)	(7.8)	(4.2)	0.0

Source: Ontario Ministry of Finance, RBC Economics Research

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