

## **2009-10 ONTARIO DEFICIT TO REACH \$25 BILLION**

### **HIGHLIGHTS:**

- Ontario deficit estimated to reach \$24.7 billion (4.3% of GDP) in FY 2009-10.
- Real GDP growth forecasts for 2009 to 2012: -3.5%, 2.0%, 3.0%, 3.3%, lower than the private-sector average.
- Nominal GDP growth forecast for 2009 to 2012: -3.8%, 3.6%, 4.7%, 5.1%.
- In-year change in revenues (when compared to Budget) is -\$5.8 billion, nearly 50:50 from lower PIT and lower CIT revenues.
- In-year change in expenses (when compared to Budget) is +\$4.7 billion, \$4.0 billion in aid to the auto sector and \$650 million for H1N1 response.
- Medium-term outlook is updated, with deficits of \$21.1 billion in FY 2010-11 and \$19.4 billion in FY 2011-12.
- Expenditure management plan under way. Specific recommendations will be forthcoming in 2010 Budget.

### **COMMENTARY:**

In its fall economic outlook and fiscal review released today, the Ontario government now estimates the current fiscal deficit will hit nearly \$25 billion, or 4.3% of GDP. This is a significant (\$10.6 billion) upward revision from the \$14.1 deficit projected at the time of the March budget, but a speech by Minister of Finance Dwight Duncan earlier this week had already suggested a deficit in the range of \$20 billion. Both sides of the ledger are contributing to the wider shortfall, with an in year expense revision of +\$4.8 billion and a -\$5.8 billion in-year revision on the revenue side. The larger expenditure figure comes mostly from the \$4 billion in aid provided to the ailing auto sector, but an additional \$650 million allocated toward H1N1 flu virus response and \$105 million higher interest on a larger debt load are also part of the story. On the revenue side, the weaker outlook was nearly equally shared between lower corporate (-\$2.7 billion) and personal (-\$2.4 billion) income tax receipts.