

One-billion smaller deficit in current fiscal year

Highlights

- **The deficit for 2010-2011 is now projected at \$18.7 billion (3.1% of GDP), \$1 billion less than forecast last March.**
- **Revenues for 2010-2011 are now projected to be \$789 million higher than in the March budget, and debt service cost is forecast to be \$246 million lower. Program expenses are unchanged.**
- **No change in the medium-term fiscal outlook, with deficits still projected at \$17.3 billion in 2011-12 and \$15.9 billion in 2012-13.**
- **Real GDP growth forecast is revised up from 2.7% to 3.2% in 2010, but revised down in 2011 (2.2% instead of 3.2%) and 2012 (2.5% instead of 3.0%). Currently projected GDP growth in each year 0.2 percentage points below private-sector average.**
- **A proposed Ontario Clean Energy Benefit (OCEB) for households, farms and small businesses would provide a benefit equal to 10% of the electricity cost, effective January 1st, 2011. It is expected to last five years. This measure is projected to cost \$300 million in 2010-11, and \$1.1 billion in the next fiscal year.**
- **The borrowing requirement for 2010-11 is estimated at \$38.7 billion, \$1 billion less than projected in March budget. Of this amount, \$11.3 billion remains to be completed through the end of the fiscal year. Borrowing requirements projected for the two next fiscal years, \$38.8 billion and \$40.2 billion respectively, are unchanged from March budget.**

Overview

With the November 18th update, Ontario's deficit for 2010-11 is now projected at \$18.7 billion, \$1 billion less than was forecast last March. The improvement comes from larger-than-expected revenues as a better economic outlook has more than offset a 2009-10 tax base that was lower than previously estimated. Revenues projected for the two next fiscal years are revised marginally down, while program expenses are marginally increased. Projected deficits remain unchanged due to lower interest costs on debt.

The OCEB cost does not significantly affect overall program expenses. The \$300 million charge for the current fiscal year (plus smaller expenses increases in other areas) will be financed from contingency funds already budgeted in expenses. In future years, the OCEB cost will be accommodated within the fiscal plan through tight expense management. Ontario's reduced forecasts for U.S. economic growth have been reflected in projected revenues. Uncertainty regarding the U.S. economic recovery, as well as sovereign debt concerns and trade imbalances, is still regarded as a key risk to the fiscal plan. However, the fiscal plan still provides for reserves for contingencies of \$700 million in the current fiscal year and \$1 billion for each of the next two years.

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