



“Economic Outlook and Fiscal Review for 2009”

Ontario's Minister of Finance, Dwight Duncan, released his "Economic Outlook and Fiscal Review for 2009" at about 1330 hrs today in the Ontario Legislature.

For an Economic Statement it was relatively short and very light on economic or fiscal data. Perhaps it was enough to say that in 2009 Ontario's GDP has declined by 3.5%. Total GDP contraction since the recession began is about 5%. Corporate tax revenues are projected to fall by nearly 50% (\$6 billion). The size of Ontario's economy is now at 2005 levels. According to the Statement, however, signs of recovery have started to appear in the last three months in terms of trade and employment data and the like. GDP was forecast to grow by a modest 2.0% in 2010 and 3.0% in 2011. On the other hand, the Economic Statement warned that a slow and uncertain US recovery, an increasingly buoyant Canadian dollar, the prospect of increased interest rates and energy costs could easily snuff out Ontario's recovery. Expressions of optimism and confidence aside, this Economic Statement wasn't pretty.

The figure everyone was waiting for, however, was the deficit number. The deficit for fiscal year 2009/10 is projected to be \$24.7 billion. It has immediately been named the "Dalton Deficit". To put this into context, in 2003 the Harris/Eves government was widely castigated for running a \$5.6 billion deficit. The highest annual deficit reached by the Rae government in the depths of the 1990-1993 Recession was \$9.6 billion. The total provincial budgetary deficits accumulated since the current government took power in 2003 now amount to approximately \$65 billion. The government



pointed to its bailout of the auto industry (\$4.5 billion), investments in infrastructure (\$32.5 billion) and other "investments in people" to explain the deficit. As was expected, the opposition immediately jumped on wasteful expenditures through eHealth, the WSIB and the Ontario Lottery and Gaming Corporation.

Gone from this Economic Statement were any references to this government's previous priorities of reducing poverty or improving education.

The only specific initiative referred to address the economic situation was the planned introduction of the HST next summer.

To manage the deficit, Treasury Board will embark upon a review of the Ontario public service and service delivery. The NDP has immediately jumped on that particular initiative as returning to the Harris government's "cut and slash" days and as a precursor to "Dalton days", where members of the public service are forced to take unpaid days off.

Finance will also embark on a public consultation to hear how programs can be delivered more efficiently and effectively and help priority programs can be sustained in this difficult fiscal and economic environment in order to prepare the Budget for 2010/11.