2017 ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW

November 2017

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Purpose

- Provide an overview of the 2017 Ontario Economic Outlook and Fiscal Review, including:
  - Key Themes and Initiatives
  - Key Economic and Fiscal Charts and Tables

Key Themes and Initiatives

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Themes & Narrative Highlights

Building Fairness for Ontario Families	Creating Opportunities for Everyone
The government is taking steps to create an environment where every Ontarian can benefit from the Province's growth. The government will continue to play an active role in creating fairness for Ontario families so they can reach their full potential.	The Province is committed to building a dynamic and competitive business environment and investing in people's talents and skills of Ontario's students and workers at every age and stage so they can thrive in a rapidly changing economy.
Ontario is delivering on its commitment to balance the budget in a fair and responsible way – a plan that was first introduced in the *2010 Budget.* Ontario's economy continues to grow and create jobs. Net debt-to-GDP has been declining since 2014-15 due to Ontario's economic growth and progress towards a balanced budget in 2017-18.	Ontario continues to embrace a collaborative approach with its partners across the country to address the complex challenges facing the province, as well as all of Canada. The Province continues to take action to ensure fairness and sustainability of the tax system. The Province continues to maintain the integrity of the system through measures to address underground economic activities.
Economic and Fiscal Strength	**Working with our Partners & A Fair and Sustainable Tax System**

Building Fairness for Ontario Families

Narrative

The government is taking steps to create an environment where every Ontarian can benefit from the Province's growth. The government will continue to play an active role in creating fairness for Ontario families so they can reach their full potential.

Signature Initiatives

Investing an additional $7 billion in health care over three years to reduce wait times, improve access to care and enhance patients' experiences

- Investing $618 million in public hospitals in 2017 and investing $175 million to repair / upgrade 131 hospitals this year.
- Expanding mental health services for children, youth and students, and investing $222 million over 3 years to fight the opioid crisis.
- Investing $248 million over 3 years to expand and enhance interprofessional primary care teams

Investing in children's health, well-being and education to give them the best possible start in life.

- Helping an additional 24,000 children access licensed childcare in 2017-18 by dedicating $200 million
- On January 1, OHIP+ will provide free prescription drug coverage for everyone aged 24 and under, regardless of family income

Transforming the Ontario Student Assistance Program to reduce financial barriers for students and help everyone who wishes to pursue higher learning is able to do so in a way that is affordable.

- Making tuition free for more than 210,000 students this year.
- Implementing net tuition billing to ensure postsecondary students receive a reduced upfront bill, with OSAP already factored in.

Building Fairness for Ontario Families

Signature Initiatives (Continued)

Introducing Aging with Confidence, an action plan that includes a suite of new initiatives that will help seniors live independent, healthy, active, safe and socially connected lives.

- **Supports for all Seniors:** Providing better community transportation in underserved communities, improving access to information through a ‘one-stop’ website, and offering a free, high-dose flu vaccine starting in 2018.
- **Seniors Living Independently:** Providing social, recreational and health programming to all seniors through 40 new Seniors Active Living Centres - bringing the total number to 300 province-wide
- **Seniors Requiring Enhanced Supports:** Improving access to coordinated home care based on local needs through enhanced supports for naturally occurring retirement communities
- **Seniors Requiring Intensive Supports:** Creating 5,000 new long-term care beds by 2022, the first step in creating 30,000 beds in the next decade, and increasing the provincial average to four hours of direct care per resident per day, when fully phased in

Proposing the Fair Workplaces, Better Jobs Act, to modernize Ontario’s employment and labour laws, and increase the hourly minimum wage to $14 in January 2018 and $15 by January 2019.

Delivering the single largest reduction in electricity rates in our history – effective July 1, electricity bills have on average been reduced by 25%, or about $41 per month, for eligible households.

Creating Opportunities for Everyone

Narrative

The Province is committed to building a dynamic and competitive business environment and investing in people's talents and skills of Ontario's students and workers at every age and stage so they can thrive in a rapidly changing economy.

Signature Initiatives

The Province is committed to building a competitive business environment, and is announcing more than $500 million in new initiatives that will lower costs and support growth for small businesses.

- **Cutting Small Business Corporate Income Tax:** Proposing to reduce the small business CIT rate from 4.5 per cent to 3.5 per cent, a 22 per cent reduction.
- **Supporting Youth Employment in Small Businesses:** Providing $124 million over three years to support hiring and retaining youth ages 15 to 29, through incentives to businesses starting at $500.
- **Increasing Competitiveness of Ontario's Farmers:** $60 million for Ontario's fruit and vegetable farmers over two years.
- **Investing in Main Street:** Creating a $40 million enhancement fund to support small businesses in communities, downtowns and main street areas.
- **Increasing Access to Capital:** Piloting a new $8 million program to enable partnerships between FinTech firms and institutional lenders.
- **Accessing Government Services:** Offering a new, one-window service for small businesses.
- **Designating Procurement:** Designating 33 per cent of Ontario's procurement spending to small businesses by 2020.
- **Improving Inspections:** Reducing inspections for compliant businesses.
- **Making Inspections More Efficient:** Launching a coordinated inspection pilot for restaurants and bars where regulators will share data and best practices.
- **Providing Flexibility in Requirements:** Exploring new provisions to allow businesses to apply alternative approaches that meet requirements.

Creating Opportunities for Everyone

Transforming the existing Apprenticeship Training Tax Credit into a new Graduated Apprenticeship Grant for Employers, to encourage completions and opportunities for underrepresented groups.

Expand support to five additional Red Seal trades (i.e., hairstylist, cook, horticultural / landscape technician, baker, appliance service technician).

As a first phase of Ontario's FinTech Strategy, the government is:

- Investing $4.3 million over three years to create a new FinTech Accelerator Office that will work with provincial / federal partners to help firms navigate regulatory frameworks.
- Creating a Regulatory Super Sandbox, a mechanism to help FinTech businesses test innovative products, services, models and delivery mechanisms in the real market.

Ontario continues to support a dynamic and competitive business environment:

- Investing more than $650 million through Ontario's Business Growth Initiative, a five-year strategy to help businesses scale up, support innovation, and cut red tape.
- Through the Jobs and Prosperity Fund, the province has supported businesses in creating and retaining 25,000 jobs and leveraging business investments of $3.3 billion since 2015.

Undertaking the largest infrastructure program in our Province's history - investing about $190 billion over 13 years starting in 2014-15, which will support an estimated 125,000 jobs on average

Raised $1.5 billion so far in 2017-18 in auction proceeds, to be invested in programs guided by the Climate Change Action Plan.

Working with our Partners

Narrative

Ontario continues to embrace a collaborative approach with its partners across the country to address the complex challenges facing the province, as well as all of Canada.

The Province is committed to working with federal, provincial, territorial and municipal governments, as well as Indigenous partners, to improve the lives of people in Ontario.

Signature Initiatives

The Province continues to provide ongoing support, which will grow to approximately $4.2 billion by 2018, giving municipalities the flexibility to invest in local priorities such as roads, transit and economic development.   Beginning in 2018, Ontario will provide an additional $5 million to northern municipalities through the Northern Communities Grant component of the Ontario Municipal Partnership Fund.

Ontario is taking action with Indigenous communities and other partners to support children and youth, enhance equity in the province, and advance partnerships on tobacco and gas, jobs and economic opportunity.

Ontario is actively working with the federal government on the development of a number of bilateral funding agreements, including completing a $435 million agreement to improve the accessibility and affordability of child care and early learning opportunities.

A Fair and Sustainable Tax System

Proposing to reduce the small business Corporate Income Tax rate from 4.5 per cent to 3.5 per cent, a 22 per cent reduction.

The Province is working with municipalities, the Municipal Property Assessment Corporation and taxpayers to enhance the fairness and effectiveness of Ontario's property tax and assessment system.

Ontario continues to reform the Provincial Land Tax, once fully implemented, a single PLT rate of $250 per $100,000 of assessed value would be set for all residential properties.

Maintaining the integrity of the tax system ensures the government has the resources necessary to fund critical public services.

Ontario's ongoing enhanced compliance-focused measures have generated over $1.4 billion since 2013-14, a $165 million increase over the amount reported in the *2017 Budget*.

The government is moving forward with regulating cigarette filter components, effective Jan. 1, 2018.

Ontario's Economic Outlook

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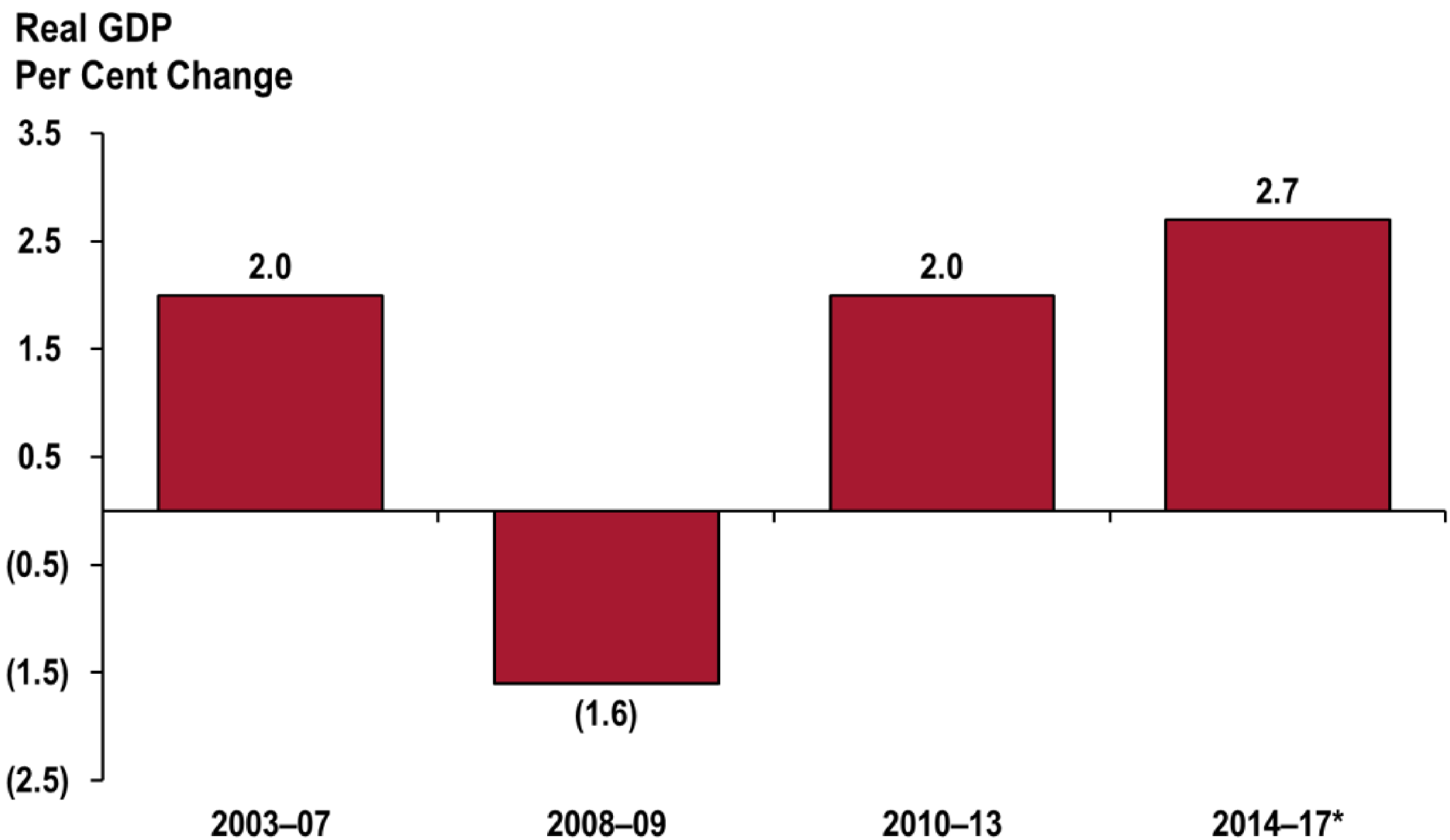
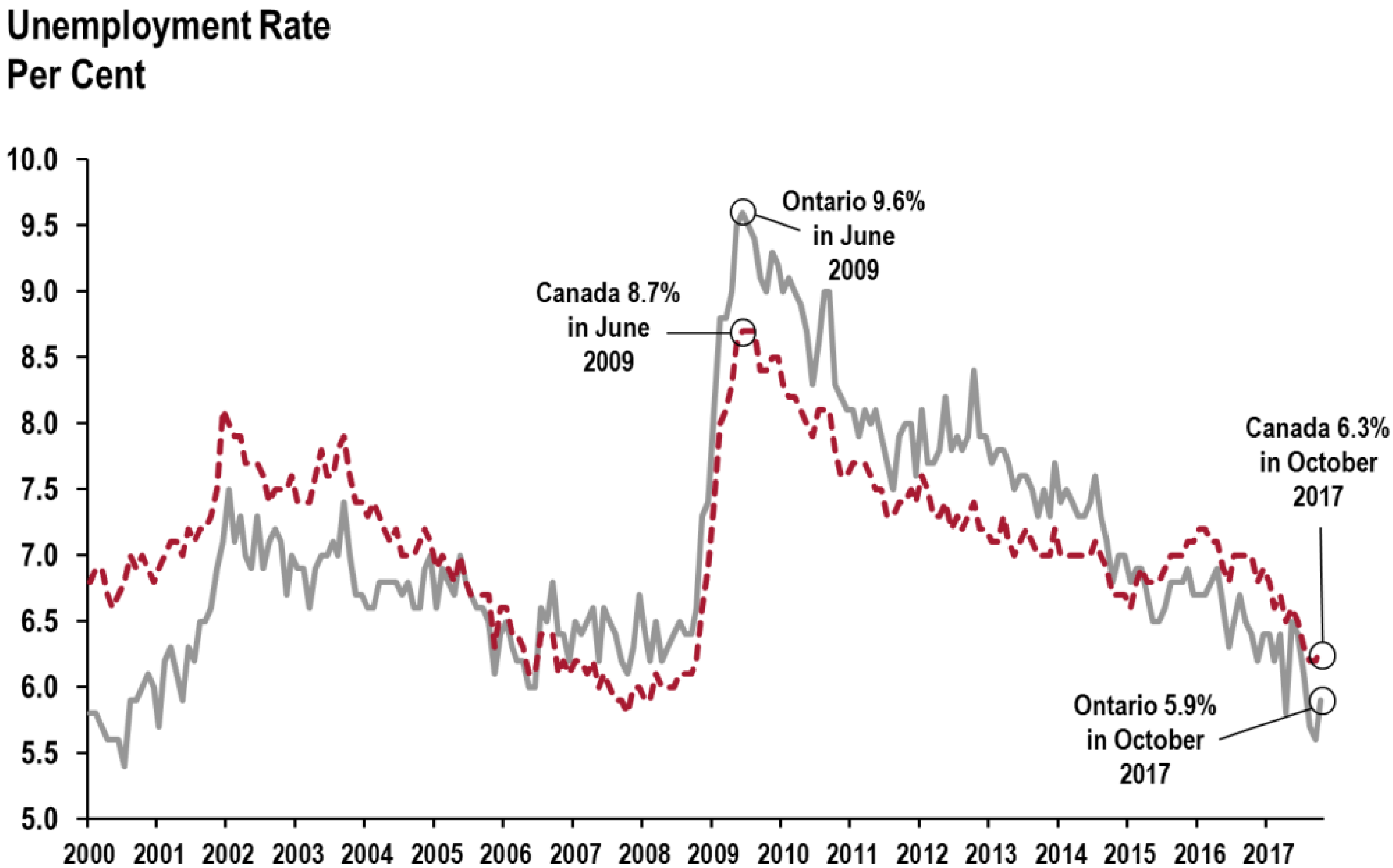
Ontario's Growth Strengthened in Recent Years



* 2017 is Ontario Ministry of Finance's planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's Unemployment Rate below the National Average for 31 Consecutive Months



Source: Statistics Canada.

Outlook for Ontario's Economic Growth

Ontario Economic Outlook
(Per Cent)

	2014	2015	2016	2017p	2018p	2019p	2020p
Real GDP Growth	2.7	2.9	2.6	2.8	2.1	2.0	2.0
Nominal GDP Growth	4.4	5.0	4.3	5.3	4.1	4.1	4.2
Employment Growth	0.8	0.7	1.1	1.4	1.1	1.1	1.0
CPI Inflation	2.4	1.2	1.8	1.7	2.0	2.0	2.0

p = Ontario Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

External Economic Environment

Outlook for External Factors

	2014	2015	2016	2017p	2018p	2019p	2020p
World Real GDP Growth (Per Cent)	3.6	3.4	3.2	3.6	3.7	3.7	3.7
U.S. Real GDP Growth (Per Cent)	2.6	2.9	1.5	2.2	2.4	2.1	2.1
West Texas Intermediate (WTI) Crude Oil ($US per Barrel)	93	49	43	50	52	56	60
Canadian Dollar (Cents US)	90.5	78.2	75.4	77.5	81.0	81.1	81.1
Three-Month Treasury Bill Rate[1] (Per Cent)	0.9	0.5	0.5	0.7	1.5	2.2	2.5
10-Year Government Bond Rate[1] (Per Cent)	2.2	1.5	1.3	1.8	2.5	3.2	3.6

p = Ontario Ministry of Finance planning projection based on external sources.
[1] Government of Canada interest rates.
Sources: IMF World Economic Outlook (October 2017), U.S. Bureau of Economic Analysis, *Blue Chip Economic Indicators* (October 2017), U.S. Energy Information Administration, Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (October 2017) and Ontario Ministry of Finance.

Impacts of Sustained Changes in Key External Factors on Ontario’s Real GDP Growth

Impacts of Sustained Changes in Key External Factors on Ontario’s Real GDP Growth

(Percentage Point Change)

	First Year	Second Year
Canadian Dollar Depreciates by Five Cents US	+0.1 to +0.7	+0.2 to +0.8
Crude Oil Prices Decrease by $10 US per Barrel	+0.1 to +0.3	+0.1 to +0.3
U.S. Real GDP Growth Increases by One Percentage Point	+0.2 to +0.6	+0.3 to +0.7
Canadian Interest Rates Increase by One Percentage Point	–0.1 to –0.5	–0.2 to –0.6

Source: Ontario Ministry of Finance.

Details of the Ontario Economic Outlook

Private-Sector Forecasts

Private-Sector Forecasts for Ontario Real GDP Growth

(Per Cent)

	2017	2018	2019	2020
BMO Capital Markets (October)	3.0	2.3	2.0	–
Central 1 Credit Union (September)	3.3	2.6	2.4	2.3
Centre for Spatial Economics (October)	3.1	2.0	2.5	2.4
CIBC World Markets (September)	3.0	2.3	1.7	–
Conference Board of Canada (July)	2.6	2.1	1.9	1.9
Desjardins Group (October)	3.0	2.3	2.0	1.5
IHS Global Insight (July)	2.8	2.4	2.4	2.1
Laurentian Bank Securities (August)	2.8	2.2	2.0	–
National Bank of Canada (September)	2.8	2.6	–	–
RBC Financial Group (September)	2.9	2.2	–	–
Scotiabank Group (October)	3.1	2.2	1.7	–
TD Bank Financial Group (September)	3.0	1.8	1.7	–
University of Toronto (August)	2.5	2.1	2.3	2.3
Private-Sector Survey Average	**2.9**	**2.2**	**2.1**	**2.1**
Ontario's Planning Assumption	**2.8**	**2.1**	**2.0**	**2.0**

Source: Ontario Ministry of Finance Survey of Forecasters (October 24, 2017).

Key Economic Forecast Assumptions

Ontario's Fiscal Outlook

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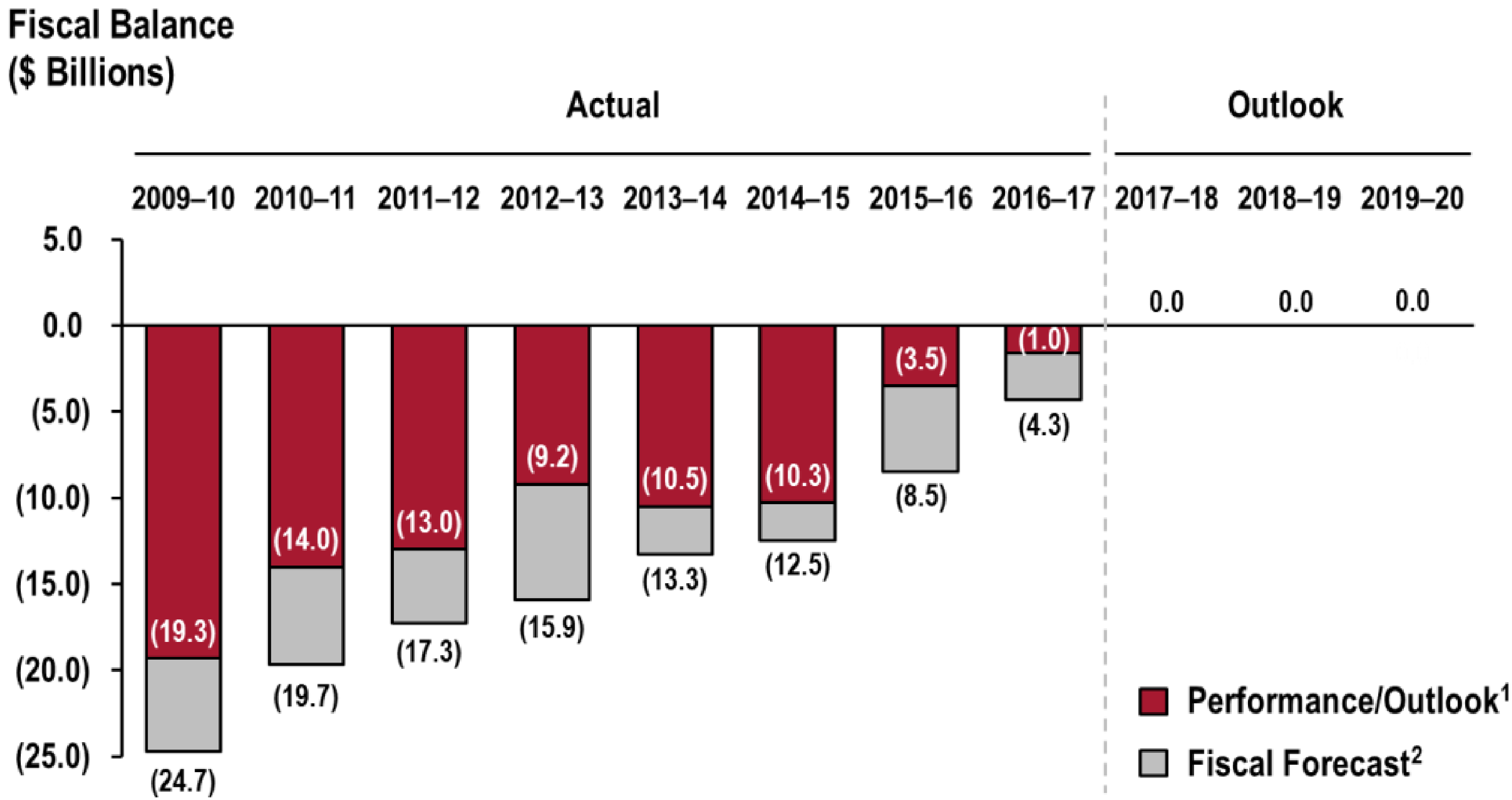
Ontario’s Return to Balance



[1] Represents the *2017 Ontario Economic Outlook and Fiscal Review* outlook for 2017–18 to 2019–20. For 2009–10 to 2016–17, actual results are presented.

[2] Forecast for 2009–10 is based on the *2009 Ontario Economic Outlook and Fiscal Review;* forecasts for 2010–11 to 2013–14 are based on the *2010 Budget*; forecast for 2014–15 is based on the *2014 Budget*; forecast for 2015–16 is based on the *2015 Budget;* and forecast for 2016–17 is based on the *2016 Budget*.

Source: Ontario Ministry of Finance.

Ontario's Fiscal Outlook

Summary of Changes to the Fiscal Outlook

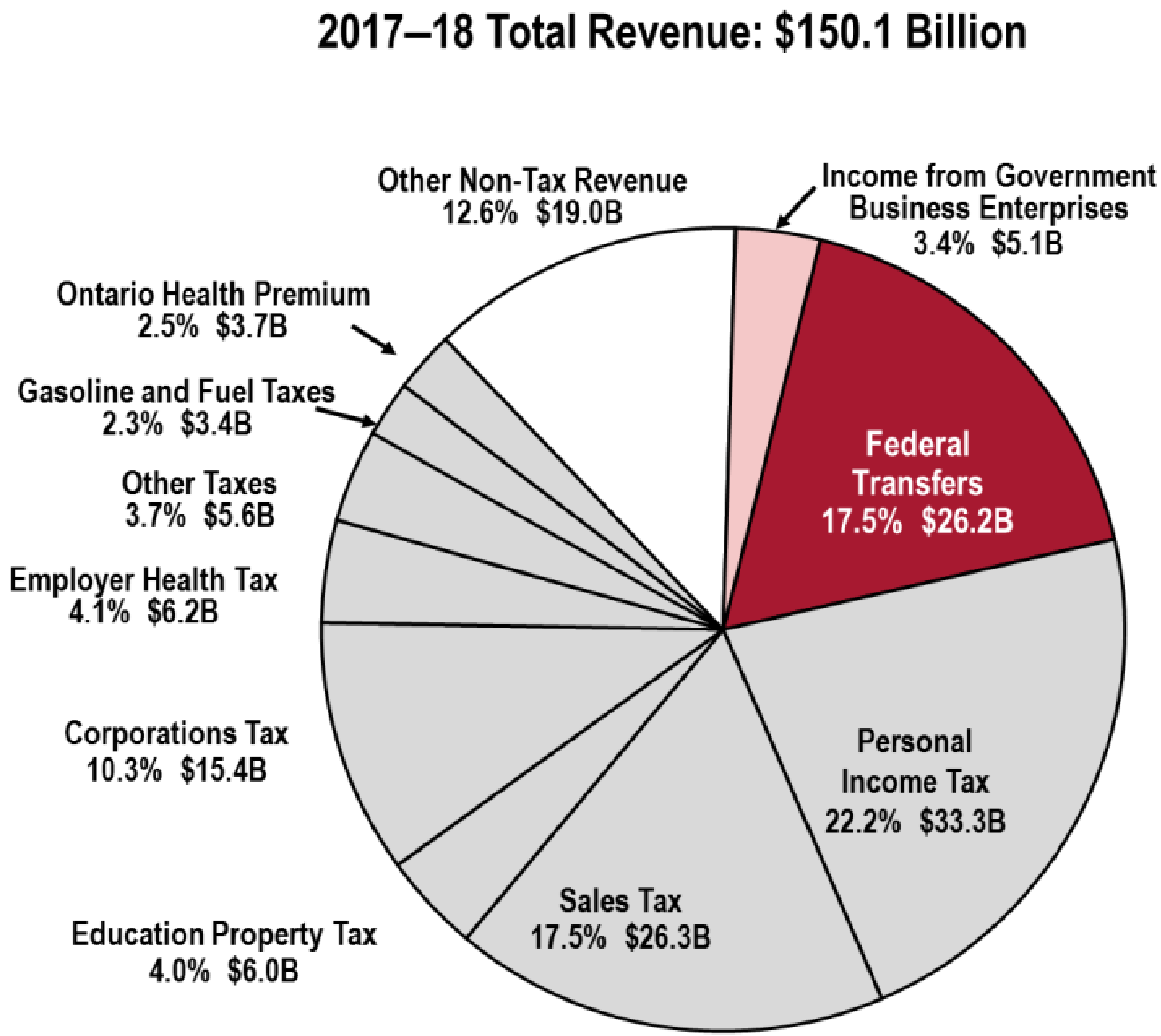
Summary of Changes to Program Expense

Revenue Changes

2017-18 Expense Changes

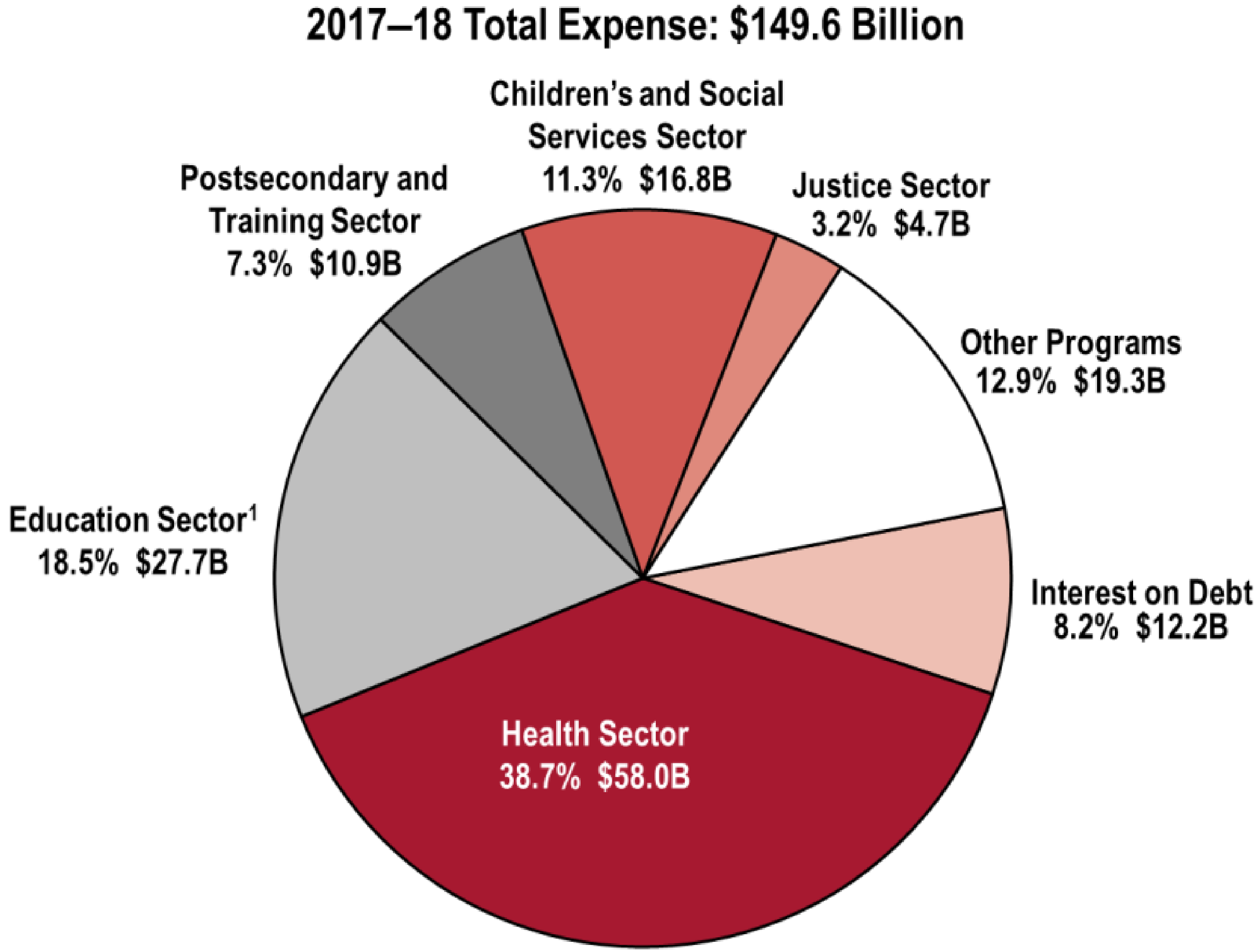
Impact of Changes in Provincial Reporting

Composition of Revenue, 2017-18



Note: Numbers may not add due to rounding.

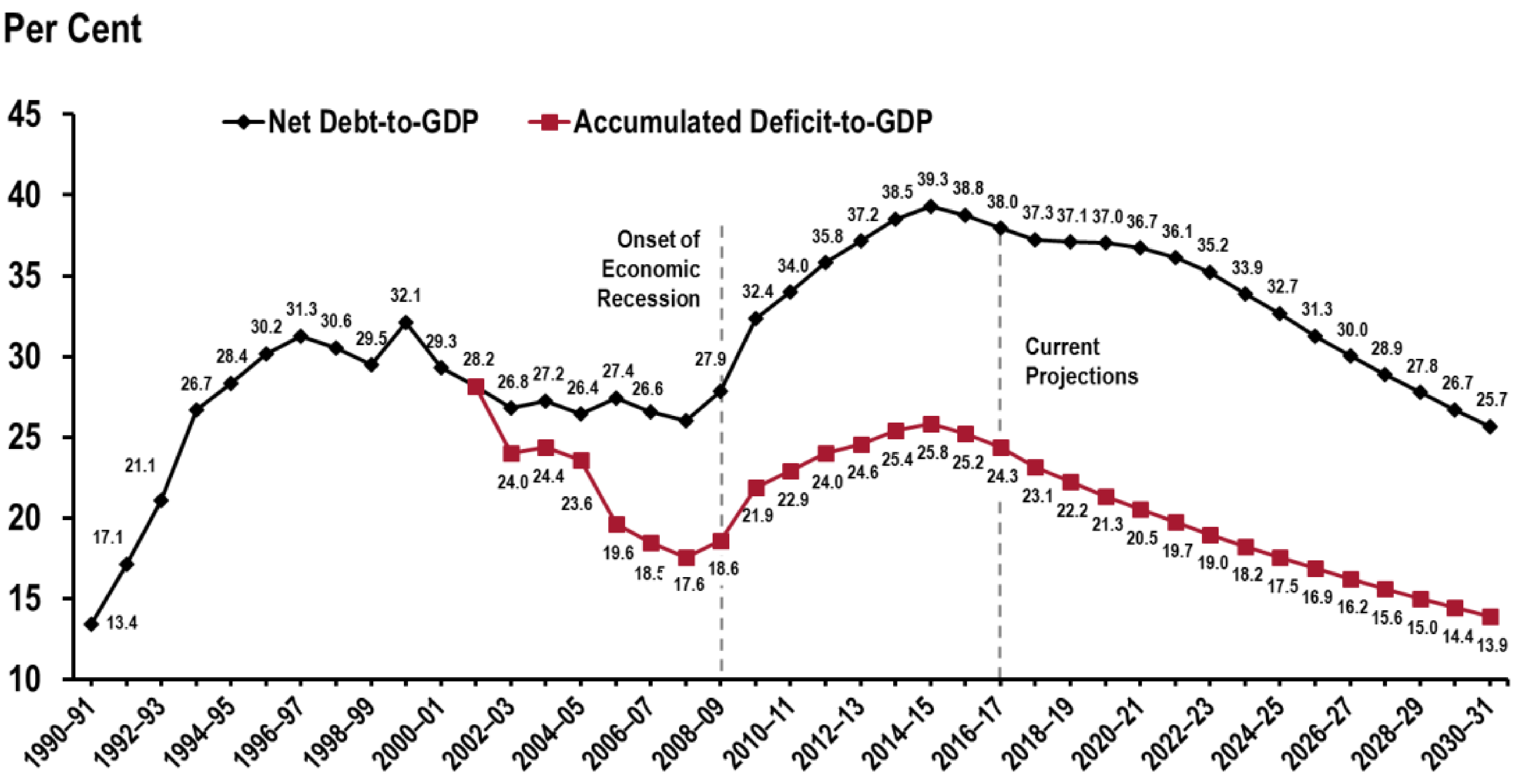
Composition of Total Expense, 2017-18



[1] Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.

Note: Numbers may not add due to rounding.

Net Debt-to-GDP and Accumulated Deficit-to-GDP



Note: Net Debt has been restated to include broader public sector net debt, starting in 2005–06.
Source: Ontario Ministry of Finance.