

# 2018–19 THIRD QUARTER FINANCES

February 2019

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## HIGHLIGHTS

- The government of Ontario is now projecting a deficit of \$13.5 billion in 2018–19. This represents an improvement of \$1.0 billion from the *2018 Ontario Economic Outlook and Fiscal Review (2018 Fall Economic Statement)*. This improvement is the result of stronger economic growth, supported by Ontario's open for business approach to government that is helping to increase investor confidence and foster an environment for companies to thrive and prosper.
- Ontario's real GDP is estimated to have grown by 2.4 per cent in 2018, above the 2.0 per cent forecasted in the *2018 Fall Economic Statement*.
- Employment in Ontario increased by 114,400 net new jobs in 2018 and the annual unemployment rate decreased to 5.6 per cent, the lowest since 1989.
- The government is setting Ontario down a path that will restore fiscal health and preserve critical services like health care, education and social services, while supporting business growth and helping hardworking individuals and families make ends meet.



# INTRODUCTION

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Since taking office in June 2018, the government's focus has been on keeping its promises to the people, while putting Ontario back on a path to balance in order to protect healthcare, education and all other critical services that individuals and families cherish and rely upon each and every day.

Over the past several months progress has been made to reduce the provincial deficit from \$15.0 billion to \$13.5 billion. Despite global economic risks and uncertainty, the government continues to make Ontario open for business, and lift the chill on investment left by the fiscal and economic approach of the previous government. As a result, Ontario's real GDP grew by 0.6 per cent in the third quarter of 2018. At the same time, the government is continuing to make services more efficient, eliminate duplication and waste, and maximize the value of government assets to ensure good value for taxpayers.

## **RECAP OF THE *2018 ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW***

Immediately after taking office, the government established an Independent Financial Commission of Inquiry (Commission) with a mandate to look into the previous government's accounting practices and provide a baseline for the Province's fiscal outlook and planning going forward.

The Commission delivered its report on August 30, 2018, and concluded that the government inherited a deficit of \$15.0 billion for 2018–19 from the previous administration.

On November 15, 2018, the government published its first fiscal and economic update with the release of the *2018 Fall Economic Statement*. The fiscal outlook presented in the *2018 Fall Economic Statement* demonstrated the government's immediate actions to drive efficiencies and ensure value for taxpayer dollars spent, resulting in savings of \$3.2 billion, while also providing tax relief of almost \$2.7 billion to families and businesses in Ontario.

The net impact of expenditure management decisions and the tax relief reported in the *2018 Fall Economic Statement* reduced the deficit to \$14.5 billion, or \$0.5 billion less than the inherited deficit reported by the Commission.



## SECTION A: 2018–19 ONTARIO’S FISCAL OUTLOOK

The Province’s 2018–19 deficit is projected to be \$13.5 billion – an improvement of \$1.0 billion from the outlook published in the *2018 Fall Economic Statement*, and a \$1.5 billion improvement from the \$15.0 billion inherited deficit identified by the Independent Financial Commission of Inquiry (Commission). This is largely due to an increase of \$1.0 billion to the revenue outlook, reflecting higher household spending and stronger business profits. The outlook for total expense is \$161.8 billion, mostly unchanged from the *2018 Fall Economic Statement*. The *2019 Budget* will provide a broader update on the government’s efforts to make every dollar count.

New funding being reported in the *2018–19 Third Quarter Finances* is mostly offset by the contingency fund.

The net debt-to-GDP ratio is now projected to be 40.4 per cent in 2018–19, 0.1 percentage points lower than the 40.5 per cent forecast in the *2018 Fall Economic Statement*.

### 2018–19 In-Year Fiscal Performance

| (\$ Millions)                    | 2018–19     |                 |                |
|----------------------------------|-------------|-----------------|----------------|
|                                  | FES Outlook | Current Outlook | In-Year Change |
| Revenue                          | 148,231     | 149,230         | 999            |
| Expense                          |             |                 |                |
| Programs                         | 149,232     | 149,237         | 4              |
| Interest on Debt                 | 12,543      | 12,543          | –              |
| Total Expense                    | 161,775     | 161,779         | 4              |
| Surplus/(Deficit) Before Reserve | (13,544)    | (12,549)        | 995            |
| Reserve                          | 1,000       | 1,000           | –              |
| Surplus/(Deficit)                | (14,544)    | (13,549)        | 995            |

*Note:* Numbers may not add due to rounding.

## REVENUE

The 2018–19 revenue outlook is projected to be \$149.2 billion, or \$1.0 billion higher than forecasted in the *2018 Fall Economic Statement*. The increase is due to higher Harmonized Sales Tax and Corporate Income Tax revenue arising from stronger economic growth and higher amounts from processing 2017 tax returns. This is partially offset by lower Personal Income Tax and Ontario Health Premium revenue due to lower amounts from the processing of 2017 tax returns, and lower Land Transfer Tax revenue reflecting lower-than-expected housing re-sales.

There is a \$1 million decrease in Fees and Licences revenue. Lower fees for Fishing and Hunting Licences reflect the government's decisions not to proceed with incremental fee increases that were scheduled to take effect on January 1, 2019. The government has also cancelled fee increases for vehicle, driver and carrier services that were also scheduled to take effect January 1, 2019.

Transfers from the Government of Canada have increased by approximately \$4 million to provide additional resources for enforcement, disruption and prevention programs related to fighting guns and gangs across the province.

### 2018–19 In-Year Revenue Changes<sup>1</sup>

| (\$ Millions)   | 2018–19    |
|---|------------|
| Harmonized Sales Tax                                      | 1,300      |
| Personal Income Tax                                       | (700)      |
| Corporate Income Tax                                      | 600        |
| Land Transfer Tax   | (300)      |
| Miscellaneous Other Taxes                                 | 120        |
| Ontario Health Premium                                    | (25)       |
| Government of Canada Transfer (Guns and Gangs Initiative) | 4          |
| Fees and Licences   | (1)        |
| <b>Total In-Year Revenue Changes</b>                      | <b>999</b> |

<sup>1</sup> Changes are shown since the *2018 Fall Economic Statement*.

Note: Numbers may not add due to rounding.

The revenue changes outlined above are based on information available at the end of the third quarter. There are both upside and downside risks that could materially affect the 2018–19 revenue outlook over the rest of the fiscal year. These include economic growth performance, the finalization of results from 2017 Personal and Corporate Income Tax returns and risks related to electricity sector revenue. The government will monitor these economic and revenue developments and will provide further details in future fiscal updates.

## EXPENSE

The outlook for total expense in 2018–19 is \$161.8 billion, an increase of approximately \$4 million compared to the *2018 Fall Economic Statement*, due to additional funding to fight guns and gangs.

### 2018–19 In-Year Expense Changes<sup>1</sup>

| (\$ Millions)   | 2018–19      |
|---|--------------|
| <b>In-Year Approvals Offset by Contingency Fund</b>                 |              |
| OSAP funding requirements   | 208          |
| Emergency Firefighting  | 42           |
| <b>Changes to Contingency Fund to Offset In-Year Approvals</b>      | <b>(250)</b> |
| <b>In-Year Approvals Offset by Federal Revenue</b>                  |              |
| Guns and Gangs Initiative (Offset by Government of Canada Transfer) | 4            |
| <b>Interest on Debt Change</b>                                      | <b>–</b>     |
| <b>Net In-Year Expense Changes</b>                                  | <b>4</b>     |

<sup>1</sup> Changes are shown since the *2018 Fall Economic Statement*.

Note: Numbers may not add due to rounding.

Key changes to program expense offset by the contingency fund include:

- \$208 million for the Ontario Student Assistance Program (OSAP), primarily as a result of the number of people receiving financial aid increasing faster than enrolment due to the previous government's unsustainable program design. In January 2019 the government announced it will be refocussing OSAP to ensure it remains sustainable and viable for future generations of students; and
- \$42 million for 2018 emergency forest firefighting.

Other changes to program expense include:

- Approximately \$4 million to provide resources for enforcement, disruption and prevention programs related to fighting guns and gangs across the province.

The Province's interest on debt expense forecast, at \$12.5 billion, is unchanged from the *2018 Fall Economic Statement*.

## FISCAL PRUDENCE

Based on the Commission's recommendation, the *2018 Fall Economic Statement* included a \$1.0 billion reserve in 2018–19 to protect the fiscal outlook against unforeseen adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The current fiscal outlook maintains the reserve at this level.

Contingency funds are also maintained to help mitigate expense risks — for example, in cases where health and safety may be compromised — that may otherwise adversely affect Ontario's fiscal performance.

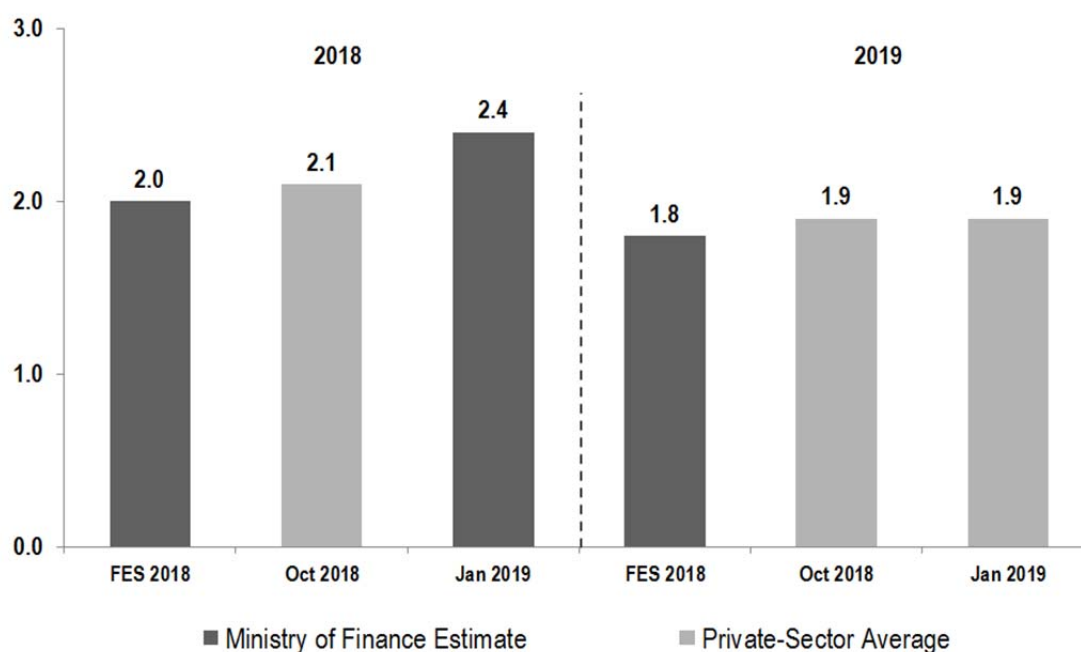


## SECTION B: ONTARIO'S ECONOMIC OUTLOOK

The Ministry of Finance estimates that Ontario's real GDP grew by 2.4 per cent in 2018, above the 2.0 per cent projected in the *2018 Fall Economic Statement*. As of January 23, 2019, private-sector forecasters, on average, expect growth of 1.9 per cent in 2019, unchanged from the time of the *2018 Fall Economic Statement*.

### Ontario Real GDP Growth

Per Cent Change



Sources: Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasts (October 2018 and January 2019).

There are a broad range of risks – both positive and negative – surrounding the Ontario economic outlook. Tax reform in the United States could provide greater than expected support for US growth and Ontario exports. Heightened uncertainty about protectionism and global trade arrangements has contributed to increased volatility in financial markets and weighed against exports and business investment activity. The International Monetary Fund lowered their projection for global growth in 2019 to 3.5 per cent in their January World Economic Outlook Update from 3.7 per cent published in October.

Domestically, high levels of debt have left Ontario households more sensitive to rising interest rates. Higher interest rates will raise debt service burdens which could cause reduced spending while higher Canada Pension Plan contributions and the forthcoming federal Carbon Tax could also have a more adverse impact on economic growth than reflected in current forecasts.



## SECTION C: ONTARIO'S ECONOMIC PERFORMANCE

The Ontario economy has performed well in recent months, with employment advancing steadily over the second half of 2018. In 2018, employment increased by 114,400 net new jobs (+1.6 per cent).

In the third quarter of 2018 (July, August, September), Ontario's real GDP rose by 0.6 per cent. Third quarter growth was supported by continued gains in household spending. Many other key economic indicators posted gains in 2018, including manufacturing sales, retail sales and wholesale trade.

Part-time employment in the province declined by 15,900 jobs in 2018, following the increase of the minimum wage on January 1, 2018. The government has introduced one of the most generous Ontario tax cuts for low-income workers in a generation, the Low-income Individuals and Families Tax (LIFT) credit. Starting with the 2019 tax year, the LIFT credit will benefit about 1.1 million people and result in more low-income workers paying little or no Ontario Personal Income Tax.

### ONTARIO KEY ECONOMIC INDICATORS

(Seasonally adjusted per cent change from previous period, unless indicated otherwise)

|                                      | Monthly 2018 |       |        | Quarterly |        | Annual | Annual            |
|--------------------------------------|--------------|-------|--------|-----------|--------|--------|-------------------|
|                                      | Oct          | Nov   | Dec    | 2018Q3    | 2018Q4 | 2017   | 2018 <sup>1</sup> |
| <b>Gross Domestic Product</b>        |              |       |        |           |        |        |                   |
| Real GDP                             | N/A          | N/A   | N/A    | 0.6       | N/A    | 2.8    | 2.4 <sup>2</sup>  |
| Nominal GDP                          | N/A          | N/A   | N/A    | 1.3       | N/A    | 4.1    | 3.8 <sup>2</sup>  |
| <b>Labour Market</b>                 |              |       |        |           |        |        |                   |
| Employment (Change in 000s)          | 1.1          | 16.9  | 16.1   | 40.8      | 18.4   | 128.4  | 114.4             |
| Unemployment Rate (%)                | 5.6          | 5.6   | 5.4    | 5.7       | 5.5    | 6.0    | 5.6               |
| <b>Other Key Economic Indicators</b> |              |       |        |           |        |        |                   |
| Retail Sales                         | 1.0          | (1.6) | N/A    | 2.3       | N/A    | 7.7    | 4.1               |
| Housing Starts                       | 16.8         | (6.1) | (17.6) | (8.5)     | 18.6   | 5.6    | (0.5)             |
| International Goods Exports          | 4.4          | (0.3) | N/A    | (0.6)     | N/A    | (3.0)  | 1.8               |
| International Goods Imports          | 1.5          | (1.6) | N/A    | 0.4       | N/A    | 4.0    | 2.1               |
| Manufacturing Sales                  | 0.7          | (1.1) | N/A    | 0.7       | N/A    | 1.9    | 3.7               |
| Wholesale Trade                      | 2.1          | (1.4) | N/A    | 0.3       | N/A    | 8.2    | 2.8               |
| Consumer Price Index <sup>3</sup>    | 2.5          | 1.8   | 2.3    | 2.8       | 2.2    | 1.7    | 2.4               |

<sup>1</sup> Retail Sales, Wholesale Trade, Manufacturing Sales and International Trade are expressed on a year-to-date basis.

<sup>2</sup> 2018 GDP growth is a Ministry of Finance estimate.

<sup>3</sup> Per cent change from a year earlier, data not seasonally adjusted.

N/A = Data not yet available

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, and Canadian Real Estate Association.



## SECTION D: DETAILS OF ONTARIO'S FINANCES

### REVENUE

| (\$ Millions)   | 2018-19        |                 |                |
|---|----------------|-----------------|----------------|
|   | FES Outlook    | Current Outlook | In-Year Change |
| <b>Taxation Revenue</b>                                 |                |                 |                |
| Personal Income Tax                                     | 34,946         | 34,246          | (700)          |
| Sales Tax <sup>1</sup>                                  | 26,727         | 28,027          | 1,300          |
| Corporations Tax  | 13,766         | 14,366          | 600            |
| Education Property Tax <sup>2</sup>                     | 6,076          | 6,076           | –              |
| Employer Health Tax                                     | 6,494          | 6,494           | –              |
| Ontario Health Premium                                  | 3,870          | 3,845           | (25)           |
| Gasoline Tax  | 2,699          | 2,699           | –              |
| Land Transfer Tax                                       | 2,710          | 2,410           | (300)          |
| Tobacco Tax   | 1,250          | 1,250           | –              |
| Fuel Tax  | 784            | 784             | –              |
| Beer, Wine and Spirits Taxes                            | 630            | 630             | –              |
| Ontario Portion of the Federal Cannabis Excise Duty     | 17             | 17              | –              |
| Electricity Payments in Lieu of Taxes                   | 369            | 369             | –              |
| Other Taxes   | 563            | 683             | 120            |
|   | <b>100,901</b> | <b>101,897</b>  | <b>996</b>     |
| <b>Government of Canada</b>                             |                |                 |                |
| Canada Health Transfer                                  | 14,934         | 14,934          | –              |
| Canada Social Transfer                                  | 5,486          | 5,486           | –              |
| Equalization  | 963            | 963             | –              |
| Infrastructure Programs                                 | 1,703          | 1,703           | –              |
| Labour Market Programs                                  | 998            | 998             | –              |
| Social Housing Agreement                                | 386            | 386             | –              |
| Other Federal Payments                                  | 1,235          | 1,239           | 4              |
| Direct Transfers to Broader Public-Sector Organizations | 301            | 301             | –              |
|   | <b>26,006</b>  | <b>26,010</b>   | <b>4</b>       |
| <b>Income from Government Business Enterprises</b>      |                |                 |                |
| Ontario Lottery and Gaming Corporation                  | 2,245          | 2,245           | –              |
| Liquor Control Board of Ontario                         | 2,234          | 2,234           | –              |
| Ontario Cannabis Store                                  | (25)           | (25)            | –              |
| Ontario Power Generation Inc./Hydro One Ltd.            | 794            | 794             | –              |
|   | <b>5,248</b>   | <b>5,248</b>    | <b>–</b>       |

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## REVENUE (CONTINUED)

| (\$ Millions)   | 2018-19        |                 |                |
|---|----------------|-----------------|----------------|
|   | FES Outlook    | Current Outlook | In-Year Change |
| <b>Other Non-Tax Revenue</b>  |                |                 |                |
| Reimbursements  | 995            | 995             | –              |
| Vehicle and Driver Registration Fees  | 2,001          | 2,000           | (1)            |
| Electricity Debt Retirement Charge  | –              | –               | –              |
| Power Supply Contract Recoveries  | 183            | 183             | –              |
| Sales and Rentals   | 1,409          | 1,409           | –              |
| Carbon Allowance Proceeds   | 472            | 472             | –              |
| Other Fees and Licences   | 1,006          | 1,005           | (1)            |
| Net Reduction of Power Purchase Contracts                                     | 41             | 41              | –              |
| Royalties   | 295            | 295             | –              |
| Fees, Donations and Other Revenues from Hospitals, School Boards and Colleges | 8,552          | 8,552           | –              |
| Miscellaneous Other Non-Tax Revenue   | 1,122          | 1,122           | –              |
|   | <b>16,076</b>  | <b>16,075</b>   | <b>(1)</b>     |
| <b>Total Revenue</b>  | <b>148,231</b> | <b>149,230</b>  | <b>999</b>     |

<sup>1</sup> Sales Tax revenue is net of the Ontario Sales Tax Credit and the energy component of the Ontario Energy and Property Tax Credit.

<sup>2</sup> Education Property Tax revenue is net of the property tax credit component of the Ontario Energy and Property Tax Credit and the Ontario Senior Homeowners' Property Tax Grant.

*Note:* Numbers may not add due to rounding.

## TOTAL EXPENSE

| (\$ Millions)  | 2018-19     |                 |                |
|--|-------------|-----------------|----------------|
|  | FES Outlook | Current Outlook | In-Year Change |
| Ministry Expense <sup>1</sup>                        |             |                 |                |
| Agriculture, Food and Rural Affairs (Total)          | 1,177.2     | 1,177.2         | –              |
| Attorney General (Total)                             | 1,970.7     | 1,972.3         | 1.6            |
| Board of Internal Economy (Total)                    | 352.3       | 352.3           | –              |
| Children, Community and Social Services (Total)      | 17,008.3    | 17,008.3        | –              |
| Community Safety and Correctional Services (Total)   | 2,906.8     | 2,909.5         | 2.7            |
| Economic Development, Job Creation and Trade (Total) | 1,025.9     | 1,025.9         | –              |
| Education (Base)                                     | 29,012.0    | 29,012.2        | 0.2            |
| Teachers' Pension Plan <sup>2</sup>                  | 1,725.0     | 1,725.0         | –              |
| Education (Total)                                    | 30,737.0    | 30,737.2        | 0.2            |
| Energy, Northern Development and Mines (Total)       | 4,829.7     | 4,829.7         | –              |
| Environment, Conservation and Parks (Total)          | 975.0       | 975.0           | –              |
| Executive Offices (Total)                            | 46.7        | 46.7            | –              |
| Finance (Base)                                       | 945.7       | 945.7           | –              |
| Ontario Municipal Partnership Fund                   | 510.0       | 510.0           | –              |
| Power Supply Contract Costs                          | 182.8       | 182.8           | –              |
| Finance (Total)                                      | 1,638.5     | 1,638.5         | –              |
| Government and Consumer Services (Total)             | 652.9       | 652.9           | –              |
| Health and Long-Term Care (Total)                    | 61,678.2    | 61,678.2        | –              |
| Indigenous Affairs (Total)                           | 95.3        | 95.3            | –              |
| Infrastructure (Base)                                | 112.9       | 112.9           | –              |
| Federal-Provincial Infrastructure Programs           | 603.3       | 603.3           | –              |
| Infrastructure (Total)                               | 716.2       | 716.2           | –              |
| Labour (Total)                                       | 319.3       | 319.3           | –              |
| Municipal Affairs and Housing (Total)                | 1,211.6     | 1,211.6         | –              |
| Natural Resources and Forestry (Base)                | 655.1       | 655.1           | –              |
| Emergency Forest Firefighting                        | 169.8       | 211.8           | 42.0           |
| Natural Resources and Forestry (Total)               | 824.9       | 866.9           | 42.0           |
| Ministry of Francophone Affairs (Total)              | 6.1         | 6.1             | –              |
| Seniors and Accessibility (Total)                    | 65.0        | 65.0            | –              |

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## TOTAL EXPENSE (CONTINUED)

| (\$ Millions)                                | 2018–19          |                              |                        |
|--|------------------|------------------------------|------------------------|
|  | FES Outlook      | Current Outlook              | In-Year Change         |
| <b>Ministry Expense</b>                      |                  |                              |                        |
| Tourism, Culture and Sport (Total)           | 1,450.2          | 1,450.2                      | –                      |
| Training, Colleges and Universities (Total)  | 11,374.2         | 11,582.2                     | 208.0                  |
| Transportation (Base)                        | 4,373.2          | 4,373.2                      | –                      |
| Federal-Provincial Infrastructure Programs   | 887.5            | 887.5                        | –                      |
| <b>Transportation (Total)</b>                | <b>5,260.8</b>   | <b>5,260.8</b>               | <b>–</b>               |
| Treasury Board Secretariat (Base)            | 292.9            | 292.9                        | –                      |
| Employee and Pensioner Benefits <sup>2</sup> | 1,335.0          | 1,335.0                      | –                      |
| Operating Contingency Fund                   | 1,006.6          | 756.6                        | (250.0)                |
| Capital Contingency Fund                     | 275.0            | 275.0                        | –                      |
| <b>Treasury Board Secretariat (Total)</b>    | <b>2,909.5</b>   | <b>2,659.5</b>               | <b>(250.0)</b>         |
| Interest on Debt <sup>3</sup>                | 12,542.8         | 12,542.8                     | –                      |
| Year-End Savings                             | –                | –                            | –                      |
| <b>Total Expense</b>                         | <b>161,775.0</b> | <b>161,779.5<sup>4</sup></b> | <b>4.5<sup>4</sup></b> |

<sup>1</sup> Numbers reflect current ministry structures that were announced on June 29, 2018.

<sup>2</sup> Numbers reflect the pension expense that was calculated based on recommendations of the Independent Financial Commission of Inquiry, as described in Note 19 to the Consolidated Financial Statements in *Public Accounts of Ontario 2017–2018*.

<sup>3</sup> Interest on debt is net of interest capitalized during construction of tangible capital assets of \$456 million in 2018–19.

<sup>4</sup> These numbers round to \$161,779 and \$4 million, respectively.

*Note:* Numbers may not add due to rounding.

## 2018–19 INFRASTRUCTURE EXPENDITURES

| (\$ Millions)                               | 2018–19 Current Outlook                   |  |  |
|---|---|--|--|
|   | Investment in Capital Assets <sup>1</sup> | Transfers and Other Infrastructure Expenditures <sup>2</sup> | Total Infrastructure Expenditures <sup>3</sup> |
| <b>Sector</b>                               |   |  |  |
| <b>Transportation</b>                       |   |  |  |
| Transit                                     | 4,725                                     | 1,364  | 6,088  |
| Provincial Highways                         | 2,697                                     | 275  | 2,972  |
| Other Transportation, Property and Planning | 217                                       | 75   | 292  |
| <b>Health</b>                               |   |  |  |
| Hospitals                                   | 2,559                                     | 66   | 2,625  |
| Other Health                                | 84  | 190  | 273  |
| <b>Education</b>                            | 2,476                                     | 511  | 2,987  |
| <b>Postsecondary</b>                        |   |  |  |
| Colleges and Other                          | 757                                       | 9  | 765  |
| Universities                                | –   | 250  | 250  |
| <b>Social</b>                               | 14  | 361  | 374  |
| <b>Justice</b>                              | 292                                       | 261  | 553  |
| <b>Other Sectors<sup>4</sup></b>            | 816                                       | 1,063  | 1,879  |
| <b>Total Infrastructure Expenditures</b>    | <b>14,637</b>                             | <b>4,422</b>   | <b>19,059</b>                                  |

<sup>1</sup> Includes \$456 million in interest capitalized during construction.

<sup>2</sup> Includes transfers to municipalities, universities and non-consolidated agencies.

<sup>3</sup> Includes third-party investments in hospitals, colleges and schools; and provisional federal contributions to Provincial infrastructure investments.

<sup>4</sup> Includes government administration, natural resources, and culture and tourism sectors.

*Note:* Numbers may not add due to rounding.

## REVIEW OF SELECTED FINANCIAL AND ECONOMIC STATISTICS<sup>1, 2</sup>

| (\$ Millions)                                 | 2014–15         | 2015–16        | 2016–17        | Actual<br>2017–18 | Current Outlook |
|---|-----------------|----------------|----------------|-------------------|-----------------|
| Revenue                                       | 126,152         | 136,148        | 140,734        | 150,594           | 149,230         |
| Expense                                       |                 |                |                |                   |                 |
| Programs                                      | 126,199         | 129,905        | 131,460        | 142,363           | 149,237         |
| Interest on Debt <sup>3</sup>                 | 11,221          | 11,589         | 11,709         | 11,903            | 12,543          |
| <b>Total Expense</b>                          | <b>137,420</b>  | <b>141,494</b> | <b>143,169</b> | <b>154,266</b>    | <b>161,779</b>  |
| Reserve <sup>4</sup>                          | –               | –              | –              | –                 | 1,000           |
| <b>Surplus/(Deficit)</b>                      | <b>(11,268)</b> | <b>(5,346)</b> | <b>(2,435)</b> | <b>(3,672)</b>    | <b>(13,549)</b> |
| Net Debt                                      | 294,557         | 306,357        | 314,077        | 323,834           | 346,060         |
| Accumulated Deficit                           | 196,665         | 203,014        | 205,939        | 209,023           | 222,572         |
| Gross Domestic Product (GDP) at Market Prices | 726,053         | 759,440        | 792,932        | 825,805           | 857,557         |
| Primary Household Income                      | 489,436         | 511,577        | 519,413        | 544,062           | 567,914         |
| Population — July (000s)                      | 13,618          | 13,707         | 13,875         | 14,071            | 14,323          |
| Net Debt per Capita (dollars)                 | 21,631          | 22,350         | 22,636         | 23,014            | 24,162          |
| Household Income per Capita (dollars)         | 35,942          | 37,322         | 37,434         | 38,664            | 39,651          |
| Interest on Debt as a Per Cent of Revenue     | 8.9%            | 8.5%           | 8.3%           | 7.9%              | 8.4%            |
| Net Debt as a Per Cent of GDP                 | 40.6%           | 40.3%          | 39.6%          | 39.2%             | 40.4%           |
| Accumulated Deficit as a Per Cent of GDP      | 27.1%           | 26.7%          | 26.0%          | 25.3%             | 26.0%           |

<sup>1</sup> Amounts reflect a change in pension expense that was calculated based on recommendations by the Independent Financial Commission of Inquiry, as described in Note 19 to the Consolidated Financial Statements, in *Public Accounts of Ontario 2017–2018*. Amounts for net debt and accumulated deficit also reflect this change.

<sup>2</sup> Revenues and expenses have been restated to reflect the following fiscally neutral changes: i) revised presentation of education property taxes to be included in the taxation revenues; ii) reclassification of certain Government Business Enterprises to other government organizations; iii) reclassification of a number of tax measures that provide a financial benefit through the tax system to be reported as expenses; and iv) change in presentation of third-party revenue for hospitals, school boards and colleges to be reported as revenue.

<sup>3</sup> Interest on debt is net of interest capitalized during construction of tangible capital assets of \$202 million in 2014–15, \$165 million in 2015–16, \$159 million in 2016–17, \$157 million in 2017–18 and \$456 million in 2018–19.

<sup>4</sup> The reserve is a forecasting provision to protect the fiscal outlook against unforeseen adverse changes in the province's revenues and expense. Once the fiscal year is complete, any unused portion of the reserve is no longer needed and is drawn down, therefore it only appears in the current year.

*Note:* Numbers may not add due to rounding.

*Sources:* Ontario Ministry of Finance and Statistics Canada.

## SECTION E: ONTARIO'S 2018–19 BORROWING PROGRAM

The Province's total funding requirement in 2018–19 is forecast to be \$1.0 billion lower than anticipated in the *2018 Fall Economic Statement*, reflecting the improvement in the projected deficit. As of February 5, 2019, the Province had borrowed \$3.3 billion more than was required to complete the 2018–19 borrowing program. The Province will use this \$3.3 billion, and all long-term borrowing issued between now and March 31, 2019, to continue to increase its cash reserves, thereby lowering next year's borrowing requirements. As committed in the *2018 Fall Economic Statement*, the Province issued its fifth Green Bond, for \$950 million in January 2019.

### ONTARIO'S 2018–19 BORROWING PROGRAM

| (\$ Billions)                                    | 2018–19     |                 |                |
|--|-------------|-----------------|----------------|
|  | FES Outlook | Current Outlook | In-Year Change |
| Deficit/(Surplus)                                | 14.5        | 13.5            | (1.0)          |
| Investment in Capital Assets                     | 12.8        | 12.8            | –              |
| Non-Cash Adjustments                             | (7.4)       | (7.4)           | –              |
| Loans to Infrastructure Ontario                  | 0.4         | 0.4             | –              |
| Other Net Loans/Investments                      | (0.0)       | (0.0)           | –              |
| Debt Maturities                                  | 21.8        | 21.8            | –              |
| Debt Redemptions                                 | 0.1         | 0.1             | –              |
| <b>Total Funding Requirement</b>                 | <b>42.1</b> | <b>41.1</b>     | <b>(1.0)</b>   |
| Canada Pension Plan Borrowing                    | (0.0)       | (0.0)           | –              |
| Decrease/(Increase) in Short-Term Borrowing      | –           | –               | –              |
| Increase/(Decrease) in Cash and Cash Equivalents | 3.5         | 6.8             | 3.3            |
| Pre-Borrowing from 2017–18                       | (12.4)      | (12.4)          | –              |
| <b>Total Long-Term Public Borrowing</b>          | <b>33.2</b> | <b>35.5</b>     | <b>2.3</b>     |

*Note:* Numbers may not add due to rounding.

Going back to the beginning of fiscal 2010–11, Ontario has issued \$78.8 billion of bonds longer than 30 years to lock in low interest rates. As a result, the weighted-average term to maturity of long-term Provincial debt issued has been extended significantly, from 9.7 years in 2009–10 to 10.8 years for 2018–19 as of December 31, 2018.

Long-term public borrowing completed as of February 5, 2019 totaled \$35.5 billion. Approximately 75 per cent of this year's borrowing has been completed in Canadian dollars, with the remainder issued in U.S. dollars, euros and Australian dollars.

|                         | (\$ Billions) |
|-------------------------|---------------|
| Canadian Dollar Issues  | 26.5          |
| Foreign Currency Issues | 9.0           |
| <b>Total</b>            | <b>35.5</b>   |

Ministry of Finance

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