BACK TO BALANCE BUT NOT PRUDENCE: Newmarket Chamber of Commerce

Chamber challenges government to clarify where business growth will come from

NEWMARKET, April 27, 2017: The Newmarket Chamber of Commerce and the Ontario Chamber of Commerce expressed concern that the Provincial Government's Budget 2017 contained no clear path for long-term fiscal prudence but commended the government for Ontario's first balanced budget since the global recession. While there is no deficit over the planning period, there is also no plan for surplus. Given that, downward payment on the debt will be pushed beyond the medium-term. This will place tremendous fiscal burden on future generations and considerable pressure on future economic planning.

"*Budget 2017* demonstrates that much of Ontario's fiscal outlook will depend on the prosperity of our private sector," said Richard Koroscil, Interim President & CEO, Ontario Chamber of Commerce. "The government acknowledged that business investment spending slowed in 2016, though expects firms to increase investment by 3.1 percent, annually, to 2020 – an amount that would outpace growth in real GDP growth and household spending. These assumptions depend upon business confidence – which has fallen precipitously in recent years according to the Ontario Economic Report – and U.S. demand, which is subject to considerable risk given recent comments by American President Donald Trump."

Ontario's revenues rely on the level and pace of economic activity of the province, but *Budget 2017* offers limited vision for how to ensure that private-sector economic growth will continue to rise. Promised Corporate Income Tax rate relief, which the government paused following the economic downturn, were not reinstated. In the 2009 budget, the province pledged to reduce the Corporate Income Tax (CIT) rate to 10 percent by 2013. Within ten years it was estimated that the value of this CIT reduction would see Ontario benefit by increased capital investment of $47 billion, increased annual incomes of $29.4 billion and an estimated 591,000 net new jobs. However, the CIT reduction promise was halted in 2012 in light of the province's deteriorating fiscal situation, and so the CIT rate remained at 11.5 percent.

One bright spot in *Budget 2017* were details provided around the clear commitment by Ontario's private sector to providing job growth for the province. The budget suggests that 98 percent of all new jobs since the recession in Ontario have been full time, and 78 percent in above-average wage industries. This positive economic activity by Ontario's private sector demonstrates a clear commitment to good, quality jobs throughout our province.

"Budget 2017 clearly stated that job growth in the province was largely driven by the private sector. It's important for the province to understand that this growth is only sustainable when businesses are able to remain competitive," said Debra Scott, President and CEO of the Newmarket Chamber of Commerce. "The upcoming report on the Changing Workplaces Review will contain recommendations that would remove that competitive edge for businesses so it's important that government listen to its own budget document when considering the Changing Workplaces Review."

KEY POINTS FOR ONTARIO'S BUSINESS COMMUNITY:

- Ontario will **not return to planned Corporate Income Tax cuts**, jeopardizing tens of billions of dollars in potential capital investment and hundreds of thousands of news jobs.
- While there is no deficit over the planning period, there is also no plan for surplus. Ontario's **debt will rise by 21 per cent in the next three years as a result of interest charges**, with no plans to begin debt repayment.
- **98% of all new jobs since the recession in Ontario have been full time**, and 78% in above-average wage industries. This positive economic activity by Ontario's private sector demonstrates a clear commitment to good jobs throughout our province and challenges many recent comments about precarious work and the need for the Changing Workplaces Review.
- **Private sector investment** is predicted to grow by 3.1 per cent, annually, to 2020, an amount that would **outpace growth in real GDP growth and household spending.**

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For more information, please contact:

Abdus Samad
Manager of Government Relations and Policy
Newmarket Chamber of Commerce
abdus@newmarketchamber.ca
905-898-5900 ext: 222