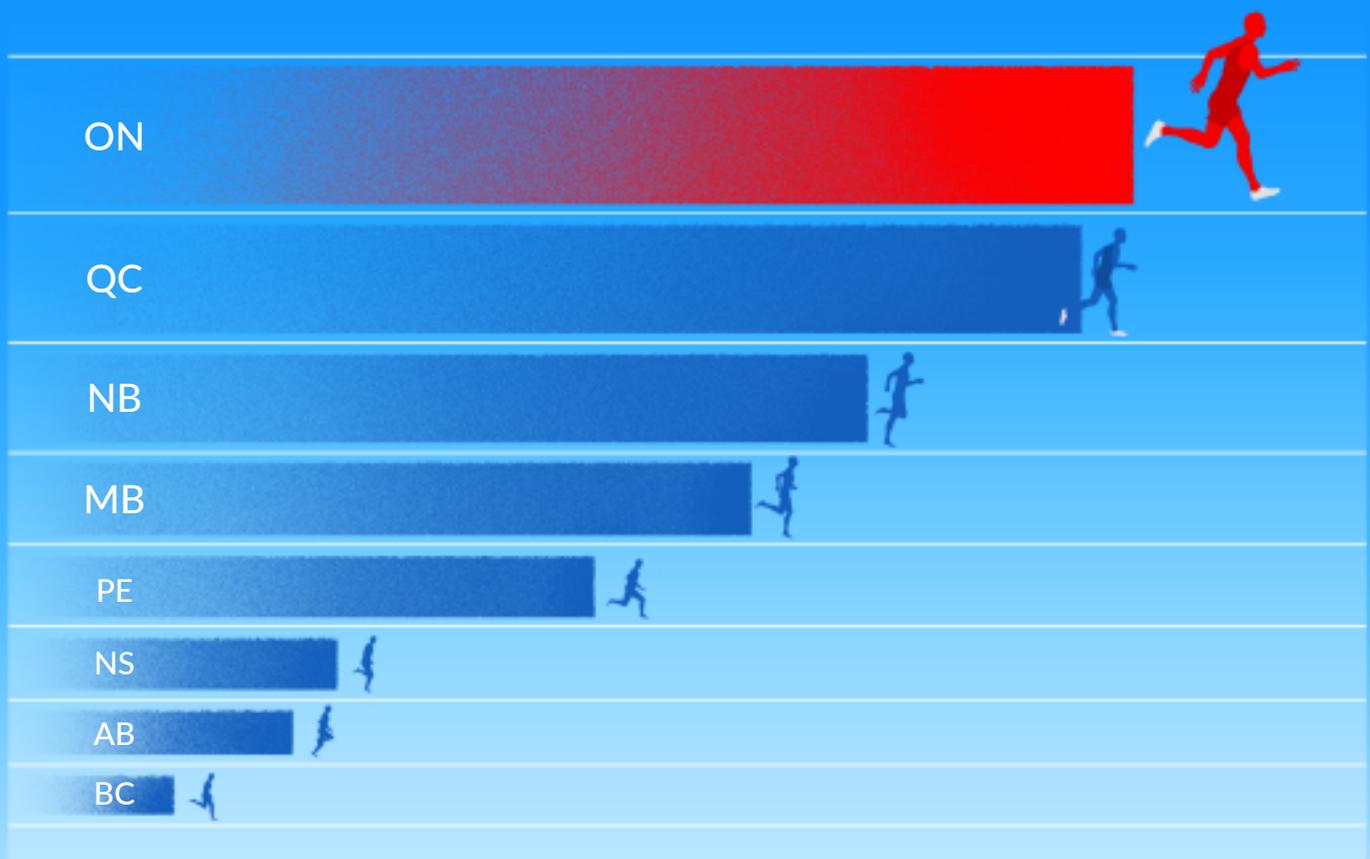


DEBT ACCUMULATION IN ONTARIO COMPARED TO OTHER PROVINCES

Ben Eisen, Charles Lammam, and Milagros Palacios



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Contents

Executive summary / i

Introduction / 1

Ontario in 2003/04: Middle of the Canadian Pack on Government Debt / 3

Ontario Racks Up Debt in a Hurry—Faster Than Any Other Province / 5

Ontario Compared to Other Provinces Today—Canada’s Second Most
Indebted Province / 11

Conclusions / 160

References / 17

About the authors / 21

Acknowledgments / 22

Publishing information / 23

Supporting the Fraser Institute / 24

Purpose, funding, and independence / 24

About the Fraser Institute / 25

Editorial Advisory Board / 26

Executive summary

A recent Fraser Institute study showed that Ontario's provincial government has accumulated debt rapidly in recent years. In fact, Ontario has acquired more than half of its nearly \$300 billion net debt (a measure that adjusts for financial assets) since 2003/04.¹

This report builds on that analysis by comparing Ontario's debt accumulation relative to the other Canadian provinces over the same period. Although several Canadian provinces have experienced mounting fiscal pressure and rising debt levels since 2003/04, none have accumulated new debt at a rate comparable to Ontario.

Ontario has run, on average and after accounting for population differences, substantially larger budget deficits than any other province during this period and, partly as a result, Ontario's net debt has expanded at a much faster pace.

In 2003/04, the baseline year for our analysis, Ontario's debt burden (27.2 percent of GDP) was substantial, but ranked in the bottom half among the provinces. In fact, Ontario was the seventh most indebted province relative to GDP in 2003/04. Of the nine provinces in a net debt position, only Saskatchewan and British Columbia maintained lower debt burdens than Ontario that year.

However, in 2003/04, Ontario ran a budget deficit of \$5.5 billion, and the province began to acquire significant additional net debt.

Between 2003/04 and 2015/16, Ontario's debt level increased by more than any other province. Over this time, Ontario's net debt rose by \$10,292 per person, the largest per capita increase in Canada. Quebec experienced the second largest increase; in that province net debt per person increased by \$9,807.² New Brunswick had the third largest increase at \$7,802 per capita.

¹ The data for this report were collected prior to the publication of the 2016 Ontario budget, released on February 25, which very slightly revised the provincial government's debt projections for 2015/16 and subsequent years. For example, the government revised its projection for Ontario's net debt in 2015/16 downwards by 0.74 percent from \$298.3 billion to \$296.1 billion. These minor changes do not substantially affect the results of our study.

² Exercise caution in interpreting the differences in debt accumulation between

An examination of increases in net debt relative to the size of the provincial economies tells the same story. Ontario's net debt increased by 12.6 percentage points (the largest increase of any province) and now stands at 39.9 percent. Quebec and New Brunswick increased their debt burdens relative to GDP by 11.8 and 8.9 percentage points, respectively. Alberta, Manitoba, and Prince Edward Island saw much smaller deteriorations in their financial positions measured in this way, while British Columbia, Nova Scotia, Saskatchewan, and Newfoundland & Labrador saw their economies grow faster than the increase in net debt.

During this period, Ontario's net debt-to-GDP ratio grew from 27.3 percent to 39.9 percent. This represents a 46.4 percent increase in the province's net debt-to-GDP ratio, by far the largest increase in Canada since 2003/04.

As a result of Ontario's singularly rapid rate of debt accumulation, Ontario went from being the seventh most indebted province in terms of net debt relative to GDP in 2003/04, to being the second most indebted province using this metric in 2015/16.

As Ontario's debt burden has increased faster than other provinces, its share of all provincial debt in Canada has grown. In 2003/04, Ontario held 45.1 percent of provincial net debt in Canada. In 2015/16, that share had climbed to 50.3 percent.

Today, only Quebec currently carries a larger debt burden measured as a percentage of its provincial economy. While Quebec's debt burden is larger than Ontario's (measured both against its provincial economy and population), the gaps are closing. Net debt relative to GDP in the two provinces continues to converge, and Ontario's per person net debt is quickly approaching Quebec's level. In fact, according to government projections, Ontario's per-person debt level will surpass Quebec's by 2017/18. Government projections suggest that it will take longer for Ontario to catch up to Quebec in terms of net debt as a share of GDP, but according to that metric as well, the gap between the two provinces is shrinking.

Quebec and other provinces over this whole period. Accounting changes in 2006/07 and 2009/10 cause Quebec's rate of increase to appear higher than would be the case if identical accounting standards were used across the period.

Introduction

For much of its history, Ontario has been Canada's economic engine. Its slip to economic laggard has been driven by several factors. Among them is a marked deterioration of the province's public finances (Cross, 2015). Back in 2003/04, Ontario's debt burden, while substantial, was ranked seventh among the provinces. Since then, Ontario has accumulated new debt at a faster rate than any other province and, today, by any measure, Ontario stands as one of the most indebted provinces in the country. As Bob Dylan's old song goes, "the times they are a-changing."

A recently published Fraser Institute study highlighted the rapid pace of debt accumulation in recent years by the Ontario government (Eisen et al., 2016). In fact, Ontario has acquired more than half of its \$300 billion net debt since 2003/04. Furthermore, the report showed that rapid spending growth was the primary cause of the run-up in debt—not weak revenue growth resulting from global economic forces as some defenders of Ontario's recent fiscal record suggest.

This analysis bolstered the findings of a previous study showing that a number of American "rust belt" manufacturing states were hit even harder than Ontario by the 2008/09 recession, but none have gone on to accumulate public debt on anything resembling the scale of Ontario (Murphy et al., 2015). The implication of the research is that policy choices and, specifically, spending growth are the primary cause of Ontario's chronic deficits and debt accumulation, not global economic forces outside of the influence of Ontario policymakers.

The rapid run-up in government debt in Ontario has created significant costs for taxpayers. For example, approximately nine cents out of every dollar collected by the provincial government in revenue was spent on interest payments servicing the province's nearly \$300 billion debt (Lammam et al., 2016).

This report builds on previous analyses by comparing Ontario's debt accumulation to the other Canadian provinces. It begins by discussing Ontario's fiscal position in 2003/04 compared to that of other Canadian provinces. The 2003/04 year is significant because it is when Ontario's net debt burden began to significantly increase again, after a period of decline just

after turn of the century and following a very small increase in 2002/03. The report then compares Ontario's deficit and debt performance to that of all other Canadian provinces between 2003/04 and 2015/16, using a variety of metrics including the average budget balance (adjusted for population), growth in net debt per person, and growth in net debt as a share of GDP. Next, it examines the state of Ontario's indebtedness compared to other Canadian provinces today, showing how the current state of affairs differs from the situation in 2003/04. Finally, it considers the trajectory of Ontario's debt level and its likely continued expansion in coming years, comparing this trajectory with that of Quebec, which today remains the only province with a larger debt burden as a share of GDP than Ontario.

Ontario in 2003/04: Middle of the Canadian Pack on Government Debt

During the early years of the 2000s, Ontario's financial position was beginning to improve. A series of significant policy actions during the mid and late 1990s reduced and reformed provincial spending, and eliminated the large budget deficits that the province ran in the early years of the 1990s. Net debt as a share of GDP had been falling for several years,³ and the actual debt in nominal dollars had actually begun to decline slightly between 1999/00 and 2002/03 (Di Matteo, 2015).

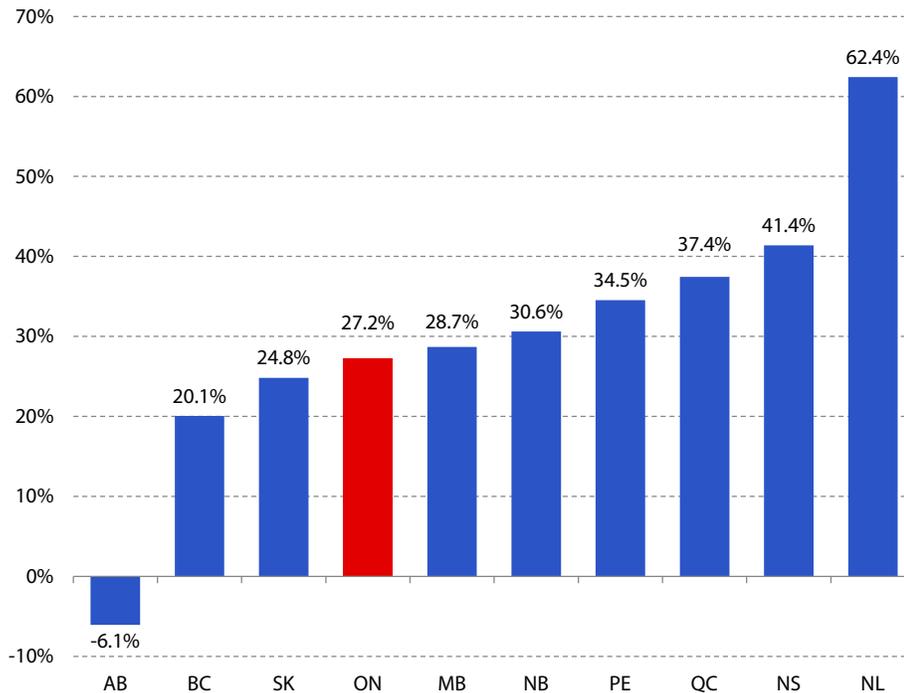
In 2003/04, however, Ontario ran a \$5.5 billion budget deficit, and provincial net debt once again began to climb. The 2003/04 deficit kicked off a period of rapid debt expansion in Ontario, as the province would run operating deficits in 10 of the next 13 years, more than doubling its level of net debt (a measure that adjusts for financial assets), which would climb from \$139 billion to an expected \$298 billion over this time.

Before comparing the rate of debt accumulation in Ontario to the other Canadian provinces, it is important to briefly compare the debt burdens of the provinces as they existed in our baseline year of 2003/04.

Figure 1 compares the net debt burden as a share of gross domestic product (GDP) that each Canadian province faced in 2003/04. Net debt as a share of GDP is a measure of the debt burden compared to the capacity of the underlying economy to service and pay down that debt. In 2003/04, all provinces except for Alberta were in a net debt position—in other words, the value of government liabilities exceeded financial assets. However, the size of the debt burden varied considerably by province. Newfoundland & Labrador was the most indebted province; its net debt represented 62.4 percent of GDP. In Quebec and all of the Maritime provinces, net debt exceeded 30 percent of GDP.

³ In 1999/00, the book value of Ontario's provincial government net debt increased by approximately 15 percent due to an accounting change, which saw the government add hydro debt to its own debt totals. Aside from the increase in that year, debt as a share of GDP decreased consistently during the late 1990s, and began to fall in nominal terms in the early 2000s.

Figure 1: Net Debt as a Share of GDP by Province, 2003/04



Sources: Provincial Public Accounts (various years); Statistics Canada (2015a); calculations by authors.

At 27.2 percent of GDP, Ontario’s debt burden was substantial but in the bottom half among the provinces. In fact, Ontario was the seventh most indebted province relative to GDP in 2003/04. Of the nine provinces in a net debt position, only Saskatchewan and British Columbia had lower debt burdens than Ontario.

Ontario Racks Up Debt in a Hurry— Faster Than Any Other Province

In 2003/04, Ontario's debt burden relative to the economy was in the middle of the pack by Canadian provincial standards. However, in 2003/04, Ontario ran a budget deficit of \$5.5 billion, and the province once again began to acquire significant additional net debt. In fact, during the period from 2003/04 to 2015/16,⁴ Ontario has racked up debt at a rate much faster than any other province.

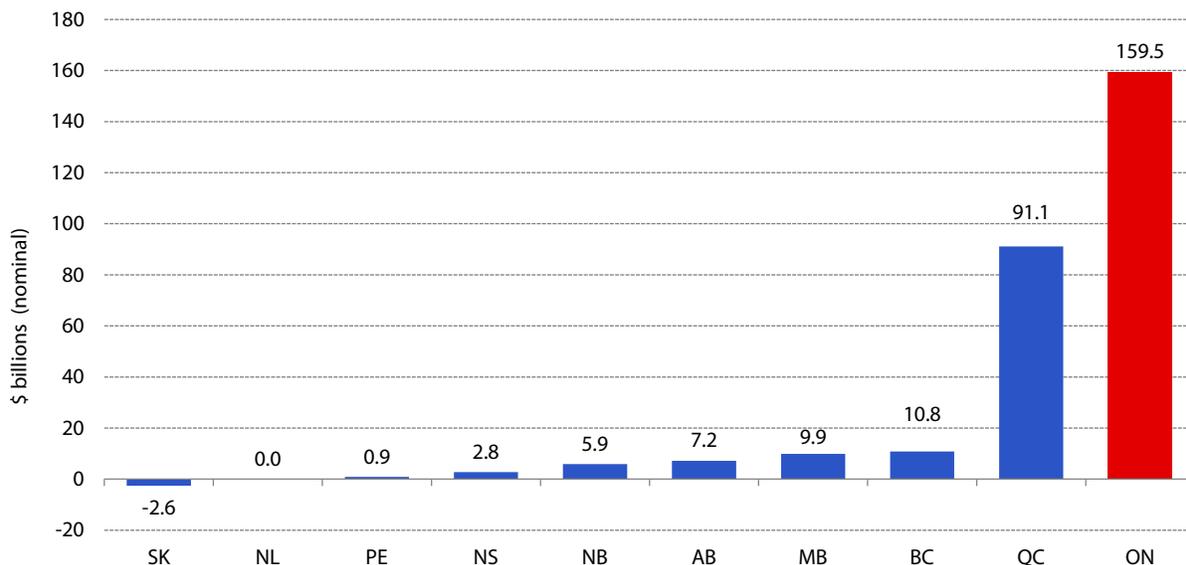
Figure 2 compares the amount of debt accumulated by each province over the course of this period. All provinces except for Saskatchewan increased their level of net debt (in nominal dollars). Unsurprisingly, Ontario (by far the largest province in terms of population and economic output) accumulated the most debt. In total, Ontario added \$160 billion in new net debt during this period.

While it is unsurprising that Ontario accumulated more debt than any other province, figure 2 highlights the degree to which Ontario's rate of debt accumulation was unusual compared to other provinces. Consider that the increase in net debt for all the other provinces combined—\$126 billion—is substantially less than the increase in Ontario. In other words, Ontario was responsible for 56 percent of provincial net debt accumulation over the period while accounting for about 40 percent of Canada's population and economic output.

As a result of Ontario accumulating debt at a faster pace than the rest of the provinces, Ontario's share of provincial net debt increased significantly over this period (see figure 3). In 2003/04, Ontario held 45.1 percent of provincial net debt in Canada. In 2015/16, that share had climbed

⁴ For 2015/16, we use budget forecasts from each province or the most recent available fiscal/economic update. For previous years, this report relies on public accounts reporting from each province because they are the only available data source covering the entire period under analysis. Although the accounting conventions used to report financial information by each province can differ, the accounting methods for calculating net debt and annual budget deficits are sufficiently similar to draw meaningful comparisons.

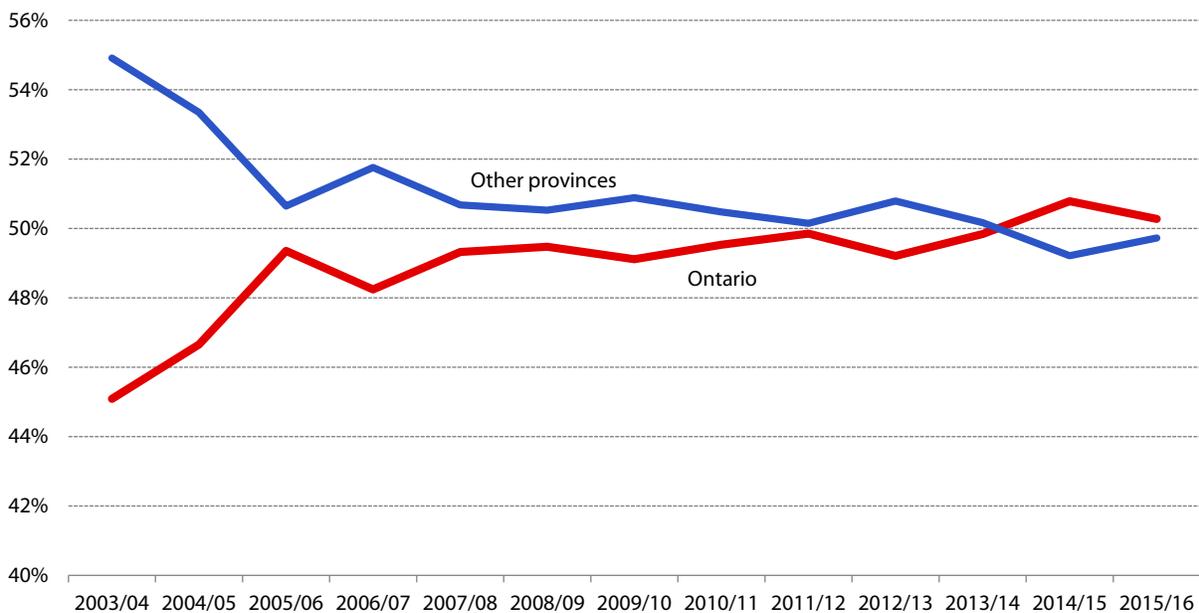
Figure 2: Net Debt Accumulated from 2003/04 to 2015/16 by Province (billions of \$)



Note: Accounting changes in 2006/07 and 2009/10 cause the rate of increase in Quebec to appear higher than would be the case if identical accounting standards were used across the period.

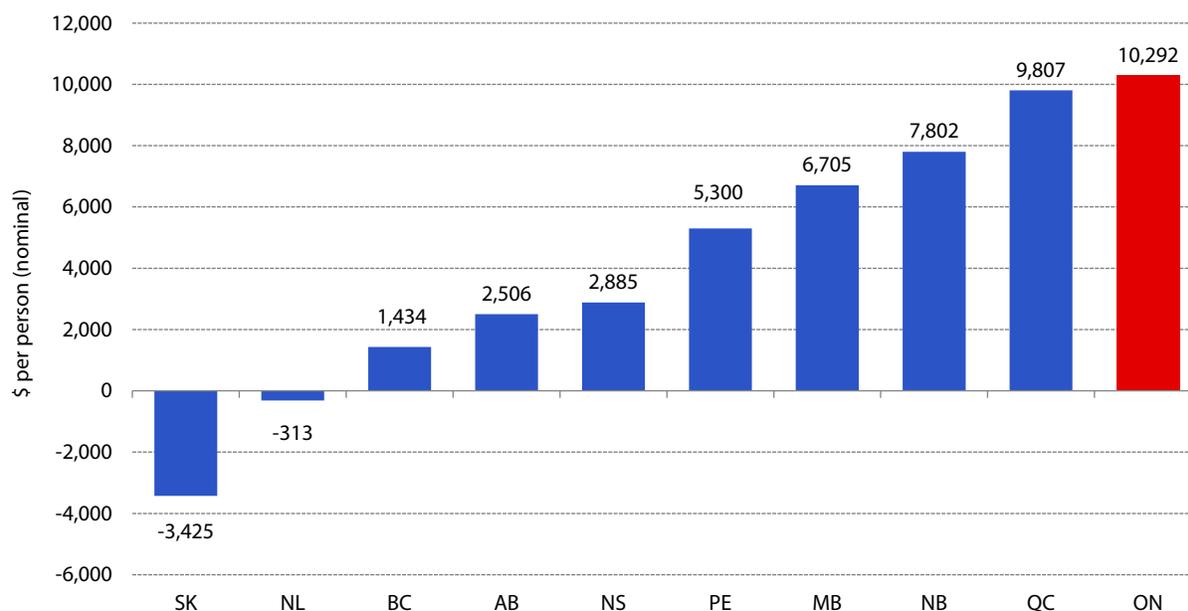
Sources: Provincial Public Accounts (various years); 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates.

Figure 3: Share of Total Provincial Debt, 2003/04-2015/16



Sources: Provincial Public Accounts (various years); 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates.

Figure 4: Net Debt Accumulated Per Person from 2003/04 to 2015/16 by Province (dollars)



Note: Accounting changes in 2006/07 and 2009/10 cause the rate of increase in Quebec to appear higher than would be the case if identical accounting standards were used across the period.

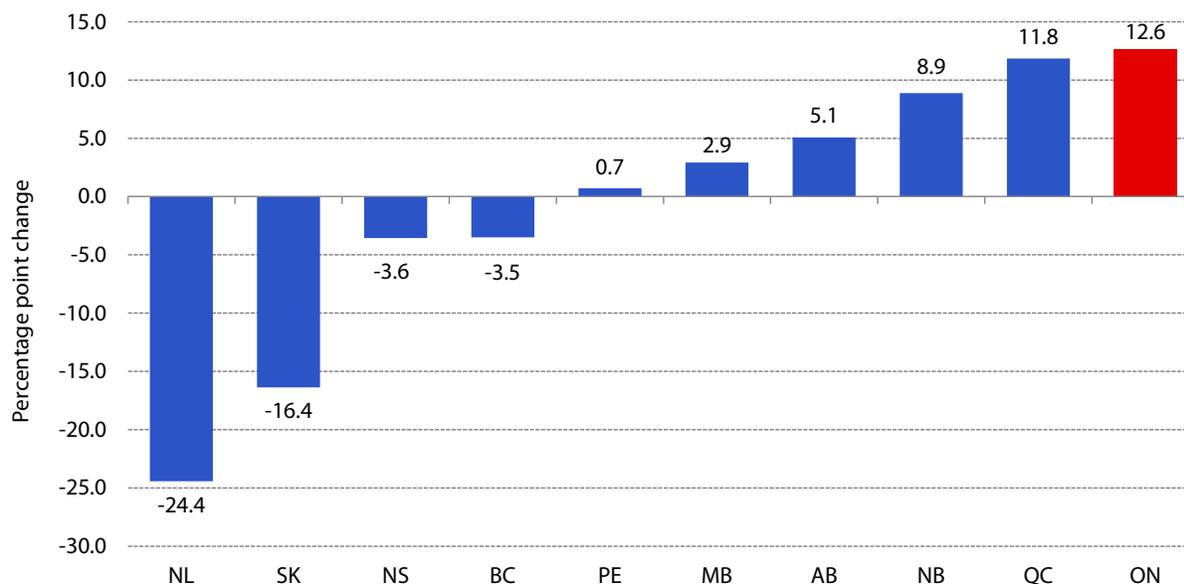
Sources: Provincial Public Accounts (various years); 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates; Statistics Canada (2015b); calculations by authors.

to 50.3 percent. As a result of the debt accumulation documented in this paper, Ontario now holds more net debt than all of the other Canadian provinces combined.

Further evidence that Ontario's pace of debt accumulation during this period has been anomalous by Canadian standards can be found in figure 4, which examines net debt accumulation per person in the 10 provinces.⁵ Even after accounting for differences in population between the provinces, Ontario remains the Canadian "leader" in terms of debt accumulation since 2003/04. Over the period, Ontario has acquired \$10,292 in new net debt per person. Quebec has the second highest debt accumulation at \$9,807 per person. New Brunswick comes third at \$7,802 in new net debt per person. Across Canada (excluding Ontario), the provinces as a whole acquired \$4,686 in new net debt per person—less than half as much as Ontario.

⁵ In the case of Alberta, this is technically the decline in net financial assets, as the province is not currently in a position of net debt. The figure shown here in Alberta represents the deterioration in that province's net financial asset position.

Figure 5: Change in Net Debt as a Share of GDP from 2003/04 to 2015/16 by Province (in Percentage Points)



Note: Accounting changes in 2006/07 and 2009/10 cause the rate of increase in Quebec to appear higher than would be the case if identical accounting standards were used across the period.

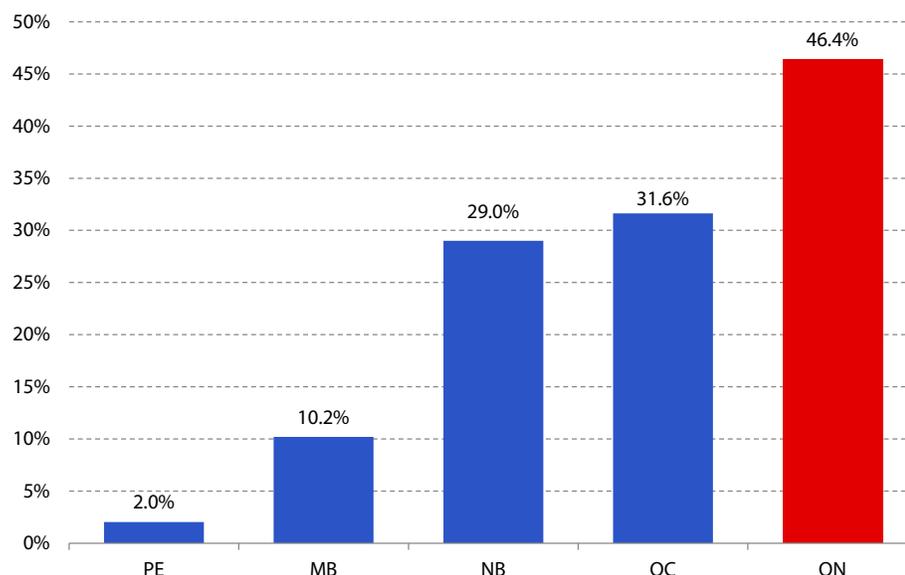
Note: Provincial GDP figures for 2015 are estimated using forecasts from private forecasters (TD Economics, 2015 and RBC Economics, 2015).

Sources: Provincial Public Accounts (various years); 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates; Statistics Canada (2015a); TD Economics (2015); RBC Economics (2015); calculations by authors.

While many provinces have acquired new debt since 2003/04, Ontario is clearly not merely reflecting a broad national trend, but rather, is acquiring new net debt at a faster rate than any other province, and at a much faster rate than the rest of the country's provincial governments collectively. Further evidence of this fact can be seen by considering the rate of growth of net debt in each province relative to provincial gross domestic product (GDP). Figure 5 shows the change in each province's net debt as a share of GDP, between 2003/04 and 2015/16, measured in percentage points. For Ontario, where net debt has gone from 27.2 to 39.9 percent of GDP, that equates to an increase of 12.6 percentage points.

Figure 5 shows that between 2003/04 and 2015/16, Ontario's debt burden as a share of GDP increased by more than any other province. Ontario's net debt increased by 12.6 percentage points. Quebec and New Brunswick increased their debt burdens relative to GDP by 11.8 and 8.9 percentage points, respectively. Alberta, Manitoba, and Prince Edward

Figure 6: Change in Net Debt as a Share of GDP from 2003/04 to 2015/16 by Province (in Percent)



Note: Accounting changes in 2006/07 and 2009/10 cause the rate of increase in Quebec to appear higher than would be the case if identical accounting standards were used across the period.

Note: Provincial GDP figures for 2015 are estimated using forecasts from private forecasters (TD Economics, 2015 and RBC Economics, 2015).

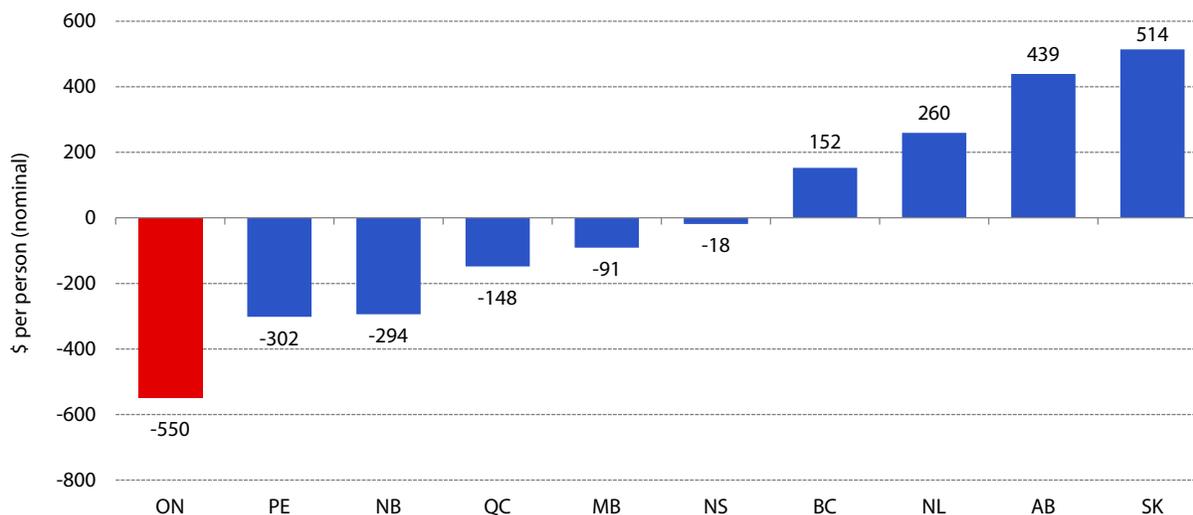
Sources: Provincial Public Accounts (various years); 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates; Statistics Canada (2015a); TD Economics (2015); RBC Economics (2015); calculations by authors.

Island saw much smaller deteriorations in their financial positions measured in this way, while British Columbia, Nova Scotia, Saskatchewan, and Newfoundland & Labrador actually saw their economies grow faster than the increase in debt during this time frame.

Figure 6 presents similar information in a different way, by showing the percent increase in net debt as a share of GDP for the five provinces that experienced an increase in their debt-to-GDP ratio since 2003/04. Ontario's net debt-to-GDP ratio increased by 46.4 percent—by far the largest increase among the provinces. Prince Edward Island and Manitoba saw their debt-to-GDP ratios increase by 2.0 and 10.2 percent, respectively. Meanwhile, New Brunswick and Quebec had much larger increases of 29.0 and 31.6 percent, respectively still far less than Ontario's increase.

Regardless of the metric chosen, Ontario has seen net debt rise since 2003/04 at a faster rate than that of any other Canadian province. A key contributing factor is that Ontario's government is spending substantially

Figure 7: Average Budget Balance Per Capita from 2003/04 to 2015/16 by Province



Sources: Provincial Public Accounts (various years); 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates; Statistics Canada (2015b); calculations by authors.

more money on day-to-day operations than it takes in. Some of Ontario's debt accumulation has been the result of capital expenditures, but a recent study finds that large annual budget deficits resulting from spending above revenues on current expenditures rather than capital investments are responsible for approximately two thirds of Ontario's debt accumulation since 2008/09 (Wen, 2015).

In fact, Ontario's average budget balance has been a substantially larger deficit than the average deficit in any other province in Canada. Figure 7 compares the average budget balance in each province from 2003/04 to 2015/16. The budget balances are presented in per-capita terms to facilitate comparisons between the provinces despite their different population sizes.

Figure 7 shows that while the average budget balance since 2003/04 has been negative in six of the 10 Canadian provinces, the average per-capita budget deficit in Ontario has been substantially larger than in any other province. In fact, the average annual per-person budget deficit in Ontario has been nearly twice as large as in any other province. In that province, the average budget balance since 2003/04 has been a deficit of \$550 per person. The next largest annual average budget deficit is in Prince Edward Island, at \$302 per person, followed by New Brunswick (\$294 per person) and Quebec (\$148 per person). The average annual budget deficits in Manitoba and Nova Scotia were substantially smaller, while the average budget balance per-capita was a surplus in Saskatchewan, Alberta, Newfoundland & Labrador, and British Columbia.

Ontario Compared to Other Provinces Today—Canada’s Second Most Indebted Province

In 2003/04, when the province resumed increasing its net debt after a brief period of decline, Ontario was the seventh most indebted province in terms of net debt as a share of GDP. Since then, Ontario has run large budget deficits and accumulated new debt at a significantly faster rate than any other Canadian province. Here, we examine where Ontario stands today in terms of its debt burden compared to other the provinces, noting the change in the province’s relative position since 2003/04.

Figure 8 displays the projected net financial position (financial assets minus government liabilities) of each province as a share of GDP in 2015/16. As was the case in 2003/04, nine out of the 10 provinces (all except Alberta) were in a net debt position.⁶ The relative position of the nine indebted provinces, however, has not been static. Of particular importance, Ontario has gone from being the seventh most indebted province in 2003/04 to being the second most indebted province relative to provincial gross domestic product. Since 2003/04, Ontario’s net debt-to-GDP ratio has climbed past that of Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland & Labrador. The only Canadian province that has a higher net debt-to-GDP ratio than Ontario is Quebec, but the gap between those two provinces is closing.

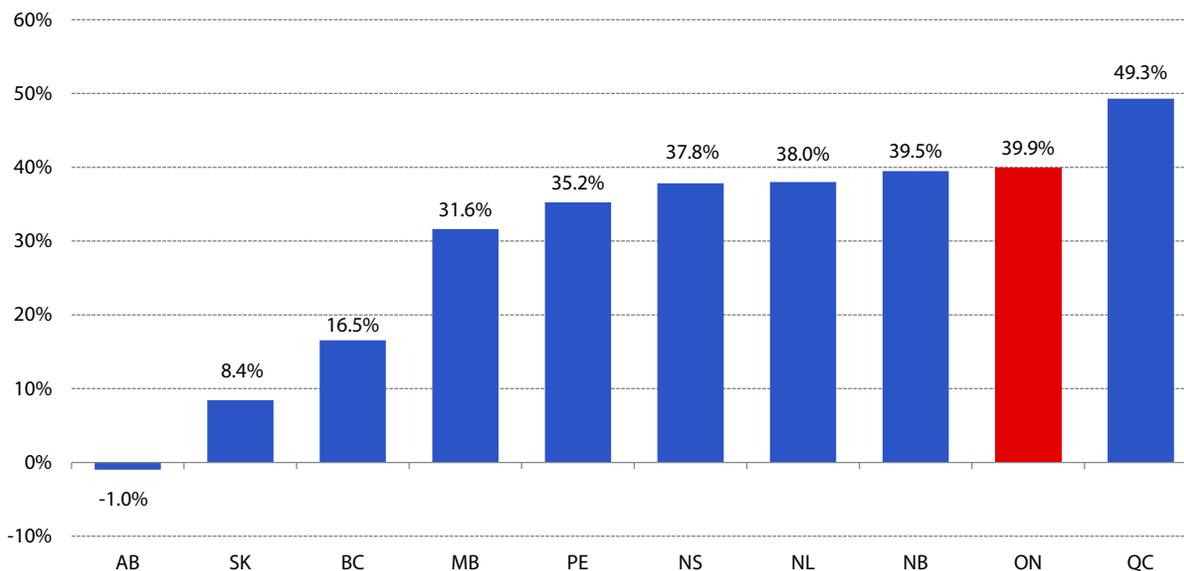
Ontario’s indebtedness may soon surpass Quebec’s

Quebec remains Canada’s most indebted province, with a net debt-to-GDP ratio of 49.3 percent, still ahead of second-place Ontario which carries a debt burden equal to 39.9 percent of its annual economic output.

However, because Ontario’s debt burden has been growing faster than Quebec’s in recent years, as documented in the previous section of

⁶ Alberta is still projected to be in a net asset position in 2015/16. However, it is important to note that the province’s financial condition has also deteriorated significantly (although not as rapidly as Ontario’s) in recent years. Alberta’s net assets have dwindled from over \$35 billion in 2007/08 to just over \$3 billion this year. Next year, Alberta is projected to enter into net debt territory, and lose its status as Canada’s only province holding a net asset position.

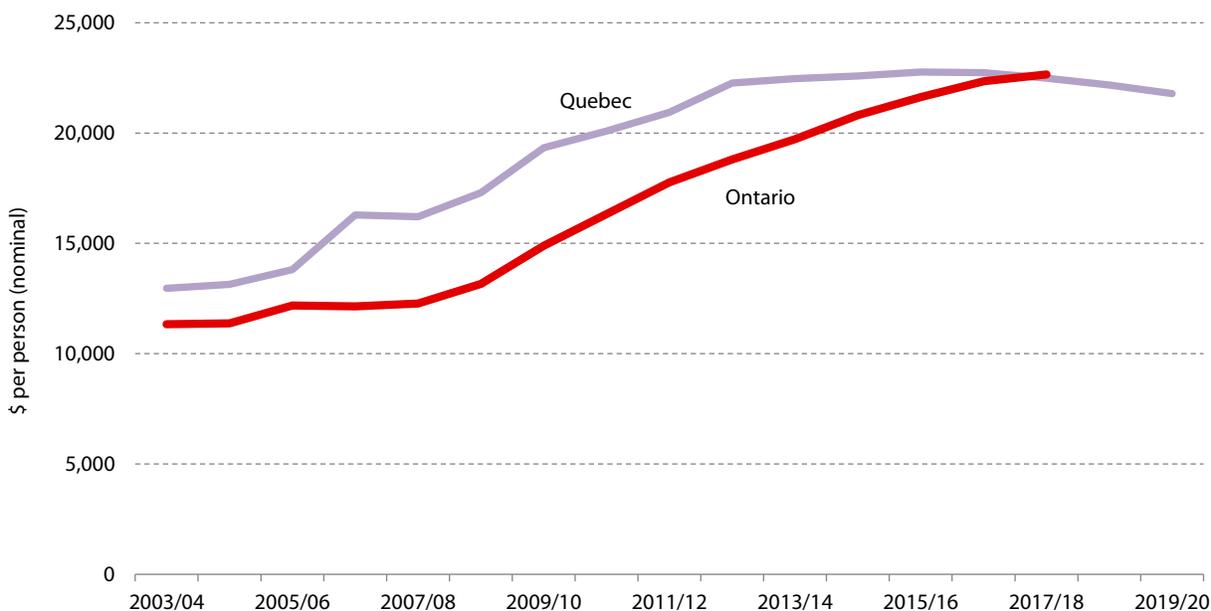
Figure 8: Net Debt as a Share of GDP by Province, 2015/16



Note: Provincial GDP figures for 2015 are estimated using forecasts from private forecasters (TD Economics, 2015 and RBC Economics, 2015).

Sources: 2015/16 Provincial Budgets; 2015/16 Provincial Economic and Fiscal Updates; Statistics Canada (2015a); TD Economics (2015); RBC Economics (2015); calculations by authors.

Figure 9: Net Debt Per Capita in Ontario and Quebec



Source: Ontario Public Accounts (various years); Quebec Public Accounts (various years); Quebec, Ministère des Finances (2015c); Ontario, Ministry of Finance (2015c); Statistics Canada (2014 and 2015b); calculations by authors.

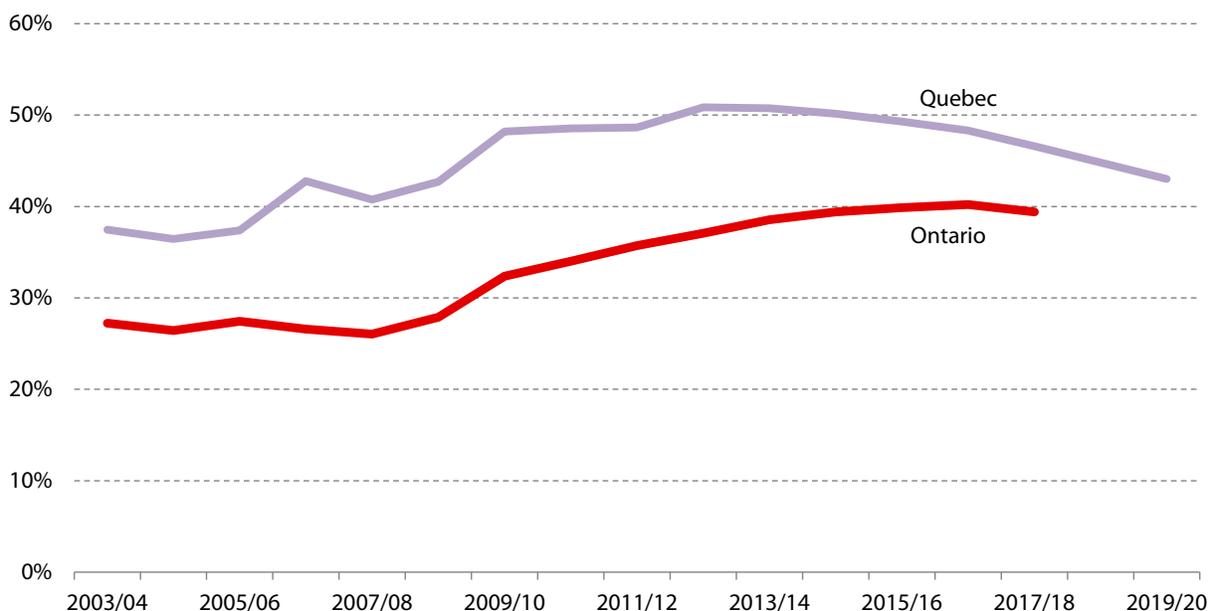
this report, the gap in total indebtedness has been shrinking. Furthermore, whereas Quebec has managed to eliminate its recession-era budget deficits, projecting a balanced budget in 2015/16 and beyond, Ontario is running a substantial budget deficit of \$7.5 billion this year and projects running another deficit of \$4.5 billion in 2016/17 (Ontario, Ministry of Finance, 2015c). Quebec forecasts a declining net debt burden in the years ahead, whereas Ontario's net debt is expected to continue to increase substantially in nominal terms for at least the next two years (Ontario, Ministry of Finance, 2015c; Quebec, Ministère des Finances, 2015c).

As a result, the indebtedness gap between Ontario and Quebec is expected to continue to shrink in coming years. Figure 9 demonstrates this fact by comparing net debt per person in the two provinces, including provincial government forecasts for as far into the future as are provided by official government documents. The figure shows that Ontario's level of debt per person has continued to increase steadily in recent years and is projected to continue increasing through 2017/18, the last year shown in the budget. By contrast, Quebec's per-person debt has leveled off and is projected to begin decreasing next year. As a result, the gap between the two provinces has been shrinking quickly. In 2009/10,⁷ Quebec's per-person debt burden was approximately \$4,435 larger than Ontario's. In 2015/16, the gap between the two provinces is expected to have shrunk to \$1,139. Furthermore, because Ontario's net debt is expected to continue growing in the years ahead, the government's own forecasts show that Ontario's net debt burden per person will catch up to and surpass Quebec's in 2017/18, at which point Ontario's per-person debt is projected to reach \$22,659—about \$175 more than Quebec's.⁸ Clearly, Quebec continues to face substantial fiscal challenges with a per-person debt load of more than \$22,000 per person. However, Ontario's per-person debt burden will likely soon be even larger.

While it will take longer for Ontario to catch up to Quebec in terms of public debt as a share of GDP, government projections show that according to that metric as well, the gap between the two provinces is shrinking (see figure 10). Whereas in 2009/10, Quebec's net debt as a share

⁷ For the direct comparison of Ontario and Quebec presented in this section, our analysis and discussion focus on the period since 2009/10 because Quebec has used consistent accounting practices throughout this period which allows for a more direct comparison of the rate of debt growth between the two provinces.

⁸ Ontario's revised debt projections in the 2016 budget confirm that Ontario's per-capita net debt is expected to surpass Quebec's in 2017/18, by slightly less than was projected when the data for this report was collected. The new forecast suggests Ontario's net debt per capita will exceed Quebec's by \$32 in 2017/18 and that this per-person gap will grow to \$833 in 2018/19.

Figure 10: Net Debt as a Share of GDP in Ontario and Quebec

Source: Ontario Public Accounts (various years); Quebec Public Accounts (various years); Quebec, Ministère des Finances (2015c); Ontario, Ministry of Finance (2015c); Statistics Canada (2015a); calculations by authors.

of its GDP was 15.8 percentage points higher than Ontario's, that gap now stands at less than 10 percentage points. Over the next two years, the provincial government projects that Ontario's net debt as a share of GDP will essentially stabilize (moving from 39.9 to 39.4 percent of GDP) while Quebec's debt burden as a share of GDP is expected to continue falling. By 2019/20, Quebec's net debt burden as a share of GDP is expected to fall to 43.0 percent of GDP, just 3.1 percentage points higher than Ontario's current debt-to-GDP level. Indeed, provincial government forecasts suggest that the gap between Ontario and Quebec in their provincial debt as a share of GDP will continue to shrink in the years ahead.

According to both metrics (net debt per person and public debt as a share of GDP), if we take government forecasts at face value, the gap in the debt burdens between Quebec and Ontario will continue to shrink in the years ahead. However, there are grounds for concern that Ontario's projections for its budget balance and debt accumulation over the medium term may be overly optimistic, and that the gap between the two provinces' debt burden may shrink faster than official projections suggest.

Ontario's government is currently projecting a \$4.5 billion deficit in 2016/17 and a balanced budget in 2017/18. However, the government's

own Financial Accountability Officer (FAO) notes that there are “significant risks” to the government’s medium term fiscal plan, and to its objective of balancing the budget by 2017/18 (Financial Accountability Office of Ontario, 2015).

First, the government’s budget projections rely on optimistic revenue assumptions, counting on revenue growth over the next two years that is substantially faster than the rate that has prevailed in recent history. Second, the plan relies on a significant slowdown in the rate of spending growth, but the government has not yet laid out a detailed, specific plan to achieve this slowdown. The document notes that with “a lack of disclosure on detailed measures to achieve the plan,” there are “significant risks to the current fiscal plan, in the absence of other policy actions.” If the risks identified by the FAO materialize and the province is not able to balance the budget on schedule, this will have implications for the trajectory of Ontario’s debt burden and further accelerate the convergence between Ontario and Quebec.

Conclusion

Since 2003/04, the net debt level of several Canadian provinces has increased greatly. However, the pace of debt accumulation in Ontario has been markedly faster than in any other province. Ontario has run, on average and after accounting for population differences, substantially larger budget deficits than any other province during this period and, partly as a result, the province has acquired more debt since 2003/04 than all of the other provincial governments combined. Whether it is measured as net debt per person or net debt as a share of GDP, the pace of debt accumulation in Ontario has significantly exceeded all other provinces.

As a result of this rapid period of debt accumulation, Ontario has gone from being the seventh most indebted province in the country (measured in terms of net debt as a share of GDP) to being the second most indebted province in 2015/16. Only Quebec currently carries a larger debt burden relative to the size of its provincial economy. While Quebec's debt burden is still larger than Ontario relative to the size of provincial population and the provincial economy, these gaps are closing. Net debt relative to GDP in the two provinces continues to converge, and Ontario's per-person net debt is quickly approaching Quebec's level. In fact, provincial government budgets forecast that Ontario's per-person debt levels will become larger than Quebec's by 2017/18.

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