

# Economic and Budget Outlook

Fall 2020

An Updated Assessment of the Impact of the COVID-19 Pandemic



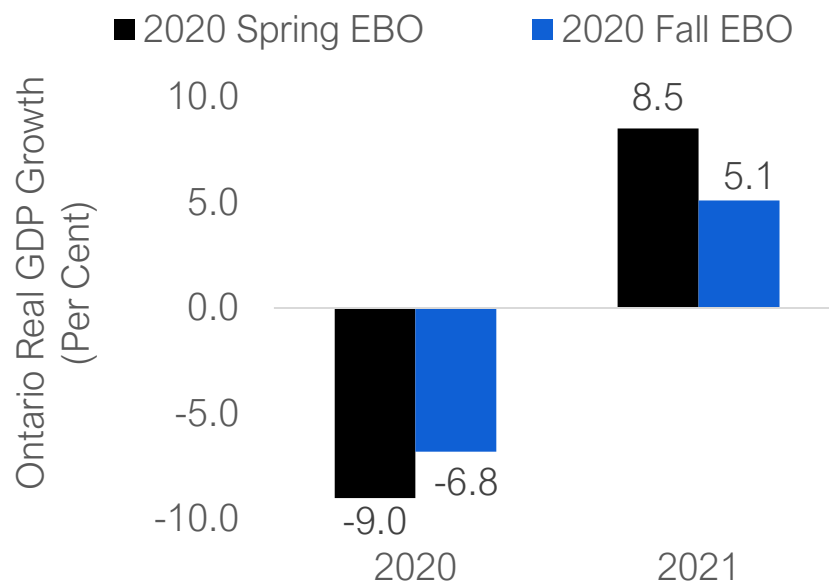
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# Largest decline in economic output on record projected for 2020

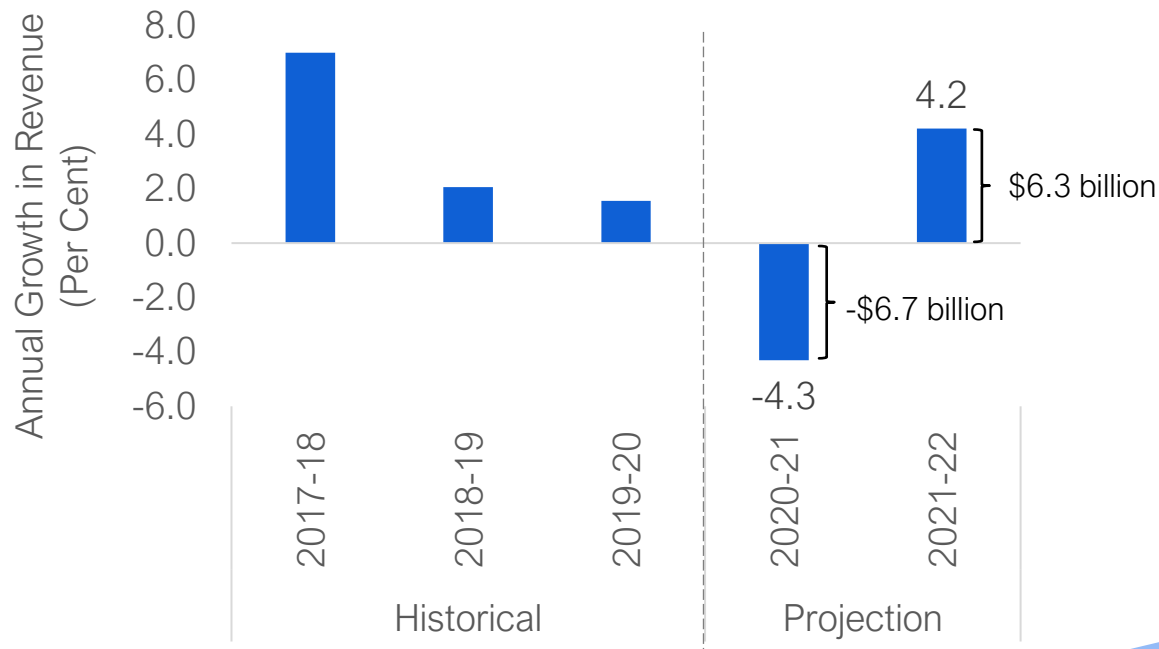
- The FAO's updated outlook projects Ontario real GDP will decline by 6.8 per cent in 2020.
- The pandemic in Ontario was relatively contained by the summer, allowing for an earlier and broader reopening of the economy than initially anticipated.



Source: Ontario Economic Accounts and FAO.

# Sharp revenue decline projected for this year

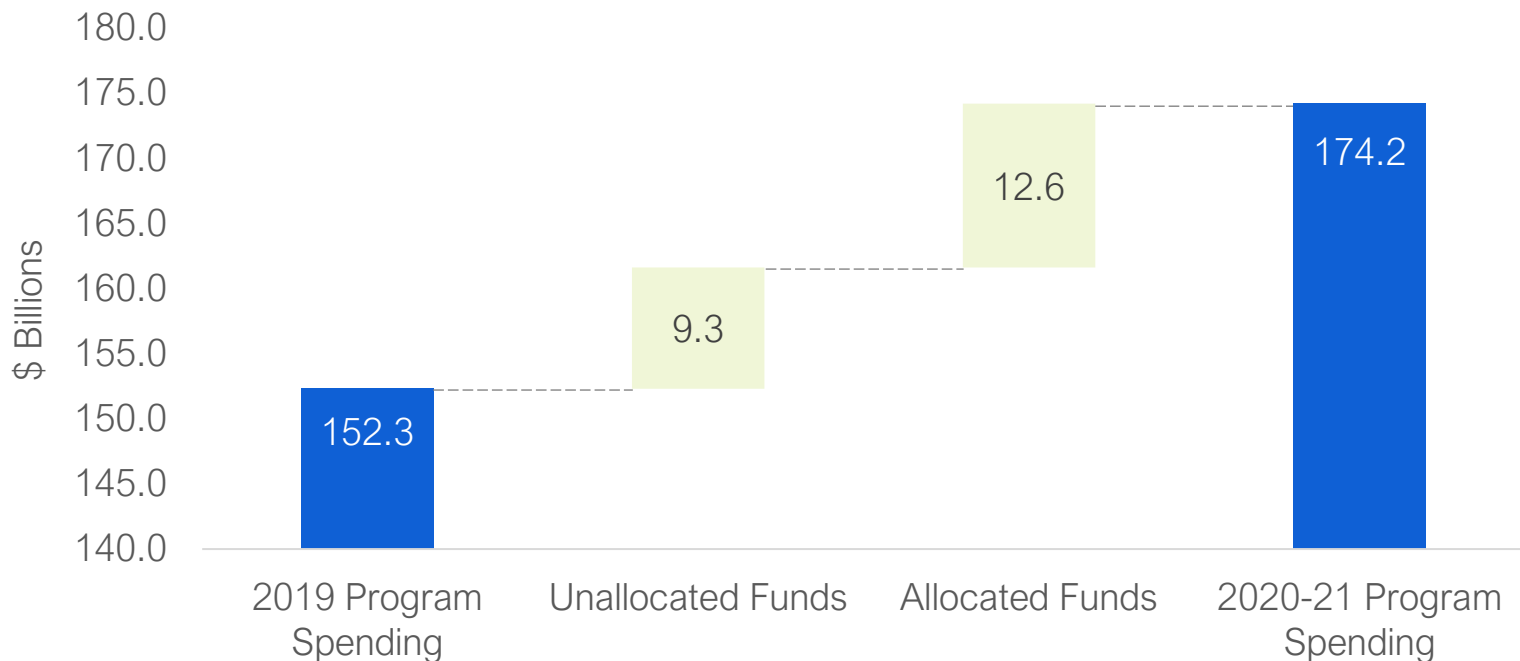
- Total revenues are projected to decline 4.3 per cent (\$6.7 billion) in 2020-21, with weakness in taxation revenues partly offset by higher transfers from the federal government.
- Supported by a rebound in economic activity, tax revenues are expected to partially bounce back in 2021-22.



Source: Ontario Public Accounts and FAO.

# Large increase in 2020-21 program spending

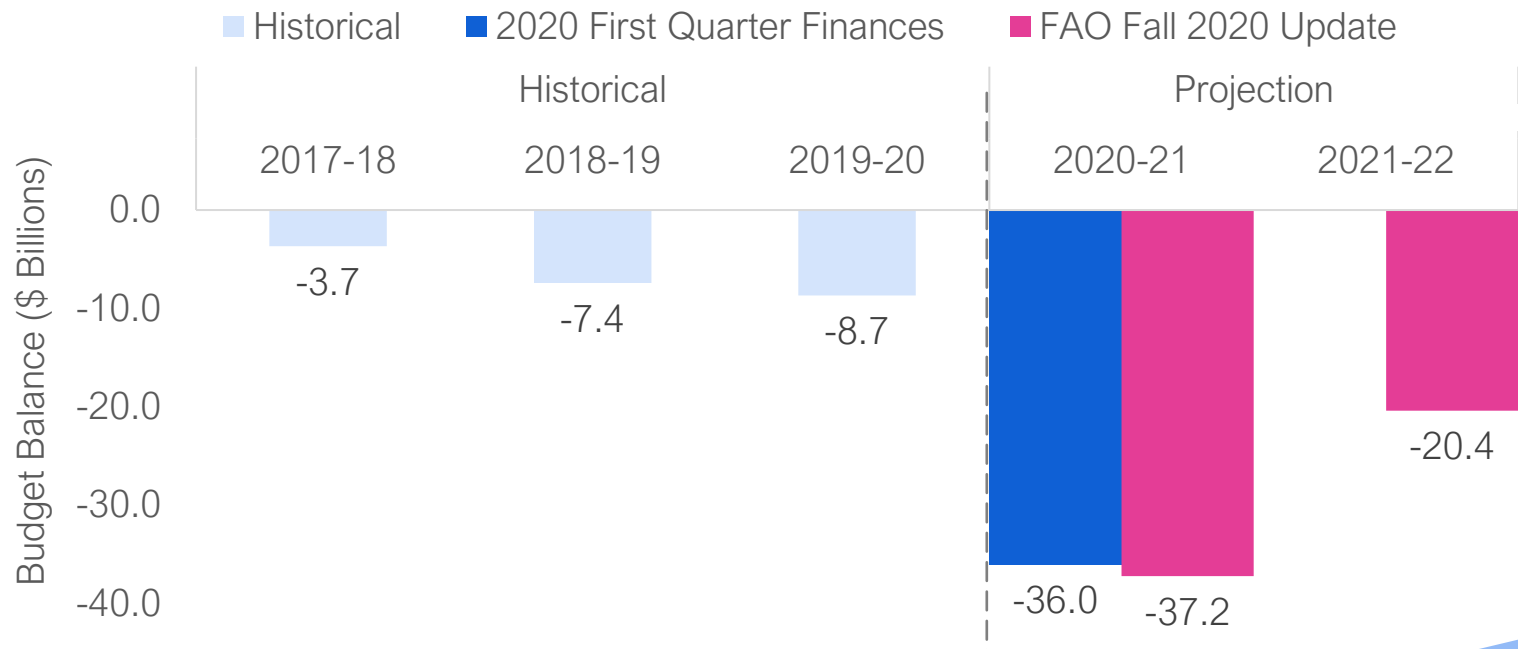
- Planned program spending is expected to increase by \$21.9 billion to reach \$174.2 billion in 2020-21.
- This includes about **\$9.3 billion** in program spending for 2020-21 that has yet to be allocated to specific programs.



Source: Ontario Public Accounts, 2020-21 First Quarter Finances, and FAO.

# A record budget deficit of \$37.2 billion projected in 2020-21

- FAO's deficit projection is broadly consistent with government estimate from the 2020-21 First Quarter Finances.
- As the impact from the pandemic eases and the economy continues to recover, the deficit is expected to improve to \$20.4 billion in 2021-22.

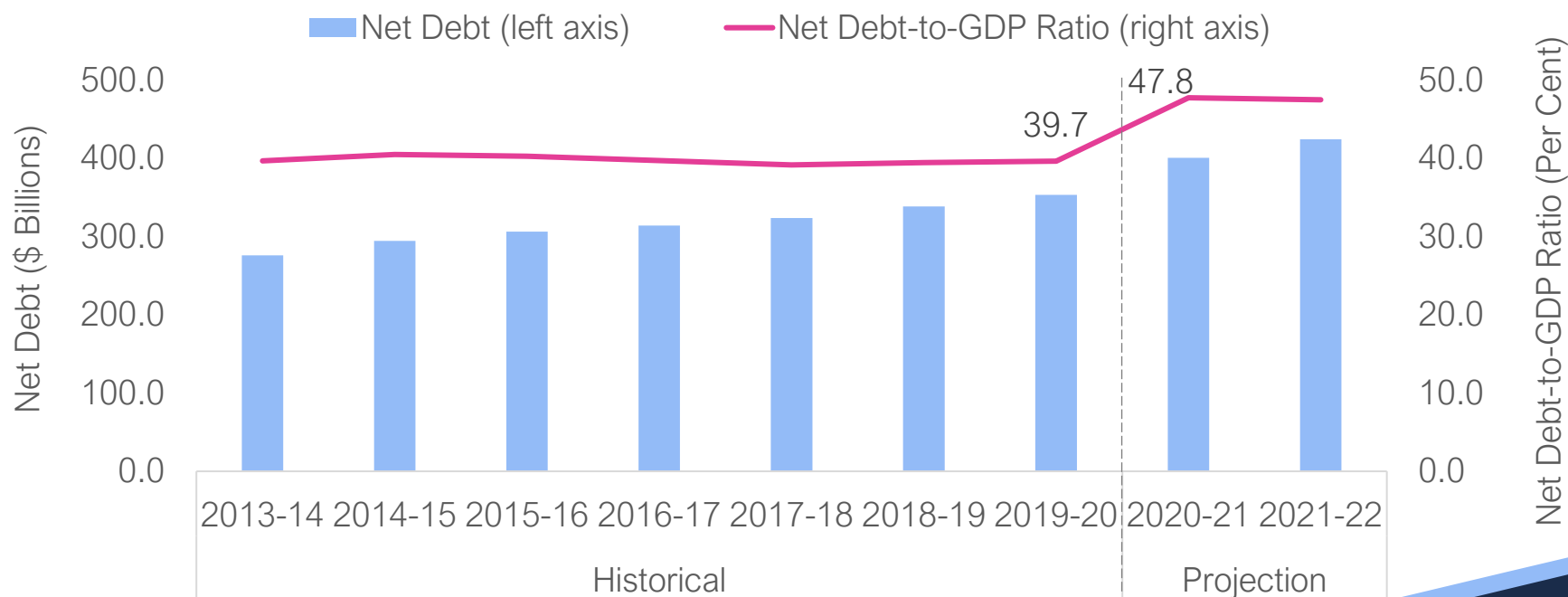


Note: The budget balance is presented before the reserve.  
 Source: Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.



# Ontario's debt-to-GDP ratio projected to reach record high this year

- Large deficits will contribute to significant increase in net debt over the next two years -- more than \$70 billion added.
- Net debt-to-GDP ratio is projected to reach record high of almost 48 per cent in 2020-21 and **remain elevated** going forward.

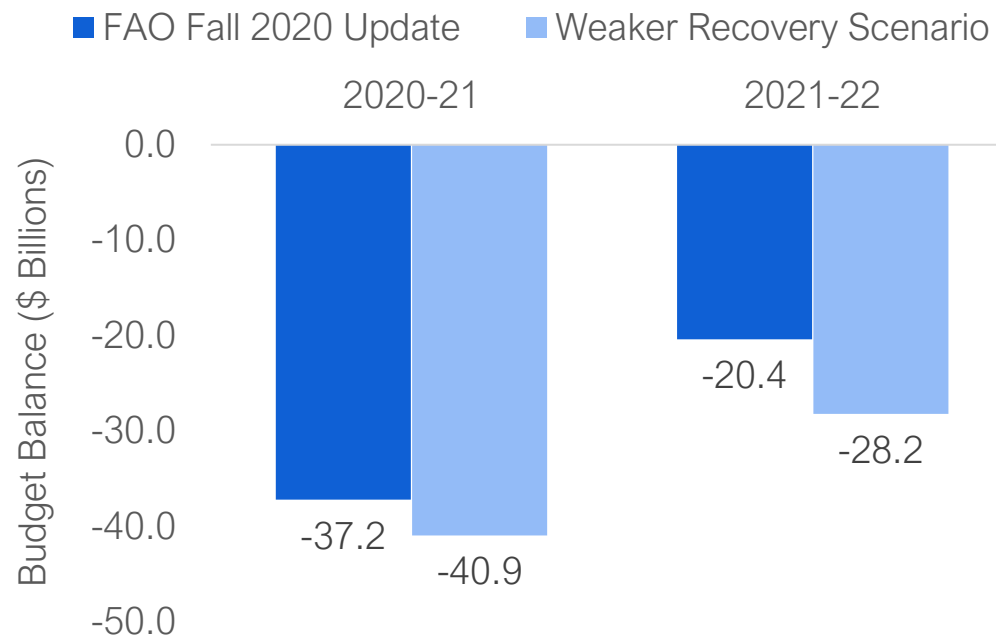


Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, and FAO.



# Economic recovery would be weaker if significant shutdown measures reintroduced

- If recent rise in COVID-19 cases prompts the government to impose further significant restrictions, the economic rebound next year would be more modest.
- This would lead to a sharply higher budget deficit next year.

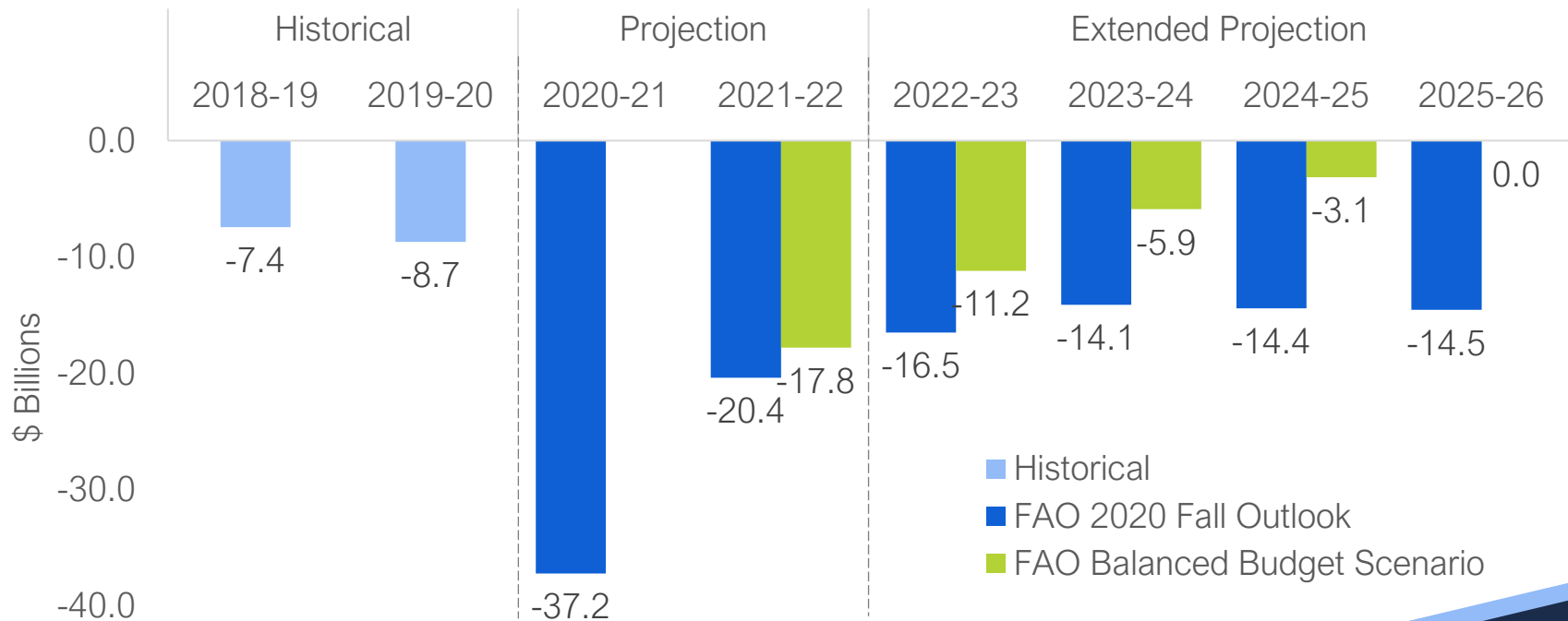


Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts and FAO.



# Roughly \$14 billion will be required to balance Ontario's budget by 2025-26

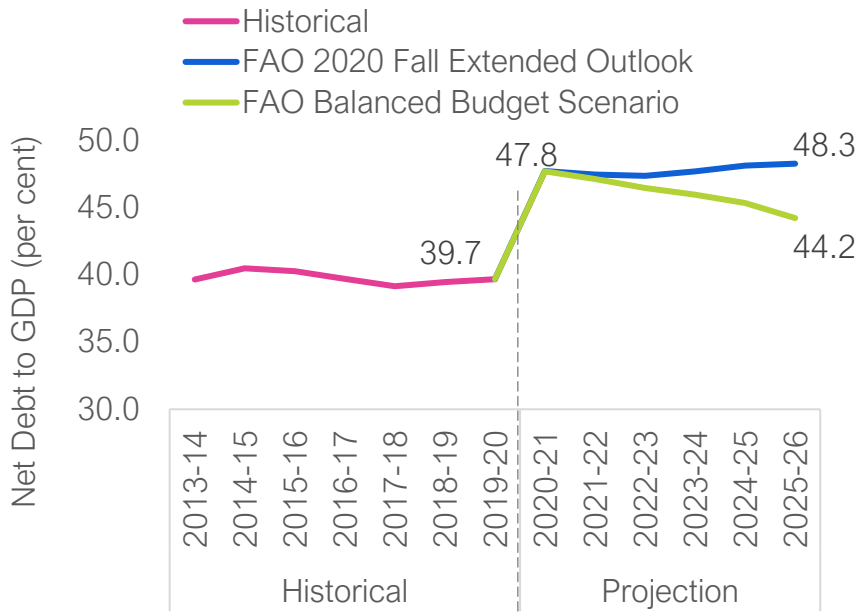
- The *Fiscal Sustainability and Accountability Act* requires the government to plan for a balanced budget.
- FAO estimates it will require an on-going \$14 billion in either higher taxes or lower spending to balance the budget over the next five years.



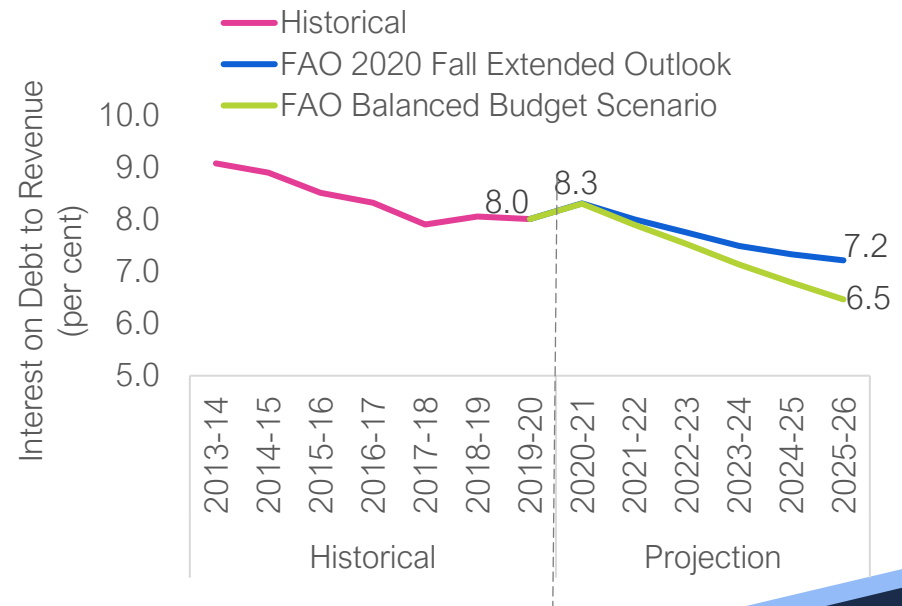
Note: Budget balance is presented before the reserve.  
 Source: Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO..

# Balancing the budget would improve other fiscal performance measures

- With a balanced budget over the next five years, the debt burden would decline to 44.2 per cent by 2025-26.
- Debt interest as a share of revenue would decline even faster, reaching 6.5 per cent by 2025-26, the lowest in over 50 years.



Source: Ontario Public Accounts and FAO.



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