

# Economic and Budget Outlook

Spring 2024

Briefing Deck

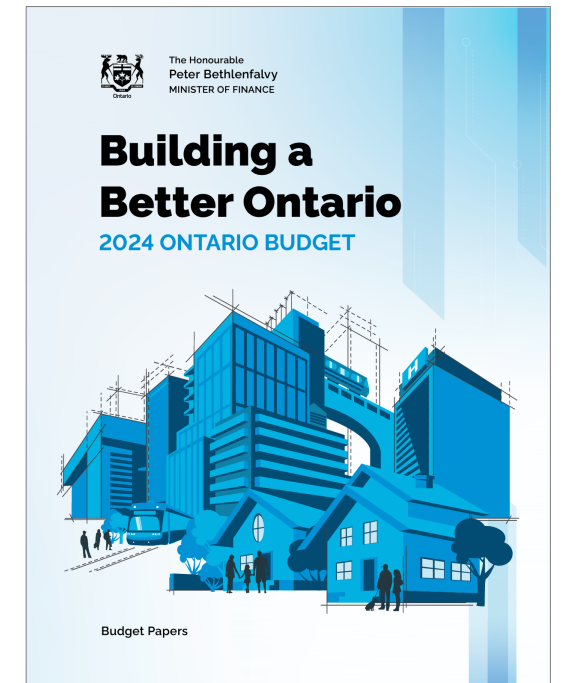


**FAO**

Financial Accountability  
Office of Ontario

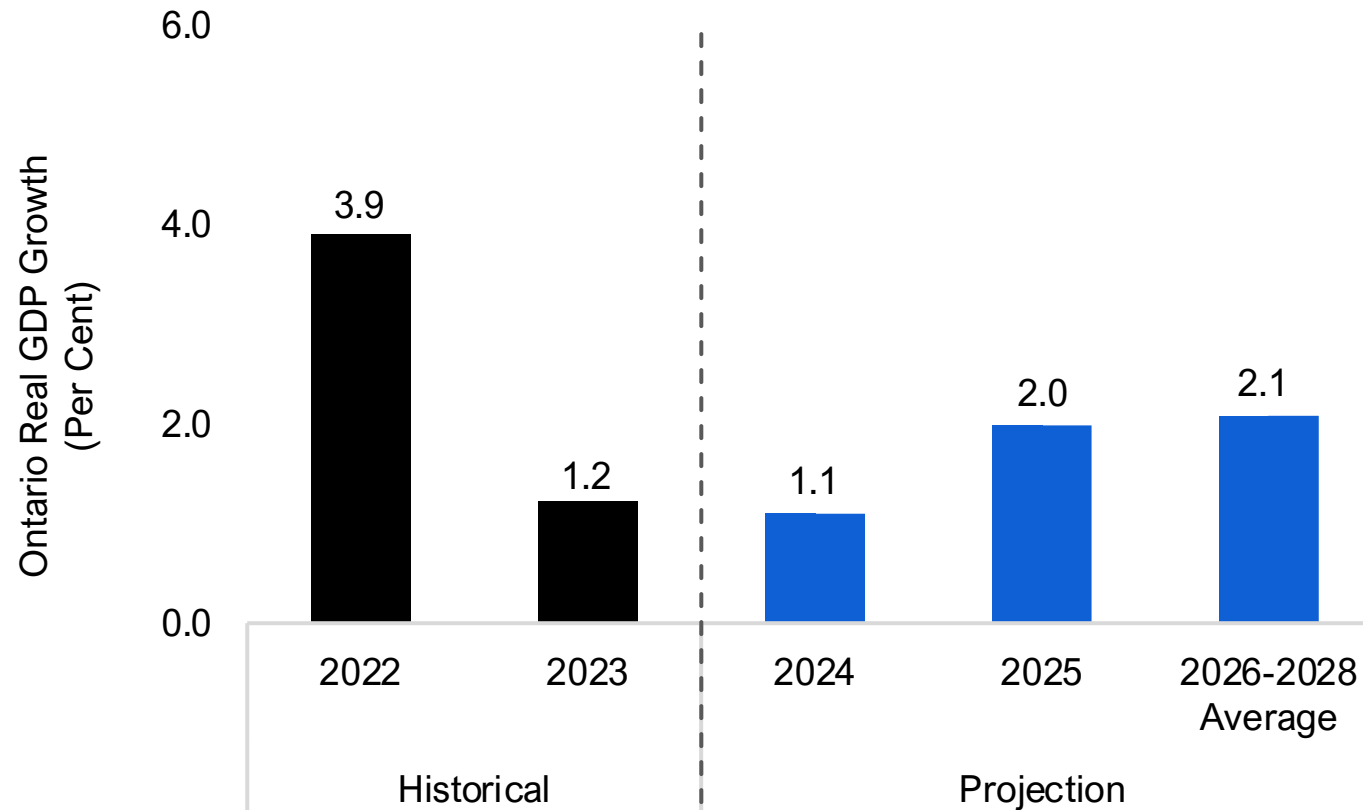
# Overview

- The Economic and Budget Outlook (EBO) provides the FAO's projection for Ontario's economy and the Government of Ontario's (the Province's) finances over the 2023-24 to 2028-29 period. It also compares the FAO's latest forecast with the government's 2024 Ontario Budget.
- The presentation will focus on Ontario's:
  1. Economic outlook
  2. Budget balance outlook
  3. Fiscal sustainability indicators
  4. Revenue outlook
  5. Spending outlook
  6. Risks to the economic and budget outlook



# Ontario's real GDP growth projected to remain slow in 2024

- Ontario's real GDP growth is projected to remain slow in 2024, before improving over the rest of the outlook, as lower interest rates support a pickup in consumer spending, the housing market and business investment.

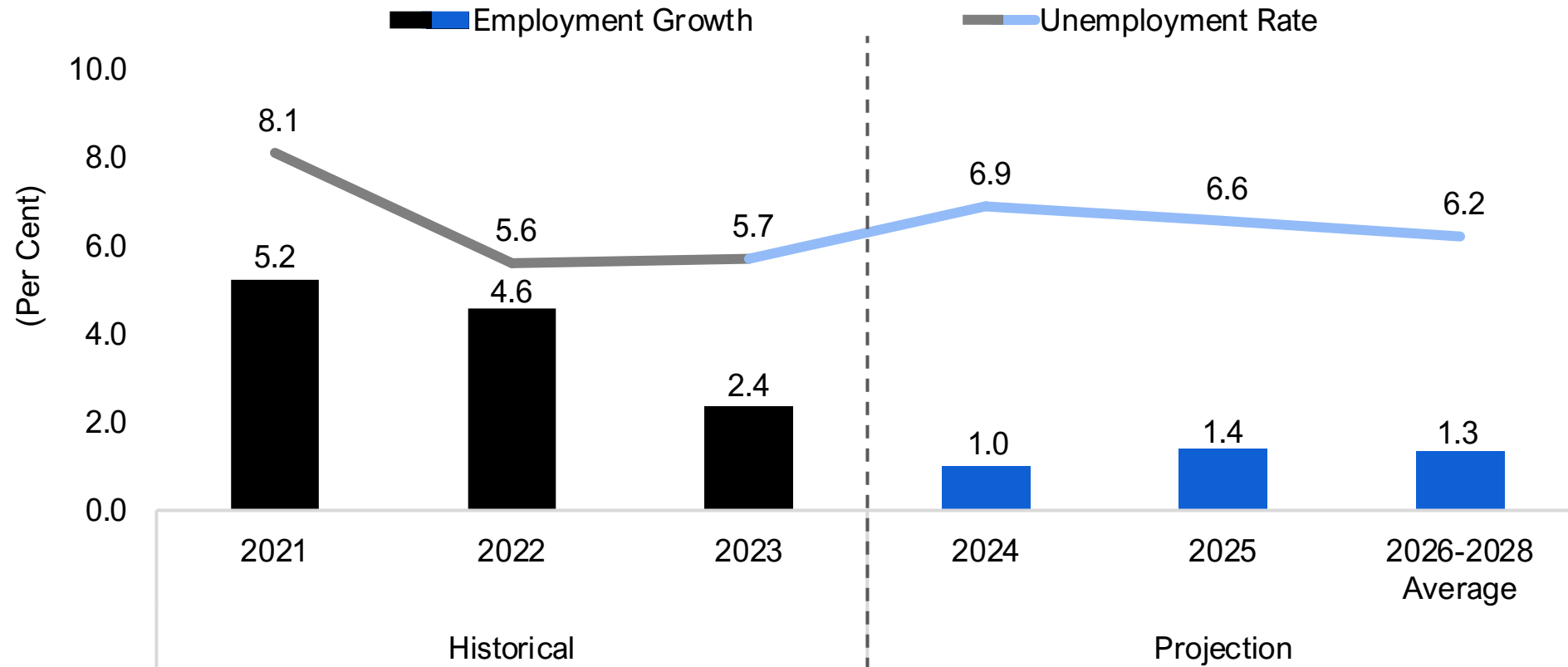


Source: Ontario Economic Accounts and FAO.



# Unemployment rate expected to rise in 2024

- Employment growth is expected to slow, raising the average annual unemployment rate to 6.9 per cent in 2024, before declining over the outlook as economic growth improves.

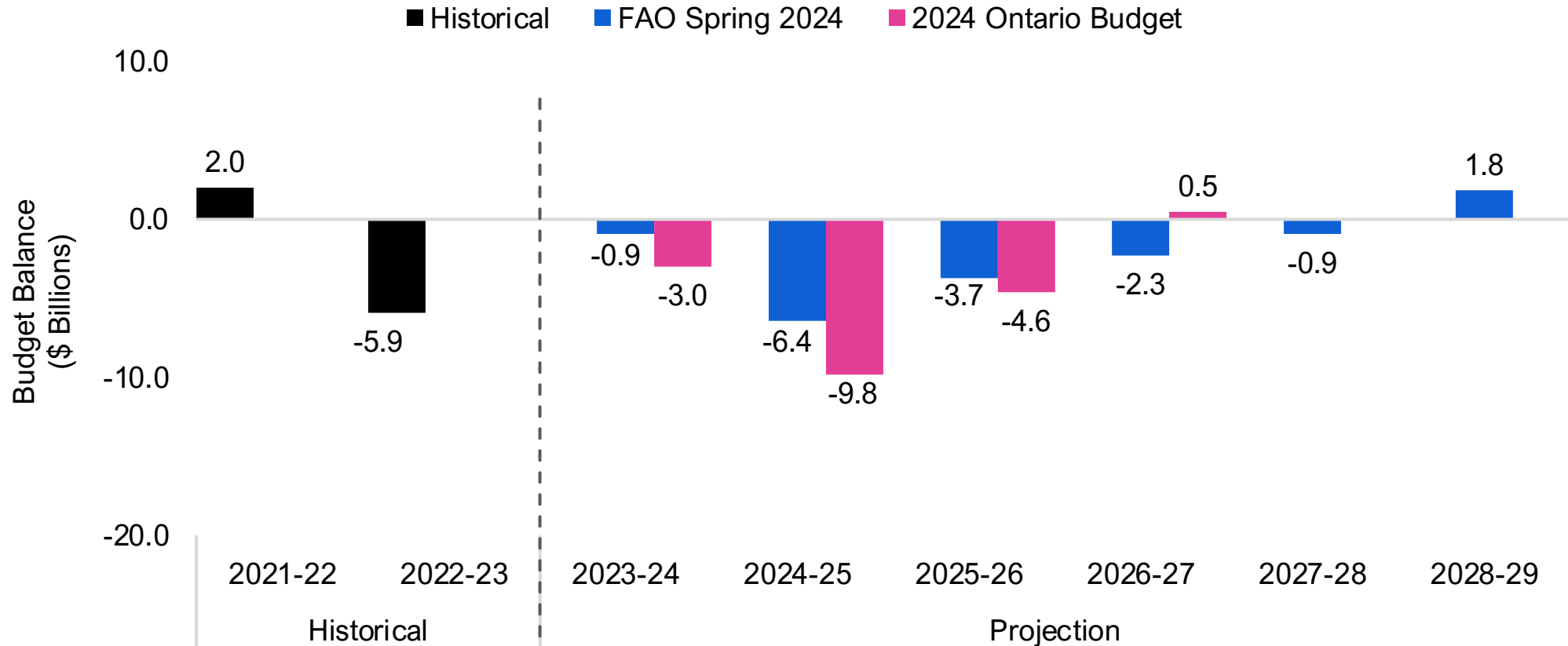


Source: Statistics Canada and FAO.



# FAO projects budget deficits until 2028-29

- The FAO's outlook projects a gradual return to budget surplus by 2028-29, two years later than the government's projection.

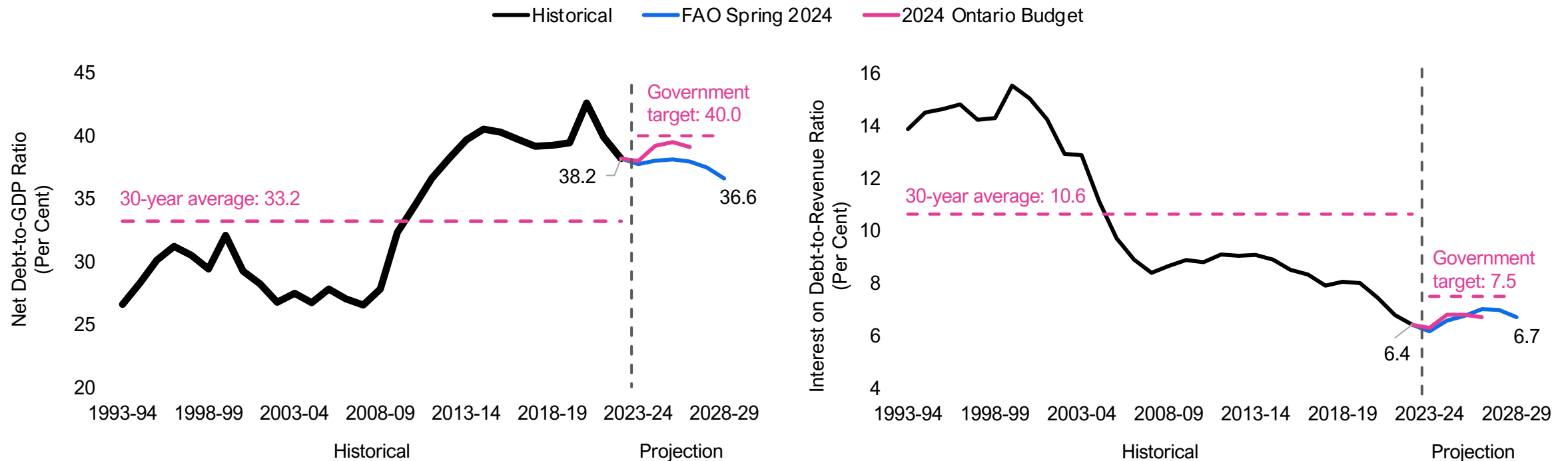


Source: Ontario Public Accounts, 2024 Ontario Budget and FAO.



# Ontario's fiscal sustainability indicators to remain below the government's targets

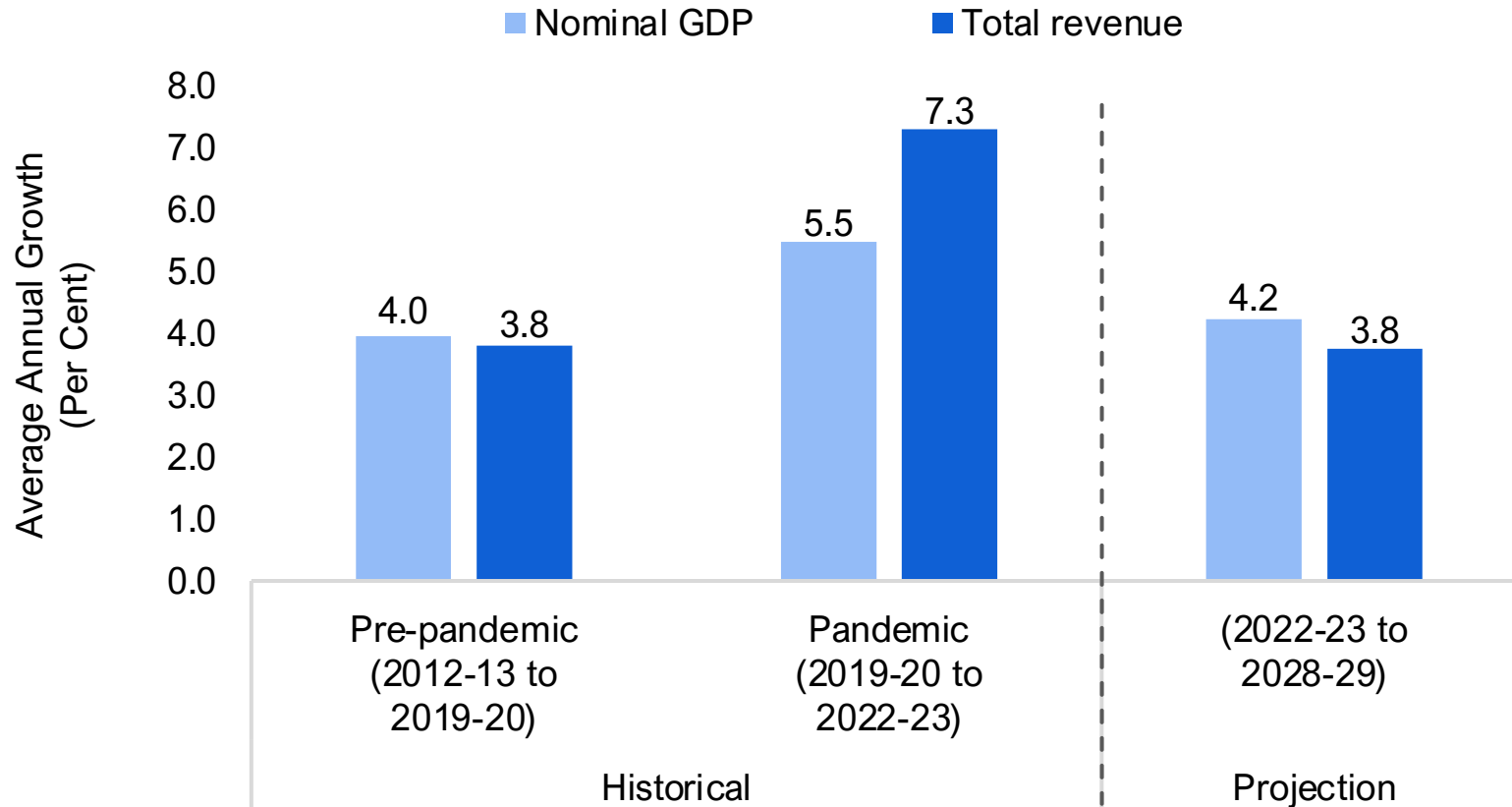
- Ontario's net debt-to-GDP ratio is projected to decline, while the interest on debt-to-revenue ratio is projected to rise.



Source: Ontario Public Accounts, Ontario Economic Accounts, 2024 Ontario Budget and FAO.

# Ontario's revenue growth to moderate

- Total revenues are projected to grow by an average annual rate of 3.8 per cent over the outlook, consistent with economic growth and slower than recorded during the pandemic.

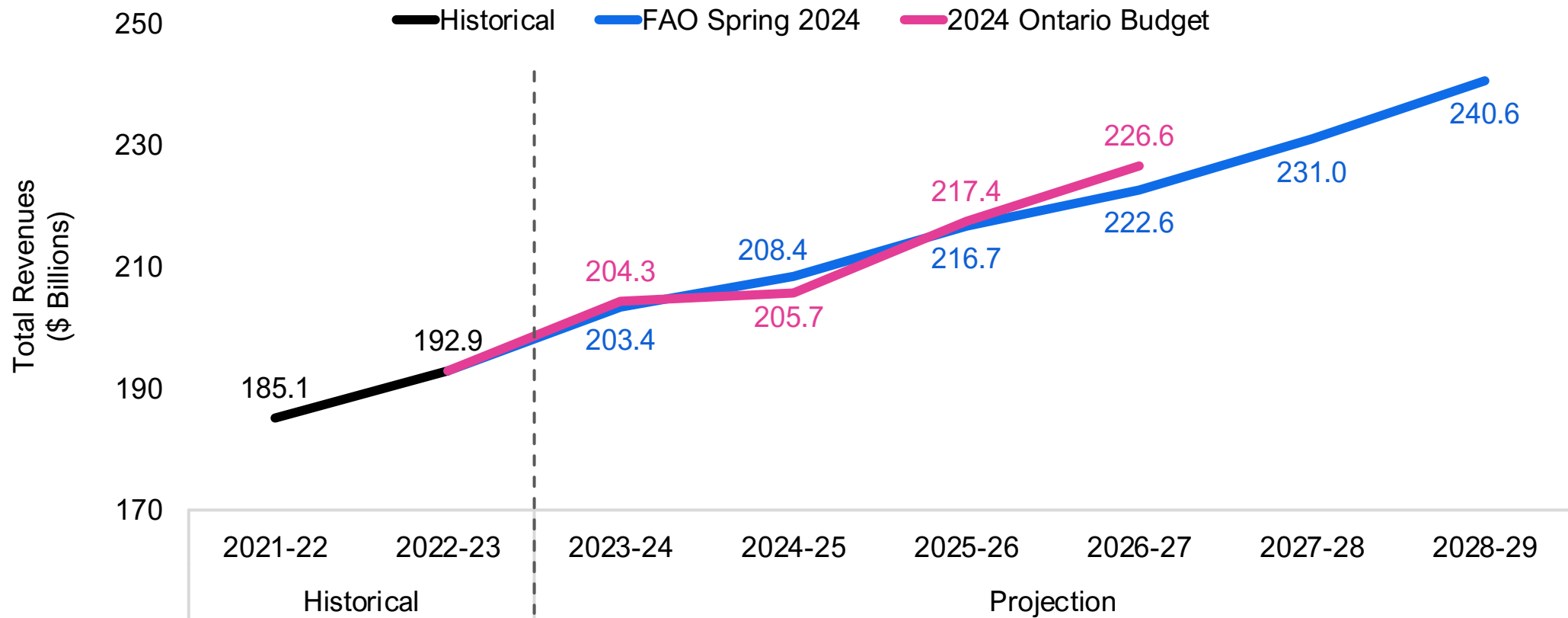


Source: Statistics Canada, Ontario Public Accounts and FAO.



# FAO revenue projection compared to government outlook

- The FAO's revenue projection for 2026-27 is \$3.9 billion lower than the 2024 Ontario Budget outlook, mainly reflecting the FAO's less optimistic outlook for corporate tax revenue.



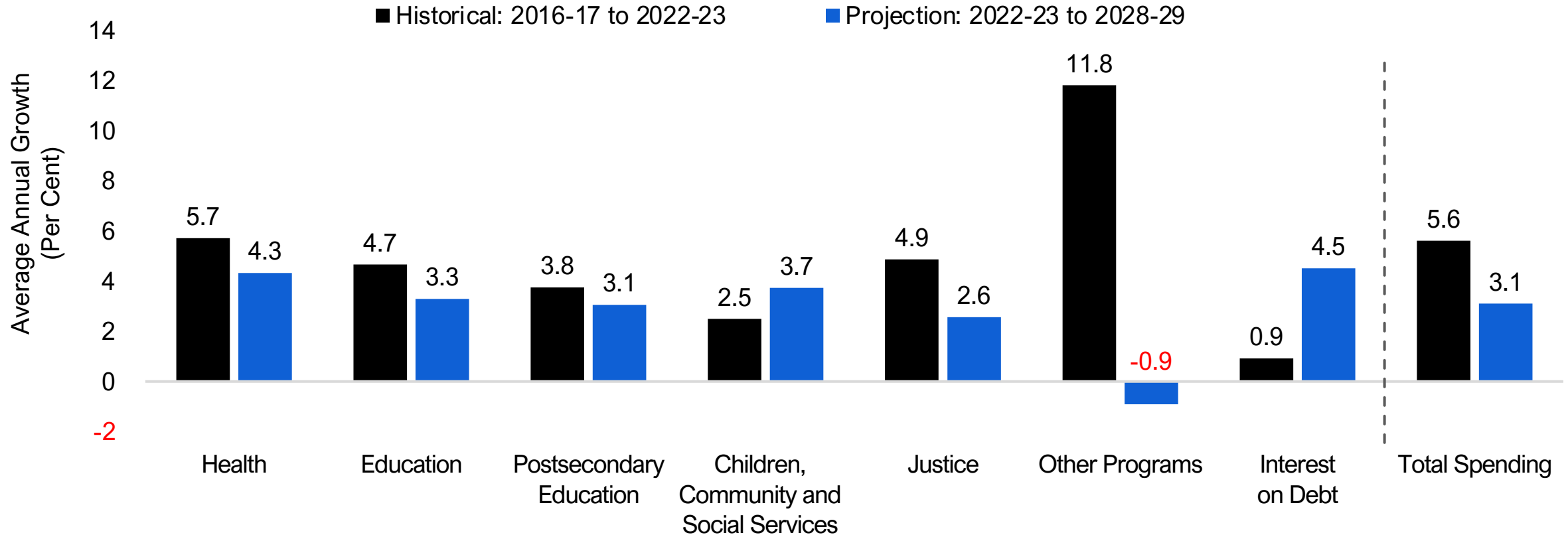
Source: Ontario Public Accounts, 2024 Ontario Budget and FAO.





# Spending growth projected to moderate

- Based on current government programs and commitments, spending is expected to moderate in most sectors over the outlook.

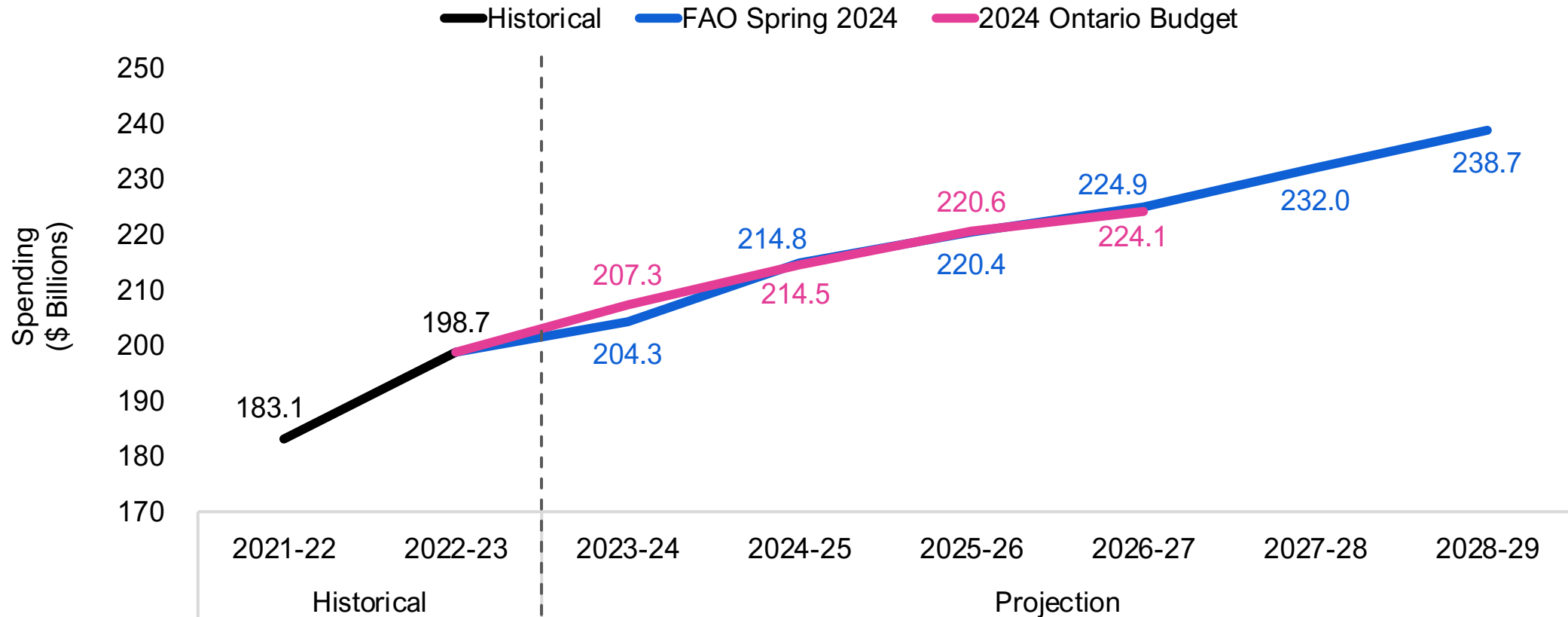


Source: FAO analysis of the 2024 Ontario Budget and information provided by the Ministry of Finance.



# FAO spending projection compared to the government outlook

- The FAO projects spending was \$3.0 billion lower in 2023-24 than estimated by the Province. Over the following three years, the FAO's spending projection is similar to the government's.



Source: FAO analysis of the 2024 Ontario Budget and information provided by the Ministry of Finance.



# Risks to the economic and budget outlook

- Ontario's economic and revenue growth could be negatively affected by ongoing geopolitical risks or if inflation and interest rates remain higher for longer than anticipated.
- The Government of Canada recently announced plans to limit the number of temporary residents over the next several years, including international students. A sharper than expected reduction in temporary residents could weigh on economic activity and impact provincial revenues and spending.
- The FAO's spending outlook does not yet include the estimated cost of some recently announced spending measures, as details on funding and design are not yet known. This includes the Building Ontario Fund; the upload to the Province of the Gardiner Expressway, Don Valley Parkway and Ottawa Road 174; provincial support to Honda to build new electric vehicle and battery plants; and the refurbishment of the Ontario Legislative building.
- The FAO's outlook incorporates assumptions for federal government policies that impact the Province's budget, such as the estimated impact to provincial revenue of the increase in the capital gains inclusion rate and the potential impact to provincial spending programs from the extension of Canada Student Grants, the new Canada Disability Benefit, and agreements supporting \$10-a-day child care and affordable housing programs.



# Thank you!



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