



# Long-Term Budget Outlook

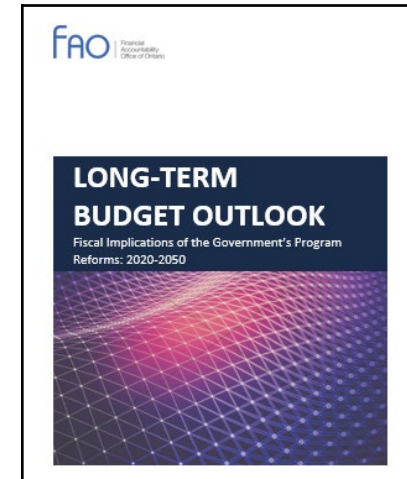
Fiscal Implications of the Government's Program  
Reforms: 2020-2050

**fao**

Financial  
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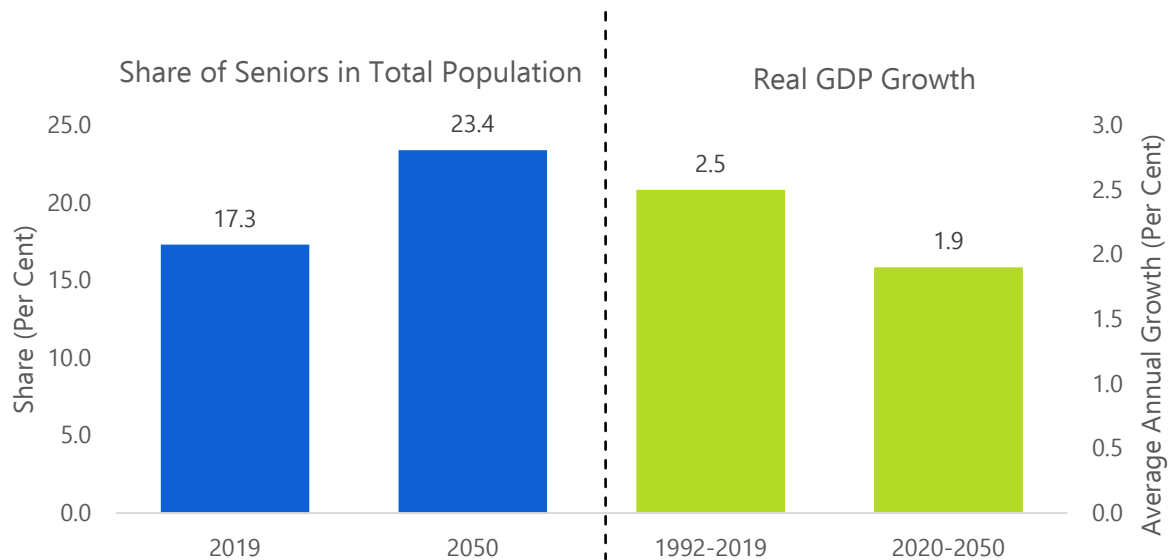
# Overview

- This report provides a forecast of Ontario's economy and the province's fiscal position through 2050.
- The FAO's projections are based on current fiscal policy trends, without anticipating any new government policy decisions.
- The FAO adopts the government's announced medium-term spending plans from fiscal documents and incorporates policy announcements as appropriate.
- Beyond the medium term, the FAO assumes that the government will continue to fund public services reflecting population growth, price inflation, and past rates of program enrichment.



# Economic growth to moderate reflecting demographic changes

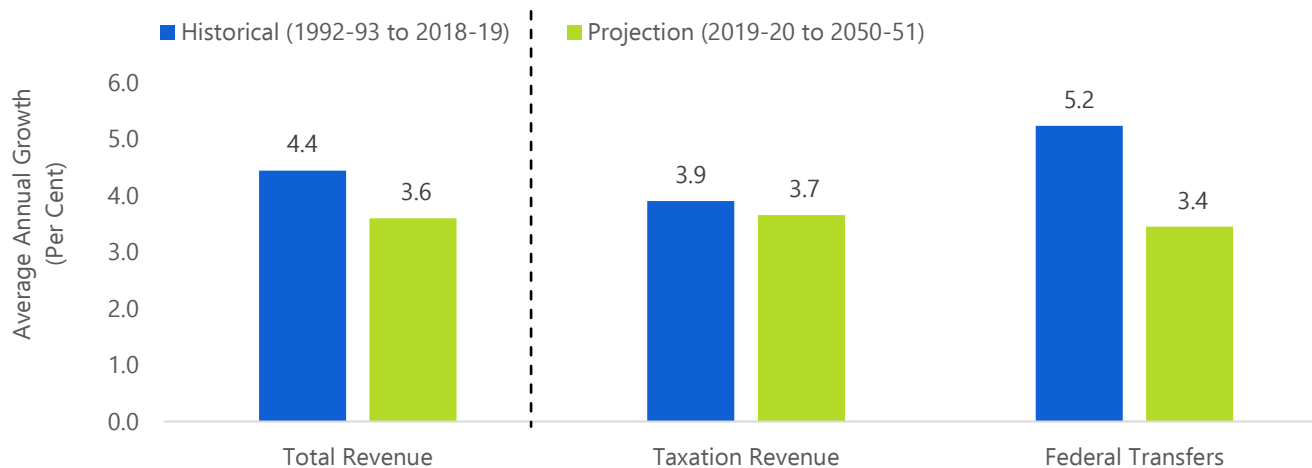
- Real GDP growth is projected to moderate, averaging 1.9 per cent annually over the outlook, as population aging slows labour force growth.



Source: Statistics Canada and FAO.

# Revenue growth projected to slow

- Total revenue is projected to grow at an average annual rate of 3.6 per cent over the next 30 years slower than its historical rate of 4.4 per cent, reflecting weaker projected economic growth.

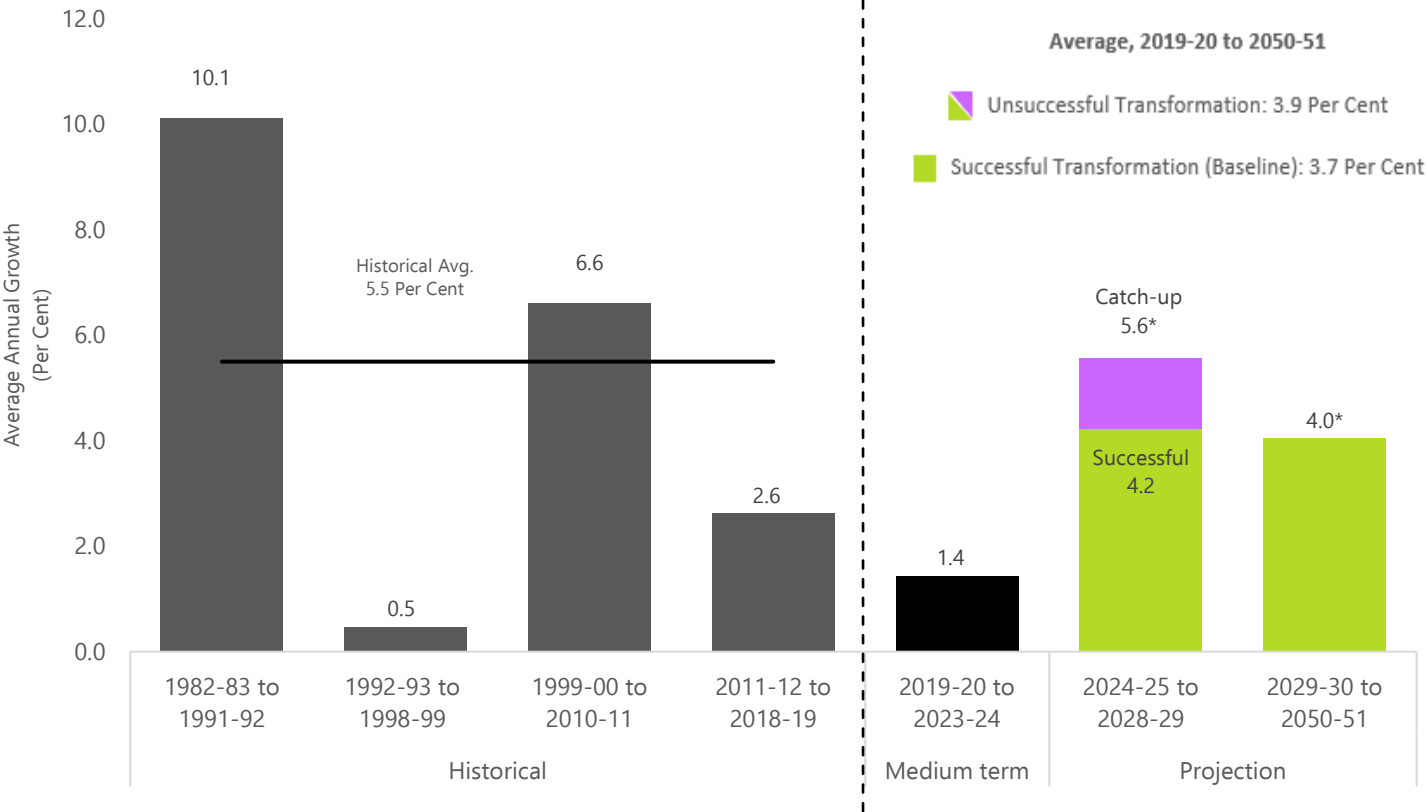


Source: Ontario Public Accounts, Ontario Budgets, and FAO.

# Program spending outlook

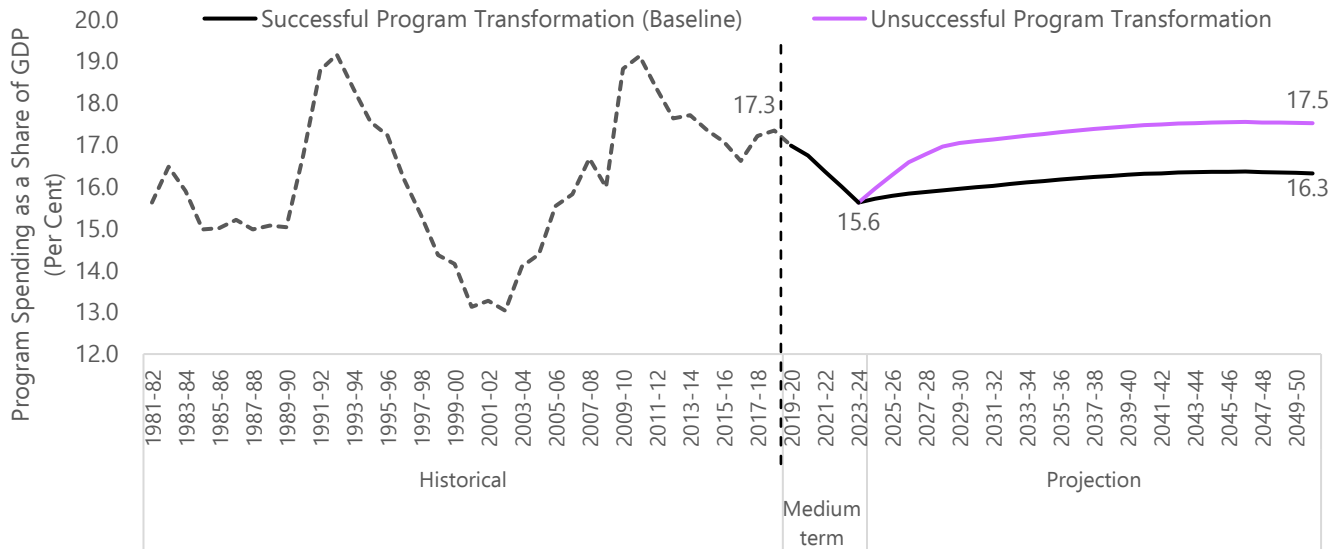
- ▶ The FAO's projection incorporates the government's medium-term spending plan.
  - ▶ The government has committed to balancing the budget by 2023-24, largely through spending restraint and program transformation.
- ▶ After 2023-24, the path of program spending is uncertain.
  - ▶ **Successful Program Transformation (Baseline):** the government's policy reforms lead to significant and lasting efficiencies, resulting in permanent cost savings beyond 2023-24.
  - ▶ **Unsuccessful Program Transformation (Alternative):** the government fails to find significant program efficiencies and temporary cost-cutting measures result in a "catch-up" spending period to address the built-up demand for additional public services.
- ▶ The government's current policy changes are likely to have a profound impact on the long-term fiscal outlook for the province.

# Program spending growth projected to slow



# Future program spending depends on success of current policy changes

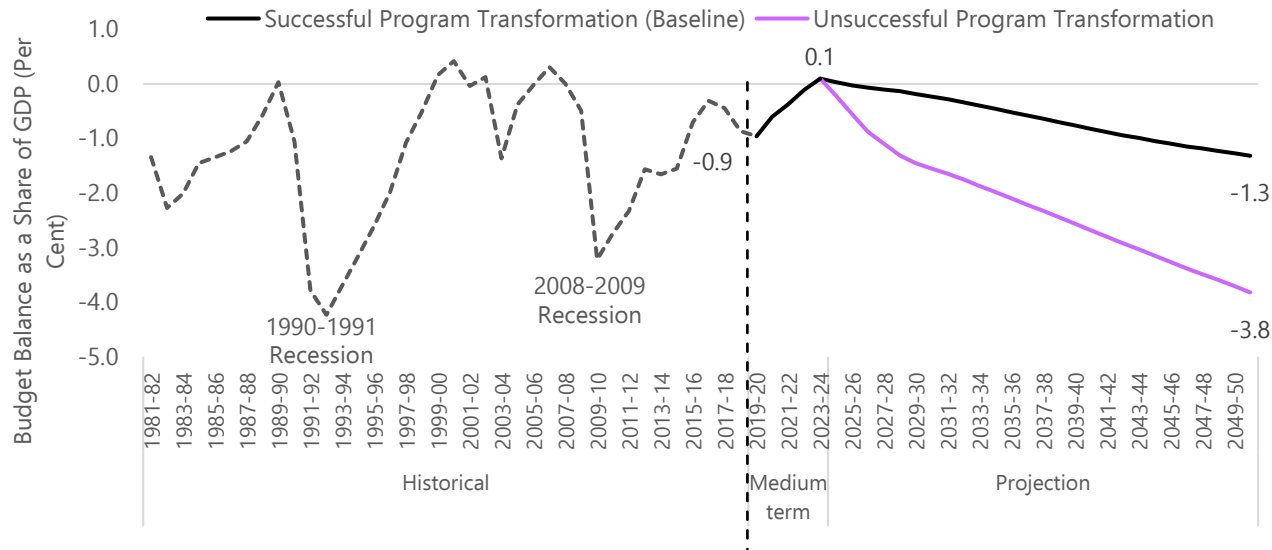
- Government's medium-term fiscal plan will lower program spending to 15.6 per cent of GDP by 2023-24.
- **Successful transformation:** program spending would rise to just 16.3 per cent of GDP by 2050-51, a full percentage point below current share.
- **Unsuccessful transformation:** program spending would rebound to 17.0 per cent of GDP by 2028-29, and climb gradually to 17.5 per cent by 2050-51.



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

# Budget deficit projected to deteriorate over outlook

- Overall government spending will exceed revenues, resulting in growing deficits.
- Deterioration in the budget would be much more dramatic under the unsuccessful scenario, with a deficit of 3.8 per cent of GDP by 2050-51.
- Historically, Ontario has experienced deficits of this magnitude only during recessions.

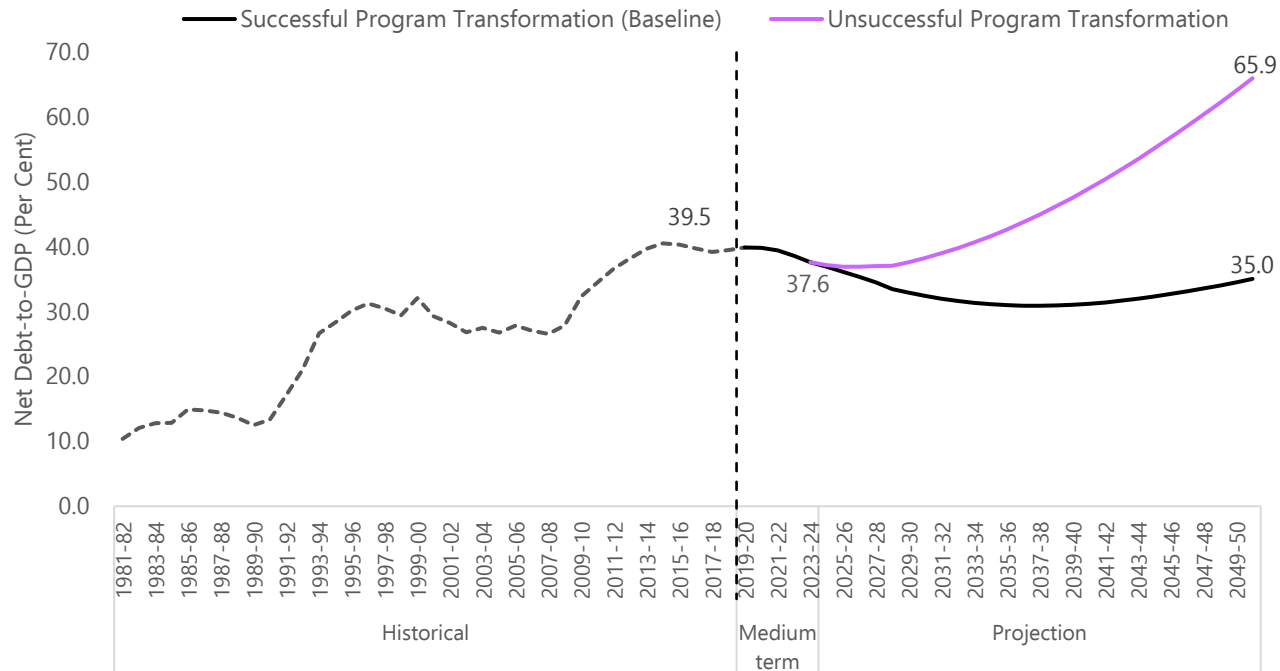


Source: Ontario Public Accounts and Budgets, Statistics Canada and FAO.



# Ontario's Debt-to-GDP could rise dramatically over the long term

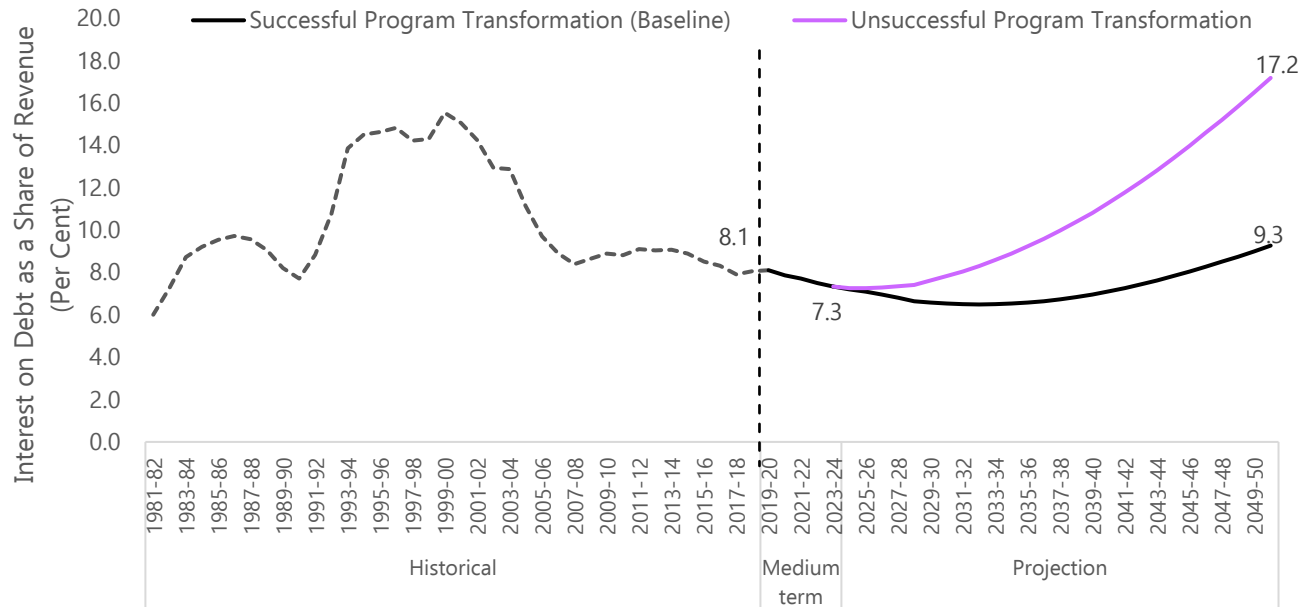
- **Successful program transformation:** fiscal position would improve as net debt-to-GDP ratio reaches 35.0 per cent by 2050-51, below the current ratio of approximately 40 per cent
- **Unsuccessful program transformation:** fiscal position would be challenging as large budget deficits push Ontario's net debt-to-GDP ratio to 65.9 per cent by 2050-51



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

# Debt interest as a share of revenue could more than double by 2050

- With the dramatically higher debt burden in the **unsuccessful program transformation scenario**, Ontario's debt interest payments would also rise significantly, accounting for more than 17 cents of every dollar of revenue by 2050-51.



Source: Ontario Public Accounts and Budgets, and FAO.

# Thank you

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Financial  
Accountability  
Office of Ontario

2 Bloor Street West  
Suite 900  
Toronto, Ontario  
M4W 3E2  
416.644.0702  
fao-on.org  
info@fao-on.org

