

Media Statement

Long-term Budget Outlook: 2020-2050

Wednesday March 11, QP Media Studio

Good Morning, I'm Peter Weltman, Ontario's Financial Accountability Officer.

Standing with me today is David West, the FAO's Chief Economist. We will both be available to answer your questions following this brief statement.

Earlier today, my office released our Long-term Budget Outlook report, which provides a forecast for Ontario's economy and the province's fiscal position over the next 30 years. It's worth noting that this long-term projection builds on the medium-term, 5-year outlook that we released this past December.

The key message from today's report is that the success of the government's current reforms to its core programs – health, education and social services – will have a significant impact on Ontario's long-term fiscal position.

If the government successfully transforms public services and achieves significant and permanent cost savings, Ontario's fiscal position would steadily improve, with the debt burden lower in 2050 than it is today.

However, if the government fails to find permanent savings and instead relies on temporary cost reductions, the province's future finances would be challenging because the debt burden would be much higher. This would likely prompt the need for significant future policy changes.

Here are some highlights from our analyses which lead us to that conclusion:

- Consistent with other forecasters, we expect that demographic change will contribute to slower economic growth in Ontario over the next three decades. This happens largely because population aging will slow the growth in the labour force.

- More moderate economic growth means that Ontario's revenue gains will also be slower. At the same time, on-going population growth and a rising number of seniors will put upward pressure on program spending.
- In the medium term, the government has committed to balancing Ontario's budget by limiting the growth in spending through efficiency gains and transforming the way public services are delivered.
- Our baseline projection assumes the government successfully transforms public service delivery, achieving permanent cost savings. Given this assumption, Ontario's fiscal position improves with net debt as a share of GDP reaching 35 per cent by 2050, down from about 40 per cent today.
- However, improvements in the delivery of public services, resulting in lasting cost reductions are difficult to achieve. Historically, governments have often relied upon temporary cost-cutting measures that lead to a period of higher "catch-up" spending.
- For this reason, we developed an alternative scenario that assumes the government is unable to achieve lasting cost savings and spending rebounds to address built-up demand for public services. In this case, Ontario's future fiscal position would be challenging, with the debt burden rising to almost 66 per cent by 2050.
- Under these circumstances the province's deteriorating fiscal position would likely require future governments to respond by increasing taxes or cutting spending.

Thank you.

I would be happy to respond to any questions. Il me ferait plaisir de répondre à vos questions.

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