

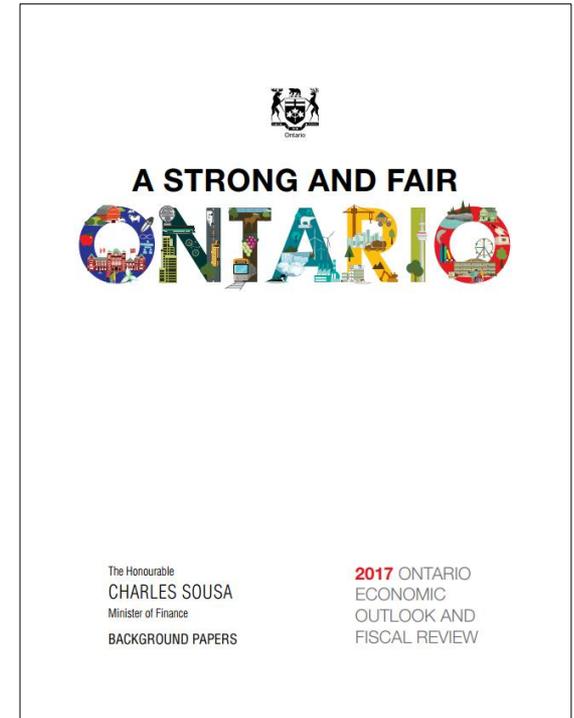
Economic and Fiscal Outlook

Assessing Ontario's Medium-term Prospects
Fall 2017 Update



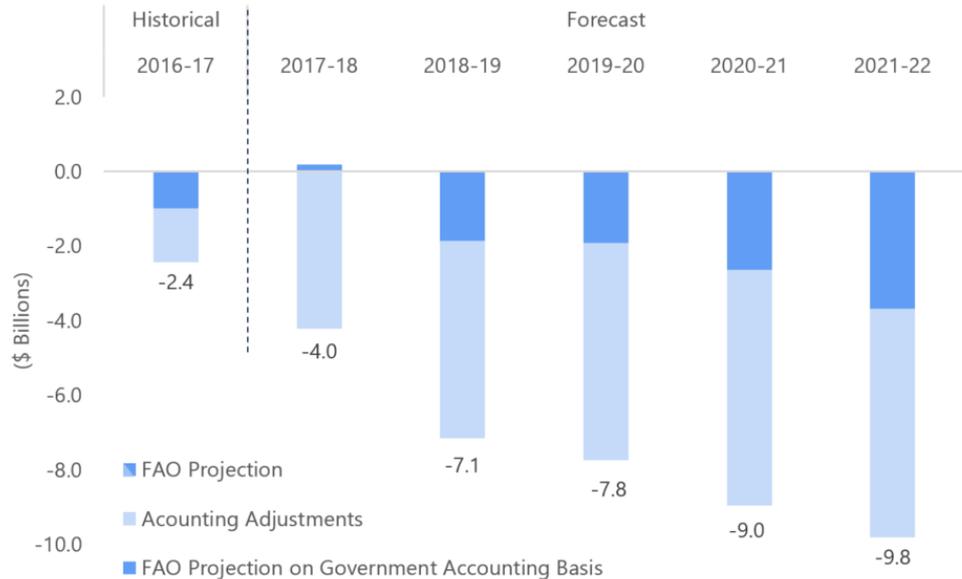
Background

- Ontario released its 2017 Fall Economic Outlook and Fiscal Review on November 14th.
- In it, the government affirmed that it will balance the budget in 2017-18, and stay in balance for the next two years.



The FAO projects significant and rising deficits

Ontario Budget Balance



The difference between the FAO and the government is the result of:

A more moderate revenue forecast

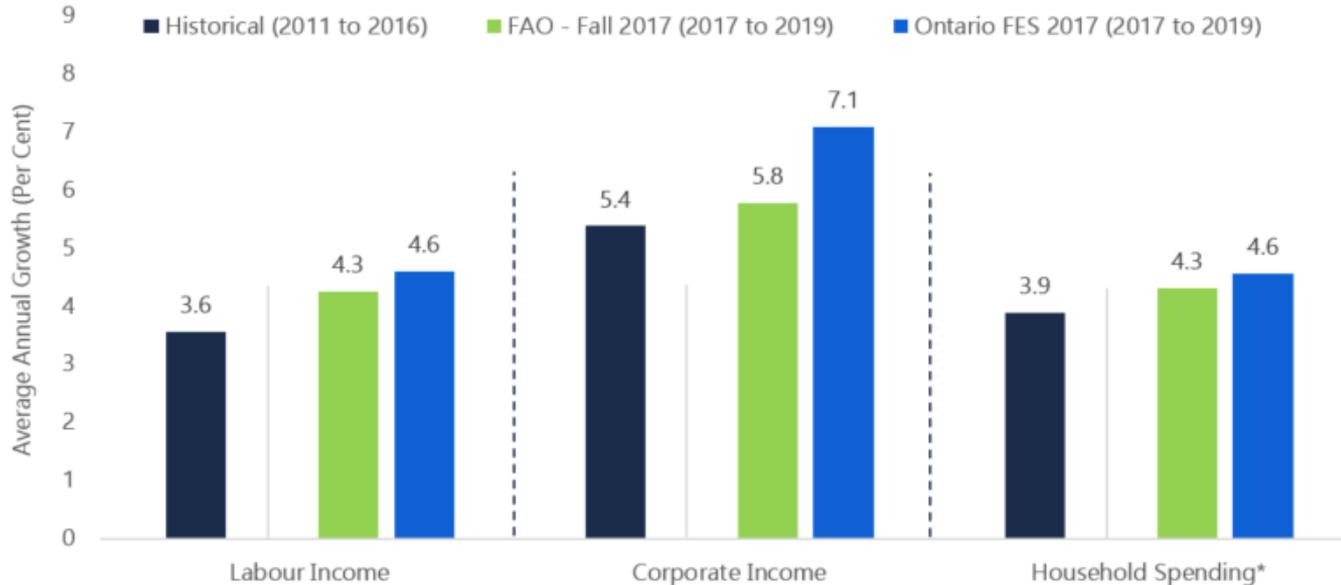
Inclusion of the Auditor General's recommended accounting framework

Note: Budget Balance before reserve.

Source: Ontario Public Accounts, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

Strong growth expected for Ontario incomes and household spending – key drivers of tax revenue.

Growth in Key Tax Drivers



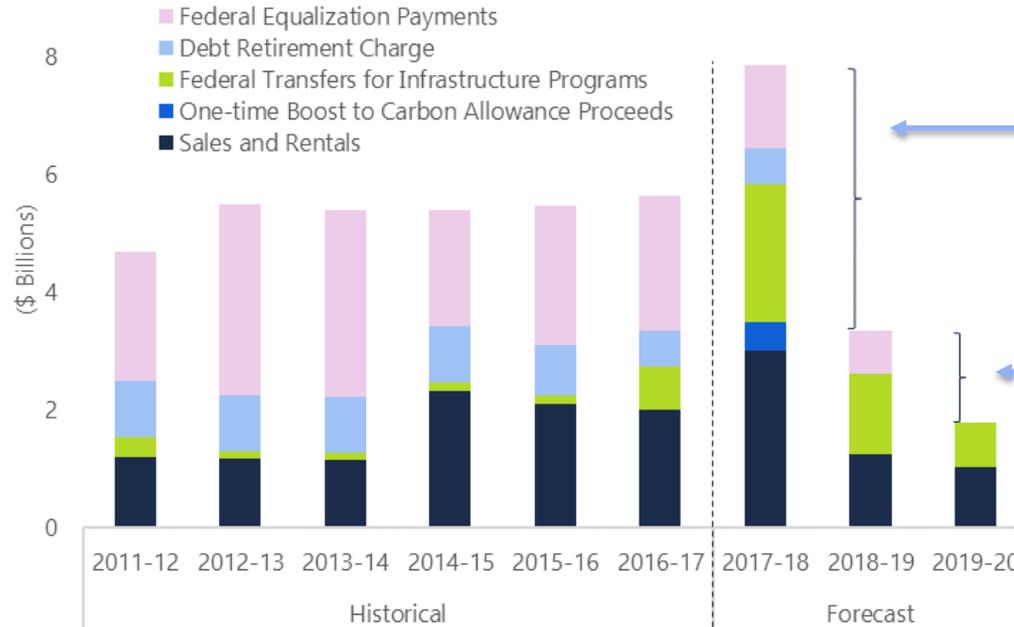
* The FES forecast for Household Spending is calculated as Real Household Spending plus CPI inflation.

Source: Statistics Canada, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

But, the Province's forecasts are likely too optimistic.

The loss of time-limited revenues also contributes to slower revenue growth

Many Time-limited Revenues are Set to Expire Beyond 2017-18



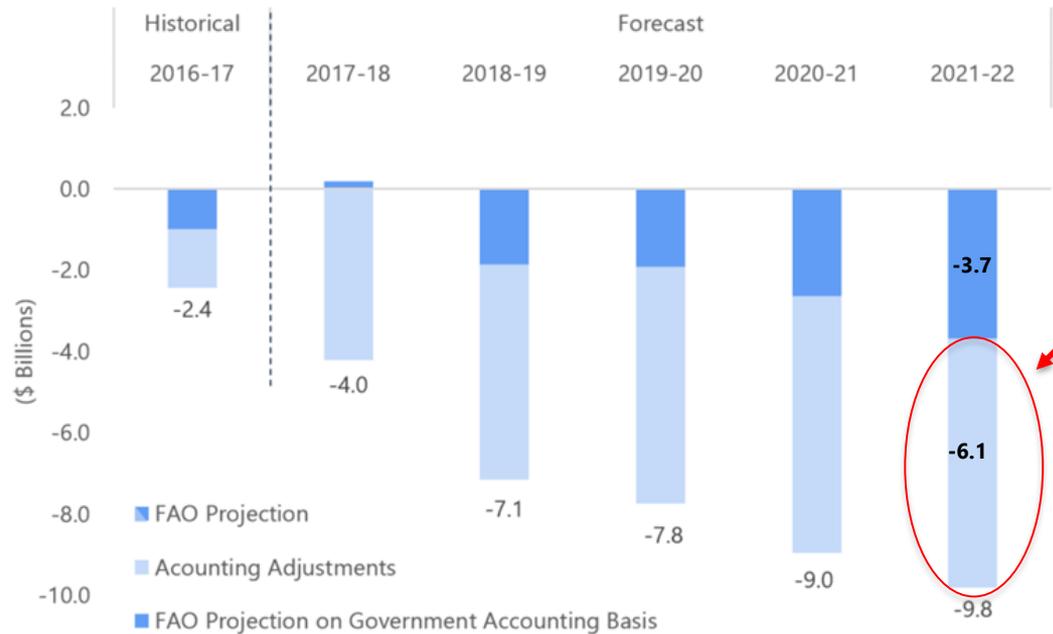
There is a \$4.5 billion decrease in 2018-19...

...and a further \$1.6 billion decrease in 2019-20.

Source: Ontario Budgets, Ministry of Finance and FAO.

The AG's recommended accounting framework increases the deficit

Ontario Budget Balance



By 2021-22, the accounting adjustments result in a \$6.1 billion increase to the deficit:

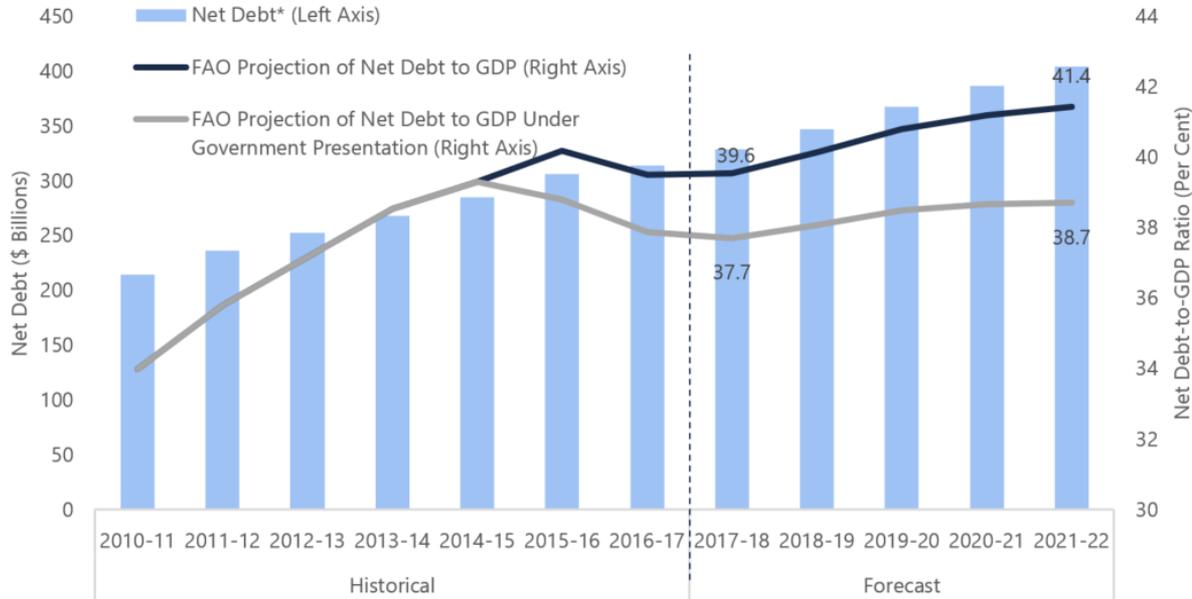
- a \$2.9 billion adjustment to offset the net pension assets of jointly-sponsored pension plans, and
- a \$3.2 billion increase in program spending to reflect additional expenses associated with the Fair Hydro Plan.

Note: Budget Balance before reserve.

Source: Ontario Public Accounts, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

Continued deficits lead to a rising debt burden

Net Debt Outlook



Ontario's net debt-to-GDP ratio is projected to exceed 41 per cent by 2021-22.

* Net debt is presented on the AG's recommended accounting basis, which includes the impact of the Fair Hydro Plan and the pension adjustment.

Source: 2017 Ontario Economic Outlook and Fiscal Review, Ontario Public Accounts and FAO.

Conclusions

Current and future Ontario governments are facing difficult policy choices.

Additional measures to raise revenue or lower spending will be required if the Province intends to achieve and maintain a balanced budget, and lower Ontario's debt burden.

Thank You



2 Bloor Street West
Suite 900
Toronto, Ontario
M4W 3E2

For media inquiries, please contact:
Kismet Baun, Communications
Advisor
416-254-9232
kbaun@fao-on.org

