



Economic and Budget Outlook

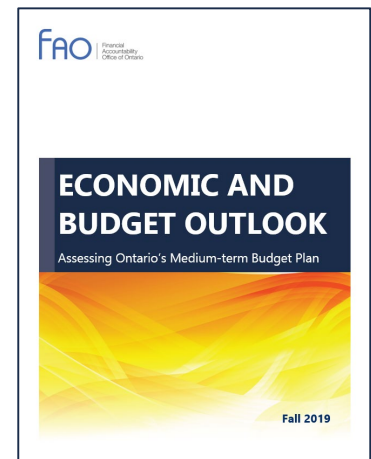
Assessing Ontario's Medium-term Budget Plan
Fall 2019

fao

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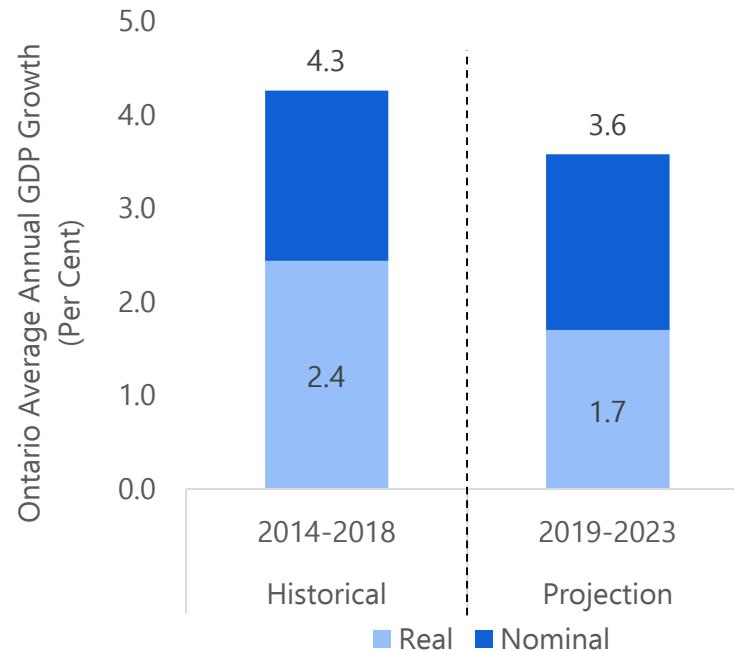
Overview

- Government released the 2019 Economic Outlook and Fiscal Review on November 6th.
- The FAO's Economic and Budget Outlook (EBO) provides an independent assessment of Ontario's economic performance and budget outlook.



Ontario's economic growth has slowed

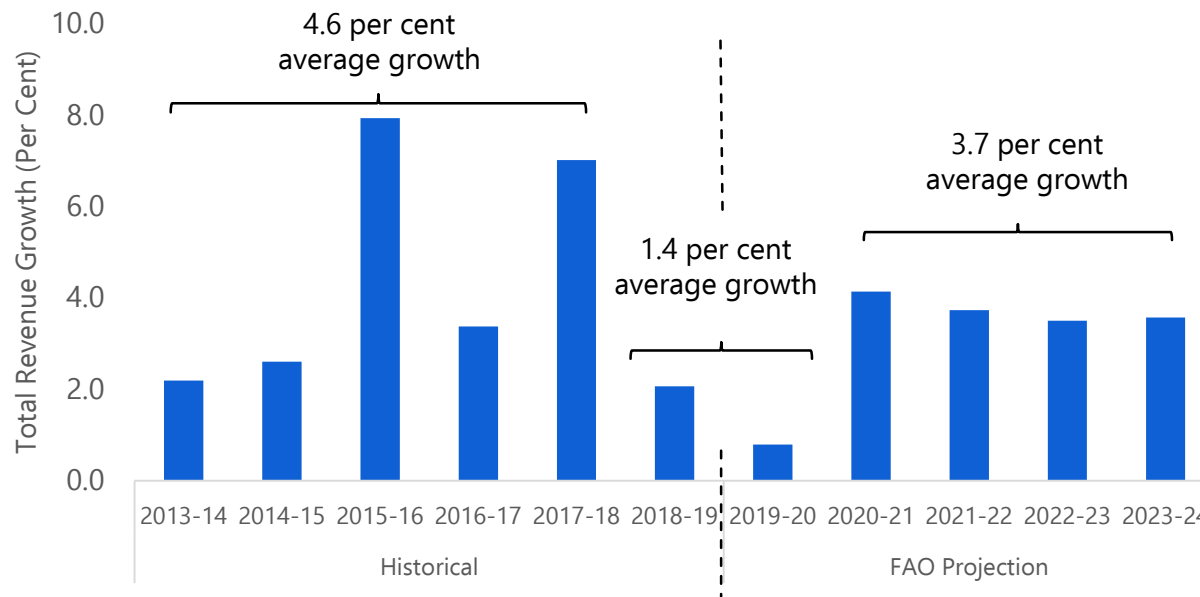
- Real GDP growth projected to average 1.7 per cent annually over the outlook, reflecting weaker gains in household spending, investment, exports and government spending



Source: Statistics Canada and FAO.

Moderate revenue growth expected

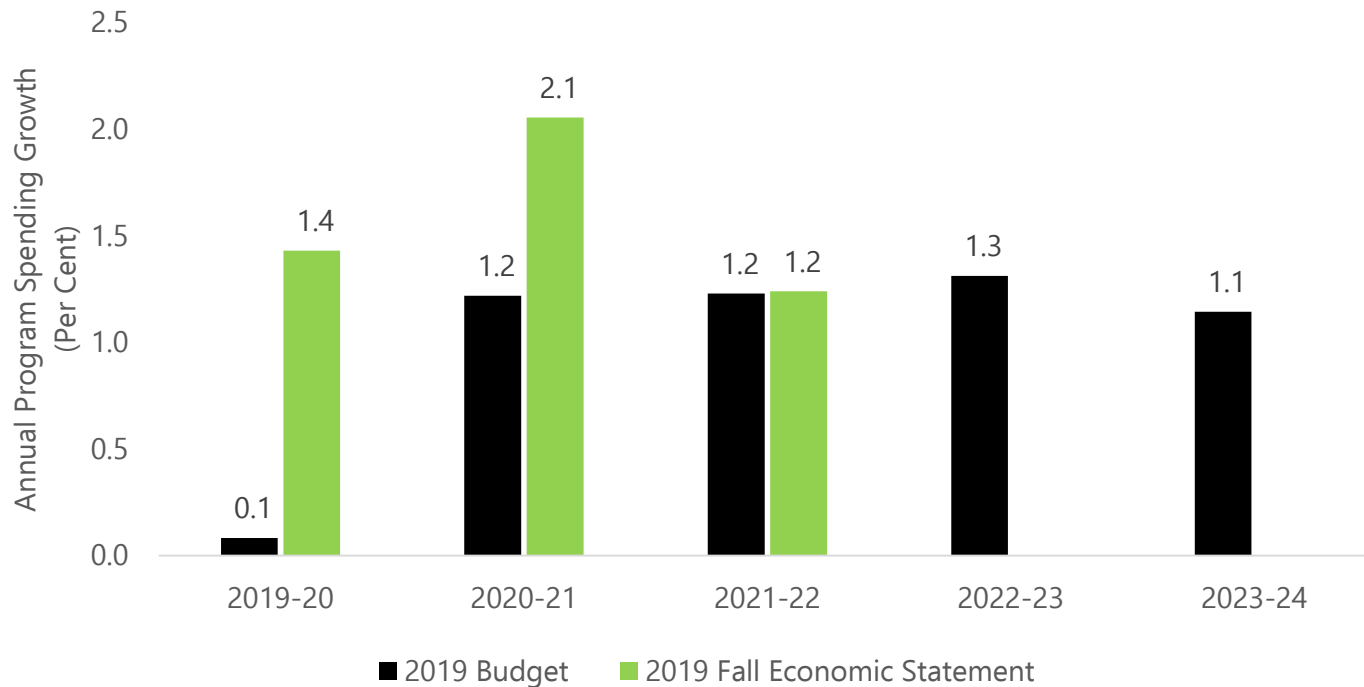
- Revenue growth has been weak over the past two years – averaging just 1.4 per cent annually
 - Reflects policy changes by previous and current governments, combined with more moderate economic growth
- Revenue growth improves to 3.7 per cent over next four years



Source: Ontario Public Accounts, 2019 Ontario Economic Outlook and Fiscal Review and FAO.

Program spending restraint continues

- Fall Economic Statement increased program spending growth over next two years, compared to 2019 budget outlook
 - Spending growth in 2021-22 is unchanged from budget
- Program spending expected to grow at average annual rate of 1.4 per cent over full five-year outlook

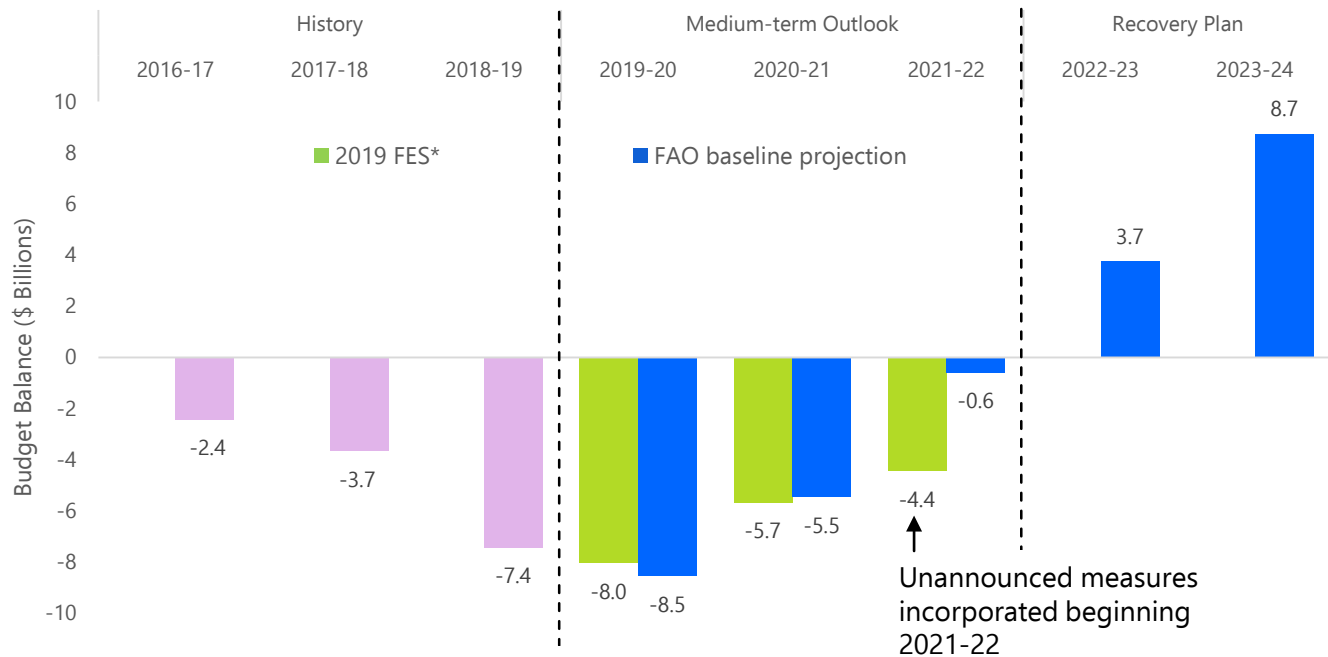


Note: Estimates for program spending in 2022-23 and 2023-24 are based on program spending growth rates from the 2019 Ontario Budget.

Source: 2019 Ontario Budget and 2019 Ontario Economic Outlook and Fiscal Review and FAO.

FAO baseline projection: budget balanced by 2021-22

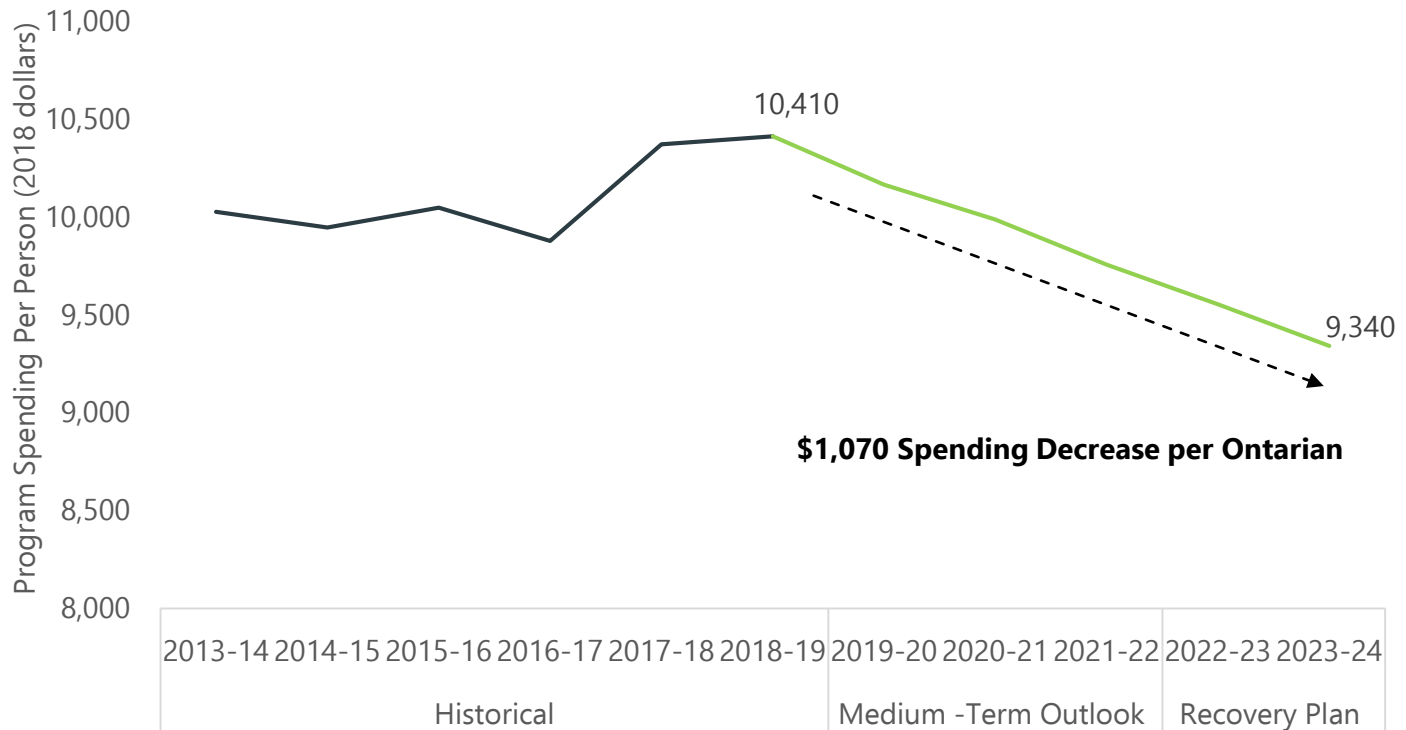
- Under FAO's baseline projection, the budget is effectively balanced in 2021-22 and improves to a large surplus by 2023-24
- Government's budget plan includes provisions for unannounced tax cuts and spending measures
 - Unannounced policies would delay balanced budget to 2023-24 and increase net debt by \$13.5 billion



Source: Ontario Public Accounts, 2019 Ontario Economic Outlook and Fiscal Review and FAO.

* Budget balance is presented before the reserve.

Government's plan would reduce spending per person by \$1,070 over five years

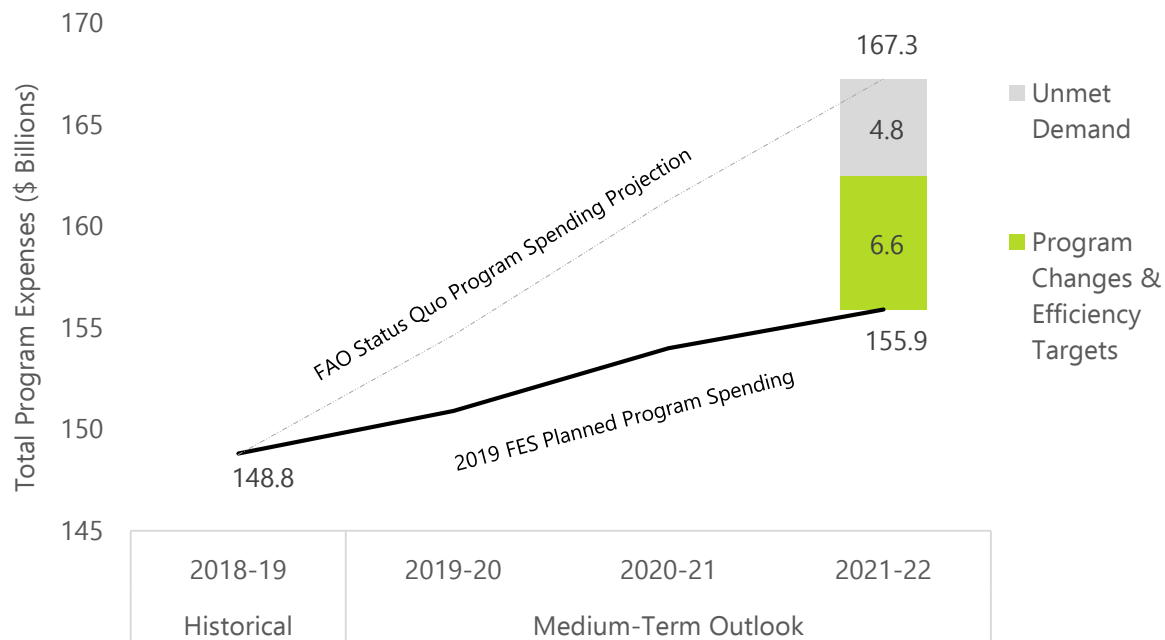


Note: Estimates for program spending in 2022-23 and 2023-24 are based on program spending growth rates from the 2019 Ontario Budget.

Source: Ontario Public Accounts, 2019 Ontario Budget, 2019 Ontario Economic Outlook and Fiscal Review and FAO.

Demand for public services likely to exceed planned spending

- FAO analysis suggests demand for public services by 2021-22 could exceed government's planned spending by \$5 billion, after accounting for government's cost cutting measures.
 - Additional actions likely needed to achieve the government's spending plan



Source: FAO analysis of data from Treasury Board Secretariat. Numbers may not add due to rounding.

Thank you

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