



FAO

**FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO**

Economic and Budget Outlook

Assessing the Impact of the COVID-19 Pandemic

Spring 2020

About this document

Established by the Financial Accountability Officer Act, 2013, the Financial Accountability Office (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

This report was prepared by Sabrina Afroz, Edward Crummey, Zohra Jamasi, Jay Park and Nicolas Rhodes, under the direction of Paul Lewis and David West. External reviewers were provided with earlier drafts of this report for their comments. However, the input of external reviewers implies no responsibility for this final report, which rests solely with the FAO.

The content of this report is based on information available to April 30, 2020. Background data used in this report are available upon request.

In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.

FAO's Fiscal Projections

The FAO forecasts provincial finances based on projections of existing and announced revenue and spending policies. The FAO's tax revenue projections are based on an assessment of the outlook for the provincial economy and current tax policies. Given the government's discretion over spending, the FAO adopts the government's announced spending plans from fiscal documents and incorporates policy announcements as appropriate. All average annual growth rates in this report are calculated using the year before the first indicated year as the base.



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1 | Key Points

- The COVID-19 pandemic and government measures to contain the virus will have a severe impact on Ontario's economy. The FAO projects that Ontario's real GDP will decline by 9.0 per cent in 2020, the largest annual decline on record.
- Ontario's economic recovery will depend on the success of the pandemic containment measures and the pace at which the economy can be reopened. Assuming the pandemic measures are lifted gradually and progressively through the second half of 2020, the province's real GDP is forecast to largely rebound in 2021, rising by 8.5 per cent.
- The severe economic contraction will result in a significant decline in Ontario's revenues, while the government plans to increase program spending in response to the pandemic. The FAO projects that Ontario's budget deficit will almost quadruple to a record \$41.0 billion (or 5 per cent of GDP) in 2020-21. As the economy recovers, the deficit is projected to decrease to \$25.3 billion in 2021-22, more than double the 2019-20 deficit.
- Higher deficits will result in sharply increased borrowing and debt, raising Ontario's net debt-to-GDP ratio to a record 49.7 per cent in 2020-21, up almost 10 percentage points from 2019-20. Even as the economy recovers through 2021, Ontario's debt burden would remain elevated at 48.7 per cent of GDP.
- There is significant risk that reopening the economy could take longer than expected due to the on-going public health crisis. In an alternative scenario, where containment measures need to be lifted more gradually, Ontario's economy would experience a more muted recovery, with real GDP rising 4.6 per cent in 2021, following a 9.3 per cent decline in 2020. Under these assumptions, Ontario's budget deficit would reach \$45.3 billion in 2020-21, improving only modestly in 2021-22 to \$37.6 billion. This would result in the Province's net debt-to-GDP ratio rising above 52 per cent by 2021-22.

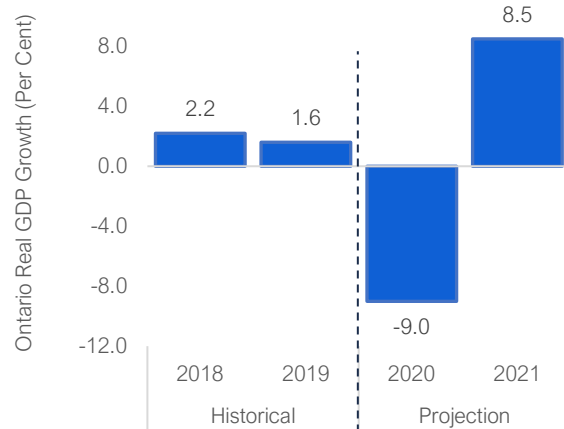
2 | Summary

Ontario to face severe economic contraction

The COVID-19 pandemic will have a massive negative impact on Ontario's economy. Unlike previous recessionary periods where lower demand forced businesses to cut production, the current decline in economic activity is due to government-directed shutdowns to stop the spread of the virus. As a result, Ontario's economic performance will depend heavily on the success of pandemic containment measures and the pace at which the economy can be reopened through 2020 and into 2021.

The FAO's economic outlook assumes that the current shutdown is largely sustained through the middle of the year, with a selective and gradual reopening of activities beginning in the summer. Under this assumption and incorporating the impacts of significant monetary and fiscal policy support, the FAO projects that Ontario real GDP will contract by 9.0 per cent in 2020, the largest annual decline on record back to the early 1980s.¹ The FAO's outlook also assumes that the recovery continues and strengthens through next year, with real GDP increasing by 8.5 per cent in 2021.

Chart 2-1: Pandemic pushes Ontario economy into recession



Source: Ontario Economic Accounts, and FAO.

Budget deficit to nearly quadruple in 2020-21

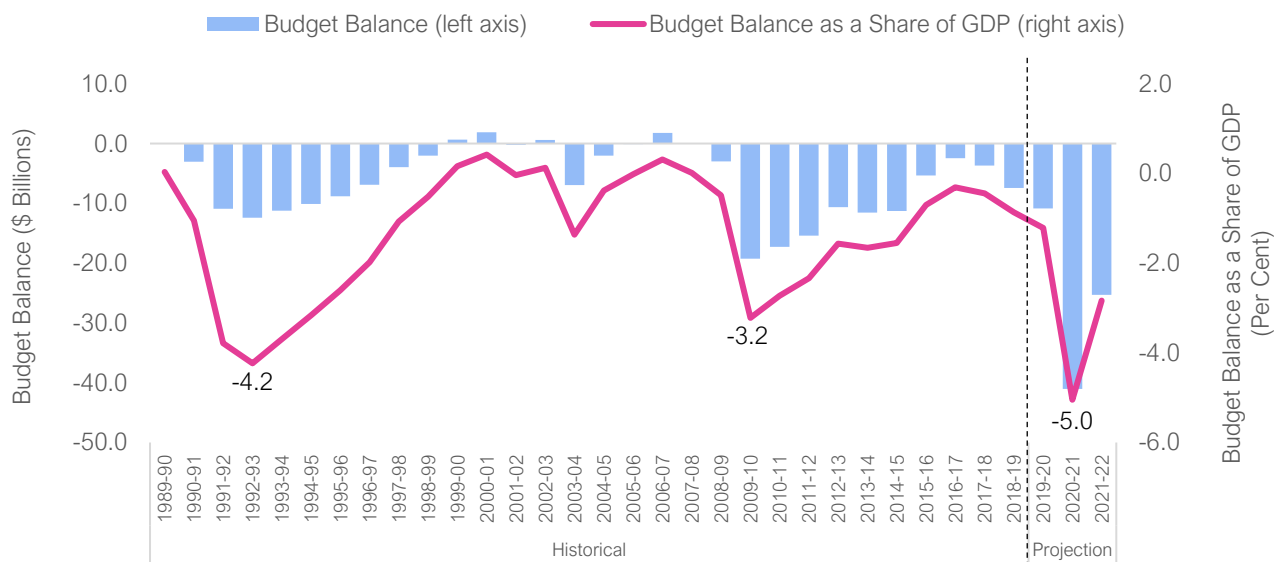
The sharp contraction in economic activity resulting from the pandemic will substantially reduce the province's revenues. The FAO projects that total revenue will drop by a dramatic \$21.7 billion in 2020-21, a decline of 14.0 per cent, with all major sources of taxation revenue down significantly. In 2021-22, as the economy begins to recover, revenues are expected to rebound, increasing by \$17.4 billion, but remaining below the 2019-20 level.

Based on the spending plan provided in the government's March 2020 Economic and Fiscal Update, program expense is projected to be \$8.0 billion higher in 2020-21 compared to 2019-20. Higher program spending in 2020-21 is driven by the government's COVID-19 measures, as well as smaller increases across other ministries.

The FAO projects Ontario's budget deficit will almost quadruple to \$41.0 billion in 2020-21, from \$10.8 billion in 2019-20, the result of a steep decline in revenues and an increase in program spending in response to the crisis. At 5.0 per cent of GDP, this would be the largest budget deficit on record in Ontario. As the province recovers from the pandemic and the economy begins to rebound, the budget deficit is expected to decrease to \$25.3 billion in 2021-22, more than double the 2019-20 deficit.

¹ Based on Statistics Canada's Provincial Economic Accounts which cover the period 1981 to 2018.

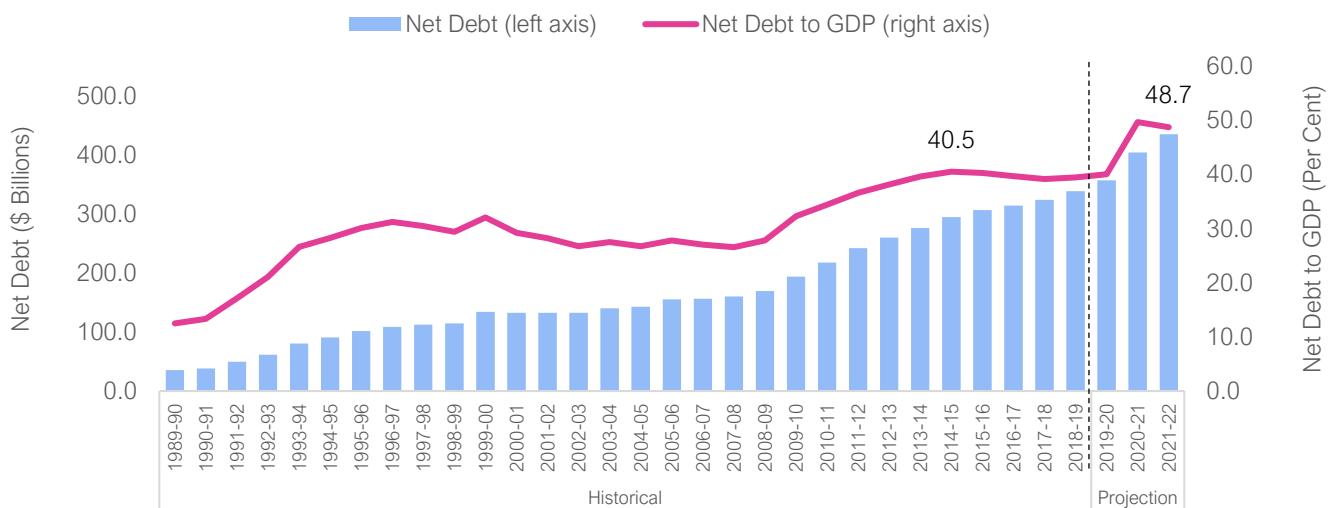
Chart 2-2: Ontario projected to post record deficits



Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Large budget deficits in 2020-21 and 2021-22 would result in a rapid accumulation of provincial debt. As a result, Ontario’s net debt-to-GDP ratio is projected to increase to 48.7 per cent in 2021-22, up almost 9 percentage points from 2019-20.

Chart 2-3: Ontario’s net debt-to-GDP ratio projected to reach highest on record



Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Despite large increases in debt, historically low borrowing costs are expected to dampen the rise in Ontario’s debt interest payments. The FAO projects that interest on debt will increase to 8.9 cents of every dollar of revenue by 2021-22, up from 8.0 cents in 2019-20.

A delayed recovery would aggravate Ontario's fiscal situation

Even with the government's cautious framework for reopening the Province,² there is significant risk that the pandemic containment measures might need to be lifted more gradually than assumed in the FAO's baseline outlook. A variety of factors could delay the reopening of the economy. Inadequate public compliance with government directives or insufficient public health capacity to track and contain new outbreaks could result in a second wave of COVID-19 and the reintroduction of pandemic containment measures.

The FAO developed an alternative scenario to assess the impact of prolonged or reintroduced containment measures which would delay the economic recovery. Under this alternative scenario, real GDP would be projected to decline by 9.3 per cent in 2020, followed by a significantly more muted recovery in 2021, with real GDP rising by 4.6 per cent.

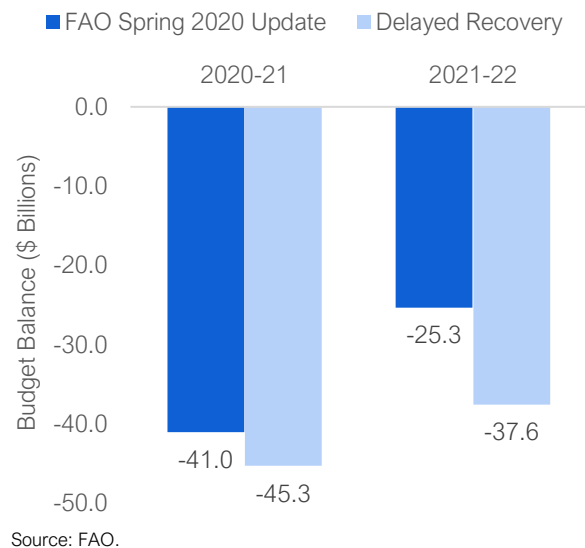
Under this scenario, the budget deficit would reach \$45.3 billion in 2020-21 and improve only modestly to \$37.6 billion in 2021-22. Ontario's net debt-to-GDP ratio would increase substantially from 40.1 per cent in 2019-20 to over 52 per cent by 2021-22.

Fiscal challenges will persist beyond the current public health crisis

The COVID-19 pandemic will have significant and lasting implications for Ontario's fiscal position. Even if revenues were to grow at more than twice the pace of spending after 2021-22, Ontario's budget deficit would decline only modestly, reaching \$17.0 billion by 2023-24, while the Province's debt burden would remain elevated at over 48 per cent of GDP.³

The government has committed to provide an updated budget plan in the fall which would be expected to include new fiscal targets that reflect the current economic outlook and the sharp deterioration in the Province's fiscal position. Due to the rapidly changing circumstances, the FAO will update its economic and budget outlook in late summer to incorporate new data and information as it becomes available.

Chart 2-4: A delayed recovery in Ontario would result in significantly higher budget deficits



² For details, see [A Framework for Reopening our Province, Government of Ontario, April 2020](#).

³ See Appendix D for a more detailed discussion on the FAO's extended outlook.

3 | Economic Outlook

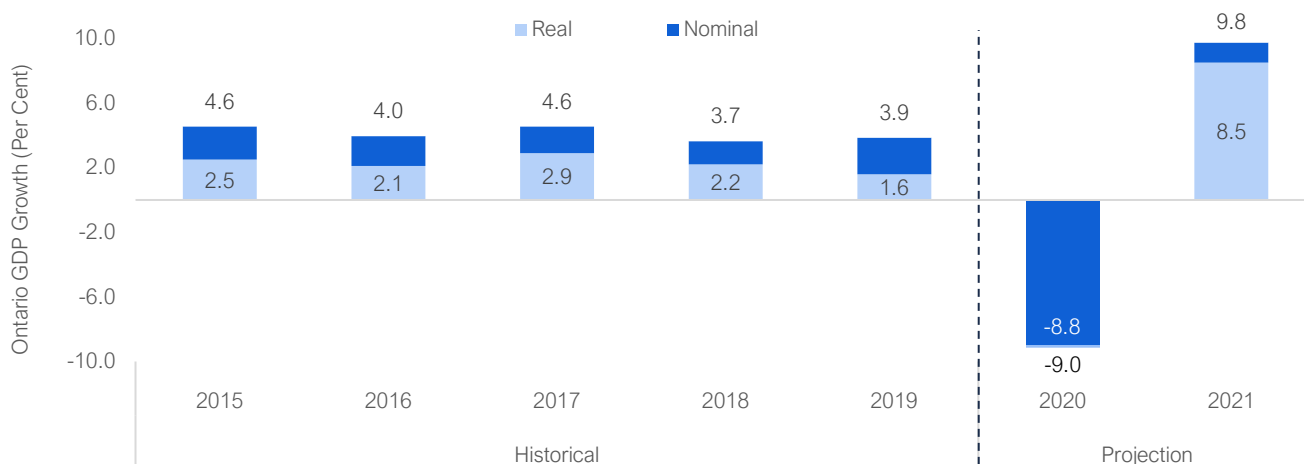
Overview

The COVID-19 pandemic will have a massive impact on Ontario’s economic outlook over the next several years. Government-directed shutdowns, intended to stop the spread of the virus, will result in a severe economic contraction through at least the first half of 2020. As government measures to contain the virus are progressively lifted, economic activity will gradually pick up. As a result, Ontario’s economic performance will depend heavily on the success of the measures, and the pace they can be lifted through 2020 and into 2021. Given the high level of uncertainty in this environment, the FAO has shortened its current economic outlook to two years, consistent with the approach of many other forecasters.

The FAO’s economic outlook assumes that the current shutdown is largely sustained through the second quarter of 2020, with a selective and gradual reopening of activities beginning in the summer. Under this assumption and incorporating the impacts of significant monetary and fiscal policy support, the FAO projects Ontario real GDP will contract by 9.0 per cent in 2020, the largest annual decline on record back to the early 1980s.⁴ The FAO’s baseline outlook also assumes that the recovery continues and strengthens through next year, with real GDP increasing by 8.5 per cent in 2021.

With the collapse of commodity prices, most notably oil prices, and the drop in demand for non-essential consumer goods, the GDP price deflator – a measure of economy-wide prices – is projected to edge up 0.2 per cent in 2020. Ontario nominal GDP, which provides a broad measure of the tax base, is projected to decline by 8.8 per cent in 2020, reflecting lower labour income and a steep slump in corporate profits, before rebounding by 9.8 per cent in 2021.

Chart 3-1: Pandemic pushes Ontario economy into recession



Source: Ontario Economic Accounts, and FAO.

⁴ The FAO’s economic forecast reflects data available as of April 30, 2020.

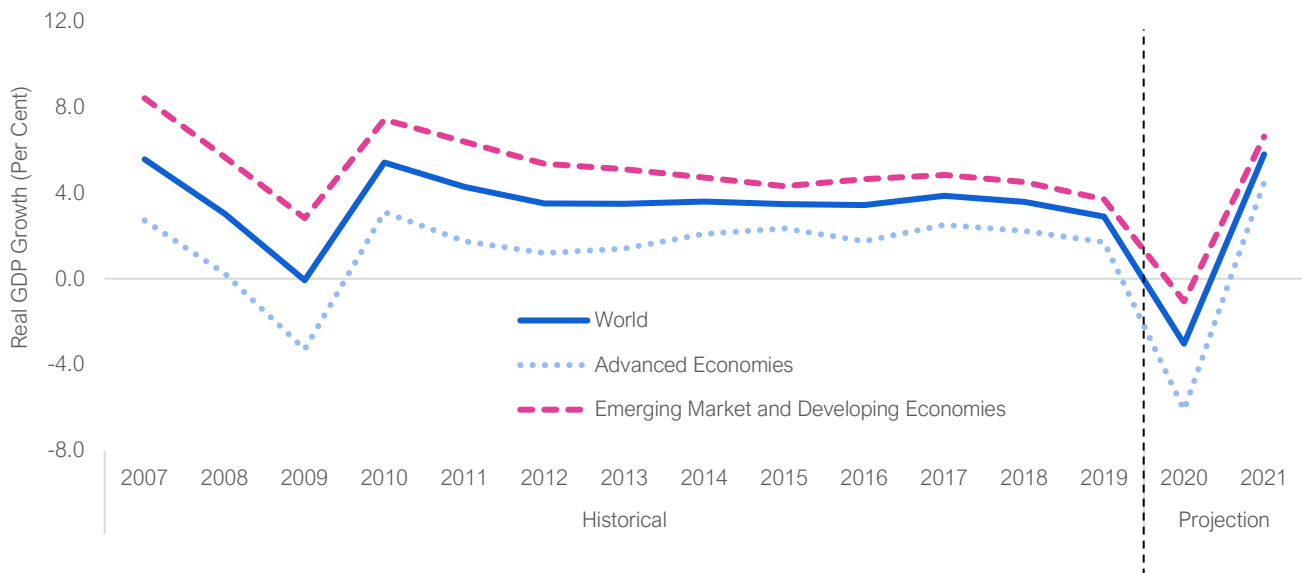
Global economic slowdown projected to be the worst since the Great Depression

Global economic growth slowed to 2.9 per cent in 2019, down from 3.6 per cent in 2018, as trade tensions and geopolitical uncertainty continued to weigh on trade and industrial production. The International Monetary Fund (IMF) had anticipated that these same challenges would continue to hold back growth in 2020. However, with the impact of the COVID-19 pandemic, the IMF now projects the global economy will decline by 3.0 per cent in 2020, surpassing the downturn experienced during the 2008-2009 global financial crisis, and on track to be the worst downturn since the Great Depression.⁵

The recession is expected to be more severe in advanced economies where widespread COVID-19 outbreaks have prompted strict containment measures. In the United States, real GDP is expected to contract by 6.2 per cent in 2020, with challenges to the economic recovery persisting into the summer. The US Federal Reserve is expected to keep the federal funds rate at historic lows at least through 2021.

The negative shock to the overall global economy is projected to result in economic contractions even in countries not experiencing widespread COVID-19 outbreaks.

Chart 3-2: Global economic growth projected to decline in 2020



Source: IMF.

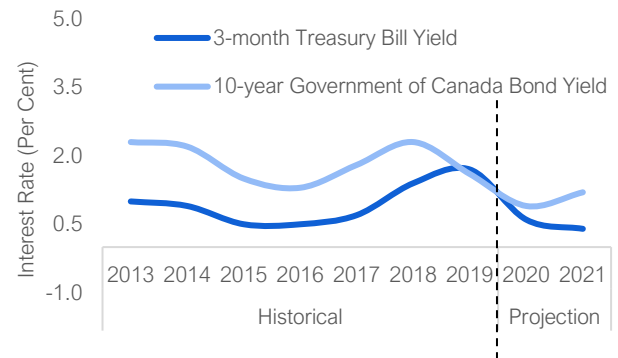
⁵ World Economic Outlook, International Monetary Fund, April 2020.

Interest rates to remain low as economy recovers

Consistent with the actions of other central banks, the Bank of Canada responded quickly to the economic crisis by lowering its policy interest rate by 1.5 percentage points to 0.25 per cent in March, the lowest rate since the 2008 global financial downturn.

In its April 2020 Monetary Policy Report, the Bank emphasized the high degree of uncertainty surrounding the outlook for inflation and the path to economic recovery.⁶ With inflation projected to be flat in the near term and given the unprecedented magnitude of the economic impact from the pandemic, short-term interest rates are expected to remain at historic lows over the next two years.

Chart 3-3: Short-term interest rates to remain low over outlook



Source: Statistics Canada and FAO.

Pandemic pushes Ontario economy into severe recession

Ontario's economic growth was slowing prior to the COVID-19 outbreak, with real GDP rising by a moderate 1.6 per cent in 2019, down from annual average growth of 2.4 per cent over the 2015 to 2018 period. The moderation in economic growth in 2019 reflected heightened uncertainty stemming from global trade tensions which affected business investment, as well as a slowdown in household spending and housing market activity.

In the span of a few months, the COVID-19 outbreak has resulted in an historic negative shock to Ontario's economy. However, the extent of the decline in economic activity has been lessened by aggressive monetary policy actions by the Bank of Canada combined with exceptional fiscal support from the federal and provincial governments. The FAO's forecast incorporates estimates of the positive impact of new government measures to support the economy, including the federal government's Canada Emergency Response Benefit (CERB) and the Canada Emergency Wage Subsidy (CEWS).

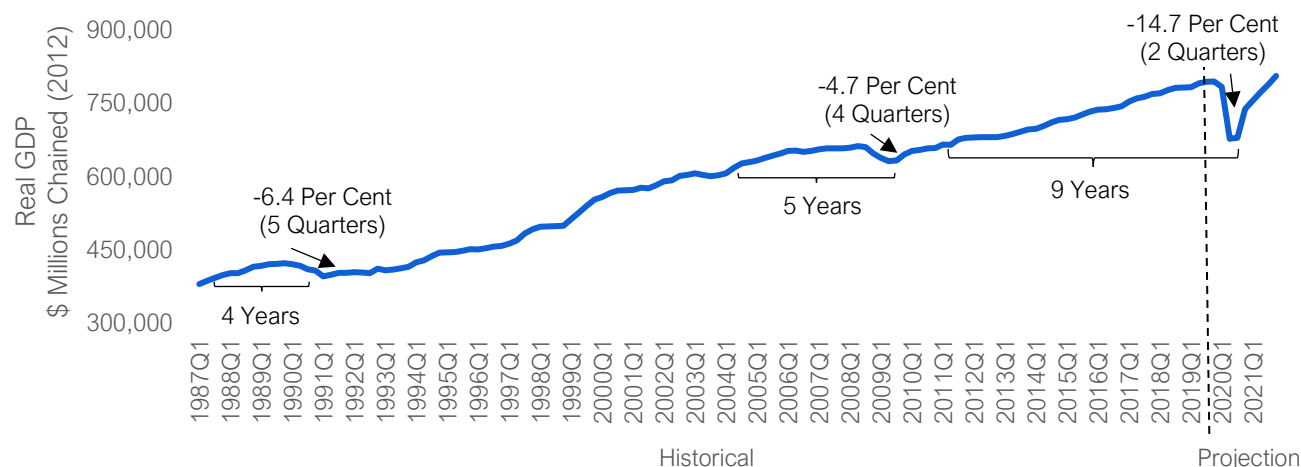
The FAO's economic outlook assumes that current measures to halt the spread of the COVID-19 virus, including the temporary shutdown of most non-essential businesses, are largely sustained into the middle of the year, followed by a staged but progressive reopening of activity into the fall.⁷ Under these assumptions, the FAO estimates that Ontario real GDP will drop by 9.0 per cent in 2020, the largest annual decline on record back to the early 1980s. Measured from its pre-recession peak in the fourth quarter of 2019, Ontario real GDP is projected to decline by 14.7 per cent over the first half of 2020, bringing economic activity back to the level of nine years ago. This would mark the largest decline in economic output on record, compared with the three other major recessions in Ontario since the early 1980s.⁸ Assuming the economy is largely reopened through the winter, Ontario real GDP growth would be projected to rebound by 8.5 per cent in 2021. However, even with a sharp rebound, the level of economic activity in Ontario is not expected to recover to its pre-crisis level until the end of 2021.

⁶ [Monetary Policy Report](#), Bank of Canada, April 2020.

⁷ The FAO's assumption is consistent with the Ontario government's framework for reopening the economy. See [A Framework for Reopening our Province](#), Government of Ontario, April 2020.

⁸ The earliest recession occurred in 1982 with a -6.0 per cent decline in real GDP over three quarters.

Chart 3-4: Current downturn projected to be largest on record back to 1980s

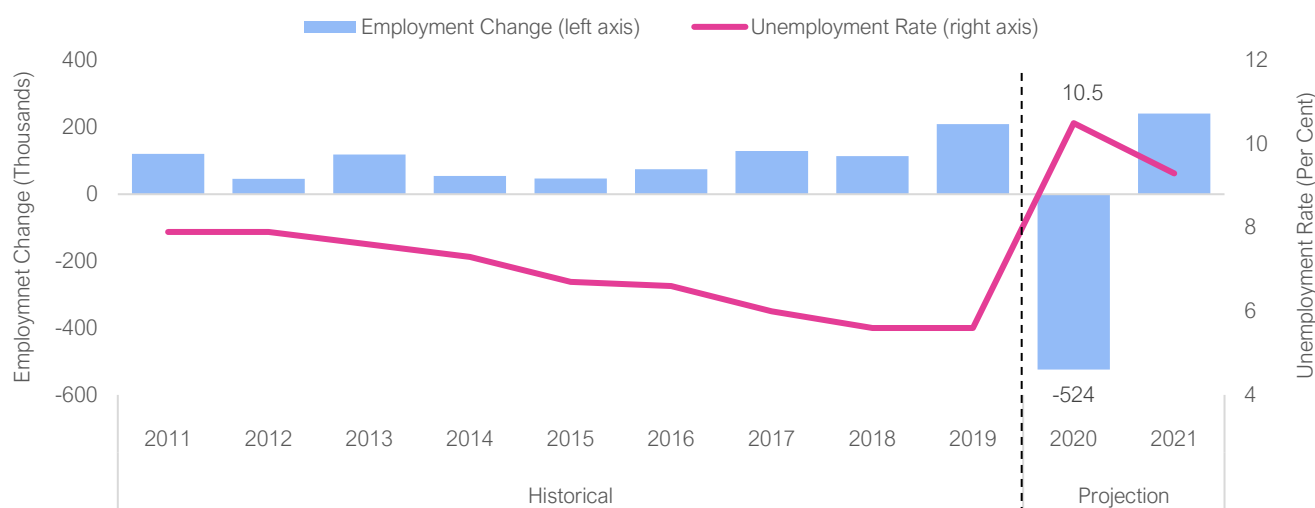


Source: Ontario Economic Accounts and FAO.

A sharp drop in output is expected across most major sectors of the economy. Significant job losses combined with high debt levels are expected to hold back household spending and limit housing market activity. However, new government programs to support families and individuals will partially offset some of these challenges. Businesses will be under significant strain to cope with the sharp drop in demand, prompting cutbacks in investment. Exporters will also experience a drop in orders from lower foreign demand, despite a weaker Canadian dollar that should help boost competitiveness.

The early impact of the pandemic shutdowns on Ontario's labour market has been severe, with a record 1,092,000 jobs lost in March and April, pushing up the unemployment rate to 11.3 per cent. The FAO projects that moderate but steady improvements in the labour market will occur over the second half of 2020. Even so, Ontario's annual unemployment rate will reach 10.5 per cent in 2020, nearly doubling from 5.6 per cent in 2019. As the recovery takes hold, the unemployment rate is projected to decline gradually through 2021.

Chart 3-5: Unemployment rate projected to rise to 10.5 per cent in 2020

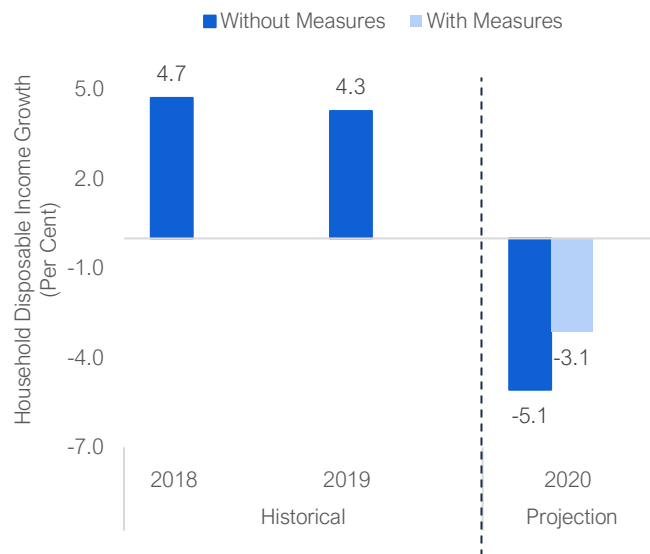


Source: Statistics Canada and FAO.

In the absence of government measures to support families and individuals, the FAO estimates that household disposable income in Ontario would have declined by 5.1 per cent in 2020. However, recently introduced federal and provincial programs to support household incomes are expected to help partially offset the impact of the pandemic crisis. After including the impact of these income support programs, Ontario household incomes are projected to decline by 3.1 per cent this year.⁹

Corporate profits are projected to record a sharp 26.6 per cent decline in 2020, as businesses in most sectors face supply chain disruptions and a collapse in sales. Overall, nominal GDP is projected to decline by 8.8 per cent in 2020. Based on currently announced fiscal policies and assuming a steady and progressive reopening of the economy through the second half of 2020, nominal GDP is expected to increase by 9.8 per cent in 2021.

Chart 3-6: Government measures will moderate the decline in household income



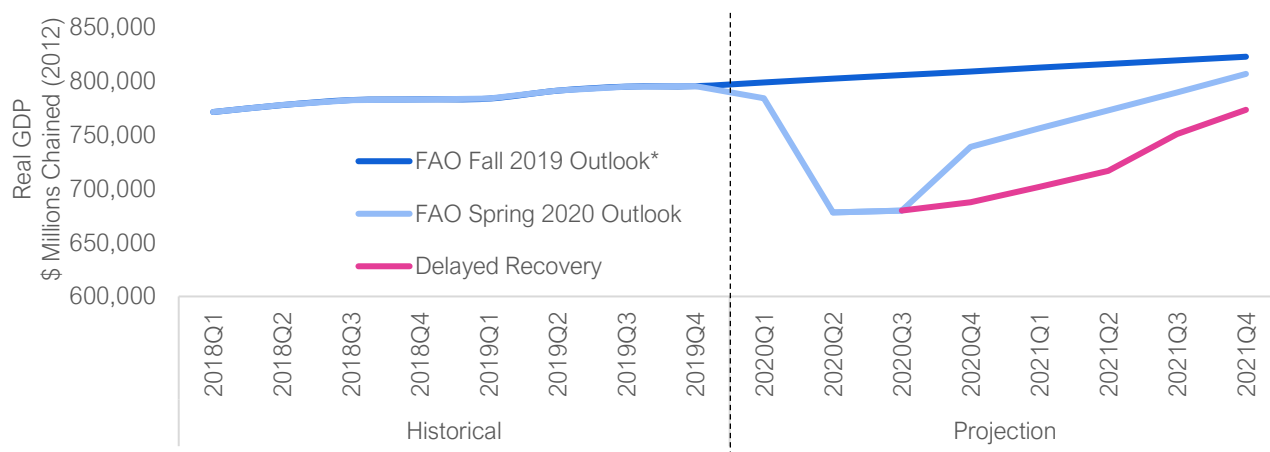
Source: Statistics Canada, Ontario Economic Accounts, and FAO.

Economic recovery would be weaker if pandemic measures need to be extended

The path to economic recovery will depend heavily on the success of containment measures in preventing the further spread of the virus and the extent to which government policies are able to support the economy in the short term. Even with the government’s cautious framework for reopening the province,¹⁰ there is significant risk that pandemic containment measures might need to be lifted more gradually than assumed in the FAO’s baseline outlook, which would lead to a slower pace of economic recovery. A variety of factors could delay the reopening of the economy. Inadequate public compliance with government directives or insufficient public health capacity to track and contain new outbreaks could result in a second wave of COVID-19 and the reintroduction of pandemic containment measures.

⁹ Federal and provincial government measures incorporated into the projection include the Canada Emergency Response Benefit (CERB), the Canada Emergency Wage Subsidy (CEWS), the Goods and Services Tax Credit, the Enhanced Canada Child Benefit, Ontario’s \$200 COVID-19 Childcare Support benefit and increases to the Guaranteed Annual Income System (GAINS) payment for low-income seniors. For federal measures, the FAO estimated Ontario’s share and allocated the impact to the appropriate income categories for the announced duration of the program.

¹⁰ [A Framework for Reopening our Province](#), Government of Ontario, April 2020.

Chart 3-7: Economic growth would be weaker if pandemic is prolonged


* Adjusted for 2019 Q4 data from Ontario Economic Accounts.
 Source: Ontario Economic Accounts and FAO.

The FAO developed an alternative scenario to assess the impact of prolonged or reintroduced containment measures which delay the economic recovery and result in a slower pace of growth in 2021.¹¹ Under this alternative scenario, the FAO projects real GDP would decline by 9.3 per cent in 2020, followed by a significantly more muted recovery of 4.6 per cent in 2021. In this scenario, Ontario's economic activity would not recover to its pre-pandemic level until 2023.

Table 3-1: FAO Outlook

(Per Cent Growth)	2018a	2019a	2020f	2021f
Real GDP				
FAO Fall 2019 Outlook*	2.2	1.6	1.7	1.7
FAO Spring 2020 Outlook	2.2	1.6	-9.0	8.5
Delayed Recovery	2.2	1.6	-9.3	4.6
Nominal GDP				
FAO Fall 2019 Outlook*	3.7	3.9	3.5	3.6
FAO Spring 2020 Outlook	3.7	3.9	-8.8	9.8
Delayed Recovery	3.7	3.9	-9.1	5.9

a = Actual f = Forecast

* Adjusted for 2019 Q4 data from Ontario Economic Accounts.
 Source: Ontario Economic Accounts and FAO.

¹¹ Under this alternative scenario, the FAO assumes that the magnitude of economic decline in the first half of 2020 is unchanged from the baseline projection, and only the pace of recovery is affected. The FAO also assumes that the duration of federal and provincial measures is extended by a quarter.

4 | The Budget Outlook

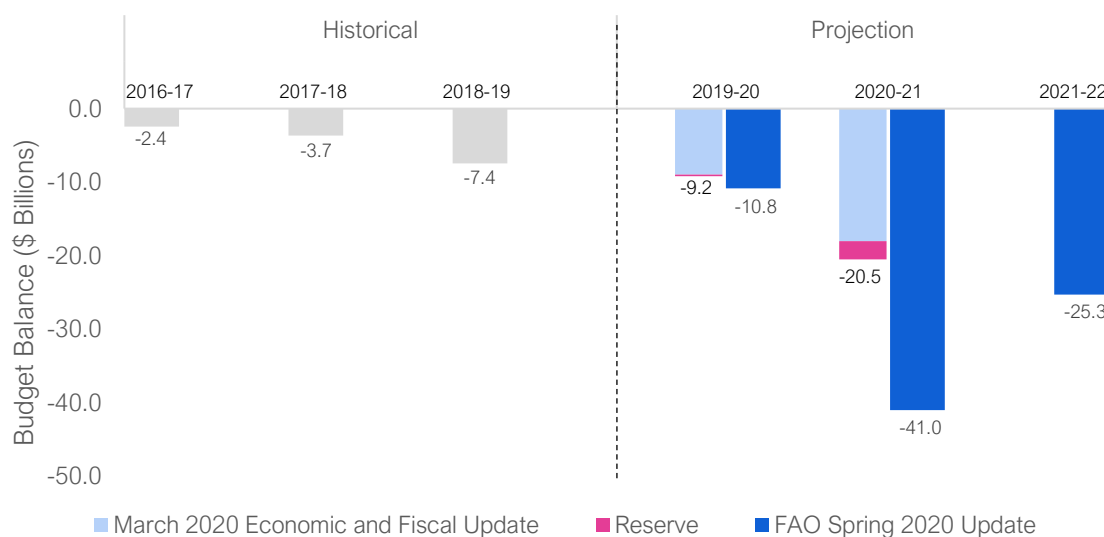
\$41 billion budget deficit projected in 2020-21

The FAO is projecting Ontario's budget deficit will almost quadruple from \$10.8 billion in 2019-20 to \$41.0 billion in 2020-21. The dramatic deterioration in the budget deficit reflects the sharp economic contraction caused by the COVID-19 pandemic, which results in a steep decline in revenues, and an increase in program spending in response to the crisis.

The FAO's deficit forecast for 2020-21 is \$20.5 billion larger than projected by the government in its March 2020 Economic and Fiscal Update (March Update). The large difference reflects the FAO's updated projection for a much steeper decline in economic activity compared to the government's forecast, which results in significantly lower revenues.¹²

As the province recovers from the pandemic and the economy begins to rebound, the budget deficit is expected to improve to \$25.3 billion in 2021-22, but remain more than double the 2019-20 level.

Chart 4-1: The COVID-19 pandemic could quadruple Ontario's 2020-21 deficit



Note: The FAO's budget balance is presented before reserve. The government's budget balance projection, from the March Update, is presented including the reserve.

Source: Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

The large budget deficits in 2020-21 and 2021-22 will result in a rapid accumulation of provincial debt over the next two years. The FAO projects that Ontario's net debt-to-GDP ratio will increase to 48.7 per cent in 2021-22, up almost 9 percentage points from 2019-20.

¹² The FAO's economic projection was prepared several weeks after the government released its March Update, which was based on information available to March 18. Since then, additional information on the extent and depth of the economic downturn became available, including Statistics Canada's flash estimate for March GDP as well as the March Labour Force Survey. Appendix A compares the FAO and government projections for key economic variables used in the tax revenue forecast.

Despite large increases in debt, historically low borrowing costs are expected to dampen the rise in Ontario’s debt interest payments. The FAO projects interest on debt will increase to 8.9 cents of every dollar of revenue in 2021-22, up from 8.0 cents in 2019-20.

Fiscal projection under a delayed recovery scenario

The current economic and fiscal outlook includes a high degree of uncertainty, given the rapid onset of the COVID-19 pandemic. Ontario’s fiscal position would be considerably weaker under a scenario where prolonged or reintroduced containment measures delay the economic recovery.

Under this scenario, the FAO projects the budget deficit would deteriorate significantly, reaching \$45.3 billion in 2020-21 and improving only modestly to a deficit of \$37.6 billion in 2021-22. Net debt-to-GDP would be expected to increase substantially from 40.1 per cent in 2019-20 to over 52 per cent by 2021-22.

See [Fiscal Projection Under a Delayed Recovery Scenario](#) for details.

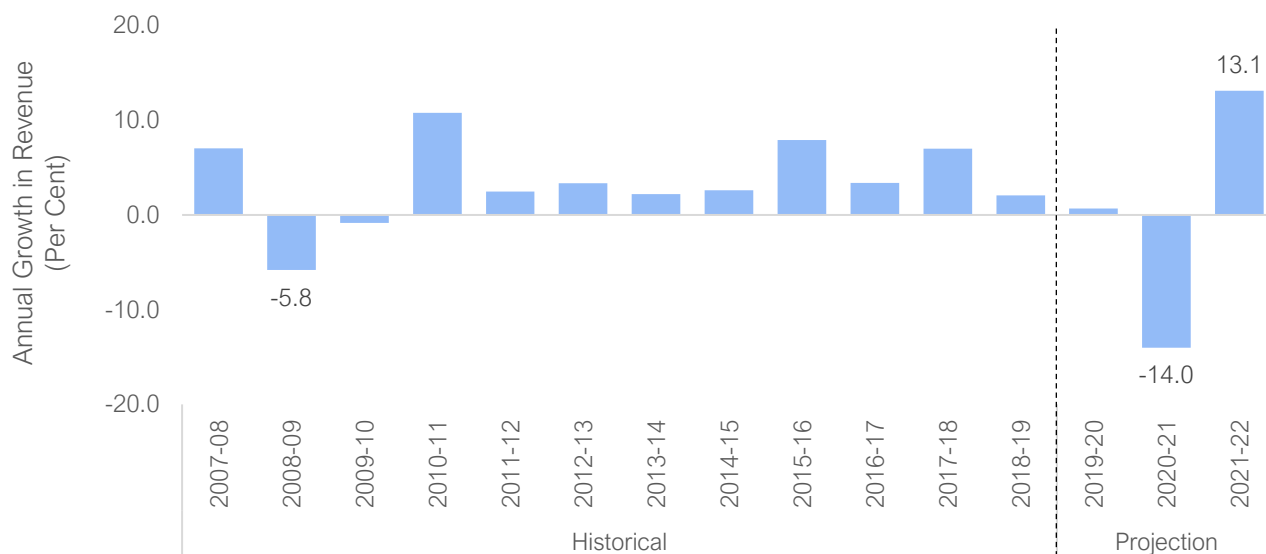
Revenue Outlook

The sharp contraction in economic activity as a result of the COVID-19 pandemic will substantially impact the province’s revenues. Overall, the FAO projects that a modest increase in total revenue in 2019-20 will be followed by a dramatic \$21.7 billion decline in 2020-21. In 2021-22, as the economy begins to recover from the pandemic, revenues are expected to partially rebound, increasing by \$17.4 billion.

Total revenue to drop by 14 per cent in 2020-21

Revenues are projected to edge up in 2019-20, before falling substantially in 2020-21. The \$21.7 billion or 14.0 per cent drop in revenues in 2020-21 is much larger than was observed during the 2008-2009 global financial crisis.

Chart 4-2: Projected decline in revenue much larger than experienced during 2008-2009 global financial crisis

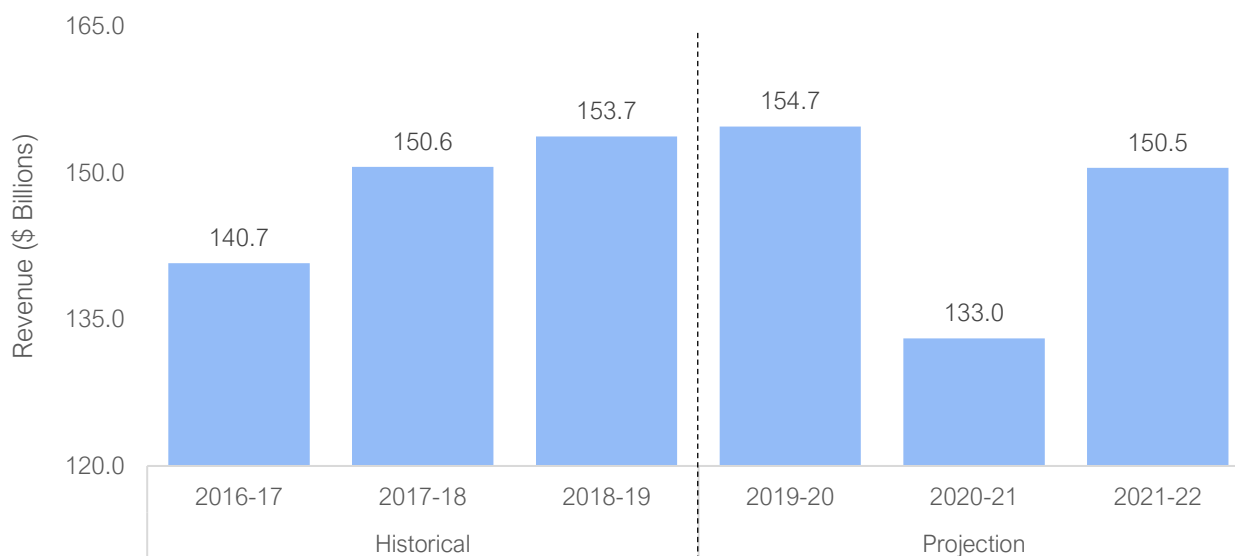


Source: Ontario Public Accounts and FAO.

Lower revenues in 2020-21 are primarily the result of a sharp \$20.4 billion decline in taxation revenues. Other revenue sources are forecast to decrease by \$1.3 billion, with declines in Government Business Enterprise income and other non-tax revenues offset in part by slightly higher transfers from the federal government.

Revenues are expected to partially rebound in 2021-22, as the economy begins to recover, following the easing of government-directed shutdowns. Overall revenues are projected to increase by \$17.4 billion in 2021-22 but remain below the 2019-20 level.

Chart 4-3: Ontario revenue projected to fall significantly in 2020-21, before partially rebounding in 2021-22



Source: Ontario Public Accounts and FAO.

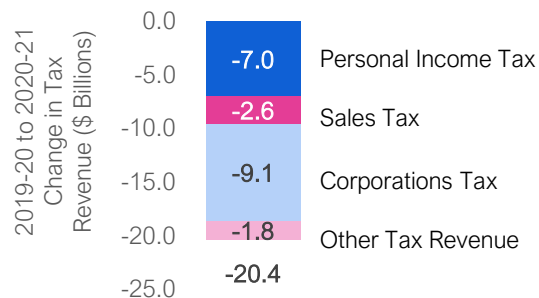
Tax revenues to drop in 2020-21

Tax revenues are forecast to drop dramatically in 2020-21, a result of the extraordinary impact of the COVID-19 pandemic on economic activity.¹³

Tax revenues increased modestly in 2019-20, supported by steady economic growth through the 2019 calendar year. The modest growth ended abruptly in the first quarter of 2020, as the government ordered the closure of all non-essential businesses.

Significant declines in economic activity in 2020 are expected to result in a \$20.4 billion (-19.1 per cent)

Chart 4-4: Three largest taxes make up majority of the decline in tax revenue



Numbers may not add due to rounding.
Source: FAO.

¹³ See Appendix C for a more detailed discussion on the tax revenue forecast.

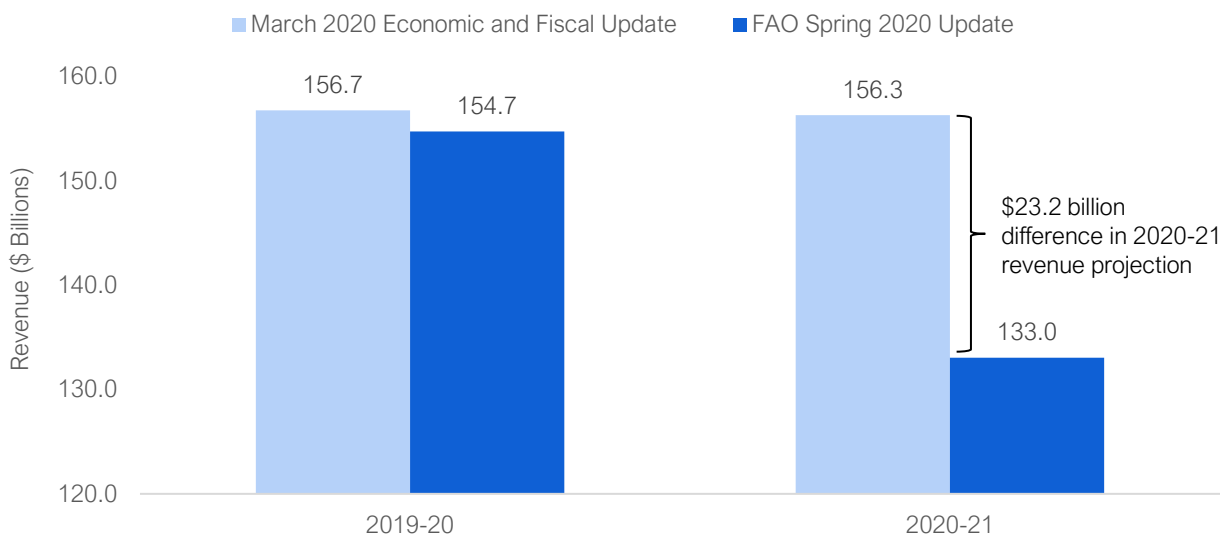
decline in tax revenue in 2020-21.¹⁴ The three largest sources of tax revenue – Corporations Tax (-\$9.1 billion), Personal Income Tax (-\$7.0 billion) and Sales Tax (-\$2.6 billion) – make up the majority of the overall decline.

Supported by a rebound in economic activity, as the measures to combat the COVID-19 pandemic are lifted, tax revenues are expected to partially bounce-back in 2021-22, rising by \$13.6 billion.

FAO's tax revenue projection significantly lower than government's March Update

The FAO is projecting total revenue in 2020-21 will be \$23.2 billion lower than forecast by the government in the March Update. The large difference in the two outlooks is primarily a reflection of the FAO's updated economic forecast, which includes much sharper declines in personal and corporate incomes as well as lower overall economic activity, leading to a substantially lower tax revenue forecast.

Chart 4-5: FAO's 2020-21 revenue projection more than \$23 billion below the government's forecast



Numbers may not add due to rounding.
Source: Ontario March 2020 Economic and Fiscal Update, and FAO.

¹⁴ Tax revenues were also impacted by previously announced measures, including the Low-Income Individuals and Families Tax Credit and the Province paralleling the federal government's Accelerated Investment Incentive.

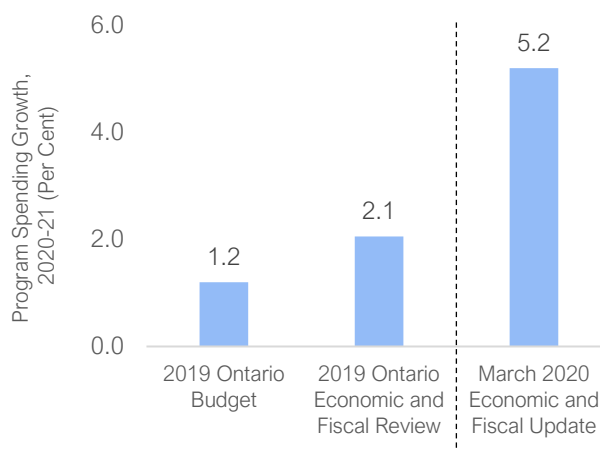
Program Spending Outlook

In its March Update, the government only released a one-year fiscal outlook due to the significant uncertainty related to the COVID-19 pandemic.

Based on the government's outlook, program spending is projected to increase by 5.2 per cent in 2020-21, more than double the pace planned in the 2019 Ontario Budget and 2019 Ontario Economic and Fiscal Review.

As a result, 2020-21 program spending in the March Update is projected to be \$9.1 billion higher compared to the 2019 Ontario Budget plan and \$7.1 billion higher when compared to the 2019 Ontario Economic and Fiscal Review.

Chart 4-6: 2020-21 program spending to grow much faster than previously planned



Source: 2019 Ontario Budget, 2019 Ontario Economic and Fiscal Review, and Ontario March 2020 Economic and Fiscal Update.

Measures to respond to COVID-19 pandemic push program spending higher

Based on the spending plan provided in the March Update, program expense is projected to be \$8.0 billion higher in 2020-21 compared to 2019-20.

Table 4-1: Annual Change in Program Spending

	2019-20 (\$ Billions)	2020-21 (\$ Billions)	Y/Y Change (\$ Billions)	Y/Y Growth (Per Cent)
Program Spending	153.1	161.1	8.0	5.2
Health*, <i>Of Which</i>	64.4	67.8	3.5	5.4
<i>Health contingency fund</i>		1.0	1.0	
<i>Health spending</i>	64.4	66.8	2.5	3.9
Education**	29.8	30.3	0.4	1.5
Children's and Social Services	17.4	17.7	0.3	1.9
Other Programs, <i>Of Which</i>	41.5	45.3	3.7	9.0
<i>Support for People and Jobs Fund</i>		2.0	2.0	
<i>Contingency Funds</i>	0.1	1.3	1.2	
<i>All other programs</i>	41.4	42.0	0.5	1.3

* Health expense includes Ministry of Health and Ministry of Long-Term Care.

** Education expense excludes the Ontario Teacher's Pension Plan.

Numbers may not add due to rounding.

Source: Ontario March 2020 Economic and Fiscal Update, and FAO.

Higher program spending in 2020-21 is driven by the government's COVID-19 measures, as well as increases across different sectors related to other factors.

Health: \$3.5 billion increase, which includes:

- \$1.1 billion in direct COVID-19 related measures,
- a \$1.0 billion COVID-19 health contingency fund, and
- \$1.4 billion increase in other health sector spending.¹⁵

Education: \$0.4 billion increase, primarily reflecting increased funding for school boards to support higher student enrolment and investments in childcare programs.

Children's and Social Services: \$0.3 billion increase, reflecting higher social assistance payments and other initiatives.¹⁶

Other Programs: \$3.7 billion increase, which includes:

- \$2.0 billion for the "Support for People and Jobs Fund", \$1.0 billion of which is for direct measures and \$1.0 billion of which had yet to be allocated to specific policy measures at the time of the 2020 March Economic and Fiscal Update release,
- \$1.3 billion in operating and capital contingency funds under the Treasury Board Secretariat,¹⁷ and
- \$0.6 billion increase in other program spending across numerous ministries.¹⁸

Despite higher overall funding, spending in eight out of 25 ministries is lower in 2020-21 compared to 2019-20. In particular, program spending in Agriculture, Food and Rural Affairs, Municipal Affairs and Housing, and Government and Consumer Services are expected to decline by a combined \$0.6 billion this fiscal year compared to 2019-20. For additional details, see Table B-4 in Appendix B.

Program spending outlook for 2021-22

The government did not provide a spending outlook beyond 2020-21 in its March Update.¹⁹ As a result, the FAO prepared a sector-specific analysis of spending cost drivers (including population growth, aging and price inflation) to develop estimates of program spending by sector for 2021-22. After adjusting for one-time increases related to some of the COVID-19 measures, the FAO projects that program spending in 2021-22 would be expected to increase by 0.8 per cent compared to 2020-21.

¹⁵ This includes the government's announced \$1.2 billion to improve services in the Health and Long-Term Care sector.

¹⁶ See page 29 of Ontario's "[March 2020 Economic and Fiscal Update](#)."

¹⁷ Of the \$8.0 billion in higher spending, \$3.2 billion (40 per cent) is in the form of contingency funding (\$1.0 billion health contingency, \$1.0 billion unallocated funds in the "Support for People and Jobs Fund" and \$1.3 billion in Treasury Board contingency funds), which had yet to be allocated at the time of the March Update.

¹⁸ See Table B-4 in Appendix B.

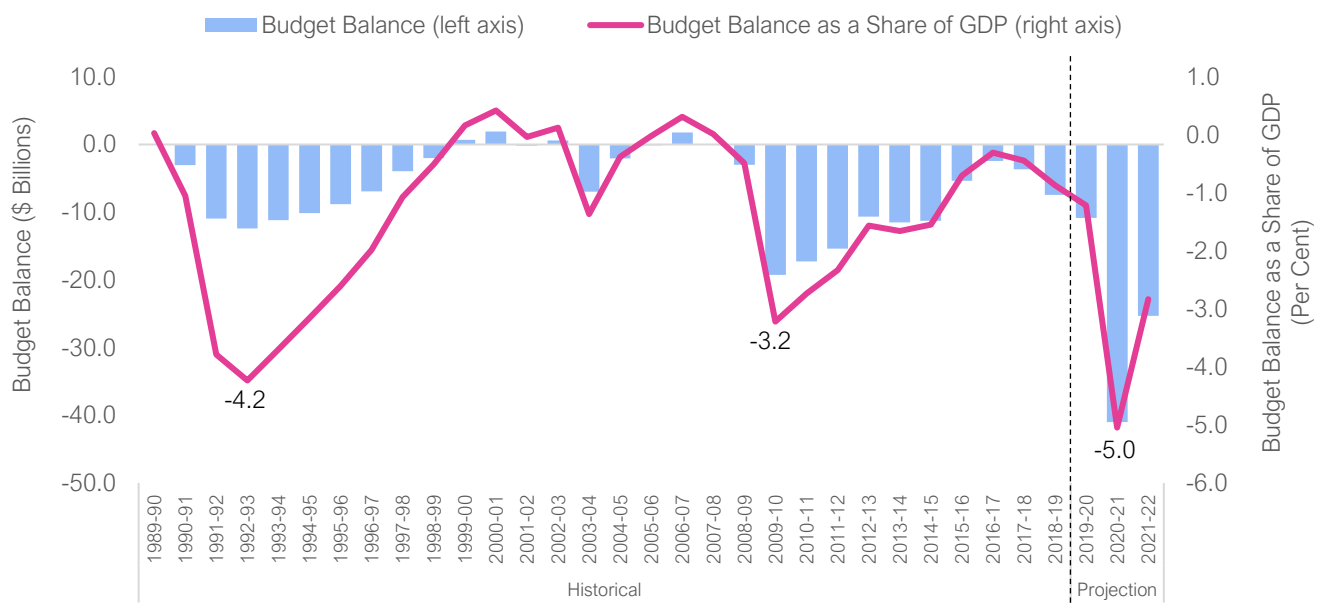
¹⁹ The government has committed to presenting a multi-year budget to the Legislature no later than November 15. See Page vii of "[March 2020 Economic and Fiscal Update](#)."

Budget Deficit and Debt Outlook

The FAO projects Ontario’s budget deficit will deteriorate sharply in 2020-21, reaching a record \$41.0 billion (or 5.0 per cent of GDP), the result of a substantial decline in revenues combined with an increase in program spending. The 2020-21 budget deficit is expected to be considerably larger than the province’s previous record deficits of \$19.3 billion (3.2 per cent of GDP) in 2009-10 and \$12.4 billion (4.2 per cent of GDP) in 1992-93.

As the province recovers from the pandemic and the economy begins to rebound, the budget deficit is expected to improve to \$25.3 billion in 2021-22. Despite the improvement, the 2021-22 deficit would still be more than double its size in 2019-20.

Chart 4-7: Ontario projected to post record deficits



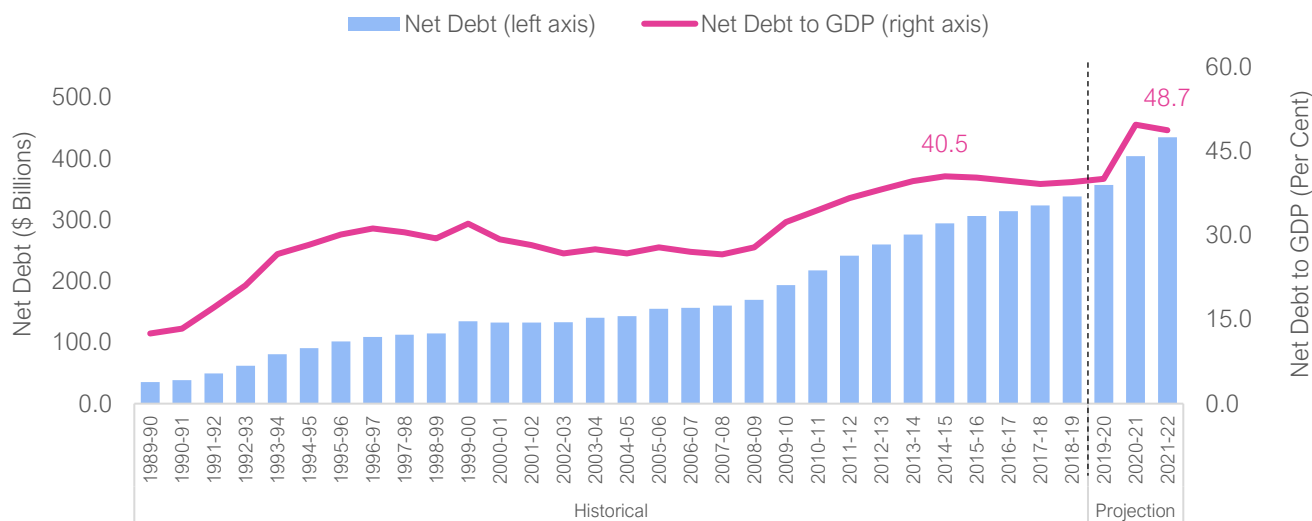
Note: Budget balance is presented before reserve.

Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

The dramatic increase in Ontario’s budget deficits in 2020-21 and 2021-22 will push the Province’s borrowing higher, leading to a rapid accumulation of provincial debt over the next two years. Net debt is expected to increase by \$47 billion in 2020-21 and by an additional \$31 billion the following year.

Sharply higher debt will increase Ontario’s net debt to GDP ratio to a record high 49.7 per cent in 2020-21, up almost 10 percentage points from 2019-20, before receding slightly to 48.7 per cent in 2021-22.

Chart 4-8: Ontario's net debt-to-GDP ratio will increase to record high



Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Lower borrowing rates moderate the growth in debt interest payments

While the Province's borrowing requirements are expected to increase significantly over the next two years, lower market interest rates²⁰ will reduce Ontario's borrowing costs for both new and maturing debt.²¹

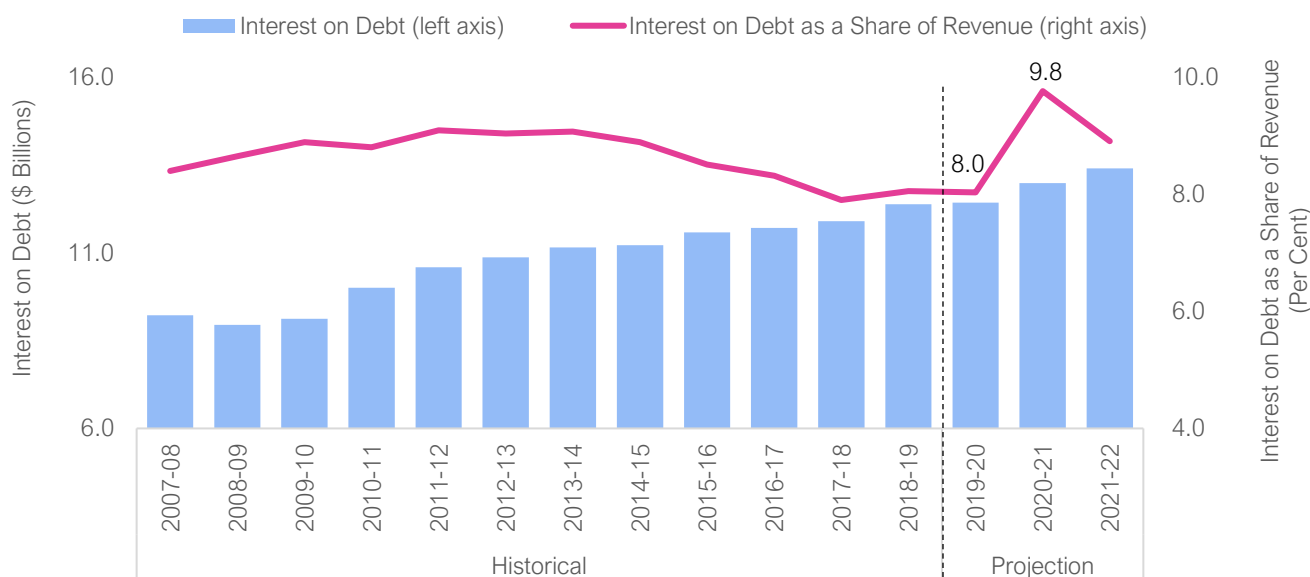
Despite the sharp 13.2 per cent (or \$47.0 billion) increase in net debt in 2020-21, debt interest payments are expected to increase by a more moderate 4.5 per cent (\$558 million), due to the impact of lower borrowing rates. Debt interest payments are expected to rise by a further \$418 million in 2021-22, reaching \$13.4 billion.

Relative to government revenues, interest payments are expected to rise to 9.8 cents of every dollar of revenue in 2020-21, up from 8.0 cents the prior year. The ratio of debt interest payments to revenues in 2020-21 is projected to be significantly higher compared to its level following the 2008-2009 global financial crisis, when debt interest costs accounted for roughly nine cents of every dollar of revenue. However, as revenues recover in 2021-22, interest payments are expected to fall back to 8.9 cents of every dollar of revenue.

²⁰ The Bank of Canada's recently announced "Provincial Bond Purchase Program (PBPP)" in addition to the already implemented "Provincial Money Market Purchase Program (PMPP)" will provide liquidity in provincial funding markets and could also contribute to keeping provincial borrowing costs lower. For more details, see [Bank of Canada Monetary Policy Report](#), April 2020.

²¹ The FAO estimates that Ontario will need to borrow \$72.8 billion in 2020-21 and a further \$51.9 billion in 2021-22, the result of large budget deficits, refinancing maturing debt, capital spending and other borrowing.

Chart 4-9: Increase in debt interest payments moderated by lower borrowing costs



Source: Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Fiscal Projection Under a Delayed Recovery Scenario

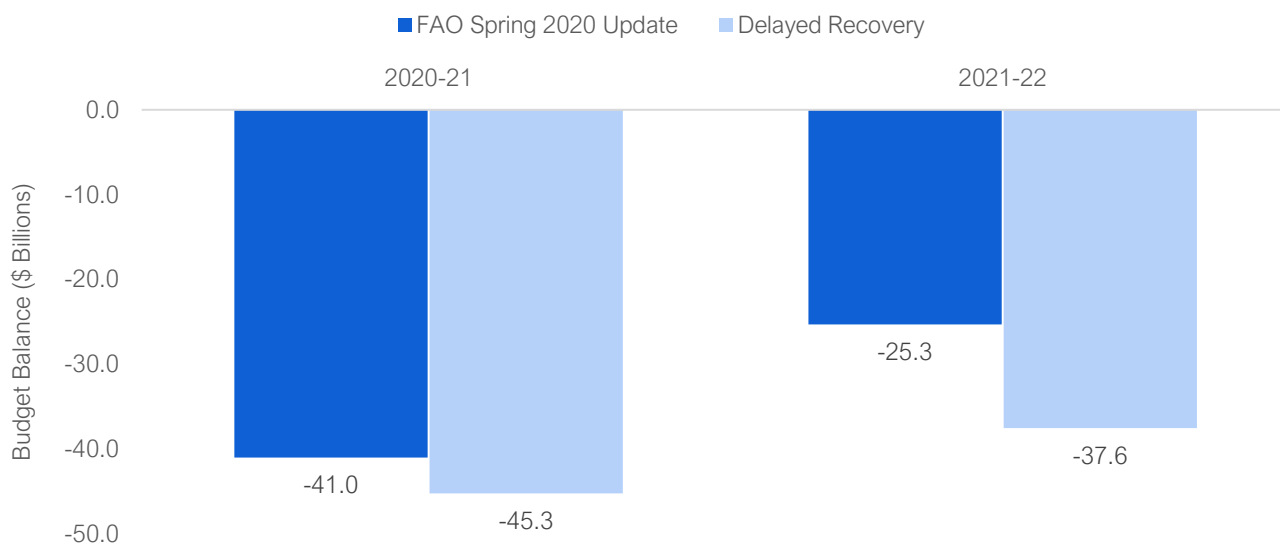
There is significant risk that reopening the economy could take longer than expected due to the on-going public health crisis. The FAO's baseline fiscal projection assumes that government measures aimed at containing the pandemic are gradually lifted through the summer of 2020, allowing economic growth to steadily strengthen through the fall of 2020 and into the winter of 2021. However, as discussed in the economic outlook,²² a variety of factors could delay the reopening of the economy. In this case, the province's fiscal position would deteriorate further.

Under the FAO's delayed recovery scenario, provincial revenue would experience an even sharper drop in 2020-21, reflecting the steeper decline in economic activity. In 2021-22, as the effects of the economic slowdown linger, revenues would be expected to increase only modestly. The delayed economic recovery would also push program spending slightly higher, driven by increased spending on social services.

Under these circumstances, the budget deficit could reach \$45.3 billion in 2020-21 and improve only modestly to a deficit of \$37.6 billion in 2021-22.

²² See "Economic recovery would be weaker if pandemic measures need to be extended" in the Economic Outlook section.

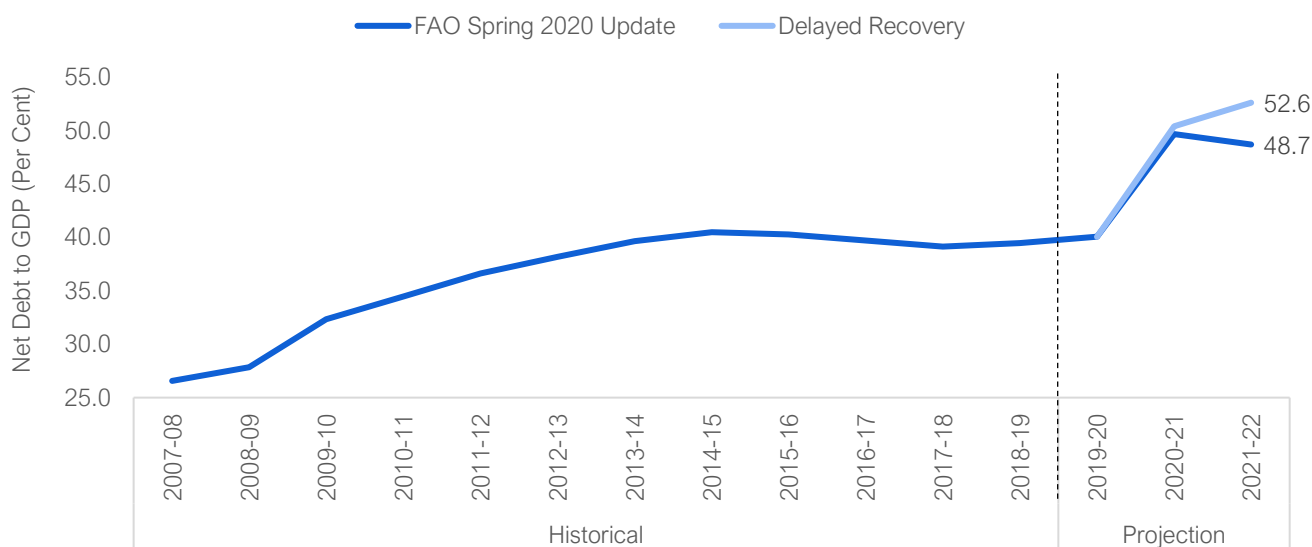
Chart 4-10: A delayed recovery in Ontario would result in significantly higher budget deficits



Source: FAO.

A sustained increase in budget deficits would lead to much higher levels of borrowing and debt accumulation. In this scenario, Ontario’s net debt-to-GDP ratio would increase substantially from 40.1 per cent in 2019-20 to over 52 per cent by 2021-22.²³

Chart 4-11: If Ontario’s economic recovery is delayed, the net debt-to-GDP ratio would rise above 50 per cent



Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

²³ For more details, see Table B-3 in Appendix B.

5 | Appendix

Appendix A – Economic Tables

Table A-1: FAO Outlook for Key Revenue Drivers

(Per Cent Growth)	2018a	2019a	2020f	2021f
Nominal GDP				
FAO - Spring 2020	3.7	3.9	-8.8	9.8
Ontario March 2020 Economic and Fiscal Update*	3.7	3.9	2.0	4.0
Consensus**	3.7	3.9	-9.0	9.0
Labour Income				
FAO - Spring 2020	5.5	4.1	-7.6	4.8
Ontario March 2020 Economic and Fiscal Update	5.5	4.1	2.7	4.3
Corporate Profits				
FAO - Spring 2020	-0.9	2.7	-26.6	27.6
Ontario March 2020 Economic and Fiscal Update	-0.9	2.7	-2.4	8.3
Household Consumption				
FAO - Spring 2020	4.4	3.6	-7.3	10.6
Ontario March 2020 Economic and Fiscal Update	4.4	3.6	2.4	4.1

a = Actual f = Forecast

* Ministry of Finance forecast released on March 25 was based on information available up to March 18, 2020.

** Composed of private-sector banks and forecasters with updated forecasts in the last two weeks of April. Forecasts as of April 30, 2020.

Source: Ontario Economic Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table A-2: FAO Outlook for Ontario Real GDP and Components

(Per Cent Growth)	2018a	2019a	2020f	2021f
Real GDP				
FAO - Spring 2020	2.2	1.6	-9.0	8.5
Ontario March 2020 Economic and Fiscal Update*	2.2	1.6	0.0	2.0
Consensus**	2.2	1.6	-7.3	7.0
Real GDP Components				
Household Consumption	2.5	2.2	-7.5	8.4
Residential Investment	-3.3	-0.4	-8.3	6.6
Business Investment	6.3	-2.5	-18.3	10.4
Government (Consumption and Investment)	4.0	2.4	8.5	4.8
Exports	0.9	2.0	-8.3	8.2
Imports	1.6	1.1	-5.6	7.4

a = Actual f = Forecast

* Ministry of Finance forecast released on March 25 was based on information available up to March 18, 2020.

** Composed of private-sector banks and forecasters with updated forecasts in the last two weeks of April. Forecasts as of April 30, 2020.

Source: Ontario Economic Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table A-3: FAO Outlook for Selected Economic Indicators

	2018a	2019a	2020f	2021f
Employment (Per Cent Growth)				
FAO - Spring 2020	1.6	2.9	-7.0	3.5
Ontario March 2020 Economic and Fiscal Update*	1.6	2.9	0.5	1.0
Unemployment Rate (Per Cent)				
FAO - Spring 2020	5.6	5.6	10.5	9.3
Ontario March 2020 Economic and Fiscal Update	5.6	5.6	6.6	6.6
Labour Force (Per Cent Growth)				
FAO - Spring 2020	1.2	2.8	-1.9	2.1
Ontario March 2020 Economic and Fiscal Update	-	-	-	-
CPI Inflation (Per Cent Growth)				
FAO - Spring 2020	2.3	1.9	0.3	2.1
Ontario March 2020 Economic and Fiscal Update	-	-	-	-
Canada Real GDP (Per Cent Growth)				
FAO - Spring 2020	2.0	1.6	-10.6	6.5
Ontario March 2020 Economic and Fiscal Update	-	-	-	-
U.S. Real GDP (Per Cent Growth)				
FAO - Spring 2020	2.9	2.3	-6.2	6.9
Ontario March 2020 Economic and Fiscal Update	-	-	-	-
Canadian Dollar (Cents US)				
FAO - Spring 2020	77.2	75.4	71.8	73.1
Ontario March 2020 Economic and Fiscal Update	-	-	-	-
Three-month Treasury Bill Rate (Per Cent)				
FAO - Spring 2020	1.4	1.7	0.6	0.4
Ontario March 2020 Economic and Fiscal Update	-	-	-	-
10-year Government Bond Rate (Per Cent)				
FAO - Spring 2020	2.3	1.6	0.9	1.2
Ontario March 2020 Economic and Fiscal Update	-	-	-	-

a = Actual f = Forecast

* Ministry of Finance forecast released on March 25 was based on information available up to March 18, 2020.

Source: Statistics Canada, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table A-4: Cumulative Change in GDP Level

	2019a	2020f	2021f	2020-21 Cumulative
Real GDP (Per Cent Growth)				
FAO - Spring 2020	1.6	-9.0	8.5	-1.3
Ontario March 2020 Economic and Fiscal Update*	1.6	0.0	2.0	2.0
Consensus**	1.6	-7.3	7.0	-0.8
Nominal GDP (Per Cent Growth)				
FAO - Spring 2020	3.9	-8.8	9.8	0.1
Ontario March 2020 Economic and Fiscal Update	3.9	2.0	4.0	6.1
Consensus	3.9	-9.0	9.0	-0.8

a = Actual f = Forecast

* Ministry of Finance forecast released on March 25 was based on information available up to March 18, 2020.

** Composed of private-sector banks and forecasters with updated forecasts in the last two weeks of April. Forecasts as of April 30, 2020.

Source: Ontario Economic Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table A-5: FAO Delayed Recovery Economic Outlook

(Per Cent Growth)	Historical		FAO Delayed Recovery	
	2018a	2019a	2020f	2021f
Real GDP	2.2	1.6	-9.3	4.6
Nominal GDP	3.7	3.9	-9.1	5.9

a = Actual f = Forecast

Source: Ontario Economic Accounts and FAO.

Appendix B : Fiscal Tables

Table B-1: FAO Fiscal Outlook

(\$ Billions)	2017-18a	2018-19a	2019-20f	2020-21f	2021-22f
Revenue					
Personal Income Tax	32.9	35.4	36.7	29.7	33.1
Sales Tax	25.9	27.8	28.8	26.2	29.3
Corporations Tax	15.6	16.6	15.0	5.9	11.2
All Other Taxes	25.3	25.7	26.2	24.4	26.3
Total Taxation Revenue	99.7	105.5	106.6	86.3	99.8
Transfers from Government of Canada	24.9	25.1	25.4	26.3	27.1
Income from Government Business Enterprise	6.2	5.5	5.7	4.1	6.0
Other Non-Tax Revenue	19.9	17.6	16.9	16.3	17.5
Total Revenue	150.6	153.7	154.7	133.0	150.5
Expense					
Health Sector	59.1	61.9	64.4	67.8	69.3
Education Sector	27.3	28.7	29.8	30.3	30.7
Children's and Social Services Sector	16.3	16.8	17.4	17.7	18.2
Other*	39.7	41.3	41.5	45.3	44.2
Total Program Expense	142.4	148.8	153.1	161.1	162.4
Interest on Debt	11.9	12.4	12.4	13.0	13.4
Total Expense	154.3	161.1	165.5	174.1	175.8
Budget Balance**	-3.7	-7.4	-10.8	-41.0	-25.3

a = Actual f = Forecast

*Includes Teachers' Pension Plan.

** Budget Balance is presented without reserve.

Numbers may not add due to rounding.

Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table B-2: FAO Debt Outlook

(\$ Billions)	2017-18a	2018-19a	2019-20f	2020-21f	2021-22f
Budget Balance*	-3.7	-7.4	-10.8	-41.0	-25.3
Accumulated Deficit	209.0	216.6	227.5	268.5	293.8
Net Debt	323.8	338.5	357.0	404.0	434.9
Net Debt to GDP (Per Cent)	39.2	39.5	40.1	49.7	48.7

a = Actual f = Forecast

* Budget Balance is presented without reserve.

Numbers may not add due to rounding.

Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table B-3: FAO Delayed Recovery Fiscal Outlook

(\$ Billions)	Historical	FAO Delayed Recovery		
	2018-19a	2019-20f	2020-21f	2021-22f
Revenue	153.7	154.6	128.9	138.8
Total Expense	161.1	165.6	174.2	176.3
Total Program Expense	148.8	153.1	161.1	162.6
Interest on Debt	12.4	12.4	13.1	13.8
Interest on Debt as a Share of Revenue (Per Cent)	8.1	8.0	10.1	9.9
Budget Balance	-7.4	-11.0	-45.3	-37.6
Net Debt	338.5	357.2	408.4	451.6
Net Debt to GDP (Per Cent)	39.5	40.1	50.4	52.6

Source: Statistics Canada, Ontario Economic Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table B-4: Expense by Ministry

Ministry	Interim 2019–20 (\$ Millions)	Plan 2020–21 (\$ Millions)	Y/Y Change (\$ Millions)	Y/Y Growth (Per Cent)
Health	59,921	63,215	3,294	5.5
COVID-19 Health Contingency Fund	0	1,000		
Finance	1,517	3,585	2,068	136.3
COVID-19 Response: Support for People and Jobs Fund	0	1,966	1,966	
Treasury Board Secretariat (Base)	236	299	63	26.7
Employee and Pensioner Benefits	1,468	1,389	-79	-5.4
Operating Contingency Fund	100	1,155	1,055	1055.0
Capital Contingency Fund	0	145	145	
Education*	31,409	31,893	484	1.5
Infrastructure	444	863	419	94.3
Children, Community and Social Services	17,375	17,697	322	1.9
Transportation	5,277	5,585	308	5.8
Colleges and Universities	10,417	10,667	250	2.4
Long-Term Care	4,441	4,628	187	4.2
Solicitor General	2,773	2,850	77	2.8
Energy, Northern Development and Mines	6,604	6,652	48	0.7
Labour, Training, and Skills Development	1,247	1,293	46	3.7
Environment, Conservation and Parks	629	657	28	4.4
Executive Offices	32	38	6	17.2
Seniors and Accessibility	57	58	1	2.1
Board of Internal Economy	280	281	1	0.3
Francophone Affairs	6	6	0	1.7
Indigenous Affairs — Indigenous Affairs	92	82	-10	-10.7
Economic Development, Job Creation and Trade	602	578	-24	-4.0
Natural Resources and Forestry	683	651	-32	-4.6
Heritage, Sport, Tourism and Culture Industries	1,686	1,651	-35	-2.1
Government and Consumer Services	1,752	1,666	-86	-4.9
Attorney General	1,778	1,682	-96	-5.4
Municipal Affairs and Housing	1,135	1,023	-112	-9.9
Agriculture, Food and Rural Affairs	1,154	788	-366	-31.7
Interest on Debt	12,599	13,199	600	4.8
Total Expense	165,714	174,276	8,562	5.2

Note: Numbers may not add due to rounding.

Ministries are ranked by their year over year change in funding.

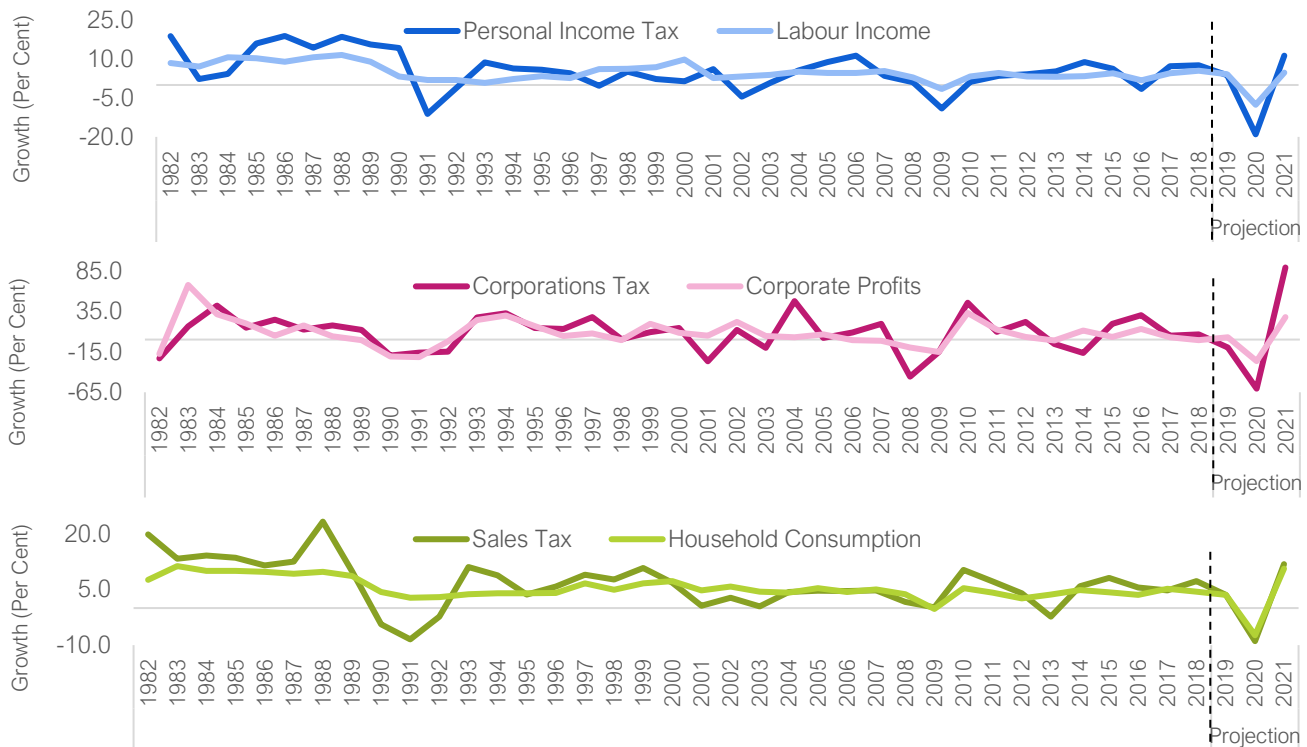
* Education includes the Teachers' Pension Plan.

Source: Ontario March 2020 Economic and Fiscal Update.

Appendix C : Tax Revenue Assumptions

During periods of steady economic growth, tax revenues tend to grow at a rate in line with their respective economic bases.²⁴ However, during and immediately following economic downturns, these relationships can change dramatically. The FAO’s current revenue projections incorporate adjustments to these relationships to reflect the changes typically observed between tax revenues and their economic drivers during economic downturns.

Chart C-1: Historical and projected growth in tax revenues and their respective economic drivers



Note: Tax revenue growth is for fiscal year, while economic driver growth is for calendar year.
Source: Ontario Public Accounts, Ontario Economic Accounts and, FAO.

During economic downturns, weak growth in labour income²⁵ is often accompanied by even more pronounced declines in personal income tax revenues. This is due to the progressive nature of the income tax system, as

²⁴ The economic bases used for forecasting the three largest tax revenues – Personal Income Tax, Corporations Tax and Sales Tax – are personal incomes, corporate incomes and household spending, respectively.

²⁵ Labour income is not a complete measure of the actual tax base of Personal Income Tax revenue but is used as a proxy as it can be more reliably forecasted than personal income.

well as other tax preferences, which can amplify the declines in personal income tax relative to the decline in personal incomes. These downturns are typically followed by rebounds in both income and to a lesser extent personal income tax revenue.

Similarly, economic recessions which lead to significant declines in corporate profits often result in even more pronounced drops in corporate tax revenues as many firms post losses and pay no tax. As the economy recovers and profits rebound, corporate tax revenues typically recover as well, but to a lesser extent than their initial decline, as corporations utilize the loss provisions and carry-forwards built into the corporate tax system.

Unlike personal income and corporate profits, household consumption²⁶ tends to be more stable during economic downturns. As a result, sales tax revenues also tend to be more stable during recessions than personal and corporate income tax revenues. However, the COVID-19 pandemic will have a different impact on household spending than experienced during past downturns, since many categories of household spending have largely collapsed during the crisis, particularly the consumption of services, durable goods and semi-durables. As a result, sales tax revenues are expected to decline more markedly than in past economic downturns. Following a sharp decline in 2020-21, pent-up demand should lead to both household consumption and sales tax revenue rebounding strongly in 2021-22.

Chart C-2: Historical and projected tax revenues and their respective economic drivers



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

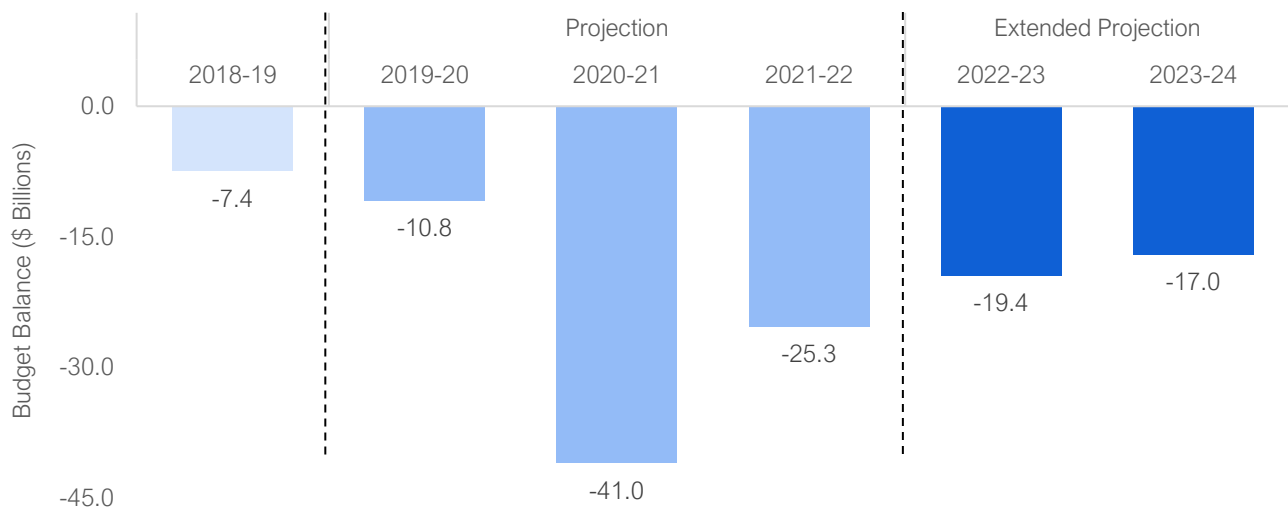
²⁶ Household consumption is not a complete measure of the actual tax base of Sales Tax revenue, which also includes taxes generated on expenditures in residential construction and businesses. Spending in these categories have been incorporated into FAO's Sales Tax revenue projection.

Appendix D : Extended Outlook

This appendix provides an extended baseline projection to 2023-24 under the assumption of continued and steady economic growth, following the current COVID-19 crisis. Under this extended outlook, revenue growth averages 5.0 per cent per year in 2022-23 and 2023-24, while program spending is assumed to increase at a restrained pace of 2.0 per cent per year over the same period.

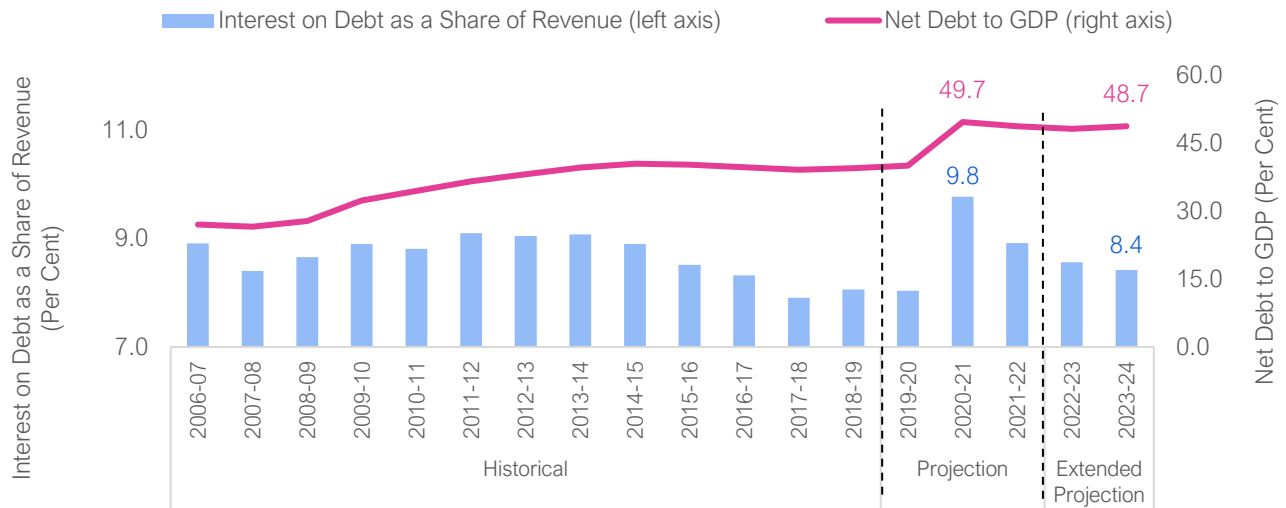
Under these assumptions, Ontario's deficit would continue to decline from \$25.3 billion in 2021-22 to \$17.0 billion by 2023-24. Importantly, even with revenues growing at a pace more than double that of program spending, the budget deficit would remain substantial.

Chart D-1: Under the FAO's extended outlook, Ontario budget deficits decline but remain substantial



Source: Ontario March 2020 Economic and Fiscal Update and FAO.

Large deficits over the extended outlook would result in sizeable continued borrowing and rising debt. Under this extended outlook, Ontario's net debt-to-GDP ratio would remain elevated at 48.7 per cent by 2023-24. Despite the increase in debt, borrowing costs remain low, and Ontario's debt interest payments as a share of revenue would decline, reaching 8.4 cents per dollar of revenue by 2023-24.

Chart D-2: Ontario's net debt-to-GDP ratio to remain elevated in FAO's extended outlook


Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update, and FAO.

Table D-1: FAO Extended Economic Outlook

(Per Cent Growth)	Historical		FAO Projection		FAO Extended Projection	
	2018a	2019a	2020f	2021f	2022f	2023f
Real GDP	2.2	1.6	-9.0	8.5	5.1	1.7
Nominal GDP	3.7	3.9	-8.8	9.8	6.7	3.6

a = Actual f = Forecast

Source: Statistics Canada, Ontario Economic Accounts and FAO.

Table D-2: FAO Extended Budget Outlook

(\$ Billions)	Historical		FAO Projection		FAO Extended Projection	
	2018-19a	2019-20f	2020-21f	2021-22f	2022-23f	2023-24f
Revenue	153.7	154.7	133.0	150.5	159.9	165.8
Total Expense	161.1	165.5	174.1	175.8	179.3	182.8
Total Program Expense	148.8	153.1	161.1	162.4	165.6	168.9
Interest on Debt	12.4	12.4	13.0	13.4	13.7	14.0
Interest on Debt as a Share of Revenue (Per Cent)	8.1	8.0	9.8	8.9	8.6	8.4
Budget Balance	-7.4	-10.8	-41.0	-25.3	-19.4	-17.0
Net Debt	338.5	357.0	404.0	434.9	458.6	480.6
Net Debt to GDP (Per Cent)	39.5	40.1	49.7	48.7	48.2	48.7

Source: Statistics Canada, Ontario Economic Accounts, Ontario March 2020 Economic and Fiscal Update and FAO.