

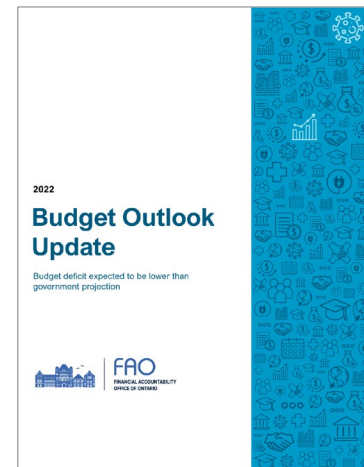
# Budget Outlook Update

Briefing Deck



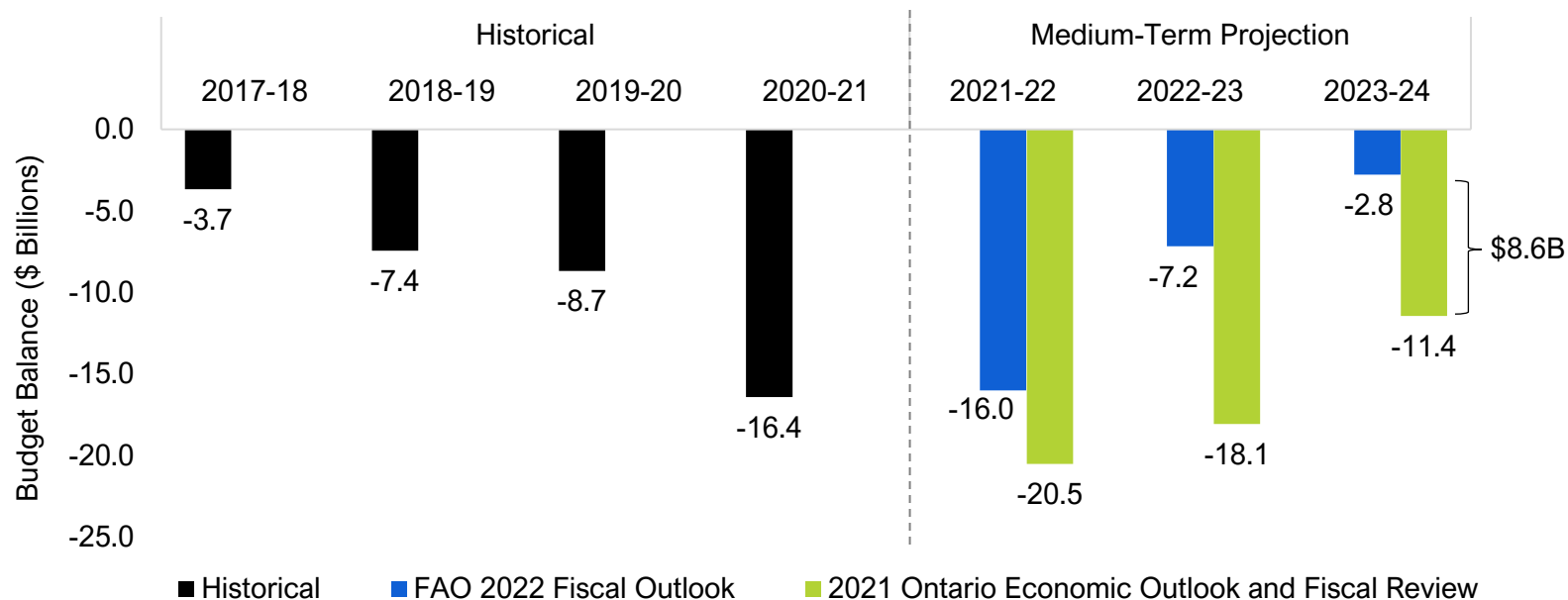
# Overview

- The Ontario government released its 2021 Economic Outlook and Fiscal Review on November 4, providing an update of its medium-term fiscal plan.
- The FAO's Budget Outlook Update compares the FAO's projection to the government's plan for budget balance, key debt measures, revenues and program spending.



# FAO expects lower budget deficits compared to the government's projection

- The FAO projects that Ontario's deficit will decline from \$16.0 billion in 2021–22 to \$2.8 billion by 2023–24, much smaller than the government's deficit projection of \$11.4 billion.
- This difference reflects the FAO's significantly higher revenue projection combined with a lower forecast for interest on debt expense.

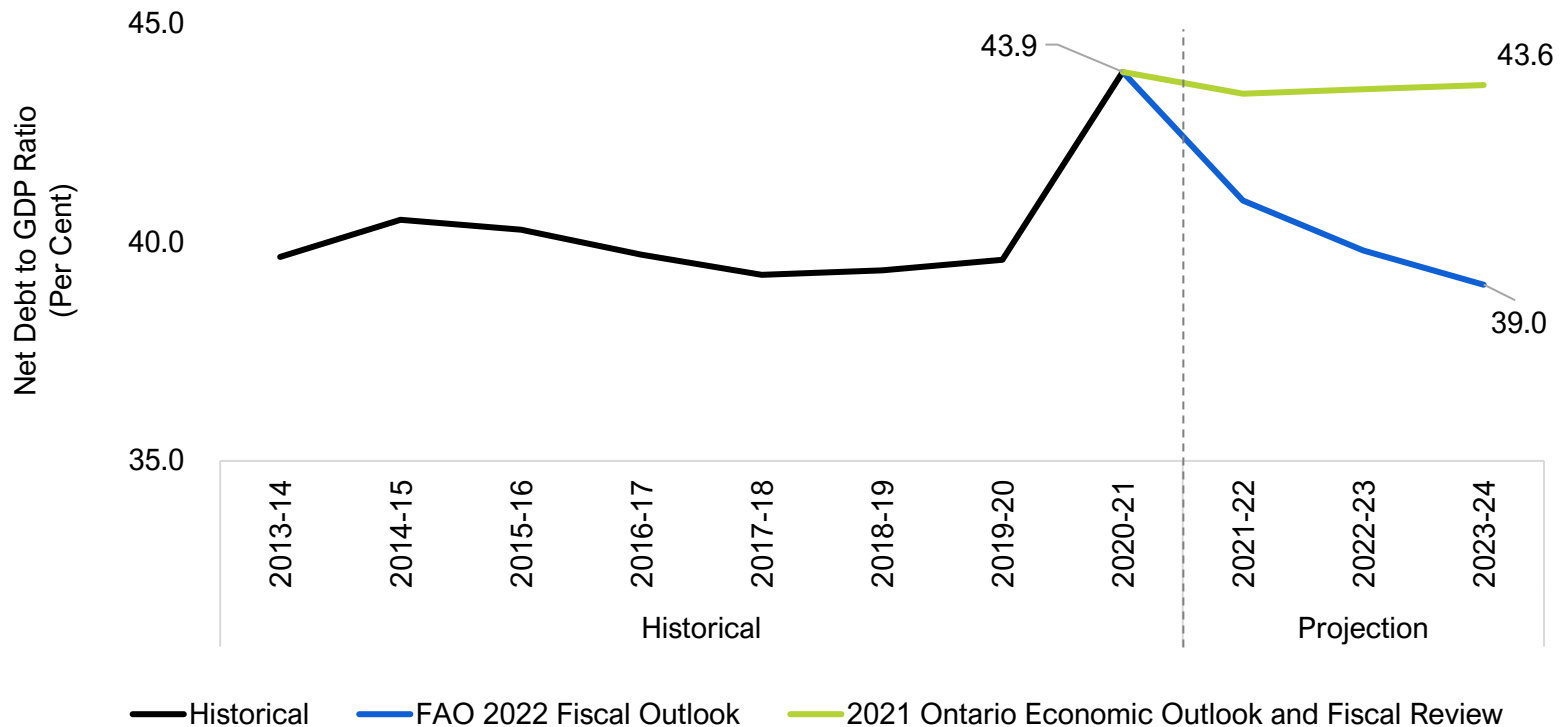


The Budget Balance is presented without reserve.  
 Source: 2021 Ontario Economic Outlook and Fiscal Review and FAO.



# Lower deficits will help Ontario's fiscal sustainability indicators improve

- Net debt-to-GDP ratio is expected to decline to 39.0 per cent by 2023–24, below the 43.9 per cent recorded in 2020–21 and modestly lower than pre-pandemic rates.

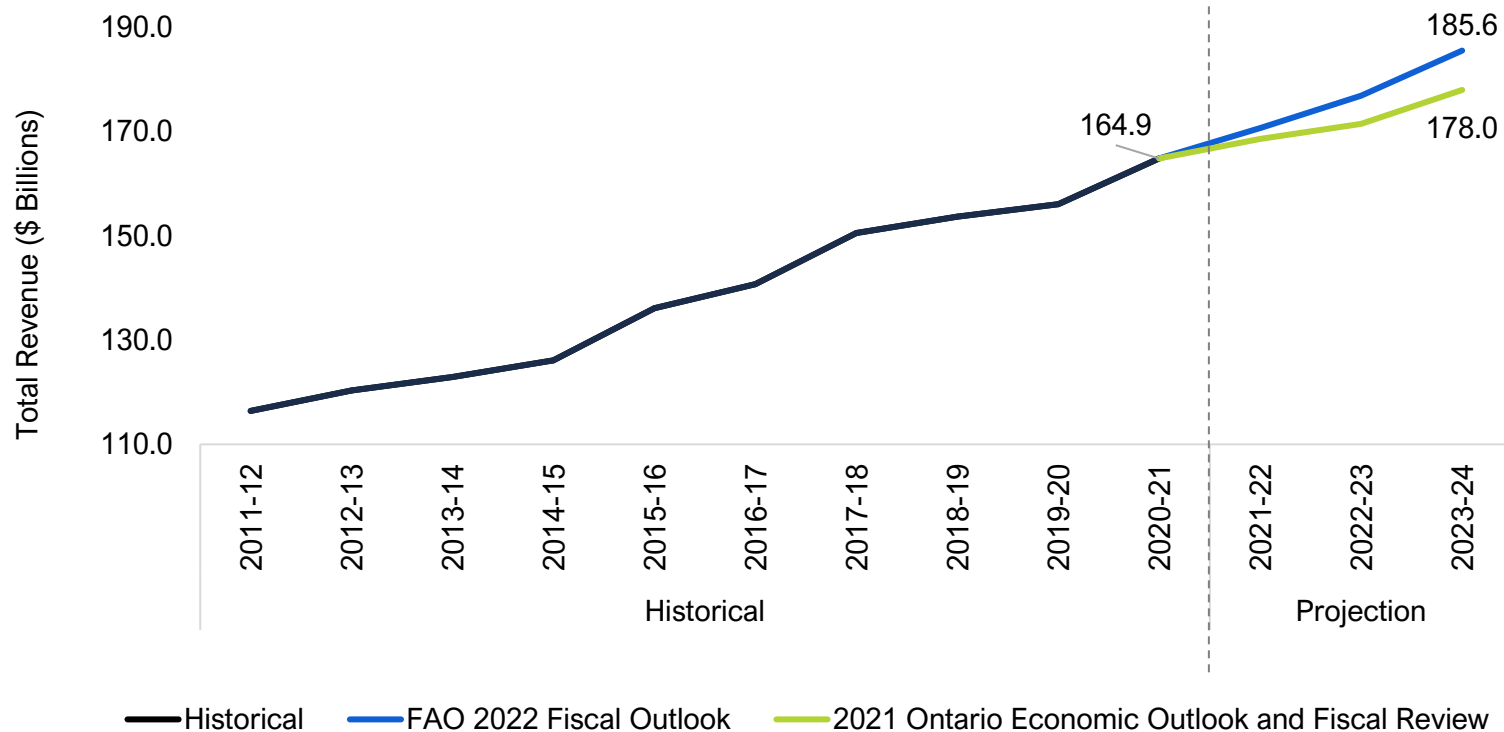


Source: 2021 Ontario Economic Outlook and Fiscal Review and FAO.



# FAO projects higher revenues compared to the government's projection

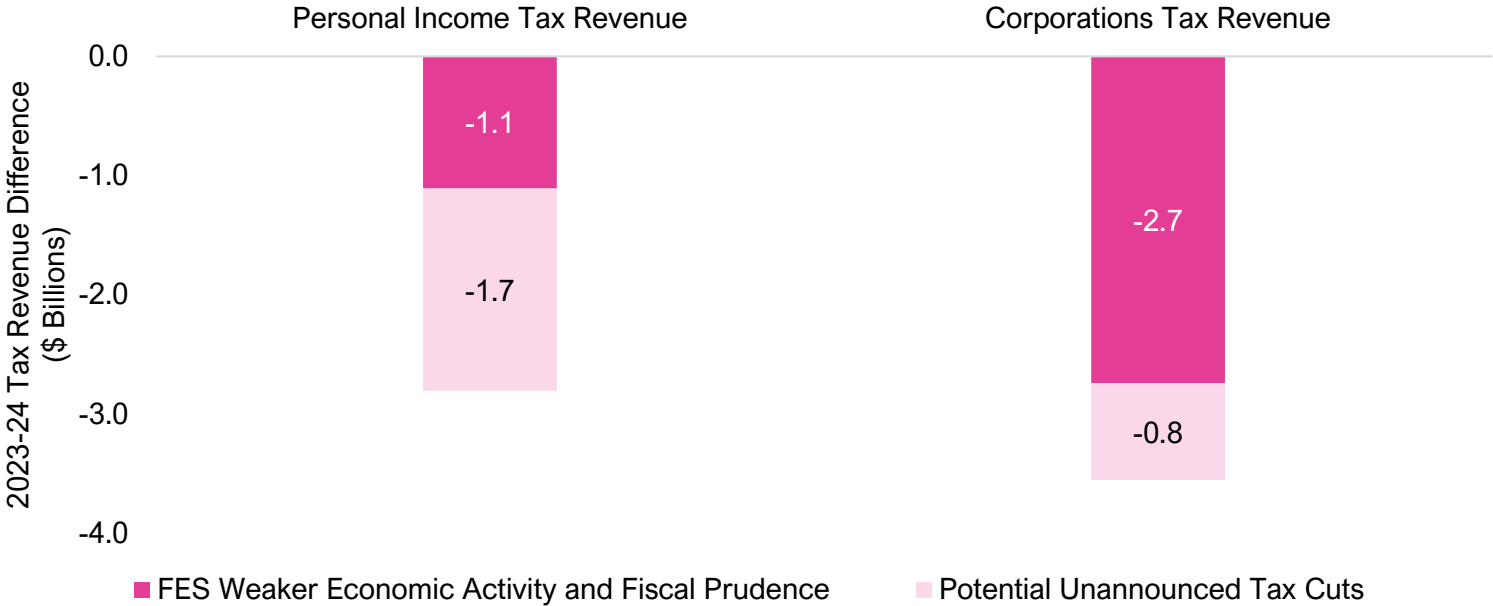
- The FAO projects \$185.6 billion in total revenue by 2023-24, \$7.6 billion higher than the government's projection of \$178.0 billion.



Source: 2021 Ontario Economic Outlook and Fiscal Review and FAO.

# Government's lower revenue outlook could reflect unannounced tax cuts

- The FAO's tax revenue forecast is \$7.7 billion higher than the FES by 2023-24. Gaps in personal income tax and corporations tax revenues make up \$6.4 billion of this difference.
- The difference may be explained by the government's weaker economic forecast, significant fiscal prudence, and potential unannounced tax cuts.

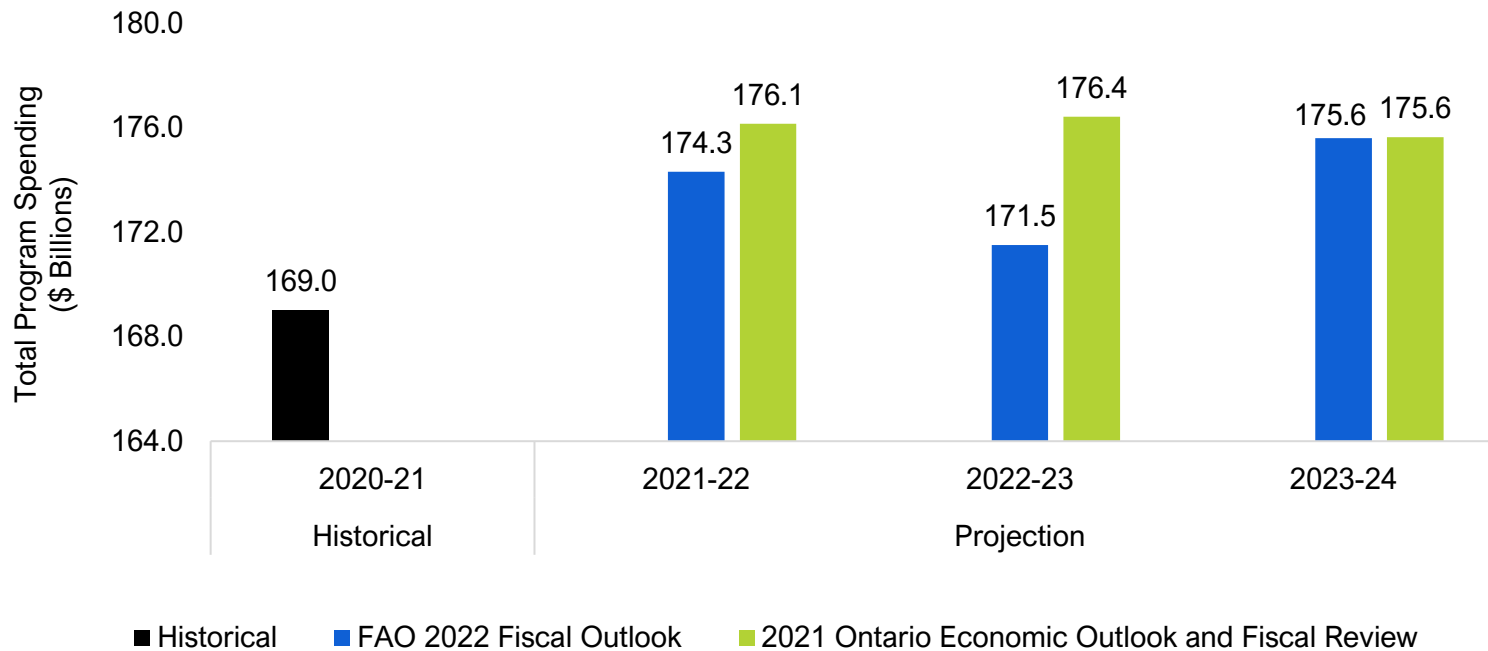


Source: 2021 Ontario Economic Outlook and Fiscal Review and FAO.



# FAO's program spending projection in-line with the government's by 2023-24

- FAO projects total program spending will be \$174.3 billion this year, dropping to \$171.5 billion in 2022-23, and then rising to \$175.6 billion in 2023-24.
- The decline in program spending from 2021-22 to 2022-23 reflects the projected year-over-year decline in COVID-19-related spending.



Source: 2021 Ontario Economic Outlook and Fiscal Review and FAO.



# Government spending plan includes significant unallocated funds, while most sectors face funding shortfalls

- There is only a \$39 million difference between the FAO's and the Province's projections for total program spending by 2023-24, but the government's plan contains a \$6.3 billion combined funding shortfall for most sectors and significant contingency funds in the 'other sector' that have yet to be allocated.

| Sector                                | Spending Gap, Province vs. FAO |                          |                          |
|---------------------------------------|--------------------------------|--------------------------|--------------------------|
|                                       | 2021-22<br>(\$ millions)       | 2022-23<br>(\$ millions) | 2023-24<br>(\$ millions) |
| Health                                | -1,448                         | -3,098                   | -4,491                   |
| Education                             | -243                           | 112                      | -429                     |
| Postsecondary Education               | -12                            | -112                     | -221                     |
| Children's and Social Services        | 378                            | -279                     | -816                     |
| Justice                               | -46                            | -171                     | -379                     |
| <i>Sum of shortfalls in 5 sectors</i> | <i>-1,372</i>                  | <i>-3,547</i>            | <i>-6,336</i>            |
| Other Programs                        | 3,205                          | 8,450                    | 6,375                    |
| <b>Total</b>                          | <b>1,833</b>                   | <b>4,903</b>             | <b>39</b>                |

Source: FAO analysis of the 2021 Ontario Economic Outlook and Fiscal Review and information provided by the Ministry of Finance.





# Thank you!



# FAO

FINANCIAL ACCOUNTABILITY  
OFFICE OF ONTARIO

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

416.644.0702

[info@fao-on.org](mailto:info@fao-on.org)

[fao-on.org](http://fao-on.org)

