

Economic and Budget Outlook

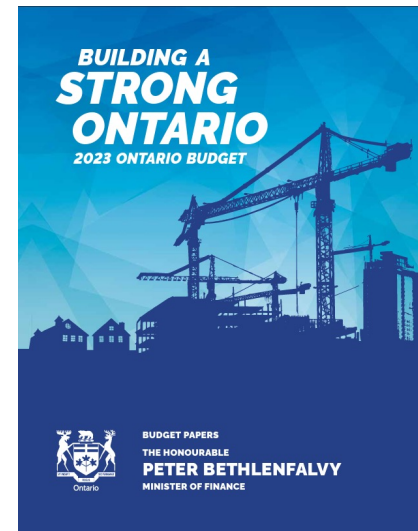
Briefing Deck



Overview

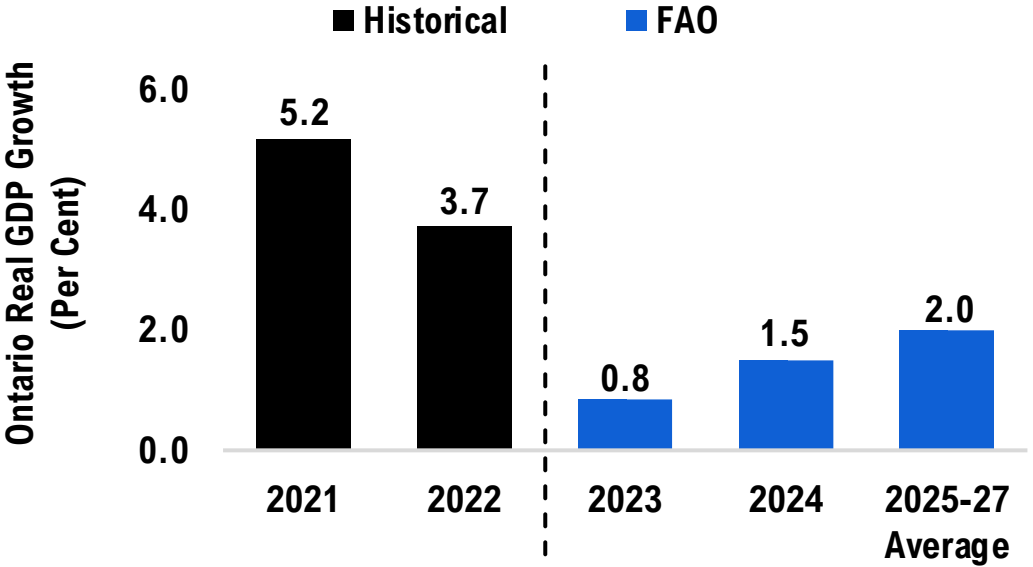
- The FAO's *Economic and Budget Outlook* compares its latest forecast with the government's 2023 Ontario Budget.

- The presentation will focus on Ontario's:
 1. Economic outlook
 2. Budget balance and fiscal sustainability indicators
 3. Revenue outlook
 4. Spending outlook



Ontario's economic growth to slow

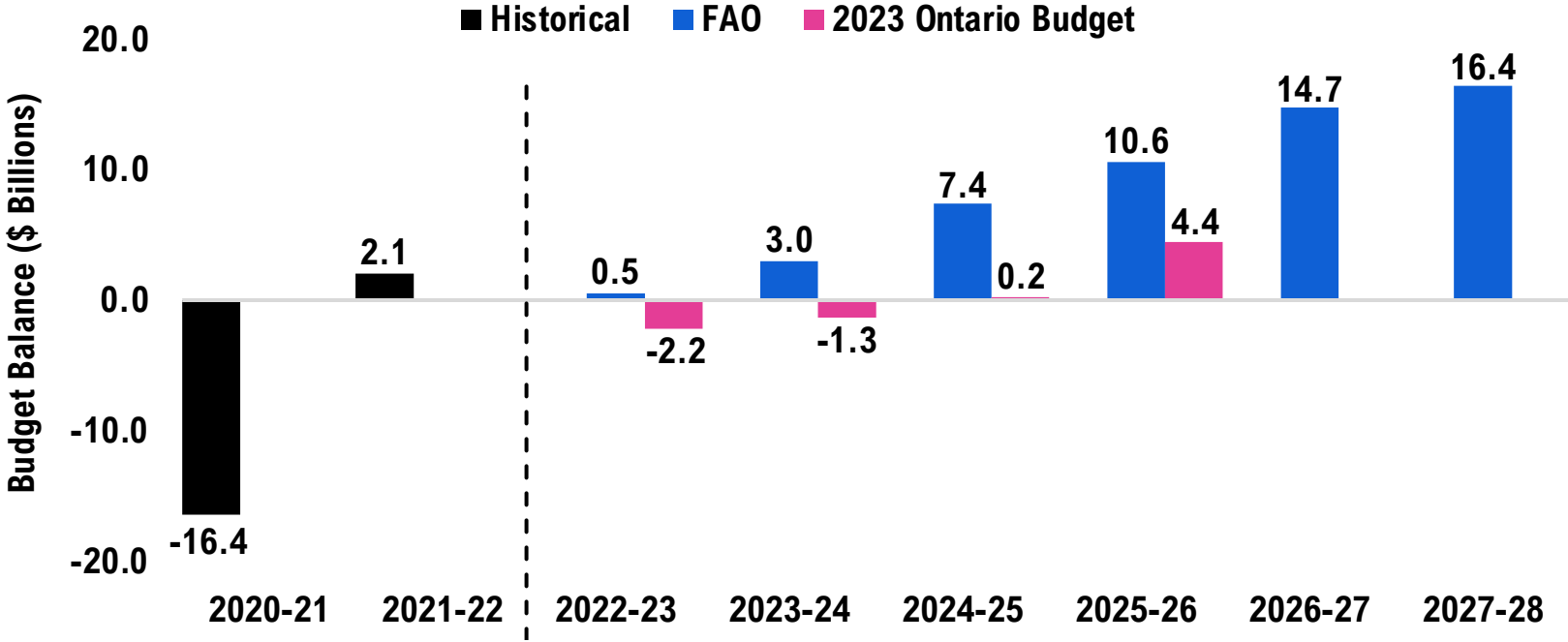
- Ontario's economic growth is projected to slow to 0.8 per cent in 2023, reflecting the impact of higher interest rates on consumer spending and the housing market, and a weaker global environment.
- Economic growth is projected to improve to an average of 2.0 per cent in 2025-2027 as inflation slows and the impact of high interest rates subsides.
- There are upside and downside risks to the outlook.



Source: Ontario Economic Accounts and FAO.

FAO projects growing budget surpluses under current policies

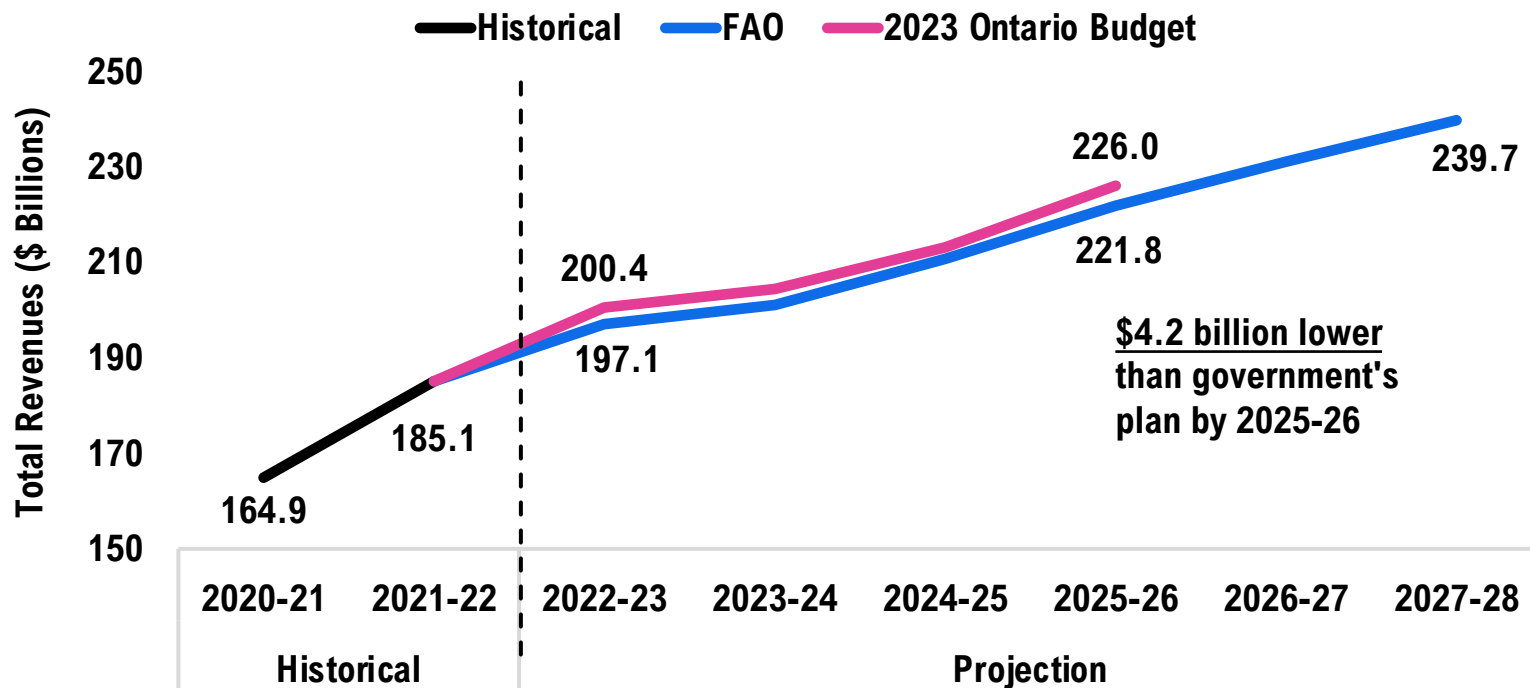
- The FAO expects a \$0.5 billion surplus in 2022-23 in contrast with the government's \$2.2 billion deficit projection in the 2023 Ontario Budget.
- By 2025-26, the last year of the Budget outlook, the government projects a \$4.4 billion surplus, while the FAO expects a surplus of \$10.6 billion.



Note: The budget balance from the 2023 Ontario Budget is shown after the reserve.
 Source: Ontario Public Accounts, 2023 Ontario Budget and FAO.

FAO's revenue projection is lower than the government's

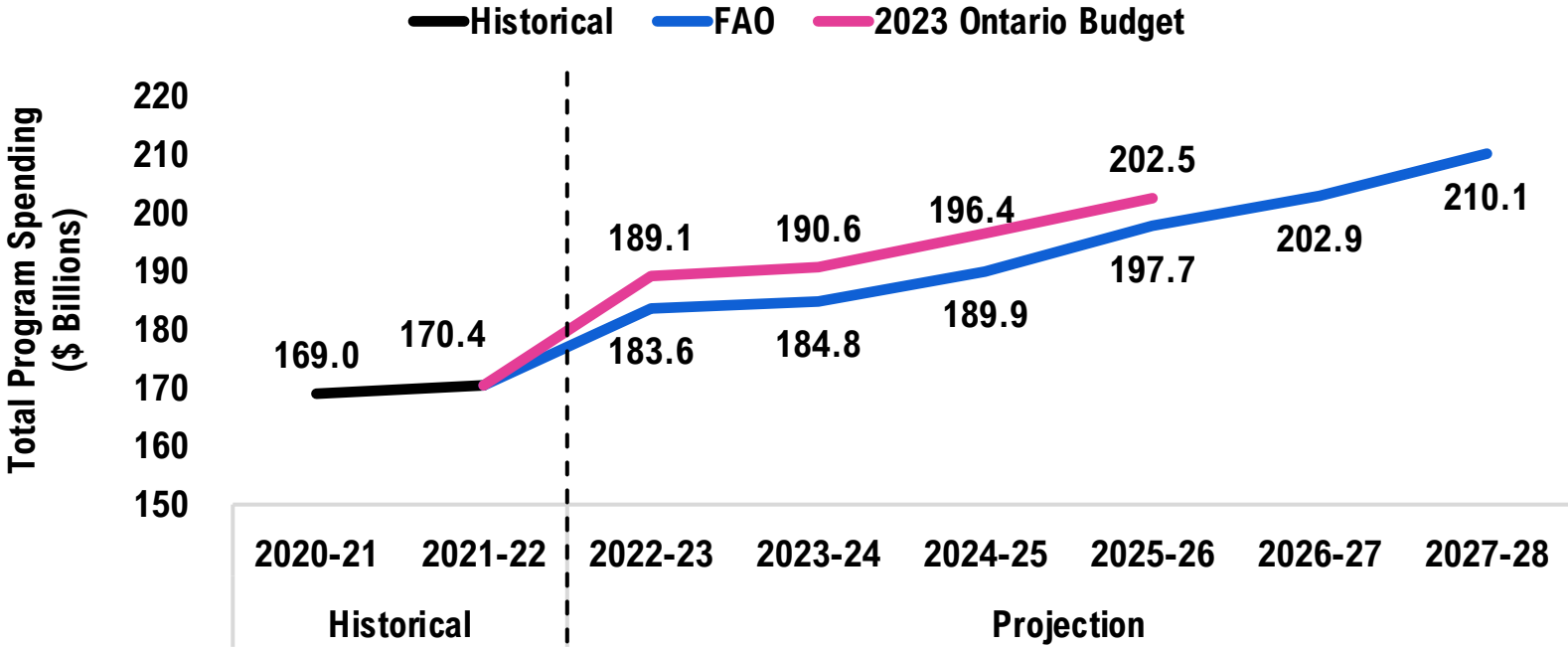
- As the economy slows, total revenue growth is projected to ease from 6.5 per cent (+\$12.0 billion) in 2022-23, to 2.0 per cent (+\$4.0 billion) in 2023-24.
- The FAO's revenue forecast is \$4.2 billion lower than the Budget outlook by 2025-26, reflecting in part a less optimistic projection of the impact of inflation on tax revenue.



Source: Ontario Public Accounts, 2023 Ontario Budget and FAO.

FAO's program spending outlook below government forecast

- The FAO projects that program spending will grow by an average annual rate of 3.6 per cent over the outlook, reaching \$210.1 billion by 2027-28.
- From 2022-23 to 2025-26, the FAO estimates a cumulative \$22.6 billion in excess funds that are not currently required to support existing programs and announced commitments.



Source: FAO analysis of the 2023 Ontario Budget and information provided by the Ministry of Finance.

Health and ‘other programs’ sectors account for most of the excess funds

- The FAO projects excess funds in health (net \$4.4 billion over four years), postsecondary education (\$1.1 billion) and ‘other programs’ (\$17.9 billion).
- The FAO estimates funding shortfalls in justice (\$0.5 billion), children’s and social services (\$0.2 billion) and education (\$0.1 billion).

Sector	Program Spending Difference, Province vs. FAO, \$ millions				
	2022-23	2023-24	2024-25	2025-26	Total
Health	1,304	384	1,835	921	4,444
Education	136	-216	129	-141	-92
Postsecondary Education	233	248	251	321	1,052
Children's and Social Services	278	274	-50	-685	-182
Justice	200	-204	-193	-322	-519
Other Programs*	3,370	5,323	4,525	4,654	17,872
Total Program Spending Difference	5,521	5,809	6,498	4,748	22,575

* Contingency funds are included in the government’s other programs forecast but excluded from the FAO’s projection as the purpose of the funds have not yet been announced. Note: Negative values indicate that the Province’s spending plan is below the FAO’s projection (i.e., a “shortfall”), while positive values indicate that the Province’s spending plan is above the FAO’s projection (i.e., “excess funds”). Ontario Teachers’ Pension Plan (OTPP) expense is included in the education sector. Source: FAO analysis of the 2023 Ontario Budget and information provided by the Ministry of Finance.

Thank you!



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