

# Economic and Budget Outlook

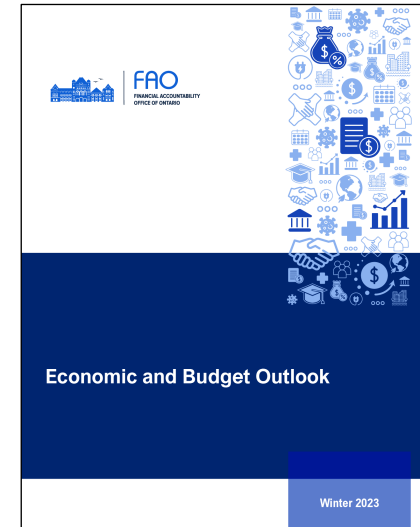
Briefing Deck



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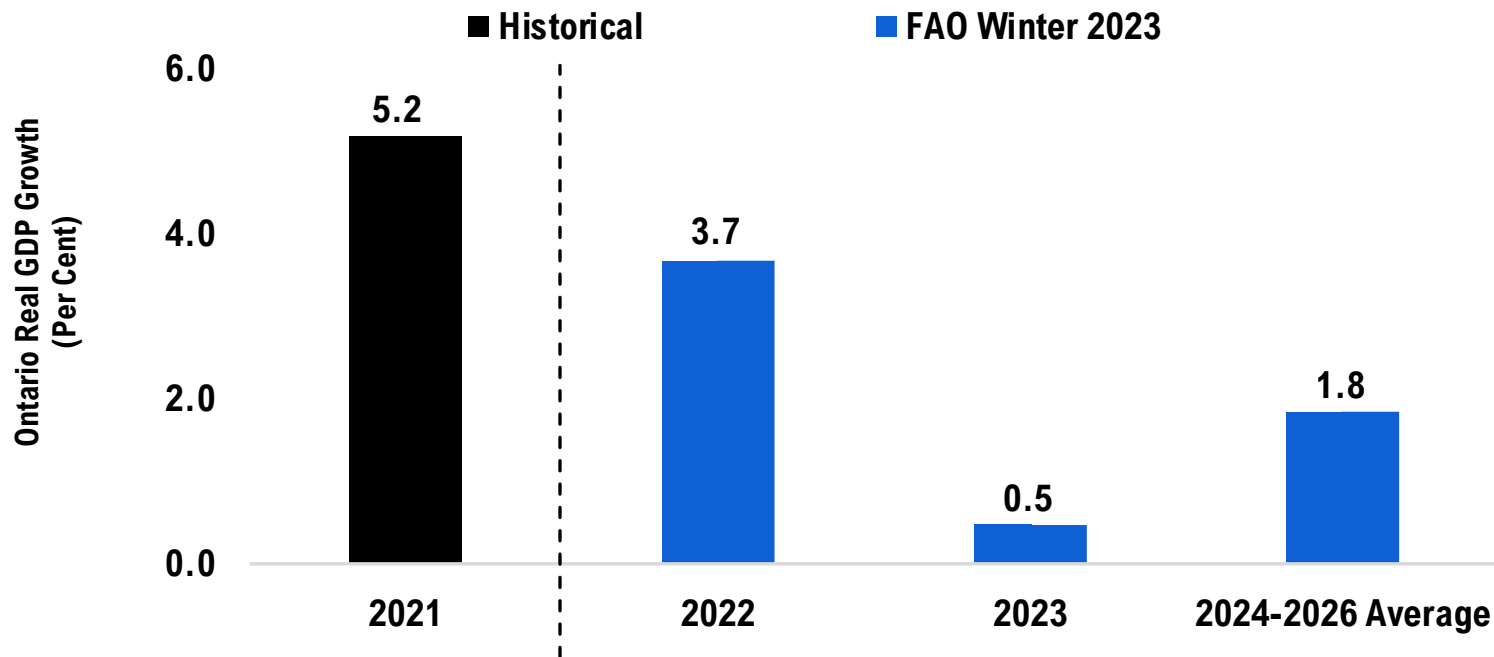
# Overview

- The FAO's Economic and Budget Outlook compares its latest forecast with the government's 2022 Ontario Economic Outlook and Fiscal Review (FES).
- The presentation will focus on Ontario's:
  1. Economic outlook
  2. Budget balance outlook
  3. Revenue outlook
  4. Spending outlook



# Ontario's economic growth to slow sharply

- Ontario's economy recovered quickly following the pandemic, with real GDP rising strongly by 5.2 per cent in 2021 and 3.7 per cent in 2022.
- For 2023, Ontario's economic growth is projected to slow sharply to 0.5 per cent, then stabilize at 1.8 per cent over the rest of the outlook.

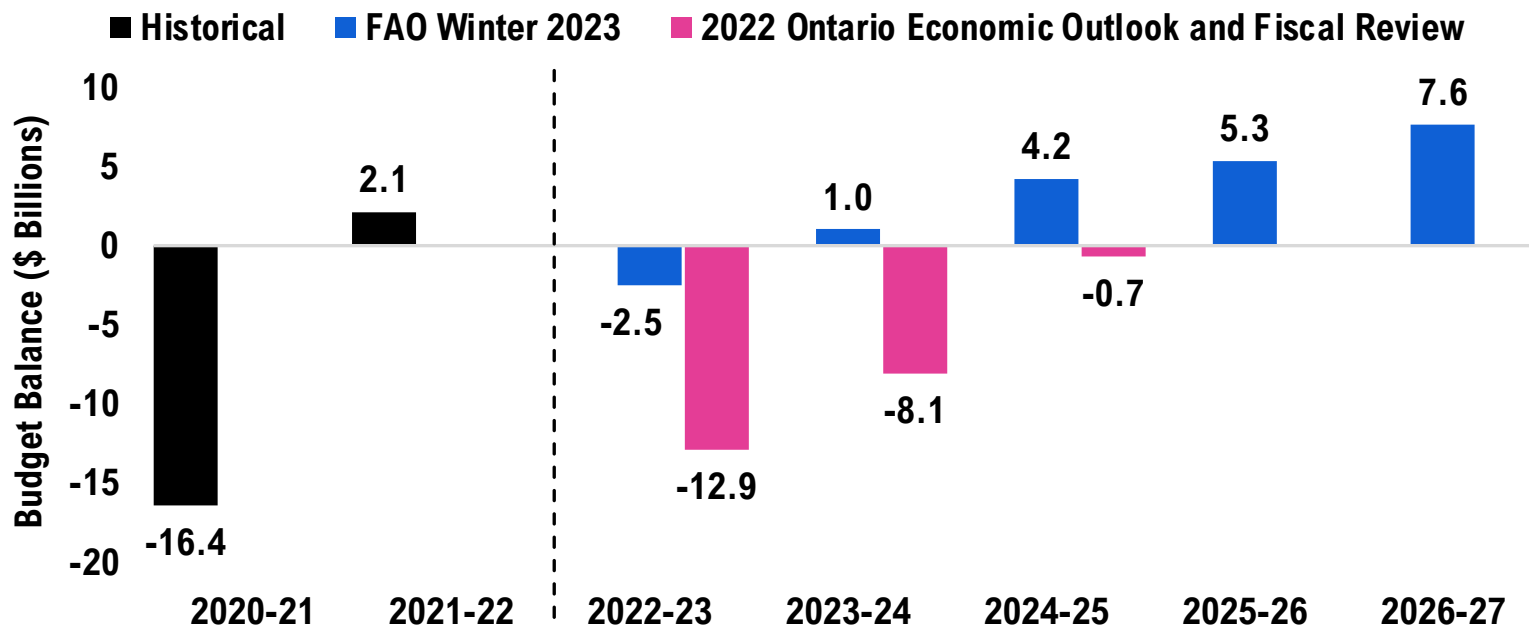


Source: Ontario Economic Accounts and FAO.



# FAO projects growing surpluses under current policy

- FAO's deficit projection of \$2.5 billion in 2022-23 is considerably smaller than the government's \$12.9 billion deficit projection in the 2022 FES.
- By the last year of the FES outlook, the government projects a \$0.7 billion deficit. In contrast, the FAO expects a budget surplus of \$4.2 billion.



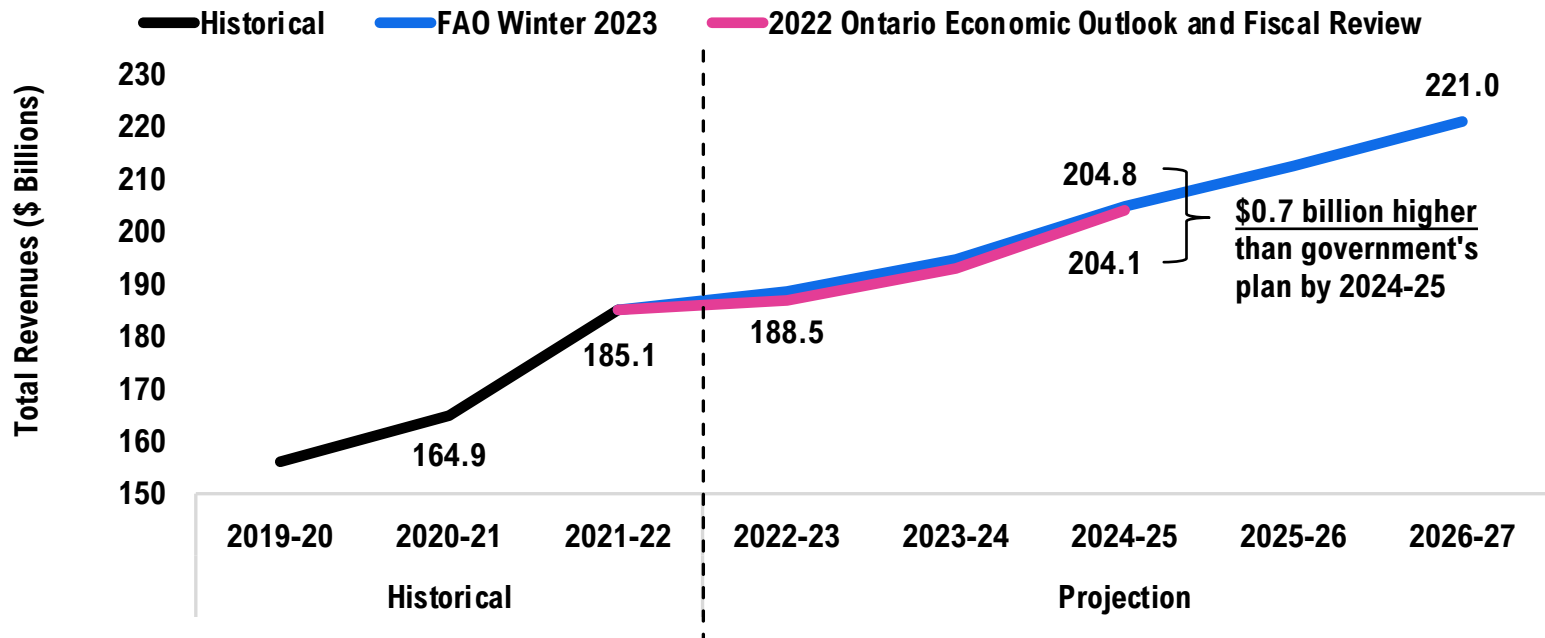
Note: The budget balance from the 2022 Ontario Economic Outlook and Fiscal Review is shown after the Reserve.

Source: Ontario Public Accounts, 2022 Ontario Economic Outlook and Fiscal Review and FAO.



# FAO revenue outlook modestly above government forecast

- Total revenues are projected to grow by an average annual rate of 3.6 per cent over the outlook, in line with a slowing economy.
- FAO's revenue projection is \$1.7 billion higher than the FES in 2022-23, narrowing to \$0.7 billion higher in 2024-25.

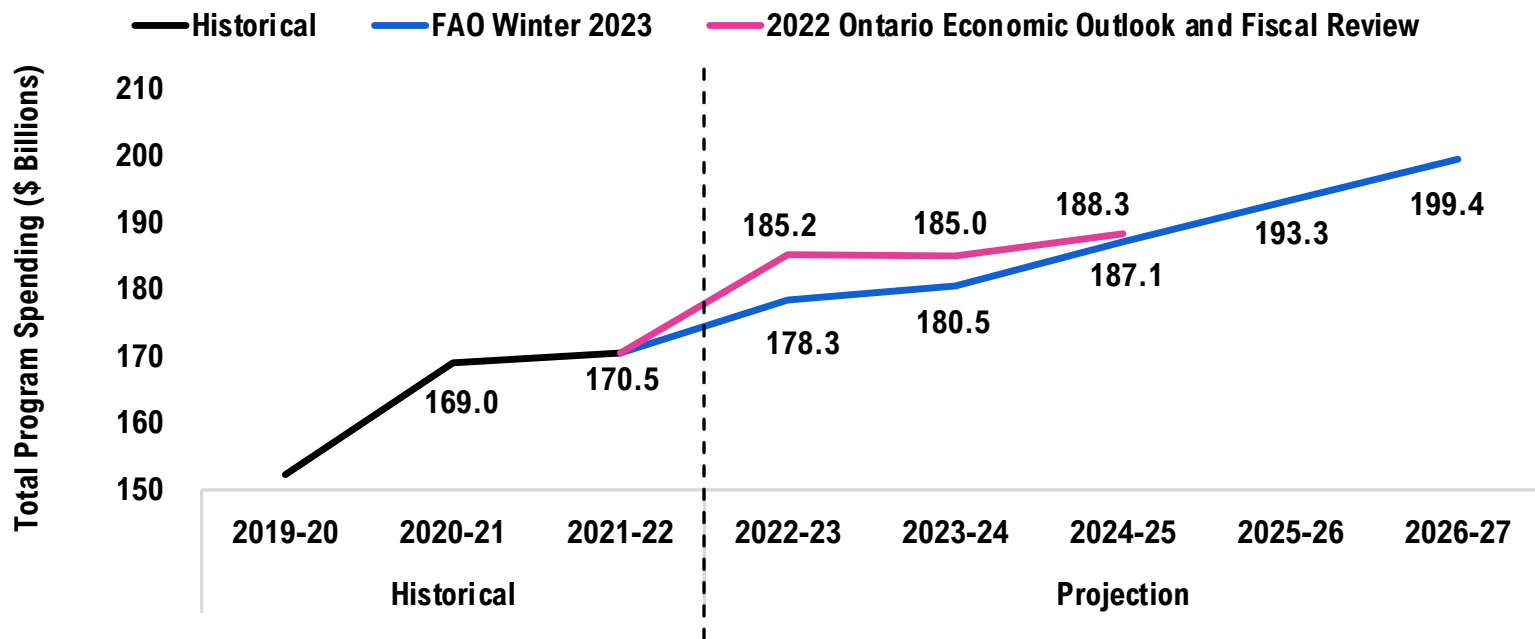


Source: Ontario Public Accounts, 2022 Ontario Economic Outlook and Fiscal Review and FAO.



# FAO program spending outlook below government forecast

- Program spending is projected to grow by an average annual rate of 3.2 per cent over the outlook, reaching \$199.4 billion by 2026-27.
- The FAO projects that spending on programs will be a total of \$12.5 billion lower than planned by the Province over the next three years.



Source: FAO analysis of the 2022 Ontario Economic Outlook and Fiscal Review and information provided by the Ministry of Finance.



# Funding shortfalls in some sectors, despite excess funds

- For the five main sectors combined, the FAO projects a total funding shortfall of \$7.2 billion over three years.
- However, the Province has excess funds in 'other programs' (\$19.7 billion over three years); largely due to contingency funds.

Sector	Program Spending Difference, Province vs. FAO, \$ millions			
	2022-23	2023-24	2024-25	Total
Health	1,258	-1,563	-4,646	-4,951
Education	-129	-325	-659	-1,112
Postsecondary Education	47	-217	-267	-437
Children's and Social Services	388	35	-253	170
Justice	-69	-407	-362	-837
<i>Sum of difference in 5 main sectors</i>	<i>1,496</i>	<i>-2,476</i>	<i>-6,187</i>	<i>-7,167</i>
Other Programs*	5,347	6,966	7,403	19,716
<b>Total Program Spending Difference</b>	<b>6,843</b>	<b>4,490</b>	<b>1,216</b>	<b>12,549</b>

\*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 2022 Ontario Economic Outlook and Fiscal Review and information provided by the Ministry of Finance.



# Thank you!



## FAO

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