

2025 Ontario Budget Note

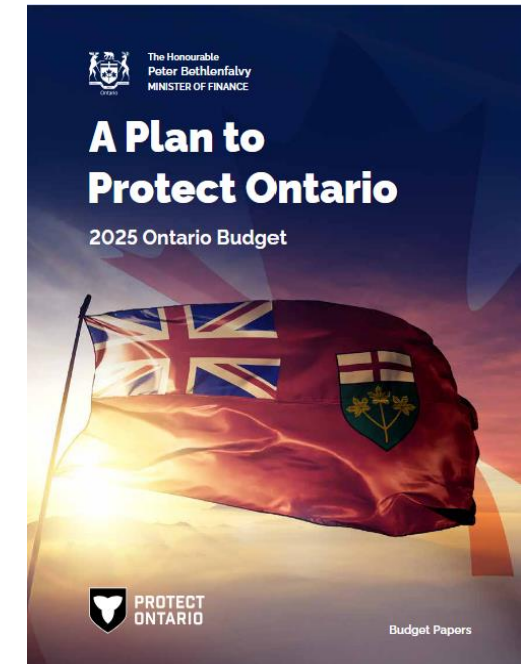
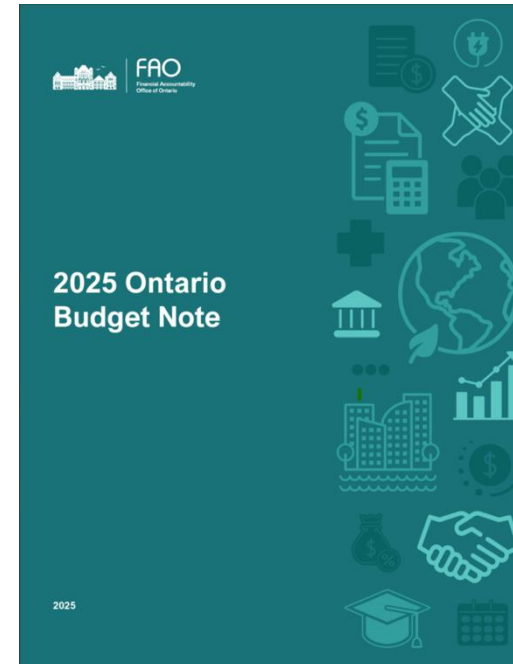
Briefing Deck



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Overview

- To support Members of Provincial Parliament in their debate of the 2025 Ontario Budget, this note provides an overview of the 2025 budget, including the outlook for the economy, budget balance, debt burden, revenues and spending.
- The presentation will cover the 2025 budget's:
 1. Economic outlook
 2. Budget balance outlook
 3. Net debt and fiscal sustainability indicators
 4. Revenue outlook
 5. Spending outlook



The Province's economic outlook has deteriorated

- The government's economic outlook presented in the 2025 Ontario Budget is lower than the outlook in the 2024 Ontario Economic Outlook and Fiscal Review (FES) largely due to the impact of US tariffs and elevated geopolitical uncertainty.
- The 2025 budget expects Ontario real GDP, the broadest measure of economic activity, to grow by an average of 1.2% a year from 2025 to 2027, 0.9 percentage points lower than the government's outlook in the 2024 FES.

Government outlook in the 2025 Ontario Budget and 2024 Fall Economic Statement

| | 2024 FES Average (2025-2027) | 2025 Budget Average (2025-2027) | Change |
|--|---------------------------------|------------------------------------|--------|
| Real GDP growth (%) | 2.1 | 1.2 | -0.9 |
| Nominal GDP growth (%) | 4.2 | 3.4 | -0.9 |
| Labour Income* growth (%) | 4.4 | 3.5 | -0.9 |
| Corporate Profits** growth (%) | 4.9 | 3.5 | -1.3 |
| Nominal Household Consumption growth (%) | 4.3 | 3.4 | -0.9 |
| CPI Inflation (%) | 2.0 | 2.1 | 0.1 |
| Unemployment Rate (%) | 6.4 | 7.2 | 0.8 |
| Annual Housing Starts (000s) | 91.7 | 76.4 | -15.3 |

* Compensation of Employees in the 2025 Ontario Budget and 2024 Ontario Economic Outlook and Fiscal Review.

** Net Operating Surplus – Corporations in the 2025 Ontario Budget and 2024 Ontario Economic Outlook and Fiscal Review.

Note: Numbers may not add due to rounding.

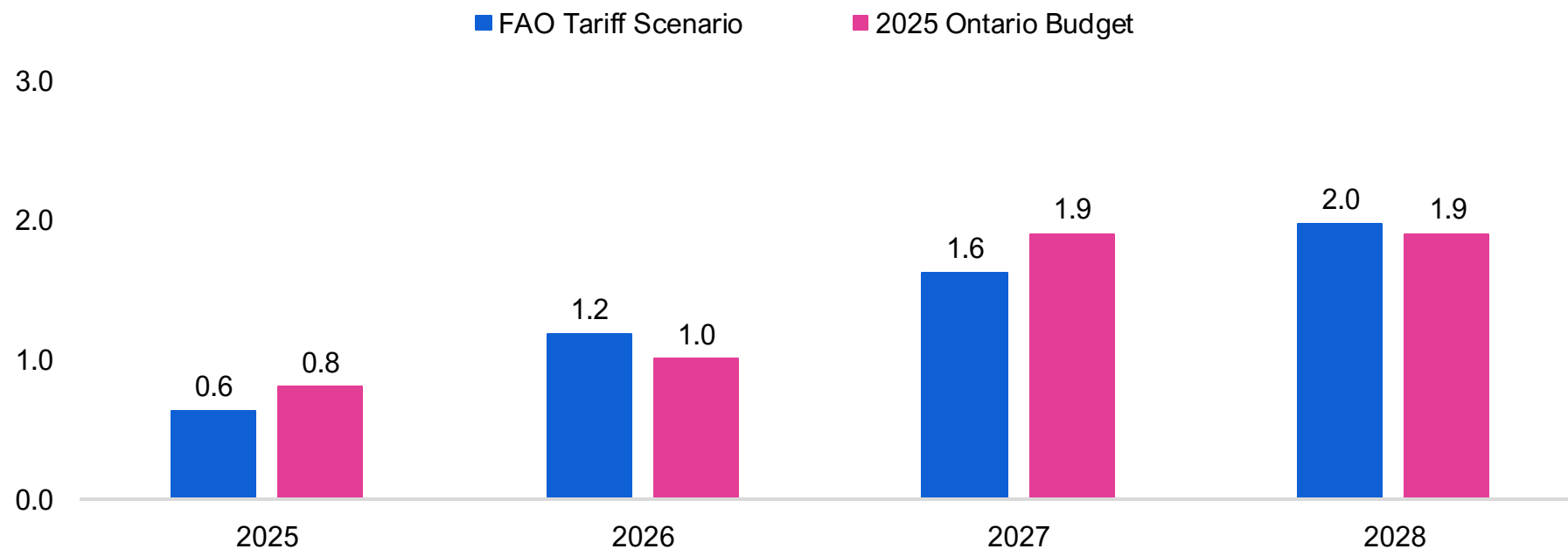
Source: 2025 Ontario Budget, 2024 Ontario Economic Outlook and Fiscal Review, and FAO.



Budget economic outlook in line with FAO projection

- The government's real GDP outlook in the 2025 budget is broadly in line with the FAO's "tariff scenario" economic outlook, with average annual growth of 1.4 per cent and 1.3 per cent, respectively, over the 2025 to 2028 period.
- However, both economic outlooks are subject to significant tariff-related uncertainty.

Real GDP growth (per cent)



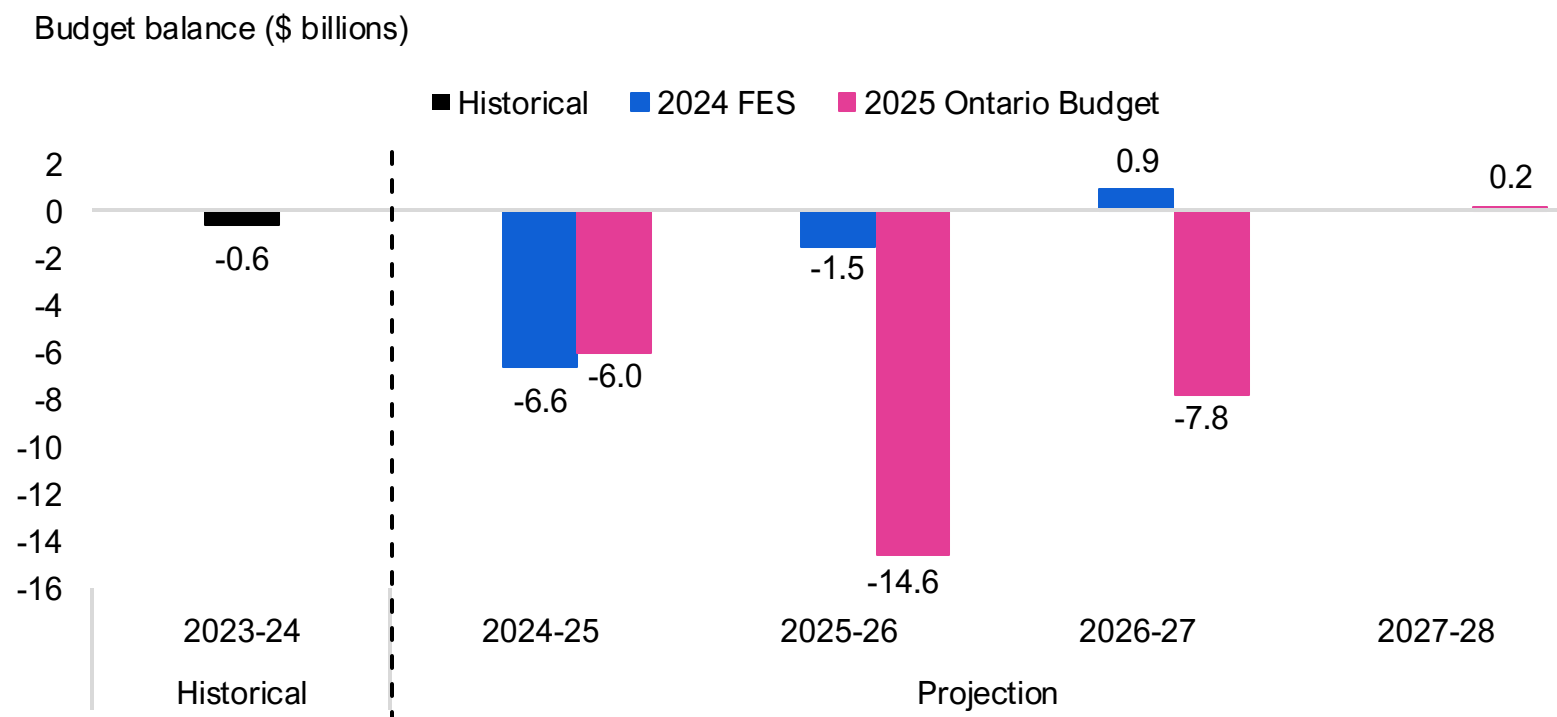
Note: The FAO tariff scenario is based on trade actions announced by the US and Canada as of April 17, 2025. For more information, see the FAO's [The Potential Impacts of US Tariffs on the Ontario Economy](#).

Source: 2025 Ontario Budget and FAO.



Ontario delays balanced budget until 2027-28

- Following a budget deficit of \$0.6 billion in 2023-24, the budget is projected to deteriorate to a deficit of \$14.6 billion in 2025-26, before returning to balance in 2027-28, one year later than in the 2024 FES.
- The budget's path to balance in 2027-28 relies on revenue growth averaging 4.0% in 2026-27 and 2027-28, while spending growth slows to an average annual rate of 0.7%.



Source: 2025 Ontario Budget and 2024 Ontario Economic Outlook and Fiscal Review.



Fiscal sustainability indicators expected to deteriorate

- The 2025 budget projects that the Province’s net debt will increase by \$93.8 billion over the outlook, reaching \$501.7 billion in 2027-28.
 - Accumulated budget deficits account for 30% of the additional net debt, while 70% is due to an increase in non-financial assets, largely capital assets.
- Of the Province’s three fiscal sustainability indicators, the net debt-to-operating revenue ratio is expected to exceed the government’s 2025 budget target.

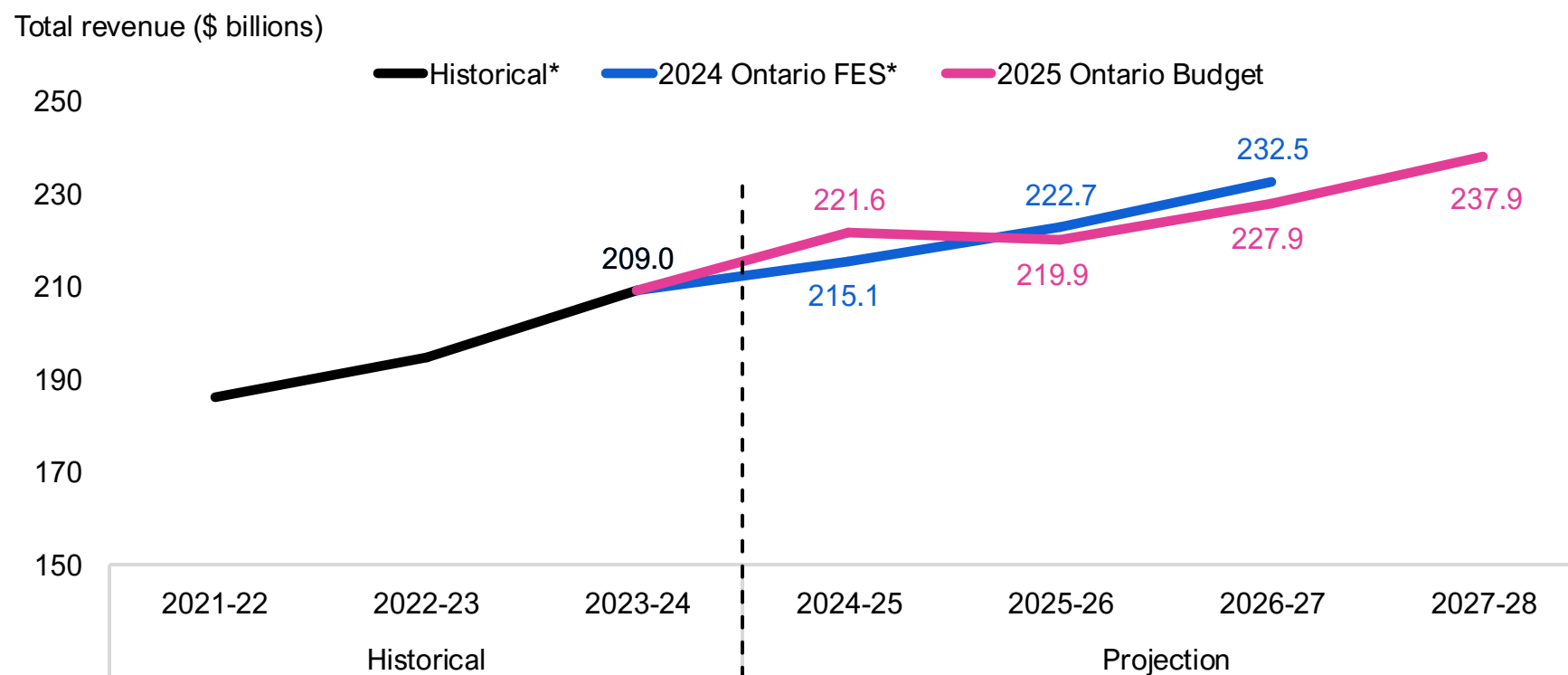
2025 budget fiscal sustainability indicator targets and outlook

| Indicator | Government Target (per cent) | 2023-24 Actual (per cent) | 2027-28 Forecast (per cent) | Change (ppt) |
|-----------------------------------|---------------------------------|------------------------------|--------------------------------|-----------------|
| Net debt-to-GDP | < 40.0 | 36.4 | 38.6 | 2.2 |
| Net debt-to-operating revenue | < 200.0 | 198.1 | 212.4 | 14.3 |
| Net interest-to-operating revenue | < 7.5 | 5.5 | 6.8 | 1.3 |

Source: 2025 Ontario Budget, 2024 Ontario Economic Outlook and Fiscal Review, and FAO.

Revenue outlook

- The 2025 budget projects total revenues of \$221.6 billion in 2024-25, declining to \$219.9 billion in 2025-26, and then growing to \$237.9 billion in 2027-28.
- Compared to the 2024 FES, revenues are \$1.0 billion lower over the 2024-25 to 2026-27 period.



* Historical and 2024 Ontario FES revenues are adjusted to include interest and investment income to align with the fiscally neutral accounting change introduced in the 2025 Ontario Budget.

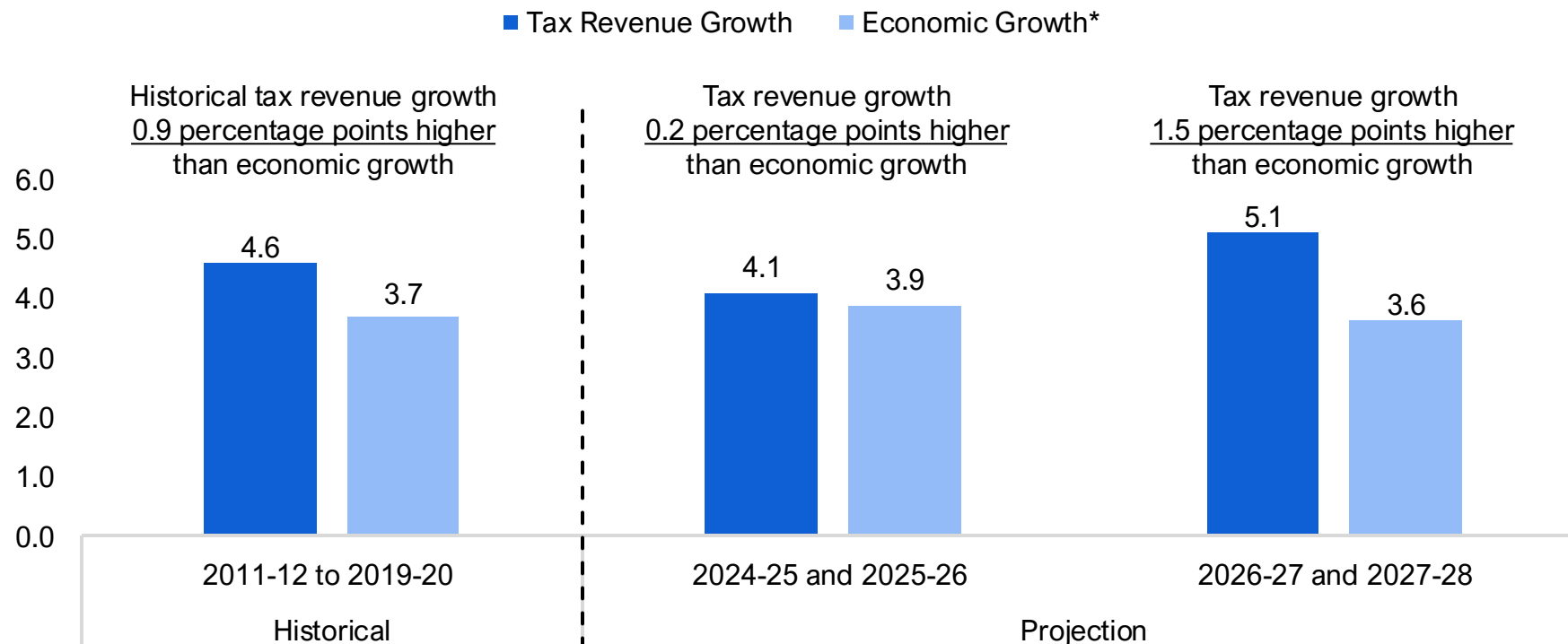
Source: 2025 Ontario Budget, 2024 Ontario Economic Outlook and Fiscal Review, Ontario Public Accounts and FAO.



Strong tax revenue growth projected in 2026 and 2027

- Taxation revenues are projected to grow by 5.1% per year in 2026-27 and 2027-28, higher than has been observed historically given the 2025 budget's economic projection.

Average annual growth (per cent)



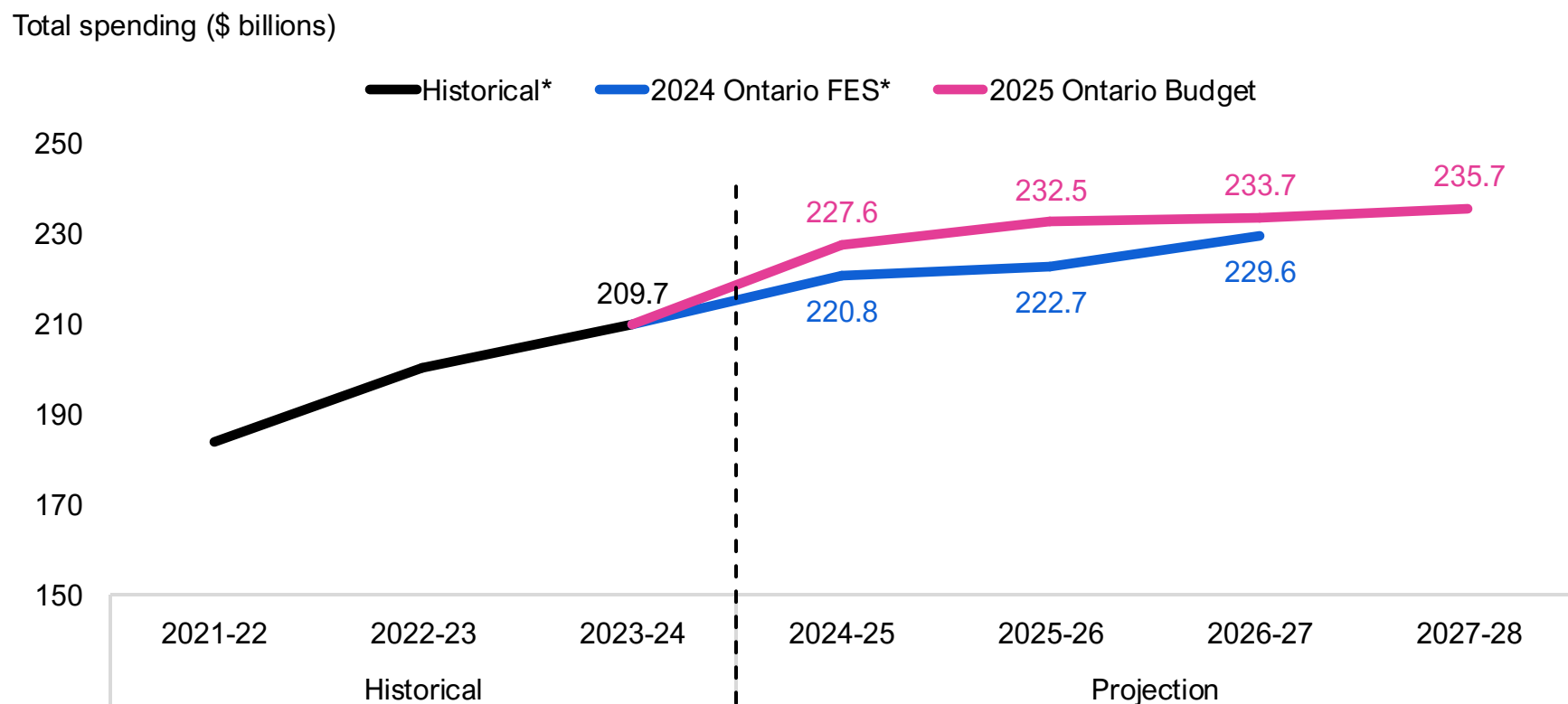
* Economic growth is measured by nominal GDP and is calculated on a fiscal year basis.

Source: 2025 Ontario Budget, Ontario Public Accounts, Ontario Economic Accounts and FAO.



Spending outlook

- The 2025 budget projects total spending of \$227.6 billion in 2024-25, increasing to \$232.5 billion in 2025-26 and reaching \$235.7 billion in 2027-28.
- Compared to the 2024 FES, the government's spending forecast has increased by a total of \$20.6 billion from 2024-25 to 2026-27.



* Historical and 2024 Ontario FES spending are adjusted to exclude interest and investment income to align with the fiscally neutral accounting change introduced in the 2025 Ontario Budget.

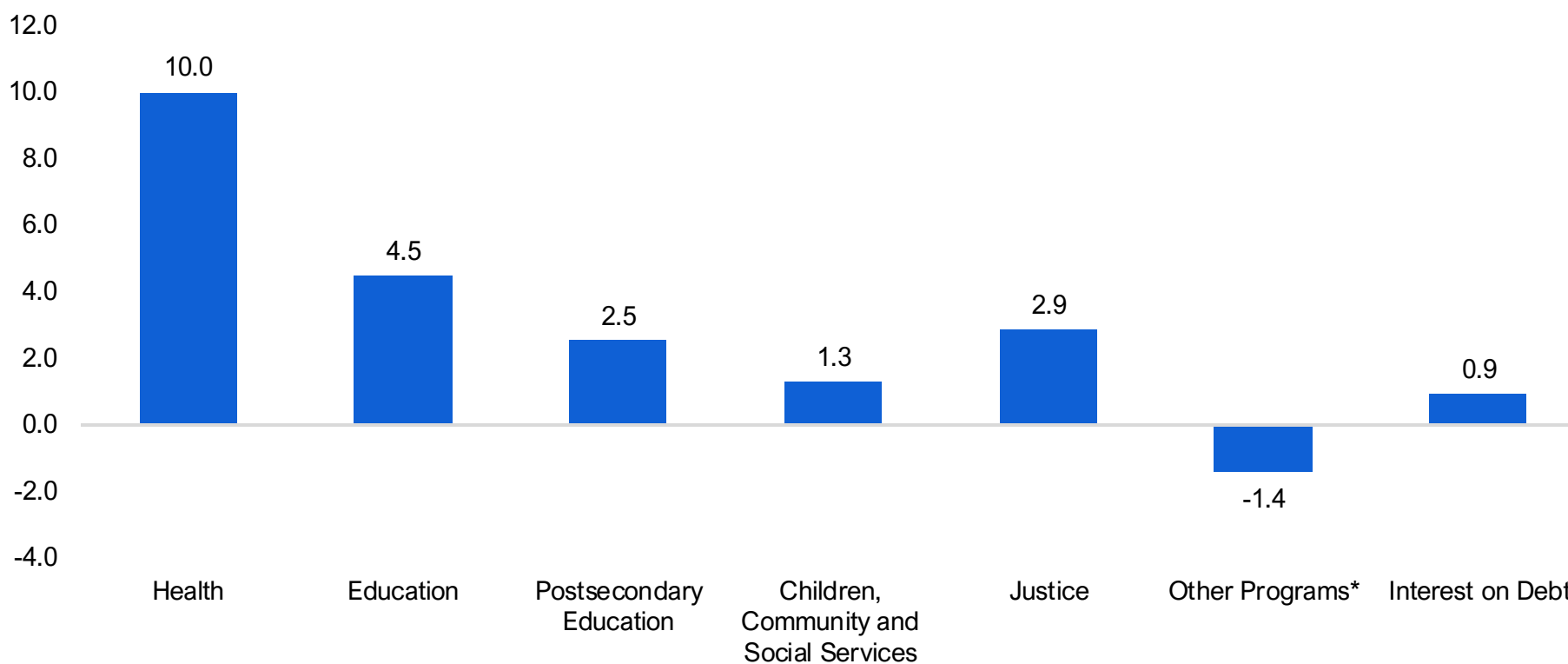
Source: 2025 Ontario Budget, 2024 Ontario Economic Outlook and Fiscal Review, Ontario Public Accounts and FAO.



Spending plan changes by sector

- Compared to the 2024 FES, planned spending from 2024-25 to 2026-27 has increased in all sectors apart from 'other programs'.

Spending plan change, 2025 Budget vs. 2024 FES, 2024-25 to 2026-27 (\$ billions)



* Ontario Teachers' Pension Plan expense is included in the education sector. The Contingency Fund is included in the 'other programs' sector. 2024 FES spending is adjusted to exclude interest and investment income to align with the fiscally neutral accounting change introduced in the 2025 Ontario Budget.

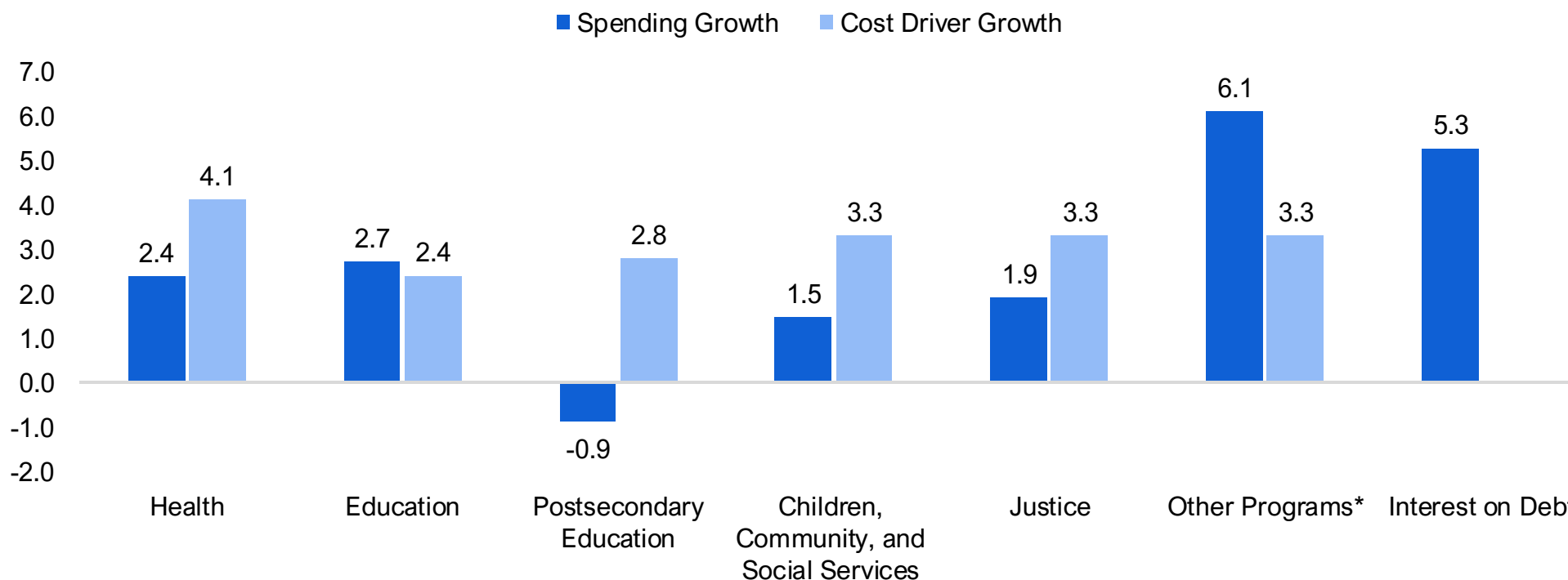
Source: 2025 Ontario Budget, 2024 Ontario Economic Outlook and Fiscal Review, and FAO.



Planned sector spending growth vs. cost drivers

- The 2025 budget projects spending to grow at an average annual rate of 3.0%, less than the estimated 3.3% growth in inflation and population, which are broad cost drivers of government spending, and would result in an overall decline in real per capita spending.

2025 Ontario Budget average annual growth (per cent) 2023-24 to 2027-28



* The 'other programs' spending growth rate includes the Contingency Fund. Ontario Teachers' Pension Plan expense is included in the education sector.

Source: 2025 Ontario Budget and FAO.



Thank you!



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