



FAO Forecast Accuracy: 2024-25

Presentation

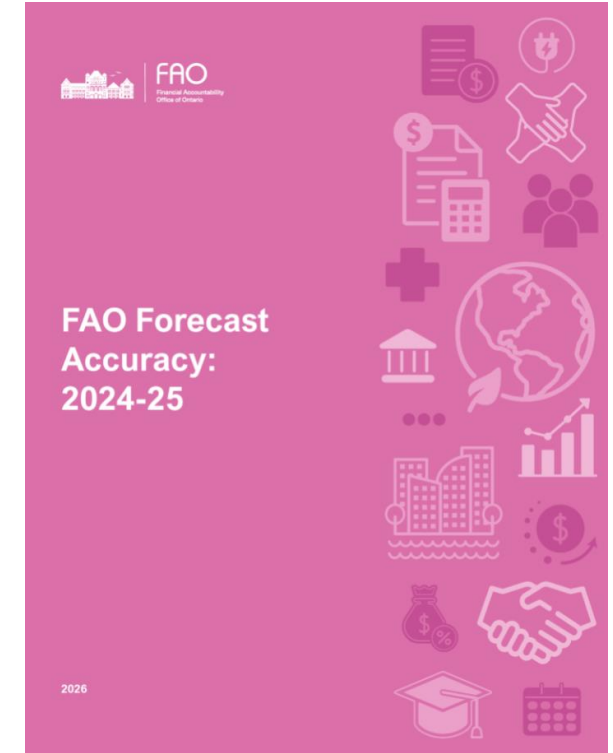


FAO

Financial Accountability
Office of Ontario

Overview

- This report compares the FAO's projections for Ontario's budget balance, revenue and spending against the actual results published in the Public Accounts of Ontario.
- The report reviews:
 - The FAO's 2024-25 projections for budget balance, revenue and spending.
 - The FAO's historical forecast accuracy since 2016-17 (the first year of FAO forecasting).
 - How the FAO's forecasts compare to the government's forecasts in Ontario Budgets.



2024-25 Review

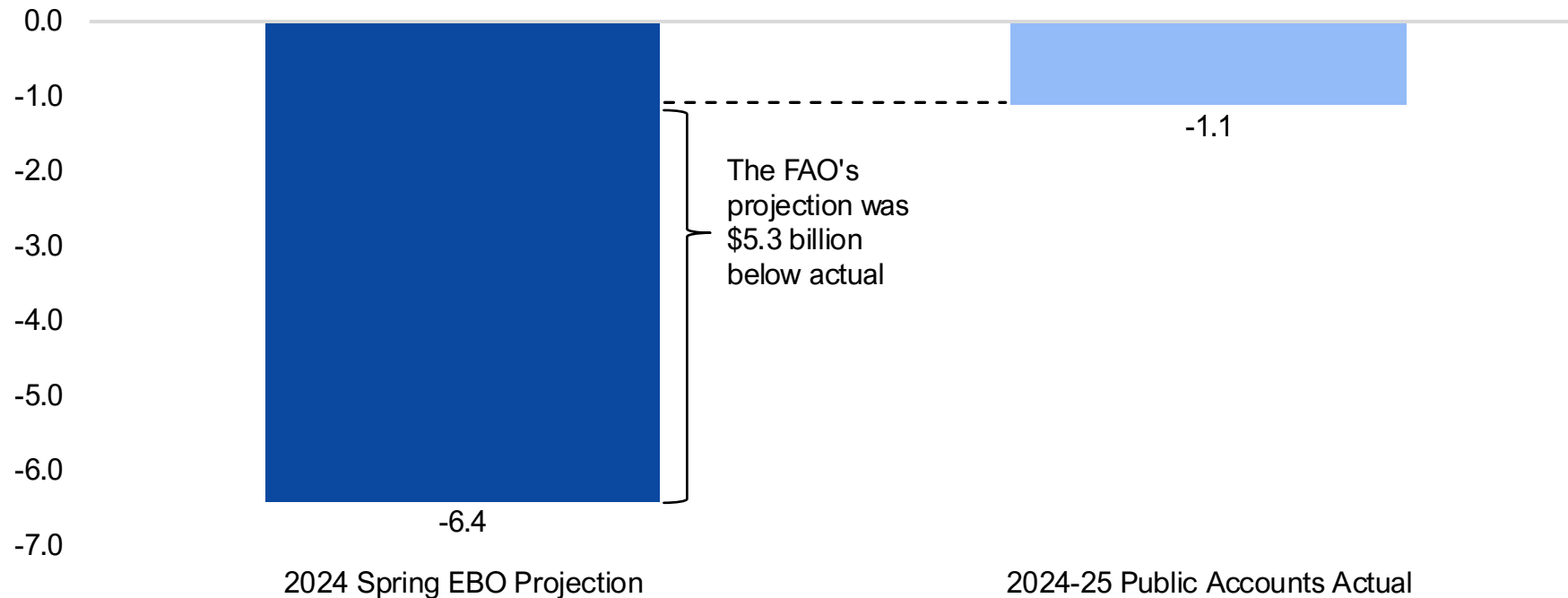


2024-25 Budget Balance

- In the Spring 2024 Economic and Budget Outlook (EBO), the FAO projected a \$6.4 billion budget deficit for 2024-25, which was \$5.3 billion below the \$1.1 billion actual budget deficit reported in the 2024-25 Public Accounts of Ontario.

FAO Spring 2024 EBO forecast and Public Accounts actual for the 2024-25 budget balance

\$ Billions



Source: FAO Spring 2024 Economic and Budget Outlook and the 2024-25 Public Accounts of Ontario.

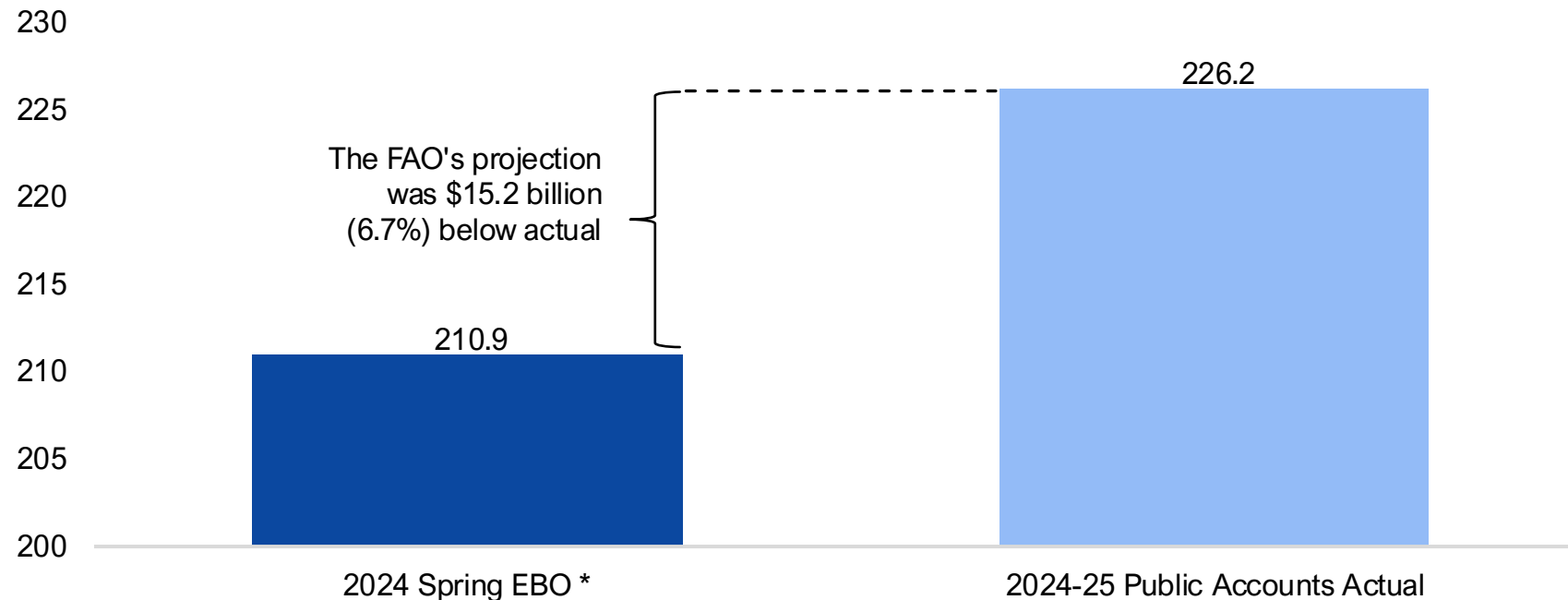


2024-25 Revenue

- The FAO's revenue projection was \$15.2 billion below actual largely due to an \$8.8 billion underestimate of other non-tax revenue, as well as underestimates of personal income tax (\$2.0 billion) and corporations tax (\$3.5 billion).

FAO Spring 2024 EBO forecast and Public Accounts actual for total 2024-25 revenue

\$ Billions



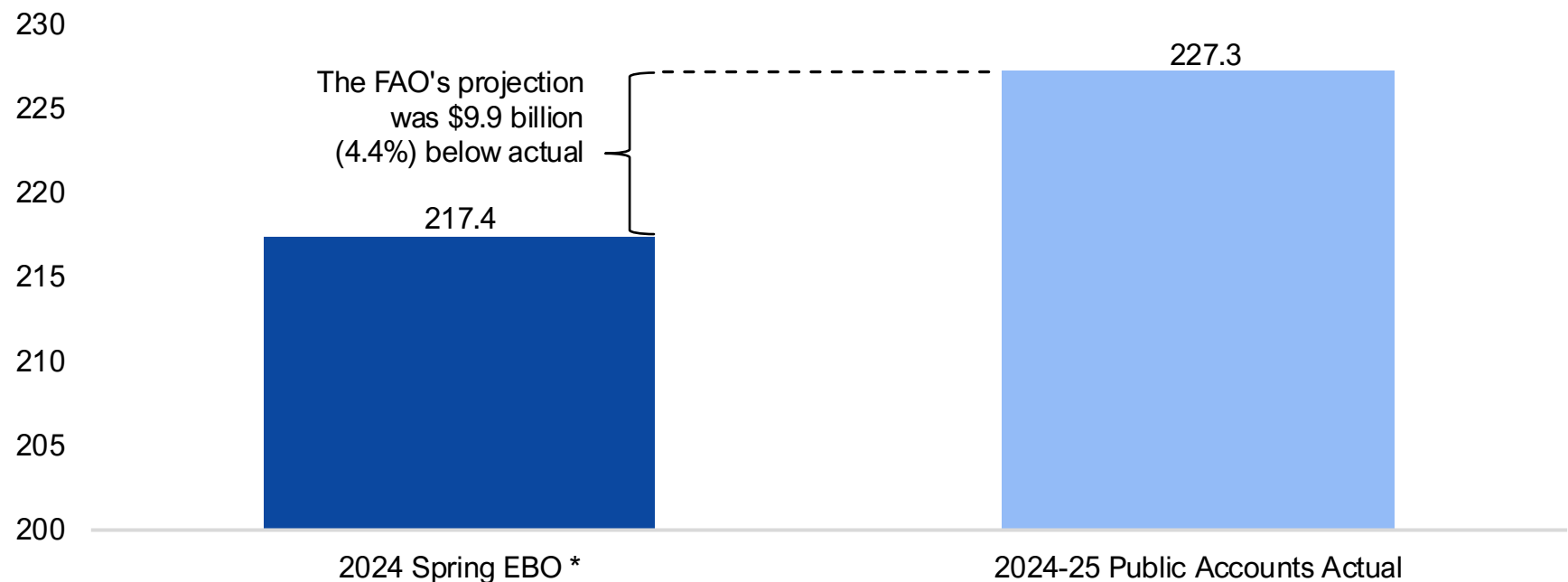
* The FAO's Spring 2024 EBO projection is restated to reflect an accounting change to interest and investment income introduced in the 2024-25 Public Accounts of Ontario.
Source: FAO Spring 2024 Economic and Budget Outlook and 2024-25 Public Accounts of Ontario.



2024-25 Spending

- The FAO’s spending projection was \$9.9 billion below actual due to new policies introduced by the government during the fiscal year (\$3.1 billion); unanticipated developments that affected spending, such as wage and legal settlements (\$3.6 billion); and an underestimate of the cost or volume of government services and programs (\$3.2 billion).

FAO Spring 2024 EBO forecast and Public Accounts actual for total 2024-25 spending
\$ Billions



* The FAO’s Spring 2024 EBO projection is restated to reflect an accounting change to interest and investment income introduced in the 2024-25 Public Accounts of Ontario.
Source: FAO Spring 2024 Economic and Budget Outlook and 2024-25 Public Accounts of Ontario.

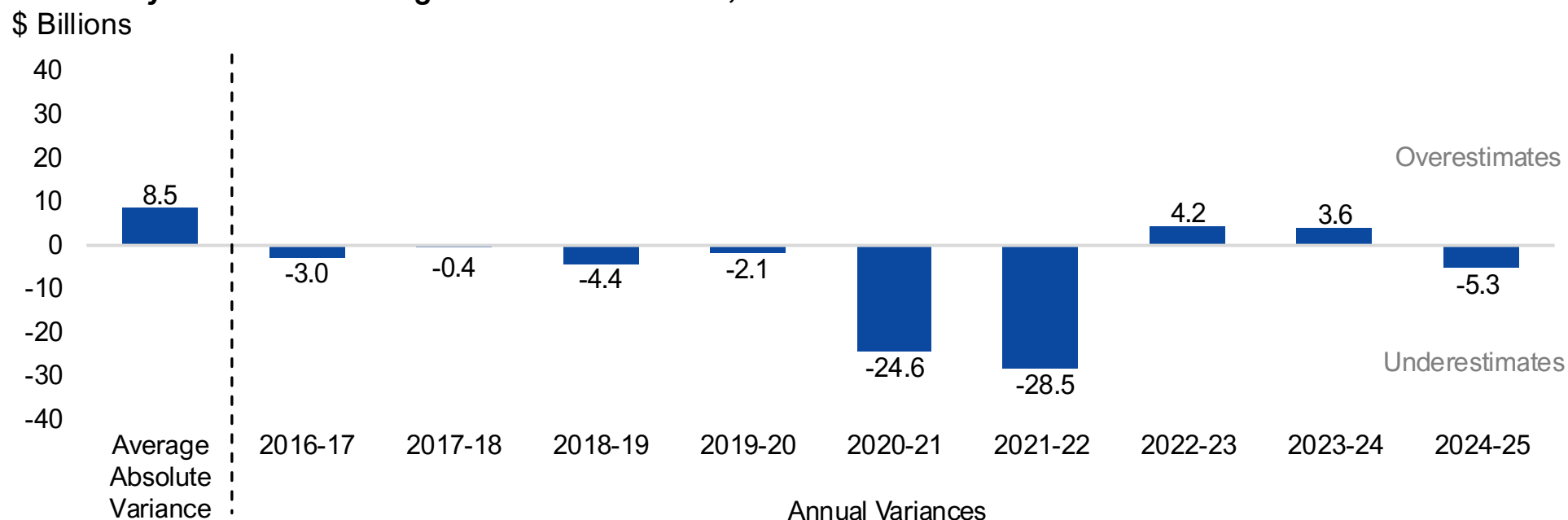
FAO Historical Review



One-Year Outlooks: Budget Balance

- The FAO's one-year historical forecast accuracy compares the FAO's projections in year one of the EBO against the actual results in the Public Accounts of Ontario.
- Since 2016-17, the FAO's average absolute variance (which measures the magnitude of variance regardless of direction) for the budget balance was \$8.5 billion. Excluding the pandemic years of 2020-21 and 2021-22, the FAO's average absolute variance for the budget balance was \$3.3 billion.

FAO one-year historical budget balance variances, 2016-17 to 2024-25



Note: Each forecast variance compares the FAO's one-year projection from the Economic and Budget Outlook against the actual results in the Public Accounts of Ontario. FAO projections have been adjusted to reflect accounting changes introduced in the Public Accounts of Ontario.

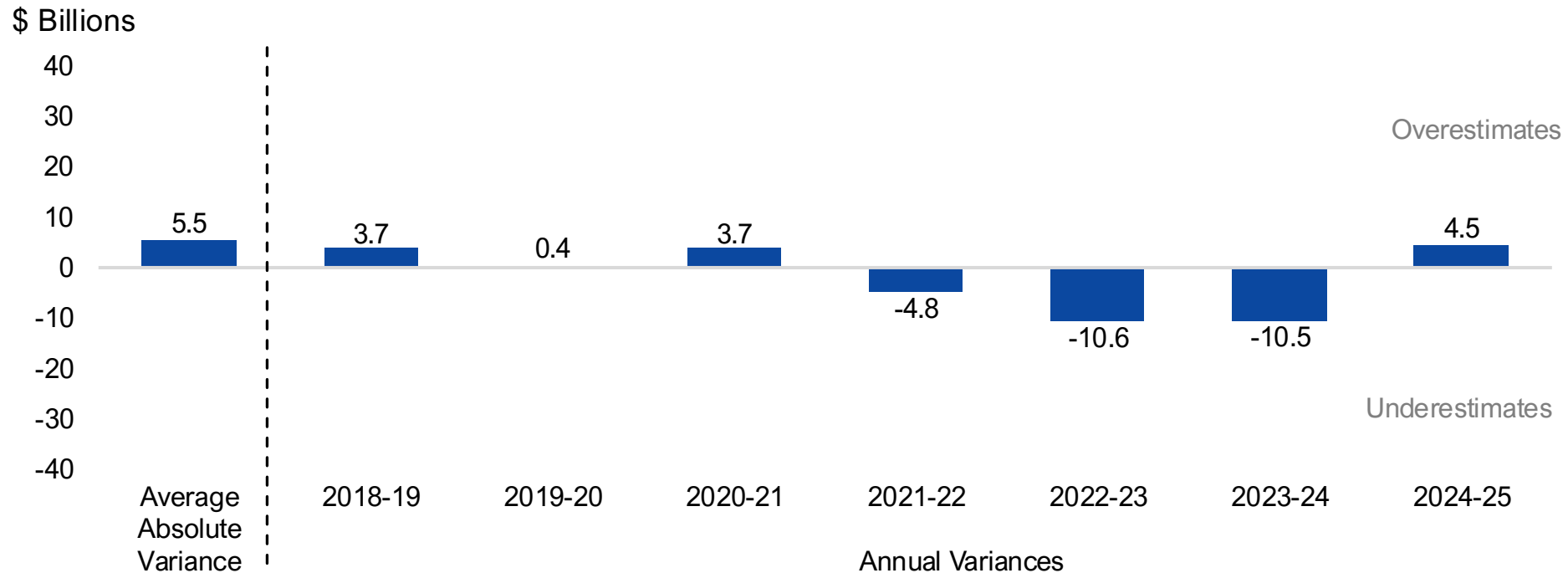
Source: FAO Economic and Budget Outlook reports and Public Accounts of Ontario.



Three-Year Outlooks: Budget Balance

- The FAO's three-year historical forecast accuracy compares the FAO's projection in year three of the EBO against the actual results in the Public Accounts of Ontario.
- The FAO's average absolute variance for the budget balance in the third year of each outlook was \$5.5 billion.

FAO three-year historical budget balance variances, 2018-19 to 2024-25



Note: Each forecast variance compares the FAO's Economic and Budget Outlook projection for the Province's budget balance in year three of the outlook against the actual results in the Public Accounts of Ontario. FAO projections have been adjusted to reflect accounting changes introduced in the Public Accounts of Ontario. The FAO's projection for 2022-23 was taken from the Fall 2020 Economic and Budget Outlook as the outlook in the Spring 2020 EBO did not include a projection to 2022-23.

Source: FAO Economic and Budget Outlook reports and Public Accounts of Ontario.

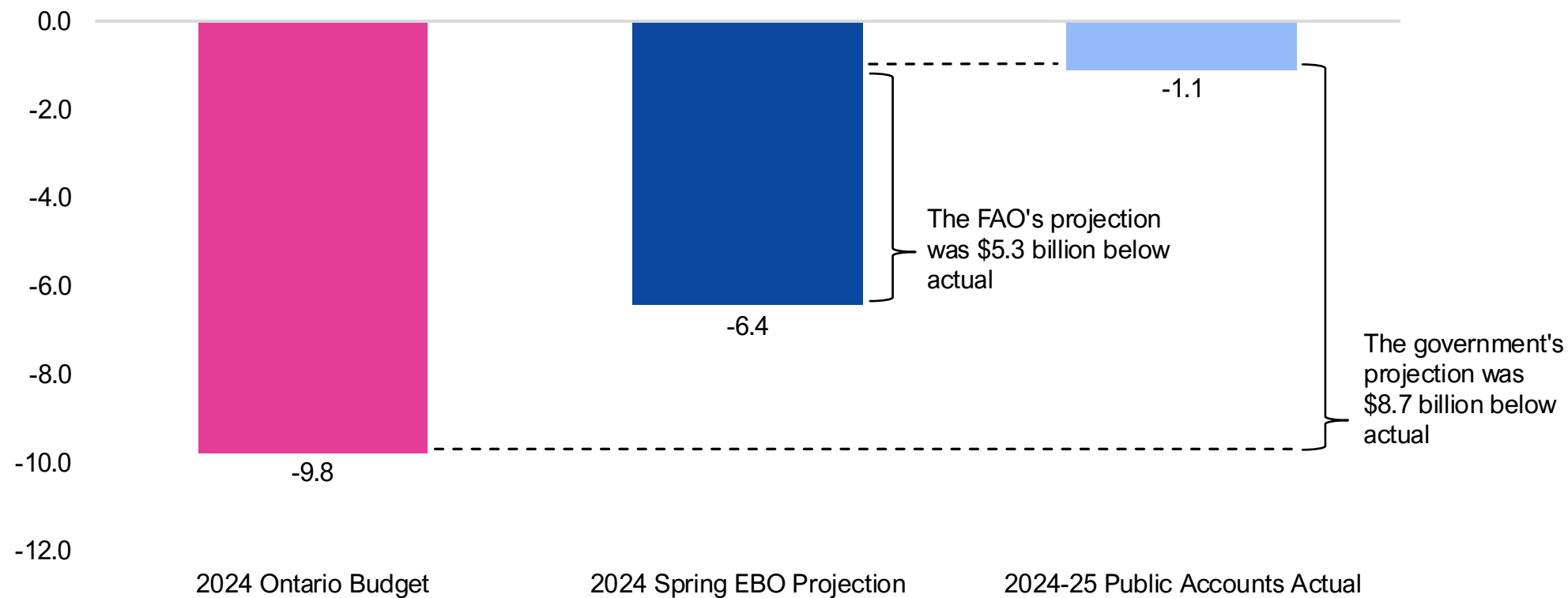


Forecast Accuracy Compared to the Government



2024-25 Comparative Review: Budget Balance

2024 Ontario Budget forecast, FAO Spring 2024 EBO forecast and Public Accounts actual for the 2024-25 budget balance
\$ Billions

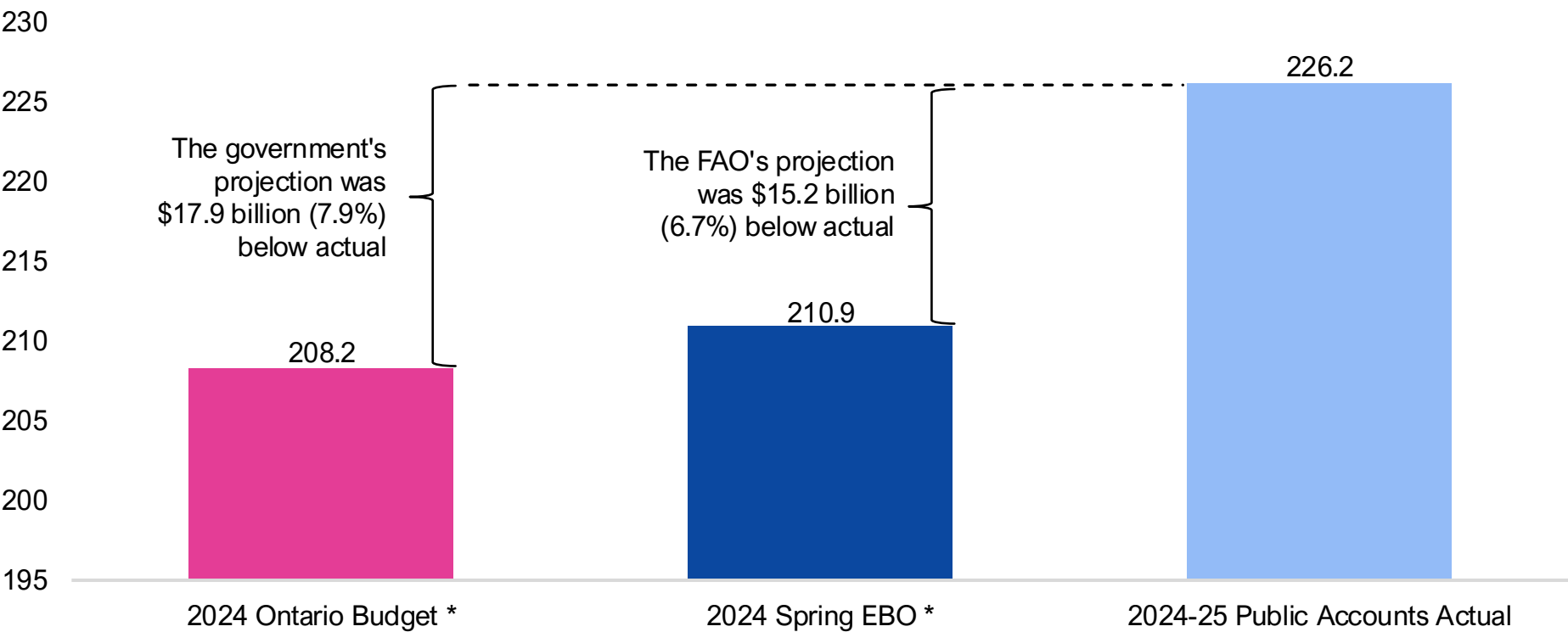


Source: 2024 Ontario Budget, FAO Spring 2024 Economic and Budget Outlook, and the 2024-25 Public Accounts of Ontario.



2024-25 Comparative Review: Revenue

2024 Ontario Budget forecast, FAO Spring 2024 EBO forecast and Public Accounts actual for 2024-25 total revenue
\$ Billions

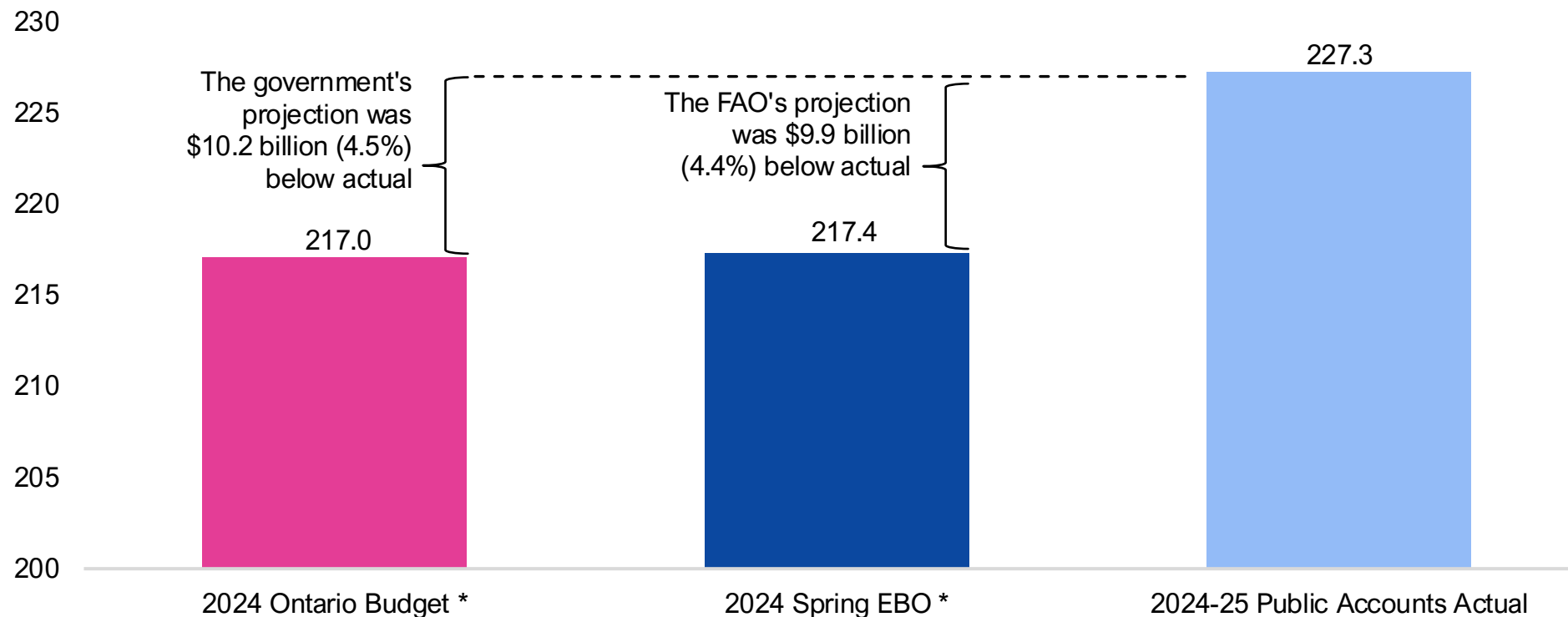


* The 2024 Ontario Budget and the Spring 2024 EBO projections have been restated to reflect an accounting change to interest and investment income introduced in the 2024-25 Public Accounts of Ontario.
Source: 2024 Ontario Budget, FAO Spring 2024 Economic and Budget Outlook, and 2024-25 Public Accounts of Ontario.



2024-25 Comparative Review: Spending

2024 Ontario Budget forecast, FAO Spring 2024 EBO forecast and Public Accounts actual for 2024-25 total spending
\$ Billions



* The 2024 Ontario Budget and the Spring 2024 EBO projections have been restated to reflect an accounting change to interest and investment income introduced in the 2024-25 Public Accounts of Ontario.

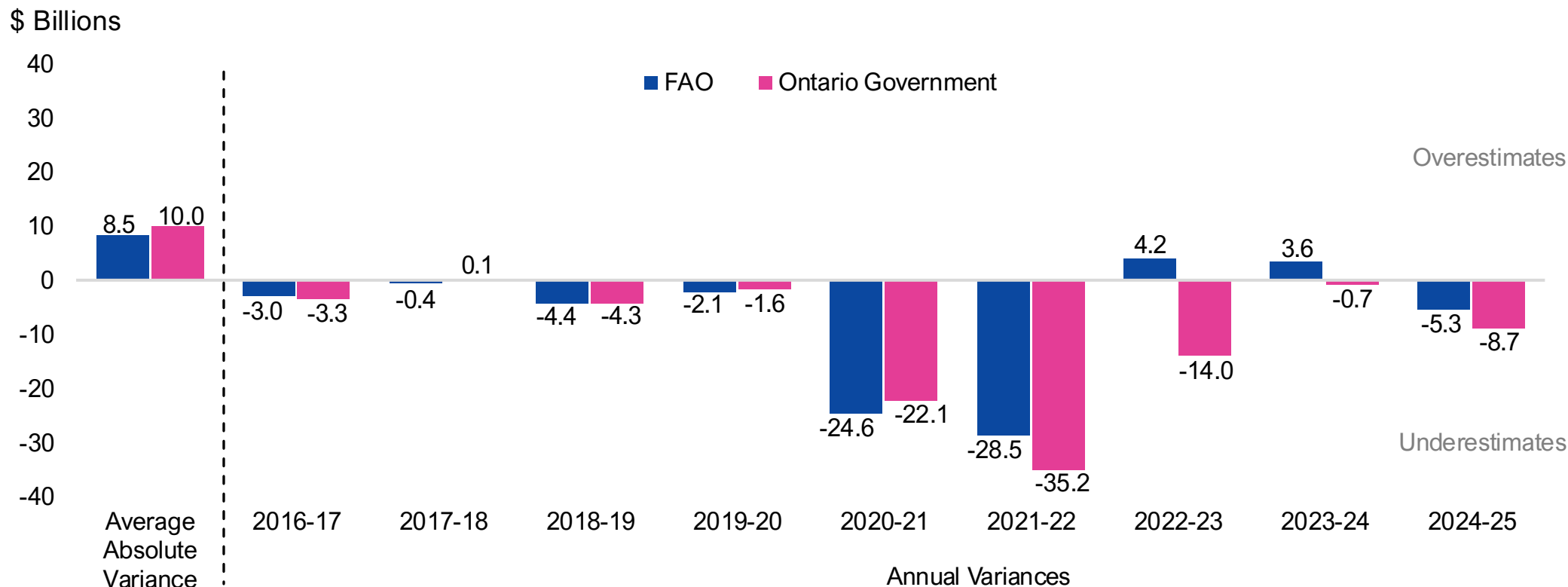
Source: 2024 Ontario Budget, FAO Spring 2024 Economic and Budget Outlook, and 2024-25 Public Accounts of Ontario.



Historical Comparative Review: One-Year Budget Balance Outlooks

- Since 2016-17, the FAO's average absolute variance for the budget balance was \$8.5 billion, while the government's average absolute variance was \$10.0 billion.

One-year historical budget balance variances, 2016-17 to 2024-25



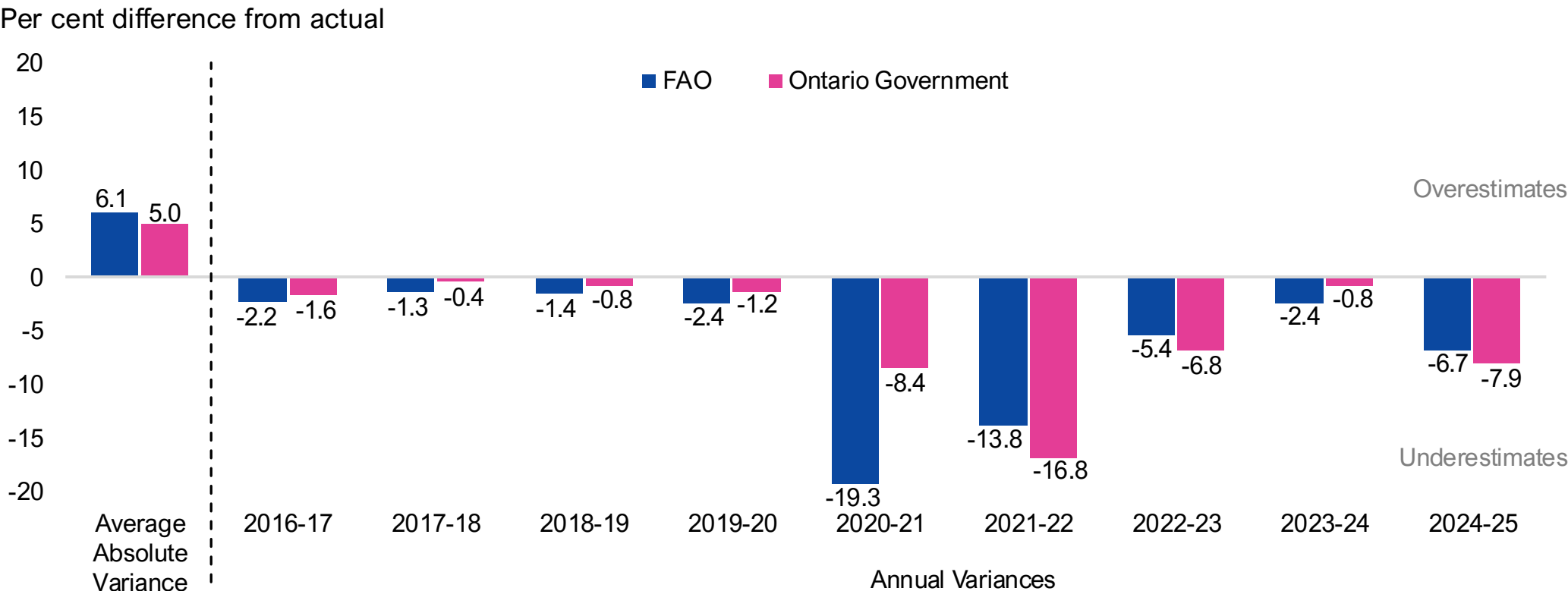
Note: Projections have been adjusted to reflect accounting changes introduced in the Public Accounts of Ontario.
Source: Ontario Budgets, FAO Economic and Budget Outlook reports, and Public Accounts of Ontario.



Historical Comparative Review: One-Year Revenue Outlooks

- Since 2016-17, the FAO's average absolute variance for revenue was 6.1 per cent, while the government's average absolute variance was 5.0 per cent.

One-year historical revenue variances, 2016-17 to 2024-25



Note: Projections have been adjusted to reflect accounting changes introduced in the Public Accounts of Ontario.
Source: Ontario Budgets, FAO Economic and Budget Outlook reports, and Public Accounts of Ontario.

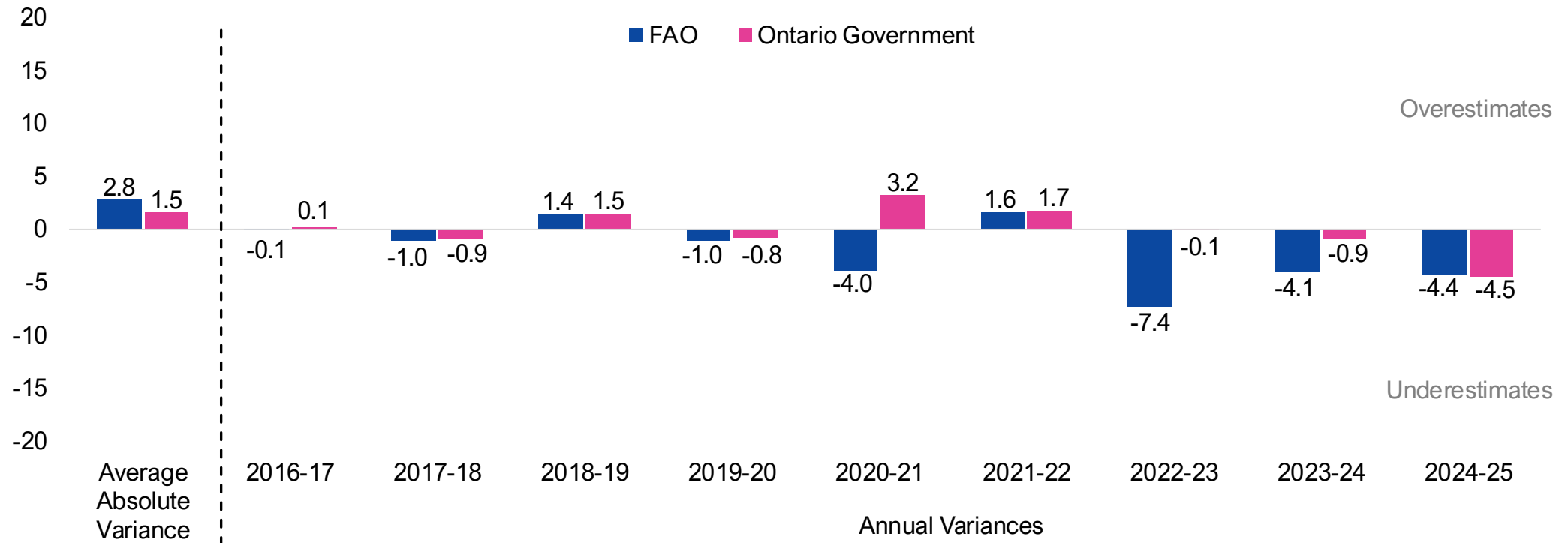


Historical Comparative Review: One-Year Spending Outlooks

- Since 2016-17, the FAO's average absolute variance for spending was 2.8 per cent, while the government's average absolute variance was 1.5 per cent.

One-year historical spending variances, 2016-17 to 2024-25

Per cent difference from actual



Note: Projections have been adjusted to reflect accounting changes introduced in the Public Accounts of Ontario.

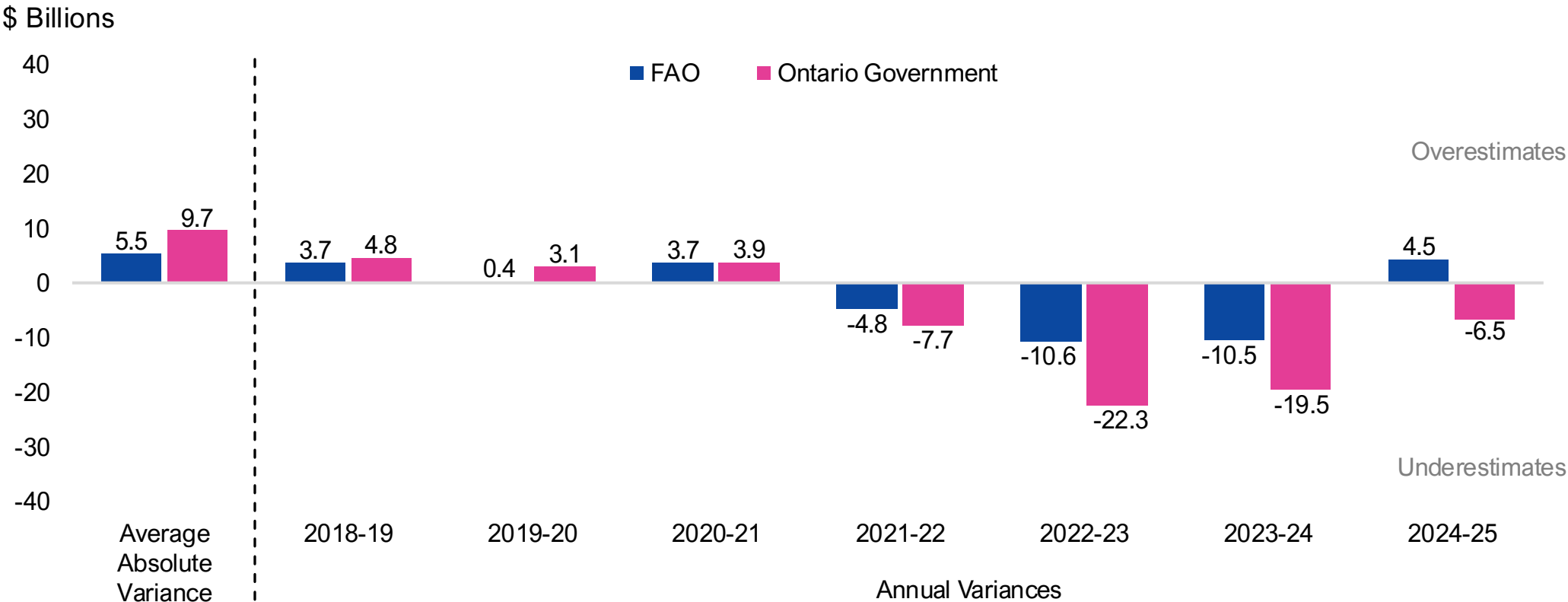
Source: Ontario Budgets, FAO Economic and Budget Outlook reports, and Public Accounts of Ontario.



Historical Comparative Review: Three-Year Budget Balance Outlooks

- Since 2018-19, the FAO's average absolute variance for the budget balance was \$5.5 billion, while the government's was \$9.7 billion.

Three-year historical budget balance variances, 2018-19 to 2024-25



Note: Projections have been adjusted to reflect accounting changes introduced in the Public Accounts of Ontario.
Source: Ontario Budgets, FAO Economic and Budget Outlook reports, and Public Accounts of Ontario.



Thank you!



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