2026

Financial Accountability Office of Ontario

Long-Term Budget Outlook



About this document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office of Ontario (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

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This report has been prepared with the benefit of publicly available information and information provided by Treasury Board Secretariat and the Ministries of Children, Community and Social Services; Colleges, Universities, Research Excellence and Security; Education; Finance; Health; Long-Term Care; and the Solicitor General.

In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.



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Table of Contents

1. Summary 1
2. Introduction 4
3. Economic Outlook 5
4. Budget Outlook 11
5. Revenue and Spending Outlook 16
6. Risks to the Long-Term Outlook 20
7. Appendix 24

1. Summary

This long-term budget outlook report provides the FAO's baseline projection for Ontario's economy and the Government of Ontario's (the Province's) finances over the 2026-27 to 2050-51 period. The report also compares the FAO's budget outlook to the balanced budget requirement in the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (FSTAA) and discusses the outlook for the three fiscal sustainability indicators included in the 2026 Ontario Budget's debt burden reduction strategy.

Economic Outlook

Over the 25-year outlook, the FAO projects that annual real GDP growth, the broadest measure of economic activity, will average 1.9 per cent, the same growth rate as the historical average from 2000 to 2025. Nominal GDP, the broadest measure of the tax base, is projected to rise at an average annual pace of 3.9 per cent, slower than the historical average of 4.2 per cent.

The FAO's economic outlook is based on demographic projections in which moderating population growth and an aging population lead to slower labour force growth. At the same time, productivity growth is assumed to strengthen from recent trends. Key assumptions include:

- Over the next 25 years, Ontario's population is projected to grow by an average of 0.8 per cent annually, slower than the 1.3 per cent average annual growth over the past 25 years. By the early 2030s, deaths are expected to outnumber births each year, leading to natural decreases in the population. As a result, Ontario's population growth is projected to become solely dependent on net migration, especially international immigration, over the rest of the projection. By 2050, the FAO projects that 20.0 million people will live in Ontario, up from 16.2 million people in 2025.
- Ontario's population will become older over the outlook. The share of working-age Ontarians (ages 15 to 64) is expected to decline from 66.4 per cent of the total population in 2025 to 64.5 per cent by 2050 as all baby boomers and Generation X will have entered their senior years (ages 65 and over). The share of seniors in the population is expected to rise from 18.9 per cent in 2025 to 22.5 per cent in 2050, while the share of children (ages 14 and under) is expected to decrease from 14.6 per cent in 2025 to 13.0 per cent in 2050.
- Over the long term, the FAO projects that Ontario's aggregate labour force participation rate (ages 15 and over) will trend lower from 65.0 per cent in 2025 to 62.5 per cent in 2050 as the impact of population aging outweighs other factors. The projection for slower population growth combined with a lower overall labour force participation rate results in weaker growth in Ontario's labour force over the outlook. Labour force growth is projected to average 0.8 per cent annually over the outlook, down from a 25-year historical average of 1.5 per cent.
- Employment gains are expected to moderate from a historical average annual growth of 1.4 per cent to 0.9 per cent over the outlook, and Ontario's annual unemployment rate is projected to decrease from a historical average of 7.1 per cent to 6.0 per cent over the outlook.
- Labour productivity measures how efficiently an economy's workers produce goods and services and is a key determinant of economic growth in long-term projections. Over the next 25 years, the FAO assumes productivity will rise by an average of 1.0 per cent annually, faster than the average pace from 2000 to 2025, supported by technological advances including artificial intelligence and increased business investment in response to federal and provincial tax incentives.

Budget Outlook

Ontario's budget is projected to remain in deficit over the outlook, with an average deficit of 1.2 per cent of GDP from 2026-27 to 2050-51, higher than the average budget deficit of 0.9 per cent of GDP from 2001-02 to 2025-26.

- By 2050-51, the budget deficit is projected to widen to 1.5 per cent of GDP as Ontario's aging population slows economic and revenue growth and increases health care spending, while higher borrowing from accumulated deficits and infrastructure investments increase interest on debt payments.
- The *Fiscal Sustainability, Transparency and Accountability Act, 2019* mandates that the government plan for a balanced budget every fiscal year unless it determines that extraordinary circumstances require a budget deficit for one or more years. Given the FAO's projection for budget deficits through 2050-51, the FAO estimates that the government would need to make a permanent fiscal adjustment in 2027-28 of $10.1 billion to maintain a balanced budget on average over the outlook. This fiscal adjustment could be achieved through an increase in revenue and/or a decrease in spending.

Accumulated Deficit and Net Debt

The accumulated deficit is a measure of the Province's total liabilities minus total assets. It represents the Province's net worth and is the total of all past annual deficits minus all past annual surpluses. The FAO projects that the Province's accumulated deficit as a share of GDP will increase from 20.5 per cent in 2025-26 to 28.8 per cent in 2050-51, as the Province's annual budget deficits are projected to accumulate faster than the growth in the economy.

- Overall, the Province's accumulated deficit as a share of GDP is projected to average 24.5 per cent over the 25-year period from 2026-27 to 2050-51, higher than the 23.7 per cent average over the previous 25-year period.

Net debt is the difference between the Province's financial liabilities and financial assets and represents the Province's net financial worth. Ontario's net debt as a share of GDP is projected to increase from 36.2 per cent in 2025-26 to 47.0 per cent in 2050-51. Growth in net debt is due to ongoing deficits, which account for approximately 60 per cent of the total increase, with investments in infrastructure assets contributing most of the remaining 40 per cent.

- Overall, the Province's net debt as a share of GDP is projected to average 42.5 per cent over the 25-year period from 2026-27 to 2050-51, higher than the 34.6 per cent average over the previous 25-year period.

Ontario's Fiscal Sustainability Indicators

In the 2026 Ontario Budget, the government identified targets for three fiscal sustainability indicators: two related to the debt burden (a net debt-to-GDP ratio below 40.0 per cent and a net debt-to-revenue ratio below 200 per cent) and one related to budgetary flexibility (the share of revenue dedicated to interest payments below 7.5 per cent). The FAO projects that all three fiscal sustainability indicators will deteriorate over the outlook, exceeding the government's targets and 25-year historical averages by 2050-51. From 2025-26 to 2050-51, net debt-to-GDP is projected to rise from 36.2 per cent to 47.0 per cent, net debt-to-revenue from 205.7 per cent to 277.8 per cent, and interest-to-revenue from 6.0 per cent to 12.2 per cent.

- The FAO estimates that a permanent $8.4 billion fiscal adjustment in 2027-28 would be required for the government to meet all three fiscal sustainability targets by 2050-51, a $6.3 billion adjustment would meet the net debt-to-revenue and net debt-to-GDP targets, and a $3.5 billion adjustment would meet only the net debt-to-GDP target.

Revenue and Spending Outlook

The FAO's revenue and spending projections are based on current government policies and announced commitments, existing federal transfer agreements, and the FAO's economic and demographic forecasts.

In 2025-26, total revenue as a share of GDP was 17.7 per cent while total spending as a share of GDP was 18.8 per cent, corresponding to a budget deficit of 1.0 per cent of GDP. By 2050-51, total revenue as a share of GDP is projected to be 17.1 per cent while total spending as a share of GDP is projected to be 18.6 per cent. This corresponds to a budget deficit of 1.5 per cent of GDP as spending grows faster than revenue, led by health (4.4 per cent average annual growth), interest payments (6.5 per cent average annual growth) and the amortized cost of infrastructure investments (5.0 per cent average annual growth).

- Total revenue is projected to grow at an average annual rate of 3.8 per cent from 2025-26 to 2050-51, slower than the historical average of 4.6 per cent from 2000-01 to 2025-26. The slowdown in revenue growth over the projection largely reflects a moderation in tax revenue growth (4.0 per cent average annual growth over the projection compared to 4.2 per cent historical growth) and a slowdown in federal transfers revenue growth (3.2 per cent average annual growth over the projection compared to 7.7 per cent historical growth).
- Total spending is projected to grow at an average annual rate of 3.9 per cent from 2025-26 to 2050-51, slower than the 4.8 per cent average annual growth from 2000-01 to 2025-26. The lower spending growth over the projection largely reflects slower projected inflation and population growth, and the FAO's assumption that current government programs are maintained through 2050-51, while the historical period included the introduction and expansion of government programs.

Risks to the Long-Term Outlook

There are numerous risks and uncertainties that could materially impact the FAO's baseline economic and budget outlook over the 25-year projection period, including geopolitical tensions, trade pressures, federal immigration policy, climate change and technological change. Given the numerous risks and uncertainties to the outlook, the FAO has developed two alternative economic scenarios, a "high growth" and a "low growth" scenario, based on different assumptions for population growth and key economic variables.

- Under the high growth scenario, the budget deficit improves to 0.8 per cent of GDP in 2050-51, compared to a deficit of 1.5 per cent of GDP in the baseline projection. The accumulated deficit as a share of GDP improves to 19.3 per cent of GDP in 2050-51, compared to 28.8 per cent in the baseline projection. The net debt-to-GDP ratio improves to 37.1 per cent in 2050-51, down from 47.0 per cent in the baseline projection and below the government's target of 40.0 per cent.
- In the low growth scenario, compared to the FAO's baseline projection, the budget deficit worsens to 2.0 per cent of GDP in 2050-51, the accumulated deficit as a share of GDP increases to 37.5 per cent, and the net debt-to-GDP ratio increases to 55.9 per cent.
- In both the high growth and low growth scenarios, the net debt-to-revenue and interest-to-revenue ratios remain above the government's targets by 2050-51.

2. Introduction

This long-term budget outlook report provides the FAO's baseline projection for Ontario's economy and the Government of Ontario's (the Province's) finances over the 2026-27 to 2050-51 period. The report also compares the FAO's budget outlook to the balanced budget requirement in the *Fiscal Sustainability, Transparency and Accountability Act, 2019* (FSTAA) and discusses the outlook for the three fiscal sustainability indicators included in the 2026 Ontario Budget's debt burden reduction strategy.

The report is divided into four main chapters: the economic outlook (Chapter 3), the budget outlook (Chapter 4), the revenue and spending outlook (Chapter 5) and risks to the long-term outlook (Chapter 6). Economic data tables are included in the appendix (Chapter 7).

Methodology

The FAO's long-term budget outlook is based on demographic, economic and fiscal projections.

- The FAO's demographic forecast is based on the latest population data, current federal immigration policy and long-term assumptions for the components of population change.
- The economic outlook is based on current economic data, the demographic forecast, as well as long-term assumptions for key economic variables and external factors.
- The revenue outlook is based on current government policies and announced commitments; the FAO's economic projections for labour income, consumer spending and corporate profits; and existing tax rates and federal transfer agreements.
- The program spending outlook is based on current government policies and announced commitments, as well as economic and demographic factors, including population growth and aging, unemployment, household income growth, and inflation.
- The infrastructure investment outlook is based on current government policies and announced commitments, as well as long-term assumptions about new infrastructure projects and the cost to maintain existing infrastructure assets.
- The interest on debt outlook is based on the FAO's projections for interest rates and provincial borrowing requirements.
- The FAO's long-term budget outlook includes government policy announcements up to October 28, 2026 and economic data up to November 5, 2026.

3. Economic Outlook

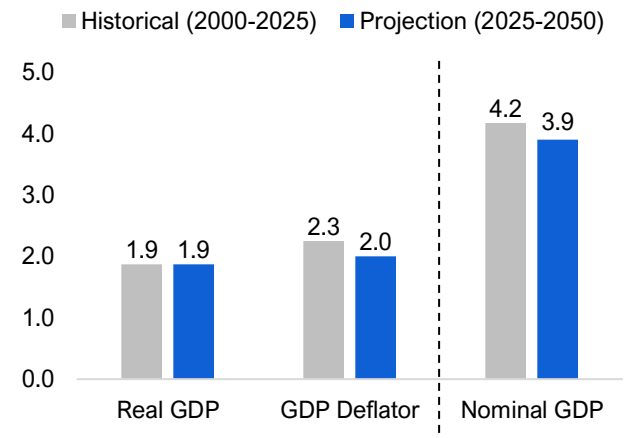
Outlook for GDP Growth

Over the 25-year outlook, the FAO projects that annual real GDP growth, the broadest measure of economic activity, will average 1.9 per cent, the same growth rate as the historical average from 2000 to 2025. The FAO's projected growth rate reflects slower labour force growth but faster labour productivity growth than in the past 25 years.[1]

The GDP price deflator, a measure of economy-wide prices, is forecast to rise at an average annual rate of 2.0 per cent, below the historical average of 2.3 per cent, as past strong commodity-price growth eases and the temporary inflation surge following the pandemic moderates.

Combining the outlook for these two factors, nominal GDP growth, the broadest measure of the tax base, is projected to rise at an average annual pace of 3.9 per cent, slower than the historical average of 4.2 per cent.

Figure 3.1
Ontario's nominal GDP growth is projected to slow



Source: Ontario Economic Accounts and FAO.

The FAO's projection for economic growth is based on the outlook for each component of real GDP:

- Real consumption (i.e., spending excluding the effects of price inflation) is projected to grow at an average annual rate of 1.9 per cent, slower than the historical experience, reflecting more moderate growth in household incomes and spending over the outlook.
- Real investment is projected to increase at an average annual rate of 1.8 per cent. In the near term, growth is supported by strong business investment, aided by federal and provincial tax incentives, and is partially offset by weakness in residential construction. Over the longer term, business investment growth moderates, while residential construction improves and becomes broadly aligned with demographic drivers.
- Real exports and imports are projected to increase at average annual rates of 1.9 per cent[2] and 1.8 per cent, respectively. While growth is constrained by U.S. tariffs on Canadian exports[3] and ongoing geopolitical risks in the near term, Ontario exporters are assumed to adapt over the longer term through market and product diversification.

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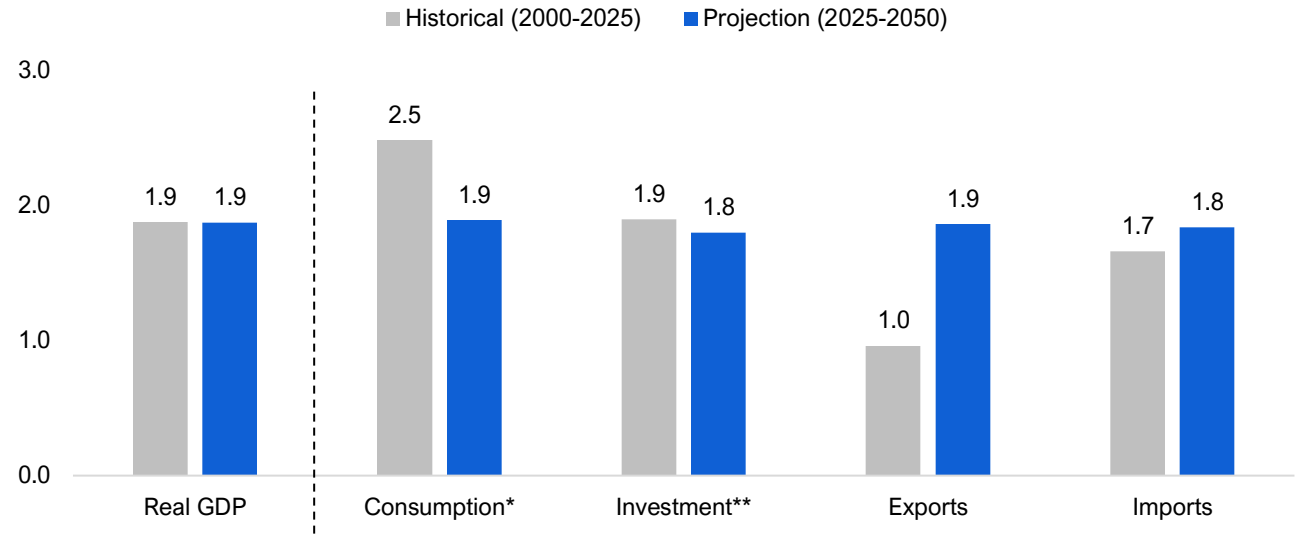
1 Ontario's average annual real GDP growth over the 2000 to 2025 period includes the sharp slowdown during the 2007 to 2009 period, due to the global financial crisis. Excluding those three years, Ontario's historical real GDP growth averaged 2.3 per cent per year.

2 Real exports increased at an average annual rate of 1.0 per cent from 2000 to 2025, reflecting the sharp slowdown during the global financial crisis and the COVID-19 pandemic. The average annual growth rate from 1981 to 2025 was 2.9 per cent.

3 The FAO's long-term economic outlook was finalized based on trade policies as of October 9, 2026. The FAO assumes that current US tariffs and Canadian counter-tariffs are permanent.

Figure 3.2
Growth in Ontario real GDP components

Average Annual Growth (Per Cent)



* Includes household consumption, non-profit institutions' consumption and government current expenditures.
** Includes residential investment, business investment, non-profit institutions' investment and government capital expenditures.
Source: Ontario Economic Accounts and FAO.

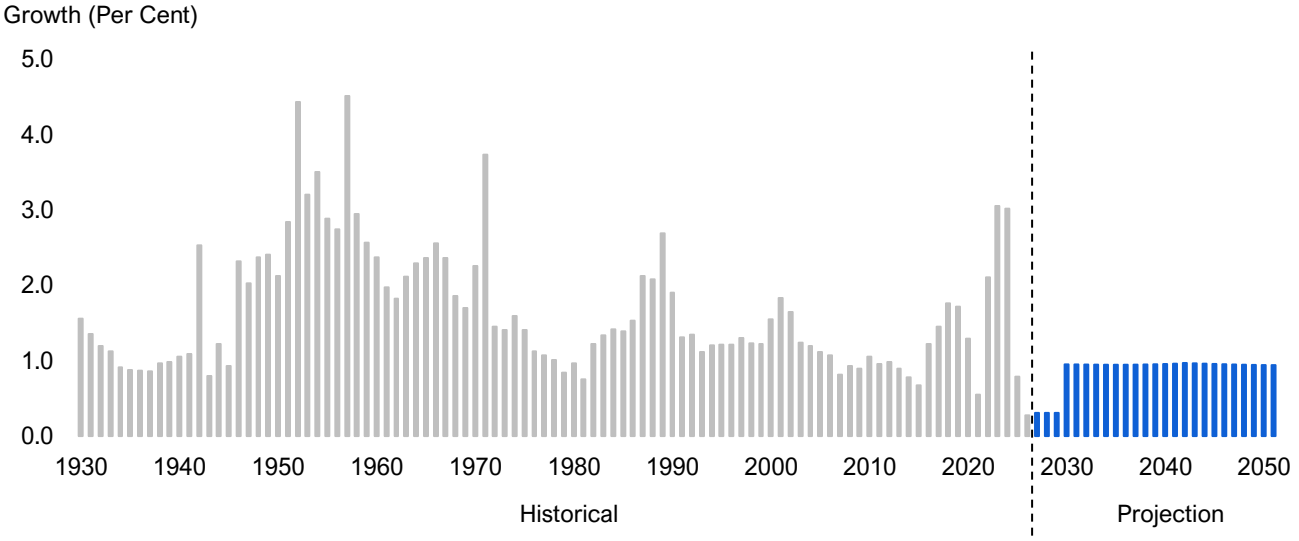
Assumptions Driving the Economic Outlook

The FAO's economic outlook is based on demographic projections in which moderating population growth and an aging population lead to slower labour force growth. At the same time, productivity growth is assumed to strengthen from recent trends. Projections for key external factors that influence Ontario's economy are presented in Table 7.2. For a discussion of risks and uncertainty in the long-term economic projection, see Chapter 6.

Ontario's population growth to moderate

Following strong growth in the post-pandemic recovery period, Ontario's population growth slowed to 0.3 per cent in 2026 due to a large net outflow of temporary residents. Ontario's population is projected to continue its below-average growth over the next three years due to the impact of the federal government's immigration policies. Overall, Ontario's population is projected to grow by an average of 0.8 per cent annually over the next 25 years, slower than the 1.3 per cent average growth over the past 25 years.

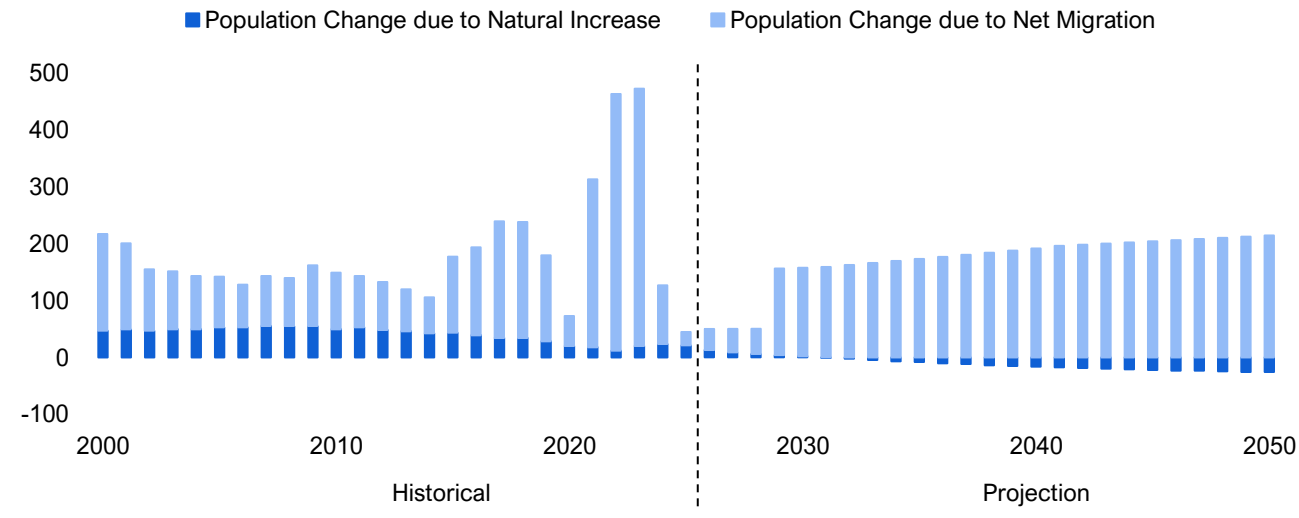
Figure 3.3
Total population growth in Ontario



Source: Statistics Canada and FAO.

Population growth can occur through both natural increase (when births exceed deaths) and positive net migration (when in-migration exceeds out-migration). Over the longer term, natural increase is expected to contribute to a smaller share of population growth as fertility rates continue to decline. By the early 2030s, deaths are expected to outnumber births each year, leading to natural decreases in the population. As a result, Ontario's population growth is projected to become solely dependent on net migration, especially international immigration, over the rest of the projection. By 2050, the FAO projects that 20.0 million people will live in Ontario, up from 16.2 million people in 2025.

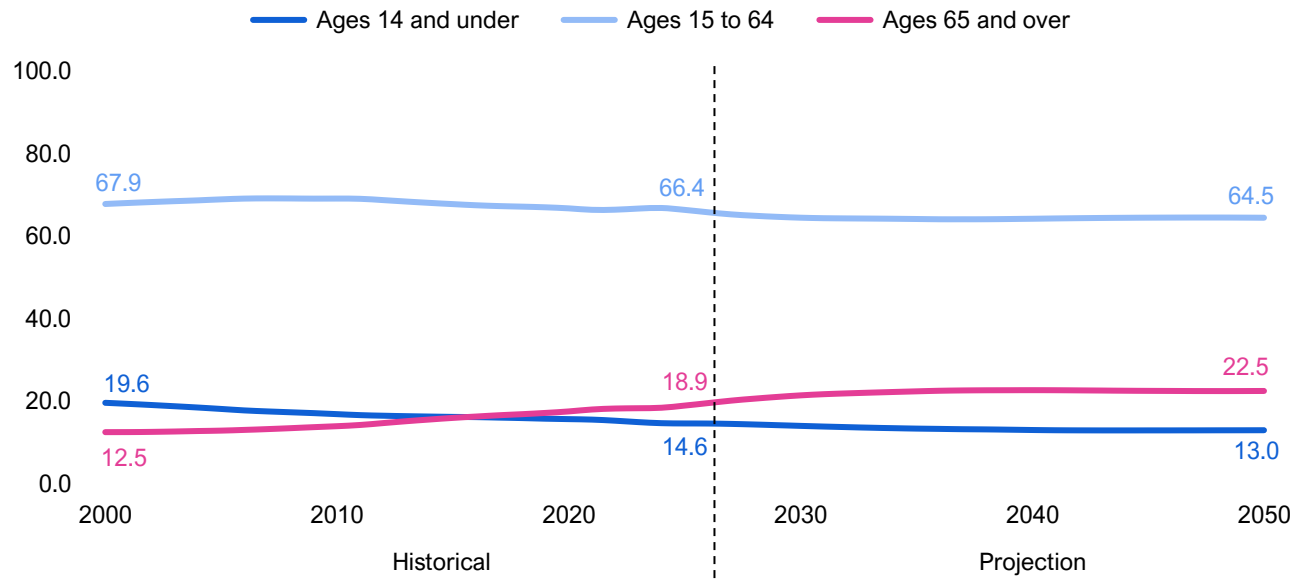
Figure 3.4
Population change in Ontario



Source: Statistics Canada and FAO.

Ontario's population will become older over the outlook. The share of working-age Ontarians (ages 15 to 64) is expected to decline from 66.4 per cent of the total population in 2025 to 64.5 per cent by 2050 as all baby boomers and Generation X will have entered their senior years (ages 65 and over).[4] The share of seniors in the population is expected to rise from 18.9 per cent in 2025 to 22.5 per cent in 2050, while the share of children (ages 14 and under) is expected to decrease from 14.6 per cent in 2025 to 13.0 per cent in 2050.

Figure 3.5
Share of population by age group in Ontario



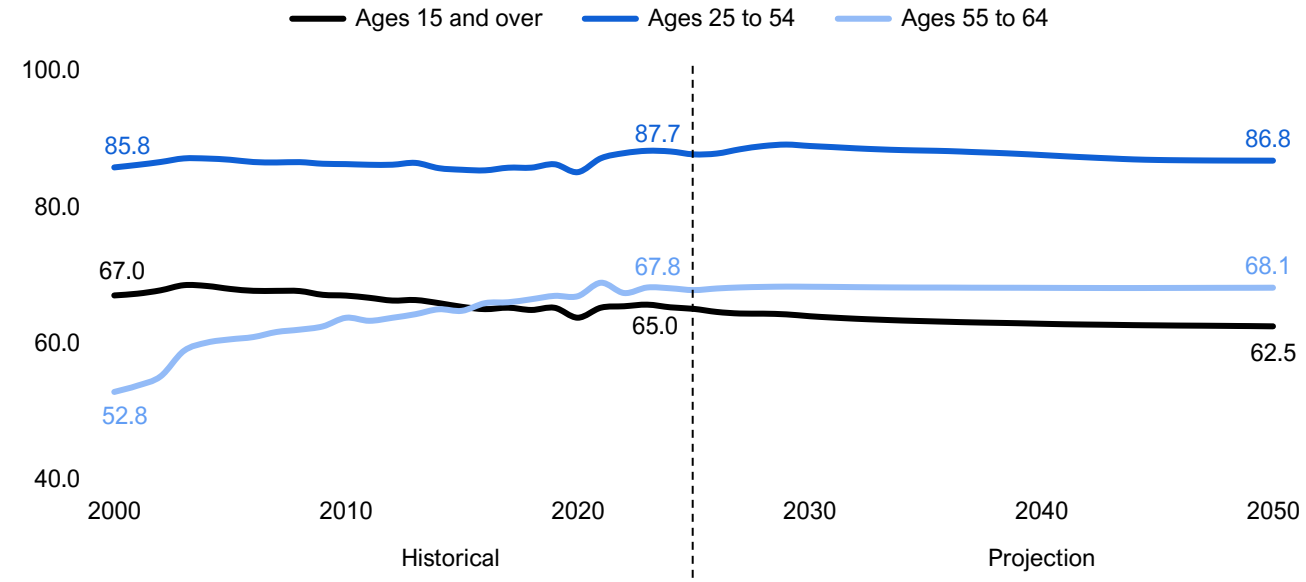
Source: Statistics Canada and FAO.

Ontario's labour force growth expected to slow

Over the past 25 years, the overall labour force participation rate (ages 15 and over) in Ontario has trended lower even as the participation rate for core-age workers (ages 25 to 54) remained relatively unchanged. Population aging largely explains this decline, as labour market engagement tends to fall as the workforce grows older. Over the long term, the FAO projects that Ontario's aggregate labour force participation rate will continue to trend lower from 65.0 per cent in 2025 to 62.5 per cent in 2050 as the impact of population aging outweighs other factors.

[4] Baby boomers are defined as those born between 1946 and 1964. Generation X is defined as those born between 1965 and 1980, the youngest of whom turn 65 in 2045.

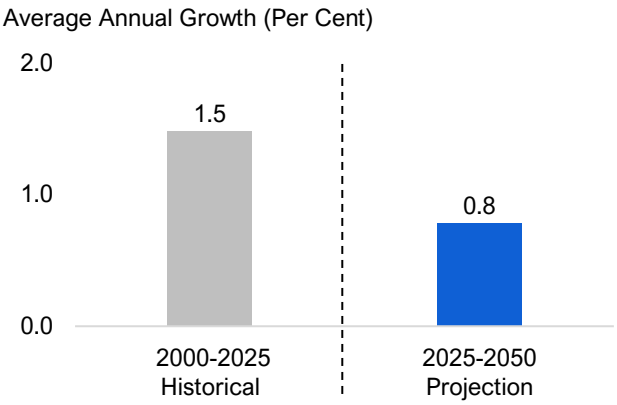
Figure 3.6
Labour force participation rate by age group in Ontario



Source: Statistics Canada and FAO.

The projection for slower population growth combined with a lower overall labour force participation rate results in weaker growth in Ontario's labour force over the outlook. Labour force growth is projected to average 0.8 per cent annually over the outlook, down from a 25-year historical average of 1.5 per cent. Employment gains are expected to moderate from a historical average annual growth of 1.4 per cent to 0.9 per cent over the outlook, and Ontario's annual unemployment rate is projected to decrease from a historical average of 7.1 per cent to 6.0 per cent over the outlook.

Figure 3.7
Labour force growth in Ontario

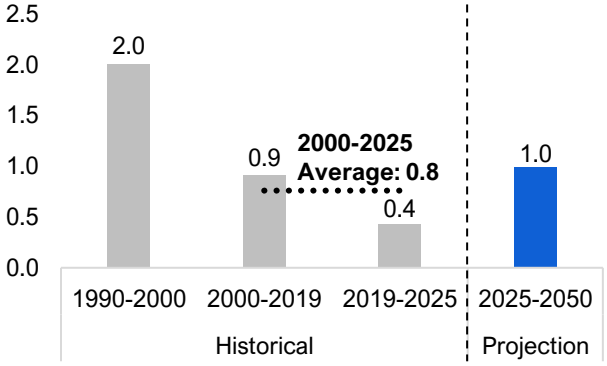


Source: Statistics Canada and FAO.

Ontario's labour productivity expected to improve from recent weakness

Labour productivity measures how efficiently an economy's workers produce goods and services and is a key determinant of economic growth in long-term projections.[5] Ontario's productivity growth moderated in the 2000s, reflecting in part a slowdown in business investment and the relatively weak performance of the province's export sector, which faced intense competition from low-cost jurisdictions. This contributed to a broad structural shift in the composition of the province's economy, with high-productivity manufacturing jobs being replaced by service-sector jobs. In the early 2020s, Ontario's productivity slowed further as hours worked were supported by strong population and employment growth.

Figure 3.8
Ontario's labour productivity growth



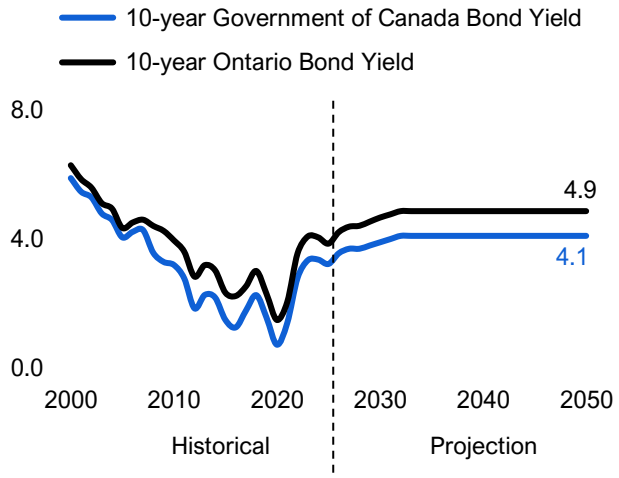
Source: Ontario Economic Accounts, Statistics Canada and FAO.

In the long term, the FAO assumes productivity will rise by an average of 1.0 per cent annually, faster than the average pace from 2000 to 2025, supported by technological advances including artificial intelligence and increased business investment in response to federal and provincial tax incentives.

Long-term interest rates assumed to rise then stabilize

Over the 25-year outlook, long-term interest rates are assumed to reflect stable inflation expectations, continued inflation targeting by central banks and moderate economic growth. The FAO assumes the 10-year Government of Canada bond yield rises in the medium term and then stabilizes at 4.1 per cent over the remainder of the outlook. The spread between the 10-year Ontario and Government of Canada bond yields is assumed to average 0.8 percentage points over the projection, in line with the long-term historical average.

Figure 3.9
Interest rate outlook



Source: Statistics Canada, Ontario Financing Authority and FAO.

[5] Labour productivity is defined as real economic output per hour worked. For a discussion of factors that contribute to growth in labour productivity, see the FAO's Long-Term Budget Outlook: Fiscal Implications of the Government's Program Reforms, 2020-2050, 2020.

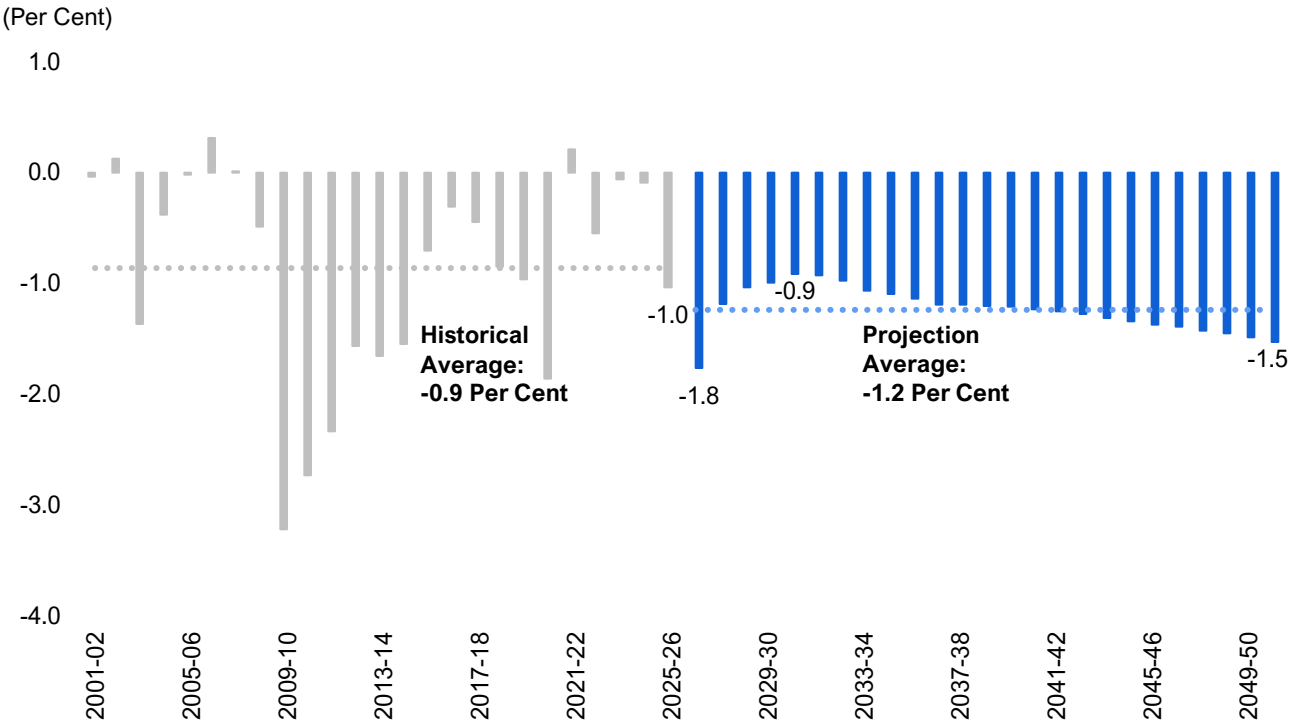
4. Budget Outlook

Budget Balance

Ontario's budget is projected to remain in deficit over the outlook, with an average deficit of 1.2 per cent of GDP from 2026-27 to 2050-51, higher than the average budget deficit of 0.9 per cent of GDP from 2001-02 to 2025-26.

The FAO projects that the budget deficit will reach 1.8 per cent of GDP in 2026-27 before narrowing to 0.9 per cent by 2030-31, as revenue growth is projected to outpace spending growth in the near term. Over the following 20 years, the deficit is projected to widen to 1.5 per cent of GDP by 2050-51 as Ontario's aging population slows economic and revenue growth and increases health care spending, while higher borrowing from accumulated deficits and infrastructure investments increase interest on debt payments.

Figure 4.1
Budget balance as a share of GDP



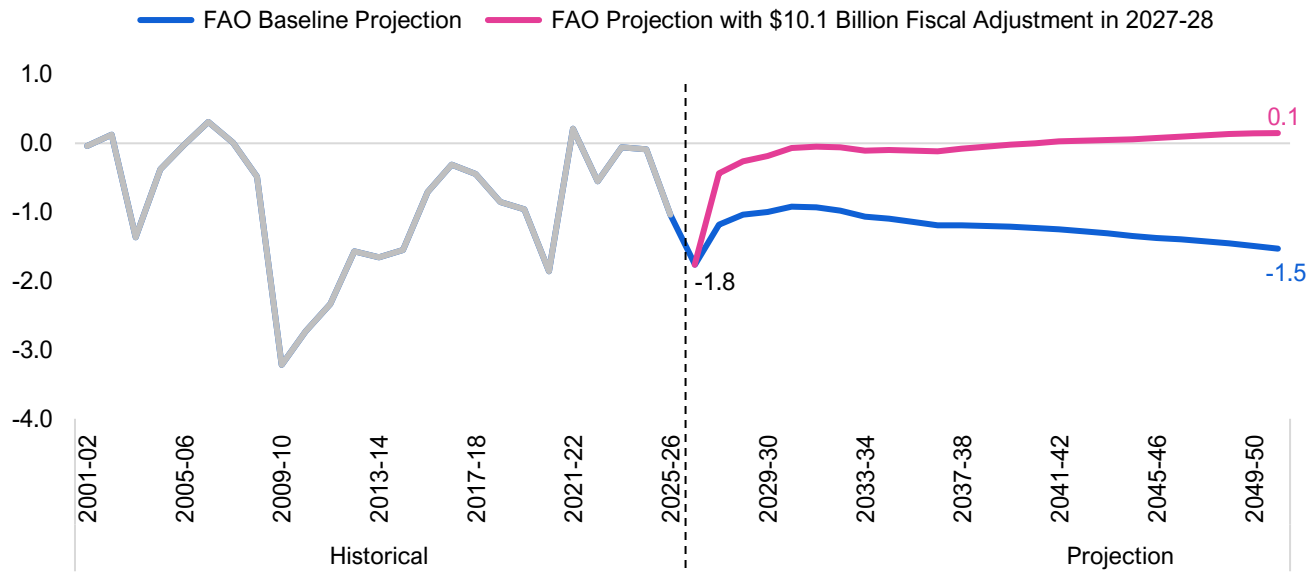
Source: Ontario Public Accounts, Ontario Ministry of Finance and FAO.

The *Fiscal Sustainability, Transparency and Accountability Act, 2019* (FSTAA) mandates that the government plan for a balanced budget every fiscal year unless it determines that extraordinary circumstances require a budget deficit for one or more years. Given the FAO's projection for budget deficits through 2050-51, the FAO estimates that the government would need to make a permanent fiscal adjustment in 2027-28 of $10.1 billion to maintain a balanced budget on average over the outlook. This fiscal adjustment could be achieved through an increase in revenue and/or a decrease in spending.

Figure 4.2

Budget balance as a share of GDP with permanent fiscal adjustment in 2027-28

(Per Cent)

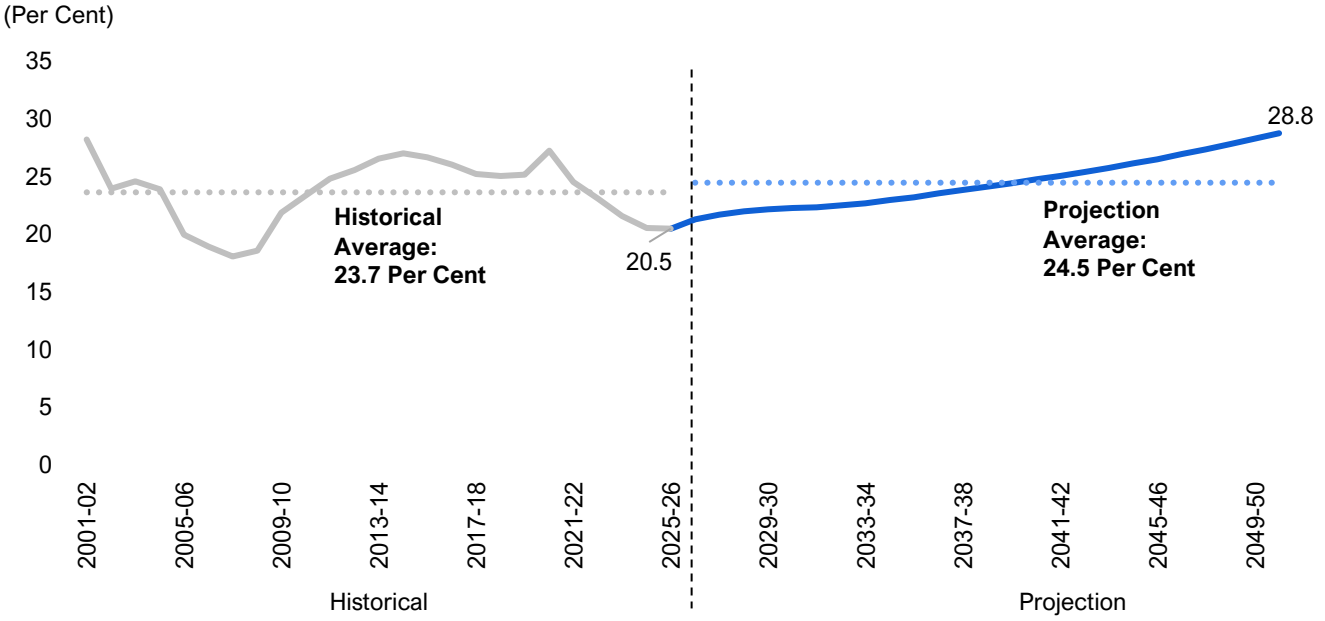


Source: Ontario Public Accounts, Ontario Ministry of Finance and FAO.

Accumulated Deficit and Net Debt

The accumulated deficit is a measure of the Province's total liabilities minus total assets. It represents the Province's net worth and is the total of all past annual deficits minus all past annual surpluses. Ontario's accumulated deficit as a share of GDP was 20.5 per cent in 2025-26 and is projected to increase to 28.8 per cent in 2050-51, as the Province's annual budget deficits are projected to accumulate faster than the growth in the economy. Overall, the Province's accumulated deficit as a share of GDP is projected to average 24.5 per cent over the 25-year period from 2026-27 to 2050-51, higher than the 23.7 per cent average over the previous 25-year period.

Figure 4.3
Accumulated deficit as a share of GDP



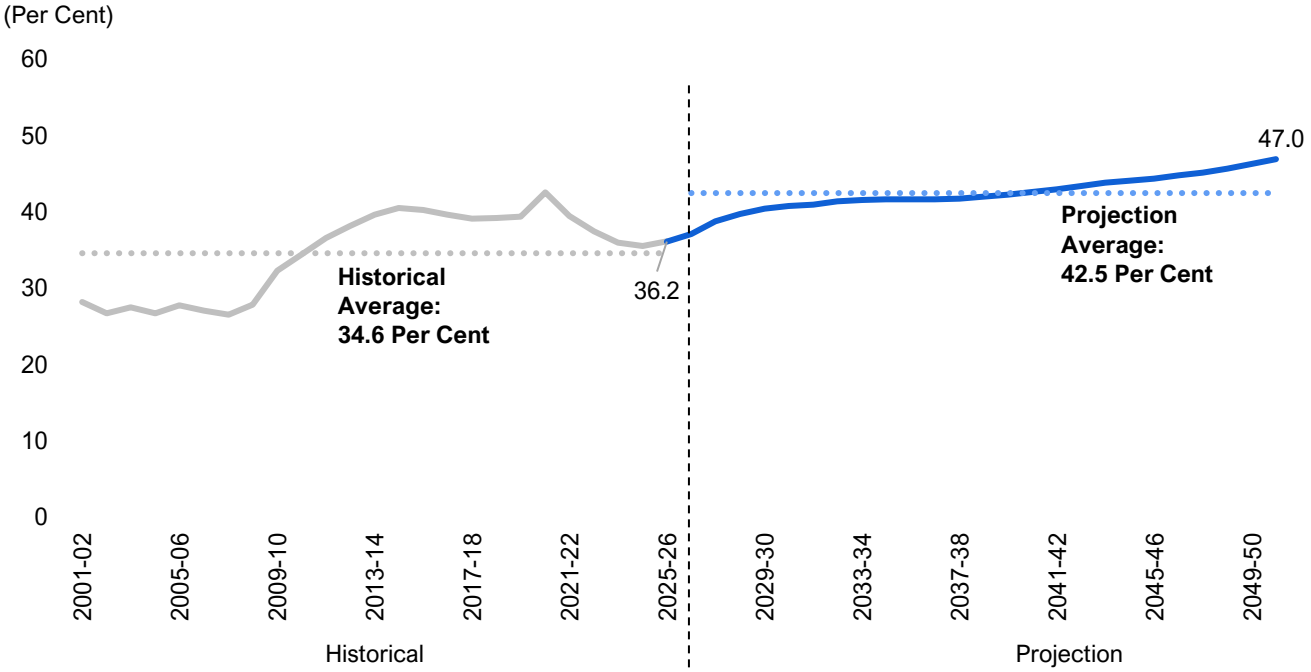
Source: Ontario Public Accounts, Ontario Ministry of Finance and FAO.

Net debt is the difference between the Province's financial liabilities and financial assets.[6] It represents the Province's net financial worth and excludes non-financial assets owned by the Province (largely infrastructure assets) and non-financial liabilities.[7] Ontario's net debt as a share of GDP was 36.2 per cent in 2025-26 and is projected to increase to 47.0 per cent in 2050-51, as the projected growth in net debt (5.0 per cent average annual growth) is expected to be higher than the projected growth in the economy (3.9 per cent average annual growth). Growth in net debt is due to ongoing deficits, which account for approximately 60 per cent of the total increase, with investments in infrastructure assets contributing most of the remaining 40 per cent. Overall, the Province's net debt as a share of GDP is projected to average 42.5 per cent over the 25-year period from 2026-27 to 2050-51, higher than the 34.6 per cent average over the previous 25-year period.

[6] Prior to 2026-27, net debt was calculated as the Province's total liabilities less financial assets. Starting in 2026-27, net debt also excludes non-financial liabilities.

[7] Non-financial liabilities largely consist of unearned revenues and obligations relating to government capital transfers that are not expected to be settled with an outflow of future financial assets.

Figure 4.4
Net debt as a share of GDP



Source: Ontario Public Accounts, Ontario Ministry of Finance and FAO.

Ontario's Fiscal Sustainability Indicators

FSTAA mandates that each Ontario budget include a debt burden reduction strategy that outlines specific objectives for the projected net debt-to-GDP ratio and a progress update on the debt burden reduction strategy from the last budget.

The government's 2026 budget debt burden reduction strategy contained targets for three fiscal sustainability indicators:[8]

- net debt-to-GDP[9] below 40 per cent;
- net debt-to-revenue[10] below 200 per cent; and
- interest-to-revenue[11] below 7.5 per cent.

[8] According to the debt burden reduction strategy from the 2026 Ontario Budget, prior to 2026-27, 'net debt' is calculated as total liabilities less financial assets, while starting in 2026-27, 'net debt' is calculated as financial liabilities less financial assets; 'revenue' is calculated as total revenue less interest and investment income; and 'interest' is calculated as interest and other debt servicing charges less interest and investment income.

[9] Net debt as a share of GDP is a measure of the debt burden relative to the size of the economy and provides information on a government's ability to raise funds to manage its debt obligations.

[10] Net debt-to-revenue is a measure of the debt burden and indicates the number of years it would take to eliminate a government's net debt if all revenues were used for debt repayment. For example, a net debt-to-revenue ratio of 200 per cent means it would take two years to pay off a government's net debt if all revenues were dedicated to debt repayment.

[11] The ratio of interest-to-revenue is an indicator of budgetary flexibility – a higher ratio indicates that a government has a smaller share of revenue available to spend on programs.

In 2025-26, the net debt-to-GDP and interest-to-revenue ratios were below the government's targets, while the net debt-to-revenue ratio exceeded its target. The FAO projects that all three fiscal sustainability indicators will deteriorate over the outlook, exceeding the government's targets and 25-year historical averages by 2050-51. From 2025-26 to 2050-51, net debt-to-GDP is projected to rise from 36.2 per cent to 47.0 per cent, net debt-to-revenue from 205.7 per cent to 277.8 per cent, and interest-to-revenue from 6.0 per cent to 12.2 per cent.

The FAO estimates that a permanent $8.4 billion fiscal adjustment in 2027-28 would be required for the government to meet all three fiscal sustainability targets by 2050-51, a $6.3 billion adjustment would meet the net debt-to-revenue and net debt-to-GDP targets, and a $3.5 billion adjustment would meet only the net debt-to-GDP target.

Table 4.1
Actual and projected fiscal sustainability indicators

Indicator	25-Year Historical Average* (%)	2025-26 Actual (%)	2050-51 Forecast (%)	Change (ppt**)	Government Target (%)	Over / Under Target in 2050-51	Fiscal Adjustment in 2027-28 to Achieve Target by 2050-51
Net debt-to-GDP	34.6	36.2	47.0	up 10.8 ppt	< 40.0	Over	$3.5 billion
Net debt-to-revenue	198.0	205.7	277.8	up 72.1 ppt	< 200.0	Over	$6.3 billion
Interest-to-revenue	8.8	6.0	12.2	up 6.2 ppt	< 7.5	Over	$8.4 billion

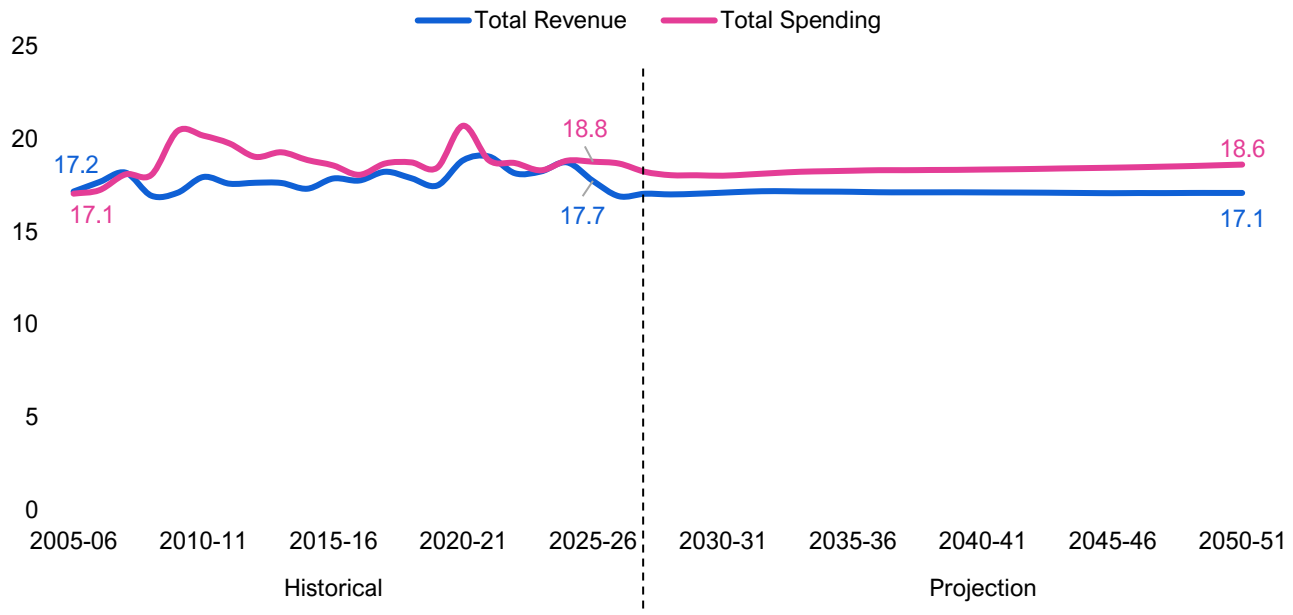
* 25-year historical average is from 2001-02 to 2025-26.
** "ppt" stands for percentage point.
Note: According to the debt burden reduction strategy from the 2026 Ontario Budget, prior to 2026-27, 'net debt' is calculated as total liabilities less financial assets, while starting in 2026-27, 'net debt' is calculated as financial liabilities less financial assets; 'revenue' is calculated as total revenue less interest and investment income; and 'interest' is calculated as interest and other debt servicing charges less interest and investment income.
Source: Ontario Public Accounts, 2026 Ontario Budget and FAO.

5. Revenue and Spending Outlook

The FAO projects that total revenue will average 17.1 per cent of GDP over the 25-year outlook, below the historical average of 17.9 per cent from 2005-06 to 2025-26. Total spending as a share of GDP is projected to average 18.3 per cent over the outlook, below the historical average of 18.8 per cent.

In 2025-26, total revenue as a share of GDP was 17.7 per cent while total spending as a share of GDP was 18.8 per cent, corresponding to a budget deficit of 1.0 per cent of GDP. By 2050-51, total revenue as a share of GDP is projected to be 17.1 per cent while total spending as a share of GDP is projected to be 18.6 per cent. This corresponds to a budget deficit of 1.5 per cent of GDP as spending grows faster than revenue, led by health, interest payments and the amortized cost of infrastructure investments.

Figure 5.1
Revenue and spending as shares of GDP
(Per Cent)



Source: Ontario Public Accounts and Budgets, Ontario Economic Accounts, Ontario Ministry of Finance and FAO.

Revenue Projection

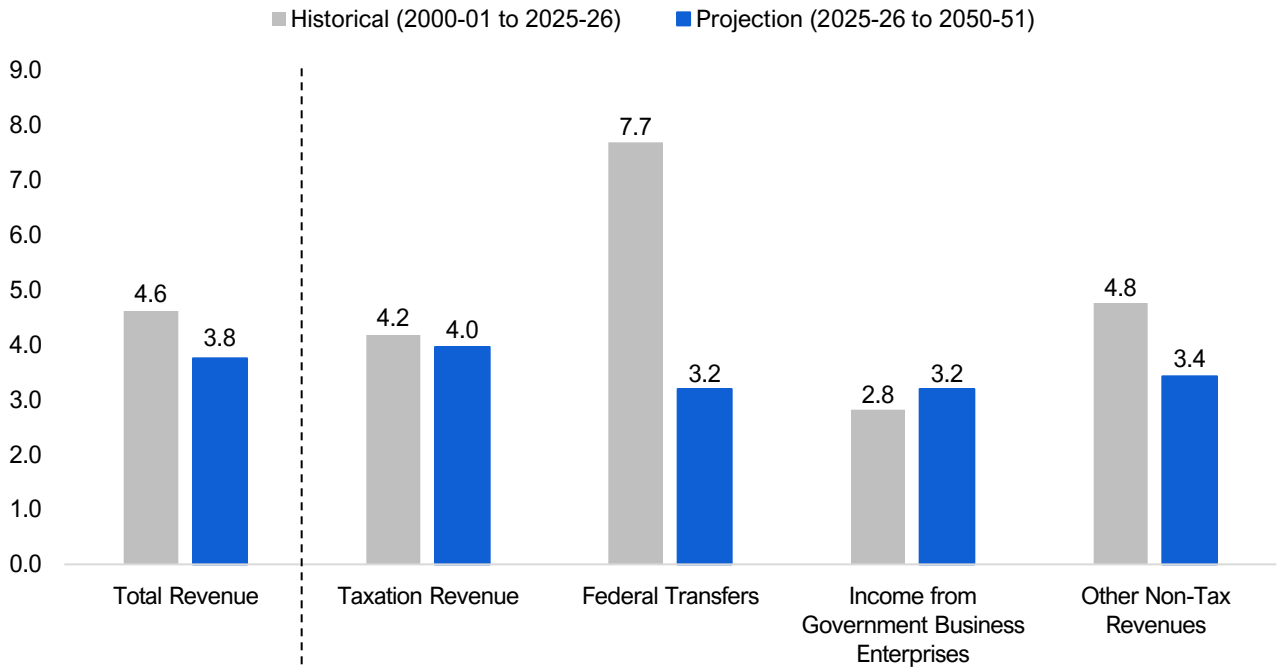
Total revenue is projected to grow at an average annual rate of 3.8 per cent from 2025-26 to 2050-51, slower than the historical average of 4.6 per cent from 2000-01 to 2025-26.

- Taxation revenue is expected to grow at 4.0 per cent per year on average, in line with the FAO's economic projection (see Chapter 3). The projected growth in tax revenues is slightly slower than the 4.2 per cent average annual growth in the historical period due to the FAO's slower economic outlook relative to history.

- Federal transfers are projected to grow at 3.2 per cent per year on average, based on announced federal commitments. This is slower than the 7.7 per cent average annual growth recorded over the past 25 years.[12]
- Income from government business enterprises (GBEs) is projected to grow at 3.2 per cent per year on average over the outlook, based on the FAO's assumption that GBE income will grow in line with the economy. This is faster than the 2.8 per cent average annual growth recorded over the historical period.
- Other non-tax revenue is projected to grow at 3.4 per cent per year on average, with some components growing in line with population growth and price inflation, while others are assumed to grow with overall economic activity. This is slower than the 4.8 per cent average annual growth over the historical period.

Figure 5.2
Historical and projected revenue growth

Average Annual Growth (Per Cent)



Note: Historical growth includes FAO adjustments for accounting changes.
Source: Ontario Public Accounts and Budgets, Ontario Ministry of Finance and FAO.

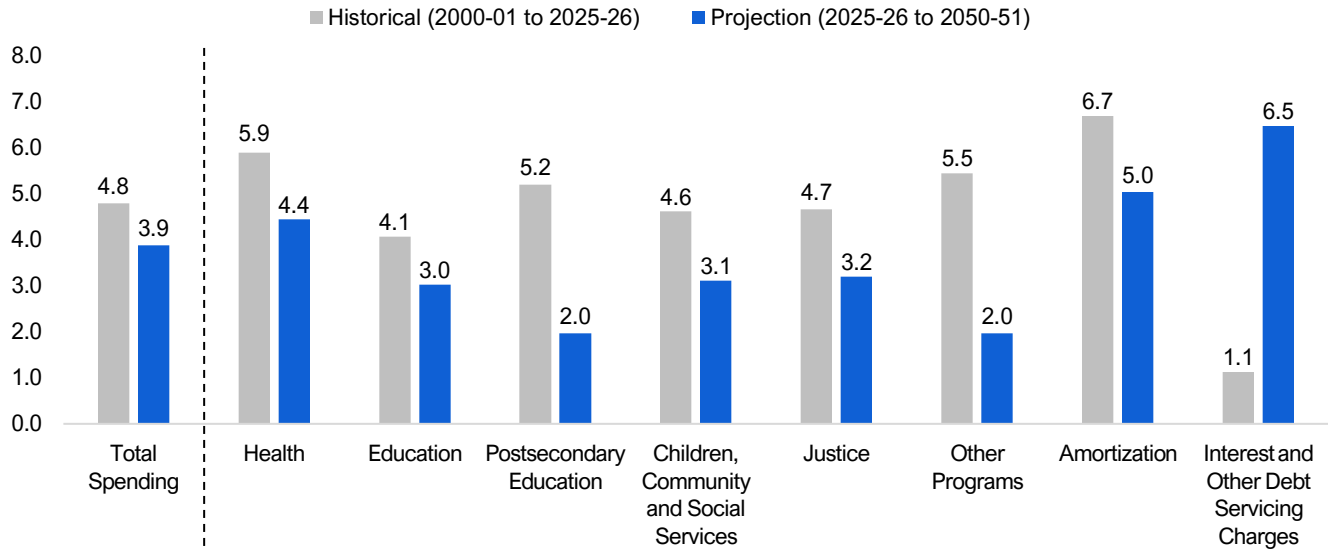
Spending Projection

Total spending is projected to grow at an average annual rate of 3.9 per cent from 2025-26 to 2050-51, slower than the 4.8 per cent average annual growth from 2000-01 to 2025-26. The slower projected growth largely reflects slower projected inflation and population growth, and the FAO's assumption that current government programs are maintained through 2050-51, while the historical period included the introduction and expansion of government programs.[13]

[12] For more information on historical federal transfers see FAO, *Government Spending Trends: 1990 to 2023*.
[13] For more information on historical spending, see FAO, *Government Spending Trends: 1990 to 2023*.

Figure 5.3
Historical and projected spending growth

Average Annual Growth (Per Cent)



Note: Historical growth includes FAO adjustments for accounting changes. Sector spending growth rates exclude amortization.
Source: Ontario Public Accounts and Budgets, and FAO.

- Health sector spending is projected to grow by an average annual rate of 4.4 per cent as the Province's population continues to grow and age. By 2050, 22.5 per cent of Ontario's population is projected to be aged 65 and over, compared to 18.9 per cent in 2025. Projected health sector spending growth of 4.4 per cent is below the historical average of 5.9 per cent, as the historical period included higher population growth and health care inflation, as well as the expansion of physician services, public health, home care and long-term care.
- Education sector spending is projected to grow by an average annual rate of 3.0 per cent to 2050-51, reflecting projected growth in the child- and school-aged population and education sector wages. This is lower than the historical average of 4.1 per cent, as the historical period included the introduction of full-day kindergarten and the expansion of child care services.
- Postsecondary education sector spending is projected to grow by an average annual rate of 2.0 per cent. This reflects a projected decline in spending in the near term driven by lower spending by colleges due to the effect of lower federal limits on new study permits for international students. This is followed by growth over the longer term in line with projected increases in the student population, wages and inflation. Projected postsecondary education sector spending growth is below the historical average annual increase of 5.2 per cent, largely due to lower projected growth in international student enrolment and per-student spending on student financial assistance.
- Children, community and social services sector spending is projected to grow by an average annual rate of 3.1 per cent, largely based on the FAO's projected growth in social assistance caseloads, which are driven by unemployment and population, and inflation. This is below the historical average annual growth rate of 4.6 per cent, as the FAO projects slower growth in social assistance caseloads and the historical period included the introduction of new programs such as the Ontario Child Benefit and the Ontario Autism Program.

- Justice sector spending is projected to grow by an average annual rate of 3.2 per cent, driven by growth in the adult population, justice sector wages and inflation. This is below the historical average annual growth rate of 4.7 per cent, largely due to slower projected inflation and adult population growth.
- 'Other programs' spending is projected to grow by an average annual rate of 2.0 per cent, driven by growth in population and inflation, offset by the expiry of time-limited programs. This is below the historical average annual growth rate of 5.5 per cent, as the historical period included the introduction of new programs such as the Ontario Electricity Rebate and Comprehensive Electricity Plan, and increased spending on transfers to municipalities.
- Growth in amortization expense is expected to average 5.0 per cent per year, reflecting the Province's investments in infrastructure assets, which are expensed over the useful life of the asset. This is lower than the 6.7 per cent historical average annual growth rate, as the historical period included significant capital investments in the transit sector.
- Interest and other debt servicing charges spending is projected to grow at an average annual rate of 6.5 per cent, reflecting increased borrowing to fund budget deficits and capital investments, as well as higher interest rates compared to the previous decade. This is higher than the 1.1 per cent historical average annual growth rate, as the FAO projects that interest rates will increase over the outlook whereas interest rates declined from 2000-01 to 2025-26.

By sector, the FAO projects that the share of total spending allocated to health, amortization expense, and interest and other debt servicing charges will increase over the outlook, while the share allocated to education, postsecondary education, children, community and social services, justice and 'other programs' will decline.

Table 5.1
Share of total spending by sector (per cent)

Sector	2025-26	2050-51	Percentage Point Change 2025-26 to 2050-51
Health	40.2	46.1	5.9
Education	17.1	13.9	-3.2
Postsecondary Education	5.7	3.6	-2.1
Children, Community and Social Services	9.0	7.5	-1.5
Justice	3.0	2.6	-0.5
Other Programs	14.7	9.2	-5.4
Amortization Expense	3.8	5.0	1.2
Interest and Other Debt Servicing Charges	6.5	12.1	5.6
Total	**100.0**	**100.0**	

Source: FAO.

6. Risks to the Long-Term Outlook

Risks and Uncertainties

There are numerous risks and uncertainties that could materially impact the FAO's baseline economic and budget outlook over the 25-year projection period.

- In the near term, geopolitical tensions, trade barriers and high oil prices are the main downside risks to Ontario's economic outlook. If these risks result in persistent, elevated inflation or structural challenges for Ontario's exporters, economic growth could be weaker than projected over the next several years. Growth could also underperform if elevated valuations in the artificial intelligence sector prove unsustainable, leading to a financial market correction that weakens business investment and reduces household wealth.
- Over the medium to long term, large fiscal and trade imbalances in major economies could place upward pressure on global interest rates, increase financial market volatility and weigh on global economic growth. Higher borrowing costs and weaker growth among Ontario's trading partners could slow Ontario's economic growth through impacts on housing activity, investment and exports.
- Ontario's demographic projection is dependent on assumptions for components of population growth (such as birth rates) and government policy (such as international immigration and temporary resident targets). The federal government's goal to decrease the share of temporary residents relative to the total population is expected to weigh on population growth over the next several years. However, the federal government's annual immigration targets could be adjusted over time in response to changing economic conditions and demographic trends, creating uncertainty around the long-term outlook for population and labour force growth.
- Climate change and any new policies to combat climate change could impact the economy, incomes, tax revenues and spending.
- Continued technological change could transform the composition of Ontario's economy as more jobs become automated or obsolete and new occupations are created. Most notably, the rapid advancement in artificial intelligence technology could have a significant impact on productivity, business investment and the future composition of employment. These factors could impact income, tax revenue and government services in the long term.
- In addition, other significant unforeseen economic shocks could occur over the 25-year outlook, leading to a positive or negative change to the FAO's baseline economic outlook.
- The FAO's baseline budget outlook assumes current government policies and announced commitments will remain in place. Any future policy changes would impact the FAO's baseline outlook.

Alternative Scenarios

Given the numerous risks and uncertainties to the outlook, the FAO has developed two alternative economic scenarios, a "high growth" and a "low growth" scenario, based on different assumptions for population growth and key economic variables. These scenarios illustrate a range of possible economic and budget outcomes for Ontario.

The high growth scenario is based on more optimistic economic assumptions in Ontario, Canada and the United States compared to the baseline projection. In Ontario, stronger population growth from higher birth rates and immigration rates results in a faster pace of labour force growth than in the baseline projection. The high growth scenario also assumes strong productivity growth in Ontario from the successful integration of new technology and improvement in Ontario's competitiveness through investment in high-productivity sectors, which contribute to stronger trade activity and income growth. Based on these assumptions, Ontario's annual real GDP growth averages 2.6 per cent over the long term, compared to 1.9 per cent in the baseline projection.

The low growth scenario is based on more pessimistic economic assumptions in Ontario, Canada and the United States compared to the baseline projection. In Ontario, slower population growth from lower birth rates and immigration rates results in slower labour force growth than in the baseline projection. The low growth scenario also assumes low productivity growth in Ontario from a weaker impact of new technology and a deterioration in Ontario's competitiveness, which drags down trade activity and income growth. Based on these assumptions, Ontario's annual real GDP growth averages 1.2 per cent over the long term.

Table 6.1
Summary of alternative economic scenarios

(Per Cent)	Historical 2000-2025	High Growth 2025-2050	Baseline Outlook 2025-2050	Low Growth 2025-2050
Nominal GDP Growth	4.2	4.7	3.9	3.1
GDP Deflator	2.3	2.1	2.0	1.9
Real GDP Growth	1.9	2.6	1.9	1.2
Labour Force Growth	1.5	1.1	0.8	0.5
Productivity Growth	0.8	1.3	1.0	0.7
Employment Growth	1.4	1.3	0.9	0.5
Unemployment Rate	7.1	5.5	6.0	6.4
Population Growth	1.3	1.3	0.8	0.4
CPI Inflation	2.2	2.2	2.0	1.8
Ontario 10-year Bond Yield	3.7	5.3	4.8	4.2

Source: Ontario Economic Accounts, Statistics Canada, Ontario Financing Authority and FAO.

Under the high growth scenario, the budget deficit improves to 0.8 per cent of GDP in 2050-51, compared to a deficit of 1.5 per cent of GDP in the baseline projection. The accumulated deficit as a share of GDP improves to 19.3 per cent of GDP in 2050-51, compared to 28.8 per cent in the baseline projection. The net debt-to-GDP ratio improves to 37.1 per cent in 2050-51, down from 47.0 per cent in the baseline projection and below the government's target of 40.0 per cent.

In the low growth scenario, compared to the FAO's baseline projection, the budget deficit worsens to 2.0 per cent of GDP in 2050-51, the accumulated deficit as a share of GDP increases to 37.5 per cent, and the net debt-to-GDP ratio increases to 55.9 per cent.

In both the high growth and low growth scenarios, the net debt-to-revenue and interest-to-revenue ratios remain above the government's targets by 2050-51.

Table 6.2

Summary of budget outlook under alternative scenarios

(Per Cent)	High Growth 2050-51	Baseline Outlook 2050-51	Low Growth 2050-51
Budget Balance as a share of GDP	-0.8	-1.5	-2.0
Accumulated Deficit as a share of GDP	19.3	28.8	37.5
Net Debt-to-GDP	37.1	47.0	55.9
Net Debt-to-Revenue	221.2	277.8	330.3
Interest-to-Revenue	10.7	12.2	13.1

Source: Ontario Public Accounts and FAO.

Budget Balance and Fiscal Sustainability Indicator Sensitivities

To illustrate the sensitivity of the FAO's baseline budget outlook to potential changes in revenue, spending and infrastructure investment, the FAO estimated the impact to the Province's budget balance and fiscal sustainability indicators in 2050-51 from a potential change in 2027-28.

Table 6.3

Budget balance and fiscal sustainability indicator sensitivities

Change beginning in 2027-28	Change in budget balance as a share of GDP from baseline in 2050-51 (percentage points)	Change in net debt-to-GDP ratio from baseline in 2050-51 (percentage points)	Change in net debt-to-revenue ratio from baseline in 2050-51 (percentage points)	Change in interest-to-revenue ratio from baseline in 2050-51 (percentage points)
Revenue				
Increase/decrease in annual personal income taxes payable by $500 per taxpayer	+/- 0.8	-/+ 9.6	-/+ 61.4	-/+ 2.8
A one percentage point increase/decrease to the 11.5 per cent provincial general corporate tax rate	+/- 0.4	-/+ 4.5	-/+ 28.8	-/+ 1.3
A one percentage point increase/decrease to the 8 per cent provincial HST rate	+/- 0.8	-/+ 9.8	-/+ 62.7	-/+ 2.9
Spending				
A sustained one percentage point increase/decrease in the growth rate of health sector spending	-/+ 3.4	+/- 28.0	+/- 165.7	+/- 7.3
A sustained one percentage point increase/decrease in the growth rate of education sector spending	-/+ 1.1	+/- 9.1	+/- 54.0	+/- 2.4
A one percentage point increase/decrease in interest rates	-/+ 0.8	+/- 7.6	+/- 44.7	+/- 4.7
Infrastructure Investment				
A $30 billion increase/decrease in infrastructure investments over the next 10 years	-/+ 0.1	+/- 2.5	+/- 14.6	+/- 0.6

Note: These are static impacts and do not incorporate any economic feedback effects.
Source: FAO.

7. Appendix

Table 7.1
Economic Projection Summary

Average Growth (Per Cent)	Historical	Projection			
	2000-2025	2025-2030	2030-2040	2040-2050	2025-2050
Nominal GDP	4.2	4.0	3.9	3.9	3.9
GDP Deflator	2.3	2.4	1.9	1.9	2.0
Real GDP	1.9	1.6	2.0	1.9	1.9
Labour Force	1.5	0.4	0.9	0.9	0.8
Labour Productivity	0.8	0.9	1.0	1.0	1.0
Employment	1.4	0.7	0.9	0.9	0.9
Unemployment Rate*	7.1	6.7	5.9	5.7	6.0
Population	1.3	0.4	1.0	1.0	0.8
CPI Inflation	2.2	2.1	2.0	2.0	2.0

* Unemployment rate is expressed as per cent of the labour force that is unemployed.
Source: Ontario Economic Accounts, Statistics Canada and FAO.

Table 7.2
Outlook for Key External Factors

	Historical	Projection			
	2000-2025	2025-2030	2030-2040	2040-2050	2025-2050
US Real GDP Growth (Per Cent)	2.1	2.1	2.0	2.0	2.0
US 10-year Bond Yield (Per Cent)	3.2	4.4	4.3	4.3	4.3
Government of Canada 10-year Bond Yield (Per Cent)	3.0	3.7	4.1	4.1	4.0
Ontario 10-year Bond Yield (Per Cent)	3.7	4.4	4.9	4.9	4.8
West Texas Intermediate Oil Price per Barrel (US $)	65.1	75.0	86.6	119.4	97.4
Canada-US Exchange Rate (US $)	0.82	0.75	0.78	0.79	0.78
Canada Real GDP Growth (Per Cent)	2.0	1.7	2.0	2.0	1.9

Source: Statistics Canada, Federal Reserve Economic Data, Ontario Financing Authority and FAO.