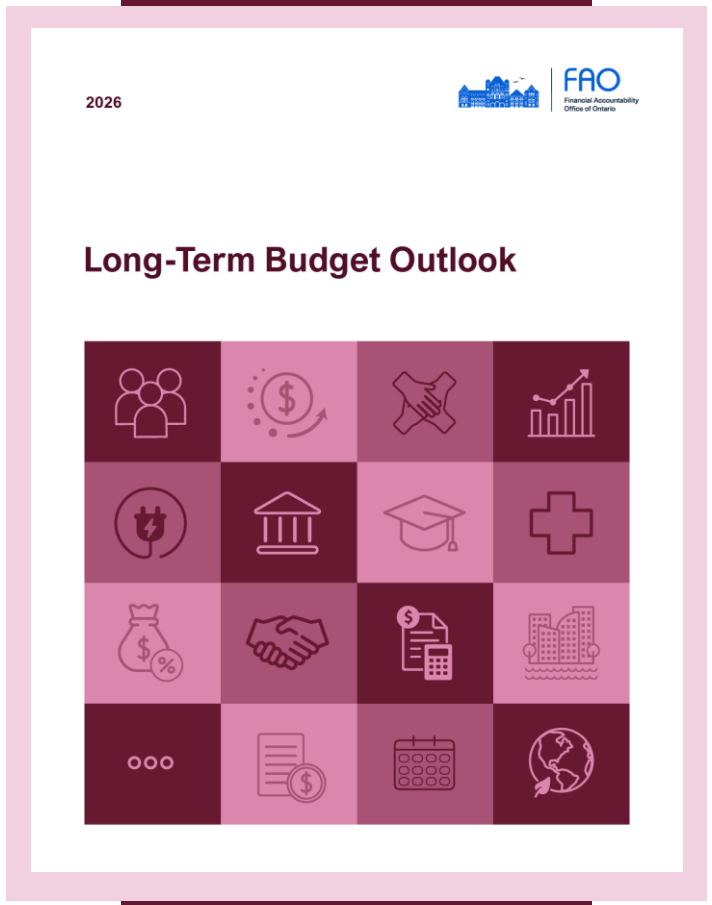
Long-Term Budget Outlook

2026



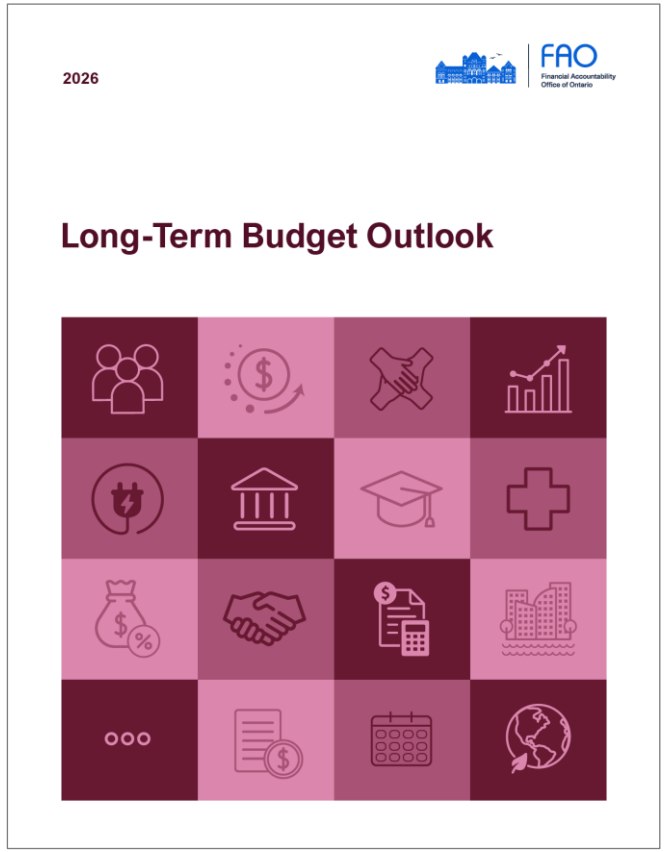
Financial Accountability Office of Ontario

Presentation

Overview

- The Long-Term Budget Outlook provides the FAO's baseline projection for Ontario's economy and the Government of Ontario's finances over the 2026-27 to 2050-51 period.

- The presentation will focus on Ontario's:
  1. Economic outlook
  2. Budget outlook
  3. Accumulated deficit, net debt and fiscal sustainability indicators
  4. Revenue outlook
  5. Spending outlook
  6. Risks to the long-term outlook

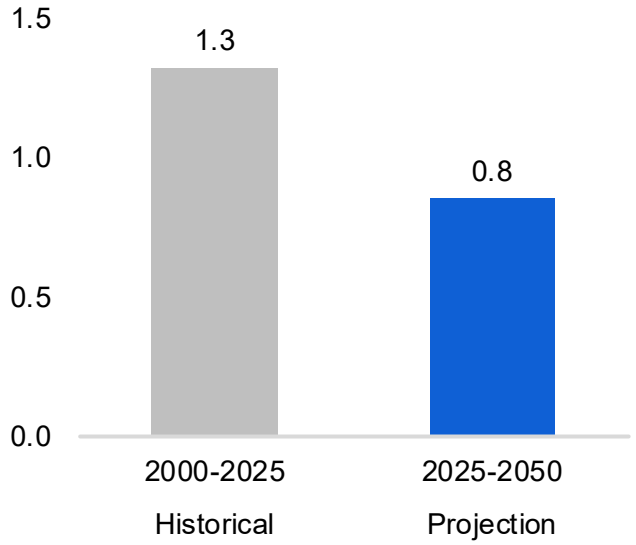


Economic Outlook

Ontario’s population growth to moderate

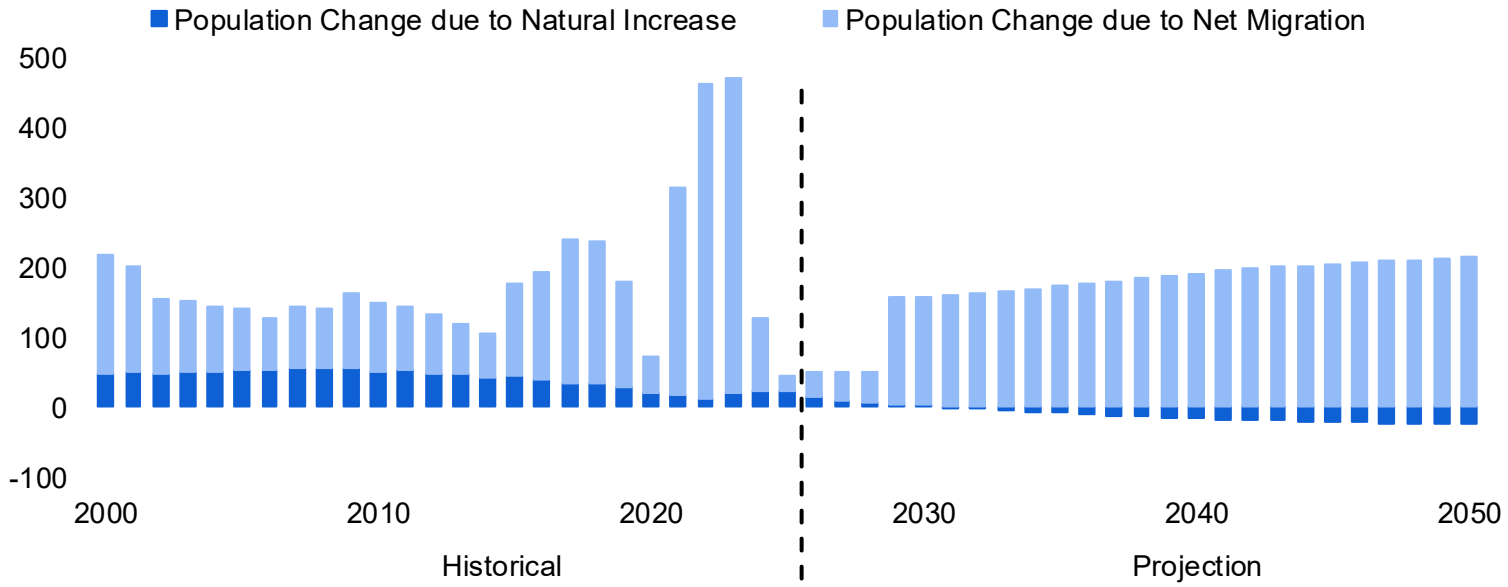
- Over the next 25 years, Ontario’s population is projected to grow by an average of 0.8% annually, slower than the 1.3% average annual growth over the past 25 years.
- By the early 2030s, deaths are expected to outnumber births, leading to natural decreases in the population. As a result, Ontario’s population growth is projected to become solely dependent on net migration, especially international immigration.
- 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 growth
Average Annual Growth (Per Cent)



Source: Statistics Canada and FAO.

Population change in Ontario
Thousands

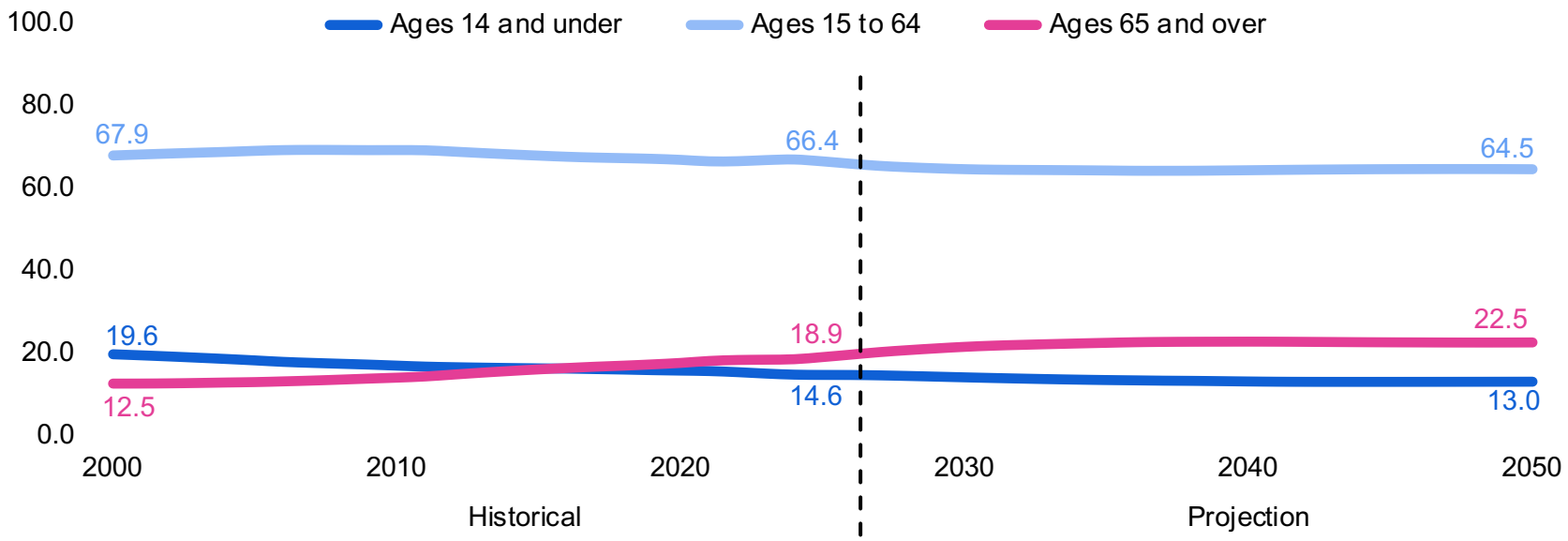


Source: Statistics Canada and FAO.

Ontario’s aging population

- Ontario’s population will become older over the projection period.
- The share of working-age Ontarians (ages 15 to 64) is expected to decline from 66.4% of the total population in 2025 to 64.5% 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% in 2025 to 22.5% in 2050, while the share of children (ages 14 and under) is expected to decrease from 14.6% in 2025 to 13.0% in 2050.

Share of population by age group in Ontario
Per Cent

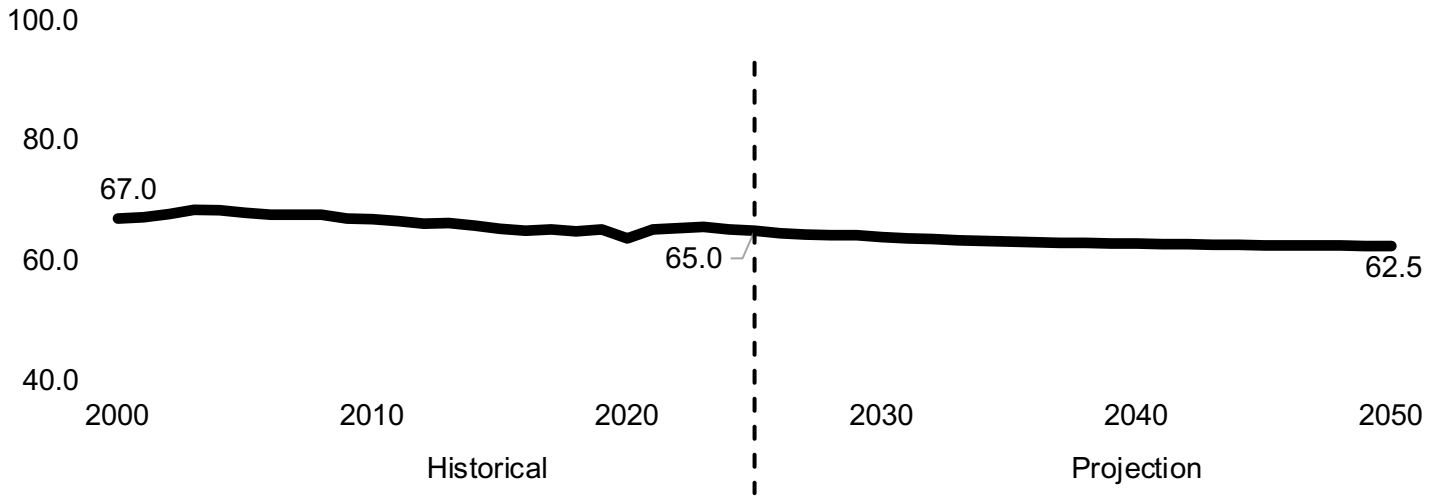


Source: Statistics Canada and FAO.

Ontario’s labour force growth expected to slow

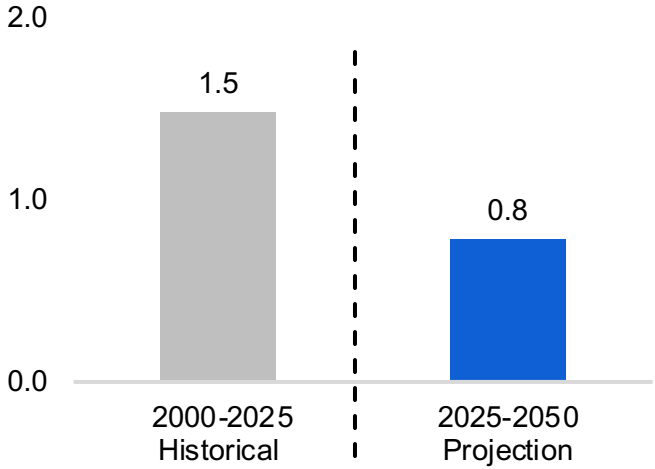
- The FAO projects that Ontario’s aggregate labour force participation rate (ages 15 and over) will trend lower from 65.0% in 2025 to 62.5% in 2050, reflecting the impact of population aging.
- Combined with slower projected population growth, this results in weaker growth in Ontario’s labour force over the outlook. Labour force growth is projected to average 0.8% annually over the outlook, down from a 25-year historical average of 1.5% per year.
- Employment gains are expected to moderate from a historical average annual growth of 1.4% to 0.9% over the outlook. Ontario’s annual unemployment rate is projected to decrease from a historical average of 7.1% to 6.0% over the outlook.

Aggregate labour force participation rate in Ontario (ages 15 and over)
Per Cent



Source: Statistics Canada and FAO.

Labour force growth in Ontario
Average Annual Growth (Per Cent)

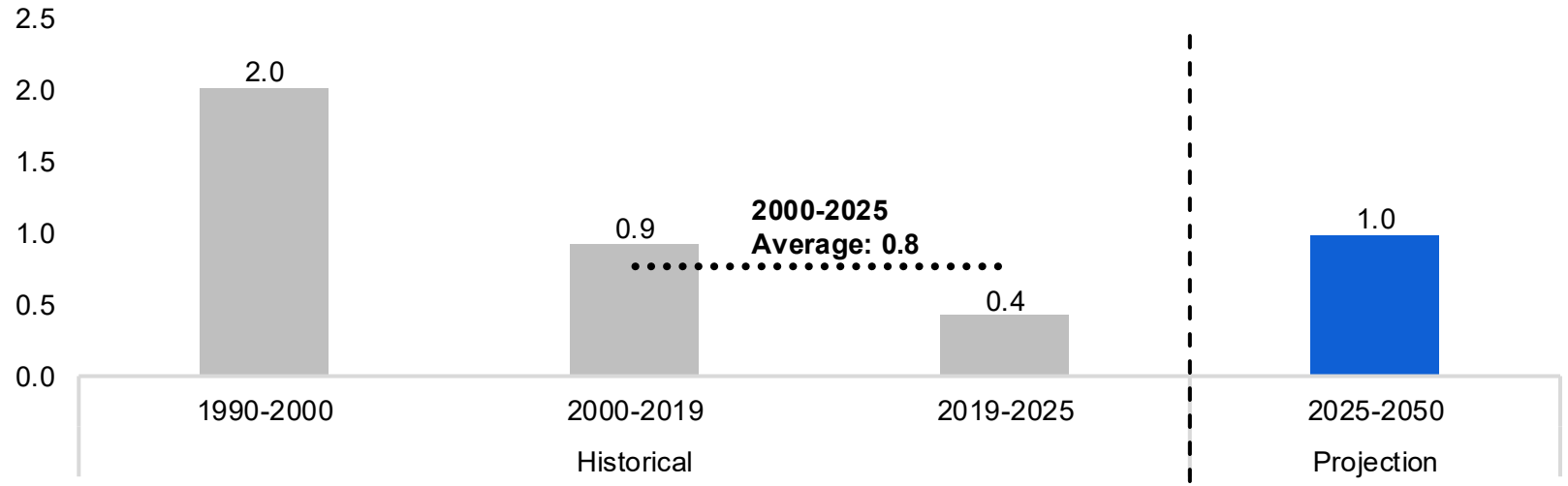


Source: Statistics Canada and FAO.

Ontario’s labour productivity is assumed to rise

- 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% 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.

Ontario’s labour productivity growth
Average Annual Growth (Per Cent)

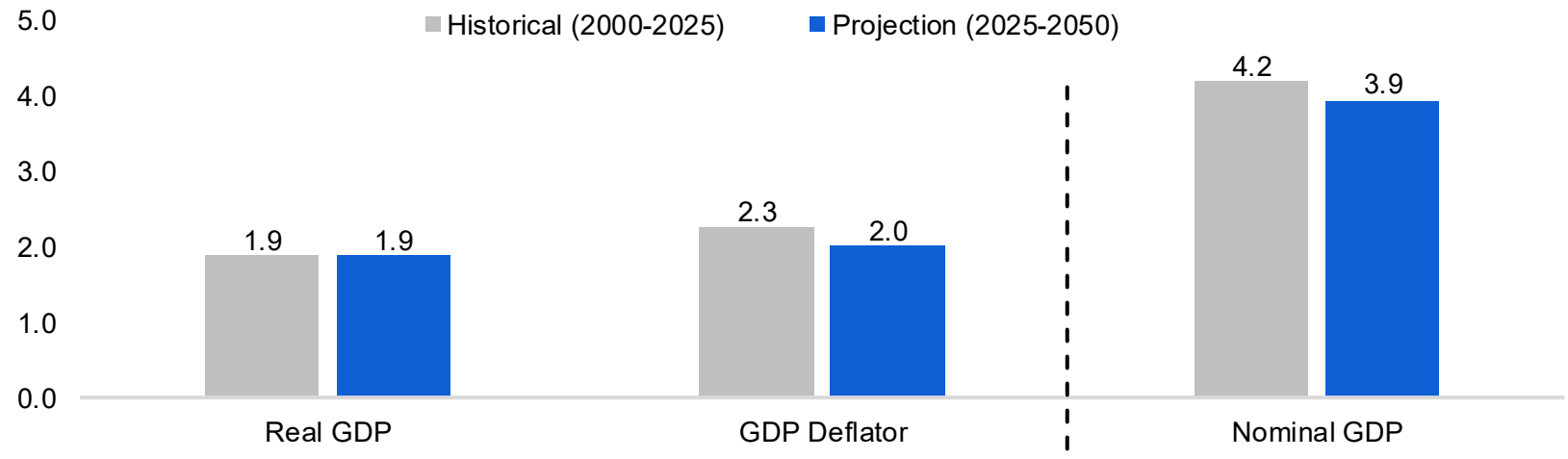


Source: Ontario Economic Accounts, Statistics Canada and FAO.

Ontario’s nominal GDP growth is projected to slow

- Over the 25-year outlook, the FAO projects that annual real GDP growth, the broadest measure of economic activity, will average 1.9%, the same growth rate as the historical average from 2000 to 2025.
- The GDP price deflator, a measure of economy-wide prices, is forecast to rise at an average annual rate of 2.0%, below the historical average of 2.3%, as past strong commodity-price growth eases and the temporary inflation surge following the pandemic moderates.
- Combining these two factors, nominal GDP, the broadest measure of the tax base, is projected to rise at an average annual pace of 3.9%, slower than the historical average of 4.2%.

Ontario’s GDP Growth
Average Annual Growth (Per Cent)

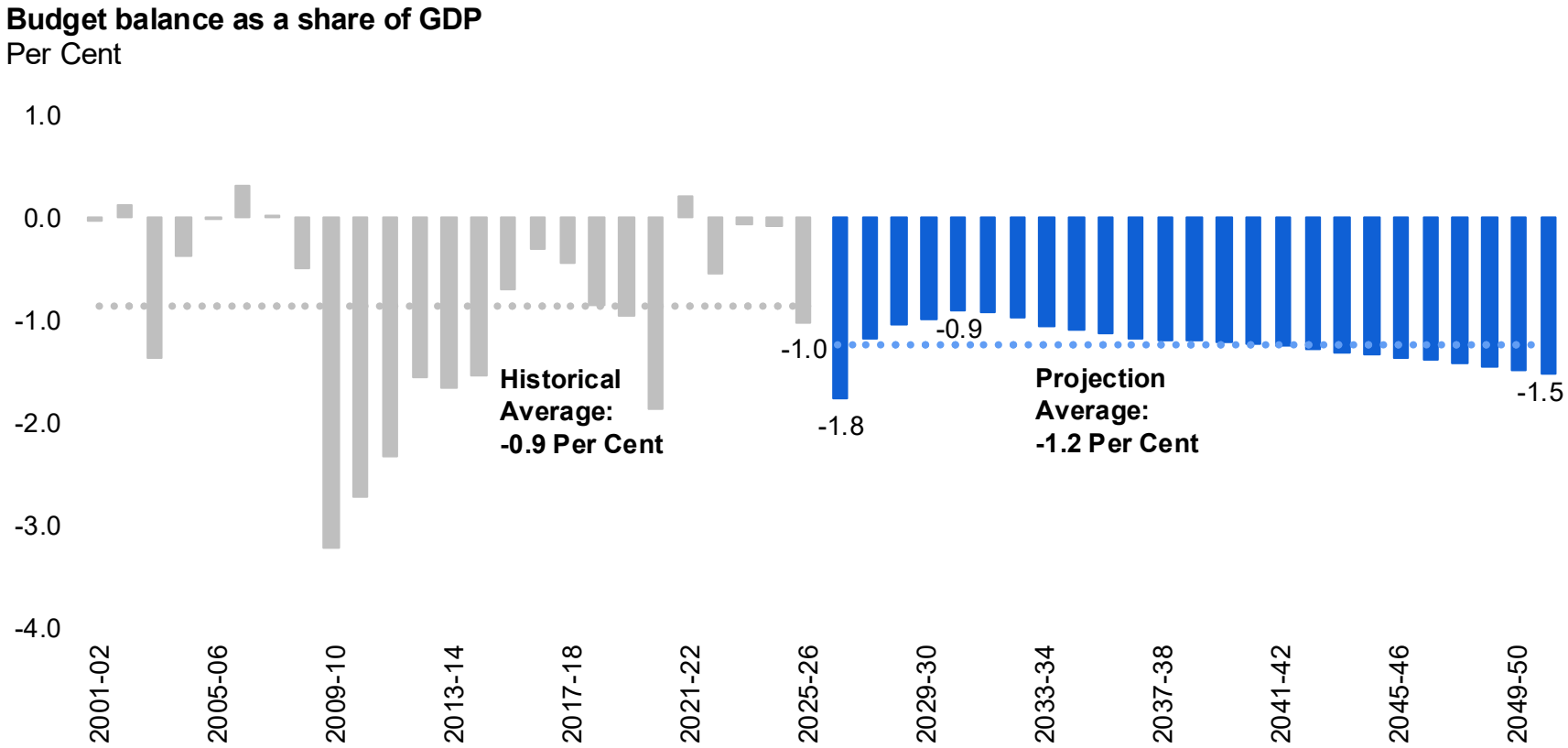


Source: Ontario Economic Accounts and FAO.

Budget Outlook

Ontario's budget projected to remain in deficit

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

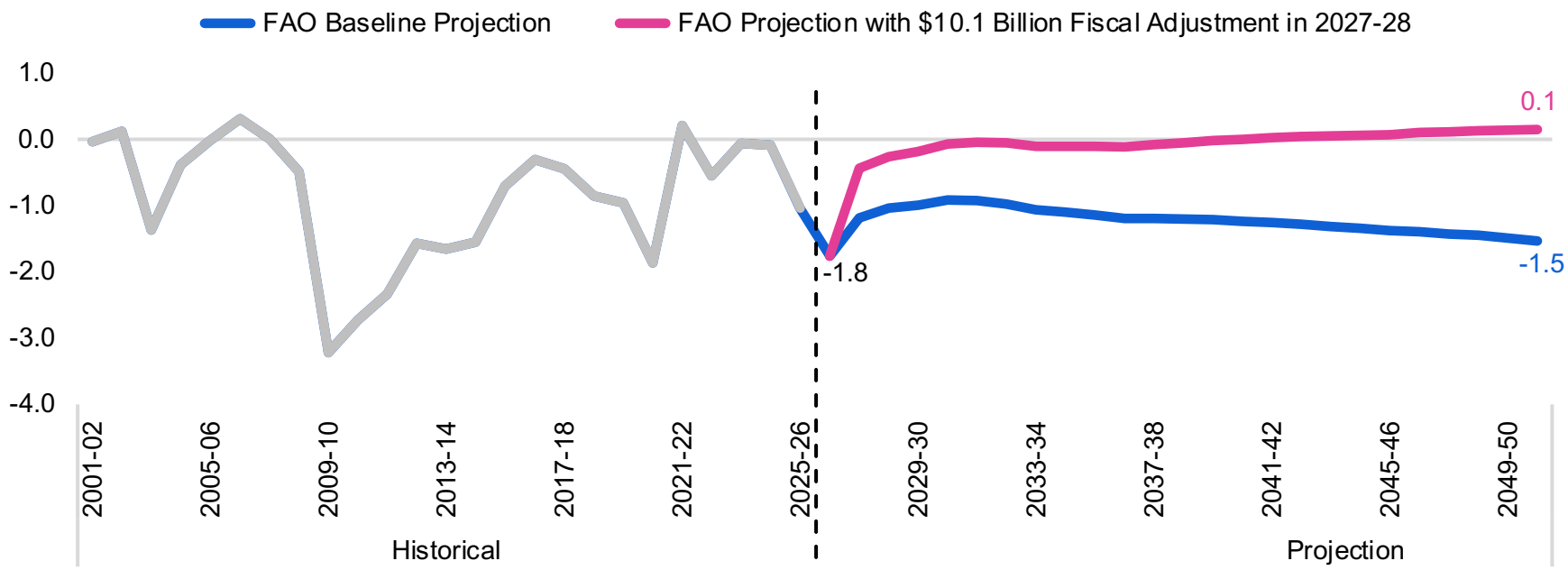


Source: Ontario Public Accounts, Ontario Ministry of Finance and FAO.

Fiscal adjustment to maintain balanced budget

- 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.
- 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.

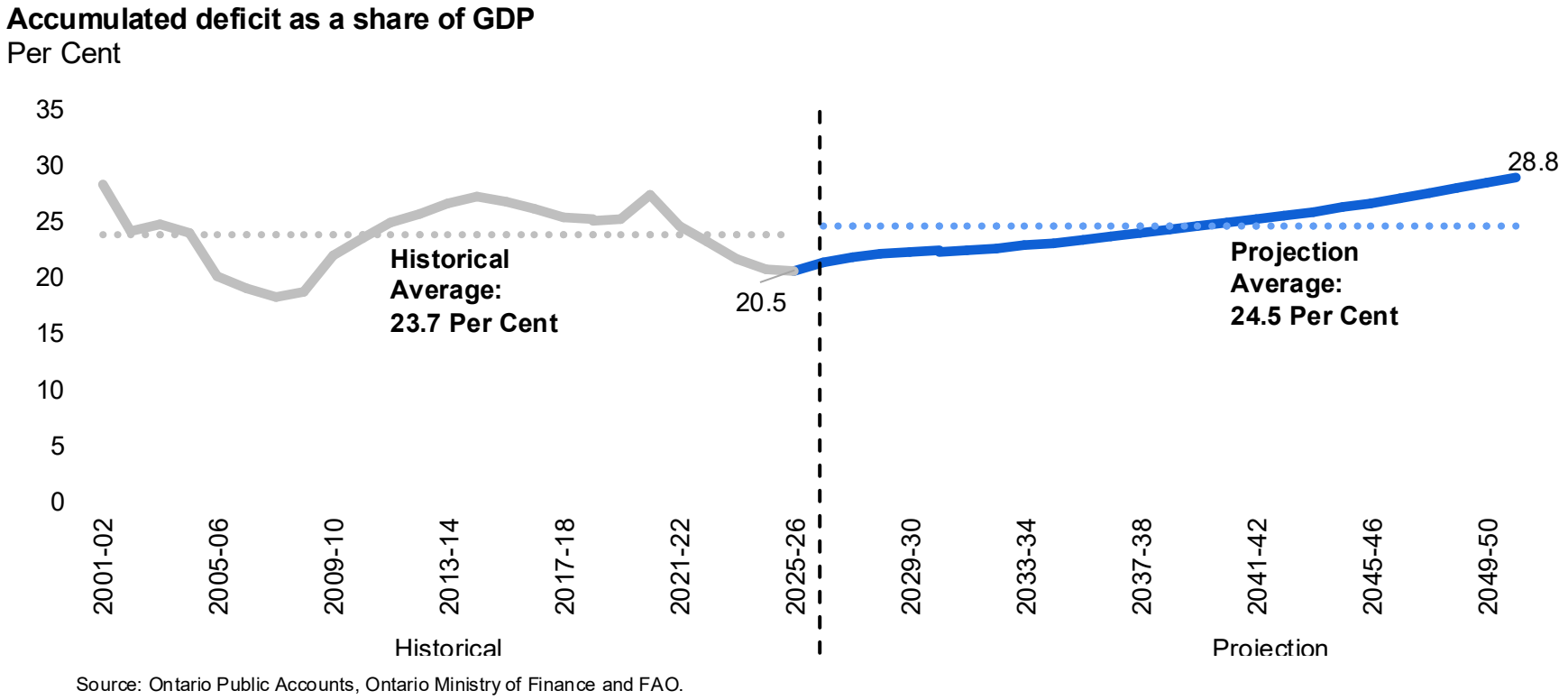
Budget balance as a share of GDP with permanent fiscal adjustment in 2027-28
Per Cent



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

Accumulated deficit

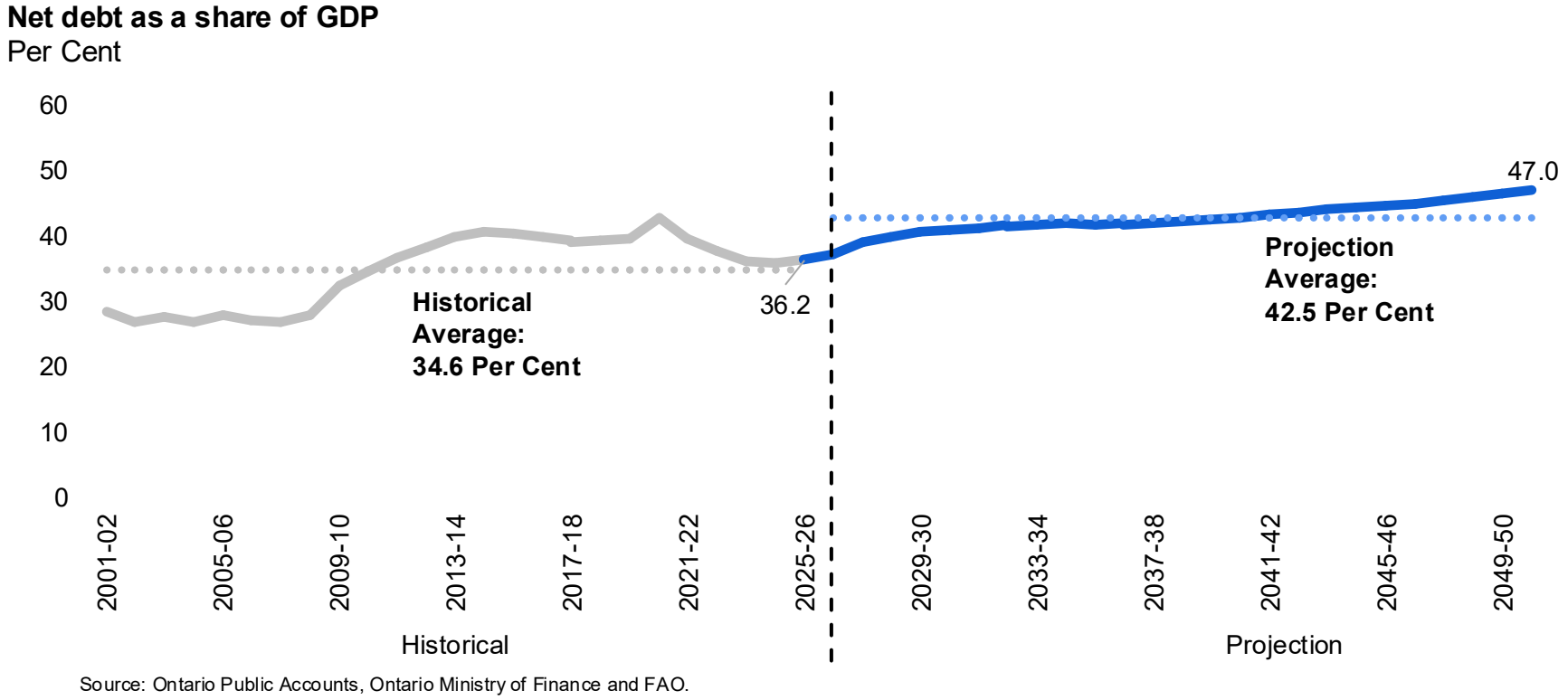
- The accumulated deficit is a measure of the Province's total liabilities minus total assets. It represents the Province's net worth and is the total of all past annual deficits minus all past annual surpluses.
- Ontario's accumulated deficit as a share of GDP was 20.5% in 2025-26 and is projected to increase to 28.8% in 2050-51.



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

Net debt

- Net debt is the difference between the Province's financial liabilities and financial assets. It represents the Province's net financial worth and excludes non-financial assets owned by the Province (largely infrastructure assets) and non-financial liabilities.
- Ontario's net debt as a share of GDP was 36.2% in 2025-26 and is projected to increase to 47.0% in 2050-51.



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

Ontario's fiscal sustainability indicators

- The FAO projects that all three of the Province's fiscal sustainability indicators will deteriorate over the outlook, exceeding the government's targets and 25-year historical averages by 2050-51.

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

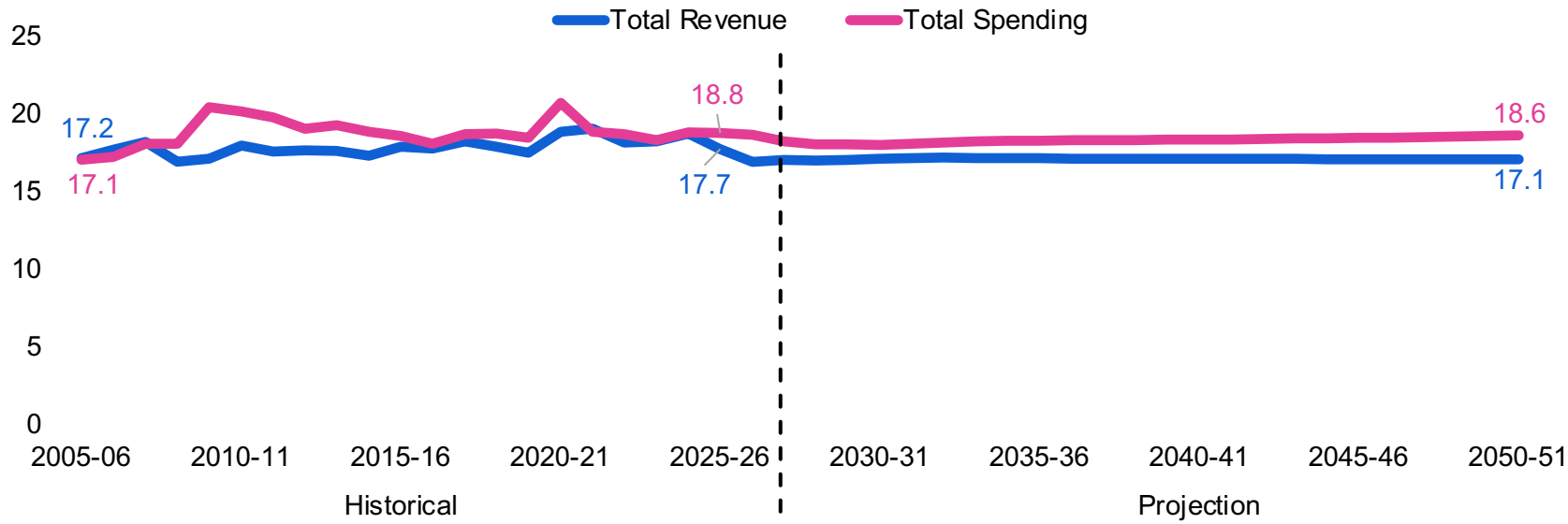
* 25-year historical average is from 2001-02 to 2025-26.
** "ppt" stands for percentage point.
Note: According to the debt burden reduction strategy from the 2026 Ontario Budget, prior to 2026-27, 'net debt' is calculated as total liabilities less financial assets, while starting in 2026-27, 'net debt' 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.

Revenue and spending outlook

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

Revenue and spending as shares of GDP

Per Cent

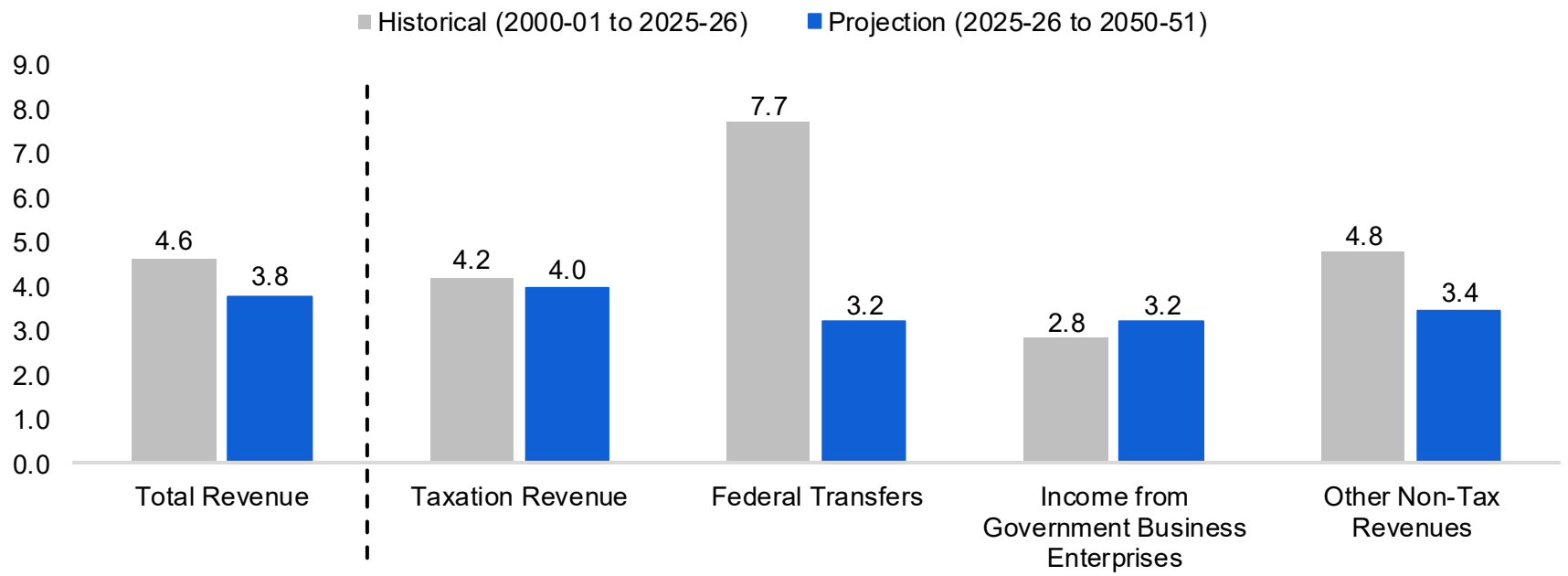


Source: Ontario Public Accounts and Budgets, Ontario Economic Accounts and FAO.

Revenue projection

- Total revenue is projected to grow at an average annual rate of 3.8% from 2025-26 to 2050-51, slower than the historical average of 4.6% from 2000-01 to 2025-26.
- The slowdown in revenue growth over the projection largely reflects a moderation in tax revenue growth and a slowdown in federal transfers revenue growth.

Historical and projected revenue growth
Average Annual Growth (Per Cent)

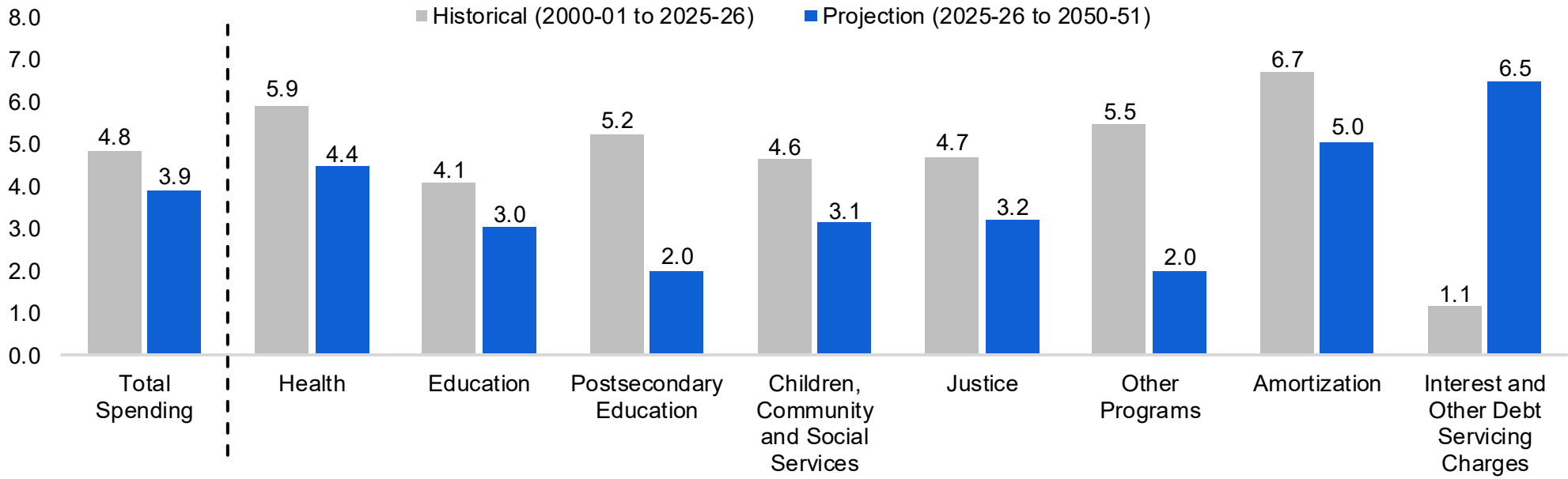


Note: Historical growth includes FAO adjustments for accounting changes.
Source: Ontario Public Accounts and Budgets, and FAO.

Spending projection

- Total spending is projected to grow at an average annual rate of 3.9% from 2025-26 to 2050-51, slower than the 4.8% average annual growth from 2000-01 to 2025-26.
- The slowdown in spending growth 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.

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.

Share of spending 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.

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.

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, 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.

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.

Thank you!



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