



FAO

FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO

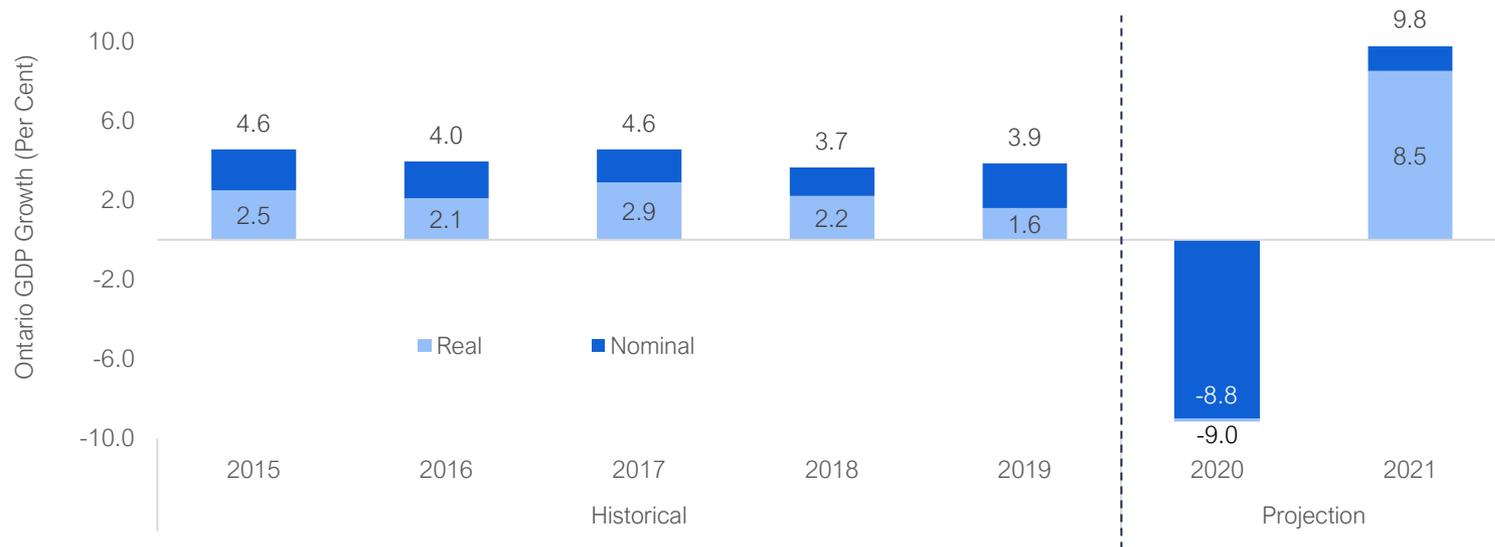
Presentation to the

Standing Committee on Finance and Economic Affairs

June 1, 2020

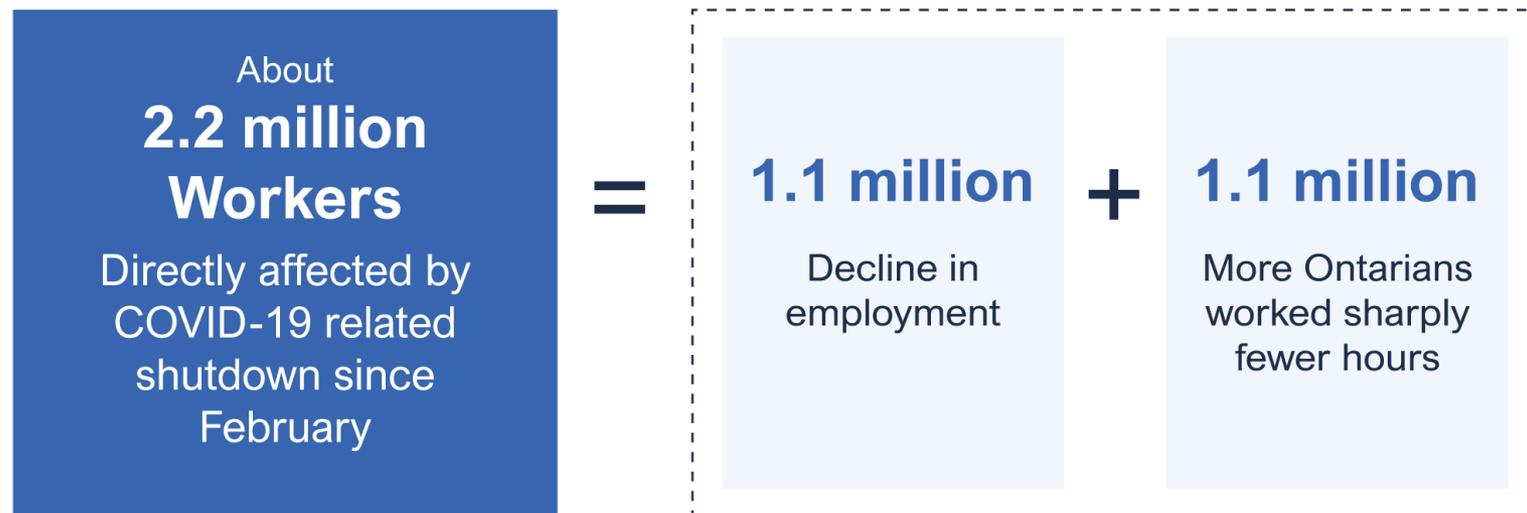
Pandemic has pushed Ontario economy into sharp recession

- Historic 9.0 per cent decline in real GDP expected this year.
- As containment measures are eased, economy will recover, with real GDP rising by 8.5 per cent next year.



Source: Statistics Canada, Ontario Economic Accounts and FAO.

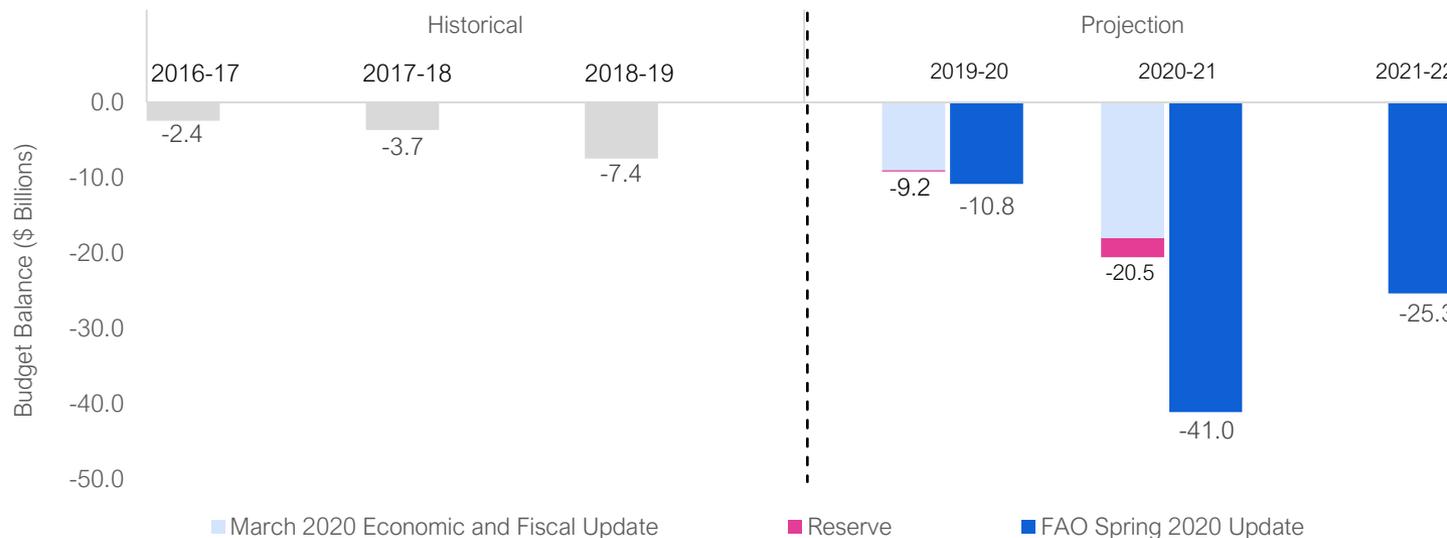
Pandemic shutdowns have directly affected one in three jobs in Ontario



Source: FAO.

FAO projects a record \$41 billion budget deficit in 2020-21

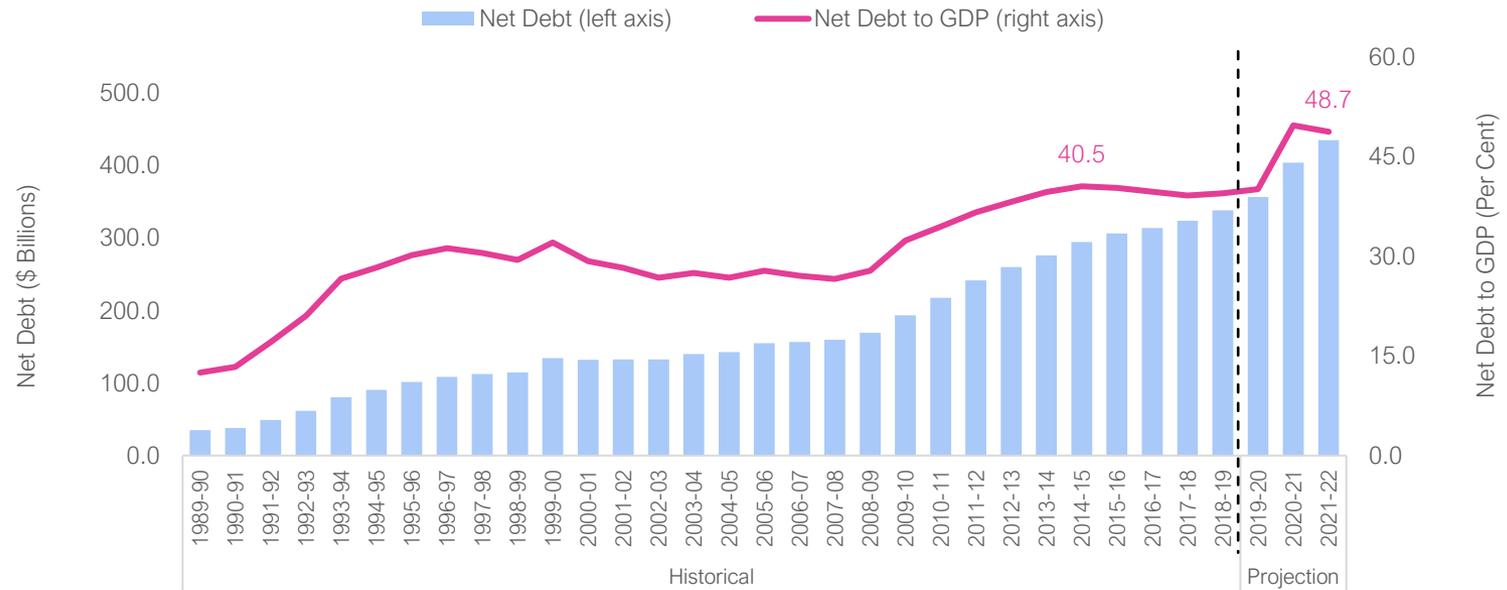
- FAO's \$41 billion deficit projection is double the government's March Update estimate.
- Deficit expected to decline to \$25 billion next year.



Note: The FAO's budget balance is presented before reserve. The government's budget balance projection, from the March Update, is presented including the reserve.
 Source: Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update and FAO.

Ontario's debt burden will increase to record high

- Deficits lead to \$78 billion increase in provincial debt by next year.
- Net debt-to-GDP ratio of almost 49 per cent expected in 2021-22.



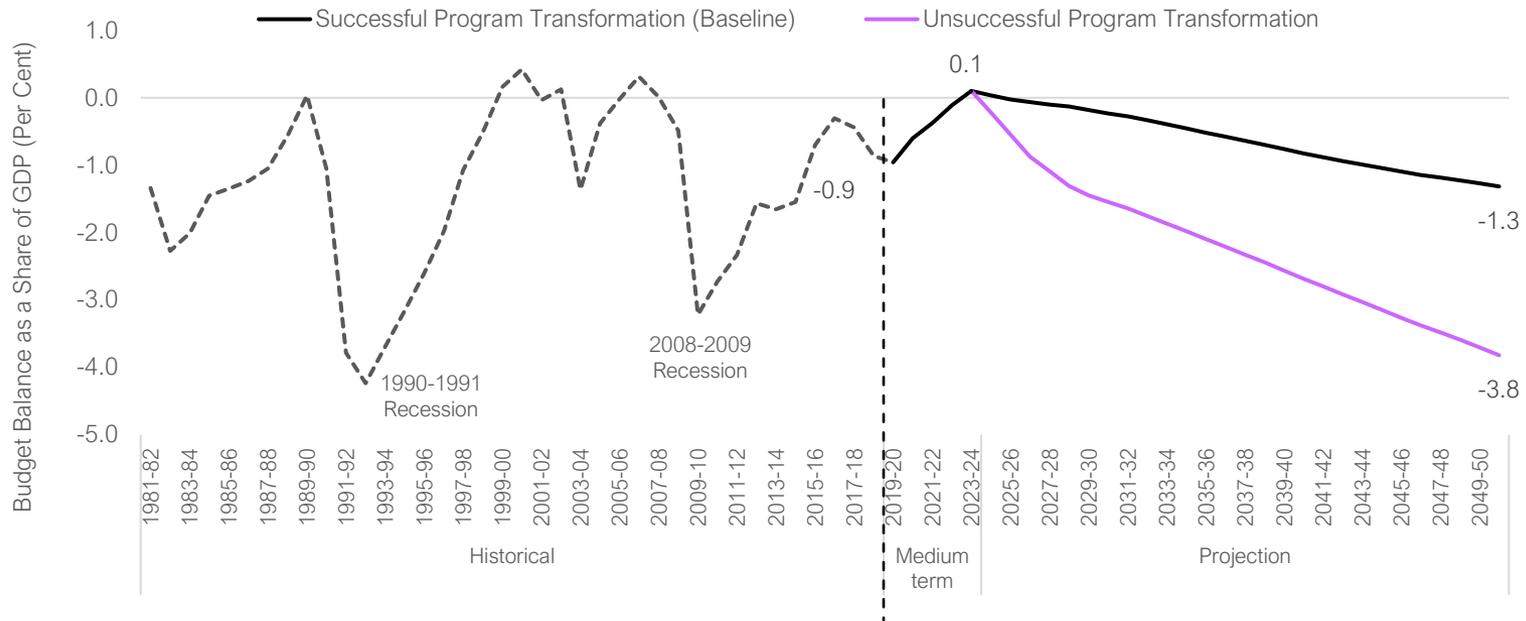
Source: Statistics Canada, Ontario Economic Accounts, Ontario Public Accounts, Ontario March 2020 Economic and Fiscal Update and FAO.

Questions?



Budget deficit projected to deteriorate over outlook

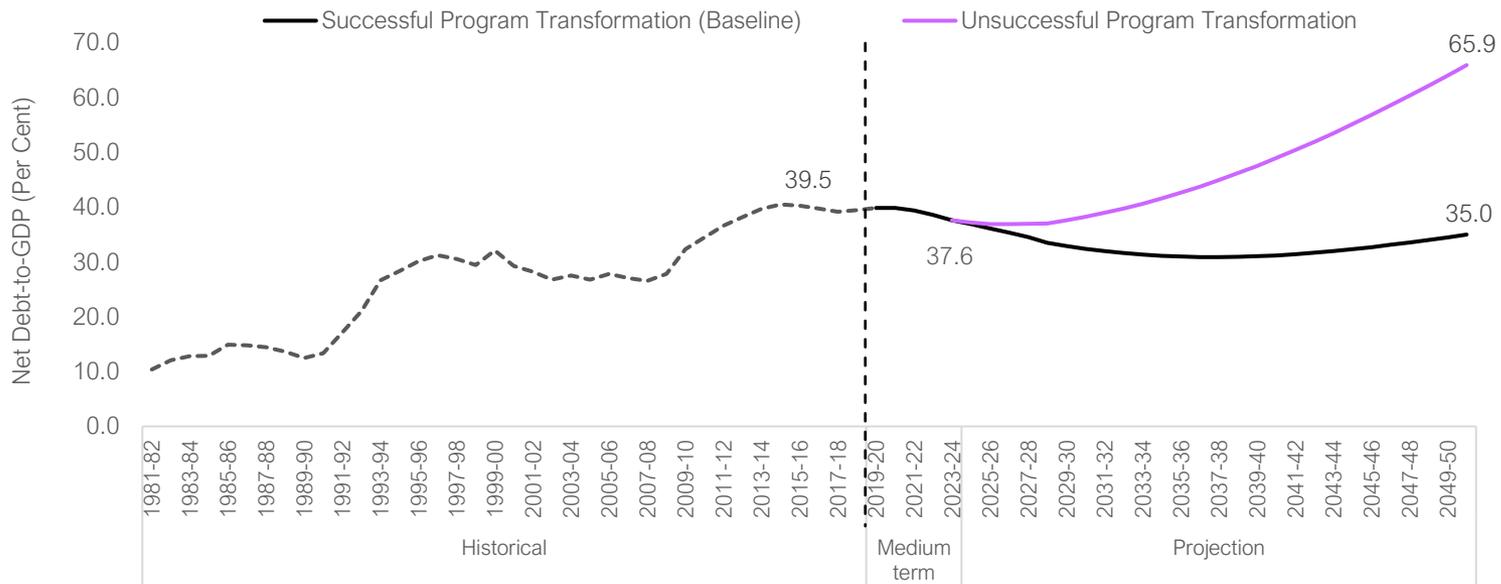
- Overall government spending will exceed revenues, resulting in growing deficits.
- Deterioration in the budget would be much more dramatic under the unsuccessful scenario, with a deficit of 3.8 per cent of GDP by 2050-51.
- Historically, Ontario has experienced deficits of this magnitude only during recessions.



Source: Ontario Public Accounts and Budgets, Statistics Canada and FAO.

Ontario's Debt-to-GDP could rise dramatically over the long term

- **Successful program transformation:** fiscal position would improve as net debt-to-GDP ratio reaches 35.0 per cent by 2050-51, below the current ratio of approximately 40 per cent
- **Unsuccessful program transformation:** fiscal position would be challenging as large budget deficits push Ontario's net debt-to-GDP ratio to 65.9 per cent by 2050-51



Source: Ontario Public Accounts and Budgets, Statistics Canada and FAO.