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

About 2.2 million Workers
Directly affected by COVID-19 related shutdown since February

1.1 million
Decline in employment

1.1 million
More Ontarians worked sharply fewer hours

11.3 per cent
Unemployment rate in April, highest since 1993

19.7 per cent
Decline in Total hours worked in April (y/y)

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.

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.