Economic and Budget Outlook
Assessing Ontario’s Medium-term Budget Plan
Fall 2019
Overview


- The FAO’s Economic and Budget Outlook (EBO) provides an independent assessment of Ontario’s economic performance and budget outlook.
Ontario’s economic growth has slowed

- Real GDP growth projected to average 1.7 per cent annually over the outlook, reflecting weaker gains in household spending, investment, exports and government spending.

Source: Statistics Canada and FAO.
Moderate revenue growth expected

- Revenue growth has been weak over the past two years – averaging just 1.4 per cent annually
  - Reflects policy changes by previous and current governments, combined with more moderate economic growth
- Revenue growth improves to 3.7 per cent over next four years

Source: Ontario Public Accounts, 2019 Ontario Economic Outlook and Fiscal Review and FAO.
Program spending restraint continues

- Fall Economic Statement increased program spending growth over next two years, compared to 2019 budget outlook
  - Spending growth in 2021-22 is unchanged from budget
- Program spending expected to grow at average annual rate of 1.4 per cent over full five-year outlook

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\text{Annual Program Spending Growth (Per Cent)}
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<th>Year</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
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Note: Estimates for program spending in 2022-23 and 2023-24 are based on program spending growth rates from the 2019 Ontario Budget.
Source: 2019 Ontario Budget and 2019 Ontario Economic Outlook and Fiscal Review and FAO.
FAO baseline projection: budget balanced by 2021-22

- Under FAO’s baseline projection, the budget is effectively balanced in 2021-22 and improves to a large surplus by 2023-24
- Government’s budget plan includes provisions for unannounced tax cuts and spending measures
  - Unannounced policies would delay balanced budget to 2023-24 and increase net debt by $13.5 billion

Source: Ontario Public Accounts, 2019 Ontario Economic Outlook and Fiscal Review and FAO.

* Budget balance is presented before the reserve.
Government’s plan would reduce spending per person by $1,070 over five years

Note: Estimates for program spending in 2022-23 and 2023-24 are based on program spending growth rates from the 2019 Ontario Budget.
Demand for public services likely to exceed planned spending

- FAO analysis suggests demand for public services by 2021-22 could exceed government’s planned spending by $5 billion, after accounting for government’s cost cutting measures.
- Additional actions likely needed to achieve the government’s spending plan

Source: FAO analysis of data from Treasury Board Secretariat. Numbers may not add due to rounding.
Thank you