Economic and Budget Outlook
Assessing Ontario’s Medium-term Budget Plan
Spring 2018

Financial Accountability Office of Ontario
Background

• Ontario released the 2018 Budget on March 28, 2018.


• The FAO’s EBO assesses Ontario’s economic performance, budget outlook, and the government’s fiscal recovery plan.
Economic Growth to Moderate

Economic activity to moderate as growth of household spending and residential investment slows.

- 2017: 4.5%
- 2018: 4.2%
- 2019: 4.1%
- 2020: 4.1%
- 2021: 3.9%
- 2022: 3.9%

Real vs. Nominal Growth
FAO Projects Deficit to Increase Sharply

- Deficit expected to increase sharply to $12 billion.
- This reflects higher spending from 2018 Budget combined with weak revenue growth.
2018 Budget Announced New Spending Initiatives

Budget announced a broad array of new spending initiatives, including:

- Publicly funded pre-school childcare;
- Expansion of pharmacare;
- Public dental care;
- More mental health services; and
- Income security reform.

While many of these new programs would provide significant social and economic benefits for Ontarians, the government has not raised adequate revenue to pay for them.
2018 Budget Measures Add to an Existing Deficit

Ontario’s existing deficit, prior to the introduction of the 2018 Budget.

The 2018 Budget’s spending measures add to deficit.
The government’s plan projects a balanced budget by the mid-2020s.

The plan relies on severely restricting the growth in program spending.
Recovery Plan Implies Significant Spending Restraint

FAO ‘status quo’ projection (maintaining current quality of public services)

Recovery plan implies government must find $15 billion in spending reductions

Government plans to limit program spending growth to 2%
With Severe Spending Restraint Budget Could be Balanced by 2025
Continued deficits lead to a rising debt burden

- The Province will miss its target of reducing the debt-to-GDP ratio to 35 per cent in 2023-24 by a wide margin.
Elevated debt levels reduces the government’s fiscal flexibility

- Elevated levels of public debt reduces the government’s ability to prepare for the budget pressures of an aging population, or to respond to unforeseen future events.
Thank you

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