Economic and Budget Outlook
Assessing Ontario’s Budget Plan
Spring 2019
Overview

- Ontario released the 2019 Budget on April 11th.

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

- Economic growth expected to moderate, reflecting weaker gains in household spending, residential investment and government spending.

Source: Statistics Canada, Ontario Economic Accounts and FAO.
Economic risks are elevated

- Significant domestic and foreign risks could impact Ontario’s growth outlook, including:
  - Heavily indebted households; and
  - An uncertain trade and investment climate

![Graph showing Household debt-to-income ratio continues to rise in Ontario](chart1.png)

- Household debt-to-income ratio continues to rise in Ontario

![Graph showing Share of machinery and equipment investment in Ontario has declined](chart2.png)

- Share of machinery and equipment investment in Ontario has declined

Source: Statistics Canada and FAO.

Source: Statistics Canada, Ontario Economic Accounts and FAO.
FAO’s Fiscal Projection

- Slower economic growth will dampen increase in tax revenues

- Government committed to balancing budget by 2023-24
- Given slow revenue growth, government’s plan relies on significant spending restraint to balance budget

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<th>Taxation Revenue</th>
<th>Personal Income Tax</th>
<th>Corporations Tax</th>
<th>Harmonized Sales Tax</th>
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<tr>
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Per Cent

2013-14 to 2018-19

2018-19 to 2023-24
FAO projects large budget surplus by 2022-23

- Government’s budget plan includes provisions for unannounced revenue reductions and spending measures
- Province still achieves a balanced budget by 2023-24 due to plan to significantly restrain spending

Source: Ontario Public Accounts, 2019 Ontario Budget and FAO.
Note: Budget balance is presented before the reserve.
Slowest pace of program spending growth since the mid-1990s

- 2019 budget plan holds program spending growth to 1.0 per cent per year over the next five years

Source: Statistics Canada, 2019 Ontario Budget and FAO.

Financial Accountability Office of Ontario | fao-on.org
2019 budget plan reduces spending per person by $1,100 by 2023-24

Source: Ontario Public Accounts, 2019 Ontario Budget and FAO.
 Achieving 2019 budget’s spending plan will be a significant challenge

• The FAO’s analysis suggests the 2019 budget includes sufficient savings and cost avoidance measures to achieve spending plan over next two years.

• However, by 2021-22, the FAO estimates that $6 billion in additional actions would need to be identified to achieve budget’s spending projection.

Source: FAO analysis of data from TBS.
Thank you