



Economic and Budget Outlook

Assessing Ontario's Budget Plan

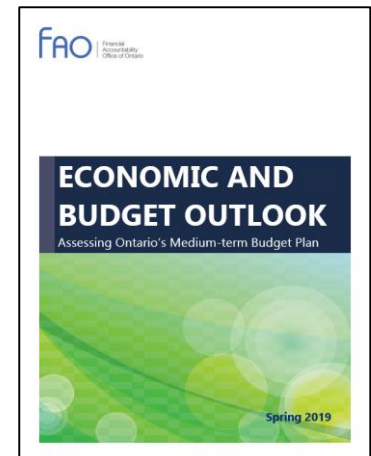
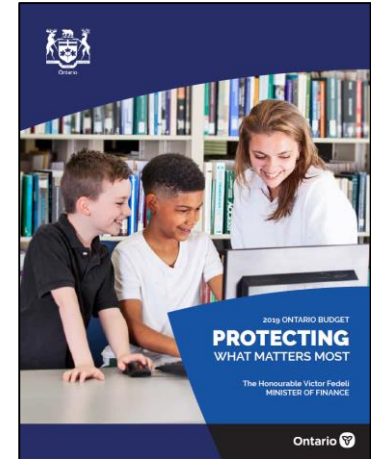
Spring 2019

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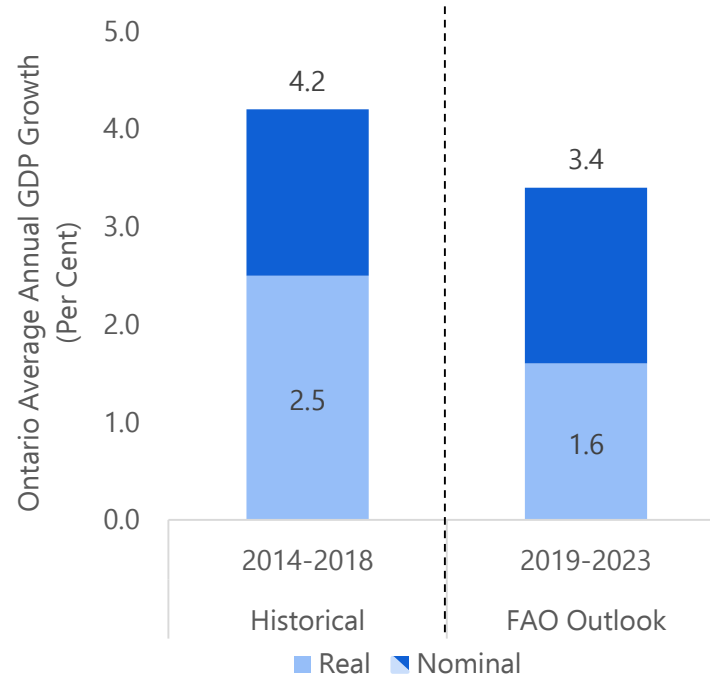
Overview

- 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



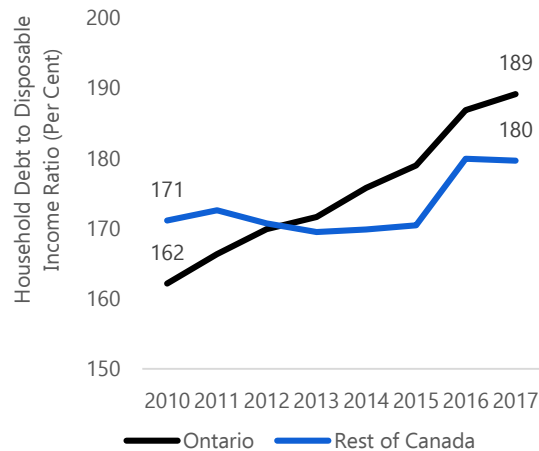
Source: Statistics Canada, Ontario Economic Accounts and FAO.

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Economic risks are elevated

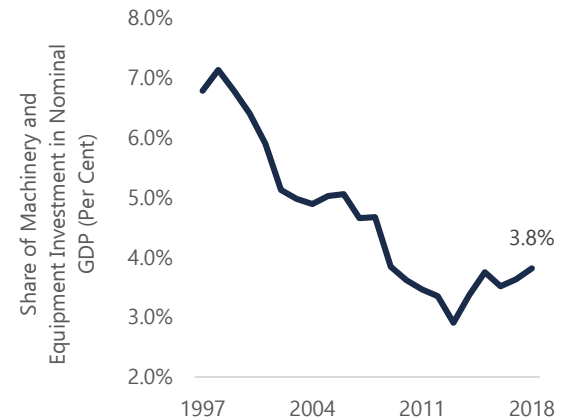
- Significant domestic and foreign risks could impact Ontario's growth outlook, including:
 - Heavily indebted households; and
 - An uncertain trade and investment climate

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



Source: Statistics Canada and FAO.

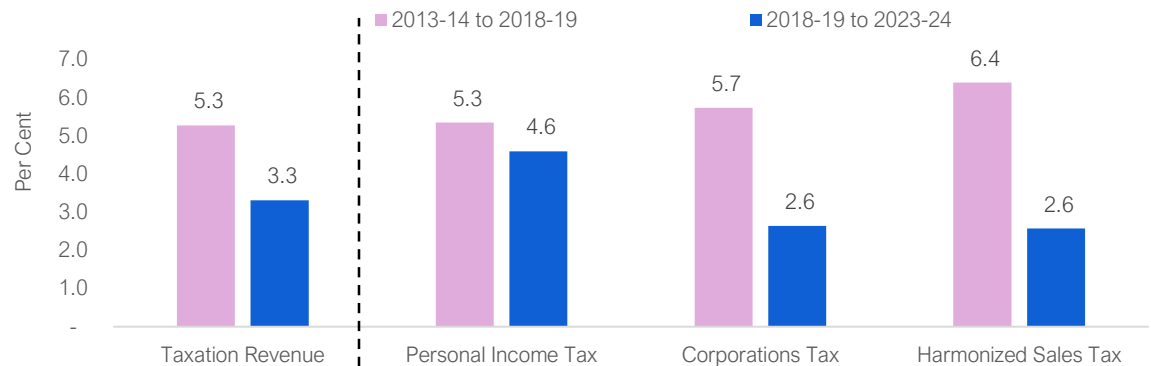
Share of machinery and equipment investment in Ontario has declined



Source: Statistics Canada, Ontario Economic Accounts and FAO.

FAO's Fiscal Projection

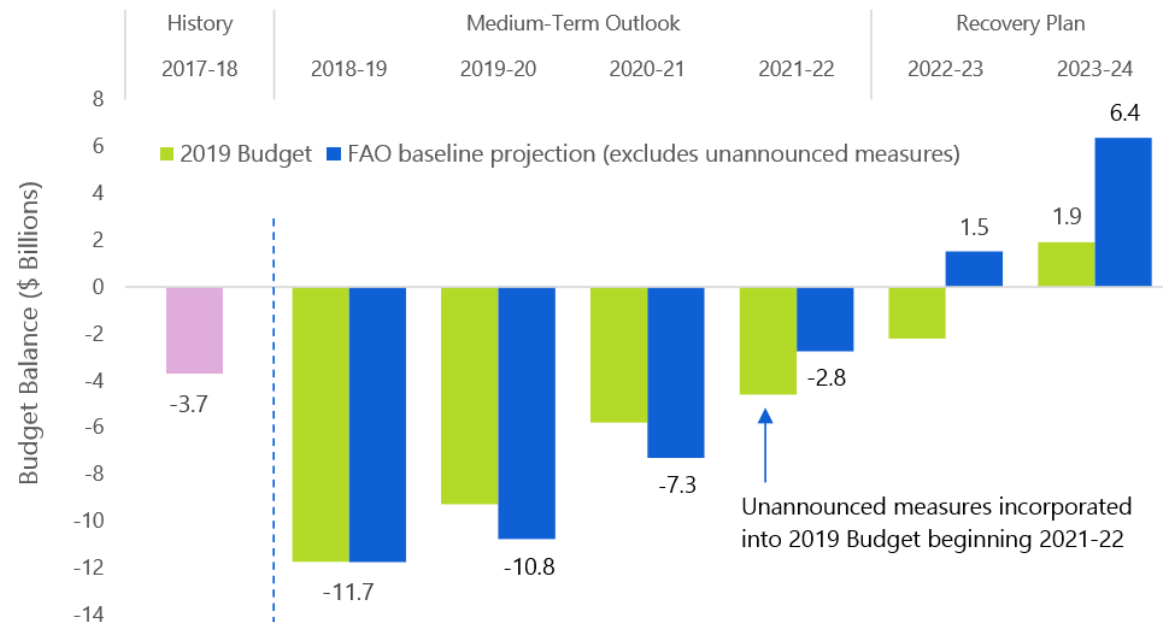
- Slower economic growth will dampen increase in tax revenues



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

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



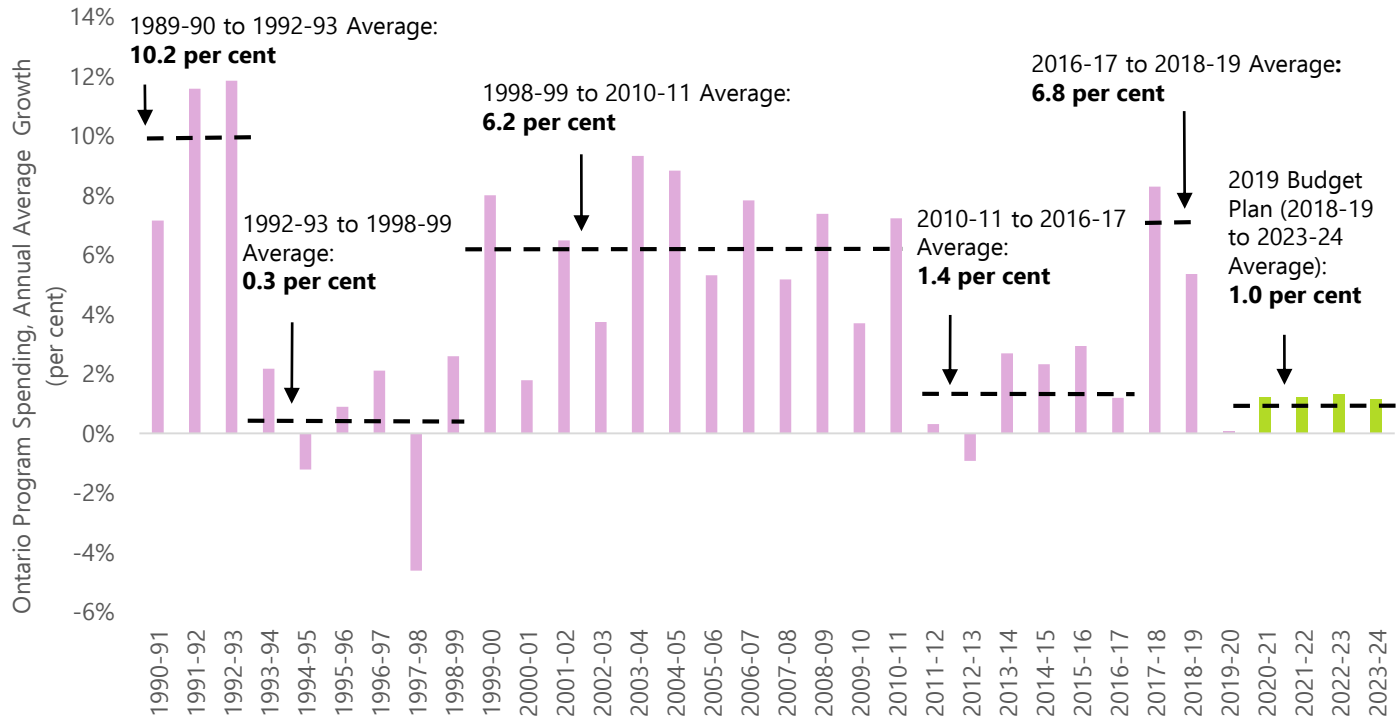
Source: Ontario Public Accounts, 2019 Ontario Budget and FAO.

Note: Budget balance is presented before the reserve.

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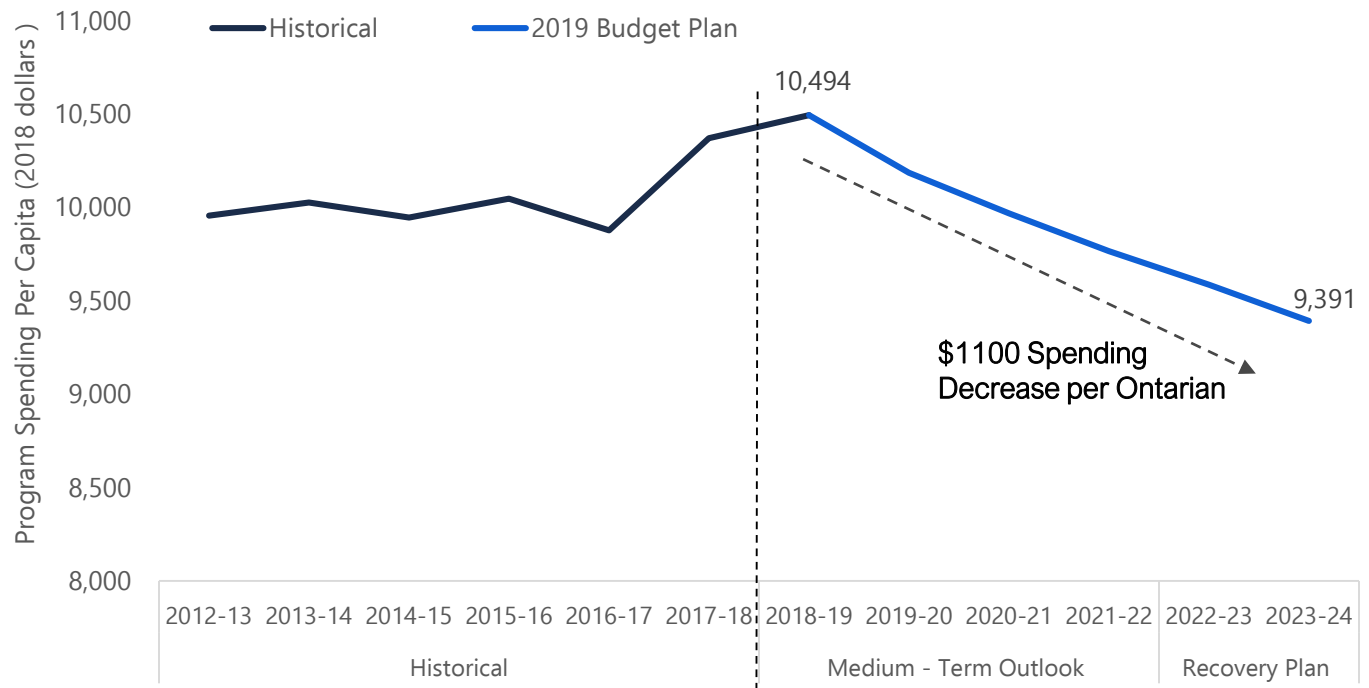
Slowest pace of program spending growth since the mid-1990s

- 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.

2019 budget plan reduces spending per person by \$1,100 by 2023-24

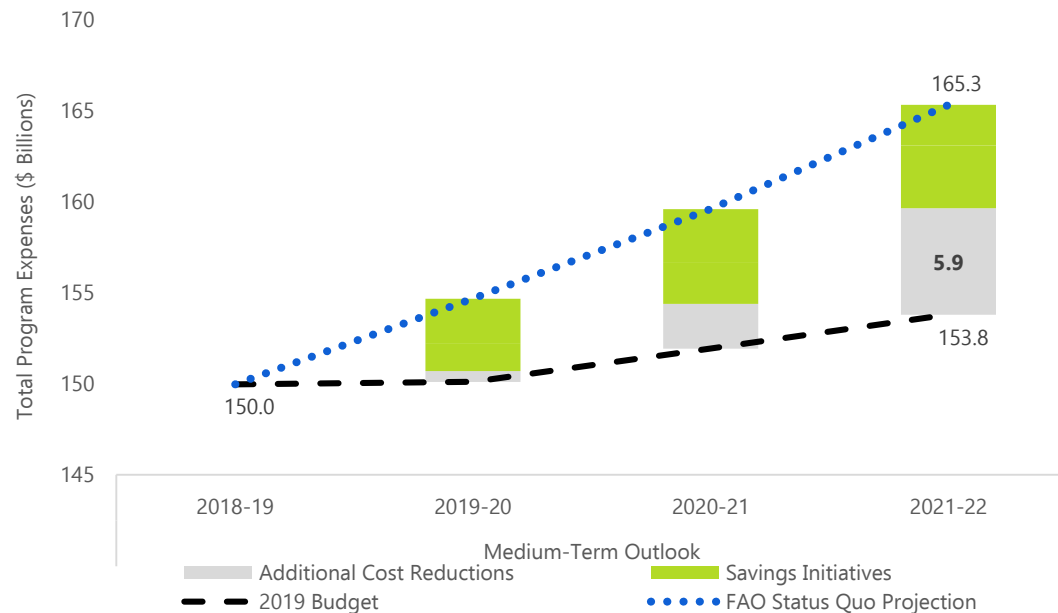


Source: Ontario Public Accounts, 2019 Ontario Budget and FAO.

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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

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