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Spring 2019 Economic and Budget Outlook Wednesday, May 22, QP Media Studio Media Statement

Good Morning, I'm Peter Weltman, Ontario's Financial Accountability Officer.

Twice a year, my office produces 'Economic and Budget Outlook' (EBO) reports that provide MPPs with an independent assessment of the province's economy and fiscal position.

This morning, my office released our latest EBO, providing an updated economic and fiscal outlook, based on the 2019 Ontario Budget.

Given our outlook for the economy and the province's revenues, and incorporating the government's plans for spending, the FAO projects Ontario's budget deficit will decrease to \$10.8 billion in 2019-20, down modestly from \$11.7 billion last year. Over the next four years, we expect the province's bottom line would improve rapidly, reaching balance in 2022-23 and a relatively large surplus of \$6.4 billion by 2023-24.

In comparison, the government's 2019 budget projects somewhat smaller deficits over the next two years due to a more optimistic outlook for revenue growth. More importantly, the 2019 budget plan also incorporates provisions for unannounced revenue reductions and spending measures beginning in 2021-22.

Although these unannounced measures would lead to higher deficits and add to Ontario's debt, the Province would still achieve a balanced budget by 2023-24, due to its plan to significantly restrain the growth in program spending.

Specifically, the government plans to limit annual program spending growth to just 1 per cent on average over the next five years. This would be the slowest pace of spending growth since the mid-1990s. As a result of this restraint, provincial spending on public services would be reduced by \$1,100 per person (or by more than 10 per cent) over the next five years.¹

To achieve this level of spending restraint, the 2019 budget introduced a broad range of policy changes that included reforming OHIP+, increasing class sizes, reforming social assistance, and improving public sector procurement. Taken together, the FAO's analysis suggests that the policies included in the 2019 budget to reduce program spending - if realized - would be largely sufficient to achieve the government's spending plan over the next two years.

However, the FAO estimates that additional measures or program changes, resulting in cost savings of almost \$6 billion, would be needed to achieve the budget's spending plan by 2021-22. Overall, the FAO was able to identify measures or program changes that would provide roughly half of the savings required to achieve the budget's planned level of spending.

To conclude, the 2019 budget's fiscal plan takes place in an environment of elevated economic risks and relies heavily on the government's success in limiting spending growth. If the economy underperforms or the planned spending restraint proves unachievable, it is unlikely that the government would be able to implement the unannounced measures and still balance the budget by 2023-24.

I would also like to acknowledge the significant effort by officials in the Ministry of Finance and Treasury Board Secretariat for their assistance in what was a significant undertaking.

¹ Expressed in 2018 dollars.

Thank you.

I would be happy to respond to any questions. Il me ferait plaisir de répondre à vos questions.

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