Economic and Budget Outlook

Briefing Deck
Overview

- The FAO’s Economic and Budget Outlook compares its latest forecast with the government’s 2022 Ontario Economic Outlook and Fiscal Review (FES).

- The presentation will focus on Ontario’s:
  1. Economic outlook
  2. Budget balance outlook
  3. Revenue outlook
  4. Spending outlook
Ontario’s economy recovered quickly following the pandemic, with real GDP rising strongly by 5.2 per cent in 2021 and 3.7 per cent in 2022.

For 2023, Ontario’s economic growth is projected to slow sharply to 0.5 per cent, then stabilize at 1.8 per cent over the rest of the outlook.

Source: Ontario Economic Accounts and FAO.
FAO projects growing surpluses under current policy

- FAO’s deficit projection of $2.5 billion in 2022-23 is considerably smaller than the government’s $12.9 billion deficit projection in the 2022 FES.
- By the last year of the FES outlook, the government projects a $0.7 billion deficit. In contrast, the FAO expects a budget surplus of $4.2 billion.

Note: The budget balance from the 2022 Ontario Economic Outlook and Fiscal Review is shown after the Reserve.
Source: Ontario Public Accounts, 2022 Ontario Economic Outlook and Fiscal Review and FAO.
FAO revenue outlook modestly above government forecast

- Total revenues are projected to grow by an average annual rate of 3.6 per cent over the outlook, in line with a slowing economy.
- FAO’s revenue projection is $1.7 billion higher than the FES in 2022-23, narrowing to $0.7 billion higher in 2024-25.

Source: Ontario Public Accounts, 2022 Ontario Economic Outlook and Fiscal Review and FAO.
FAO program spending outlook below government forecast

- Program spending is projected to grow by an average annual rate of 3.2 per cent over the outlook, reaching $199.4 billion by 2026-27.
- The FAO projects that spending on programs will be a total of $12.5 billion lower than planned by the Province over the next three years.

Source: FAO analysis of the 2022 Ontario Economic Outlook and Fiscal Review and information provided by the Ministry of Finance.
Funding shortfalls in some sectors, despite excess funds

- For the five main sectors combined, the FAO projects a total funding shortfall of $7.2 billion over three years.

- However, the Province has excess funds in ‘other programs’ ($19.7 billion over three years); largely due to contingency funds.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Program Spending Difference, Province vs. FAO, $ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022-23</td>
</tr>
<tr>
<td>Health</td>
<td>1,258</td>
</tr>
<tr>
<td>Education</td>
<td>-129</td>
</tr>
<tr>
<td>Postsecondary Education</td>
<td>47</td>
</tr>
<tr>
<td>Children's and Social Services</td>
<td>388</td>
</tr>
<tr>
<td>Justice</td>
<td>-69</td>
</tr>
<tr>
<td><strong>Sum of difference in 5 main sectors</strong></td>
<td>1,496</td>
</tr>
<tr>
<td>Other Programs*</td>
<td>5,347</td>
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<tr>
<td><strong>Total Program Spending Difference</strong></td>
<td>6,843</td>
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</tbody>
</table>

*Contingency funds are included in the government’s other programs forecast but excluded from the FAO’s projection as the purpose of the funds have not yet been announced. Note: Negative values indicate that the Province’s spending plan is below the FAO’s projection (i.e., a “shortfall”), while positive values indicate that the Province’s spending plan is above the FAO’s projection (i.e., “excess funds”). Ontario Teachers’ Pension Plan (OTPP) expense is included in the education sector.

Source: FAO analysis of the 2022 Ontario Economic Outlook and Fiscal Review and information provided by the Ministry of Finance.
Thank you!

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