BUILDING ONTARIO UP FOR EVERYONE

Ontario

2016 FALL ECONOMIC STATEMENT

Presentation to Cabinet

November 2, 2016

144/2016

Overview

- The *Fiscal Transparency and Accountability Act, 2004* (FTAA) requires the Minister of Finance to release a mid-year review of the fiscal plan by November 15.

- The **Ontario Economic Outlook and Fiscal Review** (also known as the Fall Economic Statement, or FES) provides an opportunity to:
  - report on progress against the Budget, and
  - signal the government's forward-looking fiscal and policy priorities to set the stage for the upcoming Budget.

- The following slides present an overview of the 2016 FES, including:
  - the structure and narrative themes of the FES, and
  - an update on the province's fiscal and economic outlook, as described in the FES.
  - A look ahead to the 2017 Document

2016 FES Key Themes

2016 FALL ECONOMIC STATEMENT: BUILDING ONTARIO UP FOR EVERYONE

Fostering an Innovative and Dynamic Business Environment

Building Tomorrow's Infrastructure Now

Investing in People's Talents and Skills

Strengthening Retirement Security

TOWARDS A FAIR SOCIETY
TRANSFORMING HEALTH CARE
RESPONSIBLE FISCAL MANAGEMENT
TOGETHER TOWARDS A STRONGER ONTARIO AND STRONGER CANADA

The government continues to implement its plan to create jobs and grow the economy and remains committed to balance the budget in 2017-18 and beyond. The government will continue to build Ontario up in a way that helps Ontarians in their everyday lives.

Overview of 2016 FES
Key Themes

Fostering an Innovative and Dynamic Business Environment

To grow the Ontario economy and create jobs, the government's focus is on fostering a dynamic, competitive business environment in which innovation thrives.

From reducing regulatory burdens to lowering electricity costs to helping businesses keep pace with technological change and expand their operations, the Province is working to create the conditions for economic growth, now and in the future.

The government is implementing its plan to combat climate change and support individuals and businesses. Attracting and supporting investment in financial services and technology sectors and the sharing economy will provide significant new economic opportunities.

- ***Business Growth Initiative (BGI)***
- ***Electricity Price Relief for Businesses***
- ***Expanding International and Internal Trade***
- ***Supporting the Sharing Economy***
- ***Transition to a Low-Carbon Economy***
- ***Financial Technology***

Building Tomorrow's Infrastructure Now

The government is making one of the largest infrastructure investments in Ontario's history. Beginning in 2014-15, over $160 billion in investment will strengthen communities and support more than 110,000 jobs.

Ontarians will be able to access more child care spaces, study in modernized schools, learn and research in state-of-the-art labs and facilities, receive service in newly renovated hospitals and travel across the province on a seamless transportation network.

By strategically optimizing assets, the government is on track to generate $5.7 billion to fund priority public transit and transportation projects.

- ***Progress on the 12-year, over $160 billion Capital Plan***
- ***Investments in transit, education, post-secondary, community and energy infrastructure***
- ***Health care infrastructure***
- ***Asset Optimization (Hydro One & Trillium Trust)***

Investing in People's Talents and Skills

Ontario's highly educated workforce has long been one of its key strengths. To prepare workers for the economy of the future, investments in education and training are critical.

Significant investments in child care and early years programs are getting more children off to a positive start in their education and providing working families with quality affordable care.

A new approach to student assistance will make college and university more accessible with tens of thousands of students benefiting from free tuition.

A Highly Skilled Workforce Strategy will ensure Ontarians are well positioned to thrive and compete.

- ***Childcare Space Enhancement***
- ***Ontario Student Grant Update***
- ***Implement recommendations of the Highly Skilled Workforce Expert Panel***
- ***Enhance Mathematics learning***
- ***SkillsAdvance Ontario Pilot Program***
- ***Early Years Strategy for Indigenous communities***

Strengthening Retirement Security

With two-thirds of Ontario workers not participating in workplace pension plans and many families worried about how they will maintain their standard of living in retirement, the government is taking action. The Province's leadership helped facilitate an historic agreement-in-principle to enhance the Canada Pension Plan (CPP).

The government is also working to ensure that workplace pension plans remain strong and new opportunities for savings are available.

- ***Agreement on enhancement of the Canada Pension Plan***
- ***Modernization of Workplace Pensions***
- ***Target Benefit Multi-Employer Pension Plans***
- ***Investment Management Corporation of Ontario***

Towards a Fair Society

Changing economic and social realities are impacting how Ontarians work, live and conduct business.

To ensure every citizen has an opportunity to thrive, the Province is taking action. This includes steps to ensure more stable and secure incomes, promote equality in the workplace, improve housing affordability, reduce insurance and energy costs and expand protection for consumers.

- ***Long-term Affordable Housing Strategy***
- ***Electricity Price Relief for Consumers***
- ***Housing Affordability Initiatives***
- ***Autism services***
- ***Strategy to End Violence Against Indigenous Women***
- ***Consumer Protection***

Transforming Healthcare

Ontario's action plan for health is centred on putting patients first. For patients and their families, this means faster access to an integrated health care system that keeps them as close to home as possible. New investments in hospitals across the province will help reduce wait times.

- ***Access to Health Care (primary care, specialized care)***
- ***Coordinated Home and Community care***
- ***Low-Income Drug & Dental Care Benefits***
- ***Protecting Patients' Health***

Stronger Ontario – Stronger Canada

Ontario and the federal government are collaborating to make positive impacts on the health, prosperity and quality of life of Ontarians.

The Province is committed to partnering with all levels of government and ensuring that municipalities are on a financially sustainable footing.

Working with Indigenous partners to identify ways to improve social conditions and create economic opportunity is a key to ensuring a bright future for all.

- ***Continued need for Strong Partnership on Shared Priorities, such as:***
  - ***Health Care***
  - ***Infrastructure***
  - ***Jobs and the Economy***
- ***Recent Federal-Provincial Collaboration***
- ***The Need for Fiscal Balance in Canada***
- ***Continued Action with Municipal and Indigenous Partners***

Responsible Fiscal Management

Underground Economy

Participation in the underground economy creates an unfair advantage for business that do not follow the rules. When businesses fail to report income for tax purposes or avoid sales taxes, the result is lost funding for the key public services families rely on and that build Ontario up.

- Electronic Sales Suppression
- Contraband Tobacco

Transforming Government and Managing Costs

Ontarians expect the government to deliver services in a modernized and efficient manner. By collaborating across ministries, the government is taking a coordinated approach to ensuring programs are effective, sustainable and meeting peoples needs. Transforming services and managing compensation in a prudent manner is part of the government's plan.

- Simpler, Better Targeted Postsecondary Student Financial Assistance
- Modernizing I&IT
- Digital Government
- Transfer Payment Administration Modernization

Overview of 2016 FES
Fiscal and Economic Outlook

2016 FES Economic Outlook

Ontario's economy has continued to grow in an uncertain global environment.

Jobs continue to be created and the unemployment rate has been trending down. Employment is up by over 615,000 net new jobs since the low point of the 2008-09 global economic recession.

Ontario's economic growth strengthened and outpaced Canada's in 2014 and 2015, and private sector economists expect Ontario will continue to be a growth leader over the next two years. Ontario continues to benefit from steady economic growth in the United States, low oil prices and a competitive Canadian dollar.

There are upside and downside risks to Ontario's economic outlook. Taken together, the risks appear evenly balanced.

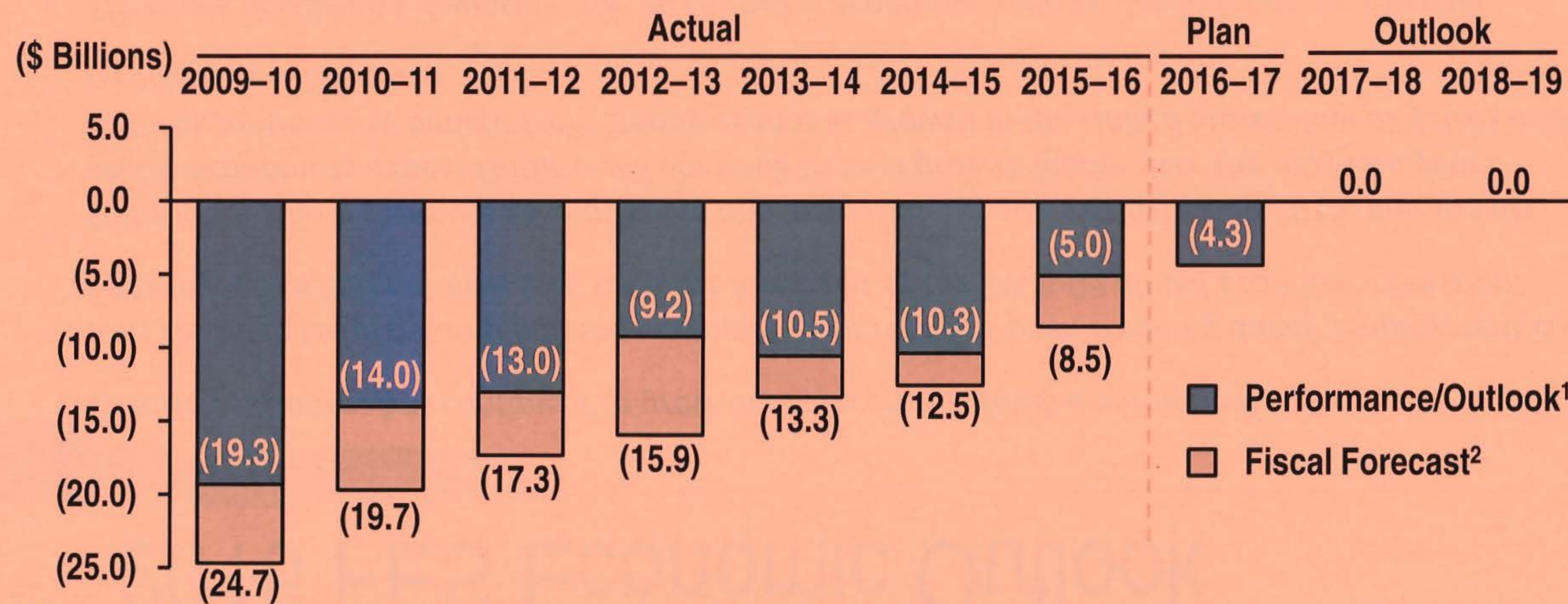
Ontario Economic Outlook
(Per Cent)

	2013	2014	2015	2016p	2017p	2018p	2019p
Real GDP Growth	1.3	2.7	2.6	2.5	2.2	2.1	1.9
Nominal GDP Growth	1.9	4.1	3.5	3.4	4.1	4.1	3.9
Employment Growth	1.8	0.8	0.7	1.0	1.2	1.2	1.1
CPI Inflation	1.0	2.4	1.2	1.9	2.0	2.0	2.0

p = Ontario Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Plan to Eliminate the Deficit

- The government is committed to balancing the Budget in 2017–18, and continued balance in 2018–19 while **investing in things that matter most** and that help Ontarians.
- Consistent with the 2015-2016 Public Accounts, the outlook also reflects a cautious treatment of the pension expense each year consistent with the Auditor General's interpretation of public sector accounting standards for net pension assets.



[1] Represents the *2016 Ontario Economic Outlook and Fiscal Review*, outlook for 2016–17 to 2018–19. For 2009–10 to 2015–16, actual results are presented.

[2] Forecast for 2009–10 is based on the *2009 Ontario Economic Outlook and Fiscal Review*, 2010–11 to 2013–14 is based on the *2010 Budget*; 2014–15 is based on the *2014 Budget*; and 2015–16 is based on the *2015 Budget.*

Source: Ontario Ministry of Finance.

Looking Ahead to the 2017 Document

Looking Ahead: 2017 Document Fiscal Challenge

- While **FES will show that the government could achieve its targets even while accommodating the pension asset accounting change,** it does not address the potential fiscal impact of other known pressures as well as downside revenue risks (notably federal transfers) and additional investments the government may want to make as part of the 2017 Document.
  - The impact of the preliminary allocations, without any tools to offset their impact, would result in deficits of $1.7 billion in 2017-18 and $1.8 billion in 2018-19, compared with the potential FES fiscal outlook.
  - This gap widens to $3.6 billion in 2017-18 and $4.3 billion in 2018-19 once items that are notionally under consideration for the PRRT and Document process are taken into account (e.g., SA rate increases, child care expansion, BGI, and Project Momentum).
- **To maintain existing fiscal targets in the 2017 Document, additional tools would need to be identified** to fund these investments and address risks -- or the government could reconsider its overall fiscal plan and architecture as part of the Document.