FAO report details from MOF

From: "Whytock, John (CAB)" <john.whytock2@ontario.ca>
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Date: Tue, 30 May 2017 12:18:59 -0400

Forwarding what we've got so far.

jw

From: Spadoni, Peter (MOF)
Sent: May 30, 2017 11:34 AM
To: Whytock, John (CAB)
Cc: Lone, Dianne (MOF); Sumi, Craig (CAB)
Subject: RE: FAO report?

Hi John,

Yes, the Financial Accountability Officer is releasing ***Economic and Fiscal Outlook – Assessing Ontario's Medium-Term Prospects: Spring 2017*** tomorrow morning. We've had a chance to review the embargoed document, and here's a few highlights:

- The FAO is projecting continued Ontario budget deficits over the next five years.
- For 2017-18, the FAO's projection includes an improvement in the deficit, the result of a $3.0 billion one-time boost to non-tax revenue and strong tax revenue growth. However, beginning in 2018-19, they are projecting a steady deterioration in the budget deficit due to moderating revenue growth combined with higher expenses.
- Based on the FAO's application of the Auditor General's recommended accounting treatment for pension assets, they are projecting significant budget deficits, and believe that it is unlikely that the government will balance the budget without significant fiscal policy adjustments to raise revenue or lower expense (such as selling more assets or raising taxes).
- FAO projects that a balanced budget is possible in 2017-18, but beyond that, the deficit is projected to deteriorate steadily due to rising expenses and moderate revenue growth.
- On the good news front, FAO is forecasting growth in real GDP of 2.4 per cent in 2017, moderating to an average annual pace of 2.0 per cent over the following four years.
  - A big wrench in this forecast is the new administration in the US, whose economic plans could make this very difficult. Very uncertain at this point.
  - As well, a change in the housing market could have major impacts on Ontario's economy.

Comms-wise, we're preparing a Housebook Note with key messages. We'll share once it's approved.

Let me know if you have any questions or concerns.

Thanks,
Peter

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