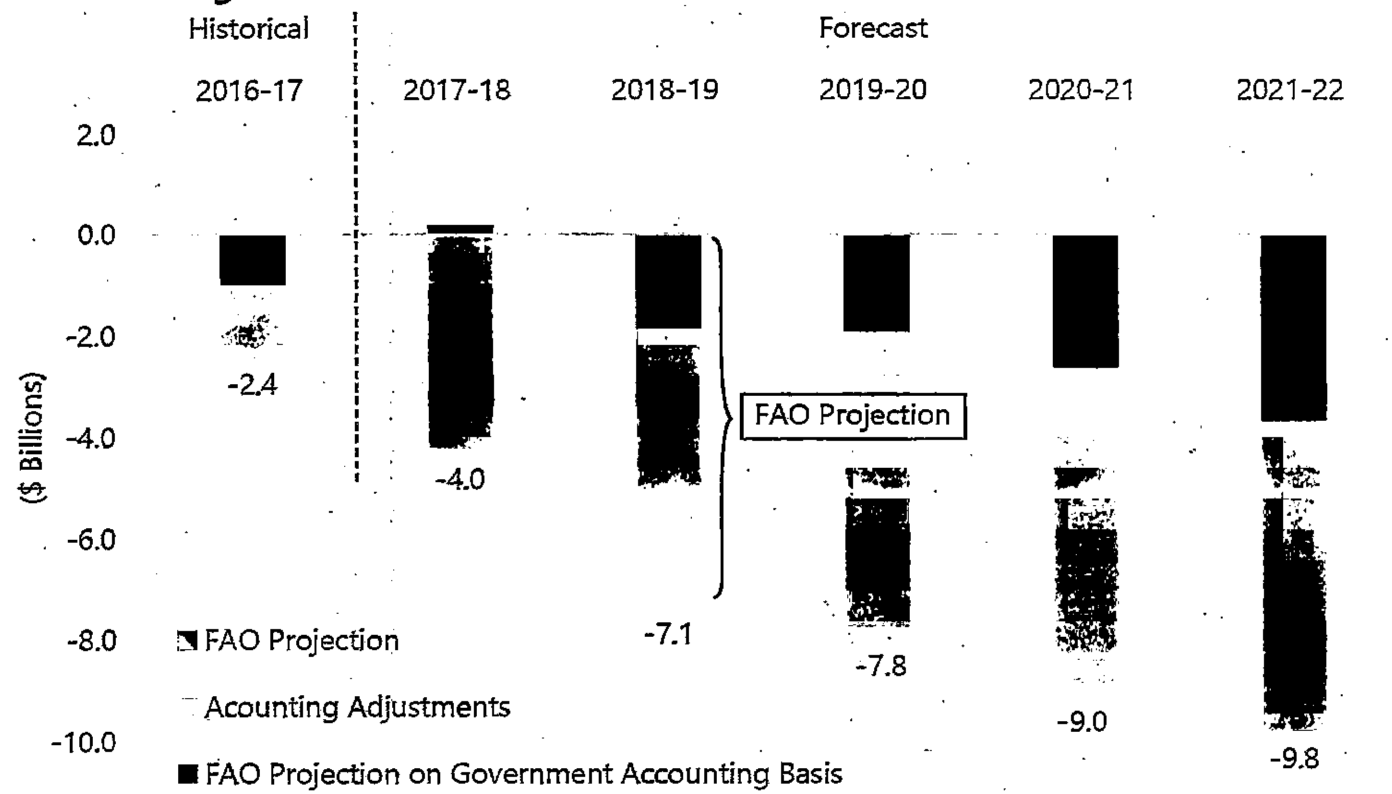
# Excerpts from the FAO Economic and Fiscal Outlook

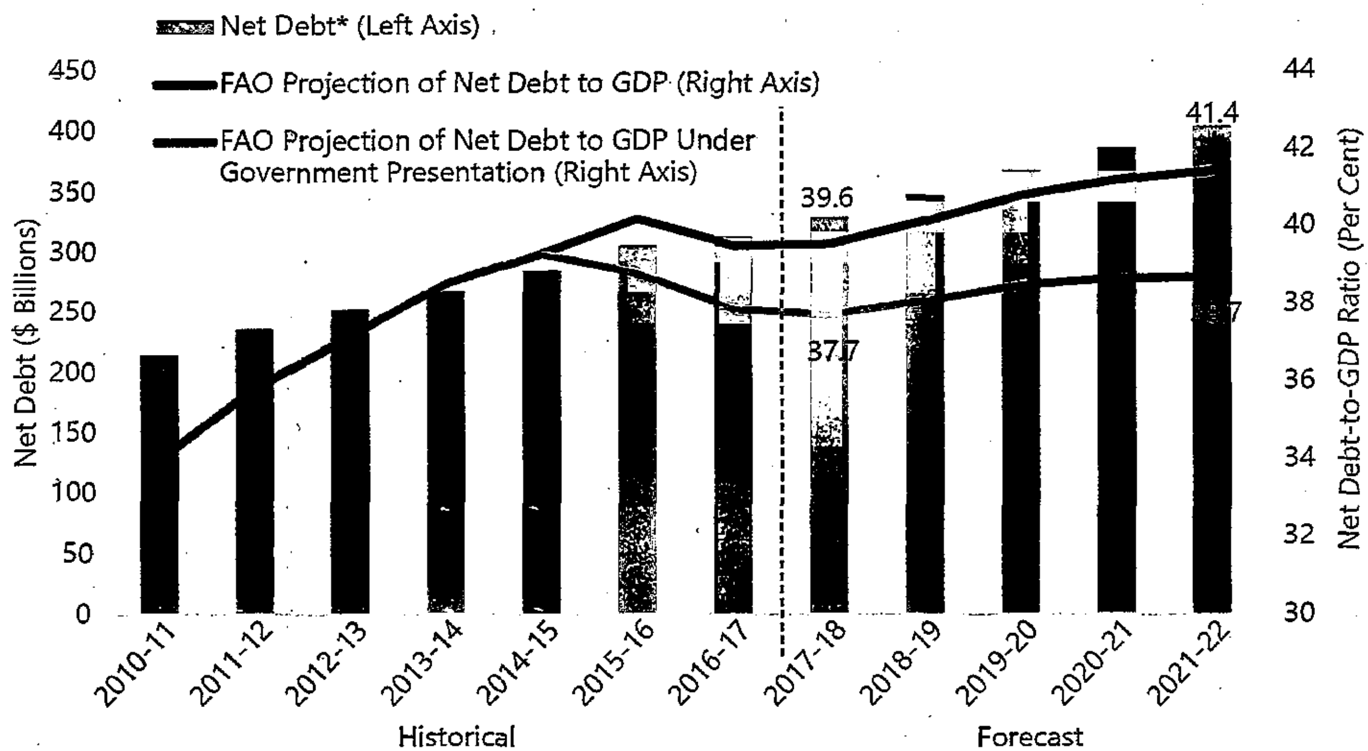
## Ontario Budget Balance




Note: Budget Balance before reserve.

Source: Ontario Public Accounts, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

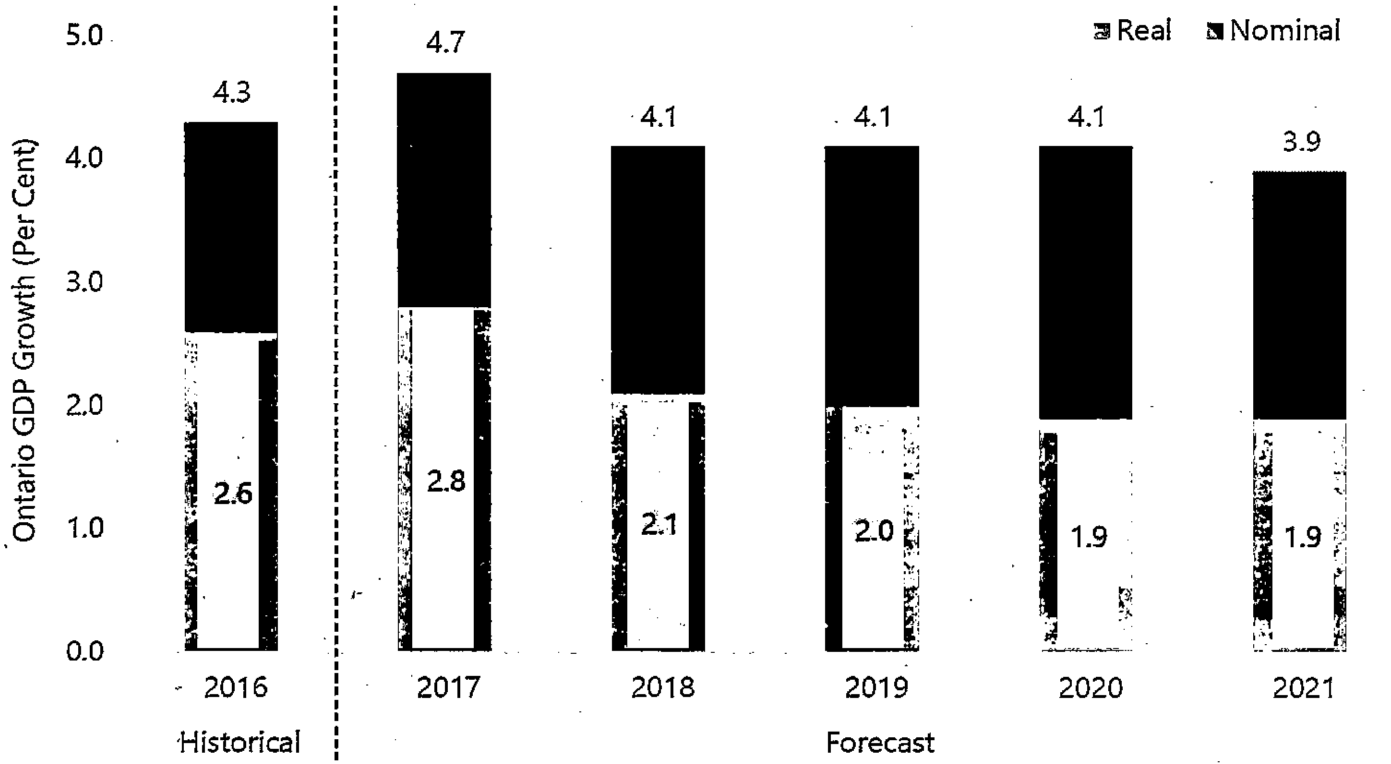
## Net Debt Outlook




* Net debt is presented on the AG's recommended accounting basis, which includes the impact of the Fair Hydro Plan and the pension adjustment.

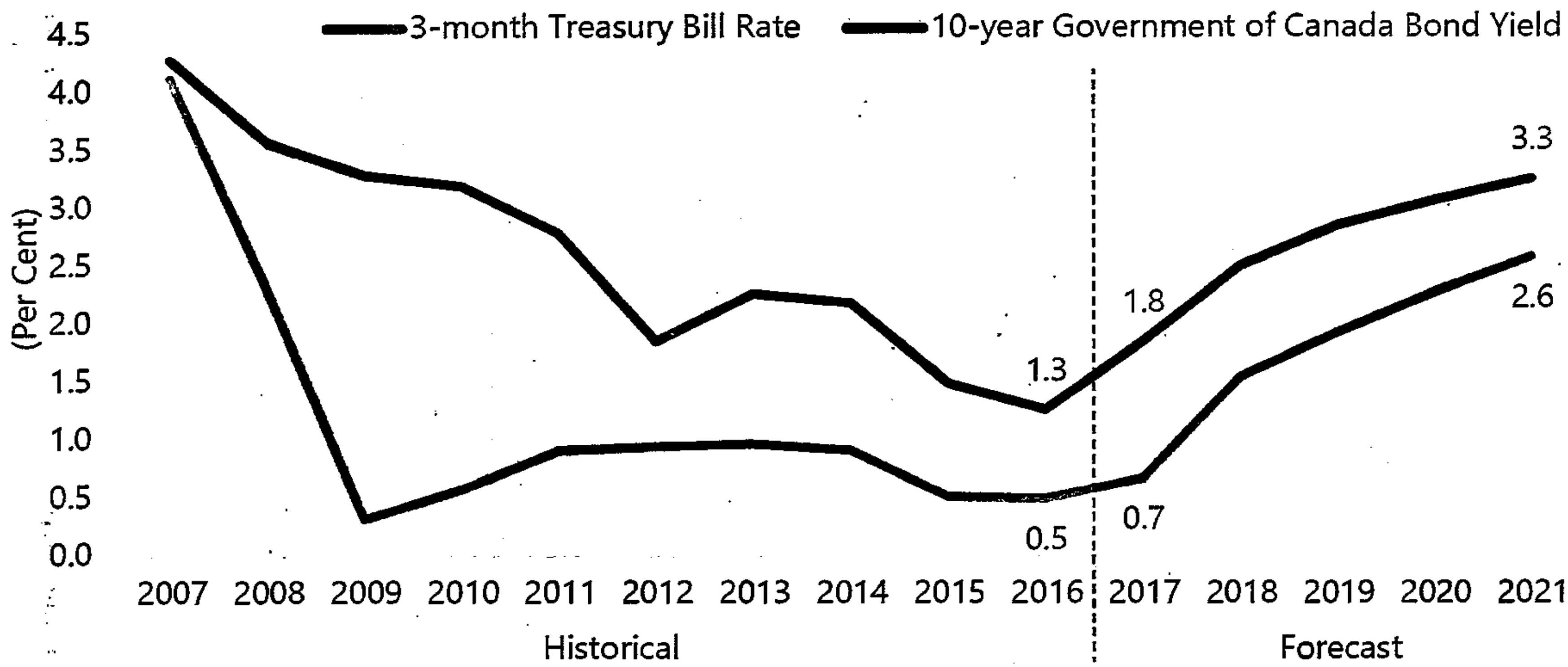
Source: 2017 Ontario Economic Outlook and Fiscal Review, Ontario Public Accounts and FAO.

## Solid Economic Performance Expected Over Outlook



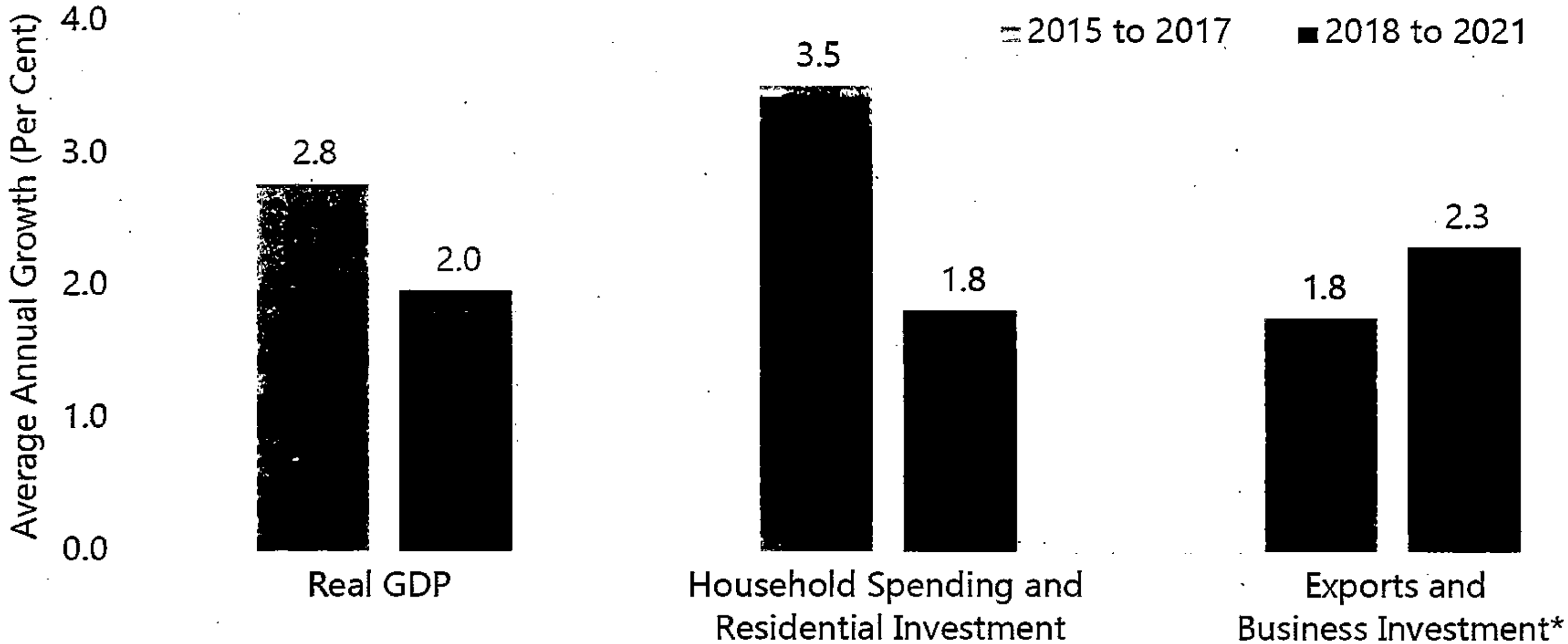

Source: Ontario Economic Accounts, Statistics Canada and FAO.

## Canadian Interest Rates to Rise over the Outlook




Source: Statistics Canada and FAO.

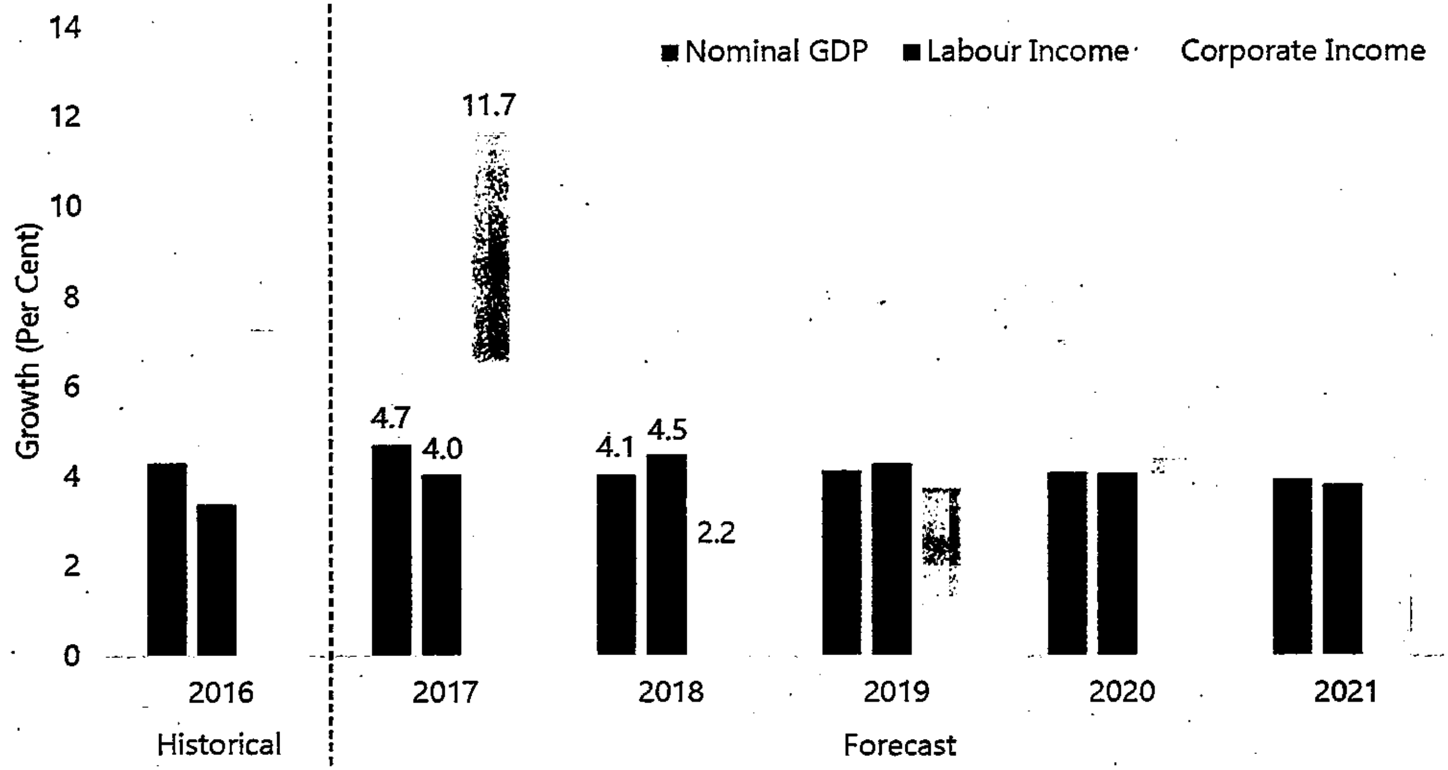
## Exports and Business Investment Expected to Drive Growth over the Outlook




* Business Investment includes both Non-Residential Investment and Machinery & Equipment Investment.

Source: Statistics Canada, Ontario Economic Accounts and FAO.

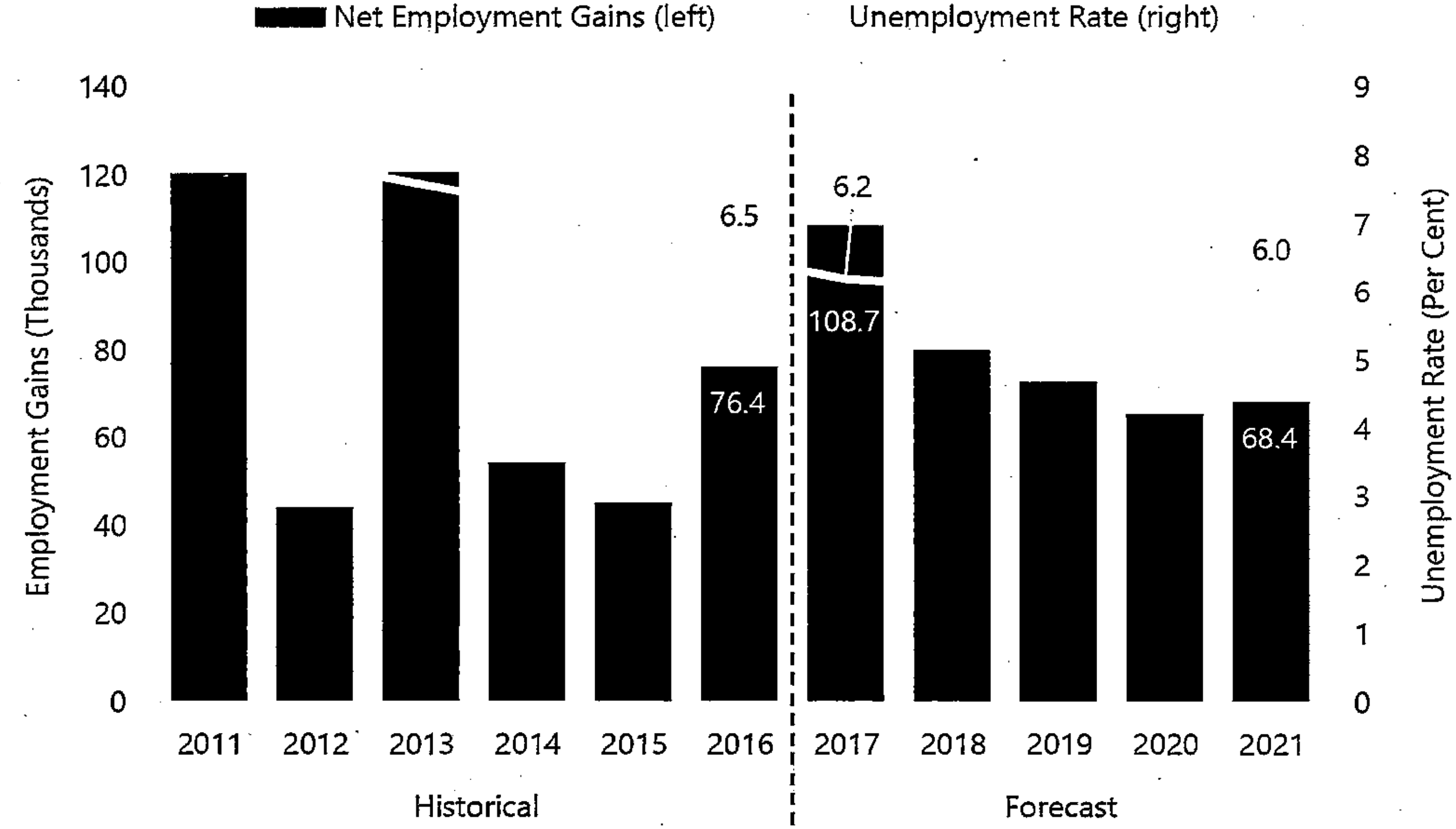
## Corporate Income Leads Nominal GDP Growth in 2017




Note: Labour and corporate income comprise roughly 70 per cent of nominal GDP. The other categories include mixed income (from proprietorships) and net taxes.

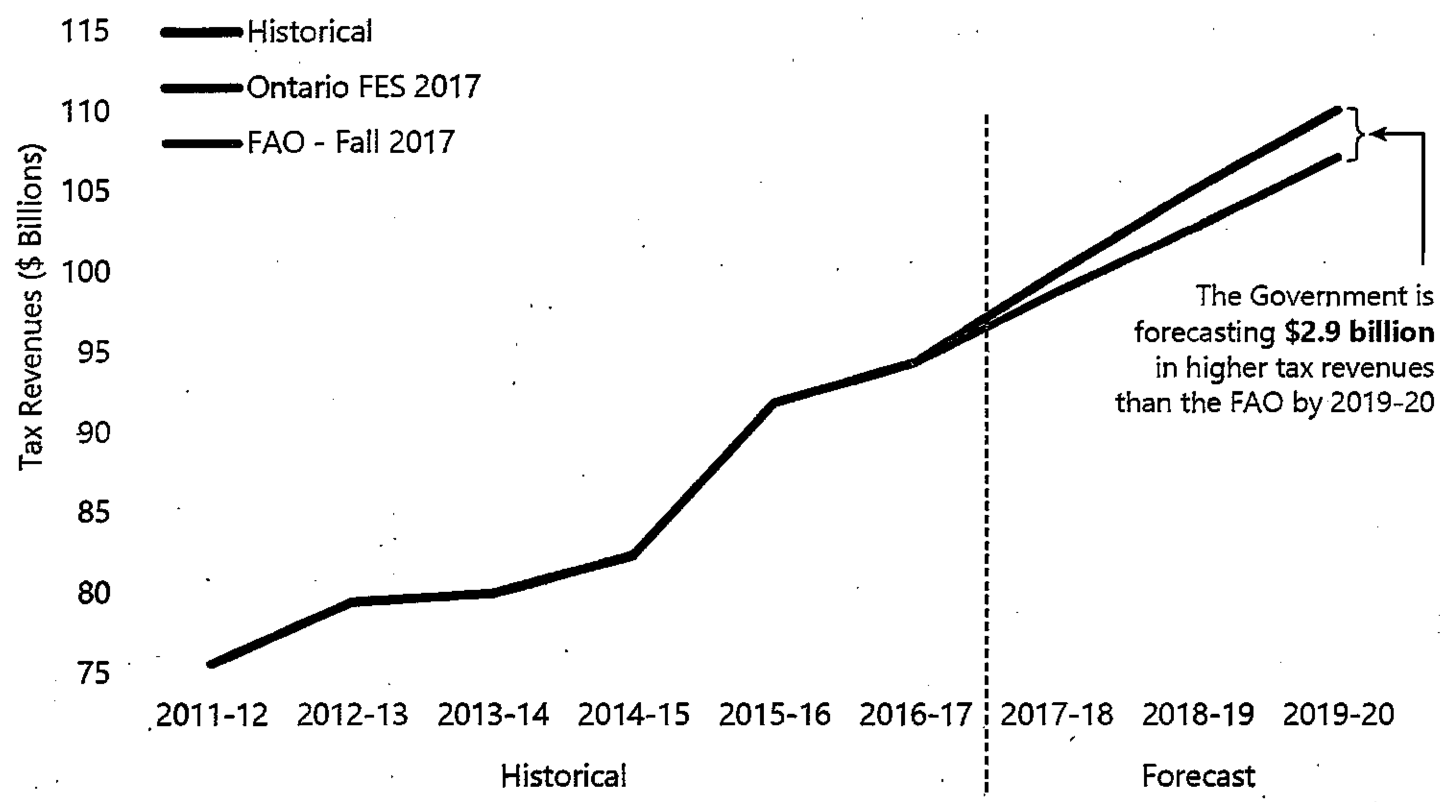
Source: Statistics Canada, Ontario Economic Accounts and FAO.

## Steady Employment Gains as Unemployment Rate Trends Lower




Source: Statistics Canada and FAO.

## FAO's Taxation Revenue Outlook



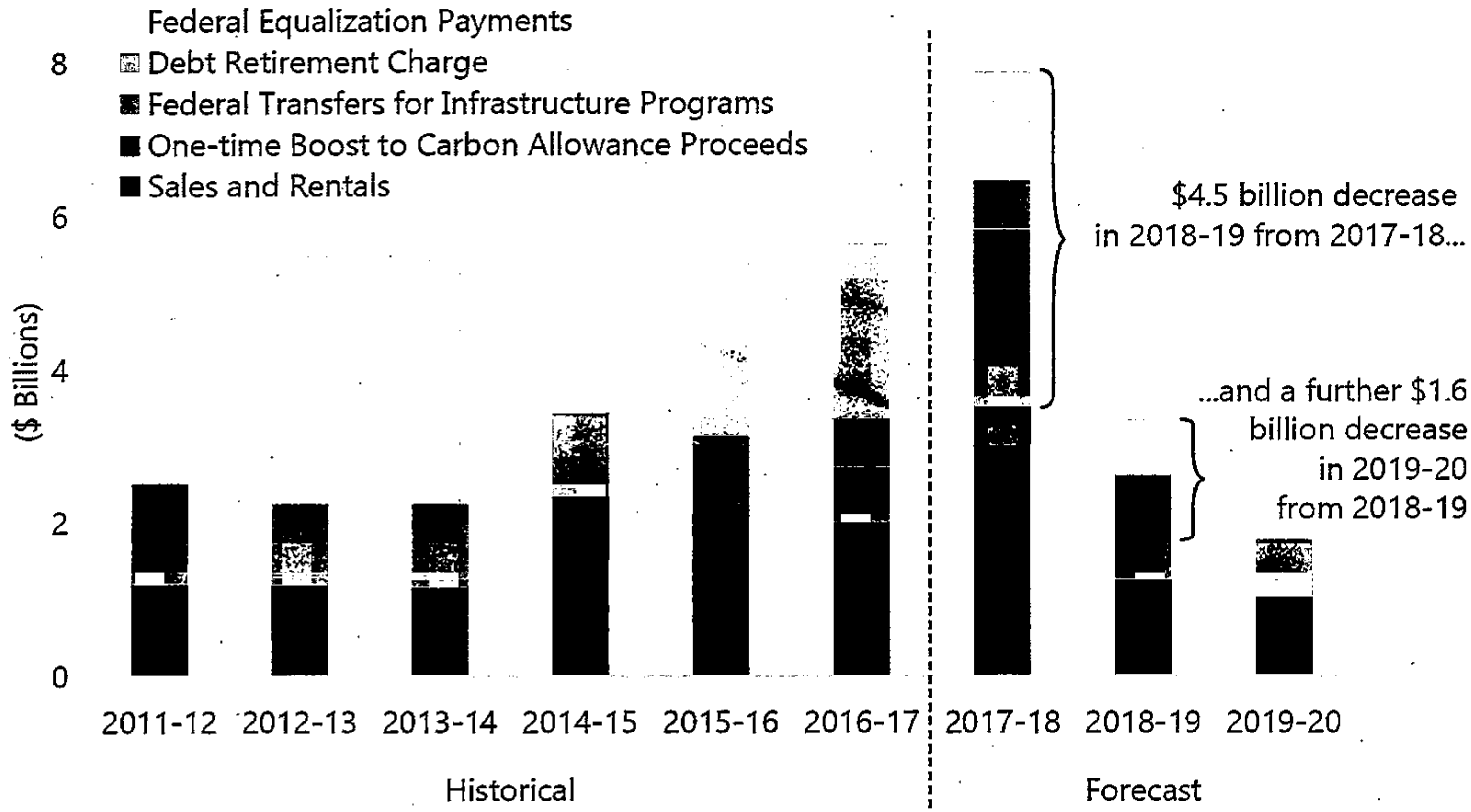

Source: Ontario Public Accounts, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

The government's revenue forecast relies on optimistic projections for many of the key economic drivers of tax revenue, including labour income, corporate income, and household spending. In particular, the government is forecasting:

- significant and sustained above-trend growth in labour income;
- a surge in 2017 corporate income growth; and
- continued strength in household spending, despite higher interest rates and elevated levels of household debt.

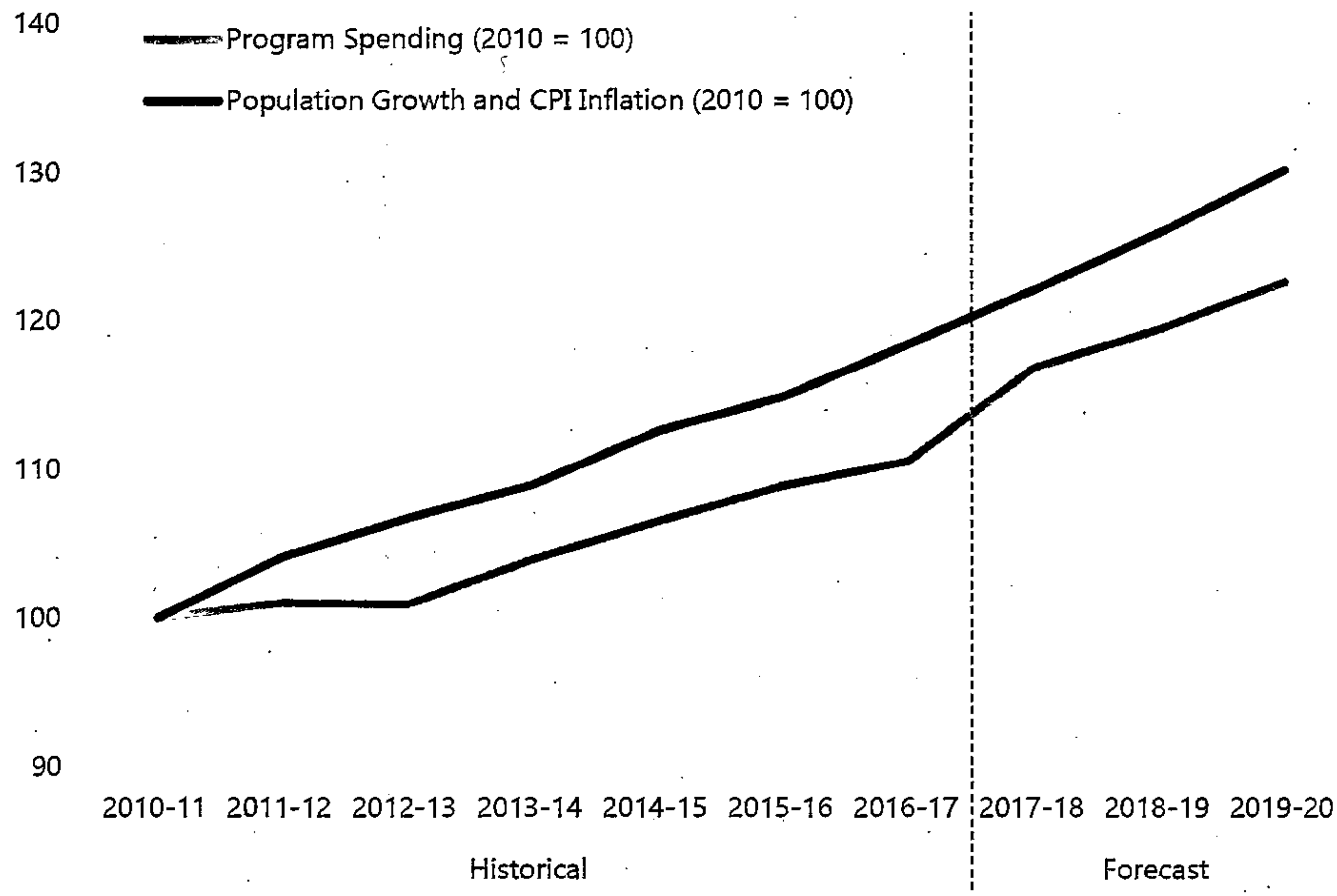
Taken together, the government's revenue forecast appears to be based on overly optimistic projections for the three main revenue drivers.[14]

## Many Time-limited Revenues are Set to Expire Beyond 2017-18



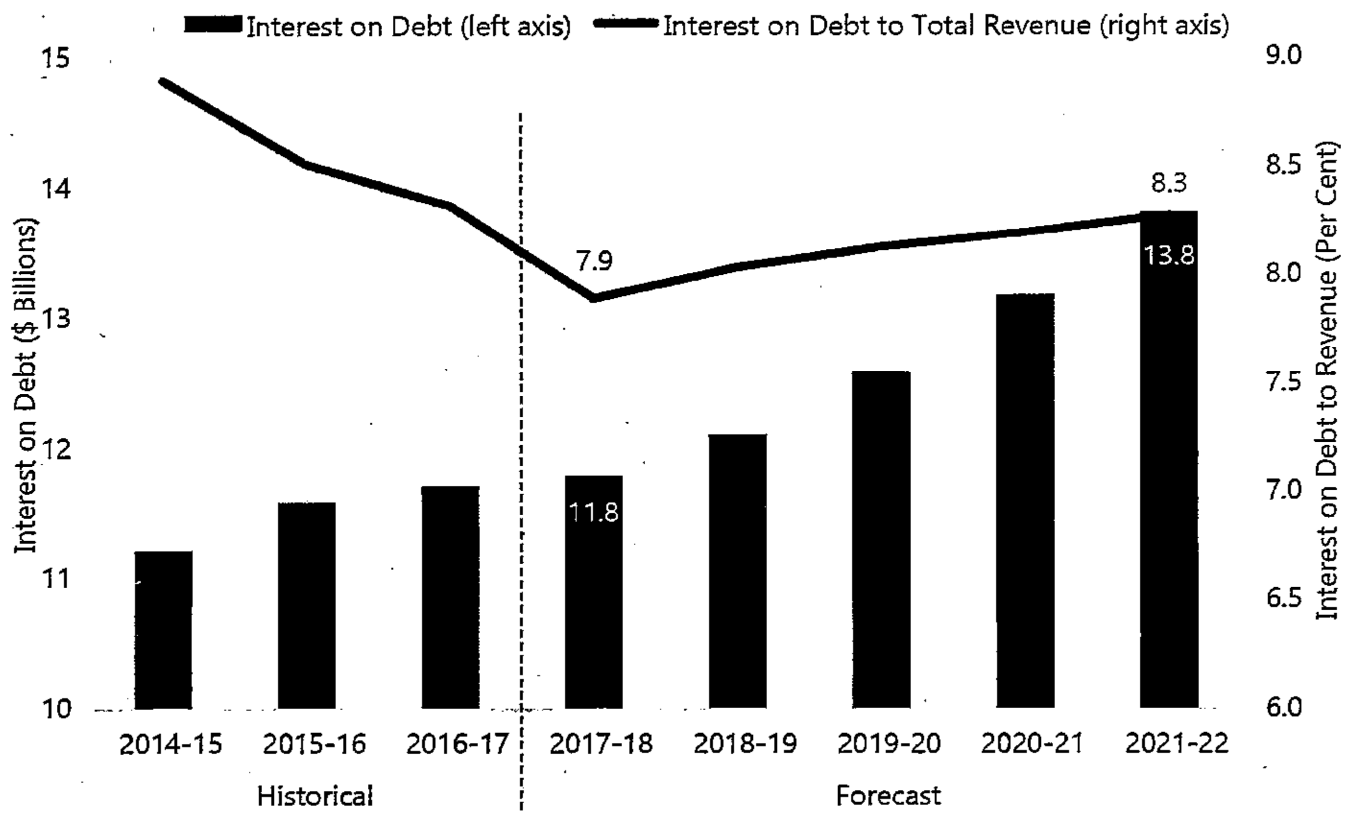

Source: Ontario Budgets, Ministry of Finance and FAO.

## Program Spending and Spending Pressures




Source: Ontario Public Accounts, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

## Interest on Debt




Source: Ontario Public Accounts, 2017 Ontario Economic Outlook and Fiscal Review and FAO.

## Developments Since Spring 2017

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|
| **FAO's 2017 Spring Budget Balance Forecast** | **-5.0** | **-2.9** | **-4.9** | **-5.5** | **-6.0** | **-6.5** |
| **Developments Since Spring 2017** | | | | | | |
| Revenue | | | | | | |
| Taxation Revenue | 0.4 | -0.0 | -0.4 | -0.3 | -0.2 | -0.0 |
| Federal Transfers and GBE | -0.0 | 0.3 | 0.7 | 0.7 | 0.7 | 0.7 |
| Other Revenue Developments | 0.4 | 0.4 | 0.0 | -0.0 | 0.1 | 0.1 |
| Total | 0.8 | 0.7 | 0.3 | 0.4 | 0.5 | 0.9 |
| Expense | | | | | | |
| Fair Hydro Plan | - | 1.9 | 2.7 | 2.9 | 3.4 | 3.2 |
| Net New Spending* | -0.8 | 0.2 | 0.1 | -0.0 | 0.4 | 1.7 |
| Revised Adjustment for Pension Asset | -0.8 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 |
| Lower IOD Forecast | -0.2 | -0.2 | -0.2 | -0.3 | -0.5 | -0.7 |
| Total | -1.8 | 1.9 | 2.6 | 2.6 | 3.4 | 4.2 |
| Total Developments | 2.6 | -1.2 | -2.3 | -2.2 | -2.9 | -3.3 |
| **FAO's 2017 Fall Budget Balance Forecast** | **-2.4** | **-4.0** | **-7.1** | **-7.8** | **-9.0** | **-9.8** |

Source: FAO