

[NOTES] J. David Wake and David West Discuss FAO Fall 2017 Economic and Fiscal Outlook Report

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Media: Benzie, Smith Cross, Brulee, 1 unidentifiable media (Sarah?)

Panel:

- J. David Wake, temporary FAO
- David West, FAO Chief Economist

Wake:

- FAO released updated report

- Importantly, FAO's report reflects AG's accounting
- In contrast, government has chosen not to adopt AG accounting
- This decision has contributed to growing gap between fiscal outcomes by FAO and province
- AG and Ontario's disagreement has reduced transparency
- For both MPPs and public

David West:

- Economic outlook
- In 2017, Ontario will have solid economic gains
- Growth is expected to moderate slightly over next 4 years
- However despite revenue gain, \$4B deficit in 2017-18
- Over next 4 years, projected deterioration
- In absence of any change in fiscal policy, expected \$9.8B deficit by 2021
- \$3.2B to deficit by Hydro Plan
- small budget surplus this year
- More deficit next year
- On government basis, \$4B deficit by 2021
- Rising budget deficits in higher burden for province
- Net debt will increase by \$75B over next 4 years
- Additional measures will be required to lower debt
- Current stress on current public services

Benzie: chair of accounting association said Ontario accounting is okay - you're siding with AG, why?

Wake:

- we view AG as authority of appropriate accounting

Benzie: But from 2002-2015, AG said offsets could be hooked

Wake:

- well again, there were 2 accounting problems
- Bigger chunk is hydro, but roughly equal
- \$10B roughly for deficit

Smith cross: no response from finance minister yet

Wake:

- we evaluated fiscal projections
- Government would likely be in small surplus
- Going forward, it might be deficit
- In 2016/17 public accounts, government did improve a bit
- Not dramatically

Brulee: a pattern here; where you predict same thing, so debt year for government?

Wake:

- can't speak for government
- But we've been consistent
- Deficit will re-emerge

Smith Cross: long term concerns?

Wake:

- just next 4 years
- But does transition into our long term forecast
- Government needs to run small surpluses
- To allow 27% target they identified for themselves
- Balanced budget not enough

Smith cross: what difference in deficit based on accounting disputes, what ramifications come?

Wake:

- confusing for what is appropriate
- Good to have one set of numbers
- Debt will continue to rise
- Government is borrowing \$23B in markets
- It's going to rise
- \$45B driven by small deficits
- And borrowing for infrastructure and hydro

Benzie: Liberals cooking books?

Wake:

- We don't use that language
- But they're overall optimistic

Benzie: pension assets; is that an example?

Wake:

- may not be cash effect
- But in debt
- These are key metrics

Benzie: CRA haven't downgraded Ontario, why? You think they believe government more than watchdogs?

Wake:

- I think they may revisit

Brûlée: you agree all money for FHP is under ratepayers instead of taxpayers

Wake:

- over \$2.8B over years
- That spending increases programs

Brûlée: you mention minimum wage, how will that effect?

Wake:

- labour income growth is strong
- Min. Wage will increase it but it will increase consumer price index
- Even so we're seeing strong growth

Brûlée: is that going to impact revenue for companies?

Wake:

- No direct impact on corporate tax from what I see