RE: Highlights from the FOA report to be tabled Monday, December 11

From: "Kwamena, Boafoa (CAB)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=kwamena, boafoa (cab)e41">
To: "Pontikis, Maria (CAB)" <maria.pontikis@ontario.ca>
Cc: "Farrow, Alicia (CAB)" <alicia.farrow@ontario.ca>, "Gibbs, Esther (CAB)" <esther.gibbs@ontario.ca>
Date: Thu, 07 Dec 2017 10:44:11 -0500

Thank you!

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From: Pontikis, Maria (CAB)
Sent: December 7, 2017 10:43 AM
To: Kwamena, Boafoa (CAB)
Cc: Farrow, Alicia (CAB); Gibbs, Esther (CAB)
Subject: Highlights from the FOA report to be tabled Monday, December 11

Hi Boafoa –

You may be aware that the FAO will issue an Economic and Fiscal Outlook on Monday, Dec. 11. We've received highlights from MOF, as below. MOF also is preparing communications products and messaging, which we'll share as soon as we receive them.

Thank you,

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Highlights from FAO's Dec. 11 Report

- Headline will likely be that the FAO projects significant budget deficits in the future
- FAO acknowledges that, while there has been significant boost to revenues this year, the FAO projects an Ontario budget deficit of $4 billion in 2017-18
  - This is a result of the AG's recommended accounting treatment for both the Fair Hydro Plan and the net pension assets of jointly-sponsored pension plans
  - By 2021-22, FAO is projecting a budget deficit of $9.8 billion (in the absence of any fiscal policy changes)
- If numbers were crunched under the government's accounting treatment, the FAO projects a small surplus in 2017-18, and a return to budget deficits beginning in 2018-19 due to the loss of temporary revenues, and a moderate growth in tax revenues
- FAO states that, because the government won't accept the AG's accounting

treatment, it's becoming difficult for the public to assess the government's finances, which has reduced the transparency and reliability of Ontario's fiscal plan

- On good news front, FAO is projecting very strong growth for the Ontario economy in 2017 (although growth will be more measured in 2018)
  - Ontario's economic performance could worsen due to factors such as NAFTA re-negotiation
- FAO projects that Ontario's net debt-to-GDP ratio will remain essentially unchanged in 2017-18 at just under 40 per cent
  - However, without any change to fiscal policies, approximately $75 billion will be added to Ontario's net debt, increasing the net debt-to-GDP ratio to over 41 per cent by 2021-22
  - (In contrast, the government continues to maintain a net debt-to-GDP target of 35 per cent by 2023-24 and 27 per cent by 2029-30.
- Bottom line: this and future governments face tough choice – either raise taxes, lower spending or sell-off assets to maintain a balanced budget and lower Ontario's debt burden.