

Economic and Fiscal Overview

Protecting people's health has been the government's number one priority since the beginning of the COVID-19 pandemic. This is not just necessary to fight COVID-19 and save lives, it is also the most sensible economic and fiscal policy. There simply cannot be a healthy economy without healthy people. This is why the government responded with historic support for individuals, families and businesses.

The *2021 Ontario Economic Outlook and Fiscal Review: Build Ontario* continues to make \$51 billion in supports available to fight the COVID-19 pandemic and promote economic recovery.

Ontario's economy is recovering from the effects of the COVID-19 pandemic and is poised to keep growing. For 2021–22, the government is projecting a deficit of \$21.5 billion, which is \$11.6 billion lower than the outlook published in the *2021 Budget*. This improvement reflects a stronger economic growth outlook, as well as more recent information about the impact of COVID-19 on the province's finances. While there are reasons for optimism, the government continues to maintain fiscal flexibility given the continued uncertainty. This remains the prudent, responsible approach as Ontario moves cautiously towards fiscal recovery.

Economic Outlook

Ontario's real gross domestic product (GDP) is projected to rise by 4.3 per cent in 2021 — exceeding the 4.0 per cent pace projected in the *2021 Budget*. Real GDP is projected to grow at a pace of 4.5 per cent in 2022, 2.6 per cent in 2023, and 2.0 per cent in 2024. For the purposes of prudent fiscal planning, these projections were set slightly below the average of private-sector forecasts.

Revenues in 2021–22 are projected to be \$168.6 billion, which is \$14.6 billion higher than projected in the *2021 Budget* and \$11.7 billion higher than projected in the *2021–22 First Quarter Finances*. The revenue projection has also increased from the *2021 Budget* forecast by \$11.5 billion in 2022–23 and \$11 billion in 2023–24. The increase in the revenue forecast reflects stronger economic growth and the finalization of the 2020–21 results.

The level of employment surpassed the pre-pandemic level in September. On an annual basis, more than 300,000 net new jobs are expected in 2021 compared to 2020. Job gains are expected to continue over the projection period, resulting in over half a million more jobs by 2024. Job creation is expected to continue as economic activity strengthens and business sentiment improves.

The COVID-19 pandemic remains a significant source of uncertainty for the global economy. The government has again developed Faster Growth and Slower Growth scenarios that the economy could take over the next several years, to provide people with more transparency about how alternative economic scenarios could impact the province's finances.

Fiscal Outlook

The *2021 Ontario Economic Outlook and Fiscal Review* is reporting progress on the Province's fiscal plan, with improvement in all years compared to the plan set out in the *2021 Budget*. The government is now projecting a \$21.5 billion deficit in 2021–22. Over the medium term, the government projects steadily declining deficits of \$19.6 billion in 2022–23 and \$12.9 billion in 2023–24, an improvement of \$8.1 billion and \$7.2 billion, respectively, relative to the outlook presented in the *2021 Budget*.

At the same time, the Province continues to maintain flexibility to protect people's health, while creating conditions for sustainable growth, investment and job creation. This is why Ontario allocated an additional \$500 million to the Time-Limited COVID-19 Fund in 2021–22. As vaccination rates increase and the province fully reopens, the funding will allow the Province to deploy resources where they are needed most and will also be available to support further recovery initiatives. After accounting for the top-up and drawdowns from this fund since the *2021–22 First Quarter Finances*, the net position of the Time-Limited COVID-19 Fund remains \$2.2 billion in 2021–22.

Ontario's 2021–22 net debt-to-GDP ratio is now forecast to be 43.4 per cent, a decrease of 5.4 percentage points from the forecasted 48.8 per cent at the time of the *2021 Budget*.

Transparency and Accountability

Ontario's commitment to transparency and accountability has not wavered during the COVID-19 pandemic. Ontario was the first jurisdiction in Canada to release a fiscal plan that reflected the potential impacts of the global health crisis. This is the seventh financial update since the pandemic began, highlighting the government's commitment to provide regular updates on Ontario's finances, even during this uncertain economic period.

Acknowledging the continued uncertainty of the global pandemic, the government plans to provide an updated recovery plan and debt burden reduction strategy in the *2022 Budget*.