

Economic and Fiscal Overview

The COVID-19 pandemic continues to have unprecedented economic impacts in Ontario and around the world. Throughout the pandemic, strong, coordinated support from all levels of government has helped protect people and jobs while positioning Ontario for economic recovery.

Protecting people's health and well-being has been the government's top priority since the beginning of the pandemic. This is not just necessary to fight COVID-19 and save lives — it is also the most sensible economic and fiscal policy.

To illustrate the high degree of economic uncertainty, the *2021 Budget* includes scenarios for faster and slower growth over the next several years. This provides people with a greater degree of transparency.

Economic overview

While Ontario's economy has been significantly impacted by the COVID-19 pandemic, key economic indicators rebounded in the second half of 2020 and private-sector economists are forecasting that Ontario's economy will grow over the next four years.

The province's real gross domestic product (GDP) is estimated to have declined by 5.7 per cent in 2020. Between May 2020 and February 2021, employment in Ontario rose by 829,400 net jobs, but remained 305,300 below its pre-pandemic level. As the economy recovers, Ontario's real GDP and employment are both forecast to surpass their pre-pandemic levels in early 2022.

While governments can help create the conditions for growth, it will ultimately be the people of Ontario who will unleash the province's full potential and fuel Ontario's recovery and future prosperity. Rebounding economic activity, along with government actions to lower costs for businesses, encourage private-sector investment and make critical investments in infrastructure, will help Ontario's economic growth.

Fiscal overview

The people of Ontario expect the government to manage public finances in a responsible, accountable and sustainable manner. In the long term, prudent planning will help Ontario's fiscal recovery and ensure the government's ability to respond to a future crisis.

In addition to temporary COVID-19-related initiatives, the government continues to invest in programs that serve the people of Ontario. Over the medium-term outlook, base program expense is projected to increase every year, growing at an average annual rate of 3.0 per cent from 2019–20 to 2023–24. Ontario's long-term overall program expense growth is premised on continuing to improve government operations to deliver services more effectively and efficiently, without introducing cuts to government spending.

Ontario is projecting a \$38.5 billion deficit in 2020–21. Over the medium term, the government projects steadily declining deficits of \$33.1 billion in 2021–22, \$27.7 billion in 2022–23 and \$20.2 billion in 2023–24. The government remains committed to developing a path back to sustainable public finances.

The government expects economic growth will support Ontario’s fiscal recovery because economic growth will create jobs and provide revenues to support and protect critical public services.

Long-term growth plan

Ontario has a strong economic foundation, but there are long-standing barriers to growth that must be addressed. In order to drive the fiscal recovery from COVID-19, a more strategic approach to fostering broad-based and inclusive economic growth will be needed. The government will take further steps to create a more competitive environment for job creators through a plan for long-term economic growth, informed by business leaders and entrepreneurs, workers and labour representatives, community organizations, experts and the people of Ontario.

Ontario will outline a long-term growth plan that:

- Articulates a clear vision for attaining higher rates of economic and productivity growth.
- Undertakes an in-depth analysis of the province’s competitive strengths and challenges.
- Provides goals to work towards over a five- to 10-year timeframe.
- Identifies initiatives that will achieve those goals.

Recognizing the disproportionate impact of the pandemic on women, the Minister of Finance and the Associate Minister of Children and Women’s Issues will establish a task force to ensure inclusive growth is achieved. The group’s mandate will seek to address the unique and disproportionate economic barriers women face, particularly in an economy that will look different after COVID-19.