

Economic and Fiscal Overview

The government has a fiscal plan that invests responsibly, including an increase to base program spending by an average annual rate of 5.1 per cent over the next three years. With investments in health care, education and critical infrastructure, the *2022 Budget* delivers a recovery plan that includes eliminating Ontario's deficit two years earlier than projected in the *2021 Budget*.

Economic outlook

Thanks in part to the government's unprecedented measures to protect jobs and the economy, Ontario has made significant progress towards recovering from the COVID-19 pandemic. Ontario's real gross domestic product (GDP) increased 4.3 per cent in 2021, and employment rose by 344,800 net jobs in 2021 or 4.9 per cent, the strongest annual pace of job growth on record.

After declining by 355,300 in 2020, due to the significant impact of COVID-19 on the province, employment in Ontario rose by 344,800 in 2021, with the majority of the gains in full-time positions and in the private sector. As of March 2022, employment has recovered to 228,300 above the pre-pandemic level.

Ontario's real GDP is projected to increase by 3.7 per cent in 2022, 3.1 per cent in 2023, and then growth is expected to moderate to 2.0 per cent in 2024 and 1.9 per cent in 2025. For the purposes of prudent fiscal planning, these projections are slightly below the average of private-sector forecasts.

Additional economic indicators have also rebounded significantly from their pandemic lows, including wholesale trade, retail sales, manufacturing sales and merchandise exports.

Fiscal overview

Ontario's 2021–22 deficit is projected to be \$13.5 billion — \$19.6 billion lower than the outlook published in the *2021 Budget*. With its investments in health care, education and critical infrastructure over the medium term, the government is projecting deficits of \$19.9 billion in 2022–23, declining to \$12.3 billion in 2023–24, and to \$7.6 billion in 2024–25. The *2022 Budget* deficit outlook represents a significant improvement compared to the outlook published in the *2021 Budget*.

Due to the government's prudent and responsible approach to fiscal planning, the net debt-to-GDP ratio is projected to be 40.7 per cent in 2021–22, 8.1 percentage points lower than the 48.8 per cent forecast presented in the *2021 Budget*. Over the medium-term outlook, Ontario's net debt-to-GDP is now forecast to be 41.4 per cent in 2022–23 and 2023–24, and declining to 41.3 per cent in 2024–25.

The government continues to demonstrate its commitment to transparency through the release of its sixteenth quarterly financial update. For the fourth year in a row, the Auditor General of Ontario has provided a clean audit opinion on Ontario's 2020–21 consolidated financial statements.