



Ontario Budget 2022

Highlights

- Over the next four years the province will continue to run deficits averaging \$13.3 billion.
- This budget plan allows for considerable spending over the next ten years in various key areas such as health care and social assistance and infrastructure.
- Total spending earmarked in this budget is \$198.6 billion.
- Net-debt to GDP ratio is expected to come in the interim (2021-22) at 40.7 per cent before increasing to 41.4 per cent in 2022-23 on greater program spending and remain relatively unchanged over the next two years.
- The province's economic baseline calls for real GDP to climb 3.7 per cent in 2022 and average at 2.3 per cent growth per annum over the next three years.
- The worst of the pandemic seems to be over and the province's economy continues to recover but significant risks remain to the ongoing recovery.

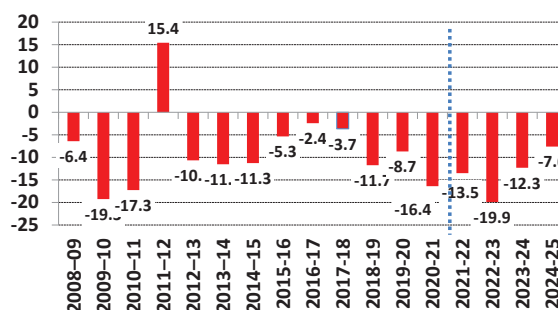
Analysis

Ontario released its third pandemic era budget tabling the document on April 28, 2022. This budget entitled "Ontario's plan to build" plans to spend \$198.6 billion over the next ten years on several key areas such as health care and social assistance, infrastructure and labour market initiatives.

Over the next four years the province will continue to run deficits averaging \$13.3 billion and under the best-case scenario will not balance the books until 2024-25. Under its worst case scenario, the books will not be balanced until 2030-31.

The economy continues to rebound, and the worst of the pandemic seems to be over, but risks remain elevated to the outlook.

Ontario's Budget Balance billions of dollars



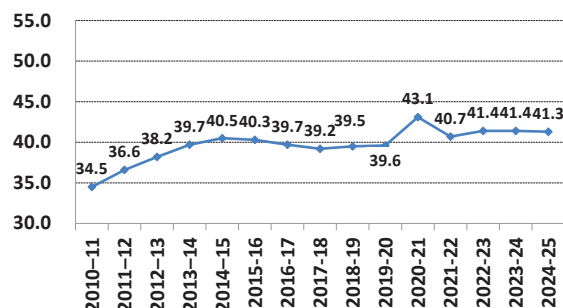
Source: Ontario Budget 2022

Fiscal Outlook

The government projects a \$13.5 billion deficit in the current fiscal year of 2021-22 and over the following three years deficits will initially increase in 2022-23 to \$19.9 billion before trending lower to a \$7.6 billion deficit in fiscal year of 2024-25. The increase to the deficit projected in 2022-23 is due to a large increase to program spending of 6.4 per cent.

Revenues are expected to increase 5.3 per cent in 2021-22, decelerate slightly in 2022-23 to 3.6 per cent growth then ramp up over the last two years of the projection to 4.7 per cent and 4.6 per cent, respectively. Total revenues are forecast to outstrip total expenses for all the years except 2022-23 where expenses are forecast to climb 6.1 per cent as the province makes several investments in services and infrastructure. Beyond this period stronger economic growth will allow revenues to outpace expenses as the economy returns to full output.

Ontario's Net Debt-to-GDP Ratio

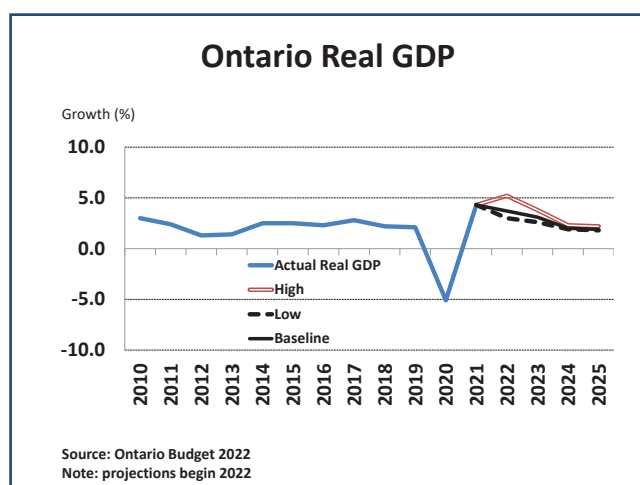


Source: Ontario Budget 2022
Note: projections begin 2021-22

Net-debt to GDP ratio is forecast to climb to 41.4 per cent in 2022-23 then remain flat for the remainder of the planning horizon.

Economic Outlook

Under the province's more prudent baseline projection real GDP growth is forecast 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. As is customary for risk mitigation purposes the baseline scenario presented by Ontario Finance is slightly below the average of private sector forecasts. For example, Central 1 Economics is forecasting real GDP growth of 3.4 per cent in 2022, 3.6 per cent in 2023 and 2.2 per cent by 2024.



The government forecasts employment growth in Ontario to come in at 3.9 per cent in 2022, 2.0 per cent in 2023 and 1.7 per cent and 1.2 per cent in each of 2024 and 2025 respectively.

Despite ongoing headwinds from persistent inflationary pressures, the commodities effects from the war in Europe and ongoing supply chain issues the Ontario economy has remained resilient as it reopens after the latest COVID-19 wave.

Strong savings by households from government supports and working from home during the initial waves of the pandemic will help the economy as households are eager to “revenge spend” now that social and economic life has returned. In spite of inflationary pressures the increased savings will help insulate many Ontarians.

Activity in the resale homes market has been countercyclical during this pandemic and has been a beacon of activity but signs are now evident that the market is moderating. Ontario Finance is calling for a moderation in existing home sales in 2022 by 11.3 per cent as interest rates rise and housing market activity returns to growth more consistent with fundamental drivers of housing demand, such as population growth. Strong momentum late in 2021 and early 2022 is projected to result in a 9.3 per cent increase in home resale prices in 2022, before price growth moderates closer to historical rates over the 2023 to 2025 period.

This forecast for 2022 is in-line with Central 1 Economics' view. Economics is calling for a 12 per cent drop in sales in 2022 and price growth of 8.0 per cent.

Risks to the outlook remain significant and in line with what Central 1 Economics has previously discussed in other reports such as the risk of new more menacing COVID-19 variants bringing social and economic activity to a standstill. Moreover, the effects of the war in Europe on commodities make exacerbate global inflationary pressures. Central banks like the Bank of Canada have already started to tighten monetary policy but the global aspects of inflation may blunt some of the effects of tighter monetary policy in Canada.

Budget news for credit unions

No news pertaining specifically to credit unions contained in this budget

Key noteworthy programs or expenditures

The budget tabled this year has five major themes: rebuilding Ontario's economy, working for workers, building highways and key infrastructure, keeping costs down, and a plan to stay open. Below are a few of the major expenditures and/or programs proposed under each theme from this budget.

Rebuilding Ontario's economy

- More than \$12 billion attracted in new investment for new vehicle production mandates and battery manufacturing over the past 18 months, to help create good manufacturing jobs
- Estimated \$8.9 billion in cost savings and support for Ontario employers, including small businesses

Working for workers

- \$1 billion annually in employment and training programs
- An additional \$114.4 million over three years for the Skilled Trades Strategy
- New, three-year applied degree and four-year degree programs at Ontario colleges
- \$15.50 per hour general minimum wage, starting October 1, 2022

Building highways and key infrastructure

- \$25.1 billion in capital over 10 years to support planning, building and improving highways, including Highway 413, the Bradford Bypass, Highway 401 and Highway 7
- \$61.6 billion in capital over 10 years for public transit, including expanding GO rail services to London and Bowmanville

Keeping costs down

- 5.7 cents per litre cut to the gas tax for six months starting July 1
- \$120/year savings in Southern Ontario and \$60/year savings in Northern Ontario by eliminating licence plate renewal fees for passenger and light commercial vehicles
- \$300 in additional tax relief in 2022, on average, for 1.1 million lower-income workers through the proposed Low-income Individuals and Families Tax Credit enhancement

A plan to stay open

- Over \$40 billion in capital over 10 years for hospitals and other health infrastructure
- \$764 million over two years to provide nurses with up to \$5,000 retention bonus
- \$42.5 million over two years to support expansion of medical education and training
- Planning to invest up to an additional \$1 billion in home care over three years

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Appendix - Tables

Table 1					
Ontario's Fiscal Plan	Actual	Interim	Medium Term		
(\$ billions)	2020-21	2021-22	2022-23	2023-24	2024-25
Total revenue	164.9	173.6	179.8	188.2	196.9
Total expense	181.3	187.1	198.6	199.1	203.0
Program	169.0	174.1	185.2	184.8	188.1
Interest on debt	12.3	13.0	13.5	14.3	14.9
Reserve			1.0	1.5	1.5
Surplus/(Deficit)	-16.4	-13.5	-19.9	-12.3	-7.6
Net Debt as a Per Cent of GDP (%)	43.1	40.7	41.4	41.4	41.3
Net Debt as a Per Cent of Revenue (%)	226.5	227.5	238.4	239.3	238.1
Interest on Debt as a Per Cent of Revenue (%)	7.4	7.5	7.5	7.6	7.5

Source: Ontario Budget 2022. Forecast commences 2022-23

Table 2										
Economic Outlook for Ontario							Forecast			
(Per Cent)	2016	2017	2018	2019	2020	2021e	2022p	2023p	2024p	2025p
Real GDP Growth	2.3	2.8	2.2	2.1	-5.1	4.3	3.7	3.1	2.0	1.9
Nominal GDP Growth	4.4	4.1	3.4	3.8	-2.8	12.0	6.7	5.1	4.2	4.1
Employment Growth	1.1	1.8	1.6	2.8	-4.8	4.9	3.9	2.0	1.7	1.2
CPI Inflation	1.8	1.7	2.4	1.9	0.7	3.5	4.7	2.5	2.1	2.1

Source: Ontario Budget 2022. Forecast commences 2022