

DEBRIEF: 2022 ONTARIO ECONOMIC OUTLOOK & FISCAL REVIEW

NOVEMBER 2022



INTRODUCTION

On Monday, November 14th, Finance Minister Peter Bethlenfalvy presented the Government of Ontario’s Fall Economic Outlook and Fiscal Review for 2022 (the “Outlook”), entitled [Ontario’s Plan to Build: A Progress Update](#). This was a standard policy update released mid-way through the budgetary cycle. This year’s document was largely consistent with the Government’s policy alignment and objectives since entering office. It focuses on continued support for economic growth, with targeted interventions to alleviate the rising cost of living (primarily in the form of tax relief), while marking a path to deficit reduction.

STATEMENT OVERVIEW

The Outlook can be broken down into three key components. **First, the document provides a comprehensive review of Ontario’s economic and fiscal position.** For prudential reasons, the review is principally based on a *planning projection* for real and nominal GDP growth, set marginally below the average private-sector forecasts. This planning projection revises provincial growth forecasts down from those set forth in Budget 2022. It also assumes higher debt servicing costs in 2023-25 compared to previous estimates, reflecting higher-than-expected rises in interest rates. However, the planning projection still forecasts improvements in Ontario’s overall fiscal position compared to previous estimates, including better deficit (total \$18.1 billion lower), borrowing (total \$26.1 billion lower) and net debt-GDP metrics for the fiscal years 2022-23, 2023-24, and 2024-25. The Government accounts for the prevailing economic risks and uncertainty ahead by proposing alternative “Faster Growth” and “Slower Growth” scenarios.

ONTARIO REAL GDP GROWTH SCENARIOS¹

Percent (%)	2022p	2023p	2024p	2025p
Faster Growth Scenario	3.5	2.1	1.9	2.4
Planning Projection	2.6	0.5	1.6	2.1
Slower Growth Scenario	2.5	(0.9)	1.5	2.0

Source: Ontario Ministry of Finance

p = Ontario Ministry of Finance planning projection based on external sources and alternative scenarios.

1 [“2022 Ontario Economic Outlook and Fiscal Review,”](#) Ministry of Finance, November 14, 2022; reproduction derived from Table 2.8, pg. 93

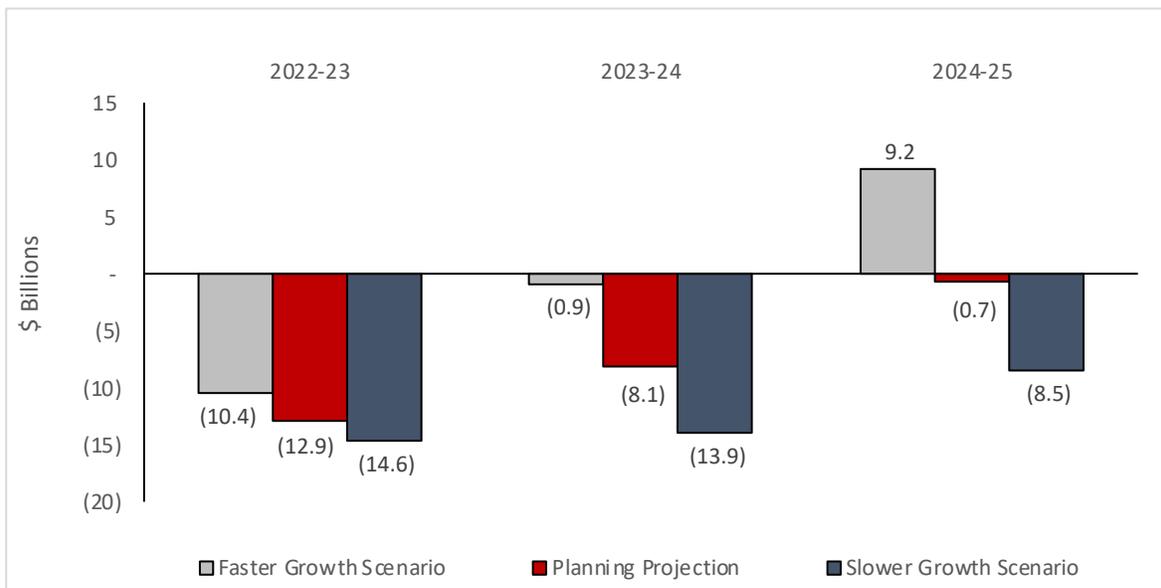
ONTARIO NOMINAL GDP GROWTH SCENARIOS²

Percent (%)	2022p	2023p	2024p	2025p
Faster Growth Scenario	10.4	5.9	4.3	4.6
Planning Projection	9.2	3.5	3.8	4.1
Slower Growth Scenario	8.8	1.3	3.5	2.0

Source: Ontario Ministry of Finance

p = Ontario Ministry of Finance planning projection based on external sources and alternative scenarios.

ONTARIO FISCAL OUTLOOK SCENARIOS: SURPLUS/DEFICIT IN \$ BILLIONS³

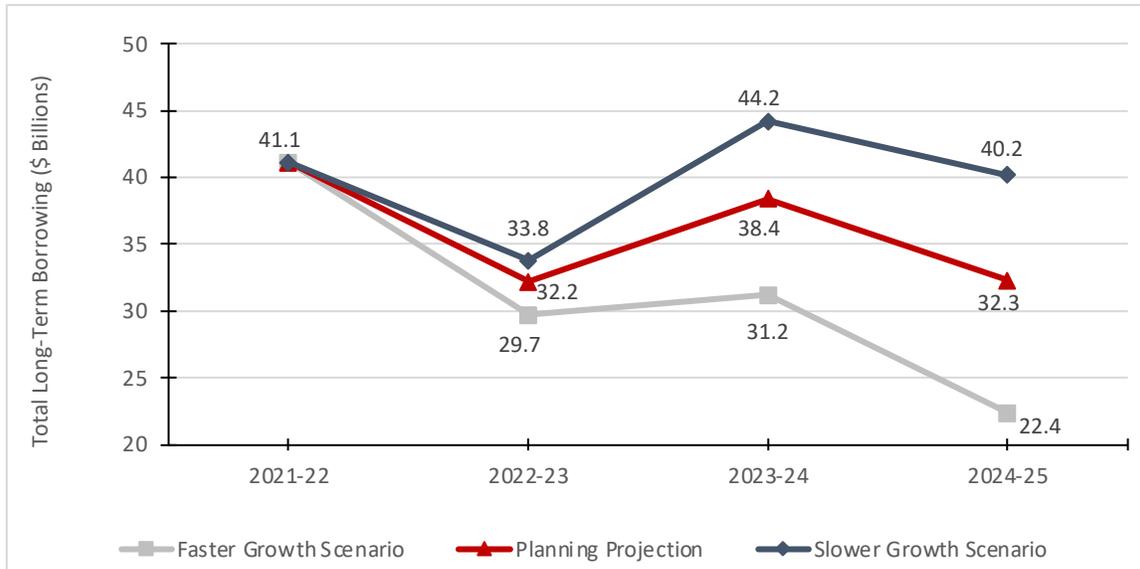


Source: Ontario Ministry of Finance

2 See "Outlook," reproduction derived from Table 2.9, pg. 93

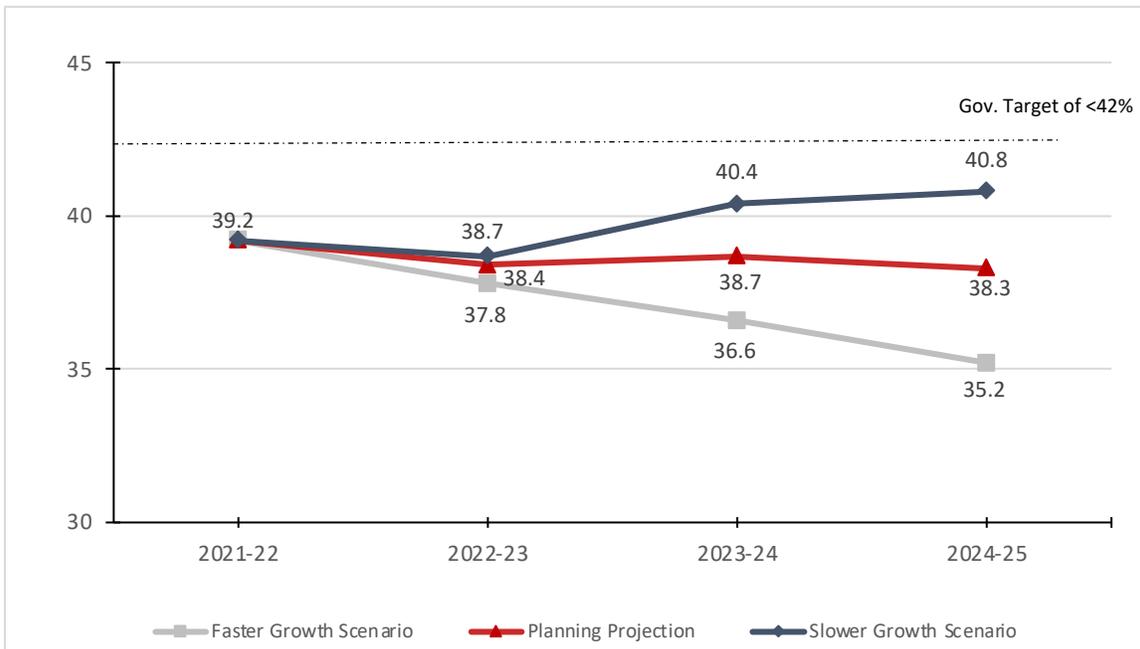
3 See Ibid reproduction derived from Chart 3.2, pg. 108.

BORROWING OUTLOOK SCENARIOS FOR LONG-TERM BORROWING¹



Source: Ontario Financing Authority, Ontario Ministry of Finance

ONTARIO NET DEBT-TO-GDP SCENARIOS²



Sources: Statistics Canada and Ontario Ministry of Finance

1 See "Outlook," reproduction derived from Chart 4.1, pg. 129.

2 See Ibid, reproduction derived from Chart 4.11, pg. 140.

Second, much of the Outlook delivers a progress report on the Government’s existing “Plan to Build,” in support of economic growth, the workforce, and infrastructure development. Key highlights for the economy include the attraction of \$16 billion of private-sector investment in the automobile supply chain, with more than \$12.5 billion related to electric vehicles and EV battery manufacturing; \$2.5 billion drawn to finance the development of low-carbon steel production; the launch of a new [Critical Minerals Strategy](#) to support resource development in Northern Ontario and the Ring of Fire; support/initiatives for the nuclear, hydrogen, and hydroelectric power sectors; investment in the local manufacture of critical medical supplies, the creation of a new agency, Invest Ontario, and the \$400 million Invest Ontario Fund, to help draw new ventures to the province; and assorted measures to reduce costs for small businesses. Highpoints for the workforce include the launch of Ontario’s Skilled Trades Strategy, support to more than 393,000 Ontario workers for upskilling through the Skills Development Fund, and measures to ease the relocation process for skilled workers; up to \$2000 in refundable financial support for 50% of expenses for worker re-training through the temporary Ontario Jobs Training Tax Credit; a raise of the minimum wage to \$15.50 per hour as of October 2022; and the launch of the [Plan to Stay Open: Health System Stability and Recovery](#), projected to add as many as 6,000 new health care workers, in addition to the 11,700 workers that have entered the healthcare system since the winter of 2020. And infrastructure development included investments in road and public transit projects, like highway 413, the Bradford Bypass, GO Train network expansion, the Eglinton Crosstown West Extension and Ontario Line subway; spending on health care projects and improvements, and enhancements to long-term care; capital grants for school and childcare construction, additions and renovations; and telecoms projects to expand access for households and businesses. Finally, in addition to the economy, workforce and infrastructure, the progress report references the Government’s existing initiatives to reduce costs for consumers, like the repeal of license plate renewal fees and stickers, gas/fuel tax cuts, and credits for childcare, senior’s care, and low-income individuals and families.

Third, the Outlook introduces a raft of new measures to enhance the Government’s “Plan to Build.” A central focus of the enhancements is to further cut “red tape” and business costs to boost economic activity. Included is a commitment to expand the phase-out range for the 2020 Corporate Income Tax (CIT) rate cut for small businesses (3.5% to 3.2%), from the existing \$10-15 million range to a \$10-50 million range of taxable capital. Further property tax relief is provided to small businesses, as are expanded credits for the film and television industry, to include location fees and the production of content for online-only distribution. Furthermore, the Outlook augments initiatives for worker upskilling, with the launch of a new digital portal for Skilled Trades Ontario, more money for the Skills Development Fund, and \$4.8 million over two years to expand the Dual Credit program for high school/college-level training in trades and early childhood education. In terms of additional remedies for the high cost of living, the Outlook increases the monthly earnings exemption from \$200 to \$1000 under the Ontario Disability Support Program (ODSP). Eligible workers are permitted to keep \$0.25 of income support for every additional dollar earned above the \$1000 threshold. The Outlook notes the additional 5% increase to core allowances already passed under the ODSP, and the maximum monthly amount under the Assistance for Children with Severe Disabilities (ACSD) program, while announcing further adjustments to inflation planned from July 2023 onward. The temporary \$0.057 per-litre cut in the tax on gasoline, and \$0.053 per-litre cut on diesel fuel, are extended until December 2023. And the Guaranteed Annual Income System (GAINS) payment to low-income seniors is set to double for the next calendar year, with forthcoming expansions to program eligibility.

OTHER NOTEWORTHY ELEMENTS FOR THE FINANCIAL SECTOR

Among its provisions, the Outlook includes some particularly salient articles for Canadian financial services, including the following:

Clean Energy Credit Registry

The Outlook proposes to create a voluntary registry for clean energy credits (CEC). Businesses in Ontario may purchase credits under the registry as a means to verify that their own energy consumption derives from clean sources. In this regard, the CECs could serve as a tool for measuring Scope 2 emissions in support of ESG commitments. While the Government does not make a specific commitment, it proposes that revenues from CECs could be used to rebate electricity ratepayers, reduce energy costs for consumers, or alternatively “support future clean energy generation.”

Reforms to Ontario Securities Act for “Access Equals Delivery”

Through reform to the Securities Act, the Outlook seeks to implement a recommendation of the Capital Markets Modernization Taskforce to grant the OSC regulatory authority over the implementation of Access Equals Delivery for digitized documents.

Consultations for a New Target Benefit Pension Plan Framework

The Government reiterates a commitment made in the 2022 Budget to launch a stakeholder consultation process through the winter months of 2022-23, designed to inform the creation of a permanent framework for target benefit pension plans in Ontario.

Increase to the Non-Resident Speculation Tax Rate

The Outlook notes the recent increase (effective October 25, 2022) in the Non-Resident Speculation Tax on home purchases by foreign nationals, corporations or taxable trustees, from 20% to 25%. Exemptions apply with conditions.

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