ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW 2026: RISKS AND OPPORTUNITIES FOR THE ONTARIO ECONOMY

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EXECUTIVE SUMMARY

Ontario's 2026 Economic Outlook and Fiscal Review, released October 29, 2026, presents an investment-led strategy to protect and strengthen the province's economy amid U.S. trade measures, geopolitical uncertainty, supply-chain disruption and slower growth.[i] The strategy focuses on industrial resilience, critical minerals, energy, advanced manufacturing, artificial intelligence, defence, infrastructure and workforce development.

Ontario plans more than $210 billion in infrastructure investment over ten years across transportation, health care, education, transit, housing-enabling infrastructure and energy systems. The government is also directing resources toward mitigating the effects of U.S. tariffs and trade uncertainty, including through the $150 million Ontario Together Trade Fund, which supports businesses investing in competitiveness, trade diversification, and job creation.

Key risk implications

- **Trade and geopolitical risk:** Ontario's exposure to the U.S. market and integrated North American supply chains leaves automotive manufacturing, steel, forestry and related sectors vulnerable to tariffs and uncertainty surrounding the Canada-United States-Mexico Agreement (CUSMA). Prolonged disruption could affect production, employment, investment and the credit position of businesses throughout affected supply chains and communities. The concentration is particularly pronounced in some sectors; for example, 97% of Ontario's forest product exports go to the United States.

Key economic indicators

- **Real GDP growth:** 0.5% in 2026, expected to recover to 1.5% in 2027
- **Employment:** 0.4% growth in 2026, with approximately 33,000 jobs created, and projected unemployment rate is 7.2% in 2026, declining to 6.7% in 2027
- **Consumer price inflation (CPI):** projected to increase to 2.3% in 2026 before moderating to 2.1% in 2027
- **Housing:** home resales to decline to 0.7% in 2026 while average resale prices are projected to fall by 2.4%
- **Net-to-debt/GDP:** ratio net debt of 37.4% of GDP in 2026-27, target to keep ratio below 40%
- **2026-27 deficit:** $16.9B

These indicators provide important context for the risk environment outlined, particularly where slower growth, trade disruption, housing weakness and financing conditions could interact.

i 2026 Ontario Economic Outlook and Fiscal Review — A Plan to Protect Ontario

- **Macroeconomic risk:** Real GDP growth is projected at 0.5 per cent in 2026, down from 1.5% in 2025, leaving limited room to absorb additional shocks. A slower recovery could weigh on business investment, household spending, employment and provincial revenues. The province's slower-growth scenario assumes real GDP growth of only 0.2% in 2026 and 0.5% in 2027, illustrating the downside sensitivity of the outlook.
- **Housing and household risk:** Weakness in the housing market, particularly the Greater Toronto Area condominium segment, could affect construction, development financing, household confidence and consumer spending. Slower employment and income growth could further increase pressure on household balance sheets. The province forecasts home resales to decline 0.7% and resale prices 2.4% in 2026, before returning to growth in 2027.
- **Fiscal and sovereign risk:** Ontario projects a $16.9 billion deficit in 2026-27 and a return to balance in 2029-30. That path depends on an economic recovery, stronger revenues and controlled expenditure growth. Rising borrowing requirements and debt-servicing costs reduce the province's flexibility to respond to a prolonged downturn or additional spending pressures. Net debt-to-GDP is forecast at 37.4% in 2026–27, while the interest-to-revenue ratio is forecast at 6.7%.
- **Inflation and financing risk:** Tariffs, supply-chain disruption, geopolitical conflict and higher global bond yields could increase input, consumer and financing costs. A combination of weak growth and renewed price pressure would be particularly challenging for businesses and households. The province forecasts CPI inflation of 2.3% in 2026, WTI oil at US$83 per barrel and the 10-year Government of Canada bond yield at 3.5%.
- **Investment and execution risk:** Ontario's capital plan of more than $210 billion over ten years, including $37 billion in 2026-27, together with investments in energy, critical minerals, advanced manufacturing, artificial intelligence and defence, could support longer-term growth and diversification. The benefits will depend on effective project delivery, private-sector participation, workforce capacity and whether investment produces sustained productivity and export growth.

The central risk is the potential convergence of several pressures: prolonged trade disruption, weak business investment and economic growth, labour- and housing-market softness, and declining fiscal flexibility. These risks are individually manageable under the province's baseline assumptions but could become more significant if they occur together or persist longer than anticipated.

The outlook does not point to an immediate economic, fiscal or financial crisis. It does, however, highlight the importance of considering how trade, credit, market, housing, geopolitical and fiscal risks may interact. Assessment of direct and indirect exposures to trade-sensitive industries, regional supply chains, condominium development and construction financing, household credit, provincial borrowing conditions, and large infrastructure projects should be considered.

Ontario's baseline outlook remains manageable, but is increasingly dependent on a gradual economic recovery and successful

execution of its investment agenda. The principal downside risk is a prolonged trade disruption that weakens investment, employment and provincial revenues while increasing public-sector borrowing and support requirements. The longer-term opportunity lies in whether infrastructure, energy and strategic-sector investments strengthen productivity, diversification and economic resilience.

RISKS AND UNCERTAINTIES

Ontario faces elevated macroeconomic, geopolitical and trade, and financial and fiscal risks. These risks are significant but manageable, provided policymakers recognize that the economic, geopolitical, and fiscal challenges are mutually reinforcing. The most immediate threat is continued uncertainty in U.S. trade relations, which could prolong weak growth, disrupt industrial supply chains, and undermine business investment. Geopolitical instability and higher global borrowing costs add further uncertainty to an already subdued economic outlook.

The fiscal consequences are substantial. Ontario's deteriorating deficit projections, rising debt-servicing charges, and large borrowing requirements reduce its ability to absorb a prolonged downturn without making difficult choices about spending, taxation, and investment. Although the province retains access to capital markets and has established contingency reserves, these safeguards cannot fully offset a sustained deterioration in economic conditions.

Macroeconomic Risks

Ontario's economic outlook has weakened compared with the 2026 Budget. The Ministry projects real GDP growth of 0.5 per cent in 2026, down from 1.3 per cent in 2025. Growth is expected to recover to 1.5 per cent in 2027, 1.8 per cent in 2028, and 2.0 per cent in 2029. The principal risk is that this anticipated recovery depends on uncertain external conditions, particularly the evolution of U.S. trade policy. If tariffs remain in place or expand, businesses may postpone investment, reduce production, reorganize supply chains, or move activity to jurisdictions with more predictable market access.

Weak growth also creates a risk of a self-reinforcing slowdown. Lower business investment and employment growth can restrain household incomes and consumption, which in turn weakens demand for goods and services. This would make the recovery more difficult to sustain. The Ministry's alternative scenarios illustrate this uncertainty. Under its slower-growth scenario, real GDP growth is projected at just 0.2 per cent in 2026 and 0.5 per cent in 2027. By 2029, the level of real GDP would be 1.3 per cent below the planning projection.

Going forward, macroeconomic risks remain high. The combination of weak baseline growth and continued exposure to external shocks leaves little margin for policy failures. Even without a recession, an extended period of subdued growth could weaken employment, private investment, and provincial revenue growth.

Labour-market weakness and employment uncertainty

The Ministry forecasts employment growth of only 0.4 per cent in 2026, with approximately 33,000 jobs created. The projected unemployment rate is 7.2 per cent in 2026, declining to 6.7 per cent in 2027 and 6.1 per cent in 2029. These figures point to a labour market that is expected to improve gradually rather than strengthen rapidly. The main uncertainty is whether employment growth will be sufficient to support household incomes and absorb workers affected by trade-related restructuring.

Industries directly exposed to U.S. tariffs such as automotive manufacturing, steel, and forestry face particular risks. Workers may experience layoffs, reduced hours, or the need to retrain as businesses adjust production and seek new markets. The effects may also extend to suppliers, transport operators, local service providers, and communities dependent on these industries. However, Ontario's manufacturing sector has shown remarkable resilience in the face of US tariff policies given the funding supports that have been available.[i]

In addition, the skills needed for emerging industries may not correspond to those of displaced workers. Investment in artificial intelligence, defence, critical minerals, energy, and advanced manufacturing may create new opportunities, but the transition is unlikely to be immediate or uniform across regions. As a result of a combination of these factors, the risk for trade-exposed industries and their communities remains high. A deterioration in employment would weaken income-tax and consumption-tax receipts potentially increasing demand for public assistance and putting further fiscal pressure on the province.

Inflation, commodity prices, and household purchasing power

Ontario's consumer price inflation is projected to increase from 1.9 per cent in 2025 to 2.3 per cent in 2026, before moderating to 2.1 per cent in 2027 and 2.0 per cent in 2028 and 2029.

While the baseline outlook assumes that inflation will remain relatively contained, the Ministry identifies several factors that could undermine this assumption:

- Tariffs and supply-chain disruptions could increase the cost of imported goods and production inputs.
- Geopolitical conflicts, particularly in the Middle East, could cause renewed increases in energy and commodity prices.
- Higher global bond yields could increase financing costs for businesses and consumers.

These pressures could create a difficult combination of weak growth and rising prices. Businesses facing higher input costs may pass some costs on to consumers, absorb them through lower margins, or reduce investment and employment. Given these inflationary pressures, households would face reduced purchasing power if wages failed to keep pace with prices. The risk is not simply that inflation rises. It is that inflation becomes more volatile at a time when the economy is already growing slowly, limiting the scope for households and businesses to absorb additional costs.

At this time, the baseline inflation forecast is relatively favourable, but if trade and geopolitical shocks continue and even worsen, it could produce a materially less favourable outcome.

i Ontario Employment Report, April to June 2026. Ministry of Economic Development, Job Creation and Trade. https://www.ontario.ca/document/ontario-employment-reports/april-june-2026

Housing-market weakness and construction uncertainty

The Ministry reports subdued housing activity in 2026, with slow population growth and economic uncertainty weighing on demand. Elevated resale inventory and weakness in the condominium segment, particularly in the Greater Toronto Area, have constrained prices. Home resales are projected to decline by 0.7 per cent in 2026, while average resale prices are projected to fall by 2.4 per cent. The Ministry anticipates a recovery from 2027 onward but acknowledges continuing uncertainty and affordability pressures.

A weaker-than-expected housing recovery could affect Ontario through several channels:

- Lower residential construction and associated employment.
- Reduced demand for building materials, furnishings, and professional services.
- Weaker household confidence and consumption if homeowners perceive declining wealth.
- Reduced activity in housing-related industries and potentially weaker tax receipts.

Prolonged weakness in Ontario's housing market could increase credit risk for mortgage lenders and construction financiers, particularly where developers face unsold inventory, declining collateral values and refinancing pressures. For financial institutions, the concern is whether housing weakness, slower employment growth and higher borrowing costs could reinforce one another. Housing is an important transmission channel through which economic uncertainty can affect employment, household spending, and investment, and the housing sector is facing a broad set of risks.[i]

Productivity, business investment, and structural competitiveness

The Ministry identifies artificial intelligence investment as a potential source of stronger business expansion and productivity growth. However, it also emphasizes uncertainty about the scope and timing of the benefits. This uncertainty matters because Ontario's medium-term recovery depends partly on improved productivity, competitive investment conditions, and the development of new industries.

There are two distinct risks that should not be underestimated. First, expected investment may not materialize at the scale or speed anticipated. Second, investment may occur without delivering the anticipated productivity gains. New technologies require complementary investments in skills, infrastructure, organizational change, and commercialization.

Ontario's efforts to attract investment in advanced manufacturing, energy, defence, and critical minerals provide potential sources of diversification. However, these opportunities do not automatically offset weakness in established industries. They may require significant public infrastructure spending, private capital, and time before generating sustained output and tax revenues.

Over the medium term, the key uncertainty is whether new investment generates durable productivity and export growth sufficient to offset pressures on traditional industries.

i BoC warns of 'subdued' outlook for housing market as rate hike raises borrowing costs – *Investment Executive*, October 28, 2026. https://www.investmentexecutive.com/news/economy/boc-warns-of-subdued-outlook-for-housing-market-as-rate-hike-raises-borrowing-costs/

Geopolitical and Trade Risks

The largest risk is continued U.S. tariffs and trade restrictions affecting Ontario manufacturing. A withdrawal from CUSMA or prolonged trade conflict could materially reduce growth, revenues and investment.

U.S. tariffs and the concentration of export exposure

The Ministry identifies global trade uncertainty as the principal risk to Ontario's economic outlook. Additional trade barriers between the United States and Canada have increased uncertainty about future market access, production costs, and investment decisions. Ontario is particularly exposed because its industrial economy is closely integrated with the U.S. market. The automotive sector depends on cross-border production networks, while steel, forestry, and other manufacturing industries rely on U.S. customers and established commercial relationships.

The document provides a concrete example of the potential impact: Ontario steel exports to the United States totalled $4.1 billion in the first eight months of 2026, compared with $8.4 billion over the same period in the previous year. It also describes reduced demand for U.S.-bound steel exports, lower production, and layoffs.

These developments illustrate the risk of tariffs affecting not only export volumes but also capacity utilization, employment, supply-chain relationships, and future investment decisions. Tariff uncertainty may be damaging even when individual measures are temporary. Businesses making long-term investment decisions need confidence about future market access. Uncertainty can encourage firms to defer capital spending or relocate production, reducing Ontario's economic capacity even if trade conditions later improve.

The scale of potential exposure, combined with uncertainty over the duration and scope of U.S. trade measures, makes this one of the most significant risks facing Ontario.

CUSMA uncertainty and the possibility of prolonged trade restrictions

The Ministry's slower-growth scenario assumes that the United States withdraws from the Canada-United States-Mexico Agreement (CUSMA), maintains Section 232 and newly implemented Section 338 tariffs, and that Canada retains its existing retaliatory tariffs.[i, ii] Under this scenario, Ontario's economic output remains weak in 2026 and 2027 before recovering in 2028 and 2029.

This scenario is important because it demonstrates that Ontario's fiscal and economic outlook is sensitive to political decisions outside the province's control.

A prolonged deterioration in North American trade relations could lead to:

- Higher costs for imported inputs and cross-border production.
- Reduced competitiveness of Ontario-made goods in the U.S. market.
- Delayed or cancelled investment in export-oriented industries.

i A Guide to Trump's Section 232 Tariffs, in Maps, Council on Foreign Relations, September 17, 2026. https://www.cfr.org/articles/guide-trumps-section-232-tariffs-nine-maps

ii Next chapter of US-Canada trade war: What we know and don't about Section 338 tariffs – RBC Insights, August 22, 2026. https://www.rbc.com/en/economics/canadian-analysis/featured-analysis/insights/next-chapter-of-u-s-canada-trade-war-what-we-know-and-dont-about-section-338-tariffs/

- Greater uncertainty for businesses deciding where to locate future production.
- Additional pressure for government assistance to firms, workers, and affected communities.

These risks could persist beyond the period in which tariffs are formally imposed. Once firms reorganize production, establish alternative suppliers, or relocate investment, restoring previous trade relationships may not automatically reverse the changes.

These changes could have lasting structural consequences if trade barriers become entrenched.

Global geopolitical instability and supply-chain disruption

The report identifies ongoing geopolitical conflicts and disruptions to global supply chains as important external risks. It specifically notes that a prolonged conflict in the Middle East could sustain commodity-price increases and volatility, threaten supply chains, raise prices, and weaken financial conditions.[i] For Ontario, geopolitical shocks could be transmitted through energy markets, transportation costs, imported components, industrial inputs, and international financial markets.

These risks interact with U.S. trade uncertainty. If Ontario firms are simultaneously facing higher input costs and restricted access to important export markets, they may have limited ability to absorb or pass on the additional costs. The combined effect could be more severe than either shock considered independently.

The report does not quantify the potential impact of specific geopolitical events on Ontario's output or budget. Nevertheless, its identification of these channels supports treating geopolitical disruption as a material risk to the baseline outlook. The timing, duration, and magnitude of geopolitical shocks are difficult to predict, while their effects can spread across multiple sectors and could be quite disruptive to the economy.

Trade diversification: necessary but difficult

Ontario is pursuing greater export diversification, stronger domestic supply chains, and reduced internal trade barriers. The Ministry presents these measures as ways to improve resilience and create additional economic opportunities.

Diversification is a sensible long-term response, but it is not an immediate substitute for established U.S. trade relationships. Alternative markets may require new distribution networks, regulatory approvals, product adaptations, and commercial partnerships. Firms may also face higher transportation costs or more intense competition.

Domestic sourcing and reshoring can reduce some external dependencies but may raise production costs if alternative suppliers are less efficient or lack sufficient scale. These measures should therefore be assessed in terms of their actual contribution to competitiveness, not solely their ability to reduce imports or increase domestic

i The war in the Middle East – Transmission channels and risks to inflation, Monetary Policy Report – April 2026. https://www.bankofcanada.ca/publications/mpr/mpr-2026-04-29/in-focus-1/

procurement.[i] The key uncertainty is whether new trading relationships and domestic investment can expand rapidly enough to offset losses in existing markets.

Strategic industries and the risk of policy execution

The Ministry identifies automotive manufacturing, steel, forestry, critical minerals, energy, defence, and advanced technologies as important to Ontario's economic resilience. It describes measures intended to support affected industries, attract investment, and strengthen supply chains.

These initiatives may improve the province's long-term position, but they also create execution risks. Public support does not guarantee that firms will remain competitive, projects will be completed on schedule, or new markets will generate sufficient demand.

The economic return on support measures will depend on whether they facilitate productive investment and adjustment rather than indefinitely subsidizing activities that remain commercially unviable. There is also a risk that support is concentrated in selected industries while other affected businesses and communities receive less assistance.

Assessment: Moderate-to-high risk. The outcome depends on market conditions, project execution, private-sector investment, and the effectiveness of government support.

Financial and Fiscal Risks

Ontario projects a $16.9 billion deficit in 2026-27, returning to balance only in 2029-30. Rising debt servicing costs, higher bond yields and slower revenue growth could erode fiscal flexibility.

Deteriorating budget outlook and delayed fiscal consolidation

The most immediate fiscal concern is the deterioration in Ontario's budget outlook. The Ministry projects a deficit of $16.9 billion in 2026-27, followed by deficits of $12.7 billion in 2027-28 and $6.7 billion in 2028-29. The government projects a return to balance in 2029-30, with a surplus of approximately $0.2 billion. However, the deterioration relative to the 2026 Budget is significant.

The key risk is also that the projected return to balance depends on revenues recovering, expenditure growth being managed, and the economy improving as anticipated. If growth remains weak or trade disruptions persist, the government may face lower revenues and greater pressure to support affected businesses, workers, and communities. The planned return to balance should therefore be understood as a conditional fiscal objective rather than a certain outcome.

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i Reshoring trend? What the evidence shows | Government of Canada – Global Affairs Canada, January 2024. https://international.canada.ca/en/global-affairs/corporate/reports/chief-economist/international-investment/2024-01-foreign-direct-investment?

Revenue uncertainty and dependence on economic performance

Ontario's revenue outlook is closely linked to employment, household consumption, corporate profits, and nominal economic growth. The Ministry expects total revenue to rise from $223.3 billion in 2025-26 to $247.9 billion in 2028-29. However, the medium-term revenue projections have been revised downward relative to the 2026 Budget, primarily because of lower expected taxation revenues.

The revenue risk is material because the government must finance substantial ongoing commitments to health care, education, social services, and infrastructure. The Ministry's alternative scenarios illustrate the sensitivity of taxation revenues to economic performance:

Table 1

2028–29 scenario	Projected taxation revenue
Faster growth	$185.5 billion
Planning projection	$178.0 billion
Slower growth	$170.7 billion

Source: Ontario Ministry of Finance, 2026 Economic Outlook and Fiscal Review.

The difference between the faster- and slower-growth scenarios is $14.8 billion in annual taxation revenue in 2028-29. This is a scenario comparison, not a forecast that Ontario will necessarily experience either outcome.

If weaker growth reduces income-tax, sales-tax, and corporate-tax receipts, the province could face larger deficits even without introducing new spending programs. The problem could be compounded if corporate profitability weakens or employment growth falls below expectations.

Expenditure pressures and the rigidity of public spending

The province faces competing demands: supporting economic growth and job creation, maintaining public services, and financing infrastructure while restoring fiscal balance.

The Ministry projects total expense of $247.3 billion in 2026-27, including $229.9 billion in program spending and $17.4 billion in interest and other debt-servicing charges. Health-sector spending alone is projected at $100.7 billion.

Several expenditure risks deserve attention:

- Health care and public services: Demand for health care and other services may grow faster than anticipated, particularly if economic weakness increases household financial stress.
- Compensation pressures: Wage settlements and other compensation-related costs can increase spending commitments over multiple years.
- Economic support measures: Prolonged trade tensions could require additional assistance for businesses, workers, and affected communities.

- Infrastructure costs: A large capital program creates exposure to construction costs, project delays, financing costs, and future operating and maintenance requirements.
- Federal funding uncertainty: Changes in federal transfers or the expiry of time-limited agreements could shift costs to the province.

These pressures are not all discretionary. Health care, education, and other essential services cannot easily be reduced in response to a revenue shortfall without consequences for service quality or access. This creates a fiscal asymmetry: revenues may weaken relatively quickly during an economic downturn, while many expenditure commitments adjust more slowly. Expenditure rigidity could make it difficult to offset revenue shortfalls without drawing on reserves, increasing borrowing, or reconsidering policy commitments.

Debt accumulation and rising debt-servicing costs

Ontario's debt burden remains a significant source of fiscal vulnerability. The Ministry forecasts that net debt will reach 37.4 per cent of GDP in 2026-27, rising to 38.9 per cent in 2028-29 before declining to 38.3 per cent in 2029-30. Its target is to keep the net debt-to-GDP ratio below 40 per cent.

The projected interest burden is also increasing. The province's debt-servicing costs are projected to rise from $15.5 billion in 2025–26 to $21.1 billion in 2029–30. This increase has several implications.

First, interest payments absorb resources that could otherwise support public services or investment. Second, a higher debt burden increases the province's sensitivity to future borrowing costs. Third, weaker economic growth could increase the debt-to-GDP ratio by slowing the growth of the denominator, even if borrowing does not rise as quickly as anticipated. The interest-to-revenue ratio is projected to increase from 6.7 per cent in 2026–27 to 7.5 per cent in 2028–29, reaching the government's stated ceiling. The net debt-to-revenue ratio is forecast to rise above the stated target of 200 per cent over the medium-term outlook.

These indicators do not, by themselves, establish that Ontario faces a debt crisis. The document reports strong investor demand for provincial debt and continued access to domestic and international borrowing markets. Nevertheless, the projected increase in servicing costs reduces fiscal flexibility.

Ontario's Debt remains financeable under the Ministry's baseline assumptions, but the combination of rising debt-servicing costs and persistent deficits leaves the province more exposed to adverse economic or interest-rate developments.

Borrowing requirements and capital-plan execution

Ontario's long-term borrowing requirement for 2026-27 is projected at $51.1 billion, up $3.9 billion from the 2026 Budget. The province also has a 10-year capital plan exceeding $210 billion. These investments can improve productivity and economic capacity over time. However, the scale of the program creates financial and execution risks.

A weaker economy could coincide with higher borrowing requirements, while elevated bond yields could increase the cost of financing both new projects and future debt maturities.[i]

i Factors behind the rise in long-term sovereign bond yields, Bank of Canada Monetary Policy Report, October 2026. https://www.bankofcanada.ca/publications/mpr/mpr-2026-10-28/in-focus-2/

Construction delays or cost overruns could also reduce the economic return on capital spending. The relevant risk is not simply that Ontario is borrowing substantial sums. It is that borrowing needs may increase precisely when economic conditions are weakening, or financial markets are demanding higher returns. The Ministry's slower-growth scenario estimates that long-term borrowing would increase by $13.8 billion cumulatively over the three-year outlook period compared with the planning projection.

Contingency reserves and the adequacy of fiscal buffers

The Ministry has increased the 2026-27 reserve from $1.5 billion in the 2026 Budget to $2.2 billion. It has also increased reserves in the medium-term outlook to account for economic and geopolitical uncertainty, trade risks, and proposed federal tax measures. These reserves provide a buffer against unexpected costs or revenue shortfalls. However, they should not be interpreted as eliminating fiscal risk.

The Ministry's own slower-growth scenario illustrates why. Under that scenario, the deficit could reach $18.5 billion in 2026-27, $17.8 billion in 2027-28, and $14.4 billion in 2028-29, compared with the planning projection of $16.9 billion, $12.7 billion, and $6.7 billion, respectively. The gap becomes particularly large in the later years. A prolonged downturn could therefore require more than the available reserve if it also generates new spending demands or higher borrowing costs. Reserves provide useful protection, but a sustained adverse scenario could materially exceed the fiscal cushion currently incorporated into the plan.

Intergovernmental fiscal risks

The document identifies uncertainty around federal tax measures and the sustainability of federal health transfers as issues relevant to Ontario's fiscal outlook. The province's medium-term revenue projections include federal transfers, while the government argues for more predictable federal support for health care and other essential programs. If federal funding fails to grow in line with provincial service costs, Ontario may need to finance a larger share of those services itself.

The opposite risk also exists where changes in federal tax policy can affect provincial revenues and the cost of tax measures, depending on how the measures interact with Ontario's tax system. Intergovernmental funding and tax-policy uncertainty can complicate provincial budgeting, especially when revenue growth is already under pressure

CONCLUSION

Ontario faces a challenging economic and fiscal environment characterized by slow economic growth, persistent trade uncertainty, geopolitical instability, and rising public financing costs. The province's exposure to U.S. trade policy, particularly tariffs and uncertainty surrounding CUSMA, creates significant risks for export-oriented industries, employment, business investment, and government revenues. These pressures are compounded by weaknesses in the housing market, uncertainty in global commodity prices, and the possibility that slower-than-anticipated growth will further weaken the province's fiscal position.

Ontario's planned infrastructure investments, initiatives to strengthen business competitiveness, and efforts to diversify trade provide opportunities to improve long-term economic resilience. The province's more than $210 billion, 10-year capital plan represents a substantial commitment to infrastructure and economic development. However, delivering these investments while managing projected deficits, increasing debt-servicing costs, and competing demands for public services will require careful prioritization and disciplined fiscal management. Prudent fiscal planning, regular stress-testing, and disciplined capital investment will be essential to managing uncertainty and supporting sustainable economic growth.

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