Ontario
Fall Economic Statement

No Major Change to Deficits Numbers Equals Good News

Ontario's Fall Economic Statement (FES) reveals no material changes to Ontario's fiscal picture in the short- and medium-term. The annual deficit estimate for FY 2025–26 has been revised to $13.5B—an improvement of $1.1B compared to the $14.6B shortfall projected in both the First Quarter Update (released last summer) and Budget 2025 (published in May).

This $13.5B figure still includes a $2B reserve and now reflects a $2B top-up to the Contingency Fund, introduced in response to economic uncertainty—a clever move solidifying Ontario's fiscal framework. This fund is expected to reach a balance of $4.5B.

The $1.1B improvement to the FY 2025–26 bottom line stems from stronger upward revisions to revenues relative to expenses. On the revenue side, a solid rally in equity markets has boosted revenue estimates tied to capital gains, dividend income, and investment income. The province also expects higher personal income tax revenue following the processing of federal tax receipts in 2024, along with stronger net income forecasts for Ontario Power Generation.

On the expense side, the $2B Contingency Fund top-up is the largest driver of increased spending, followed by additional funding for home care services.

The medium-term outlook still points to a balanced budget in two years, supported by very slow spending increases and moderate revenue increases. Alternative scenarios suggest in two years, Ontario could see a $10.2B surplus if tariffs are fully eliminated, while a very severe tariff scenario could result in an $8.9B deficit.

Long-term borrowing for this fiscal year is projected at $42.5B—just $0.3B below Budget 2025's forecast. With nearly 75% of the program completed and five months remaining in FY 2025–26, Ontario will be well-positioned to begin pre-borrowing for FY 2026–27. Equally interesting, one-third of this year's borrowing has occurred outside Canada, reflecting Ontario's growing presence in international markets, including successful USD and CHF deals last summer. The FES revises domestic borrowing guidance down by 10 percentage points, to 65%–80% (from 75%–80%). Minor adjustments were also made to future borrowing programs: FY 2026–27 is now projected at $40.7B (down from $41.1B), and FY 2027–28 at $34.5B (up from $33B).

Economic forecasts for FY 2025–26 and FY 2026–27 remain unchanged, with real GDP growth projected at 0.8% this year, 0.9% next year, and 1.8% in 2027. The most notable revision concerns historical data: Statistics Canada has revised up Ontario's historical real GDP figures, implying slightly better net debt-to-GDP ratios than those shown in the FES—37.7% in FY 2025–26, peaking at 38.7% the following year, and staying comfortably below the 40% target.