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## FAO FORECASTS SLOW GROWTH AND EXTENDED PERIOD TO BALANCED BUDGET

Here is the Summary copied from the Financial Accountability Office's Economic and Budget Outlook, Spring 2024 that was published on May 15, 2024

### Summary

This Economic and Budget Outlook report provides the FAO's projection for Ontario's economy and the Government of Ontario's (the Province's) finances over the 2023-24 to 2028-29 period. The report also compares the FAO's budget outlook to the government's plan presented in the 2024 Ontario Budget from 2023-24 to 2026-27. The FAO's revenue and spending projections are based on current and announced government policies.

### Ontario's economic growth expected to remain slow in 2024

Ontario's real GDP growth slowed sharply to 1.2 per cent in 2023 and is projected to remain slow at 1.1 per cent in 2024, reflecting the ongoing impact of higher interest rates on household spending and business investment. As inflation cools and interest rates decline over the outlook, Ontario's real GDP growth is projected to improve to 2.0 per cent in 2025 and average 2.1 per cent over the 2026 to 2028 period.

### FAO projects several years of budget deficits before balance reached in 2028-29

Following a budget deficit of \$5.9 billion in 2022-23, the FAO projects that Ontario's budget deficit will temporarily improve to \$0.9 billion in 2023-24, smaller than the government's projection of a \$3.0 billion deficit in the 2024 Ontario Budget. The FAO expects the budget deficit will widen to \$6.4 billion in 2024-25 and improve gradually over the outlook, reaching a surplus of \$1.8 billion in 2028-29, two years later than the government's plan for a budget surplus.

### Revenue growth expected to moderate after strong gains during the pandemic

The FAO projects revenue growth will average 3.8 per cent per year from 2022-23 to 2028-29, slower than the 7.3 per cent average annual growth recorded during the COVID-19 pandemic. The FAO projects \$1.0 billion less revenue in 2023-24 compared to the government's revenue projection and \$3.9 billion lower by 2026-27, mainly reflecting the FAO's less optimistic outlook for corporate tax revenue.

### FAO expects a slower pace of spending growth over the outlook

The FAO projects that spending will grow at an average annual rate of 3.1 per cent from 2022-23 to 2028-29, slower than the 5.6 per cent average annual growth rate recorded over the previous six years from 2016-17 to

2022-23. The government's total spending plan in the 2024 Ontario Budget is similar to the FAO's projection, with the largest difference in 2023-24, where the government's spending forecast is \$3.0 billion higher than the FAO's projection.

### **Fiscal sustainability indicators projected to remain below the government's targets**

The FAO projects that the Province's debt burden, measured by the net debt-to-GDP ratio, will remain stable around 38 per cent, before declining to 36.6 per cent by 2028-29 as GDP grows faster than the increase in net debt. The ratio of interest on debt-to-revenue, an indicator of budgetary flexibility, is projected to increase from 6.4 per cent in 2022-23 to 7.0 per cent in 2026-27, before declining slightly to 6.7 per cent by 2028-29. Both fiscal sustainability indicators are expected to remain below the government's 2024 Ontario Budget targets of 40.0 per cent for the net debt-to-GDP ratio and 7.5 per cent for the interest on debt-to-revenue ratio.

### **Risks to the economic and budget outlook**

Ontario's economic and revenue growth could be negatively affected by ongoing geopolitical risks or if inflation and interest rates remain higher for longer than anticipated. While the FAO has incorporated lower expected population growth in its projections based on the federal government's announced limits on temporary residents over the next three years, the eventual impact on Ontario's economy depends on the federal government's final targets and implementation.

The FAO's spending outlook does not include the estimated cost of some recently announced spending measures, including the Building Ontario Fund; the upload to the Province of the Gardiner Expressway, Don Valley Parkway and Ottawa Road 174; provincial support to Honda to build new electric vehicle and battery plants; and the refurbishment of the Ontario Legislative building. In addition, the FAO may revise its estimates for the financial impact of several recent federal government policy announcements (e.g., the taxation of capital gains, Canada Student Grants and the Canada Disability Benefit) to the Province's spending and revenue outlooks as more information becomes available.

For the full report, click on the following link:

<https://fao-on.org/en/Blog/Publications/EBO-SP2024>

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## **INFLATION RATE DECLINES IN APRIL – STATISTICS CANADA**

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According to a Statistics Canada report published on May 21, 2024, the Consumer Price Index (CPI), a measure of the rate at which prices increase, stood at 2.7% in April 2024. That is to say prices in Canada in April 2024 were 2.7% higher than in April 2023. The rate at which prices have been increasing has been slowly declining or "decelerating" which has economists pondering if the Bank of Canada will decrease its key rate in June. At time of writing consensus appears to call for a 25 basis point easing of the key bank rate in July.

## ONTARIO APPOINTS SKILLED TRADES SPECIAL ADVISOR

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On May 27th the government of Ontario appointed former Unifor Local 444 President, Dave Cassidy, as a Skilled Trades Special Advisor. In the role, Cassidy will:

- assess the workforce needs in Ontario's skilled trades, focusing on the manufacturing and automotive industries, including electric vehicles (EV).
- work to ensure Ontario is well positioned to respond to the rapid development and expansion of our manufacturing and automotive sectors.
- This appointment is the result of the rapid growth in the manufacturing and automotive sectors over the last few years and the forecast demand for an additional 500,000 skilled trade-related occupations in the coming decade.

According to Order in Council 617/2024 Cassidy could be paid as much as \$468,000 for his work relating to this assignment during the period May 9, 2024 to April 30, 2026 .

The government's release promises robust stakeholder consultation.

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## SIX GOVERNMENT BILLS CURRENTLY IN LEGISLATIVE PROCESS

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There are currently six Government Bills making their way through the legislative process:

- Bill 197, Safer Roads and Communities Act passed first reading and was ordered for second reading
- Bill 194, Strengthening Cyber Security and Building Trust in the Public Sector Act passed first reading and is in the second reading debate stage.
- Bill 190, Working for Workers Five Act, has passed second reading and has been referred to the Standing Committee on Finance and Economic Affairs
- Bill 188, Supporting Children's Futures Act, was referred to the Standing Committee on Social Policy which conducted a clause-by-clause review of the Bill on May 27th
- Bill 185, Cutting Red Tape to Build More Homes Act was referred to the Standing Committee on Finance and Economic Affairs and the Committee has clause-by-clause scheduled on May 29th
- Bill 159, Preventing Unethical Puppy Sales Act was referred to the Standing Committee on Justice Policy which was scheduled to undergo clause-by-clause review on May 29th

The legislature is scheduled to adjourn for its summer recess on Thursday, June 13th so only those Bills at the more advanced stages are likely to become law before the end of the current session.

## FORMER COLLEAGUE RECEIVES LIFETIME ACHIEVEMENT AWARD



At the recent Kitchener-Waterloo Octoberfest Roger's Woman of the Year Awards Ceremony, our former colleague and friend, Martha George, was presented with a Lifetime Achievement Award. The commendation reads as follows, "Martha's multi-decade career is an expression of personal commitment to excellence and passion for empowering others. Becoming the first female Chair of Grand Valley Construction Association's Board, and her progression to President and CEO of GVCA broadened her influence.

Martha's invaluable contributions are reflected by thousands of successful industry partnerships, construction projects, and community initiatives touched by Martha's leadership. A tireless advocate for women in trades and committed volunteer, her reach surpasses the tangible, positively impacting the wellbeing of tens of thousands of individuals. Martha's perspective: you're a leader whenever you're making a positive difference, regardless of position or title."

Congratulations to Martha, Well earned and deserved.

## IS A SNAP ELECTION IN ONTARIO'S NEAR FUTURE?

Premier Doug Ford equivocated when asked recently about the possibility of calling a snap election to take advantage of the current political environment that favours his provincial Tories. He is reported to have said, "We're going to make sure we fulfil our agenda and our promises." and he would not rule a snap election out.

Factors that favour the PCs include:

- All provincial polls have the Doug Ford PCs well in the lead
- Ontario voters most often prefer a Liberal government in their home province when there is a PC government in Ottawa. All signs point to a Pierre Poilievre PCs sweep in the federal election which must take place on or before October 25, 2025. So the provincial PCs might have the best chance for victory while the Trudeau Grits are still in power
- The recent polls show the Ontario Liberals, with their relatively new leader Bonnie Crombie, in second place. A snap election would give them less time to elevate Crombie's profile, develop their election platform and raise the funds necessary to compete effectively in a general election
- The Ford PCs are coming off two strong by election showings in Milton and Lambton-Kent-Middlesex

## **FORD'S PCS CONTINUE IN THE LEAD – LATEST ABACUS DATA POLL**

Here are the highlights of a survey of 1,000 eligible Ontario voters conducted by Abacus Data between May 10 and May 15, 2024 and published on May 22, 2024:

### **If a provincial election was held today, which party would you vote for (among committed voters)?:**

- 39% said they would vote PC, down from down from 41% in April
- 26% of respondents said they would vote Liberal, up 1% from April
- 22% of respondents said they would vote NDP, up 1% from April
- 9% of respondents said they would vote Green, up 2% from April

### **If a provincial/federal election was held today, which party would you vote for?:**

- 39% said they would vote PC in a provincial election and 45% in a federal election
- 26% said they would vote Liberal in a provincial election and 29% in a federal election
- 22% said they would vote NDP in a provincial election and 17% in a federal election
- 9% said they would vote Green in a provincial election and 4% in a federal election
- 4% said they would vote for another party in a provincial election and 5% in a federal election

### **With respect to voters' impressions of the party leaders:**

- 31% of respondents said that they have a positive impression of PC leader Doug Ford, 24% neutral, 39% negative, 5% don't know enough to say for a net negative of 8
- 27% of respondents said that they have a positive impression of Liberal leader Bonnie Crombie, 27% neutral, 27% negative, 18 don't know enough to say for a net score of zero
- 27% of respondents said that they have a positive impression of NDP leader Marit Stiles 31% neutral, 21% negative, 22% don't know enough to say for a net positive of 6
- 23% of respondents said that they have a positive impression of Green leader Mike Schreiner, 35% neutral, 18% negative, 24% don't know enough to say for a net positive of 5
- The approval of Ontario's PC government is waning slightly from a high approve/disapprove of 48%/29% (+19 approval) in November 2023 and January 2024 to 39%/32% (plus 7 approval) on May 15, 2024.

For the full report, click on the following link:

[https://abacusdata.ca/ontario\\_politics\\_abacus\\_april2024-2/](https://abacusdata.ca/ontario_politics_abacus_april2024-2/)

## OPPOSITION CALLS FOR PREMIER'S CHIEF OF STAFF TO RESIGN

Opposition parties are calling on Premier Ford's chief of staff, Patrick Sackville, to resign and if he does not, for Premier Ford to fire him. At the centre of the issue are allegations that Sackville knowingly misled Integrity Commissioner David Wake when he insisted that he did not use his private email account to conduct government business. There is evidence that he did use his private account to exchange information on Greenbelt matters.

## NEW MPPS SWORN IN

Recently elected (elected in by-elections on May 2, 2024) MPPs Zee Hamid (Milton) and Steve Pinsonneault (Lambton-Kent-Middlesex) were officially sworn in by Lieutenant Governor Edith Dumont at a ceremony at Queen's Park on Monday, May 27, 2024. The two rookie legislators are now able to take their places in the chamber and participate in matters before the legislature.

The composition of the 124 seat Ontario legislature now stands at:

- PCs – 80
- NDP – 28
- Liberal – 9
- Green – 2
- Independent - 5

The house is scheduled to adjourn for its summer recess on June 13th and reconvene for the fall session on September 9th.



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