

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-STAFF-25**

5
6 Load and Customer Connection Forecast

7 Ref: Exhibit 3, section 3.2, pp. 7-9

8
9 Question(s):

10 (a) Please update the Load Forecast model with 2025 actuals to date.

11
12
13 **RESPONSE:**

14 (a) Please find attached as EPI_IRR_2026_CoS_Load_Forecast_Model_20251126 an updated
15 load and customer forecast which incorporates 2025 year-to-date actuals. EPI proposes to
16 use this updated load forecast as the basis for 2026 Test Year rates, and has relied upon this
17 updated model in the preparation of revised models and rates submitted with these
18 interrogatories.

19
20 The following details summarize the updates made for 2025 year-to-date actuals:

- 21 • Customer count, kWh and kW updated to include actuals through September 2025;
22 • HDD and CDD updated to include actuals through September 2025;
23 • Manufactured Goods Sold variable updated to include actuals through August 2025,
24 due to the unavailability of September 2025 actuals at this time.

25
26 In light of the above, the following adjustments are incorporated into the updated load
27 forecast:

- 28 • The Power Purchased Model regression has been updated only through August of
29 2025 for actuals, in light of the unavailability of September 2025 Manufactured
30 Goods Sold data;

- 1 • HDD and CDD actuals are relied upon for the purpose of determining Predicted
2 Power Purchased through September 2025. Thereafter, a 10-year average of HDD
3 and CDD is relied upon for October through December of both 2025 and 2026. For
4 January through September of 2026, an 11-year average of HDD and CDD is relied
5 upon to include 2025 year-to-date actuals;
- 6 • Year-to-date actual monthly customer/connection count has been relied upon to
7 forecast average customer/connection count in 2025, and the resulting 2025
8 customer/connection count forecast has been included in deriving the geomean
9 average relied upon to escalate 2025 forecast customer count to 2026 forecast
10 customer/connection count; and,
- 11 • Year-to-date kW/kWh ratios for relevant rate classes have been calculated for
12 January through September of 2025 and included in the average used to determine
13 forecast kW by rate class from forecast kWh. January to September 2025 ratios have
14 been given the same weight as all full historical years in this calculation.
- 15
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18

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

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4 **INTERROGATORY 3-STAFF-26**

5 Subdivision Growth

6 Ref: Exhibit 3, section 3.3.3, Variance Analysis, p. 30

7
8 Preamble:

9 Entegrus Powerlines states that in 2021 and 2022 it experienced a larger than average increase in
10 residential customers, partly as a result of subdivision growth.

11
12 Question(s):

13 (a) Please provide the number of subdivision units and related connections to 2025 actuals, to date.

14
15
16 **RESPONSE:**

17 (a) The number of subdivision lots energized October 31, 2025 year to date is 253.

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

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4 **INTERROGATORY 3-STAFF-27**

5
6 Load Forecast

7
8 Ref 1: Exhibit 3, Modelled Variables, p. 10 - 11

9
10 Preamble:

11 Entegrus Powerlines has identified the variables included in its multivariate regression models for
12 load forecasting. These variables do not appear to account for potential impacts associated with the
13 uptake of heat pumps, increased electricity demand from electric vehicles (EVs), or other
14 electrification-related drivers.

15
16 Question(s):

17 a) Please describe how Entegrus Powerlines has considered the potential impacts of electrification
18 — including the adoption of heat pumps, EVs, Distributed Energy Resources (DERs) and other end-
19 use technologies — in its planning processes.

20 b) Please confirm whether Entegrus Powerlines expects to observe material load impacts to its load
21 forecast due to electrification.

22 c) If so, please indicate when Entegrus Powerlines anticipates these impacts may become material to
23 its load forecasts.

24 d) Does Entegrus Powerlines intend to incorporate a variable or adjustment factor into its load
25 forecast model to account for electrification impacts? If so, please describe the planned approach and
26 timing.

27
28 **RESPONSE:**

- 29 a) As noted on page 59 of Exhibit 1, while customer adoption of electric vehicles, self-
30 generation and heat pumps is occurring, these developments are at their early stages. Please
31 see Exhibit 2, DSP, Sections 3.2.1.2, 4.1.2, 4.1.3.1.3, and 4.3.3.5 for further description of
32 how EPI has considered these technologies in its planning.

:

- 1 b) EPI's load forecast is for the 2026 Test Year, to inform 2026 billing determinants for rate-
2 making purposes. EPI does not anticipate observing material impacts to its 2026 load
3 forecast resulting from electrification, beyond any electrification implicitly captured in the
4 regression analysis underpinning its 2026 load forecast.
5
- 6 c) Please see b) above.
7
- 8 d) EPI prepared its 2026 load forecast based on the trends, data and circumstances anticipated
9 to impact load for the 2026 Test Year. When, in the future, EPI prepares a new load forecast
10 for a new Test Year, the utility will incorporate trends, data and circumstances relevant to
11 that Test Year.

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-STAFF-28**

5
6 Ref: Exhibit 3, section 3.3.3, pp. 11-14

7
8 Question(s):

- 9 a) Please provide the rationale for scaling load with heating degree days (HDD).
10 b) Has Entegrus Powerlines considered hourly cycling behavior of electric heating systems?

11
12
13
14 **RESPONSE:**

- 15 a) As described in Exhibit 3, HDD were identified as a statistically valid independent variable,
16 with predictive capabilities for determining forecast electricity consumption. As such, EPI
17 found the variable to be a valuable inclusion in the multi-variate regression informing
18 forecast electricity consumption. EPI notes this is a commonly included independent
19 variable within multi-variate load forecast regression analyses presented to, and approved
20 by, the OEB. ¹
21
22 b) EPI did not analyze how the hourly cycling behaviour of electric heating system would, or
23 would not, influence forecast customer consumption (i.e. kWh) on an annual basis.
24
25
26
27

¹ E.g. EB-2023-0033; EB-2023-0045; EB-2023-0053; EB-2024-0007; EB-2024-0008; EB-2024-0023; EB-2024-0039; EB-2024-0058

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-STAFF-29**

5
6 COVID Flag Rationale and Sensitivity

7 Ref: Exhibit 3, section 3.2.2, pp. 10-14

8
9 Preamble:

10 Entegrus Powerlines' included a COVID variable to account for pandemic-related impacts on
11 electricity consumption. The assigned values are 0.5 in March and June 2020, and 1.0 in April and
12 May 2020. However, the application does not provide a rationale for these specific values and does
13 not indicate whether sensitivity testing was performed to assess the robustness of the model to
14 alternative values.

15
16 Question(s):

- 17 a) Please explain the rationale for the specific values assigned to the COVID flag.
18 b) Were any alternative economic indicators considered? If so, please provide an overview.
19 c) Was any sensitivity analysis performed on this variable?
20 d) Has Entegrus Powerlines considered any persisting effects of COVID on consumption patterns
21 beyond 2020?

22
23
24 **RESPONSE:**

- 25 a) The initial state of emergency and lockdown procedures of the COVID-19 pandemic were
26 initiated in March of 2020, persisted for all of April and May of 2020 in most sectors, and
27 were gradually relieved in June of 2020. The values used in EPI's COVID Flag independent
28 variable track this general trend impacting EPI's customers and its electricity consumption.
29
30 b) Please see the response at 3-VECC-17, wherein the economic variables tested are presented.
31
32 c) Please see the response at 3-VECC-16.

:

- 1 d) Yes, however testing of persistent COVID-19 impacts beyond June of 2020 provided lower
- 2 statistical validity than the COVID Flag variable included in EPI's load forecast. Please see
- 3 the response at 3-VECC-16.

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

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4 **INTERROGATORY 3-STAFF-30**

5
6 Manufacturing Variable Adjustment and Engagement

7 Ref: Exhibit 3, 3.2.7, p. 12

8
9 Preamble:

10 Entegrus Powerlines adjusted its manufacturing variable in the regression model based
11 on customer engagement results, applying a 4% decrease instead of the Financial Accountability
12 Office of Ontario’s (FAO) projected 8% decline. The application does not provide the underlying
13 engagement data or describe on what basis the decision was made. It is unclear whether Entegrus
14 Powerlines considered alternative economic indicators or performed sensitivity testing to validate
15 this adjustment.

16
17 Question(s):

18 a) Please provide the customer engagement results that led to the adjustment of
19 the manufacturing variable from 8% to 4%

20 b) Has Entegrus Powerlines considered any alternative economic indicators or scenarios for
21 sensitivity testing of this variable?

22
23 **RESPONSE:**

24 a) The customer engagement results report, entitled “Manufacturing & Automotive Customer
25 Online Survey”, is provided in Exhibit 1 Attachment 1-G: IRG Customer Consultation
26 Reports on PDF pages 537-545.

27 b) With respect to sensitivity analyses, as noted EPIs initially considered applying an 8%
28 reduction to the Manufactured Goods Sold variable, and revised this value to 4% for
29 inclusion within its application and evidence.

30 With respect to alternative scenarios, EPI contemplated making a manual adjustment to
31 consumption and demand forecasts for the GS>50kW and Large User rate classes, by
32 analyzing past experience during significant manufacturing downturns within its service

:

1 territory. Specifically, EPI analyzed data from the Main Rate Zone’s historical experience
 2 during the 2008 financial crisis, during which local manufacturing electricity use was
 3 significantly impacted. Tables 1 and 2 below demonstrate this impact:
 4

5 **Table 1: GS>50kW Consumption 2008-2009**

Year	General Service > 50 to 999 kW (kWh)	General Service > 1000 to 4999 kW (kWh)	Intermediate With Self Generation Service (kWh)	Total GS>50kW (kWh)	Difference: 2009 vs. 2008 (kWh)	Difference: 2009 vs. 2008 (%)
2008	322,887,455	188,724,594	51,354,780	562,966,829		
2009	342,896,451	76,308,782	28,988,361	448,193,594	(114,773,235)	-20%

7 **Table 2: Large Use Consumption 2008-2009**

Year	Large User (kWh)	Difference: 2009 vs. 2008 (kWh)	Difference: 2009 vs. 2008 (%)
2008	22,647,906		
2009	17,181,839	(5,466,067)	-24%

8
 9 Tables 3 and 4 demonstrate the impact on EPI’s consumption forecasts for the GS>50kW rate class
 10 and Large Use rate class, were the differences above applied to EPI’s as-filed load forecast.
 11

Table 3: GS>50kW Tariff Impact Adjusted Consumption 2025-2026

Year	General Service > 50 to 4999 kW: Unadjusted Consumption (kWh) ¹	Tariff Impact Adjustment (%)	Tariff Adjustment (kWh)	General Service > 50 to 4999 kW: Adjusted Consumption (kWh)	General Service > 50 to 4999 kW (kWh) As-Filed Load Forecast
2025	509,945,853	-20%	(103,963,737)	405,982,116	507,933,868
2026	501,471,823	-20%	(102,236,119)	399,235,704	497,570,107

13 **Table 4: Large Use Tariff Impact Adjusted Consumption 2025-2026**

Year	Large User: Unadjusted Consumption (kWh) ¹	Tariff Impact Adjustment (%)	Tariff Adjustment (kWh)	Large User: Adjusted Consumption (kWh)	Large User: Consumption (kWh) As-Filed Load Forecast
2025	108,051,127	-24%	(26,078,115)	81,973,012	108,051,127
2026	108,051,127	-24%	(26,078,115)	81,973,012	108,051,127

14

¹ EPI as-filed load forecast (August 28, 2025) with 4% reduction removed

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

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4 **INTERROGATORY 3-STAFF-31**

5
6 Weather Sensitivity Percentages and Validation

7 Ref. 1: Exhibit 3, 3.2.5. pp. 18-19

8 Ref. 2: Exhibit 3, 3.2.5, p. 19, Table 3-12: Weather Sensitivity by Rate Class

9
10 Preamble:

11 Entegrus Powerlines applied weather sensitivity percentages to allocate weather-normalized
12 adjustments across rate classes. Reference 2 (Table 3-12) shows the percentages, but the source and
13 methodology used to calculate them are not provided.

14
15 It is also unclear whether Entegrus Powerlines validated these percentages against recent
16 consumption data for accuracy.

17
18 Question(s):

19 a) Please provide the source and methodology used to determine the weather sensitivity percentages
20 for each rate class.

21 b) Has Entegrus Powerlines validated these percentages against recent consumption data?
22

23 **RESPONSE:**

24 a) The source for the weather sensitivity percentages relied upon in EPI's load forecast is a
25 study completed by Hydro One relying on 2004 data for each Ontario electricity distributor,
26 in order to establish the load profiles for cost allocation which were relied upon by all
27 distributors up until the late 2010's and early 2020's. EPI does not have intimate details
28 regarding the methodology used by Hydro One at that time, but understands the study relied
29 on analysis of statistically valid sample sizes.

30
31 b) EPI has not undergone detailed analysis to test the values provided by Hydro One. EPI notes
32 weather sensitivity percentages from Hydro One's work has been relied upon by utilities,

:

1 and approved by the OEB, in dozens of Cost of Service applications; including recently
2 approved Cost of Service applications.¹
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4
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¹ E.g. EB-2023-0033; EB-2023-0045; EB-2023-0053; EB-2024-0007; EB-2024-0008; EB-2024-0023; EB-2024-0039; EB-2024-0058

1 **RESPONSES TO ONTARIO ENERGY BOARD STAFF**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-STAFF-32**

5
6 Standby kW Forecast and Historical Data

7 Ref. 1: Exhibit 3, 3.2.10 Standby kW Forecast, pp. 22-23

8 Ref. 2: Exhibit 7, 7.2.2, Demand Allocators, p. 7

9
10 Preamble:

11 Entegrus Powerlines includes standby (kW) in its 2026 load forecast for the GS > 50 kW and Large
12 Use rate classes. Table 3-17 in reference 1 shows the forecasted values, but the methodology used to
13 derive these figures is not described.

14
15 Reference 2 confirms that standby demand is included in cost allocation demand
16 allocators, but the application does not provide historical standby kW data for 2022-2024.

17
18 Question(s):

19 a) Please explain the methodology used to forecast standby kW for the GS > 50 kW and Large Use
20 rate classes.

21 b) Please confirm whether standby kW is included in the demand allocators for cost allocation.

22 c) Please provide the historical standby kW data for 2022, 2023, and 2024.

23
24
25 **RESPONSE:**

26 a) As noted on page 23 of Exhibit 3, Standby kW forecasts are “based on a 3-year historical
27 average.”

28
29 b) As noted on page 7 of Exhibit 7, Standby consumption is included within the demand
30 allocators for cost allocation. Please see tab “Standby Forecast” of EPI’s load forecast model
31 (EPI_IRR_2026_CoS_Load_Forecast_Model_20251126), wherein the conversion from kW
32 to kWh for this purpose is completed.

:

1 c) Table 3-17 of Exhibit 3, also included in tab “Standby Forecast” of EPI’s load forecast
2 model, has been reproduced below for convenience.

Year	GS>50	Large Use
2022	17,290	67,875
2023	16,716	65,548
2024	14,688	63,344
AVG	16,231	65,589

3
4

1 **RESPONSES TO SCHOOL ENERGY COALITION**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-SEC-24**

5 [Exhibit 3, p.10, Appendix 2-IB]

- 6
7 a. Please provide actual year-to-date data for billing determinants in 2025.
8 b. Please update the load forecast to include 2025 actuals to date and update Appendix 2-IB.

9
10
11
12 **RESPONSE:**

- 13 a. and b. Please see the following live excel models that reflect actual 2025 year-to-date
14 values:

15 EPI_IRR_2026_CoS_Load_Forecast_Model_20251126

16 EPI_IRR_2026_Filing_Requirements_Chapter2_Appendices_1.0_20251126

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1 **RESPONSES TO SCHOOL ENERGY COALITION**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-SEC-25**

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6
7 [Exhibit 3, Table 3-12]

8
9 Has Entegrus done any analysis to determine that the weather sensitivity per rate class has not
10 changed since 2015? If so, please provide results. If not, please explain why Entegrus thinks the
11 values from 2015 still apply.

12
13
14
15 **RESPONSE:**

16 EPI has not conducted detailed analysis to re-establish weather sensitivity percentages since 2015.
17 EPI believes the weather sensitivity percentages relied upon remain a reasonable and valid input for
18 the purpose they are assigned within the load forecast, and note the OEB's frequent approval of
19 applications which use and rely on values derived from this same source (i.e. historical Hydro One
20 analysis) in dozens of applications, including in recent Cost of Service applications.¹

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22
23
24

¹ E.g. EB-2023-0033; EB-2023-0045; EB-2023-0053; EB-2024-0007; EB-2024-0008; EB-2024-0023; EB-
2024-0039; EB-2024-0058

1 **RESPONSES TO SCHOOL ENERGY COALITION**
2 **INTERROGATORIES**

3
4 **INTERROGATORY 3-SEC-26**

5
6
7 [Exhibit 3, Table 3-14] Entegrus states that “For the Large Use rate class, the 2022-2024 average
8 was used to appropriately reflect the current customer/demand mix of this rate class in the Test
9 Year.”

10
11 Please explain what changed in the customer/demand mix in 2022 to prompt this decision.

12
13 **RESPONSE:**

14 As shown in Exhibit 3, Table 3-6 (which shows average historical customers), prior to 2022 EPI had
15 only two customers in the Large Use rate class. As of 2023 and in the Bridge and Test Years, EPI has
16 four Large Use customers. In light of their size and the uniqueness of Large Use customers’ energy
17 consumption, a different mix of Large Use customers can be expected to impact their kWh to kW
18 relationship. Based on the data presented in Exhibit 3, Table 3-14, use of a 2015 to 2021 average to
19 determine Large Use kW/kWh ratios yields a value of 0.2754%, relative to the 2022 to 2024 average
20 of 0.2308%. EPI determined it was more appropriate and accurate to rely on a kW/kWh ratio reflective
21 of EPI’s current, rather than historical, Large Use customer mix.

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1 **RESPONSES TO SCHOOL ENERGY COALITION**
2 **INTERROGATORIES**

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4 **INTERROGATORY 3-SEC-27**

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6
7 [Exhibit 3, Tables 3-16 and 3-24]

- 8
9 a. Please explain the negative variance in customer numbers in the GS > 50 kW to 4,999 kW class
10 between 2016 approved and actuals.
11 b. Please explain the significant decrease in customer numbers in the GS > 50 kW to 4,999 kW class
12 from 2016 to 2024.
13 c. Please break down the change in customer numbers in this class between customer
14 reclassifications and new or leaving customers.
15
16
17

18 **RESPONSE:**

- 19 a. The 2016 OEB Approved forecast for GS>50 kW customers was overstated. The impact of
20 an overstated customer forecast in this rate class was on the design of 2016 distribution rates
21 which were, in retrospect, lower than they otherwise should have been.
22
23 b. and c. The reduction in GS>50 kW rate class customers between 2016 and 2024 is primarily
24 attributable to decreased load levels that resulted in certain customers being reclassified to
25 the GS<50 kW class, as well as to normal customer turnover from new connections and
26 customer closures or departures from EPI's service territory. Between 2020-2025, EPI's
27 GS>50 kW customer count decreased by 50 customers. Of these 50 customers, 60 were
28 driven by customer reclassifications, partially offset by 10 net new GS>50 kW customers.

1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -13**

5 Reference: Exhibit 3, page 9 Load Forecast Model, Inputs tab

6
7 a) For each of the customer classes please provide the monthly kWh, kW (where applicable) and
8 customer/connection count for all those months in 2025 where actual data is available.

9
10
11
12 **RESPONSE:**

13 a) Please see the updated Inputs tab of the live excel model
14 EPI_IRR_2026_CoS_Load_Forecast_Model_1.0_20251126.

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16
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1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -14**

5 Reference: Exhibit 3, page 10

6 Exhibit 7, pages 14 & 15

7 Preamble: The. Application states:

8
9 “The actual power purchases exclude one Wholesale Market Participant that wound down its
10 operations in 2025, and one GS > 50 kW customer that began winding down its operations in 2020.”
11 (Exhibit 3, page 10)

12
13 “This load forecast includes Wholesale Market Participants (“WMP”) as discussed in Exhibit 3.”
14 (Exhibit 7, page 14)

15
16 “As of June 30, 2025, EPI has two WMP who reside in the GS>50 rate class. Consistent with
17 Exhibit 3 and the 2026 Load Forecast, EPI has removed the WMP forecast kWh from the GS>50
18 rate class and entered the results in Line 29 of this Tab.” (Exhibit 7, page 15)

19
20 a) Please confirm that the Wholesale Market Participant referenced in the Preamble (Exhibit 3) is no
21 longer in operation and whether there is currently any power being delivered to the customer’s
22 connection.

23 b) Please confirm that in addition to the Wholesale Market Participant referenced in the Preamble
24 (Exhibit 3), EPI still has two Wholesale Market Participants (per Exhibit 7, page 15).

25 c) Please confirm whether the GS > 50 kW customer that began winding down its operations in 2020
26 is still in operation (i.e., power is currently being delivered to the customer’s connection).

27
28
29 **RESPONSE:**

30
31 a) Confirmed. There is currently no power being delivered to the customer’s connection.
32

:

- 1 b) Confirmed.
- 2
- 3 c) The customer has ceased large-scale production but continues to occupy the building,
- 4 consistently using approximately 3.5% of their pre-2020 average annual electricity
- 5 consumption in 2024.

1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -15**

5
6 Reference: Exhibit 3, page 14

7 Preamble:

8 The Application states:

9
10 “EPI did not include a variable for Conservation and Demand Management (“CDM”), nor were any
11 explicit CDM adjustments made to the forecast.”

12
13 a) Please explain why EPI did not include a variable for Conservation and Demand Management
14 (“CDM”) in its Load Forecast Model, nor make any explicit CDM adjustments to the forecast.

15
16
17
18 **RESPONSE:**

19 a) Given CDM programs and results have been present for the entirety of the historical period
20 relied upon to inform its customer and load forecast, the impacts of CDM are implicitly
21 incorporated in the load forecast regression and results. EPI determined no further adjustment
22 was necessary.

1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -16**

5 Reference: Exhibit 3, page 12

6 Preamble:

7
8 The Application states:

9
10 “To account for the sharp but temporary disruption in electricity usage caused by the onset of the
11 COVID-19 pandemic, EPI included a COVID flag variable in the regression analysis. ...The
12 COVID-19 flag variable was assigned a value of 0.5 in March 2020, 1 in April and May 2020, and
13 0.5 in June 2020, with all other months set to 0.”

14 a) Did EPI test any other COVID variables?

15
16 a. If yes please outline the other COVID variables tested, provide the regression results (i.e.,
17 for each “equation” provided the coefficients and t-statistics for each of the variables used
18 and the resulting R-squared value) and explain why they were rejected

19
20 b) If not tested, please provide the regression results (i.e., regression equation and statistics) for each
21 of the following and also provide the 2025 and 2026 kWh forecast for the alternative that has the
22 highest R-squared result with a statistically significant COVID variable coefficient:

23 1) Binary Flag equal to: i) zero for months before March 2020, ii) 1.0 in each of March, April and
24 May 2020 and iii) then zero thereafter

25
26 3) Two Binary Flags where:

27 - One is equal to: i) zero for months before March 2020, ii) 0.5 x HDD value in March 2020, iii) 1.0
28 x HDD in April to December 2020, iii) 0.75 x HDD in 2021, iv) 0.5 x HDD in 2022 and v) zero
29 thereafter.

30 - Second is equal to: i) zero for months before March 2020, ii) 0.5 x CDD value in March 2020, iii)
31 1.0 x CDD in April to December 2020, iii) 0.75 x CDD in 2021, iv) 0.5 x CDD in 2022 and v) zero

:

1 thereafter.

2

3 **RESPONSE:**

4 a) Yes. In January 2025, EPI tested an alternative COVID Flag variable which retained a value
 5 of 0.25 from July 2020 through December 2021, values of 0.5 in March and June of 2020, and
 6 1.0 in April and May of 2020. At that time, this alternative approach yielded a coefficient of
 7 (4,313,728), and t-stat value of (2.00). EPI’s proposed COVID Flag variable (i.e. 0.5 in March
 8 and June of 2020, and 1.0 in April and May of 2020) yielded a coefficient of (5,666,355), a t-
 9 stat value of (2.25), and improved the overall regression’s R Square value from 89.1% to
 10 89.5%. EPI rejected the alternative COVID Flag variable tested, given it yielded less
 11 statistically valid results both at the variable level and within the regression as a whole.

12

13 b) Please see below the requested results, performed by implementing the scenarios requested
 14 within EPI’s updated load forecast filed with these interrogatory responses as
 15 EPI_IRR_2026_CoS_Load_Forecast_Model_20251126.

16

Scenario	R Square	t-Stat	Coefficient	2026 Predicted Power Purchases (kWh)
IRR Load Forecast	90.0%	(1.97)	(5,179,733)	1,280,305,357
3-VECC-17 Scenario 1 (Binary COVID Flag)	89.9%	(1.52)	(3,617,886)	1,280,661,683
3-VECC-17 Scenario 2 (2x Binary COVID Flag)	89.8%	Flag 1 – 0.72 Flag 2 – (0.16)	Flag 1 – 2,102 Flag 2 – (2,655)	1,280,949,032

17

1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -17**

5 Reference: Exhibit 3, page 12

6 Preamble:

7
8 The Application states:

9
10 “Statistics Canada routinely collects historical economic activity for the Ontario manufacturing
11 sector. Specifically, Manufacturing Sales in Ontario was found to be statistically significant and has
12 been included in the regression analysis as an indicator of economic activity.”

13
14 “The forecast assumptions for 2025 and 2026 Manufacturing Sales were initially informed by the
15 Financial Accountability Office of Ontario’s (“FAO”) April 30, 2025 report entitled The Potential
16 Impacts of US Tariffs on the Ontario Economy, which projects an 8% decrease in Manufacturing
17 GDP by 2026. Following additional customer engagement results detailed in Section 1.7.3 of Exhibit
18 1, EPI altered its intended approach and applied an adjusted decrease of 4% by 2026 to the
19 Manufacturing variable, instead of the full 8% highlighted in the FAO Report.”

20
21 a) Please provide the specific Statistics Canada source for the data regarding historical economic
22 activity for the Ontario manufacturing sector.

23 b) Please provide a copy of the Financial Accountability Office of Ontario’s (“FAO”) April 30, 2025
24 report entitled The Potential Impacts of US Tariffs on the Ontario Economy.

25 c) Please confirm that the FAO’s projection (per page 10 of the Report) of an 8% decrease in
26 Manufacturing GDP by 2026 was not 8% in absolute terms but 8% relative to the Manufacturing
27 GDP forecast based on a “No Tariff” scenario.

28
29 i. If confirmed, please indicate whether the Report provided details regarding the Ontario
30 Manufacturing GDP forecast for 2025 and 2026 based on the “No Tariff” scenario.

31

- 1 d) Is EPI aware of any other recent forecasts for Ontario Manufacturing Sales for 2025 and 2026? If
2 so, please provide the sources and their respective Ontario Manufacturing Sales forecasts for 2025
3 and 2026.
- 4 e) Did EPI test any other economic variables (e.g., Ontario GDP or Ontario Employment)?
5
- 6 i. If yes please outline the other economic variables tested, provide the regression results
7 (i.e., for each “equation” provide the coefficients and t-statistics for each of the variables
8 used and the resulting R-squared value) and explain why they were rejected
- 9 ii. If not, please provide the results (i.e., regression equation, statistics and forecasts for 2025
10 and 2026) using Ontario (real) GDP as opposed to Ontario Manufacturing GDP.
11

12 **RESPONSE:**

- 13 a) The source data for the Manufactured Goods Sold independent variable is as follows:
14
- 15 Statistics Canada, Table 16-10-0048-01, Manufacturing sales by industry and province,
16 monthly (dollars unless otherwise noted) (x1000),
17 <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1610004801>
18
- 19 b) Please see Attachment 1 to this interrogatory response.
20
- 21 c) Confirmed. In reviewing the Report and its supporting data schedules, EPI was not able to
22 ascertain details of the Manufacturing GDP forecast under a “No Tariff” scenario. This, in
23 part, informed EPI’s view that a 4% decline (i.e. 2% per year) was more appropriate than an
24 8% decline. EPI notes that its 2025 forecast of Manufacturing GDP reduction is now
25 supported by observed data and that this trend is expected to continue into 2026. Early in the
26 2025 trade dispute period, several industrial customers, particularly in the automotive sector,
27 indicated plans to temporarily increase production to move goods before a 25% tariff was
28 imposed April 3, 2025¹. This contributed to a short-term rise in March 2025 Manufacturing
29 GDP relative to 2024. Since March, however, Manufacturing GDP has shown substantial

¹ [final-oct-2025-infographic-3-tariff-chronology.pdf](#)

1 monthly declines except for a modest July variance of +0.59%. When normalizing for the
 2 March spike, either by excluding March from the analysis or focusing on April forward,
 3 EPI's 2% reduction assumption is conservative.

4
 5 d) EPI is not aware of more recent, specific forecasts of Ontario manufacturing sales in 2025
 6 and 2026. EPI notes that the FAO's September 17, 2025 Economic and Budget Outlook
 7 corroborates the FAO April 30, 2025 report. Although not manufacturing specific, the
 8 Economic and Budget Outlook states the following "*Based on trade policies as of August 5,*
 9 *2025, Ontario real GDP growth, the broadest measure of economic activity, is projected to*
 10 *slow to 0.9 per cent in 2025 and 1.0 per cent in 2026 as US tariffs reduce demand for*
 11 *Ontario's exports, and businesses cut back on investment and hiring.*"² The FAO's
 12 September 17, 2025 Economic and Budget Outlook is provided as Attachment 2 to this
 13 interrogatory response.

14
 15 e) Yes. Entegrus tested Ontario Full Time Employment, Ontario GDP, and Ontario
 16 Manufacturing GDP as economic variables at earlier stages of the load forecast's
 17 preparation. Replacing the Ontario MFG Sold variable with each of these variables yielded
 18 lower statistical validity relative to Ontario MFG Sold, as shown below. In addition, EPI is
 19 of the view it is important for the economic variable to specifically consider manufacturing,
 20 in light of EPI's customer make up and current trade-related risks facing manufacturing in
 21 Southwestern Ontario.

Independent Variable	R Square	t-Stat	Coefficient
ON-Manufactured Goods Sold	89.6%	9.10	0.958
ON-Full Time Employment	89.6%	9.04	8,280
ON-GDP	88.9%	8.40	450,972
ON-Manufacturing GDP	84.5%	4.26	563,083

22

² <https://fao-on.org/en/communication/mr-ebo-su2025/>

Attachment 1

3-VECC-17

Summary

This report examines Ontario's trade relationship with the United States and estimates the potential impacts of US tariffs on Ontario's exports, imports, GDP, employment and inflation.

The United States is Ontario's most important trading partner

- The US accounts for most of Ontario's international trade, with 77 per cent of Ontario's total goods exports and 60 per cent of the province's total services exports. Imports of goods from the US accounted for 68 per cent of Ontario's total goods imports, while services imports from the US were 63 per cent of total services imports.
- Ontario's exports to the US accounted for 13 per cent of the province's Gross Domestic Product (GDP) in recent years, more than double the contribution of Ontario's exports to the rest of the world.
- In 2024, an estimated 933,000 Ontario jobs were US export-related, about one in every nine jobs in the province. This was comprised of 536,000 jobs in the goods sector (one in every 15 jobs in Ontario), mostly concentrated in the manufacturing industry, and 397,000 jobs in the services sector (one in every 20 jobs in Ontario), including in professional services, trade and transportation, and all other services.
- Ontario's manufacturing sector is the most reliant on exports to the US, with 40 per cent of its production shipped to the US. By comparison, Ontario's trade and transportation sector exports eight per cent of its output to the US, the primary sector exports seven per cent, followed by professional services (four per cent).
- Over the 2013 to 2024 period, Ontario recorded trade deficits with the US in each year (except for 2016), averaging a trade deficit of \$8 billion. In 2024, Ontario's trade deficit with the US was an estimated \$4 billion.

The FAO's tariff scenario

- This report analyzes the impact of a tariff scenario based on trade actions announced by the US and Canada as of April 17, 2025. This includes US tariffs on steel, aluminum, automobiles and automobile parts, and Canadian retaliatory tariffs.
 - Overall, under the FAO's tariff scenario, US tariffs apply to 20 per cent of Ontario's international exports, while the Canadian government's retaliatory tariffs apply to 15 per cent of Ontario's international imports.

US tariffs will slow Ontario's economic growth, lower employment and raise consumer prices

- As US tariffs reduce demand for Ontario's exports, the province's economic growth will slow. In 2025, Ontario's real GDP growth would slow to 0.6 per cent, less than half the 1.7 per cent growth expected in the absence of US tariffs. This implies that a modest recession would occur in 2025. For 2026, real GDP growth would be 1.2 per cent, compared to 1.9 per cent growth in the no tariff outlook.
- On a level basis, Ontario's real GDP is projected to be 1.8 per cent lower than the no tariff outlook by 2026 and 2.0 per cent lower by 2029, led by heavy declines in Ontario's steel, aluminum, auto and auto parts industries.
 - In 2026, the first full year of tariffs, Ontario's manufacturing sector would be the most impacted with real GDP reduced by 8.0 per cent. All other sectors, including services, would also be impacted through supply chain effects, as well as through broader economic impacts from lower incomes, profits, consumption and investment.

- The FAO estimates that US tariffs would result in 68,100 fewer jobs in Ontario in 2025 and 119,200 fewer jobs in 2026 compared to the no tariff scenario. By 2029, there would be 137,900 fewer jobs in Ontario.
 - US tariffs are projected to raise Ontario's unemployment rate by 1.1 percentage points over the 2025 to 2029 outlook, averaging 7.7 per cent.
 - By sector, manufacturing employment is expected to be the most affected by the tariffs, with 57,700 (-6.8 per cent) fewer jobs in 2026. The manufacturing sector's supply chain industries would also be impacted, particularly the more labour-intensive services industries, including trade and transport, and professional services.
 - US tariffs on Ontario exports would negatively affect all Census Metropolitan Areas (CMAs) in the province. Windsor is expected to be impacted the most, with employment 1.6 per cent lower in 2026, followed by Guelph (-1.6 per cent lower), Brantford (-1.5 per cent lower), Kitchener-Cambridge-Waterloo (-1.5 per cent lower) and London (-1.3 per cent lower). These CMAs are more exposed to export-focused manufacturing than other Ontario CMAs.
- Under the FAO's tariff scenario, Ontario's Consumer Price Index (CPI) inflation rate is projected to be 0.2 percentage points higher in 2025 and 0.3 percentage points higher in 2026. Ontario's import prices would increase due to Canada's tariff retaliation, higher US inflation (primarily caused by US tariffs on imports from China) and a slightly weaker Canadian dollar. This would be partially offset by the impact of weaker economic activity in Ontario and lower oil prices.

Uncertainty and range of potential economic impacts

- The actual impact of tariffs on Ontario's economy is uncertain and will depend on the magnitude, breadth and duration of tariff coverage, as well as how businesses, households and economies respond. Given this uncertainty, the FAO has developed two additional scenarios, a "low impact" and a "high impact" scenario, to account for potential changes in US and Canadian tariff policies, as well as the potential range of economic impacts to Ontario.
- The low impact scenario assumes that existing US and Canadian retaliatory tariffs are reduced from 25 per cent to 10 per cent, trade volumes are more resilient to tariffs, and the US and global economies perform better than expected.
 - Under the low impact scenario, Ontario's real GDP growth is 1.3 per cent in 2025 and 1.6 per cent in 2026, which implies that Ontario would not enter a recession. In addition, job losses and CPI inflation would be lower than under the FAO tariff scenario.
- The high impact scenario assumes that the US introduces additional tariffs on copper, lumber, semiconductors and pharmaceuticals and increases tariffs on steel, aluminum and automobiles. As well, the Canadian government introduces additional retaliatory tariffs on US imports, trade volumes respond more strongly to tariffs, and the US and global economies suffer weaker growth and higher prices from a protracted trade war.
 - Under the high impact scenario, Ontario's real GDP declines by 0.5 per cent in 2025 and grows by 0.6 per cent in 2026, which implies a deeper recession in Ontario than expected in the FAO tariff scenario. In addition, job losses and CPI inflation would be higher than projected under the FAO tariff scenario.

Introduction

This report examines Ontario's trade relationship with the United States and estimates the potential impacts of US tariffs on Ontario's exports, imports, GDP, employment and inflation.

Report Structure

This report begins with an overview of international trade in Ontario and discusses the importance of exports to the US for the Ontario economy. Next, based on trade actions announced as of April 17, the report estimates the impact of US tariffs and Canada's retaliatory tariffs on Ontario's economy. The report concludes with a brief discussion of key uncertainties and provides a range of potential impacts.

Scope

The report estimates the impact of US tariffs on Ontario's economic output, employment and inflation over the 2025 to 2029 period. The estimated impacts reflect a scenario based on US tariff policy and Canada's retaliatory tariffs as of April 17, 2025.

The potential impact of tariffs on the Government of Ontario's (the Province's) budget and finances, including the impact of any new policies introduced in response to US tariffs, is beyond the scope of this report.

Methodology

The FAO estimates changes in export and import volumes in response to tariffs based on previous academic studies. The impact on Ontario's economy is estimated using the FAO's macroeconomic model, with industry and job detail supplemented by the FAO's input-output model. The tariff impacts shown in this report are expressed as a difference from a no tariff scenario unless otherwise noted. See the [Appendix](#) for more information.

The estimated impacts on the Ontario economy are subject to significant uncertainty due to the magnitude and breadth of tariffs imposed by the US and the global retaliatory response. To account for this uncertainty, the final section provides a range of potential impacts under different assumptions about tariff coverage and rates, and how economies respond.

Ontario's Trade with the United States

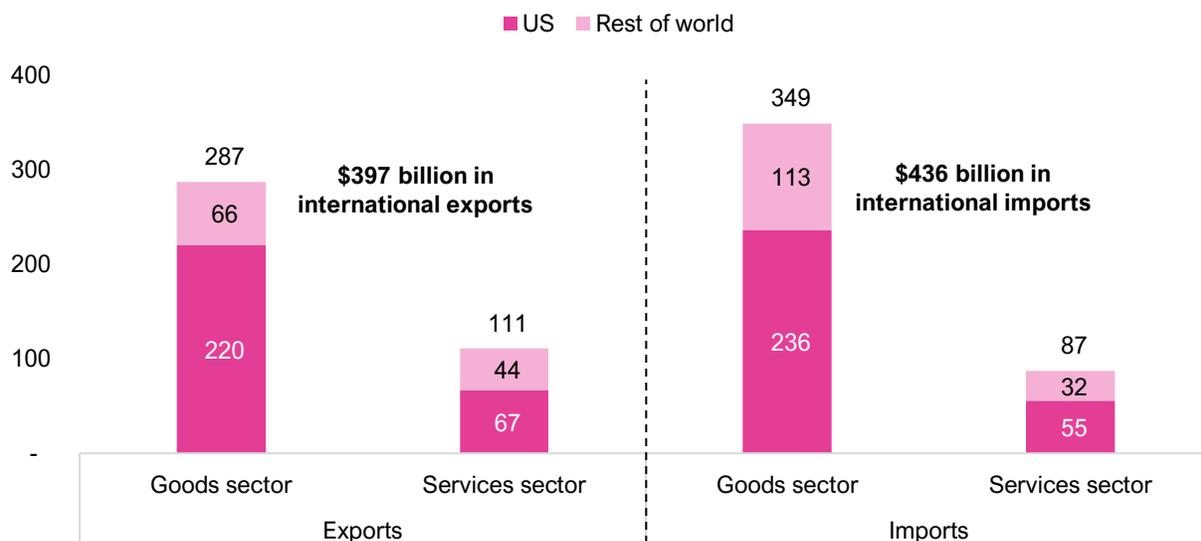
The United States is Ontario's most important trading partner

Ontario's international trade is heavily dependent on access to the US market, due to its size, proximity to the province, and the history of successive trade agreements between Canada and the US since the 1960s.¹

In 2024, Ontario exported \$397 billion in goods and services to international markets and imported \$436 billion. Goods are the largest component of Ontario's international trade, which amounted to \$287 billion in exports and \$349 billion in imports in 2024. Services exports totalled \$111 billion, while services imports totalled \$87 billion.

Figure 1
The US accounts for most of Ontario's international trade

(\$ billions, 2024)



Note: Numbers may not add due to rounding.

Source: Statistics Canada Tables: [36-10-0222-01](#), [12-10-0100-01](#), Ontario Economic Accounts and FAO estimate.

The US accounts for most of Ontario's international trade. Goods exports to the US totalled \$220 billion in 2024 (77 per cent of Ontario's total goods exports), while services exports to the US totalled \$67 billion (60 per cent of Ontario's total services exports). Goods imports from the US totalled \$236 billion (68 per cent of Ontario's total goods imports), while services imports totalled \$55 billion (63 per cent of total services imports).

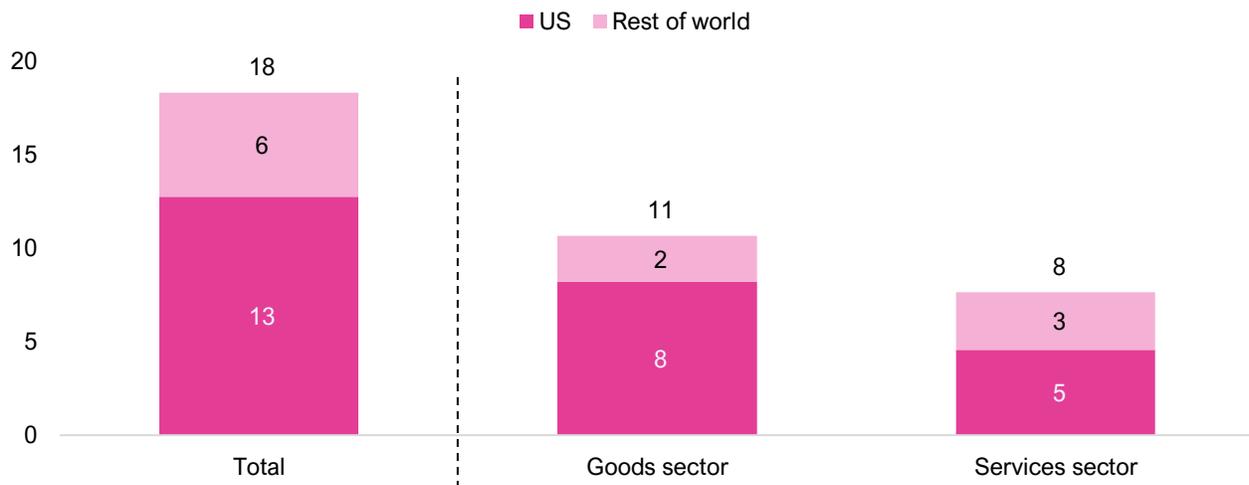
¹ Since the 1960s, the major trade agreements between the US and Canada have been the Canada–United States Automotive Products Agreement (1965), the Canada–United States Free Trade Agreement (1989), the North American Free Trade Agreement (1994) and the current agreement, the Canada–United States–Mexico Agreement (2020).

Trade with the US is an important contributor to Ontario’s economic output and employment

Over the 2013 to 2021 period,² exports destined for the US accounted for 13 per cent of Ontario’s Gross Domestic Product (GDP).³ This was more than double the contribution of exports to the rest of the world at six per cent of Ontario’s GDP. Goods exports to the US accounted for eight per cent of Ontario’s GDP, while services exports to the US accounted for five per cent.

Figure 2
Exports to the US account for 13 per cent of Ontario’s GDP

International goods and services exports contribution to GDP (per cent, 2013 to 2021 average)



Note: Numbers may not add due to rounding.
 Source: Statistics Canada Table [12-10-0100-01](#) and FAO.

² Data on the contribution of exports to GDP were only available from 2013 to 2021.

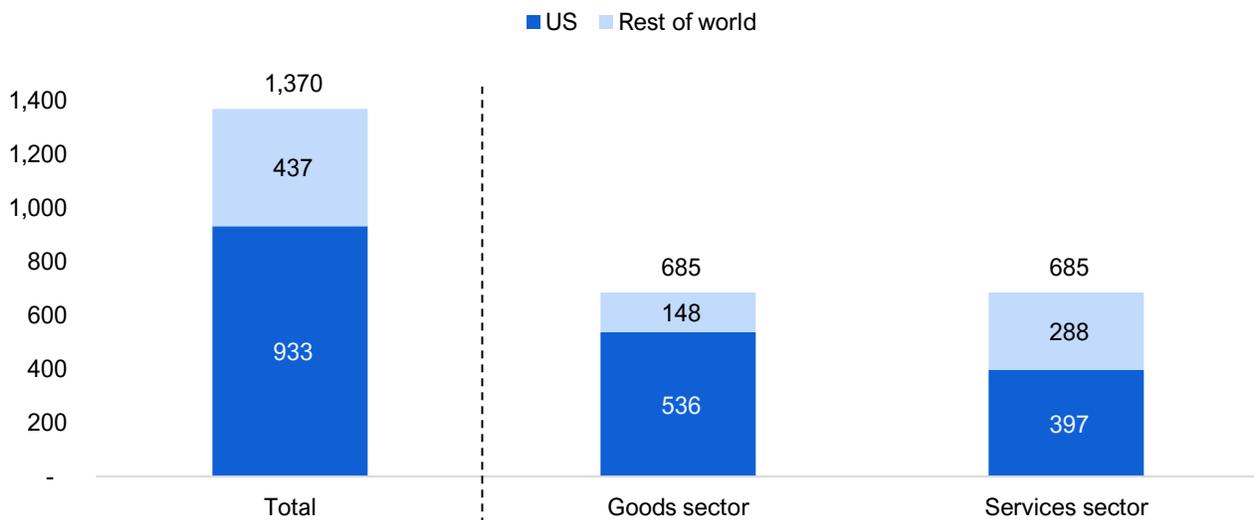
³ This represents the amount of income generated by Ontario’s exporters and their domestic supply chains after removing the impact of imported components and materials used in their production.

Total international exports accounted for an estimated 1,370,000 jobs in Ontario in 2024, of which exports to the US accounted for an estimated 933,000 jobs⁴ (one out of every nine jobs in the province). Of the Ontario jobs related to US exports, 536,000 jobs were in the goods sector (one in every 15 jobs in Ontario), mostly concentrated in the manufacturing industry. The services sector had 397,000 Ontarians employed in US export-related jobs (one in every 20 jobs in Ontario), including in professional services, trade and transportation, and all other services.⁵

Exports to the rest of the world accounted for an estimated 437,000 jobs in Ontario in 2024, including 148,000 goods sector jobs and 288,000 services sector jobs.

Figure 3
Exports to the US employed 933,000 people in Ontario in 2024

Export-related jobs in Ontario (thousands, 2024)



Note: Numbers may not add due to rounding.

Source: Statistics Canada Tables: [14-10-0023-01](#), [12-10-0100-01](#) and FAO estimate.

⁴ This represents the FAO's estimated number of jobs connected to Ontario's exporters and their Ontario-based supply chains in 2024.

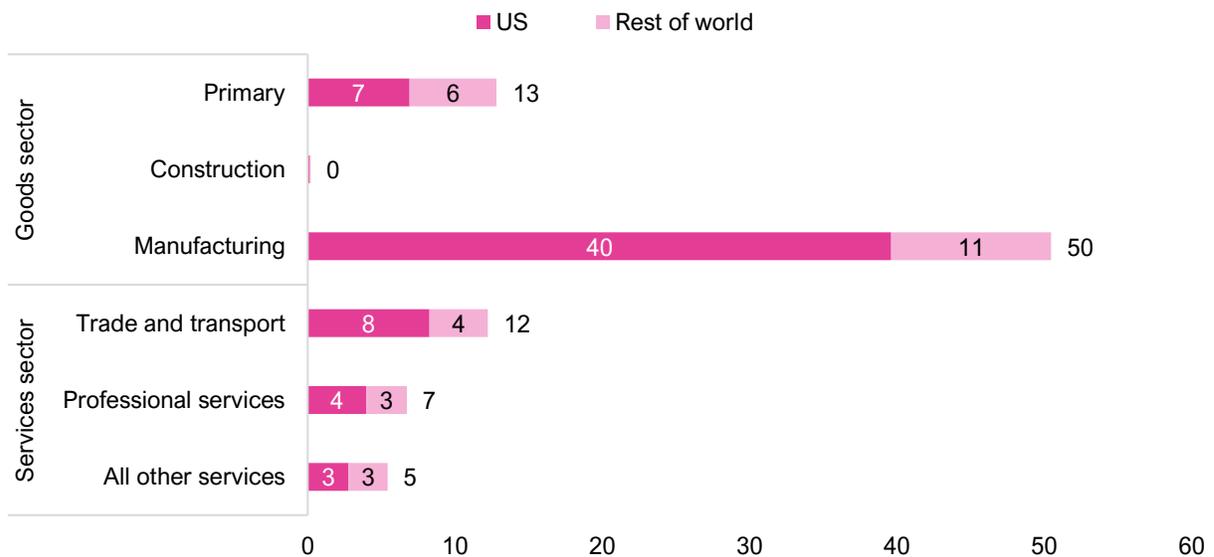
⁵ All other services include information, culture, recreation, accommodation and food services, among others. See Appendix [Table 2](#).

Ontario manufacturers rely heavily on exports to the US

Trade exposure to the US can be measured as the share of a sector’s total output or “production”⁶ that is exported to the US. On this basis, all sectors⁷ of Ontario’s economy are exposed to US trade to some extent, but the manufacturing sector is the most exposed, with 40 per cent of its production exported to the US. By comparison, Ontario’s trade and transportation sector exports eight per cent of its output to the US, the primary sector exports seven per cent to the US, followed by professional services (four per cent) and all other services (three per cent).

Figure 4
Ontario’s manufacturing sector is the most reliant on exports to the US

International exports as a share of sector gross output (per cent, 2013 to 2021 average)



Source: Statistics Canada Tables: [12-10-010001](#), [36-10-0488-01](#) and FAO.

Within Ontario’s manufacturing sector, all major industries export a significant portion of their production to the US. The motor vehicle industry is the most integrated with the US, shipping 80 per cent of its output to the US, followed by motor vehicle parts (51 per cent), machinery and electronics (45 per cent), chemical and petroleum (32 per cent), other manufacturing⁸ (31 per cent), primary metals (25 per cent) and food and beverage (19 per cent). All manufacturing industries export a greater share of their output to the US than to the rest of the world, except for the primary metals industry (including steel and aluminum manufacturers), which exports about the same proportion of its output to the US as to the rest of the world.

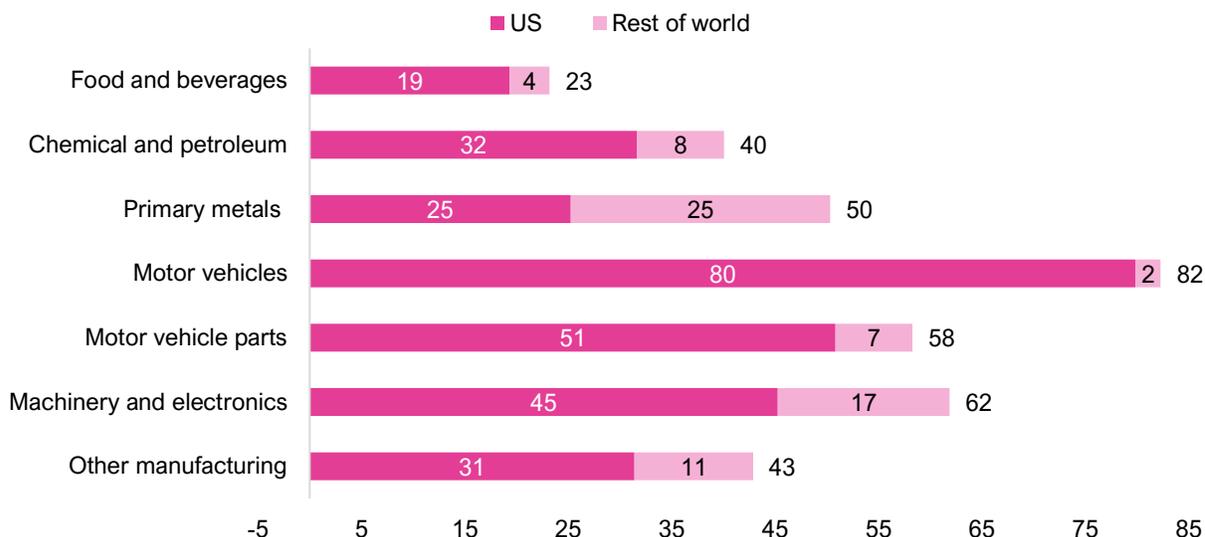
⁶ This is measured as “gross output” by Statistics Canada.

⁷ For a breakdown of the North American Industry Classification System (NAICS) industries included in the sectors presented in this report, see Appendix [Table 2](#).

⁸ Other manufacturing industries include textiles, wood products and furniture, among others. See Appendix [Table 2](#).

Figure 5
Ontario’s motor vehicle sector exports most of its production to the US

Manufacturing exports as a share of industry output (per cent, 2013 to 2021 average)



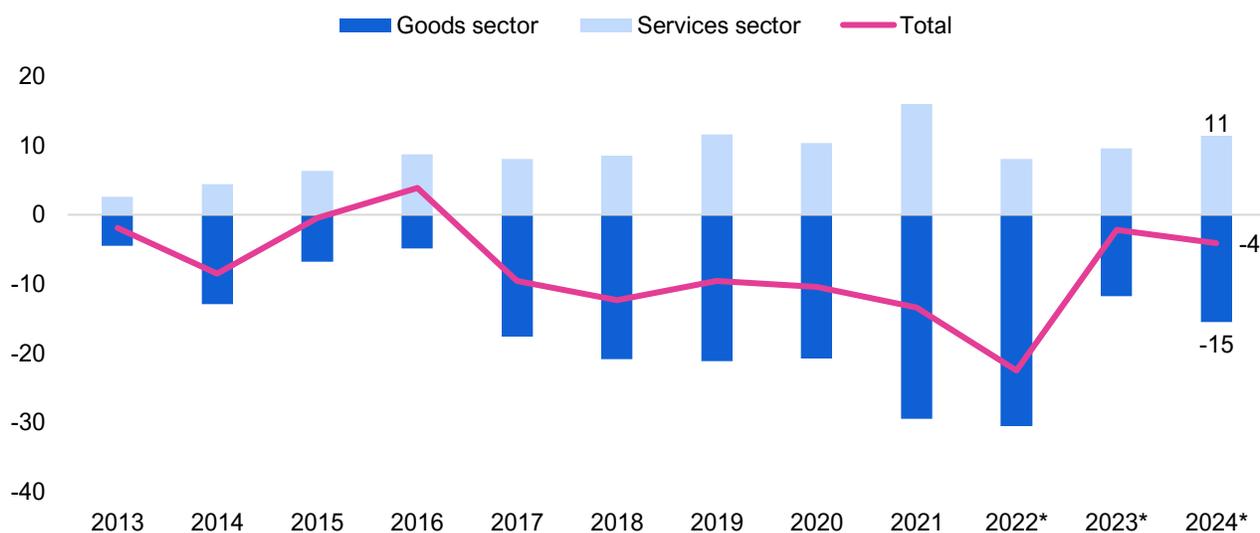
Source: Statistics Canada Tables: [12-10-0100-01](#), [36-10-0488-01](#) and FAO.

Ontario mostly has trade deficits with the US

Over the 2013 to 2024 period, Ontario has recorded trade deficits with the US in each year (except for 2016), averaging a trade deficit of \$8 billion. In 2024, Ontario’s trade deficit with the US was an estimated \$4 billion, as the province’s deficit in goods trade (-\$15 billion) outweighed its surplus in services (\$11 billion).

Figure 6
Ontario has mostly recorded trade deficits with the US since 2013

Ontario trade balance with the US (\$ billions)*



* 2022 to 2024 trade balances are estimated based on the average share of US trade in goods and services.

Source: Statistics Canada Table [12-10-0100-01](#), Ontario Economic Accounts and FAO Estimate.

The Potential Impact of US Tariffs on Ontario's Economy

Starting in February 2025, the US has announced numerous tariffs on goods it imports from abroad, with many subsequent changes on the extent and timing of the tariffs. Given Ontario's strong trade relationship with the US, these tariffs will have a significant negative impact on the province's economy. This impact will depend on the magnitude and coverage of the US tariffs, as well as Canada's retaliatory response.

This report analyzes the impact of a tariff scenario based on trade actions announced as of April 17, with additional assumptions by the FAO, although there is significant uncertainty about the status of US tariff policy.⁹ All US tariffs and Canada's retaliatory actions are assumed to be permanent in the FAO's tariff scenario. In addition, the FAO's tariff scenario excludes any announced federal or provincial measures to support sectors and workers impacted by tariffs.

The FAO's tariff scenario

The FAO's tariff scenario¹⁰ includes the following US tariffs:

- For exports to the US compliant¹¹ with the Canada-United States-Mexico Agreement (CUSMA):
 - 25 per cent tariffs on steel and aluminum.
 - 25 per cent tariffs on automobiles and automobile parts, with an exclusion for the value of US content.¹² The FAO assumes that tariffs on auto parts come into effect on May 3.
 - No tariffs on all other CUSMA-compliant goods.
- For non-CUSMA-compliant exports to the US:
 - 25 per cent tariffs on all goods, except energy and critical minerals that are tariffed at 10 per cent.
 - 50 per cent tariffs on steel and aluminum.
 - 50 per cent tariffs on automobiles and automobile parts, beginning on May 3.

In response to these tariffs, the Canadian government introduced the following countermeasures,¹³ which are included in the FAO's tariff scenario:

- 25 per cent tariffs on \$30 billion in imports from the US, including agricultural products, metals, consumer goods and food and beverages.
- 25 per cent tariffs on \$29.8 billion in imports from the US, including steel and aluminum products, tools, computers and servers.
- 25 per cent tariffs on automobile imports, applied to the full value of non-CUSMA-compliant vehicles and to the value of non-Canadian and non-Mexican content¹⁴ of CUSMA-compliant vehicles.

Overall, under the FAO's tariff scenario, US tariffs will apply to 20 per cent of Ontario's international exports, while the Canadian government's retaliatory tariffs will apply to 15 per cent of Ontario's international imports.

⁹ Given this uncertainty, the FAO has included a range of impacts in the following section. See [Uncertainty and Range of Potential Impacts](#).

¹⁰ For the economic and methodological assumptions underlying the FAO's tariff scenario, see [FAO Tariff Scenario](#) in the [Appendix](#).

¹¹ The FAO estimates that 90 per cent of Ontario's US goods exports are CUSMA-compliant using Statistics Canada Table [12-10-0100-01](#).

¹² US content refers to the value of the commodity attributable to parts wholly obtained, produced entirely, or substantially transformed in the US. The FAO estimates that Ontario's motor vehicles exports contain 50 per cent US content and motor vehicle parts exports contain 34 per cent US content using Statistics Canada Table [12-10-0100-01](#).

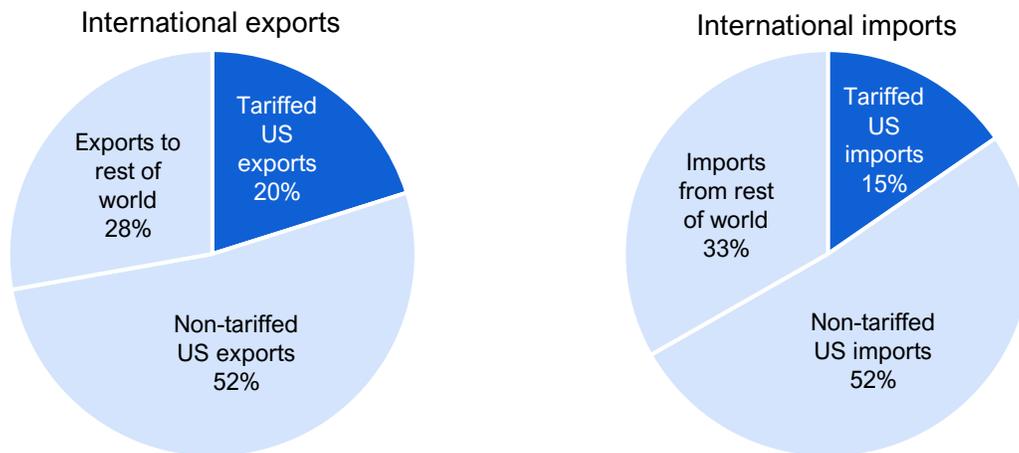
¹³ On April 15, the Canadian government [announced](#) certain exemptions for tariffs on motor vehicles. However, due to limited information, the FAO has excluded this exemption from its tariff scenario.

¹⁴ The FAO assumes that 77 per cent of US motor vehicle imports will be subject to tariffs based on [OECD input-output tables](#).

Figure 7

20 per cent of Ontario’s international exports are facing US tariffs, while retaliation affects 15 per cent of Ontario’s international imports

Share of Ontario’s international trade (per cent)



Note: Tariffed US exports and imports only include new tariffs identified in the FAO’s tariff scenario. Shares are estimated based on 2024 real international trade data.
Source: FAO.

Finally, under the FAO’s tariff scenario, the FAO has made a number of economic and methodological assumptions, which are discussed in the [Appendix](#).

US tariffs will reduce Ontario’s international exports and imports

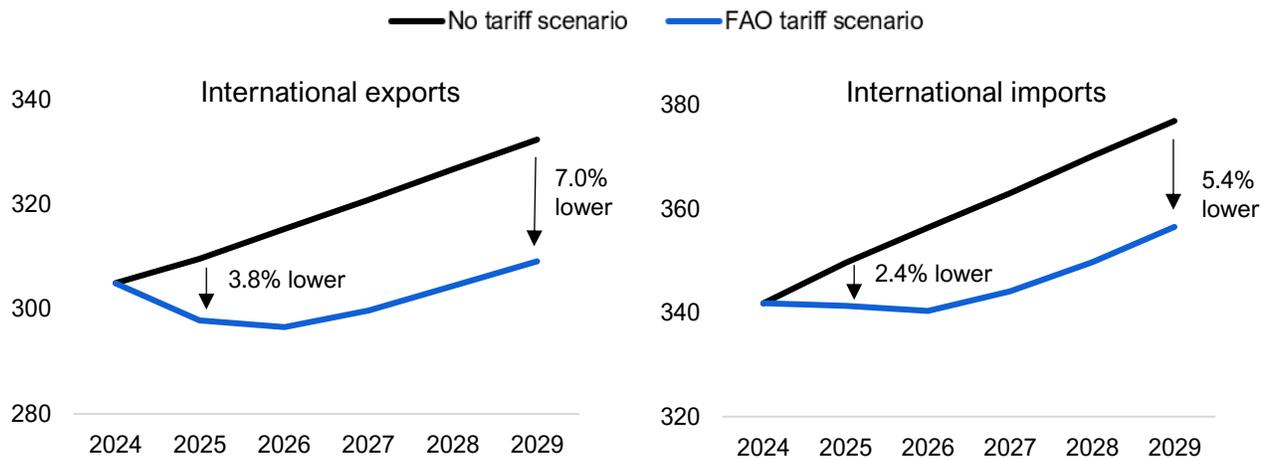
Under the FAO’s tariff scenario, US tariffs will reduce demand for Ontario’s exports.¹⁵ Consequently, the FAO projects a 3.8 per cent decline in real international exports relative to a no tariff scenario in 2025. Over the following four years, the effects of US tariffs would grow, and by 2029 Ontario’s real international exports would be 7.0 per cent lower than in the no tariff scenario. By sector, Ontario’s international exports that are targeted by specific US tariffs are expected to be significantly lower, with exports of steel and aluminum almost 50 per cent lower in 2029, auto exports almost 20 per cent lower and auto parts almost 30 per cent lower.¹⁶

¹⁵ In response, some Ontario exporters will reduce their prices to limit the loss of US market share while others will seek alternative markets. Neither of these reactions are expected to fully offset the net loss in Ontario’s international exports.

¹⁶ These declines in sectoral international exports are estimated as the direct export response to US tariffs. Additional macroeconomic impacts (such as relatively lower consumption or investment) would lower these export volumes further.

Figure 8
Ontario export and import volumes would be lower under US tariffs

Ontario international exports and imports (billions, real 2017\$)



Source: Ontario Economic Accounts and FAO.

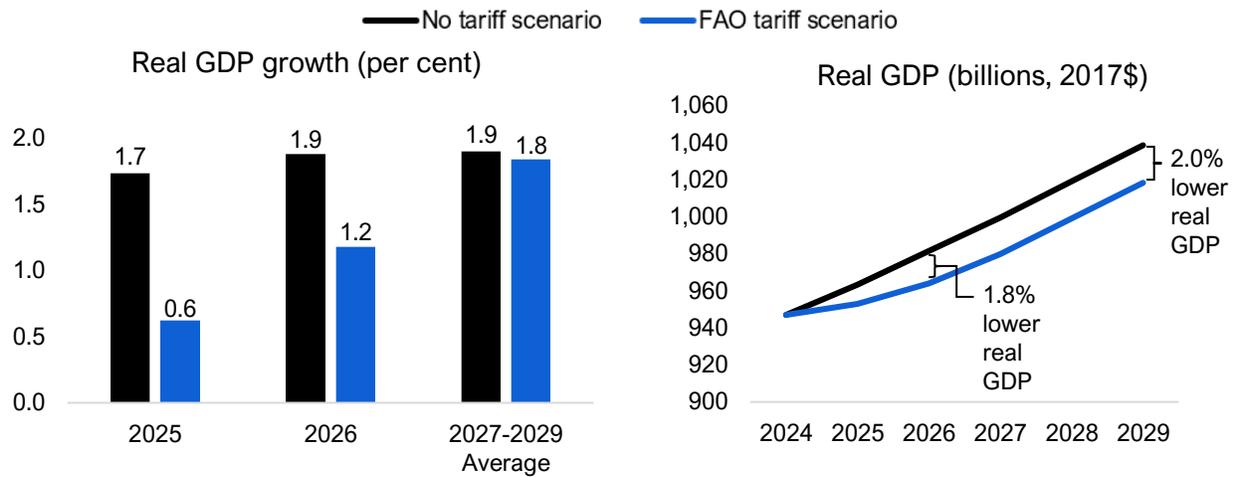
Retaliatory tariffs imposed by Canada would cause a reduction in imports from the US, resulting in a decline in Ontario’s real international imports of 2.4 per cent relative to the no tariff scenario in 2025. By 2029, Ontario’s international imports are projected to be 5.4 per cent lower compared to the no tariff scenario.

US tariffs will slow Ontario’s economic growth

As US tariffs reduce demand for Ontario’s exports, the province’s economic growth will slow. In 2025, Ontario’s real GDP growth would be 0.6 per cent, less than half the 1.7 per cent growth in the no tariff scenario. This implies that a modest recession would occur in 2025. For 2026, real GDP growth is projected to be 1.2 per cent, compared to the 1.9 per cent growth in the no tariff outlook. Over time, Ontario’s economy is expected to adjust to the impact of US tariffs and real GDP growth would improve to an average of 1.8 per cent over the 2027 to 2029 period, modestly slower than the no tariff scenario of 1.9 per cent.

Overall, under the FAO’s tariff scenario, the level of Ontario’s real GDP is projected to be 1.8 per cent lower than the no tariff scenario by 2026 and 2.0 per cent lower by 2029, as the heavy declines in Ontario’s steel, aluminum, auto and auto parts sectors are only partially offset by modest trade gains in other sectors.

Figure 9
Impact of US tariffs on Ontario real GDP relative to the no tariff scenario

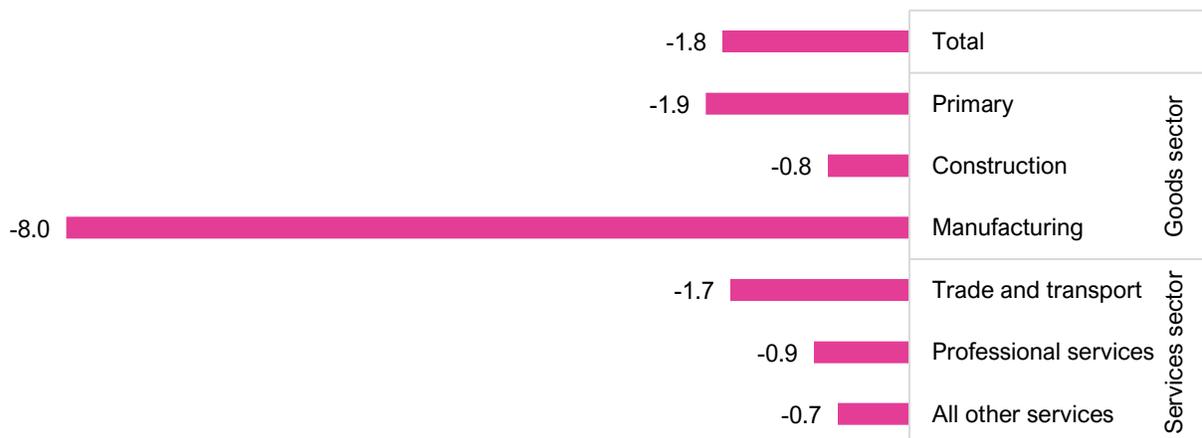


Source: Ontario Economic Accounts and FAO.

In 2026, the first full year of tariffs, Ontario’s manufacturing sector would be the most impacted with real GDP reduced by 8.0 per cent. All other sectors, including services, would also be impacted through supply chain effects, as well as through broader economic impacts from lower incomes, profits, consumption and investment.

Figure 10
Impact of US tariffs on Ontario real GDP by sector in 2026

Change in Ontario real GDP from no tariff scenario (per cent, 2026)



Source: Statistics Canada Tables 36-10-0402-01, 12-10-0100-01 and FAO.

Within manufacturing, the motor vehicle parts industry would be the most impacted, with real GDP 22.3 per cent lower than in the no tariff scenario in 2026. CUSMA-compliant motor vehicle parts are assumed to be tariffed at 25 per cent of their non-US content, which implies an effective tariff rate of almost 15 per cent. Primary metals would also be heavily impacted, with 25 per cent tariffs on steel and aluminum products, and its real GDP would be 18.2 per cent lower than under the no tariff scenario. Real GDP in the motor vehicle industry would be 12.3 per cent below the no tariff scenario, reflecting the 25 per cent tariffs on autos and the exemption for US content, while the machinery and electronics industry would be 7.6 per cent lower.

Figure 11
Impact of US tariffs on Ontario real GDP in the manufacturing industry in 2026

Change in Ontario real GDP from no tariff scenario (per cent, 2026)

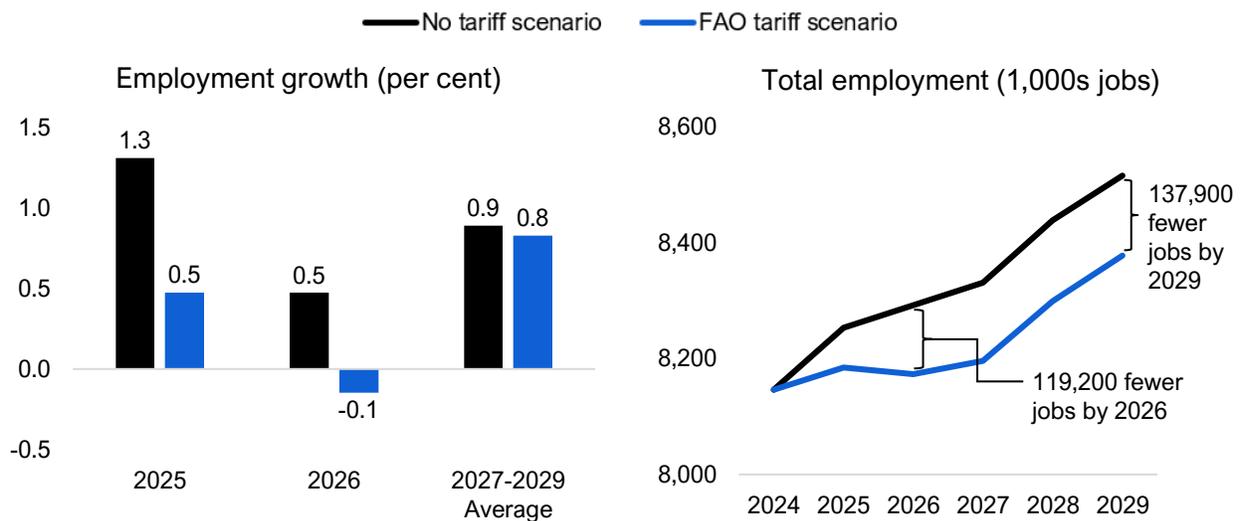


Source: Statistics Canada Tables [36-10-0402-01](#), [12-10-0100-01](#) and FAO.

US tariffs will slow Ontario’s employment growth

The FAO estimates that US tariffs would slow employment growth to 0.5 per cent in 2025, compared to 1.3 per cent in the no tariff outlook. In 2026, the first full year of the tariff impact, employment would weaken further, declining by 0.1 per cent. Weaker job growth would result in 68,100 fewer jobs in Ontario in 2025, compared to the no tariff scenario, and 119,200 fewer jobs in 2026. By 2029, under the FAO tariff scenario, there would be 137,900 fewer jobs in Ontario compared to the no tariff scenario.

Figure 12
Impact of US tariffs on Ontario’s employment relative to the no tariff scenario



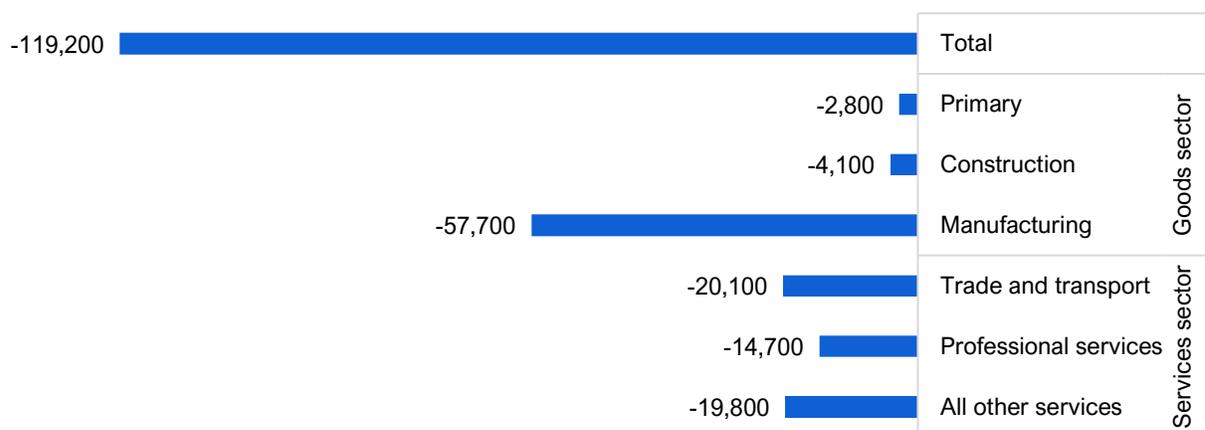
Source: Statistics Canada Table [14-10-0327-01](#) and FAO.

US tariffs are projected to raise Ontario’s unemployment rate by 1.1 percentage points over the 2025 to 2029 outlook, averaging 7.7 per cent, higher than the 6.6 per cent average in the no tariff scenario.

By sector, manufacturing employment is expected to be the most affected by the tariffs, with 57,700 (-6.8 per cent) fewer jobs in 2026 compared to the no tariff scenario. The manufacturing sector's supply chain industries are also impacted, particularly the more labour-intensive services industries, including trade and transport, and professional services.

Figure 13
Impact of US tariffs on Ontario employment by sector in 2026

Change in Ontario employment from no tariff scenario (total jobs, 2026)

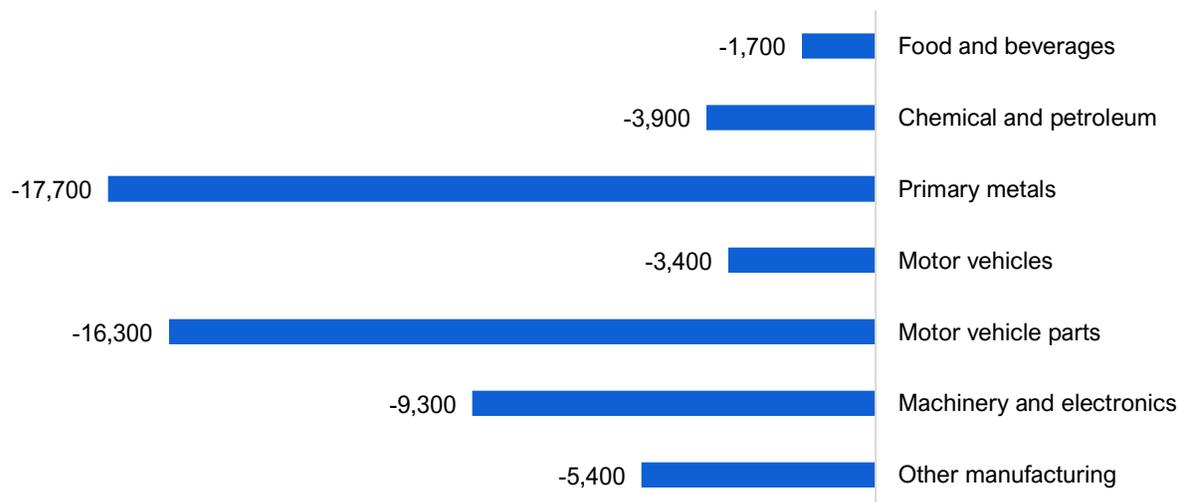


Source: Statistics Canada Tables [14-10-0023-01](#), [12-10-0100-01](#) and FAO.

Within manufacturing, all industries would be affected. The greatest impact would be in primary metals (-17,700 fewer jobs), motor vehicle parts (-16,300 fewer jobs) and machinery and electronics (-9,300 fewer jobs). Motor vehicle employment would be 3,400 lower due to the exemption for US-content, as well as its less labour-intensive production process.

Figure 14
Impact of US tariffs on Ontario employment in the manufacturing industry in 2026

Change in Ontario employment from no tariff scenario (total jobs, 2026)



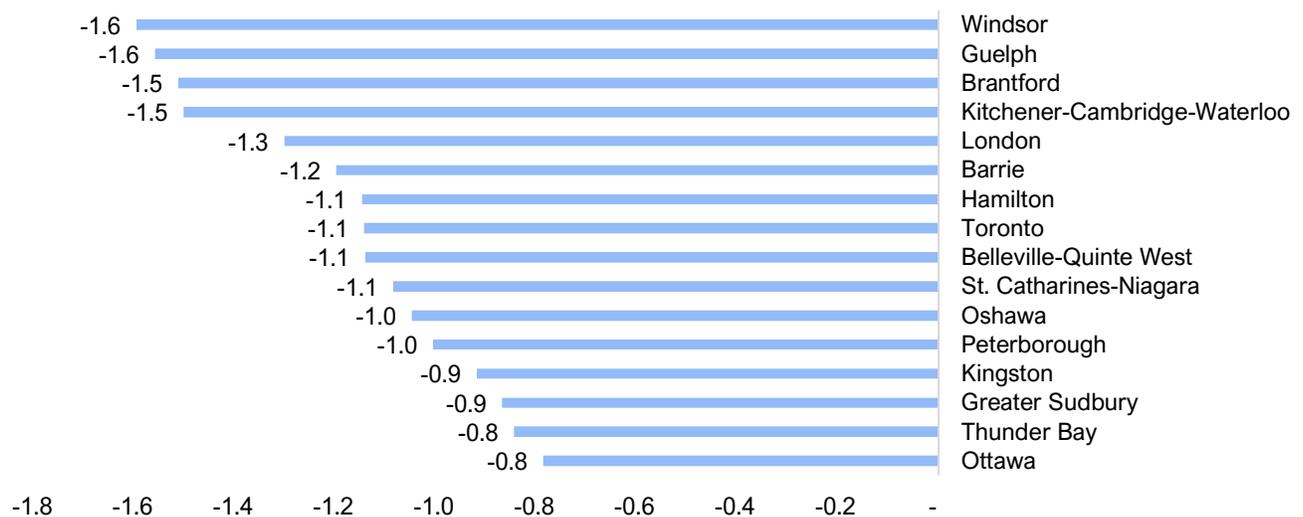
Source: Statistics Canada Tables [14-10-0023-01](#), [12-10-0100-01](#) and FAO.

Southwestern Ontario cities would be most impacted

US tariffs on Ontario exports would negatively affect employment in all Census Metropolitan Areas (CMAs) in the province. The size of the impact would depend on the industrial composition of local economies. Windsor is expected to be impacted the most, with employment 1.6 per cent lower in 2026 compared to the no tariff scenario, followed by Guelph (-1.6 per cent lower), Brantford (-1.5 per cent lower), Kitchener-Cambridge-Waterloo (-1.5 per cent lower) and London (-1.3 per cent lower). These CMAs are more exposed to export-focused manufacturing than other Ontario CMAs.

Figure 15
Impact of tariffs on Ontario employment by Census Metropolitan Area* in 2026

Change in Ontario employment from no tariff scenario, as a share of total CMA employment (per cent)



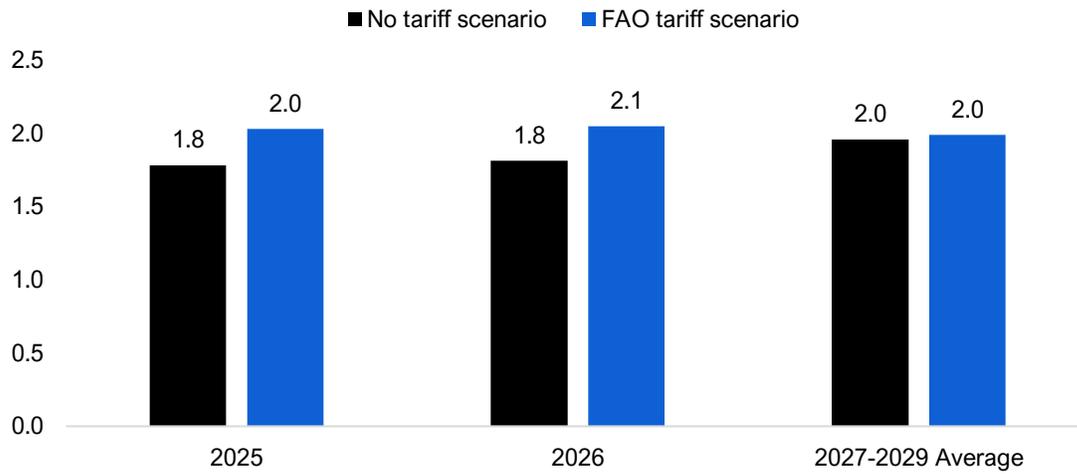
* Census Metropolitan Area represent where workers live, which may not correspond to the region in which they work.
 Source: Statistics Canada Tables [14-10-0468-01](#), [14-10-0023-01](#) and FAO.

Tariffs will modestly raise consumer prices in Ontario

Under the FAO's tariff scenario, Ontario's Consumer Price Index (CPI) inflation rate is projected to be 0.2 percentage points higher in 2025 than in the no tariff scenario and 0.3 percentage points higher in 2026. Ontario's import prices would increase due to Canada's tariff retaliation, higher US inflation (primarily caused by US tariffs on imports from China) and a slightly weaker Canadian dollar. This would be partially offset by the impact of weaker economic activity in Ontario and lower oil prices.

Figure 16
Impact of US tariffs on Ontario inflation

CPI inflation rate (per cent)



Source: FAO.

Uncertainty and Range of Potential Impacts

The FAO's tariff scenario estimates the impact of US and Canadian tariffs on Ontario's economy based on existing trade policy as of April 17, and assumptions on how the Ontario, US and global economies could respond to these tariffs. The actual impact of tariffs on Ontario's economy is uncertain and will depend on the magnitude, breadth and duration of tariff coverage, as well as how businesses, households and economies respond.

Given this uncertainty, the FAO has developed two additional scenarios, a "low impact" and a "high impact" scenario, to account for potential changes in US and Canadian tariff policies, as well as the potential range of economic impacts to Ontario.¹⁷ Table 1 shows the estimated economic impacts of all scenarios.

Table 1
Potential Ontario economic impacts under alternative tariff scenarios

	No Tariff Scenario	Low Impact Scenario	FAO Tariff Scenario	High Impact Scenario
Real GDP growth (per cent)				
2025	1.7	1.3	0.6	-0.5
2026	1.9	1.6	1.2	0.6
2027-2029 average	1.9	1.9	1.8	1.8
Employment (thousands, change from no tariff scenario)				
2025	-	-20	-68	-123
2026	-	-44	-119	-214
2027-2029 average	-	-56	-138	-234
CPI growth (per cent)				
2025	1.8	1.8	2.0	2.2
2026	1.8	1.9	2.1	2.2
2027-2029 average	2.0	2.0	2.0	2.1

Source: FAO.

Compared to the FAO's tariff scenario, the low impact scenario assumes that existing US and Canadian retaliatory tariffs are reduced from 25 per cent to 10 per cent, trade volumes are more resilient to tariffs, and the US and global economies perform better than expected. Under the low impact scenario, Ontario's real GDP growth would be 1.3 per cent in 2025 and 1.6 per cent in 2026, which implies that Ontario would not enter a recession. In addition, there would be 20,000 fewer jobs in 2025 and 44,000 fewer jobs in 2026 compared to the no tariff scenario. Ontario's CPI inflation is expected to be modestly under two per cent in 2025 and 2026 in this scenario.

¹⁷ For detailed assumptions on each scenario see [Appendix: Tariff Scenario Assumptions](#).

The high impact scenario assumes that the US introduces additional tariffs on copper, lumber, semiconductors and pharmaceuticals, in addition to increased tariffs on steel, aluminum and automobiles. In response, the Canadian government introduces additional retaliatory tariffs on US imports, matching US tariffs on a dollar-for-dollar basis. The high impact scenario also assumes that trade volumes respond more strongly to tariffs, and that the US and global economies suffer weaker growth and higher prices from a protracted trade war. Under the high impact scenario, Ontario's real GDP declines by 0.5 per cent in 2025 and grows by 0.6 per cent in 2026, which implies a deeper recession in Ontario than expected in the FAO's tariff scenario. In addition, there would be 123,000 fewer jobs in 2025 and 214,000 fewer jobs in 2026, compared to the no tariff scenario, and CPI inflation would be higher at 2.2 per cent in 2025 and 2026.

Importantly, these scenarios do not include any impacts beyond those specified in the report, including any potential fiscal stimulus from federal or provincial governments to support affected industries and workers, potential tariffs on goods or services beyond those already specified, or potential changes to CUSMA during its review in 2026.

Appendix: Tariff Scenario Assumptions

FAO Tariff Scenario

Tariff assumptions

- See above section: The FAO's tariff scenario.

Economic assumptions

- Relative to a no tariff scenario, the Bank of Canada lowers its policy interest rate by an additional 50 basis points in 2025, the Canadian dollar weakens by 1 cent relative to the US dollar in 2025 and oil prices are \$5 lower per barrel on average from 2025 to 2028.
- The ongoing US trade war, including US tariffs on other countries and their retaliatory actions, lowers US real GDP growth by 0.9 percentage points to 1.1 per cent in 2025. US tariffs on China and other countries are also assumed to raise US consumer prices in 2025 by 1.1 percentage points above the no tariff scenario to a rate of 3.3 per cent.

Methodological assumptions

- For each 1.0 percentage point increase in the tariff rate, trade volumes decline by an average of 1.5 per cent over the projection.¹⁸
- Exporting firms find alternative markets to offset roughly 20 per cent of the decline in exports to the US.¹⁹
- Ontario's importing firms pass through half of their tariff costs to consumers in 2025. By 2027, Ontario importers fully pass through all tariff-related costs.²⁰

Low Impact Scenario

Tariff assumptions

- US tariffs are placed on the same goods as in the FAO tariff scenario; however, all tariff rates are reduced to 10 per cent.
- Canadian retaliatory tariffs are placed on the same goods as in the FAO tariff scenario; however, all tariff rates are reduced to 10 per cent.

Economic assumptions

- Relative to a no tariff scenario, the Bank of Canada lowers its policy interest rate by an additional 25 basis points in 2025, the Canadian dollar weakens by one cent relative to the US dollar in 2025 and oil prices are \$2 lower per barrel on average from 2025 to 2028.
- The ongoing US trade war, including US tariffs on other countries and their retaliatory actions, lowers US real GDP growth by 0.5 percentage points to 1.5 per cent in 2025. US tariffs on China and other countries are also assumed to raise US consumer prices in 2025 by 0.6 percentage points above the no tariff scenario to a rate of 2.8 per cent.

¹⁸ The FAO uses elasticities of substitution of -1.2 in 2025, increasing to -1.8 by 2029, consistent with the average of a number of academic studies (see [Ahmad, Montgomery and Schreiber, 2021](#) and [Bajzik et al, 2020](#)), as well as research showing that elasticities in the short run are typically lower than in the long run (see [Boehm, Levchenko and Pandalai-Nayar, 2022](#)).

¹⁹ The FAO assumes that Ontario exporters increase their share of goods shipped to the rest of the world by three per cent by 2029, generally in line with trade diversification observed over the past decade.

²⁰ These assumptions are based on the Bank of Canada's [Business Outlook Survey—First Quarter of 2025](#).

Methodological assumptions

- For each 1.0 percentage point increase in the tariff rate, trade volumes decline by an average of 1.2 per cent over the projection.
- Exporting firms find alternative markets to offset roughly 25 per cent of the decline in exports to the US.
- Ontario's importing firms pass through one quarter of their tariff costs to consumers in 2025. By 2027, Ontario importers fully pass through all tariff-related costs.

High Impact Scenario

Tariff assumptions

- Additional US tariffs of 25 per cent are placed on lumber, copper, semiconductors and pharmaceuticals. The US also increases its tariff on steel, aluminum and automobiles to 50 per cent.
- In response, Canadian retaliatory tariffs are expanded to match US tariffs on a dollar-for-dollar basis.

Economic assumptions

- Relative to a no tariff scenario, the Bank of Canada lowers its policy interest rate by an additional 75 basis points in 2025, the Canadian dollar weakens by three cents relative to the US dollar in 2025 and oil prices are \$9 lower per barrel on average from 2025 to 2028.
- The ongoing US trade war, including US tariffs on other countries and their retaliatory actions, lowers US real GDP growth by 1.5 percentage points to 0.5 per cent in 2025, implying a recession. US tariffs on China and other countries are also assumed to raise US consumer prices in 2025 by 2.1 percentage points above the no tariff scenario to a rate of 4.3 per cent.

Methodological assumptions

- For each 1.0 percentage point increase in the tariff rate, trade volumes decline by an average of 1.8 per cent over the projection.
- Exporting firms find alternative markets to offset roughly 15 per cent of the decline in exports to the US.
- Ontario's importing firms pass through half of their tariff costs to consumers in 2025. By 2027, Ontario importers fully pass through all tariff-related costs.

Appendix: Sector Classification of Industries

Table 2
Sector classification of industries

Sector	Headline (NAICS codes)*	Industries
Goods sectors	Primary (11,21,22)	Agriculture; Forestry, fishing, mining, quarrying, oil and gas; Utilities
	Construction (23)	Construction
	Manufacturing (31-33)	Manufacturing
Services sectors	Trade and transport (41-49)	Wholesale and retail trade; Transportation and warehousing
	Professional services (52-54, 55)	Finance, insurance, real estate, rental and leasing; Professional, scientific and technical services
	All other services (51, 56, 61, 62, 71, 72, 81, 91)	Business, building and other support services; Educational services; Health care and social assistance; Information, culture and recreation; Accommodation and food services; Other services (except public administration); Public administration
Manufacturing sub-sectors	Food and beverage (311, 312)	Food manufacturing; Beverage and tobacco product manufacturing
	Chemical and petroleum (324-326)	Petroleum and coal product manufacturing; Chemical manufacturing; Plastics and rubber products manufacturing
	Primary metals (331, 332)	Primary metal manufacturing; Fabricated metal product manufacturing
	Motor vehicles (3361)	Motor vehicle manufacturing
	Motor vehicle parts (3363)	Motor vehicle parts manufacturing
	Machinery and electronics (333-335)	Machinery manufacturing; Computer and electronic product manufacturing; Electrical equipment, appliance and component manufacturing
	Other manufacturing (321, 327, 3362, 3364-3369, 337, 339)	Textile and textile product mills; Clothing and leather and allied product manufacturing; Wood product manufacturing; Paper manufacturing; Printing and related support activities; Non-metallic mineral product manufacturing; Motor vehicle body and trailer manufacturing; Aerospace product and parts manufacturing; Railroad rolling stock manufacturing; Ship and boat building; Other transportation equipment manufacturing; Furniture and related product manufacturing; Miscellaneous manufacturing

* For detail on the North American Industry Classification System (NAICS) codes, see [North American Industry Classification System \(NAICS\) Canada 2022 Version 1.0](#).

Source: FAO.

About this Document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office of Ontario (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

Prepared by:

[Nicolas Rhodes](#) (Principal, Economics and Fiscal Analysis), [Edward Crummey](#) (Director, Economics and Fiscal Analysis), [Jay Park](#) (Principal, Economics and Fiscal Analysis), [Yefei Zhang](#) (Economist), [Andy Zhu](#) (Economist) and [Paul Lewis](#) (Chief Economist and Deputy FAO).

This report has been prepared with the benefit of publicly available information.

In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.



Financial Accountability Office of Ontario

2 Bloor Street West, Suite 900 Toronto, Ontario M4W 3E2 | fao-on.org | info@fao-on.org | 416-644-0702

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Attachment 2

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Economic and Budget Outlook

Summer 2025

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Financial Accountability Office of Ontario
2 Bloor Street West, Suite 900 Toronto, Ontario M4W 3E2 | fao-on.org | info@fao-on.org | 416-644-0702
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1. Summary

This Economic and Budget Outlook (EBO) report provides the FAO's projection for Ontario's economy and the Government of Ontario's (the Province's) finances over the 2024-25 to 2029-30 period. The report also compares the FAO's budget outlook to the Province's plan presented in the 2025 Ontario Budget.

US tariffs projected to lower Ontario's economic growth

Based on trade policies as of August 5, 2025, Ontario real GDP growth, the broadest measure of economic activity, is projected to slow to 0.9 per cent in 2025 and 1.0 per cent in 2026 as US tariffs reduce demand for Ontario's exports, and businesses cut back on investment and hiring. Over the 2027 to 2029 period, real GDP growth is projected to return to its long-term average trend of 1.9 per cent, as Ontario's economy adjusts to the impact of US tariffs. However, this implies that the level of Ontario's real GDP would be 1.7 per cent lower than in a no tariff scenario in 2029.

Canada's real GDP growth is projected to slow to 1.4 per cent in both 2025 and 2026 as US tariffs reduce trade activity between the two countries. Uncertainty in trade relations is expected to disproportionately impact Ontario, where sectors subject to US tariffs make up a larger share of the economy than in most other provinces. Ontario's housing market also continues to face significant challenges in new home construction and affordability.

The FAO projects budget deficits over the outlook

Based on the FAO's outlook for the Ontario economy, and current government policies and announced commitments, the FAO projects that the budget balance will deteriorate from a deficit of \$1.3 billion in 2024-25 to a deficit of \$12.0 billion in 2025-26. The significant increase in the budget deficit results from a projected 1.7 per cent decline in revenue, due to a loss of one-time revenue and a slowing economic outlook, combined with a 3.1 per cent increase in spending.

The budget balance is projected to improve gradually over the following three years to a deficit of \$7.9 billion in 2028-29. However, the FAO projects that the budget will not balance over the outlook, deteriorating to a deficit of \$9.0 billion in 2029-30, as spending growth, led by the health sector and interest on debt, is expected to exceed revenue growth.

Compared to the Province's outlook in the 2025 Ontario Budget, the FAO projects smaller budget deficits in 2024-25 and 2025-26 and larger deficits in 2026-27 and 2027-28 (the last year of the Province's outlook). In contrast to the FAO's outlook, the Province projects a balanced budget in 2027-28. In order to achieve a balanced budget in 2027-28, the Province expects stronger taxation revenue gains and significantly lower program spending growth in both 2026-27 and 2027-28 than projected by the FAO.

Ontario's net debt and fiscal sustainability indicators

The FAO projects that the Province's net debt will rise from \$408.0 billion in 2023-24 to \$549.3 billion in 2029-30, an increase of \$141.4 billion (34.7 per cent). This increase is due to \$52.2 billion in accumulated budget deficits over the period and an \$89.2 billion increase in non-financial assets, largely infrastructure assets owned by the Province and the broader public sector.

In the 2025 Ontario Budget, the government identified targets for three fiscal sustainability indicators, two related to the debt burden (a net debt-to-GDP ratio below 40.0 per cent and a net debt-to-operating revenue ratio below 200 per cent) and one related to budgetary flexibility (the share of revenue dedicated to debt interest payments below 7.5 per cent). Looking forward, the FAO expects that all three fiscal sustainability indicators will deteriorate over the outlook. However, the net debt-to-GDP and the net interest-to-operating revenue ratios are projected to remain below the government's targets, while the net debt-to-operating revenue ratio is expected to exceed the government's target.

Revenue growth expected to moderate

Over the 2024-25 to 2029-30 projection, revenue growth is expected to average 3.3 per cent per year, slower than the 5.5 per cent average annual increase recorded during the 2017-18 to 2023-24 period. The moderation in revenue growth reflects the FAO's expectation that nominal GDP growth will slow compared to the previous six years, in part due to the impact of US tariffs on Ontario's economy.

Compared to the 2025 budget, the FAO's revenue projection is \$3.7 billion above the Province's outlook in 2024-25 and \$1.6 billion above in 2025-26, mainly due to higher expected personal income tax and corporations tax revenue based on tax assessment information not available at the time of the 2025 budget. The FAO expects \$0.8 billion lower revenues in 2026-27 and \$3.1 billion lower in 2027-28 due to slower projected growth in taxation revenue.

Spending growth expected to moderate

Over the 2024-25 to 2029-30 projection, spending growth is expected to average 3.8 per cent per year, slower than the 5.2 per cent average annual increase recorded during the 2017-18 to 2023-24 period. Spending growth is expected to moderate due to slower projected inflation, slower wage and population growth, and the FAO's analysis of current government policies and announced commitments.

Starting in 2025-26, the FAO's spending projection exceeds the Province's forecast, with the spending gap increasing from \$1.0 billion in 2025-26 to \$9.2 billion in 2027-28. The gap between the spending forecasts is largely driven by the FAO's higher health sector spending forecast. The FAO projects health sector spending will grow at an average of 4.9 per cent annually over the outlook, consistent with the estimated 4.7 per cent combined growth of the health sector's key cost drivers: population growth, population aging and health sector inflation. By comparison, the 2025 budget forecasts a 2.4 per cent average annual spending increase in the health sector, over the same period, significantly below the health sector cost drivers. Across all other sectors combined, the FAO's spending forecast is consistent with both the Province's forecast and estimated cost drivers.

US trade policy remains the most significant risk

The FAO's economic and budget outlook was finalized based on existing trade policies as of August 5, 2025. As US trade policy continues to shift, the actual impact of tariffs on Ontario's economy is highly uncertain and will depend on the magnitude, breadth and duration of tariff coverage, as well as how businesses, households and economies respond.

Given this uncertainty, the FAO has developed two additional scenarios, based on potential changes in US and Canadian tariff policies, to estimate a range of potential economic and budget impacts to Ontario. In the FAO's "low impact" scenario, US tariff policies are assumed to be more favourable compared to the tariff policies as of August 5, and Ontario's budget deficit improves to \$3.9 billion in 2029-30. In contrast, the FAO's "high impact" scenario assumes US tariffs are more severe, and Ontario's budget deficit reaches \$13.4 billion by 2029-30.

2. Economic Outlook

Ontario’s economic growth slowed modestly in 2024

Ontario’s economic growth slowed modestly in 2024, with real GDP, the broadest measure of economic activity, expanding by 1.4 per cent, down from 1.7 per cent in 2023. Elevated interest rates weighed on the province’s highly indebted households, prompting spending restraint, while business activity remained subdued. Residential investment declined for the third consecutive year as high borrowing costs discouraged new home construction and housing sales activity. Temporary auto plant shutdowns for retooling and soft demand for motor vehicles in the United States weakened Ontario’s exports in 2024.

Ontario’s nominal GDP, which provides a broad measure of the tax base, expanded by 5.3 per cent in 2024, similar to the pace in 2023 and moderating from exceptionally strong increases in 2021 and 2022.¹ Labour income growth was resilient in 2024, reflecting solid gains in employment and strong growth in hourly wages. Corporate profits declined for the third consecutive year in 2024.

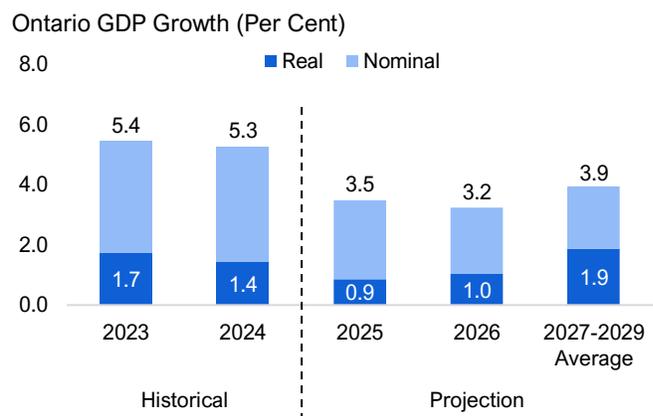
US tariffs projected to lower Ontario’s real GDP over the outlook

Real GDP growth is projected to slow to 0.9 per cent in 2025 and 1.0 per cent in 2026 as US tariffs reduce demand for Ontario’s exports and businesses cut back on investment and hiring. Lower interest rates are assumed to provide some relief to households and residential investment.

Nominal GDP growth is projected to moderate to 3.5 per cent in 2025 and 3.2 per cent in 2026 as the impact of US tariffs on the labour market and businesses lead to slower labour income growth and weak corporate profits.

Over the 2027 to 2029 period, real and nominal GDP growth are projected to average 1.9 per cent and 3.9 per cent, respectively, close to their long-term growth trends.

Figure 2.1
Ontario’s economic growth projected to slow in 2025 and 2026

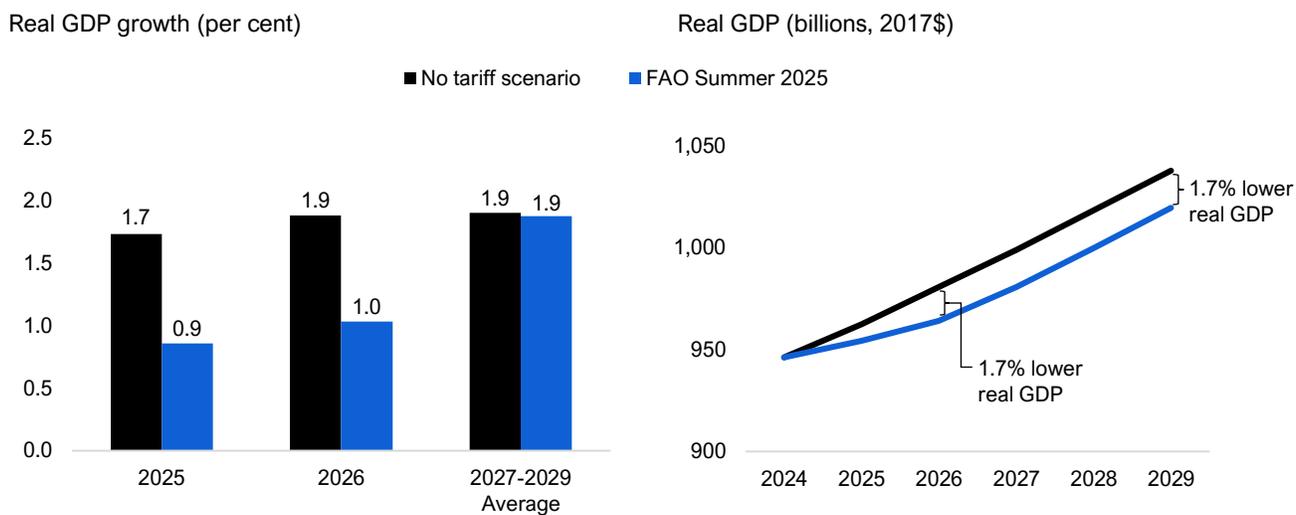


Source: Ontario Economic Accounts and FAO.

The FAO’s economic outlook includes existing trade policies as of August 5 (see Appendix for detailed assumptions). When compared to a no tariff scenario, Ontario’s projected real GDP growth is 0.8 percentage points lower in 2025 (0.9 per cent vs. 1.7 per cent) and 0.9 percentage points lower in 2026 (1.0 per cent vs. 1.9 per cent). Over time, Ontario’s economy is expected to adjust to the impact of US tariffs, and real GDP growth would improve to the same rate as in the no tariff scenario. However, this implies that the level of Ontario’s real GDP would be 1.7 per cent lower than in a no tariff scenario in 2029.

¹ Ontario nominal GDP grew by 11.0 per cent in 2021 and 9.4 per cent in 2022, reflecting the impact of high inflation, and marking the fastest two-year growth since 1987-1988.

Figure 2.2
Impact of US tariffs on Ontario real GDP relative to a no tariff scenario



Source: Ontario Economic Accounts and FAO.

There is significant uncertainty in the economic outlook stemming largely from US tariffs on Canadian exports, and changes to these policies could have a broad range of impacts on Ontario's economic growth. For a discussion of the current risks to the economic outlook, see Chapter 6.

Tariffs to impact provincial economies unevenly

Canada's real GDP growth is projected to slow to 1.4 per cent in both 2025 and 2026 as US tariffs reduce trade activity between the two countries. Uncertainty in trade relations is expected to disproportionately impact Ontario, where sectors subject to US tariffs make up a larger share of the economy than in most other provinces. Ontario's housing market also continues to face significant challenges in new home construction and affordability, and Ontario's home resales and prices are expected to decline the most out of all provinces in 2025.² As a result, Canada's real GDP growth is expected to outpace Ontario's real GDP growth over the next two years.

US tariffs projected to raise Ontario's unemployment rate in 2025 and 2026

Ontario's job creation continued to moderate in 2024 as employment increased by 140,000 jobs (1.7 per cent) compared to 242,000 jobs (3.1 per cent) created in 2023.³ With more people entering the labour market (270,900 or 3.2 per cent) than were hired, the annual unemployment rate increased to 7.0 per cent in 2024, up from 5.6 per cent in 2023 and the highest since 2014 excluding the COVID-19 pandemic.

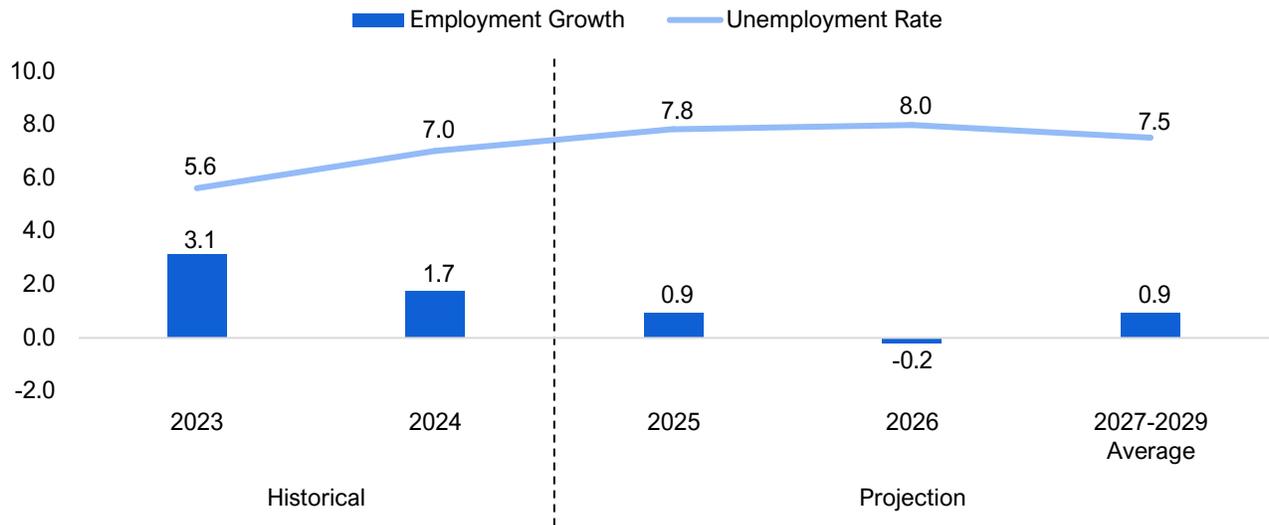
Annual employment growth is projected to slow to 0.9 per cent in 2025, followed by a decline of 0.2 per cent in 2026 as US tariffs result in job losses, especially in manufacturing and labour-intensive services industries. As a result, the annual unemployment rate is projected to increase to 7.8 per cent in 2025 and 8.0 per cent in 2026. The unemployment rate is expected to improve over the 2027 to 2029 period as Ontario's economy adjusts to the impact of tariffs.

² CREA Updates Resale Housing Market Forecast Amid Continuing Economic Uncertainty, The Canadian Real Estate Association, June 2025.

³ For details, see the FAO's Ontario's Labour Market in 2024.

Figure 2.3
Unemployment rate expected to increase in 2025 and 2026

(Per Cent)



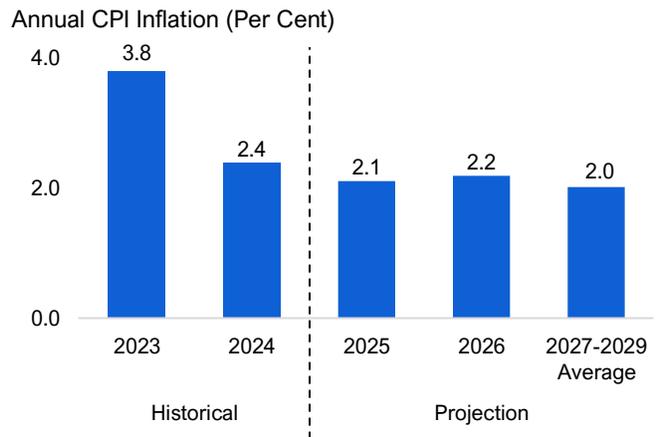
Source: Statistics Canada and FAO.

Tariffs are expected to push inflation slightly above the Bank of Canada’s target

Ontario’s average annual inflation rate fell from 3.8 per cent in 2023 to 2.4 per cent in 2024 as high interest rates continued to slow demand. Shelter price inflation was the fastest growing component of Ontario’s consumer price index (CPI) in 2024 at 5.2 per cent as mortgage interest and rental costs remained elevated.

Ontario’s average annual inflation rate is projected to ease to 2.1 per cent in 2025 and rise modestly to 2.2 per cent in 2026 as higher US inflation raises Ontario’s import prices. This expected increase is partially offset by the impact of weaker economic activity and lower oil prices.

Figure 2.4
Ontario’s inflation rate expected to stabilize

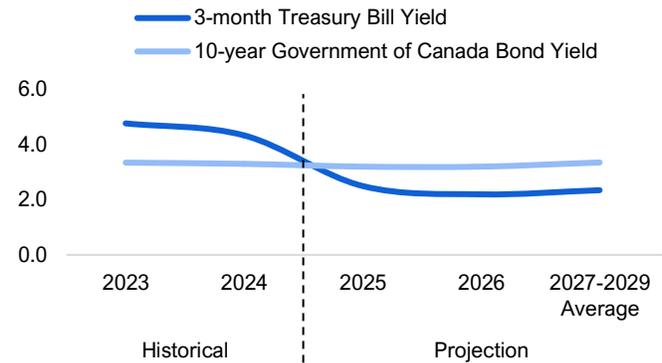


Source: Statistics Canada and FAO.

Since April 2024, the Bank of Canada has lowered its policy interest rate by a total of 225 basis points to 2.75 per cent in March 2025. Financial market participants anticipate the Bank of Canada will lower its policy interest rate by an additional 50 basis points by the end of 2025.⁴

The FAO projects that short-term interest rates will continue to trend down in 2025 and fall below long-term rates. The Bank of Canada is expected to leave its policy interest rate unchanged in 2026, and short-term interest rates are projected to average 2.4 per cent over the 2025 to 2029 period.

Figure 2.5
Short-term interest rates to continue falling in 2025
(Per Cent)



Source: Statistics Canada and FAO.

The FAO's economic outlook is similar to the government's projection in the 2025 budget

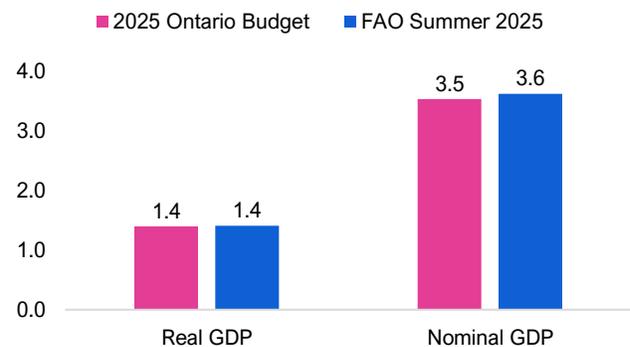
The FAO's real GDP outlook is broadly in line with the government's projection in the 2025 Ontario Budget, with average annual growth of 1.4 per cent over the 2025 to 2028 period. The FAO projects average annual nominal GDP growth of 3.6 per cent, slightly higher than the government's 3.5 per cent outlook.

Compared to the government's outlook, the FAO's projection for nominal GDP growth is higher in 2025 and 2026 and lower in 2027 and 2028 based on different outlooks for labour income, corporate profits and nominal household consumption.

For a comparison of the FAO's and the government's outlook for key revenue drivers and select economic indicators, see Appendix tables 7.1 and 7.2.

Figure 2.6
The FAO's GDP outlook is broadly in line with the government's projection

Average Annual Growth, 2025 to 2028 (Per Cent)



Source: 2025 Ontario Budget and FAO.

⁴ Market Participants Survey: Second Quarter of 2025, Bank of Canada, August 2025.

3. Budget Outlook

The FAO projects budget deficits over the outlook

Following a budget deficit of \$0.6 billion in 2023-24, the FAO projects that Ontario’s budget deficit deteriorated modestly to \$1.3 billion in 2024-25, as spending growth of 8.1 per cent outpaced revenue gains of 7.8 per cent.

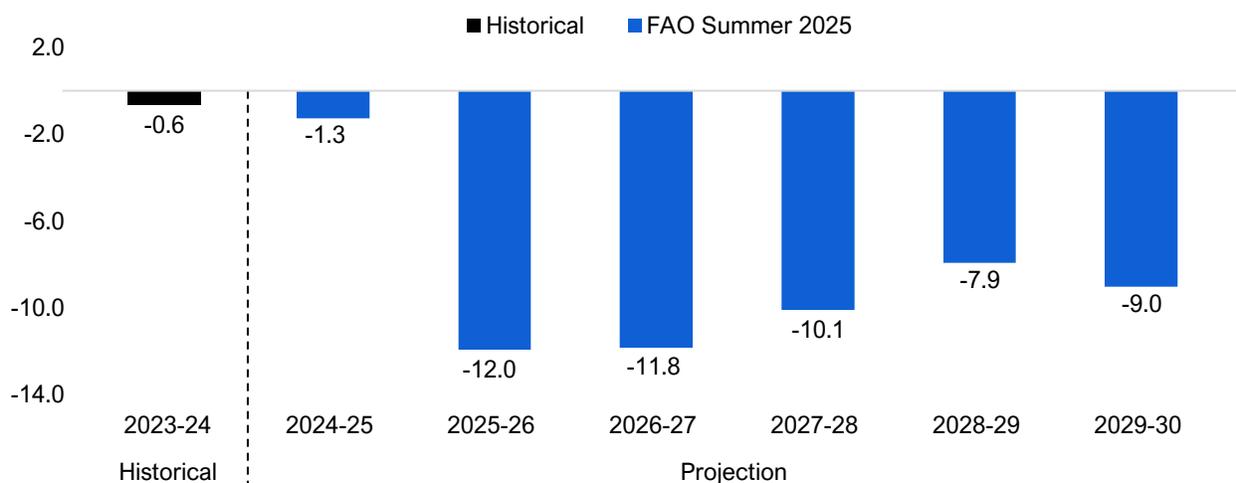
Based on the FAO’s outlook for the Ontario economy, and current government policies and announced commitments, the FAO projects that the budget deficit will deteriorate to \$12.0 billion in 2025-26. The significant increase in the budget deficit results from a projected 1.7 per cent decline in revenue, due to a loss of one-time revenue and a slowing economic outlook, combined with a 3.1 per cent increase in spending (see Chapters 4 and 5 for details).

The budget balance is projected to improve gradually over the following three years to a deficit of \$7.9 billion in 2028-29, as average annual revenue growth of 3.3 per cent is projected to exceed average spending growth of 2.6 per cent per year. However, the FAO projects that the budget will not balance over the outlook, deteriorating to a deficit of \$9.0 billion in 2029-30, as spending growth, led by the health sector and interest on debt,⁵ is expected to exceed revenue growth.

The FAO’s budget outlook is subject to significant risks, notably US trade policy (see Chapter 6 for more details).

Figure 3.1
FAO projects budget deficits over the outlook

(\$ Billions)



Source: Ontario Public Accounts and FAO.

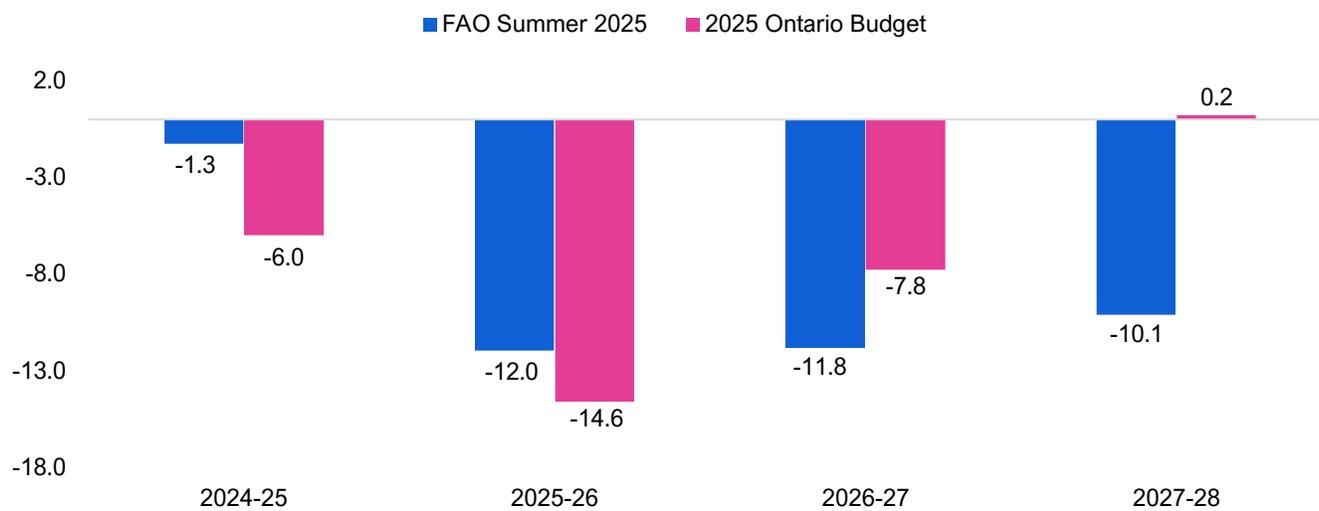
⁵ This report uses the term “Interest on Debt”, which was renamed to “Interest and Other Debt Servicing Charges” in the [2025 Ontario Budget](#) (see page 182).

Comparison to the outlook in the 2025 Ontario Budget

The FAO's budget deficit projection is lower compared to the government's deficit forecast in the 2025 Ontario Budget in the first two years of the outlook and higher in the last two years (the Province's forecast ends in 2027-28). The FAO does not project a balanced budget over the outlook, while in the 2025 budget the Province projected a balanced budget in 2027-28.

Figure 3.2
FAO does not expect a balanced budget by 2027-28

(\$ Billions)



Source: FAO and 2025 Ontario Budget.

In 2024-25, the FAO's budget deficit projection is \$4.7 billion smaller than the government's deficit forecast, as the FAO expects higher revenues and lower spending. For 2025-26, the FAO's budget deficit outlook is \$2.7 billion smaller than the government's, largely due to the \$2.0 billion reserve in the Province's forecast, which is not included in the FAO's outlook.

In contrast, the FAO's budget deficit projection is \$4.1 billion larger than the government's in 2026-27 and \$10.3 billion larger in 2027-28, the year in which the government expects to achieve balance. The 2025 budget expects stronger taxation revenue gains and significantly lower program spending growth compared to the FAO's outlook in 2026-27 and 2027-28. (See Chapters 4 and 5 for additional details.)

The *Fiscal Sustainability, Transparency and Accountability Act, 2019* (FSTAA) mandates that the Province plan for a balanced budget in each fiscal year, unless the government determines that extraordinary circumstances require the Province to have a budget deficit for one or more years. In the case of the 2025 Ontario Budget, the Province determined that a budget deficit was necessary in 2025-26 and 2026-27, with a plan to return to balance in 2027-28. Based on the FAO's outlook for the Ontario economy, and current government policies and announced commitments, the FAO does not expect that the Province will return to a balanced budget by 2027-28 without additional measures to reduce spending and/or increase revenue.

Ontario’s net debt and fiscal sustainability indicators

The FAO projects that the Province’s net debt will rise from \$408.0 billion in 2023-24 to \$549.3 billion in 2029-30, an increase of \$141.4 billion (34.7 per cent). This increase is due to \$52.2 billion in accumulated budget deficits over the period and an \$89.2 billion increase in non-financial assets, largely infrastructure assets owned by the Province and the broader public sector.

FSTAA mandates that each Ontario budget include a debt burden reduction strategy that outlines specific objectives for the projected net debt-to-GDP ratio and a progress report on supporting actions and implementation of the debt burden reduction strategy from the last budget.

In the 2025 budget, the government’s debt burden reduction strategy contained targets for three fiscal sustainability indicators, which were unchanged from the 2023 and 2024 budgets:

- net debt-to-GDP⁶ to stay below 40.0 per cent;
- net debt-to-operating revenue⁷ to be below 200 per cent; and
- net interest-to-operating revenue⁸ to stay below 7.5 per cent.

In 2023-24, all three of the government’s fiscal sustainability indicators were below their 10-year historical average and the government’s 2025 budget targets. Looking forward, the FAO expects that the fiscal sustainability indicators will deteriorate over the outlook. The net debt-to-GDP ratio is expected to increase from 36.4 per cent in 2023-24 to 38.9 per cent in 2029-30 but remain below the government’s target and the ratio’s 10-year historical average. The net debt-to-operating revenue ratio is expected to increase from 198.1 per cent in 2023-24 to 218.4 per cent in 2029-30, ending the outlook period over the government’s target and over its 10-year historical average. Finally, the net interest-to-operating revenue ratio is projected to increase from 5.5 per cent in 2023-24 to 7.49 per cent in 2029-30, remaining below the government’s target and its 10-year historical average.

Table 3.1

The FAO projects all three fiscal sustainability indicators will deteriorate over the outlook

Indicator	10-Year Historical Average (%)	Government Target (%)	2023-24 Actual (%)	2029-30 Forecast (%)	Change (ppt)	Over / Under Target in 2029-30
Net debt-to-GDP	39.5	< 40.0	36.4	38.9	up 2.5 ppt	Under
Net debt-to-operating revenue	217.9	< 200.0	198.1	218.4	up 20.3 ppt	Over
Net interest-to-operating revenue	7.6	< 7.5	5.5	7.49	up 2.0 ppt	Under

Note: 10-year historical average covers the period 2014-15 to 2023-24.
Source: Ontario Public Accounts, 2025 Ontario Budget and FAO.

⁶ Net debt as a share of GDP is a measure of the debt burden relative to the size of the economy and provides information on a government’s ability to raise funds to manage its debt obligations.

⁷ Net debt-to-operating revenue is a measure of the debt burden and indicates the number of years it would take to eliminate a government’s net debt if all operating revenues were used for debt repayment. For example, a net debt-to-operating revenue ratio of 200 per cent means it would take two years to pay off a government’s net debt if all operating revenues were dedicated to debt repayment.

⁸ The ratio of net interest-to-operating revenue is an indicator of budgetary flexibility – a higher ratio indicates that a government has a smaller share of revenue available to spend on programs.

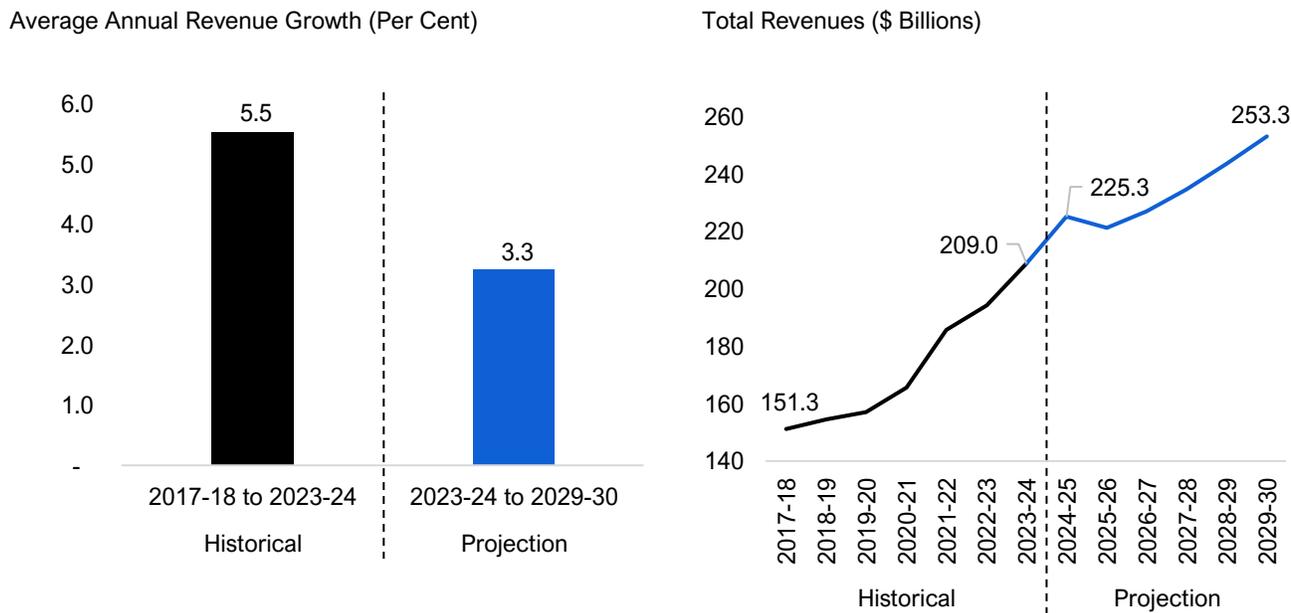
4. Revenue Outlook

Revenue growth expected to moderate

From 2023-24 to 2029-30, revenue growth is expected to average 3.3 per cent per year, slower than the 5.5 per cent average annual increase recorded during the 2017-18 to 2023-24 period. The moderation in revenue growth reflects the FAO's forecast that nominal GDP growth, the broadest measure of the tax base, will slow compared to the previous six years. Revenue growth is also constrained by a projected decline in other non-tax revenue, including international student tuition revenue in the colleges sector and interest and investment income.

Revenue is projected to increase from \$209.0 billion in 2023-24 to \$225.3 billion in 2024-25 (+7.8 per cent). This \$16.3 billion increase results from the combined impact of higher tax revenue growth, particularly in personal income tax and corporations tax revenue, as well as other significant temporary revenues.⁹ In 2025-26, revenues decline by \$3.8 billion (-1.7 per cent), due to the combined impact of moderating economic activity and the loss of the temporary revenues. By 2029-30, revenue reaches \$253.3 billion driven by underlying economic activity.

Figure 4.1
Ontario's revenue growth to moderate over the projection



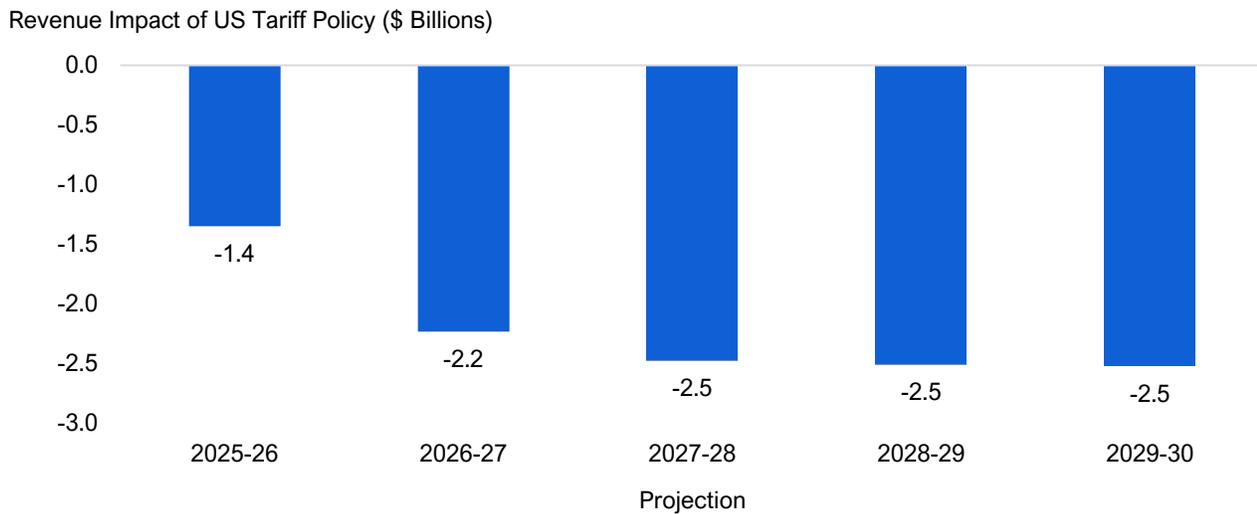
Note: Historical revenue has been restated to include revenue from interest and investment income.
Source: Ontario Public Accounts and FAO.

⁹ In 2024-25 temporary revenues include: tax revenue from prior years; an FAO estimated \$1.8 billion from a tobacco company settlement; an accounting adjustment for the consolidation of nuclear funds for Ontario Power Generation, and higher than usual recoveries from prior year expenses.

US tariffs projected to lower Provincial revenue

As discussed in Chapter 2, US tariff policy is projected to lower Ontario's nominal GDP growth rate. Based on US tariff policy as of August 5, 2025, the FAO estimates that in 2026-27 revenues will be \$2.2 billion lower than in the absence of tariffs. Over the outlook, US tariffs are expected to lower revenues by a cumulative \$11.1 billion from 2025-26 to 2029-30.

Figure 4.2
\$2.2 billion in lower Provincial revenue in 2026-27 due to the impact of US tariffs on Ontario's economy



Source: FAO.

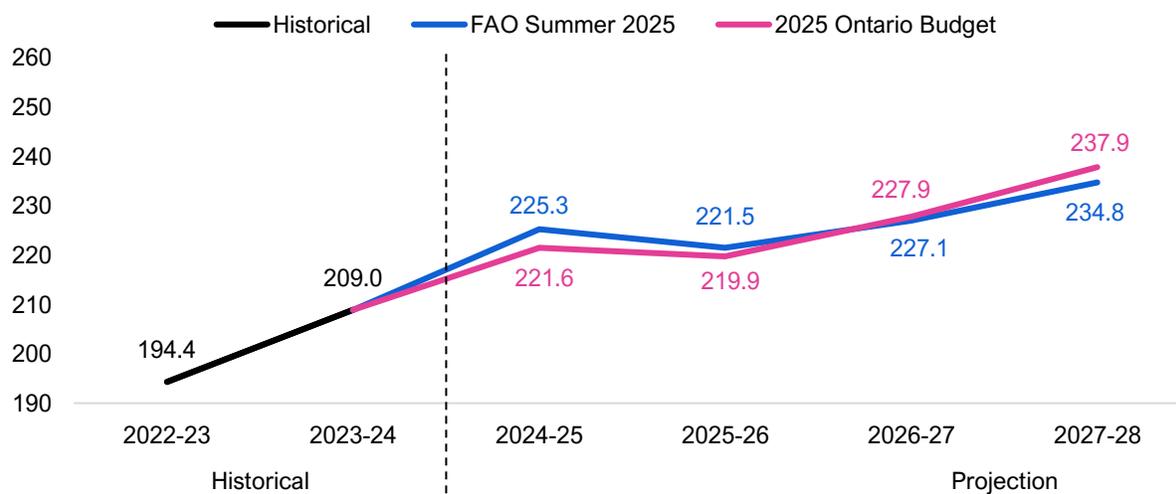
Comparison to revenue projection in the 2025 budget

Over the comparable outlook (2024-25 to 2027-28), the FAO projects a cumulative \$1.5 billion in higher revenue than the government. While the FAO’s cumulative revenue outlook over the projection is broadly in-line with the government’s, there are differences in individual years.

The FAO’s revenue projection is above the government’s outlook in 2024-25 (+\$3.7 billion) and 2025-26 (+\$1.6 billion), mainly due to higher personal income tax and corporations tax revenue based on tax assessment information not available at the time of the 2025 budget. Compared to the government, the FAO expects lower revenues in 2026-27 (-\$0.8 billion) and 2027-28 (-\$3.1 billion), due to slower projected growth in taxation revenue.¹⁰

Figure 4.3
Comparison to 2025 Ontario Budget revenue projection

Revenue (\$ Billions)



Note: Historical revenue has been restated to include revenue from interest and investment income.
 Source: Ontario Public Accounts, 2025 Ontario Budget and FAO.

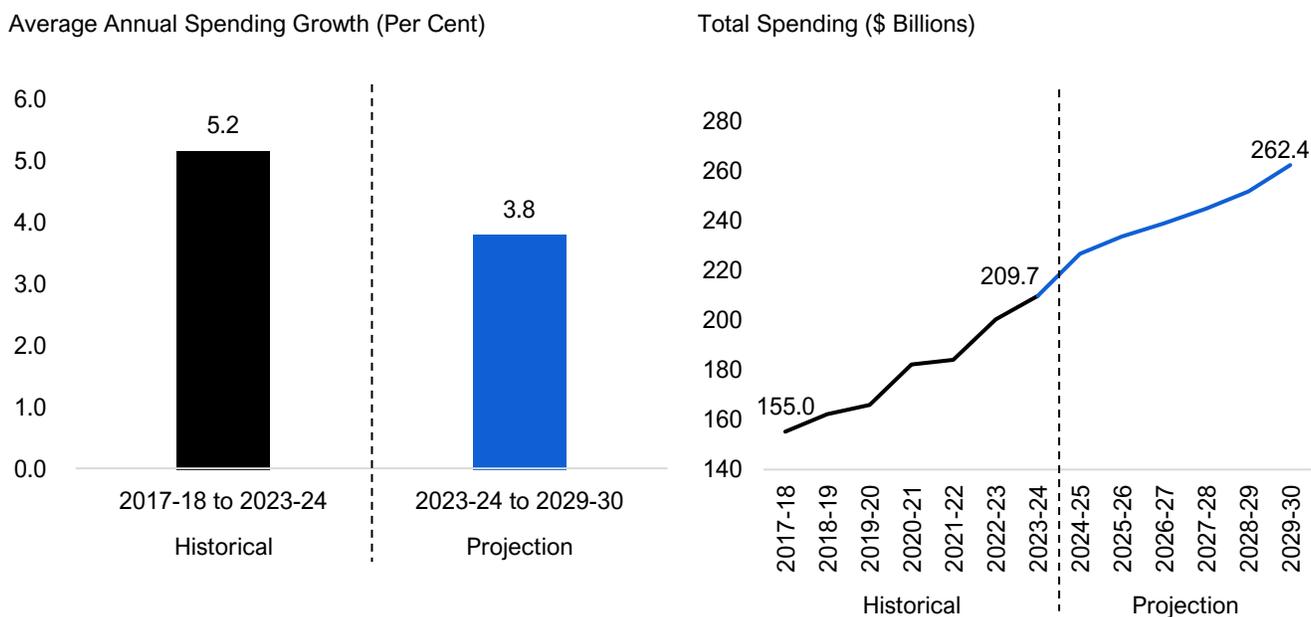
¹⁰ For more analysis on the government’s revenue projection see the FAO’s [2025 Ontario Budget Note](#).

5. Spending Outlook

Spending growth expected to moderate

The FAO projects that spending will grow at an average annual rate of 3.8 per cent from \$209.7 billion in 2023-24 to \$262.4 billion in 2029-30. This is a slower pace than the 5.2 per cent average annual growth from 2017-18 to 2023-24, a period that included the introduction of new government programs,¹¹ the expansion of existing programs,¹² and higher spending in response to the COVID-19 pandemic, inflationary pressures and high population growth. The FAO expects spending growth to moderate over the forecast period based on slower projected inflation, slower wage and population growth, and the FAO’s analysis of current government policies and announced commitments.

Figure 5.1
Ontario’s spending growth to moderate over the projection



Note: Historical spending has been restated to exclude revenue from interest and investment income.
 Source: 2025 Ontario Budget and FAO analysis of information provided by the Province.

¹¹ Examples of new programs during this period include the Renewable Cost Shift (2020-21, currently referred to as the Comprehensive Electricity Plan) and the start of the \$10-a-day child care program in 2022-23.

¹² Examples of expanded programs include the expansion of hospital beds and the increase in hours of direct care provided to long-term care home residents.

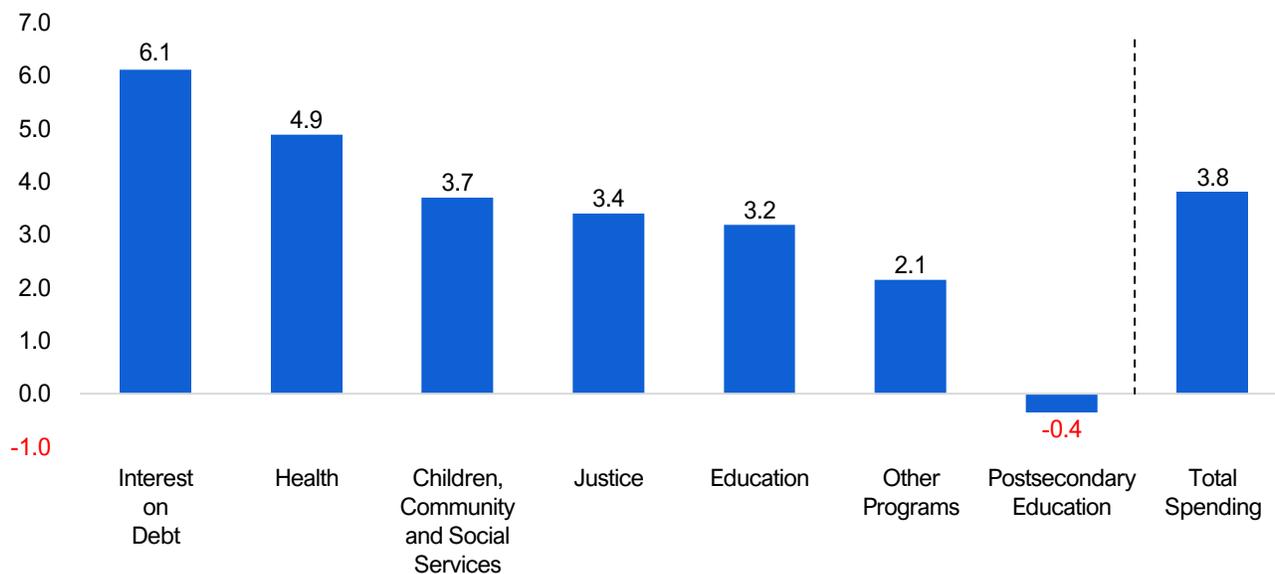
Spending growth led by interest on debt and health sector

By sector, interest on debt and health are expected to grow faster than the average total spending growth of 3.8 per cent. Spending on interest on debt is projected to grow by an average of 6.1 per cent per year, driven by borrowing for the Province’s accumulated budget deficits and non-financial assets, largely infrastructure assets owned by the Province and the broader public sector. Health sector spending is projected to increase by an average of 4.9 per cent per year, driven by strong spending in long-term care, drug programs, community care and payments to physicians and practitioners.

In contrast, all other sectors are expected to grow slower than the 3.8 per cent average over the 2023-24 to 2029-30 period. Spending in the children, community and social services sector is projected to grow at 3.7 per cent per year on average, based on the FAO’s projection for social assistance caseloads and the legislated benefit rates for the Ontario Disability Support Program and the Ontario Works program.¹³ Justice sector spending follows at an average of 3.4 per cent per year, driven by the FAO’s forecast for increases in corrections capacity and employee compensation. Education sector spending is projected to grow at 3.2 per cent per year on average, due to moderating elementary and secondary school enrolment growth. ‘Other programs’ sector spending is projected to grow at 2.1 per cent per year, on average, due to the scheduled expiry of time-limited spending programs, mostly related to municipal supports, which include Toronto and Ottawa ‘New Deal’ funding,¹⁴ the Housing-Enabling Water Systems Fund, and the Building Faster Fund. Lastly, postsecondary education spending is projected to decline by an average of -0.4 per cent per year due to the ongoing impact of lower international student enrolment on colleges spending.

Figure 5.2
FAO’s spending projection by sector from 2023-24 to 2029-30, average annual growth (per cent)

Average Annual Spending Growth (Per Cent)



Note: Historical spending has been restated to exclude revenue from interest and investment income.
 Source: 2025 Ontario Budget and FAO analysis of information provided by the Province.

¹³ Benefit rates for the Ontario Disability Support Program are indexed to inflation, while benefit rates for the Ontario Works program are currently not scheduled to change.

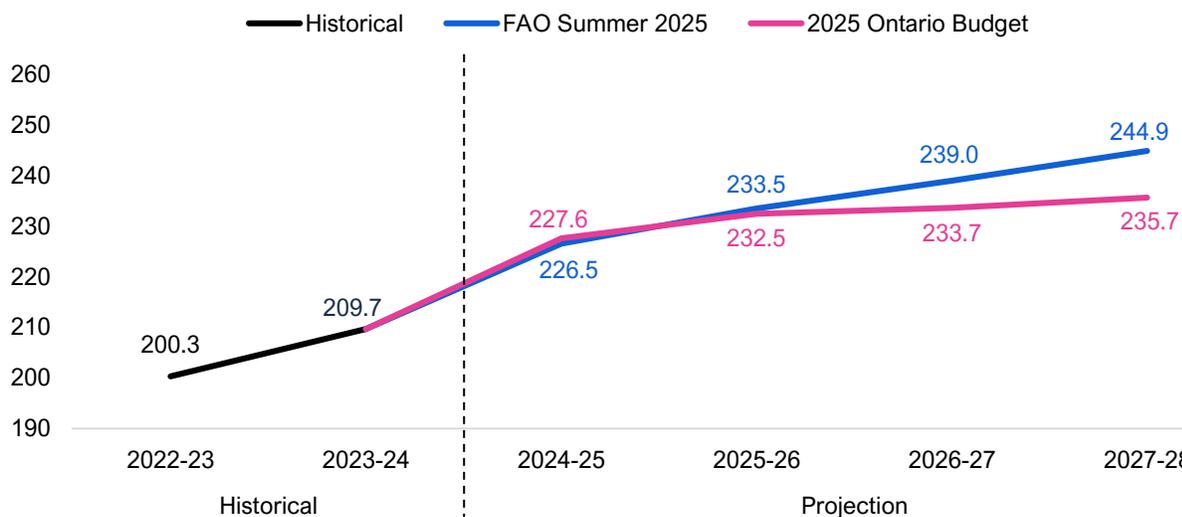
¹⁴ New Deal funding includes time-limited operating and capital support for public transit and homelessness.

Comparison to spending projection in the 2025 budget

Over the 2025 Ontario Budget outlook period, from 2024-25 to 2027-28, the FAO projects a cumulative \$14.5 billion in higher spending than the government's projection in the 2025 budget. In 2024-25, the first year of the outlook period, the FAO's spending projection is \$1.1 billion below the government's projection. However, over the next three years, the FAO's spending forecast exceeds the government's forecast by a cumulative \$15.5 billion, with the spending gap increasing from \$1.0 billion in 2025-26 to \$9.2 billion in 2027-28.

Figure 5.3
Comparison to 2025 Ontario Budget spending projection

Spending (\$ Billions)



Note: Historical spending has been restated to exclude revenue from interest and investment income.
Source: Ontario Public Accounts, 2025 Ontario Budget and FAO.

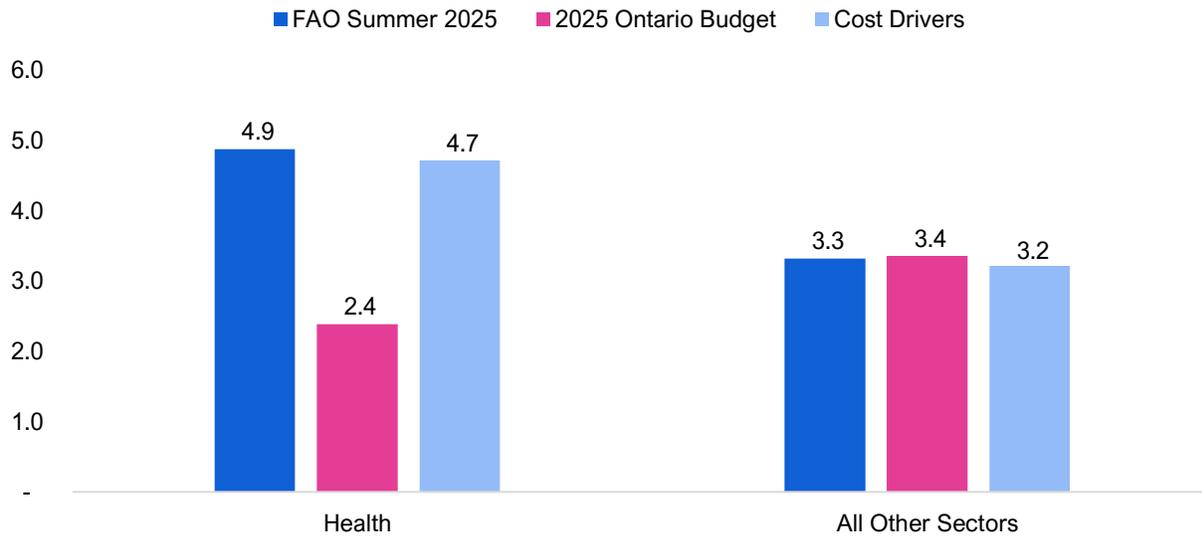
The gap between the spending forecasts is largely driven by the FAO's higher health sector spending forecast. From 2023-24 to 2027-28, the FAO projects health sector spending will grow at an average of 4.9 per cent annually, consistent with the estimated 4.7 per cent combined growth of the health sector's key cost drivers: population growth, population aging and health sector inflation. By comparison, the 2025 budget forecasts a 2.4 per cent average annual spending increase in the health sector over the same period, significantly below the health sector cost drivers.

Across all other sectors combined, the FAO's spending forecast is consistent with the Province's forecast.¹⁵ The Province projects spending to grow at 3.4 per cent annually, between 2023-24 and 2027-28, similar to both the FAO's projection of 3.3 per cent average annual growth and estimated cost driver growth of 3.2 per cent.

¹⁵ Table 7.5 in the Appendix provides a comparison by sector of the FAO's spending projection to the 2025 budget's spending forecast.

Figure 5.4
Comparison to 2025 Ontario Budget spending growth projection, 2023-24 to 2027-28

Average Annual Spending Growth (Per Cent)



Note: Historical spending has been restated to exclude revenue from interest and investment income.
 Source: Ontario Public Accounts, 2025 Ontario Budget and FAO.

6. Risks to the Economic and Budget Outlook

US trade policy remains the most significant risk

There are numerous risks that could materially impact the FAO's economic and budget outlook over the projection, mainly related to US trade policy.¹⁶

The FAO's economic and budget outlook was finalized based on existing trade policies as of August 5, 2025 (see Appendix for detailed assumptions). As of the writing of this report, Canada and the United States have not reached a trade agreement, while the Canada-United States-Mexico Agreement (CUSMA) will undergo a review process in 2026. The United States has reached trade frameworks with several countries in recent months, all of which have involved a base tariff rate for US imports. The United States has also suggested that it may impose future tariffs on semiconductors and pharmaceuticals. Overall, ongoing uncertainty surrounding trade policy remains a significant risk to Ontario's exports, business investment and labour market.

The potential economic and budget impacts of alternative tariff scenarios

As US trade policy continues to shift, the actual impact of tariffs on Ontario's economy is highly uncertain and will depend on the magnitude, breadth and duration of tariff coverage, as well as how businesses, households and economies respond. Given this uncertainty, the FAO has developed two additional scenarios, a "low impact" and a "high impact" scenario, to account for potential changes in US and Canadian tariff policies. These scenarios produce a potential range of economic and budget impacts to Ontario.¹⁷

The FAO's low impact scenario assumes:

- Changes to US tariffs on the following Canadian exports:
 - 12.5 per cent on steel, aluminum and copper products (lowered from 50 per cent).
 - For non-CUSMA compliant exports to the United States, 15 per cent on all goods (lowered from 35 per cent) except energy and critical minerals, which remain at 10 per cent.
- Removal of all countermeasures by the Canadian government on imports from the United States.

The FAO's high impact scenario assumes:

- Additional US tariffs on the following Canadian exports:
 - 50 per cent on lumber, semiconductors, pharmaceuticals (increased from 0 per cent).
 - 15 per cent on all other CUSMA-compliant goods (increased from 0 per cent).
- 25 per cent tariff by the Canadian government on approximately \$120 billion of US goods (increased from \$59.8 billion).

Under the low impact scenario, Ontario's nominal GDP growth averages 0.2 percentage points higher and

¹⁶ Other risks include ongoing geopolitical tensions, the potential for higher inflation in the United States which could push up prices in Ontario through imports, and slower than projected global economic growth particularly for Ontario's main trading partners. In addition, the FAO's spending outlook does not include the estimated cost of some recently announced measures, as details on funding and design are not yet known. This includes the upload to the Province of the Gardiner Expressway, Don Valley Parkway and Ottawa Road 174.

¹⁷ These scenarios use the same methodological assumptions from the low and high impact scenarios in the FAO's [The Potential Impacts of US Tariffs on the Ontario Economy](#).

Ontario’s unemployment rate averages 0.6 percentage points lower compared to the FAO’s EBO base case projection over the 2025 to 2029 period. Under the high impact scenario, Ontario’s nominal GDP growth averages 0.2 percentage points lower and Ontario’s unemployment rate averages 0.8 percentage points higher compared to the FAO’s EBO base case projection over the 2025 to 2029 period.

Table 6.1
Potential economic impacts to Ontario of alternative tariff scenarios

2025-2029 Average	Low Impact Scenario	FAO EBO Summer 2025	High Impact Scenario
Real GDP growth (per cent)	1.8	1.5	1.2
Nominal GDP growth (per cent)	3.9	3.7	3.5
Unemployment rate (per cent)	7.0	7.7	8.4
CPI growth (per cent)	1.9	2.0	2.3

Source: FAO.

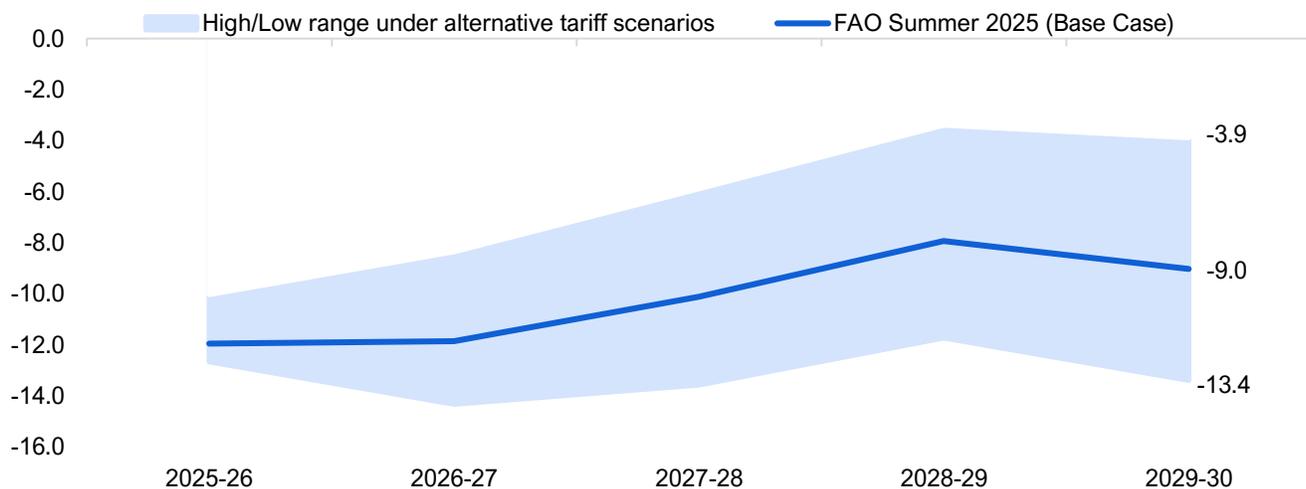
Under the low impact scenario, the FAO projects a budget deficit of \$3.9 billion by 2029-30, a \$5.1 billion improvement compared to the FAO’s EBO base case projection. The province’s net debt-to-GDP ratio is also projected to reach 37.2 per cent in 2029-30, compared to 38.9 per cent in the base case.

Under the high impact scenario, the budget deficit reaches \$13.4 billion in 2029-30, a \$4.3 billion deterioration from the FAO’s EBO base case. Ontario’s net debt-to-GDP ratio is also projected to rise to 40.4 per cent in 2029-30, surpassing the government’s target of 40.0 per cent.

Budget balance projections could fall outside of this range if tariffs or the economic outlook differ from the scenarios described above or if the government makes future policy changes.

Figure 6.1
The impacts of alternative tariff scenarios on Ontario’s budget balance

Budget Balance (\$ Billions)



Source: FAO.

Budget balance and net debt sensitivities

To illustrate the impact of potential policy changes on Ontario's budget position, the FAO estimated the sensitivity of key budget indicators to select revenue and spending changes. For each policy item, the FAO provides an estimate of the 2025-26 and 2029-30 change in the budget balance, the total change in net debt by 2029-30, and the change in the net debt-to-GDP ratio in 2029-30.

Table 6.2
Budget balance and net debt sensitivities

	Change in Budget Balance in:		Change in Net Debt by 2029-30	Change in Net Debt-to-GDP Ratio by 2029-30
	2025-26	2029-30		
Revenue				
Increase/decrease in annual personal income taxes payable by \$500 per taxpayer	+/- \$4.9 billion	+/- \$6.0 billion	-/+ \$27.0 billion	-/+ 1.9 ppt
A one percentage point increase/decrease to the 11.5 per cent provincial general corporate tax rate	+/- \$2.1 billion	+/- \$2.8 billion	-/+ \$12.1 billion	-/+ 0.9 ppt
A one percentage point increase/decrease to the 8 per cent provincial HST rate	+/- \$4.7 billion	+/- \$6.4 billion	-/+ \$27.7 billion	-/+ 2.0 ppt
Spending				
A sustained one percentage point increase/decrease in the growth rate of health sector spending	-/+ \$1.0 billion	-/+ \$6.2 billion	+/- \$17.1 billion	+/- 1.2 ppt
A sustained one percentage point increase/decrease in the growth rate of education sector spending	-/+ \$0.4 billion	-/+ \$2.6 billion	+/- \$7.3 billion	+/- 0.5 ppt
A one percentage point increase/decrease in the cost of Provincial borrowing	-/+ \$0.7 billion	-/+ \$2.6 billion	+/- \$8.4 billion	+/- 0.6 ppt

Note: All estimates are full-year impacts.
Source: FAO.

7. Appendix

Tariff Assumptions

The FAO's economic outlook is based on existing trade policies as of August 5, 2025, including:

- US tariffs on the following Canadian exports:
 - 50 per cent on steel, aluminum and copper products, regardless of CUSMA-compliance.
 - 25 per cent on motor vehicles with an exemption for United States content of vehicles that are CUSMA-compliant.
 - 25 per cent on motor vehicle parts that are not CUSMA-compliant, with a remission through April 2027 for a specified value of motor vehicle parts imports, if final assembly is in the United States.
 - No tariffs on all other CUSMA-compliant goods.
 - For non-CUSMA-compliant exports to the United States, 35 per cent on all goods except energy and critical minerals, which are tariffed at 10 per cent.
- Countermeasures by the Canadian government on the following imports from the United States:¹⁸
 - 25 per cent on \$59.8 billion in imports from the United States.
 - 25 per cent tariffs on non-CUSMA compliant motor vehicles and non-Canadian and non-Mexican content of CUSMA-compliant automobiles imported from the United States, with temporary remissions for companies that manufacture motor vehicles in Canada and import motor vehicles for sale in Canada.
 - Temporary remissions for imports from the United States used in manufacturing, health and defence.

The FAO's economic outlook also incorporates methodological assumptions from the "FAO tariff scenario" in the FAO's report, *The Potential Impacts of US Tariffs on the Ontario Economy*.

¹⁸ After this report was finalized, the Canadian government announced the removal of countermeasures on CUSMA-compliant US goods except for steel, aluminum and autos. This change is not expected to have a material impact to the FAO's economic outlook.

Data Tables

Table 7.1
FAO outlook for key revenue drivers

(% Change)	2023a	2024a	2025f	2026f	2027f-2029f Average*
Nominal GDP					
FAO	5.4	5.3	3.5	3.2	3.9
2025 Ontario Budget**	5.4	5.3	3.1	3.0	4.0
Labour Income					
FAO	6.7	6.2	3.5	3.0	3.9
2025 Ontario Budget	6.7	6.2	3.7	3.2	3.7
Corporate Profits					
FAO	-4.2	-0.9	0.4	3.1	4.2
2025 Ontario Budget	-4.2	-0.9	-3.0	6.4	6.2
Household Consumption					
FAO	5.1	5.0	4.4	3.2	3.9
2025 Ontario Budget	5.1	5.0	3.5	3.1	3.8

a = Actual, f = Forecast

* 2025 Ontario Budget average is from 2027 to 2028.

** 2025 Ontario Budget was based on information available up to April 3, 2025.

Source: Ontario Economic Accounts, 2025 Ontario Budget and FAO.

Table 7.2
FAO outlook for real GDP and select economic indicators

	2023a	2024a	2025f	2026f	2027f-2029f Average*
Real GDP (% Change)					
FAO	1.7	1.4	0.9	1.0	1.9
2025 Ontario Budget**	1.7	1.4	0.8	1.0	1.9
Employment (% Change)					
FAO	3.1	1.7	0.9	-0.2	0.9
2025 Ontario Budget	3.1	1.7	0.9	0.4	0.9
Unemployment Rate (%)					
FAO	5.6	7.0	7.8	8.0	7.5
2025 Ontario Budget	5.6	7.0	7.6	7.3	6.4
CPI Inflation (% Change)					
FAO	3.8	2.4	2.1	2.2	2.0
2025 Ontario Budget	3.8	2.4	2.3	2.0	2.0
3-month Treasury Bill Rate (%)					
FAO	4.8	4.3	2.6	2.4	2.4
2025 Ontario Budget	4.8	4.3	2.4	2.3	2.5
10-year Government Bond Rate (%)					
FAO	3.3	3.4	3.2	3.4	3.4
2025 Ontario Budget	3.3	3.4	3.1	3.2	3.5

a = Actual, f = Forecast

* 2025 Ontario Budget average is from 2027 to 2028.

** 2025 Ontario Budget was based on information available up to April 3, 2025.

Source: Ontario Economic Accounts, 2025 Ontario Budget and FAO.

Table 7.3
FAO budget outlook

(\$ Billions)	2023-24a	2024-25f	2025-26f	2026-27f	2027-28f	2028-29f	2029-30f
Revenue							
Personal Income Tax	50.8	57.2	57.0	59.4	62.2	65.1	68.0
<i>Annual Growth (%)</i>	14.8	12.6	-0.4	4.2	4.7	4.6	4.5
Sales Tax	39.9	39.8	40.6	42.0	43.7	45.4	47.2
<i>Annual Growth (%)</i>	10.5	-0.2	1.9	3.6	3.9	4.0	4.0
Corporations Tax	23.1	30.4	27.1	27.5	28.1	29.2	30.2
<i>Annual Growth (%)</i>	-16.7	31.3	-10.7	1.4	2.4	3.6	3.7
All Other Taxes	28.1	29.2	29.5	30.2	31.1	32.1	33.2
<i>Annual Growth (%)</i>	-1.2	4.1	1.0	2.4	2.8	3.3	3.3
Total Taxation Revenue	141.9	156.6	154.2	159.1	165.1	171.7	178.6
<i>Annual Growth (%)</i>	3.9	10.4	-1.5	3.2	3.7	4.0	4.0
Transfers from Government of Canada	34.3	36.1	38.9	39.7	40.1	41.5	43.0
<i>Annual Growth (%)</i>	9.8	5.1	7.7	2.1	1.0	3.4	3.7
Income from Government Business Enterprises	7.4	7.4	6.5	6.9	8.0	8.3	8.5
<i>Annual Growth (%)</i>	21.1	-0.0	-12.1	6.4	14.8	4.0	3.0
Other Non-Tax Revenue	25.4	25.2	21.9	21.4	21.7	22.4	23.2
<i>Annual Growth (%)</i>	23.8	-1.0	-12.8	-2.6	1.4	3.5	3.6
Total Revenue	209.0	225.3	221.5	227.1	234.8	243.9	253.3
<i>Annual Growth (%)</i>	7.5	7.8	-1.7	2.5	3.4	3.9	3.9
Spending							
Health	85.2	91.2	95.3	99.4	103.1	108.2	113.5
<i>Annual Growth (%)</i>	9.0	6.7	4.4	4.3	3.7	5.0	4.8
Education	38.8	39.7	42.2	43.3	44.6	45.7	46.8
<i>Annual Growth (%)</i>	7.2	2.4	6.2	2.6	3.0	2.4	2.4
Children, Community and Social Services	19.3	20.5	21.6	22.2	22.8	23.4	24.0
<i>Annual Growth (%)</i>	7.6	5.5	5.3	2.9	3.0	2.3	2.6
Postsecondary Education	13.3	14.0	13.7	13.1	12.8	12.7	13.0
<i>Annual Growth (%)</i>	12.5	5.8	-2.5	-3.7	-2.7	-0.5	1.9
Justice	6.0	7.0	6.7	6.9	6.9	7.1	7.3
<i>Annual Growth (%)</i>	10.9	16.4	-4.8	3.9	-1.2	3.2	2.8
Other Programs	32.7	38.9	38.0	36.9	36.5	35.6	37.2
<i>Annual Growth (%)</i>	-11.4	20.4	-2.1	-2.9	-1.3	-2.3	4.5
Total Program Spending	195.2	211.3	217.4	221.9	226.6	232.7	241.7
<i>Annual Growth (%)</i>	4.7	8.3	2.9	2.1	2.1	2.7	3.9
Interest on Debt	14.5	15.2	16.1	17.1	18.3	19.1	20.7
<i>Annual Growth (%)</i>	3.8	5.3	5.8	6.2	6.9	4.5	8.1
Total Spending	209.7	226.5	233.5	239.0	244.9	251.8	262.4
<i>Annual Growth (%)</i>	4.7	8.1	3.1	2.4	2.5	2.8	4.2
Budget Balance, Net Debt and Fiscal Sustainability Indicators							
Budget Balance	-0.6	-1.3	-12.0	-11.8	-10.1	-7.9	-9.0
Accumulated Deficit	244.3	245.6	257.5	269.4	279.5	287.4	296.5
Net Debt	408.0	423.4	453.4	483.7	508.8	530.0	549.3
<i>Net Debt-to-GDP (%)</i>	36.4	35.9	37.2	38.4	38.9	39.0	38.9
<i>Net Debt-to-Operating Revenue (%)</i>	198.1	190.0	206.5	214.7	218.3	218.9	218.4
<i>Net Interest-to-Operating Revenue (%)</i>	5.5	5.7	6.4	6.8	7.1	7.2	7.49

a = Actual, f = Forecast

Source: Ontario Public Accounts and FAO.

Table 7.4
Comparison to 2025 Ontario Budget revenue projection

Difference (\$ billions)	2024-25	2025-26	2026-27	2027-28
Personal Income Tax	0.9	-0.8	-1.9	-3.0
Sales Tax	0.4	0.5	0.4	0.1
Corporations Tax	2.4	1.1	-0.2	-1.3
All Other Taxes	0.1	-0.3	-0.5	-0.4
Total Taxation Revenue	3.8	0.5	-2.1	-4.7
Transfers from Government of Canada	-0.3	0.0	0.3	0.3
Income from Government Business Enterprises	0.0	0.2	0.0	0.2
Other Non-Tax Revenue	0.2	0.9	1.0	1.0
Total Revenue	3.7	1.6	-0.8	-3.1

Note: Values are calculated by subtracting 2025 Ontario Budget projections from the FAO's Summer 2025 projections. Positive values indicate that the FAO's projection is above the government's, while negative values indicate that the FAO's projection is below the government's. Source: FAO.

Table 7.5
Comparison to 2025 Ontario Budget spending projection

Difference (\$ billions)	2024-25	2025-26	2026-27	2027-28
Health	0.7	4.1	7.0	9.5
Education	-0.3	-0.5	0.4	1.4
Postsecondary Education	-0.2	0.7	0.0	-0.0
Children, Community and Social Services	-0.1	1.2	1.8	2.4
Justice	-0.1	-0.1	0.4	0.4
Other Programs*	-0.9	-4.3	-4.4	-5.0
Interest on Debt	-0.0	-0.1	0.1	0.5
Total Spending Difference	-1.1	1.0	5.3	9.2

Note: Values are calculated by subtracting the 2025 Ontario Budget projections from the FAO's Summer 2025 projections. Positive values indicate that the FAO's projection is above the government's, while negative values indicate that the FAO's projection is below the government's. * Contingency funds are included in the government's 'other programs' spending plan but excluded from the FAO's projection as the purpose of the funds has not yet been announced. Source: FAO.

1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -18**

5
6
7 Reference: Exhibit 3, page 20

8 Preamble:

9 At page 20 the Application outlines two adjustments that were made to the customer class data.

10
11 a) Please confirm that these adjustments do not impact either the total Purchased Power forecast for
12 2026 or the individual customer class kWh forecasts for 2026.

13 i. If there is any impact, please explain why.

14
15
16
17 **RESPONSE:**

18 a) Confirmed.

19
20
21

1 **RESPONSES TO VULNERABLE ENERGY CONSUMERS**
2 **COALITION INTERROGATORIES**

3
4 **INTERROGATORY 3.0-VECC -19**

5 Reference: Exhibit 3, page 22

6 Load Forecast Model, Rates Class Energy Model and Rate Class Load Model Tabs

7
8 Preamble:

9 The Application states:

10
11 “For the purposes of calculating the General Service >50kW and Large Use demand and revenue in
12 the cost allocation model and distribution rate design, EPI has included standby on Tab I6.1 of the
13 cost allocation model, as well as in the derivation of revenue at existing rates and the derivation of
14 volumetric charges for these rate classes (including Tab 10 of the Revenue Requirement
15 Workform).”

16
17 a) Were the historic kW associated with Standby included in the customer class kW used in the Rate
18 Class Energy Model and Rate Class Load Model Tabs?

19
20
21 **RESPONSE:**

22 a) No. In light of the addition of Standby kW in the cost allocation model and calculation
23 deriving revenue at existing rates, the inclusion of Standby kW in the Rate Class Load
24 Model would result in the double counting of Standby revenues. kW values are not used in
25 the Rate Class Energy Model.