2021–22 First Quarter Finances

- Ontario is projecting a deficit of $32.4 billion in 2021–22, an improvement of nearly $700 million from the outlook presented in the *2021 Budget*.
- Ontario is reporting that the economy is expected to grow faster in 2021 than anticipated compared to when the *2021 Budget* was released. Along with recent federal one-time funding, the government's 2021–22 revenue forecast is $2.9 billion higher than originally projected as a result.
- There remains continued uncertainty about variants of concern, the risk of surges and future waves of the pandemic and the need to target future investments to spur economic recovery. As a result, the government is taking the prudent step of setting aside $2.2 billion of this revenue for the Time-Limited COVID-19 Fund. This will ensure the Province continues to maintain the flexibility necessary given the ongoing uncertainty related to the pandemic and the future pace of economic recovery.
- The next step in the government's plan will be outlined in the *2021 Ontario Economic Outlook and Fiscal Review,* to be released by November 15, 2021.
- Ontario's net debt-to-GDP is now forecast to be 48.1 per cent in 2021–22, 0.7 percentage points lower than the 48.8 per cent forecast in the *2021 Budget*.

Borrowing Program

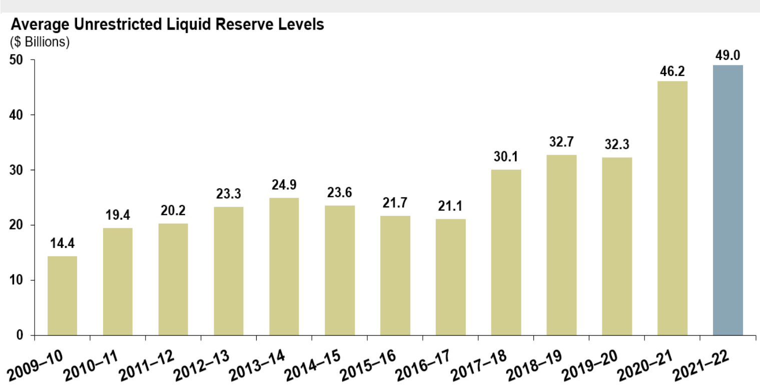
- The Province's funding requirements for 2021–22 are projected to decrease by $0.8 billion compared to the forecast in the *2021 Budget*, reflecting a decrease of $0.7 billion in the projected deficit and a $0.1 billion reduction in net loans and investments. As a result, the long-term borrowing program for 2021–22 is forecast to decrease to $53.0 billion.

($ Billions)	2021–22		
	2021 Budget	Current Outlook[1]	Change from *2021 Budget*
Deficit/(Surplus)	33.1	32.4	(0.7)
Investment in Capital Assets	11.8	11.8	-
Non-Cash Adjustments	(9.5)	(9.5)	-
Loans to Infrastructure Ontario	0.2	0.2	-
Other Net Loans/Investments	1.3	1.1	(0.1)
Debt Maturities/Redemptions	25.0	25.0	-
Total Funding Requirement	**61.9**	**61.1**	**(0.8)**
Decrease/(Increase) in Short-Term Borrowing	(6.0)	(6.0)	-
Increase/(Decrease) in Cash and Cash Equivalents	4.0	4.0	-
Pre-borrowing for 2021–22	(5.2)	(6.1)	(0.8)
Total Long-Term Public Borrowing	**54.7**	**53.0**	**(1.6)**

[1] The Current Outlook reflects additional pre-borrowing completed between the release of the *2021 Budget* and fiscal year end.
Note: Numbers may not add due to rounding. *Source:* Ontario Financing Authority

Liquidity

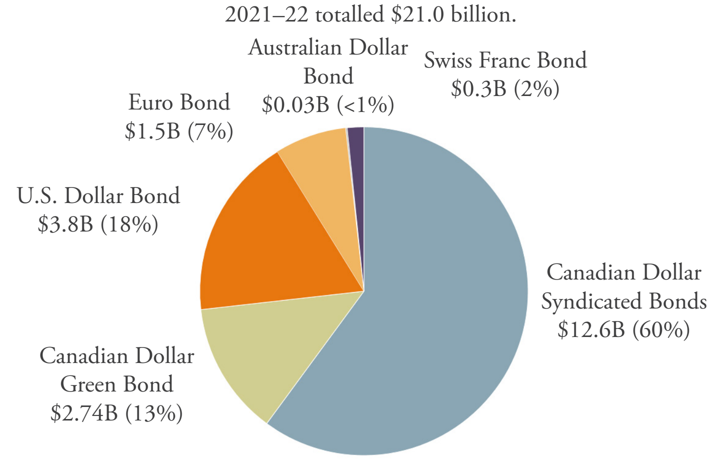
- Ensuring Ontario always has sufficient liquidity to meet its cashflow needs is even more critical during the COVID-19 pandemic, in order to continue to address any unforeseen economic or public health needs.
- As of August 11, 2021, liquid reserve levels were $51.6 billion.



Note: As of July 31, 2021.

2021–22 Borrowing Program

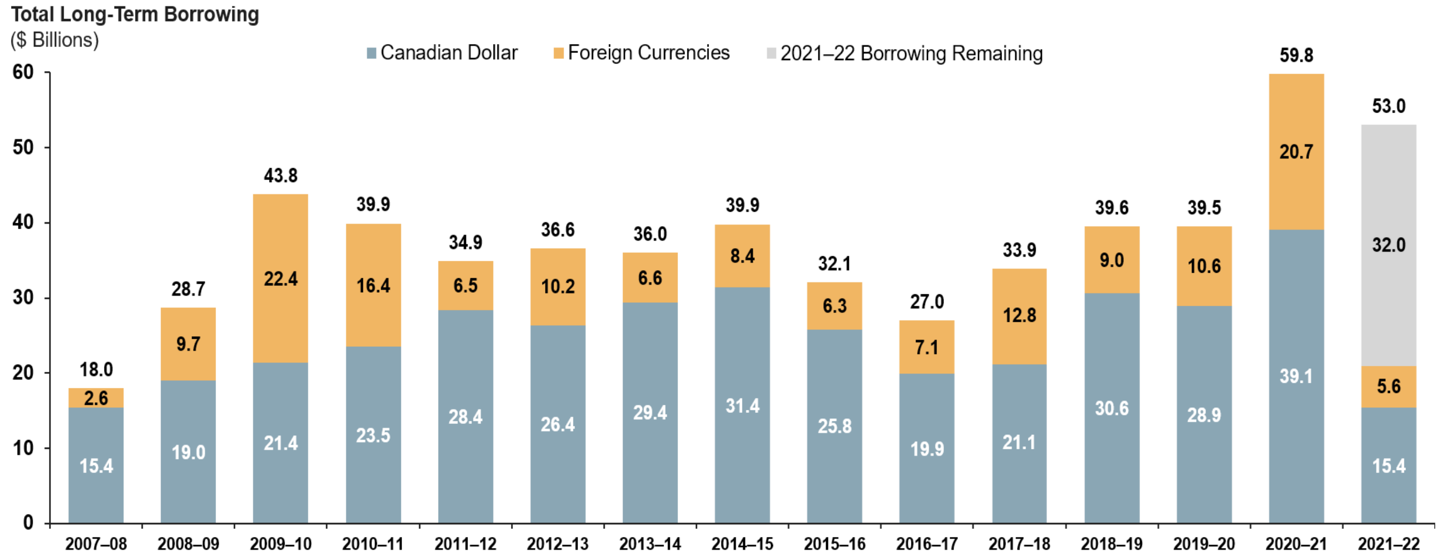
As of August 12, 2021, borrowing completed for 2021–22 totalled $21.0 billion.



Note: Numbers may not add due to rounding.

Long-Term Borrowing

- Ontario's target range for domestic borrowing is 65 to 80 per cent for fiscal 2021–22.
- Ontario continues to extend the term of its debt, when investor demand allows, to reduce refinancing risk on maturing debt and capitalize on historically low interest rates. Ontario has issued $107.6 billion of bonds, or approximately one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes $4.1 billion so far in 2021–22.



	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	27%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	73%
Weighted-Average Term	12.1	8.6	8.1	12.8	13.0	12.4	13.6	14.1	14.2	13.9	12.1	12.9	14.5	11.7	12.7
Debt Portfolio Average Term	10.7	10.4	9.7	10.0	10.1	10.1	10.4	10.7	10.9	10.9	10.7	10.7	10.9	10.8	–

Note: Numbers may not add due to rounding. As of August 12, 2021.

Canadian Dollar Issuance

- Ontario accounted for 65.4 per cent of Canadian provincial bond trading in 2020. As of July 31, 2021, Ontario accounts for 15.5 per cent of the FTSE TMX Universe Bond Index, 16.4 per cent of the FTSE TMX Mid Bond Index, and 21.8 per cent of the FTSE TMX Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (17 syndicated issues in 2021–22).

Canadian Dollar Benchmark Bonds (as of August 12, 2021)

Term	Ontario		Canada	
5-year (old)	1.75% September 8, 2025	$9.05B	0.50% September 1, 2025	$47.50B
5-year (new)	1.35% September 8, 2026	$1.25B	0.25% March 1, 2026	$34.00B
7-year	1.05% September 8, 2027	$2.00B	1.00% June 1, 2027	$15.00B
10-year (old)	1.35% December 2, 2030	$7.00B	1.25% June 1, 2030	$44.20B
10-year (new)	2.15% June 2, 2031	$7.25B	0.50% December 1, 2030	$40.00B
Long (old)	2.65% December 2, 2050	$14.10B	2.75% December 1, 2048	$14.90B
Long (new)	1.90% December 2, 2051	$12.75B	2.00% December 1, 2051	$51.80B

Foreign Issuance

- The Province regularly accesses foreign markets to diversify its borrowing program and expand its investor base. Dependant on market conditions the Province borrows in U.S. dollars, euros, Japanese yen, pound sterling, Swiss francs and Australian dollars.

EMTN Issues

Term	Issue Date and Coupon	Amount (Euros/Sterling)
10-year	0.25% June 1, 2021	€1.00B
5-year	0.25% January 6, 2021	£1.75B
10-year	0.01% November 17, 2020	€2.50B
3-year	0.50% May 27, 2020	£1.00B

U.S Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.$)
5-year	1.05% April 7, 2021	$3.00B
10-year	1.60% February 18, 2021	$1.50B
5-year	0.625% January 13, 2021	$3.50B
10-year	1.125% September 29, 2020	$1.25B

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling $10.75 billion with $10.25 billion outstanding. A total of 27 projects have received or will receive funding from Ontario's ten Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On July 27, 2021, the Province issued a $2.75 billion Green Bond, marking the largest ever single offering of a Canadian dollar Green Bond. The transaction also represents the Province's tenth Green Bond offering and the Province's first Green Bond issue in 2021–22.
- Ontario's Green Bond program has been recognized with the following awards in recent years:
  - **Environmental Finance Bond Awards 2019,** for Green Bond of the Year — Local/Municipality (2018 Green Bond issue)
  - **Climate Bonds Initiative 5th Green Bond Pioneer Awards**, for Largest Subnational Green Bond Issuer Over the Past 10 Years

Features:

- Carry the full faith and credit of the Province of Ontario
- Rank pari passu with Ontario's other bonds and are payable without any preference or priority
- Are direct unsecured obligations of the Province of Ontario and investors do not assume any specific risk related to the funded projects
- Serve as an important tool to help finance public transit initiatives, extreme-weather resistant infrastructure, and energy efficiency and conservation projects

Assurances:

- Ontario's Green Bond Framework was developed in consultation with the Center for International Climate and Environmental Research — Oslo (CICERO)
- Ontario's Green Bond program aligns with the Green Bond Principles maintained by the International Capital Market Association
- An assurance audit is performed by the Auditor General of Ontario verifying amounts allocated to selected projects and tracking the amount of Green Bond proceeds

Fiscal Outlook

- The Province's 2021–22 deficit is projected to be $32.4 billion — nearly $700 million lower than the outlook published in the *2021 Budget*.
- Revenues in 2021–22 are projected to be $156.9 billion, $2.9 billion higher than forecast in the *2021 Budget*.
- Program expense in 2021–22 is projected to be $175.2 billion, $2.2 billion higher than forecast in the *2021 Budget,* primarily due to funding allocated towards the Time-Limited COVID-19 Fund.
- The *2021 Budget* included a $1.0 billion reserve in 2021–22 to protect the fiscal outlook against any unforeseen adverse changes in the Province's revenue and expense forecasts. The $1.0 billion reserve has been maintained as part of the current fiscal outlook.

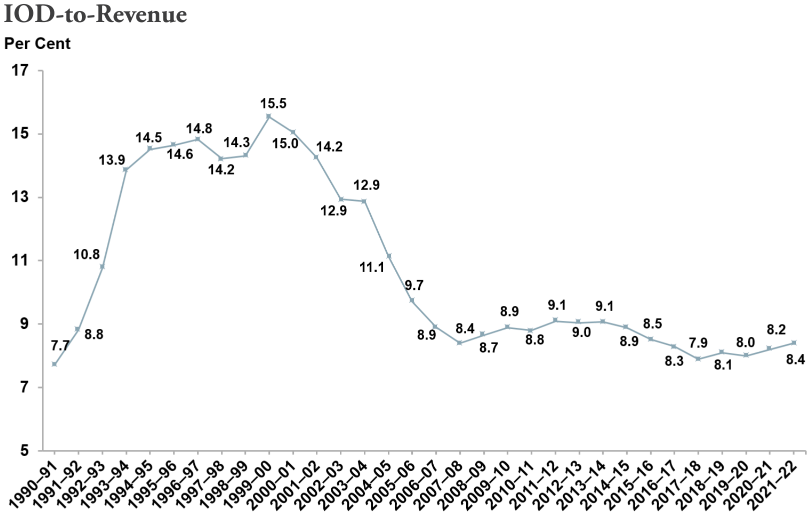
Fiscal Plan ($ Billions)	**Actuals**								**Interim**[1]	***2021 Budget***	**Current Outlook**[2]
	2012–13	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2018–19**	**2019–20**	**2020–21**	**2021–22**	**2021–22**
Revenue	**120.3**	**123.0**	**126.2**	**136.1**	**140.7**	**150.6**	**153.7**	**156.1**	**151.8**	**154.0**	**156.9**
Expense											
Programs	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	177.8	173.0	175.2
Interest on Debt	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.5	13.1	13.1
Total Expense	**131.0**	**134.5**	**137.4**	**141.5**	**143.2**	**154.3**	**161.1**	**164.8**	**190.3**	**186.1**	**183.3**
Reserve	–	–	–	–	–	–	–	–	–	1.0	1.0
Surplus/(Deficit)	**(10.7)**	**(11.5)**	**(11.3)**	**(5.3)**	**(2.4)**	**(3.7)**	**(7.4)**	**(8.7)**	**(38.5)**	**(33.1)**	**(32.4)**

[1] Interim represents the *2021 Budget* projection for the 2020–21 fiscal year.
[2] Current outlook primarily reflects information available as of June 30, 2021.
Note: Numbers may not add due to rounding. *Sources*: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- Ontario's current IOD forecast remains below the levels projected in the pre-pandemic *2019 Budget*, despite significantly higher deficits, borrowing and debt levels than forecast at that time.
- The IOD forecast for 2021–22 remains unchanged from the *2021 Budget*.
- The IOD-to-revenue forecast for 2021–22 is now 8.4 per cent, or 0.1 percentage points lower than forecasted in the *2021 Budget.*

IOD-to-Revenue



Source: Public Accounts of Ontario (1990–1991 to 2019–2020) and Ontario Financing Authority.

Short-Term Borrowing

- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity if required.
- As of July 31, 2021, capacity for short-term borrowing: $61.0 billion authorized and $23.4 billion outstanding, leaving $37.6 billion available.

Risk Management

	Exposure[1]	Policy Limit
Foreign Exchange	0.1%	3.0%
Net Interest Rate Resetting	8.4%	35.0%

[1] Of outstanding debt, interim as of July 31, 2021

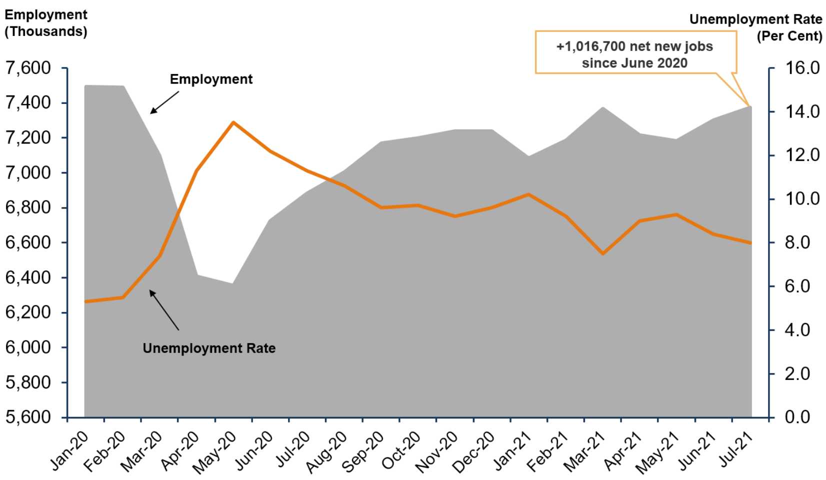
Credit Ratings (Long-Term/Short-Term)

Moody's	Aa3 / P-1
Fitch	AA- / F1+
DBRS	AA (low) / R-1(mid)
S&P	A+ / A-1

Ontario's Economic Update

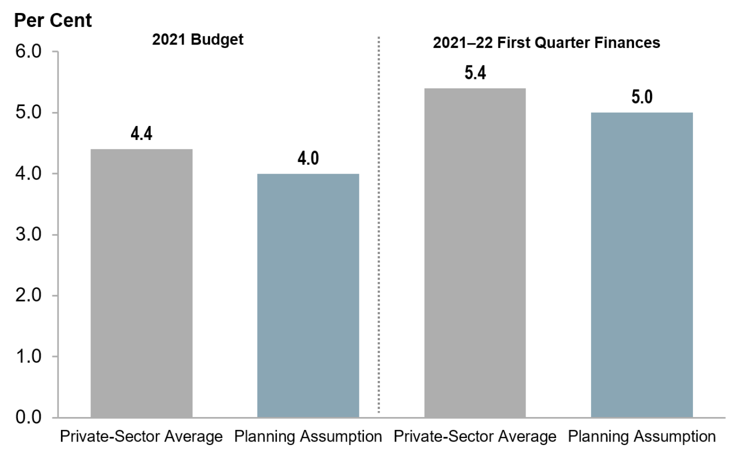
- The COVID-19 pandemic has resulted in sudden and substantial impacts on economies around the world. Key economic indicators in Ontario show that a significant economic rebound has occurred since the first half of 2020.
- Ontario's real GDP growth is estimated to have declined 5.1 per cent in 2020, a smaller decline than the 5.7 per cent decrease projected at the time of the *2021 Budget*.
- Since the *2021 Budget*, private-sector real GDP forecasts for 2021 have been revised upwards significantly, reflecting a resilient domestic economy, significant progress on COVID-19 vaccinations and stronger expected U.S. and global growth.
- Private-sector forecasters, on average, project Ontario real GDP to rise by 5.4 per cent in 2021, higher than the average of 4.4 per cent at the time of the *2021 Budget* and the prudent *2021 Budget* planning assumption of 4.0 per cent. The *2021–22 First Quarter Finances* planning assumption for real GDP growth is increased to 5.0 per cent in 2021, maintaining the prudence applied in the *2021 Budget*.
- Significant global economic uncertainty remains regarding the evolution of the pandemic and the pace of economic recovery.

Ontario's Labour Market



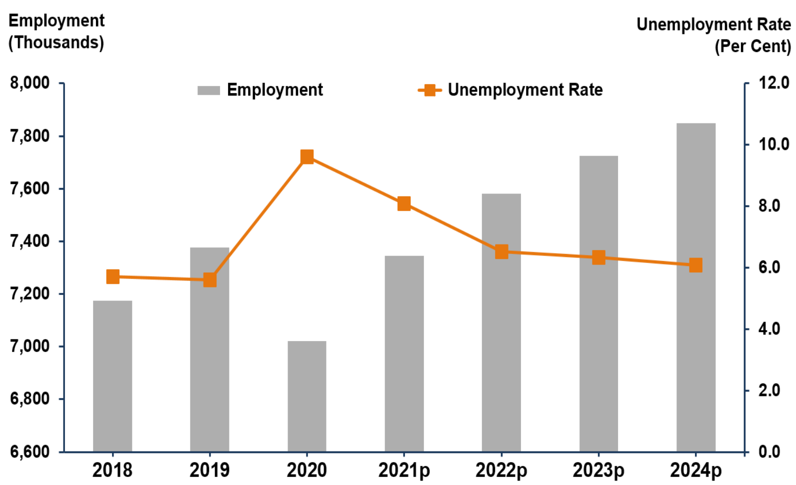
Source: Statistics Canada

Ontario 2021 Real GDP Growth



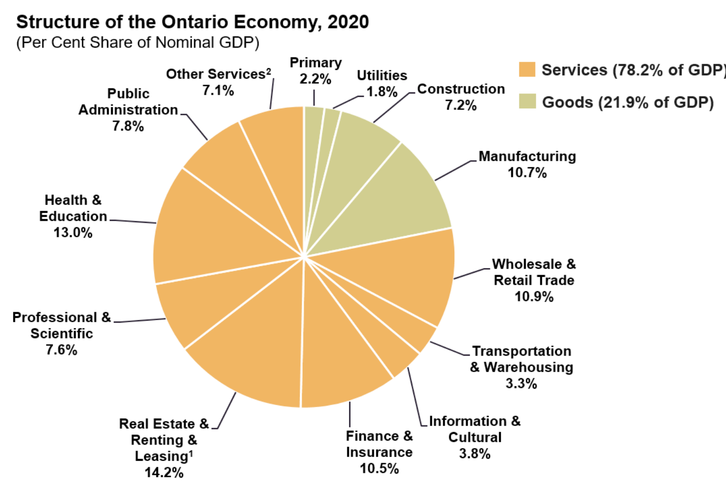
Sources: Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasters (February 3, 2021 and June 30, 2021).

Employment Projected to Recover



p = Ontario Ministry of Finance projections.
Source: Ontario Ministry of Finance.

Ontario's Diverse Economy



[1] Includes estimate of imputed rental income from owner occupied dwellings.
[2] Other services include: management of companies and enterprises; administrative and support, waste management and remediation services; arts, entertainment and recreation; accommodation and food services; and other services.
Source: Statistics Canada.
Note: Numbers may not add due to rounding.

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

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