

2023 Ontario Economic Outlook and Fiscal Review

- Ontario's 2023–24 deficit is projected to be \$5.6 billion. This reflects updated economic and revenue information and higher contingencies to mitigate near-term risks. Over the medium-term outlook, the government is projecting a deficit of \$5.3 billion in 2024–25 followed by a surplus of \$0.5 billion in 2025–26.
- Ontario's real GDP is projected to rise 1.1 per cent in 2023, 0.5 per cent in 2024, 2.0 per cent in 2025 and 2.8 per cent in 2026. Ontario's nominal GDP is forecast to rise 3.6 per cent in 2023, 2.9 per cent in 2024, 4.2 per cent in 2025 and 4.8 per cent in 2026, due largely to stronger growth in real GDP.
- Ontario's 2023–24 net debt-to-GDP ratio is now forecast to be 38.4 per cent, an increase of 0.6 percentage points from the forecasted 37.8 per cent in the 2023 Budget, which is mainly due to higher than previously projected deficits. Ontario's net debt-to-GDP is now forecast to be 39.1 per cent in 2024–25 and 38.7 per cent in 2025–26.
- Ontario has completed \$15.0 billion of its \$34.7 billion long-term borrowing program. Ontario's long-term borrowing requirement for 2023–24 increased by \$7.2 billion from the 2023 Budget forecast, primarily due to higher than previously forecasted deficits in 2022–23 and 2023–24.

Borrowing Program

(\$ Billions)			Current Outlook	Medium-Term Outlook	
	2023 Budget	In-Year Change	2023–24	2024–25	2025–26
Deficit/(Surplus)	1.3	4.3	5.6	5.3	(0.5)
Investment in Capital Assets	13.6	0.0	13.6	18.7	19.0
Non-Cash and Cash Timing Adjustments	(9.2)	7.9	(1.3)	(11.2)	(12.0)
Loans to Infrastructure Ontario	0.1	—	0.1	0.1	0.2
Other Net Loans/Investments	0.1	(0.0)	0.1	(1.0)	(0.2)
Debt Maturities/Redemptions	31.2	(0.0)	31.2	28.0	33.1
Total Funding Requirement	37.0	12.2	49.2	39.9	39.5
Decrease/(Increase) in Short-Term Borrowing	—	—	—	(2.5)	(2.5)
Increase/(Decrease) in Cash and Cash Equivalents	5.0	(5.0)	—	—	—
Pre-borrowing in 2022–23 for 2023–24	(14.5)	—	(14.5)	—	—
Total Long-Term Public Borrowing	27.5	7.2	34.7	37.4	37.0

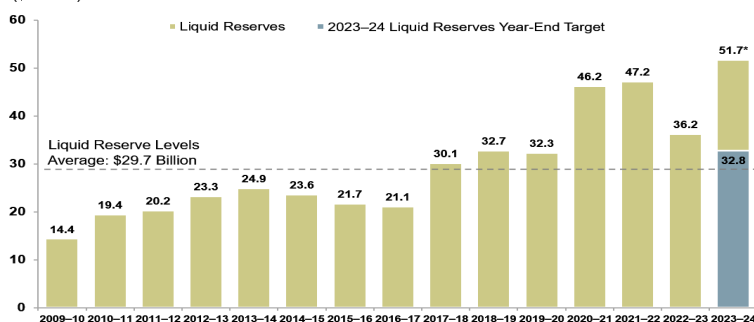
Note: Numbers may not add due to rounding.

- In the event that alternative economic scenarios materialize, Ontario's borrowing requirements in the next three years would also change. Under the Faster Growth scenario, long-term borrowing would decrease by a total of \$19.6 billion over the three-year outlook period, while under the Slower Growth scenario, long term borrowing would increase by \$17.3 billion over the same period.

Liquidity

- Ontario balances the objective of minimizing the cost of holding liquid reserves against the need to always have enough cash on hand to pay its bills, invest in capital assets, refinance maturing debt and pay interest.
- As of October 31, 2023, liquid reserve levels were \$39.8 billion.

Average Unrestricted Liquid Reserve Levels
(\$ Billions)



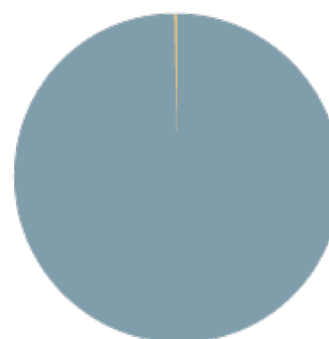
*As of September 30, 2023

Source: Ontario Financing Authority.

2023–24 Borrowing Program

As of November 2, 2023, borrowing completed for 2023–24 totalled \$15.0 billion.

Australian Dollar Bond
\$0.03B (<1%)



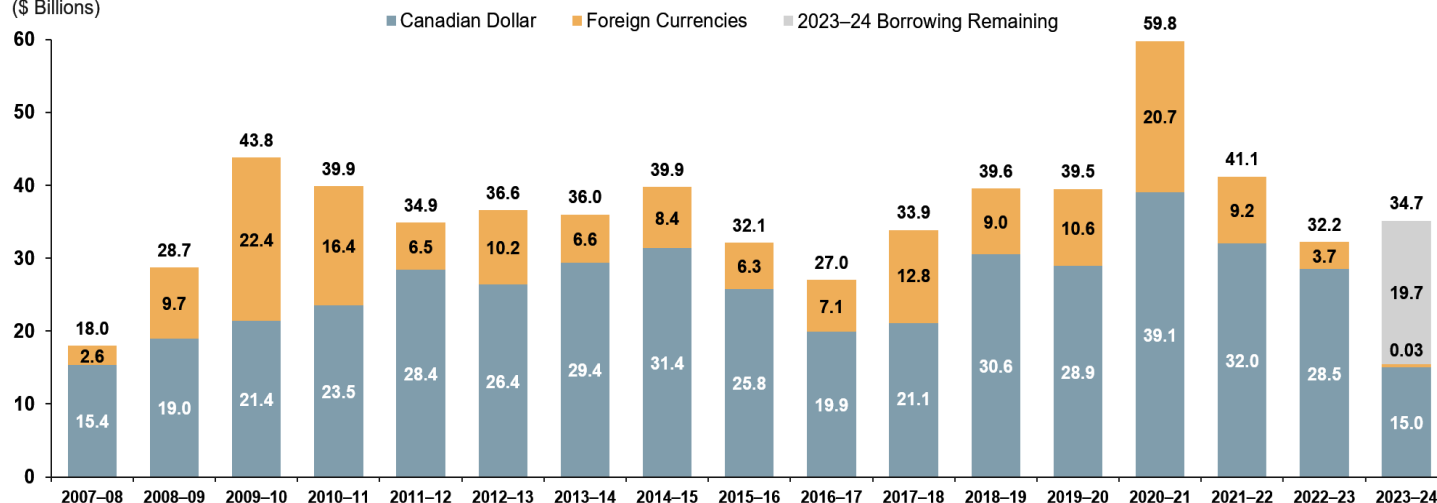
Canadian Dollar
Syndicated Bonds
\$15.0B (>99%)

Note: Numbers may not add due to rounding.

Long-Term Borrowing

- Almost all borrowing completed so far for fiscal year 2023–24 was in Canadian dollars, primarily through 19 syndicated issues. However, Ontario expects to access its core foreign currency markets to fund a significant portion of the increase in the 2023–24 long-term borrowing program from the 2023 Budget forecast.
- The success Ontario has had in extending the term of its debt from the time of the Global Financial Crisis has created flexibility for managing its large borrowing program and debt portfolio. Due to the extension of the term of debt in recent years, the impact on IOD in the short term and medium term has lessened. Ontario has issued \$129.8 billion of bonds, or more than one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$5.6 billion in 2022–23. Ontario will monitor the market and adjust the debt term strategy in the future, if necessary, in response to further changes to interest rates and the yield curve.

Total Long-Term Borrowing
(\$ Billions)



Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	22%	12%	<1%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	78%	88%	>99%
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	12.0	14.5	15.0	17.2

Note: Numbers may not add due to rounding. As of November 2, 2023.

Canadian Dollar Issuance

- Ontario accounted for 67.7 per cent of Canadian provincial bond trading in 2022. As of December 31, 2022, Ontario accounted for 14.0 per cent of the FTSE Universe Bond Index, 13.6 per cent of the FTSE Mid Bond Index, and 22.2 per cent of the FTSE Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (19 syndicated issues so far in 2023–24).

Canadian Dollar Benchmark Bonds (as of November 1, 2023)

Term	Ontario		Canada	
5 yr (old)	3.60% March 8, 2028	\$5.50B	3.50% March 1, 2028	\$15.00B
5 yr (new)	3.40% September 8, 2028	\$2.00B	3.75% September 1, 2028	\$20.00B
7 yr	2.70% June 2, 2029	\$9.33B	2.25% June 1, 2029	\$12.30B
10 yr (old)	3.75% June 2, 2032	\$9.65B	2.25% December 1, 2032	\$21.00B
10 yr (new)	3.65% June 2, 2033	\$7.75B	2.75% June 1, 2033	\$19.00B
Long (old)	3.75% December 2, 2053	\$12.40B	2.00% December 1, 2051	\$51.80B
Long (new)	4.15% December 2, 2054	\$3.15B	2.00% December 1, 2053	\$32.00B

Foreign Issuance

- Foreign currency borrowing helps reduce Ontario's overall borrowing costs by continuing to diversify Ontario's 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)
4-year	2.25% May 17, 2022	£0.50B
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

U.S. Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.\$)
5-year	3.10% May 12, 2022	\$2.25B
10-year	2.13% January 13, 2022	\$1.50B
10-year	1.80% October 6, 2021	\$1.00B
5-year	1.05% April 7, 2021	\$3.00B

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$15.0 billion with \$13.0 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's thirteen Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On February 28, 2023, Ontario issued its second Green Bond in 2022–23, and thirteenth Green Bond overall. This issue was for \$1.5 billion and followed a \$1.0 billion issue in October 2022.
- Ontario plans to continue its leadership role in the Canadian dollar Green Bond market and, subject to market conditions, will issue multiple Green Bonds each fiscal year, including in 2023–24.

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

- Ontario's 2023–24 deficit is projected to be \$5.6 billion. This reflects updated economic and revenue information and higher contingencies to mitigate near-term risks. Over the medium-term outlook, the government is projecting a deficit of \$5.3 billion in 2024–25 followed by a surplus of \$0.5 billion in 2025–26.
- Total revenue is projected to increase from \$201.8 billion in 2023–24 to \$220.0 billion by 2025–26 while total program expense is projected to increase from \$193.0 billion to \$202.3 billion over the same period.
- Ontario incorporates prudence in the form of a reserve to protect the fiscal outlook against unforeseen adverse changes in the province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2023–24, \$1.5 billion in 2024–25 and \$2.0 billion in 2025–26.

Fiscal Plan (\$ Billions)	Actuals									Current Outlook	Medium-Term Outlook	
	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Revenue	126.2	136.1	140.7	150.7	153.8	156.2	165.0	185.1	192.9	201.8	206.7	220.0
Expense												
Programs	126.2	129.9	131.4	142.5	148.7	152.3	169.0	170.5	186.4	193.0	196.2	202.3
Interest on Debt	11.2	11.6	11.7	11.9	12.4	12.5	12.3	12.6	12.4	13.4	14.3	15.2
Total Expense	137.4	141.5	143.2	154.4	161.1	164.8	181.3	183.1	198.8	206.4	210.5	217.5
Reserve	—	—	—	—	—	—	—	—	—	1.0	1.5	2.0
Surplus/(Deficit)	(11.3)	(5.3)	(2.4)	(3.7)	(7.3)	(8.6)	(16.3)	2.0	(5.9)	(5.6)	(5.3)	0.5

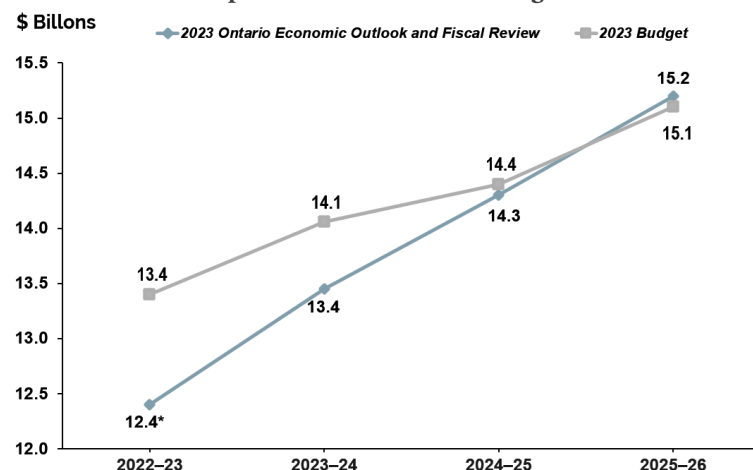
Notes: Numbers may not add due to rounding. Current and medium-term outlook primarily reflect information available as of September 29, 2023.

Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- Ontario is forecast to pay \$13.4 billion in interest costs in 2023–24, \$14.3 billion in 2024–25, and \$15.2 billion in 2025–26, compared to the 2023 Budget forecasts of \$14.1 billion, \$14.4 billion and \$15.1 billion, respectively.
- Over this period, cumulative IOD expense is \$0.7 billion below the 2023 Budget forecast. This is primarily due to lower borrowing costs in 2022–23 as reported in the *Public Accounts of Ontario 2022–2023*, partially offset by higher long-term borrowings for these years.

Interest on Debt Expense Lower than 2023 Budget Forecast



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 October 31, 2023, capacity for short-term borrowing: \$61.0 billion authorized and \$25.1 billion outstanding, leaving \$35.9 billion available.

Risk Management

	Exposure ¹	Policy Limit
Foreign Exchange	0.15%	3.0%
Net Interest Rate Resetting	6.5%	35.0%

¹ Of outstanding debt, as of September 29, 2023.

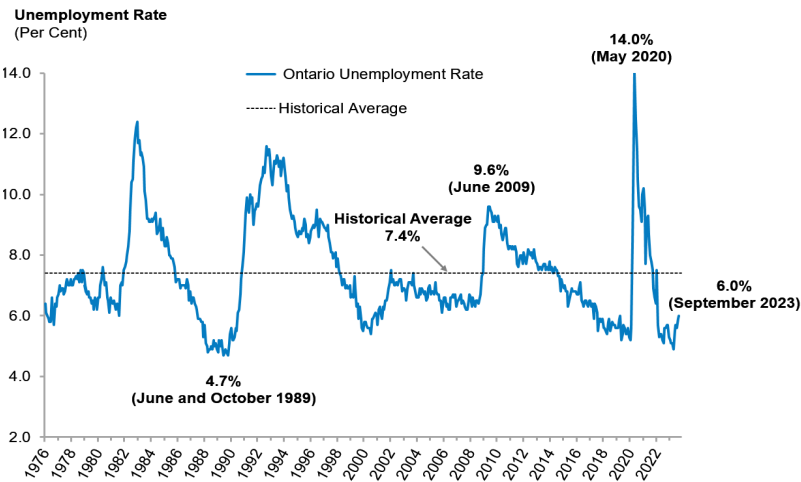
Credit Ratings (Long-Term/Short-Term)

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

Ontario's Economic Update

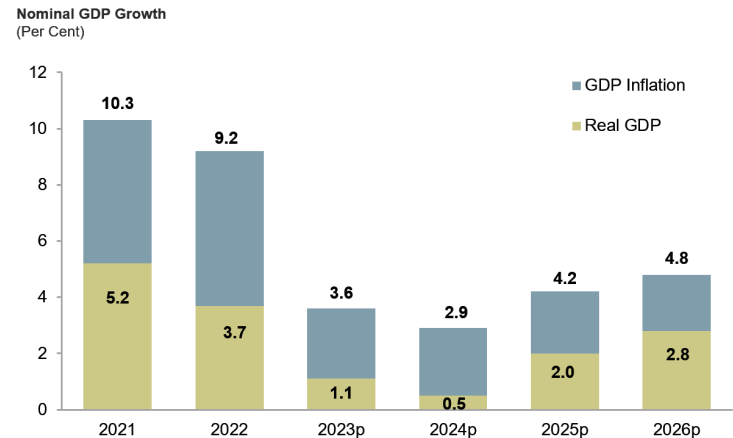
- Ontario's economy continues to be affected by heightened economic and geopolitical uncertainties and the impact of high interest rates and a slowing global economy.
- Over the first nine months of the year, employment in Ontario has increased by over 170,000. The unemployment rate was 6.0 per cent in September 2023, well below its long-term historical average.
- Ontario's real GDP is projected to rise 1.1 per cent in 2023, 0.5 per cent in 2024, 2.0 per cent in 2025 and 2.8 per cent in 2026. Ontario's nominal GDP is forecast to rise 3.6 per cent in 2023, 2.9 per cent in 2024, 4.2 per cent in 2025 and 4.8 per cent in 2026, due largely to stronger growth in real GDP. For the purposes of prudent fiscal planning, these projections were set slightly below the average of private-sector forecasts.
- Uncertainty regarding the future path of inflation and geopolitical developments are key risks to the economic outlook.

Ontario Unemployment Rate Remains Low



Source: Statistics Canada.

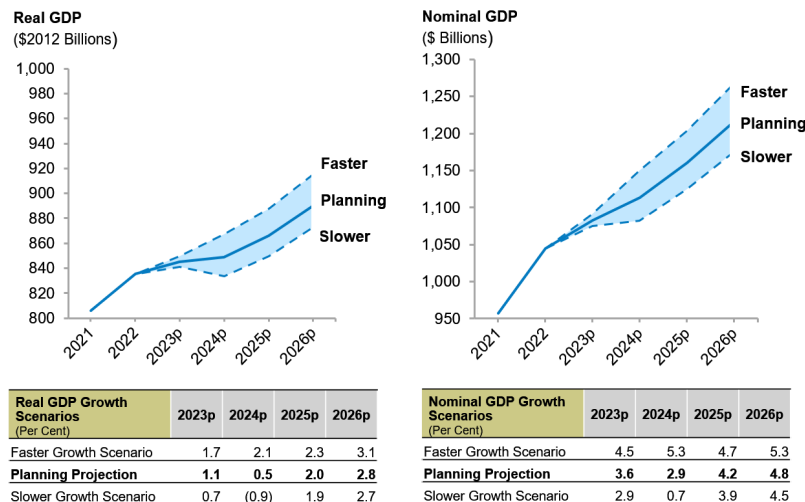
Ontario GDP Growth Projected to Normalize



p = Ontario Ministry of Finance planning projection based on external sources as of September 29, 2023.

Sources: Statistics Canada and Ontario Ministry of Finance.

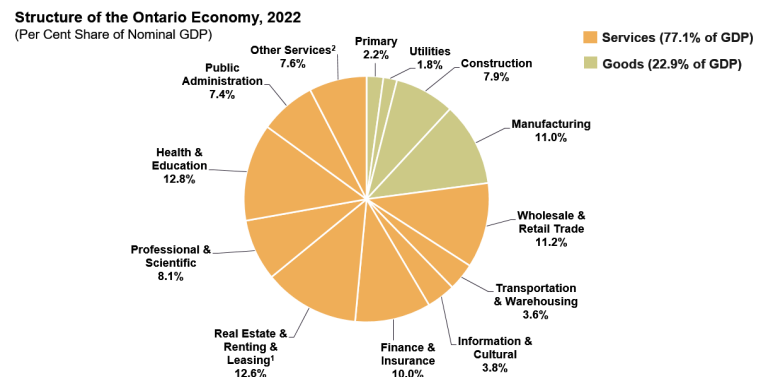
Ontario GDP Scenario Forecasts



p = Ontario Ministry of Finance planning projection based on external sources as of September 29, 2023 and alternative scenarios.

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.

Contact Us

Investor Relations
Ontario Financing Authority
One Dundas Street West, Suite 1200
Toronto, Ontario, M7A 1Y7, Canada

www.ofina.on.ca
investor@ofina.on.ca

Visit www.ofina.on.ca and subscribe to our email alert service to receive the latest Province of Ontario updates:

- Bond Issues
- Investor Fact Sheet
- CEO Video Updates
- Borrowing Program
- IR Presentations
- Other Events

This Investor Presentation was compiled by the Ontario Financing Authority. This information is intended for general information purposes only and does not constitute an offer to sell or a solicitation of offers to purchase any security in any jurisdiction. It has not been approved by any securities regulatory authority and it is not sufficient for the purpose of deciding to purchase securities. It may have errors or omissions resulting from electronic conversion, downloading or unauthorized modifications. Statements in this Investor Presentation may be "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve uncertainties, risks, and other factors which could cause the state of Ontario's economy to differ materially from the forecasts and economic outlook contained expressly or implicitly in such statements. The Province of Ontario undertakes no obligation to update forward-looking statements to reflect new information, future events or otherwise, except as may be required under applicable laws and regulations. While the information in this Presentation, when posted or released, was believed to be reliable as of its date, NO WARRANTY IS MADE AS TO THE ACCURACY OR COMPLETENESS OF INFORMATION CONTAINED HEREIN AS OF ANY DATE OTHER THAN THE DATE IT WAS POSTED OR RELEASED.