FW: DBRS has released their post-Budget commentary on Ontario

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Attachments:	ON 2018 Budget Commentary DBRS.pdf (255.53 kB)

Hi Scott. DBRS has come out with their day after the Budget commentary. It's a little harsh, but not anything outside of what we had expected, and they are not taking a rating action at this point. Bonnie has done an excellent job in managing them and their expectations over the past few weeks.

Our spreads have been pretty well behaved; we're only out by about a basis point relative to the other provinces since yesterday.

Moody's has also just put out a commentary, which we'll forward to you shortly.

Gadi

From: Bonnie Lemcke
Sent: Thursday, March 29, 2018 11:05 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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Subject: DBRS has released their post-Budget commentary on Ontario

Hi Gadi,

Attached is a commentary that DBRS has just issued on Ontario following the release of the 2018 Ontario Budget.

DBRS expects the ratings to remain stable in the near term, however, the outlook for the medium to longer term appear less certain. "Without a concerted effort to rebuild flexibility in the credit profile, the Province's ratings appear increasingly likely to come under pressure during the next recession if past policy actions are any indication of the future policy response."

In the commentary, DBRs noted that:

- The direction of fiscal policy adopted by the Province is distinctly negative for the Province's credit profile. Rather than shifting to a neutral or conservative fiscal policy stance and rebuilding budget and balance sheet flexibility, the Province has made a deliberate decision to pursue expansionary fiscal policy potentially near the peak of the economic cycle.
- In total, the budget projects about $32.0 billion in deficit spending and about $90.0 billion in debt-financed capital investment over the next six years. It demonstrates in the clearest

terms that the Province is not committed to disciplined, countercyclical fiscal policy. The policy reversal also undermines the credibility of the government's future fiscal policy commitments, including its plan to return to balance.

Please let me know if you have any questions.

Thanks,

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