

## 2022–23 First Quarter Finances

- Ontario is projecting a \$18.8 billion deficit in 2022–23 an improvement of \$1.1 billion from the outlook presented in the *2022 Budget*.
- The *2022–23 First Quarter Finances* planning assumption for real GDP growth in 2022 is 3.5 per cent, 0.1 percentage points lower than the private-sector average for prudent planning purposes. Expectations for Ontario’s nominal GDP growth have been revised higher since the *2022 Budget* as GDP inflation has risen due to strong economy-wide increases amid supply chain constraints and strong demand.
- As a result of faster-than-expected nominal GDP growth and a deficit forecast lower than at the time of the *2022 Budget*, the net debt-to-GDP ratio is projected to be 40.4 per cent in 2022–23, 1.0 percentage point lower than the 41.4 per cent forecast presented in the *2022 Budget*.
- Ontario completed \$13.3 billion in long-term public borrowing in 2022–23. The 2022–23 long-term public borrowing is now forecast to be \$40.4 billion, a decrease of \$1.1 billion from the *2022 Budget* forecast.

## Borrowing Program

- Ontario’s funding requirements for 2022–23 are projected to decrease by \$1.1 billion compared to the forecast in the *2022 Budget*, reflecting an equal decrease in the projected deficit. As a result, Ontario’s long-term borrowing program for 2022–23 is forecast to decrease by \$1.1 billion, reflecting the decrease in the funding requirements. Short-term borrowing for the fiscal year is projected to remain unchanged.

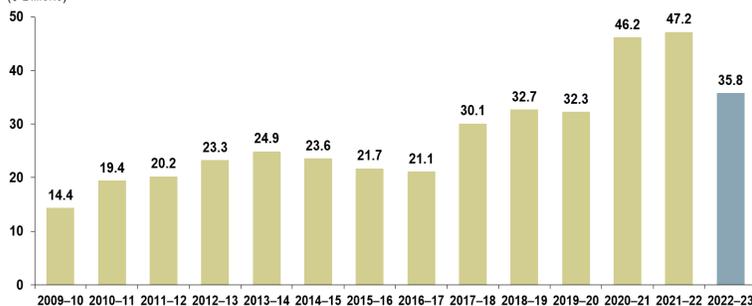
(\$ Billions)	2022–23		
	2022 Budget	Current Outlook	Change from 2022 Budget
Deficit/(Surplus)	19.9	18.8	(1.1)
Investment in Capital Assets	13.4	13.4	-
Non-Cash Adjustments	(9.7)	(9.7)	-
Loans to Infrastructure Ontario	(0.1)	(0.1)	-
Other Net Loans/Investments	0.7	0.7	-
Debt Maturities/Redemptions	30.5	30.5	-
<b>Total Funding Requirement</b>	<b>54.7</b>	<b>53.6</b>	<b>(1.1)</b>
Decrease/(Increase) in Short-Term Borrowing	(3.0)	(3.0)	-
Increase/(Decrease) in Cash and Cash Equivalents	-	-	-
Pre-borrowing in 2021–22 for 2022–23	(10.3)	(10.3)	-
<b>Total Long-Term Public Borrowing</b>	<b>41.5</b>	<b>40.4</b>	<b>(1.1)</b>

Note: Numbers may not add due to rounding.  
Source: Ontario Financing Authority

## 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 August 8, 2022, liquid reserve levels were \$31.5 billion.

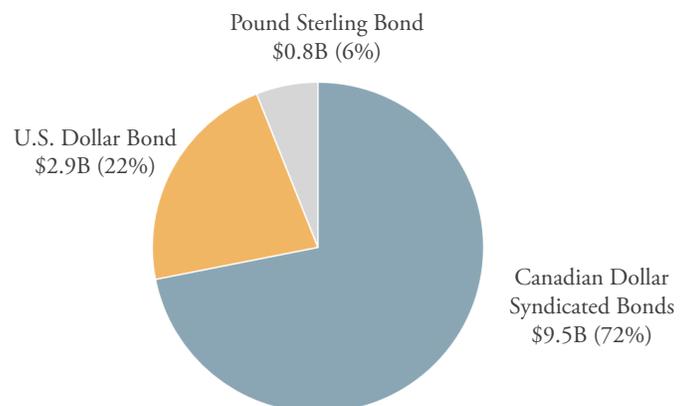
Average Unrestricted Liquid Reserve Levels (\$ Billions)



Note: As of July 31, 2022.

## 2022–23 Borrowing Program

As of August 9, 2022, borrowing completed for 2022–23 totalled \$13.3 billion.

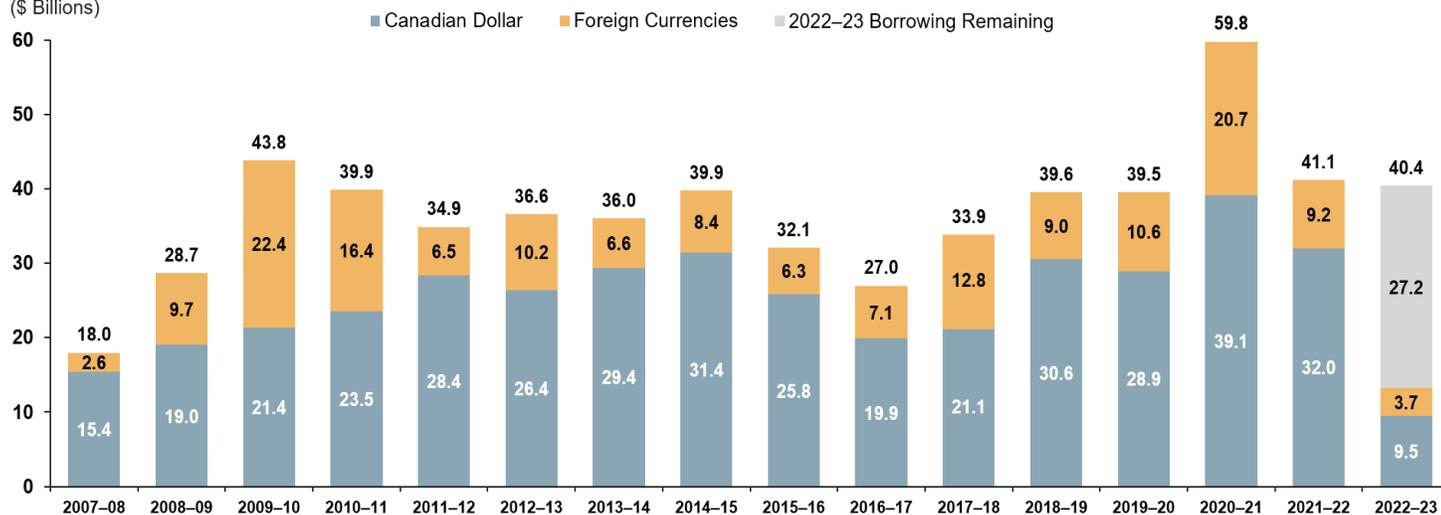


Note: Numbers may not add due to rounding.

## Long-Term Borrowing

- Approximately \$9.5 billion or 72 per cent of 2022–23 borrowing was completed in Canadian dollars, with the remaining \$3.7 billion or 28 per cent completed in U.S. dollars and pounds sterling.
- Ontario has continued to extend the term of its debt, when investor demand allowed, to reduce refinancing risk on maturing debt. This also continues to protect the IOD forecast against increases in interest rates. Ontario has issued \$118.7 billion of bonds, or approximately one quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$4.8 billion so far in 2022–23.

Total Long-Term Borrowing  
(\$ Billions)



	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	2022-23
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	22%	28%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	78%	72%
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	15.9
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	10.9	-

Note: Numbers may not add due to rounding. As of August 9, 2022.

## Canadian Dollar Issuance

- Ontario accounted for 63.8 per cent of Canadian provincial bond trading in 2021. As of December 31, 2021, Ontario accounts for 15.7 per cent of the FTSE Russell Universe Bond Index, 15.4 per cent of the FTSE TMX Mid Bond Index, and 22.6 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 (13 syndicated issues so far in 2022–23).

### Canadian Dollar Benchmark Bonds (as of August 9, 2022)

Term	Ontario	Canada
5-year (old)	1.35% September 8, 2026 \$1.25B	1.00% September 1, 2026 \$23.00B
5-year (new)	3.60% March 8, 2028 \$1.00B	1.25% March 1, 2027 \$17.00B
7-year	2.70% June 2, 2029 \$9.33B	2.25% June 1, 2029 \$12.30B
10-year (old)	2.25% December 2, 2031 \$6.35B	1.50% December 1, 2031 \$32.00B
10-year (new)	3.75% June 2, 2032 \$3.75B	2.00% June 1, 2032 \$24.00B
Long (old)	2.55% December 2, 2052 \$8.25B	2.00% December 1, 2051 \$51.80B
Long (new)	3.75% December 2, 2053 \$3.85B	2.00% December 1, 2053 \$27.00B

## 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)
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 \$12.5 billion with \$12.0 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's eleven Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On February 2, 2022, the Province issued its second Green Bond in fiscal 2021–22, and eleventh Green Bond overall. This issue was for \$1.75 billion and followed a \$2.75 billion issue in July 2021.
- Ontario is considering updating its Green Bond Framework. The update may include better alignment of framework categories with the Green Bond Principles through standardized wording, as well as the possible expansion from green to sustainable to allow for a greater breadth of potential bond offerings in the future.
- 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 2022–23.

### 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

- Revenues in 2022–23 are projected to be \$1.2 billion higher than forecast in the *2022 Budget*, mainly reflecting higher taxation revenues. The increase in taxation revenues is due to stronger 2022 nominal GDP growth expectations as a result of higher-than-projected economy-wide inflation in 2022.
- Overall program expense in 2022–23 is projected to be unchanged from the outlook presented in the *2022 Budget*. New commitments announced since the release of the *2022 Budget* will be funded through existing contingencies within the fiscal plan.
- The *2022 Budget* included a \$1.0 billion reserve in 2022–23, to protect the fiscal outlook against any unforeseen changes in the Province's revenue and expense forecasts. The \$1.0 billion reserve has been maintained as part of the current fiscal outlook. The reserve provides additional prudence in the government's fiscal framework and is distinct from contingency funds that set aside dedicated funding to be allocated in response to emerging needs.

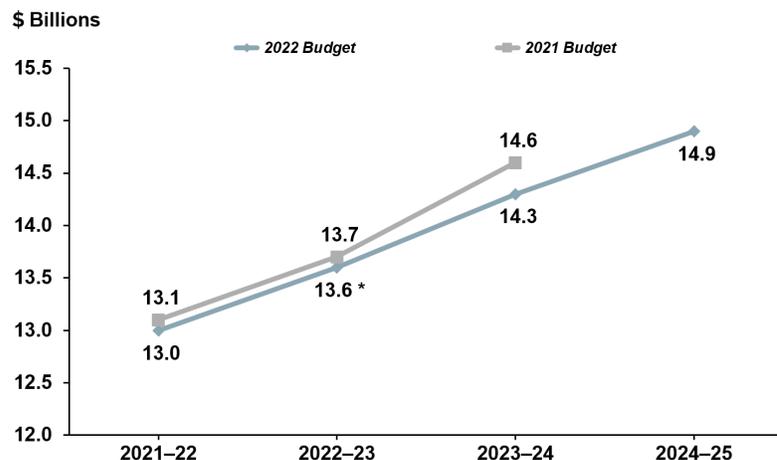
Fiscal Plan (\$ Billions)	Actuals										Interim <sup>1</sup>	Current Outlook
	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	
<b>Revenue</b>	120.3	123.0	126.2	136.1	140.7	150.6	153.7	156.1	164.9	173.6	181.0	
<b>Expense</b>												
Programs	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	169.0	174.1	185.2	
Interest on Debt	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.3	13.0	13.6	
<b>Total Expense</b>	<b>131.0</b>	<b>134.5</b>	<b>137.4</b>	<b>141.5</b>	<b>143.2</b>	<b>154.3</b>	<b>161.1</b>	<b>164.8</b>	<b>181.3</b>	<b>187.1</b>	<b>198.8</b>	
Reserve	–	–	–	–	–	–	–	–	–	–	1.0	
<b>Surplus/(Deficit)</b>	<b>(10.7)</b>	<b>(11.5)</b>	<b>(11.3)</b>	<b>(5.3)</b>	<b>(2.4)</b>	<b>(3.7)</b>	<b>(7.4)</b>	<b>(8.7)</b>	<b>(16.4)</b>	<b>(13.5)</b>	<b>(18.8)</b>	

<sup>1</sup> Interim represents the *2022 Budget* projection for the 2021–22 fiscal year.  
 Note: Numbers may not add due to rounding. Current outlook primarily reflects information available as of June 30, 2022.  
 Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

## Interest on Debt (IOD) Expense

- IOD is projected to increase by \$105 million from the \$13.5 billion forecast in the *2022 Budget*, as a result of higher-than-expected interest rates.
- The Province will continue to monitor movements in long-term interest rates and reflect any changes and their impact on IOD costs in future fiscal updates.

### Comparison of IOD Expense Forecast



\* As of the 2022–23 First Quarter Finances.  
 Source: Ontario Ministry of Finance

## 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, 2022, capacity for short-term borrowing: \$61.0 billion authorized and \$26.7 billion outstanding, leaving \$34.3 billion available.

## Risk Management

	Exposure <sup>1</sup>	Policy Limit
Foreign Exchange	0.13%	3.0%
Net Interest Rate Resetting	9.6%	35.0%

<sup>1</sup> Of outstanding debt, interim as of July 31, 2022.

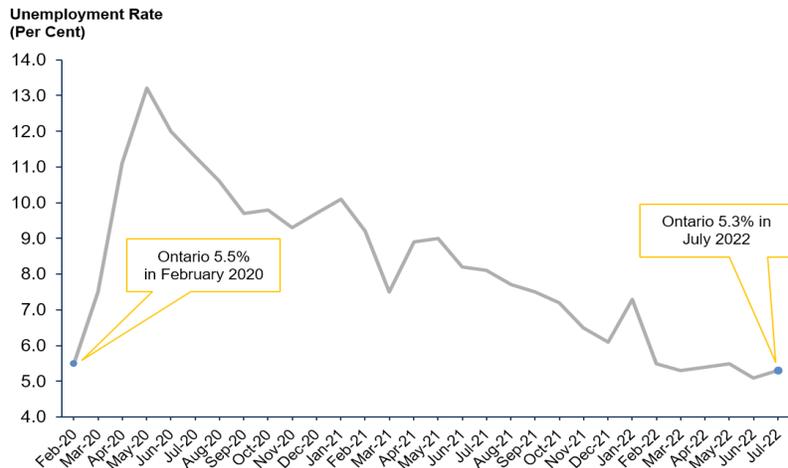
## Credit Ratings (Long-Term/Short-Term)

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

# Ontario's Economic Update

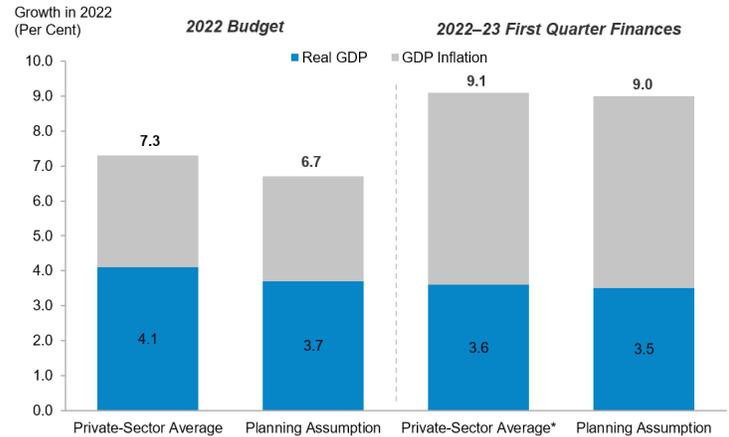
- Ontario's economy has been resilient in the face of the COVID-19 pandemic. Between May 2020 and December 2021, the province added a total of 1.3 million net jobs reflecting the reopening of the economy. Employment in Ontario in July 2022 was 192,400 higher than the February 2020 pre-pandemic level.
- Since the 2022 Budget, expectations by private-sector forecasters for real GDP growth in 2022 have declined slightly, while expectations for nominal GDP growth have risen, reflecting higher GDP inflation.
- The 2022–23 First Quarter Finances planning assumption for real GDP growth in 2022 is 3.5 per cent, slightly lower than the 2022 Budget planning assumption of 3.7 per cent.
- The 2022–23 First Quarter Finances planning assumption for nominal GDP growth is 9.0 per cent, above the 2022 Budget planning assumption of 6.7 per cent.
- For the purposes of prudent fiscal planning, these projections were set slightly below the average of private-sector forecasts.

## Ontario Labour Market Improving



Source: Statistics Canada.

## Stronger-than-Planned Nominal GDP Growth in 2022

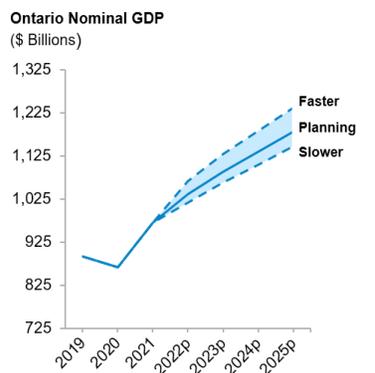
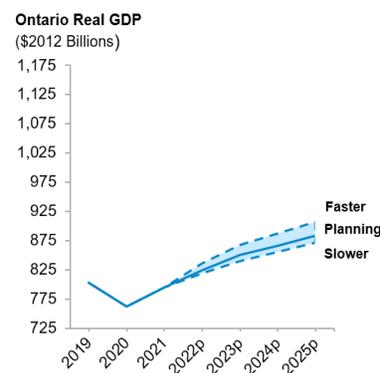


\*Average of private-sector forecasts updated since May 18, 2022.

Note: Nominal GDP growth is the sum of real GDP growth and GDP inflation.

Sources: Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasters (March 8, 2022 and July 22, 2022).

## 2022 Budget: Ontario Medium-Term Outlook Scenarios

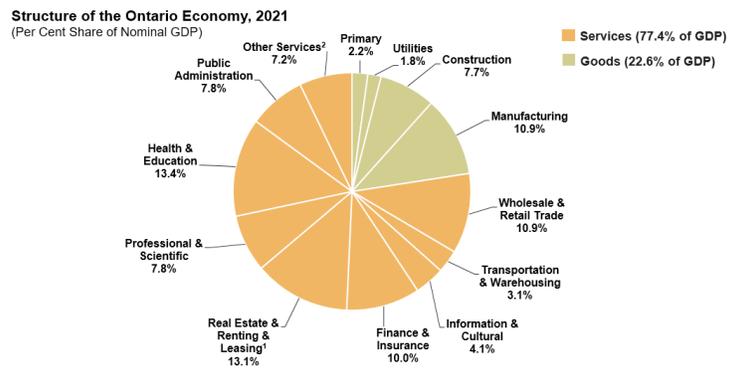


Real GDP Growth Budget Scenarios (Per Cent)	2022p	2023p	2024p	2025p
Faster Growth Scenario	5.2	3.8	2.3	2.2
Planning Projection	3.7	3.1	2.0	1.9
Slower Growth Scenario	3.0	2.6	1.9	1.8

Nominal GDP Growth Budget Scenarios (Per Cent)	2022p	2023p	2024p	2025p
Faster Growth Scenario	9.8	5.9	4.7	4.6
Planning Projection	6.7	5.1	4.2	4.1
Slower Growth Scenario	4.8	4.5	3.9	3.8

p = Ontario Ministry of Finance planning projection 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.

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