

2023–24 First Quarter Finances

- Ontario's economy has shown resiliency in 2023 in the face of elevated economic and geopolitical uncertainties. In the first calendar quarter of 2023, Ontario's real gross domestic product (GDP) increased by 1.0 per cent, following a decline of 0.2 per cent in the fourth quarter of 2022. As of the first quarter, Ontario's real GDP was 4.9 per cent above the pre-pandemic level in the fourth quarter of 2019.
- As of the 2023–24 First Quarter Finances, the province's 2023–24 deficit is projected to be \$1.3 billion — unchanged from the outlook published in the 2023 Ontario Budget.
- Ontario's net debt-to-GDP ratio is projected to be 37.6 per cent in 2023–24 as of 2023–24 First Quarter Finances, 0.2 percentage points lower than the 37.8 per cent forecast in the 2023 Ontario Budget.
- Ontario completed \$10.0 billion in long-term borrowing in 2023–24. The 2023–24 long-term public borrowing is now forecast to be \$27.5 billion, unchanged from the 2023 Budget. Ontario's annual long-term borrowing program in 2023–24 is forecast to be the lowest borrowing program since 2016–17.

Borrowing Program

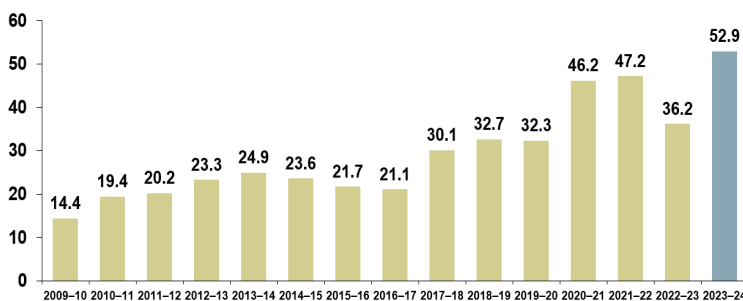
(\$ Billions)	2023–24		
	2023 Budget	Change from 2023 Budget	Current Outlook
Deficit/(Surplus)	1.3	–	1.3
Investment in Capital Assets	13.6	–	13.6
Non-Cash and Cash Timing Adjustments	(9.2)	–	(9.2)
Loans to Infrastructure Ontario	0.1	–	0.1
Other Net Loans/Investments	0.1	–	0.1
Debt Maturities/Redemptions	31.2	–	31.2
Total Funding Requirement	37.0	–	37.0
Decrease/(Increase) in Short-Term Borrowing	–	–	–
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	–	27.5

Notes: Numbers may not add due to rounding.

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 11, 2023, liquid reserve levels were \$51.7 billion.

Average Unrestricted Liquid Reserve Levels (\$ Billions)



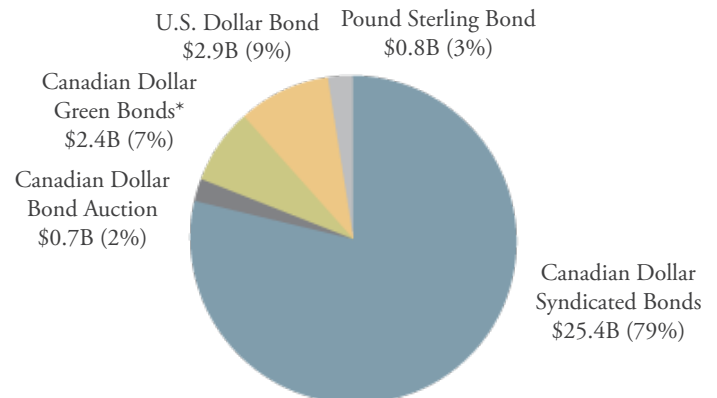
Note: As of July 31, 2023.

2023–24 Borrowing Program

As of August 14, 2023, approximately \$10.0 billion or 36 per cent of the \$27.5 billion 2023–24 long-term borrowing program has been completed, primarily in Canadian dollars.

2022–23 Borrowing Program

As of March 31, 2023, borrowing completed for 2022–23 totalled \$32.2 billion.



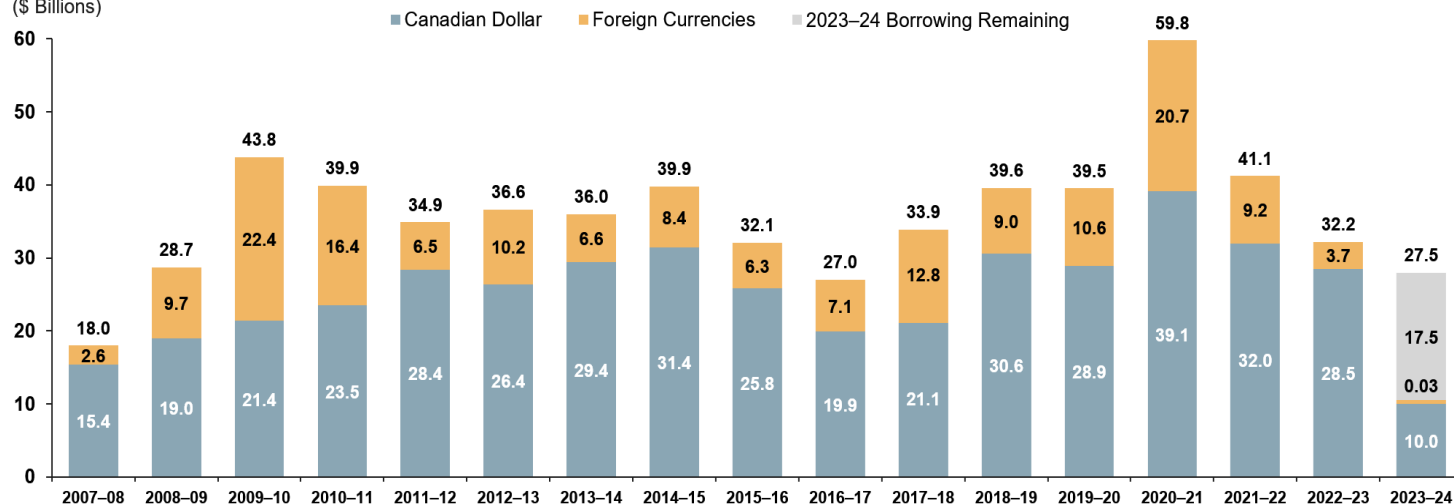
*Face value \$2.5 billion.

Note: Numbers may not add due to rounding.

Long-Term Borrowing

- The majority of borrowing completed so far for 2023–24 has been in Canadian dollars and a A\$35 million Australian dollar bond.
- Ontario has continued to extend the term of its debt, when investor demand allows, to reduce refinancing risk on maturing debt. This also protects the interest on debt forecast against further increases in interest rates. Ontario has issued \$127.5 billion of bonds, or more than one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$10.3 billion in 2022–23 and \$3.4 billion so far in 2023–24.

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	2023-24
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%	100%
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	16.6

Note: Numbers may not add due to rounding. As of August 14, 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 (13 syndicated issues so far in 2023–24).

Canadian Dollar Benchmark Bonds (as of August 14, 2023)

Term	Ontario	Canada
5 yr (old)	3.60% March 8, 2028 \$5.50B	2.75% September 1, 2027 \$16.00B
5 yr (new)	3.40% September 8, 2028 \$1.00B	3.50% March 1, 2028 \$15.00B
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 \$5.75B	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 \$0.75B	2.00% December 1, 2053 \$32.00B

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 \$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 is 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 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

- Revenues in 2023–24 are projected to be \$204.4 billion, largely unchanged compared to the forecast in the *2023 Ontario Budget*.
- Program expense in 2023–24 is projected to be \$190.6 billion, also largely unchanged from the outlook presented in the *2023 Ontario Budget*. New commitments announced since the release of the *2023 Ontario Budget* are primarily funded through existing contingencies within the fiscal plan.
- The *2023 Ontario Budget* included a \$1.0 billion reserve in 2023–24 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.

Fiscal Plan (\$ Billions)	Actuals									Interim ¹ 2022–23	Current Outlook 2023–24
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22		
Revenue	123.0	126.2	136.1	140.7	150.6	153.7	156.1	164.9	185.1	200.4	204.4
Expense											
Programs	123.3	126.2	129.9	131.4	142.3	148.7	152.3	169.0	170.4	189.1	190.6
Interest on Debt	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.3	12.6	13.4	14.1
Total Expense	134.5	137.4	141.5	143.2	154.3	161.1	164.8	181.3	183.0	202.6	204.7
Reserve	–	–	–	–	–	–	–	–	–	–	1.0
Surplus/(Deficit)	(11.5)	(11.3)	(5.3)	(2.4)	(3.7)	(7.4)	(8.7)	(16.4)	2.1	(2.2)	(1.3)

¹ Interim represents the *2023 Budget* projection for the 2022–23 fiscal year.

Notes: Numbers may not add due to rounding. Current outlook primarily reflects information available as of June 30, 2023.

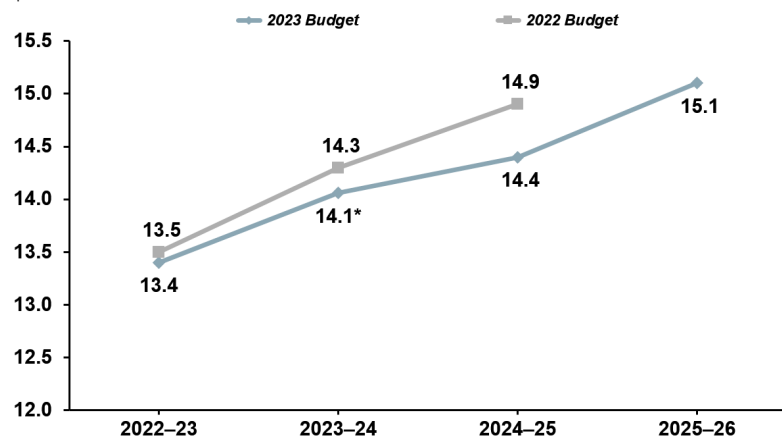
Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- IOD in 2023–24 is projected to remain unchanged from the \$14.1 billion forecast in the *2023 Ontario Budget*.
- Despite the further increases to the overnight rate since the *2023 Ontario Budget*, Ontario's cost of borrowing for 2023–24 remains at 4.6 per cent, as long-term rates have remained within the range forecasted in the *2023 Ontario Budget* through the first quarter. The province will continue to monitor movements in long-term interest rates and provide regular updates on IOD costs in future fiscal updates.

Comparison of IOD Expense Forecast

\$ Billions



* As of the 2023–24 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, 2023, capacity for short-term borrowing: \$61.0 billion authorized and \$23.2 billion outstanding, leaving \$37.8 billion available.

Risk Management

	Exposure ¹	Policy Limit
Foreign Exchange	0.14%	3.0%
Net Interest Rate Resetting	5.1%	35.0%

¹ Of outstanding debt, as of July 31, 2023.

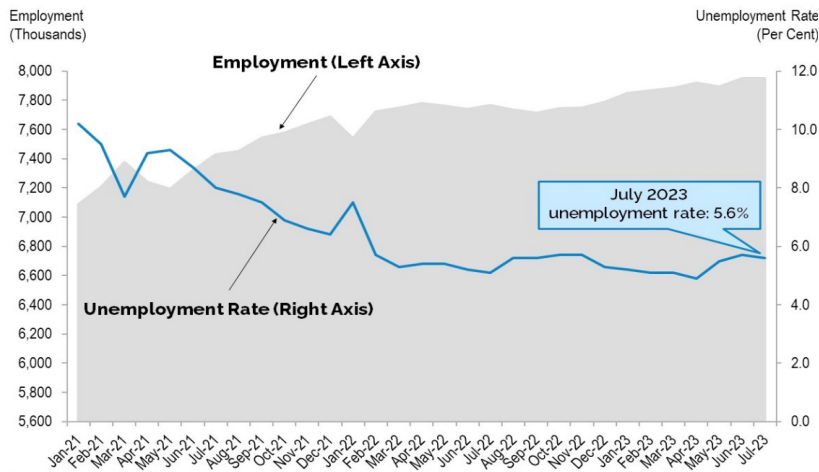
Credit Ratings (Long-Term/Short-Term)

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

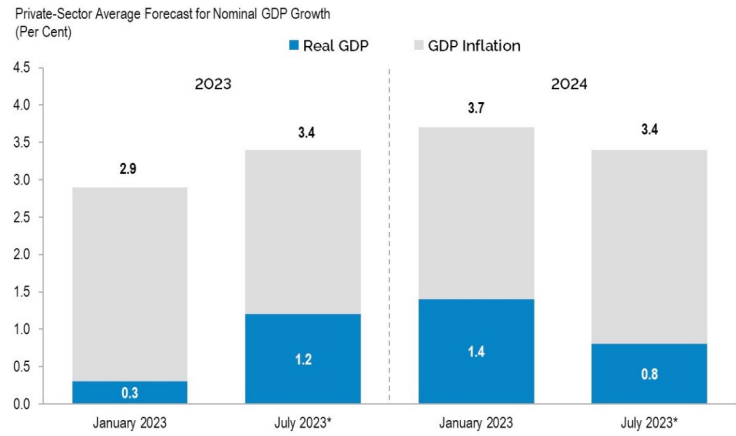
- Since the release of the *2023 Ontario Budget*, Ontario real GDP growth expectations have been revised higher for 2023, reflecting stronger-than-expected economic performance so far this year. Among recent private-sector forecasts, the average projected Ontario real GDP growth for 2023 is 1.2 per cent, higher than the average increase of 0.3 per cent at the time of the *2023 Ontario Budget*. The private-sector average forecast for 2024 has declined from 1.4 per cent at the time of the *2023 Ontario Budget* to 0.8 per cent.
- Since the *2023 Ontario Budget*, Ontario nominal GDP growth expectations have been revised higher for 2023, but lower for 2024. Among recently updated private-sector forecasts, the average projected nominal GDP growth for 2023 is 3.4 per cent, above the average increase of 2.9 per cent in the *2023 Ontario Budget*. The private-sector average forecast for 2024 has declined from 3.7 per cent at the time of the *2023 Ontario Budget* to 3.4 per cent.
- Ontario's labour market has remained strong, with employment increasing by over 230,000 net jobs between September 2022 and July 2023. In addition, Ontario's unemployment rate of 5.6 per cent in July 2023 is near historic lows.

Ontario Labour Market



Source: Statistics Canada.

Ontario GDP Growth



*Average of private-sector forecast updated since May 1, 2023.

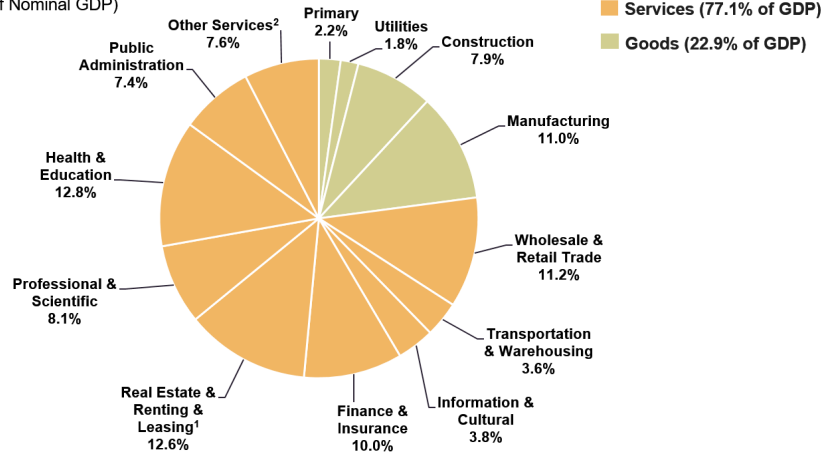
Note = Nominal GDP growth is the sum of real GDP growth and GDP inflation.

Sources: Ontario Ministry of Finance Survey of Forecasters (January 30, 2023 and July 14, 2023).

Ontario's Diverse Economy

Structure of the Ontario Economy, 2022

(Per Cent Share of Nominal GDP)



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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