

## 2021 Ontario Economic Outlook and Fiscal Review

- Ontario is projecting a deficit of \$21.5 billion in 2021–22, an improvement of \$11.6 billion from the outlook presented in the *2021 Budget*. Over the medium term, the government is forecasting deficits of \$19.6 billion in 2022–23 and \$12.9 billion in 2023–24, an improvement of \$8.1 billion and \$7.2 billion, respectively.
- This improvement reflects a stronger economic growth outlook, as well as more recent information about the impact of COVID-19 on the Province's finances. Given the high degree of economic uncertainty, the Province has again developed alternative Faster Growth and Slower Growth economic scenarios that the economy could take over the next several years.
- Acknowledging the continued uncertainty related to the global COVID-19 pandemic, the government plans to provide an updated fiscal recovery plan in the *2022 Budget*.
- Ontario's net debt-to-GDP is now forecast to be 43.4 per cent in 2021–22, 5.4 percentage points lower than the 48.8 per cent forecast in the *2021 Budget*. Over the medium term, the net debt-to-GDP ratio is forecast to be 43.5 per cent in 2022–23 and 43.6 per cent in 2023–24, respectively.
- Ontario's 2021–22 long-term public borrowing is now forecast to be \$42.0 billion. This is \$12.7 billion lower than the *2021 Budget* forecast due to lower funding requirements as a result of lower-than-projected deficits. The total long-term borrowing requirement is now forecast to be \$45.3 billion in 2022–23, and \$45.9 billion in 2023–24, lower by \$13.8 billion and \$9.3 billion, respectively compared to the *2021 Budget* forecast for those fiscal years.
- When combined with lowering this year's short-term borrowing program by \$4.0 billion, the Province's overall borrowing needs will decline by \$39.8 billion over the three-year outlook period compared to the *2021 Budget* forecast.

## Borrowing Program

- In the event that alternative economic scenarios materialize, the Province'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 \$17.4 billion over the three-year outlook period, while under the Slower Growth scenario, long term borrowing would increase by \$12.5 billion over the same period.

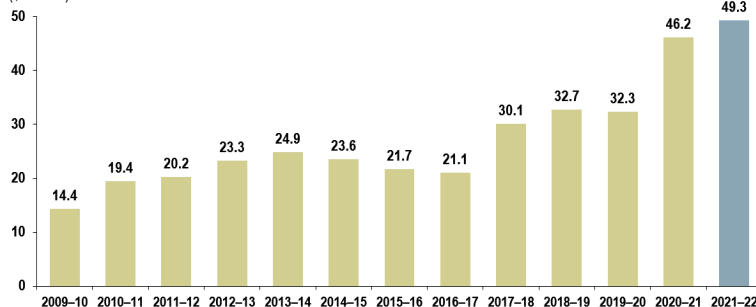
(\$ Billions)	2021–22			Medium-Term Outlook	
	2021 Budget	In-Year Change	Current Outlook	2022–23	2023–24
Deficit/(Surplus)	33.1	(11.6)	21.5	19.6	12.9
Investment in Capital Assets	11.8	0.1	11.9	12.7	12.2
Non-Cash Adjustments	(9.5)	–	(9.5)	(9.5)	(9.5)
Loans to Infrastructure Ontario	0.2	(0.0)	0.2	(0.1)	(0.0)
Other Net Loans/Investments	1.3	(0.3)	1.0	0.3	(1.0)
Debt Maturities/Redemptions	25.0	(0.0)	25.0	30.5	31.2
<b>Total Funding Requirement</b>	<b>61.9</b>	<b>(11.8)</b>	<b>50.1</b>	<b>53.3</b>	<b>45.9</b>
Decrease/(Increase) in Short-Term Borrowing	(6.0)	4.0	(2.0)	(2.0)	–
Increase/(Decrease) in Cash and Cash Equivalents	4.0	–	4.0	–	–
Pre-borrowing in 2020–21 for 2021–22	(5.2)	(10.9)	(16.2)	–	–
Pre-borrowing for 2022–23	–	6.0	6.0	(6.0)	–
<b>Total Long-Term Public Borrowing</b>	<b>54.7</b>	<b>(12.7)</b>	<b>42.0</b>	<b>45.3</b>	<b>45.9</b>

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 November 3, 2021, liquid reserve levels were \$45.3 billion.

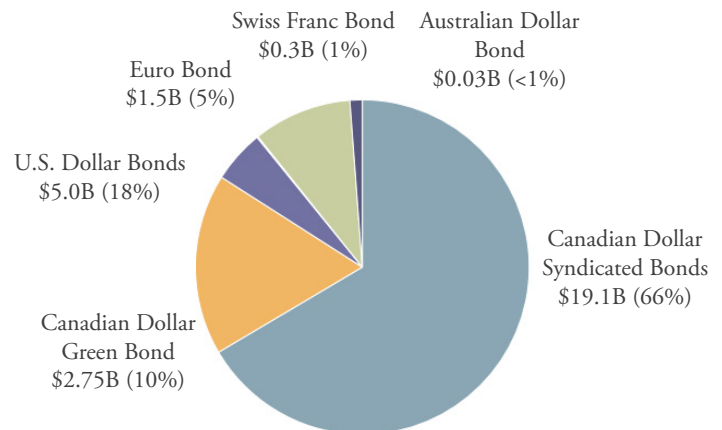
Average Unrestricted Liquid Reserve Levels (\$ Billions)



Note: As of October 31, 2021.

## 2021–22 Borrowing Program

As of November 4, 2021, borrowing completed for 2021–22 totalled \$28.8 billion.

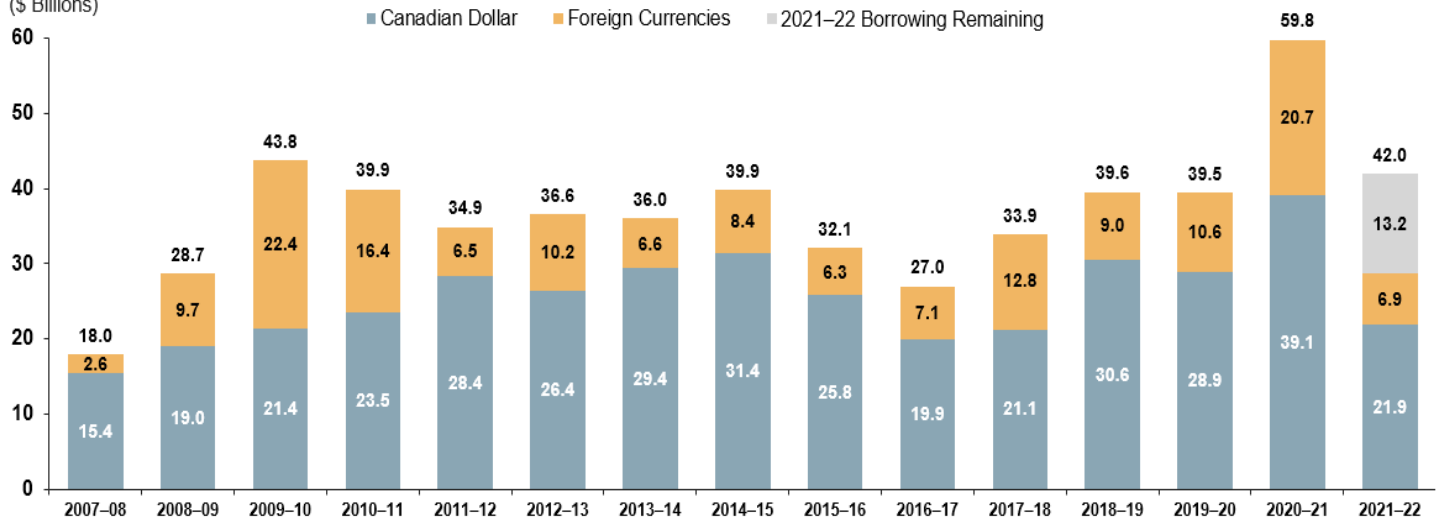


Note: Numbers may not add due to rounding.

## Long-Term Borrowing

- Ontario's target range for domestic borrowing remains unchanged at 65 to 80 per cent of borrowing completed for the 2021–22 fiscal year. This range will be further adjusted, if necessary, in response to evolving investor demand in the Canadian dollar and foreign currency debt markets.
- 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 \$111.0 billion of bonds, or approximately one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$7.5 billion so far in 2021–22.

**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
<b>Foreign</b>	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	24%
<b>Domestic</b>	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	76%
<b>Weighted-Average Term</b>	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
<b>Debt Portfolio Average Term</b>	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*

\* As of September 30, 2021.

Note: Numbers may not add due to rounding. As of November 4, 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 (25 syndicated issues in 2021–22).

### Canadian Dollar Benchmark Bonds (as of November 4, 2021)

Term	Ontario		Canada	
	Rate	Maturity	Rate	Amount
5-year (old)	1.75%	September 8, 2025	0.25%	\$34.00B
5-year (new)	1.35%	September 8, 2026	1.00%	\$23.00B
7-year	1.05%	September 8, 2027	1.00%	\$15.00B
10-year (old)	2.15%	June 2, 2031	0.50%	\$40.00B
10-year (new)	2.25%	December 2, 2031	1.50%	\$42.00B
Long (old)	1.90%	December 2, 2051	2.75%	\$14.90B
Long (new)	2.55%	December 2, 2052	2.00%	\$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.\$)
10-year	1.80% October 6, 2021	\$1.00B
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

## 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.
- Subject to market conditions, Ontario plans to continue to issue multiple Green Bonds each fiscal year, including in 2021–22.

### 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 government is now projecting a \$21.5 billion deficit in 2021–22. Over the medium term, the government projects steadily declining deficits of \$19.6 billion in 2022–23 and \$12.9 billion in 2023–24. Under the Faster Growth scenario, the deficit outlook may improve to \$18.7 billion in 2021–22, \$13.4 billion in 2022–23, and \$4.5 billion in 2023–24. However, under the Slower Growth scenario, the deficit outlook may deteriorate to \$23.1 billion in 2021–22, \$24.1 billion in 2022–23, and \$19.3 billion in 2023–24.
- The 2021–22 total revenue outlook is \$168.6 billion, \$14.6 billion higher than projected in the *2021 Budget* and \$11.7 billion higher than projected in the *2021–22 First Quarter Finances*. On the other hand, total expense outlook is \$189.1 billion, \$3.0 billion higher than the *2021 Budget* and \$787 million higher than the *2021–22 First Quarter Finances*.
- Over the medium term, revenue is forecast to increase from \$168.6 billion in 2021–22 to \$178.0 billion in 2023–24, while total expense is projected to increase from \$189.1 billion to \$189.5 billion over the same period.
- The reserve has been maintained as part of the current fiscal outlook, at \$1.0 billion in 2021–22 and \$1.5 billion in 2022–23 and 2023–24.

Fiscal Plan (\$ Billions)	Actuals									Current Outlook	Medium-Term Outlook	
	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Revenue	120.3	123.0	126.2	136.1	140.7	150.6	153.7	156.1	164.9	168.6	171.5	178.0
Expense												
Programs	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	169.0	176.1	176.4	175.6
Interest on Debt	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.3	13.0	13.1	13.8
<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>189.1</b>	<b>189.6</b>	<b>189.5</b>
Reserve	–	–	–	–	–	–	–	–	–	1.0	1.5	1.5
<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>(21.5)</b>	<b>(19.6)</b>	<b>(12.9)</b>

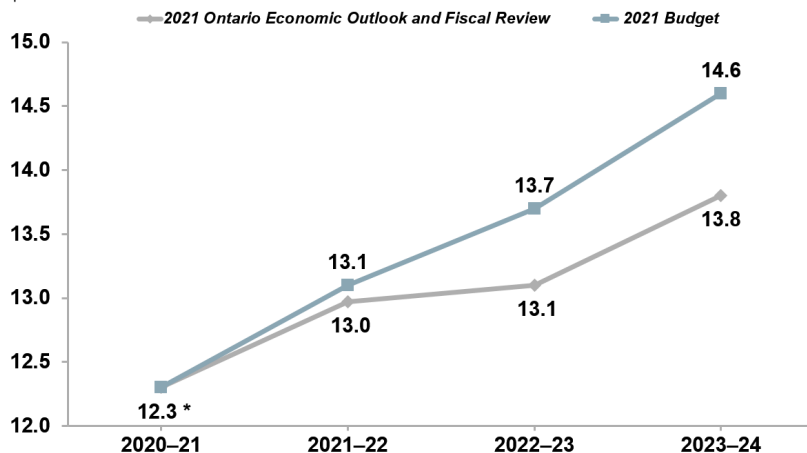
Note: Numbers may not add due to rounding. Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

### Interest on Debt (IOD) Expense

- Lower than forecast deficits and borrowing requirements have reduced Ontario's interest costs.
- The IOD forecast for 2021–22 is \$13.0 billion, down from the *2021 Budget* forecast of \$13.1 billion.
- The IOD-to-revenue forecast for 2021–22 is now 7.7 per cent, or 0.8 percentage points lower than forecasted in the *2021 Budget*.

#### IOD Forecast

\$ Billions



\* Public Accounts of Ontario 2020–2021.  
Source: 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 October 31, 2021, capacity for short-term borrowing: \$61.0 billion authorized and \$23.1 billion outstanding, leaving \$37.9 billion available.

### Risk Management

	Exposure <sup>1</sup>	Policy Limit
Foreign Exchange	0.1%	3.0%
Net Interest Rate Resetting	9.9%	35.0%

<sup>1</sup> Of outstanding debt, interim as of October 31, 2021.

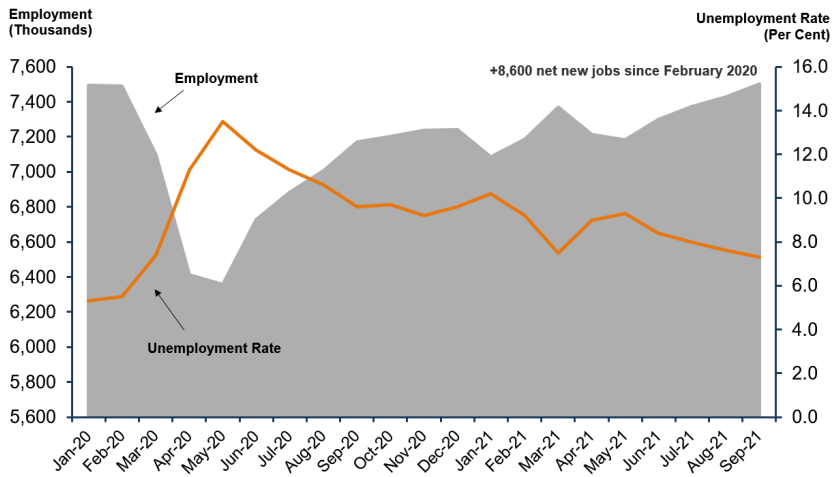
### Credit Ratings (Long-Term/Short-Term)

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

# Ontario's Economic Update

- Ontario's economy has been resilient in the face of the COVID-19 pandemic. Between May and September 2021, the province added a total of 315,900 net jobs reflecting the reopening of the economy. Employment has recovered to 8,600 net jobs above the February 2020 pre-pandemic level.
- Ontario's real GDP is projected to rise 4.3 per cent in 2021, 4.5 per cent in 2022, 2.6 per cent in 2023 and 2.0 per cent in 2024. Ontario's nominal GDP is projected to rise 9.0 per cent in 2021, 6.6 per cent in 2022, 4.6 per cent in 2023 and 4.1 per cent in 2024.
- For the purposes of prudent fiscal planning, these projections were set slightly below the average of private-sector forecasts. The planning projections for real and nominal GDP growth in 2021 incorporates additional prudence as a result of continued economic risks related to the pandemic along with uncertainty around GDP inflation.
- Since the time of the *2021 Budget*, private-sector expectations for 2021 real GDP growth have risen modestly, while expectations for nominal GDP have risen much more sharply.

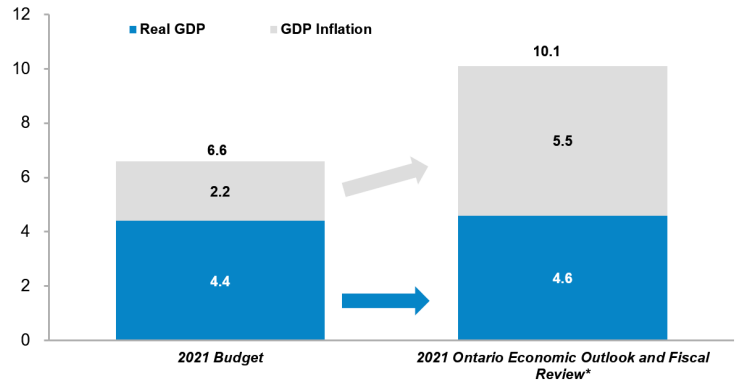
## Ontario's Labour Market



Source: Statistics Canada.

## Stronger Nominal GDP Growth Projected in 2021

Private-Sector Average Forecast for 2021 Growth (Per Cent)

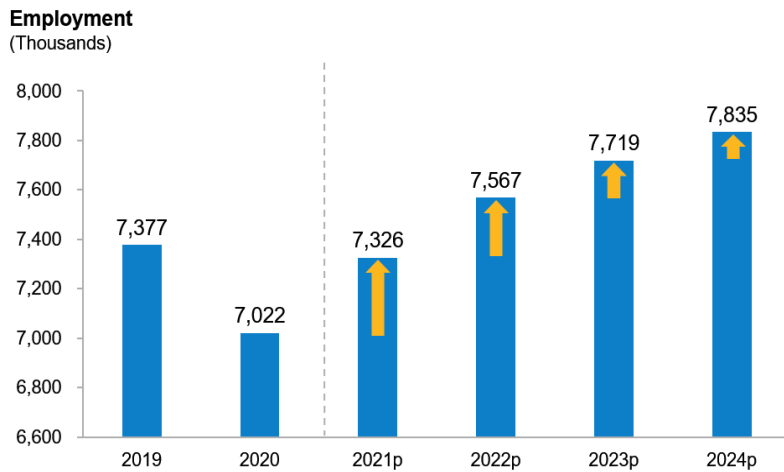


\*Average of private-sector forecasts updated since August 31, 2021.

Note: Ministry of Finance planning assumption for 2021 nominal GDP growth in the *2021 Budget* was 6.2 per cent.

Sources: Ontario Ministry of Finance Survey of Forecasters (February 3, 2021 and October 1, 2021) and Ontario Ministry of Finance.

## Continued Job Gains Projected

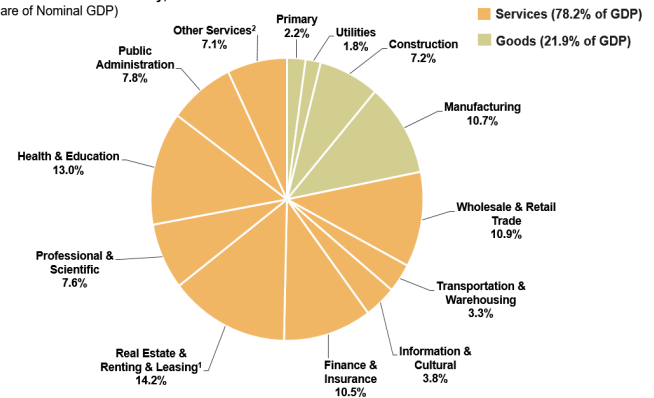


p = Ontario Ministry of Finance projections.

Source: Ontario Ministry of Finance.

## Ontario's Diverse Economy

Structure of the Ontario Economy, 2020 (Per Cent Share of Nominal GDP)



<sup>1</sup> Includes estimate of imputed rental income from owner occupied dwellings.

<sup>2</sup> 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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