

CEO's Video Update – October 30, 2024

Thank you for joining me for the next few minutes.

With the release of the Province's *2024 Ontario Economic Outlook and Fiscal Review*, or Fall Statement as we like to call it, I'd like to take this opportunity to update you on Ontario's finances and borrowing program.

Ontario's deficit is projected to be \$6.6 billion this fiscal year — an improvement of \$3.2 billion from the outlook published in the *2024 Budget*. Over the medium term, the government projects a deficit of \$1.5 billion in 2025–26 followed by a surplus of \$0.9 billion in 2026–27, for a total improvement of \$6.7 billion over this three-year period relative to the *2024 Budget* forecast.

Ontario's real GDP growth is projected to ease from 1.4 per cent in 2023 to 0.9 per cent in 2024. As interest rates continue to decline, real GDP growth is projected to increase to 1.7 per cent in 2025, and to 2.3 per cent in both 2026 and 2027. For the purposes of prudent fiscal planning, these projections are set slightly below the average of private-sector forecasts.

Let me now turn to our borrowing program. The long-term borrowing forecast for this fiscal year remains at \$37.5 billion, the same level as reported in Ontario's First Quarter Finances. The improved deficit position since then has led to a decrease in funding requirements which has allowed us to increase cash reserves. This will enhance liquidity and flexibility for future years.

As of the release of the Fall Statement, we've completed \$31.4 billion of this fiscal year's long-term borrowing program.

Ontario is forecast to pay \$12.7 billion in interest costs in 2024–25. Over the four-year period shown on this chart, the cumulative interest on debt expense is estimated to be \$4.1 billion below the *2024 Budget* forecast. This is primarily due to lower borrowing costs last fiscal year carrying forward.

So how did we complete \$31.4 billion of long-term borrowing so far this fiscal year? The domestic market has accounted for 80 per cent of borrowing, through 24 syndicated issues, and two Green Bonds. This remains within our target range for domestic borrowing of 75 to 90 per cent of total long-term borrowing.

On October 2, we issued a \$1 billion Green Bond. This was the second Green Bond issued this fiscal year and our seventeenth overall. This bond was the first 30-year Green Bond by a Canadian province.

The remaining 20 per cent of borrowing completed this fiscal year was in U.S. and Australian dollars.

Finally, I'd like to turn to the Province's debt burden reduction strategy. Ontario has continued to maintain the targets set in the *2023 Budget* and is committed to achieving these targets over the medium-term outlook.

All three debt sustainability ratios are now forecast to be significantly better than the projections at the time of the *2024 Budget*.

Ontario's 2024–25 net debt-to-GDP ratio is now forecast to be 37.8 per cent, a decrease of 1.4 percentage points from the forecasted 39.2 per cent in the *2024 Budget*.

The net debt to-revenue ratio is projected to be 202 per cent in 2024–25, 12 percentage points below the 214 per cent forecast in the *2024 Budget*.

The Interest on debt (or IOD)-to-revenue ratio is forecast to be 6 per cent in 2024–25, 0.8 percentage points lower than the 6.8 per cent forecast in the *2024 Budget*.

In the *2025 Budget* we plan to make a presentation change on how we report IOD for accounting purposes. Currently we calculate IOD on a net basis, where interest and investment income is subtracted from IOD, rather than having this income reported separately as revenue.

To fully comply with Public Sector Accounting Standards, going forward we'll report interest expense on a gross basis, and separately report interest and investment income as revenue. The impact of this change will be fiscally and economically neutral.

The IOD-to-revenue ratio will continue to be calculated on a net basis after the accounting change is implemented, to remain comparable with historical data and to continue to provide the most relevant measure of Ontario's net interest costs as a percentage of our revenues from a financial markets perspective. We're forecasting this ratio will remain close to the lowest levels it has been at since the 1980s.

You can find further fiscal and economic information on the Fall Statement on the Ministry of Finance's website. You can also find updated borrowing information in our Investor Relations Presentation and Fact Sheet, posted on the OFA website.

Thank you very much for your time.