

## CEO's Video Update – 2023 Ontario Budget

Thank you for joining me for the next few minutes.

With the release of the Province's *2023 Budget*, I would like to take this opportunity to update you on Ontario's finances and borrowing program.

Ontario's deficit for this fiscal year is now projected to be \$2.2 billion, \$17.7 billion lower than the forecast in the *2022 Budget*. Over the medium term, the government is projecting a deficit of \$1.3 billion for the upcoming fiscal year, moving to surpluses of \$0.2 billion and \$4.4 billion in the following two fiscal years.

Ontario has completed this fiscal year's long-term borrowing program of \$32.1 billion, a decrease of \$9.3 billion from the *2022 Budget* forecast. This was primarily due to lower deficits, partially offset by pre-borrowing for the upcoming fiscal year.

The lower deficits also allowed Ontario to decrease the amount outstanding in its short-term borrowing program by \$1.3 billion this fiscal year, rather than increasing it by \$3 billion as planned in the *2022 Budget*, for a net reduction of \$4.3 billion compared to the original plan.

Ontario's overall long-term borrowing needs have been reduced by a total of \$36.6 billion over the three-year outlook period contained in the *2022 Budget* forecast. Ontario's \$27.5 billion long-term borrowing program in 2023–24 is forecast to be the lowest since 2016–17.

The domestic market accounted for 88 percent of borrowing completed this fiscal year, above Ontario's target range for domestic borrowing of 65 to 80 per cent. Based on the combined experience of the last five fiscal years, Ontario's target range for domestic borrowing will be 75 to 90 per cent in 2023–24.

At the end of February, we issued our thirteenth Green Bond for \$1.5 billion, following a \$1 billion Green Bond last October. Our most recent Green Bond provided funding to four Clean Transportation projects and one under the Energy Efficiency and Conservation category.

Last month, the Province opened a new courthouse in Toronto which will bring six Ontario Court of Justice criminal courts under one roof. This project, which meets the LEED Silver standard that recognizes buildings with reduced environmental impacts, received \$172.1 million in financing from Ontario's Green Bond program.

Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$15 billion issued since 2014–15. Subject to market conditions, we plan to continue to issue multiple Green Bonds each fiscal year.

Ontario is forecast to pay \$13.4 billion in interest costs, or IOD, this fiscal year. Over the next two fiscal years, this increases to \$14.1 billion and \$14.4 billion respectively.

This is a cumulative savings of \$0.8 billion over the three years compared to last Budget because of smaller borrowing programs, partially offset by higher interest rates.

Had the borrowing program remained the same as in the *2022 Budget*, given those higher interest rates, IOD would have been \$0.3 billion more this fiscal year, and \$0.7 billion higher in each of the following two fiscal years.

The *2023 Budget*, in addition to a path to balance by 2024–25, three years earlier than projected in the *2022 Budget*, includes an updated debt burden reduction strategy, with new targets over the medium-term outlook for the relevant measures of debt sustainability.

- Net debt-to-GDP is targeted to stay below 40 per cent compared to last year's 42 per cent target. Net debt-to-GDP is forecast to be 37.8 per cent this fiscal year, a decrease of 3.6 percentage points from the *2022 Budget* forecast. This is the lowest level this ratio has been at since 2011–12.
- The second measure, net debt-to-revenue, is targeted to stay below 200 per cent compared to last year's 250 per cent target. This ratio is projected to be 198 per cent this fiscal year, 40 percentage points below the forecast in the *2022 Budget*, and, at its lowest level since 2010–11.
- Interest on debt-to-revenue is now targeted to stay below 7.5 per cent compared to last year's 8 per cent target. This ratio is forecast to be 6.7 per cent this fiscal year, 0.8 percentage point lower than the *2022 Budget* forecast. This marks the lowest level this ratio has been at since Ontario began running significant deficits in the early 1990s. Even with the forecast for higher interest rates built into the Province's IOD modelling, this ratio is projected to only rise marginally in the upcoming fiscal year before resuming a downward trend.

You can find further fiscal and economic information on the *2023 Budget* on the Ministry of Finance's website. You can also find updated borrowing information in our Investor Relations Presentation and Fact Sheet, posted on this OFA website.

Thank you very much for your time.