

CEO's Video Update – March 26, 2024

Thank you for joining me for the next few minutes.

With the release of the Province's *2024 Budget*, I would like to take this opportunity to update you on Ontario's finances and borrowing program.

Ontario's deficit for the fiscal year just ending is now projected to be \$3.0 billion, \$1.7 billion higher than the outlook published in the *2023 Budget*, but \$2.6 billion lower than the outlook published in the *2023 Ontario Economic Outlook and Fiscal Review* or Fall Economic Statement.

Over the medium term, the government is projecting a deficit of \$9.8 billion for the upcoming fiscal year, \$4.6 billion the following year, before reaching a surplus of \$0.5 billion in 2026-27.

Despite economic headwinds prompted by elevated consumer price inflation and high interest rates, Ontario's economy performed better than expected in 2023. Ontario's labour market performed strongly in 2023 and the unemployment rate remained low.

High interest rates are expected to continue impacting Ontario's economy in 2024, with real GDP growth projected to slow from an estimated 1.2 per cent in 2023 to 0.3 per cent in 2024. Real GDP growth is projected to accelerate to 1.9 per cent in 2025, and 2.2 per cent in 2026 and 2027. For the purposes of prudent fiscal planning, these projections are slightly below the average of private-sector forecasts.

Let me now turn to our borrowing program. Ontario has completed this fiscal year's long-term borrowing program of \$41.8 billion, an increase of \$14.3 billion from the *2023 Budget* forecast. This was primarily due to non-cash and cash timing adjustments, a modestly higher deficit for the current fiscal year and higher year-end cash levels to pre-borrow for future years' funding needs.

The long-term borrowing forecast for the upcoming fiscal year is \$38.2 billion, an increase of \$9.5 billion from the *2023 Budget* forecast, but only \$0.8 billion higher than the forecast in the 2023 Fall Economic Statement. This is also \$3.6 billion less than what was borrowed in 2023-24. In addition, Ontario plans to increase short-term borrowing by \$5.0 billion next fiscal year to respond to recent changes in demand for short-term Ontario debt.

Long-term borrowing for 2025-26 is forecast at \$37.7 billion, an increase of \$4.3 billion from the *2023 Budget* forecast, but only \$0.7 billion higher than the forecast in the 2023 Fall Economic Statement. Long-term public borrowing for 2026-27 is forecast to be \$32.8 billion.

It is important to note that the size of Ontario's borrowing program has remained fairly consistent over the last decade with the exception of the borrowing program during the height of the COVID-19 pandemic.

So how did we complete this fiscal year's long-term borrowing program of \$41.8 billion? The domestic market accounted for 86 percent of borrowing, within Ontario's target range for domestic borrowing of 75 to 90 per cent. Based on the combined experience of the last five years, Ontario's target range for domestic borrowing will remain unchanged in 2024–25.

One important development for our borrowing program this year was the release of the new Ontario Sustainable Bond Framework in January 2024, replacing the Green Bond Framework from 2014. The new framework will allow for a broader range of potential bond offerings in the future.

Following the release of the new Framework, we issued a \$1.5 billion Green Bond in February. This was the second Green Bond issued this fiscal year, fifteenth Green Bond overall, and Ontario's first Green Bond issued under the new Ontario Sustainable Bond Framework.

Finally, I would like to turn to the Province's debt burden reduction strategy. The *2024 Budget* includes an updated debt burden reduction strategy that continues to focus on meeting the established targets over the medium-term outlook for the relevant measures of debt sustainability. The targets remain unchanged from the *2023 Budget*.

Interest on Debt-to-revenue remains close to the lowest levels since it has been at since the 1980s.

While net debt-to-GDP and net-debt-to-revenue are higher than forecast compared to last year's budget, they remain relatively consistent or lower than in other recently published forecasts.

You can find further fiscal and economic information on the *2024 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.