

CEO's Video Update – 2022–23 First Quarter Finances

On August 9, the Province released its *2022–23 First Quarter Finances*. I would like to take this opportunity to provide you with a quick update on the Province's finances and borrowing program.

Let's start with the First Quarter Finances.

As reported in the release, the Province's deficit for 2022–23 is now projected to be \$18.8 billion, an improvement of \$1.1 billion from the outlook presented in the *2022 Budget*.

Ontario's real GDP continued to grow in a challenging global environment, rising 1.1 per cent in the first quarter of calendar 2022 and exceeding the pre-pandemic level in the fourth quarter of 2019 by 1.3 per cent. The First Quarter Finances planning assumption for real GDP growth in 2022 is 3.5 per cent, 0.1 percentage points lower than the private-sector average for prudent planning purposes. Expectations for Ontario's nominal GDP growth have been revised higher since the *2022 Budget* as GDP inflation has risen due to strong economy-wide increases amid supply chain constraints and combined strong demand.

As a result of a faster-than-expected nominal GDP growth and a lower deficit forecast than at the time of the *2022 Budget*, the Province's net debt-to-GDP ratio is now projected to be 40.4 per cent in 2022–23, a full percentage point lower than the 41.4 per cent forecast in the *2022 Budget*.

Interest on debt is projected to increase by \$105 million from the \$13.5 billion forecast in the *2022 Budget*, as a result of higher-than-expected interest rates. The Province will continue to monitor movements in longer-term interest rates and reflect any changes and their impact on interest on debt costs in future fiscal updates.

Now, I'd like to turn to the Borrowing Program

The Province's funding requirements for 2022–23 are projected to decrease by \$1.1 billion compared to the forecast in the *2022 Budget*, reflecting an equal decrease in the projected deficit.

As a result, the long-term borrowing program for 2022–23 is forecast to decrease to \$40.4 billion from \$41.5 billion.

As of the release of the First Quarter Finances, we had issued \$13.3 billion this fiscal year, completing just under one-third of our long-term borrowing program for 2022–23.

Foreign currency issues, in U.S. dollars and pounds sterling, totalled \$3.7 billion, or 28 per cent of the borrowing completed. Canadian dollar borrowing accounted for the remaining \$9.5 billion, or 72 per cent of this year's program, through 13 domestic syndicated issues.

Green Bonds remain a core component of Ontario's borrowing program and are an important tool to help finance public transit initiatives, extreme weather-resistant infrastructure, as well as energy efficiency and conservation projects. Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$12.5 billion issued since 2014–15, with \$12.0 billion outstanding.

Ontario is considering 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. Subject to market conditions, we plan to continue to issue multiple Green Bonds each fiscal year, including in 2022–23.

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

Thank you very much for your time.