

## 2023 Budget

- Ontario has a path to balance, three years earlier than projected in the *2022 Budget*. Ontario's 2022–23 deficit is projected to be \$2.2 billion — \$17.7 billion lower than the outlook published in the *2022 Budget* and \$4.4 billion lower than the outlook published in the *2022–23 Third Quarter Finances*. Over the medium-term outlook, the government is projecting a deficit of \$1.3 billion in 2023–24, and surpluses of \$0.2 billion in 2024–25 and \$4.4 billion in 2025–26.
- Ontario's real GDP is projected to rise 0.2 per cent in 2023, 1.3 per cent in 2024, 2.5 per cent in 2025 and 2.4 per cent in 2026. Ontario's nominal GDP is projected to rise 2.8 per cent in 2023, 3.6 per cent in 2024, 4.6 per cent in 2025 and 4.5 per cent in 2026.
- Ontario's net debt-to-GDP ratio is now forecast to be 37.8 per cent in 2022–23 and 2023–24, and 37.7 per cent in 2024–25, down 3.6 percentage points for each fiscal year, respectively, from the forecast of 41.4 per cent for 2022–23 and 2023–24, and 41.3 per cent for 2024–25 in the *2022 Budget*. The *2023 Budget* includes an updated debt burden reduction strategy, with new targets over the medium-term outlook for the relevant measures of debt sustainability.
- Ontario completed \$32.1 billion in long-term borrowing in 2022–23. This is \$9.3 billion lower than anticipated in the *2022 Budget* forecast, as a result of lower than projected deficits. The 2023–24 and 2024–25 long-term public borrowing forecasts are \$27.5 billion and \$28.7 billion, a decrease of \$17.1 billion and \$10.2 billion from the *2022 Budget* forecast, respectively. Ontario's annual long-term borrowing program in 2023–24 is forecast to be the lowest borrowing program since 2016–17.

## Borrowing Program

(\$ Billions)	2022–23			Medium-Term Outlook		
	2022 Budget	Change from 2022 Budget	Interim <sup>1</sup> 2022–23	2023–24	2024–25	2025–26
Deficit/(Surplus)	19.9	(17.7)	2.2	1.3	(0.2)	(4.4)
Investment in Capital Assets	13.4	(1.5)	11.9	13.6	18.6	18.8
Non-Cash and Cash Timing Adjustments	(9.7)	(8.1)	(17.8)	(9.2)	(11.7)	(14.0)
Loans to Infrastructure Ontario	(0.1)	(0.1)	(0.2)	0.1	0.1	0.2
Other Net Loans/Investments	0.7	(0.8)	(0.1)	0.1	(1.0)	(0.2)
Debt Maturities/Redemptions	30.5	0.0	30.6	31.2	27.9	33.1
<b>Total Funding Requirement</b>	<b>54.7</b>	<b>(28.1)</b>	<b>26.6</b>	<b>37.0</b>	<b>33.7</b>	<b>33.4</b>
Decrease/(Increase) in Short-Term Borrowing	(3.0)	4.3	1.3	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	–	–	–	5.0	(5.0)	–
Pre-borrowing in 2021–22 for 2022–23	(10.3)	–	(10.3)	–	–	–
Pre-borrowing for 2023–24	–	14.5	14.5	(14.5)	–	–
<b>Total Long-Term Public Borrowing</b>	<b>41.5</b>	<b>(9.3)</b>	<b>32.1</b>	<b>27.5</b>	<b>28.7</b>	<b>33.4</b>

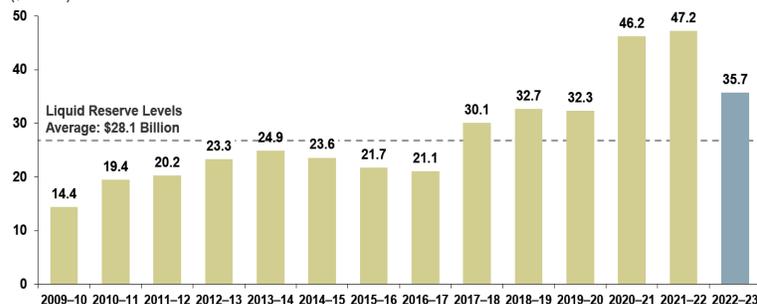
<sup>1</sup> Interim represents the *2023 Budget* projection for the 2022–23 fiscal year.  
 Note: Numbers may not add due to rounding.

- In the event that alternative economic scenarios materialize, Ontario'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 \$26.0 billion over the three-year outlook period, while under the Slower Growth scenario, long term borrowing would increase by \$17.9 billion over the same period.

## Liquidity

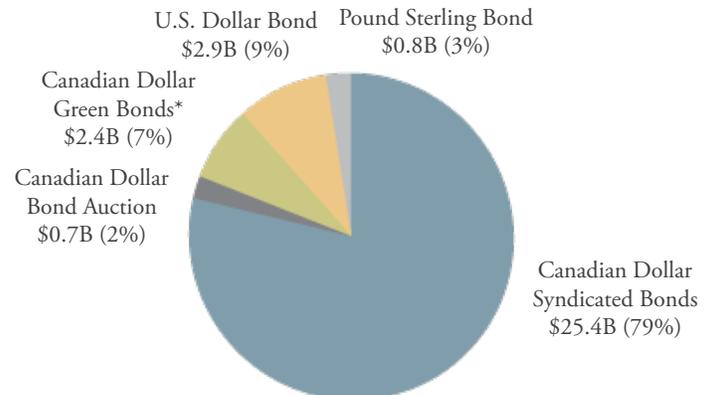
- Ontario balances the objective of minimizing the cost of holding liquid reserves against the need to always have enough cash on hand to pay its bills, invest in capital assets, refinance maturing debt and pay interest.
- As of March 22, 2023, liquid reserve levels were \$43.1 billion.

Average Unrestricted Liquid Reserve Levels (\$ Billions)



## 2022–23 Borrowing Program

As of March 23, 2023, borrowing completed for 2022–23 totalled \$32.1 billion.

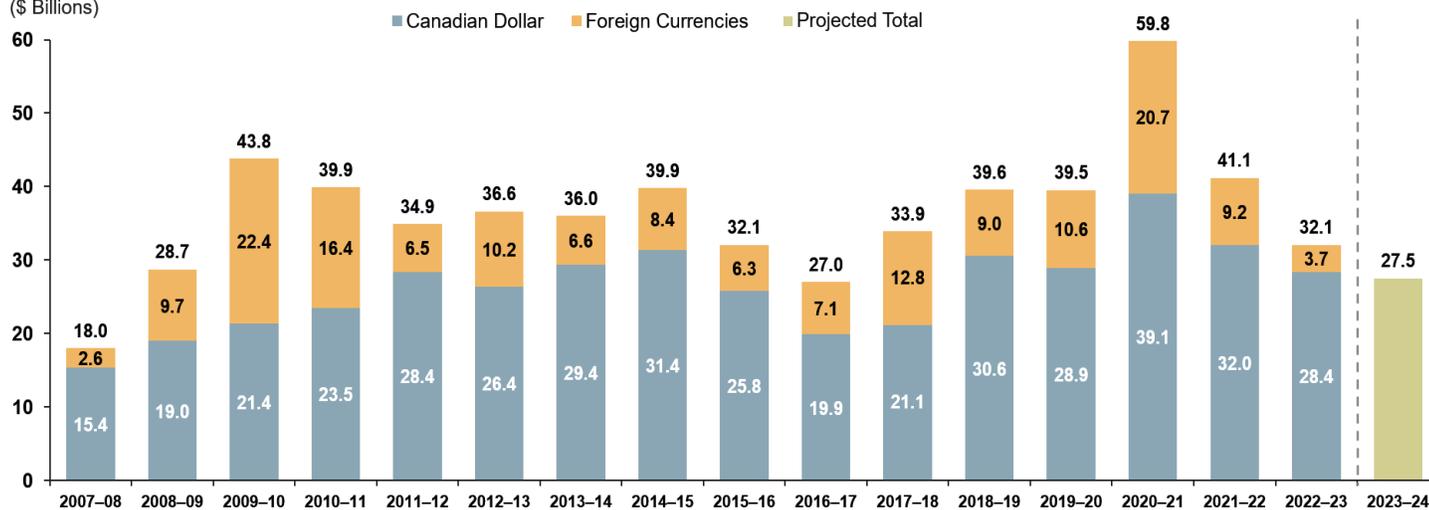


\*Face value \$2.5 billion.  
 Note: Numbers may not add due to rounding.

## Long-Term Borrowing

- Approximately \$28.4 billion or 88 per cent of 2022–23 borrowing was completed in Canadian dollars, with the remaining \$3.7 billion or 12 per cent completed primarily in U.S. dollars.
- Ontario has continued to extend the term of its debt, when investor demand allows, to reduce refinancing risk on maturing debt. This also protects the interest on debt forecast against further increases in interest rates. Ontario has issued \$124.2 billion of bonds, or more than one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$10.3 billion in 2022–23.

**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	2022-23	2023-24
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	22%	12%	-
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	78%	88%	-
Weighted-Average Term	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	15.0	-

Note: Numbers may not add due to rounding. As of March 23, 2023.

## Canadian Dollar Issuance

- Ontario accounted for 67.7 per cent of Canadian provincial bond trading in 2022. As of December 31, 2022, Ontario accounted for 14.0 per cent of the FTSE Universe Bond Index, 13.6 per cent of the FTSE Mid Bond Index, and 22.2 per cent of the FTSE Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (30 syndicated issues in 2022–23).

### Canadian Dollar Benchmark Bonds (as of March 23, 2023)

Term	Ontario		Canada	
	Rate	Amount	Rate	Amount
5 yr (old)	1.35% September 8, 2026	\$1.25B	2.75% September 1, 2027	\$16.00B
5 yr (new)	3.60% March 8, 2028	\$5.50B	3.50% March 1, 2028	\$15.00B
7 yr	2.70% June 2 2029	\$9.33B	2.25% June 1, 2029	\$12.30B
10 yr (old)	2.25% December 2, 2031	\$6.35B	2.00% June 1, 2032	\$24.00B
10 yr (new)	3.75% June 2, 2032	\$9.65B	2.25% December 1, 2032	\$21.00B
Long (old)	2.55% December 2, 2052	\$8.25B	2.00% December 1, 2051	\$51.80B
Long (new)	3.75% December 2, 2053	\$9.55B	2.00% December 1, 2053	\$32.00B

## 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)
4-year	2.25% May 17, 2022	£0.50B
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

### U.S. Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.\$)
5-year	3.10% May 12, 2022	\$2.25B
10-year	2.13% January 13, 2022	\$1.50B
10-year	1.80% October 6, 2021	\$1.00B
5-year	1.05% April 7, 2021	\$3.00B

## Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$15.0 billion with \$13.0 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's thirteen Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On February 28, 2023, Ontario issued its second Green Bond in 2022–23, and thirteenth Green Bond overall. This issue was for \$1.5 billion and followed a \$1.0 billion issue in October 2022.
- Ontario is considering updating its Green Bond Framework. The update will include better alignment of framework categories with the Green Bond Principles through standardized wording, as well as the expansion from green to sustainable to allow for a greater breadth of potential bond offerings in the future.
- Ontario plans to continue its leadership role in the Canadian dollar Green Bond market and, subject to market conditions, will issue multiple Green Bonds each fiscal year, including in 2023–24.

### 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

- Total revenue is projected to increase from \$200.4 billion in 2022–23 to \$226.0 billion by 2025–26, primarily due to projected growth in taxation revenues and Government of Canada transfers.
- Total program expense is projected to increase from \$189.1 billion in 2022–23 to \$202.5 billion by 2025–26, primarily due to projected increases in health care, education and other programs.
- Ontario incorporates prudence in the form of a reserve to protect the fiscal outlook against unforeseen adverse changes in the province's revenue and expense. The reserve has been set at \$1.0 billion in 2023–24, \$2.0 billion in 2024–25 and \$4.0 billion in 2025–26. These increases reflect Ontario's commitment to maintaining a prudent and flexible fiscal plan that can respond to elevated economic uncertainty.

Fiscal Plan (\$ Billions)	Actuals									Interim <sup>1</sup>	Medium-Term Outlook		
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Revenue	123.0	126.2	136.1	140.7	150.6	153.7	156.1	164.9	185.1	200.4	204.4	213.0	226.0
Expense													
Programs	123.3	126.2	129.9	131.4	142.3	148.7	152.3	169.0	170.4	189.1	190.6	196.4	202.5
Interest on Debt	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.3	12.6	13.4	14.1	14.4	15.1
<b>Total Expense</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>183.0</b>	<b>202.6</b>	<b>204.7</b>	<b>210.8</b>	<b>217.5</b>
Reserve	–	–	–	–	–	–	–	–	–	–	1.0	2.0	4.0
<b>Surplus/(Deficit)</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>2.1</b>	<b>(2.2)</b>	<b>(1.3)</b>	<b>0.2</b>	<b>4.4</b>

<sup>1</sup> Interim represents the 2023 Budget projection for the 2022–23 fiscal year.

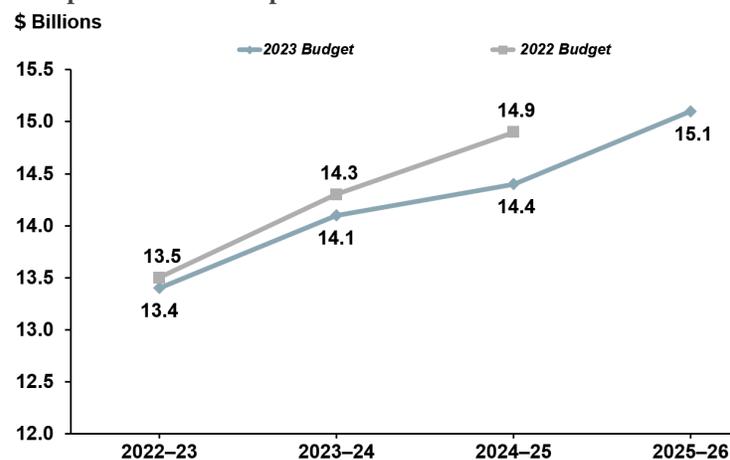
Notes: Numbers may not add due to rounding. Interim and medium-term outlook primarily reflect information available as of February 23, 2023.

Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

### Interest on Debt (IOD) Expense

- Ontario is forecast to pay \$13.4 billion in interest costs in 2022–23, \$14.1 billion in 2023–24 and \$14.4 billion in 2024–25, down from the 2022 Budget forecasts of \$13.5 billion, \$14.3 billion and \$14.9 billion, respectively. These lower interest costs total a cumulative savings of \$0.8 billion over three years and are a result of smaller borrowing programs, partially offset by higher than projected interest rates.
- Had the borrowing program stayed the same as in the 2022 Budget, given higher interest rates, IOD would have been \$0.3 billion more this fiscal year, and \$0.7 billion higher in the following two fiscal years.

### Comparison of IOD Expense Forecast



Source: Ontario Ministry of Finance

### 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 February 28, 2023, capacity for short-term borrowing: \$61.0 billion authorized and \$22.4 billion outstanding, leaving \$38.6 billion available.

### Risk Management

	Exposure <sup>1</sup>	Policy Limit
Foreign Exchange	0.14%	3.0%
Net Interest Rate Resetting	7.8%	35.0%

<sup>1</sup> Of outstanding debt, as of February 28, 2023.

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

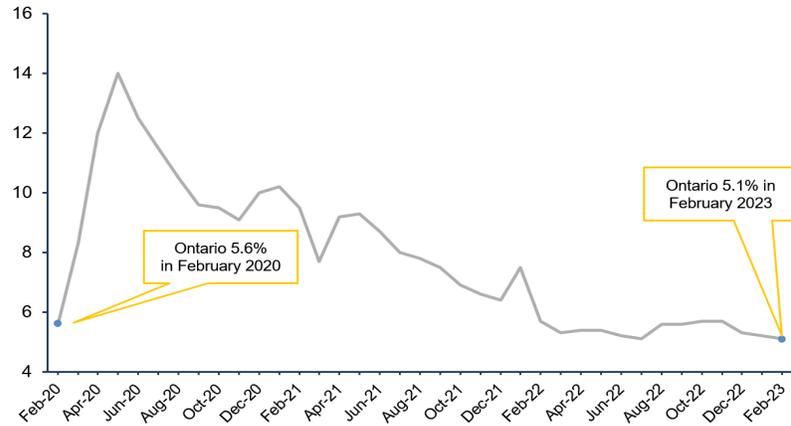
Moody's	Aa3 / P-1
Fitch	AA- / F1+
DBRS	AA (low) / R-1 (mid)
S&P	A+ / A-1

# Ontario's Economic Update

- Ontario's economy has remained resilient and continued to grow in 2022 despite ongoing economic uncertainty. Ontario's labour market remained strong in 2022, with employment rising by 338,300. In addition, the unemployment rate remained near historic lows, reaching 5.1 per cent as of February 2023.
- In the *2023 Budget*, Ontario's real GDP is projected to rise 0.2 per cent in 2023, 1.3 per cent in 2024, 2.5 per cent in 2025 and 2.4 per cent in 2026. Ontario's nominal GDP is projected to rise 2.8 per cent in 2023, 3.6 per cent in 2024, 4.6 per cent in 2025 and 4.5 per cent in 2026. For the purposes of prudent fiscal planning, these projections were set slightly below the average of private-sector forecasts.
- To provide more transparency about the Ontario's economic outlook amid the elevated degree of economic uncertainty, the Ontario Ministry of Finance has developed Faster Growth and Slower Growth scenarios. These alternative scenarios should not be considered the best case or the worst case, but reasonable possible outcomes in this period of uncertainty.

## Ontario Labour Market Remains Resilient

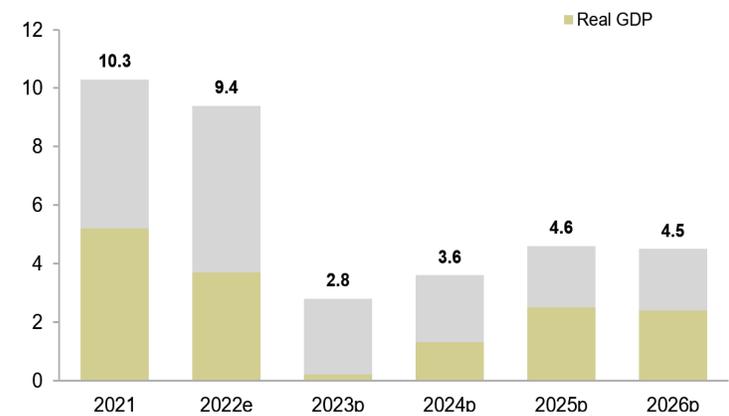
**Unemployment Rate**  
(Per Cent)



Source: Statistics Canada.

## Ontario GDP Growth Projected to Moderate

**Nominal GDP Growth**  
(Per Cent)



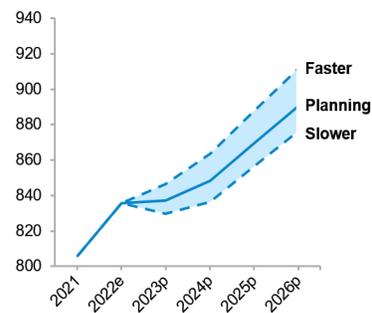
e = estimate.

p = Ontario Ministry of Finance planning projection based on external sources as of January 30, 2023.

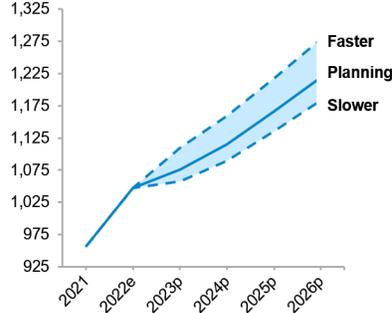
Sources: Statistics Canada and Ontario Ministry of Finance.

## Ontario Medium-Term Outlook Scenarios

**Ontario Real GDP**  
(\$2012 Billions)



**Ontario Nominal GDP**  
(\$ Billions)



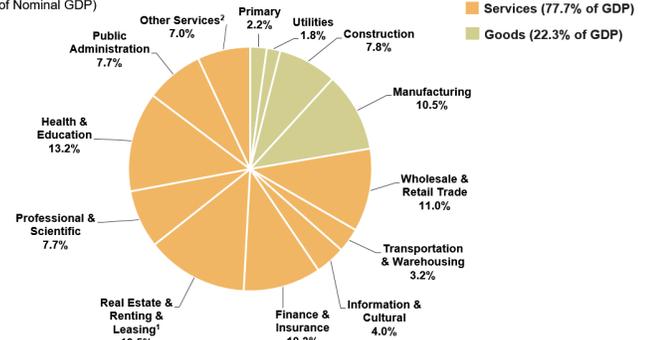
Real GDP Growth Scenarios (Per Cent)	2023p	2024p	2025p	2026p
Faster Growth Scenario	1.3	2.0	2.8	2.7
Planning Projection	0.2	1.3	2.5	2.4
Slower Growth Scenario	(0.7)	0.8	2.4	2.3

Nominal GDP Growth Scenarios (Per Cent)	2023p	2024p	2025p	2026p
Faster Growth Scenario	6.0	4.4	5.1	5.0
Planning Projection	2.8	3.6	4.6	4.5
Slower Growth Scenario	1.0	3.0	4.3	4.2

p = Ontario Ministry of Finance planning projection and alternative scenarios.  
Source: Ontario Ministry of Finance.

## Ontario's Diverse Economy

**Structure of the Ontario Economy, 2021**  
(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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