

OFA Video Update on the *2025 Budget*

Thank you for joining us for the next few minutes.

With the release of the Province's *2025 Budget*, we'd like to take this opportunity to update you on Ontario's finances and borrowing program.

Ontario's deficit in 2024-25 is projected to be \$6 billion—improvement of \$3.8 billion from the outlook published in the *2024 Budget* and improvement of \$600 million from the Fall Economic Statement.

Over the medium term, the government is projecting a deficit of \$14.6 billion for this fiscal year, \$7.8 billion the following year, before reaching a surplus of \$0.2 billion in 2027-28.

Ontario's real GDP growth is projected to rise by 0.8 per cent in 2025, then increase by 1 per cent in 2026 and by 1.9 per cent in both 2027 and 2028. For the purposes of prudent fiscal planning, these projections are set slightly below the average of private-sector forecasts.

Now let's turn to our borrowing program. Last year's long-term borrowing program was \$49.5 billion. The improved deficit position in 2024-25 and corresponding decrease in funding requirements have allowed Ontario to increase cash reserves, enhance liquidity and provide funding flexibility going forward.

The long-term borrowing forecast for this fiscal year is set to be \$42.8 billion, of which we have already completed \$5 billion. We also plan to increase short-term borrowing by a further \$5 billion this fiscal year to respond to strong demand for short-term Ontario debt.

Looking ahead, long-term borrowing is forecast in 2026-27 to be \$41.1 billion and in 2027-28 is forecast to be \$33.0 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. These forecast borrowing programs I just discussed are well within what we could deem to be a normal range.

So how did we complete the \$49.5 billion of long-term borrowing last year? The domestic market accounted for 79 per cent of the borrowing. The remaining 21 per cent was completed via the U.S. and Australian dollar market. This was within our range of 75 to 90 per cent of total long-term borrowing.

This target will be adjusted to 70 to 85 per cent for fiscal 2025–26, and it will continue to be adjusted, if necessary, in response to the evolving investor demand in the Canadian dollar and the foreign currency debt markets.

For the first time, Ontario issued three Green Bonds last year. Another first in the Green Bond space was when we issued the first 30-year Green Bond by a Canadian province via a \$1 billion offering.

With the release of the 2025 Budget, we expect to return to the market as soon as possible.

Finally, I'd like to turn to the Province's Debt Burden Reduction Strategy.

Ontario is improving transparency in financial reporting by making two changes to its presentation of interest costs and interest revenue, which results in an impact on the terminology in the Debt Burden Reduction Strategy and its corresponding ratios.

As first outlined in the 2024 Fall Economic Statement, Ontario will now report interest and investment income separately as a revenue item. Interest and Other Debt Servicing Charges (IOD) will now be on a gross basis with interest and investment income no longer netted against it – this presentation change is fiscally neutral and has no economic impact, but is simply an accounting reporting change.

To maintain consistency and comparability with historical trends, and to leave the calculation unchanged, two of our debt sustainability measures have been renamed. Interest on Debt-to-Revenue is now Net Interest-to-Operating Revenue and Net Debt-to-Revenue is now Net Debt-to-Operating Revenue.

Now let's jump into the ratios themselves. The net debt-to-GDP and net interest-to-operating revenue ratios remain better than the government's targets now and through the medium-term outlook.

The net debt-to-operating revenue ratio remains the most challenging target to achieve. After moving below the 200 per cent target for the past two fiscal years, it is projected to temporarily move above that target.

You can find further fiscal and economic information on the *2025 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 the OFA website.

Thank you very much for your time.