

## CEO's Video Update – November 2, 2023

Thank you for joining me for the next few minutes.

With the release of the *2023 Ontario Economic Outlook and Fiscal Review*, or Fall Statement as we like to call it, I would like to take this opportunity to update you on the Province's finances, the Province's borrowing program, and the newly announced Ontario Infrastructure Bank.

Let's start with Ontario's fiscal position. The government is projecting deficits of \$5.6 billion in the current fiscal year, and \$5.3 billion for the upcoming year. This is followed by a surplus of \$0.5 billion in 2025–26. This reflects updated economic and revenue information and higher contingencies to mitigate near-term risks in 2023–24, and slower economic growth projections in the following years.

Now let's turn to the borrowing program.

Ontario's long-term borrowing requirement for this fiscal year is forecast to be \$34.7 billion. This is \$7.2 billion higher than planned at the time of the *2023 Budget*, primarily due to higher than previously forecasted deficits. The Province has not accessed its core foreign currency markets of U.S. dollars and Euros for over a year and a half, primarily due to the cost effectiveness of borrowing in the domestic market. However, we expect to access core foreign currency markets to fund a significant portion of the increase in this year's long-term borrowing program since the *2023 Budget* forecast.

As of the release of the Fall Statement, \$15.0 billion, or 43 per cent of this year's long-term public borrowing has been completed. As I mentioned earlier, almost all borrowing completed so far was in Canadian dollars, primarily through 19 syndicated issues.

In terms of our borrowing strategy, we expect to return to the market immediately.

Interest on Debt, or IOD, forecasted this year at \$13.4 billion, is down from the *2023 Budget* forecast of \$14.1 billion. Over the medium term outlook, the cumulative IOD expense is \$0.7 billion below the *2023 Budget* forecast as a result of lower borrowing costs from last year as reported in last year's *Public Accounts*, which have carried forward to the current year and out years, partially offset by higher long-term borrowing going forward.

Although the Bank of Canada has increased the overnight interest rate twice since the *2023 Budget*, Ontario's long-term borrowing costs remain in the range of the *2023 Budget* forecast. A change in the Bank of Canada's overnight interest rate does not automatically translate into a change in the Province's borrowing cost. Ontario has successfully extended the term of its debt in recent years so its interest costs are more dependent on where long-term interest rates move. We will continue monitoring the markets and adjust the debt term and other borrowing strategies if needed.

Finally, let me quickly talk about one of the highlights from the Fall Statement release, which is the creation of the Ontario Infrastructure Bank, or OIB.

So why is the Province creating this new agency?

The Ontario Infrastructure Bank is an arms-length, board-governed agency that will help leverage and attract investments from public-sector pension plans and other trusted institutional investors to help fund large-scale infrastructure projects across the province.

The government is proposing to provide \$3 billion to the Ontario Infrastructure Bank in initial funding, which will be sourced from the Province's cash reserves and thus will not increase this year's borrowing program.

Project investments made by the Ontario Infrastructure Bank will initially focus on new long-term care homes, energy infrastructure, affordable housing supply, municipal and community infrastructure and transportation. OIB's mandate also includes support for infrastructure projects for Indigenous communities that advance community and economic well-being.

You can find further fiscal and economic information in the *2023 Ontario Economic Outlook and Fiscal Review* 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's website.

Thank you very much for your time.