

Webinar:

What's Happening to Canadian Debt? Understanding the Forces at Play

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Disclosures

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Facing threats/uncertainty, 'Canada Strong' agenda being implemented

2021
A RECOVERY PLAN FOR JOBS, GROWTH, AND RESILIENCE
BUDGET 2021

2022
2022 BUDGET
A Plan to Grow Our Economy and Make Life More Affordable

2023
Budget 2023
A MADE-IN-CANADA PLAN
STRONG MIDDLE CLASS
AFFORDABLE ECONOMY
HEALTHY FUTURE

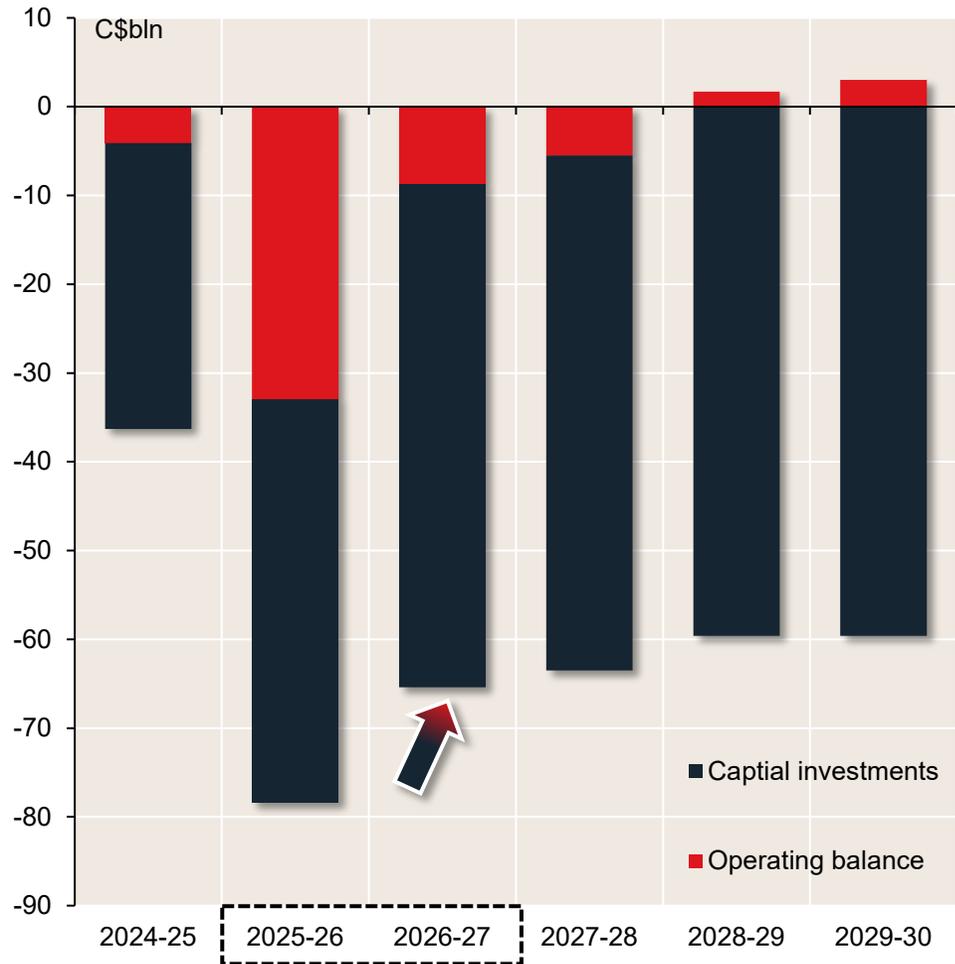
2024
BUDGET 2024
Fairness For Every Generation

*** 2025 ***
Sometimes a picture says...
150,000 words

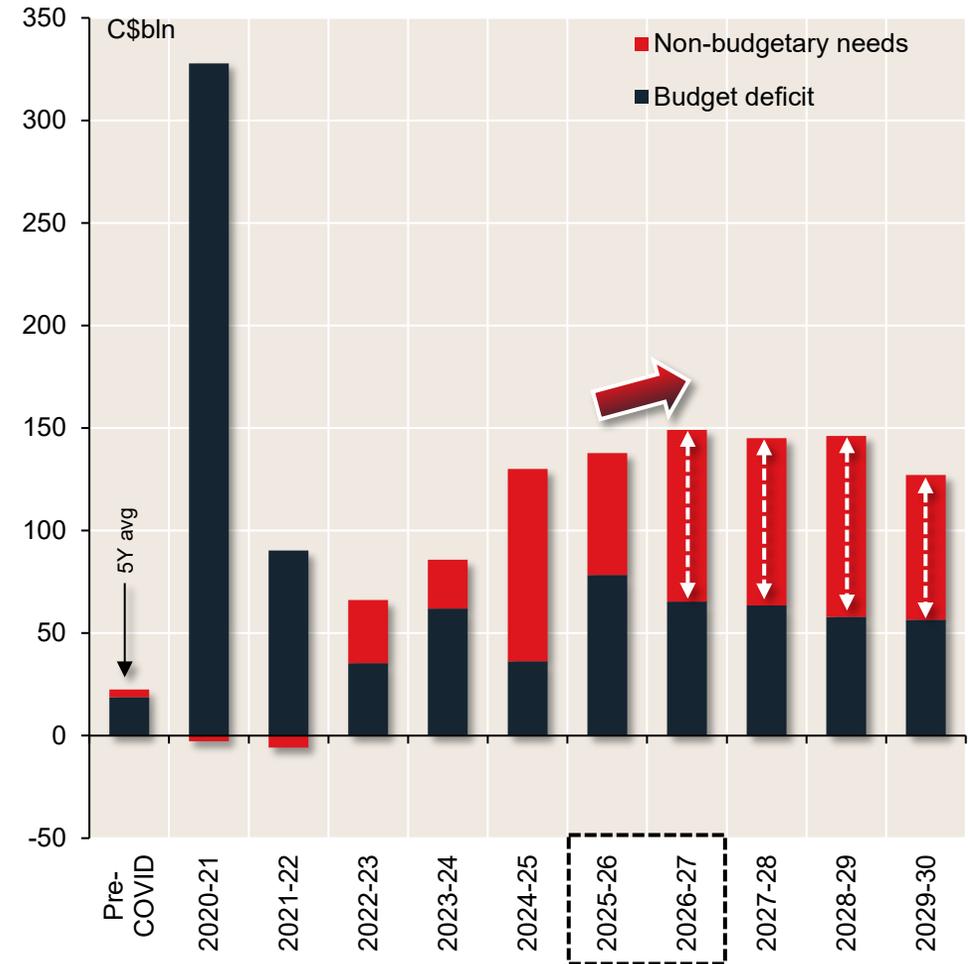
Government of Canada / Gouvernement du Canada
CANADA STRONG
BUDGET 2025
ARVIK I MONTREAL
November 2025 | budget.canada.ca
Canada

Breaking down federal budget balance & net borrowing requirement

GoC budget balance by component



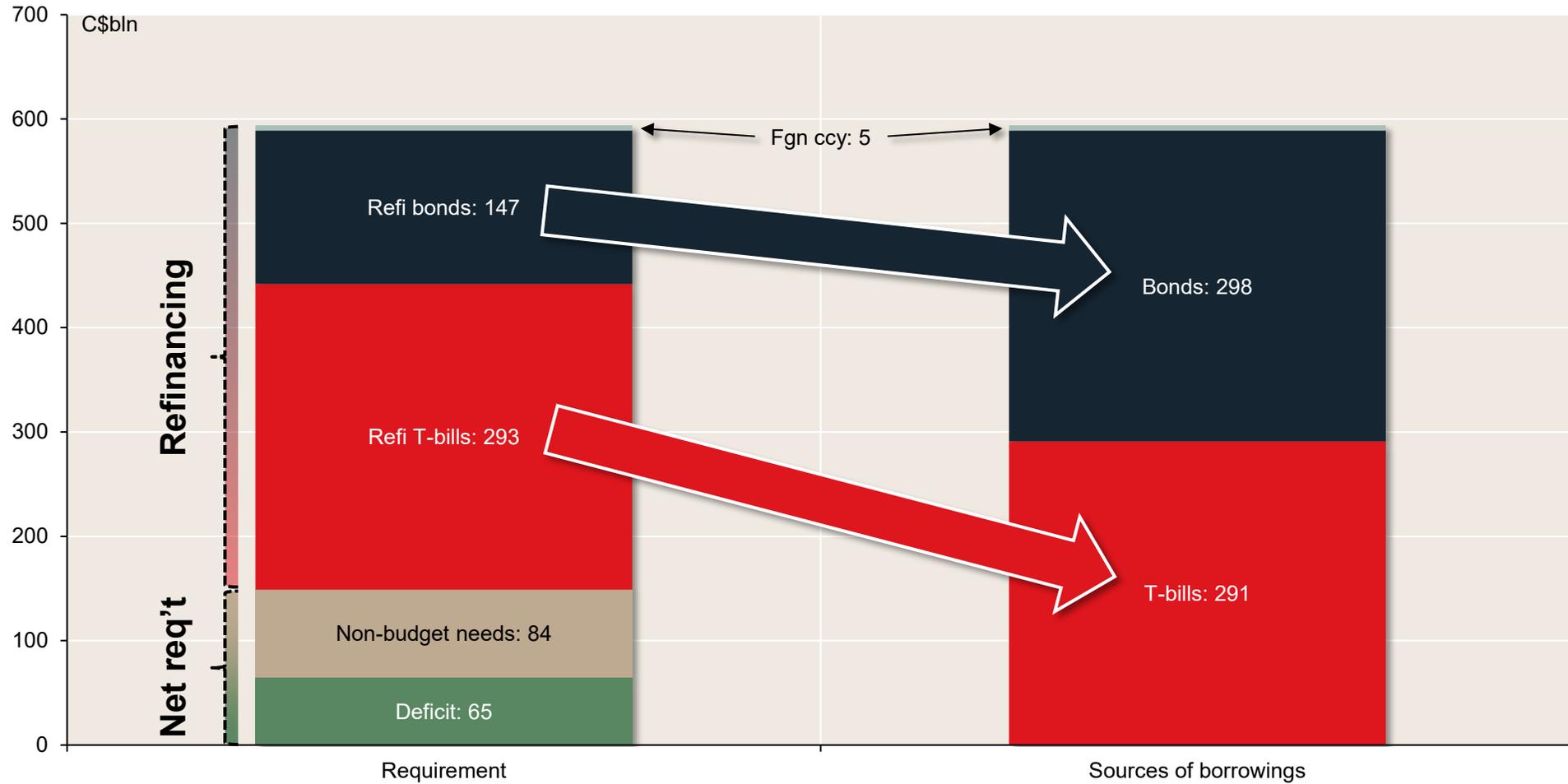
GoC net financial requirement



Source: NBC, GoC | Note: Projections for 2025-26 onwards from Budget 2025

Ottawa's gross borrowing requirement ~\$600 billion (much of which is refi)

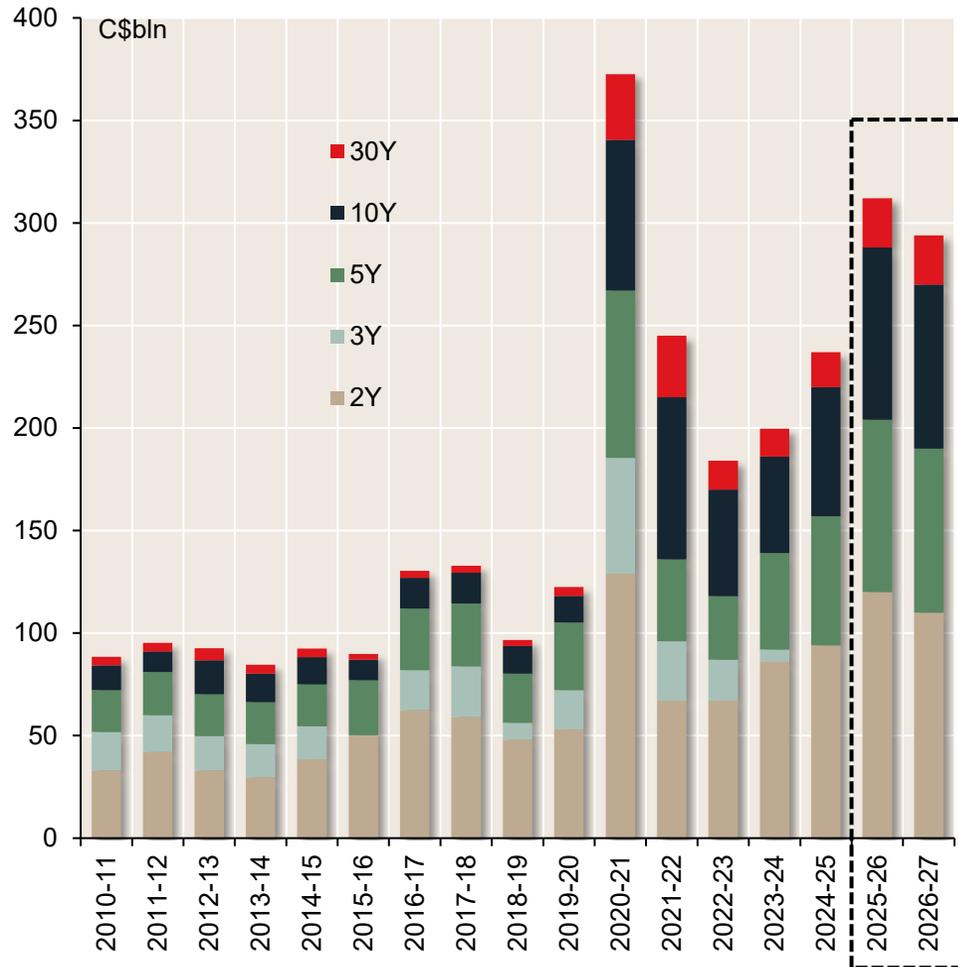
GoC gross borrowing requirement (left) & planned borrowing sources (right): 2026-27



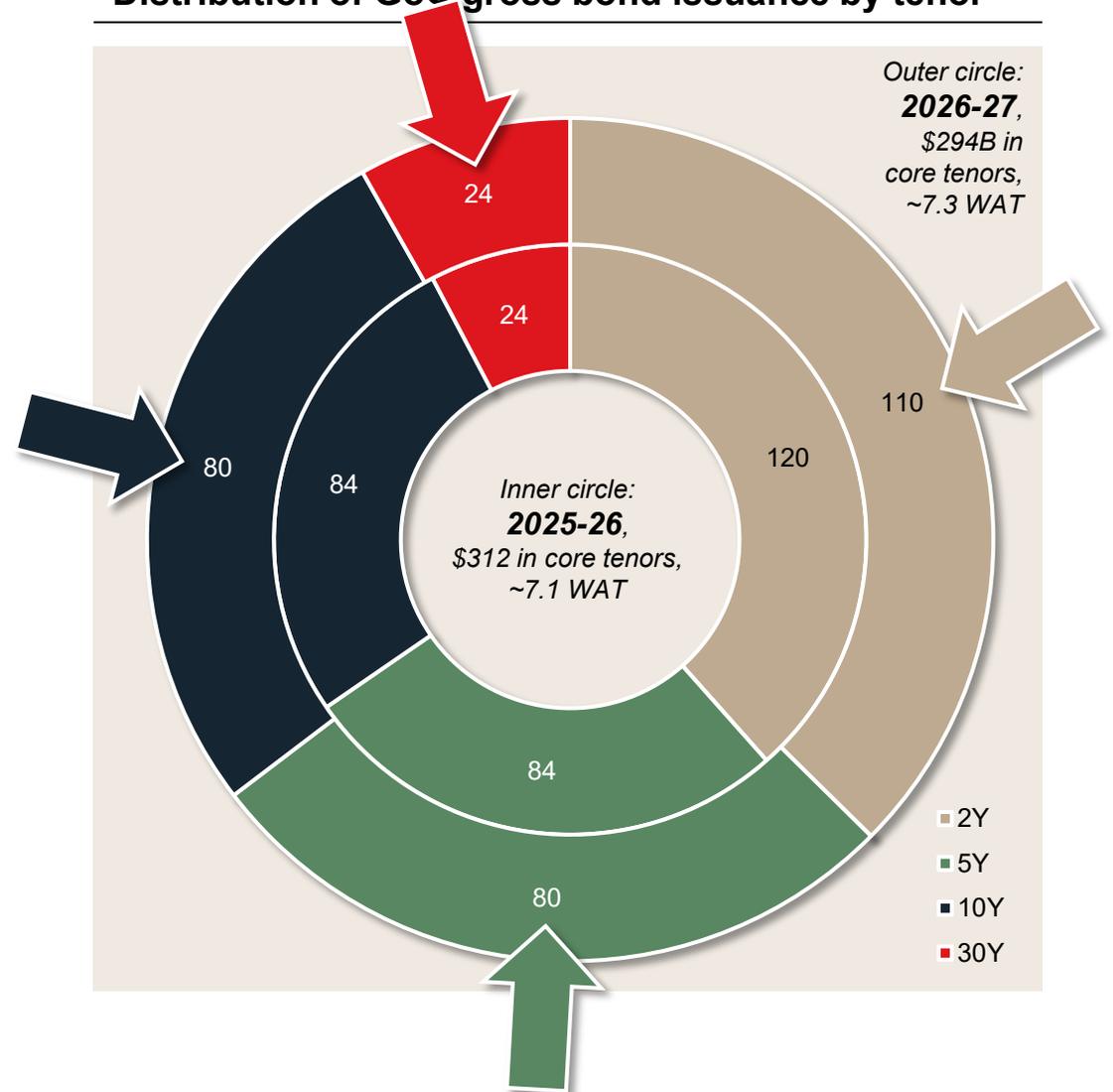
Source: NBC, GoC | Note: Based on 2026-27 Debt Management Strategy (Annex 4 from Budget 2025)

GoC domestic bond program has evolved (grown) with the times

GoC gross bond issuance by tenor



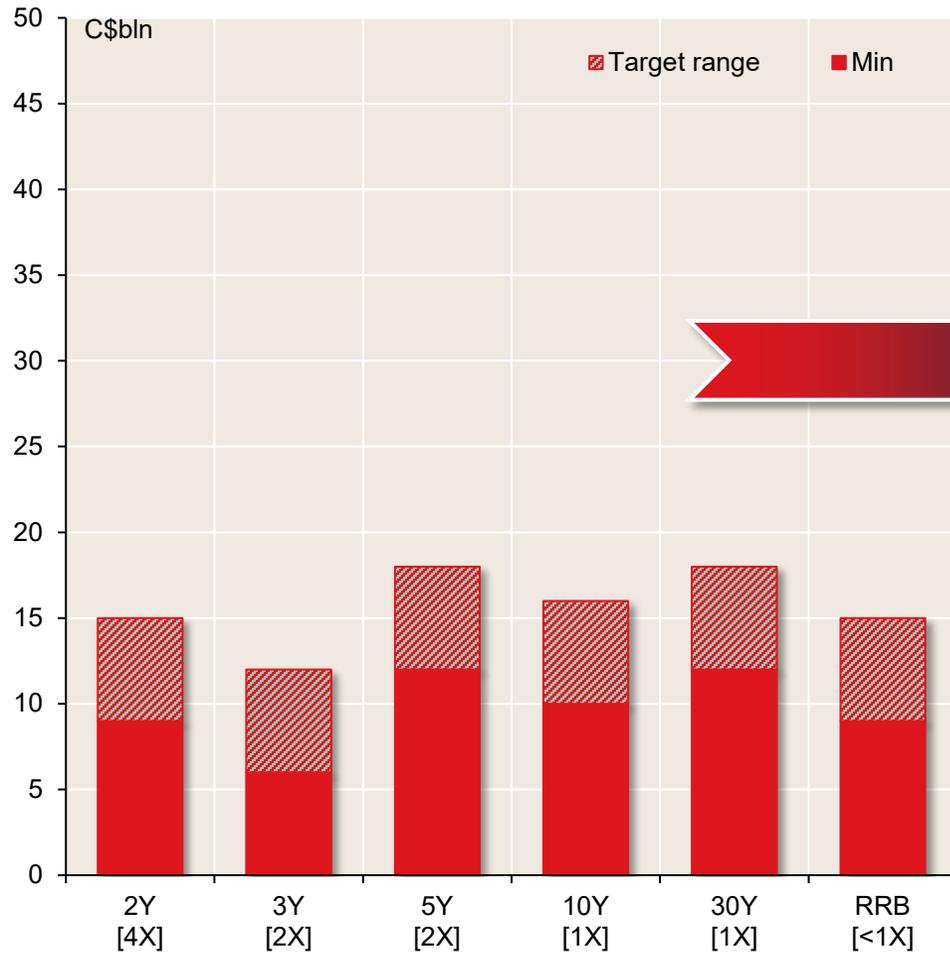
Distribution of GoC gross bond issuance by tenor



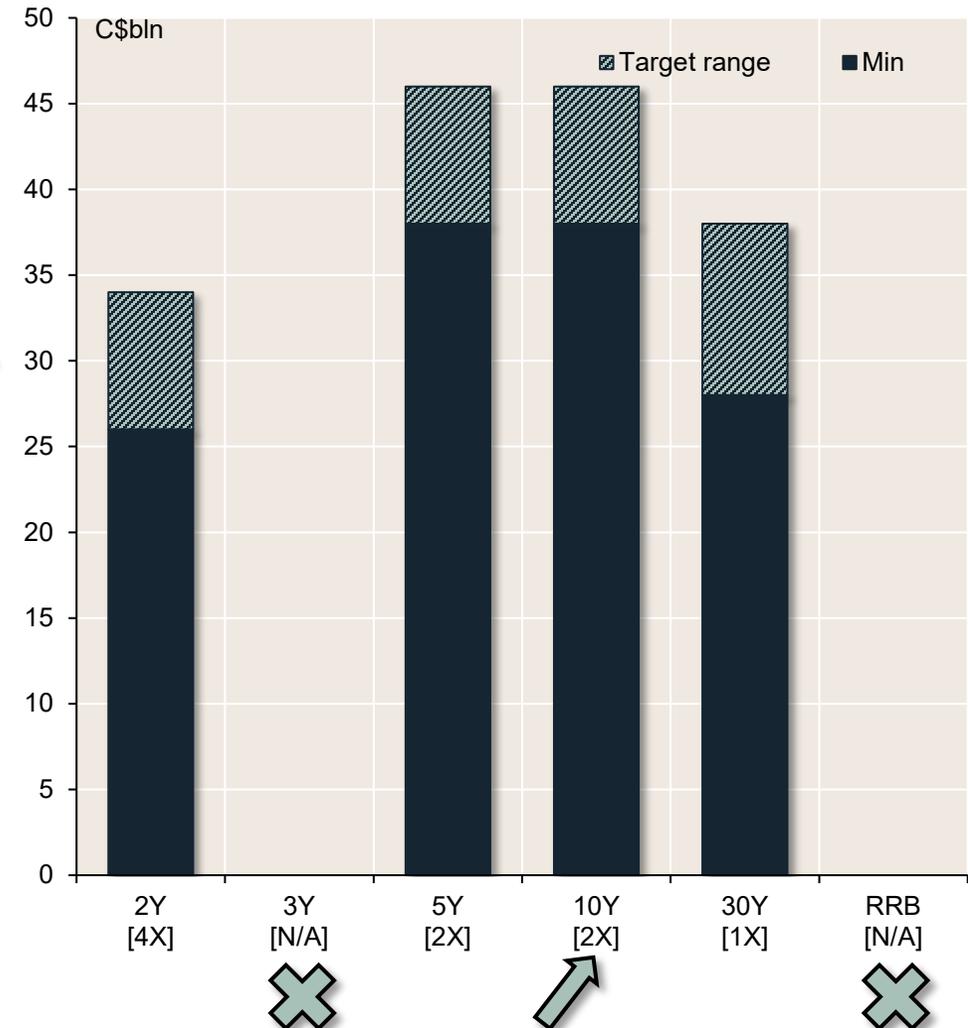
Source: GoC | Note: Core/conventional tenors only; excludes RRBs (discontinued) & Green bonds (ongoing)

GoC bond strategy then (pre-COVID) vs. now (2026-27)... larger core benchmarks

GoC benchmark size ranges: 2019-20 (pre-COVID)



GoC benchmark size ranges: 2026-27



Source: NBC, GoC | Note: Target sizes from corresponding Debt Management Strategy; figures in [:] refer to number of benchmarks per fiscal year

Markets on notice! Variety of changes and enhancements implemented

18-Mar-25 Changes to Canada's Debt Distribution Framework

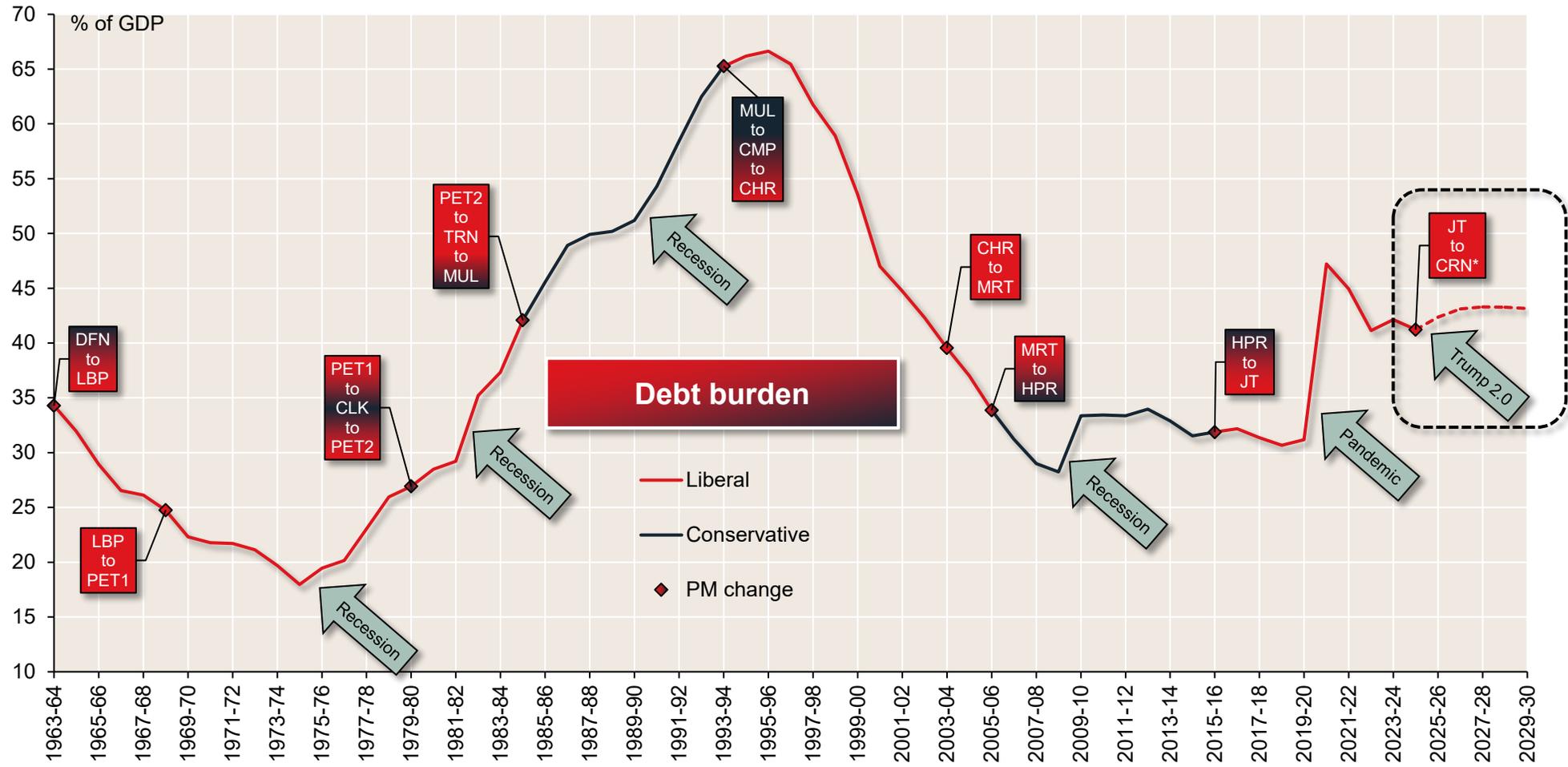
- Eliminate GSD residency requirements
- PD aggregate bidding limit increased (40% > 50%)
- Upgraded BCAS and division of dealer vs. customer bids
- New facility for re-opening off-the-runs
- Enhanced auction data, including GSD-customer split and foreign participation

17-Jul-25 Discontinuation of one-month treasury bill

13-Nov-25 Bank of Canada announces restart of Government of Canada treasury bill purchases

Putting PM Carney's debt trajectory in perspective

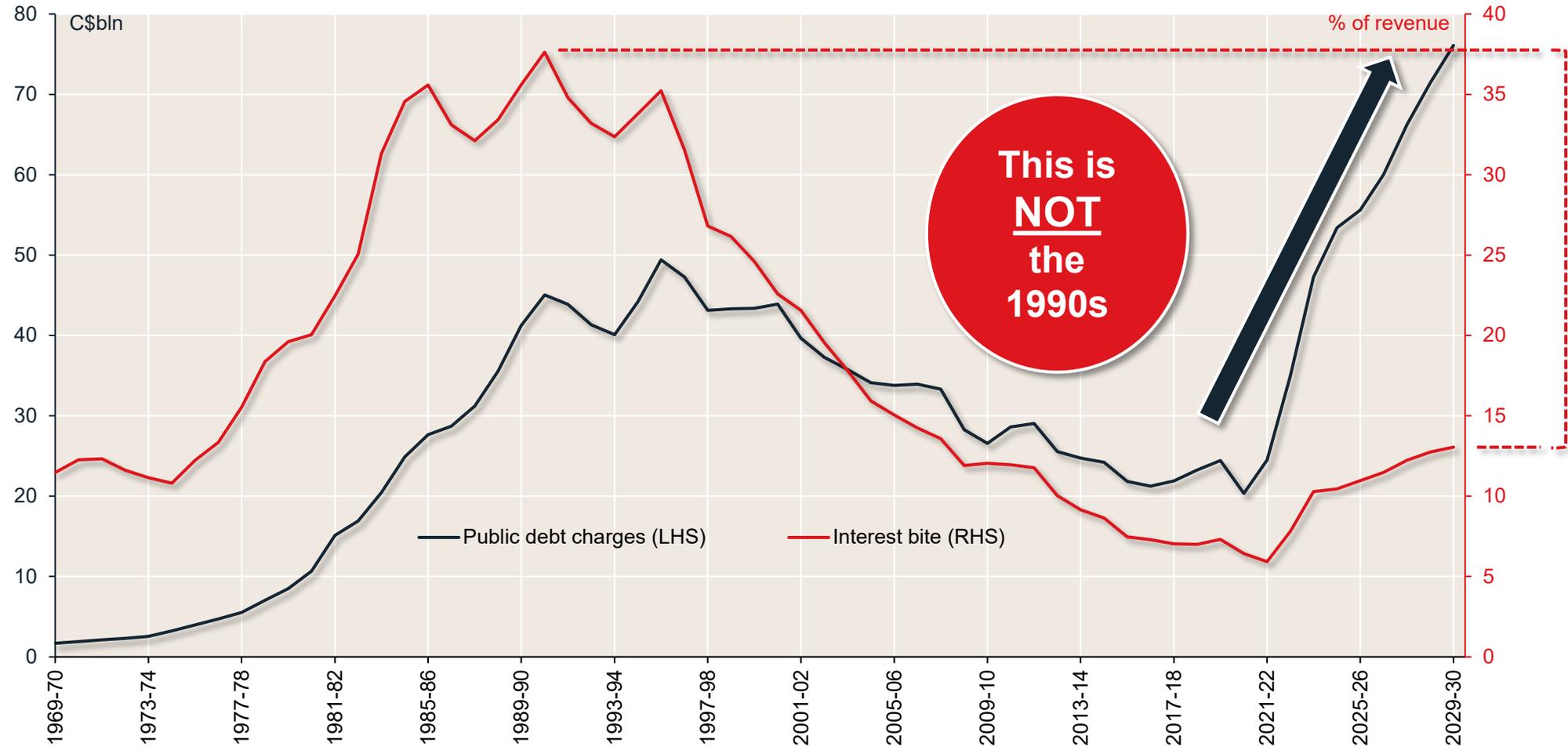
Government of Canada debt-to-GDP ratio by political party & prime minister



Source: NBC, GoC, StatCan, Parliament of Canada | Note: Projections for 2025-26 onwards from Budget 2025; shortform labels refer to prime ministers, with Carney designated 'CRN'; debt is accumulated deficit

While manageable, federal interest bill is growing

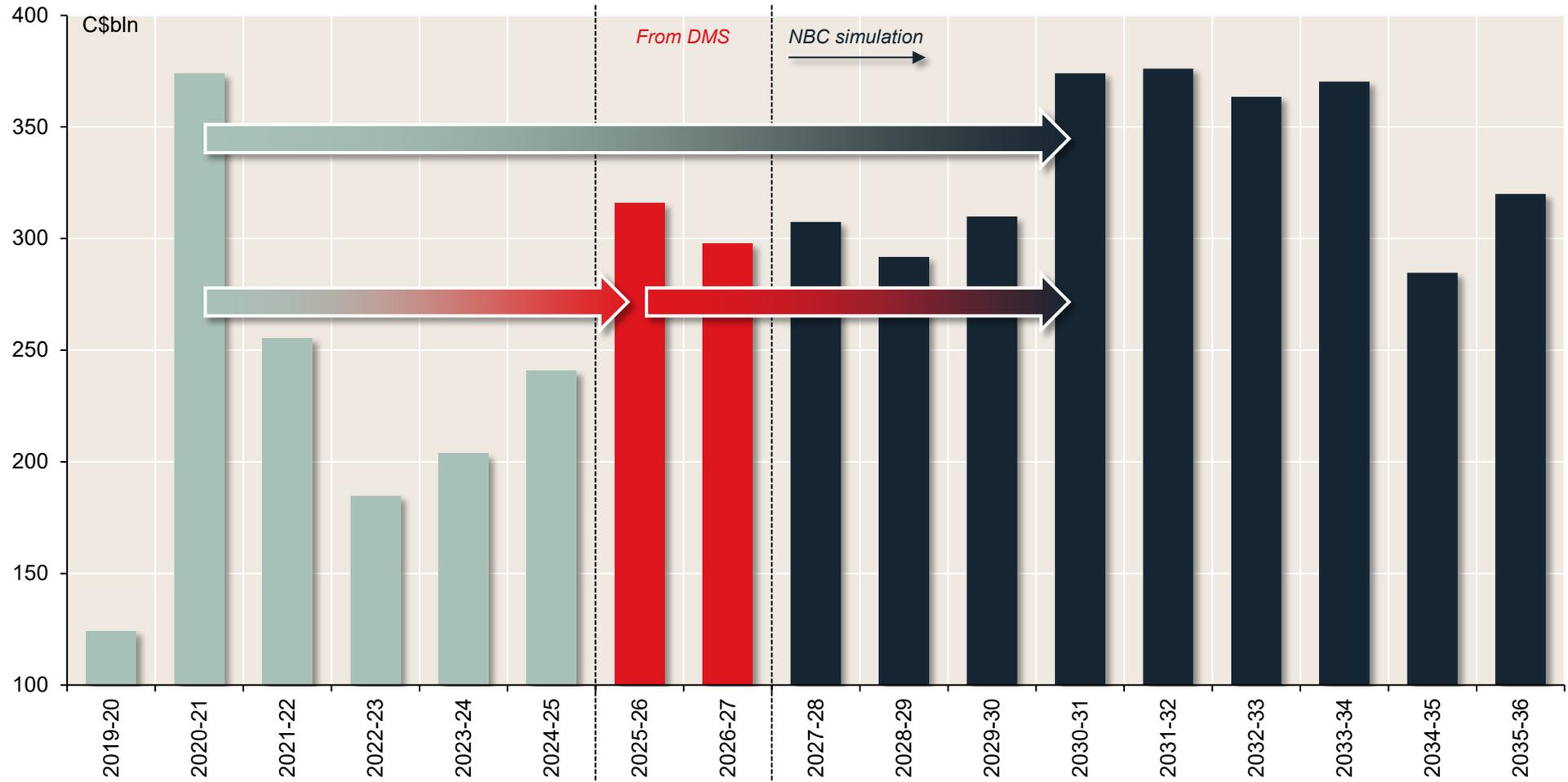
GoC public debt charges (PDC) & 'interest bite' (i.e., ratio of PDC vs. total revenue)



Source: NBC, GoC | Note: Projections for 2025-26 onwards from Budget 2025

NBC simulations suggest bond supply could step up (again) in 2030s

Gross GoC bond issuance: Actual, planned & NBC simulation



Source: NBC, GoC | Note: Simulation based on fiscal outlook presented in Budget 2025; illustrative only, with no formal guidance on borrowing strategy beyond 2026-27

Crafting (and adjusting) the government's *Debt Management Strategy*

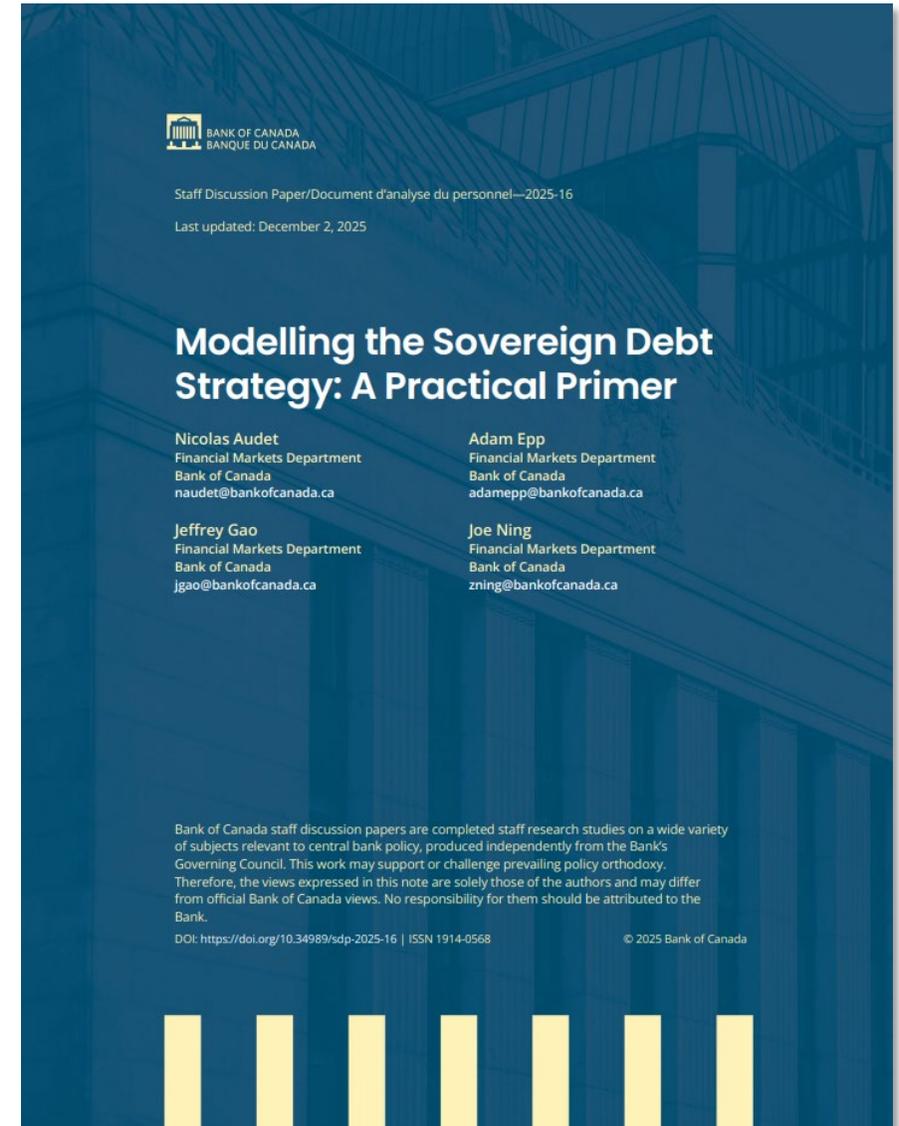
The fundamental objectives of debt management are to raise **stable and low-cost funding** to meet the financial requirements of the Government of Canada and to **maintain a well-functioning market** for Government of Canada securities.

~

The government is committed to managing the debt program in a prudent manner to **ensure a balanced debt structure** that contributes to maintaining the **stability of debt costs** and to **reducing the risk of the debt portfolio**.

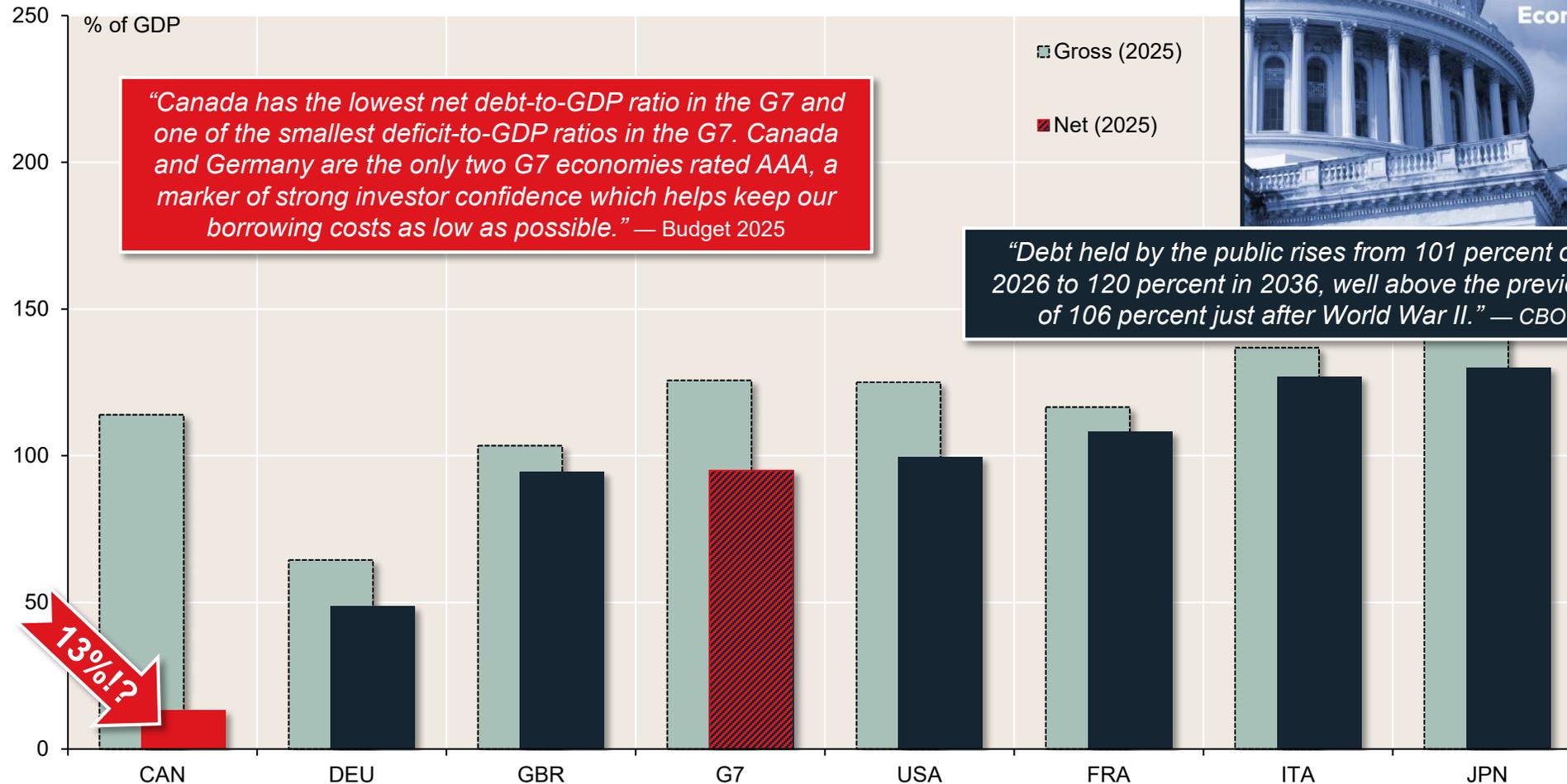
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The government **closely monitors** financial markets and will **adjust issuance if necessary** to appropriately respond to shifts in **market demand** or changes to **financial requirements**.



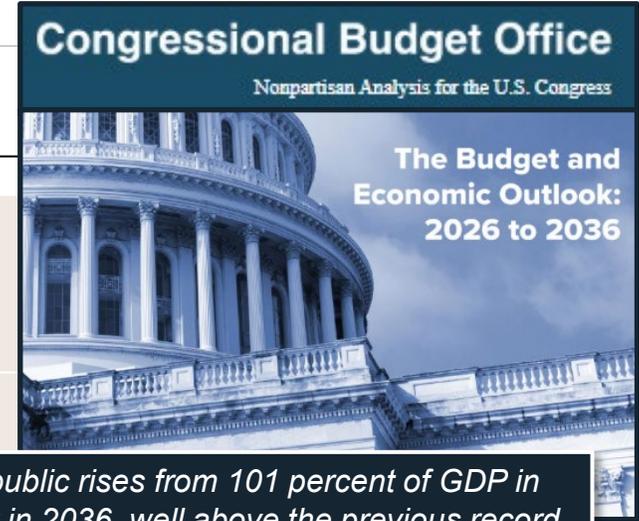
Canadian government debt burden: What's the problem?

'General government' debt-to-GDP ratios: G7 nations (2025)



"Canada has the lowest net debt-to-GDP ratio in the G7 and one of the smallest deficit-to-GDP ratios in the G7. Canada and Germany are the only two G7 economies rated AAA, a marker of strong investor confidence which helps keep our borrowing costs as low as possible." — Budget 2025

"Debt held by the public rises from 101 percent of GDP in 2026 to 120 percent in 2036, well above the previous record of 106 percent just after World War II." — CBO Feb-26



Source: NBC, IMF, CBO | Note: General government is a broad measure, which for Canada includes federal, provincial and local/aboriginal governments plus social security

IMF generally supportive of Canada's approach



INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/12

CANADA

January 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE
AND STAFF REPORT

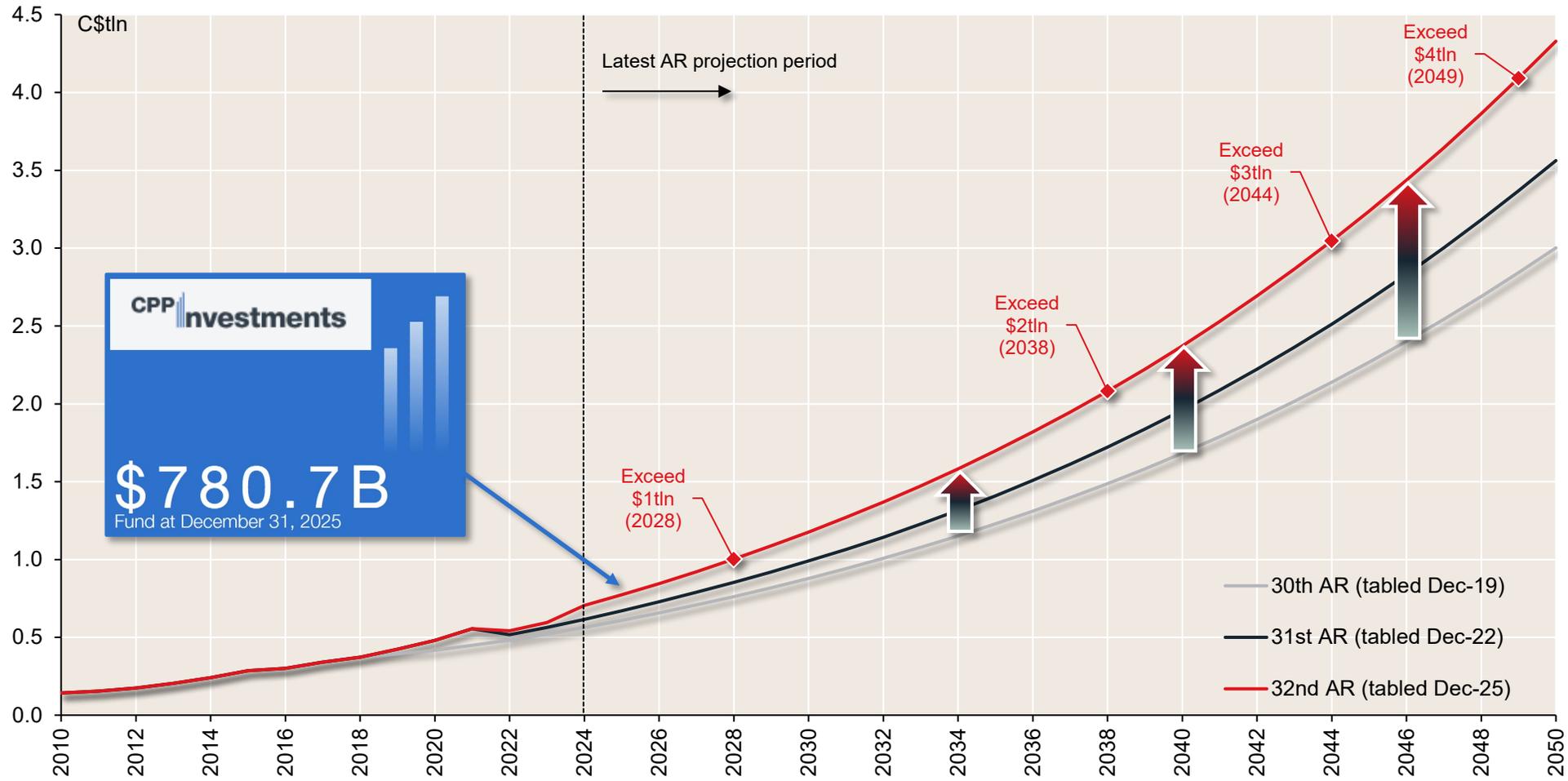
Annex III. Sovereign Risk and Debt Sustainability Assessment

Staff's assessment is that the overall risk of sovereign stress in Canada is low and the country has some fiscal space.

The medium-term risk assessment indicates moderate debt stress and liquidity risk, but the government's large holdings of financial assets would provide a comfortable buffer.

NBC considers social security system a fiscal linchpin for Canada

Actual & projected assets of CPP (Base + Additional), based on Actuarial Reports (30th to 32nd)



Source: NBC, OCA, CPP Investments | Note: Projection period varies by Actuarial Report; for 32nd AR (as at 31-Dec-24; tabled 8-Dec-25), projection period is 2025 onwards (ultimately to 2100); \$781bn Fund value as of 31-Dec-25 is actual from CPP Investments Q3 Fiscal update

What are rating agencies saying about the sovereign?

S&P:
AAA, Stable
17-Dec-25

S&P Global Ratings believes Canada's **credit strength will persist** even with slowing growth and trade uncertainties... The stable outlook reflects S&P Global Ratings' view that Canada's high wealth, diversified economy, predictable policymaking, fiscal and monetary buffers, and strong external profile underpin its creditworthiness and leave the country **well positioned to face economic turbulence**.

Moody's
Aaa, Stable
27-Jan-26

Canada's sovereign credit profile is supported by its very high economic and institutional strength, which underpins its **resilience to economic shocks**. The sovereign's **main credit challenge is relatively high general government debt and declining debt affordability**, which is mitigated by **steady funding demand** from long-term investors and a largely funded pension system.

DBRS
AAA, Stable
29-Aug-25

Canada's AAA credit **ratings are underpinned by the country's considerable fundamental strengths**, including its sound macroeconomic policy frameworks, large and diverse economy, and strong governing institutions. The Stable trend reflects Morningstar DBRS' view that Canada's **credit profile remains very strong despite an anticipated temporary deterioration in deficit and debt metrics as well as macroeconomic challenges**, including heightened uncertainty arising from volatile U.S. trade policy.

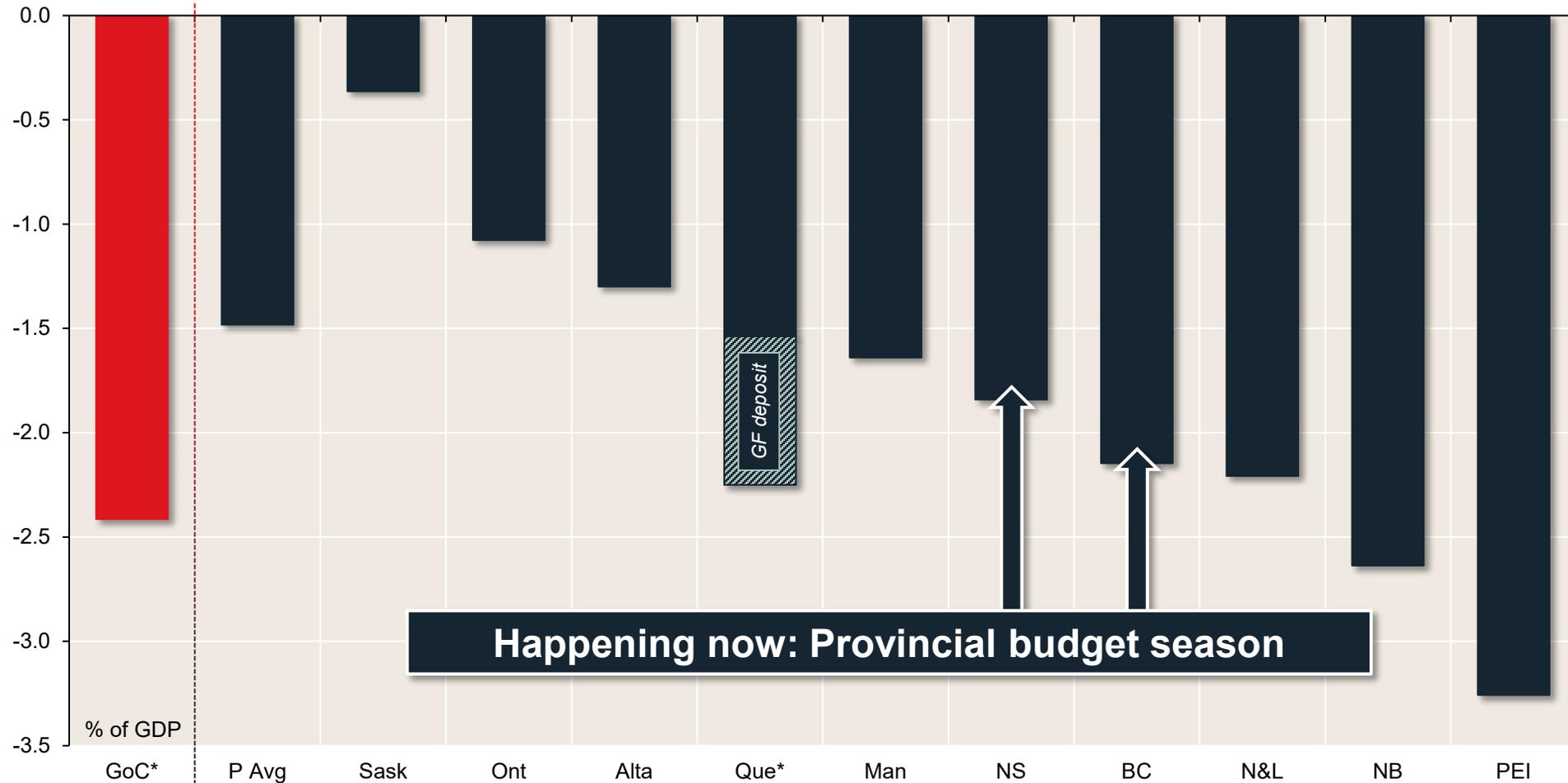
Fitch
AA+, Stable
6-Nov-25

While Canada's rating is broadly stable, **persistent fiscal expansion and a rising debt burden have weakened its credit profile** and could increase rating pressure over the medium term. This may be **exacerbated by persistent economic underperformance** caused by tariff risks and structural challenges, including low productivity.

Source: NBC, S&P, Moody's, DBRS, Fitch, BoC | Note: Selective highlighting by NBC; refer to rating reports for complete analysis/opinions on Government of Canada

In addition to feds, all provinces are now in the red

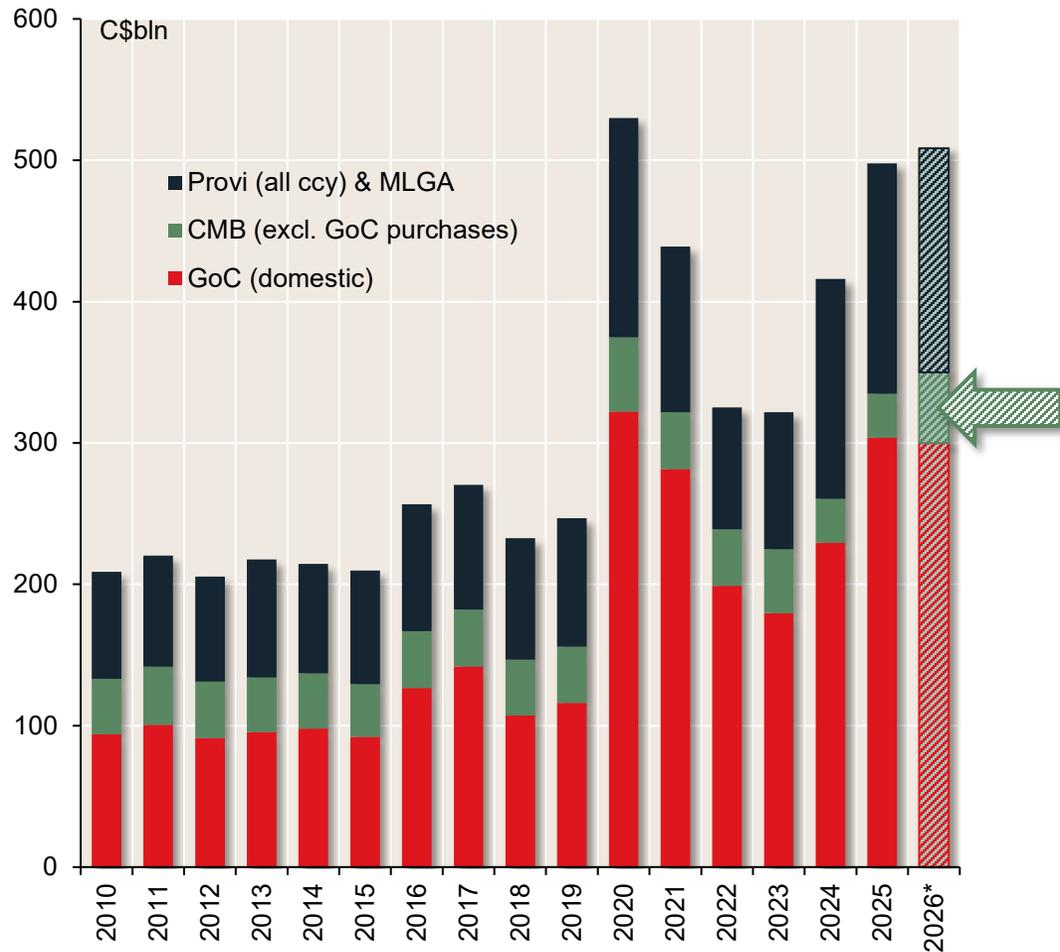
Federal-provincial budget balances: 2025-26 (latest)



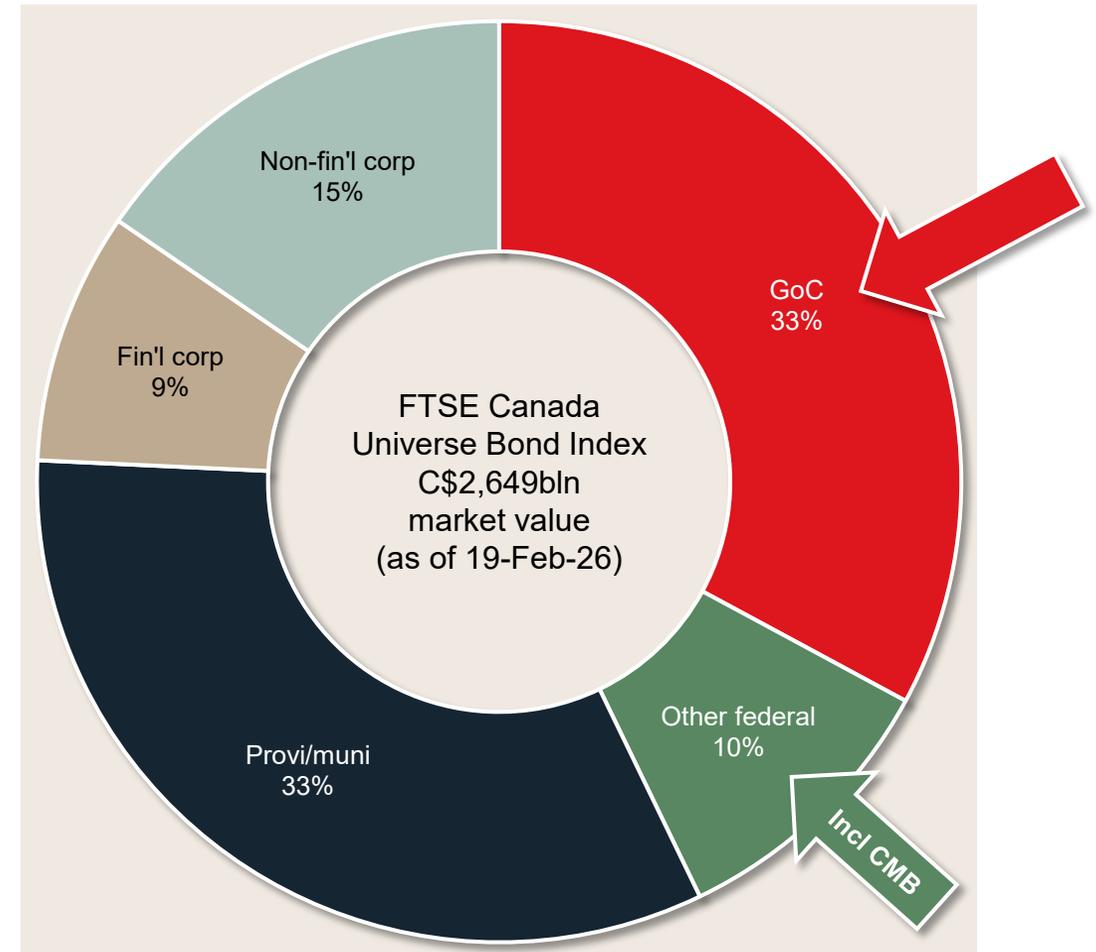
Source: NBC, GoC, provincial gov'ts | Note: Based on latest official updates for budget balances relative to NBC estimates of 2025 nominal GDP; GoC is from Budget 2025; individual provinces ordered by relative size of deficit, with Que based on pre-GF balance; as of 25-Feb-26, two provinces had presented 2026 Budgets (BC & NS)

Taking a broader perspective on bond issuance & outstandings

Gross bond issuance in select sectors: Calendar yr



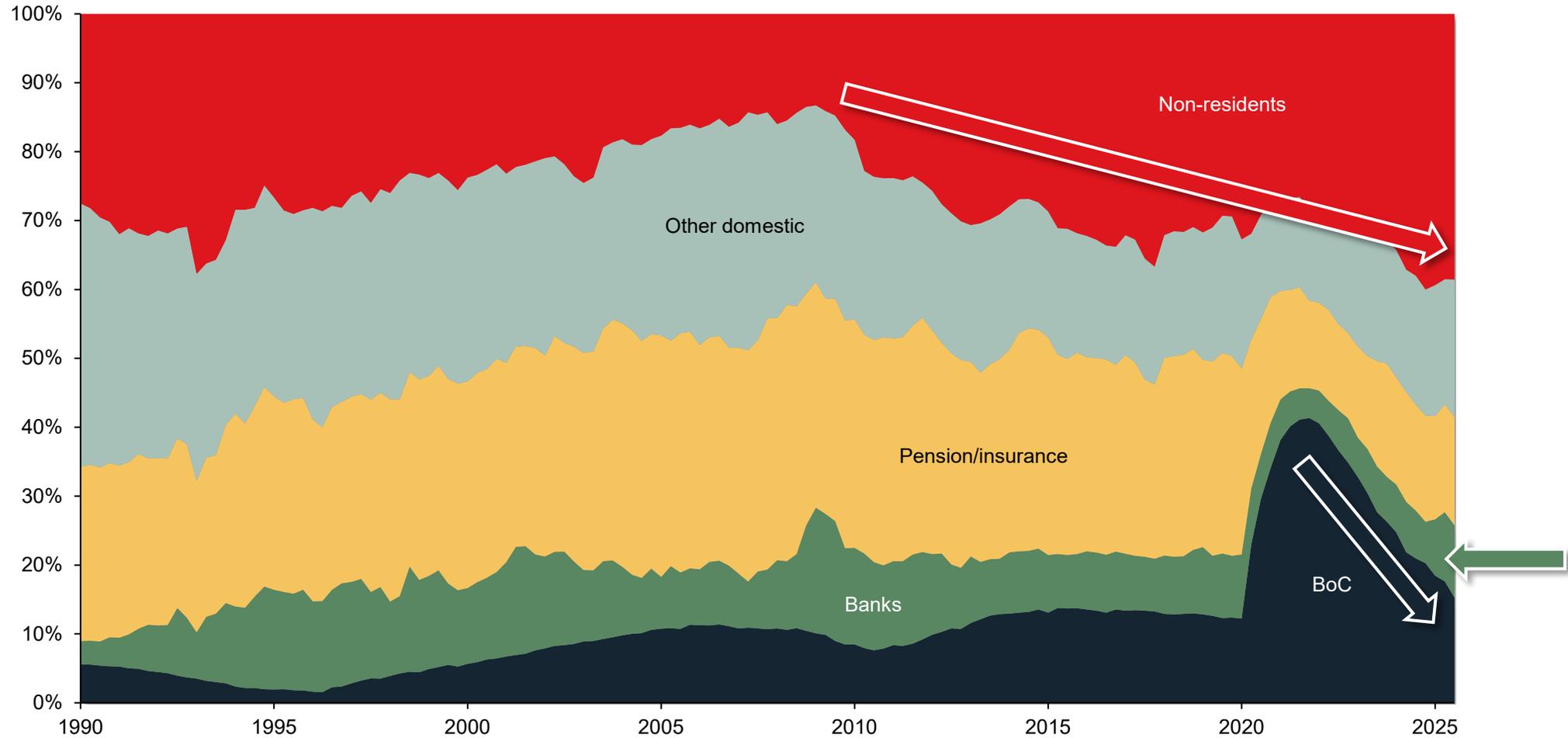
Composition of Canada's domestic bond index



Source: NBC, BBG, FTSE Russell, BoC | Note [L]: 2026 reflects NBC expectations | Note [R]: FTSE Canada Universe Bond Index comprised of eligible CAD issues only

Non-residents can help absorb effective GoC supply

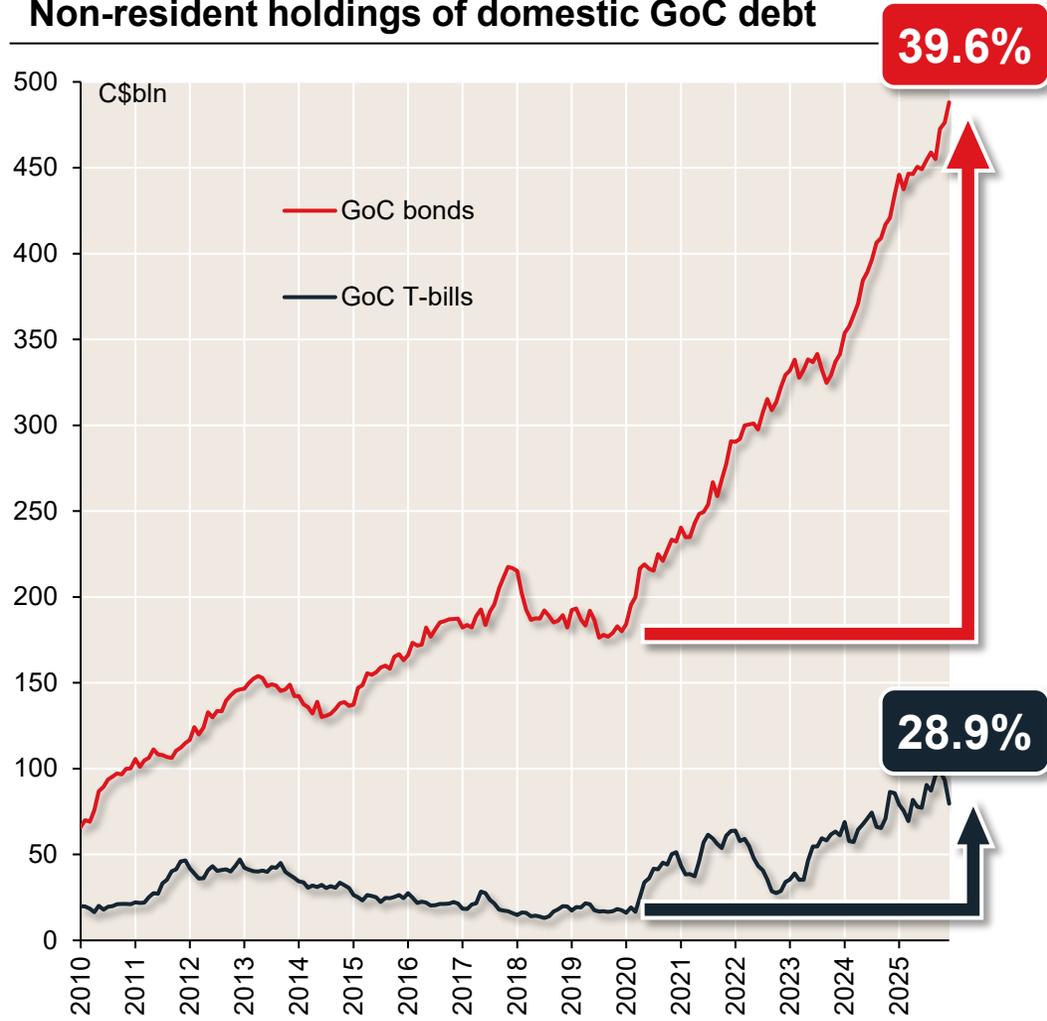
Relative distribution of GoC bond holdings by select investor type



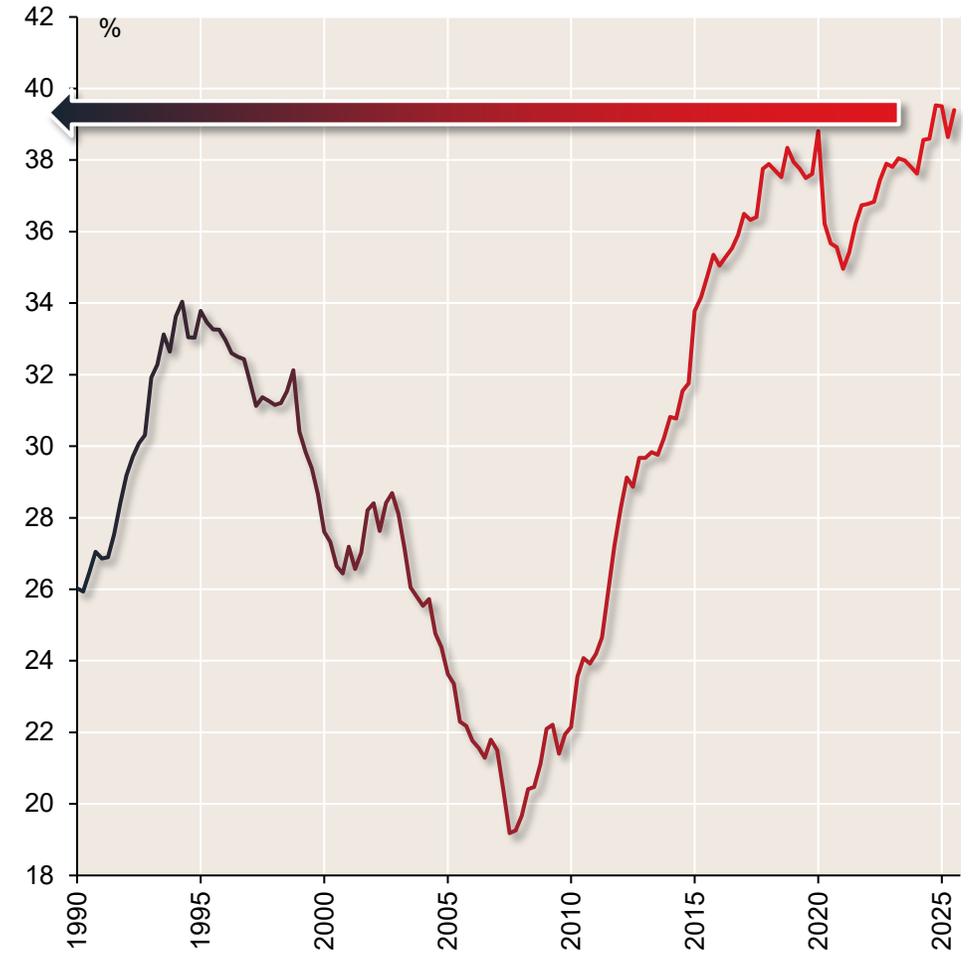
Source: NBC, StatCan | Note: Based on market value of GoC bond holdings to 2025:Q3

Canadian debt issuers have leaned on foreign investors (in some cases hard)

Non-resident holdings of domestic GoC debt

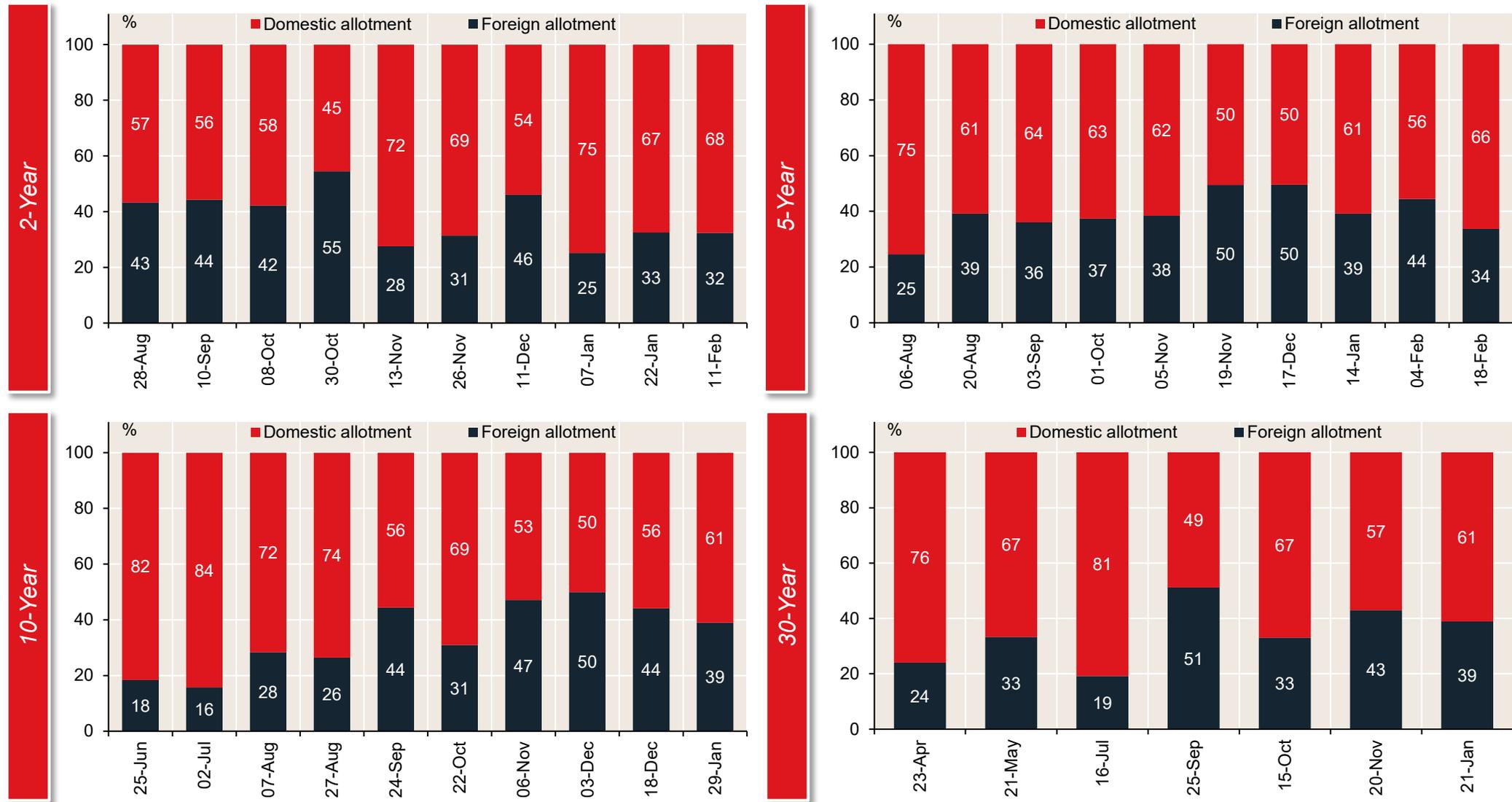


Foreign ownership of outstanding Cdn debt



Source: NBC, StatCan, BoC | Note [L]: Based on book value of all Cdn debt, including fgn ccy issues; monthly to Dec-25 | Note [R]: Based on National Balance Sheet Accounts; quarterly to 2025:Q3

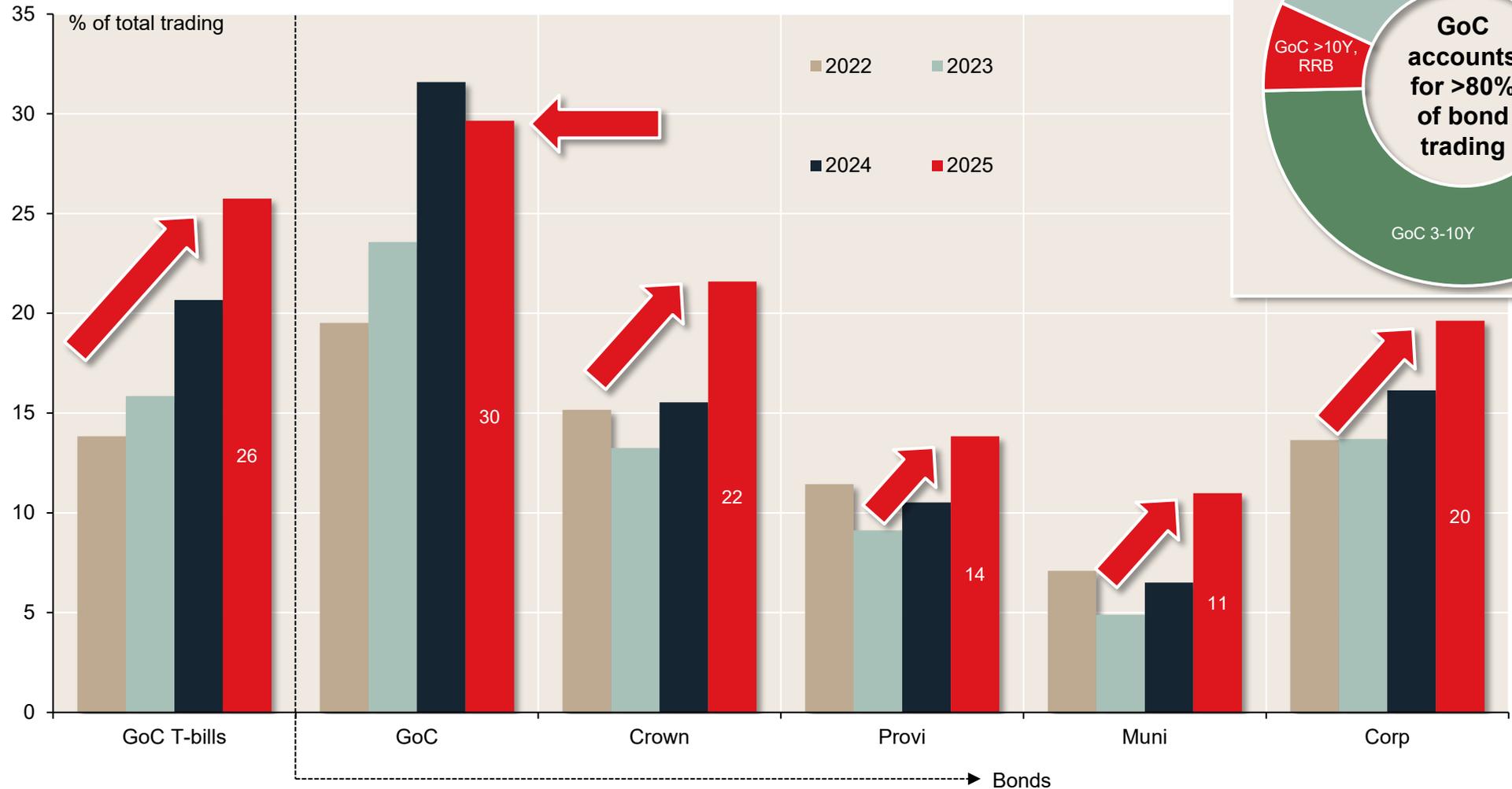
GoC bond auction account allotment, by tenor (last 10 operations)



Source: NBC, BoC | Note: Allotment data available beginning Apr-2025, thus the smaller sample size for 30-year tenor

Non-resident presence easy to spot in secondary market too

Non-resident share of total Canadian secondary trading | Inset: 2025 trading by sector



Source: NBC, CIRO | Note: Based on publicly available all dealer volumes | Note [Inset]: Based on total trading with all counterparty types

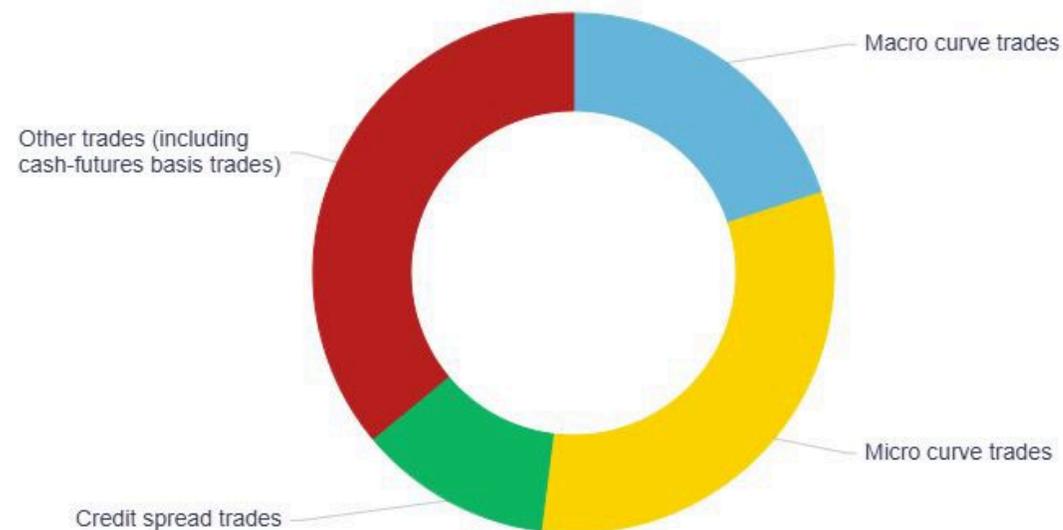
BoC (repeatedly) sheds light on hedge fund involvement in GoC market

Hedge funds and their trading strategies in the Government of Canada bond market

Feb-26

Chart 1: Hedge funds' trading strategies are relatively diverse

Share of hedge fund trading volume, by strategy



Legend: Macro curve trades (light blue), Micro curve trades (yellow), Credit spread trades (green), Other trades (including cash-futures basis trades) (red)

Note: Each share is the 2020–25 average by strategy type in the Government of Canada bond market. Trading strategies that involve longer-duration bonds receive a higher weight.

Sources: Market Trade Reporting System 2.0 and Bank of Canada calculations

Last observation: October 2025

See also...

**BoC
Financial
Stability
Report (2025)
& BoC Staff
analytical
notes**

GoC (and other Cdn issuers) benefit from pivot away from USD/USTs?

Share of official FX reserves allocated to USD | Inset: Distribution of allocated reserves (2025:Q3)



Source: NBC, IMF | Note: Based on quarterly COFER data to 2025:Q3

Questions?

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