| O | N | T | A | R | I | O |
Financing Authority
# BULLETIN
February 13, 2001 www.ofina.on.ca

# Third Quarter 2000-01 Ontario Finances

## Surplus at $1.4 Billion

- The 2000-01 surplus is projected at $1,411 million, as compared to a balanced budget outlook in the 2000 Ontario Budget and an improvement of $45 million from the $1,366 million surplus reported in the Second Quarter Ontario Finances.

## Revenue at $64.2 Billion

- The revenue outlook, at $64,218 million, is up $2,158 million from the Budget Plan, and up $165 million from the Second Quarter Ontario Finances.

## Reserve Applied to Net Provincial Debt

- Based on improvements in the economic and revenue outlook, the $1 billion reserve was eliminated and applied to Net Provincial Debt reduction in the Second Quarter Ontario Finances.

## Public Debt Interest

- The Public Debt Interest forecast of $9,430 million, consisting of $8,910 million related to the Province's borrowing on its own behalf and $520 million related to interest on debt issued for investment in the Electricity Sector. This forecast is down $30 million from the Budget Plan due to lower-than-expected interest rates, but unchanged from the Second Quarter Ontario Finances.

## Fiscal Summary

| December 31, 2000 ($ Millions) | Actual 1999-00 | 2000-01 Budget Plan | 2000-01 Current Outlook | 2000-01 In-Year Change |
|---|---|---|---|---|
| **Revenue** | 62,931 | 62,060 | 64,218 | 2,158 |
| **Expenditure** | | | | |
| Programs | 46,649 | 49,525 | 50,289 | 764 |
| Restructuring & Other Charges | 211 | — | — | — |
| Accounting Changes from 1999-00 Public Accounts* | 720 | — | 606 | 606 |
| Total Program Expenditure | 47,580 | 49,525 | 50,895 | 1,370 |
| Capital* | 4,832 | 2,075 | 2,212 | 137 |
| Public Debt Interest | | | | |
| Provincial | 8,977 | 8,940 | 8,910 | (30) |
| Electricity Sector | 520 | 520 | 520 | — |
| Total Expenditure* | 61,909 | 61,060 | 62,537 | 1,477 |
| Reserve | — | 1,000 | — | (1,000) |
| Net Impact of Electricity Restructuring to be Recovered from Ratepayers** | 354 | — | 270 | 270 |
| **Surplus / (Deficit)** | **668** | **0** | **1,411** | **1,411** |

* Accounting changes introduced in the 1999-00 Public Accounts increased total 2000-01 expenditure in-year by $746 million, representing more than 50 per cent of the in-year change from Budget Plan.

** Reflects the estimated excess of expenditure over revenue of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

*Source: Ontario Ministry of Finance.*

## Economic Highlights

- The **Ontario economy** continued to grow strongly in the third quarter of the calendar year, with **real GDP** up 5.5 per cent at annual rates. This followed growth of 5.2 per cent in the second quarter.
- For the year 2000, **Ontario employment** increased 184,000 following record job growth in 1999 of 198,000.
- Over the first eleven months of 2000, **Ontario manufacturing shipments** rose 7.6 per cent from a year earlier. **Ontario international merchandise exports** increased 6.2 per cent over the same period.
- Over the first eleven months of 2000, **Ontario retail sales** were up 7.6 per cent from a year ago and unit auto sales rose 3.8 per cent.
- For the year 2000, **housing starts** in Ontario rose 6.4 per cent from the previous year.
- Ontario's **inflation rate** as measured by the Consumer Price Index (CPI) was 2.9 per cent in 2000.

This bulletin was compiled by the Ontario Financing Authority. For more information, please contact the Investor Relations Unit, Ontario Financing Authority, One Dundas Street West, Suite 1400, Toronto, Ontario, M7A 1Y7, Canada. Telephone (416) 325-0918 / Fax (416) 204-7946 / E-mail:investor@ofina.on.ca. The Ontario Financing Authority is on the Internet at www.ofina.on.ca.

## Financing Program Update

- The $1,411 million surplus and $186 million decline in maturities were almost completely offset by a $564 million increase in provision for early redemptions of Ontario Savings Bonds, $427 million less borrowing from the Canada Pension Plan, $270 million in net withdrawals from the Province of Ontario Savings Office, a $251 million increase in accruals and consolidations, and $83 million lent to agencies.

- Long-term public borrowing undertaken in the third quarter totalled $1,576 million, which consisted of $1,501 million raised through domestic issues and $75 million raised by a Euro Medium Term Note (EMTN).

- As of December 31, 2000, the Province completed 88% of its $8.6 billion 2000-01 in long-term public market borrowing requirements.

- In addition, during the second and third quarters, the Province bought back $844 million of previously issued debt. These purchases were financed with similar amounts of debt issued at more favourable interest rates.

- Since the close of the third quarter, Ontario has raised an additional $659 million in long-term public borrowing from one domestic issue for $509 million and $150 million from a second EMTN.

- On February 9, 2001, Moody's reaffirmed Ontario's Aa3 rating and revised the outlook to 'positive' from stable. On January 29, 2001, Standard and Poor's upgraded the Province of Ontario's debt rating to AA from AA-.

### Net Provincial Debt Outlook

- Based on the projected surplus for the current year, Net Provincial Debt is forecast at $112.0 billion at March 31, 2001. This is $2.0 billion lower than the Budget Plan due to higher than forecasted surpluses in both 1999-00 and 2000-01.

### Ontario Electricity Financial Corporation

- As of December 31, 2000, the Province had borrowed $1.5 billion of a planned $1.8 billion on behalf of Ontario Electricity Financial Corporation (OEFC), down from the $2.5 billion requirement estimated at the time of the Budget. Since the close of the third quarter the Province has borrowed an additional $0.2 billion on behalf of OEFC.

## Financial Summary

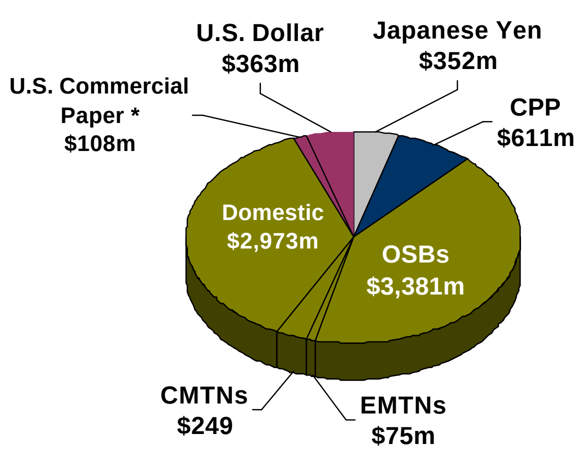
| ($ Millions) | | 2000-01 Budget Plan | 2000-01 Current Outlook | 2000-01 Change from Budget |
|---|---|---|---|---|
| Surplus / (Deficit) | | — | 1,411 | 1,411 |
| Accruals and Consolidations | | (5,205) | (5,456) | (251) |
| Maturities* | | (8,425) | (8,239) | 186 |
| Provision for Early Redemptions | | (500) | (1,064) | (564) |
| Other Sources / (Uses) | | — | (270) | (270) |
| Net Repayments from/(Loans to) Agencies | | — | (83) | (83) |
| Decrease / (Increase) in Liquid Reserves | | 4,500 | 4,500 | — |
| Increase / (Decrease) in Short-term Borrowing | | — | — | — |
| Canada Pension Plan Borrowing | | 1,038 | 611 | (427) |
| **Long-Term Public Borrowing** | | 8,592 | 8,590 | (2) |
| of which: | Completed | | 7,501 | |
| | Remaining | | 1,089 | |

*Maturing debt is lower than the Budget Plan due to the Province exercising its options on extendible bonds.

The format of the above Financial Summary table has been simplified from last quarter by reducing the number of categories, removing debt buy-backs from the table and highlighting Long-Term Public Borrowing.

## 2000-01 Long-Term Borrowing

C$8,112 million issued as of December 31, 2000**




* Swapped into fixed rate financing. **Excludes debt buybacks.