ontario**financing**authority

Bulletin

2001-02 Ontario First Quarter Finances

July 5, 2001

Balanced Budget Outlook

- The 2001-02 fiscal outlook is on track with the Budget Plan. As of June 30, 2001, a surplus of $140 million is projected, unchanged from the 2001 Ontario Budget.

Revenue at $64.3 Billion

- The revenue outlook, at $64,270 million, is unchanged from the Budget Plan.

Expenditure at $63.3 Billion

- Total expenditure, at $63,270 million, is unchanged from the Budget Plan.

Reserve at $1 Billion

- Ontario's 2001-02 fiscal plan includes a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

Fiscal Summary

June 30, 2001

($ Millions)	Interim 2000-01	2001-02 Budget Plan	2001-02 Current Outlook	2001-02 In-Year Change
Revenue	64,927	64,270	64,270	—
Expenditure				
Programs	50,428	52,011	52,011	—
Restructuring & Other Charges	31	—	—	—
Total Program Expenditure	50,459	52,011	52,011	—
Capital	2,075	1,944	1,944	—
Public Debt Interest				
Provincial	8,883	8,795	8,795	—
Electricity Sector	520	520	520	—
Total Expenditure	61,937	63,270	63,270	—
Less: Reserve	—	1,000	1,000	—
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	202	140	140	
Surplus/(Deficit)	**3,192**	**140**	**140**	—

* Reflects the estimated excess of revenue over expenditure 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

Over the first five months of 2001, **Ontario's employment was up 145,000** compared to the same period in 2000.

Over the first four months of 2001, **Ontario retail sales are up 4.1%** from a year ago.

Over the first five months of 2001, **housing starts in Ontario rose 5.7%** from a year ago.

Ontario home resales are up 4.9% compared to a year ago.

Over the first four months of 2001, **Ontario merchandise exports fell 2.6%** from a year ago, largely the result of reduced auto exports to the U.S.

Over the first four months of 2001, **Ontario manufacturing shipments fell 3.6%** following a 6.2% rise for the year 2000.

Ontario's unemployment rate was 5.9% in April and May.

Ontario's year-over-year inflation rate has averaged 3.7%over the first five months of 2001, compared to an annual inflation rate of 2.9% in 2000.

Ontario's inflation rate as measured by the Consumer Price Index (CPI) **was 4.2% in May 2001**, largely due to higher energy and food prices.

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 Province's long-term public borrowing for 2001-02 is projected at $9.3 billion. The Province will be borrowing to refinance $9.5 billion in maturing debt, $2.3 billion related to accruals and consolidations, and $1.0 billion as a provision for early bond redemptions. The Province may borrow an additional $0.8 billion from the Canada Pension Plan (CPP) if it is cost-effective.
- Long-term public market borrowing requirements are $243 million higher than the 2001-02 Budget Plan, largely to offset a $333 million decrease in planned borrowing from the CPP. To date, CPP borrowing has been more expensive than other financing alternatives.
- The 2001 Ontario Savings Bond (OSB) campaign has set another provincial record, with estimated sales totalling over $4 billion.
- In addition to the borrowing and redemptions shown in the table, the Province has bought back $60 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.
- The domestic market will continue to be the Province's main source of public financing. The Ontario Financing Authority continues to monitor international capital markets for cost-effective borrowing opportunities.
- Since the end of fiscal 2000-01, the Province has completed nearly $5.8 billion of its 2001-02 long-term public borrowing program.
- On July 4, 2001, Dominion Bond Rating Service (DBRS) upgraded Ontario's long-term debt rating to AA/stable outlook from AA (low)/positive outlook.

Net Provincial Debt

- The forecast Net Provincial Debt as of March 31, 2002 is $110.7 billion, unchanged from the 2001 Budget.

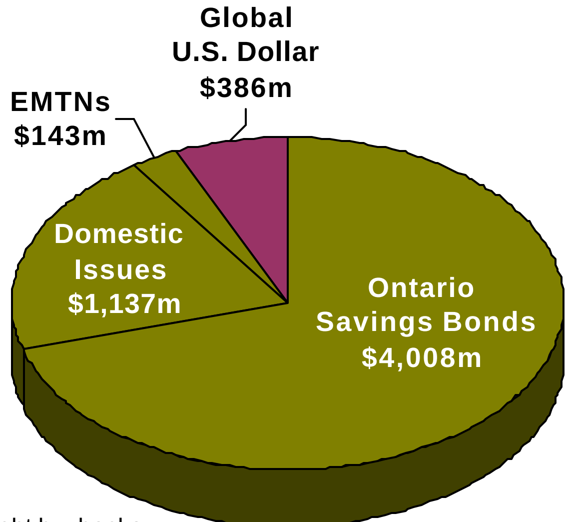
Financial Summary

June 30, 2001		2001-02		
($ Millions)	Interim 2000-01	Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	3,192	140	140	—
Accruals and Consolidations	(4,626)	(2,258)	(2,258)	—
Maturities*	(8,120)	(9,557)	(9,467)	90
Provision for Early Redemptions	(1,064)	(1,020)	(1,020)	—
Other Sources / (Uses)	(275)	—	—	—
Net Repayments from / (Loans to) Agencies	(110)	(42)	(42)	—
Decrease / (Increase) in Liquid Reserves	2,049	2,551	2,551	—
Increase / (Decrease) in Short-Term Borrowing	(113)	—	—	—
Canada Pension Plan Borrowing	611	1,130	797	(333)
Long-term Borrowing	8,456	9,056	9,299	243
of which: Completed			5,674	
Remaining			3,625	

*Maturing debt is lower than the Budget Plan due to the Province exercising options on extendible bonds.
Note: Numbers may not add due to rounding.

2001-02 Long-Term Borrowing

C$5,674 million issued as of June 30, 2001*



*Excludes debt buybacks.

Ontario Electricity Financial Corporation (OEFC)

- In addition to borrowing on its own behalf, the Province raised almost $1.0 billion of the Ontario Electricity Financial Corporation's (OEFC) 2001-02 long-term borrowing requirements of $3.6 billion. In return, the OEFC issues debt to the Province.