ontario**financing**authority Bulletin

2001-02 Second Quarter Ontario Finances

November 6, 2001

Balanced Budget Outlook

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

Revenue at $64.1 Billion

- The revenue outlook, at $64,112 million, is down $158 million from the Budget Plan and First Quarter Ontario Finances, mainly due to decreases in corporations tax revenue, partially offset by higher personal income tax revenue.

Expenditure at $63.4 Billion

- Total expenditure, at $63,412 million, is up $142 million from the Budget Plan and First Quarter Ontario Finances, mainly due to increased funding for hospitals, partially offset by savings in Public Debt Interest (PDI).

Reserve at $0.7 Billion

- Ontario's 2001-02 fiscal plan included a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook.
- With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, $300 million of the reserve has been allocated to ensure the balanced budget target is met. The $700 million balance of the reserve will be available for debt reduction at year end if not needed.

Fiscal Summary

September 30, 2001

($ Millions)	Actual 2000-01	2001-02 Budget Plan	2001-02 Current Outlook	2001-02 In-Year Change
Revenue	64,682	64,270	64,112	(158)
Expenditure				
Programs	50,075	52,011	52,207	196
Restructuring & Other Charges	31	—	—	—
Total Program Expenditure	50,106	52,011	52,207	196
Capital	2,079	1,944	1,949	5
Public Debt Interest				
Provincial	8,896	8,795	8,736	(59)
Electricity Sector	520	520	520	—
Total Expenditure	61,601	63,270	63,412	142
Less: Reserve	—	1,000	700	(300)
Add:Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	244	140	140	—
Surplus/(Deficit)	**3,325**	**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

Ontario's economy is experiencing a slowdown, reflecting weaker global growth and the negative impact of the terrorist attacks on the United States. Private-sector economists expect economic growth to be moderate this year and next, with real GDP rising by 1.1% in 2001 and 1.3% in 2002. Economic growth is expected to climb to 4.3% in 2003.

A number of factors are expected to boost growth by mid-2002.

- Low interest rates will reduce operating costs for business and encourage spending on consumer durables and home construction.
- Tax cuts at the provincial and federal level will increase household take-home pay.
- U.S. economic growth is expected to strengthen, reflecting the stimulus from tax cuts and increased defence and security spending.
- A fall in oil and natural gas prices will free up household disposable income for other purposes and reduce business costs.

Economic Outlook

Private-Sector Forecast for the Ontario Economy

(Annual Average)
Per cent

	1999	2000	2001p	2002p	2003p
Real GDP Growth	7.4	5.3	1.1	1.3	4.3
Unemployment Rate	6.3	5.7	6.3	7.1	6.6
CPI Inflation	1.9	2.9	3.3	2.0	2.0

p= Private-sector survey average.
Sources: Statistics Canada, Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (November 2001).

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 $10.2 billion. The Province will be borrowing to refinance $9.5 billion in maturing debt, $2.8 billion related to accruals and consolidations, and $1.0 billion as a provision for early bond redemptions. The Province may borrow an additional $0.4 billion from the Canada Pension Plan (CPP) if it is cost-effective.

- As of September 30, 2001, long-term public borrowing requirements are $1.2 billion higher than the 2001-02 Budget Plan. This is due to an increase of $0.6 billion in accruals and consolidations and a $0.7 billion reduction in borrowing from the Canada Pension Plan, offset by a $0.1 billion decline in maturities. To date, CPP borrowing has been more expensive than other financing alternatives.

- The Province borrowed $1.5 billion during the second quarter, all in Canadian dollars, including a Euro-Canadian bond issue, a number of structured domestic Medium Term Notes (MTNs) and a new 5-year benchmark domestic issue.

- In addition to the borrowing and redemptions shown in the table, the Province bought back $261 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.

- As of November 6, 2001, the Province has completed $8.0 billion of its 2001-02 long-term public borrowing program.

Financial Summary

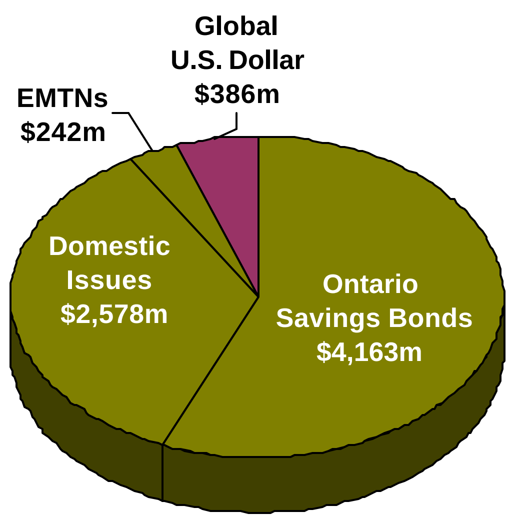
September 30, 2001

($ Millions)	Actual 2000-01	2001-02 Budget Plan	2001-02 Current Outlook	2001-02 Change from Budget
Surplus / (Deficit)	3,325	140	140	—
Accruals and Consolidations	(4,496)	(2,258)	(2,825)	(567)
Maturities*	(8,145)	(9,557)	(9,467)	90
Provision for Early Redemptions	(1,036)	(1,020)	(1,020)	—
Other Sources / (Uses)	(330)	—	—	—
Net Repayments from / (Loans to) Agencies	766	(42)	(42)	—
Decrease / (Increase) in Liquid Reserves	962	2,551	2,551	—
Increase / (Decrease) in Short-term Borrowing	(113)	—	—	—
Canada Pension Plan Borrowing	611	1,130	423	(707)
Long-term Public Borrowing	8,456	9,056	10,240	1,184
of which: Completed			7,369	
Remaining			2,871	

*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 Public Borrowing

C$7,369 million issued as of September 30, 2001*



*Excludes debt buybacks.

Net Provincial Debt

- The forecast Net Provincial Debt as of March 31, 2002 is $110.6 billion, down $0.1 billion from the 2001 Budget Plan and the First Quarter Ontario Finances as the result of the downward revision to Net Provincial Debt reported in the 2000-01 Public Accounts.

Ontario Electricity Financial Corporation (OEFC)

- In addition to its own borrowing, the Province has completed $1.8 billion of the Ontario Electricity Financial Corporation's 2001-02 long-term borrowing requirements of $3.4 billion. In return, the OEFC issues debt to the Province.