ontariofinancingauthority bulletin

Ontario

2002 ontario budget highlights

June 17, 2002

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Fiscal Outlook

On Track For Fourth Consecutive Balanced Budget

- As a result of the government's economic and fiscal policies and its prudent and cautious approach to budgeting, the Province recorded a $58 million surplus for 2001-02.
- Ontario is on track for a balanced budget in 2002-03. With surpluses recorded in each of the past three years, the Province's budget will be balanced for the fourth year in a row.
- A reserve of $1.0 billion has been included in the 2002-03 fiscal plan 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.

Ontario Hard Hit By Global Slowdown in 2001

- Ontario's real Gross Domestic Product (GDP) grew by 1.0 per cent in 2001. For the first time in five years, Ontario's real GDP growth was lower than Canada's as a whole. The auto industry and the telecommunication equipment manufacturing industry, two of the province's key export sectors, were particularily hard hit by the global slowdown.
- The government made a decision to reschedule certain major planned tax cuts, including general corporations tax and personal income tax, for one year only, due to the impact of the 2001 downturn. These cuts are proposed to continue as of January 1, 2004, instead of January 1, 2003.

Economic Growth Strengthens in 2002

- Lower interest rates, lower taxes and aggressive marketing by automakers have spurred healthy growth in Ontario consumer spending. In addition, stronger U.S. demand has contributed to a turnaround in Ontario's manufacturing production. These factors have boosted job creation, lifted incomes and fuelled exports, underpinning a solid rebound in growth in the first half of 2002. Business investment is expected to gain strength in the second half of the year as firmer economic growth takes hold.

Fiscal Summary

March 31, 2002

($ Billions)	Actual 2000-01	Interim 2001-02	Plan 2002-03	Forecast 2003-04
Revenue	64.7	63.5	66.5	68.3
Expenditure				
Programs	50.1	52.4	54.4	56.1
Gross Capital Expenditure	2.1	1.8	2.7	2.8
Less: Net Investment in Capital Assets*	—	—	0.6	0.5
Public Debt Interest				
Provincial	8.9	8.6	8.5	8.4
Electricity Sector	0.5	0.5	0.5	0.5
Total Expenditure	61.6	63.3	65.5	67.3
Less: Reserve	—	—	1.0	1.0
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	0.2	(0.1)	0.0	0.3
Surplus/(Deficit)	**3.3**	**0.1**	**0.0**	**0.3**

Note: Numbers may not add due to rounding.

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquistion.

** 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.

Ontario's Economic Assumptions

(Annual Average; Per Cent)	2000	2001	2002	2003
Real GDP Growth	5.3	1.0	3.1	4.2
Unemployment Rate	5.7	6.3	6.5-6.8	6.0-6.5
CPI Inflation	2.9	3.1	1.8	2.0

Sources: Statistics Canada and Ontario Ministry of Finance.

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 total long-term public borrowing for 2002-03 is projected at $12.7 billion. To date, the Province has completed $2.3 billion of the 2002-03 borrowing program.
- The Province's long-term public borrowing program for 2001-02 was $12.3 billion. Public borrowing was $3.2 billion higher than in the 2001-02 Budget Plan mainly due to:
  - $0.6 billion increase in early redemptions of debt;
  - $2.2 billion lower-than-anticipated decline in cash because of favourable long-term borrowing opportunities; and
  - $1.1 billion less borrowing than anticipated from the Canadian Pension Plan (CPP) because public borrowing alternatives were less expensive than borrowing from the CPP;
  - these three items were partially offset by a $0.6 billion decrease in non-cash items included in the surplus.
- The domestic market continued to be the main source of funding for the Province in 2001-02, with Ontario raising over 80 per cent of the borrowing program in Canadian dollars.
- Ontario launched over 35 smaller-sized issues via its domestic Medium Term Note (MTN) program, raising $2.2 billion. Three bond auctions were conducted, two of which raised funds for the Ontario Electricity Financial Corporation. These auctions raised $0.8 billion.
- The Province issued a number of U.S. dollar Global issues and its first Yankee bond in over 10 years, raising the equivalent of almost $2.0 billion in Canadian dollars and achieving funding costs below those available in the Canadian domestic market.
- The Province issued seven Euro Canadian dollar bond issues launched under the Euro Medium Term Note (EMTN) program, raising $0.8 billion.
- The 2001 Ontario Savings Bond campaign raised $4.2 billion, a Canadian provincial record.

Net Provincial Debt

- Interim Net Provincial Debt was $110.5 billion as of March 31, 2002.

Financial Summary

March 31, 2002	2001-02		2002-03
($ Billions)	Budget Plan	Interim	Budget Plan
Surplus	0.1	0.1	—
Adjustments for:			
Non-Cash Items Included in Surplus	(2.3)	(1.7)	(2.9)
Amortization of Tangible Capital Assets*	—	—	0.7
Acquisitions of Tangible Capital Assets*	—	—	(1.4)
Maturities of Debt**	(9.6)	(9.5)	(11.7)
Early Redemptions of Debt	(1.0)	(1.6)	(1.2)
Canada Pension Plan Borrowing	1.1	—	0.7
Decrease/(Increase) in Cash and Cash Equivalents	2.6	0.4	3.0
Increase/(Decrease) in Short-Term Borrowing	—	0.2	—
Other Sources/ (Uses) of Cash***	—	(0.1)	—
Long-Term Public Borrowing Requirement	9.1	12.3	12.7
Completed			2.3
Remaining			10.4

Note: Numbers may not add due to rounding.

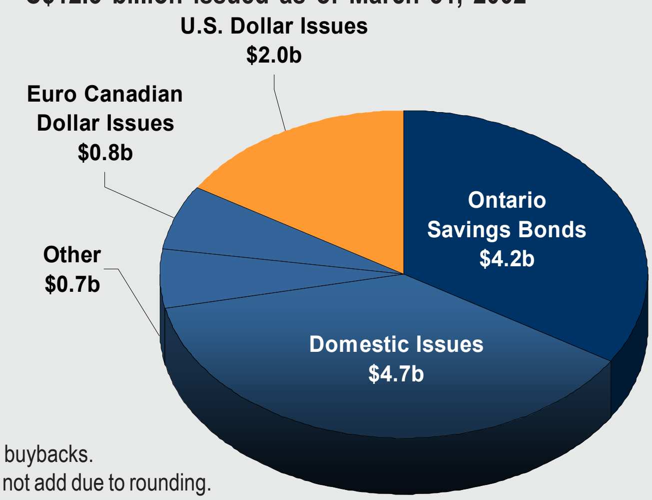
* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquistion.

** Maturities of debt are lower than the 2001-02 Budget Plan due to the Province exercising its options on extendible bonds.

*** Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

2001-02 Long-Term Public Borrowing

C$12.3 billion issued as of March 31, 2002*



*Excludes debt buybacks.
Numbers may not add due to rounding.

Ontario Electricity Financial Corporation (OEFC)

- For 2001-02, the Province met OEFC's borrowing requirements of $3.4 billion by issuing $1.8 billion in long-term debt and $1.6 billion in short-term debt.
- OEFC's debt maturities for 2002-03 are $2.7 billion.