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Ontario

bulletin

2002-03 Ontario Second Quarter Finances as of September 30, 2002

Released: November 8, 2002

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Fiscal Outlook

Balanced Budget Outlook

- The 2002-03 fiscal outlook is on track with the Budget Plan. As of September 30, 2002, a balanced budget is projected, unchanged from the Budget Plan.

Revenue at $66.6 billion

- The revenue outlook, at $66,611 million, is up $67 million from the Budget Plan and $65 million from First Quarter Ontario Finances, mainly due to increases in federal payments in support of agriculture and Provincial primary care health initiatives.

Expenditure at $65.6 billion

- Total expenditure, at $65,600 million, is up a net $67 million from the Budget Plan and $65 million from First Quarter Ontario Finances mainly due to increased support for Ontario farmers and additional forest-fire fighting costs; partially offset by lower Public Debt Interest (PDI) costs.

Reserve at $1.0 billion

- Ontario's 2002-03 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.

2001-02 Public Accounts

- The 2001-02 Public Accounts, released November 7, 2002, reported the 2001-02 audited actual surplus at $375 million, up $317 million from the $58 million interim estimate in the 2002 Ontario Budget.

Fiscal Summary

September 30, 2002		2002-03		
($ Millions)	Actual 2001-02	Budget Plan	Current Outlook	In-Year Change
Revenue	63,886	66,544	66,611	67
Expenditure				
Programs	52,523	54,384	54,494	110
Gross Capital Expenditure	1,890	2,713	2,715	2
Less: Net Investment in Capital Assets*	—	634	634	—
Public Debt Interest				
Provincial	8,509	8,550	8,505	(45)
Electricity Sector	520	520	520	—
Total Expenditure	63,442	65,533	65,600	67
Less: Reserve	—	1,000	1,000	—
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(69)	(11)	(11)	—
Surplus/(Deficit)	**375**	**0**	**0**	—

* 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 acquisition.

** 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

- The Ontario economy added 58,400 net new jobs in the third calendar quarter of 2002 (June to September), after gains of 28,700 in the second quarter and 31,300 in the first quarter.
- In October, Ontario employment rose 20,300 following a gain of 32,300 in September.
- Ontario's unemployment rate was 7.2 per cent in October.
- Ontario housing starts rebounded 6.5 per cent in the third calendar quarter of 2002 with the level rising to 85,100 units, the second highest level of activity in over twelve years. Over the first ten months of 2002, housing starts rose 16.3 per cent from the same period a year ago.
- Ontario home resales are up 12.8 per cent over the first nine months of 2002, compared to the same period in 2001.
- Ontario manufacturing shipments rose 5.8 per cent in July and August compared to the same period a year earlier.
- Ontario retail sales were up 7.6 per cent in July and August compared to the same period a year earlier.
- Ontario auto sales increased 5.0 per cent over the same period.

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 $13.1 billion. The Province will be borrowing to refinance $11.7 billion in maturing debt, $2.9 billion related to non-cash items included in the surplus and $1.2 billion as a provision for early redemptions of debt. The Province may borrow up to $0.4 billion from the Canada Pension Plan (CPP) if it is cost-effective.

- In addition to the borrowing and redemptions shown in the table, the Province has bought back $517 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.

- The 2002 Ontario Savings Bond campaign raised $2.6 billion.

- The domestic market will continue to be the main source of funding for the Province in 2002-03. The Ontario Financing Authority continues to monitor international capital markets for cost-effective borrowing opportunities.

Post Second Quarter

- As of November 8, 2002, the Province has completed $9.3 billion of its 2002-03 long-term public borrowing program. This includes the equivalent of $391 million raised from a U.S. dollar Global issue and two Medium Term Notes.

- The Province plans to raise an additional $3.8 billion in long-term public borrowing this fiscal quarter.

Net Provincial Debt

- The 2001-02 Public Accounts, released November 7, 2002, reported the Net Provincial Debt at $112.0 billion , as of March 31, 2002.

Financial Summary

September 30, 2002

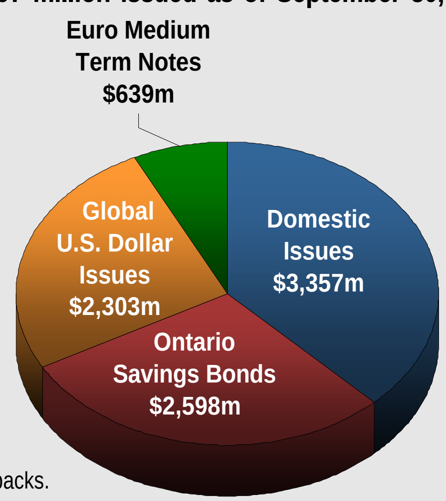
($ Millions)	Actual 2001-02	2002-03 Budget Plan	2002-03 Current Outlook	2002-03 Change from Budget
Surplus/ (Deficit)	375	0	0	—
Adjustments for:				
Non-Cash Items Included in Surplus	(2,323)	(2,875)	(2,875)	—
Amortization of Tangible Capital Assets*	—	733	733	—
Acquisitions of Tangible Capital Assets*	—	(1,367)	(1,367)	—
Maturities of Debt	(9,485)	(11,725)	(11,738)	(13)
Early Redemptions of Debt	(1,581)	(1,200)	(1,200)	—
Canada Pension Plan Borrowing	—	688	358	(330)
Decrease/(Increase) in Cash and Cash Equivalents	193	3,000	3,000	—
Increase/(Decrease) in Short-Term Borrowing	626	—	—	—
Other Sources/ (Uses) of Cash**	(86)	—	—	—
Long-Term Public Borrowing Requirement	12,281	12,746	13,089	343
of which: Completed as of September 30, 2002			8,897	—
Remaining			4,192	—

* 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 acquisition.

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

2002-03 Long-Term Public Borrowing

C$8,897 million issued as of September 30, 2002*



*Excludes debt buybacks.

Ontario Electricity Financial Corporation (OEFC)

- OEFC's debt maturities for 2002-03 are $2.7 billion.