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Ontario

bulletin

2003 ontario budget highlights

March 27, 2003

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Fiscal Outlook

Ontario Records Fourth Consecutive Balanced Budget

- The interim results for 2002-03 show a surplus of $524 million, meeting the Province's commitment to maintain a balanced budget on an ongoing basis.
- Ontario is projecting a balanced budget for 2003-04. This represents the fifth consecutive balanced budget since 1999-2000.
- A reserve of $1.0 billion has been included in the 2003-04 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 at year-end if not needed.

Ontario's Economy Rebounds In 2002

- The Province's economy rebounded strongly in 2002, growing by an estimated 3.8 per cent, more than two and a half times the rate of the previous year. However, the pace of growth slowed towards the end of last year, reflecting a marked slowdown of the U.S. economy, higher oil prices and the uncertainty stemming from the conflict with Iraq. Nevertheless, Ontario's economy is projected to grow by 3.0 per cent in 2003 and 3.6 per cent in 2004.
- The tax reductions and responsible fiscal policies implemented since 1995 have reinforced strong economic fundamentals, boosting incentives for investment and job creation. Global political and economic uncertainties continue to represent the major risk to Ontario's outlook. Protracted military conflict or an extended period of high world oil prices would affect Ontario adversely.

Ontario Leads Growth

- Ontario has been a leader in reducing taxes and removing barriers to growth and job creation. Since 1996, the Ontario economy's real growth rate averaged over a full percentage point higher than that of the rest of Canada. Private-sector forecasters are confident this trend will continue over the next two years.

Fiscal Summary

Medium-Term Fiscal Outlook

($ Billions)	Actual 2001-02	Interim 2002-03	Plan 2003-04	Forecast 2004-05
Revenue	63.9	66.4	71.6	73.4
Expenditure				
Programs	52.5	55.3	59.4	61.2
Gross Capital Expenditure	1.9	2.5	3.2	3.2
Less: Net Investment in Capital Assets*	—	0.6	0.7	0.7
Public Debt Interest				
Provincial	8.5	8.2	8.2	8.2
Electricity Sector	0.5	0.5	0.5	0.5
Total Expenditure	63.4	65.9	70.6	72.4
Less: Reserve	—	—	1.0	1.0
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(0.1)	—	—	—
Surplus/(Deficit)	**0.4**	**0.5**	**0.0**	**0.0**

Note: Numbers may not add due to rounding.

* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be booked as expenditure in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

** 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.

Source: Ontario Ministry of Finance.

Ontario's Economic Assumptions

(Annual Average Per Cent)	2001	2002	2003	2004
Real GDP Growth	1.5	3.8	3.0	3.6
Unemployment Rate	6.3	7.1	6.3-6.5	5.5-6.0
CPI Inflation	3.1	2.0	3.0	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 2003-04 is projected at $11.8 billion.
- The Province completed $15.8 billion in long-term public borrowing in 2002-03, compared to the Budget Plan of $12.7 billion. Historically low but rising interest rates, made it prudent for the Province to partially pre-fund its 2003-04 financing needs, including $2.2 billion related to the replacement of POSO deposits.
- The domestic market was the main funding source for the Province in 2002-03, providing a total of $6.7 billion, including:
  - 11 syndicated domestic issues; and
  - more than 20 smaller structured issues via the domestic MTN program.
- The 2002 Ontario Savings Bond campaign raised an additional $2.6 billion.
- The Province also issued nine Euro-Canadian dollar bonds via its Euro Medium Term Note (EMTN) program, raising a total of $1.1 billion.
- While more than two-thirds of the borrowing was raised in Canadian dollars, Ontario was also successful in accessing foreign currency markets. This borrowing achieved funding costs below those available in the Canadian dollar markets. The Province issued seven U.S. dollar global bonds for the Canadian dollar equivalent of $4.0 billion. Additionally, a total of $0.9 billion was raised via a New Zealand dollar global bond, a Euro currency-denominated EMTN and an Australian dollar-denominated EMTN.
- In 2002-03, the Province purchased and retired $517 million of several Ontario debt issues, financing the purchases with similar amounts of debt issued at more favourable rates.

Net Provincial Debt

Interim Net Provincial Debt, before provisional adjustment for CCRA error and accounting changes, is projected at $109.7 billion as of March 31, 2003.

Financial Summary

($ Billions)	2002-03 Budget Plan	Interim	2003-04 Budget Plan
Surplus	0.0	0.5	0.0
Adjustments for:			
Non-Cash Items Included in Surplus	(2.9)	(4.2)	(1.3)
Amortization of Tangible Capital Assets	0.7	0.8	0.8
Acquisitions of Tangible Capital Assets	(1.4)	(1.3)	(1.5)
Maturities of Debt*	(11.7)	(11.6)	(10.1)
Early Redemptions of Debt	(1.2)	(1.1)	(1.0)
Canada Pension Plan Borrowing	0.7	—	1.2
Decrease/(Increase) in Cash and Cash Equivalents	3.0	(0.2)	3.0
Increase/(Decrease) in Short-Term Borrowing	—	1.3	0.3
Other Sources/ (Uses) of Cash**	—	—	(3.2)
Long-Term Public Borrowing Requirement	**12.7**	**15.8**	**11.8**

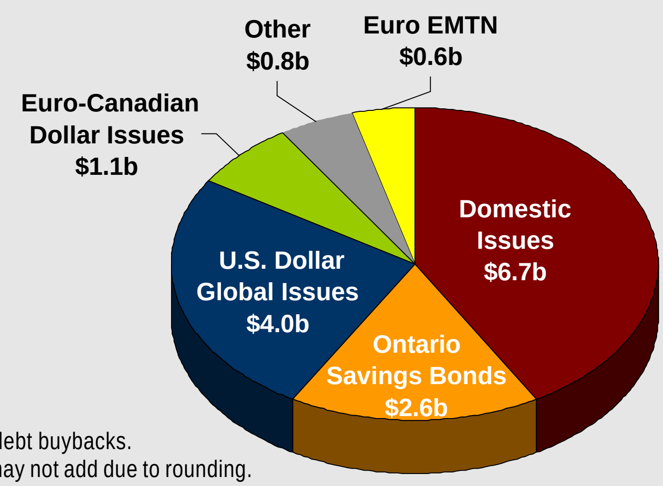
Note: Numbers may not add due to rounding.

* 2002-03 interim maturities of debt are lower than the 2002-03 Budget Plan due to the Province exercising its options on extendible bonds.

** Includes a $1 billion capital injection to the Ontario Municipal Economic Infrastructure Financing Authority and the replacement of approximately $2.2 billion in deposits with the Province of Ontario Savings Office upon its sale.

2002-03 Long-Term Public Borrowing

C$15.8 billion in Long-Term Public Borrowing*



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

Ontario Electricity Financial Corporation (OEFC)

- In 2002-03, the Province completed OEFC's borrowing requirements, including debt maturities of $2.7 billion, through the $2.1 billion raised from the successful sale of the Hydro One notes and the issuance of $0.9 billion in long-term debt.
- OEFC's long-term debt maturities total $3.5 billion in 2003-04. These maturities will be refinanced in the long-term public debt markets.