ontariofinancingauthority

Ontario

bulletin

2003-04 Third Quarter Ontario Finances

www.ofina.on.ca

Released: January 26, 2004

2003-04 In-Year Performance

Deficit Outlook at $5.6 Billion

- The 2003-04 current outlook is unchanged from the fiscal outlook presented in the 2003 Ontario Economic Outlook and Fiscal Review. As of December 31, 2003, a deficit of $5,621 million is projected for 2003-04.

Revenue at $69.5 Billion

- The revenue outlook, at $69,532 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review.

Expense at $75.2 Billion

- Total expense, at $75,153 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review. Increased ministry expense mainly due to a negotiated wage settlement with the Ontario Provincial Police Association, and additional funding for post-secondary education capital projects are fully offset from the operating and capital contingency funds.

Fiscal Summary

($ Millions)

		2003-04		
	Actual 2002-03	Fall Outlook*	Current Outlook	In-Year Change
Revenue	68,609	69,532	69,532	--
Expense				
Programs	56,922	62,554	62,554	--
Capital	1,876	2,574	2,574	--
Interest on Debt	9,694	10,025	10,025	--
Total Expense	68,492	75,153	75,153	--
Surplus / (Deficit)	**117**	**(5,621)**	**(5,621)**	--

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis.

Economic Update

- Ontario real GDP fell 0.6 per cent (2.5 per cent annualized) in the third quarter of 2003, the second decline in as many quarters.
- In 2003, Ontario employment grew by 160,500 net new jobs, up 2.6 per cent from 2002 and accounting for 48 per cent of all job creation in Canada.
- Ontario's unemployment rate was 7.0 per cent in 2003, down slightly from 7.1 per cent in 2002.
- Ontario retail sales fell 0.7 per cent in October, the third consecutive monthly decline. Over the first ten months of 2003, retail sales were 3.4 per cent ahead of the same period in 2002.
- Ontario consumer prices rose 2.7 per cent in 2003, up from 2.0 per cent in 2002.
- In 2003, Ontario housing starts hit their highest level in 14 years, up 1.9 per cent from 2002.
- The value of Ontario building permits issued in November fell 8.3 per cent from the level in October, but permits issued were up 3.0 per cent for the first eleven months of 2003.
- Ontario merchandise exports fell 3.3 per cent in November (Ontario Finance estimate), after declining 2.3 per cent in October. Ontario merchandise imports rose 2.1 per cent in November after falling 0.5 per cent in October.
- Ontario manufacturing shipments fell 1.6 per cent in November to $22.3 billion, following October's decline of 0.9 per cent. Over the first 11 months of 2003, Ontario shipments were 2.1 per cent below the same period in 2002.

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.

Financial Summary

2003-04 Borrowing Program

Consolidated - Province and Ontario Electricity Financial Corporation (OEFC) ($ Millions)	Actual 2002-03	2003-04 Fall Outlook*	2003-04 Current Outlook	Change
Deficit / (Surplus)	(117)	5,621	5,621	-
Adjustments for:				
Non-Cash Items Included in Deficit / (Surplus)	(4,003)	855	855	-
Amortization of Tangible Capital Assets	(715)	(819)	(819)	-
Acquisitions of Tangible Capital Assets	1,323	1,521	1,521	-
Debt Maturities:				
Province	12,196	9,800	9,800	-
OEFC	3,952	3,495	3,495	-
Total	16,148	13,295	13,295	-
Debt Redemptions	1,122	1,100	1,100	-
Canada Pension Plan Borrowing	-	(158)	(158)	-
Increase / (Decrease) in Cash and Cash Equivalents	2,838	(2,000)	(2,000)	-
Decrease / (Increase) in Short-Term Borrowing	(1,727)	(300)	(300)	-
Other Uses / (Sources) of Cash**	2,438	3,590	3,590	-
Long-Term Public Borrowing Requirement	**17,307**	**22,705**	**22,705**	**-**

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.
** Includes net repayment from, or loans to agencies and the transfer of all deposits with the Province of Ontario Savings Office (POSO) to Desjardins Credit Union on April 1, 2003.

2003-04 Borrowing Program Status

($ Millions)	Completed	Remaining	Total
Province	14,235	3,957	**18,192**
OEFC	4,024	489	**4,513**
Total	**18,259**	**4,446**	**22,705**

Note: As of December 31, 2003. Consistent with the treatment in the 2002-03 Public Accounts, the borrowing program of OEFC was consolidated with that of the Province.

Long-Term Public Borrowing Program Update

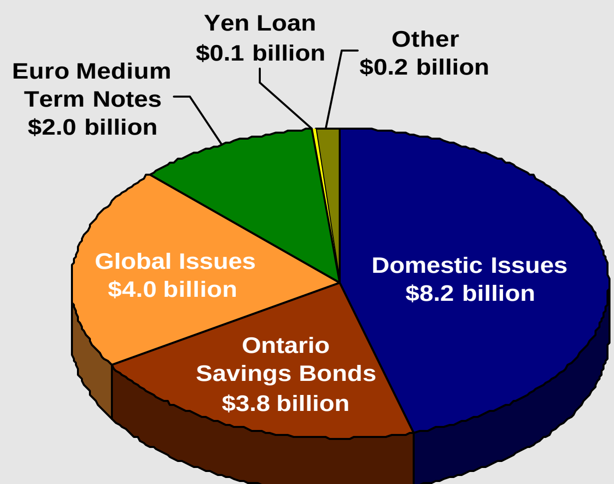
- As of December 31, 2003, the Ontario Financing Authority (OFA) had completed $14.2 billion of the Province's estimated 2003-04 long-term public borrowing requirements of $18.2 billion and $4.0 billion of OEFC's $4.5 billion requirements.
- While the majority of the borrowing has been completed in the domestic market, Ontario has successfully diversified its funding sources by accessing foreign markets.
- This fiscal year, the Province launched its first global bond denominated in Euros as well as three U.S. dollar bonds. Five Canadian dollar Euro Medium Term Notes (EMTNs) and four foreign currency EMTNs denominated in Australian dollars, Hong Kong dollars, Swiss Francs and Japanese yen were also issued. In addition, the Province issued a yen loan.
- In addition to the borrowing and redemptions shown in the table, the Province bought back $0.4 billion of previously issued debt, financing these purchases with similar amounts of debt issued at more favourable rates.
- Since the end of the quarter, the OFA has completed an additional $2.0 billion of the Province's long-term public borrowing requirements.

Net Debt

- Actual net debt at March 31, 2003 was $132.6 billion.
- Net debt at March 31, 2004 is forecast at $139.0 billion.

2003-04 Long-Term Public Borrowing

C$18.3 billion issued as of December 31, 2003*



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