OntarioFinancingAuthority
bulletin

Ontario

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2004-05 Second Quarter Ontario Finances

2004-05 Long-Term Public Borrowing Program

The consolidated Total Long-Term Public Borrowing Requirement for the Province and Ontario Electricity Financial Corporation (OEFC) in 2004-05 is projected at approximately $23.4 billion, down from $23.8 billion in the Budget Plan. This amount includes $17.5 billion of Debt Maturities and Debt Redemptions and $2.2 billion from the Deficit.

The Province was able to reduce its Total Long-Term Public Borrowing Requirement in the second quarter. The actual deficit in 2003-04, at $5.5 billion, was $0.7 billion lower than the $6.2 billion estimate in the Budget Plan. This decline allowed for a reduction in Cash and Cash Equivalents of $0.8 billion, partly offset by $0.5 billion in higher Debt Redemptions from the Ontario Savings Bond program.

Consolidated Provincial Borrowing Program		2004-05		
($ Billions)	Actual 2003-04	Budget Plan	Current Outlook	Change
Deficit	5.5	2.2	2.2	(0.1)
Adjustments for:				
Non-Cash Items Included in Deficit	(0.7)	3.2	3.2	-
Amortization of Major Tangible Capital Assets	(0.8)	(0.8)	(0.8)	-
Acquisitions of Major Tangible Capital Assets	1.4	1.6	1.6	-
Debt Maturities	13.3	16.1	16.0	-
Debt Redemptions	1.5	1.0	1.5	0.5
Canada Pension Plan Borrowing	(0.1)	(1.1)	(1.0)	0.1
Increase/(Decrease) in Cash and Cash Equivalents	0.9	-	(0.8)	(0.8)
Decrease/(Increase) in Short-Term Borrowing	1.4	0.2	0.1	(0.1)
Other Uses/(Sources) of Cash	3.0	1.4	1.4	0.1
Total Long-Term Public Borrowing Requirement	**25.4**	**23.8**	**23.4**	**(0.3)**

Note: Numbers may not add due to rounding.
As at September 30, a deficit of $2,168 million is projected in 2004-05, an in-year improvement of $71 million from the deficit projected in the 2004 Budget. Debt maturities decreased from $16,087 million projected in the 2004 Budget to $16,048 million as a result of investors not exercising calls on certain bonds.

Borrowing Program Status* ($ Billions)	Completed	Remaining	Total
Province	11.8	7.4	19.2
OEFC	2.4	1.8	4.2
Total	**14.2**	**9.2**	**23.4**

*As of October 15, 2004.

The Ontario Financing Authority (OFA) completed $11.9 billion of the Province's Total Long-Term Public Borrowing Requirement during the first half of the fiscal year. As of October 15, 2004, an additional $2.3 billion was borrowed in the long-term markets, for a total of $14.2 billion. Over 60 per cent of the Province's long-term program has been completed.

The domestic market has been the main source of funding in 2004-05, providing a total of $9.0 billion through a number of instruments, including:

- Syndicated issues;
- Medium-Term Notes;
- Floating Rate Notes; and
- Ontario Savings Bonds.

While the majority of the borrowing has been completed in the domestic market, the Province has successfully issued in U.S. and Australian dollars, as well as Sterling, Swiss francs and Canadian dollars issued through European Medium-Term Notes.

To date, the Province has borrowed $4.2 billion, or almost 30 per cent of its long-term borrowing program in foreign markets in 2004-05, compared to 25 per cent in 2003-04.

Ontario

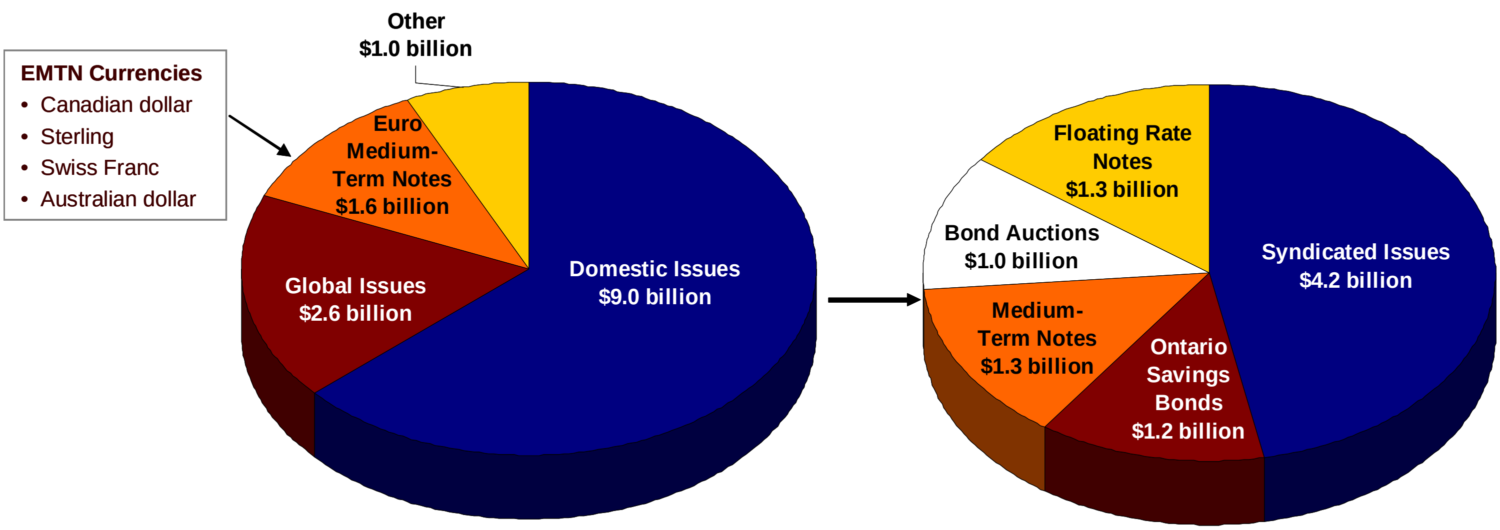
2004-05 Long-Term Public Borrowing Program

Total Long-Term Public Borrowing

C$14.2 billion completed

Domestic Issues by Sector

C$9.0 billion completed



As of October 15, 2004.

Medium-Term Borrowing Outlook

Consolidated Provincial Borrowing Program

($ Billions)	2005-06	2006-07	2007-08
Deficit/(Surplus)	2.1	1.5	0.0
Estimated Adjustments for Non-Cash Items Included in Deficit	1.2	1.1	1.1
Acquisitions of Major Tangible Capital Assets	1.7	1.9	1.7
Debt Maturities			
Currently Outstanding	18.9	11.8	11.0
Incremental Impact of Future Refinancing	0.0	2.1	4.3
Subtotal	18.9	13.9	15.3
Debt Redemptions	1.0	1.0	1.0
Canada Pension Plan Borrowing	(1.2)	(0.4)	(0.4)
Decrease/(Increase) in Short-Term Borrowing	0.0	0.0	0.0
Other Uses/(Sources) of Funds	0.2	0.0	0.1
Estimated Long-Term Public Borrowing Requirements	**23.9**	**19.0**	**18.8**

As of September 30, 2004.

Refinancing maturing debt remains the primary component of the 2005-08 Estimated Long-Term Public Borrowing Requirements. Debt Maturities for the Province and OEFC are projected at $18.9 billion in 2005-06, $13.9 billion in 2006-07 and $15.3 billion in 2007-08.

In managing these Debt Maturities, the OFA will maintain a flexible financing approach and monitor domestic and international bond markets continuously, seeking out the most cost-effective borrowing opportunities.

The OFA will also continue to aim for a balanced maturity profile and take advantage of opportunities to schedule maturities into years that currently have lower levels of maturing debt.

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Ontario's Debt

Province of Ontario Debt Portfolio (As of September 30, 2004)				
Debt[1]		**Risk Exposures**	**Current**	**Policy Limit**
Net Debt*	$141.5 billion	**Province**		
Net Debt/GDP	27.4%	Interest Rate Reset Exposure	11.7%	25.0%
Debt Statistics (Total Debt)**		Foreign Exchange Exposure	0.9%	5.0%
Percentage Publicly Held	83%	**OEFC**		
Percentage Issued in Canadian Dollars	80%	Floating Rate Exposure	12.5%	20.0%
Effective Interest Rate (Weighted Average)[2]	6.7%	Foreign Exchange Exposure	0%	5.0%

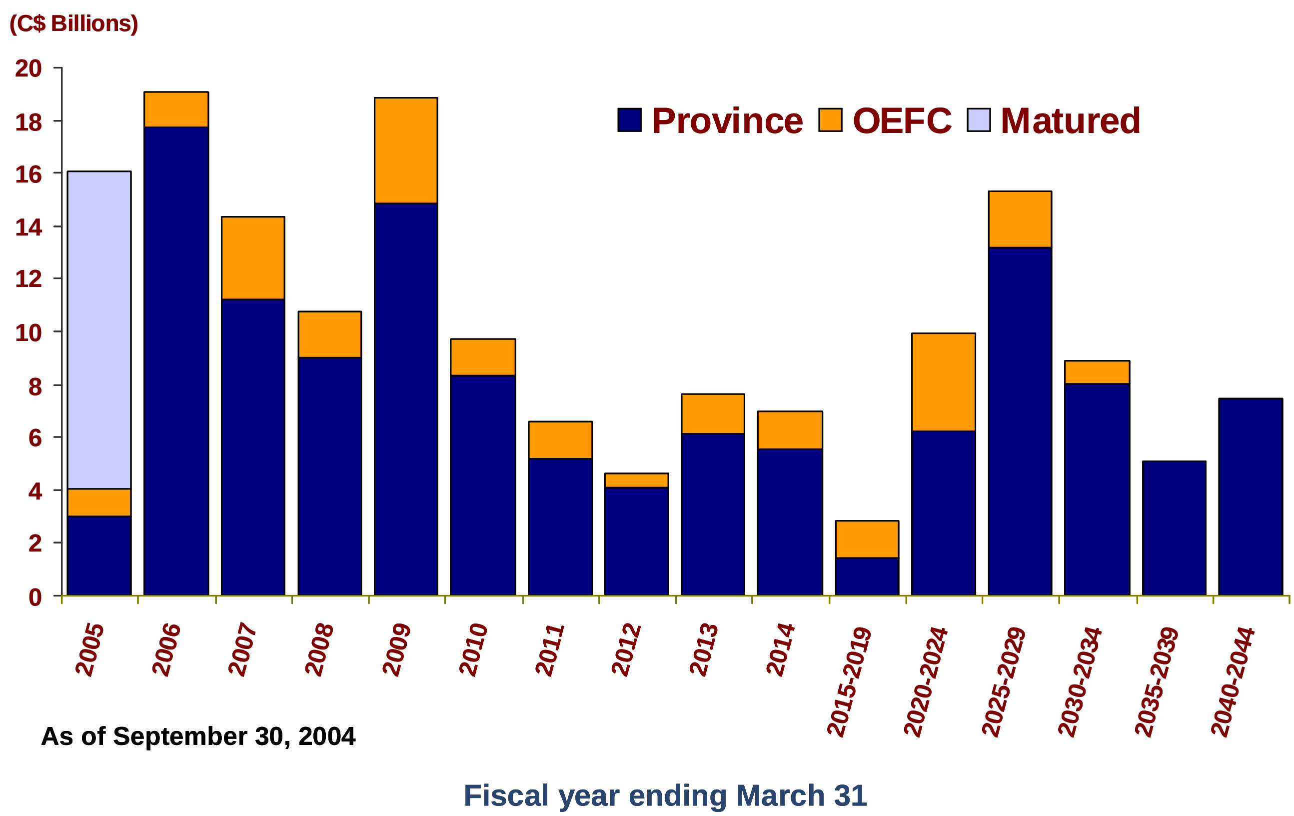
[1]Current outlook for 2004-05.

[2]As of March 31, 2004.

* Net Debt represents the difference between total liabilities and total financial assets of the Province.

** Total Debt represents consolidated non-public and publicly held debt of the Province.

Ontario's Long-Term Debt Maturity Profile



Province of Ontario debt and Ontario Electricity Financial Corporation (OEFC) debt as of September 30, 2004. The Province borrows on OEFC's behalf. In return, the OEFC issues debt to the Province.

Excludes Province of Ontario and OEFC short-term debt and other liabilities. Assumes issues with options will be retired at the earliest possible date.

Fiscal and Economic Outlook

Ontario

2004-05 Fiscal Summary

2004-05 Fiscal Outlook
($ Billions)

	Actual 2003-04	Budget Plan 2004-05	Outlook* 2004-05	In-Year Change
Revenue**	68.4	78.4	79.0	0.7
Expense				
Programs	62.1	66.7	67.5	0.8
Capital	2.2	2.6	2.6	-
Interest on Debt	9.6	10.3	10.1	(0.2)
Total Expense	73.9	79.6	80.2	0.6
Reserve	-	1.0	1.0	-
Surplus / (Deficit)	**(5.5)**	**(2.2)**	**(2.2)**	**0.1**

* Second-quarter fiscal forecast as at September 30.
** Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.
Source: Ontario Ministry of Finance

2004-05 Second Quarter Fiscal Update

Total revenue is projected at $79.0 billion, a net increase of $0.7 billion from the 2004-05 Budget Plan. This increase is primarily due to the First Ministers' health agreement, which increases federal payments to Ontario by $824 million. Total expense is projected to increase to $80.2 billion, up a net $0.6 billion from the Budget Plan. As a result of the recent First Ministers' health agreement, the Ministry of Health and Long-Term Care will receive an additional $824 million that will be spent on health care for Ontarians. This increase is partially offset by interest on debt savings of $215 million.

The reserve, included to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, is unchanged at $1 billion. Any portion of the reserve not required at year-end will be used to reduce the deficit.

Economic Outlook

Ontario Economic Highlights
(Per Cent)

	2001	2002	2003	2004p	2005p	2006p	2007p
Real GDP Growth	1.6	3.7	1.6	2.3	3.2	3.1	3.3
Private-sector survey average	*1.6*	*3.7*	*1.6*	*2.6*	*3.3*	*3.4*	*3.5*
Unemployment Rate	6.3	7.1	7.0	6.7	6.5	6.2	5.9
CPI Inflation	3.1	2.0	2.7	1.8	2.0	1.9	1.8

p=projection
Sources: Statistics Canada, Ontario Ministry of Finance Survey of Forecasts (October 2004) and Ontario Ministry of Finance.

Ontario's aggregate performance in 2004 has unfolded generally as expected at the time of the Budget in May. As a result, the Ministry of Finance has maintained its Budget forecast that Ontario real GDP will rise by 2.3 per cent in 2004. The average private-sector forecast for the province's 2004 real GDP growth is currently 2.6 per cent, down slightly from the 2.7 per cent rate of growth anticipated at the time of the Budget.

While Ontario's economic growth so far this year has been close to the expectations of the Budget, the composition of growth has been different than anticipated, with less growth in consumer spending and stronger increases in housing, machinery and equipment investment, and exports.

Over the 2005 to 2007 period, Ontario's annual economic growth rate is projected to average 3.2 per cent per year.

The Ministry of Finance believes that growth for the current year could well be below the private-sector consensus. The persistence of the recent increase in oil prices, for example, will be a drag on Ontario growth in the final months of 2004. Consequently, the lower forecast growth rate is retained to ensure a prudent basis for the government's fiscal and economic plans.

Background Information

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

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