Ontario Financing Authority
Bulletin
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2011 Ontario Budget

March 29, 2011

Fiscal Outlook

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- The Ontario economy is turning the corner after the global recession and is poised for a period of sustained growth.
- The Province is now projecting a deficit of $16.7 billion for 2010–11, $3 billion lower than outlined in the *2010 Budget*. Over the next two years, the government is on track to improve on its deficit projections by $1.7 billion – for a total improvement of $4.7 billion over three years. The Province projects diminishing deficits of $16.3 billion in 2011–12, $15.2 billion in 2012–13 and $13.3 billion in 2013–14, with a balanced budget by 2017–18.
- Ontario government revenues are recovering, following the global recession. Revenues are projected to increase at an annual average rate of 3.3 per cent between 2010–11 and 2013–14. Taxation revenues are projected to surpass their 2007–08 pre-recession level in 2011–12, with growth of 5.6 per cent over the previous year.
- Between 2010–11 and 2013–14, total expense is projected to increase at an average annual rate of 1.7 per cent – about half the rate of growth in revenue. This constrained rate of growth reflects the government's continued commitment to reduce the deficit without putting vital public services at risk or resorting to arbitrary, across-the-board cuts. It reflects the Province's accelerated plan to achieve greater efficiencies in the delivery of public services.
- Ontario's revenue outlook is based on reasonable assumptions about the pace and strength of Ontario's recovery from the global recession. There are, however, still risks related to Ontario's continued recovery related to the robustness of the economic recovery in the United States and the rest of the world.
- The fiscal plan includes prudence in the form of contingency funds of $0.7 billion in 2011–12, and a reserve of $0.7 billion in 2011–12, and $1.0 billion in 2012–13 and 2013–14.

Medium-Term Fiscal Plan and Outlook
($Billions)

	Interim	Plan	Projected Outlook	
	2010–11	**2011–12**	**2012–13**	**2013–14**
Total Revenue	**106.2**	**108.5**	**111.8**	**117.0**
Expense				
Programs	113.3	113.8	114.6	116.7
Interest on Debt	9.5	10.3	11.4	12.6
Total Expense	**122.9**	**124.1**	**126.0**	**129.3**
Reserve	–	0.7	1.0	1.0
Surplus/(Deficit)	**(16.7)**	**(16.3)**	**(15.2)**	**(13.3)**

Note: Numbers may not add due to rounding.

Economic Outlook

- Ontario's real gross domestic product (GDP) grew by an estimated 2.8 per cent in 2010, following declines of 0.9 per cent in 2008 and 3.6 per cent in 2009. The Ministry of Finance plan is based on Ontario real GDP increasing 2.4 per cent in 2011, 2.7 per cent in 2012 and 2013, and 2.6 per cent in 2014. These planning assumptions are slightly below the average among private-sector forecasters for Ontario real GDP growth available at the time the *2011 Budget* was finalized.
- Ontario's key economic indicators, such as employment and real GDP, are approaching pre-recession levels. Renewed growth has been supported by the strong foundations of the Ontario economy, rising international exports and extensive government stimulus measures.
- The best sign that Ontario's economy is growing is the rebound in job creation. During the recession, Ontario had a net loss of 257,000 jobs. Through to February 2011, more than 233,000 net new jobs have been created, recovering 91 per cent of the jobs lost during the recession.
- The modest but solid pace of growth reflects a fundamentally sound domestic economy and continued increases in global demand for Ontario's exports.

Ontario Economic Outlook (Per Cent)	**2008**	**2009**	**2010**	**2011p**	**2012p**	**2013p**	**2014p**
Real GDP Growth	(0.9)	(3.6)	2.8e	2.4	2.7	2.7	2.6
Nominal GDP Growth	0.1	(1.1)	6.1e	4.6	5.1	4.8	4.6
Employment Growth	1.6	(2.5)	1.7	1.7	1.8	1.8	1.7
CPI Inflation	2.3	0.4	2.5	2.3	2.1	2.0	2.0

e= Ontario Ministry of Finance estimate. *p* = Ontario Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Borrowing Update

- Ontario successfully completed its annual borrowing program in 2010–11, despite continuing challenges in global financial markets. The Province's total funding requirement for 2010–11 has declined by $7.0 billion since the *2010 Budget.* The Province took advantage of favourable market conditions and robust demand for Ontario bonds to pre-borrow for 2011–12.
- Ontario was able to borrow approximately $23.5 billion, or 59 per cent, in the domestic market in 2010–11, up from 49 per cent in 2009–10. This increase in domestic borrowing reflects strong global investor demand for Canadian dollar assets, the liquidity of Ontario benchmark bonds and continuing confidence in the Province of Ontario credit.
- The borrowing program is projected to be $35.0 billion in 2011–12 and $38.6 billion in 2012–13. Depending on market conditions, the Province plans to borrow at least 60 per cent in the domestic market in 2011–12.

Medium–Term Borrowing Outlook

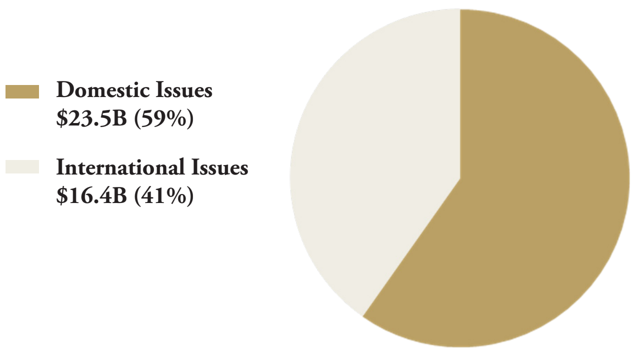
Province and OEFC ($Billions)	**2011-12**	**2012-13**	**2013-14**
Deficit	16.3	15.2	13.3
Investment in Capital Assets	10.9	11.5	10.5
Non-Cash Adjustments	(3.6)	(3.4)	(3.9)
Net Loans/Investments	2.7	1.2	1.1
Debt Maturities	13.9	17.4	23.7
Debt Redemptions	0.5	0.5	0.5
Total Funding Requirement	**40.7**	**42.3**	**45.3**
Canada Pension Plan Borrowing	(1.1)	(0.8)	0.0
Decrease/(Increase) in Short-Term Borrowing	0.0	(3.0)	(3.0)
Increase/(Decrease) in Cash and Cash Equivalents	(4.6)	0.0	0.0
Total Long-Term Public Borrowing Requirement	**35.0**	**38.6**	**42.2**

Note: Numbers may not add due to rounding.

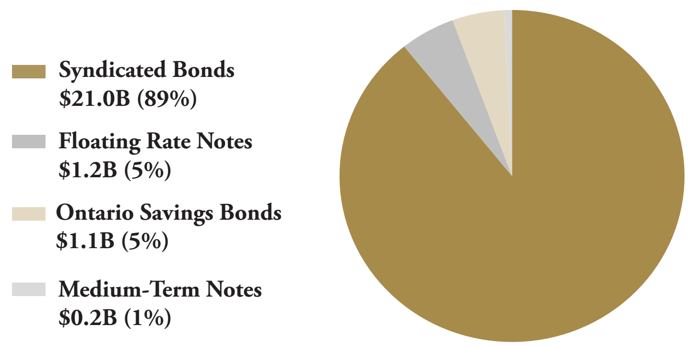
Borrowing Approach

- The Province took advantage of favorable market conditions and robust demand for Ontario bonds to pre-borrow for 2011–12. Ontario completed $39.9 billion in long-term public borrowing for 2010–11, an increase of $0.2 billion from the projection in the 2010 budget in spite of the $7.0 billion lower funding requirement.
- Over the past year, as domestic investors have shown a strong preference for longer-term maturities, Ontario has been able to extend the term to maturity of its debt and take advantage of the lower interest rate environment. The weighted-average term to maturity of long-term Provincial debt issued in 2010–11 was 12.8 years, longer than the weighted-average term to maturity of 8.1 years in 2009–10.
- This term to maturity extension allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt (IOD) costs.

All Markets
Total – $39.9 billion issued



Domestic Market
Total – $23.5 billion issued



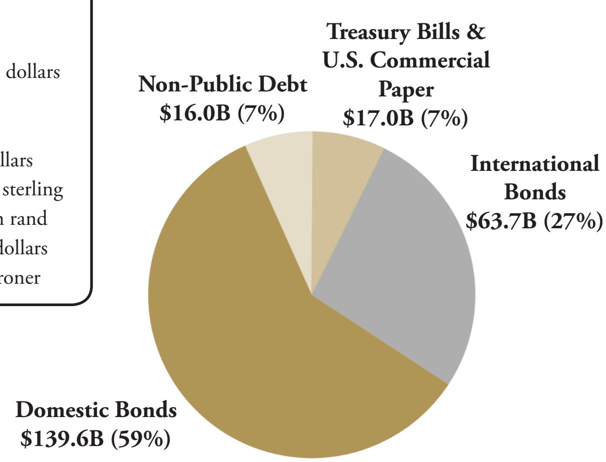
Debt Portfolio

- Total debt of $236.3 billion (projected to March 31, 2011) is composed of bonds issued in both the short- and long-term public capital markets, non-public debt, treasury bills and U.S. commercial paper.
- Public debt totals $220.3 billion, primarily consisting of bonds issued in the domestic and international long-term public markets in 11 currencies.
- Ontario also has $16.0 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt consists of debt instruments issued mainly to public-sector pension funds in Ontario and the Canada Pension Plan Investment Board (CPPIB). This debt is not marketable and cannot be traded.

International Bonds

- Canadian dollars
- U.S. dollars
- Euros
- New Zealand dollars
- Swiss francs
- Japanese yen
- Australian dollars
- U.K. pounds sterling
- South African rand
- Hong Kong dollars
- Norwegian kroner

Total Debt Composition
$236.3 billion



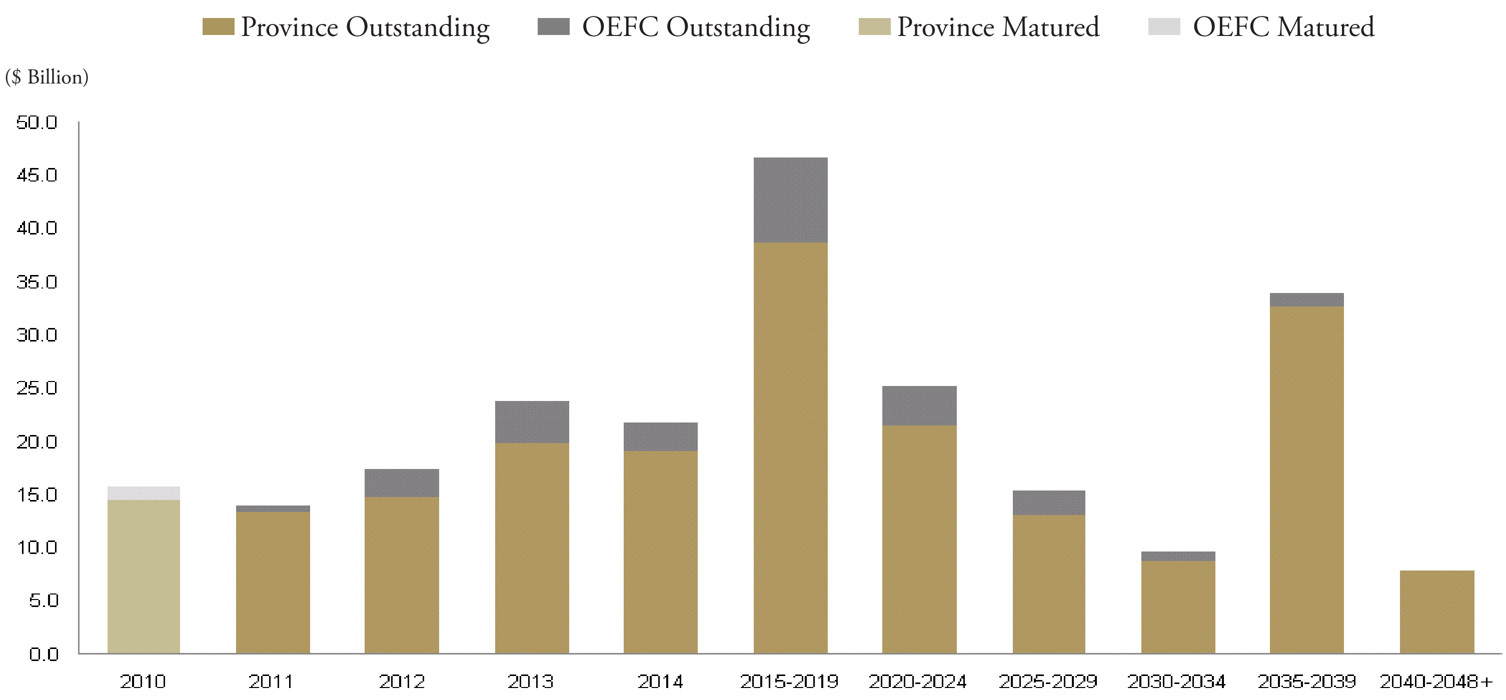
Projected to March 31, 2011

Debt Statistics

Debt		Risk Exposure (% of debt)	Current	Policy Limit
Total Debt	$236.3 billion	**Province**		
Net Debt[1]	$217.3 billion	Net Interest Rate Resetting Exposure	6.9	35.0
Accumulated Deficit[1]	$147.6 billion	Foreign Exchange Exposure	1.0	5.0
Net Debt[1]/GDP	35.4%			
Accumulated Deficit[1]/GDP	24.1%	**OEFC**		
Debt Statistics		Net Interest Rate Resetting Exposure	13.0	35.0
Percentage Publicly Held	93%	Foreign Exchange Exposure	0.0	5.0
Percentage Issued in Canadian Dollars	74%			
Effective Interest Rate (Weighted Average)	4.52%			
Projected to March 31, 2011		As at February 28, 2011		

[1]Net Debt is calculated as the difference between liabilities and financial assets. Accumulated Deficit is calculated as the difference between liabilities and total assets, including tangible capital assets and net assets of hospitals, school boards and colleges.

Debt Maturities



As at February 28, 2011.
Excludes short-term debt and other liabilities and the incremental impact of future financing. Assumes issues with options will be retired at the earliest possible date.

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

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