Ontario

OntarioFinancingAuthority
Bulletin
www.ofina.on.ca

2012–13 Fall Economic Statement

October 15, 2012

Fiscal Outlook

- The deficit for 2012–13 is currently projected to be $14.4 billion, an improvement of $0.4 billion from the 2012 Budget forecast.
- Ontario's fiscal outlook remains on track, including steadily declining deficits of $12.8 billion in 2013–14 and $10.1 billion in 2014–15.
- The 2012–13 revenue projection of $113.0 billion is $0.4 billion above the 2012 Budget outlook, largely reflecting a higher estimated 2011–12 tax base.
- Risks to the revenue outlook are largely related to global factors such as the recession in Europe and fiscal challenges in the United States.
- The 2012–13 total expense outlook at $126.4 billion is a decrease of $3.7 million compared with the 2012 Budget outlook.
- The interest on debt (IOD) expense forecast for 2012–13 is $18.0 million lower than projected in the *2012 Budget*, primarily a result of the improvement in the deficit projection for 2012–13 and lower than forecast interest rates.
- The *2012 Budget* included prudence in the form of a $1.0 billion reserve in 2012–13. If the reserve is not needed by year-end, the deficit will be further reduced by $1.0 billion.

Medium-Term Fiscal Plan and Outlook

	Actual	**2012–13**			**Medium Term Outlook**	
(in $ Billions)	**2011–12**	**2012 Budget Plan[1]**	**FES Outlook**	**In-Year Change**	**2013–14**	**2014–15**
Revenue	**109.8**	**112.6**	**113.0**	**0.4**	116.6	121.6
Expense						
Programs	**112.7**	115.8	115.8	-	117.0	117.9
Interest on Debt[2]	**10.1**	10.6	10.6	-	11.2	12.3
Total Expense	**122.7**	**126.4**	**126.4**	**-**	**128.2**	**130.3**
Reserve	–	1.0	1.0	-	1.2	1.5
Surplus/(Deficit)	**(13.0)**	**(14.8)**	**(14.4)**	**0.4**	**(12.8)**	**(10.1)**

[1] Reflects the 2012–13 Budget plan as outlined in the April 25, 2012 fiscal update.
[2] Interest on Debt expense is net of interest capitalized during construction of tangible capital assets of $0.2 billion in 2011–12, $0.2 billion in 2012–13, $0.4 billion in 2013–14 and $0.4 billion in 2014–15.
Note: Numbers may not add due to rounding

Economic Outlook

- Ontario's real gross domestic product (GDP) rose 0.5 per cent (2.1 per cent annualized) in the second quarter of 2012, following a 0.6 per cent gain in the first quarter. Solid increases in manufacturing output and international exports led second-quarter growth.
- The Ministry of Finance is assuming real GDP growth of 2.0 per cent in 2012, 1.9 per cent in 2013, 2.3 per cent in 2014 and 2.4 per cent in 2015.
- Continued consumer spending, robust business capital investment and a rebound in net trade will be key contributors to growth.
- From the recessionary low in June 2009, 356,000 net new jobs have been created. Ontario is expected to create nearly 350,000 net new jobs by 2015.

Ontario Economic Outlook (Per Cent)	**2009**	**2010**	**2011**	**2012p**	**2013p**	**2014p**	**2015p**
Real GDP Growth	(3.2)	3.0	2.1	2.0	1.9	2.3	2.4
Nominal GDP Growth	(0.9)	5.3	4.3	3.2	3.7	4.1	4.2
Employment Growth	(2.5)	1.7	1.8	0.8	1.2	1.5	1.5
CPI Inflation	0.4	2.5	3.1	1.6	2.0	2.0	2.0

p = Ontario Ministry of Finance planning projection

Sources: Statistics Canada and Ontario Ministry of Finance

Borrowing Update

- The forecast for long-term public borrowing requirement for 2012–13 is $34.5 billion, down by $0.4 billion from the forecast in the *2012 Budget*.
- As at September 30, 2012, the Province completed $17.9 billion or 52 per cent of its 2012–13 long-term borrowing requirement. This figure includes Ontario Savings Bond sales of $0.8 billion.
- The Province has continued to be successful in its efforts to extend the term of its debt. The weighted-average term to maturity of long-term provincial debt issued so far in 2012–13 is 12.5 years, compared to 13.0 years for 2011–12, 12.8 years for 2010–11, and 8.1 years for 2009-10.

Borrowing Program: Province and Ontario Electricity Financial Corporation (OEFC) (in $ Billions)	**2012–13**				
	Budget Plan[1]	**Current Outlook**	**In-Year Change**	**2013–14**	**2014–15**
Deficit	14.8	14.4	(0.4)	12.8	10.1
Investment in Capital Assets	10.5	10.5	-	10.5	9.3
Non-Cash Adjustments	(3.8)	(3.8)	-	(4.0)	(3.6)
Net Loans/Investments	1.1	1.3	0.2	1.6	1.0
Debt Maturities	17.3	17.3	-	23.7	21.7
Debt Redemptions	0.3	0.3	-	0.3	0.3
Total Funding Requirement	**40.2**	**39.9**	**(0.3)**	**44.8**	**38.8**
Canada Pension Plan Borrowing	(0.8)	(0.8)	-	-	-
Decrease/(Increase) in Short-Term Borrowing	(3.0)	(3.0)	-	(3.0)	-
Increase/(Decrease) in Cash and Cash Equivalents	(0.3)	(2.2)	(1.9)	(0.7)	(0.7)
Maturity of 2011-2012 Debt Buyback	(1.2)	(1.2)	-	(2.0)	-
Provision for 2012-13 Debt Buyback	-	1.7	1.7	(1.7)	-
Total Long-Term Public Borrowing Requirement	**34.9**	**34.5**	**(0.4)**	**37.4**	**38.1**

[1] Reflects the 2012–13 Budget plan as outlined in the April 25, 2012 fiscal update.

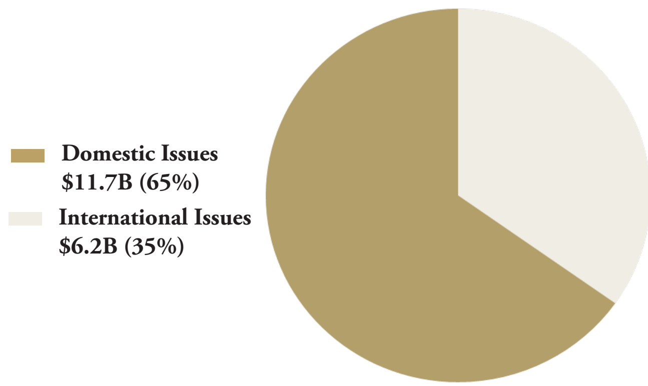
Note: Numbers may not add due to rounding

Borrowing Approach

- The total long-term public borrowing requirement over the forecast period has been reduced by $2.1 billion compared to the *2012 Budget*, primarily because of the lower deficit recorded in the *2011–12 Public Accounts of Ontario* and the lower deficit forecast for 2012–13.
- The borrowing program is projected to be $34.5 billion in 2012–13, $37.4 billion in 2013–14 and $38.1 billion in 2014-15.
- The lower deficit in 2011–12 resulted in the Province beginning 2012–13 with higher cash reserves than forecast at the time of the *2012 Budget*. These higher cash reserves will be used in 2012–13 to reduce the 2013–14 borrowing program by buying back debt maturing in that year.
- The debt buyback will allow the Province to smooth the borrowing program over the next two years, while taking advantage of historically low interest rates and robust demand for Ontario long-term debt.
- To meet the funding requirements, the Province will continue to be flexible, monitoring Canadian-dollar and international markets, issuing bonds in different terms and currencies, and responding to investor preferences.

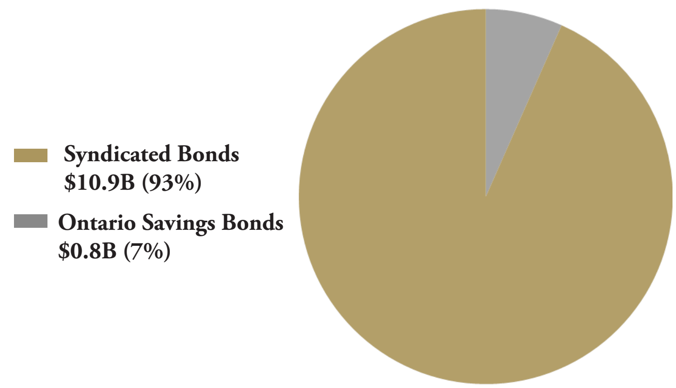
All Markets

Total – $17.9 billion issued



Canadian Dollar Market

Total – $11.7 billion issued



Note: Numbers may not add due to rounding

- As at September 30, 2012, the Province completed $17.9 billion or 52 per cent of its $34.5 billion long-term borrowing requirement for 2012–13.

Debt Statistics

Debt	
Total Debt	$272.2 billion
Net Debt[1]	$257.6 billion
Accumulated Deficit[1]	$172.8 billion
Net Debt[1]/GDP	39.1%
Accumulated Deficit[1]/GDP	26.2%
Debt Statistics	
Percentage Publicly Held	95%
Percentage Issued in Canadian Dollars	69%
Effective Interest Rate (Weighted Average)	4.19%

Risk Exposure (per cent of debt outstanding)	**Current**	**Policy Limit**
Province		
Net Interest Rate Resetting Exposure	7.1	35.0
Foreign Exchange Exposure	1.0	5.0
OEFC		
Net Interest Rate Resetting Exposure	23.2	35.0
Foreign Exchange Exposure	0.0	5.0

As at September 30, 2012

[1] Projected to March 31, 2013

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.

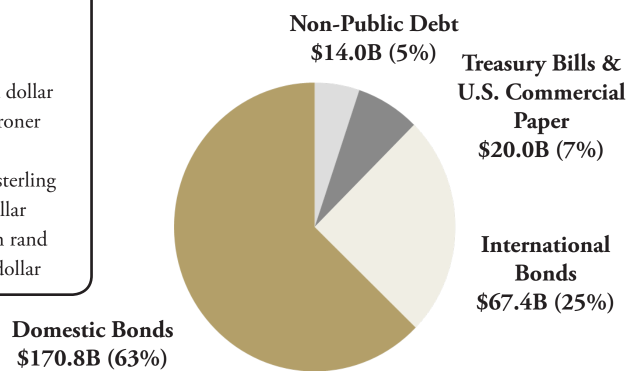
Debt Portfolio

- As at September 30, 2012, Ontario had total debt of $272.2 billion. Total debt is composed of bonds issued in both the short- and long-term public capital markets and non-public debt.
- Public debt totals $258.2 billion, primarily consisting of bonds issued in the long-term markets in Canadian dollars and internationally in U.S. dollars and in nine other currencies.
- Ontario also has $14.0 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt mainly consists of debt instruments issued to public-sector pension funds in Ontario and the Canada Pension Plan Investment Board. This debt is not marketable and cannot be traded.

International Bonds

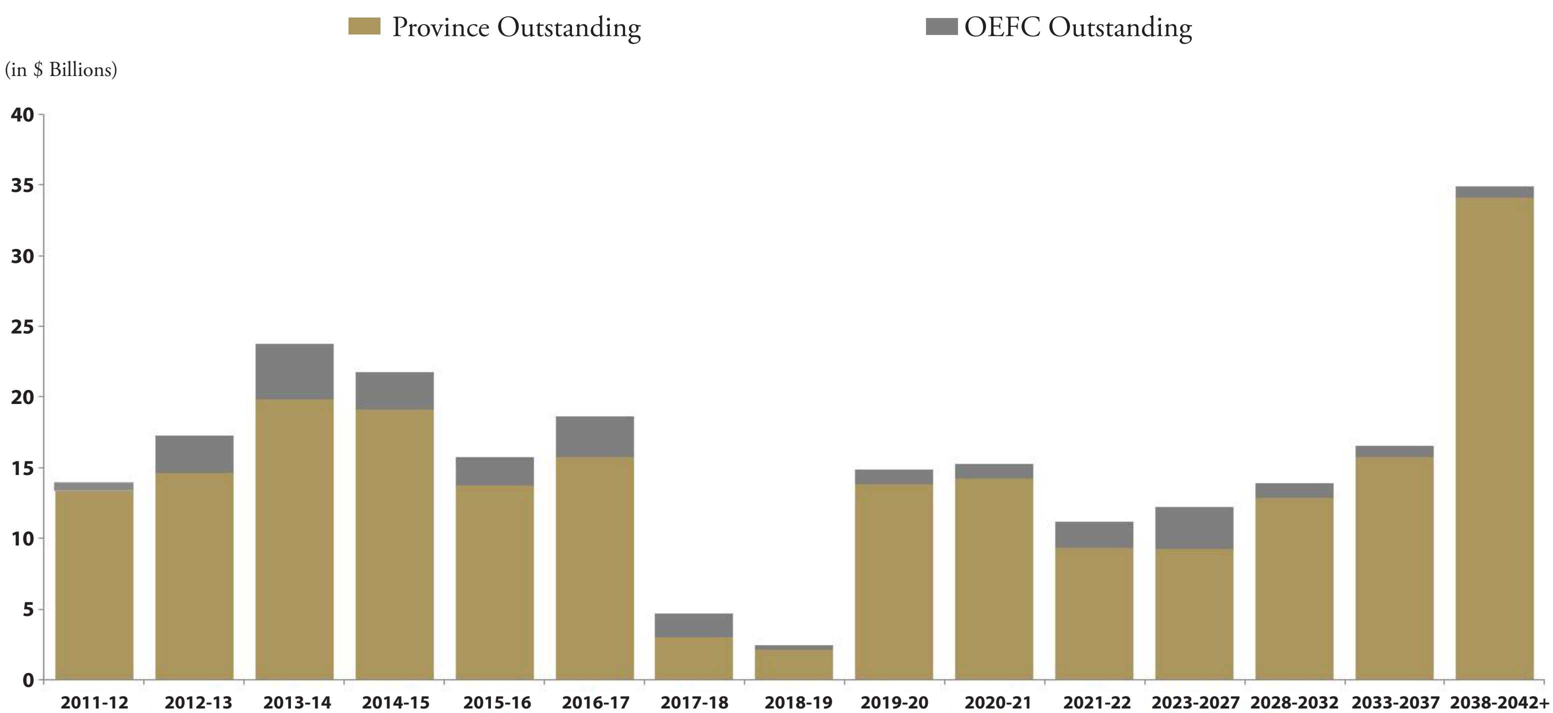
- Canadian dollar
- U.S. dollar
- Euro
- Japanese yen
- New Zealand dollar
- Norwegian kroner
- Swiss franc
- U.K. pound sterling
- Australian dollar
- South African rand
- Hong Kong dollar

Total Debt Composition
$272.2 billion



As at September 30, 2012

Debt Maturities



As at August 31, 2012
Fiscal year ending March 31
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.

Contact Us
Investor Relations
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario M7A 1Y7
Canada

Telephone (416) 325-1661
Fax (416) 204-6694
www.ofina.on.ca
investor@ofina.on.ca