Ontario

OntarioFinancingAuthority
Bulletin
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2013–14 Fall Economic Statement

November 7, 2013

Fiscal Outlook

- The deficit for 2013–14 is projected to be $11.7 billion, on track with the 2013 Budget forecast and more than $1.0 billion ahead of the deficit projection for 2013–14 outlined in the *2012 Budget*.
- The 2013–14 revenue projection, of $116.8 billion, is $11 million below the 2013 Budget outlook.
- The total expense outlook, at $127.6 billion, is $13 million lower than the projection in the *2013 Budget*.
- The government will maintain a rigorous approach to control program spending to reduce Ontario's net debt-to-GDP ratio to its pre-recession level of 27 per cent.
- The interest on debt (IOD) expense for 2013–14, forecast at $10,605 million, remains the same as in the *2013 Budget*.
- To finance further investment in transit, the Government will make Ontario the first province in Canada to offer green bonds. Green bonds are a tool to raise capital for projects with specific environmental benefits. These bonds would be issued by Ontario for green transit initiatives to capitalize on the Province's ability to raise low-cost funds.
- The 2013–14 outlook maintains a $1.0 billion reserve to protect the fiscal plan against any adverse changes in the Province's revenue and expense. If the reserve is not needed by year-end, it will be applied to reduce the deficit.

Fiscal Plan and Outlook

	Actual	2013–14		
($ Billions)	**2012–13**	**2013 Budget Plan**	**Current Outlook**	**In-Year Change**
Revenue	**113.4**	**116.8**	**116.8**	–
Expense				–
Programs	**112.2**	117.0	117.0	–
Interest on Debt	**10.3**	10.6	10.6	–
Total Expense	**122.6**	**127.6**	**127.6**	–
Reserve	–	1.0	1.0	–
Surplus/(Deficit)	**(9.2)**	**(11.7)**	**(11.7)**	–

Note: Numbers may not add due to rounding

Economic Outlook

- Ontario's real gross domestic product (GDP) rose 0.6 per cent in the second quarter of 2013, the fastest pace of growth since the third quarter of 2011. Strong gains in international exports and solid household spending helped boost Ontario's economy in the second quarter.
- Since the recessionary low in June 2009, 475,600 net new jobs have been created. A strong recovery of 452,900 full-time jobs accounted for over 95 per cent of the employment gains since the end of the recession. The majority of the jobs were in the private sector and in industries paying above-average wages.
- The Ministry of Finance is assuming real GDP growth of 1.3 per cent in 2013, 2.1 per cent in 2014, and 2.5 per cent in 2015 and 2016. For prudent fiscal planning, the assumptions are slightly below the average private-sector forecast.
- Gains in exports and business investment will lead economic growth over the forecast period. Household spending will also grow moderately, in line with growth in household income.

Ontario Economic Outlook (Per Cent)	**2010**	**2011**	**2012**	**2013p**	**2014p**	**2015p**	**2016p**
Real GDP Growth	3.3	1.8	1.5	1.3	2.1	2.5	2.5
Nominal GDP Growth	5.1	4.8	3.0	2.5	3.8	4.3	4.3
Employment Growth	1.7	1.8	0.8	1.5	1.4	1.6	1.5
CPI Inflation	2.5	3.1	1.4	1.1	1.8	2.0	2.0

p = Ontario Ministry of Finance planning projection

Sources: Statistics Canada and Ontario Ministry of Finance

Borrowing Update

- The total long-term public borrowing requirement over the 2013-16 period has been reduced by $0.5 billion compared to the *2013 Budget*, primarily due to the lower deficit recorded in the *2012–13 Public Accounts of Ontario*.
- The forecast for long-term public borrowing for 2013–14 remains at $33.4 billion, as forecast in the *2013 Budget*.
- As at October 23, 2013, $21.9 billion or 65 per cent of this year's long-term borrowing requirement was completed. This figure includes Ontario Savings Bond sales of $0.4 billion.

Borrowing Program: Province and Ontario Electricity Financial Corporation (OEFC) ($ Billions)	**2013–14**				
	Budget Plan	**Current Outlook**	**In-Year Change**	**2014–15**	**2015–16**
Deficit	11.7	11.7	–	10.1	7.2
Investment in Capital Assets	11.1	11.2	0.1	10.4	10.4
Non-Cash Adjustments	(3.9)	(3.9)	–	(3.1)	(3.0)
Net Loans/Investments	1.6	1.6	–	0.4	1.8
Debt Maturities	23.7	23.6	(0.1)	21.7	20.4
Debt Redemptions	0.3	0.3	–	0.3	0.3
Total Funding Requirement	**44.5**	**44.5**	–	**39.8**	**37.1**
Decrease/(Increase) in Short-Term Borrowing	(1.5)	(1.5)	–	(1.5)	–
Increase/(Decrease) in Cash, Cash Equivalents and Temporary Investments	(5.8)	(5.8)	–	(1.3)	–
Maturity of Debt Buybacks	(3.7)	(3.7)	–	–	–
Total Long-Term Public Borrowing Requirement	**33.4**	**33.4**	–	**37.0**	**37.1**

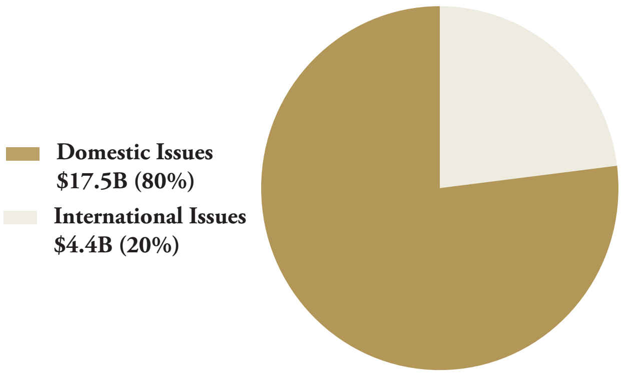
Note: Numbers may not add due to rounding

Borrowing Approach

- The borrowing program is projected to be $33.4 billion in 2013–14, $37.0 billion in 2014–15 and $37.1 billion in 2015–16.
- The weighted-average term to maturity of long-term provincial debt issued so far in 2013–14 is 13.8 years, compared to 12.4 years for 2012–13, and 13.0 years for 2011–12. The term of debt may be extended or shortened depending on the future direction of interest rates and the term preference of investors.
- 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.

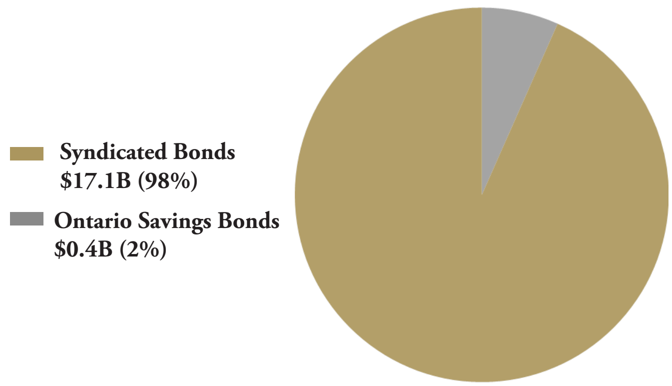
All Markets

Total – $21.9 billion issued



Canadian Dollar Market

Total – $17.5 billion issued



Note: Numbers may not add due to rounding
As at October 23, 2013

Debt Statistics

Debt		**Risk Exposure (per cent of debt outstanding)**	**Current**	**Policy Limit**
Total Debt	$288.1 billion	**Province**		
Net Debt[1]	$272.1 billion	Net Interest Rate Resetting Exposure	8.9	35.0
Accumulated Deficit[1]	$178.9 billion	Foreign Exchange Exposure	0.4	5.0
Net Debt[1]/GDP	39.3%			
Accumulated Deficit[1]/GDP	25.9%	**OEFC**		
Debt Statistics		Net Interest Rate Resetting Exposure	20.9	35.0
Percentage Publicly Held	95.0%	Foreign Exchange Exposure	0.0	5.0
Percentage Issued in Canadian Dollars	72.0%			
Effective Interest Rate (Weighted Average)	4.0%			

As at September 30, 2013
[1] Projected to March 31, 2014
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.

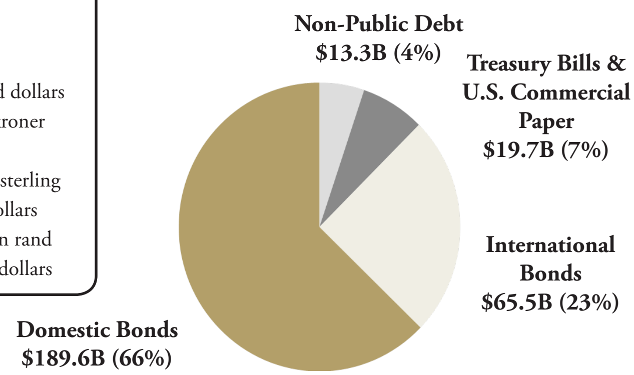
Debt Portfolio

- As at September 30, 2013, Ontario had total debt of $288.1 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 $274.8 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 $13.3 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt primary consists of debt instruments issued to the Canada Pension Plan. This debt is not marketable and cannot be traded.

International Bonds

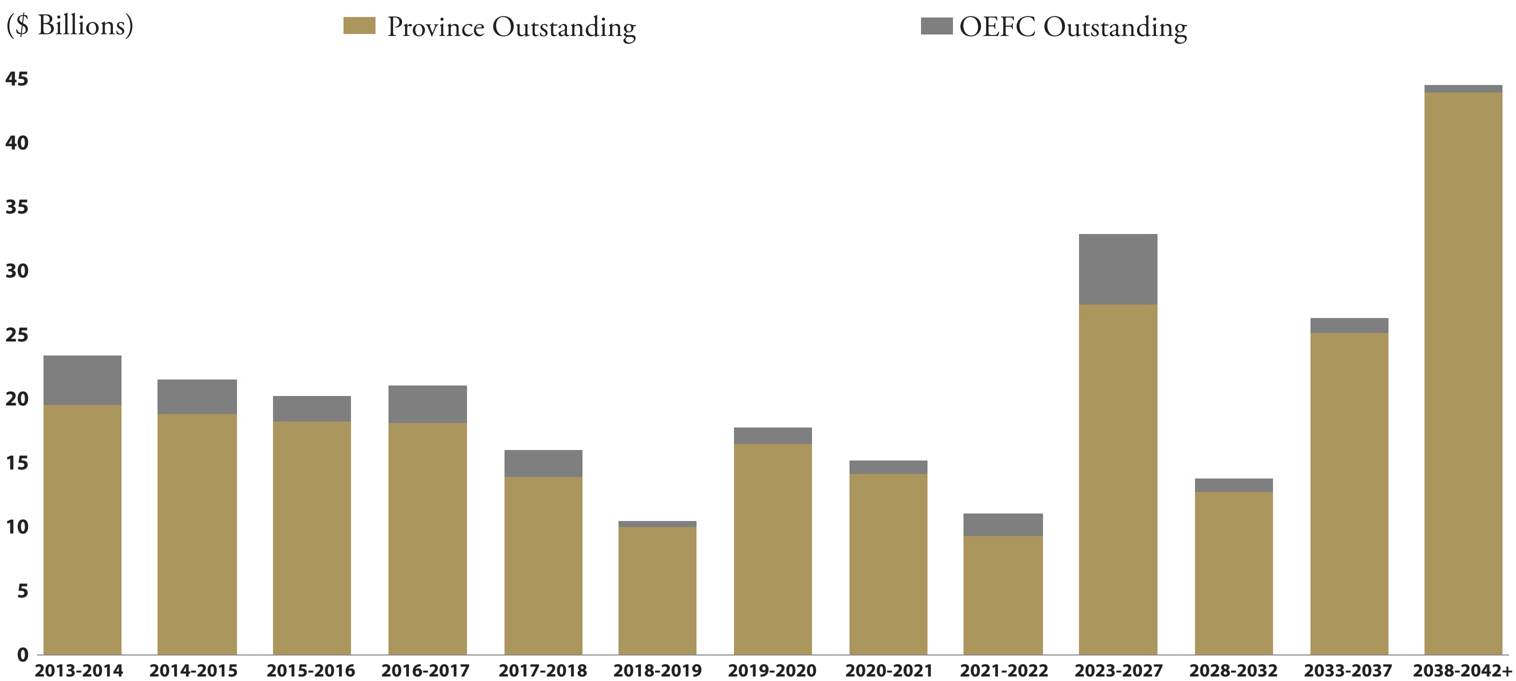
- Canadian dollars
- U.S. dollars
- Euros
- Japanese yen
- New Zealand dollars
- Norwegian kroner
- Swiss francs
- U.K. pound sterling
- Australian dollars
- South African rand
- Hong Kong dollars

Total Debt Composition
$288.1 billion



As at September 30, 2013

Debt Maturities



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.

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