Ontario Financing Authority
Bulletin
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2014 Ontario Economic Outlook and Fiscal Review

November 17, 2014

Fiscal Outlook

- The government is committed to balancing the budget by 2017–18. The deficit for 2014–15 is currently projected to be $12.5 billion, unchanged from the 2014 Budget forecast.
- The Province's total revenue projection for 2014–15 of $118,362 million is $509 million lower than the 2014 Budget forecast.
- The 2014–15 total expense outlook, of $130,168 million, is $208 million lower than the projection in the *2014 Budget*.
- The government will continue to manage program spending growth responsibly to support the reduction in Ontario's net debt-to-GDP ratio to the pre-recession level of 27 per cent.
- The interest on debt (IOD) expense is projected to be $10,794 million in 2014–15, which is $215.9 million lower than forecast in the *2014 Budget*. This reduction is primarily a result of lower-than-forecast interest rates and a one-time gain from the sale of asset-backed commercial paper which was written down in prior fiscal years.
- Ontario has successfully launched its Green Bond program with an inaugural issue of $500 million, making it the first government in Canada to issue Green Bonds. Ontario is leading the way to establish a Canadian dollar Green Bond market with investor participation from around the world.
- The government is continuing to pursue opportunities to unlock economic value from its assets, including its interest in General Motors, an extensive real estate portfolio, and assets under review by the Premier's Advisory Council on Government Assets - LCBO, OPG and Hydro One.
- The *2014 Budget* included a $1 billion reserve in 2014–15 to protect against adverse changes in the Province's revenue and expense. Consistent with this, the reserve is being reduced by $300 million to mitigate the decline in the revenue outlook. This maintains a reserve of $700 million in 2014–15.

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Fiscal Plan and Outlook

	Actual	2014–15		
($ Billions)	**2013–14**	**2014 Budget Plan**	**Current Outlook**	**In-Year Change**
Revenue	**115.9**	**118.9**	**118.4**	**(0.5)**
Expense				
Programs	**115.8**	119.4	119.4	**0.0**
Interest on Debt	**10.6**	11.0	10.8	**(0.2)**
Total Expense	**126.4**	**130.4**	**130.2**	**(0.2)**
Reserve	-	1.0	0.7	**(0.3)**
Surplus/(Deficit)	**(10.5)**	**(12.5)**	**(12.5)**	**(0.0)**

Note: Numbers may not add due to rounding

Economic Outlook

- Economic growth rebounded 0.9 per cent in the second quarter of 2014 after an unusually harsh winter slowed the pace of economic activity in the first quarter. Ontario real GDP is now 11.3 percentage points above its recessionary low.
- Since the recessionary low in June 2009, 551,300 net new jobs have been created. Full time employment increased by 513,300, while part-time employment increased by 38,000. The majority of the jobs created were in the private-sector, and in above-average wage industries.
- The Ministry of Finance is forecasting real gross domestic product (GDP) growth of 1.9 per cent in 2014 and 2.4 per cent annually over the 2015 to 2017 period. For prudent fiscal planning, these projections are slightly below the average private-sector forecast.
- Growth is shifting away from a reliance on housing investment and consumer spending towards exports and productivity-enhancing business investment. Solid growth in the United States will support strong demand for Ontario exports.

Ontario Economic Outlook (Per Cent)	**2011**	**2012**	**2013**	**2014p**	**2015p**	**2016p**	**2017p**
Real GDP Growth	2.6	1.7	1.3	1.9	2.4	2.4	2.4
Nominal GDP Growth	4.6	3.2	2.4	3.5	4.4	4.4	4.4
Employment Growth	1.8	0.8	1.4	0.8	1.3	1.4	1.5
CPI Inflation	3.1	1.4	1.0	2.1	2.0	2.0	2.0

p = Ontario Ministry of Finance planning projection (2014 Ontario Economic Outlook and Fiscal Review)

Sources: Statistics Canada and Ontario Ministry of Finance

Borrowing Update

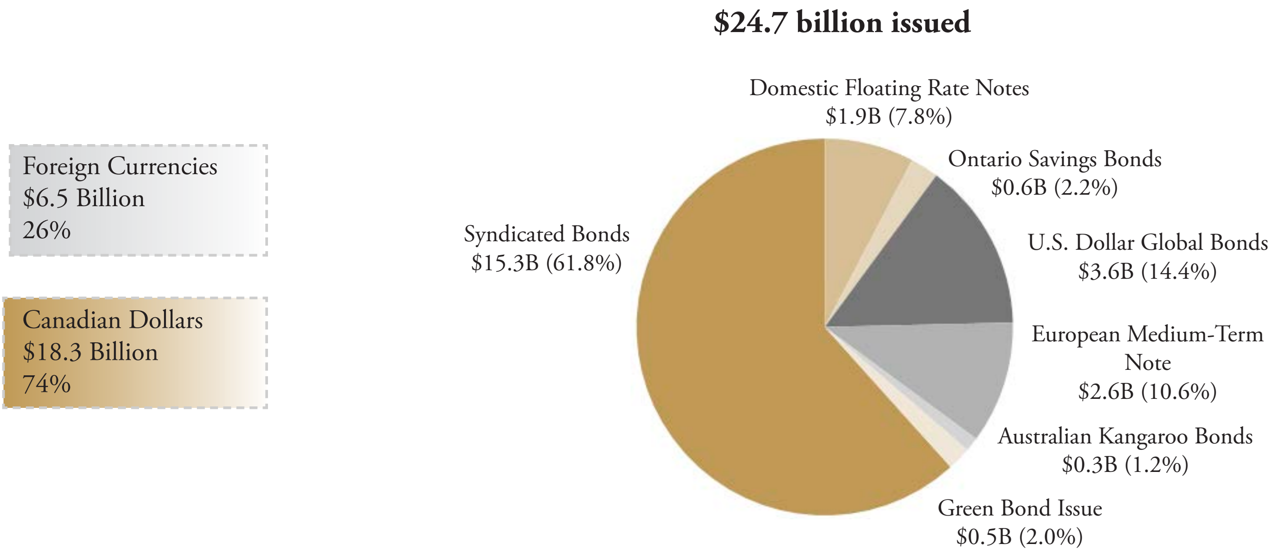
- The forecast for long-term public borrowing for 2014–15 remains at $35.0 billion, as forecast in the *2014 Budget*, while the total long-term public borrowing requirement over the 2014–17 period has been reduced by $0.3 billion, compared to the forecast in the *2014 Budget*.
- As of November 7, 2014, $24.7 billion, or 71 per cent, of this year's long-term public borrowing requirement has been completed. This figure includes Ontario Savings Bond sales of $553 million.
- On October 2nd, Ontario successfully launched a Green Bond program, with an inaugural global Canadian dollar bond of $500 million. There was strong demand for Ontario's first Green Bond issue, with orders approaching $2.4 billion. Green investors in Canada as well as the United States, Europe and Asia participated in the inaugural deal, bringing new international buyers to the Canadian dollar market.

Borrowing Program: Province and Ontario Electricity Financial Corporation (OEFC) ($ Billions)	**2014–15**				
	Budget Plan	**Current Outlook**	**In-Year Change**	**2015–16**	**2016–17**
Deficit/(Surplus)	12.5	12.5	0.0	8.9	5.3
Investment in Capital Assets	10.2	10.2	-	10.3	10.2
Non-Cash Adjustments	(4.5)	(4.2)	0.3	(4.9)	(5.1)
Loans to Infrastructure Ontario	1.8	1.8	-	1.4	0.8
Other Net Loans/Investments	(0.5)	(0.4)	0.0	1.1	0.2
Debt Maturities	21.7	21.7	0.0	20.5	21.2
Debt Redemptions	0.3	0.2	(0.1)	0.2	0.2
Total Funding Requirement	**41.5**	**41.8**	**0.3**	**37.5**	**32.8**
Canada Pension Plan Borrowing	-	-	-	(0.0)	(0.1)
Decrease/(Increase) in Short-Term Borrowing	(2.4)	(2.4)	-	-	-
Increase/(Decrease) in Cash and Cash Equivalents	(1.4)	(1.7)	(0.3)	-	-
Preborrowing	(2.6)	(2.6)	-	-	-
Total Long-Term Public Borrowing	**35.0**	**35.0**	**(0.0)**	**37.4**	**32.7**

Note: Numbers may not add due to rounding

Borrowing Approach

- The borrowing program is projected to be $35.0 billion in 2014–15, $37.4 billion in 2015–16 and $32.7 billion in 2016–17.
- The weighted-average term to maturity of long-term provincial debt issued so far in 2014–15 is 13.4 years, compared to 13.6 years for 2013–14, and 12.4 years for 2012–13. This compares with 8.1 years for 2009-10. 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 markets, issuing bonds in different terms and currencies, and responding to investor preferences.



As of November 7, 2014
Note: Numbers may not add due to rounding

Debt Statistics

Debt	
Total Debt	$304.4 billion
Net Debt[1]	$287.3 billion
Accumulated Deficit[1]	$189.1 billion
Net Debt[1]/GDP	39.9%
Accumulated Deficit[1]/GDP	26.3%
Debt Statistics	
Percentage Publicly Held	95.9%
Percentage Issued in Canadian Dollars	77.2%
Effective Interest Rate (Weighted Average)	3.88%

Risk Exposure (per cent of debt outstanding)	**Current**	**Policy Limit**
Province		
Net Interest Rate Resetting Exposure	11.8	35.0
Foreign Exchange Exposure	0.3	5.0
OEFC		
Net Interest Rate Resetting Exposure	20.3	35.0
Foreign Exchange Exposure	0.0	5.0

As of September 30, 2014
[1] Projected to March 31, 2015
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.

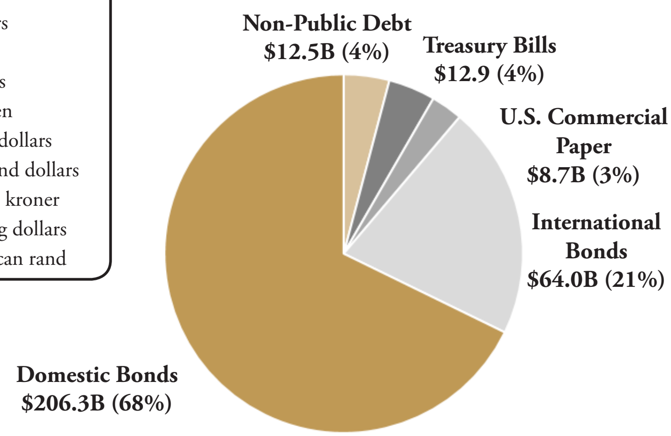
Debt Portfolio

- As at September 30, 2014, Ontario had total debt of $304.4 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 $291.9 billion, primarily consisting of bonds issued in the domestic and international public markets in 10 currencies.
- Ontario also has $12.5 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt primaraly consists of debt instruments issued to the Canada Pension Plan Investment Board. This debt is not marketable and cannot be traded.

International Bonds

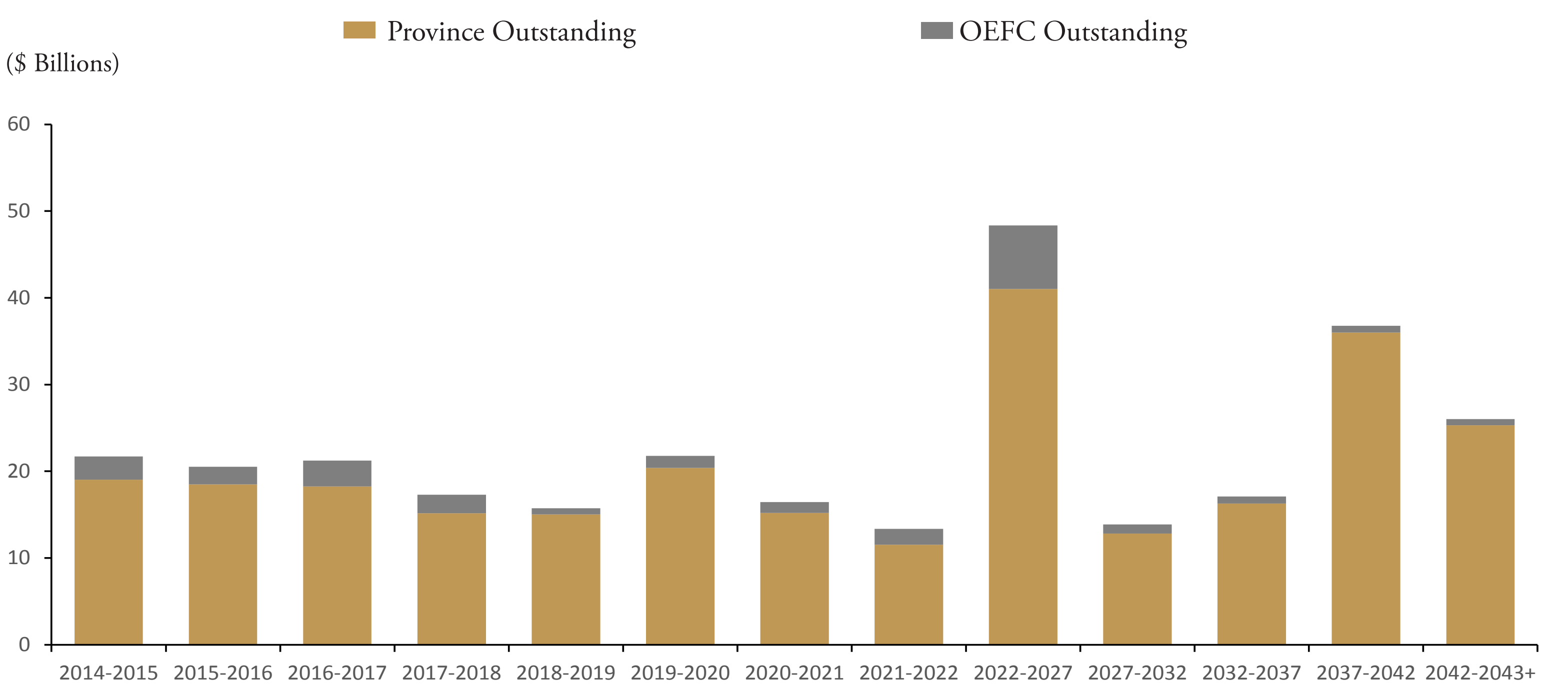
- Canadian dollars
- U.S. dollars
- Euros
- Swiss francs
- Japanese yen
- Australian dollars
- New Zealand dollars
- Norwegian kroner
- Hong Kong dollars
- South African rand

Total Debt Composition
$304.4 billion



As at September 30, 2014

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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