

## Fiscal Summary (\$ Millions)

	Interim 1996-97*	1997-98		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	49,143	48,400	48,400	--
<b>Expense</b>				
Programs	43,012	41,780	41,807	27
Restructuring and Other Charges	2,306	610	610	--
Total Programs Expense	45,318	42,390	42,417	27
Capital	2,586	2,750	2,750	--
Public Debt Interest	8,709	9,190	9,158	(32)
Total Expense	56,613	54,330	54,325	(5)
Reserve	--	650	650	--
<b>DEFICIT</b>	<b>7,470</b>	<b>6,580</b>	<b>6,575</b>	<b>(5)</b>

\*As of 1997 Budget.

## HIGHLIGHTS

### 1997-98 IN-YEAR PERFORMANCE

#### DEFICIT OUTLOOK ON TRACK

- The 1997-98 deficit remains on track with the government's Balanced Budget Plan to eliminate the deficit by 2000-01. As of June 30, 1997 the deficit is projected at \$6,575 million, down \$5 million from the Budget Plan.

#### REVENUE AT \$48.4 BILLION

- The revenue outlook, at \$48,400 million, is unchanged from the Budget Plan.

#### EXPENSE AT \$54.3 BILLION

- Total expense, at \$54,325 million, is down \$5 million from the Budget Plan.

#### RESERVE AT \$650 MILLION

- The reserve, designed to protect the fiscal plan against unforeseen risks such as unexpected and adverse changes in the economic outlook and its impact on revenues and public debt interest costs, is maintained at \$650 million. If this reserve is not required, it will be applied directly toward deficit reduction.

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# ONTARIO FINANCES

## DETAILS OF IN-YEAR CHANGES

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### FISCAL PERFORMANCE

#### REVENUE

- There is no change in the total revenue projection of \$48,400 million presented in the Budget Plan. Several factors support the no change outlook.
- Tax revenue receipts in the first quarter of the fiscal year are slightly above Budget projection but the variances are not sufficient to warrant a change in the outlook.

#### OPERATING EXPENSE

- Net operating expense at \$51,575 million is down \$5 million from the Budget Plan. Six ministries had increases in spending, offset by Public Debt Interest savings or the Contingency Fund as follows:
  - Ministry of the Attorney General: Net additional funding of \$5 million including an increase of \$5 million, fully offset from the Contingency Fund, for the Family Responsibility Office as announced in the 1997 Budget; additional funding of \$1 million to continue the Bail Verification and Supervision Program for the current year; and savings of \$1 million resulting from Small Claims Court reform.
  - Ministry of Citizenship, Culture and Recreation: An additional \$2 million, fully offset from the Contingency Fund, for the Public Archives of Ontario to address workload pressures, increased archival record storage costs and to provide new technology.
  - Ministry of Community and Social Services: An additional \$4 million to address increased workload associated with the Federal Child Support Guidelines.
  - Management Board Secretariat: An additional \$2 million, fully offset from the Contingency Fund, to fund the installation of the integration of the government's internal financial reporting systems.
  - Ministry of Municipal Affairs and Housing: An additional \$4 million to support the operations of the new City of Toronto Transition Team and the Financial Advisory Board, fully offset from the Contingency Fund.
  - Ministry of Natural Resources: An additional \$41 million, due to increased forest fire fighting of \$39 million, of which \$18 million was offset from the Contingency Fund; an extra \$1 million for the Ontario Ranger Program which will help students develop marketable skills for future employment; and an additional \$1 million for public access roads in Algonquin Park.

#### PUBLIC DEBT INTEREST

- Public debt interest costs at \$9,158 million are \$32 million below the Budget Plan due to realized savings to date.

#### CAPITAL EXPENSE

- Capital expense at \$2,750 million is unchanged from the Budget Plan.

# ONTARIO FINANCES

## ECONOMIC PERFORMANCE

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### **ONTARIO ECONOMIC GROWTH ACCELERATES IN THE FIRST QUARTER OF 1997**

- In the first calendar quarter of 1997 (January-March period), Ontario real GDP rose 6.3% at annual rates, following growth of 2.5% in the fourth quarter of 1996.
- Growth was propelled by exports, and supported by continued domestic spending on personal consumption, housing and business investment.

### **ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1997**

- In June, Ontario gained 17,500 jobs. Over the last four months, 118,000 jobs have been created in Ontario.
- The unemployment rate in Ontario was 8.5% in June.

### **PRIVATE SECTOR SHOWS STRONG JOB GAINS IN 1997**

- Over the first six months of 1997, private sector employment has increased 124,000.
- Public sector employment declined 33,000 over the first half of 1997.

### **CONSUMER CONFIDENCE UP SHARPLY IN THE APRIL-JUNE PERIOD**

- Consumer confidence in Ontario rose sharply by 10.6% in the April-June period, up for the sixth straight quarter.

### **HOUSING MARKET REMAINS VIBRANT**

- Over the first half of 1997 period, all-area housing starts rose 36.8% in Ontario from a year ago. Ontario home resales rose 13.7% over the first five months of 1997.

### **MANUFACTURING SHIPMENTS GROWING**

- Over the first five months of 1997, Ontario manufacturing shipments rose 6.6% from a year ago.
- In the transportation equipment sector, shipments rose 10.5% so far this year.

### **ONTARIO EXPORTS RISING IN 1997**

- Over the first five months of 1997, Ontario international merchandise exports increased 6.6% from a year ago.

### **ONTARIO INFLATION REMAINS LOW IN 1997**

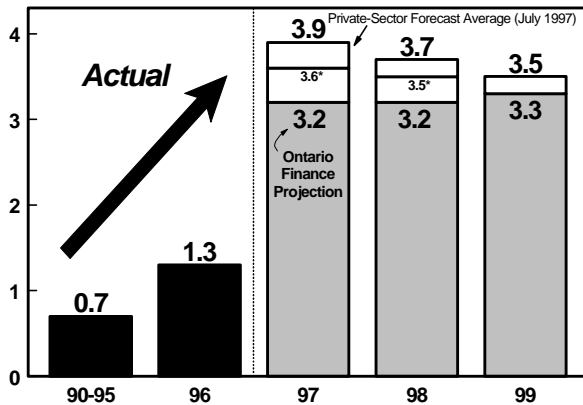
- Ontario's inflation rate as measured by the CPI was 2.1% in June (year-over-year).

# ONTARIO FINANCES

## SELECTED FISCAL AND ECONOMIC INDICATORS

### Stronger Growth Projected

Real GDP growth, average annual per cent



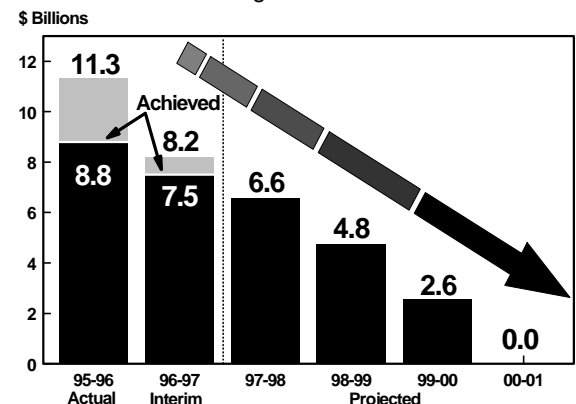
Sources: Statistics Canada and Ontario Ministry of Finance  
\*May 1997 forecast average

Following a half-decade of limited and sporadic growth, domestic spending has entered a period of strong and sustained growth. This growth reflects the impact of personal income tax cuts, lower interest rates and growing consumer and business confidence. Private-sector forecasters expect Ontario to grow more rapidly than the rest of Canada and all of the G-7 countries over the next three years. The private-sector forecast average for real GDP growth has increased to 3.9% from the 3.6% forecast in May.

In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. 1996-97 was the second year in a row that the deficit target has been over-achieved. The 1995-96 Budget deficit target was over-achieved by \$508 million. The interim 1996-97 deficit is \$710 million below the target of \$8.2 billion.

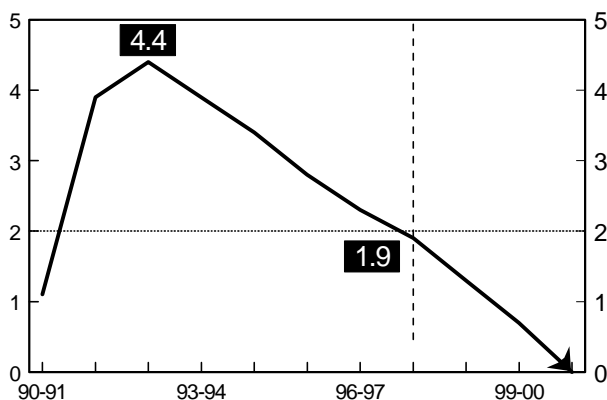
### Ontario's Balanced Budget Plan on Track

Medium Term Deficit Targets



### Deficit Below 2% of GDP in 1997-98

Deficit as a per cent of GDP



A further indicator of Ontario's improved fiscal health is the falling ratio of the deficit as a share of the economy. In 1997-98, Ontario's deficit will decline to below two per cent of Gross Domestic Product (GDP). In the early 1990's Ontario's budgetary deficit rose significantly, reaching a peak of 4.4 per cent of provincial GDP in 1992-93. Under the Balanced Budget Plan, the deficit will be reduced to 1.9 per cent of GDP this year and will continue to fall in future years.

# ONTARIO FINANCES

## RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS								
(% Change from previous Period), unless indicated otherwise								
		Annual	Quarterly					
		1996	95:4	96:1	96:2	96:3	96:4	97:1
<b>Output</b>								
<b>(Seasonally Adjusted Annual Rate)</b>								
Real GDP	Ontario	1.3	5.3	(3.9)	0.3	2.3	2.5	6.3
	Canada	1.5	0.9	1.4	1.4	3.3	2.9	3.4
Nominal GDP	Ontario	2.8	5.9	(2.2)	1.0	5.0	5.7	8.0
	Canada	2.8	1.2	1.7	3.3	5.6	5.5	5.0
		Annual	Monthly 1997					
		1996	Jan	Feb	Mar	Apr	May	Jun
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	107	(12)	(20)	33	27	17	15
Employment (Change in 000s)	Ontario	80	(7)	(20)	46	14	41	18
Private Sector	Ontario	90	(12)	(29)	76	30	43	17
Public Sector	Ontario	(10)	5	9	(30)	(16)	(2)	1
Unemployment Rate (%)	Ontario	9.1	9.0	9.1	8.8	9.0	8.5	8.5
<b>Household Sector</b>								
Retail Sales	Ontario	0.3	(2.4)	2.4	1.4	(0.3)	0.5	N/A
Urban Housing Starts (000s)	Ontario	39.5	47.4	52.9	51.3	53.9	50.9	43.4
New Home Sales*	Toronto	59.6	116.9	44.7	67.2	37.7	57.4	34.2
MLS Home Sales*	Ontario	31.3	57.0	17.3	(0.4)	16.4	3.0	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	5.3	7.9	(1.1)	0.8	(1.3)	0.8	N/A
<b>Consumer Price Index: All Items</b>								
	Ontario	1.6	2.5	2.4	2.3	2.1	1.8	2.1
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Toronto Real Estate Board, Canadian Real Estate Association, Ward's Automotive.								

\* % change from a year earlier



# **ONTARIO FINANCES**

## **FINANCIAL TABLES**

# REVENUE

## Revenue (\$ Millions)

	Interim 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
<b>Taxation Revenue</b>				
Personal Income Tax	16,348	14,490	14,490	--
Retail Sales Tax	9,770	10,390	10,390	--
Corporations Tax	5,831	6,450	6,450	--
Employer Health Tax	2,705	2,640	2,640	--
Gasoline Tax	1,945	1,970	1,970	--
Fuel Tax	521	545	545	--
Tobacco Tax	380	415	415	--
Land Transfer Tax	415	450	450	--
Mining Profits Tax	54	60	60	--
Race Tracks Tax	49	10	10	--
Preferred Share Dividends Tax	73	60	60	--
Other Taxation	45	25	25	--
	<b>38,136</b>	<b>37,505</b>	<b>37,505</b>	<b>--</b>
<b>Government of Canada</b>				
Canada Health and Social Transfer	4,814	4,205	4,205	--
National Training Act	32	--	--	--
Bilingualism Development	42	48	48	--
Young Offenders	61	59	59	--
Vocational Rehabilitation	64	64	64	--
Canada-Ontario Infrastructure Works	138	201	201	--
Social Housing	442	476	476	--
Other	303	242	242	--
	<b>5,896</b>	<b>5,295</b>	<b>5,295</b>	<b>--</b>
<b>Income from Government Enterprises</b>				
Ontario Lottery Corporation	683	785	785	--
Liquor Control Board of Ontario	714	730	730	--
Ontario Casino Corporation	516	740	740	--
Other	25	65	65	--
	<b>1,938</b>	<b>2,320</b>	<b>2,320</b>	<b>--</b>
<b>Other Revenue</b>				
Vehicle/Driver Registration Fees	760	805	805	--
Other Fees and Licences	659	625	625	--
Liquor Licence Board of Ontario Revenues	521	525	525	--
Royalties	266	225	225	--
Sales and Rentals	391	445	445	--
Fines and Penalties	140	90	90	--
Miscellaneous	436	565	565	--
	<b>3,173</b>	<b>3,280</b>	<b>3,280</b>	<b>--</b>
<b>TOTAL REVENUE</b>	<b>49,143</b>	<b>48,400</b>	<b>48,400</b>	<b>--</b>



# OPERATING EXPENSE

## Operating Expense (\$ Millions)

Ministry	Interim 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	400	405	405	--
Crop Insurance Claims	74	45	45	--
Attorney General	604	654	659	5
Board of Internal Economy	128	119	119	--
Citizenship, Culture and Recreation	312	280	282	2
Community and Social Services	8,025	7,848	7,852	4
Consumer and Commercial Relations	127	94	94	--
Economic Development, Trade and Tourism	219	201	201	--
Education and Training	7,859	7,735	7,735	--
Teachers' Pension Plan	1,174	745	745	--
Environment and Energy	160	150	150	--
Executive Offices	13	13	13	--
Finance - Own Account	492	445	445	--
Public Debt Interest	8,709	9,190	9,158	(32)
Municipal Capital and Operating Restructuring Fund	--	137	137	--
Community Reinvestment Fund	--	142	142	--
Health	17,844	17,845	17,845	--
Health Care Restructuring	850	450	450	--
Intergovernmental Affairs	4	4	4	--
Labour	108	106	106	--
Management Board Secretariat	732	353	355	2
Public Service/OPSEU Pension Plan	145	145	145	--
Contingency Fund	--	380	349	(31)
Employee Severance	435	--	--	--
Municipal Affairs and Housing	2,457	2,020	2,024	4
Municipal Capital and Operating Restructuring Fund	150	23	23	--
Native Affairs Secretariat	18	9	9	--
Natural Resources	426	369	410	41
Northern Development and Mines	40	41	41	--
Office of Francophone Affairs	2	2	2	--
Office Responsible for Women's Issues	14	20	20	--
Solicitor General and Correctional Services	1,156	1,095	1,095	--
Transportation	1,150	715	715	--
Municipal Capital and Operating Restructuring Fund	200	--	--	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENSE</b>	<b>54,027</b>	<b>51,580</b>	<b>51,575</b>	<b>(5)</b>

# CAPITAL EXPENSE

## Capital Expense (\$ Millions)

Ministry	Interim 1996-97	1997-98		
		Budget Plan	Current Outlook	In-Year Change
Attorney General	28	53	53	--
Citizenship, Culture and Recreation	9	4	4	--
Community and Social Services	28	20	20	--
Economic Development, Trade and Tourism	9	--	--	--
Education and Training	195	450	450	--
Environment and Energy	203	154	154	--
Municipal Capital and Operating Restructuring Fund	--	40	40	--
Health	182	242	242	--
Management Board Secretariat	119	46	46	--
Municipal Affairs and Housing	308	308	308	--
Native Affairs Secretariat	14	12	12	--
Natural Resources	33	25	25	--
Northern Development and Mines	181	193	193	--
Solicitor General and Correctional Services	6	13	13	--
Transportation	1,271	1,190	1,190	--
<b>TOTAL CAPITAL EXPENSE</b>	<b>2,586</b>	<b>2,750</b>	<b>2,750</b>	<b>--</b>

# STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Interim 1996-97	1997-98		
		Budget Plan	Current Outlook	In-year Change
Deficit	7,470	6,580	6,575	(5)
Cash Timing Adjustments	(1,901)	2,605	2,605	--
Net Cash Requirements	5,569	9,185	9,180	(5)
Maturing Debt	6,384	5,424	5,424	--
Borrowing on Behalf of Agencies	325	575	575	--
Total Financing Requirements	12,278	15,184	15,179	(5)
Financed by:				
Decrease in Liquid Reserves	5,669	3,000	3,000	--
Other Sources	159	94	94	--
Increase in Short-Term Borrowing	--	1,500	1,500	--
Long-Term Borrowing	6,450	10,590	10,585	(5)
<b>TOTAL FINANCING</b>	<b>12,278</b>	<b>15,184</b>	<b>15,179</b>	<b>(5)</b>

## 1997-98 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30th)	Remaining	% Completed
DEBT ISSUES	4,409	6,176	41.7%

- Long-term debt issues undertaken in this quarter totalled \$4,409 million as follows:

	(\$ Millions)
Canadian Domestic Market	1,807
Ontario Savings Bonds	1,537
French Franc Eurobond	715
Euro Medium Term Note	230
Japanese Yen Loan	120
	<b>4,409</b>

- The Province's total direct debt is forecast to be \$108.5 billion at March 31, 1998 up from \$101.6 billion at March 31, 1997.