

Fiscal Summary (\$ Millions)

	Interim 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
Revenue	52,110	53,390	53,394	4
Expense				
Programs	42,963	45,219	45,229	10
Restructuring and Other Charges	3,211	194	194	--
Total Programs Expense	46,174	45,413	45,423	10
Capital	2,411	2,337	2,364	27
Public Debt Interest	8,728	9,214	9,177	(37)
Total Expense	57,313	56,964	56,964	--
Reserve		650	650	--
DEFICIT	5,203	4,224	4,220	(4)

HIGHLIGHTS

1998-99 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$4.2 BILLION

- The 1998-99 deficit remains on track with the Budget Plan. As of June 30, 1998, the deficit is projected at \$4,220 million, down \$4 million from the Budget Plan.

REVENUE AT \$53.4 BILLION

- The revenue outlook, at \$53,394 million, is up \$4 million from the Budget Plan.

EXPENSE AT \$57.0 BILLION

- Total expense, at \$56,964 million, is unchanged 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 toward deficit reduction.

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ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

FISCAL PERFORMANCE

REVENUE

- Revenue at \$53,394 million, is up \$4 million from the Budget Plan due to an increase of \$2 million in non-tax revenue for policing services provided by the OPP to the Town of Goderich, the Township of North Grenville and the First Nations of Rama and \$2 million from the Ontario Heritage Foundation for Niagara Escarpment land acquisition.

OPERATING EXPENSE

- Net operating expense at \$54,600 million is down \$27 million from the Budget Plan. Major changes this quarter are as follows:
 - £ Ministry of Agriculture, Food and Rural Affairs: An additional \$1 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - £ Ministry of the Attorney General: An additional \$1 million to continue the Bail Verification and Supervision Program for the current year.
 - £ Ministry of Citizenship, Culture and Recreation: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; and an additional \$2 million for the Trillium Foundation.
 - £ Ministry of Community and Social Services: An additional \$3 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund, and an extra \$2 million to supplement base funding for the Child Nutrition program.
 - £ Ministry of Consumer and Commercial Relations: An additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
 - £ Ministry of Economic Development, Trade and Tourism: An increase of \$30 million resulting from the transfer of the Grants for Strategic Skills Investment program from the Ministry of Energy, Science and Technology; \$4 million in additional operational funding for ORTECH; and a reduction of \$1 million due to the transfer of the Interactive Digital Media Small Business Growth Fund program to the Ministry of Energy, Science and Technology.
 - £ Ministry of Education and Training: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; and a reduction of \$5 million in the ministry resulting from the transfer of the Research Excellence Awards program to the Ministry of Energy, Science and Technology.
 - £ Ministry of Energy, Science and Technology: Funding of \$5 million for the Research Excellence Awards program transferred from the Ministry of Education and Training; funding of \$1 million for the Interactive Digital Media Small Business Growth Fund program transferred from the Ministry of Economic Development, Trade and Tourism; and a reduction of \$30 million for the transfer of the Grants for Strategic Skills Investment program to the Ministry of Economic Development, Trade and Tourism.
 - £ Ministry of Finance: An additional \$3 million to provide a workflow and imaging system to improve the handling of Corporations' Income Tax returns and an extra \$4 million for necessary Year 2000 computer system changes, both fully offset from the Contingency Fund.
 - £ Ministry of Health: An additional \$18 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund; an additional \$20 million for hospitals mainly to address high demographic growth pressures; and a reduction of \$4 million due to the transfer of funding for the Government Mobile Communications Office to the Ministry of the Solicitor General and Correctional Services.

ONTARIO FINANCES

DETAILS OF IN-YEAR CHANGES

OPERATING EXPENSE CONT'D

- € Management Board Secretariat: An additional \$8 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- € Ministry of Municipal Affairs and Housing: An additional \$2 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes.
- € Ontario Native Affairs Secretariat: An additional \$1 million for the implementation of the Working Partnership initiative.
- € Ministry of Natural Resources: An additional \$30 million for extra forest fire fighting and an additional \$2 million for necessary Year 2000 computer system changes, both fully offset from the Contingency Fund; an extra \$2 million for Natural Areas Protection; and a reduction of \$2 million due to the transfer of funding for the Government Mobile Communications Office to the Ministry of the Solicitor General and Correctional Services.
- € Ministry of the Solicitor General and Correctional Services: An additional \$8 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; a net increase of \$2 million for OPP policing services contracts with the Town of Goderich, the Township of North Grenville, the First Nations of Rama, and Lac Seul; and an additional \$10 million in funding transferred from the Ministries of Health (\$4 million), Natural Resources (\$2 million operating and \$2 million capital) and Transportation (\$2 million) for the Government Mobile Communications Office.
- € Ministry of Transportation: An additional \$1 million, fully offset from the Contingency Fund, for necessary Year 2000 computer system changes; less \$2 million in funding transferred to the Ministry of the Solicitor General and Correctional Services for the Government Mobile Communications Office.

PUBLIC DEBT INTEREST

- Public Debt Interest is projected to be \$37 million below the Budget forecast. Interest cost savings resulting from lower-than-budgeted interest rates were partly offset by the cost of providing payments to school boards on behalf of municipalities to enable municipalities to meet their obligations to school boards during the transition period to a new property tax system.

CAPITAL EXPENSE

- Capital expense at \$2,364 million is up \$27 million from the Budget Plan. Major changes this quarter are:
 - € Ministry of Natural Resources: \$2 million transferred to the Ministry of Solicitor General and Correctional Services operating account for the Government Mobile Communications Office.
 - € Ministry of the Solicitor General and Correctional Services: An additional \$1 million for architectural design and compliance fees for the Correctional Services Adult Infrastructure Renewal Project.
 - € Ministry of Transportation: An additional \$28 million to support local transportation initiatives largely offset by \$26 million from the Contingency Fund.

ONTARIO FINANCES

ECONOMIC PERFORMANCE

ONTARIO ECONOMIC GROWTH UP IN THE FIRST QUARTER OF 1998

- In the first calendar quarter of 1998 (January-March period), Ontario real GDP rose 6.0% at annual rates, following 3.0% growth in the fourth quarter, when labour disruptions slowed economic activity.
- Growth was driven by personal consumption, housing and exports.

ONTARIO EMPLOYMENT GROWTH CONTINUES IN 1998

- During the first half of 1998, 217,000 jobs have been created in Ontario, compared to the same period a year ago.
- The unemployment rate in Ontario was 7.1% in June.
- Over the first six months of 1998, private sector employment has increased by 177,000.

STRONG CONSUMER SPENDING IN 1998

- Over the first five months of 1998, Ontario retail sales increased 9.4% from a year earlier.

HOUSING MARKET REMAINS VIBRANT

- Over the first six months of 1998, all-area housing starts rose 6.5% in Ontario from a year ago.

MANUFACTURING SHIPMENTS GROWING

- Over the first five months of 1998, Ontario manufacturing shipments rose 6.0% from a year ago.
- In the transportation equipment sector, shipments rose 7.0% so far this year.

ONTARIO EXPORTS RISING IN 1998

- Over the first five months of 1998, Ontario international merchandise exports increased 8.2% from a year ago.

ONTARIO INFLATION REMAINS LOW IN 1998

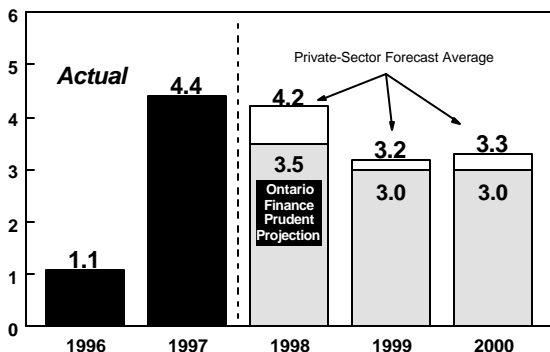
- Ontario's inflation rate as measured by the Consumer Price Index (CPI) was 0.7% in June (year-over-year).

ONTARIO FINANCES

SELECTED FISCAL INDICATORS

Continued Strong Growth Projected

Real GDP growth, average annual per cent

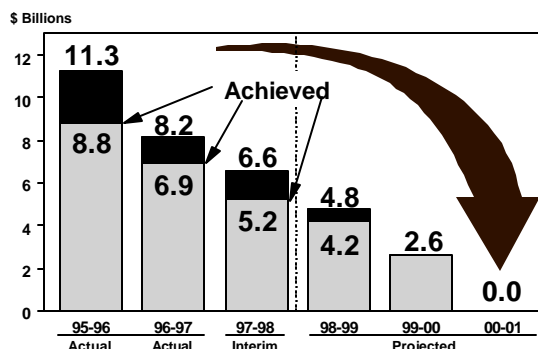


Sources: Statistics Canada and Ontario Ministry of Finance

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports all are contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Private-sector forecasters continue to expect the Ontario economy to grow faster than the Canadian economy as a whole or any of the G-7 economies over the next three years. For 1998, the private-sector forecast average for real GDP growth is 4.2 per cent, 0.7 percentage points higher than the Ministry of Finance's prudent projection.

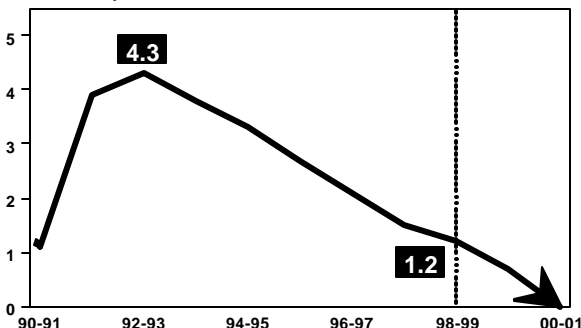
In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. Based on interim results, 1997-98 was the third year in a row that the deficit target has been overachieved. The 1998-99 Balanced Budget Plan deficit target of \$4.8 billion has been cut by almost \$0.6 billion and is forecast at \$4.2 billion.

Ontario's Balanced Budget Plan on Track



Deficit Falls to 1.2% of GDP in 1998-99

Deficit as a per cent of GDP



A key indicator of Ontario's improved fiscal health is the falling deficit as a share of the economy. In 1998-99, Ontario's deficit will decline to 1.2 per cent of Gross Domestic Product (GDP). In the early 1990's Ontario Budgetary deficit rose significantly, reaching a peak of 4.3 per cent of provincial GDP in 1992-93. Under the Balanced Budget Plan, the deficit will be reduced to 1.2 per cent of GDP this year and will fall to zero in 2000-01 when the deficit is eliminated.

ONTARIO FINANCES

RECENT ECONOMIC DEVELOPMENTS

KEY ECONOMIC INDICATORS (% Change from previous Period, unless indicated otherwise)								
		Annual	Quarterly					
		1997	97:1	97:2	97:3	97:4	98:1	98:2
Output (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	4.4	7.0	6.3	7.0	3.0	6.0	N/A
Nominal GDP	Ontario	4.8	6.3	5.5	6.3	2.5	7.1	N/A
		Annual	Monthly 1997					
		1997	Jan	Feb	Mar	Apr	May	June
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	76	52	16	(10)	11	9	(16)
Employment (Change in 000s)	Ontario	102	39	35	3	23	13	(14)
Private Sector	Ontario	130	35	30	(4)	(2)	2	(23)
Public Sector	Ontario	(28)	4	5	7	25	12	9
Unemployment Rate (%)	Ontario	8.5	8.0	7.6	7.4	7.2	7.1	7.1
Household Sector								
Retail Sales	Ontario	7.8	(1.6)	(0.4)	1.2	2.4	2.1	N/A
Urban Housing Starts (000s)	Ontario	50.0	51.5	56.7	70.1	55.1	50.6	46.1
New Home Sales*	Toronto	30.6	(17.9)	(10.6)	(7.4)	30.7	12.6	16.1
MLS Home Sales*	Ontario	1.9	(25.7)	(11.8)	(2.2)	(7.7)	4.2	N/A
Manufacturing Shipments								
Transportation Equipment	Ontario	12.7	(7.8)	4.6	2.7	(3.6)	0.2	N/A
Consumer Price Index: All Items	Ontario	1.9	0.9	1.2	1.0	0.6	1.1	0.7

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

(\$ Millions)	Interim 1997-98	1998-99		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	16,192	14,635	14,635	--
Retail Sales Tax	10,785	11,435	11,435	--
Corporations Tax	7,375	7,600	7,600	--
Employer Health Tax	2,743	2,780	2,780	--
Gasoline Tax	2,010	2,045	2,045	--
Fuel Tax	568	600	600	--
Tobacco Tax	440	470	470	--
Land Transfer Tax	555	580	580	--
Mining Profits Tax	42	50	50	--
Race Tracks Tax	5	6	6	--
Preferred Share Dividends Tax	50	55	55	--
Other Taxation	73	190	190	--
	40,838	40,446	40,446	--
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	3,937	3,950	3,950	--
Fiscal Stabilization	--	--	--	--
National Training Act	--	--	--	--
Bilingualism Development	48	40	40	--
Young Offenders Act	59	59	59	--
Vocational Rehabilitation	45	46	46	--
Canada-Ontario Infrastructure Works	120	92	92	--
Social Housing	389	353	353	--
Other	338	388	388	--
	4,936	4,928	4,928	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	714	840	840	--
Liquor Control Board of Ontario	750	760	760	--
Ontario Casino Corporation	760	915	915	--
Other	32	(77)	(77)	--
	2,256	2,438	2,438	--
OTHER REVENUE				
Vehicle/Driver Registration Fees	862	915	915	--
Other Fees and Licences	632	570	570	--
Liquor Licence Board of Ontario Revenues	516	510	510	--
Royalties	324	265	265	--
Sales and Rentals	496	480	480	--
Fines and Penalties	140	40	40	--
Local Services Realignment - Reimbursement of Expenditure	540	2,261	2,261	--
Miscellaneous	570	537	541	4
	4,080	5,578	5,582	4
TOTAL REVENUE	52,110	53,390	53,394	4

OPERATING EXPENSE

(\$ Millions)		1998-99		
MINISTRY	Interim 1997-98	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	291	340	341	1
Farm Tax Rebate	158	--	--	--
Attorney General	624	733	734	1
Board of Internal Economy	115	121	121	--
Citizenship, Culture and Recreation	287	307	310	3
Community and Social Services	8,010	7,848	7,853	5
Consumer and Commercial Relations	100	133	135	2
Economic Development, Trade and Tourism	237	170	203	33
Education and Training	7,832	10,204	10,200	(4)
Teachers* Pension Plan	971	61	61	--
School Board Transition	268	117	117	--
School Board Capital Debentures	971	--	--	--
Energy, Science and Technology	3	161	137	(24)
Environment	158	143	143	--
Executive Offices	14	19	19	--
Finance - Own Account	567	691	698	7
Public Debt Interest	8,728	9,214	9,177	(37)
Community Reinvestment Fund	169	677	677	--
Health	18,340	18,682	18,716	34
Health Care Restructuring	880	--	--	--
Intergovernmental Affairs	5	4	4	--
Labour	114	111	111	--
Management Board Secretariat	323	348	356	8
Public Service/OPSEU Pension Plan	(108)	(100)	(100)	--
Contingency Fund	--	830	720	(110)
OPS Employee Severance	(25)	--	--	--
Retroactive Pay Equity Payments	140	--	--	--
Special Circumstances Fund	--	77	77	--
Municipal Affairs and Housing	2,378	1,728	1,730	2
Municipal Restructuring Fund	75	--	--	--
Native Affairs Secretariat	10	9	10	1
Natural Resources	429	388	420	32
Northern Development and Mines	55	100	100	--
Office of Francophone Affairs	2	3	3	--
Office Responsible for Women's Issues	19	21	21	--
Solicitor General and Correctional Services	1,164	1,188	1,208	20
Transportation	720	499	498	(1)
Restructuring/Municipal Capital and Operating Restructuring Fund	50	--	--	--
TTC Five Year Capital Transfer	828	--	--	--
Year-end Savings	--	(200)	(200)	--
TOTAL OPERATING EXPENSE	54,902	54,627	54,600	(27)

CAPITAL EXPENSE

(\$ Millions)		1998-99		
MINISTRY	Interim 1997-98	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	3	3	--
Attorney General	47	91	91	--
Citizenship, Culture and Recreation	3	5	5	--
Community and Social Services	31	20	20	--
Economic Development, Trade and Tourism	3	--	--	--
Education and Training	393	379	379	--
Energy, Science and Technology	--	45	45	--
Environment	100	51	51	--
Municipal Capital and Operating Restructuring Fund	--	29	29	--
Finance	5	1	1	--
Health	113	471	471	--
Management Board Secretariat	58	10	10	--
Municipal Affairs and Housing	159	91	91	--
Native Affairs Secretariat	11	12	12	--
Natural Resources	151	29	27	(2)
Northern Development and Mines	175	179	179	--
Solicitor General and Correctional Services	11	72	73	1
Transportation	1,150	849	877	28
TOTAL CAPITAL EXPENSE	2,411	2,337	2,364	27

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)	Interim 1997-98	1998-99		
		Budget Plan	Current Outlook	Change from Budget
Deficit	5,203	4,224	4,220	(4)
Cash Timing Adjustments	(929)	3,804	3,804	--
Net Cash Requirements	4,274	8,028	8,024	(4)
Maturing Debt	5,800	5,820	5,910	90
Borrowing on Behalf of Agencies	(200)	286	286	--
Total Financing Requirements	9,874	14,134	14,220	86
Financed by:				
Decrease in Liquid Reserves	74	3,040	3,040	--
Other Sources	(100)	(66)	(66)	--
Increase in Short-Term Borrowing	(1,400)	1,984	1,326	(658)
Long-Term Borrowing*	11,300	9,176	9,920	744
TOTAL FINANCING	9,874	14,134	14,220	86

* including Ontario Savings Bonds

1997-98 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30)	Remaining	% Completed
Long-Term Debt Issues	4,015	5,905	40

– Long-term debt issues undertaken in this quarter totalled \$4,015 million as follows:

	(\$ Millions)
Canadian Domestic Market	3,246
Medium-Term Notes	769
	4,015

- The 1998 Savings Bond Program raised a total of \$1,954 million, a record for provincial savings bond issues. This enabled the Province to cut the planned increase in short-term borrowing.
- Maturing debt was revised upward to reflect redemptions of Ontario Savings Bonds in June 1998.
- The Province's total direct debt is forecast to be \$110.3 billion at March 31, 1999, up from \$105.0 billion at March 31, 1998.