

Fiscal Summary (\$ Millions)

	Interim 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
Revenue	54,859	58,150	58,151	1
Expenditure				
Programs	46,855	47,025	47,024	(1)
Restructuring and Other Charges	220	--	--	--
Total Program Expenditure	47,075	47,025	47,024	(1)
Capital	1,873	2,883	2,885	2
Public Debt Interest				
Provincial	9,072	9,298	9,298	--
Ontario Hydro Successor Companies*	--	520	520	--
Total Expenditure	58,020	59,726	59,727	1
Reserve	--	500	500	--
DEFICIT	3,161	2,076	2,076	--

* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased income from Government Enterprises revenue, which reflects the net income from these corporations.

HIGHLIGHTS

1999-00 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$2.1 BILLION

- ♦ The 1999-00 deficit remains on track with the Budget Plan. As of June 30 1999, the deficit is projected at \$2,076 million, unchanged from the Budget Plan.

REVENUE AT \$58.2 BILLION

- ♦ The revenue outlook, at \$58,151 million, is up \$1 million from the Budget Plan.

EXPENDITURE AT \$59.7 BILLION

- ♦ Total expenditure, at \$59,727 million, is up \$1 million from the Budget Plan.

RESERVE AT \$500 MILLION

- ♦ The reserve, designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, is maintained at \$500 million. If this reserve is not needed, it will be applied to deficit reduction.

Note: In June 1999, the Government announced the creation of a number of new ministries. Allocations for these ministries will be provided following ministry restructuring, which is currently underway.

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FISCAL PERFORMANCE

REVENUE

- ◆ Revenue at \$58,151 million is up \$1 million from the Budget Plan, due to an increase of \$1 million in non-tax revenue for policing services provided by the OPP to the Townships of Moore, North Perth, and Point Edward.

OPERATING EXPENDITURE

- ◆ Net operating expenditure, at \$56,842 million, is down \$1 million from the Budget Plan. Major changes this quarter are as follows:
 - ◆ Ministry of Community and Social Services: An additional \$19 million for necessary Year 2000 computer system changes, fully offset from the Contingency Fund.
 - ◆ Ministry of Finance: An additional \$4 million, fully offset from the Contingency Fund, to provide funding to meet the Province's commitment to assist municipalities with the requirements associated with the *Fairness for Property Taxpayers Act*.
 - ◆ Ministry of Municipal Affairs and Housing: An additional \$40 million, fully offset from the Contingency Fund, for funding to meet the Province's commitment to assist municipalities with the requirements associated with the *Fairness for Property Taxpayers Act*.
 - ◆ Ministry of the Solicitor General and Correctional Services: An additional \$1 million for OPP policing services contracts with the Townships of Moore, North Perth, and Point Edward.
 - ◆ Ministry of Transportation: An additional \$1 million, fully offset from the Contingency Fund, to allow the ministry to deal with contractual obligations arising from the sale of Highway 407.

PUBLIC DEBT INTEREST

- ◆ Public Debt Interest, including \$9,298 million Provincial and \$520 million related to the Province's equity ownership of Ontario Hydro successor companies, is unchanged from the Budget Plan.

CAPITAL EXPENDITURE

- ◆ Capital expenditure at \$2,885 million is up \$2 million from the Budget Plan. The major change this quarter was:
 - ◆ Ministry of Transportation: An additional \$2 million to address unique local transportation requirements, offset from the Operating Contineny Fund.

STRONG JOB GROWTH CONTINUES IN 1999

- ◆ During the first half of 1999, Ontario employment is up 185,000 following a record gain of 200,000 net new jobs in 1998.
- ◆ In June 1999, Ontario's unemployment rate was 6.3%, down substantially from 7.1% a year earlier.

ECONOMY EXPANDS AT ROBUST PACE IN THE FIRST QUARTER OF 1999

- ◆ In the first calendar quarter of 1999 (January-March), Ontario real Gross Domestic Product (GDP) rose 5.4% at annual rates, after surging 8.6% in the fourth quarter of 1998.

STRONG CONSUMER SPENDING GROWTH IN 1999

- ◆ Over the first five months of 1999, Ontario retail sales are up 5.7% from a year ago.
- ◆ Over the first five months of 1999, unit auto sales in Ontario jumped 9.1% from a year ago.

HOUSING MARKET REMAINS STRONG

- ◆ Over the first half of 1999, housing starts in Ontario rose 24.1% from a year ago.
- ◆ Ontario home resales rose 8.0%, over the first five months of 1999, compared to a year ago.
- ◆ Over the first six months of 1999, Toronto new home sales increased 24.6% from a year ago.

MANUFACTURING SHIPMENTS GROWING

- ◆ Over the first five months of 1999, Ontario manufacturing shipments rose 9.2% from a year ago.

AUTO PRODUCTION SOARS IN 1999

- ◆ Ontario auto production is up 19.9% over the first half of 1999, on track for another record production year.

ONTARIO EXPORTS RISING IN 1999

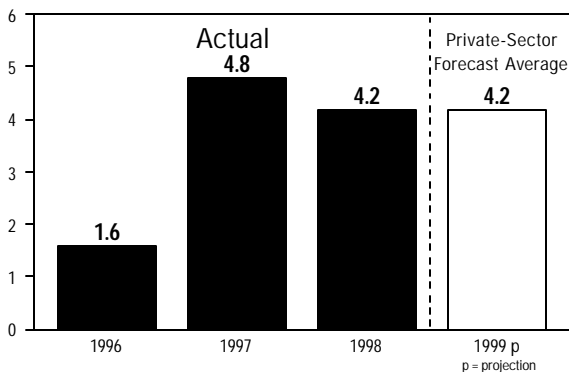
- ◆ Over the first five months of 1999, Ontario international merchandise exports increased 15.1% from a year ago.

ONTARIO INFLATION REMAINS LOW IN 1999

- ◆ Ontario's inflation rate as measured by the Consumer Price Index (CPI) averaged 1.4% over the first half of 1999.

Strong Economic Growth Continues

Real GDP growth, average annual per cent

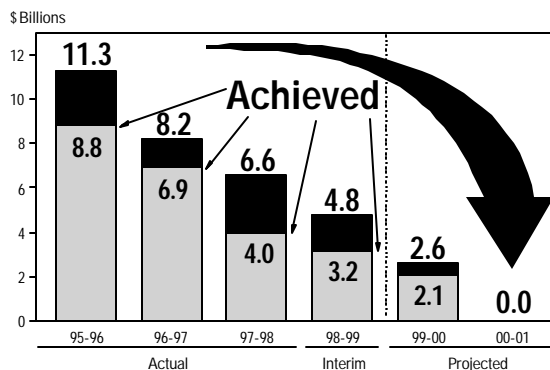


Sources: Statistics Canada, Ontario Ministry of Finance, Survey of Private-Sector Forecasts (July 1999)

The Ontario economy has continued to grow at a healthy pace. Consumer spending, business investment, housing and exports are all contributing to economic growth. Tax cuts, solid job creation and income gains are providing the basis for a sustained expansion. Ontario is expected to grow faster than the Canadian economy or any of the G-7 economies over the next two years. Private-sector economists are, on average, forecasting real growth of 4.2 per cent in 1999.

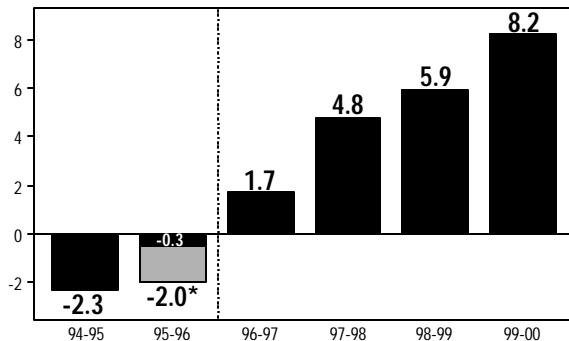
In the fall of 1995 the Government set out its Balanced Budget Plan to eliminate the deficit by the year 2000-01. Ontario remains on track to meet the declining annual deficit targets outlined in the Plan. At \$3.2 billion, the interim 1998-99 deficit is more than \$1.0 billion below the 1998 Budget target of \$4.2 billion, and \$1.6 billion below the original 1998-99 Balanced Budget Plan deficit target of \$4.8 billion. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion was cut by \$0.5 billion in the 1999 Budget and set at \$2.1 billion.

Ontario's Balanced Budget Plan on Track Medium Term Deficit Targets



Growing Operating Surplus

\$ Billions



* Potential operating deficit of \$2.0 billion when the Government assumed office in June 1995.

A further indicator of fiscal improvement in Ontario is a growing Operating Surplus, which represents the difference between government revenue and total spending on programs and capital, not including public debt interest costs. With a growing operating surplus, the Province is continuing to reduce borrowing needed to pay interest costs on the public debt.

KEY ECONOMIC INDICATORS (% Change from previous period, unless indicated otherwise)								
		Annual	Quarterly					
		1998	97:4	98:1	98:2	98:3	98:4	99:1
Output (Seasonally Adjusted Annual Rate)								
Real GDP	Ontario	4.2	2.9	6.0	0.9	1.4	8.6	5.4
Nominal GDP	Ontario	3.4	2.1	5.8	1.1	(2.2)	8.5	8.5
		Annual	Monthly 1999					
		1998	Jan	Feb	Mar	Apr	May	June
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)	Ontario	135	19	22	(11)	46	12	(75)
Employment (Change in 000s)	Ontario	200	37	23	(1)	(6)	23	(29)
Private Sector	Ontario	154	48	20	(13)	2	27	(38)
Public Sector	Ontario	46	(11)	2	12	(8)	(4)	9
Unemployment Rate (%)	Ontario	7.2	6.6	6.6	6.4	7.2	7.0	6.3
Household Sector								
Retail Sales	Ontario	6.9	2.4	0.2	1.2	0.2	0.8	N/A
Urban Housing Starts (000s)	Ontario	50.0	55.5	60.4	62.6	62.0	66.3	67.9
New Home Sales*	Toronto	4.6	20.5	30.6	16.0	26.2	15.5	41.8
MLS Home Sales*	Ontario	(1.5)	(13.2)	2.5	15.8	14.1	9.3	N/A
Manufacturing Shipments	Ontario	5.0	(1.8)	0.9	1.3	(1.1)	0.7	N/A
Transportation Equipment	Ontario	6.8	(2.9)	0.1	1.1	(3.6)	2.0	N/A
Consumer Price Index: All Items	Ontario	0.9	0.8	0.6	1.1	1.9	1.8	1.9

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 1998-99	1999-00		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	16,750	15,670	15,670	--
Retail Sales Tax	11,525	12,110	12,110	--
Corporations Tax	7,435	7,820	7,820	--
Employer Health Tax	2,880	2,990	2,990	--
Gasoline Tax	2,077	2,155	2,155	--
Fuel Tax	590	595	595	--
Tobacco Tax	470	470	470	--
Land Transfer Tax	497	480	480	--
Mining Profits Tax	27	30	30	--
Race Tracks Tax	5	5	5	--
Preferred Share Dividends Tax	33	35	35	--
Other Taxation	250	225	225	--
	42,539	42,585	42,585	--
GOVERNMENT OF CANADA				
Canada Health and Social Transfer	3,579	3,727	3,727	--
Increase in CHST Allocation	--	190	190	--
CHST Health Supplement	--	755	755	--
Bilingualism Development	55	55	55	--
Young Offenders Act	58	58	58	--
Employability Assistance for People with Disabilities	65	65	65	--
Canada-Ontario Infrastructure Works	80	29	29	--
Social Housing	353	370	370	--
Other	318	307	307	--
	4,508	5,556	5,556	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery Corporation	676	930	930	--
Liquor Control Board of Ontario	785	830	830	--
Ontario Casino Corporation	997	995	995	--
Ontario Hydro Successor Companies	--	527	527	--
Other	(50)	(35)	(35)	--
	2,408	3,247	3,247	--
OTHER REVENUE				
Vehicle and Driver Registration Fees	850	880	880	--
Other Fees and Licences	600	625	625	--
Liquor Licence Board of Ontario Revenues	510	515	515	--
Royalties	297	225	225	--
Sales and Rentals	636	2,230	2,230	--
Fines and Penalties	59	57	57	--
Local Services Realignment - Reimbursement of Expenditure	2,104	1,794	1,794	--
Miscellaneous	348	436	437	1
	5,404	6,762	6,763	1
TOTAL REVENUE	54,859	58,150	58,151	1

OPERATING EXPENDITURE

(\$ Millions)		1999-00		
MINISTRY	Interim 1998-99	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	317	365	365	--
Attorney General	721	816	816	--
Board of Internal Economy	118	121	121	--
Citizenship, Culture and Recreation	344	393	393	--
Community and Social Services	7,707	7,677	7,696	19
Consumer and Commercial Relations	134	126	126	--
Economic Development, Trade and Tourism	157	175	175	--
Education and Training	10,997	11,197	11,197	--
Teachers' Pension Plan	67	(85)	(85)	--
Energy, Science and Technology	334	146	146	--
Environment	160	165	165	--
Executive Offices	18	20	20	--
Finance - Own Account	833	731	735	4
Public Debt Interest				
Provincial	9,072	9,298	9,298	--
Ontario Hydro Successor Companies	--	520	520	--
Community Reinvestment Fund	678	543	543	--
Health	18,925	20,173	20,173	--
Health Care Restructuring	193	--	--	--
Major One-time Health Care Costs	733	--	--	--
Intergovernmental Affairs	4	4	4	--
Labour	107	95	95	--
Management Board Secretariat	375	432	432	--
Public Service/OPSEU Pension Plan	(208)	(223)	(223)	--
Contingency Fund	--	694	628	(66)
Special Circumstances Fund	180	--	--	--
Municipal Affairs and Housing	1,600	1,546	1,586	40
Native Affairs Secretariat	10	12	12	--
Natural Resources	521	364	364	--
Northern Development and Mines	82	127	127	--
Office of Francophone Affairs	3	3	3	--
Office Responsible for Women's Issues	21	26	26	--
Solicitor General and Correctional Services	1,290	1,243	1,244	1
Transportation	627	539	540	1
Restructuring	(17)	--	--	--
Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44	--	--	--
Year-End Savings	--	(400)	(400)	--
TOTAL OPERATING EXPENDITURE	56,147	56,843	56,842	(1)

Note: In June 1999, the Government announced the creation of a number of new ministries. Allocations for these ministries will be provided following ministry restructuring, which is currently underway.

CAPITAL EXPENDITURE

(\$ Millions)		1999-00		
MINISTRY	Interim 1998-99	Budget Plan	Current Outlook	In-Year Change
Attorney General	73	56	56	--
Citizenship, Culture and Recreation	6	16	16	--
Community and Social Services	30	22	22	--
Economic Development, Trade and Tourism	2	2	2	--
Education and Training	299	796	796	--
Energy, Science and Technology	23	17	17	--
Environment	19	23	23	--
Water Protection Fund	15	185	185	--
Finance	7	6	6	--
Health	172	504	504	--
Management Board Secretariat	11	16	16	--
Municipal Affairs and Housing	68	--	--	--
Native Affairs Secretariat	10	12	12	--
Natural Resources	30	46	46	--
Northern Development and Mines	176	225	225	--
Solicitor General and Correctional Services	30	133	133	--
Transportation	902	824	826	2
TOTAL CAPITAL EXPENDITURE	1,873	2,883	2,885	2

Note: In June 1999, the Government announced the creation of a number of new ministries. Allocations for these ministries will be provided following ministry restructuring, which is currently underway.

STATEMENT OF FINANCIAL TRANSACTIONS

(\$ Millions)		1999-00		
		Budget Plan	Current Outlook	Change from Budget
	Actual 1998-99			
Deficit	3,161	2,076	2,076	--
Cash Timing Adjustments	2,923	3,192	3,192	--
Borrowing on Behalf of Agencies	130	(1,375)	(1,375)	--
Increase (Decrease) in Liquid Reserves	(2,905)	(600)	(600)	--
Net Cash Requirements	3,309	3,293	3,293	--
Maturing Debt	6,380	8,050	8,336	286
Total Financing Requirements	9,689	11,343	11,629	286
Financed by:				
Canada Pension Plan	--	917	952	35
Increase in Short-term Borrowing	365	1,800	1,800	--
Long-term Public Borrowing*	9,324	8,626	8,877	251
TOTAL FINANCING	9,689	11,343	11,629	286

* Including Ontario Savings Bonds

1999-00 FINANCING ACTIVITIES TO DATE

(\$ Millions)	Issued (as of June 30)	Remaining	% Completed
LONG TERM FINANCING	3,787	6,042	38.5%

♦ Long-term financing undertaken in this quarter totalled \$3,787 million as follows:

	(\$ Million)
Ontario Savings Bonds	2,044
Canadian Dollar Issues	1,312
Euro Medium Term Note	60
Canada Pension Plan	371
	3,787

♦ The 1999 Savings Bond Program has raised a total of \$2,044 million, a new record for provincial savings bond issues.

♦ Maturing debt was revised upward to reflect redemptions of Ontario Savings Bonds in June, 1999.

♦ The Province's total direct debt is forecast to be \$121.2 billion at March 31, 2000, up from \$109.0 billion at March 31, 1999. The increase includes \$8.9 billion as a result of the debt-for-equity swap with Ontario Hydro Services Company and Ontario Power Generation.