

Fiscal Summary (\$ Millions)

| | Actual 2002-03 | 2003-04 | | |
|----------------------------|-------------------|------------------|--------------------|-------------------|
| | | Fall Outlook* | Current Outlook | In-Year Change |
| Revenue | 68,609 | 69,532 | 69,532 | — |
| Expense | | | | |
| Programs | 56,922 | 62,554 | 62,554 | — |
| Capital | 1,876 | 2,574 | 2,574 | — |
| Interest on Debt | 9,694 | 10,025 | 10,025 | — |
| Total Expense | 68,492 | 75,153 | 75,153 | — |
| SURPLUS / (DEFICIT) | 117 | (5,621) | (5,621) | — |

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis.

HIGHLIGHTS

2003-04 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$5.6 BILLION

◆ The 2003-04 current outlook is unchanged from the fiscal outlook presented in the 2003 Ontario Economic Outlook and Fiscal Review. As of December 31, 2003, a deficit of \$5,621 million is projected for 2003-04.

REVENUE AT \$69.5 BILLION

◆ The revenue outlook, at \$69,532 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review.

EXPENSE AT \$75.2 BILLION

◆ Total expense, at \$75,153 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review. Increased ministry expense mainly due to a negotiated wage settlement with the Ontario Provincial Police Association, and additional funding for post-secondary education capital projects are fully offset from the operating and capital contingency funds.

FISCAL PERFORMANCE

REVENUE

- ◆ The revenue outlook, at \$69,532 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review.

OPERATING EXPENSE

- ◆ Operating expense, at \$72,579 million, is unchanged from the 2003 Ontario Economic Outlook and Fiscal Review. Changes this quarter include:
 - ◆ Ministry of Children's Services: An additional \$10 million mainly to purchase additional equipment and supplies for child care and early learning programs, fully offset from the Contingency Fund.
 - ◆ Ministry of Community Safety and Correctional Services: An additional \$48 million, fully offset from the Contingency Fund, including \$45 million for a negotiated wage settlement between the Province and the Ontario Provincial Police Association; \$2 million for the Major Case Management computer system; and \$1 million for First Nations policing.

CAPITAL EXPENSE

- ◆ Capital expense, at \$2,574 million, is unchanged from the 2003 Economic Outlook and Fiscal Review. Changes this quarter include:
 - ◆ Ministry of Training, Colleges and Universities: An additional \$19 million to fund projects at colleges and universities to create new spaces for students, fully offset from the Capital Contingency Fund.

Statement of Financial Transactions (\$ Millions)

| | 1999-00 | 2000-01 | 2001-02 | Actual 2002-03 | Q3 2003-04 |
|----------------------------|----------------|----------------|----------------|-------------------|----------------|
| Revenue | 64,804 | 66,044 | 66,249 | 68,609 | 69,532 |
| Expense | | | | | |
| Programs | 48,222 | 51,146 | 53,647 | 56,922 | 62,554 |
| Capital | 4,887 | 2,123 | 1,890 | 1,876 | 2,574 |
| Interest on Debt | 11,027 | 10,873 | 10,337 | 9,694 | 10,025 |
| Total Expense | 64,136 | 64,142 | 65,874 | 68,492 | 75,153 |
| SURPLUS / (DEFICIT) | 668 | 1,902 | 375 | 117 | (5,621) |
| Net Debt | 134,398 | 132,496 | 132,121 | 132,647 | 138,970 |
| Accumulated Deficit | 134,398 | 132,496 | 132,121 | 118,705 | 124,326 |

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEF) is consolidated on a line-by-line basis starting in 1999-00. Expense and revenue totals for prior years have been restated to reflect the new accounting treatment. Net debt represents the difference between liabilities and financial assets. Accumulated deficit represents net debt adjusted for tangible capital assets.

Selected Economic and Fiscal Statistics

| | 1999-00 | 2000-01 | 2001-02 | Actual 2002-03 | Q3 2003-04 |
|--|---------|---------|---------|-------------------|---------------|
| Gross Domestic Product (GDP) at Market Prices (\$ Millions) | 409,020 | 440,708 | 452,923 | 478,112 | 501,061 |
| Ontario Population (000s) - July 1 | 11,506 | 11,685 | 11,898 | 12,097 | 12,238 |
| Ontario Revenue as a per cent of GDP | 15.8 | 15.0 | 14.6 | 14.3 | 13.9 |
| Ontario Revenue Growth (%) | 16.2 | 1.9 | 0.3 | 3.6 | 1.3 |
| Ontario Total Expense as a per cent of GDP | 15.7 | 14.6 | 14.5 | 14.3 | 15.0 |
| Ontario Total Expense Growth (%) | 11.0 | 0.0 | 2.7 | 4.0 | 9.7 |
| Ontario Total Program Expense as a per cent of GDP | 11.8 | 11.6 | 11.8 | 11.9 | 12.5 |
| Ontario Total Program Expense Growth (%) | 3.6 | 6.1 | 4.9 | 6.1 | 9.9 |
| Ontario Interest on Debt as a per cent of Revenue | 17.0 | 16.5 | 15.6 | 14.1 | 14.4 |
| Ontario Interest on Debt as a per cent of Total Expense | 17.2 | 17.0 | 15.7 | 14.2 | 13.3 |
| Ontario Interest on Debt as a per cent of GDP | 2.7 | 2.5 | 2.3 | 2.0 | 2.0 |
| Ontario Surplus / (Deficit) as a per cent of GDP | 0.2 | 0.4 | 0.1 | 0.0 | (1.1) |
| Net Debt per capita (\$) | 11,681 | 11,339 | 11,104 | 10,965 | 11,356 |
| Net Debt as a per cent of GDP | 32.9 | 30.1 | 29.2 | 27.7 | 27.7 |

Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) DOWN IN THIRD QUARTER (JULY-SEPTEMBER)

- ◆ Ontario real GDP fell by 0.6 per cent (2.5 per cent annualized) in the third quarter of 2003, the second decline in as many quarters.

ONTARIO CREATES 160,500 JOBS IN 2003

- ◆ In 2003, Ontario employment grew by 160,500 net new jobs, up 2.6 per cent from 2002 and accounting for 48 per cent of all job creation in Canada.
- ◆ Ontario's unemployment rate was 7.0 per cent in 2003, down slightly from 7.1 per cent in 2002.
- ◆ In the fourth quarter (October-December) 36,400 jobs were added from the third quarter, while the unemployment rate fell to 6.8 per cent.

CONSUMER SPENDING LOWER

- ◆ Ontario retail sales fell 0.7 per cent in October, the third consecutive monthly decline. Over the first ten months of 2003, retail sales were 3.4 per cent ahead of the same period in 2002.

INFLATION HIGHER IN 2003

- ◆ Ontario consumer prices rose 2.7 per cent in 2003, up from 2.0 per cent in 2002.

HOUSING MARKET ROBUST IN 2003

- ◆ In 2003, Ontario housing starts hit their highest level in 14 years, up 1.9 per cent from 2002.
- ◆ The value of Ontario building permits issued in November fell 8.3 per cent from the level in October, but permits issued were up 3.0 per cent for the first eleven months of 2003.

TRADE SECTOR WEAKER

- ◆ Ontario merchandise exports fell 3.3 per cent in November (Ontario Finance estimate), after declining 2.3 per cent in October. Ontario merchandise imports rose 2.1 per cent in November after falling 0.5 per cent in October.
- ◆ Ontario manufacturing shipments fell 1.6 per cent in November to \$22.3 billion, following October's decline of 0.9 per cent. Over the first 11 months of 2003, Ontario shipments were 2.1 per cent below the same period in 2002.

KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

| | | Annual | Annual | Quarterly | | | | |
|---|---------|--------|--------|--------------|-------|--------|--------|------|
| | | 2002 | 2003 | 02:4 | 03:1 | 03:2 | 03:3 | 03:4 |
| Output (Seasonally Adjusted at Annual Rates) | | | | | | | | |
| Real GDP | Ontario | 3.6 | N/A | 0.4 | 0.6 | (0.2) | (0.6) | N/A |
| Nominal GDP | Ontario | 5.6 | N/A | 1.5 | 1.6 | (0.3) | 0.7 | N/A |
| | | Annual | Annual | Monthly 2003 | | | | |
| | | 2002 | 2003 | Aug | Sep | Oct | Nov | Dec |
| Other Indicators (Seasonally Adjusted) | | | | | | | | |
| Labour Markets | | | | | | | | |
| Labour Force (Change in 000s) | Ontario | 167.1 | 162.6 | (12.7) | 49.8 | (14.5) | (20.9) | 30.4 |
| Employment (Change in 000s) | Ontario | 105.3 | 160.5 | (5.9) | 38.5 | 5.3 | (6.6) | 35.4 |
| Unemployment Rate (%) | Ontario | 7.1 | 7.0 | 7.1 | 7.3 | 7.0 | 6.8 | 6.7 |
| Household Sector | | | | | | | | |
| Retail Sales | Ontario | 5.6 | N/A | (0.1) | (0.2) | (0.7) | N/A | N/A |
| Housing Starts (000s) | Ontario | 83.6 | 85.2 | 85.9 | 85.7 | 99.5 | 78.4 | 81.8 |
| New Home Sales* | Toronto | 29.3 | N/A | (7.5) | (7.5) | 0.7 | 16.7 | N/A |
| MLS Home Resales* | Ontario | 9.3 | N/A | 10.1 | 10.5 | 8.5 | 4.6 | N/A |
| Manufacturing Shipments | Ontario | 3.4 | N/A | (8.9) | 9.1 | (0.9) | (1.6) | N/A |
| Transportation Equipment | Ontario | 6.5 | N/A | (18.0) | 13.9 | (0.5) | (2.7) | N/A |
| Consumer Price Index* | Ontario | 2.0 | 2.7 | 1.7 | 2.2 | 1.7 | 1.7 | 3.0 |

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

* % change from a year earlier
N/A = Data not available

ONTARIO FINANCES

FINANCIAL TABLES

REVENUE

| (\$ Millions) | Actual 2002-03 | 2003-04 | | |
|---|-------------------|------------------|--------------------|-------------------|
| | | Fall Outlook* | Current Outlook | In-Year Change |
| TAXATION REVENUE | | | | |
| Personal Income Tax | 18,195 | 18,600 | 18,600 | — |
| Retail Sales Tax | 14,183 | 14,550 | 14,550 | — |
| Corporations Tax | 7,459 | 7,215 | 7,215 | — |
| Employer Health Tax | 3,589 | 3,705 | 3,705 | — |
| Gasoline Tax | 2,306 | 2,310 | 2,310 | — |
| Fuel Tax | 682 | 695 | 695 | — |
| Tobacco Tax | 1,183 | 1,310 | 1,310 | — |
| Land Transfer Tax | 814 | 835 | 835 | — |
| Electricity Payments-In-Lieu of Taxes | 711 | 532 | 532 | — |
| Other Taxes | 429 | 195 | 195 | — |
| | 49,551 | 49,947 | 49,947 | — |
| GOVERNMENT OF CANADA | | | | |
| Canada Health and Social Transfer (CHST) | 7,346 | 7,093 | 7,093 | — |
| CHST Supplements | 191 | 577 | 577 | — |
| Health Reform Fund | — | 387 | 387 | — |
| Diagnostic/Medical Equipment | — | 193 | 193 | — |
| Social Housing | 525 | 643 | 643 | — |
| Infrastructure | 62 | 285 | 285 | — |
| Other Government of Canada | 770 | 1,086 | 1,086 | — |
| | 8,894 | 10,264 | 10,264 | — |
| INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES | | | | |
| Ontario Lottery and Gaming Corporation | 2,288 | 2,065 | 2,065 | — |
| Liquor Control Board of Ontario | 939 | 1,048 | 1,048 | — |
| Ontario Power Generation Inc. and Hydro One Inc. | 717 | 318 | 318 | — |
| Other Government Enterprises | (2) | 3 | 3 | — |
| | 3,942 | 3,434 | 3,434 | — |
| OTHER NON-TAX REVENUE | | | | |
| Reimbursements | 1,111 | 1,208 | 1,208 | — |
| Electricity Debt Retirement Charge | 889 | 979 | 979 | — |
| Vehicle and Driver Registration Fees | 982 | 933 | 933 | — |
| Power Sales | 635 | 611 | 611 | — |
| Sales and Rentals | 560 | 571 | 571 | — |
| Other Fees and Licences | 606 | 531 | 531 | — |
| Liquor Licence Revenue | 530 | 477 | 477 | — |
| Royalties | 304 | 225 | 225 | — |
| Miscellaneous Other Non-Tax Revenue | 605 | 352 | 352 | — |
| | 6,222 | 5,887 | 5,887 | — |
| TOTAL REVENUE | 68,609 | 69,532 | 69,532 | — |

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis.

OPERATING EXPENSE

| (\$ Millions) | | 2003-04 | | |
|--|----------------|---------------|-----------------|----------------|
| | | Fall Outlook* | Current Outlook | In-Year Change |
| MINISTRY | Actual 2002-03 | | | |
| Agriculture and Food | 613 | 661 | 661 | — |
| Attorney General | 1,057 | 1,060 | 1,060 | — |
| Board of Internal Economy | 146 | 169 | 169 | — |
| Children's Services | 2,026 | 2,169 | 2,179 | 10 |
| Citizenship and Immigration | 53 | 63 | 63 | — |
| Community and Social Services | 5,795 | 5,985 | 5,985 | — |
| Community Safety and Correctional Services | 1,898 | 1,754 | 1,802 | 48 |
| Consumer and Business Services | 177 | 177 | 177 | — |
| Culture | 330 | 278 | 278 | — |
| Economic Development and Trade | 247 | 315 | 315 | — |
| Education | 8,998 | 9,787 | 9,787 | — |
| Teachers' Pension Plan (TPP) | 238 | 340 | 340 | — |
| Energy | 144 | 130 | 130 | — |
| Environment | 232 | 274 | 274 | — |
| Executive Offices | 20 | 20 | 20 | — |
| Finance - Own Account | 1,092 | 1,222 | 1,222 | — |
| Interest on Debt | 9,694 | 10,025 | 10,025 | — |
| Community Reinvestment Fund | 622 | 649 | 649 | — |
| Electricity Consumer Price Protection Fund | 665 | 292 | 292 | — |
| Power Purchases | 786 | 918 | 918 | — |
| Health and Long-Term Care | 25,758 | 27,885 | 27,885 | — |
| SARS-related Health Costs | — | 622 | 622 | — |
| Intergovernmental Affairs | 6 | 6 | 6 | — |
| Labour | 123 | 120 | 120 | — |
| Management Board Secretariat | 172 | 336 | 336 | — |
| Retirement Benefits | 102 | 335 | 335 | — |
| Contingency Fund | — | 625 | 567 | (58) |
| Municipal Affairs | 636 | 688 | 688 | — |
| Native Affairs Secretariat | 16 | 15 | 15 | — |
| Natural Resources | 454 | 530 | 530 | — |
| Northern Development and Mines | 73 | 74 | 74 | — |
| Office of Francophone Affairs | 3 | 4 | 4 | — |
| Public Infrastructure Renewal | 33 | 31 | 31 | — |
| Tourism and Recreation | 135 | 228 | 228 | — |
| Training, Colleges and Universities | 3,471 | 3,996 | 3,996 | — |
| Transportation | 801 | 796 | 796 | — |
| TOTAL OPERATING EXPENSE | 66,616 | 72,579 | 72,579 | — |

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

Note: Consistent with the treatment in the 2002-03 Public Accounts, the Ontario Electricity Financial Corporation (OEFC) is consolidated on a line-by-line basis. Preliminary allocations by ministry incorporating most recent information, pending finalization of the realignment of government ministries currently under way.

CAPITAL EXPENSE

| (\$ Millions) | | 2003-04 | | |
|--|----------------|---------------|-----------------|----------------|
| | | Fall Outlook* | Current Outlook | In-Year Change |
| MINISTRY | Actual 2002-03 | | | |
| Agriculture and Food | 68 | 1 | 1 | — |
| Attorney General | 43 | 31 | 31 | — |
| Community and Social Services | 23 | 13 | 13 | — |
| Community Safety and Correctional Services | 66 | 55 | 55 | — |
| Consumer and Business Services | 1 | 1 | 1 | — |
| Culture | 42 | 65 | 65 | — |
| Economic Development and Trade | 21 | 46 | 46 | — |
| Education | 10 | 16 | 16 | — |
| Energy | 46 | 47 | 47 | — |
| Environment | 13 | 15 | 15 | — |
| Finance | 8 | 11 | 11 | — |
| Health and Long-Term Care | 339 | 504 | 504 | — |
| Management Board Secretariat | 3 | — | — | — |
| Municipal Affairs | 20 | 188 | 188 | — |
| Native Affairs Secretariat | 2 | 3 | 3 | — |
| Natural Resources | 72 | 91 | 91 | — |
| Northern Development and Mines | 391 | 356 | 356 | — |
| Public Infrastructure Renewal | 4 | 169 | 169 | — |
| Capital Contingency Fund | — | 114 | 95 | (19) |
| Tourism and Recreation | 55 | 55 | 55 | — |
| Training, Colleges and Universities | 71 | 100 | 119 | 19 |
| Transportation | 578 | 693 | 693 | — |
| TOTAL CAPITAL EXPENSE** | 1,876 | 2,574 | 2,574 | — |

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

** Capital expenses includes transfers for capital purposes, the amortization of major tangible capital assets owned by Provincial ministries, repairs, maintenance and other, including the capital contingency fund. Consistent with the recommendation of the Public Sector Accounting Board (PSAB), the cost of acquisition or construction of major tangible capital assets owned by the Province is amortized to expense over their useful lives.

Note: Preliminary allocations by ministry incorporating most recent information, pending finalization of the realignment of government ministries currently under way.

Schedule of Net Investment in Capital Assets (\$ Millions)

| | 2003-04 Current Outlook | | | Total |
|--|-------------------------|-------------------------------|--|------------|
| | Land and Buildings | Transportation Infrastructure | Government Organizations' Capital Assets | |
| Acquisition/Construction of Major Tangible Capital Assets | 133 | 1,042 | 346 | 1,521 |
| Amortization of Provincially Owned Major Tangible Capital Assets | (110) | (546) | (163) | (819) |
| NET INVESTMENT IN CAPITAL ASSETS* | 23 | 496 | 183 | 702 |

* Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction.

ONTARIO'S 2003-04 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)

| | Actual 2002-03 | 2003-04 | | |
|--|-------------------|------------------|--------------------|-------------------|
| | | Fall Outlook* | Current Outlook | In-Year Change |
| Deficit / (Surplus) | (117) | 5,621 | 5,621 | — |
| Adjustments for: | | | | |
| Non-Cash Items Included in Deficit / (Surplus) | (4,003) | 855 | 855 | — |
| Amortization of Tangible Capital Assets | (715) | (819) | (819) | — |
| Acquisitions of Tangible Capital Assets | 1,323 | 1,521 | 1,521 | — |
| Maturities of Debt | | | | |
| Province | 12,196 | 9,800 | 9,800 | — |
| Ontario Electricity Financial Corporation | 3,952 | 3,495 | 3,495 | — |
| Total | 16,148 | 13,295 | 13,295 | — |
| Early Redemptions of Debt | 1,122 | 1,100 | 1,100 | — |
| Canada Pension Plan Borrowing | — | (158) | (158) | — |
| Increase / (Decrease) in Cash and Cash Equivalents | 2,838 | (2,000) | (2,000) | — |
| Decrease / (Increase) in Short-Term Borrowing | (1,727) | (300) | (300) | — |
| Other Uses / (Sources) of Cash** | 2,438 | 3,590 | 3,590 | — |
| Long-Term Public Borrowing Requirement | 17,307 | 22,705 | 22,705 | — |

* As presented in the 2003 Ontario Economic Outlook and Fiscal Review.

** Includes net repayment from, or loans to, agencies and the transfer of all deposits with the Province of Ontario Savings Office (POSO) to Desjardins Credit Union on April 1, 2003.

Borrowing Program Status (\$ Millions)

| | Completed | Remaining | Total |
|---|---------------|--------------|---------------|
| Province | 14,235 | 3,957 | 18,192 |
| Ontario Electricity Financial Corporation | 4,024 | 489 | 4,513 |
| TOTAL | 18,259 | 4,446 | 22,705 |

Note: Consistent with the treatment in the 2002-03 Public Accounts, the borrowing program of OEFC was consolidated with that of the Province.

◆ Long-term public borrowing undertaken in the year to date as of December 31, 2003 was \$18,259 million as follows:

| | (\$ Millions) |
|------------------------|---------------|
| Ontario Savings Bonds | 3,770 |
| Domestic Issues | 8,239 |
| Euro Medium Term Notes | 2,039 |
| Global Issues | 3,954 |
| Other | 257 |
| | 18,259 |