

Fiscal Summary (\$ Millions)				
	Interim 2004-05	2005-06		
		Budget Plan	Current* Outlook	In-Year Change
Revenue	77,137	81,687	81,687	-
Expense				
Programs	67,622	71,014	71,014	-
Capital	2,899	2,673	2,673	-
Interest on Debt	9,609	9,796	9,796	-
Total Expense	80,130	83,483	83,483	-
Surplus/(Deficit) Before Reserve	(2,993)	(1,796)	(1,796)	-
Reserve	-	1,000	1,000	-
SURPLUS / (DEFICIT)	(2,993)	(2,796)	(2,796)	-

* First-quarter fiscal forecast as at June 30, 2005.

HIGHLIGHTS

2005-06 IN-YEAR PERFORMANCE

DEFICIT OUTLOOK AT \$2.8 BILLION

- ♦ The 2005-06 deficit outlook is on track with the fiscal outlook presented in the 2005 Ontario Budget. As at June 30, 2005, a deficit of \$2,796 million is projected for 2005-06, unchanged from the Budget Plan.

REVENUE AT \$81.7 BILLION

- ♦ The revenue outlook, at \$81,687 million, is unchanged from the fiscal outlook presented in the Budget Plan.

EXPENSE AT \$83.5 BILLION

- ♦ Total expense, at \$83,483 million, is unchanged from the fiscal outlook presented in the Budget Plan.

RESERVE AT \$1.0 BILLION

- ♦ The Budget Plan includes a \$1 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

MAY 7TH AGREEMENT

- ♦ On May 7th, the Ontario government reached an agreement with the federal government, which will see additional federal spending in Ontario of \$5.75 billion between now and 2009-10. The fiscal impact of the agreement between Premier McGuinty and Prime Minister Martin has not been included in the first-quarter Ontario Finances. Discussions with the federal government regarding the implementation of this agreement are currently underway. As details become available, they will be reported in future quarterly updates.

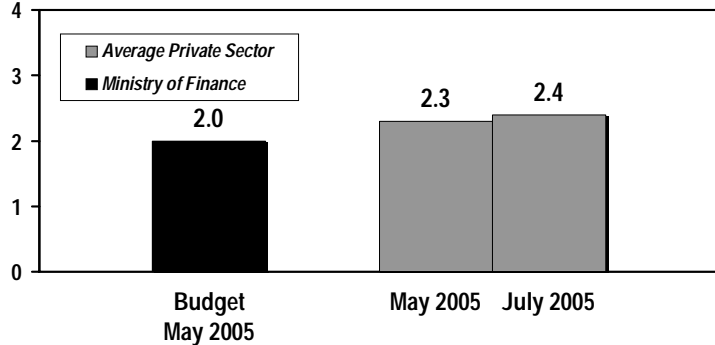
ONTARIO ECONOMIC OUTLOOK

Ontario's economic growth is expected to be moderate in 2005, with real GDP rising by 2.0 per cent, after an increase of 2.8 per cent in 2004. The slower rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices and an easing in the pace of growth in the U.S. economy.

The average recent private-sector forecast for Ontario economic growth is 2.4 per cent in 2005, up from 2.3 per cent at the time of the Budget.

Ontario Economic Outlook for 2005 2005 Budget and Average Private-Sector Forecast

Real GDP Growth, Per Cent



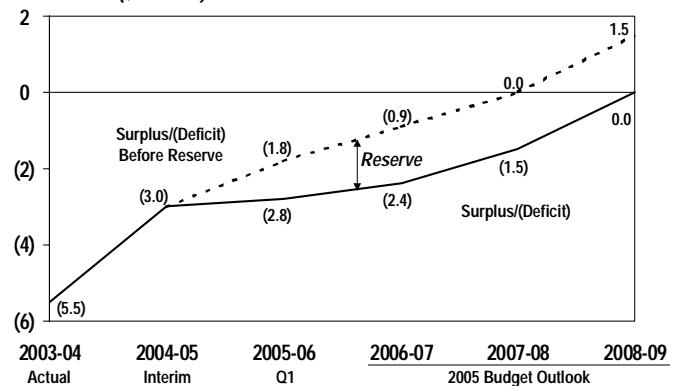
ONTARIO FISCAL OUTLOOK

The creation of Ontario's structural deficit started in 2000-01, when program spending growth began to outpace growth in taxation revenue. Between 2000-01 and 2003-04, spending on Provincial programs grew by 21 per cent while Provincial taxation revenue, which provides the bulk and most stable source of Provincial revenue, actually declined by 0.7 per cent.

The government's medium-term fiscal plan aims to reduce the Provincial deficit from the \$5.5 billion recorded in 2003-04 and \$3.0 billion in 2004-05 by setting steadily declining deficit targets of \$2.8 billion in 2005-06, \$2.4 billion in 2006-07, \$1.5 billion in 2007-08, and achieving a balanced budget no later than 2008-09. A balanced budget will be achieved one year earlier, if the reserve is not required in 2007-08.

Medium-Term Deficit Reduction Plan

Fiscal Balance (\$ Billions)



The government is on track to achieve the deficit target of \$2.8 billion in 2005-06. The medium-term fiscal plan also includes reserves to protect against unexpected and adverse changes in the economic and fiscal outlook.

FISCAL PERFORMANCE

REVENUE AT \$81.7 BILLION

- ♦ The revenue outlook, at \$81,687 million, is unchanged from the 2005-06 Budget Plan.

EXPENSE AT \$83.5 BILLION

- ♦ The expense outlook, at \$83,483 million, is unchanged from the 2005-06 Budget Plan.

OPERATING EXPENSE

- ♦ Total program expense, at \$71,014 million, is unchanged from the 2005-06 Budget Plan. Ministry program expense changes in the first quarter, and the corresponding offsets, include:
 - ♦ Native Affairs Secretariat: An additional \$30 million for settlement of the Rainy River land claim agreement, signed by Ontario, Canada and the Rainy River First Nation, fully offset from the Contingency Fund.
 - ♦ Ministry of Northern Development and Mines: An additional \$5 million for the Far North Geological Mapping Initiative, fully offset from the Contingency Fund.
 - ♦ The Interest on Debt expense forecast, at \$9,796 million, is unchanged from the 2005-06 Budget Plan.

CAPITAL EXPENSE

- ♦ Capital expense, at \$2,673 million, is unchanged from the 2005-06 Budget Plan.

RESERVE AT \$1.0 BILLION

- ♦ The reserve, at \$1 billion, is unchanged from the 2005-06 Budget Plan.

Statement of Financial Transactions (\$ Millions)					
	2001-02	2002-03	Actual 2003-04	Interim 2004-05	Current* Outlook 2005-06
Revenue	66,534	68,891	68,400	77,137	81,687
Expense					
Programs	53,932	57,204	62,104	67,622	71,014
Capital**	1,890	1,876	2,175	2,899	2,673
Interest on Debt	10,337	9,694	9,604	9,609	9,796
Total Expense	66,159	68,774	73,883	80,130	83,483
Surplus / (Deficit) Before Reserve	375	117	(5,483)	(2,993)	(1,796)
Reserve	-	-	-	-	1,000
Surplus / (Deficit)	375	117	(5,483)	(2,993)	(2,796)
Net Debt†	132,121	132,647	138,557	142,228	146,017
Accumulated Deficit†	132,121	118,705	124,188	127,181	129,977

* First-quarter fiscal forecast as at June 30, 2005.

** 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. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Selected Economic and Fiscal Statistics					
	2001-02	2002-03	Actual 2003-04	Interim 2004-05	Current* Outlook 2005-06
Gross Domestic Product (GDP) at Market Prices*** (\$ Millions)	453,959	477,911	493,802	516,844	537,001
Ontario Population (000s) - July 1	11,898	12,102	12,257	12,393	12,551
Ontario Revenue as a per cent of GDP	14.7	14.4	13.9	14.9	15.2
Ontario Revenue Growth (%)	0.4	3.5	(0.7)	12.8	5.9
Ontario Total Expense as a per cent of GDP	14.6	14.4	15.0	15.5	15.5
Ontario Total Expense Growth (%)	2.7	4.0	7.4	8.5	4.2
Ontario Total Program Expense as a per cent of GDP	11.9	12.0	12.6	13.1	13.2
Ontario Total Program Expense Growth (%)	4.9	6.1	8.6	8.9	5.0
Ontario Interest on Debt as a per cent of Revenue	15.5	14.1	14.0	12.5	12.0
Ontario Interest on Debt as a per cent of Total Expense	15.6	14.1	13.0	12.0	11.7
Ontario Interest on Debt as a per cent of GDP	2.3	2.0	1.9	1.9	1.8
Ontario Surplus / (Deficit) as a per cent of GDP	0.1	0.0	(1.1)	(0.6)	(0.5)
Net Debt per capita (\$)	11,104	10,961	11,304	11,476	11,634
Net Debt as a per cent of GDP	29.1	27.8	28.1	27.5	27.2
Accumulated Deficit per capita (\$)	11,104	9,809	10,132	10,262	10,356
Accumulated Deficit as a per cent of GDP	29.1	24.8	25.1	24.6	24.2

* First-quarter fiscal forecast as at June 30, 2005.

*** Reflects Statistics Canada's revisions to the National Income and Expenditure Accounts, and the Ontario Economic Accounts.

Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH CONTINUES

- ♦ Ontario's real GDP grew by 0.5 per cent in the first calendar quarter of 2005. Growth was supported by household and business spending and by a modest improvement in Ontario's net trade position. A slower pace of inventory accumulation was the main source of weakness for the economy.

SOLID JOB CREATION IN 2005

- ♦ Over the first six months of 2005, Ontario has gained 76,300 jobs compared to the same period last year, a 1.2 per cent increase. In June, Ontario gained 6,900 net new jobs, the fifth consecutive monthly job gain. The June unemployment rate was 6.7 per cent.
- ♦ Ontario employment increased by 1.7 per cent or 108,000 new jobs in 2004, while the unemployment rate for the year fell to 6.8 per cent from 7.0 per cent in 2003.

RETAIL SALES GROWING

- ♦ Over the first five months of 2005, Ontario retail sales were 4.3 per cent higher than the same period in 2004.

INFLATION REMAINS MODERATE

- ♦ The Ontario CPI inflation rate rose to 1.9 per cent (year-to-year) in June from 1.5 per cent in May. In 2004, the Ontario CPI Inflation rate was 1.9 per cent, down from 2.7 per cent in 2003 and the lowest rate since 1999.

ACTIVITY IN HOUSING MARKET MODERATES

- ♦ Over the first six months of 2005, Ontario housing starts were 4.1 per cent lower than during the same period last year.
- ♦ Over the first five months of 2005, Ontario home resales were 4.5 per cent lower than the record-setting pace of 2004. Average prices for a resale home were up 7.0 per cent in May from a year ago.

NON-RESIDENTIAL BUILDING PERMITS STRONGER

- ♦ Over the first five months of 2005, the value of Ontario building permits issued for commercial, industrial and institutional construction was 19.9 per cent higher than the same period a year ago. A total of \$3.2 billion in construction permits has been issued over this period.

MANUFACTURING SHIPMENTS GROW / INTERNATIONAL EXPORTS WEAKER IN 2005

- ♦ Over the first five months of 2005, Ontario shipments were 2.3 per cent higher than the same period in 2004.
- ♦ So far this year, Ontario international exports were down 0.7 per cent from the first five months of last year, while imports were up 4.1 per cent.

KEY ECONOMIC INDICATORS (Per Cent Change from previous period, unless indicated otherwise)								
		Annual	Annual	Quarterly				
		2003	2004	04:1	04:2	04:3	04:4	05:1
Output (Seasonally Adjusted at Annual Rates)								
Real GDP	Ontario	1.7	2.8	1.3	6.2	6.0	2.7	2.0
Nominal GDP	Ontario	3.3	4.7	4.0	9.9	6.5	5.1	4.1
		Annual	Annual	Monthly 2005				
		2003	2004	Feb	Mar	Apr	May	Jun
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)		174	103	25	14	23	40	(3)
Employment (Change in 000s)		173	108	19	7	26	32	7
Unemployment Rate (%)		7.0	6.8	6.8	6.9	6.8	6.9	6.7
Household Sector								
Retail Sales		3.4	3.2	0.3	(0.1)	1.8	(2.6)	N/A
Housing Starts (000s)*		85.2	85.1	73.9	72.3	86.3	74.7	103.6
MLS Home Resales**		3.6	7.0	1.3	(14.3)	(5.0)	0.3	N/A
Manufacturing Shipments		(1.7)	7.0	(2.1)	(3.6)	1.4	(0.7)	N/A
Transportation Equipment		(3.3)	5.0	(4.8)	(9.7)	4.9	(1.5)	N/A
Consumer Price Index**		2.7	1.9	2.2	2.3	2.3	1.5	1.9
Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ward's Automotive.								

* Monthly housing starts are expressed at a seasonally adjusted annual rate.

** per cent change from a year earlier.

N/A = Data not available.

ONTARIO FINANCES

FINANCIAL TABLES

REVENUE

(\$ Millions)	Interim 2004-05	2005-06		
		Budget Plan	Current* Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	19,095	20,026	20,026	-
Retail Sales Tax	14,903	15,475	15,475	-
Corporations Tax	9,513	9,248	9,248	-
Employer Health Tax	3,886	4,033	4,033	-
Ontario Health Premium	1,749	2,422	2,422	-
Gasoline Tax	2,283	2,308	2,308	-
Fuel Tax	719	733	733	-
Tobacco Tax	1,466	1,511	1,511	-
Land Transfer Tax	1,056	1,056	1,056	-
Electricity Payments-In-Lieu of Taxes	509	656	656	-
Other Taxes	284	258	258	-
	55,463	57,726	57,726	-
GOVERNMENT OF CANADA				
Canada Health Transfer (CHT)**	5,636	7,127	7,127	-
Canada Social Transfer (CST)***	2,917	3,311	3,311	-
CHST Supplements	775	584	584	-
Social Housing	521	520	520	-
Infrastructure Programs	222	293	293	-
Wait Times Reduction Fund	242	243	243	-
Medical Equipment Funds	387	194	194	-
Other Government of Canada	1,324	901	901	-
	12,024	13,173	13,173	-
INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES				
Ontario Lottery and Gaming Corporation	1,970	1,941	1,941	-
Liquor Control Board of Ontario	1,140	1,186	1,186	-
Ontario Power Generation Inc. and Hydro One Inc.	402	887	887	-
Other Government Enterprises	2	5	5	-
	3,514	4,019	4,019	-
OTHER NON-TAX REVENUE				
Reimbursements	1,258	1,319	1,319	-
Electricity Debt Retirement Charge	1,009	1,018	1,018	-
Vehicle and Driver Registration Fees	991	1,017	1,017	-
Power Sales	610	961	961	-
Other Fees and Licences	494	510	510	-
Liquor Licence Revenue	493	502	502	-
Net Reduction of Power Purchase Contract Liability	236	396	396	-
Sales and Rentals	355	369	369	-
Royalties	268	236	236	-
Miscellaneous Other Non-Tax Revenue	422	441	441	-
	6,136	6,769	6,769	-
TOTAL REVENUE	77,137	81,687	81,687	-

* First-quarter fiscal forecast as at June 30, 2005.

** Health Reform Fund included in CHT in 2004-05.

***Includes 2005 Federal Budget additional Early Learning and Child Care revenues of \$272 million in 2005-06.

OPERATING EXPENSE

MINISTRY	Interim 2004-05	2005-06		
		Budget Plan	Current* Outlook	In-Year Change
Agriculture and Food	733	564	564	-
One-Time and Extraordinary Costs	444	-	-	-
Attorney General	1,183	1,199	1,199	-
Board of Internal Economy	149	167	167	-
Children and Youth Services	2,856	3,196	3,196	-
Citizenship and Immigration	56	63	63	-
Community and Social Services	6,393	6,595	6,595	-
Community Safety and Correctional Services	1,741	1,753	1,753	-
Consumer and Business Services	201	178	178	-
Culture	295	275	275	-
Democratic Renewal Secretariat	2	4	4	-
Economic Development and Trade	279	688	688	-
Education	10,526	11,267	11,267	-
Teachers' Pension Plan (TPP)	240	290	290	-
Energy	138	148	148	-
Environment	310	314	314	-
Executive Offices	19	19	19	-
Finance - Own Account	1,141	1,126	1,126	-
Interest on Debt	9,609	9,796	9,796	-
Community Reinvestment Fund/Ontario Municipal Partnership Fund	626	662	662	-
Community Reinvestment Fund One-Time Transition Funding	233	-	-	-
Power Purchases	850	961	961	-
Health and Long-Term Care	31,112	32,948	32,948	-
Intergovernmental Affairs	13	8	8	-
Labour	132	146	146	-
Management Board Secretariat	687	469	469	-
Retirement Benefits	493	514	514	-
Contingency Fund	-	557	522	(35)
Municipal Affairs and Housing	771	683	683	-
Native Affairs Secretariat	18	14	44	30
Natural Resources	485	492	492	-
Northern Development and Mines	79	111	116	5
Office of Francophone Affairs	4	4	4	-
Public Infrastructure Renewal	20	30	30	-
Tourism and Recreation	184	163	163	-
Training, Colleges and Universities	4,298	4,781	4,781	-
Transportation	911	975	975	-
Year-End Savings	-	(350)	(350)	-
TOTAL OPERATING EXPENSE	77,231	80,810	80,810	-

* First-quarter fiscal forecast as at June 30, 2005.

Note: Does not reflect government restructuring of ministries as announced on June 29, 2005. Work is currently underway to implement the new government structure and will be reflected in future fiscal updates.

CAPITAL EXPENSE†

(\$ Millions)		2005-06		
MINISTRY	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
Agriculture and Food	4	11	11	-
Attorney General	37	75	75	-
Children and Youth Services	5	109	109	-
Community and Social Services	20	33	33	-
Community Safety and Correctional Services	32	48	48	-
Consumer and Business Services	4	5	5	-
Culture	67	115	115	-
Economic Development and Trade	77	82	82	-
Education	50	6	6	-
Energy	53	49	49	-
Environment	7	13	13	-
Finance	5	5	5	-
Health and Long-Term Care	531	339	339	-
Management Board Secretariat**	(5)	(18)	(18)	-
Municipal Affairs and Housing	273	392	392	-
Native Affairs Secretariat	2	3	3	-
Natural Resources	74	53	53	-
Northern Development and Mines	357	421	421	-
Public Infrastructure Renewal	46	57	57	-
Capital Contingency Fund	-	175	175	-
Tourism and Recreation	65	93	93	-
Training, Colleges and Universities	421	135	135	-
Transportation	774	622	622	-
Year-End Savings	-	(150)	(150)	-
TOTAL CAPITAL EXPENSE	2,899	2,673	2,673	-

† 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. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

* First-quarter fiscal forecast as at June 30, 2005.

** Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03 any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

Note: Does not reflect government restructuring of ministries as announced on June 29, 2005. Work is currently underway to implement the new government structure and will be reflected in future fiscal updates.

Schedule of Net Investment in Capital Assets – 2005-06 Current Outlook*				
(\$ Millions)				
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	160	1,131	526	1,817
Amortization of Provincially Owned Major Tangible Capital Assets	(84)	(534)	(206)	(824)
NET INVESTMENT IN CAPITAL ASSETS	76	597	320	993

* First-quarter fiscal forecast as at June 30, 2005.

ONTARIO'S 2005-06 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)				
		2005-06		
	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	2,993	2,796	2,796	-
Adjustments for:				
Non-Cash Items Included in Deficit	(1,971)	2,309	2,309	-
Amortization of Major Tangible Capital Assets	(796)	(824)	(824)	-
Acquisitions of Major Tangible Capital Assets	1,474	1,817	1,817	-
Debt Maturities	15,313	20,500	20,500	-
Debt Redemptions	1,377	700	700	-
Canada Pension Plan Borrowing	(1,033)	(1,214)	(1,159)	55
Increase / (Decrease) in Cash and Cash Equivalents	-	-	(558)	(558)
Pre-funding for 2005-06	5,940	-	-	-
Decrease / (Increase) in Short-Term Borrowing	180	-	-	-
Other Uses / (Sources) of Cash	1,365	1,144	1,647	503
Long-Term Public Borrowing Requirement	24,842	27,228	27,228	-

* First-quarter fiscal forecast as at June 30, 2005.

Borrowing Program Status (as at June 30, 2005) (\$ Billions)			
	Completed	Remaining	Total
Province	11.6	13.1	24.7
Ontario Electricity Financial Corporation	0.7	1.8	2.5
TOTAL	12.3	14.9	27.2

- ♦ Long-Term Public Borrowing undertaken as at June 30, 2005, was \$12.3 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.8
Domestic Issues	8.2
Global Issues	1.8
Euro Medium Term Notes	0.3
Other	0.2
	12.3

- ♦ The current outlook for the Total Long-Term Public Borrowing Requirement is unchanged from the Budget Plan. In-year changes to the components of the Total Long-Term Public Borrowing Requirement are:
 - ♦ An increase in Other Uses/(Sources) of Cash, which is mainly attributable to projected short-term loans to the Ontario Power Authority (OPA), to bridge the timing of their cash flow requirements.
 - ♦ Use of \$55 million of Canada Pension Plan (CPP) borrowing to finance early retirement of less cost-effective debt. This \$55 million is unavailable to reduce the Long-Term Public Borrowing Requirement.
 - ♦ These items are offset by an equivalent reduction in Cash and Cash Equivalents.