

Fiscal Summary (\$ Millions)				
	Actual 2004-05	2005-06		
		Budget Plan	Current* Outlook	In-Year Change
Revenue	77,841	81,687	82,132	445
Expense				
Programs	67,009	71,014	71,224	210
Capital	3,019	2,673	2,706	33
Interest on Debt	9,368	9,796	9,571	(225)
Total Expense	79,396	83,483	83,501	18
Surplus/(Deficit) Before Reserve	(1,555)	(1,796)	(1,369)	427
Reserve	--	1,000	1,000	-
SURPLUS / (DEFICIT)	(1,555)	(2,796)	(2,369)	427

* Third-quarter fiscal forecast as at December 31, 2005.

HIGHLIGHTS

2005-06 IN-YEAR PERFORMANCE

ECONOMIC OUTLOOK

- ♦ Ministry of Finance revised its real GDP growth projection for 2005 up from 2.0 per cent at the time of the 2005 Ontario Budget to 2.2 per cent in the 2005 Economic Outlook and Fiscal Review.

DEFICIT OUTLOOK AT \$2.4 BILLION

- ♦ The 2005-06 deficit outlook is \$2,369 million, an improvement of \$427 million from that presented in the 2005 Budget Plan and is unchanged from the fiscal outlook included in the 2005 Economic Outlook and Fiscal Review. If the reserve is not required by year-end, the deficit is projected to be \$1,369 million.

REVENUE OUTLOOK AT \$82.1 BILLION

- ♦ The 2005-06 revenue outlook, at \$82,132 million, is up a net \$445 million from that presented in the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review.

EXPENSE OUTLOOK AT \$83.5 BILLION

- ♦ The 2005-06 total expense outlook, at \$83,501 million, is up a net \$18 million from that presented in the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review.

RESERVE AT \$1.0 BILLION

- ♦ The current fiscal outlook maintains a \$1.0 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

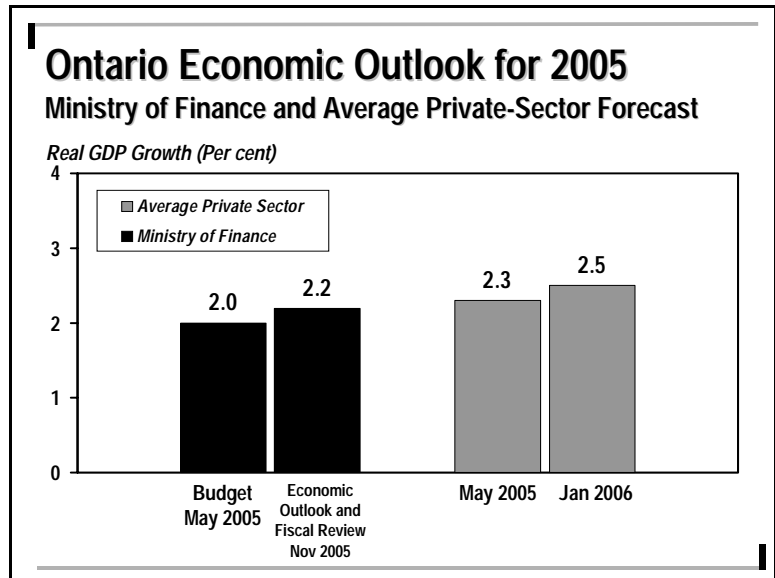
ONTARIO'S ECONOMIC OUTLOOK

Over the first three quarters of 2005, the Ontario economy was remarkably resilient in the face of adverse factors such as higher oil prices and the appreciation of the Canadian dollar.

The Ministry of Finance raised its real GDP growth assumption from 2.0 per cent in the 2005 Budget to 2.2 per cent in the 2005 Economic Outlook and Fiscal Review.

The average private-sector forecast for Ontario economic growth is currently 2.5 per cent in 2005, up from 2.3 per cent at the time of the Budget.

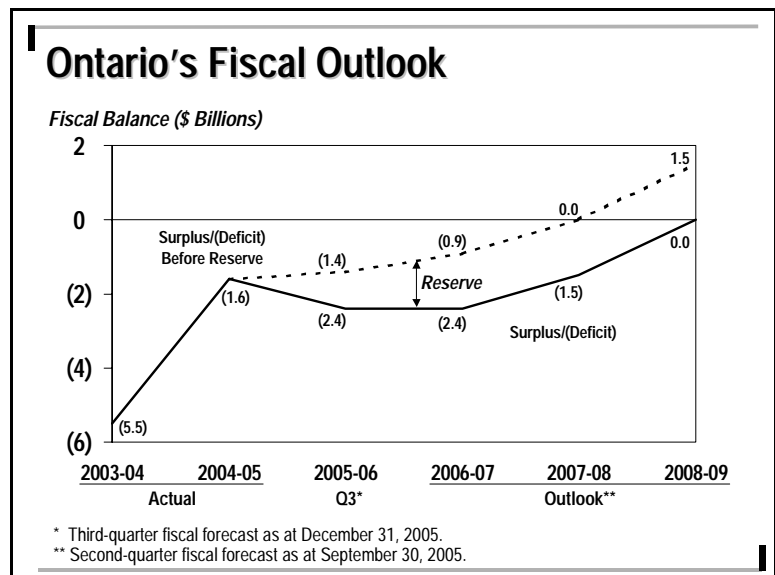
Private-sector forecasts for 2006 and beyond have weakened since the 2005 Budget, primarily due to higher oil prices and the stronger Canadian dollar (from 2.9 per cent to 2.5 per cent for 2006, from 3.7 per cent to 3.0 per cent for 2007, and from 3.7 per cent to 3.3 per cent for 2008).



ONTARIO'S FISCAL OUTLOOK

The government's medium-term fiscal plan, as outlined in the 2005 Budget, is to eliminate the deficit no later than 2008-09. A balanced budget will be achieved one year earlier, if the reserve is not required in 2007-08.

The 2005 Economic Outlook and Fiscal Review reported that the fiscal outlook for 2005-06 is expected to improve from the 2005 Budget deficit projection of \$2.8 billion. The 2005-06 deficit projection is unchanged from the 2005 Economic Outlook and Fiscal Review, and is currently forecast at \$2.4 billion, or \$1.4 billion if the reserve is not required by year-end.



FISCAL PERFORMANCE

REVENUE AT \$82.1 BILLION

- ♦ The 2005-06 revenue outlook at \$82,132 million is up a net \$445 million from that presented in the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review. The increase from the 2005 Budget is mainly due to higher revenues from processing 2004 Personal Income Tax and Corporations Tax returns.
- ♦ The 2005-06 outlook maintains the prudent approach adopted in the 2005 Economic Outlook and Fiscal Review. While economic growth in calendar-year 2005 is stronger than projected in the 2005 Budget and could boost 2005-06 revenues, risks to the outlook remain. Recent economic forecasts indicate slower growth in calendar-year 2006, which could lower revenues in the last quarter of fiscal-year 2005-06. In addition, further revenue information will arrive later in fiscal-year 2005-06, notably the finalization of 2004 tax return processing and 2005 Corporations Tax instalment payments. Given these risks and uncertainties, the revenue outlook is unchanged from the previous quarter.

EXPENSE AT \$83.5 BILLION

- ♦ The 2005-06 total expense outlook, at \$83,501 million, is up a net \$18 million from the 2005 Budget Plan and is unchanged from the outlook included in the 2005 Economic Outlook and Fiscal Review. The increase from the 2005 Budget, as outlined in the 2005 Economic Outlook and Fiscal Review, is mainly due to an in-year increase of \$221 million related to obligations for retirement benefits, \$28 million for the Forest Sector Strategy, and interest on debt savings of \$225 million.

OPERATING EXPENSE

- ♦ The 2005-06 total operating expense outlook, at \$80,795 million, is down a net \$15 million from the 2005 Budget Plan and down a net \$33 million this quarter.
- ♦ The 2005-06 total program expense outlook, at \$71,224 million, is up a net \$210 million from the 2005 Budget Plan and down a net \$33 million from the outlook in the 2005 Economic Outlook and Fiscal Review. Ministry program expense changes in the third quarter, and the corresponding offsets, include:
 - ♦ Ministry of the Attorney General: An additional \$2 million for the expansion of the Guns and Gangs Task Force, fully offset from the Contingency Fund.
 - ♦ Ministry of Children and Youth Services: A net increase of \$2 million, due to an increase this quarter of \$35 million for Children's Aid Societies to address higher-than-planned caseloads, offset from the Contingency Fund; and a decrease of \$33 million due to the realignment of funding from operating to capital to support the expansion of licenced child care spaces, as part of the Province's Best Start Plan. The Best Start initiative is supported by federal Early Learning and Child Care funding.
 - ♦ Ministry of Citizenship and Immigration: An additional \$6 million, mainly to enhance the Ministry's capacity to provide support for newcomers and to implement the Canada-Ontario Immigration Agreement signed on November 21, 2005, both fully offset from the Contingency Fund.
 - ♦ Ministry of Community Safety and Correctional Services: An additional \$5 million to support the Toronto Police Service's offensive against guns and gangs, fully offset from the Contingency Fund.
- ♦ The 2005-06 Interest on Debt expense forecast, at \$9,571 million, is down \$225 million from the 2005 Budget Plan and is unchanged from the 2005 Economic Outlook and Fiscal Review.

CAPITAL EXPENSE

- ♦ The 2005-06 capital expense outlook, at \$2,706 million, is up a net \$33 million from the 2005 Budget Plan and the outlook included in the 2005 Economic Outlook and Fiscal Review. Ministry capital expense changes in the third quarter include:
 - ♦ Ministry of Children and Youth Services: An additional \$33 million due to the realignment of funding from operating to capital to support the expansion of licenced child care spaces, as part of the Province's Best Start Plan.

RESERVE AT \$1.0 BILLION

- ♦ The current 2005-06 fiscal outlook includes a \$1.0 billion reserve, unchanged from the 2005 Budget and the 2005 Economic Outlook and Fiscal Review. The reserve is included to protect against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not required this year, the deficit is projected to be \$1.4 billion.

Statement of Financial Transactions (\$ Millions)					
	2001-02	2002-03	2003-04	Actual 2004-05	Current* Outlook 2005-06
Revenue	66,534	68,891	68,400	77,841	82,132
Expense					
Programs	53,932	57,204	62,104	67,009	71,224
Capital**	1,890	1,876	2,175	3,019	2,706
Interest on Debt	10,337	9,694	9,604	9,368	9,571
Total Expense	66,159	68,774	73,883	79,396	83,501
Surplus / (Deficit) Before Reserve	375	117	(5,483)	(1,555)	(1,369)
Reserve	-	-	-	-	1,000
Surplus / (Deficit)	375	117	(5,483)	(1,555)	(2,369)
Net Debt†	132,121	132,647	138,557	140,662	144,024
Accumulated Deficit†	132,121	118,705	124,188	125,743	128,112

* Third-quarter fiscal forecast as at December 31, 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	2003-04	Actual 2004-05	Current* Outlook 2005-06
Gross Domestic Product (GDP) at Market Prices** (\$ Millions)	453,701	478,141	493,345	517,407	538,621
Ontario Population (000s) - July 1	11,898	12,102	12,260	12,407	12,541
Ontario Revenue as a per cent of GDP	14.7	14.4	13.9	15.0	15.2
Ontario Revenue Growth (%)	0.4	3.5	(0.7)	13.8	5.5
Ontario Total Expense as a per cent of GDP	14.6	14.4	15.0	15.3	15.5
Ontario Total Expense Growth (%)	2.7	4.0	7.4	7.5	5.2
Ontario Total Program Expense as a per cent of GDP	11.9	12.0	12.6	13.0	13.2
Ontario Total Program Expense Growth (%)	4.9	6.1	8.6	7.9	6.3
Ontario Interest on Debt as a per cent of Revenue	15.5	14.1	14.0	12.0	11.7
Ontario Interest on Debt as a per cent of Total Expense	15.6	14.1	13.0	11.8	11.5
Ontario Interest on Debt as a per cent of GDP	2.3	2.0	1.9	1.8	1.8
Ontario Surplus / (Deficit) as a per cent of GDP	0.1	0.0	(1.1)	(0.3)	(0.4)
Net Debt per capita (\$)	11,104	10,961	11,302	11,337	11,484
Net Debt as a per cent of GDP	29.1	27.7	28.1	27.2	26.7
Accumulated Deficit per capita (\$)	11,104	9,809	10,130	10,135	10,215
Accumulated Deficit as a per cent of GDP	29.1	24.8	25.2	24.3	23.8

* Third-quarter fiscal forecast as at December 31, 2005.

** Reflects Statistics Canada's Provincial Economic Accounts, 2005.

Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO ECONOMIC GROWTH STEADY

- ♦ Ontario real GDP grew at a 2.8 per cent annual rate in the third quarter (July to September) of 2005. Growth was led by strong machinery and equipment investment expenditure, solid household spending and a rebound in exports.

STEADY JOB CREATION IN 2005

- ♦ In 2005, Ontario employment increased by 82,600 net new jobs, or 1.3 per cent compared to 2004. The unemployment rate fell to 6.6 per cent in 2005, its lowest annual level since 2001.

RETAIL SALES GROWING

- ♦ Over the first ten months of 2005, Ontario retail sales were 4.7 per cent higher than the same period in 2004.

INFLATION REMAINS MODERATE

- ♦ The Ontario CPI inflation rate rose to 2.1 per cent (year-to-year) in December from 2.0 per cent in November. In 2005, the Ontario CPI inflation rate was 2.2 per cent, up from 1.9 per cent in 2004.

STRONG HOUSING MARKET ACTIVITY

- ♦ Over the first eleven months of 2005, Ontario home resales were just 0.1 per cent lower than the record-setting pace of 2004. The average price for a resale home was up 7.8 per cent in November from a year earlier.

NON-RESIDENTIAL BUILDING PERMITS STRONGER

- ♦ Over the first eleven months of 2005, the value of Ontario building permits issued for commercial, industrial and institutional construction was 7.3 per cent higher than the same period in 2004.

MANUFACTURING SHIPMENTS AND INTERNATIONAL EXPORTS EDGE UP IN 2005

- ♦ Over the first eleven months of 2005, Ontario shipments were 0.8 per cent higher than the same period in 2004.
- ♦ Over the first eleven months of 2005, Ontario international exports were up 0.3 per cent from the same period in 2004, while imports were up 3.5 per cent.

KEY ECONOMIC INDICATORS (Per Cent Change from previous period, unless indicated otherwise)								
		Annual	Annual	Quarterly				
		2003	2004	04:3	04:4	05:1	05:2	05:3
Output (Seasonally Adjusted at Annual Rates)								
Real GDP	Ontario	1.6	2.7	6.1	2.7	2.1	2.3	2.8
Nominal GDP	Ontario	3.2	4.9	7.0	5.6	3.4	4.5	8.3
		Annual	Annual	Monthly 2005				
		2004	2005	Aug	Sep	Oct	Nov	Dec
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)		103	75	9	1	24	(23)	(12)
Employment (Change in 000s)		108	83	10	17	21	1	(18)
Unemployment Rate (%)		6.8	6.6	6.6	6.4	6.4	6.1	6.2
Household Sector								
Retail Sales		3.2	N/A	(1.0)	(1.2)	1.0	N/A	N/A
Housing Starts (000s)*		85.1	N/A	63.5	70.9	61.1	81.5	84.8
MLS Home Resales**		7.0	N/A	10.8	7.3	4.0	3.5	N/A
Manufacturing Shipments								
Transportation Equipment		5.2	N/A	8.1	(5.6)	6.4	(5.5)	N/A
Consumer Price Index**								
		1.9	2.2	2.7	3.3	2.5	2.0	2.1
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)	2005-06			
	Actual 2004-05	Budget Plan	Current* Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	19,320	20,026	20,251	225
Retail Sales Tax	14,855	15,475	15,475	-
Corporations Tax	9,883	9,248	9,488	240
Employer Health Tax	3,886	4,033	4,033	-
Ontario Health Premium	1,737	2,422	2,422	-
Gasoline Tax	2,277	2,308	2,288	(20)
Fuel Tax	727	733	733	-
Tobacco Tax	1,453	1,511	1,511	-
Land Transfer Tax	1,043	1,056	1,056	-
Electricity Payments-In-Lieu of Taxes	511	656	656	-
Other Taxes	283	258	258	-
	55,975	57,726	58,171	445
GOVERNMENT OF CANADA				
Canada Health Transfer (CHT)**	5,640	7,127	7,127	-
Canada Social Transfer (CST)***	2,912	3,311	3,311	-
CHST Supplements	775	584	584	-
Social Housing	522	520	520	-
Infrastructure Programs	209	293	293	-
Wait Times Reduction Fund	242	243	243	-
Medical Equipment Funds	387	194	194	-
Other Government of Canada	1,195	901	901	-
	11,882	13,173	13,173	-
INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES				
Ontario Lottery and Gaming Corporation	1,992	1,941	1,941	-
Liquor Control Board of Ontario	1,147	1,186	1,186	-
Ontario Power Generation Inc. and Hydro One Inc.	444	887	887	-
Other Government Enterprises	(5)	5	5	-
	3,578	4,019	4,019	-
OTHER NON-TAX REVENUE				
Reimbursements	1,241	1,319	1,319	-
Electricity Debt Retirement Charge	997	1,018	1,018	-
Vehicle and Driver Registration Fees	976	1,017	1,017	-
Power Sales	610	961	961	-
Other Fees and Licences	506	510	510	-
Liquor Licence Revenue	489	502	502	-
Net Reduction of Power Purchase Contract Liability	236	396	396	-
Sales and Rentals	352	369	369	-
Royalties	278	236	236	-
Miscellaneous Other Non-Tax Revenue	721	441	441	-
	6,406	6,769	6,769	-
TOTAL REVENUE	77,841	81,687	82,132	445

* Third-quarter fiscal forecast as at December 31, 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

(\$ Millions)		2005-06		
	Actual	Budget	Current*	In-Year
MINISTRY	2004-05	Plan	Outlook	Change
Agriculture, Food and Rural Affairs**	699	605	605	-
One-Time and Extraordinary Assistance†	458	-	-	-
Attorney General	1,175	1,199	1,201	2
Board of Internal Economy	145	167	167	-
Children and Youth Services	2,831	3,196	3,198	2
Citizenship and Immigration**	65	76	82	6
Community and Social Services**	6,372	6,603	6,603	-
Community Safety and Correctional Services	1,718	1,753	1,758	5
Culture	280	275	275	-
Democratic Renewal Secretariat	2	4	4	-
Economic Development and Trade**	80	448	448	-
Education**	10,565	11,340	11,340	-
Teachers' Pension Plan (TPP)	240	290	290	-
Energy	142	148	148	-
Environment	300	314	314	-
Executive Offices	19	19	19	-
Finance - Own Account**	1,049	1,092	1,092	-
Interest on Debt	9,368	9,796	9,571	(225)
Community Reinvestment Fund/Ontario Municipal Partnership Fund	626	662	662	-
Community Reinvestment Fund One-Time Transition Funding	233	-	-	-
Power Purchases	840	961	961	-
Contingency Fund**	-	557	402	(155)
Government Services**	889	663	663	-
Pension and Other Employee Future Benefits**	458	514	735	221
Health and Long-Term Care**	30,797	32,718	32,718	-
Health Promotion**	198	254	254	-
Intergovernmental Affairs	13	8	9	1
Labour	129	146	146	-
Municipal Affairs and Housing**	701	643	643	-
Natural Resources	484	492	584	92
Northern Development and Mines	78	111	116	5
Office of Francophone Affairs	3	4	4	-
Public Infrastructure Renewal**	29	51	51	-
Research and Innovation**	191	235	235	-
Secretariat for Aboriginal Affairs	19	14	45	31
Tourism**	146	139	139	-
Training, Colleges and Universities**	4,187	4,688	4,688	-
Transportation	848	975	975	-
Year-End Savings	-	(350)	(350)	-
TOTAL OPERATING EXPENSE	76,377	80,810	80,795	(15)

* Third-quarter fiscal forecast as at December 31, 2005.

** Preliminary allocations and historical restatements reflecting new ministry structure, pending finalization of restructuring currently underway.

† One-Time and Extraordinary Assistance refers to spending above "normal" levels due to unforeseen events. In 2004-05, low commodity prices and other unforeseen events resulted in one-time assistance totalling \$458 million to producers, including grain and oil seed producers and tobacco producers.

CAPITAL EXPENSE

(\$ Millions)		2005-06		
	Actual	Budget	Current*	In-Year
MINISTRY	2004-05	Plan	Outlook	Change
Agriculture, Food and Rural Affairs**	243	271	271	-
Attorney General	34	75	75	-
Children and Youth Services	4	109	142	33
Community and Social Services**	20	33	33	-
Community Safety and Correctional Services	32	48	48	-
Culture	64	115	115	-
Economic Development and Trade**	5	2	2	-
Education**	54	10	10	-
Energy	52	49	49	-
Environment	7	13	13	-
Finance**	25	4	4	-
Government Services**	8	12	12	-
Health and Long-Term Care**	535	339	339	-
Health Promotion**	-	5	5	-
Municipal Affairs and Housing**	34	132	132	-
Natural Resources	79	53	53	-
Northern Development and Mines	242	421	264	(157)
Public Infrastructure Renewal**, †	43	33	33	-
Capital Contingency Fund	-	175	117	(58)
Research and Innovation**	71	80	80	-
Secretariat for Aboriginal Affairs	2	3	3	-
Tourism**	65	88	88	-
Training, Colleges and Universities**	417	131	131	-
Transportation	983	622	837	215
Year-End Savings	-	(150)	(150)	-
TOTAL CAPITAL EXPENSE ††	3,019	2,673	2,706	33

* Third-quarter fiscal forecast as at December 31, 2005.

** Preliminary allocations and historical restatements reflecting new ministry structure, pending finalization of restructuring currently underway.

† 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 the Ministry of Public Infrastructure Renewal.

†† 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.

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

* Third-quarter fiscal forecast as at December 31, 2005.

Source: Ontario Ministry of Public Infrastructure Renewal.

ONTARIO'S 2005-06 FINANCING PROGRAM

Consolidated Province and Ontario Electricity Financial Corporation (\$ Millions)				
		2005-06		
	Actual 2004-05	Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	1,555	2,796	2,369	(427)
Adjustments for:				
Non-Cash Items Included in Deficit	(1,000)	2,309	2,193	(116)
Amortization of Major Tangible Capital Assets	(801)	(824)	(824)	-
Acquisition of Major Tangible Capital Assets	1,388	1,817	1,817	-
Debt Maturities	15,284	20,500	20,238	(262)
Debt Redemptions	1,354	700	1,135	435
Canada Pension Plan Borrowing	(1,033)	(1,214)	(996)	218
Increase / (Decrease) in Cash and Cash Equivalents	-	-	(185)	(185)
Pre-funding for 2005-06	6,244	-	-	-
Decrease / (Increase) in Short-Term Borrowing	465	-	(975)	(975)
Other Uses / (Sources) of Cash	1,386	1,144	2,112	968
Total Long-Term Public Borrowing Requirement	24,842	27,228	26,884	(344)

* Third-quarter fiscal forecast as at December 31, 2005.

Borrowing Program Status (as at December 31, 2005) (\$ Billions)			
	Completed	Remaining	Total
Province	18.3	6.2	24.5
Ontario Electricity Financial Corporation	1.4	1.0	2.4
TOTAL	19.7	7.2	26.9

- ♦ Long-Term Public Borrowing undertaken as at December 31, 2005, was \$19.7 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	1.8
Domestic Issues	13.6
Global Issues/ US\$ Issues	2.1
Real Return Bonds	0.7
Euro Medium Term Notes	1.3
Other	0.2
	19.7

- ♦ The \$262 million decline in Debt Maturities is mainly due to the Province and investors exercising options to extend the term of four Ontario bond issues.

ONTARIO'S 2005-06 FINANCING PROGRAM

- ♦ The \$435 million increase in Debt Redemptions is a result of higher redemptions of Ontario Savings Bonds (OSBs) in December 2005.
- ♦ The amount of \$218 million of Canada Pension Plan (CPP) borrowing was used to finance the early retirement of less cost-effective debt. This \$218 million is unavailable to reduce the Total Long-Term Public Borrowing Requirement.
- ♦ The increase in Other Uses/(Sources) of Cash is mainly attributable to projected short-term loans to the Ontario Power Authority (OPA) to bridge the timing of their cash flow requirements. This amount is being financed through short-term borrowing.