

FISCAL SUMMARY (\$ Millions)	Interim 2007–08	2008–09		
		Budget Plan	Current* Outlook	In-Year Change
Revenue	96,563	96,920	96,920	–
Expense				
Programs	86,997	87,279	87,279	–
Interest on Debt	8,966	8,891	8,891	–
Total Expense	95,963	96,170	96,170	–
Reserve	–	750	750	–
SURPLUS / (DEFICIT)	600	0	0	–

* First-quarter fiscal forecast as at June 30, 2008.

2008–09 FISCAL OUTLOOK

In the 2008 Ontario Budget, the government outlined a fiscal plan that projected a \$600 million surplus in 2007–08, and ongoing balanced budgets between 2008–09 and 2010–11.

The 2008–09 first-quarter results indicate that the government remains on track to achieve the balanced budget outlook presented in the 2008 Budget. The revenue outlook at \$96,920 million, and the total expense outlook at \$96,170 million, are both unchanged from the fiscal outlook presented in the 2008 Budget.

The 2008–09 current outlook continues to include a \$750 million reserve to help protect the fiscal plan against adverse changes in the Province’s revenue and expense, including those resulting from changes in Ontario’s economic performance. As well, the government remains prudent and disciplined in its approach to managing the Province’s finances.

The consensus forecast now predicts slower economic growth for Ontario than was predicted in the 2008 Budget. However, it is still too early in the fiscal year to determine how this will affect the Province’s revenue and expense outlook. Therefore, the government will continue to closely monitor risks to the economic and fiscal outlook, working to ensure that fiscal targets are met. The Province will also continue to make investments that support the five-point economic plan for growth and job creation in Ontario.

Final results for 2007–08 will be presented later in the summer in the Ontario Public Accounts. The 2007–08 Ontario Public Accounts will confirm whether the \$600 million surplus projected in the 2008 Budget has been achieved, and whether the new *Investing in Ontario Act, 2008*, will be applied.

Updated information on the Province’s medium-term fiscal outlook, including the management of the fiscal plan in the face of slower-than-anticipated economic growth, will be provided in the 2008 Economic Outlook and Fiscal Review later this fall.

ONTARIO ECONOMIC OUTLOOK

Ontario's growth is expected to be modest in 2008, following an increase of 2.2 per cent in 2007.

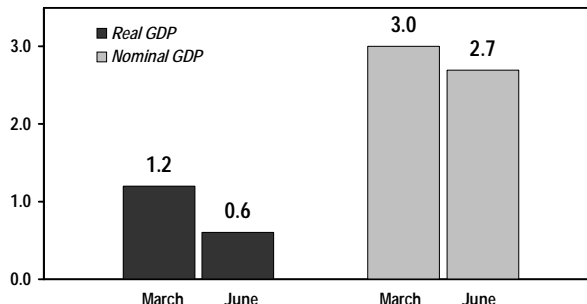
Ontario's economy continues to be challenged by external factors including weak U.S. demand and the related turbulence in financial markets, rapidly rising oil prices, the ongoing high value of the Canadian dollar, increased competition from newly industrialized economies and restructuring in the auto sector. The outlook for 2008 has deteriorated since the March Budget, largely reflecting the unexpected rise in oil prices and weaker-than-expected U.S. demand for Ontario's exports. As of June 27, private-sector forecasters, on average, project Ontario real GDP growth of 0.6 per cent in 2008, down from 1.2 per cent at the time of the 2008 Budget. The Ministry of Finance's assumption for real GDP growth in the 2008 Budget (1.1 per cent) was below the average private-sector forecast at that time.

Private-sector forecasters, on average, expect nominal GDP (measured in current dollars) to increase by 2.7 per cent in 2008, down from 3.0 per cent at the time of the 2008 Ontario Budget.

More information on Ontario's economic performance in 2008 can be found in the First Quarter Ontario Economic Accounts.

Ontario Economic Outlook for 2008 Average Private-Sector Forecast

*Real and Nominal GDP Growth
(Per Cent)*



FISCAL PERFORMANCE

REVENUE AT \$96.9 BILLION

The revenue outlook, at \$96,920 million, is unchanged from the fiscal outlook presented in the 2008 Budget. Risks to the 2008–09 revenue outlook include a decline in the private-sector average outlook for real economic growth in calendar-year 2008 and risks to Corporations Tax revenues related to write-offs in the financial sector. The revenue outlook, however, remains prudent with respect to other economic indicators including growth in 2008 wages and salaries, as well as retail sales. As new information becomes available, any changes to the revenue outlook will be provided in future fiscal updates.

TOTAL EXPENSE AT \$96.2 BILLION

Total expense, at \$96,170 million, is unchanged from the 2008 Budget forecast. Ministry program expense changes this quarter, and the corresponding offsets, include:

- ◆ **Board of Internal Economy:** An increase of \$22.4 million for the Board of Internal Economy, which manages the operations of the legislature and related offices.
- ◆ **Ministry of Children and Youth Services:** An increase of \$11.6 million in funding to improve child protection by establishing an individual savings account program and a pooled fund for enhanced programming for children and youth in child protection, fully offset from the Operating Contingency Fund.
- ◆ **Executive Offices:** An increase of \$1.1 million for international disaster relief in response to the earthquake in Sichuan, China and the cyclone in Burma, to be distributed by the Canadian Red Cross, and fully offset from the Operating Contingency Fund.
- ◆ **Ministry of Government and Consumer Services:** An increase of \$3.1 million for the transfer of responsibility and funding from the Ministry of Health and Long-Term Care for call-centre services to ServiceOntario in support of the Ministry of Government and Consumer Services' mandate as Ontario's customer gateway for government services.
- ◆ **Ministry of Health and Long-Term Care:** A decrease of \$3.1 million for the transfer of responsibility and funding to the Ministry of Government and Consumer Services for call-centre services at ServiceOntario in support of the Ministry of Government and Consumer Services' mandate as Ontario's customer gateway for government services.
- ◆ **Operating Contingency Fund:** A decrease of \$35.0 million in the Operating Contingency Fund, allocated to fund ministries' operating expense changes.

Interest on debt expense for the year remains unchanged from the 2008 Budget, at \$8,891.0 million.

RESERVE AT \$0.8 BILLION

The 2008–09 fiscal outlook includes a \$750 million reserve to help protect the fiscal plan against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance.

STATEMENT OF FINANCIAL TRANSACTIONS					Current*
(\$ Millions)	2004-05	2005-06	2006-07	Interim 2007-08	Outlook 2008-09
Revenue	77,841	84,225	90,397	96,563	96,920
Expense					
Programs	70,028	74,908	79,297	86,997	87,279
Interest on Debt	9,368	9,019	8,831	8,966	8,891
Total Expense	79,396	83,927	88,128	95,963	96,170
Reserve	—	—	—	—	750
Surplus / (Deficit)	(1,555)	298	2,269	600	0
Net Debt ^{†,‡}	140,921	141,928	141,100	142,839	146,232
Accumulated Deficit [†]	125,743	109,155	106,776	106,176	106,176

Note: Starting in 2005-06, the Province's financial reporting was expanded to include hospitals, school boards and colleges using one-line consolidation. Total expense prior to 2005-06 has not been restated to reflect expanded reporting.

* First-quarter fiscal forecast as at June 30, 2008.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the surplus/deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the surplus/deficit. For fiscal 2005-06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards and colleges that were recognized upon consolidation of these Broader Public Sector entities. For fiscal 2006-07, the change in the Accumulated Deficit includes an adjustment to the unfunded liability of the Ontario Electricity Financial Corporation made at the beginning of the year.

‡ Net Debt is restated in 2004-05 and 2005-06 to reflect the value of hydro corridor lands transferred to the Province from Hydro One Inc.

SELECTED ECONOMIC AND FISCAL STATISTICS

	2004-05	2005-06	2006-07	Interim 2007-08	Current* Outlook 2008-09
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	517,068	536,431	559,840	584,053	600,406
Ontario Population (000s) – July 1	12,420	12,565	12,705	12,804	12,920
Personal Income (\$ Millions)	401,066	419,253	441,371	463,520	477,889
Personal Income per Capita (dollars)	32,291	33,366	34,739	36,202	36,989
Ontario Revenue as a per cent of GDP	15.1	15.7	16.1	16.5	16.1
Ontario Total Expense as a per cent of GDP	15.4	15.6	15.7	16.4	16.0
Ontario Total Program Expense as a per cent of GDP	13.5	14.0	14.2	14.9	14.5
Ontario Interest on Debt as a per cent of Total Expense	11.8	10.7	10.0	9.3	9.2
Ontario Interest on Debt as a per cent of GDP	1.8	1.7	1.6	1.5	1.5
Ontario Surplus / (Deficit) as a per cent of GDP	(0.3)	0.1	0.4	0.1	0.0
Net Debt as a per cent of GDP	27.3	26.5	25.2	24.5	24.4
Accumulated Deficit as a per cent of GDP	24.3	20.3	19.1	18.2	17.7

* First-quarter fiscal forecast as at June 30, 2008.

Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO REAL GDP DOWN IN JANUARY-MARCH QUARTER

- ◆ Ontario's real GDP edged down 0.3 per cent (1.4 per cent annualized) in the first quarter of 2008.
- ◆ The decline in real GDP was due mainly to a significant run-down in business inventories, lower business investment and continuing weakness in exports.

JOB CREATION STEADY IN 2008

- ◆ Ontario employment increased by 11,200 net new jobs in May, following a gain of 12,200 in April. The unemployment rate was 6.4 per cent.
- ◆ Since December, employment has increased by 81,000 net new jobs. In 2007, Ontario employment increased by 101,100 net new jobs for a 1.6 per cent gain.

RETAIL SALES UP IN 2008

- ◆ Over the first four months of 2008, Ontario retail sales are 6.5 per cent higher than during the same period in 2007.

INFLATION INCREASE IN MAY

- ◆ The Ontario annual CPI inflation rate was 1.8 per cent in May (year to year), up from 1.3 per cent in April. Excluding energy prices, which increased 8.9 per cent in May from a year earlier, CPI inflation was 1.1 per cent in May, up from 0.8 per cent in April.

ACTIVITY IN HOUSING MARKET

- ◆ In April, Ontario home resales were down 4.8 per cent from the same month a year ago to 20,174 units, marking the fifth consecutive monthly decline. Over the first four months of 2008, Ontario home resales are down 9.3 per cent from the same period last year to 60,566 units. Average resale prices are up 5.0 per cent so far this year.
- ◆ Ontario housing starts decreased 7.0 per cent in May to 71,200 units, declining for the third consecutive month. On a year-to-date basis, urban-area housing starts are 21.4 per cent higher over the first five months of this year compared to the same period in 2007.

MANUFACTURING SALES AND INTERNATIONAL EXPORTS IN 2008

- ◆ The value of Ontario manufacturing sales increased 1.4 per cent in April to \$22.9 billion. Over the first four months of 2008, Ontario manufacturing sales are down 9.0 per cent from the same period last year.
- ◆ In April, the value of Ontario international exports increased 2.0 per cent (Ministry of Finance estimate) while imports rose 7.0 per cent. So far this year, Ontario international exports are down 14.3 per cent from the same period last year while imports are down 7.5 per cent.

KEY ECONOMIC INDICATORS (Per cent change from previous period, unless indicated otherwise)								
		Annual	Annual	Quarterly				
		2006	2007	07:1	07:2	07:3	07:4	08:1
Output (Seasonally Adjusted)								
Real GDP	Ontario	2.5	2.2	0.8	0.8	0.2	0.1	(0.3)
Nominal GDP	Ontario	4.4	4.3	1.2	1.4	0.2	0.8	0.3
		Annual	Annual	Monthly 2008				
		2006	2007	Jan	Feb	Mar	Apr	May
Other Indicators (Seasonally Adjusted)								
Labour Markets								
Labour Force (Change in 000s)		78.2	116.2	(2.3)	31.5	21.9	6.9	14.3
Employment (Change in 000s)		95.0	101.1	12.9	46.2	(1.8)	12.2	11.2
Unemployment Rate (%)		6.3	6.4	6.3	6.1	6.4	6.3	6.4
Household Sector								
Retail Sales		4.1	3.9	1.8	(1.7)	1.0	0.7	N/A
Housing Starts (000s)*		73.4	68.1	74.2	81.8	80.0	76.6	71.2
MLS Home Resales**		(1.1)	9.5	(5.7)	(7.2)	(18.1)	(4.8)	N/A
Manufacturing Shipments		(3.2)	(1.1)	1.7	2.1	(3.2)	1.4	N/A
Transportation Equipment		(7.1)	(3.0)	3.4	8.8	(7.9)	(0.5)	N/A
Consumer Price Index**		1.8	1.8	2.1	1.5	0.8	1.3	1.8

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

** Per cent change from a year earlier.

N/A = Data not available.

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation and Canadian Real Estate Association.

ONTARIO FINANCES

FINANCIAL TABLES

REVENUE

(\$ Millions)	Interim 2007–08	2008–09		
		Budget Plan	Current* Outlook	In-Year Change
Taxation Revenue				
Personal Income Tax	24,666	25,171	25,171	–
Retail Sales Tax	16,880	17,206	17,206	–
Corporations Tax	12,746	12,339	12,339	–
Employer Health Tax	4,672	4,821	4,821	–
Ontario Health Premium	2,708	2,809	2,809	–
Gasoline Tax	2,357	2,380	2,380	–
Land Transfer Tax	1,422	1,343	1,343	–
Tobacco Tax	1,121	1,092	1,092	–
Fuel Tax	726	742	742	–
Electricity Payments-In-Lieu of Taxes	558	600	600	–
Other Taxes	466	472	472	–
	68,322	68,975	68,975	–
Government of Canada				
Canada Health Transfer (CHT)	8,445	8,826	8,826	–
Canada Social Transfer (CST)	3,872	4,089	4,089	–
Social Housing	517	514	514	–
Wait Times Reduction Fund	468	235	235	–
Infrastructure Programs	219	234	234	–
Other Government of Canada	3,343	2,559	2,559	–
	16,864	16,457	16,457	–
Income from Investment in Government Business Enterprises				
Ontario Lottery and Gaming Corporation	1,805	1,772	1,772	–
Liquor Control Board of Ontario	1,366	1,420	1,420	–
Ontario Power Generation Inc. and Hydro One Inc.	930	930	930	–
Other Government Enterprises	2	–	–	–
	4,103	4,122	4,122	–
Other Non-Tax Revenue				
Reimbursements	1,524	1,412	1,412	–
Vehicle and Driver Registration Fees	1,027	1,044	1,044	–
Electricity Debt Retirement Charge	995	1,004	1,004	–
Power Sales	831	856	856	–
Sales and Rentals	523	701	701	–
Other Fees and Licences	624	615	615	–
Liquor Licence Revenue	454	454	454	–
Net Reduction of Power Purchase Contract Liability	398	373	373	–
Royalties	211	242	242	–
Miscellaneous Other Non-Tax Revenue	687	665	665	–
	7,274	7,366	7,366	–
TOTAL REVENUE	96,563	96,920	96,920	–

* First-quarter fiscal forecast as at June 30, 2008.

TOTAL EXPENSE

(\$ Millions)	Interim 2007-08	2008-09		
		Budget Plan	Current* Outlook	In-Year Change
Ministry Expense				
Aboriginal Affairs**	235.7	55.6	55.6	—
Agriculture, Food and Rural Affairs**	946.7	1,112.1	1,112.1	—
Attorney General	1,686.8	1,592.4	1,592.4	—
Board of Internal Economy	244.9	173.9	196.3	22.4
Children and Youth Services	3,703.3	4,074.3	4,085.9	11.6
Citizenship and Immigration	91.3	88.6	88.6	—
Community and Social Services	7,617.8	7,727.2	7,727.2	—
Community Safety and Correctional Services	2,004.7	2,110.4	2,110.4	—
Culture**	405.4	379.8	379.8	—
Economic Development and Trade**	457.2	445.3	445.3	—
Education	462.9	472.5	472.5	—
School Boards' Net Expense	11,921.5	12,669.7	12,669.7	—
Energy	301.5	304.4	304.4	—
Environment	349.3	398.0	398.0	—
Executive Offices	36.5	35.2	36.3	1.1
Finance	465.7	559.1	559.1	—
Francophone Affairs, Office of	5.0	5.2	5.2	—
Government and Consumer Services	958.4	1,102.0	1,105.1	3.1
Health and Long-Term Care	20,353.1	21,621.9	21,618.8	(3.1)
Hospitals' Net Expense	17,382.7	18,436.3	18,436.3	—
Health Promotion	367.3	389.7	389.7	—
Labour	159.8	170.2	170.2	—
Municipal Affairs and Housing**	847.1	795.9	795.9	—
Natural Resources	803.3	780.5	780.5	—
Northern Development and Mines	343.6	357.5	357.5	—
Public Infrastructure Renewal**	619.3	(33.0)	(33.0)	—
Research and Innovation**	396.0	382.8	382.8	—
Revenue	577.5	610.6	610.6	—
Small Business and Entrepreneurship	31.7	27.8	27.8	—
Tourism	242.5	176.1	176.1	—
Training, Colleges and Universities**	5,105.0	4,825.8	4,825.8	—
Colleges' Net Expense	1,508.7	1,414.5	1,414.5	—
Transportation**	3,419.5	1,961.7	1,961.7	—
Other Expense				
Capital Contingency Fund	—	175.0	175.0	—
Interest on Debt	8,966.0	8,891.0	8,891.0	—
Ontario Municipal Partnership Fund	916.7	934.8	934.8	—
One-Time and Extraordinary Assistance to Agriculture Sector	283.7	—	—	—
Operating Contingency Fund	50.0	420.0	385.0	(35.0)
Pension and Other Employee Future Benefits	522.0	715.0	715.0	—
Power Purchases	831.0	856.0	856.0	—
Teachers' Pension Plan	342.0	54.0	54.0	—
Year-End Savings	—	(1,100.0)	(1,100.0)	—
TOTAL EXPENSE	95,963.2	96,169.7	96,169.7	—

* First-quarter fiscal forecast as at June 30, 2008.

** The 2007-08 interim outlook includes one-time funding, as outlined in the Other Expense Table (Table 23) in the 2008 Ontario Budget.

Notes: Numbers may not add due to rounding. Table does not reflect recently announced creation of the Ministry of Energy and Infrastructure.

2008–09 INFRASTRUCTURE EXPENDITURES

(\$ Millions)		2008–09 Current Outlook*		
Sector	Total Infrastructure Expenditures 2007–08 Interim	Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure**	Total Infrastructure Expenditures
Transportation				
Transit	1,925.3	901.0	349.9	1,250.9
Highways	1,345.7	1,484.3	–	1,484.3
Other Transportation†	832.8	520.5	70.7	591.3
Health				
Hospitals	674.1	1,045.7	2.5	1,048.2
Other Health	241.8	60.8	187.4	248.1
Education				
School Boards	1,000.4	–	1,018.6	1,018.6
Colleges	181.3	202.0	–	202.0
Universities	677.0	–	54.8	54.8
Water/Environment	259.5	16.3	286.9	303.2
Municipal and Local Infrastructure††	816.8	33.1	273.1	306.2
Justice	215.5	426.2	49.7	475.9
Other	700.8	244.9	295.9	540.8
TOTAL‡	8,871.1	4,934.7	2,589.5	7,524.2

* First-quarter fiscal forecast as at June 30, 2008.

** Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in the Total Expense Table.

† Other Transportation includes planning activities, property acquisition, and other infrastructure programs (e.g., Municipal/Local Roads, Remote Airports).

†† Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

‡ Total expenditures include \$48 million in flow-throughs in Investment in Capital Assets (for provincial highways) and \$225 million in flow-throughs in Transfers and Other Expenditures in Infrastructure (\$15 million in Transportation, \$15 million in Health, \$67 million in Water/Environment and \$128 million in Municipal and Local Infrastructure).

Note: Numbers may not add due to rounding.

ONTARIO'S 2008–09 FINANCING PROGRAM

PROVINCE AND ONTARIO ELECTRICITY FINANCIAL CORPORATION (\$ Millions)

	Interim 2007–08	2008–09		
		Budget Plan	Current* Outlook	In-Year Change
Deficit / (Surplus)	(600)	0	0	–
Non-Cash Adjustments	(338)	(888)	(888)	–
Investment in Capital Assets	3,603	4,935	4,935	–
Net Loans / Investments	2,257	1,320	1,090	(230)
Debt Maturities	13,547	20,492	20,495	3
Debt Redemptions	1,314	1,049	1,049	–
Total Funding Requirement	19,782	26,907	26,681	(227)
Canada Pension Plan Borrowing	(260)	(589)	(521)	68
Decrease / (Increase) in Short-Term Borrowing	(1,363)	(2,000)	(2,000)	–
Increase / (Decrease) in Cash and Cash Equivalents	(185)	0	159	159
TOTAL LONG-TERM PUBLIC BORROWING REQUIREMENT	17,973	24,318	24,318	–

* First-quarter fiscal forecast as at June 30, 2008.

Note: Numbers may not add due to rounding.

BORROWING PROGRAM STATUS (AS AT JUNE 30, 2008) (\$ Billions)

	Completed	Remaining	Total
Province	6.7	14.0	20.7
Ontario Electricity Financial Corporation	1.2	2.4	3.6
TOTAL	7.9	16.4	24.3

- ◆ Long-Term Public Borrowing completed as at June 30, 2008, totalled \$7.9 billion as follows:

	(\$ Billions)
Ontario Savings Bonds	0.4
Domestic Issues	4.7
Global/US Dollar/Other Issues	2.8
	7.9

- ◆ The \$230 million decrease in Net Loans/Investments is mainly due to a decrease in loans to Ontario Power Generation (OPG) and Ontario Student Loan Trust (OSLT), partially offset by an increase in loans to colleges.
- ◆ \$68 million in Canada Pension Plan (CPP) borrowing was used by the Province to repurchase outstanding debt and was, therefore, unavailable for long-term public borrowing.
- ◆ The \$3 million increase in Debt Maturities reflects the impact of foreign exchange movements on maturing debt.
- ◆ The increase in Cash and Cash Equivalents is mainly due to a decrease in Net Loans/Investments.