

2013 Ontario Budget

May 2, 2013

Fiscal Outlook

- The deficit for 2012–13 is currently projected to be \$9.8 billion – a \$5.0 billion improvement compared with the *2012 Budget* forecast. This marks the fourth year in a row Ontario is reporting a deficit lower than forecast. As a result, the Province's accumulated deficit is \$22 billion lower than it would otherwise have been had the government not beaten its fiscal targets in each of the past four years.
- For 2013–14, the deficit projection of \$11.7 billion is more than \$1.0 billion ahead of the \$12.8 billion deficit forecast in the *2012 Budget*. Beyond 2013–14, the Province is on track to meet the steadily declining deficit targets outlined in the *2012 Budget* and to return to balanced budgets beginning in 2017–18.
- Total revenue is projected to grow from \$114.2 billion to \$124.9 billion over the 2012–13 to 2015–16 period, reflecting average annual growth of 3.0 per cent.
- Over the same period average annual growth in program spending will be held to half the average annual rate of growth in revenue – or 1.5 per cent. Total expense is projected to increase from \$124.0 billion to \$131.0 billion, or by an average annual growth rate of 1.8 per cent.
- The fiscal plan incorporates prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. This reserve has been set at \$1.0 billion for 2013–14, \$1.2 billion for both 2014–15 and 2015–16, and increases to \$1.5 billion for 2016–17 onwards, to reflect the uncertain nature of longer-term revenue and expense projections.
- Key actions to meet deficit targets and balance the budget in 2017–18 include:
 - Slowing the growth rate of health care spending – currently 42 per cent of Provincial program spending – to an annual average of 2 per cent.
 - Continuing to restrain compensation and achieve agreements that control public-sector compensation costs.
 - Reaching agreements with all four of the jointly sponsored pension plans consolidated in the Province's financial statements to freeze contributions rates until the deficit is eliminated.
 - Encouraging public sector, single-employer pension plans to adopt changes that improve sustainability in exchange for temporary solvency fund relief.

EMAIL ALERT SERVICE

 Visit www.ofina.on.ca and subscribe to our email alert service to receive the latest Province of Ontario updates:

- Bond Issues
- OFA Bulletin
- Webcasts
- Borrowing Program
- IR Presentations
- Other Events

Medium-Term Fiscal Plan and Outlook

(in \$ Billions)	Interim 2012–13	Medium-Term Outlook			Extended Outlook	
		2013–14	2014–15	2015–16	2016–17	2017–18
Revenue	114.2	116.8	120.5	124.9	130.1	134.4
Expense						
Programs	113.6	117.0	118.3	118.8	118.8	118.0
Interest on Debt	10.4	10.6	11.1	12.2	13.4	14.5
Total Expense	124.0	127.6	129.5	131.0	132.1	132.4
Reserve	–	1.0	1.2	1.2	1.5	1.5
Surplus/(Deficit)	(9.8)	(11.7)	(10.1)	(7.2)	(3.5)	0.5

Note: Numbers may not add due to rounding

This bulletin was compiled by the Ontario Financing Authority. This information is intended for general information purposes only and does not constitute an offer to sell or a solicitation of offers to purchase securities. It has not been approved by any securities regulatory authority and it is not sufficient for the purpose of deciding to purchase securities. It may have errors or omissions resulting from electronic conversion, downloading or unauthorized modifications. Statements in this bulletin may be "forward-looking statements" within the meaning of the U.S. *Private Securities Litigation Reform Act of 1995*. Such forward-looking statements involve uncertainties, risks, and other factors which could cause the state of Ontario's economy to differ materially from the forecasts and economic outlook contained expressly or implicitly in such statements. The Province of Ontario undertakes no obligation to update forward-looking statements to reflect new information, future events or otherwise, except as may be required under applicable laws and regulations. While the information in this bulletin, when posted or released, was believed to be reliable as of its date, **NO WARRANTY IS MADE AS TO THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT OR THE INFORMATION IT CONTAINS.**

•• Economic Outlook

- Ontario's real gross domestic product (GDP) increased by 1.6 per cent in 2012, following an increase of 1.8 per cent in 2011. Solid gains in business investment and exports as well as continued growth in household spending were the main contributors to economic growth last year.
- As of the fourth quarter of 2012, Ontario real GDP was 2.4 per cent above the pre-recession peak in the second quarter of 2008 and 8.0 per cent higher compared to the end of the recession in the second quarter of 2009.
- Since the recessionary low in June 2009, 398,100 net jobs have been created, of which 372,300 were full-time jobs.
- Business investment has been one of the leading contributors to economic growth since the recent recession supported by a recovery of corporate profits and a more competitive tax system. Productivity-enhancing machinery and equipment investment has jumped 39.4 per cent since its trough in the fourth quarter of 2009.
- The Ministry of Finance is projecting continued growth in Ontario's economy. Growth is expected to be supported by gains in exports and business development.

Ontario Economic Outlook (Per Cent)	2010	2011	2012	2013p	2014p	2015p	2016p
Real GDP Growth	3.2	1.8	1.6	1.5	2.3	2.4	2.4
Nominal GDP Growth	5.2	4.7	2.9	3.0	4.1	4.2	4.2
Employment Growth	1.7	1.8	0.8	1.2	1.4	1.5	1.5
CPI Inflation	2.5	3.1	1.4	1.5	2.0	2.0	2.0

p = Ontario Ministry of Finance planning projection
Sources: Statistics Canada and Ontario Ministry of Finance

•• Borrowing Update

- Ontario successfully completed its annual borrowing program in 2012–13, despite continuing challenges in global financial markets. The Province borrowed \$36.6 billion in 2012–13, taking advantage of the historically low interest rate environment and strong demand for Ontario bonds. The Province has completed \$1.6 billion of its 2013–14 long-term public borrowing requirement.
- Strong global investor demand for Canadian-dollar assets, the liquidity of Ontario benchmark bonds and continuing confidence in the Province allowed Ontario to borrow 72 per cent in the Canadian-dollar market in 2012–13. This is consistent with the target of at least 70 per cent set out in the *2012 Budget*, down from 81 per cent in 2011–12.
- In 2013–14, the Province plans to borrow at least 70 per cent in the Canadian-dollar market. This is in line with the historical average of issuing approximately three-quarters in that market, and continues to represent a decline in the reliance on foreign markets seen during the financial crisis. In 2009–10, at the peak of the crisis, only 49 per cent of the Province's issuance was in the Canadian-dollar market.

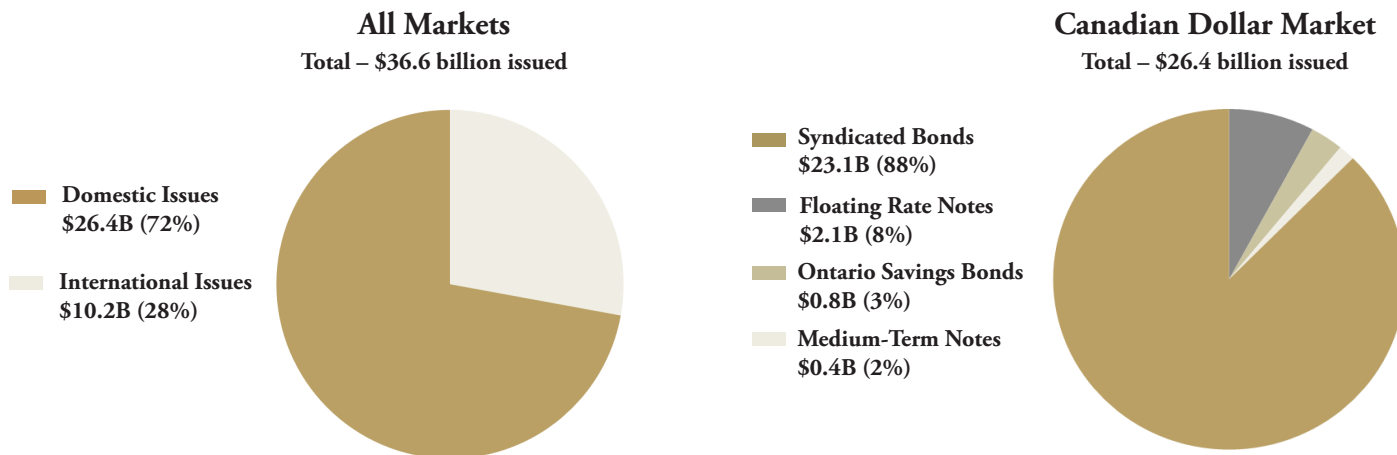
•• Medium-Term Borrowing Outlook

Province and Ontario Electricity Financial Corporation (OEFC) (in \$ Billions)	2013–14	2014–15	2015–16
Deficit	11.7	10.1	7.2
Investment in Capital Assets	11.1	10.4	10.4
Non-Cash Adjustments	(3.9)	(3.1)	(3.0)
Net Loans/Investments	1.6	0.4	1.8
Debt Maturities	23.7	21.7	20.3
Debt Redemptions	0.3	0.3	0.3
Total Funding Requirement	44.5	39.8	37.1
Decrease/(Increase) in Short-Term Borrowing	(1.5)	(1.5)	–
Increase/(Decrease) in Cash, Cash Equivalents and Temporary Investments	(5.8)	(0.7)	–
Maturity of Debt Buybacks	(3.7)	–	–
Total Long-Term Public Borrowing Requirement	33.4	37.6	37.1

Note: Numbers may not add due to rounding

Borrowing Approach

- The borrowing program is forecast to be \$33.4 billion in 2013–14 and \$37.6 billion in 2014–15. To meet the funding requirements, the Province will continue to be flexible, monitoring Canadian-dollar and international markets, issuing bonds in different terms and currencies, and responding to investor preferences.
- The weighted-average term to maturity of long-term Provincial debt issued has been extended significantly over the past three years. It was 12.4 years for 2012–13, 13.0 years for 2011–12, and 12.8 years for 2010–11. This average term is much longer than the 8.1 years for 2009–10.
- Extending the term to maturity allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of the expected higher interest rates on the Province's interest on debt (IOD) costs.
- IOD expense is projected to be \$10,372 million for 2012–13, and \$10,605 million for 2013–14, which is lower than forecast in the 2012 Budget by \$247 million and \$610 million respectively.



Note: Numbers may not add due to rounding
As at March 31, 2013

Debt Statistics

Debt		Risk Exposure (per cent of debt outstanding)	Current	Policy Limit
Total Debt	\$281.1 billion	Province		
Net Debt ¹	\$252.8 billion	Net Interest Rate Resetting Exposure	8.9	35.0
Accumulated Deficit ¹	\$168.2 billion	Foreign Exchange Exposure	0.8	5.0
Net Debt ¹ /GDP	37.5%	OEFC		
Accumulated Deficit ¹ /GDP	25.0%	Net Interest Rate Resetting Exposure	28.0	35.0
Debt Statistics		Foreign Exchange Exposure	0.0	5.0
Percentage Publicly Held	95%			
Percentage Issued in Canadian Dollars	76%			
Effective Interest Rate (Weighted Average)	4.1%			

¹Net Debt is calculated as the difference between liabilities and financial assets. 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.

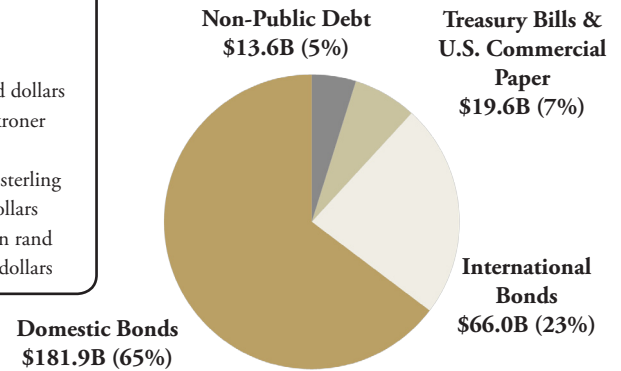
Debt Portfolio

- Total debt of \$281.1 billion (as at March 31, 2013) is composed of bonds issued in the public capital markets, non-public debt, treasury bills and U.S. commercial paper.
- Public debt totals \$267.5 billion (as at March 31, 2013), primarily consisting of bonds issued in the domestic and international public markets in 11 countries.
- Ontario also has \$13.6 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt mainly consists of debt instruments issued to public-sector pension funds in Ontario and the Canada Pension Plan Investment Board. This debt is not marketable and cannot be traded.

International Bonds

- Canadian dollars
- U.S. dollars
- Euros
- Japanese yen
- New Zealand dollars
- Norwegian kroner
- Swiss francs
- U.K. pound sterling
- Australian dollars
- South African rand
- Hong Kong dollars

Total Debt Composition \$281.1 billion

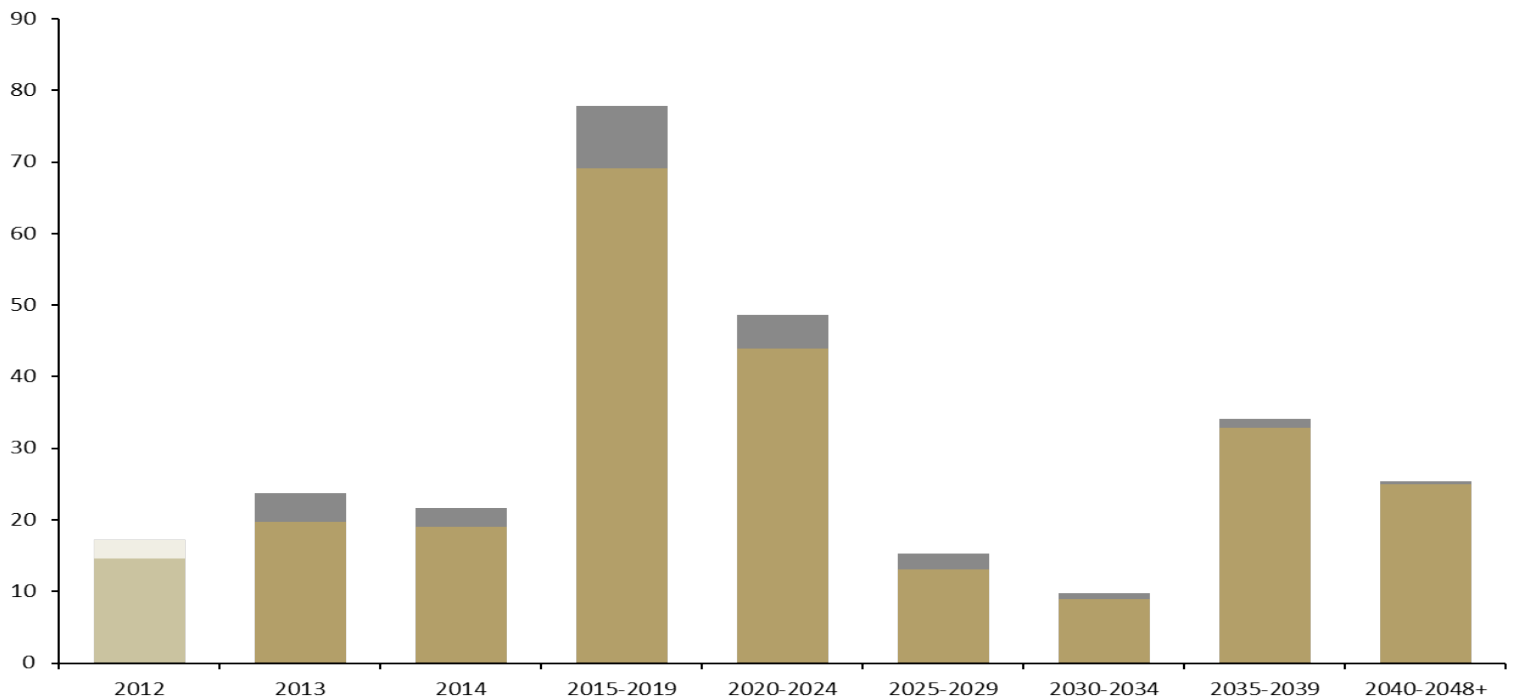


As at March 31, 2013

Debt Maturities

Province Outstanding OEFC Outstanding Province Matured OEFC Matured

(in \$ Billions)



Fiscal year ending March 31, 2013

Excludes short-term debt and other liabilities and the incremental impact of future financing. Assumes issues with options will be retired at the earliest possible date.

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

Contact Us

Investor Relations
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario M7A 1Y7
Canada

Telephone (416) 325-1661
Fax (416) 204-6694
www.ofina.on.ca
investor@ofina.on.ca