

## 2014 Ontario Budget

July 14, 2014

### Fiscal Outlook

- The deficit for 2013–14 is projected to be \$11.3 billion – a \$0.4 billion improvement compared with the 2013 Budget forecast, marking the fifth year in a row that the Province is on track to beat its deficit targets.
- The Province is projecting a deficit of \$12.5 billion in 2014–15, \$8.9 billion in 2015–16 and \$5.3 billion in 2016–17, and moves towards a balanced budget in 2017–18.
- Total revenue is projected to grow from \$115.7 billion to \$129.4 billion over the 2013–14 to 2016–17 period, resulting in an average annual growth of 3.8 per cent.
- Over the same period, program expense growth will be held to an average of 1.1 per cent. Total expense is projected to increase from \$127.0 billion to \$133.5 billion, or an average annual growth rate of 1.7 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. The reserve has been set at \$1.0 billion for 2014–15, and \$1.2 billion in each of 2015–16, 2016–17 and 2017–18.
- These deliberate actions will together help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated:
  - Introducing an annual program review savings target of \$250 million in 2014–15 and \$500 million in 2015–16 and 2016–17
  - Modernizing and managing public-sector benefit costs, which will save over \$1.4 billion by 2017–18
  - Continuing to move ahead with the Commission on the Reform of Ontario's Public Services' recommendations
  - Proposing to increase Personal Income Tax on taxable income above \$150,000, which would raise \$0.7 billion by 2016–17
  - Managing the growth rate of health care spending to an annual average of 2.2 per cent over the medium term
  - Ending the Ontario Clean Energy Benefit on December 31, 2015 and replacing it with a planned rate-base program
  - Increasing the tobacco tax rate to generate more than \$100 million a year in new revenues

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### Medium-Term Fiscal Plan and Outlook

(in \$ Billions)	Interim 2013–14	Medium-Term Outlook			Extended Outlook
		2014–15	2015–16	2016–17	2017–18
<b>Revenue</b>	115.7	118.9	124.5	129.4	134.8
<b>Expense</b>					
Programs	116.4	119.4	120.1	120.2	119.4
Interest on Debt	10.6	11.0	12.0	13.3	14.2
<b>Total Expense</b>	127.0	130.4	132.1	133.5	133.6
Reserve	–	1.0	1.2	1.2	1.2
<b>Surplus/(Deficit)</b>	<b>(11.3)</b>	<b>(12.5)</b>	<b>(8.9)</b>	<b>(5.3)</b>	–

Note: Numbers may not add due to rounding

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## •• Economic Outlook

- Ontario's real gross domestic product (GDP) increased by 1.3 per cent in 2013, matching the gain in 2012. Solid gains in consumer spending and net trade supported economic growth last year.
- As of the fourth quarter of 2013, Ontario's real GDP had increased by 10.3 per cent from the recessionary low and was 5.1 per cent above its pre-recession peak.
- Since the recessionary low in June 2009, 459,500 net new jobs have been created. A strong recovery of 463,400 full-time jobs accounted for all the employment gains since the end of the recession.

<b>Ontario Economic Outlook (Per Cent)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014p</b>	<b>2015p</b>	<b>2016p</b>	<b>2017p</b>
Real GDP Growth	2.2	1.3	1.3	2.1	2.5	2.5	2.6
Nominal GDP Growth	4.0	3.0	2.7	3.5	4.4	4.4	4.6
Employment Growth	1.8	0.8	1.4	1.1	1.5	1.6	1.4
CPI Inflation	3.1	1.4	1.0	1.5	1.9	2.0	2.0

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

## •• Borrowing Update

- As of July 14, 2014, the Province had completed \$10.9 billion, or 31 per cent, of its \$35.0 billion long-term borrowing requirement for 2014–15. This figure includes Ontario Savings Bonds sales of \$0.5 billion.
- Year-to-date, the Province has borrowed 63% in the Canadian-dollar market. For 2014–15, the Province plans to borrow at least 70% in this market, which is in line with our traditional target, but represents a considerable decline in the reliance on foreign markets seen during the peak of the financial crisis.
- The Province continues to remain vigilant for cost-effective borrowing opportunities in other currencies, while also working to strengthen its diverse investor base through investor relations initiatives.
- Liquid reserves averaged \$24.9 billion in 2013–14, ensuring that the Province will always have adequate liquidity to meet its financial obligations.
- The Province plans to issue green bonds, which will be an important tool to help Ontario finance transit and other environmentally friendly projects across the province, and will be priced equivalent to conventional Ontario bonds of comparable term and size.

## •• Medium-Term Borrowing Outlook

<b>Province and Ontario Electricity Financial Corporation (OEFC) (in \$ Billions)</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Deficit	12.5	8.9	5.3
Investment in Capital Assets	10.2	10.3	10.2
Non-Cash Adjustments	(4.5)	(4.9)	(5.1)
Loans to Infrastructure Ontario	1.8	1.4	0.8
Other Net Loans/Investments	(0.5)	1.1	0.2
Debt Maturities	21.7	20.6	21.3
Debt Redemptions	0.3	0.3	0.3
<b>Total Funding Requirement</b>	<b>41.5</b>	<b>37.6</b>	<b>33.0</b>
Canada Pension Plan Borrowing	–	–	(0.1)
Decrease/(Increase) in Short-Term Borrowing	(2.4)	–	–
Increase/(Decrease) in Cash, Cash Equivalents and Temporary Investments	(1.4)	–	–
Preborrowing from 2013–14	(2.6)	–	–
<b>Total Long-Term Public Borrowing Requirement</b>	<b>35.0</b>	<b>37.6</b>	<b>32.9</b>

Note: Numbers may not add due to rounding

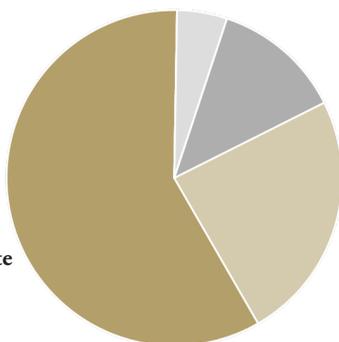
## Borrowing Approach

- The Province's total long-term public borrowing in 2014–15 is forecast to be \$35.0 billion and \$37.6 billion in 2015–16. To meet its funding requirements, Ontario 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 so far in 2014–15 is 13.6 years, compared to 13.6 years for 2013–14, 12.4 years for 2012–13 and 13.0 years for 2011–12. This average term is much longer than the 8.1 years for 2009–10.
- Extending the term to maturity, in part through the use of ultra-long bonds, allows the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt (IOD) costs.
- IOD expense is projected to be \$10,556 million for 2013–14, and \$11,010 million for 2014–15, which is lower than forecast in the 2013 Budget by \$49 million and \$138 million respectively.

### 2014–15 Borrowing — All Markets

Total – \$10.9 billion issued

- Syndicated Bonds  
\$6.4B (59%)
- Ontario Savings Bonds  
\$0.5B (5%)
- U.S. Dollar Global Bonds  
\$1.4B (13%)
- European Medium-Term Note  
\$2.6B (24%)

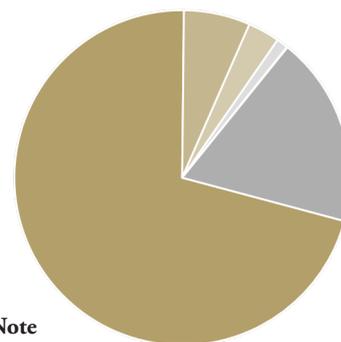


Note: Numbers may not add due to rounding  
As at July 14, 2014

### 2013–14 Borrowing — All Markets

Total – \$36.0 billion issued

- Syndicated Bonds  
\$25.5B (71%)
- Domestic Floating Rate Notes  
\$2.3B (6%)
- Domestic Bond Auctions  
\$1.1B (3%)
- Ontario Savings Bonds  
\$0.4B (1%)
- Domestic Medium-Term Note  
\$0.02B (0%)
- U.S. Dollar Global Bonds  
\$6.6B (18%)



Note: Numbers may not add due to rounding

## Debt Statistics<sup>1</sup>

Debt		Risk Exposure (per cent of debt outstanding)	Current	Policy Limit
Total Debt	\$295.8 billion	<b>Province</b>		
Net Debt <sup>2</sup>	\$269.2 billion	Net Interest Rate Resetting Exposure	11.0%	35.0%
Accumulated Deficit <sup>1</sup>	\$177.3 billion	Foreign Exchange Exposure	0.4%	5.0%
Net Debt <sup>1</sup> /GDP	38.9%	<b>OEFC</b>		
Accumulated Deficit <sup>1</sup> /GDP	25.6%	Net Interest Rate Resetting Exposure	21.4%	35.0%
<b>Debt Statistics</b>		Foreign Exchange Exposure	0.0%	5.0%
Percentage Publicly Held	96%			
Percentage Issued in Canadian Dollars	77%			
Effective Interest Rate (Weighted Average)	3.9%			

<sup>1</sup>Interim as of March 31, 2014

<sup>2</sup>Net 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.

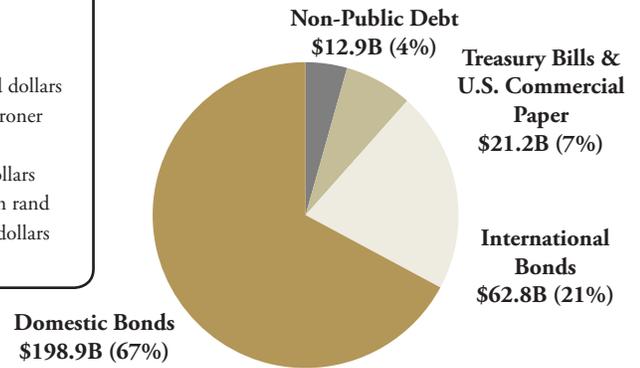
## Debt Portfolio

- As of March 31, 2014, Ontario had total debt of \$295.8 billion. Total debt consists of bonds issued in the public capital markets, non-public debt, treasury bills and U.S. commercial paper.
- Public debt totals \$282.9 billion, primarily consisting of bonds issued in the domestic and international public markets in 10 currencies.
- Ontario also has \$12.9 billion outstanding in non-public debt issued in Canadian dollars. Non-public debt consists of debt instruments issued mainly 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
- Australian dollars
- South African rand
- Hong Kong dollars

### Total Debt Composition \$295.8 billion

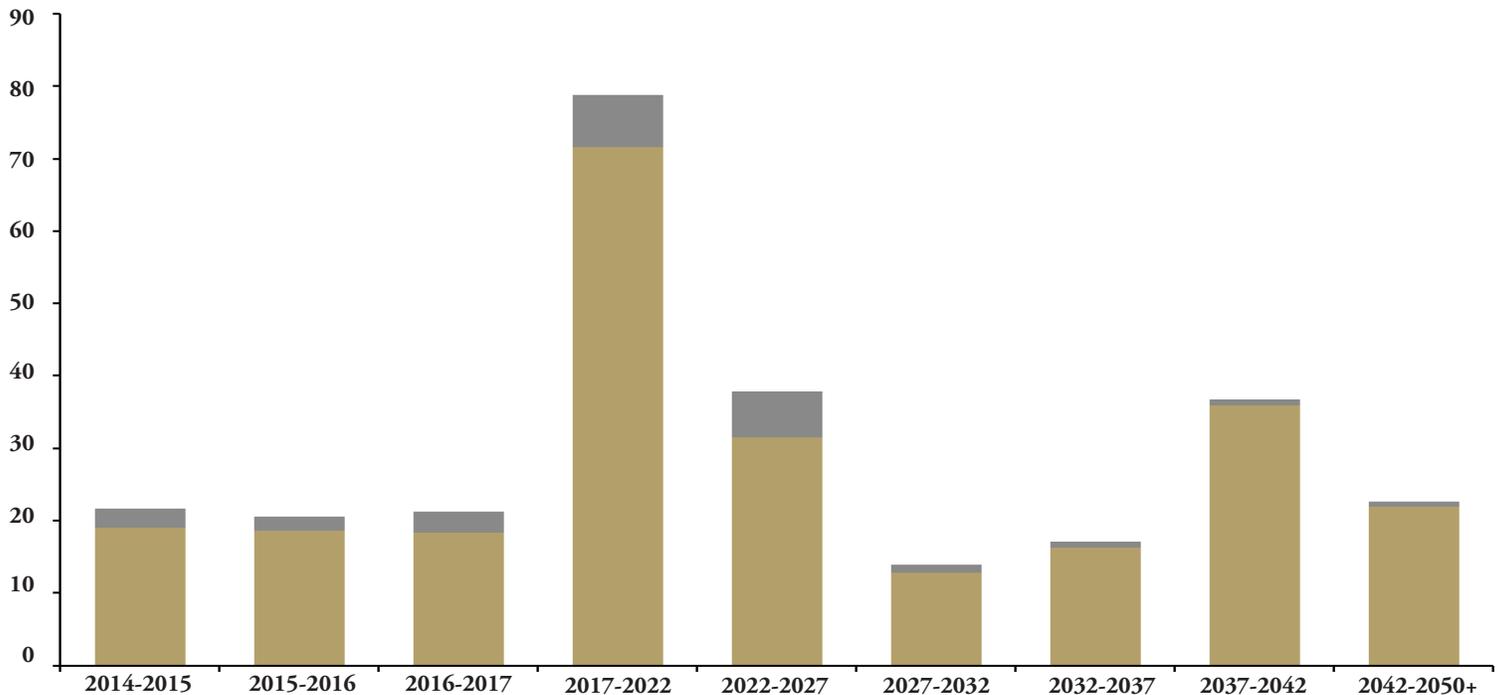


Note: Numbers may not add due to rounding  
Interim as of March 31, 2014

## Debt Maturities

Province Outstanding      OEFC Outstanding

(\$ Billions)



Interim as of March 31, 2014. Fiscal year ending March 31

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.

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