

SUMMARY

2010/11 Second Quarterly Report

November 25, 2010

Budget 2010 and Quarterly Report Updates

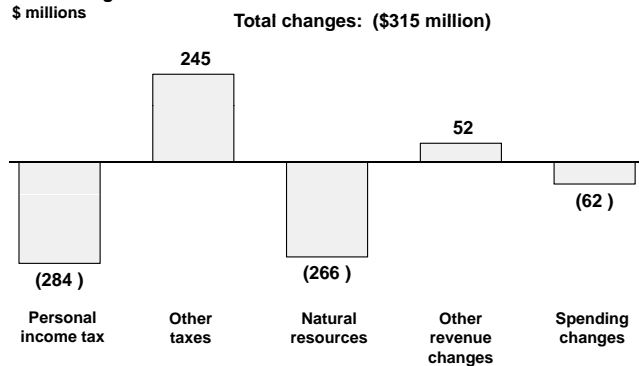
(\$ millions)	Budget 2010	First Quarterly Report	Second Quarterly Report
Revenue	39,190	39,965	39,712
Expense	(40,605)	(41,045)	(41,107)
Deficit before forecast allowance	(1,415)	(1,080)	(1,395)
Forecast allowance	(300)	(300)	(300)
Deficit	(1,715)	(1,380)	(1,695)
Capital spending:			
Taxpayer-supported capital spending ..	5,414	5,603	5,305
Provincial Debt:			
Taxpayer-supported debt	33,748	33,669	33,765
Taxpayer-supported debt-to-GDP ratio ..	17.2%	17.0%	16.8%

Fiscal outlook still on target

- The province remains on track to meet its budgeted deficit target of \$1.7 billion despite the impact of slowing economic growth on revenues.

2010/11 changes from the first Quarterly Report

Main changes
\$ millions



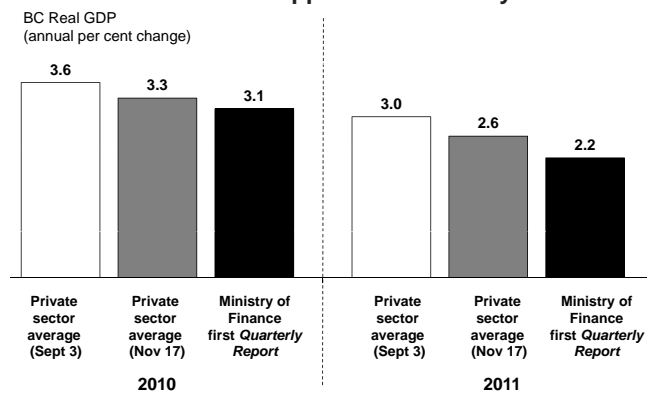
- The province's projected bottom line for 2010/11 has deteriorated by \$315 million since the first *Quarterly Report*, reflecting a \$253 million decrease in revenue and a \$62 million increase in spending.
- The revenue projections reflect a reduced forecast for 2009 returns from personal income tax assessments and the combined impact of low commodity prices and weak demand on natural resource revenue.
- The above revenue losses are partially offset by additional tax revenue (mainly corporate income tax and HST), and revenue from other sources.
- The spending increase is mainly due to school district capital maintenance costs and higher spending funded by third parties, such as health care costs incurred by WorkSafe BC and federally funded costs for housing the migrants from Sri Lanka, partially offset by lower forest fire fighting costs.

- Taxpayer-supported capital spending is forecast to be \$5.3 billion in 2010/11, \$298 million lower than the first *Quarterly Report* forecast. The reduction primarily reflects project scheduling changes.
- At \$33.8 billion, the taxpayer-supported debt forecast is \$96 million higher than the projection in the first *Quarterly Report*, primarily due to an increase in direct operating debt.
- Despite prudence in the current projections, a number of risks to the fiscal plan remain, including changes to the main tax bases as they reflect economic activity in BC and its trading partners, further decline in economic activity, volatile commodity prices and potential demand on social services.

Economic growth slows

- Since the first *Quarterly Report*, the private sector has downgraded its outlook for the BC economy in 2010 and 2011 from 3.6 and 3.0 per cent growth, respectively to 3.3 and 2.6 per cent growth, respectively.

Private sector forecast approaches ministry outlook



Sources: BC Ministry of Finance and average private sector forecast (Scotiabank, CIBC, TD, RBC, Global Insight and BMO).

- Economic activity data from recent months indicate that BC's economic growth has slowed, following steady increases in late 2009 and early 2010.
- Risks to BC's economic outlook include a double-dip recession originating in the US, slower growth in global demand for BC products, the appreciating Canadian dollar and the still unresolved European sovereign debt crisis.
- The Minister of Finance will meet with members of the independent Economic Forecast Council in early December 2010 to obtain their views on the economic outlook. A revised economic forecast will then be developed for *Budget 2011*.