Rating Report
Province of British Columbia

DBRS Morningstar
May 5, 2023

Contents

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA (high)	Confirmed	Stable
Long-Term Debt	AA (high)	Confirmed	Stable
Short-Term Debt	R-1 (high)	Confirmed	Stable

Note: Includes the Short-Term and Long-Term Obligations of the British Columbia Hydro and Power Authority (BC Hydro) based on its status as an Agent of the Crown.

Rating Update

On May 1, 2023, DBRS Limited (DBRS Morningstar) confirmed the Issuer Rating and Long-Term Debt rating of the Province of British Columbia (B.C. or the Province) at AA (high) and its Short-Term Debt rating at R-1 (high). DBRS Morningstar also confirmed British Columbia Hydro and Power Authority's Long-Term Obligations rating at AA (high) and Short-Term Obligations rating at R-1 (high). All trends are Stable.

The rating confirmations reflect the underlying strength and diversity of the Province's economy and its disciplined management practices and a strong balance sheet. The Province's prudent track record of fiscal outperformance, strong balance sheet, and currently low debt burden lend stability to its credit profile and will likely withstand any pressures arising from the mounting economic headwinds. Following the appointment of a new Premier and leader of the British Columbia New Democratic Party (NDP), David Eby, in November 2022, the 2023 budget (Budget 2023) plans for increased spending in priority areas. This will result in a modest deficit but maintain a reasonable degree of fiscal prudence given the slowing economy. If fiscal discipline deteriorates and leads to significantly higher deficits over the medium term, this could reduce fiscal flexibility over the years to come.

The Province's 2023 budget forecasts a deficit of $4.2 billion in 2023–24, compared with a $3.6 billion surplus now estimated for 2022–23. On a DBRS Morningstar-adjusted basis, this equates to a shortfall of $10.6 billion, or 2.6% of GDP. Over the medium term, B.C. projects deficits of $3.8 billion and $3.0 billion for 2024–25 and 2025–26, which equate to deficits of 2.6% to 2.4% of GDP, respectively. Once again, the budget does not present any plan for a return to balance; however, the Province's fiscal guardrails continue to advocate for declining deficits year over year (YOY). DBRS Morningstar notes that B.C. has historically incorporated a significant level of prudence in its budget assumptions, which leaves room for outperformance, as has been the Province's trademark.

In 2022–23, the DBRS Morningstar-adjusted debt is estimated to have grown by a nominal $142 million to $62.5 billion. When combined with expansion in nominal GDP, this led to improvement in the debt-to-GDP ratio to 16.1% from 17.8% the year prior. Given B.C.'s consistent track record of outperformance when reporting year-end results, DBRS Morningstar believes there is reasonable likelihood that year-ending debt balances will be even lower when the Public Accounts are tabled later this year. Any improvement would carry forward into subsequent years.

Based on budget estimates, DBRS Morningstar-adjusted debt is projected to reach 18.2% of GDP in 2023–24 and to approach roughly 21.4% of GDP by 2025–26. This is within DBRS Morningstar's previous estimates and ensures B.C. continues to have one of the lowest debt burdens among the provinces.

For 2023, the Province anticipates real GDP growth of 0.4%, followed by 1.5% in 2024 and 2.4% in 2025. Like past budgets, the forecast remains conservative relative to the private-sector consensus. In line with the global economic outlook, growth is expected to slow in response to central bank efforts to raise policy rates and to curb inflation and economic slowdowns among key trading partners. Nevertheless, growth is forecast to resume an upward trend over the medium term.

A positive rating action would require the Province to maintain a sustainable budget position and for its DBRS Morningstar-adjusted debt-to-GDP ratio to fall well below 15.0% on a sustainable basis. A negative rating action could result from a sustained deterioration in operating results and marked increase in the debt-to-GDP ratio beyond the current expectations.

Financial Information

	For the year ended March 31				
	2024B	**2023P**	**2022**	**2021**	**2020**
Debt/GDP (%)	18.2	16.1	17.9	19.5	15.0
Surplus (deficit)/GDP (%)	-2.6	0.0	-0.4	-2.5	-1.2
Federal transfers/total revenue (%)	17.7	15.1	16.6	20.8	16.8
Interest costs/total revenue (%)	2.8	2.3	2.6	3.0	3.2
Real GDP growth (%)	0.4	2.8	6.1	-3.0	2.6

B = budget. P = projection.
Sources: The Province, Statistics Canada, and DBRS Morningstar calculations.

Issuer Description

B.C. is Canada’s westernmost province, located along the Pacific Ocean. The Province has a population of 5.3 million, according to Statistics Canada, and is the fourth-largest provincial economy in the country by GDP. The Province has a diverse and stable economy, with nominal GDP of about $390.0 billion.

Rating Considerations

Strengths

1. Diversified economy

B.C. has a diverse economy. Economic growth in B.C. has been among the strongest of the provinces in recent years, and DBRS Morningstar expects the Province to maintain this above-average growth trajectory. The provincial economy benefits from its advantageous location along the West Coast, a skilled workforce, consistent population growth, and a diverse industrial mix. In Budget 2023, released in February, the Province estimates its economy expanded by 2.8% in 2022. In line with the global economic outlook, growth in B.C. is expected to slow during 2023–24 in response to central bank efforts to raise policy rates and to curb inflation and economic slowdowns among key trading partners. For 2023–24, the Province anticipates real GDP growth of 0.4%, followed by 1.5% in 2024–25 and 2.4% in 2025–26.

2. Disciplined fiscal policy and management practices
Once again, the budget does not present any plan for a return to balance; however, the Province's fiscal guardrails continue to advocate for YOY declining deficits. The government remains committed to using conservative budgetary practices and keeping debt affordable. Furthermore, the Province has a track record of responsible fiscal management, low taxes, and prudent expense management.

3. Low debt burden
B.C. has one of the lowest debt burdens among provinces. The budget suggests the DBRS Morningstar-adjusted debt-to-GDP ratio will rise to around 21.4% of GDP over the medium term, which is an improvement compared with prior forecasts. Given B.C.'s consistent track record of outperformance when reporting year-end results, DBRS Morningstar believes there is reasonable likelihood that year-ending debt balances will be even lower when the Public Accounts are tabled later this year. Any improvement would carry forward into subsequent years.

4. Fiscal capacity
B.C. has a lower tax burden compared with most other provinces, which provides the government with the flexibility to raise revenue to address budget pressures should it be deemed necessary.

Challenges
1. Moderating spending growth
Even prior to the Coronavirus Disease (COVID-19) pandemic, the pace of spending growth had accelerated under the NDP government, made possible by strong economic growth and tax policy changes. B.C. has expanded health, education, and social service programs, which may not be easily scaled back as the government aims to curtail spending growth.

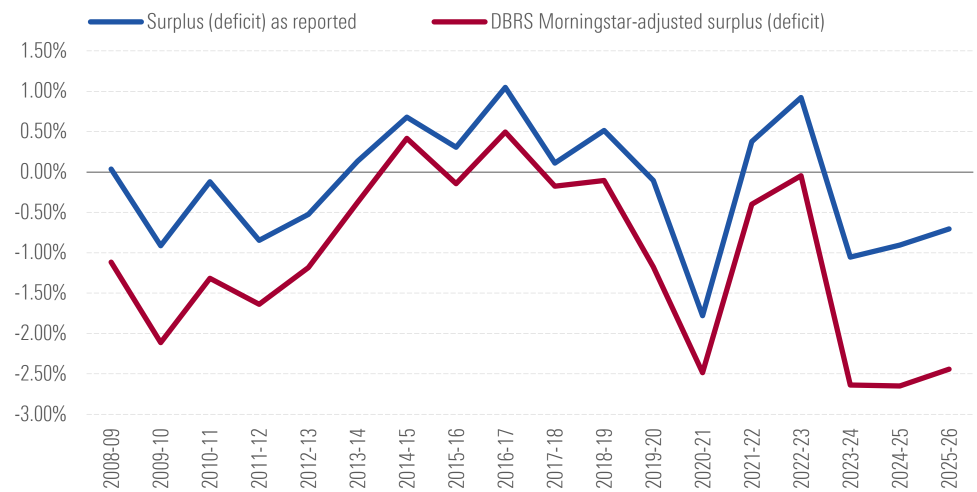
2. High level of household indebtedness
The rapid increase in home prices and historically low interest rates have resulted in elevated household indebtedness, which could amplify the severity of an external shock to the provincial economy and, by extension, the Province’s fiscal plan. Households are even more susceptible to financial distress in the current environment of elevated interest rates, which, coupled with inflationary pressures, may further exacerbate debt affordability issues.

3. Affordability challenges
Greater Vancouver and, to a lesser extent, Greater Victoria are among the least-affordable regions in Canada, posing financial challenges for residents and hindering the ability of businesses to attract

labour to the region. While the lack of affordability has prompted a policy response by various levels of government, this has yet to lead to any significant improvement.

2023–24 Budget

Exhibit 1 Operating Result (Share of GDP)



Sources: The Province, DBRS Morningstar, and Statistics Canada.

The budget continues on the Province's stated priority of rebuilding the economy, all while maintaining a high degree of prudence in the fiscal outlook. The budget plans for increased spending in priority areas, continued deficits, and rising debt amid a macroeconomic slowdown, resulting in reduced flexibility over the years to come.

Building a stronger and cleaner economy continues to be the primary focus for Budget 2023, with funding decisions guided by the Province's five key priorities:

- Helping people with costs;
- Tackling the housing crisis;
- Helping the healthcare system recover;
- Making communities safer; and
- Fighting climate change and building a sustainable and secure economy.

Budget Summary						
(CAD millions)	**2023–24**	**2022–23**	**2021–22**	**2020–21**	**2019–20**	**2018–19**
	Budget	Forecast	Actual	Actual	Actual	Actual
Revenue	77,690	82,700	72,392	62,156	58,660	57,128
Expense						
Program expense	72,471	71,401	68,344	64,902	56,255	52,913
Interest expense	3,235	2,859	2,742	2,722	2,727	2,684
Contingencies	5,500	4,848				
Forecast Allowance	700	-				
Surplus (Deficit) as Reported	**(4,216)**	**3,592**	**1,306**	**(5,468)**	**(322)**	**1,531**
DBRS Morningstar Adjustments						
Nonrecurring items	(14)	(24)	(18)	(7)	(26)	(19)
Capital investment	(11,813)	(8,117)	(6,002)	(5,428)	(4,772)	(4,452)
Amortization	3,016	2,441	2,717	2,670	2,578	2,459
Assumed capital investment underspend	1,772	1,218	-	-	-	-
BC Hydro adjustment	(3)	711	608	604	(1,086)	1,119
Rate smoothing regulatory account write-off	-	-	-	-	-	(950)
Forecast allowance	700	-	-	-	-	-
Adjusted Surplus (Deficit)	**(10,558)**	**(179)**	**(1,389)**	**(7,629)**	**(3,628)**	**(312)**
Share of nominal GDP (%)	(2.6)	(0.0)	(0.4)	(2.5)	(1.2)	(0.1)

Sources: DBRS Morningstar and the Province.

The budget forecasts a deficit of $4.2 billion in 2023–24, compared with a $3.6 billion surplus now anticipated in 2022–23. On a DBRS Morningstar-adjusted basis, this equates to a shortfall of $10.6 billion, or 2.6% of GDP. DBRS Morningstar makes several adjustments to B.C.'s reported results/budget projections to improve comparability among the provinces. DBRS Morningstar adjusts reported results to recognize capital spending as incurred rather than as amortized and to assume a modest amount of capital underspending, as well as to exclude the change in regulatory accounts from BC Hydro’s net income to arrive at the adjusted deficit.

Total revenues are projected to fall by 6.1% in 2023–24 relative to the prior year, which reflects the absence of one-time gains experienced in 2022–23 and the expectation of steadily declining commodity prices following the spike in prices in the previous year. Own-source revenues are projected to fall by 8.7% YOY, mainly as a result of lower taxation revenue and a decline in forestry royalties, slightly offset by growth in other revenues including investment earnings, fees, and licences as well as higher revenues from government Crown corporations. The budget does not incorporate any major tax changes, apart from an increase in carbon tax rates and a few tax breaks including an increased family benefit, increased climate action tax credits, and the introduction of a renters' tax credit.

Federal transfers are budgeted to increase by 8.9% for 2023–24 compared with 2022–23, driven primarily by an increase in funding to support child care. The budget does not yet reflect anticipated new healthcare funding from the federal government, as the details are yet to be finalized in bilateral agreements. (For more information, see DBRS Morningstar's commentary *Federal-Provincial Healthcare Funding: A 10-Year Booster Shot*.) As a result, DBRS Morningstar expects that any new health agreement will address some of the new health spending measures in Budget 2023 and anticipates that it will be modestly positive to B.C.'s bottom line.

Relative to the previous plan, the budget includes a substantial $16.3 billion in new incremental spending on priority areas. For 2023–24, provincial spending is forecast to rise by 2.7% with spending on healthcare (+10.6%) and education (+5.9%) to consume the bulk of new funding. Investments in health are targeted at improving the healthcare system, support for mental health, and addiction and treatment services and building on the Province's healthcare workforce strategy. The new funding will also look to improve housing affordability, ongoing efforts to address homelessness, cost-of-living supports in the face of global inflation, investing in the development of skilled workers, and grants to local municipalities for infrastructure development. The budget also includes allocation to the Shared Recovery Mandate; wage mandate costs are estimated to rise noticeably over the three-year budget forecast given recent public-sector pay increases, which have been among the highest recorded compared with other provinces.

Debt-servicing costs are projected to rise by 13.5%, reflecting an increase in debt and rising interest rates; however, these costs remain relatively low at around 4.0% of total revenues.

Consistent with past practice, the budget plans include several layers of prudence, which, if unused, would contribute to improvement in the bottom line and debt outlook. These layers include

- Pandemic recovery contingencies of $1.0 billion in 2023–24, with the absence of such contingencies thereafter;
- Forecast allowances of $700 million in 2023–24 and $500 million in 2024–25 and 2025–26;
- General program and CleanBC contingencies of $1.8 billion that can be used to address unforeseen events, increased program utilization, and upcoming collective agreement bargaining;
- Climate and emergency response contingencies of $500 million in 2023–24 and $250 million in 2024–25;
- Shared Recovery Mandate contingencies of $2.2 billion in 2023–24, $2.6 billion in 2024–25, and $2.7 billion in 2025–26 for increases in public-sector collective agreements; and
- Conservative GDP growth assumptions.

The Province is continuing with a robust capital spending program that will support the economic recovery and rebuilding efforts. The three-year taxpayer-supported capital plan is projected to be $37.5 billion, up $10.1 billion from the previous plan. For 2023–24, a total capital investment of $11.8 billion is planned. However, actual capital investment tends to be below budget projections, and DBRS Morningstar has assumed a modest amount of capital underspending in its debt projections.

Outlook

Over the medium term, the Province projects deficits of $3.8 billion and $3.0 billion for 2024–25 and 2025–26, respectively. On a DBRS Morningstar-adjusted basis, these equate to deficits of 2.6% and 2.4% of GDP, respectively. Once again, the budget does not present any plan for a return to balance; however, the Province's fiscal guardrails continue to advocate for YOY declining deficits. DBRS Morningstar notes that B.C. has historically incorporated a significant level of prudence in its budget assumptions, which leaves room for outperformance, as has been the Province's trademark.

2022–23 Preliminary Results

Based on preliminary results, B.C. estimates a surplus of $3.6 billion for the year ended March 31, 2023, down from $5.7 billion estimated during the fall update as the Province directed a portion of the surplus toward one-time policy initiatives. On a DBRS Morningstar-adjusted basis, this equates to a shortfall of $179.0 million, or 0.1% of GDP in 2022–23.

Based on interim results, DBRS Morningstar estimates adjusted revenue to have grown by 14.3% in 2022–23, reflecting improvements in tax revenue as well as other own-source revenues, partly offset by lower net income from government business enterprises (GBE). Tax revenue grew by 24.6% YOY, largely driven by increases across personal and corporate income taxes supported by stronger preliminary 2021 tax assessments. Natural resource revenue increased by 35.6% YOY, supported by increased volumes and royalties from natural gas liquids partly offset by lower prices during the year. Net income from GBE is estimated to decline by 38.9% YOY driven by unfavourable investment earnings at the Insurance Corporation of British Columbia (ICBC), partly offset by improved earnings at the British Columbia Lottery Corporation. Other own-source revenue also increased by 3.3% YOY, which reflects gains in other licenses and fees as well post-secondary education fees and sales of goods and services. Federal transfers increased by 4.2% YOY, driven by one-time higher transfers under the Disaster Financial Assistance Arrangements.

DBRS Morningstar projects total adjusted spending to have increased by 11.3% in 2022–23. Core program areas of health, education, and social services are estimated to grow by 1.4%, 5.2%, and 30.8%, respectively. Additional pandemic contingencies of $2.0 billion and general contingencies of $2.8 billion have also been recorded, which, if unused, may result in improving the bottom line result. As a result of higher debt and an increasing interest rate environment, debt-servicing costs were up by 4.3% YOY. In line with its priorities, the Province continues to ramp up capital spending in priority areas of health, education, and transportation, with taxpayer-supported capital investments estimated to have increased by 35.2% YOY.

Debt and Liquidity

Exhibit 2 Debt-to-GDP Ratios

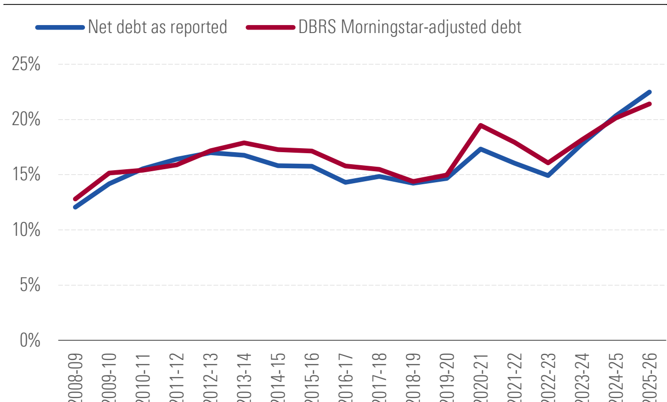
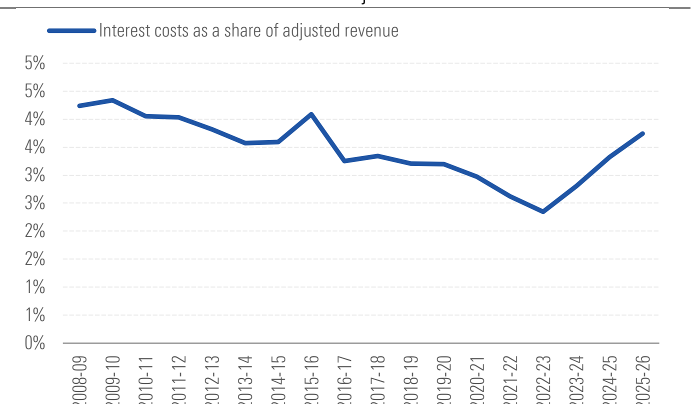


Exhibit 3 Interest Costs as a Share of Adjusted Revenue



Sources: Statistics Canada, DBRS Morningstar, and the Province.

Despite rising debt, B.C.'s overall debt forecast continues to stay within DBRS Morningstar's prior expectations. In 2022–23, the DBRS Morningstar-adjusted debt—defined as tax-supported debt and unfunded pension liabilities (there were no pension liabilities for B.C. during 2022–23)—is estimated to have grown by a nominal $142 million to $62.5 billion. When combined with expansion in nominal GDP, this led to improvement in the debt-to-GDP ratio to 16.1% from 17.8% the year prior. Given B.C.'s consistent track record of outperformance when reporting year-end results, DBRS Morningstar believes there is reasonable likelihood that year-ending debt balances will be even lower when the Public Accounts are tabled later this year. Any improvement would carry forward into subsequent years.

Debt management remains prudent as the Province maintains a relatively smooth debt maturity profile, no unhedged foreign currency exposure, and a limited amount of floating-rate debt (13.9% of the estimated debt stock at February 28, 2023). B.C. has an internal oversight committee that advises the Ministry of Finance on the borrowing program.

The Province issues debt in both domestic and international markets, looking for opportunities to reduce its overall borrowing costs. It has established borrowing programs in the United States, Europe, and Australia and borrowing access to currencies in Asia. B.C. does not have an explicit policy or guideline dictating domestic/foreign issuance, but it will generally go offshore if the all-in cost is lower than what is available in the domestic market. As at March 13, 2023, about 20% of gross market debt outstanding was sourced outside the domestic market and fully hedged back to Canadian dollars.

As at March 2, 2023, B.C. was party to derivatives contracts with notional principal amounts totalling $20.4 billion, consisting largely of foreign currency and interest rate swaps. Internal policy limits the Province's counterparties to high-quality financial institutions with higher standards for longer-dated swaps. The Province continues to implement its Collateral Management Framework (negotiated symmetrical credit support annexes) with all its bank counterparties.

The average term to maturity was 13.0 years as at March 31, 2023, excluding short-term debt. The maturity profile is relatively smooth over the next decade, with generally no more than $6.6 billion maturing in any given year.

B.C. maintains considerable liquidity relative to the size of its short-term program and its long-term borrowing requirement. At March 31, 2023, cash and temporary investments that can be readily accessed in the event of a broad market disruption were estimated to be $4.6 billion. The Province could further access liquidity from sinking fund assets, the Prosperity Fund, or within the broader public-sector entities it controls as well as by drawing on a $376 million credit facility.

B.C. does not expect any unfunded pension over the forecast period. DBRS Morningstar notes that on an actuarial basis, the four major pension plans have significant surpluses. The major pension plans are defined-benefit/defined-contribution hybrid plans. They provide a basic guarantee, but indexation is not guaranteed and subject to decisions of pension boards. In addition, the plans have joint trusteeship, with employers and employees equally sharing risk, which results in more proactive management.

Outlook

For the 2023 budget, the Province projects net debt-to-GDP to reach 17.8% in 2023–24 and 22.5% by 2025–26, which remains slightly lower than the previous budget forecast. Based on budget estimates, DBRS Morningstar-adjusted debt is projected to reach 18.2% of GDP in 2023–24 and to approach roughly 21.4% of GDP by 2025–26. This is within DBRS Morningstar's previous estimates and ensures B.C. continues to have one of the lowest debt burdens among the provinces.

The Province estimates gross borrowing requirements to be $19.0 billion (excluding the forecast allowance) in 2023–24, increasing to $20.5 billion in 2024–25 and declining thereafter as the deficit and the capital spending plan moderate. DBRS Morningstar expects actual borrowing for 2022–23 to be lower given the forecast for a surplus position for 2022–23 compared with the deficit projected in the prior budget, resulting in some upside to the overall debt forecast.

British Columbia Hydro and Power Authority

BC Hydro is a commercial Crown agent of the Province that generates, transmits, and distributes electric power, primarily from renewable energy sources. DBRS Morningstar considers BC Hydro to be self-supporting because it funds its own operations and services its debt obligations. The Province has sought to maintain low and competitive electricity rates and has set BC Hydro’s net income targets through directives at $712 million until F2026.

Site C Clean Energy Project (Site C): Construction of a 1,100-megawatt hydroelectric generating station. In 2021, the Province announced the cost to complete Site C had increased to $16.0 billion from $10.7 billion, and the full in-service date was delayed by one year to 2025 attributable to the coronavirus pandemic, geotechnical issues, and schedule pressures. Because BC Hydro expects costs associated with the Site C project, including any additional debt to fund the delays, to be fully recovered from ratepayers, the cost increase is not expected to have any impact on BC Hydro's self-supported status. As of December 31, 2022, the project was more than 70% complete and now seems to be on track toward its anticipated in-service date of 2025. DBRS Morningstar will continue to monitor Site C for its impact on the utility’s financial outlook.

Economy

Exhibit 4 Economic Growth (Annual)

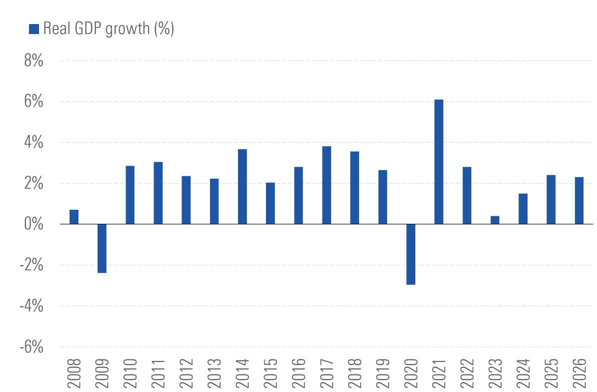
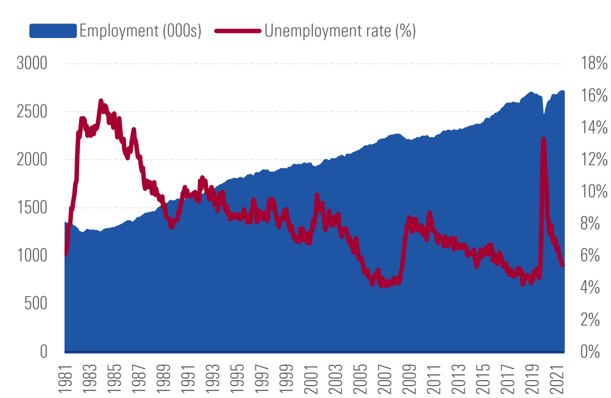


Exhibit 5 Labour Market (Annual)



Sources: Statistics Canada and the Province.

In Budget 2023, the Province estimates its economy expanded by 2.8% in 2022, remaining resilient despite climate-related disruptions, broader geopolitical conflicts, and some lingering impacts of the pandemic. Strong employment gains, nonresidential construction gains, and strength in commodity prices, merchandise exports, and manufacturing supported economic growth. However, growth was tempered by an uneven recovery in tourism and hospitality as well as a sharp decline in home sales and prices as the housing market adjusted to rising interest rates. Consumer spending also trended downward with a modest growth in retail sales and is expected to moderate further in the near term as rising inflation and interest rates slow demand.

B.C. experienced above-average population growth of 2.2% during 2022 in comparison with moderate annual increases between 0.9% and 1.7% over the past few years. The population growth was led by sizable inflow of international migration partly offset by slower growth in interprovincial migration. The population's age profile resembles that of the Province of Ontario (Ontario; rated AA (low) with a Stable trend by DBRS Morningstar) and the Province of Québec (rated AA (low) with a Stable trend by DBRS Morningstar). The B.C. population is somewhat older than Ontario's (median age of 42.0 years versus 40.4 for Ontario), and, while deaths outpaced births over the last two years, international and interprovincial migration have been the major population growth drivers over the last few years.

The labour market continued to exhibit considerable strength in 2022, with employment gains and tight labour conditions resulting in the unemployment rate averaging 4.6%, down from 6.6% in 2021. Average weekly earnings grew by 4.8% in 2022 as wage pressures remain firm given a tight labour market and persistently high inflation.

Housing market activity receded, with home sales declining by 35.2%, while the average home price saw 7.5% growth following an increase of 18.7% in the prior year and housing starts remained flat as higher borrowing costs weighed on demand. The Province anticipates continued moderation in home sales activity given the high interest rate environment.

Gains in commodity prices provided strong support to merchandise exports somewhat offset by a decline in wood products in the later part of 2022. The value of merchandise goods exports increased by 19.6% in 2022, with substantial gains across exports of energy products somewhat offset by a decline in forestry products and metal and nonmetallic mineral products. By destination, exports to the United States were up by 23.5%, while those to the rest of the world increased by 14.7%. The Province expects the growth momentum in real exports to increase over the next few years.

Outlook

For 2023–24, the Province anticipates real GDP growth of 0.4%, followed by 1.5% in 2024–25 and 2.4% in 2025–26. Like past budgets, the forecast remains conservative relative to the private-sector consensus. In line with the global economic outlook, growth in B.C. is expected to slow in response to central bank efforts to raise policy rates and to curb inflation and economic slowdowns among key trading partners. Nevertheless, growth is forecast to resume an upward trend over the medium term, supported by continued strength in the labour market, easing of inflationary pressures, and benefitting from the upside to export growth as Canada's first liquefied natural gas terminal, which is located in the Province, moves into production.

Recent financial market instability and deteriorating credit conditions present downside risks to the outlook, while the evolving outlook for inflation and interest rates along with global geopolitical tensions present further uncertainty.

Economic Statistics							
	2024E	**2023E**	**2022**	**2021**	**2020**	**2019**	**2018**
Nominal GDP (CAD billions)	414.9	400.1	389.1	350.6	306.9	309.0	297.4
Growth rate (%)	3.7	2.8	11.0	14.2	(0.7)	3.9	5.4
Real GDP (CAD billions)	295.5	291.1	289.9	282.0	265.8	273.9	266.9
Growth rate (%)	1.5	0.4	2.8	6.1	(3.0)	2.6	3.6
Population (thousands)	5,552	5,449	5,319	5,202	5,155	5,095	5,010
Population growth (%)	1.9	2.4	2.2	0.9	1.2	1.7	1.6
Labour Market							
Employment (thousands)	2,785	2,758	2,748	2,664	2,509	2,678	2,606
Growth rate (%)	1.0	0.4	3.2	6.2	(6.3)	2.7	1.8
Average Weekly Earnings (CAD)	-	-	1,190.9	1,136.2	1,095.3	1,021.0	1,000.8
Growth rate (%)	-	-	4.8	3.7	7.3	2.0	3.1
Unemployment rate (%)	5.6	5.7	4.6	6.6	9.1	4.8	4.6
Other Indicators							
Housing starts	37,037	39,033	46,721	47,607	37,734	44,932	40,857
Retail sales (CAD millions)	106,320	103,362	101,570	98,567	87,504	86,487	85,964
Inflation rate (CPI)	2.5	3.9	6.9	2.8	0.8	2.3	2.7

E = estimate.

Sources: Statistics Canada/Haver Analytics and the Province's estimates and projections.

Government and Elections

		Current Distribution of Seats in the Legislature	
Party in Power	NDP (majority)	**NDP**	56
Premier	David Eby	**Liberal Party**	27
Finance Minister	Katrine Conroy	**Green Party**	2
Next election	October 2024	**Vacant**	2

Environmental, Social, and Governance (ESG) Credit Risk Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the following checklist.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit analysis, please refer to the following checklist.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the following checklist.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N**	Extent of the Effect on the ESG Factor on the Credit Analysis: None (N), Relevant (R) or Significant (S)*
Environmental	**Overall:**	**N**	**N**
Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
	Will recent regulatory changes have any adverse impact on economic resilience or public finances?	N	N
Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
	Is the economy reliant on industries vulnerable to import or export price shocks?	N	N
Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
Climate and Weather Risks	Will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
Social	**Overall:**	**N**	**N**
Human Capital and Human Rights	Compared with regional or global peers, how competitive, flexible, and productive is the domestic labour force?	N	N
	Are labour and social conflicts source of economic volatility?	N	N
	Are individual and human rights broadly respected and in line with the population's expectations?	N	N
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
	Human Capital and Human Rights:	**N**	**N**
Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?		
Governance	**Overall:**	**N**	**N**
Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	N	N
Bribery, Corruption, and	**Bribery, Corruption, and Political Risks:**	**N**	**N**
Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a similar degree of accountability, transparency, and effectiveness?	N	N
	Are regulatory and oversight bodies protected from inappropriate political influence?	N	N
	Are government officials exposed to public scrutiny and held to high ethical standards of conduct?	N	N
	Institutional Strength, Governance, and Transparency:	**N**	**N**
Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N
	Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
	Peace and Security:	**N**	**N**
	Consolidated ESG Criteria Output:	**N**	**N**

Statement of Operations						
(CAD millions)	**2023–24** Budget	**2022–23** Forecast	**2021–22** Actual	**2020–21** Actual	**2019–20** Actual	**2018–19** Actual
Revenue						
Tax Revenue						
Personal income tax	15,953	17,712	13,704	11,118	10,657	11,364
Corporate income tax	5,938	10,519	5,053	4,805	5,011	5,180
Sales tax	10,187	9,693	8,731	7,694	7,374	7,369
Other	13,246	12,790	13,229	10,549	10,224	8,801
Subtotal	**45,324**	**50,714**	**40,717**	**34,166**	**33,266**	**32,714**
Natural Resource Revenue						
Natural gas	2,016	2,206	920	196	118	199
Forests	846	1,855	1,893	1,304	988	1,406
Other	1,902	2,003	1,658	903	1,162	1,503
Subtotal	**4,764**	**6,064**	**4,471**	**2,403**	**2,268**	**3,108**
Net Income from GBE						
BC Hydro	712	712	668	688	705	(428)
Liquor and lotteries	2,606	2,753	2,400	1,581	2,443	2,509
ICBC	-	(298)	2,216	1,528	(376)	(1,153)
Other	171	146	140	167	146	1,077
Subtotal	**3,489**	**3,313**	**5,424**	**3,964**	**2,918**	**2,005**
Other Own-Source Revenue						
Medical Services Plan premiums	-	-	1	(4)	1,063	1,360
Other licenses and fees	5,182	4,999	4,583	4,333	4,509	4,233
Investment earnings	1,349	1,290	1,306	1,264	1,263	1,243
Miscellaneous	3,989	3,835	3,910	3,136	3,838	3,413
Subtotal	**10,520**	**10,124**	**9,800**	**8,729**	**10,673**	**10,249**
Federal Transfers						
Canada Health Transfer	6,733	6,439	6,431	5,701	5,523	5,182
Canada Social Transfer	2,237	2,174	2,110	2,042	1,971	1,908
Equalization	-	-	-	-	-	-
Other	4,623	3,696	3,138	2,548	2,041	1,962
Subtotal	**13,593**	**12,485**	**11,980**	**12,894**	**9,535**	**9,052**
Total Revenue as Reported	**77,690**	**82,700**	**72,392**	**62,156**	**58,660**	**57,128**
Growth rate (%)	(6.1)	14.2	16.5	6.0	2.7	9.8
DBRS Morningstar Adjustments						
Nonrecurring revenue	-	-	-	-	-	-
BC Hydro adjustment	(3.0)	711.0	608.0	604.0	(1,086.0)	1,119.0
Reg. account write-off	-	-	-	-	-	(950.0)
GBE interest expense	(1,080.0)	(918.0)	(848.0)	(880.0)	(905.0)	(863.0)
Sinking fund earnings (tax-sup. only)	(7.3)	(5.4)	(5.4)	(5.3)	(11.9)	(12.3)
Adjusted Total Revenue	**76,599.7**	**82,487.6**	**72,146.6**	**61,874.7**	**56,657.1**	**56,421.7**
Growth rate (%)	(7.1)	14.3	16.6	9.2	0.4	8.4

(CAD millions)	2023–24	2022–23	2021–22	2020–21	2019–20	2018–19
	Budget	Forecast	Actual	Actual	Actual	Actual
Expenses						
Program Expense						
Health	30,927	27,972	27,584	25,605	23,449	22,151
Education	17,600	16,615	15,795	14,943	14,735	14,089
Social services	9,158	9,508	7,268	7,789	5,887	5,343
Protection of persons and property	2,324	2,711	2,937	2,258	2,126	2,004
Transportation	2,616	2,867	4,453	3,360	2,126	2,021
Natural resources and economic development	4,432	4,476	5,213	4,191	3,778	3,825
General government	1,929	2,092	2,036	3,915	1,653	1,670
Other	3,485	5,160	3,058	2,841	2,501	1,810
Subtotal	**72,471**	**71,401**	**68,344**	**64,902**	**56,255**	**52,913**
Debt Servicing Costs	3,235	2,859	2,742	2,722	2,727	2,684
Contingencies—General	4,500	2,848	-	-	-	-
Contingencies—Pandemic Recovery	1,000	2,000	-	-	-	-
Total Expense as Reported	**81,206**	**79,108**	**71,086**	**67,624**	**58,982**	**55,597**
Growth Rate (%)	**2.7**	**11.3**	**5.1**	**14.7**	**6.1**	**7.5**
DBRS Morningstar Adjustments						
Nonrecurring expenditures	-	-	-	-	-	-
Capital investment	11,813.0	8,117.0	6,002.0	5,428.0	4,772.0	4,452.0
Assume capital expenditure underspend	(1,772.0)	(1,217.6)	-	-	-	-
Amortization	(3,016.0)	(2,441.0)	(2,717.0)	(2,670.0)	(2,578.0)	(2,459.0)
GBE interest expense	(1,080.0)	(918.0)	(848.0)	(880.0)	(905.0)	(863.0)
Tax-sup. debt sinking fund earnings	(7.3)	(5.4)	(5.4)	(5.3)	(11.9)	(12.3)
Adjusted Total Expenditures	**87,143.8**	**82,643.1**	**73,517.6**	**69,496.7**	**60,259.1**	**56,714.7**
Growth Rate (%)	**5.4**	**12.4**	**5.8**	**15.3**	**6.2**	**8.5**

Statement of Financial Position						
	2023–24	**2022–23**	**2021–22**	**2020–21**	**2019–20**	**2018–19**
(CAD millions)	Budget	Forecast	Actual	Actual	Actual	Actual
Financial Assets						
Cash & investments	3,120	4,646	7,142	6,560	3,985	3,029
Equity in gov't enterprises	13,274	12,530	12,223	9,623	6,515	5,732
Sinking fund investments	529	537	510	492	692	752
Loans recoverable from agencies	30,174	28,344	27,218	26,301	24,768	22,547
Other financial assets	18,450	17,112	17,105	15,399	12,394	12,524
Total Financial Assets	**65,547**	**63,169**	**64,198**	**58,375**	**48,354**	**44,584**
Liabilities						
Accounts payable and accrued liabilities	14,741	14,592	13,754	10,226	8,842	7,937
Deferred revenue	14,933	14,058	13,379	12,185	10,626	10,467
Unfunded pension liabilities	-	-	-	1	1	65
Employee future benefits	-	-	3,075	2,865	2,654	2,571
Tax-supported debt	75,791	63,915	62,565	59,982	46,669	43,209
Self-supported debt	30,528	28,667	27,209	26,275	24,847	22,655
Forecast allowance	700	-	-	-	-	-
Total Liabilities	**136,693**	**121,232**	**119,982**	**111,534**	**93,639**	**86,904**
Net Assets (Debt)	**(71,146)**	**(58,063)**	**(55,784)**	**(53,159)**	**(45,285)**	**(42,320)**
Nonfinancial assets	74,449	65,582	59,939	56,366	53,231	50,777
Accumulated Surplus (Deficit)	**3,303**	**7,519**	**4,155**	**3,207**	**7,946**	**8,457**
Net debt as a share of GDP (%)	17.8	14.9	16.0	17.3	14.7	14.2

Debt Profile (CAD millions)						
	2023–24	**2022–23**	**2021–22**	**2020–21**	**2019–20**	**2018–19**
	Budget	Forecast	Actual	Actual	Actual	Actual
Tax-Supported Debt						
Notes, bonds, and debentures	72,204	60,260	58,875	56,579	43,534	40,174
Capital leases	255	261	264	280	285	253
Public-private partnerships	3,265	3,370	3,400	3,096	2,819	2,749
Other	62	14	26	27	31	33
Loan guarantees	5	5	6	4	5	5
Sinking funds	(174)	(209)	(230)	(236)	(445)	(533)
Net Tax-Supported Debt as Reported	**75,617**	**63,701**	**62,341**	**59,750**	**46,229**	**42,681**

Self-Supported Debt (net of sinking funds)						
BC Hydro	28,946	27,054	25,611	24,650	23,238	22,064
BC Lottery Corporation	104	174	195	228	233	100
Columbia Power Corporate	255	261	266	271	276	282
Columbia Basin power projects	1,266	1,293	1,319	1,349	1,387	418
Liquor Distribution Branch	254	234	230	233	210	-
Postsecondary institutions subsidiaries	656	656	615	520	504	387
Transportation Investment Corporation	-	-	-	-	-	-
Other	126	116	89	99	84	30
Net Self-Supported Debt as Reported	**31,607**	**29,788**	**28,325**	**27,350**	**25,932**	**23,281**

Net Public-Sector Debt	**107,224**	**93,489**	**90,666**	**87,100**	**72,161**	**65,962**
Calculation of DBRS Morningstar-Adjusted Debt						
Tax-supported debt	75,617	63,701	62,341	59,750	46,229	42,681
Unfunded pension liabilities	-	-	-	1	1	65
Cumulative capital expenditure underspend	(2,990)	(1,218)	-	-	-	-
DBRS Morningstar-Adjusted Debt	**72,628**	**62,483**	**62,341**	**59,751**	**46,230**	**42,746**
Share of nominal GDP (%)	18.2	16.1	17.9	19.5	15.0	14.4

Foreign Currency Exposure (net of hedges, share of total)						
Canadian dollars (%)	100	100	100	100	100	100
Other (%)	-	-	-	-	-	-

Floating-Rate Exposure (net of hedges, share of total)						
Fixed rate (%)	88	87	79	77	80	80
Floating and maturing within 12 months (%)	12	13	21	23	20	20

Rating History

	Current	2022	2021	2020	2019	2018
Issuer Rating	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)
Long-Term Debt	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)
Short-Term Debt	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)

Previous Report

- British Columbia, Province of: Rating Report, June 23, 2022.

Related Research

- *Rating Canadian Provincial and Territorial Governments*, April 28, 2023.
- *Province of British Columbia Budget 2023: Dipping Back into Deficits in the Face of Economic Headwinds*, March 2, 2023.
- *Federal-Provincial Healthcare Funding: A 10-Year Booster Shot*, February 8, 2023.
- *Corporate Risk Assessment Scorecard for Canadian Provincial and Territorial Governments*, November 23, 2022.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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