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# Second Quarterly Report

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*2015/16 Financial Update,  
Economic Outlook  
&  
Six Month Financial Results  
April – September 2015*



Ministry of  
Finance

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# PART ONE — UPDATED FINANCIAL FORECAST

2015/16 Second *Quarterly Report*

November 24, 2015

## Introduction

**Table 1.1 2015/16 Forecast Update**

(\$ millions)	Budget 2015	First Quarterly Report	Second Quarterly Report
Revenue .....	46,365	46,739	46,743
Expense .....	(45,831)	(46,212)	(46,228)
<b>Surplus before forecast allowance .....</b>	<b>534</b>	<b>527</b>	<b>515</b>
Forecast allowance .....	(250)	(250)	(250)
<b>Surplus .....</b>	<b>284</b>	<b>277</b>	<b>265</b>
<b>Capital spending:</b>			
Taxpayer-supported capital spending .....	3,731	3,867	3,693
Self-supported capital spending .....	2,518	2,537	2,522
	<b>6,249</b>	<b>6,404</b>	<b>6,215</b>
<b>Provincial Debt:</b>			
Taxpayer-supported debt .....	43,182	42,325	42,121
Self-supported debt .....	22,528	22,189	22,211
<b>Total debt (including forecast allowance) .....</b>	<b>65,960</b>	<b>64,764</b>	<b>64,582</b>
<b>Taxpayer-supported debt to GDP ratio:</b>			
<b>As previously forecast .....</b>	<b>17.4%</b>	<b>17.2%</b>	
Impact of Statistics Canada update .....	0.1%	0.1%	
<b>Restated and second quarter projections .....</b>	<b>17.5%</b>	<b>17.3%</b>	<b>17.2%</b>
<b>Taxpayer-supported debt to revenue ratio .....</b>	<b>95.4%</b>	<b>92.5%</b>	<b>92.1%</b>

The second quarter fiscal outlook for 2015/16 forecasts a surplus of \$265 million, a \$12 million reduction from the projection in the first *Quarterly Report*. The revenue outlook is \$4 million higher reflecting an increase in revenue from taxation sources, partially offset by reductions in natural resources, commercial Crown corporation net income and other taxpayer-supported revenue sources. The updated expense forecast is \$16 million higher than in the first *Quarterly Report*, due mainly to higher refundable tax credit transfers partially offset by a downward revision to direct fire costs.

**Chart 1.1 Operating changes from the first *Quarterly Report***

\$ millions

**Surplus decreased by \$12 million**

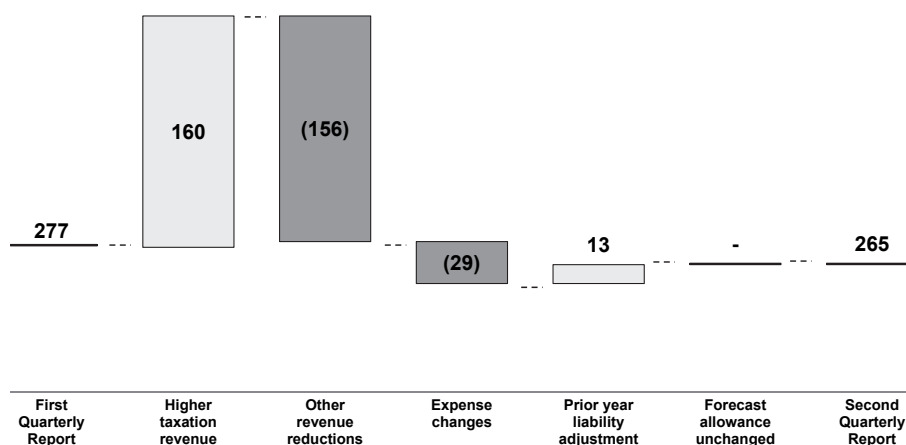


Table 1.2 2015/16 Financial Forecast Changes

	(\$ millions)		
2015/16 surplus – <i>Budget 2015</i> (February 17, 2015) .....	<b>284</b>		<b>284</b>
2015/16 surplus – <i>first Quarterly Report</i> (September 15, 2015) .....		<b>277</b>	
	<b>Q1</b>	<b>Q2</b>	<b>Total</b>
	<b>Update</b>	<b>Update</b>	<b>Changes</b>
<b>Revenue changes:</b>			
Personal income tax – mainly higher 2014 tax assessments .....	246	(3)	243
Corporate income tax – changes in federal government instalments and prior-year adjustment, reflecting 2014 tax assessments .....	128	18	146
Provincial sales tax – higher 2014/15 actual and year-to-date results .....	40	(5)	35
Property transfer tax – stronger year-to-date sales results .....	200	150	350
Other taxation sources .....	(24)	-	(24)
Natural gas royalties – lower prices, partially offset by lower utilization of royalty programs .....	(124)	(35)	(159)
Coal, metals and minerals – mainly lower coal prices and production .....	(20)	-	(20)
Forests – higher Softwood Lumber Agreement border tax and logging tax revenue, partly offset by lower timber tenure stumpage rates .....	45	(38)	7
Other natural resources .....	4	(12)	(8)
Fees, investment earnings and miscellaneous sources – lower revenue from investment earnings and miscellaneous revenue partly offset by higher fee revenue .....	(50)	(17)	(67)
Health and social transfers – mainly changes in BC share of the total population and prior years entitlement .....	(11)	12	1
Other federal government transfers – mainly changes in transfers to taxpayer supported Crowns and SUCH sector entities .....	19	(13)	6
Commercial Crown agencies operating results:			
ICBC – mainly increased claims costs .....	(101)	(98)	(199)
Other commercial Crown agencies changes .....	22	45	67
<b>Total revenue changes</b> .....	<b>374</b>	<b>4</b>	<b>378</b>
<b>Less : expense increases (decreases):</b>			
Consolidated Revenue Fund changes:			
Statutory spending:			
Direct fire-fighting costs .....	317	(95)	222
Emergency program flood-related costs .....	13	3	16
Teachers' Pension Plan liability adjustment .....	60	-	60
BC Training and Education Savings grant – higher anticipated eligibility .....	9	-	9
Elections BC .....	3	-	3
BC Timber Sales .....	-	6	6
Refundable tax credit transfers .....	65	97	162
Prior year liability adjustments .....	-	(13)	(13)
Management of public debt (net) – reflects lower interest rates and revisions to scheduled borrowing .....	(78)	(1)	(79)
Eliminations between appropriations and spending funded by third party recoveries .....	(38)	20	(18)
(Increase) decrease in operating transfers to service delivery agencies .....	(30)	(51)	(81)
Changes in spending profile of service delivery agencies:			
School districts .....	(3)	-	(3)
Universities .....	23	-	23
Colleges .....	11	-	11
Health authorities and hospital societies .....	75	52	127
Other service delivery agencies .....	(46)	(2)	(48)
<b>Total expense increases</b> .....	<b>381</b>	<b>16</b>	<b>397</b>
<b>Total changes</b> .....	<b>(7)</b>	<b>(12)</b>	<b>(19)</b>
2015/16 surplus – <i>first Quarterly Report</i> .....	<b>277</b>		
2015/16 surplus – <i>second Quarterly Report</i> .....		<b>265</b>	<b>265</b>

Projected total capital spending has decreased by \$189 million, reflecting mainly project scheduling changes in the health and post-secondary sectors as well as timing adjustments to federal contributions for transportation projects.

The taxpayer-supported debt forecast is \$204 million lower compared to the projection in the first *Quarterly Report* mainly due to improved cash flows from higher Consolidated Revenue Fund (CRF) revenues and reductions in capital financing requirements. Self-supported debt is \$22 million higher due mainly to changes in timing of borrowing for power generation projects.

The taxpayer-supported debt to GDP ratio is now projected to be 17.2 per cent, 0.1 percentage point lower than the first *Quarterly Report* primarily due to the impact of lower direct operating debt. The ratio's projections have been restated to reflect a 0.1 percentage point increase due to Statistics Canada's revision of historical nominal GDP numbers. The debt to revenue ratio projection of 92.1 per cent has decreased by 0.4 percentage points, reflecting the impact of higher CRF revenues and the resulting positive impact on debt.

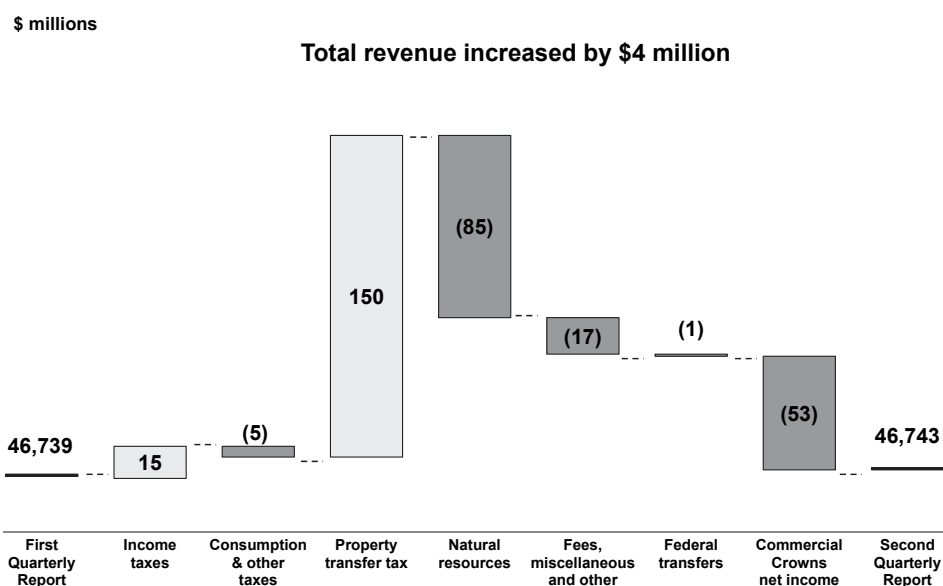
The forecast allowance has been left unchanged at \$250 million, reflecting continuing volatility in some revenue sources (e.g. natural resource revenues and commercial Crown corporation net income) as well as downside risk to British Columbia's economic outlook.

## Revenue

Revenue for 2015/16 is forecast to be relatively unchanged at \$46.7 billion compared to the projection in the first *Quarterly Report*. A higher forecast for taxation revenue is partly offset by expected reductions in natural resource revenues, commercial Crown corporation net income and other taxpayer-supported revenue sources.

Detailed revenue projections are disclosed in Table 1.6, and key assumptions and sensitivities relating to revenue are provided in Table 1.9. Major forecast changes from the first *Quarterly Report* include:

**Chart 1.2 Revenue changes from the first *Quarterly Report***



**Income tax revenue**

Personal income tax revenue is forecast to be \$3 million lower primarily due to the effects of weaker equity and financial markets on higher-income individuals. This is partly offset by stronger assessments of prior years' taxes.

Corporate income tax revenue is up \$18 million mainly due to higher federal government instalments, partially offset by weaker 2014 tax assessment results for BC corporations.

**Consumption and other tax revenue**

Property transfer tax revenue is up \$150 million reflecting a strong year-to-date housing market and all other taxation revenues are down \$5 million.

**Natural resources revenue**

Revenue from natural gas royalties is down \$35 million mainly due to lower natural gas prices and production volumes, partially offset by lower utilization of royalty programs and infrastructure credits.

Forests revenue is down \$38 million due to the effects of lower interior tenure stumpage rates, partially offset by higher harvest volumes and improved BC Timber Sales revenue.

Columbia River Treaty electricity sales revenue is down \$12 million mainly due to a lower projection of Mid-Columbia electricity prices.

Other natural resource revenue is unchanged, as higher revenue from water resources is offset by lower petroleum royalties.

**Other revenue**

Revenue from other taxpayer-supported sources is down \$17 million as lower miscellaneous revenues are partly offset by higher investment earning recoveries.

**Federal government contributions**

Federal government contributions are expected to be down \$1 million as reduced transfers to taxpayer-supported Crown agencies are partly offset by the impacts of an improved BC population share on Canada Health and Social Transfer entitlements.

**Commercial Crown corporations**

The outlook for commercial Crown corporation net income is down \$53 million from the first *Quarterly Report*. The decrease reflects a further reduction of \$98 million to ICBC's net income (adjusted to government's fiscal year) mainly due to continuing increases in claims activity.

This is partially offset by a combined \$45 million improvement in the net income projections of other commercial Crown corporations. Improvements include a \$25 million increase for the Liquor Distribution Branch due to higher sales volumes across product lines, as well as an increase of \$14 million in BC Lottery Corporation's forecast net income primarily due to an improved gross margin (revenue less prizes and other direct costs). The remaining \$6 million improvement mainly reflects better than expected results for the Transportation Investment Corporation.

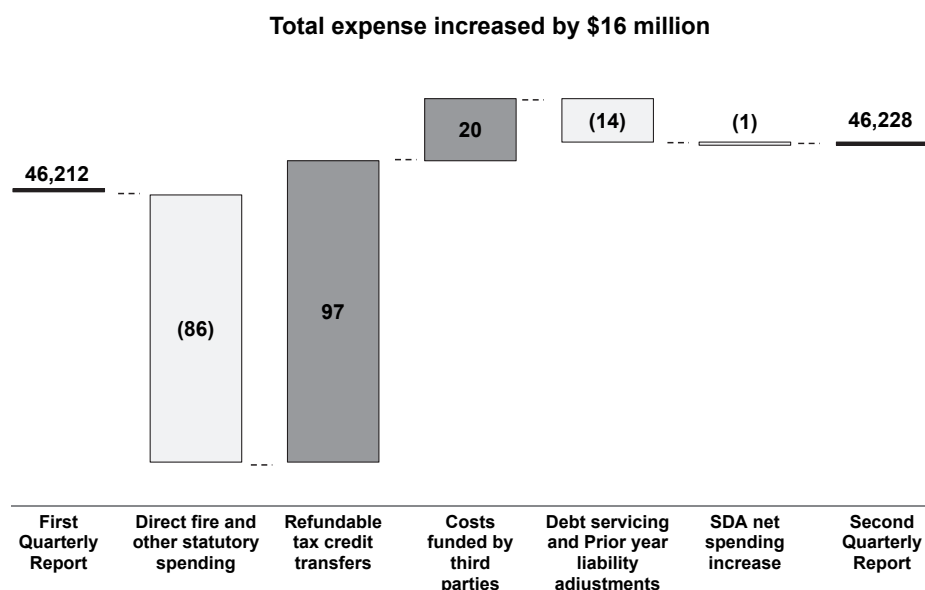


## Expense

At \$46.2 billion, the government spending forecast for 2015/16 is \$16 million higher compared to the projection in the first *Quarterly Report*. The change is primarily due to higher refundable tax credit transfers, partially offset by a downward adjustment to direct fire costs.

**Chart 1.3 Expense changes from the first *Quarterly Report***

\$ millions



## Consolidated Revenue Fund spending

Statutory spending is forecast to be \$11 million higher than the first *Quarterly Report*, reflecting an increase in refundable tax credit payments resulting from higher film tax credits assessments (\$97 million) and other increases (\$9 million), partially offset by lower forecasted direct fire costs (\$95 million) due to favourable late season weather conditions.

Other consolidated revenue fund spending is forecast to be \$14 million lower due to reduced debt servicing costs resulting from lower debt levels and adjustments to prior year liabilities.

On November 10, 2015, Statistics Canada reported that BC's real GDP growth rate for 2014 was 3.2 per cent. This growth rate is 0.9 percentage points higher than the Economic Forecast Council's projection of 2.3 per cent that was included in *Budget 2014*. Consequently, under the Province's Economic Stability Mandate (ESM), employees covered by ratified agreements reached under the ESM will be entitled to a wage increase equivalent to one-half of the positive difference (0.45 per cent) between the 2014 growth rate reported by Statistics Canada and the Economic Forecast Council forecast. Expected costs in 2015/16 from this change will be managed within the fiscal plan and ongoing costs in future years will be addressed as part of *Budget 2016*.

**Contingencies**

*Budget 2015* included a Contingencies vote allocation of \$350 million in 2015/16 to help manage unexpected costs and pressures as well as fund priority initiatives. This allocation is unchanged in the second *Quarterly Report* forecast.

**Spending recovered from third parties**

Spending funded by third parties are forecast to increase by \$20 million primarily due to higher recovered interest from commercial Crowns corporations due to timing changes in debt.

**Operating transfers to service delivery agencies**

Operating transfers to service delivery agencies are forecast to be \$51 million higher mainly due to adjustments to projected health organization allocations in response to spending forecast changes noted below.

**Service delivery agency spending**

Service delivery agency spending forecast is \$50 million higher than the projection in the first *Quarterly Report*:

- Forecasted total spending for school districts and post-secondary institutions are unchanged from the first *Quarterly Report*.
- Health authority and hospital society spending is forecast to be up \$52 million, mainly due to revised estimates for staffing and operating costs incurred in support of the increasing demand for healthcare services delivered by these organizations.
- Other service delivery agency spending is projected to decrease by \$2 million.

Detailed expense projections are disclosed in Table 1.7. Key spending assumptions and sensitivities are provided in Table 1.10.

**Government employment (FTEs)**

The projection of government employment for 2015/16 has been increased by 380 FTEs from 26,620 to 27,000 since the first *Quarterly Report* based on government's commitment to filling positions which are critical to front line service delivery, such as social workers and greater than previously forecast staffing requirements to fight forest fires. Further details on FTEs are provided in Table 1.11.

**Provincial capital spending**

Capital spending is projected to total \$6.2 billion in 2015/16 – \$189 million lower than the forecast in the first *Quarterly Report* (see Tables 1.3 and 1.12).

Taxpayer-supported capital spending is projected at \$3.7 billion, \$174 million lower than in the first *Quarterly Report*. This mainly reflects lower forecast spending on self-funded post-secondary institution projects, schedule adjustments for health projects, and changes to the timing of federal contributions to transportation projects.

**Table 1.3 2015/16 Capital Spending Update**

	(\$ millions)	
<b>2015/16 capital spending – Budget 2015 (February 17, 2015)</b> .....	<b>6,249</b>	<b>6,249</b>
<b>2015/16 capital spending – first Quarterly Report (September 15, 2015)</b> .....	<b>6,404</b>	
	<b>Q1</b>	<b>Q2</b>
	<b>Update</b>	<b>Update</b>
<b>Total</b>		<b>Changes</b>
<b>Taxpayer-supported changes:</b>		
Primarily higher routine capital maintenance spending by health authorities .....	109	-
Self-funded post-secondary institution spending .....	103	(29)
Lower BC Transit spending due to timing changes .....	(60)	-
Health project scheduling changes .....	-	(55)
Primarily timing of Federal contributions to transportation projects .....	-	(61)
Other net adjustments to capital project schedules .....	(16)	(29)
<b>Total taxpayer-supported</b> .....	<b>136</b>	<b>(174)</b>
<b>Self-supported changes:</b>		
Project scheduling changes on the Port Mann Bridge/Highway 1 .....	19	-
BC Lotteries – shift to operating expense reflecting revised technology solutions ..	-	(15)
<b>Total self-supported</b> .....	<b>19</b>	<b>(15)</b>
<b>Total changes</b> .....	<b>155</b>	<b>(189)</b>
<b>2015/16 capital spending – first Quarterly Report</b> .....	<b>6,404</b>	
<b>2015/16 capital spending – second Quarterly Report</b> .....	<b>6,215</b>	<b>6,215</b>

At \$2.5 billion, projected self-supported capital spending is \$15 million lower than the first *Quarterly Report* forecast due to lower capital spending by BC Lotteries related to project costs shifting from capital to an operating expense as technology solutions change to software-as-a-service models or hosted-service solutions rather than in-house technologies.

### *Projects over \$50 million*

Capital spending projects with provincial contributions greater than \$50 million are presented in Table 1.13. Since the first *Quarterly Report* the following changes have occurred:

- The Kitsilano Secondary School project is expected to be completed in 2017, reflecting the second phase of the project – an enhanced and seismically upgraded heritage structure. The project forecast increased by \$1 million due to the addition of the project reserve, which had previously not been included.
- The overall cost for the Evergreen Line rapid transit project is unchanged; however, \$4 million of capital costs have been reallocated to the P3 contract component of the project from direct procurement.
- BC Hydro's Mica SF<sub>6</sub> gas insulated switchgear replacement project forecast decreased by \$8 million, reflecting lower costs to complete the project.
- BC Hydro's Interior to Lower Mainland transmission line project forecast increased by \$18 million, mainly due to higher transmission line and monitoring costs.
- BC Hydro's Big Bend substation project forecast increased by \$11 million, mainly due to design changes and increased construction costs.
- Columbia Power Corporation's Waneta Dam power project costs have decreased by \$5 million reflecting lower costs at the completion stage. The project is substantially complete and in service, with trailing costs remaining.
- The anticipated project cost for the capital portion of ICBC's business transformation program has increased by \$48 million, reflecting a reallocation of expense costs to capital spending. The overall program budget remains unchanged at \$400 million.

In addition, the following projects were added during the second quarter:

- The \$259 million Royal Columbian Hospital – Phase 1 project.
- The \$59 million Highway 1 Widening and 216<sup>th</sup> Street Interchange project.
- The \$57 million Natural Resource Permitting Project – Phase 1.
- BC Hydro's \$94 million Horne Payne Substation project.
- BC Hydro's \$63 million G.M. Shrum Units 1-10 Control System Upgrade project.

## Provincial debt

The provincial debt, including the \$250 million forecast allowance, is projected to total \$64.6 billion by the end of the fiscal year – \$182 million lower than the projection in the first *Quarterly Report*.

**Table 1.4 2015/16 Provincial Debt Update**

	(\$ millions)	
<b>2015/16 provincial debt – Budget 2015 (February 17, 2015) .....</b>	<b>65,960</b>	<b>65,960</b>
<b>2015/16 provincial debt – first <i>Quarterly Report</i> (September 15, 2015) .....</b>	<b>64,764</b>	
	<b>Q1 Update</b>	<b>Q2 Update</b>
<b>Taxpayer-supported changes:</b>		<b>Total Changes</b>
Government operating:		
– lower debt level from 2014/15 .....	(161)	-
– higher opening cash balance .....	(421)	-
– improved CRF operating results and cash flows .....	(112)	(160)
– other changes .....	(51)	(16)
Total operating debt changes .....	(745)	(176)
Capital debt:		
– Net reduction due to lower 2014/15 debt levels and timing changes .....	(125)	-
– lower contributions from external parties .....	108	7
– increase in internal financing .....	(95)	(35)
Total capital debt changes .....	(112)	(28)
<b>Total taxpayer-supported .....</b>	<b>(857)</b>	<b>(204)</b>
<b>Self-supported changes:</b>		
– lower debt level from 2014/15 .....	(388)	-
– change in capital spending .....	19	(15)
– decrease in internal financing .....	30	37
<b>Total self-supported .....</b>	<b>(339)</b>	<b>22</b>
<b>Total changes .....</b>	<b>(1,196)</b>	<b>(182)</b>
<b>2015/16 provincial debt – first <i>Quarterly Report</i> .....</b>	<b>64,764</b>	
<b>2015/16 provincial debt – second <i>Quarterly Report</i> .....</b>		<b>64,582</b>

Taxpayer-supported debt is projected to be \$42.1 billion – \$204 million lower than the projection in the first *Quarterly Report*. The reduction reflects lower direct operating debt (\$176 million), primarily due to anticipated improvement in CRF revenue and government's cash management strategy initiatives.

The decrease in taxpayer-supported capital debt (\$28 million) is mainly due to reduced capital financing requirements in the housing and transportation sectors – i.e. lower capital spending net of changes to contributions from external parties and internal financing of capital.

Lower taxpayer-supported debt projections results in a 0.1 percentage point reduction in the taxpayer-supported debt to GDP ratio compared to the first *Quarterly Report*. The ratio's projections have been restated to reflect the impact of Statistics Canada recent revision to its historical nominal GDP data. The carry forward impact of the revision results in a 0.1 percentage point increase. As a result, the debt to GDP ratio for 2015/16 is now projected to be 17.2 per cent. Taxpayer-supported debt to revenue is also improved by 0.4 percentage points reflecting the double impact of higher CRF revenues and the resulting lower debt.

Self-supported debt is projected to be \$22.2 billion – \$22 million higher than the projection in the first *Quarterly Report* mainly due to changes in timing of borrowing for power generation projects.

Details on provincial debt are shown in Table 1.14.

## Risks to the fiscal forecast

There are a number of risks and pressures to the fiscal plan including risks to the BC economic outlook, which are largely due to the continued uncertainty surrounding global economic activity. Forecasted revenues, expenditures, capital spending and debt are estimates based on a number of economic, financial and external factors. Variables will change throughout the year as new information becomes available, with potentially material impacts.

Revenues can be volatile due in part to the influence of the cyclical nature of the natural resource sector in the economy. Changes in energy or commodity prices, such as natural gas and lumber, may have a significant effect on revenue and the fiscal forecast. In addition, personal and corporate income tax assessments for the 2014 tax year will not be finalized until March 2016 and could result in further revenue and tax credit transfer spending adjustments.

The spending forecast contained in the fiscal plan is based on ministry and service delivery agency plans and strategies. Changes to planning assumptions, such as utilization or demand rates for government services in the health care, education, or community social services sectors, and costs associated with natural disaster response represent the main spending risks.

In addition, capital spending and debt figures may be influenced by a number of factors including design development, procurement activity, weather, geotechnical conditions and interest rates. As a result, the actual operating surplus, capital expenditure and debt figures may differ from the current forecast. Government will provide an update in the third *Quarterly Report*.

The potential fiscal impacts from these risks are mitigated by the \$350 million Contingencies vote and the \$250 million forecast allowance.

## Supplementary schedules

The following tables provide the financial results for the six months ended September 30, 2015 and the 2015/16 full-year forecast.

**Table 1.5 2015/16 Operating Statement**

(\$ millions)	Year-to-Date to September 30				Full Year			
	2015/16			Actual 2014/15	2015/16			Actual 2014/15
	Budget	Actual	Variance		Budget	Forecast	Variance	
Revenue .....	23,072	23,450	378	22,818	46,365	46,743	378	46,122
Expense .....	(21,994)	(21,830)	164	(20,885)	(45,831)	(46,228)	(397)	(44,439)
<b>Surplus before forecast allowance .....</b>	<b>1,078</b>	<b>1,620</b>	<b>542</b>	<b>1,933</b>	<b>534</b>	<b>515</b>	<b>(19)</b>	<b>1,683</b>
Forecast allowance .....	-	-	-	-	(250)	(250)	-	-
<b>Surplus .....</b>	<b>1,078</b>	<b>1,620</b>	<b>542</b>	<b>1,933</b>	<b>284</b>	<b>265</b>	<b>(19)</b>	<b>1,683</b>
Accumulated surplus beginning of the year .....	2,602	3,252	650	1,346	2,602	3,252	650	1,346
Accumulated surplus before comprehensive income .....	3,680	4,872	1,192	3,279	2,886	3,517	631	3,029
Accumulated other comprehensive income from self-supported Crown agencies .....	15	(292)	(307)	324	30	(383)	(413)	223
<b>Accumulated surplus end of period .....</b>	<b>3,695</b>	<b>4,580</b>	<b>885</b>	<b>3,603</b>	<b>2,916</b>	<b>3,134</b>	<b>218</b>	<b>3,252</b>

**Table 1.6 2015/16 Revenue by Source**

(\$ millions)	Year-to-Date to September 30				Full Year			
	2015/16			Actual 2014/15	2015/16			Actual 2014/15
	Budget	Actual	Variance		Budget	Forecast	Variance	
<b>Taxation</b>								
Personal income .....	3,962	4,050	88	3,820	7,948	8,191	243	8,076
Corporate income .....	1,700	1,871	171	1,663	2,630	2,776	146	2,635
Sales <sup>1</sup> .....	3,069	3,077	8	2,961	5,970	6,005	35	5,762
Fuel .....	496	501	5	479	934	934	-	932
Carbon .....	563	555	(8)	558	1,261	1,216	(45)	1,198
Tobacco .....	407	401	(6)	401	770	755	(15)	752
Property .....	1,112	1,101	(11)	1,053	2,225	2,211	(14)	2,154
Property transfer .....	530	794	264	580	928	1,278	350	1,065
Insurance premium .....	230	254	24	229	460	510	50	482
	<b>12,069</b>	<b>12,604</b>	<b>535</b>	<b>11,744</b>	<b>23,126</b>	<b>23,876</b>	<b>750</b>	<b>23,056</b>
<b>Natural resources</b>								
Natural gas royalties .....	170	101	(69)	335	344	185	(159)	493
Forests .....	318	435	117	303	835	842	7	754
Other natural resource <sup>2</sup> .....	762	801	39	831	1,578	1,550	(28)	1,690
	<b>1,250</b>	<b>1,337</b>	<b>87</b>	<b>1,469</b>	<b>2,757</b>	<b>2,577</b>	<b>(180)</b>	<b>2,937</b>
<b>Other revenue</b>								
Medical Services Plan premiums .....	1,187	1,203	16	1,123	2,399	2,414	15	2,254
Other fees <sup>3</sup> .....	1,411	1,463	52	1,396	3,235	3,314	79	3,171
Investment earnings .....	612	574	(38)	575	1,137	1,112	(25)	1,203
Miscellaneous <sup>4</sup> .....	1,519	1,443	(76)	1,233	3,161	3,025	(136)	2,804
	<b>4,729</b>	<b>4,683</b>	<b>(46)</b>	<b>4,327</b>	<b>9,932</b>	<b>9,865</b>	<b>(67)</b>	<b>9,432</b>
<b>Contributions from the federal government</b>								
Health and social transfers .....	3,071	3,069	(2)	2,912	6,142	6,143	1	5,827
Other federal contributions <sup>5</sup> .....	708	625	(83)	633	1,504	1,510	6	1,499
	<b>3,779</b>	<b>3,694</b>	<b>(85)</b>	<b>3,545</b>	<b>7,646</b>	<b>7,653</b>	<b>7</b>	<b>7,326</b>
<b>Commercial Crown corporation net income</b>								
BC Hydro .....	118	133	15	165	653	653	-	581
Liquor Distribution Branch .....	459	518	59	515	881	925	44	935
BC Lotteries (net of payments to the federal government) .....	607	655	48	622	1,206	1,221	15	1,245
ICBC <sup>6</sup> .....	81	(165)	(246)	445	210	11	(199)	657
Transportation Investment Corporation (Port Mann) .....	(48)	(38)	10	(38)	(101)	(96)	5	(89)
Other <sup>7</sup> .....	28	29	1	24	55	58	3	42
	<b>1,245</b>	<b>1,132</b>	<b>(113)</b>	<b>1,733</b>	<b>2,904</b>	<b>2,772</b>	<b>(132)</b>	<b>3,371</b>
<b>Total revenue</b> .....	<b>23,072</b>	<b>23,450</b>	<b>378</b>	<b>22,818</b>	<b>46,365</b>	<b>46,743</b>	<b>378</b>	<b>46,122</b>

<sup>1</sup> Includes provincial sales tax and social services tax/hotel room tax related to prior years.<sup>2</sup> Columbia River Treaty, other energy and minerals, water rental and other resources.<sup>3</sup> Post-secondary, healthcare-related, motor vehicle, and other fees.<sup>4</sup> Includes reimbursements for health care and other services provided to external agencies, and other recoveries.<sup>5</sup> Includes contributions for health, education, community development, housing and social service programs, and transportation projects.<sup>6</sup> Amount represent ICBC's earnings during government's fiscal year.<sup>7</sup> Includes Columbia Power Corporation, BC Railway Company, Columbia Basin Trust power projects, and post-secondary institutions self-supported subsidiaries.



**Table 1.7 2015/16 Expense by Ministry, Program and Agency <sup>1</sup>**

(\$ millions)	Year-to-Date to September 30				Full Year			
	2015/16			Actual 2014/15 <sup>2</sup>	2015/16			Actual 2014/15 <sup>2</sup>
	Budget	Actual	Variance		Budget	Forecast	Variance	
Office of the Premier .....	5	5	-	5	9	9	-	8
Aboriginal Relations and Reconciliation .....	43	56	13	44	87	87	-	84
Advanced Education .....	958	949	(9)	962	1,961	1,961	-	2,007
Agriculture .....	48	37	(11)	46	80	80	-	78
Children and Family Development .....	669	659	(10)	648	1,379	1,379	-	1,338
Community, Sport and Cultural Development ..	167	189	22	166	228	228	-	222
Education .....	2,818	2,814	(4)	2,556	5,498	5,507	9	5,395
Energy and Mines .....	12	13	1	13	28	28	-	30
Environment .....	67	73	6	63	150	150	-	133
Finance .....	93	97	4	100	220	280	60	247
Forests, Lands and Natural Resource Operations .....	298	471	173	442	608	836	228	836
Health .....	8,586	8,461	(125)	8,180	17,444	17,444	-	16,934
International Trade .....	26	26	-	25	49	49	-	33
Jobs, Tourism and Skills Training .....	98	103	5	94	196	196	-	196
Justice .....	567	565	(2)	550	1,142	1,142	-	1,115
Natural Gas Development .....	256	219	(37)	197	444	444	-	401
Small Business and Red Tape Reduction .....	1	1	-	1	3	3	-	3
Social Development and Social Innovation .....	1,286	1,303	17	1,266	2,594	2,594	-	2,529
Technology, Innovation and Citizens' Services ..	237	239	2	232	493	493	-	452
Transportation and Infrastructure .....	425	423	(2)	412	844	860	16	853
<b>Total ministries and Office of the Premier ..</b>	<b>16,660</b>	<b>16,703</b>	<b>43</b>	<b>16,002</b>	<b>33,457</b>	<b>33,770</b>	<b>313</b>	<b>32,894</b>
Management of public funds and debt .....	641	590	(51)	604	1,267	1,188	(79)	1,198
Contingencies .....	-	2	2	-	350	350	-	264
Funding for capital expenditures .....	295	238	(57)	278	1,001	886	(115)	860
Refundable tax credit transfers .....	486	495	9	388	975	1,137	162	864
Legislative and other appropriations .....	65	59	(6)	57	133	136	3	125
<b>Subtotal .....</b>	<b>18,147</b>	<b>18,087</b>	<b>(60)</b>	<b>17,329</b>	<b>37,183</b>	<b>37,467</b>	<b>284</b>	<b>36,205</b>
Elimination of transactions between appropriations <sup>3</sup> .....	(8)	(8)	-	(8)	(20)	(16)	4	(17)
Prior year liability adjustments .....	-	(4)	(4)	(6)	-	(13)	(13)	(130)
<b>Consolidated revenue fund expense .....</b>	<b>18,139</b>	<b>18,075</b>	<b>(64)</b>	<b>17,315</b>	<b>37,163</b>	<b>37,438</b>	<b>275</b>	<b>36,058</b>
Expenses recovered from external entities .....	1,279	1,288	9	1,211	2,675	2,658	(17)	2,668
Funding provided to service delivery agencies ..	(10,945)	(11,063)	(118)	(10,428)	(22,477)	(22,448)	29	(21,734)
<b>Total direct program spending .....</b>	<b>8,473</b>	<b>8,300</b>	<b>(173)</b>	<b>8,098</b>	<b>17,361</b>	<b>17,648</b>	<b>287</b>	<b>16,992</b>
<b>Service delivery agency expense</b>								
School districts .....	2,543	2,579	36	2,074	5,786	5,783	(3)	5,339
Universities .....	2,034	1,991	(43)	1,970	4,252	4,275	23	4,119
Colleges and institutes .....	528	535	7	538	1,130	1,141	11	1,151
Health authorities and hospital societies .....	6,593	6,625	32	6,450	13,446	13,573	127	13,154
Other service delivery agencies .....	1,823	1,800	(23)	1,755	3,856	3,808	(48)	3,684
<b>Total service delivery agency expense .....</b>	<b>13,521</b>	<b>13,530</b>	<b>9</b>	<b>12,787</b>	<b>28,470</b>	<b>28,580</b>	<b>110</b>	<b>27,447</b>
<b>Total expense .....</b>	<b>21,994</b>	<b>21,830</b>	<b>(164)</b>	<b>20,885</b>	<b>45,831</b>	<b>46,228</b>	<b>397</b>	<b>44,439</b>

<sup>1</sup> Reflects government's re-organization effective July 30, 2015.<sup>2</sup> Restated to reflect government's current accounting policies.<sup>3</sup> Reflects payments made under an agreement where an expense from a voted appropriation is recorded as revenue by a special account.



**Table 1.8 2015/16 Expense By Function**

(\$ millions)	Year-to-Date to September 30				Full Year			
	2015/16			Actual 2014/15 <sup>1</sup>	2015/16			Actual 2014/15 <sup>1</sup>
	Budget	Actual	Variance		Budget	Forecast	Variance	
<b>Health:</b>								
Medical Services Plan .....	2,052	2,041	(11)	1,968	4,282	4,282	-	4,136
Pharmacare .....	573	653	80	563	1,144	1,144	-	1,120
Regional services .....	6,387	6,235	(152)	6,152	12,849	12,866	17	12,410
Other healthcare expenses <sup>2</sup> .....	380	327	(53)	341	786	791	5	704
	<u>9,392</u>	<u>9,256</u>	<u>(136)</u>	<u>9,024</u>	<u>19,061</u>	<u>19,083</u>	<u>22</u>	<u>18,370</u>
<b>Education:</b>								
Elementary and secondary .....	2,704	2,696	(8)	2,336	6,259	6,259	-	6,064
Post-secondary .....	2,588	2,573	(15)	2,513	5,454	5,478	24	5,349
Other education expenses <sup>3</sup> .....	151	131	(20)	167	477	476	(1)	414
	<u>5,443</u>	<u>5,400</u>	<u>(43)</u>	<u>5,016</u>	<u>12,190</u>	<u>12,213</u>	<u>23</u>	<u>11,827</u>
<b>Social services:</b>								
Social assistance <sup>2,3</sup> .....	788	807	19	803	1,605	1,605	-	1,589
Child welfare <sup>2</sup> .....	637	631	(6)	543	1,258	1,258	-	1,129
Low income tax credit transfers .....	123	123	-	124	245	245	-	248
Community living and other services .....	442	445	3	421	901	904	3	881
	<u>1,990</u>	<u>2,006</u>	<u>16</u>	<u>1,891</u>	<u>4,009</u>	<u>4,012</u>	<u>3</u>	<u>3,847</u>
Protection of persons and property .....	731	700	(31)	686	1,423	1,447	24	1,451
Transportation .....	842	802	(40)	766	1,713	1,709	(4)	1,608
Natural resources and economic development .....	919	1,096	177	1,026	1,867	2,256	389	2,191
Other .....	711	649	(62)	592	1,290	1,258	(32)	1,288
Contingencies .....	-	-	-	-	350	350	-	-
General government .....	705	664	(41)	640	1,280	1,351	71	1,359
Debt servicing .....	1,261	1,257	(4)	1,244	2,648	2,549	(99)	2,498
<b>Total expense</b> .....	<u><b>21,994</b></u>	<u><b>21,830</b></u>	<u><b>(164)</b></u>	<u><b>20,885</b></u>	<u><b>45,831</b></u>	<u><b>46,228</b></u>	<u><b>397</b></u>	<u><b>44,439</b></u>

<sup>1</sup> Restated to reflect government's current organization and accounting policies.

<sup>2</sup> Payments for healthcare services by the Ministry of Social Development and Social Innovation and the Ministry of Children and Family Development made on behalf of their clients are reported in the Health function.

<sup>3</sup> Payments for training costs by the Ministry of Social Development and Social Innovation made on behalf of its clients are reported in the Education function.

**Table 1.9 2015/16 Material Assumptions – Revenue**

Revenue Source and Assumptions (\$ millions unless otherwise specified)	Budget 2015 Estimate	First Quarter Forecast	Second Quarter Forecast	2015/16 Sensitivities
<b>Personal income tax</b>	<b>\$7,948</b>	<b>\$8,194</b>	<b>\$8,191</b>	
<u>Current calendar year assumptions</u>				
Household income growth .....	3.5%	3.1%	3.1%	+/- 1% point change in 2015 BC household income growth equals +/- \$70 to \$100 million
Compensation of employees growth .....	3.7%	3.2%	3.2%	
Tax base growth .....	3.4%	2.6%	1.4%	
Average tax yield .....	5.29%	5.30%	5.32%	
Current-year tax .....	\$7,713	\$7,818	\$7,756	
Prior year's tax assessments .....	\$327	\$327	\$350	
Unapplied taxes .....	\$90	\$90	\$90	
BC Tax Reduction .....	-\$140	-\$147	-\$147	
Non-Refundable BC tax credits .....	-\$66	-\$75	-\$89	
Policy neutral elasticity * .....	1.1	1.0	0.6	+/- 0.5 change in 2015 BC policy neutral elasticity equals +/- \$120 to \$130 million
<u>Fiscal year assumptions</u>				
Prior-year adjustment .....	—	\$159	\$205	
<b>2014 Tax-year</b>	<b>2014 Assumptions</b>			
Household income growth .....	3.0%	3.1%	3.2%	+/- 1% point change in 2014 BC household or taxable income growth equals +/- \$90 to \$100 million one-time effect (prior-year adjustment) and could result in an additional +/- \$70 to \$80 million base change in 2015/16
Tax base growth .....	1.6%	3.9%	3.9%	
Average 2014 tax yield .....	5.25%	5.26%	5.26%	
2014 tax .....	\$7,399	\$7,560	\$7,560	
2013 & prior year's tax assessments .....	\$317	\$317	\$370	
Unapplied taxes .....	\$90	\$90	\$90	
BC Tax Reduction .....	-\$133	-\$140	-\$140	
Non-refundable BC tax credits .....	-\$66	-\$84	-\$78	
Policy neutral elasticity * .....	0.9	1.5	1.3	
* Ratio of annual per cent change in current-year revenue to annual per cent change in personal income (calendar year).				
<b>Corporate income tax</b>	<b>\$2,630</b>	<b>\$2,758</b>	<b>\$2,776</b>	
<u>Components of revenue (fiscal year)</u>				
Instalments - subject to general rate .....	\$2,436	\$2,374	\$2,482	
Instalments - subject to small business rate .....	\$285	\$278	\$290	
Non-refundable BC tax credits .....	-\$105	-\$78	-\$90	
Advance instalments .....	\$2,616	\$2,574	\$2,682	
<i>International Business Activity Act</i> refunds .....	-\$20	-\$20	-\$20	
Prior-year adjustment .....	\$34	\$204	\$114	
<u>Current calendar year assumptions</u>				
National tax base (\$ billions) .....	\$287.2	\$281.6	\$290.3	+/- 1% change in the 2015 national tax base equals
BC instalment share of national tax base .....	11.5%	11.5%	11.5%	+/- \$20 to \$30 million
Effective tax rates (general/small business) .....	11.0 / 2.5	11.0 / 2.5	11.0 / 2.5	
Share of the BC tax base subject to small business rate .....	34.0%	34.0%	34.0%	+/- 1% point change in the 2015 small business share equals
BC tax base growth (post federal measures) .....	4.6%	0.2%	0.3%	+/- \$20 to \$30 million
BC net operating surplus growth .....	3.3%	-1.8%	-1.8%	
<b>2014 Tax-year</b>	<b>2014 Assumptions</b>			+/- 1% change in the 2014 BC tax base equals +/- \$30 to \$40 million in 2015/16
BC tax base growth (post federal measures) .....	5.3%	11.3%	8.1%	
BC net operating surplus growth .....	5.3%	5.9%	8.4%	
Gross 2014 tax .....	\$2,664	\$2,814	\$2,734	
Prior-year adjustments .....	\$34	\$204	\$114	
Prior years losses/gains (included in above) .....	-\$40	-\$40	-\$40	
Non-refundable BC tax credits .....	-\$97	-\$77	-\$86	
<p>Net cash received from the federal government and cash refunds under the <i>International Business Activity Act</i> are used as the basis for estimating revenue. Due to lags in the federal collection and instalment systems, changes to the BC net operating surplus and tax base forecasts affect revenue in the succeeding year. The 2015/16 instalments from the federal government reflects two-third of payments related to the 2015 tax year (paid during Apr-July 2015 and adjusted in Sept and Dec) and one-third of 2016 payments. Instalments for the 2015 (2016) tax year are based on BC's share of the national tax base for the 2013 (2014) tax year and a forecast of the 2015 (2016) national tax base. BC's share of the 2013 national tax base was 11.45%, based on tax assessments as of December 31, 2014. Cash adjustments for any under/over payments from the federal government in respect of 2014 will be received/paid on March 31, 2016.</p>				



**Table 1.9 2015/16 Material Assumptions – Revenue (continued)**

Revenue Source and Assumptions (\$ millions unless otherwise specified)	Budget 2015 Estimate	First Quarter Forecast	Second Quarter Forecast	2015/16 Sensitivities
<b>Provincial sales tax</b>	<b>\$5,970</b>	<b>\$6,010</b>	<b>\$6,005</b>	
Provincial sales tax base growth (fiscal year) .....	4.1%	5.2%	5.2%	+/- 1% point change in the 2015 consumer expenditure growth equals up to +/- \$30 million
<u>Calendar Year</u>				
Nominal consumer expenditure .....	4.3%	4.8%	4.8%	
Nominal business investment .....	3.9%	5.2%	5.2%	
Other expenditures .....	5.8%	2.8%	2.8%	+/- 1% point change in the 2015 business investment growth equals up to +/- \$10 million
<u>Components of Provincial sales tax revenue</u>				
Consolidated Revenue Fund .....	\$5,963	\$6,003	\$5,998	
BC Transportation Financing Authority .....	\$7	\$7	\$7	
<b>Fuel and carbon taxes</b>	<b>\$2,195</b>	<b>\$2,150</b>	<b>\$2,150</b>	
<u>Calendar Year</u>				
Real GDP .....	2.3%	2.0%	2.0%	
Gasoline volumes .....	0.0%	0.0%	0.0%	
Diesel volumes .....	2.0%	2.0%	2.0%	
Natural gas volumes .....	2.3%	2.0%	2.0%	
<u>Carbon tax rates (July 1)</u>				
Carbon dioxide equivalent emissions (\$/tonne) .....	\$30	\$30	\$30	
Natural gas (cents/gigajoule) .....	148.98¢	148.98¢	148.98¢	
Gasoline (cents/litre) .....	6.67¢	6.67¢	6.67¢	
Light fuel oil (cents/litre) .....	7.67¢	7.67¢	7.67¢	
Carbon tax revenue .....	\$1,261	\$1,216	\$1,216	
<u>Components of fuel tax revenue</u>				
Consolidated Revenue Fund .....	\$509	\$509	\$509	
BC Transit .....	\$12	\$12	\$12	
BC Transportation Financing Authority .....	\$413	\$413	\$413	
	\$934	\$934	\$934	
<b>Property taxes</b>	<b>\$2,225</b>	<b>\$2,211</b>	<b>\$2,211</b>	
<u>Calendar Year</u>				+/- 1% point change in new construction & inflation growth equals up to +/- \$35 million in residential property taxation revenue
Consumer Price Index .....	1.6%	1.1%	1.1%	
Housing starts .....	27,598	29,000	29,000	
Home owner grants (fiscal year) .....	\$825	\$801	\$801	
<u>Components of revenue</u>				+/- 1% change in 2015 total business property assessment value equals up to +/- \$20 million in non-residential property taxation revenue
Residential (net of home owner grants) .....	\$763	\$766	\$766	
Non-residential .....	\$1,166	\$1,151	\$1,151	
Rural area .....	\$91	\$95	\$95	
Police .....	\$34	\$34	\$34	
BC Assessment Authority .....	\$85	\$85	\$85	
BC Transit .....	\$86	\$80	\$80	
<b>Other taxes</b>	<b>\$2,158</b>	<b>\$2,393</b>	<b>\$2,543</b>	
<u>Calendar Year</u>				
Population .....	1.2%	1.2%	1.2%	
Consumer Price Index .....	1.6%	1.1%	1.1%	
Housing starts .....	-2.7%	2.3%	2.3%	
Real GDP .....	2.3%	2.0%	2.0%	
Nominal GDP .....	3.8%	3.1%	3.1%	
<u>Components of revenue</u>				
Property transfer .....	\$928	\$1,128	\$1,278	
Tobacco .....	\$770	\$755	\$755	
Insurance premium and other .....	\$460	\$510	\$510	



**Table 1.9 2015/16 Material Assumptions – Revenue (continued)**

Revenue Source and Assumptions (\$ millions unless otherwise specified)	Budget 2015 Estimate	First Quarter Forecast	Second Quarter Forecast	2015/16 Sensitivities
<b>Energy, sales of Crown land tenures, metals, minerals and other</b>	<b>\$1,456</b>	<b>\$1,328</b>	<b>\$1,271</b>	
Natural gas price				+/- \$0.50 change in the natural gas price equals
Plant inlet, \$Cdn/gigajoule .....	\$2.09	\$1.69	\$1.58	+/- \$175 million, including impacts on production volumes and royalty program credits, but excluding any changes from byproducts revenue (e.g. butane, ethane, propane)
Sumas, \$US/ MMBtu .....	\$3.20	\$2.58	\$2.55	Sensitivities can also vary significantly at different price levels.
Natural gas production volumes				
Billions of cubic metres .....	44.4	44.4	44.0	
Petajoules .....	1,760	1,761	1,746	
Annual per cent change .....	7.3%	3.0%	2.1%	
Oil price (\$US/bbl at Cushing, Ok) .....	\$45.00	\$50.00	\$50.00	
Auctioned land base (000 hectares) .....	150	60	76	
Average bid price/hectare (\$) .....	\$1,000	\$196	\$183	+/- 1% change in natural gas volumes equals +/- \$3 million on natural gas royalties
Cash sales of Crown land tenures .....	\$150	\$12	\$14	
Metallurgical coal price (\$US/tonne, fob west coast) .....	\$128	\$104	\$99	
Copper price (\$US/lb) .....	\$3.02	\$2.75	\$2.56	
Annual electricity volumes set by treaty (million mega-watt hours) .....	4.1	4.1	4.1	+/- 1 cent change in the exchange rate equals +/- \$30 million on natural gas royalties
Mid-Columbia electricity price (\$US/mega-watt hour) .....	\$28	\$31	\$28	+/- 10% change in the average Mid-Columbia electricity price equals +/- \$13 million
Exchange rate (US\$/ Cdn\$, calendar year) .....	85.3	79.5	78.2	
<u>Components of revenue</u>				
Natural gas royalties .....	\$344	\$220	\$185	
Bonus bids, fees and rentals .....	\$784	\$766	\$767	+/- US\$10 change in the average Metallurgical coal price equals +/- \$30 to \$40 million
Petroleum royalties .....	\$47	\$59	\$50	Based on a recommendation from the Auditor General to be consistent with generally accepted accounting principles, bonus bid revenue recognition reflects nine-year deferral of cash receipts from the sale of Crown land tenures
Columbia River Treaty electricity sales .....	\$117	\$145	\$133	
Coal .....	\$67	\$47	\$49	
Minerals, metals and other .....	\$41	\$41	\$39	
Oil and Gas Commission fees and levies .....	\$56	\$50	\$48	
<u>Royalty programs and infrastructure credits</u>				
Deep drilling .....	-\$273	-\$224	-\$198	
Road and pipeline infrastructure .....	-\$107	-\$88	-\$86	
Total .....	-\$380	-\$312	-\$284	
Implicit average natural gas royalty rate .....	9.4%	7.4%	6.7%	
Royalty program (marginal, low productivity and ultra marginal drilling) adjustments reflect reduced royalty rates.				
Natural gas royalties incorporate royalty programs and Treasury Board approved infrastructure credits.				



**Table 1.9 2015/16 Material Assumptions – Revenue (continued)**

Revenue Source and Assumptions (\$ millions unless otherwise specified)	Budget 2015 Estimate	First Quarter Forecast	Second Quarter Forecast	2015/16 Sensitivities
<b>Forests</b>	<b>\$835</b>	<b>\$880</b>	<b>\$842</b>	
<u>Prices (calendar year average)</u>				
SPF 2x4 (\$US/1000 bd ft) .....	\$344	\$300	\$281	+/- US\$50 change in SPF price equals +/- \$100 to \$120 million
Random Lengths Composite (\$US/thousand board feet) .....	\$369	\$340	\$324	
Pulp (\$US/tonne) .....	\$888	\$869	\$859	+/- US\$50 change in pulp price equals +/- \$5 to \$10 million
Coastal log (\$Cdn/cubic metre); Vancouver Log Market) .....	\$94	\$98	\$107	+/- Cdn\$10 change in average log price equals +/- \$10 to \$20 million
<u>Fiscal Year Trade Assumptions</u>				
Export tax rate (effective rate) .....	0.8%	4.8%	4.7%	
Lumber shipments and consumption (billion board feet)				+/- 1 cent change in exchange rate equals
U.S. lumber consumption .....	41.3	41.8	41.8	+/- \$15 to \$20 million on stumpage revenue
BC surge trigger volumes .....	8.8	8.9	8.9	+/- 10% change in Interior harvest volumes equals
BC lumber exports to US .....	7.0	7.1	7.1	+/- \$50 to \$60 million
<u>Crown harvest volumes (million cubic metres)</u>				+/- 10% change in Coastal harvest volumes equals
Interior .....	48.9	46.5	48.8	+/- \$8 to \$12 million
Coast .....	14.1	13.5	12.7	
Total .....	63.0	60.0	61.5	
BC Timber Sales (included in above) .....	11.4	11.0	11.7	
<u>Stumpage rates (\$Cdn/cubic metre)</u>				
Total stumpage rates .....	\$11.80	\$11.74	\$10.74	
<u>Components of revenue</u>				The above sensitivities relate to stumpage revenue only. Depending on market conditions, changes in stumpage revenues may be offset by changes in softwood lumber border tax revenues
Tenures .....	\$517	\$470	\$405	
BC Timber Sales .....	\$248	\$256	\$277	
Federal border tax (SLA 2006) .....	\$0	\$64	\$71	
Logging tax .....	\$25	\$45	\$44	
Other CRF revenue .....	\$20	\$20	\$20	
Recoveries .....	\$25	\$25	\$25	
<b>Other natural resources</b>	<b>\$466</b>	<b>\$454</b>	<b>\$464</b>	
<u>Components of revenue</u>				
Water rental and licences* .....	\$395	\$383	\$392	
Recoveries .....	\$50	\$50	\$50	
Angling and hunting permits and licences .....	\$10	\$10	\$11	
Recoveries .....	\$11	\$11	\$11	
* Water rentals for power purposes are indexed to Consumer Price Index.				
<b>Other revenue</b>	<b>\$9,932</b>	<b>\$9,882</b>	<b>\$9,865</b>	
<u>Components of revenue</u>				
Fees and licences				+/- 1% point change in BC's population growth equals
Medical Services Plan (MSP) premium .....	\$2,399	\$2,399	\$2,414	+/- \$10 to \$20 million on MSP premium revenue
Consolidated Revenue Fund .....	\$2,315	\$2,315	\$2,330	MSP rates are assumed to increase 4 percent annually
MSP recoveries .....	\$84	\$84	\$84	
Motor vehicle licences and permits .....	\$516	\$522	\$521	
Other Consolidated Revenue Fund .....	\$381	\$400	\$379	
Summary consolidation eliminations .....	-\$16	-\$15	-\$15	
Other recoveries .....	\$105	\$105	\$105	
Crown corporations and agencies .....	\$109	\$110	\$111	
Post-secondary education fees .....	\$1,612	\$1,645	\$1,645	
Other healthcare-related fees .....	\$348	\$355	\$356	
School Districts .....	\$180	\$212	\$212	
Investment earnings				
Consolidated Revenue Fund .....	\$74	\$55	\$43	
Fiscal agency loans & sinking funds earnings .....	\$944	\$908	\$929	
Summary consolidation eliminations .....	-\$53	-\$49	-\$50	
Crown corporations and agencies .....	\$21	\$29	\$33	
SUCH sector agencies .....	\$151	\$157	\$157	
Sales of goods and services .....	\$935	\$921	\$924	
Miscellaneous .....	\$2,226	\$2,128	\$2,101	



Table 1.9 2015/16 Material Assumptions – Revenue (continued)

Revenue Source and Assumptions (\$ millions unless otherwise specified)	Budget 2015 Estimate	First Quarter Forecast	Second Quarter Forecast	2015/16 Sensitivities
<b>Health and social transfers</b>	<b>\$6,142</b>	<b>\$6,131</b>	<b>\$6,143</b>	
<u>National Cash Transfers</u>				
Canada Health Transfer (CHT) .....	\$34,026	\$34,026	\$34,026	+/- 0.1% point change in BC's population share equals +/- \$45 to \$50 million
Canada Social Transfer (CST) .....	\$12,959	\$12,959	\$12,959	
BC share of national population (June 1) .....	13.06%	13.06%	13.07%	
<u>BC health and social transfers revenue</u>				
CHT .....	\$4,443	\$4,443	\$4,446	
CST .....	\$1,692	\$1,692	\$1,693	
Prior-year adjustments .....	—	-\$11	-\$3	
Health deferral				
Medical Equipment Trust .....	\$7	\$7	\$7	
<b>Other federal contributions</b>	<b>\$1,504</b>	<b>\$1,523</b>	<b>\$1,510</b>	
<u>Components of revenue</u>				
Disaster Financial Assistance .....	\$8	\$8	\$8	
Other Consolidated Revenue Fund .....	\$136	\$136	\$137	
Labour Market Development Agreement .....	\$300	\$300	\$300	
Labour Market and Skills Training Program .....	\$77	\$77	\$77	
Family Support and Children in Care .....	\$49	\$49	\$49	
Emergency Management .....	\$5	\$5	\$5	
Other recoveries .....	\$110	\$110	\$110	
Crown corporations and agencies .....	\$230	\$244	\$230	
Post-secondary institutions .....	\$506	\$503	\$503	
Other SUCH sector agencies .....	\$83	\$91	\$91	
<b>Service delivery agency direct revenue</b>	<b>\$6,311</b>	<b>\$6,378</b>	<b>\$6,371</b>	
School districts .....	\$527	\$550	\$550	
Post-secondary institutions .....	\$3,144	\$3,195	\$3,195	
Health authorities and hospital societies .....	\$1,091	\$1,075	\$1,085	
BC Transportation Financing Authority .....	\$504	\$504	\$495	
Other service delivery agencies .....	\$1,045	\$1,054	\$1,046	
<b>Commercial Crown corporation net income</b>	<b>\$2,904</b>	<b>\$2,825</b>	<b>\$2,772</b>	
<b>BC Hydro</b> .....	<b>\$653</b>	<b>\$653</b>	<b>\$653</b>	
reservoir water inflows .....	100%	93%	88%	+/-1% in hydro generation = +/- \$10 million
mean gas price .....	3.82	2.56	2.56	+/-10% = +/- \$1 million
(Sumas, \$US/MMbtu – BC Hydro forecast based on NYMEX forward selling prices)				
electricity prices .....	32.22	26.76	28.34	+/-10% change in electricity trade margins = +/- \$10 million
(Mid-C, \$US/MWh)				
<b>ICBC</b> .....	<b>\$210</b>	<b>\$109</b>	<b>\$11</b>	
vehicle growth .....	+1.7%	+2.4%	+3.0%	+/-1% = +/- \$44 million
current claims cost percentage change .....	+2.2%	+9.2%	+10.0%	+/-1% = +/- \$37 million
unpaid claims balance .....	\$8.6 billion	\$8.9 billion	\$9.0 billion	+/-1% = +/- \$82 to \$90 million
investment return .....	3.0%	5.9%	6.1%	+/-1% return = +/- \$141 to \$146 million
loss ratio .....	86.6%	94.9%	97.6%	

**Table 1.10 Material Assumptions – Expense**

<b>Ministry Programs and Assumptions (\$ millions unless otherwise specified)</b>	<b>Budget 2015 Estimate</b>	<b>First Quarter Forecast</b>	<b>Second Quarter Forecast</b>	<b>Sensitivities 2015/16</b>
<b>Advanced Education .....</b>	<b>1,961</b>	<b>1,961</b>	<b>1,961</b>	
Student spaces in public institutions .....	201,256	201,256	201,256	The number of student spaces may vary depending on the financial and other policies of post-secondary institutions.
(# FTEs)				
<b>Children and Family Development .....</b>	<b>1,379</b>	<b>1,379</b>	<b>1,379</b>	
Average children-in-care .....	8,250	8,250	8,250	Caseload is expected to remain stable between 15/16 and 17/18. A 1% increase in the cost per case or a 1% increase in the average caseload will affect expenditures by approximately \$2 million (excluding Delegated Aboriginal Agencies).
caseload (#)				
Average annual residential .....	40,500	40,500	40,500	
cost per child in care (\$)				
<b>Education .....</b>	<b>5,498</b>	<b>5,498</b>	<b>5,507</b>	
Public School Enrolment (# of FTEs) .....	537,377	536,443	536,443	Enrolment figures are based on BC Stats and school district enrollment trends, to which the ministry has added forecasts for distributed learning, adult education and summer learning.
School age (K–12) .....	515,380	514,730	514,730	
Distributed Learning (online) .....	11,743	11,743	11,743	Summer Learning was affected by the teachers' job action in 2014/15, but is returning to full operation in 2015/16 and subsequent years.
Summer .....	6,658	6,658	6,658	
Adults .....	3,596	3,212	3,212	
<b>Forests, Lands and Natural Resource Operations .....</b>	<b>608</b>	<b>925</b>	<b>836</b>	
BC Timber Sales .....	165	165	171	Targets can be impacted by changes to actual inventory costs incurred. There is a lag of approximately 1.5 years between when inventory costs are incurred and when they are expensed. Volume harvested can also impact targets. For example, if volume harvested is less than projected in any year, then capitalized expenses will also be reduced in that year.
Direct Fire Fighting .....	63	380	285	Over the past several years, Direct Fire Fighting costs have ranged from a low of \$19 million in 1997 to \$382 million in 2009.
<b>Health .....</b>	<b>17,444</b>	<b>17,444</b>	<b>17,444</b>	
Pharmacare .....	1,103	1,103	1,103	A 1% change in utilization or prices affects costs by approximately \$10 million.
Medical Services Plan (MSP) .....	4,117	4,117	4,117	A 1% increase in volume of services provided by fee-for-service physicians affects costs by approximately \$25 million.
Regional Services .....	11,949	11,949	11,949	
<b>Justice .....</b>	<b>1,142</b>	<b>1,142</b>	<b>1,142</b>	
New cases filed/processed .....	270,000	270,000	270,000	The number of criminal cases proceeded on by the provincial and federal Crown (including appeals to higher courts in BC), the number of civil and family litigation cases, the number of violation tickets disputed, and the number of municipal bylaw tickets disputes which would go to court for resolution.
(# for all courts)				
<i>Crown Proceeding Act (CPA)</i> .....	25	25	25	The number and size of litigation brought against the province, as well as the effectiveness of mitigation strategies and legal defence.
Policing, Victim Services and Corrections .....	617	617	617	The volume and severity of criminal activity, the number of inmate beds occupied and the number of offenders under community supervision.





**Table 1.10 Material Assumptions – Expense (continued)**

Ministry Programs and Assumptions (\$ millions unless otherwise specified)	Budget 2015 Estimate	First Quarter Forecast	Second Quarter Forecast	Sensitivities 2015/16
<b>Social Development and Social Innovation</b> .....	<b>2,594</b>	<b>2,594</b>	<b>2,594</b>	The expected to work caseload is sensitive to fluctuations in economic and employment trends in the service sector. A 1% change in Temporary Assistance will affect expenditures by approximately \$3.2 million annually.
Temporary Assistance ..... annual average caseload (#)	40,700	40,700	40,700	
Disability Assistance ..... annual average caseload (#)	94,500	94,500	94,500	
Adult Community Living: Developmental Disabilities Programs Average caseload (#) ..... Average cost per client (\$) ..... Personal Supports Initiative Average caseload (#) ..... Average cost per client (\$) .....	17,200 44,900 1,020 20,890	17,200 44,900 1,020 20,890	17,200 44,900 1,020 20,890	The adult community living caseload is sensitive to an aging population and to the level of service required. For example, residential care is significantly more costly than day programs. A 1% increase in the caseload can increase expenditures by between \$7.6 and \$7.9 million annually.
<b>Transportation and Infrastructure</b> .....	<b>844</b>	<b>857</b>	<b>860</b>	The number and severity of natural disasters.
Emergency Program Act (EPA) .....	15	28	31	
<b>Tax Transfers</b> .....	<b>975</b>	<b>1,040</b>	<b>1,137</b>	These tax transfers are now expensed as required under generally accepted accounting principles.
Individuals .....	459.0	483.0	495.0	
Low Income Climate Action .....	195.0	195.0	195.0	
Early Childhood Tax Benefit .....	146.0	146.0	146.0	
Sales Tax .....	50.0	50.0	50.0	
Small Business Venture Capital .....	25.0	25.0	20.0	
BC Senior's Home Renovation .....	2.0	2.0	2.0	
Other tax transfers to individuals .....	40.8	64.8	81.8	
Family Bonus Program.....	0.2	0.2	0.2	
Corporations .....	516.0	557.0	642.0	
Film and Television .....	80.0	80.0	114.0	
Production Services .....	252.5	320.0	400.0	
Scientific Research & Experimental Development .....	68.0	52.3	54.5	
Interactive Digital Media .....	50.0	40.0	40.0	
Mining Exploration .....	50.0	50.0	25.0	
Other tax transfers to corporations .....	15.5	14.7	8.5	
2015/16 tax transfer forecasts incorporates adjustments relating to prior years.				
<b>Management of Public Funds and Debt</b> .....	<b>1,267</b>	<b>1,189</b>	<b>1,188</b>	Full year impact on MoPD on interest costs of a 1% change in interest rates equals \$23.5 million; \$100 million increase in debt level equals \$2.1 million.
Interest rates for new provincial borrowing: Short-term .....	1.29%	0.68%	0.58%	
Long-term .....	3.52%	2.67%	2.57%	
CDN/US exchange rate (cents) .....	117.8	127.2	130.6	
<b>Service delivery agency net spending</b> .....	<b>6,042</b>	<b>6,123</b>	<b>6,181</b>	
School districts .....	325	326	341	
Post-secondary institutions .....	3,017	3,099	3,091	
Health authorities and hospital societies .....	709	716	767	
BC Transportation Financing Authority .....	1,106	1,088	1,088	
Other service delivery agencies .....	885	894	894	



**Table 1.11 2015/16 Full-Time Equivalents (FTEs) <sup>1</sup>**

FTEs	2015/16			Actual 2014/15
	Budget	Forecast	Variance	
Ministries and special offices (consolidated revenue fund) .....	26,500	27,000	500	26,679
Service delivery agencies <sup>2</sup> .....	4,821	4,821	-	4,798
<b>Total FTEs</b> .....	<b>31,321</b>	<b>31,821</b>	<b>500</b>	<b>31,477</b>

<sup>1</sup> Full-time equivalents (FTEs) are a measure of staff employment. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. This does not equate to the physical number of employees. For example, two half-time employees would equal one FTE, or alternatively, three FTEs may represent two full-time employees who have worked sufficient overtime hours to equal an additional FTE.

<sup>2</sup> Service delivery agency FTE amounts do not include SUCH sector staff employment.

**Table 1.12 2015/16 Capital Spending**

(\$ millions)	Year-to-Date to September 30				Full Year			
	2015/16			Actual 2014/15	2015/16			Actual 2014/15
	Budget	Actual	Variance		Budget	Forecast	Variance	
<b>Taxpayer-supported</b>								
Education								
School districts .....	241	234	(7)	230	481	467	(14)	420
Post-secondary institutions .....	346	247	(99)	248	691	765	74	718
Health .....	492	284	(208)	309	983	1,037	54	900
BC Transportation Financing Authority .....	471	526	55	547	941	885	(56)	822
BC Transit .....	60	34	(26)	31	119	62	(57)	83
Government operating (ministries) .....	171	86	(85)	107	392	390	(2)	326
Other <sup>1</sup> .....	63	76	13	63	124	87	(37)	138
<b>Total taxpayer-supported</b> .....	<b>1,844</b>	<b>1,487</b>	<b>(357)</b>	<b>1,535</b>	<b>3,731</b>	<b>3,693</b>	<b>(38)</b>	<b>3,407</b>
<b>Self-supported</b>								
BC Hydro .....	1,200	974	(226)	960	2,234	2,234	-	2,169
Columbia River power projects <sup>2</sup> .....	12	7	(5)	11	24	24	-	28
Transportation Investment Corporation (Port Mann) .....	18	16	(2)	49	16	35	19	76
BC Rail .....	3	2	(1)	2	5	5	-	5
ICBC .....	59	49	(10)	40	115	115	-	88
BC Lottery Corporation .....	45	24	(21)	31	90	75	(15)	69
Liquor Distribution Branch .....	16	6	(10)	7	34	34	-	25
Other <sup>3</sup> .....	-	-	-	-	-	-	-	28
<b>Total self-supported</b> .....	<b>1,353</b>	<b>1,078</b>	<b>(275)</b>	<b>1,100</b>	<b>2,518</b>	<b>2,522</b>	<b>4</b>	<b>2,488</b>
<b>Total capital spending</b> .....	<b>3,197</b>	<b>2,565</b>	<b>(632)</b>	<b>2,635</b>	<b>6,249</b>	<b>6,215</b>	<b>(34)</b>	<b>5,895</b>

<sup>1</sup> Includes BC Housing Management Commission, Provincial Rental Housing Corporation and other service delivery agencies.

<sup>2</sup> Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

<sup>3</sup> Includes post-secondary institutions self-supported subsidiaries.

**Table 1.13 Capital Expenditure Projects Greater Than \$50 million <sup>1</sup>****Note: Information in bold type denotes changes from the 2015/16 first Quarterly Report released on September 15, 2015.**

(\$ millions)	Year of Completion	Project Cost to Sept 30, 2015	Estimated Cost to Complete	Anticipated Total Cost	Project Financing			
					Internal/ Borrowing	P3 Liability	Federal Gov't	Other Contrib'ns
<b>Taxpayer-supported</b>								
<b>School districts</b>								
Centennial Secondary .....	2015	29	32	61	61	-	-	-
Oak Bay Secondary <sup>2</sup> .....	2015	48	4	52	50	-	-	2
Kitsilano Secondary .....	<b>2017</b>	35	30	<b>65</b>	<b>61</b>	-	-	4
Belmont Secondary <sup>2</sup> .....	2015	52	4	56	30	-	-	26
Clayton North Secondary .....	2017	2	53	55	45	-	-	10
Seismic mitigation program .....	2023	59	1,241	1,300	1,300	-	-	-
Total school districts .....		225	1,364	1,589	1,547	-	-	42
<b>Post-secondary institutions</b>								
Emily Carr University of Art and Design – Campus redevelopment at Great Northern Way								
– Direct procurement .....	2017	14	49	63	42	-	-	21
– P3 contract .....	2017	7	53	60	-	60	-	-
Total post secondary institutions .....		21	102	123	42	60	-	21
<b>Health facilities</b>								
Northern Cancer Control Strategy <sup>2</sup>								
– Direct procurement .....	2014	29	1	30	27	-	-	3
– P3 contract .....	2012	71	-	71	54	17	-	-
Lions Gate Hospital (Mental Health) <sup>2</sup>								
Redevelopment .....	2014	47	15	62	38	-	-	24
Lakes District Hospital <sup>2</sup> .....	2015	48	7	55	46	-	-	9
Queen Charlotte/Haida Gwaii Hospital .....	2016	26	24	50	31	-	-	19
Surrey Emergency/Critical Care Tower								
– Direct procurement .....	2016	140	54	194	174	-	-	20
– P3 contract .....	2014	318	-	318	139	179	-	-
Royal Inland Hospital .....	2016	22	58	80	47	-	-	33
North Island Hospitals								
– Direct procurement .....	2017	21	105	126	73	-	-	53
– P3 contract .....	2017	231	249	480	60	232	-	188
Interior Heart and Surgical Centre								
– Direct procurement .....	2017	122	126	248	213	-	-	35
– P3 contract .....	2015	127	6	133	4	79	-	50
Vancouver General Hospital – Joseph and Rosalie Segal Family Health Centre .....								
Children's and Women's Hospital	2017	19	63	82	57	-	-	25
– Direct procurement .....	2019	78	231	309	177	-	-	132
– P3 contract .....	2017	116	253	369	168	187	-	14
Penticton Regional Hospital – Patient Care Tower .....								
2019	2	323	325	168	-	-	-	157
Clinical and systems transformation .....	2023	134	346	480	480	-	-	-
<b>Royal Columbian Hospital .....</b>	<b>2019</b>	<b>-</b>	<b>259</b>	<b>259</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>9</b>
Total health facilities .....		1,551	2,120	3,671	2,206	694	-	771
<b>Transportation</b>								
Evergreen Line Rapid Transit								
– Direct procurement .....	2016	295	236	<b>531</b>	<b>316</b>	-	74	141
– P3 contract .....	2016	757	143	<b>900</b>	-	<b>270</b>	350	280
<b>Highway 1 widening and 216th Street Interchange .....</b>								
<b>2018</b>	<b>-</b>	<b>59</b>	<b>59</b>	<b>23</b>	<b>-</b>	<b>22</b>	<b>14</b>	
Highway 1 – Admirals Road/McKenzie Avenue Interchange .....								
2019	-	85	85	52	-	33	-	-
Total transportation .....		1,052	523	1,575	391	270	479	435



**Table 1.13 Capital Expenditure Projects Greater Than \$50 million <sup>1</sup> (continued)****Note:** Information in bold type denotes changes from the 2015/16 first *Quarterly Report* released on September 15, 2015.

(\$ millions)	Year of Completion	Project Cost to Sept 30, 2015	Estimated Cost to Complete	Anticipated Total Cost	Project Financing			
					Internal/ Borrowing	P3 Liability	Federal Gov't	Other Contrib'n's
<b>Other taxpayer-supported</b>								
Single Room Occupancy Hotel renewal initiative								
– Direct procurement .....	2016	13	12	25	23	-	2	-
– P3 contract .....	2016	99	19	118	-	91	27	-
Okanagan Correctional Centre								
– Direct procurement .....	2016	56	35	91	91	-	-	-
– P3 contract .....	2016	70	59	129	8	121	-	-
<b>Natural Resource Permitting Project .....</b>	<b>2018</b>	<b>26</b>	<b>31</b>	<b>57</b>	<b>57</b>	-	-	-
Total other .....		264	156	420	179	212	29	-
<b>Total taxpayer-supported .....</b>		<b>3,113</b>	<b>4,265</b>	<b>7,378</b>	<b>4,365</b>	<b>1,236</b>	<b>508</b>	<b>1,269</b>
<b>Transportation</b>								
Port Mann Bridge / Highway 1 .....	2017	3,291	28	3,319	3,319	-	-	-
<b>Power generation and transmission</b>								
BC Hydro								
– Vancouver City Central transmission <sup>2</sup> .....	2014	172	-	172	172	-	-	-
– Mica SF <sub>6</sub> gas insulated switchgear replacement <sup>2</sup> .....	2014	179	12	<b>191</b>	<b>191</b>	-	-	-
– Northwest transmission line <sup>2</sup> .....	2014	688	28	716	329	-	130	257
– Iskut extension project <sup>2</sup> .....	2014	167	2	169	110	-	-	59
– Merritt area transmission .....	2015	52	13	65	65	-	-	-
– Smart metering and infrastructure program ...	2015	751	179	930	930	-	-	-
– Interior to Lower Mainland transmission line ..	2015	685	58	<b>743</b>	<b>743</b>	-	-	-
– GM Shrum units 1 to 5 turbine replacement ...	2015	163	109	272	272	-	-	-
– Surrey area substation project .....	2015	63	31	94	94	-	-	-
– Hugh Keenleyside spillway gate reliability upgrade .....	2015	102	21	123	123	-	-	-
– Upper Columbia capacity additions at Mica units 5 and 6 project .....	2015	542	172	714	714	-	-	-
– Long Beach area reinforcement .....	2015	34	22	56	56	-	-	-
– Dawson Creek/Chetwynd area transmission <sup>2</sup> ..	2016	270	26	296	296	-	-	-
– Big Bend substation .....	2017	25	42	<b>67</b>	<b>67</b>	-	-	-
– Ruskin Dam safety and powerhouse upgrade ..	2017	361	387	748	748	-	-	-
– <b>Horne Payne Substation project .....</b>	<b>2018</b>	<b>3</b>	<b>91</b>	<b>94</b>	<b>94</b>	-	-	-
– John Hart generating station replacement .....	2019	367	726	1,093	1,093	-	-	-
– Cheakamus Unit 1 and Unit 2 generator replacement .....	2019	5	69	74	74	-	-	-
– <b>G.M. Shrum Units 1-10 Control System upgrade .....</b>	<b>2021</b>	<b>6</b>	<b>57</b>	<b>63</b>	<b>63</b>	-	-	-
– Site C clean energy project .....	2024	522	8,253	8,775	8,775	-	-	-
Columbia River power projects								
– Waneta Dam power expansion <sup>2,3</sup> .....	<b>2018</b>	<b>322</b>	<b>23</b>	<b>345</b>	<b>345</b>	-	-	-
Total power generation and transmission .....		5,479	10,321	15,800	15,354	-	130	316
<b>Other</b>								
British Columbia Lottery Corporation								
– Gaming management system <sup>2</sup> .....	2015	93	1	94	94	-	-	-
Insurance Corporation of British Columbia								
– Business transformation program .....	2016	257	62	<b>319</b>	<b>319</b>	-	-	-
Total other .....		350	63	413	413	-	-	-
<b>Total self-supported .....</b>		<b>9,120</b>	<b>10,412</b>	<b>19,532</b>	<b>19,086</b>	-	<b>130</b>	<b>316</b>
<b>Total \$50 million projects .....</b>		<b>12,233</b>	<b>14,677</b>	<b>26,910</b>	<b>23,451</b>	<b>1,236</b>	<b>638</b>	<b>1,585</b>

<sup>1</sup> Only projects that receive provincial funding and have been approved by Treasury Board and/or Crown corporation boards are included in this table. Ministry service plans may highlight projects that still require final approval. Capital costs reflect current government accounting policy.<sup>2</sup> Assets have been put into service and only trailing costs remain.<sup>3</sup> Reflects the combined shares of Columbia Power Corporation (32.5 per cent) and Columbia Basin Trust (16.5 per cent) in their partnership with Fortis Inc. for the development of an electricity generating facility at the Waneta Dam south of Trail.

**Table 1.14 2015/16 Provincial Debt <sup>1</sup>**

(\$ millions)	Year-to-Date to September 30				Full Year			
	2015/16		Variance	Actual 2014/15	2015/16		Variance	Actual 2014/15
	Budget	Actual			Budget	Forecast		
<b>Taxpayer-supported debt</b>								
<b>Provincial government operating</b> .....	<b>9,310</b>	<b>6,410</b>	<b>(2,900)</b>	<b>7,348</b>	<b>8,420</b>	<b>7,499</b>	<b>(921)</b>	<b>9,280</b>
<b>Other taxpayer-supported debt (mainly capital)</b>								
Education <sup>2</sup>								
Post-secondary institutions <sup>3</sup> .....	4,608	4,561	(47)	7,383	4,686	4,711	25	4,518
School districts .....	7,784	7,745	(39)	4,433	7,956	7,947	(9)	7,600
	12,392	12,306	(86)	11,816	12,642	12,658	16	12,118
Health <sup>2,4</sup> .....	6,788	6,667	(121)	6,192	7,036	7,007	(29)	6,522
Highways and public transit								
BC Transit .....	145	112	(33)	132	168	160	(8)	123
BC Transportation Financing Authority <sup>5</sup> .....	8,911	8,760	(151)	8,079	9,312	9,299	(13)	8,428
Public transit .....	1,000	1,000	-	1,000	1,000	1,000	-	1,000
SkyTrain extension .....	1,174	1,174	-	1,174	1,174	1,174	-	1,174
	11,230	11,046	(184)	10,385	11,654	11,633	(21)	10,725
Other								
BC Immigrant Investment Fund .....	372	343	(29)	449	311	300	(11)	414
BC Pavilion Corporation .....	384	380	(4)	382	387	380	(7)	381
Provincial government general capital ..	1,869	1,782	(87)	1,473	1,995	1,950	(45)	1,698
Social housing <sup>6</sup> .....	746	666	(80)	721	706	669	(37)	715
Other <sup>7</sup> .....	31	26	(5)	31	31	25	(6)	27
	3,402	3,197	(205)	3,056	3,430	3,324	(106)	3,235
<b>Total other taxpayer-supported</b> .....	<b>33,812</b>	<b>33,216</b>	<b>(596)</b>	<b>31,449</b>	<b>34,762</b>	<b>34,622</b>	<b>(140)</b>	<b>32,600</b>
<b>Total taxpayer-supported debt</b> .....	<b>43,122</b>	<b>39,626</b>	<b>(3,496)</b>	<b>38,797</b>	<b>43,182</b>	<b>42,121</b>	<b>(1,061)</b>	<b>41,880</b>
<b>Self-supported debt</b>								
Commercial Crown corporations								
BC Hydro .....	17,354	17,234	(120)	16,446	18,013	17,674	(339)	16,544
BC Lotteries .....	155	151	(4)	165	155	146	(9)	140
Columbia Power Corporation .....	300	296	(4)	300	293	296	3	300
Columbia River power projects <sup>8</sup> .....	457	461	4	467	457	457	-	464
Post-secondary institutions' subsidiaries .....	198	221	23	200	198	222	24	222
Transportation Investment Corporation (Port Mann) .....	3,351	3,370	19	3,271	3,371	3,382	11	3,335
Other .....	41	34	(7)	44	41	34	(7)	35
<b>Total self-supported debt</b> .....	<b>21,856</b>	<b>21,767</b>	<b>(89)</b>	<b>20,893</b>	<b>22,528</b>	<b>22,211</b>	<b>(317)</b>	<b>21,040</b>
<b>Forecast allowance</b> .....	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250</b>	<b>250</b>	<b>-</b>	<b>-</b>
<b>Total provincial debt</b> .....	<b>64,978</b>	<b>61,393</b>	<b>(3,585)</b>	<b>59,690</b>	<b>65,960</b>	<b>64,582</b>	<b>(1,378)</b>	<b>62,920</b>

<sup>1</sup> Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

<sup>2</sup> Includes debt and guarantees incurred by the government on behalf of school districts, universities, colleges and health authorities/hospital societies (SUCH), and debt directly incurred by these entities.

<sup>3</sup> Post-secondary institutions' debt includes public-private partnership obligations of \$nil for the six months ended September 30, 2014, \$12 million for the six months ended September 30, 2015, \$7 million for fiscal 2014/15 and \$31 million for fiscal 2015/16.

<sup>4</sup> Health facilities' debt includes public-private partnership obligations of \$1,190 million for the six months ended September 30, 2014, \$1,317 million for the six months ended September 30, 2015, \$1,272 million for fiscal 2014/15 and \$1,433 million for fiscal 2015/16.

<sup>5</sup> BC Transportation Financing Authority debt includes public-private partnership obligations of \$1,079 million for the six months ended September 30, 2014, \$1,153 million for the six months ended September 30, 2015, \$1,130 million for fiscal 2014/15 and \$1,167 million for fiscal 2015/16.

<sup>6</sup> Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation. Social housing debt includes public-private partnership obligations of \$63 million for the six months ended September 30, 2014, \$81 million for the six months ended September 30, 2015, \$66 million for fiscal 2014/15 and \$89 million for fiscal 2015/16.

<sup>7</sup> Includes service delivery agencies, student loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs and loan guarantee provisions.

<sup>8</sup> Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

**Table 1.15 2015/16 Statement of Financial Position**

(\$ millions)	Actual March 31, 2015	Year-to-Date September 30, 2015	Forecast March 31, 2016
<b>Financial assets</b>			
Cash and temporary investments .....	3,676	3,611	2,326
Other financial assets .....	9,136	9,099	9,119
Sinking funds .....	977	1,012	1,004
Investments in commercial Crown corporations:			
Retained earnings .....	8,271	7,883	7,968
Recoverable capital loans .....	20,317	21,048	21,496
	<u>28,588</u>	<u>28,931</u>	<u>29,464</u>
	<b>42,377</b>	<b>42,653</b>	<b>41,913</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities .....	8,312	8,184	8,187
Deferred revenue .....	9,809	10,753	9,465
Debt:			
Taxpayer-supported debt .....	41,880	39,626	42,121
Self-supported debt .....	21,040	21,767	22,211
Forecast allowance .....	-	-	250
Total provincial debt .....	62,920	61,393	64,582
Add: debt offset by sinking funds .....	977	1,012	1,004
Less: guarantees and non-guaranteed debt .....	(739)	(734)	(730)
Financial statement debt .....	63,158	61,671	64,856
	<u>81,279</u>	<u>80,608</u>	<u>82,508</u>
<b>Net liabilities</b> .....	<b>(38,902)</b>	<b>(37,955)</b>	<b>(40,595)</b>
<b>Capital and other non-financial assets</b>			
Tangible capital assets .....	39,028	39,445	40,547
Other non-financial assets .....	3,126	3,090	3,182
	<u>42,154</u>	<u>42,535</u>	<u>43,729</u>
<b>Accumulated surplus</b> .....	<b>3,252</b>	<b>4,580</b>	<b>3,134</b>

**Changes in Financial Position**

(\$ millions)	Year-to-Date September 30, 2015	Forecast March 31, 2016
<b>(Surplus) deficit for the period</b> .....	<b>(1,620)</b>	<b>(265)</b>
Comprehensive income (increase) decrease .....	292	383
<b>(Increase) decrease in accumulated surplus</b> .....	<b>(1,328)</b>	<b>118</b>
<b>Capital and other non-financial asset changes:</b>		
Increase in taxpayer-supported capital investments .....	1,487	3,693
Less: amortization and other accounting changes .....	(1,070)	(2,174)
Change in net capital assets .....	417	1,519
Increase (decrease) in other non-financial assets .....	(36)	56
	<u>381</u>	<u>1,575</u>
<b>Increase (decrease) in net liabilities</b> .....	<b>(947)</b>	<b>1,693</b>
<b>Investment and working capital changes:</b>		
Increase (reduction) in cash and temporary investments .....	(65)	(1,350)
Increase in total investment in commercial Crown corporations:		
Increase (decrease) in retained earnings .....	(388)	(303)
Self-supported capital investments .....	1,071	2,522
Less: loan repayments and other accounting changes .....	(340)	(1,343)
	<u>343</u>	<u>876</u>
Other working capital changes .....	(818)	479
	<u>(540)</u>	<u>5</u>
<b>Increase (decrease) in financial statement debt</b> .....	<b>(1,487)</b>	<b>1,698</b>
(Increase) decrease in sinking fund debt .....	(35)	(27)
Increase (decrease) in guarantees and non-guaranteed debt .....	(5)	(9)
<b>Increase (decrease) in total provincial debt</b> .....	<b>(1,527)</b>	<b>1,662</b>



# PART TWO — ECONOMIC REVIEW AND OUTLOOK <sup>1</sup>

2015/16 Second *Quarterly Report*

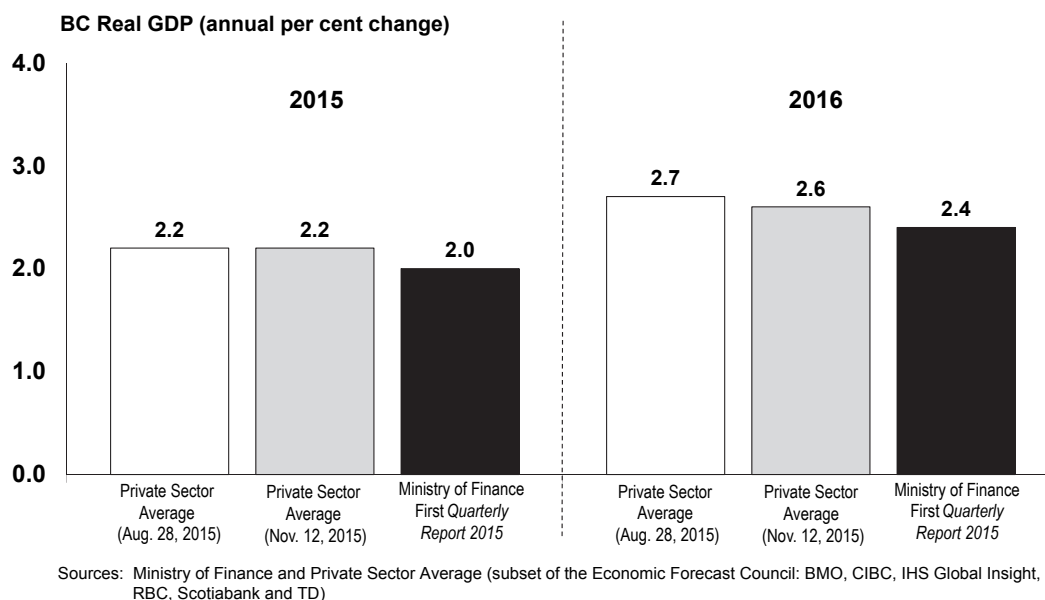
November 24, 2015

## Summary

- In the first *Quarterly Report*, the Ministry of Finance forecast BC's real GDP to grow by 2.0 per cent in 2015 and 2.4 per cent in 2016. The private sector outlook for 2016 has decreased slightly since that time and the Ministry's forecast for BC in both years remains prudent compared to the average private sector projection.
- BC's economy has experienced steady growth so far in 2015 in some of its key sectors, including retail sales and housing. However, exports and inflation in BC have been modest.
- Downside risks to BC's economic outlook include the potential for a slowdown in North American economic activity, ongoing fragility in Europe, and slower than anticipated Asian demand, particularly in China. Additional risks include a fluctuating Canadian dollar and weak inflation.

## British Columbia outlook – comparison to private sector forecasts

**Chart 2.1 Ministry forecast for BC remains prudent**



Private sector projections for BC's economic growth have changed slightly over the last several months. At the time of the first *Quarterly Report*, the private sector anticipated that BC's real GDP would expand by 2.2 per cent in 2015 and 2.7 per cent in 2016. As of November 12, 2015, the average forecast was unchanged for 2015 and down 0.1 percentage points for 2016. However, BC ranks first amongst the provinces for expected growth in both years. The Ministry of Finance forecast for BC economic growth of 2.0 per cent in 2015 and 2.4 per cent in 2016 remains prudent compared to the current average private sector outlook.

<sup>1</sup> Reflects information available as of November 12, 2015, unless otherwise indicated.

## British Columbia economic activity

Indicators of BC's economic performance so far in 2015 generally reveal steady economic activity relative to the same period in 2014 (as illustrated in Table 2.1), with the exception of exports.

**Table 2.1 British Columbia Economic Indicators**

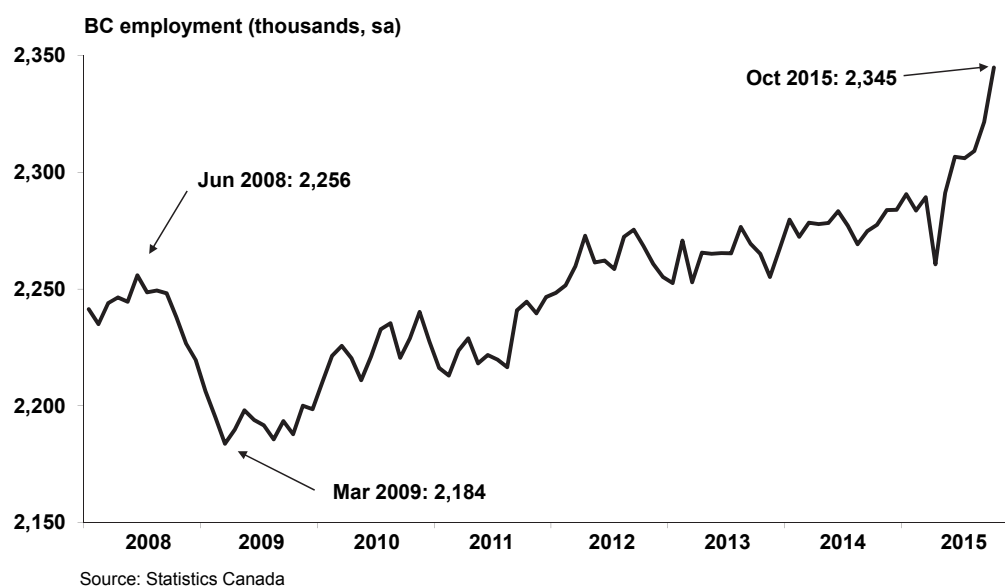
All data seasonally adjusted	Apr. to Jun. 2015 change from Jan. to Mar. 2015	Jul. to Sep. 2015 change from Apr. to Jun. 2015	Year-to-Date Jan. to Sep. 2015 change from Jan. to Sep. 2014
	Per cent change		
Employment .....	-0.1	+1.1	+0.8
Manufacturing shipments <sup>1</sup> .....	-1.4	+1.1	+4.3
Exports .....	+1.4	+0.3	+0.6
Retail sales <sup>1</sup> .....	+1.9	+0.9	+7.2
Housing starts .....	+16.4	-5.1	+9.4
Non-residential building permits .....	+14.0	+2.6	+15.9

<sup>1</sup> Data to August

## Labour market

Employment increased 1.0 per cent (or 23,500 jobs) year-to-date to October compared to the same period last year. This increase in employment is the result of a gain of around 45,600 more full-time jobs offsetting a loss of around 22,100 part-time jobs so far this year.

**Chart 2.2 BC employment**



Year-to-date employment gains occurred primarily in health care and social assistance (+15,700 jobs), manufacturing (+10,200 jobs) and transportation and warehousing (+7,600 jobs). Declines in employment were concentrated in finance, insurance, real estate and leasing (-7,100 jobs), trade (-6,800 jobs) and accommodation and food services (-6,400 jobs).

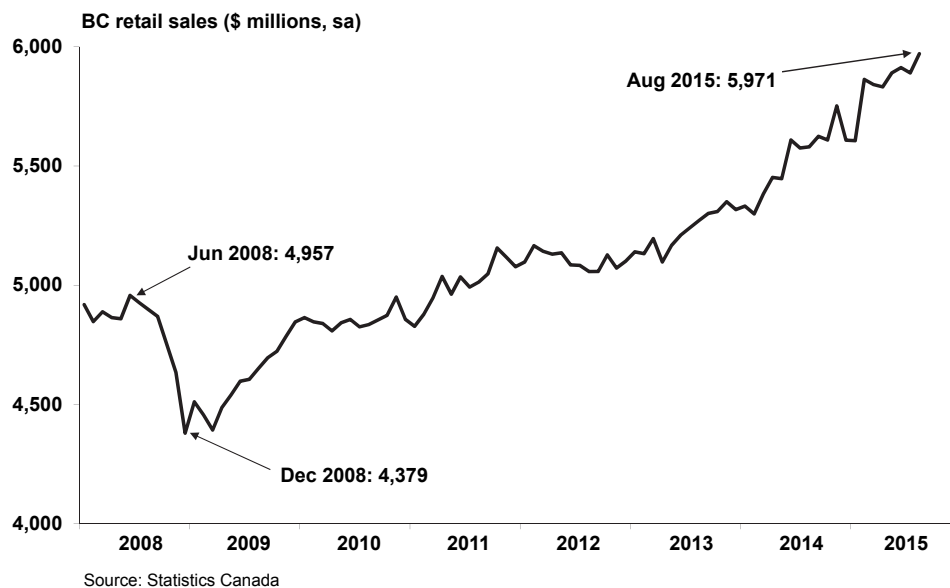


BC's monthly unemployment rate was 6.3 per cent in October 2015, unchanged from the previous month. The rate averaged 6.0 per cent year-to-date to October, 0.2 percentage points below its average during the same period of 2014. Meanwhile, BC's labour force increased 0.9 per cent on a year-to-date basis.

### *Consumer spending and housing*

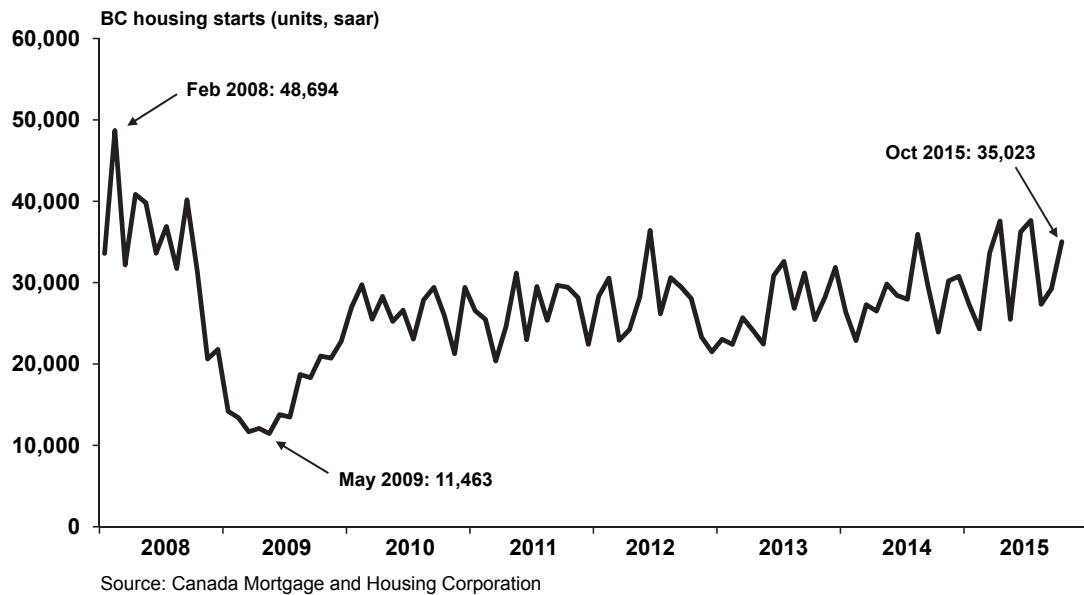
Retail sales have been a source of strength in BC's economy this year. During the first eight months of 2015, sales increased by a robust 7.2 per cent compared to the same period last year. Gains over this period were broad-based, with notable increases observed at motor vehicle and parts dealers, food and beverage stores, and building material and garden equipment and supplies stores. Meanwhile, the only retail segment to see lower sales year-to-date to August was gasoline stations, due to lower prices relative to the same period last year. Interprovincial migration and low interest rates have supported domestic demand, while the low Canadian dollar has been lifting retail sales through increased tourism.

**Chart 2.3 BC retail sales**



BC's annual inflation rate was 1.1 per cent in the third quarter of 2015 after registering 0.7 per cent and 0.8 per cent in the previous two quarters, respectively. Overall, consumer prices in BC increased by 0.9 per cent through the first nine months of 2015 compared to January through September 2014. Over this period, inflation was relatively strong for food and clothing, while prices for gasoline and natural gas fell sharply. Overall inflation has been modest since mid-2014, weighed down by falling energy prices.

BC housing starts averaged about 31,400 annualized units through the first ten months of 2015, a 12.6 per cent gain compared to the same period in 2014. Housing starts activity moderated slightly in the third quarter of 2015 following a post-recession high set in the second quarter. The year-to-date increase reflects solid growth in both the single-family and multi-family components. Meanwhile, residential building permits (a leading indicator of new housing activity) advanced by 29.0 per cent year-to-date to September 2015 compared to the same period last year, suggesting that strength may continue in BC homebuilding in the near future.

**Chart 2.4 BC housing starts**

Home sales in BC advanced through the first nine months of 2015, climbing 20.0 per cent year-to-date to September compared to the same period of last year. At the same time, the average home price during this period was around \$621,200, a gain of 9.8 per cent. Low mortgage rates are partly responsible for the strong housing market activity this year.

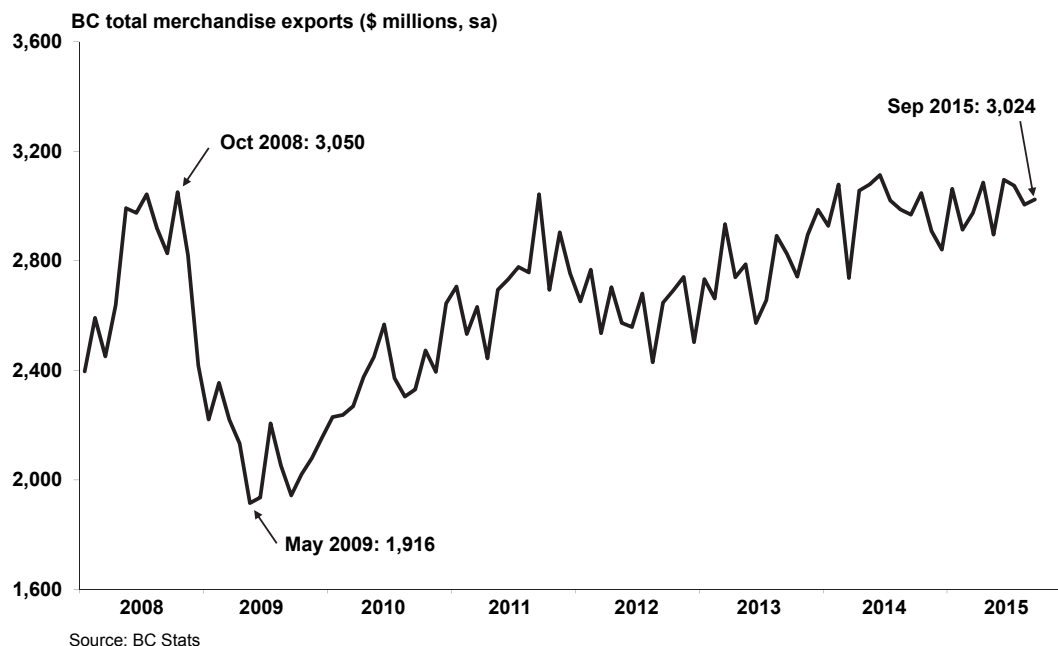
The value of total non-residential building permits rose 15.9 per cent year-to-date to September relative to the same period last year. Year-to-date gains were seen in commercial permits (+17.9 per cent) and industrial permits (+42.2 per cent), while institutional and government permits (+0.0 per cent) were unchanged.

### ***External trade and commodity markets***

BC's exports moderated through the first nine months of 2015, with the value of BC's international merchandise exports increasing by 0.6 per cent compared to the same period last year. Growth has been uneven so far this year with major year-to-date gains in exports of forestry products and building and packaging materials (+5.0 per cent), consumer goods (+19.2 per cent) and farm, fishing and intermediate food products (+24.5 per cent), offsetting declines in exports of energy products (-23.4 per cent) and metal ores and non-metallic minerals (-7.6 per cent). Exporters have benefited from steady economic activity in the US, with American exports up 5.0 per cent year-to-date to September. However, BC exports to China (-3.5 per cent) and Japan (-4.8 per cent) fell over the same period.

Shipments of manufactured goods in BC improved from January through August 2015, up 4.3 per cent compared to the first eight months of 2014. The year-to-date gain was driven by a sizable increase in food manufacturing (+16.3 per cent). Other gains were broad-based, with the only decline occurring in electrical equipment, appliance and component manufacturing shipments (-6.5 per cent).

## Chart 2.5 BC exports



Prices for most forestry and energy products have fallen in the first ten months of 2015 compared to last year. Global commodity prices in general are expected to remain volatile in the near-term due to ongoing global economic uncertainty, as well as the slowing growth and rebalancing of the Chinese economy.

The price of spruce-pine-fir (SPF) lumber has fallen over the last year. Year-to-date to October, the price of lumber averaged \$284 US/000 board feet, a decline of 20.0 per cent compared to the first ten months of 2014. The price of lumber was \$332 US/000 board feet in January 2015 and has trended downwards through the year, reaching \$258 US/000 board feet in October.

The average price of pulp has either declined or remained flat on a monthly basis so far in 2015. After beginning the year at \$915 US per tonne, the average price of pulp was about \$830 US per tonne as of October. Year-to-date to October 2015, pulp prices averaged around \$858 US per tonne, a 7.1 per cent decrease compared to the first ten months of 2014.

Oil prices dropped more than 50 per cent from mid-June 2014 through early 2015 and have fluctuated around low levels in recent months, hitting a post-recession low of \$38.22 US per barrel in August. The daily West Texas Intermediate (WTI) oil price averaged \$50.45 US per barrel year-to-date to October, down from \$98.27 US per barrel during the same period of 2014. Similarly, the price of natural gas has fallen since early 2015. The Plant Inlet price averaged \$1.42 C/GJ year-to-date to October – down significantly from the \$3.27 C/GJ observed during the same period a year ago.

## Risks to the economic outlook

Risks to the BC economic outlook continue to be weighted to the downside. The main risks to the current outlook include the following:

- potential for a slowdown in domestic and Canadian economic activity;
- renewed weakness in the US economic recovery, particularly as interest rates increase;
- fragility in Europe as governments and the financial system deal with elevated sovereign debt alongside a weak economic recovery;
- slower than anticipated economic activity in Asia, particularly in China, resulting in weaker demand for BC's exports and downward pressure on global commodity prices;
- weaker than expected inflation; and
- exchange rate volatility.

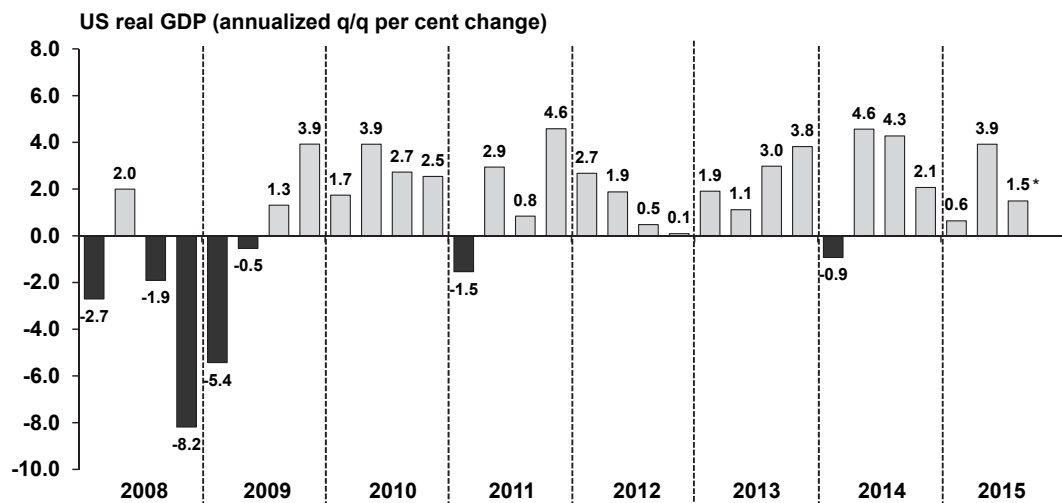
## External environment

### United States

According to the advance (i.e. first) estimate, US real GDP grew by an annualized 1.5 per cent in the July to September quarter of 2015. This growth rate is slower than the 3.9 per cent gain observed in the previous quarter when the US economy was rebounding from a weak January to March quarter (that was affected by a severe winter and port disruptions). The slower growth in the July to September period reflected businesses drawing down inventories, while exports slowed sharply. However, consumer spending has been above 3.0 per cent annualized growth in the past two quarters. As such, private sector analysts expect that the third quarter slowdown is likely temporary. Risks to the US outlook remain, and there are concerns that US exports will continue to weaken due to slowdowns in key export markets and the more expensive US dollar.

Year-to-date to October, the US economy created an average of 206,200 jobs each month, with the level of employment up 2.2 per cent compared to the same period in 2014. While employment gains have been steady, the US economy has added fewer than 200,000 jobs in four of the last eight months, after registering twelve consecutive months

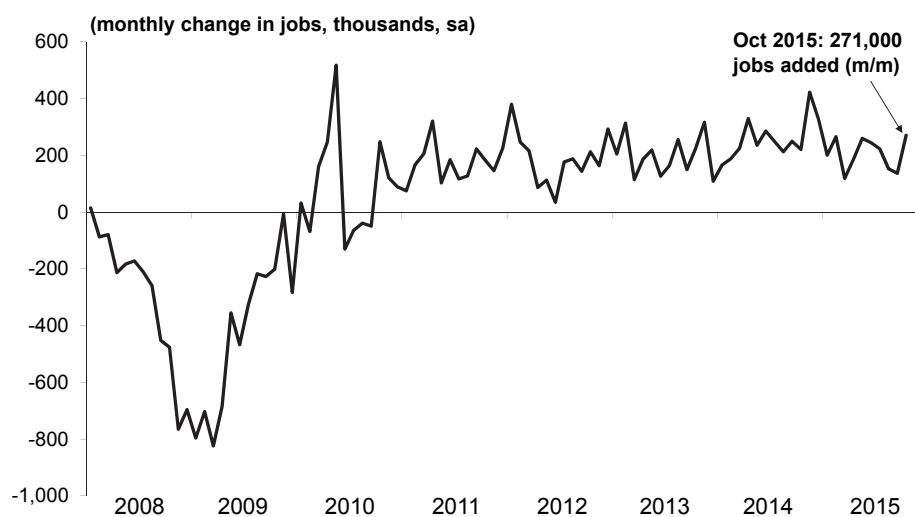
**Chart 2.6 US economic growth**



Source: US Bureau of Economic Analysis; \* Advance estimate, subject to revision

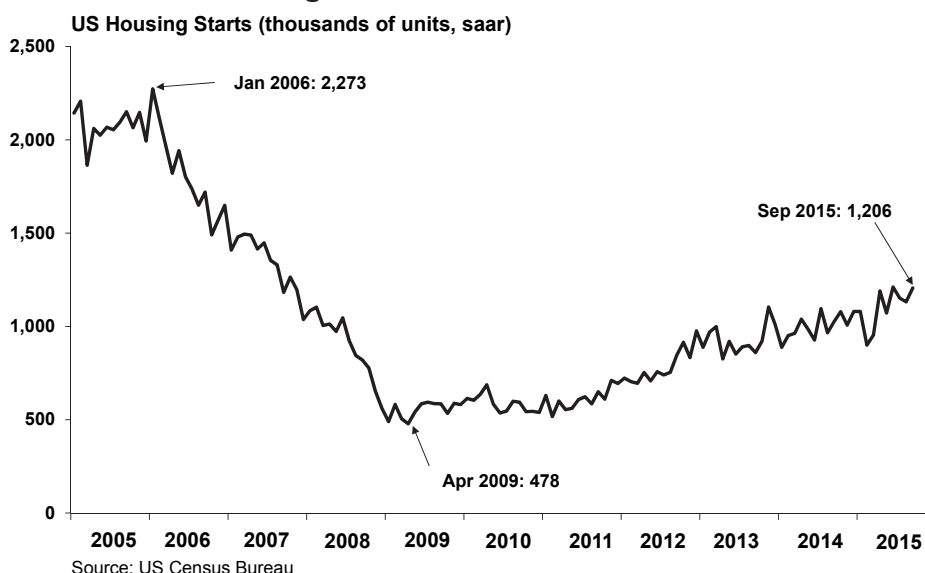
of adding more than 200,000 jobs per month. The US unemployment rate trended downward through the first ten months of 2015, reaching 5.0 per cent in October. However, the US labour force participation rate (the proportion of working-age civilians that are employed or seeking work) has deteriorated steadily since the latter part of 2008 and is currently at its lowest rate in over 35 years.

**Chart 2.7 US employment**



The American housing market continued to improve through the first nine months of 2015. Following an 8.5 per cent annual gain last year, US housing starts averaged almost 1.1 million annualized units year-to-date to September 2015. This represents an 11.9 per cent increase in residential construction compared to the same period last year, but is still below the historical average pace of about 1.4 million annualized starts.

**Chart 2.8 US housing starts**

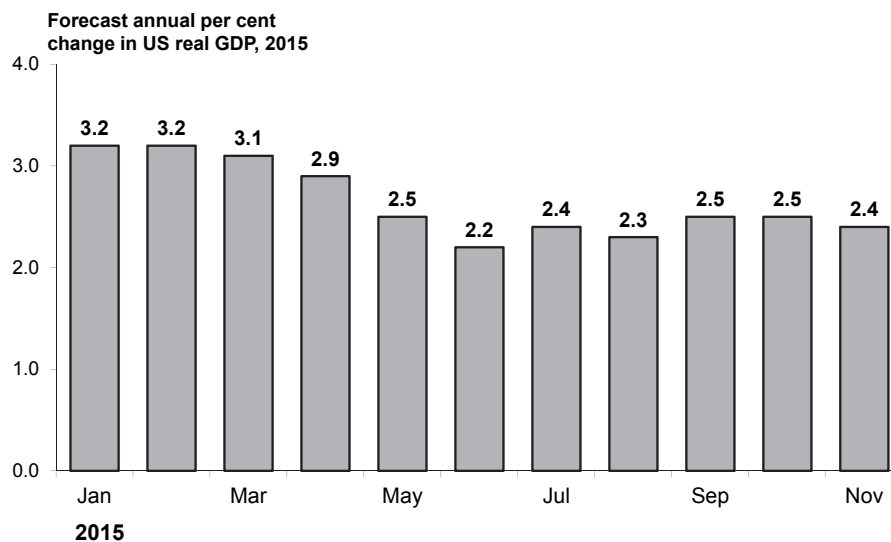


US home sales have exhibited a positive trend through the first nine months of 2015. New home sales averaged around 504,600 annualized units year-to-date to September, up 17.5 per cent over the first nine months of last year. Existing home sales averaged 5.2 million annualized units year-to-date to September, up 7.7 per cent compared to the same period of 2014. However, national home prices are 5.0 per cent below their pre-recession peak and about 8.7 per cent of all American mortgages had negative equity (where the home value is lower than the mortgage amount owing) as of the second quarter of 2015. Despite a highly accommodative interest rate environment, the US housing market has not fully recovered. Furthermore, housing market activity may face downward pressure when interest rates rise.

US retail sales increased by 2.3 per cent year-to-date to September compared to the same period last year. Confidence among American consumers has been uneven so far this year. Most recently, the Conference Board's index of consumer confidence fell sharply in October to 97.6, after hitting a seven-month high in September of 102.6.

*Consensus Economics* forecasters have increased their average US real GDP forecast for 2015 since the first *Quarterly Report*. The November *Consensus* survey projects growth of 2.4 per cent for 2015, 0.1 percentage points higher than the August forecast. Meanwhile, the outlook for US real GDP growth in 2016 was downgraded by 0.1 percentage points to 2.6 per cent from August to November.

**Chart 2.9 Consensus outlook for the US in 2015**



Source: Consensus Economics

The chart above represents forecasts for real GDP growth in 2015 as polled on specific dates. For example, forecasters surveyed on January 12, 2015 had an average 2015 US growth forecast of 3.2 per cent, while on November 9, 2015 they forecast 2015 US growth at 2.4 per cent.

## Canada

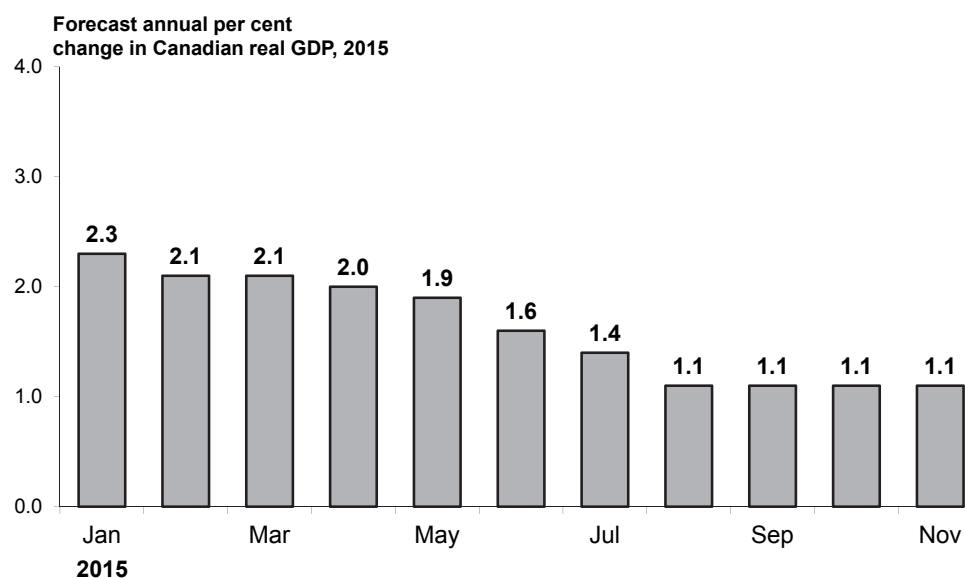
Canadian real GDP contracted in the first two quarters of 2015, declining by an annualized rate of 0.8 per cent in the January to March quarter and by 0.5 per cent in the April to June quarter. However, the downturn has not been widespread and has been concentrated in the energy and energy-related sectors. In addition, the contraction in the first half of the year was largely attributable to a reduction in business investment and weak growth in exports as soft commodity prices weighed down growth. While GDP growth has slipped, the Canadian economy is not exhibiting the characteristics of a broad-based contraction. As such, many analysts expect the Canadian economy to resume growth (albeit modest) in the latter part of 2015.

Canada's domestic economic activity has been moderate in 2015. Canada's economy created an average of around 17,100 jobs per month in the first ten months of the year. The level of employment increased 0.9 per cent year-to-date to October compared to the same period last year. The unemployment rate averaged 6.9 per cent so far this year, down 0.1 percentage points compared to the first ten months of 2014. Meanwhile, homebuilding expanded by 2.5 per cent year-to-date to October 2015. National home sales and average home prices have also increased year-to-date, with sales up 4.5 per cent and prices increasing 7.8 per cent compared to the first nine months of 2014. Also domestically, retail sales were up 2.2 per cent year-to-date to August compared to the same period of 2014.

Softer global demand and weak commodity prices during the first nine months of 2015 led to a 2.2 per cent decline in the value of Canadian merchandise exports compared to the same period of 2014. A sharp decline in the value of energy product exports (-29.0 per cent) more than offset otherwise broad-based gains across export categories year-to-date to September. In addition, shipments of Canadian manufactured goods fell 1.1 per cent year-to-date to August compared to the same period of last year.

Since the first *Quarterly Report*, *Consensus* forecasts for the Canadian economy in 2015 have been unchanged at 1.1 per cent growth for this year. Meanwhile, private sector economists have revised their average forecast down 0.1 percentage points for the Canadian economy in 2016, with the November *Consensus* expecting Canada's real GDP to grow by 2.0 per cent.

### Chart 2.10 Consensus outlook for Canada in 2015



Source: Consensus Economics

The chart above represents forecasts for real GDP growth in 2015 as polled on specific dates. For example, forecasters surveyed on January 12, 2015 had an average 2015 Canadian real GDP growth forecast of 2.3 per cent, while on November 9, 2015 they forecast 2015 Canadian real GDP to grow by 1.1 per cent.

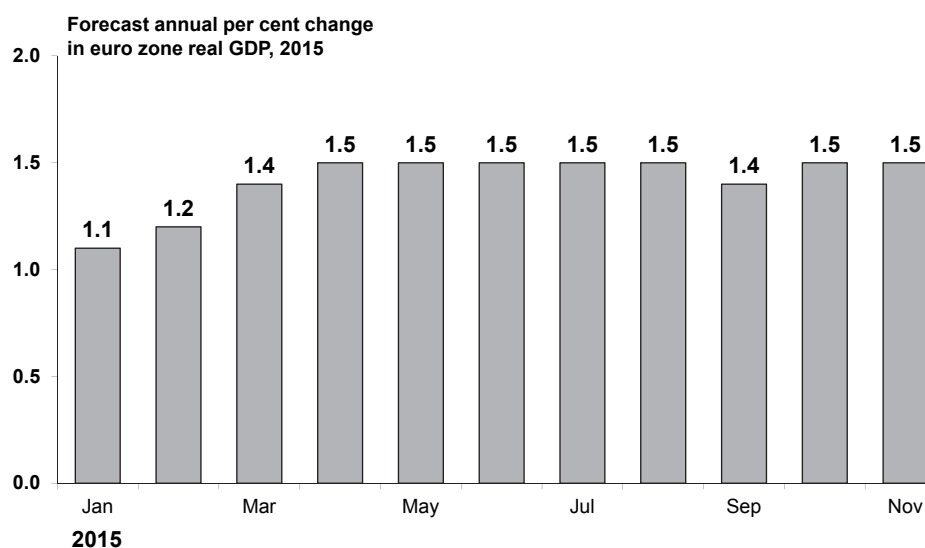
## Europe

After growing by an annualized 2.1 per cent in the January to March period, the euro zone economy expanded by 1.4 per cent in the April to June period. The second quarter gain was broad-based among member states, with only Luxembourg reporting a decline in GDP. The euro zone's unemployment rate sat at 10.8 per cent in September and has seen modest improvements through 2015 so far. The region's youth unemployment remains elevated, fluctuating around 22 per cent from January through September. While industrial production in the region is up 1.3 per cent year-to-date to September, activity has slowed in recent months, a result analysts attributed to waning Chinese demand for European exports. Meanwhile, inflation in the euro zone remains muted, largely due to falling energy prices.

In October, the European Central Bank (ECB) decided to keep its key benchmark interest rate unchanged at low levels and maintain its quantitative easing program, which includes the purchase of 60 billion euros worth of European assets each month. Concerns over emerging market growth prospects, along with potential repercussions from financial and commodity market volatility were identified by the ECB as downside risks to European inflation and economic growth. As such, the ECB announced that the scale of the quantitative easing program could be increased in the future, if necessary.

Private sector forecasters continue to project modest growth for the euro zone economy in 2015. In its November publication, *Consensus Economics* called for 1.5 per cent growth in 2015, unchanged from the August publication. The November *Consensus* forecast for 2016 growth was for 1.7 per cent growth, 0.1 percentage points lower than it had been in August.

**Chart 2.11 Consensus outlook for the euro zone in 2015**



Source: Consensus Economics

The chart above represents forecasts for real GDP growth in 2015 as polled on specific dates. For example, forecasters surveyed on January 12, 2015 had an average 2015 euro zone growth forecast of 1.1 per cent, while on November 9, 2015 they forecast euro zone growth of 1.5 per cent in 2015.

## China

China's economy expanded by 6.9 per cent (year-over-year) in the third quarter of 2015, following growth of 7.0 per cent (year-over-year) in both the first and second quarters. The Chinese economy has been gradually decelerating since early 2010 and the real GDP growth rate observed in the third quarter of 2015 was the slowest since 2009. Analysts



noted that service and consumption growth had helped mitigate slowing manufacturing and export growth in the third quarter, reflecting progress in the rebalancing of growth away from fixed investment and manufacturing towards consumption and services. Year-to-date to October, retail sales rose 10.6 per cent, while industrial production rose 6.1 per cent compared to the same period in 2014.

Chinese authorities have responded to the slowdown in economic growth by introducing several policy measures. For example, various infrastructure spending programs have been initiated and interest rates have been reduced six times since November 2014 (with the latest decrease announced in October 2015). Meanwhile, the central bank changed its exchange rate guidance in August, which resulted in a depreciation of the renminbi.

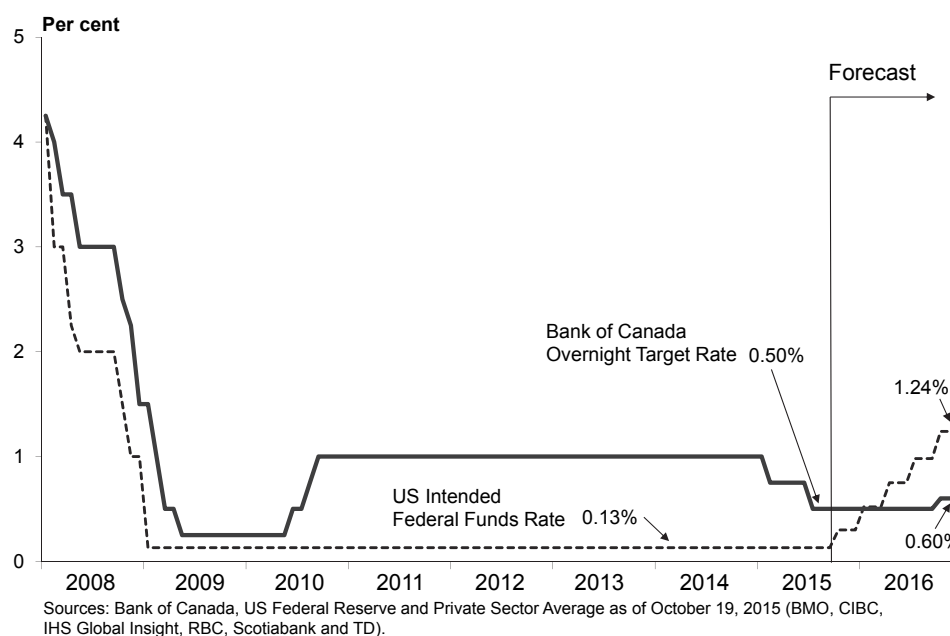
From August to November, the *Consensus* forecast for China's real GDP growth was unchanged at 6.9 per cent for 2015, and decreased by 0.2 percentage points to 6.5 per cent for 2016. In the November publication, *Consensus* analysts noted that in the government's new five-year plan, economic growth of more than 6.5 per cent was expected annually from 2016 to 2020. In the previous five-year plan, growth of around 7.0 per cent was expected from 2011 to 2015.

## Financial markets

### Interest rates

In October, the Bank of Canada announced that it will hold its target for the overnight rate at 0.50 per cent. The rate began the year at 1.00 per cent and was reduced by 25 basis points in both January and July. In its October Monetary Policy Report, the Bank downgraded its 2016 and 2017 economic forecasts for Canada, US, Japan and China. The Bank expects that the Canadian economy will return to full capacity, and inflation to its 2.0 per cent target, around mid-2017. Most private sector forecasters expect the Bank to postpone increasing interest rates until at least the last quarter of 2016.

**Chart 2.12 Interest rate forecasts**



The US Federal Reserve (Fed) held its intended federal funds rate in the 0.00 to 0.25 per cent range at its most recent meeting in October, where it has remained since December 2008. At its October meeting, the Fed noted that inflation continued to run below the 2.0 per cent target, partly reflecting declines in energy prices and non-energy import prices. Furthermore, Federal Reserve policymakers noted that the pace of job gains had slowed in the previous months. As such, the Fed anticipated that it will increase the target for the federal funds rate when it sees further improvement in the labour market and progress towards its inflation target. Private sector analysts are divided as to whether the Fed will raise the federal funds rate before the end of the year.

The average of private sector forecasters' views on Canadian short-term interest rates (three-month Treasury bills) as of October 19, 2015 indicates that three-month rates will average 0.5 per cent in both 2015 and 2016. The same forecasters project ten-year Government of Canada bonds to average 1.5 per cent in 2015 and 2.0 per cent the following year.

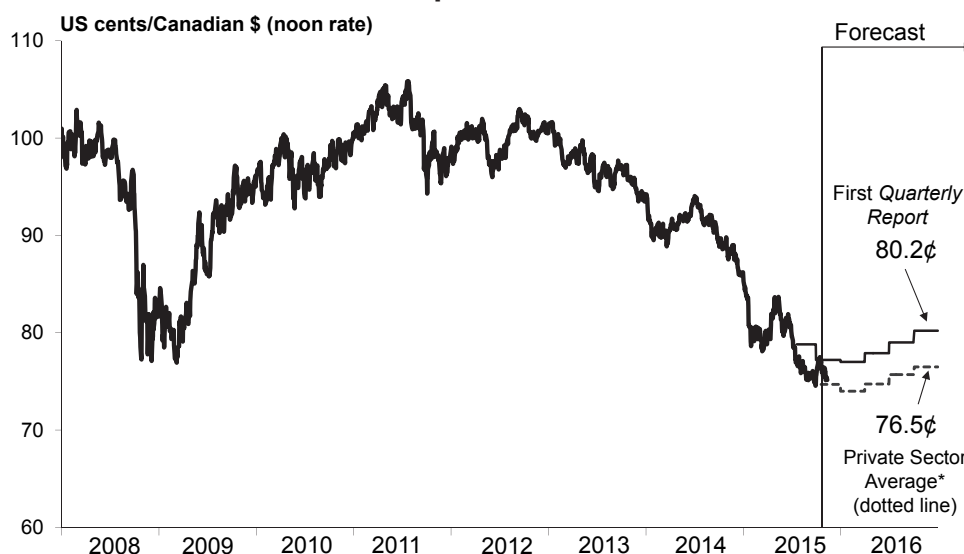
**Table 2.2 Private Sector Canadian Interest Rate Forecasts**

	3-month Treasury Bill		10-year Government Bond	
Average annual interest rate (per cent)	2015	2016	2015	2016
IHS Global Insight .....	0.5	0.5	1.6	2.2
CIBC .....	0.5	0.5	1.5	2.0
Bank of Montreal .....	0.5	0.4	1.5	1.8
Scotiabank .....	0.5	0.6	1.5	2.2
TD Economics .....	0.5	0.5	1.5	1.9
RBC Capital Markets .....	0.5	0.6	1.5	2.1
<b>Average (as of October 19, 2015) .....</b>	<b>0.5</b>	<b>0.5</b>	<b>1.5</b>	<b>2.0</b>

### Exchange rate

Weakness in the Canadian dollar has continued so far in 2015, largely owing to the sustained pullback in commodity prices alongside a gradual recovery of the US economy. The loonie averaged 79.1 US cents during the first ten months of 2015, significantly lower than the 91.2 US cents average observed during the same period last year.

**Chart 2.13 Private sector expectations for the Canadian dollar**



Sources: Bank of Canada and BC Ministry of Finance forecasts.

\* Based on the average of Private Sector forecasts as of October 19, 2015 (BMO, CIBC, IHS Global Insight, RBC, Scotiabank and TD).

As of October 19, 2015, an average of six private sector forecasts calls for the Canadian dollar to average 78.2 US cents in 2015 and 75.2 US cents in 2016.

**Table 2.3 Private Sector Exchange Rate Forecasts**

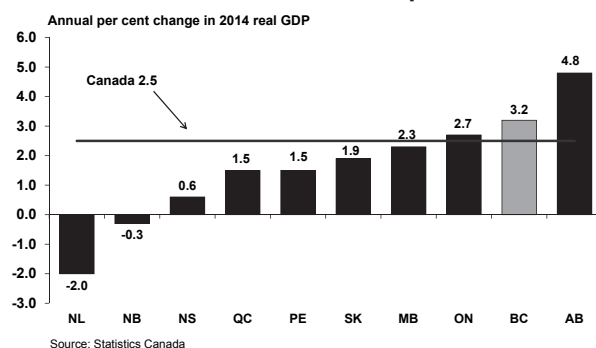
Average annual exchange rate (US cents/Can \$)	2015	2016
IHS Global Insight .....	78.1	76.0
CIBC .....	78.4	75.9
Bank of Montreal .....	78.4	76.4
Scotiabank .....	78.0	73.9
TD Economics .....	78.4	73.8
RBC Capital Markets .....	78.2	75.3
<b>Average (as of October 19, 2015) .....</b>	<b>78.2</b>	<b>75.2</b>

## Provincial Economic Accounts Update

Statistics Canada released its estimates of provincial GDP for 2014 on November 10, 2015.

British Columbia's real GDP increased by 3.2 per cent in 2014, following a gain of 2.1 per cent the previous year. BC registered the second strongest growth rate among provinces last year, behind only Alberta (4.8 per cent). Overall, the Canadian economy grew by 2.5 per cent in 2014.

**Chart 1 – Real GDP in Canadian provinces**

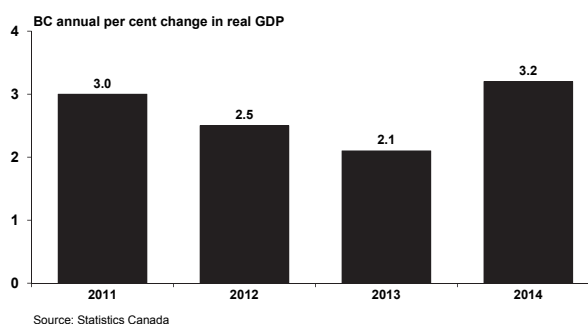


BC's main real GDP expenditure categories all experienced positive growth in 2014, with the exception of government spending (Federal, Provincial, Local and Aboriginal), which fell by 0.3 per cent on the year following flat growth in the previous year. Household final consumption expenditures increased by 3.5 per cent in 2014 after increasing 2.4 per cent in 2013, while gross fixed capital formation registered a 6.2 per cent gain on the year following a decline of 6.4 per cent in 2013. The pace of growth slowed for exports of goods and services, which increased by 2.7 per cent in 2014 following a gain of 3.6 per cent the previous year. Meanwhile, imports of goods and services increased 4.7 per cent last year after decreasing 1.9 per cent in 2013.

### Real GDP

Annual growth in BC's real GDP from 2011 to 2014 is illustrated in Chart 2. The latest data incorporate historical revisions to real GDP back to 1981. The level of BC's 2013 real GDP is now estimated to be \$215.9 billion, 0.3 per cent higher than the previous estimate of \$215.2 billion, due to the cumulative effect of the revisions.

**Chart 2 – BC real GDP**



### Nominal GDP

Chart 3 depicts BC's nominal GDP in recent years (in levels). Nominal GDP increased by \$10.6 billion (or 4.7 per cent) in 2014, after growing by \$5.2 billion (or 2.3 per cent) the previous year. Statistics Canada's latest release also incorporated historical revisions to nominal GDP, with a notable downward revision to 2013 nominal GDP from \$229.7 billion (an increase of 3.2 per cent over the 2012 level) to \$226.6 billion (an annual increase of 2.3 per cent).

**Chart 3 – BC nominal GDP**

