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DBRS Confirms British Columbia at AA (high) with a Stable Trend

Bloomberg: DBRS Confirms British Columbia at AA (high), Stable Trend

Industry Group: Public Finance

Sub-Industry: Provinces and Municipalities

Region: Canada

DBRS Limited (DBRS) confirmed the Issuer Rating, Long-Term Debt rating and Renminbi Bonds rating of the Province of British Columbia (B.C. or the Province) at AA (high) as well as the Short-Term Debt rating at R-1 (high). DBRS has also confirmed the Long-Term Obligations and Short-Term Obligations ratings of British Columbia Hydro and Power Authority at AA (high) and R-1 (high), respectively. All trends are Stable. The ratings remain well supported by the Province's diverse and growing economy, positive budget outlook, ample fiscal capacity and low debt burden.

In July 2017, the New Democratic Party (NDP) assumed power after 16 years in opposition. This change in government has led to a significant shift in tax and fiscal policy, with a considerable focus on improving affordability and enhancing public services. The new government has an ambitious policy agenda, and the 2018 budget suggests that total expense may rise by nearly 20.0% over the course of the government's four-year mandate. The new government has sought to temper concerns about the pace of spending growth by emphasizing its commitment to balanced budgets, conservative budgeting practices and ongoing focus on debt affordability. Nevertheless, with a short time in government there remains a degree of policy uncertainty as to the pace of program growth, tolerance for deficit spending through the business cycle, upcoming labour negotiations and management of the Province's large government business enterprises.

The Province's 2018 budget continues to align with the core policy priorities outlined by the NDP since taking power. The budget provides for moderate growth in spending (+5.2% on a DBRS-adjusted basis) with a focus on affordable housing and child care. The fiscal plan continues to target modest surpluses over the three-year forecast horizon and incorporates considerable contingencies. On a DBRS-adjusted basis, the deficit is estimated to be \$2.6 billion, or 0.9% of nominal gross domestic product (GDP), in 2018–19.

The Province's economy has expanded quickly in recent years. Growth has been relatively broad based, with gains in consumption, investment and trade supported by the improving global economy, low interest rates and moderate population growth. With annual growth in the range of 3.0% to 4.0% over the last four years, the Province is now projecting growth will slow to 2.3% in 2018 and 2.0% in 2019, which is somewhat weaker than the private-sector consensus tracked by DBRS. This should keep the Province's DBRS-adjusted debt burden stable at around 17.5% through the medium term.



No rating action is anticipated in the near term. A positive rating action requires the Province to maintain a sustainable budgetary position and have its DBRS-adjusted debt-to-GDP ratio fall to, and remain below, 15.0%. A negative rating action could arise from a sustained deterioration in operating results and marked increased in the debt-to-GDP ratio.

Notes:

All figures are in Canadian dollars unless otherwise noted.

The related regulatory disclosures pursuant to the National Instrument 25-101 *Designated Rating Organizations* are hereby incorporated by reference and can be found by clicking on the link under Related Documents or by contacting us at info@dbrs.com.

The principal methodologies are Rating Canadian Provincial Governments and Rating Canadian Provincial Agents of the Crown, which can be found on dbrs.com under Methodologies.

This rating is endorsed by DBRS Ratings Limited for use in the European Union.

The rated entity or its related entities **did** participate in the rating process. DBRS **had** access to the accounts and other relevant internal documents of the rated entity or its related entities.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Issuer	Debt Rated	Rating Action	Rating	Trend
British Columbia, Province of	Issuer Rater	Confirmed	AA (high)	Stable
British Columbia, Province of	Long-Term Debt	Confirmed	AA (high)	Stable
British Columbia, Province of	Renminbi Bonds	Confirmed	AA (high)	Stable
British Columbia, Province of	Short-Term Debt	Confirmed	R-1 (high)	Stable
British Columbia Hydro and Power Authority	Long-Term Obligations (bsd on Prov of BC)	Confirmed	AA (high)	Stable
British Columbia Hydro and Power Authority	Short-Term Obligations (bsd on Prov of BC)	Confirmed	R-1 (high)	Stable



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