

Fiscal and Debt Summary

First Quarterly Report 2018/19 to 2020/21



OPERATING RESULTS - for the Three Months Ended June 30, 2018

| | 2018/19 | | Variance |
|----------------------|------------|-------------------------|------------|
| | Budget | Actual (\$ millions) | |
| Revenue..... | 13,685 | 13,751 | 66 |
| Expense | (13,269) | (13,176) | 93 |
| Surplus | 416 | 575 | 159 |

- The fiscal plan update in the first Quarterly Report reflects BC's ongoing fiscal sustainability and the ability to continue investing in the priorities outlined in Budget 2018 — most notably, affordable housing solutions and affordable, available child care.

FISCAL PLAN UPDATE

| | 2018/19 | | Updated Plan 2019/20 | Updated Plan 2020/21 |
|--|------------|--------------------------------------|----------------------------|----------------------------|
| | Budget | Updated Forecast (\$ millions) | | |
| Revenue..... | 54,193 | 55,815 | 58,684 | 59,246 |
| Expense | (53,624) | (54,796) | (57,374) | (58,462) |
| Surplus before forecast allowance | 569 | 1,019 | 1,310 | 784 |
| Forecast allowance | (350) | (350) | (500) | (600) |
| Surplus | 219 | 669 | 810 | 184 |

- The first Quarterly Report forecasts BC real GDP growth of 2.2 per cent in 2018 and 1.8 per cent in 2019. The economic outlook is 0.1 percentage point lower in 2018 and 0.2 percentage points lower in 2019 than projected in Budget 2018, primarily reflecting tempered year-to-date activity in the labour and housing markets, alongside weaker than projected exports and consumer spending. The general outlook for BC's economy for 2020 and beyond calls for stable growth of 2.0 per cent, in line with previous expectations, as the balance of risks to the domestic and global economy remains largely unchanged over the medium-term.

- The first Quarterly Report forecast for BC real GDP growth is 0.2 percentage points lower than the current average outlook of six private sector forecasters (a subset of the Economic Forecast Council) for both 2018 and 2019.

This acknowledges the downside risks to the economic forecast and is one of the levels of prudence built into the fiscal plan. Downside risks to BC's economic outlook include uncertainty regarding global trade policy as well as ongoing economic challenges in Asia and the euro zone. Additionally, there are risks related to monetary policy tightening and the volatility associated with commodity prices and the exchange rate outlook.

PROVINCIAL DEBT¹ - UPDATED PLAN

| | 2018/19 | | Updated Plan 2019/20 | Updated Plan 2020/21 |
|---|--------------------|--------------------------------------|----------------------------|----------------------------|
| | Budget Estimate | Updated Forecast (\$ millions) | | |
| Taxpayer-supported debt | | | | |
| Provincial government direct operating debt | - | - | - | - |
| Other taxpayer-supported debt (mainly capital) | | | | |
| Education | 14,582 | 14,403 | 14,185 | 14,594 |
| Health | 8,184 | 8,068 | 8,031 | 8,491 |
| Highways and public transit | 17,781 | 17,575 | 19,266 | 21,005 |
| Other debt | 4,651 | 4,671 | 5,216 | 5,982 |
| Total other taxpayer-supported debt..... | 45,198 | 44,717 | 46,698 | 50,072 |
| Total taxpayer-supported debt | 45,198 | 44,717 | 46,698 | 50,072 |
| Self-supported commercial Crown corporations debt..... | 23,824 | 23,447 | 24,410 | 25,518 |
| Total debt before forecast allowance..... | 69,022 | 68,164 | 71,108 | 75,590 |
| Forecast allowance | 350 | 350 | 500 | 600 |
| Total provincial debt | 69,372 | 68,514 | 71,608 | 76,190 |
| <i>Budget 2018 Fiscal Plan</i> ² | | 69,372 | 73,081 | 77,054 |
| Projected change from Budget 2018 Fiscal Plan | | (858) | (1,473) | (864) |
| Taxpayer-supported debt-to-GDP..... | 15.5% | 15.3% | 15.3% | 15.8% |
| Taxpayer-supported interest bite (cents per dollar of revenue) | 3.5 | 3.3 | 3.3 | 3.5 |

- Government's key debt affordability metric, the taxpayer-supported debt to GDP ratio has improved from Budget 2018 and is forecast to remain below 16 per cent over the plan period. Taxpayer-supported debt to revenue is also lower than projected at Budget 2018 and is forecast to remain within a reasonable range over the fiscal plan at below 90 per cent. Both metrics are forecast to remain lower than the average over the last five years.

- Taxpayer-supported debt is projected to increase by \$6.5 billion over the plan period to reach \$50.1 billion by 2020/21, mainly due to record levels of planned investment in capital infrastructure.

- Total provincial debt is projected to increase by \$11.3 billion over the three year plan, reaching \$76.2 billion by the end of 2020/21, \$0.9 billion lower than the forecast in Budget 2018.

¹ Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported on government's balance sheet as an accounts payable.

² As projected in the Budget and Fiscal Plan 2018/19 - 2020/21 presented in February 2018.

