

# Fiscal and Debt Summary

## Second Quarterly Report 2018/19



### UPDATED 2018/19 FISCAL PLAN

	2018/19			Variance to First Quarterly Report
	Budget	First Quarterly Report	Second Quarterly Report	
			(\$ millions)	
Revenue.....	54,193	55,815	57,198	1,383
Expense .....	(53,624)	(54,796)	(54,898)	(102)
Surplus before forecast allowance .....	569	1,019	2,300	1,281
Forecast allowance .....	(350)	(350)	(950)	(600)
<b>Surplus .....</b>	<b>219</b>	<b>669</b>	<b>1,350</b>	<b>681</b>

- The second quarter outlook for 2018/19 forecasts an operating surplus of \$1,350 million — \$681 million higher than the projection in the First Quarterly Report.

- The revenue outlook is \$1,383 million higher primarily due to the effects of improved 2017 preliminary personal and corporate income tax assessments, partially offset by lower property transfer tax and higher ICBC net loss.

- The updated expense forecast is \$102 million higher than in the First Quarterly Report due to higher spending for fire and flood management, and higher spending by service delivery agencies, partially offset by lower refundable tax credits.

- The forecast allowance has been increased by \$600 million, reflecting continued uncertainty in ICBC's net income forecast over the remainder of the fiscal year, and the potential of further slowdown in revenues impacted by housing activity.

- In the First Quarterly Report, the Ministry of Finance (Ministry) forecast British Columbia's economy to grow by 2.2 per cent in 2018 and 1.8 per cent in 2019. The private sector outlook for 2018 has softened marginally and the outlook for 2019 has strengthened since that time. The Ministry's forecast for BC remains prudent in both years compared to the current private sector outlook.

### PROVINCIAL DEBT SUMMARY<sup>1</sup> - UPDATED FORECAST

	2018/19			Variance to First Quarterly Report
	Budget	First Quarterly Report	Second Quarterly Report	
			(\$ millions)	
<b>Taxpayer-supported debt</b>				
<b>Provincial government direct operating debt</b> .....	-	-	-	-
<b>Other taxpayer-supported debt (mainly capital)</b>				
Education .....	14,582	14,403	13,528	(875)
Health .....	8,184	8,068	7,471	(597)
Highways and public transit .....	17,781	17,575	17,298	(277)
Other debt .....	4,651	4,671	4,134	(537)
<b>Total other taxpayer-supported debt</b> .....	<b>45,198</b>	<b>44,717</b>	<b>42,431</b>	<b>(2,286)</b>
<b>Total taxpayer-supported debt</b> .....	<b>45,198</b>	<b>44,717</b>	<b>42,431</b>	<b>(2,286)</b>
<b>Self-supported commercial Crown corporations debt</b> .....	<b>23,824</b>	<b>23,447</b>	<b>23,291</b>	<b>(156)</b>
<b>Total debt before forecast allowance</b> .....	<b>69,022</b>	<b>68,164</b>	<b>65,722</b>	<b>(2,442)</b>
<b>Forecast allowance</b> .....	<b>350</b>	<b>350</b>	<b>950</b>	<b>600</b>
<b>Total provincial debt</b> .....	<b>69,372</b>	<b>68,514</b>	<b>66,672</b>	<b>(1,842)</b>
<b>Taxpayer-supported debt-to-GDP</b> .....	<b>15.5%</b>	<b>15.3%</b>	<b>14.4%</b>	<b>(0.9%)</b>
<b>Taxpayer-supported interest bite</b>				
<b>(cents per dollar of revenue)</b> .....	<b>3.5</b>	<b>3.3</b>	<b>3.2</b>	<b>(0.1)</b>

- Provincial debt, including the \$950 million forecast allowance, is projected to total \$66.7 billion by the end of the fiscal year — \$1.8 billion lower than the projection in the First Quarterly Report.

- The taxpayer-supported debt forecast is \$2.3 billion lower compared to the projection in the First Quarterly Report mainly due to an increase in cash from higher revenues, and lower capital spending. The province's operating debt has now been eliminated. Self-supported debt is \$156 million lower mainly due to changes in timing of own-sourced financing.

- Taxpayer-supported debt-to-GDP is now projected to end fiscal 2018/19 at 14.4 per cent, which is 0.9 percentage points lower than in the First Quarterly Report due to an improved forecast for taxpayer-supported debt. The debt-to-revenue ratio is forecast to end the year 6.4 percentage points lower at 75.6 per cent. Both these debt affordability metrics are now the lowest since fiscal 2008/09.

<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 on government's balance sheet as an accounts payable.

## PROVINCIAL BORROWING REQUIREMENTS

	Budget	2018/19		
		Second Quarterly Report	Variance	
		(\$ millions)		
Operating (surplus) <sup>1</sup> .....	(219)	(1,350)	(1,131)	• The updated gross borrowing requirement for 2018/19 is \$5.6 billion including a provision of \$950 million for the forecast allowance.
Capital requirements .....	9,235	9,238	3	
Refinancing requirements .....	3,239	2,612	(627)	• The remaining borrowing requirement for 2018/19 is \$2.4 billion, of which about \$0.7 billion is forecast to be in long-term.
Other financing sources <sup>2</sup> .....	(4,337)	(4,940)	(603)	
<b>Gross borrowing requirements</b> .....	<b>7,918</b>	<b>5,560</b>	<b>(2,358)</b>	• The Province will be able to readily manage these requirements by accessing its established domestic and international investor bases.
Add:				
Increase in debt guarantees .....	1	-	(1)	
Increase in non-guaranteed debt .....	5	11	6	
Increase in SUCH sector debt .....	58	84	26	
<b>Gross increase in debt</b> .....	<b>7,982</b>	<b>5,655</b>	<b>(2,327)</b>	
Less:				
Year to date - gross long-term borrowing .....		(2,543)		
Increase in debt guarantees .....		-		
Increase in non-guaranteed debt .....		(11)		
Increase in SUCH sector debt .....		(84)		
Internal financing sources and changes in short-term borrowing .....		(634)		
<b>Remaining borrowing requirements<sup>1</sup></b> .....		<b>2,383</b>		

<sup>1</sup> Includes the forecast allowance change from previous year

<sup>2</sup> Includes other financing sources for the province, the SUCH sector and Crown corporations and adjustments for non-cash budgetary items.

## 2018/19 MARKET SUMMARY<sup>1</sup>

	(\$ millions)
Canadian Public .....	2,500
Canadian Private .....	-
Canada Pension Plan .....	43
International .....	-
<b>Year to date - gross long-term borrowing</b> .....	<b>2,543</b>

<sup>1</sup> Includes long-term debt issued up to November 26, 2018.

## RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT

	Budget	2018/19	
		Second Quarterly Report	Variance
		(\$ millions)	
<b>Opening balance as at March 31</b> .....	<b>65,264</b>	<b>64,919</b>	<b>(345)</b>
Gross increase in debt .....	7,982	5,655	(2,327)
Less: debt maturities and changes in sinking fund balances .....	(3,874)	(3,902)	(28)
<b>Net change in provincial debt</b> .....	<b>4,108</b>	<b>1,753</b>	<b>(2,355)</b>
<b>Ending balance as at March 31</b> .....	<b>69,372</b>	<b>66,672</b>	<b>(2,700)</b>



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Debt Management Branch

November 26, 2018

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### Credit Ratings of the Province

Moody's <sup>1</sup>	Aaa
Standard and Poor's <sup>1</sup>	AAA
Fitch <sup>1</sup>	AAA
DBRS <sup>1</sup>	AA(high)

<sup>1</sup> Stable outlook