

# Fiscal and Debt Summary

## First Quarterly Report 2020/21



### UPDATED 2020/21 FISCAL PLAN

	2020/21		
	Budget	First Quarterly Report	Variance
	(\$ millions)		
Revenue.....	60,585	56,013	(4,572)
Expense .....	(60,058)	(67,805)	(7,747)
Surplus (deficit) before forecast allowance .....	527	(11,792)	(12,319)
Forecast allowance .....	(300)	(1,000)	(700)
<b>Surplus (deficit)</b> .....	<b>227</b>	<b>(12,792)</b>	<b>(13,019)</b>

The fiscal forecast for 2020/21 in this First Quarterly Report reflects the unprecedented impacts of the COVID-19 pandemic on almost all of the province's revenue streams, and the additional expenses for the response measures implemented to support critical health and social services, provide immediate financial relief to individuals and businesses, and to help boost economic recovery. Compared to Budget 2020, revenue forecasts are lower by \$4.6 billion and expenses are higher by \$7.7 billion. The provincial operating deficit projection is \$12.8 billion, after incorporating an increased forecast allowance of \$1.0 billion to reflect the heightened level of uncertainty over the remainder of the year.

The Ministry of Finance estimates that British Columbia's economy grew by 2.3 per cent in 2019. The Ministry forecasts the economy to contract by 6.7 per cent in 2020, before expanding by 3.0 per cent in 2021.

In recognition of various significant downside risks to the economic outlook, the Ministry's forecast for B.C. real GDP growth is 0.7 percentage points lower than the current average outlook of the Economic Forecast Council for 2020 and 2.2 percentage points lower for 2021. This differential is one of the levels of prudence built into the fiscal plan.

The main downside risk to B.C.'s economic outlook includes uncertainty regarding the impact of COVID-19 on the provincial, national and global economies and the potential for, and severity of, future waves of the infection. Other risks include escalating trade tensions, weakening global economic activity, and lower commodity prices.

Projected taxpayer-supported capital spending in 2020/21 is \$7 billion, which is \$111 million lower than forecast in Budget 2020, mainly due to timing of projects in the transportation sector. The self-supported capital spending forecast is \$37 million lower than at Budget 2020.

The provincial debt, including a \$1 billion forecast allowance, is projected to total \$87.9 billion by the end of the fiscal year - \$11.5 billion higher than the forecast in Budget 2020. This increase is primary due to the anticipated operating deficit of \$12.8 billion for the year.

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

	2020/21		
	Budget	First Quarterly Report	Variance
	(\$ millions)		
<b>Taxpayer-supported debt</b>			
Operating.....	-	8,220	8,220
<b>Other taxpayer-supported (mainly capital)</b>			
Education .....	15,135	16,610	1,475
Health .....	8,750	9,354	604
Highways and public transit .....	19,069	19,258	189
Other debt .....	6,248	6,360	112
<b>Total taxpayer-supported debt</b> .....	<b>49,202</b>	<b>59,802</b>	<b>10,600</b>
<b>Self-supported debt</b> .....	<b>26,890</b>	<b>27,068</b>	<b>178</b>
<b>Total debt before forecast allowance</b> .....	<b>76,092</b>	<b>86,870</b>	<b>10,778</b>
<b>Forecast allowance</b> .....	<b>300</b>	<b>1,000</b>	<b>700</b>
<b>Total provincial debt</b> .....	<b>76,392</b>	<b>87,870</b>	<b>11,478</b>
<b>Taxpayer-supported debt-to-GDP</b> .....	<b>15.5%</b>	<b>20.8%</b>	<b>5.3%</b>
<b>Taxpayer-supported interest bite (cents per dollar of revenue)</b> .....	<b>3.1</b>	<b>3.5</b>	<b>0.4</b>

Taxpayer-supported debt is forecast to be \$59.8 billion at the end of 2020/21 - \$10.6 billion higher than forecast in Budget 2020 due to the change in operating results.

The taxpayer-supported debt-to-GDP ratio is projected to end 2020/21 at 20.8 per cent - 5.3 percentage points higher than forecast in Budget 2020. The taxpayer-supported debt-to-revenue ratio is forecast to end the fiscal year at 110.6 per cent - 26.5 percentage points higher than forecast in Budget 2020.

Self-supported debt is forecast to be \$27.1 billion at the end of 2020/21 - \$178 million higher than Budget 2020, reflecting higher than expected 2019/20 debt (\$163 million) and lower than expected internal financing (\$52 million), partly offset by a decrease in capital infrastructure investments (\$37 million).

The forecast allowance has been increased by \$700 million to mirror the operating statement forecast allowance.

While there is an increase in borrowing and higher debt levels, the B.C. government is able to borrow at low interest rates, which is partly due to province's triple-A credit rating. As a result, debt affordability, as measured by the taxpayer-supported interest bite, remains at levels that are lower than they have been historically.

<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**

	2020/21		
	Budget	First Quarterly Report	Variance
	(\$ millions)		
Operating (surplus) <sup>1</sup> deficit.....	(227)	12,792	13,019
Capital requirements .....	10,535	10,387	(148)
Refinancing requirements .....	3,029	3,061	32
Other financing sources <sup>2</sup> .....	(4,787)	(7,767)	(2,980)
<b>Gross borrowing requirements</b> .....	<b>8,550</b>	<b>18,473</b>	<b>9,923</b>
Add:			
Increase in debt guarantees .....	-	-	-
Increase in non-guaranteed debt .....	336	162	(174)
Increase in SUCH sector debt .....	96	135	39
<b>Gross increase in debt</b> .....	<b>8,982</b>	<b>18,770</b>	<b>9,788</b>
Less:			
Year to date - gross long-term borrowing .....		(8,879)	
Increase in debt guarantees .....		-	
Increase in non-guaranteed debt .....		(162)	
Increase in SUCH sector debt .....		(135)	
Internal financing sources and changes in short-term borrowing.....		(4,457)	
<b>Remaining borrowing requirements<sup>1</sup></b> .....		<b>5,137</b>	

• The updated gross borrowing requirement for 2020/21 is \$18.5 billion including a provision of \$1 billion for the forecast allowance.

• The remaining borrowing requirement for 2020/21 is approximately \$5 billion, which is expected to be a combination of long-term and short-term financing.

• The Province will be able to readily manage these requirements by accessing its established domestic and international investor bases.

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

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

**2020/21 MARKET SUMMARY<sup>1</sup>**

	(\$ millions)
Canadian Public.....	8,507
Canadian Private.....	-
Canada Pension Plan .....	109
International.....	263
<b>Year to date - gross long-term borrowing</b> .....	<b>8,879</b>

<sup>1</sup> Includes long-term debt issued up to September 10, 2020.

**RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT**

	2020/21		
	Budget	First Quarterly Report	Variance
	(\$ millions)		
<b>Opening balance as at March 31</b> .....	<b>70,638</b>	<b>72,161</b>	<b>1,523</b>
Gross increase in debt .....	8,982	18,770	9,788
Less: debt maturities and changes in sinking fund balances .....	(3,228)	(3,061)	167
<b>Ending balance as at March 31</b> .....	<b>76,392</b>	<b>87,870</b>	<b>11,478</b>



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September 10, 2020

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**Credit Ratings of the Province**

Moody's <sup>1</sup>	Aaa
Standard and Poor's <sup>2</sup>	AAA
Fitch <sup>2</sup>	AAA
DBRS <sup>1</sup>	AA(high)

<sup>1</sup> Stable outlook  
<sup>2</sup> Negative outlook