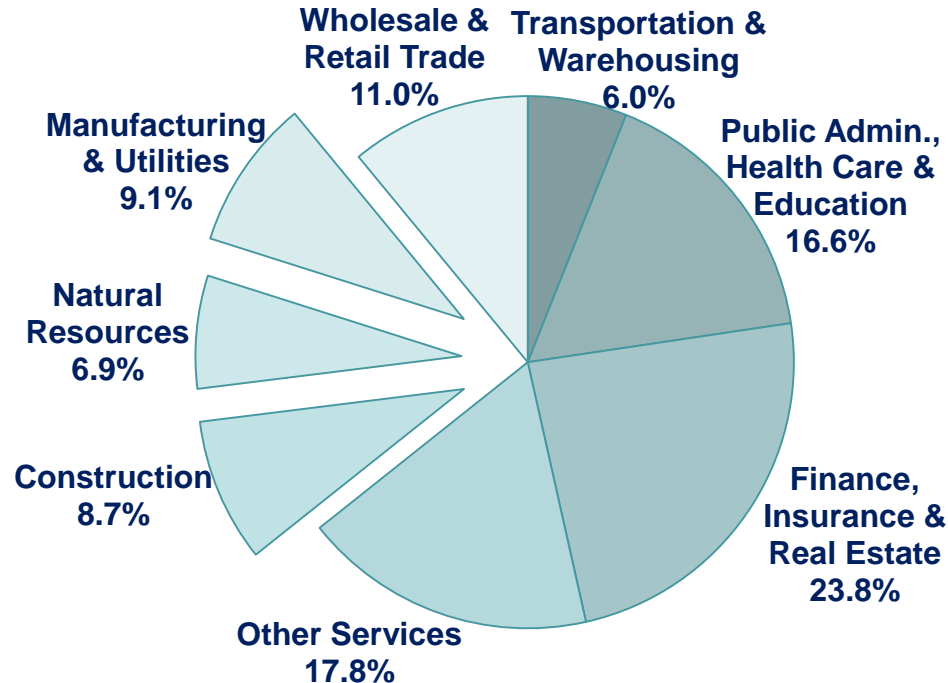


# Province of British Columbia



# BC's Diversified Economy

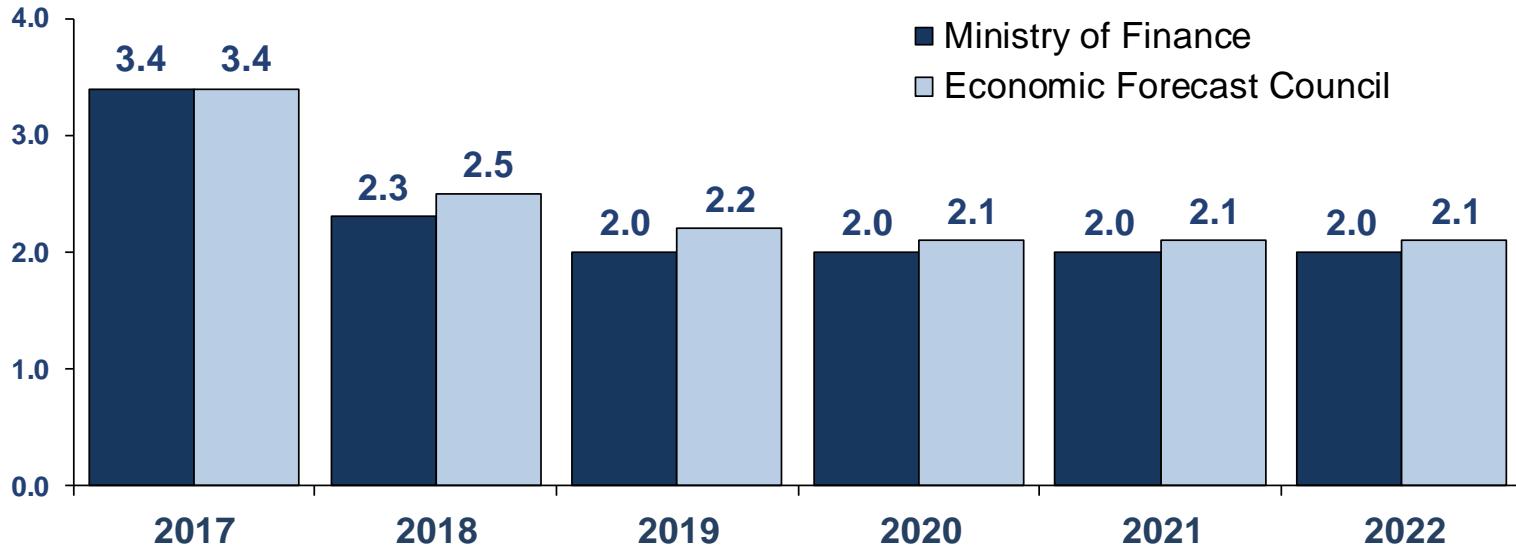
Share of BC GDP at basic prices (chained \$2007) by major industry, 2017



Source: Statistics Canada (may not add to 100 per cent due to rounding)

# Prudent Economic Forecast

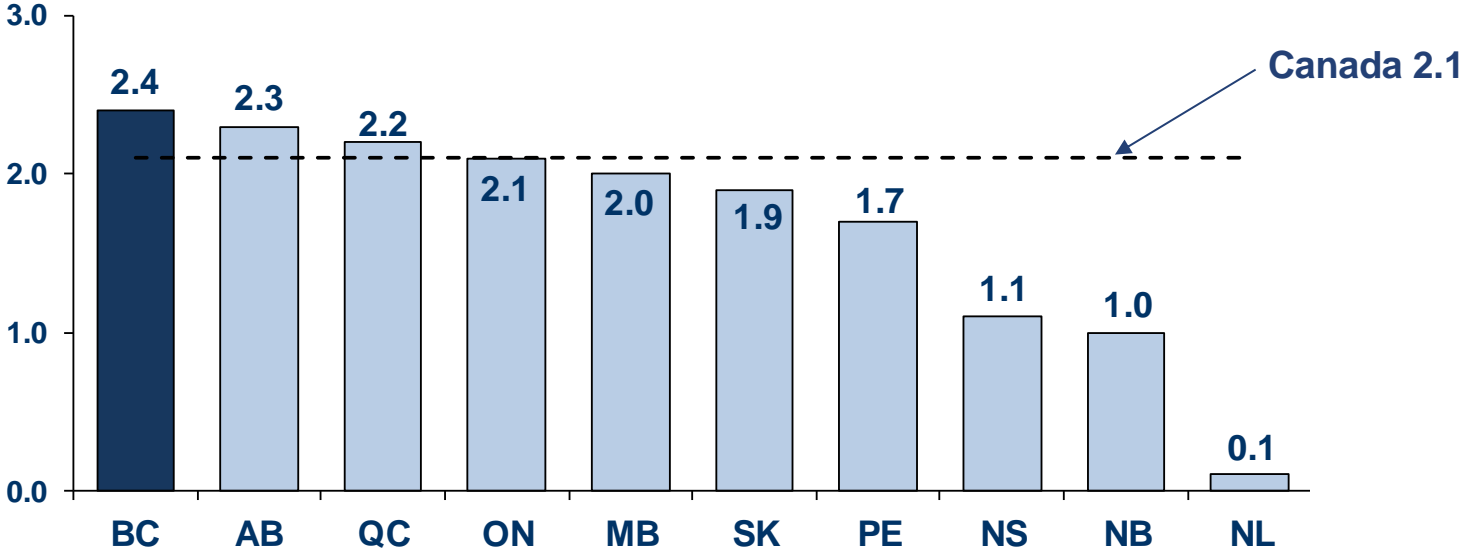
## BC real GDP (annual per cent change)



Sources: BC Ministry of Finance, Economic Forecast Council

# Private Sector Economic Growth Expectations

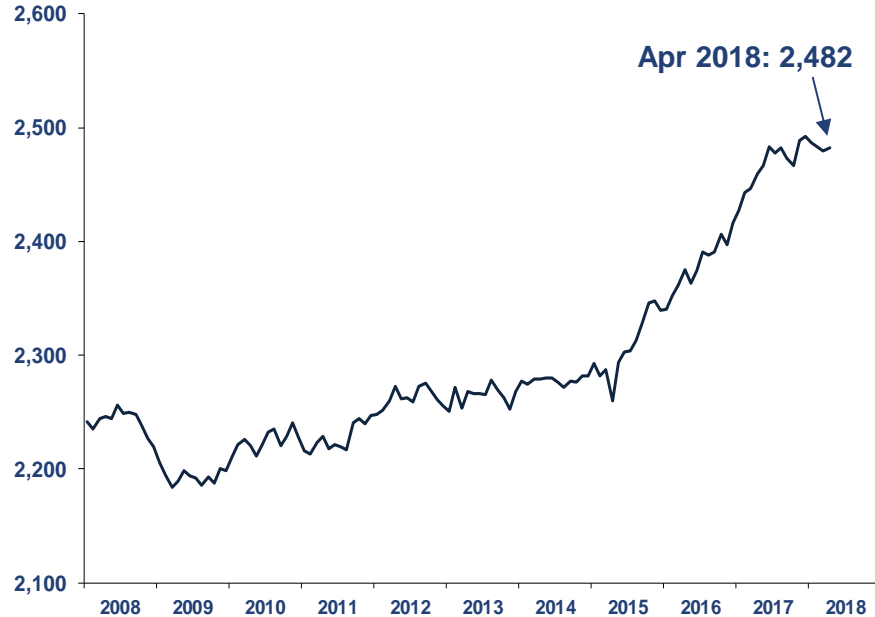
Forecast annual growth in 2018 real GDP (per cent)



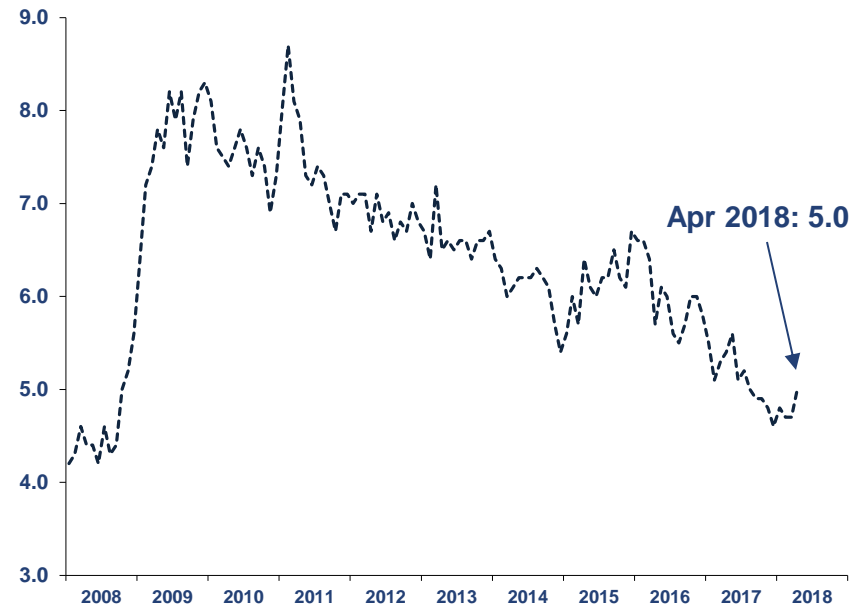
Source: Private Sector Average (subset of the Economic Forecast Council: BMO, RBC, CIBC, TD, Scotiabank and National Bank) as of May 25, 2018.

# BC Labour Market

## BC employment (thousands, sa)



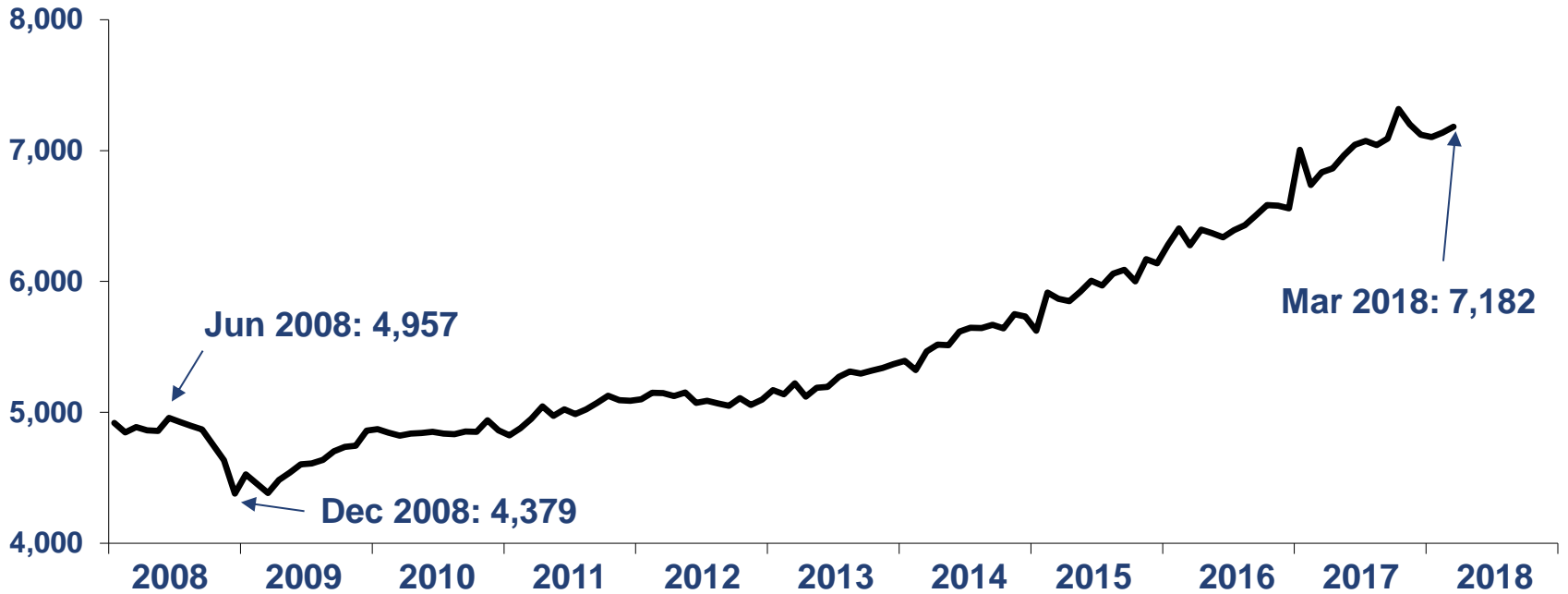
## BC unemployment rate (per cent, sa)



Source: Statistics Canada

# BC Retail Sales

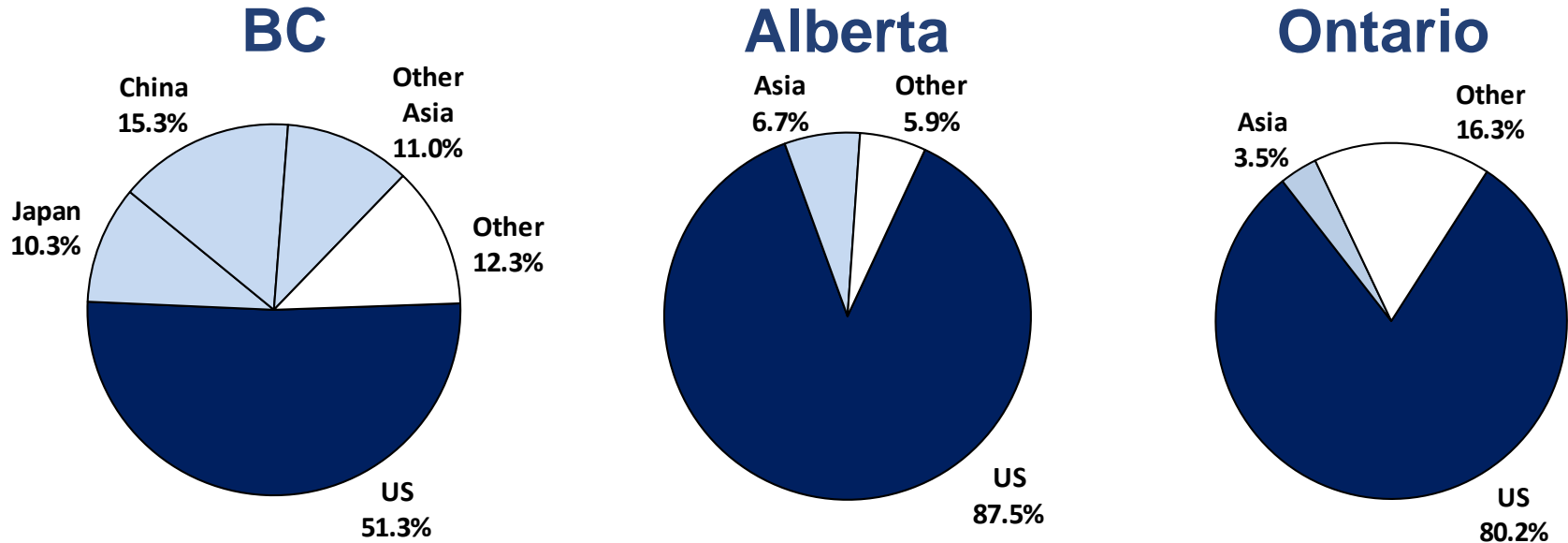
BC retail sales (\$ millions, sa)



Source: Statistics Canada

# BC Trade Diversity

Annual share of international goods exports by province, 2017



Source: BC Stats (may not add to 100 per cent due to rounding)

# Operating Plan

\$ millions

	Budget			
	Forecast	Estimate	Plan	Plan
	2017/18	2018/19	2019/20	2020/21
Revenue	52,069	54,193	57,559	58,646
Expense excluding Contingencies and Priority Initiatives	(51,218)	(53,074)	(54,662)	(55,760)
Contingencies Vote	(600)	(550)	(750)	(750)
Priority Initiatives	-	-	(1,366)	(1,252)
Total Expense	<u>(51,818)</u>	<u>(53,624)</u>	<u>(56,778)</u>	<u>(57,762)</u>
Surplus before Forecast Allowance	251	569	781	884
Forecast Allowance	<u>(100)</u>	<u>(350)</u>	<u>(500)</u>	<u>(600)</u>
Surplus	<u><u>151</u></u>	<u><u>219</u></u>	<u><u>281</u></u>	<u><u>284</u></u>



# Comprehensive Housing Strategy

## 30–point plan to address housing affordability

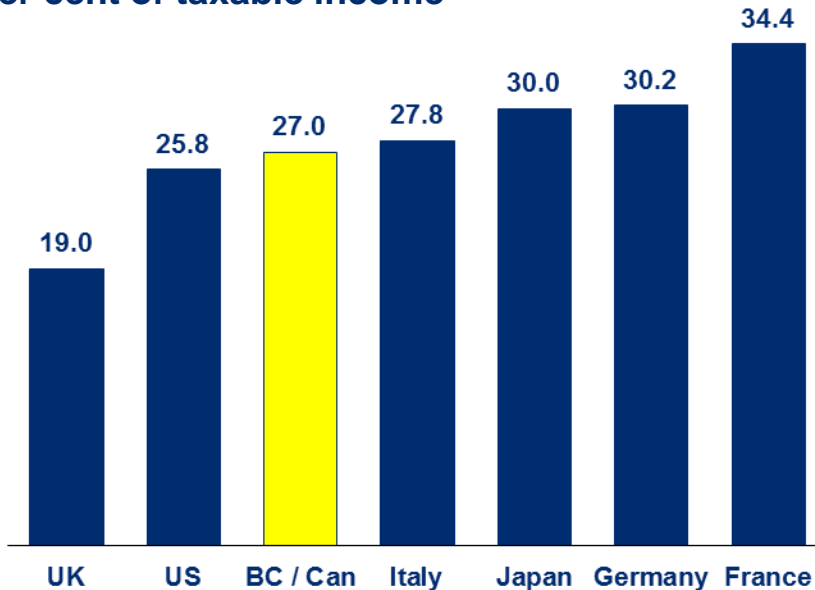
- **Stabilizing the market**
  - introducing a new speculation tax
  - enhancing the existing additional property transfer tax
  - increasing fairness
- **Addressing tax evasion and closing loopholes**
- **Building the homes people need**
- **Improving affordability and strengthening protection for renters**

# Childcare and Early Learning

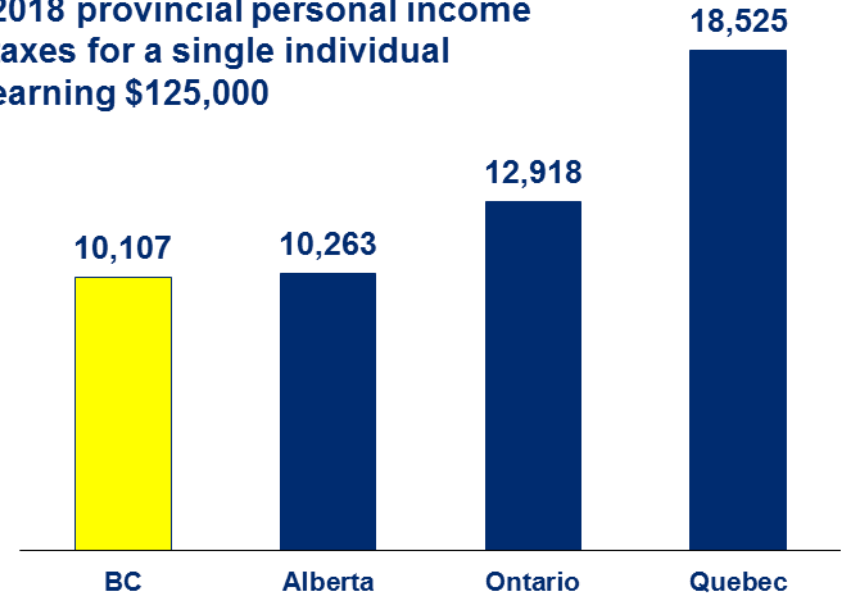
- **On the path to deliver universal, quality childcare**
- **Comprehensive plan with over \$1 billion investment intended to:**
  - **address affordability;**
  - **increase access; and**
  - **provide training and resources for Early Childhood Educators**

# Competitive Income Taxes

## Corporate Income Tax Per cent of taxable income



## Personal Income Tax 2018 provincial personal income taxes for a single individual earning \$125,000



Rates reflect combined central and sub-central corporate income tax rates from OECD Tax Database for 2017, except for the US and BC/Canada. The US rate is calculated by the BC Ministry of Finance using the central government rate in the US *Tax Cuts and Jobs Act* for 2018 combined with the sub-central rate from the OECD Tax Database for 2017. The BC/Canada rate reflects the provincial rate change announced in *Budget 2017 Update*. Japan's central government rate will decrease from 23.4 to 23.2 effective April 1, 2018. This change is not reflected in the table.

Source: BC Ministry of Finance

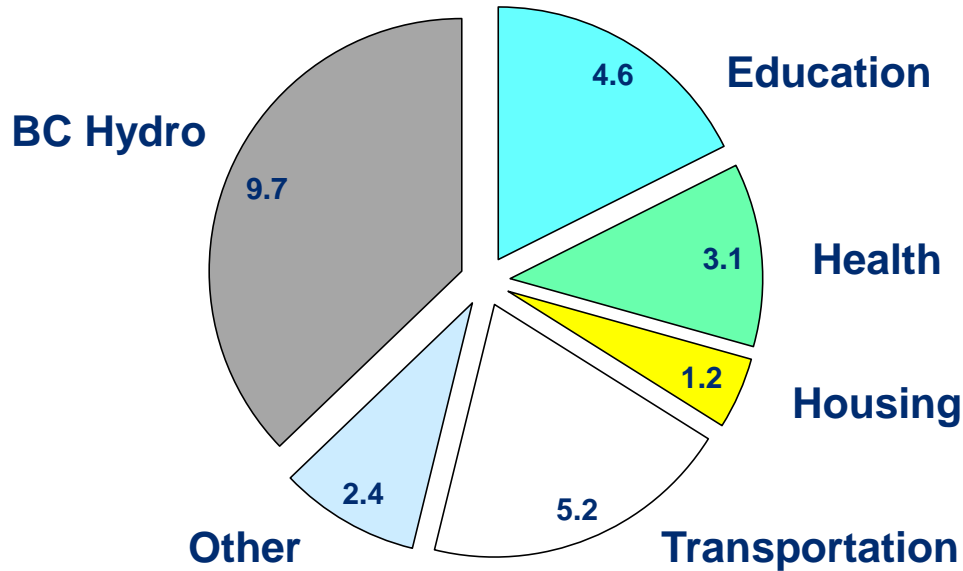
# Improving Fairness

- **Small business corporate income tax rate reduced**
- **Sales tax on electricity paid by businesses phased out**
- **Sales tax on luxury vehicles increased**
- **Medical Services Plan (MSP) premiums**
  - **50 per cent cut in 2018**
  - **eliminated in 2020**
- **Elimination of MSP premiums funded by a new employer health tax**

# Capital Spending Allocations

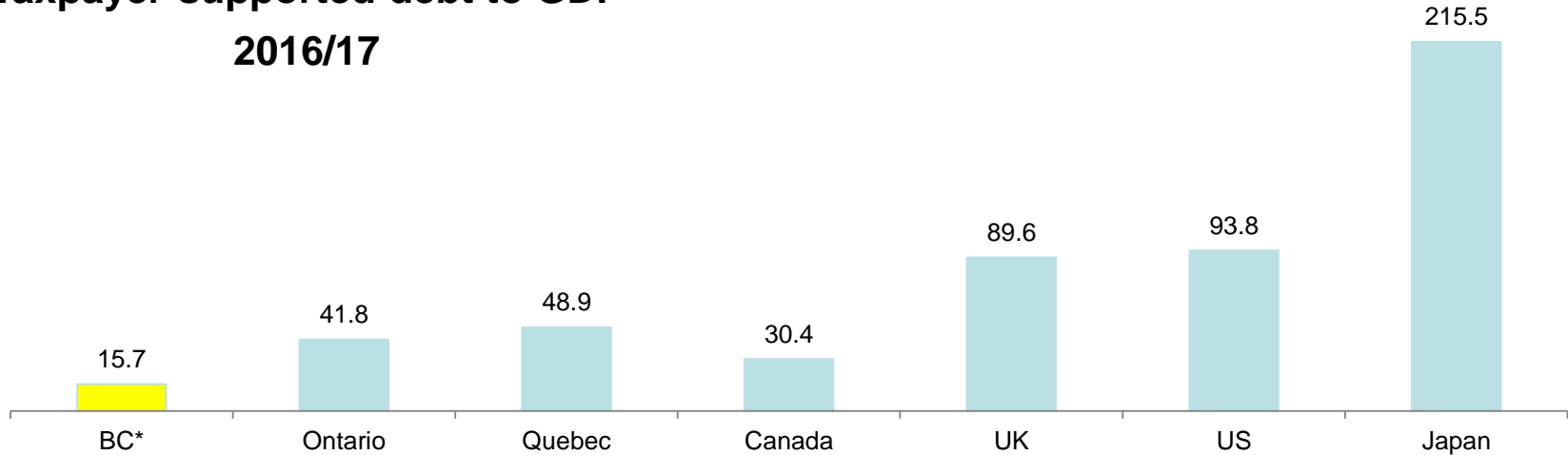
Three-year infrastructure spending totals \$26.2 billion

\$ billions



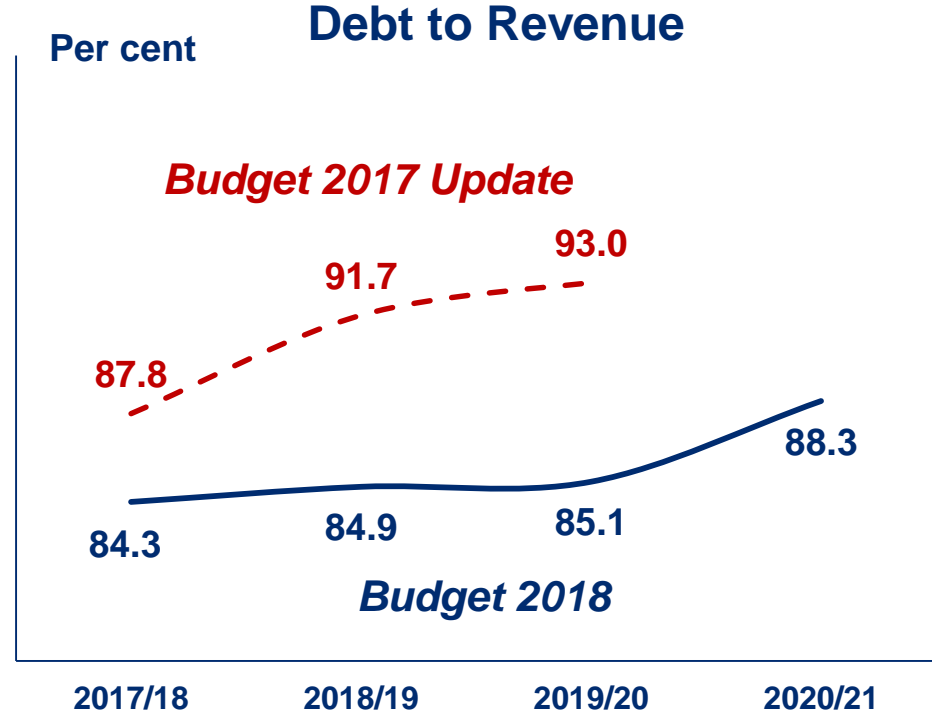
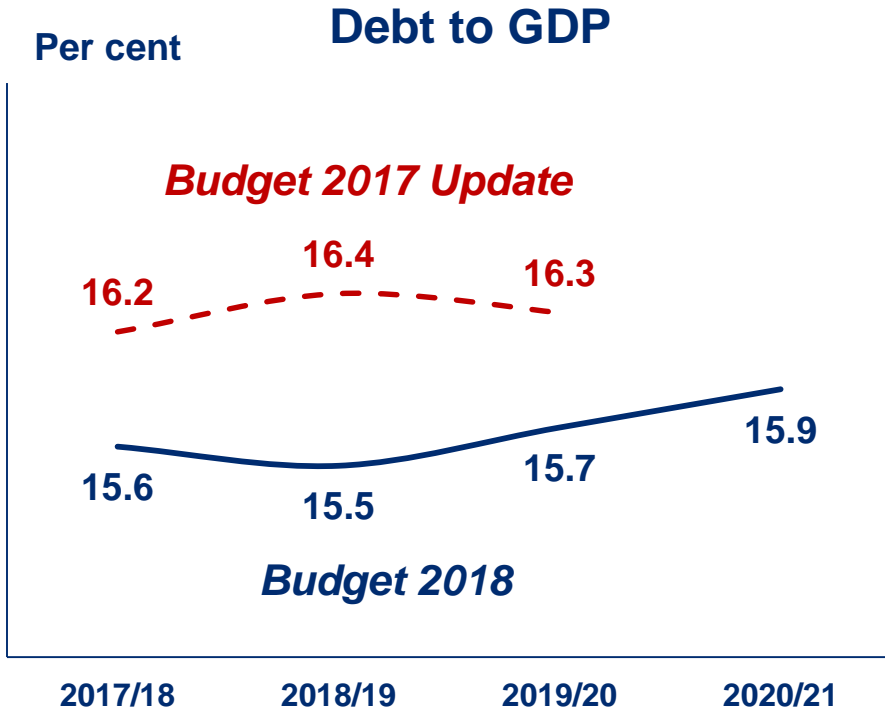
# Affordable Debt

## Taxpayer-supported debt to GDP 2016/17



Source: Moody's; \*BC Budget 2018

# Debt Affordability



# Risks

- **Global trade uncertainty**
- **Product reform of provincial public auto insurance**
- **New compensation mandate**
- **Rising interest rates**



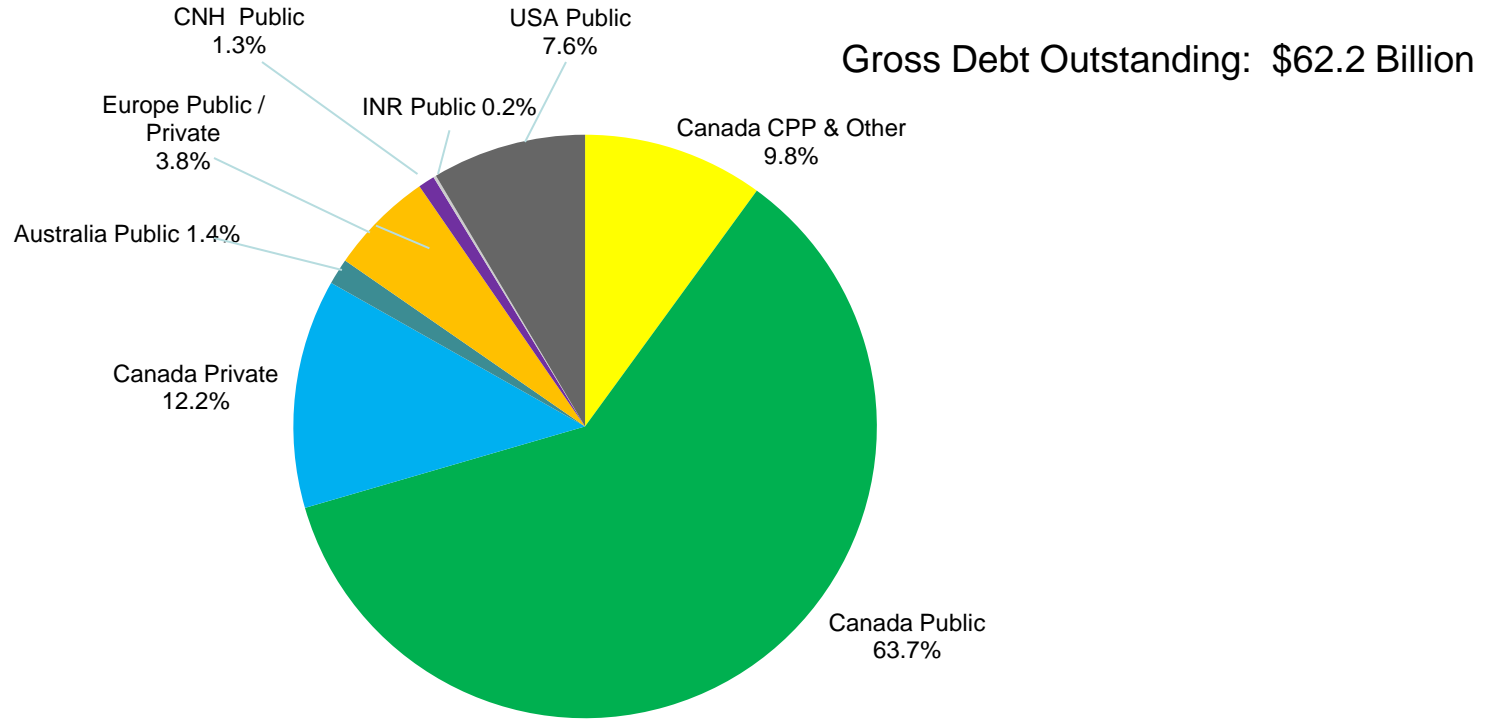
# Prudence Remains Important

- **Prudent economic growth outlook**
- **Contingencies Vote**
  - totals \$2,050M over the ensuing 3 years
- **Forecast Allowance**
  - totals \$1,450M over the ensuing 3 years
- **Priority Initiatives**
  - totals \$2,618M over the last 2 years

# British Columbia's Public Sector Pension Risk Management

- Defined Benefit/Defined Contribution hybrid plan design
- Joint trusteeship
- Sound funding and actuarial policies set by the trustees
- Strong pension plan governance
- 102-108% funded on a funded or actuarial basis

# Gross Market Debt Outstanding by Source as at May 31, 2018



# Debt Management

- **\$7.9 billion borrowing program for 2018/2019**
- **\$6.0 billion to \$6.9 billion in outer years**
- **Manageable borrowing program**
- **Will rely on province's significant access to domestic and international capital markets**

# BC's Strong Credit Ratings

- **Moody's Investor Service**                      **Aaa**                      **Stable**
- **Standard and Poor's**                      **AAA**                      **Stable**
- **Fitch**                      **AAA**                      **Stable**
- **DBRS**                      **AA(high)**                      **Stable**



# ***Appendix***

# Quick Facts on British Columbia

- **Population of 4.8 million**
- **364,764 sq. mi on west coast of Canada; third-largest province; size of France and UK combined**
- **Borders the Pacific Rim**
- **Strategic ports for North America trade**
- **Parliamentary system of government**
- **2016 nominal gross domestic product: C\$264 Billion (13% of Canadian economy)**

# Priority Investments

**Over \$3.6 billion in new investments in support of:**

- **improving affordability;**
- **improving and enhancing services; and**
- **building a strong, sustainable economy**



# Working with Indigenous Peoples

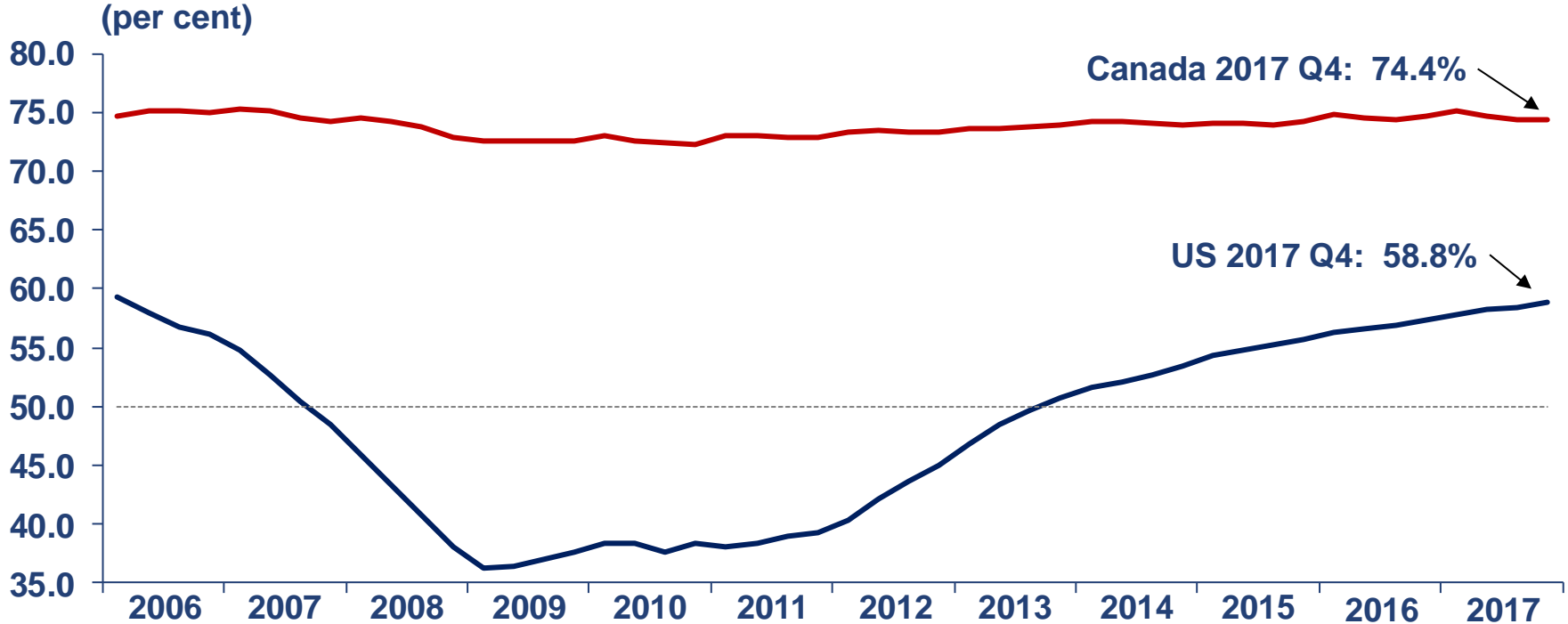
**Commitment to carve a path toward reconciliation:**

- **\$201 million over three years for:**
  - Indigenous housing;
  - Indigenous Skills Training Program; and
  - Aboriginal Friendship Centres
- **\$50 million supporting the revitalization of Indigenous languages**

# Canadian Mortgage Rules

- Maximum amortization period of 25 years for insured mortgages
- Minimum down payment of 5 per cent for any insured mortgage for homes priced below \$500,000
- An additional 10 per cent down payment is required for the portion of a home price between \$500,000 and \$1,000,000
- Maximum refinancing of 80 per cent of the value of the home
- Interest rate stress test required for both insured and non-insured mortgages
- Maximum borrowing of 65 per cent of the value of the property through a non-amortizing home equity line of credit
- Federally-backed mortgage insurance is available only for homes with a purchase price of less than \$1 million
- Insurance is mandatory for down payments below 20 per cent

# Owner's Equity as a Share of Residential Assets

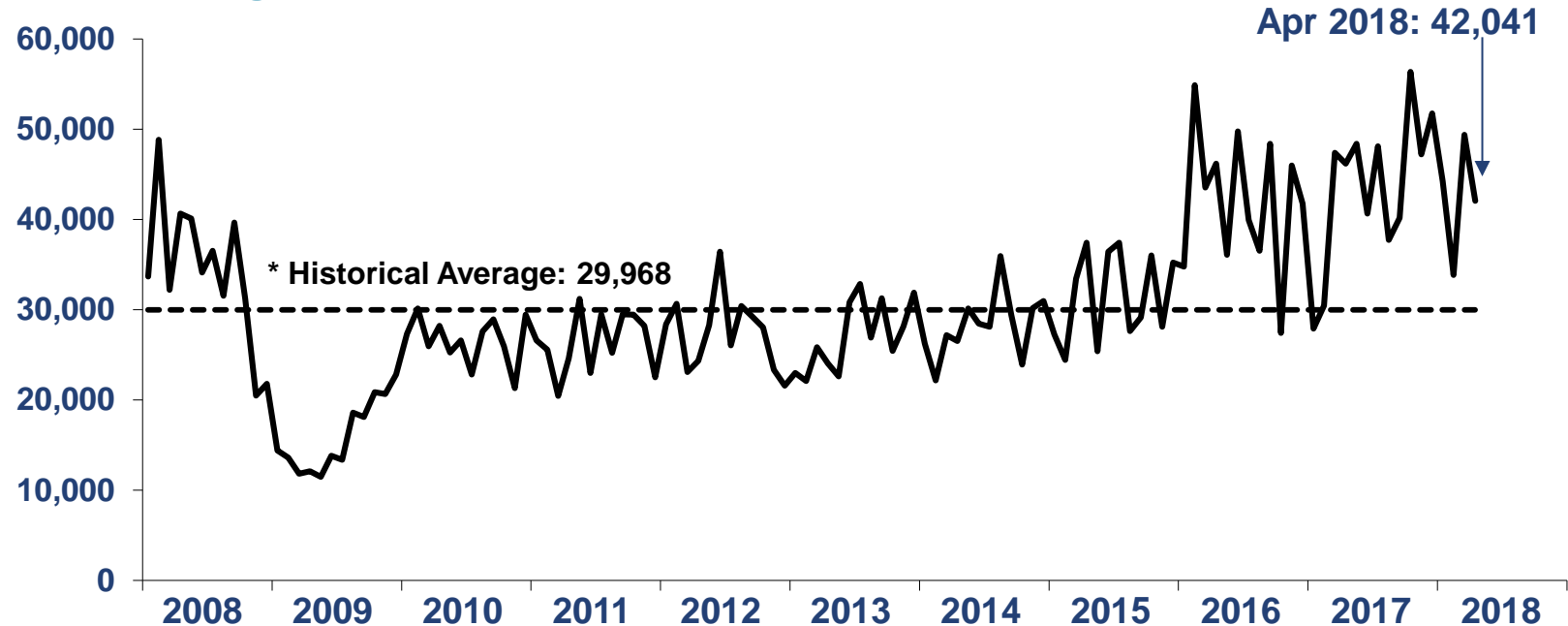


Sources: Statistics Canada, St. Louis Federal Reserve

Note: Canada includes the value of non-residential real estate owned by households

# BC Housing Starts

## BC housing starts (annualized units, sa)

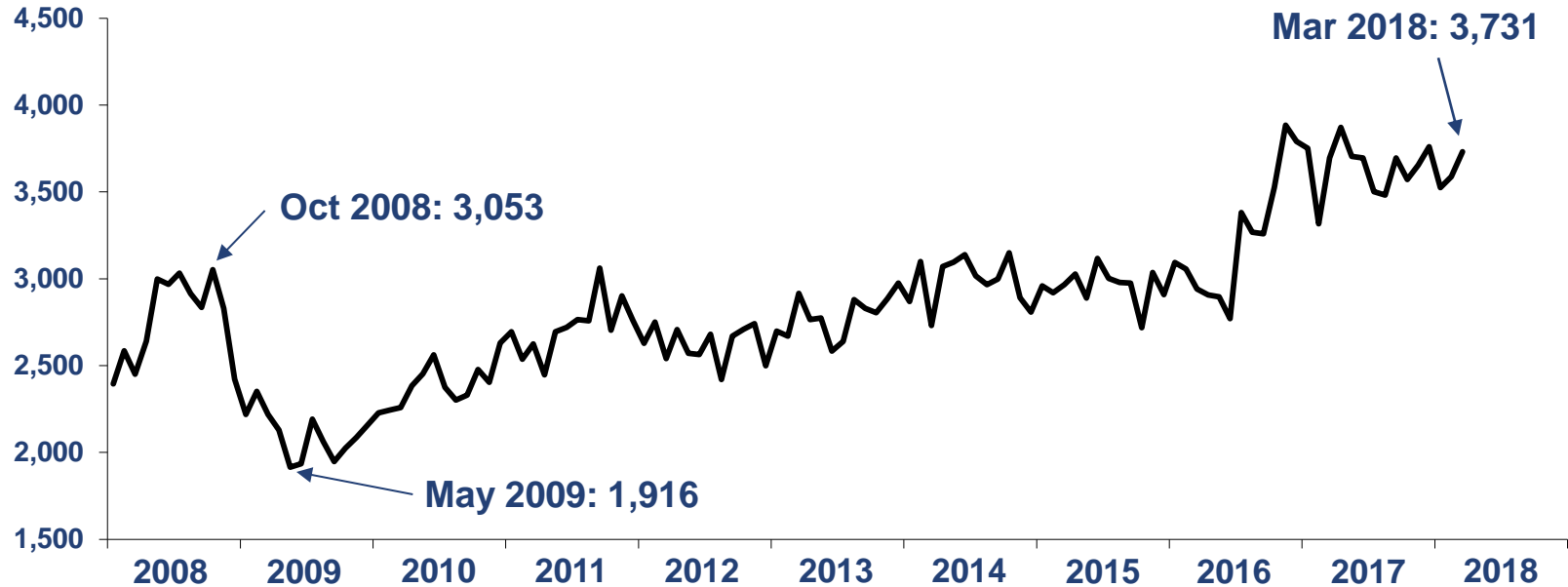


\* Historical Average (January 1990 to December 2017)

Source: Canada Mortgage and Housing Corporation

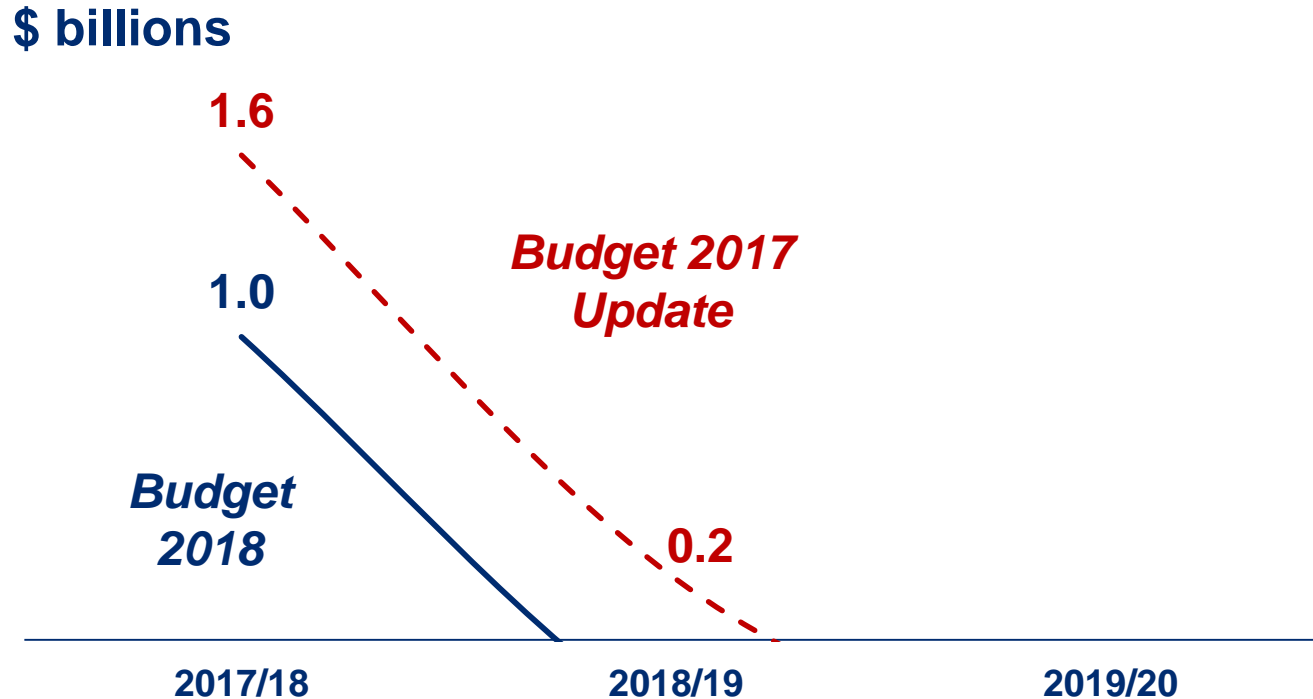
# BC Exports

## BC international merchandise exports (\$ millions, sa)



Source: BC Stats

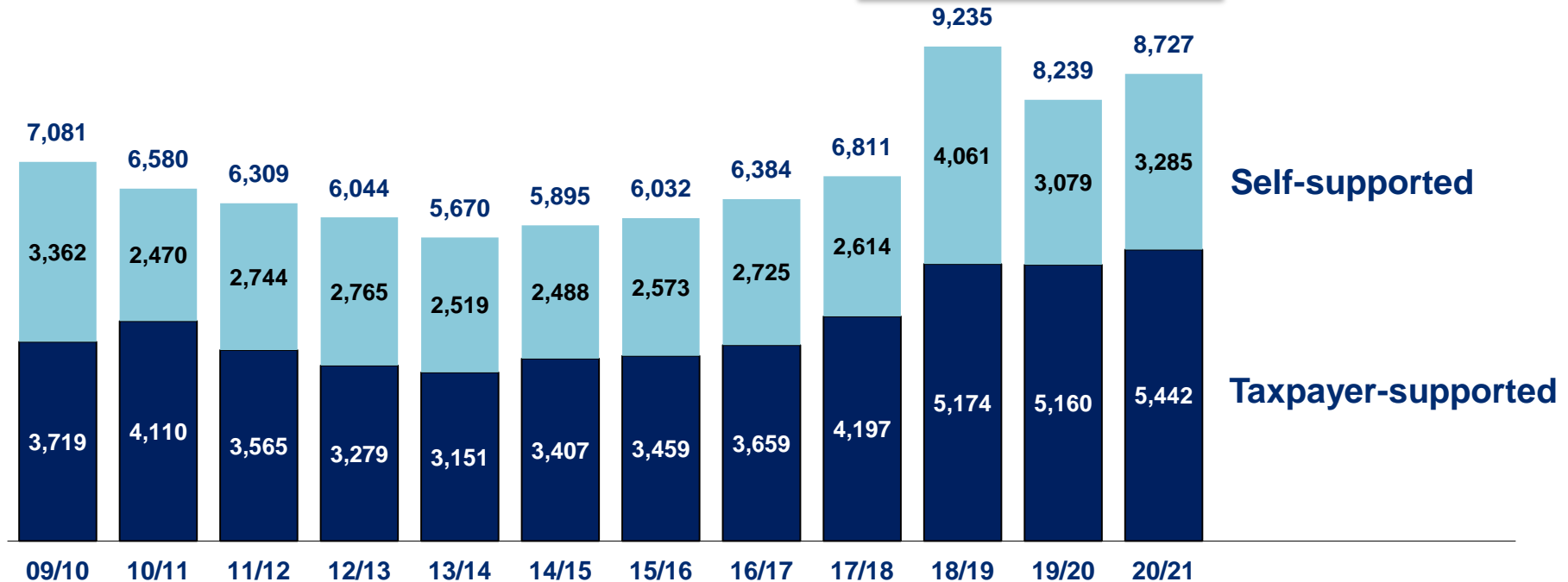
# Operating Debt Eliminated



# Record Level Capital Spending

\$ millions

*Budget 2018 Plan*



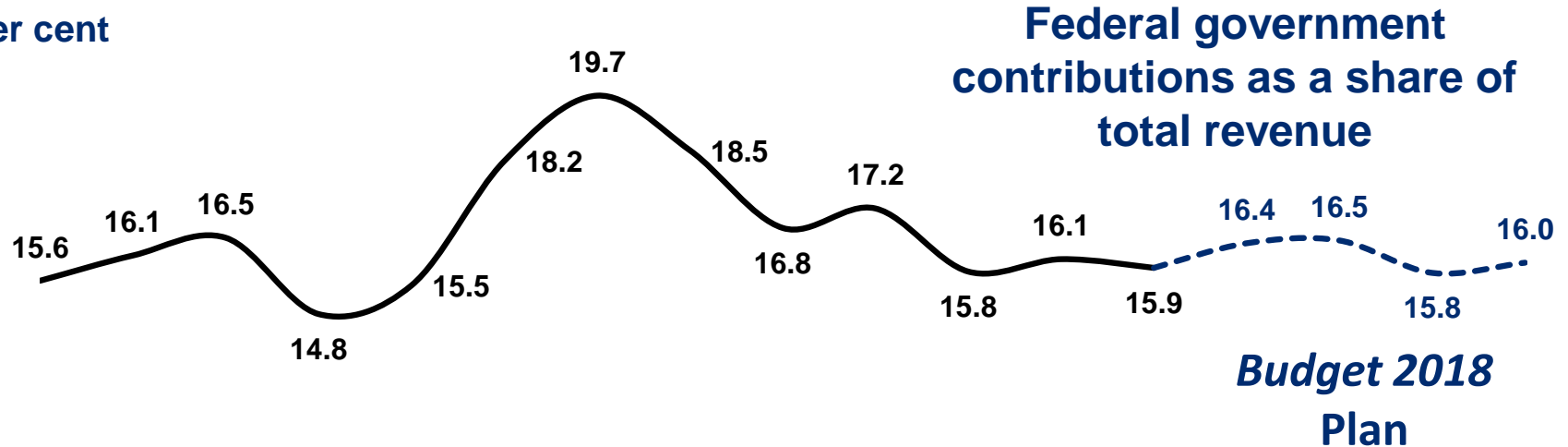
# Pension Plan Positions

Pension Plan	Number of Members (thousands)	Most recent Valuation	Funding Basis (millions)	Accrued Basis (millions)
Teachers'	94	Dec 31, 2014	<b>\$449</b> 102%	(\$704) 96%
College	26	Aug 31, 2015	<b>\$154</b> 104%	\$162 105%
Municipal	321	Dec 31, 2015	<b>\$2,224</b> 105%	\$1,034 103%
Public Service	123	Mar 31, 2017	<b>\$1,896</b> 108%	\$2,486 114%



# Federal Government Contributions

Per cent



04/05 05/06 06/07 07/08 08/09 09/10 10/11 11/12 12/13 13/14 14/15 15/16 16/17 17/18 18/19 19/20 20/21