

## Financial Statement Discussion and Analysis Report

### Highlights

The highlights section provides a summary of the key events affecting the financial statements based on information taken from the Summary Financial Statements and Provincial Debt Summary included in the Public Accounts. The budget figures are from pages 171, 177, 178, 180 and 181 of the *Budget and Fiscal Plan 2022/23–2024/25*.

<b>Budget and Actual Results 2022/23</b>						
	In Millions				Variance	
	2022/23 Budget	2022/23 Updated Forecast	2022/23 Actual	2021/22 Actual	2022/23 Actual to Budget	2022/23 vs 2021/22
	\$	\$	\$	\$	\$	\$
Revenue.....	68,552	82,700	81,536	72,392	12,984	9,144
Expense.....	(73,013)	(79,108)	(80,832)	(71,127)	(7,819)	(9,705)
<b>Surplus (deficit) before forecast allowance</b>	<b>(4,461)</b>	<b>3,592</b>	<b>704</b>	<b>1,265</b>	<b>5,165</b>	<b>(561)</b>
Forecast allowance.....	(1,000)				1,000	
<b>Surplus (deficit) for the year.....</b>	<b><u>(5,461)</u></b>	<b><u>3,592</u></b>	<b><u>704</u></b>	<b><u>1,265</u></b>	<b><u>6,165</u></b>	<b><u>(561)</u></b>
<b>Capital spending:</b>						
Taxpayer-supported capital spending....	9,279	8,117	6,755	6,020	(2,524)	735
Self-supported capital spending.....	4,374	4,055	4,165	3,652	(209)	513
<b>Total capital spending.....</b>	<b><u>13,653</u></b>	<b><u>12,172</u></b>	<b><u>10,920</u></b>	<b><u>9,672</u></b>	<b><u>(2,733)</u></b>	<b><u>1,248</u></b>
<b>Provincial debt:</b>						
Taxpayer-supported.....	73,475	63,701	59,934	62,341	(13,541)	(2,407)
Self-supported.....	30,956	29,788	29,492	28,325	(1,464)	1,167
Forecast allowance.....	1,000				(1,000)	
<b>Total provincial debt.....</b>	<b><u>105,431</u></b>	<b><u>93,489</u></b>	<b><u>89,426</u></b>	<b><u>90,666</u></b>	<b><u>(16,005)</u></b>	<b><u>(1,240)</u></b>
<b>Taxpayer-supported debt to GDP ratio</b>	<b>20.0 %</b>	<b>16.4 %</b>	<b>15.4 %</b>	<b>17.9 %</b>	<b>(4.6)</b>	<b>(2.5)</b>

### Summary Accounts Surplus (Deficit)

The province ended the year with a surplus of \$704 million, which was an improvement of \$6,165 million over the deficit forecast in the *Budget and Fiscal Plan 2022/23–2024/25*. The 2022/23 surplus of \$704 million was \$561 million less than the surplus of \$1,265 million in fiscal year 2021/22.

Revenue increased by \$9,144 million over fiscal year 2021/22 and was \$12,984 million higher than budget. The annual increase in revenue in the current year was mainly due to increases in taxation revenue, natural resources, and contributions from the federal government.

Expense increased by \$9,705 million over fiscal year 2021/22 and was higher than budget by \$7,819 million. The increases in spending in the current year were mainly in the health, natural resources and economic development, social services, general government, and other sectors. Additional spending over budget was authorized through supplementary estimates and various statutory appropriations.

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### Capital Spending

Taxpayer-supported infrastructure spending on hospitals, schools, post-secondary facilities, transit, and roads totalled \$6,755 million in 2022/23, \$2,524 million lower than budget mainly due to project scheduling changes. This spending has been deferred to future years.

Self-supported infrastructure spending on electrical generation, transmission and distribution projects and other capital assets totalled \$4,165 million in 2022/23. Self-supported capital spending was \$209 million lower than budget.

### Provincial Debt

When calculating total provincial debt, the province adds to its financial statement debt all debt guarantees and the debt directly incurred by self-supported Crown corporations, reduced by sinking fund assets and unrealized foreign exchange adjustments of hedged foreign denominated debt translated to March 31, 2023 exchange rates. This balance is referred to as the total provincial debt.

Taxpayer-supported provincial debt decreased by \$2,407 million in 2022/23 due to improved operating results over the fiscal year resulting in decreased borrowing. Self-supported provincial debt increased by \$1,167 million due to an increase in capital infrastructure related to power projects. Total provincial debt decreased by \$1,240 million compared to the budgeted increase of \$14,765 million. The key measure of taxpayer-supported debt to GDP ended the year at 15.4%, which is lower than the forecasted 20.0% in the budget.

### COVID-19 Pandemic Spending and Related Measures

This section provides an overview of spending through the Province's pandemic response and economic recovery initiatives during the current year. This spending was authorized by voted appropriations.

	In Millions		
	Vote 47 Pandemic and Recovery	Ministry Votes	Total Spend
	\$	\$	\$
Health Related COVID-19 Management.....	780	778	1,558
Supports for Vulnerable Populations.....	135	22	157
Tourism Initiative Envelope.....	94	1	95
Other Recovery Initiatives.....	481	101	582
<b>Total Pandemic Response and Recovery Initiatives Spending</b>	<b>1,490</b>	<b>902</b>	<b>2,392</b>

## Financial Statement Discussion and Analysis Report

### Discussion and Analysis

The detailed analysis section provides an overview of significant trends relating to the Statement of Operations, Statement of Financial Position and Provincial Debt.

### Revenue Analysis

Revenue analysis helps users understand the government's finances in terms of its revenue sources and allows them to evaluate the revenue producing capacity of the government.

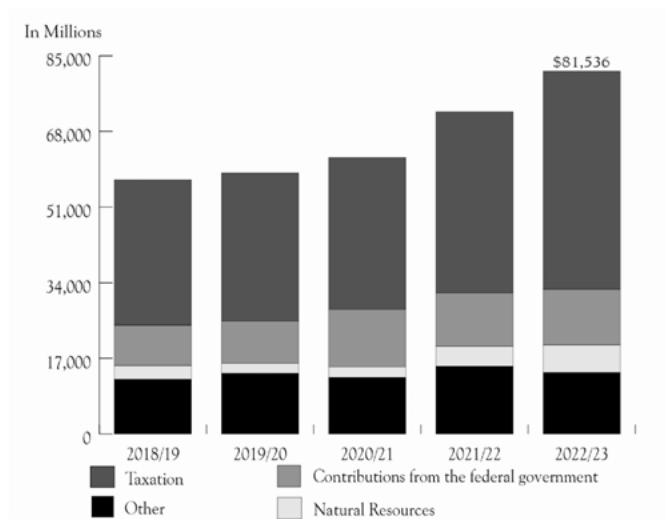
#### Revenue by Source

Revenue by source provides an outline of the primary sources of provincial revenue and how results change between those sources over time. Revenues are reported by separate components of taxation, contributions from the federal government, natural resources and other sources, which include fees and licences, contributions from self-supported Crown corporations, and investment income.

	In Millions				
	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
	\$	\$	\$	\$	\$
Taxation.....	32,715	33,266	34,166	40,717	49,025
Contributions from federal government.....	9,052	9,535	12,894	11,980	12,526
Fees and licences.....	5,592	5,572	4,329	4,584	4,928
Miscellaneous.....	3,413	3,837	3,136	3,910	4,445
Net earnings of self-supported Crown corporations and agencies .....	2,005	2,919	3,964	5,424	3,098
Natural resources.....	3,108	2,268	2,403	4,471	6,198
Investment income.....	1,243	1,263	1,264	1,306	1,316
<b>Total revenue.....</b>	<b>57,128</b>	<b>58,660</b>	<b>62,156</b>	<b>72,392</b>	<b>81,536</b>

#### 2018/19 to 2022/23

Provincial revenues increased by \$9,144 million in 2022/23. The improvement in provincial revenue was primarily due to increases in taxation revenue of \$8,308 million, natural resources revenue of \$1,727 million, contributions from the federal government of \$546 million, and other revenue of \$889 million. Increases in these significant sources of revenue were offset by a decrease in net earnings from self-supported Crown corporations of \$2,326 million.



## Financial Statement Discussion and Analysis Report

In 2022/23, taxation revenue increased by \$8,308 million (20.4%). Personal and corporate income tax revenue increased by \$7,667 million (40.9%), reflecting a stronger income and tax base. Provincial sales tax revenue increased \$1,087 million (12.5%). Other taxation revenues increased by \$588 million, mainly from increases in property tax, employer health tax and carbon tax. Property transfer tax revenue decreased by \$1,034 million (31.1%) due to a lower number of houses sold.

The net earnings of self-supported Crown corporations and agencies were \$2,326 million lower than 2021/22 mainly from decreased earnings of \$2,413 million in ICBC.

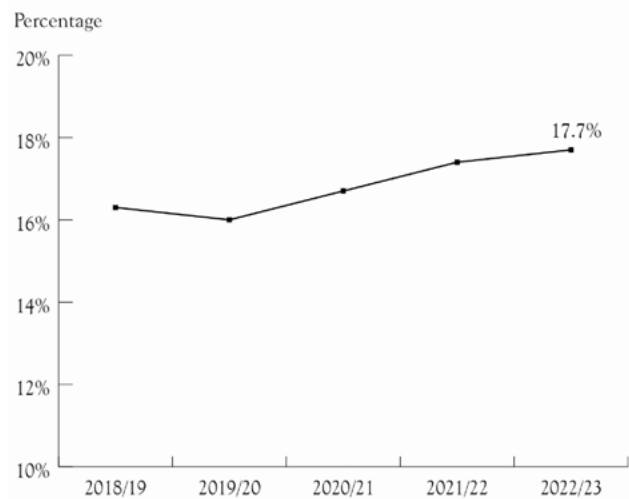
Natural resource revenues were \$1,727 million higher than 2021/22, reflecting higher natural gas, coal, petroleum and electricity prices.

### Own-source Revenue to GDP

The ratio of own-source revenue to GDP represents the amount of revenue the provincial government is taking from the provincial economy in the form of taxation, natural resource revenue, earnings of self-supported Crown corporations and user fees and licences (own-source revenue is all revenue except for federal transfers).

Own-source revenue to GDP has remained stable over the past five years, ending the year at 17.7%.

2018/19 to 2022/23

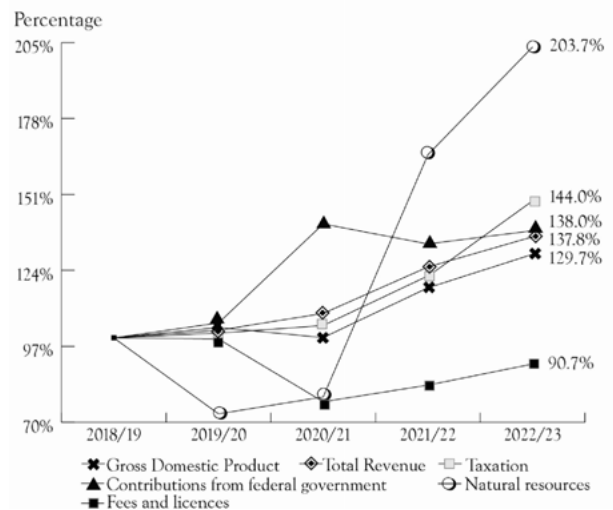


### Percentage Change in Revenue

Trend analysis of revenue provides users with information about significant changes in revenue over time and between sources. This enables users to evaluate past performance and assess potential implications for the future.

Over the five years since 2018/19, total revenue has increased in relation with the increase in GDP. Taxation revenue has continued to exceed the growth in GDP, and natural resource revenue has increased over prior years. Contributions from the federal government increased in the year due to extreme weather event support funding.

2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Natural Resource Revenue

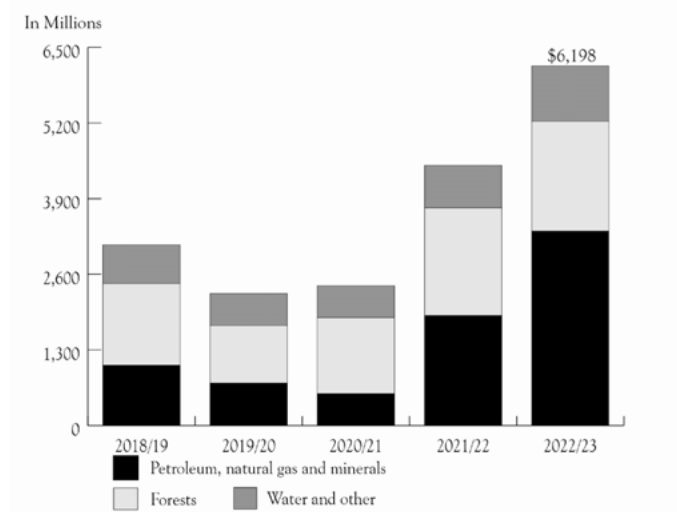
The chart of natural resource revenue by source explains past trends of natural resource revenue in total and by major category.

Petroleum, natural gas and mineral revenues increased by \$1,508 million from 2021/22. These categories of natural resource revenue account for 54.1% of natural resource revenue compared to 41.3% in 2021/22.

Water and other resource revenues increased by \$225 million in the year. They comprise 15.4% of provincial natural resource revenue.

Forestry revenue decreased by \$6 million in 2022/23. The proportion of natural resource revenue derived from forestry decreased to 30.4% in 2022/23 from 42.3% in 2021/22.

### 2018/19 to 2022/23

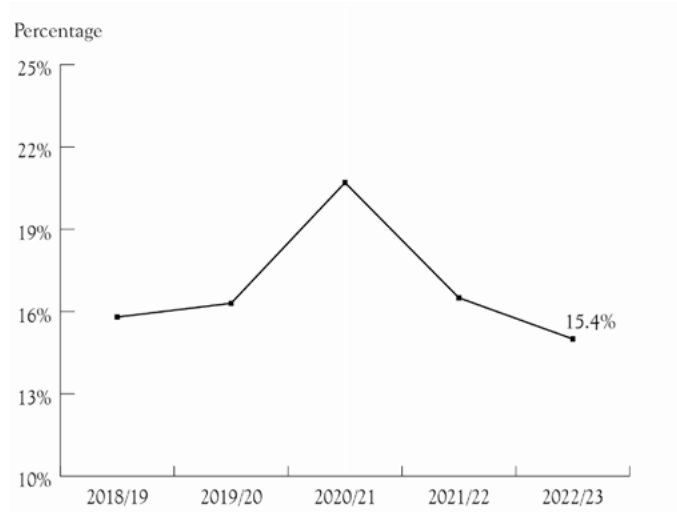


### Government-to-Government Transfers to Total Revenue

The ratio of government-to-government transfers to total revenue is an indicator of how dependent the province is on transfers from the federal government. An increasing trend shows more reliance and a decreasing trend shows less reliance.

Federal transfers increased in 2022/23 by \$546 million. The ratio of federal contributions to total revenue decreased to 15.4% due to total revenue increasing \$9,144 million over the prior year.

### 2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Expense Analysis

The following analysis helps users to understand the impact of the government's spending on the economy, the government's allocation and use of resources, and the cost of government programs.

### Expense by Function

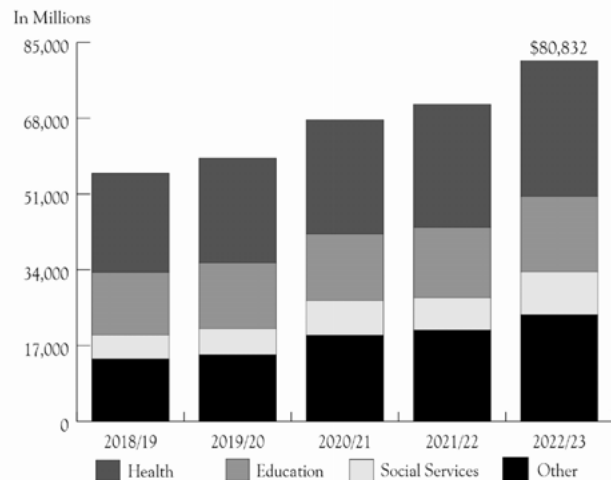
Expense by function provides a summary of the major areas of government spending, and changes in spending over time. Functions, which indicate the purpose of expenditures, are defined by Statistics Canada's Financial Management System of Government Statistics. The province uses the following functions: health, education, social services, natural resources and economic development, interest, other, transportation, general government, and protection of persons and property. The health, education and social services functions account for approximately three quarters of the province's total operating costs.

	In Millions				
	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Health.....	22,159	23,456	25,613	27,591	30,322
Education.....	14,094	14,740	14,948	15,801	16,991
Social services.....	5,343	5,887	7,789	7,268	9,652
Other.....	1,831	2,524	2,862	3,082	5,736
Natural resources and economic development.....	3,825	3,779	4,191	5,213	6,284
Interest.....	2,684	2,727	2,722	2,742	2,719
Protection of persons and property.....	2,004	2,126	2,258	2,937	3,483
Transportation.....	2,021	2,126	3,362	4,453	3,319
General government.....	1,673	1,657	3,919	2,040	2,326
<b>Total expense.....</b>	<b>55,634</b>	<b>59,022</b>	<b>67,664</b>	<b>71,127</b>	<b>80,832</b>

### 2018/19 to 2022/23

Government spending on programs and services increased by \$9,705 million in 2022/23.

The province increased spending on the health sector by \$2,731 million (9.9%), the other sector by \$2,654 million (86.1%), the social services sector by \$2,384 million (32.8%), the education sector by \$1,190 million (7.5%), the natural resources sector by \$1,071 million (20.5%), the protection sector by \$546 million (18.6%), and the general government sector by \$286 million (14.0%). Spending in the transportation sector decreased by \$1,134 million (25.5%) over 2021/22. Expenses of the year included \$2,392 million in pandemic response and recovery program costs as detailed on page 12.



## Financial Statement Discussion and Analysis Report

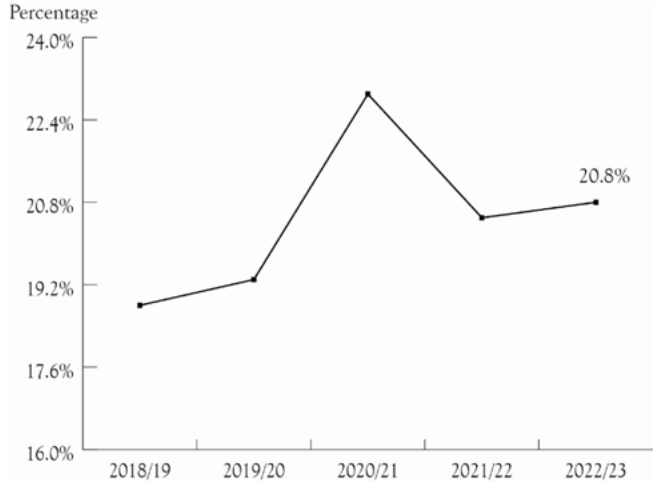
In 2022/23, provincial operating expenses were \$80,832 million, a \$9,705 million (13.6%) increase from 2021/22. Program spending has increased by \$25,198 million (45.3%) since 2018/19. This is compared to increases in GDP of 31.8% over the same period.

### Expense to GDP

The ratio of expense to GDP represents the amount of government spending in relation to the overall provincial economy.

Government spending as a percentage of GDP increased from 20.5% to 20.8% in 2022/23, reflecting increased spending in 2022/23 on key priority initiatives.

2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Changes in Actual Results from 2021/22 to 2022/23

	In Millions		
	Revenue	Expense	Surplus
	\$	\$	\$
2021/22 Surplus.....	72,392	71,127	1,265
Increase in taxation revenue.....	8,308		8,308
Increase in natural resources revenue.....	1,727		1,727
Increase in other revenues.....	889		889
Increase in contributions from the federal government.....	546		546
Decrease in net earnings of self-supported Crown corporations and agencies.....	(2,326)		(2,326)
Increase in other program spending.....		3,177	(3,177)
Increase in health spending.....		2,731	(2,731)
Increase in social services spending.....		2,384	(2,384)
Increase in education spending.....		1,190	(1,190)
Increase in natural resource spending.....		1,071	(1,071)
Increase in general government spending.....		286	(286)
Decrease in transportation spending.....		(1,134)	1,134
Subtotal of changes in actual results.....	9,144	9,705	(561)
	<u>81,536</u>	<u>80,832</u>	
2022/23 Surplus.....			704
2021/22 Accumulated Surplus before Remeasurement Gains and Losses.....			2,201
2022/23 Accumulated Surplus before Remeasurement Gains and Losses.....			2,905
Effect of remeasurement gains and (losses).....			(202)
2022/23 Accumulated Surplus.....			<u>2,703</u>

The year over year increase in total revenue of \$9,144 million, offset by the increase in total expense of \$9,705 million, resulted in a surplus that was \$561 million lower than the 2021/22 surplus. Accumulated surplus, including remeasurement gains and losses, increased from \$2,607 million in 2021/22 to \$2,703 million at the end of 2022/23.



## Financial Statement Discussion and Analysis Report

### Changes from 2022/23 Budget

	In Millions			
	Revenue	Expense	Forecast Allowance	Surplus (Deficit)
	\$	\$	\$	\$
<b>(Deficit) per 2022/23 Budget</b> .....	<b>68,552</b>	<b>73,013</b>	<b>(1,000)</b>	<b>(5,461)</b>
Increased taxation revenue.....	8,955			8,955
Increased natural resources revenue.....	2,811			2,811
Increased contributions from the federal government.....	1,186			1,186
Increased miscellaneous revenue.....	638			638
Increased other revenues.....	60			60
Decreased net earnings of self-supported Crown corporations and agencies.....	(666)			(666)
Increased health spending.....		2,637		(2,637)
Increased natural resources and economic development spending.....		2,536		(2,536)
Increased social services spending.....		1,736		(1,736)
Increased protection spending.....		1,004		(1,004)
Increased transportation spending.....		865		(865)
Increased general government spending.....		678		(678)
Decreased other spending.....		(1,637)		1,637
Forecast allowance.....			1,000	1,000
Subtotal of changes in actual results compared to budget.....	12,984	7,819	1,000	6,165
<b>Actual Results</b> .....	<b>81,536</b>	<b>80,832</b>	<b>0</b>	<b>704</b>

Revenue was \$12,984 million (18.9%) higher than the budgeted amount of \$68,552 million and expenses were \$7,819 million (10.7%) higher than the budgeted amount of \$73,013 million. Additional spending over budget was authorized by supplementary estimates and various statutory appropriations.

### Net Liabilities and Accumulated Surplus

In accordance with Canadian generally accepted accounting principles, the government's Consolidated Statement of Financial Position is presented on a net liabilities basis. Net liabilities represent net future cash outflows resulting from past transactions and events. An analysis of net liabilities and accumulated surplus helps users to assess the government's overall financial position and the future revenue required to pay for past transactions and events.

	In Millions			Variance	
	2022/23 Budget	2022/23 Actual	2021/22 Actual	2022/23 Budget to Actual	2022/23 vs 2021/22
	\$	\$	\$	\$	\$
Financial assets.....	64,054	68,624	64,198	4,570	4,426
Less: liabilities.....	(133,665)	(129,303)	(121,662)	4,362	(7,641)
Net Liabilities.....	(69,611)	(60,679)	(57,464)	8,932	(3,215)
Less: non-financial assets.....	67,197	63,382	60,071	(3,815)	3,311
<b>Accumulated surplus</b> .....	<b>(2,414)</b>	<b>2,703</b>	<b>2,607</b>	<b>5,117</b>	<b>96</b>

## Financial Statement Discussion and Analysis Report

The accumulated surplus represents the sum of the current and prior years' operating results, and accumulated changes in unrealized remeasurement gains and losses. At March 31, 2023, the accumulated surplus was \$2,703 million, \$5,117 million higher than budget.

Financial assets were \$4,426 million higher than 2021/22 as a result of increases in cash, cash equivalents and temporary investments of \$1,105 million, loans for the purchase of assets, recoverable from agencies of \$927 million, equity in self-supported Crown corporations and agencies of \$411 million, and \$1,983 million in other financial assets.

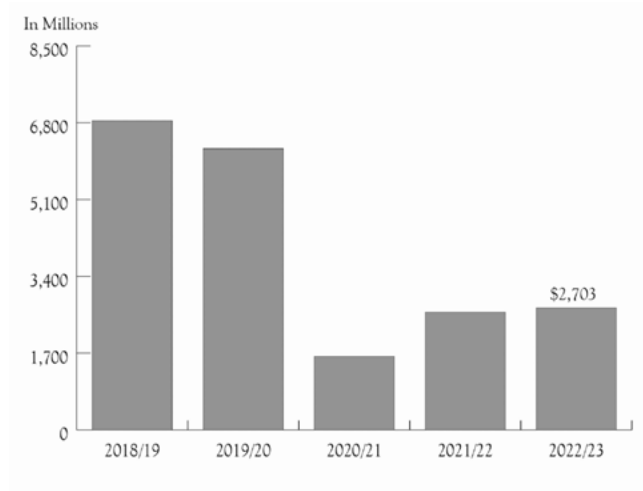
Liabilities increased by \$7,641 million from 2021/22. This was the result of an increase in amounts due to other governments of \$2,435 million, an increase in deferred revenue of \$1,626 million, an increase in self-supported debt of \$1,123 million, a decrease of \$2,001 million in taxpayer-supported debt, and an increase of \$4,458 million in accounts payable and other liabilities.

Non-financial assets typically represent resources, such as tangible capital assets, that the government can use in the future to provide services. Non-financial assets increased by \$3,311 million over 2021/22 representing government's investment in current year infrastructure spending.

### Accumulated Surplus

The accumulated surplus represents current and all prior years' operating results. In 2022/23, the province had an accumulated surplus of \$2,703 million, \$96 million higher than in 2021/22. The positive operating results of prior years continue to provide the flexibility to sustain core public services.

### 2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Components of Net Liabilities

#### Financial Assets

Trend analysis of financial assets provides users with information regarding the amount of resources available to the government that can be converted to cash to meet obligations or fund operations.

	In Millions				
	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Cash, cash equivalents, temporary investments.....	3,029	3,985	6,560	7,142	8,247
Equity in self-supported Crown corporations and agencies.....	5,738	6,523	9,632	12,223	12,634
Loans, advances and mortgages receivable.....	2,395	2,952	4,032	4,199	4,763
Loans for the purchase of assets, recoverable from agencies.....	22,547	24,768	26,301	27,218	28,145
Other financial assets.....	10,994	10,144	11,870	13,416	14,835
<b>Total financial assets.....</b>	<b>44,703</b>	<b>48,372</b>	<b>58,395</b>	<b>64,198</b>	<b>68,624</b>

In 2022/23, financial assets increased by \$4,426 million primarily due to an increase in cash, cash equivalents, and temporary investments of \$1,105 million, an increase in recoverable capital loans of \$927 million due to investments in power projects, and an increase in equity in self-supported Crown corporations and agencies of \$411 million. The remaining financial assets including receivables, other investments, and derivative financial instruments increased by \$1,983 million.

#### Liabilities

Trend analysis of liabilities provides users with information to understand and assess the demands on financial assets and the revenue raising capacity of government.

	In Millions				
	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Taxpayer-supported debt.....	43,209	46,669	59,982	62,565	60,564
Self-supported debt.....	22,655	24,847	26,275	27,209	28,332
<b>Total financial statement debt.....</b>	<b>65,864</b>	<b>71,516</b>	<b>86,257</b>	<b>89,774</b>	<b>88,896</b>
Accounts payable and other liabilities.....	12,137	13,101	14,733	18,509	25,402
Deferred revenue.....	10,543	10,651	12,211	13,379	15,005
<b>Total liabilities.....</b>	<b>88,544</b>	<b>95,268</b>	<b>113,201</b>	<b>121,662</b>	<b>129,303</b>

In 2022/23, total liabilities increased by \$7,641 million. Liabilities are obligations that must be settled at a future date by the transfer or use of assets. Taxpayer-supported financial statement debt decreased by \$2,001 million and self-supported financial statement debt increased by \$1,123 million. Information relating to the government's debt management can be found in more detail in the analysis of the total provincial debt on page 25. Deferred revenue increased by \$1,626 million and accounts payable and other liabilities increased by \$6,893 million. Deferred revenue represents unearned revenues and restricted contributions that will be recognized as revenue in future periods.

## Financial Statement Discussion and Analysis Report

### Non-financial Assets

Trend analysis of non-financial assets provides users with information to assess the management of a government's infrastructure and long-term non-financial assets.

	In Millions				
	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
	\$	\$	\$	\$	\$
Tangible capital assets.....	47,902	50,095	52,851	56,133	59,811
Other non-financial assets.....	2,786	3,031	3,585	3,938	3,571
<b>Total non-financial assets.....</b>	<b>50,688</b>	<b>53,126</b>	<b>56,436</b>	<b>60,071</b>	<b>63,382</b>

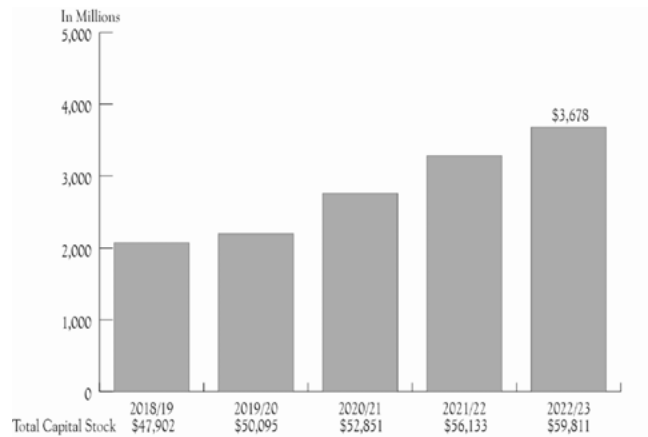
Management of non-financial assets has a direct impact on the level and quality of services a government is able to provide to the public. Non-financial assets typically represent resources that government can use in the future to provide services. At March 31, 2023, non-financial assets were \$63,382 million which was \$3,311 million higher than 2021/22 and \$12,694 million higher than fiscal 2018/19. The majority of the province's non-financial assets represent capital expenditures for tangible capital assets net of amortization. The government has increased its investment in infrastructure spending by \$3,678 million, to ensure service potential is available to deliver programs and services in future periods. Capital expenditures are not included on the Consolidated Statement of Operations and have no effect on the annual surplus (deficit). They reduce future operating results in the form of amortization expense as the service potential of assets is used to deliver programs and services.

### Change in Capital Stock

This measure shows the impact of net changes to the government's stock of physical capital. Positive amounts demonstrate an investment in infrastructure to replace existing capital and provide service potential in future periods.

The net annual investment in capital was \$3,678 million in 2022/23, and \$13,985 million since the start of fiscal 2018/19. Total capital stock has also increased steadily over that period, which indicates that capital infrastructure is available to continue providing programs and services in future periods.

### 2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Net Liabilities and Accumulated Surplus

	In Millions				
	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
	\$	\$	\$	\$	\$
Financial assets.....	44,703	48,372	58,395	64,198	68,624
Less: liabilities.....	(88,544)	(95,268)	(113,201)	(121,662)	(129,303)
<b>Net liabilities.....</b>	<b>(43,841)</b>	<b>(46,896)</b>	<b>(54,806)</b>	<b>(57,464)</b>	<b>(60,679)</b>
Less: non-financial assets.....	50,688	53,126	56,436	60,071	63,382
<b>Accumulated surplus.....</b>	<b>6,847</b>	<b>6,230</b>	<b>1,630</b>	<b>2,607</b>	<b>2,703</b>

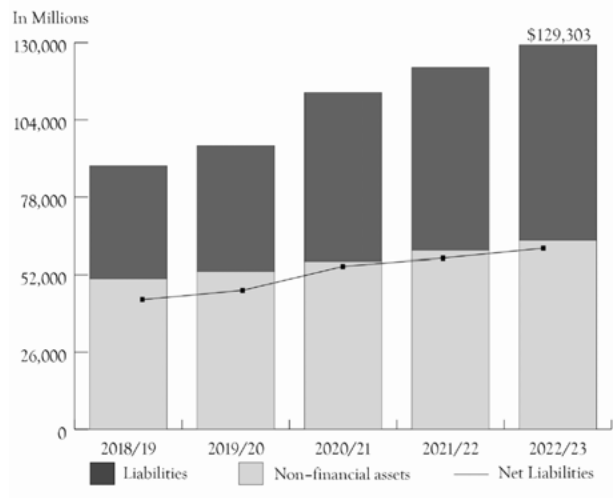
Net liabilities increased by \$3,215 million in 2022/23. Liabilities include deferred revenue of \$15,005 million which represents unearned revenues and restricted contributions that will be recognized as revenue in future periods.

In the year, the financial measure of net liabilities has increased less than the increase in investments in infrastructure, resulting in an increase in accumulated surplus. The accumulated surplus of the province was \$2,703 million at the end of 2022/23, indicating that the cumulative result of all past annual surpluses and deficits is positive, or that the province remains in a positive net financial position.

### Non-financial Assets as a Portion of Liabilities

The chart provides an indication of the proportion of liabilities used to fund capital infrastructure as opposed to funding working capital requirements including accounts payable and other operating liabilities, as well as revenue deferred to future periods. Over the past five years, the relationship between non-financial assets and net liabilities has remained stable.

### 2018/19 to 2022/23



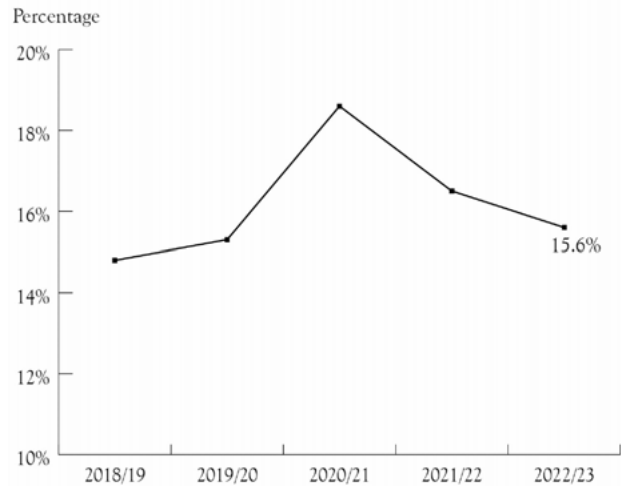
## Financial Statement Discussion and Analysis Report

### Net Liabilities to GDP

The net liabilities to GDP ratio provides an indication of the province's ability to maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy as a whole.

The trend toward increased net liabilities to GDP reflects the ongoing impacts from the COVID-19 pandemic and disaster response, while the ratio returned to a more normal level in 2022/23. Net liabilities include deferred revenue that will be recognized as revenue in future periods, and obligations to outside parties including accounts payable and debt.

### 2018/19 to 2022/23

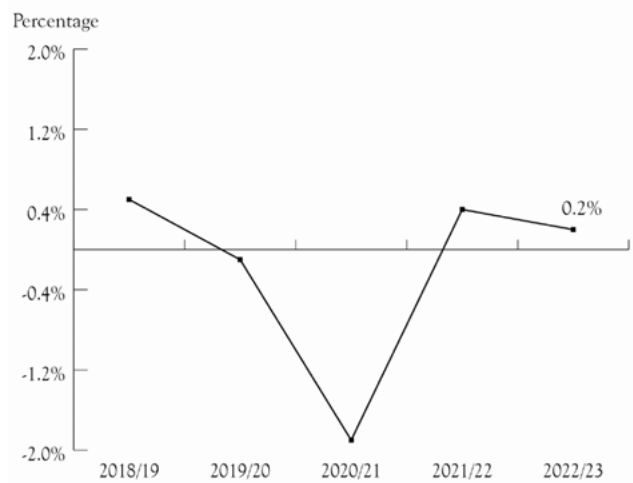


### Surplus (Deficit) to GDP

The annual surplus (deficit) to GDP ratio is an indicator of sustainability that compares the province's financial results to the overall results of the economy.

Results in the positive range of the chart indicate that the economy is growing faster than net government spending. Results in the negative range of the chart reflect government spending on initial pandemic response and recovery programs.

### 2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Total Provincial Debt

Total provincial debt is calculated differently than financial statement debt. Analysis of total provincial debt helps users to assess the extent of long-term liabilities and the government's ability to meet future debt obligations.

	In Millions				
	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
	\$	\$	\$	\$	\$
Gross debt.....	65,864	71,516	86,257	89,774	88,896
Less: sinking fund assets.....	(752)	(692)	(492)	(510)	(521)
Third party guarantees and non-guaranteed debt.....	850	1,337	1,335	1,402	1,523
Foreign exchange adjustments.....					(472)
<b>Total provincial debt.....</b>	<b>65,962</b>	<b>72,161</b>	<b>87,100</b>	<b>90,666</b>	<b>89,426</b>

When reporting to rating agencies, the province adds to its financial statement debt all debt guarantees and the debt directly incurred by self-supported Crown corporations, reduced by sinking fund assets. This balance is referred to as the total provincial debt.

Total provincial debt is \$530 million higher than the amounts reported in the province's financial statements after deducting sinking funds held to pay down the debt, unrealized foreign exchange adjustments of hedged foreign denominated debt translated to March 31, 2023 exchange rates and including guaranteed debt and the debt of self-supported Crown corporations.

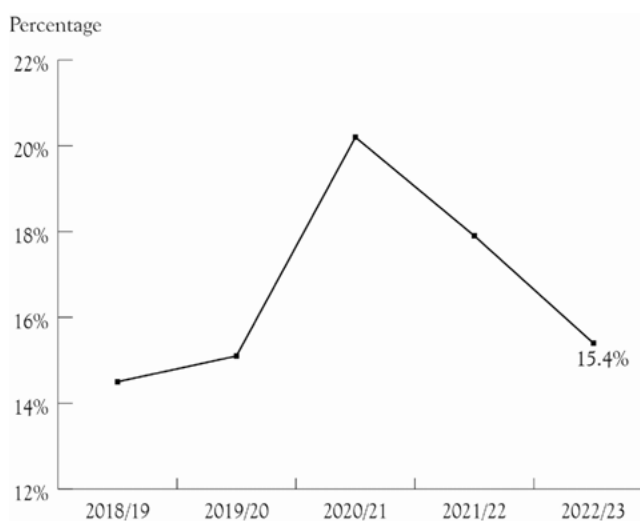
Total provincial debt decreased by \$1,240 million in 2022/23 due to less borrowing required as a result of improved operating results. Taxpayer-supported debt decreased by \$2,407 million, including decreases for government direct operating debt of \$7,233 million and education sector of \$695 million. These were partly offset by increases for BC Transportation Financing Authority of \$4,377 million, the health sector by \$207 million, and other taxpayer-supported corporations and agencies by \$937 million. The debt of self-supported Crown corporations and agencies increased \$1,167 million for investments in power projects.

### Taxpayer-supported debt to GDP

The ratio of taxpayer-supported debt to GDP is a key measure used by financial analysts and investors to assess a province's ability to repay debt and is a key measure monitored by the bond rating agencies. A decreasing ratio means that debt is growing slower than the growth of the economy as measured by GDP.

At the end of 2022/23, taxpayer-supported debt to GDP was 15.4%, which was lower than the budgeted 20.0%, returning to a stable trend after the impacts of COVID-19 in 2020/21.

### 2018/19 to 2022/23



## Financial Statement Discussion and Analysis Report

### Strong Credit Rating

Reflecting the province's fiscal performance, British Columbia has maintained a strong credit rating with all three credit rating agencies. In 2022/23, Moody's Investors Service Inc. gave the province a Aaa credit rating (2022: Aaa); Standard and Poor's gave the province a AA credit rating (2022: AA+); and Dominion Bond Rating Service gave the province a AA(high) credit rating (2022: AA(high)).

### Credit Ratings March 31, 2023

Jurisdiction	Rating Agency <sup>1</sup>		
	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aaa	AA	AA (high)
Alberta	Aa2	A+	AA (low)
Saskatchewan	Aa1	AA	AA (low)
Manitoba	Aa2	A+	A (high)
Ontario	Aa3	A+	AA (low)
Quebec	Aa2	AA-	AA (low)
New Brunswick	Aa2	A+	A (high)
Nova Scotia	Aa2	AA-	A(high)
Prince Edward Island	Aa2	A	A
Newfoundland	A1	A	A (low)
Canada	Aaa	AAA	AAA

<sup>1</sup>The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality, are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "-", and "+" modifiers show relative standing within the major categories. For example, AA+ exceeds AA.

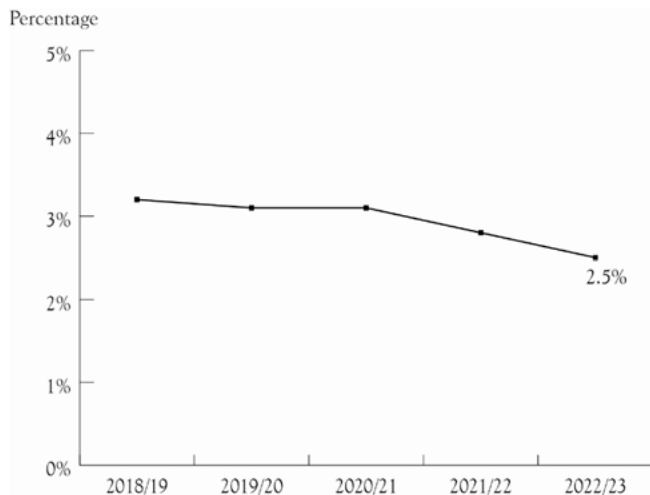
A more comprehensive overview of provincial debt, including key debt indicators is located on pages 139–152.

### Public Debt Charges to Revenue (the Interest Bite)

The public debt charges to revenue indicator is often referred to as the "interest bite". This provides users with the percentage of provincial revenue used to pay interest on debt. The ratio is sensitive to the cost of debt arising from either increasing interest rates or increasing debt, as well as decreases in revenue.

If an increasing proportion of provincial revenue is required to pay interest on provincial debt, less money is available to provide core public services. The interest bite has remained stable over the last five years. In 2022/23, the province spent 2.5 cents of each revenue dollar on interest on the provincial taxpayer-supported debt.

### 2018/19 to 2022/23





## Financial Statement Discussion and Analysis Report

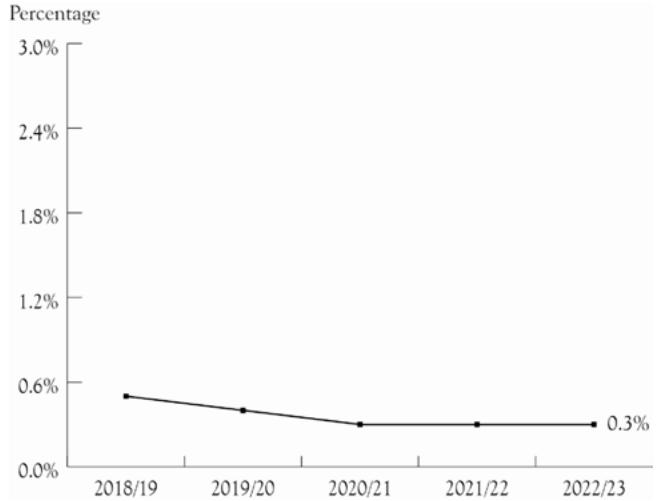
### Non-Hedged Foreign Currency Debt to Total Provincial Debt

The ratio of non-hedged foreign currency debt to total provincial debt shows the degree of vulnerability of a government's public debt position to swings in exchange rates.

Non-hedged foreign currency debt directly offset by instruments in the same foreign currency are considered "natural hedges". These amounts are excluded from the ratio.

In 2022/23, the province had the equivalent of CAD \$307 million in non-hedged debt.

2018/19 to 2022/23



# Financial Statement Discussion and Analysis Report

## Economic Highlights

British Columbia's economy grew by 3.6% in the 2022 calendar year, tied with Ontario for fourth highest among provinces, following a gain of 6.2% in 2021 according to preliminary GDP by industry data from Statistics Canada. The estimated 3.6% advancement for British Columbia in 2022 is an improvement compared to the government's Budget 2023 estimate of 2.8% growth.

### Real Gross Domestic Product in Calendar Year 2022

Both service-producing industries and goods-producing industries experienced growth in 2022.

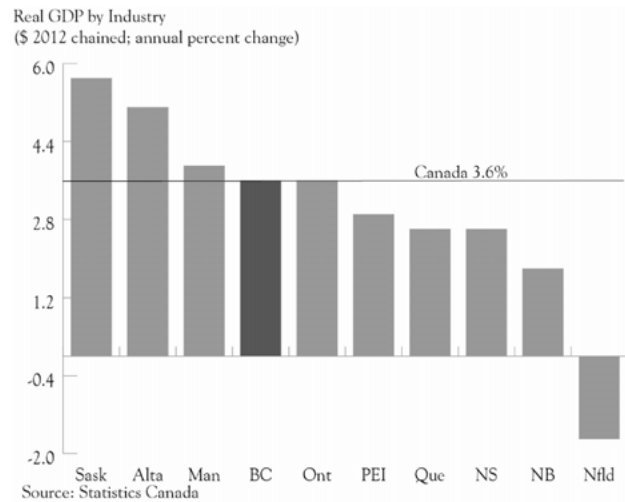
Service-producing industries saw 3.7% growth in 2022, with most sectors experiencing gains, except for wholesale trade (down 2.0%), retail trade (down 1.5%) and management of companies and enterprises sector (down 21.3%). Output in the transportation and warehousing (up 10.2%), accommodation and food services (up 19.6%), professional, scientific and technical services (up 5.6%), and healthcare and social assistance (up 3.8%) sectors were the main drivers of the increase. Service-producing sectors experienced a lift from the removal of remaining COVID-19 related restrictions in 2022, but several industries are still below 2019 GDP levels, such as accommodation and food services; transportation and warehousing; and arts, entertainment and recreation.

B.C.'s goods-producing industries grew by 3.3% in 2022, following growth of 5.7% in the previous year. Output in the construction industry provided the largest contribution of all sectors to growth in 2022 increasing by 5.8% compared to 2021. Increases were also observed in the manufacturing (up 3.1%), utilities (up 4.4%) and the mining, quarrying and oil and gas extraction sectors (up 1.7%). Meanwhile, the agriculture, forestry, fishing and hunting sector declined by 4.2% compared to 2021 and remained below pre-pandemic levels.

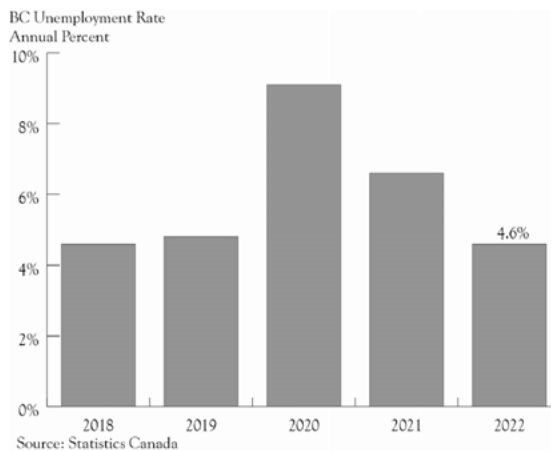
### Unemployment Rate

British Columbia's annual unemployment rate was 4.6% in 2022, down from 6.6% in 2021, and was near record lows throughout most of the year. The unemployment rate in B.C. in 2022 was lower than the national unemployment rate of 5.3%. The average level of employment in B.C. increased by 3.2% in 2022, following a gain of 6.2% in 2021.

### Provincial Comparison



### 2018 to 2022



## Financial Statement Discussion and Analysis Report

### Risks and Uncertainties

The government's main exposure to risks and uncertainties arises from variables, which the government does not directly control. These include:

- assumptions underlying revenue and Crown corporation forecasts such as economic factors, commodity prices and weather conditions;
- the outcome of litigation, arbitration, and negotiations with third parties;
- potential changes to federal transfer allocations, cost-sharing agreements with the federal government and impacts on the provincial income tax bases arising from federal tax policy and budget changes;
- utilization rates for government services such as health care, children and family services, and income assistance;
- exposure to interest rate fluctuations, foreign exchange rates and credit risk; and
- changes in Canadian generally accepted accounting principles.

The following are the approximate effect of changes in some of the key variables on the surplus (deficit):

Key Fiscal Sensitivities		
Variable	Increase Of	Annual Fiscal Impact (\$ millions)
Nominal GDP	1%	\$200 to \$300
Lumber prices (US\$/thousand board feet)	\$50	\$100 to \$150 <sup>1</sup>
Natural gas prices (Cdn\$/gigajoule)	25 cents	\$130 to \$150 <sup>2</sup>
US exchange rate (US cents/Cdn\$)	1 cent	(\$25) to (\$50)
Interest rates	1 percentage point	(\$186)
Debt	\$500 million	(\$19) to (\$20)

<sup>1</sup>Sensitivity relates to stumpage revenue only.

<sup>2</sup>Sensitivities can vary significantly, especially at lower prices.

Although the government is unable to directly control these variables, strategies have been implemented to mitigate these risks and uncertainties. The development of taxation, financial and corporate regulatory policy to reinforce British Columbia's position as an attractive place to invest and create jobs will help offset the increase in competition for investment as a result of globalization of economic and financial markets. As in previous years, the government applied a forecast allowance in the budget to account for risks to revenue, expenditure, and the forecasts of Crown corporations, school districts, universities, colleges, institutes, and health organizations (SUCH sector). The use of forecast allowances recognizes the uncertainties in predicting future economic developments.

Risk management in relation to debt is discussed in Note 20 on page 73 of the Notes to the Consolidated Summary Financial Statements.