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 159, 165, 166, 168, and 169 of the *Budget and Fiscal Plan 2023/24–2025/26*.

Budget and Actual Results 2023/24

	In Millions				Variance	
	2023/24 Budget	2023/24 Updated Forecast	2023/24 Actual	2022/23 Actual	2023/24 Actual to Budget	2023/24 vs 2022/23
	$	$	$	$	$	$
Revenue	77,690	77,320	79,623	81,790	1,933	(2,167)
Expense	(81,206)	(83,234)	(84,658)	(80,834)	(3,452)	(3,824)
Surplus (deficit) before forecast allowance	(3,516)	(5,914)	(5,035)	956	(1,519)	(5,991)
Forecast allowance	(700)				700	
Surplus (deficit) for the year	**(4,216)**	**(5,914)**	**(5,035)**	**956**	**(819)**	**(5,991)**
Capital spending:						
Taxpayer–supported capital spending	11,813	10,107	8,772	6,755	(3,041)	2,017
Self–supported capital spending	4,027	4,752	4,584	4,165	557	419
Total capital spending	**15,840**	**14,859**	**13,356**	**10,920**	**(2,484)**	**2,436**
Provincial debt:						
Taxpayer–supported	75,617	71,863	75,402	59,888	(215)	15,514
Self–supported	31,607	31,920	32,060	29,492	453	2,568
Forecast allowance	700				(700)	
Total provincial debt	**107,924**	**103,783**	**107,462**	**89,380**	**(462)**	**18,082**
Taxpayer–supported debt to GDP ratio	18.9 %	17.6 %	18.5 %	15.4 %	(0.4)	3.1

Summary Accounts Surplus (Deficit)

The province ended the year with a deficit of $5,035 million, which was $819 million higher than the deficit forecast in the *Budget and Fiscal Plan 2023/24–2025/26*. The 2023/24 deficit of $5,035 million was $5,991 million less than the surplus of $956 million in fiscal year 2022/23.

Revenue decreased by $2,167 million over fiscal year 2022/23 and was $1,933 million higher than budget. The annual decrease in revenue in the current year was mainly due to decreases in taxation revenue and natural resources.

Expense increased by $3,824 million over fiscal year 2022/23 and was higher than budget by $3,452 million. The increases in spending in the current year were mainly in the health and education sectors. Additional spending over budget was authorized through various statutory appropriations.

Financial Statement Discussion and Analysis Report

Capital Spending

Taxpayer–supported infrastructure spending on hospitals, schools, post–secondary facilities, transit, and roads totalled $8,772 million in 2023/24, $3,041 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 $4,584 million in 2023/24. Self–supported capital spending was $557 million higher 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, 2024 exchange rates. This balance is referred to as the total provincial debt.

Taxpayer–supported provincial debt increased by $15,514 million in 2023/24 to fund investments in capital infrastructure and to finance the operating deficit resulting in increased borrowing. Self–supported provincial debt increased by $2,568 million due to an increase in capital infrastructure related to power projects. Total provincial debt increased by $18,082 million compared to the budgeted increase of $18,544 million. The key measure of taxpayer–supported debt to GDP ended the year at 18.5%, which is lower than the forecasted 18.9% 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 48 Pandemic Recovery	Ministry Votes	Total Spend
	$	$	$
Health Related COVID–19 Management.....................................	581	835	1,416
Supports for Vulnerable Populations..		15	15
Tourism Initiative Envelope...	17		17
Other Recovery Initiatives...		5	5
Total Pandemic Response and Recovery Initiatives Spending	**598**	**855**	**1,453**

With the Pandemic Recovery Contingencies concluding in fiscal year 2023/24, future program spending will be integrated into existing government programs.

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

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
	$	$	$	$	$
Taxation...	33,266	34,166	40,717	49,025	46,296
Contributions from federal government.........................	9,535	12,894	11,980	12,527	13,734
Fees and licences..	5,570	4,337	4,601	4,936	5,267
Natural resources..	2,103	2,286	4,383	6,117	3,143
Miscellaneous..	3,837	3,136	3,910	4,445	4,988
Net earnings of self–supported Crown corporations and agencies	2,919	3,964	5,494	3,426	4,477
Investment income..	1,263	1,264	1,306	1,314	1,718
Total revenue...	**58,493**	**62,047**	**72,391**	**81,790**	**79,623**

2019/20 to 2023/24

Provincial revenues decreased by $2,167 million in 2023/24. The reduction in provincial revenue was primarily due to decreases in natural resources revenue of $2,974 million, and taxation revenue of $2,729 million. Decreases in these significant sources of revenue were offset by increases in contributions from the federal government of $1,207 million, net earnings from self–supported Crown corporations of $1,051 million, miscellaneous revenue of $543 million, investment income of $404 million and fee and license revenue of $331 million.
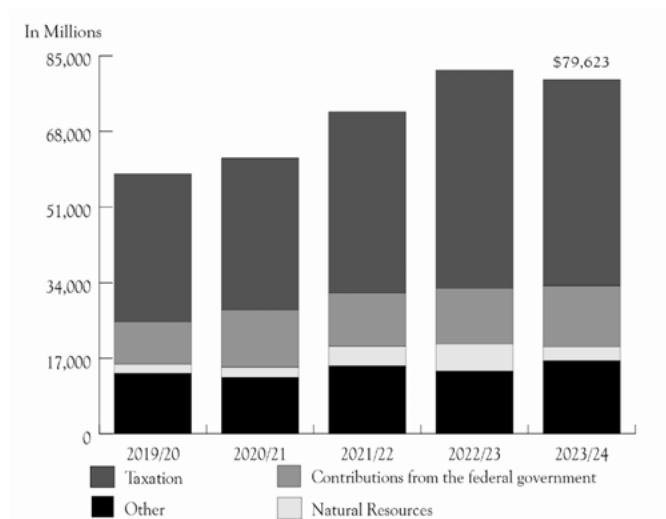
Financial Statement Discussion and Analysis Report

In 2023/24, taxation revenue decreased by $2,729 million (5.6%). Personal and corporate income tax revenue decreased by $3,896 million (14.7%) primarily due to lower adjustments related to the prior tax year compared to large amounts recorded in 2022/23. Provincial sales tax revenue increased $512 million (5.2%) as a result of increased household spending, carbon tax increased $481 million (22.2%) as a result of increased rates, and other taxation revenues increased by $174 million (1.6%), mainly from increases in property tax, and employer health tax.

The net earnings of self–supported Crown corporations and agencies were $1,051 million higher than 2022/23 mainly from increased earnings of $1,268 million in the Insurance Corporation of British Columbia primarily due to increased unrealized gains as a result of stronger financial markets.

Natural resources revenues were $2,974 million lower than 2022/23, reflecting lower natural gas, coal, and petroleum 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 resources 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 16.1%.

**2019/20 to 2023/24**
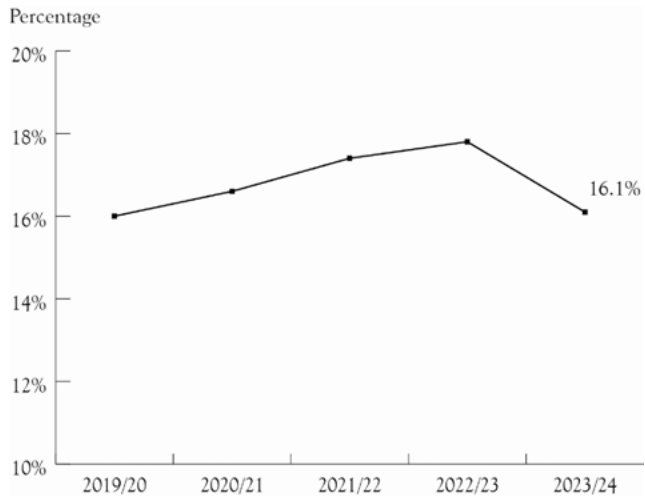
Percentage Change in Revenue

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 2019/20, total revenue has increased in relation with the increase in GDP. Taxation revenue has continued to exceed the growth in GDP, and natural resources revenue has increased over the prior five years. Contributions from the federal government increased in the year due to increased extreme weather event support funding.

2019/20 to 2023/24
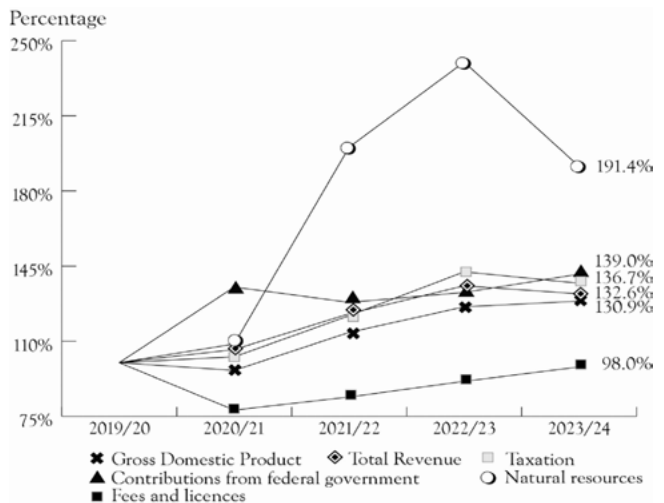
Financial Statement Discussion and Analysis Report

Natural Resources Revenue

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

Petroleum, natural gas and mineral revenues decreased by $1,773 million from 2022/23. These categories of natural resources revenue account for 47.8% of natural resources revenue compared to 53.5% in 2022/23.

Forestry revenue decreased by $1,230 million in 2023/24. The proportion of natural resources revenue derived from forestry decreased to 20.9% in 2023/24 from 30.9% in 2022/23.

Water and other resource revenues increased by $29 million in the year. They comprise 31.3% of provincial natural resources revenue.

2019/20 to 2023/24
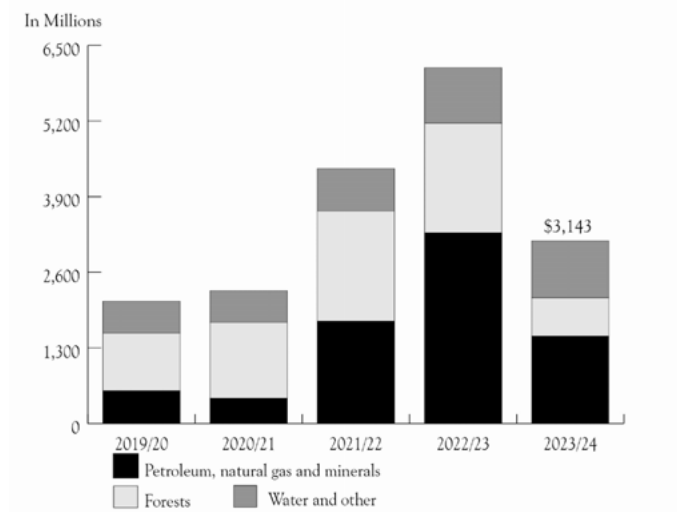
Government–to–Government Transfers to Total Revenue

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 2023/24 by $1,207 million. The ratio of federal contributions to total revenue increased to 17.2% due to total revenue decreasing $2,167 million over the prior year.

2019/20 to 2023/24
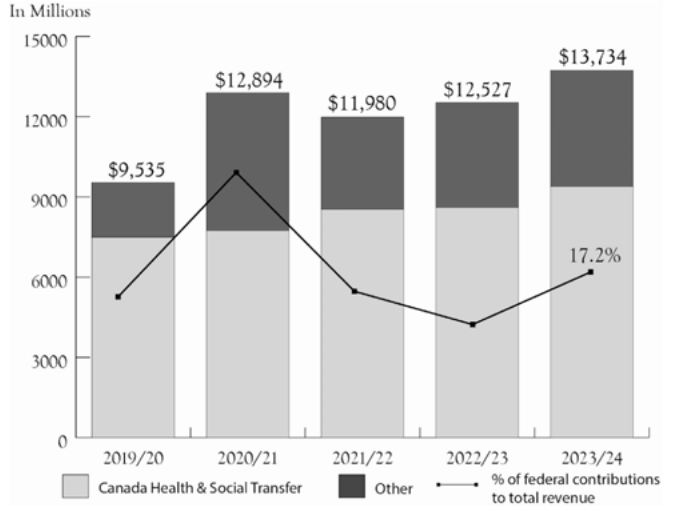
Financial Statement Discussion and Analysis Report

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 Canadian Classification of Functions of Government. The province uses the following functions: health, education, social services, other, natural resources and economic development, interest, transportation, protection of persons and property, and general government. The health, education and social services functions account for approximately three quarters of the province's total operating costs.

In Millions

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
	$	$	$	$	$
Health..	23,456	25,613	27,591	30,322	34,863
Education...	14,742	14,946	15,803	16,993	18,479
Social services...	5,887	7,789	7,268	9,652	9,284
Other...	2,524	2,862	3,082	5,736	4,215
Natural resources and economic development................	3,779	4,191	5,213	6,284	6,704
Interest..	2,727	2,722	2,742	2,719	3,292
Transportation...	2,126	3,362	4,453	3,320	2,379
Protection of persons and property................................	2,126	2,258	2,937	3,483	3,101
General government...	1,657	3,919	2,040	2,325	2,341
Total expense...	**59,024**	**67,662**	**71,129**	**80,834**	**84,658**

Government spending on programs and services increased by $3,824 million in 2023/24.

The province increased spending on the health sector by $4,541 million (15.0%), the education sector by $1,486 million (8.7%), the debt servicing costs by $573 million (21.1%), and the natural resources sector by $420 million (6.7%). Spending in the other sector decreased $1,521 million (26.5%), the transportation sector decreased by $941 million (28.3%), and spending in remaining sectors decreased by $734 million over 2022/23.

Expenses of the year included $1,453 million in pandemic response and recovery program costs as detailed on page 12.

2019/20 to 2023/24
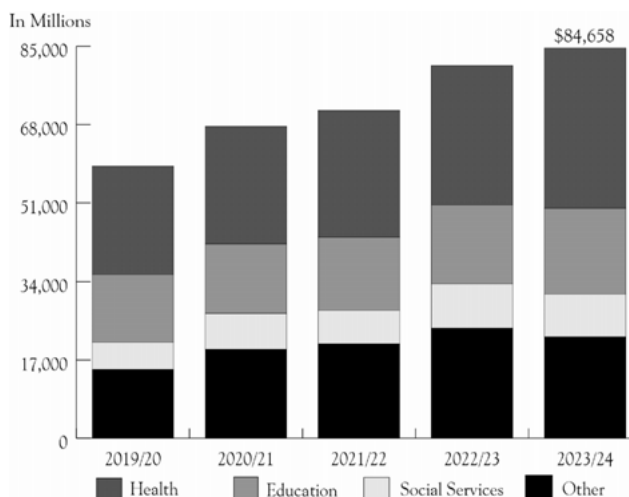
Financial Statement Discussion and Analysis Report

In 2023/24, provincial operating expenses were $84,658 million, a $3,824 million (4.7%) increase from 2022/23. Program spending has increased by $25,634 million (43.4%) since 2019/20. This is compared to increases in GDP of 33.2% 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 decreased from 20.8% to 20.7% in 2023/24, reflecting decreased spending when compared to growth in GDP.

2019/20 to 2023/24
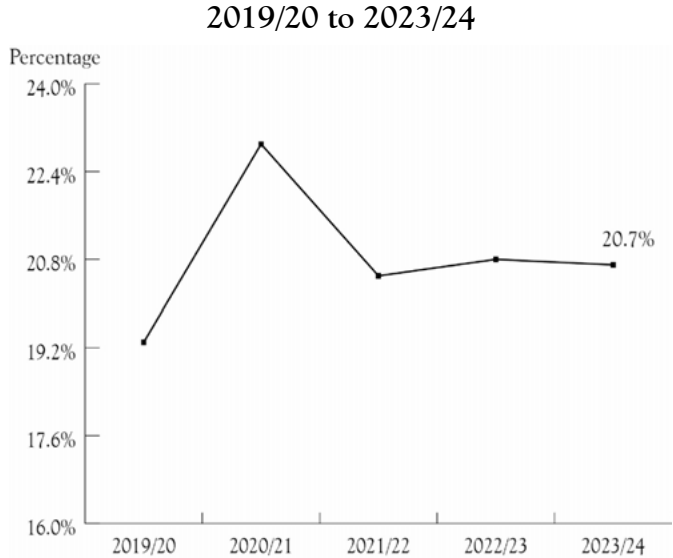
Financial Statement Discussion and Analysis Report

Changes in Actual Results from 2022/23 to 2023/24

	In Millions		
	Revenue	Expense	Surplus
	$	$	$
2022/23 Surplus..	**81,790**	**80,834**	**956**
Decrease in natural resources revenue...	(2,974)		(2,974)
Decrease in taxation revenue...	(2,729)		(2,729)
Increase in other revenues...	1,278		1,278
Increase in contributions from the federal government.................................	1,207		1,207
Increase in net earnings of self–supported Crown corporations and agencies...............	1,051		1,051
Increase in health spending..		4,541	(4,541)
Increase in education spending..		1,486	(1,486)
Increase in debt servicing spending...		573	(573)
Decrease in transportation spending...		(941)	941
Decrease in other program spending...		(1,835)	1,835
Subtotal of changes in actual results..	(2,167)	3,824	(5,991)
	79,623	**84,658**	
2023/24 (Deficit)			(5,035)
2022/23 Accumulated Surplus (Deficit) before Remeasurement Gains (Losses)...			3,822
2023/24 Accumulated Surplus (Deficit) before Remeasurement Gains (Losses)...			(1,213)
Effect of remeasurement gains (losses)...			(408)
2023/24 Accumulated Surplus (Deficit)			**(1,621)**

    The year over year decrease in total revenue of $2,167 million, and the increase in total expense of $3,824 million, resulted in a deficit that was $5,991 million lower than the 2022/23 surplus. Accumulated surplus (deficit), including remeasurement gains and losses, decreased from $3,450 million in 2022/23 to ($1,621) million at the end of 2023/24.

Financial Statement Discussion and Analysis Report

Changes from 2023/24 Budget

	Revenue	Expense	Forecast Allowance	Surplus (Deficit)
	$	$	$	$
(Deficit) per 2023/24 Budget....................................	77,690	81,206	(700)	(4,216)
Increased miscellaneous revenue....................................	999			999
Increased net earnings of self–supported Crown corporations and agencies...	988			988
Increased taxation revenue...	972			972
Increased other revenues..	454			454
Increased contributions from the federal government.....	141			141
Decreased natural resources revenue..............................	(1,621)			(1,621)
Increased health spending..		3,936		(3,936)
Increased natural resources and economic development spending...		2,272		(2,272)
Increased education spending...		879		(879)
Increased protection spending..		777		(777)
Decreased other spending..		(4,412)		4,412
Forecast allowance...			700	700
Subtotal of changes in actual results compared to budget..	1,933	3,452	700	(819)
Actual Results..	79,623	84,658	0	(5,035)

Revenue was $1,933 million (2.5%) higher than the budgeted amount of $77,690 million and expenses were $3,452 million (4.3%) higher than the budgeted amount of $81,206 million. Additional spending over budget was authorized by various statutory appropriations.

Net Liabilities and Accumulated Surplus (Deficit)

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	
	2023/24 Budget	2023/24 Actual	2022/23 Actual	2023/24 Budget to Actual	2023/24 vs 2022/23
	$	$	$	$	$
Financial assets...	65,547	74,565	68,805	9,018	5,760
Less: liabilities..	(136,693)	(145,822)	(128,744)	(9,129)	(17,078)
Net Liabilities...	(71,146)	(71,257)	(59,939)	(111)	(11,318)
Less: non–financial assets...........................	74,449	69,636	63,389	(4,813)	6,247
Accumulated surplus (deficit)................	3,303	(1,621)	3,450	(4,924)	(5,071)

Financial Statement Discussion and Analysis Report

The accumulated surplus (deficit) represents the sum of the current and prior years' operating results, and accumulated changes in unrealized remeasurement gain (loss). At March 31, 2024, the accumulated surplus (deficit) was ($1,621) million.

Financial assets were $5,760 million higher than 2022/23 as the result of increases in loans for the purchase of assets recoverable from agencies of $2,535 million, equity in self–supported Crown corporations and agencies of $1,751 million, and $2,953 million in other financial assets. These increases were partly off–set by a decrease in cash and cash equivalents and temporary investments of $1,479 million.

Liabilities increased by $17,078 million from 2022/23. This increase was the result of an increase of $15,484 million in taxpayer–supported debt, an increase in self–supported debt of $2,637 million, and an increase in deferred revenue of $559 million. These increases were partly off–set by a decrease in due to other governments of $1,582 million, and a decrease of $20 million in 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 $6,247 million over 2022/23 representing government's investment in current year infrastructure spending.

Accumulated Surplus (Deficit)

The accumulated surplus (deficit) represents current and all prior years' operating results. In 2023/24, the province had an accumulated surplus (deficit) of ($1,621) million, $5,071 million lower than in 2022/23.

2019/20 to 2023/24
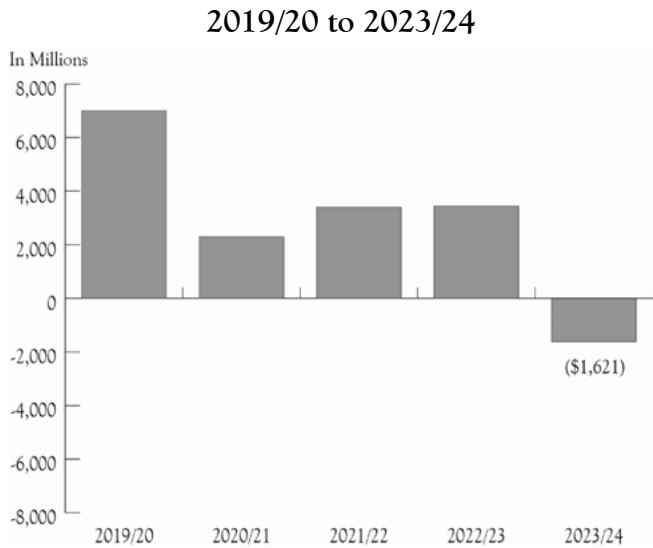
Financial Statement Discussion and Analysis Report

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

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
	$	$	$	$	$
Cash, cash equivalents, temporary investments..............	3,985	6,560	7,142	8,247	6,768
Equity in self–supported Crown corporations and agencies..	6,523	9,632	12,426	12,926	14,677
Loans, advances and mortgages receivable......................	2,952	4,032	4,199	4,763	5,359
Loans for the purchase of assets, recoverable from agencies..	24,768	26,301	27,218	28,037	30,572
Other financial assets..	10,153	11,873	13,420	14,832	17,189
Total financial assets...	**48,381**	**58,398**	**64,405**	**68,805**	**74,565**

In 2023/24, financial assets increased by $5,760 million primarily due to an increase in recoverable capital loans of $2,535 million due to investments in power projects, and an increase in equity in self–supported Crown corporations and agencies of $1,751 million. These increases were partly off–set by a decrease in cash, cash equivalents, and temporary investments of $1,479 million. The remaining financial assets including receivables, other investments, and derivative financial instruments increased by $2,953 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

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
	$	$	$	$	$
Taxpayer–supported debt..	46,669	59,982	62,565	60,518	76,002
Self–supported debt...	24,847	26,275	27,209	28,332	30,969
Total financial statement debt...................................	**71,516**	**86,257**	**89,774**	**88,850**	**106,971**
Accounts payable and other liabilities............................	13,100	14,733	18,509	25,400	23,798
Deferred revenue...	9,895	11,557	12,796	14,494	15,053
Total liabilities...	**94,511**	**112,547**	**121,079**	**128,744**	**145,822**

In 2023/24, total liabilities increased by $17,078 million. Liabilities are obligations that must be settled at a future date by the transfer or use of assets. Taxpayer–supported financial statement debt increased by $15,484 million and self–supported financial statement debt increased by $2,637 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 $559 million and accounts payable and other liabilities decreased by $1,602 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

	2019/20 Actual $	2020/21 Actual $	2021/22 Actual $	2022/23 Actual $	2023/24 Actual $
Tangible capital assets..	50,104	52,861	56,142	59,818	65,583
Other non–financial assets..	3,031	3,585	3,938	3,571	4,053
Total non–financial assets...	**53,135**	**56,446**	**60,080**	**63,389**	**69,636**

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, 2024, non–financial assets were $69,636 million which was $6,247 million higher than 2022/23 and $16,501 million higher than fiscal 2019/20. 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 $5,765 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 Tangible Capital Assets

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 $5,765 million in 2023/24, and $17,671 million since the start of fiscal 2019/20. 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.

2019/20 to 2023/24
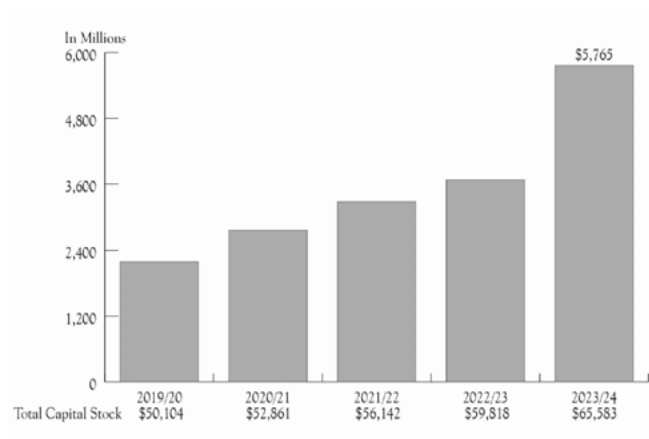
Financial Statement Discussion and Analysis Report

Net Liabilities and Accumulated Surplus (Deficit)

In Millions

	2019/20 Actual $	2020/21 Actual $	2021/22 Actual $	2022/23 Actual $	2023/24 Actual $
Financial assets..	48,381	58,398	64,405	68,805	74,565
Less: liabilities..	(94,511)	(112,547)	(121,079)	(128,744)	(145,822)
Net liabilities..	(46,130)	(54,149)	(56,674)	(59,939)	(71,257)
Less: non–financial assets...	53,135	56,446	60,080	63,389	69,636
Accumulated surplus (deficit)...................................	**7,005**	**2,297**	**3,406**	**3,450**	**(1,621)**

Net liabilities increased by $11,318 million in 2023/24. Liabilities include deferred revenue of $15,053 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 more than the increase in investments in infrastructure, resulting in an decrease in accumulated surplus (deficit). The accumulated surplus (deficit) of the province was ($1,621) million at the end of 2023/24, indicating that the cumulative result of all past annual surpluses and deficits is negative.

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 steadily increased.

2019/20 to 2023/24
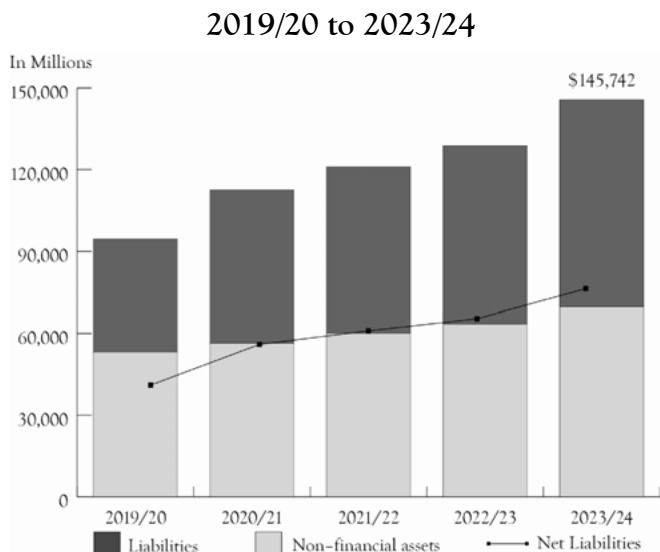
Financial Statement Discussion and Analysis Report

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 increased borrowing to fund investments in capital infrastructure and to finance the operating deficit and during 2023/24. Net liabilities include deferred revenue that will be recognized as revenue in future periods, and obligations to outside parties including accounts payable and debt.

2019/20 to 2023/24
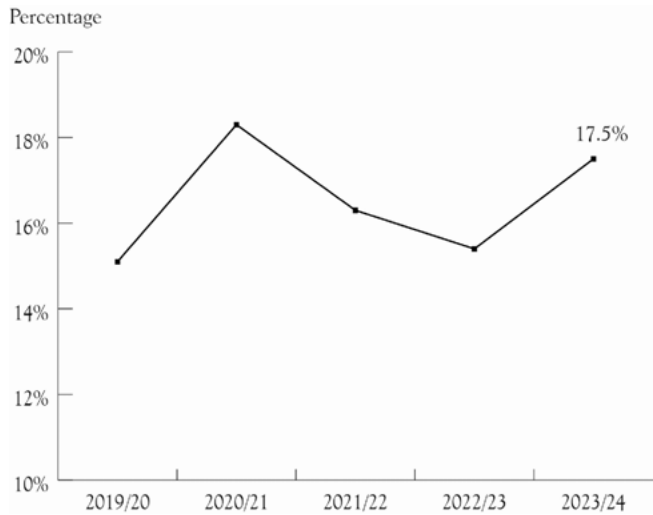
Surplus (Deficit) to GDP

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 increased spending in the health sector due to staffing pressures along with new collective agreements, as well as decreases to taxation and natural resources revenue.

2019/20 to 2023/24
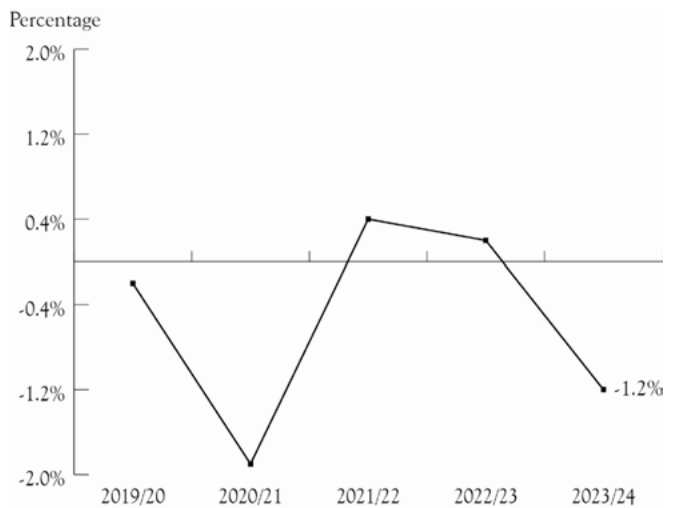
Financial Statement Discussion and Analysis Report

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

	2019/20 Actual $	2020/21 Actual $	2021/22 Actual $	2022/23 Actual $	2023/24 Actual $
Gross debt	71,516	86,257	89,774	88,850	106,971
Less: sinking fund assets	(692)	(492)	(510)	(521)	(491)
Third party guarantees and non–guaranteed debt	1,337	1,335	1,402	1,523	1,476
Foreign exchange adjustments				(472)	(494)
Total provincial debt	**72,161**	**87,100**	**90,666**	**89,380**	**107,462**

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 $491 million higher than the amounts reported in the province's financial statements. Gross debt reported in the province's financial statements includes deductions for sinking funds held to pay down the debt, unrealized foreign exchange adjustments of hedged foreign denominated debt translated to March 31, 2024 exchange rates, and includes guaranteed debt and the debt of self–supported Crown corporations.

Total provincial debt increased by $18,082 million in 2023/24 due to increased borrowing required to fund investments in capital infrastructure and to finance the operating deficit. Taxpayer–supported debt increased by $15,514 million, including increases for government direct operating debt of $8,729 million, BC Transportation Financing Authority of $2,340 million, the health sector by $2,227 million, the education sector of $1,212 million, and other taxpayer–supported corporations and agencies by $1,006 million. The debt of self–supported Crown corporations and agencies increased $2,568 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 2023/24, taxpayer–supported debt to GDP was 18.5%, which was lower than the budgeted 18.9%. This is an increase from 2022/23 to fund investments in capital infrastructure and to finance the operating deficit.

2019/20 to 2023/24
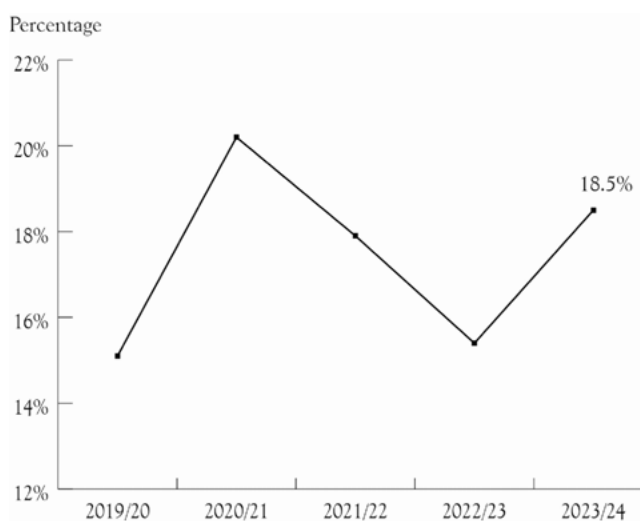
Financial Statement Discussion and Analysis Report

Strong Credit Rating

Reflecting the province's fiscal performance, British Columbia has maintained a strong and stable credit rating with all three credit rating agencies. In 2023/24, Moody's Investors Service Inc. gave the province a Aaa credit rating (2023: Aaa); Standard and Poor's gave the province a AA credit rating (2023: AA); and Dominion Bond Rating Service gave the province a AA (high) credit rating (2023: AA(high)).

Credit Ratings March 31, 2024

	Rating Agency[1]		
Jurisdiction	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aaa	AA	AA (high)
Alberta	Aa2	AA–	AA
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
Canada	Aaa	AAA	AAA

[1]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 137–150.

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 2023/24, the province spent 3.2 cents of each revenue dollar on interest on the provincial taxpayer–supported debt.

2019/20 to 2023/24
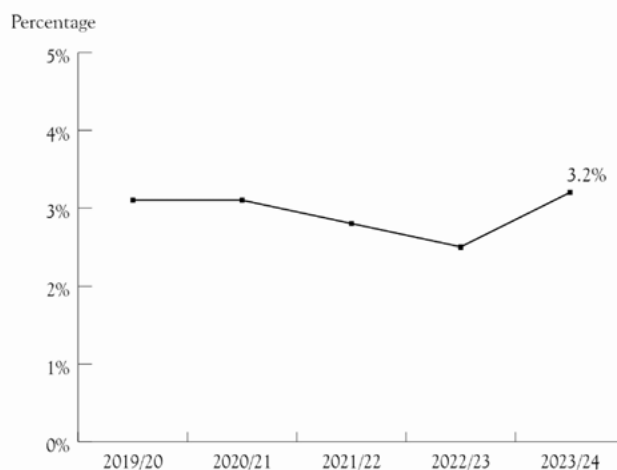
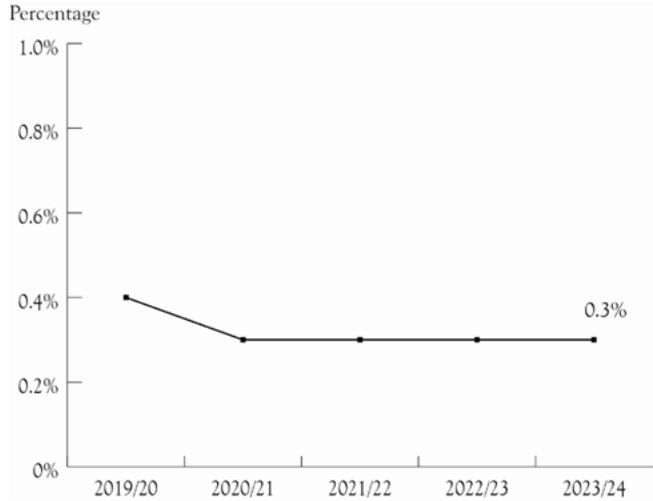# Financial Statement Discussion and Analysis Report

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 2023/24, the province had the equivalent of CAD $310 million in non–hedged debt.

2019/20 to 2023/24

Percentage

2019/20	2020/21	2021/22	2022/23	2023/24
0.4%	0.3%	0.3%	0.3%	0.3%

Financial Statement Discussion and Analysis Report

Economic Highlights

British Columbia's economy grew by 1.6% in the 2023 calendar year, tied with Saskatchewan and Ontario for second highest among provinces, following a gain of 3.9% in 2022 according to preliminary GDP by industry data from Statistics Canada. The estimated 1.6% advancement for British Columbia in 2023 is an improvement compared to the government's Budget 2024 estimate of 1.0% growth.

Real Gross Domestic Product in Calendar Year 2023

Economic growth in 2023 was driven by B.C.'s service–producing industries while activity in goods–producing industries decreased compared to the previous year.
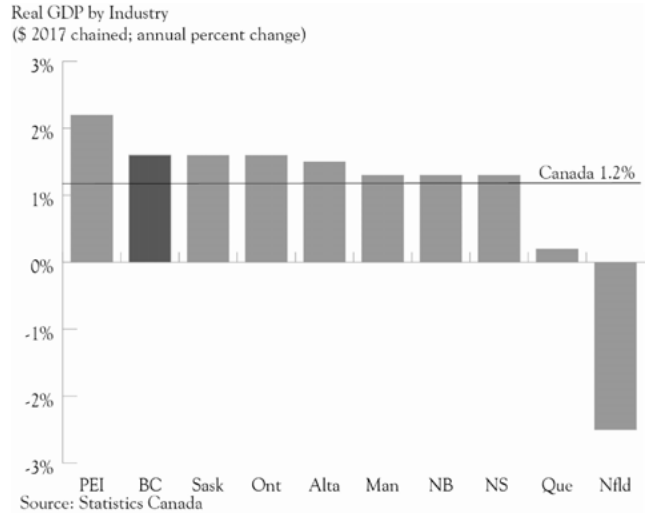
Service–producing industries saw 2.4% growth in 2023, supported by strong population growth. Annual gains were broad–based, led by real estate, rental and leasing (up 2.8%); professional, scientific and technical services (up 4.7%); and transportation and warehousing (up 5.7%). Service–producing industries that were heavily affected by COVID–19 related disruptions continued to recover in 2023, with all sectors surpassing pre–pandemic levels except for accommodation and food services and transportation and warehousing.

B.C.'s goods–producing industries decreased by 0.8% in 2023, following two years of solid growth. Last year activity declined in manufacturing (down 4.6%); utilities (down 9.2%); and agriculture, forestry, fishing and hunting (down 6.5%). Meanwhile, mining, quarrying and oil and gas extraction (up 4.7%) and construction (up 1.8%) contributed to annual economic growth.
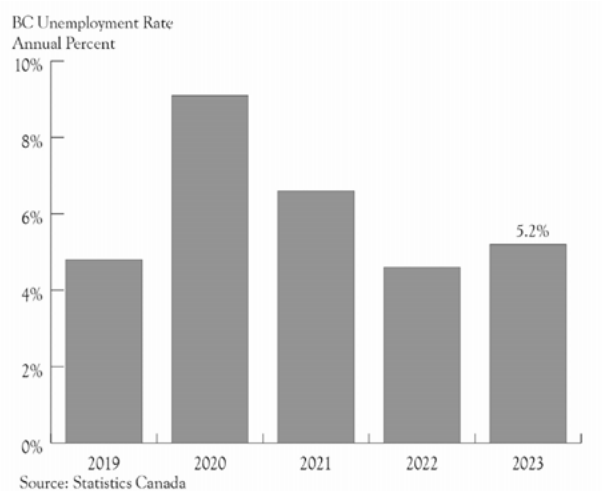
Provincial Comparison

Real GDP by Industry
($ 2017 chained; annual percent change)

Canada 1.2%

PEI BC Sask Ont Alta Man NB NS Que Nfld
Source: Statistics Canada

Unemployment Rate

British Columbia's annual unemployment rate was 5.2% in 2023, up from 4.6% in 2022 as labour force growth, supported by record high immigration, outpaced job gains. In 2023, the unemployment rate in B.C. was lower than the national unemployment rate of 5.4%. The average level of employment in B.C. rose by 1.6% in 2023, following a gain of 3.2% in 2022. Meanwhile, B.C.'s labour force expanded by 2.2% in 2023, up from 1.0% growth in 2022.

2019 to 2023

BC Unemployment Rate
Annual Percent

5.2%

2019 2020 2021 2022 2023
Source: Statistics Canada

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 $125[1]
Natural gas prices (Cdn$/gigajoule)	25 cents	$60 to $120[2]
US exchange rate (US cents/Cdn$)	1 cent	($25) to ($50)
Interest rates	1 percentage point	($174)
Debt	$500 million	($20) to ($21)

[1]Sensitivity relates to stumpage revenue only.
[2]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 71 of the Notes to the Consolidated Summary Financial Statements.