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DBRS Confirms British Columbia at AA (high) with a Stable Trend

Bloomberg: DBRS Confirms British Columbia at AA (high), Stable

Industry Group: Public Finance

Sub-Industry: Provinces and Municipalities

Region: Canada

DBRS Limited (DBRS) confirmed the Issuer Rating and Long-Term Debt, Renminbi Bonds and Short-Term Debt ratings of the Province of British Columbia (B.C. or the Province) at AA (high), AA (high), AA (high) and R-1 (high), respectively. DBRS has also confirmed the Long-Term Obligations and Short-Term Obligations ratings of British Columbia Hydro and Power Authority at AA (high) and R-1 (high), respectively. All trends are Stable. The ratings remain well supported by the Province's diverse and growing economy, disciplined fiscal policy, ample fiscal capacity and low debt burden.

Following 16 years of Liberal governments, the New Democratic Party took power in mid-summer after a spring election. The new government presented its first budget in early September. The budget marks a fundamental shift in provincial fiscal policy. Despite the policy shift, the Province's budget continues to be based on the practices and principles underlying previous budgets. The new government has committed to maintain balanced budgets, use conservative budget practices, and maintain an ongoing focus on debt affordability. DBRS will look to the government's 2018 budget for greater clarity on how the government will balance its extensive policy commitments with prudent management of the Province's finances.

The budget update presented in September builds on the previous government's fiscal plan. The document outlined a small number of new revenue and expense measures and signaled that the February 2018 budget would be the new government's first substantive budget. The budget update maintains a similar track for surpluses over the medium term with the new budget measures funded largely by a stronger-than-expected economy. For 2017–18, the Province is projecting a surplus of \$246 million, which equates to a DBRS-adjusted deficit of \$2.5 billion, or 0.9% of gross domestic product (GDP).

B.C.'s economy is expanding faster than previously expected and growth remains relatively broad based. Following estimated growth of 3.6% in 2016, the provincial economy is expected to expand by a further 2.9% in 2017 before slowing to a more sustainable pace of about 2.0% over the medium term.

The Province's DBRS-adjusted debt burden is projected to rise to 18.1% by March 31, 2018, from an estimated 17.6% the year prior. The increase reflects the Province's decision to eliminate bridge tolls and assume responsibility for servicing the debt associated with the Port Mann Bridge with general government revenue. The fiscal plan suggests that the DBRS-adjusted debt burden will likely remain stable at or around 18% of GDP over the medium term.



No rating action is anticipated in the near term. A positive rating action would require the Province to maintain a sustainable budgetary position and a meaningful reduction in the DBRS-adjusted debt-to-GDP ratio to below 15.0%. A negative rating action could result from a sustained deterioration in operating results, leading to a significant increase in debt.

Notes:

All figures are in Canadian dollars unless otherwise noted.

The related regulatory disclosures pursuant to the National Instrument 25-101 *Designated Rating Organizations* are hereby incorporated by reference and can be found by clicking on the link to the right under Related Research or by contacting us at info@dbrs.com.

The principal methodologies are Rating Canadian Provincial Governments and Rating Canadian Provincial Agents of the Crown, which can be found on dbrs.com under Methodologies.

This rating is endorsed by DBRS Ratings Limited for use in the European Union.

The rated entity or its related entities did participate in the rating process. DBRS had access to the accounts and other relevant internal documents of the rated entity or its related entities.

The full report providing additional analytical detail is available by clicking on the link under Related Research at the right of the screen or by contacting us at info@dbrs.com.

Issuer	Debt Rated	Rating Action	Rating	Trend
British Columbia, Province of	Issuer Rating	Confirmed	AA (high)	Stable
British Columbia, Province of	Long-Term Debt	Confirmed	AA (high)	Stable
British Columbia, Province of	Renminbi Bonds	Confirmed	AA (high)	Stable
British Columbia, Province of	Short-Term Debt	Confirmed	R-1 (high)	Stable
British Columbia Hydro and Power Authority	Long-Term Obligations (bsd. on Prov. of BC)	Confirmed	AA (high)	Stable
British Columbia Hydro and Power Authority	Short-Term Obligations (bsd. on Prov. of BC)	Confirmed	R-1 (high)	Stable



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