

Fiscal and Debt Summary

Budget and Fiscal Plan 2018/19 to 2020/21



THREE YEAR FISCAL PLAN

	2017/18		Budget Estimate 2018/19 (\$ millions)	Plan 2019/20	Plan 2020/21
	Budget 2017 Update	Updated Forecast 2017/18			
Revenue.....	52,407	52,069	54,193	57,559	58,646
Expense	(51,861)	(51,818)	(53,624)	(56,778)	(57,762)
Surplus before forecast allowance	546	251	569	781	884
Forecast allowance	(300)	(100)	(350)	(500)	(600)
Surplus	246	151	219	281	284

- Budget 2018 focuses on two key priorities for British Columbians: the need for affordable housing solutions; and the demand for more affordable, accessible and quality child care.

- The Budget 2018 estimate for BC real GDP growth in 2017 and the outlook for 2018 are higher than projected in Budget 2017 Update. Employment, retail sales, housing starts and exports saw strong activity in 2017. As such, the estimate for BC real GDP growth in 2017 was revised up from 2.9 per cent to 3.4 per cent. BC's economic strength is expected to continue into this year, and therefore the Budget 2018 forecast for economic growth in 2018 has increased from 2.1 per cent to 2.3 per cent. Meanwhile, the general outlook for BC's economy for 2019 and beyond is for steady, moderate growth, which is relatively unchanged from the previous outlook as the balance of risks to the domestic and global economy remains largely unchanged.

- The Budget 2018 forecast for BC real GDP growth is 0.2 percentage points below the outlook provided by the Economic Forecast Council for both 2018 and 2019, and 0.1 percentage point below for the 2020 to 2022 period. This acknowledges the downside risks to the economic forecast and is one of the levels of prudence built into the fiscal plan.

- The Budget 2018 debt forecast reflects an improved outlook for the elimination of government's operating debt, which is now projected to occur in 2018/19 primarily due to stronger economic growth and new revenue measures.

- Total taxpayer-supported debt is projected to increase by \$6.6 billion, reaching \$50.3 billion by 2020/21 due mainly to record levels of planned capital spending. Government's key debt affordability metric, the taxpayer-supported debt to GDP ratio is forecast to remain below 16 per cent over the plan period, which is lower than the Budget 2017 Update track.

PROVINCIAL DEBT SUMMARY¹

	2017/18		Budget Estimate 2018/19 (\$ millions)	Plan 2019/20	Plan 2020/21
	Budget 2017 Update	Updated Forecast 2017/18			
Taxpayer-supported debt					
Provincial government direct operating debt.....	1,573	1,024	-	-	-
Other taxpayer-supported debt (mainly capital)					
Education	14,330	14,182	14,582	14,570	14,577
Health	8,014	7,984	8,184	8,287	8,484
Highways and public transit	16,794	16,393	17,781	19,471	21,192
Other debt	4,142	4,097	4,651	5,226	6,004
Total other taxpayer-supported debt.....	43,280	42,656	45,198	47,554	50,257
Total taxpayer-supported debt	44,853	43,680	45,198	47,554	50,257
Self-supported commercial Crown corporations debt.....	21,624	21,484	23,824	25,027	26,197
Total debt before forecast allowance.....	66,477	65,164	69,022	72,581	76,454
Forecast allowance	300	100	350	500	600
Total provincial debt	66,777	65,264	69,372	73,081	77,054
Taxpayer-supported debt-to-GDP.....	16.2%	15.6%	15.5%	15.7%	15.9%
Taxpayer-supported interest bite					
(cents per dollar of revenue)	3.5	3.3	3.5	3.4	3.5

- Budget 2018 continues to deliver on ongoing capital plan commitments, and makes new commitments in the housing, health, transportation and education sectors. Taxpayer-supported infrastructure spending on hospitals, schools, post-secondary facilities, transit, and roads is forecast to be \$15.8 billion over the three year fiscal plan, the highest ever.

- Self-supported capital spending is expected to total \$10.4 billion over three years, relating primarily to power generation and transmission projects.

¹ Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported on government's balance sheet as an accounts payable.

PROVINCIAL BORROWING REQUIREMENTS

	2017/18		Budget Estimate 2018/19 (\$ millions)	Plan 2019/20	Plan 2020/21
	Budget 2017 Update	Updated Forecast 2017/18			
Operating (surplus) ¹	(246)	(151)	(219)	(281)	(284)
Capital requirements	7,657	6,811	9,235	8,239	8,727
Refinancing requirements	2,707	2,712	3,239	1,990	2,409
Other financing sources ²	(6,634)	(7,406)	(4,337)	(3,888)	(3,927)
Gross borrowing requirements	3,484	1,966	7,918	6,060	6,925
Add:					
Increase in debt guarantees	2	3	1	-	-
Increase in non-guaranteed debt	16	15	5	5	5
Increase in SUCH sector debt	93	85	58	67	128
Gross increase in debt	3,595	2,069	7,982	6,132	7,058
Less:					
Year to date - gross long-term borrowing		(2,005)			
Increase in debt guarantees		(3)			
Increase in non-guaranteed debt		(15)			
Increase in SUCH sector debt		(85)			
Internal financing sources and changes in short-term borrowing		39			
Remaining borrowing requirements¹		-			

- The updated gross borrowing requirements for 2017/18 is forecast to total \$2.0 billion including a provision of \$100 million for the forecast allowance.
- The \$1.5 billion decrease in gross borrowing requirements for 2017/18 from Budget 2017 Update is mainly due to higher other financing sources and reduced capital spending. In 2017/18, total provincial debt is forecast to decline year-over-year by \$0.6 billion.
- The gross borrowing requirements over the three year fiscal plan are due to financing infrastructure spending and refinancing requirements.
- The Province will be able to readily manage these requirements by accessing its established domestic and international investor bases.

¹ Includes the forecast allowance change from previous year

² Includes other financing sources for the province, the SUCH sector and Crown corporations and adjustments for non-cash budgetary items.

2017/18 MARKET SUMMARY¹

	(\$ millions)
Canadian Public	1,928
Canadian Private	-
Canada Pension Plan	77
International	-
Year to date - gross long-term borrowing	2,005

¹ Includes long-term debt issued up to February 20, 2018.

RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT

	2017/18		Budget Estimate 2018/19 (\$ millions)	Plan 2019/20	Plan 2020/21
	Budget 2017 Update	Updated Forecast 2017/18			
Opening balance as at March 31	65,883	65,883	65,264	69,372	73,081
Gross increase in debt	3,595	2,069	7,982	6,132	7,058
Less: debt maturities and changes in sinking fund balances	(2,701)	(2,688)	(3,874)	(2,423)	(3,085)
Net change in provincial debt	894	(619)	4,108	3,709	3,973
Ending balance as at March 31	66,777	65,264	69,372	73,081	77,054



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Provincial Treasury
Debt Management Branch

February 20, 2018

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Credit Ratings of the Province

Moody's ¹	Aaa
Standard and Poor's ¹	AAA
Fitch ¹	AAA
DBRS ¹	AA(high)

¹ Stable outlook