

Fiscal and Debt Summary

Second Quarterly Report 2017/18



UPDATED 2017/18 FISCAL PLAN

	2017/18		Variance
	Budget 2017 Update	Second Quarterly Report (\$ millions)	
Revenue.....	52,407	52,124	(283)
Expense	(51,861)	(51,834)	27
Surplus before forecast allowance	546	290	(256)
Forecast allowance	(300)	(100)	200
Surplus	246	190	(56)

• The second quarter outlook for 2017/18 forecasts an operating surplus of \$190 million - \$56 million lower than the projection in the Budget 2017 Update. Key changes from budget reflect an increase in fire management costs and decreases in ICBC net income and income tax revenues mainly due to weaker 2016 tax returns.

• The updated forecast incorporates a \$283 million decrease in revenue and a \$152 million increase in fire management costs. This is partially offset by a \$179 million decrease in other expenses and a \$200 million decrease in the forecast allowance to reflect reduced uncertainty at the midpoint of the fiscal year.

• In Budget 2017 Update, the Ministry of Finance forecast BC's real GDP to grow by 2.9 per cent in 2017 and 2.1 per cent in 2018. The private sector outlook for 2017 has increased since that time, and the Ministry's forecast for BC remains prudent in 2017 and 2018 compared to the average private sector projection.

• BC's economy has experienced strong activity so far in 2017 according to some of its key indicators, including employment, retail sales, exports, and housing starts. However, in recent months some domestic indicators have shown signs of moderation in monthly growth.

PROVINCIAL DEBT SUMMARY¹ - UPDATED FORECAST

	2017/18		Variance
	Budget 2017 Update	Second Quarterly Report (\$ millions)	
Taxpayer-supported debt			
Provincial government direct operating debt.....	1,573	1,752	179
Other taxpayer-supported debt (mainly capital)			
Education	14,330	14,260	(70)
Health	8,014	7,994	(20)
Highways and public transit	16,794	16,562	(232)
Other debt	4,142	4,106	(36)
Total other taxpayer-supported debt.....	43,280	42,922	(358)
Total taxpayer-supported debt	44,853	44,674	(179)
Self-supported commercial Crown corporations debt.....	21,624	21,635	11
Total debt before forecast allowance.....	66,477	66,309	(168)
Forecast allowance	300	100	(200)
Total provincial debt	66,777	66,409	(368)
Taxpayer-supported debt-to-GDP	16.2%	16.1%	
Taxpayer-supported interest bite			
(cents per dollar of revenue)	3.5	3.4	(0.1)

• Provincial debt, including the \$100 million forecast allowance, is projected to total \$66.4 billion by the end of the fiscal year - \$368 million lower than the projection in the Budget 2017 Update.

• The taxpayer-supported debt forecast is \$179 million lower compared to the projection in the Budget 2017 Update mainly due to lower capital spending and improved working capital. Self-supported debt is \$11 million higher mainly due to changes in timing of own sourced financing.

• Taxpayer-supported debt to GDP is now projected to be 0.1 percentage point lower than the Budget 2017 Update estimate due to an improved debt forecast, ending 2017/18 at 16.1 per cent. The debt to revenue ratio is forecast to end the year 0.1 percentage point lower at 87.7 per cent, due to the lower taxpayer-supported debt forecast.

• The forecast allowance has been reduced by \$200 million from the Budget 2017 Update reflecting reduced uncertainty at the midpoint of the fiscal year.

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		Variance
	Budget 2017 Update	Second Quarterly Report (\$ millions)	
Operating (surplus) ¹	(246)	(190)	56
Capital requirements	7,657	7,334	(323)
Refinancing requirements	2,707	2,709	2
Other financing sources ²	(6,634)	(6,742)	(108)
Gross borrowing requirements	3,484	3,111	(373)
Add:			
Increase in debt guarantees	2	3	1
Increase in non-guaranteed debt	16	15	(1)
Increase in SUCH sector debt	93	93	-
Gross increase in debt	3,595	3,222	(373)
Less:			
Year to date - gross long-term borrowing		(1,526)	
Increase in debt guarantees		(3)	
Increase in non-guaranteed debt		(15)	
Increase in SUCH sector debt		(93)	
Internal financing sources and changes in short-term borrowing		(549)	
Remaining borrowing requirements ⁴		1,036	

The updated gross borrowing requirement for 2017/18 is \$3.1 billion including a provision of \$100 million for the forecast allowance.

The remaining borrowing requirement for 2017/18 is \$1.0 billion.

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	1,449
Canadian Private	-
Canada Pension Plan	77
International	-
Year to date - gross long-term borrowing	1,526

¹ Includes long-term debt issued up to November 28, 2017.

RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT

	2017/18		Variance
	Budget 2017 Update	Second Quarterly Report (\$ millions)	
Opening balance as at March 31	65,883	65,883	-
Gross increase in debt	3,595	3,222	(373)
Less: debt maturities and changes in sinking fund balances	(2,701)	(2,696)	5
Net change in provincial debt	894	526	(368)
Ending balance as at March 31	66,777	66,409	(368)



Ministry of Finance
Provincial Treasury
Debt Management Branch

November 28, 2017

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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