

September 11, 2017

## BACKGROUND

### FISCAL PLAN 2017-18 – 2019-20

#### **Strong economic growth for B.C.**

Government's estimate for B.C. real GDP growth in 2016 and the outlook for 2017 are higher than what was projected in *Budget 2017* as B.C.'s economy has performed better than expected. Stronger than anticipated consumer spending and export activity is primarily responsible for the upward revision to the Province's real GDP estimate for 2016, from 3.0 per cent to 3.6 per cent growth. Meanwhile, for 2017, year-to-date data for key indicators such as employment, retail sales, housing starts and exports have exceeded expectations.

Government's forecast for B.C. real GDP growth in 2017 is now 2.9 per cent, compared to the 2.1 per cent projected in *Budget 2017*. The outlook for B.C.'s economy for 2018 and beyond is relatively unchanged from the previous outlook, with real GDP growth of 2.1 per cent in 2018 and 2.0 per cent annually from 2019 to 2021, as the balance of risks to the domestic and global economy remains largely unchanged.

Downside risks to B.C.'s economic outlook include uncertainty regarding U.S. fiscal and trade policy; potential for a slowdown in domestic and Canadian economic activity; faltering of Europe's economic recovery as it faces the challenges of the UK exiting the European Union and elevated sovereign debt; slower economic activity in Asia, particularly as China transitions to a consumer-driven economy, resulting in weaker demand for B.C.'s exports; potential for monetary policy tightening to dampen economic momentum; and exchange rate and commodity price uncertainty.

#### **Budget outlook**

*Budget 2017 Update* projects surpluses of:

- \$246 million in 2017-18
- \$228 million in 2018-19
- \$257 million in 2019-20

The government has included a forecast allowance of \$300 million in each of 2017-18 and 2018-19, and \$350 million in 2019-20 to guard against volatility, including revenue changes. The fiscal plan also includes contingencies of \$600 million in 2017-18, \$300 million in 2018-19, and \$350 million 2019-20, to help manage unexpected pressures and fund priority initiatives.

### **Revenue outlook**

Total government revenue is forecast at \$52.4 billion in 2017-18, \$52.6 billion in 2018-19, and \$53.7 billion 2019-20.

### **Expense outlook**

Total expense outlook over the three-year plan is forecast at \$51.9 billion in 2017-18, \$52 billion in 2018-19, and \$53.1 billion in 2019-20.

### **Debt affordability**

B.C.'s taxpayer-supported debt to GDP ratio remains low compared to recent fiscal years, peaking at 16.4 percent in 2018-19 and ending the fiscal plan period at 16.3 per cent.

Due in part to B.C.'s stronger than projected economic growth, the *Budget 2017 Update* forecasts elimination of government's operating debt by 2019-20.

Taxpayer-supported debt is forecast to be \$44.9 billion in 2017-18, \$47 billion in 2018-19, and \$48.6 billion in 2019-20. Taxpayer-supported debt is projected to end the fiscal plan period higher than *Budget 2017* due mainly to significant investments in capital infrastructure over the next three years and the onetime impact from government's decision to cancel tolls on the Port Mann bridge. Debt increases associated with new investments include \$2.8 billion for education and health facilities, \$3.8 billion for transportation sector projects, and \$1.7 billion for other initiatives over the three year period.

Self-supported debt of commercial Crown corporations is forecast to be \$21.6 billion in 2017-18, \$22.5 billion in 2018-19, and \$23.8 billion 2019-20. The decrease compared to *Budget 2017* is due to the reclassification of the Transportation Investment Corporation debt as taxpayer-supported debt resulting from the elimination of tolls on the Port Mann bridge and the cancellation of procurement for the George Massey Tunnel Replacement project.

### **Capital investments**

Taxpayer-supported capital spending on hospitals, schools, post-secondary facilities, transit, and roads is forecast to be \$14.6 billion over three years. These significant capital investments are needed to deliver critical services and contribute to a strong economy and will create jobs in communities across the Province. These investments include:

- \$2 billion to maintain, replace, renovate or expand K–12 facilities, including continued investments in new school space to accommodate increasing enrolment in growing districts, and continued investments in seismically upgrading or replacing schools.
- \$2.6 billion for post-secondary institutions across the province to invest in priority projects to build capacity and help meet the province’s future workforce needs in key sectors, including science, trades and technology.
- \$3.1 billion to expand and upgrade health facilities. These investments support new major construction projects and upgrading of health facilities, medical and diagnostic equipment, and information management/technology systems.
- Nearly \$500 million on housing initiatives, which represents the new government’s first steps taken to address homelessness and make housing more affordable for British Columbians. These provincial investments will support the construction of over 3,700 housing units as part of government’s commitment to help build 114,000 units of housing over ten years, in partnership with local governments, the federal government, and the private and not-for-profit sectors.
- \$1.4 billion to support investments in maintaining, upgrading, or expanding ministry infrastructure such as courthouses, correctional centres, provincial office buildings and information systems.

The *Budget 2017 Update* also includes continued investments in government’s Transportation Investment Plan. The Province has secured federal cost sharing on projects and has also leveraged investments through partnerships with private partners. Over the next year, B.C. will continue to work with the federal and municipal governments to identify priorities and confirm details around project criteria, timelines and cost-sharing arrangements for the new federal infrastructure funding.

**Media Contact:**

Sonja Zoeller  
Ministry of Finance Communications  
250 387-1248