

February 19, 2019

BACKGROUND

FISCAL PLAN 2019-20 – 2021-22

Making Life Better

British Columbia is an economic leader in Canada. Private sector forecasters expect B.C. to have the highest rate of GDP growth in Canada in 2019 and 2020, and B.C. has had the lowest unemployment rate in Canada for over 17 months.

B.C.'s economic success should benefit the people who make our economy work, which is why the B.C. government is choosing to invest in people while balancing the budget. By ensuring that everyone has a chance to succeed, the government is supporting a strong, sustainable economy for today and into the future.

Strong, Stable Economic Growth

The *Budget 2019* forecast for B.C. real GDP growth has increased from 1.8% to 2.4% in 2019 and from 2.0% to 2.3% in 2020 compared to the *First Quarterly Report 2018*, with growth rates of 2.1% expected in 2021 and 2.0% in both 2022 and 2023. These changes partly reflect recent developments regarding the Canada-United States-Mexico Agreement (CUSMA) and the final investment decision on the LNG Canada project, the single largest private sector investment in Canadian history.

This, along with other factors, resulted in the Economic Forecast Council (EFC) substantially upgrading their projections for B.C.'s economic performance in both 2019 and 2020. An average of six private sector forecasters (a subset of the EFC) expect B.C.'s economic growth to rank at the top of provincial standings.

The main upside risks to the economic outlook include less domestic monetary policy tightening, a weaker Canadian dollar, and a more resilient US economy. The main downside risks include uncertainty regarding global trade policy, fiscal sustainability at ICBC and BC Hydro, weakening global economic activity, lower commodity prices, as well as ongoing economic challenges in Asia and the euro zone. To manage these risks, the *Budget 2019* economic forecast is prudent compared to the Economic Forecast Council's outlook.

Budget Outlook

Budget 2019 projects surpluses of:

- \$274 million in 2019-20
- \$287 million in 2020-21
- \$585 million in 2021-22

The B.C. government has included several layers of prudence in the fiscal plan to help account for lower than expected revenues, unforeseen expenses or emergencies. *Budget 2019* includes a forecast allowance of \$500 million in 2019-20, \$300 million in 2020-21, and \$300 million in 2021-22. *Budget 2019* also includes Contingencies of \$750 million in 2019-20, \$400 million in 2020-21, and \$400 million in 2021-22.

Revenue Outlook

Total government revenue is forecast at \$59 billion in 2019-20, \$60 billion in 2020-21, and \$62.5 billion in 2021-22. This growth is driven by strengthening economic activity; there are no new revenue raising tax measures in *Budget 2019*.

Expense Outlook

Total expenses over the three-year fiscal plan are forecast at \$58.3 billion in 2019-20, \$59.5 billion in 2020-21, and \$61.6 billion in 2021-22.

Capital Spending

Taxpayer-supported capital spending over the fiscal plan is a record-level \$20.1 billion and includes investments needed to support a strong, stable economy, such as:

- **Health:** \$4.4 billion to support new major construction projects and upgrading of health facilities such as the redevelopment of the Royal Columbian Hospital in New Westminster, a new patient care tower at the Royal Inland Hospital in Kamloops and a new St. Paul's Hospital at the Station Street site in Vancouver.
- **Transportation:** \$6.6 billion for priority projects such as the Pattullo Bridge replacement, the Broadway subway, four-laning on Highway 1 through Kicking Horse Canyon and the replacement of Bruhn Bridge in Sicamous.
- **Education:** \$2.7 billion to maintain, replace, renovate or expand K–12 facilities such as a brand new Northeast Elementary School in Fort St. John, a new school in Kelowna and expansion schools for Sullivan Heights Secondary in Surrey and Royal Bay Secondary in the Sooke school district.
- **Post-secondary education:** \$3.3 billion to build capacity and help meet the province's future workforce needs in key sectors, including a new Sustainable Energy Engineering building at Simon Fraser University in Surrey, a new health sciences centre at Camosun College in Victoria, and a renewed and expanded trades training facility at Selkirk College in Nelson.

Debt Affordability

As a result of prudent fiscal management, the B.C. government successfully eliminated British Columbia's operating debt in the second quarter of 2018/19 and is now free of operating debt for the first time in over 40 years. This means B.C. is in one of the strongest fiscal positions in the country.

B.C.'s taxpayer supported debt is projected to be \$44 billion at the end of 2018/19 — \$1.2 billion lower than projected at *Budget 2018*. This means the B.C. government's borrowing costs will be lower, saving money that can be invested into making life better for the people of B.C.

The taxpayer-supported debt-to-GDP ratio, a key metric used by credit rating agencies, is expected to remain near 16% over the fiscal plan period, while funding record levels of capital spending.

Supplementary Estimates

With the elimination of the operating debt, the B.C. government is tabling supplementary estimates. For the first time in more than a decade, the B.C. government is using supplementary estimates to re-invest part of the government's surplus into the services people need.

Highlights include \$100 million for northern communities to improve infrastructure to prepare for community growth ahead of LNG development, \$89 million for health research grants, and \$50 million for Connecting British Columbia to improve internet connectivity for Indigenous and rural communities.

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