

February 18, 2020

BACKGROUND

Fiscal Plan 2020-21 — 2022-23

Making Life Better

British Columbia is an economic leader in Canada. Private-sector forecasters expect B.C. to remain among the top of the provincial real GDP growth rankings in 2020 and 2021. Last year, British Columbia led the country with the lowest unemployment rate and was among the top in employment growth across the country.

British Columbians work hard to get ahead, and the people who power our province should in turn benefit from our province's strong economy. *Budget 2020* is a balanced plan that allows government to continue making investments that improve affordability and improve the services people count on, while supporting job creation throughout the province.

Resilient Economy, Stable Economic Growth

The *Budget 2020* forecast reaffirms B.C. as an economic leader in Canada, while recognizing global economic uncertainty.

The forecast for B.C. real GDP growth in 2020 has increased slightly from 1.9% to 2.0%, while the forecast for 2021 has been revised slightly from 2.0% to 1.9%, compared to the *First Quarterly Report 2019*. The economic growth outlook for the 2022 to 2024 period is, on average, 2.0%, which is in line with previous expectations.

The main downside risks to the economic outlook include ongoing uncertainty regarding global trade policies, geopolitical tensions, weak global economic activity, as well as lower commodity prices and slower domestic economic growth. LNG development in the province is expected to have a positive impact on B.C.'s economy. Fiscal sustainability at ICBC and the impact of global trade uncertainty on natural resource revenues pose risks to the fiscal plan.

To manage these risks, the *Budget 2020* forecast for B.C. real GDP growth remains below the outlook provided by the Economic Forecast Council, reflecting one of the levels of prudence built into the fiscal plan.

Other layers of prudence are included in the fiscal plan to help address the possibility of lower than expected revenues, unforeseen expenses or emergencies. *Budget 2020* includes an annual forecast allowance of \$300 million in each of the three years of the fiscal plan. *Budget 2020* also includes a contingencies allocation of \$600 million in 2020-21, and \$400 million per year in 2021-22 and 2022-23.

Budget Outlook

Budget 2020 projects surpluses of:

- \$227 million in 2020-21
- \$179 million in 2021-22
- \$374 million in 2022-23

Revenue Outlook

Total government revenue is forecast at \$60.6 billion in 2020-21, \$62.4 billion in 2021-22, and \$64.2 billion in 2022-23.

Expense Outlook

Total expenses over the three-year fiscal plan are forecast at \$60.1 billion for 2020-21, \$61.9 billion for 2021-22, and \$63.5 billion in 2022-23.

Capital Spending

Taxpayer-supported capital spending over the fiscal plan is a record \$22.9 billion and includes new investments to sustain and expand provincial infrastructure including schools, post-secondary facilities, housing, transit, roads, bridges and hospitals.

Debt Affordability

B.C.'s taxpayer supported debt is projected to be \$49.2 billion at the end of fiscal year 2020-21, \$53.9 in 2021-22, and \$58.6 billion at the end of 2022-23. The taxpayer-supported debt-to-GDP ratio, a key metric used by credit rating agencies, is expected to remain near 17% by the end of the fiscal plan period.

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