

Contributors

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Updated Fiscal Forecast \$ billions except where noted

	FY22		FY23	
	Bud.'22	Nov. '22	Bud.'22	Nov. '22
Total Revenue	70.2	72.4	68.6	81.1
Own-Source	58.7	60.4	57.2	68.5
Fed. Transfers	11.5	12.0	11.3	12.6
Total Expenditure	69.7	71.1	73.0	75.1
Programs	67.0	68.3	70.1	72.3
Health	26.3	27.6	27.7	27.7
Education	16.1	15.8	16.7	16.6
Social Services	7.2	7.3	7.9	7.9
COVID-19	3.3	-	2.0	2.0
Other	14.2	17.7	15.8	18.1
Debt Service	2.7	2.7	2.9	2.7
Reserve	1.0	-	1.0	0.3
Balance	-0.5	1.3	-5.5	5.7
% of GDP	-0.14	0.4	-1.48	1.5
Net Debt	61.7	62.6	73.5	61.9
% of GDP	17.8	17.9	20.0	15.8

Sources: Scotiabank Economics, BC Finance.

British Columbia: 2022–23 Mid-Year Update

LARGE WINDFALLS BRING ANOTHER YEAR IN BLACK

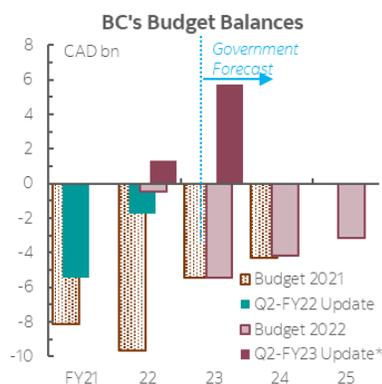
- **Budget balance forecasts: \$5.7 bn (1.5% of nominal GDP) in FY23, a turnaround from the -\$5.5 bn (-1.5%) deficit projected in Budget 2022 (chart 1).**
- **Net debt: expected to decline from 17.9% of nominal GDP in FY22 to 15.8% in FY23—4.2 pts lower than projected in Budget 2022 (chart 2).**
- **Real GDP growth forecast: nudged down slightly to 3.2% in calendar year 2022 from prior projection of 4.0% in the 2022 Budget; nominal GDP projection raised from 5.8% to 11.6% due to higher-than-anticipated inflation.**
- **Borrowing program: total borrowing requirement reduced to \$7.1 bn for FY23 including a provision of \$0.3 bn forecast allowance—a \$1.9 bn reduction from the Budget estimate. Over 78% of borrowing requirement for FY23 completed as of November 25th, 2022.**
- **The largely improved fiscal trajectory outlined in the Update provides a better starting point for the upcoming fiscal years as economic headwinds mount. The spending profile was lifted only modestly, with half of the increase stemming from the affordability measures announced last week.**

OUR TAKE

BC is on track to hit a second year in the black following a balanced book in FY22, as faster-than-anticipated nominal growth drives large revenue windfalls and puts the province on a stronger financial trajectory than expected in the 2022 Budget. The government revised its FY23 balance projection from a -\$5.5 bn deficit to a \$5.7 bn surplus, with revenues now tracking \$12.5 bn higher than the budget estimate. Program spending is expected to rise slightly by \$2.3 bn versus the Budget, largely due to costs of recently-announced affordability measures—totals \$1.1 bn on the expense side of the ledger. The projection kept \$5.1 bn in various contingencies and standard forecast allowances over this horizon, leaving room for upside.

The strong economic growth assumptions underpinning the revenue outlook seem reasonable. The Update acknowledges the weakening growth outlook in the province by nudging down its real GDP forecast to 3.2% for 2022 and 1.5% for 2023, respectively higher than the private-sector averages by 0.4% and 1%. The optimism is supported by stronger-than-anticipated 2021 tax revenues reported by CRA. Due to BC's larger exposure to housing markets and hence high interest rates, we expect the province's real growth to lag the national average this year and next—projected at around 3.2% this year and 0.6% in our latest forecast tables.

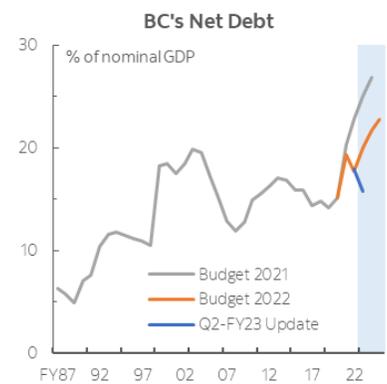
Chart 1



* FY22 figure is final result.

Sources: Scotiabank Economics, BC Finance.

Chart 2



Sources: Scotiabank Economics, BC Finance, Statistics Canada.

November 25, 2022

The province doles out part of the windfalls to expand its affordability measures, a major share of which will kick in over the following months. The big ticket item of FY23's \$2 bn cost-of-living measures is the Affordability Credit announced last week—which targets lower-to middle-income individuals and families and has relatively limited fiscal impact of about \$1 bn (0.3% of nominal GDP) this fiscal year. Other measures focus on energy costs relief—including the gas rebate administered through ICBC (\$395 mn) and the one-time BC Hydro bill credit (\$320 mn).

The upgraded budget balance outlook also sent the province's net debt to a much lower trajectory—the 15.8% taxpayer-supported debt-to-GDP ratio estimated in the Update is a material improvement from Budget 2022's projection of an uptick in the ratio to close to 20% in FY23. The province also reduced its borrowing requirement to \$7.1 bn for FY23, with \$1.5 bn remaining to be completed as of November 25th, 2022.

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