

First Quarterly Report

September 10, 2020



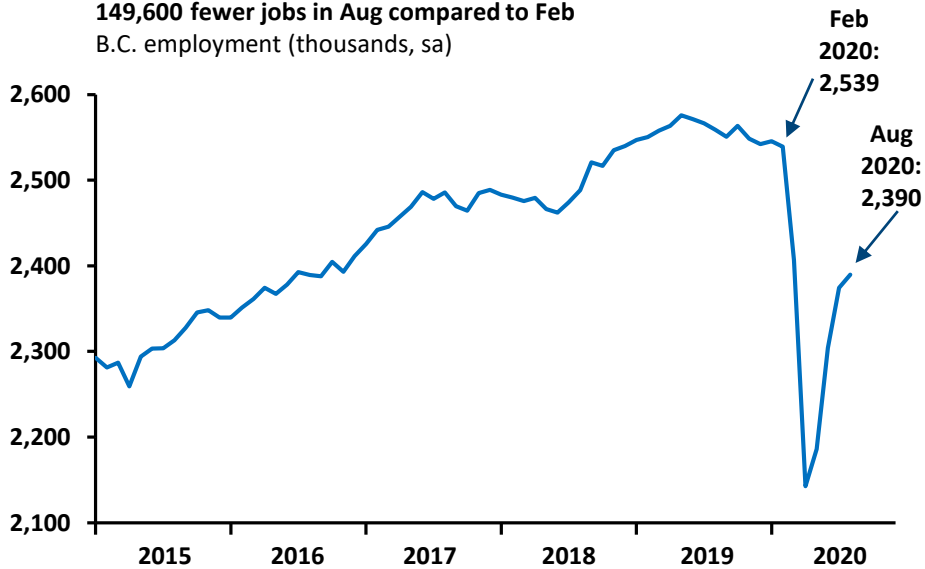
A STRONGER BC, FOR EVERYONE

Summary

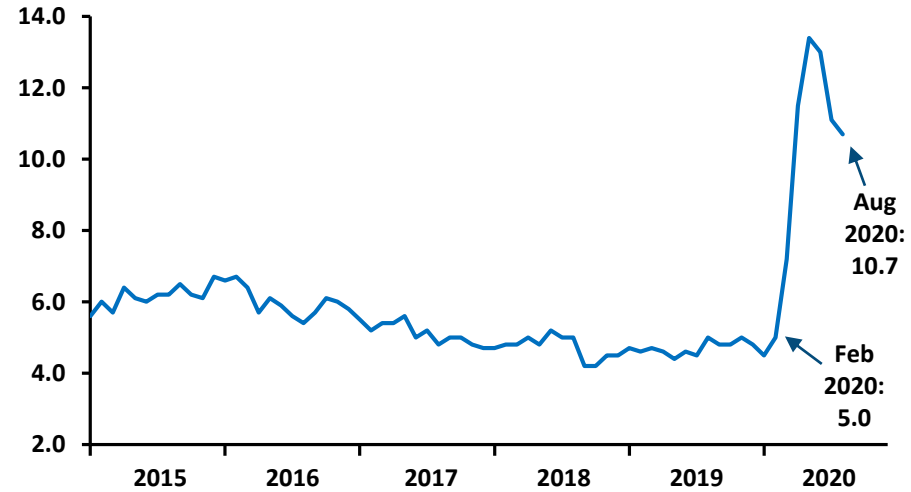
- The *First Quarterly Report* is on track with the scenario presented on July 14, with improvements in employment, retail sales and housing activity
- Annual real GDP decline of 6.7 per cent in 2020 with partial economic recovery in 2021, and lower revenue of \$4.6 billion in 2020/21 compared to *Budget 2020*
- \$7.7 billion increased spending for pandemic response and other expenses
- Capital projects are proceeding as part of B.C.'s historic capital plan
- Significant increase in borrowing but province's debt remains affordable

Labour Market

149,600 fewer jobs in Aug compared to Feb
B.C. employment (thousands, sa)

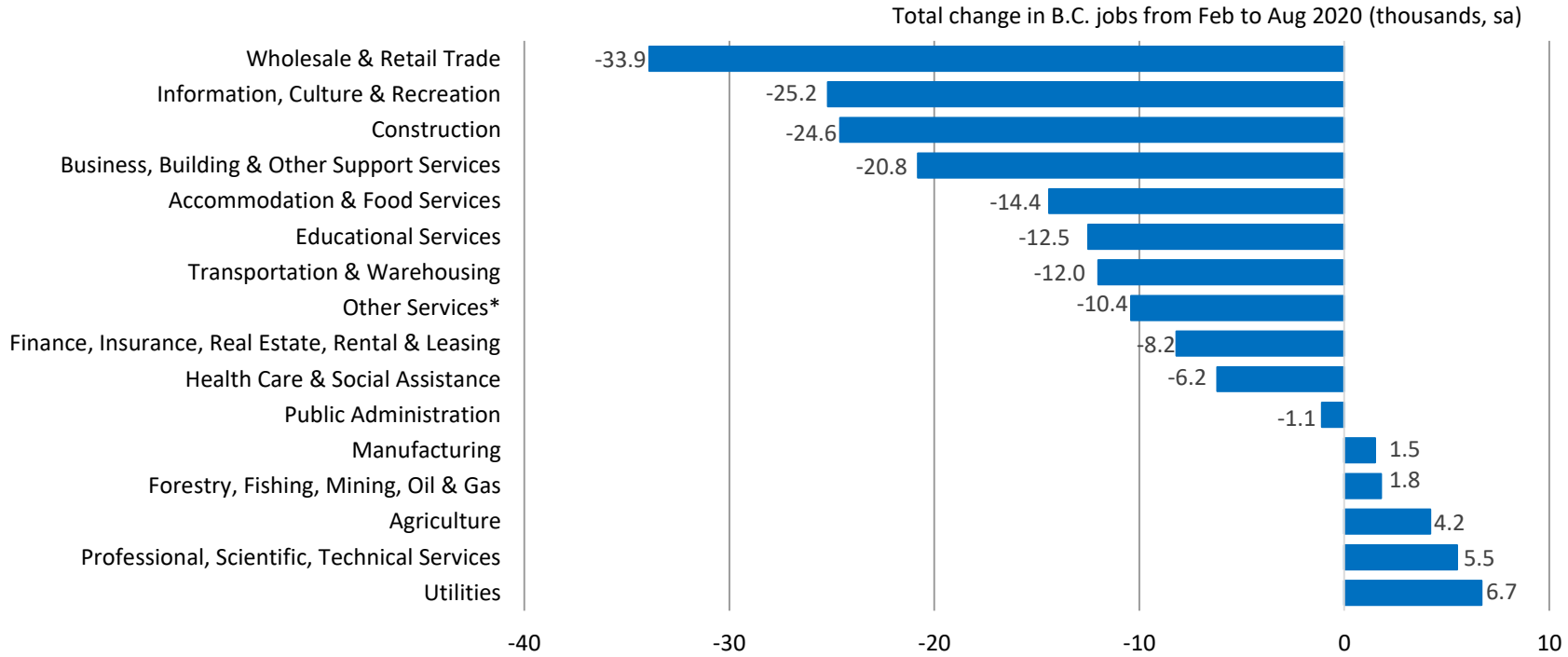


Unemployment rate remains high
B.C. unemployment rate (% sa)



Sources: Statistics Canada (Labour Force Survey); Haver Analytics

Employment by Sector



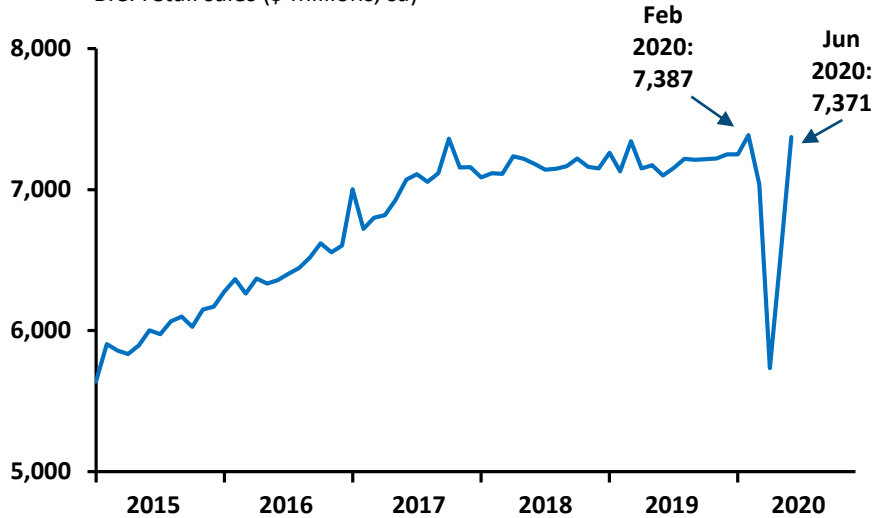
Sources: Statistics Canada (Labour Force Survey); Haver Analytics

*Other services include repair and maintenance (e.g. automotive repair), personal services (e.g. hair care and esthetics), etc.

Consumer Spending

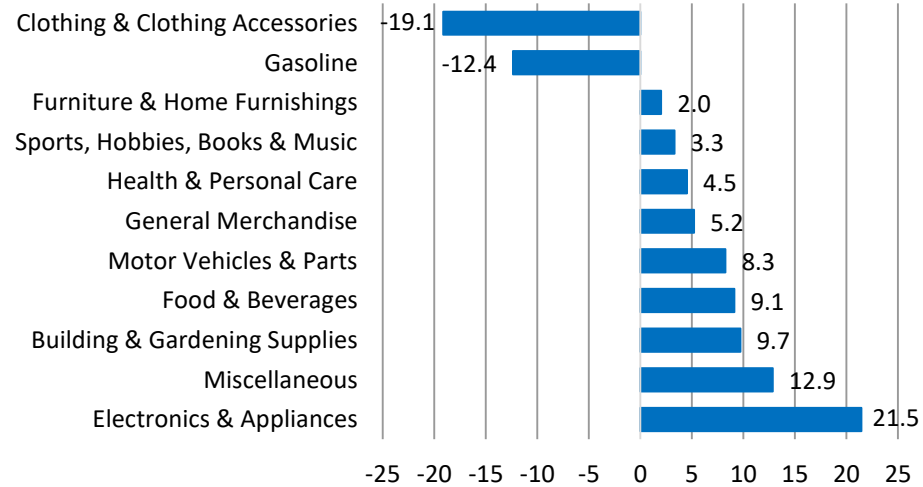
Retail sales rebound

B.C. retail sales (\$ millions, sa)



Rebound in sales across retailers mixed

Year-over-year change in B.C. retail sales from Jun 2019 to Jun 2020 (% nsa)

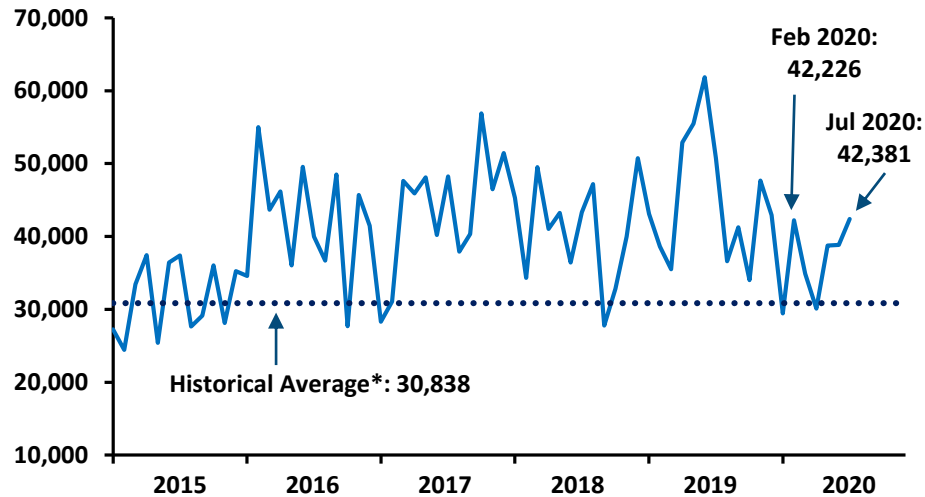


Sources: Statistics Canada; Haver Analytics

Housing Market Activity

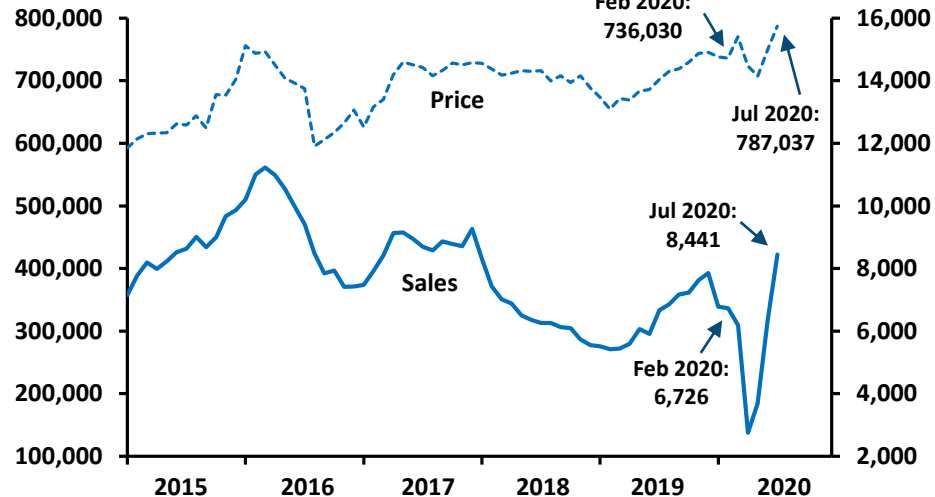
Housing starts resilient

B.C. housing starts
(annualized units, sa)



Home sales rebound, average sale price up

B.C. MLS average home sale price
(dollars, sa)



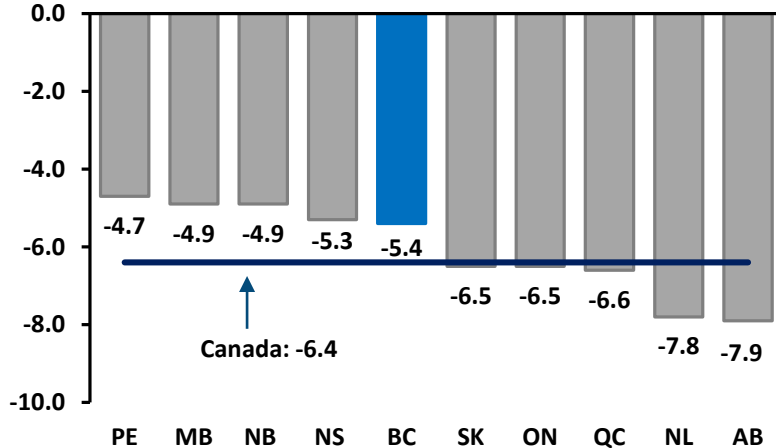
Sources: Canadian Mortgage and Housing Corporation; Haver Analytics
* Historical average from Jan 1990 to Dec 2019

Sources: Canadian Real Estate Association; Haver Analytics

Private Sector Economic Outlook

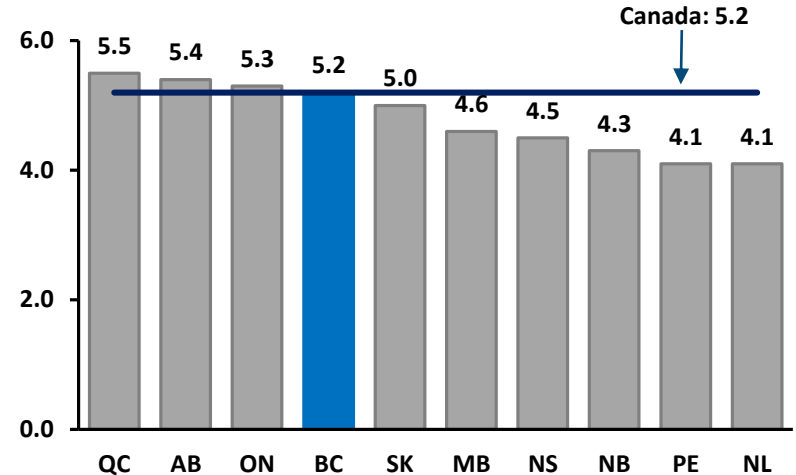
Significant impacts across provinces

Real GDP forecasts for 2020 (annual % change)



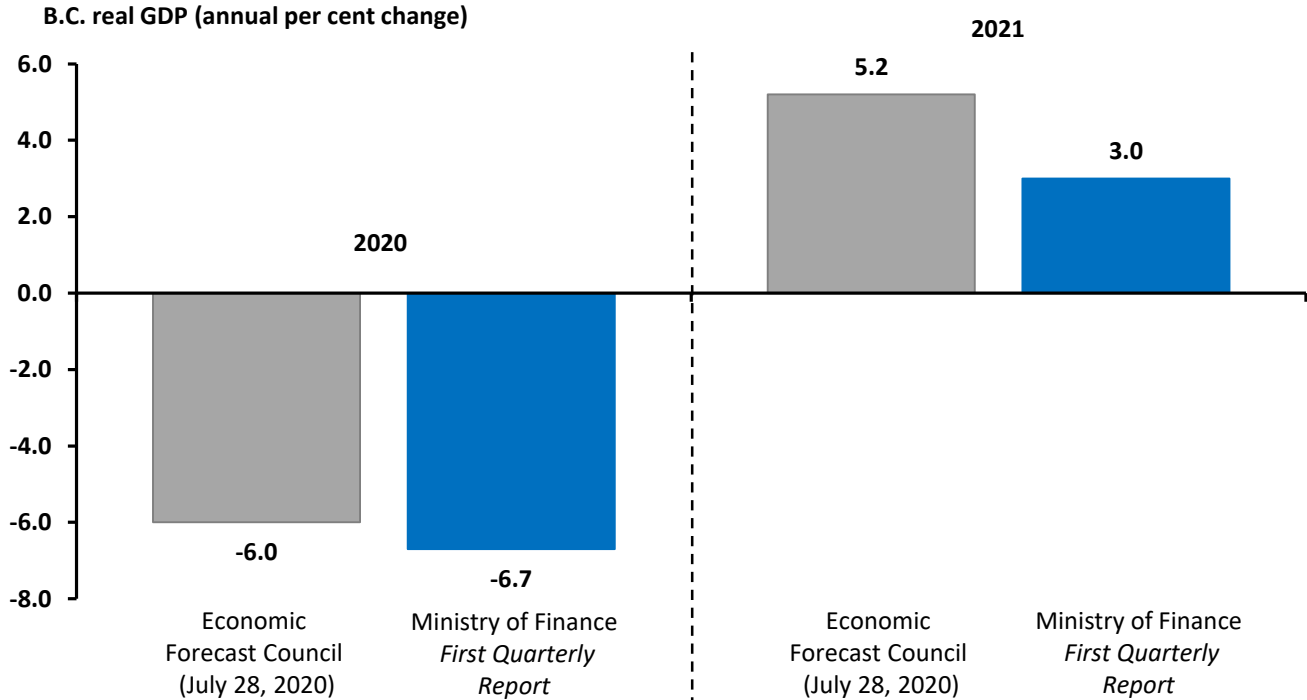
Economic recovery across provinces

Real GDP forecasts for 2021 (annual % change)



Source: Average of a subset of the Economic Forecast Council that regularly forecasts economic performance in all provinces (BMO, CIBC, National Bank, RBC, Scotiabank and TD) as of August 28, 2020.

B.C. Real GDP Outlook



Sources: Ministry of Finance; Economic Forecast Council.

B.C. Economic Outlook

	<i>Budget 2020</i>		July 14 Economic and Fiscal Update		<i>First Quarterly Report 2020</i>	
	2020	2021	2020	2021	2020	2021
Real GDP (% change)	2.0	1.9	-6.8	3.1	-6.7	3.0
Nominal GDP (% change)	3.9	3.9	-8.2	4.1	-6.5	4.8
Corporate profits* (% change)	2.0	2.6	-36.4	16.3	-18.6	6.1
Employment (% change)	1.0	1.0	-9.8	4.4	-7.8	3.6
Unemployment rate (%)	5.1	5.3	11.3	8.9	10.4	8.8
Household income (% change)	3.8	3.8	-3.9	1.7	-3.3	1.7
Retail sales (% change)	3.0	3.3	-15.9	8.6	-10.8	5.4
Residential sales value (% change)	4.6	5.3	-27.6	9.3	-9.6	3.8
Housing starts (units)	35,021	32,040	27,000	29,000	34,000	32,016

*Corporate profits refers to the net operating surplus of corporations.

Source: B.C. Ministry of Finance

2020/21 Updated Fiscal Forecast

(\$ millions)	<i>Budget 2020</i>	<i>First Quarterly Report</i>	Change
Revenue	60,585	56,013	(4,572)
Expense	(60,058)	(67,805)	(7,747)
Forecast allowance	<u>(300)</u>	<u>(1,000)</u>	<u>(700)</u>
Surplus (deficit)	227	(12,792)	(13,019)
Capital Spending:			
Taxpayer-supported capital spending	7,126	7,015	(111)
Self-supported capital spending	<u>3,409</u>	<u>3,372</u>	<u>(37)</u>
	10,535	10,387	(148)
Provincial Debt:			
Taxpayer-supported debt	49,202	59,802	10,600
Self-supported debt	26,890	27,068	178
Total debt (including forecast allowance)	76,392	87,870	11,478
Taxpayer-supported debt to GDP ratio	15.5%	20.8%	5.3%

Changes to Revenue

(\$ millions)	<i>Budget 2020</i>	<i>First Quarterly Report</i>	Change
Income taxes	16,510	14,388	(2,122)
Sales taxes	7,905	6,881	(1,024)
Property and property transfer taxes	4,612	3,603	(1,009)
Other taxes	6,317	5,720	(597)
Natural resources	2,149	1,905	(244)
Fees, investment earnings, and miscellaneous	9,712	8,715	(997)
Federal government transfers	9,963	12,317	2,354
Commercial Crown net income	<u>3,417</u>	<u>2,484</u>	<u>(933)</u>
Total	60,585	56,013	(4,572)

Changes to Expense

	(\$ millions)
2020/21 expenses at <i>Budget 2020</i>	60,058
Supplementary Estimates	5,810
Enhancement of the Climate Action Tax Credit	500
Spending for COVID-19 temporary pandemic pay	425
Spending for signed collective agreements	310
Fire management, <i>Emergency Programs Act</i> , and other spending	297
Spending recovered from third parties	780
Agency spending adjusted for Provincial grants	<u>(375)</u>
Total expense changes	<u>7,747</u>
2020/21 expenses at the <i>First Quarterly Report</i>	67,805

BC COVID-19 Action Plan Update

- **As of August 31, 2020, \$7.61 billion** in approved or notionally allocated measures

Measures	Notional Allocations
Supplementary Estimates	\$5.81 B
COVID-19 Related Statutory Spending	\$0.76 B
Other Tax and Revenue Measures	\$1.04 B
Total	\$7.61 B

- **Over \$6.2 billion** in tax and payment deferrals to provide cashflow support to individuals, businesses, local governments

\$5B Pandemic Contingencies Update

Notional allocations as of August 31, 2020

Category	Notional Allocation	Measures
Critical services	Over \$1 billion	Health and mental health
	\$254 million	Child care services
	\$158 million	Temporary housing, meal and supports for vulnerable populations
	\$56 million	Other essential services
	\$46 million	K-12 Education - Return to School Funding
Financial supports	\$900 million	B.C. Emergency Benefit for Workers
	\$685 million	Crisis Supplement/ supports for income and disability assistance clients
	\$150 million	Temporary Rental Supplement
	\$79 million	Canada Emergency Commercial Rent Assistance Program
	Over \$70 million	Emergency financial relief for various organizations and sectors
Economic Recovery	\$1.5 billion	Measures under development
Total	\$5 billion	Pandemic Contingencies Spending Measures

Other Relief Measures

- **Up to \$1.0 billion** in additional contingencies (vote 53) for provincial-federal cost share measures
- **\$761 million** notionally allocated COVID-19 Related Spending
 - \$500M for the Climate Action Tax Credit one-time enhancement
 - \$106M (\$425M federal-provincial) for Pandemic Pay
 - \$111M for hotel purchases under the Housing Priority Initiatives Special Account
 - \$44 million Emergency Program Act – COVID-19 related coordination and measures
- **\$1.04 billion** estimated for other relief or foregone revenue measures
 - \$714M in reduced school tax rates for commercial properties (an average of 25%) in the 2020 calendar year
 - \$268M delays to the carbon tax increase and other *Budget 2020* measures to April 1, 2021
 - \$26M temporary wholesale pricing for liquor licensees
 - \$17M ICBC fee relief measures
 - \$11M supports to ensure tree planting camps meet health guidelines

Tax and Payment Deferrals

Over \$6.2 billion in Tax and Payment Deferrals

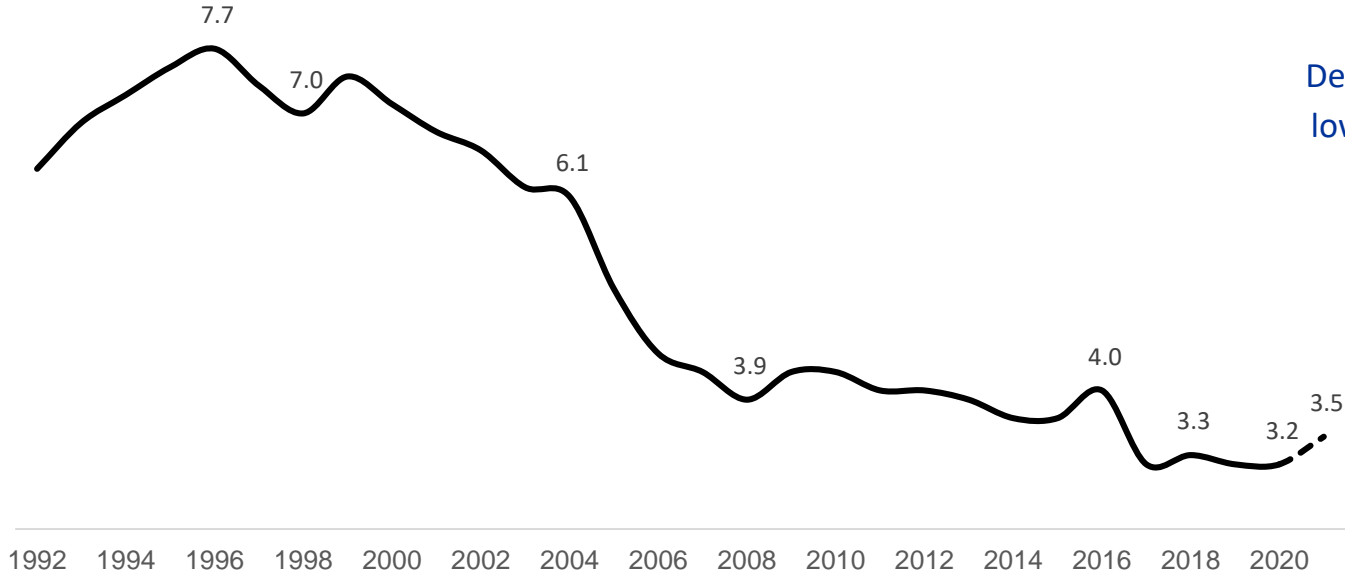
- \$70 million in deferrals for a six month moratorium on student loan collection
- \$103 million for BC Hydro relief measures for residential and commercial customers and bill deferrals for industrial customers
- Over \$1 billion in deferrals by postponing municipal remittance date for school taxes to the end of the calendar year
- Over \$5 billion in deferrals by extending tax filing and payment deadlines:
 - by six months for provincial sales tax, municipal and regional district tax on short-term accommodation, tobacco tax, motor fuel tax and carbon tax;
 - to September 30, 2020 for the 2019 employer health tax return;
 - to December 31, 2020, January 31, 2021, and February 28, 2021 for 2020 employer health tax quarterly instalments.

Capital Investments

- Capital spending is projected to total \$10.4 billion; \$148 million lower than forecasted in Budget 2020.
- Slightly reduced spending is primarily due to:
 - Timing changes in the Transportation and Health Sectors; and
 - Increased spending on supportive housing and additional School District funded projects
- Government is committed to \$22.9 billion in taxpayer supported capital spending over the next three years as part of *Budget 2020*
- Approved projects proceeding with construction include: Cowichan District Hospital, Pattullo Bridge Replacement, St. Paul's Hospital, Broadway Subway, Burnaby Hospital Phase 1 Redevelopment, Four-laning from Kamloops to AB on Hwy 1, Stuart Lake Hospital Replacement, Cariboo Memorial Hospital Redevelopment and Mills Memorial Hospital Replacement
- Projects moving forward with business plan development include: Richmond Acute Care Tower and the new Surrey Hospital

Debt Affordability

Interest bite for Taxpayer-Supported Debt
(cents per dollar of revenue)



Debt burden remains low from a historical perspective

Risks

- Slower recovery than assumed in the economic forecast may be a result of various factors including:
 - weaker global recovery – in particular B.C.'s major trading partners
 - stronger negative impact than assumed in the forecast to B.C. businesses and households
 - severity of future waves of the virus
- Results of commercial Crown corporations may deteriorate further
- Need for further government measures
- Wildfires and floods

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Ministry of
Finance