

# State of the BC Economy

Presentation for the Pacific Northwest  
Intergovernmental Audit Forum

September 2014

Ministry of Finance



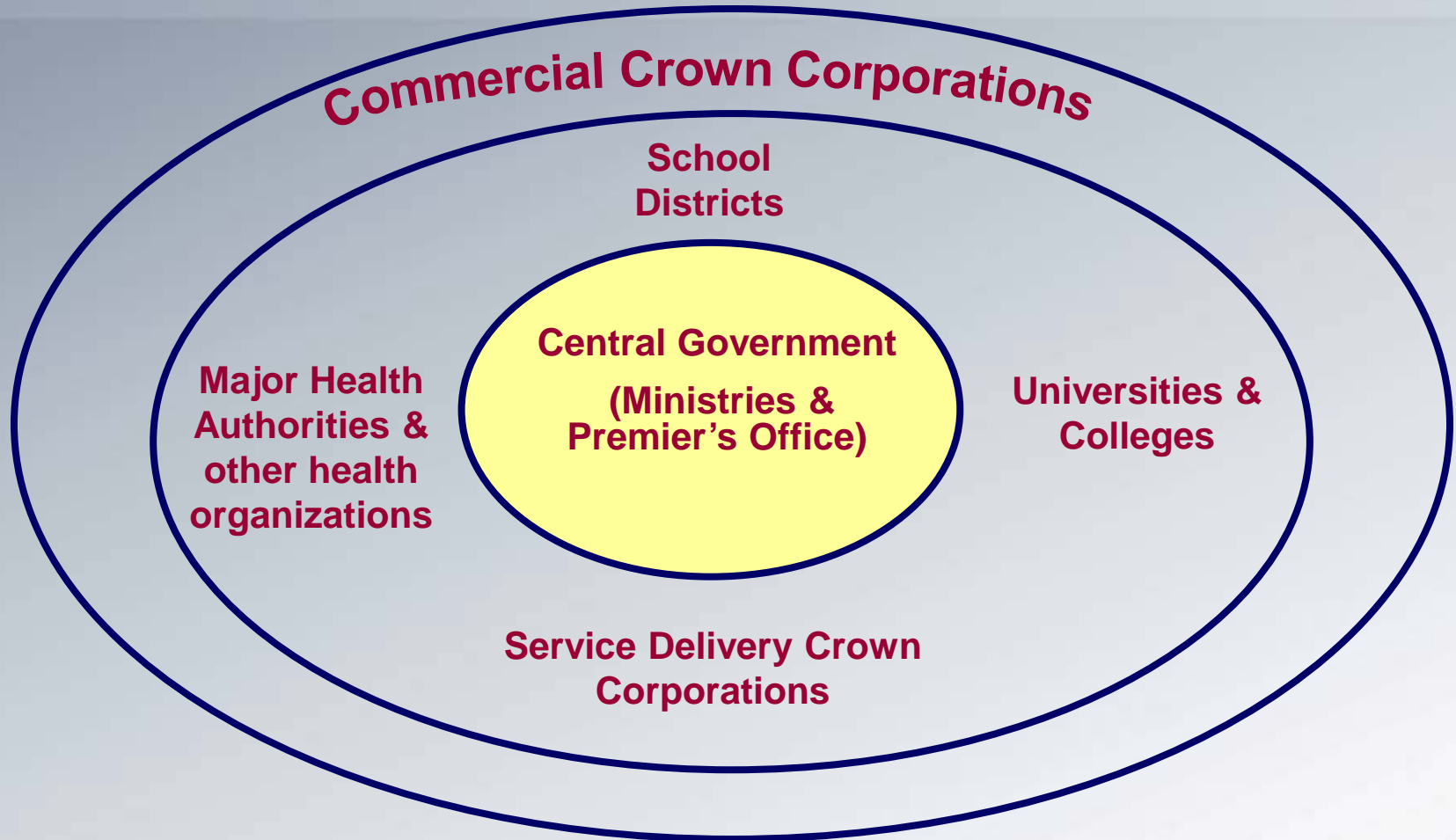


# ***BC Government Reporting Entity & Budget Process***

# *Jurisdictional authority in Canadian federation*

<b>Federal</b>	<b>Provincial</b>	<b>Federal/Provincial</b>
Foreign Policy	Health	Agriculture
National Defence	Education	Employment
Criminal Law	Social Welfare	Housing
Citizenship	Property and Civil Rights	Environment
Immigration	Natural Resources	Economic Development
Trade	Local Affairs	Income Security
Aboriginal Issues		Justice
Indirect Taxation		Transportation
		Communication
		Direct Taxation

# *The BC Government reporting entity*





# *Budget planning process*

- Budgeting and financial management
  - *Budget Transparency and Accountability Act*
  - *Balanced Budget and Ministerial Accountability Act*
  - *Financial Administration Act*
- The fiscal plan is a rolling 3-year plan
  - Budgeting: 3-year Fiscal Plan
  - Reporting: Public Accounts



## BUDGET 2014: Start to Finish

- Treasury Board Staff prepares the annual budget and 3-year fiscal plan
- The annual estimates are debated by members of the legislative assembly following tabling in the legislature

- Budget Consultation  
Fall 2013
- Economic Forecast Council Update  
Fall 2013/January 2014
- Budget Day  
February 18, 2014
- First Quarterly Report  
September 2014
- Second Quarterly Report  
November 2014
- Third Quarterly Report  
Budget Day for Budget 2015  
February 17, 2015
- Public Accounts/Fourth Quarterly Report  
Summer 2015

# *Drivers of government finances*

## ***Revenue:***

- Population
- Personal income
- Interest rates and consumer spending
- Corporate profits, GDP and inflation
- Commodity prices, exchange rates
- Weather
- Government policies and practices

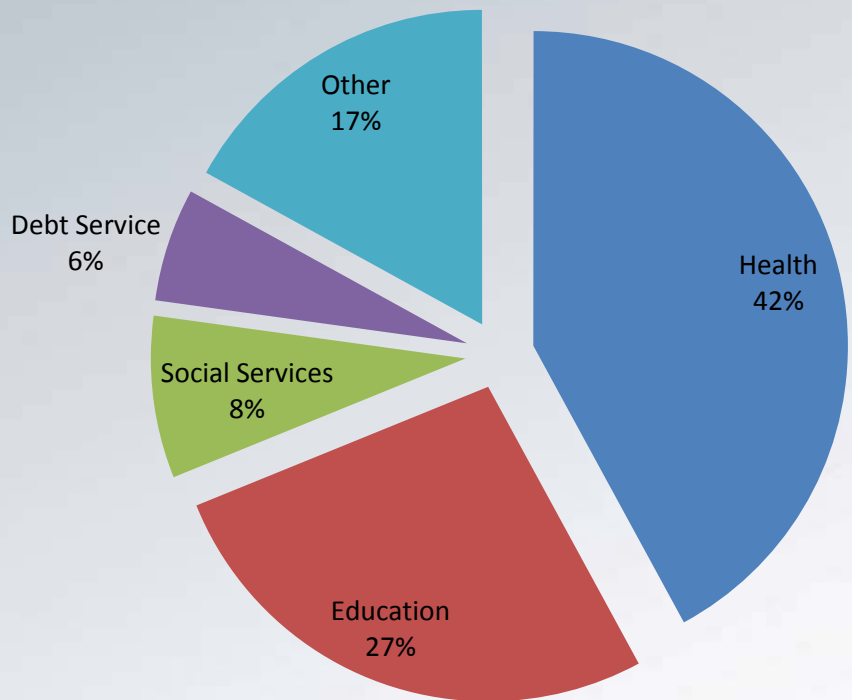
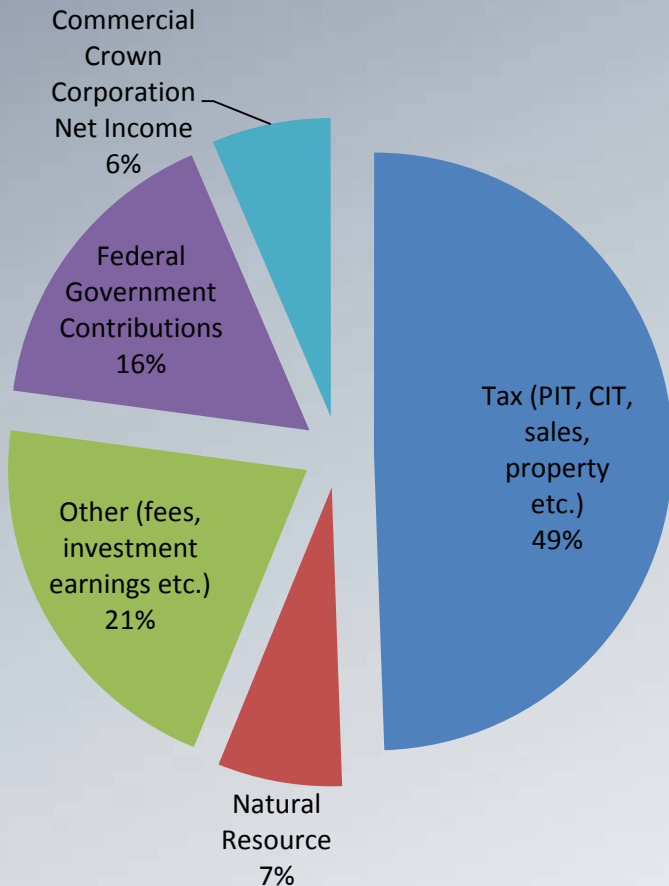
## ***Expense:***

- Population and demographics
- Interest rates and inflation
- Service utilization
- Caseload
- Unemployment
- Compensation
- Technology
- Weather
- Government policies and practices

# British Columbia revenues and expenditures (Budget 2014)

**Total Revenue Estimated at \$44.8 Billion in Budget 2014/15**

**Total Expenditures Estimated at \$44.4 Billion in Budget 2014/15**



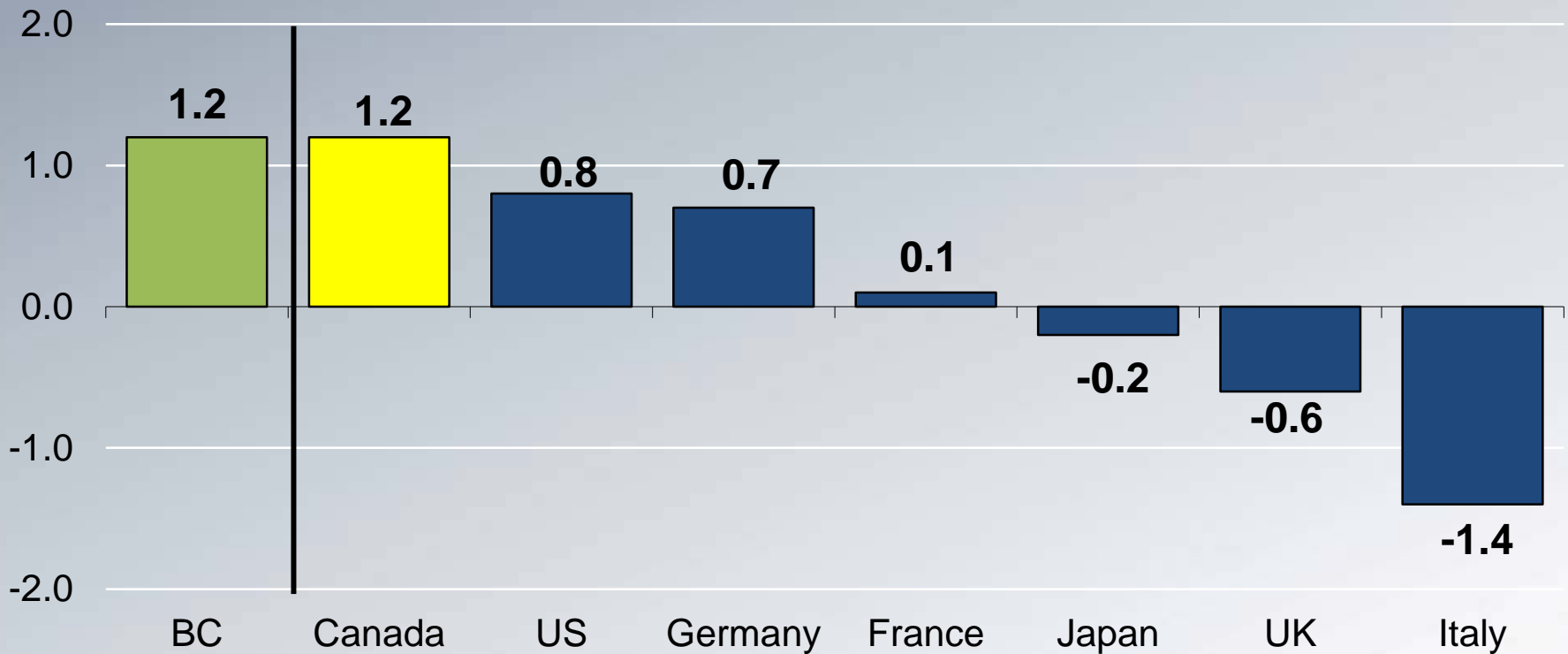




# ***Structure of BC Economy & Outlook***

# *Economic activity in Canada – best in G7*

Average annual real GDP growth, 2007 - 2012, per cent

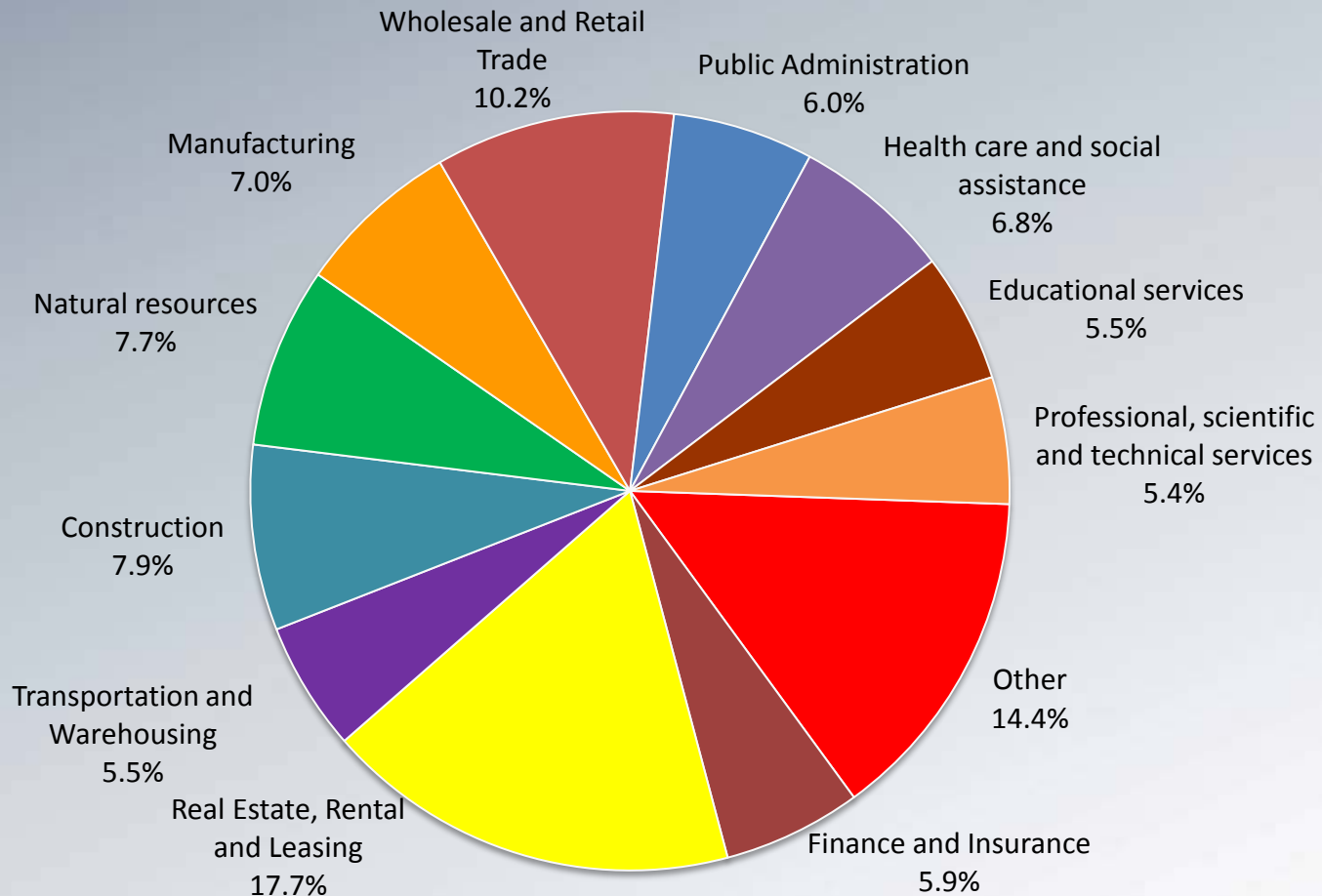


Sources: Statistics Canada for BC and Canadian real GDP growth; IMF World Economic Outlook April 2014 for other countries' real GDP growth.

Note: The data represent average annual compound growth rates from 2007 to 2012.

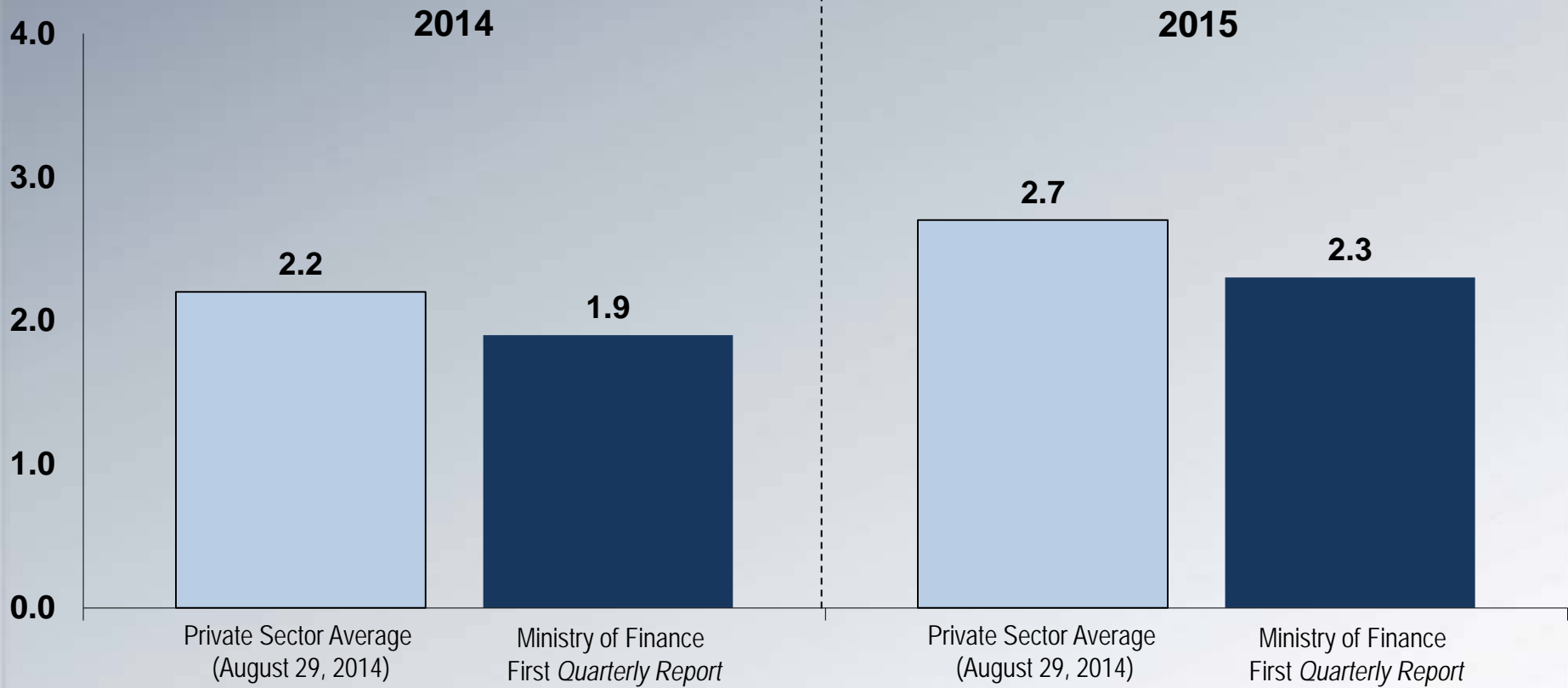
# Structure of the BC economy

Shares of BC GDP at basic prices (chained \$2007) by major industry, 2013



# BC real GDP outlook

## BC real GDP (annual per cent change)



Sources: Ministry of Finance and Private Sector average (Economic Forecast Council subset consisting of BMO, CIBC, IHS Global Insight, RBC, Scotiabank and TD).

# *BC economic indicators year-to-date versus outlook*

## **British Columbia Economic Indicators**

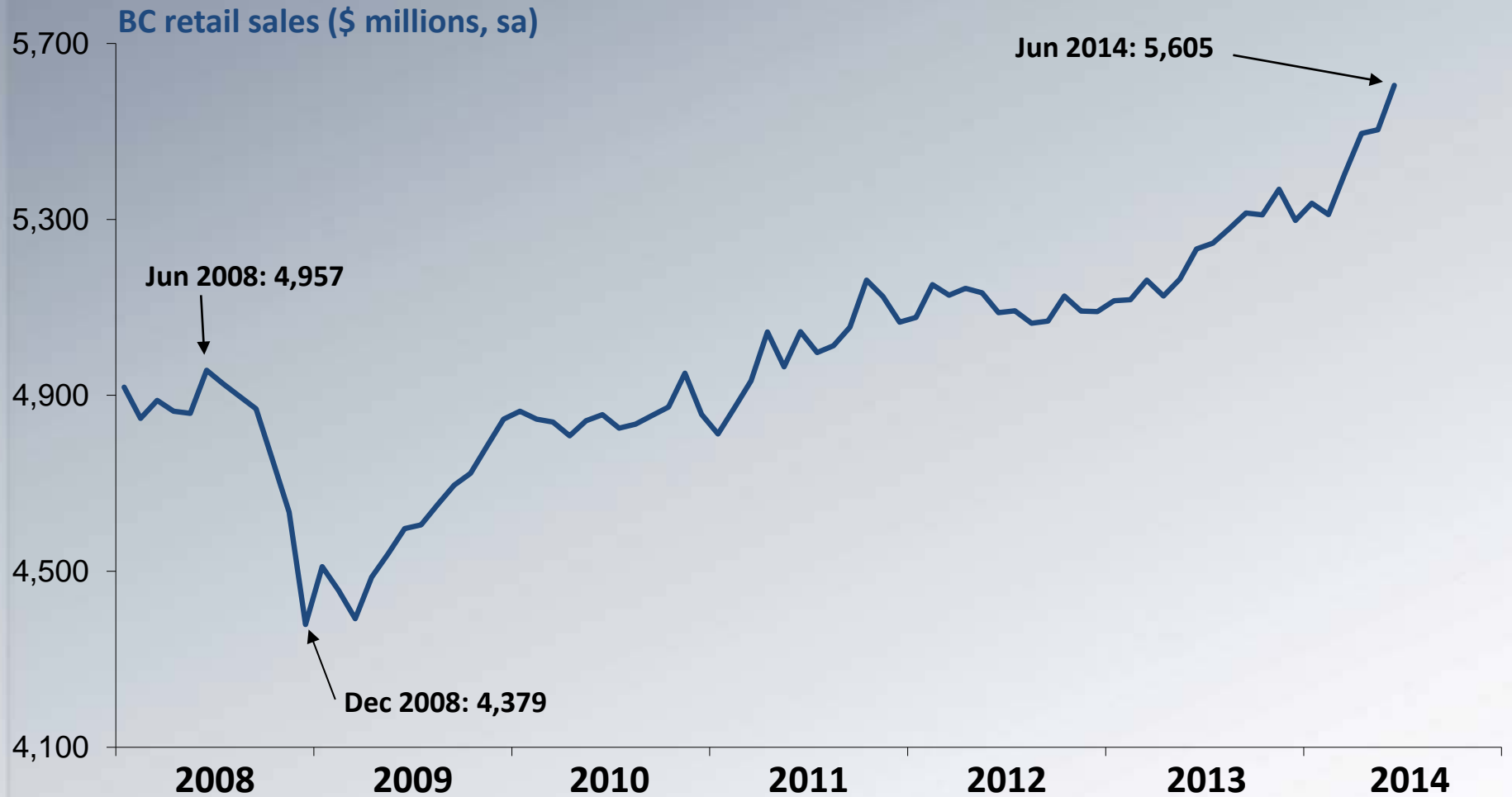
Data seasonally adjusted unless otherwise noted	Year to Date	September 2014
	Jan. to Aug. 2014 change from Jan. to Aug. 2013	First Quarterly Report Outlook for 2014
	Per cent change (unless otherwise noted)	
Employment .....	0.5	0.5
Retail sales* .....	5.6	3.2
Housing starts (units) .....	27,879	25,900
Consumer price index.....	0.9	1.3

\* Data to June

# BC employment

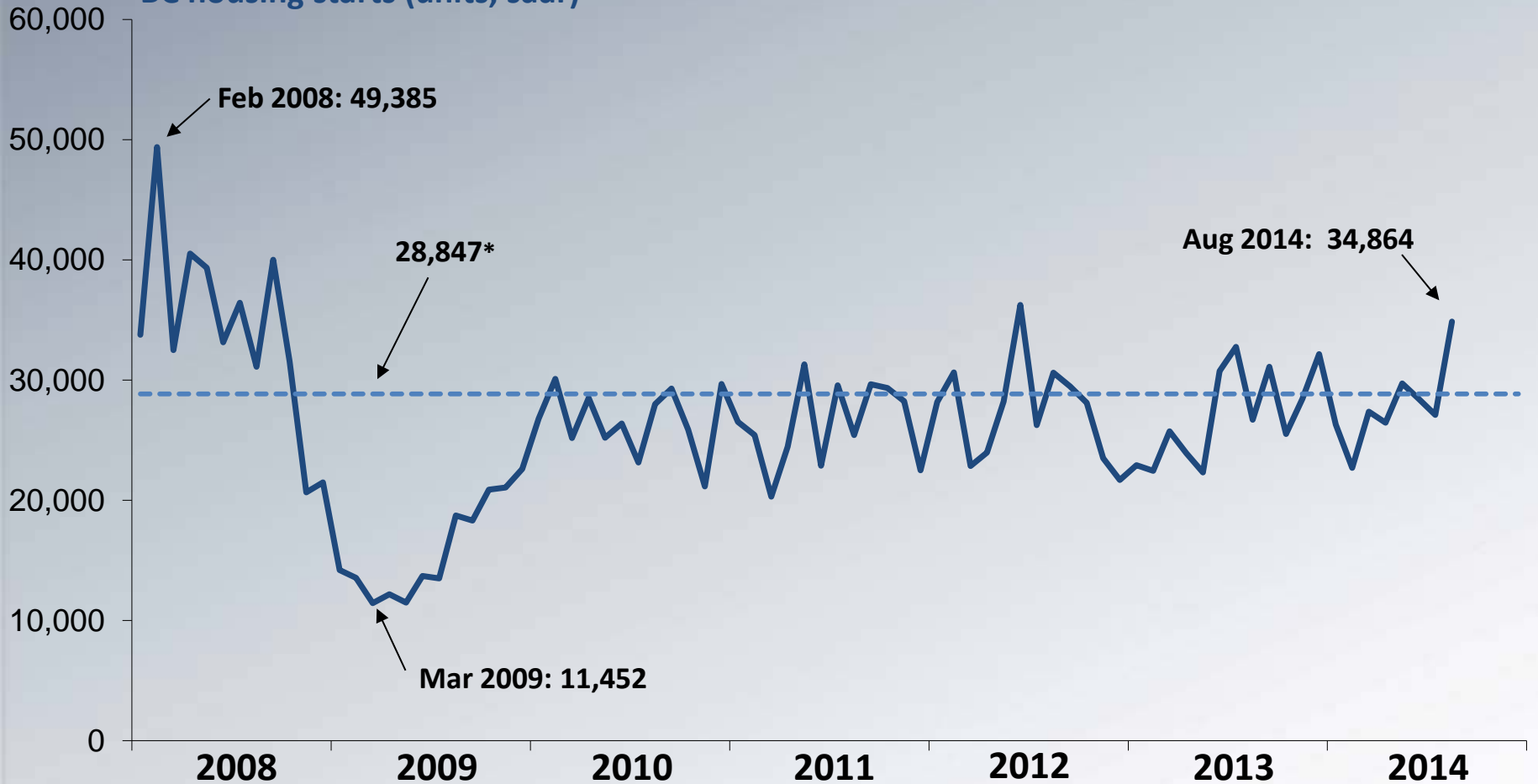


# BC retail sales



# BC housing starts

BC housing starts (units, saar)



Source: Canada Mortgage and Housing Corporation

\* BC housing starts average (January 1990 to Aug 2014)





# *Canadian mortgage rules*

- Maximum amortization period of 25 years
- Minimum down payment of 5 per cent (for owner occupied housing) or 20 per cent (for non-owner occupied)
- Maximum refinancing of 80 per cent of the value of the home
- Maximum borrowing of 65 per cent of the value of the property through home equity lines of credit
- Federally backed mortgage insurance is available only for homes with a purchase price of less than \$1 million
  - Insurance is mandatory for down payments below 20 per cent

# Owner's equity as a share of residential assets

(per cent)



Source: National Bank of Canada for US share; Statistics Canada for Canada share.

# BC exports

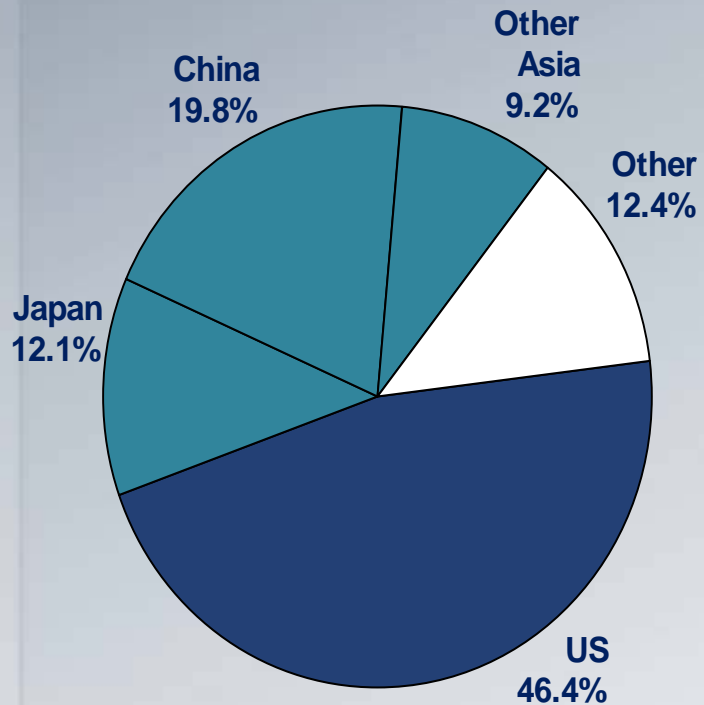


Source: BC Stats

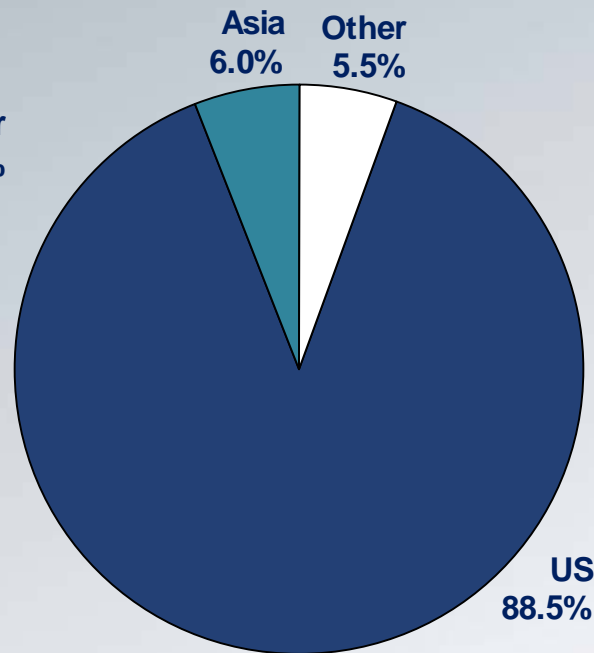
# BC's trade diversity

Average annual share of international goods exports by province, 2013  
(per cent)

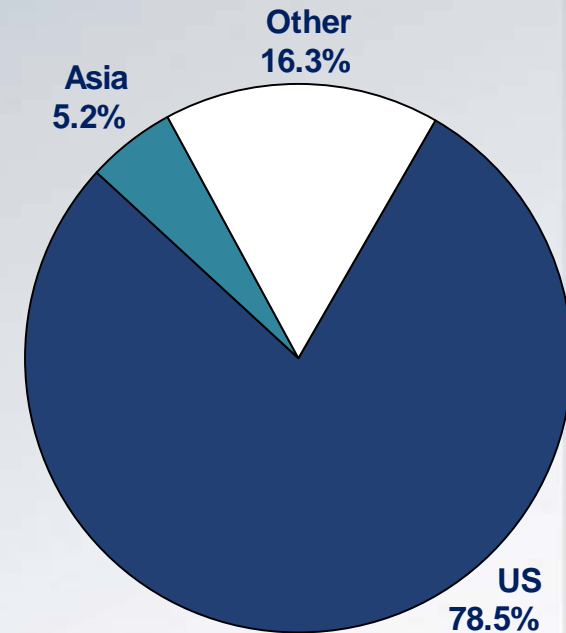
## BC



## Alberta



## Ontario



# AAA credit rating

## CREDIT RATING COMPARISONS

	AAA	AA+	AA	AA-	A+	A	A-	BBB	BB	B	CCC
BC	●										
Canada	●										
Germany	●										
Switzerland	●										
United States*	→ ●										
France*	→ → ●										
Japan*		→ → → ●									
Italy*			→ → → → → → → ●								
Greece**						→ → → → → → → → → → → ●					

\*Credit rating downgrades between 2009 and 2013

\*\*Greece upgraded in December 2012 from Selective Default

Source: Standard and Poor's



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