

British Columbia's 2016–17 Fiscal Update

A LARGER SURPLUS

Ahead of the formal *Public Accounts* release, the Liberal administration in late June released an *Update* indicating a final surplus for fiscal 2016–17 (FY17) of \$2.775 billion (1.1% of GDP). This substantial outperformance of the \$264 million *Budget* estimate and the government's most recent \$1.46 billion forecast in February 2017 boosts BC's cumulative black ink over the last four years to a hefty \$5½ billion. Since FY10, BC is the only Province achieving a cumulative surplus, albeit modest.

The \$1.3 billion improvement in BC's surplus since the government's February forecast reflects revenues up a further \$607 million, expenditures curtailed by \$360 million and the forecast allowance of \$350 million not required.

Final FY17 revenues advanced by a robust 8.2%, compared with the *Budget* estimate of a modest 1.0% rise. This surge in tax receipts provides BC with a stronger revenue base entering FY18. Final FY17 gains, relative to FY16, include \$1.3 billion for *Personal Income Tax*, \$0.5 billion for the *Property Transfer Tax* and \$0.6 billion for the *Provincial Sales Tax*. In addition, during FY18, Scotiabank Economics' forecast of healthy real and nominal GDP gains of 3.0% and 5.3% for BC in 2017 suggests further support for its FY18 revenues.

Final FY17 operating expenditures were \$1.3 billion above *Budget*, contributing to the \$1.9 billion rise over FY16. Higher-than-expected outlays were reported for fighting forest fires and for several key program areas, including Health and Education.

BC's FY17 final capital outlays were a sizeable \$1 billion less than *Budget*, mirroring the trend in several other Provinces last year. Despite a broad range of projects, final taxpayer-supported investment was \$3.7 billion versus the \$4¼ billion *Budget* estimate, and self-supporting enterprise investment was \$2.7 billion relative to the \$3.1 billion plan.

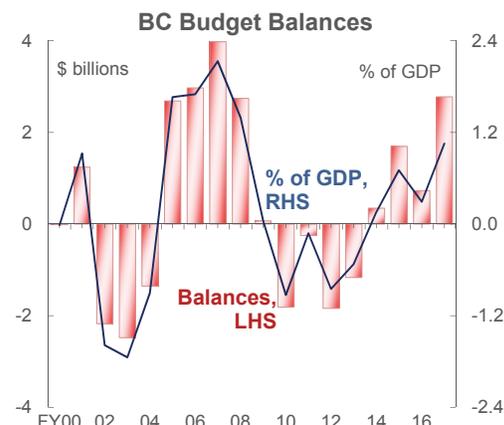
Taxpayer-supported debt, with a \$1.2 billion decrease during FY17, dropped definitively below 16% of GDP as of March 2017. A longstanding objective of BC's Liberal administration was to eliminate the Province's direct operating debt for the first time since 1976. The reported \$3.4 billion decline in this liability during FY17 to \$4.6 billion as of March 31 moves BC closer to this goal.

OUTLOOK

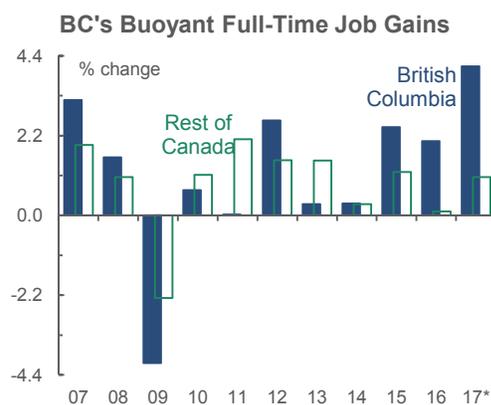
Acknowledging the larger FY17 surplus, the Liberals' *Throne Speech* before their defeat proposed a new balance between social and environmental objectives and its former priorities of economic growth plus job creation and careful fiscal management. Accelerated action was outlined for several policy initiatives. This *Throne Speech*, therefore, sets an agenda for some of the NDP's priority policy areas that the new government will be expected to meet or exceed as they lay out their plans in the coming months.

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Source: BC Finance; Statistics Canada; nominal GDP forecasts: Scotiabank Economics.



* Based on January-June data. Source: Statistics Canada.

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