Canadian Manufacturers & Exporters
British Columbia

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2017 BC PROVINCIAL BUDGET ANALYSIS BACKGROUNDER

ANALYSIS OF 2017 BC PROVINCIAL BUDGET

Manufacturing and Exporting Issues

A. Taxes

- PST on electricity phased out beginning with a 50% cut effective October 1, 2017 and eliminated in April 2019. The manufacturing sector spent $46 million on this in 2016/17.
- Small business corporate income tax rate reduced to 2% from 2.5% effective April 1, 2017
- SRED extended for a further five years to August 31, 2022
- BC Training Tax credit extended for three years to end of 2020

B. Training

- $2.6 billion on post-secondary infrastructure including seven projects related to trades training regionally
- Program to partner with industry to identify and address red tape associated with employment and skills training opportunities in two growth sectors.
- Objective is to increase uptake for employment and skills training programs
- Sectors yet to be identified.

C. Trade

- $6 million to create three new government trade and investment offices in ASEAN countries (Philippines, Indonesia, and Malaysia)

D. Other

- $87 million committed to BC Tech strategy (for commercialization) how is yet to be announced.
- $40 million to extend high speed internet rurally
- $4.7 billion in transportation infrastructure (Does not include some of the major projects in the Lower Mainland or current infrastructure negotiations with federal government).

Economic Outlook

- BC Real GDP growth was 3% in 2016 and is expected to hold at 2% for the next five years.
- GDP Growth in our major client nations expected to be stagnant over next year.
- Calendar year 2016 employment grew by 3.2%, manufacturing shipments grew by 3.7%, Exports by 9.8%
- Employment expected to grow by 1.2% per year over the next two years with the unemployment rate holding steady at just over 6.1%
- Export growth was driven by energy, solid wood and minerals, while pulp and paper declined.

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- Exports expected to increase by 1.4% next year but could grow to an increase of 1.9% in the medium term
- The average prediction for $US exchange rates are 73.7 for 2017 and 75.3 in 2018
- Manufacturing and utilities currently represents 8.9% of GDP

Budget Summary

Surplus and Debt

- Forecasted surplus of $1.458 billion for 2016/17 declining to $295 million in 2017/18 and marginal declines in the subsequent two fiscal years.
- Tax-payer supported debt is projected to increase from $42.027 billion this year to $43.302 billion next year and be at $47.201 billion by the end of fiscal 2019/20.
- This represents a reduction in debt to GDP ratio from 16.1% to 16.0%. Canada's debt to GDP is 31.8%, Ontario 40.4% and Quebec 48.1%.
- Operating debt is expected to decrease to $1.1 billion by end of fiscal 2019/20. Trending to zero for first time since 1975.
- Infrastructure debt will increase to $46.1 billion by that end of fiscal 2019/20.

Revenue and Expenditures

- Government revenue is estimated to grow from $50.89 billion this fiscal to $52.045 billion by the end of fiscal 2019/20.
- Largest expenditures by Ministry for 2017/18 will be health at $18.84 billion, education at $5.923 billion, Social Development and Social Innovation at $2.981 billion, and advanced education at $2.066 billion.
- Largest revenue drivers are personal income tax of $9.17 billion, federal transfers of $8.317 billion, corporate income tax of $3.413 billion and Sales taxes of $6.785 billion.
- Resource revenues total $2.320 billion.

Other Significant Measures

- MSP premiums and are going to be halved this year with long term plans to eliminate them.
- Significant investment in housing initiatives – about $65 million targeted at homelessness initiatives.
- $27 million on mines oversight and Environmental Management Act compliance.