

Economic & Fiscal Update

First Quarterly Report



Ministry
of Finance

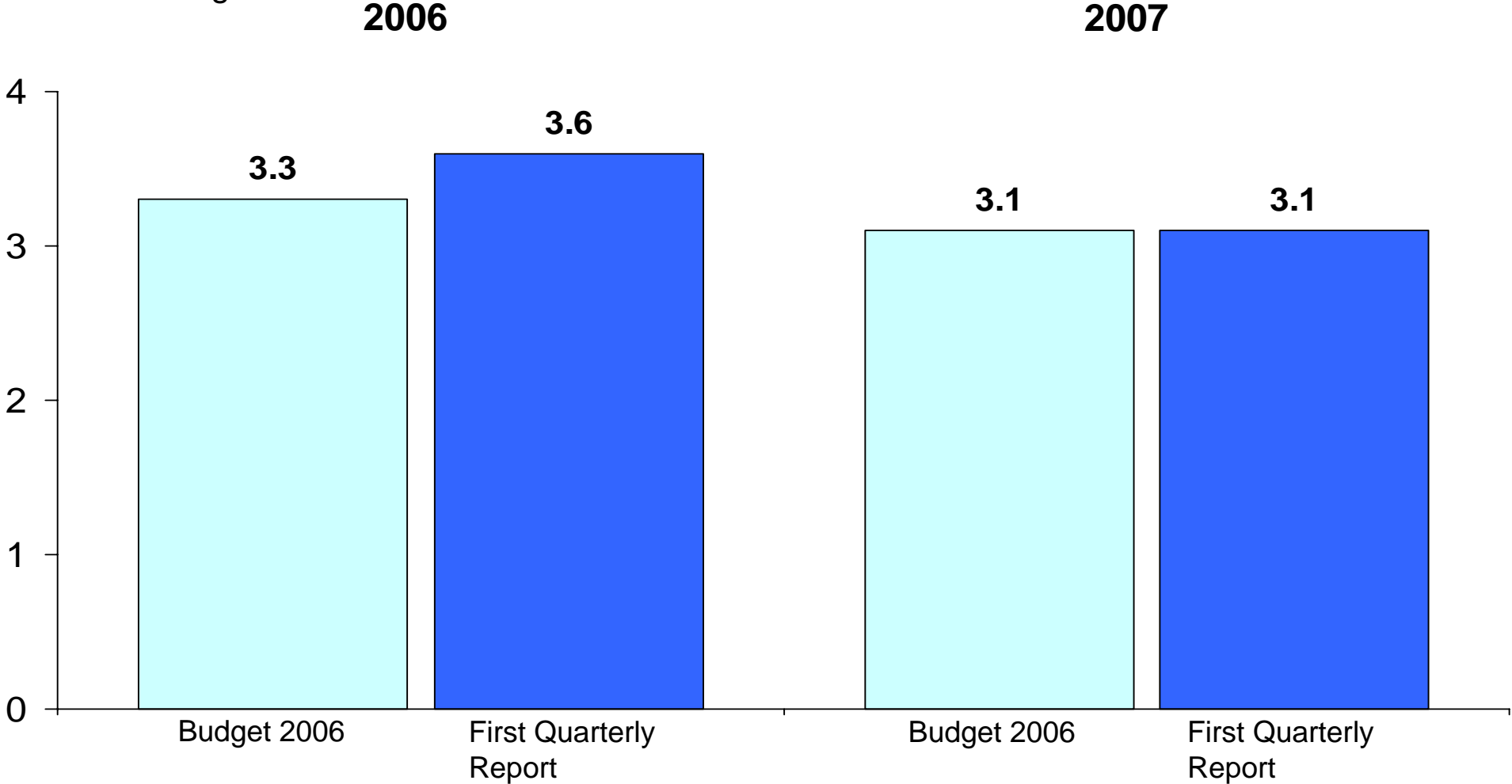
September 15, 2006



Stronger Economic and Fiscal Performance

BC economic growth up in 2006

BC Real GDP
Per cent change



Sources: B.C. Ministry of Finance

Economic indicators strong so far this year

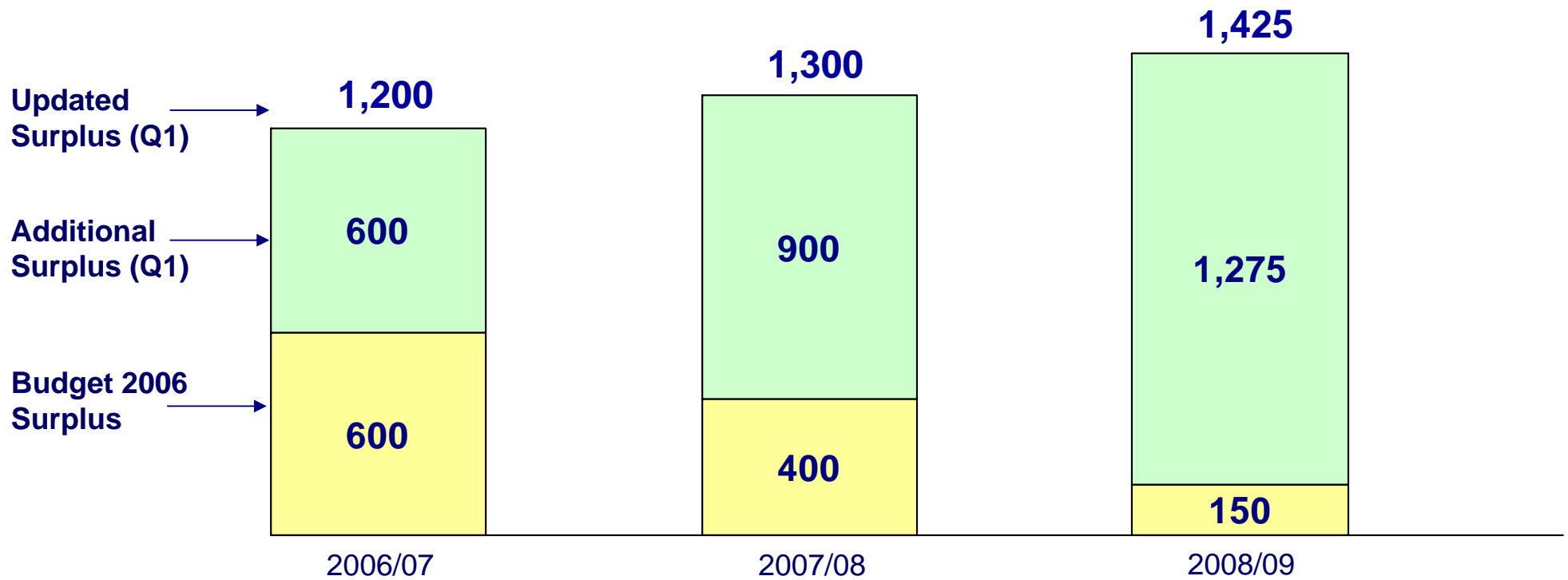
See Table 2.1; page 30

	Jan - Mar 2006/ Oct - Dec 2005	Apr - Jun 2006/ Jan - Mar 2006	Year-to-Date Jan – Jun 2006/ Jan – Jun 2005
	(per cent change)		
Employment	+0.7	+0.7	+3.4
Mfg Shipments	+3.7	-0.6	+6.2
Exports	-5.6	-4.2	+4.7
Retail Sales	+2.1	+2.4	+7.2
Housing Starts	+8.7	-13.1	+16.4
Building Permits (Non-Residential)	+31.2	-5.8	+11.1

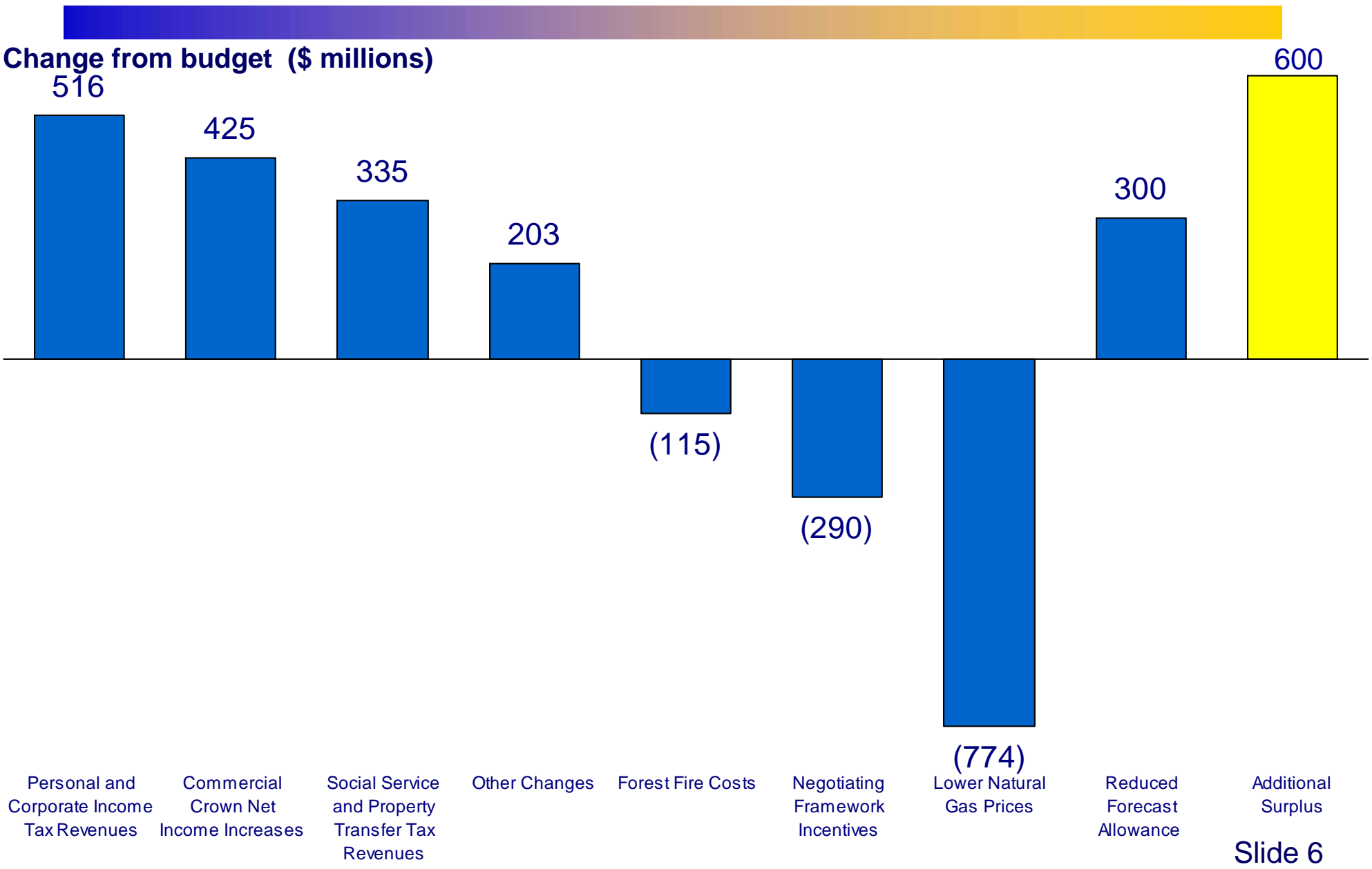
Sources: Statistics Canada; BCSTATS; Canada Mortgage and Housing Corporation
All data seasonally adjusted – as of August 31

Fiscal outlook also improved

(\$ millions)

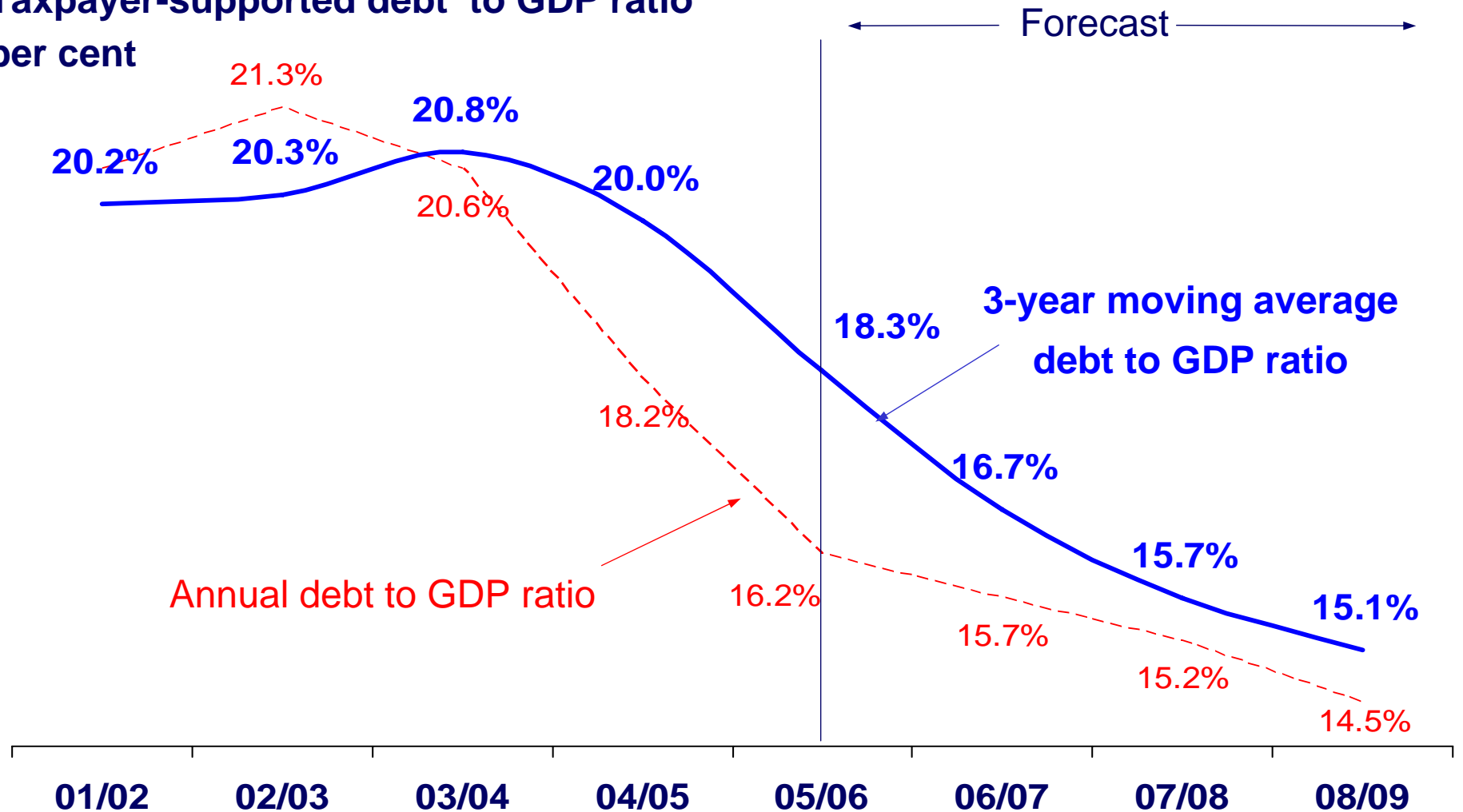


2006/07 forecast update



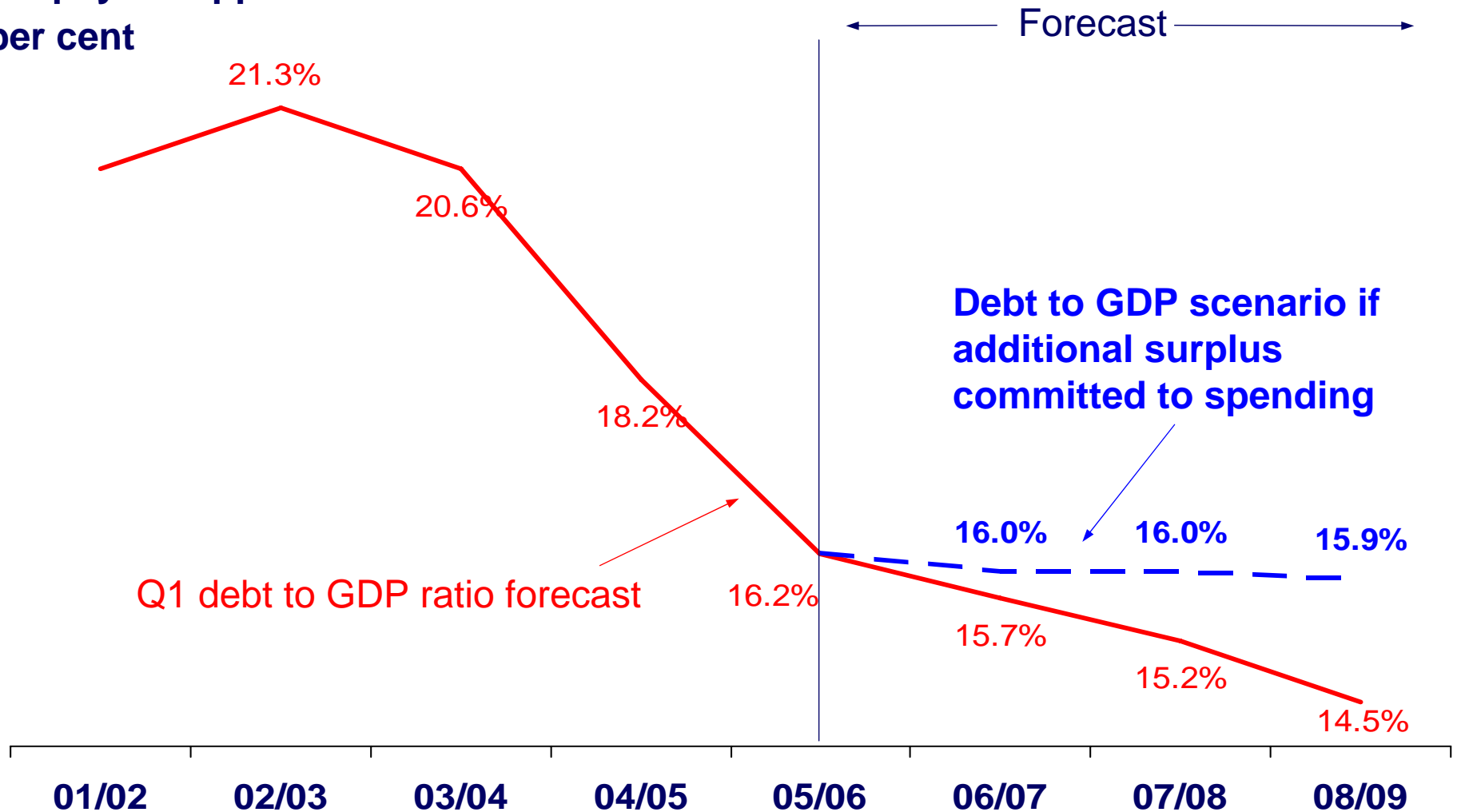
Debt track continues to be sustainable

Taxpayer-supported debt to GDP ratio
per cent



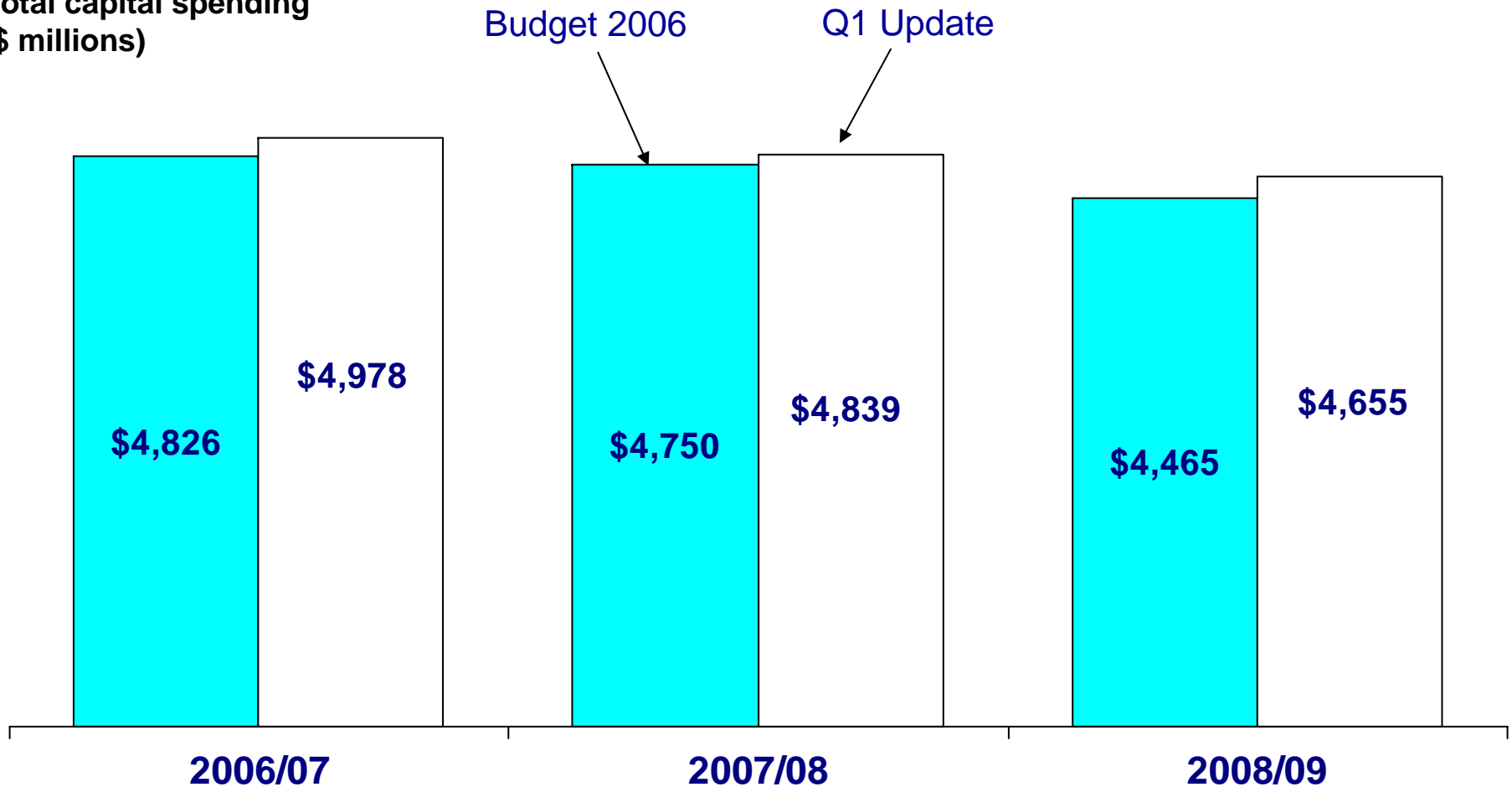
Sustainable debt track

Taxpayer-supported debt to GDP ratio per cent



Demand for schools, roads and hospitals up; within debt track

Total capital spending
(\$ millions)

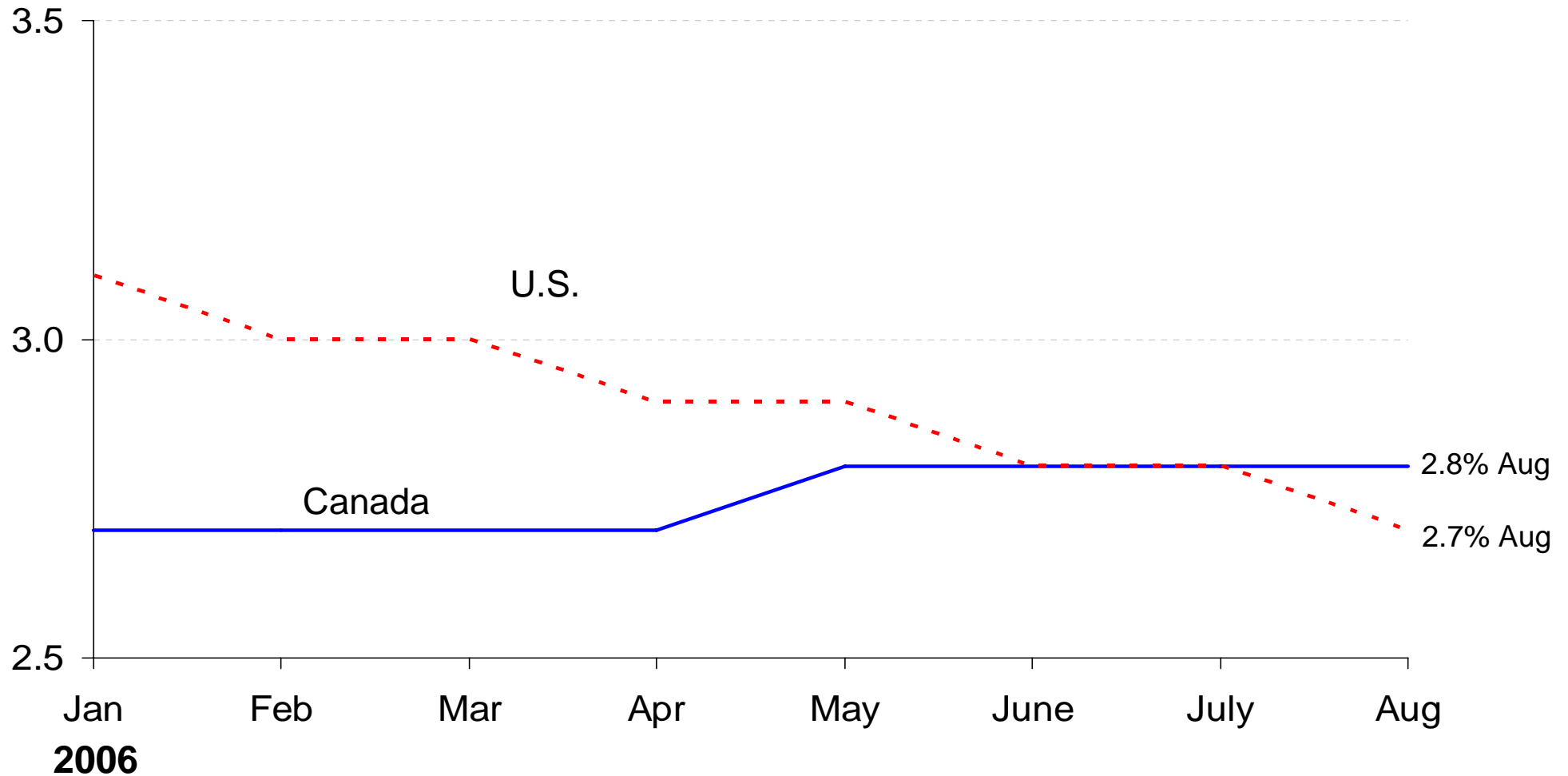




Risks/Issues

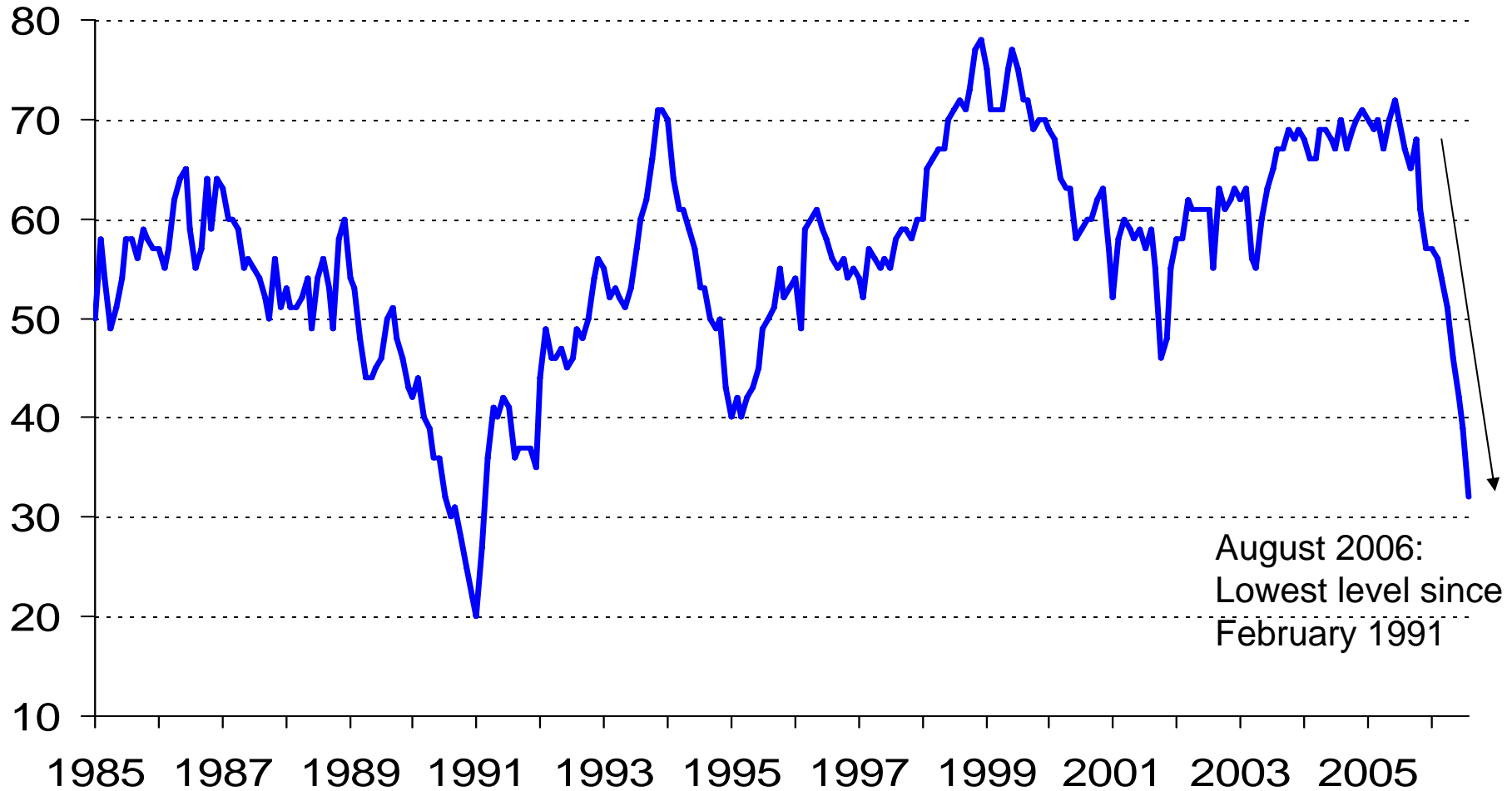
Consensus US outlook for 2007 downgraded since Budget 2006

Forecast annual per cent change in 2007 real GDP



US housing market weakening

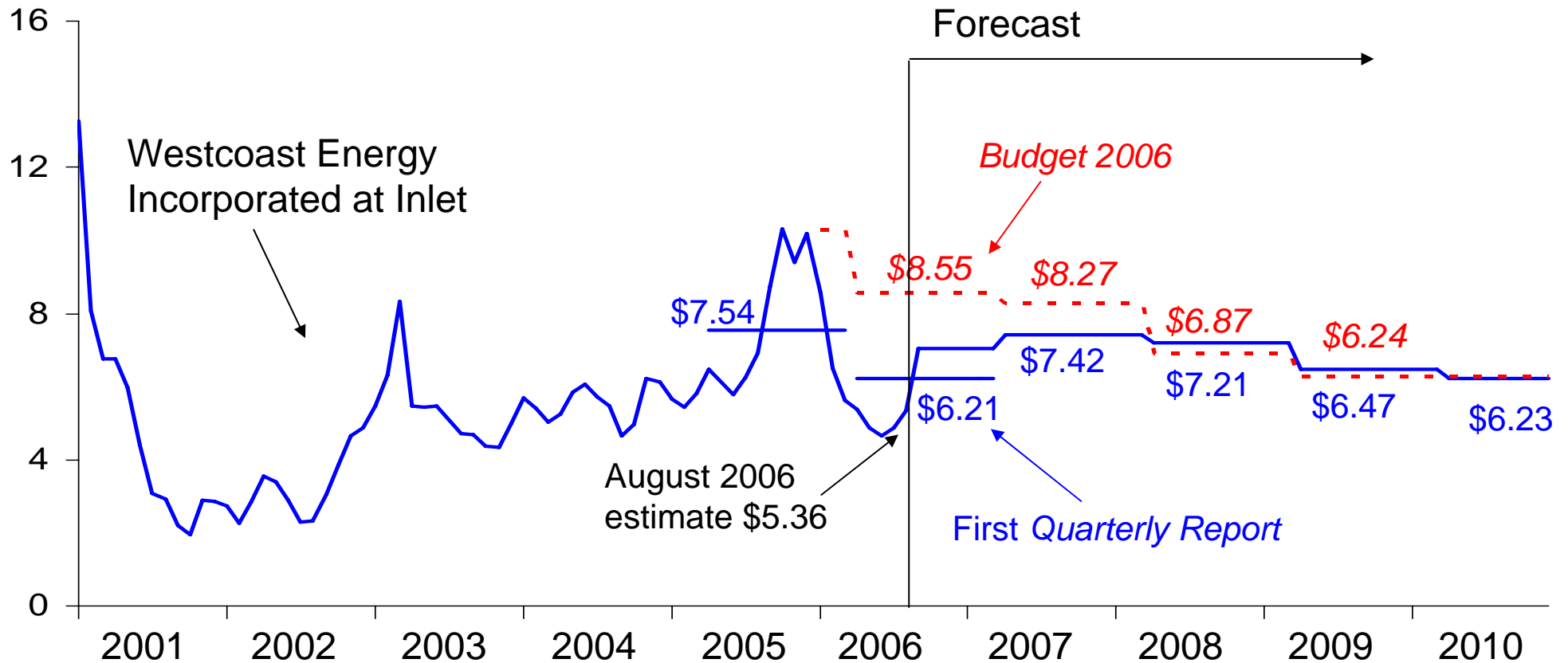
NAHB Index (rating below 50 considered unfavourable)



Source: National Association of Home Builders

Natural gas remains volatile

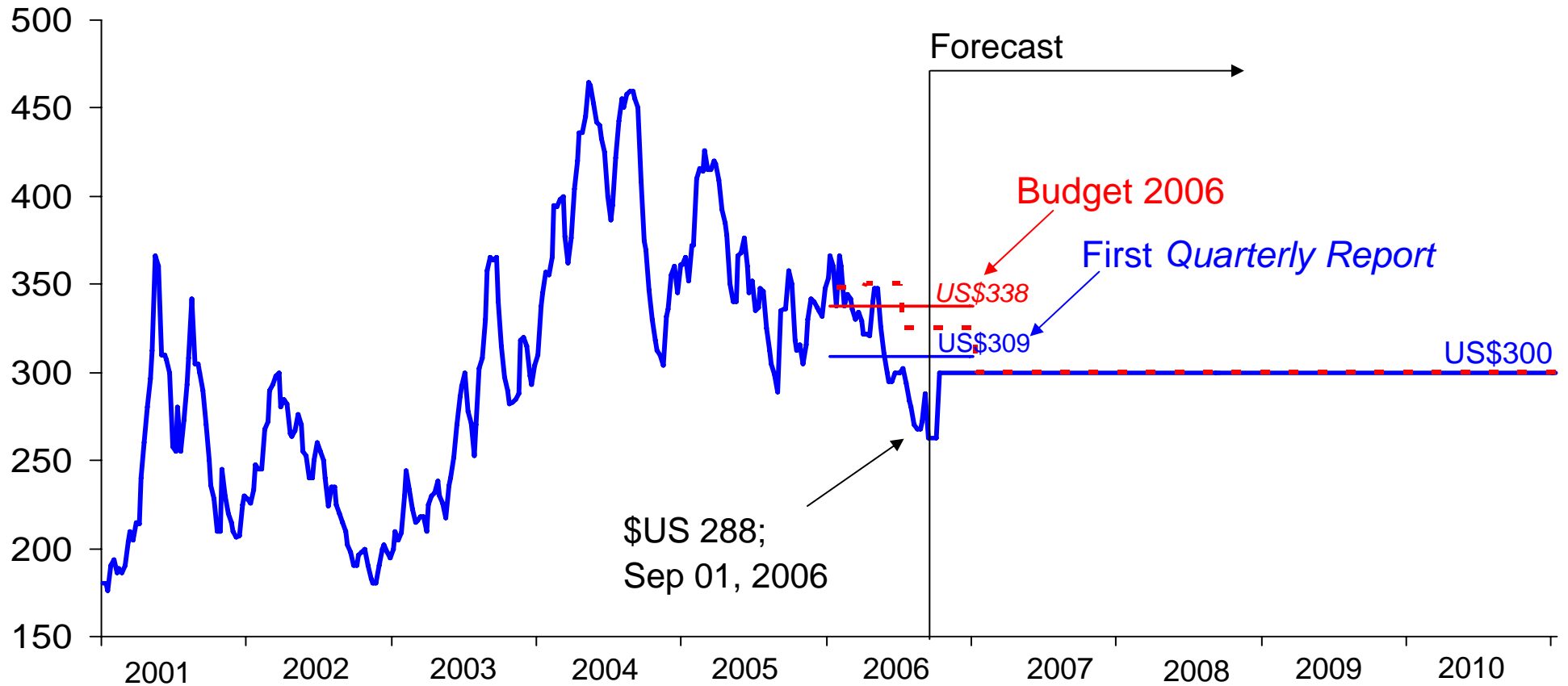
Natural gas price (Cdn\$/GJ)



Source: BC Ministry of Energy, Mines and Petroleum Resources; Ministry of Finance

Lumber prices also volatile

SPF 2X4; \$US/000 bd ft



\$US 288;
Sep 01, 2006

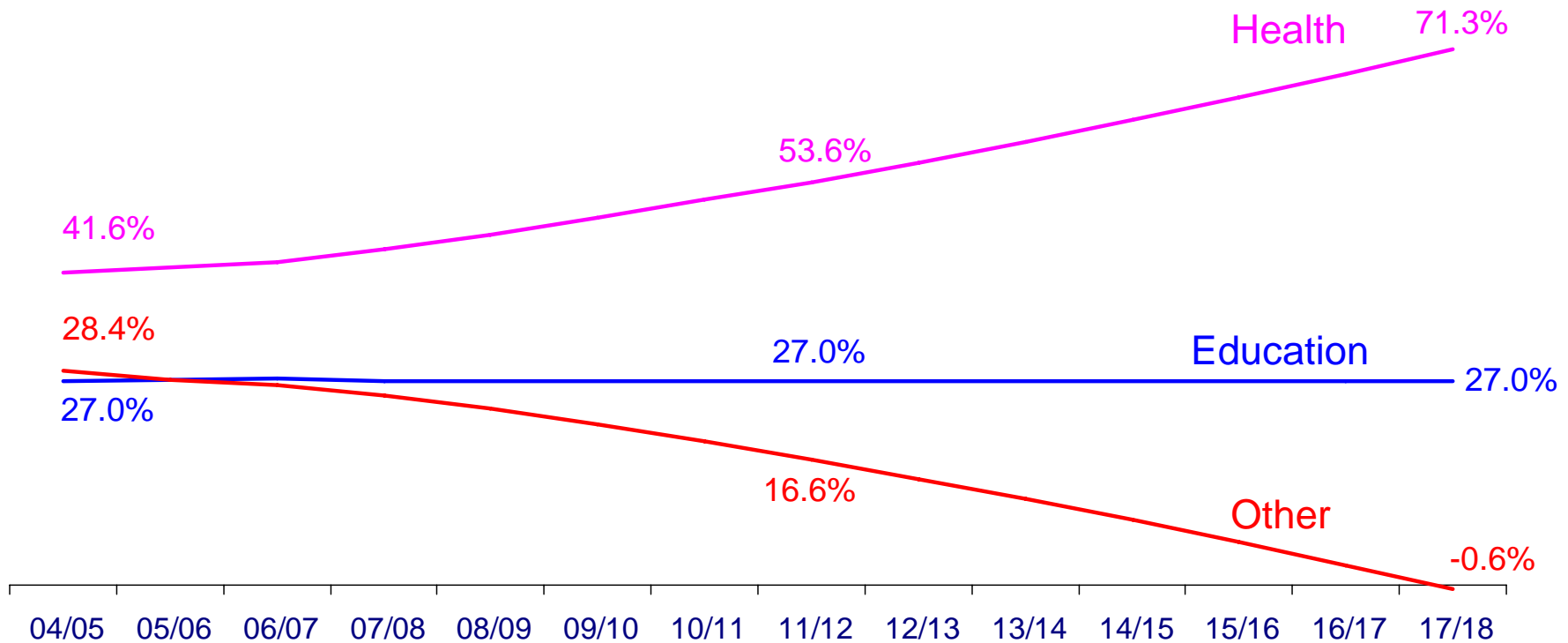
Source: Madison's Lumber Reporter; Ministry of Finance

Health Sustainability

Scenario Assumptions:

- Revenue Growth + 3%
- Education Growth + 3%
- Health Growth + 8%

Other spending reaches zero by 17/18



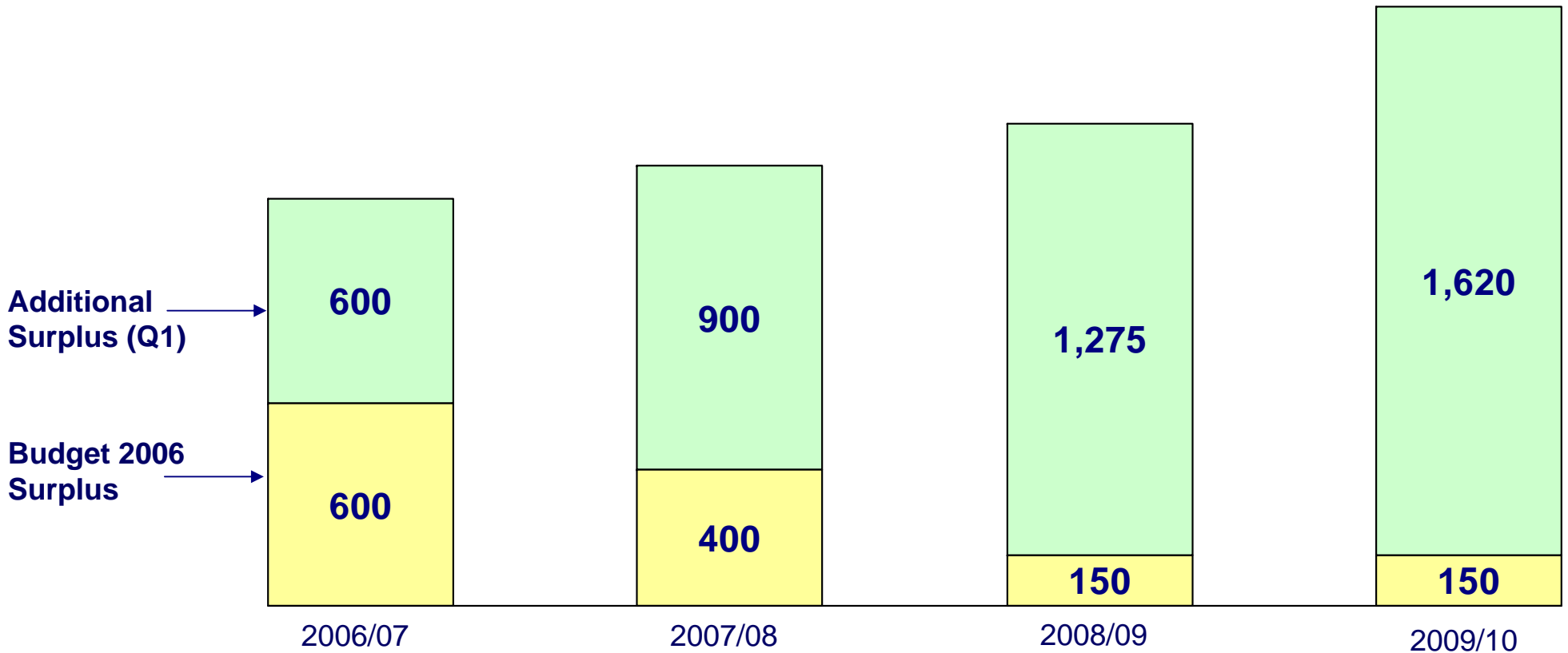
NB: Not a budget forecast or a budget plan



Budgets Are About Choices

Looking ahead to Budget 2007

(\$ millions)



Trade-offs for British Columbians to consider

Where would you spend more?

Social Housing	YES
Education	YES
Lower Taxes	YES
Health Care	YES
Environment	YES
Economic Development	YES
Roads, Hospitals, Schools	YES
Assistance for persons in need	YES

Where would you spend less?

_____	?
_____	?
_____	?
_____	?
_____	?
_____	?
_____	?
_____	?

Next steps



Budget Consultation Paper

Sept 15

Budget process for Budget 2007

Fall 2006

Report on Budget Consultation

Nov 15

2nd Quarterly Report

by Nov 30

Budget 2007

Feb 20, 2007