FEDERAL & B.C. BUDGETS 2021 ANALYSIS

Business Council *of* British Columbia
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BUDGETS FOR CANADA AND B.C.: BIG SPENDING, PERSISTENT DEFICITS AND RISING GOVERNMENT DEBT

HIGHLIGHTS

- A strong economic rebound in 2021 and 2022 underpins both the federal and B.C. budgets. The Federal budget assumes Canadian real GDP will grow by 5.8% in 2021 and 4% in 2022. The B.C. budget projects the provincial economy will grow by 4.9% this year and 4.3% in 2022. The more conservative projections for B.C. are part of several steps that indicate a high degree of budgetary prudence in the face of uncertainty.
- The federal deficit in 2021/22 is projected to be nearly $155 billion, which is still a sizeable 6.4% of GDP. The provincial deficit in 2021/22 is estimated to be $9.7 billion, which is 3.1% GDP. Neither budget provides a long term plan to return to balance. Both budgets contain plentiful and wide-ranging spending increases aimed at temporary pandemic related supports but also new non-temporary spending initiatives. Neither budget contains broad or substantial tax increases.
- The federal budget's highest profile initiative is the National Early Learning and Child Care Plan based on the Quebec child care model. If implemented, the government expects it will boost Canadian real GDP by 0.05% per annum over the next two decades. The federal government commits $30 billion over five years and $8.3 billion annually thereafter to the plan. The provinces are to administer the program and match federal funding on 50/50 basis.
- Both budgets feature active industrial policy around promoting innovation and the growth of technology-producing companies. The federal budget is spending billions more to support the life sciences and bio-manufacturing industry, clean technologies, the development of electric vehicles, the aerospace sector, quantum computing, AI, genomics, and digital technologies, among others. B.C.'s budget also provides funding for innovation, the technology sector and locally-based companies. The new InBC Investment Corporation, first announced last summer, will be endowed with $500 million to invest in growing and "anchoring" high-growth B.C. businesses.
- Both budgets also feature new spending towards a low-carbon future. The federal budget adds $17.6 billion in various spending measures to the $15 billion announced last year and the $14 billion promised for public transit in February 2021. The B.C. budget allocates another $506 million over three years for further initiatives under its CleanBC plan.
- Unfortunately, the province has done almost nothing to address mounting concerns that B.C.'s current carbon pricing system puts our exporting industries at a competitive disadvantage because of the province's failure to mitigate the negative financial impact of the escalating carbon price on trade-exposed sectors. The Business Council's biggest disappointment is there is nothing that begins to address this failure in the provincial budget.

CANADA AND B.C. ECONOMIC OUTLOOK

The federal government's 2021 budget, tabled on April 19, expects Canada's economy to grow by 5.8% (after inflation) in 2021 and 4.0% in 2022, as the economy's considerable spare capacity goes back to work. After this spurt, growth drops back to around or below 2% per annum thereafter (**Table 1**). Canadian real GDP will surpass its pre-pandemic level later in 2021 (earlier than previously expected), but the recovery will not be strong enough to make up lost ground and return GDP to its pre-pandemic trajectory (i.e. the level of GDP that would have occurred without the pandemic). The near-term outlook is subject to uncertainty and unevenness across sectors, as the race between the variant-driven third wave and Canada's vaccination program continues.

Key factors assisting Canada's near-term prospects are: buoyant global commodity prices; a much improved global and U.S. growth outlook (reflecting the resilience of households and businesses during lockdowns, and the Biden administration's massive $1.9 trillion fiscal stimulus package); extraordinary ongoing domestic monetary and fiscal policy stimuli; and the extent to which vaccinations allow the lifting of social restrictions (especially affecting high-contact service sectors). Canada's GDP growth is expected to fade below 2% by 2024-25, which is considered the economy's long-run "top speed". In contrast, the federal budget notes the "top speed" for Canada's economy over 1970-2019 was considerably higher and averaged 2.7% per annum.

TABLE 1: **AFTER A SWIFT RECOVERY, CANADA'S MEDIUM TERM GROWTH PROSPECTS DIM** (REAL GDP GROWTH, ANNUAL, CANADA)

Source	Forecast date	2021	2022	2023	2024	2025
Budget 2021	*April 19*	5.8	4.0	2.1	1.9	1.8
Parliamentary Budget Office	*March 31*	5.6	3.7	1.8	1.6	1.6
Bank of Canada*	*April 21*	6.5	3.7	3.2	1.0-3.0	1.2-3.2

* Bank of Canada forecasts for 2024 and 2025 are the Bank's estimated range for potential output growth
Source: Federal Budget 2021; PBO; Bank of Canada.

The federal budget's economic forecasts, which are based on an average of private sector forecasts, are around 0.2-0.3 percentage points (pp) per annum more optimistic than the Parliamentary Budget Office's (PBO) pre-budget forecasts (**Table 1**). In particular, they assume the economy can sustainably grow (i.e. without causing excessive inflation) at just under 2% per annum, whereas the PBO's estimates are closer to 1½% per annum. If the PBO's more conservative outlook is correct (e.g. because of the pandemic's scarring effects on the economy), the government debt/GDP ratio would be higher and decline more slowly than projected in Minister Freeland's budget. On the other hand, on Wednesday the Bank of Canada revised up its forecasts for domestic and foreign demand, as well as for productivity growth and potential output growth, resulting in a stronger outlook for GDP across 2021-25. The Bank's more optimistic outlook would imply a slightly lower track for government debt/GDP than assumed in this week's federal budget.

As with the national economy, the B.C. economy is expected to rebound in the near term. In B.C.'s case, however, the average private sector forecast for real GDP growth is a conservative 4.9% in 2021. **This is almost a full percentage point lower than the national real GDP growth rate assumed in the federal budget**.

Unlike the federal budget, the province builds in an *additional* cushion by trimming the economic growth rate assumption by a *further* half percentage point relative to the average of private sector forecasts. Conventionally, in past budgets, B.C. governments have "discounted" the private sector average by two- or three-tenths of a percentage point. The much larger "discount" for this budget, partly reflecting unusual uncertainty, coupled with the rapidly improving global economic outlook, could result in actual provincial revenues handily exceeding the budget targets. Indeed, this is what we believe will happen as the 2021-22 fiscal year unfolds.

FISCAL SETTING AND OUTLOOK

Federal Budget

The federal government tabled its long-awaited budget on Monday, providing Canadians with a clearer picture of federal finances. It has been more than two years since the government tabled a budget and, in fact, there has not been a budget in the life of the current Parliament. At over 700 pages long, Monday's document is wide-ranging and packed with an assortment of new spending, of which close to half comes in the current fiscal year as temporary pandemic supports for business and individuals. There is also money to support reaching lower carbon emission targets, to foster industrial development in targeted sectors, and a high-profile announcement for childcare, all of which go beyond the near-term and could be seen as positioning the government to go to the polls.

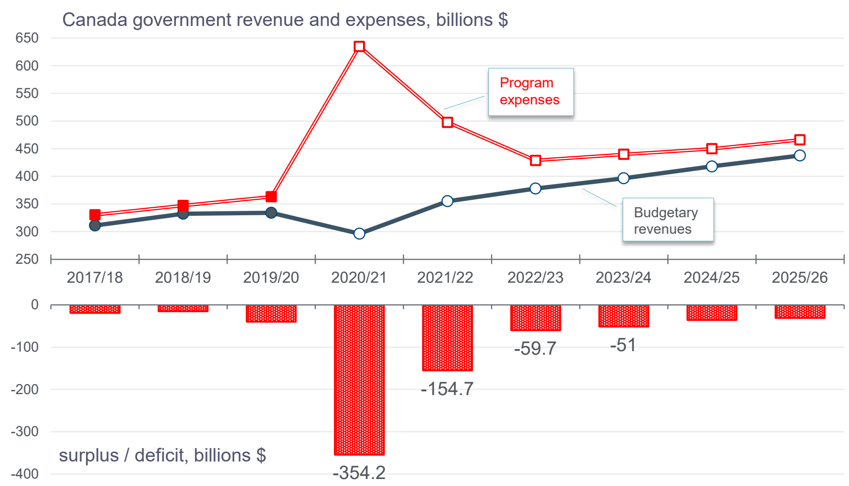
Consistent with past proclivities, new spending jumps sharply and is at the high end of what the government signalled in the Fall Economic Statement. New spending measures this fiscal year alone amount to $49 billion (2% of GDP). Over the next three years, the federal government will spend an additional $101.4 billion in "extra" stimulus.

There are a few minor and targeted tax measures, but the new federal budget contained no broad-based tax hikes. Revenue growth over the course of the fiscal plan results mostly from the stronger-than-expected economic recovery.

Even with the improved economic outlook and rising revenues, generous spending increases mean the government is looking at a whopping deficit of $154.7 billion in 2021/22. While down sharply from the record $354.2 billion deficit last year, it is still a large shortfall at 6.4% of GDP. In the following years, the deficit falls to $60 billion and then to just over $50 billion, amounting to 2.3% and 1.9% of GDP respectively.

The Trudeau government has no plan to balance the budget. The

FIGURE 1: **FEDERAL DEFICITS PERSIST EVEN AS COVID SPENDING UNWINDS**



Source: Federal Budget 2021.

budget document does reference the government's commitment to unwind COVID-related spending, lower deficits, and slightly reduce the federal debt as a share of the economy over the medium-term. But as outlined in Monday's document, the federal debt-to-GDP ratio jumped from 31% of GDP to 49% last fiscal year. It climbs further to 50.7% over the next couple of years before edging down marginally later in the decade.

In advance of the budget, the Parliamentary Budget Office and others questioned the need for anything near $100 billion of additional stimulus given the much stronger global and Canadian economic outlook. Fortunately upwards of half the additional federal stimulus spending occurs in the current fiscal year, and thus is not back-end loaded (as is often the case with new federal spending measures) when the need for it would be even less clear. We note, too, that some of the funding is aimed at making structural changes in the economy.

Key sensitivities surrounding the medium-term federal fiscal outlook concern the assumption that government borrowing costs will remain ultra-low, the strength of the near term economic recovery, and the economy's medium-term potential GDP growth rate.

B.C. Budget

A day after the federal budget, B.C. Finance Minister Selina Robinson introduced the provincial government's three-year fiscal plan outlining sizable and widespread spending increases in priority areas, two successive record deficits, and notably higher debt levels. A boost to public sector capital spending (which in B.C. is normally financed via borrowing) contributes to a large bump in the projected debt/GDP ratio in the next few years.

The provincial government expects a deficit for this fiscal year of $9.7 billion. At 3.1% of GDP this is a large shortfall, but not dissimilar to other provinces and half the comparable federal proportion. The deficit for the fiscal year that just ended (2020/21) is now pegged at $8.1 billion, much lower than the $13.6 billion deficit projection made in the fall. The upside surprise mostly reflects higher-than-expected revenues flowing from a rebounding B.C. economy.

Commendably, the budget embodies a significant amount of cushion and flexibility. For the current fiscal year (2021/22), the government has allotted $3.2 billion for pandemic and recovery related contingencies. This money may not be spent. As shown in the table below, roughly one third of the contingency funding is unallocated. Another layer of budgetary prudence comes from a $1 billion forecast allowance, to cushion against the risk of downside adjustments to economic growth. Considering the budget is already based on a GDP projection fully 0.5 percentage points lower than the average of private sector forecasters (unlike the federal budget), we do not expect the forecast allowance will be used.

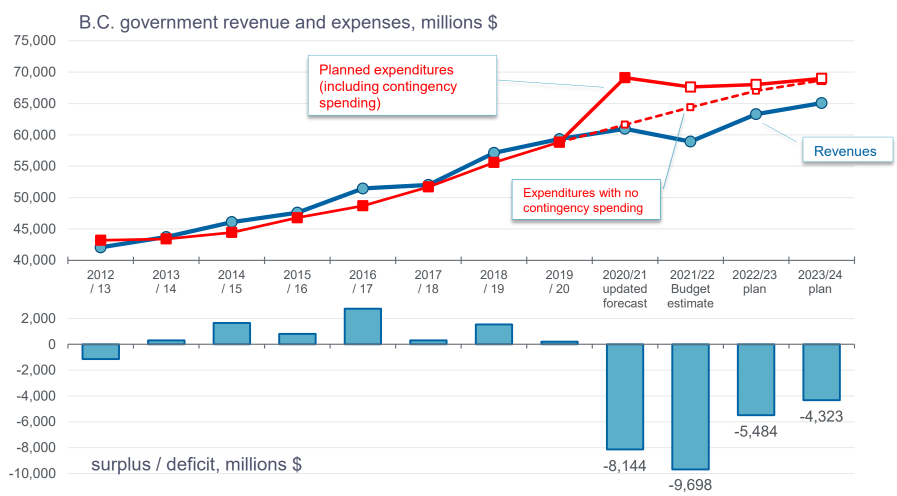
Notably, the B.C. budget does not contain a plan to return to balance. The document acknowledges this shortcoming, citing the "unprecedented level of uncertainty resulting from the ongoing impacts of the pandemic." The government does, however, hint at a potential timeline when it says "preliminary analysis indicates getting back to balanced budgets within a range of seven to nine years."

TABLE 2: **PANDEMIC AND RECOVERY CONTINGENCIES ALLOCATIONS FOR 2021/22 IN THE B.C. BUDGET**

Category	National Allocation*	Measures
Health and Safety	$900 million	Health-related COVID-19 management
Supports for Businesses and People	$265 million	Temporary housing, meals and supports for vulnerable populations
	$225 million	Essential services including justice services, child care safety grants, agriculture/food security and potential increased demand for income assistance
	$195 million	Small and Medium Sized Business Recovery Grant Program
	$120 million	Tourism and art sector supports
	$150 million	Incresaed Employment Incentive tax credit
	$100 million	B.C. Recovery Benefit
Preparing for Recovery	$100 million	Skills training and youth employment initiatives
	$100 milliion	Community infrastructure programs, BC 150 Community Grants and CleanBC recovery investments
Unallocated	$1.1 billion	Reserve for unanticipated urgent health or recovery measures
Total	**$3.25 billion**	

** Notional allocations are based on current forecasts, with any changes communicated in Quarterly Reports.*
Source: B.C. Budget 2021.

FIGURE 2: **B.C. PROJECTS DEFICITS OVER BUDGET PLANNING HORIZON**



Source: Federal Budget 2021.

In the fiscal year that just concluded, provincial spending surged by an unprecedented 17%, due mostly to unexpected pandemic related outlays. As vaccinations increase, the virus retreats, and the need for supports eases, provincial spending (inclusive of the loosely allocated contingencies) declines slightly in fiscal 2021/22.

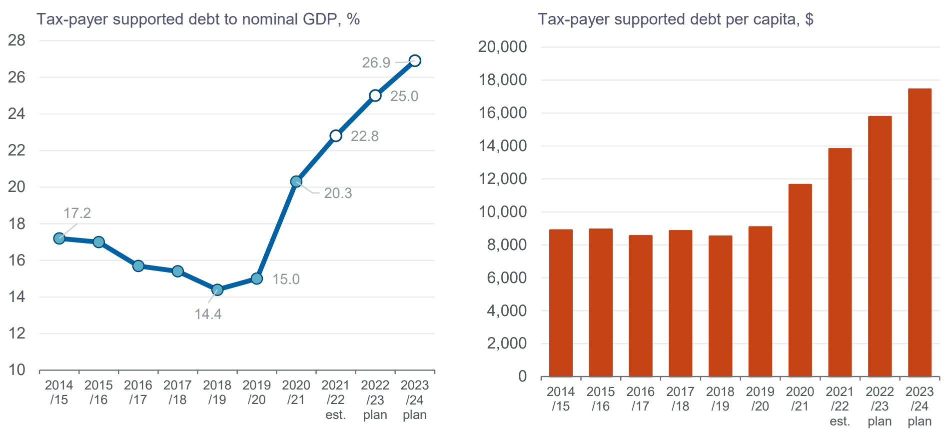
The revenue side of the B.C. budget is interesting. As the above figure shows, in fiscal 2020/21 total revenue held up surprisingly well. The large deficit in 2020/21 was driven mostly

TABLE 3: **B.C. ANNUAL REVENUE AND EXPENSE, 2021/13 TO 2023/24**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Updated forecast 2020/21	Budget estimate 2021/22	Plan 2022/23	Plan 2023/24
Revenue	42,057	43,715	46,099	47,601	51,449	52,020	57,128	59,326	60,967	58,929	63,286	65,074
% change	*0.6*	*3.9*	*5.5*	*3.3*	*8.1*	*1.1*	*9.8*	*3.8*	*2.8*	*-3.3*	*7.4*	*2.8*
Expense (incl. contingencies)	43,204	43,401	44,439	46,791	48,683	51,706	55,593	58,823	69,111	67,627	68,020	68,997
% change	*2.8*	*0.5*	*2.4*	*5.3*	*4.0*	*6.2*	*7.5*	*5.8*	*17.5*	*-2.1*	*0.6*	*1.4*
Forecast allowance	-	-	-	-	-	-	-	-	-	-1,000	-750	-400
Deficit	**-1,147**	**314**	**1,660**	**810**	**2,766**	**314**	**1,535**	**503**	**-8,144**	**-9,698**	**-5,484**	**-4,323**
Share of nominal GDP (%)	***-0.5***	***0.1***	***0.7***	***0.3***	***1.0***	***0.1***	***0.5***	***-0.1***	***-2.8***	***-3.1***	***-1.7***	***-1.3***

Source: B.C. Budget 2021.

FIGURE 3: **B.C. DEBT LOAD RISES SHARPLY 2021/22**



Source: B.C. Budget 2021 and previous B.C. budgets.

by additional COVID-19 spending. But the chief reason provincial revenue was higher than expected last year was a nearly $4 billion injection of unplanned federal pandemic funding. Without the additional federal transfer, B.C. government revenues would have fallen last year. The assumed winding down of the federal pandemic-related transfers is the reason provincial revenue falls this fiscal year.

While the pandemic prompted an unprecedented spending response which translated into the 17% jump in provincial expenditures in fiscal 2020/21, we note the cumulative spending increase over the four years prior to the pandemic is larger than the spending increase spanning the pandemic and what is proposed over the next three years.

Provincial government capital spending is slated to jump in the coming years. This fiscal year, taxpayer-supported capital spending rises to $8.5 billion, a level that is twice what it was three years back. The next year, capital investment is projected to rise further. The result is that, over the next three years, new taxpayer supported capital spending totals $26.4 billion: the highest level ever. The three-year total in Budget 2021 is $3.5 billion higher than the capital plan outlined in Budget 2020, due mostly to new investments in the areas of health, education and transportation, as well as revised timing for capital projects.

New spending on programs and growing capital investment drive the government's overall debt levels higher over the planning horizon. Taxpayer-supported debt rises by $32.8 billion and reaches $92.7 billion by 2023/24. B.C.'s taxpayer-supported debt-to-GDP ratio climbed from 15% prior to the pandemic to 20.3% in 2020/21 and rises to almost 27% by 2023/24. B.C. will see one of the biggest percentage point increases in its debt-to-GDP ratio of any province. Thankfully, B.C. went into the COVID crisis in better fiscal shape than most other provinces.

BUDGET THEMES AND KEY MEASURES

Both budgets include new/expanded spending commitments that carry a sizable fiscal price tag but should produce benefits as they are implemented. The federal budget is more consequential in this respect. Neither budget, however, does enough to strengthen the foundations for economic prosperity and higher productivity growth over the medium-term, which will better enable the economy to shoulder the associated high debt loads and weather future economic turbulence.

Pandemic supports continue

As Canada and B.C. grapple with the variant-driven third COVID-19 wave, government financial supports for households and businesses are being extended to the fall or, in some cases, longer – a necessary step, in our view. This accounts for a significant portion of the $154 billion deficit the federal government is forecasting for 2021-22 as well as the $9.7 billion shortfall B.C. is expecting. We support the decision to continue to run substantial deficits in the short-term but would emphasize that this is not a sustainable fiscal strategy. The orderly winding down of pandemic-related government spending is an urgent task for 2022 and beyond.

Ottawa is extending the Canada Emergency Wage Subsidy (CEWS) and the Commercial Rent Subsidy programs until late September. The federal government is also launching a new, time-limited Canada Recovery Hiring Program for

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eligible businesses and non-profit organizations affected by COVID-related restrictions. It will cover up to half of the cost of "incremental remuneration" for bringing back laid-off workers or increasing hours for current employees, up to $1,129 per employee, from June 6 through November 20, 2021. Finally, the federal government is providing additional weeks of benefits and enabling quicker and more flexible access to Employment Insurance benefits for workers facing COVID-related challenges, at a hefty extra cost of $14.6 billion this year and $4.2 billion in 2022-23.

B.C., for its part, is also maintaining and in some cases extending its more limited pandemic supports for businesses and individuals and is setting aside additional funds in the near-term to assist the hard-hit tourism, restaurant and arts sectors. The province is also allocating significant new funding for health care services – to deal with the lingering COVID crisis, to expand mental health and primary care services, and to reduce surgical backlogs in the wake of COVID-related disruptions.

National childcare initiative

Turning to new initiatives, the highest profile is a proposed National Early Learning and Child Care Plan, to be jointly developed with and administered by the provinces. The federal government commits $30 billion over five years and $8.3 billion annually thereafter to the plan. As envisaged by the Trudeau government, the plan will be cost-shared with the provinces/territories on a 50/50 basis. The goal is to dramatically increase the number of regulated childcare spaces and work toward a standard $10/day cost per enrolled child for families within five years.

Finance Minister Freeland argues that more accessible and affordable childcare will produce economic dividends by increasing labour force participation among parents – especially women – with young children. The federal budget estimates that a fully operational national childcare system could increase real GDP growth in Canada by 0.05% per year over the next two decades. The childcare plan should at least partly cover its associated fiscal costs by increasing the economy's productive capacity via slightly higher labour force participation (noting that Canada's labour participation rate among prime age women and men is already very high by international standards).

What Ottawa has in mind is explicitly modelled on Quebec's existing child-care program. It will take the form of a new, annual federal transfer to participating provinces. Ottawa will have to conclude bilateral agreements with willing provinces in order to bring its vision to life in the next few years.

We predict Quebec will happily agree to have the federal government pick up half of the cost of its existing childcare program. We believe B.C. will be an "early mover" in commencing negotiations with Ottawa to hammer out the details. In the meantime, the new B.C. budget earmarks a small sum to expand subsidized childcare in the short-term. Looking ahead, B.C. will need to earmark significant additional ongoing funding – beyond the amounts identified in the 2021 provincial budget – to secure its share of the federal money available under the new National Early Learning and Child Care Plan. It is uncertain how many other provinces will be keen to play ball with Ottawa on childcare. Several are struggling with deteriorating long term public finances due to the rising health care costs of their ageing populations. They may prefer to see Ottawa address Canada's worsening vertical fiscal imbalances by increasing Canada Health Transfers (CHT) or adjusting other federal transfers to the provinces, rather then embarking on a new permanent program for which they lack the fiscal capacity. Some provinces also have long-running political conflicts with the Trudeau government which may complicate things.

The Trudeau and Horgan governments are equally committed to activist agendas on the hot-button issues of climate change and delivering a low-carbon future.

Innovation, technology and business scaling

Both the federal and B.C. budgets deploy active industrial policy with measures aimed at boosting innovation and accelerating both the growth of technology-producing companies and the take-up of advanced process technologies across the broad business sector.

Here, the federal budget promises billions more to support the life sciences and bio-manufacturing industry, clean technologies, the development of electric vehicles, the aerospace sector, quantum computing, AI, genomics, and digital technologies, among others. A portion of this will come from the Strategic Innovation Fund, which will receive another $7.2 billion over the next seven years. Another slice will flow from federal funds set aside for climate change and clean energy (see below). The federal Industrial Research Assistance Program (IRAP) is in line for a $500 million top up. Ottawa also intends to stump up additional cash to backstop the venture capital industry and leverage more private capital for VC investments, with a focus on scaling more mid-sized Canadian firms (rather than on fostering start-ups). The federal government plans to devote $4 billion over four years to help Canadian SMEs increase their use of digital tools and technologies and take advantage of e-commerce opportunities. This is important inasmuch as Canadian businesses generally lag behind their peers in top-performing advanced economy jurisdictions in technology use and adoption.

That said, the federal budget embodies a rather scattershot approach to distributing substantial sums of money across a plethora of sectors, activities and industrial policy objectives. If policy choice in a world of limited resources requires setting clear priorities and making trade-offs, Minister Freeland's inaugural budget falls short. It is hard to discern, in the sprawling budget document, a coherent plan to make Canada a more productive and competitive economy as the country emerges from the COVID shock.

B.C.'s budget offers its own collection of modest ideas to spur innovation, support the technology sector and grow locally-based companies. Apart from pandemic-related business support measures, the main item of note is the new InBC Investment Corporation, first announced last summer. Endowed with $500 million financed via an agency loan, the Corporation will establish a fund to invest in attracting and "anchoring" high-growth B.C. businesses. It will operate at arm's length from government, but subject to certain criteria the province will define. We are hopeful that this initiative will foster the scaling of more B.C.-based companies and, over time, lead to a larger cluster of corporate head offices in the province.

Climate change and kick-starting the energy transition

The Trudeau and Horgan governments are equally committed to activist agendas on the hot-button issues of climate change and delivering a low-carbon future.

Ottawa continues to spend lavishly – arguably, indiscriminately – in this area. The 2021 federal budget adds $17.6 billion in climate-friendly spending to the $15 billion announced last year – and the $14 billion promised for public transit in February 2021. On climate and clean energy, the federal government will be funding too many things to keep track of – everything from rolling out more EV charging stations to helping to finance carbon capture and sequestration, reducing land-fill methane emissions, manufacturing electric vehicles, helping GHG-emitting sectors decarbonize, subsidizing building retrofits, expanding the production and use of cleaner fuels, procuring more low-carbon Canadian-made goods in the federal public sector, and much else besides.

A notable tax policy change is the decision to cut in half the federal small business and corporate income tax rates for technology companies that produce zero-emission goods, beginning in 2022 and extending through 2029. Another climate-related promise in Budget 2021 is Ottawa's commitment to earmark up to $35 million to create a Centre for Innovation and Clean Energy, based in B.C. The B.C. government previously announced its intention to support such a Centre, whose mandate will be to commercialize and scale-up the use of clean technologies.

Turning to the B.C. budget, the NDP government has allocated another $506 million over three years to roll out more initiatives under its existing CleanBC plan. Much of the new funding is to support "cleaner" transportation by increasing the market penetration of zero-emission vehicles and to reduce carbon emissions from the building stock. Unfortunately, the province has done almost nothing to address the business community's concerns that B.C.'s current carbon pricing system puts our natural resource, manufacturing and transportation industries at a competitive disadvantage – both globally and in North America – because of the province's failure to mitigate the negative financial impact of the escalating carbon price on trade-exposed sectors. This counts as the Business Council's biggest disappointment with the new provincial budget. The irony is that B.C.'s export goods have a lower carbon content than similar goods produced by competing jurisdictions, yet the province's carbon pricing system makes it increasingly difficult for many large and mid-sized exporting and manufacturing businesses to justify deploying capital to operations in British Columbia. Unless the government moves soon to tackle this problem, the province will be at growing risk of de-industrialization and disinvestment across a number of export-focused industrial sectors.

It is not too early to begin putting in place the building blocks for a post-pandemic world, particularly as the global economy looks poised to grow robustly in the next 2-3 years.

CONCLUSION

As Canada struggles to endure its variant-driven third wave of COVID infections, governments are faced with a challenging and uncertain environment. The most pressing task is to deal squarely with the pandemic and its continued economic and social fallout. Both B.C. and the federal government are doing this in their 2021 budgets, and the Business Council fully supports focusing on the here-and-now issues posed by the COVID crisis. At the same time, it is not too early to begin putting in place the building blocks for a post-pandemic world, particularly as the global economy looks poised to grow robustly in the next 2-3 years. In addition, policymakers cannot ignore the mountain of new debt that the public sector has taken on during the last 14 months. In Canada, grand political ambitions will soon bump up against the hard reality of limited fiscal resources and the need to get back to sustainable budgetary positions. This observation is especially relevant for the federal government, but it also applies to most of the provinces, including B.C.

We judge that the federal and B.C. budgets score well in addressing ongoing COVID-related disruptions but are less successful in charting a realistic and feasible path to a more prosperous future. For Canada as a whole, achieving a 2% or more real GDP growth rate over the medium-term will be very challenging without a marked improvement in the country's serially underwhelming productivity growth performance. The content of the 2021 federal budget suggests that stronger productivity growth is relatively low on the current list of national government priorities. There is little in Minister Freeland's budget that is likely to boost productivity growth or encourage a sustained, stepped-up pace of business investment in a country where that is desperately needed after several years in which Canada has fallen far behind peer jurisdictions in non-housing capital investment per worker. A similar comment can be made about the B.C. budget, which in addition is notably light on measures to strengthen the competitive position of the province's leading export industries. For both B.C. and Canada, creating an environment that supports thriving and growing export-capable industries is and will remain essential to prosperity. It is not clear that policymakers understand this.

Finally, with the opportunity to comment on both the federal and provincial budgets in the same publication we want to draw some contrasts between the two documents. The production, layout and information contained in the B.C. budget sets the standard. Our provincial budget is transparent, crisp and easy to understand. Reading it, one gets a sense of confidence. The budgetary forecasts are integrated with economic forecasts, and all the information is well presented for anyone to read. Although the provincial budget did not delineate a specific fiscal anchor, the document clearly explained the reasons and provides some indication of the path back to balance.

In contrast, the federal budget is sprawling, unclear and frequently difficult to understand. Spending announcements are often re-announced and lumped together over several years. Literally hundreds of programmatic measures and spending commitments are splashed throughout the more than 700 page document. Reading the federal budget conveys a sense that the government is budgeting by a jumble of bullet points and flashy spending announcements rather than on the basis of a carefully thought-out and coherent plan.

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