

B.C. BUDGET 2022 ANALYSIS



Business Council of
British Columbia
Est. 1966

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DESPITE SURGING REVENUES, B.C. BUDGET PENCILS IN SIZABLE OPERATING DEFICITS WHILE DELIVERING LITTLE TO ENCOURAGE STRONGER MEDIUM-TERM GROWTH

KEY TAKEAWAYS

- The 2022 provincial Budget embodies a substantial amount of new program spending in priority areas.
- The Budget plans for operating deficits over the next three years. But the government has left a substantial fiscal cushion in unallocated contingencies.
- Both capital investment and the operating deficits will add to the debt. The provincial taxpayer-supported debt-to-GDP ratio rises steadily over the Budget horizon.
- Budget 2022 contains a few measures aimed at encouraging investment and stronger economic growth, but the funding amounts are small and conflated with other policy objectives. There is little in this Budget to support business investment and scaling.
- The Budget provides some funding to help improve the competitive position of B.C.'s energy intensive trade exposed industries. But the commitments to provide meaningful relief are vague and do not show up until the third year of the fiscal plan. Absent details and more immediate relief companies are more likely to postpone investment decisions relating to their B.C. operations. This is a major weakness of Budget 2022 in our view.
- The Business Council is concerned that the new Budget bakes in higher spending levels and operating deficits at a time when the economy is operating close to capacity and government revenues are unusually elevated.
- Unfortunately, this Budget does nothing to address competitiveness challenges or bolster the export sectors that generate wealth and prosperity. Appropriately, there is plenty of attention devoted to a clean economy, but there are no measures aimed at growing the economic pie and improving prosperity for all British Columbians more broadly.

B.C. ECONOMIC OUTLOOK

The B.C. government's 2022 Budget is built around a real GDP growth forecast of 4.0% in 2022 (two-tenths below the Economic Forecast Council's 4.2% projection), followed by a more moderate 2.5% expansion in 2023 (also two-tenths below the Forecast Council). Essentially, the Budget expects the strong recovery

seen in 2021 to continue before growth reverts to the province's long-term average next year. The province's economy has proven resilient, as the Minister emphasized in her Budget speech. But the economy has also been supported by massive amounts of government emergency spending along with exceptionally accommodative monetary policy courtesy of the Bank

of Canada. Also worth noting is that B.C.'s all important export sector has made an outsized contribution to the economic rebound, with merchandise exports up by 36% in 2021 on the back of a strong global backdrop and surging commodity prices. The full reopening of all sectors and of international travel will also pave the way to a reasonably healthy expansion over the next year.

The rise in inflation means the Bank of Canada will begin its tightening cycle sooner than expected, which will weigh on rate sensitive segments of B.C.'s economy, notably the frothy housing sector. The Budget assumes short term rates will rise steadily. Longer-term rates also climb, but not to the same degree.

The path of the COVID-19 virus and the risk of new strains, supply chain disruptions, inflation and hiring challenges are all clouds over the economic outlook for the next couple of years. But as we write this Budget review, Russia has invaded Ukraine, raising profound questions about global political stability and geopolitics. President Putin's full intentions are unclear, but the invasion is an aggressive and hostile act and will be broadly destabilizing.

FISCAL SETTING

The B.C. government's three-year fiscal plan tabled by Finance Minister Selina Robinson outlines sizable spending increases in a few priority areas, plans for successive deficits over the budget horizon, and projects a substantial jump in public sector debt levels. The fiscal plan also proposes additional public sector capital spending, although not as much as an initial glance suggests. There is little in the Budget to support stronger economic growth and greater prosperity over the medium-term.

To set the context for the Budget, we first recap the dramatic upturn in the financial picture for the current (2021-22) fiscal year.

Flush with large upside revenue surprises from personal income taxes, corporate income taxes, sales tax,

TABLE 1: **BUDGET 2022 ECONOMIC ASSUMPTIONS AND FORECASTS FOR BRITISH COLUMBIA**
(ANNUAL PER CENT CHANGE UNLESS OTHERWISE INDICATED)

Source	2020	2021	Forecast		
			2022	2023	2024
B.C. Real GDP (chained \$2012)	-3.4	5.0	4.0	2.5	2.1
B.C. Nominal GDP	-0.5	12.4	5.8	4.1	4.0
Exports Goods & Serv. (chained \$2012)	-9.7	1.7	2.7	2.5	3.3
Retail Sales	1.3	12.8	4.0	3.7	3.6
Housing Starts (000s of units)	37.9	47.6	38.0	36.0	35.0
Cdn 3-month T-bill (annual avg. %)	0.45	0.12	0.65	1.56	1.88
Cdn 10-year gov't bond (annual avg. %)	0.75	1.36	1.82	2.14	2.25
Canada Real GDP (chained \$2012)	-5.2	4.5	3.6	2.6	1.8
U.S. Real GDP (chained \$2012)	-3.4	5.7	3.6	2.3	1.8
U.S. Housing Starts (000s of units)	1,380	1,595	1,480	1,400	1,380
Real GDP Japan (chained Yen 2011)	-4.5	1.5	2.8	1.2	0.7
Real GDP China (U.S\$ 2010)..	2.3	8.1	4.7	5.0	5.0

Source: 2022 B.C. Budget and Fiscal Plan.

property transfer tax and resource revenues, the Budget reports a much smaller operating deficit than the government was expecting a year ago. The revised deficit for 2021-22 is now put at \$480 million, far below the \$9.7 billion shortfall originally projected last year. Much of this upside revenue flowed from the rebounding export sector, in particular natural resource industries. The massive capital investments in the province's energy sector (natural gas, LNG, pipelines, Site C) also helped support the expansion and government revenues. Large one-time injections of federal government cash also boosted revenues in 2021-22.

The fiscal picture for the fiscal year that is about to end brightens even further when one considers the

Finance minister still has more than \$3 billion in unallocated pandemic contingency funding at her disposal plus another \$1 billion in unused forecast allowance. With only one quarter left in the fiscal year (the Budget provides fiscal estimates up to the end of 2021), we expect the province will post an operating surplus in the vicinity of \$3 billion for fiscal 2021-22.

This is a stunning turnaround — an \$12 billion + upside swing, assuming the final tally shows a bottom line of plus \$3 billion when the books are closed on 2021-22.

Turning to the updated three-year fiscal plan, the government is planning for modest operating deficits of around 1% of GDP in each year (the deficits are somewhat higher in the first year and somewhat

smaller in the final year). The plan missed the opportunity to take advantage of the large upside revenue surprise in 2021-22 to set forth a solid framework for fiscal stability that would return the Budget to balance in the coming years. Instead, the Budget “bakes in” the surge in spending since 2020 even as the government predicts revenue growth will slow going forward.

PROGRAM SPENDING HIGHLIGHTS

Under the umbrella of **Building a Stronger Society by Putting People First**, Budget 2022 outlines new program expenditures in the NDP government’s priority areas:

- an additional \$3.2 billion directed to health care and mental health over the next three years.
- \$284 million more in provincial funding for childcare services over the fiscal plan. By the end of 2022, the government plans for the average parent to pay fees of ~ \$20 per day for children under the age of six in licensed childcare. Much of the funding needed to expand low-cost childcare comes from the federal government.
- \$633 million over three years for services and supports for homelessness.
- \$664 million over the fiscal plan to respond to rising K-12 enrolment in British Columbia’s public and independent school systems.

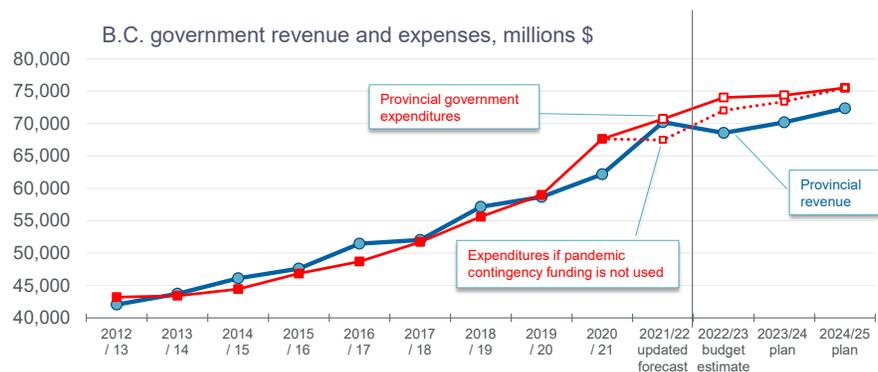
Building a Stronger Economy for Everyone is a second broad umbrella that the government uses to give some sort of loose structure to the Budget. This “*Stronger Economy*” section covers a broad spectrum

TABLE 2: **B.C. GOVERNMENT THREE YEAR FISCAL PLAN**
(MILLIONS OF DOLLARS UNLESS OTHERWISE INDICATED)

	2019/20	2020/21	2021/22	Forecast		
				2022/23	2023/24	2024/25
Revenues	58,660	62,156	70,220	68,552	70,177	72,325
% change	2.7	6.0	13.0	-2.4	2.4	3.1
Expenditures	58,982	67,624	69,703	73,013	73,359	74,506
% change	6.1	14.7	3.1	4.7	0.5	1.6
Forecast Allowance			-1,000	-1,000	-1,000	-1,000
Deficit	-322	-5,468	-483	-5,461	-4,182	-3,181
Taxpayer-supported debt	46,229	59,750	61,731	73,475	83,302	90,846
% of GDP	14.9	19.3	17.8	20.0	21.8	22.8

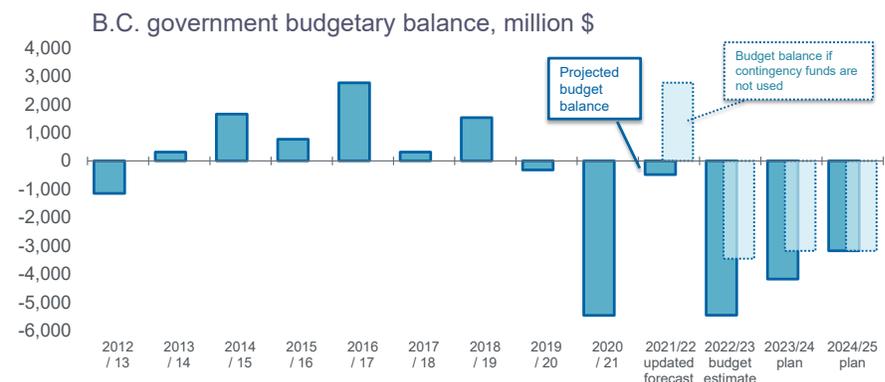
Source: 2022 B.C. Budget and Fiscal Plan.

FIGURE 1: **AS THE SURGE IN REVENUE FADES, THE GOVERNMENT EXPECTS MODEST DEFICITS**



Source: B.C. Budget 2021 and B.C. Budget 2022.

FIGURE 2: **REVENUE SURPRISE RESULTS IN BALANCED BUDGET FOR 2021/22**



Source: B.C. Budget 2021 and B.C. Budget 2022.

of new spending in various areas ranging from the NDP’s just released Economic Plan to skills training to housing, reconciliation, clean growth, job loss mitigation and developing more resilient infrastructure. While we welcome measures that support stronger growth and prosperity, the government embraces a somewhat generous interpretation of items that fit under the rubric of “Building a Stronger Economy”. The “economic development agenda” in the Budget mainly reflects the government’s focus on clean economy/carbon reduction policy objectives, the need to advance reconciliation, and the realities of climate change and extreme weather. These are important goals, to be sure, but they don’t add up to a credible economic growth strategy for the province.

Table 3 is reproduced directly from the Budget. It details annual Investments the province is planning for in each of the elements of the *Stronger Economy* framework. In general, the funding amounts are small, adding up to just \$925 million over a four-year period. Budgets typically announce funding over three-year periods. Over the three-year fiscal planning period, “Stronger Economy Investments” total \$730 million. Because economic development is important and this new funding is supposed to align with the province’s just released economic plan, *Stronger BC: A Plan for Today, a Vision for Tomorrow*, we briefly review and comment on the different funding elements. Unfortunately, much of the new “development funding” will do little to strengthen the economy’s competitive foundations or generate higher levels of business non-residential investment and more business innovation in the future.

TABLE 3: INVESTMENTS FOR A STRONG ECONOMY

(\$ millions)	2021/22	2022/23	2023/24	2024/25	Total
Stronger BC Economic Plan	-	11	21	21	54
Addressing the Housing Challenge	-	111	12	43	166
Enhancing Digital Connectivity*	-	5	7	91	104
Moving British Columbians and Goods	-	26	26	26	78
Old Growth Supports	-	112	44	31	185
Land, Water and Resource Stewardship	-	10	17	17	44
Advancing Mining Opportunities	-	8	8	2	18
Life Sciences Research	195	-	-	-	195
Job Training and Skills Development	-	39	14	14	67
Declaration Act Secretariat	-	4	4	4	12
Total	195	326	154	250	925

Table may not sum due to rounding. Table includes Contingencies allocations.

*Funding to enhance digital connectivity builds on \$40 million of new funding in Budget 2021, and includes funding commitments to 2026/27. The total Budget 2022 investment is \$289 million through 2026/27.

Source: 2022 B.C. Budget and Fiscal Plan.

- One *Stronger BC Economic Plan* subcategory is to implement the government’s recently released economic development strategy which “charts the path to meeting two big goals — inclusive growth and clean growth... .”
- *Addressing the housing challenge*: new funding will build “on investments made in Budget 2021 with an additional \$166 million across the fiscal plan period to continue and accelerate progress towards building 114,000 affordable housing units in British Columbia over 10 years.” Funding for more affordable housing units is welcome and needed. Unlike last year, in Budget 2022 housing investments are now categorized as an element of economic development rather than as a form of support to people and households.
- *Enhancing Digital Connectivity* is welcome as some smaller communities in B.C. lack access to high-speed digital communications. The only comment we have is that almost all the new funding is deferred to the third year of the plan.
- There is \$78 million more for *Moving Goods and British Columbians*. The funding is directed to highway, bridge and road maintenance and to BC transit and BC Ferries services.
- The second largest line item in the above table is for *Old Growth Supports* to help forest workers and contractors, industry, communities, and First Nations to adapt and respond to the impacts of the government’s recent decision to defer harvesting in 2.6 million acres of old-growth forests. Funding will also be used to transition eligible forestry workers and contractors 55 years or older into retirement. While these steps may make sense, they will do nothing to boost economic growth or build the economy’s productive capacity. Instead, they flow from a government policy decision that promises to do real damage to B.C.’s largest export industry.
- *Land, Water and Resource Stewardship* represents \$44 million in funding for the creation of a new Ministry of Land, Water and Resource Stewardship and to support government’s goals of economic activity, environmental sustainability, and reconciliation with Indigenous Peoples. The new Ministry will incorporate programs currently

housed in other ministries, including: land use policy and planning; fisheries and coastal policy and planning; and aquatic and terrestrial habitat management.

- While new funding of \$18 million for *Advancing Mining Opportunities* is modest it is also well-targeted. It will be used to further advance the Regulatory Excellence in Mining strategy and support (hopefully) efficient decision-making processes across regulatory agencies. The Business Council supports funding to improve and expedite decision making processes for mines (and other land-based industries) for the same reasons outlined in Budget 2022: to help “attract investment in mining and create jobs, advance reconciliation, and enhance environmental outcomes in support of a safe and thriving mining sector in British Columbia.”
- The investment in *Life Sciences Research* (that comes in the current fiscal year) is directed to developing and providing training opportunities in B.C.’s expanding life sciences sector through \$195 million in grant funding to Genome BC and the Michael Smith Foundation for Health Research. In terms of economic lift and future growth, this is well-targeted to further leverage B.C. advantages in this space and take advantage of emerging opportunities in vaccines and related health research.
- The \$67 million in funding for *Job Training and Skills Development* is for short-term skills training for unemployed or precariously employed people, and Indigenous-led training with an aim to prepare participants for long-term jobs. Funding will also be directed to the governments Skilled Trades

Certification policy that will initially apply to 10 electrical, mechanical and automotive trades. Support for Community Benefit Agreements — a flawed model for public sector procurement, in our view — is also identified in this sub-category. In an environment of mounting skill shortages, funding for training is welcome. But much of it is targeted towards programs that are likely to reduce labour market flexibility and increase construction and procurement costs.

- Finally, the funding for the *Declaration Act Secretariat* amounts to \$12 million over the next three years to create and support the work of the Secretariat on consultation and consistency of laws with the Declaration Act, to help inform government’s legislative agenda, and engage with Indigenous Peoples on ways to ensure that the Declaration Act is consistently applied.

A third broad umbrella heading in the Budget is **Building a Stronger Environment for Our Future**. As detailed in the table below, the government has earmarked \$1.2 billion to support the transition to a lower carbon economy, support clean industry and spur low carbon innovation. The biggest expenditure item is the \$310 million for “Clean Industry” to accelerate the decarbonization of industry, including reducing methane emissions; developing a province-wide approach to carbon capture, utilization, and storage; and assisting emission-intensive and trade-exposed industries to remain economically viable while preparing for the requirements to be net zero by 2050.

The Business Council has been working closely with the NDP government to find solutions to the competitive disadvantage that

TABLE 4: **INVESTMENTS FOR CLEANBC (INCLUDING CONTINGENCIES ALLOCATIONS)**

(\$ millions)	2022/23	2023/24	2024/25	Total
New Investments for CleanBC				
Low Carbon Energy	4	3	3	9
Clean Transportation	35	56	34	125
Energy Efficient Buildings	11	24	11	46
Communities and Land Based Activities	39	37	37	113
Clean Industry	6	7	298	310
Circular Economy	11	1	1	13
Climate Strategy Resourcing and Outreach	4	4	1	9
Cleantech Innovation	25	-	-	25
Subtotal	135	131	385	651
Other Investments				
Continuation of Climate Action Tax Credit	-	-	120	120
Light-Duty ZEV Rebates Funded by				
Low Carbon Fuel Standard Credits	67	88	94	249
Clean Buildings Tax Credit	2	20	20	42
Equity Tax Credit for Clean Technology Investments	3	3	3	9
Expansion of Hydrogen Motor Fuel Exemption	-	1	1	2
PST Exemption for Used ZEVs	21	29	38	88
Increase Passenger Vehicle Surtax Threshold for ZEVs	12	15	20	47
PST Exemption for Heat Pumps	8	8	8	24
Subtotal	113	164	304	581
Total	248	295	689	1,232

Notes: Table may not sum due to rounding

Source: 2022 B.C. Budget and Fiscal Plan.

B.C.'s energy intensive exporters face because of the structure of the provincial carbon tax. Funding that helps these industries remain competitive in international markets is welcome. However, we are troubled that the government is doing little if anything in the near-term to support a number of B.C.'s biggest export industries to manage the economic and financial pressures flowing from the escalating carbon tax. There is a vague commitment to provide meaningful relief for the affected sectors by the third year of the updated fiscal plan, but absent the details of how this will be done many companies in these sectors are likely to postpone making investments in their B.C. operations and new greenfield investments are likely to be scarce. This is a major weakness of Budget 2022 in our view.

The government is also committing \$2.1 billion to Protecting People and Communities from Climate-Related Disasters. More than half of the funding is contingencies for flooding recovery.

The final broad category of additional spending is for **COVID-19 Response and Recovery**. Here, the government has provided contingency allocations of \$2 billion this fiscal year for management of the pandemic and related health matters.

CAPITAL SPENDING

Taxpayer-supported capital spending over the next three years totals a hefty \$27.4 billion. This includes completion of existing/approved projects along with new investments to expand and sustain infrastructure including schools, post-secondary facilities, roads, bridges and hospitals. The Budget indicates that the total

TABLE 5: INVESTMENTS TO SUPPORT COMMUNITIES AGAINST CLIMATE EVENTS

(\$ millions)	2021/22	2022/23	2023/24	2024/25	Total
Supports to Communities – Emergency Preparedness	120	-	-	-	120
Supports for Communities – Wildfire Prevention	90	-	-	-	90
Wildfire Prevention Projects and Services	-	52	23	23	98
EMBC and Wildfire Service Resources.....	-	45	50	51	145
Climate Preparedness and Adaptation Strategy	30	13	20	20	83
Climate-Ready Transportation Networks*	-	15	20	30	65
Emergency Program Act – Flooding Recovery	-	400	-	-	400
Contingencies – Flooding Recovery	-	400	500	250	1,150
Total	240	925	613	374	2,152

Tables may not sum due to rounding.
* Capital Funding

Source: 2022 B.C. Budget and Fiscal Plan.

TABLE 6: PANDEMIC RECOVERY CONTINGENCIES 2022/23

Initiative	Notional Allocations*
Health COVID-19 Management	\$875 million
Supports for Vulnerable Populations	\$175 million
Tourism Initiative Envelope	\$25 million
Other Recovery Initiatives	\$10 million
Unallocated: available for additional health or recovery measures	\$915 million
Total	\$2.0 billion

* Notional allocations are based on current forecasts, with any changes communicated in Quarterly Reports.

Source: 2022 B.C. Budget and Fiscal Plan.

capital spend for the three-year period is “\$1.1 billion higher than proposed in Budget 2021, mainly **due to increasing capital spending on major projects in the health and transportation sectors, as well as revised timing for capital projects.**” (emphasis added)

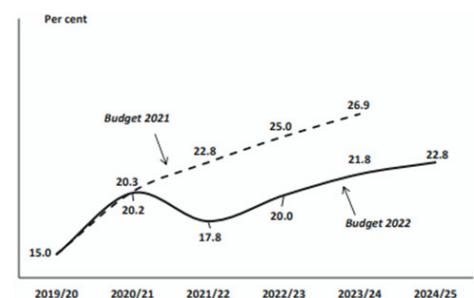
From our perspective, a more accurate characterization is that all the increase in the capital budget (and then some) is due to revised timing of capital projects and cost escalation. Capital spending has fallen short of original plans in recent years. In 2020-21, capital investment was almost \$850 million below plan and with fiscal 2021-22 almost over, it looks as though capital spending this fiscal will be more than \$1.3 billion lower than budgeted. Capital spending is at an elevated level, but our concern is that the shortfalls

reflect widespread challenges getting projects built.

DEFICITS AND DEBT

The Budget document emphasizes that debt-to-GDP ratios are now projected to be substantially lower than assumed one year ago. This is good news, but the downward shift is

FIGURE 3: DEBT TO GDP



Source: 2022 B.C. Budget and Fiscal Plan.

TABLE 7: BUDGET CONTAINS ADDITIONAL \$1.3 BILLION IN CAPITAL SPENDING OVER THREE-YEAR PLAN (BUT CAPITAL SPENDING HAS FALLEN SHORT OF BUDGETARY PLANS IN RECENT YEARS)
(MILLIONS OF DOLLARS)

	BUDGET 2021 CAPITAL SPENDING					BUDGET 2022 CAPITAL SPENDING					BUDGET 2022 COMPARED TO BUDGET 2021				
	Updated Forecast	Budget Estimate	Plan	Plan	Beyond Budget Planning Horizon	Actual	Updated Forecast	Budget Estimate	Plan	Plan	Actual vs. Updated Forecast	Updated Forecast vs. Budget	Budget Estimate vs. Plan	Plan vs. Plan	Plan
	20/21	21/22	22/23	23/24	24/25	20/21	21/22	22/23	23/24	24/25	20/21	21/22	22/23	23/24	24/25
Education															
Schools	972	1,197	1,114	1,187	na	944	1,036	1,082	1,063	955	-28	-161	-32	-124	na
Post Secondary Inst.	931	1,263	1,271	1,261	na	904	1,054	1,237	1,539	1,482	-27	-209	-34	278	na
Health	1,533	2,245	2,603	2,972	na	1,162	2,051	2,584	2,818	3,164	-371	-194	-19	-154	na
B.C. Transportation Financing Authority	1,525	2,162	2,539	2,264	na	1,285	1,716	2,644	2,528	2,038	-240	-446	105	264	na
B.C. Transit	114	113	199	257	na	107	82	178	291	293	-7	-31	-21	34	na
Government Ministries	435	641	521	457	na	389	457	755	492	441	-46	-184	234	35	na
Social Housing	679	671	574	335	na	572	672	572	426	254	-107	1	-2	91	na
Other	187	88	204	139	na	65	227	89	176	188	-122	139	-115	37	na
Total Taxpayer-supported	6,277	8,479	9,025	8,872	na	5,428	7,157	9,279	9,333	8,815	-849	-1,322	254	461	na

Source: 2021 and 2022 B.C. Budget and Fiscal Plan.

entirely attributable to the one-time upside revenue surprise discussed above, underpinned by strong export gains and the employment rebound. From today’s vantage point, the key consideration is that provincial taxpayer-supported debt is projected to rise steadily over the Budget period.

The Budget does not provide a plan or framework or signal any intention of returning to budgetary balance. In last year’s Budget the government said there was too much uncertainty to outline a path to budgetary balance (see box). Fair enough. But now, with the books balanced for 2021-22 and the economy on a much sturdier footing, we are concerned the government did not keep its commitment to produce a plan to eliminate the operating deficit.

Capital spending adds materially to government debt. This has long been the case in B.C. And the Business Council has long

supported capital spending on productive infrastructure and other assets, within a general framework of keeping the taxpayer-supported debt-to-GDP ratio below 20%. It was just a few years ago that this government was making a distinction between debt from investing in capital projects and debt from operating deficits – and trumpeting the fact it had managed to pay off all debt from past operating deficits. That story is no longer being told.

With both capital spending and operating deficits adding to debt, the government expects the net debt-to-GDP ratio to climb above 20% and reach almost 23% by 2004-25. With all the fiscal cushions built into the Budget, the government may post smaller operating deficits than currently assumed. If so, the debt will not increase to the extent projected in Budget 2022. Of course, interest rates could rise more than anticipated, B.C. could be hit by a

recession, or be affected by any number of other “shocks” in the next three years. In that case, the net debt/GDP ratio would rise above the levels assumed in the new Budget.

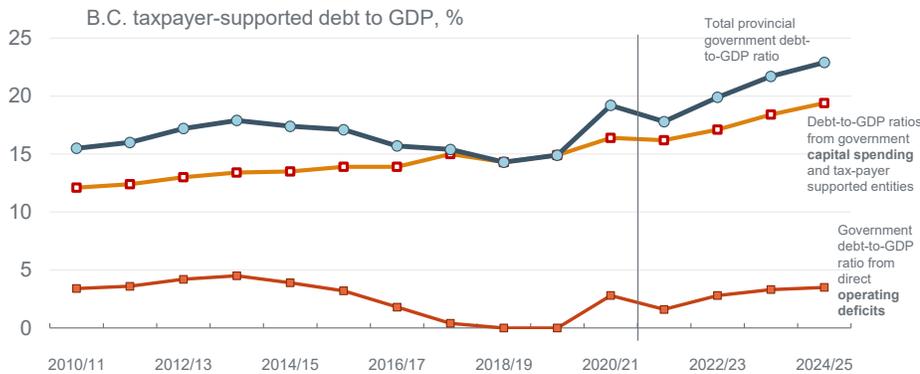
The Path to Balanced Budgets

Given the unprecedented level of uncertainty resulting from the ongoing impacts of the pandemic, it is too early to forecast a specific timeline to balance. However, preliminary analysis indicates a return to balanced budgets within a range of seven to nine years (the period of 2028/29 - 2030/31), consistent with projections tabled by other provinces in their 2021 budgets.

While the analysis incorporates economic growth scenarios and other assumptions, the Province will be working over the coming months to finalize a specific timeline to return to balance. Decisions required to achieve the timeline and the approach to balancing will be carefully guided by indicators that monitor the health of the economy, communities, and businesses. This will ensure a thoughtful approach that protects the momentum of the recovery and sustains important investments for British Columbians. The specific timeline, approach and plan will be presented in *Budget 2022* when there will be greater certainty about the path and pace of economic recovery.

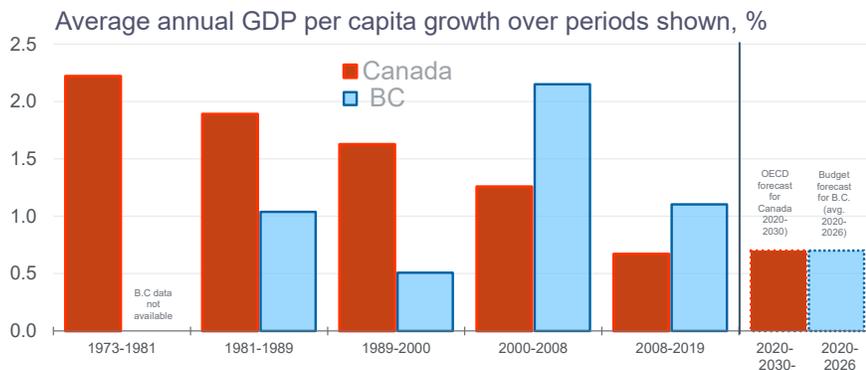
Source: B.C. Budget 2021.

FIGURE 4: DEBT-TO-GDP RATIOS RISE OVER BUDGET HORIZON



Source: B.C. Budgets.

FIGURE 5: WEAK GDP PER CAPITA GROWTH FORECAST FOR B.C. AND CANADA



Source: Statistics Canada tables 36-10-0369-01, 36-10-0222-01 and 17-10-0005-01. B.C. Budget 2022 for B.C. GDP per capita forecasts and OECD "The Long Game: Fiscal Outlooks to 2060 Underline Need for Structural Reform" for Canada forecasts.

CONCLUDING THOUGHTS

Reflecting on Budget 2022 prompts us to dial up concerns about the lack of attention to encouraging investment, innovation and the scaling up of business to strengthen the economy, lift real wages and boost government revenues. The Budget appropriately devotes resources to advance clean growth, reconciliation, health and other priority areas. But there is a worrisome lack of appreciation of what's needed to attract investment and foster stronger economic growth over the medium term.

The Budget also missed the opportunity to outline a more refined framework of fiscal prudence and stability. One of B.C.'s advantages has been sound fiscal management and comparatively low debt levels. Having weathered the pandemic, the government could have leveraged surging revenue growth to enrich program spending for households and individuals and introduce measures that deliver meaningful improvements to B.C.'s competitive position while also charting a course for fiscal stability. For the most part, Budget 2022 falls short on the latter two elements.

Absent substantive measures to improve the investment climate, and strategies to scale companies and grow exports, advances in prosperity will be anemic. The OECD predicts that Canada's real per capita GDP growth will average an annual rate of just 0.7% over the current decade. Alarming, the agency places Canada as having the weakest per capita growth performance of any OECD country. This bleak assessment undoubtedly reflects Canada's historic slowing per capita GDP growth trends. But persistently weak levels of non-residential investment, comparatively few large/global companies, demographics and competitiveness challenges also factor into the OECD's prognostications. Notwithstanding the very strong per capita growth of the 2000s, historic comparisons suggest there is no reason to expect B.C.'s per capita growth to be much stronger than Canada's. Indeed, detailed modelling and forecasts included in the provincial Budget show B.C.'s real per capita GDP growth also slipping to an average annual rate of 0.7% over the (slightly shorter) 2020-2026 period.

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