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## NEWS RELEASE

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Ministry of Finance

### **HIGHER REVENUES BOOST SURPLUS**

VICTORIA – A significant increase in natural gas royalties and stronger corporate and personal income tax revenues are the main drivers behind an improved surplus forecast, Finance Minister Carole Taylor announced with the release of the Second Quarterly Report – 2005/06.

Since the September Update, revenue projections are up \$1.3 billion, offset by a new \$1-billion one-time provision for public sector compensation agreements. This results in a \$337-million improvement to the surplus, which is now forecast to reach \$1.6 billion.

Forecast energy revenues are up \$757 million, due primarily to a \$695-million increase in projected natural gas royalties driven by a sharp price increase since August. Income tax assessment data for 2004 is higher than previously forecast, resulting in prior-year adjustments for 2004/05 and a stronger revenue base for 2005/06. As a result, personal income tax revenue is up \$261 million, while corporate income tax revenue is up \$283 million.

Taylor cautioned that a significant portion of forecast revenues, including prior-year income tax adjustments, equalization transfers, and the effects of high natural gas prices, are not expected to be sustainable over the medium term.

“We only need to look to the beginning of the decade to see how energy revenues can spike up and drop down just as fast,” said Taylor. “That’s why we need to remain prudent as we move forward.”

Total provincial debt is now projected to decline to \$35.5 billion, down \$351 million from the previous year. The taxpayer-supported debt-to-GDP ratio, a key measure of debt affordability, continues to improve and is forecast to fall to 16.9 per cent.

The report also shows continued strong economic activity across many sectors over the first nine months of 2005. Compared to the same period last year, exports are up 7.8 per cent, retail sales up 6.3 per cent, employment up 3.2 percent, and non-residential building permits up 68.9 per cent. While manufacturing shipments are up 1.8 per cent over the same nine-month period last year, this result masks a weakening trend in manufacturing shipments in recent quarters.

These robust rates in economic indicators suggest that stronger results than forecast in the September Update may now be attained for 2005. The Minister of Finance will meet with the independent Economic Forecast Council on Dec. 5, 2005 to obtain their views on the North American and British Columbia economic outlook.

In addition to the Second Quarterly Report, Taylor also presented British Columbia's new negotiating framework, including the \$1-billion one-time provision for 2005/06, which will guide public sector compensation through 2009/10.

The second Quarterly Report is available online at [www.fin.gov.bc.ca/qrt-rpt/qr05/Q2\\_05.pdf](http://www.fin.gov.bc.ca/qrt-rpt/qr05/Q2_05.pdf).

A summary of the report is available at [www.fin.gov.bc.ca/qrt-rpt/qr05/Q2\\_summary.pdf](http://www.fin.gov.bc.ca/qrt-rpt/qr05/Q2_summary.pdf).

View the ministerial presentation at [www.fin.gov.bc.ca/qrt-rpt/qr05/Q2powerpoint.pdf](http://www.fin.gov.bc.ca/qrt-rpt/qr05/Q2powerpoint.pdf).

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