



Second Quarterly Report



Ministry
of Finance

November 30, 2007

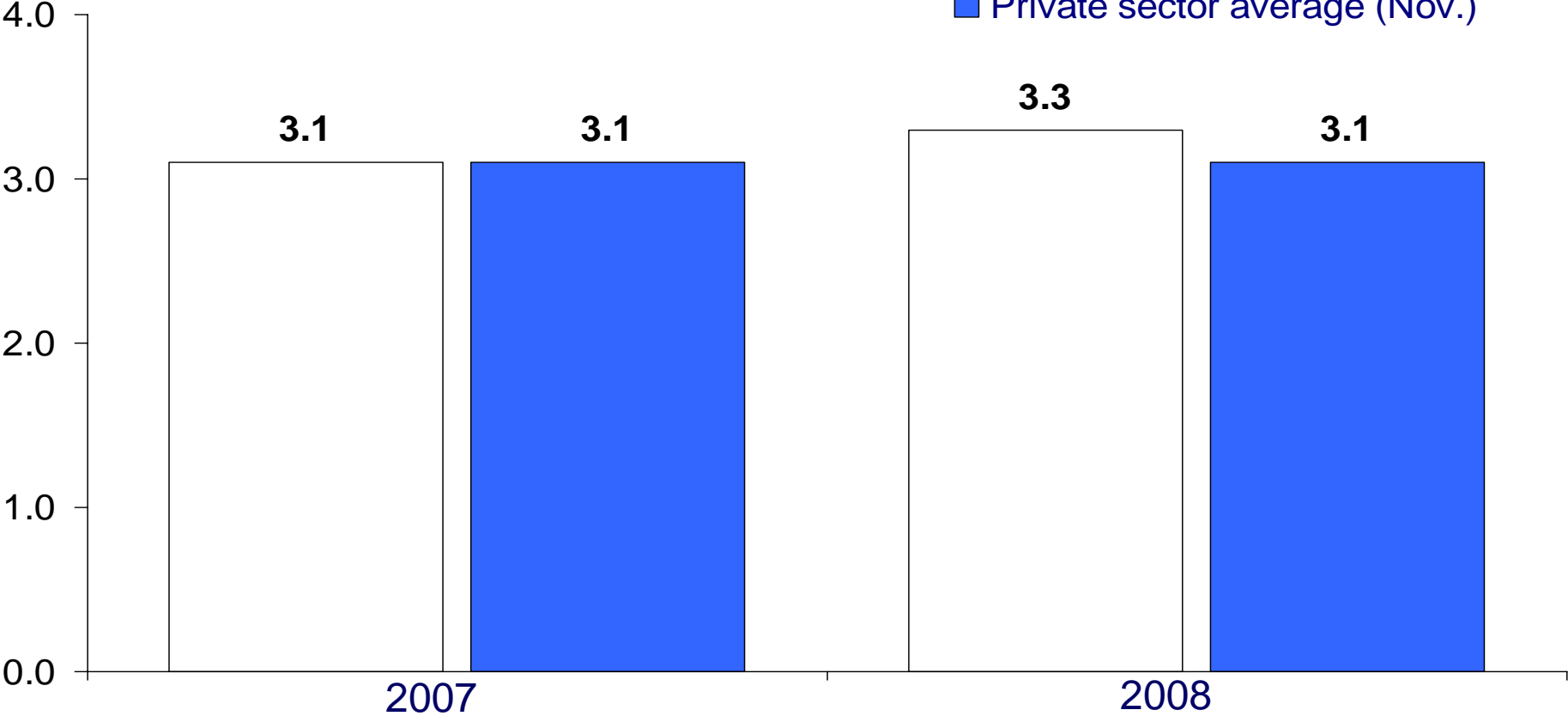
Domestic strength continues, but external outlook weakens



BC Real GDP
Per cent change

□ Private sector average (Aug.)

■ Private sector average (Nov.)



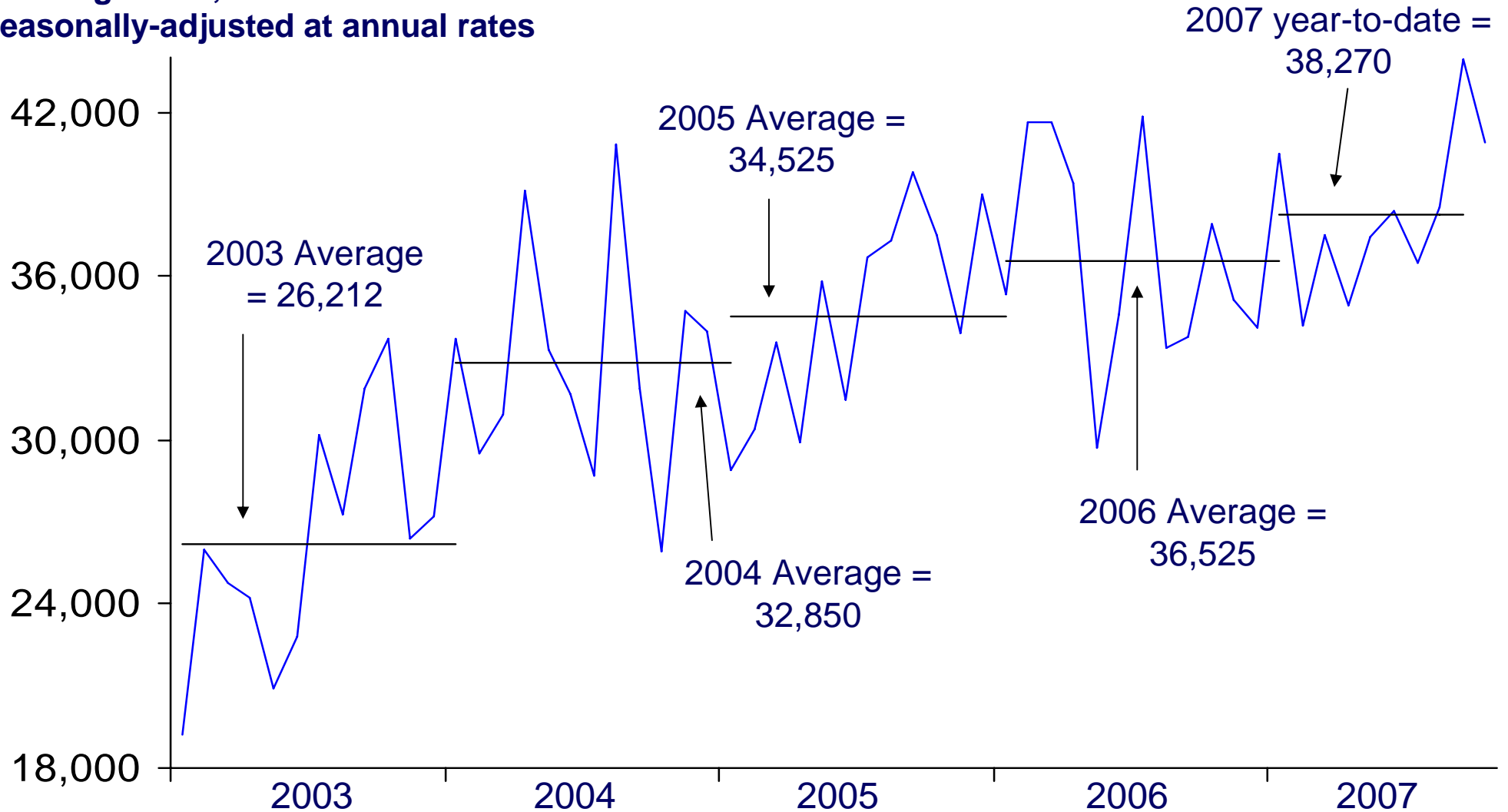
Sources: Private sector forecasters

Key economic indicators

All data seasonally adjusted	Apr. to Jun. 2007 change from Jan. to Mar. 2007	Jul. to Sep. 2007 change from Apr. to Jun. 2007	Year-to-Date Jan. to Sep. 2007 change from Jan. to Sep. 2006
		(Per cent change)	
Housing starts	- 1.3	+7.4	+3.2
Retail sales	+2.8	+0.5	+7.0
Employment	+0.1	+0.3	+3.2
Non-residential building permits	+16.3	- 32.6	+10.7
Manufacturing shipments	+1.9	-2.6	- 2.1
Exports	- 0.5	- 6.9	- 4.1

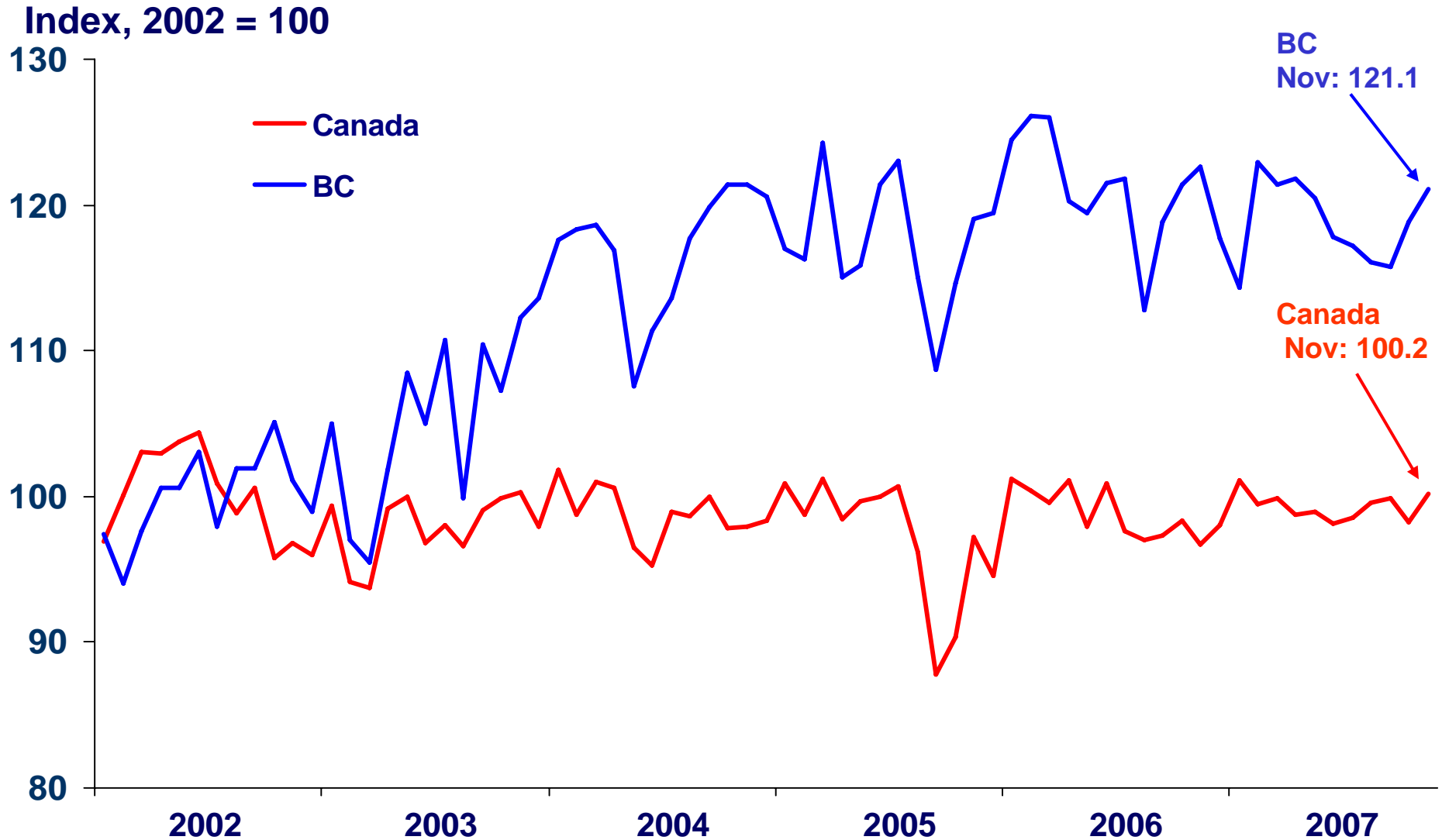
Housing starts are strong in BC

Housing starts; number of units
seasonally-adjusted at annual rates



Source: Canada Mortgage and Housing Corporation

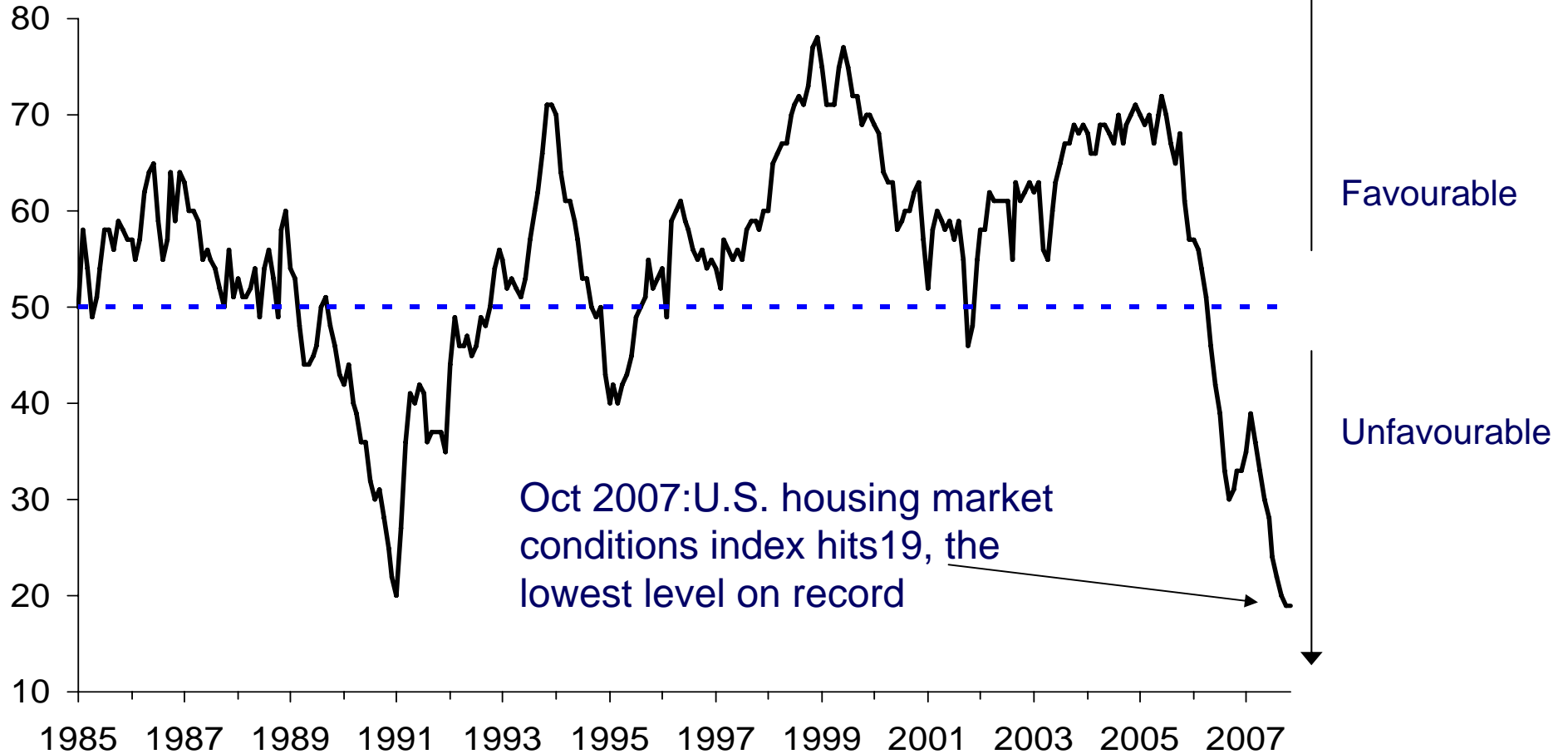
and BC consumer confidence is high



Source: Conference Board of Canada

However . . . US housing index is at record lows

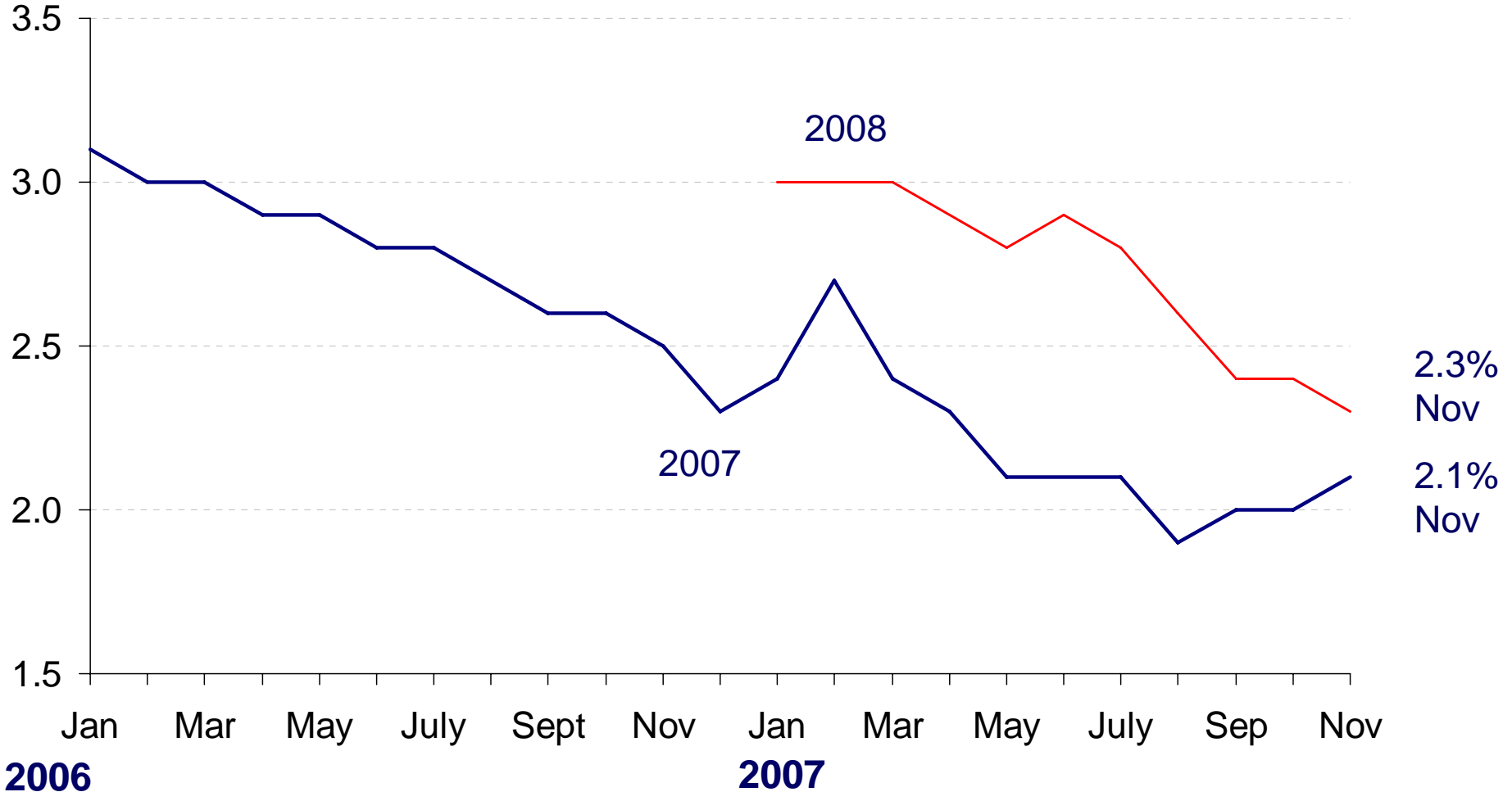
NAHB Housing
Market Index, sa



Source: National Association of Home Builders

Consensus outlook for US economy continues to deteriorate

Forecast annual per cent change in US real GDP



Source: Consensus Economics

The chart represents forecasts for US real GDP growth in 2007 and 2008 as polled on specific dates. For example, forecasters surveyed on November 12, 2007 had an average 2007 U.S. growth forecast of 2.1 per cent, while in February they forecast 2007 U.S. growth at 2.7 per cent.

Canadian dollar expected to remain high

US cents/Canadian \$



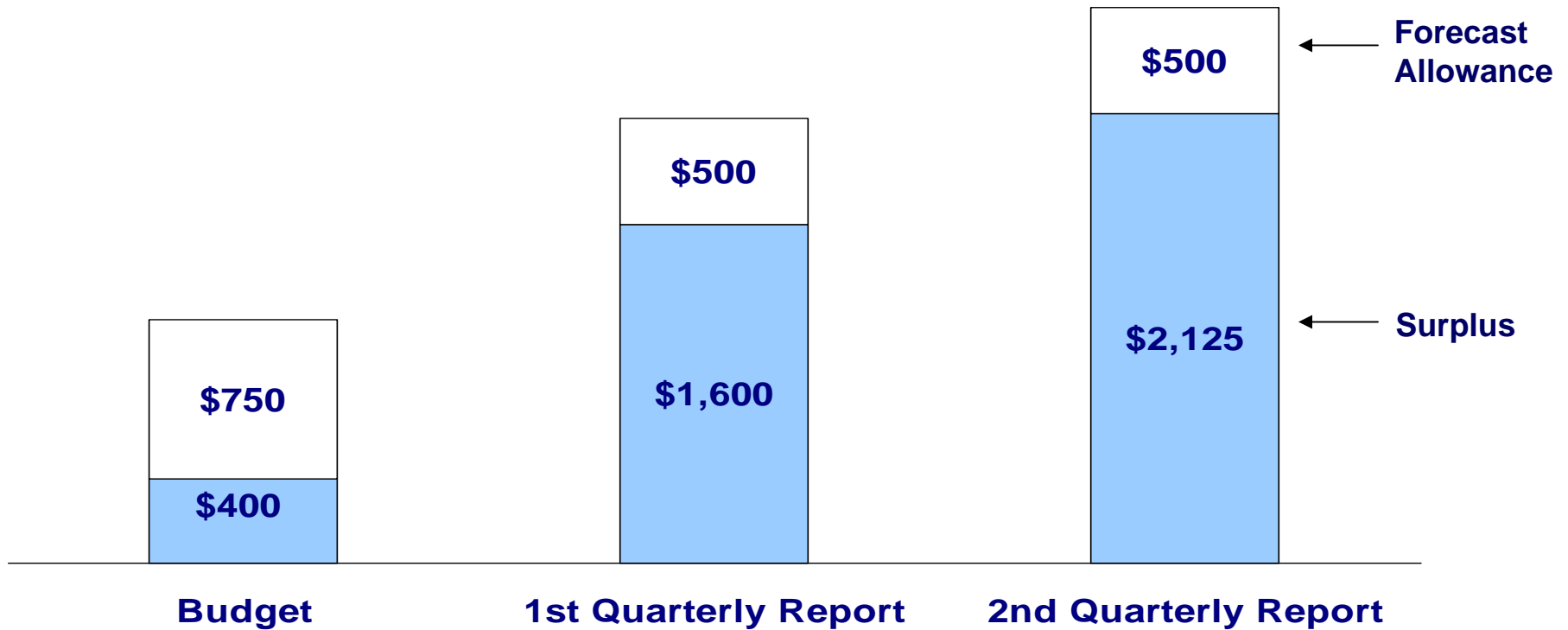
Sources: Bank of Canada; average of six private sector forecasts;



Fiscal Update

2007/08 surplus improves

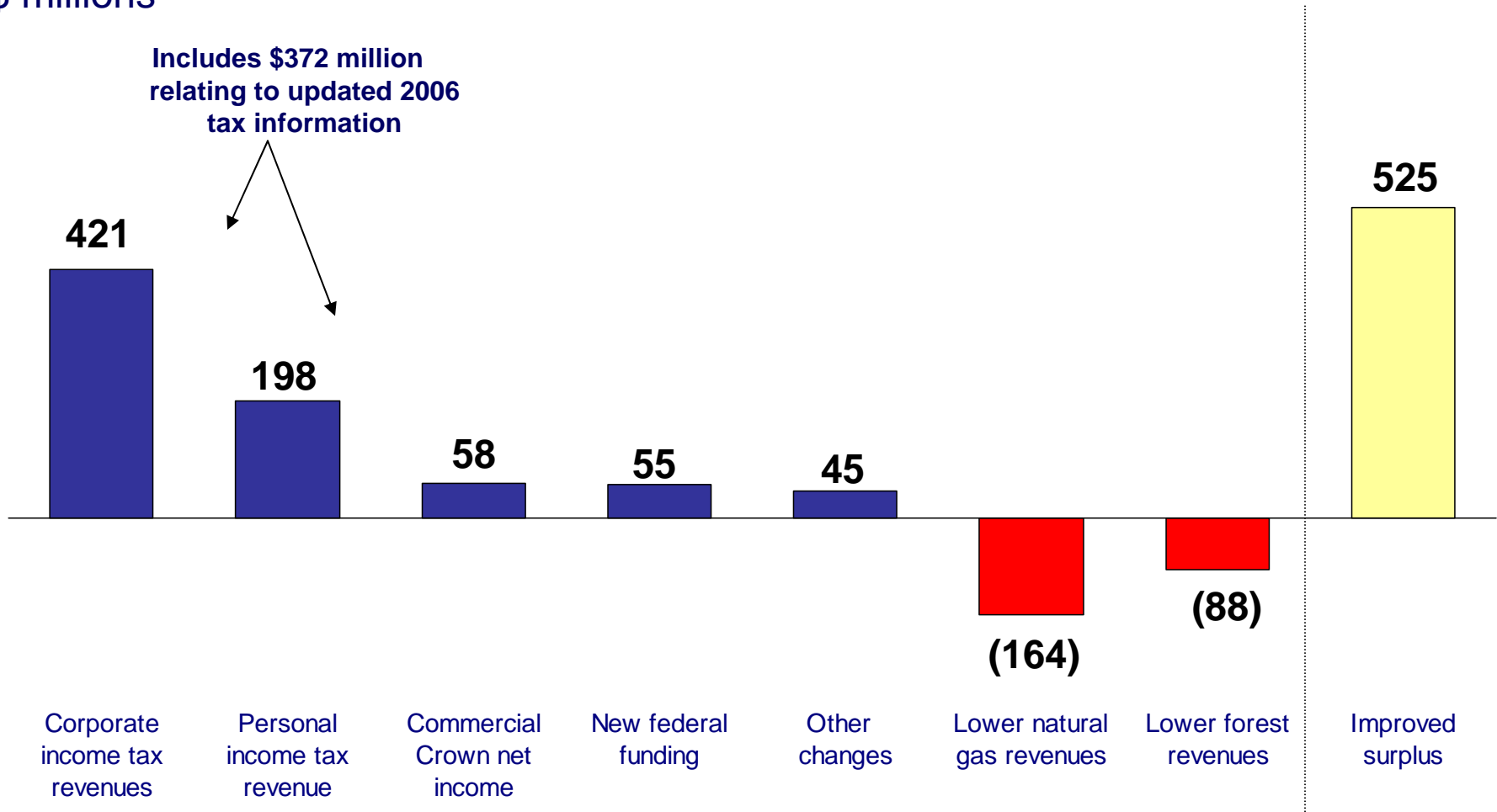
Surplus forecast
\$ millions



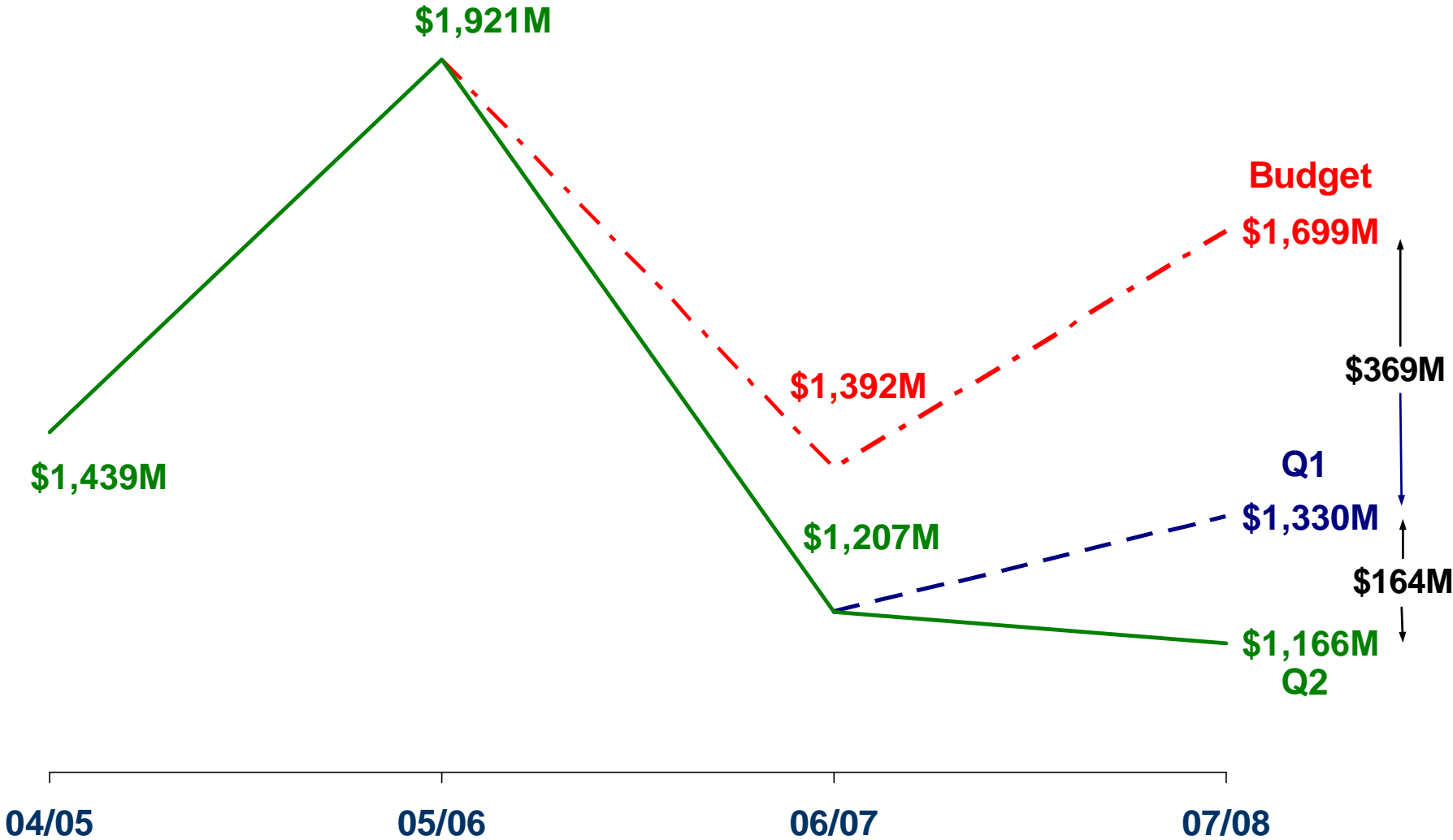
Improved surplus mainly due to strong tax revenues

Main changes since the first *Quarterly Report* – 2007/08

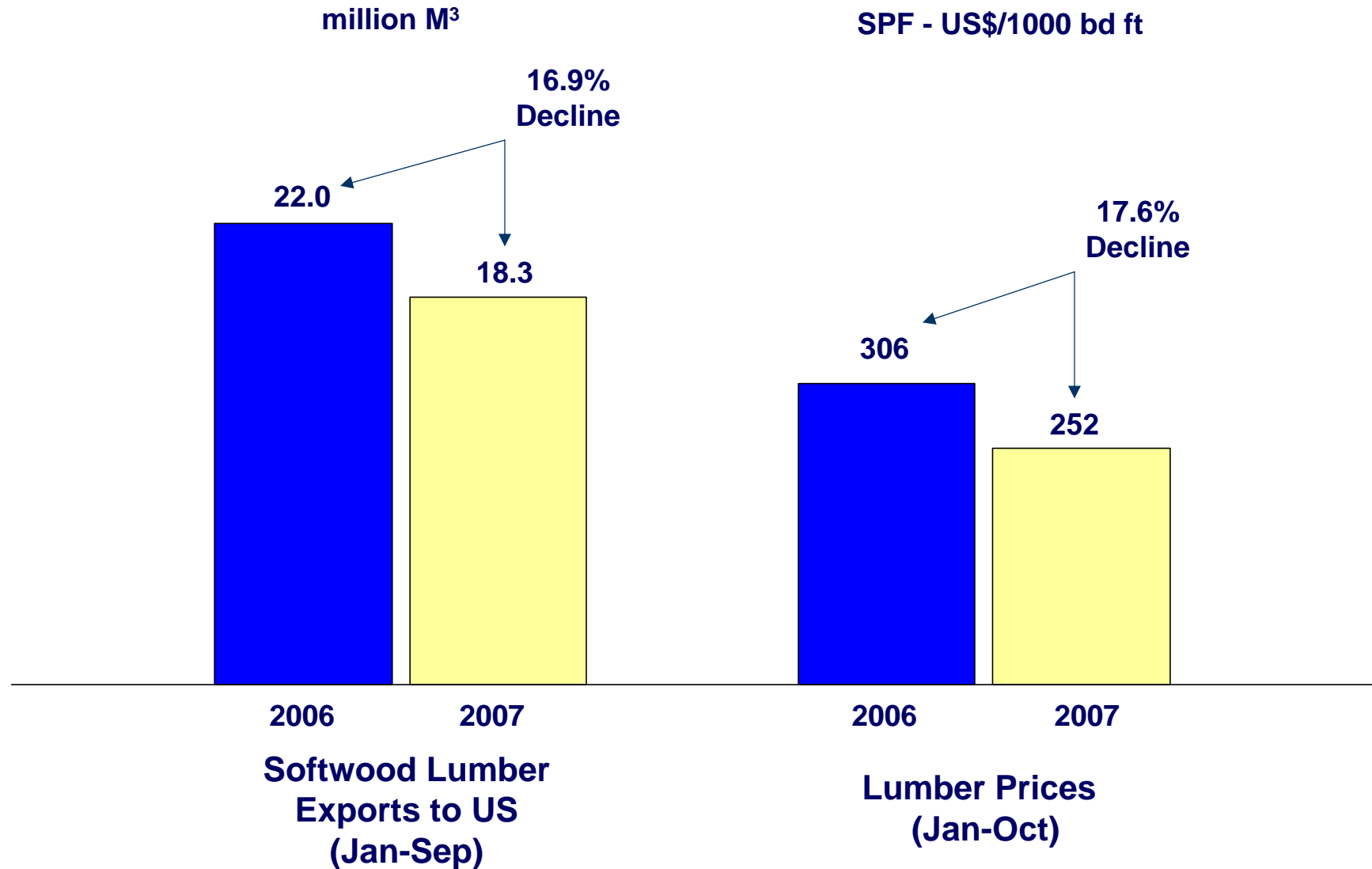
\$ millions



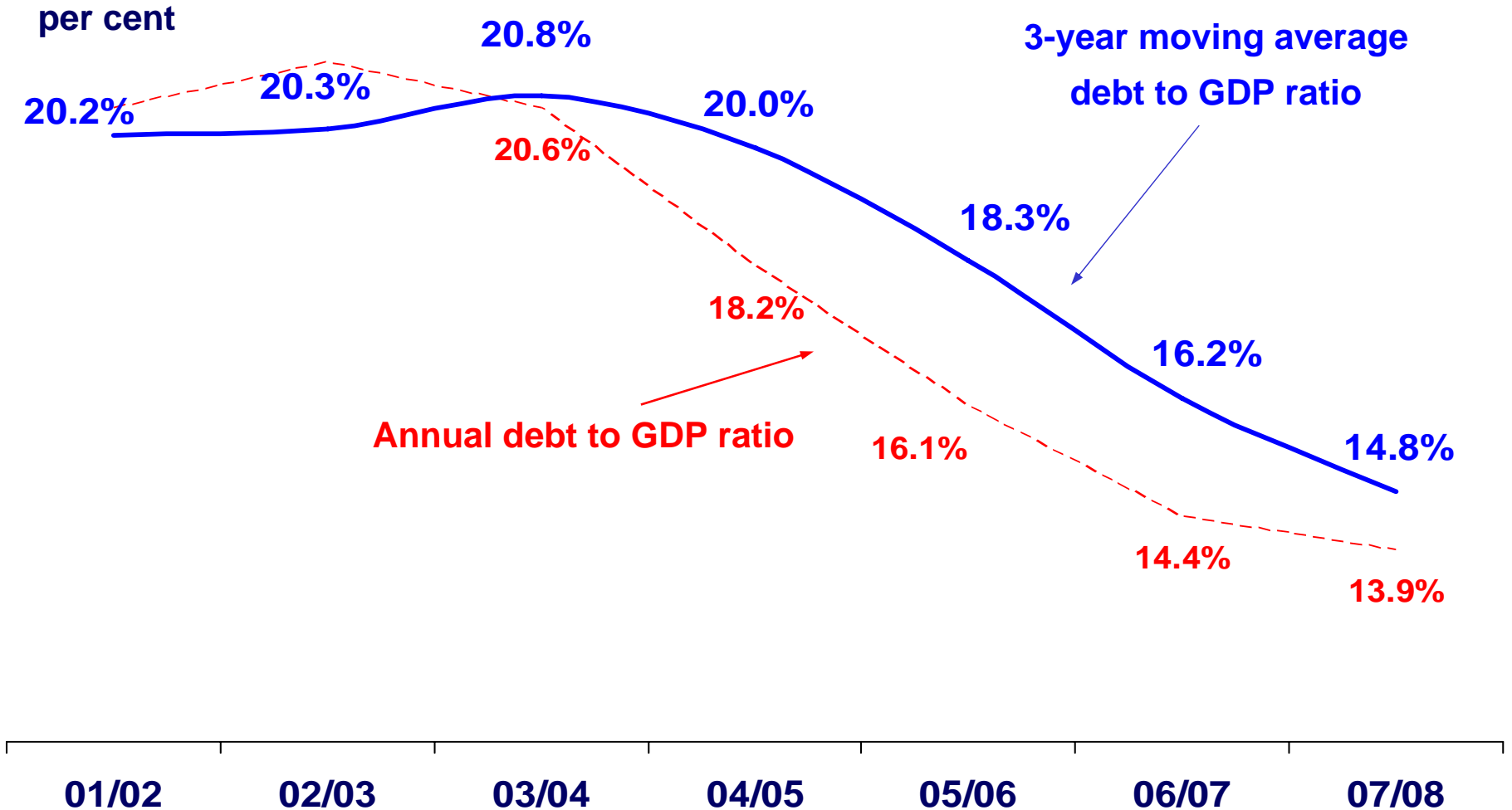
Natural gas royalties declining



Weaker markets lead to falling prices and exports



Taxpayer debt burden continues downward trend



Next steps



- **Economic Forecast Council** **Dec 7, 2007**
- **Finalize budget** **Dec 07- Feb 08**
- **Budget 2008** **Feb 19, 2008**



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