



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

News Release

For immediate release

B.C. Budget Measures Address the Financial Crisis, But More Investment Stimulus Needed

Victoria, February 17, 2009 – British Columbia's economy has been hard hit by the financial and economic crisis that has engulfed the global economy. The unexpected swiftness and severity of the crisis has driven the economy into recession. Last year, the economy grew by 1.0%, well below last year's forecast rate of 2.4%. This year economic activity is expected to contract by 0.9%.

The stimulus of \$25 billion in infrastructure spending and other projects will provide good support for the economy. This additional spending and reduced tax revenue will result in budget deficits this year and next. However, the modest deficit of \$495 million in 2009/10 and \$245 in 2010/11 and resulting small increase in the public debt burden will not put the province's AAA credit rating at risk.

The expansion of the small and mid-sized business sector is critical to future growth and employment opportunities in the province. The key is investment spending, a significant challenge prior to the financial crisis, and even more daunting now that the domestic and international economies have fallen into recession and the profile of recovery is uncertain.

We are pleased the province has accelerated the reduction in the small business tax rate, resulting in a 2.5% rate this year, and extension of the mining flow through tax credit to the end of 2009. However, we are disappointed the budget has not gone further, given fiscal maneuverability, to introduce further incentives to promote capital investment, such as tax credits for small companies, wider eligibility beyond mining companies for flow-through shares, harmonization of the provincial sales tax with the federal GST and legislative amendments to improve the effectiveness of the International Financial Centre to attract foreign investment.

The Investment Industry Association of Canada (IIAC) advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, IIAC has a mandate to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry.

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