

Contributors

Mitch Villeneuve

Director, Economic Policy
Scotiabank Economics
416.350.1175
mitch.villeneuve@scotiabank.com

John Fanjoy

Economist
Scotiabank Economics
416.866.4735
john.fanjoy@scotiabank.com

Chart 1

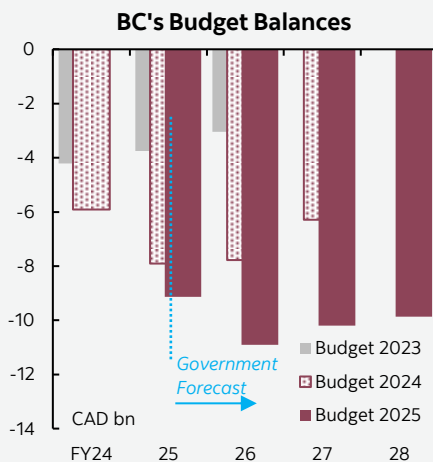
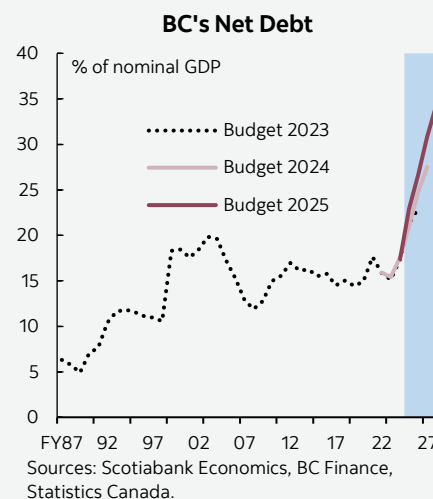


Chart 2



British Columbia: 2025–26 Budget

BC SETS ASIDE SUBSTANTIAL BUFFERS AS OUTLOOK DETERIORATES

- **Bottom-line:** BC is projecting deep deficits ahead, albeit substantial contingencies are embedded in this outlook. Absent this prudence, the profile would show a more modest deterioration over last year's outlook, though some election commitments have been shelved (e.g., \$1,000 grocery rebate) to accommodate higher spending in other areas. Like other provinces to table updates so far, this budget largely reflects a placeholder as the country braces for trade turmoil.
- **Growth assumptions:** +1.8% real GDP growth for calendar 2025 and 1.9% for 2026—though this outlook is based on an absence of tariffs.
- **Budget balance:** **-\$9.1 bn** (-2.1% of nominal GDP) for the fiscal year just ending, followed by **-\$10.9 bn** (-2.5%) in FY26, **-\$10.2 bn** (-2.2%) in FY27, and **-\$9.9 bn** (-2.0%) in FY28 (chart 1).
- **Net debt:** projected to rise from 22.9% of GDP in FY25 to 34.4% by FY28—a nearly 20 percentage point increase from the 15.2% debt burden in FY23 (chart 2).
- **Borrowing plan:** given higher planned deficits, increased to **\$29.2 bn** (+\$5.0 bn) in FY25, **\$31.0 bn** (+\$1.6 bn) in FY26, **\$33.1 bn** (+\$4.7 bn) in FY27, and **\$34.7 bn** in FY28.

OUR TAKE

The FY25 deficit is looking smaller than expected in December, but future years expect larger deficits should full contingencies be used. The deficit for the year just ending is estimated at \$9.1 bn—an improvement of roughly \$0.3 bn compared to the projection in the December 2024 Fiscal and Economic Update—driven by stronger corporate income taxes and net income by the insurance Crown Corporation, which more than offset higher expenditures. However, the projected deficits for FY26 onward are significantly higher than those presented in the previous year's Budget: **-\$10.9 bn** (-\$3.1 bn relative to Budget 2024) in FY26, **-\$10.2 bn** (-\$3.9 bn) in FY27, and **-\$9.9 bn** in FY28. This mainly reflects higher planned spending, especially on health and social services—as well as an increased spending contingencies vote.

The economic and revenue outlook have clear downside risks. The budget projections assume real GDP growth in BC of +1.8% for calendar 2025, 1.9% for 2026, and 2.1% in future years. Nominal GDP growth is pegged at 4.2–4.3% per year. However, the budget is clear that this outlook does not incorporate the implementation of U.S. tariffs, nor Canada's response. A separate backgrounder notes an estimate that 25% U.S. tariffs on goods and 10% on energy could decrease the province's revenues by \$1.4 bn per year.

Expenditures continue to grow strongly, but the government has committed to review all spending. The government is allocating considerable new funding to health and social services, in addition to increasing the annual spending contingencies vote to \$4 bn, which is meant to cover spending uncertainties related to new and existing programs and unforeseen events. The larger contingencies vote represents a potential upside fiscal risk to the extent it is not fully used, which could help offset the downside risks on the revenue side. In addition, in recognition of the elevated level of spending, the finance minister announced that the government will launch a review of all government spending, which could potentially represent some further future upside risk on the spending side.

March 4, 2025

Should the full contingencies be required, the province's debt burden is set to rise considerably. Based on the estimated deficits going forward, BC's net debt is projected to rise from 22.9% of GDP in FY25 to 34.4% by FY28—a nearly 20 percentage point increase from the post-pandemic low 15.2% debt burden in FY23.

BC's borrowing program will pick up in light of higher planned deficits. New borrowing requirements are estimated at \$29.2 bn for FY25 (+\$5.0 bn compared to the Budget 2024 projection), \$31.0 bn (+\$1.6 bn) in FY26, \$33.1 bn (+\$4.7 bn) in FY27, and \$34.7 bn in FY28.

Updated Fiscal Forecast							
\$ billions except where noted							
	FY25		FY26		FY27		FY28
	Bud. '24	Bud. '25	Bud. '24	Bud. '25	Bud. '24	Bud. '25	Bud. '25
Total Revenue	81.5	82.9	82.8	84.0	86.4	85.7	88.2
Own-Source	67.1	68.7	67.9	68.7	71.7	70.8	73.6
Fed. Transfers	14.4	14.2	14.9	15.3	14.7	14.9	14.6
Total Expenditure	89.4	92.0	90.6	94.9	92.7	95.9	98.0
Programs	85.3	87.6	85.8	89.9	87.0	90.0	90.9
Health	35.9	37.3	36.9	39.0	37.5	39.3	40.2
Education	19.5	19.3	19.8	19.8	20.0	20.0	20.2
Social Services	10.5	10.8	10.7	11.3	10.7	11.4	11.5
Contingencies	3.9	3.9	2.0	4.0	1.7	4.0	4.0
Other	15.5	16.3	16.3	15.6	17.1	15.1	14.9
Debt Service	4.1	4.4	4.8	5.1	5.7	5.9	7.2
Reserve	-	-	-	-	-	-	-
Balance	-7.9	-9.1	-7.8	-10.9	-6.3	-10.2	-9.9
% of GDP	-1.9	-2.1	-1.8	-2.5	-1.4	-2.2	-2.0
Net Debt	88.6	97.7	109.2	118.7	126.5	143.4	166.5
% of GDP	21.0	22.9	24.8	26.7	27.5	30.9	34.4

Sources: Scotiabank Economics, BC Finance.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.