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Chart 1

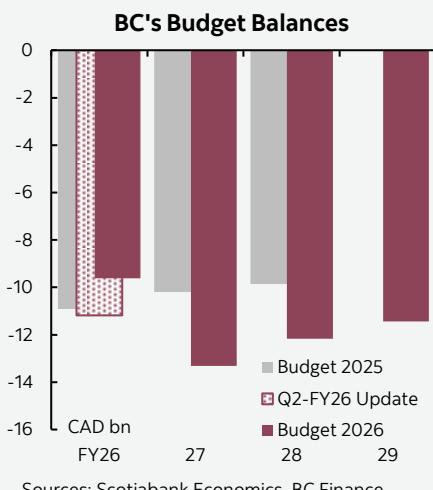
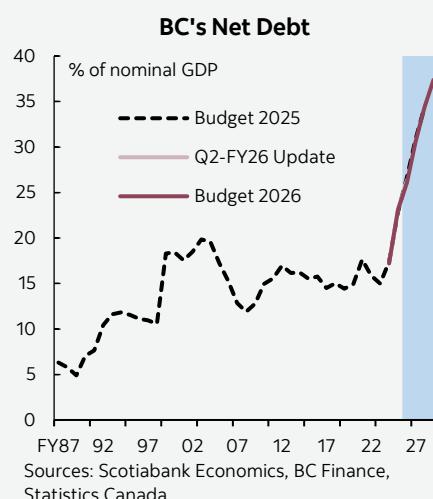


Chart 2



British Columbia: 2026–27 Budget

WEAKER GROWTH LEADS TO HIGHER FUTURE DEFICITS, BUT UPSIDE RISKS REMAIN

- **Bottom line:** This year's deficit has shrunk, but weaker revenue growth next year increases expected deficits for future years (from already-large levels). The government is taking action to keep the deficits from increasing even further through a mix of public sector job cuts, tax increases, and delays to capital projects. It has also set aside a significant contingency budget for each year, which if unused could lead to much smaller deficits.
- **Budget balance:** -\$9.6 bn (-2.2% of nominal GDP) in FY26, growing to -\$13.3 bn (-2.9%) in FY27, before declining thereafter over the outlook to -\$11.4 bn (-2.3%) in FY29 (chart 1).
- **Economic assumptions:** real GDP growth is assumed to slow from an estimated 1.5% in 2025 to 1.3% in 2026 before picking up to 1.8% in 2027.
- **Net debt:** projected to increase from \$116.5 bn (26.1% of nominal GDP) in FY26 to \$189.0 bn (37.4%) in FY29 (chart 2).
- **Borrowing requirements:** new borrowing of \$31.5 bn in FY26, \$34.9 bn in FY27, \$35.0 bn in FY28, and \$30.3 bn in FY29.

OUR TAKE

British Columbia's Budget 2026 presents a budget balance that falls further into the red for the upcoming fiscal year as revenue growth is expected to slow amid still-strong spending measures. The budget balance is then forecast to marginally improve over the ensuing years, which will require fiscal restraint to ensure planned increases in spending do not outpace growth in revenue. The deficit for the current fiscal year 2025–26 (FY26) ending March 31st is estimated to be \$9.6 bn (-2.2% of nominal GDP), then rising to \$13.3 bn (-2.9%) in the upcoming fiscal year (FY27). The deficit is then projected to decline to \$12.2 bn (-2.5%) in FY28 and \$11.4 bn (-2.3%) in FY29 as spending growth moderates and revenues increase owing to greater economic activity and new tax measures.

The province's revenue growth is projected to moderate in the upcoming fiscal year before rising over the outlook amid improving economic activity and revenue generated from new tax measures. Total revenue is expected to increase 0.5% to \$85.5 bn in FY27, up from \$85.1 bn in FY26, as revenue from the tobacco settlement is reflected as a one-time payment in FY26, offset by higher federal transfers. Provincial own-source revenue is projected to increase 4.9% in FY28 and 4.0% in FY29 as changes to tax measures are expected to generate \$4.2 bn in additional revenue over FY27–FY29. Notable updates that will contribute to this higher revenue over the three-year period include an increase in the lowest personal income tax (PIT) rate from 5.06% to 5.60% (+\$1.48 bn), a freeze in PIT brackets and non-refundable credits for 2027 through 2030 (+\$0.96 bn), and expand the provincial sales tax to certain professional services (+\$1.36 bn).

An improvement in economic activity also supports some of the rise in revenue over the outer years of the budget. Real GDP growth is expected to slow to 1.3% in 2026, down from an estimated 1.5% in 2025, before increasing 1.8% in 2027 and around 2% per year thereafter. Nominal GDP growth is expected to pick up from an estimated 4.1% in 2025 to 4.4% in 2026 before growing around 4.2% per year thereafter. The Budget also assumes the provincial population will contract 0.9% in 2026 as the federal government reigns in immigration, before normalizing in 2028, and that soft housing activity will improve in 2027 onwards. The economic outlook underpinning the budget includes all tariff and support measures announced and enacted as of January 12th, 2026.

Budget 2026 adds further spending to the outlook while incorporating some of the cost saving measures that resulted from the Expenditure and Management Review initiated a year ago. The Budget adds \$5.6 bn in new spending over FY27 and FY28 compared to Budget 2025, of which \$0.8 bn is directed towards higher debt servicing costs while the other \$4.8 bn is directed towards program spending. Total expenditure is planned to increase 4.4% to \$98.8 bn in FY27. In order to limit further deteriorations in the bottom line, growth in total spending is planned to moderate in the outer years, rising 1.9% to \$100.7 bn in FY28 and 2.4% to \$103.2 bn in FY29. The expenditure management efficiency review is estimated to result in \$6.36 bn in savings across FY27–FY29 through streamlined program delivery and workforce reduction of 15,000 public sector jobs, which is 3.4% of the public sector workforce, and includes 2,500 full-time equivalents in the BC Public Service by the end of FY29. The Budget also includes \$5.0 bn in contingencies each year from FY27 onwards, up from \$4.0 bn, which offers some buffer room that could see improvements in the budget balance should the province not use the full contingency amounts.

The projected net debt path has remained virtually unchanged since Budget 2025. While the projected deficits for future years have increased, the final figure for FY25 ended up better than projected in last year's budget, and the number for FY26 appears on track to be smaller as well. The smaller deficits have offset the larger deficits such that the new projected net debt burden FY27 (30.6% of GDP) is less than was projected in Budget 2025, and the figure for FY28 (34.4%) is the same. Net debt is projected to increase to 37.4% in FY29 (which appears in the forecast horizon for this first time in Budget 2026). While BC remains on track to significantly increase its indebtedness compared to the 15% in FY23, it is positive that the government appears committed to ensure that the projected debt path does not get even steeper. In addition, the significant contingency buffers built into the fiscal framework could help the government continue its recent track record of beating their deficit and debt projections.

BC's borrowing program will pick up in the near-term given higher planned deficits and strong capital spending. New borrowing requirements are estimated to rise from \$31.5 bn in FY26 to around \$35 bn in FY27 and FY28—slightly higher than what was expected in Budget 2025. Borrowing is set to fall back to around \$30 bn in FY29, driven by the lower budget deficit and less capital spending.

Updated Fiscal Forecast									
\$ billions except where noted									
	FY26			FY27		FY28		FY29	
	Bud. '25	Nov. '25	Bud. '26	Bud. '25	Bud. '26	Bud. '25	Bud. '26	Bud. '25	Bud. '26
Total Revenue	84.0	83.8	85.1	85.7	85.5	88.2	88.6	91.8	
Own-Source	68.7	69.0	70.5	70.8	70.1	73.6	73.5	76.4	
Fed. Transfers	15.3	14.8	14.6	14.9	15.5	14.6	15.1	15.3	
Total Expenditure	94.9	95.0	94.7	95.9	98.8	98.0	100.7	103.2	
Programs	89.9	89.9	89.7	90.0	92.5	90.9	93.2	94.5	
Health	39.0	39.2	39.0	39.3	40.6	40.2	41.2	42.2	
Education	19.8	19.9	19.7	20.0	20.1	20.2	20.3	20.5	
Social Services	11.3	10.6	10.5	11.4	10.8	11.5	11.0	11.2	
Contingencies	4.0	4.0	4.0	4.0	5.0	4.0	5.0	5.0	
Other	15.6	16.2	16.4	15.1	16.0	14.9	15.7	15.6	
Debt Service	5.1	5.1	5.0	5.9	6.4	7.2	7.6	8.7	
Reserve	-	-	-	-	-	-	-	-	
Balance	-10.9	-11.2	-9.6	-10.2	-13.3	-9.9	-12.2	-11.4	
% of GDP	-2.5	-2.5	-2.2	-2.2	-2.9	-2.0	-2.5	-2.3	
Net Debt	118.7	117.7	116.5	143.4	142.9	166.5	166.9	189.0	
% of GDP	26.7	26.4	26.1	30.9	30.6	34.4	34.4	37.4	

Sources: Scotiabank Economics, BC Finance.

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