

March 4, 2025

## BACKGROUND

### Defending B.C. against impact of U.S. tariffs

Budget 2025 was created during uncertain economic times, as British Columbia faces tariff threats from the United States.

The uncertainty makes it difficult for the Province to predict the precise impact of tariffs, as well as what measures may be required to help people and businesses. The Province remains ready to respond to any scenario and defend British Columbians from these threats, protect jobs and the services people rely on.

B.C.'s diversified trading relationships have reduced reliance on the U.S. as a trading partner. The share of B.C.'s goods exports to the U.S. dropped to 52.8% in 2024, compared to 65.8% in 2000. At the same time, B.C. has expanded its trade relationships with key Asian markets, including China and South Korea.

In comparison, around 88% of Alberta's goods exports and an average of 76.1% of Ontario and Quebec's goods exports went to the U.S. in 2024. This places B.C. in a relatively better position than other provinces when it comes to mitigating the impacts of U.S. tariffs. However, the impact would still be significant.

Some sectors are more reliant on the U.S. for exports. For example, in 2024, B.C. exported all of its natural gas and electricity and 74.8% of its softwood lumber to the U.S.

For goods coming into B.C., U.S. imports make up 34.5% of total incoming trade, including machinery and equipment, agriculture and food, as well as energy products.

To be best prepared, the Ministry of Finance has presented a range of possible impacts, based on information that continues to evolve.

An initial assessment released on Jan. 16, 2025, assumed a broad-based U.S. tariff of 25% on all goods from Canada and Mexico, and full retaliation of 25% in Canadian counter-tariffs on all goods from the United States.

The ministry has updated its assessment based on the Budget 2025 economic and fiscal forecast and more recent tariff information up to Feb. 4, 2025. This new scenario assumes 10% tariffs on Canadian energy products and a 25% tariff on all other goods from Canada and Mexico, along with partial retaliation from Canada, with 25% counter-tariffs on less than half the goods imported from the U.S.

This scenario also assumes the federal government would provide supports as needed to households and businesses, as it has indicated, and that the Bank of Canada would lower interest rates.

This point-in-time scenario projects the following potential impacts of U.S. tariffs on B.C.'s economy and finances:

- \$43 billion cumulative decrease to real GDP by 2029;
- 45,000 fewer jobs by 2029;
- unemployment rate increase to 6.4% in 2025, and 6.7% in 2026;
- \$3.2 billion to \$5 billion annual decline in corporate profits;
- up to \$1.4 billion annual loss in revenue

The results of the Budget 2025 scenario are less severe than the Jan. 16 assessment, in part because tariff assumptions are lower and because the budget base case incorporates other economic changes since the fall 2024 fiscal update. However, combined these changes could result in provincial revenue losses of \$1.7 billion to \$3.4 billion annually if tariffs come into force. This is more than the budgets for most B.C. ministries, except for health, education and social service ministries.

Tariff impacts could be more significant depending on what policies are implemented, if federal support is less than assumed, if Canada's retaliation escalates and if U.S. tariffs are stacked, resulting in even higher tariffs.

B.C. remains ready to respond to any scenario with a three-part response to U.S. tariffs by:

1. strengthening B.C.'s economy, including by expediting projects and supporting industry and workers;
2. diversifying trade markets for products so B.C. is less reliant on U.S. markets and customers; and
3. responding to U.S. tariffs with tough counter-actions and outreach to American decision-makers.

As part of the response, the Province is streamlining the reviewing and permitting of major natural-resource projects that are ready to move forward. These projects are estimated to be worth \$20 billion and to support approximately 8,000 jobs.

The Province is bringing together a broad coalition of allies to strengthen B.C.'s economy, diversify our markets and respond as Team Canada, including a trade and economic security task force that brings together business, labour and Indigenous leadership.

A new premier's task force on agriculture and food economy is working on both short- and long-term solutions to help farmers find new markets in the face of tariff uncertainty, and helping British Columbians get reliable access to affordable and nutritious food.

B.C. is taking a whole-of-government approach to defend B.C.'s workers, businesses, economy and to protect the services people rely on.

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