

March 4, 2025

## BACKGROUND

### Fiscal Plan 2025-26 to 2027-28

Budget 2025 supports growth in B.C.'s economy to create the wealth needed for the services and programs people rely on, while managing finances carefully to strengthen B.C.'s fiscal foundation.

The budget seeks to strengthen the Province's fiscal position and takes the first steps in charting a long-term path to balance so government can respond to changing needs while protecting services and growing B.C.'s economy.

To ensure front-line services are safeguarded and B.C.'s finances are managed responsibly, the Province is reviewing all existing programs to ensure they remain relevant, efficient, that they are helping people with costs, and working to grow the economy. Government is also identifying administrative and operational efficiencies through reduced discretionary spending for travel, consulting contracts, business expenses and a hiring pause, with the exception of roles that are crucial to delivering services and programs. These measures aim to save \$300 million over the 2025-26 fiscal year, and \$600 million in each of the 2026-27 and 2027-28 fiscal years.

#### **Economic outlook**

B.C. is expected to see modest economic growth in the absence of tariffs, with real GDP growth projected at 1.8% in 2025 and 1.9% in 2026 as immigration slows and trade uncertainty persists, while inflation trends downwards and housing construction remains resilient. Over the medium term (2027-2029), economic growth is expected to improve, averaging 2.1% annually, supported by steady employment and wage growth, gains in consumer spending and higher exports supported by liquid natural gas production. U.S. tariffs pose a significant risk to the economic outlook.

## **Budget outlook**

Budget 2025 presents an updated deficit of \$9.1 billion for 2024-25, \$273 million lower than forecast in the fall 2024 economic and fiscal update. The improvement is due mainly to higher corporate income tax revenues and ICBC net income, partially offset by higher spending, including for emergency response and long-term care funded by statutory authority.

Budget 2025 projects the following declining deficits over the three-year fiscal plan period:

- \$10.9 billion for 2025-26
- \$10.2 billion for 2026-27
- \$9.9 billion for 2027-28

## **Revenue outlook**

Total government revenue is forecast at \$84 billion in 2025-26, \$85.7 billion in 2026-27 and \$88.2 billion 2027-28. Revenue growth is mainly driven by increasing tax revenues due to recent growth in population and economic activity, as well as increasing natural resource revenues. The government's revenue outlook factors in trade-related uncertainty associated with the threat of U.S. tariffs consistent with the economic outlook.

## **Expense outlook**

Expenses over the three-year fiscal plan are forecast at \$94.9 billion in 2025-26, \$95.9 billion in 2026-27 and \$98 billion 2027-28. Investments will help support the programs and services people rely on, including health care, mental health and addictions, housing, public safety, as well as helping people with costs and building a stronger economy.

Budget 2025 includes contingencies allocations of \$4 billion each year of the fiscal plan to help manage pressures for critical services and other costs that are uncertain at the time of building the budget, including costs for a new collective bargaining mandate and emerging costs, such as responding to potential tariff impacts.

## **Capital investments**

Budget 2025 invests a total of \$59.9 billion in capital investments over three years, including \$15.9 billion to strengthen transit and transportation infrastructure, \$15.5 billion to support capital investments in health care and \$4.6 billion to build, renovate and seismically upgrade schools.

The capital plan supports 180,000 direct and indirect jobs over three years in communities throughout B.C.

## **Debt affordability**

B.C.'s taxpayer-supported debt is projected to be \$97.7 billion at the end of 2024-25, approximately \$9.1 billion more than projected at Budget 2024. This increase is due to a higher opening balance following 2023-24, the increased deficit, and pre-borrowing to meet funding requirements early in 2025-26.

Taxpayer-supported debt is expected to increase by \$68.8 billion over the fiscal plan as the Province continues to invest in strengthening services and building more schools, hospitals, roads, bridges, transit and housing.

The taxpayer-supported debt-to-GDP ratio, a key metric used by credit rating agencies, is forecast at 26.7% in 2025-26, 30.9% in 2026-27 and 34.4% in 2027-28. B.C.'s debt-to-GDP ratio remains one of the lowest in Canada and is currently below that of most provinces, including Ontario and Quebec. B.C.'s debt-servicing costs remain at low levels compared to other jurisdictions.

Successive budgets will focus on flattening debt-to-GDP over time, ensuring B.C. retains one of the lowest debt-to-GDP ratios compared to the province's peers.

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