

# British Columbia

## Second Quarterly Report



November 28, 2025

### No Change Equals Good News

Very small, almost negligible, improvement to the FY 2025-26 deficit now penciled at \$11.2B versus \$11.6B in the First Quarterly Report. The size of the deficit is almost back to the 2025 Budget projection of \$10.9B.

Total revenues are up modestly relative to First Quarterly Report, a touch lower relative to the budget, at \$83.8B. Like recent fiscal updates released by Ontario and Quebec, BC also benefits from stronger 2024 preliminary tax assessments recurrently boosting personal and corporate income taxes by a combined \$1.4B in FY 2025-26. This large amount is offset by multiple, smaller downward revisions to other tax segments. For instance, sweeping US tariffs notably contributed to lower lumber prices and harvest volumes, creating a downside for forest revenue. Despite the solid position of mining companies located in BC to extract gold and copper, lower coal prices contributed to a downward revision in mining-related revenues. Resale housing transactions have bounced back solidly in several BC regions since this summer but fall short of expectations built in the First Quarterly Report and Budget 2025, leading to a downward revision to property transfer tax revenue. Also, the large \$2.8B revenue loss from the elimination of the federal carbon tax had already been considered in the First Quarterly Report.

The total operational spending estimate of \$95B has been essentially unchanged so far this year. This stabilization marks a noticeable contrast with prior years of consistent upward revisions to spending. The FY 2025-26 spending breakdown shows the only overrun cost comes from fire management costs, indirectly implying discipline in other areas and ministries. The 2025 wildfire season was not as big as the previous two years. However, more hectares unfortunately burned in 2025 relative to the 10-year average due to long stretches of dry weather. Also, the BC government is on track to find savings of \$300M in FY 2025-26 as previously targeted in Budget 2025, a small amount considering the \$95B total operational spending tally. Furthermore, hiring restrictions put in place in February contributed to a moderate reduction of the number of full-time equivalent staff in FY 2025-26 relative to FY 2024-25.

The capital spending plan has been revised down moderately, by \$0.8B to \$18.7B, as some initiative in the health and transportation sectors has been shifted to future years.

No material changes to FY 2025-26 financial metrics either. The taxpayer debt-to-NGDP ratio estimate of 26.4% is not far off the 26.7% Budget estimate. However, the \$11.2B deficit inevitably contributes to increase the public debt burden relative to prior years (FY 2024-25: 23.2%, FY 2023-24: 18.5%).

Looking forward, market participants will pay attention to developments relative to big projects. Although the U.S. is on track to boost LNG exports at an annual double-digit growth rate through 2030, BC could still play a larger role on the global scene. The Major Projects Office of Canada notably identified the Ksi Lisims and LNG Canada extension among top promising projects. Ksi Lisims' capacity of 12M tonnes of LNG per year is large and not far off the phase 1 of LNG Canada (14M tonnes) operating since last June. Other identified projects involving BC includes the Red Chris copper-gold mine, a site we highlighted in our Critical Minerals report released last winter. To facilitate the extracting process of promising mining sites located in the Northwest region, the BC Hydro North Coast Transmission Line is also unsurprisingly on the Major Projects Office of Canada's list. We highlighted the well-planned expansion of BC's hydro-wind energy capacity in our energy report also released last winter. Any positive final investment decision in respect to one of these four projects would lead us to consider new positive multiplier effects and revise up our current BC real GDP annual growth projections (2026: 1.5%, 2027: 1.7%, versus 1.3% in 2025).