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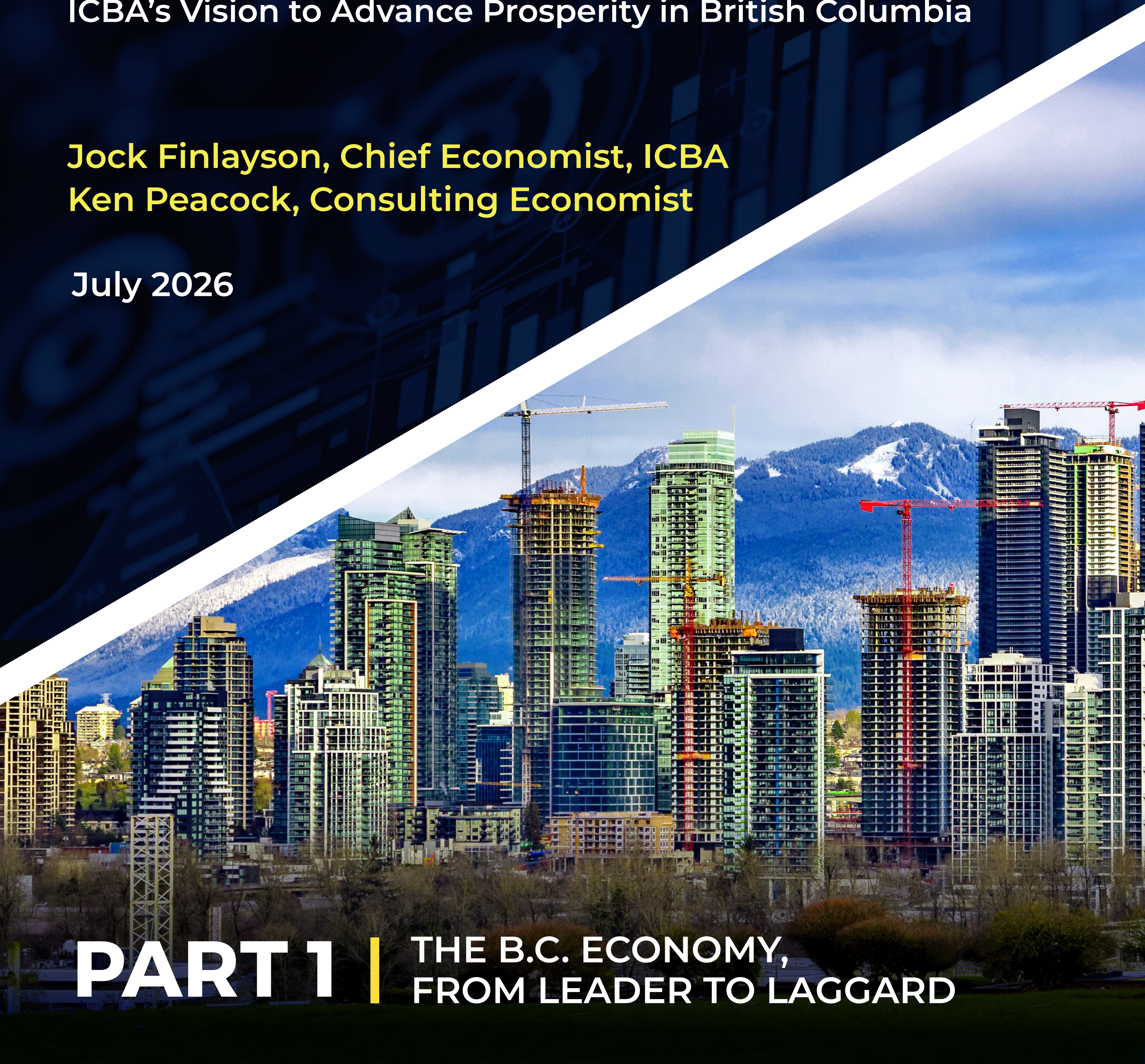
BUILDING B.C. RIGHT

ICBA's Vision to Advance Prosperity in British Columbia

Jock Finlayson, Chief Economist, ICBA
Ken Peacock, Consulting Economist

July 2026



PART 1 | THE B.C. ECONOMY, FROM LEADER TO LAGGARD

Foreword

BC BUILT. BC STRONG

British Columbia stands at a crossroads. For too long, the underlying weaknesses in our provincial economy have been papered over—masked by a handful of once-in-a-generation mega energy projects, record population growth (until very recently), and an unprecedented expansion of government hiring and spending. Those tailwinds are now gone, and the structural cracks in our economic foundations have become impossible to ignore.

This report is the first instalment of a two-part series, Building B.C. Right, commissioned by the Independent Contractors and Businesses Association (ICBA) and authored by our Chief Economist, Jock Finlayson, along with consulting economist Ken Peacock. Together, they bring decades of experience analyzing developments in British Columbia's economy and have earned a reputation as two of the most respected and incisive voices in Canadian economic policy.

Part 1 delivers a frank assessment on the state of B.C.'s economy and the key trends over the last decade. The data presented are drawn from Statistics Canada, the B.C. Ministry of Finance, and other authoritative sources. The picture they paint is stark, including slowing GDP growth, sluggish real income growth, anemic private sector job creation, a declining export base, surging public debt and a fiscal trajectory that has alarmed credit rating agencies.

ICBA's nearly 6,000 member and client companies built, and continue to build, this province. They pour the foundations, erect the steel, and connect the infrastructure that makes communities work. They need an economy that rewards risk, investment, and hard work. Right now, British Columbia is not delivering that economy.

Part 2, to follow later this year, will outline the policy changes needed to put B.C. on a much stronger growth footing, and return B.C. to a driver of jobs, investment and opportunity in Canada. But first, we must understand where we are.

Chris Gardner

President & CEO
Independent Contractors and Businesses Association
July 2026

Introduction

This report is the first instalment in ICBA's Building B.C. Right project. Its purpose is straightforward: to provide a clear, data-driven assessment of where British Columbia's economy stands—stripped of the spin, boosterism, and wishful thinking that too often characterize official commentary.

The picture that emerges is sobering. By virtually every key metric bearing on economic well-being—GDP growth, per capita income, private sector capital investment, export performance, private sector job creation, and the state of public finances—B.C. has lost ground in recent years. Some of this reflects broader national and global forces. Canada, too, has struggled since the mid-2010s. But B.C.'s poor performance stands out, in part because many of the challenges are home-grown, rooted in provincial policy choices that have raised costs, fostered uncertainty, discouraged investment, expanded the public sector at an unsustainable pace, and weakened the government's fiscal position in a dramatic way.

It is tempting to attribute much of B.C.'s economic underperformance to recent U.S. trade tensions. That would be a mistake. The data presented in this report show clearly that the province's economic underperformance predates the current tariff environment by several years. While U.S. trade policy represents a significant headwind for all of Canada, B.C.'s economy was already on a weaker footing well before 2025. Recognizing this is a necessary first step toward developing a policy response equal to the scale of the challenge.

Part 2 of this project will outline policy recommendations to restore stronger economic growth. But first, an honest assessment of current conditions is required.

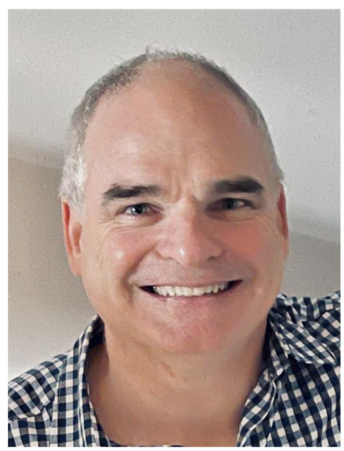
Jock A. Finlayson

Jock Finlayson is Chief Economist of the Independent Contractors and Businesses Association – Canada's largest construction industry association. He monitors and analyses economic trends and public policy developments affecting the construction industry in B.C. and Alberta. Concurrently, Mr. Finlayson maintains an affiliation with the Vancouver-based Fraser Institute, as a Senior Fellow and co-holder of the Peter M. Brown Chair in Canadian Competitiveness.

Mr. Finlayson previously served as Executive Vice President and Chief Policy Officer at the Business Council of British Columbia. He has a master's degree in business from Yale University, undergraduate and M.A. degrees from UBC, and a post-graduate diploma in economics from the University of London. He received an honorary doctorate from Royal Roads University in 2014.

He previously served on the Boards of Directors of the Bank of Canada, the Institute for Research on Public Policy, and the Canada West Foundation. From 2007 through 2017, he was a member of the National Statistics Council. Mr. Finlayson currently sits on the Board of Directors of the Centre for the Study of Living Standard.

Ken Peacock



Ken Peacock is a leading economist based in British Columbia, with expertise in fiscal policy, labour markets, trade, and economic competitiveness. He spent more than 20 years at the Business Council of British Columbia, including a decade as the Council's Chief Economist, where he advised policymakers, business leaders, and industry associations on economic trends and challenges.

Earlier in his career, he worked as an economist with Central 1 Credit Union, the umbrella organization for BC's credit unions.

Known for his clear, evidence-based insights, Mr. Peacock contributes regularly to public dialogue through reports, commentary, and speaking engagements. He co-authors a monthly column in Business in Vancouver and recently launched the BC Economic Brief on Substack to inform public dialogue and help support policy development in the province.

Chapter 1
GDP Growth and Demographic Change

Key Messages

- **B.C. and Canada are struggling**, and many of the challenges confronting B.C. are also evident at the national level. But B.C. has been losing ground relative to other provinces on some measures of prosperity. B.C.'s real GDP growth over the period 2017-2024 was **well below the long-run average,** with per capita GDP falling in 2024 by more than the national benchmark. In 2025 per capita income grew at a solid clip (partly due to a shrinking population) but was still below the level recorded three years earlier.

- The mega energy projects built over 2017-2024 and record government spending in recent years propped up top-line economic growth and masked underlying structural weaknesses. **With these projects complete, the fragility of the province's private sector economy is laid bare.**

- The growth of government – at all levels – has boosted economic activity in B.C. and was responsible for all economic growth in 2024. **Strip out government, and the private economy shrank that year.**

- B.C.'s population fell in 2025 and is set to grow more slowly in the years ahead. The once significant net-inflow of people from other provinces has subsided, and there has been a steep reduction in the number of non-permanent residents.

A Province Losing Its Economic Edge

British Columbia's economy has downshifted sharply. After averaging real GDP growth of roughly 3.0 per cent per annum over the decade to 2019, growth has slowed. Real GDP rose just 1.1 per cent in 2024—well below the long-term 2.8 per cent average—and below the national rate for the first time in more than two decades. Statistics Canada's first estimates of provincial GDP by industry indicate B.C.'s economy grew 2 per cent in 2025, an improvement but still below normal. Growth is expected to remain subdued, with projections of 1 per cent or less in 2026, followed by a modest pick-up in 2027.

These headline figures overstate the health of the economy. Much of B.C.'s above-trend growth from 2017 to 2022 was driven by four major energy and infrastructure projects—LNG Canada, Coastal GasLink, the Trans Mountain expansion, and Site C. These projects injected more than $130 billion into the economy, masking underlying weaknesses across much of the private sector. With these projects now completed, there is limited follow-on investment to sustain overall GDP growth.

The economic slowdown is increasingly evident in per capita terms. Real GDP per capita stagnated in 2023 and declined by 1.7 per cent in 2024—a larger drop than Canada as a whole. The most recent 2025 industry data show per capita GDP rising by 1.5 per cent last year, as B.C.'s population growth slowed markedly. Even with the welcome gain in 2025, per capita GDP remains slightly lower than in 2022. This represents an erosion in real incomes and living standards, as there is less income being generated in the economy on a per person basis.

Government: B.C.'s Primary Growth Engine

Growth in B.C.'s sprawling public sector has increasingly propelled overall economic growth, which is also masking private sector weakness. In 2024, the only reason B.C.'s economy grew was a large (and unsustainable) expansion in government activity.

Even with the boost from the mega energy projects (Site C, LNG Canada, Coastal GasLink and the Trans Mountain pipeline expansion) since 2017, growth in the province's private sector GDP has been below average. With the lift from these projects fading, private sector GDP growth averaged 1 per cent over 2022-24 (one-third of the normal rate).

Investment in residential construction has fallen sharply, as has investment in non-residential structures. Investment in machinery and equipment has also declined – which is worrisome, since investments in these asset categories are particularly important in boosting productivity.

In stark contrast, B.C. public sector GDP grew by an average 6.6 per cent over 2022-24.

In fact, growth in the public sector has been accelerating for some time. Since 2017, public sector GDP has increased at an average annual rate of 5.1 per cent, or 2.7 times faster than its long-term average pace, making government one of the primary engines of economic growth in the province. An ever-growing public sector is neither desirable nor fiscally affordable.

While government activity has also expanded across Canada, the trend has been more pronounced in B.C. Private sector GDP per capita has declined more sharply here than in most other provinces, underscoring B.C.'s increasing reliance on public sector-driven growth.

Table 1.1: B.C. Real GDP Growth (expenditure-based)

Sector	average annual growth %		
	1997-2017 *20-year average*	**2017-2024** *average past 7 years*	**2022-2024** *average past 2 years*
GDP – total	**2.7**	**3.0**	**2.3**
Private sector	**3.0**	**2.4**	**1.0**
Household final consumption expenditure	3.3	2.6	1.8
Goods	3.1	1.7	0.3
Services	3.5	3.2	2.7
Business capital investment – total	3.4	1.9	-5.2
residential structures investment	3.6	-2.3	-7.4
non-residential structures investment	2.5	6.4	-6.1
machinery and equipment investment	3.6	1.6	-1.3
Exports to other countries	2.5	0.9	1.5
goods to other countries	2.1	-1.1	-0.8
services to other countries	3.9	4.7	5.2
Exports to other provinces	4.1	2.0	1.8
goods to other provinces	3.3	1.9	1.1
services to other provinces	4.4	2.0	2.1
Government	**1.8**	**5.1**	**6.6**
Government expenditure	1.6	4.6	6.1
Government capital investment	3.1	7.2	8.8

GDP growth by industry: different framework and 2025 data

Statistics Canada measures provincial GDP several different ways, with each approach tracking economic activity within a different framework. The GDP data discussed above measure the final value of spending by households, businesses, and governments at all levels and services, along with business and government investment, exports, and imports.

The growth figures in Table 1.2 are based on GDP measured by industry. Under this approach, Statistics Canada estimates the value of final output produced within individual industries. Industry GDP data for 2025 were published in May 2026, providing the first official estimate of provincial economic growth for last year.

The data show that B.C.'s economy grew by 2.0 per cent in 2025 on an industry output basis, matching the average growth rate over the past three years but still well below the long-term average.

Table 1.2: B.C. Real GDP Growth (by industry)

Industries ranked by average GDP growth 2022-2025	**average annual growth %**		
red text = industries that are all or mostly public sector	**1997-2017** *20-year average*	**2017-2025** *average past 8 years*	**2022-2025** *average past 3 years*
All industries	**2.7**	**2.7**	**2.0**
Public sector	**1.9**	**3.6**	**3.6**
Goods-producing industries	2.3	1.7	0.1
Services-producing industries	**2.8**	**3.1**	**2.6**
Mining, quarrying, and oil and gas extraction [21]	1.8	2.1	5.0
Transportation and warehousing [48-49]	2.7	1.5	4.9
Health care and social assistance [62]	**1.9**	**4.5**	**4.7**
Public administration [91]	**1.9**	**3.1**	**3.4**
Real estate and rental and leasing [53]	3.7	3.1	2.7
Arts, entertainment and recreation [71]	1.9	2.1	2.5
Professional, scientific and technical services [54]	4.1	6.0	2.4
Finance and insurance [52]	2.7	3.3	2.3
Educational services [61]	**1.9**	**2.7**	**2.0**
Retail trade [44-45]	3.1	2.4	2.0
Information and cultural industries [51]	3.8	3.9	1.9
Other services (except public administration) [81]	2.2	1.6	1.6
Administrative and waste management services [56]	3.2	1.8	1.5
Accommodation and food services [72]	1.7	2.3	1.2
Construction [23]	3.2	4.4	0.0
Wholesale trade [41]	2.2	1.2	-0.4
Utilities [22]	2.3	1.4	-0.9
Agriculture, forestry, fishing and hunting [11]	1.0	-1.6	-1.7
Manufacturing [31-33]	2.0	-1.8	-3.4

The broad public sector (an aggregation published by Statistics Canada) grew by 1.9 per cent in 2025. This represents a return to the sector's long-term average growth rate, following record expansions in 2023 and 2024.

Over the eight years ending in 2025, B.C.'s economy as a whole grew at an average annual rate of 2.7 per cent, matching the two-decade average ending in 2017. Over the same eight-year period, the broad public sector expanded at an average annual pace of 3.6 per cent — nearly double its long-term average. With public sector growth slowing in 2025, the recent three-year average has now aligned with the broader eight-year average.

Among the 19 two-digit industries shown in the above table, mining and oil and gas extraction was the fastest-growing sector, with both component industries recording strong expansions in recent years. Transportation and warehousing ranked second, fueled by a 60 per cent increase in pipeline transportation GDP over the past two years, along with double-digit growth in air transportation reflecting the continued post-pandemic recovery through 2023 and 2024.

Population Growth, Migration, and Per Capita Outcomes

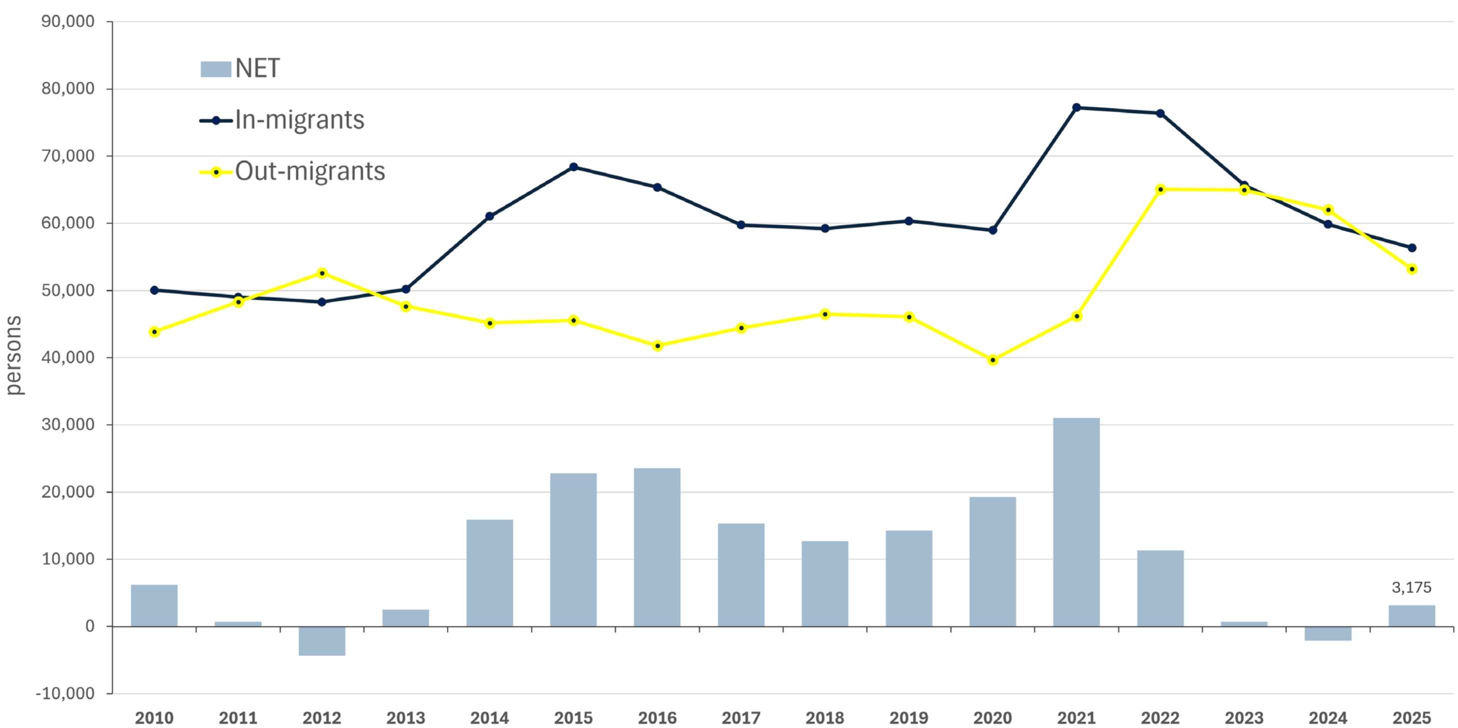
Despite a dropping birth rate that has pushed natural population growth to essentially zero, B.C.'s population grew at an extraordinary pace in the past several years (until 2025), reaching close to 3 per cent annually in 2023 and 2024. This was largely due to record international immigration, particularly non-permanent residents. Things changed in 2025, when the province's population actually declined slightly amid a significant reset of federal immigration policy.

While strong population growth lifts headline GDP, it does not automatically translate into higher per capita income. When economic output does not keep pace with an increasing population, per capita GDP and per capita incomes fall—as has occurred in B.C. This is important as a rough measure of what an average person actually gets out of the economy, rather than how large the economy is in absolute terms. Essentially, the trend shows that B.C. residents' living standards have stagnated.

Migration patterns within Canada have also changed. After years of attracting net inflows, B.C. experienced a net outflow of residents to other provinces in 2024, particularly to Alberta, where housing is more affordable, taxes lower, and private sector job opportunities greater. Although more recent data suggest some stabilization, the shift from large sustained net inflows to small gains/small losses signals a decline in B.C.'s relative economic attractiveness.

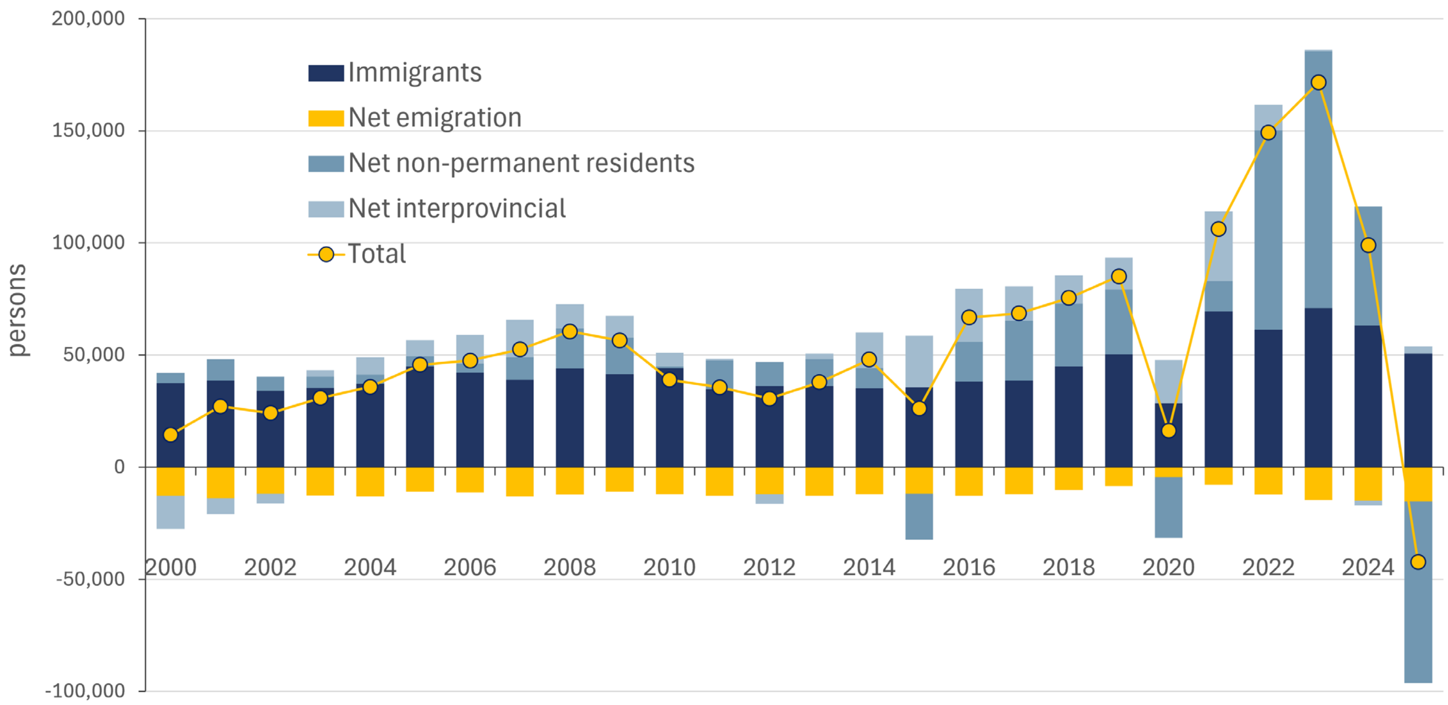
Slower international immigration, fewer non-permanent residents, and fewer interprovincial in-migrants added up to an outright population decline in 2025 and point to slower population growth in the coming years. This matters, because population growth has been an important driver of economic activity, housing demand, and government revenues. As that demographic tailwind fades, B.C.'s underlying economic challenges become more visible.

Figure 1.1: B.C. Interprovincial Migration



Source: Statistics Canada, Table17-10-0020-01, Estimates of interprovincial migrants by province or territory of origin and destination, quarterly (annual sums shown)

Figure 1.2: B.C. Migration (All Sources)



Source: Statistics Canada Table: 17-10-0020-01 Estimates of the components of interprovincial migration, quarterly

Examining real economic growth on a per capita basis underscores the outsized role government has played in B.C.'s economy in recent years, as well as the significant slowdown in private-sector growth over the past seven to eight years.

B.C. has traditionally had one of the strongest economies in the country, with growth usually exceeding the national average. Over the two decades from 1997 to 2017, real per capita GDP in B.C. grew by an average of 1.6 per cent annually, compared with 1.4 per cent for Canada as a whole. While a difference of two-tenths of a percentage point may seem modest, it was enough for B.C.'s per capita GDP to rise from $5,600 below the national average in 2000 to reach parity with Canada by 2019.

Since 2017, per capita GDP growth in B.C. has slowed to an average of 1.0 per cent annually. Record population growth over 2022-24 has contributed to weaker per capita performance, but the slowdown predates the recent population surge. Since 2017, per capita output in the private sector has grown by an average of just 0.4 per cent annually. Even with the substantial boost from major resource and infrastructure projects, private-sector growth has remained well below its historical norm.

In contrast, per capita output in the public sector has expanded at an average annual rate of 3.0 per cent since 2017. Growth was even stronger in 2023 and 2024, reaching roughly four times the historical average.

A similar pattern of weaker private-sector growth and stronger public-sector expansion has occurred nationally. The key difference is that, since 2017, growth in B.C.'s public-sector output on a per capita basis has been roughly three times higher than the Canadian average. More recently, the sharp decline in per capita private-sector output in 2024 further distinguished B.C. from the national trend.

Figure 1.3: B.C. Real Per Capita GDP Growth

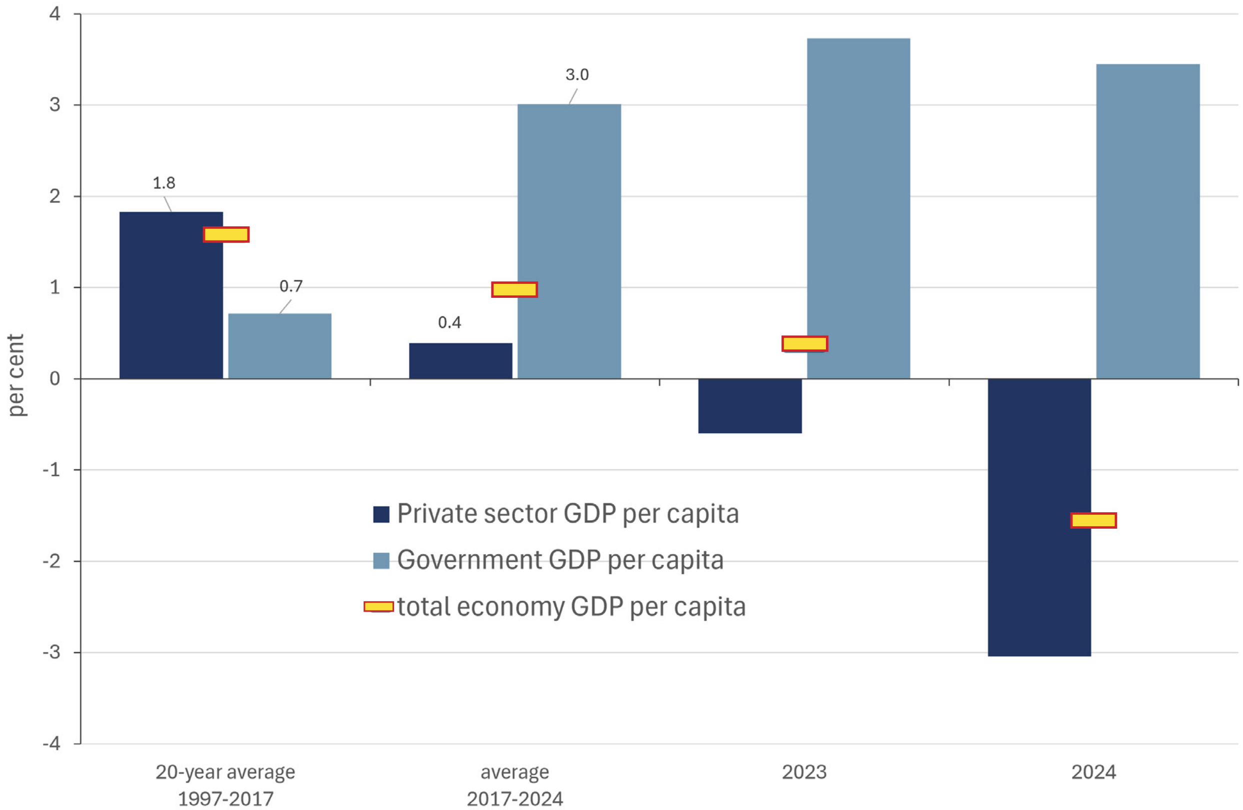
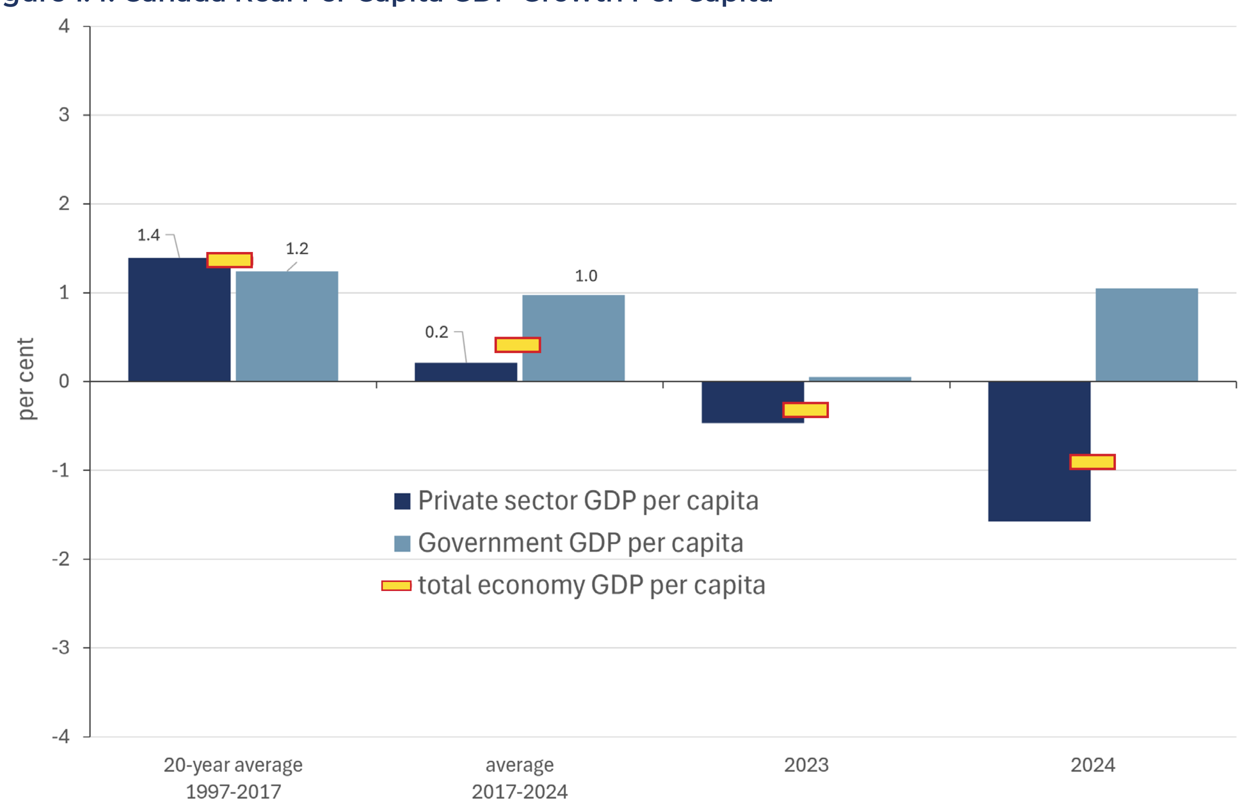


Figure 1.4: Canada Real Per Capita GDP Growth Per Capita



Source: Statistics Canada Table: 36-10-0222-01, Gross domestic product, expenditure-based, provincial and territorial, annual constant dollars and 17-10-0005-01 for populations.

Per Capita GDP Growth (industry basis)

Examining GDP per capita using the latest industry data confirms that growth in per capita income (GDP) has slowed sharply. Over the 2022–2025 period, per capita GDP declined by an average of 0.1 per cent annually.

Real per capita output in the goods-producing industries has trended steadily lower since 2017 and fell by an average of 1.9 per cent annually over the past three years. In the service-producing industries, annual per capita output growth has also slowed since 2017, particularly over the past three years, when growth averaged only about one-third of the long-term historical rate.

Within the service-producing industries, public sector GDP on a per capita basis has grown at roughly twice the pace recorded over the two decades from 1997 to 2017.

Table 1.3: Per Capita Real GDP Growth, By Industry

Per capita real GDP growth (industry basis)	average annual Per Capita real GDP growth %		
	1997-2017 *20-year average*	**2017-2025** *average past 8 years*	**2022-2025** *average past 3 years*
All industries	**1.5**	**0.9**	**-0.1**
Goods-producing industries	1.1	-0.1	-1.9
Services-producing industries	1.7	1.2	0.6
Public sector	0.8	1.7	1.5

Chapter 2
Capital Investment in the Business Sector

Key Messages

- Capital investment is essential for economic growth, job creation, and productivity and wage increases. **B.C. is falling behind** on all counts.
- Strip out the recently completed mega energy projects, **and private sector investment across B.C.'s economy has been weak or declining for years.** While there is scope to turn the situation around by advancing significant projects in the energy, mining and transportation sectors, B.C.'s complex and high-cost operating environment poses a risk.
- **Machinery and equipment investment—the key to productivity—has lagged** relative to both the Canadian average and, even more so the United States, helping to explain B.C.'s dismal productivity performance.
- **The "hosting conditions" for investment and business growth in B.C. have deteriorated markedly**: high carbon costs for industry, onerous regulations, mandatory "Community Benefit Agreements" for large public sector projects, permitting gridlock, and reconciliation uncertainty have all weighed on business confidence.

Why Investment Matters

Capital investment—particularly in machinery, equipment, advanced technologies, and intellectual property, and structures—is the primary driver of productivity growth and, ultimately, real wages. Workers are more productive and earn higher incomes when they have more and better capital to work with.

Canada's well-documented productivity gap with the United States is fundamentally an investment gap. British Columbia is part of this broader national underperformance.

Machinery and Equipment Investment: Persistent Weakness

Business investment in Canada has been weak for much of the past decade. Machinery and equipment investment as a share of GDP has declined, and the gap with the United States has widened steadily over time.

Recent work by the C.D. Howe Institute shows Canadian workers receive significantly less capital investment than their U.S. counterparts. As a result, the amount of capital per worker is stagnating or declining, undermining productivity growth and eroding the basis for real income gains.

The C.D. Howe Institute calculates that Canadian workers receive only about 70 cents of new capital for every dollar received by their counterparts across the OECD. Key takeaways from the Institute's latest report are as follows[1]:

Business investment in Canada has been so anemic since 2015 that capital per employee is falling, undermining growth in labour productivity and compensation.

The longstanding gap between investment per available worker in Canada and other OECD countries narrowed from the late 1990s through the early 2010s, but has since widened, especially relative to the United States. In 2025, Canadian workers received only 70 cents of new capital for every dollar received by their counterparts in the OECD as a whole and just 55 cents for every dollar received by US workers.

Within Canada, B.C. underperforms the national average in machinery and equipment investment, which on a per worker basis is only about 90 per cent of Canada's per worker investment.

While the construction of a handful of major energy-related projects temporarily boosted investment levels after 2016, those gains have not been sustained. Since peaking in 2019, B.C.'s investment levels have fallen back toward historical norms, and M&E's investment share in GDP has dropped to its lowest level since the late 1990s/early 2000s. This is concerning for anyone who wants to see working families enjoy rising real incomes.

[1] C.D. Howe Institute, Canada's Investment Crisis: Shrinking Capital Undermines Competitiveness and Wages (December 2025).

Figure 2.1: M&E Investment per Available Worker (Adjusted for Purchasing Power)

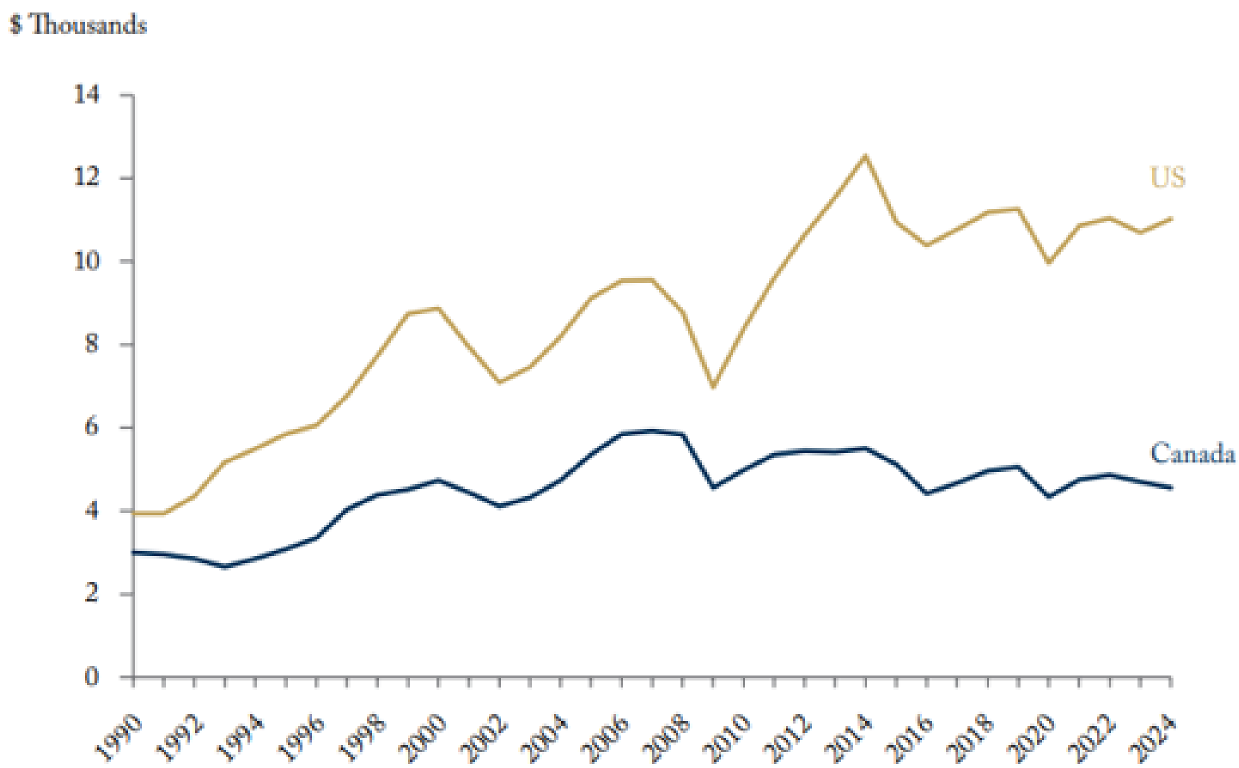
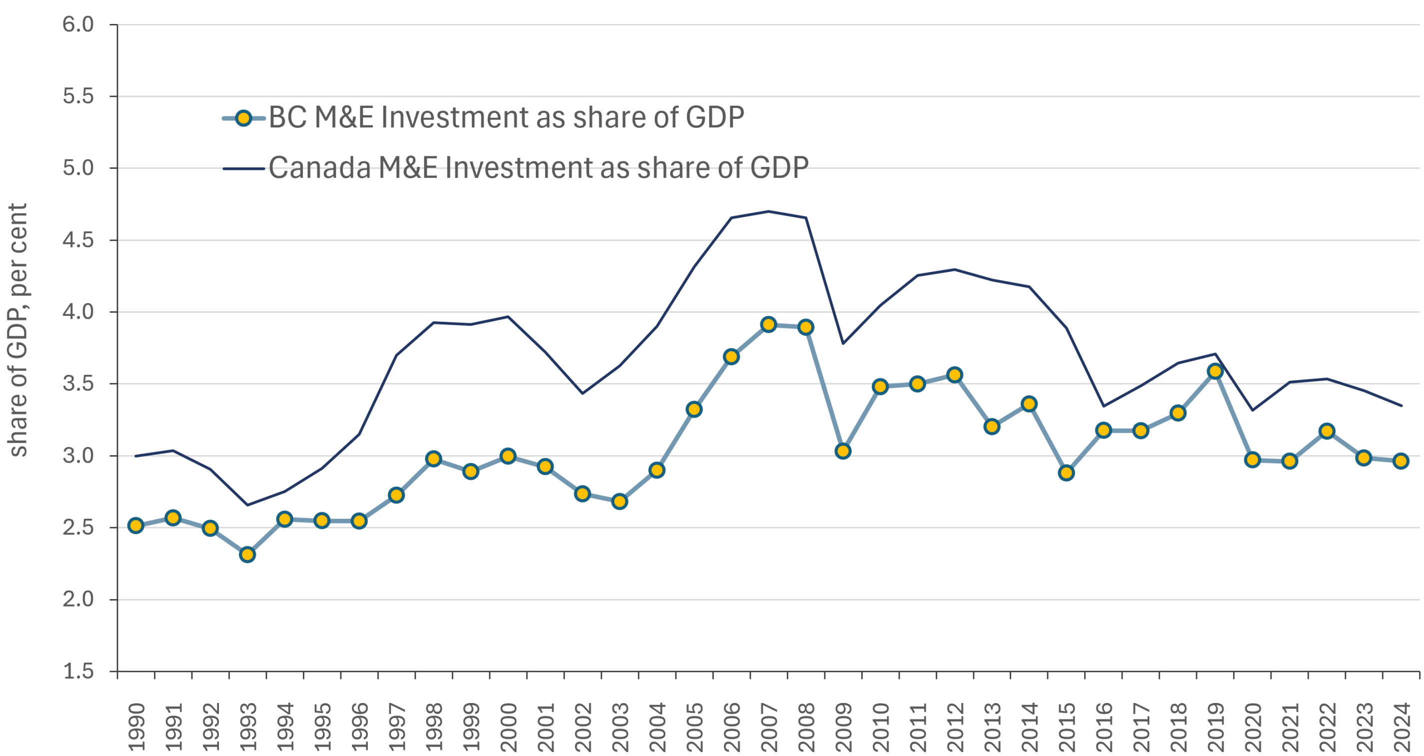


Figure 2.2: Investment in Machinery and Equipment, as Share of GDP



Source: Statistics Canada Table: 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual, 2017 chained $

Non-residential Investment Surges and Retreats

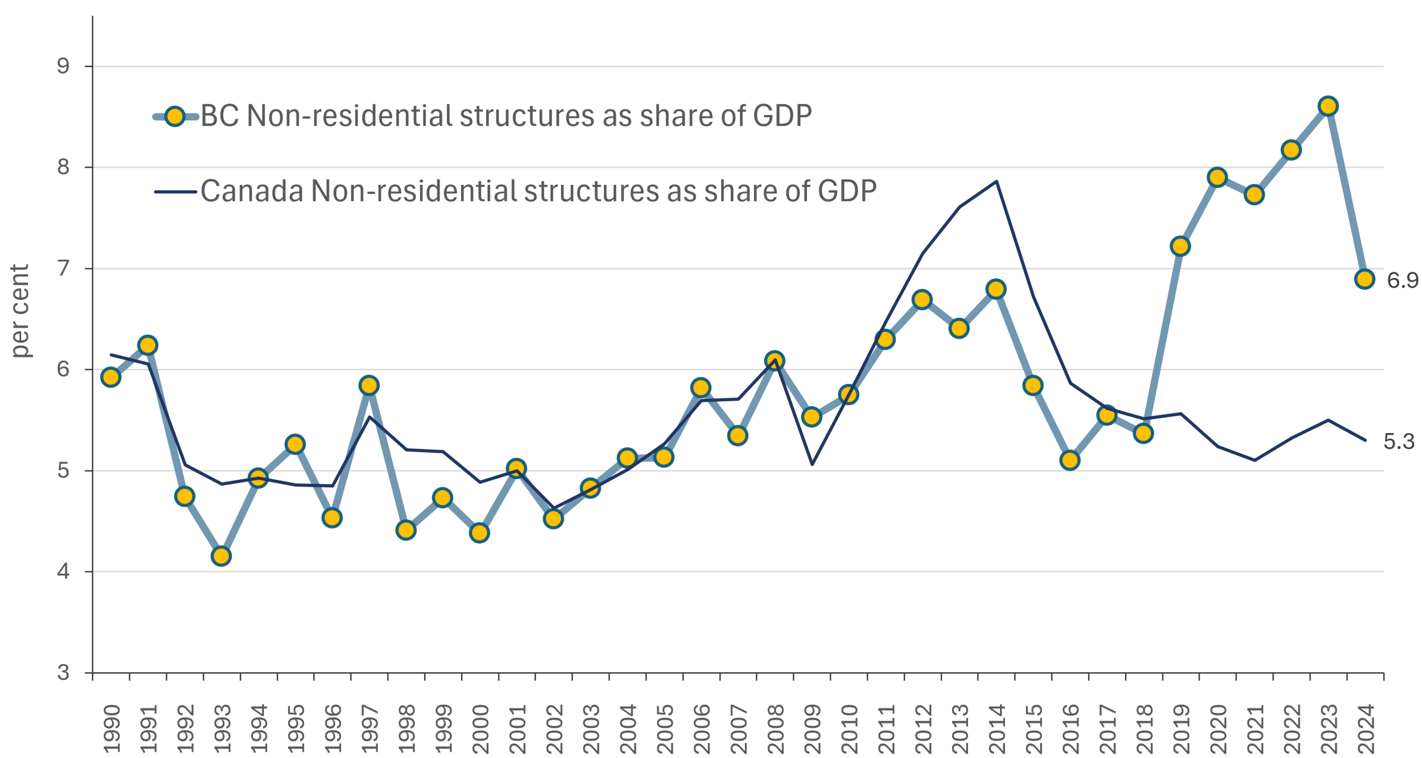
The direct economic lift from the mega energy projects that boosted the province's economy over the 2017-2024 period is most evident in non-residential structures investment, which jumped by almost 40 per cent in 2018 and moved higher afterwards at a more moderate pace. These projects increased the share of non-residential construction investment in GDP to a record high; during this period, B.C. was also significantly above the Canadian average on this measure. With those projects now complete, the picture is far less favourable. Investment in non-residential structures tumbled almost 19 per cent in 2024 and is likely to decline further as capital spending on buildings and other structures weakens across multiple B.C. sectors. Investment spending on structures in the private sector fell almost 3 per cent in 2025 in nominal dollars, meaning the drop in real (after-inflation) terms was closer to 6 per cent. Investment intentions for 2026 point to a similar-sized reduction in capital spending this year.[2]

A notable exception to the widespread investment malaise is the mining sector. Investment spending on structures in this industry fell sharply in 2025, but intentions suggest a rebound of 58 per cent in 2026, which is an additional $940 million, helped by renewed political interest in critical minerals.[3] Even this sizable gain, however, is not enough to offset retrenchment in other areas. Planned investment in transportation and warehousing in 2026 is down 16 per cent (following earlier declines in 2024 and 2025) and planned investment in utilities is expected to fall 3.4 per cent (in nominal terms).

Investment in industries that have exhibited strong expansions also appears to be slowing. Plans for construction investment in the professional services industry in 2026 are down 25 per cent, following sizable reductions in 2024 and 2025. And construction in the information and cultural industry slipped in 2025 – with another 5.6 per cent contraction projected for 2026.

Construction linked to major energy projects post-2016 created the impression of a strong investment performance. But with those projects completed, the risk is that B.C. is headed for a protracted period of relative under investment. It is up to policymakers to take steps to make sure this doesn't happen – by committing to supporting planned and potential industrial projects in the mining and energy sectors, and also by creating an overall business environment that causes more companies already present in B.C. to invest in their existing operations and facilities.

Figure 2.3: Investment in Non-Residential Structures, as Share of GDP



Source: Statistics Canada Table: 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual, 2017 chained $

[2] Statistics Canada, Table: 34-10-0038-01, Capital and repair expenditures, non-residential tangible assets, by type of ownership and geography.

[3] Statistics Canada, Table: 34-10-0038-01.

Residential Investment: A Growing Concern

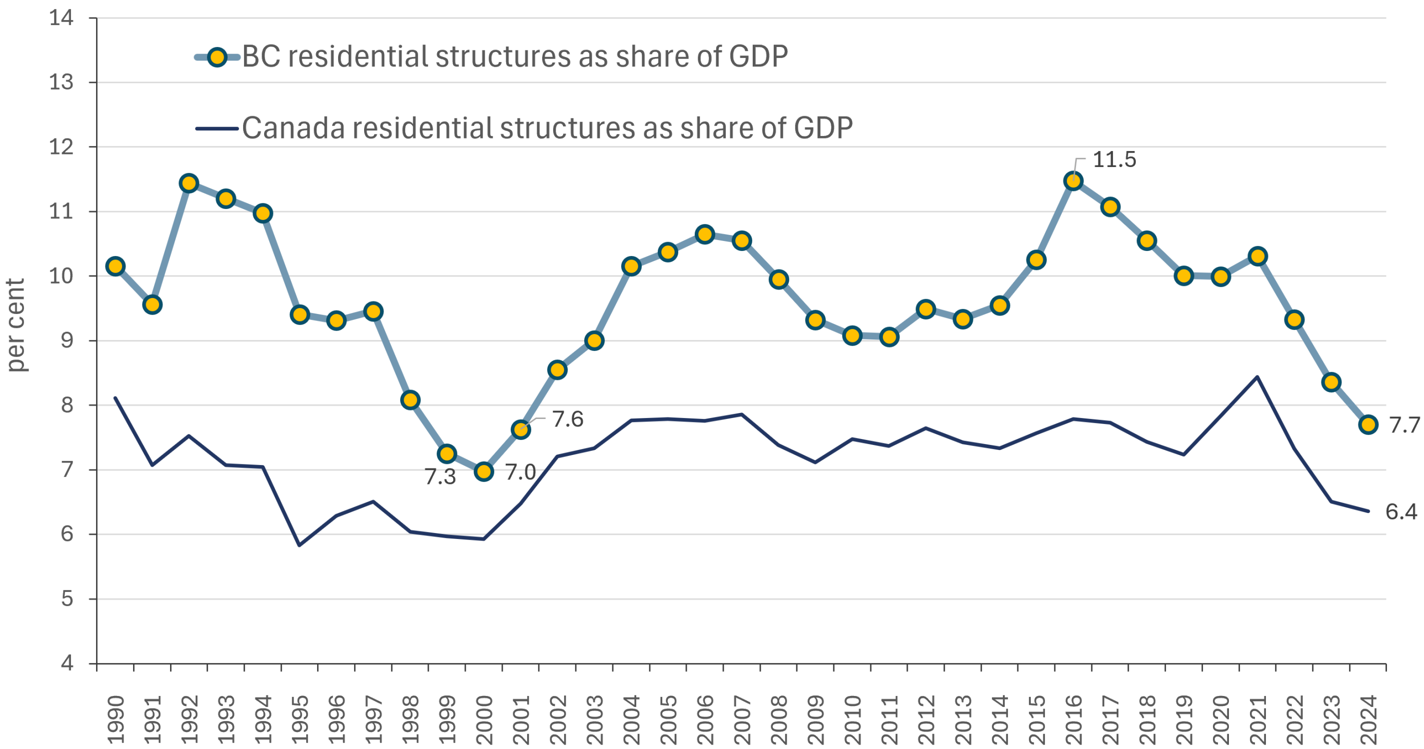
Real (inflation-adjusted) investment in residential structures fell nearly 7 per cent in B.C. in 2024—the sixth decline in seven years—and remains below its 2017 peak[4]. When the data are available for 2025, we expect they will show another drop. The weakness in housing investment looks set to persist over 2026-27.

This residential investment slump has occurred despite strong population growth – until 2025 – and worsening housing affordability. Higher interest rates, tighter credit conditions, and – recently – diminished population growth have all played roles in dragging home sales and prices lower and weakening market conditions for developers.

Policy changes have also weighed on investment, including new taxes, higher development charges and other levies, regulatory constraints, and lengthy permitting timelines.

Recent indicators point to a sustained drop in residential investment spending in B.C. Housing starts and building permits have declined, and per capita housing starts fell to a decade low in 2025 (excluding the pandemic period). With an unsettled economic backdrop and growing concerns over the status and certainty of private property rights in the province, residential investment is likely to remain subdued in the absence of meaningful policy changes.

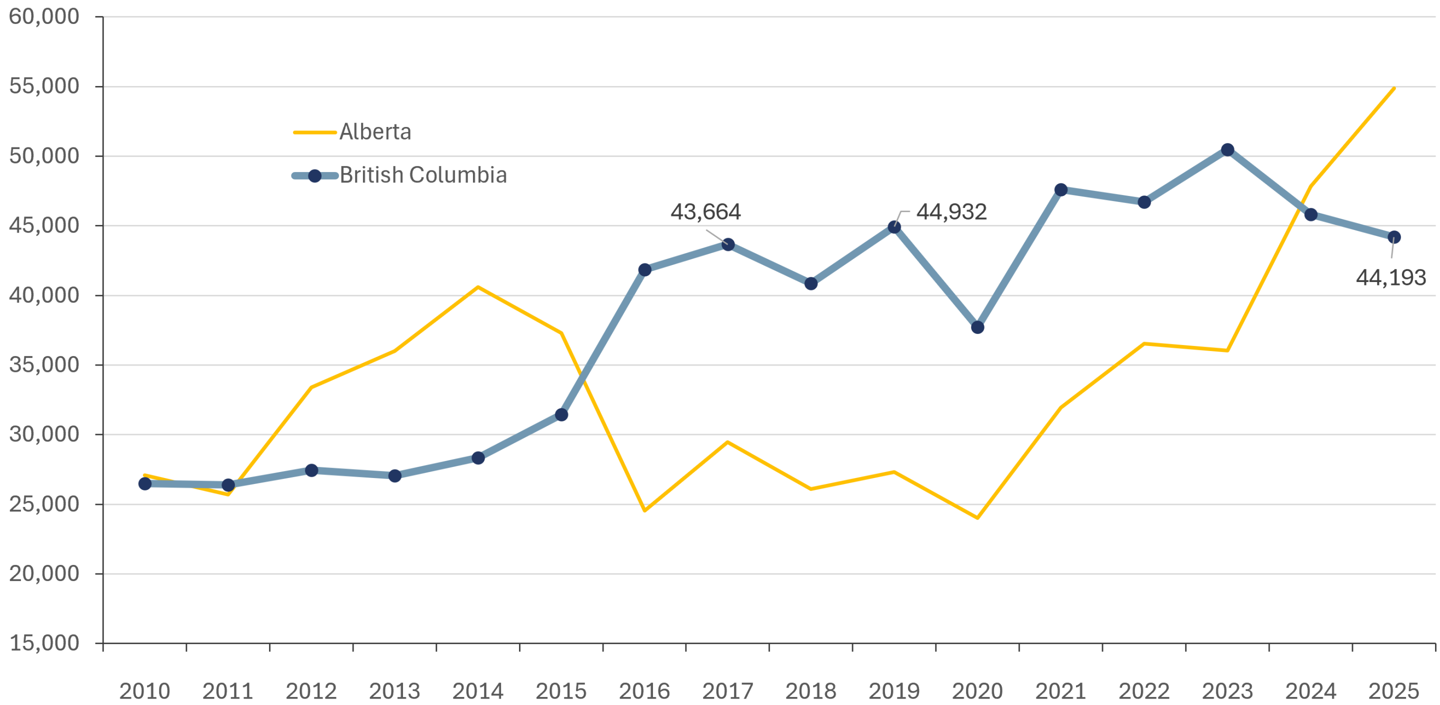
Figure 2.4: Investment in Residential Structures, as Share of GDP



Source: Statistics Canada Table: 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual, 2017 chained $

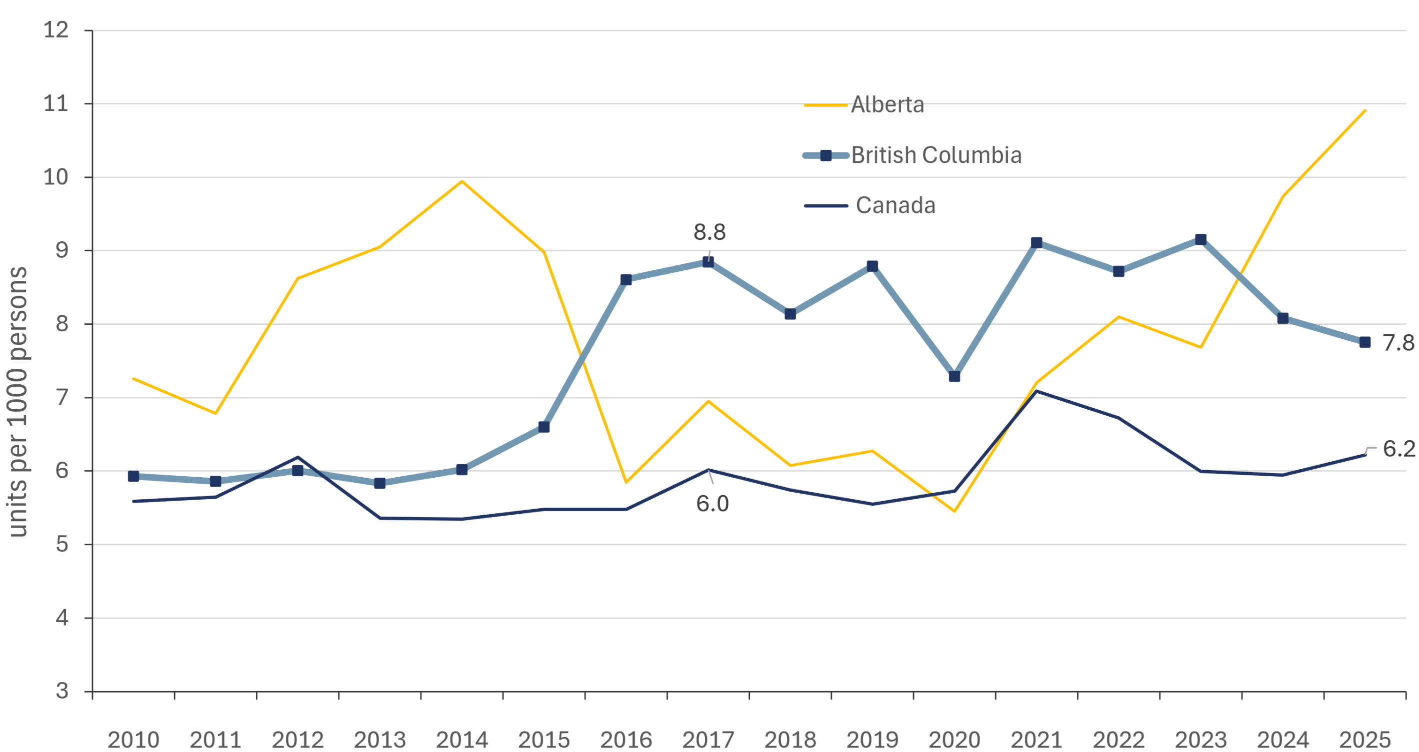
[4] Statistics Canada, Table: 34-10-0038-01, Capital and repair expenditures, non-residential tangible assets, by type of ownership and geography.

Figure 2.5: Housing Starts, Total Units



Source: Statistics Canada Table: 34-10-0126-01, Canada Mortgage and Housing Corporation, housing starts, under construction and completions, all areas, annual

Figure 2.6: Housing Starts, Total Units Per Capita



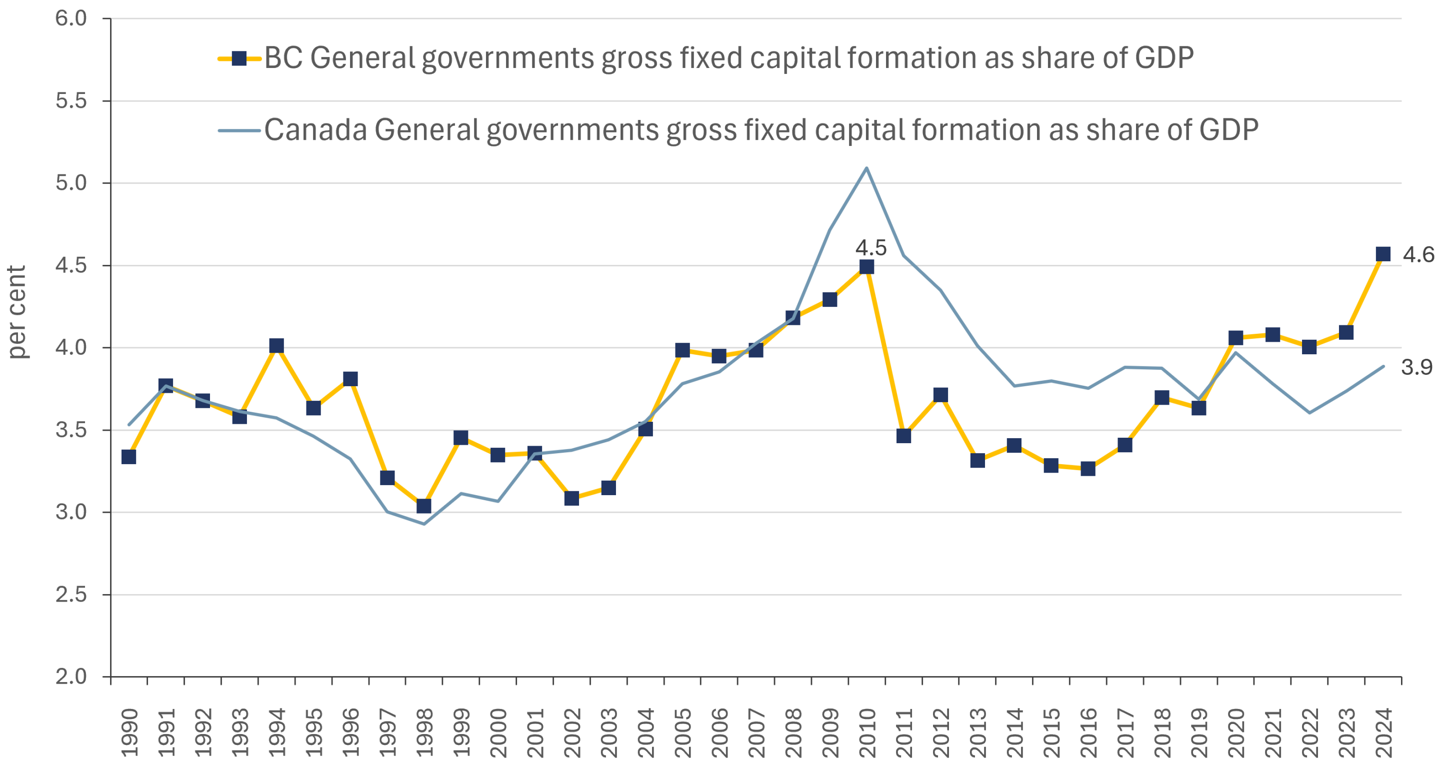
Source: Statistics Canada Table: 34-10-0126-01, Canada Mortgage and Housing Corporation, housing starts, under construction and completions, all areas, annual and Table: 17-10-0005-01, Population estimates on July 1.

More Capital Spending by Government

In contrast, government (or public) sector capital spending has been on a tear, increasing steadily in the last few years as its share in GDP has marched higher since 2016. It reached a record high in 2024. While robust capital spending by government as well as government-funded organizations in the health care, education and transportation sectors contributes to headline economic growth, it also reflects increasing reliance on debt-financed public investment to keep the economy afloat. Rising debt levels are contributing to higher borrowing costs and mounting fiscal pressures on the provincial government.

According to Budget 2026, the provincial government's capital expenditures rise again in fiscal 2026-27, before edging lower the following year. The government's tax-payer capital investment program is more than three times bigger than it was in 2019-20, just seven years ago. Even if the province recalibrates capital spending, it will continue to add to provincial debt at an unprecedented rate.

Figure 2.7: General Governments Gross Fixed Capital Formation, as Share of GDP



Source: Statistics Canada Table: 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual, 2017 chained $

[4] Statistics Canada, Table: 34-10-0038-01, Capital and repair expenditures, non-residential tangible assets, by type of ownership and geography.

A Deteriorating Environment for Business Investment

Investment does not materialize in a vacuum. Businesses allocate capital to jurisdictions where expected risk-adjusted returns justify the commitment. The "hosting conditions" for investment and business growth in B.C.—the tax burden, regulatory costs, permitting timelines, labour rules, energy policy, and the overall predictability of the policy environment—have deteriorated markedly over the past eight years.

An increasingly onerous regulatory and permitting regime, the mandatory use of union-only Community Benefit Agreements on public infrastructure projects, more costly employment standards and labour-skewed laws, and uncertainty stemming from the government's chaotically executed "reconciliation" agenda with First Nations have all weighed on business confidence and investment intentions.

Court rulings and policy developments affecting land title, fee-simple ownership and the management of both Crown and private lands have sent shock waves through the investment community and fed growing uncertainty about the business environment for all land-based industries in the province.

At the same time, public infrastructure investment has been affected by cost overruns and project delays, meaning more capital spending does not always translate into additional productive capacity. Too much of the record B.C. government borrowing for public infrastructure reflects projects being carried forward because of scheduling and permitting problems, not new infrastructure and buildings coming on stream.

Chapter 3 B.C. Exports – The Foundations of Growth Are Failing

Key Messages

- **B.C.'s export sector is underperforming and declining** as a share of GDP—a troubling indicator of eroding trade competitiveness. B.C.'s export-to-GDP ratio of 13 per cent is surprisingly low versus the 24 per cent national average.
- **Forestry exports have been devastated by an almost 50 per cent decline** in the timber harvest since 2015, collapsing lumber shipments to China, and rising U.S. duties. **Provincial policy choices have accelerated the sector's painful decline.**
- Contrary to government rhetoric, overseas exports have languished since 2017 and **B.C. has become more dependent on the U.S. market since the mid-2010s.**
- Energy exports via LNG Canada and other planned/potential projects offer genuine structural upside but **cannot offset weak overall export competitiveness** across the broader economy.

An Export Base in Retreat

Exports are the lifeblood of most small and mid-sized trade-oriented economies, as they bring outside money into an economy that cannot generate enough demand for its products on its own. That inflow helps fund jobs and wages and grows the tax base to provide public services. For British Columbia, they are a key driver of income generation and economic activity more generally. By this measure, B.C.'s performance has deteriorated in the last decade.

In 2024, B.C.'s international merchandise exports totalled nearly $46 billion in chained 2017 dollars, equivalent to 13.5 per cent of provincial GDP. The real value of goods exports fell at an average annual rate of 1.4 per cent over the 2019–2024 period. This pushed B.C.'s already low exports-to-GDP ratio even lower. In Alberta, international exports are equal to roughly 34 per cent of GDP. In Ontario, the share is 24 per cent.

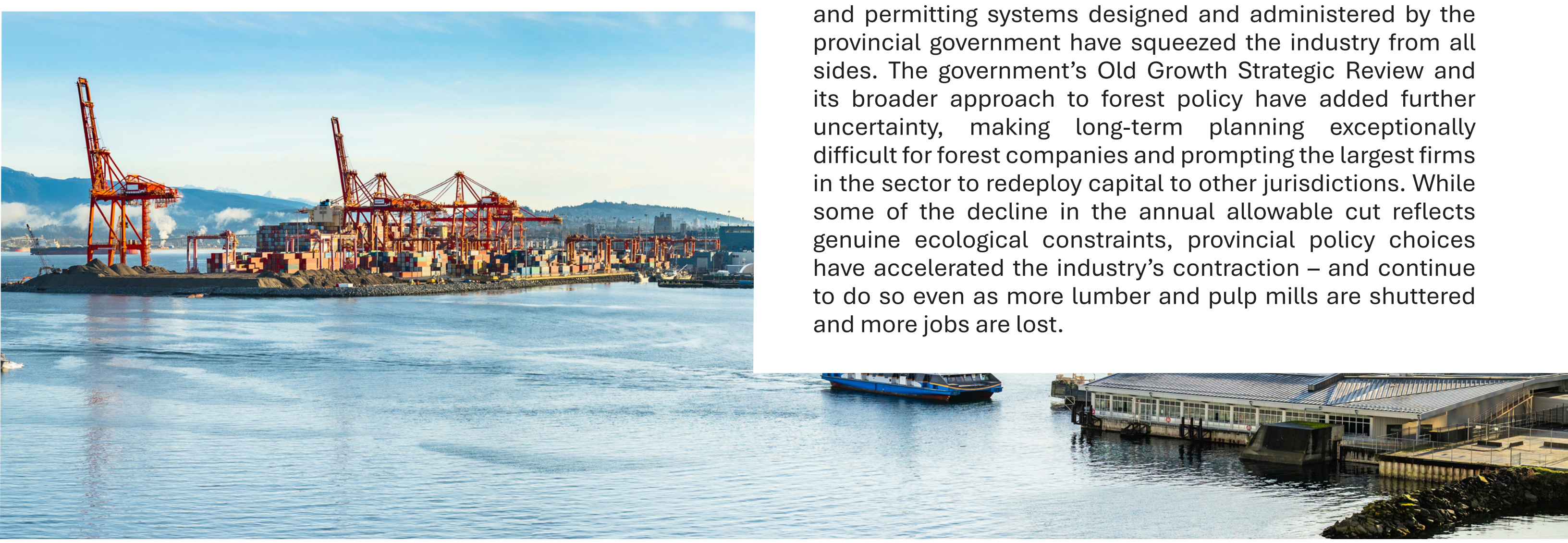
The fact that export growth has not kept pace with B.C.'s fairly tepid overall economic growth over the past eight years signals a fundamental erosion of the province's overall competitiveness for trade-focused industries.

The Forest Sector: From Flagship to Fallen

Some of the structural weakness of B.C.'s export sector can be traced to the dramatic and ongoing decline in forestry. An industry that long ranked as the province's leading source of export earnings and served as a mainstay of jobs and business activity in every region has fallen on exceptionally hard times. B.C.'s timber harvest plummeted by approximately 50 per cent between 2016 and 2025. This means the basic raw material on which the entire forest products industry relies has been disappearing.

Softwood lumber export volumes have tracked the harvest downward. The total volume of B.C. softwood exports in 2025 was 57 per cent lower than in 2016. Shipments to China—once a major growth market—have collapsed by 80 per cent over the same period.

While American lumber tariffs are part of the story, the roots of the B.C. forest sector's economic decline are largely home-grown. As B.C.'s wood product output and exports have tumbled, it is striking that wood product exports from the rest of Canada have mostly held up. In B.C., dwindling fibre supplies, high operating costs, steep U.S. duties on southbound lumber exports, and cumbersome regulatory and permitting systems designed and administered by the provincial government have squeezed the industry from all sides. The government's Old Growth Strategic Review and its broader approach to forest policy have added further uncertainty, making long-term planning exceptionally difficult for forest companies and prompting the largest firms in the sector to redeploy capital to other jurisdictions. While some of the decline in the annual allowable cut reflects genuine ecological constraints, provincial policy choices have accelerated the industry's contraction – and continue to do so even as more lumber and pulp mills are shuttered and more jobs are lost.



Limits to Export Diversification

Despite policy emphasis and the common narrative about greater "export diversification," export shares remain largely unchanged. The United States continues to account for roughly half of B.C.'s goods exports. The value of exports to China has grown more quickly than exports to the U.S., providing some market "diversification" in recent years. But these gains are concentrated in coal and copper and mostly reflect higher prices rather than increased volumes.

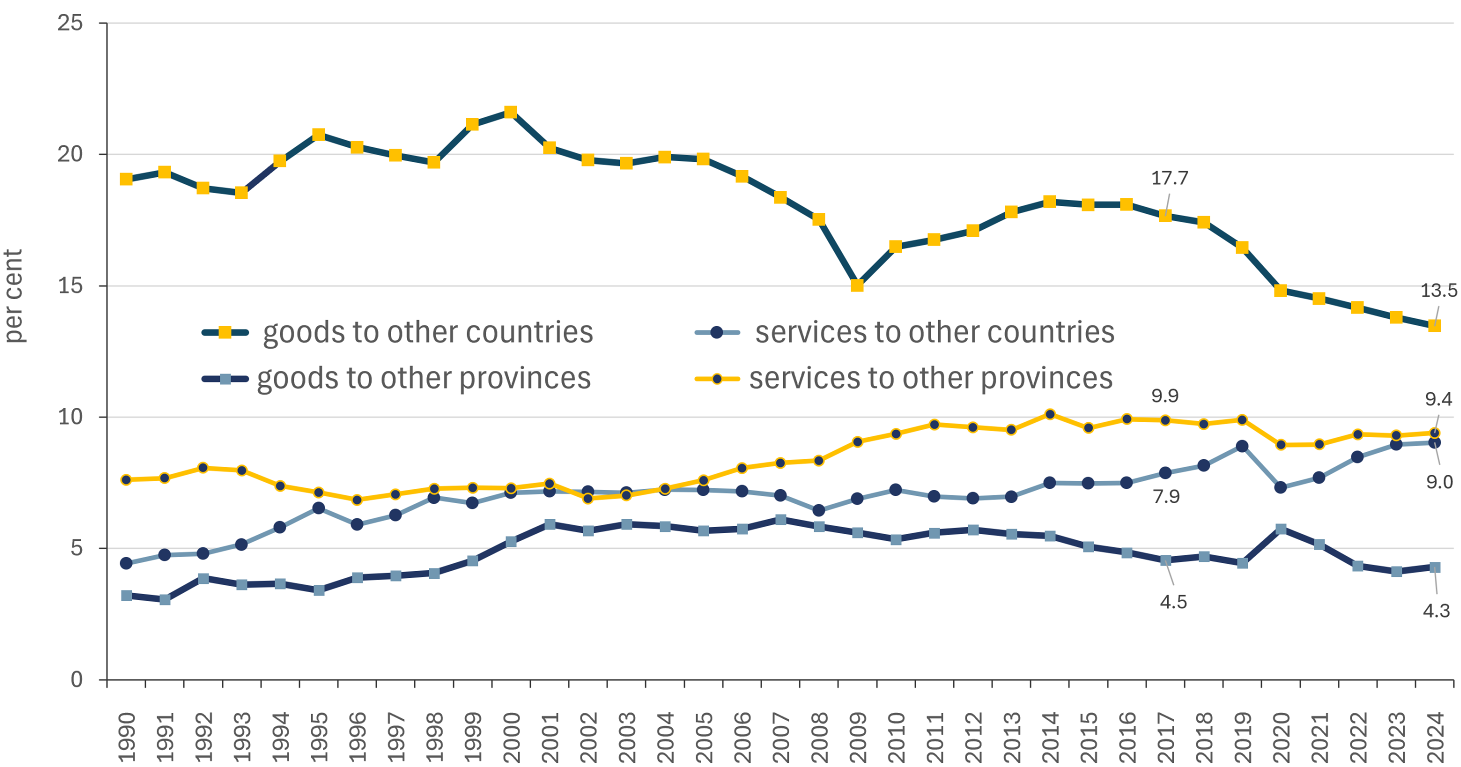
The increase in China's export share has been offset by declines in the shares to Japan and South Korea, which in turn helped to sustain the high U.S. share of the province's merchandise exports.

Interprovincial trade offers some opportunity for diversity, but B.C.'s interprovincial exports are comparatively small and have tended to grow more slowly than the broader economy. Interprovincial goods exports were just 4.3 per cent of B.C.'s GDP in 2024, down slightly from 4.5 per cent a decade earlier. Apart from Ontario, the other provinces export proportionately more to their Canadian counterparts than does B.C. In the Prairie provinces, merchandise exports to other Canadian jurisdictions equal roughly 11–13 per cent of GDP; in, Quebec, the comparable figure is about 8 per cent. For B.C., interprovincial goods exports represent a comparatively small market and are not a substitute for a thriving international export sector.

The start of LNG exports in 2025 added an entirely new product to B.C.'s export mix, lifted exports to China, and provides a genuine source of export diversification for the province. Indeed, LNG is a bright spot, with the prospect of further expanding export volumes if more LNG projects come online in the coming years. Mining, too, offers substantial upside for the province's exports and the broader economy. But proposed and planned projects in these sectors are not guaranteed, and the benefits will take years to materialize even under optimistic assumptions.

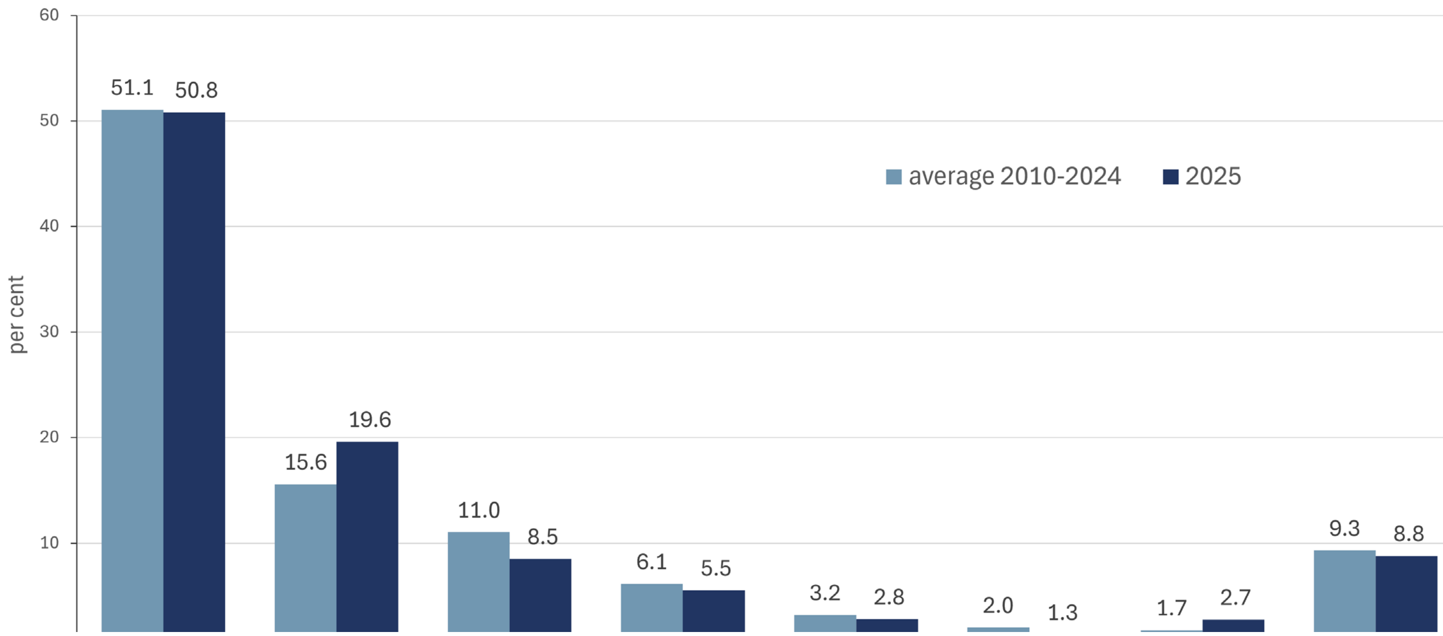
Service exports offer some opportunity for diversification. Growth in international service exports (key segments include tourism, transportation, film and television, professional services, and education) has accelerated. Services are a fast-growing export sector for the province. Service exports are also the only segment that has outpaced overall economic growth, giving it a larger (and expanding) economic footprint (see Table 1.1). Growth in service exports to other provinces has slowed relative to earlier decades and has not quite kept pace with the broader economy.

Figure 3.1: B.C. Exports as Share of GDP



Source: Statistics Canada Table: 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual, 2017 chained $.

Figure 3.2: B.C. International Merchandise Export Shares by Country



Source: BC Stats, International Commodity Exports Trade, BC, Annual.

Considering exports of goods and services to both other countries and other provinces, in B.C.'s case only international service exports have outgrown the overall economy and contributed to lifting the economic growth rate. The other three segments have weighed on B.C.'s economic growth, especially the international goods segment. The result is that the share of all exports in GDP has dropped from 40 per cent in 2017 to 35.8 per cent in 2024.

Key Messages

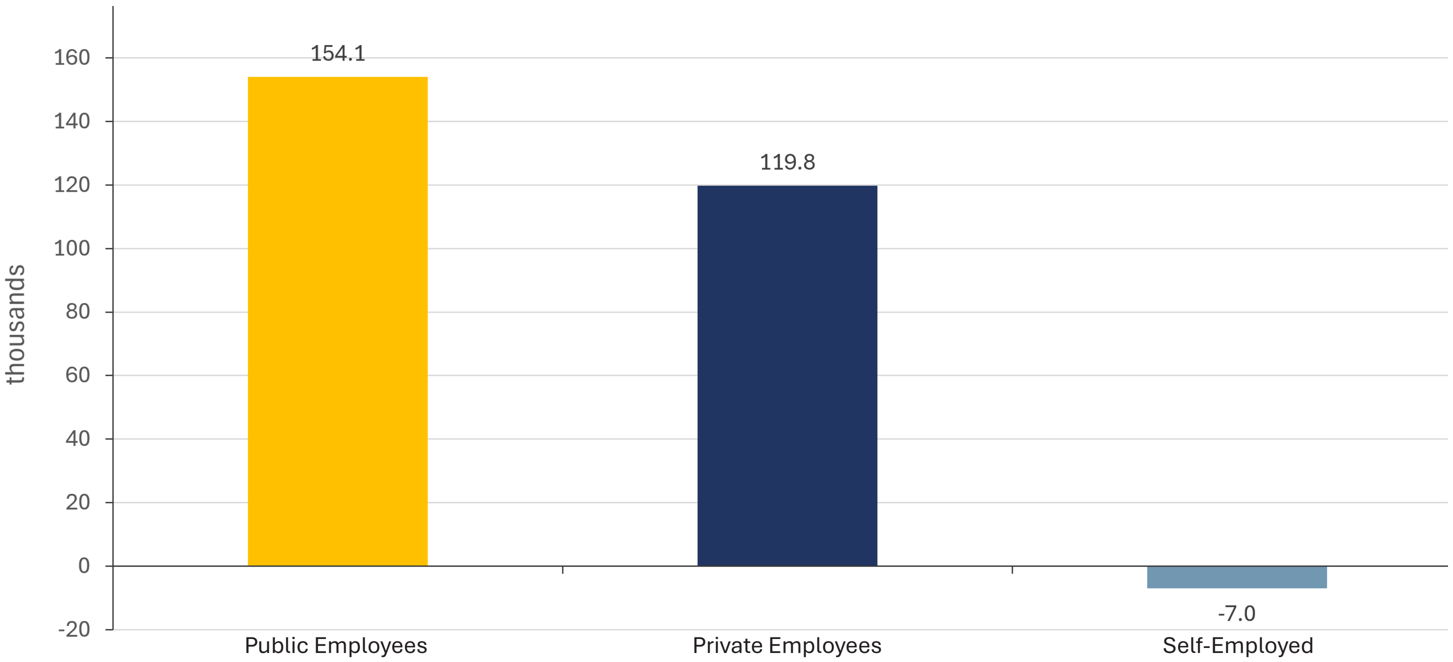
- B.C.'s private sector job market has been and remains weak. **Close to 60 per cent of all net job creation since 2019 has come from the government sector**—a pattern that stands apart from other provinces.
- **For every net new private sector job created in B.C. since 2019, there have been 1.3 new public sector positions**—compared with 0.6 in the rest of Canada. This imbalance is without precedent.
- **Provincial public sector labour costs nearly doubled** to $53.2 billion from 2017 to 2024.
- Without stronger private sector job growth and investment to raise productivity, there is no mechanism to boost real wages. **Government cannot spend its way to genuine prosperity.**

A Large Public-Private Imbalance

In B.C., there has been a wide divergence between the public and private sectors when it comes to net job creation. Since 2019, a majority of net new jobs have been in the broadly defined public sector,[5] while private sector job growth has struggled.

Between 2019 and 2025, B.C. added approximately 265,000 total jobs. Of these, a remarkable 154,000—fully 58 per cent—were in the broad government sector. Public sector employment in B.C. grew at an average annual rate of 5 per cent, or nearly 34 per cent cumulatively, over this period. Growth in public sector employment in B.C. exceeded that of every other province.[6]

Figure 4.1: Change in B.C. Employment, 2019-2025



Source: Table: 14-10-0288-01, Employment by class of worker, seasonally adjusted and unadjusted. (based on annual averages of monthly data)

The contrast with the private sector is stark. Over the long term, from 1976 to 2024, B.C.'s private sector employment grew at a compound annual rate of 2.1 per cent. Since 2019, that rate has dropped to just 1.1 per cent—the largest deviation from the historical growth trend among all Canadian provinces.[7] No other province has experienced such a sharp slowdown in private sector employment growth relative to its own long-run average. Had private sector employment continued growing at its pre-pandemic pace, B.C. would today have roughly 2.1 million private sector jobs. Instead, the actual figure is about 1.9 million—a shortfall of some 223,000 positions.

[5] The public sector includes government administration as well as most of health care, education and social services.

[6] Statistics Canada, Table: 14-10-0288-01, Employment by class of worker, monthly, seasonally adjusted and unadjusted.

[7] BCBC, "Private vs Public: A Tale of Two B.C. Job Markets," June 2025.

The ratio of new public sector employees to new private sector ones is especially concerning and bears directly on the province's unsustainable public finances. In the other nine provinces combined, every new private sector job created since 2019 was accompanied by 0.6 new public sector positions. In B.C., the ratio was 1.3 new public sector employees for every new private sector job created.

Total provincial public sector labour costs (salaries and benefits) have nearly doubled, rising from $26.7 billion in 2017 to $53.2 billion in 2024.[8] With new collective agreements being reached with various public sector unions, compensation costs for employees in the provincial public sector are set to balloon in the next few years – at a time when the government is staring down epic budget deficits and presiding over a veritable explosion in public debt. This much drag on the provincial treasury simply isn't sustainable.

Job Growth by Industry

In B.C., there has been a wide divergence between the public and private sectors. Of the roughly 66 industries that make up B.C.'s private sector, in nearly half (48 per cent) employment levels actually fell between 2019 and 2025.

Within the province's export-oriented industries, steep job losses have occurred in forestry (including logging, wood product manufacturing, and pulp and paper), agriculture, machinery manufacturing, furniture manufacturing, and food manufacturing. Mining employment has also fallen since 2019.

The completion of the major energy projects means employment in engineering design services is lower and jobs in heavy and civil engineering construction are also down.

Four of the ten industries with the fastest job growth are in the public sector, including universities and other post-secondary institutions, hospitals, and municipal and local administration. Two are in technology-related manufacturing, underscoring a marked variation in job growth across different segments of manufacturing.

Information and data processing services recorded the second-fastest job growth. The courier and messenger industry is among the ten fastest-growing industries, while the postal service industry is among the ten with the steepest declines.

Construction employment broadly tracked the wider B.C. economy, buoyed earlier by the mega-projects but now tracking lower with their completion and the weakness currently evident in the job-heavy residential construction segment.

[8] CFIB, "Explosive Growth: How BC's Public Sector Costs Have Doubled," 2025.

Table 4.1: B.C. Employment by Industry, ranked by average growth 2019-2024

Rank	Industry *(bold text=public sector)*	Growth 2019-2025 average annual %	Growth 2019-2025 000s	# jobs 000s 2025
1	Electrical Equipment, Appliance and Component Manufacturing	13.8	4.1	7.6
2	Information Services and Data Processing Services	11.5	6.0	12.5
3	Other Professional Services	11.1	8.6	18.4
4	Computer System Design Services	11.0	53.6	115.4
5	**University**	**9.8**	**22.9**	**53.3**
6	**Post-Secondary**	**7.0**	**6.1**	**18.2**
7	Couriers and Messengers	7.0	7.0	20.9
8	**Hospitals**	**6.9**	**52.7**	**159.5**
9	**Local, Municipal & Regional & Aboriginal Public Administration**	**6.8**	**19.2**	**58.9**
10	Computer and Electronic Product Manufacturing	6.3	3.2	10.4
11	Chemical Manufacturing	5.6	2.5	9.0
12	Legal Services	4.9	8.9	35.9
13	Securities, Commodity Contracts, & Other Intermediation Activities	4.2	6.4	29.2
14	Fabricated Metal Product Manufacturing	4.1	3.6	16.7
15	Amusement, Gambling and Recreation Industries	4.1	11.4	53.7
16	Scenic and Sightseeing Transportation & Support Activities	3.9	7.2	34.8
17	Transit and Ground Passenger Transportation	3.7	4.8	24.6
18	**Ambulatory Health Care Services (mostly private with some public)**	**3.7**	**24.2**	**124.4**
19	**Federal Government Public Administration (incl. Defence Services)**	**3.5**	**9.9**	**53.0**
20	Waste Management and Remediation Services	3.4	1.7	9.3
21	**Provincial and Territorial Public Administration**	**3.3**	**8.1**	**45.3**
22	Accounting and Tax Preparation	3.3	6.5	36.6
23	**Primary and Secondary**	**3.0**	**18.8**	**116.3**
24	Transportation Equipment Manufacturing	2.9	1.9	12.0
25	Warehousing and Storage	2.8	1.6	10.4
26	Religious, Grant-Making, Civic, and Similar Organizations	2.8	5.0	32.7
27	Motion Picture and Sound Recording Industries	2.7	3.6	24.3
28	**Social Assistance**	**2.7**	**11.2**	**76.7**
29	Building Equipment Contractors	2.5	10.1	74.4
30	Water Transportation	2.3	0.9	7.0
31	Advertising and Related Services	1.5	1.3	15.3
32	Oil and Gas Extraction	1.5	0.5	6.0
33	Utilities	1.2	1.0	14.3
34	Trade Contracting	1.1	9.9	156.6
35	Real Estate	1.1	3.7	58.9
36	Residential Building Construction	0.9	3.5	67.3
37	Retail	0.7	13.1	339.8

Rank	Industry *(bold text=public sector)*	Growth 2019-2025		# jobs
		average annual %	**000s**	**000s 2025**
38	Building Finishing Contractors	0.6	1.3	35.5
39	Other Schools and Educational Support	0.6	1.3	37.3
40	Accommodation Services	0.4	0.8	37.2
41	Wholesale	0.3	1.5	95.8
42	Wood Product Manufacturing	0.2	0.3	23.8
43	Beverage and Tobacco Product Manufacturing	0.0	0.0	7.7
44	Architectural, Engineering and Design Services	-0.2	-0.9	60.4
45	Other Specialty Trade Contractors	-0.4	-0.4	18.3
46	Mining (except Oil and Gas) & Mix Mining	-0.5	-0.5	15.1
47	Non-residential Building Construction	-0.6	-0.5	13.8
48	Air Transportation	-0.6	-0.5	13.0
49	Foundation Structure and Building Exterior Contractors	-0.7	-1.2	28.3
50	Furniture and Related Product Manufacturing	-0.8	-0.4	8.5
51	Paper Manufacturing	-0.9	-0.5	8.9
52	Repair and Maintenance	-1.0	-2.1	34.6
53	Food Manufacturing	-1.0	-1.8	27.6
54	Food Services and Drinking Places	-1.3	-12.4	153.5
55	**Nursing and Residential Care Facilities (mix of public and private)**	**-1.4**	**-4.6**	**52.7**
56	Support Activities for Mining and Oil and Gas Extraction	-1.4	-0.6	6.8
57	Management of Enterprises and Other Administrative Services	-1.4	-0.5	5.5
58	Personal and Laundry Services	-1.5	-3.7	40.2
59	Forestry and logging and support activities for forestry	-1.5	-1.4	14.7
60	Building Services	-1.9	-6.1	48.7
61	Machinery Manufacturing	-2.1	-1.4	10.4
62	Management, Scientific and Technical Services	-2.4	-4.9	31.6
63	Heavy and Civil Engineering Construction	-2.4	-3.9	24.5
64	Truck Transportation	-2.5	-5.5	33.0
65	Rail Transportation	-3.3	-1.2	5.3
66	Employment Services	-3.8	-1.5	5.8
67	Miscellaneous Wholesaler-Distributors & Wholesale Agents	-4.9	-4.4	12.5
68	Performing Arts, Spectator Sports and Related Industries	-5.1	-7.4	20.0
69	Security Services	-5.4	-5.0	12.6
70	Agriculture	-6.4	-8.0	16.3
71	Postal Service	-7.2	-4.1	7.3
72	Broadcasting and Telecommunications	-7.2	-6.5	11.5
73	Business Services	-7.8	-3.4	5.4
74	Publishing Industries	-9.4	-6.5	8.0
75	Travelling Services	-9.6	-6.3	7.6

Source: BC Stats.

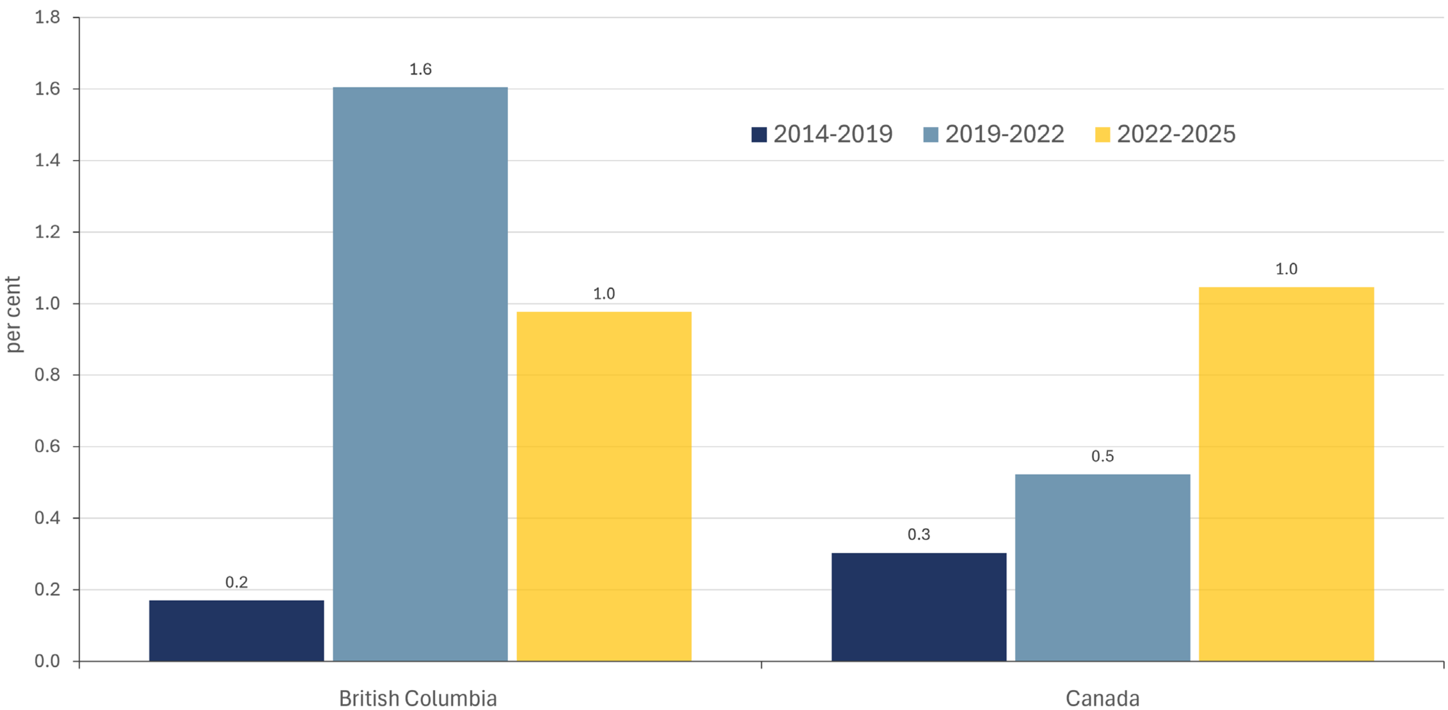
Private sector job gains have been concentrated in a relatively narrow group of industries—particularly professional services (computer design, advertising, legal services, and other professional services) which have provided six of ten net new private sector jobs over the past six years.

Fiscal constraints and the necessary FTE reductions over the next several years mean the public sector will not be the primary engine of job creation in the next half decade. This reality, combined with the narrow concentration of job growth in technology-driven professional services since 2019, points to the need to improve the overall business climate for private sector industries to ensure that the province is able to encourage investment and hiring in the private sector even as the public sector steps back.

Real Wage Growth Has Strengthened

Real wages – defined as actual wages deflated for inflation -- are a mixed story for B.C. They grew by an annual average rate of 1.6 per cent over the 2019-2022 period, faster than the 2014-2019 average and higher than in Canada as a whole. More recently, real wage growth has downshifted in the province – but still managed to rise by 1 per cent annually, matching Canada.

Figure 4.2: Real Wage Growth, all-industry averages, %



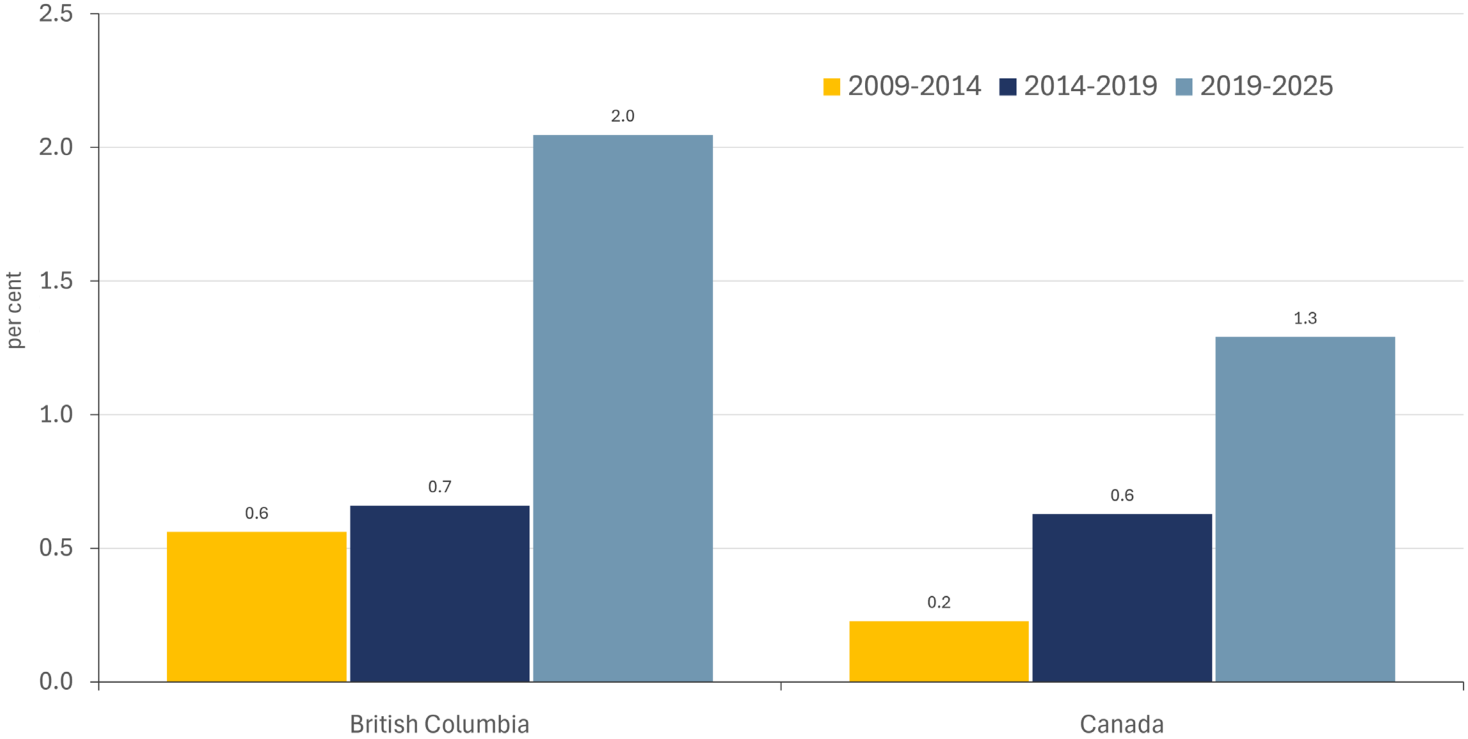
Source: Statistics Canada, Table: 14-10-0204-01, Average weekly earnings by industry, annual and Table 18-10-0005-01 for CPI. all employees, excluding overtime

Stronger wage growth helped lift real disposable income per household, which grew by a healthy 2 per cent per annum over the 2022-2025 period. This is higher than in prior years and also above the Canada-wide pace.

The challenge remains that even as incomes have risen, high housing and other living costs relative to earned incomes mean B.C. households, in aggregate, still save less than their counterparts in other provinces. The good news is that the average B.C. household managed to save several thousand dollars annually in recent years, whereas prior to the pandemic the typical household was "dis-saving"—taking on additional debt each year.

It must be noted that in the long run, the scope for real wage increases depends on becoming more productive and achieving ongoing productivity growth. Like Canada as a whole, B.C. has been performing poorly on this key indicator. An important task for policymakers is to establish economic conditions that support the types of investments needed to boost productivity.

Figure 4.3: Real Disposable Income Per Household, Average Annual Growth



Source: Statistics Canada, Table: 36-10-0588-01, Distributions of household economic accounts, income, consumption and saving, Canada, provinces and territories, annual and Table 18-10-0005-01 for CPI.

Chapter 5 An Unprecedented Deterioration in Public Finances

Key Messages

- B.C.'s fiscal position has shifted **from stable to calamitous** in a remarkably short period, with record deficits now projected through at least 2028–29 and **no credible path to balance.**
- Total provincial **debt is set to more than double under Premier Eby**, from $89 billion to an estimated $213 billion. The debt-to-GDP ratio is converging with Ontario and Quebec—provinces that have historically carried far heavier burdens.
- Four S&P downgrades in four years and Moody's first-ever downgrade from Aaa underscore the severity of the fiscal deterioration. **We expect further downgrades in 2026–27 absent a dramatic policy shift.**
- The carbon tax cancellation ($1.8B annual revenue loss), shaky property transfer tax assumptions, and generous public service union settlements point to further fiscal deterioration beyond what the 2026 budget officially projects.

A Wrecking Ball Taken to B.C.'s Fiscal Position

In just a few years, British Columbia has gone from being one of the most fiscally sound provinces in Canada—with a low debt load, a stellar credit rating, and a track record of budgetary discipline—to perhaps having the weakest financial position of any major Canadian jurisdiction.[9]

The province emerged from the COVID crisis in solid financial shape and posted budget surpluses as recently as 2021–22. What happened next was a policy choice: the David Eby NDP government embarked on a massive expansion of operating and capital spending without any credible plan for how to pay for it once the temporary windfall revenue gains realized following the pandemic had subsided.

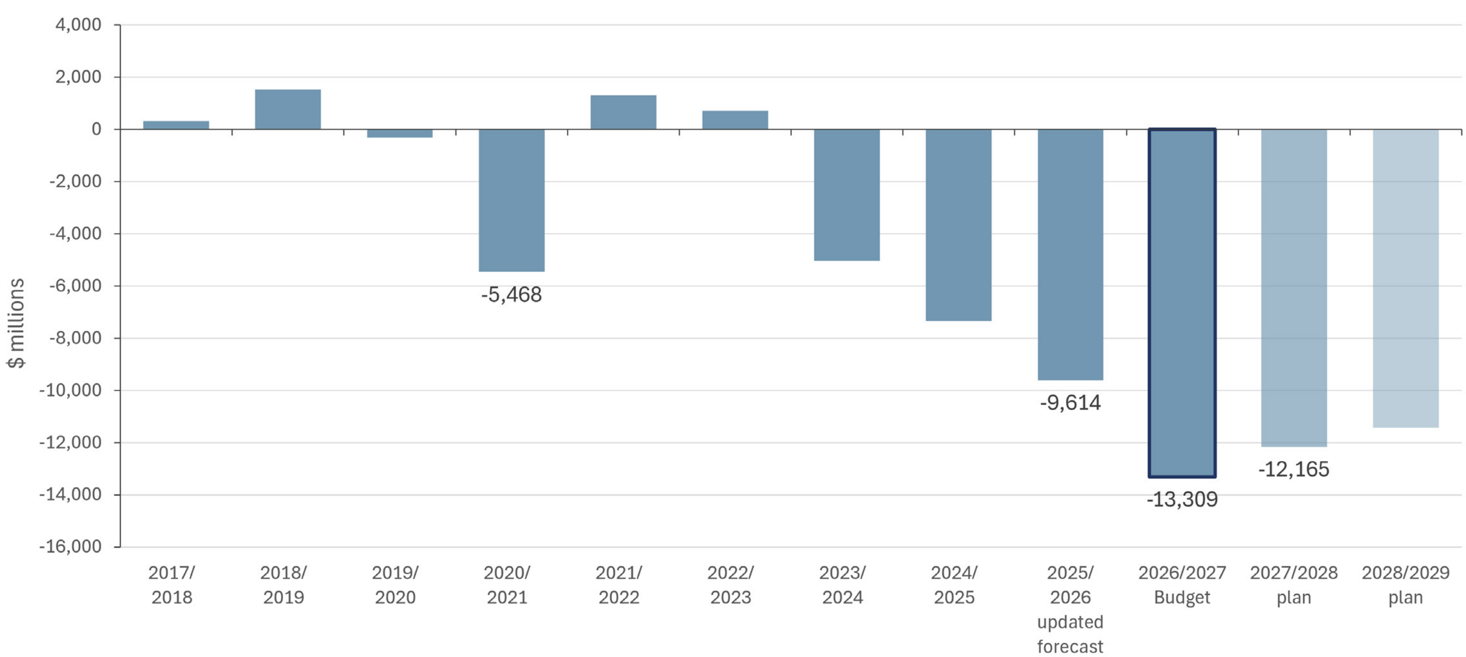
Stated plainly, the Eby government has taken a wrecking ball to British Columbia's public finances.

Record Deficits with No Path to Balance

The B.C. government's operating deficit has exploded. The updated deficit estimate for 2025–26 is $9.6 billion. This is slightly lower than initially feared, but only because the government booked a one-time $2.7 billion legal settlement from a tobacco lawsuit as current-year revenue. A more appropriate accounting treatment would spread this kind of payment over several years, meaning the true deficit in 2025-26 was larger than the official estimate.[10]

The budget deficit for 2026–27 is a record of $13.3 billion. The fiscal plan then projects deficits of $12.2 billion in 2027–28 and $11.4 billion in 2028–29. Critically, there is no path to budget balance – nor a plan to even materially reduce the size of the government's now chronic operating shortfall.

Figure 5.1: B.C. Government Surplus/Deficit



Source: : BC 2026 Budget and past Budgets, Ministry of Finance.

[9] Finlayson and Peacock, "Eby may go down as worst fiscal manager in B.C. history," BIV, January 2026.

[10] B.C. Budget 2026, Fiscal Plan, bcbudget.gov.bc.ca/2026/fiscal.

How did we get here? The deficit spiral has two interrelated roots. First, spending growth accelerated after the NDP took office in 2017, initially supported by a healthy surplus left by the previous BC Liberal government and revenue growth from several sources: higher corporate and personal income tax rates, shifting the carbon tax from a revenue-neutral mechanism to a general revenue source, new Employer Health Tax revenues, and strong economic activity linked to mega-project construction. Then, under Premier Eby, expenditure growth surged 22 per cent higher from its already elevated level while total provincial revenue grew just 4.6 per cent over the same period. Spending became completely untethered from economic reality, revenue gains inevitably turned lower and the budget deficit soared.

Table 5.1: Provincial Deficits

Province	2026-27 deficits as share of GDP, %	2026-27 deficits $ millions	Plan to balance budgets
British Columbia	-3.0	-13,309	No
Alberta	-1.9	-9,372	Yes (depending on oil prices)
Saskatchewan	-0.7	-819	Yes
Manitoba	-0.5	-498	Yes
Ontario	-1.1	-13,844	Yes
Quebec	-1.3	-8,612	Yes
New Brunswick	-2.7	-1,394	No
Nova Scotia	-1.7	-1,241	Yes (slowly)
Prince Edward Island	-3.5	-410	Yes (slowly)
Newfoundland and Labrador	0.2	96	Yes
Federal	-2.0	65,400	Perhaps (medium-term)

** Includes one-time $2.7B tobacco settlement revenue. Sources: B.C. Budget 2026 Fiscal Plan; RBC Economics, Canadian Federal and Provincial Fiscal Tables.*

The Credit Rating Agencies' Verdict

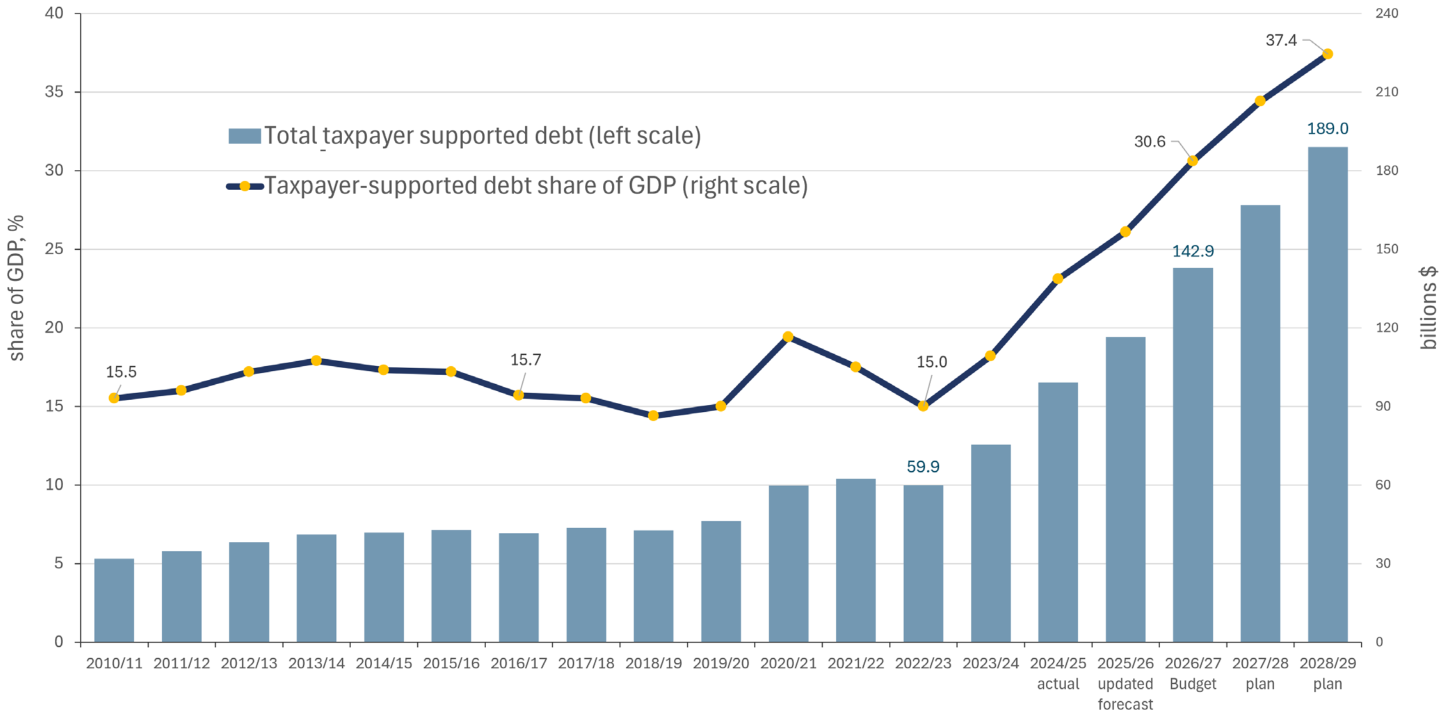
Several years of hefty operating deficits combined with the aggressive ramping up of government-controlled borrowing across the wider public sector more than doubled the outstanding provincial debt between 2022-23 and 2026-27 (from $60 billion to almost $143 billion). By 2028-29, taxpayer debt is projected to climb further to $189 billion—a tripling of debt in six short years. This is historically unprecedented; we are unaware of any comparable debt explosion in any Canadian province over the last half century.

Previously, the government's accumulated debt generally grew in-line with the economy, meaning the key taxpayer-supported debt-to-GDP ratio was more or less stable. But since 2022-23 the debt-to-GDP ratio has shot from 15.0 per cent onto a trajectory that leads to 37.4 per cent by 2028–29, according to the three-year fiscal plan tabled in Budget 2026. This will put B.C. nearly on par with Ontario in net debt/to GDP, at 36.2 per cent, and just behind Quebec, at 38.3 per cent, two provinces that have historically carried much heavier debt burdens. B.C.'s once-significant fiscal advantage—a competitive asset that helped attract investment—has been squandered in a remarkably brief period by a government that is destined to be known for epic fiscal mismanagement.

The government's record capital spending program, while addressing genuine infrastructure needs, has been poorly managed. Missed construction timelines and cost overruns, and the cost-inflating effect of mandatory Community Benefit Agreements, have contributed to increased capital expenditures. In Budget 2026, the government had no choice but to dial back its capital spending plans amid a quickly deteriorating fiscal situation.

At the same time, both the government's and the wider public sector's annual debt-servicing costs have risen sharply. Interest payments already eat up 6.4 cents of every dollar spent, with the figure set to climb to 8.4 cents by 2028-29. The rise in debt-servicing costs will exceed the additional spending allocated to any ministry, including health care, in the coming years.

Figure 5.2: B.C. Taxpayer-Supported Debt



Source: : BC 2026 Budget and past Budgets, Ministry of Finance *notes: share of nominal GDP*

Real resources are being diverted from discretionary program areas toward non-discretionary debt payments created by earlier policy decisions. Without a material course correction, debt servicing will claim an ever-growing share of provincial resources, and future budgets will be shaped more by the consequences of past borrowing than by new policy initiatives.

Financial markets have already rendered their judgment. In April 2025, both S&P Global Ratings and Moody's downgraded B.C.'s credit rating on the same day. S&P cut the province's long-term issuer rating from AA– to A+ and its short-term rating from A-1+ to A-1, citing considerable deficits, rapid debt accumulation, and a "fiscal mismatch" in government operations. Moody's downgraded its baseline assessment from Aa1 to Aa2 and its long-term rating from Aaa to Aa1, pointing to structural deterioration in British Columbia's credit profile.[11]

Following the 2026 Budget, Moody's downgraded the province again, citing large and persistent deficits and rising debt. DBRS and Fitch have also moved B.C. to negative outlooks. In early April S&P Global lowered its ratings on the province, as well as for BC Hydro, whose debt is provincially guaranteed. All four major rating agencies now maintain negative outlooks on the province.

Moody's attributed the deterioration in B.C.'s credit rating to provincial policy choices, describing the trajectory as evidence of "a continued weakening in governance and fiscal and debt management." S&P warned that the absence of a credible medium-term plan to address the structural deficit could trigger further downgrades.

The consequences are tangible and escalating. Debt-servicing costs are projected to rise from roughly $5 billion last year to $8.7 billion by the end of the forecast horizon, with the "interest bite" climbing from 4.9 cents per dollar of revenue to 8.2 cents. In the case of the large amounts of debt accumulated through borrowing for non-Ministry capital spending projects to finance health care facilities, schools, transportation infrastructure, and BC Hydro's capital plan, debt-servicing costs will also be marching higher owing to the province's lower credit rating.

The judgements of the credit raters speak to a major shift in B.C.'s fiscal profile—from a historically strong position to one characterized by large, persistent deficits, rising debt, and no credible path back to balance.

[11] **FBC Government Provincial Credit Ratings, last updated May 4, 2026.**

Conclusion: Time for a Course Correction

The evidence assembled in this report points to an inescapable conclusion: British Columbia's economy is not merely experiencing a cyclical downturn or a temporary trade-related setback. The province is in the grip of a structural slowdown whose roots predate the U.S. tariff barrage and reflect several years of deteriorating competitiveness, chronically weak private sector investment, a declining export base, and an unsustainable reliance on government as the engine of growth. All of this has been accompanied by a rapid deterioration in the province's public finances.

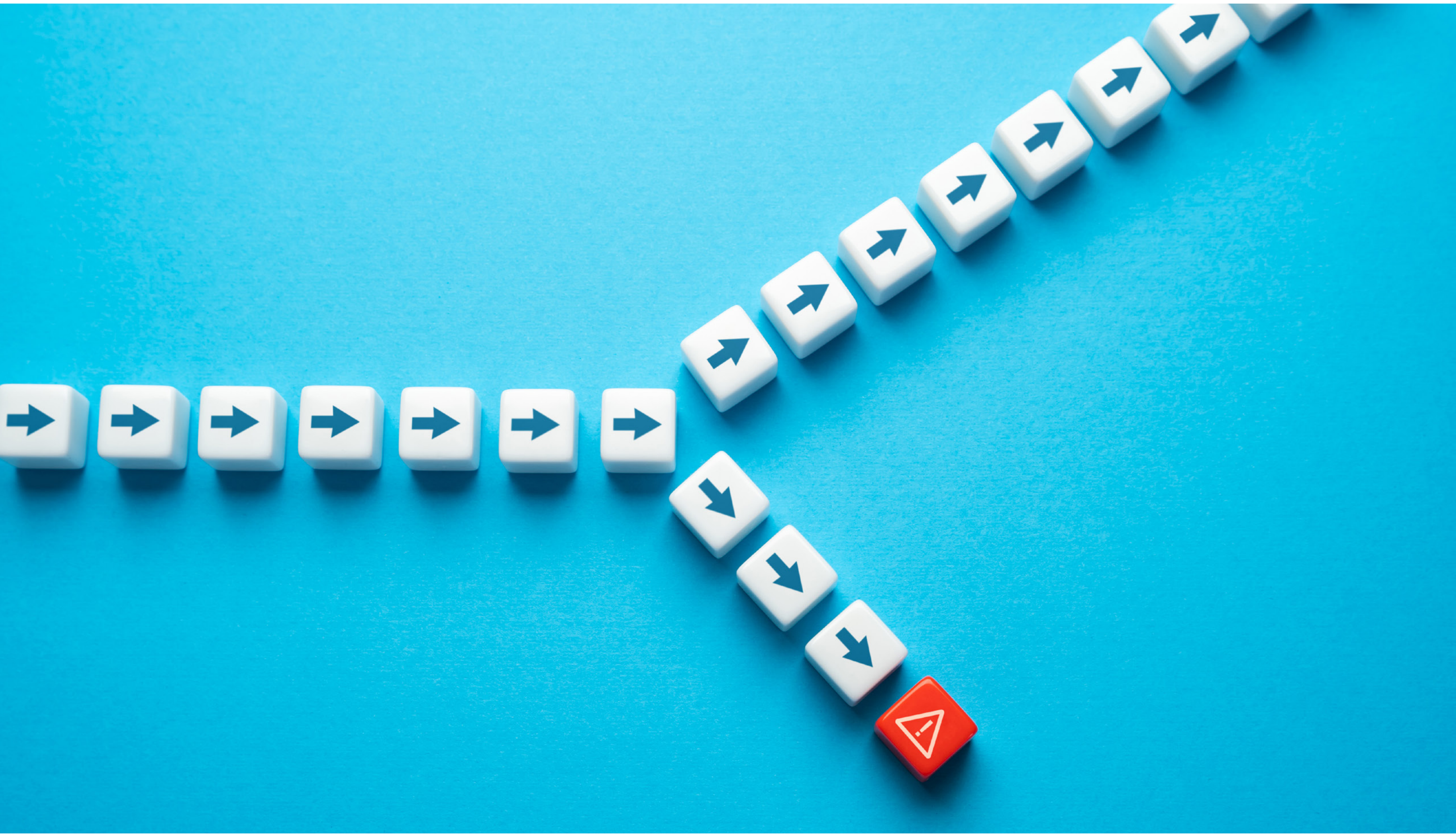
The data tell a consistent story across every dimension examined. GDP growth has slowed sharply and per capita income has fallen. Private capital investment is lagging badly, undermining the productivity growth needed to raise real wages. The export sector—traditionally a cornerstone of B.C.'s prosperity—is contracting relative to the economy. Private sector job creation has been anemic outside of a handful of industry sectors, overwhelmed by an unprecedented surge in public sector hiring. And the provincial government's fiscal position has gone from solid to precarious, with record deficits, soaring debt, and repeated credit downgrades that embody the rating agencies' view that B.C. now faces a largely structural fiscal problem driven by policy choices.

None of this is inevitable. British Columbia retains extraordinary natural advantages—its geographic position on the Pacific Rim, vast natural resource wealth, world-class research institutions, a well-educated population, and a diverse economy that includes thriving technology and professional services clusters as well as tourism, transportation and slices of advanced manufacturing. What is lacking is not potential but sensible public policy: a framework that encourages investment, rewards entrepreneurship, controls spending, and creates the conditions for the private sector to lead the next phase of economic growth.

Massive deficits and the skyrocketing debt accumulated by the current government mean that Victoria is in no position to ride to the rescue of a faltering economy.

More government spending is not the answer, even if we could afford it; in many respects, it is part of the problem. A stronger, more durable economic rebound depends on revitalizing private investment, improving competitiveness, rebuilding the export base, restoring fiscal discipline, and paying closer attention to the overall environment for business investment, innovation and private sector growth. Without these shifts, B.C. risks drifting into a prolonged period of chronically sluggish growth, dwindling per capita income, and mounting fiscal strain—a troubling prospect for what was once one of Canada's most dynamic provincial economies.

Part 2 of this project turns to precisely these questions: the policy changes needed to put British Columbia on a firmer growth footing and transform the current headwinds into a decade of economic renewal.



About ICBA

The Independent Contractors and Businesses Association (ICBA) is the largest construction association in Canada, representing more than 6,000 members and clients in construction and responsible resource development.

Established in 1975, ICBA advocates for policies that support free enterprise, encourage investment, reduce red tape, and create opportunity for the contractors, entrepreneurs, tradespeople and professionals who build our communities.

ICBA is a national leader in economic policy analysis and workforce development. We are one of the largest independent providers of group health and retirement benefits in Western Canada, supporting more than 300,000 Canadians. We are also the single largest sponsor of construction apprentices in British Columbia, and a training provider delivering thousands of courses annually.

Through policy leadership, economic insight, and a deep connection to the construction workforce, ICBA continues to champion a strong, resilient, and growing Canadian economy. **icba.ca**

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