Modest Growth & Big Challenges: The Road Ahead for BC's Economy

Economic & fiscal update: Setting the stage

UBCM 2025: Plenary Session

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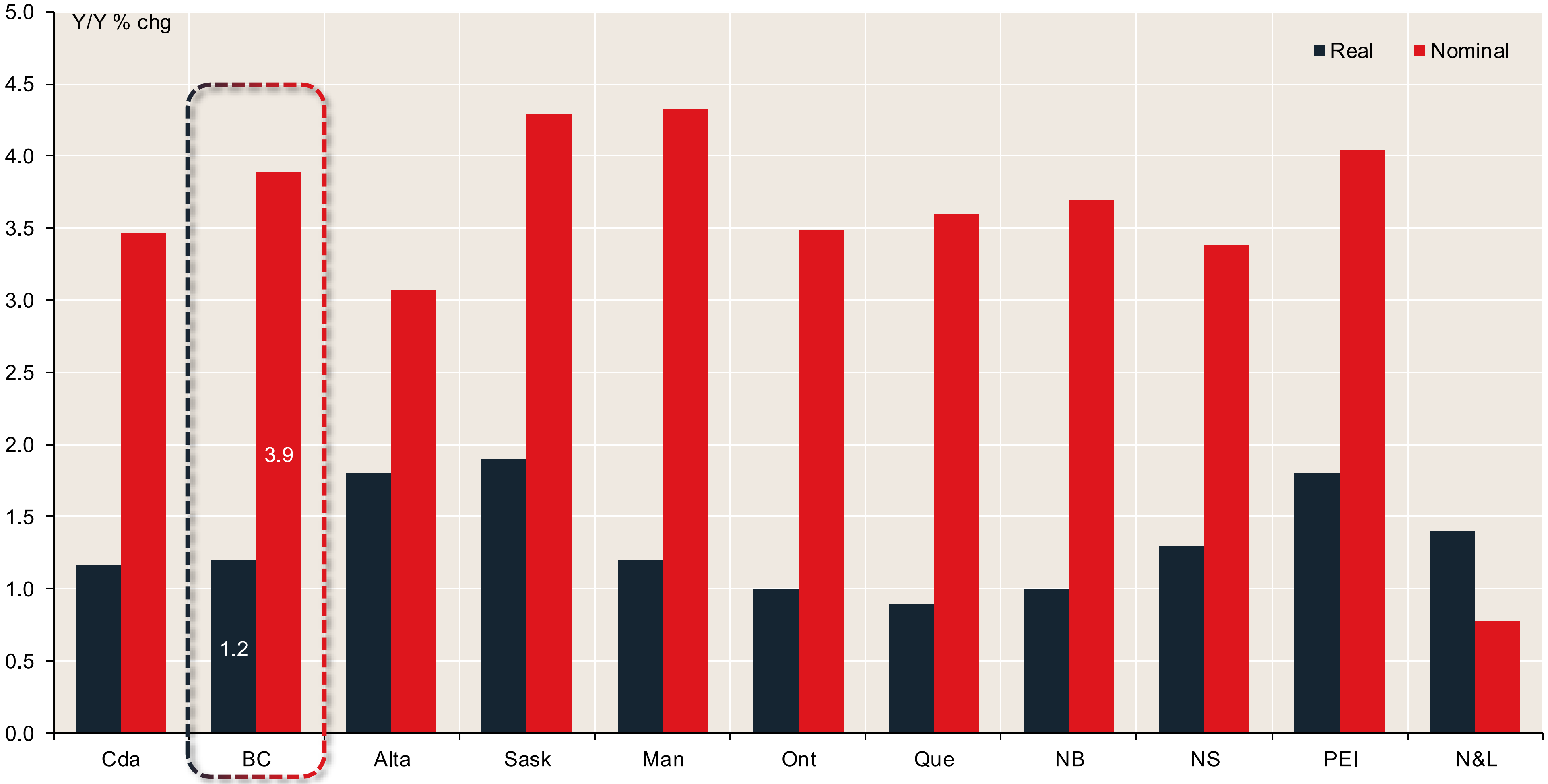
Economic update

Canada's economy has been hit where it hurts

NBC sees B.C. real growth matching the national average in 2025, with this year's nominal growth ~4%

Canadian 2025 real & nominal GDP growth by province: NBC latest forecast (Sep-25)

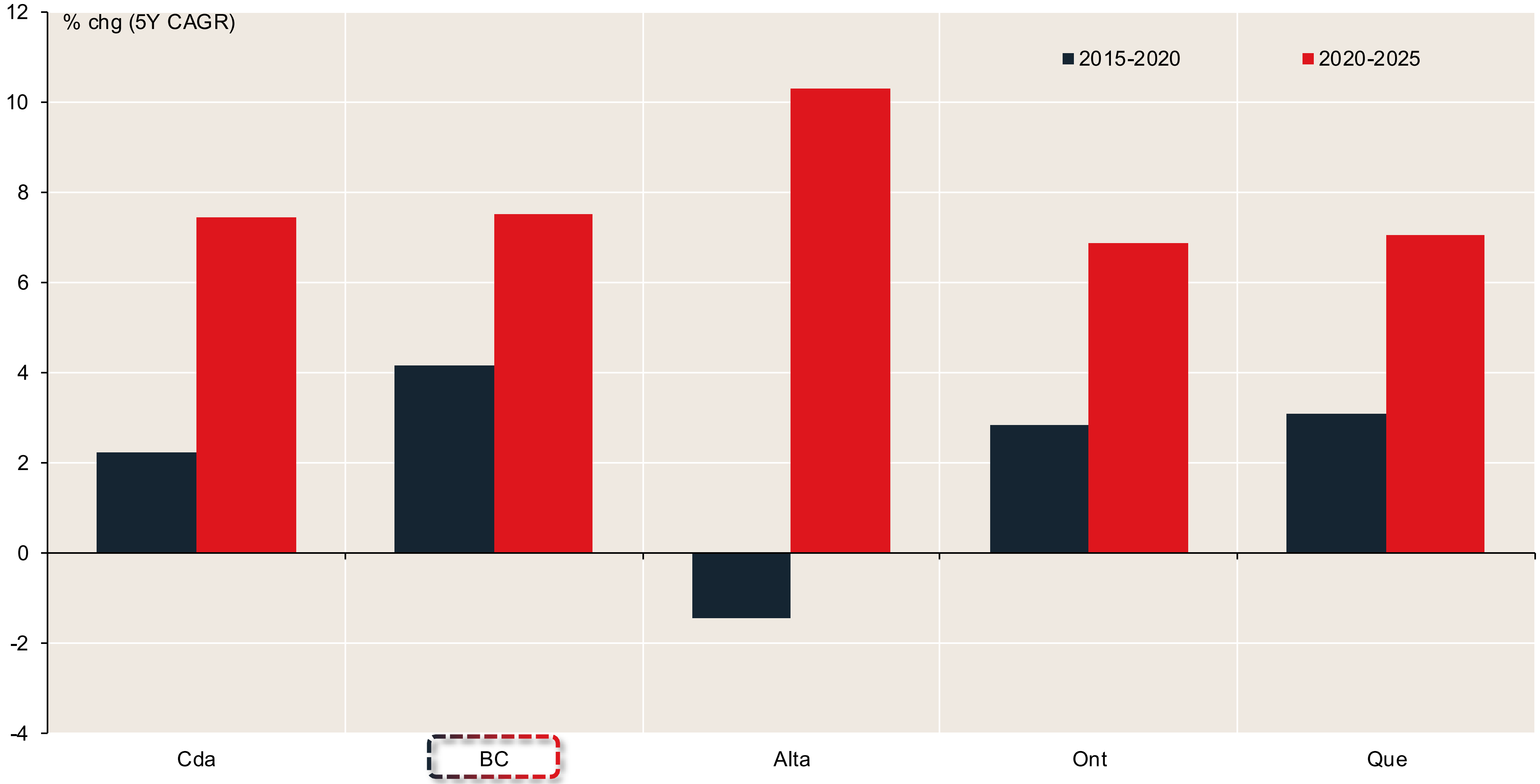


Source: NBC (Monthly Economic Monitor, Sep-25)

Post-COVID, B.C. growth largely in-line with the national average

Across Canada (and the world), the economic growth outlook is highly uncertain

Average annual growth rate in nominal GDP: Pre-COVID (2015-2020) & post-COVID (2020-2025)

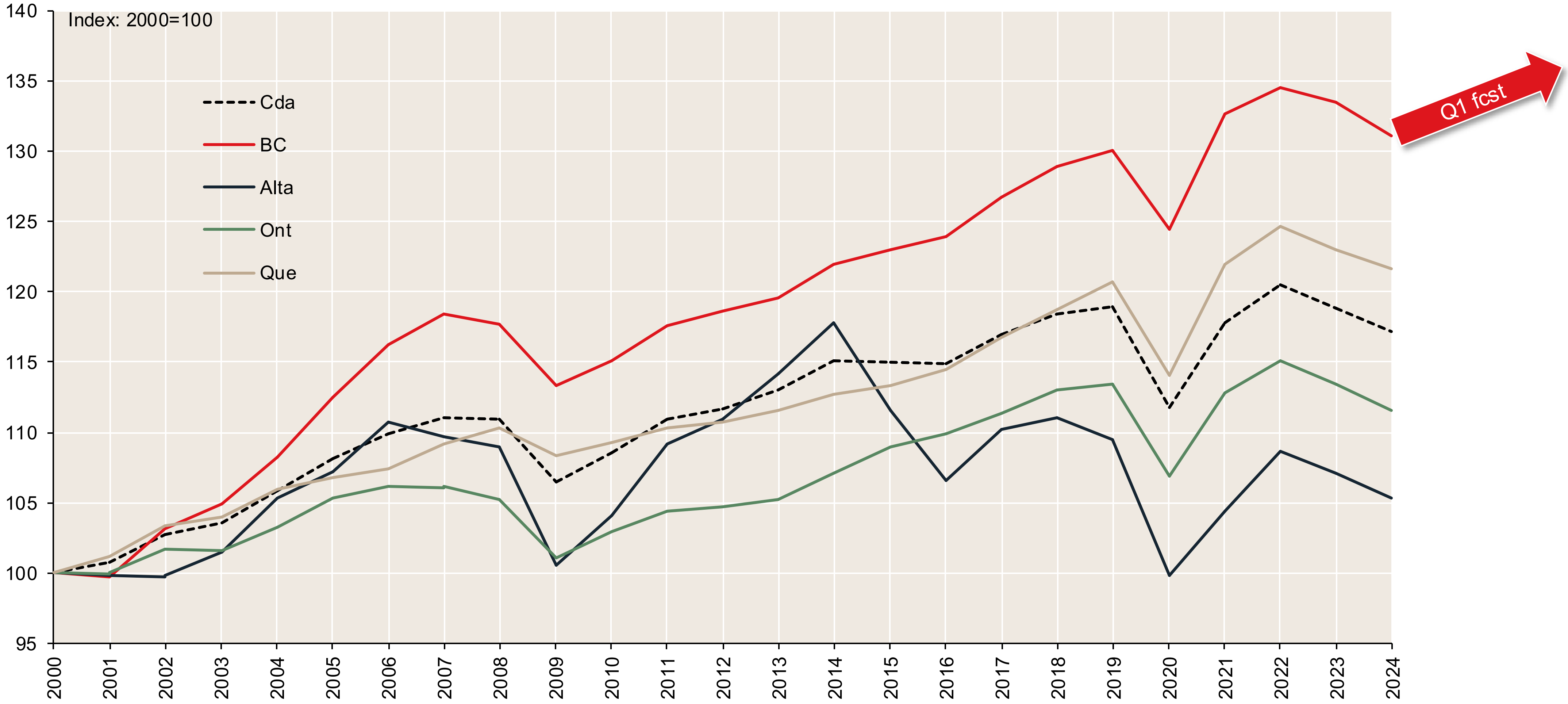


Source: NBC, StatCan | Note: GDP figures are actuals to 2023, with 2024 & 2025 based on NBC estimates/forecasts

Perspective on the province's longer-term economic performance record

Since 2000, B.C.'s real GDP per capita growth the strongest of Canada's large provinces

Provincial real GDP per capita

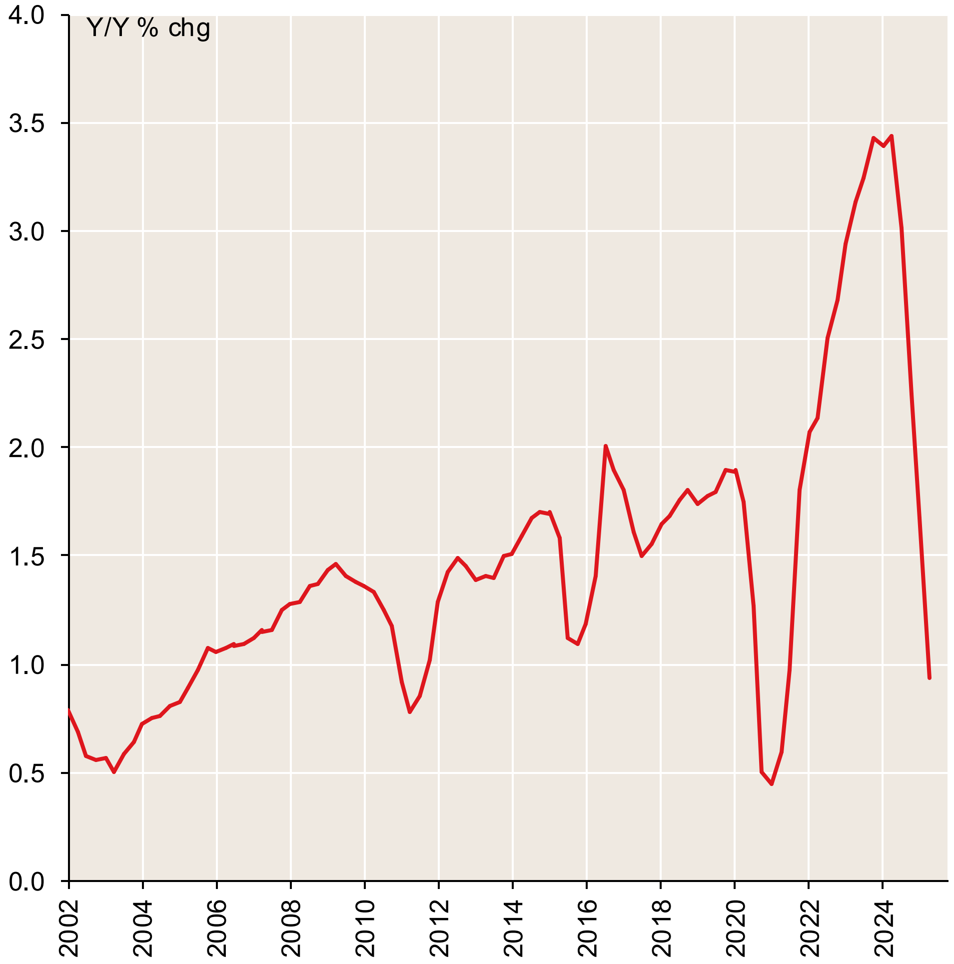


Source: NBC, StatCan | Note: Based on GDP actuals to 2023, with 2024 GDP based on NBC estimates

Demographic detox? Population growth has slowed notably in Canada

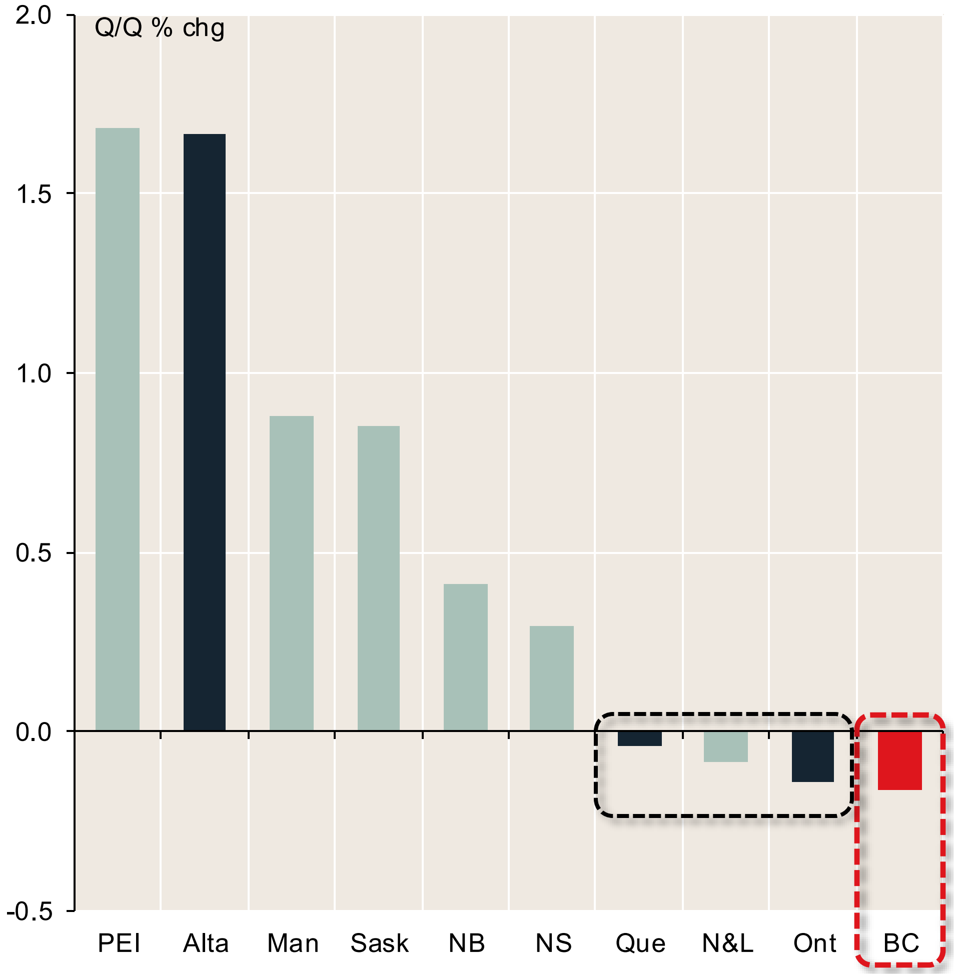
Reduced immigration leading to slower (if not outright negative) population growth

British Columbia population growth



Source: NBC, StatCan | Note: Quarterly data to 2025:Q2

Quarterly population growth by province: 2025:Q2

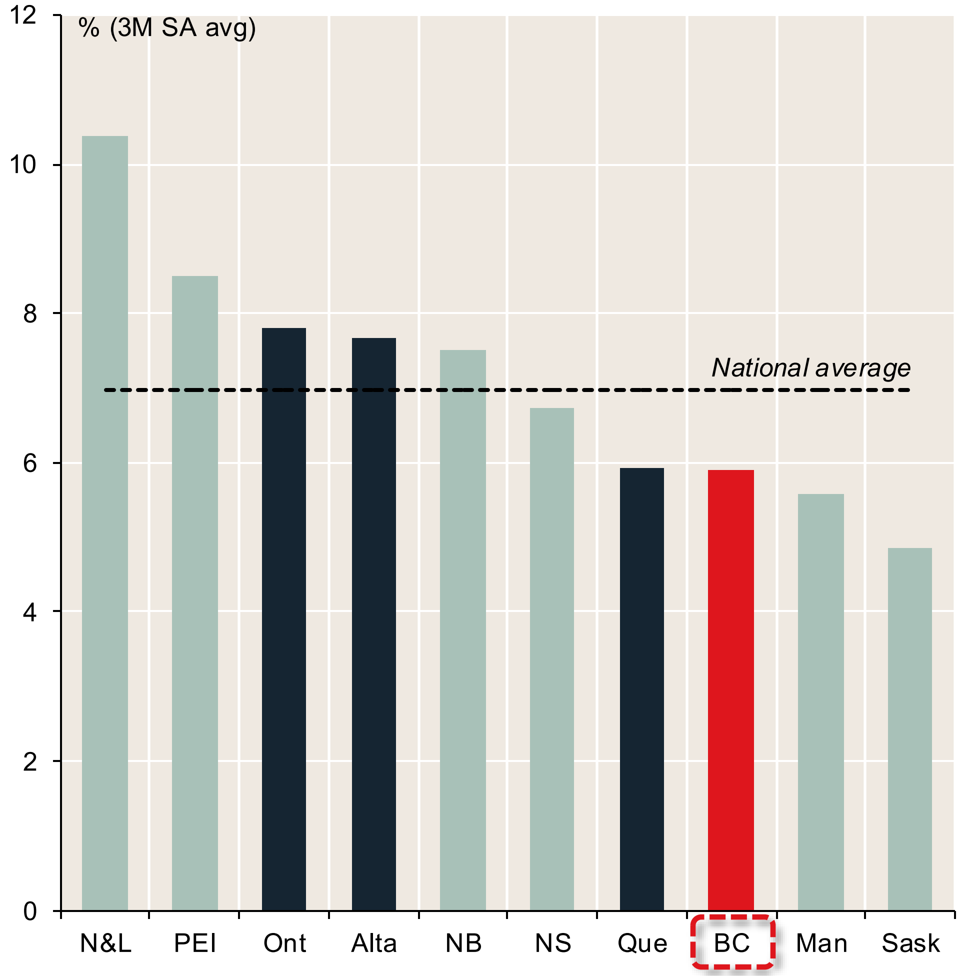


Source: NBC, StatCan

B.C.'s unemployment rate remains below the national average

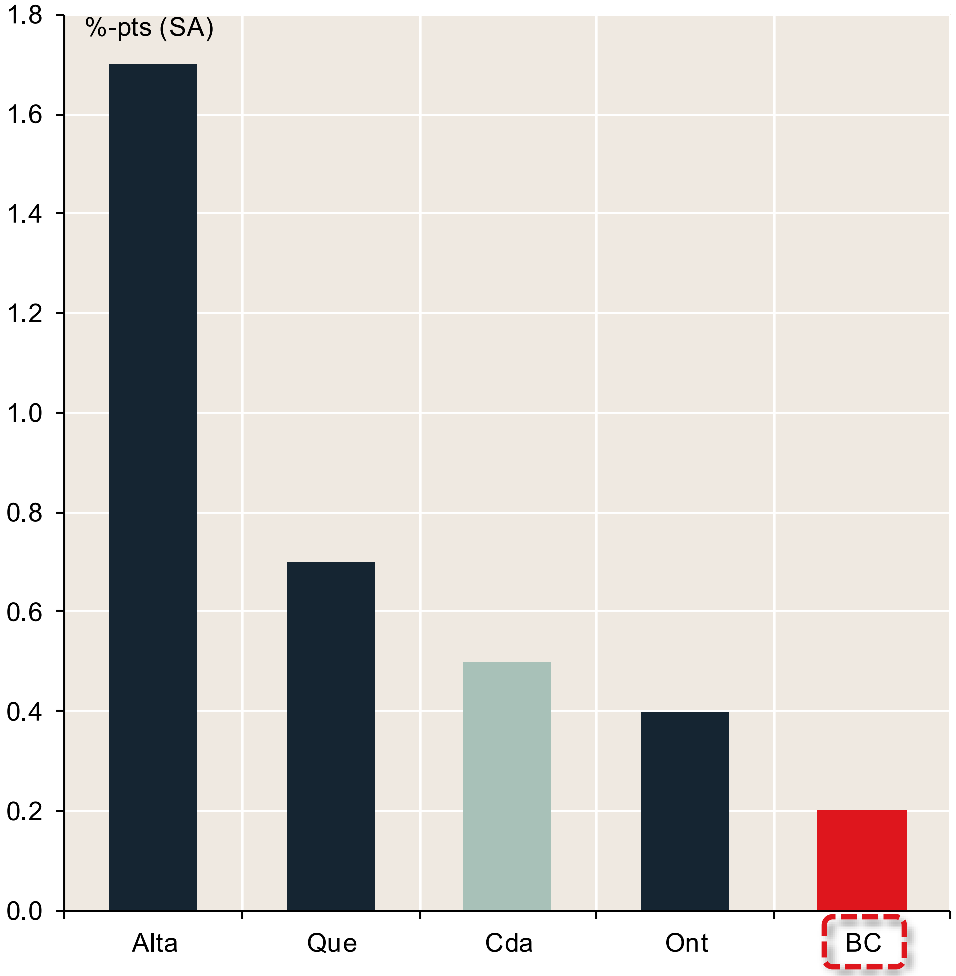
Unemployment rate suggests relatively less damage to provincial labour market since Trump took office

Provincial unemployment rates: Aug-25



Source: NBC, StatCan | Note: Based on latest LFS release (for Aug-25)

6-month change in unemployment rate: Feb-25 to Aug-25

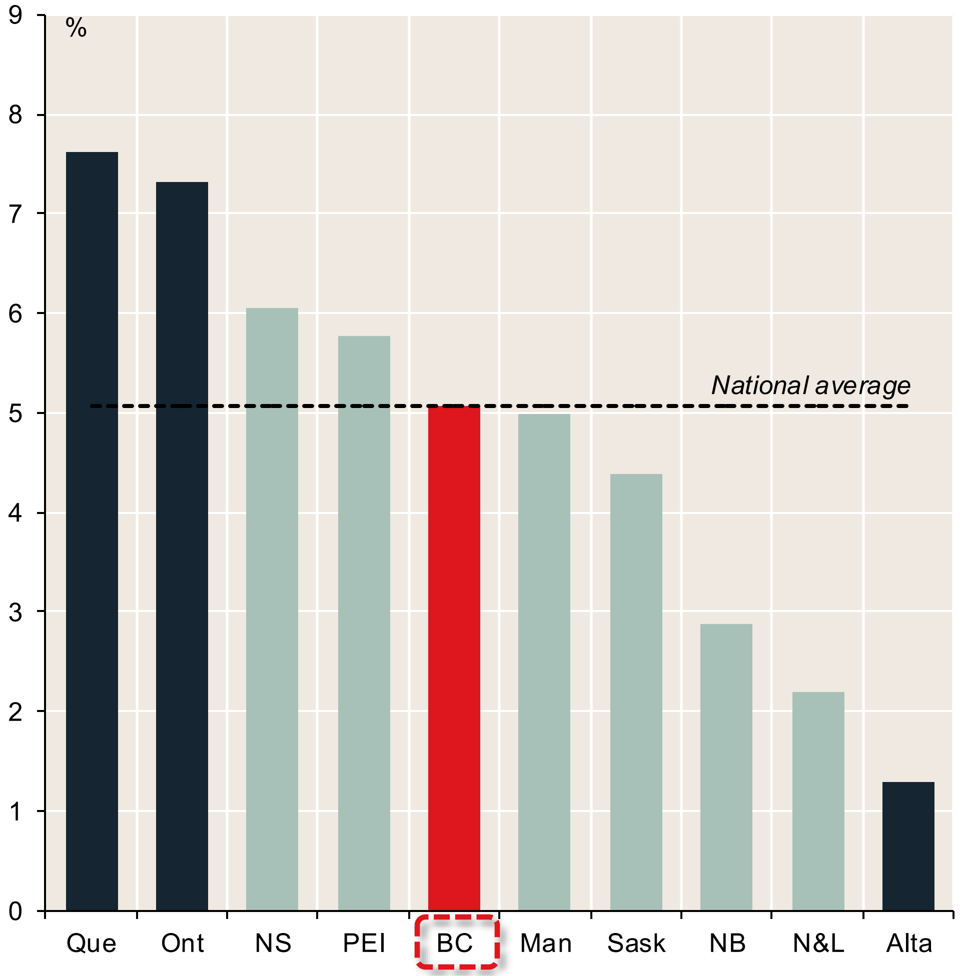


Source: NBC, StatCan | Note: Based on latest LFS release (for Aug-25)

U.S. tariff-related spillovers (to jobs, investment, prices) top of mind

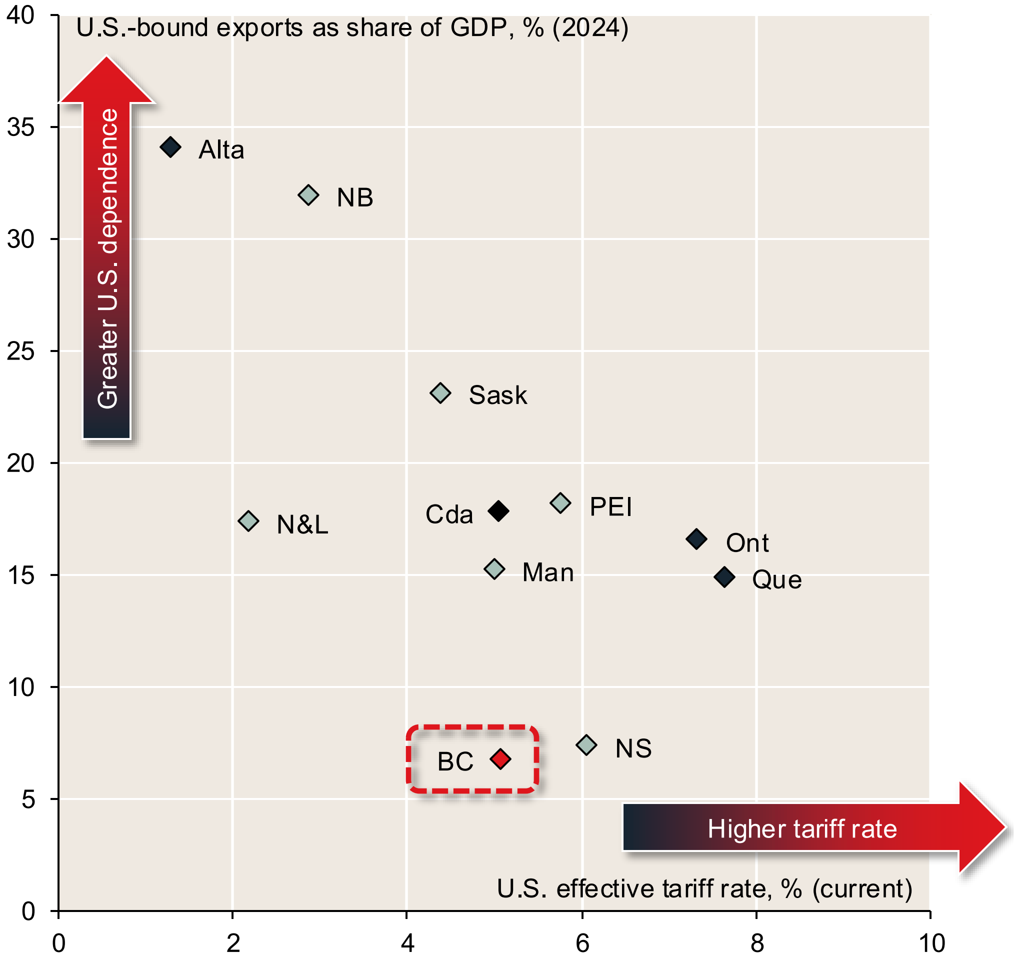
Relative dependence on U.S. export market & composition of provincial exports key considerations

U.S. effective tariff rate on provincial exports (NBC estimate)



Source: NBC, StatCan, US Census Bureau | Note: Using 2024 trade weights; current U.S. policy

U.S. effective tariff rate & dependence on U.S. export market



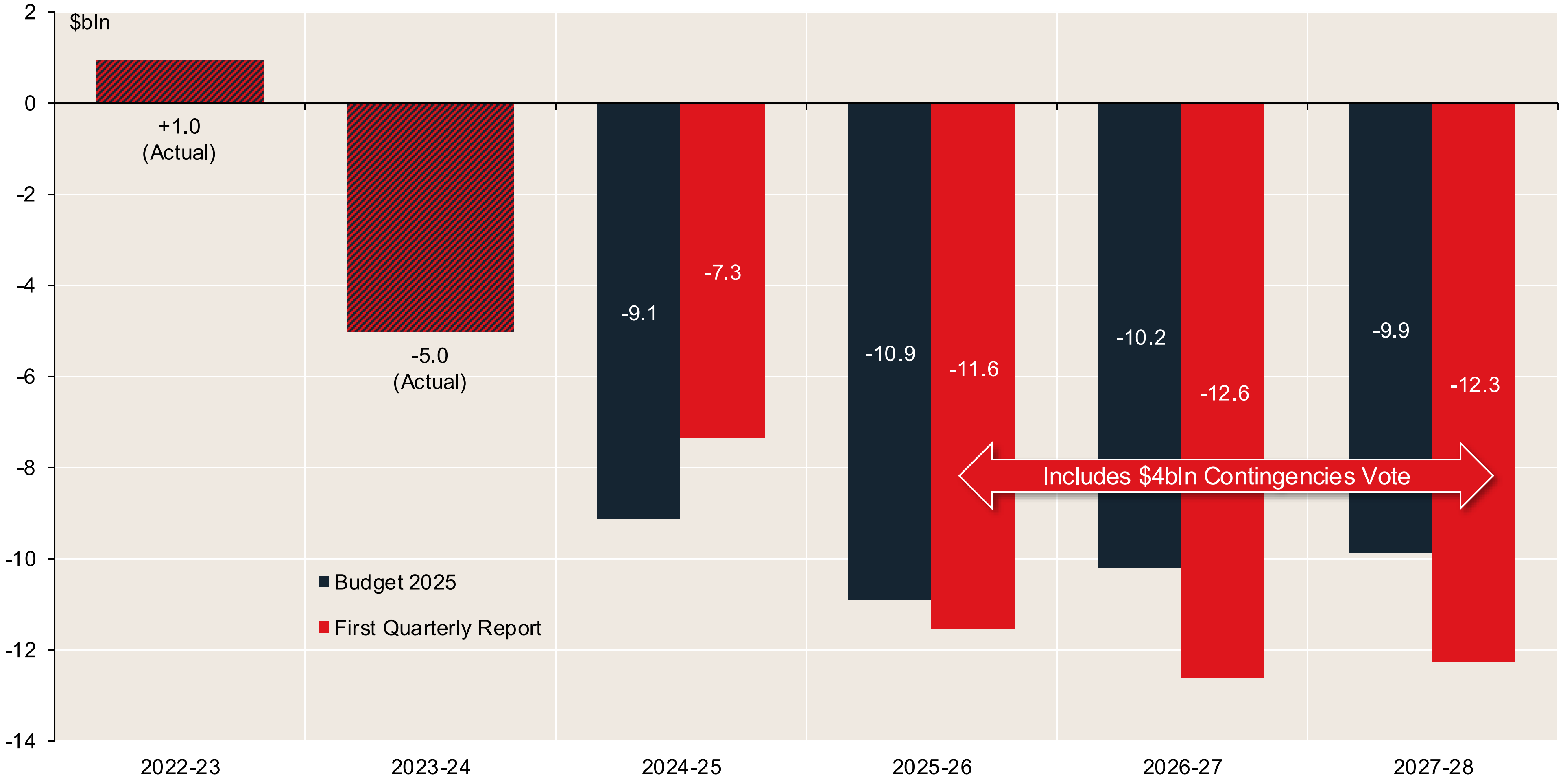
Source: NBC, StatCan, US Census Bureau | Note: Using 2024 trade / GDP data; current U.S. policy

Fiscal update

British Columbia's budgetary outlook

Notwithstanding smaller 2024-25 deficit, current and future year deficits larger than previously estimated

British Columbia budget balance: Budget 2025 vs. First Quarterly Report

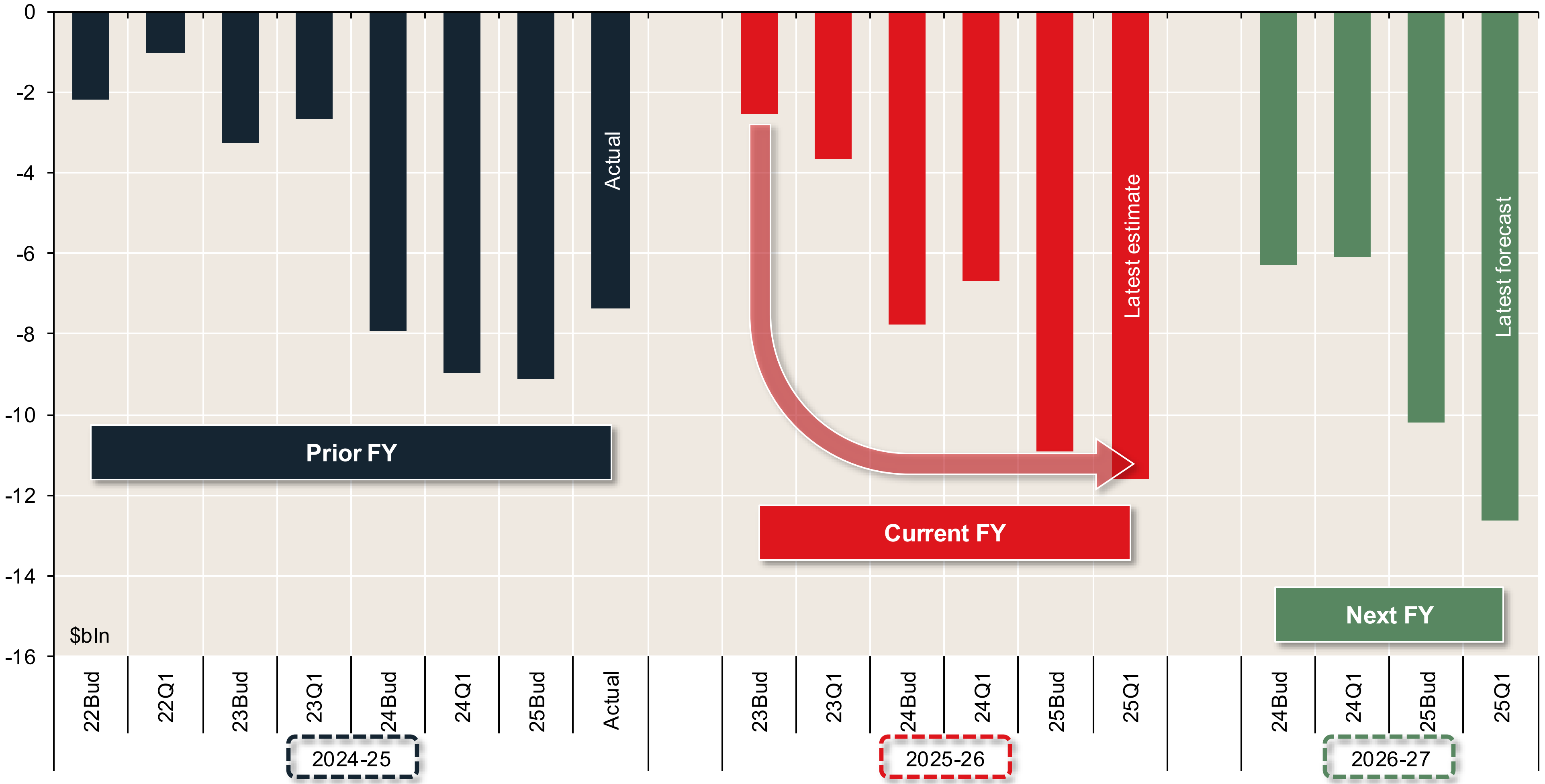


Source: NBC, BC

The province's fiscal picture has evolved notably

Tracking changes in British Columbia's budget balance over time and by fiscal year

Evolution of British Columbia budget balance (before forecast allowance): 2024-25, 2025-26 & 2026-27

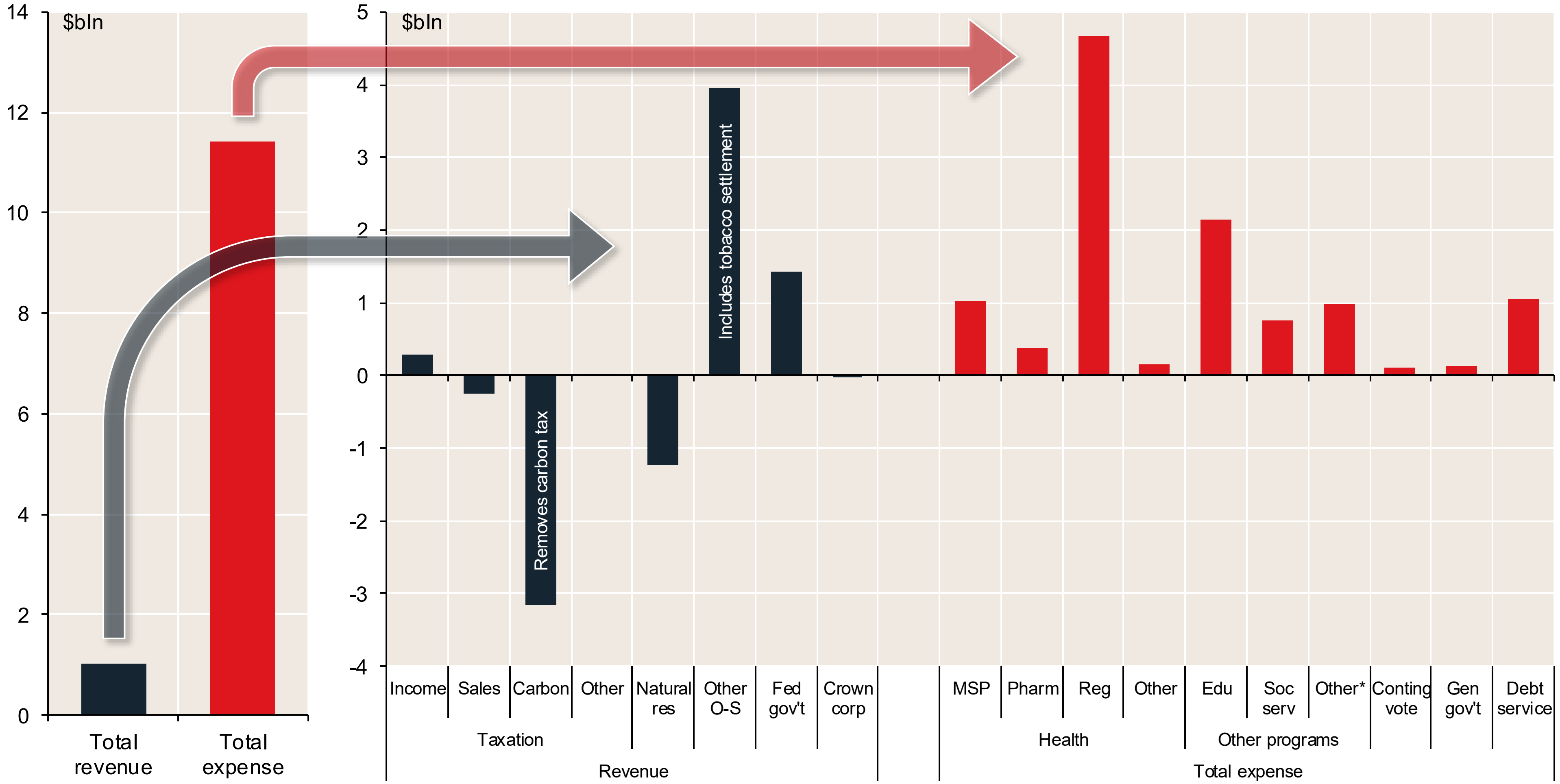


Source: NBC, BC | Note: Based on provincial budget balance before/excluding 'forecast allowance'

Spotlight on 2025-26: What's really changed?

Some revenues prove resilient, but picture now nuanced… expense items have moved up vs. prior plan(s)

Change in British Columbia 2025-26 revenue & expense outlook: Latest estimate (Q1) vs. original projection (Budget 2023)

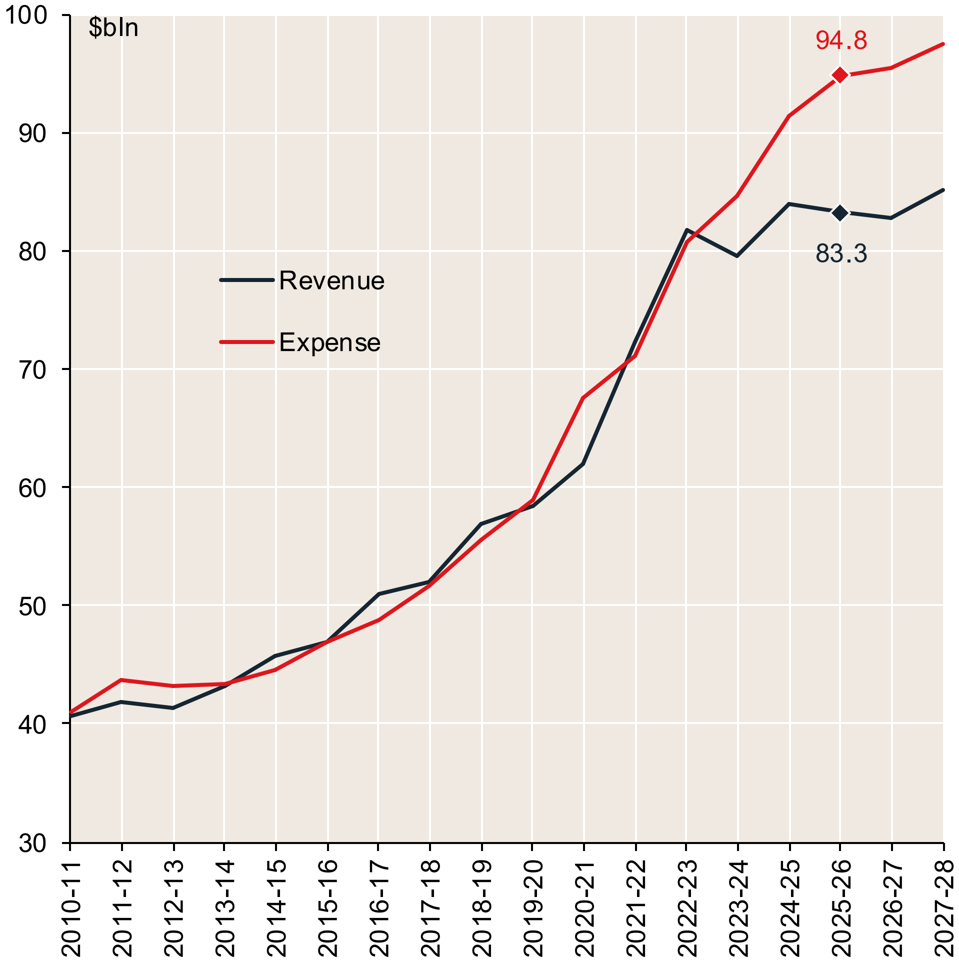


Source: NBC, BC | Note: Reflects net change from Budget 2023 (first available forecast) to 2025-26 First Quarterly Report (latest estimate); change in total expense based on detailed 'Expense by Function' breakdown

Further perspective on province's fiscal balance

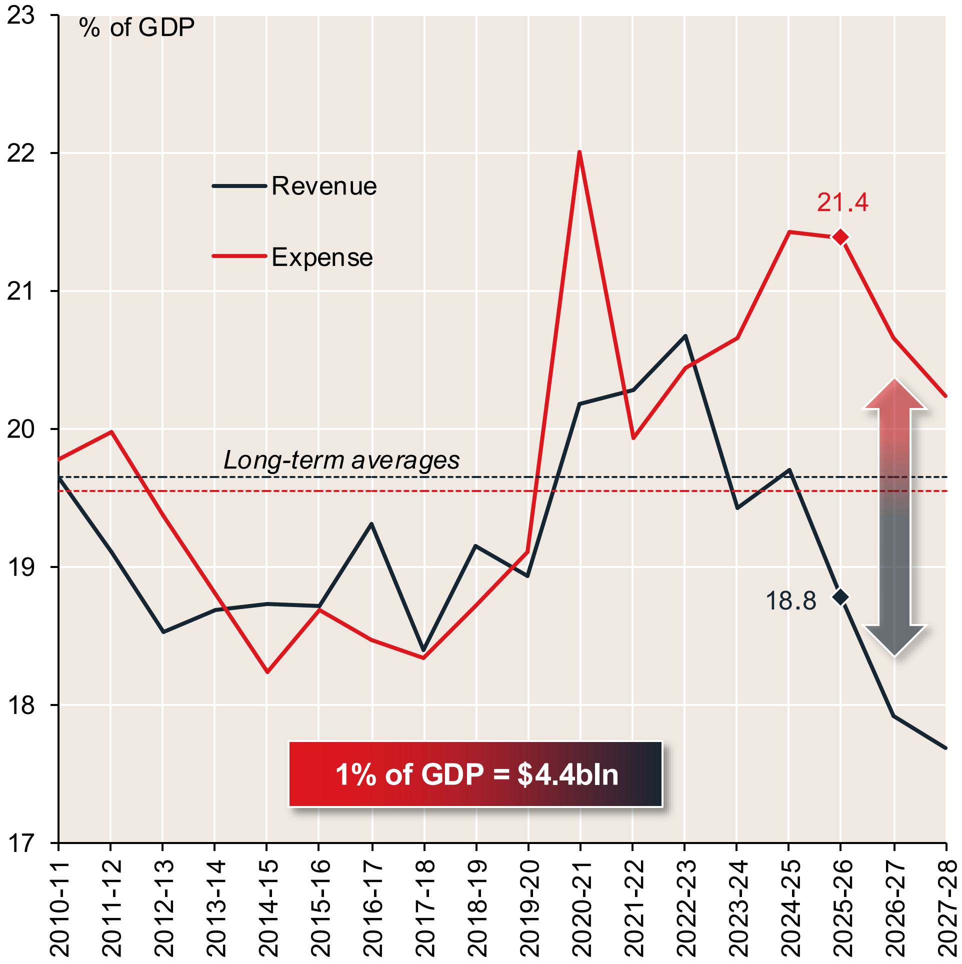
Both sides of budgetary ledger have broken from longer-term trend

B.C. revenue & expense: Absolute level (current dollars)



Source: NBC, BC

B.C. revenue & expense: Relative to GDP

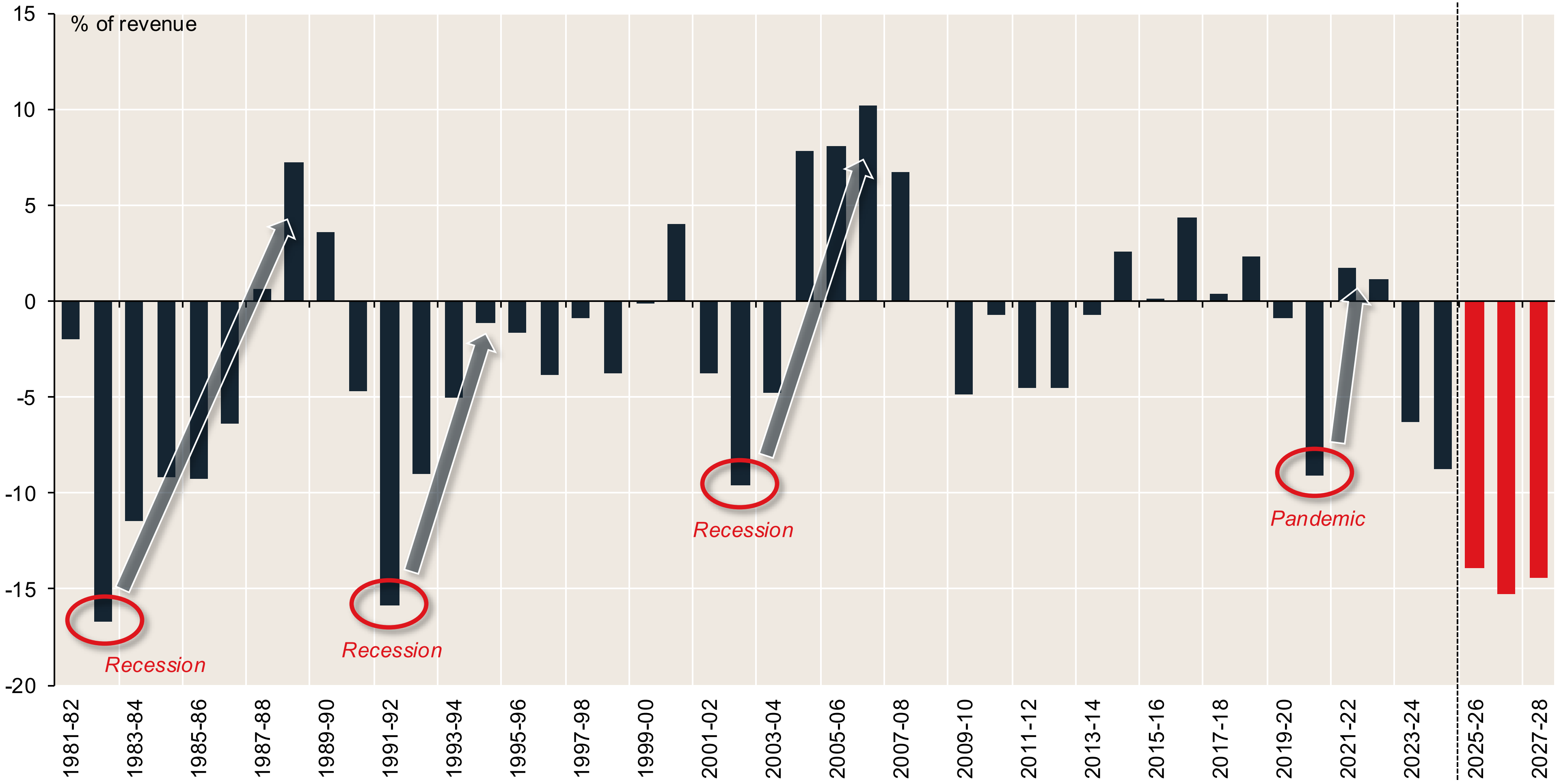


Source: NBC, BC, StatCan

Longer-term perspective on B.C.'s budget balance

Past success tackling sizeable budget deficits

British Columbia budget balance, including latest official forecasts

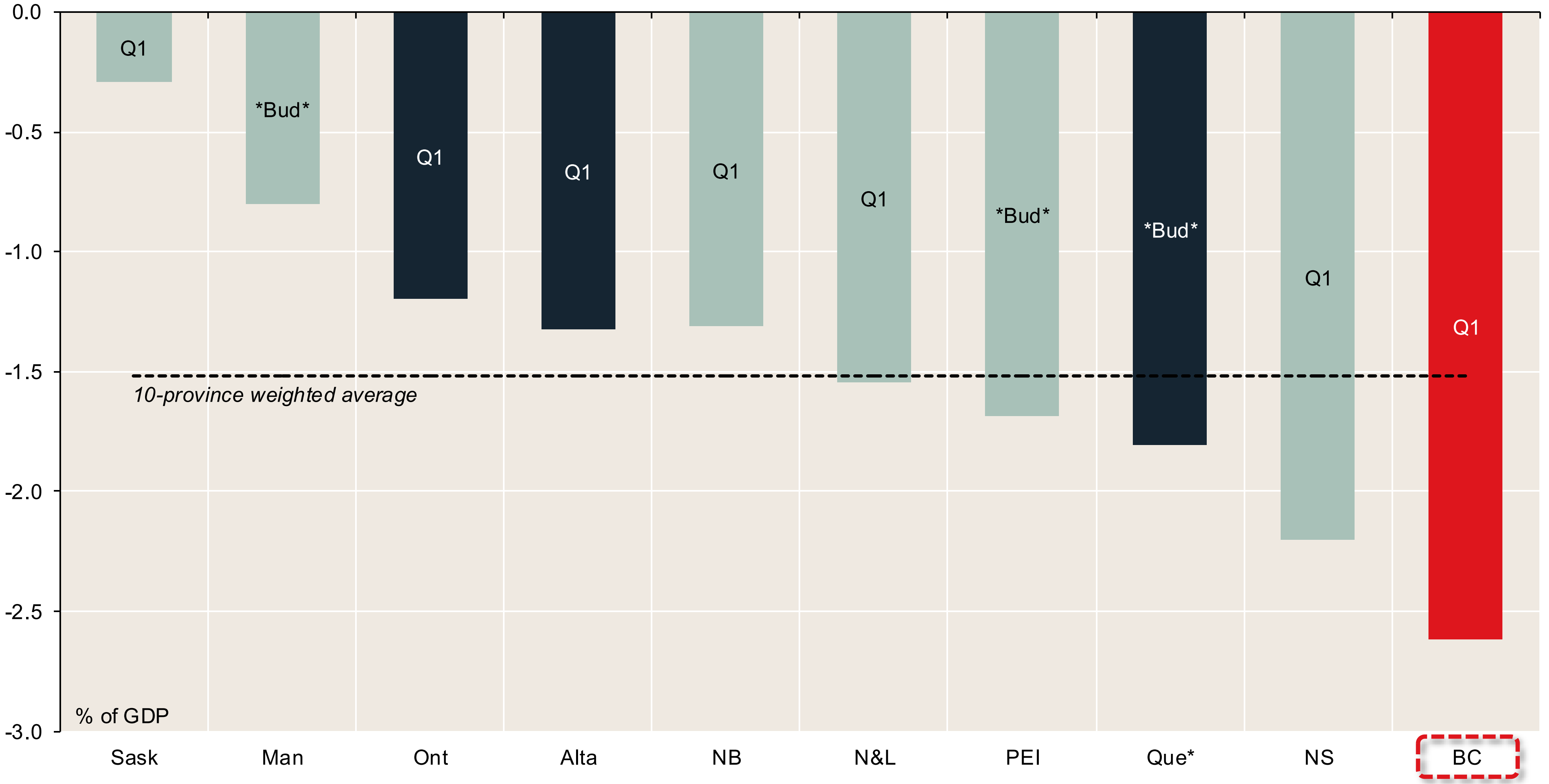


Source: NBC, BC, GoC | Note: Budget balance scaled to total provincial revenue

Comparing British Columbia's deficit to other provinces

All provinces currently project a budget deficit for 2025-26

Provincial budget balance-to-GDP ratio: 2025-26 (latest estimates)

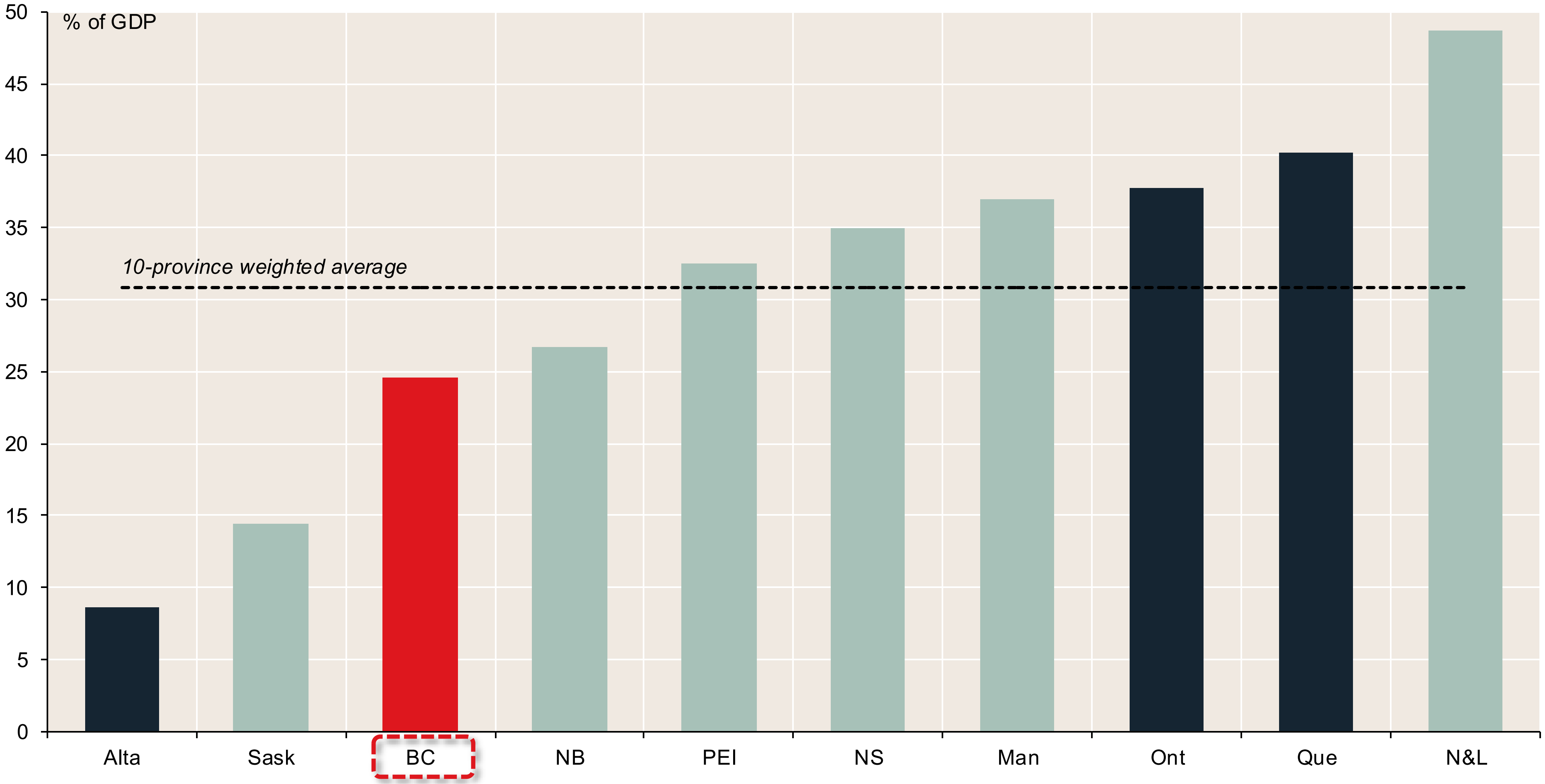


Source: NBC, provincial gov'ts, StatCan | Note: Latest official budget balances to NBC forecasts for provincial GDP; Quebec balance is before Generations Fund deposit

Historically, B.C. enjoyed a balance sheet edge vs. many provinces

As of 2025-26, net debt burden was lower than provincial average (but rising)

Provincial net debt burden: 2025-26 (latest estimates)

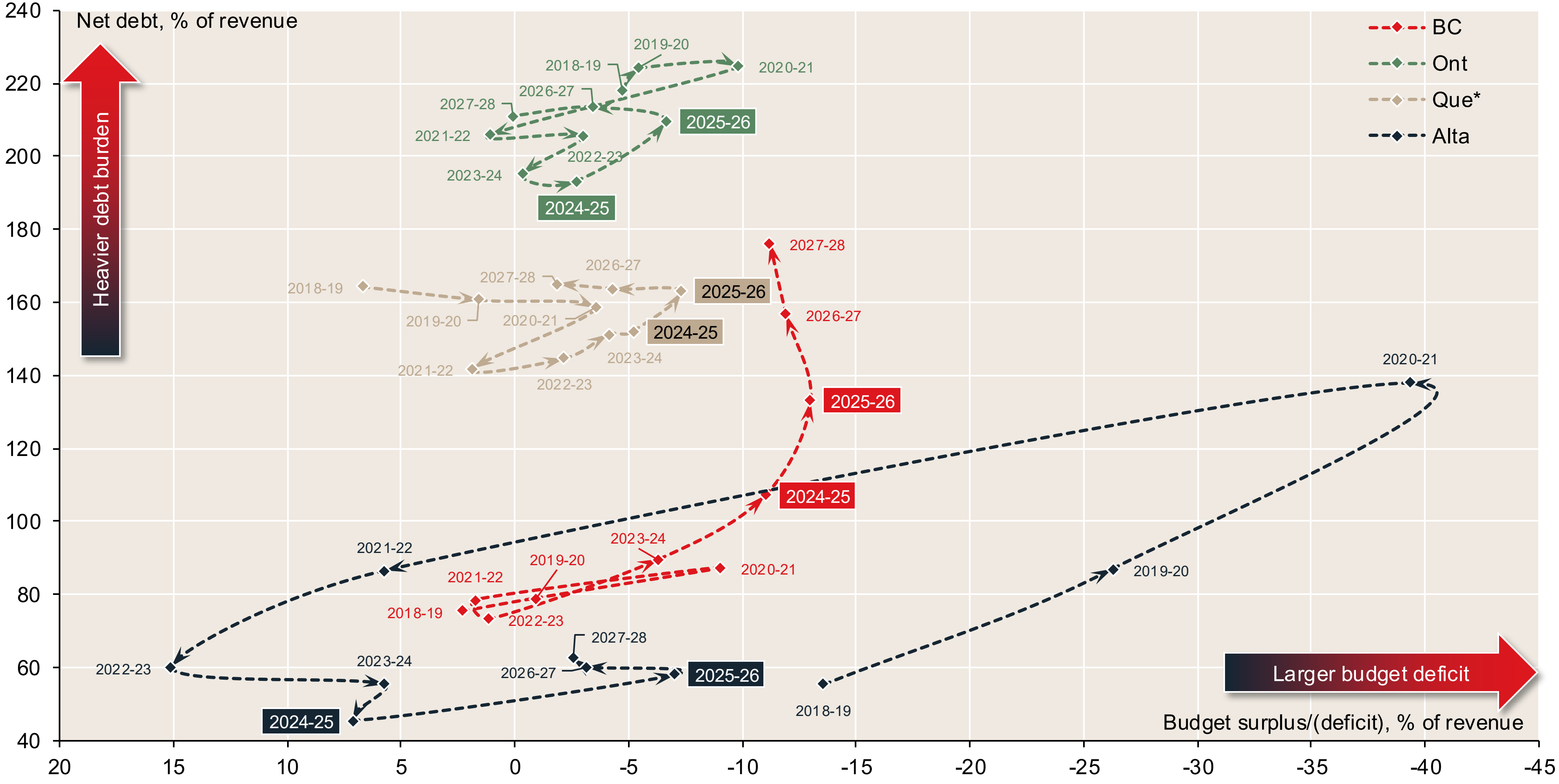


Source: NBC, provincial gov'ts, StatCan | Note: Latest official net financial liabilities relative to NBC forecasts for provincial GDP

Fiscal migration patterns of Canada's large provinces

Starting points and speed/scale of anticipated changes vary

Evolution in provincial budget surplus/(deficit) & net debt burden: 2018-19 to 2027-28 | Note: Budget 2025 plans

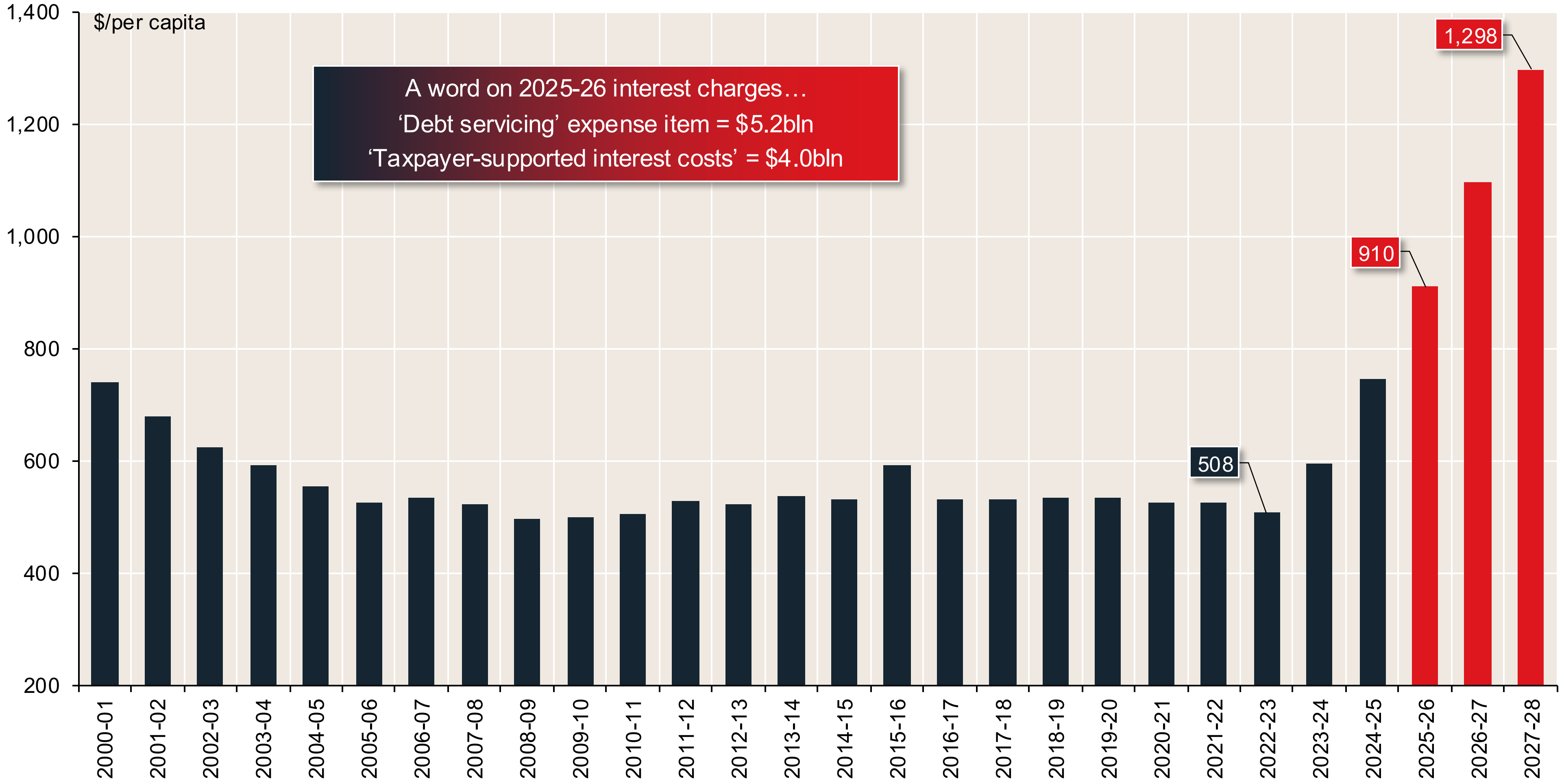


Source: NBC, prov govts | Note: Lines/arcs denote actual/intended path traveled for given province based on Budget 2025 plans; actuals to 2023-24 & baseline estimates/forecast for 2024-25 onwards; to better capture underlying pattern, Quebec budget balance refers to 'accounting balance' (i.e., operating balance on public accounting basis)

Expanding debt burden needs to be serviced [A]

It is getting more costly to service the debt

British Columbia debt servicing expense* | Note: Different measure than taxpayer-supported interest costs

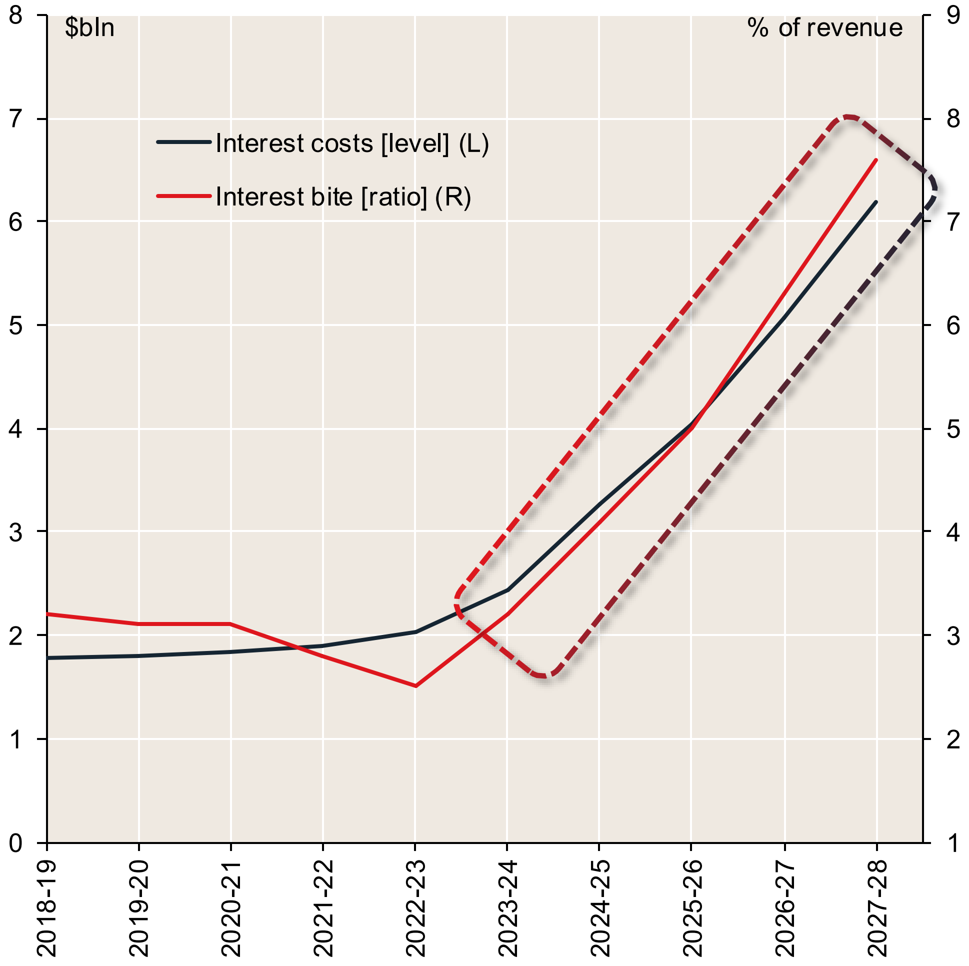


Source: NBC, BC

Expanding debt burden needs to be serviced [B]

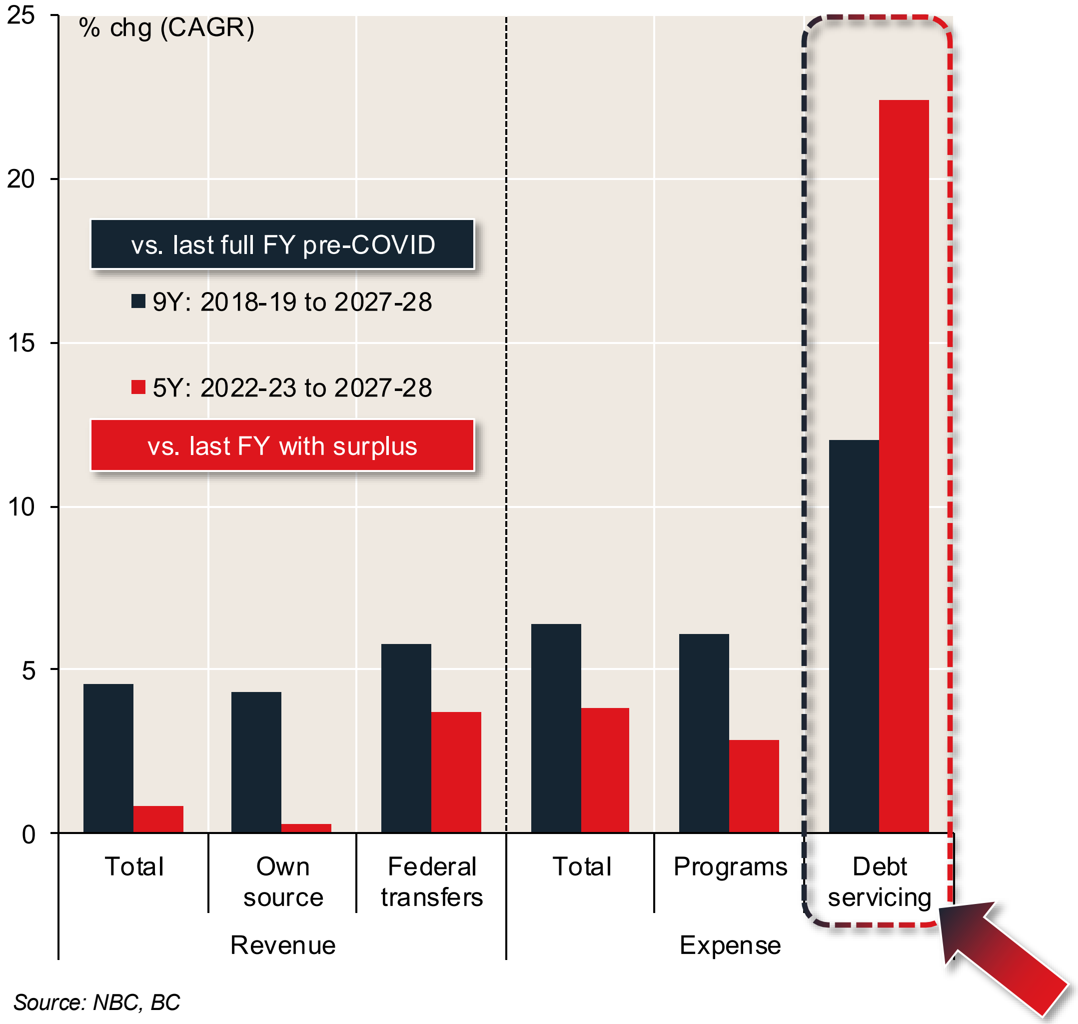
Debt affordability increasingly in focus as interest costs are slated to grow rapidly

B.C. taxpayer-supported interest costs & ‘interest bite’



Source: NBC, BC

Average growth in key components of B.C. fiscal framework

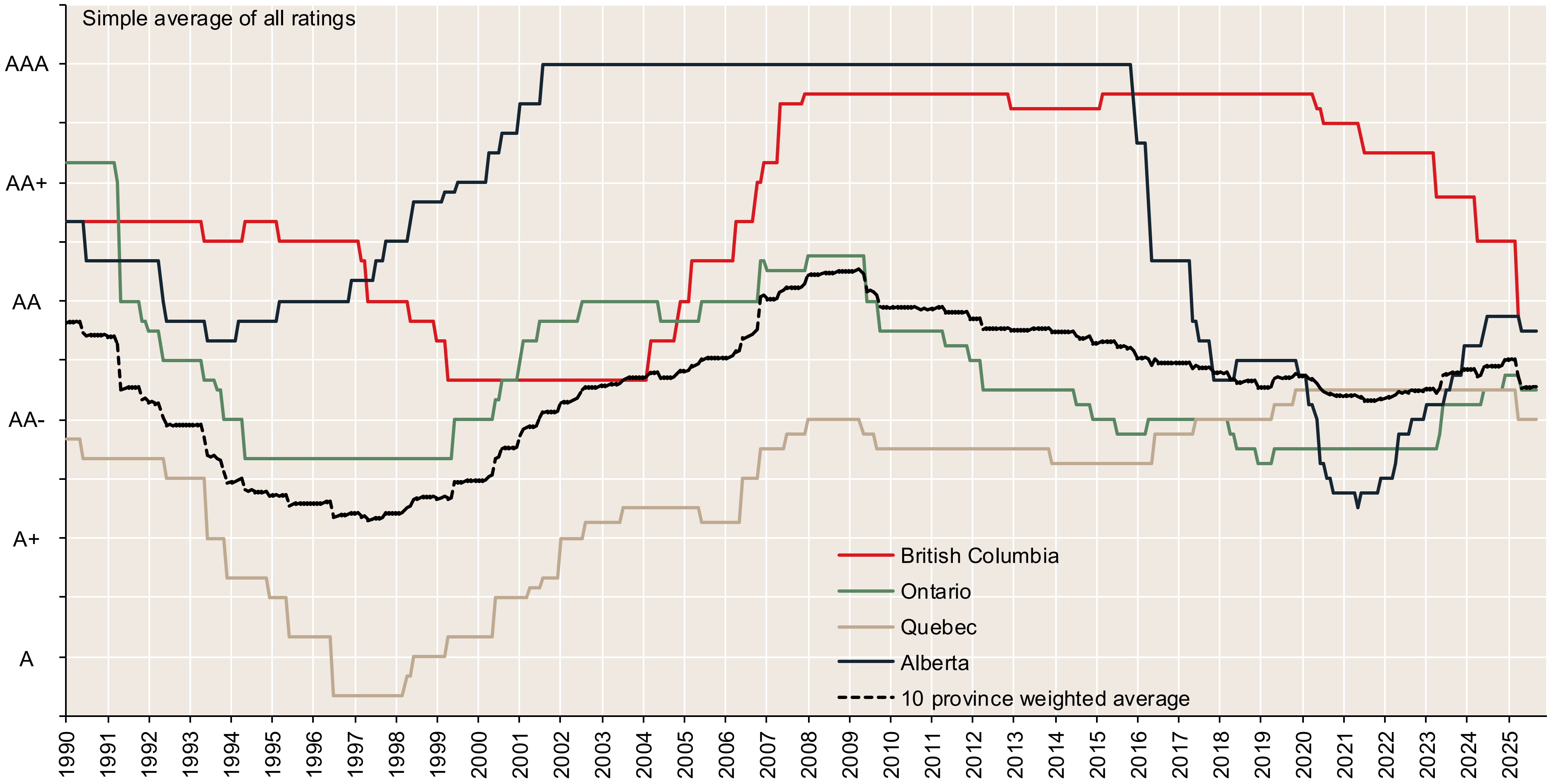


Source: NBC, BC

Provincial budget season has triggered credit rating adjustments

B.C. ratings: S&P A+, Negative | Moody's Aa1, Negative | DBRS AA(High), Negative | Fitch AA+, Negative

Provincial government average long-term credit ratings

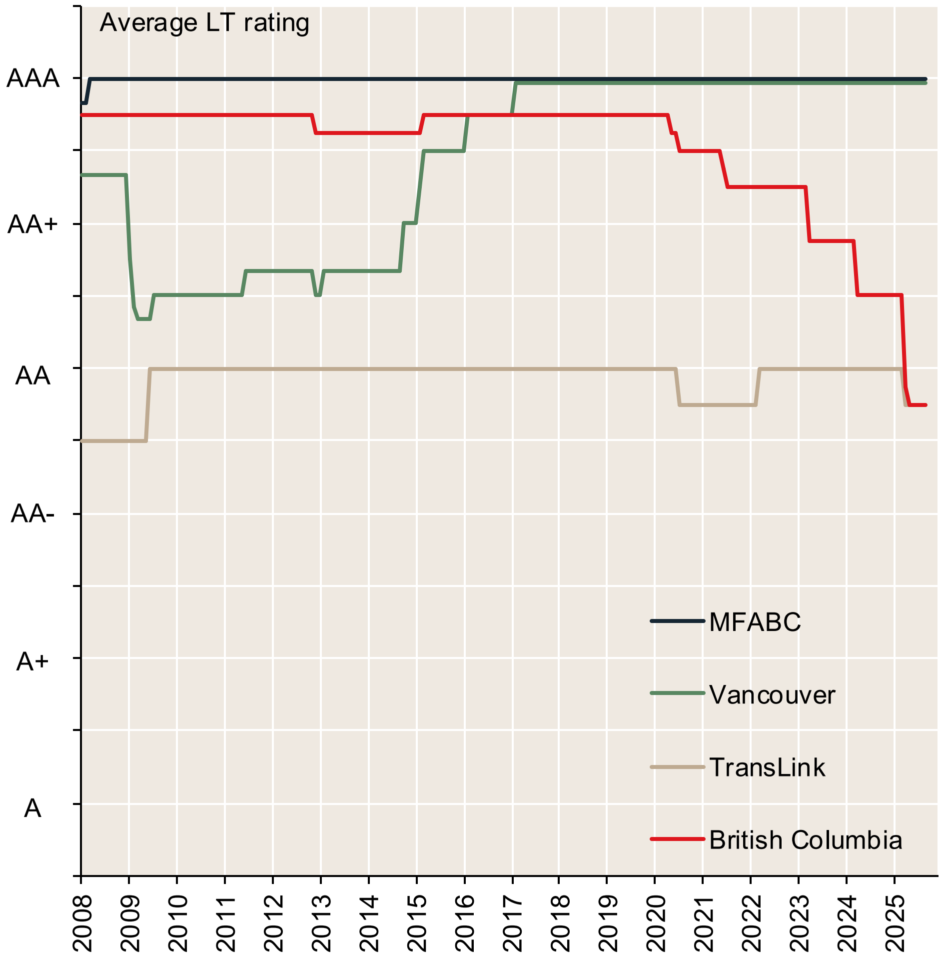


Source: NBC, S&P, Moody's, DBRS, Fitch | Note: Provincial average is weighted by monthly working age population; average rating adjusts for positive/negative outlooks; monthly to Sep-25

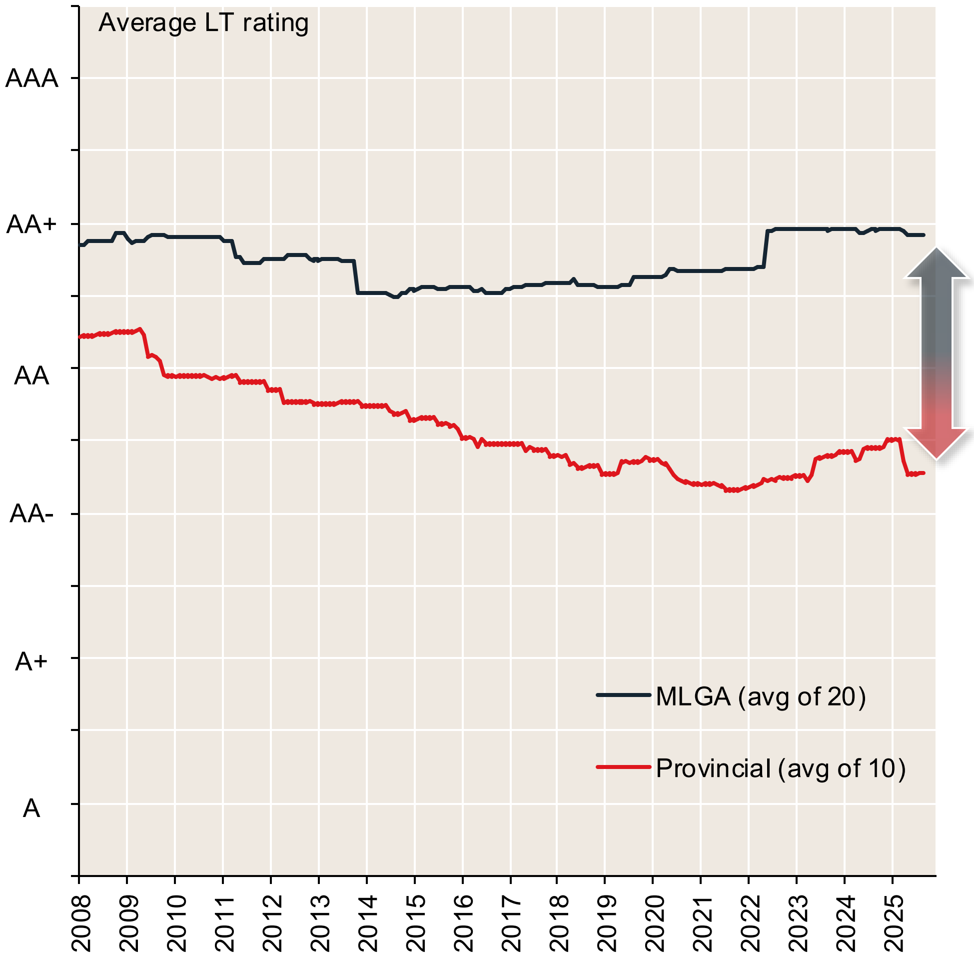
Additional perspective on credit rating trends

Notwithstanding provincial pressures, municipal and local government authority (MLGA) sector resilient

Provincial & municipal-related credit ratings: B.C.



Provincial & municipal-related credit ratings: Sector averages

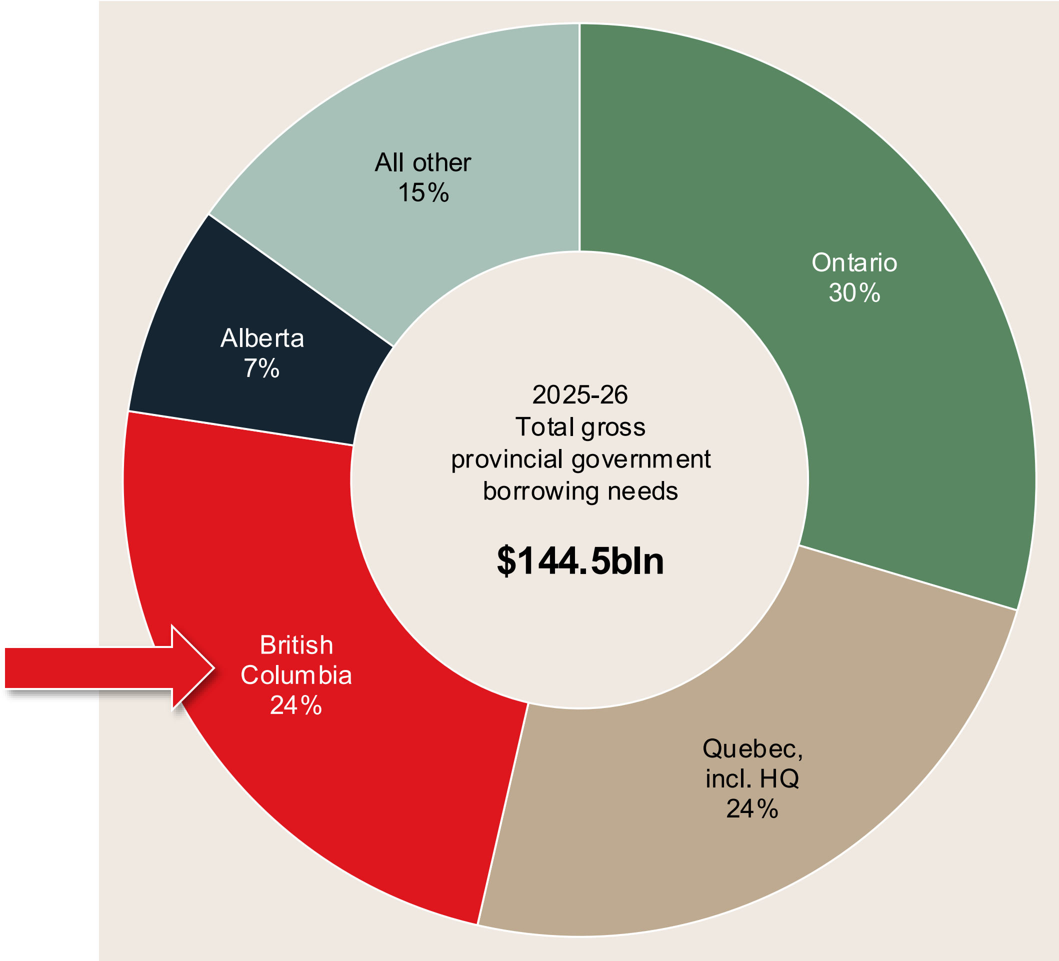


Source: NBC, S&P, Moody's, DBRS, Fitch | Note [L]: Simple average of ratings, adjusting for positive/negative outlooks; monthly to Sep-25 | Note [R]: Averages are weighted by bonds outstanding; MLGA refers to municipal & local government authority sector, with average based on 20 entities comprising ~95% of sectoral issuance/outstandings

Significant borrowing across Canada's government sector

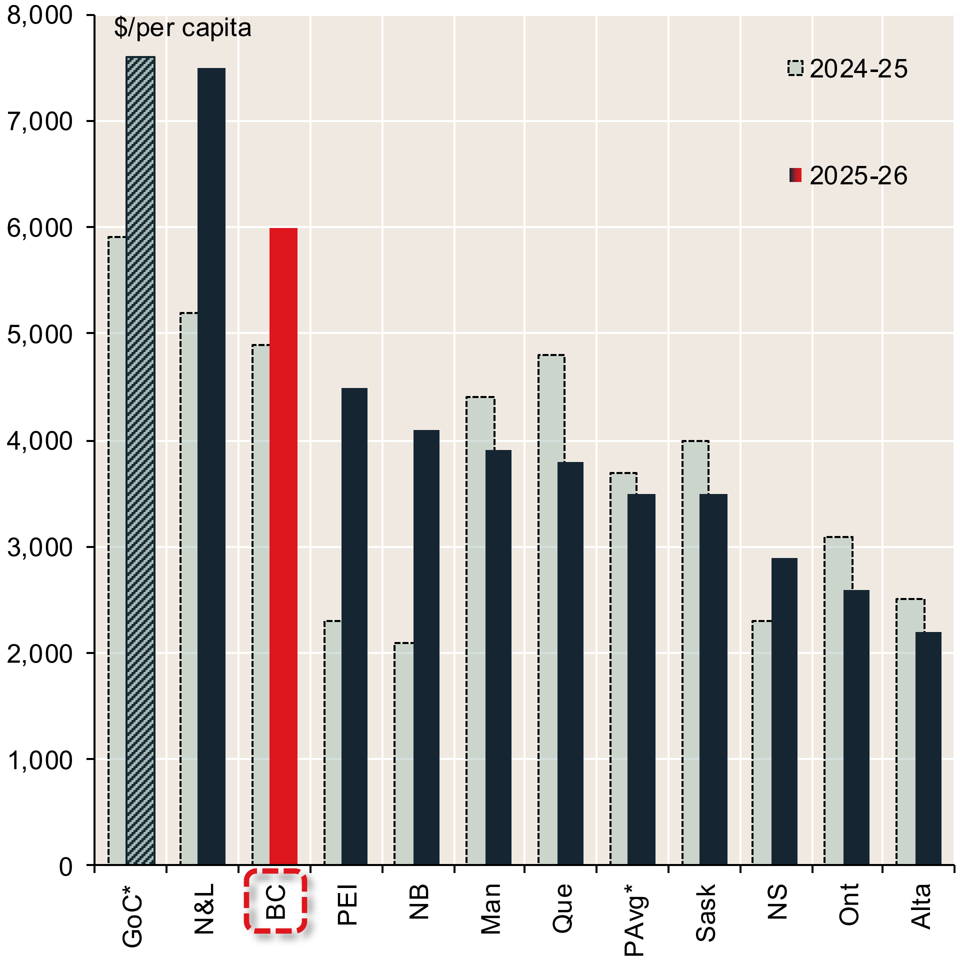
Provinces have telegraphed ~$145 billion in gross borrowing, with B.C.'s requirement above-average

Share of gross provincial bond requirements: 2025-26



Source: NBC, provincial gov'ts | Note: Based on latest official borrowing guidance

Per capita gross provincial bond requirements

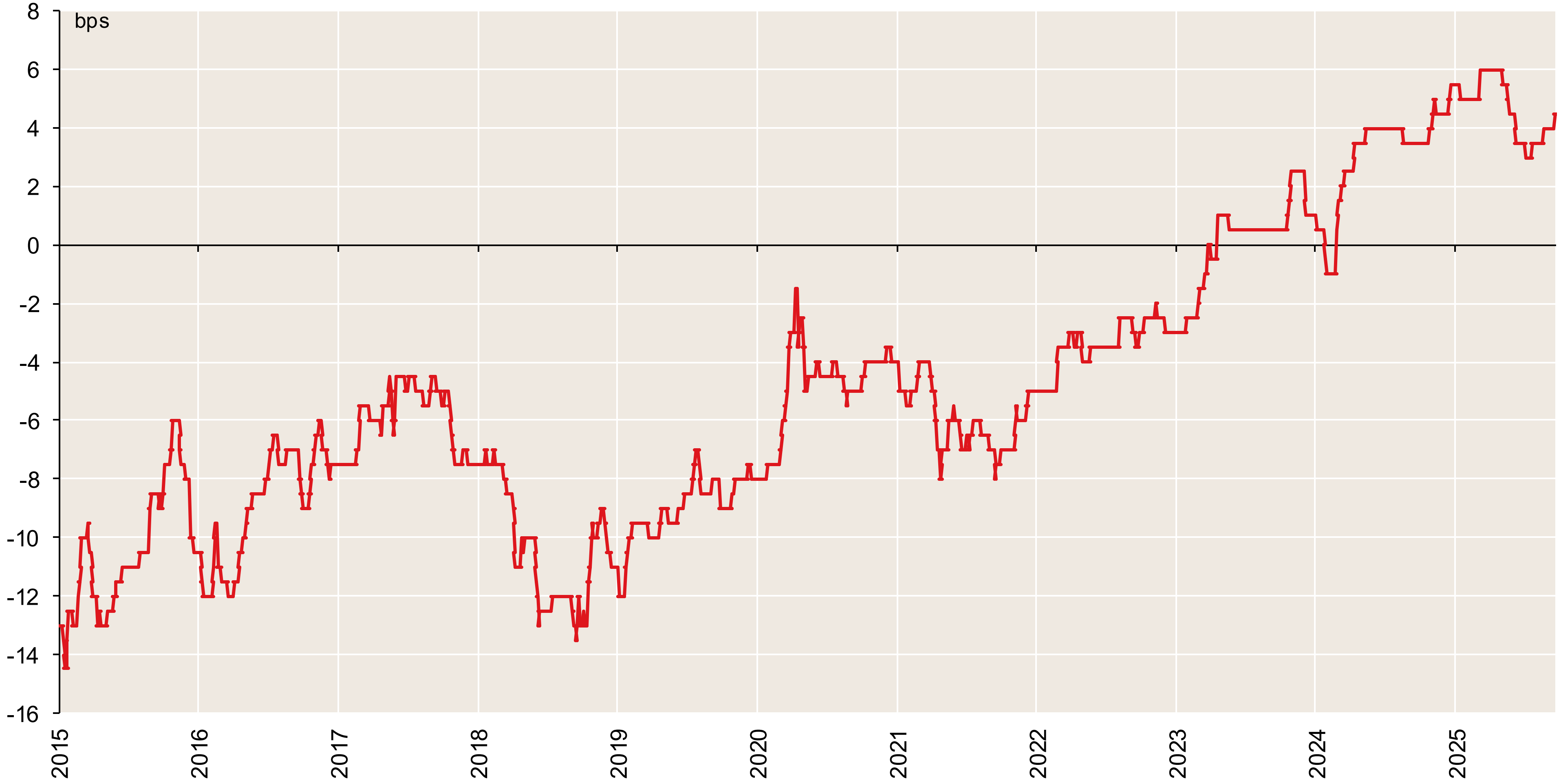


Source: NBC, provincial gov'ts | Note: 2025-26 based on latest official guidance relative to 2025:Q1 population; GoC is preliminary, based on Jul-25 DMS

Do provincial bond investors care?

British Columbia's relative bond spreads have re-priced

British Columbia 30-year domestic bond spread vs. Ontario



Source: NBC | Note: Based on NBC daily constant maturity spread indications to 19-Sep-25

B.C. has been well received in global debt capital markets

Exceptional global demand underscores strong and widespread support for British Columbia name

USD bond deals

Jan-25: US$3.5bln 3-year Global benchmark bond

Inaugural 3-year USD fixed-rate benchmark, strategically aimed to address a maturity gap in debt maturity profile.

B.C. recorded its largest USD order book to date, with final demand surpassing US$7.75bln (excluding Joint Lead Manager interest) from over 120 investors across a diverse range of types and geographies.

Jun-25: US$2.5bln 10-year Global benchmark bond

Second USD offering in 2025 on the back of inaugural 3-year USD benchmark. Largest ever ten-year USD deal.

The province achieved its largest USD order book to date, with final demand exceeding US$12.5bln (excluding Joint Lead Manager interest) from over 177 unique investor orders across a broad-spectrum of geographies and investor types.

Aug-25: US$3bln 5-year Global benchmark bond

This issuance marked British Columbia's third USD offering in 2025.

B.C. achieved its largest 5-year USD order book to date, with final demand exceeding US$8.7bln (including Joint Lead Manager interest) from over 116 unique investor orders across a broad-spectrum of geographies and investor types.

Most recently in CAD

22-Sep-25: C$750mln 10-year domestic re-opening

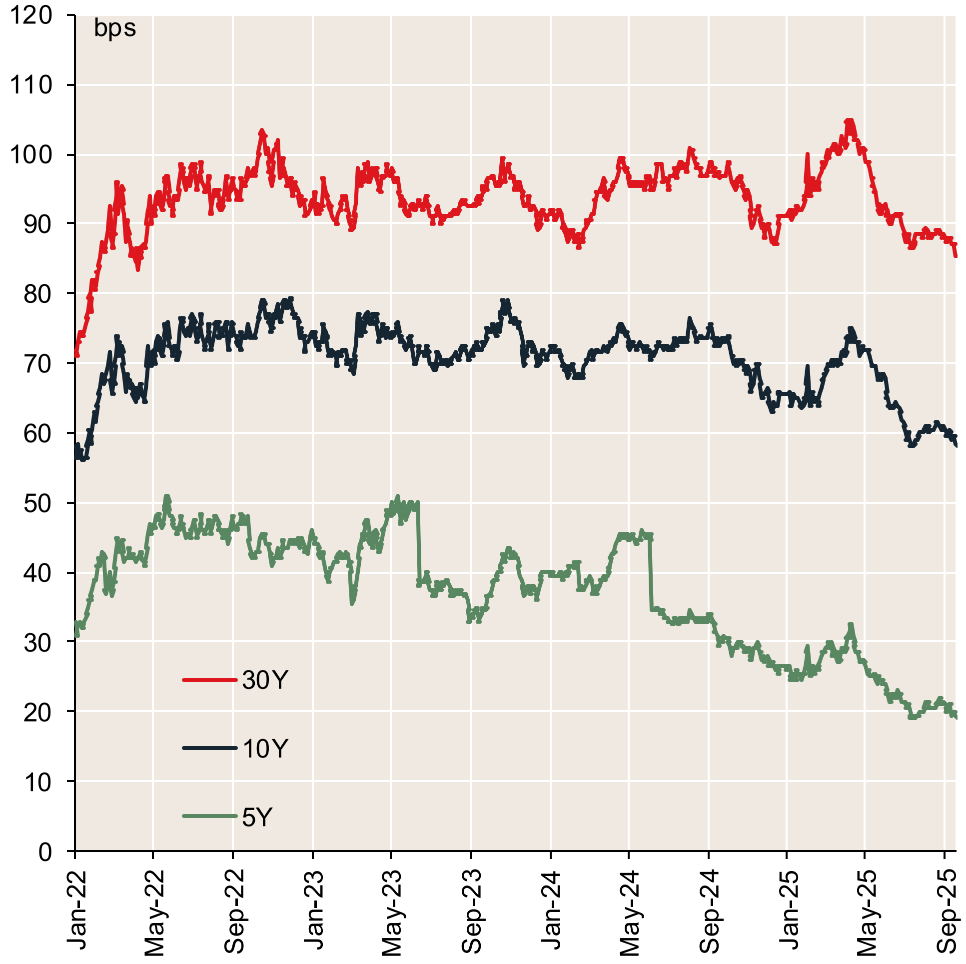
Jun-35 maturity | 3.74% yield | +56.5bps vs. GoC | ~3bps over Ontario

Source: NBC

Broader perspective needed when assessing all-in borrowing rates

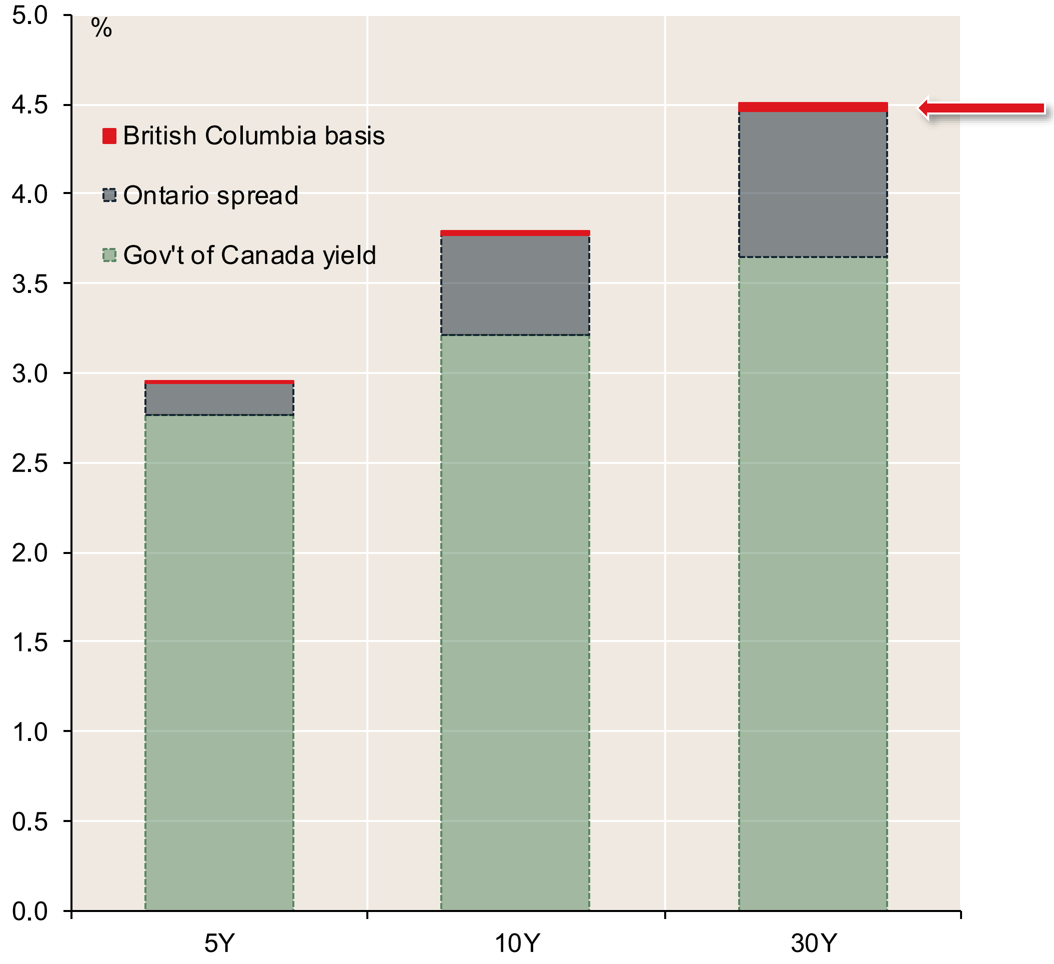
Investor perceptions of federal government risk and broader view on provincial sector hold most sway

British Columbia bond spreads vs. GoC curve



Source: NBC | Note: Based on NBC daily constant maturity spread indications to 19-Sep-25

British Columbia indicative borrowing costs

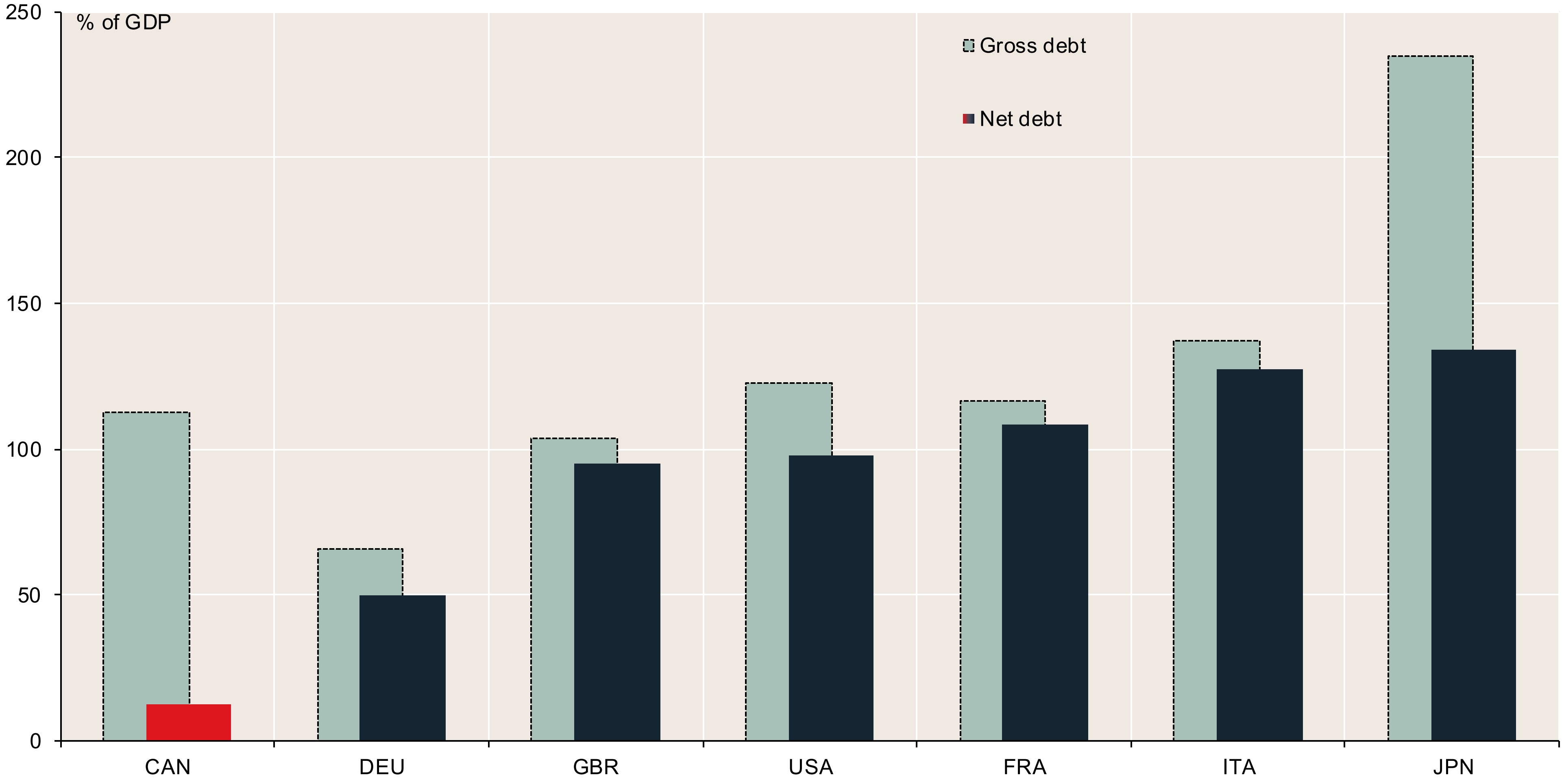


Source: NBC | Note: Reflects NBC's constant maturity indicative borrowing costs as of 19-Sep-25

Canada better positioned than some, but there's nuance to our fiscal edge

'Lowest general government net debt burden in G7' may give misleading picture of nation's fiscal breathing space

General government debt burden: 2025

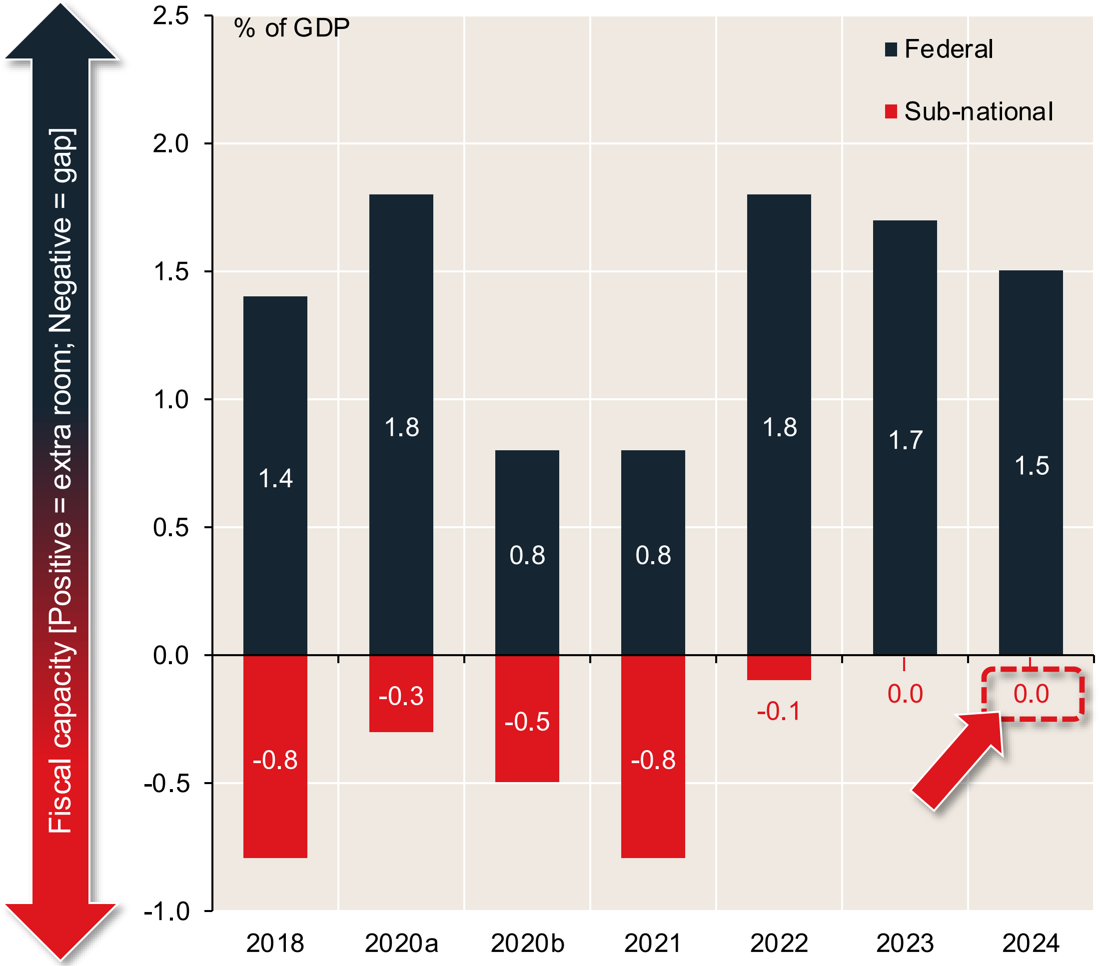


Source: NBC, IMF (Apr-25) | Note: General government is a broad measure of government; for Canada, general government includes federal, provincial, local governments & social security

Pre-Trump, provincial finances (in aggregate) deemed sustainable

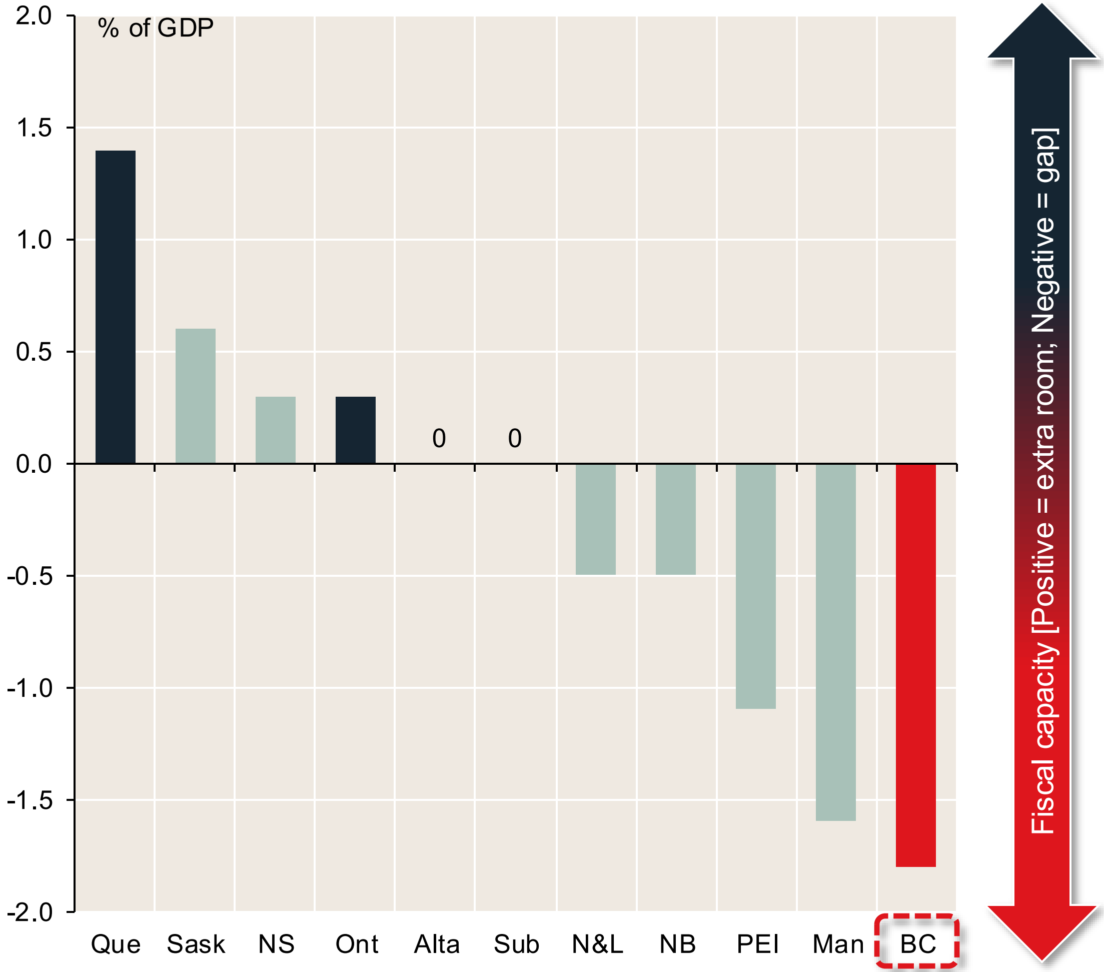
Some provinces were seen as more sustainable than others… Ottawa's excess fiscal room now getting used up?

PBO estimate of Canadian fiscal capacity/(gap)



Source: NBC, PBO | Note: Positive values imply excess fiscal room

PBO estimate of fiscal capacity/(gap) by province: 2024



Source: NBC, PBO | Note: Positive values imply excess fiscal room

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