MOODY'S
RATINGS

Rating Action: Moody's Ratings downgrades the Province of British Columbia's rating to Aa2, maintains negative outlook

19 Mar 2026

Toronto, March 19, 2026 -- Moody's Ratings (Moody's) today has downgraded the Province of British Columbia's (British Columbia) Baseline Credit Assessment (BCA) to a1 from aa2, and downgraded its long-term issuer and senior unsecured debt ratings to Aa2 from Aa1 and senior unsecured program and shelf ratings to (P)Aa2 from (P)Aa1. The outlook remains negative.

At the same time, the province's P-1 commercial paper ratings have been affirmed.

RATINGS RATIONALE

RATIONALE FOR THE DOWNGRADE

The downgrade of the BCA to a1 and the ratings to Aa2 reflects a marked deterioration in the province's credit fundamentals. This deterioration is driven by continued growth in operating and capital spending, resulting in large, structural deficits and rising leverage. Although new revenue measures, expenditure restraint efforts and sizable contingencies provide mitigants, the ongoing elevated uncertainty related to global and US trade conditions adds risks to the fiscal outlook.

While multiyear planning and transparent reporting remain credit strengths, the latest budget confirms a deterioration in long-term fiscal management relative to our previous assessment. Limited progress and visibility toward balanced budgets reflect reduced fiscal policy predictability and weaker risk controls.

We expect sizeable and entrenched deficits for the province over the next three fiscal years, reflecting continued spending growth in healthcare, social programs and housing affordability initiatives. Following the province's February 2026 budget, we project sizeable consolidated deficits of CAD13.3 billion in fiscal 2026-27 (15.6% of revenue), CAD12.2 billion in fiscal 2027-28 (13.7%) and CAD11.4 billion in fiscal 2028-29 (12.5%). These projections include CAD5 billion annual contingencies that provide a sizeable buffer against further fiscal weakening, although the projected pace of fiscal improvement and lack of an articulated timeline for a return to balance indicates a protracted series of deficits could continue beyond the current fiscal plan. However, our baseline scenario assumes that deficits will be reduced to less than 5% of revenue over the next five years.

The province continues to rely heavily on borrowing to fund operating deficits and to fund its capital program, with CAD52.9 billion in capital spending planned for 2026–27 to 2028–29 for the province and for its Crown corporations. As a result, we project that net direct and indirect debt will increase to CAD178.5 billion in 2026–27 (208.7% of revenue) and to CAD230 billion by 2028–29 (250.7%). This represents a sharp increase from our estimate of 175.8% in 2025–26 and from about 130% average over the prior five years, shifting British Columbia from having one of the lowest debt burdens to having one of the highest among regional peers. The rise in leverage also reduces fiscal flexibility and weakens debt affordability, with interest costs projected to rise to 6.0% of revenue in 2026–27 and 7.9% in 2028–29, from an estimated 4.7% in 2025–26.

British Columbia's credit profile is supported by a resilient and diversified economy that underpins a broad tax base and limits reliance on any single sector. Exports are also more diversified than those of most peers, with lower dependence on the US market, which reduces single market trade risk. While the province is working to further diversify trade toward Asia-Pacific and Europe, the US remains the main destination for several key exports, including natural gas, electricity and lumber, leaving these sectors exposed to the ongoing US trade uncertainty.

The province's capacity to respond to pressures is supported by a well-established and mature institutional framework, with significant revenue and expenditure flexibility. Revenues benefit from predictable annual federal health and social transfers which provide around 17% of total revenues.

The province maintains extremely strong access to domestic and international capital markets including a broad range of institutional investors. The debt program is diversified and in multiple currencies which help sustain investor demand. Liquidity levels remain adequate, with cash and cash equivalents averaging 9.3% of revenue over the next three years.

The affirmation of the P-1 commercial paper ratings reflects the high investment grade long-term debt ratings, supported by the strength of the province's strict policy limits on floating rate, foreign exchange and credit exposures.

The Aa2 rating combines the a1 BCA for the province and our assumption of a high likelihood of extraordinary support from the Government of Canada (Aaa stable) if the province faced a liquidity stress event.

RATIONALE FOR THE NEGATIVE OUTLOOK

The negative outlook reflects the risk that the size and duration of planned deficits reduce the ability of the province to adjust to unanticipated shocks due to macroeconomic and trade uncertainty, and diverge from our baseline projections. An inability to adjust to further negative pressure would accelerate the increase in leverage and reduction in debt affordability beyond our current forecasts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

The environmental issuer profile score (IPS) of E-3 reflects exposure to weather events including frequent occurrence of flooding and large wildfires which create significant damage. Although provincial budgets contain significant contingencies for weather-related expenses, Canadian provinces are facing increasingly more frequent and intense wildfires, leading to higher than expected costs to fund efforts to suppress the fires and for repairs and rebuilding.

The social IPS of S-2 indicates strong health and safety measures and high livability which is a significant draw for international immigration, boosting economic activity. Labour and income trends are solid, although social pressures, especially relating to healthcare, education, housing supply and home affordability challenges maintains significant pressure on operating and capital spending.

The governance IPS of G-2 reflects strong governance attributes with forward-looking multi-year planning and transparent reporting and disclosure. However, the government's recent efforts to prioritize spending growth over attaining fiscal balance or limiting debt growth points to a further weakening in risk controls and financial management.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given the negative outlook, an upgrade is unlikely. The outlook could be stabilized if the province is able to implement a credible plan that will slow debt growth and materially reduce projected deficits faster than under our current projections.

The rating could be downgraded if the size of structural deficits or the growth in the debt burden result in a more protracted return to balance or higher leverage than we currently forecast. A further weakening of provincial liquidity would also put downward pressure on the rating.

The principal methodology used in these ratings was Regional and Local Governments published in May 2024 and available at https://ratings.moodys.com/rmc-documents/421891. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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