

Economics

# PROVINCIAL BUDGET BRIEFS

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## Alberta budget 2026

The Province of Alberta is budgeting for a larger deficit in the upcoming fiscal year, with a \$9.4bn shortfall (1.9% GDP) up from a revised \$4.1bn (0.8% GDP) estimate for the outgoing year. A fairly conservative oil price assumption and its impact on resource revenues partly explains that move, although the province is also expecting a 5% increase in operating expenditure as it continues to spend in priority areas such as education and health. The wider deficit expected for the upcoming fiscal year will see borrowing requirements rise to \$20.9bn, from \$15.9bn in fiscal 2025/26. That will be satisfied through \$15.7bn of long-term debt, while the remainder will be financed through an increase in short-term debt outstanding.

Table 1: Summary of fiscal position: (C\$billions)

Fiscal measure	2024/25 Actual	2025/26 25 Budget	2025/26 26 Budget	2025/26 Change	2026/27 26 Budget	2027/28 26 Budget	2028/29 26 Budget
<b>Revenue</b>							
• Resource revenue	21.404	17.067	16.286	-0.781	13.213	16.234	16.891
• Income and other taxes	30.356	28.837	28.794	-0.043	30.470	31.646	33.177
• Federal transfers	12.618	13.287	13.566	0.279	13.715	13.826	13.839
• Other revenue	18.091	14.946	16.646	1.700	17.152	17.208	17.611
<b>Total revenue</b>	<b>82.469</b>	<b>74.138</b>	<b>75.292</b>	<b>1.154</b>	<b>74.550</b>	<b>78.914</b>	<b>81.518</b>
<b>Expense</b>							
• Operating expense	62.025	64.311	67.016	2.705	70.398	72.360	74.053
• % change	6.7	3.6	8.0	4.5	5.0	2.8	2.3
• Contingency/disaster	1.932	4.000	1.506	-2.494	2.000	2.000	2.000
• Debt servicing costs	3.215	2.968	2.922	-0.046	3.407	4.222	4.863
• Other	6.977	8.070	7.981	-0.089	8.117	7.913	7.505
• Capital grants	2.934	3.452	3.347	-0.105	3.672	3.384	2.923
• Amortization / loss on disposals / inventory consumption	4.446	4.993	4.830	-0.163	4.853	4.944	5.005
• Pension provisions	-0.403	-0.375	-0.196	0.179	-0.408	-0.415	-0.423
<b>Total Expense</b>	<b>74.149</b>	<b>79.349</b>	<b>79.426</b>	<b>0.077</b>	<b>83.922</b>	<b>86.495</b>	<b>88.422</b>
<b>Surplus / (deficit)</b>	<b>8.320</b>	<b>-5.211</b>	<b>-4.134</b>	<b>1.077</b>	<b>-9.373</b>	<b>-7.581</b>	<b>-6.904</b>
• Reference:							
• Heritage fund balance	24.7	25.7	29.9	4.2	32.1	34.0	35.9

## Alberta to remain an economic leader

The Alberta economy is projected to grow faster than the national average again in 2026, despite easing slightly relative to the prior year. Real GDP is expected to increase by 1.8% this year, which is a slight deceleration relative to the 2.2% advance estimated for 2025. Population growth is slowing to 1.1% from 2.5%, but also remains quicker than the national average. That population growth, alongside expectations for a gradually declining unemployment rate, sees employment growth estimated at nearly 2% this year and throughout the forecast horizon. However, nominal GDP is anticipated to be fairly modest and below the private sector average forecast this year, in large part due to a forecast for lower oil prices relative to the prior year.

The WTI projection is \$60.5/bbl for the upcoming 2026/27 fiscal year, while the light-heavy differential is estimated at \$13/bbl. That spread is only a little wider currently, while global oil prices as of today are around \$5/bbl higher than the forecast for fiscal 2026/27. As a result, this projection is fairly conservative. A \$1/bbl divergence in either global oil prices (WTI) or the WCS-WTI differential is estimated to have a fiscal impact of almost \$700 million on a full year basis. Under a downside economic forecast where WTI prices average \$51.5/bbl in the upcoming fiscal year and nominal GDP declines modestly, the budget deficit would be \$6.5bn wider than in the base case projection. Similarly an increase in oil prices to \$70/bbl on a sustained basis would result in a \$6bn fiscal improvement.

The economic forecasts are made under the assumption that tariffs in place as of January 14th remain in place over the forecast horizon. The Alberta economy currently has a low exposure to US tariffs, with the Budget stating that more than 90% of exports to the US are CUSMA compliant and tariff exempt.

Table 2: Key assumptions (Y/Y % chg)

Economic assumptions	2025	2026	2027	2028	2029
Real GDP	2.2	1.8	2.3	2.2	2.2
• Private sector average	2.5	2.1	2.3	2.3	2.2
Nominal GDP	1.5	1.9	6.0	4.4	4.4
• Private sector average	3.9	3.4	4.4	5.1	5.0
Employment	2.8	1.9	2.0	1.9	1.8
Unemployment rate (%)	7.2	6.6	6.0	5.8	5.7
Primary household income	4.8	4.1	4.1	4.4	4.2
Housing starts (k)	54.9	40.0	35.0	34.5	34.7
Net corporate operating surplus	0.5	-3.0	6.0	4.2	4.0
CPI	2.0	2.1	2.1	2.1	2.1
Population	2.5	1.1	1.1	1.4	1.4

Table 3: Key financial assumptions

Financial assumptions (fiscal yr)	2025/26	2026/27	2027/28	2028/29
3-month T-Bills (%)	2.40	2.10	2.50	2.60
10-year GoC Bonds (%)	3.30	3.20	3.30	3.40
Exchange rate (US\$/C\$)	72.0	73.0	74.2	75.4
WTI (US\$/bbl)	61.50	60.50	67.00	67.50
WCS @ Hardisty (C\$/bbl)	69.80	65.30	71.60	70.60
Natural gas (C\$/GJ)	1.70	3.00	3.10	3.20

## Slipping further into deficit

For the current 2025/26 fiscal year, today's Budget estimates a slightly narrower deficit of \$4.1bn, which is just over \$1bn less than budgeted for and is equal to roughly 0.8% of nominal GDP. The narrower deficit projection comes despite lower oil prices than expected a year ago (\$61.5/bbl versus \$68/bbl in Budget 2025) which has negatively impacted resource revenue estimates by almost \$800mn. Offsetting this, investment income is running stronger than expected, while the contingency for disaster response has been reduced to \$1.5bn, from \$4.0bn.

The Province's Heritage Fund, designed to save some of the province's non-renewable resource income, is projected to have a balance of nearly \$30bn by the end of this year. The fund is \$4bn higher than projected last year largely because \$2.8bn of surplus cash from the 2024/25 fiscal year was added to it. That balance should rise to \$35bn in 2027 and the province continues to aim to grow the fund to \$250bn by 2050.

For the upcoming fiscal year, the deficit is expected to rise to \$9.4bn (1.9% of nominal GDP). That partly reflects an expected \$3bn decline in resource revenue, due to the forecast for lower global oil prices. However, the province will continue to spend in key areas such as education and health, and overall operating spending is slated to rise by 5% in fiscal 2026/27. New revenue measures include the introduction of a tax on rental vehicles, and an increase in the tourism levy to 6%, from 4%, which are expected to bring in \$36mn and \$66mn of additional revenue respectively.

Longer-term projections show the deficit slimming modestly to \$6.9bn by fiscal 2028/29. The improvement largely reflects the impact that higher oil prices are expected to have on resource revenue (\$3.7bn higher in 2028/29 than in 2026/27),

although spending growth is also expected to be more modest as well. Debt interest costs are rising to \$4.9bn by fiscal 2028/29, which would be almost \$2bn higher than in the current fiscal year.

Under the Sustainable Fiscal Planning and Reporting Act, once a deficit is confirmed in a year-end statement, the government should plan to return to a balanced budget within three years. Today's budget stated that a variety of factors, including oil prices and population growth, have limited the government's ability to deliver the services required within the existing framework and that a review of the framework would be undertaken.

## Long-term borrowing increasing over the next two years

In today's budget, the current fiscal year's long-term borrowing program was increased to \$12.0bn, up from \$10.9bn in the mid-year update. At the same time, short-term debt targets were increased to \$3.9bn from \$2.3bn in the budget. So far, the province has borrowed approximately C\$7.7bn of long-term debt through seven transactions, leaving some \$4.4bn to be completed in a little over a month. Note, due to cash timing and settlement, the €1.25bn deal launched at the end of March (2025) and prior to the start of this current fiscal year was included in 2025/26's borrowing figure. When compared to last year's funding (i.e. 2024/25), both have increased as long-term debt completed was \$10.2bn while there was a reduction in short-term debt outstanding of \$1.9bn.

Of those seven deals this year, three were international deals representing around 55% of the total amount issued. That compares to the prior two fiscal years which had international deals representing around 58% (2024/25) and 36% (2023/24) of total issuance. The province highlights that their primary source of funding is the domestic market, however, they will raise long-term debt in foreign markets when it is more cost-effective or when Canadian markets are difficult to access. Due to their large investor base worldwide, as well as the larger borrowing program, we anticipate them to complete multiple foreign deals this upcoming year.

As for that upcoming year, total borrowing requirements are increasing to \$20.9bn, up from \$15.9bn this outgoing year. That is going to be satisfied through \$15.7bn in long-term funding, while the remainder will be through an increase of \$5.2bn in short-term financing. The large increase in requirements year-over-year is related to the \$5.2bn growth in the projected deficit.

Over the time horizon, total borrowing requirements are increasing again in 2027/28 to \$22.6bn, before dropping down to \$18.6bn in 2028/29. The plan currently calls for an increase in short-term funding of \$4.5bn and \$3.7bn, respectively, while long-term funding is estimated at \$18.1bn and \$14.9bn. When compared to last year's forecast horizon in the budget, overall long-term funding is up by \$8.9bn through 2027/28.

Table 4: Borrowing requirement (C\$millions)

Borrowing requirements	2025/26 Estimate	2026/27 Target	2027/28 Target	2028/29 Target
Taxpayer-supported debt	13,675	18,721	21,273	17,919
Self-supported debt	150	416	385	543
Government business enterprises	2,109	1,798	915	180
<b>Total</b>	<b>15,933</b>	<b>20,935</b>	<b>22,573</b>	<b>18,642</b>

Table 5 Sources of funding (C\$millions)

Funding requirements	2025/26 Estimate	2026/27 Target	2027/28 Target	2028/29 Target
Money market (net change)	3,886	5,234	4,515	3,728
Long-term debt	12,047	15,701	18,058	14,914
<b>Total</b>	<b>15,933</b>	<b>20,935</b>	<b>22,573</b>	<b>18,642</b>

## Net debt-to-GDP is expected to increase throughout horizon

For this outgoing year, net debt is projected to be \$39.7bn as at March 31, 2026, lower when compared to the budget estimate of \$40.8bn a year ago. However, due to the forecasted deficit for this upcoming year, coupled with the increase in capital spending and cash required by government entities, net debt is projected to rise to \$51.4bn by March 2027. Overall, net debt is projected to increase to \$69.8bn by 2028/29 as a result of anticipated deficits and capital spending.

The improvement in net debt from the prior forecast has the net debt-to-GDP ratio dropping to 8.3% this outgoing year as opposed to 8.5% previously projected. That outgoing ratio is expected to be the lowest point throughout the forecast horizon as the upcoming year's estimate calls for an increase to 10.5%, before increasing again to 11.8% in 2027/28 and 12.9% by 2028/29. Despite the increased projections in the ratio, the province currently has the lowest percentage amongst its provincial peers.

## Three-year capital plan earmarks \$28.3bn in spending

The 2026 capital plan calls for investments of \$28.3bn over the next three years, an increase of \$2.2bn from 2025's plan. That equates to roughly \$9.4bn per year, with the largest spending in areas such as municipal infrastructure (\$7.1bn), health (\$4.9bn), capital maintenance and renewal (\$4.2bn), as well as education (\$3.3bn). The plan addresses public infrastructure that is facing capacity pressures from rapid population growth, including in schools and health care facilities. Overall, the capital plan is projected to support an average of 31,000 direct and 14,500 indirect jobs annually through 2028/29.

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