BUDGET ANALYSIS

Alberta: 2026–27 Mid-Year Fiscal Update

Crude Turnaround

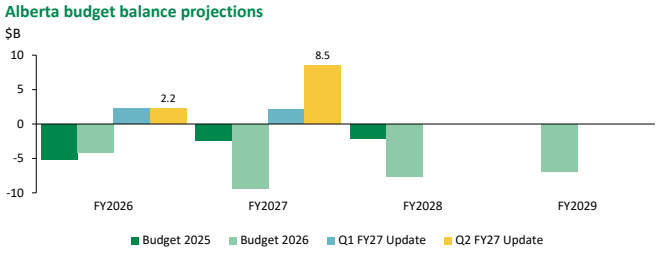
By Laura Gu, Senior Economist, and Kari Norman, Senior Economist

Alberta's second-quarter update confirms the widely anticipated oil-driven turnaround. The province now projects an $8.5B surplus in FY2027, a $17.9B swing from the $9.4B deficit in Budget 2026 and a $6.4B improvement from Q1 (graph 1). The surplus pushes the debt burden much lower. The stronger fiscal outlook brings projected net debt down to 5.1% of GDP from 9.2% at the time of the budget (graph 2), leaving Alberta with the lowest net debt-to-GDP ratio among the provinces by a wide margin.

Higher oil prices explain most of the turnaround. Total revenue is now expected to come in $18.5B above the budget projection, with non-renewable resource revenue accounting for $15.4B of the increase. Bitumen royalties alone are up $12.7B, as higher benchmark prices and a weaker Canadian dollar more than offset a wider heavy-oil discount. The gains extend beyond royalties: stronger energy profits helped lift corporate income tax revenue by $1.1B, while better results from higher product prices at the Sturgeon Refinery account for most of the $1.1B increase in net income from government business enterprises. Fuel tax relief offset about $0.5B of those gains.

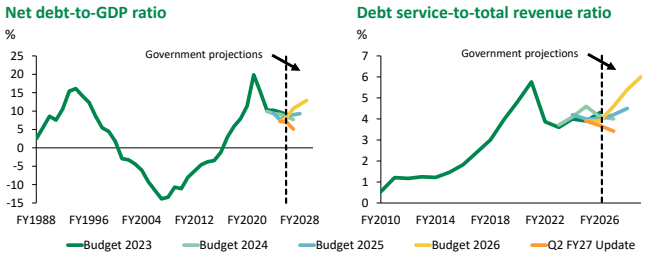
The WTI assumption appears less conservative than usual but remains well anchored. WTI needs to average roughly US$70.50/bbl through March 2027 to meet the province's full-year assumption of US$83.50/bbl. The US$17.80/bbl full-year light-heavy differential, however, implies a narrowing to about US$17.70/bbl over the remaining months. The discount has been above US$20/bbl since late September, reflecting limited tanker availability, more Venezuelan heavy crude reaching the US Gulf Coast and refinery outages in the US Midwest. On balance, Alberta's oil price outlook is broadly in line with our baseline and more conservative than Saskatchewan's mid-year assumptions (graph 3).

Graph 1
Higher Oil Prices Flip Alberta's Deficit Forecast to a Surplus



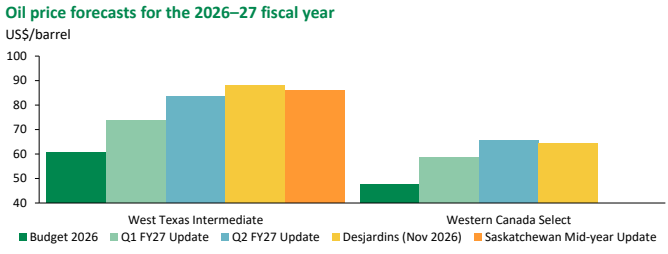
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Graph 2
Alberta's Surplus Takes the Pressure Off Debt Metrics



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Graph 3
Alberta's Oil Price Outlook Looks Well Anchored, but Heavy Crude Poses Downside Risk



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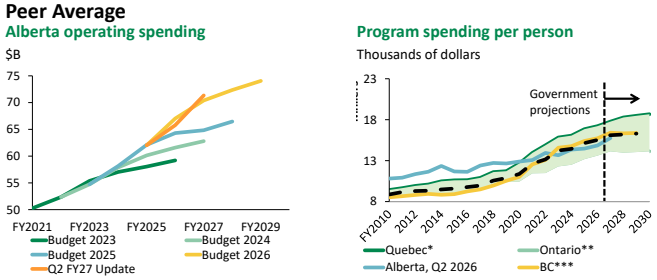
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There's little new spending in the update, but the spring budget already substantially raised program expenses. Expenses before contingency are up $1.6B relative to the budget, mainly due to higher Alberta Investment Management Fees. Higher capital grants and $434M in disaster and emergency assistance explain the rest of the increase, partly offset by lower debt charges. A $910M draw on the contingency limits the increase in total expenses to about $650M, leaving $1.1B unallocated. Operating spending growth is set to accelerate to 8.5% from 6.1% last year, narrowing the gap between Alberta's per-person spending and the average of Quebec, Ontario and British Columbia (graph 4).

Alberta has raised its real growth forecasts, with business investment outside oil and gas set to play a bigger role. The update now projects real GDP growth of 2.6% in both 2026 and 2027, up from 1.8% and 2.3% respectively in Budget 2026. Nominal GDP is now expected to surge 11.3% in 2026 before slipping 0.3% in 2027 as oil prices ease. The outlook is broadly in line with our latest Provincial Outlook. Oil production should continue to support growth: conventional output is at a record high, oil sands production is on track for another annual record,

Graph 4

Alberta Narrows the Per-Person Spending Gap but Remains Below the Peer Average



* Pre-election report on the state of Quebec's public finances. ** 2026 Ontario Fall Economic Statement. *** BC 2026 Q1 Update

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and additional pipeline capacity should support production and exports in 2027. Business investment is set to do more of the heavy lifting, particularly outside oil and gas extraction. The province expects non-energy business investment to rise 9.8% this year and 14% next year, outpacing oil and gas investment. AI infrastructure is a key part of that story. Meta's $13B data centre broke ground this year, putting Alberta at the front of the national AI investment push.

TABLE 1

Alberta's Updated Fiscal and Economic Forecasts

	2025–2026		2026–2027		
$M (UNLESS OTHERWISE INDICATED)	Bud. 2026	Actual	Bud. 2026	Q1 2026	Q2 2026
Total revenues	75,292	79,750	74,550	86,279	93,123
% change	*-8.7*	*-3.3*	*-1.0*	*8.2*	*16.8*
Bitumen and crude oil royalties	14,986	16,500	11,808	21,118	26,303
% change	*-25.8*	*-18.3*	*-21.2*	*28.0*	*59.4*
Total expenses*	79,426	77,541	81,922	82,718	83,567
% change	*7.1*	*4.6*	*3.1*	*6.7*	*7.8*
Operating expenses	67,016	65,776	70,398	71,034	71,342
% change	*8.0*	*6.0*	*5.0*	*8.0*	*8.5*
Debt charges	2,922	2,938	3,407	3,182	3,183
% of total revenues	*3.9*	*3.7*	*4.6*	*3.7*	*3.4*
Contingency	0	0	2,000	1,520	1,090
Budget balance	**-4,134**	**2,209**	**-9,372**	**2,041**	**8,467**
Net Debt, % of GDP	*8.3*	*7.0*	*10.5*	*7.7*	*5.1*
Alberta Capital Plan	8,687	7,837	9,969	10,687	10,589
Real GDP, % change	*1.8*	*2.5*	*2.3*	*2.5*	*2.6*
Nominal GDP, % change	*1.9*	*1.8*	*6.0*	*1.6*	*-0.3*
Population, % change	*1.1*	*2.5*	*1.1*	*1.4*	*1.5*
Alberta CPI inflation, % change	*2.1*	*2.0*	*2.1*	*2.1*	*2.2*

Bud: Budget; CPI: Consumer price index; * Not including contingency.

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The capital plan is little changed. Alberta now expects to spend $10.6B on its FY2027 capital plan, up $620M from Budget 2026 but down $98M from Q1. Higher capital grants account for $487M of the increase from the budget, including $267M for the Alberta Carbon Capture Incentive Program.

The Heritage Fund also gets a meaningful top-up. The sizable surplus leaves $3.9B in cash available to allocate, split roughly evenly between the Heritage Fund and the Alberta Fund, with final allocations in June 2027. Heritage Fund assets are forecast to hit $36.2B by March 2027, up $6.2B from a year earlier.

Borrowing is up from Q1 but remains well below budget. Alberta's 2026–27 total borrowing requirements as of the Q2 Update are $7.8B, a $1B increase from the Q1 forecast of $6.8B but well below the budget estimate of $20.9B. The province will pre-borrow $4.1B for future debt requirements, subject to change based on royalty forecasts. Alberta has completed about 45% of this year's borrowing program, leaving $4.3B to raise.

Alberta's windfall rests on realistic oil price assumptions, and the update keeps new spending light while cutting the borrowing program sharply. That combination should be well received by the market and by rating agencies. Still, the province's finances remain highly sensitive to oil, with each US$1/bbl change in the WTI linked to C$680M in provincial revenue.