

# BUDGET ANALYSIS

## Alberta: 2025–26 Q2 Update Deficit Narrows Slightly Even as Oil Prices Slide

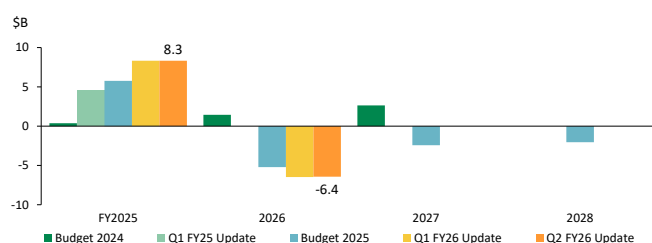
By Randall Bartlett, Deputy Chief Economist

The Government of Alberta released its updated outlook for the 2025–26 fiscal year (FY26) earlier today, and the news was mixed. On the plus side, the provincial government is now anticipating a slightly smaller budget deficit this year, shrinking by \$41M to -\$6.4B (graph 1). Despite higher expenses and slightly weaker revenues, the province's ample contingency was more than sufficient to take up the slack. See table 1 for details.

**Graph 1**

**Alberta's Deficit Projection Edges Slightly Smaller in FY26**

Alberta budget balance projections



Alberta Treasury Board and Finance and Desjardins Economic Studies

**Weaker revenues are part of Alberta's revised fiscal story, but only just, down a marginal \$3M relative to the Q1 Update.** The outlook for bitumen and crude oil royalties edged lower (down \$18M) but was nowhere close to repeating the sharp downward revision posted in the last official outlook. And higher anticipated revenues elsewhere almost entirely offset this weakness.

**TABLE 1**

**Alberta's Updated Fiscal and Economic Forecasts**

\$M (UNLESS OTHERWISE INDICATED)	2024–2025		2025–2026		
	Bud. 2025	Actual	Bud. 2025	Q1 Update	Q2 Update
Total revenues	80,692	82,469	74,138	72,967	72,964
% change	8.0	10.4	-8.1	-11.5	-11.5
Bitumen and crude oil royalties	19,805	20,204	15,340	14,226	14,208
% change	13.2	15.5	-22.5	-29.6	-29.7
Total expense*	74,932	74,149	75,349	76,902	77,070
% change	6.4	5.3	0.6	3.7	3.9
Operating expense	62,098	62,025	64,311	64,989	65,264
% change	6.8	6.7	3.6	4.8	5.2
Debt charges	3,199	3,215	2,968	3,004	2,971
% of total revenues	4.0	3.9	4.0	4.1	4.1
Contingency	—	—	4,000	2,542	2,330
<b>Budget balance</b>	<b>5,760</b>	<b>8,320</b>	<b>-5,211</b>	<b>-6,477</b>	<b>-6,436</b>
Net Debt, % of GDP	7.6	7.2	8.5	8.7	8.7
Alberta Capital Plan	7,665	7,243	8,639	8,933	8,793
Real GDP, % change	1.8	2.0	1.7	1.7	1.8
Nominal GDP, % change	1.2	2.0	3.0	1.8	2.2
Population, % change	2.5	2.4	1.4	1.3	1.1
Alberta CPI inflation, % change	2.6	2.2	2.4	2.3	2.3

\* Not including contingency.

Alberta Treasury Board and Finance and Desjardins Economic Studies

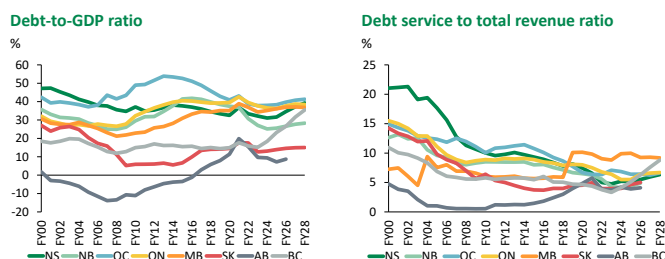
**The forecast for expenses in FY26 saw a more meaningful upward revision relative to the Q1 Update, rising by \$168M to \$77.1B.** This was largely the result of higher operating expenses (up \$275M to \$65.3B). However, lower debt charges provided a partial offset (down \$25M to \$3.0B). This helped to keep debt charges as a share of revenues at 4.1% this fiscal year. And due to prudent planning by the Government of Alberta, any concern about higher expenses increasing the deficit was rendered moot by drawing on the ample contingency set aside for just this reason (down \$212M to \$2.3B).

**The smaller expected deficit than planned in the Q1 Update, combined with a reduced capital plan (down \$140M to \$8.8B), helped to keep Alberta's net debt unchanged at 8.7% of GDP in FY26.** And while that's up from 7.2% in FY25, when put in the broader national context,

Alberta continues to have the lowest net debt-to-GDP ratio of any province in the country (graph 2). Its comparatively low borrowing costs reflect that positive performance.

Graph 2

Alberta Remains Best in Class from a Debt Perspective



Of course, there is a perennial risk to Alberta’s fiscal forecast posed by the outlook for energy prices, but even here the provincial government looks to have packed on the usual prudence (graph 3). After being downwardly revised in the Q1 Update to US\$63.75 from US\$68 per barrel in Budget 2025, the average price of a barrel of West Texas Intermediate (WTI) for the current fiscal year has been further revised to \$61.50 in the Q2 Update. Given recent pricing, that essentially assumes the price of WTI is US\$58 per barrel for the remainder of the fiscal year—in line with the recent low. It is also below [our outlook](#) for an average per barrel price of WTI of US\$62.70 for FY26. Where we may differ more from the Government of Alberta is in our outlook for the discount paid per barrel of Western Canada Select (WCS)—Canada’s heavy crude benchmark—but even this still leaves the province’s WCS price outlook in line with ours. Add to this the remaining room in the provincial government’s contingency, and the risks to the outlook appear broadly balanced.

Graph 3

The Government of Alberta Has Baked the Usual Prudence into Its Oil Price Outlook

Oil price forecasts for the 2025–26 fiscal year

