

2026 Alberta Budget

Testing the Fiscal Framework

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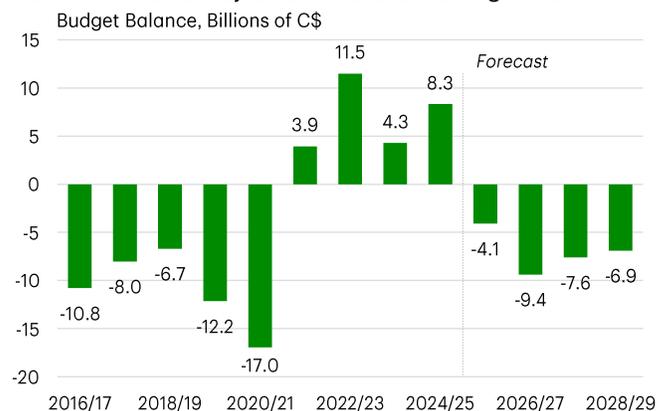
Highlights

- Alberta is projecting a \$9.4 billion deficit in FY 2026 27. A cumulative shortfall of almost \$24 billion is now expected across the 3-year forecast horizon.
- Net debt to GDP is expected to turn higher to 10.5% in FY 2026 27, and to nudge upward to 13% by FY 2028 29.
- Weaker oil prices drive revenue softness, while modest tax measures and spending restraint help, but do not restore balance within the horizon.

Alberta's budget deficit is slipping deeper into red ink. The government is now projecting a \$9.4 billion shortfall in FY 2026 27 (equivalent to 1.9% of GDP), following a revised FY 2025 26 deficit of \$4.1 billion. Unlike last year's budget, this plan does not chart a return to balanced books. Omitting a path to balance runs counter to Alberta's Sustainable Fiscal Planning and Reporting Act, which requires the government to return back to balance within a three year window. Budget 2026 promises a review of the fiscal framework and cites softer energy revenues, global uncertainty, and population-driven cost pressures as the drivers of the deficit path. Other anchors, such as holding operating spending growth to inflation plus population, remain within the legislated ceiling.

Policy choices in this budget are measured. No broad based tax hikes are introduced, but the budget introduced a number of targeted revenue measures (notably a 6% vehicle rental tax effective January 2027, education property tax adjustments, a tourism levy and other user pay items), alongside some spending restraint. Further, the contingency allowance is set at \$2 billion per year, cut by almost half compared to what was put in place last year.

Chart 1: Alberta Projected to Record a String of Deficits



Source: Alberta Budget 2026, TD Economics.

Alberta Economic Assumptions [Percent Change Unless Otherwise Noted]					
Budget 2026					
Calendar Year	2025E	2026F	2027F	2028F	2029F
Nominal GDP Growth	1.5	1.9	6.0	4.4	4.4
Real GDP Growth	2.2	1.8	2.3	2.2	2.2
CPI Inflation	2.0	2.1	2.1	2.1	2.1
Employment Growth	2.8	1.9	2.0	1.9	1.8
Population Growth	2.5	1.1	1.1	1.4	1.4
Fiscal Year	25-26E	26-27F	27-28F	28-29F	-
WTI Oil (US\$/Barrel)	61.5	60.5	67.0	67.5	-
WTI-WCS Differential (US\$/Barrel)	11.2	13.0	14.1	14.3	-
Natural Gas (C\$/GJ)	1.7	3.0	3.1	3.2	-
Canadian Dollar (US Cents)	72.0	73.0	74.2	75.4	-

Note: "E" indicates estimate, "F" indicates forecast. Source: Alberta Budget 2026, TD Economics.

Softer Near Term Growth and Oil Prices Weigh on Revenues

The government expects Alberta's economy will slow in 2026 as population growth cools and global trade uncertainty lingers. Real GDP is forecast to expand by 1.8% in 2026, before picking up to 2.3% in 2027. Nominal GDP growth, a better proxy for the revenue intake, is forecast to be muted in 2026 (~1.9%) amid lower energy prices, then rebound to 6% next year. The government's assessment of the economic outlook broadly aligns with our view, although their projections indicate marginally higher nominal growth for 2027 than ours.

This weaker backdrop feeds directly into the top-line outlook, with FY 2026-27 revenues forecast to dip by 0.9% before recovering back to 4.5% growth (on average) over the outer years of the forecast. Energy revenues drive the bulk of the near-term decline. The budget assumes WTI prices average US\$60.50/bbl in FY 2026-27, marking a \$10/bbl drop from last year's projection. That downgrade, alongside a wider heavy-oil discount, yields a near-25% drop in bitumen royalties. The projection for WTI prices to rise to US\$67/bbl average by next year reasonably incorporates known risks. Every \$1 move in WTI (and \$1 improvement in the differential) are expected to impact total revenues by a combined \$1.35 billion. Interestingly, that sensitivity was marked down by around \$150 million per dollar relative to the prior budget.

Meanwhile, an ~8% bump in personal income tax and 1.1% increase in federal transfers is expected to soften the blow on the total take. Corporate income tax is assumed to be roughly in the near term amid trade and price headwinds.

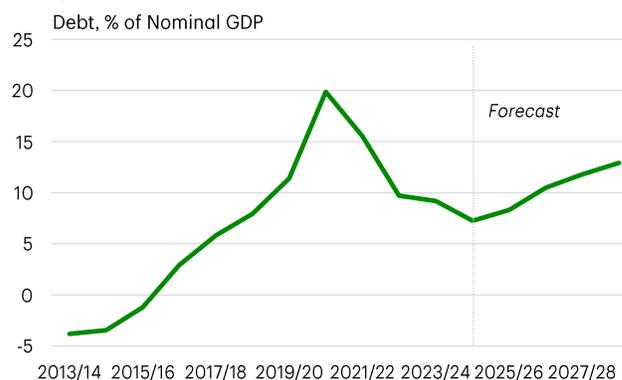
Balancing Spending Pressures with Restraint

Total expenses are slated to rise by 5.6% in FY 2026/27, then ease to a more moderate average rate of around 3% thereafter. Adjusting for debt servicing costs, program spending is expected to grow by a more subdued 1.8% pace over the three-year planning horizon.

Program spending continues to be driven by core public services. \$32.1 billion is earmarked for health care (+6% annual growth) reflecting past rapid population gains, higher utilization, and compensation settlements. Education spending is also planned to jump by 8% to accommodate enrolment growth and address classroom pressures. Social supports are expected to rise more moderately.

Meanwhile, the province's capital spending program will expand by \$1 billion to \$9.7 billion in FY 2026-27. Key capital investments are focused on health care, schools, municipal projects, and transportation. Compared with last year's plan, the three-year capital envelope is higher by \$2.2 billion, now totaling around \$28.3 billion. Increased capital spending has added materially to borrowing needs, with the government's borrowing requirements expected to climb by 25% this year (to \$20.9 billion). Over 75% of these borrowing needs are expected to be met via long-term debt.

Chart 2: Alberta's Debt Burden on a Modest Upward Trajectory



Note: Debt = Financial Debt. Source: Alberta Budget 2026, TD Economics.

Net Debt to GDP on the Rise

With persistent deficits and elevated capital outlays, the province's net debt-to-GDP ratio is set to increase to 10.5% for the upcoming fiscal year before reaching 13% by FY 2028/29. Outside of the pandemic, these levels would mark their highest in 30 years. Despite this trajectory, Alberta is expected to retain a healthy advantage over other provinces in terms of relative debt load.

Bottom Line

As was widely expected, Alberta's 2026 budget shows a significant deterioration in the province's fiscal fortunes on lower energy prices and spending pressure tied to past soaring population growth. Targeted revenue-raising measures will go some way toward closing the fiscal gap, but some of the heavy lifting has been left for another day. On the plus side, Alberta continues to boast a sizeable balance sheet advantage against its provincial counterparts.

Exhibits

Alberta Government Fiscal Position				
[Millions of C\$ Unless Otherwise Noted]				
Budget 2026				
Fiscal Year	2025-26 Forecast	2026-27 Estimate	2027-28 Target	2028-29 Target
Revenue	75,292	74,550	78,914	81,518
% Change	(8.7)	(1.0)	5.9	3.3
Resource Revenue	16,286	13,213	16,234	16,891
% Change	(25.9)	(18.9)	22.9	4.0
All Other Revenue	59,006	61,337	62,680	64,627
% Change	(2.4)	4.0	2.2	3.1
Expense	79,426	83,922	86,495	88,422
% Change	7.1	5.7	3.1	2.2
Operating Expense	67,016	70,398	72,360	74,053
% Change	8.0	5.0	2.8	2.3
Contingency / Disaster Assistance	1,506	2,000	2,000	2,000
Surplus (+) / Deficit (-)	(4,134)	(9,373)	(7,581)	(6,904)
% of Nominal GDP	(0.9)	(1.9)	(1.5)	(1.3)
Net Financial Debt	(39,699)	(51,363)	(61,422)	(69,750)
% of Nominal GDP	(8.3)	(10.5)	(11.8)	(12.9)

Source: Alberta Budget 2026, TD Economics.

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