ALBERTA

# 2025-26 Second Quarter Fiscal Update and Economic Statement

LAURENTIAN BANK SECURITIES

December 1, 2025

## Alberta 2025-26 Second Quarter Fiscal Update and Economic Statement

Alberta's fiscal portrait remains steady relative to the first quarter update released last August. The FY 2025-26 deficit estimate of $6.4B is intact, a manageable situation considering it represents 1.3% of the province's nominal GDP.

Non-renewable resource revenue's large fluctuations are not new. The non-renewable resource revenue projection calls for a swift 30% decline in FY 2025-26 relative to the year prior, to $15.4B. WTI prices are assumed to average US$61.50 per barrel this fiscal year, US$2.25 lower than the first quarter update. Both the International Energy Agency and the U.S. Energy Information Administration project global oil inventories to increase at a faster pace in 2026 than 2025.

In addition to softer WTI prices, the stronger-than-expected Canadian dollar relative to Budget 2025 is adversely impacting government revenue. The CADUSD is forecast to average 72.3 US cents in FY 2025-26. Fortunately, the tight light-heavy (WTI-WCS) price differential, varying between US$10-12 per barrel lately, offset some of this negative impact. The narrower spread notably reflects solid refinery activity in the U.S. and the White House's decision to stop importing heavy oil from Venezuela.

Oil production in Alberta is up close to 4% year-over-year as of 2025Q3 on improving exports to Asian markets, contributing to propelling Alberta's real GDP growth on top of the provincial ranking (2.1%) this year. Among other key economic features, annual housing starts are on track to reach a record high level in 2025 (near 50K units). About three-quarters of year-over-year job gains have been driven by part-time positions while elevated uncertainty has tapered off full-time job gains to some degree. Unemployment stays elevated, above 7%. Population growth advanced by a solid 2.5% year-over-year as of 2025Q3, marking a moderation relative to 2024 (4.7%). In response to this solid pace of population growth, Alberta will receive $0.2B more in federal transfers during FY 2025-26 than previously expected. Population growth in 2026 is poised to be cut by about half versus 2025, contributing real GDP growth to soften modestly next year, a notch below 2%.

The FY 2025-26 total revenue projection of $73B is down 11.6% versus the previous year, or by a small 1.6% from budget. Meanwhile, total operating spending is up 7.2% relative to FY 2024-25. This total operating spending estimate of $79.4B is a tad higher relative to the first quarter update and budget. New public sector agreements were ratified lately, adding upward cost pressures. Nurses will notably get a 3% annual wage increase each of the next four years in addition to other upward monetary adjustments. Other health care professionals will benefit from a 12% cumulative wage increase over four years.

The government plans to use $1.7B from its $4B annual contingency fund to cover cost pressures, including wildfire costs, compensation increases and debt servicing costs. If the remaining $2.3B tally is unallocated, it will be eventually assigned to deficit reduction.

## Takeaway

After registering a $8.3B surplus and contributing to the Heritage Fund in FY 2024-25, FY 2025-26 is unambiguously more challenging, driven in large part by unfavorable global oil developments lowering the revenue intake. The rate of increase in spending is not elevated considering the solid pace of population growth and CPI inflation rate averaging 1.6% so far in FY 2025-26. Such spending discipline indicates a preference for not carrying on deficits year after year.

As China notably plans to build up oil inventories further in 2026 according to International Energy Agency and the U.S. Energy Information, Alberta is looking to expand its oil export capacity. A Memorandum of Understanding between the federal and Alberta governments was announced in late November to help facilitate the construction of a new West Coast pipeline. There are several conditions outlined in this new Alberta-Ottawa alignment, including the alteration of the existing tanker ban legislation, the elimination of the oil-and-gas emissions cap, the development of carbon capture, the implementation of carbon pricing, the participation of First Nations and the approval from the BC government.