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Provincial fiscal updates rolling in

By Warren Lovely & Ethan Currie

Provincial bond investors likely noted the handful of fiscal updates that arrived in recent days/weeks, with more set to follow. We're using this *Market View* to illustrate the nature and extent of the evolving provincial fiscal picture. Additional updates will follow.

Some quick ground rules: What is presented here reflects official guidance (as opposed to NBC projections). As it stands, three provinces have tabled audited public accounts for 2025-26 (i.e., the prior fiscal year, where serious changes can lead to important base effects). As for the current 2026-27 fiscal year (which commenced April 1st), we've had some form of official update from half (i.e., five) of the provinces. Of those updates, four are of the 'standard' Q1 report variety, while Quebec's update took the form of a legislatively mandated pre-election report (PER) (which we earlier examined **here**). As a reminder, Quebecers will vote in a general election on October 5th.

A final spoiler, plus a caveat: As should be readily apparent here, Alberta has contributed disproportionately to an upgraded provincial government fiscal picture. This is a budgetary development that should come as little surprise, at least to those watching oil prices, as we much earlier tried to highlight **here**. The caveat? Clearly, the geopolitical backdrop remains highly uncertain, with any sustained breakdown in Canada-U.S. trade relations having the potential to disrupt the best-laid fiscal plans. In any event, holders of Canadian government debt securities can draw some comfort from the relatively improved fiscal setting for the time being.

Table: Detailing official changes in provincial budget balances since 2026 budgets dropped

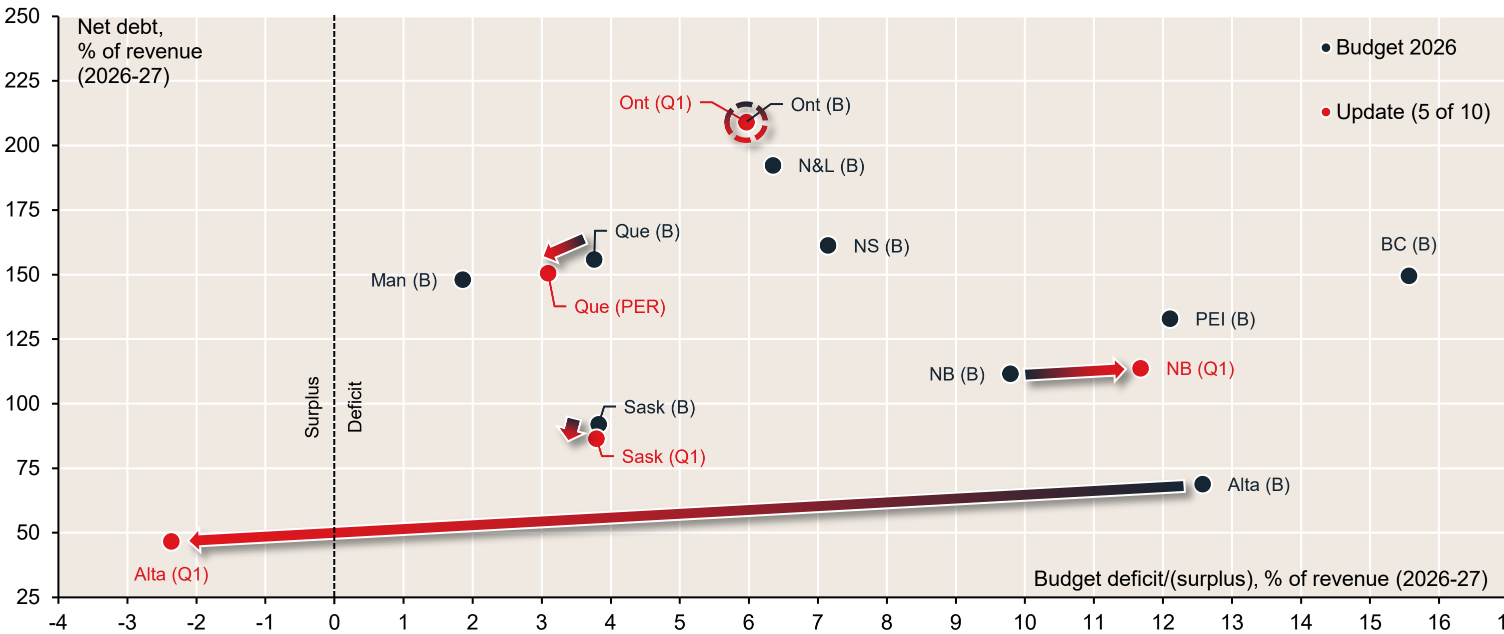
Change in provincial budget balance relative to Budget 2026 estimates/forecasts: 2025-26 & 2026-27 (based on available updates)

	C$mln	Prov	Ont	Que	BC	Alta	Man	Sask	NS	NB	N&L	PEI
	2025-26 fiscal year: Actual (public accounts) vs. prior estimate (Budget 2026)											
2025-26	Budget 2026	-40,412	-12,326	-7,655	-9,614	-4,134	-1,666	-1,211	-1,249	-1,378	-729	-450
	Actual	-36,081	*-12,326*	-5,502	-7,700	*-4,134*	*-1,666*	-947	*-1,249*	*-1,378*	*-729*	*-450*
	Change	*4,331*	*NA*	*2,153*	*1,914*	*NA*	*NA*	*264*	*NA*	*NA*	*NA*	*NA*
	Public accounts:	*3 of 10*		*Yes*	*Yes*			*Yes*				
	2026-27 fiscal year: Latest estimate (Q1 or other official update) vs. prior forecast (Budget 2026)											
2026-27	Budget 2026	-47,842	-13,844	-6,265	-13,309	-9,373	-498	-819	-1,241	-1,394	-689	-410
	Latest	-35,642	-13,844	-5,208	*-13,309*	2,041	*-498*	-825	*-1,241*	-1,659	*-689*	*-410*
	Change	*12,200*	*0*	*1,057*	*NA*	*11,414*	*NA*	*-6*	*NA*	*-265*	*NA*	*NA*
	Update:	*5 of 10*	*Q1*	*PER*		*Q1*		*Q1*		*Q1*		

Source: NBC, prov gov'ts | Note: All changes relative to Bud26 est/fcst; 2025-26 chgs via public accounts; 2026-27 chgs via post-budget updates; Que balance before GF deposit

Chart 1: Provincial fiscal scatterplot, illustrating nature/direction of changes since Budget 2026

Provincial budget deficit/(surplus) & net debt relative to revenue: 2026-27 budget plans & subsequent updates (where available)

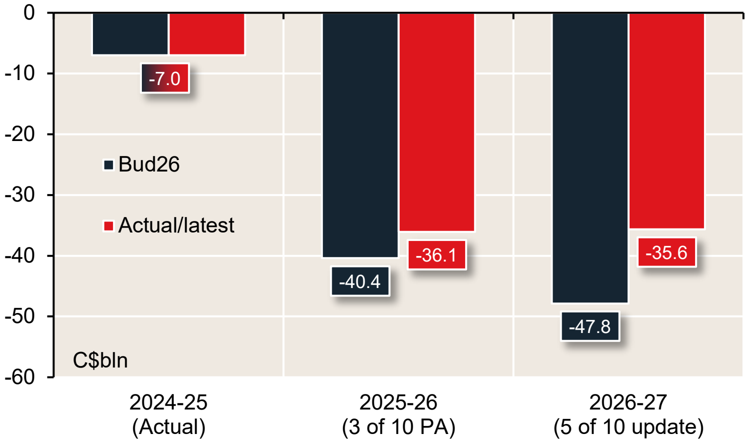


Source: NBC, prov gov'ts | Note: Incl available public accounts/updates as of 28-Aug-26; arrows reflect direction of chg since budget; Que balance before GF deposit; (B) is budget plan

The above table and chart focus on official changes to key fiscal metrics since 2026 budgets were presented earlier in the year. Reminder: Our detailed budget briefs can be accessed **here**. As it stands, three provinces have tabled audited public accounts for 2025-26, with actual results in all cases beating the prior estimate. For 2026-27, official updates are available from five provinces. The current fiscal year's picture is admittedly a bit mixed (in terms of official changes vs. plan), but the most striking restatement came in Alberta, where a Q1 surplus replaced a budgeted deficit.

Chart 2: Aggregate deficit marked down…

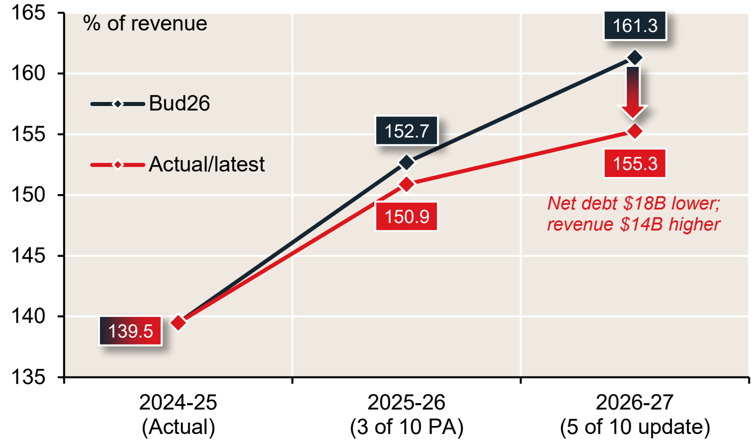
Aggregate provincial budget balance: Actual/latest vs. Budget 2026



Source: NBC, prov gov'ts | Note: Incl official updates as of 28-Aug-26

Chart 3: … with average net debt curve bending lower

Aggregate provincial net debt-to-revenue ratio: Actual/latest vs. Budget 2026

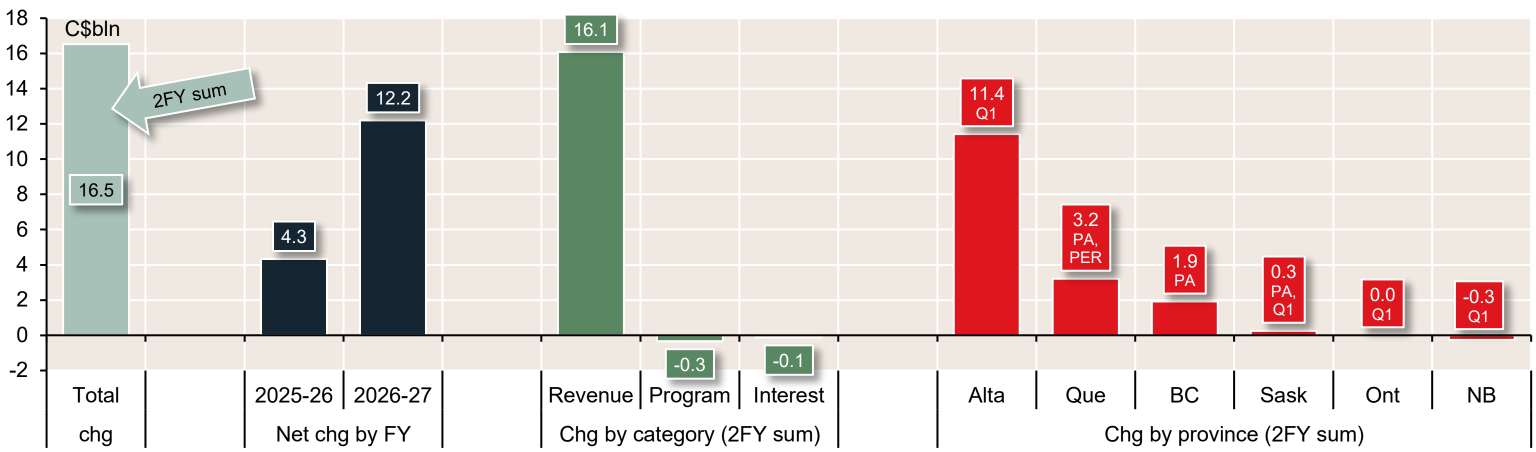


Source: NBC, prov gov'ts | Note: Incl official updates as of 28-Aug-26

Based on all available updates, the aggregate provincial deficit has been marked down… for 2025-26 and for 2026-27. While the fiscal picture remains incomplete and/or uncertain, the enhanced fiscal track for the provincial sector overall highlights some combination of prudent budgeting, residual economic resilience and (in select cases) direct fiscal exposure to higher energy prices.

Chart 4: Attribution analysis shows Alberta most responsible for enhanced budgetary picture

Net change in aggregate provincial budget balance relative to Budget 2026 estimates/forecasts: By fiscal year, by income statement category, by province

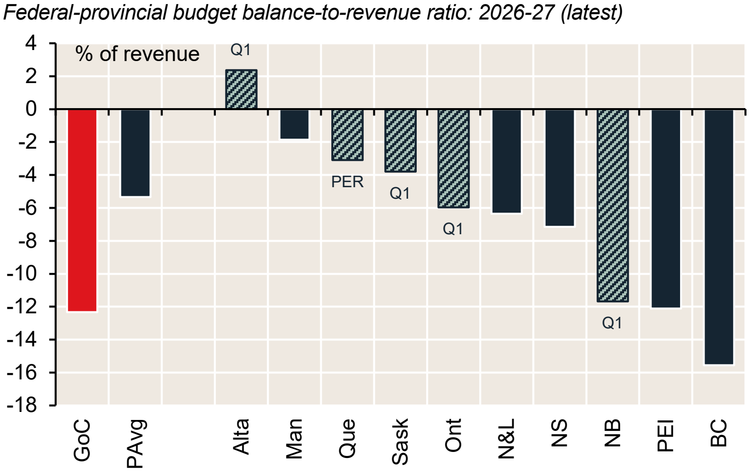


Source: NBC, prov gov'ts | Note: Incl official updates as of 28-Aug-26; net chg by category & net chg by province is 2FY sum (where available)

So far, we identify a $16.5bln net improvement to the aggregate provincial balance over the two-year period ending 2026-27. That's largely down to revenue enhancements, with spending adjustments a more minor story to this point. While a few provinces have registered improvements, Alberta has clearly made a disproportionate contribution to the improved fiscal picture (as detailed on pg 3).

Chart 5: Perspective on fed-prov budget balances

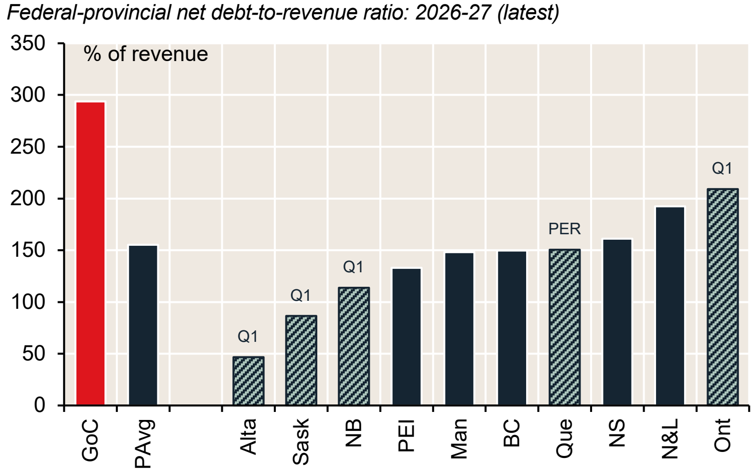
Federal-provincial budget balance-to-revenue ratio: 2026-27 (latest)



Source: NBC, prov gov'ts | Note: Pattern denotes post-budget update; Que before GF deposit

Chart 6: Perspective on fed-prov net debt burdens

Federal-provincial net debt-to-revenue ratio: 2026-27 (latest)

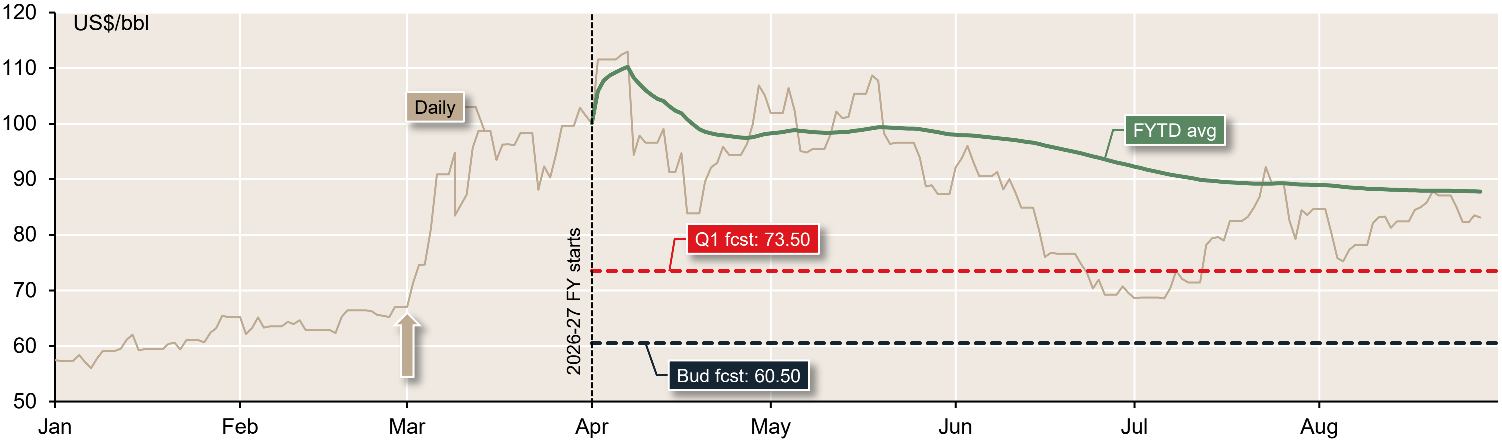


Source: NBC, prov gov'ts | Note: Pattern denotes post-budget update

The still-evolving budget balance and net debt pictures reveals a few trends. One, it's the federal level of government that is running the relatively larger shortfall and accumulating debt at a more rapid rate, as compared to the weighted provincial average. There's noted fiscal divergence across the provincial landscape, low-debt Alberta currently the only province projecting a 2026-27 surplus.

Chart 7: Crude continues to hover above Alberta's recently upgraded planning assumption

Crude oil price (WTI): Daily level, fiscal year-to-date average & Alberta official planning assumption for 2026-27 fiscal year

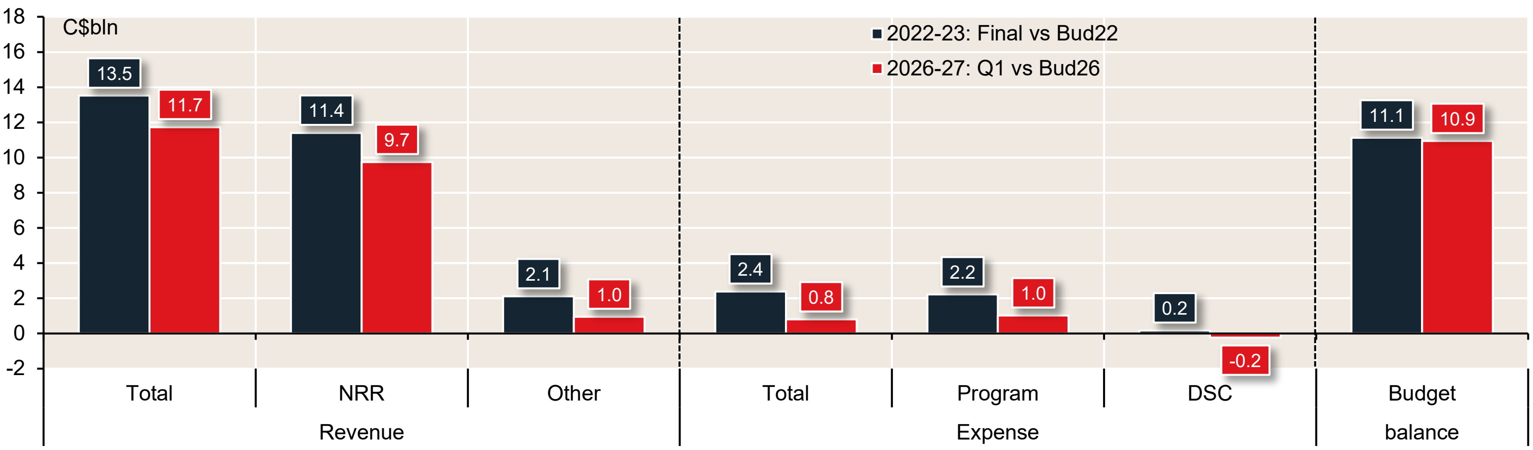


Source: NBC, BBG, Alta | Note: Daily level refers to prompt contract; FYTD avg is cumulative since 1-Apr-26 through 28-Aug-26; budget fcst as of Feb-26; Q1 fcst as of Aug-26

Alberta's improved budgetary picture reflects lofty crude prices. WTI has traded far above Alberta's 2026-27 budget planning assumption (US$60.50/bbl). Though the WTI assumption was boosted in the province's Q1 update (to US$73.50/bbl), the prompt contract and fiscal year-to-date average remains comfortably above that level. Futures pricing sees >US$75/bbl through fiscal year-end.

Chart 8: Fiscal deja vu? As in 2022-23, Alberta so far allocating 'bonus' royalties to bottom line, thereby erasing deficit

Net change in Alberta revenue, expense & balance vs. budget plan, focusing on fiscal years when oil prices unexpectedly spiked: 2022-23 & 2026-27

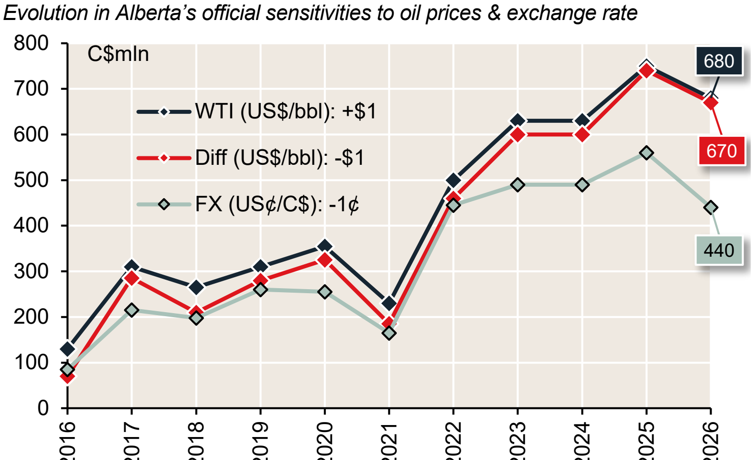


Source: NBC, Alta | Note: 2022-23 change based on final/actual results; 2026-27 change is preliminary, as of Q1 update from Aug-26

Recall that back in 2022-23, crude oil surged above Alberta's planning assumption. Non-renewable resource revenue gushed higher and with most of that bonus steered to the bottom line, Alberta ended the year on a much-improved fiscal footing. Encouragingly, Alberta's 2026-27 Q1 update shows signs of a repeated impulse. With oil royalties surging, a planned deficit has been erased.

Chart 9: Reminder: Doesn't take much to move royalty dial

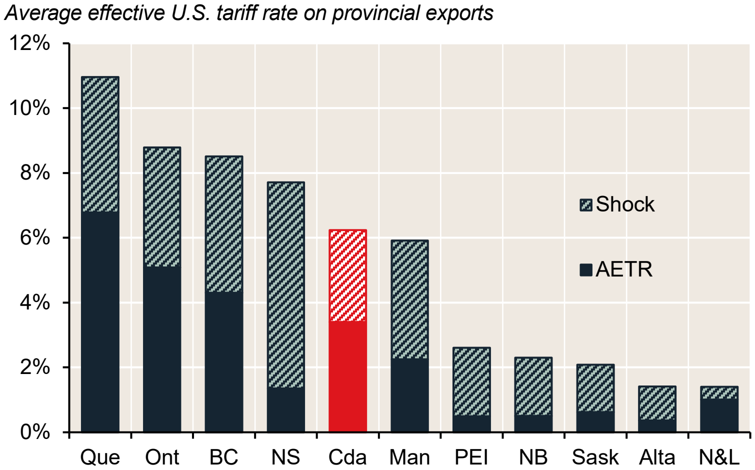
Evolution in Alberta's official sensitivities to oil prices & exchange rate



Source: NBC, Alta | Note: Select sensitivities at moment in time for 1-year period

Chart 10: Tariff rates diverge widely across provinces

Average effective U.S. tariff rate on provincial exports



Source: NBC, US Census, Industry Canada | Note: Based on Jun-26 customs data

With such large / growing fiscal sensitivities, even slight adjustments to WTI can re-cast Alberta's budgetary outlook. It follows that if current prices are sustained, the province is poised for significant / additional upside. Of course, we remain mindful of the fluid **trade conflict** which has, so far, had outsized impacts on manufacturing-intensive regions (and largely spared oil-levered ones).

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