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Chart 1

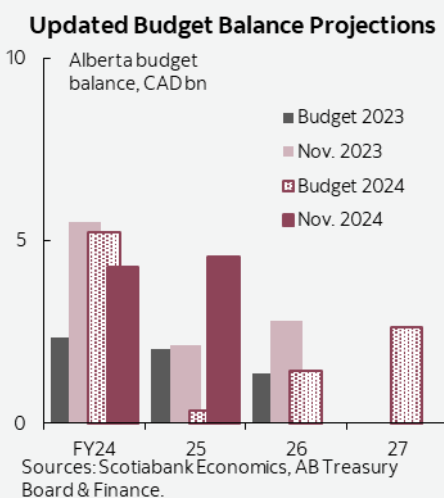
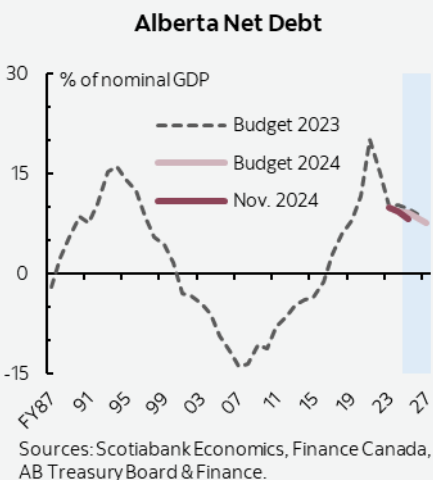


Chart 2



Alberta: 2024–25 Mid-Year Update

PROGRESS NOW, UNCERTAIN TOMORROW

- **Budget balance forecasts:** \$4.6 bn (1.0% of nominal GDP) in FY25—an improvement of \$4.2 bn versus Budget 2024 (chart 1).
- **Net debt:** revised down by \$4 bn in FY25; as a share of nominal output, net debt is now expected to decline from 9.4% in FY24 to 8.2% in FY25 (chart 2).
- **Economic forecasts:** real GDP forecast raised slightly from +2.9% to +3.0% for 2024 but reduced from +3.3% to +2.7% for 2025; WTI price projection unchanged at US\$74/bbl in FY25, and light-heavy differential projection narrowed from US\$16/bbl to US\$14/bbl. Population growth raised from 3.7% to 4.4% in 2024 and from 2.3% to 2.5% in 2025.
- **Borrowing requirements:** not updated but with a \$4.2 bn improvement in the budget balance, the borrowing program is expected to be much lower than the \$19.8 bn forecast for FY25 at Budget time, over half of which was for future debt requirements.
- **Capital spending:** planned outlays are projected to total \$8.3 bn in FY25—a slight \$34 mn decrease from Budget 2024.
- **In a year marked by a booming heavy oil industry and growth momentum outpacing its peers, Alberta sits comfortably in the black. However, caution is warranted moving forward due to the province's revenue sensitivity to oil prices and potential downside risks from weaker commodity prices influenced by supply-side politics and global demand concerns. Additionally, population growth may challenge the government's current forecasts. Nevertheless, the update kept spending increases within the contingency bounds, a prudent approach as the province prepares for Budget 2025.**

OUR TAKE

Alberta's mid-year update projects a notable improvement in FY25 with another sizable surplus on the horizon. The province reported \$4.3 bn in revenue windfalls, mainly from higher bitumen royalties, with lifted spending completely absorbed by the reallocation of contingencies. The FY25 surplus is expected to come in at a hefty \$4.6 bn (1.0% of nominal GDP)—an improvement of \$4.2 bn versus the Budget 2024 estimate. This comes on the heels of a sizable \$4.3 bn surplus (+0.9% of nominal GDP) in FY24—\$0.9 bn lower than anticipated in February.

The revenue outlook benefits from a booming Canadian heavy oil industry this year and a strong handoff from last year. Natural resource revenues, especially from oil sands royalties, remain pivotal to Alberta's coffers, projected to contribute over 26% of the province's revenue in FY25 (chart 3). Bitumen royalties—accounting for over three-quarters of resource revenue—are tracking \$3.1 bn higher than the Budget 2024 projection, driven by a tighter light-heavy differential and a weaker Canadian dollar. Tax revenues make up the remaining \$1.2 bn windfall, driven primarily by strong population growth, employment gains, and higher-than-expected corporate profits, underscoring the province's favourable economic and labour conditions.

Updated economic assumptions appear optimistic. Real GDP is expected to grow by 3.0% this year, surpassing last year's real growth of 2.3%. We anticipate the Alberta economy will expand at a more moderate rate of 1.8% this year due to still restrictive monetary policy dampening demand nationwide. The projected 2.7% real growth rate for next year aligns more closely with our current forecast of 2.6%. Population growth assumption was raised from 3.7% to 4.4% in 2024 and from 2.3% to 2.5% in 2025—a touch higher than our current

projections, which accounts for a realistic path of population growth based on the federal government’s policy to curb the influx of international migrants.

Commodity price assumptions seem realistic, but the risks are tilted to the downside. The WTI price assumption remains unchanged at US\$74/bbl for the ongoing fiscal year, aligning closely with Scotiabank GBM’s view and current market pricing for near-term prices (chart 4). There is some downside risk given recent fluctuations, with WTI prices dipping below US\$70/bbl since September due to concerns over global demand and increased economic risks. Greater caution is warranted moving forward, as this weakness may persist into subsequent fiscal years, and supply-side politics under the new US administration could cap commodity prices. The Alberta government projects WTI prices to average US\$74/bbl over FY26–27, which is above current market expectations and introduces significant downside risks given the high sensitivity to oil prices—each US\$1/bbl change impacts the fiscal balance by \$630 mn. The Trans Mountain Pipeline Expansion (TMX) has contributed to a narrower light-heavy differential, expected to average US\$14/bbl in FY25—US\$2 narrower than budget forecasts and in line with Scotiabank GBM’s view. This, along with a weaker Canadian dollar (averages 73.30 US¢/Cdn\$ in FY25), benefits Canadian producer profits and government coffers.

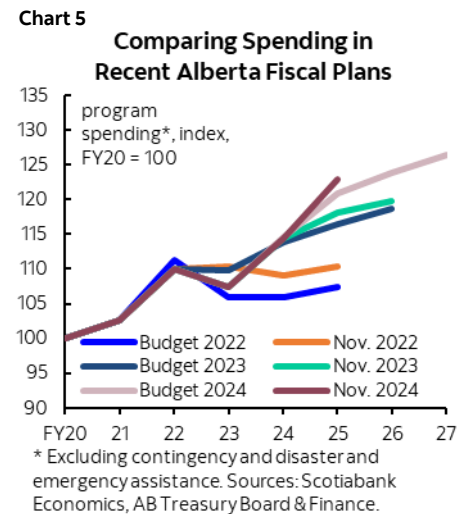
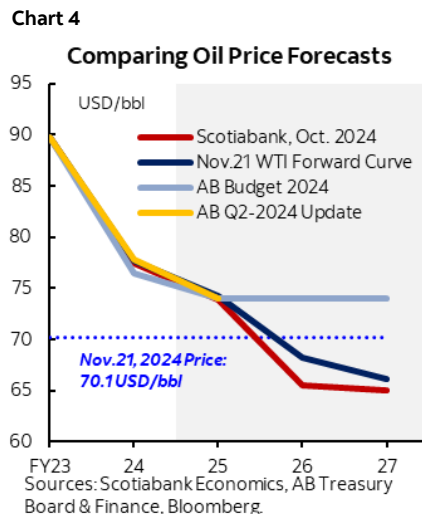
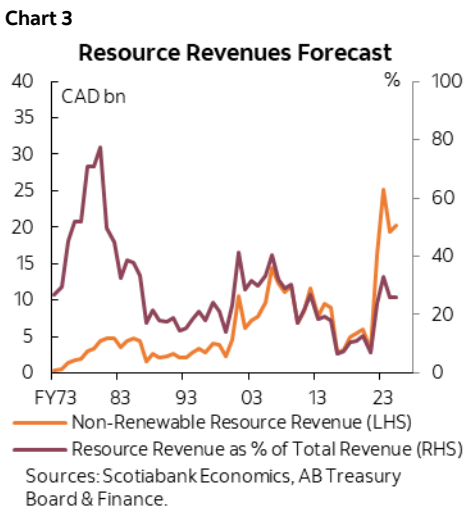
Acknowledging substantial uncertainty and downside risks, the government warns of a potential return to budget deficit. If oil prices remain below US\$70/bbl, as current market pricing suggests, combined with ongoing compensation negotiations and the implementation of a new personal income tax bracket, the government could face a deficit as early as the next fiscal year.

The update largely maintains the spending plan in Budget 2024 with cost increases in key government services (chart 5). Operating expenses are tracking \$1.2 bn (2%) above budget, alongside \$847 mn for disaster and emergency assistance related to wildfire response and recovery, nearly depleting the \$2.0 bn spending contingency initially set aside. This includes \$716 mn for health services to address physician compensation and the needs of a growing and aging population, \$125 mn to manage enrollment growth in schools, and \$240 mn allocated to support seniors and social services programs.

Alberta’s balance sheet remains in great shape. The government continues to allocate surplus cash to repay taxpayer-supported debt as it matures and invest the remainder. In FY25, \$1.4 bn is expected to be repaid, while another \$1.4 bn will be placed into the Alberta Fund, which can be spent on further debt repayment, deposited into the Alberta Heritage Savings Trust Fund or funding one-time spending initiatives. Net debt is projected to sharply decline to 8.2% of GDP in FY25 from 9.4% in FY24, compared to the slight decrease to 9.2% forecasted in Budget 2024.

Updated Fiscal Forecast				
\$ billions except where noted				
	FY24		FY25	
	Feb. '24	Final	Feb. '24	Nov. '24
Total Revenue	75.6	74.7	73.5	77.9
Own-Source	63.0	62.4	60.9	65.1
PIT	15.2	15.2	15.6	16.6
CIT	7.2	7.0	7.0	7.3
Nat. Resources	19.4	19.3	17.3	20.3
Other	21.1	20.9	21.0	21.0
Fed. Transfers	12.7	12.3	12.6	12.8
Total Expenditure*	67.4	67.4	71.2	72.2
Programs**	64.3	64.3	67.8	69.0
Health	27.0	27.4	28.4	29.1
Education	16.0	16.4	17.0	17.1
Other	21.3	20.5	22.5	22.9
Debt Service	3.1	3.1	3.4	3.2
Disaster assistance Contingency	3.0	3.0	2.0	0.8
Balance	5.2	4.3	0.4	4.6
% of GDP	1.2	0.9	0.1	1.0
Net Debt	40.9	41.4	42.1	38.1
% of GDP	9.3	9.4	9.2	8.2
Debt Service				
% of Revenue	4.1	4.2	4.6	4.1

* Net of contingency.
 ** Excluding disaster and emergency assistance
 Sources: Scotiabank Economics, AB Treasury Board & Finance.



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