

Provincial budgets: Eight is enough (to spot fiscal trends)

By Warren Lovely, Taylor Schleich & Ethan Currie

To be clear, Canada's provincial budget season isn't 100% complete. We've yet to see fresh fiscal blueprints from Newfoundland & Labrador and Prince Edward Island. Without trivializing these two Atlantic Canada provinces, the eight provincial budgets we do have paint a reasonably fulsome picture, these jurisdictions collectively accounting for ~97% of Canadian population, GDP and/or provincial debt outstanding. Turns out, eight is enough to piece together some provincial budget narratives.

That's exactly what we aim to do here. Over six pages and via a couple dozen charts, we illustrate many key aspects of the 2026 budget season (as it stands). We explore a number of fundamental topics, including:

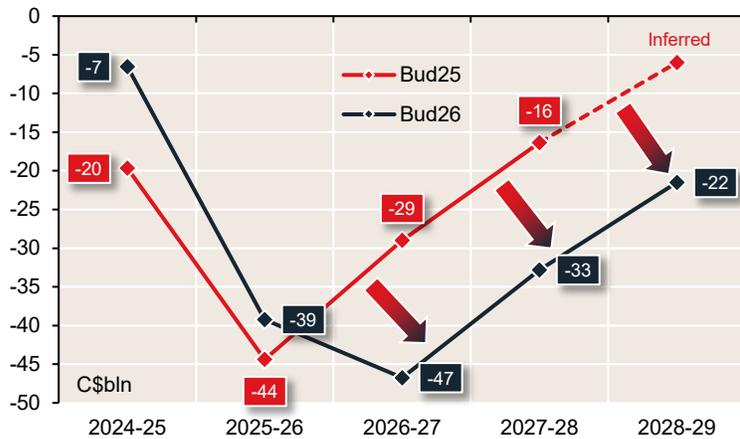
- The revised provincial budget balance path. There's more red ink for longer and we show which jurisdictions are driving fiscal revisions;
- Federal-provincial budget balance comparisons, plus a picture of relative deficits across the provincial landscape;

- Collective and individual revenue and spending assumptions, the expenditure curve generally tilting higher and steeper (again);
- A breakdown of economic planning assumptions, highlighting scope for extra nominal growth in oil-levered jurisdictions. We apply official sensitivities to illustrate potential resource revenue upside for some, looking back at how things played out in 2022-23 (when oil popped);
- Trends in relative indebtedness and debt affordability, which can help explain certain provincial credit rating adjustments;
- A fresh snapshot of official 2026-27 budget projections, plus detailed multi-year fiscal migration patterns for the four largest provinces.

Note: Supplemental analysis on provincial borrowing requirements will follow in a dedicated Market View. April 1st marks the start of fiscal 2026-27, where over \$150 billion in gross provincial bond supply is likely!

Chart 1: Collectively, provinces see more red ink for longer...

Aggregate provincial budget balance: Bud26 vs. Bud25

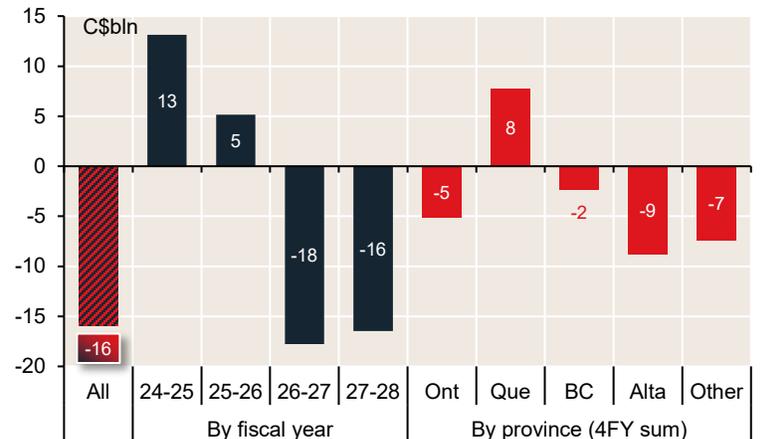


Source: NBC, prov gov'ts | Note: 8-prov sum based on available 2026 budgets

Based on the eight provincial budgets so far presented in 2026, the aggregate budget deficit for 2026-27 is pegged at \$47bn. That's larger than the combined shortfall of \$39bn currently estimated for 2025-26 and marks a non-trivial deterioration vs. the budgetary path the provinces had previously telegraphed. In general, its means more budgetary red ink for longer, which is 'credit negative'.

Chart 2: ... despite a stronger prior fiscal year handoff

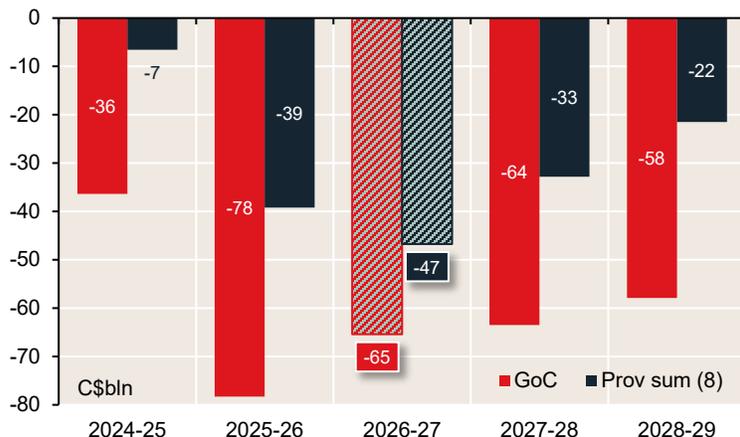
Cumulative change in provincial budget balance (4FY period): Bud26 vs. Bud25



Source: NBC, prov gov'ts | Note: 8-prov sum based on available 2026 budgets; Que before GF

Chart 3: Provincial shortfall still smaller than for feds...

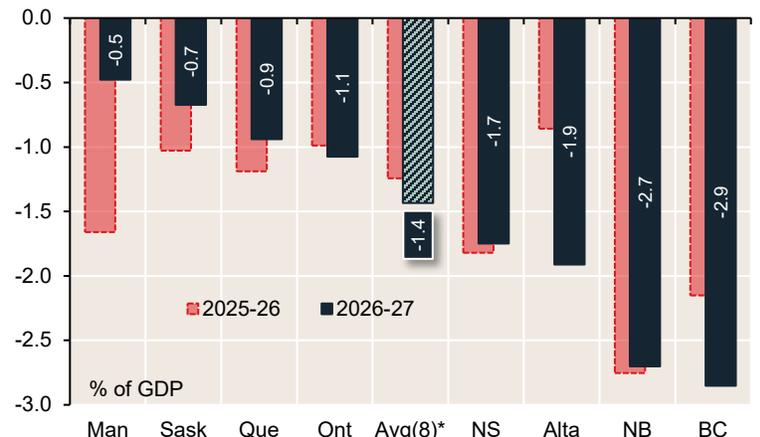
Federal-provincial budget balance, incl. latest official budget projections



Source: NBC, fed-prov gov'ts | Note: GoC from Nov-25; prov sum from available 2026 budgets

Chart 4: ... with noted differences across provincial sector

Provincial budget balance-to-GDP ratio: 2026-27 vs. prior FY



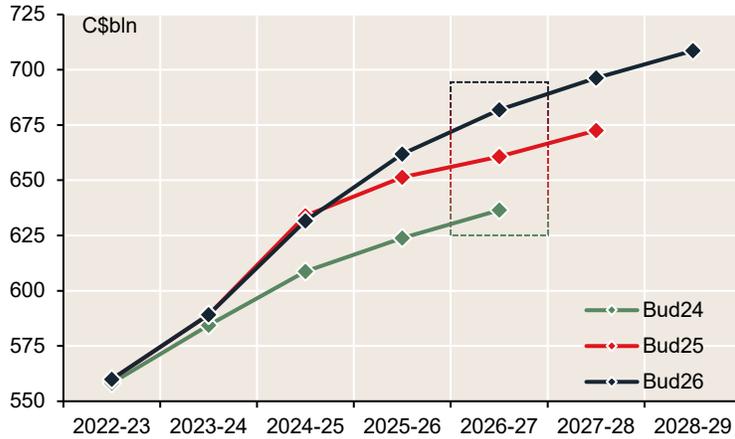
Source: NBC, prov gov'ts | Note: 8-prov sum based on available 2026 budgets; Que before GF

While a budgetary step back vs. prior thinking, the projected provincial deficit for 2026-27 (\$47bn) is still more modest than what the feds planned for back in Nov-25. And at 1.4% of GDP, the weighted average provincial deficit isn't *that* alarming. Of course, there's some non-trivial dispersion across the provincial sector, with Manitoba's projected shortfall the smallest at 0.5% of GDP.



Chart 5: Spending curve tilts higher & steeper (again)

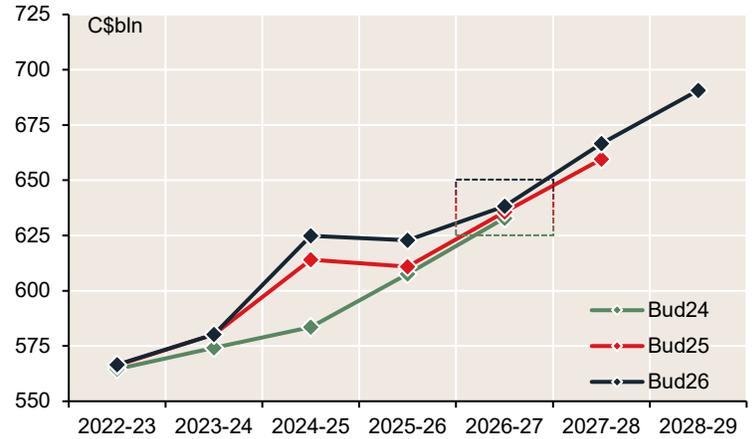
Aggregate provincial spending: Bud26 vs. prior plans



Source: NBC, prov gov'ts | Note: 8-prov sum based on available 2026 budgets

Chart 6: Less revenue growth off an improved 2025-26 base

Aggregate provincial revenue: Bud26 vs. prior plans

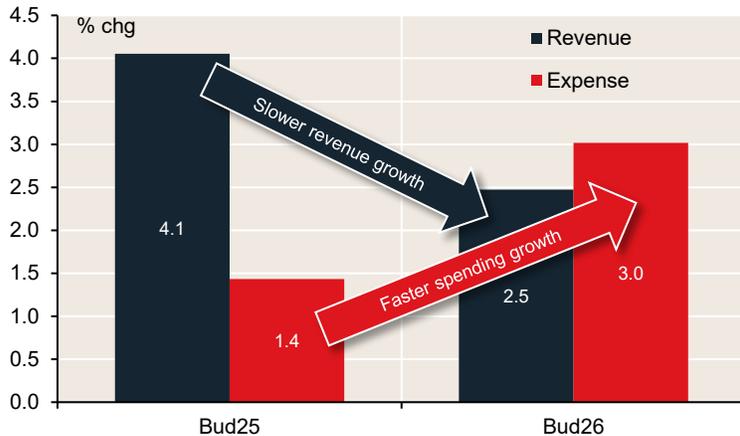


Source: NBC, prov gov'ts | Note: 8-prov sum based on available 2026 budgets

The relative deterioration in provincial finances in 2026-27 is easy enough to unpack. Not for the first time, the provincial spending curve has tilted higher and steeper. Meantime, the total amount of revenue provinces expect to collect in 2026-27 isn't much changed vs. the prior outlook, though a stronger base/starting point from 2025-26 means expected revenue growth has moderated...

Chart 7: Revenue & spending growth cross currents

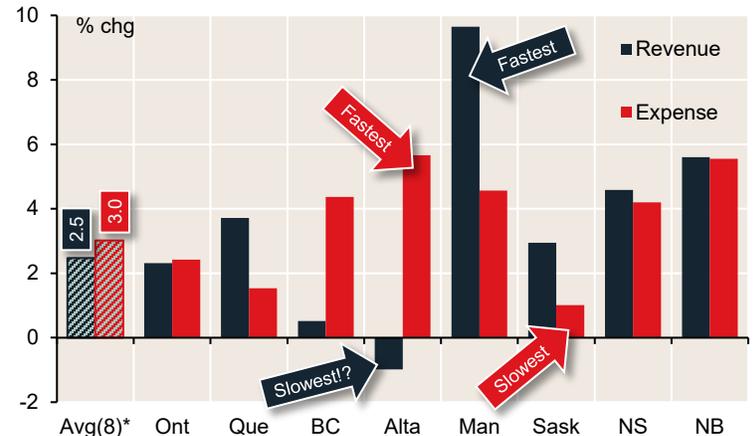
Assumed provincial revenue & spending growth for 2026-27: Bud26 vs. Bud25



Source: NBC, prov gov'ts | Note: 8-prov weighted avg based on available 2026 budgets

Chart 8: Examining revenue/spending growth assumptions

Assumed revenue & spending growth for 2026-27: Aggregate & by province

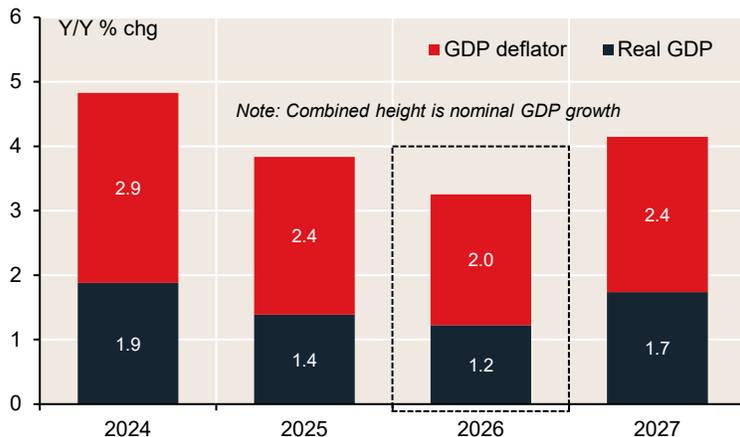


Source: NBC, prov gov'ts | Note: 8-prov weighted avg based on available 2026 budgets

For 2026-27, provincial revenue and spending growth adjustments are moving in opposing directions then: slower revenue growth combined with faster spending growth results in a fiscal deterioration on the whole. Again, you'll find significant differences in planning assumptions for both top-line revenue and total expense. Alberta has planned for an outright reduction in revenue in 2026-27!?!?

Chart 9: Collectively, provinces plan for less GDP growth...

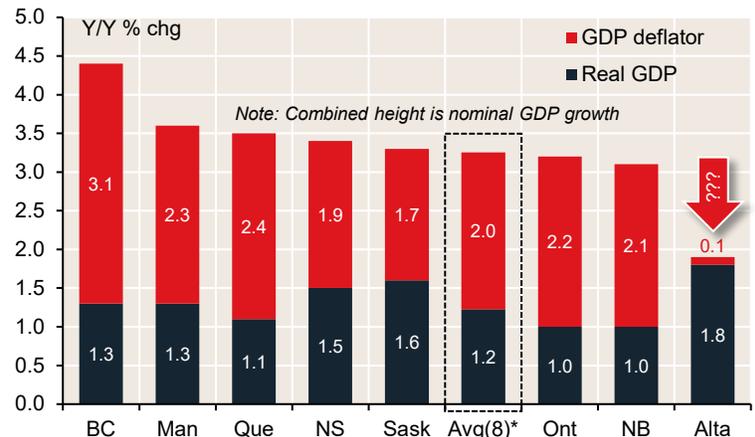
Average provincial real/nominal GDP growth, incl. Bud26 planning assumption



Source: NBC, prov gov'ts | Note: 8-prov weighted avg based on available 2026 budgets

Chart 10: ... though oil prices could alter picture in a big way

Provincial real/nominal GDP growth for 2026: Bud26 planning assumptions



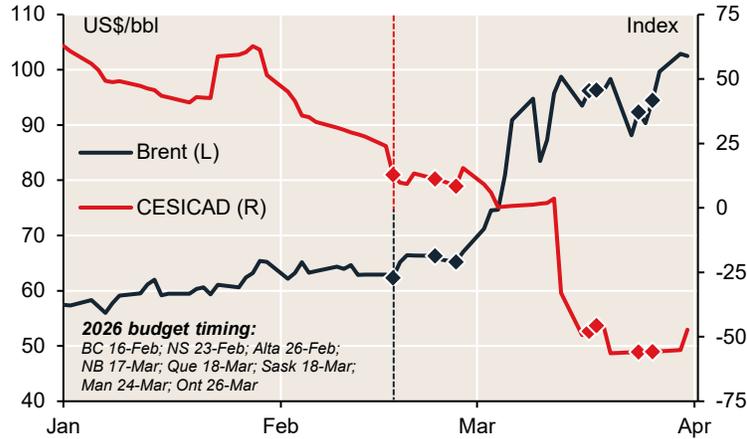
Source: NBC, prov gov'ts | Note: 8-prov weighted avg based on available 2026 budgets

Controlling for targeted tax measures, provincial revenue growth assumptions take their cue from the underlying economic outlook. Collectively, the eight provinces to present 2026 budgets have budgeted for just 3.2% nominal GDP growth. By some margin, Alberta planned for the slowest nominal growth for 2026 (1.9%), while B.C.'s budget built in the fastest nominal advance (4.4%).



Chart 11: Hardly a stable backdrop for annual budgeting

Crude oil prices & Citi Economic Surprise Index for Canada: 2026YTD

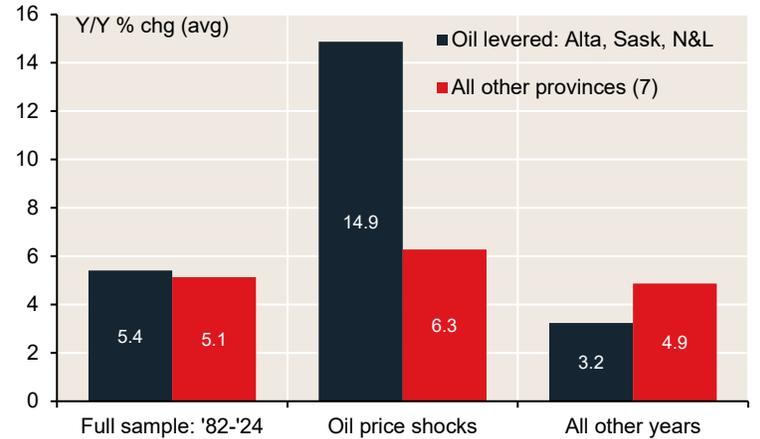


Source: NBC, BBG, Citi | Note: Markers denote tabling of provincial budget(s)

In Canada, positive economic surprises have more recently given way to data misses, hinting at a vulnerable domestic economy. But most notably, the geopolitical backdrop has been violently re-cast since the first budget landed in mid-February. As we've seen in the past, oil price spikes mean very different things for individual provinces, with oil-producing regions benefiting (all else equal).

Chart 12: Past oil price shocks opened gaps in GDP growth

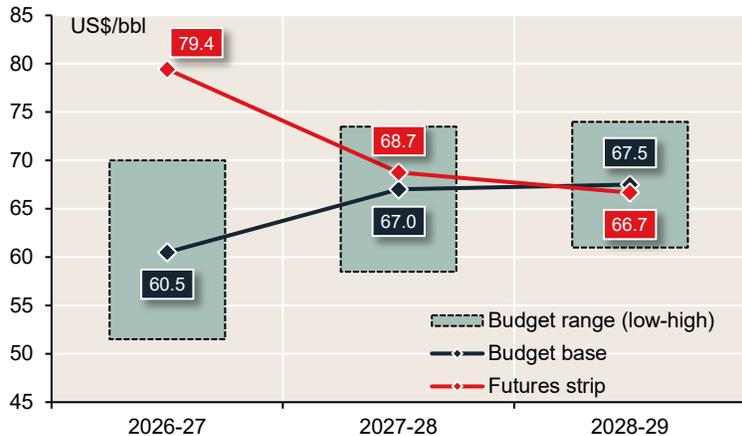
Weighted average provincial nominal GDP growth: Oil-levered vs. other provinces



Source: NBC, StatCan | Note: Based on annual growth; oil price shock comprises 8 yrs total

Chart 13: A 'high oil price' scenario for 2026-27...

Crude oil price (WTI): Alberta budget vs. implied average of futures contracts

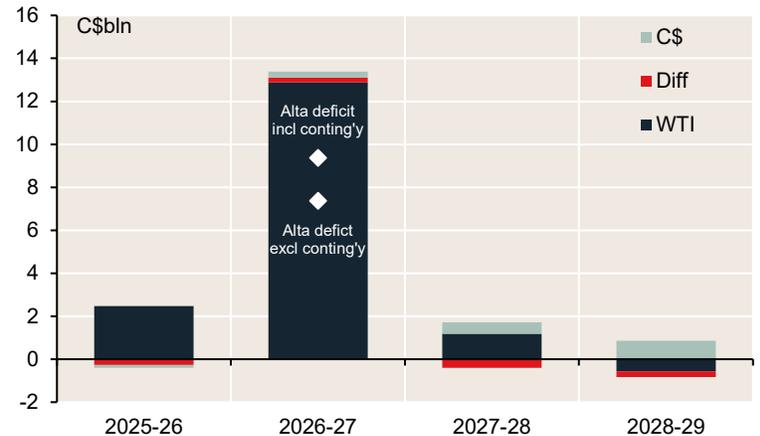


Source: NBC, Alta, BBG | Note: Budget base/range from Bud26; futures strip as of 31-Mar-26

The situation in the Middle East remains fluid but crude oil futures have hinted at a distinctly 'high price' scenario for 2026-27 (as things stand). Alberta budgeted for US\$60.5/bbl WTI in 2026-27, while Saskatchewan assumed US\$59.75/bbl. Applying official sensitivities to the potential oil price surprise gives an idea of how much extra resource revenue could flow. It's potentially serious, the upside on oil royalties running into the billions of dollars for Alberta and in the hundreds of millions for Saskatchewan based on current pricing. The picture can change quickly, so treat as illustrative.

Chart 14: ... hinting at resource royalty upside (ceteris paribus)

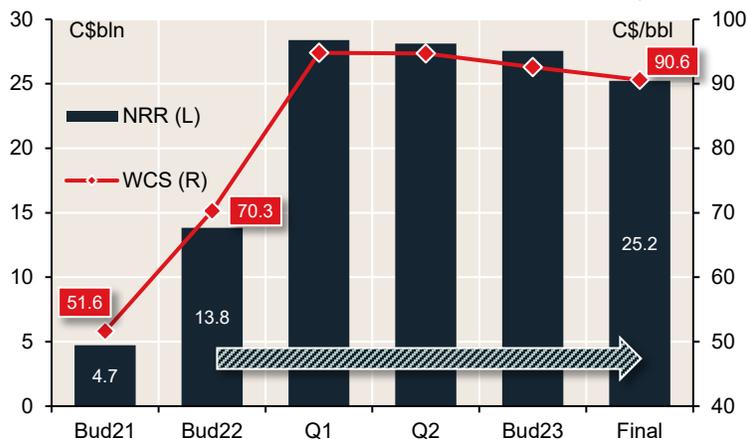
Illustrative impact on Alberta oil royalties, applying FY averages from futures strip



Source: NBC, Alta, BBG | Note: Illustration only; based on 31-Mar-26 (15:00ET) futures strip

Chart 15: Déjà vu? Recalling Alberta's 2022-23 experience...

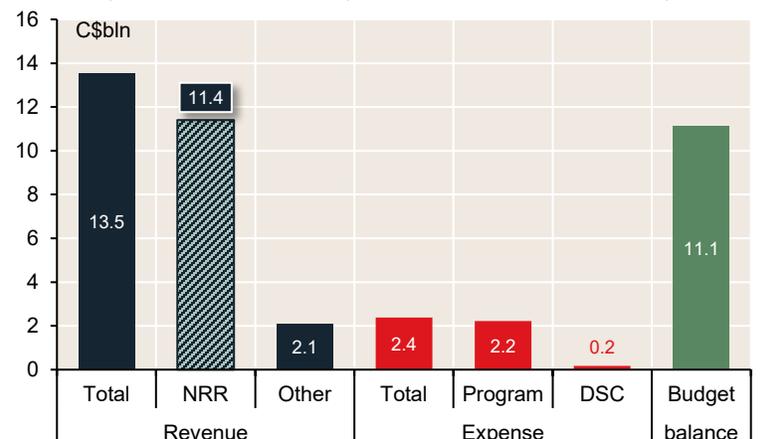
Evolution of Alberta 2022-23 non-renewable resource revenue vs. oil prices



Source: NBC, Alta | Note: Non-renewable resource revenue only; WCS converted to CAD

Chart 16: ... when oil royalty surge boosted bottom line

Final change in Alberta 2022-23 budget balance: Actual/final vs. Bud22 plan



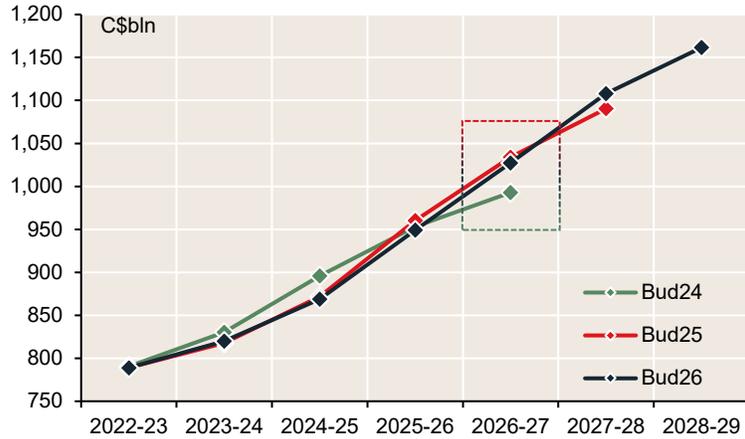
Source: NBC, Alta | Note: Compares final results (public accounts) vs. Bud22 plan

While a de-escalation on Iran could trigger significant re-pricing, it's worth reflecting on how oil-producing provinces fared the last time crude prices popped. Back in fiscal 2022-23, Alberta crude averaged ~C\$20/bbl more than assumed. Non-renewable resource revenue gushed higher and with much of the bonus revenue steered to the bottom line, Alberta's finances rapidly improved.



Chart 17: Provincial net debt expected to accumulate

Aggregate provincial net debt: Bud26 vs. prior plans

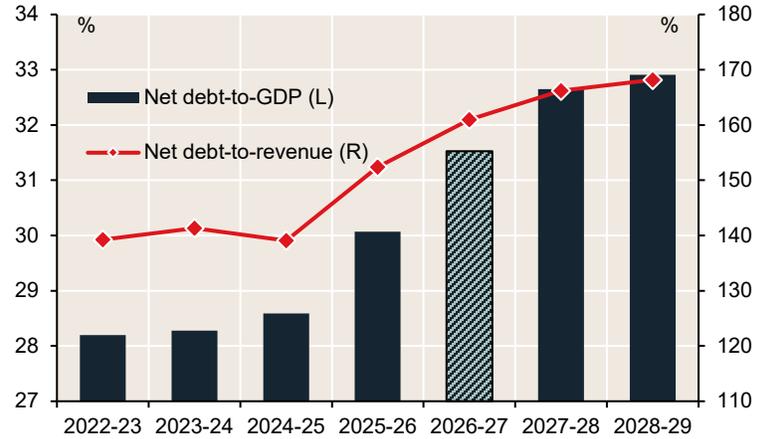


Source: NBC, prov gov'ts | Note: 8-prov sum based on available 2026 budgets

As the foregoing discussion makes clear, provincial budget balances risk deviating from plan in 2026-27. Ditto for net debt. Caveats aside, official projections point to a rising provincial net debt burden (vs. nominal GDP or total revenue). The byproduct of a larger operating shortfall and still-elevated capital spending, this rising debt burden is 'credit negative' for the sector as a whole.

Chart 18: In general, rising debt burden = 'credit negative'

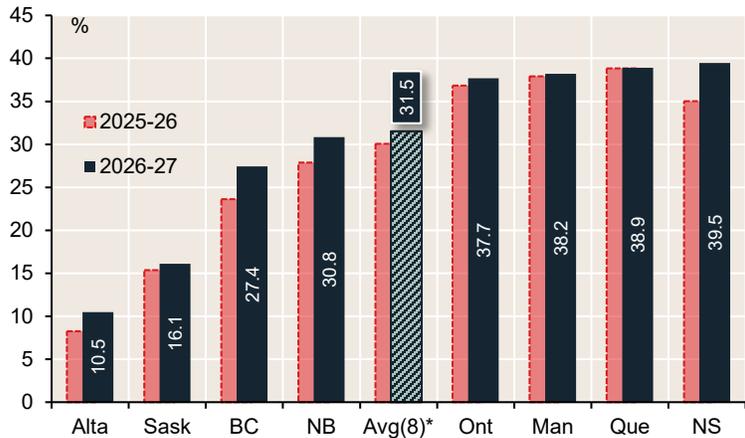
Average provincial net debt burden (vs. nominal GDP & revenue)



Source: NBC, prov gov'ts | Note: 8-prov weighted avg based on available 2026 budgets

Chart 19: Individual balance sheet health/fiscal room varies

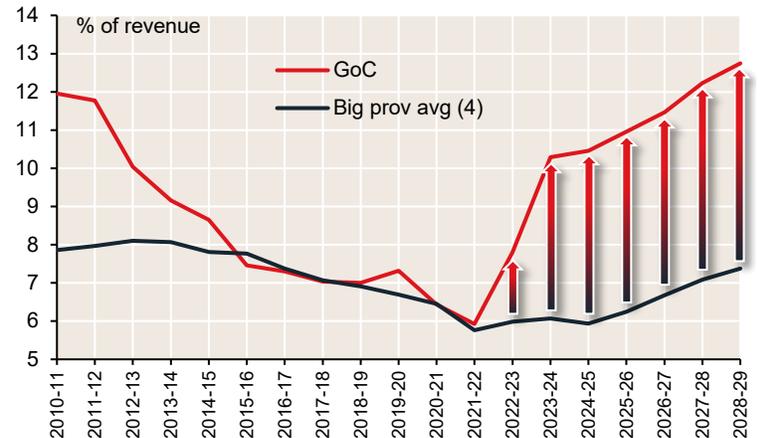
Provincial net debt-to-GDP ratio: 2026-27 vs. prior FY



Source: NBC, prov gov'ts | Note: 8-prov weighted avg based on available 2026 budgets

Chart 20: Provincial 'interest bite' less painful than for feds

Federal-provincial 'interest bite', incl. latest official budget projections

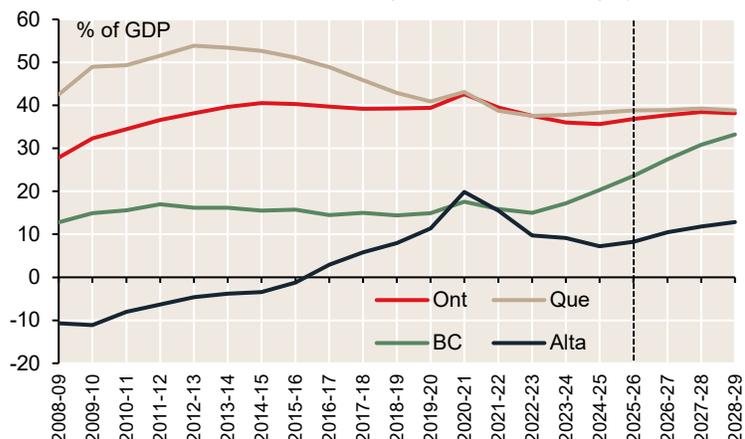


Source: NBC, fed-prov gov'ts | Note: GoC from Nov-25; prov sum from available 2026 budgets

Looking at individual provinces, net debt is being taken on at varying rates and from different starting points. Some possess greater capacity or balance sheet room than others, with relative demographics (e.g., median age, population growth) also important to control for. On average, the provinces have accumulated debt at a slower rate than the feds. With less net borrowing to do, bond supply technicals have been G-spread supportive. Prudent debt management practices have likewise meant that the provincial 'interest bite' has been much less painful than for Ottawa.

Chart 21: Relative indebtedness paths in biggest provinces

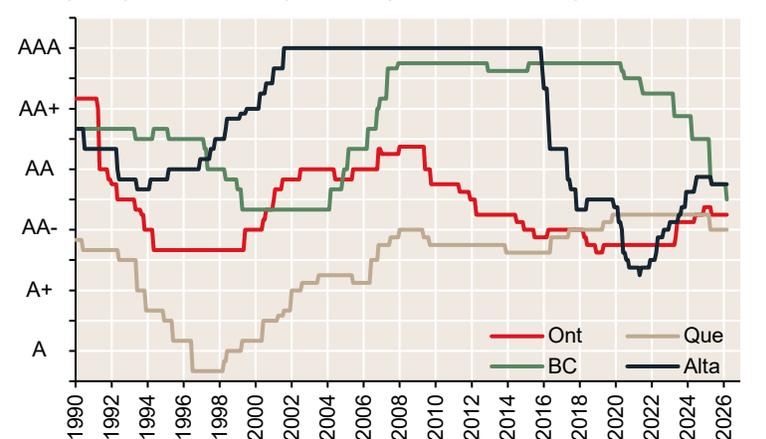
Provincial net debt-to-GDP ratio for select provinces, incl. Bud26 projections



Source: NBC, prov gov'ts

Chart 22: Ongoing adjustment in some credit ratings

Average long-term credit rating for select provinces, controlling for outlooks

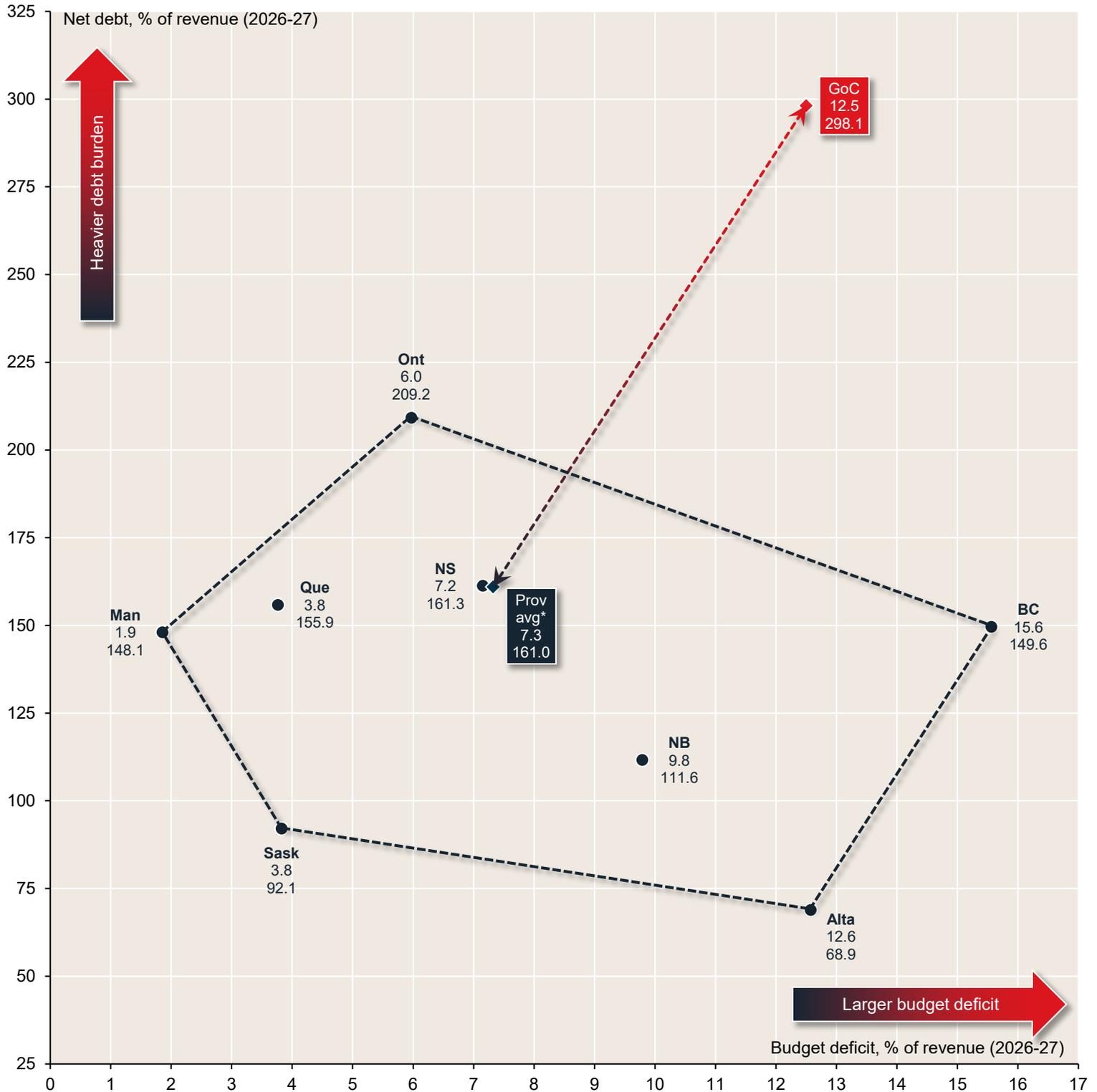


Source: NBC, S&P, Mdy, DBRS, Fitch | Note: Monthly to 31-Mar-26; controls for outlooks

Of the four largest provinces, which collectively account for ~85% of total population, B.C.'s net debt has moved up quickest. Official budget plans suggest that trend could continue. Shifts in relative indebtedness can help explain credit rating adjustments, with the weighted average long-term rating on the \$1.15tn provincial bond stock having deteriorated since early 2025.



Chart 23: The 'other' pentagon! Provinces stake out different income statement/balance sheet positions in 2026 budgets
Provincial budget deficit & net debt, scaled to total revenue: 2026-27 fiscal year, based on eight available 2026 budgets (excl. N&L, PEI)

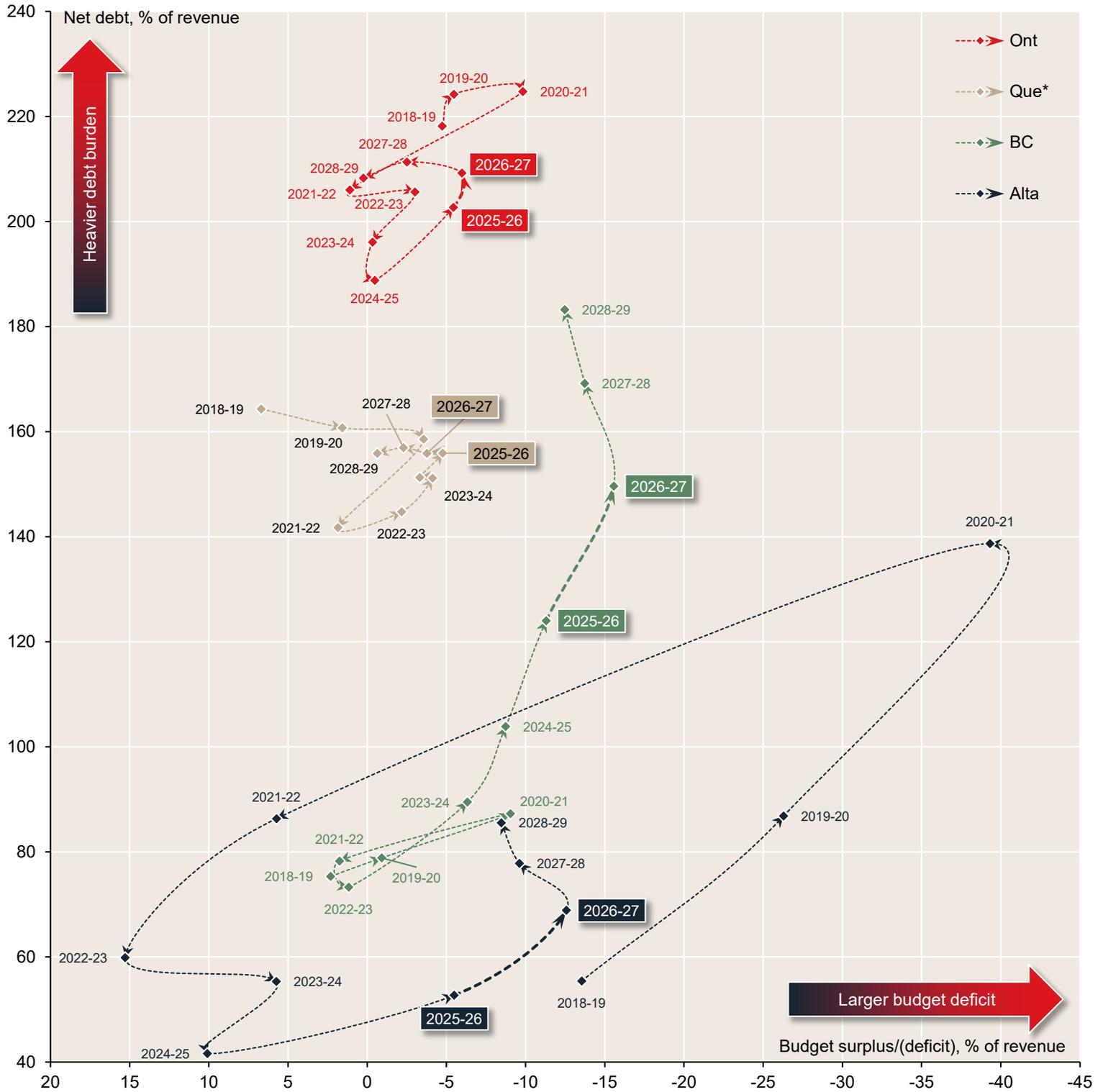


Source: NBC, fed-prov gov'ts | Note: GoC from Nov-25 budget; prov weighted average from eight available 2026 budgets (as of 31-Mar-26); N&L & PEI budgets yet to be presented; Que based on budget balance before deposit to Generations Fund (i.e., accounting deficit)

The above chart presents a fiscal snapshot based on official budget plans for the eight provinces having presented 2026 budgets. (We'll add Newfoundland & Labrador and Prince Edward Island when fresh, comparable guidance for 2026-27 is presented.) As should be clear, the provinces have in some cases staked out unique fiscal ground, both in terms of income statement performance (i.e., budget balance) and balance sheet health (i.e., net debt burden). Notwithstanding inter-provincial divergence, the weighted average provincial deficit is smaller than for the feds, with the GoC's net debt burden expected to remain far above the provincial average through the fiscal planning horizon.



Chart 24: Fiscal migration in four largest provinces, with oil price movements making Alberta's trajectory most uncertain
Migration/movement in provincial budget balance & net debt: 10-year path from 2018-19 to 2028-29, based on latest official budget projections



Source: NBC, prov gov'ts | Note: Lines/arcs denote actual/intended path traveled for given province for period covering 2018-19 to 2028-29; actuals to 2024-25; current/future fiscal year values represent baseline forecast from 2026 budgets; to better capture underlying pattern, Quebec budget balance refers to 'accounting balance' (i.e., operating balance on public accounting basis)

While perhaps requiring some time to interpret, the above chart aims to illustrate fiscal migration patterns in the four largest provinces. Again, the paths plotted here are based on official planning assumptions, including fresh multi-year outlooks from Budget 2026. We would stress that actual budget balances and associated debt burdens could deviate from plan, with the greatest scope for restatement in Alberta (which is more resource-dependent than its large peers). Depending on how much extra resource revenue arrives, Alberta's path could swerve to the lower left (all else equal). The extra elevation B.C. is gaining on this chart signifies a growing debt burden, which rating agencies are monitoring. Ontario expects its relative debt burden to peak in 2027-28, with the return to balance having been delayed (one year) to 2028-29. Quebec's budget sees the net debt-to-revenue ratio largely holding steady, with a new Premier to be appointed in less than two weeks time and a general election slated for later this year (currently planned for 5-Oct-26). Stay tuned.



Economics and Strategy

Subscribe to our publications:
NBC.EconomicsStrategy@nbc.ca

To contact us:
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Jocelyn Paquet
Senior Economist
jocelyn.paquet@nbc.ca

Kyle Dahms
Senior Economist
kyle.dahms@nbc.ca

Alexandra Ducharme
Senior Economist
alexandra.ducharme@nbc.ca

Daren King, CFA
Senior Economist
daren.king@nbc.ca

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.schleich@nbc.ca

Ethan Currie
Strategist
ethan.currie@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Nathalie Girard
Senior Coordinator
n.girard@nbc.ca

Giuseppe Saltarelli
Desktop Publisher
giuseppe.saltarelli@nbc.ca

General: This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of CIRO), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

Canadian Residents: NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

UK Residents: This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

EU Residents: With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 ("MiFID 2"). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Percier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris S.A.

NBF is not authorised to provide investment services in the EU/EEA.

U.S. Residents: With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major U.S. Institutional Investors only. This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents: With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright: This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.