S&P Global
Ratings

RatingsDirect®

Research Update:

Province of Alberta 'AA-' Ratings Affirmed

May 8, 2025

PRIMARY CREDIT ANALYST

Bhavini Patel, CFA
Toronto
+ 1 (416) 507 2558
bhavini.patel
@spglobal.com

SECONDARY CONTACT

Dina Shillis, CFA
Toronto
+ 1 (416) 507 3214
dina.shillis
@spglobal.com

RESEARCH CONTRIBUTOR

Ekta Bhayani
CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Overview

- Despite lower economic growth and oil prices, we expect the Province of Alberta's financial performance to remain comparatively strong relative to that of peers, with reduced operating surpluses now leading to manageable after-capital deficits and some increase in debt.
- Upcoming debt maturities are largely covered by prefunding efforts, and strong market access mitigates potential liquidity pressure arising from after-capital deficits.
- As a result, S&P Global Ratings affirmed its 'AA-' long-term issuer credit and senior unsecured debt ratings on Alberta. We also affirmed our 'A-1+' short-term issuer credit rating on the province.
- The stable outlook reflects our expectation that solid financial management will maintain small operating surpluses and modest after-capital deficits despite an uncertain economic backdrop.

Rating Action

On May 8, 2025, S&P Global Ratings affirmed its 'AA-' long-term issuer credit and senior unsecured debt ratings and its 'A-1+' short-term issuer credit rating on the Province of Alberta. The outlook is stable.

Outlook

The stable outlook reflects our expectation that in the next two years, despite the uncertain global economic outlook with lower oil prices and growth, Alberta will limit deterioration in its fiscal profile. As a result, we also expect the province's tax-supported debt to increase moderately to about 152% of operating revenues by fiscal 2028. Although the province must contend with sizable debt maturities in the current fiscal year, prefunding and market access supports its strong liquidity position in relation to debt obligations.

Downside scenario

We could lower the ratings if Alberta is not effective in managing economic and financial market volatility to maintain long-term fiscal sustainability or unexpected shifts in policies over the next couple of years materially weaken its finances lead us to reassess our view of financial management.

Upside scenario

Although unlikely in the next two years, we could raise the ratings if Alberta can meaningfully diversify its economy and decrease its dependence on resource revenues. This could in turn reduce budgetary volatility and accelerate fiscal consolidation efforts to manage costs while operating revenues rise such that tax-supported debt falls to less than 60% of operating revenue.

Rationale

We believe Alberta's economy and, in turn, the province's operating revenues will be negatively affected by lower oil prices. However, we expect Alberta to produce near-balanced results or modest operating surpluses and manageable after-capital deficits of about 6% of total revenues, on average, through to fiscal 2028. With the province's continued focus on cost containment, we also project that tax-supported debt will represent about 152% of operating revenues in fiscal 2028. Weaker after-capital results will temporarily result in lower levels of internal liquidity than what is typical for the province. However, this is mitigated by prefunding and its track record of solid access to capital markets. Nevertheless, in line with its fiscal framework, we expect that, as budgetary results improve, the province will divvy the use of its surplus cash between debt repayment and savings, leading to improving debt metrics and a strengthening internal liquidity position.

The province's economic prospects will remain strong in the next two years.

While we expect that Alberta's pace of economic growth will slow, similar to that of other Canadian provinces, large energy exports and relatively healthy population growth in the next few years will bolster provincial real GDP growth compared with the national economy overall.

We also expect that Alberta's economic growth will outperform the province's assumptions and will align with our expectations for national growth. We estimate Alberta's real GDP will increase by 2.4% in 2025 and 2.1% in 2026, compared with our forecast of 1.4% and 1.6% growth, respectively, for Canada (see "Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth," published May 1, 2025, on RatingsDirect). Alberta's GDP per capita will comfortably exceed the national average of about US$54,800 for 2025. As it is for other Canadian provinces, the U.S. is Alberta's largest international trading partner. In 2024, the U.S. received almost 93% of Alberta's international exports of goods, which primarily consist of energy products. We do not expect the province to be further affected by energy-related tariffs and the 10% rate that has already been enacted is incorporated in our base-case fiscal projections.

With the commencement of LNG Canada's Phase 1 project in 2025 that connects natural gas production to the west coast, we expect this investment will support the province's energy sector and its access to global markets. The economy possesses solid fundamentals, despite its concentration in the oil and gas industry. Including supporting activities, the industry typically represents more than 20% of GDP at basic prices, which tempers our economic assessment because of the associated economic and fiscal volatility. Nevertheless, the province is also investing in other sectors, such as large-scale emissions reduction projects, agriculture, and manufacturing.

The United Conservative Party government, in power since 2023 and holding a majority in the legislature, has the political capacity to enact reforms. Many of the province's efforts to maintain strong fiscal performance are focused on cost containment while maintaining lower taxes than those in other Canadian provinces. In the past four years, Alberta successfully brought its spending down, on a per capita basis, so that it is now in line with that of provincial peers. The province has also implemented a fiscal framework strategy that focuses on balanced budgets, debt reduction, and increased savings, to help improve its financial maneuverability when oil prices, and nonrenewable resource revenues, fall. Budgets are comprehensive and more detailed than those of provincial peers. Annual reports comply with Canadian government standards. The administration is experienced and qualified to effectively implement fiscal policies. Debt and liquidity management policies are prudent, in our view.

As is the case with all Canadian provinces, the ratings also benefit from the very predictable and well-balanced institutional framework in which Alberta operates. The Canadian constitution is the cornerstone of federal-provincial intergovernmental arrangements, which we view as mature and stable. The federal government provides revenue support through a number of agreements and transfer arrangements including the ongoing Canada Health Transfer and Canada Social Transfer payments as well as ad hoc situation-specific transfers. In fiscal 2025, the share of total provincial revenues represented by federal government transfers is estimated to remain relatively stable about 15% of operating revenues.

Fiscal sustainability measures will continue to support fiscal results and temper debt growth.

More moderate expenditure growth will help to mitigate the impact of lower oil prices on revenues. As a result, we expect that, in the next three years, the province will generate near-balanced results or modest operating surpluses and nominal after-capital deficits of about 6% of total revenues, on average. The pronounced volatility of the province's budgetary results tempers our view of the strength of Alberta's fiscal performance.

We expect that, by the end of fiscal 2028, tax-supported debt will reach about C$118 billion or about 152% of operating revenues. Our calculation of tax-supported debt includes guarantees and obligations under public-private partnership agreements. Interest expense will remain relatively stable at about 4% of operating revenues. Through its fiscal framework, the province can allocate 50% of its fiscal surplus to debt repayment or to the Heritage Savings Trust Fund, with the remaining 50% allocated to the Alberta Fund. In the past two years, the province has used a portion of its surplus cash to mitigate debt issuance. As budgetary results improve, in line with previous years, we expect the province will continue its efforts to stabilize its debt trajectory.

We view the province's contingent liabilities as neutral to our debt assessment. The largest contingent liability is ATB Financial, a local financial institution wholly owned by Alberta, to whose depositors the province provides a guarantee. As well, the province's credit union sector is a contingent liability. Total contingent liabilities are modest, representing about 12% of fiscal 2025 operating revenues.

Alberta has sizable maturities in fiscal 2026, with just over C$10 billion coming due in the first quarter alone. Much of this debt was issued in the early stages of the pandemic. Starting in fiscal 2024, the province began to borrow in advance of its immediate cash needs and held these funds in a designated debt retirement account (DRA). We estimate that free cash and investment balances and draws on some of the province's reserve accounts, including the DRA, of about C$25.3 billion will represent about 100% of the next 12 months of debt service. In addition, the province's access to external liquidity remains strong.

Key Statistics

Table 1

Province of Alberta -- selected indicators

	--Budget year*--					
(Mil. C$)	2022	2023	2024bc	2025bc	2026bc	2027bc
Operating revenues	75,563	73,940	79,817	73,430	75,787	77,532
Operating expenditures	60,311	65,308	68,680	72,815	72,939	75,292
Operating balance	15,252	8,632	11,137	615	2,848	2,240
Operating balance (% of operating revenues)	20.2	11.7	14.0	0.8	3.8	2.9
Capital revenues	580	792	875	807	981	981
Capital expenditures	5,633	6,300	7,665	7,602	7,635	7,771
Balance after capital accounts	10,199	3,124	4,347	(6,180)	(3,806)	(4,550)
Balance after capital accounts (% of total revenues)	13.4	4.2	5.4	(8.3)	(5)	(5.8)
Debt repaid	5,308	9,886	16,334	13,199	5,825	7,320
Gross borrowings	1,386	13,768	16,334	6,222	7,069	8,757
Balance after borrowings	6,278	7,006	4,347	(13,157)	(2,562)	(3,113)
Direct debt (outstanding at year-end)	93,874	96,913	100,989	98,238	106,175	115,562
Direct debt (% of operating revenues)	124.2	131.1	126.5	133.8	140.1	149.1
Tax-supported debt (outstanding at year-end)	96,992	99,699	103,677	100,823	108,652	117,927
Tax-supported debt (% of consolidated operating revenues)	128.4	134.8	129.9	137.3	143.4	152.1
Interest (% of operating revenues)	3.7	4.3	4.0	4.0	4.2	4.5
Local GDP per capita (single units)	104,811	96,576	97,490	96,861	98,755	100,822
National GDP per capita (single units)	73,221	73,192	74,332	76,770	79,444	81,805

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. *Budget year 2025 equals fiscal year 2026.

Ratings Score Snapshot

Table 2

Province of Alberta -- ratings score snapshot

Key rating factors	Scores
Institutional framework	2
Economy	2
Financial management	2

Table 2

Province of Alberta -- ratings score snapshot (cont.)

Key rating factors	Scores
Budgetary performance	3
Liquidity	1
Debt burden	4
Stand-alone credit profile	aa-
Issuer credit rating	AA-

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, April 10, 2025

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- S&P Global Ratings Revises Oil And Gas Price Assumptions On Uncertain Geopolitics And Market Fundamentals, March 6, 2025
- Growth Prospects Strained After The U.S. Takes The Tariff Plunge, March 5, 2025
- For Canadian Provinces, The Current Credit Complexities Are Not Just About Tariffs, March 5, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024
- Institutional Framework Assessment: Fiscal Autonomy Has Effective Limits For Canadian Provinces, April 2, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Alberta (Province of)	
Issuer Credit Rating	AA-/Stable/A-1+
Alberta (Province of)	
Senior Unsecured	AA-
Commercial Paper	A-1+