

## Driving to the conditions: Alberta's economy in 2026 and 2027

What a difference a few months make. Since our December forecast, we've seen the U.S. capture of Venezuelan President Maduro, a deepening crisis in Cuba, threats of Greenland annexation, a Canadian trade deal with China, and the U.S. Supreme court overruling "liberation day" tariffs. Geopolitical risks remain in the forefront, but they have shifted from economic warfare to military conflict.

### Global energy shock - Uneven Canadian impacts

The war in Iran and the blocking of the Strait of Hormuz have upended energy markets, representing a massive shock to both the global and national economy. We have revised down our forecast for Canadian real GDP growth to 1.3% this year, reflecting the impact of higher costs, and soft economic data from Q4 and early 2026.

As the country's largest oil producer, Alberta is expected to weather the storm better than other provinces. We now forecast that real GDP will grow by 2.7% this year (up from 2.1% in our December forecast), putting the province near the top of the growth leaderboard.

This upgrade reflects not just the impact of higher oil prices, but the fact that the Alberta economy has performed better than expected, particularly in the labour market. Job growth and the unemployment rate have been tracking ahead of expectations since December. Moreover, while Alberta's population is slowing, it continues to grow faster than all other provinces.

### More nominal than real

The surge in oil prices will have a much larger impact on the revenue generated in the province, than on real economic activity and jobs.

- **Nominal GDP** (the current value of economic output) is forecast to rise by 6.0% (up from 0.7% in our December forecast) driven primarily by higher prices. The main uplift is to corporate income and government revenue via taxes and royalties.
- The impact on **real GDP** (the volume of economic output) and jobs is muted, but still positive. Oil producers will remain cautious regarding their capital spending due to uncertainty over the duration of the price spike and pipeline constraints. As a result, we don't see an energy or employment boom.



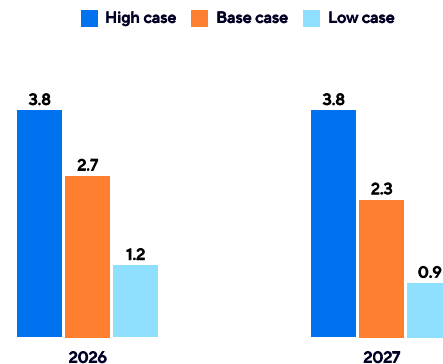
**Sometimes you bend, sometimes you stand, sometimes you turn your back to the wind**



"Life is a Highway," Tom Cochrane

### Alberta's real GDP forecast

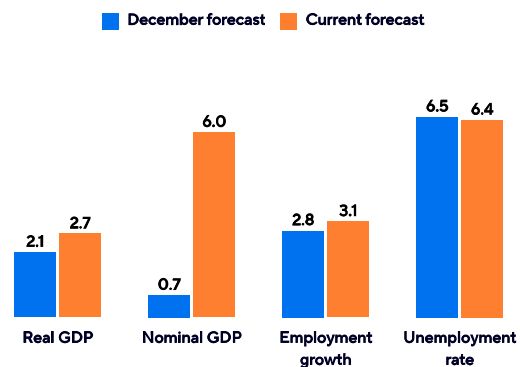
Annual % change



Source: ATB Economics

### Key economic indicators in 2026

Annual % change



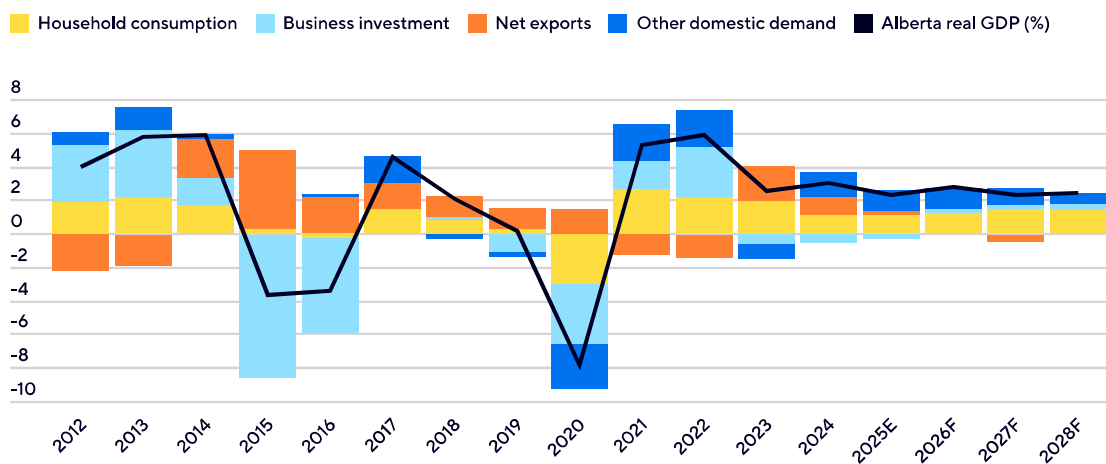
Source: ATB Economics

Base case	Actuals		Forecasts		
	2024	2025	2026	2027	2028
Real GDP (annual % change)	3.0	2.3*	2.7	2.3	2.4
Nominal GDP (annual % change)	5.1	2.9*	6.0	0.9	1.6
Employment (annual % change)	3.1	2.9	3.1	1.6	1.6
Unemployment rate (annual average %)	7.0	7.2	6.4	6.1	5.9
Participation rate (annual average %)	69.2	68.9	68.7	68.4	68.0
Retail sales (annual % change)	1.7	4.4	4.2	4.8	5.2
Annual housing starts (000s)	47.8	54.9	45.3	37.2	35.8
Consumer Price Index (annual % change)	2.9	1.9	2.5	2.2	2.0
Population (July 1, annual % change)	4.7	2.5	1.1	1.6	1.7
<b>Financial assumptions</b>					
WTI crude (annual average US\$/bbl)	76.6	65.4	75.0	68.0	65.0
WCS crude (annual average US\$/bbl)	61.6	53.4	62.0	54.0	50.0
AECO gas (annual average CDN\$/MMBtu)	2.6	1.5	2.0	2.8	3.2
Canada-US exchange rate (US\$/CDN\$)	0.730	0.715	0.735	0.750	0.760
3-month T-Bill rate (annual average %)	4.4	2.6	2.2	2.5	2.7

\*Estimate. Sources: Statistics Canada Tables 36-10-0222-01, 14-10-0393-01, 20-10-0056-01, 34-10-0126-01, 18-10-0004-01, 17-10-0009-01; U.S. Energy Information Administration; GLJ Price Charts, ATB Capital Markets; Bank of Canada; and ATB Economics

### Contribution to real GDP growth in Alberta

Percentage points, base case



E=Estimate, F=forecast. Source: Statistics Canada and ATB Economics



Our new forecast is predicated on the West Texas Intermediate (WTI) price benchmark averaging US\$75 per barrel this year, up from US\$61 in our December forecast. This assumes elevated oil prices through the next two to three months before returning to \$65 by year's end, roughly in line with the Energy Information Administration's March 2026 [Short-Term Energy Outlook](#).

### The CUSMA junction

While U.S. tariffs and trade uncertainty continue to weigh on investment and are holding back key sectors, the impact has been less severe than originally feared. This is due to exemptions from the general tariffs among the vast majority of businesses complying with the Canada U.S. Mexico Agreement (CUSMA). CUSMA is slated for review this summer; our base case assumes it is renewed with sector-specific tariffs and the general exemption remaining in place. Impacts are expected to remain smaller in Alberta due to lower effective tariff burdens.

### Bank of Canada's hands are tied

We see the Bank of Canada on hold this year. While a sluggish Canadian economy might otherwise point to a potential rate cut, that's more than offset by higher inflation linked to the Iran war. We assume two 25-basis point rate hikes in 2027. With interest rates moving higher, other policy levers—like accelerating major projects—will need to be pulled to improve growth in Canada.

### Project execution and trade risk

Alternative scenarios are considered on page 12. The main downsides remain a significant global downturn and trade war escalation.

With the Canadian economy stuck in a low gear and a [two-decade slump in investment and exports](#), the big upside comes from translating promises to accelerate major projects (like energy infrastructure), export more overseas and strengthen internal trade into execution.

In the words of Tom Cochrane, will Canada turn its back to the wind in 2026?

## The base case

### Key assumptions

Global economic conditions are especially foggy at the moment, but forecasting means you have to draw a line and make some basic assumptions. With that in mind, our base case assumes:

- The war pushes up oil price benchmarks for an extended period. More specifically, we assume that WTI averages US\$75 per barrel in 2026 (up from US\$65 last year) before moderating to US\$68 in 2027. We based this on what the futures market was expecting as of mid-March.

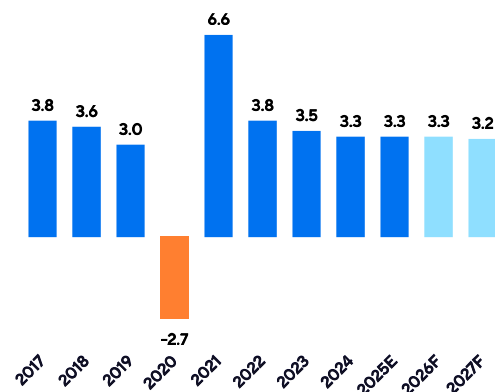
- North American natural gas price benchmarks receive only a modest boost from the situation in the Middle East with AECO averaging C\$2.8 per MMBtu this year and C\$3.2 next year, up from C\$2 in 2025.
- Real oil and natural gas capital spending growth is modest at 1.2% this year and 1.7% in 2027.
- Fertilizer costs rise and this, combined with higher transportation costs, pushes up food prices and the operating costs of agricultural producers.
- The Bank of Canada leaves its policy interest rate unchanged at 2.25% this year and makes two 25-basis point increases in 2027.
- The U.S. tariffs in place as of March 17, 2026 remain unchanged in 2026 and 2027 and the CUSMA exemption is maintained. A recent Bank of Canada [survey](#) of financial market participants found that 96% see a decrease in trade tensions as a top upside risk to Canada's growth while 93% see an increase in trade tensions as a top downside risk. Our approach is to leave these upside and downside risks to our high and low cases.

### Finding its balance - The global economy

U.S. protectionism may not be as bad as feared, but it's still a hindrance to international trade. Despite this, the International Monetary Fund's [January outlook](#) (published before the outbreak of the Iran war) sees global growth remaining resilient at 3.3% in 2026 and at 3.2% in 2027. There are competing forces: the headwinds generated by tariffs and now higher energy prices and the tailwinds resulting from AI-related investment and lower interest rates. Our base case assumes that the economic shock from the Iran war will not significantly dampen global growth.

## Global economic growth

Annual % change in real GDP



E=estimate; F=forecast. Source: International Monetary Fund, World Economic Outlook Update, January 19, 2026



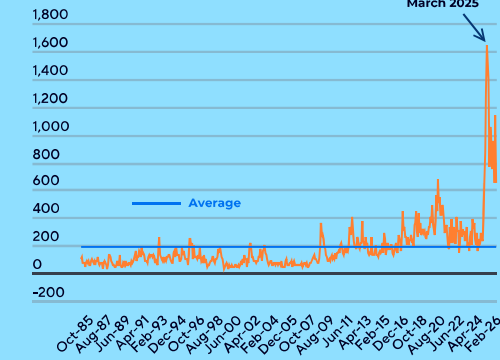
## Elevated uncertainty

Always a factor affecting the economy to some degree, uncertainty brought on by shifting (sometimes overnight) U.S. trade policy and a volatile geopolitical environment is running extra high.

It's hard to measure the precise impact of this on the economy, but [studies](#) show that it tends to hold back things like investment, hiring, and consumer confidence.

Uncertainty has actually come down, peaking last March, but remains elevated. Given the unpredictable nature of U.S. trade policy, the situation in the Middle East, the Russia-Ukraine war, often tense U.S.-China relations and many other active geopolitical faults, it's fairly certain that uncertainty will remain high in 2026 as will its generally negative impact on the economy.

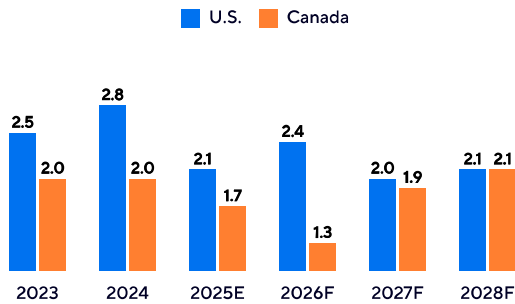
## Canadian Economic Policy Uncertainty Index Monthly



Source: Federal Reserve Bank of St. Louis and ATB Economics

## Real GDP growth in the U.S. and Canada

Annual % change, chained (2017) dollars



E=estimate, F=forecast Source: Haver Analytics and ATB Economics

### The U.S. economic engine is making some troubling sounds, but it's still running

The U.S. economy has been defying its critics for some time now with real GDP growth averaging 2.6% over the last three years. Canada's economy, for comparison, only grew by an average of 1.8% over the same period despite faster population growth. U.S. growth cooled in the fourth quarter to 1.4% (annualized), but is now [tracking](#) just over 2% in the first quarter of 2026. While GDP growth has remained solid, job creation has slowed to a crawl.

Looking ahead, we see the U.S. economy continuing to grow this year by a resilient 2.4% with tax cuts, the ongoing AI boom, and consumer spending strong enough to offset a cooling labour market and tariffs.

Downside risks include escalating energy costs that could translate into broader inflation pressures and interest rate hikes, escalating government debt and an ending of the AI boom.

### Muddling through - The Canadian economy

Although the average effective U.S. tariff rate on Canada is low compared to the global average, the country is still dealing with the headwinds created by high sectoral tariffs on key industries, feeble population growth (Canada saw its first year-over-year population decline on record in the final quarter of 2025), the uncertainty surrounding the CUSMA review and weak productivity. "It's not the recession we feared at this time last year" does not negate the fact that economic growth remains tepid.

The oil and gas-producing provinces will be more shielded from the impacts of higher prices due to the Iran war, but the country as a whole will feel the pinch as inflation creeps up. Monetary policy has already done what it can with additional interest rate cuts on hold (see below).

The [job losses](#) seen during the first two months of the year are not forecast to continue, but point to sluggish employment growth and an unemployment rate averaging roughly what it did last year at 6.8%.

Our forecast is for national GDP growth of 1.3% this year and 1.9% in 2027. The forecast assumes most Canadian exports to the U.S. continue to enter duty free under either the existing CUSMA exemption or some other arrangement.



### Less painful, but still worrisome - U.S. tariffs

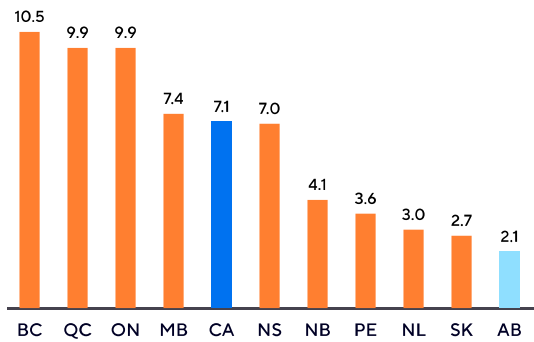
The first thing to note about the impact of U.S. trade policy on Canada is that it is nowhere near as bad as feared at this time last year when a blanket tariff, sectoral tariffs and a major countertariff offensive were all in play. It hasn't been a smooth ride since then, but the end result is the average effective U.S. tariff rate on Canadian goods is low compared to what was threatened and compared to what many other countries are paying. At the same time, Canada's response has been pulled back to matching tariffs on U.S. steel and aluminum and tariffs on U.S. vehicles that don't meet CUSMA requirements. Alberta, moreover, faces the lowest average effective U.S. tariff rate of any province due to less exposure to the sectoral tariffs.

The second thing to note is that U.S. tariffs are still a significant drag on the economy. The Bank of Canada [estimates](#) that U.S. tariffs will "have a persistent negative impact on the Canadian economy with GDP projected to be about 1.5% lower than forecast in January 2025 before the tariff disruption began.

The third thing to note is that, while the economy has to some degree "gotten used to" more protectionist and more chaotic U.S. trade policy, uncertainty remains a concern and the situation could change very quickly. A key concern is the scheduled review of the Canada-United States-Mexico Agreement (CUSMA). Ideally, the CUSMA is extended with limited changes for a new term of 16 years as this would provide at least a modicum of certainty regarding U.S. trade policy. Whatever happens, arguably the most important thing over the short term is that the general exemption from U.S. blanket tariffs linked to the agreement remains in place in one form or another.

### Estimated effective U.S. tariff rate on Canada

U.S. tariffs as a % of goods imports, Jan 2026



CA=Canadian average. Tariff rates were calculated using Jan 2026 export values: 50% on steel and aluminum, 25% on autos, 45% on softwood lumber, 50% on copper, 25% on select kitchen cabinets and wooden upholstery furniture, 100% on pharmaceuticals, 35% on non-energy goods, and 10% on energy goods. Assumes 25% of auto exports, 10% of non-energy exports, and 5% of energy exports were not compliant with CUSMA and therefore subject to the tariffs. Source: Trade Data Online, tariffinder.ca and ATB Economics

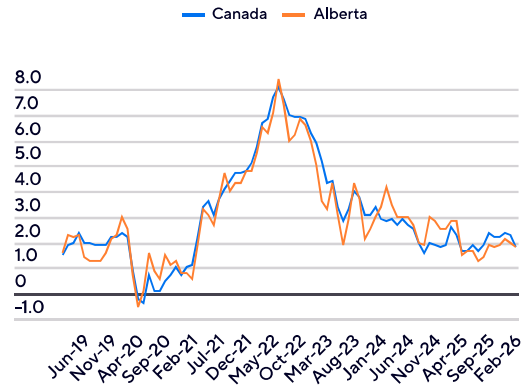


### Under pressure - Inflation

Although past price spikes are still hanging over the economy and almost certainly contributing to [concerns](#) about the cost of living in Canada, the inflation rate is now back "under control." The inflation rate averaged 2.1% in Canada last year and 1.9% in Alberta. As of February, core inflation (as measured by averaging CPI-trim and CPI-median) was at its lowest level since spring 2021 at 2.3%.

### Inflation in Canada and Alberta

Year-over-year % change in the monthly Consumer Price Index



Source: Statistics Canada Table 18-10-0004 and 18-10-0256-01 and ATB Economics

### Reduced tensions - Chinese tariffs

In early 2026, Canada and China reached a trade truce that de-escalated a year-long dispute impacting billions of dollars in agricultural trade. The trade dispute began in late 2024 when Canada imposed a 100% tariff on Chinese electric vehicles (EVs) and a 25% tariff on Chinese steel and aluminum. China responded by implementing a 75.8% anti-dumping duty on Canadian canola seed (taking the combined tariff to 85%), a 100% tariff on Canadian canola oil and meal, a 100% tariff on peas, and a 25% tariff on pork and seafood products from Canada.

The deal that went into effect on March 1, 2026 reduced the tariff on canola seed to 15% and suspended the tariffs on canola oil and meal, peas and seafood until the end of 2026. Access to the Chinese market was also restored for 20 registered Canadian meat establishments. In exchange for these concessions, Canada agreed to lower its 100% tariff on Chinese EVs to 6.1% for a specific quota of up to 49,000 units per year.

It's not a permanent solution and a hefty tariff on canola seed remains in place, but the deal will reduce the negative impact the tariffs were having on Canada's and Alberta's agricultural exports to China.

This was, however, before the shock introduced by the Iran war. Absent this shock, our forecast for annual inflation in Alberta was 2%. With the war sending oil, natural gas and fertilizer prices higher, this will boost the inflation rate over the short term.

Our base case forecast is for the inflation rate in Alberta to average 2.5% in 2026 and 2.2% in 2027.

### On hold - Interest rates

As with inflation, the trajectory of monetary policy has been complicated by the Iran war. Before the war, our call was that the Bank of Canada would remain on hold throughout 2026, leaving the policy interest rate at 2.25%. The policy rate would then rise modestly in 2027 to 2.75% as the national economy picks up enough steam to threaten to push inflation off target.

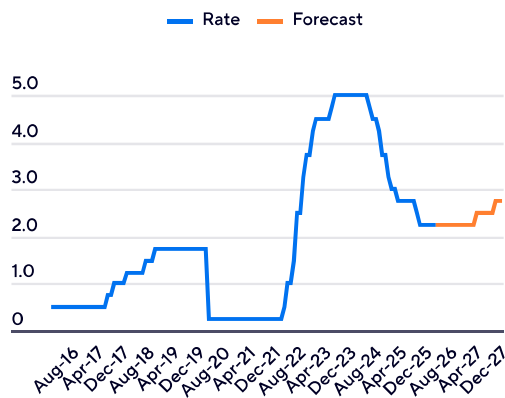
While the Iran war will add to inflation, our base case assumes that the price spike will be temporary and, in turn, something the Bank of Canada can look past.

Inflation was below target before the Iran war started and recent economic data show the economy slowing. This provides the Bank with some breathing room before considering rate hikes. In any case, the Bank was already taking a "wait and see" approach and we expect this to continue.

While lower short-term interest rates have reduced economic drag, the Bank of Canada has already done what it can in terms of stimulating economic growth. It can only do so much to address Canada's more structural problems such as chronically weak [business investment and productivity](#).

### Bank of Canada policy interest rate

% , end of period



Source: Bank of Canada/Haver Analytics and ATB Economics



### Geopolitical shock - Oil and natural gas

Oil production in Alberta is higher than ever; additional pipeline capacity is on the way via improvements to the existing system; more oil is getting to non-U.S. markets via the B.C. coast; the balance sheets of producers are strong; and what looked to be a soft year for oil prices has gotten a boost from the Iran war.

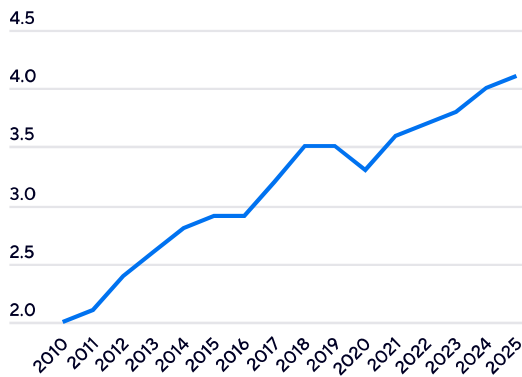
Despite these positives, capital spending in the oil and gas sector is expected to remain fairly steady this year. With uncertainty over future pipeline capacity and market conditions, we expect producers to focus on efficiency gains and shareholder returns. Our forecast for real (inflation-adjusted) investment in the sector is an increase of 1.2% this year, up from flat in our December forecast and reflecting the higher price environment. Real oil and gas exports are expected to rise an average of 2.2% a year in 2026 and 2027, and level off around 2030 due to pipeline constraints.

There is upside if the new pipeline to the B.C. coast outlined in the [Memorandum of Understanding](#)\* between Alberta and Ottawa on energy collaboration gets built or if the preliminary plans to resurrect a version of the Keystone XL pipeline that would move more oil south into the U.S. come to fruition. However, pipeline projects that have not reached final investment decisions are not included in our base case.

\*The MOU's objectives include moving forward with the \$16.5 billion Pathways Alliance carbon capture project, building a major new bitumen pipeline from Alberta to the B.C. coast, expanding the capacity of the Trans Mountain pipeline by 300,000 to 400,000 barrels per day, and the development of additional data centres (which would likely increase demand for natural gas to generate electricity).

### Annual oil production in Alberta

Million barrels per day



Source: Alberta Energy Regulator and ATB Economics

## Hockey sticks - Expanded energy exports to Asia

What happens when you build new export infrastructure? Hockey stick charts.

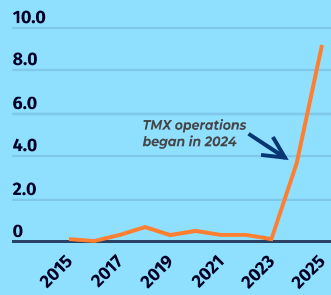
We've seen a surge in Canadian oil, propane and LNG exports to Asia due to the build out of new pipelines and export facilities: The Trans Mountain Expansion (oil); the Ridley Island Propane Export Facility (propane); and LNG Canada Phase 1 combined with Coastal Gas Link (liquefied natural gas).

The expanded Trans Mountain pipeline has enabled Alberta's shipments of oil to Asia to go from effectively zero in 2023 to \$9 billion in 2025.

For a discussion of how expanded pipeline access would impact Canadian GDP, see the recent report we did with Studio.Energy entitled "[The GDP payoff of additional pipeline capacity.](#)"

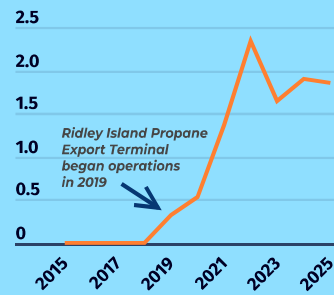
### Canada's energy exports to Asia

**Oil**  
\$ billion, customs basis



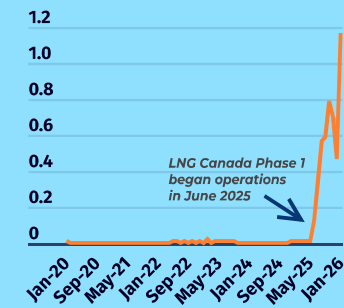
HS code 2709 - Petroleum oils and oils obtained from bituminous minerals, crude  
Source: Trade Date Online, ATB Economics

**Propane**  
\$ billion, customs basis



HS code 27112 - Liquefied propane  
Source: Trade Date Online, ATB Economics

**LNG**  
billion cubic feet per day



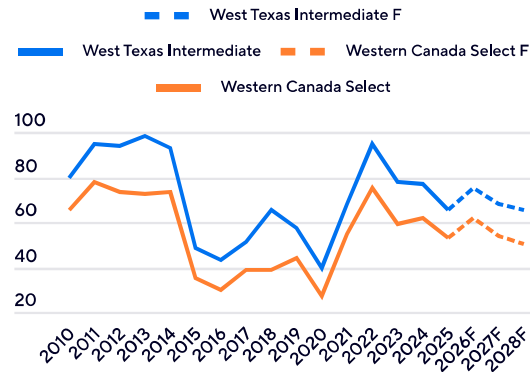
Source: Canada Energy Regulator and ATB Economics

Always volatile, oil prices are expected to come in higher than in our previous forecast due to the Iran war. In December, our forecast was for the West Texas Intermediate (WTI) benchmark to average US\$61 in 2026 and US\$62 in 2027, down from US\$65 in 2025 as the global supply and demand balance tipped toward excess supply. Taking into account current market expectations, our forecast is now for WTI to average US\$75 per barrel this year and US\$68 in 2027.

The light-heavy oil price differential has narrowed since the War in Iran, as heavy oil barrels were disrupted in the Strait of Hormuz, increasing demand for Canadian heavy in Asia. More structurally, the Trans Mountain Expansion has narrowed the differential and resulted in less price volatility. The differential is expected to widen somewhat over the forecast as rising oil production uses up new takeaway capacity and the boost from the Iran war unwinds. We forecast the differential to average US\$13 in 2026 before increasing to US\$14 in 2027 compared to US\$12 last year.

### Benchmark oil prices

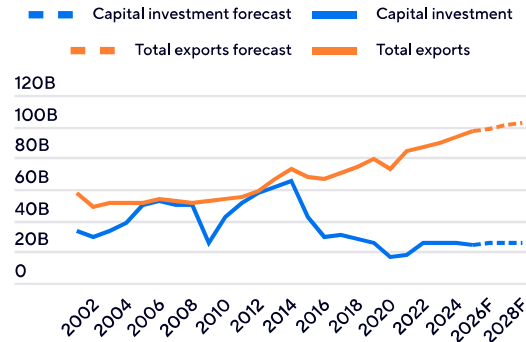
\$US per barrel, annual average



F=forecast. Source: U.S. Energy Information Administration, Alberta Energy and ATB Economics

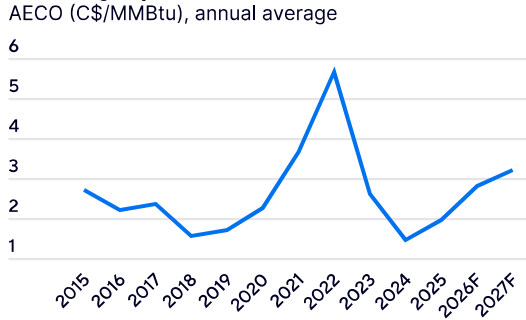


### Real Alberta oil and gas exports and investment



E=estimate; F=forecast; Source: Statistics Canada and ATB Economics

### Natural gas prices in Alberta



Source: GLJ Price Charts and ATB Economics

Canadian natural gas is at the front end of a mini-renaissance. The game-changers are LNG exports sending supply to Asian markets and rising electricity demand, especially for AI data centres. These developments will support prices and production growth over the forecast period.

Alberta's natural gas production is much less sensitive to changes in global benchmarks than oil, so the Iran war will have a smaller impact. With that said, the advent of LNG export capacity from the B.C. coast should enhance profits for producers able to take advantage of this option. The overall impact on prices will, however, be muted due to the limited amount of LNG export capacity. Factors working to constrain the price of Alberta gas include high storage levels and a potential supply glut as high crude prices stimulate additional natural gas production to obtain high-value natural gas liquids.

As such, our assumption is that the Alberta natural gas price benchmark (the Alberta Energy Company price or AECO) will average \$2.8 in 2026 and \$3.2 in 2027, up from the average over the previous two years of just \$2.



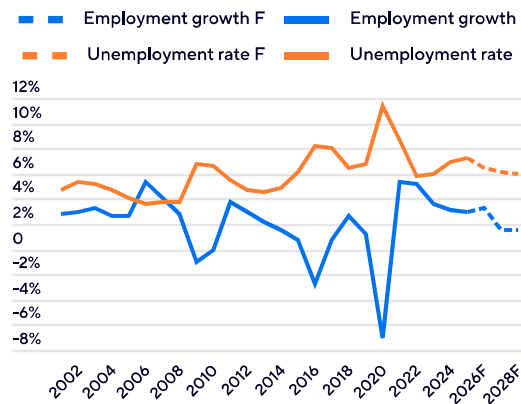
### A more even race - Alberta's labour market

The story in Alberta's labour market over the last few years has been one in which strong job growth could not keep up with even stronger population growth swelling the number of job seekers. The end result was an elevated unemployment rate.

The story going forward will be different as much slower population growth (see below) helps close the gap between jobs and job seekers and bring more balance to the labour market. Job creation will continue to be robust in 2026 at 3.1% before slowing to 1.6% in 2027 as hiring in the service sector eases along with population growth. The provincial unemployment rate is forecast to average 6.4% this year and 6.1% in 2027, down from 7.2% in 2025.

The reduction in the number of temporary foreign workers that is the key reason for the slower population growth also means that employers have a smaller pool of workers to draw from—an issue that will be exacerbated by ongoing population aging and the rising outflow of older workers as they reach retirement.

### Annual employment trends in Alberta



F=forecast. Source: Statistics Canada Table 14-10-0393-01 and ATB Economics

### Slower, but still rising - Population growth

It will be down from the record-setting pace set last year, but we expect Alberta to continue to be at or near the top of the provincial leaderboard in population growth. A net outflow in non-permanent residents (NPRs) as the federal government seeks to reduce the percentage of NPRs in the population is the main reason for the slower growth. Alberta's NPR population decreased by 26,000 in 2025 compared to a net gain of 211,000 NPRs from 2022 to 2024. We expect the net loss to continue at -35K in 2026 and -10K in 2027.

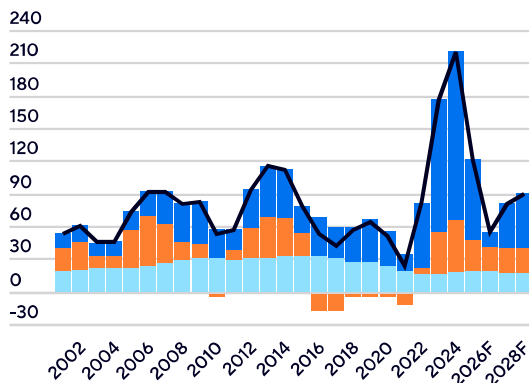
Overall, we expect population growth to moderate over the forecast period to 1.1% in 2026 and 1.6% 2027 (down from 4.7% in 2024 and 2.5% in 2025\*). Ongoing natural increase and net gains from permanent immigrants and interprovincial migration will add 135K residents to the province between July 1, 2025 and July 1, 2027, supporting consumer and housing demand. Most of the growth will continue to be in urban centres,

\*As of July 1 of each year.

### Population growth in Alberta by source

Thousands

- Natural increase
- Net international migration
- Net interprovincial migration
- Annual growth



F=forecast. Source: Statistics Canada Table 17-10-0008-01 and ATB Economics

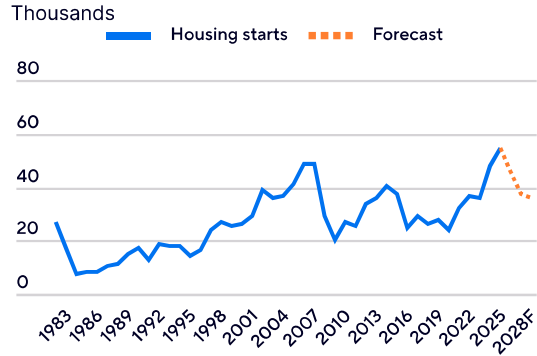
### Building, just not as much - Housing starts

As expected, the pace of new home construction in Alberta has already slowed from the record level reached last year. The pullback in starts can be linked to stronger inventories and slower population growth. Even so, the level of activity remains robust compared to the five-year average. Our forecast is for housing starts to total 45,300 in 2026 and 37,200 in 2027, down from the record setting pace of 54,900 in 2025.

House prices in Alberta have not seen the kind of correction experienced in markets like Vancouver and Toronto, but the affordability advantage enjoyed by Alberta remains firmly in place and will continue to support Alberta's population growth from net interprovincial migration. Moreover, we expect that the [labour market will now exert more pull](#). For the first time since 2015, we expect Alberta to have a lower unemployment rate than the national average. The last four years of net positive migration from other provinces has occurred despite higher unemployment in Alberta, highlighting the importance of other factors like affordability.



### Housing starts in Alberta



F=forecast. Source: Canada Mortgage and Housing Corporation and ATB Economics

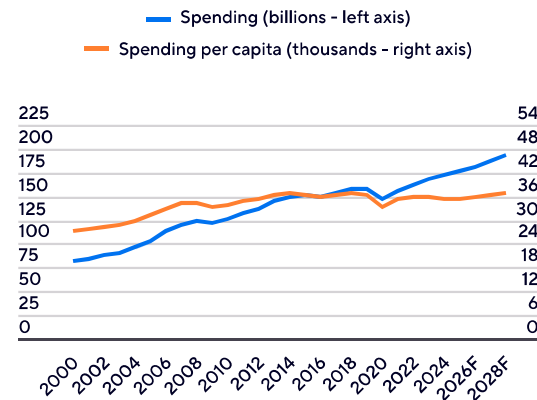
### Retail resilience - Consumer spending

Despite persistent [concerns about the rising cost of living](#) and the strain past price and interest rate increases have placed on many households, consumers in Canada have, as a group, demonstrated tremendous resilience. In Alberta, retail spending managed to grow by 4.4% last year in the face of an unemployment rate of 7.2% and the financial shock of the "mortgage cliff" (mortgages renewing at higher rates than secured during the ultra-low interest rate environment of 2020-2022).

Looking ahead, our forecast is for overall retail spending to grow by 4.2% this year and 4.8% in 2027. The growth will be supported by recent central bank easing, borrowers moving past the mortgage cliff, improving labour market conditions, and ongoing (albeit slower) population growth. The wildcard is the impact of the Iran war on prices. Consumers, for example, were paying more at gas stations in March and this could lead to less spending in other areas. Our base case assumes that this disruption will not be long enough to significantly derail overall spending plans.

### Real consumer spending in Alberta

Chained (2017) dollars



E=estimate, F=forecast.

Source: Statistics Canada Table 17-10-0008-01, 36-10-0222-01 and ATB Economics

### Reeling from tariffs - Manufacturing

About three-quarters of Alberta's manufacturing exports were sold into the U.S. market last year, most of which qualify for the CUSMA-tariff exemption. This exemption is preventing what could have been a major pullback in Alberta's manufacturing exports.

The combined drag of trade policy uncertainty, supply chain disruptions, and the U.S. tariffs that do apply (e.g., on steel and aluminum products) caused Alberta's real manufacturing exports to decline by an estimated 1.5% in 2025. They are forecast to increase by 1.4% in 2026 and 2% in 2027 on stronger demand from the rest of Canada and non-U.S. buyers.

Trade uncertainty, however, has impacted the timing of the largest construction project in the province: Dow's Path2Zero petrochemical facility. The company paused the project in April 2025 citing trade policy uncertainty, but recently announced that the project will proceed but with a completion date for Phase 1 of 2029--two years later than originally planned.

Lumber producers, meanwhile, have come under additional trade pressure with most exports facing a combined 45.6% duty and tariff, though record housing starts in Alberta have helped support demand. We expect Alberta's real wood manufacturing exports to decline by 2.2% in 2026 absent a resolution in the softwood lumber dispute.

Longer term, we expect growth in manufacturing shipments to come from expanded capacity in agri-food processing, petrochemical manufacturing, critical minerals, hydrogen, and aircraft manufacturing. See the list of Alberta major projects at the end of the Outlook.

### Feeding the world - Primary agriculture

The outlook for primary agriculture in Alberta remains mixed. Overall growth will be supported by last year's strong crop production, high cattle prices, increased canola processing, and reduced Chinese tariffs

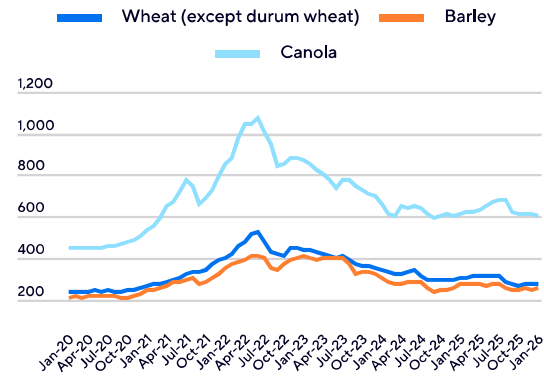
Producers will, however, be dealing with generally softer crop prices, high input costs, and drought conditions in some parts of the province.

In terms of production, 2025 was a [bumper year](#) for Alberta's three largest crops. Wheat set an all-time record with both canola and barley output well-above their five-year averages. With many operators waiting for better prices and the lifting of Chinese tariffs on March 1, much of 2025's production will be sold in 2026, supporting 2026 farm revenue.

The prices received by Alberta farmers have been on a different track. After reaching \$521 per tonne in June 2022, wheat prices have come down dramatically to \$276 as of December 2025, but have gotten some lift recently due to the Iran war.

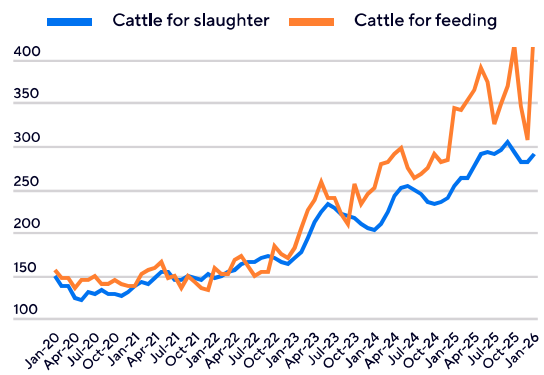


### Major crop prices in Alberta \$ per metric tonne



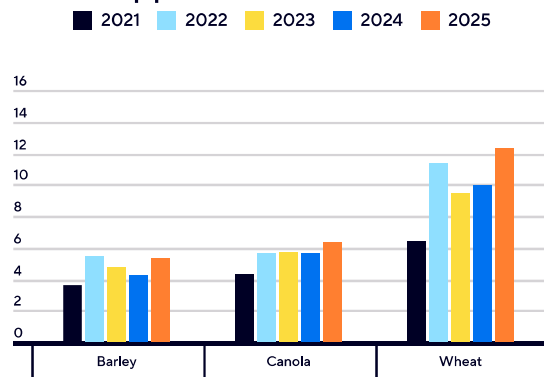
Source: Statistics Canada Table 32-10-0077-01 and ATB Economics

### Cattle prices in Alberta \$ per hundredweight



Source: Statistics Canada Table 32-10-0077-01 and ATB Economics

### Alberta crop production Million metric tonnes



Source: Statistics Canada Table 32-10-0359-01 and ATB Economics

Also down from the dizzying heights seen in 2022, canola prices have fared a little better than wheat prices with the annual average 2% higher than in 2024 and effectively range-bound over the last two years. Despite [Chinese tariffs](#) and the subsequent [drop in Canadian canola exports to China](#), increased canola processing capacity in Canada has provided some price support.

The recent deal reached with China on canola tariffs is a welcome development, but strong global supplies make the case for potentially weaker prices in 2026. U.S. biofuel policy is still in flux. On the positive side, newly proposed regulations for the Clean Fuel Production Credit recognize Canadian biofuel feedstocks as “domestic,” but a [pending EPA ruling](#) could reduce the credits given to imported biofuel and biofuel made with imported feedstock.

Barley prices are down from record highs a few years ago, the average price received in 2025 was off by 2% compared to 2024 and the outlook is soft due to strong supply.

It remains a different story for cattle prices. Tight supply and strong demand saw cattle prices break records in 2025. It will take time for herd size to increase, which will keep upward pressure on prices and continue to favour good margins for cow-calf operators. The reopening of the Chinese market to Canadian beef is a positive development, but meatpacker margins will continue to be challenged due to global competition from lower-quality beef and some consumers switching to imports of cheaper cuts. Feedlots will feel some pressure due to the need to pay for higher-priced feeder cattle while selling to packers looking to pay less due to their tight margins.

Our base case assumes that the hit to the agriculture sector from higher fertilizer and fuel costs will be limited, but this “Hormuz premium” will still reduce the margins of Alberta operators, especially those that did not purchase supplies before the run-up in prices.

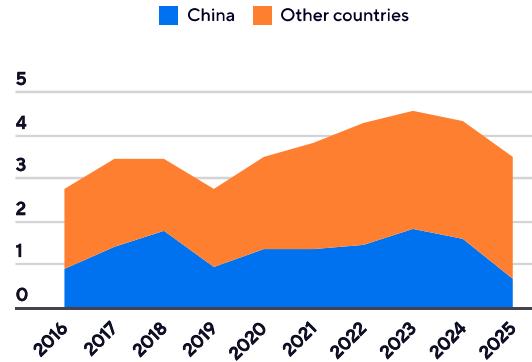
### More coming, fewer going - Tourism

Alberta’s tourism sector is expected to [perform well again this year](#) with a relatively large number of Canadians continuing to spend their tourist dollars within Canada rather than travelling to the United States. At the same time, the Canadian dollar is forecast to remain relatively stable (mid-70 cents U.S.), which continues to make Alberta an attractive destination for American travellers. To the degree that Alberta attracts more visitor spending than Albertans spend travelling outside the province, this contributes positively to total exports.

More air routes to and from Alberta airports should also provide a boost. The degree to which airfare increases due to higher oil prices will cut both ways with some Albertans staying home and spending their tourist dollars within the province while some visitors from other parts of Canada or other countries decide not to come to Alberta.



### Canadian canola exports to China \$ billion



Source: Trade Data Online (HS codes 120510; 120590; 151411; 1511419; 151491; 151499; 230641; 230649) and ATB Economics

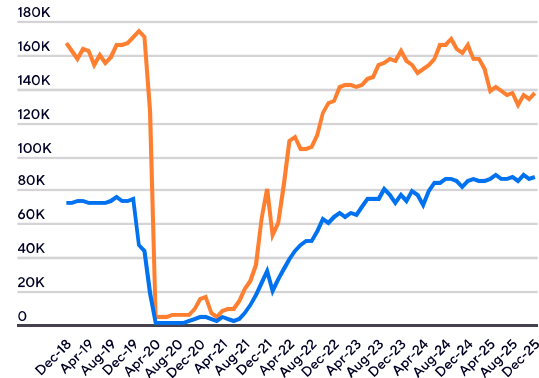
### Daily urea prices

U.S. dollars per ton, FOB U.S. Gulf futures



Source: Investing.com/CME Group and ATB Economics

### Cross-border travel trends between Alberta and the U.S. Number of persons, seasonally adjusted

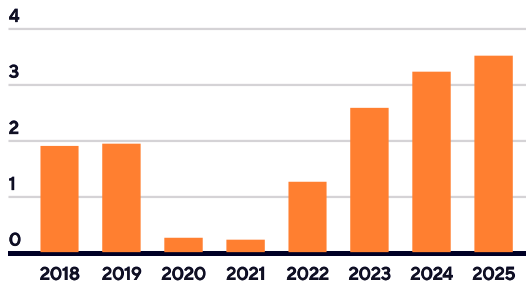


Source: Statistics Canada Table 24-10-0054-01 and ATB Economics

While the spending and visitation trends are positive, there are still challenges, including labour shortage—the food services vacancy rate exceeds all other sectors and the reduction in temporary foreign workers has reduced the size of the available workforce—and higher operating costs (including now a surge in energy prices). Rebuilding is underway in Jasper, but it will take time to get back to normal.

### Foreign\* resident spending in Alberta

\$ billion, first nine months of each year



\*Non-resident visitors to Canada.

Source: Statistics Canada Table 24-10-0066-01 and ATB Economics

### Diverse drivers

Outside recent developments, the longer term story is that Alberta's economy is benefiting from growth in a broader range of sectors than in the past. Alberta is not undergoing a typical expansion driven by oil and gas investment. Indeed, upstream oil and gas investment remains roughly half its 2014 peak in inflation-adjusted terms, and that adjustment has been challenging for Alberta's economy and the labour market, resulting in a narrowing of the Alberta-Canada wage gap.

While upstream (i.e. extraction) investment is still lower, downstream investment (e.g. petrochemicals, hydrogen, food processing) has reached record levels as the province adds more value to its natural resources. Further, rapid in-migration has provided talent for emerging sectors like tech to expand. The end result is that Alberta is now in a position where it is seeing record energy production and new growth in diverse industries. Other emerging growth sectors include renewable fuels, critical minerals, emissions reduction technology, aviation, and logistics.

[Alberta's tech sector has taken off in recent years](#) and is positioned for further growth. Calgary scored highest among North American locations in tech talent growth by CBRE over the latest five-year period and [venture capital](#) continues to flow into the province with \$465 million invested in 2025. The University of Alberta in partnership with the Alberta Machine Intelligence Institute (Amii) is a world leader in artificial intelligence and machine learning research. AI data centres are also an emerging growth area with numerous projects under construction or at the planning stages.



The relative affordability of housing in Alberta, ample low-cost office space, and quality post-secondary research institutions have helped attract mobile tech talent and related investment to Alberta. As highlighted in a recent ATB report, the tech has been resilient to past energy-related downturns, and we expect it to remain a high-growth sector for the province.

## The high and low cases

To account for extreme global economic uncertainty, ATB Economics runs alternative low and high cases. This is especially important in Alberta's trade and resource-based economy, which is highly subject to external risks. The purpose is to illustrate a range of plausible outcomes around the base case forecast.

The low case envisions a downturn caused by a deterioration in global economic conditions, triggered in part by the Iran conflict and worsening trade relationship between Canada and the U.S. that leads to the suspension of the CUSMA exemption and a higher effective tariff rate on Canada.

In the high case, a renegotiation of the CUSMA agreement eliminates most tariffs on Canada, although some sector-specific tariffs remain in place. WTI crude oil prices are higher than the base case but not so high that inflation rises precipitously and monetary policy tightens in response. Alberta gets a further boost from traction on major infrastructure projects, including pipeline expansions.

Low case	2026	2028	2027
Real GDP (annual % change)	1.2	1.8	0.9
Employment (annual % change)	2.2	1.1	0.6
Unemployment rate (annual average %)	6.7	6.7	6.8
Retail sales (annual % change)	2.7	3.7	2.7
Annual housing starts (000s)	42.5	30.0	32.0
Population (July 1, annual % change)	0.7	1.4	1.3

High case	2026	2027	2028
Real GDP (annual % change)	3.8	3.8	2.7
Employment (annual % change)	3.8	3.1	2.3
Unemployment rate (annual average %)	6.0	5.1	4.9
Retail sales (annual % change)	5.5	7.6	6.8
Annual housing starts (000s)	47.6	42.6	42.7
Population (July 1, annual % change)	1.3	2.1	2.2

## Select major projects in Alberta

### 1. Energy

- **Pipeline optimization:** [Enbridge Inc.](#) has reaffirmed its commitment to the Mainline Optimization project, moving forward despite the potential influx of Venezuelan crude to the Gulf Coast. The company recently sanctioned the US\$1.4 billion Phase 1 expansion, which is slated to add 250,000 barrels per day (bpd) to the network by 2027 through system upgrades and new pump stations. Looking ahead, Enbridge is preparing for Phase 2, which aims to deliver an additional 250,000 bpd by 2030. The Alberta-Canada MOU on energy collaboration highlights plans to further expand the Trans Mountain pipeline capacity by 300,000 to 400,000 bpd.
- **New pipelines:** ATCO's [Yellowhead Mainline](#) project involves building a natural gas pipeline along the Yellowhead Highway. Running from Peers to Fort Saskatchewan, construction on the 230 km pipeline is expected to begin in 2026 and cost over \$2 billion. The pipeline recently received the first of two key regulatory approvals from the Alberta Utilities Commission. The Alberta-Canada MOU on energy collaboration proposes one or more private sector oil pipelines with the capacity to ship at least one million barrels a day aimed at increased exports to Asian markets.

### 2. Decarbonization

- **Carbon capture:** As stated in the Alberta-Canada MOU on energy collaboration, the Pathways Alliance Carbon Capture Storage Hub and the proposed oil pipeline to the B.C. coast are mutually dependent. The project would see CO2 captured from more than 20 oil sands facilities and transported by pipeline to a joint underground carbon storage hub. [The Deep Sky Alpha](#) direct air carbon capture facility in Innisfail is now operational.
- **Hydrogen and clean fuels:** The [Air Products](#) Hydrogen Production and Liquefaction Facility in Edmonton is under construction. Once operational, the plant will capture three million tonnes of CO2 yearly and produce 1,500 tonnes of hydrogen a day. On the bio-energy front, the [Future Energy Park](#) in Calgary is set to become North America's largest carbon-negative energy facility, turning non-food-grade wheat and agricultural products into renewable natural gas (RNG) and ethanol.
- **Petrochemicals:** The [Dow Path2Zero](#) project in Fort Saskatchewan, valued at over \$10 billion, reached a positive FID but was paused citing macroeconomic and geopolitical conditions. Dow Chemical provided an [update](#) with the project now slated to come online in 2029.

### 3. AI data centres - key initiatives to date

- [Wonder Valley](#) is a proposal to build the world's largest AI data centre industrial park in the Municipal District of Greenview No. 16.
- [eStructure](#) has a \$750-million data centre under construction in Rocky View County.
- [Beacon AI Data Centers Inc.](#) is proposing to build multiple AI data centres in Alberta.
- [Crusoe AI Data Centres](#) is proposing several AI data centres in Alberta with an estimated cost of \$3 billion.
- The [Mihta Askiy Data Center](#) is a planned 650-megawatt facility in northwestern Alberta that is majority-owned by the Woodland Cree First Nation. The project repurposes a partially built industrial power plant to support AI workloads. The project recently cleared a major hurdle as the Impact Assessment Agency announced that no further assessment is required.
- [Prairie Sky Data Solutions](#) is planning to retrofit a former cannabis production facility in Strathmore into a 50-megawatt data centre and is expected to launch its first phase in 2026.

### B.C. energy export capacity

Alberta is benefitting from significant new energy export capacity via the B.C. coast. Already in operation are the [Trans Mountain Expansion Project](#), [LNG Canada Phase 1](#), and the [Ridley Island Propane Export Terminal](#).

New LNG export facilities under construction include [Cedar LNG](#) and [Woodfibre LNG](#). Additional liquefied petroleum gas (LPG, a.k.a. propane) exports will be enabled by the completion of the [Ridley Island Energy Export Facility](#) in 2026.

Projects under consideration include LNG Canada Phase 2 and the [Ksi Lisims LNG facility](#), both of which have made it onto the federal government's list of major projects.

#### 4. Critical minerals

- **Lithium:** [E3 Lithium](#) is advancing its Clearwater Project near Olds, moving toward commercial extraction of lithium from oilfield brines ("petro-lithium").
- **Processing and refining:** [Fortune Minerals Ltd.](#) secured financing to complete the purchase of a refinery site in Alberta's industrial heartland, which will process concentrates from its NICO mine (located in the NWT) to produce cobalt, gold, bismuth, and copper products essential for the EV and tech sectors.

#### 5. Food, aviation and defence

- **Food manufacturing:** [McCain Foods Ltd.](#) is doubling the size of its potato processing facility near Coaldale in a \$600 million investment. In the same region, [NewCold](#) is building a \$222 million cold storage facility. Under construction in the Aspelund Industrial Park near Blackfalds, the [Dairy Innovation West](#) Facility is a \$75 million milk concentration plant that will accommodate up to 300 million litres of milk per year. New plant based protein facilities have been proposed, including by [Phytokana](#) in Strathmore (\$225M), [More than Protein Ingredients Ltd.](#) in Red Deer County (\$160M), and [PIP-International](#) in Lethbridge (\$150 million).
- **Aviation:** [De Havilland](#) Canada's new aircraft manufacturing facility in Wheatland County. The Alberta Training Centre of Excellence for Aviation and Aerospace is being [developed](#) by Montreal-based CAE Inc. in partnership with WestJet, the Government of Alberta, and the Calgary Airport Authority.
- **Defence:** Canada is on track to hit NATO's 2% of GDP spending target this fiscal year and is on the path to meet NATO's Defence Investment Pledge of spending 5% of GDP on defence by 2035. Alberta ranks second nationally in the number of defence tech and dual-use companies at [167](#) with US\$850 million in disclosed funding.

#### About ATB Financial

Powering possibilities for our clients, communities, and beyond is what drives us at ATB Financial. As a leading Alberta-based financial institution with over \$100 billion in total assets and assets under management, our success comes from more than 5,000 team members who deliver exceptional experiences to over 843,000 clients across our Personal and Business Banking, ATB Wealth Management, and ATB Capital Markets businesses. ATB Financial provides expert advice and services through our extensive branch network and agencies, our dedicated Client Care Centre and our digital banking options. ATB Financial is bronze certified as part of the Partnership Accreditation in Indigenous Relations commissioned by the Canadian Council for Indigenous Business. More information about ATB can be found at [atb.com](http://atb.com).



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ATB Financial, Media Relations Team [media@atb.com](mailto:media@atb.com)