



# THE FUTURE

MEETING PRIORITIES SHARING BENEFITS

Economic Outlook

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# Economic Outlook

A strong rebound in energy sector investment helped the economy grow by an impressive 6.1% in 2000, the fastest growth among provinces. Continued strong economic growth of 4.8% is expected in 2001, led by robust consumer spending and rising exports.

Although energy prices are expected to decline to more sustainable levels, Alberta's economy should continue expanding at a healthy 3.2% per year, on average, over the medium term. Personal and corporate tax cuts will keep consumer and business confidence high, while exports are expected to rise as major manufacturing and oil sands investment projects begin production.

## 2000 IN REVIEW

### *Rebound in energy sector leads growth*

- World oil prices increased from an average of U.S.\$19.30 per barrel in 1999 to an average of U.S.\$30.29 per barrel in 2000.
- High demand and tight U.S. natural gas supplies boosted natural gas prices to record levels. Between January and December 2000, the Alberta reference price rose well over 200% to \$8.73 per thousand cubic feet (mcf). The Alberta reference price averaged \$4.50 per mcf in 2000, up from \$2.48 per mcf in 1999.
- As a result, investment in the energy sector is estimated to have risen by \$4.9 billion, or 47%, to \$15.4 billion last year. The average number of rigs drilling in 2000 increased to 295, up 41% from 209 in 1999, while the total number of oil and gas wells drilled increased by 3,987, or 61%, to 10,512 in 2000.
- The rebound in energy investment was a key factor driving Alberta's real GDP growth, estimated at 6.1% in 2000. The sharp rise in energy prices also raised nominal GDP an estimated 22%.

### *Non-energy sector also healthy*

- Despite some regional problems, net farm income was up 12.6% in 2000. A 4.3% decline in crop cash receipts was offset by a 11.5% increase in livestock receipts as the cattle sector remained healthy and hog prices recovered.
- Building permits increased by 10% in Alberta for 2000.
- The value of manufacturing shipments was up 17.3% in 2000, led by increases in petroleum and coal products (62%), machinery (27%), primary metals (22%), paper and allied products (19%), and fabricated metals (19%).

### *Good job prospects and tax cuts strengthen household spending*

- The unemployment rate averaged 5.0% in 2000, down from 5.7% in 1999. By December 2000, Alberta's unemployment rate was 4.8%, the lowest among the provinces.
- Employment increased by 34,900 jobs or 2.2% in 2000, led by increases in trade (11,200), construction (11,000), accommodation and food services (10,600), professional, scientific and technical services (5,900), transportation and warehousing (5,900) and manufacturing (5,800). Skill shortages may be emerging in some sectors.
- The strength of the Alberta economy attracted a net total of 21,951 interprovincial migrants in 2000, up from 13,985 in 1999.
- In 2000, wage settlements in Alberta averaged 4.3%. Strong growth in labour income, the elimination of the provincial surtax, provincial tax rebates, and federal income tax cuts contributed to a 7.1% rise in disposable income.
- These income gains helped increase consumer purchasing power despite the rise in inflation to 3.5%. As a result, retail sales in Alberta rose 8.9% in 2000 and total housing starts rose 3.2%.

## **GLOBAL ECONOMIC OUTLOOK**

### *United States and the global economy are slowing down*

- Growth slowed sharply in the United States in the second half of 2000, as the economy responded to the rise in interest rates the year before. The extent and suddenness of the slowdown caught many analysts by surprise.
- The U.S. Federal Reserve has reacted strongly to the continued weakness in the U.S. economy, cutting interest rates by 1 percentage point in January 2001, and by another half percentage point in late March. Although Alberta Finance expects the Federal Reserve to successfully avoid an outright recession, U.S. growth is expected to slow to around 2% this year, down from 5% in 2000. Economic growth is also expected to moderate in the rest of the world.
- The unexpectedly sharp slowdown in the United States has led the Bank of Canada to cut Canadian interest rates by three-quarters of a percentage point since January. Lower interest rates and major federal and provincial tax cuts are expected to keep consumer spending reasonably healthy this year. However, economic growth in Canada is expected to slow from 4.7% in 2000 to around 2.9% in 2001, as exports to the United States slow.

### *Commodity prices ease*

- With slower global demand growth, world oil prices are expected to head down from US\$30.20 per barrel in the 2000-01 fiscal year to US\$25 in 2001-02, and US\$21 thereafter.

- With oil prices declining and increased natural-gas-directed drilling in Canada and the United States, natural gas prices are also expected to fall back from their recent record peaks to average \$6.07 per mcf in 2000-01, \$5.03 in 2001-02, \$3.75 in 2002-03, and \$3.44 in 2003-04.
- In contrast, agricultural prices are expected to firm somewhat. Grain prices appear to have bottomed out, hog prices have recovered from recent lows and cattle prices are expected to remain healthy.
- Consumer price inflation in Alberta is expected to fall to 2% this year from 3.5% last year. Provincial energy rebates reduced the CPI index for natural gas in Alberta by close to 40% between December 2000 and February 2001, and moderated the increase in the CPI index for electricity to around 5%. CPI inflation rates are expected to decline as the recent run-up in energy prices is unwound. This will increase consumer purchasing power.

## **ALBERTA ECONOMIC OUTLOOK**

### *Tax cuts keep economic growth at 4.8% in 2001*

- Alberta's new personal income tax system, originally announced in Budget '99, became fully effective on January 1, 2001. Increased personal and spousal exemptions and the introduction of a 10% single rate tax will result in estimated annual savings for Alberta taxpayers of \$1.1 billion in 2001, bringing the total tax cut to \$1.5 billion, a 23% reduction since 1998.
- The federal government has followed Alberta's lead in indexing the personal tax system to inflation. It has also cut personal tax rates and eliminated its high income surtax.
- Continued strong employment and wage growth and the large provincial and federal tax cuts are expected to increase the amount of money in consumers' pockets and raise living standards. Personal disposable income is expected to increase by about 10% in 2001. As a result, real consumer spending is expected to grow 6.3% in 2001.
- Real exports are expected to rise 5.8% this year, as petrochemical and oil sands expansions come into production.
- Energy sector investment will remain strong due to natural gas directed drilling and major oil sands projects. Non-energy investment activity is expected to decline somewhat this year as construction ends and production begins at several major projects. Overall, real private investment in 2001 is expected to be about the same as last year.
- As a result of tax cuts, increased consumer spending and healthy exports, Alberta's real GDP is expected to grow by 4.8% this year.

### ***Diversification strengthens Alberta's medium-term prospects***

- In the medium term, economic growth is expected to average a robust 3.2% per year in Alberta, led by exports and consumer spending. Cuts in corporate income tax rates are expected to help keep investment levels high.
- In September 2000, the provincial government announced that it would implement the Business Tax Review Committee's major recommendations. The general and manufacturing and processing corporate income tax rates will be cut to 8% over a period of 4 years, as affordable, with the first phase of the cut starting on April 1, 2001. The small business rate will be cut from 6% to 3% by April 1, 2003 and the amount of income eligible for the small business deduction will be increased from \$200,000 to \$400,000.
- About \$31 billion in major investment projects are announced or already under construction. These include oil sands and other oil and gas projects (over \$16 billion), utilities (\$3.5 billion), transportation (\$3.1 billion), pipelines (\$3 billion) and commercial or real estate developments (\$2.8 billion).
- Alberta's good economic prospects and high standard of living are expected to continue attracting people from other provinces. Net interprovincial migration is expected to average about 15,000 people a year.
- Unless in-migration picks up strongly, continued healthy employment gains and somewhat slower labour force growth are expected to reduce Alberta's unemployment rate to 3.5% by 2004.

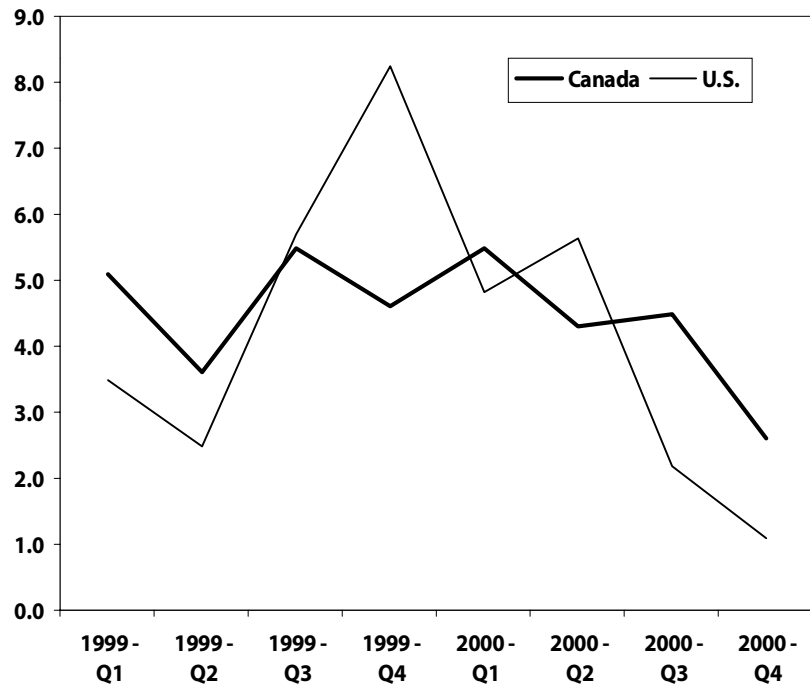
### ***At this point, the major risk to the forecast is a hard landing in the United States***

- Some analysts are now calling for U.S. economic growth of around 1% this year, despite the sharp decline in interest rates and the prospect of major U.S. federal tax cuts. Under this pessimistic scenario, economic growth in Canada could fall to around 1.5% even though large federal and provincial tax cuts should help sustain household spending.
- While the probability of such a scenario is relatively low (perhaps 20% to 30%), it would have a modest negative impact on Alberta's economic performance. The impacts would be more severe if slower growth led to a sharp drop in global energy demand and a more rapid reduction in oil and natural gas prices.
- Even without a hard landing in the United States, the current global oil demand-supply situation is balanced on a knife edge. Oil prices could decline more sharply than expected if OPEC fails to adhere to the recently announced production cuts.

## SLOW US GROWTH SPILLS OVER INTO CANADA

Quarterly real GDP at annualized rates (per cent change)

- U.S. growth slowed sharply from 5.6% at annual rates in the second quarter of 2000 to 1.0% in the fourth. The extent and suddenness of the slowdown caught analysts by surprise. A number of analysts are concerned that the current contraction in the manufacturing sector will become widespread and lead the entire economy into recession.
- The slowdown in the United States is spilling over into Canada. Canadian growth fell from 4.5% in the third quarter last year to 2.6% in the fourth quarter. Canadian employment has risen by only 6,900 since last December.

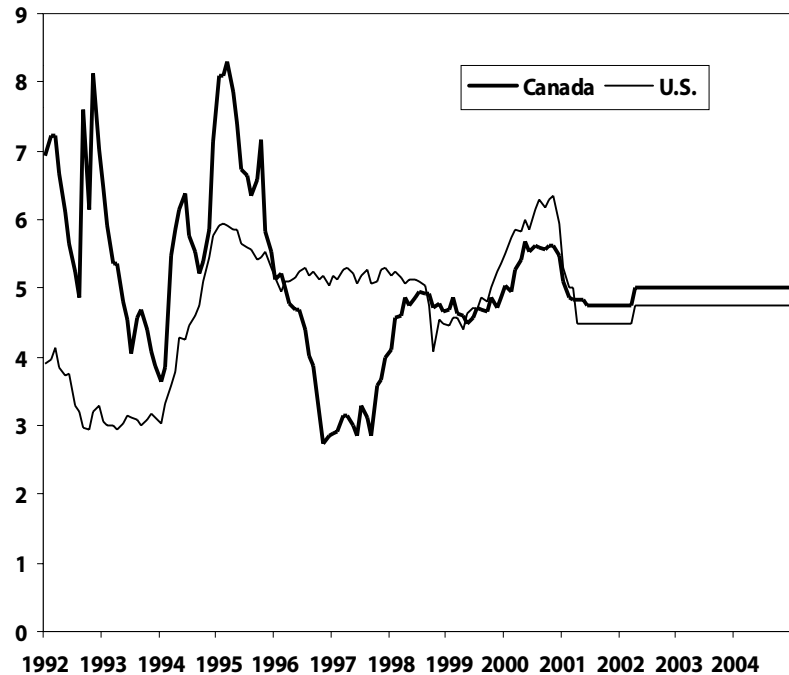


Source: Statistics Canada and Bureau of Economic Analysis

## INTEREST RATES EXPECTED TO EASE

3-month Treasury Bills (per cent)

- With inflation remaining relatively subdued, the U.S. Federal Reserve has reacted strongly to the emerging weakness in the U.S. economy. The Fed cut interest rates by 1 percentage point in January, and by an additional half percentage point in March.
- The Bank of Canada has also cut interests rates, although not as aggressively as in the United States. The Bank cut rates by one-quarter percentage point in late January and another half percentage point in early March, citing the unexpectedly sharp slowdown in U.S. activity.
- The Bank is not expected to fully match U.S. interest rate cuts this year, as low unemployment and large federal and provincial tax cuts are expected to maintain healthy growth in consumer spending.

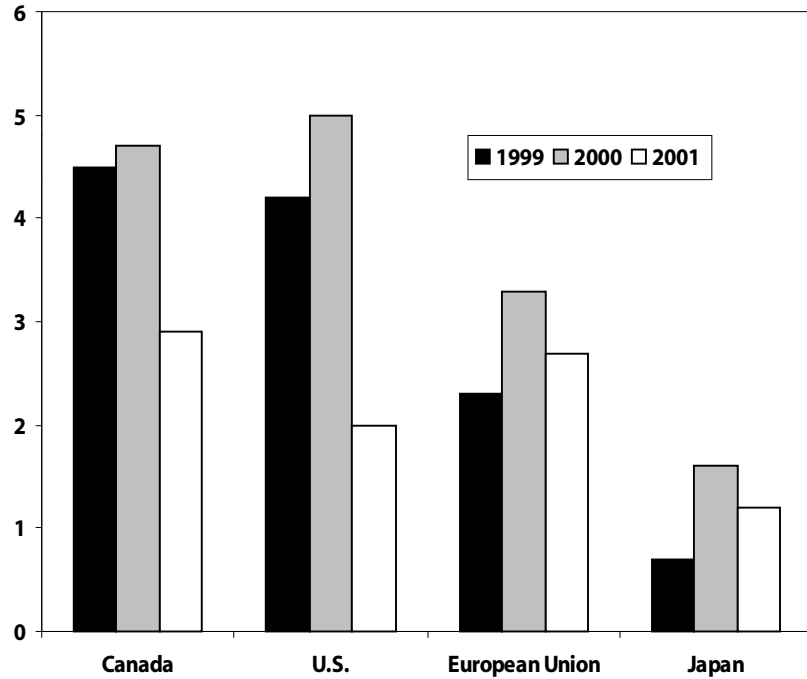


Source: Bank of Canada, Federal Reserve Bank of St. Louis and Alberta Finance.

## WORLD GROWTH TO MODERATE

Real Gross Domestic Product (per cent change)

- Given the sharp reduction in interest rates and the likelihood of substantial tax cuts later this year, the U.S. economy is expected to strengthen in the second half of 2001. Overall economic growth is expected to be about 2% this year in the United States, down from a sizzling 5% in 2000.
- Slower growth in the United States is expected to dampen growth in the rest of the global economy, particularly in Canada. Growth in Canada is expected to slow from 4.7% in 2000 to 2.9% this year. Lower interest rates and tax cuts should help sustain consumer spending, even though exports are expected to slow.

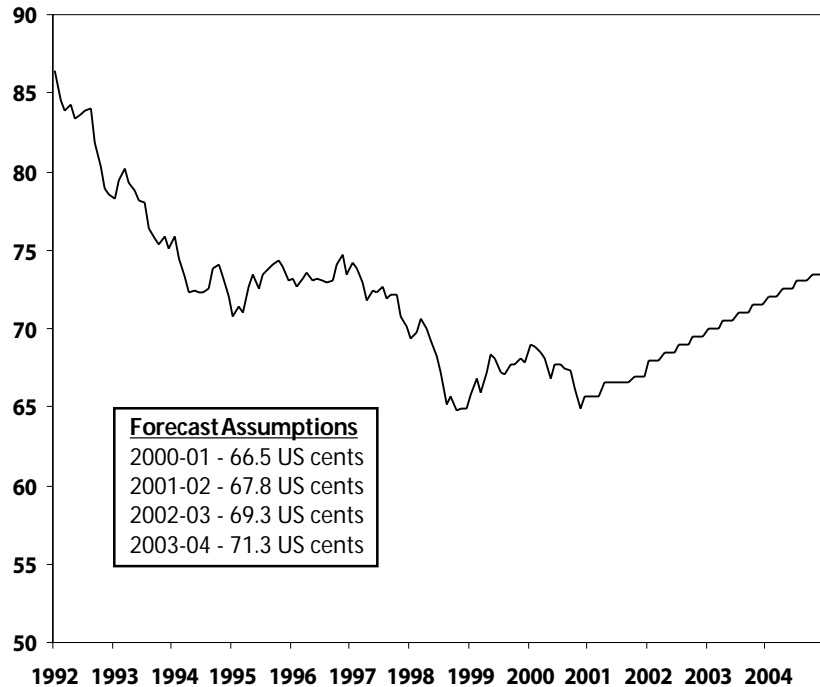


Source: IMF and Alberta Finance

## CANADIAN DOLLAR EXPECTED TO RISE

(U.S.cents/Cdn\$)

- The Canadian dollar has weakened sharply against its U.S. counterpart this year, in common with most other currencies.
- The fundamentals -- low inflation, good economic prospects, a large current account surplus, and a relatively strong fiscal position -- suggest that the Canadian dollar should gradually appreciate over the medium term.



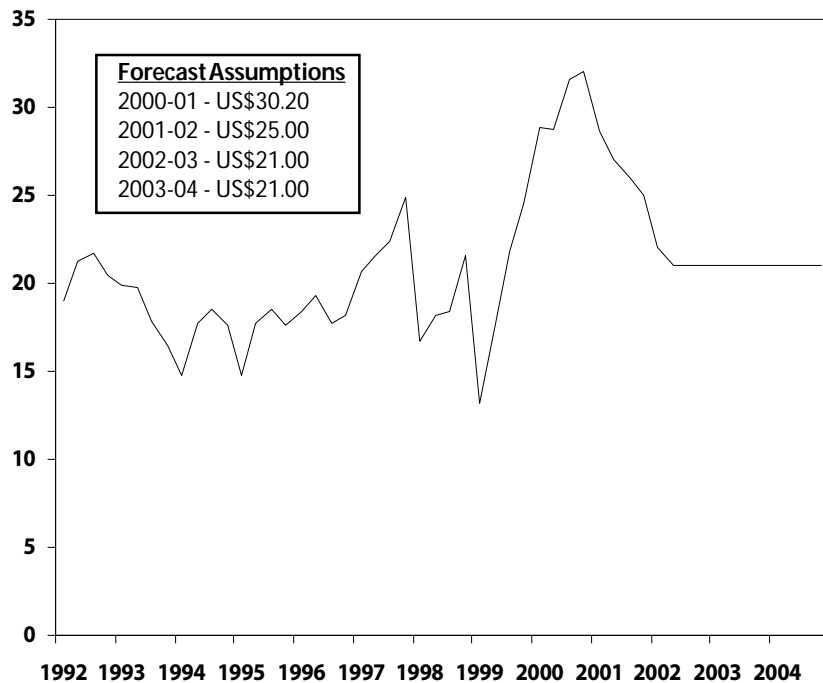
Source: Statistics Canada and Alberta Finance



## OIL PRICES TO MODERATE

WTI Price (US\$/barrel, quarterly)

- Strong global economic growth and tight OPEC supply discipline boosted oil prices in 1999 and 2000. Oil prices averaged US\$30.20 per barrel in 2000-01, up from US\$23.16 per barrel in 1999-2000.
- Prices have eased from their November peaks of around US\$35/bbl to around US\$27 per barrel in March. In March, OPEC announced substantial production cuts in order to prevent a sharp decline in prices.
- Oil prices are expected to average US\$25 per barrel in fiscal 2001-02 and US\$21 per barrel thereafter.

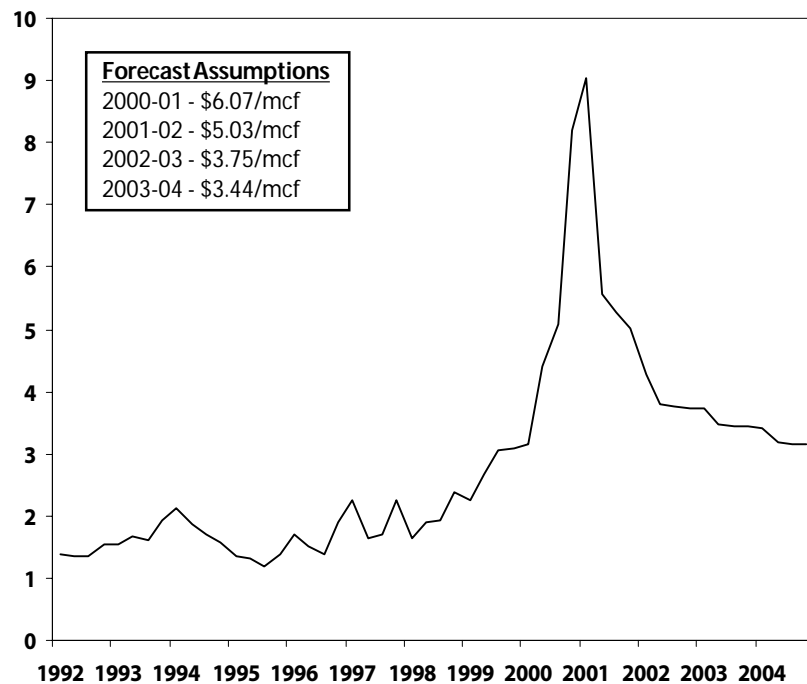


Source: Alberta Energy

## NATURAL GAS PRICES TO MODERATE

Alberta Reference Price (Cdn\$/mcf, quarterly)

- Low natural gas inventory levels and high demand for electricity generation resulted in huge increases in natural gas prices in the United States in 2000. By January 2001, the Alberta Reference Price had reached \$11.82/mcf.
- In Alberta, increased pipeline capacity has allowed domestic gas prices to follow the U.S. lead. AECO-C spot prices have increased over 100% since last March to around \$7 per mcf.
- The Alberta reference price is expected to average \$6.07 for 2000-01, up from \$2.66 in 1999-2000.
- In the medium term, natural gas prices are expected to fall back as natural gas supplies rebound and demand growth eases.

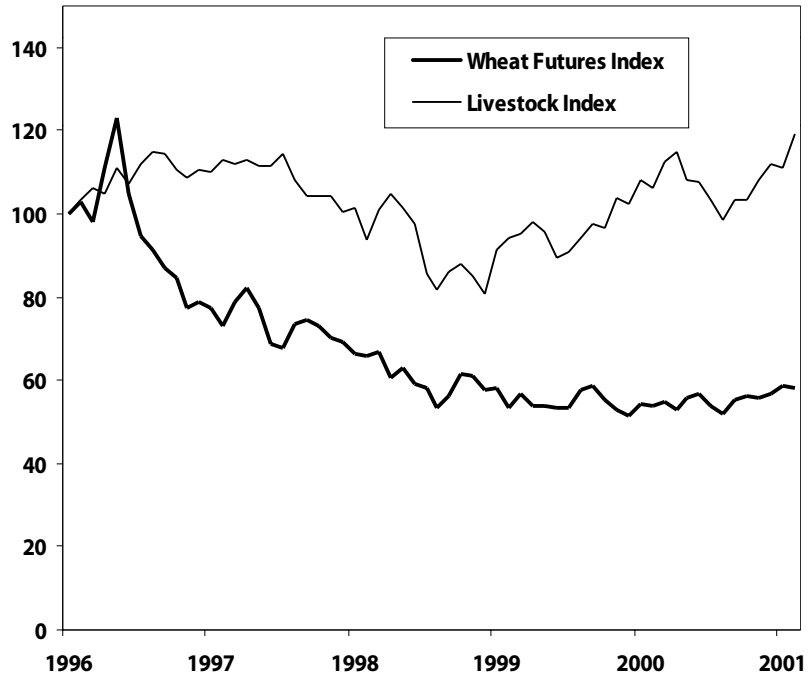


Source: Alberta Energy

## AGRICULTURE PRICES FIRMING

Goldman Sachs Commodity Index (1969 = 100)

- Livestock prices generally improved in 2000 due to the recovery in hog prices and continued strength in cattle prices. Livestock prices were up 12% in 2000. Livestock cash receipts remained strong in Alberta, increasing 11.5%, led by hog cash receipts (up 45.6%) and calves (up 25.6%).
- Prices for crops showed some signs of firming. Prices for wheat fell 9.7% in 1999, and remained virtually flat in 2000. Wheat futures prices in February 2001 were 8% higher than in February 2000. Even though crop receipts for barley were up 14.4% in 2000, a 13.3% decline in canola receipts and a 6.2% decline in wheat receipts resulted in a 4.3% decline in crop cash receipts for Alberta producers in 2000.

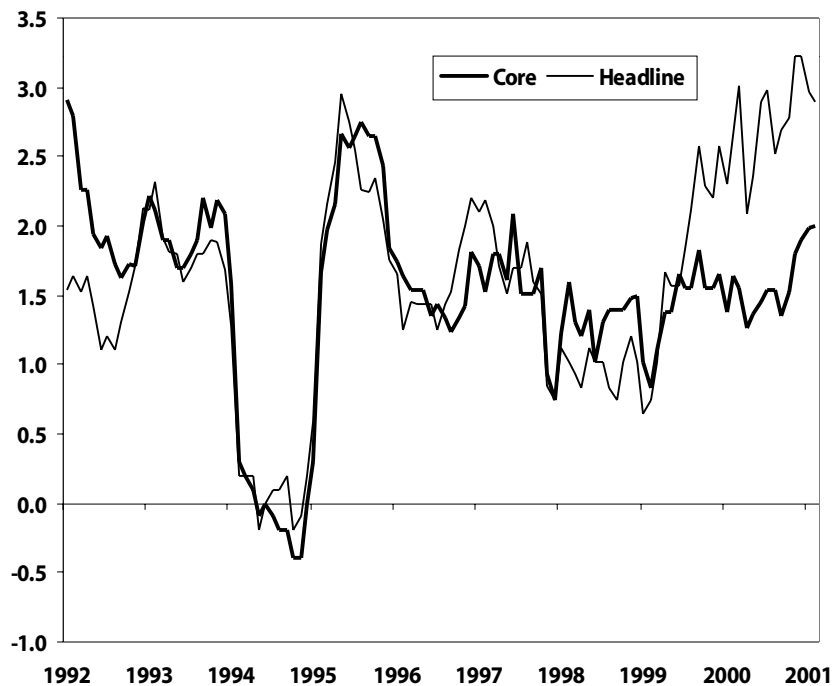


Source: Goldman Sachs and Alberta Finance

## CANADIAN INFLATION EDGING UP

Consumer Price Index (12-month per cent change)

- In Canada and around the world, higher energy prices have pushed up the overall Consumer Price Index (CPI) inflation rate. The overall CPI inflation rate was 2.9% in Canada in February.
- The core CPI inflation rate, which excludes food and energy, is a indication of underlying inflation pressures. After remaining stable at around 1.5% for the past 3 years, it edged up to 2% in February. This is still in the middle of the Bank of Canada's 1% to 3% inflation target zone.
- Domestic cost pressures remain subdued in Canada. The economy has become less energy-intensive since the 1970s, but more importantly, the rise in energy prices is expected to be temporary and thus has not had a strong impact on inflation expectations.

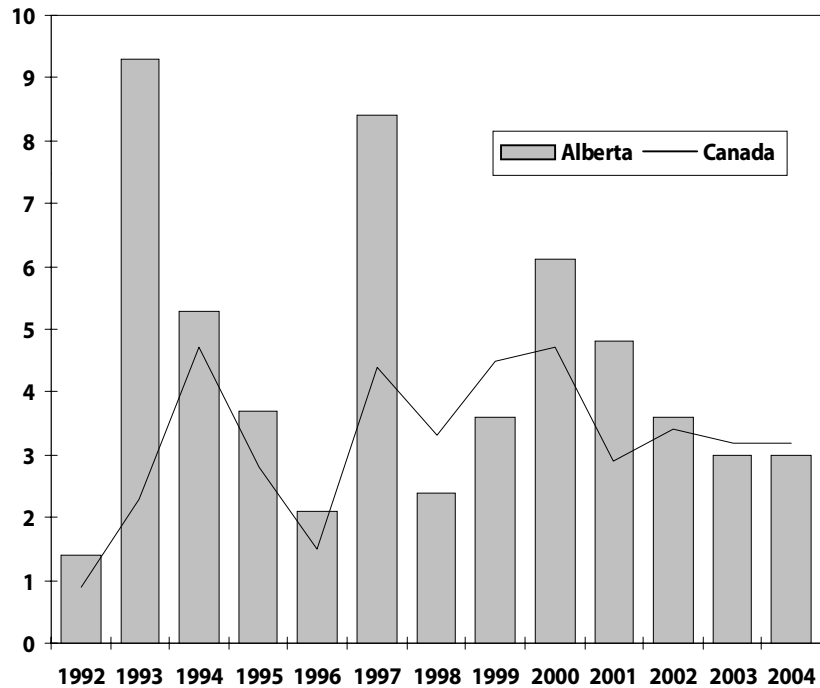


Source: Statistics Canada and U.S. Department of Labor

## ECONOMIC ACTIVITY IN ALBERTA REMAINS STRONG

Real Gross Domestic Product (per cent change)

- Alberta has grown faster than Canada in 8 of the past 10 years.
- In 2000, Alberta's economy grew an estimated 6.1% due to a rebound in energy sector investment. Growth this year is expected to be 4.8%, the fastest in Canada.
- Although energy prices are expected to fall back to more sustainable levels in the medium term, Alberta's diversified economy is expected to expand at a healthy 3.2% as tax cuts boost consumer and business spending, and major projects in manufacturing and oil sands come on stream, increasing exports.

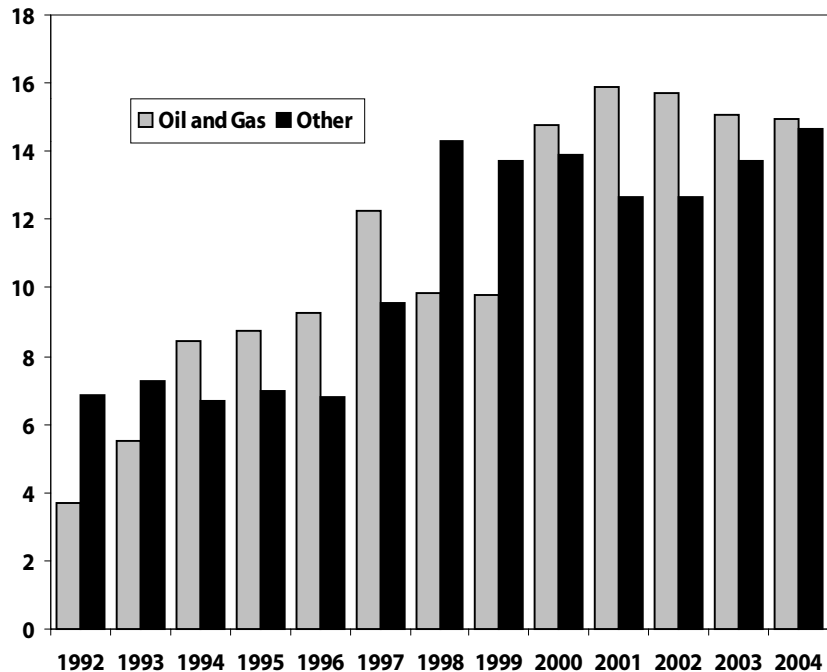


Source: Statistics Canada and Alberta Finance

- The rebound in the energy investment dominated Alberta's economic performance in 2000. Conventional oil and gas investment (exploration and development drilling), combined with continued strong oil sands investment, raised real energy investment an estimated 50% in 2000.
- Real energy investment is expected to increase further, by almost 8% this year as investment in oil sands peaks, and natural gas directed drilling remains strong.
- After modest growth of about 1.3% in 2000, real non-energy investment is expected to fall by about 10% this year as major projects are completed. Corporate income tax cuts should help boost growth in the medium term.
- Non-energy investment expected in the near future includes major projects in utilities (\$3.5 billion), transportation infrastructure (\$3.9 billion), pipelines (\$3 billion), and commercial and real estate developments (\$2.8 billion).

## INVESTMENT STRENGTHENS

Alberta Real Business Investment (billions of 1992 dollars)

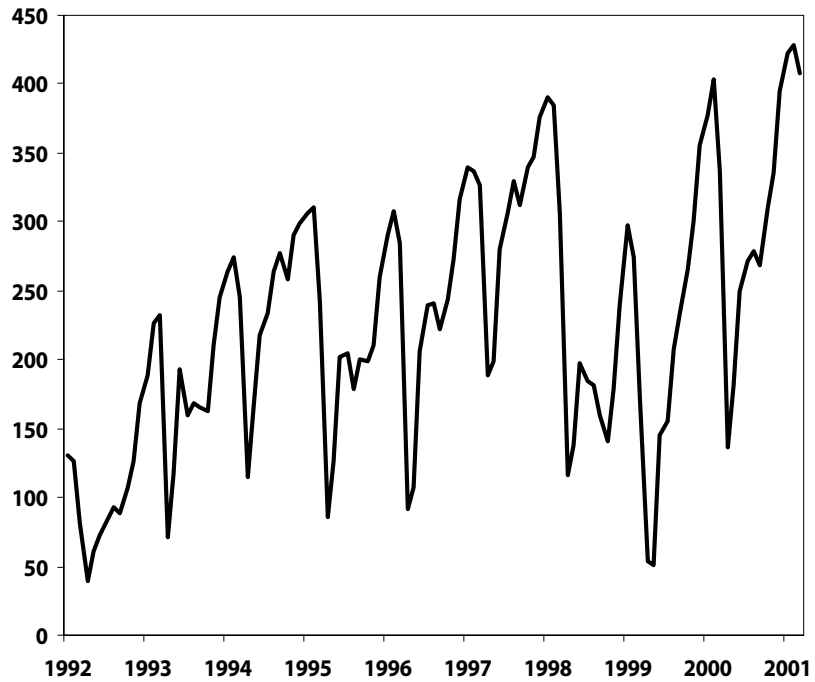


Source: Statistics Canada and Alberta Finance

## RIG ACTIVITY REMAINS STRONG

(number of rigs drilling)

- Rig activity remained strong in 2000, due to high energy prices. The number of rigs drilling increased 41.1% compared to 1999.
- In the first quarter of 2001, the average number of rigs drilling was 12.5% higher than during the same period last year.
- The total number of oil and gas wells drilled in Alberta rose 61% in 2000 to 10,512. Gas wells accounted for 69% of the total.

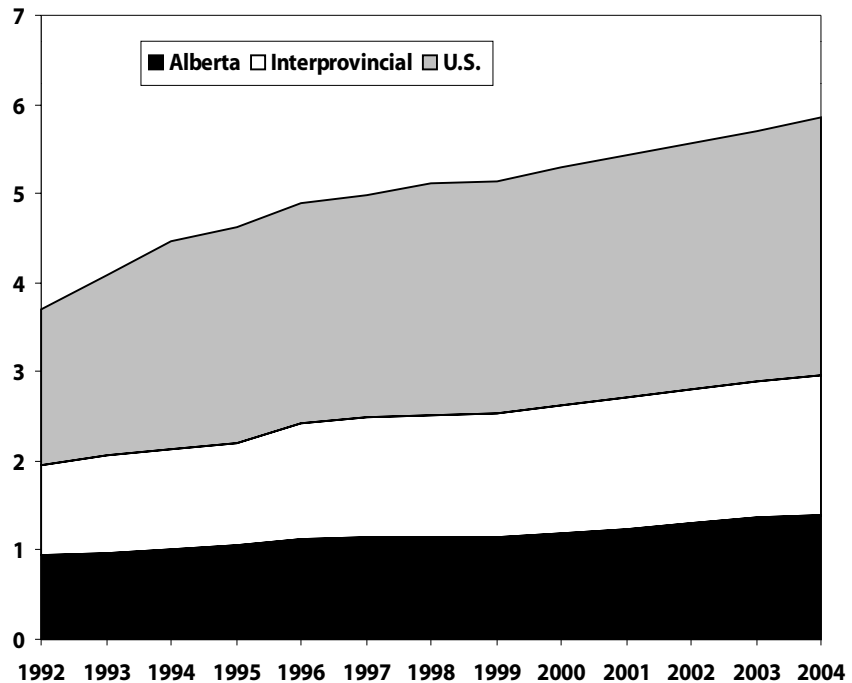


Source: Alberta Energy

## GAS SALES EXPAND WITH PIPELINE CAPACITY

(trillions of cubic feet)

- For the first 11 months in 2000, Alberta natural gas deliveries rose an estimated 0.8% compared to the same time period in 1999.
- Natural gas exports are expected to grow as the result of strong demand in the U.S. market and expanded export pipeline capacity. The Alliance and Vector pipelines, for example, came on stream in late 2000 and should help boost natural gas exports as supplies increase.

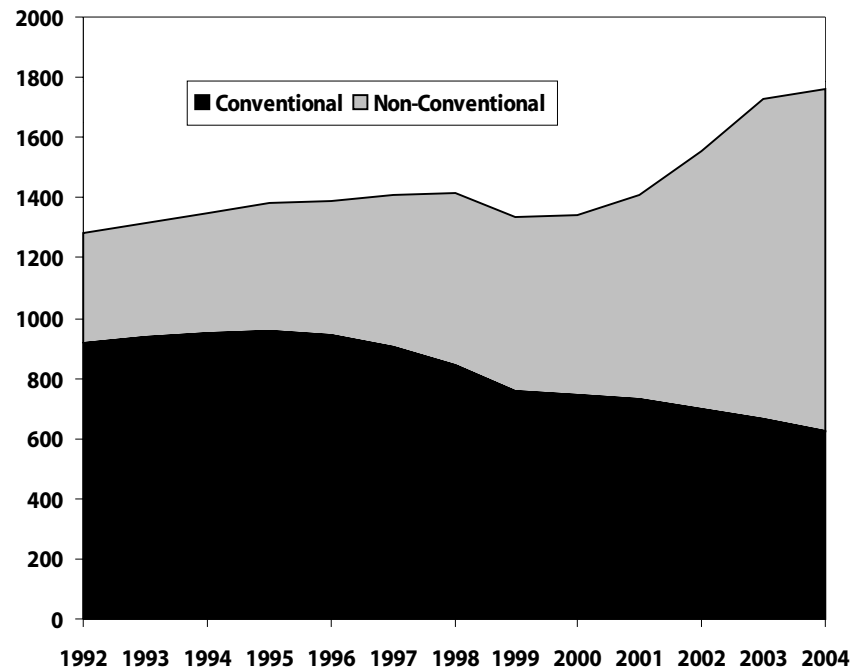


Source: Alberta Energy

## NON-CONVENTIONAL OIL PRODUCTION GROWING

(thousands of barrels per day)

- Conventional crude production has been declining since 1995, and is expected to continue to decline. Non-conventional crude production, on the other hand, has been increasing sharply, and is expected to boost energy exports as new projects come on stream.
- Non-conventional oil production is forecast to rise over 90% from current levels by 2004. It is expected to account for over 60% of Alberta's oil production in 2004, compared to an estimated 43% in 1999.
- Over \$16 billion worth of investment projects have been announced for the next 10 years. An additional \$25 billion worth of projects are in the proposal stage.

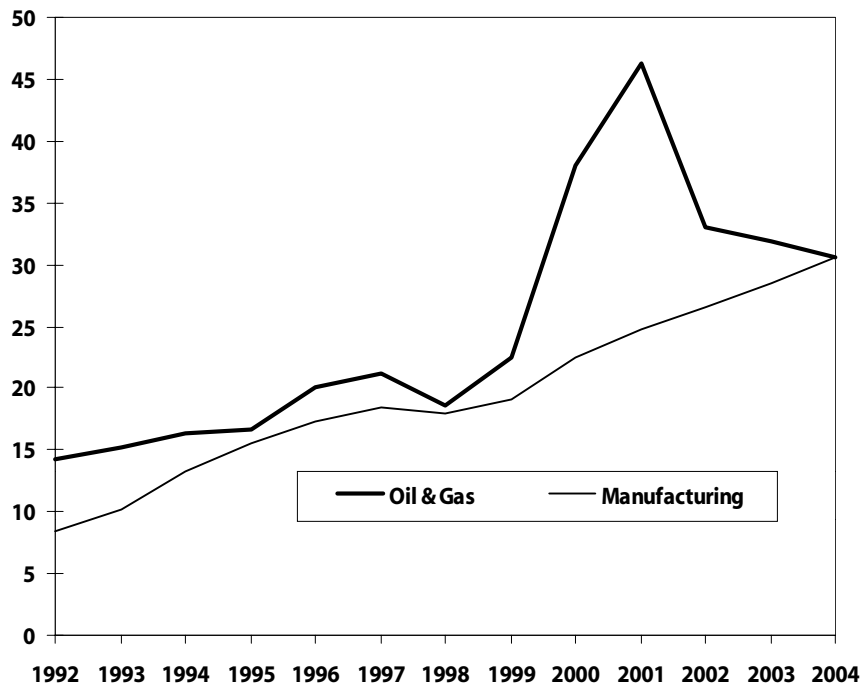


Source: Alberta Energy

## MAJOR EXPORTS STRONG

Alberta Nominal Exports (billions of dollars)

- In 2000, Alberta's international goods exports were up 59.9%, the highest rate of growth in the country. Machinery and equipment was up 80.6%, and energy products 85.3%.
- Total exports of goods and services, including those to the rest of Canada, are estimated to have risen by 32.1% in 2000 to about \$81 billion, led by a \$15.6 billion surge in the value of oil and natural gas exports. Exports accounted for 58% of the Alberta economy in 2000.
- The value of Alberta's exports is expected to increase again this year due to the rising value of natural gas exports and higher manufacturing exports as several major petrochemical plants come on stream.

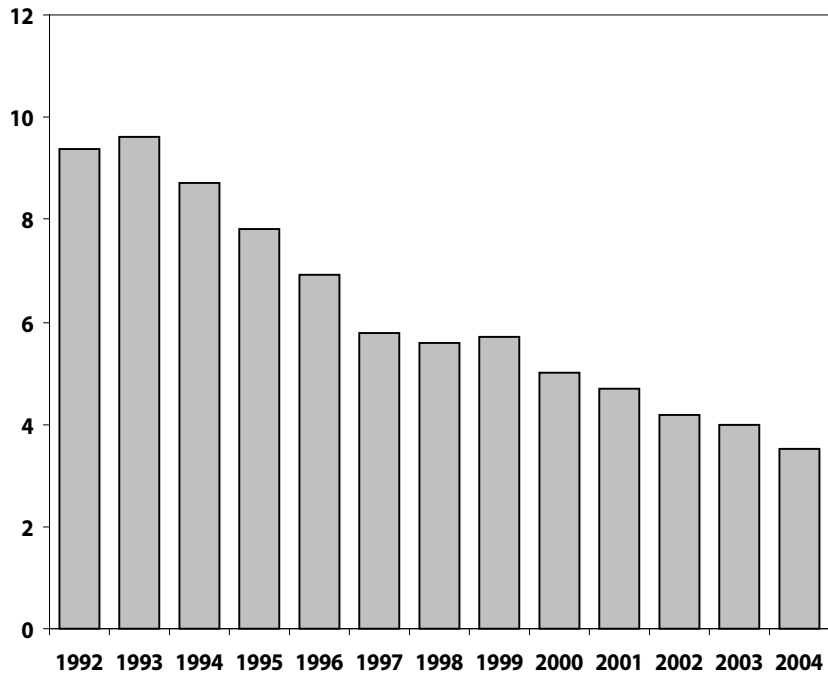


Source: Statistics Canada and Alberta Finance

## DECLINING UNEMPLOYMENT RATE

(per cent)

- Strong economic growth reduced Alberta's unemployment rate from 5.7% in 1999 to an average of 5.0% in 2000.
- In March 2001, the unemployment rate was 4.8%, the lowest among provinces.
- Alberta's unemployment rate is expected to decline gradually over the forecast horizon to around 3.5% by 2004. This is low by historical standards.

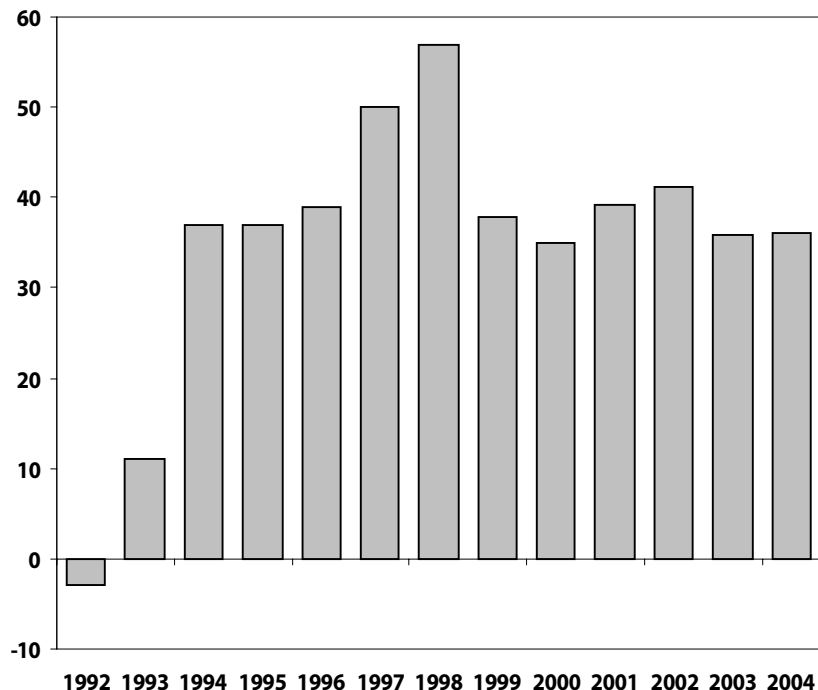


Source: Statistics Canada and Alberta Finance

## JOB GROWTH CONTINUES

Change in Employment (thousands)

- Employment growth in 2000 was a healthy 2.2% or 34,900 jobs. Gains were led by trade, construction and accommodation and food services.
- Shortages of skilled labour may have been a factor constraining employment growth in some industries.
- This year, the Alberta economy is expected to create 39,000 new jobs.
- Over the medium term, employment in Alberta is expected to grow at an average rate of 2.3% per year.
- Approximately 153,000 more jobs are forecast to be created from 2000 to 2004.



Source: Statistics Canada and Alberta Finance

## PEOPLE STILL MOVING TO ALBERTA

Alberta Net Interprovincial Migration (thousands)

- After dropping to 13,985 in 1999, net interprovincial migration picked up strongly in 2000 to 21,951, the highest among the provinces.
- Alberta's gains have come mostly from British Columbia and Saskatchewan.
- Over the medium-term, interprovincial migration is expected to add about 15,000 people to Alberta's population per year.
- Alberta's population reached the 3 million mark in 2000. It is expected to grow by 1.4% per year on average through 2004, one of the fastest rates in Canada.

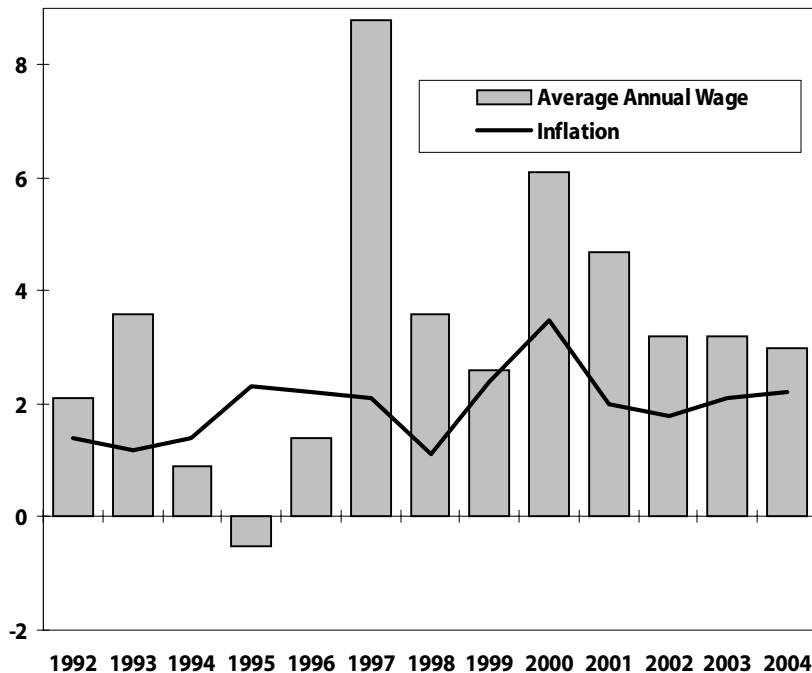


Source: Statistics Canada

## EARNINGS GROWTH IN ALBERTA

(per cent change in average annual earnings)

- Healthy employment growth and skill shortages in some key sectors are boosting wages in Alberta. Led by gains in the health sector and construction, wage settlements were up 4.3% on average in 2000, approximately double the national level.
- Average wages per worker rose 6.1% in 2000. This yields a real wage gain of 2.6% when inflation is taken into account, and continues the trend of rising real wages evident since 1997.
- In 2001, average wages per worker are forecast to increase by 4.7% per year. In 2002 through 2004, average wages per worker are expected to increase by 3.1% per year on average, about 1 percentage point higher than inflation.



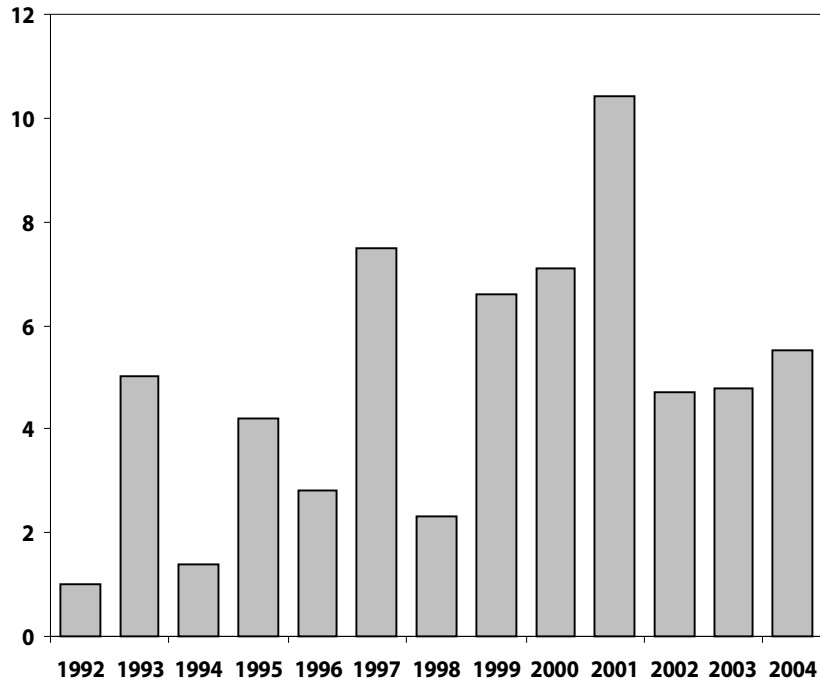
Source: Statistics Canada and Alberta Finance

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## DISPOSABLE INCOME SHOWING ROBUST GROWTH

Alberta Disposable Income (per cent change)

- Personal disposable income is expected to increase by 10.4% in 2001, primarily because of personal tax cuts and healthy wage growth.
- For 2002 to 2004 disposable income is expected to grow at around 5% per year.
- These gains are expected to translate into strong housing starts and healthy consumer spending.



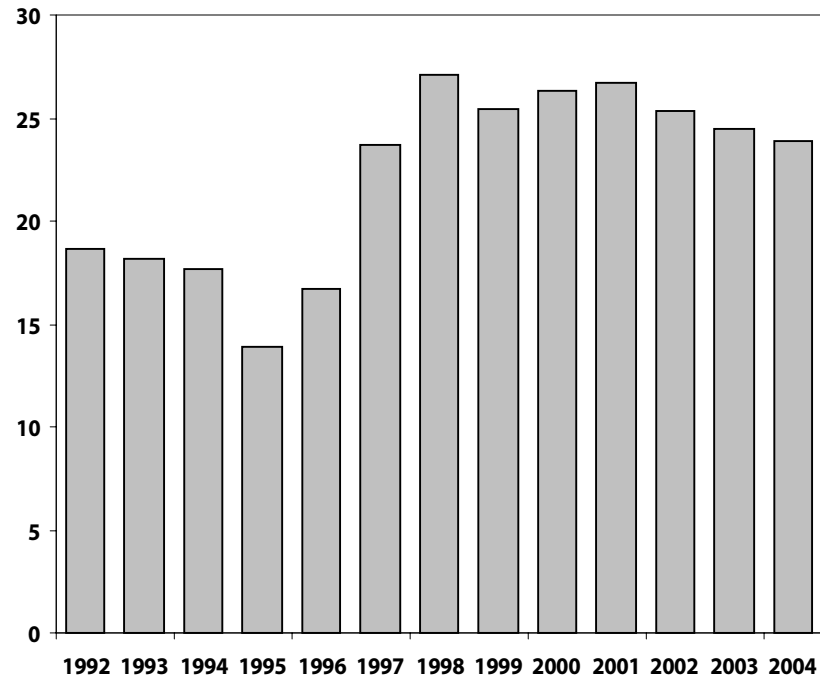
Source: Alberta Finance

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## HOUSING STRONG

Alberta Housing Starts (thousands of units)

- Healthy labour markets, continued net interprovincial immigration, and Alberta's strong economy in 2000 boosted housing activity despite higher mortgage rates. Total housing starts were up 3.2% in 2000.
- Urban housing starts have increased 7.7% during the first quarter of 2001 compared to the same the period a year ago.
- Over the medium term, housing starts in Alberta are expected to remain around 25,000 per year due to strong growth in disposable income and a healthy economy.



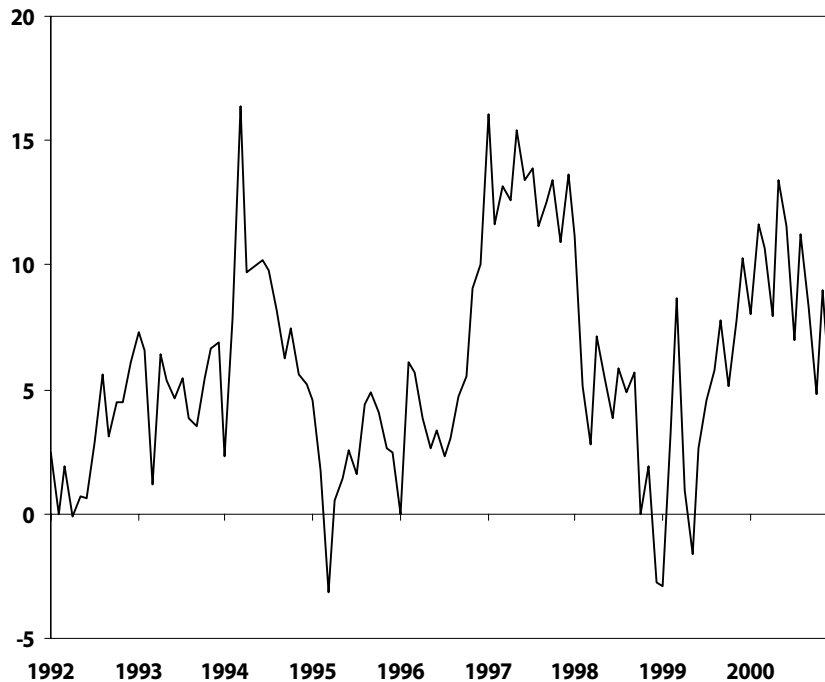
Source: Canada Mortgage and Housing Corporation and Alberta Finance



## RETAIL SALES RECOVERING

Alberta Retail Sales (seasonally adjusted, year over year, per cent change)

- Retail sales in Alberta remain strong, increasing 8.9% in 2000. Alberta leads the country in retail sales per capita.
- Strong growth in employment and wages and the final installment of the tax plan are expected to maintain strong consumer confidence and retail sales in 2001.
- Retail sales are expected to grow by 8.1% in 2001 and by 4.4% per year on average over the medium-term.

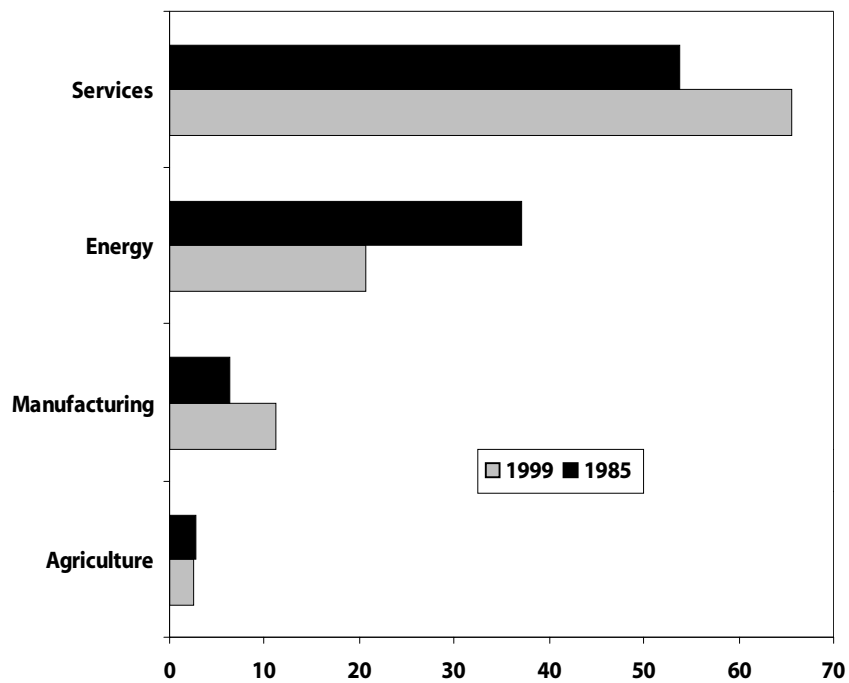


Source: Statistics Canada

## DIVERSIFICATION STRENGTHENS ALBERTA

Nominal GDP by Industry (per cent)

- Although the rebound in energy sector investment dominated growth in 2000, Alberta's economy is now more diversified and less susceptible to volatile commodity price fluctuations than it was in the 1970s and early 1980s. Energy accounted for only 20.7% of Alberta's GDP in 1999, compared to 37.2% in 1985.
- Manufacturing increased its share of Alberta GDP from 6.3% in 1985 to 11.1% in 1999 because of rapid growth in electronic products, wood products, food processing, machinery and transportation equipment, and chemicals.
- The service sector grew from 53.9% of GDP in 1985 to 65.9% in 1999 because of growth in business services (from 2.8% in 1985 to 5.7% in 1999), finance, insurance and real estate (from 9.2% in 1985 to 12.6% in 1999) and wholesale trade (3.8% in 1985 to 5.6% in 1999).



Source: Alberta Finance

# Province of Alberta

## Key Energy and Economic Assumptions<sup>a</sup>

Fiscal Year Assumptions	1998-99 Actual	1999-2000 Actual	2000-01	2001-02	2002-03	2003-04
<b>Prices</b>						
Oil price						
WTI (US\$/bbl)	13.70	23.16	30.20 <sup>c</sup>	25.00	21.00	21.00
Alberta wellhead (Cdn\$/bbl)	17.06	30.30	39.51	32.05	25.30	24.08
Natural gas price						
Alberta wellhead (Cdn\$/mcf)	1.98	2.66	6.07	5.03	3.75	3.44
Alberta wellhead (Cdn\$/GJ)	1.88	2.52	5.76	4.77	3.56	3.26
Exchange rate (US\$/Cdn\$)	66.5	68.0	66.5 <sup>c</sup>	67.8	69.3	71.3
<b>Production</b>						
Crude oil and equivalent (000's barrels/day)	1,524	1,467	1,375	1,446	1,604	1,739
Natural gas (billions of cubic feet)	5,289	5,370	5,352	5,425	5,506	5,589
<b>Interest rates<sup>b</sup></b>						
3-month Canada treasury bills (per cent)	4.81	4.76	5.42 <sup>c</sup>	4.75	5.00	5.00
10-year Canada bonds (per cent)	5.21	5.83	5.70 <sup>c</sup>	5.50	5.50	5.50
	<b>1999 Actual</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Calendar Year Assumptions</b>						
<b>Gross Domestic Product</b>						
Nominal (millions of dollars)	115,417	140,794	157,805	150,309	156,711	163,538
per cent change	9.0	22	12.1	-4.8	4.3	4.4
Real (millions of 1992 dollars)	103,794	110,124	115,434	119,623	123,155	126,886
per cent change	3.6	6.1	4.8	3.6	3.0	3.0
<b>Other Indicators</b>						
Employment (thousands)	1,553	1,588 <sup>c</sup>	1,627	1,669	1,705	1,741
per cent change	2.5	2.2 <sup>c</sup>	2.5	2.5	2.2	2.1
Unemployment rate (per cent)	5.7	5.0 <sup>c</sup>	4.7	4.2	4.0	3.5
Housing starts (number of units)	25,447	26,266 <sup>c</sup>	26,700	25,300	24,500	23,900
Alberta Consumer Price Index						
per cent change	2.4	3.5 <sup>c</sup>	2.0	1.8	2.1	2.2
Population (thousands)	2,959	2,997 <sup>c</sup>	3,041	3,084	3,126	3,166
per cent change	1.8	1.3 <sup>c</sup>	1.5	1.4	1.4	1.3

<sup>a</sup> As required by the Government Accountability Act.

<sup>b</sup> For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

<sup>c</sup> Actual

# Sensitivities to Fiscal Year Assumptions, 2001-02<sup>a</sup>

(millions of dollars)

	Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-153	--	-153
Natural Gas Price (Cdn\$/mcf)	-10¢	-142	--	-142
Exchange Rate (US¢/Cdn\$)	+1¢	-120	-30	-90
Interest Rates	-1%	-39	-29	-10
Real Gross Domestic Product	-1%	-40	--	-40

<sup>a</sup> Sensitivities are based on current assumptions of prices and rates and show the impact for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity is also affected by the timing of changes during the fiscal year.

## Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2000	2001	2002	2003	2004
<b>National Forecasting Agencies</b>					
Conference Board of Canada (Mar/01)	6.3	4.6	3.5	2.8	3.8
Standard and Poor's DRI (Feb/01)	6.1	4.0	4.0	4.9	4.2
WEFA (Jan/01)	6.2	4.0	3.3	3.2	3.2
<b>Banks</b>					
Bank of Montreal (Oct/00)	5.5	4.5	3.8	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	6.5	4.5	4.5	n/a	n/a
Royal Bank (Apr/01)	5.5	5.7	5.7	n/a	n/a
Scotiabank (Mar/01)	6.0	3.5	4.2	n/a	n/a
Toronto Dominion Bank (Mar/01)	5.6	4.0	3.8	n/a	n/a
<b>Other</b>					
Canada Mortgage and Housing Corporation (Nov/00)	5.7	4.5	3.8	n/a	n/a
BMO Nesbitt Burns (Dec/00)	5.8	4.3	n/a	n/a	n/a
High	6.5	5.7	5.7	4.9	4.2
Low	5.5	3.5	3.3	2.8	3.2
Average	5.9	4.4	4.1	3.6	3.7
<b>Alberta Government</b>	<b>6.1</b>	<b>4.8</b>	<b>3.6</b>	<b>3.0</b>	<b>3.0</b>

# Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2001	2002	2003	2004
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Mar/01)	26.92	25.18	23.80	24.33
Standard and Poor's DRI (Mar/01)	26.53	24.40	23.21	22.12
The WEFA Group (Mar/01)	26.48	24.63	23.90	23.87
<b>Investment Houses</b>				
Deutsche Bank (Feb/01)	25.50	23.50	n/a	n/a
CS First Boston (Mar/01)	23.00	18.50	18.50	18.50
Goldman Sachs (Mar/01)	23.50	22.00	n/a	n/a
JP Morgan (Mar/01)	27.70	22.00	n/a	n/a
Lehman Brothers (Mar/01)	25.50	21.00	n/a	n/a
RBC Dominion Securities (Mar/01)	25.00	25.00	n/a	n/a
<b>Industry Analysts</b>				
ARC Financial Corporation (Mar/01)	26.00	23.00	23.00	23.30
Peters & Co. Limited (Mar/01)	25.00	25.00	n/a	n/a
High	27.70	25.18	23.90	24.33
Low	23.00	18.50	18.50	18.50
Average	25.55	23.11	22.48	22.42
<b>Alberta Government (calendar year)</b>	<b>26.66</b>	<b>21.25</b>	<b>21.00</b>	<b>21.00</b>

# Natural Gas Price Forecast Benchmark

Alberta Average Wellhead Gas Price (Cdn\$/mcf)

Organization	2001	2002	2003	2004
ARC Financial Corporation (Mar/01)	6.40	5.35	4.20	4.00
Gilbert Lausten Jung Associates (Apr/01)	7.90	5.90	5.15	4.30
National Bank Financial (Mar/01)	5.20	3.90	n/a	n/a
Merrill Lynch (Mar/01)	6.00	5.00	4.65	4.30
Peters & Co. Limited (Mar/01)	5.00	5.00	n/a	n/a
RBC Dominion Securities (Mar/01)	5.50	4.80	n/a	n/a
High	7.90	5.90	5.15	4.30
Low	5.00	3.90	4.20	4.00
Average	6.00	4.99	4.67	4.20
<b>Alberta Government (calendar year)</b>	<b>6.22</b>	<b>3.89</b>	<b>3.52</b>	<b>3.23</b>

In developing its forecast, the Department of Energy also looks at forecasts from the following private sector forecasters: PIRA, Purvin & Gertz, CGES, CERA, Petroleum Economics Ltd. and Ziff.

# Canadian Short-Term Interest Rate Forecast Benchmark

3-month Canadian Treasury Bills (per cent)

Organization	2001	2002	2003	2004
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Mar/01)	4.98	5.56	5.56	5.48
Standard and Poor's DRI (Mar/01)	5.03	4.85	5.28	5.63
The WEFA Group (Mar/01)	4.69	4.94	5.48	5.54
<b>Banks</b>				
Bank of Montreal (Mar/01)	4.60	4.50	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	4.33	4.75	n/a	n/a
Royal Bank (Mar/01)	4.65	5.25	n/a	n/a
Scotiabank (Apr/01)	4.16	4.51	n/a	n/a
Toronto Dominion Bank (Mar/01)	4.33	4.65	n/a	n/a
<b>Investment Dealers</b>				
CIBC World Markets (Mar/01)	3.97	3.75	n/a	n/a
BMO Nesbitt Burns (Mar/01)	4.43	4.34	n/a	n/a
High	5.08	5.56	5.56	5.63
Low	3.97	3.75	5.28	5.48
Average	4.56	4.65	5.44	5.55
<b>Alberta Government (calendar year)</b>	<b>4.83</b>	<b>4.94</b>	<b>5.00</b>	<b>5.00</b>

# Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bond Yield (per cent)

Organization	2001	2002	2003	2004
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Mar/01)	5.68	5.96	5.99	5.92
Standard and Poor's DRI (Mar/01)	5.28	5.24	5.59	5.88
The WEFA Group (Mar/01)	5.59	5.66	5.78	5.83
<b>Banks</b>				
Bank of Montreal (Mar/01)	5.24	5.55	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	5.08	5.58	n/a	n/a
Royal Bank (Mar/01)	5.71	n/a	n/a	n/a
Scotiabank (Apr/01)	5.39	5.29	n/a	n/a
Toronto Dominion Bank (Mar/01)	5.19	6.00	n/a	n/a
<b>Investment Dealers</b>				
CIBC World Markets (Mar/01)	5.28	5.41	n/a	n/a
BMO Nesbitt Burns (Mar/01)	5.16	4.98	n/a	n/a
High	5.71	6.00	5.99	5.92
Low	5.08	4.98	5.58	5.80
Average	5.36	5.52	5.79	5.88
<b>Alberta Government (calendar year)</b>	<b>5.48</b>	<b>5.50</b>	<b>5.50</b>	<b>5.50</b>

# Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn\$)

Organization	2001	2002	2003	2004
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Mar/01)	64.6	65.5	66.6	67.3
Standard and Poor's DRI (Mar/01)	67.9	68.9	71.1	72.8
The WEFA Group (Mar/01)	66.5	69.2	71.2	73.3
<b>Banks</b>				
Bank of Montreal (Mar/01)	65.8	69.0	n/a	n/a
Canadian Imperial Bank of Commerce (Mar/01)	65.8	69.1	n/a	n/a
Royal Bank (Mar/01)	69.0	71.4	n/a	n/a
Scotiabank (Apr/01)	65.0	68.1	n/a	n/a
Toronto Dominion Bank (Mar/01)	64.8	69.6	n/a	n/a
<b>Investment Dealers</b>				
CIBC World Markets (Mar/01)	62.8	63.5	n/a	n/a
BMO Nesbitt Burns (Mar/01)	64.4	66.9	n/a	n/a
High	69.0	71.4	71.2	73.3
Low	62.8	63.5	66.6	67.3
Average	65.6	68.0	69.6	71.1
<b>Alberta Government (calendar year)</b>	<b>66.2</b>	<b>68.8</b>	<b>70.8</b>	<b>72.8</b>

# Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$bb)

Organization	How Did They Do 2000	What They Were Saying About 2001 in Budget 2000	What They Are Saying About 2001 in Budget 2001
<b>Actual</b>	<b>30.29</b>		
ARC Financial Corporation	-8.79	20.00	26.00
BT Bank/Deutsche Bank <sup>a</sup>	-6.04	20.30	25.50
Conference Board of Canada	-9.06	18.71	26.92
CS First Boston	-9.79	19.50	23.00
Goldman Sachs	-11.29	19.50	23.50
JP Morgan	-7.29	20.00	27.70
Lehman Brothers	-10.29	19.00	25.50
Peters & Co. Limited	-10.29	20.00	25.00
RBC Dominion Securities	-7.29	21.00	25.00
Standard and Poor's DRI	-10.40	19.07	26.53
The WEFA Group	-6.76	21.07	26.45
Average	-8.84	19.83	25.55
<b>Alberta Government (calendar year)</b>	<b>-9.76</b>	<b>18.00</b>	<b>26.66</b>

<sup>a</sup> Was bought by Deutsche Bank in 2000.

# Tracking the Forecasts of Alberta Real GDP

(per cent change)

Organization	How Did They Do 1999	What They Were Saying About 2000 in Budget 2000	What They Are Saying About 2000 in Budget 2001
<b>Actual</b>	<b>3.6</b>		
Bank of Montreal	-0.6	3.9	5.5
Canada Mortgage and Housing Corporation	-1.4	3.2	5.7
Canadian Imperial Bank of Commerce	-0.1	4.0	6.5
Conference Board of Canada	-2.7	4.0	6.3
BMO Nesbitt Burns	0.4	5.0	5.8
Royal Bank	-0.6	3.2	5.5
Scotiabank	-0.6	4.8	6.0
Standard and Poor's DRI	-2.0	4.6	6.1
Toronto Dominion Bank	-2.1	3.8	5.6
The WEFA Group	-0.5	3.8	6.2
Average	-1.1	4.1	5.9
<b>Alberta Government</b>	<b>-1.1</b>	<b>4.5</b>	<b>6.1</b>

# Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
<b>OIL AND GAS</b>				
Alberta Energy Company	Foster Creek	Steam Assisted Gravity Drainage (SAGD) Bitumen Project - Phase 1	320	2000-2002
Albian Sands Energy Inc.	RM of Wood Buffalo (Muskeg River)	Oilsands Mining/Extraction Plant	1,800	1999-2002
Canadian Natural Resources	Cold Lake/Pelican Lake Beartrap and Charlotte Lakes	In situ Bitumen Project	800	1997-2002
	Primrose/Wolf Lake	In situ Bitumen Project	130	2001-2003
Centurian Gas Liquids Inc.	Empress to Fort Saskatchewan	Straddle Plant and Pipeline Project	170	2000-2001
Gulf Canada Resources/ Fina Resources	Surmont	SAGD Bitumen Project - Phase 2	280	2001-2004
	Surmont	SAGD Bitumen Project - Phase 3	280	2003-2010
Imperial Oil	Cold Lake	Heavy Oil Plant Expansion "Mahkeses"	650	2001-2003
	Strathcona County	Strathcona Refinery Upgrades	500	2001-2005
	Sundre area	WestAlta Straddle Plant	250	2000-2001
Japan Canada Oil Sands	Hangingstone	SAGD Bitumen Project - Phase 3	130	2000-2003
Mobil Oil Canada	Cold Lake	In situ Bitumen Project	100	1997-2005
OPTI Canada Inc.	RM of Wood Buffalo (near Anzac)	'Long Lake' SAGD Heavy Oil Project	450	2002-2004
Pan Canadian Resources	Christina Lake	SAGD Bitumen Project	590	2000-2002
Petro Canada	Mackay River	SAGD Bitumen Project	290	2000-2002
	Strathcona County	Gasoline De-Sulphurization	130	2001-2003
Petrovera Resources	Lindbergh/Elk Point/Frog Lake/Marwayne	In situ Bitumen Projects	1,200	2000-2010
Ranger Oil Limited	Lindbergh/Wolf Lake/Elk Point/Cold Lake	In situ Bitumen Projects	225	1996-2003
Shell Canada	Strathcona County	Bitumen Upgrader and Scotford Refinery Modifications	2,100	2000-2002



# Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
<b>OIL AND GAS (continued)</b>				
Suncor	Fort McMurray	Production Enhancement	127	1999-2002
	Fort McMurray	Project Millennium - Oilsands Plant Expansion	2,800	1999-2001
	Primrose/Burnt Lake	In situ Bitumen Facilities - Phase 2	100	2000-2001
	RM of Wood Buffalo	"Firebag" In situ Bitumen Recovery Project	750	2002-2005
Syn crude Canada	Fort McMurray	Continuous Improvement Program	1,500	1997-2007
	Fort McMurray	Upgrader Debottleneck II	1,000	1998-2001
Talisman Energy	Alberta Foothills	Exploration and Development	135	2001
	Peace River	Exploration and Development	125	2001
<b>PIPELINES</b>				
Cold Lake Pipeline Limited Partnership	Foster Creek to Bonnyville area to Hardisty	Expansion of Cold Lake Pipeline System	143	2000-2002
Corridor Pipeline Ltd. (Trans Mountain Pipeline)	Muskeg River to Strathcona County	"Corridor" Bitumen Pipeline	700	2000-2003
Enbridge Pipelines Inc.	Alberta to Chicago	Terrace Expansion Pipeline Project	650	1998-2002
	Fort McMurray to Hardisty	Wildrose Pipeline - Phase 2	237	2000-2001
Nova Gas Transmission	Throughout Alberta	Pipeline Capacity Additions	1,000	1999-2003
Williams Energy	Strathcona County	Interconnecting Pipelines	235	2000-2001
<b>PETROCHEMICALS</b>				
Shell Canada	Strathcona County	Hydrogen Manufacturing Plant for Scotford Upgrader	180	2000-2002
Williams Energy	Sturgeon City	Hydrocarbon Liquids Conservation Project	220	2001-2002
<b>FORESTRY</b>				
Ainsworth Lumber Company	South of Grande Prairie	Mill Expansion	128	2001-2002
Weyerhaeuser Co. Ltd.	County of Grande Prairie	Pulp Mill Upgrades	167	2001-2002

# Announced Major Projects Over \$100 Million

Proposed or Under Construction

CompanyName	Location	Type of Project	Cost (\$millions)	Timing
<b>COMMERCIAL, RETAIL AND REAL ESTATE CONSTRUCTION</b>				
Cameron Corporation/ Grosvenor International Canada Ltd.	Edmonton	Retail Complex	250	1997-2005
East Village Partnership Group	Calgary	Re-development of East Village	1,200	2001-2010
ONTREA	Calgary	Chinook Centre Expansion	300	1997-2001
Pauls Properties Corp/ GE Pension	Calgary	"Princeton" Apartment Condominium Development	125	2000-2004
Stone Creek Properties	Canmore	Silver Tip Hotel/Resort Complex	270	1995-2015
Tsuu T'ina Nation/PCL Construction Management	MD of Rocky View	Casino/Housing/Shopping/Golf Training Facility	700	2001-2015
<b>OTHER</b>				
Alberta Children's Hospital Foundation/Calgary RHA	Calgary	New Children's Hospital	220	2001-2005
Alberta Transportation	Alberta	Highway Twinning Project	1,400	1998-2007
	Edmonton	Anthony Henday Drive Extension to Calgary Trail	220	2000-2005
Bell Intrigna/Bell Nexxia/Axia Net Media & Partners	Across Alberta	Fibre-optic Communications Grid	300	2001-2003
Calgary Airport Authority	Calgary	Airport Improvements	650	1998-2005
Canadian National Railways	Edmonton to Ontario	Railway Upgrade	100	1997-2002
City of Calgary	Calgary	LRT Extensions	181	1999-2003
	Calgary	Deerfoot Trail Extension	134	2000-2002
City of Edmonton	Edmonton	LRT Extension to Jubilee Auditorium	109	2002-2004
Edmonton Regional Airport Authority	Leduc County	International Airport Terminal Modifications	265	1998-2002
Mount Royal College	Calgary	Campus Development Phases I and 2	150	2000-2005
University of Calgary	Calgary	Health Research Innovation Centre	110	2001-2003
Various Irrigation Districts	Southern Alberta	Irrigation Systems	600	1997-2006

# Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
<b>POWERPLANTS*</b>				
AES Calgary Inc.	MD of Rocky View (east of Calgary)	Natural gas fired Power Station (525 MW)	450	2001-2003
Atco Power	Near Fort McMurray	Cogeneration Power Plant (172 MW)	200	2001-2003
Atco Power/Shell Canada/ Air Products Canada	Strathcona County	Cogeneration Power Plant (150 MW)	140	2000-2002
EPCOR	Parkland County	Genessee Power Plant Expansion (400 MW)	500	2002-2004
Nexen/Pan Canadian Petroleum	MD of Rocky View	Natural Gas Fired Cogeneration Plant (106 MW)	100	2001
Pan Canadian Petroleum Ltd.	Wheatland County (SE of Strathmore)	Natural Gas Fired Cogeneration Plant (106 MW)	100	2001
TransAlta Utilities	Parkland County	Expansion of Keephills Coal-fired Cogeneration Plant (900 MW)	1,800	2002-2005
	Parkland County	Efficiency Update at Sunshine Thermal Plant (218 MW)	200	2001-2003
<b>TOTAL</b>			<b>31,366</b>	

\* Note that this excludes projects already included in oil sands developments (808 MW) and other major projects (920 MW) which are being proposed, but which are not yet officially announced.

