

ECONOMIC OUTLOOK



Table of Contents

Economic Outlook	83
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LIST OF TABLES AND CHARTS

Key Energy and Economic Assumptions	87
Sensitivities to Fiscal Year Assumptions, 2006-07	88
Global Growth to Remain Strong	89
Steady Economic Growth in Canada	89
Canadian Job Growth Moderates	90
Inflation Contained Despite Higher Energy Prices	90
Interest Rates are Rising	91
Canadian Dollar Reaches a 14-Year High	91
Oil Prices Reach Record Levels	92
Natural Gas Prices Soar After Hurricanes	92
Strong Economic Growth to Continue in Alberta	93
Conventional Energy Sector Builds on Record Activity	93
Oil Sands Investment Surges in 2005	94
Non-Conventional Oil Production Takes Off	94
Housing Starts Reach 27-Year High	95
Alberta Construction Prices Increase	95
Strong Growth Leads to Highest Wages in Canada	96
Highest Disposable Income in Canada	96
Retail Sales Continue Growth	97
Border Reopens to Cattle But Crops Struggle	97
Alberta's Exports Continue to Increase	98
Alberta Continues to See Gains in Employment	98
Alberta - The Destination of Choice	99
Lowest Unemployment Rate in Two Decades	99
Oil Price Forecast Benchmark	100
Tracking the Forecasts of Oil Prices	100
Natural Gas Price Forecast Benchmark	101
Tracking the Forecasts of Natural Gas Prices	101
Canadian Short-Term Interest Rate Forecast Benchmark	102
Canadian Long-Term Interest Rate Forecast Benchmark	102
Canada/United States Exchange Rate Forecast Benchmark	103
Alberta Real Gross Domestic Product Forecast Benchmark	103
Announced Major Projects Over \$100 Million	104

Economic Outlook

2005 IN REVIEW

The Alberta economy grew by an estimated 4.3 per cent in 2005, the best performance of any province for the second consecutive year. Over the past fifteen years, Alberta's economic growth has exceeded the national average twelve times.

High energy prices, along with strong investment and consumer spending, have fuelled the Alberta economy.

- Alberta's energy sector continued to benefit from higher oil and gas prices in 2005. Strong global demand and low world spare capacity for oil drove prices to an estimated average US\$60/bbl in 2005-06, up 33 per cent from 2004-05. Natural gas prices followed the high price of oil early in the fiscal year and then spiked in late August after two hurricanes disrupted production along the U.S. Gulf Coast, resulting in an estimated average price of C\$8.40 per GJ in 2005-06.
- Higher energy prices encouraged strong exploration and development activity in Alberta's energy sector, with conventional drilling activity up 15.3 per cent in 2005. Oil sands investment increased by over \$3 billion or 54 per cent in 2005, to an estimated \$9.8 billion.
- Real non-residential construction investment within Alberta was up almost 20 per cent in 2005, with commercial (18 per cent) and industrial (77 per cent) construction investment contributing to the gains.
- Alberta's housing starts increased to 40,847 in 2005, its highest level since 1978. A strong housing market, combined with higher material, labour and land costs, pushed Alberta new house prices up in the latter half of 2005. From September to December 2005, prices increased by nearly 12 per cent from a year ago, with December prices up almost 18 per cent from December 2004. For all of 2005, new home prices increased 7.1 per cent in Alberta, compared to 5 per cent in Canada.
- Alberta non-residential construction costs increased by 6.9 per cent in 2005, above the seven-city Canadian average of 5.6 per cent. Higher commodity prices, labour shortages and wage pressures were the main drivers.
- Rapid labour income growth and strong growth in population strengthened Alberta's already robust consumer sector with retail sales up 12.1 per cent in 2005, compared to growth of 6.1 per cent across Canada.
- Alberta continued to experience a tight labour market in 2005 with an unemployment rate averaging 3.9 per cent for the year. Some regions within the province experienced unemployment rates below 3 per cent, including Wood Buffalo (Fort McMurray), Athabasca and Camrose. Shortages of skilled workers are being reported throughout the province.

- Labour income rose by 9.4 per cent in 2005, its largest increase since 2001. Average weekly earnings also experienced strong gains, enjoying the highest increase among the provinces at 5.2 per cent in 2005.
- Alberta's inflation rate averaged 2.1 per cent in 2005, up from 1.4 per cent in 2004 as energy prices contributed to almost a third of the overall increase. Core inflation (excluding food and energy) averaged 1.4 per cent for 2005. Decreases in global prices of various consumer goods and the appreciation of the Canadian dollar to a fourteen-year high lowered the prices of imported goods, which kept core inflation low.
- Even with a relatively high Canadian dollar, Alberta's manufacturing sector continued to build on the momentum started in 2004. Shipments increased by another 11.9 per cent in 2005. Nationally, shipments were up 3.1 per cent in 2005.
- Alberta's agriculture sector experienced some improvements in 2005 with the opening of the U.S. border to live cattle under the age of thirty months in July 2005. Alberta exported over 213 thousand cattle to the United States between July and December, inclusive. However, crop prices fell 22 per cent in 2005 due to rising inventory levels from two years of high crop production, reduced crop quality from poor harvesting weather and a world oversupply of grain.
- Alberta continues to be the destination of choice for Canadians moving from other provinces. In 2005, for the ninth consecutive year, Alberta gained more net interprovincial migrants than any other province. From July 1, 2004 to June 30, 2005, Alberta gained a net 16,615 people from other provinces. Overall, Alberta led all provinces with population growth of 1.6 per cent in 2005, well above the national increase of 0.9 per cent.

THE ECONOMIC OUTLOOK IN BRIEF

World Economic Developments

Monetary authorities around the world raised interest rates in 2005 to head off inflationary concerns related to higher energy (up 45 per cent) and commodity prices (up 23 per cent) and are likely to raise interest rates further this year.

The U.S. Federal Reserve Board raised interest rates 14 times in the past year and a half, while the Bank of Canada raised its overnight rate five times since September 2005. In Europe, the Central Bank increased its key interest rate for the first time in five years. Japan is also nearing the end of its five-year policy of zero interest rates.

- World economic growth is expected to average 4 per cent from 2006 to 2009.
 - China and India are expected to lead world economic growth through the forecast period, with growth in the 7 to 9 per cent per year range.
 - Economic growth is expected to average about 3 per cent in Canada and the United States from 2006 to 2009.
 - With Japan's economy recovering since last year and Europe expected to do so in 2006, economic growth in both areas is expected to average between 2 and 3 per cent per year over the forecast period.
- Oil and gas prices are expected to moderate to more sustainable levels.
 - Oil supply is expected to grow faster than demand, putting downward pressure on oil prices. The world price of oil is expected to average US\$50/bbl in 2006-07, US\$45/bbl in 2007-08 and US\$42.50/bbl by 2008-09.
 - The North American natural gas market is expected to remain relatively tight with flat production and rising demand. Northern gas from the Mackenzie Delta is not expected until 2011-12, while the Alaska pipeline is unlikely to be completed until 2015-16. Prices are expected to average C\$7.50/GJ in 2006-07, C\$6.50/GJ in 2007-08 and C\$6.25/GJ in 2008-09.
- With the Canadian economy operating at full capacity, the Bank of Canada is expected to continue raising interest rates in order to head off inflationary pressures.
 - As of March 7, 2006, the Bank of Canada's overnight rate was at 3.75 per cent, up 1.25 percentage points from September 2005. Short-term interest rates are expected to rise further and peak at 4.5 per cent by 2007-08.
 - Long-term interest rates have remained stable, despite increases in short-term interest rates during the current tightening cycle in Canada and the United States. Huge capital inflows into the U.S. bond market have kept downward pressures on long-term rates, reflecting a global glut in savings and large trade surpluses in Asia and oil producing countries. A decline

in the U.S. dollar against major world currencies and concerns about continued high trade deficits are expected to increase long-term interest rates to 6 per cent by 2008-09.

- Canadian inflation is expected to ease from 2.2 per cent in 2005 and remain contained around 2 per cent over the forecast period.
- Supported by rising interest rates, solid economic growth and firm commodity prices, the Canadian dollar is expected to average 85 cents through the forecast period.

The Alberta Economic Outlook

Economic growth is expected to be 4.8 per cent in 2006. Increasing oil sands production, rising investment and consumer spending, along with an improved agriculture sector, will all contribute to 2006's impressive rate of growth.

Over the medium term, Alberta's economic outlook is very positive, with growth averaging 3.5 per cent per year through 2009. Several factors, including a vibrant energy sector, strong business investment, robust consumer spending and a healthy labour market, will sustain this performance.

- Oil sands production in Alberta is becoming a very important source of crude oil in the world. Billions of dollars are being invested in developing Alberta's oil sands, whose reserves are second only to Saudi Arabia. In 2005 alone, \$9.8 billion was invested in Alberta's oil sands, adding to the \$35 billion already invested over the 1996-2004 period. Oil sands production is expected to nearly double from 2004 levels by 2009, while strong investment in pipelines is expected as rising oil sands production will require transportation to market.
- Alberta's conventional natural gas production is declining by over 2.5 per cent per year. This is expected to be partially offset by gas production from coal and other non-conventional sources.
- Investment in Alberta's non-energy sector will continue to prosper, increasing by an average 8 per cent per year in real terms between 2006 and 2009. Government spending on infrastructure projects around the province will also continue to support a vibrant construction sector.
- With a strong global outlook, Alberta's manufacturing sector is expected to grow by nearly 5 per cent per year over the forecast period. Benefiting from higher oil sands and pipeline investment, fabricated metals and machinery manufacturing should post strong growth over the forecast period. However, increased global competition, a higher Canadian dollar and energy costs will likely constrain wood products and petrochemical manufacturing.
- The household sector continues to benefit from a robust Alberta economy and strong wage gains. In 2006, retail trade is expected to remain strong, supported by continued growth in wages, employment and higher net migration, as well as the \$400 prosperity cheques sent to every Albertan early in the year. Retail sales are expected to grow by over 6 per cent per year over the forecast period.

- Housing starts are expected to remain above 40 thousand in 2006 and average over 36 thousand units per year between 2007 and 2009. Strong growth in population and rising incomes will keep housing starts at relatively high levels by historical standards.
- Alberta will remain at full employment, with employment growing by 2.2 per cent per year through the forecast period. With Alberta's tight labour market, the unemployment rate will remain below 4 per cent. Increased migration levels should help to alleviate the shortage of workers. Over the forecast period, Alberta is expected to gain an average of 20,000 people per year from other provinces, specifically from Eastern Canada as manufacturing industries in those provinces struggle with the impact of the higher Canadian dollar.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2003-04 Actual	2004-05 Actual	2005-06	2006-07	2007-08	2008-09
Prices						
Crude Oil Price						
WTI (US\$/bbl)	31.38	45.03	60.00	50.00	45.00	42.50
Alberta Wellhead (Cdn\$/bbl) ^a	36.40	48.23	63.37	50.47	46.02	43.27
Bitumen @ Edmonton (Cdn\$/bbl) ^b	23.20	25.67	29.97	26.00	24.46	23.41
Natural Gas Price						
Alberta Reference Price (Cdn\$/GJ)	5.45	6.05	8.40	7.50	6.50	6.25
Production						
Conventional crude oil (000's barrels/day)	619	589	561	529	517	508
Non-conventional crude oil (000's barrels/day)	882	989	1,093	1,281	1,399	1,520
Natural gas (billions of cubic feet)	5,226	5,253	5,236	5,211	5,132	5,070
Interest rates						
3-month Canada treasury bills (per cent)	2.70	2.28	2.95	3.95	4.50	4.50
10-year Canada bonds (per cent)	4.68	4.54	4.10	4.95	5.80	6.00
Exchange Rate (US¢/Cdn\$)	74.0	78.4	84.0	85.8	85.0	85.0
Calendar Year Assumptions	2004 Actual	2005 Actual	2006	2007	2008	2009
Gross Domestic Product						
Nominal (millions of dollars)	187,150	211,520 ^c	228,817	230,477	238,262	251,144
per cent change	9.3	13.0	8.2	0.7	3.4	5.4
Real (millions of 1997 dollars)	135,837	141,610 ^c	148,358	153,493	158,723	164,540
per cent change	4.3	4.3	4.8	3.5	3.4	3.7
Other Indicators						
Employment (thousands)	1,757.5	1,784.4	1,824.0	1,864.5	1,905.1	1,946.9
per cent change	2.4	1.5	2.2	2.2	2.2	2.2
Unemployment rate (per cent)	4.6	3.9	3.9	3.9	3.9	3.9
Housing starts (number of units)	36,270	40,847	40,164	37,606	36,390	35,567
Alberta Consumer Price Index (per cent change)	1.4	2.1	2.4	2.2	2.2	2.2
Population (thousands)	3,204.8	3,256.8	3,316.3	3,375.1	3,432.4	3,488.0
per cent change	1.4	1.6	1.8	1.8	1.7	1.6

^a Refers to the average price per barrel of Alberta light, medium and heavy oil.

^b The bitumen price is an estimate of the price at Edmonton and is not an actual market price.

^c Estimated.

RISKS TO THE ECONOMIC OUTLOOK

- Oil and Gas Prices
 - There is significant uncertainty over energy prices. A greater than expected decline in world energy prices could negatively impact Alberta's energy sector and reduce government revenues.
 - Higher than forecast energy prices would increase government revenues, but global economic growth could be negatively affected.
- Tight Alberta Labour Market
 - Tight labour markets and the robust Alberta economy could exacerbate wage pressures making some sectors less competitive. Inflationary pressures, particularly in the construction sector, could dramatically increase government and private sector infrastructure costs.
- Inflationary Pressures and Higher Interest Rates
 - Current increases in overall consumer and wholesale prices could cause inflationary pressures to emerge. Monetary authorities could respond by raising short-term rates higher than expected, triggering slower world growth.
- Strong Canadian Dollar
 - A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. Oil and gas activity could also be negatively affected due to lower returns for energy exporters. A high Canadian dollar also lowers government resource revenues, as energy prices and contracts are mainly based on the U.S. dollar.
- U.S. Budget and Current Account Imbalances
 - Has the potential to disrupt world financial markets and significantly reduce the U.S. and global economic growth in the medium term.

Sensitivities to Fiscal Year Assumptions, 2006-07^a

(millions of dollars)

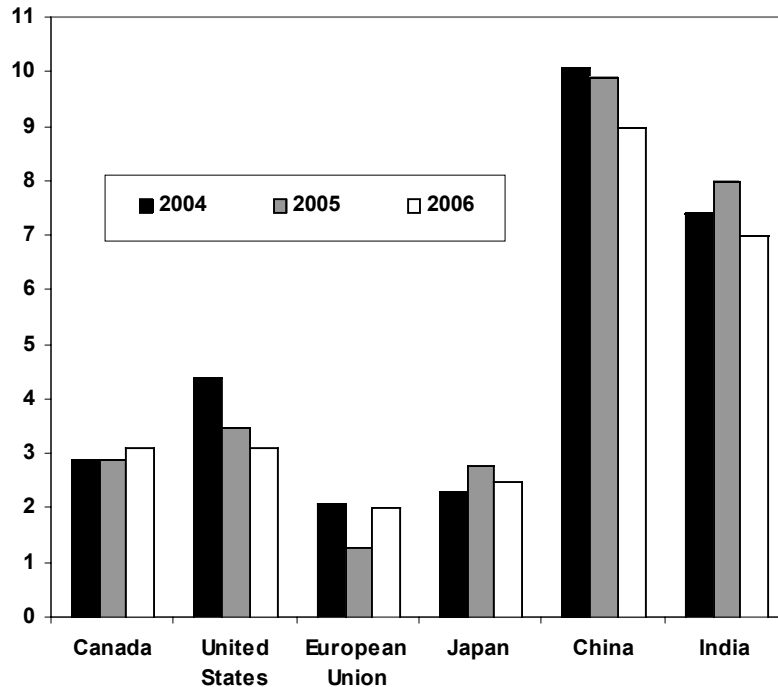
	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-123	--	-123
Natural Gas Price (Cdn\$/GJ)	-10¢	-104	--	-104
Exchange Rate (US¢/Cdn\$)	+1¢	-172	--	-172
Interest Rates	+1%	-200	+5	-205

^a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

GLOBAL GROWTH TO REMAIN STRONG

Real Gross Domestic Product (per cent change)

- The global economy grew by an estimated 4.3 per cent in 2005. Growth was strongest in China and India, robust in the United States and anemic in Europe.
- The global economy is forecast to grow by 4 per cent in 2006. China and India are expected to lead growth, with China expected to advance by 9 per cent and India by 7 per cent.
- In the United States, Canada's largest trading partner, growth of 3 per cent will be supported by strong business investment and government expenditures. Rising interest rates and higher energy prices are likely to slow the pace of consumer expenditures.

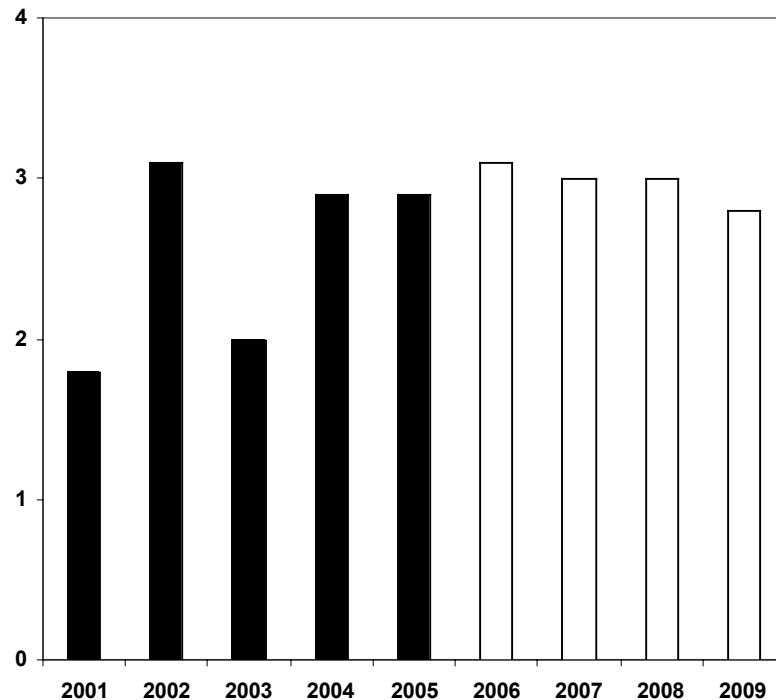


Source: Statistics Canada, International Monetary Fund, Various National Statistical Agencies and Alberta Finance

STEADY ECONOMIC GROWTH IN CANADA

Canadian Real GDP (per cent change)

- Canada's real GDP grew by 2.9 per cent in 2005, due to strong domestic demand.
- Domestic demand in Canada strengthened in 2005, with investment accelerating and consumer spending remaining strong. The external sector was a drag on growth as the higher Canadian dollar and continued competition from Asian countries boosted imports, while exports posted only moderate growth.
- Although the Canadian economy remains fundamentally sound, a higher dollar and rising interest rates are expected to keep a lid on Canada's growth. Economic growth is forecast to average 3 per cent in 2006 and over the medium term.

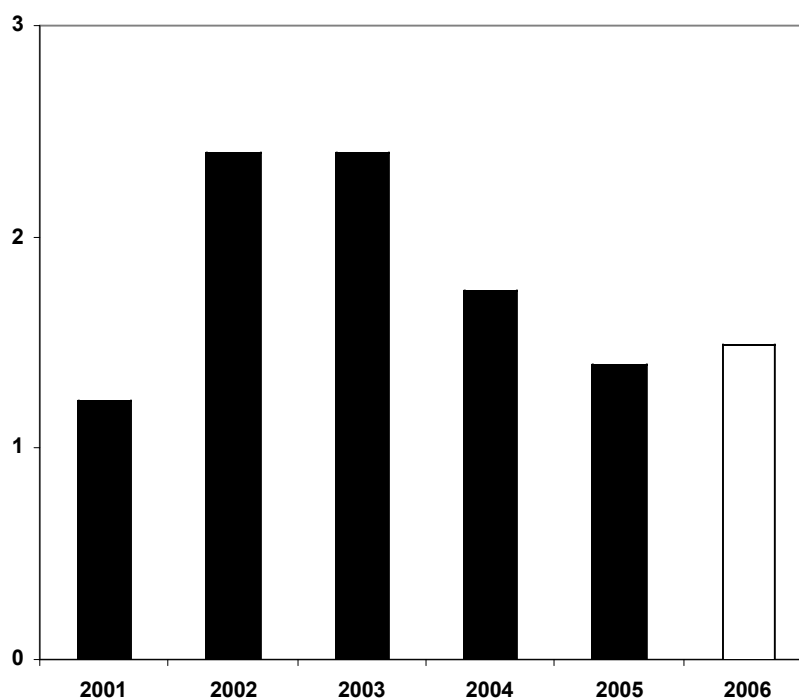


Source: Statistics Canada and Alberta Finance

CANADIAN JOB GROWTH MODERATES

Canadian Employment Growth (per cent change)

- Despite steady GDP growth in 2005, employment growth in Canada slowed to 1.4 per cent. The slower pace of employment growth in 2005 reflected a pick up in labour productivity, which was up 1.1 per cent in 2005.
- In 2005, Canada's unemployment rate fell to 6.8 per cent, its lowest level in three decades, with the exception of 2000. The decline was driven by slower growth in the labour force, which grew by only 0.9 per cent.
- Canadian employment growth is expected to average 1.5 per cent in 2006 over the medium term.

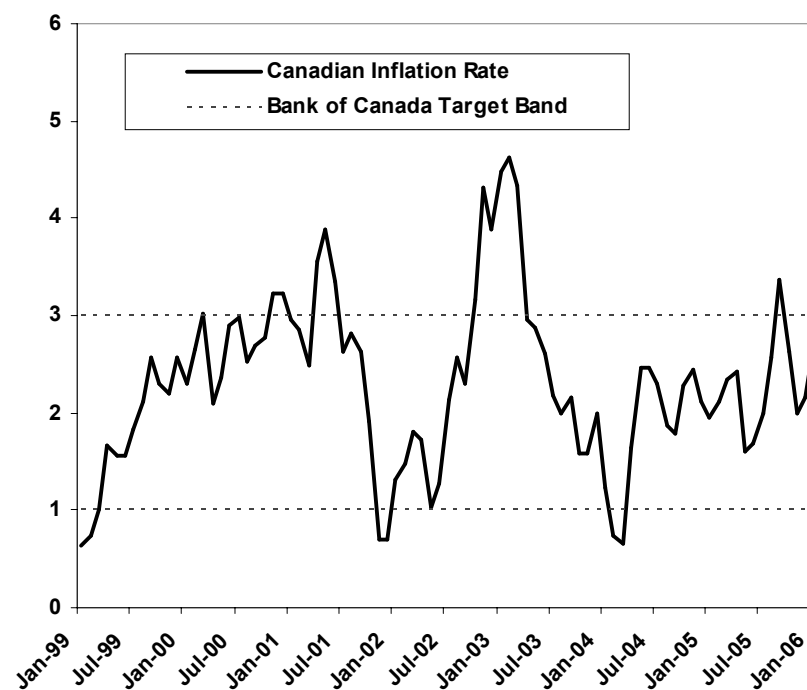


Source: Statistics Canada and Alberta Finance

INFLATION CONTAINED DESPITE HIGHER ENERGY PRICES

Consumer Price Index (per cent change)

- Energy prices were a major driver of global inflation in 2005. As a result, overall Canadian inflation rose to 2.2 per cent in 2005 from 1.9 per cent in 2004. However, core inflation (excluding food and energy) was 1.4 per cent, well within the Bank of Canada's target band of 1 to 3 per cent.
- With strong economic growth, Alberta's CPI inflation increased to 2.1 per cent in 2005 from 1.4 per cent in 2004.
- Rising cost pressures in Alberta are likely to keep Alberta's inflation rate somewhat higher than the national average. Alberta's inflation rate is expected to average 2.2 per cent over the forecast period, compared to 2 per cent in Canada.

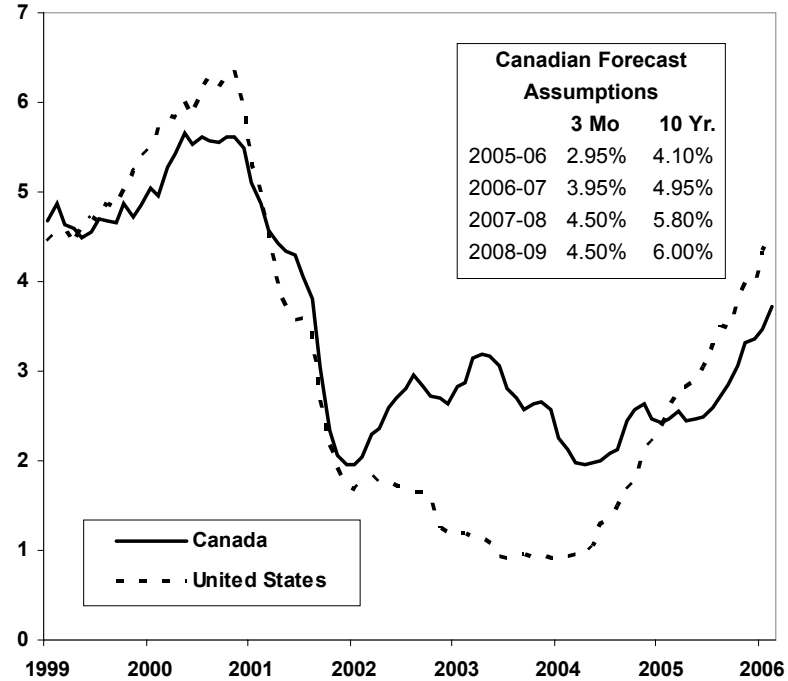


Source: Statistics Canada

INTEREST RATES ARE RISING

3-month Treasury Bills (per cent)

- U.S. interest rates have been rising steadily since mid-2004. Currently at 4.5 per cent, they are approaching their peak for this economic cycle.
- Canadian interest rates have also risen and were at 3.75 per cent as of March 7, 2006, 75 basis points below U.S. rates.
- With the Canadian economy operating at full capacity, higher commodity prices and rising wages are putting upward pressure on inflation. The Bank of Canada is expected to continue to raise short-term interest rates in the near term, with rates peaking at 4.5 per cent in 2007-08.

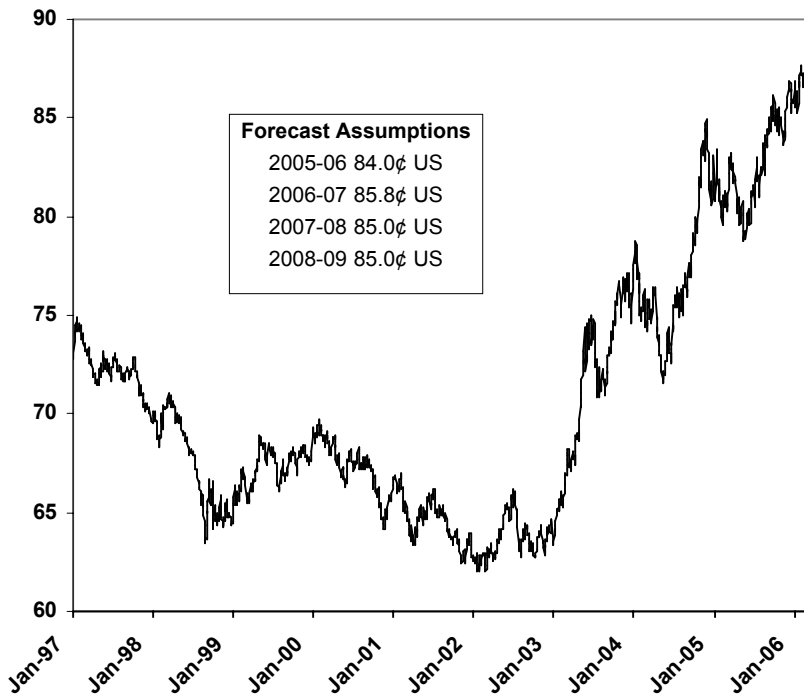


Source: Bank of Canada, U.S. Federal Reserve Board and Alberta Finance

CANADIAN DOLLAR REACHES A 14-YEAR HIGH

Canadian Exchange Rate (US¢/Cdn\$)

- Higher commodity prices, solid economic growth and expectations of rising interest rates lifted the Canadian dollar to a 14-year high above 88 cents US in early 2006. The dollar is estimated to have averaged 84 cents US in 2005-06.
- The increase in the Canadian dollar against non-U.S. currencies was even more pronounced, as the U.S. dollar appreciated against most major world currencies in 2005.
- The Canadian dollar is expected to remain strong in 2006 on prospects of rising short-term interest rates and continued solid growth in Canada. Over the medium term, the Canadian dollar is likely to settle around 85 cents US.

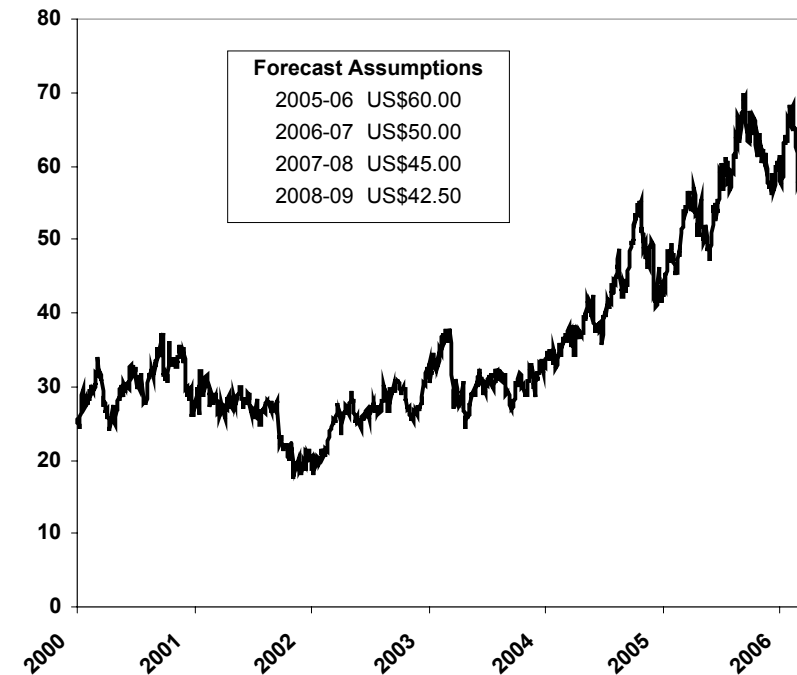


Source: Bank of Canada and Alberta Finance

OIL PRICES REACH RECORD LEVELS

WTI Price (US\$/bbl, daily)

- In fiscal 2005-06, oil prices are estimated to have averaged US\$60/bbl, up 33 per cent from the previous year.
- Hurricane production losses, lower world oil capacity, which fell to its lowest levels in over three decades, and political uncertainties in oil exporting countries drove prices higher in 2005.
- Anticipated increases in global oil production in response to current high prices are expected to ease supply constraints over the forecast period. Experts believe the sustainable long-term price for oil has increased to US\$40/bbl from around US\$30/bbl, reflecting the assumption that increases in crude oil capacity will no longer be adequate to support rising world oil demand, especially from emerging Asia.

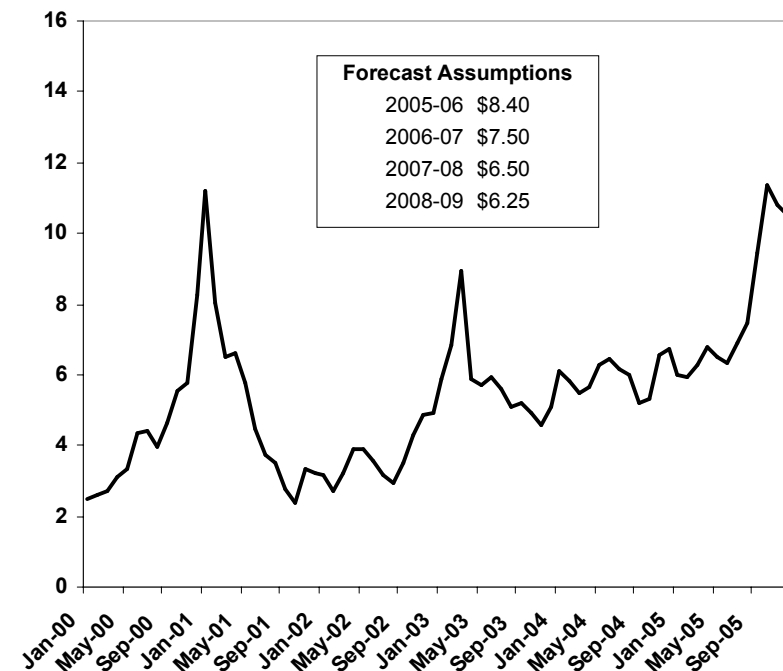


Source: Alberta Energy

NATURAL GAS PRICES SOAR AFTER HURRICANES

Alberta Reference Price (Cdn\$/GJ, monthly)

- Natural gas prices averaged an estimated \$8.40 per gigajoule (GJ) in 2005-06. Natural gas prices followed oil prices higher in the first eight months of 2005 and then spiked as a significant amount of North American natural gas production was lost due to damage from hurricanes Katrina and Rita.
- Natural gas prices have eased recently, reflecting a warmer than normal North American winter and production recovery in hurricane-affected areas. Prices are expected to average C\$7.50/GJ in 2006-07.
- Over the medium term, natural gas prices are expected to moderate, but rising demand for natural gas, coupled with decreasing supply, are likely to keep natural gas prices higher than the historical average.

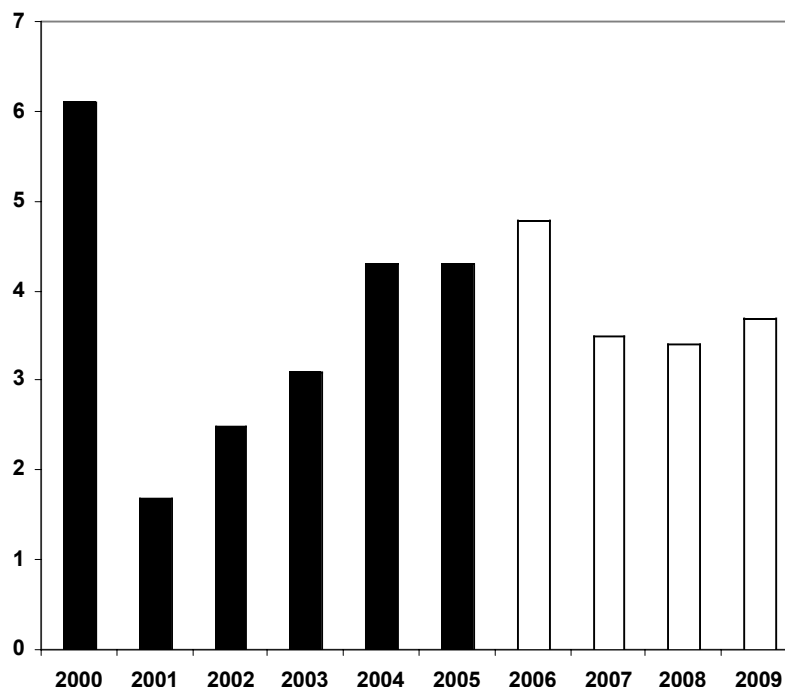


Source: Alberta Energy

STRONG ECONOMIC GROWTH TO CONTINUE IN ALBERTA

Alberta Real GDP Growth (per cent change)

- Alberta's economy is projected to advance by 4.8 per cent in 2006, the strongest growth since 2000.
- Following growth of 4.8 per cent in 2006, the economy is forecast to grow by an annual average rate of 3.5 per cent per year over the medium term, 0.5 percentage points higher than Canada and the United States.

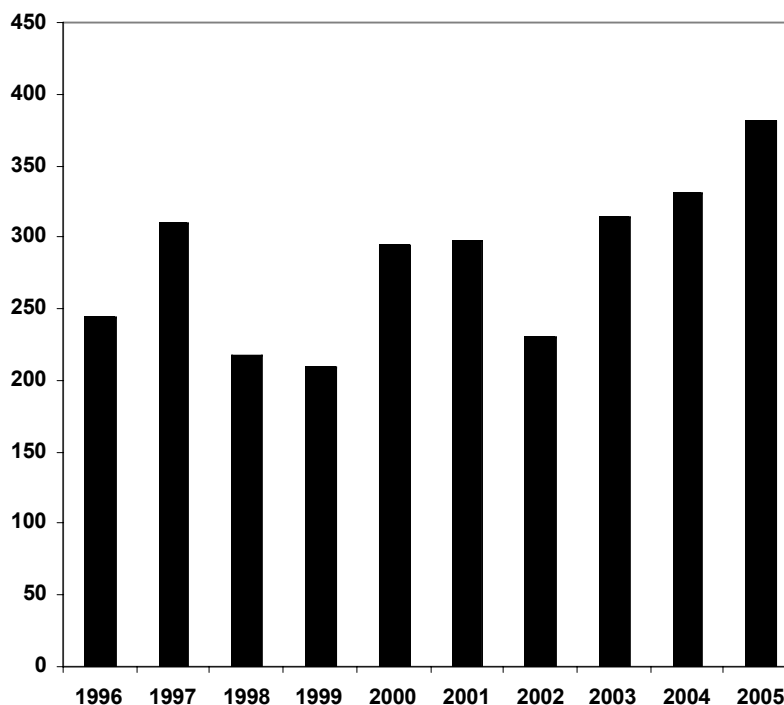


Source: Statistics Canada and Alberta Finance

CONVENTIONAL ENERGY SECTOR BUILDS ON RECORD ACTIVITY

Average Number of Rigs Drilling in Alberta

- For the third consecutive year, Alberta's conventional oil and gas sector enjoyed a record year of activity, with the number of rigs drilling increasing by 15.3 per cent in 2005. Most of the drilling activity in 2005 was directed towards natural gas. The rig utilization rate rose by 5.7 percentage points to 67 per cent in 2005, pushing up demand for labour and equipment.
- While energy prices are forecast to moderate, they are expected to remain relatively high by historical standards, sustaining drilling activity at healthy levels throughout the forecast period. Increased drilling for natural gas is needed to maintain existing production, as output per well is declining.

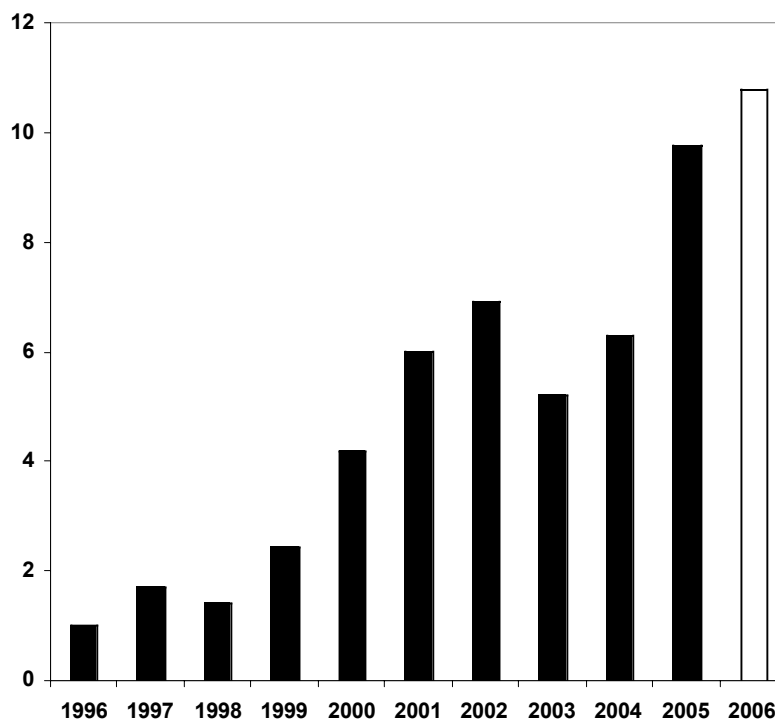


Source: Alberta Energy and Canadian Association of Oilwell Drilling Contractors

OIL SANDS INVESTMENT SURGES IN 2005

Non-Conventional Energy Investment (billions of dollars)

- Alberta's oil sands represent the second largest oil reserves in the world, after Saudi Arabia. Oil sands investment increased dramatically, rising from \$1 billion in 1996 to approximately \$6.9 billion in 2002.
- Oil sands investment surged to an estimated \$9.8 billion in 2005 as high energy prices encouraged companies to increase outlays in oil sands projects.
- Oil sands investment is expected to be \$10.8 billion in 2006 and remain high over the medium term, as there are numerous projects under construction or planned over the forecast period. Close to \$20 billion has been committed to oil sands projects.

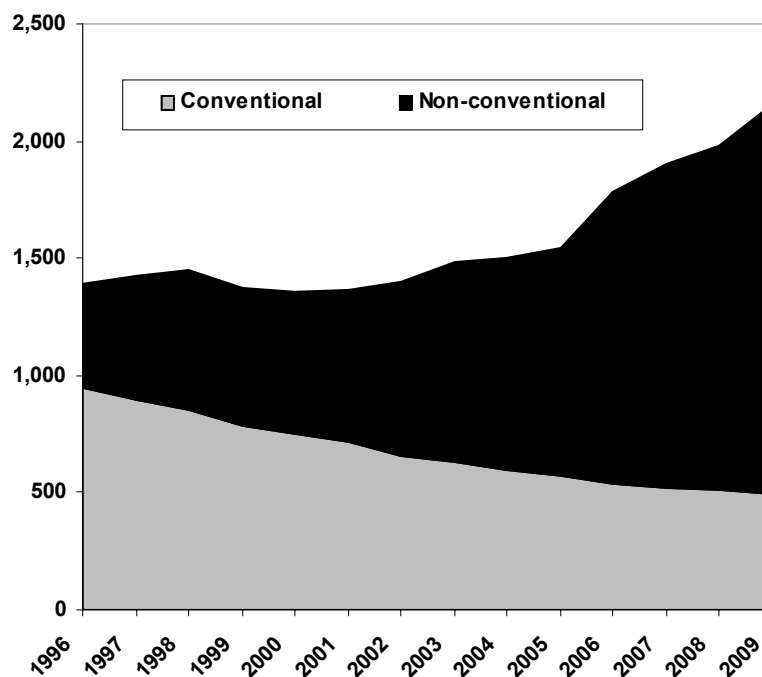


Source: Statistics Canada

NON-CONVENTIONAL OIL PRODUCTION TAKES OFF

Conventional and Non-Conventional Oil (thousands of barrels per day)

- Oil production increased modestly in 2005 reflecting the effects of a fire at Suncor's plant and an extended maintenance-related shutdown at the SynCrude facility in Fort McMurray. With the resumption of full production at these facilities and increased production at numerous ongoing and recently completed projects, Alberta's total oil production is estimated to increase by 14 per cent in 2006.
- With oil sands investment remaining high, non-conventional oil will represent an ever-increasing share of Alberta's total oil production. By 2009, non-conventional oil is expected to increase to about 77 per cent of total production, up from 63 per cent in 2005.

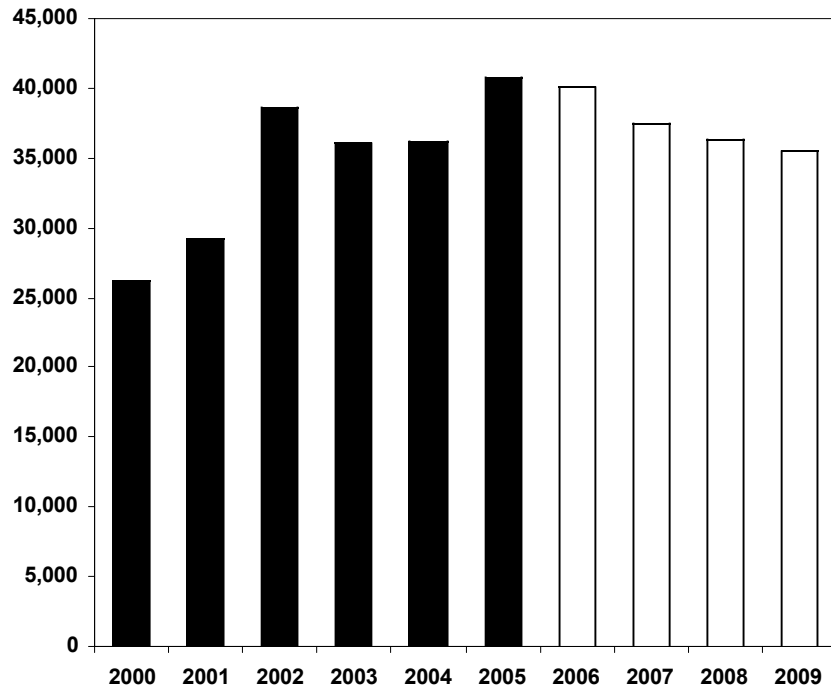


Source: Alberta Energy

HOUSING STARTS REACH 27-YEAR HIGH

Alberta Housing Starts (units)

- Alberta housing starts totaled 40,847 in 2005, its highest level since 1978.
- Lower long-term mortgage rates and robust labour markets have fuelled residential construction. Alberta's housing sector received further support from our strong economy and more people moving to Alberta.
- Strong growth in income and gains in population are likely to keep housing starts high, with starts above 40,000 in 2006 and averaging over 36,000 per year between 2007 and 2009.

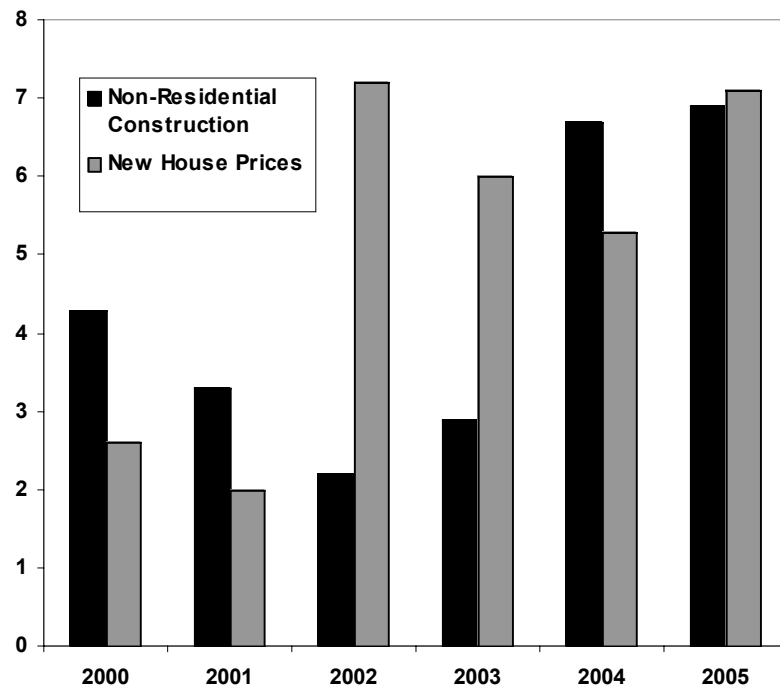


Source: Canada Mortgage and Housing Corporation and Alberta Finance

ALBERTA CONSTRUCTION PRICES INCREASE

Price Index of Non-Residential Building Construction and New House Prices (per cent change)

- The price index of non-residential construction rose by 6.9 per cent in 2005. This increase was the result of higher fuel, material (steel and concrete) and labour costs, as well as a strong market for construction.
- Alberta new home prices increased by 7.1 per cent in 2005, also reflective of increased material and labour costs, as well as a strong housing market.
- Wages and salaries in the construction industry rose by 14 per cent in 2005, while employment in construction remained constrained by relatively flat labour supply.

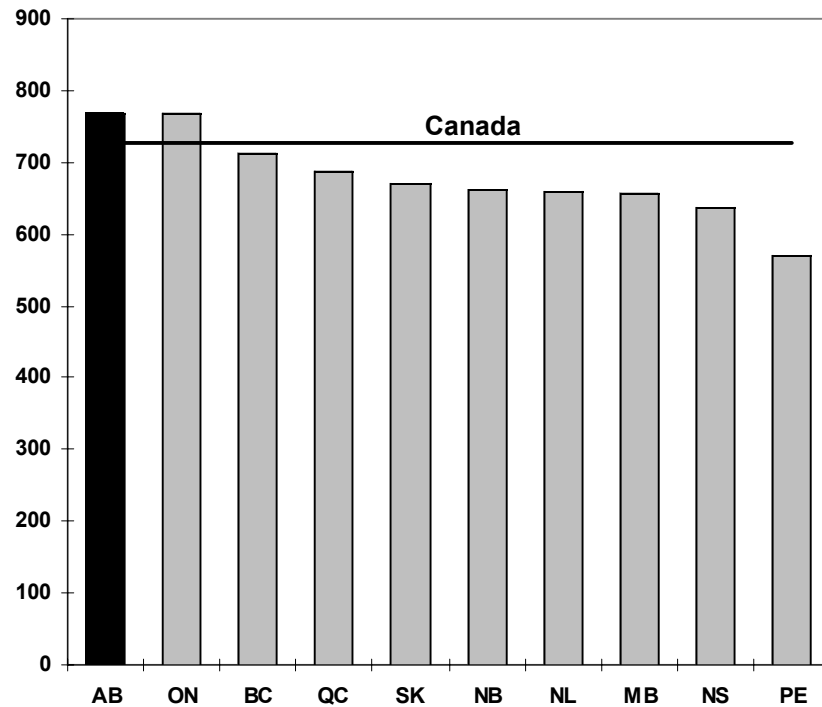


Source: Statistics Canada

STRONG GROWTH LEADS TO HIGHEST WAGES IN CANADA

Average Weekly Earnings, 2005 (dollars)

- The province is experiencing tight labour markets with an unemployment rate below 4 per cent. Some regions, including Wood Buffalo (Fort McMurray), Athabasca and Camrose, are experiencing unemployment rates below 3 per cent. In particular, a lack of skilled workers is being reported, which is putting upward pressures on wages in Alberta.
- Alberta's labour income grew by 9.4 per cent in 2005, the highest rate of growth among provinces. Strong growth in the number of full-time jobs and wages contributed to the stellar gain in labour income.
- In 2005, Alberta's average weekly earnings was the highest among provinces, growing by 5.2 per cent, 2.1 percentage points above the Canadian average of 3.1 per cent.

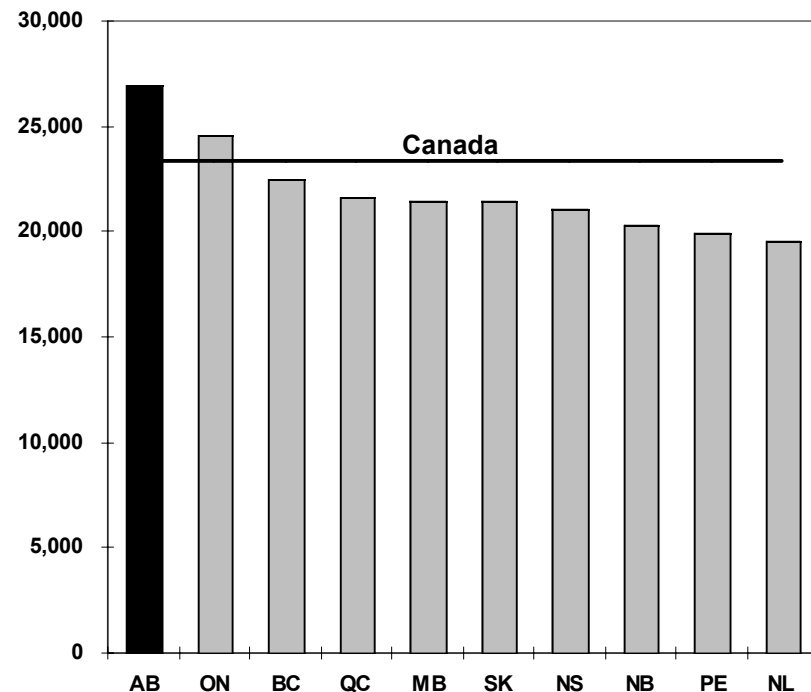


Source: Statistics Canada

HIGHEST DISPOSABLE INCOME IN CANADA

Personal Disposable Income Per Capita, 2004 (dollars)

- At \$26,961, Alberta had the highest average personal disposable income of any province in 2004, the latest year for which data is available. Alberta's high participation rate, strong growth in wages, and low personal taxes all support the strength in personal disposable income.
- In 2004, Alberta's disposable income per capita was \$3,583 (15.3 per cent) above the Canadian average of \$23,378.
- With strong gains in employment and wages, Alberta's per capita disposable income is expected to remain high over the forecast period.

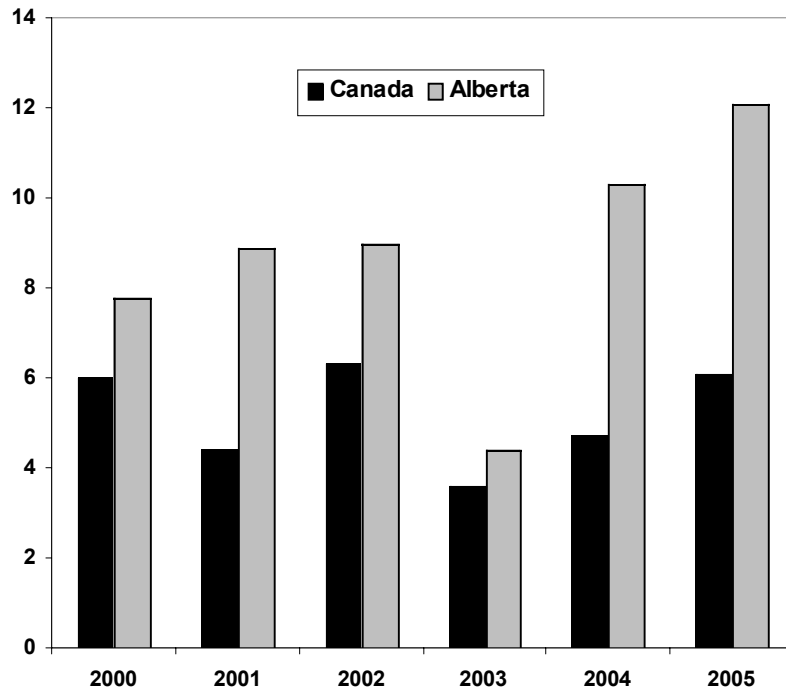


Source: Statistics Canada

RETAIL SALES CONTINUE GROWTH

Alberta Retail Sales (per cent change)

- Strong growth in wages and employment has spurred exceptional growth in consumer expenditures in Alberta. In 2005, retail sales increased by 12.1 per cent, nearly double the Canadian average of 6.1 per cent.
- In 2006, retail trade is expected to remain strong, supported by continued growth in wages, employment and higher net migration, as well as the \$400 prosperity cheques sent to every Albertan in early 2006.
- Over the forecast period, retail sales are expected to grow by an average 6 per cent per year.

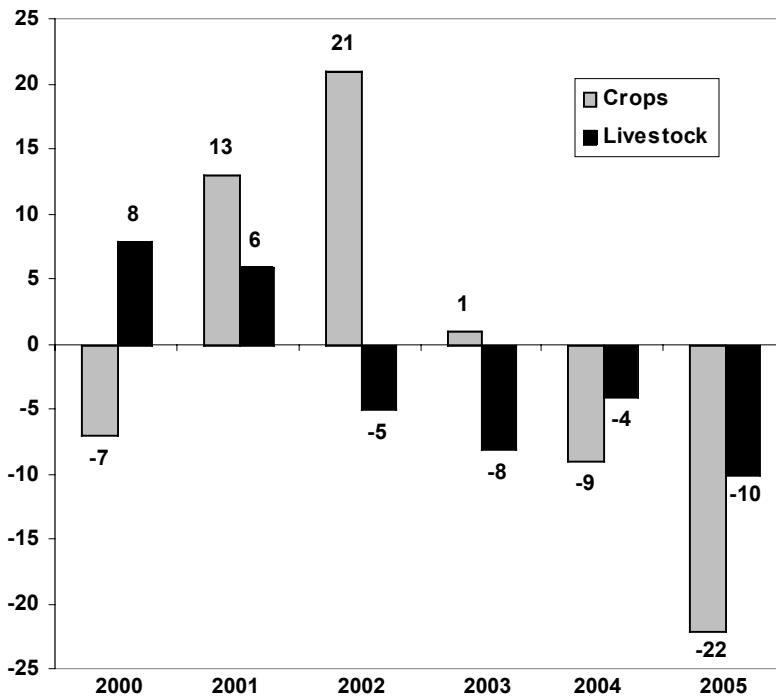


Source: Statistics Canada

BORDER REOPENS TO CATTLE BUT CROPS STRUGGLE

Alberta Farm Product Price Index (per cent change)

- The U.S. border reopened to Canadian live cattle under the age of 30 months in July 2005, allowing Alberta to export over 213,000 live cattle to the United States in 2005. Livestock prices have improved since the opening of the border, but were down 10 per cent for all of 2005, the fourth consecutive annual decline.
- For the second year in a row, poor harvesting weather affected the quality of crops in some parts of the province. Rising inventory levels from two years of high crop production, combined with reduced crop quality and a world oversupply of grain, caused prices to fall 22 per cent in 2005.
- Overall, Alberta's farm cash receipts were down 1.7 per cent in 2005. A decline in crop receipts (-11 per cent) and program payments (-22 per cent) outweighed the improvement in livestock receipts (+12 per cent).

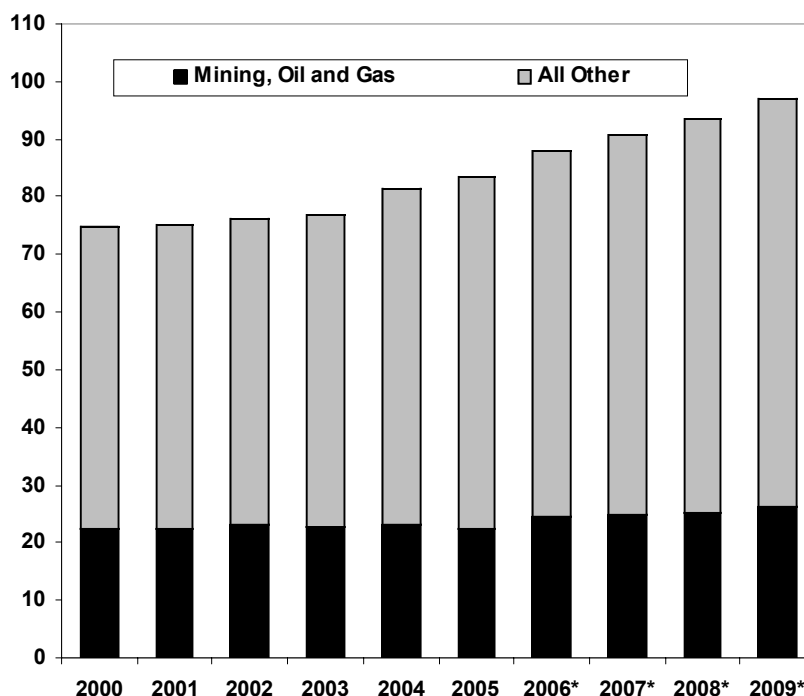


Source: Statistics Canada

ALBERTA'S EXPORTS CONTINUE TO INCREASE

Real Exports (billions of 1997 dollars)

- Despite the rising Canadian dollar, Alberta's exports increased by an estimated 2.4 per cent in 2005. Manufacturing, coal and sulfur exports led growth.
- Overall, Alberta's exports are expected to rise by 5.7 per cent in 2006 due to a positive outlook for exports of non-conventional oil and live animals. For the forecast period, export growth is expected to average 3.3 per cent per year.
- Future growth will be increasingly driven by non-conventional oil, manufacturing and other services. Exports of natural gas are expected to decline, as consumption of natural gas within Alberta is expected to increase and production is expected to decline modestly.

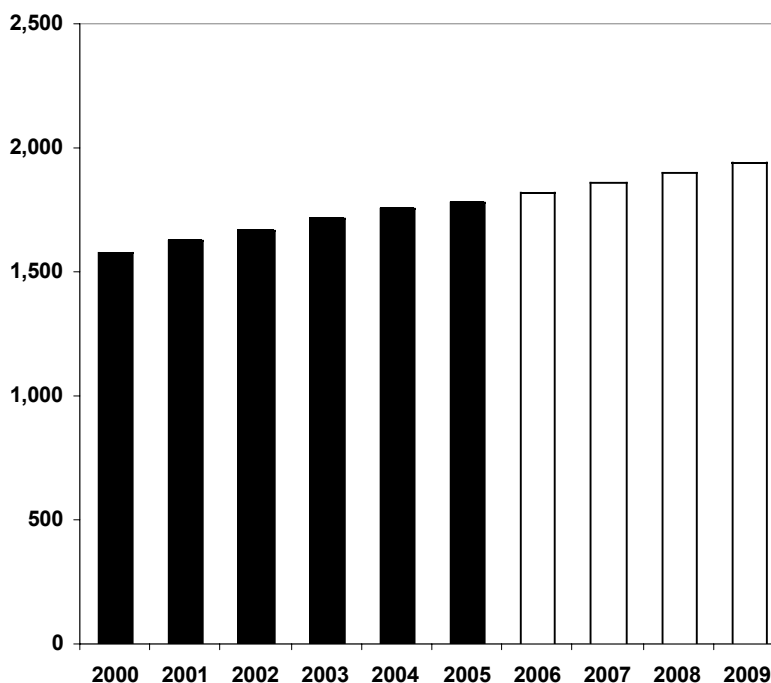


* Forecast
Source: Statistics Canada and Alberta Finance

ALBERTA CONTINUES TO SEE GAINS IN EMPLOYMENT

Employment (thousands)

- Employment in 2005 reached a record 1,784,400 jobs and has shown steady growth over the past 13 years.
- Alberta employment levels increased by 1.5 per cent in 2005. The switch from part-time employment (-10,400 jobs) to full-time employment (+37,400 jobs), along with strong income gains, illustrates the improvement in the quality of jobs and earning potential for Albertans in 2005 and in the coming years.
- Continued strong growth in economic activity is expected to generate average annual employment growth of 2.2 per cent in Alberta over the medium term. Higher migration levels are expected to ease the current tight labour market conditions.

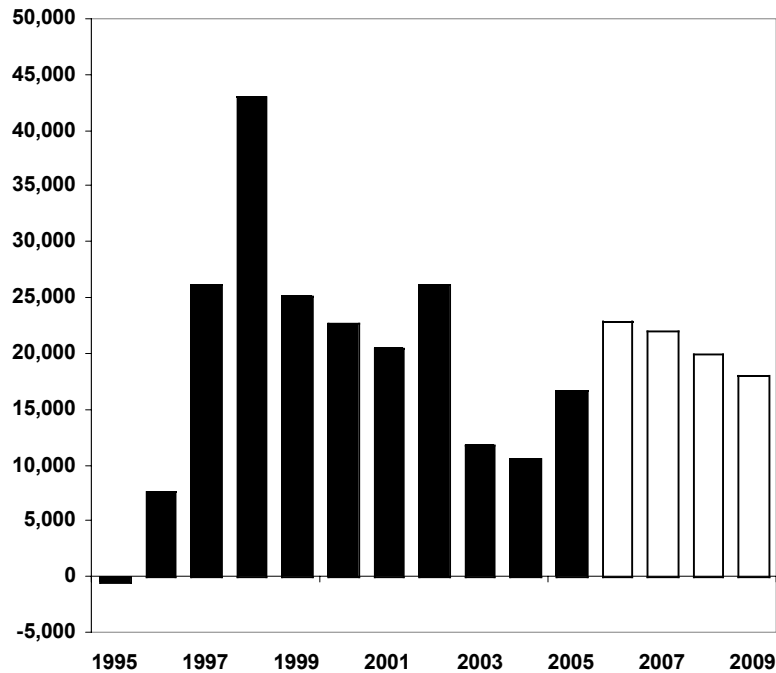


Source: Statistics Canada and Alberta Finance

ALBERTA - THE DESTINATION OF CHOICE

Net Interprovincial Migration to Alberta
July 1 to June 30 (annual)

- In 2005, for the tenth consecutive year, Alberta had positive net interprovincial migration. Alberta had the highest level of net interprovincial migration of any province for the ninth consecutive year, with 16,615 Canadians moving to Alberta.
- Despite improving economic conditions in other regions of Canada, Alberta remains the destination of choice for Canadians moving from other provinces. Higher wages and a low unemployment rate are attracting more people to Alberta. In the third quarter of 2005, Alberta gained a total of 13,110 people from other provinces, the highest quarterly total since the second quarter of 1998.
- Over the medium term, 20,000 migrants per year are expected to move to Alberta from other provinces.

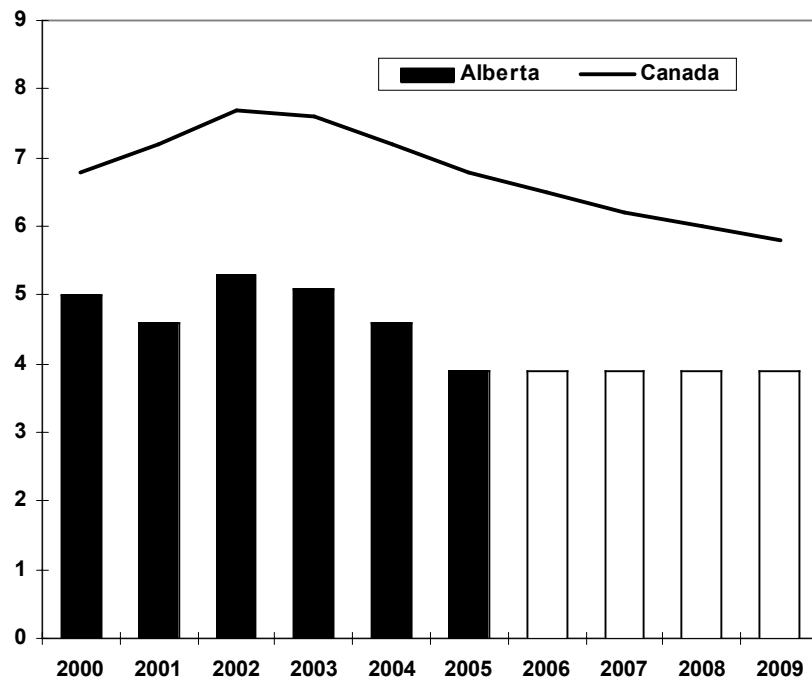


Source: Statistics Canada and Alberta Finance

LOWEST UNEMPLOYMENT RATE IN TWO DECADES

Unemployment Rate (per cent)

- Alberta's unemployment rate averaged 3.9 per cent in 2005, 0.7 percentage points lower than in 2004 and the lowest in over two decades.
- Alberta's 2005 unemployment rate was the lowest among provinces and was 2.9 percentage points below the Canadian average of 6.8 per cent.
- Alberta's unemployment rate is projected to stay the lowest among provinces over the forecast period. With solid growth in employment and economic activity, the Alberta economy is expected to remain at full employment levels over the forecast period.



Source: Statistics Canada and Alberta Finance

Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	56.13	49.98	45.58	43.53
Global Insight (Mar/06)	61.50	59.00	56.92	53.55
Investment Dealers				
CS First Boston (Jan/06)	62.50	54.50	49.50	46.00
Goldman Sachs (Jan/06)	68.00	68.00	35.00	35.00
JP Morgan (Jan/06)	59.55	51.75	n/a	n/a
Lehman Brothers (Feb/06)	55.50	50.00	45.00	35.00
RBC Capital Markets (Mar/06)	57.00	50.00	40.00	40.40
GLJ Petroleum Consultants (Jan/06)	57.00	55.00	51.00	48.00
Sproule Associates Limited (Feb/06)	65.90	67.64	55.37	50.19
Industry Analysts				
Canadian Energy Research Institute (Mar/06)	69.50	78.00	n/a	n/a
U.S. Energy Information Administration (Mar/06)	63.74	60.63	n/a	n/a
Peters & Co. Limited (Feb/06)	66.00	67.00	37.00	37.00
Confidential Forecasts Provided to Alberta Energy^a				
Average	59.59	55.06	52.50	54.00
High	69.50	78.00	56.92	54.00
Low	50.25	49.98	35.00	35.00
Average of All Private Forecasts	61.02	58.23	46.79	44.27
Alberta Government (calendar year)	54.27	45.38	43.13	40.63

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$/bbl)

Organization	How Did They Do 2005 ^b	What They Were Saying About 2006 In Budget 2005	What They Are Saying About 2006 in Budget 2006
Actual	56.77		
CS First Boston	-13.77	38.00	62.50
Canadian Energy Research Institute	-14.77	37.00	69.50
Conference Board of Canada	-16.96	37.38	56.13
Global Insight	-13.31	36.53	61.50
Goldman Sachs	-15.52	40.00	68.00
JP Morgan	-11.52	40.74	59.55
Lehman Brothers	-14.77	37.00	55.50
Peters & Co. Limited	-6.77	40.00	66.00
RBC Capital Markets	-17.77	34.50	57.00
Average	-13.91	37.91	61.74
Alberta Government (calendar year)	-11.61	33.04	54.27

^a The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, PEL, Petral, Purvin & Gertz, Groppe Long & Littell, CGES and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources.

^b This compares an organization's forecast for 2005 at the time of Budget 2005 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Natural Gas Price Forecast Benchmark

Henry Hub (US\$/MMBTU)^a

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Global Insight (Mar/06)	8.87	8.99	8.21	7.89
Investment Dealers				
GLJ Petroleum Consultant (Jan/06)	10.50	8.75	7.50	7.00
National Bank Financial (Feb/06)	8.48	7.74	6.67	5.83
RBC Capital Markets (Mar/06)	7.50	7.25	6.00	6.06
Sroule Associates Limited (Feb/06)	8.78	9.49	8.85	7.58
Industry Analysts				
U.S. Energy Information Administration (Mar/06)	7.87	8.49	n/a	n/a
Peters & Co Limited (Feb/06)	8.65	9.00	6.00	6.00
Confidential Forecasts Provided to Alberta Energy^b				
Average	7.94	7.38	6.55	5.55
High	10.50	9.49	8.85	7.89
Low	6.71	7.00	5.85	5.55
Average of All Private Forecasts	8.33	8.05	7.04	6.56
Alberta Government (calendar year)	8.58	7.78	7.28	7.02

Tracking the Forecasts of Natural Gas Prices

Henry Hub (US\$/MMBTU)

	How Did They Do 2005 ^c	What They Were Saying About 2006 In Budget 2005	What They Are Saying About 2006 In Budget 2006
Actual	8.63		
GLJ Petroleum Consultant	-2.43	6.00	10.50
National Bank Financial	-2.92	4.67	8.48
Peters & Co. Limited	-2.63	6.00	8.65
Average	-2.66	5.56	9.21
Alberta Government (calendar year)	-2.67	5.59	8.58

- ^a The natural gas price is the US price of natural gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. Since many consultants do not forecast the Alberta Reference Price, which is used in the Alberta Budget and is the basis for Alberta natural gas royalty calculations, the table has been changed this year to the US Henry Hub price of natural gas. The Alberta Government forecast in the table above is also the US Henry Hub price.
- ^b The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, RSEG, Petral, Purvin & Gertz, Groppe Long & Littell and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources. Forecasts are Henry Hub prices (US\$/mmbtu).
- ^c This compares an organization's forecast for 2005 at the time of Budget 2005 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	3.80	3.77	4.08	4.13
Global Insight (Mar/06)	3.91	4.00	4.00	4.00
Banks and Investment Dealers				
Bank of Montreal (Feb/06)	4.07	4.50	n/a	n/a
BMO Nesbitt Burns (Mar/06)	3.91	3.80	n/a	n/a
CIBC World Markets (Mar/06)	3.96	3.28	n/a	n/a
RBC Royal Bank (Feb/06)	4.28	4.44	n/a	n/a
Scotiabank (Mar/06)	3.95	3.75	n/a	n/a
Toronto Dominion Bank (Feb/06)	3.86	3.85	n/a	n/a
High	4.28	4.50	4.08	4.13
Low	3.80	3.28	4.00	4.00
Average	3.97	3.92	4.04	4.07
Alberta Government (calendar year)	3.75	4.45	4.50	4.50

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	4.54	4.68	4.95	5.12
Global Insight (Mar/06)	4.43	4.76	5.12	5.33
Banks and Investment Dealers				
Bank of Montreal (Feb/06)	4.56	5.35	n/a	n/a
BMO Nesbitt Burns (Mar/06)	4.30	4.31	n/a	n/a
CIBC World Markets (Mar/06)	3.96	3.58	n/a	n/a
RBC Royal Bank (Feb/06)	4.71	4.68	n/a	n/a
Scotiabank (Mar/06)	4.70	4.90	n/a	n/a
Toronto Dominion Bank (Feb/06)	4.09	4.30	n/a	n/a
High	4.71	5.35	5.12	5.33
Low	3.96	3.58	4.95	5.12
Average	4.41	4.57	5.04	5.23
Alberta Government (calendar year)	4.70	5.65	6.00	6.00

Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn\$)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	84.9	82.7	81.6	81.8
Global Insight (Mar/06)	87.3	87.6	86.6	85.9
Banks and Investment Dealers				
Bank of Montreal (Feb/06)	87.6	88.3	n/a	n/a
BMO Nesbitt Burns (Mar/06)	89.0	87.5	n/a	n/a
CIBC World Markets (Mar/06)	88.7	84.6	n/a	n/a
RBC Royal Bank (Feb/06)	83.5	81.1	n/a	n/a
Scotiabank (Mar/06)	89.1	92.0	n/a	n/a
Toronto Dominion Bank (Feb/06)	85.4	82.0	n/a	n/a
High	89.1	92.0	86.6	85.9
Low	83.5	81.1	81.6	81.8
Average	86.9	85.7	84.1	83.9
Alberta Government (calendar year)	86.3	85.0	85.0	85.0

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	4.3	3.3	3.2	3.2
Global Insight (Jan/06)	4.1	3.6	3.4	3.3
Banks				
Bank of Montreal (Dec/05)	4.8	4.0	n/a	n/a
CIBC World Markets (Feb/06)	7.0	6.0	n/a	n/a
RBC Royal Bank (Jan/06)	5.0	4.0	n/a	n/a
Scotiabank (Mar/06)	4.8	4.0	n/a	n/a
Toronto Dominion Bank (Feb/06)	4.5	3.4	n/a	n/a
Other				
BMO Nesbitt Burns (Jan/06)	3.9	3.5	n/a	n/a
Canada Mortgage and Housing Corporation (Jan/06)	4.1	3.5	n/a	n/a
High	7.0	6.0	3.4	3.3
Low	3.9	3.3	3.2	3.2
Average	4.7	3.9	3.3	3.3
Alberta Government (calendar year)	4.8	3.5	3.4	3.7

Announced Major Projects Over \$100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OIL AND GAS				
Air Products Canada Ltd.	Edmonton	Hydrogen Production Plant #2	150	2006-2008
	Strathcona County	Hydrogen Plant for Petro-Canada Edmonton Refinery Feed Conversion Project	160	2005-2006
Husky Energy Inc.	Central Alberta (Horseshoe Canyon formation)	Tie-In of Coalbed Methane Wells	100	2006
Imperial Oil Limited	Strathcona County	Strathcona Sulphur Reduction Plant for Diesel	250	2004-2006
Petro-Canada Oil and Gas	Strathcona County	Sulphur Reduction Plants at Strathcona Refinery	250	2004-2006
TransCanada Pipelines	Yellowhead County (NW of Edson)	Natural Gas Storage Facility	200	2005-2006
OIL SANDS				
BA Energy Inc.	Strathcona County (NW of Bruderheim)	'Alberta Heartland' Bitumen Upgrader Phase 1	900	2005-2008
BlackRock Ventures Inc.	MD of Bonnyville (Hilda Lake)	'Orion' Heavy Oil SAGD* Facility (Phases 1 and 2)	340	2005-2010
Canadian Natural Resources Ltd.	Lakeland County (Primrose/Wolf Lake)	'Primrose North' Cyclic Steam Stimulation (CSS) Project	250	2004-2007
	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project Phase 1	6,800	2005-2008
Conoco Philips Canada/ TotalFinaElf/Devon Energy	RM of Wood Buffalo (near Anzac)	'Surmont' SAGD Bitumen Commercial Project	1,400	2004-2013
Devon Canada Corporation	RM of Wood Buffalo (SE of Conklin)	'Jackfish' SAGD Project Phase 1	450	2005-2007
EnCana Corporation	RM of Wood Buffalo (Christina Lake)	SAGD Bitumen Production	575	2000-2009
Husky Energy Inc.	MD of Bonnyville (NW of Cold Lake)	'Tucker Lake' SAGD Project	500	2005-2006

* Steam Assisted Gravity Drainage

Announced Major Projects Over \$100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OIL SANDS (cont'd)				
Imperial Oil Limited	MD of Bonnyville	Extension of Phases 9 & 10 'Mahihkan North'	350	2005-2006
North West Upgrading Inc.	Sturgeon County	Bitumen Upgrader Phase 1	1,600	2007-2009
OPTI Canada Inc./Nexen Inc.	RM of Wood Buffalo (near Anzac)	'Long Lake' SAGD Heavy Oil Project Phase I	3,482	2004-2007
Petro-Canada Oil and Gas	Strathcona County	Strathcona Refinery Conversion to Upgrade Bitumen	1,600	2004-2008
Syncrude Canada Ltd.	RM of Wood Buffalo (Fort McMurray)	Continuous Improvement	1,500	1997-2007
PIPELINES				
Access Pipelines Inc.	RM of Wood Buffalo (Christina Lake) to Edmonton	'Access' Bitumen / Diluent Pipelines (2) and Trim Blending Plant	400	2005-2006
Enbridge Inc.	Hardisty to US border (North Dakota)	'Southern Access' Pipeline Expansion	135	2005-2009
Kinder Morgan Canada	W of Hinton to W of Mt Robson Provincial Park	TMX - Anchor Loop Phase 2 (Pipeline Expansion)	400	2007-2008
POWER				
Enmax Corporation	MD of Taber	Wind Power Generating Facility (80MW)	140	2006-2007
Kettles Hill Wind Energy Inc.	MD of Pincher Creek (E of Pincher Creek)	Wind Energy Project (65MW)	111	2005-2006
Windrise Power Inc.	MD of Willow Creek (S of Fort Macleod)	Wind Farm (99MW) Phases 1 and 2	200	2006-2008
COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION				
Bentall Real Estate Services	Calgary	'Livingston Place' Office Towers Phase 1	130	2005-2007
	Calgary	'Livingston Place' Office Towers Phase 2	120	2005-2007
Bond Street Properties	RM of Wood Buffalo (Fort McMurray)	Two Condominium Towers	100	2006-2008

Announced Major Projects Over \$100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION (cont'd)				
Christenson Developments/ Western Asset Management Group (WAM)	Strathcona County (Sherwood Park)	'Centre in the Park' Housing/Retail/ Commercial Development	135	2006-2011
Encana Corp.	Calgary	Office Tower Complex (Two Towers)	540	2006-2008
Heritage Partners	Calgary	'Deerfoot Meadows' Retail Complex	500	2003-2007
Homburg-Centron Teamworks	Calgary	Homburg-Harris Centre Office Building Phase I 'Trident Tower' and Phase II	280	2005-2007
ProCura Real Estate Services/Westbank Projects Corp.	Edmonton	Heritage Mall Re-development to 'Century Park' Mixed-Use Development	600	2005-2010
WAM Development/Opus Building Corp.	Calgary	'Stampede Station' Retail/Office Space, Hotel and Residential Buildings	400	2004-2007
INFRASTRUCTURE				
Alberta Infrastructure and Transportation	Across Alberta	Highway Twinning Project	1,400	1998-2011
	Bow River Irrigation District	Carseland - Bow River Headworks Rehabilitation	125	2003-2009
	Calgary	Extension of Stoney Trail to Deerfoot Trail	250	2005-2007
	Edmonton	SH216 (Anthony Henday Dr) SE Section (Hwy 2 to Hwy 14/SH216)	493	2005-2007
	RM of Wood Buffalo	Highway 63 Upgrades	530	2006-2012
Aquatera	Grande Prairie area	Infrastructure Projects	100	2006-2010
Calgary Airport Authority	Calgary	Airport Improvements	850	1998-2007
City of Calgary	Calgary	Glenmore Water Treatment Plant Upgrades	128	2004-2008
	Calgary	Oliver Bowen LRV Maintenance Facility (NE)	142	2006-2008
	MD of Foothills	Pine Creek Wastewater Treatment Plant	320	2006-2008

Announced Major Projects Over \$100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
INFRASTRUCTURE (cont'd)				
FortisAlberta Inc.	Across Alberta	Capital Projects	360	2006-2007
Regional Municipality of Wood Buffalo	RM of Wood Buffalo	Tertiary Sewage Treatment Plant Expansion Phase I	135	2006-2009
Various Irrigation Districts	Across Southern Alberta	Irrigation Systems/Rehabilitation	600	1997-2006
INSTITUTIONAL				
Alberta Children's Hospital Foundation/Calgary Health Region	Calgary	Alberta Children's Hospital	220	2003-2006
Bow Valley College	Calgary	Campus Re-Development and Expansion	133	2006-2010
Calgary Health Region	Calgary	Re-Development of Foothills Medical Centre	265	2004-2009
	Calgary	Peter Lougheed Hospital Expansion Phase 2	200	2005-2008
	Calgary	Rockyview Hospital Addition and Parkade	193	2005-2008
	Calgary	Hospital for South Calgary (South Health Campus Phase 1)	550	2007-2010
Capital Health	Edmonton	Mazankowski Alberta Heart Institute	142	2004-2006
Capital Health/Royal Alexandra Hospital Foundation	Edmonton	Robbins Pavilion (formerly listed as Royal Alexandra Hospital North Treatment Centre (NTC))	192	2005-2008
GWL Realty Advisors Inc.	Calgary	Courts Centre Courthouse Complex	300	2004-2007
The Banff Centre	Banff	Campus Re-Development Plan	113	2005-2008
University of Alberta	Edmonton	Health Research Innovation Facility (HRIF)	165	2003-2006
University of Calgary	Calgary	Veterinary School	130	2006-2007

Announced Major Projects Over \$100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
OTHER				
Ainsworth Lumber Co.	Grande Prairie and Valleyview	OSB Plant Expansion plus Hardwood Sawmill Expansion	220	2005-2006
Destination Resorts Inc.	Canmore	Three Sisters Resort	150	2002-2010
Enoch Paragon Limited Partnership (EPLP)	Parkland County (Enoch Cree Nation)	'River Cree Resort and Casino' Complex	150	2004-2006
Northlands Park	Edmonton	Facility Re-Development	150	2006-2014
Tolko Industries Inc.	Slave Lake	Engineered Wood Products Plant	200	2006-2007
	Slave Lake	Facility Expansion and Improvements to OSB Plant	200	2005-2006
Weyerhaeuser	Grande Prairie	Pulp Mill Upgrade (Boiler Re-Build)	160	2005-2007
TOTAL			34,314	

Source: Alberta Economic Development