

Province of Alberta

CIBC Government Finance Conference - Virtual

December 2020



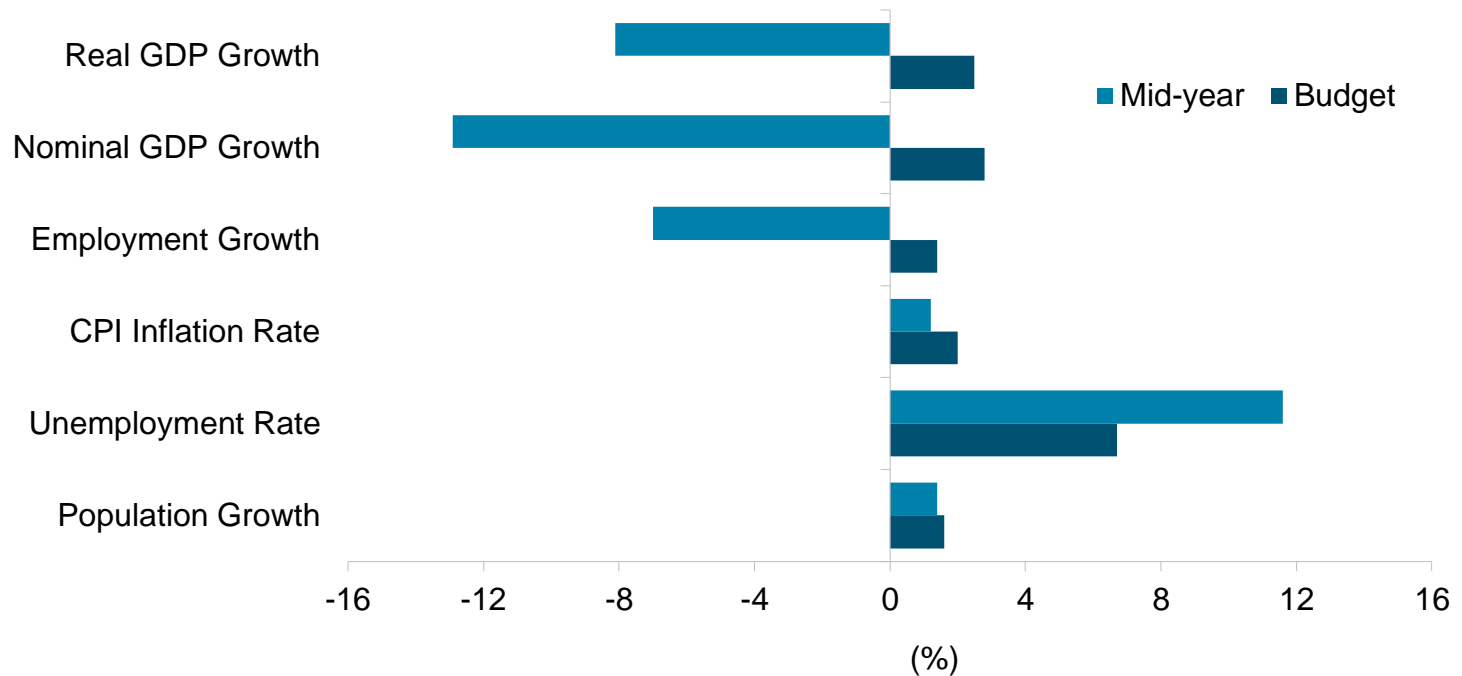
Alberta's economic outlook

Dual shock of COVID-19 pandemic and oil price collapse hits Alberta economy

- Severe contraction in activity, employment and incomes this year
 - Real GDP forecast to decline by 8.1%, employment to fall 7%
 - Unprecedented monetary and fiscal stimulus mitigate the impact
- Activity has improved in some parts of the economy
 - Housing activity, consumer spending leading the recovery
 - Business activity and investment lagging behind
 - Real GDP to see a partial rebound of 4.4% in 2021
- A prolonged and uneven recovery
 - Social distancing measures expected to remain in place until next year
 - Moderate outlook for oil prices over the medium term
 - Full recovery in employment in 2022; real GDP in 2023

Forecast dramatically reduced since Budget

Key indicators forecast, 2020

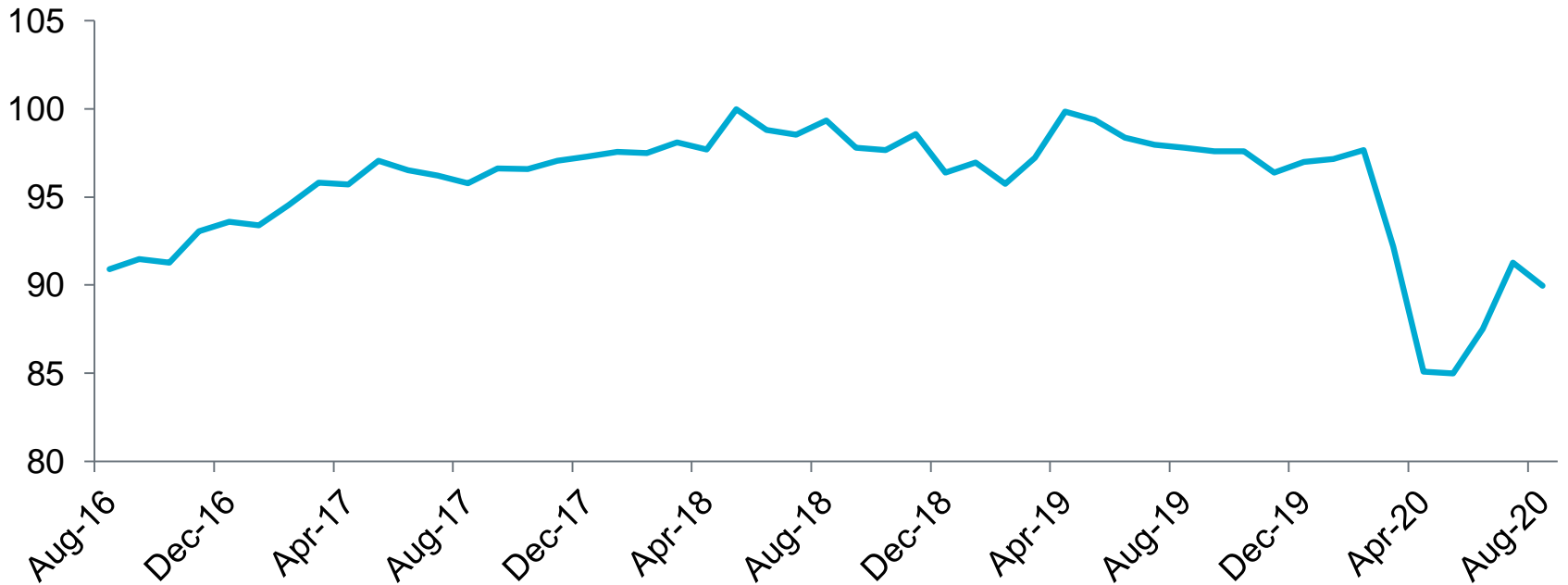


Sources: Alberta Treasury Board and Finance, Budget 2020 and 2020-21 Mid-year Fiscal Update

Provincial activity rebounding from pandemic lows

The Alberta Activity Index

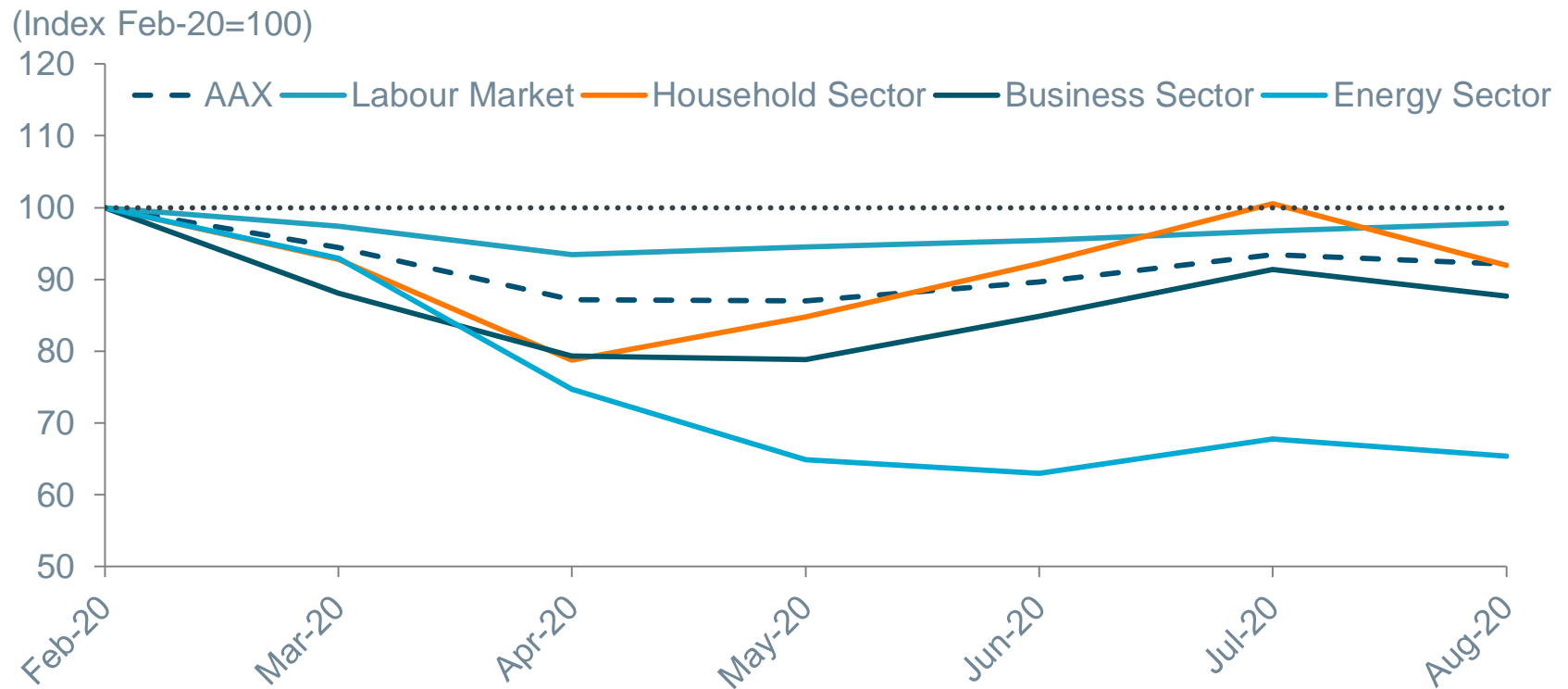
(May-18=100)



Source: Alberta Treasury Board and Finance

Household sector leading the rebound in provincial activity

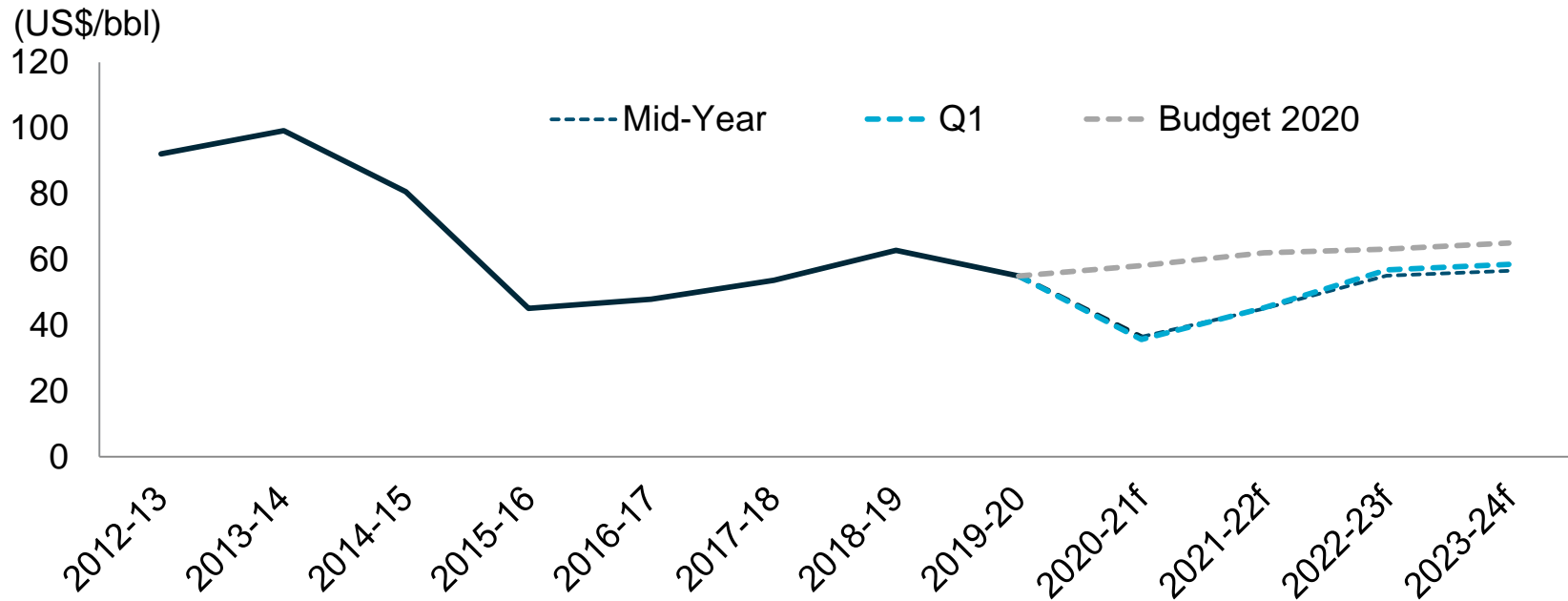
The Alberta Activity Index



Source: Alberta Treasury Board and Finance

Moderate outlook for oil prices

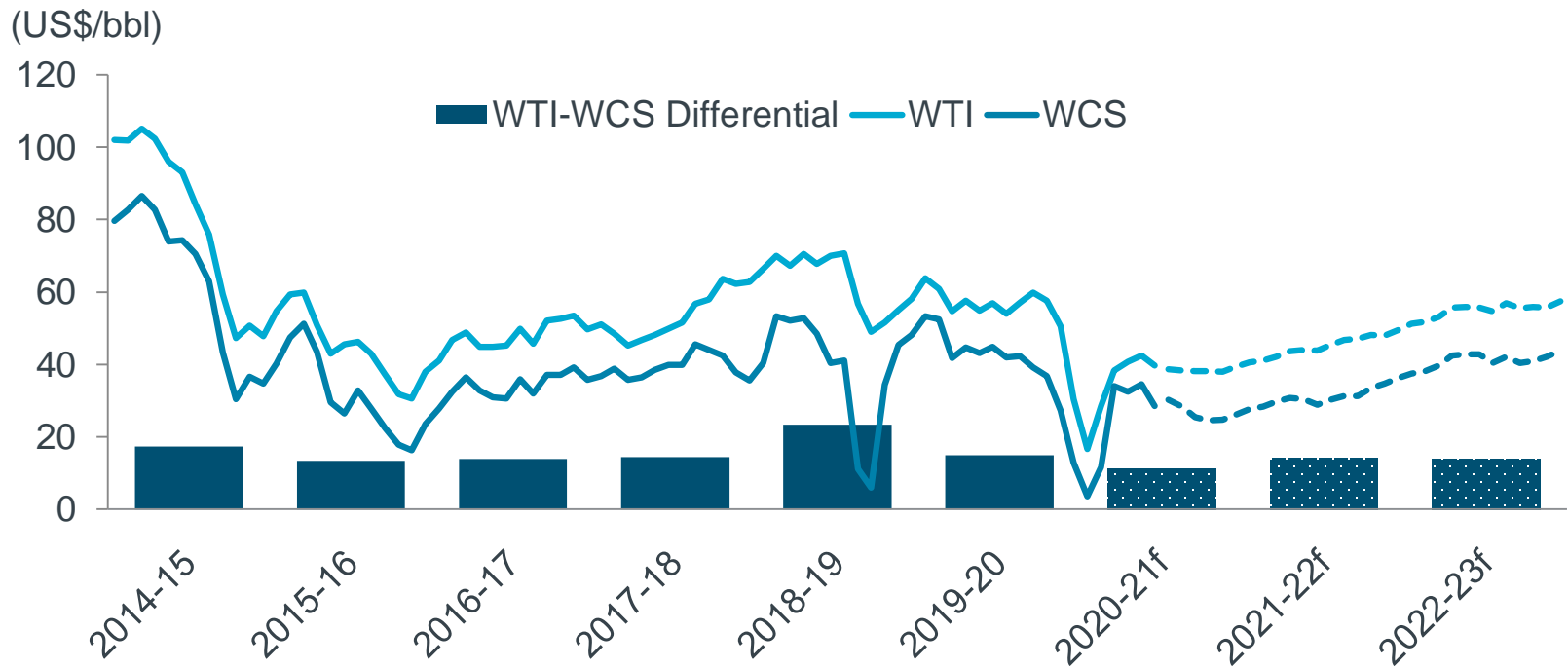
West Texas Intermediate



Source: Alberta Treasury Board and Finance, Budget 2020, 2020-21 First Quarter and Mid-Year Fiscal and Economic Updates

Differential to remain narrow

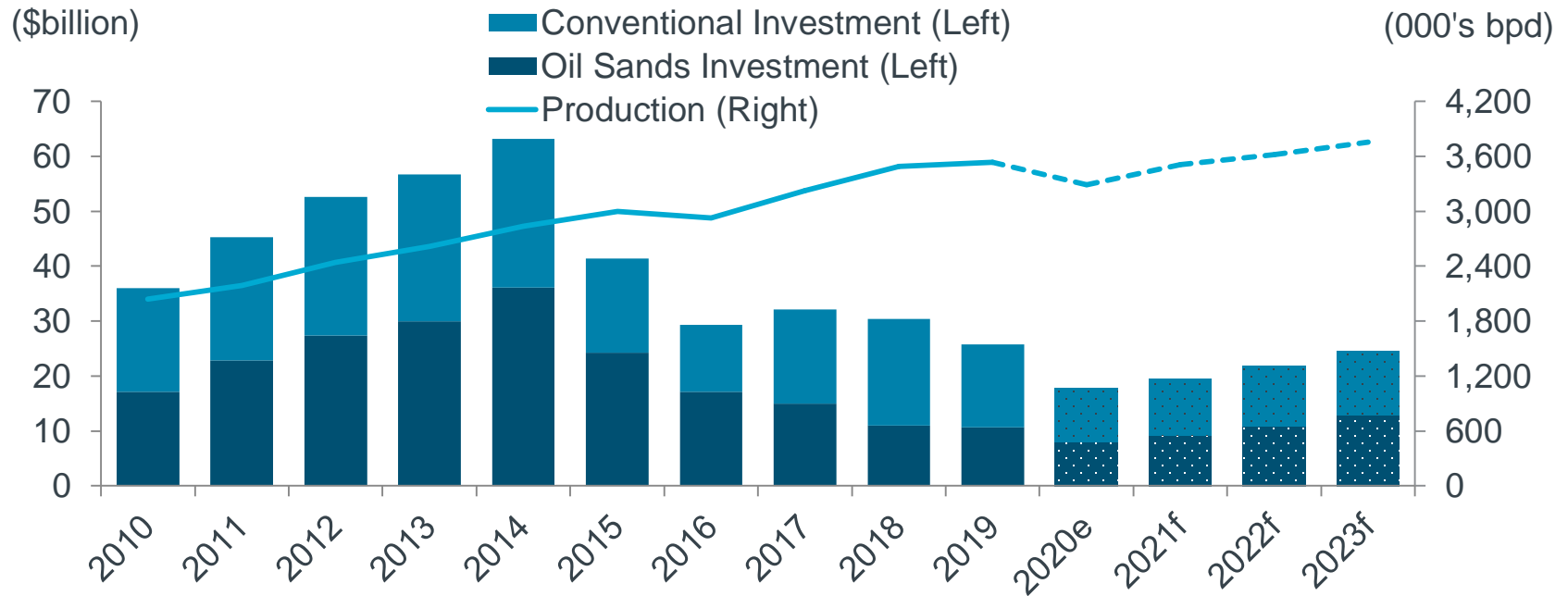
Oil prices



Sources: Alberta Energy, Alberta Treasury Board and Finance; f-forecast

Oil and gas investment, production to pick up following 2020 weakness

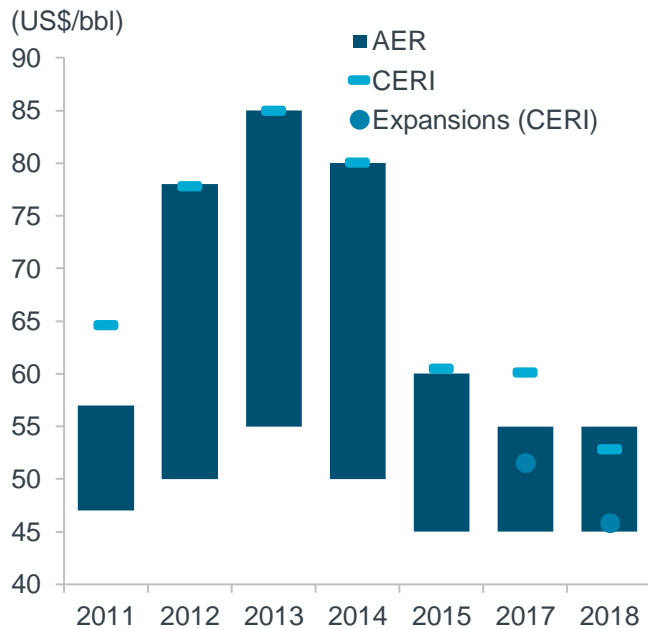
Alberta's nominal oil and gas investment and crude oil production



Sources: Statistics Canada, Alberta Treasury Board and Finance; e-estimate, f-forecast

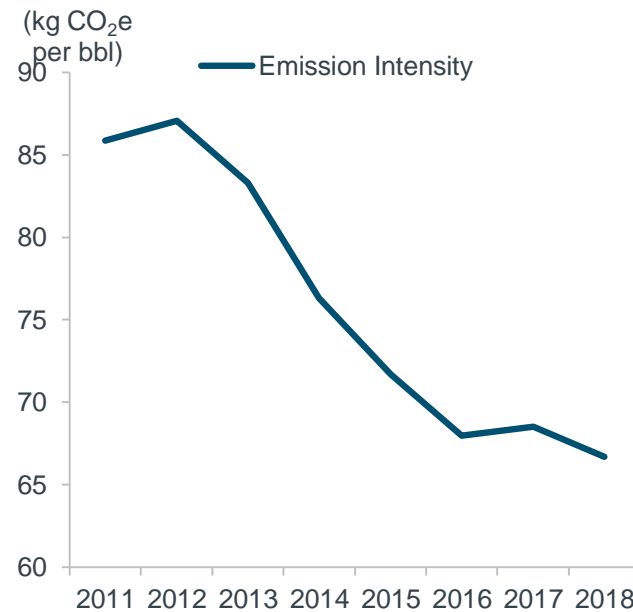
Oil sands have become much more cost-competitive, and emissions intensity has fallen

Evolution of WTI-equivalent breakeven prices* for a new SAGD project



Source: Alberta Energy Regulator (AER), Canadian Energy Research Institute (CERI)
 * Includes blending, transportation and a 10% rate of return, 2016 data not published

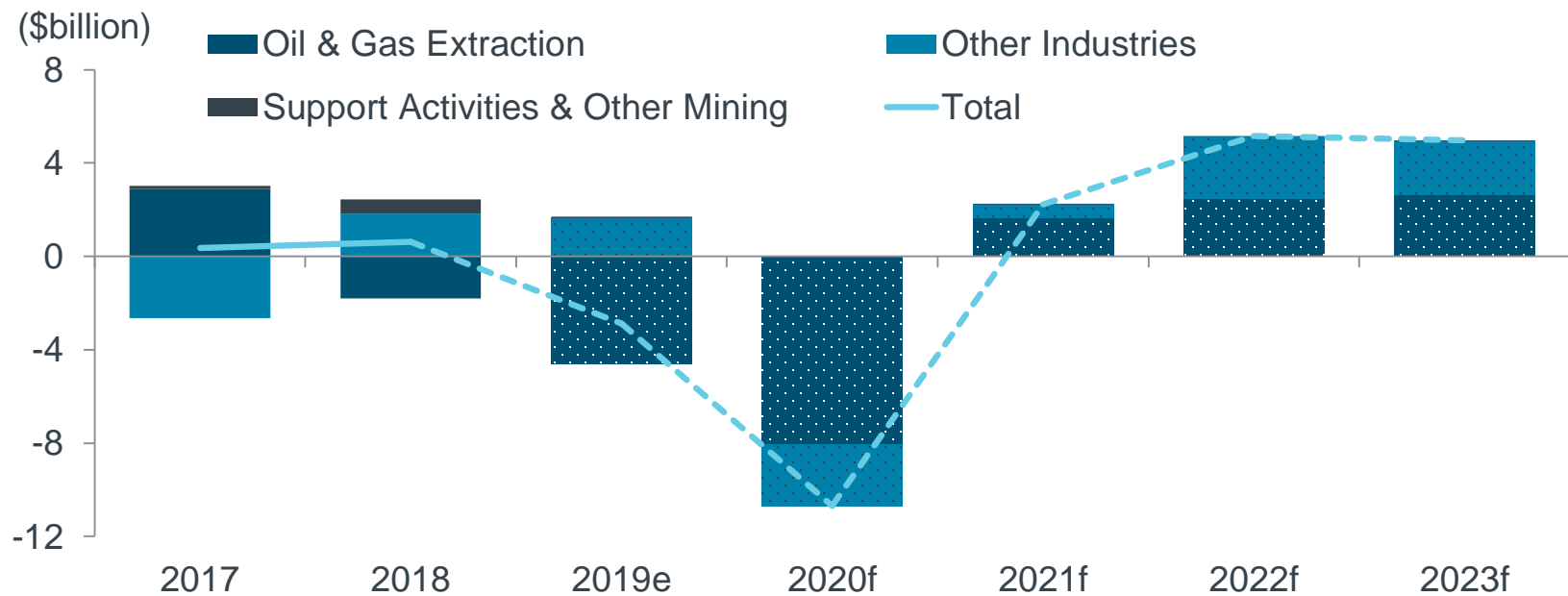
Alberta oil sands GHG emissions intensity



Source: Alberta Environment and Parks
 * Includes mining, upgrading and in-situ cogeneration adjusted emissions

Non-energy investment to lag in 2021; recover over the medium term

Change in private non-residential investment in Alberta

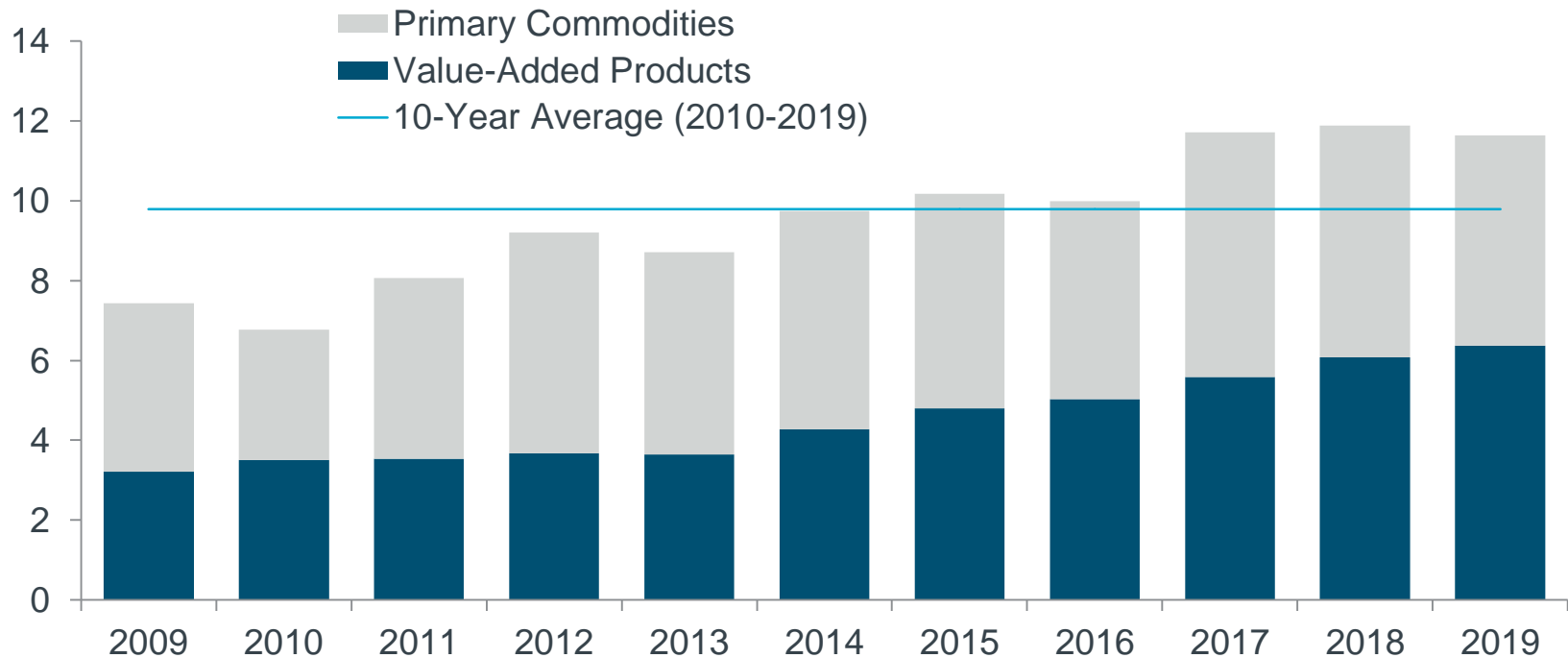


Source: Alberta Treasury Board and Finance; e – estimate, f-forecast , Haver Analytics

Value-added exports a source of growth

Alberta agri-foods exports

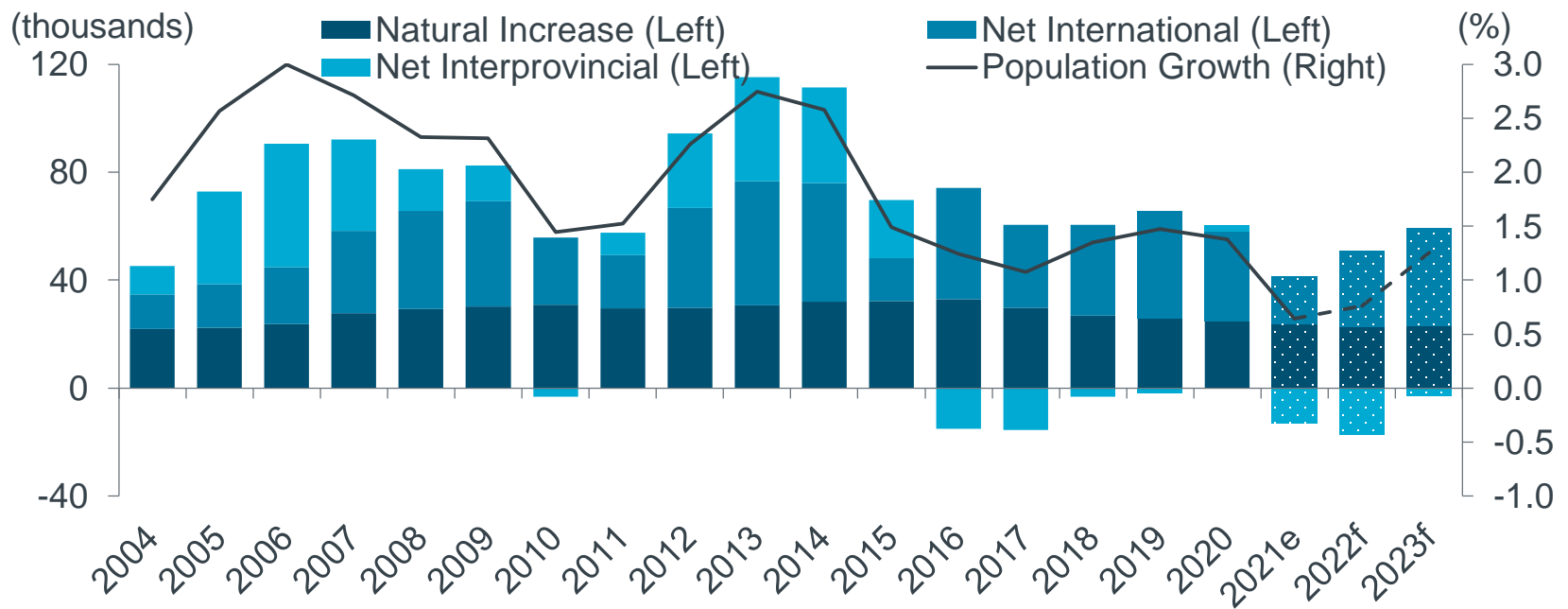
(\$billions)



Source: Statistics Canada, Alberta Agriculture and Forestry

Population growth to pick up after slowing in the short-term

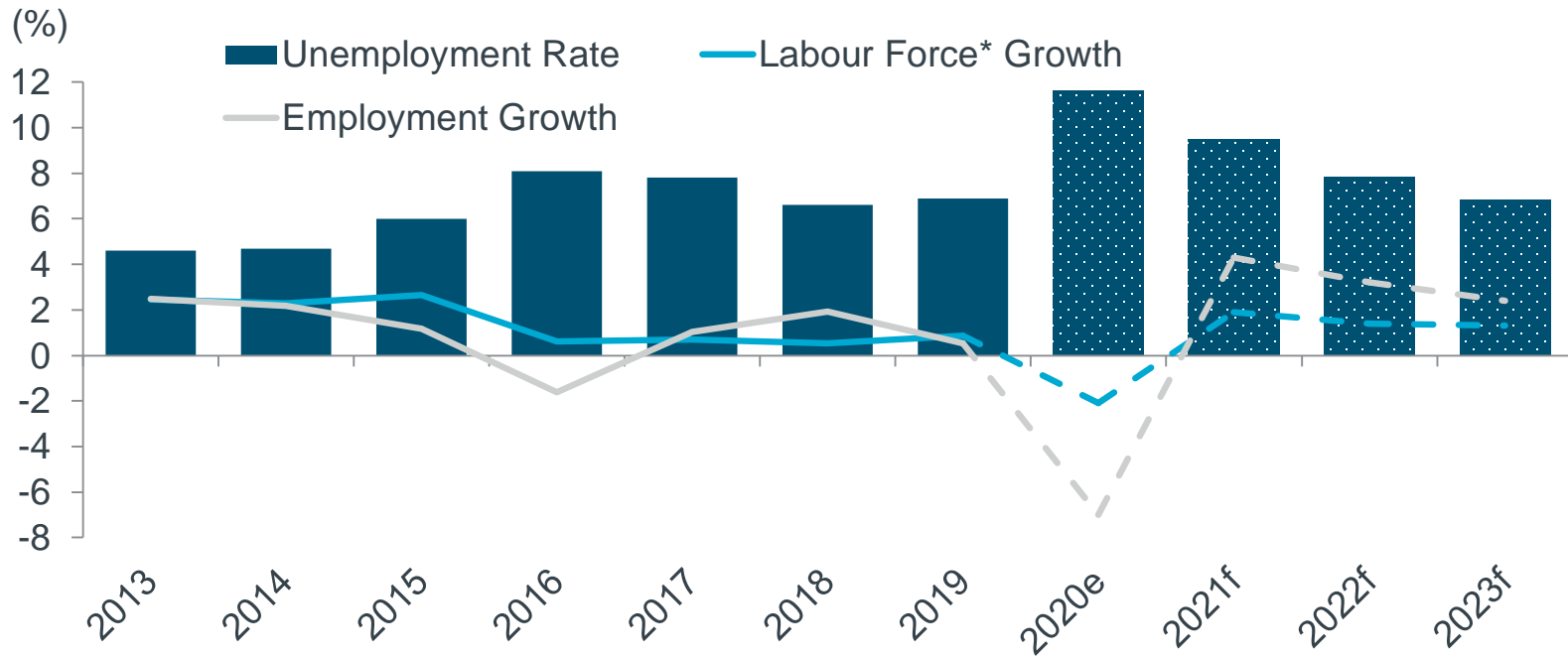
Annual change in the Alberta population by component



Sources: Statistics Canada, Alberta Treasury Board and Finance; e-estimate, f-forecast

Unemployment rate to ease gradually

Labour market indicators

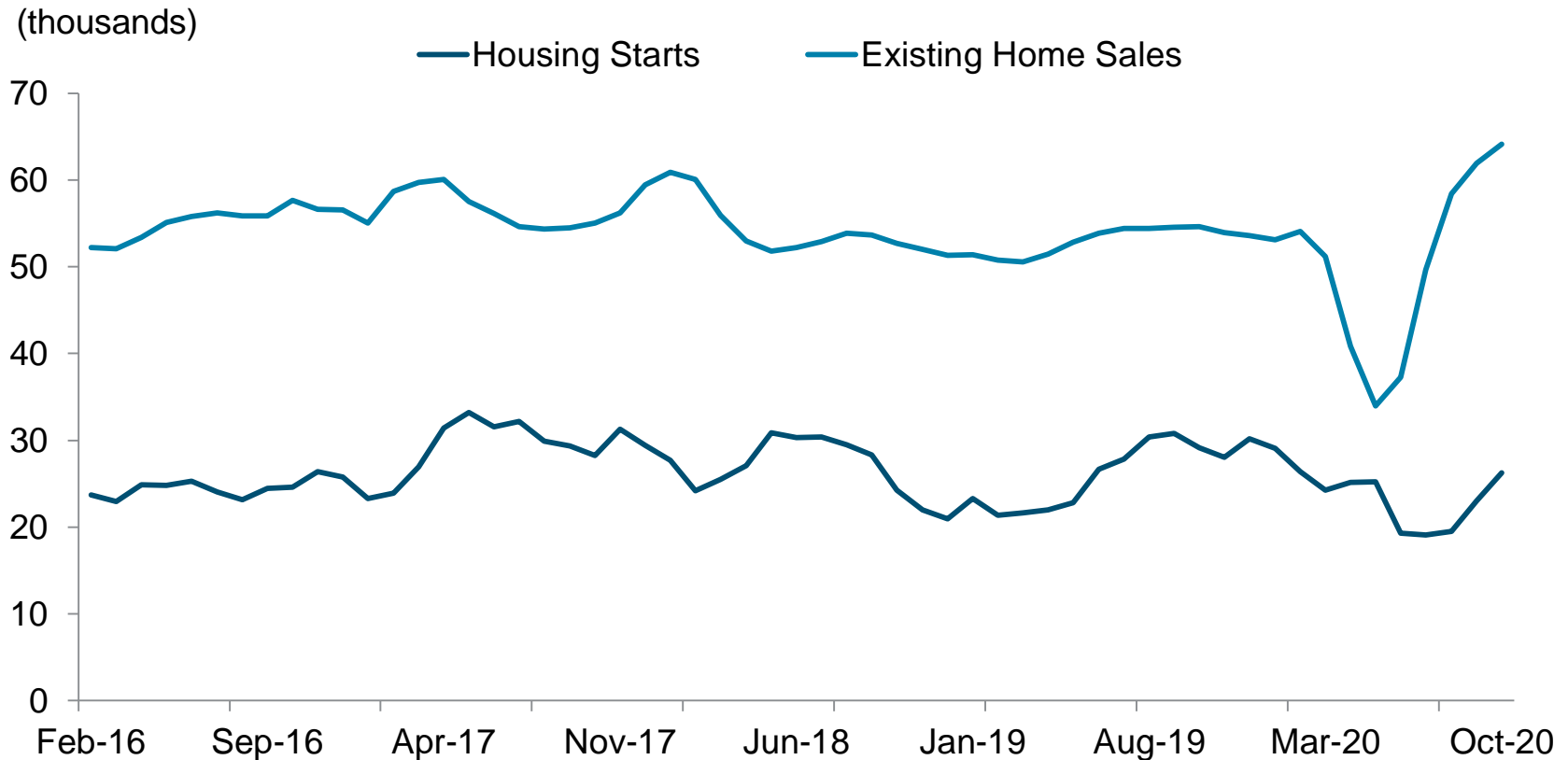


Sources: Statistics Canada, Alberta Treasury Board and Finance and Haver Analytics; e-estimate, f-forecast

* The number of people working or looking for work

Housing activity resilient even during the pandemic

Annualized Alberta housing start and existing home sales*

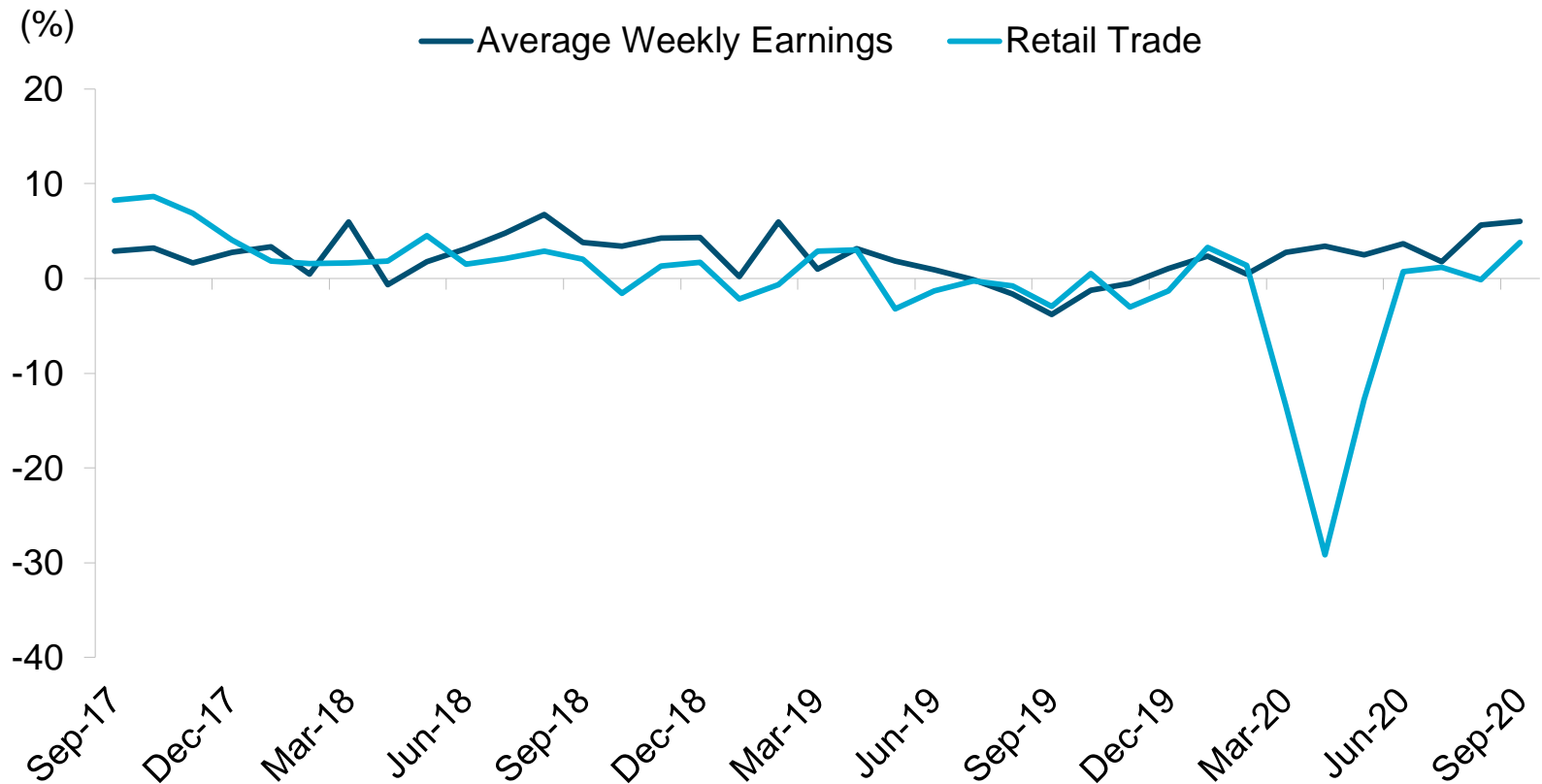


Source: Canadian Real Estate Association, Canada Mortgage and Housing Corporation

* Three-month moving average

Retail spending leads recovery

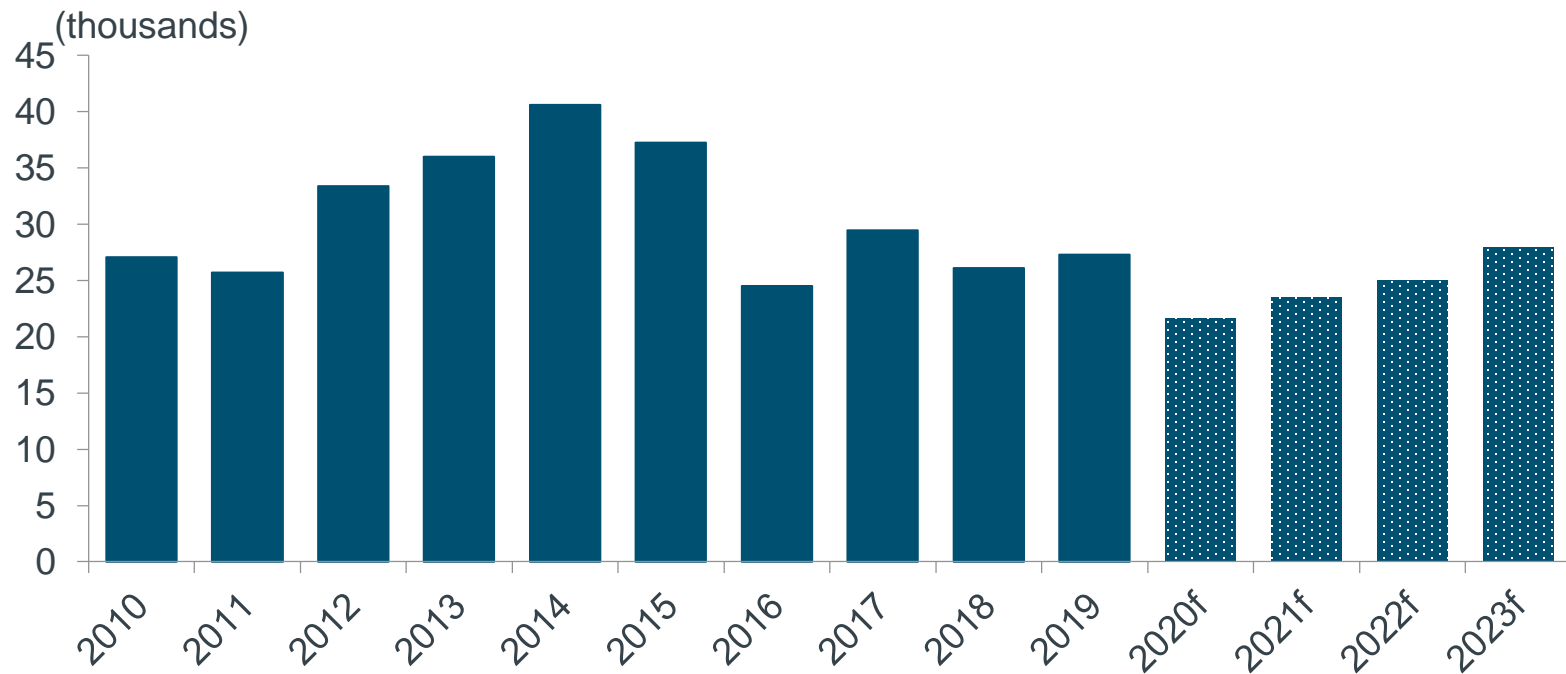
Annual growth in retail sales and average weekly earnings



Source: Statistics Canada

Housing starts to rise but remain below Budget expectations

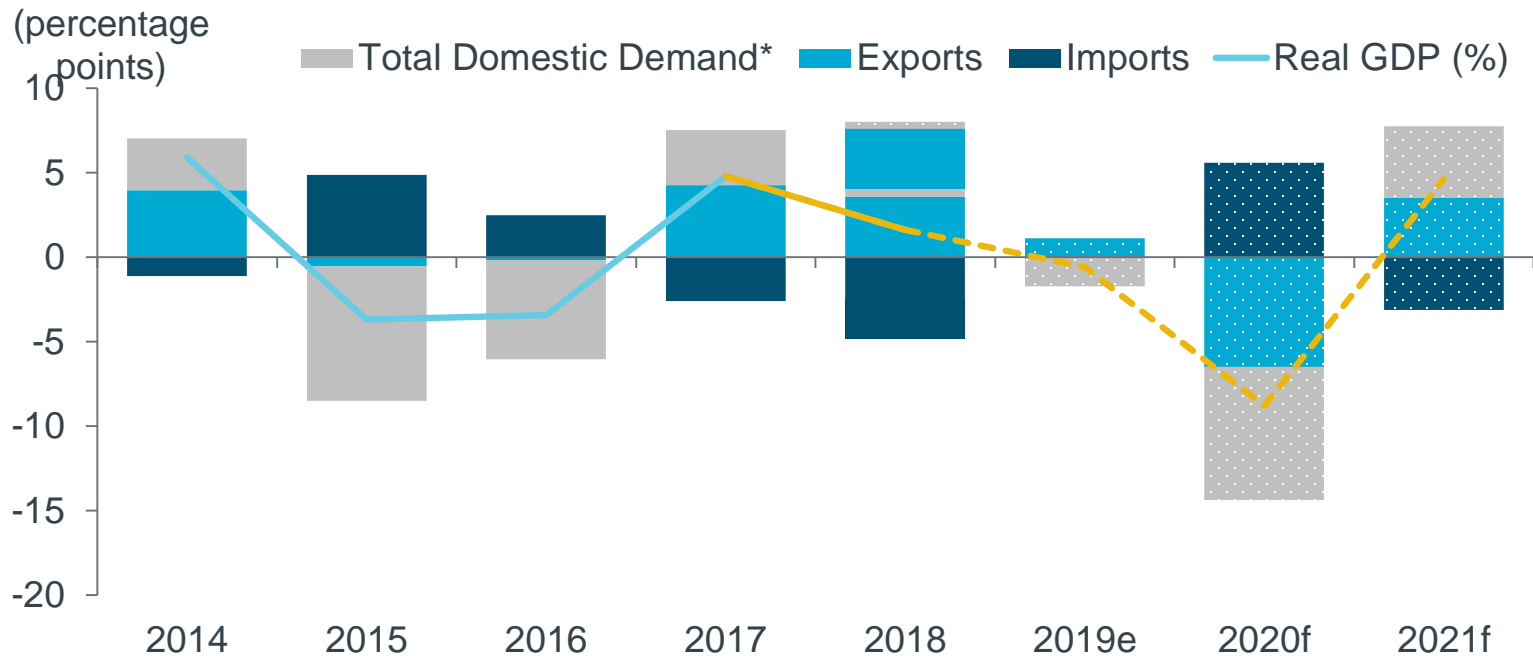
Alberta Housing Starts



Sources: Canada Mortgage and Housing Corporation, Alberta Treasury Board and Finance and Haver Analytics; f-forecast

Consumption to fuel growth in domestic demand

Contribution to growth in Alberta real GDP by expenditure



Source: Statistics Canada, Alberta Treasury Board and Finance, 2020-21 First Quarter Fiscal and Economic Update; e-estimate, f-forecast
 * Includes total household, business, and government spending

Risks elevated for Alberta economy

Alberta Real GDP Growth

Tax and Resource Revenue			
Variance from Base (\$ billions)			
	2020-21	2021-22	2022-23
High	0.9	4.4	4.0
Low	-0.3	-2.4	-4.4



Source: Statistics Canada and Alberta Treasury Board and Finance; f-forecast

Assumptions

Energy and exchange rate assumptions

	2017-18	2018-19	2019-20	2020-21*	2021-22*	2022-23*
WTI Oil (US\$/bbl)	53.69	62.77	54.85	36.40	45.00	54.90
Light-Heavy Differential (US\$/bbl)	14.40	23.31	14.82	11.10	14.00	13.80
Natural Gas (Cdn\$/GJ)	1.82	1.34	1.39	2.10	2.50	2.50
Exchange Rate (US¢/Cdn\$)	78.0	76.2	75.2	74.6	76.2	77.2

Economic assumptions

	2017	2018	2019	2020*	2021*	2022*	2023*
Real GDP (% change)	4.5	1.9	0.1	-8.1	4.4	3.6	3.7
Nominal GDP (% change)	9.2	3.4	2.7	-12.9	7.7	8.7	7.3
Employment (% change)	1.0	1.9	0.5	-7.0	4.3	3.2	2.4
Unemployment Rate (%)	7.8	6.6	6.9	11.6	9.5	7.8	6.8

Source: Alberta Treasury Board and Finance, * Forecast

Assumptions

Fiscal Sensitivities to Key Assumptions in Budget, 2020-21⁽¹⁾

(millions of dollars)	Change	Net Impact (2020 – 2021)
Oil Price (WTI US\$/bbl)	-\$1.00	-355
Light-Heavy Differential (US\$/bbl)	+\$1.00	-325
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-10
Exchange Rate (US¢/Cdn\$)	+1 cent	-255
Interest Rates	+1%	-235
Primary Household Income	-1 %	-220

(1) 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 lease sales.

Fiscal plan update

Mid-Year 2020-21 fiscal projections

	2019-20	2020-21		2021-22	2022-23
	Actual	Budget	Q2 Update	Target	Target
Total Revenue	46,224	49,996	41,414	42,664	47,641
Expense	58,376	57,306	62,743	58,188	57,506
Surplus/(Deficit)	(12,152)	(7,310)	(21,329)	(15,524)	(9,865)
Covid/Recovery*	218	500	4,843	504	271
Crude-by-rail	866	-	1,250	-	-
Contingency/ Disaster Assist.	1,356	750	750	750	750

*Covid Recovery Plan

Operating	3,534
Capital Grants (municipal)	607
Inventory Consumption (PPE)	702

Fiscal strategy

- Despite Pandemic costs, continue to be fiscally responsible
- Bring cost of government down
 - Reduce Alberta's per capita spending to bring it in line with other large provinces
 - Maintain (normal) operating spending at current levels
- Attract business and diversify with low corporate taxes
 - Broad based tax reductions are more effective than targeted tax measures and level the playing field for job creators
- Recovery measures with long-term impact
 - Alberta Recovery Plan builds on work started in Budget 2020 and will help create jobs for Albertans.
 - Emphasis on infrastructure investment to benefit economy through an accelerated Capital Plan

Borrowing plan

Borrowing requirements

	2019-20	2020-21		2021-22	2022-23
	Actual	Budget	Mid-Year	Target	Target
Government	13,555	12,098	25,492	19,857	18,620
Provincial Corps	495	2,616	2,571	250	250
GovT. Business	990	1,077	402	830	340
Total	15,040	15,791	28,465	20,937	19,210
Sources					
Money Market	5,711	(1,500)	(1,500)	680	304
PPP's	159	151	107	46	-
Term Debt	9,170	17,140	29,465	20,211	18,906

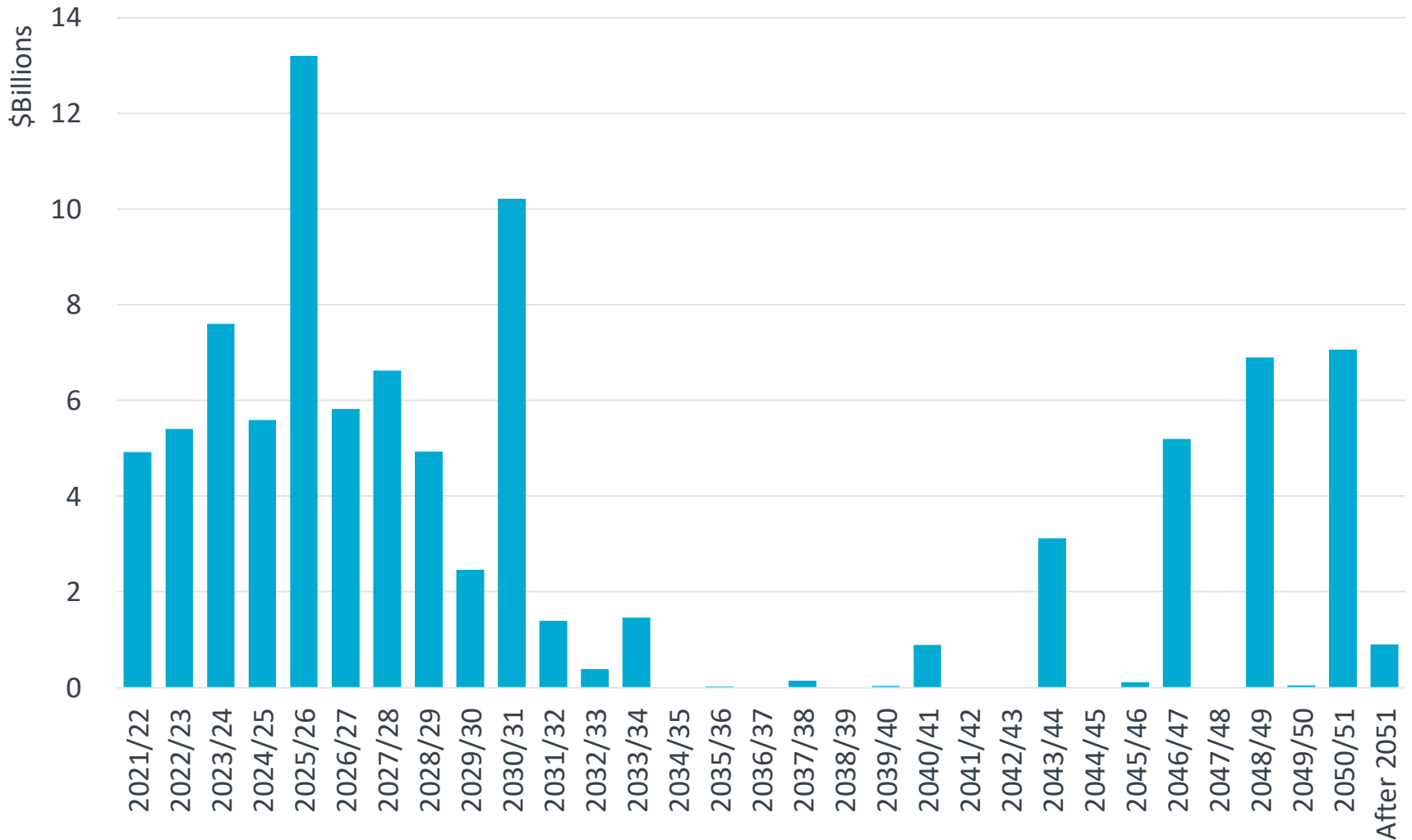
Term debt issued to date

Issues by type (C\$ millions)

Public benchmarks (CAD, EUR, USD)	16,472
Carve-outs (CAD)	1,591
Private placements (AUD, EUR, NOK)	463
Ultra-long bonds (CAD)	638
Total debt issued	<u>19,164</u>

- Carve-outs
 - Large order protocol suspended briefly to allow for carve-outs placed without public float
- Private placements
 - Foreign-denominated as well as CAD ultra-long issues

Maturity schedule



Borrowing strategy

- Target issuance of 60% domestic and 40% international
 - Actual borrowing will reflect market conditions
- Ensure domestic liquidity
 - Maintain larger domestic benchmark sized issues (\$3-\$5B)
 - Limited domestic MTN issuance
 - Promote secondary market liquidity
- Control domestic supply
 - Target issuance of 40% in foreign currency markets
 - Frequent US\$ benchmarks
 - Arbitrage driven global currency issues

Borrowing platforms

Term Debt

- Domestic C\$ Platform for benchmark and MTN issuance
- Australian Medium Term Note program
- Global US\$ Bonds
 - (SEC Registered)
- Global Multi-Currency Medium Term Note
 - (Rule 144A/Reg. S)(3)

Short Term

- Domestic C\$ (short-term) Promissory Note
- Domestic T-Bill Program
- US\$ Commercial Paper program

Strong liquidity position

Short-term Borrowing

CAD promissory notes	O/N – 364 days	No limit
Domestic treasury bills	O/N – 364 days	No limit
US commercial paper	O/N – 270 days	US\$12 billion

Cash reserves

Dedicated cash reserve	\$4 billion	GoC, Provies
3 month cash requirement	\$9 billion	GoC, Provies, BAs

Credit ratings

Ratings agency	Long-term rating	Short-term rating
Moody's October 9, 2020	Aa3 (outlook stable)	P-1
Standard and Poor's May 28, 2020	A+ (outlook negative)	A-1
Fitch Ratings June 30, 2020	AA- (outlook negative)	F1+
DBRS Morningstar March 19, 2020	AA (low) (negative trend)	R-1 (mid) (stable trend)

Contact information

Websites

Investor Relations: investor.alberta.ca
COVID-19 Updates: www.alberta.ca/coronavirus-info-for-albertans.aspx

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