

ALBERTA FARES WELL IN 2001

Overview

The sharp economic slowdown in the United States has spread to Canada. Over the last few months, private sector forecasters have revised Canadian economic growth downwards from between 3% and 4% to between 1% and 2% for 2001.

Private sector forecasters expect Alberta to lead growth among all provinces this year, propelled by provincial and federal tax cuts and by strong energy sector investment. The U.S. economic slowdown is expected to have a substantial impact on Quebec and Ontario, as the manufacturing sectors in both provinces are closely tied to the U.S. market.

Employment

Alberta's employment has generally been very healthy, and this year is no exception. So far in 2001, Alberta's employment has increased by 3.0%, more than double the national average of 1.4%. Alberta's unemployment rate has averaged 4.6% since the beginning of the year, dipping to 4.3% in August, below the U.S. unemployment rate.

Year to date, employment growth in Quebec and Ontario has slipped to 0.8% and 2.1%, respectively. Saskatchewan was the only province that has recorded an outright decline in employment, -2.4%.

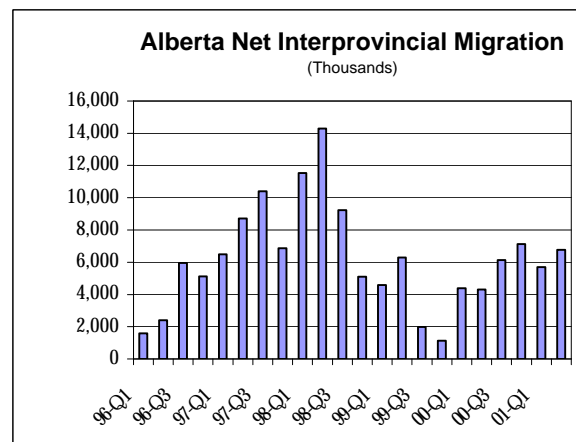


Source: Statistics Canada

Interprovincial Migration

Alberta's positive labour market trends are attracting a growing number of people to the province. Over the last four years, Alberta gained more interprovincial migrants than any other province.

According to Statistics Canada, net interprovincial migration to Alberta reached 12,486 people in first six months of this year – highest number of migrants among provinces. Over the last year, the majority of migrants have come from B.C. (41%), and Saskatchewan (36%).

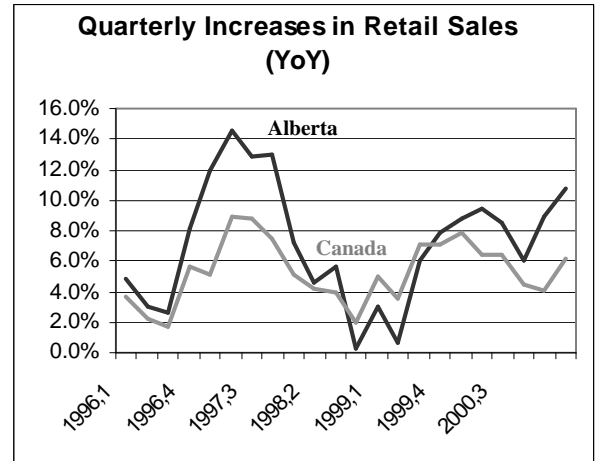


Source: Statistics Canada

Household Spending

For most of the past five years, Alberta's retail sales have grown above the national average. In the first six months of this year, Alberta had the largest growth of retail sales among provinces, at 9.9%, significantly above the national average of 5.2%.

Saskatchewan and New Brunswick had the lowest growth rate of retail sales at 2.2% and 2.6%. Ontario's and British Columbia's growth rates were 4.0%, and 5.8% respectively, whereas Quebec grew at 5.5%, about the national average.



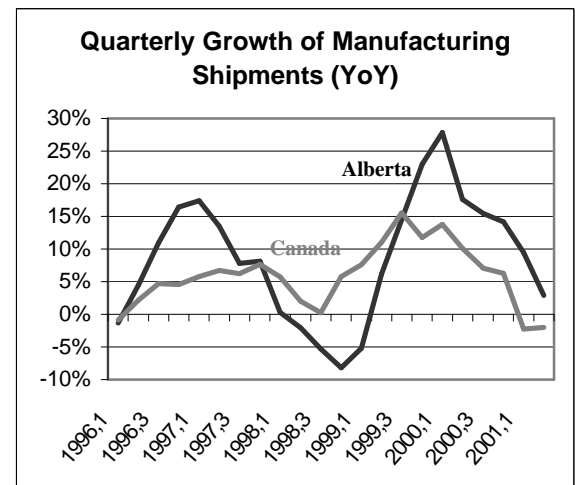
Source: Statistics Canada

Between January and August of this year, Alberta's housing starts increased 9.2% over the same period last year, marginally surpassing the national average of 8.7%. The strongest growth of housing starts in first eight months of this year took place in British Columbia (31.5%), Manitoba (11.5%), and Alberta (9.2%). Saskatchewan (-27.2%), Nova Scotia (-19.2%) and Prince Edward Island (-16.3%) experienced declines in housing starts over the same period. Ontario and Quebec's housing starts increased by 7.3% and 9.0% respectively.

Manufacturing Shipments

Despite the economic slowdown in the United States, which began in the second half of 2000, Alberta's manufacturing shipments grew above the Canadian average during first six months of 2001, increasing 6.0% over the same period in 2000. Increases were also observed in New Brunswick (14.8%), Manitoba (4.7%), Nova Scotia (3.1%), and Prince Edward Island (2.6%)

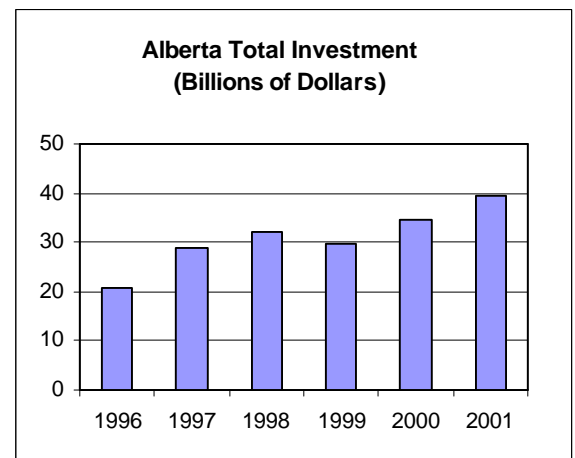
In contrast, Canadian year to date manufacturing shipments decreased 2.1%. Declines were experienced in British Columbia (-8.0%), Newfoundland (-5.3%), Ontario (-4.0%), Quebec (-1.2%), and Saskatchewan (-0.1%).



Source: Statistics Canada

Public and Private Investment

Over the last five years, Alberta's public and private investment has increased substantially. According to Statistics Canada's most recent survey of public and private investment intentions, Alberta's total investment in 2000 reached \$35 billion, and is expected to reach \$40 billion in 2001. Investment is particularly strong in mining, oil and gas extraction as well as utilities.



Source: Statistics Canada

Alberta is expected to lead the country in 2001, with a 14.2% increase in investment spending. At 7.9%, Ontario is the only other province outpacing the national investment spending increase of 6.3%. New Brunswick (-13.6), Newfoundland (-3.5), and Saskatchewan (-0.2%) are expected to experience decreases in investment spending.

CONCLUSION

Strong household spending and high investment supported by continued healthy energy prices have made Alberta less vulnerable to the slowdown in the U.S. economy than the manufacturing-based economies in central Canada.

While Alberta's economic growth is expected to remain healthy this year, there is a risk of prolonged U.S. economic slowdown accompanied by a decline in energy prices, which would have an adverse effect on Alberta's economic performance.
