

The top of the page features a blue banner with a geometric, low-poly pattern. The word "Alberta" is written in a white, cursive script font, followed by a small white square icon. Below the banner is a thin orange horizontal line.

Alberta

# 2015–16 Third Quarter

Fiscal Update and  
Economic Statement

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February 2016

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*NOTE: Amounts presented in tables may not add to totals due to rounding.*



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## 2015-16 THIRD QUARTER FISCAL UPDATE

### Method of Consolidation

The *2015-16 Third Quarter Fiscal Update and Economic Statement* reports on the same scope, using the same method of consolidation, as presented in *Budget 2015*, introduced October 27, 2015. This is the same scope and consolidation approach used in the Consolidated Financial Statements in the Government of Alberta Annual Report.

The results of all government departments, funds and agencies, except those designated as government business enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of provincial agencies designated as government business enterprises are included on the modified equity basis, computed in accordance with International Financial Reporting Standards applicable to those entities.

### Basis of Financial Reporting

The consolidated fiscal summary reports revenue (including gains from disposal of tangible capital assets), expense (including amortization, loss on disposal and write-down of tangible capital assets), and surplus / (deficit).

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Transfers received for capital purposes, and donated capital assets, are recorded as “deferred capital contributions” when the cash or asset is received, and recognized in revenue over the related asset’s useful life (in effect matching the asset’s amortization expense).

Expense includes the province’s cash payments towards the unfunded pension liabilities, and the non-cash change in unfunded pension liabilities.

Debt servicing costs include interest payable, and amortization of issue costs and discounts / premiums on debt issues.

### Compliance with Legislation

The *Fiscal Planning and Transparency Act* (FPTA) requires reporting to the public on the accuracy of the Fiscal Plan on or before February 28<sup>th</sup>. The FPTA gives the President of Treasury Board and Minister of Finance discretion over the form of the report.

The *2015-16 Third Quarter Fiscal Update and Economic Statement* includes comparisons between the October *Budget 2015* estimates and third quarter forecasts for revenue and expense (including details and categories of each); the surplus / (deficit); the Contingency Account balance and cash adjustments; a summary balance sheet; the Capital Plan; and financing (borrowing) requirements. An updated Alberta economic outlook, with associated assumptions, is also provided.

No quarterly estimates were published in *Budget 2015*, so they were developed for the nine months ending December 31, 2015 to enable comparing actual results for revenue, expense and the Capital Plan, and what would have been estimated.

Under the FPTA, operating expense increases, excluding those for dedicated revenue-operating expense, collective bargaining or other remuneration settlements, First Nations settlements, or increases funded by reserves of school boards, post-secondary institutions or Alberta Health Services, are limited to 1% of budgeted operating expense.

The forecast provided in this report is in compliance with the requirements of the FPTA.

# 2015-16 THIRD QUARTER FISCAL UPDATE

## Fiscal Plan Highlights

**Crown debt** as defined by the *Fiscal Planning and Transparency Act* (liabilities for capital projects and borrowing for the pre-1992 Teachers' Pension Plan) is forecast at \$18.9 billion on March 31, 2016, unchanged from the October Budget (*Budget 2015*), and 5.7% of estimated nominal 2015 Alberta GDP.

**A deficit** of \$6.3 billion is forecast for 2015-16, \$197 million higher than estimated in *Budget 2015*.

**Revenue** is forecast to be \$43.1 billion, \$660 million lower than estimated in *Budget 2015*.

- Resource revenue has decreased by a net \$294 million to \$2.5 billion, due to lower forecast oil prices partly offset by the impact on royalties of a lower Canadian-US dollar exchange rate. Bitumen royalties are down \$403 million, while crude oil royalties are \$74 million higher mainly from the lower exchange rate.
- The West Texas Intermediate oil price forecast has decreased from budget by US\$5 to \$45 per barrel. Fiscal year-to-date (February 16), prices have averaged \$46.50. The light-heavy differential forecast has declined by US\$0.20 to \$13.40. The natural gas Alberta Reference Price forecast has decreased 30 cents, to Cdn\$2.30 per gigajoule, and the exchange rate forecast has decreased by 2 cents, to 76US¢/Cdn\$.
- Personal income tax revenue has decreased \$762 million from budget, to \$11.3 billion. This reflects the impact on incomes and employment of the drop in oil prices, partly offset by a positive \$98 million prior-years' adjustment (higher 2014 assessment data mean 2013-14 and 2014-15 revenue was under-reported).

- The corporate income tax revenue forecast has increased \$227 million from *Budget 2015*, to \$5 billion, due mainly to higher-than-expected cash instalment payments received from corporations.
- Total revenue from other sources is forecast to be a net \$169 million higher than the *Budget 2015* estimate. Increases of \$251 million in one-time funding under the federal Fiscal Stabilization program, \$49 million in increased fuel and tobacco tax revenue, \$44 million in higher external investment management fees charged primarily to pension plans, and a net of \$11 million in other revenue, are partly offset by lower investment income of \$52 million mainly from poor equity market returns in 2015 and so far in 2016, a \$75 million reduction in Alberta Treasury Branch net income and a net \$59 million reduction in forecast premiums, fees and licences revenue.

**Expense** is forecast at \$49.4 billion, \$463 million lower than estimated in *Budget 2015*.

- Operating expense is forecast at \$43.2 billion, \$35 million higher. Increases of \$270 million are primarily for K-12 enrolment growth, physician compensation, Alberta Health Services (AHS) operations funded from AHS reserves, and external investment management fees funded by increased investment income. These are partly offset by reductions of \$235 million, primarily related to lower agriculture income support from better crop yields, suspended Access to the Future Fund grants, removing \$25 million provided to Alberta Enterprise Corporation for

investing purposes from expense, and lower costs of marketing lower-priced crude oil.

- Disaster assistance is forecast to be \$647 million, with \$395 million devoted to forest fire-fighting costs. The total is \$182 million lower than budget, due mainly to the impact of improved crop yields on agriculture indemnities and to re-profiling of 2013 Alberta flood assistance.
- Capital grants of \$1.9 billion are \$113 million lower primarily from private sector partner delays on carbon capture and storage projects.
- Pension provisions (the year-over-year change in estimated liabilities) are \$202 million lower than budget, due to reversing the budgeted slight decrease to the discount rate used to calculate pre-1992 plan liabilities (primarily the Teachers' Pension Plan), and to strong prior-year investment returns reducing the unamortized losses in the valuation.

**The Contingency Account** balance on March 31, 2016 is now forecast to be \$3.9 billion, \$580 million higher than the *Budget 2015* estimate. Main changes include: a net \$1.2 billion increase in cash adjustments, from AHS funding their increased spending from their reserves, differences between accrued energy royalties and personal income tax revenue and actual cash payments received, fewer student loans, and lower 2013 flood and capital cash requirements, due to re-profiling; less \$0.6 billion from the increased deficit, the change to non-cash pension provision expense, and to more cash being retained by funds and agencies. Further information on the Contingency Account is provided on page 9.

## FISCAL PLAN SUMMARY

(millions of dollars)

### Income Statement

|   | Fiscal Year       |                                 |                | Change<br>from<br>Budget |
|---|-------------------|---------------------------------|----------------|--------------------------|
|   | 2014-15<br>Actual | 2015-16<br>Budget      Forecast |                |                          |
| <b>Revenue</b>  |                   |                                 |                |                          |
| Income tax revenue                                      | 16,838            | 16,792                          | 16,257         | (535)                    |
| Other tax revenue                                       | 4,598             | 5,307                           | 5,338          | 31                       |
| Non-renewable resource revenue                          | 8,948             | 2,768                           | 2,474          | (294)                    |
| Other revenue   | 19,097            | 18,921                          | 19,059         | 138                      |
| <b>Total Revenue</b>                                    | <b>49,481</b>     | <b>43,788</b>                   | <b>43,128</b>  | <b>(660)</b>             |
| <b>Expense</b>  |                   |                                 |                |                          |
| Operating expense                                       | 42,047            | 43,209                          | 43,244         | 35                       |
| Disaster assistance (with operating 2013 flood support) | 351               | 829                             | 647            | (182)                    |
| Capital grants (including 2013 flood support)           | 2,466             | 1,975                           | 1,862          | (113)                    |
| Amortization / inventory consumption / disposal losses  | 3,184             | 3,083                           | 3,082          | (1)                      |
| General debt servicing costs                            | 370               | 326                             | 327            | 1                        |
| Capital Plan debt servicing costs                       | 352               | 452                             | 452            | -                        |
| Pension provisions                                      | (404)             | 31                              | (171)          | (202)                    |
| <b>Total Expense</b>                                    | <b>48,366</b>     | <b>49,906</b>                   | <b>49,443</b>  | <b>(463)</b>             |
| <b>Surplus / (Deficit)</b>                              | <b>1,115</b>      | <b>(6,118)</b>                  | <b>(6,315)</b> | <b>(197)</b>             |

### Capital Plan

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Capital grants   | 2,477        | 2,082        | 1,945        | (137)        |
| Capital investment   | 3,414        | 4,761        | 4,027        | (734)        |
| <b>Capital Plan without SUCH</b>                                       | <b>5,891</b> | <b>6,843</b> | <b>5,972</b> | <b>(871)</b> |
| SUCH sector adjustment / self-financed investment                      | 290          | 1,020        | 943          | (77)         |
| <b>Total Capital Plan</b>  | <b>6,181</b> | <b>7,863</b> | <b>6,915</b> | <b>(948)</b> |
| <b>Crown debt to GDP (as per Fiscal Planning and Transparency Act)</b> | <b>3.5%</b>  | <b>5.7%</b>  | <b>5.7%</b>  |              |

### Balance Sheet

|  | At March 31    |                              |                | Change<br>from<br>2015 |
|--|----------------|------------------------------|----------------|------------------------|
|  | 2015<br>Actual | 2016<br>Budget      Forecast |                |                        |
| <b>Financial Assets</b>                          |                |                              |                |                        |
| Heritage Fund and endowment funds                | 18,874         | 19,197                       | 19,290         | 416                    |
| Contingency Account                              | 6,529          | 3,289                        | 3,869          | (2,660)                |
| Self-supporting lending organizations            | 19,152         | 20,081                       | 20,017         | 865                    |
| Other financial assets                           | 12,188         | 12,150                       | 11,522         | (666)                  |
| SUCH sector financial assets                     | 9,334          | 8,779                        | 8,848          | (486)                  |
| <b>Total Financial Assets</b>                    | <b>66,077</b>  | <b>63,496</b>                | <b>63,546</b>  | <b>(2,531)</b>         |
| <b>Liabilities</b>                               |                |                              |                |                        |
| Crown debt:                                      |                |                              |                |                        |
| Liabilities for capital projects                 | 11,922         | 17,995                       | 17,995         | 6,073                  |
| Debt for pre-1992 Teachers' Pension Plan         | 943            | 944                          | 944            | 1                      |
| Self-supporting lending organizations            | 17,302         | 17,977                       | 17,856         | 554                    |
| Other liabilities                                | 6,424          | 6,970                        | 6,702          | 278                    |
| Pension liabilities                              | 11,196         | 11,227                       | 11,025         | (171)                  |
| SUCH sector liabilities                          | 5,236          | 4,991                        | 5,002          | (234)                  |
| <b>Total Liabilities</b>                         | <b>53,023</b>  | <b>60,104</b>                | <b>59,524</b>  | <b>6,501</b>           |
| <b>Net Financial Assets</b>                      | <b>13,054</b>  | <b>3,392</b>                 | <b>4,022</b>   | <b>(9,032)</b>         |
| Capital assets                                   | 44,753         | 48,386                       | 47,544         | 2,791                  |
| Spent deferred capital contributions             | (2,556)        | (2,645)                      | (2,630)        | (74)                   |
| <b>Net Assets</b>                                | <b>55,251</b>  | <b>49,133</b>                | <b>48,936</b>  | <b>(6,315)</b>         |
| <b>Change in Net Assets (before adjustments)</b> | <b>1,115</b>   | <b>(6,118)</b>               | <b>(6,315)</b> |                        |

**REVENUE***(millions of dollars)*

|   | Fiscal Year   |               |               | Change<br>from<br>Budget |
|---|---------------|---------------|---------------|--------------------------|
|   | 2014-15       | 2015-16       |               |                          |
|   | Actual        | Budget        | Forecast      |                          |
| <b>Income Taxes</b>   |               |               |               |                          |
| Personal income tax   | 11,042        | 12,047        | 11,285        | (762)                    |
| Corporate income tax  | 5,796         | 4,745         | 4,972         | 227                      |
|   | <b>16,838</b> | <b>16,792</b> | <b>16,257</b> | <b>(535)</b>             |
| <b>Other Taxes</b>  |               |               |               |                          |
| Education property tax  | 2,102         | 2,253         | 2,253         | -                        |
| Tobacco tax   | 896           | 1,041         | 1,059         | 18                       |
| Fuel tax  | 944           | 1,434         | 1,465         | 31                       |
| Insurance taxes   | 393           | 407           | 407           | -                        |
| Freehold mineral rights tax                                   | 172           | 87            | 74            | (13)                     |
| Tourism levy  | 91            | 85            | 80            | (5)                      |
|   | <b>4,598</b>  | <b>5,307</b>  | <b>5,338</b>  | <b>31</b>                |
| <b>Non-Renewable Resource Revenue</b>                         |               |               |               |                          |
| Bitumen royalty   | 5,049         | 1,547         | 1,144         | (403)                    |
| Crude oil royalty   | 2,245         | 536           | 610           | 74                       |
| Natural gas and by-products royalty                           | 989           | 343           | 341           | (2)                      |
| Bonuses and sales of Crown leases                             | 476           | 181           | 210           | 29                       |
| Rentals and fees / coal royalty                               | 188           | 160           | 169           | 9                        |
|   | <b>8,948</b>  | <b>2,768</b>  | <b>2,474</b>  | <b>(294)</b>             |
| <b>Transfers from Government of Canada</b>                    |               |               |               |                          |
| Canada Health Transfer  | 3,601         | 3,967         | 4,005         | 38                       |
| Canada Social Transfer  | 1,452         | 1,513         | 1,516         | 3                        |
| Direct transfers to SUCH sector                               | 321           | 484           | 484           |                          |
| Agriculture support programs                                  | 288           | 313           | 272           | (41)                     |
| Infrastructure support  | 341           | 289           | 289           | -                        |
| Labour market agreements                                      | 174           | 177           | 180           | 3                        |
| Other (includes 2013 flood assistance / Fiscal Stabilization) | (195)         | 241           | 510           | 269                      |
|   | <b>5,982</b>  | <b>6,984</b>  | <b>7,256</b>  | <b>272</b>               |
| <b>Investment Income</b>                                      |               |               |               |                          |
| Alberta Heritage Savings Trust Fund                           | 1,825         | 1,719         | 1,643         | (76)                     |
| Endowment funds   | 354           | 355           | 372           | 17                       |
| Alberta Capital Finance Authority                             | 288           | 196           | 192           | (4)                      |
| Contingency Account   | 116           | 108           | 108           | -                        |
| Agriculture Financial Services Corporation                    | 132           | 133           | 132           | (1)                      |
| Other (includes SUCH income)                                  | 398           | 309           | 321           | 12                       |
|   | <b>3,113</b>  | <b>2,820</b>  | <b>2,768</b>  | <b>(52)</b>              |
| <b>Net Income from Government Business Enterprises</b>        |               |               |               |                          |
| AGLC - Gaming / lottery                                       | 1,526         | 1,545         | 1,545         | -                        |
| AGLC - Liquor   | 767           | 851           | 854           | 3                        |
| Alberta Treasury Branches                                     | 325           | 283           | 208           | (75)                     |
| Other - CUDGCo / APMC   | 47            | 57            | 57            | -                        |
|   | <b>2,665</b>  | <b>2,736</b>  | <b>2,664</b>  | <b>(72)</b>              |
| <b>Premiums, Fees and Licences</b>                            |               |               |               |                          |
| Post-secondary institution tuition fees                       | 1,116         | 1,138         | 1,138         | -                        |
| Health / school board fees and charges                        | 672           | 669           | 671           | 2                        |
| Motor vehicle licences  | 516           | 525           | 526           | 1                        |
| Crop, hail and livestock insurance premiums                   | 307           | 314           | 300           | (14)                     |
| Energy industry levies  | 292           | 306           | 306           | -                        |
| Land titles   | 91            | 90            | 80            | (10)                     |
| Other (includes land and grazing, health benefits premiums)   | 570           | 645           | 607           | (38)                     |
|   | <b>3,564</b>  | <b>3,687</b>  | <b>3,628</b>  | <b>(59)</b>              |
| <b>Other</b>  |               |               |               |                          |
| SUCH sector sales, rentals and services                       | 850           | 903           | 906           | 3                        |
| SUCH sector fundraising, donations and services               | 667           | 564           | 561           | (3)                      |
| AIMCo investment management charges                           | 264           | 257           | 301           | 44                       |
| Fines and penalties   | 146           | 260           | 256           | (4)                      |
| Refunds of expense  | 1,106         | 141           | 156           | 15                       |
| Climate change and emissions management                       | 77            | 91            | 92            | 1                        |
| Miscellaneous   | 663           | 478           | 471           | (7)                      |
|   | <b>3,773</b>  | <b>2,694</b>  | <b>2,743</b>  | <b>49</b>                |
| <b>Total Revenue</b>  | <b>49,481</b> | <b>43,788</b> | <b>43,128</b> | <b>(660)</b>             |

**OPERATING EXPENSE BY MINISTRY***(millions of dollars)*

|                                | Fiscal Year    |                |                  | Change from Budget |
|--------------------------------|----------------|----------------|------------------|--------------------|
|                                | 2014-15 Actual | 2015-16 Budget | 2015-16 Forecast |                    |
| Advanced Education             | 4,966          | 5,257          | 5,201            | (56)               |
| Agriculture and Forestry       | 1,049          | 1,072          | 1,013            | (59)               |
| Culture and Tourism            | 288            | 295            | 295              | -                  |
| Economic Development and Trade | 231            | 316            | 269              | (47)               |
| Education                      | 7,250          | 7,251          | 7,302            | 51                 |
| Energy                         | 645            | 681            | 609              | (72)               |
| Environment and Parks          | 397            | 405            | 409              | 4                  |
| Executive Council              | 23             | 25             | 25               | -                  |
| Health                         | 17,814         | 18,297         | 18,444           | 147                |
| Human Services                 | 4,087          | 4,274          | 4,283            | 9                  |
| Indigenous Relations           | 182            | 186            | 186              | -                  |
| Infrastructure                 | 501            | 491            | 491              | -                  |
| Justice and Solicitor General  | 1,313          | 1,343          | 1,351            | 8                  |
| Labour                         | 126            | 164            | 165              | 1                  |
| Municipal Affairs              | 237            | 285            | 283              | (2)                |
| Seniors and Housing            | 573            | 569            | 569              | -                  |
| Service Alberta                | 226            | 250            | 252              | 2                  |
| Status of Women                | -              | 1              | 1                | -                  |
| Transportation                 | 523            | 484            | 484              | -                  |
| Treasury Board and Finance     | 1,493          | 1,412          | 1,460            | 48                 |
| Legislative Assembly           | 122            | 150            | 150              | -                  |
| <b>Total Operating Expense</b> | <b>42,047</b>  | <b>43,209</b>  | <b>43,244</b>    | <b>35</b>          |

**DISASTER / EMERGENCY ASSISTANCE EXPENSE***(millions of dollars)*

|  | Fiscal Year    |                |                  | Change from Budget |
|--|----------------|----------------|------------------|--------------------|
|  | 2014-15 Actual | 2015-16 Budget | 2015-16 Forecast |                    |
| Agriculture and Forestry   | 170            | 725            | 580              | (145)              |
| Municipal Affairs  | 32             | -              | 9                | 9                  |
| Unallocated  | -              | -              | -                | -                  |
| <b>Total</b>   | <b>202</b>     | <b>725</b>     | <b>589</b>       | <b>(136)</b>       |
| <b>2013 Alberta flood assistance:</b>  |                |                |                  |                    |
| Culture and Tourism  | 5              | 6              | 2                | (4)                |
| Education  | 3              | 7              | -                | (7)                |
| Environment and Parks  | 23             | 23             | 23               | -                  |
| Health   | 32             | -              | -                | -                  |
| Human Services   | 4              | 1              | -                | (1)                |
| Infrastructure   | 53             | 44             | 10               | (34)               |
| Indigenous Relations   | 6              | 7              | 7                | -                  |
| Municipal Affairs  | 21             | 16             | 16               | -                  |
| Other (Transportation / Agriculture and Forestry / Economic Development and Trade) | 2              | -              | -                | -                  |
| <b>Total 2013 Alberta flood assistance</b>   | <b>149</b>     | <b>104</b>     | <b>58</b>        | <b>(46)</b>        |
| <b>Total Disaster / Emergency Assistance</b>                                       | <b>351</b>     | <b>829</b>     | <b>647</b>       | <b>(182)</b>       |

**INVENTORY CONSUMPTION EXPENSE***(millions of dollars)*

|   | Fiscal Year    |                |                  | Change from Budget |
|---|----------------|----------------|------------------|--------------------|
|   | 2014-15 Actual | 2015-16 Budget | 2015-16 Forecast |                    |
| Health  | 795            | 750            | 750              | -                  |
| Infrastructure  | 18             | 3              | 3                | -                  |
| Service Alberta   | 14             | 15             | 15               | -                  |
| Transportation  | 52             | 50             | 50               | -                  |
| Other (Agric. and Forestry / Cult. and Tour. / Human Serv. / Seniors and Housing) | 3              | 4              | 7                | 3                  |
| <b>Total Inventory Consumption Expense</b>  | <b>882</b>     | <b>821</b>     | <b>824</b>       | <b>3</b>           |

## CAPITAL AMORTIZATION EXPENSE

|                                   | Fiscal Year  |              |              | Change from Budget |
|-----------------------------------|--------------|--------------|--------------|--------------------|
|                                   | 2014-15      | 2015-16      |              |                    |
|                                   | Actual       | Budget       | Forecast     |                    |
| Advanced Education                | 481          | 487          | 487          | -                  |
| Agriculture and Forestry          | 26           | 29           | 29           | -                  |
| Culture and Tourism               | 3            | 3            | 3            | -                  |
| Economic Development and Trade    | 5            | 5            | 5            | -                  |
| Education                         | 306          | 317          | 317          | -                  |
| Energy                            | 21           | 20           | 20           | -                  |
| Environment and Parks             | 43           | 44           | 44           | -                  |
| Health                            | 653          | 637          | 638          | 1                  |
| Human Services                    | 11           | 11           | 11           | -                  |
| Infrastructure                    | 93           | 107          | 107          | -                  |
| Justice and Solicitor General     | 15           | 17           | 17           | -                  |
| Labour                            | 2            | 2            | 2            | -                  |
| Municipal Affairs                 | 2            | 3            | 3            | -                  |
| Seniors and Housing               | 32           | 32           | 32           | -                  |
| Service Alberta                   | 41           | 42           | 42           | -                  |
| Transportation                    | 458          | 480          | 478          | (2)                |
| Treasury Board and Finance        | 17           | 21           | 18           | (3)                |
| Legislative Assembly              | 3            | 3            | 3            | -                  |
| <b>Total Amortization Expense</b> | <b>2,211</b> | <b>2,261</b> | <b>2,257</b> | <b>(4)</b>         |

## DEBT SERVICING COSTS

(millions of dollars)

|  | Fiscal Year |            |            | Change from Budget |
|--|-------------|------------|------------|--------------------|
|  | 2014-15     | 2015-16    |            |                    |
|  | Actual      | Budget     | Forecast   |                    |
| <b>General</b>   |             |            |            |                    |
| Advanced Education - post-secondary institutions                       | 41          | 39         | 41         | 2                  |
| Agriculture and Forestry - Agriculture Financial Services Corporation  | 70          | 75         | 70         | (5)                |
| Education - school boards  | 10          | 10         | 10         | -                  |
| Health - Alberta Health Services                                       | 16          | 16         | 16         | -                  |
| Seniors and Housing - Alberta Social Housing Corporation               | 10          | 8          | 8          | -                  |
| Treasury Board and Finance - Alberta Capital Finance Authority / other | 223         | 178        | 182        | 4                  |
| <b>Total general debt servicing costs</b>                              | <b>370</b>  | <b>326</b> | <b>327</b> | <b>1</b>           |
| <b>Capital Plan</b>  |             |            |            |                    |
| Education - Alberta Schools Alternative Procurement P3s                | 30          | 30         | 30         | -                  |
| Transportation - ring road P3  | 72          | 71         | 71         | -                  |
| Treasury Board and Finance - direct borrowing                          | 250         | 351        | 351        | -                  |
| <b>Total Capital Plan debt servicing costs</b>                         | <b>352</b>  | <b>452</b> | <b>452</b> | <b>-</b>           |
| <b>Total Debt Servicing Costs</b>                                      | <b>722</b>  | <b>778</b> | <b>779</b> | <b>1</b>           |

## INVENTORY ACQUISITION

(millions of dollars)

|   | Fiscal Year |            |            | Change from Budget |
|---|-------------|------------|------------|--------------------|
|   | 2014-15     | 2015-16    |            |                    |
|   | Actual      | Budget     | Forecast   |                    |
| Health  | 799         | 757        | 752        | (5)                |
| Infrastructure                                    | 44          | 48         | 48         | -                  |
| Service Alberta                                   | 14          | 15         | 15         | -                  |
| Transportation                                    | 50          | 50         | 50         | -                  |
| Other (Agriculture and Forestry / Human Services) | 4           | 3          | 3          | -                  |
| <b>Total Inventory Acquisition</b>                | <b>911</b>  | <b>873</b> | <b>868</b> | <b>(5)</b>         |



**CONTINGENCY ACCOUNT***(millions of dollars)*

|   | Fiscal Year    |                |                  | Change from Budget |
|---|----------------|----------------|------------------|--------------------|
|   | 2014-15 Actual | 2015-16 Budget | 2015-16 Forecast |                    |
| <b>Balance at Start of Year</b>   | <b>4,658</b>   | <b>6,529</b>   | <b>6,529</b>     | -                  |
| <b>Surplus / (Deficit)</b>  | 1,115          | (6,118)        | (6,315)          | (197)              |
| <b>Cash Adjustments</b> (negative = cash requirement; positive = cash source) |                |                |                  |                    |
| SUCH sector revenue / expense adjustments                                     | 623            | 491            | 661              | 170                |
| Pension provisions  | (404)          | 31             | (171)            | (202)              |
| Net deferred capital contribution cash adjustment                             | 101            | 89             | 74               | (15)               |
| <u>Retained income of funds and agencies:</u>                                 |                |                |                  |                    |
| Alberta Heritage Fund   | (210)          | (165)          | (209)            | (44)               |
| Alberta Treasury Branches   | (325)          | (283)          | (208)            | 75                 |
| Agriculture Financial Services Corporation                                    | (247)          | 44             | (103)            | (147)              |
| Endowment funds   | (163)          | (180)          | (192)            | (12)               |
| Alberta Social Housing Corporation  | 36             | 79             | 31               | (48)               |
| Alberta Capital Finance Authority   | (58)           | (75)           | (66)             | 9                  |
| Other   | (81)           | (59)           | (125)            | (66)               |
| Energy royalties (difference between accrued revenue & cash)                  | 1,369          | 354            | 554              | 200                |
| Student loans   | (239)          | (367)          | (329)            | 38                 |
| Other cash adjustments  | 278            | (477)          | 22               | 499                |
| 2013 Alberta flood assistance revenue / expense                               | (745)          | (429)          | (144)            | 285                |
| Inventory acquisition   | (172)          | (180)          | (175)            | 5                  |
| Inventory consumption (non-cash expense)                                      | 141            | 129            | 132              | 3                  |
| <u>Capital Plan (excluding SUCH sector) cash sources / (requirements):</u>    |                |                |                  |                    |
| Capital investment  | (3,414)        | (4,762)        | (4,027)          | 735                |
| Amortization / book value of disposals (non-cash expense)                     | 855            | 847            | 848              | 1                  |
| Withdrawal from / (deposit to) Capital Plan financing account                 | 673            | -              | (713)            | (713)              |
| Direct borrowing for the Capital Plan   | 3,021          | 5,958          | 5,958            | -                  |
| Alternative financing (P3s - public-private partnerships)                     | 199            | 143            | 148              | 5                  |
| Current principal repayments (P3s)  | (39)           | (42)           | (42)             | -                  |
| <b>Surplus / (Deficit) plus net cash adjustments</b>                          | <b>2,314</b>   | <b>(4,972)</b> | <b>(4,391)</b>   | <b>580</b>         |
| Cash from prior-year final results  | 1,287          | 1,731          | 1,731            |                    |
| Cash to be transferred next year  | (1,731)        | -              | -                |                    |
| <b>Balance at End of Year</b>   | <b>6,529</b>   | <b>3,289</b>   | <b>3,869</b>     | <b>580</b>         |

**2015-16 FINANCING REQUIREMENTS<sup>a</sup>***(millions of dollars)*

|   | First 9 months of 2015-16 |              |              | Fiscal Year    |                |                  | Change from Budget |
|---|---------------------------|--------------|--------------|----------------|----------------|------------------|--------------------|
|   | Estimate                  | Actual       | Change       | 2014-15 Actual | 2015-16 Budget | 2015-16 Forecast |                    |
| <b>Financing Requirements / Completed to Date</b>             |                           |              |              |                |                |                  |                    |
| Direct borrowing for capital purposes                         | 4,469                     | 4,556        | 88           | 3,021          | 5,958          | 5,958            | -                  |
| Re-financing of maturing debt                                 | -                         | -            | -            | 905            | -              | -                | -                  |
| Term debt borrowing for provincial corporations: <sup>b</sup> |                           |              |              |                |                |                  |                    |
| Agriculture Financial Services Corporation                    | 266                       | 183          | (83)         | 125            | 355            | 355              | -                  |
| Alberta Capital Finance Authority                             | 1,389                     | 1,415        | 26           | 1,231          | 1,852          | 1,852            | -                  |
| Alberta Petroleum Marketing Commission                        | 255                       | -            | (255)        | 227            | 340            | 340              | -                  |
| Alberta Treasury Branches                                     | 788                       | 300          | (488)        | 500            | 1,050          | 1,050            | -                  |
| <b>Total Financing Requirements / Completed to Date</b>       | <b>7,166</b>              | <b>6,454</b> | <b>(712)</b> | <b>6,009</b>   | <b>9,555</b>   | <b>9,555</b>     | <b>-</b>           |

<sup>a</sup> Since December 31 2015, additional debt has been issued for capital purposes of Cdn\$702 million.

<sup>b</sup> Gross borrowing requirements for provincial corporations. Include amounts of maturing debt being re-financed.

# Capital Plan Highlights

2015-16 Capital Plan spending is forecast to be \$6.9 billion, a decrease of \$948 million from the October Budget. Decreases mainly reflect re-profiling of a variety of projects, including those related to schools, carbon capture and storage, health facilities and highways. In addition, most of the budgeted climate change

grants have been held back, in order to incorporate the funds with the Climate Leadership Plan.

Direct borrowing for the Capital Plan remains at \$6 billion. With the lower 2015-16 Capital Plan spending, an estimated \$713 million in borrowed funds will be available for use in future years. Cash received for capital

purposes and from retained income have decreased \$168 million primarily related to the Climate Leadership Plan, delays in the Fort McMurray land exchange and reduced spending of Alberta Social Housing Corporation cash. Forecast spending self-financed by the SUCH sector has decreased by \$77 million.

## CAPITAL PLAN SUMMARY

(millions of dollars)

|   | Fiscal Year    |                |                  | Change from Budget |
|---|----------------|----------------|------------------|--------------------|
|   | 2014-15 Actual | 2015-16 Budget | 2015-16 Forecast |                    |
| <b>Summary</b>  |                |                |                  |                    |
| <b>Capital Plan Spending</b>                          | <b>6,181</b>   | <b>7,863</b>   | <b>6,915</b>     | <b>(948)</b>       |
| <b>Capital Plan Financing</b>                         |                |                |                  |                    |
| Cash received for capital purposes                    | 483            | 575            | 444              | (131)              |
| Retained income of funds and agencies                 | 138            | 167            | 130              | (37)               |
| Book value of capital asset disposals                 | 41             | -              | 5                | 5                  |
| Alternative financing (P3s)                           | 199            | 143            | 148              | 5                  |
| Direct borrowing                                      | 3,021          | 5,958          | 5,958            | -                  |
| Capital Plan financing account withdrawal / (deposit) | 673            | -              | (713)            | (713)              |
| Transfer from Contingency Account                     | 1,335          | -              | -                | -                  |
| SUCH sector self-financed                             | 291            | 1,020          | 943              | (77)               |
| <b>Total Capital Plan Financing</b>                   | <b>6,181</b>   | <b>7,863</b>   | <b>6,915</b>     | <b>(948)</b>       |
| <b>By Ministry</b>                                    |                |                |                  |                    |
| Advanced Education                                    | 773            | 876            | 876              | -                  |
| Agriculture and Forestry                              | 60             | 53             | 53               | -                  |
| Culture and Tourism                                   | 48             | 41             | 41               | -                  |
| Economic Development and Trade                        | 5              | 5              | 5                | -                  |
| Education   | 358            | 1,333          | 1,047            | (286)              |
| Energy  | 79             | 305            | 175              | (130)              |
| Environment and Parks                                 | 46             | 103            | 44               | (59)               |
| Health  | 664            | 917            | 753              | (164)              |
| Human Services  | 5              | 7              | 7                | -                  |
| Indigenous Relations                                  | 11             | 11             | 11               | -                  |
| Infrastructure  | 233            | 445            | 267              | (178)              |
| Justice and Solicitor General                         | 96             | 70             | 60               | (10)               |
| Labour  | 1              | 1              | 4                | 3                  |
| Municipal Affairs                                     | 1,869          | 1,118          | 1,121            | 3                  |
| Seniors and Housing                                   | 103            | 178            | 180              | 2                  |
| Service Alberta                                       | 39             | 46             | 45               | (1)                |
| Transportation  | 1,633          | 2,025          | 1,913            | (112)              |
| Treasury Board and Finance                            | 30             | 33             | 28               | (5)                |
| Legislative Assembly                                  | -              | 2              | 2                | -                  |
| <b>2013 Alberta flood assistance</b>                  |                |                |                  |                    |
| Culture and Tourism                                   | 1              | -              | -                | -                  |
| Education   | 5              | 10             | 10               | -                  |
| Environment and Parks                                 | 57             | 173            | 173              | -                  |
| Health  | -              | -              | 5                | 5                  |
| Infrastructure  | 1              | 11             | 6                | (5)                |
| Municipal Affairs                                     | 25             | 14             | 14               | -                  |
| Seniors and Housing                                   | 4              | 1              | 1                | -                  |
| Transportation  | 35             | 85             | 76               | (9)                |
| <b>Total Capital Plan</b>                             | <b>6,181</b>   | <b>7,863</b>   | <b>6,915</b>     | <b>(948)</b>       |

# Fiscal Plan Summary

(For the nine months ended December 31, 2015)

## INCOME STATEMENT

(millions of dollars)

|  | First 9 months<br>of 2015-16 |                | Change<br>from<br>Estimate |
|--|------------------------------|----------------|----------------------------|
|  | Estimate                     | Actual         |                            |
| <b>Revenue</b>                         |                              |                |                            |
| Personal income tax revenue            | 8,936                        | 8,538          | (398)                      |
| Corporate income tax revenue           | 3,646                        | 3,800          | 154                        |
| Other tax revenue                      | 3,926                        | 3,781          | (145)                      |
| Resource revenue - bitumen royalties   | 1,160                        | 1,121          | (39)                       |
| Resource revenue - crude oil royalties | 402                          | 575            | 173                        |
| Resource revenue - other               | 513                          | 689            | 176                        |
| Transfers from Government of Canada    | 5,181                        | 5,255          | 74                         |
| Investment income                      | 2,117                        | 2,001          | (116)                      |
| Net income from commercial operations  | 2,052                        | 2,071          | 19                         |
| Premiums, fees and licences            | 2,504                        | 2,602          | 98                         |
| Other revenue                          | 2,055                        | 2,239          | 183                        |
| <b>Total Revenue</b>                   | <b>32,493</b>                | <b>32,672</b>  | <b>179</b>                 |
| <b>Program Expense by Ministry</b>     |                              |                |                            |
| Advanced Education                     | 4,296                        | 4,103          | (193)                      |
| Agriculture and Forestry               | 1,526                        | 1,390          | (136)                      |
| Culture and Tourism                    | 225                          | 222            | (3)                        |
| Economic Development and Trade         | 225                          | 192            | (33)                       |
| Education                              | 5,588                        | 5,670          | 82                         |
| Energy                                 | 700                          | 567            | (133)                      |
| Environment and Parks                  | 431                          | 387            | (44)                       |
| Executive Council                      | 19                           | 19             | -                          |
| Health                                 | 14,763                       | 14,939         | 176                        |
| Human Services                         | 3,175                        | 3,160          | (15)                       |
| Indigenous Relations                   | 153                          | 125            | (28)                       |
| Infrastructure                         | 476                          | 457            | (19)                       |
| Justice and Solicitor General          | 1,065                        | 1,046          | (19)                       |
| Labour                                 | 131                          | 98             | (33)                       |
| Municipal Affairs                      | 1,300                        | 1,302          | 2                          |
| Seniors and Housing                    | 451                          | 451            | -                          |
| Service Alberta                        | 230                          | 196            | (34)                       |
| Status of Women                        | 1                            | 1              | -                          |
| Transportation                         | 918                          | 755            | (163)                      |
| Treasury Board and Finance             | 1,074                        | 1,110          | 36                         |
| Legislative Assembly                   | 97                           | 97             | -                          |
| <b>Total Program Expense</b>           | <b>36,844</b>                | <b>36,287</b>  | <b>(557)</b>               |
| <b>Debt servicing costs</b>            | <b>584</b>                   | <b>563</b>     | <b>(21)</b>                |
| <b>Pension provisions</b>              | <b>-</b>                     | <b>-</b>       | <b>-</b>                   |
| <b>Total Expense</b>                   | <b>37,428</b>                | <b>36,850</b>  | <b>(578)</b>               |
| <b>Surplus / (deficit)</b>             | <b>(4,936)</b>               | <b>(4,178)</b> | <b>757</b>                 |

## CAPITAL PLAN

(millions of dollars)

|                           | First 9 months<br>of 2015-16 |              | Change<br>from<br>Estimate |
|---------------------------|------------------------------|--------------|----------------------------|
|                           | Estimate                     | Actual       |                            |
| <b>Capital Grants</b>     | <b>1,634</b>                 | <b>1,414</b> | <b>(220)</b>               |
| <b>Capital Investment</b> | <b>4,331</b>                 | <b>3,536</b> | <b>(795)</b>               |
| <b>Total Capital Plan</b> | <b>5,964</b>                 | <b>4,950</b> | <b>(1,014)</b>             |

# ECONOMIC OUTLOOK

## A dimmer outlook for the Alberta economy

Economic conditions and the outlook for oil prices have weakened since *Budget 2015* was released. Oil prices continued their downward trend and fell to the lowest level in over a decade at the beginning of 2016. Tempered expectations about global growth and rising oil supplies are weighing on equity and commodity markets and increasing volatility.

The steep decline in oil prices means that the downturn in Alberta's economy will be deeper and longer than forecast at *Budget*. Following an estimated decline in real GDP of

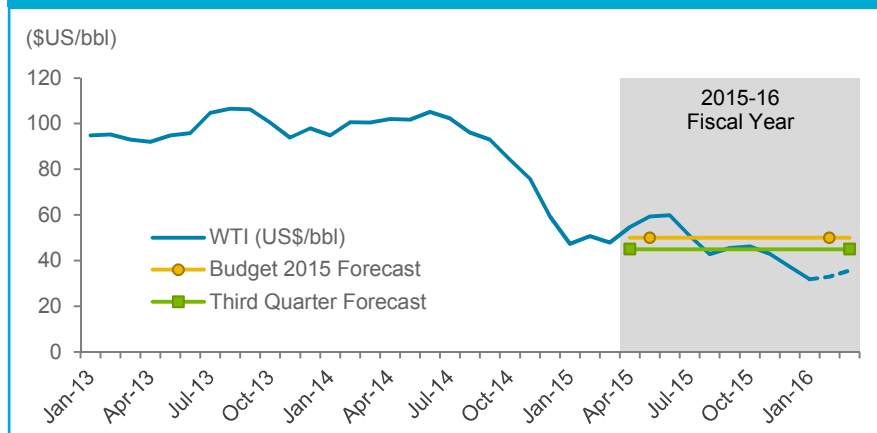
1.5% in 2015, Alberta's economy is expected to contract again in 2016 by 1.1%. Weaker economic conditions continue to weigh on incomes, including wages and salaries, corporate profits, and Government of Alberta revenue. Nominal GDP declined by over 11% in 2015, and is forecast to fall again by about 4% in 2016.

With additional cuts to capital spending by oil and gas companies, the slowdown in the energy sector is feeding through other sectors in the economy. Momentum that supported activity

in the province in 2015 has faded, prompting a pullback in non-energy construction and spending. Households will feel the effects, as employment and average weekly earnings are expected to decline in 2016.

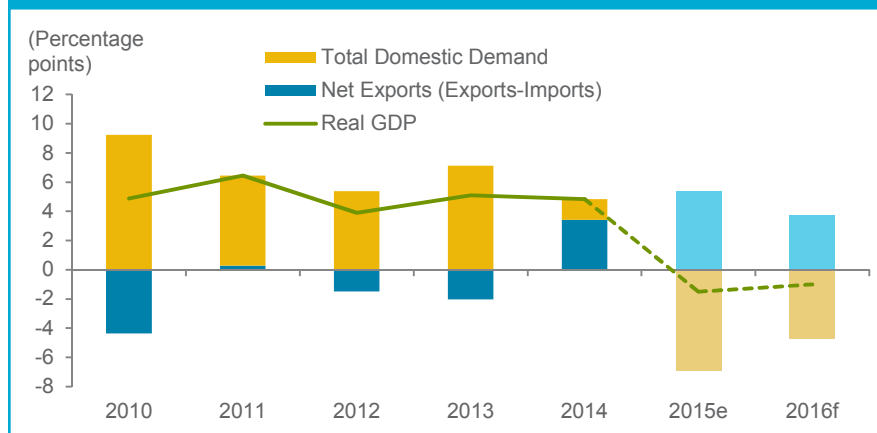
Though the outlook for 2016 has deteriorated, there are some factors that remain supportive of growth. Oil sands output will continue to expand, driving exports. As costs moderate, a lower Canadian dollar will support non-energy exports and boost revenue. Increased public capital spending will help offset some of the declines in private sector investment.

**Figure 1. WTI Price Forecast for 2015-16**



Source: Alberta Energy

**Figure 2. Alberta Real GDP Growth by Component**



Sources: Statistics Canada and Alberta Treasury Board and Finance

### Alberta Business Sector

#### Oil prices searching for a bottom

Following the release of *Budget 2015* in late October, the price of WTI fell over 30% to below US\$30 per barrel. Demand growth has been outpaced by rising production from OPEC and non-OPEC sources, and global inventories of crude oil have swelled. This has postponed an eventual recovery in prices and weakened market sentiment. Reflecting the worsening outlook, the oil price forecast for 2015-16 has been lowered to US\$45 per barrel, from US\$50 per barrel at *Budget* (Figure 1).

The light-heavy (WTI-WCS) differential has been relatively steady and is expected to average US\$13.50 per barrel in 2015-16, slightly lower than at *Budget*. With the decline in WTI, though, WCS prices have fallen sharply. The Alberta heavy oil benchmark fell below US\$20 per barrel in January 2016 to the lowest level since trading began in 2004. These prices have hurt producers' netbacks and squeezed corporate profits, not only for oil and gas companies, but for those supplying the industry as well. Net corporate operating surplus, a measure of corporate profits, is expected to decline around 17% in 2016.

## ECONOMIC OUTLOOK

### *Canadian dollar tumbles*

Since *Budget 2015* was released, the Canadian dollar has lost over 5 cents against the US dollar. In January, it fell to the lowest level in twelve years. A combination of US dollar strength, weak commodity prices, and a weaker outlook for the Canadian economy have been responsible for the decline. Reflecting this weakness, the dollar is expected to average 72.5US¢/Cdn\$ in the last quarter of the fiscal year. The exchange rate forecast for 2015/16 has been lowered by two cents to 76.0US¢/Cdn\$. A weaker dollar bolsters exports and resource revenue.

### *Energy investment to decline again*

Oil and gas investment is expected to contract by over 20% in 2016, sharper than the 4.2% decline expected at *Budget*. The continued slump in oil prices has caused energy companies to cut spending further. Conventional oil and gas investment has slowed considerably, with the number of rigs drilling falling to multi-decade lows. Spending in the oil sands will be limited to maintenance of existing facilities and the completion of projects that were under construction prior to the price decline. Firms will continue to seek ways of cutting costs by bargaining aggressively with suppliers and containing labour costs. Some consolidation within the industry is likely, as firms with healthy balance sheets acquire those under financial stress.

### *Public spending boosts construction*

Non-residential building construction was bolstered by strong momentum heading into 2015 and a large increase in institutional and governmental construction. However, the pace of declines in the industrial and commercial sectors accelerated through 2015. Although public spending will continue to provide a boost in 2016, non-energy investment is expected to fall. This reflects lower activity in the province and the winding down of current projects. Construction activity will get some support from easing cost

pressures, as non-residential building construction price indices have fallen across most sectors.

### *Positive trade gains*

Exports will continue to provide a lift to the Alberta economy, despite the plunge in oil prices and lower investment. New oil sands projects ramping up in 2015 led to strong gains in crude production. Gains will continue as major oil sands projects under construction come on-line. Exports from other industries including agriculture, food manufacturing, and services are also expected to expand, partially offsetting the declines in energy-related manufacturing. Overall, export-oriented industries will benefit from easing cost pressures, the lower Canadian dollar, and a solid US economy.

In addition, the lower level of activity in the province has led to a pullback in imports. International imports fell by almost 9% in 2015 and are forecast to decline further in 2016. Rising exports and declining imports are improving Alberta's trade balance, which adds to real GDP growth (Figure 2).

### **Household Sector**

#### *Employment expected to decline*

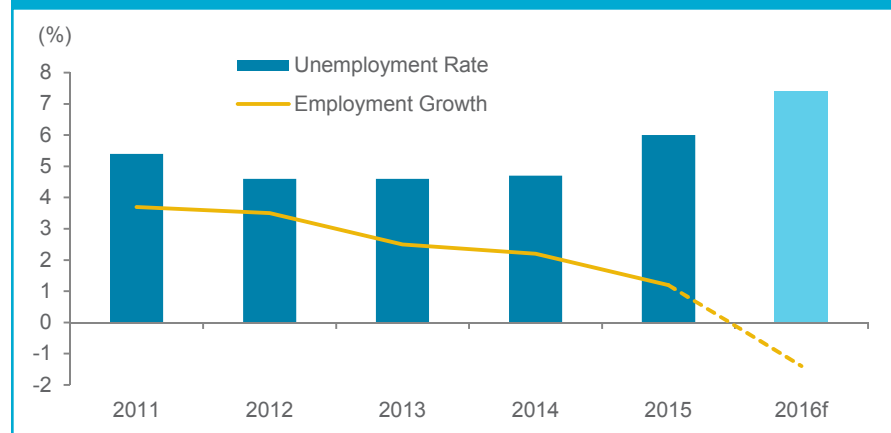
Employment remained resilient for much of 2015, even as the

unemployment rate was rising as more people searched for work. Although annual employment grew by 1.2%, job losses started to accumulate in the fourth quarter. The weak start to 2016 and the worsening outlook for oil prices and economic activity suggest employment will fall further in 2016, with the largest declines in the first half of the year. Annual employment is forecast to decline 1.5%, compared with the 0.5% growth forecast at *Budget*. The unemployment rate is expected to remain elevated, averaging 7.4% in 2016 (Figure 3).

#### *Labour earnings slump*

Businesses responded to the economic slowdown by trimming labour costs in 2015, including reducing hours and employment, especially in the high-paying goods sector (which includes oil and gas, manufacturing, and construction). This resulted in average weekly earnings (AWE) declining by an estimated 0.4% in 2015, much weaker than the *Budget* forecast of 0.7% growth. As the labour market continues to soften in 2016, AWE is forecast to fall an additional 0.8%. Combined with declines in employment and weaker investment income, primary household income is expected to decline by 1.0% in 2016.

**Figure 3. Labour Market Indicators**



Sources: Statistics Canada and Alberta Treasury Board and Finance

**Population growth moderates**

Alberta's population growth is expected to moderate to 1.2% in 2016, dragged down by declining net interprovincial migration (Figure 4). Net interprovincial migration slowed dramatically in the third quarter of 2015. In 2016, weakening economic conditions in the province are forecast to spur the net outflow of around 6,000 people to other parts of Canada. This would be the first decline since 2010. Net international migration will continue to support population growth, but record levels of immigration will be tempered by continued outflows of non-permanent residents. As overall migration levels fall, most of the expected population growth in 2016 will be due to natural increase.

**Housing momentum fades**

Alberta's housing market held up relatively well in 2015, despite a sharp decline in resale activity. Low inventories and strong momentum from 2014 boosted housing starts, particularly for multi-unit construction. This strength faded in the second half of 2015 as the labour market softened and consumer confidence waned. Starts fell to 23,500 (annualized) in January 2016. With weaker momentum and slowing population growth, housing starts are expected to fall to 22,300 in 2016.

**Consumers rein in spending**

Falling earnings and economic uncertainty weighed on household spending in 2015. Retail sales declined in most major categories, and the pace of the declines picked up through the year (Figure 5). Consumers postponed

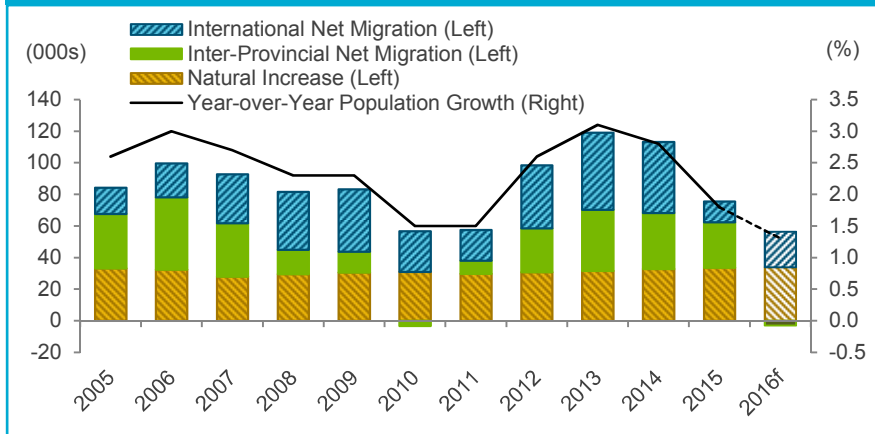
large purchases, with sales from motor vehicle dealers falling over 6%. By the end of the year, the pullback in spending broadened beyond more discretionary purchases. With labour conditions expected to weaken further in 2016, household consumption is forecast to fall 0.5%. Consumer price inflation is expected to rise to 1.6% in 2016, boosted by a lower dollar, which increases the cost of imported goods.

**External Risks**

While the US economy appears on solid footing, the outlook for several other countries, including China, has softened. The moderating outlook for oil prices has also subdued near-term growth expectations for the Canadian economy. Hightened uncertainty about global economic growth and Alberta's high reliance on trade and commodities subject the outlook to a number of external risks:

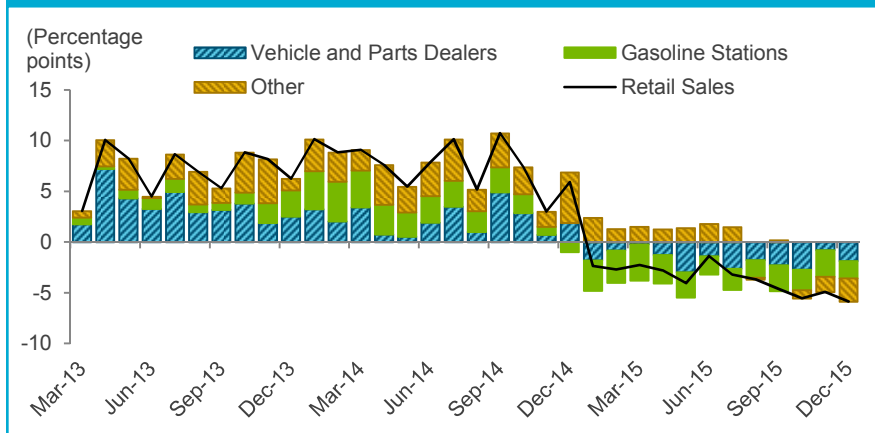
- There has been increased volatility in financial markets partly due to uncertainty about global growth and emerging markets. This may limit the recovery in commodity prices, hurting Alberta's growth prospects.
- Despite the pullback in investment, global oil production has continued to outperform expectations. If production continues to exceed expectations, for example from Iran, prices will remain lower for longer. A prolonged period of low oil prices would further weaken Alberta's outlook.
- Larger-than-expected outflows of interprovincial migrants poses downside risk to housing and consumer-related activity.
- On the upside, oil prices and Alberta's growth outlook could be lifted by an acceleration in the decline of non-OPEC oil production (for example US shale) or fiscal stress on OPEC countries, leading to lower production quotas.

**Figure 4. Alberta Population and Growth Rate**



Source: Statistics Canada and Alberta Treasury Board and Finance

**Figure 5. Year-over-year Retail Sales Growth by Category**



Sources: Statistics Canada

## Key Energy and Economic Assumptions

| Fiscal Year Assumptions                   | 2015–16<br>9 Month Actual | 2015–16 Fiscal Year Forecast |             |
|---|---------------------------|------------------------------|-------------|
|   |                           | Budget 2015                  | 3rd Quarter |
| <b>Prices</b>                             |                           |                              |             |
| <b>Crude Oil Prices<sup>a</sup></b>       |                           |                              |             |
| WTI (US\$/bbl)                            | 48.85                     | 50.00                        | 45.00       |
| Light-Heavy Differential (US\$/bbl)       | 13.2                      | 13.60                        | 13.40       |
| WCS @ Hardisty (Cdn\$/bbl)                | 45.71                     | 46.50                        | 41.60       |
| <b>Natural Gas Price<sup>a</sup></b>      |                           |                              |             |
| Alberta Reference Price (Cdn\$/GJ)        | 2.35                      | 2.60                         | 2.30        |
| <b>Production</b>                         |                           |                              |             |
| Conventional crude oil (000s barrels/day) | n/a                       | 560                          | 529         |
| Raw bitumen (000s barrels/day)            | n/a                       | 2,473                        | 2,403       |
| Natural gas (billions of cubic feet/day)  | n/a                       | 13.1                         | 13.3        |
| <b>Interest rates</b>                     |                           |                              |             |
| 3-month Canada treasury bills (%)         | 0.48                      | 0.50                         | 0.49        |
| 10-year Canada bonds (%)                  | 1.55                      | 1.65                         | 1.53        |
| Exchange Rate (US¢/Cdn\$) <sup>a</sup>    | 77.6                      | 78.0                         | 76.0        |

<sup>a</sup> Forecasts have been rounded.

| Calendar Year Assumptions                  | 2015 Estimates    |                    | 2016 Forecast |             |
|--|-------------------|--------------------|---------------|-------------|
|  | Budget 2015       | 3rd Quarter        | Budget 2015   | 3rd Quarter |
| <b>Gross Domestic Product</b>              |                   |                    |               |             |
| Nominal (billions of dollars)              | 332.4             | 332.4              | 345.5         | 319.3       |
| % change                                   | -9.4 <sup>b</sup> | -11.5 <sup>b</sup> | 4.0           | -3.9        |
| Real (billions of 2007 dollars)            | 313.1             | 315.3              | 315.9         | 311.7       |
| % change                                   | -1.0              | -1.5               | 0.9           | -1.1        |
| <b>Other Indicators</b>                    |                   |                    |               |             |
| Employment (thousands)                     | 2,297             | 2,302              | 2,310         | 2,267       |
| % change                                   | 1.0               | 1.2                | 0.5           | -1.5        |
| Unemployment rate (%)                      | 5.8               | 6.0                | 6.2           | 7.4         |
| Average Weekly Earnings (% change)         | 0.7               | -0.4               | 1.6           | -0.8        |
| Primary Household Income (% change)        | 2.5               | 0.2                | 2.8           | -1.0        |
| Net Corporate Operating Surplus (% change) | -54.8             | -51.9              | 17.4          | -17.2       |
| Housing starts (thousands of units)        | 36.1              | 37.5               | 28.8          | 22.3        |
| Alberta Consumer Price Index (% change)    | 0.9               | 1.1                | 1.7           | 1.6         |
| Population (July 1st, thousands)           | 4,196             | 4,196              | 4,255         | 4,247       |
| % change                                   | 1.8               | 1.8                | 1.4           | 1.2         |

<sup>b</sup> The difference in the growth rate (% change) is due to a revision to 2014 nominal GDP after the release of 2014 provincial economic accounts data by Statistics Canada in November 2015.

Alberta

