

— *Economic Overview* —

*Budget '98*

Agenda for Opportunity

# Table of Contents

Economic Outlook .....	83
Tables	
Key Energy and Economic Assumptions .....	106
Sensitivities to Fiscal Year Assumptions, 1998-99 .....	107
Risks to the Forecast .....	107
Oil Price Forecast Benchmark .....	108
Natural Gas Price Forecast Benchmark .....	108
Canadian Short-Term Interest Rate Forecast Benchmark .....	109
Canadian Long-Term Interest Rate Forecast Benchmark .....	109
Alberta Real Gross Domestic Product Forecast Benchmark .....	110
Canada/United States Exchange Rate Forecast Benchmark .....	110
Tracking the Forecasts of Oil Prices .....	111
Tracking the Forecasts of Alberta Real GDP .....	111
Announced Major Projects Over \$100 Million .....	112

# Economic Outlook

## Alberta Economy Firing on All Cylinders

Alberta enjoyed a very prosperous year in 1997. Our strong fundamentals — low unemployment, robust investment, growing business activity and a fiscally prudent government — are paying off in solid, broad-based economic growth.

Alberta's domestic economy was the big story in 1997. It turned around, growing faster than the trade side of the economy for the first time since 1990. The rebound in the domestic economy was led by strong residential construction, machinery and equipment investment and energy sector activity. Consumer spending also strengthened dramatically. The box below outlines some of the key highlights of 1997.

### 1997 in Review

- ◆ Alberta's real Gross Domestic Product is estimated to have increased by 5.5% in 1997, the fourth highest growth rate since 1981.
- ◆ Employment in Alberta grew by 3.1%, the highest growth among provinces. A record 1,456,900 Albertans were employed last year, up 44,200 from 1996.
- ◆ Alberta's unemployment rate averaged 6%, the lowest unemployment rate since 1981. In December, our unemployment rate was 5.6%, the second lowest in the country. The national unemployment rate was 8.6% in December.
- ◆ Retail sales were up an estimated 13%, the highest growth among provinces. Alberta led the country in retail sales per capita.
- ◆ In the first nine months of 1997, Alberta gained a net total of 26,028 people from other provinces, higher than any annual total since 1981.
- ◆ Housing starts rose by 42% to 23,671 in 1997 and were at the highest annual level since 1982. Alberta's housing start growth was the highest among provinces.
- ◆ Drilling activity in 1997 rose by 30%. The number of rigs drilling in 1997 was the highest since 1980.
- ◆ According to the latest data from Statistics Canada, businesses invested 23% more in 1997 than they did in 1996. This was the highest growth rate for investment since 1981.
- ◆ Manufacturing shipments rose by 12% in the first 11 months of 1997, the highest growth among provinces.
- ◆ Average weekly earnings per worker increased by 4% in 1997, almost double the national average.

*"Alberta has one of the most robust economies of all industrialized nations in the world, and is expected to help push the Canadian economy ahead of other G-7 countries during the next two years."*

- Economist,  
Royal Bank

*"Interestingly, this economic growth is not confined to a specific region of Alberta, nor is it confined to a specific business or industrial sector. The nature of the activity causing this growth impacts construction markets much like as prairie fire leaping from spot to spot."*

- Alberta  
Construction  
Association

One of the biggest success stories of the Alberta economy continues to be job creation. Alberta's 3.1% employment growth in 1997 was the fastest among provinces and was 60% higher than the national employment growth rate. Alberta's 44,200 new jobs in 1997 comprised 18% of all new jobs in Canada, even though Alberta's population is 9.4% of the Canadian total.

All in all, the Alberta economy is forecast to have grown in real terms by 5.5% in 1997. Economic growth in 1997 was nearly double the 2.9% average growth from 1990 to 1996 and is the fourth highest rate of growth since 1981.

## **Canada and United States Should Grow Despite Asian Uncertainty**

Looking to 1998 and beyond, we expect Alberta to continue to benefit from moderate, sustainable growth by our major trading partners, low inflation and low interest rates:

- ◆ The recent Asian turmoil is not expected to have a substantial impact on economic growth in the United States, Canada or Alberta, given the relatively low trade exposure to Asian economies. There is some downward pressure on prices related to the Asian situation, which is showing up particularly in commodity prices. As well, the Canadian dollar has been weak relative to the U.S. dollar despite good economic fundamentals.
- ◆ The U.S. economy is about to enter its eighth consecutive year of expansion. Growth is expected to moderate to about 2.3% in 1998. This slower growth plus the recent downward pressure on commodity prices reduces the risk of inflation.
- ◆ After lagging behind the U.S. economy through most of the 1990s, the Canadian economy is expected to grow by 3.7% in 1998, the fastest among major industrialized countries. Over the medium term, the Canadian economy is expected to grow by about 3.4% per year. Canadian short-term interest rates are expected to increase, but they should remain low by historical standards, averaging 4.5% in 1998-99, rising to 4.75% in 1999-2000. Long-term rates are assumed to average 6.25% in 1998-99, rising to 6.5% in 1999-2000.
- ◆ Oil prices averaged US\$19.93/bbl from April to December 1997 and then weakened in January 1998, partly reflecting the downward pressure on all commodity prices. Increased supply of oil from OPEC and non-OPEC sources is expected to dampen oil prices in 1998-99 to US\$17.50/bbl. Oil prices are expected to rise to US\$18.50 in 1999-2000.

## **Alberta — Strong Economic Growth in 1998**

In 1998, the Alberta economy is expected to grow by 4.6% in real terms. This will be Alberta's twelfth consecutive year of economic expansion.

*OECD forecasts  
Canada's economic  
growth to lead the  
G-7 in 1998 and  
1999.*

Alberta's domestic economy is forecast to remain strong, led by healthy consumer spending and investment. Consumer spending is expected to be driven by steady employment growth, increased net migration and continued increases in wages. Consumer spending will receive a boost from the tax reduction announced in this budget. The one and a half point tax cut is estimated to increase total personal income by \$123 million in 1998 and real GDP by \$200 million as a result of multiplier effects. Residential construction is also poised to do well in 1998, with housing starts in Alberta expected to rise by 10%, to 26,000 units.

Business investment is expected to grow rapidly as numerous major projects start construction. Encouraged by the on-going phase-out of the machinery and equipment tax, manufacturing investment is expected to exceed \$2 billion for the first time in 1998. Industrial and commercial construction is expected to total more than \$1 billion this year.

Oil and gas investment is expected to increase by 4% in 1998. Strong growth in non-conventional oil investment will be offset by a slowdown in conventional oil activity, reflecting the assumption of low oil prices. New pipeline capacity should allow exports and, hence, production of oil and gas to increase by about 5% this year.

Alberta's agricultural sector is expected to enjoy another solid year in 1998, although not as strong as 1997. Wheat prices are expected to trend lower this year. However, El Nino could produce surprise weather patterns around the world, which may affect supply and prices. The livestock sector should continue to benefit from rising cattle prices.

Healthy growth is also anticipated for the manufacturing sector, with shipments forecast to increase by 5% in 1998. This reflects growth in value-added agricultural production, advanced technologies and petrochemicals.

In 1998, the Alberta economy is expected to create 40,000 new jobs, an increase of 2.7%. Job creation is expected to be broad-based with the strongest sectors being business services, construction and manufacturing. The unemployment rate should average 5.5% this year. This would be the lowest unemployment rate since 1981. By comparison, Canada's unemployment rate is expected to average about 8.5%.

## **Investment Drives the Medium-Term Outlook For Alberta**

Over the medium term, economic growth in Alberta is expected to continue at a strong, yet sustainable pace. The Alberta Advantage is encouraging businesses to locate and expand here. The strong investment picture will be the foundation for further economic growth in Alberta, generating construction jobs over the next several years and permanent jobs and exports once production begins. This investment will be broad-based, with construction taking place over the medium term in the petrochemical (\$3.2 billion proposed), forestry (\$3.5 billion proposed) and oil sands (over \$18.5 billion proposed) sectors.

*"It's the most broad-based strength in years - the oilpatch and drilling activity are strong, construction activity is surging and we're seeing consumer spending up dramatically in Alberta. Fuelling it is a dramatic increase in jobs."*

- Senior  
Vice-President  
and  
Chief Economist,  
TD Bank

*"I also expect that Alberta will lead the country in terms of job growth..."*

- Deputy Chief  
Economist,  
Bank of Montreal

*"Alberta has consistently stood out as the economy to watch for the better part of a decade. ... The Province has momentum."*

- Vice-President  
and Deputy Chief  
Economist,  
TD Bank

*"The fundamentals are in place for Alberta to sustain its growth over the next several years."*

- Investment  
Dealers  
Association

## Oilsands Development in Alberta

Plans to invest over \$18.5 billion to develop new oil sands projects and expand existing facilities over the next 5 to 10 years have been announced. Technological improvements, a new provincial generic royalty regime for new oil sands projects and federal tax changes have been major factors underlying this unprecedented increase in planned oil sands investment. The following are the major proposed projects in the Cold Lake and Athabasca regions:

- ◆ Syncrude Canada Ltd to invest \$6 billion from 1998 to 2007.
- ◆ Shell Canada Ltd to invest about \$3 billion from 1997 to 2002, including a \$1.8 billion upgrader at the Scotford refinery near Edmonton.
- ◆ Suncor Energy Ltd to invest over \$3 billion from 1997 to 2002.
- ◆ Imperial Oil Ltd to invest about \$1 billion from 1998 to 2001.
- ◆ Gulf Canada Resources to invest \$1.1 billion from 1999 to 2005.
- ◆ Mobil Oil Canada Ltd to invest \$1 billion from 2000 to 2003.

During 1996, the production of bitumen and synthetic crude oil averaged 450,000 barrels per day, accounting for 30% of Alberta's total oil production. With the sharp increase in oil sands investment, production of bitumen and synthetic crude oil is expected to increase rapidly, more than offsetting anticipated declines in Alberta's conventional oil production. Non-conventional oil production is forecast to increase by nearly 50% over the next four years. Its share of Alberta's oil production is expected to be about 45% by 2001.

The anticipated increase in bitumen and synthetic crude oil is expected to require expanded pipeline infrastructure to new markets. Oil pipeline projects within Alberta totalling over \$1.5 billion have been proposed.

*"We expect to see years of growth in Alberta. It's the place to be and it's not just oil and gas anymore. There is a thriving high tech sector, forestry industry and more manufacturing."*

- Senior Economist,  
CIBC

New manufacturing investment is expected to contribute to a 3% annual growth in the volume of exports of value-added products over the medium term. The increase in value-added exports is expected to be generated by advanced technology products, food processing, forest products, petrochemicals and exports of services.

Alberta's low unemployment rate will continue to attract job seekers from other provinces. The new Albertans will need housing and consumer goods. Their spending will encourage business to expand and create more jobs.

Alberta's healthy fiscal position has translated into \$500 million in personal and business tax cuts since 1993, which has contributed to a vigorous business environment. Business incorporations in Alberta reached a record 25 thousand last year.

All this will translate into solid economic growth from 1998 to 2001. The Alberta economy is forecast to grow by an average of about 3.8% per year. Employment over this period is expected to grow by an average of 2.6% per year.

Because the Alberta government's economic forecast takes into account the latest information on major investment projects, interprovincial migration, and oil and gas production, our forecast is, in general, above the private sector consensus. Tables are provided at the end of this section that set out Treasury's economic assumptions and benchmark them to private sector forecasts.

## Growth Pressures

An economy in an expansionary phase of the business cycle, like Alberta's today, enjoys many advantages — strong employment growth, improved consumer and business confidence, increased spending and strong population growth. All of these trends, however, can put pressures on the economy and on government services.

Growth pressures are creating internal competition for supplies and labour, which could put upward pressure on prices and wages. This in itself can become a restraint to growth as higher costs become embedded in the economy. Alberta's inflation rate in 1997 was 2.1%, compared to 1.6% for Canada as a whole.

Early indications are that there are already constraints in the Alberta housing market. For example, the rental market has tightened considerably in many regions of Alberta. In October 1997, the average vacancy rate in Alberta was 2.9%, down from 4.8% in 1996, and a recent high of 7% in 1995. In some areas of the province, the vacancy rate is well below 1%. These trends suggest upward pressure on rents and house prices.

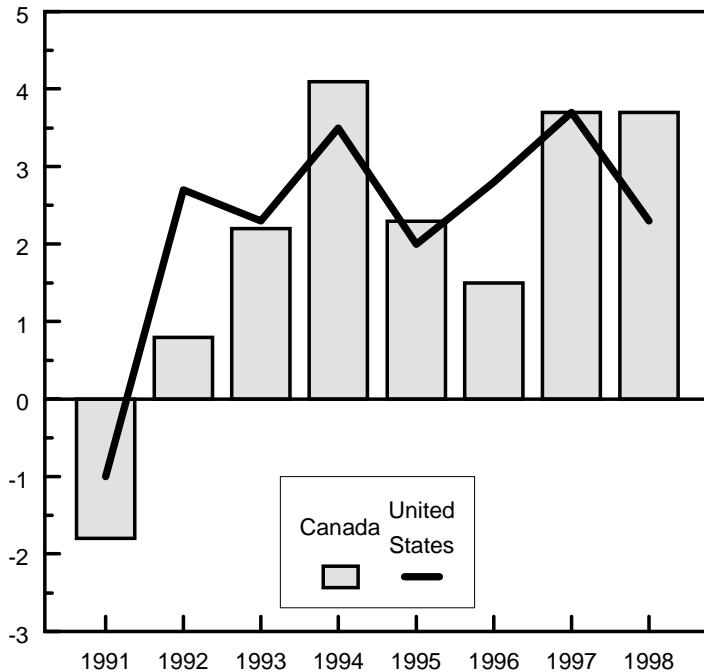
Growth pressures on government will be felt through greater demand for basic government services, such as health and education.

*"Shortages of skilled labour could drive construction costs up."*

- Alberta  
Construction  
Association

## Our Key Trading Partners Continue to Grow

Real Gross Domestic Product (per cent change)

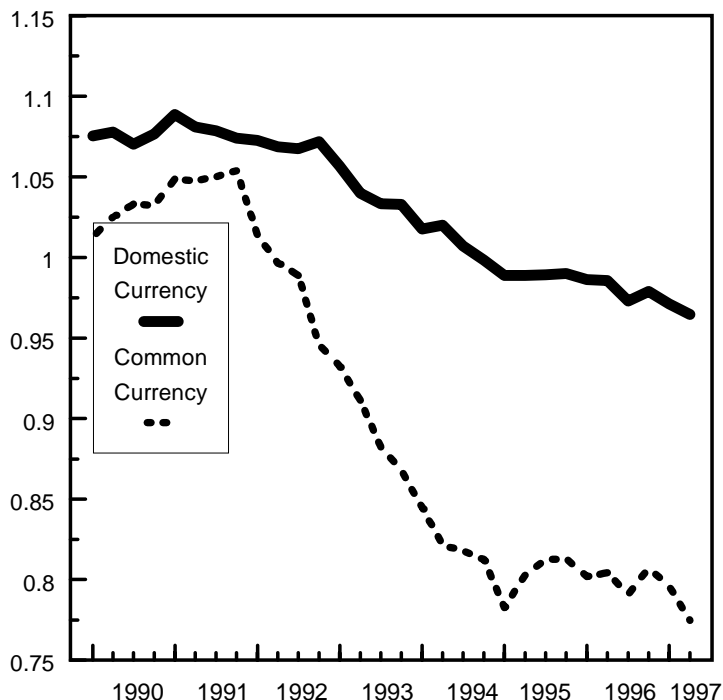


Source: Statistics Canada and Alberta Treasury

- ◆ Trade is vital to Alberta's economy. Our exports go primarily to the rest of Canada and the United States. As a result, financial uncertainty in Asian markets is not expected to have a large impact on Alberta.
- ◆ The Canadian economy is forecast to lead economic growth among the G-7 countries in 1998.
- ◆ The U.S. economy, after seven years of expansion, is expected to continue growing, although at a more moderate pace.
- ◆ The Asian turmoil will dampen growth prospects in that region, particularly for Japan and other southeast Asian countries. As a result, overall global growth will be slower, but still solid.

## Canada Very Competitive

Canada-U.S. Unit Labour Cost Ratio (1978 Q1 = 100)



Source: Federal Department of Finance

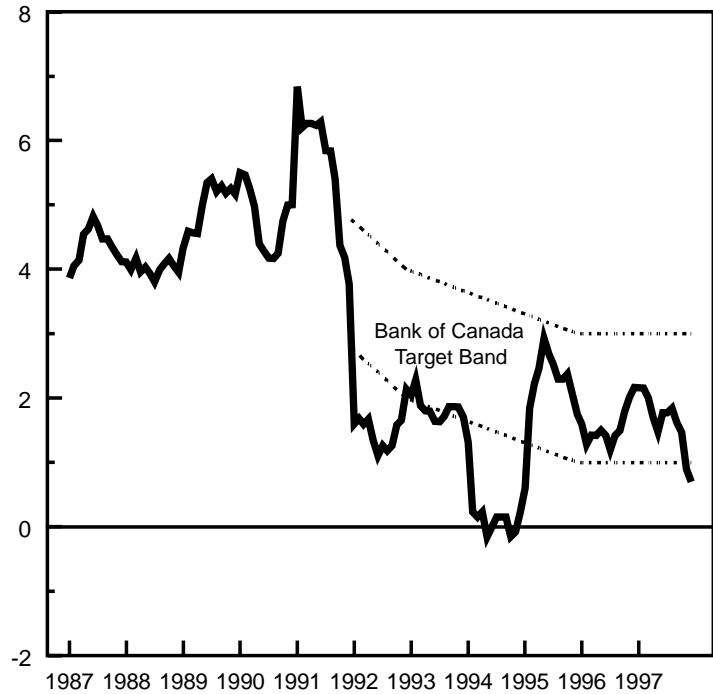
- ◆ Modest wage and labour cost growth, along with the depreciation of the Canadian dollar, have made Canada very competitive with its major trading partners.
- ◆ Since 1991, unit labour costs in Canada have fallen by about 25%, relative to those in the United States, on a common currency basis.
- ◆ This impressive performance is expected to continue, as wage pressures remain subdued in Canada.



- ◆ In 1997, inflation in Canada averaged 1.6%, which is in the bottom half the Bank of Canada's target range of 1% to 3%.
- ◆ The recent financial crisis in Asia has put downward pressures on commodity prices, suggesting that inflation should remain low in the near future.
- ◆ Alberta's CPI inflation is forecast at 2% over the medium term and should be somewhat higher than national inflation, given our stronger economy.

## Low Inflation Expected

Canadian Consumer Price Index (per cent change)

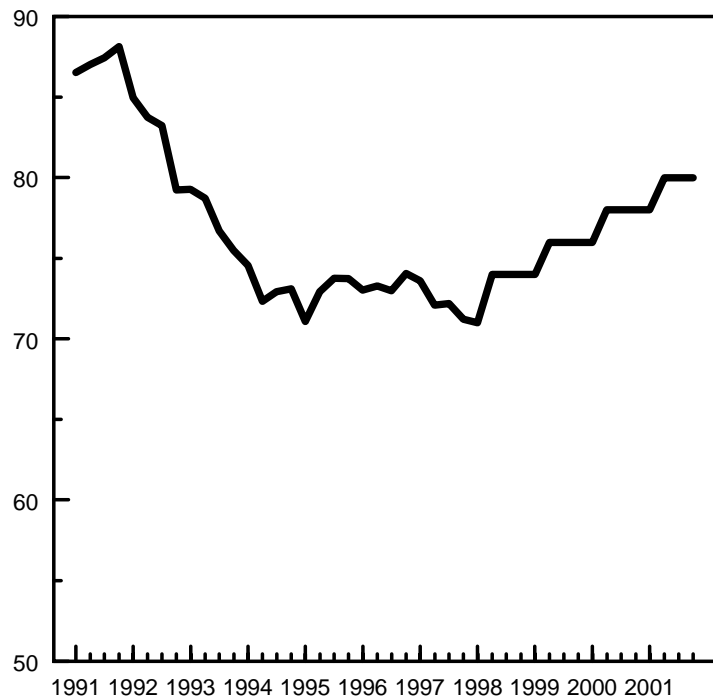


Source: Statistics Canada and Bank of Canada

- ◆ Starting in late 1997, the Canadian dollar came under pressure from a rising U.S. dollar, which became a safe haven as a result of financial uncertainty in Asia.
- ◆ The Canadian dollar reached an all-time low, below 69 cents, in January 1998.
- ◆ Strong fundamentals, such as the low inflation environment, the improved fiscal position of the provincial and federal governments and declining foreign debt, are expected to cause the dollar to appreciate. The Canadian dollar is expected to climb toward its so-called "true" value (as measured by purchasing power parity) of approximately 80 cents U.S.

## Fundamentals Good for Cdn Dollar

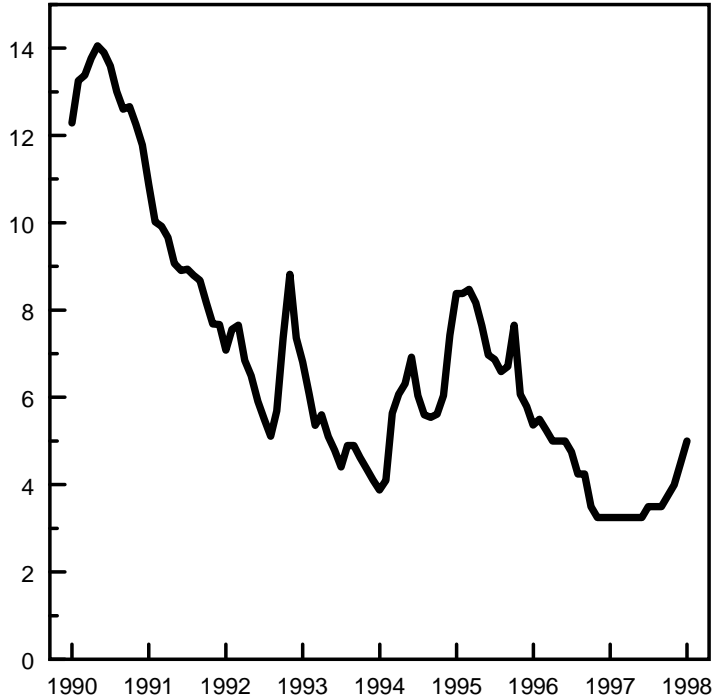
(U.S. cents/Cdn\$)



Source: Bank of Canada and Alberta Treasury

## Tighter Monetary Policy

Bank Rate (per cent)

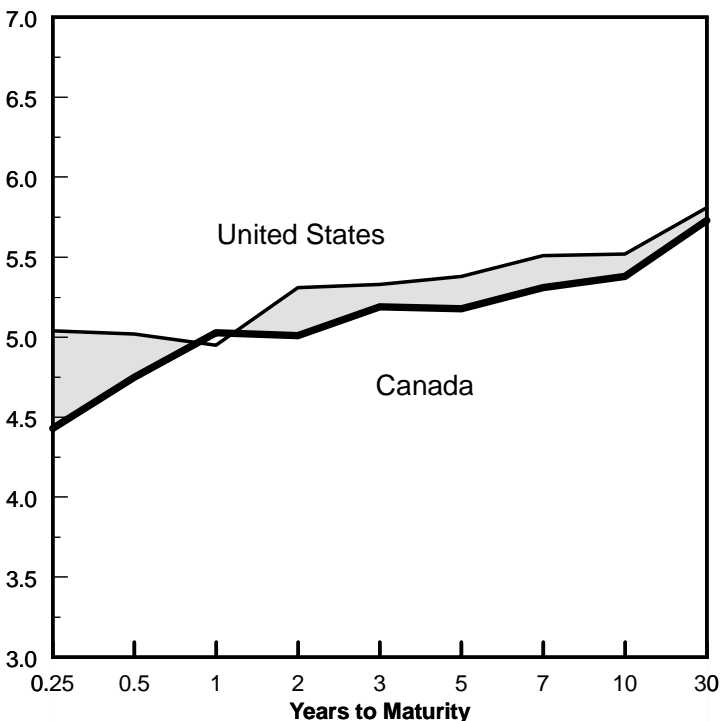


Source: Bank of Canada

- ◆ During the first half of 1997, interest rates were at 25-year lows and were a key factor in aiding Canada's economic recovery.
- ◆ From late 1997 to the end of January 1998, the Bank of Canada raised interest rates a total of 1.25 percentage points to help defend the Canadian dollar.
- ◆ 90 day Treasury-bill rates are forecast to average 4.45% in 1998 and 4.70% in 1999. Long-term interest rates are expected to rise to 6.5% over the next two years.

## Interest Rates Lower Than The U.S.

(percent, as of January 30, 1998)



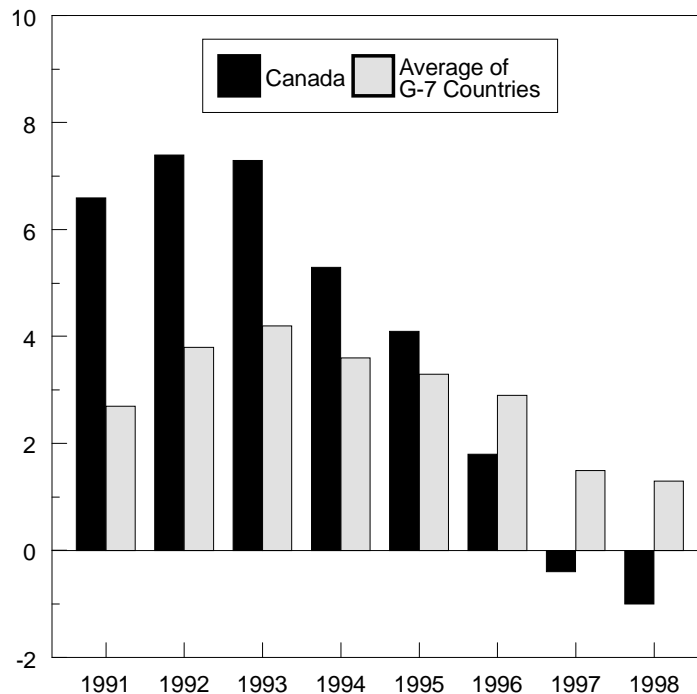
Source: Royal Bank of Canada

- ◆ U.S. interest rates have traditionally acted as a floor for Canadian rates with historical spreads of around 1 to 2 percentage points in favour of the United States.
- ◆ The drop in Canadian interest rates in the past two years has resulted in the spread between Canadian and U.S. short and medium-term rates turning consistently in favour of Canada for the first time since the early 1970s. This has tended to put downward pressure on the Canadian dollar.
- ◆ The spread between Canadian and U.S. interest rates has narrowed substantially since late 1997 and is expected to continue to narrow over the course of 1998.

- ◆ In the early 1990s, Canada's total government deficit (federal, provincial and municipal), as a share of GDP, was more than double the average of the other G-7 countries.
- ◆ Deficit reduction efforts by federal and provincial governments have been impressive. By 1996, Canada's aggregate government deficit was below the G-7 average for the first time in 20 years.
- ◆ The Organisation for Economic Co-operation and Development (OECD) forecasts Canada to post a surplus in 1997 and 1998, the best performance among all G-7 nations.

## Canadian Deficit Cutting Working

Total Government Deficits (per cent of GDP)

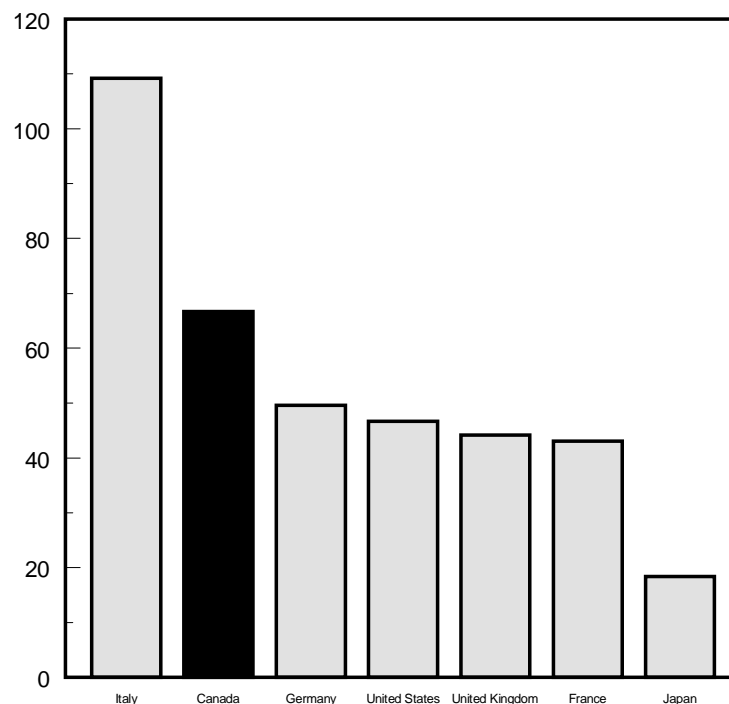


Source: OECD Economic Outlook, December 1997

- ◆ While governments in Canada have made tremendous progress in reducing their annual deficits, total government debt has continued to grow even though several provinces are running surpluses. Only Italy has a higher debt as a share of GDP among industrialized countries.
- ◆ Consumer debt is also high in Canada, amounting to about 95% of personal disposable income.
- ◆ Canada's net public and private debt held by foreigners amounts to about 40% of GDP. No other major industrialized country is as dependent on foreign capital.

## Debt in Canada Still A Concern

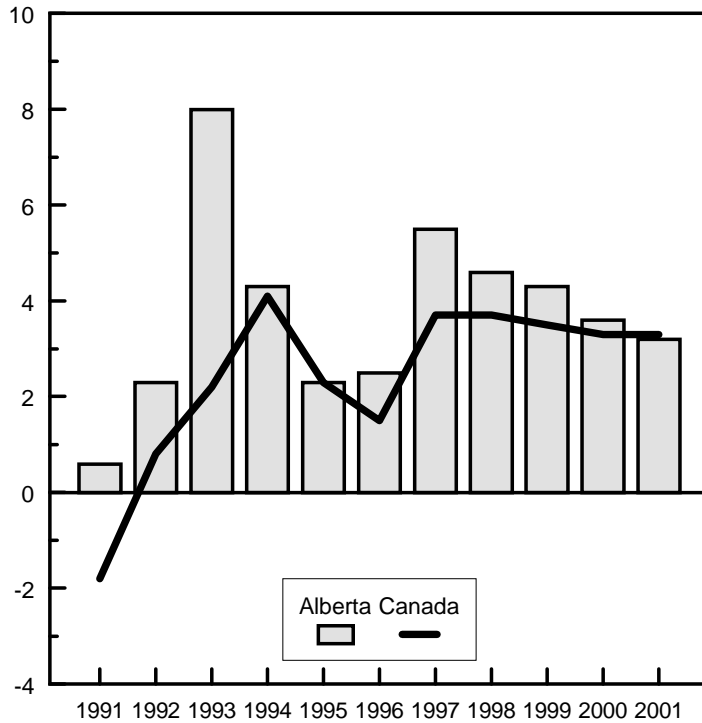
Gross Government Debt (per cent of GDP, 1997)



Source: OECD Economic Outlook, December 1997

## Alberta's Growth Above The National Rate

Real Gross Domestic Product (per cent change)

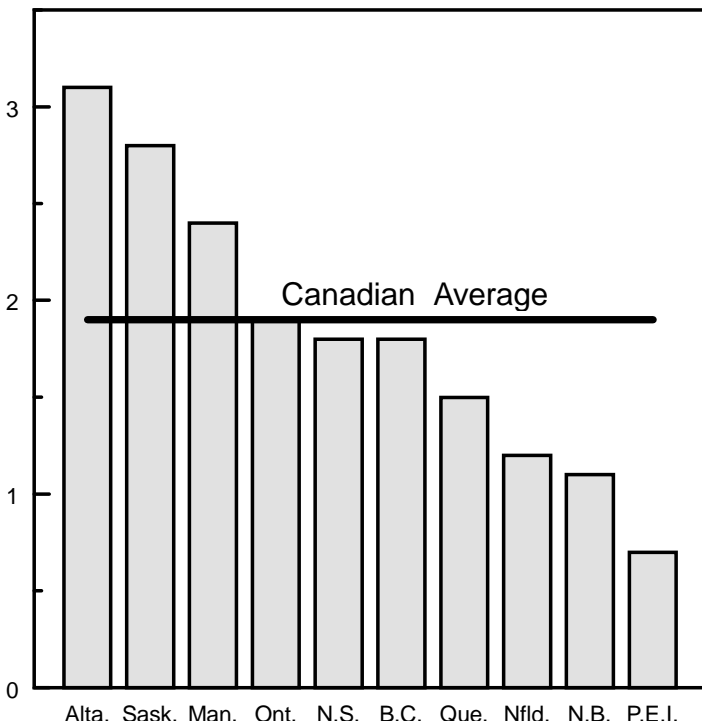


Source: Statistics Canada and Alberta Treasury

- ◆ Over the last several years, the Alberta economy has grown faster than the national economy and this is expected to continue.
- ◆ Alberta's economy is estimated to have grown by 5.5% in 1997, compared to 3.7% for Canada.
- ◆ In 1998, the provincial economy is forecast to grow by 4.6%, compared to 3.7% for Canada as a whole.
- ◆ The private sector consensus projects Alberta to grow by 3.9% in 1998, ranging from a low of 2.3% to a high of 5.3%.

## Best Job Growth in 1997

(per cent change in annual employment)



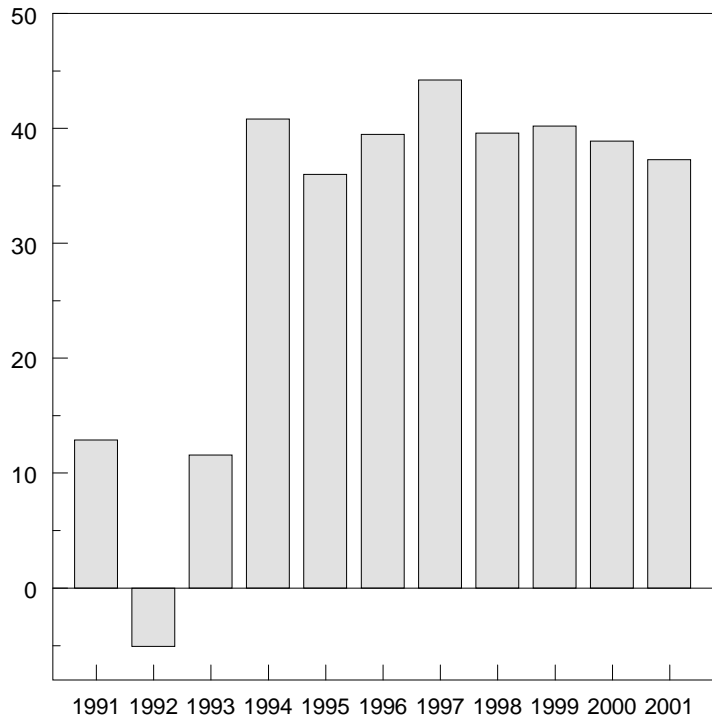
Source: Statistics Canada

- ◆ Alberta had the fastest growth in employment among provinces in 1997.
- ◆ Alberta employment increased by 44,200 jobs, or 3.1%, in 1997, well above the national average of 1.9%.
- ◆ Over 80% of the new jobs in 1997 were full time.
- ◆ Alberta, with 9.4% of Canada's population, created 18% of Canada's jobs in 1997.

## More Job Growth Forecast for Alberta

(change in employment, thousands)

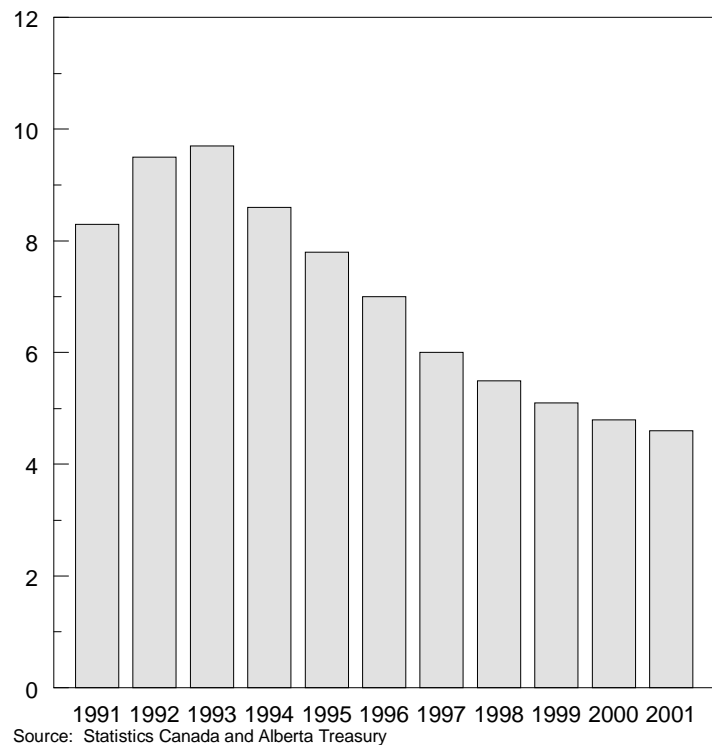
- ◆ In December 1997, a record 1.48 million Albertans were employed. Over 80% of these jobs were full-time.
- ◆ In 1998, employment in Alberta is forecast to grow by 2.7%, compared to 1.9% for Canada. Job creation is expected to be broad-based with the strongest sectors being business services, construction and manufacturing.
- ◆ Over the forecast period, employment is expected to rise by about 2.6% per year on average.
- ◆ Approximately 156,000 jobs are expected to be created between the years 1998 and 2001.



## Alberta's Unemployment Rate to Decline

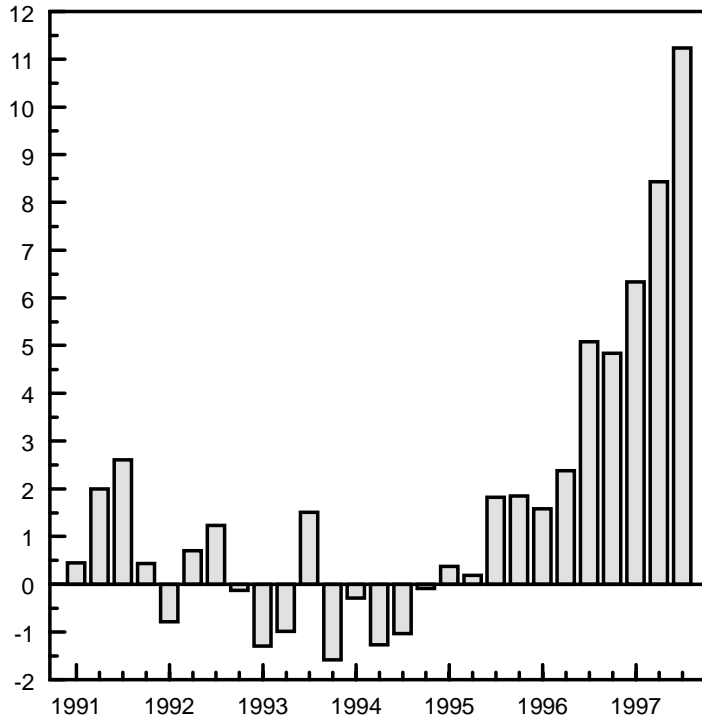
(per cent)

- ◆ The unemployment rate in Alberta averaged a 15-year low of 6% in 1997. The unemployment rate was the lowest average rate among provinces. The national unemployment rate averaged 9.2% in 1997.
- ◆ The unemployment rate is expected to average 5.5% in 1998 as continued growth in employment is expected to exceed the growth in the labour force. The Canadian unemployment rate is forecast to average about 8.5% in 1998.
- ◆ Over the forecast period, Alberta's unemployment rate is forecast to fall to 4.6% in 2001. The Canadian unemployment rate is expected to improve only modestly.



## Alberta The Place To Be

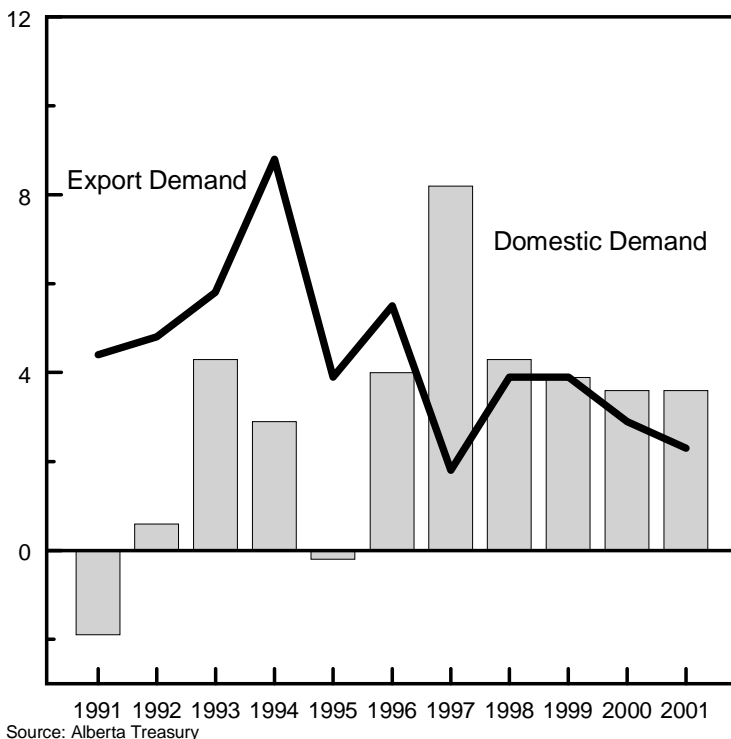
Alberta Net Interprovincial Migration (thousands)



- ◆ Alberta's robust economy and low taxes are attracting increasing numbers of other Canadians.
- ◆ In the first three quarters of 1997, Alberta gained 26,028 people from other provinces. This was 87% more than for the whole of 1996 and higher than any of the annual totals going back to 1981.
- ◆ So far this year, 21% of Canadians moving to Alberta came from B.C., 30% came from Ontario, and 17% came from Newfoundland.

## Balanced Growth For Alberta

(per cent change)

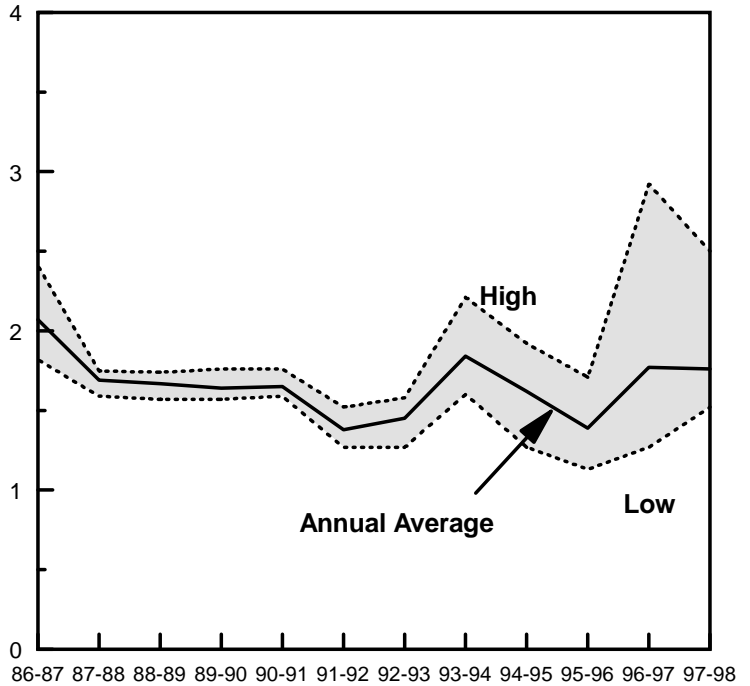


- ◆ Exports have been the major source of strength for the Alberta economy for most of the 1990s.
- ◆ In 1997, Alberta's domestic economy (consumers, investment and government) rebounded, led by rising consumer spending, residential construction and business investment.
- ◆ Over the medium term, growth from the export and domestic sectors is expected to be much more balanced.
- ◆ Low interest rates, increasing population and strong employment growth are expected to stimulate consumer and investment spending. Exports will be held back by slower growth in the United States.

## Historic Natural Gas Price Variability

Alberta Natural Gas Reference Price (C\$/mcf)

- ◆ Until 1993-94, the variability of Alberta natural gas prices was relatively low, with the difference between the high and the low price for the year averaging about 26 cents per mcf, or about 15% of the average price for the year.
- ◆ Since 1993-94, gas price variability has increased sharply. The difference between the high and the low price has averaged over 83 cents per mcf in the past five years. That amounts to about 50% of the average price for the year.
- ◆ Greater price flexibility in long-term contracts and the increasing importance of the spot market account for the increase in volatility.

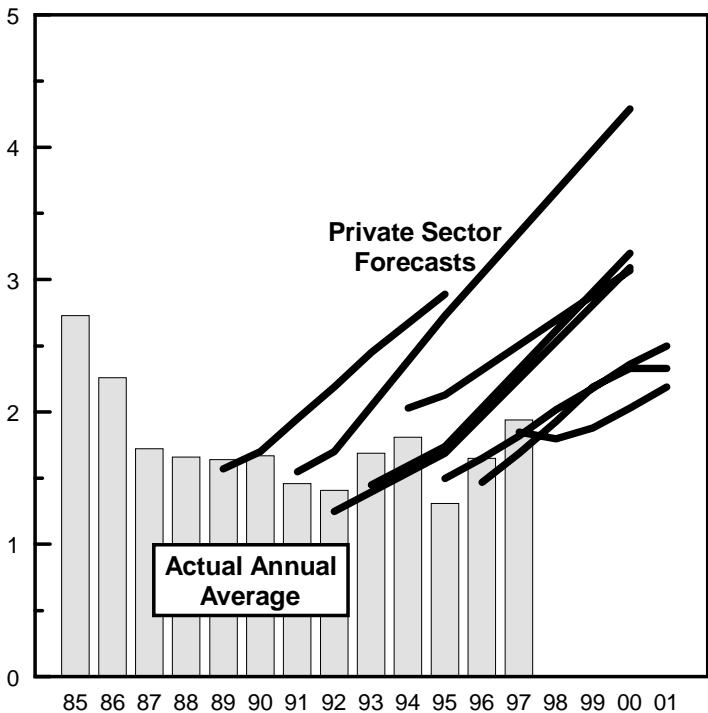


Source: Alberta Energy

## Private Sector Forecasts Too Optimistic

Alberta Natural Gas Reference Price (C\$/mcf)

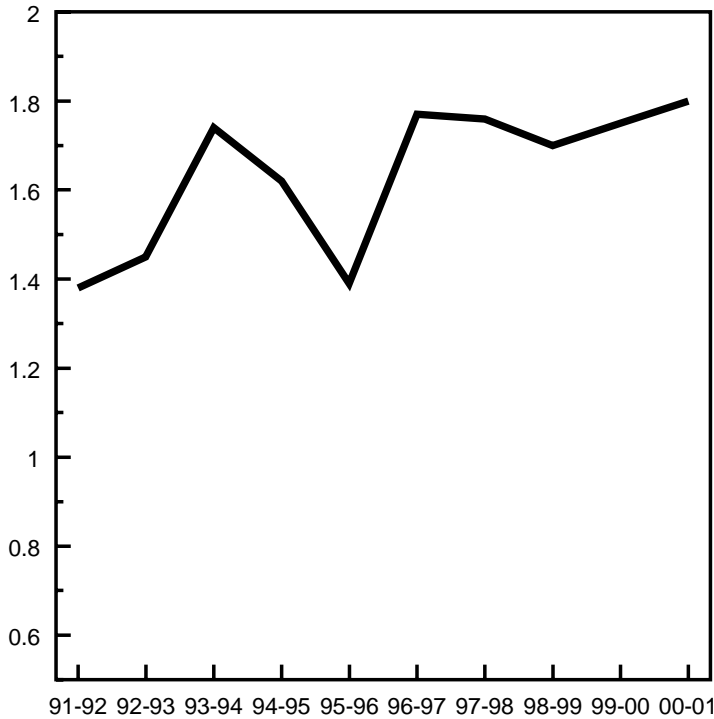
- ◆ In the early 1990s, private sector forecasts had future gas prices increasing steadily towards \$3 per mcf. Even when actual prices were well below expectations, forecasters simply delayed their expected price increases by a year.
- ◆ Currently, private sector forecasters continue to predict a steady rise in gas prices, despite the variability of gas prices in the past. However, the size of the increases has been tempered considerably.



Source: Alberta Energy

## Volatile Natural Gas Prices

Alberta Reference Price for Natural Gas (Cdn\$/mcf)

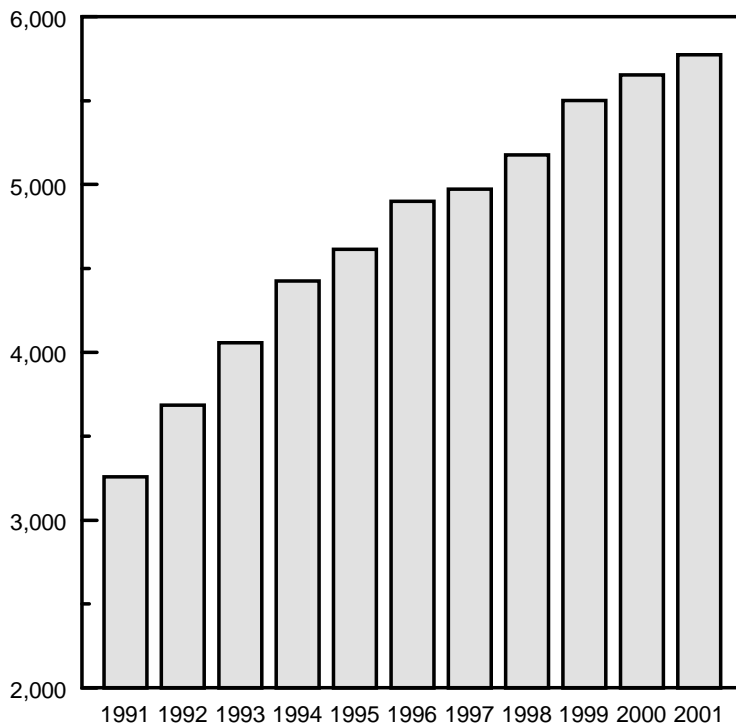


Source: Alberta Energy

- ◆ Gas prices have shown considerable volatility.
- ◆ In 1997-98, natural gas prices, at \$1.76 per mcf, were about unchanged from the previous year. Higher domestic prices, reflecting strong demand within Alberta, were offset by weaker export prices, particularly to the United States.
- ◆ In fiscal year 1998-99, gas prices are expected to decline by 3.4% to \$1.70 per mcf. The decline is expected to occur in U.S. markets, reflecting an over-supply of gas.

## Gas Sales Increase With Pipeline Capacity

(billions of cubic feet)



Source: Alberta Energy

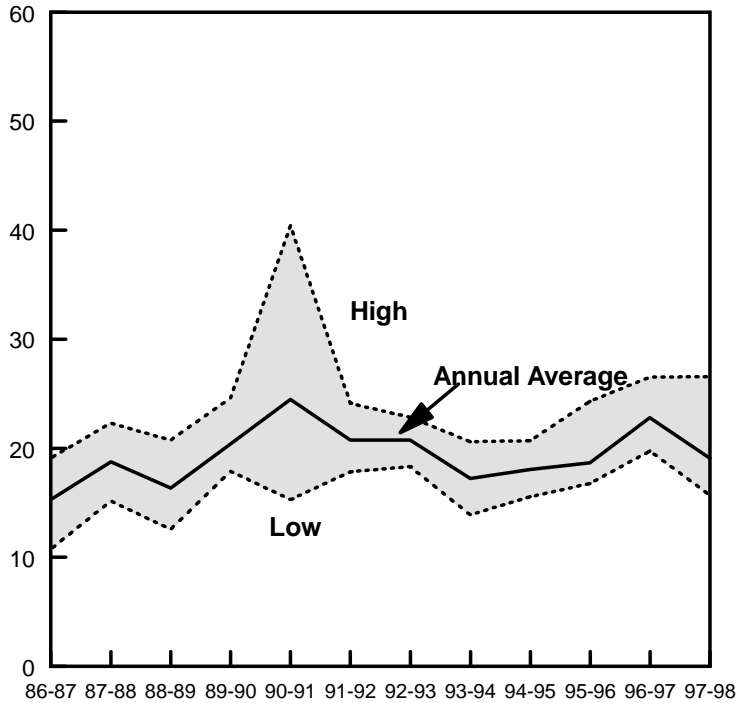
- ◆ In 1997, Alberta natural gas sales increased by an estimated 1.5%, the lowest growth in recent years. Sales increased 4.5% in Alberta and 2.1% in the United States. However, sales declined by an estimated 4% within the rest of Canada, reflecting milder weather during the 1997 heating season.
- ◆ In 1998, total gas sales are expected to increase about 4%, partially due to the completion of the TransCanada pipeline expansion in November 1997 which will increase export volumes to eastern Canada and the United States.
- ◆ Expansions of the Northern Border and the TransCanada pipelines in November 1998 are expected to boost gas exports to the United States by over 8% in 1999.



## WTI Price Variability Remains High

(US\$/bbl)

- ◆ The variability of world oil prices has remained relatively high over the past 12 years.
- ◆ Since 1986-87, the difference between the high and the low price within a fiscal year has averaged US\$8.62 per barrel, or nearly 44% of the average price for the year.
- ◆ This makes it very difficult to interpret current price developments when forecasting oil prices.

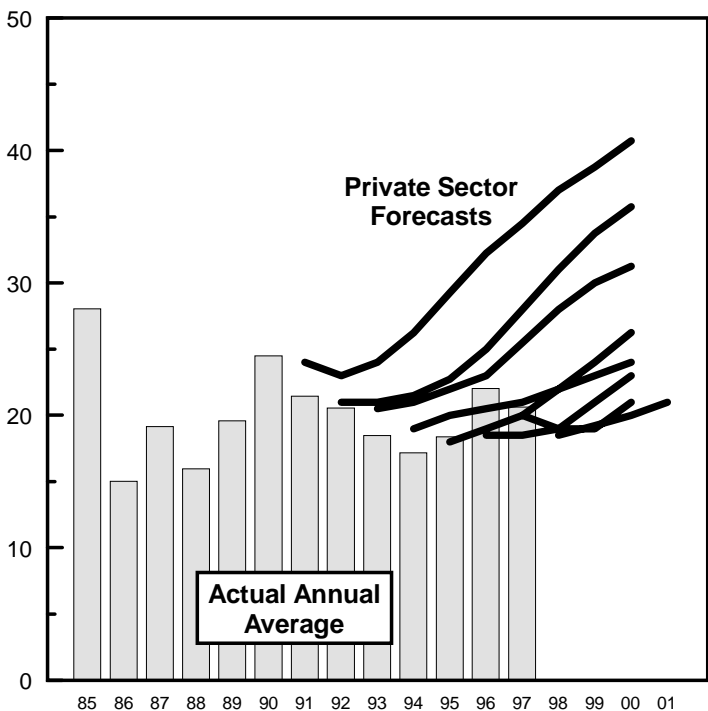


Source: Alberta Energy

## Private Sector Oil Forecasts Flatten

(US\$/bbl)

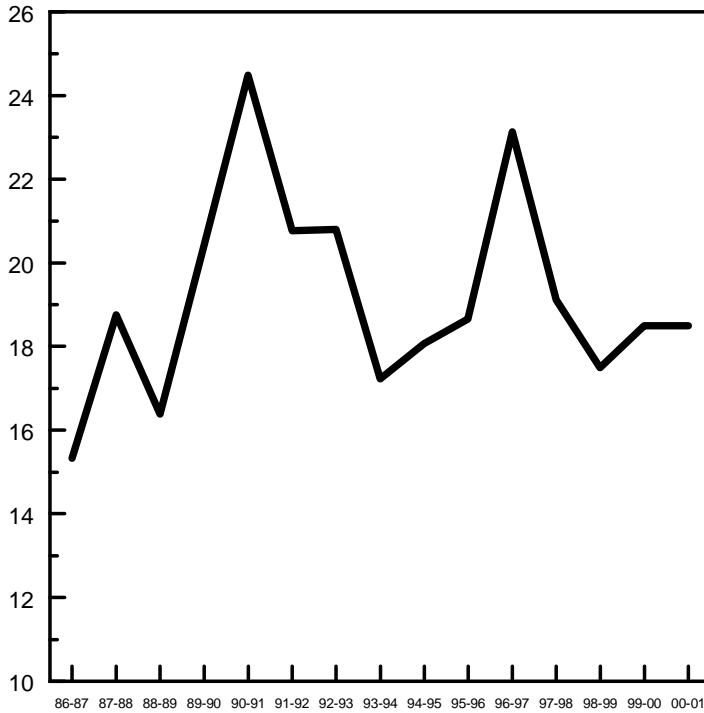
- ◆ In the early 1990s, private sector forecasts had future oil prices increasing steadily towards US\$40 per barrel. Expectations of future higher prices persisted, even as actual prices did not meet projections.
- ◆ In the last three years, private sector forecasters have reduced the expected rate of increase of future oil prices.



Source: Alberta Energy

## Oil Prices Hard To Predict

WTI Oil Price (US\$/bbl)

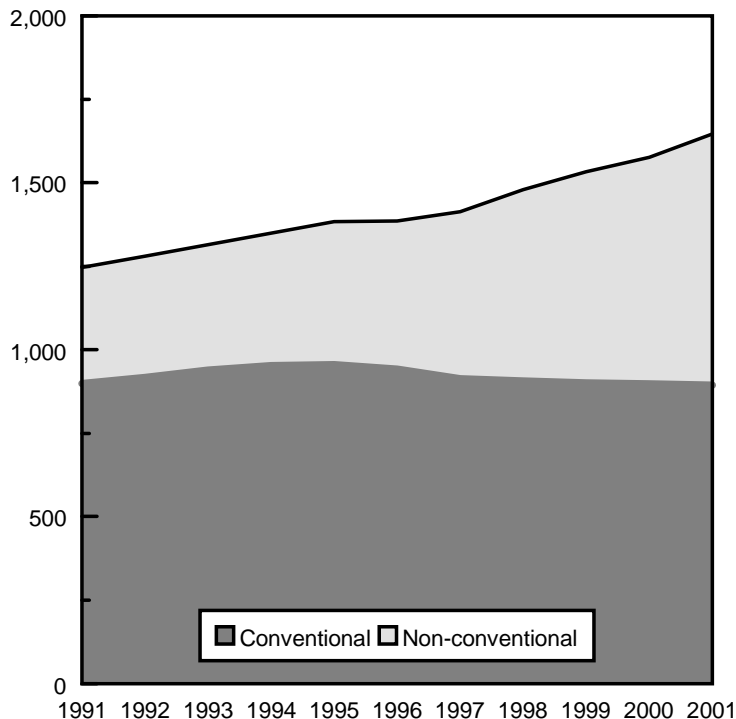


Source: Alberta Energy

- ◆ In fiscal 1997-98, oil prices to the end of January averaged US\$19.59 per barrel, with a high of US\$22.76 per barrel in October 1997 and a low of US\$15.74 per barrel on January 23, 1998.
- ◆ Oil prices are expected to average US\$17.50 per barrel in fiscal 1998-99. Increased supply of oil from OPEC and non-OPEC sources is expected to keep oil prices low in 1998. As well, the Asian financial crisis has put downward pressure on all commodity prices.
- ◆ As uncertainty over the Asian crisis subsides, oil prices are expected to recover. From 1999 to 2001, oil prices are expected to average US\$18.50 per barrel.

## Non-Conventional Oil Output Growing

(thousands of barrels per day)



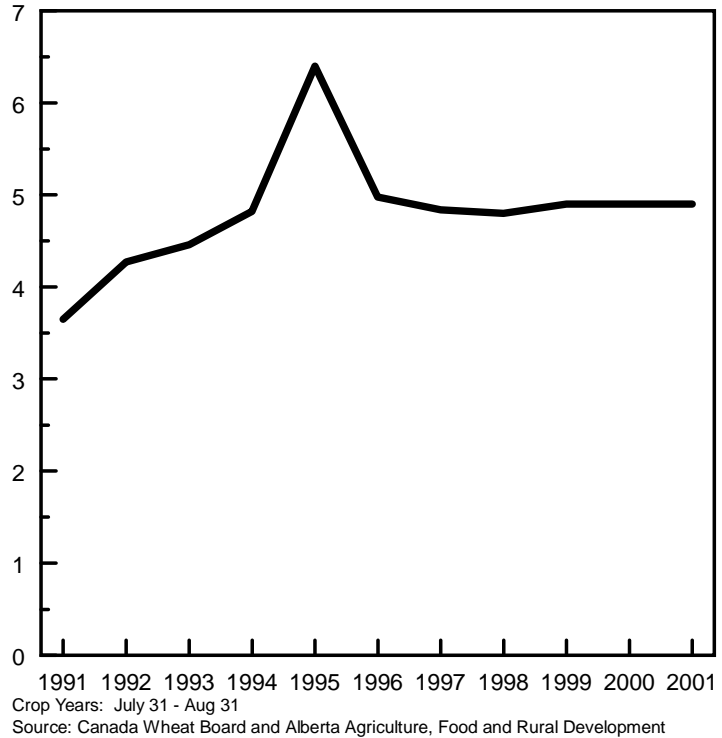
Source: Alberta Energy

- ◆ In 1997, Alberta's crude oil production grew by an estimated 2%. Non-conventional (synthetic and bitumen) production is estimated to have increased by 13%, while conventional oil production declined by about 3%.
- ◆ Total oil production is expected to grow by an average of about 3.5% per year from 1998 to 2001. Strong growth in non-conventional production will more than offset a decline of around 1% per year in conventional oil production.
- ◆ Plans for more than \$18.5 billion of oilsands investment over the next five to 10 years have been announced. Alberta's new generic oil sands royalty regime and innovative technological developments are contributing to the sharp rise in oil sands investment.

- ◆ After peaking in the 1995-96 crop year, wheat prices weakened in the second half of 1996 and throughout 1997 due to strong global supply.
- ◆ Wheat prices are expected to weaken slightly in 1998. However, El Nino could reduce total global supply this year by causing drought or flood conditions in producing regions, which could push up prices.
- ◆ Over the medium term, rising world demand is expected to firm up prices, despite increased supply.

## Wheat Prices Firm

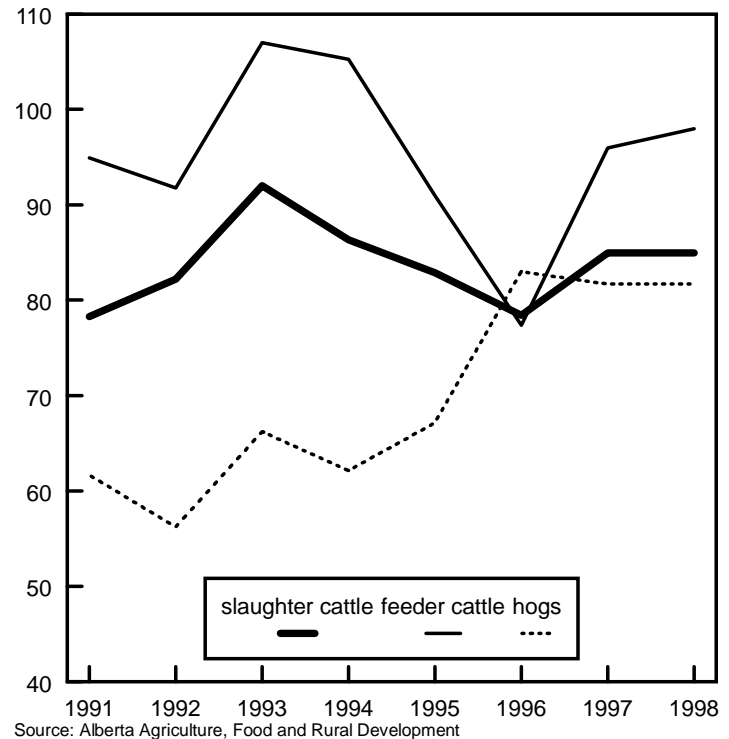
Canada Western Red Spring Wheat (Cdn\$ per bushel)



- ◆ Cattle prices recovered sharply in 1997, after falling steadily from 1993 to 1996. Herd rebuilding and increased market demand led to the price recovery. Moderate price increases are expected over the near term as herd rebuilding continues.
- ◆ Hog prices have moved up sharply since 1994. Prices in 1997 were at near-record levels. Hog prices are expected to level off in 1998 and may even drop slightly. Rising feed costs and excess pork supply could put some downward pressure on hog profitability.
- ◆ Livestock accounts for about 55% of Alberta's farm market receipts.

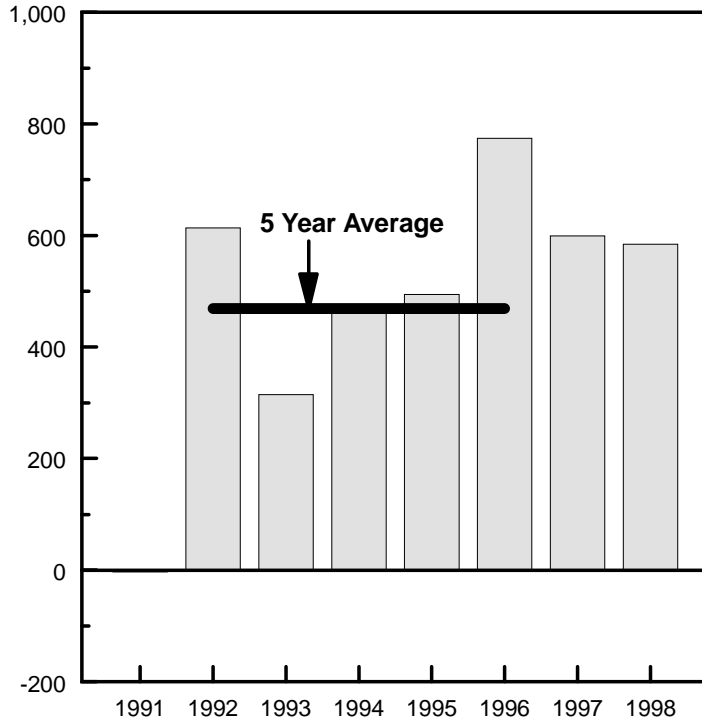
## Healthy Livestock Sector

(Cdn\$ per 100 lbs)



## Farm Income Should Remain High

Alberta Net Realized Farm Income (\$ millions)

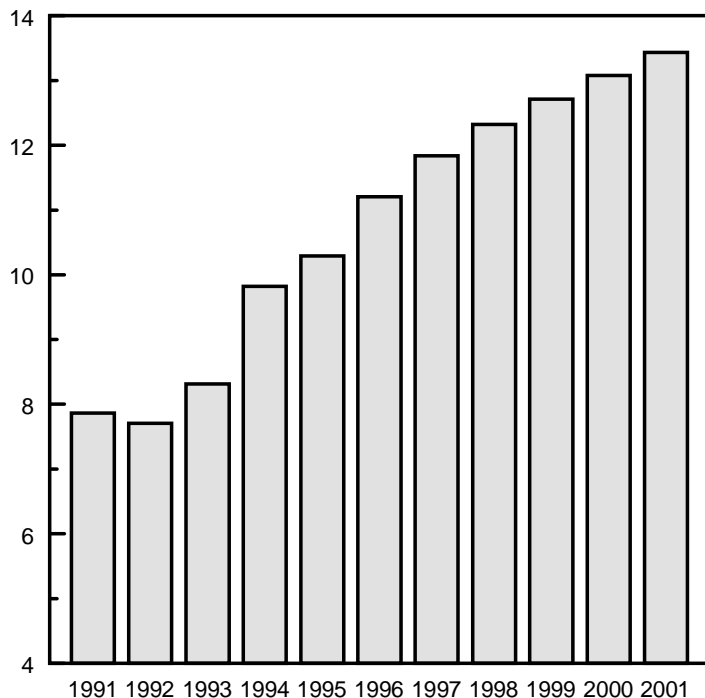


Source: Alberta Agriculture, Food and Rural Development

- ◆ In 1997, net realized farm income is estimated to have been \$600 million, 28% above the five-year average. Crop receipts fell from the record 1996 level, due to lower cereal prices. This was partly offset by an increase in livestock receipts, arising from higher livestock prices and lower feed costs.
- ◆ In 1998, net realized farm income is expected to remain at about 1997 levels as softer crop receipts are offset by higher cattle prices.

## A Strong Manufacturing Sector

Alberta Real Manufacturing Exports\* (1986\$ billions)



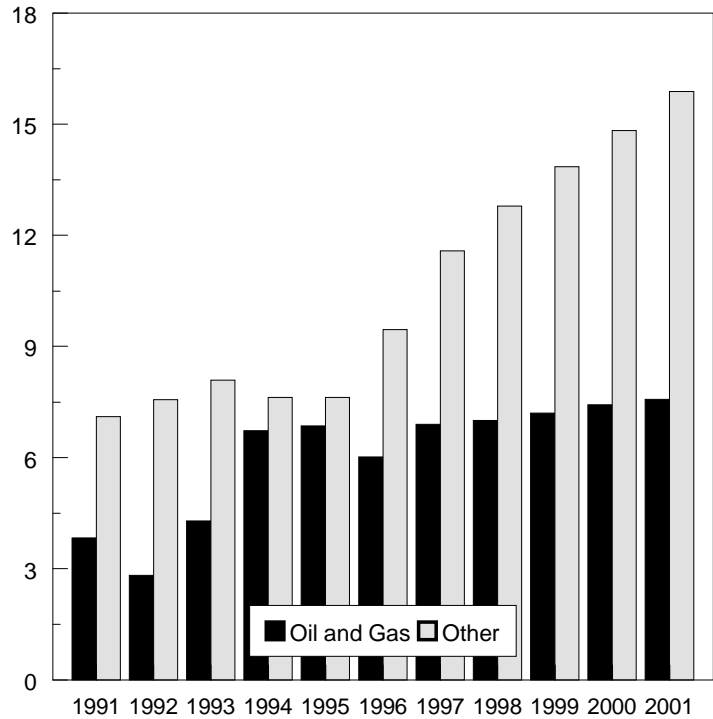
\* includes international and interprovincial manufacturing exports  
Source: Statistics Canada and Alberta Treasury

- ◆ In 1997, manufacturing exports rose by an estimated 5.6%, led by increased exports of petroleum and coal products and food and beverage sales.
- ◆ Manufacturing exports are expected to grow by about 3% per year over the forecast period. The more moderate growth forecast for the U.S. economy is expected to slow the growth in Alberta's manufacturing exports, relative to the past five years.

- ◆ In 1997, real business investment grew by an estimated 19%, led by a 65% increase in manufacturing and a 115% increase in construction. Investment in the oil and gas sector grew by an estimated 15%.
- ◆ Over the forecast period, energy investment is expected to increase by about 2.5% per year. There are plans for over \$18.5 billion in oilsands investment. However, with oil prices assumed to decline to US\$17.50 per barrel in 1998-99, investment in exploration and development drilling is expected to fall from the very robust pace of 1997.
- ◆ Investment by other industries is expected to grow at a double-digit pace. Over the next five years, the petrochemical industry proposes to invest more than \$3.2 billion and the forestry sector plans to invest \$3.5 billion.

## Non-Energy Investment to Soar

Alberta Real Business Investment (1986\$ billions)

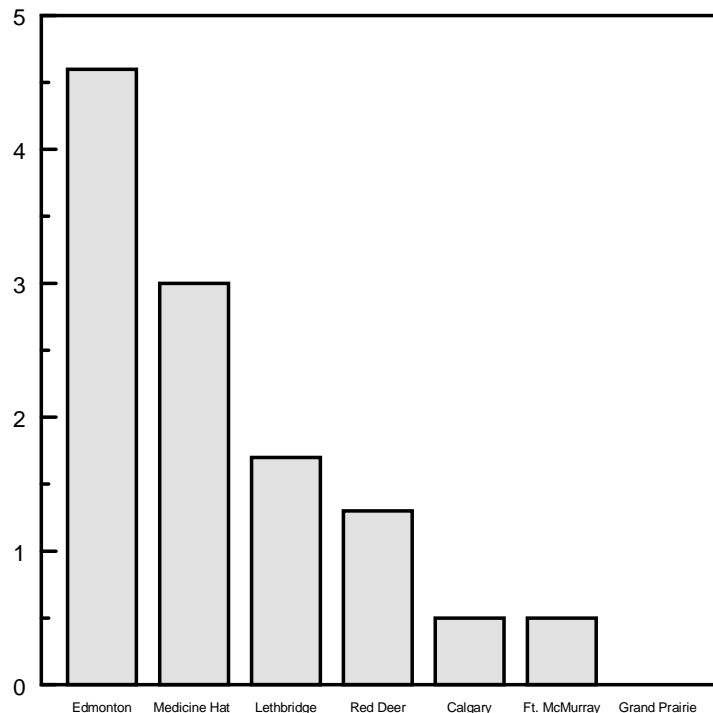


Source: Statistics Canada and Alberta Treasury

- ◆ The average vacancy rate in Alberta has fallen from 7% in 1995 to 2.9% in 1997.
- ◆ At zero, Grand Prairie has the lowest vacancy rate in Alberta, according to Canada Mortgage and Housing Corporation.
- ◆ Fort McMurray and Calgary have vacancy rates of 0.5%. The vacancy rate in Calgary is the lowest since 1981. Calgary also has the lowest vacancy rate among metropolitan centres in Canada.
- ◆ The tightness in Alberta's rental market reflects strong employment growth and positive net migration in 1997.

## Tight Alberta Rental Market

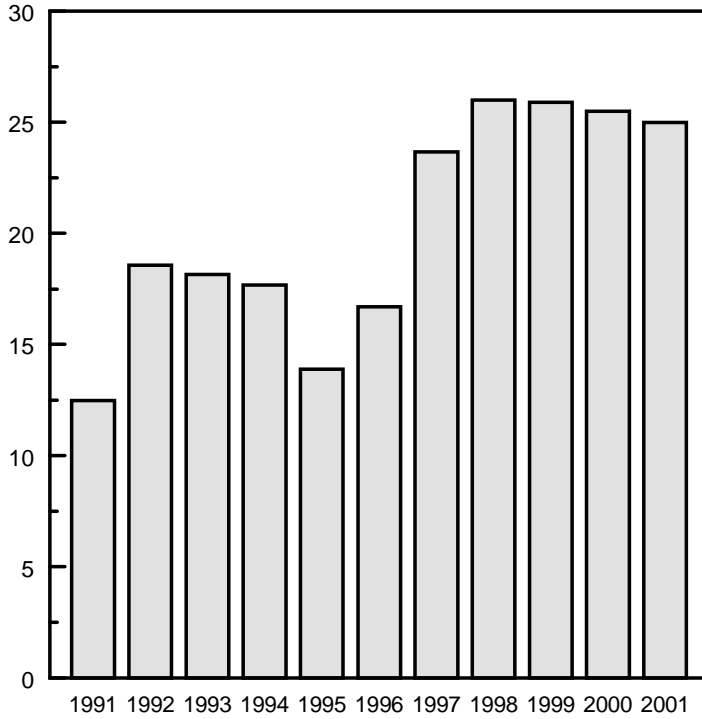
(1997, per cent vacancy rate)



Source: Canada Mortgage and Housing Corporation (CMHC)

## Alberta Housing Market Leads Canada

Alberta Housing Starts (thousands of units)

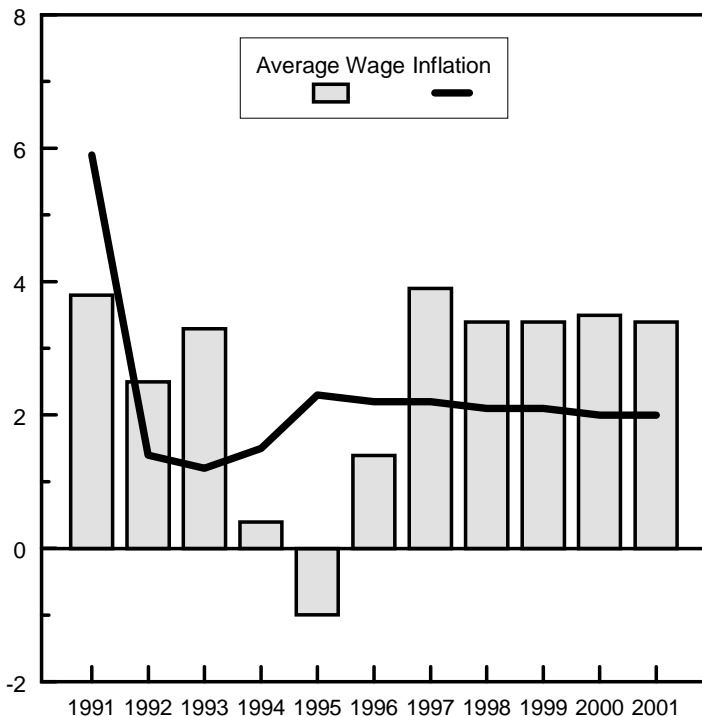


Source: CMHC and Alberta Treasury

- ◆ In 1997, housing starts in Alberta were 23,671, up 42% from 1996 and the highest level since the early 1980s. Alberta recorded the largest percentage increase in housing starts of any province in 1997.
- ◆ Housing starts in 1998 are expected to increase to 26,000 units, a 10% rise.
- ◆ Over the medium term, housing starts in Alberta are expected to maintain the high level of around 25,000 annual starts, as continued population, employment and personal income growth will maintain strong demand for housing in Alberta.

## Real Alberta Wage Growth

(per cent change)



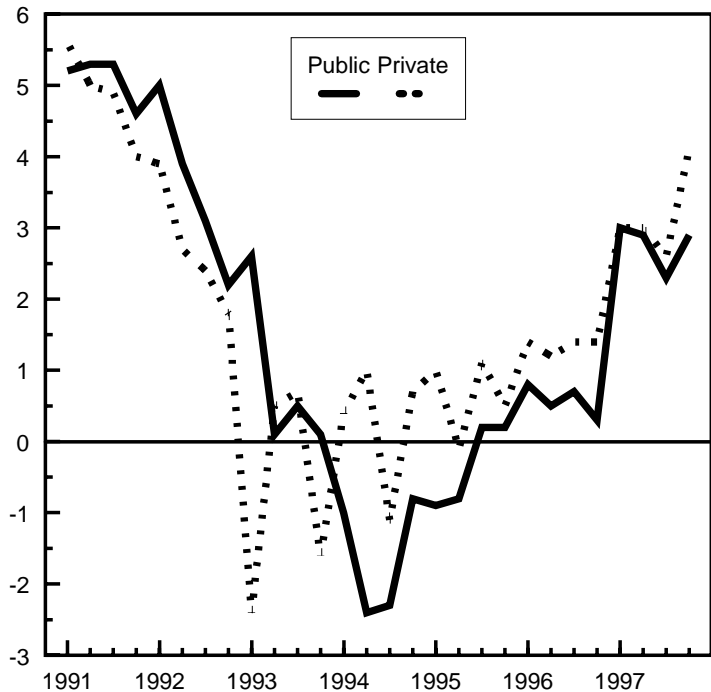
Source: Statistics Canada and Alberta Treasury

- ◆ Restraint in both the public and private sectors has kept a lid on Alberta wages over the past few years.
- ◆ For the first time since 1993, average wages in Alberta in 1997 rose faster than the rate of inflation. The strength in wages was led by mining and construction, where strong investment spending increased the demand for labour.
- ◆ Over the 1998-2001 period, wages are forecast to increase by an average of 3.5% per year, about 1.5 percentage points higher than inflation.

## Public / Private Sector Wage Settlements

(per cent change)

- ◆ Since 1994, public sector wage gains have been below the private sector.
- ◆ By the end of 1996 and through 1997, wages in the public and private sectors have begun to push up. This is in sharp contrast to the previous three to four years where increases were less than 1% for the private sector and sharply negative in the public sector.
- ◆ Preliminary data for the 4th quarter of 1997 suggests that private sector wages grew by 4.1% compared to the public sector's growth of 2.9%.

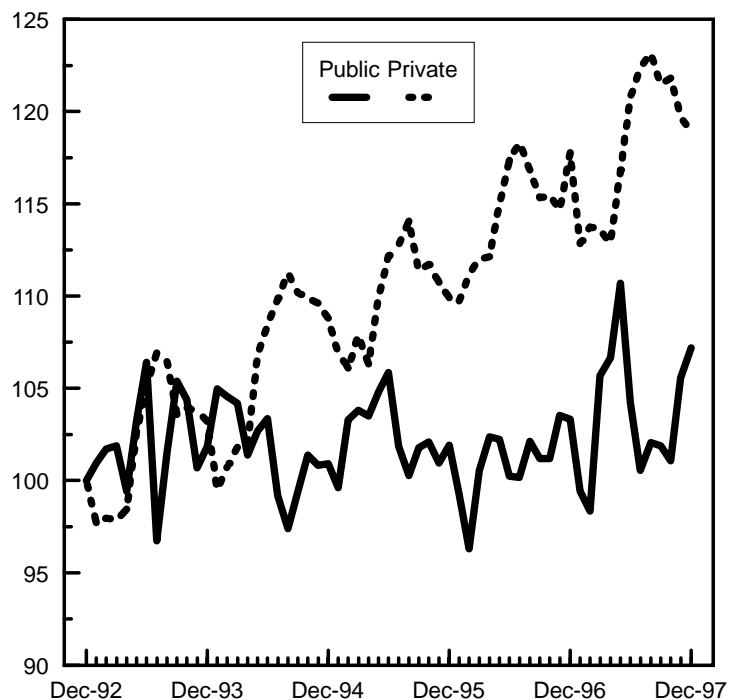


Source: Alberta Labour

## Public / Private Sector Employment

Index (December 1992=100)

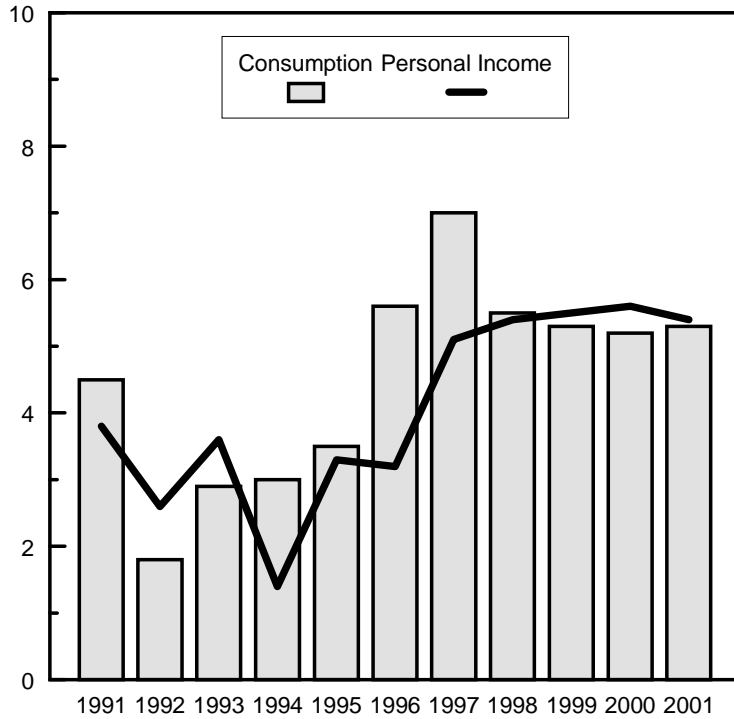
- ◆ Private sector employment in Alberta has registered strong growth since 1993, compared to public sector employment.



Source: Statistics Canada

## Alberta Consumer Spending Strong

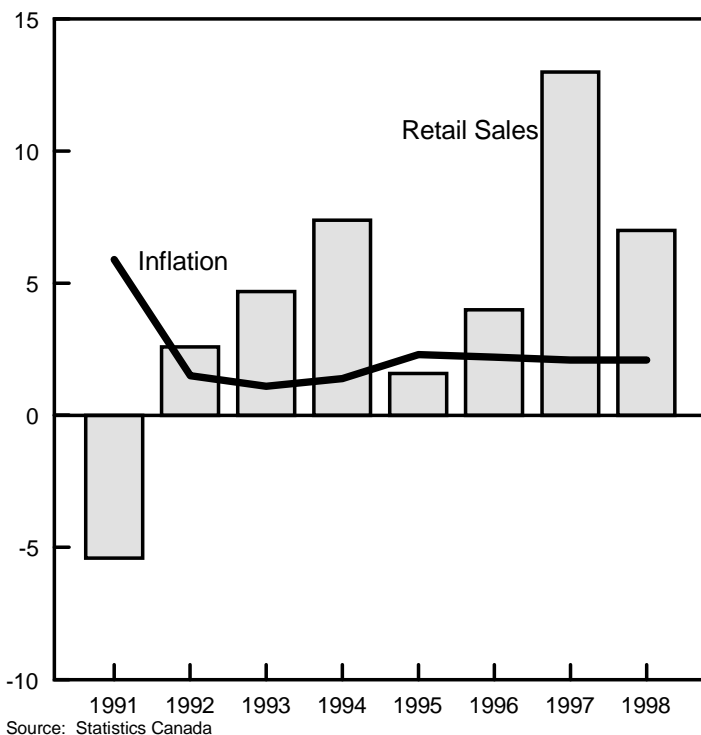
(per cent change)



- ◆ In 1997, total personal income, which includes wages, salaries and all other forms of income, is estimated to have grown by 5.1%. Consumer spending increased by an estimated 7%.
- ◆ In 1998, personal income is expected to increase somewhat faster, at 5.4%, based on wage gains of 3.4% and employment gains of 2.7%, offset by slower growth in other income. Consumers are expected to increase their spending by about 5.5%.
- ◆ Employment growth and moderate wage gains are expected to keep income growth at about 5.5% over the medium term. Consumer spending is expected to grow somewhat slower.

## Robust Growth in Alberta Retail Sales

(per cent change)



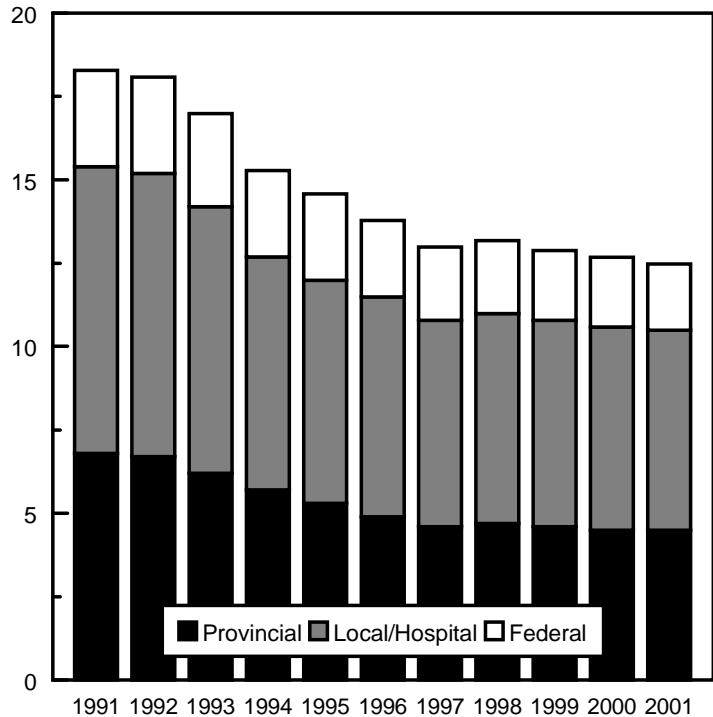
- ◆ Alberta leads the country in retail sales per capita.
- ◆ Retail sales took off in Alberta in 1997, growing by an estimated 13%, the highest growth among provinces and more than five percentage points higher than the national average.
- ◆ In 1998, the growth in retail sales is expected to be around 7%. Increases in employment and population growth over the forecast period are expected to maintain strong retail sales within the province.



## Small Government Helps Economy

(per cent of Alberta GDP)

- ◆ Government spending consists of outlays made by federal, provincial and local governments and hospitals on wages and salaries and other administrative expenses. It does not include transfers to persons or capital spending.
- ◆ In 1991, the spending by all three levels of government in Alberta as a share of GDP reached a record of 18%.
- ◆ The share of the economy comprised by government is forecast to decline to about 12.5% by the year 2000, its lowest share since 1981.
- ◆ From 1992 to 1997, while spending by all governments fell sharply as a share of GDP, the overall Alberta economy grew the fastest among provinces.

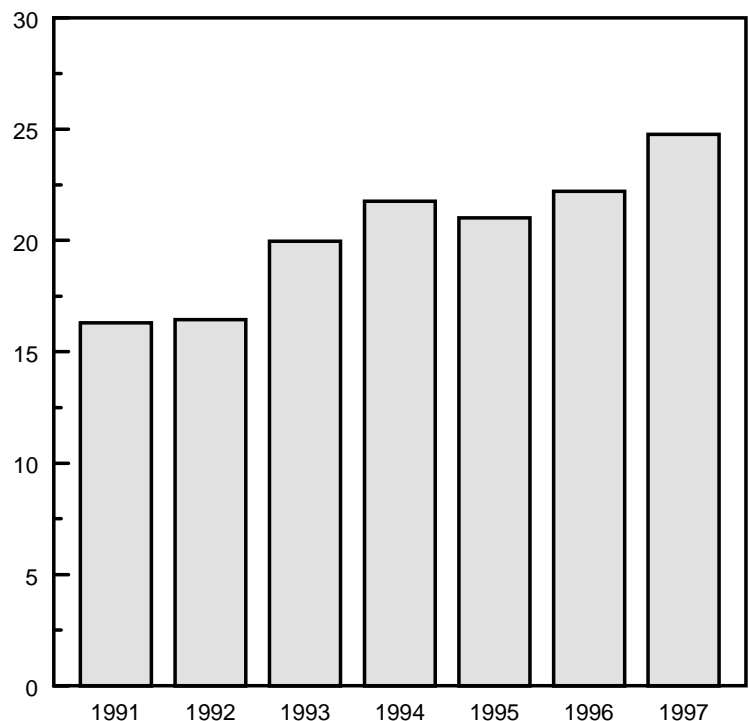


Source: Alberta Treasury

- ◆ It is estimated that a record 24,791 new businesses were incorporated in 1997, up 12% from 1996.
- ◆ This exceeds the target in Alberta's new economic development strategy of 24,000 business incorporations in the year 2000.
- ◆ The government is committed to strengthening the Alberta Advantage, in order to ensure a positive business climate that supports continued strong private sector business activity.

## Record Business Incorporations

Alberta Corporate Registrations (thousands)



Source: Alberta Municipal Affairs

# Province of Alberta

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

Fiscal Year Assumptions	1995-96 Actual	1996-97 Actual	1997-98	1998-99	1999-2000	2000-01
<b>Prices</b>						
Oil price <sup>b</sup>						
WTI (US\$/bbl) .....	18.66	23.13	19.12	17.50	18.50	18.50
Alberta wellhead (Cdn\$/bbl) .....	22.35	28.48	23.36	20.36	20.96	20.25
Natural gas price <sup>b</sup>						
Alberta wellhead (Cdn\$/mcf) .....	1.39	1.77	1.76	1.70	1.75	1.80
Exchange rate (US¢/Cdn\$) .....	73.4	73.5	72.1	74.0	76.0	78.0
<b>Production</b>						
Crude oil and equivalent (000's barrels/day) .....	1,512	1,544	1,568	1,616	1,684	1,734
Natural gas (billions of cubic feet) .....	4,605	4,865	5,156	5,355	5,622	5,747
<b>Interest rates<sup>c</sup></b>						
3-month Canada treasury bills .....	6.33	3.81	3.50	4.50	4.75	4.75
10-year Canada bonds .....	7.93	7.00	6.00	6.25	6.50	6.50

<sup>a</sup> As required by the Government Accountability Act, 1995.

<sup>b</sup> Combined resource revenue and corporate income tax for budget planning purposes must, by law, be estimated at the lesser of the five-year average or 90% of forecast. The numbers for 1998-99, 1999-2000, and 2000-01 are the assumed prices before deducting revenue cushions.

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

Calendar Year Assumptions	1996 Actual	1997	1998	1999	2000	2001
<b>Gross Domestic Product</b>						
Nominal (millions of dollars) .....	91,183	97,946	99,966	106,300	112,275	117,317
per cent change .....	6.6	7.4	2.1	6.3	5.6	4.5
Real (millions of 1986 dollars) .....	78,593	82,940	86,747 <sup>a</sup>	90,501 <sup>a</sup>	93,730 <sup>a</sup>	96,760 <sup>a</sup>
per cent change .....	2.5	5.5	4.6	4.3 <sup>a</sup>	3.6 <sup>a</sup>	3.2 <sup>a</sup>
<b>Other Indicators</b>						
Employment (thousands) .....	1,413	1,457 <sup>b</sup>	1,497	1,537	1,576	1,613
per cent change .....	2.9	3.1 <sup>b</sup>	2.7	2.7	2.5	2.4
Unemployment rate (per cent) .....	7.0	6.0 <sup>b</sup>	5.5	5.1	4.8	4.6
Housing starts (number of units) .....	16,665	23,671 <sup>b</sup>	26,000	25,900	25,500	25,000
Consumer Price Index (per cent change)	2.2	2.1 <sup>b</sup>	2.1	2.1	2.0	2.0
Population (thousands) .....	2,793	2,847 <sup>b</sup>	2,899	2,949	2,996	3,043
per cent change .....	1.5	1.9 <sup>b</sup>	1.8	1.7	1.6	1.6

<sup>a</sup> For revenue forecasting purposes, 4.6% real GDP growth is assumed for 1998 and 2% real GDP growth is assumed for 1999, 2000 and 2001.

<sup>b</sup> Actuals.

## Sensitivities to Fiscal Year Assumptions, 1998-99

	Sensitivities <sup>a</sup> (\$ millions)			
	Change	Revenue	Spending	Surplus
Oil Price (WTI US\$/bbl) .....	-\$1.00	-152	—	-152
Natural Gas Price (Cdn\$/mcf) .....	-10¢	-209	—	-209
Exchange Rate (US¢/Cdn\$) .....	-1¢	+37	+44	-7
Interest Rates .....	+1%	+4	+43	-39
Real Gross Domestic Product <sup>b</sup> .....	-1%	-81	—	-81

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

<sup>b</sup> Net change in income taxes and the Canada Health and Social Transfer.

## Risks to the Forecast

### UPSIDE RISKS

- ◆ Higher than anticipated oil and gas prices would lead to stronger investment activity and higher resource revenue.
- ◆ Stronger than anticipated economic activity due to higher investment, growing consumer confidence and higher immigration. This would result in stronger economic activity and tax revenues, although there would also be higher costs to the economy in terms of inflation and to government in terms of program pressures.
- ◆ Weaker than anticipated Canadian dollar could boost economic growth because of Alberta's strong trade orientation, but would have little net impact on the government's bottom line.

### DOWNSIDE RISKS

- ◆ Prolonged uncertainty arising from the Asian financial crisis could result in (1) higher interest rates in Canada in order to defend a weak dollar, (2) lower commodity prices, including oil and natural gas, (3) weaker economic activity in the United States and Canada.
- ◆ Higher interest rates could increase debt servicing costs and reduce economic activity. Interest rates could be higher than expected because: (1) inflationary pressures pick up in the United States, resulting in higher U.S. interest rates, which would put upward pressure on Canadian rates, (2) re-emergence of political uncertainty surrounding Quebec.
- ◆ The inherent volatility of oil and gas prices could produce a sharper than expected price reduction. This could have a negative psychological effect on investing in Alberta and hurt economic growth. Alberta's fiscal position should be relatively stable given the legal requirement to have a revenue cushion to help protect against this type of risk.
- ◆ A long-term threat could be the federal policy response to the climate change agreement.

## Oil Price Forecast Benchmark

(West Texas Intermediate, US\$/bbl)

Organization	1998	1999	2000	2001
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Sep/97) .....	18.81	19.42	20.13	20.90
DRI/McGraw-Hill (Dec/97) .....	18.58	18.44	18.81	19.30
The WEFA Group (Dec/97) .....	20.31	20.93	21.57	n.a.
<b>Investment Houses</b>				
BT Bank (Jan/98) .....	17.23	18.21	18.45	18.57
CS First Boston (Jan/98) .....	20.00	18.50	17.50	17.00
Goldman Sachs (Jan/98) .....	18.50	18.50	19.50	19.50
Lehman Brothers (Jan/98) .....	19.00	19.00	n.a.	n.a.
JP Morgan (Jan/98) .....	17.77	19.00	20.50	22.00
RBC Dominion Securities (Jan/98) .....	17.50	18.00	18.00	18.00
Peters and Company (Dec/97) .....	19.00	19.00	n.a.	n.a.
<b>Industry Analysts</b>				
ARC Financial Corporation (Jan/97) .....	18.50	19.25	20.00	21.00
Petroleum Industry Research Associates (Sep/97 and Jan/98) .....	18.50	18.00	18.00	18.45
High .....	20.31	20.93	21.57	22.00
Low .....	17.23	18.00	17.50	17.00
Average .....	18.64	18.85	19.25	19.41
<b>Alberta Government (calendar year)</b> .....	17.20 <sup>a</sup>	18.40 <sup>a</sup>	18.50 <sup>a</sup>	18.50 <sup>a</sup>

<sup>a</sup> Resource revenue and corporate income tax for budget planning purposes must, by law, be estimated at the lesser of the five-year average or 90% of the current forecast. The numbers for 1998-99, 1999-2000 and 2000-01 are the assumed prices before deductions for the revenue cushion.

## Natural Gas Price Forecast Benchmark

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

Organization	1998	1999	2000	2001
ARC Financial Corporation (Dec/97) .....	1.81	1.89	2.03	2.19
Gilbert Lausten Jung Associates (Dec/97) .....	1.60	1.85	2.00	2.15
Peters and Company (Dec/97) .....	1.70	1.85	n.a.	n.a.
Levesque Beaubien Geoffrion (Jan/98) .....	1.70	1.85	1.95	2.05
Midland Walwyn (Jan/98) .....	1.80	1.85	n.a.	n.a.
RBC Dominion Securities (Jan/98) .....	1.75	1.85	1.85	1.85
High .....	1.81	1.89	2.03	2.19
Low .....	1.60	1.85	1.85	1.85
Average .....	1.73	1.86	1.96	2.06
<b>Alberta Government (calendar year)</b> .....	1.62 <sup>a</sup>	1.74 <sup>a</sup>	1.82 <sup>a</sup>	1.77 <sup>a</sup>

<sup>a</sup> Resource revenue and corporate income tax for budget planning purposes must, by law, be estimated at the lesser of the five-year average or 90% of the current forecast. The numbers for 1998-99, 1999-2000, and 2000-01 are the assumed prices before deductions for the revenue cushion.

## Canadian Short-Term Interest Rate Forecast Benchmark (3-month Canadian Treasury Bills)

Organization	1998	1999	2000	2001
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Sep/97) .....	3.61	4.11	4.51	4.21
DRI McGraw-Hill (Dec/97) .....	4.71	4.37	4.57	3.79
The WEFA Group (Dec/97) .....	4.87	5.34	5.39	5.58
<b>Banks</b>				
Bank of Montreal (Dec/97) .....	4.33	4.10	4.10	4.10
Canadian Imperial Bank of Commerce (Jan/98) .....	4.66	n.a.	n.a.	n.a.
Royal Bank (Jan/98) .....	4.38	4.06	n.a.	n.a.
Scotiabank (Jan/98) .....	4.60	n.a.	n.a.	n.a.
Toronto Dominion Bank (Jan/98) .....	4.60	4.50	n.a.	n.a.
<b>Investment Dealers</b>				
Scotia Capital Markets (Jan/98) .....	4.94	n.a.	n.a.	n.a.
CIBC Wood Gundy (Jan/98) .....	4.70	n.a.	n.a.	n.a.
Nesbitt Burns (Jan/98) .....	4.44	4.30	n.a.	n.a.
High .....	4.94	5.34	5.39	5.58
Low .....	3.61	4.06	4.10	3.79
Average .....	4.53	4.40	4.64	4.42
<b>Alberta Government (calendar year) .....</b>	<b>4.45</b>	<b>4.70</b>	<b>4.75</b>	<b>4.75</b>

## Canadian Long-Term Interest Rate Forecast Benchmark (10-Year Government of Canada Bond Yield)

Organization	1998	1999	2000	2001
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Sep/97) .....	6.13	5.87	5.88	5.61
DRI McGraw-Hill (Dec/97) .....	5.83	5.80	5.87	5.61
The WEFA Group (Dec/97) .....	6.24	6.49	6.56	6.44
<b>Banks</b>				
Bank of Montreal (Dec/97) .....	5.95	5.79	5.70	5.60
Canadian Imperial Bank of Commerce (Jan/98) .....	6.10	n.a.	n.a.	n.a.
Royal Bank (Jan/98) .....	5.77	5.81	n.a.	n.a.
Scotiabank (Jan/98) .....	5.40	n.a.	n.a.	n.a.
<b>Investment Dealers</b>				
Scotia Capital Markets (Jan/98) .....	5.93	n.a.	n.a.	n.a.
CIBC Wood Gundy (Jan/98) .....	6.23	n.a.	n.a.	n.a.
Nesbitt Burns (Jan/98) .....	5.33	5.15	n.a.	n.a.
High .....	6.24	6.49	6.56	6.44
Low .....	5.33	5.15	5.70	5.60
Average .....	5.89	5.82	6.00	5.82
<b>Alberta Government (calendar year) .....</b>	<b>6.20</b>	<b>6.45</b>	<b>6.50</b>	<b>6.50</b>

## Alberta Real Gross Domestic Product Forecast Benchmark (per cent change)

Organization	1997	1998	1999	2000	2001
<b>National Forecasting Agencies</b>					
Conference Board of Canada (Oct/97) .....	4.6	3.4	3.3	n.a.	n.a.
DRI McGraw-Hill (Oct/97) .....	4.7	4.2	2.4	2.7	2.4
The WEFA Group (Oct/97) .....	4.7	2.3	3.7	3.5	3.7
<b>Banks</b>					
Bank of Montreal (Oct/97) .....	4.8	4.5	3.0	n.a.	n.a.
Canadian Imperial Bank of Commerce (Jan/98) .....	4.3	4.1	3.0	n.a.	n.a.
Royal Bank (Sep/97) .....	4.2	3.7	3.3	n.a.	n.a.
Scotiabank (Jan/98) .....	5.0	3.8	n.a.	n.a.	n.a.
Toronto Dominion Bank (Jan/98) .....	5.2	3.9	3.3	n.a.	n.a.
<b>Other</b>					
Canada Mortgage and Housing Corporation (Jul/97) .....	5.1	4.0	n.a.	n.a.	n.a.
Nesbitt Burns (Oct/97) .....	5.5	5.3	n.a.	n.a.	n.a.
High .....	5.5	5.3	3.7	3.5	3.7
Low .....	4.3	2.3	2.4	2.7	2.4
Average .....	4.8	3.9	3.1	3.1	3.1
<b>Alberta Government (calendar year) .....</b>	<b>5.5</b>	<b>4.6<sup>a</sup></b>	<b>4.3<sup>a</sup></b>	<b>3.6<sup>a</sup></b>	<b>3.2<sup>a</sup></b>

<sup>a</sup> For revenue forecasting purposes, 4.6% real GDP growth is assumed for 1998 and 2% real GDP growth is assumed for 1999, 2000 and 2001.

## Canada/United States Exchange Rate Forecast Benchmark (US¢/Cdn\$)

Organization	1998	1999	2000	2001
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Sep/97) .....	72.80	72.90	73.20	75.80
DRI McGraw-Hill (Dec/97) .....	71.69	75.25	74.68	75.77
The WEFA Group (Dec/97) .....	72.30	74.90	75.90	76.60
<b>Banks</b>				
Bank of Montreal (Dec/97) .....	74.46	77.04	78.43	80.00
Canadian Imperial Bank of Commerce (Jan/98) .....	71.81	n.a.	n.a.	n.a.
Royal Bank (Jan/98) .....	72.60	73.00	n.a.	n.a.
Scotiabank (Jan/98) .....	70.25	n.a.	n.a.	n.a.
Toronto Dominion Bank (Jan/98) .....	70.90	73.90	n.a.	n.a.
<b>Investment Dealers</b>				
Scotia Capital Markets (Jan/98) .....	72.03	n.a.	n.a.	n.a.
CIBC Wood Gundy (Jan/98) .....	71.05	n.a.	n.a.	n.a.
Nesbitt Burns (Jan/98) .....	71.80	74.00	n.a.	n.a.
High .....	74.46	77.04	78.43	80.00
Low .....	70.25	72.90	73.20	75.77
Average .....	71.97	74.43	75.55	77.04
<b>Alberta Government (calendar year) .....</b>	<b>73.50</b>	<b>75.50</b>	<b>77.50</b>	<b>79.50</b>

## Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$/bbl, calendar year)

Organization	How Did They Do 1997 <sup>a</sup>	What They Were Saying About 1998 in Budget '97 <sup>b</sup>	What They Are Saying About 1998 in Budget '98 <sup>b</sup>
<b>Actual</b> .....	<b>20.63</b>		
ARC Financial Corporation .....	-0.63	19.00	18.50
BT Bank .....	+1.97	19.74	17.23
Conference Board of Canada .....	+2.40	23.44	18.81
CS First Boston .....	-0.63	18.50	20.00
DRI/McGraw-Hill .....	-0.95	19.26	18.58
Goldman Sachs .....	-0.13	20.50	18.50
JP Morgan .....	+0.57	n.a.	17.77
Lehman Brothers .....	-1.13	19.00	19.00
Peters & Company .....	+0.37	21.00	19.00
Petroleum Industry Research Associates .....	-1.03	n.a.	18.50
RBC Dominion Securities .....	-0.63	20.00	17.50
The WEFA Group .....	+0.98	21.23	20.31
Absolute Average .....	0.95	20.17	18.64
<b>Alberta Government</b> .....	<b>-0.23</b>	<b>18.50</b>	<b>17.20</b>

<sup>a</sup> This compares an organization's forecast for 1997 at the time of Budget '97 to what actually happened. A minus sign indicates underestimation; a plus sign indicates overestimation; an averaging technique is used which treats overestimation the same as underestimation to prevent one from cancelling out the other.

<sup>b</sup> This shows how the forecast for 1998 has changed over the last year.

## Tracking the Forecasts of Alberta Real GDP

(per cent change)

Organization	How Did They Do 1996 <sup>a,b</sup>	What They Were Saying About 1997 in Budget '97 <sup>c</sup>	What They Are Saying About 1997 in Budget '98 <sup>c</sup>
<b>Actual</b> .....	<b>2.5</b>		
Bank of Montreal .....	-0.2	3.0	4.8
Canada Mortgage and Housing Corporation .....	+0.5	4.2	5.1
Canadian Imperial Bank of Commerce .....	0.0	3.5	4.2
Conference Board of Canada .....	+0.4	3.2	4.6
DRI/McGraw-Hill .....	-0.2	3.2	4.7
Nesbitt Burns .....	-0.1	3.5	5.5
Royal Bank .....	-0.8	3.3	4.2
Scotiabank .....	-0.5	4.5	5.0
Toronto Dominion Bank .....	-0.3	2.8	5.2
The WEFA Group .....	+0.1	2.8	4.7
Absolute Average .....	0.3	3.4	4.8
<b>Alberta Government (calendar year)</b> .....	<b>+0.7</b>	<b>3.6</b>	<b>5.5</b>

<sup>a</sup> This compares an organization's forecast for 1996 at the time of Budget '97 to what actually happened. A minus sign indicates underestimation; a plus sign indicates overestimation; an averaging technique is used which treats overestimation the same as underestimation to prevent one from cancelling out the other.

<sup>b</sup> 1996 is the latest year for actual real GDP data.

<sup>c</sup> This shows how the forecast for 1997 has changed over the last year.

# Announced Major Projects Over \$100 Million

## Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
<b>OIL AND GAS</b>				
Alberta Energy	Primrose and Frog Lake	In situ Bitumen Project	\$212	1997-2000
Amber Energy	Wabasca	In situ Bitumen Project	\$300	1997-2000
Amoco Canada Petroleum	Primrose and Wolf Lake	In situ Bitumen Expansion	\$175	1996-1998
	Brintnell	In situ Bitumen Project	\$100	1996-2000
	Primrose and Wolf Lake	In situ Bitumen Expansion	\$500	1998-2000
Canada Oil Sands	Hangingstone	In situ Bitumen Project	\$197	1997-2004
Canadian Natural Resources	Cold Lake and Pelican Lake	In situ Bitumen Project	\$800	1997-2002
Gulf Canada	Surmont	In situ Bitumen Project	\$1,100	1999-2005
Imperial Oil	Cold Lake	In situ Bitumen Plant Expansion - Phases 1-10	\$250	1996-1997
	Cold Lake	In situ Bitumen Plant Expansion - Phases 11-13	\$450	1998-2000
	Cold Lake	In situ Bitumen Plant Expansion Phases 14-15	\$100+	2001 - 2003+
Koch Exploration Canada	Elk Point	In situ Bitumen Expansion	\$200	1998-1998
Mobil Oil Canada	Kearl Lake	Bitumen Mine & Extraction Facility	\$1,000	2000-2003
Murphy Oil	Lindbergh	In situ Bitumen Project	\$157	1996-1999
Norcen Energy Resources	Provost and Lindberg	In situ Bitumen Project	\$440	1996-1999+
PanCanadian Petroleum	Elk Point	In situ Bitumen Expansion	\$100	1996-2000
	Christina Lake	In situ Bitumen Project	\$250	1997-2000
Petro-Canada	MacKay River	In situ Bitumen Project	\$250	1998-2000
Ranger Oil Limited	Lindbergh, Cold Lake, Wolf Lake, Elk Point	In situ Bitumen Expansion	\$225	1996-2000
Shell Canada	Peace River	In situ Bitumen Expansion	\$120	1997-2002
	Muskey River Mine	Bitumen Mine & Extraction Facility	\$1,000	1998-2002
	Fort Saskatchewan	Upgrader at Scotford Refinery	\$1,800	1999-2002
Suncor	Primrose-Burnt Lake	In situ Bitumen Project	\$122	1996-2000
	Fort McMurray	Upgrader and Plant Modifications	\$320	1997-1999
	Fort McMurray	Steepbank Mine	\$360	1997-1999
	Fort McMurray	Project Millennium	\$190	1997-1999
	Fort McMurray	Project Millennium	\$2,000	1999-2002



# Announced Major Projects Over \$100 Million

## Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
<b>OIL AND GAS (continued)</b>				
Syncrude Canada	Fort McMurray	North Mine - Upgrader Debottleneck 1	\$500	1996-1999
	Fort McMurray	Aurora Mine - Upgrader Debottleneck 2	\$1,500	1998-2004
	Fort McMurray	Continuous Improvement Upgrader Expansion	\$1,000 \$3,000	1997-2007 1999-2007
<b>PIPELINES</b>				
Alberta Energy Company/ Husky Oil	Fort McMurray to Hardisty	Lakeland Pipeline	\$400	1997-1998
Alberta Energy Company	Fort McMurray to Edmonton	Alberta Oil Sands Pipeline	\$220	1998-1999
Alliance Pipeline	Alberta to Chicago	New Natural Gas Pipeline	\$3,600	1998-2000
Amber, CNRL, Amoco, Pan Canadian & Chevron	Pelican Lake to Rainbow Pipeline	Pelican Lake Pipeline System	n/a	1997-1999
IPL Energy	Fort McMurray to Hardisty	Athabasca Pipeline	\$325	1997-1998
Koch/Imperial Oil/Amoco Canada	Fort McMurray to Hardisty	Thick Silver Pipeline	\$250	1999-2000
Nova Gas Transmission	Throughout Alberta	Pipeline Capacity Addition	\$1,400	1997-2000
Shell Canada	Fort McMurray to Edmonton	Corridor Pipeline	\$375	2000-2002
TransCanada PipeLines	Various locations	Mainline Improvements Project	\$263	1997-1998
<b>PETROCHEMICALS</b>				
Amoco Canada	Joffre	Linear Alpha Olefins Plant	\$250	1998-2000
AT Plastics	Edmonton	Co-Polymer Plant Expansion	\$120	1997-1998
CE Alberta BioClean	Strathcona County	Automotive Fuel Additive Plant	\$650	1998-2000
Dow Chemical Canada	Fort Saskatchewan	Ethylene Plant Expansion	\$183	1997-1998
	Fort Saskatchewan	Polyethylene Plant	\$140	1997-1999
Nova	Joffre	Polyethylene Plant	\$395	1998-2000
Novagas Canada	Redwater	Fractionator Plant	\$100	1997-1998
Nova and Union Carbide	Joffre	Ethylene Plant	\$825	1998-2000
Shell Chemicals Canada/ Mitsubishi Chemical	Fort Saskatchewan	Ethylene Glycol Plant	\$350	1998-2000
Union Carbide	Prentiss	Polyethylene Plant	\$317	1998-2000

# Announced Major Projects Over \$100 Million

## Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
<b>FORESTRY</b>				
Alberta Goldboard	Thorhild	Strawboard Plant	\$120	1998-1999
Alberta Newsprint Company	Whitecourt	Expanded Newsprint Mill	\$150	Proposed
Alberta-Pacific Forest Industries	Athabasca	Paper Mill	\$900	Proposed
Daishowa-Marubeni International	Peace River	Lightweight Coated Paper Mill	\$900	1999-2002
Fieldboard International	Killam	Strawboard Plant	\$140	1998-1999
Footner Forest Products	High Level	Oriented Strandboard Plant	\$150	1999-2001
Grande Alberta Paper	Grande Prairie	Lightweight Coated Paper Mill	\$900	2002-2004
Slave Lake Pulp	Slave Lake	Expanded Pulp Mill	\$165	Proposed
<b>COMMERCIAL AND RETAIL CONSTRUCTION</b>				
Calgary Regional Airport Authority	Calgary	Airport Improvements (3 stages)	\$650	Proposed
Cambridge Leaseholds	Calgary	Mall Expansion/Renovation	\$125	1997-2000
Camrose Developments	Edmonton	Retail Complex	\$250	1997-2002
Edmonton Regional Airport Authority	Leduc	International Airport Terminal Improvements	\$200	1998-2002
Stone Creek Properties	Canmore	Hyatt Hotel/Resort Complex	\$650	1995-2015
Three Sisters Golf Resort/ Dong Ah Construction	Canmore	Phase 2 - Hotel and Housing Complex	\$200	Proposed
TransCanada Pipelines	Calgary	Office Tower	\$150	1998-2000
<b>OTHER</b>				
Cardinal River Coals	Hinton	Cheviot Open Pit Coal Mine	\$250	1997-2000
Luscar	Grande Cache	Coal Mine	\$250	Proposed
Nova Chemicals	Joffre	Cogeneration Power Plant	\$200	1998-2000
Various Irrigation Districts	Southern Alberta	Irrigation System/Rehabilitation	\$600	1997-2000