

# ECONOMIC OUTLOOK



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# Highlights

- In 2006, Alberta led all provinces in economic growth for the third consecutive year. Alberta's economy expanded by an estimated 6.9% in real terms, driven by rising investment and an upsurge in inter-provincial migration.
- The Alberta economy created over 86,000 jobs in 2006, recording the fastest pace of employment growth in a quarter century. Alberta's unemployment rate fell to a 30-year low of 3.4%.
- Global economic growth is expected to remain healthy over the period 2007 to 2010. This should sustain energy prices at relatively high levels, although increasing global oil production is expected to lead to a moderation in prices from US\$58 in 2007-08 to US\$52.50 in 2009-10.
- Declining natural gas inventories are expected to support natural gas prices at Cdn\$6.75 per gigajoule in 2007-08, with prices softening to Cdn\$6.25 by 2010 due to an expected increase in the supply of liquefied natural gas and lower oil prices.
- Long-term investments in oil sands and related projects – such as oil upgraders and pipelines – will continue to provide a foundation for solid economic growth in Alberta.
- Inter-provincial migration is expected to continue at current high levels in 2007, followed by a gradual decline through 2010, caused, in part, by the recent rise in Alberta housing costs.
- With slowing population growth, the province's economic growth is expected to return to a more sustainable – but still healthy – pace.
- Alberta's real economic growth is forecast at 3.8% in 2007 and averaging 3.5% over the following three years. These projections are similar to current private sector forecasts.
- Key risks to the outlook include a decline in energy prices, a U.S. economic slowdown, and continuing capacity pressures, especially with respect to skilled labour.

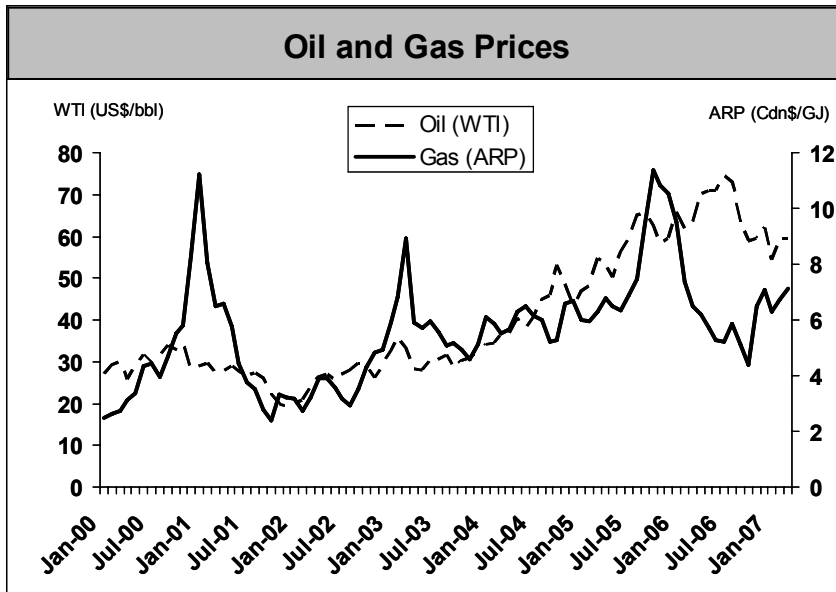
## Forecast Summary

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Actual				
Crude Oil Price (WTI, US\$/bbl)	45.03	59.97	64.97	58.00	54.25	52.50
Alberta Natural Gas Reference Price (Cdn\$/GJ)	6.05	8.29	5.95	6.75	6.50	6.25
	2005	2006	2007	2008	2009	2010
	Actual	Actual				
Real Gross Domestic Product (% change)	4.6	6.9	3.8	3.5	3.5	3.4
Population (% change)	2.2	3.0	3.0	2.6	2.2	2.0
Employment (% change)	1.5	4.8	3.0	2.3	1.9	1.7

## 2006 in Review

- The Alberta economy grew by an estimated 6.9% in 2006, surpassing the *Budget 2006* forecast of 4.8% growth and similar forecasts by private sector economists. This is the best performance since 1993, when real growth reached 7.2%.
- Alberta's nominal Gross Domestic Product (GDP) rose in 2006 to an estimated \$242 billion, or 16.8% of national GDP. Alberta has 10.4% of Canada's population.
- Oil prices were unusually volatile in 2006-07. They peaked at a record high of US\$77 in July, fell to US\$50 in January 2007 and rebounded above US\$60 in late February. As a result, oil averaged almost US\$65 in 2006-07, up from US\$60 in 2005-06. Gas prices eased through most of the year, averaging nearly Cdn\$6 per gigajoule in 2006-07, down from Cdn\$8.29 in 2005-06. Unusually high natural gas storage levels put downward pressure on natural gas prices.
- Driven by strong growth in oil sands and non-energy sector developments, real business investment increased by an estimated 6.2% in 2006, to a new high of over \$47 billion.
- In the census year ending June 30, 2006, Alberta attracted over 57,000 net inter-provincial migrants, the highest on record. Alberta's population growth for the 2006 census year was 3%, the highest among the provinces, and triple the national population growth rate of 1%.
- In 2006, employment rose by 86,233, or 4.8%, the highest growth in 25 years and the highest among the provinces. The unemployment rate fell to a 30 year low of 3.4%.
- The tight labour market placed pressure on wages and salaries, which increased by 12.6% in 2006. Hourly wages increased by 6.9% in 2006, more than double the national increase of 3.3%.
- Strong economic and population growth fuelled demand for housing. Housing starts jumped to a record high of 48,962. The spike in demand led to a sharp increase in new house prices, which rose 40%, on average, almost four times the national increase.
- Alberta's CPI inflation averaged 3.9% in 2006, up from 2.1% in 2005 and nearly double the national increase of 2%. Sharply higher housing costs accounted for all of the difference between the Alberta and national inflation rates.

## Energy prices volatile in 2006-07

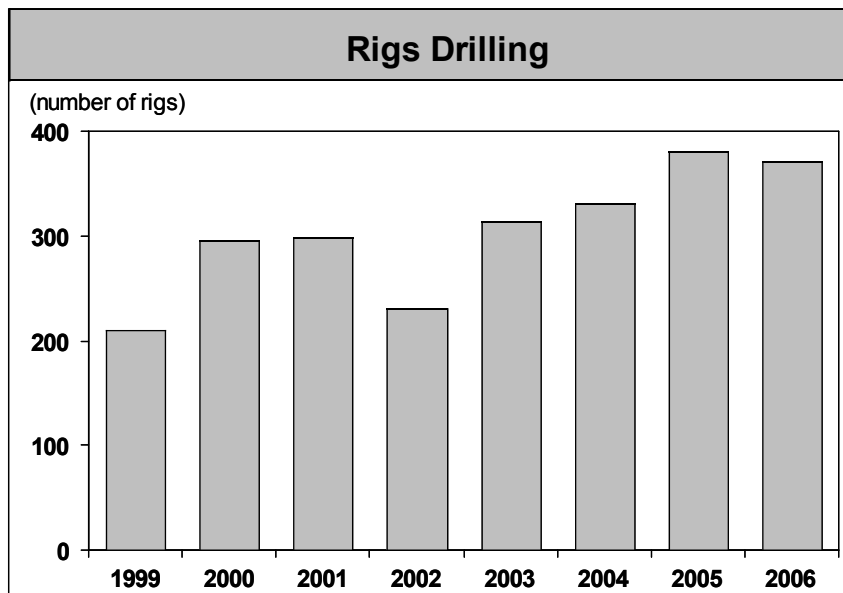


*Oil prices were unusually volatile in 2006-07. They peaked at a record high of US\$77 in mid-July, fell to US\$50 in January 2007 and rebounded above US\$60 in late February.*

*Gas prices peaked at \$9.52 per gigajoule in January 2006, fell to \$4.40 in October and recovered to about \$7.00 in February 2007.*

Source: Alberta Energy

## Conventional energy activity recedes from 2005 highs

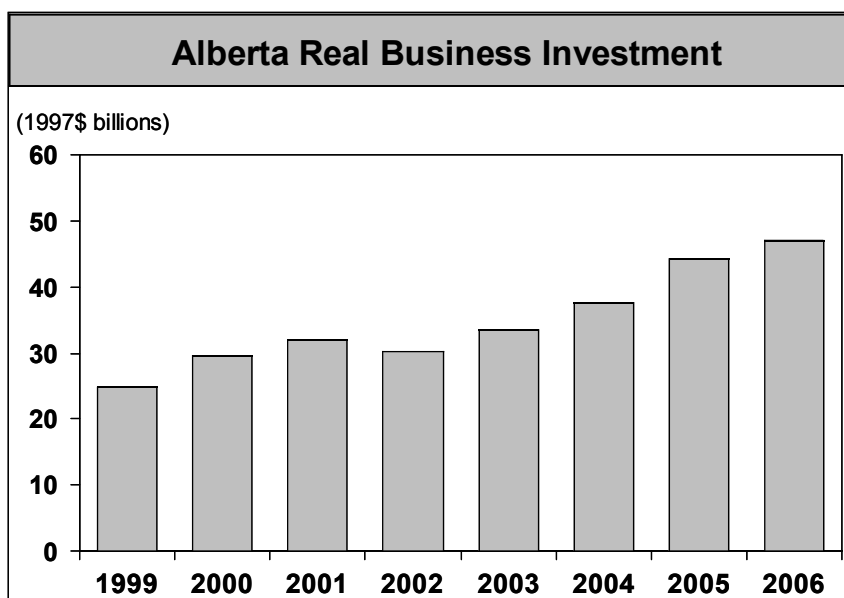


*Weaker natural gas prices had a dampening effect on conventional drilling activity, particularly in the latter part of 2006. For 2006 as a whole, the number of rigs drilling in Alberta fell 2.6%. In the second half of 2006, drilling activity was down 17.1% compared to the same period in 2005.*

Source: Alberta Energy

## Record business investment in Alberta

*Driven by continued strong growth in oil sands and non-energy sector developments, real business investment is estimated to have increased to over \$47 billion in 2006. This was 6.2% above its previous record and represented 31% of Alberta's real Gross Domestic Product.*

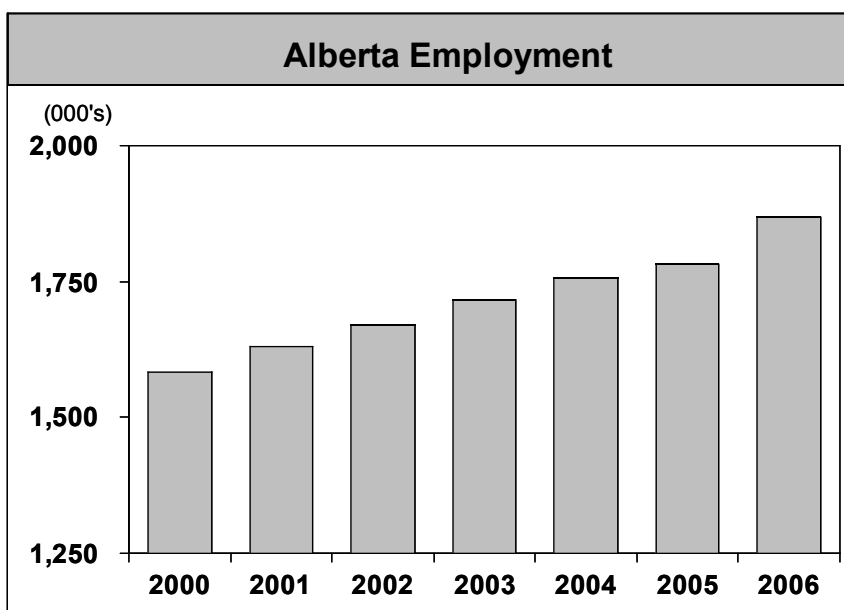


**Source:** Statistics Canada and Alberta Finance

## Alberta created over 86,000 full-time jobs

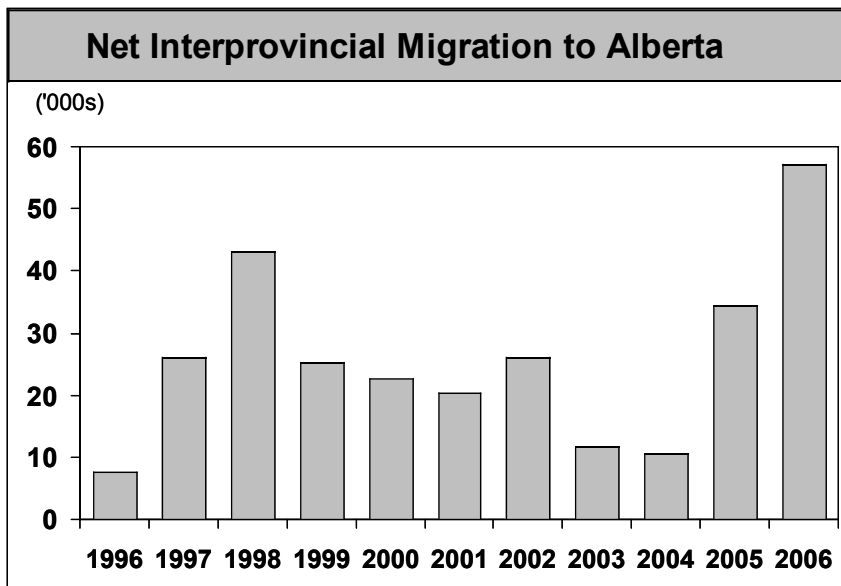
*In 2006, the Alberta economy created over 86,000 jobs. Alberta's employment growth of 4.8% was the highest in 25 years and by far the strongest among provinces. All of the net gains in 2006 were in full-time employment, which rose 6.3%.*

*Alberta accounted for 27% of the new jobs created in Canada in 2006.*



**Source:** Statistics Canada

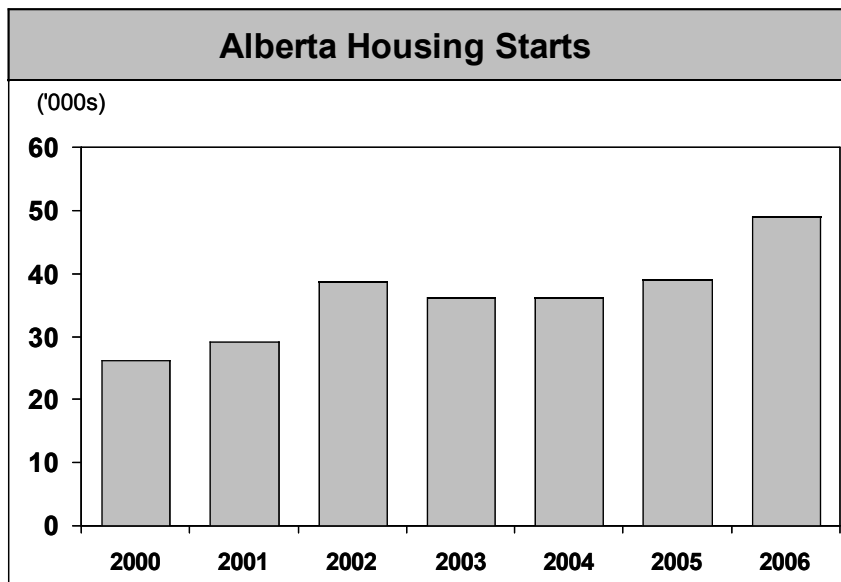
## A record number of Canadians move to Alberta



*In the 2006 census year (the 12-month period ending June 30, 2006), Alberta attracted over 57,000 net inter-provincial migrants, the highest level on record for Alberta. Alberta's population growth was 3%, the highest among provinces and triple the national increase (1%).*

**Source:** Statistics Canada

## Alberta's housing market accelerates

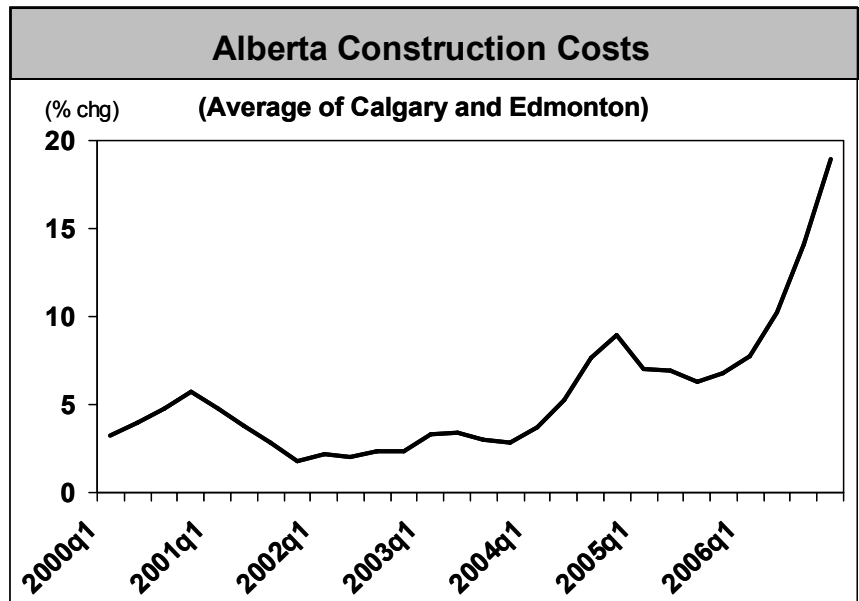


*Strong economic and population growth fuelled the demand for housing in an already-hot Alberta housing market. In 2006, Alberta housing starts jumped nearly 20% to a new high of 48,962, surpassing the previous record of 47,925 starts, set in 1978.*

**Source:** Canada Mortgage and Housing Corporation

## Building construction costs rise sharply in Alberta

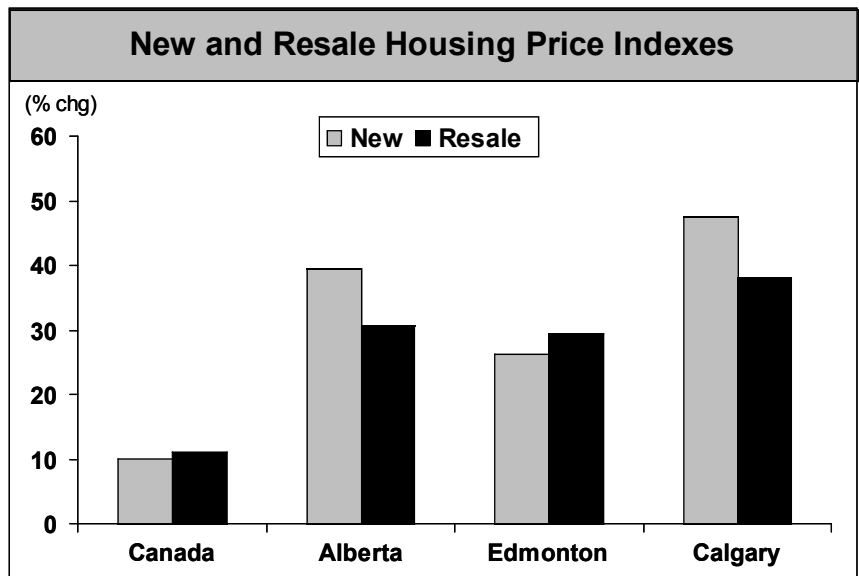
Rising costs for both labour and materials pushed up building construction costs. In 2006, average cost increases were nearly 13%. In the fourth quarter, cost increases were close to 19%, compared to 8% in the first quarter. Available evidence suggests that cost increases were even higher in some areas of construction, such as oil sands.



Source: Statistics Canada

## House prices spike across Alberta

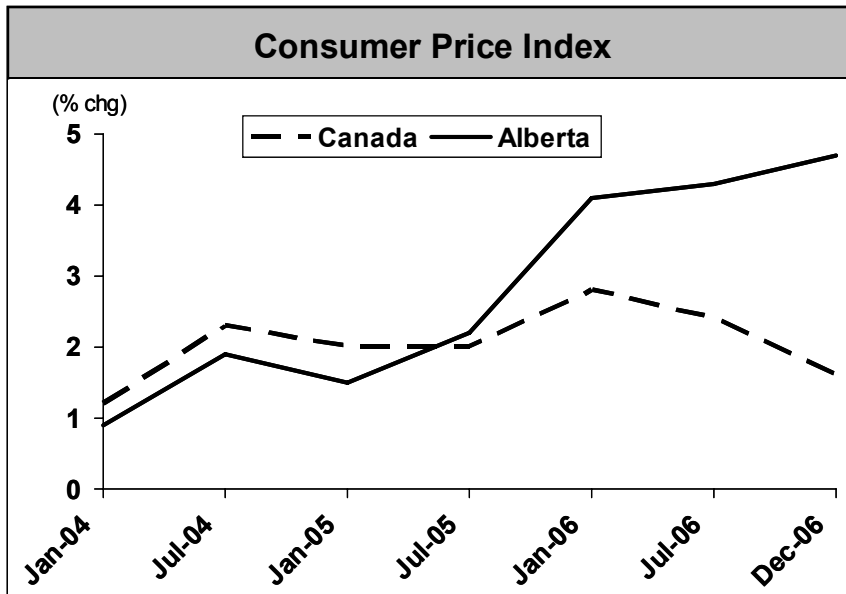
Increased demand for housing (fuelled by rapid population growth) and rising construction costs led to a sharp spike in new house prices in the first nine months of 2006. Prices in some areas of the province stabilized towards the end of the year. Overall, house prices in Alberta were up 39.6% in 2006, almost four times the national increase of 10.2%.



Source: Statistics Canada and Canadian Real Estate Association



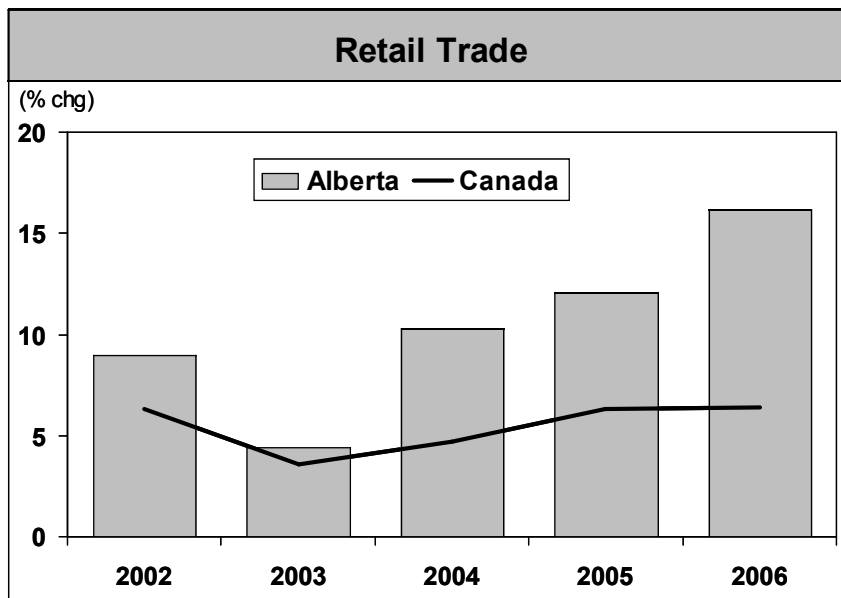
## Housing pushes up Alberta's rate of inflation



*Alberta's Consumer Price Index inflation rate averaged 3.9% in 2006, the highest rate among the provinces and nearly double the national average of 2%. Increased housing costs were entirely responsible for the difference between the Alberta and Canadian inflation rates last year.*

**Source:** Statistics Canada

## Alberta's retail sector thrives in 2006

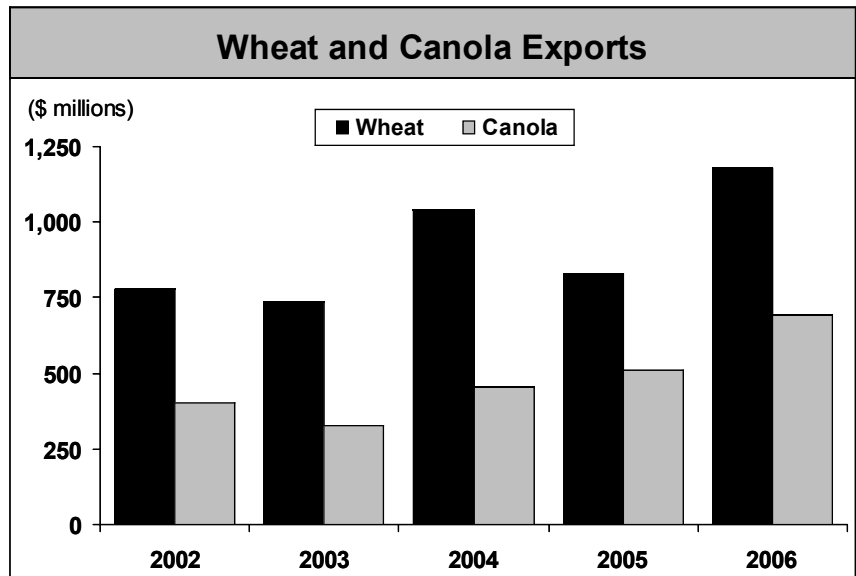


*Supported by strong population and job growth and healthy income gains, Alberta consumer spending increased at a record pace last year. In 2006, Alberta retail sales surged 16.2%, more than double the national increase of 6.4%. For the third year in a row, Alberta was the only province to post double digit gains in retail sales.*

**Source:** Statistics Canada

## Alberta's wheat exports rebound and canola strengthens

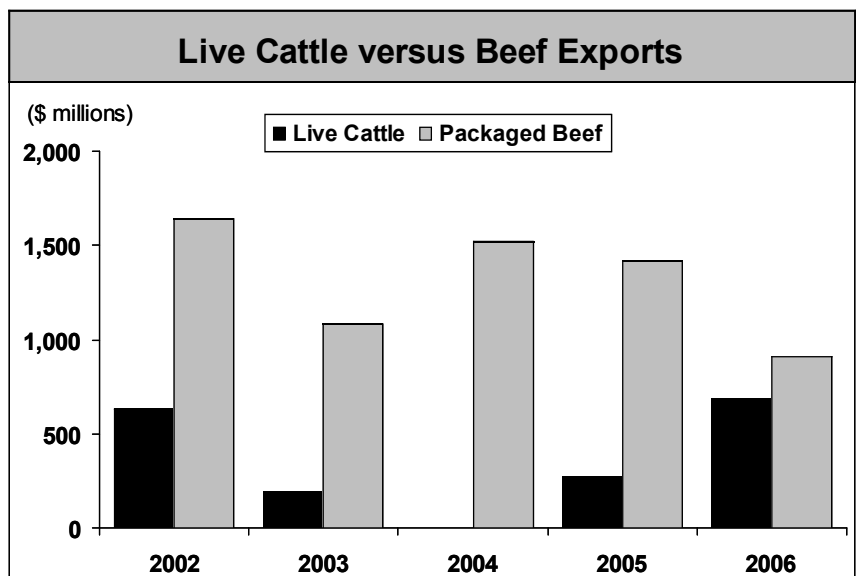
The value of Alberta's wheat exports jumped 41.7% in 2006, mainly due to increased volumes. The value of canola exports rose 36% in 2006 on sharply higher volumes and higher world canola prices. Canola prices rose mainly because of a drought in Australia and increased global demand for bio-fuel production.



Source: Alberta Agriculture and Food

## Rebound in Alberta's live cattle exports reduces packaged beef exports

The value of Alberta's packaged beef exports fell 36% in 2006, to \$505 million, as more Alberta live cattle (under 30 months of age) were processed in the United States with the re-opening of the border in July 2005. Alberta's live cattle export volumes now exceed their 2002 level, before the first case of BSE was identified. U.S. rulemaking bodies are considering re-opening trade with Canada for older live cattle.



Source: Alberta Agriculture and Food

# Economic Outlook 2007 to 2010

## GLOBAL ECONOMIC OUTLOOK REMAINS POSITIVE

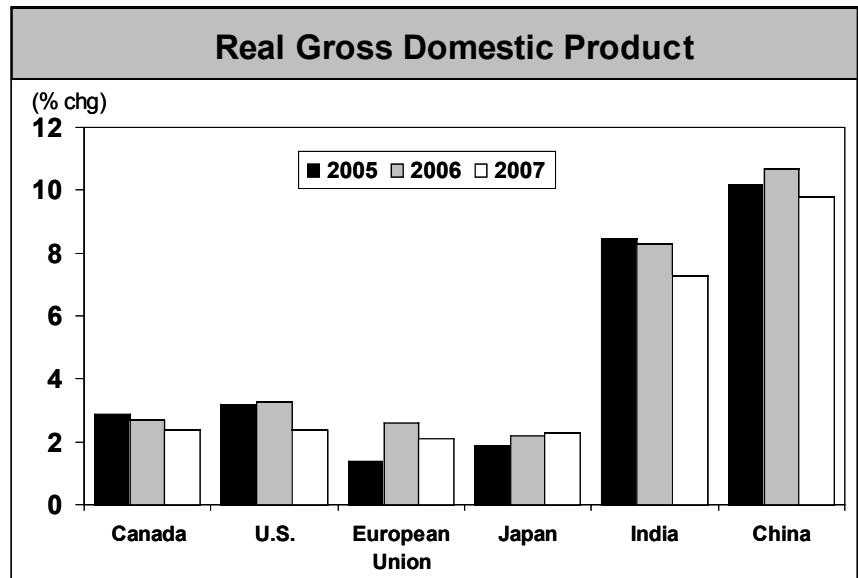
- In 2007, monetary tightening to curb inflationary pressures is expected to reduce growth somewhat in the European Union, Japan, China and India. World growth is expected to moderate from around 5% in 2006 to a still-robust 4% in 2007.
- In the United States, weakness in the housing sector is expected to reduce growth to around 2.5% in 2007. The U.S. economy is expected to return to economic growth of about 3%, beginning in 2008.
- Canada's Gross Domestic Product growth is forecast at 2.4% in 2007, down from 2.7% in 2006. Growth will continue to be constrained by a cooling U.S. economy and a relatively high Canadian dollar. Canada's growth is expected to pick up to 3% in 2008 as the U.S. economy rebounds.
- Canada's solid economic and fiscal fundamentals are expected to support the Canadian dollar at around 87 cents US over the forecast period.
- Oil prices are expected to ease from US\$58 in 2007-08 to US\$52.50 in 2009-10 as global production growth should exceed demand growth due to a large increase in non-OPEC supply. Natural gas prices are expected to average Cdn\$6.75 per gigajoule in 2007-08 and remain in the \$6.00 range for the remainder of the forecast period, as gas storage returns to more normal levels.

## SOLID ALBERTA ECONOMIC OUTLOOK

- With the anticipated decline in global growth and oil prices, Alberta's economic growth is expected to moderate to a more sustainable pace of 3.8% in 2007, and average 3.5% from 2008 through 2010, supported by continued strength in investment, exports and consumer spending.
- Investment growth will continue to be spearheaded by oil sands and related activities. Oil sands investment is projected to rise to \$12 billion (valued in 2007 dollars) in 2007 and remain strong throughout the forecast period.
- The Alberta economy is expected to create more than 170,000 jobs over the next four years. Continued strong gains in employment, along with very low unemployment rates, will support continued growth in real incomes.
- In 2007, housing starts are expected to remain near their 2006 record level of just under 49,000, before easing gradually to around 43,000 starts by 2010.
- With economic growth moderating, inflation is expected to moderate to 3% in 2007 (down from 3.9% in 2006) and to around 2% by 2010. The main driver of inflation in 2006 was house prices, which are expected to return to more sustainable rates of increase in 2007 and beyond.

## Global growth to moderate but remain robust

China, India and southeast Asia are expected to continue to lead the global economy in 2007, with real growth of just under 10%. The U.S., Canada, Japan and Europe are projected to experience moderate growth of between 2% and 2.5%. Overall, global Gross Domestic Product growth is expected to slow to a still-robust 4% in 2007, down from 5% in 2006.

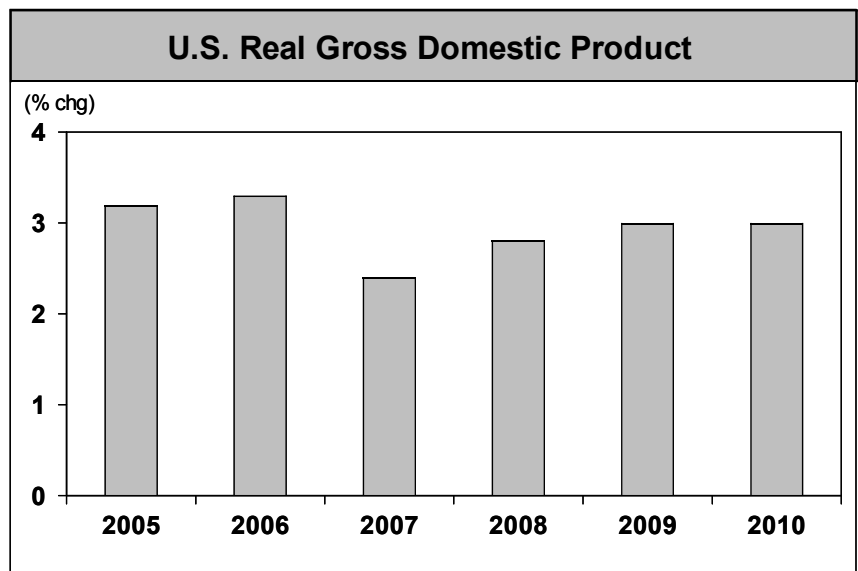


**Source:** Statistics Canada, International Money Fund, various national statistics agencies and Alberta Finance

## Housing sector a drag on U.S. growth

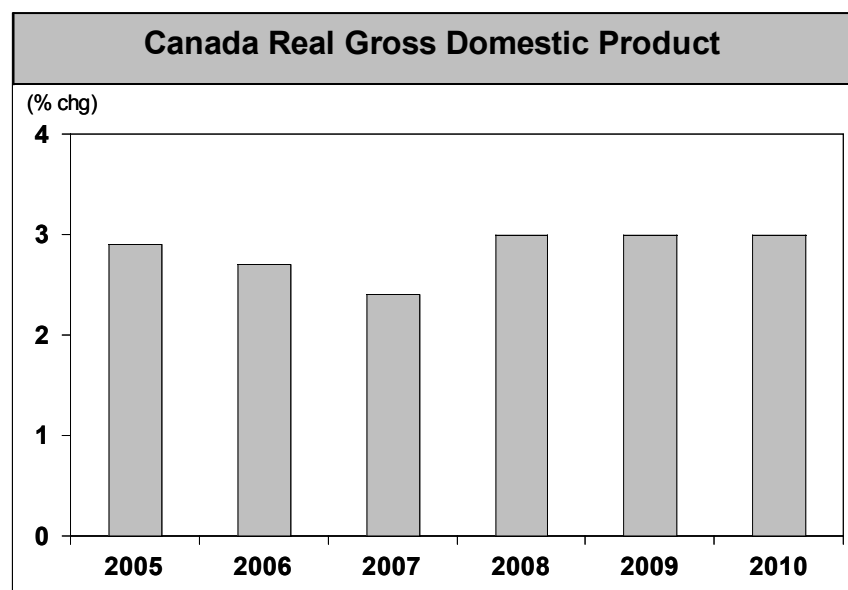
The U.S. economic growth peaked in the first quarter of 2006 and then slowed through the remainder of the year, pulled down by a slumping housing market and a weakening manufacturing sector.

Continued fallout from the housing slump is expected to limit U.S. Gross Domestic Product growth to about 2.5% in 2007, with growth rebounding to around 3% for the rest of the forecast period.



**Source:** U.S. Bureau of Economic Analysis and Alberta Finance

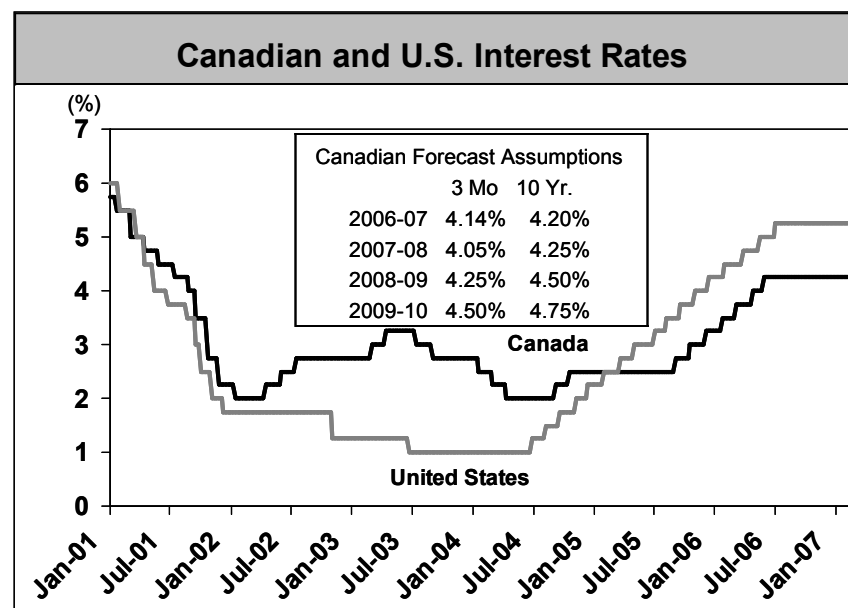
## Trade sector to slow Canadian growth in 2007



*A slowing U.S. economy and rising competition from overseas economies continue to put pressure on the manufacturing sector, particularly in central Canada. The resource-based economies of western Canada and Newfoundland are expected to lead Canadian economic growth in 2007.*

**Source:** Statistics Canada and Alberta Finance

## Interest rates to remain stable

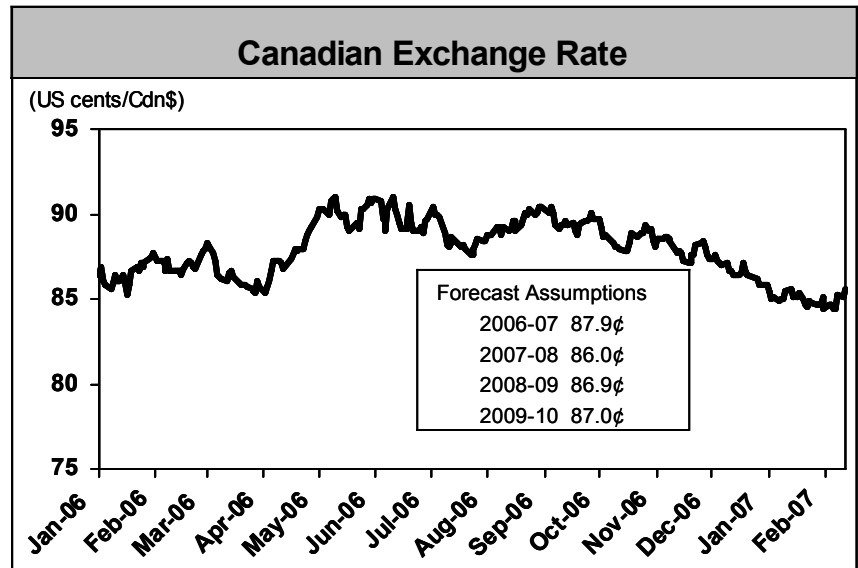


*With inflation under control nationally, Canadian interest rates are expected to remain relatively stable for the next several years. Monetary policy should continue to be moderately accommodative in both Canada and the United States.*

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

## Canadian dollar to remain stable despite lower commodity prices

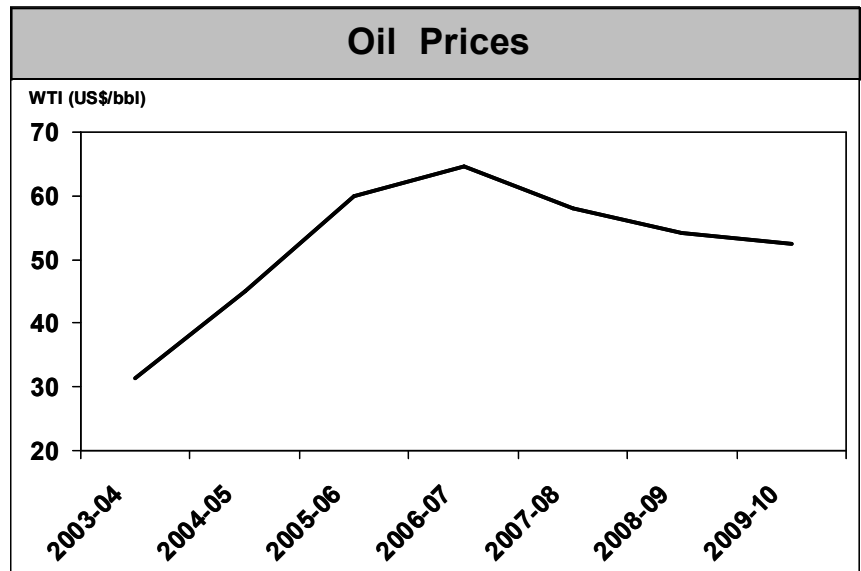
Declining commodity prices and moderating economic growth in Canada in the latter part of 2006 resulted in a depreciation of the dollar, which fell from a 14-year high of 91 cents US in May 2006 to under 85 cents US in January 2007. Canada's strong economic fundamentals and public finances are expected to provide support for the dollar at about 87 cents US over the next several years.



Source: Bank of Canada and Alberta Finance

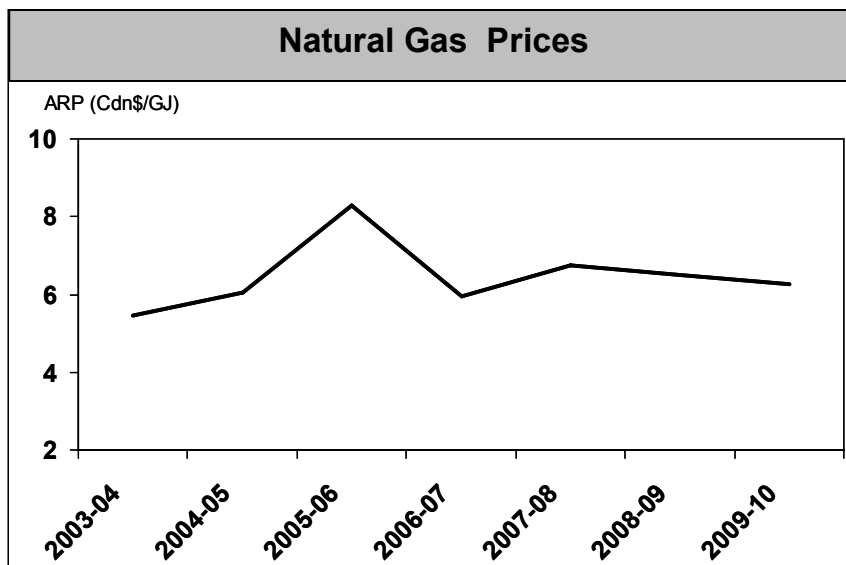
## Oil prices expected to moderate

Due to increases in supply from non-OPEC producers, global oil production is expected to outpace demand in 2007 and 2008. This should lead to moderating world oil prices. Continued strong demand growth in emerging economies is likely to support prices near the US\$50 level. Alberta Energy forecasts prices to average US\$58 in 2007-08, declining to US\$52.50 by 2009-10.



Source: Alberta Energy

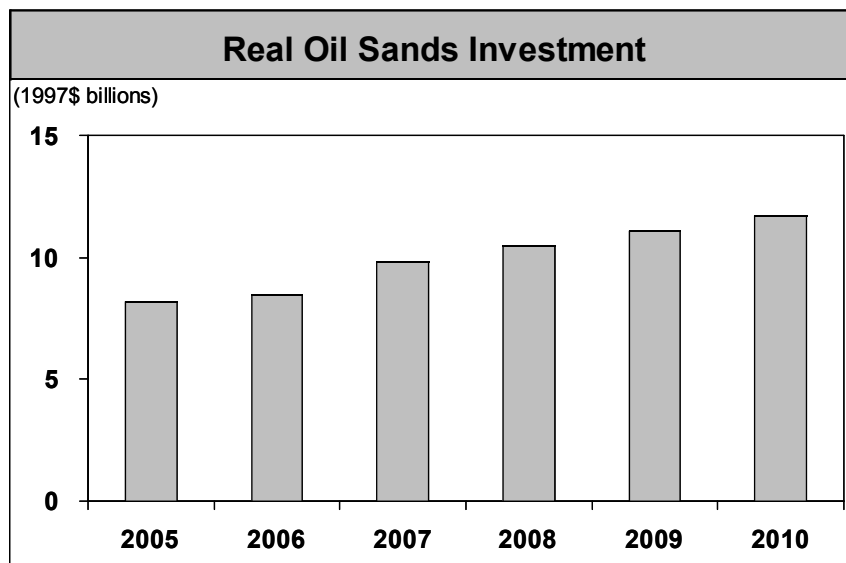
## Natural gas prices expected to firm



*Declining North American gas inventories are expected to provide some support to natural gas prices. Prices are forecast to average Cdn\$6.75 per gigajoule in 2007. Increased supplies of liquified natural gas and lower oil prices are expected to reduce prices to \$6.25 by 2009-10.*

**Source:** Alberta Energy

## Oil sands investment to remain strong



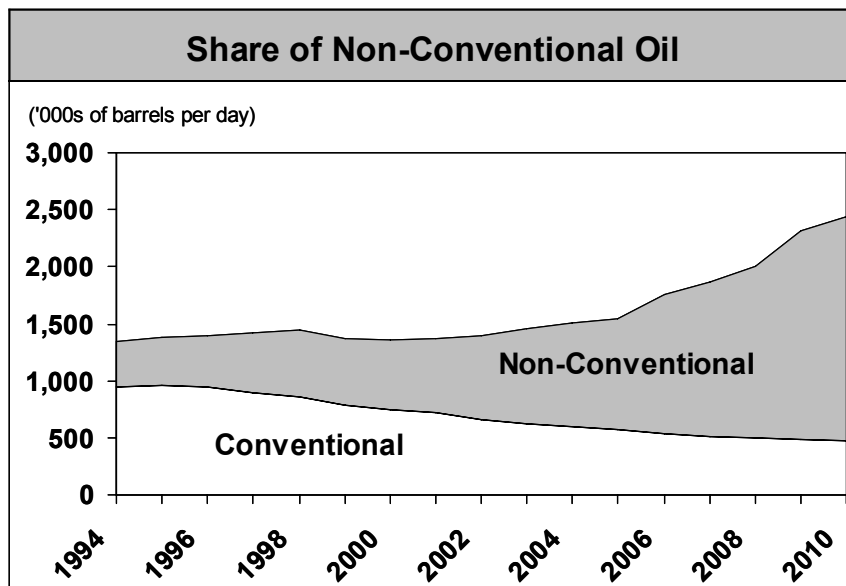
*Massive investments in Alberta's oil sands are expected to remain a key driver of growth in Alberta. Real oil sands investment is expected to remain very strong at about \$10-12 billion per year. Associated investments in oil upgraders and pipelines will also be major contributors to economic growth.*

**Source:** Statistics Canada and Alberta Finance

## Non-conventional oil increasingly important

Rising output from the oil sands is expected to take on a greater share of total oil production over the coming years. This will boost oil exports and provide strong support to Alberta's Gross Domestic Product (GDP).

However, declining natural gas production is expected to dampen growth in Alberta's GDP. Also, higher use of natural gas within the province is forecast to put downward pressure on natural gas exports.



Source: Alberta Energy

## Manufacturing expected to see continued growth

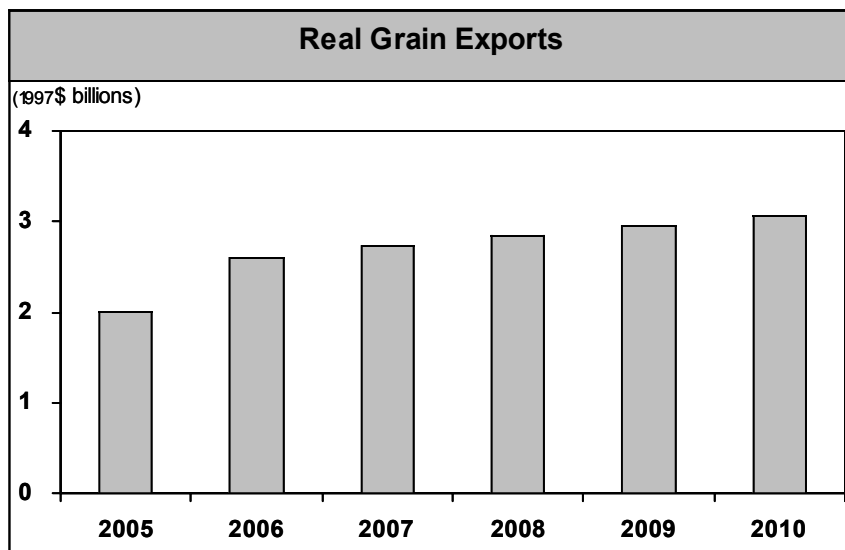
Healthy global economic growth and robust industrial construction in North America should continue to lift Alberta's manufacturing exports, including machinery and fabricated metals. Manufacturers should also benefit from rising global demand for processed agricultural products. Overall, Alberta's manufacturing exports are expected to post real gains averaging 3.7% per year through 2010.



Source: Statistics Canada and Alberta Finance



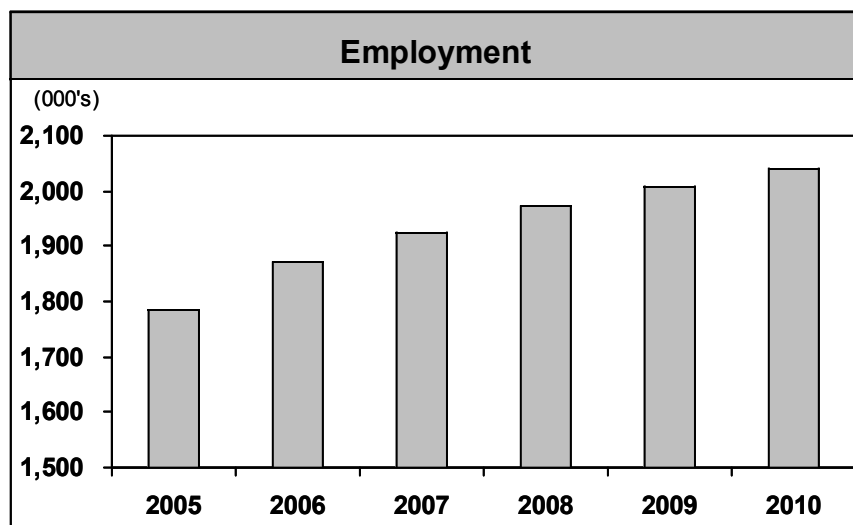
## Grain exports to show solid growth



*The agriculture sector is likely to experience higher prices in 2007. Grain and oil seed prices are likely to gain support in 2007 from continued strong growth in world demand for bio-fuel production and a reduction in global grain stocks. Demand from emerging nations is also likely to increase grain exports over the 2008-2010 period.*

**Source:** Alberta Agriculture and Food and Alberta Finance

## Healthy job growth ahead for Alberta

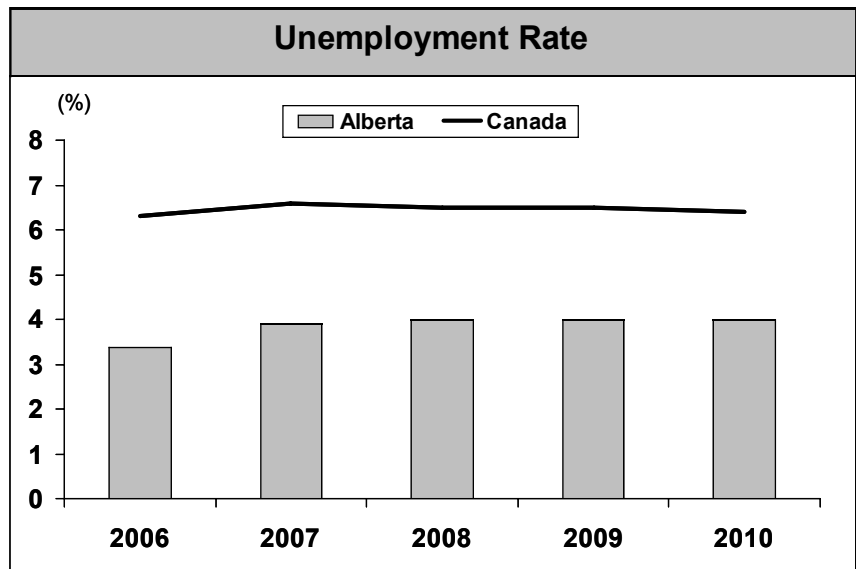


*The Alberta economy is expected to continue to generate jobs at a healthy pace. Over the 2007-2010 period, Alberta is expected to create over 170,000 new jobs, for average growth of 2.2% per year, compared to 1.5% nationally.*

**Source:** Statistics Canada and Alberta Finance

## Tight labour market to continue

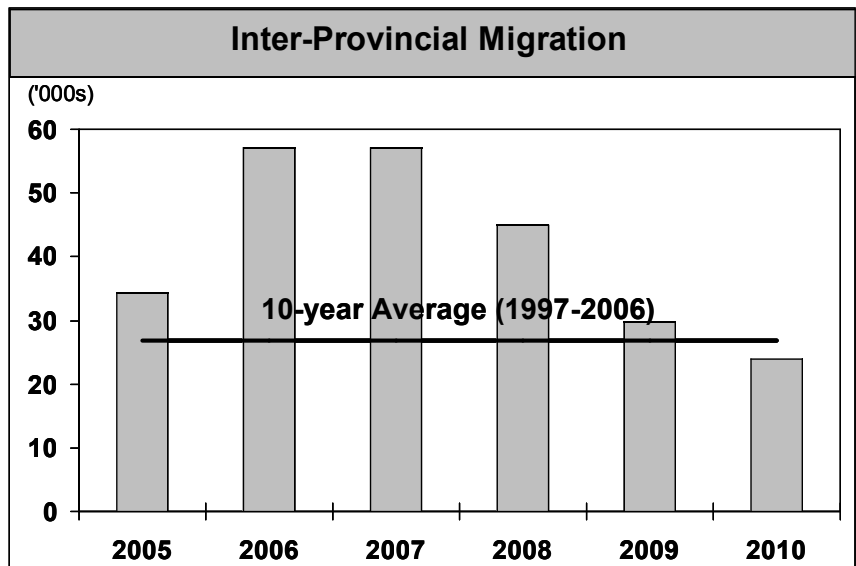
*With continued strong job growth, Alberta's unemployment rate is expected to remain very low, averaging just 4% over the next three years, compared to over 6% for the national economy. Alberta will remain a "full-employment" economy.*



**Source:** Statistics Canada and Alberta Finance

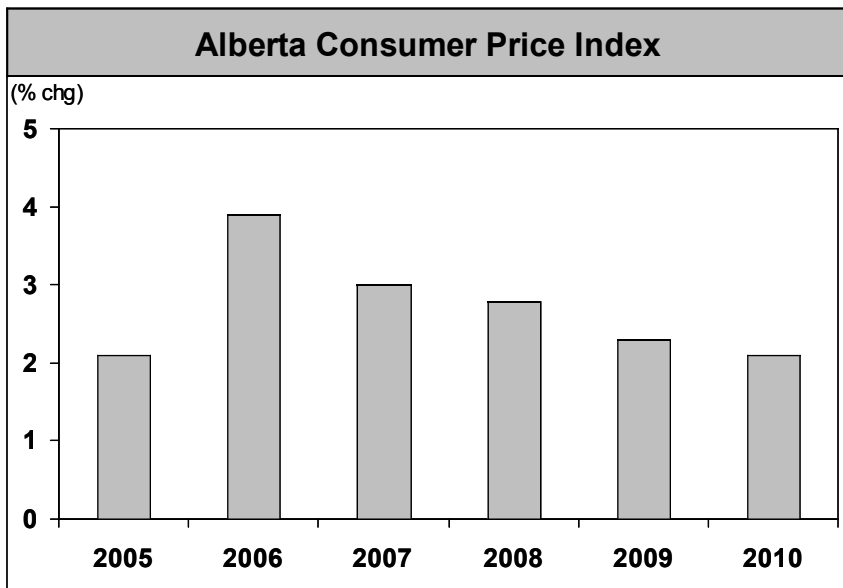
## Net inter-provincial migration to slow

*Higher housing costs, and rebounding growth in other provinces, are expected to play a role in moderating the pace of inter-provincial migration to Alberta. By 2010, inter-provincial migration to Alberta is expected to be just below the 1997 to 2006 average.*



**Source:** Statistics Canada and Alberta Finance

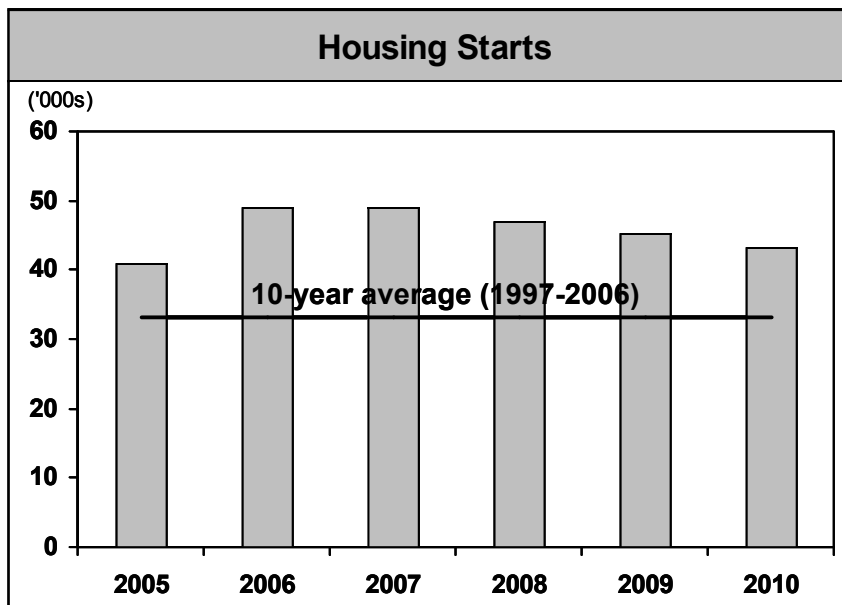
## ***Inflation expected to ease***



*As a result of moderating growth in housing costs, Alberta's overall inflation rate is expected to decline over the forecast period, to around 2% by 2010. However, Alberta's tight labour market is expected to place continuing pressure on wages, particularly in high-demand sectors such as construction.*

**Source:** Statistics Canada and Alberta Finance

## ***Housing starts expected to level off***

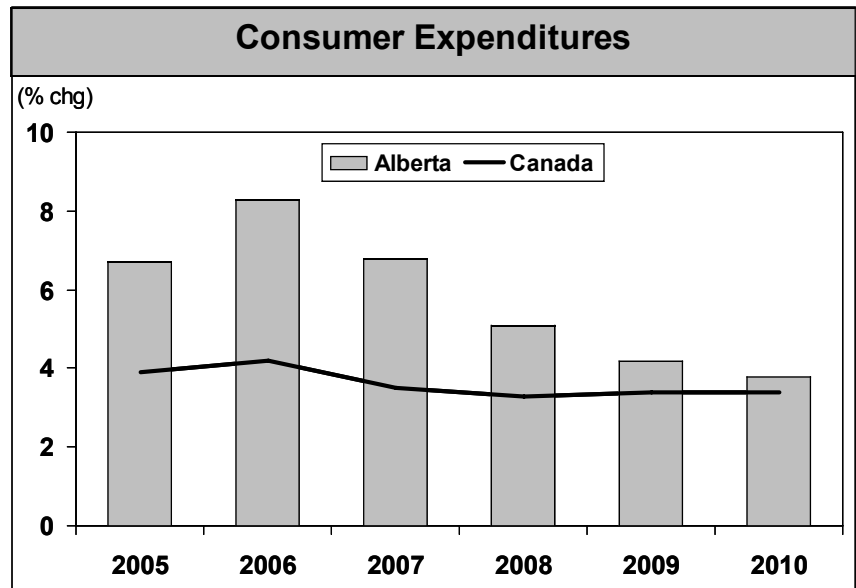


*Despite the surge in housing starts in 2006, Alberta housing starts are expected to remain at or near record levels. Rising personal incomes and continued growth in population are expected to sustain housing starts at about 45,000 over the next three years.*

**Source:** Canada Mortgage and Housing Corporation and Alberta Finance

## Consumer spending expected to remain strong

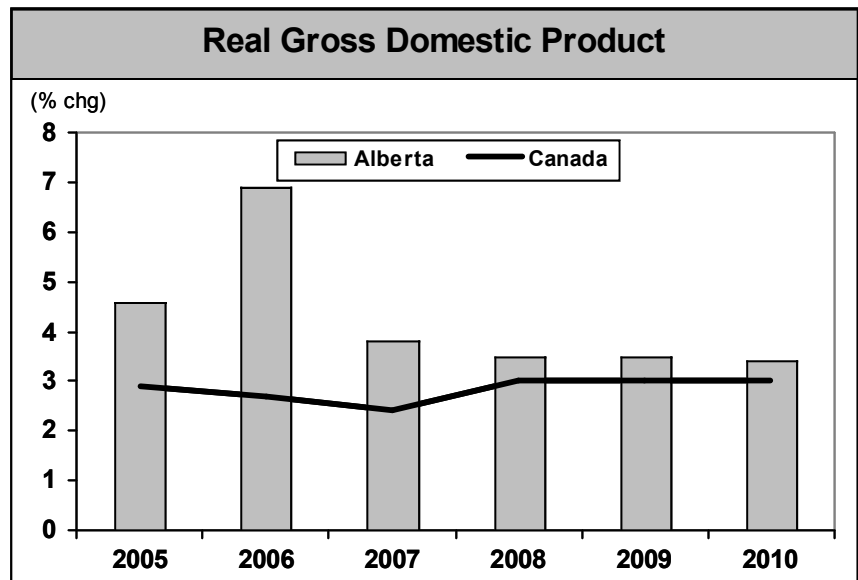
*Moderating population growth is expected to restrain growth in Alberta's consumer expenditures over the forecast period. Nonetheless, real expenditures are expected to expand at a strong pace of nearly 7% in 2007 and level off to around 4% for the remainder of the forecast period.*



Source: Statistics Canada and Alberta Finance

## Alberta's economic growth to remain robust

*High levels of investment, including, but not limited to the energy sector, are expected to sustain healthy economic growth in Alberta over the next three years. Alberta Finance forecasts that the province's real economic growth will be 3.8% in 2007, and average 3.5% over the remainder of the forecast period.*



Source: Statistics Canada and Alberta Finance

**ANNEX**

**KEY ASSUMPTIONS AND  
BENCHMARKING**

# Key Energy and Economic Assumptions

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Fiscal Year Assumptions</b>						
	<b>Actual</b>	<b>Actual</b>				
<b>Prices</b>						
Crude Oil Price						
WTI (US\$/bbl)	45.03	59.97	64.97	58.00	54.25	52.50
Alberta Wellhead (Cdn\$/bbl) <sup>a</sup>	48.23	59.42	63.13	58.72	54.49	53.37
Bitumen @ Edmonton (Cdn\$/bbl) <sup>b</sup>	25.67	33.52	36.53	28.29	26.93	26.42
Natural Gas Price						
Alberta Reference Price (Cdn\$/GJ)	6.05	8.29	5.95	6.75	6.50	6.25
<b>Production</b>						
Conventional crude oil (000's barrels/day)	589	557	531	502	491	479
Non-conventional crude oil (000's barrels/day)	989	1,083	1,247	1,390	1,594	1,864
Natural gas (billions of cubic feet)	5,253	5,240	5,267	5,198	5,124	5,038
<b>Interest rates</b>						
3-month Canada treasury bills (%)	2.28	2.98	4.14	4.05	4.25	4.50
10-year Canada bonds (%)	4.54	4.04	4.20	4.25	4.50	4.75
<b>Exchange Rate (US¢/Cdn\$)</b>	78.4	83.9	87.9	86.0	86.9	87.0
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Calendar Year Assumptions</b>						
	<b>Actual</b>	<b>Actual</b>				
<b>Gross Domestic Product</b>						
Nominal (millions of dollars)	218,432	242,346 <sup>c</sup>	258,104	274,057	285,473	297,874
% change	15.7	10.9	6.5	6.2	4.2	4.3
Real (millions of 1997 dollars)	142,896	152,701 <sup>c</sup>	158,487	164,065	169,871	175,678
% change	4.6	6.9	3.8	3.5	3.5	3.4
<b>Other Indicators</b>						
Employment (thousands)	1,784	1,871	1,927	1,972	2,008	2,042
% change	1.5	4.8	3.0	2.3	1.9	1.7
Unemployment rate (%)	3.9	3.4	3.9	4.0	4.0	4.0
Personal Income	125,245	138,768 <sup>c</sup>	149,337	159,186	168,461	177,109
Corporate Profits	52,424	57,341 <sup>c</sup>	56,525	56,850	53,543	52,108
Housing starts (number of units)	40,847	48,962	48,900	46,900	45,300	43,300
Alberta Consumer Price Index (% change)	2.1	3.9	3.0	2.8	2.1	1.9
Population (thousands)	3,277.6	3,375.8	3,476.2	3,567.3	3,644.4	3,715.9
% change	2.2	3.0	3.0	2.6	2.2	2.0

<sup>a</sup> Refers to the average price per barrel of Alberta light, medium and heavy oil.

<sup>b</sup> The bitumen price is an estimate prepared by Alberta Energy of the price at Edmonton and is not an actual market price.

<sup>c</sup> Estimated.

# Risks to the Economic Outlook

## ENERGY PRICES

- Energy markets remain highly volatile. Crude oil prices could change dramatically one way or the other depending on geopolitical developments. Further declines in natural gas prices are possible in response to high inventory levels.

## U.S. ECONOMY

- While the U.S. economy appears to be adjusting reasonably well to the slowdown in housing, there remain concerns that the difficulties in this sector could spread to other areas of the economy.
- In addition, there are ongoing concerns regarding the high U.S. current account (trade) and budget deficits.

## CAPACITY PRESSURES

- Continuing labour shortages could constrain Alberta's future economic growth, limiting job creation and generating wage growth "spill-overs" throughout the economy.
- Further large increases in inter-provincial migration, while helping to address labour shortages, could exacerbate current demand and price pressures in Alberta's housing market.

## Sensitivities to Fiscal Year Assumptions, 2007-08<sup>a</sup>

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-139	--	-139
Natural Gas Price (Cdn\$/GJ)	-10¢	-98	--	-98
Exchange Rate (US¢/Cdn\$)	+1¢	-123	--	-123
Interest Rates	1%	-227	+5	-232
Personal Income (\$million)	-100	-6	--	-6
Corporate Profits (\$million)	-100	-8	--	-8

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

# Oil Price Forecast Benchmark

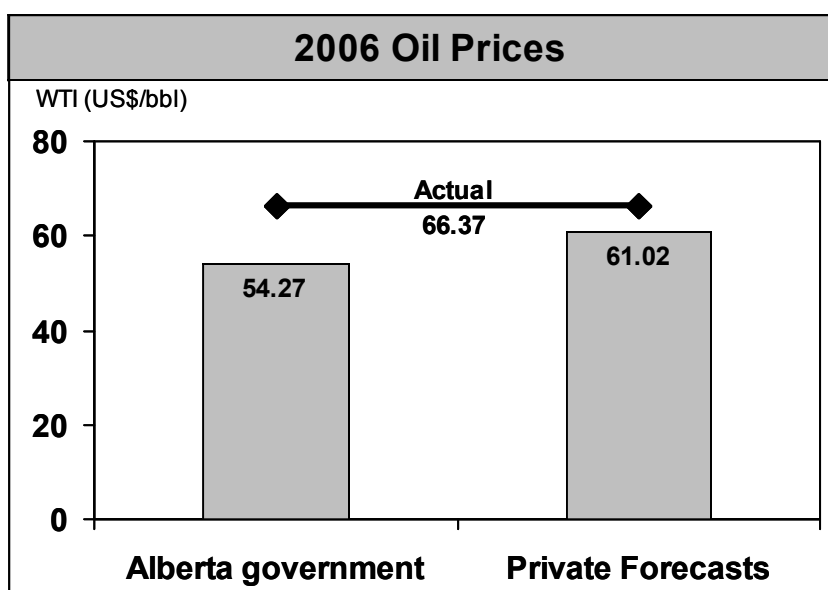
West Texas Intermediate (US\$/bbl)

Organization	2007	2008	2009	2010
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Mar/07)	61.31	63.26	63.11	64.17
Global Insight (Mar/07)	59.49	61.42	61.96	61.75
<b>Investment Dealers</b>				
CS First Boston (Jan/07)	62.50	62.50	62.50	62.50
Goldman Sachs (Feb/07)	66.00	68.00	68.00	45.00
JP Morgan (Jan/07)	61.00	52.00	n/a	n/a
Lehman Brothers (Mar/07)	62.00	63.50	65.00	67.00
RBC Capital Markets (Mar/07)	60.00	50.00	45.00	45.45
GLJ Petroleum Consultants (Jan/07)	62.00	60.00	58.00	57.00
Sproule Associates Limited (Feb/07)	59.65	62.98	62.55	58.37
<b>Industry Analysts</b>				
Canadian Energy Research Institute (Mar/07)	56.00	57.00	n/a	n/a
U.S. Energy Information Administration (Mar/07)	62.00	63.75	n/a	n/a
<b>Confidential Forecasts Provided to Alberta Energy<sup>a</sup></b>				
Average	59.60	57.32	55.04	55.01
High	66.00	68.00	68.00	67.00
Low	55.31	48.67	44.15	44.15
<b>Average of All Private Forecasts</b>	<b>60.47</b>	<b>59.31</b>	<b>58.86</b>	<b>56.77</b>
<b>Alberta Government (calendar year)</b>	<b>58.28</b>	<b>55.13</b>	<b>52.64</b>	<b>52.28</b>

<sup>a</sup> The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from PIRA, PEL, Petral, Purvin & Gertz, Groppe Long & Littell, CGES, Ross Smith Energy and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources.

## How oil price forecasters did in Budget 2006

*Both the Alberta government and the private sector underestimated oil prices last year.*



Source: Alberta Finance and Alberta Energy



# Natural Gas Price Forecast Benchmark

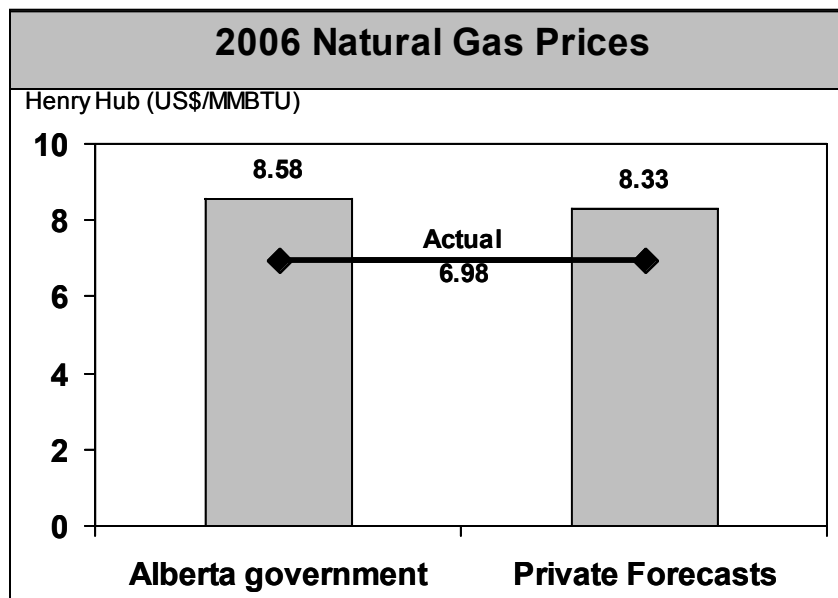
Henry Hub (US\$/MMBTU)<sup>a</sup>

Organization	2007	2008	2009	2010
<b>National Forecasting Agencies</b>				
Global Insight (Mar/07)	7.66	8.30	8.04	7.64
<b>Investment Dealers</b>				
GLJ Petroleum Consultant (Jan/07)	7.25	7.50	7.50	7.50
National Bank Financial (Feb/07)	7.50	7.50	7.00	6.50
RBC Capital Markets (Mar/07)	7.00	7.50	6.75	6.82
Sproule Associates Limited (Feb/07)	7.76	8.27	7.87	7.48
Peters & Co Limited (Feb/07)	6.80	7.80	7.00	7.07
<b>Industry Analysts</b>				
U.S. Energy Information Administration (Mar/07)	7.40	7.86	n/a	n/a
<b>Confidential Forecasts Provided to Alberta Energy<sup>b</sup></b>				
Average	6.89	6.88	6.28	6.11
High	7.92	8.30	8.04	7.64
Low	5.87	4.34	5.61	5.25
Average of All Private Forecasts	<b>7.12</b>	<b>7.38</b>	<b>7.00</b>	<b>6.82</b>
<b>Alberta Government (calendar year)</b>	<b>6.98</b>	<b>7.26</b>	<b>6.46</b>	<b>6.62</b>

<sup>a</sup> The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta government forecast in the table above is the US Henry Hub price, and is based on the Alberta Reference Price used in natural gas royalty calculations, adjusted for the exchange rate and transportation costs.

<sup>b</sup> The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, RSEG, Petral, Purvin & Gertz, Groppe Long & Littell and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources. Forecasts are Henry Hub prices (US\$/mmbtu).

## How natural gas price forecasters did in Budget 2006



*Natural gas prices were overestimated by both the Alberta government and the private sector in Budget 2006.*

Source: Alberta Finance and Alberta Energy.

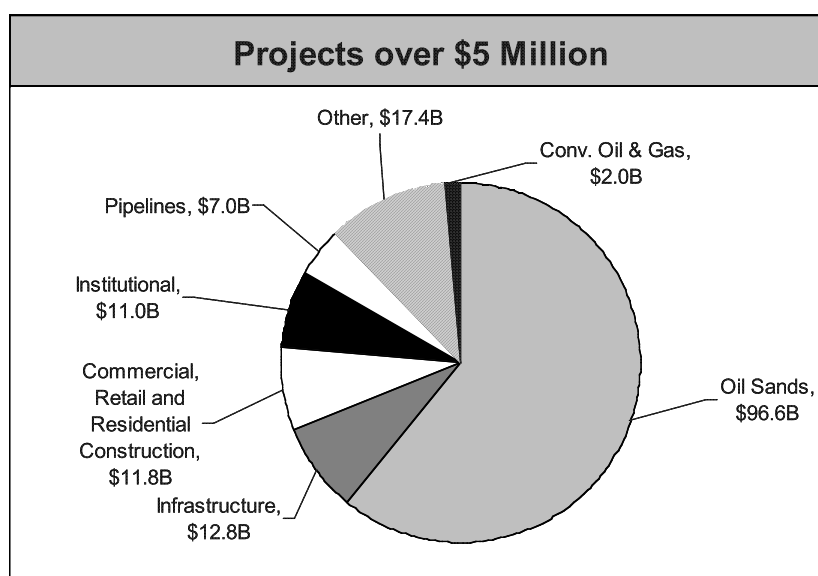
# Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2007	2008	2009	2010
<b>National Forecasting Agencies</b>				
Conference Board of Canada (Feb/07)	4.7	4.3	3.7	3.9
Centre for Spatial Economics (Dec/06)	3.3	3.6	3.6	3.9
Global Insight (Jan/07)	4.5	3.8	3.6	3.5
<b>Banks</b>				
CIBC World Markets (Oct/06)	5.5	n/a	n/a	n/a
RBC Royal Bank (Jan/07)	3.6	3.2	n/a	n/a
Scotiabank (Mar/07)	3.8	3.6	n/a	n/a
Toronto Dominion Bank (Jan/07)	3.6	2.9	n/a	n/a
<b>Other</b>				
BMO Nesbitt Burns (Jan/07)	4.0	4.2	n/a	n/a
Canada Mortgage and Housing Corporation (Jan/07)	4.5	4.0	n/a	n/a
High	5.5	4.3	3.7	3.9
Low	3.3	2.9	3.6	3.5
Average	4.2	3.7	3.6	3.8
<b>Alberta Government (calendar year)</b>	<b>3.8</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>

# Almost \$160 Billion in Major Projects

(Major projects valued at \$5 million or greater that are planned, underway or have recently been completed.)



**Source:** Alberta Employment, Immigration and Industry

## Announced Major Projects Over \$1 Billion

Announced or Under Construction

Company Name	Location	Type of Project	Cost (\$billions)	Timing
Canadian Natural Resources Ltd.	Regional Municipality (RM) of Wood Buffalo	Project Horizon' Mining and Drilling Project Phase 1	6.8	2005-2008
Suncor Energy Inc.	RM of Wood Buffalo	'Voyageur' Oil Sands Facility Expansion	5.9	2007-2010
Shell Canada / Chevron Canada / Western Oil Sands	Strathcona County (Scotford)	Scotford Upgrader Expansion for Alberta Oil Sands Project	5	2006-2010
OPTI Canada Inc. / Nexen Inc.	RM of Wood Buffalo (near Anzac)	Long Lake' SAGD Heavy Oil Project Phase 1	4.6	2004-2007
SynEnCo Energy Inc. / SinoCanada Petroleum Corp	RM of Wood Buffalo	"Northern Lights' Oil sands Mine and Extraction Plant Phases 1 and 2	4.4	2007-2010
Suncor Energy Inc.	RM of Wood Buffalo	Upgrader Expansion	2.1	2006-2008
Petro-Canada Oil and Gas	Strathcona County	Strathcona Refinery Conversion to Upgrade Bitumen	1.6	2004-2008
North West Upgrading Inc.	Sturgeon County	Bitumen Upgrader Phase	1.6	2007-2009
Syncrude Canada Ltd.	RM of Wood Buffalo	Continuous Improvement	1.5	1997-2007
ConocoPhillips Canada / TotalFinaElf / Devon Energy	RM of Wood Buffalo	'Surmont' SAGD Bitumen Commercial Project	1.4	2004-2013
Alberta Infrastructure and Transportation	Across Alberta	Highway Twinning Project	1.4	1998-2009

\* See [www.alberta-canada.com/statpub/AlbertaConstructionProjects](http://www.alberta-canada.com/statpub/AlbertaConstructionProjects) for a list of major projects valued at \$5 million or greater.