BUDGET 2015

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ECONOMIC OUTLOOK

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KEY ENERGY AND ECONOMIC ASSUMPTIONS

Fiscal Year Assumptions	2013-14 Actuals	2014-15 Actuals	2015-16	2016-17	2017-18
Crude Oil Prices [a]					
WTI (US$/bbl)	99.05	80.48	50.00	61.00	68.00
Light-Heavy Differential (US$/bbl)	22.99	17.30	13.60	16.30	18.50
WCS @ Hardisty (Cdn$/bbl)	80.11	70.78	46.50	55.90	60.50
Natural Gas Price [a]					
Alberta Reference Price (Cdn$/GJ)	3.28	3.51	2.60	2.80	3.20
Production					
Conventional crude oil (000s barrels/day)	584	586	560	541	518
Raw bitumen (000s barrels/day)	2,064	2,330	2,473	2,646	2,845
Natural gas (billions of cubic feet/day)	12.3	13.1	13.1	13.0	12.8
Interest rates					
3-month Canada treasury bills (%)	0.95	0.85	0.50	0.70	1.25
10-year Canada bonds (%)	2.40	1.98	1.65	2.25	2.75
Exchange Rate (US¢/Cdn$) [a]	95.0	88.0	78.0	80.0	82.0

Calendar Year Assumptions	2014 Estimates	2015	2016	2017	2018
Gross Domestic Product					
Nominal (billions of dollars)	366.8 [b]	332.4	345.5	367.3	391.1
% change	8.5 [b]	-9.4	4.0	6.3	6.5
Real (billions of 2007 dollars)	316.3 [b]	313.1	315.9	323.5	331.9
% change	4.4 [b]	-1.0	0.9	2.4	2.6
Other Indicators					
Employment (thousands)	2,275	2,297	2,310	2,348	2,400
% change	2.2	1.0	0.5	1.6	2.2
Unemployment rate (%)	4.7	5.8	6.2	5.8	5.1
Average Weekly Earnings (% change)	3.7	0.7	1.6	2.0	3.0
Primary Household Income (% change)	6.8 [b]	2.5	2.8	3.6	5.0
Net Corporate Operating Surplus (% change)	20.6 [b]	-54.8	17.4	29.4	20.8
Housing starts (thousands of units)	40.6	36.1	28.8	28.9	31.1
Alberta Consumer Price Index (% change)	2.6	0.9	1.7	1.9	2.1
Retail Sales (% change)	7.5	-2.3	2.1	3.5	4.8
Population (thousands)	4,121	4,196	4,255	4,317	4,383
% change	2.8	1.8	1.4	1.4	1.5
Net Migration (thousands)	80.3	42.0	23.4	27.2	33.1

[a] Forecasts have been rounded

[b] Alberta Treasury Board and Finance estimate.

Fiscal Sensitivities to Key Assumptions, 2015-16[a]

(millions of dollars)

	Change	Net Impact (2015-16)
Oil Price (WTI US$/bbl)	-$1.00	-170
Light/Heavy Oil Price Differential	+$1.00	-105
Natural Gas Price (Cdn$/GJ)	-10 Cents	-35
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-120
Interest Rates	+1%	-190
Primary Household Income	-1%	-180

[a] 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.

ECONOMIC OUTLOOK 2015–18

ALBERTA ECONOMY ADJUSTS TO LOWER OIL PRICES

After a mild recession in 2015, Alberta's economy is expected to see a modest recovery in 2016 and improve over the medium term. Real GDP is estimated to contract 1.0% in 2015, due to the collapse in oil prices and drop in energy investment. Corporate profits and Government of Alberta revenue will be hit particularly hard by the weaker outlook for oil prices.

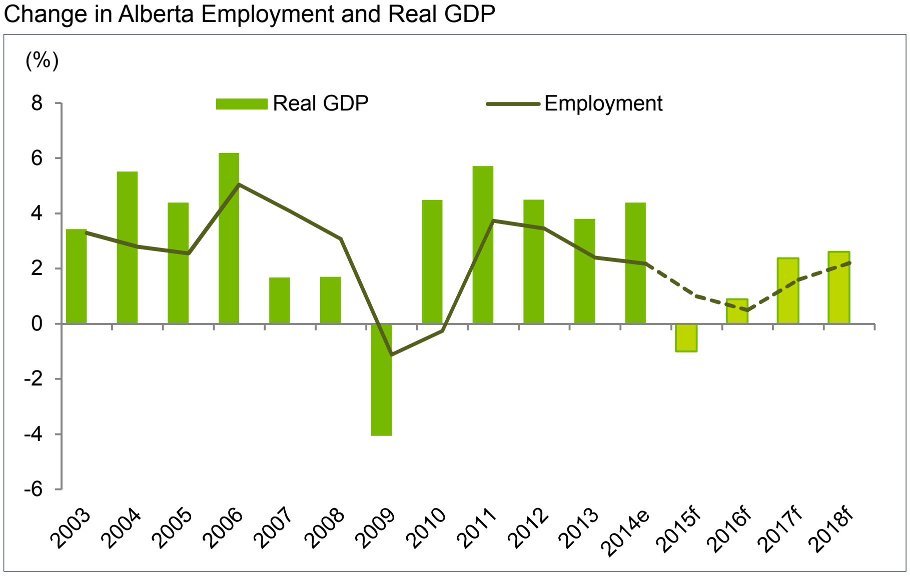
The economy is forecast to expand in 2016, but at a relatively slow pace of 0.9%, reflecting the lagged effects of lower oil prices on employment, housing and consumer spending. In 2017 and 2018, growth is expected to accelerate to around 2.5% (Chart 1), supported by gradually rising oil prices, weaker cost pressures, a stronger US economy and a low Canadian dollar. Following years of large-scale investments, Alberta's economy will continue to increase production and transition to export-led growth. Increased spending announced in the Capital Plan will also provide a boost to real GDP and employment growth.

Employment has been resilient despite energy-related job losses, with average annual job growth of 1% expected in 2015. The labour market will weaken further in 2016 before improving in 2017 and 2018.

The current recession will not be as deep as the previous one in 2009. Momentum in the Alberta economy heading into 2015 tempered the effects of the oil price correction. Construction outside the energy sector has remained solid and households will contribute to growth as the population expands. Rising oil sands production and a weaker Canadian dollar have supported exports, partially offsetting the impacts of lower oil prices.

Chart 1: Economy to pick up after contracting in 2015

Change in Alberta Employment and Real GDP



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

After a mild recession in 2015, real GDP will rebound slightly in 2016 and continue improving. Employment growth has been resilient in 2015, but is expected to weaken next year.

BUSINESS SECTOR

Low oil prices have forced producers to reduce capital spending, slowing oil-related activity. Capital spending is expected to decline further in 2016 before gradually recovering. Expanding oil sands production will continue to drive exports. Other sectors will benefit from improved labour availability and reduced costs, along with a weaker dollar and strengthening US economy.

TEMPERED OUTLOOK FOR ENERGY PRICES

After a price correction in the last year that saw West Texas Intermediate (WTI) fall almost 60%, market conditions remain unfavourable for oil prices. Ample supply from both OPEC and non-OPEC sources and uncertainty about global growth and oil demand have dampened the oil price outlook over the medium term. WTI is expected to average US$50/bbl in 2015-16 and increase to around US$68/bbl by 2017-18, significantly below price levels seen in the past four years (Chart 2).

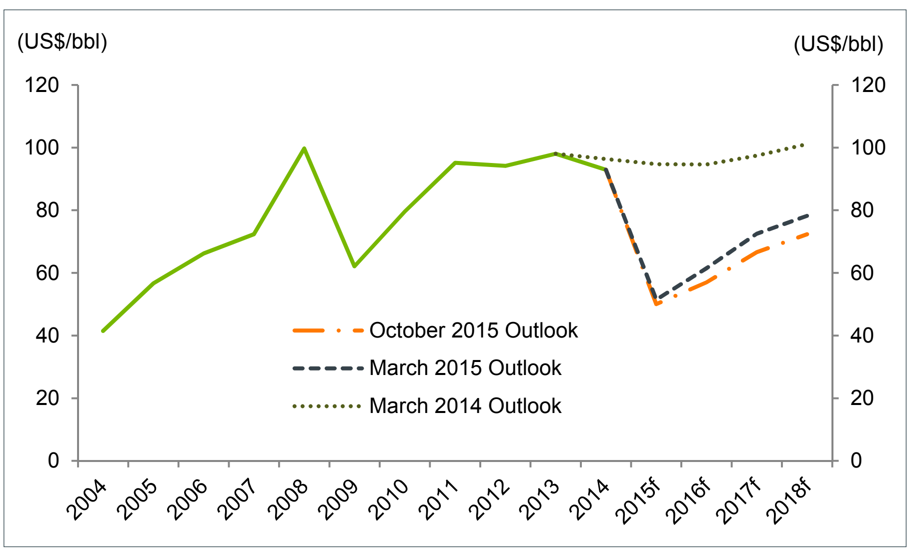
Strong demand for heavy crude and improved market access are supporting heavy crude oil prices. Producers have benefited from a narrower light-heavy oil price differential, which is expected to average US$13.60/bbl in 2015-16. Over the next few years, however, oil sands production is expected to rise faster than available pipeline capacity, increasing reliance on rail. This will cause the differential to widen to US$18.50/bbl by 2017-18.

North America continues to be awash in natural gas. Strong US production growth and increased market access for producers in the Eastern US will maintain downward pressure on natural gas prices in North America for the foreseeable future. The Alberta Reference Price is expected to average $2.50/GJ in 2015-16 and remain below $3.50/GJ over the forecast period.

While oil prices are expected to gradually improve, the pace of recovery is slower.

Chart 2: Weaker outlook for oil prices

West Texas Intermediate



Sources: Alberta Energy, f-forecast

EXTENDED WEAKNESS IN ENERGY INVESTMENT

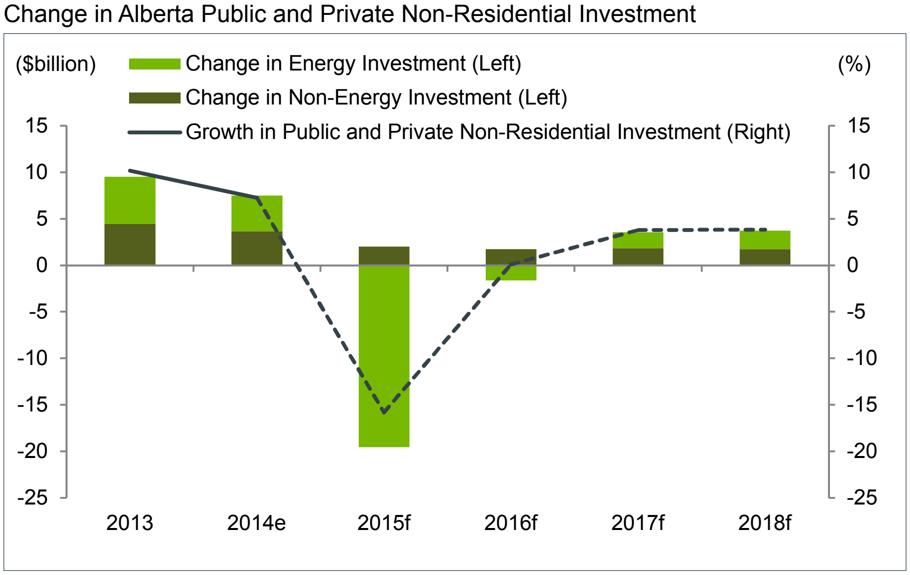
Lower oil prices are significantly reducing corporate profits. Net operating surplus, a measure of profits, is expected to fall 55% in 2015. The moderating outlook for oil prices and economic activity means that profits are not expected to return to 2014 levels over the forecast period. Oil producers have responded by cutting capital investment by an estimated 34% in 2015. Capital spending is expected to contract again in 2016 before returning to moderate growth in 2017 (Chart 3). Since much of the machinery and equipment is imported, the pullback in spending is also impacting jurisdictions outside of Alberta.

The short life cycle of conventional oil and gas investment makes it more sensitive to the near-term price outlook. So far this year, the number of rigs drilling has declined by over 50% to a level not seen since 2009. As a result, conventional investment, which makes up nearly half of overall energy investment, is expected to contract by an estimated 46% in 2015. As prices improve in 2016, conventional investment is expected to begin recovering and grow by around 6% per year in the medium term.

Oil sands investment will also decline, but by less than conventional investment. This is because oil sands projects have long life cycles and most have already committed large amounts of capital. Major projects are still proceeding, and firms are focusing on containing costs and delaying or slowing development to reduce capital spending. Oil sands investment is estimated to decline 23% in 2015 and around 10% in 2016 before increasing. With a shift from construction to production in the oil sands, investment is forecast to stay below 2014 levels through the forecast period. Capital required to maintain production for existing facilities will become a larger proportion of oil sands investment.

Chart 3: Investment to improve slowly

Change in Alberta Public and Private Non-Residential Investment



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

After declining in 2015 and 2016, energy investment will improve.

NON-ENERGY CONSTRUCTION RESILIENT

Outside the energy sector, investment will continue to expand over the forecast period. Construction activity has remained solid so far in 2015, reflecting the need to catch up after three years of record in-migration and strong economic growth. Permits suggest, however, that commercial and industrial construction activity will start to slow as current projects wrap up. Exceptional population growth has increased the need for public infrastructure. Plans by the government to bolster capital spending during the downturn will partially offset the decline in private construction in the next few years. Investment in electricity infrastructure is also expected to increase over the forecast period as construction continues on several new power plants and transmission lines.

OIL PRODUCTION CONTINUES TO RISE

Despite lower oil prices, oil production in the province will continue to expand (Chart 4). After several years of large scale investment in the oil sands, new projects will add over 500,000 barrels per day of production over the next three years. Towards the end of the forecast horizon, production growth will be slower than previously expected because of lower investment and project delays in 2015 and 2016. Conventional oil production will continue to decline, but it now represents less than 20% of Alberta's total oil production.

Oil export volumes are expected to increase around 5% per year over the forecast period, adding significantly to overall exports and economic growth.

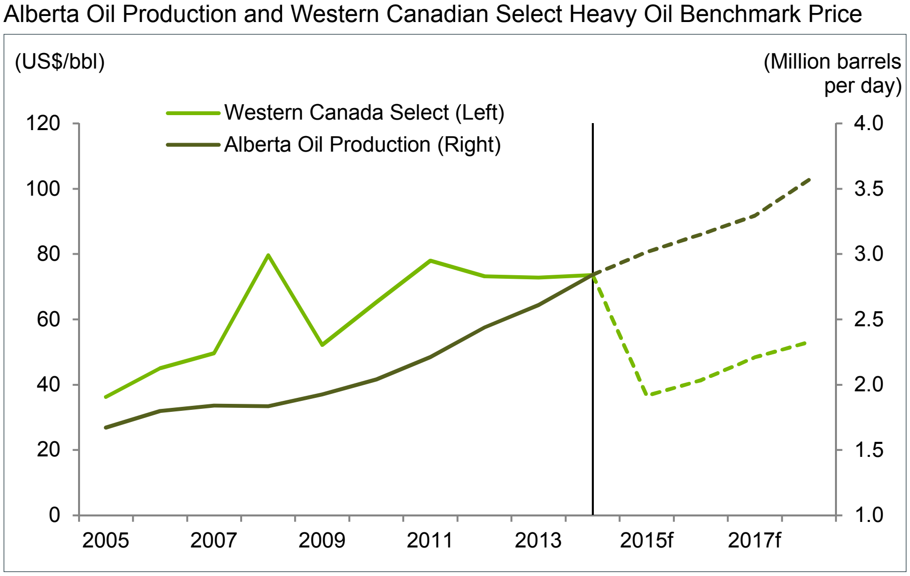
NATURAL GAS EXPORTS TRENDING LOWER

Natural gas exports will continue to decline over the forecast period due to low prices and a glut of North American supply. Natural gas drillers have increasingly been targeting natural gas liquids (NGLs), whose prices are tied more closely to oil. Consequently, NGLs are increasing as a share of output

Reflecting past investments in the oil sands, production will continue to ramp up despite the weaker price outlook.

Chart 4: Oil production growing despite price drop

Alberta Oil Production and Western Canadian Select Heavy Oil Benchmark Price



Sources: Alberta Energy and Statistics Canada. f-forecast and are expected to lend support to the sector. Proposed liquefied natural gas terminals on the BC coast could also provide a boost to the sector, with the potential to raise gas prices and exports above forecast levels.

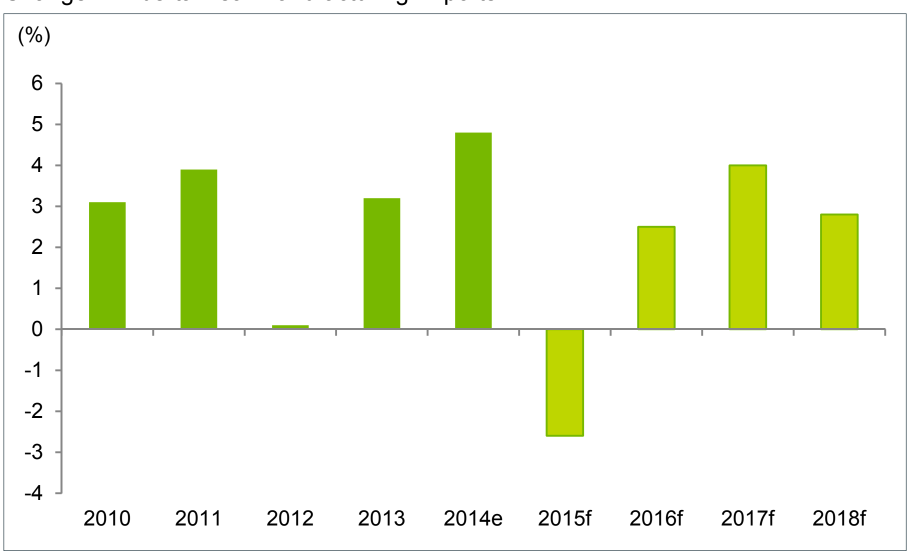
NON-ENERGY PRODUCTION TO BOUNCE BACK

For sectors outside of energy, 2015 growth expectations have been somewhat muted. Manufacturing has been hurt by lower oil and gas activity, while the agriculture sector has been hampered by drought conditions. Over the forecast period, however, these industries will benefit from a lower Canadian dollar, declining cost pressures, and a strong US economy.

The downturn in drilling across North America has dampened demand for Alberta-made industrial machinery and equipment. Real manufacturing exports are estimated to decline 2.6% in 2015 (Chart 5). Starting in 2016, however, manufacturing exports are expected to rebound, growing 2-4% per year. Petroleum production has benefited from higher margins, as the price of oil has fallen further than the price of gasoline. Refinery capacity is set to expand substantially in 2017 with the completion of the $8.5 billion North West Upgrader, which can process 50,000 barrels of oil per day. Plastic manufacturing has also benefited from cheaper feedstock and increased investment, with the Joffre polyethylene plant expansion set to come online in 2017.

In the agriculture sector, drought conditions adversely affected Alberta crop production this year (Chart 6). Crop prices are up in 2015, but large global grain inventories will weigh on prices heading into next year. Lower prices and volumes will negatively impact exports in 2016. Cattle producers continue to reap the benefits of higher prices, but exports of live cattle are forecast to decline this year and in 2016 due to a smaller calf crop and lower inventories. Expansion in the food manufacturing sector has increased local demand for agricultural products. Prospects remain encouraging beyond 2016, with growth and increased trade expected in Alberta's agriculture sector.

Chart 5: Manufacturing exports to pick up after short-term decline
Change in Alberta Real Manufacturing Exports

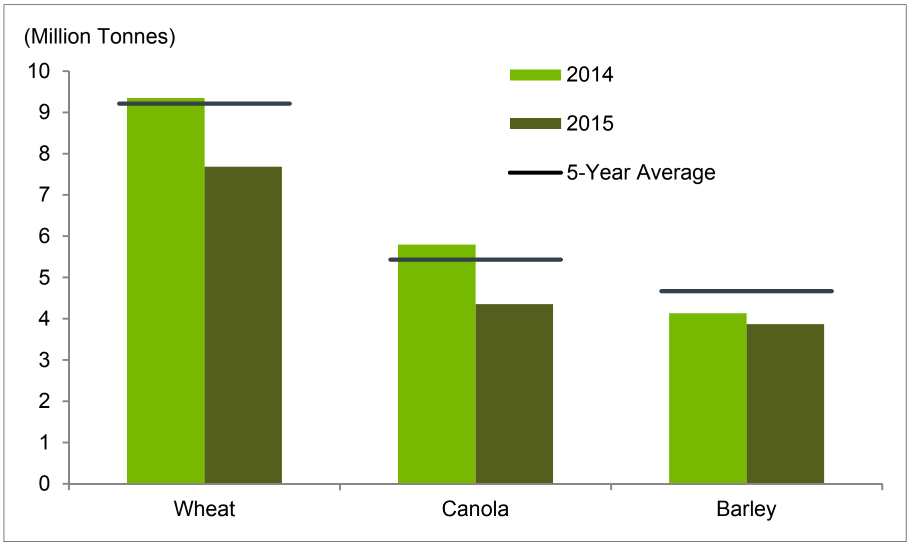


Sources: Statistics Canada and Alberta Treasury Board and Finance. e-estimate, f-forecast

Weaker demand for energy-related products hurt manufacturing exports in 2015. As external conditions improve, manufacturing exports are expected to rebound over the next three years.

Chart 6: Crop production down in 2015

Alberta Crop Production



Source: Statistics Canada

Production from Alberta's major crops will fall this year due to drought conditions in parts of the province.

The forestry product sector should continue to expand, aided by a weaker dollar, stronger US housing activity, and continuing demand from Asia. Alberta's softwood lumber production was up in 2015. Sawmills in the province are already operating near capacity and will need additional investment to boost lumber production.

In the tourism sector, the weaker Canadian dollar and a strong US economy are boosting the appeal of vacationing in Alberta and encouraging Albertans to spend more at home. Visits to Alberta's national parks are up about 10% and occupancy rates at resorts are higher so far this year, providing a lift to the tourism sector. There has been a drop-off in business-related travel, however, with hotel occupancy rates down in Edmonton and Calgary. This should pick up as oil-related activity increases.

In the transportation sector, there is a need to expand capacity to support Alberta's rising production. The transportation and warehousing sector has seen exceptional growth in recent years, with investment almost doubling to $9.2 billion between 2012 and 2015. Given the production profile of the oil sands, energy producers require improved access to international and coastal markets to support growth. There is a need to build and expand the pipeline infrastructure, which will support continued investment in the transportation and warehousing sector over the medium term.

COST PRESSURES EASING

Cost pressures have started to subside with the decline in investment and activity. In the energy sector, the slower pace of activity has forced companies to reduce labour costs. Producers are looking for savings from contractors, resulting in declining costs, but also eroding profit margins for suppliers to the energy sector. A lower Canadian dollar and narrower differential have helped to ease the pain of lower prices. Outside the energy sector, there has been almost no growth in the commercial construction price index so far this year, compared to around 2% growth over the first half of 2014. This suggests that companies are finding cost savings (Chart 7).

As the Alberta economy rebalances and the labour market cools in the next few years, industries stand to benefit from lower cost pressures. After growing 3.7% in 2014, average weekly earnings are estimated to expand by only 0.7% in 2015 and 1.6% in 2016, below inflation.

Chart 7: Firms seeking ways to cut costs

Change in Construction Prices and Average Weekly Earnings

Sources: Statistics Canada and Treasury Board and Finance. f-forecast

As energy investment dips, cost pressures are easing. Non-residential construction prices are forecast to fall in 2015 and experience relatively small gains over the forecast period.

HOUSEHOLD SECTOR

Households will continue to feel the effects of lower oil prices in 2015 and 2016 as the labour market cools and consumer confidence remains low. Continued population growth, low interest rates, and an improvement in business activity will support growth in household spending over the medium term.

LABOUR MARKET SLOWING WITH A LAG

Employment has been stronger than expected so far this year, as gains in services have offset losses in energy-related industries. This reflects the significant amount of momentum in the labour market from 2014. Some businesses have used the slowdown to fill existing vacancies, while on-going projects have supported overall employment. In addition, job losses may be occurring in Alberta's large non-resident population, including fly-in/fly-out and camp workers, which would impact employment numbers in other provinces. Recent indicators suggest that Alberta's labour market is softening, with employment not keeping pace with the province's expanding labour force. Since early 2015, the unemployment rate has risen and EI claims have jumped. Overall, employment growth is expected to average 1.0% in 2015 (Chart 8).

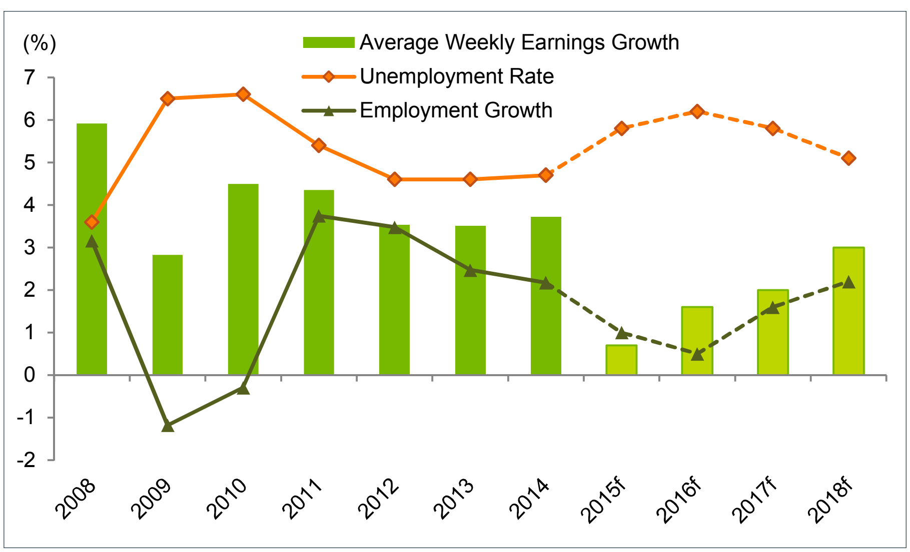
As momentum fades and energy investment remains weak, employment growth will slow to just 0.5% in 2016. The unemployment rate is expected to average 6.2% in 2016, up from 5.8% this year. Employment will begin to recover with broader economic activity beginning in 2017, with the unemployment rate gradually improving to 5.1% by 2018. Budget measures, including increased capital spending and the Job Creation Incentive program, will support the labour market over the forecast period.

Growth in household income, a key driver of personal income tax revenue, is forecast to slow from an average rate of nearly 8% over the past three years to 2.5% in 2015 and 2.8% in 2016. In the medium term, an improving labour market will support household income growth of 5% by 2018.

With job growth slowing, unemployment will continue to rise into 2016. An improvement in the labour market is expected in 2017 and 2018.

Chart 8: Labour market conditions in Alberta soften

Labour Market Indicators



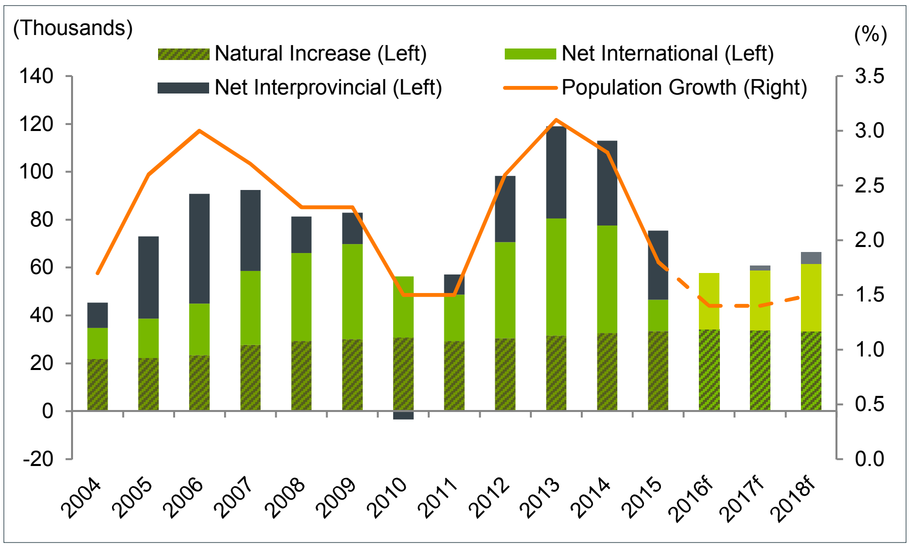
Sources: Statistics Canada and Alberta Treasury Board and Finance. f-forecast

POPULATION GROWTH MODERATING

Alberta's population will continue to expand amidst the economic slowdown, albeit at a slower rate (Chart 9). In the 2015 census year, population growth was 1.8%, a full percentage point lower than the average of the previous three years. Net interprovincial migration has been strong, but Alberta's slowing economy and improving prospects elsewhere will reduce the incentive to move to the province from other parts of Canada. Net in-flows of interprovincial migrants are not expected in 2016 and will remain below recent norms in the medium term. Immigration, which is slower to react to economic changes, will be a source of growth, but changes to the federal Temporary Foreign Workers program will contribute to net outflows of non-permanent residents for the next two years. Natural increase will remain an important driver of Alberta's population, accounting for about half of the projected population growth.

Chart 9: Natural increase and immigration to drive population gains

Change in the Alberta Population by Component



Sources: Statistics Canada and Alberta Treasury Board and Finance. f-forecast

Despite the slowdown, Alberta's population will continue to grow at a solid pace, reflecting strong natural increase and immigration. Net interprovincial migration is expected to fall off in the next two years.

CONSUMER SPENDING SLOWS

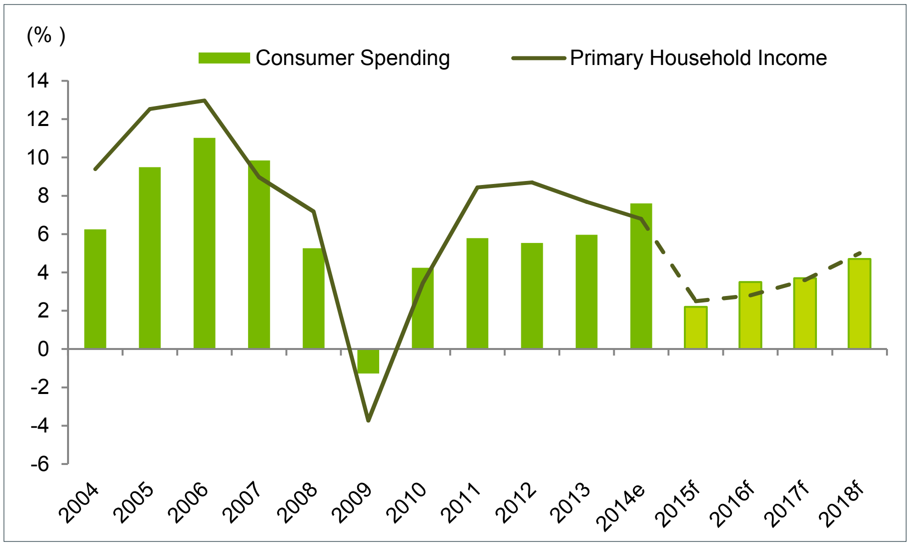
Lower growth in personal income and uncertainty about the economy have prompted households to rein in spending in 2015. Falling sales of motor vehicles indicate that households may be deferring large purchases until conditions improve. Growth in consumer spending is expected to moderate, but still remain positive in 2015, at 2.2%. This compares to almost 6% growth over the past five years (Chart 10). Continued population growth, improving labour markets, and relatively low interest rates will lift consumer spending over the medium term.

Low energy prices have helped keep a lid on inflation, which is expected to be 0.9% in 2015. It is forecast to pick up to around 2.0% over the medium term. Excluding energy prices, inflation has remained above 2%, partly because the lower Canadian dollar has increased prices for imported goods.

Chart 10: Consumers keep spending, but at a much slower rate

Change in Alberta Nominal Household Consumption and Income

As the population continues to expand, Albertans will spend more on essential items, like food and clothing. Spending on big ticket items, like cars, will remain weak due to economic uncertainty and weaker income growth.



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

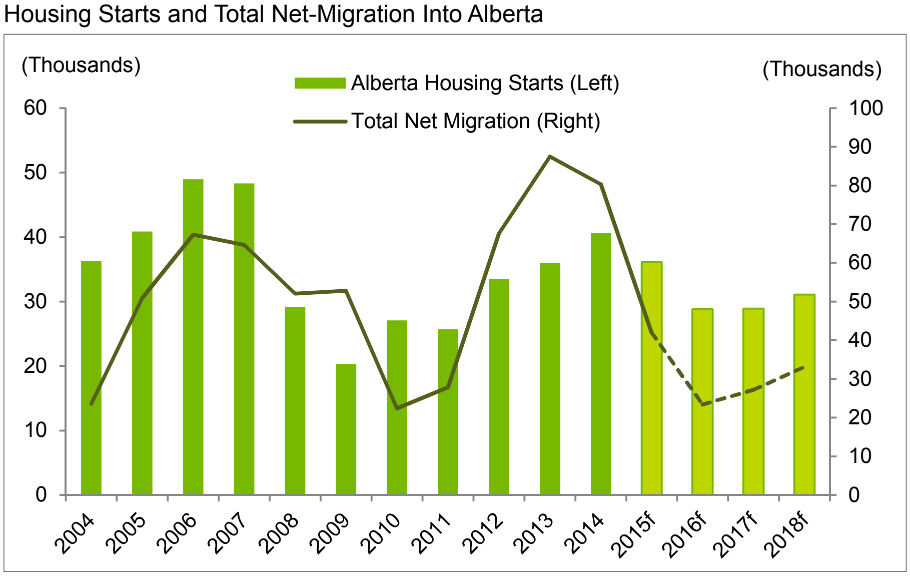
HOME CONSTRUCTION TO LOSE MOMENTUM

Residential construction activity has been robust so far in 2015, in contrast to the resale market, which declined sharply early in the year. In 2014, housing inventories were low and the rental market was tight, reflecting the need to catch up after 3 years of record net migration (Chart 11). Housing starts in the first three quarters of 2015 were almost 39,000 (annualized), led by a surge in multi-unit starts. With builders catching up and permits falling, housing starts are expected to weaken by the end of the year and average 36,100 in 2015. Starts are expected to be lower in 2016 and 2017 before rising again in 2018. Low interest rates will support housing over the forecast period.

Chart 11: Record migration has spurred demand for new housing

Housing Starts and Total Net-Migration Into Alberta

New home construction is strongly related to in-migration. As population growth slows, so will housing starts. Strong pent-up demand and low interest rates have cushioned the downturn.



Sources: Canada Mortgage and Housing Corporation, Statistics Canada and Alberta Treasury Board and Finance. f-forecast.

GLOBAL ECONOMY

Global economic growth remains sluggish in 2015 and prospects are not much better in 2016. Growth of just over 3% is forecast in both years. Continued improvement in the US economy is expected in 2016, but China's economy will slow further, weighing on commodity prices. With growth weak and inflation low, interest rates are likely to stay lower for longer.

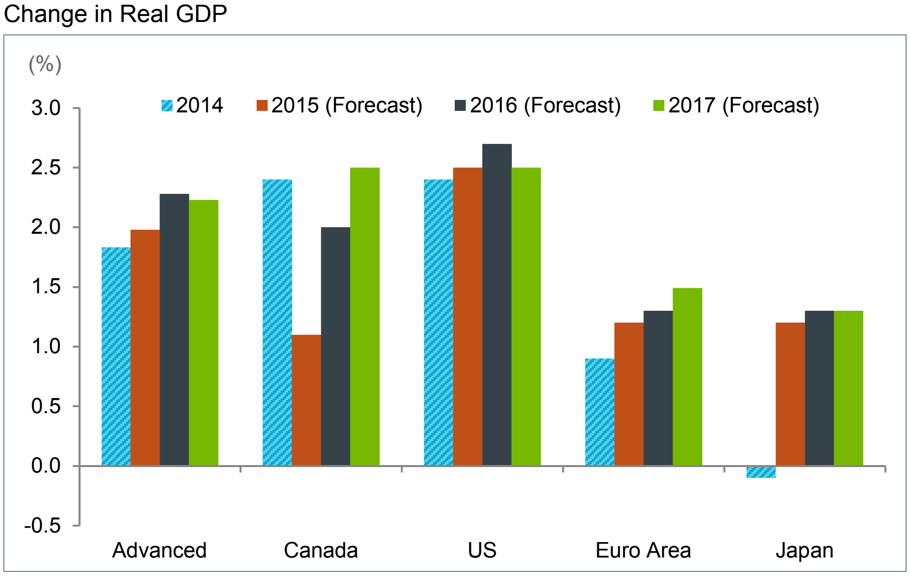
PROSPECTS IMPROVING FOR ADVANCED ECONOMIES

After a slow start to 2015, growth expectations for advanced economies have picked up (Chart 12). The US economy is steadily improving, with real GDP growth forecast to pick up from 2.5% in 2015 to 2.7% in 2016, before averaging 2.5% over the medium term. Consumer confidence has been improving with better labour market prospects, healthier balance sheets and low debt servicing costs. Low oil prices are having mixed effects; consumers have benefited, but energy sector investment has declined. The strengthening US economy and weakness elsewhere have caused the US dollar to appreciate against major currencies.

In the Euro Area, real GDP is expected to finally surpass its pre-recession peak in 2016 as growth improves to 1.3% and remains around 1.5% over the forecast period. While unemployment remains above 10%, the jobless rate has been falling. Credit markets have benefited from the European Central Bank's bond-buying program that began earlier this year. However, the economy remains fragile; ongoing debt concerns in Greece and the potential for another financial crisis could derail growth. The UK has been a bright spot among European countries, with growth expected to be above 2% in 2015 and 2016.

Japan's economy is expected to grow by just over 1% in both 2015 and 2016. Despite tepid growth, labour market conditions have markedly improved,

Chart 12: Diverging fortunes for advanced economies
Change in Real GDP



Sources: International Monetary Fund and Alberta Treasury Board and Finance

The US economy continues to lead advanced economies, with growth expected to pick up in 2016. Although growth in other advanced economies will lag the US, it will improve over the next two years.

and the unemployment rate has fallen to a near 20-year low. A rapidly aging workforce will continue to weigh on Japan's growth.

GROWTH UNCERTAIN FOR EMERGING MARKETS

Emerging Market Economies (EMEs) are key drivers of global demand, commodity prices and Alberta's economic growth. The outlook for EMEs is weaker, reflecting uncertainty about growth in China and other large emerging market economies. Growth in China is moderating as the country transitions away from a reliance on savings, industrial investment and low-cost manufactured exports towards domestic consumption and services. China has been responsible for nearly half of the growth in global petroleum consumption over the last decade, but oil consumption growth is likely to slow alongside real GDP growth over the medium term. China will still be an important driver of oil consumption growth, however, as China's real GDP growth forecast of around 6% by 2018 is still more than double the forecast for advanced economies.

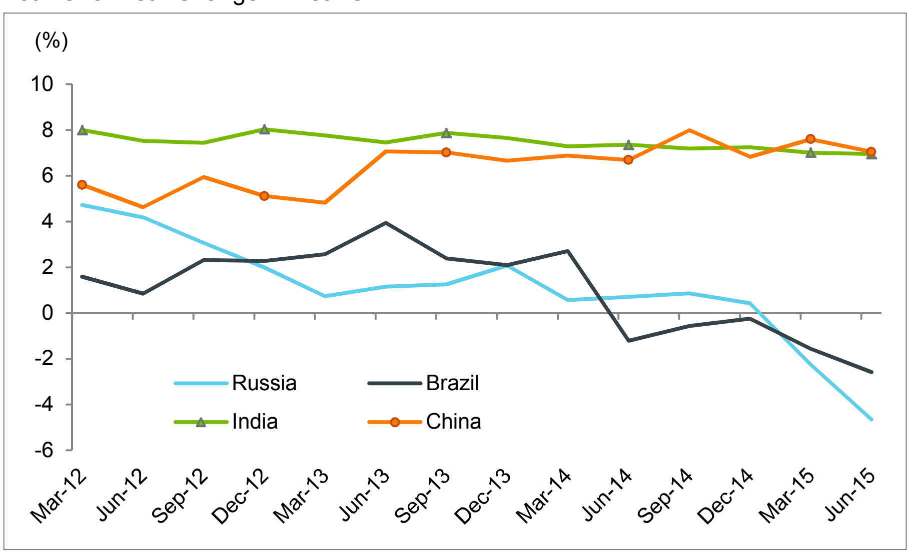
India is poised to overtake China in terms of growth, with real GDP expected to rise by over 7% in both 2015 and 2016. The outlook for other emerging markets, notably OPEC members, Russia and many South American countries will remain weak in 2016 mainly reflecting the impacts of low commodity prices (Chart 13).

Renewed uncertainty about the trajectory of global growth, especially in EMEs, and the strong US dollar are weighing on commodity prices (Chart 14). The impact of EMEs on global financial markets and commodities was evident in June after weak Chinese manufacturing data and the resulting stock market crash sent oil prices back below US $50/bbl.

Commodity producing Russia and Brazil are getting hit by lower prices. China and India will continue to lead the way.

Chart 13: Prospects mixed for emerging markets

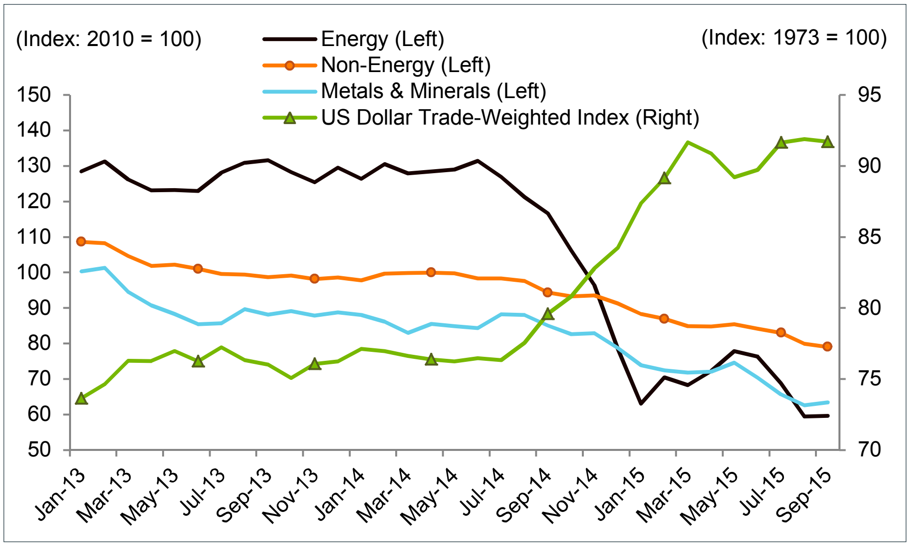
Year-Over-Year Change in Real GDP



Source: Haver Analytics

Chart 14: Commodity prices take a hit as US dollar strengthens

World Bank Index of Commodity Prices and US dollar



Sources: World Bank and Haver Analytics

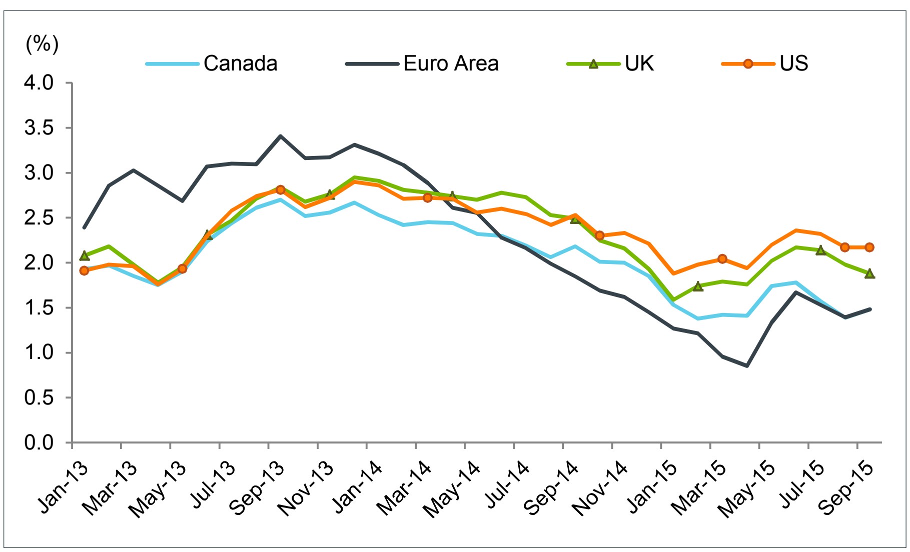
Most commodities are priced in US dollars, so a stronger US dollar makes them more expensive in local currencies. So far this year, a surging US dollar and weaker global growth have put downward pressure on commodity prices.

INTEREST RATES TO STAY LOW

Long-term interest rates have fallen globally (Chart 15). Markets expect central banks to keep interest rates near current levels for a prolonged period due to tepid growth and low inflation expectations. Canadian long-term government bond yields have fallen to the lowest level in history, and are expected to stay low over the forecast period. The Bank of Canada is expected to postpone rate increases in reaction to a sluggish Canadian economy and low inflation. Many other central banks around the world have provided additional monetary stimulus this year, including central banks in Europe, Japan, and China. The Federal Reserve is proceeding more cautiously on rate increases given global uncertainty and upward pressure on the US dollar.

Chart 15: Long-term bond yields are falling

10-Year Government Bond Yields



Source: Haver Analytics

Long-term bond yields remain near historic lows, an indication that markets expect low interest rates to persist.

CANADIAN ECONOMY SLOWS

Canada's economy has been hurt by low oil prices this year, with real GDP contracting in each of the first two quarters. The slowdown is primarily due to declining investment in the oil and gas sector, which accounts for one-third of Canadian non-residential investment (Chart 16). A second half rebound is expected to yield real GDP growth of 1.1% in 2015. Growth is forecast to pick up to 2.0% in 2016 and remain there over the medium term.

The collapse in commodity prices has caused Canadian growth patterns to change. After leading the country for several years, resource-based economies of Alberta, Saskatchewan and Newfoundland and Labrador will all slow significantly in 2015, with weakness carrying into 2016. A stronger US economy and lower Canadian dollar have improved the prospects for the other provinces in 2015 and 2016, though not enough to offset a softening outlook for resource-producing provinces.

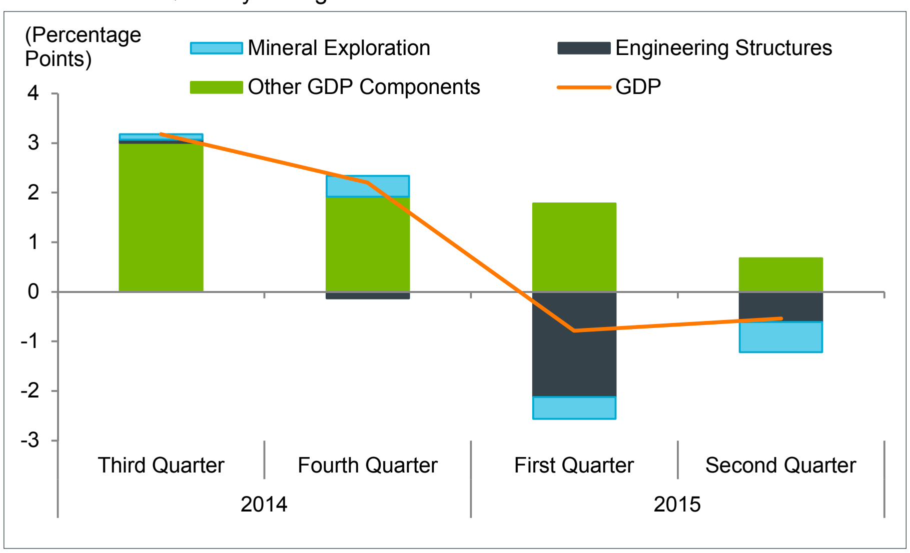
LOONIE DIPS

The Canadian dollar has been under pressure from lower commodity prices and growth prospects, broad-based strength in the US dollar, and interest rate cuts by the Bank of Canada. The dollar is expected to average US¢78.0/CDN$ in 2015-16, before appreciating slowly to US¢82/CDN by 2017-18. This forecast is consistent with a gradual improvement in commodity prices.

Canada's economy has been hurt by lower oil prices and the related decline in energy investment. Engineering structures, mainly related to energy production, were primarily responsible for the first half contraction in real GDP

Chart 16: Energy-related investment weighing on the Canadian economy

Contribution to Quarterly Change in Canadian Real GDP at Annual Rates



Source: Statistics Canada

SUMMARY

Alberta's economy is currently in a downturn, with real GDP forecast to contract 1.0% in 2015. Rising production alongside a weaker Canadian dollar and strengthening US economy are supporting exports and growth in non-energy sectors. Positive consumer spending and solid non-residential construction are also contributing to growth. These factors, however, are not enough to offset the impacts of lower energy prices. Heading into 2016, Alberta's economy is expected to recover slowly, expanding a modest 0.9%. As companies adjust to lower prices and cost pressures ease, the economy is forecast to pick up, with real GDP growth hovering around 2.6% for 2017 and beyond. This is consistent with the gradual rise in oil prices in the medium term.

Global economic growth is expected to remain moderate at around 3%, despite a strengthening US economy. Diverging growth among advanced and emerging economies is creating uncertainty about the demand for commodities and global growth prospects. Canada's economy will benefit from faster US growth and a lower Canadian dollar, but will be constrained by weak oil prices.

RISKS TO THE ECONOMIC OUTLOOK

- Oil prices are forecast to improve gradually. A further drop in oil prices could arise from weakening global demand or a slow supply response to low prices. Should low prices persist or fall further, Alberta's outlook would weaken.
- Emerging economies remain vulnerable to financial market shocks, as concerns remain about financial stability and overall growth prospects. A further slowdown in these markets would weigh on commodity prices, hurting Alberta's growth prospects.
- Lower-than-expected migration poses downside risk to Alberta's economy. This would weigh on housing and consumer-related activity, slowing the province's growth.
- Increased uncertainty about the economy could further erode consumer and business confidence, reducing spending.
- Without improved market access, Alberta oil producers could see the return of large and volatile price discounts. A higher-than-expected reliance on rail will weigh on revenue, and could impact other sectors that also rely on this mode of transport.
- On the upside, an improvement in oil prices would improve Alberta's growth prospects. This could come from stronger global economic growth, supply outages due to political instability, or a move by OPEC to reduce supply and support prices.

ECONOMIC OUTLOOK

ANNEX

BENCHMARKING TABLES

Oil Price Benchmark

West Texas Intermediate (US$/bbl)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	51.75	56.41	61.92	68.57
IHS Global Insight (Aug/15)	54.62	57.92	66.17	78.03
Centre for Spatial Economics (Aug/15)	55.00	62.00	65.70	66.90
Banks and Investment Dealers				
CIBC World Markets (Aug/15)	54.00	62.50	n/a	n/a
Credit Suisse (Aug/15)	58.00	72.00	75.00	75.00
Goldman Sachs (Aug/15)	51.94	57.00	60.00	60.00
Laurentian Bank (Aug/15)	52.00	75.00	n/a	n/a
RBC Capital Markets (Jul/15)	56.00	72.00	79.00	82.00
Scotiabank (Jul/15)	54.00	59.00	n/a	n/a
Toronto Dominion Bank (Aug/15)	53.65	67.50	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Aug/15)	49.62	54.42	n/a	n/a
GLJ Petroleum Consultants (Jul/15)	57.26	67.50	70.00	75.00
Sproule Associates Limited (Aug/15)	51.13	60.00	75.00	80.00
Confidential Forecasts Provided to Alberta Energy[a]				
Average	52.00	58.00	67.00	72.00
High	58.00	75.00	79.00	82.00
Low	49.28	54.42	57.50	60.00
Average of All Private Forecasts	53.00	61.00	68.00	73.00
Government of Alberta (calendar year)	50.00	57.00	67.00	72.00

[a] Alberta Energy also surveys, on a confidential basis, private sector forecasts from PIRA, KBC, BMO Capital Markets, IHS CERA, Peters & Co. and Wood Mackenzie. The annual figures presented here are the average forecast prices from these sources. High/Low forecasts may represent one of the confidential forecasts. The private sector average, consultant average and Government of Alberta forecasts have been rounded to the nearest dollar.

Includes forecasts finalized on or before August 28, 2015.

Both the Government of Alberta and the private sector overestimated the WTI oil price for 2014, by 3.6% and 1.8% respectively.

How Oil Price Forecasters Fared in *Budget 2014*

West Texas Intermediate (US$/bbl)

Organization (#)	How did they do in *Budget 2014*?
National Forecasting Agencies (3)	96.04
Banks and Investment Dealers (10)	93.14
Industry Analysts (3)	95.72
Confidential Forecasts (5)	96.35
Average	94.69
Government of Alberta (calendar year)	96.35
Actual	93.00

Sources: Alberta Energy and Alberta Treasury Board and Finance

Natural Gas Price Benchmark

Henry Hub (US$/MMBTU)[a]

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	2.92	3.35	3.84	4.21
IHS Global Insight (Aug/15)	2.77	2.90	3.25	3.25
Centre for Spatial Economics (Aug/15)	3.10	3.45	3.60	4.06
Banks and Investment Dealers				
CIBC World Markets (Jan/15)	3.25	3.75	n/a	n/a
Credit Suisse (Aug/15)	2.90	3.90	3.50	3.60
Goldman Sachs (Aug/15)	2.75	3.00	3.25	3.25
RBC Capital Markets (Jul/15)	2.96	3.45	3.65	4.00
Scotiabank (Jul/15)	2.95	3.25	n/a	n/a
Toronto Dominion Bank (Aug/15)	2.94	3.11	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Aug/15)	2.89	3.21	n/a	n/a
GLJ Petroleum Consultants (Jul/15)	2.95	3.30	3.50	3.70
Sproule Associates Limited (Aug/15)	2.77	3.25	4.00	4.50
Confidential Forecasts Provided to Alberta Energy[b]				
Average	2.80	2.90	3.40	3.50
High	3.25	3.90	4.00	4.50
Low	2.72	2.69	3.06	3.15
Average of All Private Forecasts	2.90	3.20	3.50	3.70
Government of Alberta (calendar year)	2.80	3.10	3.60	3.80

[a] 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 Alberta Reference Price (used in natural gas royalty calculations) adjusted for the exchange rate and transportation costs to be equivalent to the price of Alberta natural gas at Henry Hub Louisiana.

[b] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from PIRA, Petral, IHS CERA, BMO Capital Markets, Peters & Co. and Wood McKenzie. The annual figures presented here are the average forecast prices from these sources. High/Low forecasts may represent one of the confidential forecasts. The private sector average, consultant average and Government of Alberta forecasts have been rounded to the nearest ten cents.

Includes forecasts finalized on or before August 28, 2015.

How Natural Gas Price Forecasters Fared in *Budget 2014*

Henry Hub (US$/MMBTU)

Organization (#)	How did they do in *Budget 2014*?
National Forecasting Agencies (3)	3.82
Banks and Investment Dealers (10)	4.09
Industry Analysts (3)	4.13
Confidential Forecasts (4)	3.69
Average	3.98
Government of Alberta (calendar year)	3.80
Actual	4.28

Sources: Alberta Energy and Alberta Treasury Board and Finance

Both the Government of Alberta and the private sector slightly underestimated natural gas prices in 2014, by 11.2% and 7.0% respectively.

Canadian Short-Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (%)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	0.63	0.84	1.79	2.79
IHS Global Insight (Aug/15)	0.50	0.62	1.89	3.39
Centre for Spatial Economics (Aug/15)	0.60	1.40	2.60	2.90
Banks				
BMO Capital Markets (Aug/15)	0.52	0.59	n/a	n/a
CIBC World Markets (Aug/15)	0.50	0.65	n/a	n/a
Laurentian Bank (Aug/15)	0.50	0.46	n/a	n/a
National Bank (Jul/15)	0.50	0.62	n/a	n/a
RBC Royal Bank (Aug/15)	0.50	1.40	n/a	n/a
Scotiabank (Jul/15)	0.52	0.60	n/a	n/a
Toronto Dominion Bank (Jul/15)	0.51	0.46	n/a	n/a
High	0.63	1.40	2.60	3.39
Low	0.50	0.46	1.79	2.79
Average of All Private Forecasts	0.53	0.76	2.09	3.03
Government of Alberta (calendar year)	0.55	0.55	1.15	1.70

Includes forecasts finalized on or before August 28, 2015.

Canadian Long-Term Interest Rate Benchmark

10-Year Government of Canada Bonds (%)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	1.69	2.65	3.80	4.35
IHS Global Insight (Aug/15)	1.72	2.52	3.19	3.54
Centre for Spatial Economics (Aug/15)	1.50	2.70	3.40	3.80
Banks				
BMO Capital Markets (Aug/15)	1.61	2.03	n/a	n/a
CIBC World Markets (Aug/15)	1.64	2.25	n/a	n/a
Laurentian Bank (Aug/15)	1.69	2.38	n/a	n/a
National Bank (Jul/15)	1.64	1.99	n/a	n/a
RBC Royal Bank (Aug/15)	2.10	2.90	n/a	n/a
Scotiabank (Jul/15)	1.66	2.30	n/a	n/a
Toronto Dominion Bank (Jul/15)	1.65	2.20	n/a	n/a
High	2.10	2.90	3.80	4.35
Low	1.50	1.99	3.19	3.54
Average of All Private Forecasts	1.69	2.39	3.46	3.90
Government of Alberta (calendar year)	1.55	2.10	2.65	3.00

Includes forecasts finalized on or before August 28, 2015.

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

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	80.5	81.2	84.0	85.8
IHS Global Insight (Aug/15)	78.2	77.3	82.1	86.5
Centre for Spatial Economics (Aug/15)	78.9	79.2	79.3	79.4
Banks				
BMO Capital Markets (Aug/15)	78.6	78.1	n/a	n/a
CIBC World Markets (Aug/15)	77.8	76.8	n/a	n/a
Credit Suisse (Aug/15)	80.0	86.0	88.0	88.0
Laurentian Bank (Aug/15)	77.3	75.0	n/a	n/a
National Bank (Jul/15)	77.8	74.5	n/a	n/a
RBC Capital Markets (Aug/15)	74.6	76.9	n/a	n/a
Scotiabank (Jul/15)	77.0	78.0	n/a	n/a
Toronto Dominion Bank (Jul/15)	77.0	74.3	n/a	n/a
High	80.5	86.0	88.0	88.0
Low	74.6	74.3	79.3	79.4
Average of All Private Forecasts	78.0	77.9	83.4	84.9
Government of Alberta (calendar year)	79.0	79.0	81.5	82.5

Includes forecasts finalized on or before August 28, 2015.

Alberta Real Gross Domestic Product Benchmark
(% change)

Organization	2014	2015	2016	2017	2018
National Forecasting Agencies					
Conference Board of Canada (Aug/15)	4.4	-1.0	1.7	2.6	2.2
IHS Global Insight (Aug/15)	4.4	-0.3	1.5	3.0	2.8
Centre for Spatial Economics (Aug/15)	4.4	-1.3	2.0	1.7	1.8
Banks					
BMO Capital Markets (Sep/15)	4.4	-1.0	1.5	n/a	n/a
CIBC World Markets (Aug/15)	4.4	-0.6	2.2	n/a	n/a
Laurentian Bank (Sep/15)	3.7	-0.5	1.5	2.1	n/a
National Bank (Sep/15)	4.4	-1.0	0.4	n/a	n/a
RBC Royal Bank (Jun/15)	4.4	-1.0	1.7	n/a	n/a
Scotiabank (Sep/15)	4.4	-1.5	0.2	n/a	n/a
Toronto Dominion Bank (Jul/15)	4.5	-0.9	2.0	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Q2/15)	3.8	0.5	1.8	n/a	n/a
High	4.5	0.5	2.2	3.0	2.8
Low	3.7	-1.5	0.2	1.7	1.8
Average of All Private Forecasts	4.3	-0.8	1.5	2.3	2.3
Government of Alberta (calendar year)	4.4	-1.0	0.9	2.4	2.6

Includes forecasts finalized on or before September 15, 2015.

Light-Heavy Oil Price Differential Benchmark

WTI-WCS Price Differential (US$ per barrel)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	16.41	15.44	13.45	12.02
Centre for Spatial Economics (Aug/15)	13.07	15.09	16.94	18.96
Banks and Industry Analysts				
CIBC World Markets (Aug/15)	18.00	16.00	n/a	n/a
Credit Suisse (Aug/15)	13.96	16.50	17.00	17.00
RBC Capital Markets (Jul/15)	13.18	14.73	16.20	17.25
GLJ Petroleum Consultants (Jul/15)	13.11	14.38	14.75	14.80
Sproule Associates Limited (Aug/15)	12.41	13.63	17.04	16.16
Confidential Forecasts Provided to Alberta Energy[a]				
Average	12.70	14.20	15.20	15.50
High	18.00	16.50	17.04	18.96
Low	11.41	13.63	10.85	11.07
Average of All Private Forecasts	13.60	14.70	15.60	15.80
Government of Alberta (calendar year)	13.40	15.70	18.30	19.30

[a] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from IHS CERA, PIRA, Wood MacKenzie, Peters & Co. and BMO Capital Markets. The annual figures presented here are the average forecast prices from these sources. High/Low forecasts may represent one of the confidential forecasts. The private sector average, consultant average and Government of Alberta forecasts have been rounded to the nearest ten cents.

Includes forecasts finalized on or before August 28, 2015.

Alberta Housing Starts Benchmark

(thousands)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	35.2	30.1	30.2	30.8
IHS Global Insight (Aug/15)	34.8	33.1	35.2	35.7
Centre for Spatial Economics (Aug/15)	35.0	33.8	31.0	29.8
Banks				
BMO Capital Markets (Sep/15)	37.5	33.0	n/a	n/a
CIBC World Markets (Aug/15)	35.0	34.0	n/a	n/a
Laurentian Bank (Sep/15)	38.5	33.0	35.5	n/a
National Bank (Sep/15)	37.1	32.0	n/a	n/a
RBC Royal Bank (Jun/15)	31.2	30.0	n/a	n/a
Scotiabank (Sep/15)	38.0	32.0	n/a	n/a
Toronto Dominion Bank (Jul/15)	36.5	35.9	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Q2/15)	35.0	31.8	n/a	n/a
High	38.5	35.9	35.5	35.7
Low	31.2	30.0	30.2	29.8
Average of All Private Forecasts	35.8	32.6	33.0	32.1
Government of Alberta (calendar year)	36.1	28.8	28.9	31.1

Includes forecasts finalized on or before September 15, 2015.

Alberta Primary Household Income Benchmark
(% change)

National Forecasting Agencies	2014	2015	2016	2017	2018
Conference Board of Canada (Aug/15)	6.6	3.0	3.1	4.5	4.2
IHS Global Insight (Aug/15)	6.2	1.5	3.1	5.1	5.1
Centre for Spatial Economics (Aug/15)	3.3	3.3	3.8	3.5	3.0
High	6.6	3.3	3.8	5.1	5.1
Low	3.3	1.5	3.1	3.5	3.0
Average of All Private Forecasts	5.4	2.6	3.3	4.4	4.1
Government of Alberta (calendar year)	6.8	2.5	2.8	3.6	5.0

Includes forecasts finalized on or before September 15, 2015.

Alberta Net Corporate Operating Surplus Benchmark
(% change)

National Forecasting Agencies	2014	2015	2016	2017	2018
Conference Board of Canada (Aug/15)	19.6	-64.1	30.4	4.7	-0.7
IHS Global Insight (Aug/15)	14.5	-7.5	3.3	3.9	2.2
Centre for Spatial Economics (Aug/15)	34.0	-60.1	30.3	18.7	12.6
High	34.0	-7.5	30.4	18.7	12.6
Low	14.5	-64.1	3.3	3.9	-0.7
Average of All Private Forecasts	22.7	-43.9	21.3	9.1	4.7
Government of Alberta (calendar year)	20.6	-54.8	17.4	29.4	20.8

Includes forecasts finalized on or before September 15, 2015.

Alberta Employment Benchmark
(% change)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	1.2	0.3	1.6	1.1
IHS Global Insight (Aug/15)	1.3	0.6	1.9	1.6
Centre for Spatial Economics (Aug/15)	1.0	0.7	0.8	1.0
Banks				
BMO Capital Markets (Sep/15)	1.2	0.4	n/a	n/a
CIBC World Markets (Aug/15)	1.1	0.6	n/a	n/a
Laurentian Bank (Sep/15)	1.0	0.4	1.2	n/a
National Bank (Sep/15)	0.7	0.4	n/a	n/a
RBC Royal Bank (Jun/15)	0.4	0.9	n/a	n/a
Scotiabank (Sep/15)	0.4	0.1	n/a	n/a
Toronto Dominion Bank (Jul/15)	0.4	0.3	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Q2/15)	0.3	1.1	n/a	n/a
High	1.3	1.1	1.9	1.6
Low	0.3	0.1	0.8	1.0
Average of All Private Forecasts	0.8	0.5	1.4	1.3
Government of Alberta (calendar year)	1.0	0.5	1.6	2.2

Includes forecasts finalized on or before September 15, 2015.

Alberta Unemployment Rate Benchmark

(%)

Organization	2015	2016	2017	2018
National Forecasting Agencies				
Conference Board of Canada (Aug/15)	5.6	5.9	5.3	5.0
IHS Global Insight (Aug/15)	5.5	5.4	5.1	4.9
Centre for Spatial Economics (Aug/15)	5.8	5.9	5.8	5.6
Banks				
BMO Capital Markets (Sep/15)	5.7	6.5	n/a	n/a
CIBC World Markets (Aug/15)	5.9	6.2	n/a	n/a
Laurentian Bank (Sep/15)	5.8	6.3	6.2	n/a
National Bank (Sep/15)	5.8	6.0	n/a	n/a
RBC Royal Bank (Jun/15)	6.0	5.3	n/a	n/a
Scotiabank (Sep/15)	5.9	6.3	n/a	n/a
Toronto Dominion Bank (Jul/15)	5.9	6.1	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Q2/15)	5.7	5.7	n/a	n/a
High	6.0	6.5	6.2	5.6
Low	5.5	5.3	5.1	4.9
Average of All Private Forecasts	5.8	6.0	5.6	5.2
Government of Alberta (calendar year)	5.8	6.2	5.8	5.1

Includes forecasts finalized on or before September 15, 2015.