

BUDGET

New Century. **Bold Plans.**

2000

ECONOMIC OUTLOOK

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Economic Outlook

Alberta's increased economic diversity resulted in a strong labour market and helped the economy grow by an estimated 2.5% in 1999, despite weakness in the resource sector early in the year. In the last half of 1999, Alberta's economy rebounded strongly and has built up considerable momentum going into 2000.

Due to a surge in energy investment and cuts to personal income taxes, economic growth in Alberta is expected to rebound to 4.5% in 2000. Economic growth is expected to be 3.9% in 2001 and average a robust 3.5% per year in 2002 and 2003, even though oil prices are expected to fall from recent highs to more sustainable levels of around US\$18 per barrel.

1999 IN REVIEW

Although the overall weakness in commodity prices slowed economic activity in Alberta in 1998 and early 1999, OPEC's disciplined supply management initiatives dramatically boosted oil prices in spring 1999 and into 2000.

"For the first time ever, Alberta's economy has prospered despite a broad, deep downturn in raw material prices."

Alberta Report
April 12, 1999

- World oil prices rose from an average of US\$12.49 per barrel in January 1999 to an average of US\$27.06 per barrel in January 2000. Prices averaged US\$19.30 per barrel for 1999 as a whole. Natural gas prices strengthened throughout the year, and by November had risen to their highest level since deregulation in the mid-1980s.

Economic activity in Alberta strengthened in the second half of 1999.

- Rig activity was up over 50% in the last 5 months of the year compared to the same period in 1998. Total energy sector investment rose an estimated 3.0% for 1999 as a whole because of strong growth in oil sands investment.
- Retail sales bounced back and were up 3.7% through November, ensuring that Alberta maintained the highest level of retail sales per capita among provinces.
- Housing starts began to rally in the summer, but were still down 5.8% for the year overall.
- The value of manufacturing shipments was up 4.2% through November.
- Low grain and oilseeds prices reduced total farm cash receipts for crops by an estimated 6.5%. The overall impact on farm incomes was more than offset by an 8.0% increase in livestock and livestock product receipts. As a result, total farm cash receipts, including government assistance, rose by 2.1%.

Increased economic diversity kept economic growth healthy and the labour market strong in 1999 despite the early weakness in oil prices.

- Alberta's real Gross Domestic Product (GDP) is estimated to have increased by 2.5% in 1999. Higher world oil prices helped raise the nominal value of Alberta's GDP by an estimated 9.2%.
- Our unemployment rate averaged 5.8% for 1999, the second lowest among the provinces after Manitoba (5.6%) and 1.8 percentage points below the national average of 7.6%.
- Total employment rose by 2.8%, or 42,800 jobs in 1999. Broad-based gains came from wholesale trade; finance, insurance and leasing; management, administrative and other support; transportation and warehousing; and manufacturing.

A robust labour market and low taxes kept people moving to Alberta.

- In the 12 months ended on June 30, 1999, a net total of 31,064 people moved to Alberta from other provinces. Although this is down from the preceding year when 43,089 people moved to Alberta from other provinces, it is 83% more than second place Ontario. As a result, Alberta's population grew by 2.0% in 1999, the fastest growth among provinces.

GLOBAL ECONOMIC OUTLOOK

Stronger global economic growth is expected to sustain the recovery in commodity prices.

- Stronger growth in Europe, Asia, and Latin America is expected to strengthen the world economy this year as robust growth continues in the United States and Canada.
- World oil prices are expected to average US\$19 per barrel for the 2000-01 fiscal year. In the medium term, prices are expected to average US\$18 per barrel as OPEC continues to manage oil supplies effectively.
- Tight U.S. natural gas markets and high oil prices are expected to keep gas prices high at \$2.50 per thousand cubic feet (mcf) in the 2000-01 fiscal year. Increased Canadian exports and higher U.S. gas supplies are expected to reduce prices to \$2.40 per mcf in 2001-02 and \$2.35 per mcf in 2002-03.
- The outlook for agricultural prices is mixed, with livestock prices improving modestly and grain and oilseed prices remaining weak.

However, inflation worries are leading to higher interest rates around the world.

- The combination of rising commodity prices, strong economic growth and unemployment rates at 30-year lows have raised inflation worries in the United States. The U.S. Federal Reserve has already raised short-term interest rates by 100 basis points since last summer in an effort to slow growth to a more sustainable pace, and further increases are expected. Interest rates are also rising in Europe and Canada.

"... there could be more upward momentum of demand in Canada than we thought because of greater strength both in the world economy, especially in the United States, and in global commodity markets."

Governor, Bank of Canada
January 27, 2000

- The Bank of Canada is expected to match U.S. interest rate increases this year because of the strong domestic economy and an unemployment rate at its lowest level in almost 20 years.
- Despite higher interest rates in 2000, Canada is expected to outperform the U.S. economy because of the continued strength in commodity prices and stronger growth in the overseas economies. Economic growth in Canada is expected to be 3.8% in 2000, compared to 3.5% in the United States.
- Over the subsequent three years, interest rates are expected to ease as growth in Canada and the United States falls back to more sustainable levels. Canadian growth is expected to average 2.8% per year.

ALBERTA ECONOMIC OUTLOOK

A surge in energy investment is expected to lead to a rebound in Alberta's economic growth to 4.5% in 2000.

- Energy investment is expected to rise 18% in 2000, due to a strong increase in conventional oil and gas drilling and continued high levels of oil sands investment. Non-energy investment is expected to remain strong.
- Rising exports of oil, natural gas, and value-added products such as advanced technology products, processed food, forest products, petrochemicals and services are also expected to contribute to growth.
- Continued strong employment growth of 3.1%, or 48,000 jobs, along with the elimination of Alberta's 8% surtax, are expected to help boost after-tax personal income. This will sustain the recovery in consumer spending and housing despite higher interest rates.

Diversification and tax cuts will continue to strengthen Alberta's economic growth over the medium term.

- Although the energy sector is expected to drive economic growth this year, oil prices are expected to fall to more sustainable levels in the medium term as world oil supplies rise. Interest rates are also expected to ease as growth slows and concerns about inflation pressures abate.
- Increasing economic diversification, personal tax cuts and lower interest rates are expected to keep the Alberta economy growing at a robust 3.6% per year on average over the 2001 to 2003 period. Exports and investment are expected to lead growth.
- Employment growth is expected to average 2.4% per year over the medium term, and the unemployment rate to fall to 4.9% by 2003. Employment growth is expected to outpace labour force growth in the medium term, as improved job prospects in the rest of Canada reduce net interprovincial migration.

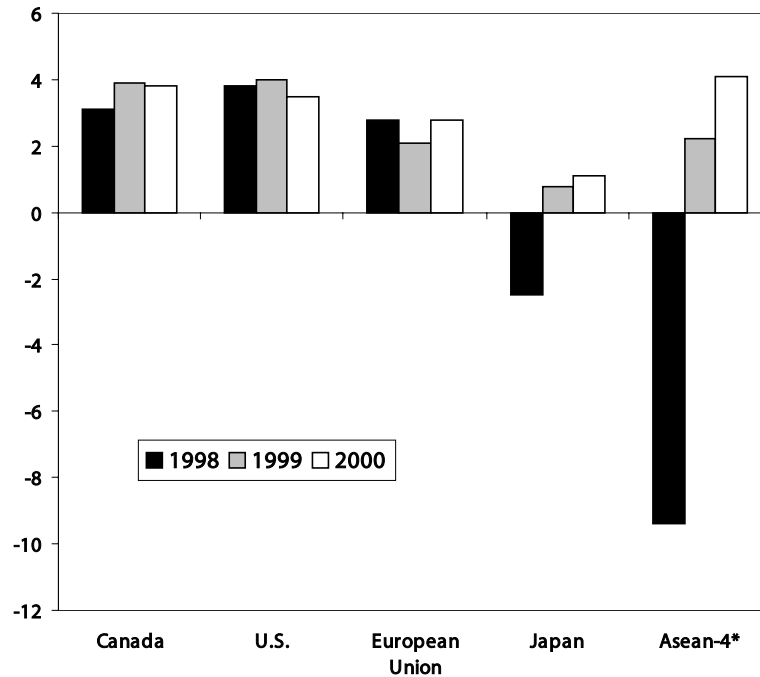
"The oil and gas sector is obviously still critical to the province's economy, but economic activity continues to broaden further into petrochemicals, agrifood, high-tech and services."

CIBC Observations
September-October 1999

WORLD GROWTH STRENGTHENS

Real Gross Domestic Product (per cent change)

- The global economy fared better than expected in 1999 because of the recovery in Asia and more stable world financial markets.
- Global economic growth is expected to strengthen in 2000, with Asia (outside of Japan) taking the lead. Growth prospects for Europe and Latin America are also expected to improve.
- The U.S. economy, entering a record-breaking 10th year of continuous expansion, is expected to grow 3.5% in 2000, down slightly from 4.0% in 1999.
- As a result of stronger global demand and improved commodity prices, Canada is expected to lead G-7 countries in 2000 with growth of 3.8%, about the same as the estimated 3.9% growth in 1999.



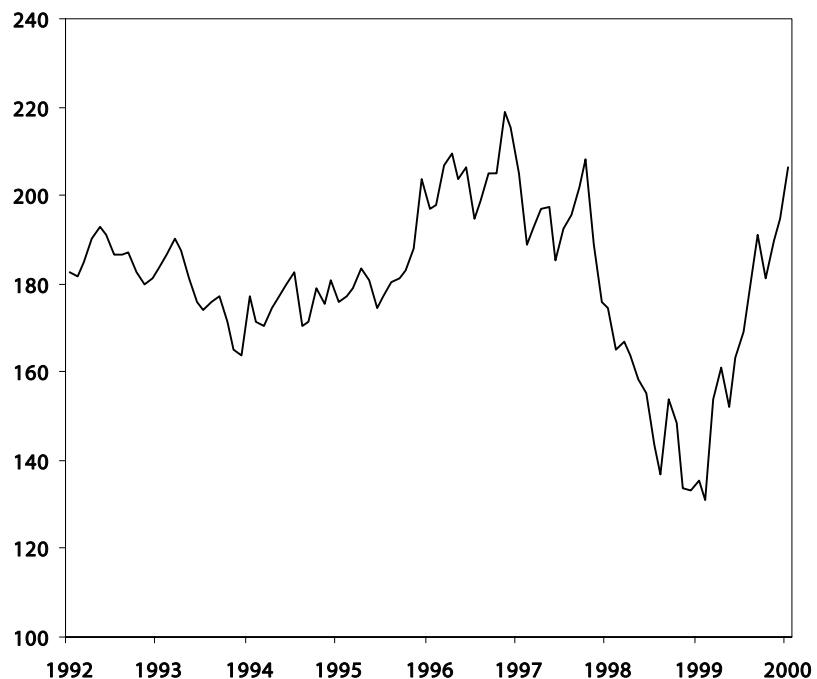
* Includes Malaysia, Thailand, Indonesia and the Philippines.

Source: IMF and Alberta Treasury

COMMODITY PRICES REBOUND

Goldman Sachs Commodity Index (1969 = 100)

- World commodity prices generally improved sharply in 1999, reflecting stronger economic growth. Crude oil production cutbacks by OPEC contributed to the particularly strong rise in oil prices.
- Commodity prices are expected to continue strengthening through 2000 because of stronger world economic growth.

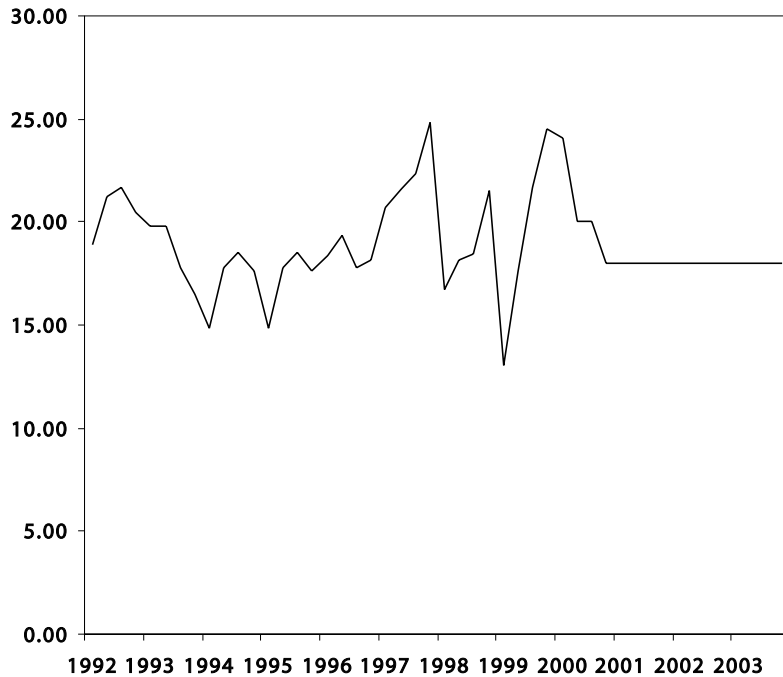


Source: Goldman Sachs

OIL PRICES TO STABILIZE

WTI Price (US\$/barrel, quarterly)

- Oil prices hit a 12-year low of US\$10.72 per barrel on December 10, 1998. Since then, OPEC's success in adhering to production cuts agreed to in March 1999 and stronger global demand have boosted oil prices to an average of US\$27.06 per barrel in January 2000. Oil prices are expected to average US\$22 per barrel in the 1999-2000 fiscal year.
- In the 2000-01 fiscal year, world oil prices are expected to fall to US\$19 per barrel as more supply from OPEC and non-OPEC sources is brought into the market.
- Over the medium term, OPEC is expected to manage world supplies so that oil prices average US\$18 per barrel, although they will almost certainly fluctuate around this level.

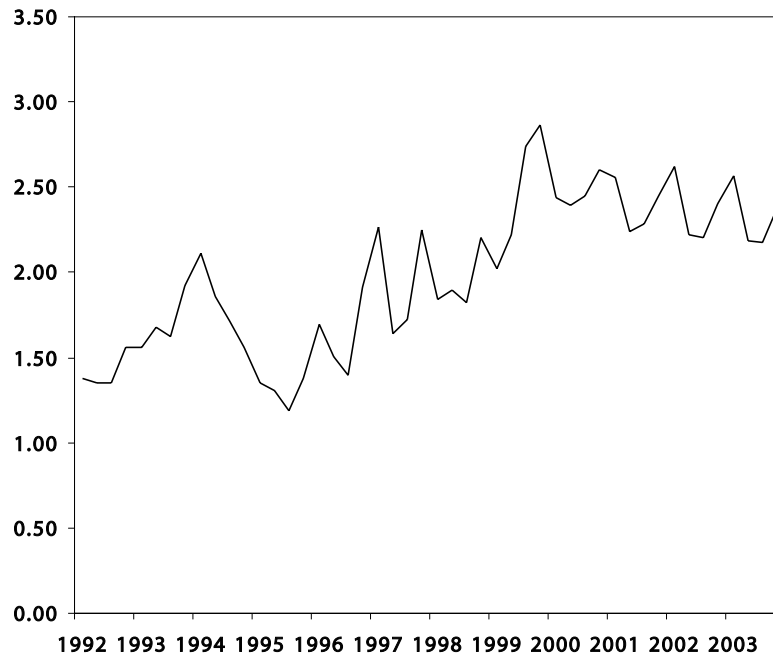


Source: Alberta Resource Development

- Natural gas prices peaked at \$3.23 per mcf in November 1999, the highest since deregulation in the mid-1980s. Increased pipeline capacity eliminated shut-in gas and allowed Alberta prices to converge with U.S. prices. The Alberta natural gas reference price is expected to average \$2.58 per mcf in 1999-2000.
- In 2000-01, tight U.S. market conditions and high oil prices are expected to keep natural gas prices firm at \$2.50 per mcf. In the longer run, oil prices tend to act as a ceiling on gas prices since many large industrial users have dual fuel capability.
- Increased natural gas drilling in Canada and the United States and rising exports to the United States are expected to put downward pressure on U.S. gas prices in the medium term. As a result, the Alberta reference price is expected to average \$2.40 per mcf in 2001-02 and \$2.35 per mcf in 2002-03.

NATURAL GAS PRICES STRONG

Alberta Reference Price (Cdn\$/mcf, quarterly)

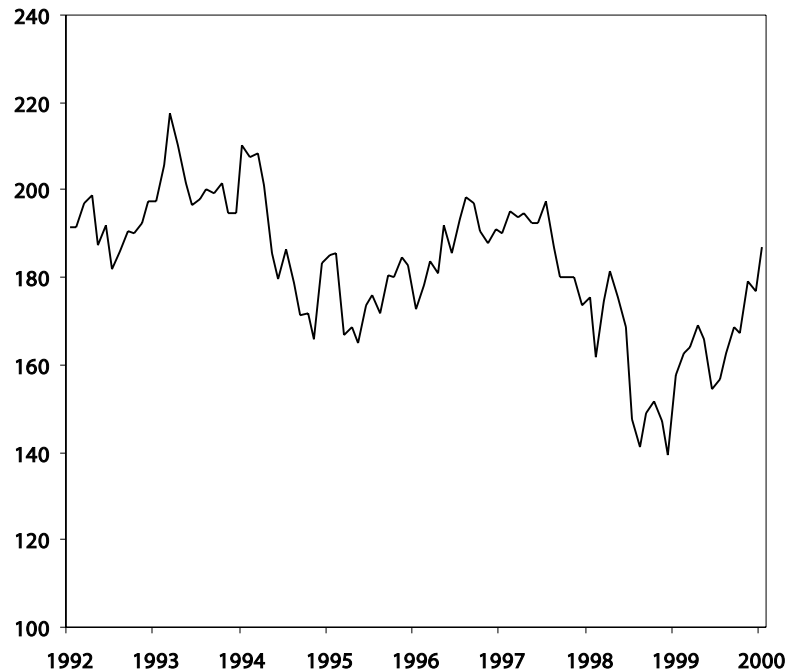


Source: Alberta Resource Development

LIVESTOCK PRICES REBOUND

Goldman Sachs Livestock Subindex (1969 = 100)

- Alberta hog prices bottomed at the end of 1998. Although current hog prices are up 142% from their lows, they are only just approaching 5-year average levels.
- Cattle prices remained high throughout 1999 and are substantially above their 5-year average.
- Farm cash receipts for Alberta's livestock sector rose by an estimated 8.0% in 1999, and are expected to grow by a further 5.5% in 2000.

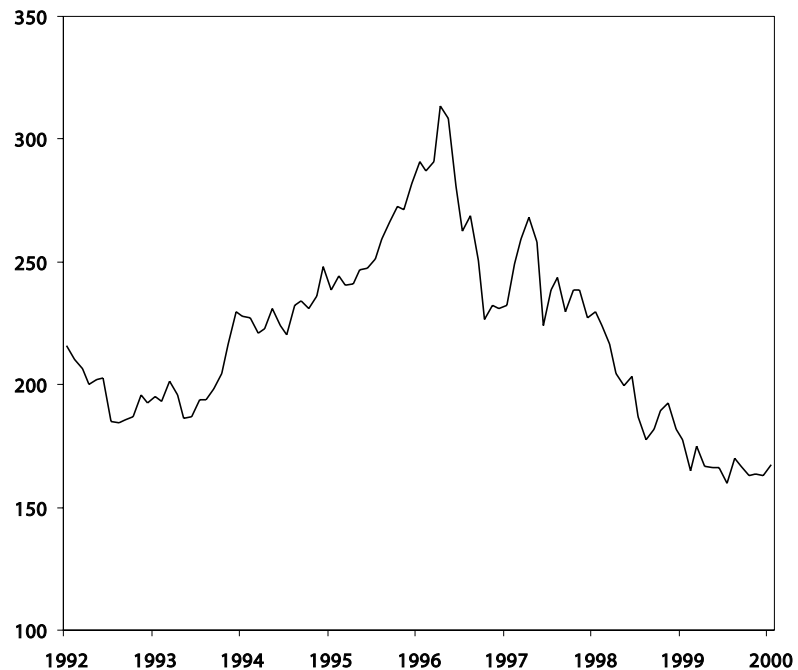


Source: Goldman Sachs

GRAIN PRICES REMAIN SOFT

Goldman Sachs Agriculture Subindex (1969 = 100)

- Unlike most commodities, grain and oilseeds prices have shown few signs of recovery. They have declined significantly since their peak in mid-1996 and are currently over 20% below their 5-year average. Little improvement is expected this year.
- Low prices for grains and oilseeds led to an estimated decline of 6.5% in total Alberta crop receipts in 1999. Northern areas of the province were particularly hard hit because of abnormal weather conditions.
- However, the increased livestock receipts and government aid boosted total farm cash receipts by 2.1% in 1999 to \$6.5 billion. Although crop receipts are expected to decline by 2.7% in 2000, total farm cash receipts are expected to increase by 5.9% in 2000, because of higher livestock receipts and a near-doubling in government aid.

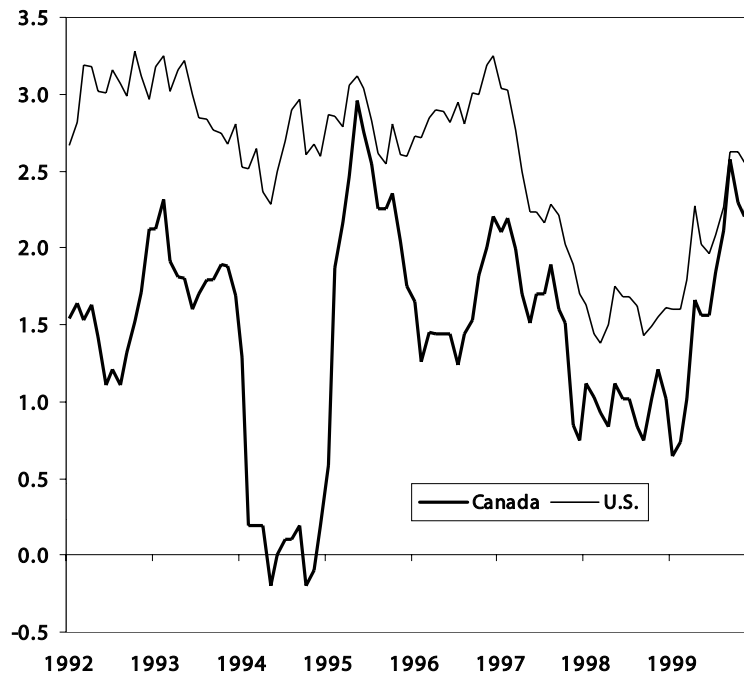


Note: Two thirds of the Goldman Sachs Agriculture Subindex is composed of grains.
Source: Goldman Sachs

INFLATION EDGING UP

Consumer Price Index (12-month per cent change)

- Inflation has risen in both Canada and the United States over the past year because of higher commodity and import prices. The CPI inflation rate averaged 2.2% in the United States and 1.7% in Canada in 1999.
- Inflation concerns are rising. Strong growth in both economies has brought unemployment rates to long-term lows. The current U.S. unemployment rate of 4.0% is the lowest since January 1970, while the current Canadian unemployment rate of 6.8% is the lowest since April 1976. There is a risk that tight labour markets are about to begin putting upward pressure on wages and prices.

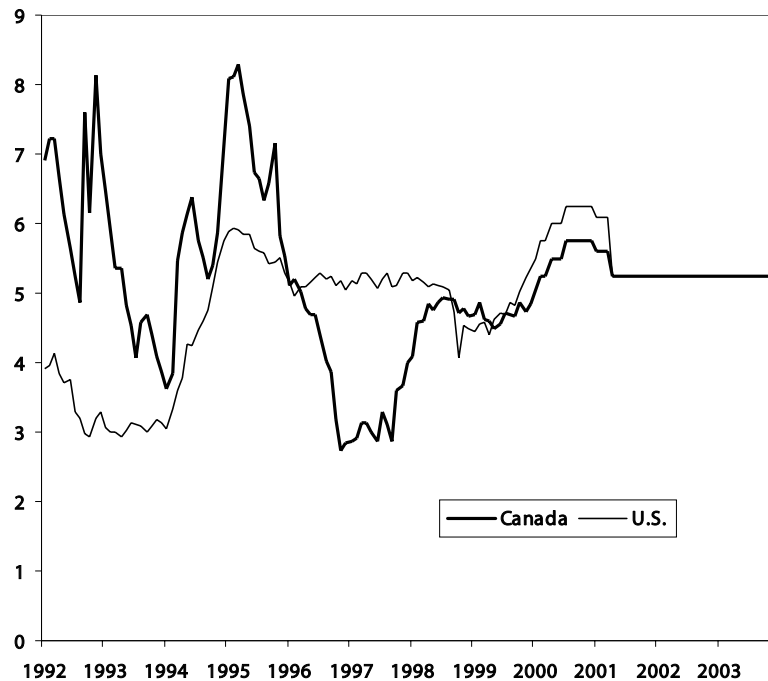


Source: Statistics Canada and U.S. Department of Labor

INTEREST RATES RISING

3-month Treasury Bills (per cent)

- With concerns over inflation rising, the U.S. Federal Reserve has raised U.S. short-term interest rates 100 basis points since last summer. Major central banks in Europe have also raised rates. Further rate increases are likely, particularly in the United States.
- The Bank of Canada has matched the last two increases in U.S. interest rates, as strong economic growth in Canada and a sharp fall in the unemployment rate raised inflation concerns. The Bank is expected to match further U.S. rate increases in 2000.
- Canadian short-term interest rates are expected to rise from 4.8% in 1999-2000 to 5.65% in 2000-01, and then fall to 5.25% as growth slows to a more sustainable pace.

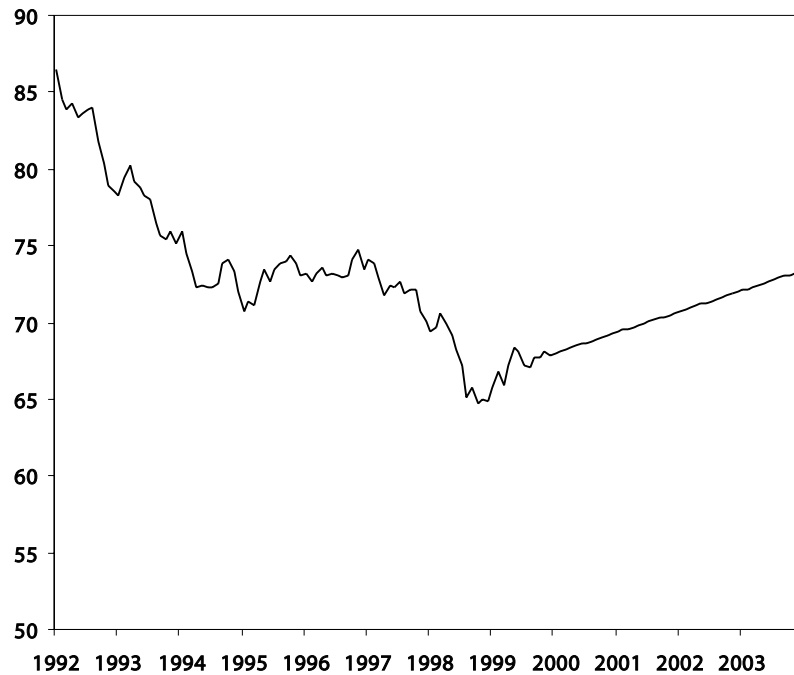


Source: Alberta Treasury, Bank of Canada and Federal Reserve Bank of St. Louis

CANADIAN DOLLAR RECOVERS

(US cents/Cdn\$)

- The Canadian dollar reached an all-time low of 63.4 cents in August 1998. Rising energy prices and a return to stability in world financial markets allowed the Canadian dollar to strengthen in 1999, even though the Bank of Canada cut interest rates in the spring.
- Strong fundamentals, such as the low inflation environment, a declining debt burden, strong exports and reasonably stable commodity prices, are expected to result in the dollar appreciating over the medium term.

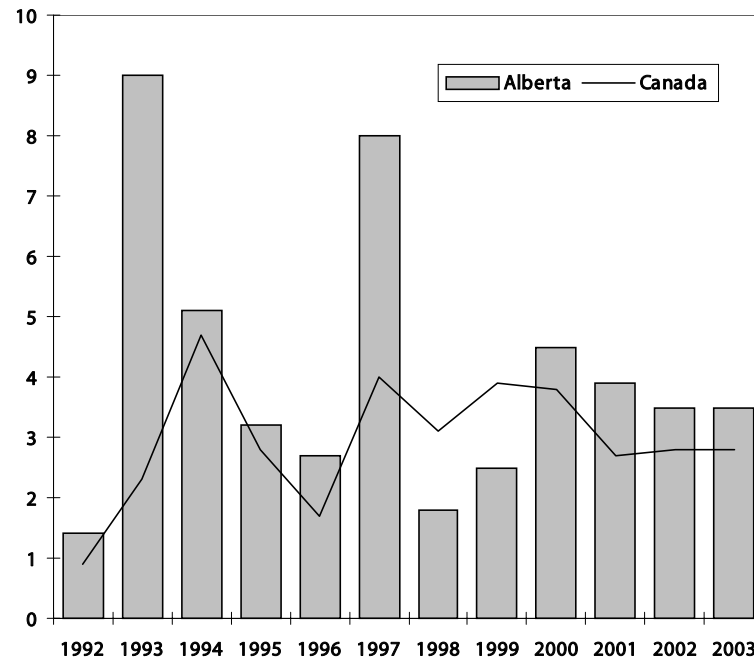


Source: Bank of Canada and Alberta Treasury

ECONOMIC ACTIVITY IN ALBERTA REBOUNDS

Real Gross Domestic Product (per cent change)

- After growing by an estimated 2.5% in 1999, the Alberta economy is expected to rebound in 2000 with 4.5% growth, led by a surge in energy sector investment. Canada as a whole is expected to grow by 3.8%.
- The private sector consensus expects Alberta to grow by 4.0% in 2000, ranging from a low of 3.2% to a high of 5.0%.
- Although energy prices are expected to fall back to more sustainable levels in the medium term, Alberta's diversified economy is expected to expand at a healthy 3.6% annual average growth rate, led by exports and investment.

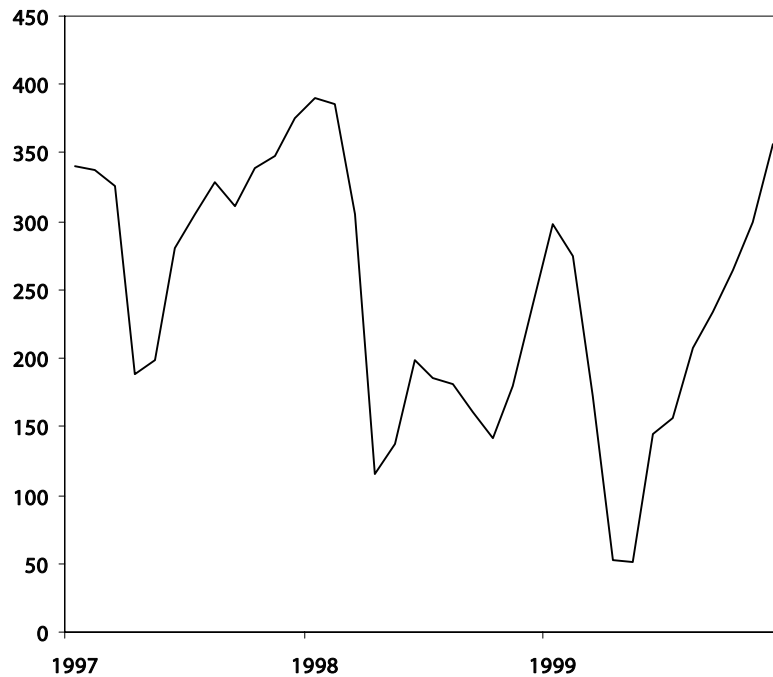


Source: Statistics Canada and Alberta Treasury

RIG ACTIVITY UP SHARPLY

(number of rigs drilling)

- A strong rebound in energy sector activity is already underway. In the first half of 1999, rig activity was weak as cash-constrained producers suspended exploration and drilling activity. As energy prices rose, however, activity began to strengthen. In the last five months of 1999, the number of rigs drilling was 51% higher than the same period in 1998. Even so, the average number of rigs drilling in Alberta declined 4.1% to 209 rigs for 1999 as a whole.
- Rig activity is expected to continue rising in 2000 as energy prices remain firm. The Canadian Association of Oilwell Drilling Contractors is projecting a 35% increase in wells drilled in Alberta this year.

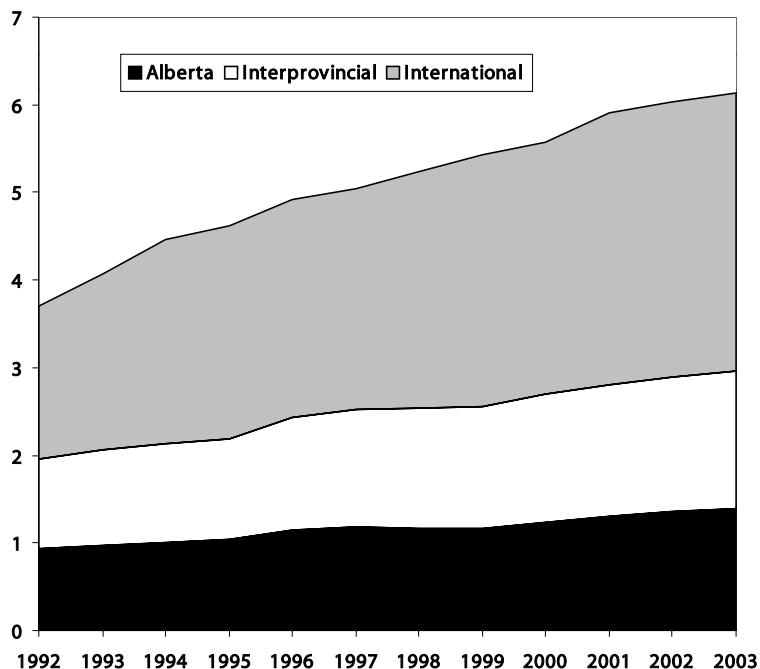


Source: Alberta Resource Development

GAS SALES EXPAND WITH PIPELINE CAPACITY

(trillions of cubic feet)

- Rising natural gas pipeline capacity to the United States and eastern Canada explain part of the increased drilling activity in Alberta. In 1999, Alberta natural gas sales rose an estimated 3.6%, led by a 6.5% increase in exports to the United States. Sales within Alberta rose an estimated 0.9% and sales to other provinces were virtually unchanged.
- In 2000, total gas sales are expected to increase by about 3%, led by sales within the province due to increased demand for electricity generation and industrial uses.
- With the completion of the Alliance Pipeline in late 2000, Alberta gas exports to the United States are expected to rise by over 7% in 2001.

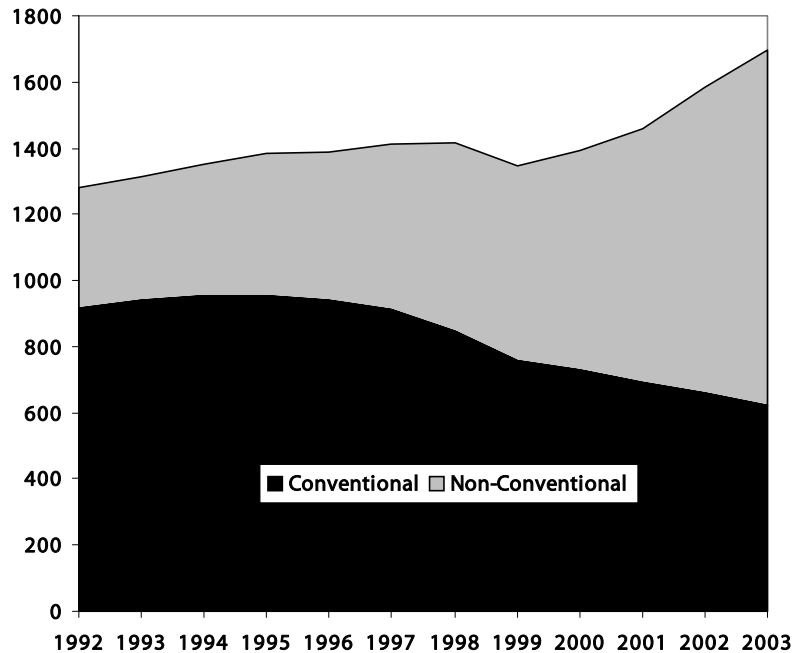


Source: Alberta Resource Development

NON-CONVENTIONAL OIL PRODUCTION SURGES

(thousands of barrels per day)

- A major structural change is taking place in Alberta's oil sector, as companies shift their investment plans to oil sands from conventional oil properties. Production of conventional oil is projected to decline by 18% by 2003 from current levels.
- Non-conventional oil production is forecast to rise 81% from current levels by 2003. It is expected to account for over 60% of Alberta's oil production in 2003, compared to an estimated 44% in 1999.
- The increase is led by Suncor's Project Millennium (due to come on stream in 2002), Syncrude's Aurora mine project, Imperial Oil's Cold Lake expansion and Shell's Muskeg River Project (all due to start production in 2003).

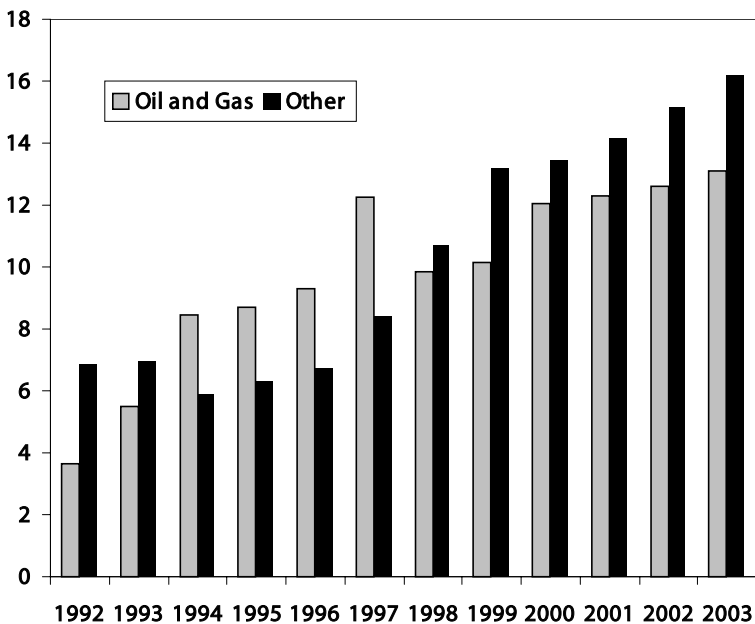


Source: Alberta Resource Development

INVESTMENT STRENGTHENS

Alberta Real Business Investment (1992\$ billions)

- In 1999, real business investment grew by an estimated 13.6%, led by non-energy investment activity. Energy investment rose by an estimated 3%, due to strong oilsands investment.
- An 18% increase in energy investment is expected to lead economic growth in Alberta this year.
- Over the medium term, non-energy investment is expected to grow more rapidly (6.3% per year on average) than energy investment (2.9% per year on average). This is because of large projects in petrochemicals (\$2.8 billion), forestry (\$1.2 billion), and pipelines (\$5.5 billion) and Alberta's increasingly diversified economy. High levels of oilsands investment will keep energy investment high, despite an expected decline in conventional spending.

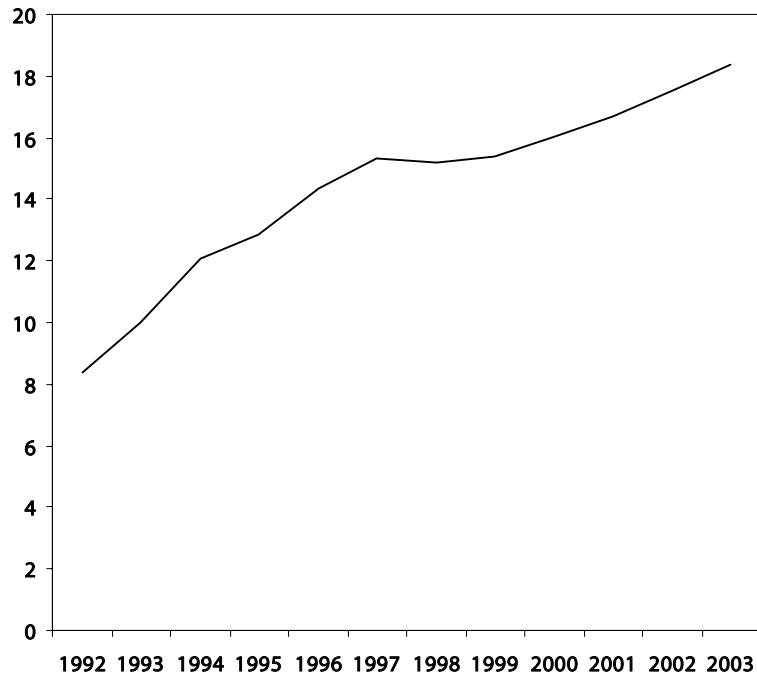


Source: Statistics Canada and Alberta Treasury

ALBERTA MANUFACTURING EXPORTS GROWING

Alberta Real Manufacturing Exports (1992\$ billions)

- Real manufacturing exports showed a modest recovery in 1999, rising by an estimated 1.6%. Growth was led by the petroleum and coal products, and pulp and paper products sectors.
- Manufacturing exports are expected to grow by 4.5% per year over the forecast period, reflecting continued strong demand for petrochemicals and major petrochemical projects coming on stream. Strong growth is also expected from advanced technology products, food processing, and forest products.

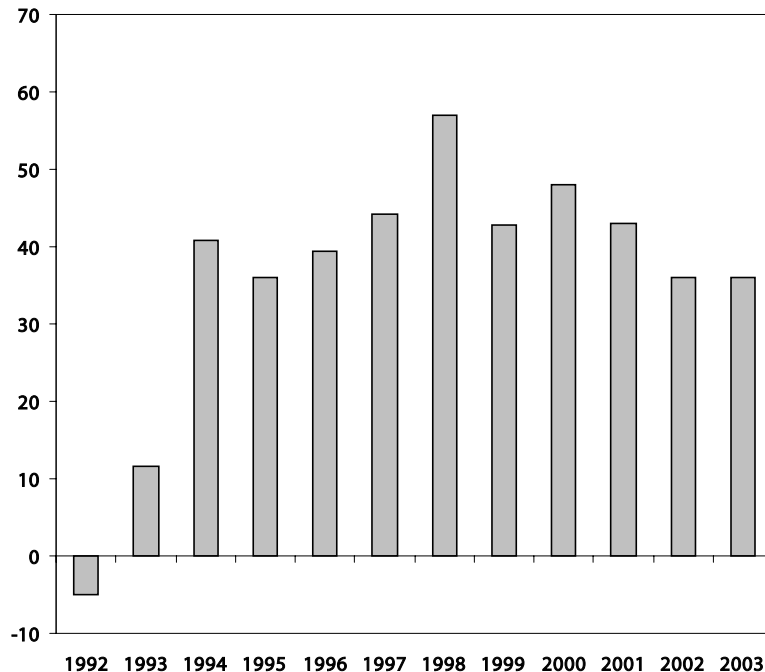


Source: Statistics Canada and Alberta Treasury

JOB GROWTH CONTINUES

(change in employment, thousands)

- A record 1,556,800 Albertans were employed in 1999. Over 80% of these jobs were full time. Employment in 1999 rose by 42,800 jobs or 2.8%.
- The Alberta economy is expected to create 48,000 jobs in 2000, led by broad-based gains in construction and business services.
- Over the medium term, employment in Alberta is expected to grow at an average rate of 2.4% per year.
- Approximately 163,000 new jobs are forecast to be created by 2003.

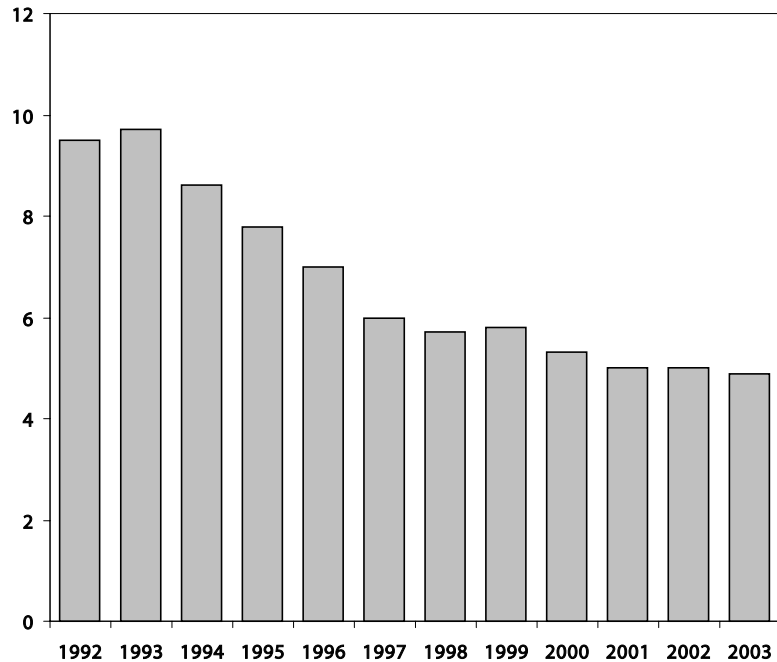


Source: Statistics Canada and Alberta Treasury

DECLINING UNEMPLOYMENT RATE

(per cent)

- Alberta's strong net in-migration pushed up our unemployment rate slightly to 5.8% in 1999. This was the second lowest among provinces, behind Manitoba (5.6%). The national unemployment rate averaged 7.6% in 1999.
- In January, Alberta's unemployment rate was 5.2%. During 2000, the unemployment rate is expected to hover around current levels.
- Over the forecast period, Alberta's unemployment rate is expected to decline steadily to 4.9% by 2003, a very low level by historical standards.

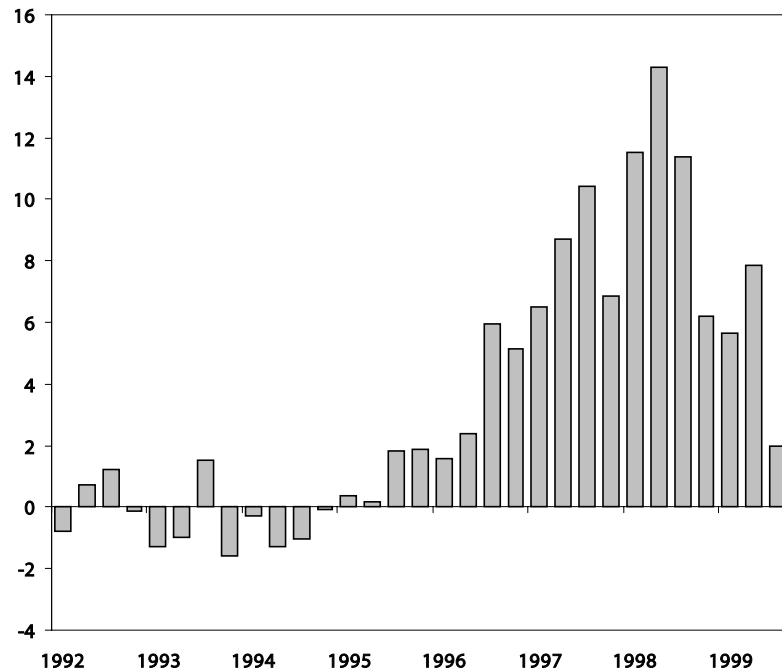


Source: Statistics Canada and Alberta Treasury

PEOPLE STILL MOVING TO ALBERTA

Alberta Net Interprovincial Migration (thousands, quarterly)

- Good employment prospects, low taxes and a dynamic economy continue to attract people from other provinces, particularly British Columbia.
- In the 12 months ended June 30, 1999, Alberta's net interprovincial migration reached 31,064, the highest among provinces and 83% higher than second place Ontario.
- A booming Ontario economy has reduced net interprovincial migration to Alberta in recent months, raising concerns about possible shortages of skilled labour.

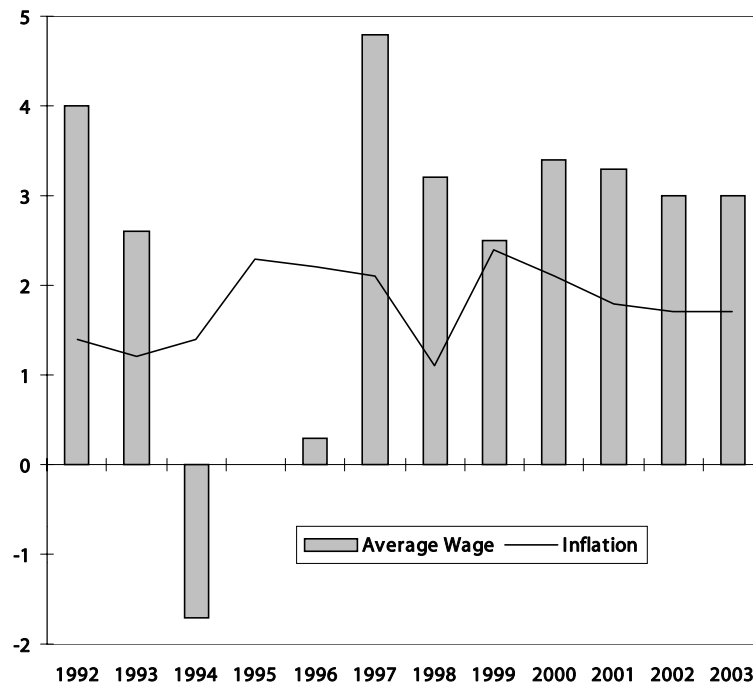


Source: Statistics Canada

REAL WAGE GROWTH IN ALBERTA

(per cent change)

- Alberta has experienced real wage gains since 1997. This trend is expected to continue through 2003, with wage growth expected to average 3.2% per year. This is about 1.4 percentage points above the average CPI inflation rate.
- Strong labour market fundamentals, including broad-based employment growth and continued low inflation account for this trend.
- After-tax personal income is expected to grow by an average of 5.5% over the 2000-2003 period, due to healthy wage gains and implementation of the Alberta Tax Plan.

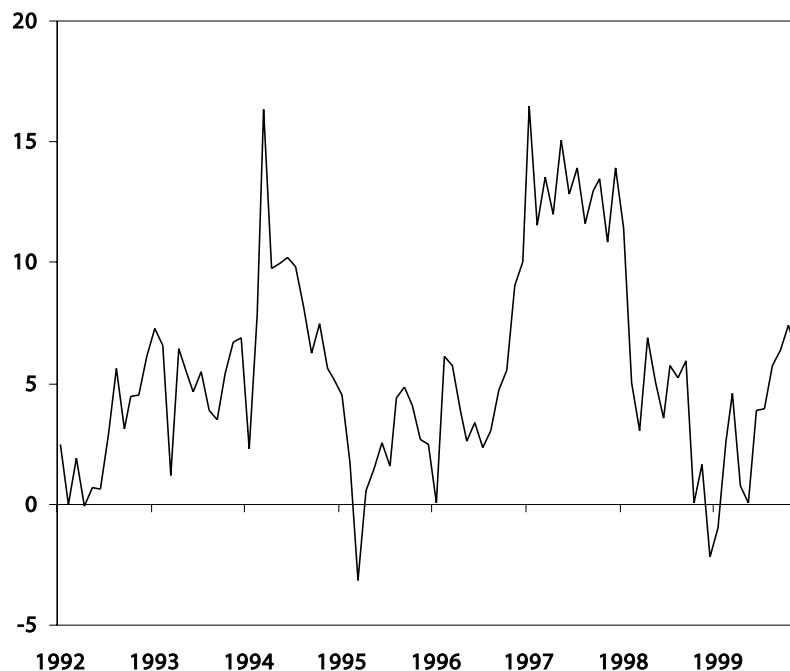


Source: Statistics Canada and Alberta Treasury

ALBERTA RETAIL SALES RECOVERING

(12-month per cent change)

- Retail sales in Alberta are recovering after a weak start in the first half of 1999. Retail sales rose by 3.7% through November, while national sales rose by 5.4%.
- Growth in retail sales is expected to be over 5% in 2000. Strong growth in employment and wages are expected to maintain strong consumer confidence and retail sales.
- Alberta continues to lead the country in retail sales per capita.

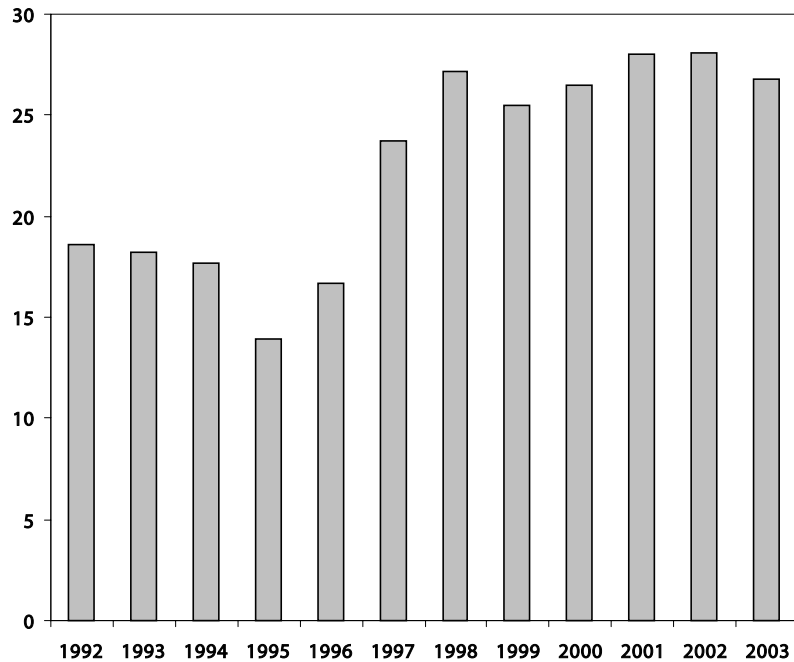


Source: Statistics Canada

HOUSING STRONG

Alberta Housing Starts (thousands of units)

- Housing starts in Alberta were weak in the first half of 1999, before picking up in the second half. For the year as a whole, housing starts were 25,536 units. This is down 5.8% from 1998, but still high compared to the late 1980s and early 1990s. By comparison, national housing starts rose by 9.1%.
- Stronger economic activity in Alberta in 2000 is expected to lead to 26,500 housing starts, a 3.8% rise.
- Over the medium term, total housing starts in Alberta are expected to average about 27,600 per year, as continued growth in population, disposable income and employment growth maintain strong demand for housing in Alberta.

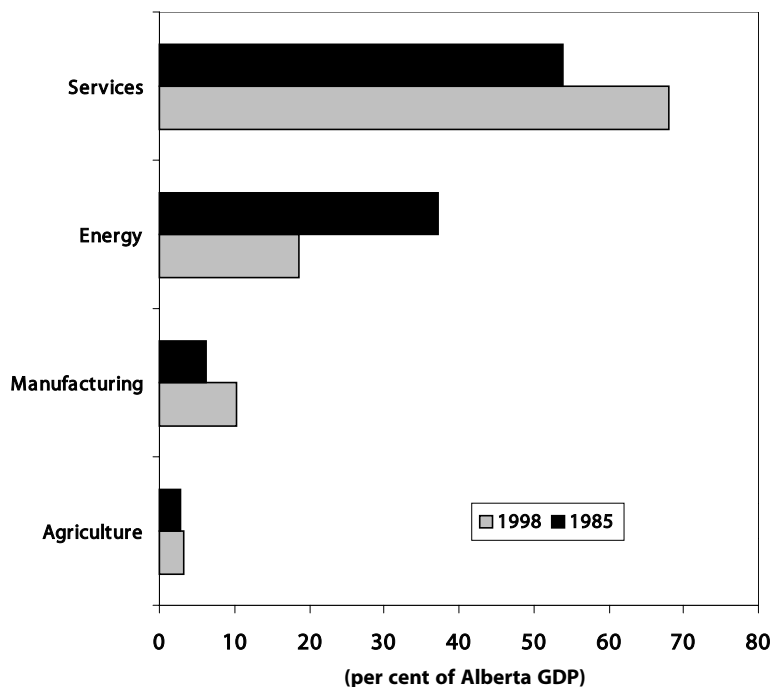


Source: Canada Mortgage and Housing Corporation and Alberta Treasury

DIVERSIFICATION STRENGTHENS ALBERTA

Nominal GDP by Industry

- Alberta's economy is now more diversified and less susceptible to volatile commodity price fluctuations than it was in the 1970s and early 1980s.
- Alberta's manufacturing sector has grown from 6.3% of GDP in 1985 to 10.3% in 1998. The services sector is up from 53.8% to 67.9%.
- In contrast, the energy sector has declined from 37.2% of GDP to 18.5%. This decline in the energy sector has been mirrored in Alberta's corporate income tax (CIT) receipts. In 1985-86, the energy sector contributed 60.5% of CIT revenues. By 1998-99, this had fallen to 9.6%.
- The agriculture sector's share of the economy has remained virtually unchanged since the mid 1980's.



Source: Alberta Treasury

Province of Alberta

Key Energy and Economic Assumptions^a

Fiscal Year Assumptions	1997-98 Actual	1998-99 Actual	1999-2000	2000-01	2001-02	2002-03
Prices						
Oil price						
WTI (US\$/bbl)	18.93	13.73	22.00	19.00	18.00	18.00
Alberta wellhead (Cdn\$/bbl)	22.25	16.92	28.91	23.59	21.44	20.80
Natural gas price						
Alberta wellhead (Cdn\$/mcf)	1.86	1.98	2.58	2.50	2.40	2.35
Exchange rate (US\$/Cdn\$)	72.1	66.5	67.8	68.5	70.0	71.5
Production						
Crude oil and equivalent (000's barrels/day)	1,554	1,526	1,509	1,543	1,607	1,771
Natural gas (billions of cubic feet)	5,216	5,283	5,462	5,661	5,933	6,053
Interest rates^b						
3-month Canada treasury bills (per cent)	3.50	4.80	4.80	5.65	5.25	5.25
10-year Canada bonds (per cent)	6.00	5.20	5.90	6.75	6.25	6.25
Calendar Year Assumptions						
	1998 Actual	1999	2000	2001	2002	2003
Gross Domestic Product						
Nominal (millions of dollars)	104,293	113,855	121,218	125,456	131,754	138,194
per cent change	-1.2	9.2	6.5	3.5	5.0	4.9
Real (millions of 1992 dollars)	99,009	101,465	105,995	110,101	113,929	117,862
per cent change	1.8	2.5	4.5	3.9	3.5	3.5
Other Indicators						
Employment (thousands)	1,514	1,557 ^c	1,605	1,648	1,684	1,720
per cent change	3.9	2.8 ^c	3.1	2.7	2.2	2.1
Unemployment rate (per cent)	5.7	5.8 ^c	5.3	5.0	5.0	4.9
Housing starts (number of units)	27,122	25,536 ^c	26,500	28,000	28,100	26,800
Alberta Consumer Price Index						
per cent change	1.1	2.4 ^c	2.1	1.8	1.7	1.7
Population (thousands)	2,907	2,965 ^c	3,018	3,067	3,117	3,164
per cent change	2.5	2.0 ^c	1.8	1.6	1.6	1.5

^a As required by the Government Accountability Act.

^b For debt servicing calculations, appropriate Alberta spreads are applied to Government of Canada yields.

^c Actual

Sensitivities to Fiscal Year Assumptions, 2000-01

	Sensitivities ^a (\$ millions)			
	Change	Revenue	Spending	Net Change
Oil Price (WTI US\$/bbl)	-\$1.00	-150	—	-150
Natural Gas Price (Cdn\$/mcf)	-10¢	-154	—	-154
Exchange Rate (US¢/Cdn\$)	+1¢	-82	-30	-52
Interest Rates	+1%	+5	+40	-35
Real Gross Domestic Product	-1%	-76 ^b	—	-76

^a 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.

^b Net change in income taxes and the Canada Health and Social Transfer.

Risks to the Forecast

UPSIDE RISKS

- Economic growth in the United States and the rest of Canada may be stronger than expected as economists may yet again be underestimating the strength of the U.S. economy. While this would raise short-term growth prospects for the Alberta economy, it would also raise the possibility of a boom-and-bust cycle.
- OPEC could manage production so that strengthening global demand would lead a smaller decline in oil prices than currently expected. Alberta would benefit through increased energy industry activity and higher resource and taxation revenue.

DOWNSIDE RISKS

- If the United States continues to grow at its current rapid pace, the U.S. Federal Reserve may be forced to increase interest rates more than expected to dampen inflationary pressures. This could trigger a sharp slowdown in both the United States and Canada, which would dampen economic activity in Alberta, although the main effects would not likely be felt until 2001. Lower economic activity in Alberta would reduce provincial revenues, while higher interest rates would raise debt servicing costs for the province. Alberta's economic cushion, however, helps protect against these risks.
- A larger than expected decline in energy prices would dampen Alberta's medium-term investment outlook as projects are either delayed or suspended, and drilling activity weakens. Again, the economic cushion should help protect Alberta's fiscal position.
- Rising inflation is another potential concern for the Alberta economy. In December 1999, Alberta's inflation rate stood at 3.3%, compared to the national average of 2.6%. While the rise over the last year was primarily due to the run-up in energy prices in recent months and rising shelter costs, shortages of skilled labour could lead to entrenched wages pressures over the medium term. These trends could become a restraint on growth as higher costs become embedded in the economy in the form of higher prices and wages.

Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

Organization	2000	2001	2002	2003
National Forecasting Agencies				
Conference Board of Canada (Jan/00)	21.23	18.71	18.68	19.02
Standard and Poor's DRI (Dec/99)	19.89	19.07	19.17	19.27
The WEFA Group (Jan/00)	23.53	21.07	21.95	22.34
Investment Houses				
BT Bank ^a (Jan/00)	24.25	20.30	19.10	18.95
CS First Boston (Jan/00)	20.50	19.50	18.50	n/a
Goldman Sachs (Jan/00)	19.00	19.50	18.50	n/a
JP Morgan (Jan/00)	23.00	20.00	n/a	n/a
Lehman Brothers (Jan/00)	20.00	19.00	19.25	n/a
RBC Dominion Securities (Jan/00)	23.00	21.00	n/a	n/a
Industry Analysts				
ARC Financial Corporation (Jan/00)	21.50	20.00	21.00	22.00
Peters & Co. Limited (Jan/00)	20.00	20.00	n/a	n/a
High	24.25	21.07	21.95	22.34
Low	19.00	18.71	18.50	18.95
Average	21.45	19.83	19.52	20.32
Alberta Government (calendar year)	20.53	18.00	18.00	18.00

^a Forward prices as of January 24, 2000.

Natural Gas Price Forecast Benchmark

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

Organization	2000	2001	2002	2003
ARC Financial Corporation (Jan/00)	3.00	2.85	2.70	2.60
Gilbert Lausten Jung Associates (Jan/00)	2.80	2.65	2.55	2.55
Levesque Beaubien Geoffrion (Jan/00)	2.75	2.95	n/a	n/a
Merrill Lynch (Jan/00)	2.30	2.45	n/a	n/a
Peters & Co. Limited (Jan/00)	2.75	2.75	n/a	n/a
RBC Dominion Securities (Jan/00)	2.85	3.00	n/a	n/a
High	3.00	3.00	2.70	2.60
Low	2.30	2.45	2.55	2.55
Average	2.74	2.78	2.63	2.58
Alberta Government (calendar year)	2.45^a	2.37	2.34	2.27

^a This translates into a price of Cdn\$2.50/mcf for the 2000-01 fiscal year.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Canadian Treasury Bills (per cent)

Organization	2000	2001	2002	2003
National Forecasting Agencies				
Conference Board of Canada (Dec/99)	5.15	5.21	5.22	4.97
Standard and Poor's DRI (Jan/00)	5.42	5.60	5.04	5.08
The WEFA Group (Dec/99)	4.98	5.39	5.46	5.47
Banks				
Bank of Montreal (Jan/00)	5.48	5.38	n/a	n/a
Canadian Imperial Bank of Commerce (Jan/00)	5.49	n/a	n/a	n/a
Royal Bank (Jan/00)	5.10	4.40	4.20	n/a
Scotiabank (Jan/00)	5.68	5.20	n/a	n/a
Toronto Dominion Bank (Jan/00)	5.25	5.25	n/a	n/a
Investment Dealers				
CIBC Wood Gundy (Jan/00)	5.19	5.48	n/a	n/a
Nesbitt Burns (Jan/00)	5.59	5.31	n/a	n/a
High	5.68	5.60	5.46	5.47
Low	4.98	4.40	4.20	4.97
Average	5.33	5.25	4.98	5.17
Alberta Government (calendar year)	5.56	5.34	5.25	5.25

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bond Yield (per cent)

Organization	2000	2001	2002	2003
National Forecasting Agencies				
Conference Board of Canada (Dec/99)	6.43	6.35	6.50	6.52
Standard and Poor's DRI (Jan/00)	6.28	6.03	5.80	5.86
The WEFA Group (Dec/99)	6.13	6.42	6.54	6.50
Banks				
Bank of Montreal (Jan/00)	6.70	6.23	n/a	n/a
Canadian Imperial Bank of Commerce (Jan/00)	6.30	n/a	n/a	n/a
Royal Bank (Jan/00)	6.10	5.50	5.40	n/a
Scotiabank (Jan/00)	6.64	5.89	n/a	n/a
Toronto Dominion Bank (Jan/00)	6.40	6.15	n/a	n/a
Investment Dealers				
CIBC Wood Gundy (Jan/00)	6.58	6.68	n/a	n/a
Nesbitt Burns (Jan/00)	6.43	5.78	n/a	n/a
High	6.70	6.68	6.54	6.52
Low	6.10	5.50	5.40	5.86
Average	6.40	6.11	6.06	6.29
Alberta Government (calendar year)	6.69	6.38	6.25	6.25

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	1999	2000	2001	2002	2003
National Forecasting Agencies					
Conference Board of Canada (Nov/99)	0.9	4.0	3.0	3.6	2.9
Standard and Poor's DRI (Jan/00)	1.6	4.6	4.1	3.6	3.8
The WEFA Group (Jan/00)	3.1	3.8	3.8	3.0	3.2
Banks					
Bank of Montreal (Oct/99)	3.0	3.9	2.7	n/a	n/a
Canadian Imperial Bank of Commerce (Dec/99)	3.5	4.0	n/a	n/a	n/a
Royal Bank (Nov/99)	3.0	3.2	2.9	n/a	n/a
Scotiabank (Jan/00)	3.0	4.8	4.0	n/a	n/a
Toronto Dominion Bank (Jan/00)	1.5	3.8	4.0	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Nov/99)	2.2	3.2	n/a	n/a	n/a
Nesbitt Burns (Nov/99)	4.0	5.0	n/a	n/a	n/a
High	4.0	5.0	4.1	3.6	3.8
Low	0.9	3.2	2.7	3.6	2.9
Average	2.6	4.0	3.5	3.4	3.3
Alberta Government (calendar year)	2.5	4.5	3.9	3.5	3.5

Canada/United States Exchange Rate Forecast Benchmark

(US\$/Cdn\$)

Organization	2000	2001	2002	2003
National Forecasting Agencies				
Conference Board of Canada (Dec/99)	69.2	70.6	72.2	72.9
Standard and Poor's DRI (Jan/00)	68.9	71.1	73.3	74.6
The WEFA Group (Dec/99)	68.8	70.4	71.8	72.6
Banks				
Bank of Montreal (Dec/99)	70.1	71.4	n/a	n/a
Canadian Imperial Bank of Commerce (Jan/00)	69.9	n/a	n/a	n/a
Royal Bank (Jan/00)	69.9	71.0	71.4	n/a
Scotiabank (Jan/00)	70.5	72.4	n/a	n/a
Toronto Dominion Bank (Jan/00)	70.0	72.9	n/a	n/a
Investment Dealers				
CIBC Wood Gundy (Jan/00)	68.5	69.7	n/a	n/a
Nesbitt Burns (Jan/00)	70.7	71.0	n/a	n/a
High	70.7	72.9	73.3	74.6
Low	68.5	69.7	71.4	72.6
Average	69.7	71.2	72.2	73.4
Alberta Government (calendar year)	68.3	69.6	71.2	72.3

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$bbbl)

Organization	How Did They Do 1999 ^a	What They Were Saying About 2000 in Budget '99 ^b	What They Are Saying About 2000 in Budget 2000 ^b
Actual	19.30		
ARC Financial Corporation	-4.80	17.00	21.50
BT Bank	-7.82	14.04	24.25
Conference Board of Canada	-8.13	12.86	21.23
CS First Boston	-3.55	17.50	20.50
Goldman Sachs	-4.80	16.50	19.00
JP Morgan	-4.80	17.50	23.00
Lehman Brothers	-5.30	16.00	20.00
Peters & Co. Limited	-6.80	16.00	20.00
RBC Dominion Securities	-4.30	17.00	23.00
Standard and Poor's DRI	-4.87	15.53	19.89
The WEFA Group	-5.68	15.43	23.53
Average	-5.53	15.94	21.45
Alberta Government	-6.30	14.84	20.53

^a This compares an organization's forecast for 1999 at the time of Budget '99 to what actually happened. A minus sign indicates underestimation; a plus sign indicates overestimation.

^b This shows how the forecast for 2000 has changed over the last year.

Tracking the Forecasts of Alberta Real GDP

(per cent change)

Organization	How Did They Do 1998 ^{a,b}	What They Were Saying About 1999 in Budget '99 ^c	What They Are Saying About 1999 in Budget 2000 ^c
Actual	1.8		
Bank of Montreal	+2.7	2.8	3.0
Canada Mortgage and Housing Corporation	+1.7	2.4	2.2
Canadian Imperial Bank of Commerce	+1.4	2.7	3.5
Conference Board of Canada	+0.3	1.5	0.9
Nesbitt Burns	+0.7	1.9	4.0
Royal Bank	+2.4	2.5	3.0
Scotiabank	+1.7	2.5	3.0
Standard and Poor's DRI	+1.4	1.2	1.6
Toronto Dominion Bank	+1.8	1.7	1.5
The WEFA Group	+2.0	2.2	3.1
Average	+1.6	2.1	2.6
Alberta Government (calendar year)	+1.3	2.4	2.5

^a This compares an organization's forecast for 1998 at the time of Budget '99 to what actually happened. A minus sign indicates underestimates and a plus sign indicates overestimates.

^b 1998 is the latest year for actual real GDP data.

^c This shows how the forecast for 1999 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
OIL AND GAS				
Alberta Energy Company	Foster Creek	Steam Assisted Gravity Drainage (SAGD) Bitumen Project - Phase 1	240	2000-2002
Black Rock Ventures	Cold Lake	Heavy Oil Commercial Facility	313	2000-2010
Canadian Natural Resources	Beartrap and Charlotte Lakes	In situ Bitumen Project	800	1997-2002
	Brintell/Pelican Lake	In situ Bitumen Project	200	1996-2000
	Primrose/Wolf Lake	In situ Bitumen Project	130	2000
Centurian Gas Liquids Inc.	Empress to Fort Saskatchewan	Straddle Plant and Pipeline Project	170	2000-2001
Gulf Canada Resources/ Fina Resources	Surmont	SAGD Bitumen Project - Phase 2	280	2001-2002
	Surmont	SAGD Bitumen Project - Phase 3	280	2003-2010
Husky Oil	Lloydminster	Upgrader Expansion/Debottlenecking	500	1998-2003
Imperial Oil	Cold Lake	Heavy Oil Plant Expansion Phases 11-13	650	1999-2001
	Cold Lake	Heavy Oil Plant Expansion Phases 14 and 15	470	2001-2003
	Sundre area	WestAlta Straddle Plant	250	2000-2001
Japan Canada Oil Sands	Hangingstone	SAGD Bitumen Project - Phase 3	129	2002
Koch Exploration/United Tri-Star Energy	Fort Hills	Oilsands Mining and Extraction Project	1,300	2002-2004
Mobil Oil Canada	Kearl Lake	Oilsands Mining and Extraction Project	1,700	2002-2005
	undetermined	Bitumen Upgrader	1,400	2002-2005
	Cold Lake	In situ Bitumen Project	100	1997-2005
Norcen Energy Resources	Provost/Lindberg	In situ Bitumen Project	400	1996-2000+
Nova Pipeline Ventures	Fort McMurray	Pipeline and By-Product Plant	164	1999-2000
Pan Canadian Petroleum	Christina Lake	SAGD Bitumen Project	590	2000-2002
Petro Canada	Mackay River	SAGD Bitumen Project	250	1998-2007

Announced Major Projects Over \$100 Million

Proposed or Under Construction

CompanyName	Location	Type of Project	Cost (\$millions)	Timing
OIL AND GAS (continued)				
Petrovera Resources	Lindbergh/Elk Point/Frog Lake/Marwayne	In situ Bitumen Projects	1,200	2000-2010
Ranger Oil Limited	Lindbergh/Wolf Lake/Elk Point/Cold Lake	SAGD Bitumen Projects	225	1996-2003
Shell Canada	Muskeg River	New Bitumen Mine	3,500	1999-2010
	Strathcona County	Bitumen Upgrader and Scotford Refinery Modifications	2,400	1999-2010
Suncor	Fort McMurray	Production Enhancement	190	1999-2001
	Fort McMurray	Project Millennium - Oilsands Plant Expansion	2,000	1999-2002
Syncrude Canada	Fort McMurray	Aurora Mine - Debottleneck 2	1,000	1999-2000
	Fort McMurray	Continuous Improvement Program	1,500	1997-2007
	Fort McMurray	Upgrader Expansion - Phase 1/ Aurora Mine Train 2	3,000	2000-2003
	Fort McMurray	Upgrader Expansion - Phase 2/ Aurora Mine Train 3	2,300	2004-2007
Union Pacific Resources Group	Cold Lake/Provost/Lindbergh	In situ Bitumen Projects	400	2001-2003
PIPELINES				
Alberta Energy Company	Fort McMurray to Edmonton	Alberta Oil Sands Pipeline	220	1999-2000
Alliance Pipeline Ltd Partnership	Fort St. John to Chicago	Natural Gas Pipeline	2,400	1999-2000
Enbridge Pipelines Inc.	Alberta to Chicago	Terrace Expansion Pipeline Project	650	1998-2002
	Fort McMurray to Hardisty	Wildrose Pipeline - Phase 2	237	2000-2001
Koch Oil/Imperial Oil/Amoco Canada	Cold Lake to Hardisty	ThickSilver Pipeline	250	2000-2002
Nova Gas Transmission	Throughout Alberta	Pipeline Capacity Additions	1,000	1999-2003
Trans Mountain Pipeline	Muskeg River to Strathcona County	"Corridor" Bitumen Pipeline	580	2000-2002

Announced Major Projects Over \$100 Million

Proposed or Under Construction

Company Name	Location	Type of Project	Cost (\$millions)	Timing
PETROCHEMICALS				
BP/Amoco Chemicals	Joffre	Linear Alpha Olefins Plant	400	1999-2001
Nova Chemicals	Joffre	Polyethylene Plant	395	1998-2000
Nova Chemicals/Union Carbide Canada	Joffre	Ethylene Plant	1,100	1998-2000
Shell Chemicals Canada	Strathcona County	Ethylene Glycol Plant	375	1998-2000
TransCanada Midstream/Suncor Energy	Redwater	Hydrocarbon Liquids Conservation Project	220	2001-2002
Union Carbide	Prentiss	Polyethylene Plant	316	1998-2000
FORESTRY				
Ainsworth Lumber Company	South of Grande Prairie	Mill Expansion	133	2000-2001
Footner Forest Products	High Level	Oriented Strandboard Plant	200	1999-2000
Grande Alberta Paper	Grande Prairie	Lightweight Coated Paper Mill	900	2002-2004
COMMERCIAL AND RETAIL CONSTRUCTION				
Camrose Development Ltd.	Edmonton	Retail Complex	250	1997-2002
Delcon Development Group Ltd.	Edmonton	Shopping Centre/Motel Namao Centre	115	1998-2000
Genesis Land Development	Kananaskis Country	Spray Lakes All-Season Recreation Complex	400	2001-2003
Heartland Development Corp.	Airdrie	Heartland Business Centre	500	1998-2010
OMERS Realty Corp./Oxford Properties Group Inc.	Calgary	Ernst & Young Tower	100	1998-2000
ONTREA	Calgary	Chinook Centre Expansion/Renovation	150	1997-2000
Stone Creek Properties	Canmore	Hotel/Resort Complex - Silvertip	270	1995-2015
Three Sisters Golf Resort/Dong Ah Construction	Canmore	Hotel/Housing Complex Phase 2	200	1998-2000
TransCanada Pipelines	Calgary	Office Tower	260	1998-2001
TrizecHahn Office Properties	Calgary	Bankers Hall, West Tower	170	1998-2000
Resortport Development Corp.	Calgary	Horse Racing Facility, Hotel and Golf Course	110	1999-2001

Announced Major Projects Over \$100 Million

Proposed or Under Construction

CompanyName	Location	Type of Project	Cost (\$millions)	Timing
OTHER				
Alberta Infrastructure	Alberta	Highway Twinning Project	1,000	1998-2007
Baconsfield Farms Ltd.	Edmonton area	Hog Breeding Farm & Processing Facility	130	1999-2005
Calgary Regional Airport Authority	Calgary	Airport Improvements	650	1998-2005
Cardinal River Coals	Hinton	Cheviot Open-Pit Coal Mine	250	2000-2002
City of Calgary	Calgary	Extension of South LRT Leg	175	1999-2001
City of Calgary	Calgary	Deerfoot Trail Extension	134	2000-2002
City of Calgary	Calgary	Northwest LRT Extension	131	1999-2003
Edmonton Regional Airport Authority	Leduc County	International Airport Terminal Improvements	300	1998-2002
Fieldboard International	Killam	Strawboard Plant	140	Proposed
Harvest Board International	County of Thorhild	Strawboard Plant	150	2000-2001
Union Carbide	Prentiss	Railyard	150	1999-2000
Valiant Country Place	Okotoks	Western Entertainment and Destination Facility	130	1997-2000
Various Irrigation Districts	Southern Alberta	Irrigation Systems	600	1997-2006
POWER PLANTS				
Air Liquide Canada	FortSaskatchewan	Cogeneration Power Plant	150	1999-2000
CU Power Canada Ltd.	Near Fort McMurray	Cogeneration Plant at Muskeg River Mine	200	2001-2002
EPCOR	Edmonton	Rossdale Generating Plant Upgrade	115	2000-2001
Nova Chemicals/EPCOR/Atco Power Canada	Joffre	Cogeneration Power Plant	380	1998-2000
Shell Canada/Air Products Canada	Strathcona County	Cogeneration Power Plant	120	2000-2002
TransAlta Utilities	Poplar Creek	Cogeneration Power Plant	315	1999-2001
TOTAL			45,152	