

ECONOMIC OUTLOOK

BUDGET
2004

ON ROUTE
ON COURSE

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Economic Outlook

The Alberta economy demonstrated its fundamental strength and resilience in 2003, growing by an estimated 3.1% despite some significant challenges. Alberta's economic growth was fuelled by a rebound in conventional energy investment and a robust household sector.

In 2004, an improving North American economy is expected to accelerate Alberta's growth to 3.6%. Over the medium term, economic growth is expected to average a healthy 3.1%, with the higher Canadian dollar and declining natural gas production moderating growth somewhat. Continued strong employment gains are expected to reduce Alberta's unemployment rate – already the lowest in Canada at the end of 2003 – to 4.1% by 2007.

Key Energy and Economic Assumptions

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|---------------|----------------------|---------|---------|---------|---------|
| Fiscal Year Assumptions | Actual | Actual | | | | |
| Prices | | | | | | |
| Oil Price | | | | | | |
| WTI (US\$/bbl) | 24.17 | 29.04 | 30.75 | 26.00 | 25.00 | 25.00 |
| Alberta Wellhead (Cdn\$/bbl) | 31.46 | 39.40 | 35.28 | 28.44 | 28.00 | 28.00 |
| Natural Gas Price | | | | | | |
| Alberta Reference Price (Cdn\$/mcf) | 3.94 | 4.98 | 5.64 | 4.20 | 4.15 | 4.01 |
| Alberta Reference Price (Cdn\$/GJ) | 3.74 | 4.72 | 5.35 | 3.98 | 3.94 | 3.80 |
| Production | | | | | | |
| Crude oil and equivalent (000's barrels/day) | 1,478 | 1,498 | 1,623 | 1,665 | 1,753 | 1,855 |
| Natural gas (billions of cubic feet) | 5,547 | 5,352 | 5,166 | 5,001 | 4,817 | 4,603 |
| Interest rates | | | | | | |
| 3-month Canada treasury bills (per cent) | 3.14 | 2.77 | 2.75 | 2.50 | 3.25 | 4.00 |
| 10-year Canada bonds (per cent) | 5.50 | 5.18 | 4.75 | 5.15 | 5.50 | 5.50 |
| Exchange rate (US¢/Cdn\$) | 63.9 | 64.6 | 74.3 | 77.0 | 77.0 | 77.0 |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Calendar Year Assumptions | Actual | Actual | | | | |
| Gross Domestic Product | | | | | | |
| Nominal (millions of dollars) | 150,292 | 172,103 ^a | 175,408 | 182,543 | 191,161 | 200,864 |
| per cent change | -0.2 | 14.5 | 1.9 | 4.1 | 4.7 | 5.1 |
| Real (millions of 1997 dollars) | 125,746 | 129,632 ^a | 134,336 | 138,463 | 142,499 | 147,180 |
| per cent change | 3.2 | 3.1 | 3.6 | 3.1 | 2.9 | 3.3 |
| Other Indicators | | | | | | |
| Employment (thousands) | 1,673.8 | 1,721.7 | 1,764.4 | 1,800.7 | 1,838.5 | 1,876.6 |
| per cent change | 2.6 | 2.9 | 2.5 | 2.1 | 2.1 | 2.1 |
| Unemployment rate (per cent) | 5.3 | 5.1 | 4.9 | 4.7 | 4.4 | 4.1 |
| Housing starts (number of units) | 38,754 | 36,171 | 33,600 | 32,000 | 31,200 | 30,700 |
| Alberta Consumer Price Index | 124.2 | 129.7 | 132.2 | 134.7 | 137.2 | 139.9 |
| per cent change | 3.4 | 4.4 | 1.9 | 1.9 | 1.9 | 1.9 |
| Population (thousands) | 3,114.4 | 3,154.0 | 3,199.5 | 3,246.8 | 3,295.0 | 3,344.6 |
| per cent change | 1.9 | 1.3 | 1.4 | 1.5 | 1.5 | 1.5 |

^a estimated

ALBERTA IN 2003

A Year of Surprises and Challenges

The Alberta economy had to deal with some major challenges in 2003, including the economic impacts of Bovine Spongiform Encephalopathy (BSE) and an unprecedented 22% rise in the Canadian dollar. Despite these challenges, Alberta achieved real economic growth estimated at 3.1%, even as Canada's economic growth fell almost in half, from 3.3% in 2002 to 1.7% in 2003.

- The discovery of two cases of BSE in 2003 with linkages to Alberta had severe consequences for Alberta's cattle producers, as well as for the many Alberta communities that rely on the beef industry. Alberta's live cattle and beef exports (valued at \$2.3 billion in 2002) were effectively shut down from mid-May to September, and resumed only on a limited basis through the remainder of the year.
- \$776 million in emergency assistance (roughly half of which was expensed in 2003) helped to mitigate the adverse impacts of BSE, but Alberta livestock receipts still declined by 26% in 2003. Farm cash receipts declined by 16%, despite over \$1.3 billion in program payments (an increase of 31% from 2002). As a result of record program payments, farm cash receipts were the fourth highest on record, and were actually up by 2% from the 1997 to 2001 five-year average.
- The dramatic rise in the Canadian dollar, along with a sluggish U.S. economy in the first half of the year, had an adverse impact on Alberta's non-energy exports. Excluding energy and primary agricultural products, the value of Alberta's international exports declined by 5.1% in 2003.

Alberta's Numerous Strengths Sustained Healthy Economic Growth

- Despite these challenges, the Alberta economy grew by an estimated 3.1% in 2003. Alberta's growth came from a variety of sources, reflecting the broad-based strength of the Alberta economy.
- Higher energy prices spurred a sharp increase in conventional energy sector investment, with the average number of rigs drilling up 36% for the year. This more than offset a reduction in oil sands investment, which moderated to an estimated \$5 billion after reaching a record high of \$6.7 billion in 2002.
- Alberta's manufacturing sector turned in a strong performance in 2003, with shipments up 5.0% for the year, compared to a decline of 1.0% nationally.
- While growth in retail sales moderated to 4.1% in 2003, Alberta's growth exceeded the national average for the fourth consecutive year. Alberta's retail sales remained by far the highest in Canada on a per capita basis, 24% above the national average per capita sales.

- New housing construction continued at near-record levels. Alberta's housing starts moderated to 36,171 in 2003, slightly below the 20-year high recorded in 2002, but an impressive 23% above the average number of starts over the preceding five years.
- Alberta led the country in job growth in 2003, recording a 2.9% increase in employment. The Alberta economy created 47,900 jobs, with full-time jobs accounting for about 80% of the increase. As a result of this strong performance, Alberta enjoyed the lowest unemployment rate of any province in December 2003 at 4.8%.

Other Developments

- Alberta's CPI inflation rate returned to low levels in the latter part of 2003, following two years of relatively high inflation (which was due in large part to inflation measurement anomalies associated with natural gas rebates). While CPI inflation averaged 4.4% for 2003 as a whole, the Alberta inflation rate declined steadily in the second half of the year, falling to a year-over-year rate of only 1.2% in December.
- Alberta's strong economy continued to attract large numbers of migrants from other provinces. For the seventh consecutive year, Alberta had the highest level of net inter-provincial migration in Canada, with a net increase of over 12,000 persons in 2003. Alberta also led the country in overall population growth.

GLOBAL ECONOMIC OUTLOOK

Conditions are favourable for solid growth in the world economy in 2004, led by strong anticipated U.S. growth.

The global economy is expected to grow by over 4% in real terms, its best performance in four years. Supported by an expected decline in international tensions and a strong U.S. recovery, most of the world's major economies are poised for stronger performances in 2004.

The Japanese economy is finally showing signs of emerging from its decade-long slump. Continuing strong expansion in several of the larger emerging economies, including China and India, will provide a further boost to global growth. After recording growth of only 0.5% in 2003, the European Union is expected to expand by around 2% in real terms in 2004.

U.S. Economy on Track for Strong Growth in 2004

A reviving business sector is expected to lead the U.S. economy to a strong performance in 2004. After two years of uneven growth, which was sustained primarily by high levels of consumer and government expenditures, the U.S. economic recovery finally gained a broader footing in the second half of 2003. U.S. real economic growth came in at a healthy 3.1% in 2003, despite a slow start to the year.

Exceptionally strong growth in corporate profits and business investment, particularly in the last half of 2003, has the U.S. business sector poised for healthy expansion in 2004. As well, U.S. employment showed some signs of recovery in the second half of 2003. In conjunction with continued large productivity gains in 2003, these developments should translate into relatively healthy income gains in 2004.

With U.S. inflationary pressures remaining low, the U.S. Federal Reserve Board is expected to maintain interest rates at or near current levels through 2004. The federal funds rate currently stands at 1%, the lowest level in 45 years. As a result, monetary conditions should remain exceptionally supportive of growth in investment and consumer/household demand, providing a boost to economic growth in the near term.

One of the most significant developments of 2003 was the dramatic and widespread decline of the U.S. dollar in world currency markets. Several major currencies appreciated substantially in relation to the U.S. dollar, including the Canadian dollar (+22%), the Australian dollar (+34%), the Euro (+20%) and the Japanese Yen (+10%). This development should also promote recovery in the struggling U.S. export and manufacturing sectors.

U.S. Imbalances a Cautionary Factor for Medium-Term Outlook

While the recent depreciation of the U.S. dollar should lead to a reduction in the massive U.S. trade deficit, the ballooning U.S. federal budget deficit is a source of growing concern. The budget deficit increased to over \$500 billion, or nearly 5% of GDP in 2003, and will likely continue to grow unless significant policy changes are enacted.

U.S. economic growth is expected to average 3.3% for the 2005-2007 period, with higher exports fuelled by the decline in the U.S. dollar and a continued recovery in business investment being the main drivers of growth. This forecast assumes an appropriate and timely policy response to the U.S. fiscal imbalances.

Canadian Economy to Rebound in 2004

In 2003, the Canadian economy experienced a number of setbacks. These included lower exports due, in part, to the dramatic rise of the Canadian dollar, the economic fallout from an outbreak of SARS (Severe Acute Respiratory Syndrome), severe forest fires in British Columbia, and BSE. As a result, Canada's economic growth slowed substantially, from 3.3% in 2002 to 1.7% in 2003.

However, the national economy showed clear signs of recovery in the latter part of the year. Employment growth picked up substantially in the final four months of 2003, with an increase of 205,000 jobs from August through December, more than double the net gain in jobs in the first eight months of the year. Canada's real economic growth accelerated in the second half of 2003, to a 3.8% annual rate in the fourth quarter.

Given the unprecedented magnitude and speed of the Canadian dollar's rise, the full economic effects of the higher dollar are unlikely to be known for some time. While deteriorating terms of trade with the United States will certainly have a negative impact on many export sectors in the short term, the expected strong rebound in the U.S. economy should provide a significant boost to U.S. import demand over the forecast horizon, mitigating the effects of the higher dollar to a significant degree. Furthermore, since the depreciation of the U.S. dollar has been a global phenomenon, Canada's competitive position has not deteriorated relative to most other export markets.

There are also benefits to a higher Canadian dollar. The higher dollar should lead to significant increases in Canadian capital investment, since a large percentage of capital equipment is imported from the United States and will become less costly in Canadian dollar terms. This should enhance the productivity and growth of the Canadian economy over the medium and long term. Falling prices of imports will also act to reduce Canada's inflation rate, allowing for lower Canadian interest rates.

With Canada's inflation rate falling to less than 2% in the final months of 2003, well within the Bank of Canada's target range of 1% to 3%, there is latitude for an easing of monetary conditions in 2004. If upward pressure on the Canadian dollar continues, it is expected that the Bank of Canada will lower interest rates to prevent further dramatic increases in the value of the Canadian dollar. The Bank of Canada rate stands at 2.25%, close to a 40-year low. These conditions should help to spur investment and sustain the current strength of Canadian consumer/household demand.

Despite challenges, the Canadian economy remains fundamentally sound and is expected to stage a solid recovery in 2004 and beyond. Over the medium term, Canadian growth is expected to average a healthy 3.0% per year.

Energy Outlook

Despite relatively modest global economic growth, world oil prices are estimated to have averaged US\$30.75 per barrel in 2003-04, up from \$29.04 in 2002-03. This was due to a variety of factors, including lower than anticipated post-war oil production in Iraq and low inventories. Oil prices are expected to decline significantly in 2004-05, to US\$26. Recent high prices should spur increased production among both OPEC and non-OPEC producers, offsetting the effects of growth in global oil demand. Prices are expected to moderate further to US\$25 in 2005-06 and 2006-07.

Low natural gas storage levels through much of 2003, along with high oil prices, contributed to a substantial rise in the price of natural gas in the past year. Prices are estimated to have averaged \$5.64 per thousand cubic feet in 2003-04, up from \$4.98 in 2002-03. Increased North American drilling activity and higher storage levels are expected to lead to a moderation of natural gas prices throughout the forecast period. The price of natural gas is expected to

decline to \$4.20 in 2004-05, and moderate further to \$4.15 in 2005-06 and \$4.01 in 2006-07. Even with these anticipated declines, prices for both oil and natural gas are expected to remain relatively high by historical standards.

ALBERTA ECONOMIC OUTLOOK

Alberta's economic growth is expected to accelerate to 3.6% in 2004, due to a continued strengthening of business investment and a recovery in export demand from a rebounding U.S. economy. Over the medium term, Alberta is expected to enjoy a strong and sustainable growth rate of 3.1%, on average.

The dramatic developments of 2003 – in particular, BSE and the unprecedented rise of the Canadian dollar – are not expected to have a substantial effect on Alberta's overall economic growth, notwithstanding the significant costs to the sectors most affected by these developments.

Alberta's largest export sector, oil and gas, will see its revenues decline as a result of the Canadian dollar's rise, since these commodities are generally priced in U.S. dollars and so have depreciated in value. In 2003, these exchange rate effects were offset by significant increases in oil and gas prices. Over the forecast period, declining world energy prices will reduce revenues and profits in the sector, although prices are expected to remain high enough to maintain healthy levels of energy investment.

The Alberta economy also stands to reap some long-term benefits from a higher dollar. As the most investment-intensive provincial economy (investment accounts for roughly 20% of Alberta's real GDP), Alberta will experience large cost reductions for imported capital equipment, spurring additional investment.

Alberta's consumer/household sector is expected to remain robust over the forecast period, sustained by the province's strong economic and employment growth and supported by continued low interest rates. Alberta's housing starts are expected to decline slightly from their current near-record levels, but to remain high by historical standards. Consumer spending is expected to grow by an average of 3.2% annually in real terms through 2007.

In the medium term, Alberta's economy will be driven by growth in investment, which is expected to increase by an average of 5.2% annually in real terms. Due to continued rapid expansion of oil sands production, real oil exports are expected to grow at an average rate of 4.5% annually through 2007, offsetting a decline in natural gas exports as a result of lower gas production. An ongoing decline in Alberta's natural gas production is the main reason Alberta's economic growth is expected to be similar to the Canadian average over the medium term (3.1%, versus 3.0% nationally). Over the longer term, higher levels of investment and resulting productivity gains should sustain Alberta's real economic growth at healthy levels.

Alberta's employment outlook remains bright. The Alberta economy is expected to add another 42,700 jobs in 2004, for employment growth of 2.5%. This will further reduce Alberta's unemployment rate. Over the medium term, Alberta's employment growth is expected to average 2.1% per year, which should reduce the unemployment rate to 4.1% by 2007.

Inflation is expected to remain near its recent low levels. Most of the factors responsible for higher Alberta CPI inflation in 2002 and 2003 have now worked their way through the system, and are not expected to have significant impacts on the inflation rate going forward. Alberta's annual inflation rate is expected to fall to under 2% in 2004, from 4.4% in 2003, and remain in the range of 2% through 2007.

Alberta's healthy economic outlook is supported by an unmatched set of strengths. The province enjoys not only the lowest overall tax burden in Canada, but also the lowest per capita public debt. As a result, Alberta has a personal and corporate tax regime that is both internationally competitive and fiscally sustainable. These conditions will continue to support the province's dynamic and increasingly diversified business sector, and should ensure strong future growth in employment and incomes, despite inevitable challenges. Albertans already enjoy the highest average personal incomes and the lowest unemployment rate in Canada, and the province's exceptionally strong economic and fiscal fundamentals leave Alberta uniquely positioned for strong future growth and prosperity.

RISKS

- A greater than expected appreciation of the Canadian dollar would have a negative effect on export volumes and provincial oil and gas revenues, with the potential to reduce both Canadian and Alberta economic growth in the near term.
- Lower oil and gas prices would be of particular concern to Alberta if accompanied by a significantly higher-than-forecast Canadian dollar. However, given the historically positive relationship between movements in major commodity prices and the value of the Canadian dollar, this risk is likely limited in scope.
- The U.S. budget and trade deficits represent a risk to the forecast, particularly in the medium term.
- Developments in Iraq, as well as the potential threat of terrorist acts against the United States, also remain notable risk factors for the U.S. and global outlooks.
- Future developments regarding BSE are another risk factor for the Alberta outlook. An early resolution of this issue represents an 'upside' risk to the forecast.

Sensitivities to Fiscal Year Assumptions, 2004-05^a

(millions of dollars)

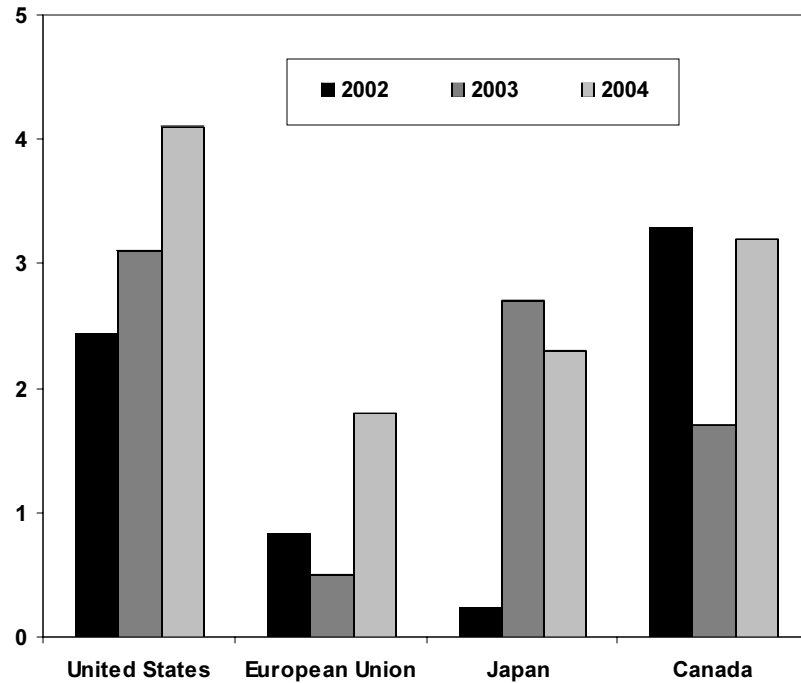
| | Annual Change | Revenue | Spending | Net Change |
|-------------------------------|---------------|---------|----------|------------|
| Oil Price (WTI US\$/bbl) | -\$1.00 | -65 | -- | -65 |
| Natural Gas Price (Cdn\$/mcf) | -10¢ | -105 | -- | -105 |
| Exchange Rate (US¢/Cdn\$) | +1¢ | -118 | -6 | -112 |
| Interest Rates | +1% | -93 | +10 | -103 |

^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. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

GLOBAL ECONOMY ON UPSWING

Real Gross Domestic Product (per cent change)

- A reviving business sector is expected to fuel growth of over 4% in the United States in 2004.
- In the medium term, an ongoing recovery in business investment and rising exports due to a lower U.S. dollar should help sustain U.S. growth at healthy levels.
- With Japan showing signs of emerging from its decade-long economic slump, and continued strong growth in major emerging economies such as China and India, global economic growth is expected to accelerate to 4.3% in 2004, its best performance in four years.

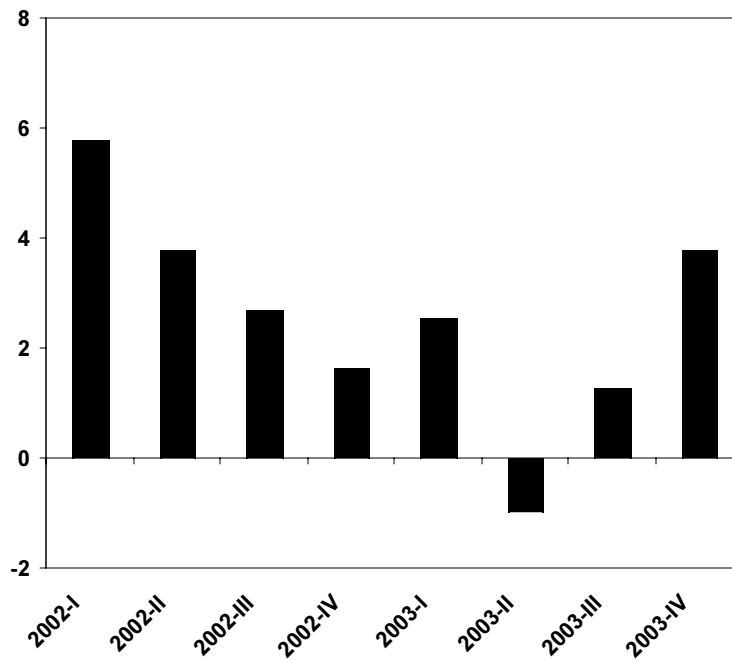


Source: International Monetary Fund, U.S. Department of Commerce, Alberta Finance

CANADIAN GROWTH SLOWS IN 2003

Real GDP (quarterly per cent change, at annualized rates)

- Due largely to a number of extraordinary developments, the Canadian economy faltered through most of 2003.
- Growth was hampered by an unprecedented 22% rise in the value of the Canadian dollar, which hurt exports, as well as SARS and BSE.
- As a result, Canadian growth fell from 3.3% in 2002 to only 1.7% in 2003. However, the economy rebounded strongly late in the year, with growth accelerating to 3.8% on an annualized basis in the fourth quarter.

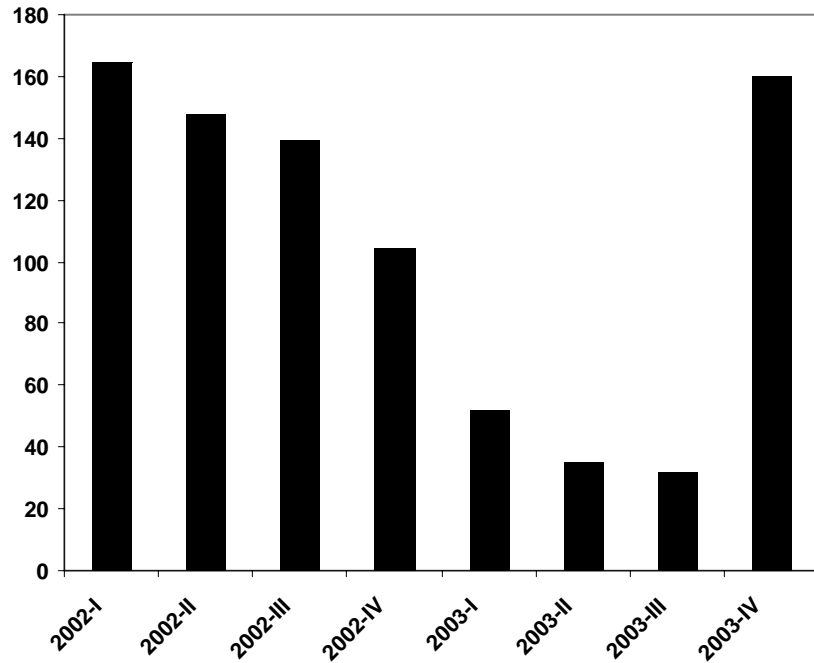


Source: Statistics Canada

CANADIAN JOB GROWTH RECOVERS IN LATE 2003

Net Employment Gain (thousands)

- After a significant slowdown in the first eight months of 2003, Canada's job growth rebounded sharply near the end of the year.
- Over 160,000 new jobs were added in the fourth quarter of 2003. In total, employment was up by 334,000 in 2003, only slightly below the gains posted in 2002.
- Job growth was strongest in the services sector. In the goods sector, 32,200 jobs were lost in manufacturing, due in large part to the sharply higher Canadian dollar.

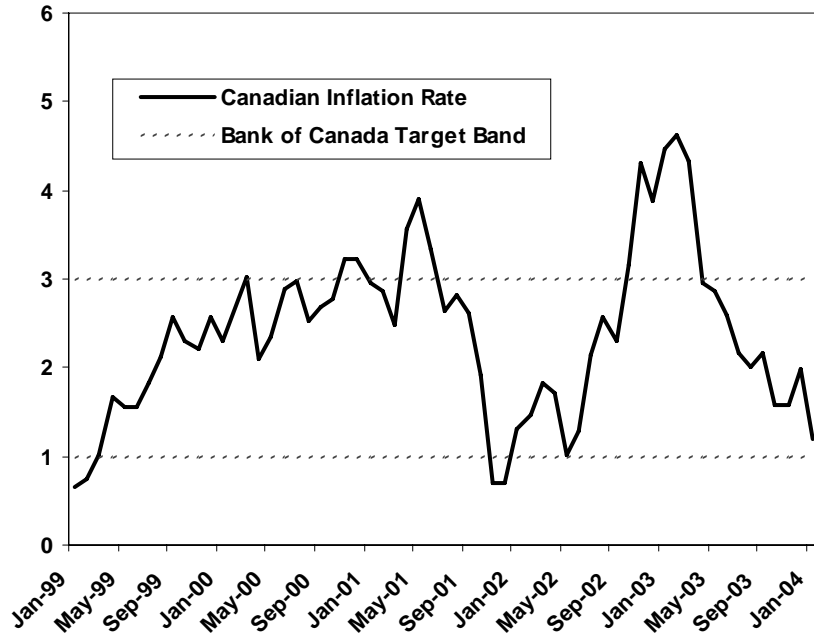


Source: Statistics Canada

INFLATION PRESSURES EASE

Consumer Price Index (per cent change)

- Canada's CPI inflation rate declined steadily through most of 2003, falling from 4.6% in February to 2.0% in December, and just 1.2% in January 2004.
- The Bank of Canada has indicated that it expects core inflation to remain below 2% into late 2005, due to modest underlying price pressures and spare capacity in the Canadian economy.

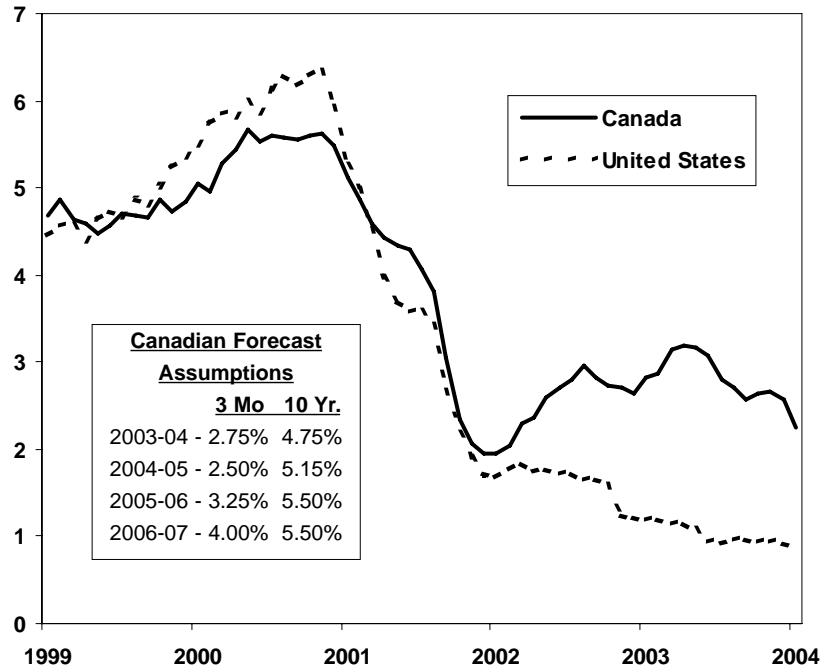


Source: Statistics Canada

LOWEST INTEREST RATES IN DECADES

3-month Treasury Bills (per cent)

- The U.S. federal funds rate stands at a 45 year low of 1%.
- Due to a slowdown in the Canadian economy and reduced concerns regarding inflation, the Bank of Canada has reduced interest rates by a full percentage point since mid-2003. The overnight rate currently stands at 2.25%.
- U.S. and Canadian interest rates are expected to remain low in 2004. No increases are expected until the latter part of 2004, at the earliest. With Canadian inflation expected to remain low, further declines in Canadian interest rates are possible in the short term.

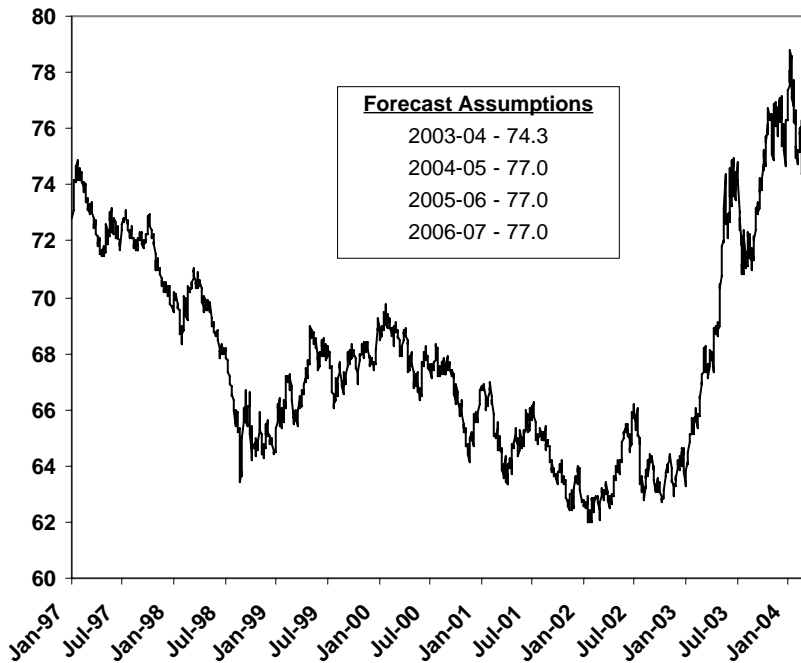


Source: Bank of Canada, Federal Reserve Bank of St. Louis, and Alberta Finance

CANADIAN DOLLAR SOARS

Canadian Exchange Rate (US cents/Cdn\$)

- During 2003, the Canadian dollar soared an unprecedented 22%, rising from 63.3 cents U.S. at the beginning of January to 77.5 cents U.S. at year end.
- While the dramatic decline of the U.S. dollar was a global phenomenon, the relatively high Canada/U.S. interest rate spread was a factor in sustaining the Canadian dollar's rise.
- With strong U.S. economic growth and a narrowing Canada - U.S. interest rate spread (due to higher expected U.S. rates), the Canadian dollar is expected to stabilize at around 77 cents U.S.

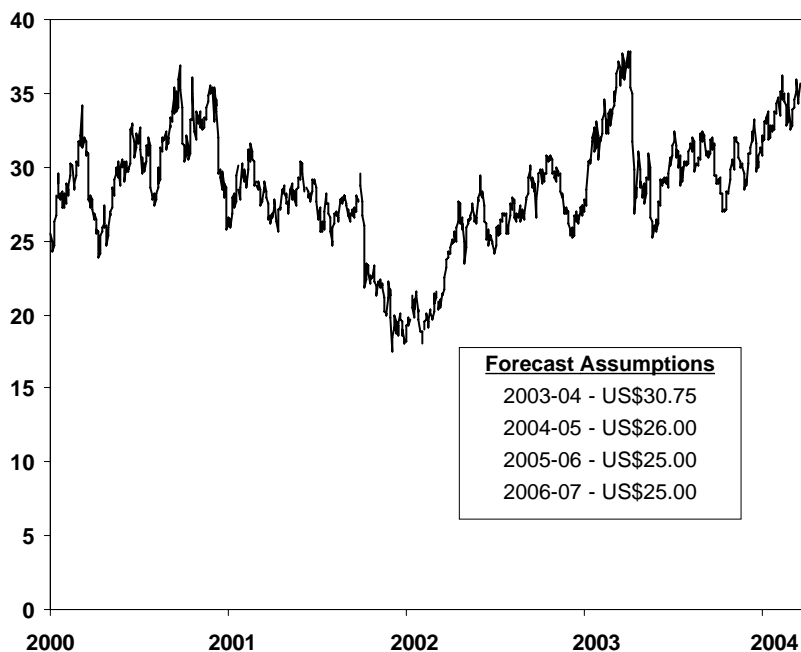


Source: Statistics Canada and Alberta Finance

OIL PRICES EXPECTED TO MODERATE

WTI Price (US\$/bbl, daily)

- The price of oil remained well above its historical average through 2003, due largely to lower than anticipated post-war production in Iraq and low inventories.
- Recent high prices are expected to spur production among both OPEC and non-OPEC producers, leading to an increase in global oil supply. Along with an anticipated reduction in geopolitical tensions in 2004, oil prices are expected to moderate, returning to a long-run level of around US\$25 by 2005-06.

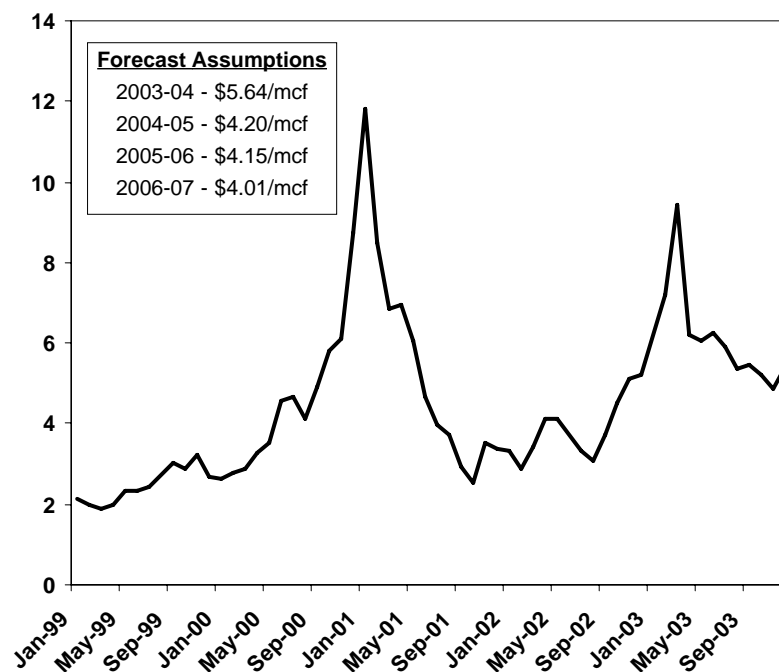


Source: Alberta Energy

NATURAL GAS PRICES EXPECTED TO MODERATE

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

- Natural gas prices spiked in early 2003, and then declined through most of the remainder of the year. However, prices remained relatively high by historical standards.
- In 2003, natural gas prices were supported at above-average levels by the high price of oil (a substitute for natural gas) along with low storage levels through much of the year.
- Prices are expected to average \$5.64 per thousand cubic feet (mcf) in 2003-04, moderating to \$4.20 in 2004-05, \$4.15 in 2005-06 and \$4.01 in 2006-07, due to increased North American drilling activity and lower oil prices.

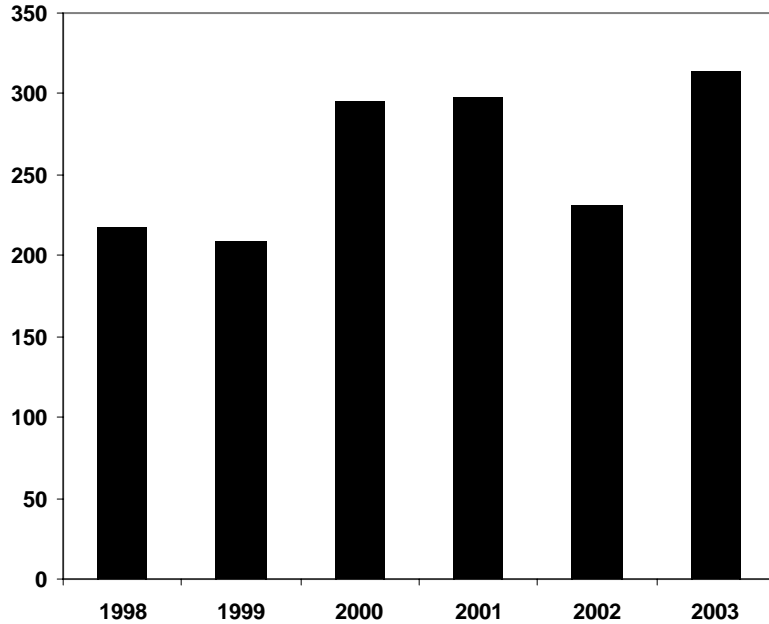


Source: Alberta Energy

CONVENTIONAL OIL AND GAS ACTIVITY STRENGTHENS

Average Number of Rigs Drilling (Alberta)

- The average number of rigs drilling in Alberta increased by 36% in 2003, due to strong oil and gas prices.
- While energy prices are expected to moderate, they are expected to remain relatively high by historical standards, sustaining drilling activity at healthy levels throughout the forecast period.

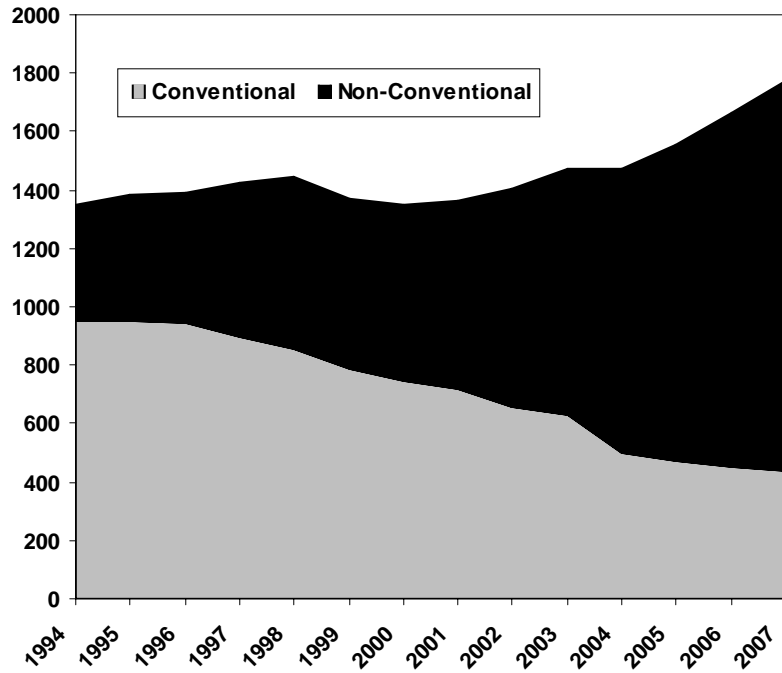


Source: Canadian Association of Oilwell Drilling Contractors

NON-CONVENTIONAL OIL STILL GROWING

Conventional and Non-Conventional Oil (thousands of barrels per day)

- In 2002, non-conventional oil overtook conventional oil as Alberta's largest source of production. By 2007, it is expected that non-conventional oil will make up approximately three quarters of Alberta's total oil production.
- With oil sands investment expected to remain high over the next decade, non-conventional oil will represent an ever-increasing share of Alberta's total oil production.

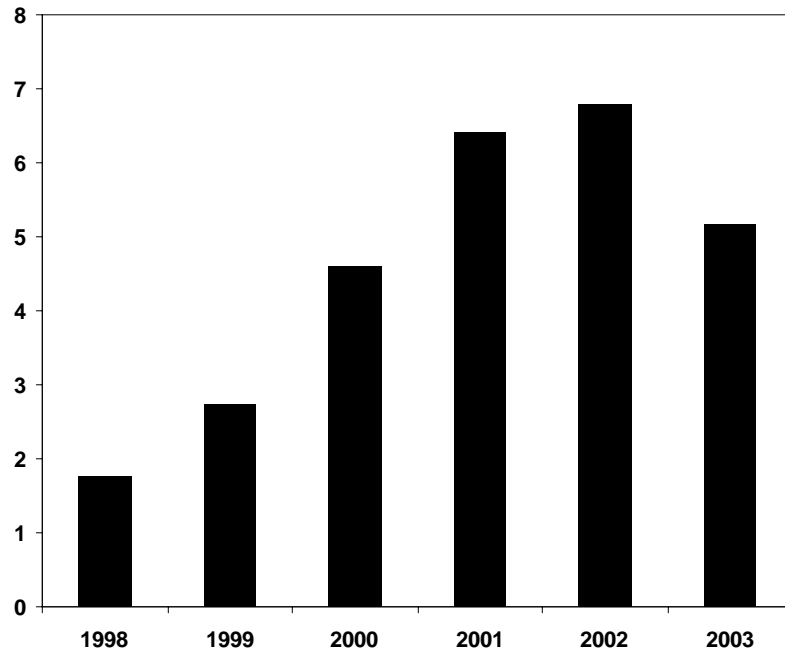


Source: Alberta Energy and Utilities Board

OIL SANDS INVESTMENT TO REMAIN HIGH

Non-Conventional Energy Investment (billions of dollars)

- Oil sands investment increased dramatically between 1995 and 2002, rising from under \$1 billion to \$6.7 billion.
- Oil sands investment moderated to around \$5 billion in 2003, due largely to capacity constraints. Ongoing projects will keep investment levels high (in the range of \$5-\$6 billion) throughout the forecast period.

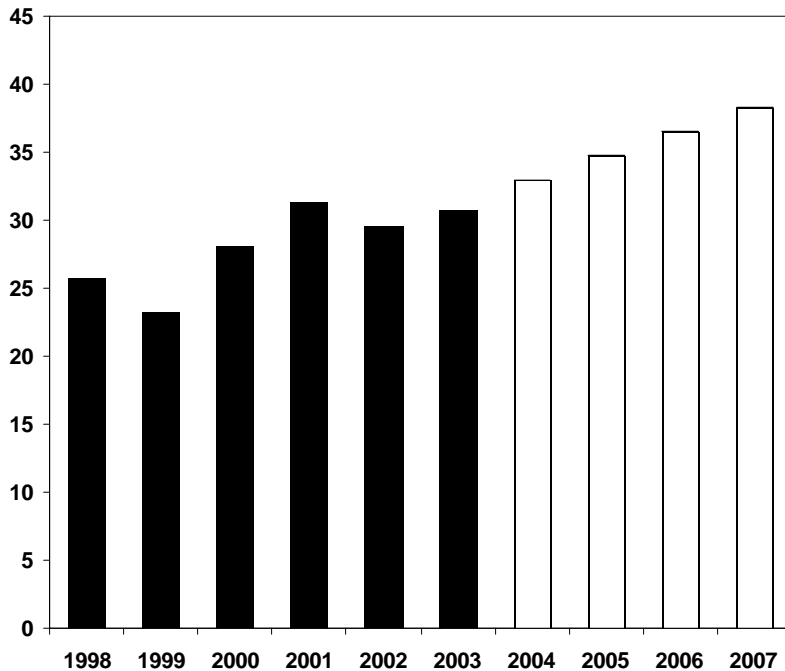


Source: Statistics Canada

BUSINESS INVESTMENT TO GROW

Real Business Investment (billions of 1997 dollars)

- Alberta's total business investment is expected to increase at an average rate of 5.2% over the medium term.
- Future investment growth in Alberta will be fuelled to a significant degree by the non-energy sector, as energy investment slows in the medium term to an average annual rate of around 2%.
- Investment growth will be led by high value-added sectors such as manufacturing, transportation, telecommunications and services, sustaining Alberta's strong economic growth and further diversifying the Alberta economy.

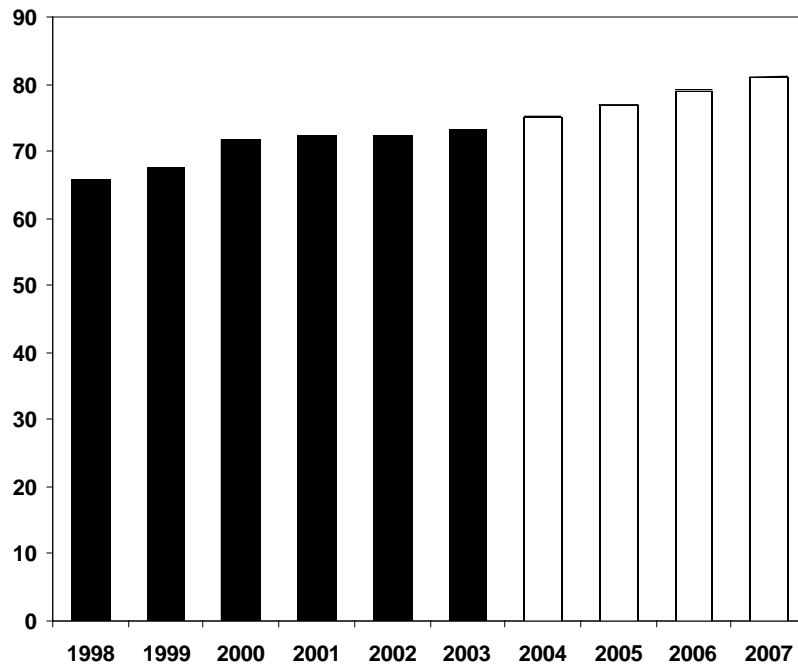


Source: Statistics Canada and Alberta Finance

ALBERTA'S EXPORTS REMAIN STRONG

Alberta Real Exports (billions of 1997 dollars)

- Despite the rising Canadian dollar, Alberta's exports are expected to remain strong, led by energy (non-conventional oil in particular), manufacturing and services.
- A strong recovery in U.S. demand is expected to spur growth in Alberta's exports over the forecast period.
- Overall, Alberta's exports are expected to rise by 2.5% per year in real terms through 2007.

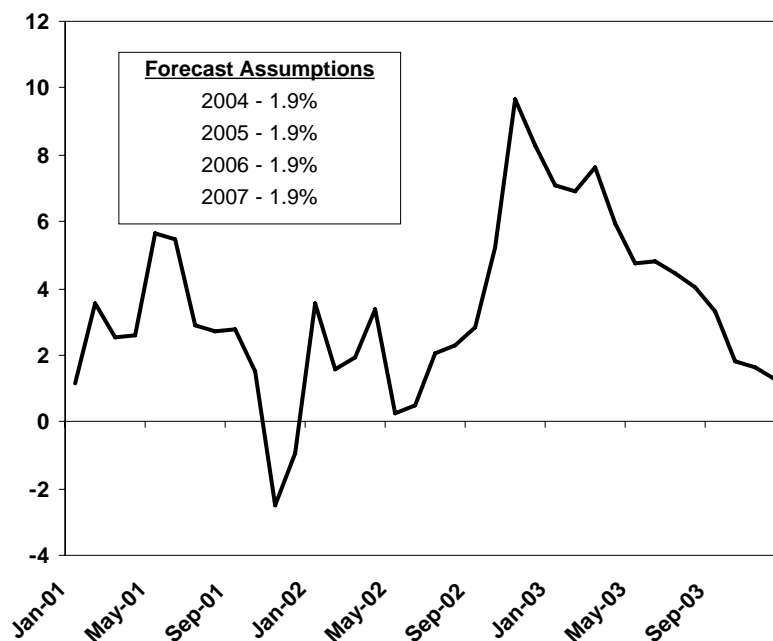


Source: Alberta Finance

ALBERTA'S CPI INFLATION RATE TO MODERATE

Consumer Price Index (year-over-year per cent change)

- Alberta's CPI inflation rate returned to more normal levels in the latter part of 2003. While inflation averaged 4.4% for the year (up from 3.4% in 2002), inflation fell steadily in the second half of 2003, declining to under 2% by the end of the year.
- Most of the factors responsible for higher Alberta inflation in recent years are not expected to have an impact on inflation in 2004 and beyond.
- Alberta's annual inflation rate is expected to fall to just under 2% in 2004, and remain in the range of 2% over the remainder of the forecast period.

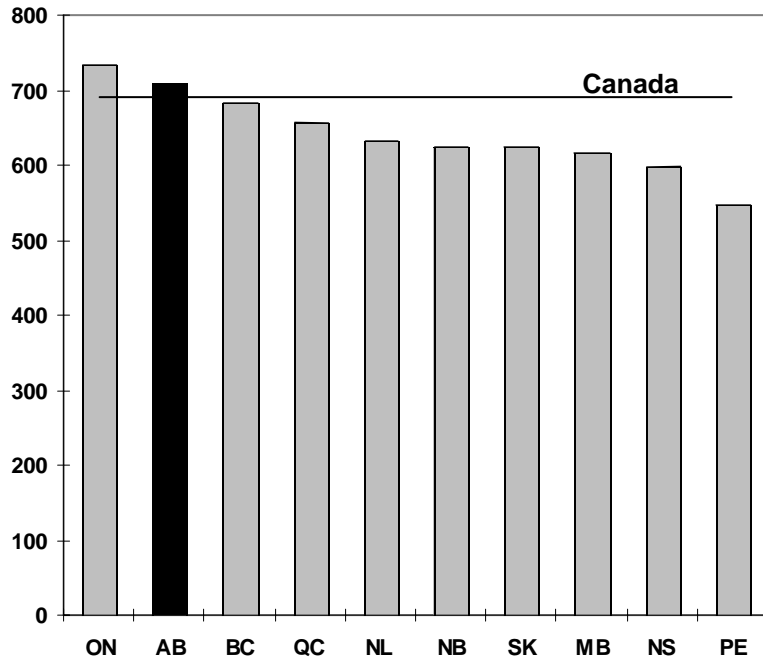


Source: Statistics Canada and Alberta Finance

WAGE LEVELS AMONG HIGHEST IN CANADA

Average Weekly Earnings, 2003 (dollars)

- Alberta's average weekly earnings are second only to Ontario's.
- In 2003, Alberta's total labour income grew by 4.1%.
- Over the medium term, wages are expected to increase at a rate slightly above inflation, sustained by continued productivity gains in the Alberta economy.

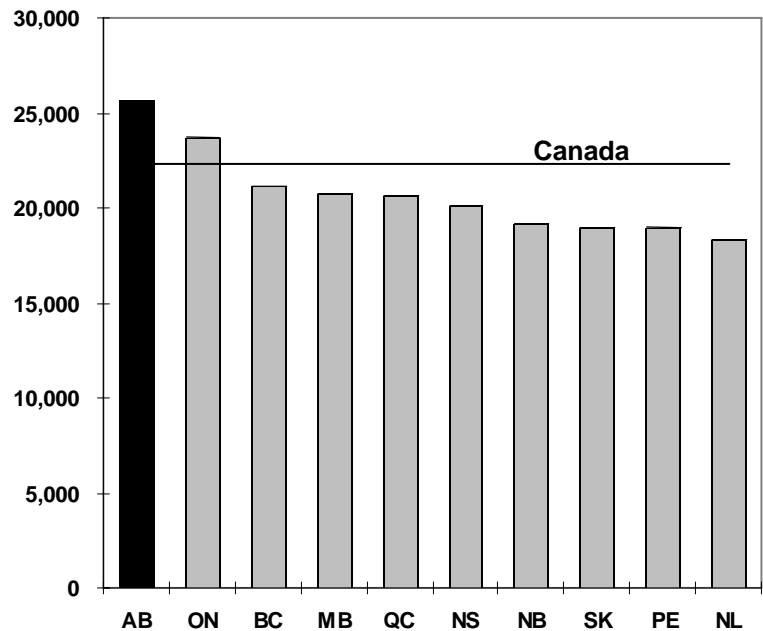


Source: Statistics Canada and Alberta Finance

HIGHEST DISPOSABLE INCOME IN CANADA

Personal Disposable Income Per Capita, 2002 (dollars)

- At \$25,701, Alberta had the highest average personal disposable income of any province in 2002, the latest year for which data is available.
- In 2002, Alberta's disposable income per capita was more than \$3,400 (15.4%) above the Canadian average of \$22,272.

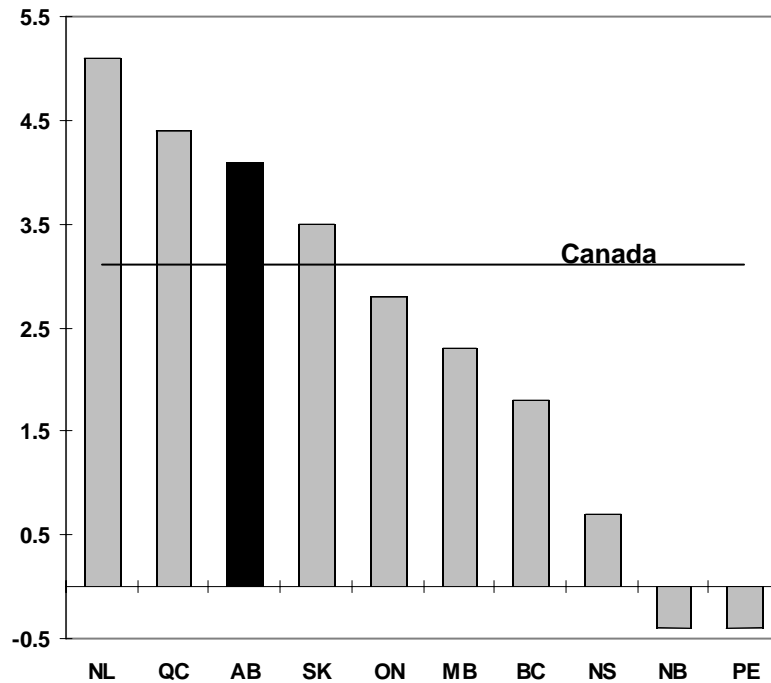


Source: Statistics Canada and Alberta Finance

STRONG RETAIL SALES GROWTH

(annual per cent change)

- Alberta's retail sales grew by 4.1% in 2003, well above the national average of 3.1% growth.
- Alberta's retail sales strength was especially evident in the area of durable goods. Low interest rates, high incomes and a booming housing market fuelled strong sales in the home furnishing sector.

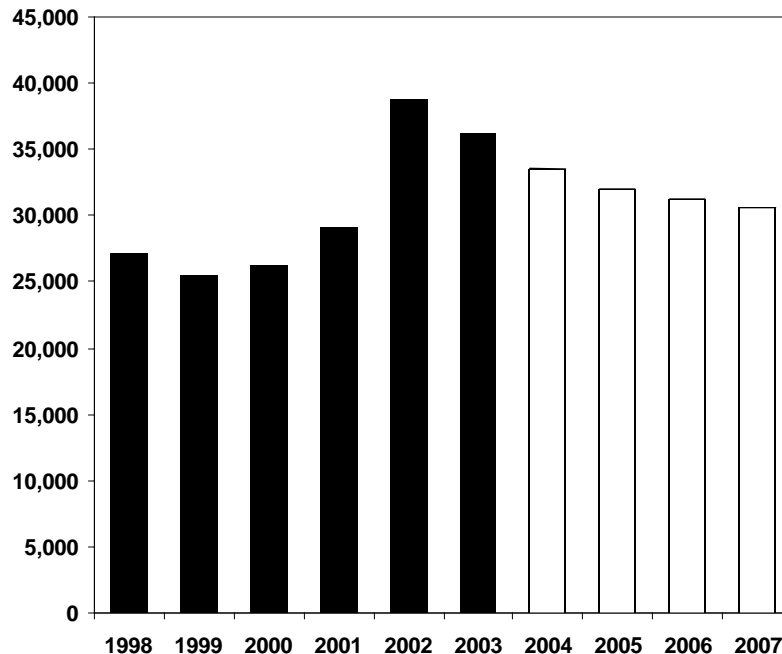


Source: Statistics Canada

STRONG ALBERTA HOUSING STARTS TO CONTINUE

Housing Starts (units)

- Housing starts in 2003 were supported by Alberta's strong economy and labour market, along with low interest rates.
- Although down slightly from the 20-year high recorded in 2002, Alberta recorded 36,171 housing starts in 2003, 23% above the average number of starts over the preceding five years.
- Over the medium term, housing starts in Alberta are expected to moderate slightly from recent highs, but remain strong due to healthy inter-provincial migration and a robust Alberta economy.

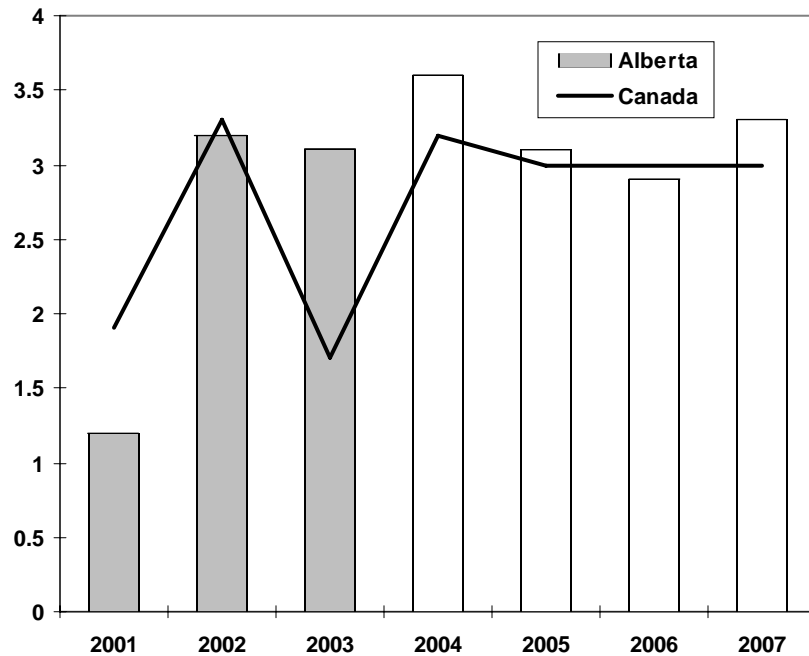


Source: Canada Mortgage and Housing Corporation and Alberta Finance

ALBERTA'S STRONG ECONOMIC GROWTH TO CONTINUE

Real GDP (per cent change)

- Alberta's economic growth is expected to remain strong, accelerating from 3.1% in 2003 to 3.6% in 2004. Factors such as BSE and the higher Canadian dollar will not substantially reduce Alberta's growth.
- Over the medium term, Alberta's real growth is forecast to continue at a healthy pace of about 3.1%, on average. This growth will be supported by healthy levels of investment and growing manufacturing and services exports.

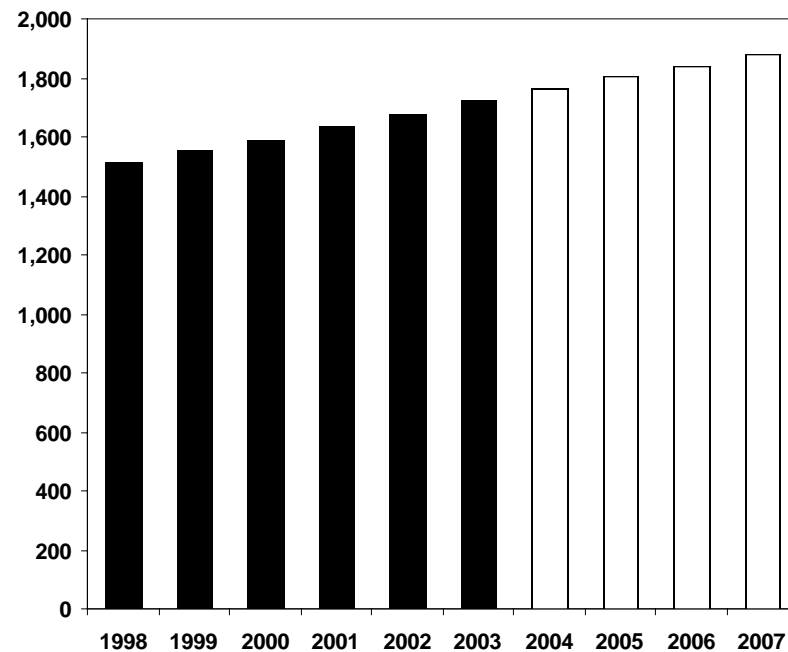


Source: Statistics Canada and Alberta Finance

ALBERTA JOB GROWTH TO REMAIN STRONG

Alberta's Employment (thousands)

- Spurred on by continued strong economic growth, Alberta employment increased in 2003 by 47,900 jobs, or 2.9% (the highest rate of growth in Canada). An additional 42,700 new jobs are forecast for 2004.
- Over the medium term, employment growth is expected to average around 2.1% per year. Growth will be moderated somewhat by population constraints, as changing demographics reduce the growth of Alberta's working-age population.
- The Alberta economy is expected to generate 154,900 new jobs from 2004 to 2007.

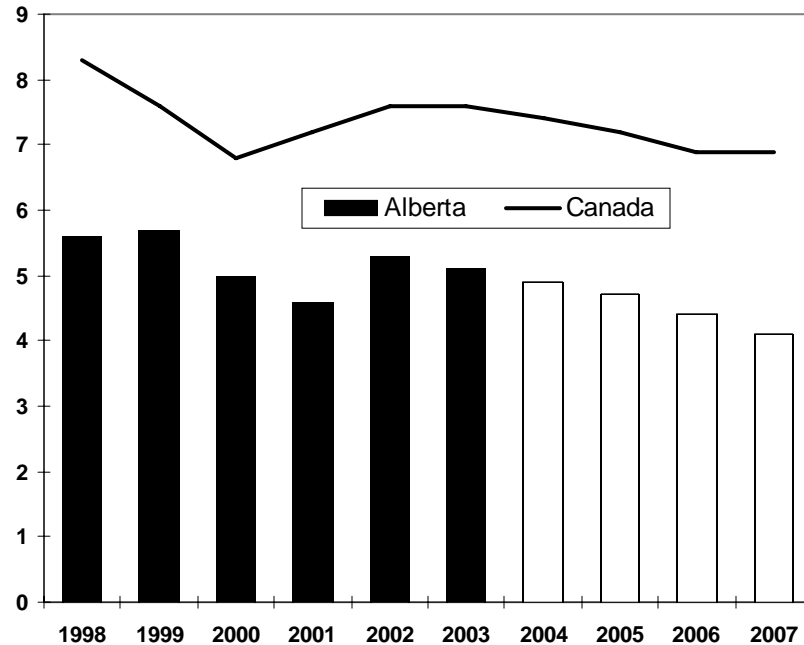


Source: Statistics Canada and Alberta Finance

LOWEST UNEMPLOYMENT RATE IN CANADA

Unemployment Rate (per cent)

- Healthy employment growth allowed Alberta's annual unemployment rate to fall to 5.1% in 2003, despite a large increase in the number of people entering the job market.
- By year's end, Alberta's monthly unemployment rate had fallen to 4.8%, the lowest of any province and one third below the national rate of 7.4%.
- With strong economic growth forecast for Alberta, unemployment is expected to decline steadily over the forecast period, falling to 4.1% by 2007, the lowest level in a quarter century.



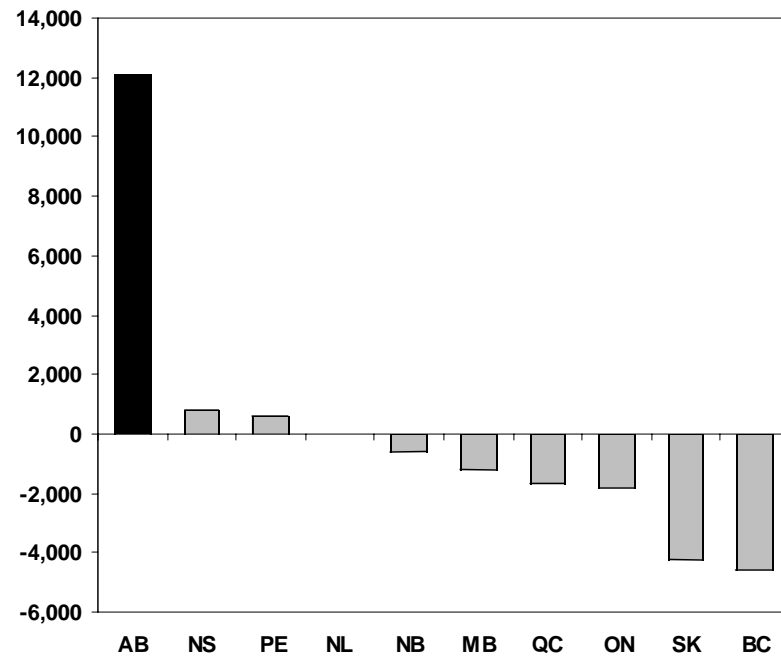
Source: Statistics Canada and Alberta Finance

HIGHEST INTERPROVINCIAL MIGRATION AMONG PROVINCES

Interprovincial Migration (thousands)

Between July 1, 2002 and June 30, 2003

- A strong labour market, healthy wage gains and low provincial tax rates continued to attract large numbers of people to the province.
- For the seventh consecutive year, Alberta had the highest level of net in-migration of any province. Between July 1, 2002 and June 30, 2003, 12,081 Canadians moved to Alberta.
- Over the medium-term, continued strong interprovincial migration levels are expected to add about 16,000 people per year to Alberta's population.



Source: Statistics Canada

Oil Price Forecast Benchmark

West Texas Intermediate (US\$/bbl)

| Organization | 2004 | 2005 | 2006 | 2007 |
|---|--------------|--------------|--------------|--------------|
| National Forecasting Agencies | | | | |
| Conference Board of Canada (Dec/03) | 27.73 | 26.42 | 26.20 | 25.82 |
| Global Insight (Mar/04) | 28.00 | 26.30 | 25.50 | 26.00 |
| Investment Dealers | | | | |
| CS First Boston (Jan/04) | 26.00 | 23.00 | n/a | n/a |
| Goldman Sachs (Feb/04) | 27.00 | 25.00 | 21.00 | 21.00 |
| JP Morgan (Feb/04) | 29.00 | 27.00 | 26.20 | 25.60 |
| Lehman Brothers (Feb/04) | 29.70 | 21.00 | 22.00 | 22.00 |
| RBC Dominion Securities (Jan/04) | 26.00 | 24.00 | 24.48 | 24.97 |
| Industry Analysts | | | | |
| Canadian Energy Research Institute (Mar/04) | 31.00 | 29.00 | n/a | n/a |
| Peters & Co. Limited (Feb/04) | 30.00 | 27.00 | 23.00 | 23.00 |
| High | 31.00 | 29.00 | 26.20 | 26.00 |
| Low | 26.00 | 21.00 | 21.00 | 21.00 |
| Average | 28.27 | 25.41 | 24.05 | 24.05 |
| Alberta Government (calendar year) | 27.86 | 25.06 | 25.00 | 25.00 |

In developing its energy price forecasts, the Department of Energy also looks at private forecasts from the following forecasters: PIRA, Purvin & Gertz, CGES, EIA, Petroleum Economics Ltd. and Ziff.

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US\$/bbl)

| Organization | How Did They Do 2003 ^a | What They Were Saying About 2004 in Budget 2003 | What They Are Saying About 2004 in Budget 2004 |
|---|-----------------------------------|---|--|
| Actual | 31.04 | | |
| CS First Boston | -2.54 | 23.00 | 26.00 |
| Canadian Energy Research Institute | -5.04 | 22.75 | 31.00 |
| Conference Board of Canada | -0.86 | 26.52 | 27.73 |
| Global Insight | -0.91 | 23.84 | 28.00 |
| Goldman Sachs | -3.66 | 23.00 | 27.00 |
| JP Morgan | -2.74 | 25.80 | 29.00 |
| Lehman Brothers | -3.54 | 23.00 | 29.70 |
| Peters & Co. Limited | -4.04 | 24.00 | 30.00 |
| RBC Dominion Securities | -4.54 | 24.00 | 26.00 |
| Average | -3.10 | 23.99 | 28.27 |
| Alberta Government (calendar year) | -5.04 | 22.00 | 27.86 |

^a This compares an organization's forecast for 2003 at the time of Budget 2003 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Natural Gas Price Forecast Benchmark

Alberta Average Reference Price (Cdn\$/mcf)

| Organization | 2004 | 2005 | 2006 | 2007 |
|---|-------------|-------------|-------------|-------------|
| Canadian Energy Research Institute (Feb/04) | 6.05 | 5.56 | 5.84 | 6.11 |
| Gilbert Lausten Jung Associates (Jan/04) | 5.50 | 4.85 | 4.75 | 4.75 |
| National Bank Financial (Jan/04) | 4.20 | 4.30 | n/a | n/a |
| Peters & Co. Limited (Feb/04) | 6.00 | 5.32 | 4.32 | 4.32 |
| High | 6.05 | 5.56 | 5.84 | 6.11 |
| Low | 4.20 | 4.30 | 4.32 | 4.32 |
| Average | 5.44 | 5.01 | 4.97 | 5.06 |
| Alberta Government (calendar year) | 4.46 | 4.10 | 4.05 | 4.01 |

In developing its energy price forecasts, the Department of Energy also uses private forecasts from the following forecasters: PIRA, Purvin & Gertz, CGES, EIA, Petroleum Economics Ltd. and Ziff.

Tracking the Forecasts of Natural Gas Prices

Alberta Average Reference Price (Cdn\$/mcf)

| Organization | How Did They Do 2003 ^a | What They Were Saying About 2004 in Budget 2003 | What They Are Saying About 2004 in Budget 2004 |
|---|-----------------------------------|---|--|
| Actual | 6.12 | | |
| Canadian Energy Research Institute | 0.13 | n/a | 6.05 |
| Gilbert Lausten Jung Associates | 0.18 | 5.15 | 5.50 |
| National Bank Financial | -0.62 | 4.00 | 4.20 |
| Peters & Co. Limited | -0.87 | 4.50 | 6.00 |
| Average | -0.30 | 4.55 | 5.44 |
| Alberta Government (calendar year) | -1.44 | 3.39 | 4.46 |

^a This compares an organization's forecast for 2003 at the time of Budget 2003 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Government of Canada Treasury Bills (per cent)

| Organization | 2004 | 2005 | 2006 | 2007 |
|---|-------------|-------------|-------------|-------------|
| National Forecasting Agencies | | | | |
| Conference Board of Canada (Dec/03) | 2.65 | 4.05 | 4.89 | 5.00 |
| Global Insight (Feb/04) | 2.36 | 3.20 | 3.56 | 3.94 |
| Banks | | | | |
| Bank of Montreal (Feb/04) | 2.26 | 3.26 | n/a | n/a |
| Canadian Imperial Bank of Commerce (Mar/04) | 1.89 | 1.68 | n/a | n/a |
| Royal Bank (Feb/04) | 2.50 | 2.68 | n/a | n/a |
| Scotiabank (Mar/04) | 2.05 | 2.36 | n/a | n/a |
| Toronto Dominion Bank (Mar/04) | 2.40 | 4.04 | n/a | n/a |
| Investment Dealers | | | | |
| BMO Nesbitt Burns (Mar/04) | 2.34 | 3.46 | n/a | n/a |
| CIBC World Markets (Mar/04) | 1.91 | 1.66 | n/a | n/a |
| RBC Capital Markets (Mar/04) | 2.35 | 3.09 | n/a | n/a |
| High | 2.65 | 4.05 | 4.89 | 5.00 |
| Low | 1.89 | 1.66 | 3.56 | 3.94 |
| Average | 2.27 | 2.95 | 4.23 | 4.47 |
| Alberta Government (calendar year) | 2.40 | 3.06 | 3.90 | 4.00 |

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bonds (per cent)

| Organization | 2004 | 2005 | 2006 | 2007 |
|---|-------------|-------------|-------------|-------------|
| National Forecasting Agencies | | | | |
| Conference Board of Canada (Dec/03) | 5.82 | 6.28 | 6.39 | 6.28 |
| Global Insight (Feb/04) | 4.70 | 5.20 | 5.20 | 5.20 |
| Banks | | | | |
| Bank of Montreal (Feb/04) | 4.93 | 5.65 | n/a | n/a |
| Canadian Imperial Bank of Commerce (Mar/04) | 4.22 | 4.00 | n/a | n/a |
| Royal Bank (Feb/04) | 4.90 | 5.45 | n/a | n/a |
| Scotiabank (Mar/04) | 4.79 | 5.30 | n/a | n/a |
| Toronto Dominion Bank (Mar/04) | 4.66 | 5.48 | n/a | n/a |
| Investment Dealers | | | | |
| BMO Nesbitt Burns (Mar/04) | 4.95 | 5.38 | n/a | n/a |
| CIBC World Markets (Mar/04) | 4.23 | 4.00 | n/a | n/a |
| RBC Capital Markets (Mar/04) | 4.61 | 5.50 | n/a | n/a |
| High | 5.82 | 6.28 | 6.39 | 6.28 |
| Low | 4.22 | 4.00 | 5.20 | 5.20 |
| Average | 4.78 | 5.22 | 5.80 | 5.74 |
| Alberta Government (calendar year) | 4.90 | 5.50 | 5.50 | 5.50 |

Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn\$)

| Organization | 2004 | 2005 | 2006 | 2007 |
|---|-------------|-------------|-------------|-------------|
| National Forecasting Agencies | | | | |
| Conference Board of Canada (Dec/03) | 74.2 | 72.1 | n/a | n/a |
| Global Insight (Feb/04) | 77.4 | 80.1 | 81.0 | 81.6 |
| Banks | | | | |
| Bank of Montreal (Feb/04) | 76.9 | 76.9 | n/a | n/a |
| Canadian Imperial Bank of Commerce (Mar/04) | 74.3 | 73.3 | n/a | n/a |
| Royal Bank (Feb/04) | 80.0 | 83.3 | n/a | n/a |
| Scotiabank (Mar/04) | 78.6 | 81.7 | n/a | n/a |
| Toronto Dominion Bank (Mar/04) | 77.2 | 79.0 | n/a | n/a |
| Investment Dealers | | | | |
| BMO Nesbitt Burns (Mar/04) | 76.5 | 78.9 | n/a | n/a |
| CIBC World Markets (Mar/04) | 74.5 | 73.2 | n/a | n/a |
| RBC Capital Markets (Mar/04) | 77.5 | 80.0 | n/a | n/a |
| High | 80.0 | 83.3 | 81.0 | 81.6 |
| Low | 74.2 | 72.1 | 81.0 | 81.6 |
| Average | 76.7 | 77.9 | 81.0 | 81.6 |
| Alberta Government (calendar year) | 77.0 | 77.0 | 77.0 | 77.0 |

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

| Organization | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------------|------------|------------|------------|------------|
| National Forecasting Agencies | | | | | |
| Conference Board of Canada (Feb/04) | 3.3 | 3.5 | 3.7 | n/a | n/a |
| Global Insight (Jan/04) | 2.4 | 3.9 | 3.6 | 3.6 | 3.5 |
| Banks | | | | | |
| Bank of Montreal (Feb/04) | 2.3 | 4.0 | 4.0 | n/a | n/a |
| Canadian Imperial Bank of Commerce (Nov/03) | 2.8 | 3.3 | n/a | n/a | n/a |
| Royal Bank (Feb/04) | 2.6 | 4.1 | 3.4 | n/a | n/a |
| Scotiabank (Mar/04) | 2.5 | 3.2 | 3.6 | n/a | n/a |
| Toronto Dominion Bank (Jan/04) | 2.6 | 3.7 | 3.6 | n/a | n/a |
| Other | | | | | |
| BMO Nesbitt Burns (Mar/04) | 2.6 | 3.4 | 3.8 | 3.5 | 3.5 |
| Canada Mortgage and Housing Corporation (Jan/04) | 3.5 | 3.5 | 3.8 | n/a | n/a |
| High | 3.5 | 4.1 | 4.0 | 3.6 | 3.5 |
| Low | 2.3 | 3.2 | 3.4 | 3.5 | 3.5 |
| Average | 2.7 | 3.6 | 3.7 | 3.5 | 3.5 |
| Alberta Government (calendar year) | 3.1 | 3.6 | 3.1 | 2.9 | 3.3 |

Announced Major Projects Over \$100 Million

Announced or Under Construction

| Company Name | Location | Type of Project | Cost (\$millions) | Timing |
|--|---|---|-------------------|-----------|
| OIL AND GAS | | | | |
| Canadian Natural Resources Ltd. | Lakeland County (Primrose / Wolf Lake) | In situ Bitumen Production Expansion Stage 1 | 130 | 2001-2004 |
| | Lakeland County (Primrose / Wolf Lake) | Cyclic Steam Simulation (CSS) Project | 250 | 2004-2007 |
| Conoco Philips Canada/ TotalFinaElf/Devon Energy | RM of Wood Buffalo (near Anzac) | 'Surmont' SAGD* Bitumen Commercial Project | 1,400 | 2004-2013 |
| Devon Canada Corporation | RM of Wood Buffalo | 'Jackfish' SAGD Oil Sands Project | 550 | 2005-2007 |
| EnCana Corporation | RM of Wood Buffalo (Christina Lake) | SAGD Bitumen Production | 400 | 2000-2009 |
| | Wheatland County (near Hussar) | Countess Gas Storage Facility | 130 | 2002-2005 |
| ExxonMobil Canada Ltd. | MD of Bonnyville (near Cold Lake) | In situ Bitumen Plant | 100 | 1997-2005 |
| Imperial Oil Limited | Strathcona County | Strathcona Refinery Upgrades | 220 | 2003-2004 |
| OPTI Canada Inc./Nexen Inc. | RM of Wood Buffalo (near Anzac) | 'Long Lake' SAGD Heavy Oil Project | 3,400 | 2004-2006 |
| Petro-Canada Oil and Gas | Strathcona County | Strathcona Refinery Conversion to Upgrade Bitumen | 1,200 | 2004-2008 |
| Petrovera Resources Ltd. | Lindbergh/Elk Point/ Frog Lake/Marwayne | Bitumen Recovery | 1,200 | 2000-2010 |
| Suncor Energy Inc. | RM of Wood Buffalo | 'Firebag' In situ Bitumen Recovery Project | 1,000 | 2003-2012 |
| Syncrude Canada Ltd. | RM of Wood Buffalo (Fort McMurray) | Phase 3: Upgrader Expansion phase 1 and Aurora Mine Train 2 | 7,770 | 2001-2006 |
| | RM of Wood Buffalo (Fort McMurray) | Continuous Improvement | 1,500 | 1997-2007 |
| PIPELINES | | | | |
| Alberta Oil Sands Pipelines Ltd. | RM of Wood Buffalo to Strathcona County | Increase in Pipeline Capacity | 188 | 2002-2004 |

* Steam Assisted Gravity Drainage

Announced Major Projects Over \$100 Million

Announced or Under Construction

| Company Name | Location | Type of Project | Cost (\$millions) | Timing |
|--|---------------------------------------|---|----------------------|-----------|
| POWER PLANTS | | | | |
| EPCOR Utilities Inc. | Leduc County | Genesee Power Plant - Phase 3 (490MW) | 600 | 2002-2005 |
| Hunt Power Company Ltd. | MD of Rocky View (near Crossfield) | Gas-Fired Power Plant (345MW) | 300 | 2004-2006 |
| COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION | | | | |
| Cameron Corporation/ Grosvenor International Canada Ltd. | Edmonton | 'South Edmonton Common' Retail Complex | 250 | 1997-2005 |
| Heritage Partners | Calgary | 'Deerfoot Meadows' Retail Complex | 500 | 2003-2004 |
| Pauls Property Corp. GE Pension Trust | Calgary | 'Princeton' Apartment Condominium Development | 125 | 2000-2004 |
| Qualico Developments West Ltd. | Edmonton | 'Station Lands' Commercial and Residential Development | 250 | 2004-2018 |
| Strathcona County/ Christenson Developments/ Western Asset Management Group | Strathcona County (Sherwood Park) | Centre in the Park' Housing/Retail/ Commercial Development | 120 | 2004-2011 |
| INSTITUTIONAL | | | | |
| Calgary Health Region | Calgary | Alberta Children's Hospital | 220 | 2003-2006 |
| Capital Health Authority | Edmonton | Alberta Heart Institute | 142 | 2004-2006 |
| The University of Calgary | Calgary | Health Research Innovation Centre | 129 | 2003-2006 |
| | Calgary | Faculty of Kinesiology Expansion | 124 | 2002-2004 |
| University of Alberta | Edmonton | Health Research Innovation Centre | 165 | 2003-2006 |

Announced Major Projects Over \$100 Million

Announced or Under Construction

| Company Name | Location | Type of Project | Cost (\$millions) | Timing |
|--|-------------------------|-----------------------------------|----------------------|-----------|
| OTHER | | | | |
| Bell Intrigna/Bell Nexxia/ Axia NetMedia and Partners | Across Alberta | Alberta SuperNet | 300 | 2001-2004 |
| Calgary Airport Authority | Calgary | Airport Improvements | 800 | 1998-2007 |
| Destination Resorts Inc. | Canmore | Three Sisters Resort | 150 | 2002-2010 |
| Various Irrigation Districts | Across Southern Alberta | Irrigation Systems/Rehabilitation | 600 | 1997-2006 |
| TOTAL | | | 24,213 | |