Alberta’s Economic Outlook
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1) Global Economy
2) Canadian Economy
3) Alberta Economy
4) Alberta’s Housing Market
5) Risks to the outlook

Global Economy

2012 Economic Growth
Source: IMF

Eurozone debt crisis escalates

Total Net Government Debt (CHF billion)
Source: IMF

Uncertainty translates into rising bond yields

10-year Government Bond Yields
Source: Thompson Reuters
Equity markets decline

Stock Market Performance

Consumer confidence deteriorates

Consumer Confidence Indicator

With so much uncertainty, businesses are hoarding cash

Cash Reserves of Non-financial Corporations

Uncertainty causes flight to safety

10 year Government Bond Yields

Monetary stimulus remains intact

Policy Target Rates

US finally enters expansion

US Economic Growth – A Historical Perspective
Emerging economies power world growth

Real GDP Growth

Source: IMF

And drive growth in oil demand

Global Oil Demand

Source: US Energy Information Agency

But even emerging markets show signs of slowing

Manufacturing Sector Growth

Source: Thomson Reuters and Market - HSBC

Canadian Economy

Canada’s labour market outperforms the US

Employment


A soaring loonie impacts Canada’s trade balance

Source: Statistics Canada and Bank of Canada
Canadians continue to invest in homes

### Housing Starts

- **Canada**
- **US**

- **Source:** CMHC, US Census Bureau

But rising household indebtedness creates risks

### Household Debt to Disposable Income

- **Source:** Statistics Canada and US Federal Reserve Board

Higher oil prices propel Alberta’s energy sector

### Oil Prices

- **Source:** Alberta Energy

Gas prices remain weak

### Alberta Natural Gas Reference Price

- **Source:** Alberta Energy

US shale gas continues to flood market

### US Natural Gas Production by Source

- **Source:** US Energy Information Agency
Alberta’s Energy Sector Lifted by Oil Activity

- Alberta Metres Drilled
- Source: ERCB

Oil Sands Remains a Key Driver

- Alberta Oil Sands Capital Investment
- Source: Statistics Canada, preliminary intentions

Oil Production Rises to New Heights

- Alberta Crude Oil Production
- Source: ERCB

Gas Exports Trending Down Due to US Supply Glut

- Alberta Natural Gas Disposition
- Source: ERCB

Manufacturing Sales Near Pre-Recession Peak

- Alberta Manufacturing Shipments
- Source: Statistics Canada

Government Spending Weights on Non-Residential Construction

- Alberta Non-Residential Construction
- Source: Statistics Canada
Alberta farmers benefit from higher crop and livestock prices

Alberta Corporate Profits

Alberta job creation gains momentum, bucking national trend

Full-time, private sector positions drive overall gains

Pace of job creation to moderate, but remain strong

A tightening of the labour market pushes up wages
Alberta’s Economic Outlook – Chief Economist Katherine White
Presented April 2012 Exclusively to the Members of REIN™

Jobs attract new wave of migrants, boosting population

Housing market stabilizes after boom years … more to come on Alberta’s housing market

Retail sales strengthen on job and income gains

Inflation moves higher, but stays contained

Alberta’s economy to post solid growth

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Housing starts picking up

Recent uptick in existing home sales, but no clear upward trend

Mortgage rates remain at rock bottom levels

Balanced market conditions prevail

Housing prices remain flat

Grande Prairie sees largest increase in housing starts last year

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Flat prices, low mortgage rates and rising incomes make homes more affordable.

Alberta Housing Affordability Index

Housing starts expected to rise, helping sustain balanced market conditions...

Alberta Housing Starts

Risks to the Economic Outlook

- The shrinking, but serious, risk of a financial crisis starting in the Eurozone could have far reaching implications for the global banking system. As witnessed in 2009, tighter financing conditions and lower oil prices could potentially put capital projects on hold.

- A severe deceleration in emerging markets could pose a risk to global economic growth. There are fears of possible asset price bubbles in China, the bursting of which could lead to problems in the Chinese banking system. Additionally, China’s currency is seen to be undervalued and in a slower growth environment, currency tensions could disrupt global trade.

- The US fiscal situation also poses a risk to the outlook; too much austerity could push the US into recession, and not enough could test the patience of bondholders as they await a fiscal consolidation plan from the federal government and drive up treasury yields.

- The Canadian dollar remains elevated, buoyed by high commodity prices and Canada’s relatively strong economic position. An appreciation of the Canadian dollar could hurt Alberta exporters.

- Risks to the Economic Outlook

- Large increases in oil prices undermine global economic growth. Should supply disruptions lead to such price spikes, the global economy will suffer.

- Over the medium term, access to markets for Alberta’s exports could be constrained, limiting Alberta’s continued economic growth.

- Shale Oil represents an emerging risk to oil sands development, it has the potential to be a game changer.

- A further tightening in Alberta’s labour market could worsen labour shortages, driving up costs and hurting competitiveness.

- Upside risks to the outlook include stronger than forecast growth in the US and a timely resolution to the Eurozone debt crisis.
Thank you