

Creating Opportunity

August 26, 2008

Higher surplus to boost savings and address climate change***Increased resource revenue drives surplus to \$8.5 billion*****First Quarter Fiscal Highlights**

- **Revenue for 2008-09 is forecast at \$46.6 billion, an increase of \$8 billion from budget**
- **Expense for 2008-09 is forecast at \$38.1 billion, an increase of \$1 billion from budget**
- **The surplus for 2008-09 is forecast at \$8.5 billion, an increase of \$7 billion from budget**
- **Total 2008-09 savings forecast is \$3.1 billion, an increase of \$2.8 billion from budget**

Edmonton... Higher-than-budgeted resource revenues will enable government to increase its savings this year and cover the full cost of two new initiatives aimed at reducing greenhouse gases.

Finance and Enterprise Minister Iris Evans released the province's First Quarter Update, showing a forecast surplus of \$8.5 billion for 2008-09, \$7 billion higher than predicted in Budget 2008.

Cash available as a result of the surplus will be used to create one \$2-billion fund to advance carbon capture and storage projects and another \$2-billion fund to support energy-saving public transit initiatives (Green TRIP). An additional \$1 billion will be placed into government's capital account for infrastructure projects. Another \$2.5 billion will be placed into savings, boosting government savings this year to \$3.1 billion.

"Alberta's economy continues to do well despite a general slowdown in global economic activity," said Evans. "The additional revenue from the surplus gives us the opportunity to address the priorities of Albertans, including caring for our environment through the carbon capture and Green TRIP funds."

Revenue in 2008-09 is forecast to be \$46.6 billion, an \$8-billion increase from budget, primarily due to higher resource revenue. The total also includes a \$487-million increase to the corporate income tax revenue forecast, largely attributable to a stronger outlook for corporate profits.

Resource revenue is up \$7.1 billion from budget due to higher oil and gas revenues and land sale income. Oil royalties are forecast to be \$3.5 billion higher than budgeted, while natural gas royalties are \$3 billion higher and land sales are \$627 million higher. Oil prices are forecast to average US\$119.25 per barrel, up \$41.25 from budget, and natural gas prices are forecast to average Cdn\$8.50 per gigajoule, \$1.75 higher than budget.

Expense is forecast to be \$38.1 billion, an increase of just over \$1 billion, or three per cent, including increases for disaster/emergency assistance, natural gas rebates, and capital grants.

Surplus allocations include \$3.1 billion to savings, including \$525 million to the Alberta Heritage Savings Trust Fund for inflation-proofing, and another \$2.5 billion to be allocated at a later date. A total of \$5 billion from the surplus has been allocated to capital, including the \$4 billion previously announced for carbon capture and storage and Green TRIP, as well as another \$1 billion for other capital projects.

The Alberta Heritage Savings Trust Fund 2008-09 First Quarter Update was released with the First Quarter Fiscal Update. The Heritage Fund is forecast to earn net income of \$774 million in 2008-09, no change from budget. As of June 30, the Fund had a fair value of \$17.1 billion.

Summary (\$ millions)

	Budget 2008-09	1st Quarter Forecast	Change from Budget
Revenue	\$38,571	\$46,584	\$8,013
Non-Renewable Resource Revenue	\$11,709	\$18,838	\$7,129
Total Expense	\$37,003	\$38,051	\$1,048
Operating Expense*	\$29,769	\$30,022	\$233
Surplus (Net Revenue)	\$1,568	\$8,533	\$6,965
Sustainability Fund	\$7,653	\$7,653	
Oil Price (WTI US\$/bbl)	\$78.00	\$119.25	\$41.25
Natural Gas Price (Cdn\$/GJ)	\$6.75	\$8.50	 \$1.75
Exchange Rate (US¢/Cdn\$)	\$0.988	\$0.988	

* excludes dedicated revenue/expense changes

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Attachments: Alberta's Economic Outlook

Media inquiries may be directed to:

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Alberta's economic outlook

Alberta's mid-year economic update indicates that the province will fare well, despite uncertainties in the global economy.

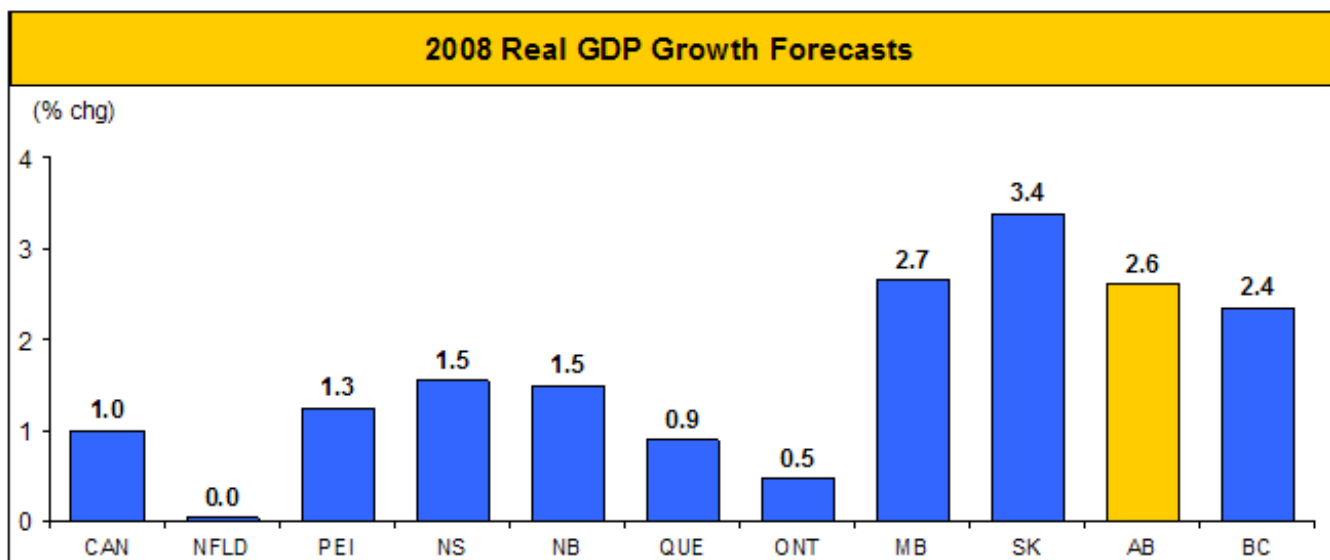
Economic growth

Alberta's real gross domestic product growth for 2008 is expected to be 2.6 per cent, compared to the Budget 2008 forecast of 2.9 per cent.

- This can be attributed to a faster-than-expected correction in the housing market, and temporary declines in oil production in the first half of 2008. This decline will constrain growth in oil exports in 2008, but a forecasted rebound in 2009 will boost growth next year.

Overall, Alberta's labour market remains strong.

- Employment is up 3.0 per cent through July, compared to a 1.9 per cent increase for Canada as a whole.
- Alberta's unemployment rate has averaged 3.6 per cent this year, and is expected to remain the lowest in the country.



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