

### On a fast track

Amid the heightened economic uncertainty spreading globally in the past several months, Alberta's steady progress toward full recovery from the recession is refreshing. Overcoming obstacles of its own—chief among them the wildfires that caused significant economic disruptions in May—the provincial economy is now displaying the stuff that made it a growth powerhouse a little more than half a decade ago. Impressed by the performance to date, we upgraded our call for Alberta's real GDP growth to 4.0% this year, which is a pace that we believe will be largely sustained in both 2012 and 2013, at 3.9% and 3.8%, respectively. Were it not for the even stronger performance by Saskatchewan, Alberta would recapture the crown of Canada's fastest growing provincial economy.

### Job market booming

With the oil industry buzzing like it was in 2006 and serving as a catalyst for activity in other sectors, Alberta's job market is booming. In the first 11 months of this year, there have been 98,000 net new jobs created in the province, representing the best tally since 2006. The gain could well cross the 100,000 mark when all is said and done in 2011, which would set a new record for Alberta. What is most impressive about this supercharged job market is that gains are broadly based across industries. The energy sector is directly responsible for only a small portion of these gains. Small to moderate advances are being registered in the vast majority of industries. Moreover, the boom entirely emanates from the private sector, which is the source of an astounding 116,000 new jobs this year. Such strength easily made up for declines in the public sector and among the self-employed.

### Alberta consumers spending big

With job prospects improving so quickly and confidence rebuilding, Alberta consumers have been big spenders in 2011. Retail sales in the province have increased at one of the faster rate in the country, with big ticket items such as motor vehicles enjoying further resurgence from their recessionary lows. We expect that favourable labour market conditions—we project employment to rise by a nation-leading 3.1% next year—will continue to support such positive consumer spending trend in 2012.

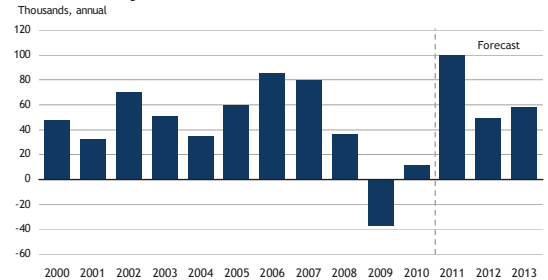
### Non-conventional crude production setting new records

Generally, the outlook for the Alberta economy remains very bright (notwithstanding the higher risks that face virtually all global economies). Oil production in the province has now fully recovered from the disruptions caused by the wildfires in May and is now on a record pace. We expect that, with more oilsands capacity continuing to be added, non-conventional crude output will set new highs in the period ahead. Pipeline capacity issues—the topic of much debate in the United States in the past several months that ultimately resulted in delaying the approval decision on the Keystone XL project—might create some transportation bottlenecks to U.S. refineries by 2013, which could restrain growth in the province's exports that year.

### Alberta's oilsands: a boon for years to come

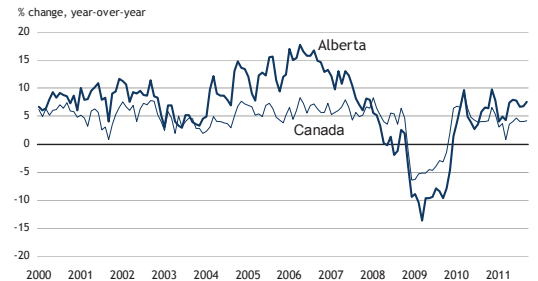
Meanwhile, work on several oilsands megaprojects is proceeding and will continue to generate tremendous economic activity in the province. There is an inventory of \$120 billion worth of oilsands projects at various stages of development currently; and given the strong commitment by all stakeholders to build this resource, it will be a boon to Alberta's economy for years to come.

Alberta net jobs created



Source: Statistics Canada, RBC Economics Research

Alberta retail sales



Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated

	2010	2011F	2012F	2013F
Real GDP	3.3	4.0	3.9	3.8
Employment	-0.4	3.8	3.1	2.5
Unemployment rate (%)	6.5	5.5	5.0	4.7
Retail sales	6.0	5.7	6.2	6.3
Housing starts (units)	27,088	25,900	31,000	32,000
Consumer price index	1.0	2.3	1.5	2.0

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