



## ALBERTA'S ECONOMY TO CONTINUE TO GROW IN 2015 DESPITE DROP IN OIL PRICES: RBC ECONOMICS

**TORONTO, December 12, 2014** — After outpacing the rest of the provinces in 2014, Alberta's economy is expected to grow at a slower rate in 2015 due in large part to the effects of the drop in oil prices, according to the latest [Provincial Outlook](#) report released today. RBC revised its 2015 real GDP forecast for the province to 2.7 per cent from 3.5 per cent previously. RBC believes this deceleration will continue into 2016 when a 2.3 per cent growth rate is projected for Alberta.

“We expect that the persistence of significantly lower oil prices will temper Alberta's economic boom in the period ahead,” said Craig Wright, senior vice-president and chief economist, RBC. “Both private and public incomes will face headwinds. Still, we expect the provincial economy to expand at the same 2.7 per cent rate as the national economy in 2015, which will remain quite respectable.”

Despite the weakness in global crude oil markets, indications available to date suggest that there has been a muted effect on activity in the province's energy sector so far. A rise in bitumen output has supported strong crude oil production throughout 2014 and we expect further increases in 2015. Lower oil prices are expected to weigh on the energy sector through a curtailing of capital spending in 2015, RBC says.

“The ramping up of production at new and expanded oil sands projects will continue to boost non-conventional oil output in 2015 despite the lower oil price environment,” said Wright. “Production at such projects tends not to be very sensitive to short-term price fluctuations given their longer-term focus and prevalence of fixed costs.”

The challenges posed by sustained low oil prices will clearly have negative implications for the provincial government's finances. The Alberta government's mid-year fiscal report implied a 30 per cent downward revision to non-renewable resource revenues relative to plan for the second half of the current 2014-15 fiscal year. RBC expects that this weaker in-year revenue profile spells for a poor handoff to fiscal year 2015-16 when intense downward pressure on provincial revenues will become much more visible.

Negative spillover effects of lower oil prices into non-energy sectors so far have not materialized, as boom-like conditions continue to prevail across the province in 2014 and attract a large number of people moving to Alberta. The provincial economy is buoyed by solid underlying consumer demand with the persistence of impressive housing market gains and strong retail sales. However, these conditions are expected to be somewhat diminished by the impact of lower oil prices in 2015, as downward pressure on incomes will likely dampen business and consumer confidence.

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The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts, and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at [rbc.com/economics/economic-reports/provincial-economic-forecasts.html](http://rbc.com/economics/economic-reports/provincial-economic-forecasts.html).

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