



The Conference Board
of Canada

Regional Shakeup

The Impact of Lower Oil Prices on Canada's Economy

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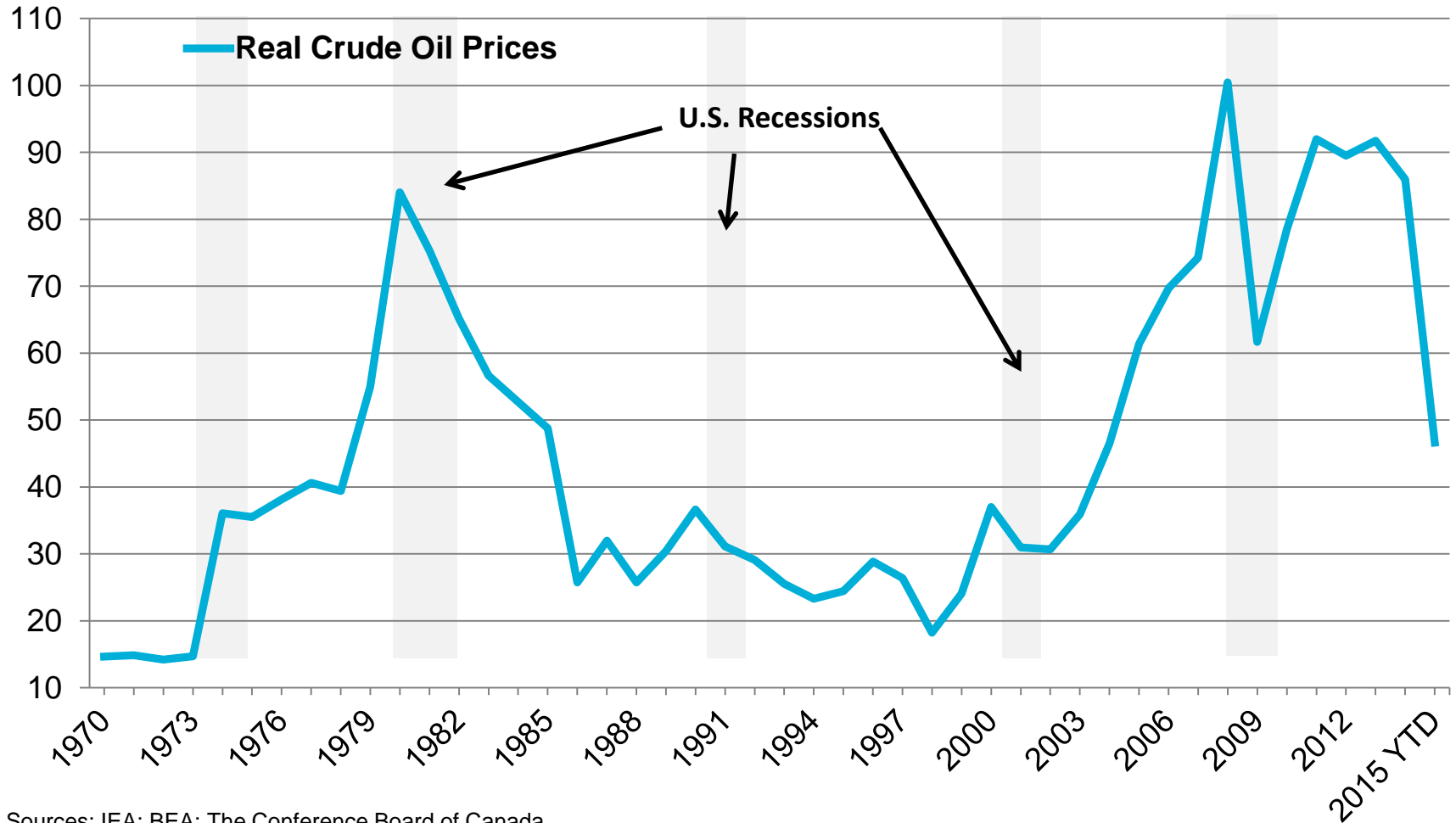
Director, Industrial Economic Trends

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Where are we...

(WTI crude price, US\$ per barrel relative to US GDP deflator)



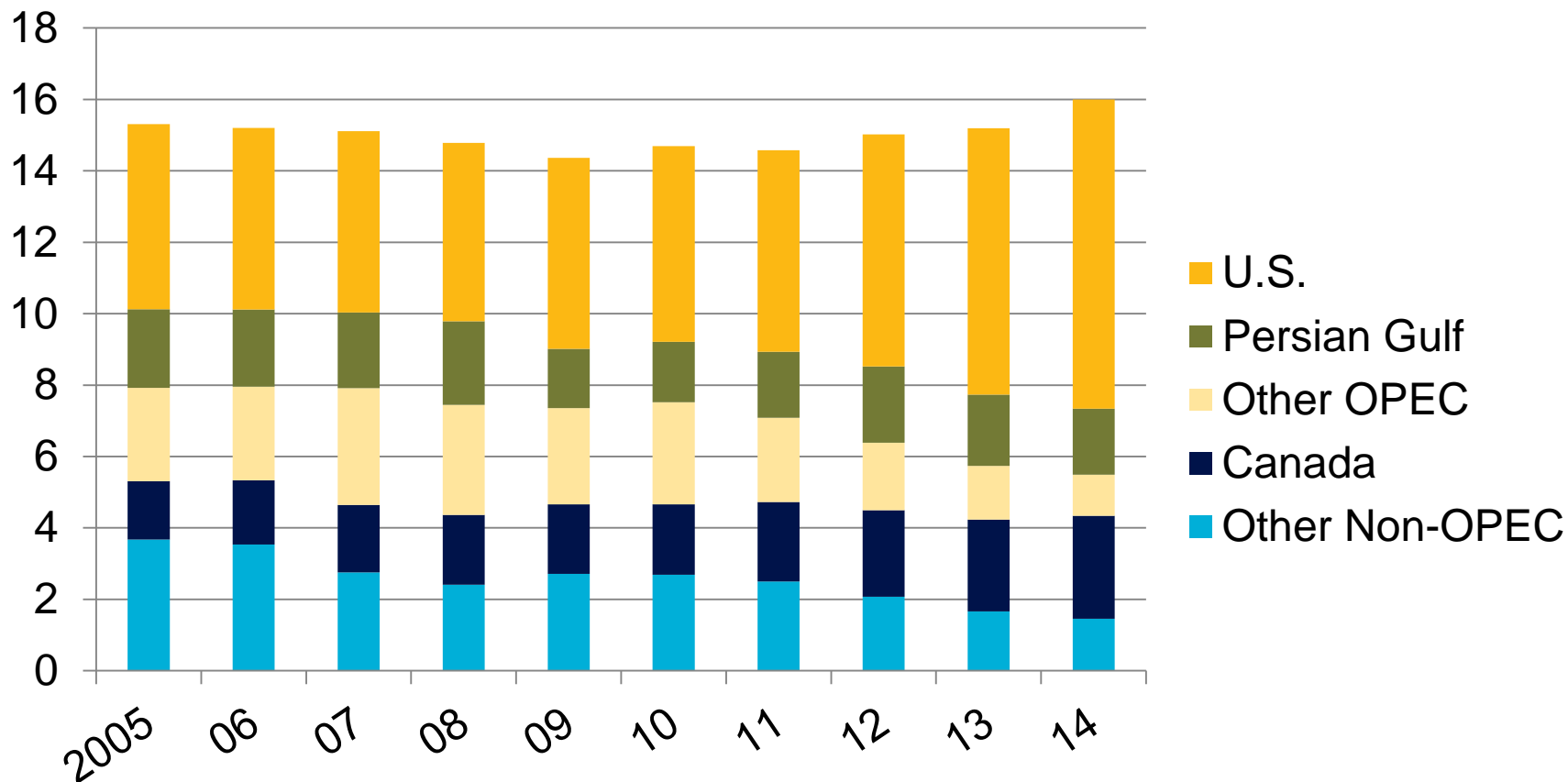
Sources: IEA; BEA; The Conference Board of Canada.

...and how did we get here?

- Supply:
 - Diverse oil supply capacity added since 2010: U.S. tight oil, Canadian Oilsands, Brazilian Pre-salt
 - Commitment by OPEC (particularly Saudi Arabia) to fight for market share
 - Reduction in geopolitical supply disruptions
- Demand:
 - Increased energy efficiency and limited economic growth has resulted in flat oil demand in the U.S., EU, Japan
 - Chinese energy demand growth gradually slowing

The Fight for U.S. Market Share

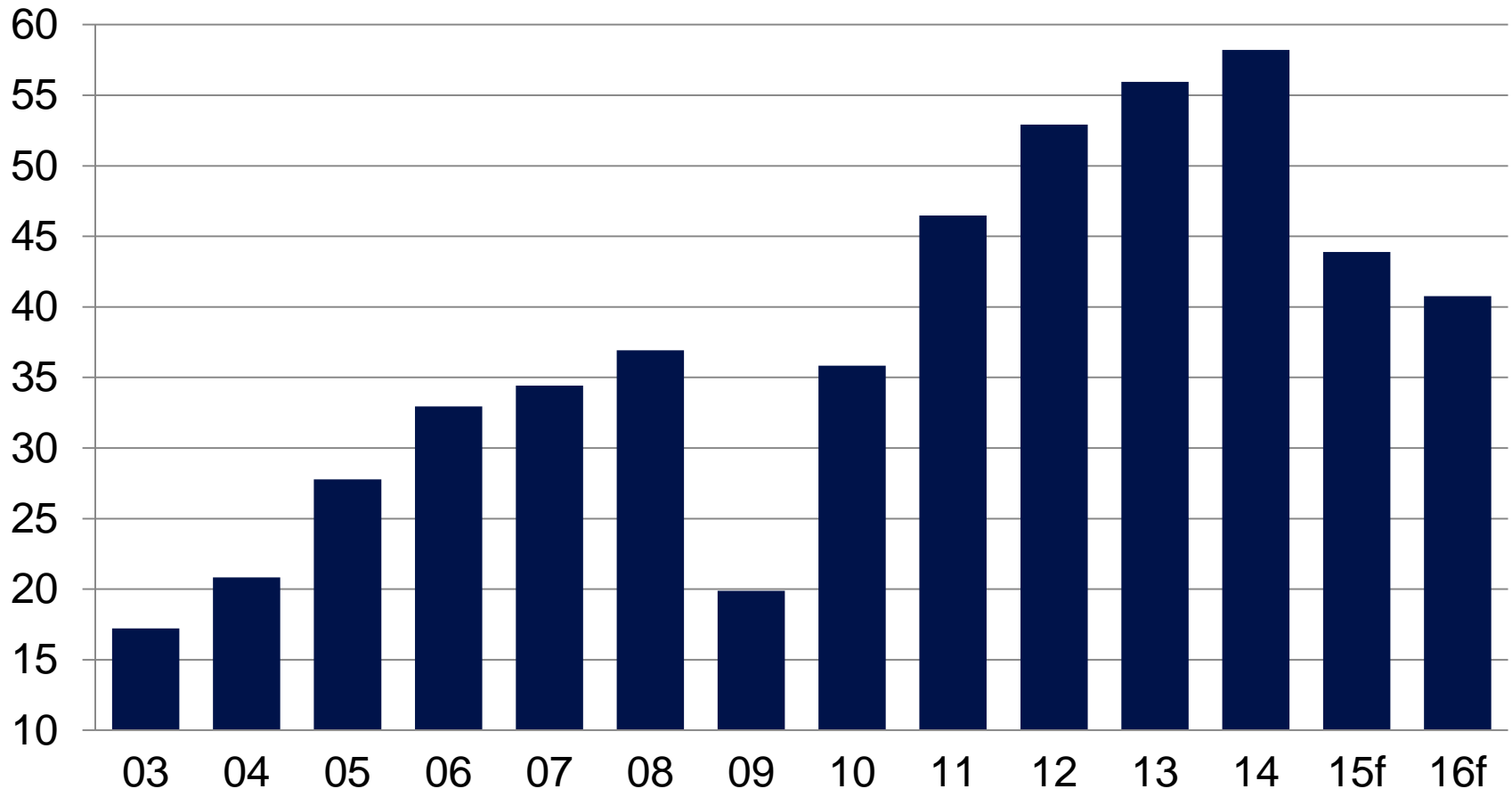
(U.S. crude sources of supply, million barrels per day)



Source: U.S. Energy Information Administration

Oil and Gas Investment Will Plunge

Canadian oil and gas investment, billions of \$



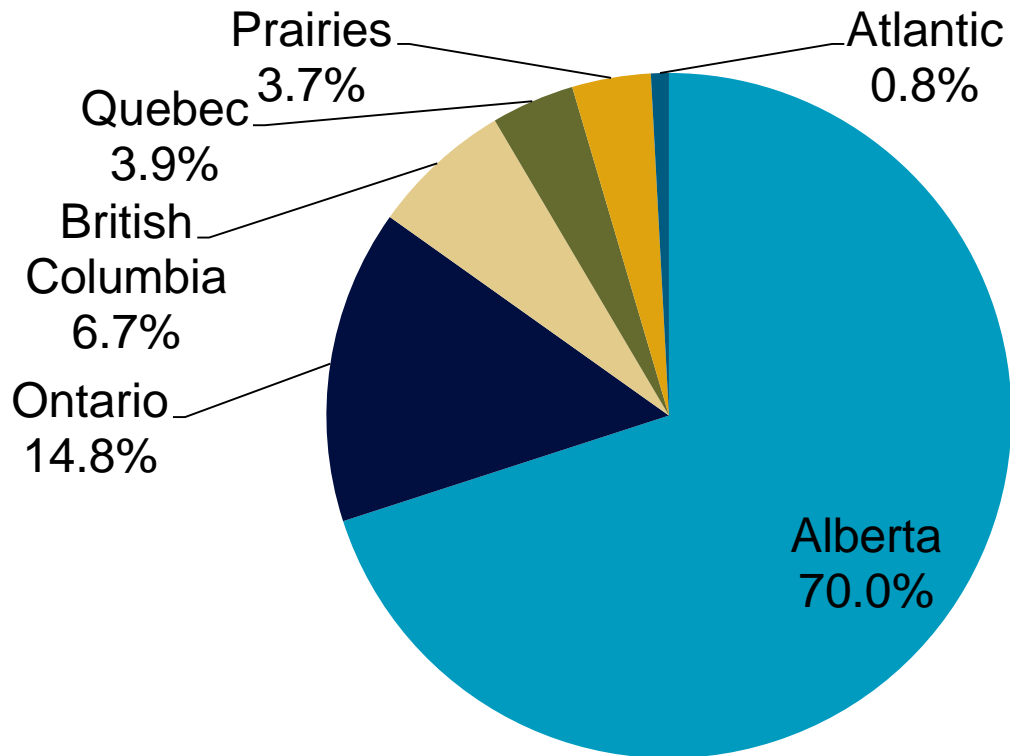
Sources: Statistics Canada; The Conference Board of Canada.

Implications of the Decline in Investment

- \$1 billion in investment equates to 8,800 one year jobs
- 3 types of impacts
 - Direct (2,400 jobs)
 - Indirect or supply chain (4,000 jobs)
 - Induced or income (2,400 jobs)
- 512,000 jobs in Canada supported by oil investment activity in 2014 versus 386,000 in 2015

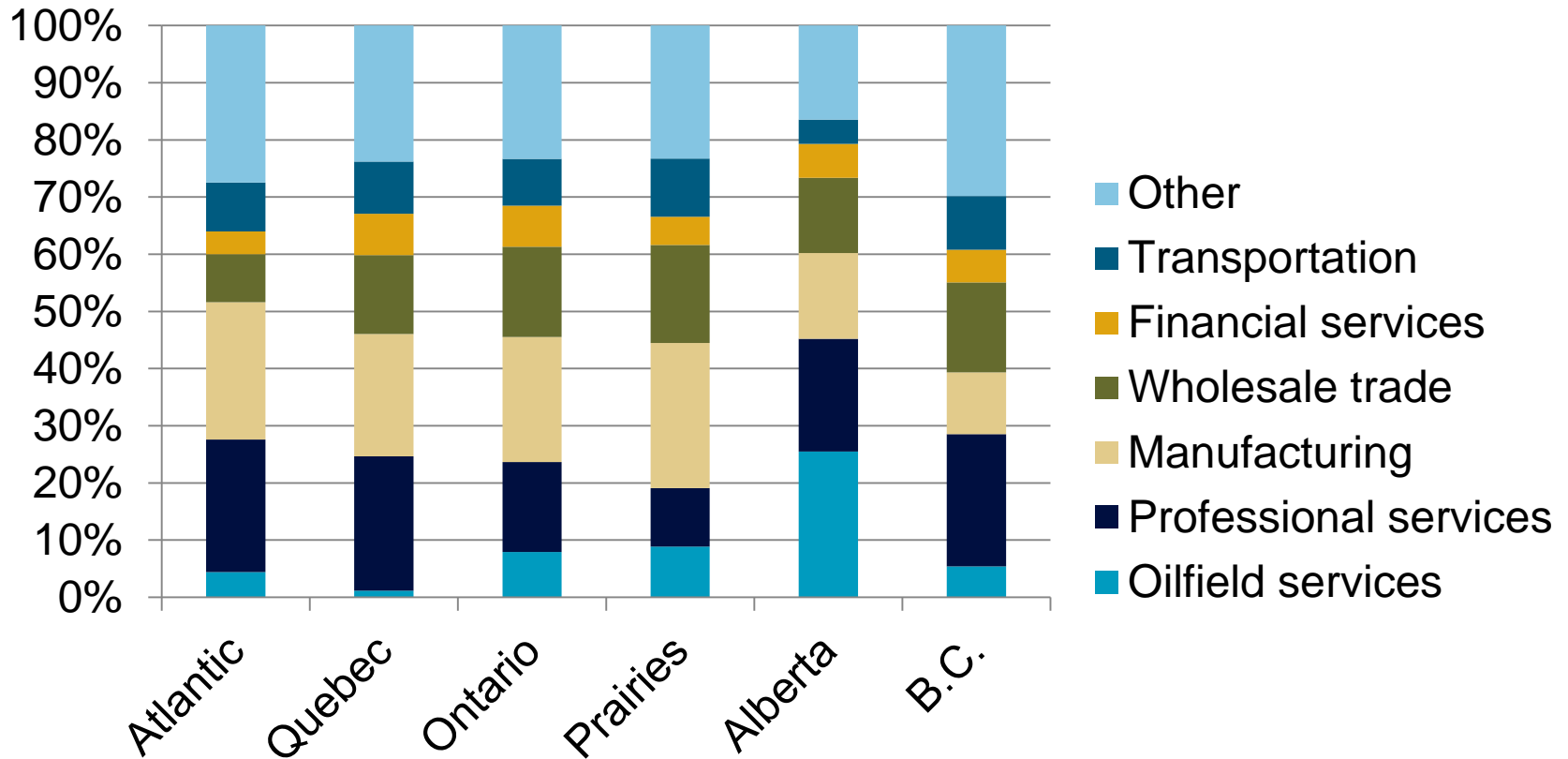
Nearly One-Third of Domestic Supply Chain Impacts Occur Outside of Alberta

share of supply chain employment for oil investment by region



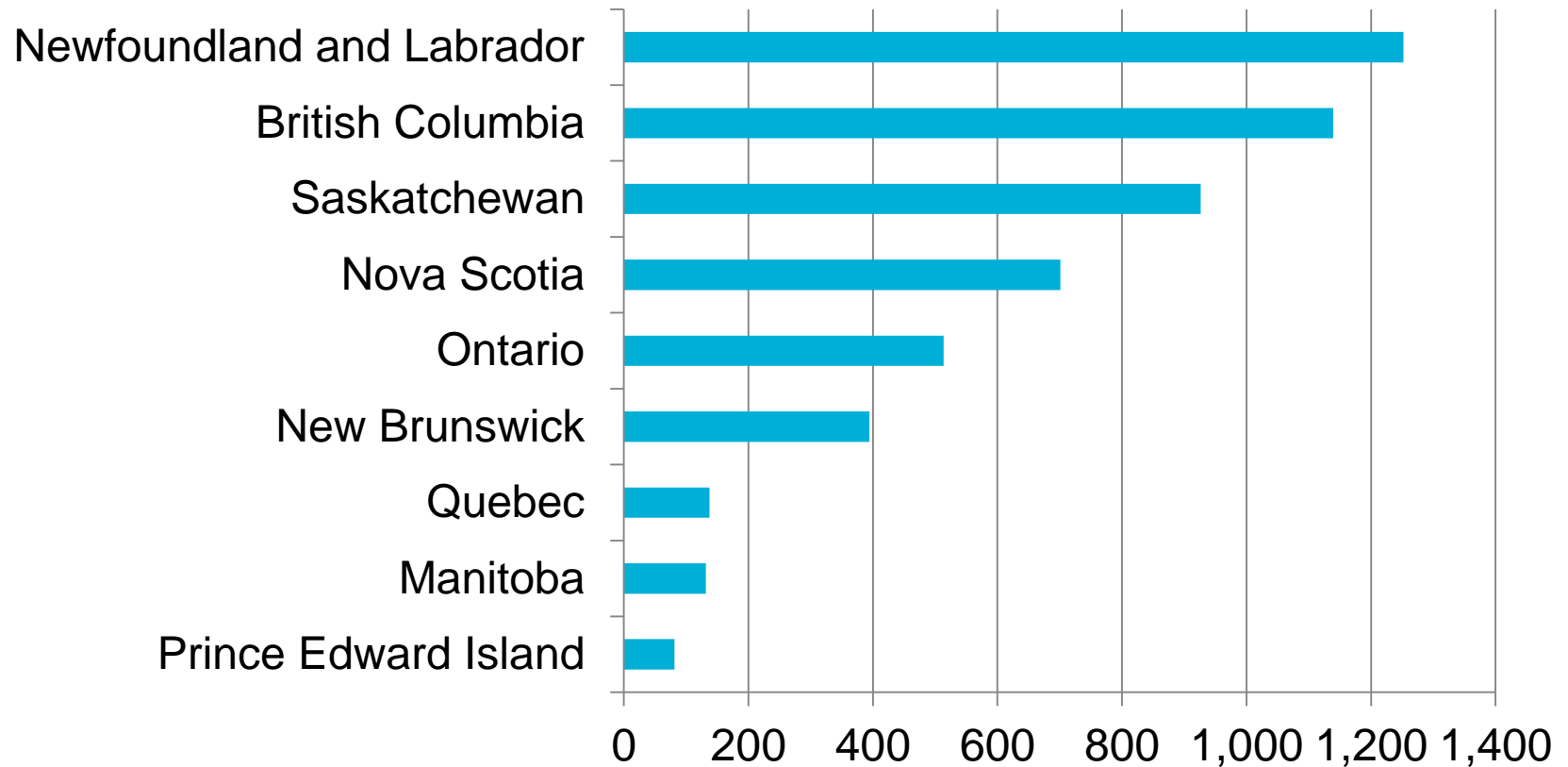
Key Sectors that Experience Supply Chain Effects

share of supply chain employment from oil investment by industry and region



Income Remittances Are Also Important

number of out-of-province workers in Wood Buffalo-Cold Lake

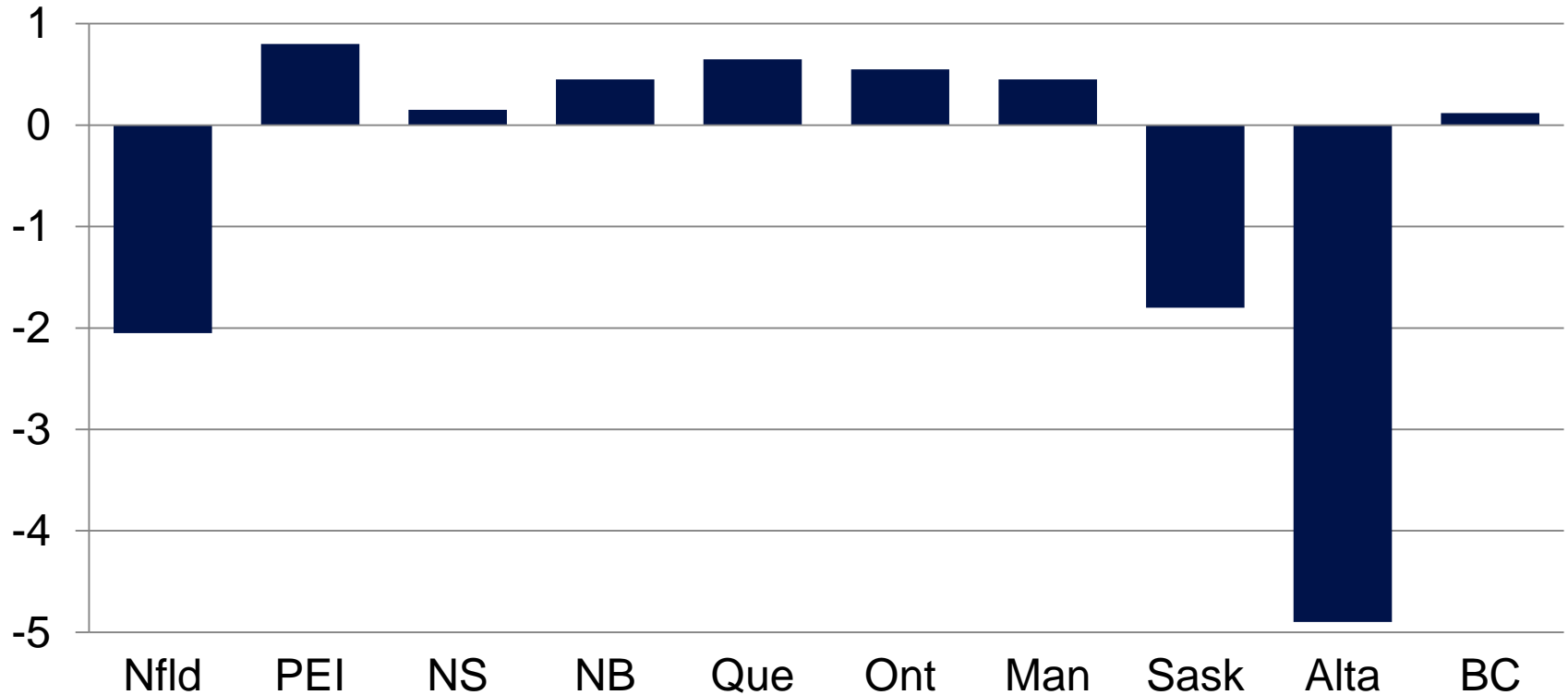


Benefits for Oil Importing Provinces

- Lower gasoline prices put about \$800 into the pockets of each Canadian household
- Cost savings for manufacturing and transportation
- Exports to U.S. benefit from a stronger U.S. economy and weaker Canadian dollar

Regional Impacts of Lower Oil Price

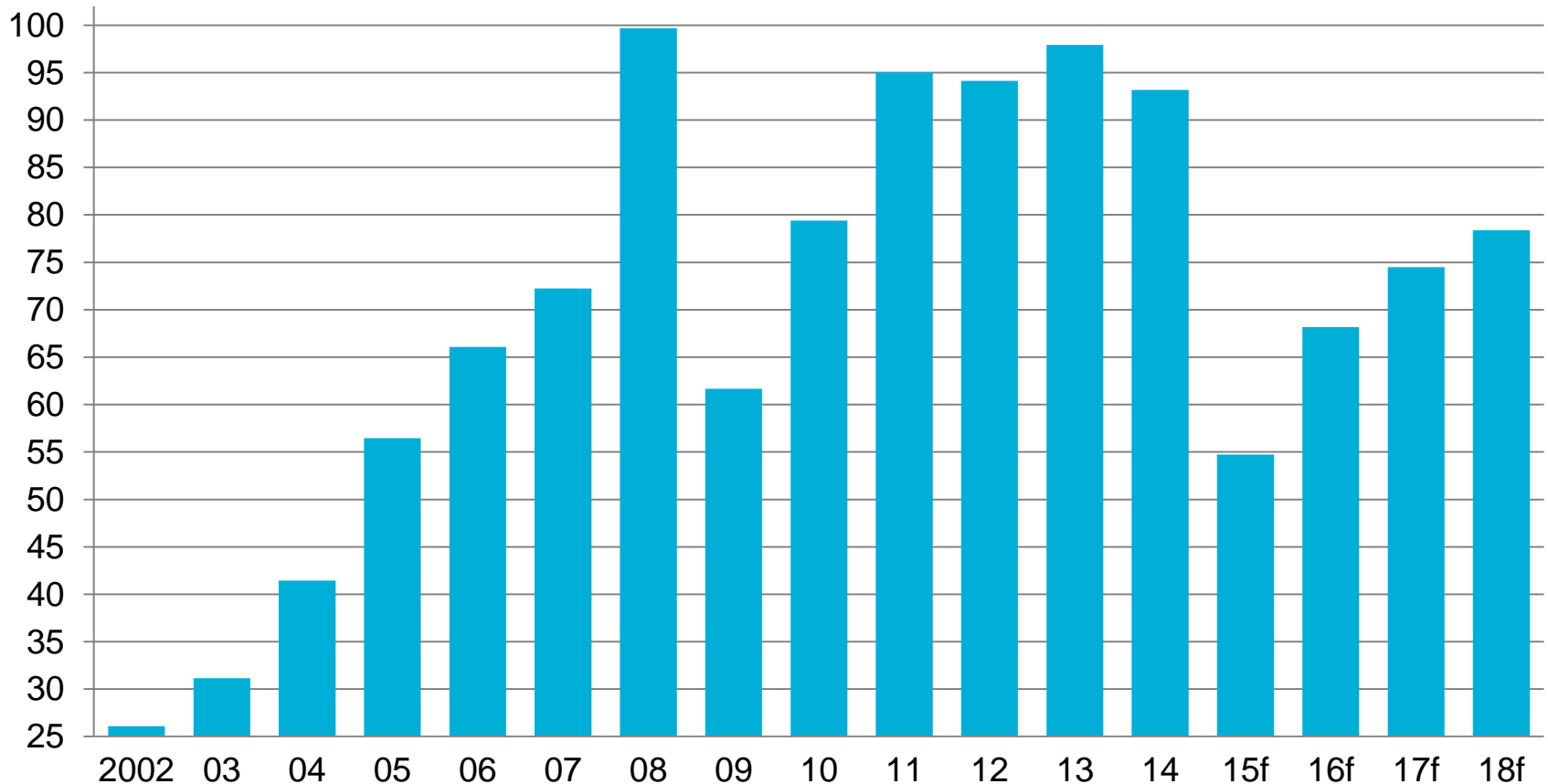
(percentage point change in real GDP growth)



Source: The Conference Board of Canada.

Where Will Prices Settle?

(WTI Crude Price, US\$ per barrel)



Sources: Bureau of Economic Analysis The Conference Board of Canada.



U.S. Shale Formations Are Now the Swing Producers

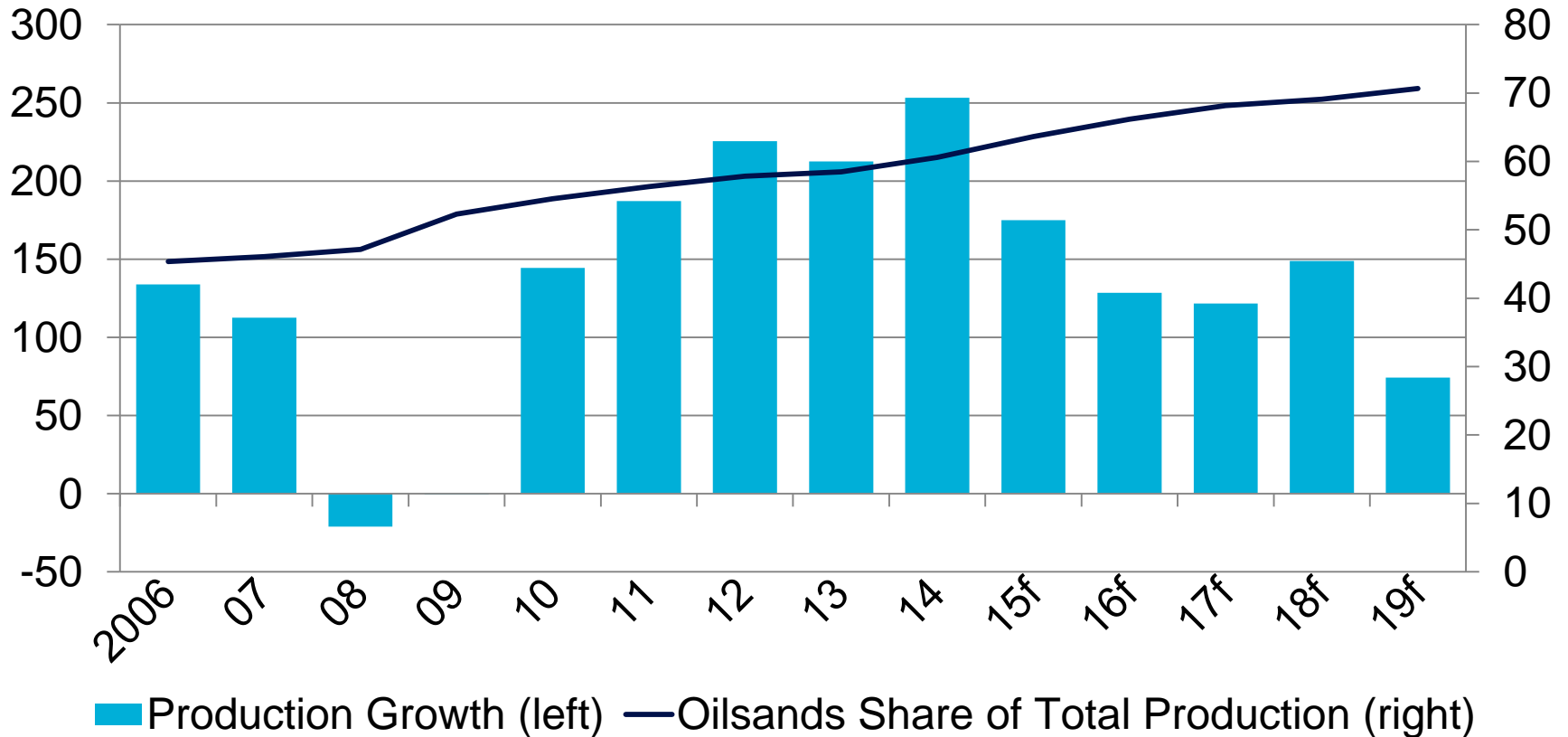
break even point, US\$ per barrel

Baaken, N.D.	\$60-\$75
Permian, Texas	\$57-\$75
Eagle Ford, Texas	\$53-\$65
Tuscaloosa, Louisiana	\$85

Source: The Wall Street Journal.

Canadian Production Still Growing, But at a Slower Pace

(production growth, thousand barrels per day; share of total production)



Source: The Conference Board of Canada

Key Risks to the Outlook

- Pipeline development is not assured
- Shale oil development outside of the U.S.
- Carbon pricing and regulations to limit GHG emissions
- Potential royalty review in Alberta

Summary

- Change in stance by OPEC and rising North American production have shifted the oil price outlook
- Regional variations in impact across Canada, but on net, lower oil prices are negative for Canada
- Oil investment and production will have a slower growth profile going forward
- Risks to the outlook remain high



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