



Forecast

The forecast risks for the Calgary economy have increased since the January 2009 forecast update. Economic conditions in the world outside of Calgary have worsened and these changes have further reduced aggregate demand and caused commodity prices to fall below previous expectations. The steep reduction of commodity prices is expected to be a drag on investment levels in Alberta and economic activity in Calgary over the 2009 – 2011 period.



Q1/09



Calgary's Economic Outlook: 2009-2013



THE CITY OF
CALGARY
LAND USE PLANNING & POLICY

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The City of Calgary monitors, forecasts and reports on the local economy throughout the year. The current report is intended to serve as reference for The City's financial planning.

Calgary

- Calgary's population is expected to reach 1.066 million persons by April 2009, up from 1.043 million in 2008. This estimate is in line with the October 2008 projection.
- The residential market is currently over supplied with units and this should have the following impacts on the economic outlook:
 - » Reduction in building permit values
 - » Reduction in the number of housing starts
 - » Decreases in the value of existing housing
- Non residential building prices are expected to stabilize, after growing at an average of 15 per cent over the last three years.

Calgary Economic Region

- Economic activity in the Calgary Economic Region is expected to moderate in response to slower growth in the world outside its borders.
- The forecast is for overall economic activity to contract by 2.0 per cent in 2009 and then increase by 1.2 per cent in 2010.
- The forecast expects the unemployment rate to trend higher as job seekers from the rest of Canada are attracted to the region by a relatively lower unemployment rate.
- The consumer price inflation rate is expected to average 1.2 per cent in 2009 and increase to 1.5 per cent annually in 2010.

Alberta

- The economy is expected to contract by 1.8 per cent in 2009 and grow at 1.6 per cent in 2010.
- AECO natural gas prices are expected to average \$4 per GJ in 2009.
- West Texas Intermediate (WTI) crude oil is expected to average U.S.\$45/bbl in 2009, mainly influenced by the impact of the global recession.

Canada

- The forecast for Canadian GDP growth is revised down to -2.0 per cent in 2009 and 1.5 per cent in 2010.
- The Canadian dollar is expected to depreciate sharply in 2009 from its 2008 level, due to lower commodity prices represented by crude oil and natural gas.

US

- The U.S. GDP is expected to contract (-2.5%) in 2009 and return to positive growth (+1%) in 2010.

World

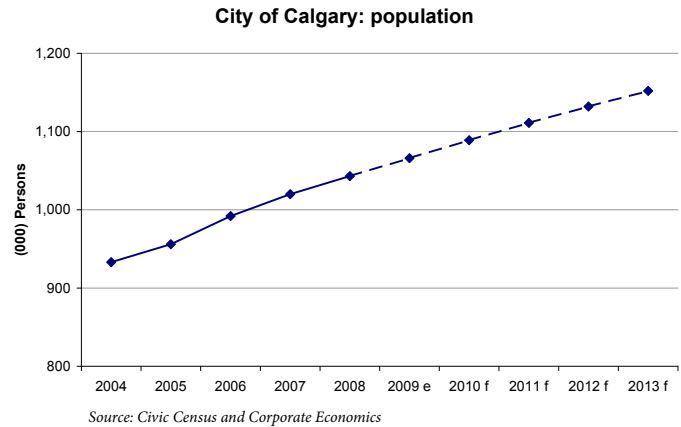
- The world economy is expected to grow at rates significantly below its' historic trend. This is partly in response to a sharp reduction in international trade.
- The sharp reduction in demand for commodities arising from the current recession would cause commodity inflation rates to remain relatively low over the 2009 – 2011 period.

Forecast risks

- Given the high inter-dependence of the world economy, no county, region or city is immune from the current economic crisis. The volatility of world energy prices poses both upside and downside risks for the Calgary economic outlook. On balance, the risks appear to be weighted on the downside.

Calgary's population

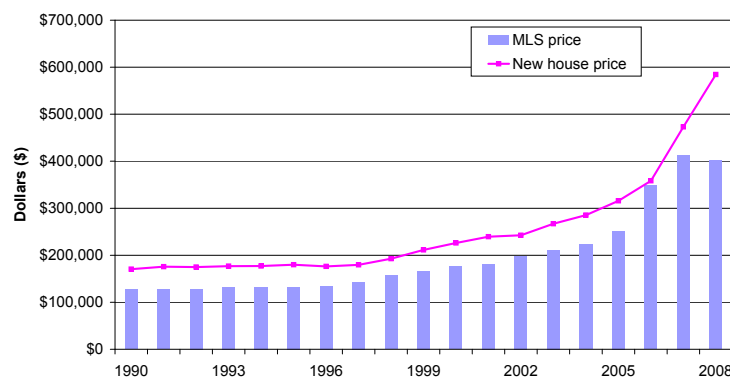
- Calgary's population is expected to reach 1.066 million persons by April 2009, up from 1.043 million in 2008. This estimate is in line with the October 2008 projection.
- Population growth would benefit from positive net migration as Calgary enjoys a lower unemployment rate compared to the rest of Canada. The most recent population estimates from Statistics Canada show a sharp increase in net inter-provincial migration to Alberta.



Calgary: real estate market

Dragging factors:	Lifting factors:
<ul style="list-style-type: none"> • Impact of the global recession and increase economic uncertainty. • Low energy prices have led to a reduction in investment which has resulted in job losses and reduced consumer confidence. • The number of residential building permits has dropped steadily for the last six months. • There is an oversupply of housing units on the MLS market. • Over 8,000 condo units are under construction. 	<ul style="list-style-type: none"> • Historically low mortgage rates • Falling house prices in Calgary have increased housing affordability • Relatively low unemployment rate.
Economic Impact:	
<ul style="list-style-type: none"> • Reduction in building permit values • Reduction in the number of housing starts • Decreases in the value of existing housing • People deciding to renovate rather than 'move up' 	

City of Calgary: new house price and MLS price

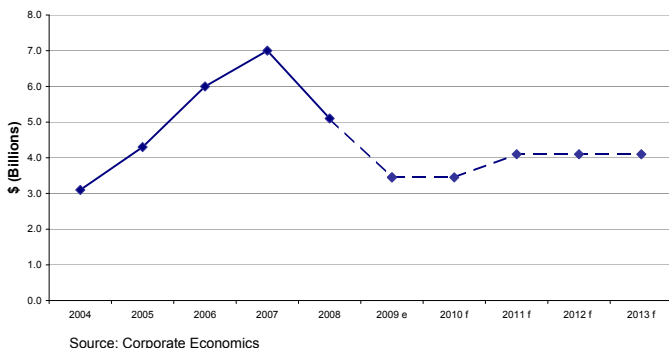


Source: Corporate Economics

New house construction

- Sales in the residential Calgary re-sale market dropped by 49 per cent in January 2009 and 36 per cent in February 2009, on a year-over-year basis. The sales to listing ratios for January were estimated at 0.25 and 0.38 in February, significantly below the 5-year average of 0.65.
- Re-sale average house price has fallen 10.8 per cent in response to an excess supply situation.
- CMHC estimates that the price for a new house increased by 2.7 per cent year-over-year to \$588,877 in February 2009.
- Statistics Canada estimates that the price index for a new house and land declined by 6.5 per cent year-over-year.
- Building permits values¹ in the Calgary Economic Region over recent months were much softer than for the same period in 2008. For example, total permit values in January 2009 dropped 64 per cent year-over-year and the number of residential units authorized dropped by 77 per cent².
- In February 2009, housing starts in the Calgary Census Metropolitan Area dropped by 15.2 per cent year-over-year.

Calgary Economic Region: value of building permits - mid point for low and high forecast



Non residential real estate market

Q4/2008. - Calgary office market was noted as one of the best in North America³, but with rising vacancy rates⁴.

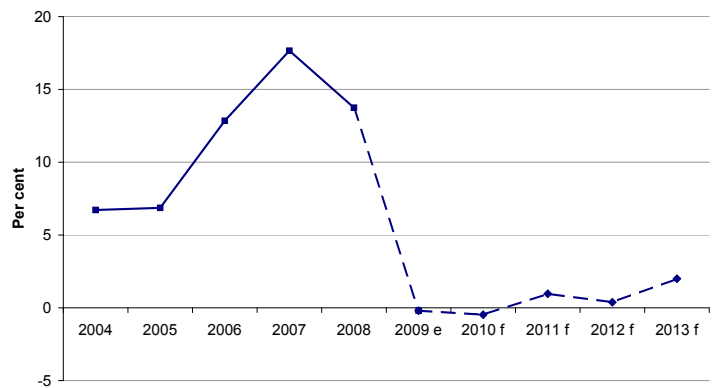
Q4/2008. - Calgary industrial market softened in 2008 and it is expected that conditions would worsen⁵ in 2009. Property values and lease rates are under downward pressure, as vacancy rates trend upwards in various segments of the real estate market.

	Inventory Q4 2008	Overall vacancy rate Q4 2008	Average rent ⁶ per sq. ft. in 2008
Office space (sq. ft.)	52,123,759	6.6%	\$39.08 (7% decline Y/Y)
Industrial space (sq. ft.)	103,146,960	3.4%	\$9.36 (3% increase Y/Y)

Source: Cushman & Wakefield LePage

Non residential building prices are expected to stabilize, after growing at an average of 15 per cent over the last three years. Sharp decreases in commodity prices should exert downward pressure on building materials costs but suppliers may be reluctant to reduce their prices as they attempt to maintain profit margins. Reduced office construction should result in reduced inflation pressure and this should last for the rest of the forecast period.

Non-Residential Building Price Inflation (%)



¹ Building permits are referred to as investment intentions and as a result are perceived as a leading economic indicator. In times of economic boom and rising inflation level (thus costs), the value of building permits are generally swollen and once a downturn takes place, values tend to drop disproportionately. For Calgary, 2006 and 2007 had exceptionally high average monthly building permits for single family houses (699 and 663 respectively). Both these years were above 5-year trend (519).

² Statistics Canada: v42860 and v43387 respectively

³ Marketbeat, Calgary Office Report, Q4 2008, Cushman & Wakefield LePage

⁴ Office Space Across the World 2009, Cushman & Wakefield LePage

⁵ Marketbeat, Calgary Industrial Report, Q4 2008, Cushman & Wakefield LePage

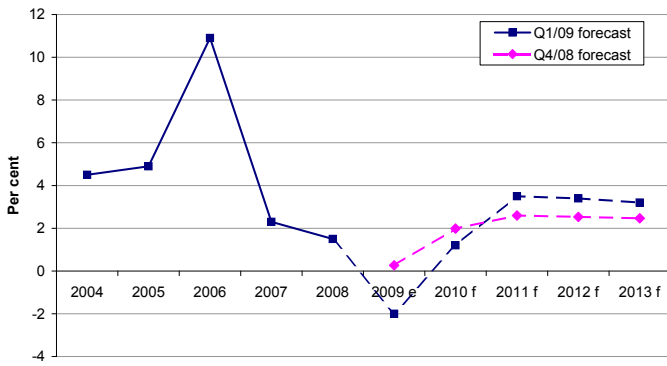
⁶ Industrial Space Across the World 2009, Cushman & Wakefield LePage

Calgary Economic Region (CER)

Economic activity in the Calgary Economic Region is expected to moderate in response to slower growth in the world outside its borders. The region's economy is being adversely affected by falling resource prices which have squeezed the energy industry's profit margins. These changes along with tighter credit conditions and higher labour costs have resulted in the postponement or cancellation of several large investment projects in northern Alberta. This has had a negative affect on the demand for various professional services in the Calgary area. The forecast is for overall economic activity to contract by 2.0 per cent in 2009 and then increase by 1.2 per cent in 2010.

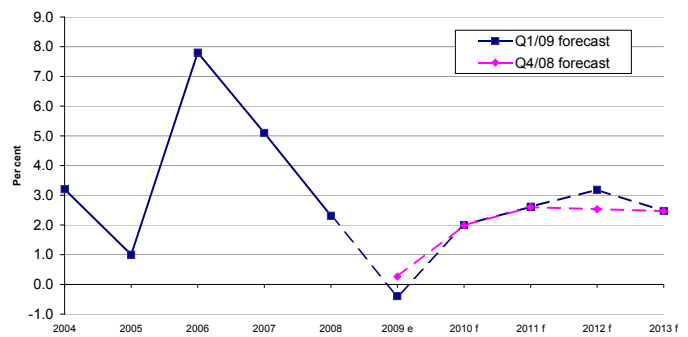
Total employment in the Calgary Economic Region was estimated at 753,000 in 2008, up from 735,000 in 2007. The forecast is for employment growth to decline in 2009 as total employment averages 750,000 and rebounds to 765,000 in 2010.

Calgary Economic Region: GDP Growth Rate



Source: Statistics Canada, Corporate Economics

Calgary Economic Region: Total Employment Growth (%)



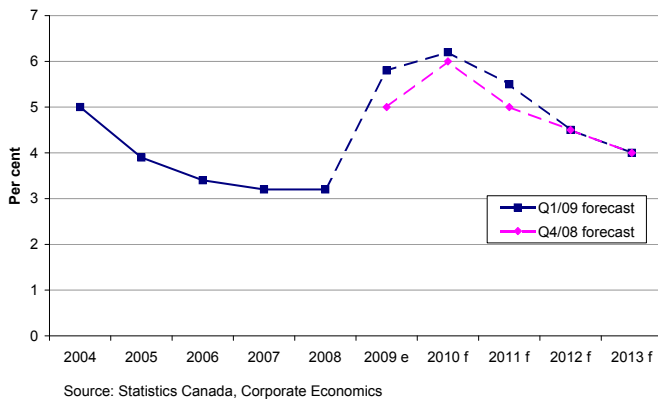
Source: Statistics Canada, Corporate Economics

Calgary Economic Region (CER)

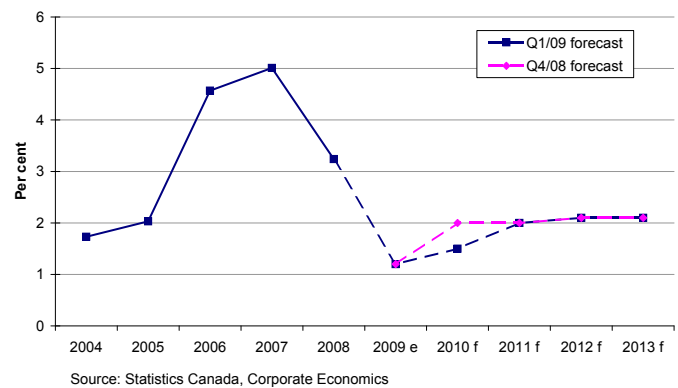
The February 2009 unemployment rate, the most recent data available, sits at 5.1 per cent, which is full employment by some definitions. The forecast expects the unemployment rate to trend higher as more job cuts are expected in the local economy while job seekers from the rest of Canada are attracted to the region by a relatively lower unemployment rate. Housing prices in Calgary are still high. Housing affordability in Calgary may serve as a barrier to higher levels of in-migration. In places such as Toronto, potential sellers are finding it difficult to complete a sale on their listings, as the housing market across Canada goes through a correction.

Consumer prices rose by 3.2 per cent in 2008, down from 5 per cent a year earlier. The consumer price inflation rate is expected to average 1.2 per cent in 2009 and increase to 1.5 per cent in 2010. Output growth below the long term trend has resulted in a build up of the economy's spare capacity and this should cause the consumer price index to grow at a slower pace.

Calgary Economic Region: Unemployment Rate



Calgary CMA: Inflation Rate - Consumer Prices



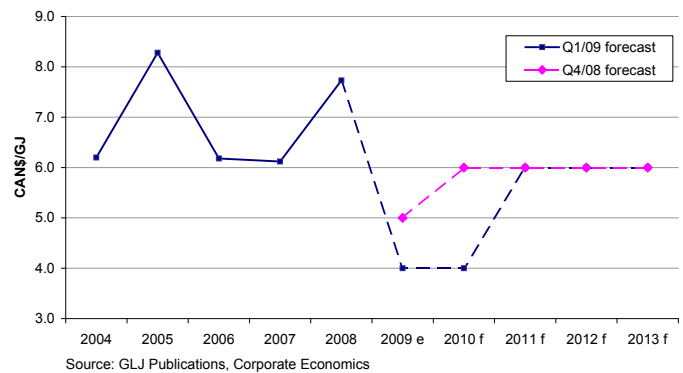
Assumptions: Alberta economy

Current economic events suggest that Alberta's economy is not insulated from external shocks, such as the world recession and the concomitant sharp decline in commodity prices. The combination of high production costs, especially in the energy-related industries, tighter credit availability and declining commodity prices has led to the postponement or cancellation of several large projects⁷ in Northern Alberta. Slower world economic activities, and the associated weaker global commodity demand placed downward pressure on job creation in Alberta. In addition, falling house prices combined with plunging stock prices depleted household wealth and led to reduced consumer confidence and consumer spending.

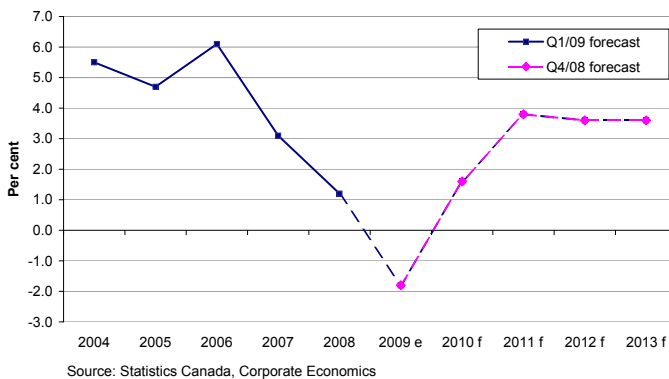
The economy is expected to contract by 1.8 per cent in 2009 and grow at 1.6 per cent in 2010. These estimates are based on the assumption that the various stimulus plans and capital market stabilization would take time to be implemented and to yield measurable results.

AECO natural gas prices are expected to average \$4 per GJ in 2009. The market for natural gas would be influenced by a decline in industrial demand for natural gas and electricity in North America, a surge in Liquefied Natural Gas⁸ (LNG) exports to the US and an increase in US unconventional gas supply. As the economic recovery strengthens in 2011, storage levels are expected to fall and prices should increase.

Alberta: Natural Gas Price



Alberta: GDP Growth (%)

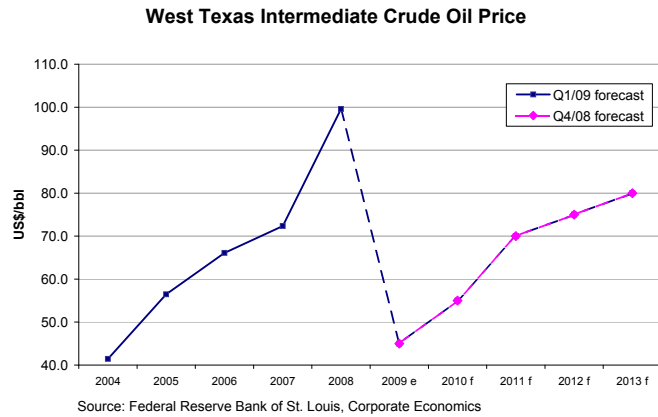


⁷ Business investment accounts for approximately twenty five per cent of Alberta's economy. From: 2009 Economic Update, Alberta Finance & Enterprise. February 2009.

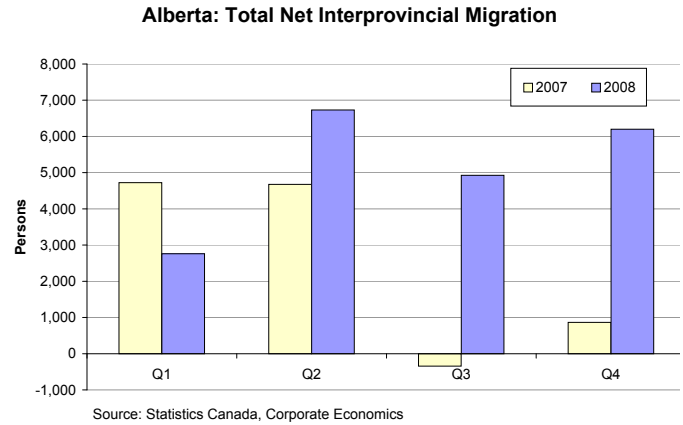
⁸ New LNG capacity in Qatar, Russia, Indonesia and Yemen are expected to come on stream this year. From: Confidential forecaster.

Assumptions: Alberta economy

West Texas Intermediate (WTI) crude oil is expected to average U.S.\$45/bbl in 2009, mainly influenced by the impact of the global recession. Prices are expected to trend higher and average U.S.\$55/bbl in 2010 as world economic growth resumes.

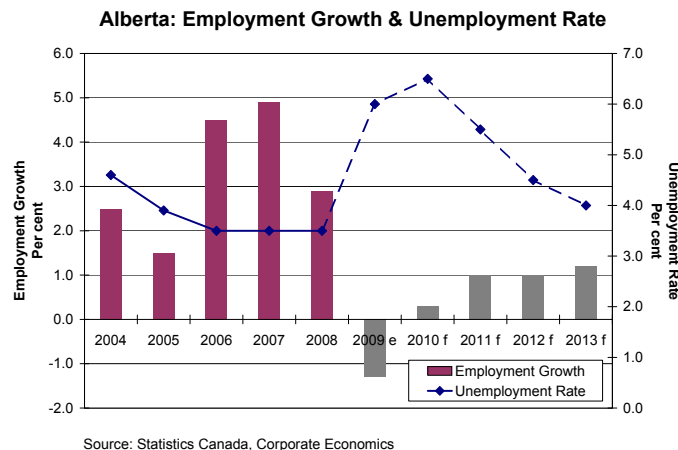


Inter-provincial migrants responded to the favourable labour market conditions in Alberta in late 2008, as represented by relatively lower unemployment rates.

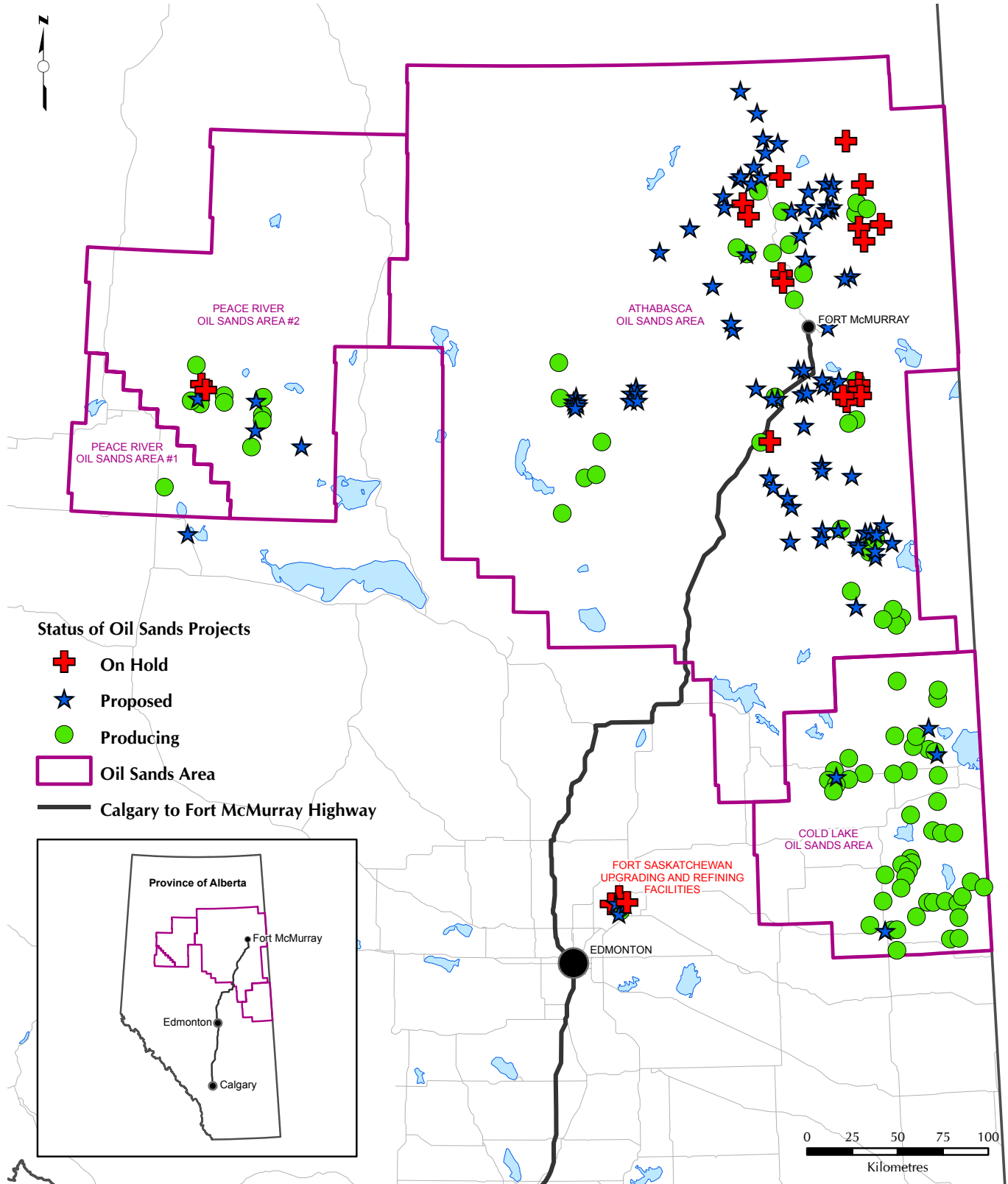


Consumer price inflation in Alberta should average 0.5 per cent in 2009, as excess capacity builds in the local and national economies. As economic growth returns to historical trend, inflation rates should average around 2

The unemployment rate is projected to average 6 per cent in 2009 and 6.5 per cent in 2010, as labour force growth exceeds the growth in employment.



Status of oil sands project map, March 2009

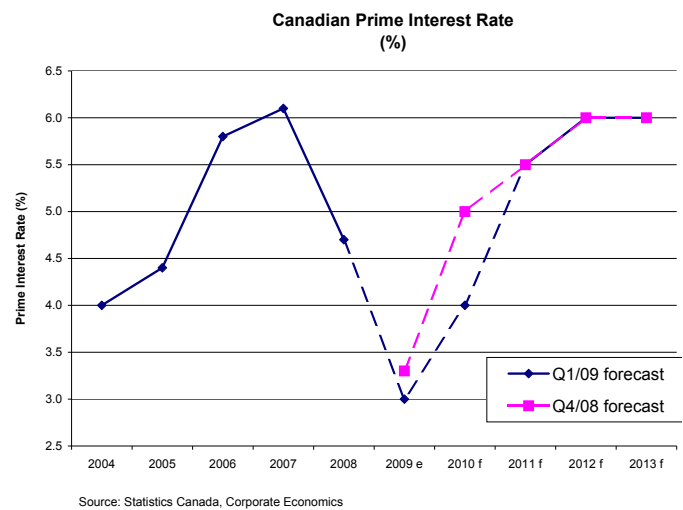
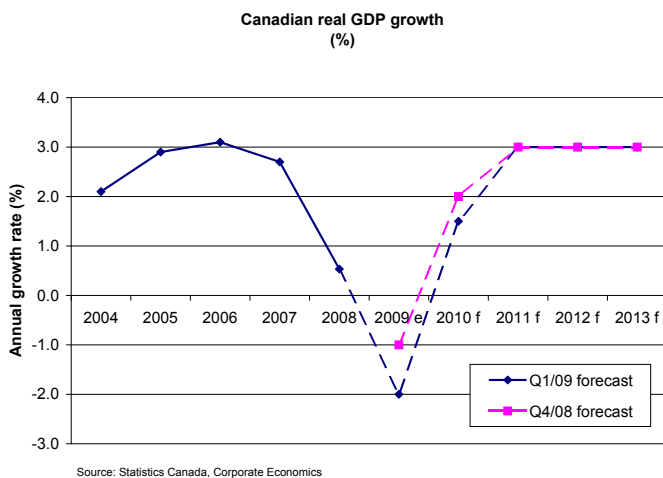


Source: Alberta Government and Corporate Economics

Canada

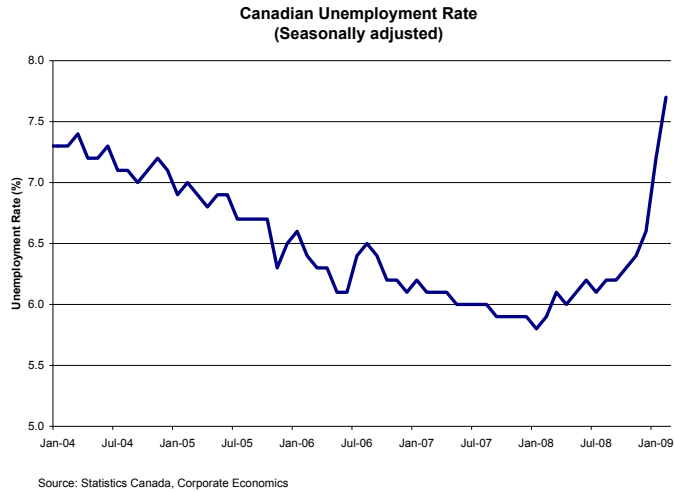
Canada's economic activity contracted in the first quarter of 2009 after a sharp decline in Q4/2008. The possible delay of the U.S. economic recovery means continuing weak demand for Canadian exports, cutbacks in business investments and jobs, and decline in consumer expenditures. As a result, the forecast for Canadian GDP growth is revised down to -2.0 per cent in 2009 and 1.5 per cent in 2010.

Based on its assessment of currently weaker than expected Canadian economic activity, the Bank of Canada cut its overnight interest rate in March 2009 to the historical low level of 0.5 per cent. In addition, the Bank is examining other approaches to provide additional monetary stimulus, if needed, through credit and quantitative easing. Once adopted, the latter option may increase the risk of high inflation rates in the medium to long term.

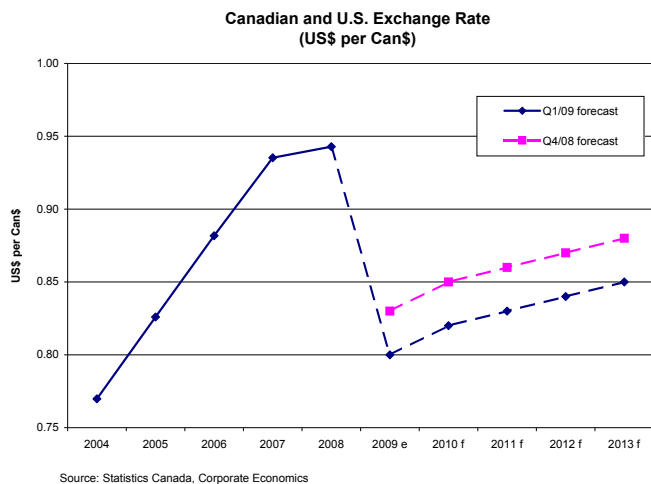


Assumptions: North American economy

After several years of steady employment growth, job losses are accumulating in Canada as the recession gains traction. Total employment in Canada fell by 211,600 (-224,800 in full-time jobs) in the first two months of 2009. The unemployment rate reached 7.7 per cent in February from 5.8 per cent in January 2009.

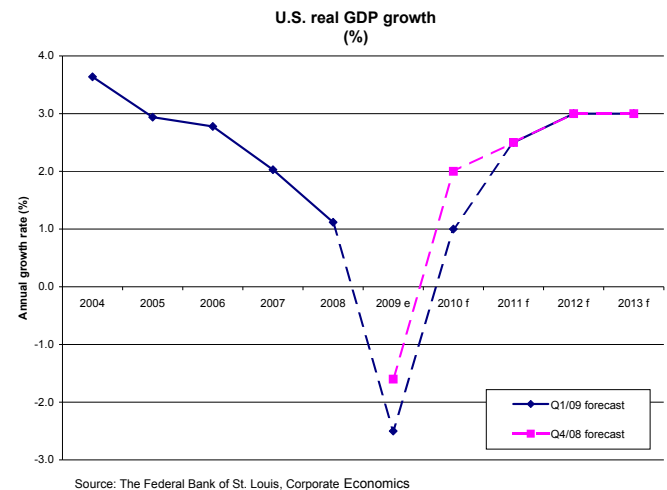


The Canadian dollar is expected to depreciate sharply in 2009 from its 2008 level, due to lower commodity prices represented by crude oil and natural gas. After 2010, the Canadian/U.S. exchange rate should stabilize with the recovery of the global economy and coincident rising commodity prices.



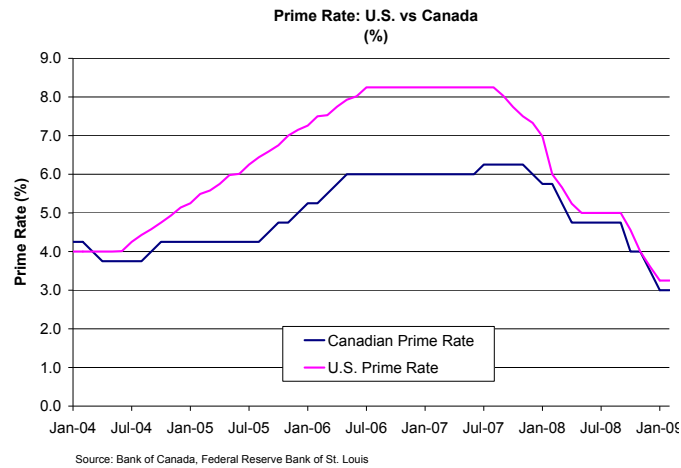
The United States

The GDP in the U.S. fell by 6.3 per cent between the third and fourth quarter in 2009, with a decline in consumer spending of 4.3 per cent. Weakening employment growth and job layoffs are putting downward pressure on average hourly earnings, leading to low consumer confidence and constrained spending in the near future. With a larger-than-expected annualized 51.4 per cent drop in corporate profits, business investment is likely to remain under pressure in 2009. As current political discussions play out, there is a possibility of a delay in implementing President Obama's stimulus package. As a result, we expect U.S. GDP to continue to contract (-2.5%) in 2009 and return to positive growth (+1%) in 2010.

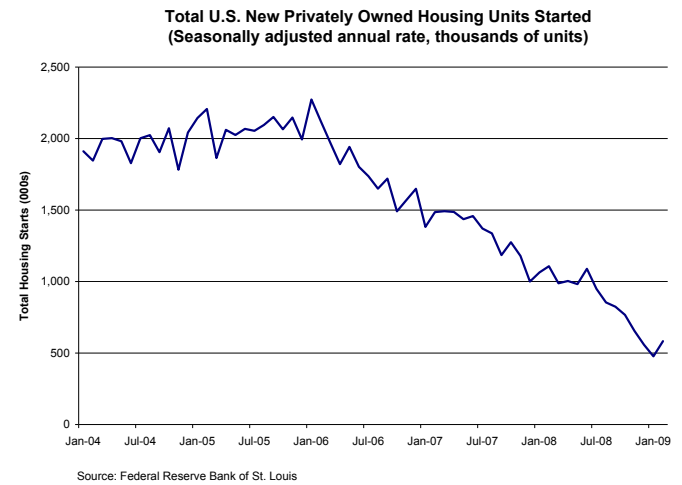


Assumptions: North American economy

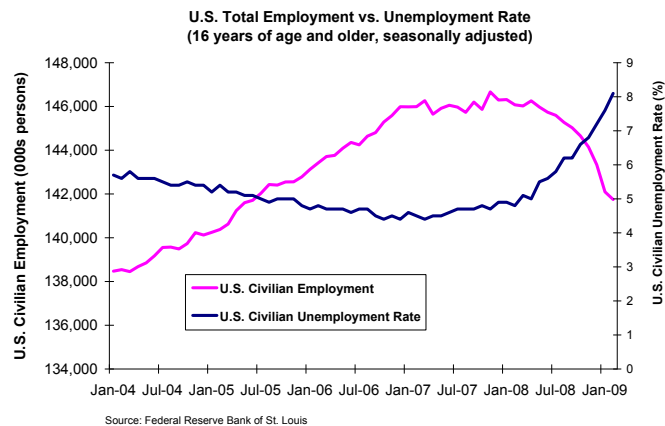
The US Federal Reserve Bank has kept its target range for the federal funds rate at 0 to 1/4 per cent in the first quarter 2009, leading to a historical low prime rate of 3.25 per cent. In addition, the Federal Reserve also injected trillions of dollars of liquidity into the system. All of these efforts combined with the Obama administration's multi-trillion dollar stimulus package should prevent a much deeper economic recession.



The recovery of the U.S. housing market has been identified as an important ingredient for economic recovery. Newly released housing indicators point to small improvements in some sectors of the housing market; housing starts (+22%), existing home sales (+5.1%), and new home sales (+4.7%) all posted an unexpected rise in February. Housing affordability in the U.S. increased significantly to date, with large discounts in house prices and mortgage rates and a small decline in median family income compared to a year ago. However, it is still too early to say this is the turning point of the market.



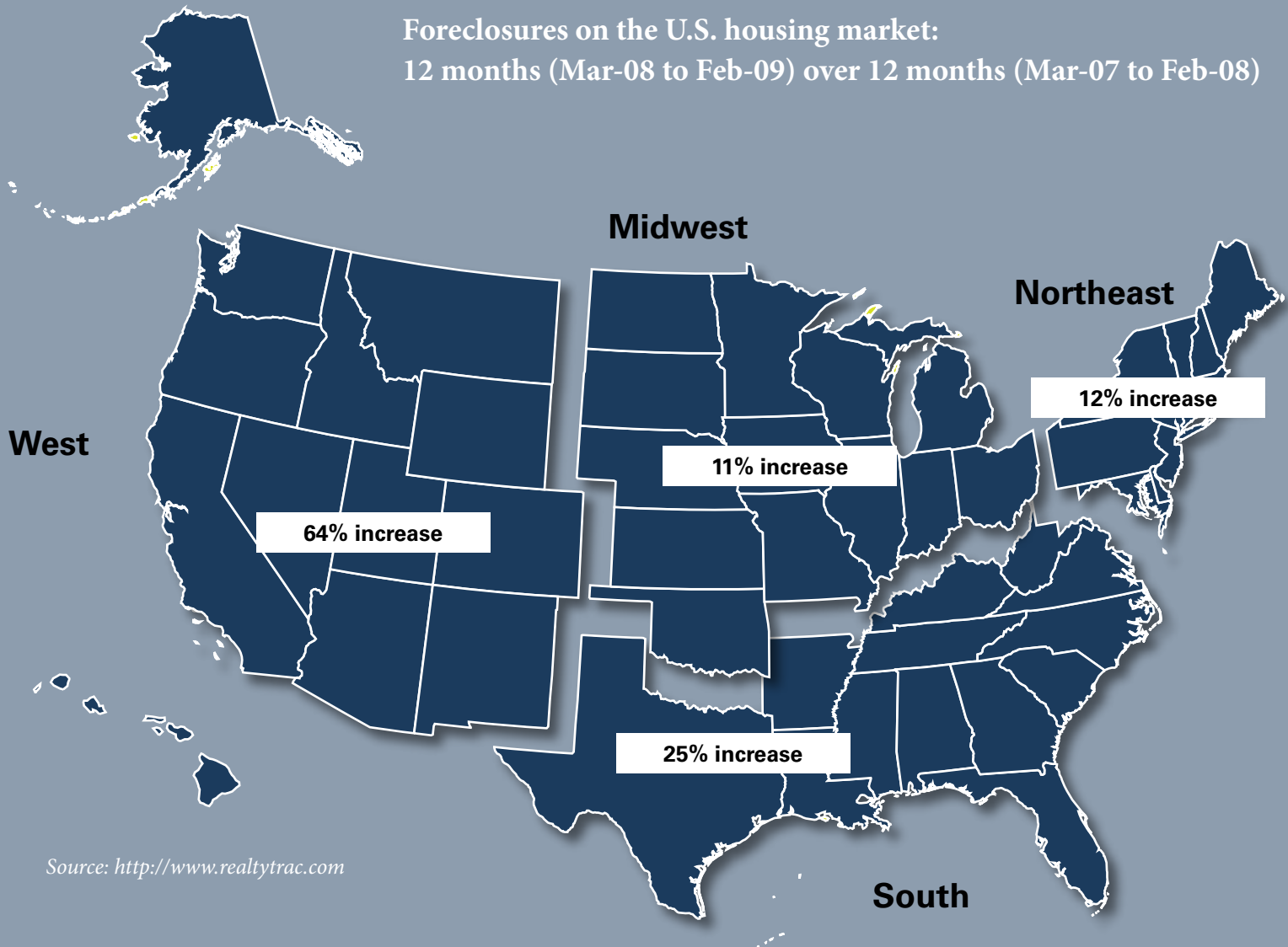
Nonfarm payroll employment in the U.S. fell sharply in February (-651, 000), and the unemployment rate rose to 8.1 percent from 4.8 percent a year ago. Weakening employment is putting downward pressure on average hourly earnings leading to low consumer confidence and constrained spending in the near future.



Text box: Foreclosures on the U.S. housing market

- In a “normal” U.S. real estate market, the inventory of bank-owned foreclosed properties is usually around 160,000. In November 2008, completed foreclosures were estimated at 900,000.
- According to RealtyTrac, nearly 75% of the US properties in foreclosures have yet to be listed for sale.
- Sales of foreclosed homes rose 4.4% in 2008, but availability of homes for sale doubled.

Foreclosures on the U.S. housing market:
12 months (Mar-08 to Feb-09) over 12 months (Mar-07 to Feb-08)

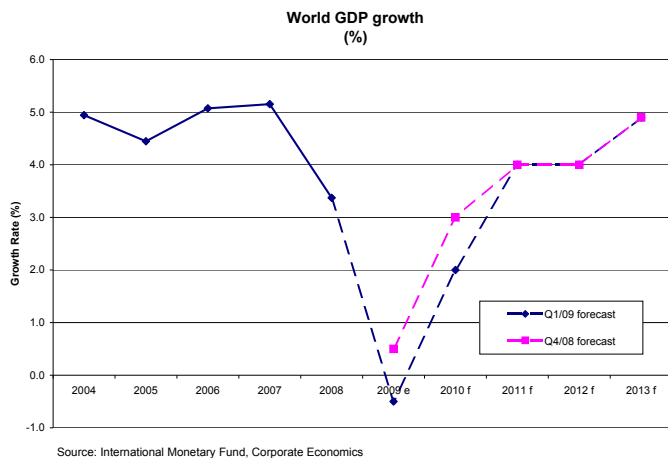


Source: <http://www.realtytrac.com>

The U.S. total: 35%

The global economy

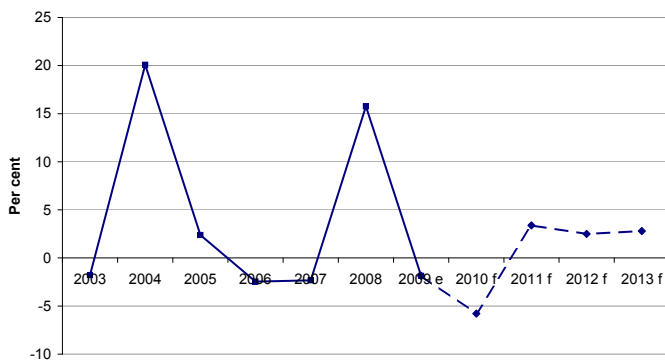
The world economy is expected to grow at rates significantly below its historic trend. This is partly in response to a sharp reduction in international trade. A recent release from The World Trade Organization forecasted that global trade should decline by 9 per cent in 2009, the worst since World War II. Lower rates of economic growth and increased uncertainty have resulted in a significant reduction in the demand for raw materials to produce goods and services and this situation should continue for the remainder 2009 and parts of 2010. Specifically, the demand for building materials for urban development and the associated infrastructure from the emerging world should decline from previous periods. Consequently, world markets would continue to experience a decline in prices of commodities.



Iron and Steel: Alberta does not have a significant smelting industry and most iron products are imported from Ontario. The Ontario auto industry is facing significant declines but this should not have a large impact on iron prices in Calgary. When production declines per-unit costs should rise and this should offset decreased transportation costs. We anticipate moderate deflation in 2009 and 2010 followed by moderate inflation returning to iron prices when the global economy, and US auto sales and oil prices, recover in late 2010.

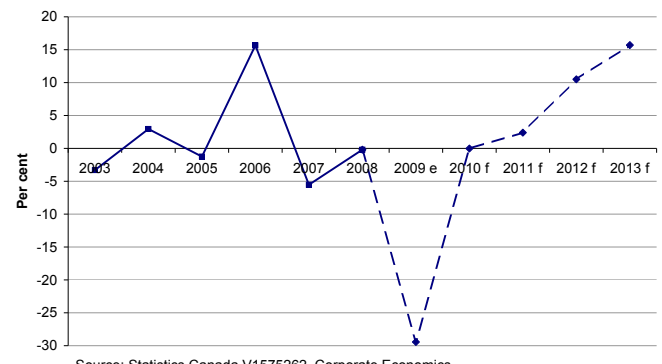
Aluminum Products: Aluminum is used in electrical wiring and some other construction materials like exterior netting. Decreased demand in the US and Canada for housing construction has reduced the demand for aluminum and prices are expected to significantly decline in 2009. Life-cycle demand for housing is expected to return to markets by the end of the forecast horizon driving a double-demand for aluminum; not only for wiring to houses but for new transmission lines to support the increased housing stock.

Commodities: Iron and Steel Price Inflation (%)



Source: Statistics Canada V1575213, Corporate Economics

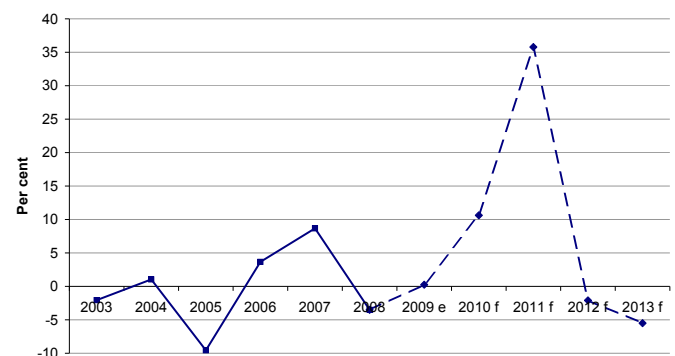
Commodities: Aluminum Price Inflation (%)



Source: Statistics Canada V1575262, Corporate Economics

Wood: Softwood lumber markets have experienced high levels of international competition for several years as NAFTA subsidy challenges appear to have been settled. The fall-off in demand for housing construction should greatly affect demand for softwood in 2009, and this should cause some mills to undergo rationalizations. The combination of tight supply and higher housing construction levels should drive prices up by late 2010. Beyond 2010 more supply should return to the market and cause price increases to moderate.

Commodities: Wood Price Inflation (%)



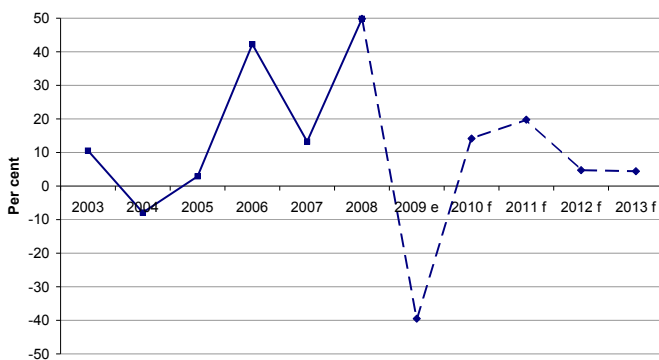
Source: Statistics Canada V1575262, Corporate Economics

Construction Commodities

Asphalt: About 30 per cent of a barrel of oil is used to make asphalt. Canadian asphalt prices are indexed to the Ontario Ministry of Transportation posted price. Our analysis of the Ontario asphalt price shows an expected strong correlation with the price of oil and local asphalt supply and demand conditions. We expect a significant asphalt price decline in 2009. However that price drop should be eroded by the 2011 paving season due to growing world oil demand and rising strength of the Canadian dollar.

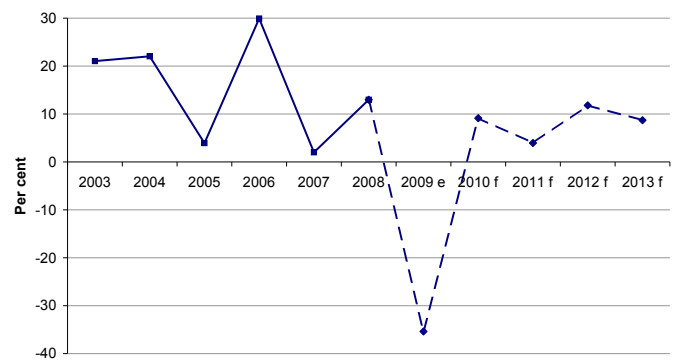
Rubber: Increased global demand for automobile transportation from an emerging middle class in Russia, China and India has recently pushed up the price of rubber. Oil price declines in 2008 and decreased global sales of new vehicles should allow competition to lower rubber prices in 2009. The effect should be short lived as people should need to replace tires on aging vehicles and as global vehicle sales rebound by 2010, driven by the availability of cheaper cars in India, Asia and internationally like the Nano and Hyundai's lower cost line.

Commodities: Asphalt Price Inflation (%)



Source: Ontario Ministry of Transportation, Corporate Economics

Commodities: Rubber Price Inflation (%)



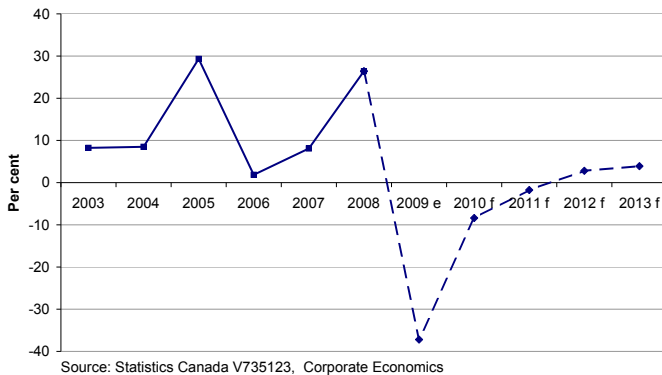
Source: Statistics Canada V1576453, Corporate Economics

Construction Commodities

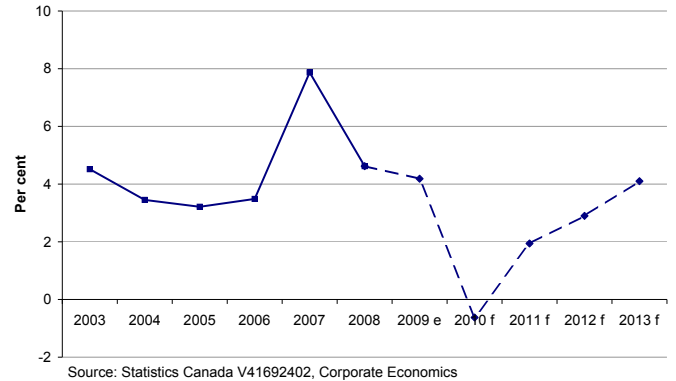
Diesel: The economic slowdown of 2009 is having a dramatic impact on wholesale sales, international shipments, and trucking transportation. As a result diesel prices are expected to drop throughout 2009 and stay low well into 2011. Demand for gasoline is higher than it was in 2008 and is growing due to lower prices. Beyond 2011 we anticipate increased demand for gasoline, wholesale trade and construction activity to generate increased demand for diesel and price of diesel should rise faster than the price of oil.

Vehicle Parts: People keep their vehicles longer in a recession and as such the demand for parts remains strong. This should limit price declines even though manufacturing of new vehicles has fallen dramatically. By 2010 the full impact of new vehicle sales should impact the vehicle parts markets as auto manufacturer suppliers compete in the after-market auto parts business. Input cost inflation should begin to impact parts prices again by 2011 and we anticipate normal inflation processes to return to vehicle parts prices by the end of the forecast horizon.

Commodities: Diesel Price Inflation (%)



Commodities: Vehicle Parts Price Inflation (%)



Given the high inter-dependence of the world economy, no county, region or city is immune from the current economic crisis. The volatility of world energy prices poses both upside and downside risks for the Calgary economic outlook. On balance, the risks appear to be weighted on the downside.

Downside risk

The U.S. and China have embarked on major infrastructure renewal projects over 2009. This should increase demand for Canadian raw materials and soften the blow to Canada's export economy from a faltering domestic auto manufacturing industry. However, delays in starting these infrastructure projects could further depress the outlook for Canada and Alberta.

Monetary policy generally affects the economy after a 12 to 18 month delay. The significant increase in the money supply in the U.S. in recent months is therefore likely to affect the economy long after the commencement of the economic recovery. Consequently, the impact on the economy may be largely inflationary as most of the economy's excess capacity would have been exhausted.

Upside risk

Alberta, as an energy producer, would benefit from higher energy prices. These prices are expected to increase the energy industry's cash flow and profitability and therefore induce further drilling activities. Increased investment spending should result in non-residential and residential construction growing above the baseline forecast as economic and demographic activity increase.

Higher economic activity should increase prices and wage rates in the provincial and regional economies above our baseline forecast, as the excess demand situation worsens in various sectors of the economy.

Forecast tables

Table 1 - Selected Economic Indicators

Rest of the World, United States, Canada, Alberta, Calgary Economic Region & Calgary CMA

FORECAST COMPLETED: March, 2009						BASE FORECAST				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSUMPTIONS										
Global Economy										
World Gross Domestic Product (annual % change)	4.9	4.4	5.1	5.2	3.4	-0.5	2.0	4.0	4.0	4.9
The United States										
U.S. Real Gross Domestic Product growth (chained 2000 dollar) (%)	3.6	2.9	2.8	2.0	1.1	-2.5	1.0	2.5	3.0	3.0
Canada										
Real Canada Gross Domestic Product growth, (chained 2002 dollar) (%)	2.1	2.9	3.1	2.7	0.5	-2.0	1.5	3.0	3.0	3.0
Prime Business Loan Rate (%)	4.0	4.4	5.8	6.1	4.7	3.0	4.0	5.5	6.0	6.0
Canadian/US. Exchange Rate (US¢/Cdn\$)	77	83	88	94	94	80	82	83	84	85
Alberta										
Gross Domestic Product (%)	5.3	4.8	6.1	3.1	1.2	-1.8	1.6	3.8	3.6	3.6
Total Employment Growth (%)	2.5	1.5	4.5	4.9	2.9	-1.3	0.3	1.0	1.0	1.2
Unemployment Rate (%)	4.6	3.9	3.5	3.5	3.5	6.0	6.5	5.5	4.5	4.0
Crude Oil Price - WTI (US\$/bbl)	41	56	66	72	100	45	55	70	75	80
Alberta Natural Gas Price - AECO/NIT (Cdn\$/GJ)	6	8	6	6	8	4	4	6	6	6
FORECAST										
Calgary Economic Region (CER)										
Gross Domestic Product (%)	4.5	4.9	10.9	2.3	1.5	-2.0	1.2	3.5	3.4	3.2
Total Employment ('000 Persons)	643	649	700	735	753	750	765	785	810	830
Total Employment Growth (%)	3.2	1.0	7.8	5.1	2.3	-0.4	2.0	2.6	3.2	2.5
Unemployment Rate (%)	5.0	3.9	3.4	3.2	3.2	5.8	6.2	5.5	4.5	4.0
Inflation Rate (%)	1.7	2.0	4.6	5.0	3.2	1.2	1.5	2.0	2.1	2.1
Building Permits (\$billion)	3.1	4.3	6.0	7.0	5.1					
<i>Low Forecast</i>						3.1	3.1	3.8	3.8	3.8
<i>High Forecast</i>						3.8	3.8	4.4	4.4	4.4
Housing Starts ('000 Units) CMA	14.0	13.7	17.0	13.5	11.4	6.5	8.8	10.0	10.0	11.3
Non-Residential Building Price Inflation (%)	6.7	6.9	12.8	17.7	13.7	-0.5	1.0	0.4	2.0	4.4
Numbers may not add up due to rounding						UPDATED BY CORPORATE ECONOMICS, March 2009				

Table 2 - Selected Indicators

City of Calgary

FORECAST COMPLETED: March, 2009						BASE FORECAST				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Municipal price Index (as of December, 2008)					5.5	3.4	4.8	3.6	NA	NA

DEMOGRAPHY

Total Population ('000 Persons)	933	956	992	1,020	1,043	1,066	1,089	1,111	1,132	1152.1
Total Population Growth (%)	1.2	2.4	3.7	2.9	2.2	2.2	2.1	2.0	1.9	1.8
Net Migration ('000 Persons)	2.3	13.7	25.8	17.6	16.8	14.6	12.6	12.2	10.7	

REAL ESTATE

Residential Market

Total Housing Stock ('000 Units) (as of April)	384	396	408	420	432	437	442	448	455	463
Total Housing Starts ('000 Units) (as of December)	12.2	12.0	14.1	10.9	9.6	4.5	5.0	6.0	7.0	8.0
New House Price Inflation (%)	5.6	6.9	43.6	16.2	0.8	-3.0	2.0	2.0	2.0	2.00
Total Building Permits (\$billions)	2.4	3.6	4.9	5.6	4.2	2.5	2.5	3.3	3.3	3.3
<i>Low Forecast</i>						2.0	2.0	3.0	3.0	3.0
<i>High Forecast</i>						3.0	3.0	3.5	3.5	3.5

Numbers may not add up due to rounding

UPDATED BY CORPORATE ECONOMICS, March 2009

Table 3 - Selected Commodity Prices

City of Calgary

FORECAST COMPLETED: March, 2009

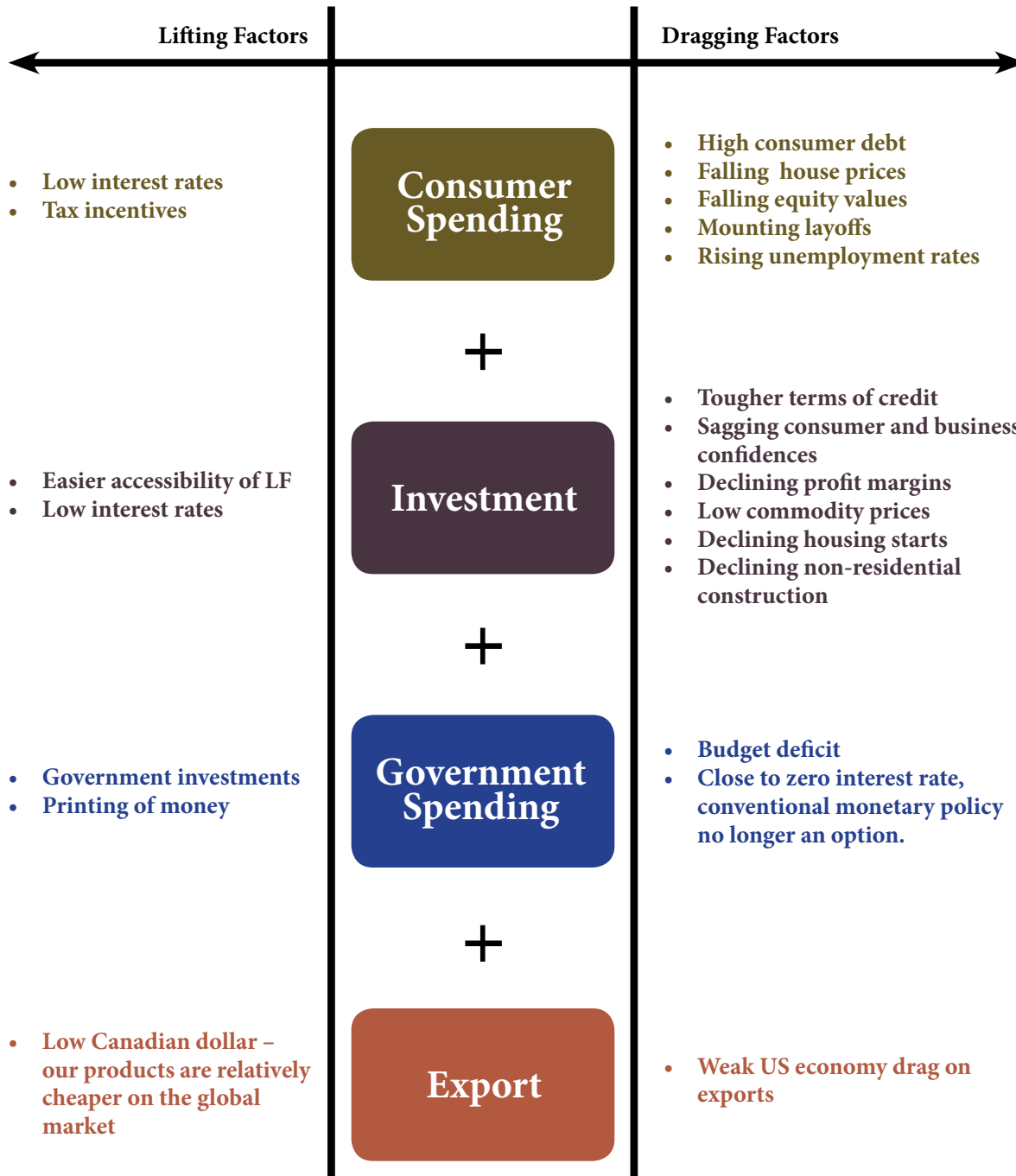
							BASE FORECAST				
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CONSTRUCTION COMMODITIES											
Iron and steel products	-1.8	20.1	2.4	-2.5	-2.3	15.8	-1.9	-5.8	3.4	2.5	2.8
Aluminium products	-3.3	2.9	-1.3	15.7	-5.5	-0.2	-29.4	0.0	2.4	10.5	15.7
Wood	-2.1	1.0	-9.6	3.7	8.7	-3.5	0.3	10.6	35.8	-2.1	-5.5
Asphalt**	10.5	-7.9	2.9	42.2	13.3	49.8	-39.5	14.2	19.8	4.7	4.4
OPERATIONAL COMMODITIES											
Rubber	21.0	22.0	3.9	29.9	2.0	13.0	-35.4	9.1	3.9	11.8	8.7
Diesel Oil	8.2	8.5	29.3	1.9	8.1	26.4	-37.2	-8.4	-1.8	2.8	3.9
Vehicle Parts	4.5	3.5	3.2	3.5	7.9	4.6	4.2	-0.6	1.9	2.9	4.1

Numbers may not add up due to rounding

UPDATED BY CORPORATE ECONOMICS, March 2009

** Based on Ontario Ministry of Transportation Asphalt Price Index

The equation for growth is tested...



Appendix 1 Canadian Perspective⁸ on the Global Financial Crisis of 2008

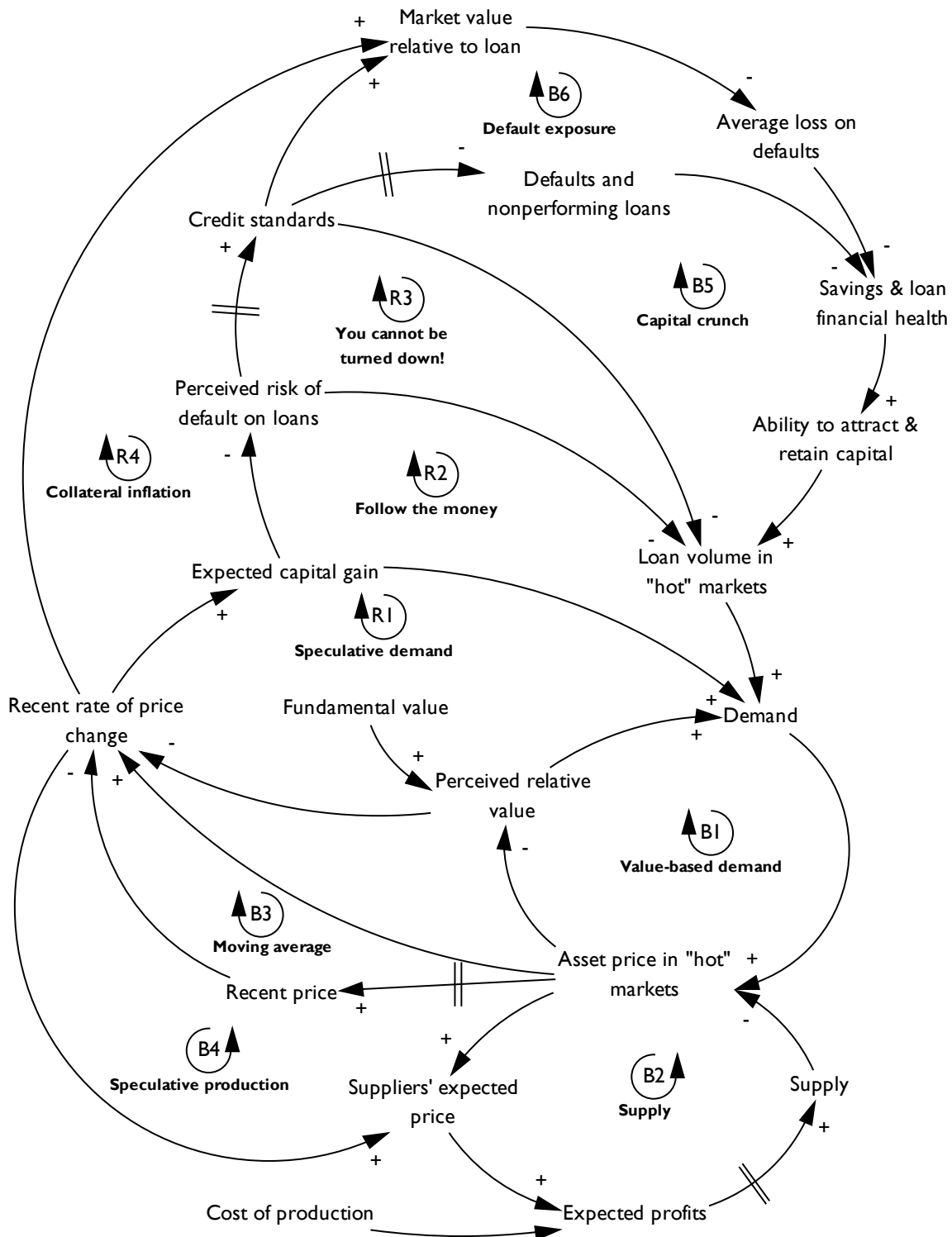
The fundamentals for economic growth in the United States deteriorated significantly in recent months. The development of the sub-prime market is usually listed as the prime reason for the crisis in the U.S. housing market. However, excess housing inventory caused house prices to decline, consequently reducing the willingness of homeowners to hold on to their property. The increased number of mortgage delinquencies and foreclosures that followed put downward pressure on consumption as household wealth declined.

Bank losses accumulated and capital levels at these financial institutions depleted, leading to the collapse of major banks, such as Washington Mutual, Wachovia and Lehman Brothers. The liquidity crunch that followed reduced business investment, put additional pressure on global stock markets and further reduced household wealth and also made it difficult for businesses to finance their daily operations. The U.S. Federal Reserve and the Treasury Department responded by lowering interest rates and implementing fiscal stimulus packages.

The changes due to the financial crisis in the U.S. are expected to have the following impact on:

Calgary economy:	The City of Calgary:
<ul style="list-style-type: none"> • fall in oil prices • delays in starting construction on oil sands upgraders • slight increase in the unemployment rate • an increase in the demand for university education • an increase in the demand for housing and falling family wealth • reduction in RRSP values • delayed retirements • decrease in retail sales. 	<ul style="list-style-type: none"> • greater public scrutiny of project spending • decreased transit ridership • increased police requirements • reduced building permit fees • downward pressure on intergovernmental

⁸ For full article, see 'Briefing Note 1: Canadian Perspective on the Global Financial Crisis of 2008' on http://www.calgary.ca/docgal-tery/bu/planning/pdf/corporate_economics/publications_current/policy_analysis/briefing_note_oct.pdf



Source: Sterman, J.D. Business Dynamics: Systems Thinking and Modeling for a Complex World. Boston: McGraw-Hill.

Appendix 2

The Conference Board of Canada: Weekly Average Wage Rate

Forecast Completed: Feb. 12 2009

	FORECAST					
	2008	2009	2010	2011	2012	2013
NEWFOUNDLAND	718	734	750	766	789	810
%	3.5	2.2	2.2	2.2	3.0	2.6
PRINCE EDWARD ISLAND	559	575	590	605	619	637
%	2.0	3.0	2.6	2.4	2.3	2.9
NOVA SCOTIA	650	665	683	702	722	743
%	2.4	2.2	2.8	2.8	2.8	2.8
NEW BRUNSWICK	686	699	718	739	761	784
%	2.6	2.0	2.7	2.9	3.0	2.9
QUEBEC	727	744	765	786	809	834
%	2.9	2.4	2.8	2.7	2.9	3.2
ONTARIO	809	824	846	870	897	927
%	2.0	1.8	2.6	2.8	3.1	3.3
MANITOBA	711	726	746	767	790	814
%	2.4	2.1	2.9	2.7	3.0	3.1
SASKATCHEWAN	730	750	771	792	815	840
%	4.7	2.7	2.8	2.7	2.9	3.1
ALBERTA	883	917	951	986	1026	1069
%	5.0	3.8	3.7	3.7	4.0	4.2
BRITISH COLUMBIA	752	764	786	810	836	863
%	1.5	1.7	2.9	3.0	3.2	3.2
CANADA	778	794	817	842	869	898
%	2.6	2.1	2.9	3.0	3.2	3.4

Sources: Statistics Canada, The Conference Board of Canada.

Appendix 2

The Conference Board of Canada: RAW MATERIALS AND INDUSTRY PRODUCT PRICES

Forecast completed: March 20, 2009

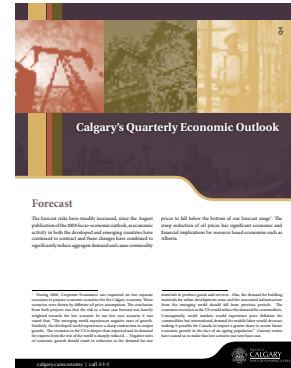
	FORECAST					
	2008	2009	2010	2011	2012	2013
RAW MATERIALS PRICES						
RAW MAT. PRICE INDEX	1.963	1.394	1.546	1.752	1.952	2.051
%	12.8	-29.0	10.9	13.3	11.4	5.1
ANIMAL & VEGETABLE	1.146	1.120	1.149	1.179	1.208	1.235
%	8.8	-2.3	2.6	2.6	2.4	2.3
FUELS	3.450	1.920	2.345	2.934	3.506	3.760
%	30.5	-44.4	22.1	25.1	19.5	7.2
CRUDE OIL	3.735	1.952	2.394	3.006	3.601	3.863
%	34.2	-47.7	22.7	25.6	19.8	7.3
NATURAL GAS	2.368	1.795	2.141	2.714	3.232	3.492
%	6.9	-24.2	19.3	26.8	19.1	8.0
COAL	0.978	0.950	0.971	0.991	1.013	1.033
%	4.1	-2.9	2.2	2.0	2.2	2.0
OTHER MATERIALS	1.405	1.198	1.222	1.248	1.275	1.302
%	-11.6	-14.7	2.0	2.1	2.2	2.1
INDUSTRY PRODUCT PRICES						
MANUFACTURING	1.206	1.171	1.209	1.252	1.294	1.327
%	4.3	-2.9	3.2	3.6	3.4	2.6
FOOD, BEV. AND TOBACCO	1.209	1.216	1.243	1.270	1.296	1.322
%	4.1	0.6	2.1	2.2	2.1	2.0
TEXTILES AND CLOTHING	1.046	1.058	1.067	1.078	1.089	1.100
%	0.5	1.2	0.9	1.0	1.0	1.0
WOOD	0.821	0.847	0.900	0.926	0.948	0.973
%	-2.2	3.2	6.2	2.9	2.4	2.6
PAPER AND ALLIED	1.074	1.130	1.156	1.183	1.211	1.240
%	4.1	5.2	2.3	2.3	2.3	2.4
PRIMARY METALS	1.497	1.302	1.331	1.362	1.392	1.425
%	-5.5	-13.1	2.3	2.3	2.2	2.4
AUTOS AND PARTS	0.882	0.983	1.004	1.026	1.047	1.068
%	0.5	11.4	2.2	2.2	2.1	2.0
MACHINERY	1.142	1.196	1.226	1.257	1.286	1.314
%	2.8	4.7	2.5	2.5	2.3	2.2
PETROLEUM AND COAL	2.852	1.805	2.022	2.340	2.649	2.803
%	25.9	-36.7	12.0	15.7	13.2	5.8
CHEMICALS	1.414	1.382	1.411	1.443	1.477	1.513
%	10.1	-2.2	2.0	2.3	2.3	2.4
OTHER	1.005	1.093	1.116	1.139	1.163	1.186
%	-0.4	8.7	2.1	2.1	2.1	2.0

Many of our publications are available on the internet at www.calgary.ca/economy.

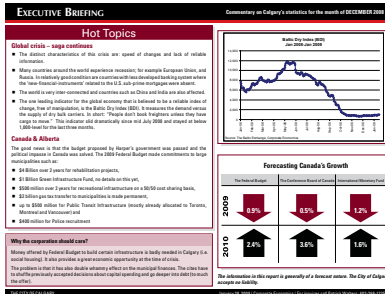
Monthly
Energy Market Update



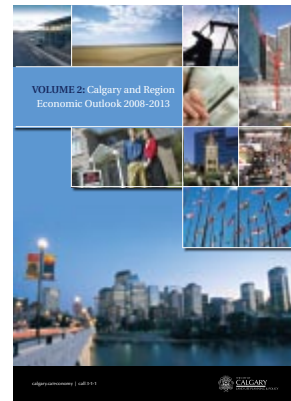
Quarterly
Calgary's Quarterly Economic
Outlook



Commentary
Executive Briefing



Annually
Calgary and Region Economic
Outlook



Who We Are

Over the past ten years Corporate Economics has researched dozens of economic topics and developed reliable methods of forecasting and analysis. Monitoring economic trends allows us to develop unique insights on how external events are impacting the local economy and the Municipal Corporation. We provide services in four areas: forecasting, information provision, consulting and policy analysis.

For more information, please contact:
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DMD: Chunlee Jackson

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Source: Statistics Canada