

March 2009

# CURRENT ECONOMIC ANALYSIS

Calgary Economic Region



Patrick Walters, City Economist | Ivy Zhang, Corporate Economist

**The Canadian economy fell 0.8% in the fourth quarter 2008, marking the start of the first full-blown recession<sup>1</sup> since the early 1990s.**

- Real GDP dropped further in December as almost all major sectors reduced production. Manufacturing (-3.3%), retail (-3.5%) and wholesale trade (-2.4%), and construction (-2.3%) were the main sources leading the decline. The impact of production cuts in North American auto industry, declining exports to the U.S., the lack of consumer confidence, and the reduced investments in housing and non-residential constructions contributed to the economic contraction.
- Inflation eased further due to excess supply. Falling energy prices reduced the cost of living and production.
- To provide monetary stimulus to the economy, Bank of Canada cut overnight interest rate to the lowest historical level of 0.75% on March 3 and indicated that it would take other approaches, if needed.

**Alberta's economy is impacted by a sharp drop in private investments in the energy sectors.**

- A survey conducted by Statistics Canada from October 2008 to January 2009 shows that investment intentions for 2009 are down by 15.3 % in Alberta from 2008. The investment in oil sands is expected to total \$13.2 billion in 2009, 31% less than in 2008. February's lower WTI and AECO prices could provide further reasons for keeping investment low.
- The number of regular EI benefit recipients increased 30% in December year-over-year to 20,380 persons. This number doesn't include those who worked less than 700 hours in the past 52 weeks, given Alberta's low unemployment rate. The trend indicates that employment is growth at a slower pace than the labour force.
- Retail sales declined moderately compared to the same time last year.

<sup>1</sup> A recession is defined when the reduction of a country's gross domestic product (GDP) lasts for at least two quarters. Although the first quarter 2009 data will not be available until June, another quarterly GDP contraction is widely expected. Thus, the consensus is that a recession has started in Canada since Q4/08.

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City of Calgary Monthly Economic Indicators				Avg. Monthly													2009	
	2006	2007	2008		Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	
<b>General Indicators</b>																		
<b>Inflation: Consumer Price Index (CPI), % change year-over-year</b>																		
Calgary Economic Region (C.E.R.)	4.6%	5.0%	3.2%	3.9%	4.6%	4.3%	4.1%	4.0%	3.9%	3.7%	3.7%	3.7%	3.5%	3.4%	3.2%	3.1%		
Canada	2.0%	2.1%	2.4%	2.3%	2.2%	2.1%	2.1%	2.1%	2.2%	2.3%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%		
<b>Unemployment Rate (%)</b>																		
Calgary Economic Region (C.E.R.)																		
Canada	3.4%	3.2%	3.3%	3.3%	2.9%	3.0%	2.9%	3.0%	3.0%	3.2%	3.5%	3.8%	3.9%	3.6%	3.8%	4.1%		
Canada	6.3%	6.0%	6.1%	6.1%	6.0%	6.3%R	6.3%R	6.3%R	6.0%R	6.0%R	6.1%	6.2%R	6.0%R	5.8%	6.0%	6.8%		
C.E.R. Employment (Person - 000s)	700	735	756	756	734	734	740	749	761	768	772	770	769	770	767	762		
Employment insurance Alberta - # of recipients -	18,834	16,838	**	16,838	15,820	16,060	16,520	16,950	16,800	18,770	17,590	17,060	18,240R	19,140R	20,380P	NA		
Employment insurance - Alberta - % change in # of recipients from same month last year	-15.4	-10.4	**	-2.2	-7.1	-4.5	-2.5	-2.5	-1.1	-0.6	-1.5	6.0	15.01R	22.61R	30.31P	NA		
West Texas Intermediate (\$US/barrel)	66.1	72.3	99.7	99.65	95.35	105.56	112.57	125.46	133.93	133.44	116.61	103.90	76.65	57.44	41.91	41.87	39.31	
Alberta Natural Gas (Cdn\$/GJ)	6.18	6.12	7.73	7.73	7.44	8.20	8.91	9.50	10.60	9.09	7.01	5.89	6.39	6.51	6.27	5.55	4.54	
City of Calgary Population Estimate (000s)	992	1,020	1,048	1,048	1,034	1,037	1,043	1,046	1,047	1,051	1,052	1,055	1,056	1,060	1,062	1,064		
Real GDP - Canada (\$ billions, in 2002 constant dollar)* (V41881478)	1191	1221	**	1,225	1229R	1,226	1,232	1,231	1232R	1238R	1232R	1232R	1230R	1222R	1,209			
Real GDP - Canada (\$billions, in 2002 chained dollars) (v41881175)	1,190	1,219	1,226	1,226	1,225	1,223	1,229	1,227	1,228	1,236	1,229	1,229	1,228	1,220	1,208			
GDP year-over-year % Change - Canada (v41881175)	2.9	2.5	0.5	0.7	1.43	0.94	1.32	0.74	0.51	1.00	0.28	0.20	-0.08	-0.86	-1.22			
Prime lending rate - Bank of Canada (%)	5.81%	6.10%	4.73%	4.84%	5.75%	5.25%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.00%	4.00%	3.50%	3.00%	3.00%	
<b>Consumer Indicators</b>																		
Hourly earnings - Alberta (\$) % change Y-O-Y	6.9%	6.0%	5.7%	5.8%	6.7%	6.9%	5.6%	5.7%	5.6%	4.7%	5.3%	5.5%	6.2%	5.0%	4.1%	6.2%		
Retail sales - Alberta (\$ billions)	55.9	61.2	**	5.1	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0	4.7	NA		
Consumer confidence - Canada	**	**	83.9	83.9	96.6	94.5	92.8	85.8	79.6	81.0	83.2	85.7	73.9	71.0	67.7	70.2		
Housing starts - Calgary	17,046	13,505	11,438	953	877	3,068	1,096	1,488	577	877	594	573	599	575	403	NA		
# of personal bankruptcies - Alberta	4,823	4,768	6,066	506	409	476	458	455	505	457	514	526	632	595	606	NA		
Calgary Housing (# of units sold) MLS	32,912	32,286	23,137	1,928	2,162	2,374	2,413	2,358	2,400	2,244	1,990	2,007	1,453	1,141	777	928		
Household sales/listing ratio - Calgary	**	**	41.77	41.77	41.72	38.36	40.25	38.74	47.24	47.93	48.50	42.62	33.92	40.01	48.44	24.63		
Y-o-y change of Calgary City MLS average prices	38.6	21.7	-2.0	-1.97	8.2	3.4	1.4	-1.8	-3.9	-7.5	-7.0	-7.4	-5.9	-7.2	-9.5	-12.3		
<b>Business Indicators</b>																		
Wholesale sales - Alberta - seasonally adjusted (\$billions)	59.1	61.7	**	5.6	5.4	5.4	5.5	5.8	5.6	5.7	6.1	5.9R	6.1	5.9R	5.6	NA		
Manufacturing sales - Alberta - seasonally adjusted (\$billions)	64.4	65.6	**	5.9	5.6	5.5	5.8	6.1	6.3	6.3	6.1	6.3R	5.8R	5.5	5.0	NA		
# of business bankruptcies - Alberta		449	447	38	39	38	37	28	55	37	38	32	35	45	30	NA		

\*\* Tracking of these indicators commenced in late 2008. Some comparative historical data has not been obtained.

R = Revised Data

P = Preliminary Data