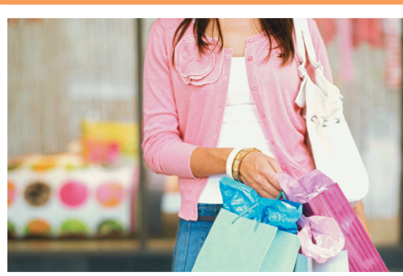
Q4
2009

# Calgary's Economic Outlook 2010-2015



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THE CITY OF CALGARY
FINANCE & SUPPLY

# FORECAST

Calgary's economic growth is closely connected with fluctuations in the world economy. As a small and open economy, Calgary relies on the world import and export markets. The shape of Calgary's economic recovery is therefore contingent on the growth trajectory of the U.S., and on global demand. Sluggish global demand and a strong Canadian dollar should dampen Calgary's exports, tempering Calgary's business, equity and property markets.

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# Executive Summary

## City of Calgary

- Total building permit values are expected to range between $2.4 and $3.8 billion in 2010 and increase to between $2.5 and $4.1 billion in 2011. High vacancy rates in the non-residential sectors are expected to act as restraints on the level of investment intentions.

- Higher vacancy rates in the residential market should have a dampening effect on residential investment. The number of housing units built in 2010 would be below demographic requirements. With the economic recovery entrenched from 2011 onwards, construction activity should grow in line with population change. The forecast is for housing starts to total 9,800 units in 2011 and 9,500 in 2012.

- By the end of 2010, the office vacancy rates are expected to reach the high teens and almost 20 per cent by the spring of 2012. This should exert downward pressure on lease rates and building prices and also prove to be a deterrent to the construction of new space.

- The City of Calgary's Inflation rate as measured by the municipal price index (MPI) declined to 2.2 per cent in 2009, down from 6.3 per cent in 2008. The MPI is expected to increase to 4.8 per cent in 2010 and 4.2 per cent in 2011.

## Calgary Economic Region (CER)

- Economic activity contracted by 2.5 per cent in 2009, with the recovery of economic activity in the world outside Calgary the local economy should grow by 2.2 per cent in 2010. As economic growth in the U.S. and the emerging economies gather momentum, the CER's output should expand by 3.7 per cent in 2011. Towards the end of the forecast period the region's economic expansion would be constrained by an aging population. Consequently, the rate of future economic expansion is expected to be lower than what was experienced in the 1998 – 2008 period.

- Consumer prices declined by 0.1 per cent in 2009, down from 3.2 per cent a year earlier. The consumer price inflation rate is expected to increase by 1.5 per cent in 2010 and 2.0 per cent in 2011. Inflation rates are expected to increase as the region's spare capacity becomes exhausted.

## Alberta

- The provincial economy should respond to increasing signs of economic recovery and grow by 3.9 per cent in 2011. The revival of several postponed energy projects in northern Alberta should improve labour market conditions and push the unemployment rate down to 5.5 per cent in 2011, from 7.0 per cent in 2010. Improved labour market conditions, healthy wage growth and a strong inflow of interprovincial migrants should support the recovery of the real estate market and increase consumer spending.

- The combination of higher oil prices, lower input cost and better credit conditions has resulted in improved profitability for heavy oil development. It is therefore estimated that billions of dollars worth of postponed capital projects have been revived in recent months.

# EXECUTIVE SUMMARY

## Canada

The Canadian economy turned the corner in Q3 2009 and gained momentum in Q4 2009, thanks to business inventory rebuild, growth in consumer spending, residential building investment and increased government spending. Consumer spending should drive economic growth given the improving job markets in late 2010 and beyond.

## United States

The U.S. economy returned to positive growth in Q3 2009 at an annualized rate of 2.8 per cent. However, the recovery is expected to be moderate. Supports from the accommodative monetary and fiscal policies are not sustainable. Both the U.S. government and households have to rebuild their balance sheets by reducing their extremely high debt levels.

## World

In the developed countries, fiscal and monetary policies have helped reduce output losses, at the cost of large fiscal deficits and public debt issuance. In 2010, fiscal sustainability will become a serious problem. Also, consumption should remain weak and labour markets should continue to deteriorate well into 2010 with unemployment rates peaking above 10 per cent in most advanced economies.

## Commodity Prices

Unexpected inflation in the construction industry, owing to commodity cost increases brought about by unseasonable weather and a strong and effective Chinese stimulus package, should raise commodity prices in 2010. Beyond that, prices should remain sticky as global demand recovers while producers look to recoup losses from 2008/2009.

## Forecast Risks

### *Downside*

- The U.S. economy may grow below its potential growth rate for an extended period as it continues to experience a number of structural problems such as:
  - High domestic and foreign debt
  - Unstable real estate markets
  - High consumer debt
  - High unemployment
- The U.S. natural gas market is increasing its dependence on relatively cheap natural gas output from U.S. shale deposits. Consequently, gas production is likely to stagnate in Alberta for most of the forecast period.
- Higher interest rates should have a negative impact on the interest-sensitive sectors of the economy.

### *Upside*

- Higher oil prices, the thawing of credit markets and lower input costs have improved the profitability for oil sands development.

# The City of Calgary

## Forecast

The region's recent economic experience underscores the notion that the local economy is not immune to changes in its external environment. Calgary's economic growth is closely connected with fluctuations in the world economy. Global growth promotes market expansion and business investment which stimulates the labour market in Calgary through the global supply chains. Increased local economic prosperity produces higher revenues for businesses and governments. A global recession produces the opposite effect. Overall economic activity and resulting monetary and fiscal policies in Canada affect personal investment and consumption decisions and public capital investment projects in the Calgary Economic Region (CER). Relative labour market conditions across the country also affect net inter-provincial migration to Calgary and demand for housing in the city.

As a small and open economy, Calgary's economic outlook is reliant on the world import and export markets. The shape of Calgary's economic recovery is therefore contingent on the growth trajectory of the U.S., and on global demand. Sluggish global demand and a strong Canadian dollar should dampen Calgary's exports. This should temper Calgary's business, equity and property markets.

Commodity prices have important impacts on the local markets in Calgary since our economy is closely tied to resources. Strong energy prices support local manufacturers, drilling operations and service industries. Weak prices therefore have a multiplicative downward impact on the local economy. Rebounding oil prices bode well for Calgary, but only to the point that companies that used to service the natural gas industry can adapt to service a growing oil industry.

## City of Calgary

***The value of building permits is a leading indicator of economic conditions...***

- The total value of building permits in 2009 was $3.7 million, down 13 per cent from 2008.
  - *The total residential building permits value* in 2009 was 4.4 per cent higher than 2008, with most of the improvement occurring over the last quarter of 2009.
  - *Total non-residential building permits value* was 16.7 per cent lower than 2008. Permitting activity in this sector was supported by government spending on new buildings or improvements to existing educational facilities.
- Total building permit values are expected to range between $2.4 and $3.8 billion in 2010 and increase to between $2.5 and $4.1 billion in 2011. High vacancy rates in the non-residential sectors are expected to act as restraints on the level of investment intentions.

***and housing starts are painting a more accurate picture***

- Total housing starts in 2009 in Calgary Census Metropolitan Area (CMA) were estimated at 6,318 units, 45 per cent less than 2008.
  - 4,775 single family units were started in 2009, 8.8 per cent more than in 2008.

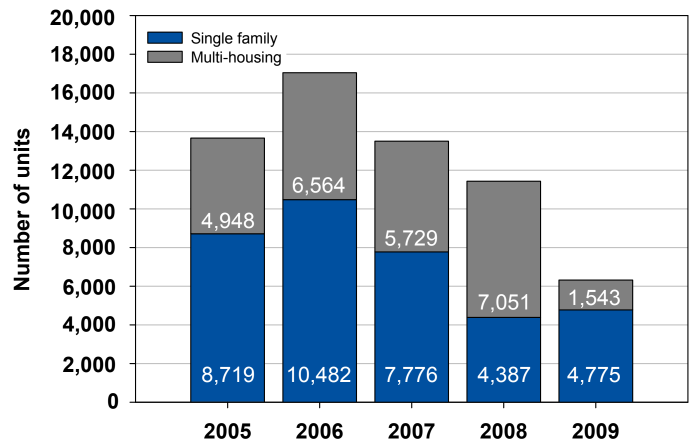
Residential investment decisions were driven by low mortgage rates, builders' price reductions, lower inventories of new housing, and fewer active listings in the resale market.

- Multi-family starts added about 1,543 units in 2009. This was well below the annual average for the 1998 – 2008 period of 5,300 units.

- The average price (11 months in 2009) of a new single family house in the city of Calgary was $574,740, a decrease of 2.5 per cent from the same period in 2008. In this period, a single family house in Edmonton cost $577,607.

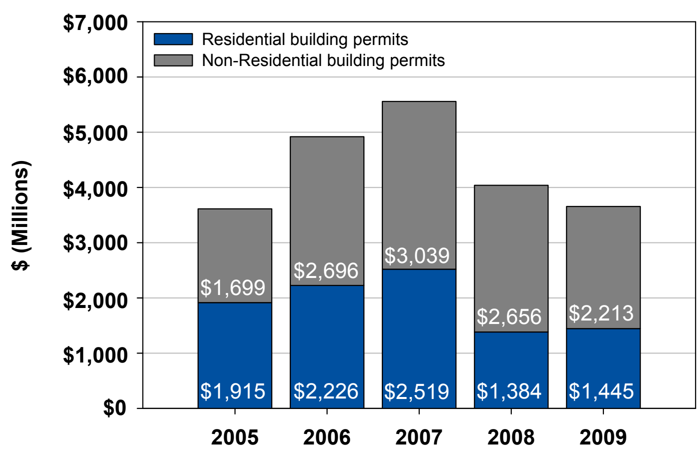
- Higher vacancy rates in the residential market should have a dampening effect on speculative investment. The number of housing units built in 2010 would be below demographic requirements. With the economic recovery entrenched from 2011 onwards, construction activity should grow in line with population change. The forecast is for the city's housing starts to total 9,800 units in 2011 and 9,500 in 2012.

**Calgary CMA: Number of housing starts**
(2005 - 2009, *number of units*)




Source: CMHC; Corporate Economics

**City of Calgary: Value of building permits**
(2005 - 2009, *millions of dollars*)




Source: The City of Calgary; Corporate Economics

## Residential market

Calgary's new and existing housing markets have different stories to tell. From their peaks, the average price decrease for a new house[1] was 23 per cent, while for a resale house[2] listed on MLS it was 10 per cent.

| Factors impacting new house prices | Factors impacting MLS prices |
|---|---|
| Initially prices stayed high due to the delay (8 to 10 months) between contract signing and possession. For example, November 2008 witnessed the highest absorbed price, which reflected prices prior to the financial crunch. | Initially prices on MLS dropped due to homeowners' willingness to cash in 'capital gain' on Calgary's real estate market. |
| Builders' 'survival tactics' supported price reductions. In late 2008 and early 2009, the high number of listings on MLS increased competition for new housing. In response builders reduced prices or offered non-price incentives. | ▶ Since April 2009, an increase in the number of sales and a reduction in listings have been driven by:<br>▪ Need to invest money<br>▪ Low interest rate<br>▪ Fear of possible inflation<br>▪ Overpriced[3] stock market |

- Low interest rates were a strong uplifting factor as affordability increased with dropping prices.
- Job market was a strong downward factor for all house prices:
  - Calgary had the highest per cent job losses among the large urban centres in Canada. These losses had a significant effect on the higher end of the housing market.
  - Calgary's unemployment rate being relatively lower than the rest of the country has encouraged some people to come here to work. At the same time, these people were unlikely to become home buyers in the near future.

1 New-house peak price was $616,656 in November 2008, and it dropped to $473,115 in November 2009.
2 MLS peak price was $447,271 in June 2008, and it dropped to $402,055 in December 2009
3 The 'normal' price/earnings (P/E) ratio on the stock market is in the range of 15-20 and the lower the range, the more likely the market will go up. In November of 2009 P/E ratio was 85.

- Over the last two years, the distribution of outstanding mortgage insurance has shifted in Canada. In Q3 2009, CMHC insured 30 per cent of mortgages, up from 18 per cent in 2007. The Canadian banks' market share dropped to 48 per cent in Q3 2009 from 57 per cent in 2007. Since CMHC insures borrowers with a low percentage of equity in their property, a sharp increase in mortgage rates is likely to have a negative effect on the housing market.

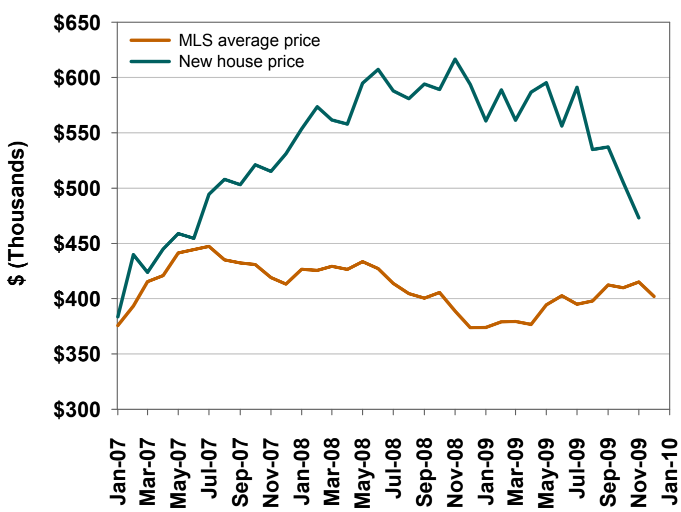
| Distribution changes | Year/Quarter | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 3Q08 | 4Q08 | 1Q09 | 2Q09 | 3Q09 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Banks | 57.0% | 53.9% | 55.1% | 50.8% | 48.8% | 48.2% | 48.4% |
| Trusts, Caisse & Credit Unions, Pension Funds | 16.0% | 15.5% | 15.5% | 15.4% | 15.3% | 15.5% | 15.4% |
| Life Insurance Co. | 1.9% | 1.8% | 1.8% | 1.7% | 1.7% | 1.6% | 1.5% |
| Others ** | 4.1% | 3.6% | 3.5% | 3.2% | 3.1% | 3.0% | 3.0% |
| Special Purpose Vehicles | 3.2% | 2.6% | 2.5% | 2.3% | 2.1% | 2.0% | 1.8% |
| NHA MBS*** | 17.8% | 22.6% | 21.7% | 26.6% | 29.0% | 29.7% | 29.9% |

**Average for the period, unadjusted*

*** Includes non-depository credit intermediaries*

**** CMHC*

**City of Calgary: MLS residential average price and 'new house' price**
(January 2007 - December 2009, *thousands of dollars*)

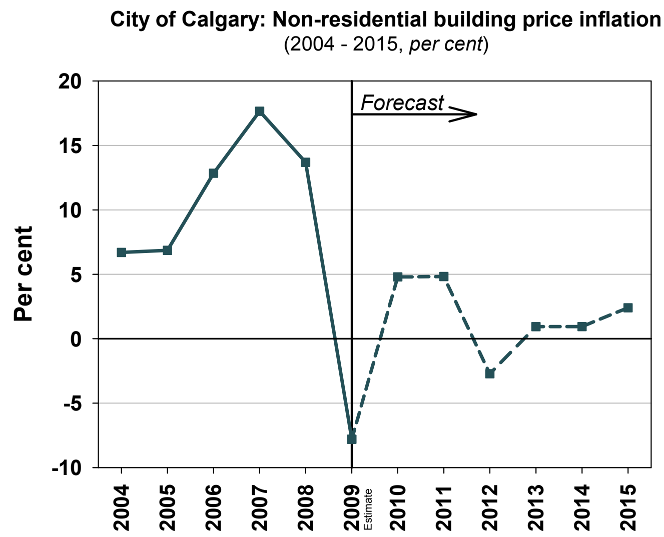



Source: CREB; CMHC; Corporate Economics

## Non-Residential market

- The office vacancy rate in 2006 was estimated at 1.5 per cent, an all time low.
  - It is expected that before the end of 2011 about 12 million square feet of office space will be added, increasing the overall inventory by about 25 per cent.
  - By the end of 2010, the office vacancy rates are expected to reach the high teens and almost 20 per cent by spring of 2012. This should exert downward pressure on lease rates and building prices and also prove to be a deterrent to the construction of new space.

- There were no new big space additions in the Calgary industrial market over the last few years, but vacancy rates increased to over 5 per cent in 2009 as the market softened.
    - Downward pressure on values and lease rates continues mainly due to a softer construction market.
- Non-residential building price inflation
    - Unusual international weather conditions combined with an unexpectedly successful Chinese stimulus package are accelerating international price increases of some raw materials quicker than previously expected. The recent strength of the Canadian dollar is absorbing some of the raw material price escalation, but not all of it. Expectations are for moderate price increases to 2008 price levels by 2011 and then for project completions to cause construction costs to soften slightly and stabilize.




Source: Statistics Canada; Corporate Economics

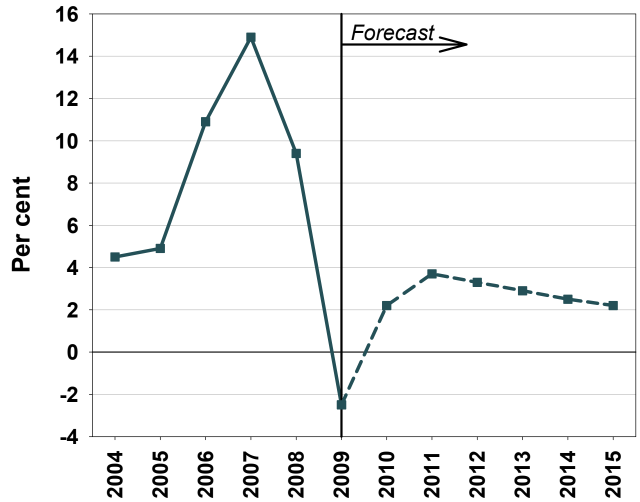
| | Overall vacancy rate in 2009 | | | Vacancy forecast end of 2010 | Vacancy forecast for downtown office space | |
|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | | end of 2011 | spring 2012 |
| **Office space** | | | | | | |
| Avison Young[4] | -- | -- | 10% | ~16% | -- | 18% |
| Barclay Street Real Estate[5] | 10% | -- | 14.2% | ~15% | 19% | -- |
| **Industrial space** | | | | | | |
| Avison Young | 4.2% | -- | 5.2% | ~7.5% | -- | -- |
| Barclay Street Real Estate[6] | 5.9% | 7.6% | -- | -- | -- | -- |

4 http://www.prnewswire.com/news-releases/avison-young-releases-2010-national-real-estate-forecast-for-us-canada-81311892.html
5 http://www.barclaystreet.com/Site_Files/My_Files/office_space_pdf/calgary_q3_2009_office.pdf
6 http://www.barclaystreet.com/Site_Files/My_Files/office_space_pdf/calgary_q2_09_industrial.pdf

# Calgary Economic Region (CER)

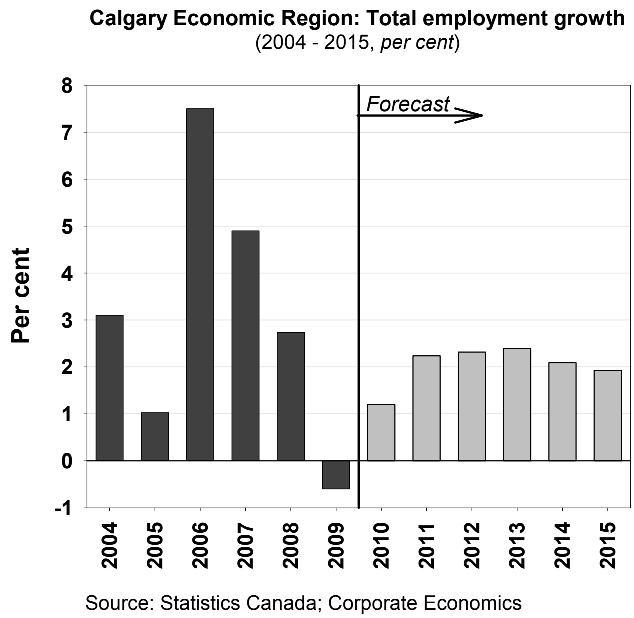
- Economic activity in the Calgary Economic Region moderated in 2009 in response to slower growth in the world outside its borders. The CER and Alberta economies were adversely affected by falling resource prices which squeezed the energy industry's profit margins. These changes along with tighter credit conditions and higher labour costs resulted in the postponement or cancellation of several large investment projects in northern Alberta. This had a negative effect on the demand for various professional services and retail trade in the Calgary area. Economic activity contracted by 2.5 per cent in 2009. With the recovery of economic activity in the world outside Calgary the local economy should grow by 2.2 per cent in 2010. As economic growth in the U.S. and the emerging economies gathers momentum, the CER's output should expand by 3.7 per cent in 2011. Economic growth should strengthen as oil sands projects in northern Alberta are revived. Towards the end of the forecast period the region's economic expansion would be constrained by an aging population. Consequently, the rate of future economic expansion is expected to be lower than what was experienced in the 1998 – 2008 period.

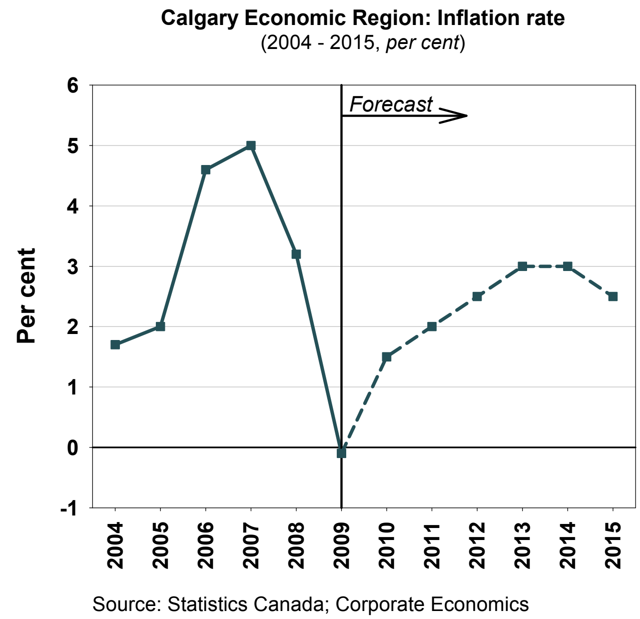
**Calgary Economic Region: Gross domestic product growth**
(2004 - 2015, *per cent*)




Source: Statistics Canada; Corporate Economics

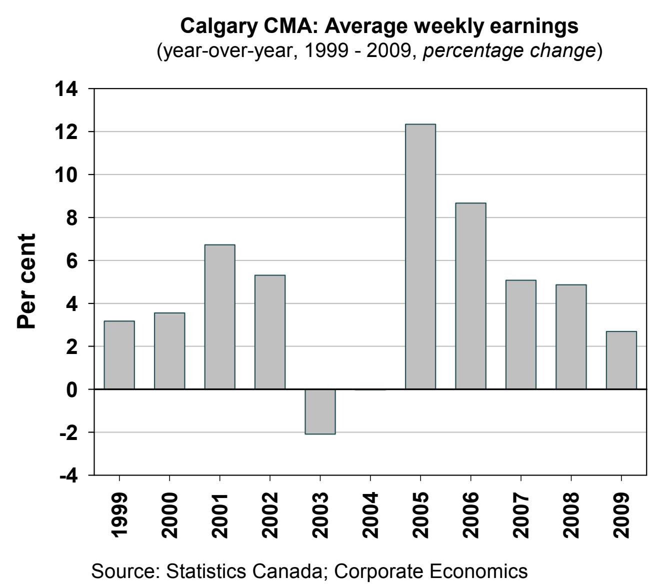
- Total employment in the CER was estimated at 752,000 in 2009, down from 756,000 in 2008. The forecast is for total employment to increase to 762,000 in 2010 and 777,000 in 2011 as economic growth gathers momentum. Total employment is expected to reach 839,000 by 2015. The employment growth rate is expected to increase between 2010 and 2012 as the region uses up its excess capacity. The region is expected to reach full employment by 2012, with the labour force growth being the constraining factor on the rate of economic expansion. Employment growth is therefore expected to grow in line with population growth towards the end of the forecast.




- Consumer prices declined by 0.1 per cent in 2009, down from 3.2 per cent a year earlier. High unemployment rates acted as a major restraint on wage increases. For example, Calgary's average hourly wage rate increased by 2.7 per cent in 2009, down from 4.9 per cent in 2008. The wage inflation rate moderated in response to a higher unemployment rate as employers were able to fill vacant positions from a larger pool of workers without having to offer increasingly higher salaries to attract workers. Also, businesses were unable to pass on cost increases through higher prices as consumer demand was weak. The consumer price inflation rate is expected to increase by 1.5 per cent in 2010 and 2.0 per cent in 2010. Inflation rates are expected to increase as the region's spare capacity becomes exhausted.

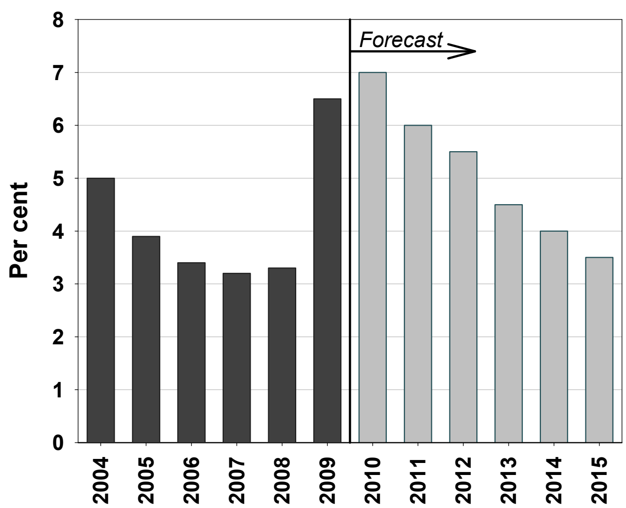
- The City of Calgary's inflation rate as measured by the municipal price index (MPI) declined to 2.2 per cent in 2009, down from 6.3 per cent in 2008. The MPI is expected to increase to 4.8 per cent in 2010 and 4.2 per cent in 2011.



- The CER's 2009 unemployment rate was estimated at 6.3 per cent, up from 3.3 per cent in 2008. The forecast expects the unemployment rate to trend higher in 2010 as job seekers from the rest of Canada are attracted to the region by a relatively lower unemployment rate. By 2012 the trend ceases as people will be able to find work in their own provinces due to aging and retirements. Beyond 2012 Calgary faces full employment and labour shortages which can only be relieved by increased international immigration.

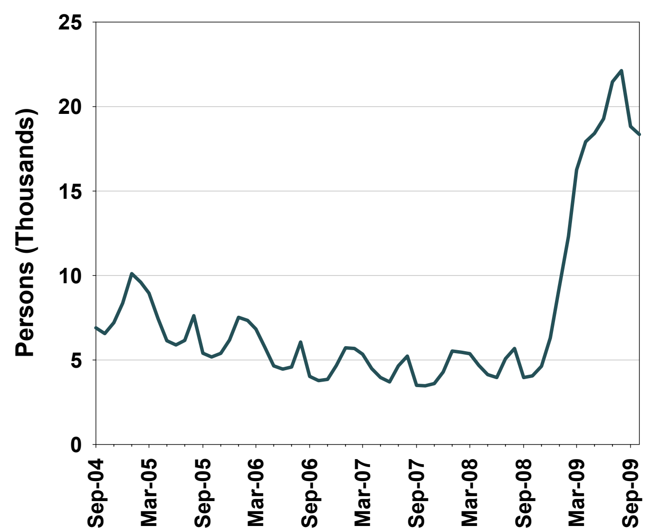
- The number of recipients of employment insurance benefits in Calgary CMA jumped sharply in recent months as the numbers of the unemployed increased. For example, 18,350 persons received benefits in October 2009, up from 4,060 a year earlier. Those benefits will start running out soon and people who have not found work will face increasing financial hardship.

**Calgary Economic Region: Unemployment rate**
(2004 - 2015, *per cent*)




Source: Statistics Canada; Corporate Economics

**Calgary CMA: Employment insurance recipients**
(September 2004 - October 2009, *thousands of persons*)




Source: Statistics Canada; Corporate Economics

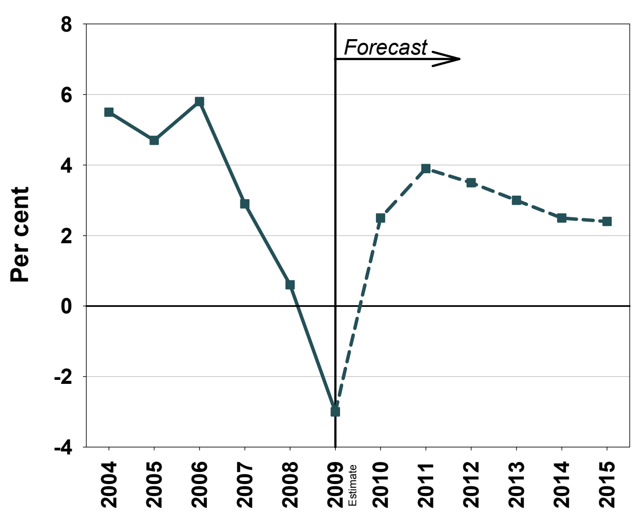
# Alberta Economy

## Summary

Aggressive actions by global monetary and fiscal authorities have improved global financial markets in recent months and accelerated growth in various economies. The slack in the economy pushed inflation down into negative territory in 2009. Alberta's economy is expected to contract by -3.0 per cent in 2009 and grow by 2.5 per cent in 2010.

The provincial economy should respond to these increasing signs of economic recovery and grow by 3.9 per cent in 2011. The revival of some postponed energy projects in northern Alberta should improve labour market conditions and push the unemployment rate down to 5.5 per cent in 2011, from 7.0 per cent in 2010. Improved labour market conditions, healthy wage growth and a strong inflow of interprovincial migrants should support the recovery of the real estate market and increase consumer spending.

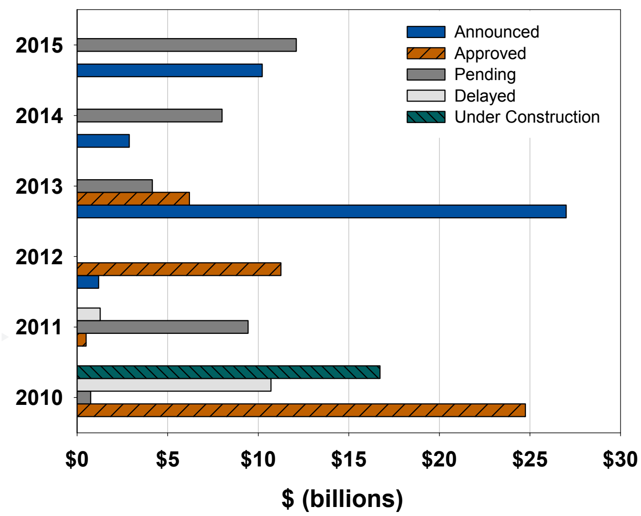
**Alberta: Gross domestic product growth**
(2004 - 2015, *per cent*)




Source: Statistics Canada; Corporate Economics

## Total Investment in Alberta

**Alberta: Total oil sands investment**
(2010 - 2015, *billions of dollars*)




Source: Statistics Canada; Corporate Economics

Alberta Economic Development Authority (AEDA) announced in November 2009 that $239.8 billion (see Textbox) in major construction projects were either planned or underway in Alberta. The majority of these projects are in oil sands development (42.5 per cent).

The combination of higher oil prices, lower input costs and better credit conditions has resulted in improved profitability for heavy oil development. It is therefore estimated that billions of dollars worth of postponed capital projects should revive in response to improved expectations. The following is a list of some projects that have been revived:

- Suncor Energy is expected to invest $950 million in 2010 to restart construction at its Firebag in-situ oil sands expansion project.
- Husky and BP are expected to invest $2.5 billion on their Sunrise project.
- Canadian Natural Resources plans to spend $2.5 billion on its Kirby project

Suncor also plans to spend $50 million this year to start construction of Firebag Stage Four, which has a design capacity of 68,000 b/d. PetroChina's purchase of a 60 per cent stake in the MacKay River and Dover projects in September 2009 and Imperial Oil and Exxon Mobil picking up a 50 per cent working interest in three oil sands leases from UTS Energy last year point to renewed interest in Alberta's energy industry. Nexen announced capital spending of $2.5 billion in 2010. Opti announced a $120 million capital spending plan for 2010, primarily for its share of Phase 1 at Long Lake. Husky Energy announced a $3.1 billion capital expenditure program for 2010, with $1.2 billion on its projects in Western Canada focused on heavy oil and unconventional gas holdings. Exxon Mobil will pay US$31 billion in an all-share buyout of Texas-based XTO Energy which specializes in the development of shale gas[7]. Credit conditions have also eased a little in recent months, facilitating business investment growth.

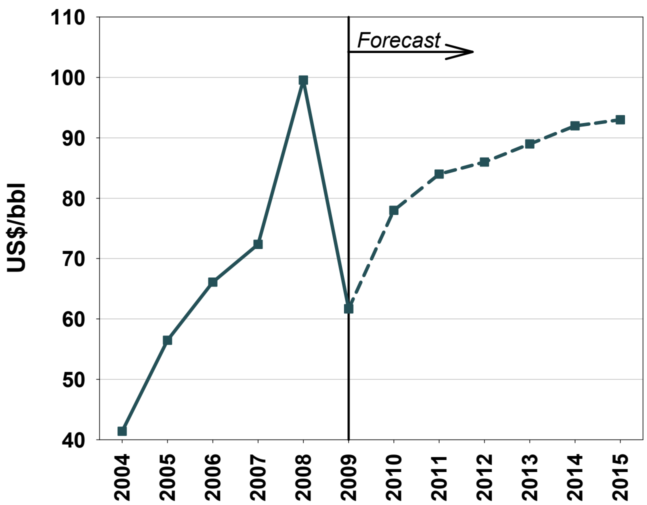
**Alberta Major Projects ($Millions)**

| Project Sector | # of Projects | Value of All Projects | # On Hold | Value of On-Hold Projects |
|---|---|---|---|---|
| Agriculture & Related | 4 | $62.9 | 0 | |
| Biofuels | 16 | $1,872.0 | 0 | |
| Chemicals & Petrochemicals | 2 | $50.0 | 0 | |
| Commercial/Retail | 78 | $11,129.7 | 4 | $167.2 |
| Commercial/Retail and Residential | 16 | $5,315.5 | 2 | $761.8 |
| Infrastructure | 328 | $19,982.8 | 4 | $83.4 |
| Institutional | 220 | $11,598.8 | 7 | $221.6 |
| Manufacturing | 5 | $676.7 | 0 | |
| Mining | 5 | $4,612.0 | 1 | $4,500.0 |
| Oil & Gas | 11 | $1,246.5 | 0 | |
| Oil sands | 43 | $137,813.3 | 14 | $76,567.0 |
| Other Industrial | 11 | $319.7 | 0 | |
| Pipelines | 31 | $9,338.3 | 2 | $2,018.0 |
| Power | 54 | $19,235.3 | 4 | $950.0 |
| Residential | 91 | $6,501.1 | 18 | $2,804.4 |
| Telecommunications | 1 | $700.0 | 0 | |
| Tourism/Recreation | 122 | $9,358.1 | 2 | $21.0 |
| **Total** | **1,038** | **$239,812.7** | **58** | **$88,094.4** |

*Source: Alberta Economic Development Authority, November 2009*

7 Statistics Canada. 2010. *Canadian Economic Observer*. Catalogue no. 11-010-XIB.

West Texas Intermediate (WTI) spot oil prices
(2004 - 2015, *US$/bbl*)

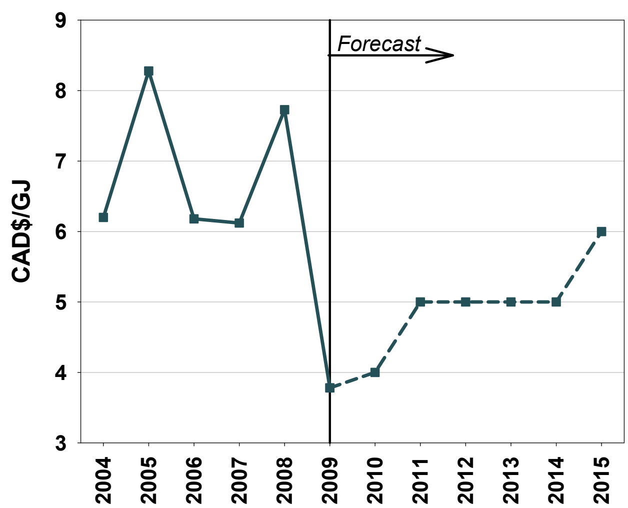



Source: GLJ; Corporate Economics

Oil prices rebounded sharply during the fourth quarter of 2009 in response to reduced uncertainty about economic growth in the developed economies, continued strong economic growth in the emerging economies and the depreciation of the U.S. dollar. Oil prices are currently trading around US$80/bbl after hitting a multi-year low of US$39/bbl in February 2009. West Texas Intermediate (WTI) crude oil prices are expected to average US$78/bbl in 2010 driven by slow growth in non-OPEC production, a modest economic recovery and a falling U.S. currency.

Residential, commercial and U.S. industrial demand for natural gas weakened significantly in 2009 in response to the economic recession and mild weather conditions. As large quantities of shale gas resources are developed[8], the main restriction on productive capacity is expected to be the size of the North American market rather than the availability of the resource. North American gas demand continues to be driven by the electric power sector, despite an increase in gas consumption in the industrial sector, owing to stronger growth in the gas-intensive oil sands industry. With North America remaining a residual market for Liquefied Natural Gas (LNG) and the abundance of shale gas, natural gas prices are not expected to rise to global oil-linked levels over the long term[9].

Alberta: Natural gas price - AECO/NIT
(2004 - 2015, *CAD$/GJ*)




Source: GLJ; Corporate Economics

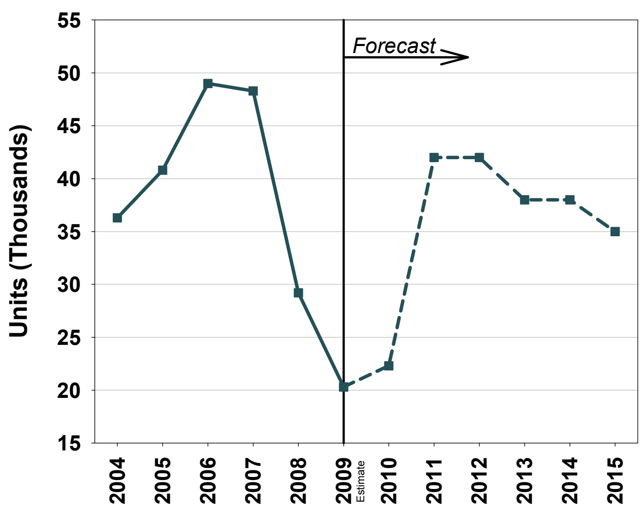
Natural gas prices are expected to average $4/GJ in 2010 as annual consumption is projected to remain flat. Higher natural gas prices in 2010 are expected to reduce electric power sector demand, which will offset growth in the residential, commercial and industrial sectors.

Residential real estate investment grew below demographic requirements in 2009, driven by higher vacancy rates, slower employment growth, modest growth in labour income and

8 Technological advancements in shale gas have boosted U.S. natural gas production over the last three years.
9 Private Forecaster, January 2010.

a surplus of completed and unabsorbed units. Housing starts were estimated at 20,298 units in 2009. Home construction is expected to ramp up as the stock of completed and unabsorbed homes dissipates slowly, due to expected improvement in the labour market, increase in wages, along with population growth. Total housing starts therefore should average 22,300 units in 2010 and increase to 42,000 units in 2011.

**Alberta: Housing starts**
(2004 - 2015, *thousands of units*)




Source: CMHC; Corporate Economics

## Consumer spending

Consumption is mainly driven by the size and growth of the consumers' disposable incomes. Consumer spending in Alberta showed modest growth in 2009 owing to falling house prices, relatively high consumer debt levels, high unemployment rates and stagnant growth in labour incomes.

Alberta's labour force growth outpaced employment growth and this pushed the unemployment rate to 6.6 per cent in 2009, up from 3.5 per cent in 2008. As the recovery gains traction, the labour market should gradually improve and decrease the unemployment rate to 5.5 per cent in 2011, from 7.0 per cent in 2010. Improved labour market conditions combined with healthy wage growth should stimulate consumer spending.

## Government spending

Falling resource prices in 2009 resulted in provincial government revenues declining below its expenditures. Provincial government capital investment is expected to be below the five-year average as authorities attempt to bring expenditures in line with revenues. Government spending in the near-term is not expected to boost economic growth.

## Net exports

Net exports are expected to be weak in 2010 as the province continues to face weak demand due to anemic growth in the U.S. and a higher Canadian currency. U.S. demand for Alberta's natural gas declined significantly during the first half of 2009 in response to weak U.S. industrial demand and the abundance of shale gas. Canadian drilling activity and production fell in 2009 because of lower prices. The U.S. Energy Information Administration[10] expects continued low Canadian production to cause U.S. pipeline imports to the U.S. to fall this year.

Despite the sharp fall in oil sands investment, new output from recently completed projects and projects near completion are expected to increase oil sands output in 2009 and 2010. Increased output should lift oil exports.

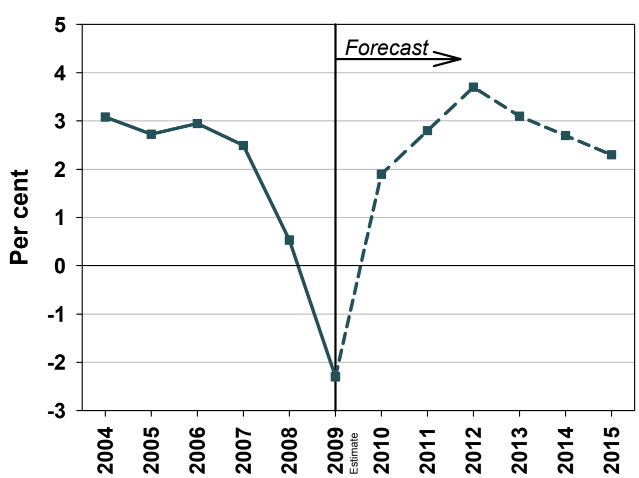
10 U.S. Energy Information Administration, Short-term Energy Outlook, January 2010.

# Canadian Economy

## Summary

The Canadian economy turned the corner in Q3 2009 and gained momentum in Q4 2009, thanks to business inventory rebuild, growth in consumer spending and residential building investment, and increased government spending. Consumer spending should drive economic growth given the improving job markets in late 2010 and beyond. Improved business profits and a stronger Canadian dollar are expected to result in increased investments in machinery and equipment. Government spending is expected to grow at modest rates in 2010 and 2011, as the deficit and debt problems are addressed. However, net exports should temper growth assuming that the U.S. economy underperforms during this period.

**Canada: GDP growth**
(2004 - 2015, *per cent*)

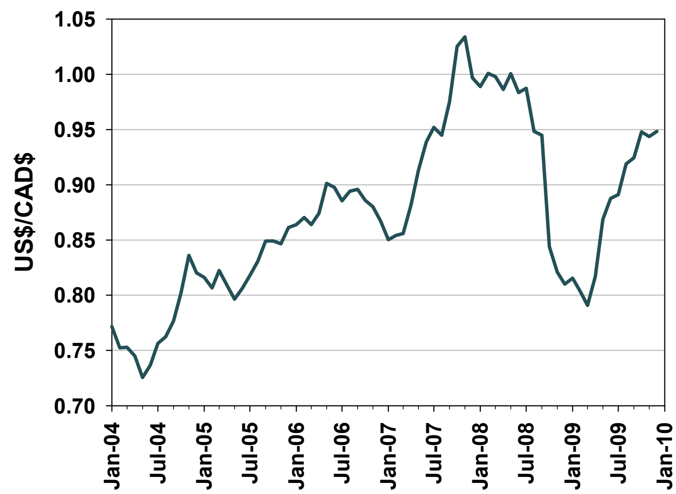



Source: Statistics Canada; Corporate Economics

## Exchange rate, inflation and monetary policy

The Canadian dollar began appreciating from March 2009 and is approaching par with the U.S. dollar. The Canadian dollar's strength is explained by higher commodity prices and the better fiscal positions compared to the U.S.. For the forecast period, the Canadian dollar is expected to further strengthen until U.S. growth reaches its potential and the U.S. government fixes its large deficit problem. A stronger Canadian dollar should constrain growth in exports in the near-term, especially in the manufacturing industries.

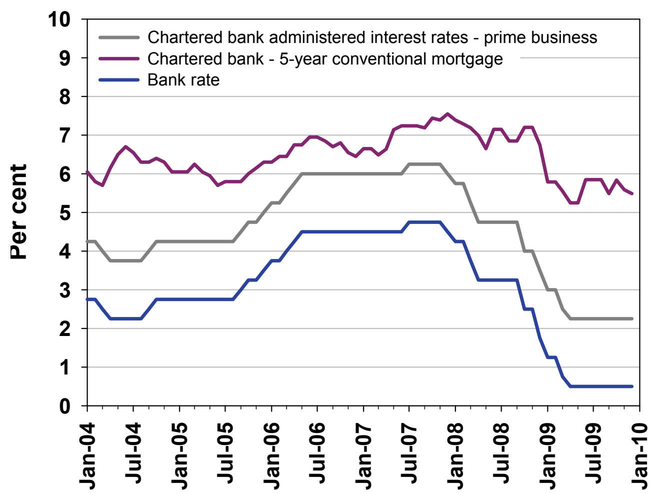
**Canada: Canadian/U.S. dollar exchange rate**
(January 2004 - December 2009, *US$/CAD$*)




Source: Bank of Canada; Corporate Economics

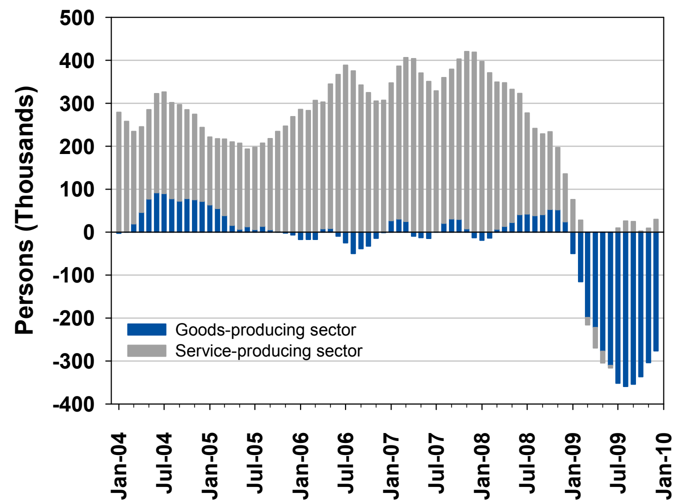
Inflation is not a near-term concern for the Bank of Canada, because of excess capacity in the economy and downward pressure from a strong Canadian dollar. As a result, the Bank should hold its overnight rate at the current low level until mid-2010 and raise it by 50 to 100 basis points in the second half of 2010.

**Canada: Interest rates**
(January 2004 - December 2009, *per cent*)




Source: Bank of Canada; Corporate Economics

**Canada: Total employment changes**
(Year-over-year changes,
January 2004 - December 2009, *thousands of persons*)

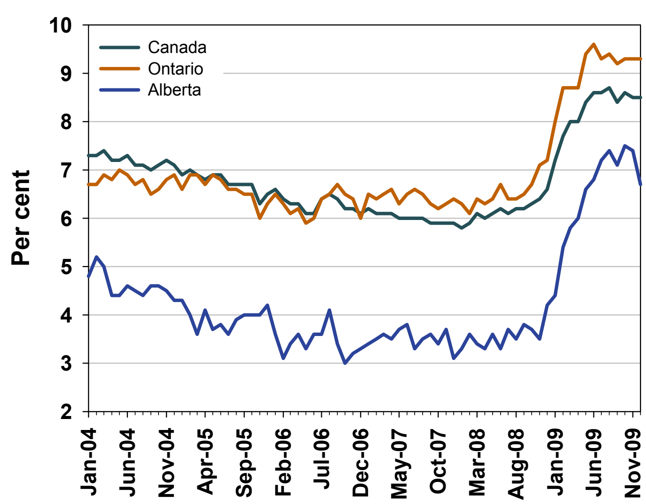



Source: Statistics Canada; Corporate Economics

## The Canadian labour market

The Canadian labour market lost 323,000 jobs since October 2008, mostly in the goods producing sector. Total employment in the service sector has since recovered its losses and reached the highest level on record. Job markets in Ontario and Alberta were hit harder than other provinces, given their recent cuts in the manufacturing and resource industries. However, Alberta still enjoys a lower than national average unemployment rate, and is expected to create new jobs and attract job seekers once the recovery is established.

**Canada: Unemployment rates**
(Seasonally adjusted,
January 2004 - December 2009, *per cent*)

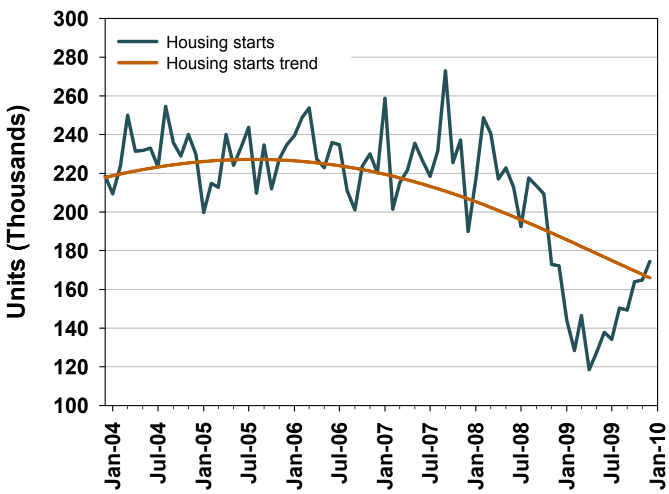



Source: Statistics Canada; Corporate Economics

## The Canadian housing markets

Housing markets in Canada recovered quickly from the recent recession. For example, housing starts have been on an upward trend since mid-2009 and the MLS market has experienced an increase in the number and average price for homes sold in 2009 over 2008. The increased activities in the housing market were supported by improving job markets and consumer confidence, but also fuelled by historic low mortgage rates. Considering the high consumer debt to income ratios, risks of default have grown for some households and this poses a problem when interest rate hikes start in the near future. In the second half of 2010, the combination of higher mortgage rates and higher housing prices should take some steam out of the Canadian housing market.

**Canada: Total housing starts in all areas**
(seasonally adjusted at annual rates,
January 2004 - December 2009, *thousands of units*)



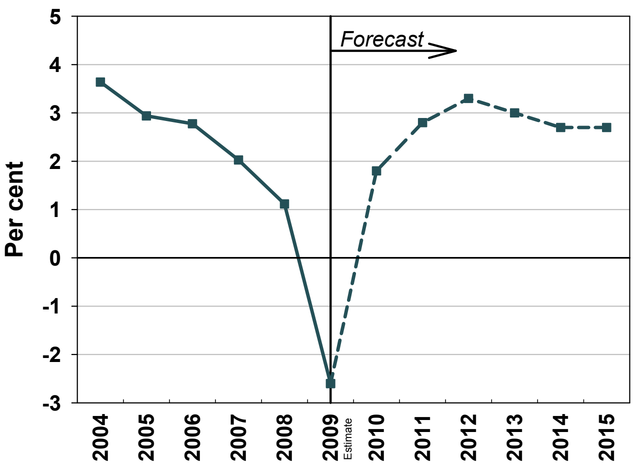

Source: Statistics Canada; Corporate Economics

# U.S. Economy

## Summary

The U.S. economy returned to positive growth in Q3 2009 at an annualized rate of 2.8 per cent. However, the recovery is expected to be prolonged. Supports from the accommodative monetary and fiscal policies are not sustainable. Both the U.S. government and households have to rebuild their balance sheets by reducing their extremely high debt levels. As a result, real GDP growth should be moderate, at 1.8 per cent in 2010 and 2.8 per cent in 2011, with the expected withdrawal of fiscal and monetary stimulus and slow recovery of consumer spending in the short to medium term. The business sector is therefore expected to be the engine of growth driving the economic recovery. Meanwhile, the weak U.S. dollar should boost the export sector by increasing its competitiveness in global markets.

**U.S.: Real GDP growth**
(2004 - 2015, *per cent*)

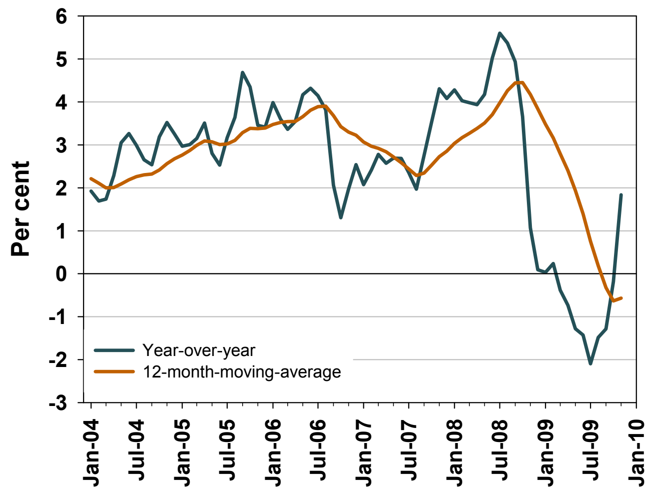



Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

## Inflation and monetary policy

Despite recent easing in the money supply, inflation in the U.S. stays low given the high level of unused capacity in the economy. Low inflation is expected to remain throughout 2010, because of the weak labour market conditions and near-term declines in labour costs from productivity gains. This allows the Fed to concentrate on economic recovery by keeping interest rates at the current low level until the end of 2010 and gradually increasing them to 1.5 per cent in 2011. The fact that the Fed may lag behind other major central banks in normalizing monetary policy (or increasing interest rates back to neutral) should weaken the U.S. dollar against other major currencies.

**U.S.: Inflation rates**
(January 2004 - November 2009, *per cent*)

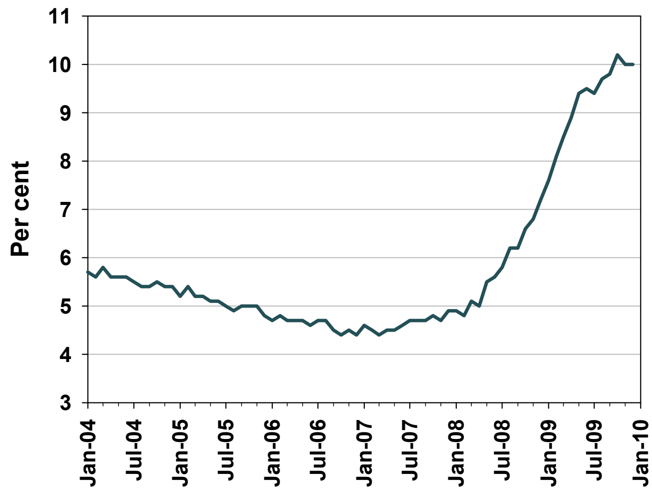



Source: U.S. Federal Reserve Bank of St. Louis; Corporate Economics

## The U.S. labour market

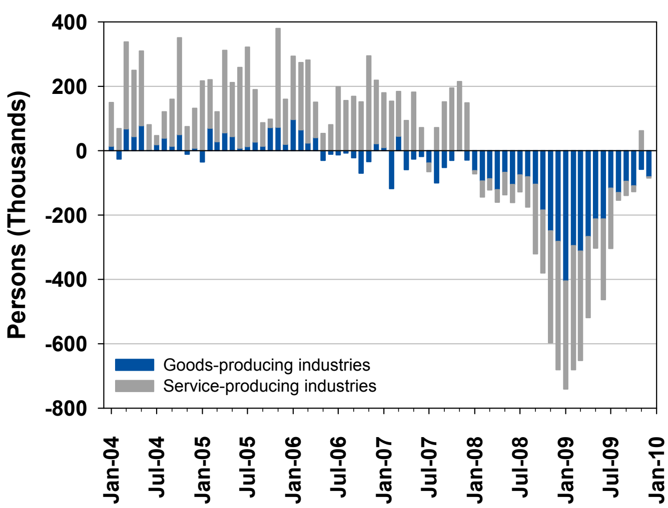
The U.S. labour market experienced 7.2 million lost jobs since the start of the Great Recession in December 2007, both in the goods producing and service producing sectors. The current high unemployment rate of 10 per cent has surpassed the peaks in the recessions of 80s and 90s. However, the pace of job losses has moderated in recent months, especially in the service producing sector. New jobs are expected to be created over the course of 2010, although total employment is not expected to return to its pre-recession level until 2012 given the large number of job losses in the last two years.

**U.S.: Civilian unemployment rate**
(seasonally adjusted, January 2004 - December 2009, *per cent*)




Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

**U.S.: Total employment changes**
(Month-over-month changes,
January 2004 - December 2009, *thousands of persons*)




Source: Statistics Canada; Corporate Economics

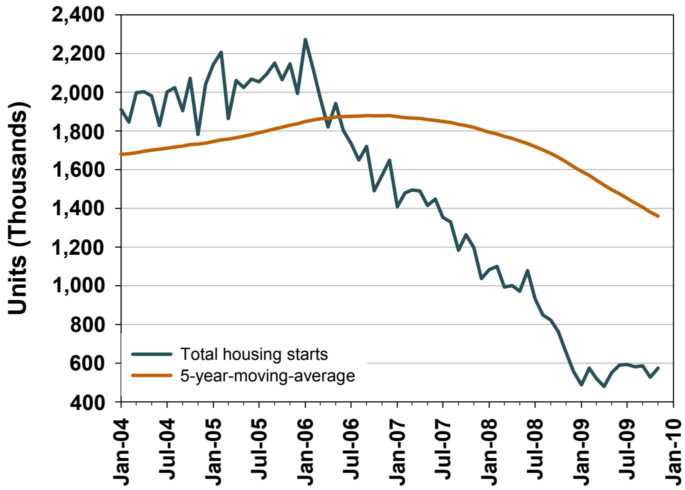
## The U.S. housing market and consumer spending

Economic indicators show that the U.S. housing market is still in an excess supply situation, despite efforts to stabilize it with measures such as the government's first-time home buyers' tax credit program and record low mortgage rates. The housing sector is expected to start contributing to growth towards the end of the forecast period as housing starts remained at historic lows, constrained by the backlog of foreclosures and increasing numbers of "strategic defaults"[11].

Consumer spending grew by 2.8 per cent in Q3 2009, up from -3.5 per cent a year earlier. Accounting for 70 per cent of the U.S. economy, consumer spending should still be the driver of growth albeit the contribution should be constrained by limited disposable income growth in the forecast period.

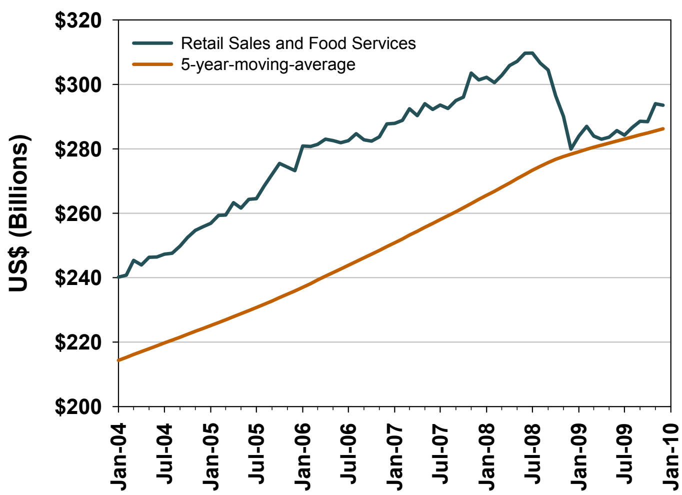
11 U.S. Energy Information Administration, Homeowners who choose to default their mortgage even if they can afford to pay it because of negative equity values.

**U.S.: Total new privately owned housing starts**
(January 2004 - November 2009, *thousands of units*)




Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

**U.S.: Retail sales and food services (RSFS)**
**- excluding motor vehicles and parts dealers**
(seasonally adjusted, January 2004 - December 2009, *billions of U.S. dollars*)



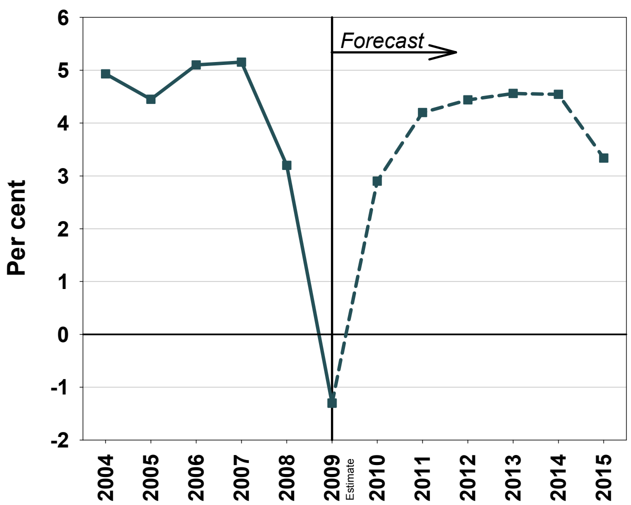

Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

# Global Economy

## Summary

The global growth returned to positive territory in Q4 2009, which indicates that the economy is beginning to recover from the first synchronized recession of the post-war era. While Q2 and Q3 of 2009 had brought signs of stabilization of financial sector and industrial production in many countries, the path of recovery was not clear until Q4. After the global growth contracted by 1.3 per cent in 2009, it is expected to recover at a modest rate of 3 per cent in 2010.

**World: Economic growth rates**
(2004 - 2015, *per cent*)




Source: International Money Fund (World Economy Outlook); Consensus Forecasts; World Bank; Corporate Economics

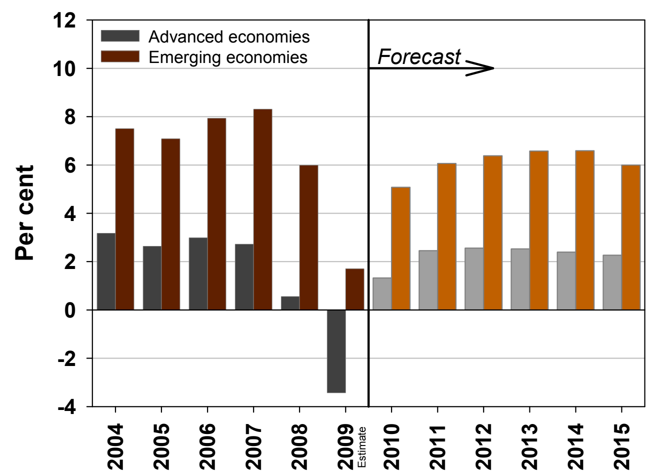
## Advanced economies

In the developed countries, fiscal and monetary policies have helped reduce output losses, at the cost of large fiscal deficits and public debt issuance. In 2010, fiscal sustainability will become a serious problem. Also, consumption will remain weak and labour markets will continue to deteriorate well into 2010 with unemployment rates peaking above 10 per cent in most advanced economies. The GDP growth rate is estimated to be -3.4 per cent in 2009, and forecast to be 1.7 per cent next year in the advanced economies.

## Emerging economies

Emerging markets outperformed advanced economies during the recession as a result of their stronger macroeconomic and financial fundamentals and more aggressive policy responses. The recent rebound in commodity prices and supportive policies are also helping many of these economies. In developing countries, real GDP growth is forecast to reach around 5 per cent in 2010. The rebound is driven by China, India, and a number of other emerging Asian economies. However, warding off risks for new asset price bubbles may call for greater exchange rate flexibility in some countries, notably China which may have to adjust its U.S. dollar peg policy which will undoubtedly result in some inflation in the U.S.

**World: GDP growth rates**
**Advanced economies vs. Emerging economies**
(2004 - 2015, *per cent*)

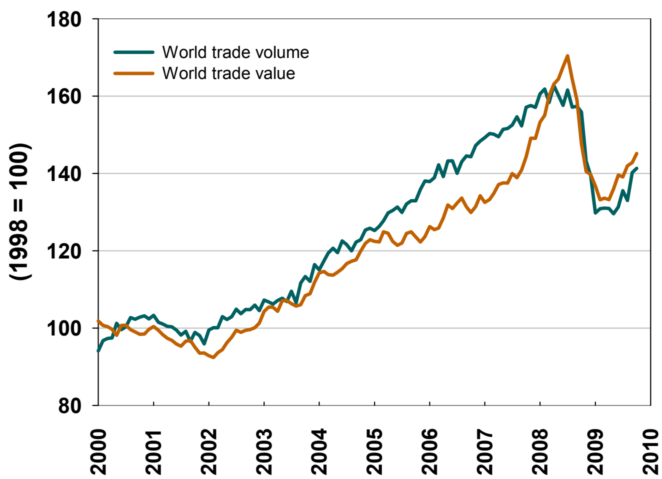



Source: International Money Fund (World Economy Outlook); World Bank; Corporate Economics

## World inflation

Slack in labour markets is holding back wage increases while excess capacity is reducing the pricing power of corporations implying that deflationary pressures persist. Deficit funded government stimulus programs, and monetization of such deficits, could eventually lead to higher than expected inflation. Inflation was around zero in 2009 in the advanced economies while in 2010, the inflation rate is expected to remain constrained in both advanced countries and emerging economies.

**World: Trade volume and value**
(2000 - 2009, *Index 2000= 100*)



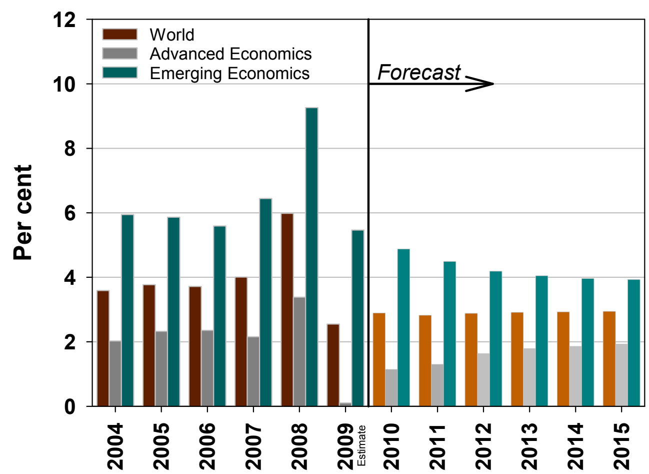

Source: Central Plan Bureau Netherlands; Corporate Economics

## World trade market

World trade showed signs of revival during Q2 2009 and will continue to edge up in 2010. But most countries will grow below potential in 2010 and investment and industrial activity will remain below their 2007-08 peaks. These factors are expected to keep global trade growth weak at around 2.0 per cent in 2010, which is much lower than its average rate of 8.0 per cent during 2003-07. Global inventory restocking will boost trade somewhat, but fiscal stimulus and Chinese stockpiling will end by 2010. If consumer spending and investment are still weak around the world, especially in advanced economies, trade flow will remain sluggish thereafter.

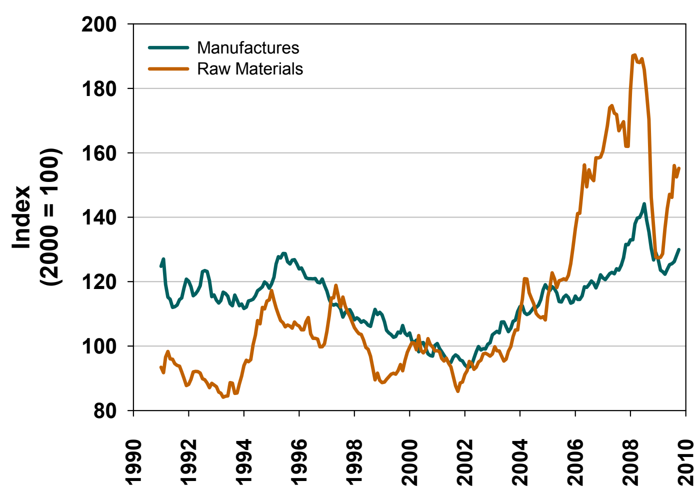
After collapsing during the second half of 2008, commodity prices stabilized in early 2009 and subsequently staged a strong rally in late 2009. In 2010, commodity prices could resume on a more moderate uptrend, in line with the modest global growth scenario. Average prices for 2010 will most likely be higher than 2009 but still lower than 2008.

**World: Inflation rates**
(2004 - 2015, *per cent*)




Source: International Money Fund (World Economy Outlook); World Bank; Corporate Economics

**World: Commodity prices**
(1991 - 2009, *Index 2000 = 100)*




Source: Central Plan Bureau Netherlands; Corporate Economics

# Commodities

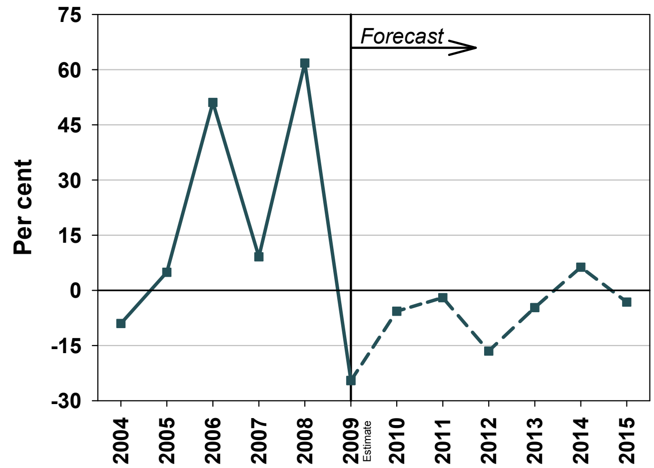
Unexpected inflation in the construction industry, owing to commodity cost increases brought about by unusual weather and a strong and effective Chinese stimulus package, should raise commodity prices in 2010. Beyond that, prices should remain sticky as global demand recovers while producers look to recoup losses from 2008/2009.

## Asphalt

Even though only about 10 per cent of Alberta oil sands can currently be economically mined, Alberta is on par with Saudi Arabia for proven recoverable reserves. Canada is currently the fifth largest energy producer in the world[12]. Even with oil sands project cancellations in 2008/9 Canada is still expected to become the fifth largest oil producing country in the world by 2020. Oil sands production is expected to jump from current 1.2 to 3.3 million barrels per day, with production doubling by 2013[13].

The untold story is that asphalt is the main constituent of Alberta oil sands, accounting for about 50 per cent of final product by volume[14]. The longer term outlook is for asphalt prices to cease trending with oil prices and lower significantly over the next 10 years, starting the decline in 2011.

**Asphalt price inflation**
(2004 - 2015, *per cent*)



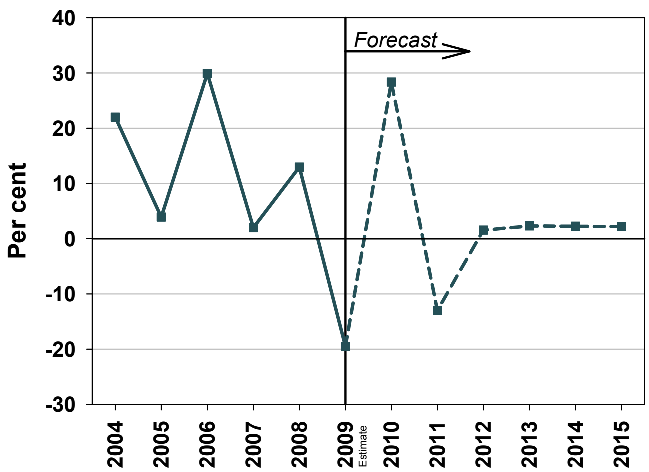

Source: Statistics Canada; Corporate Economics

## Rubber

Floods struck Thailand and Malaysia in late fall while unusually dry weather hit Indonesia causing unexpected supply shortfalls. At the same time Chinese demand for tires spiked as the Chinese stimulus package spurred auto sales to record levels. Rubber producers agree that a price of US$2.60/Kg is supportable at the current supply/demand balance but speculation is driving the price over US$3.00/Kg[15]. Prices should trend higher in 2010 followed by increased production from India in 2011 softening prices going forward.

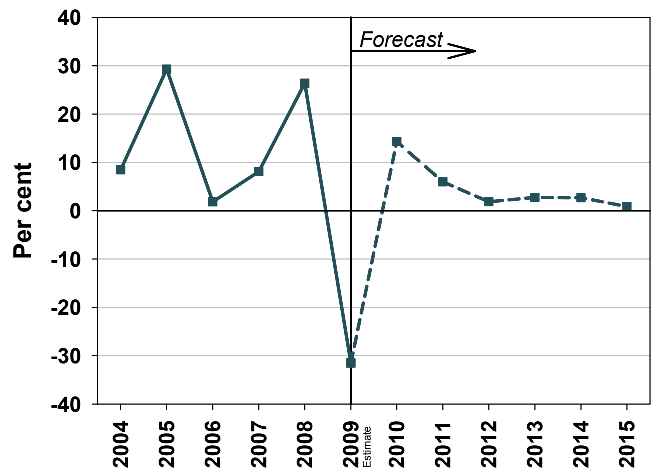
12 U.S. Energy Information Administration, http://www.eia.doe.gov/emeu/cabs/Canada/Background.html
13 Centre for Global Energy Studies (Canada's Oilsands 2009), Confrence Board of Canada (September 2009) see also http://energy.pressandjournal.co.uk/Article.aspx/1497019/?UserKey=
14 Husky Energy, http://www.huskyenergy.com/ourproducts/canada/asphalt/
15 Reuters, http://www.cfdspros.com/news/commodities---futures-news/interview-update-1-top-rubber-producers-want-to-halt-rally-88097

**Rubber price inflation**
(2004 - 2015, *per cent*)




Source: Statistics Canada; Corporate Economics

**Diesel oil price inflation**
(2004 - 2015, *per cent*)




Source: Statistics Canada; Corporate Economics

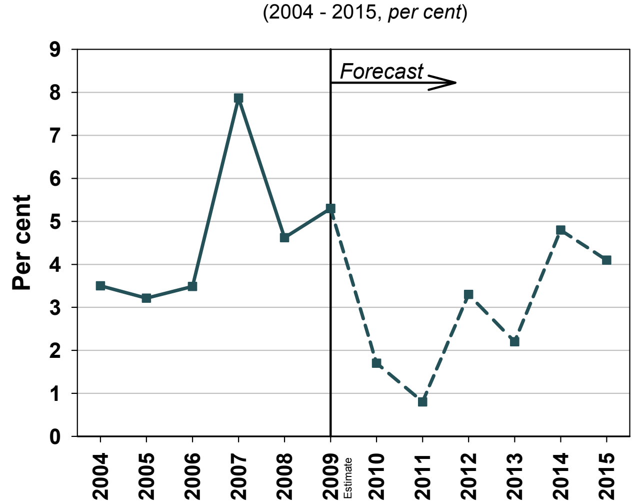
## Diesel

U.S. gasoline and diesel consumption was down 4.4 per cent in 2009. The U.S. Energy Information Administration expects U.S. demand to grow only 1.4 per cent in 2010 resulting in modest diesel price increases in the U.S. from US$2.79/Gal ($0.8416/L) in 2009 to US$2.96/Gal ($0.80/L) in 2010. However, local diesel prices are highly dependent on oil prices and local conditions and the conditions in Calgary are quite different from the U.S. Gasoline sales in Canada were up in 2009 on lower prices, while diesel sales were down 8-10 per cent on lower retail sales but mostly due to lower export activity, particularly for steel, potash and sulfur. However, railway carloadings are up significantly particularly for Western Canadian agricultural products like canola and wheat indicating that demand for diesel in Alberta has been steady throughout the recession. The outlook for diesel prices in Calgary reflects recent strength in oil prices and an economic recovery in Alberta that results in employment losses experienced in 2009 being restored around mid 2011.

## Vehicle parts

With auto sales down in North America continuing dealerships are attempting to maintain their revenues by escalating prices on vehicle repairs. This is a short term solution and as the Canadian economy recovers there will be less pressure on repair revenues as well as less demand as the rolling stock migrates to smaller, more efficient, and more reliable vehicles.

**Vehicle parts price inflation**
(2004 - 2015, *per cent*)



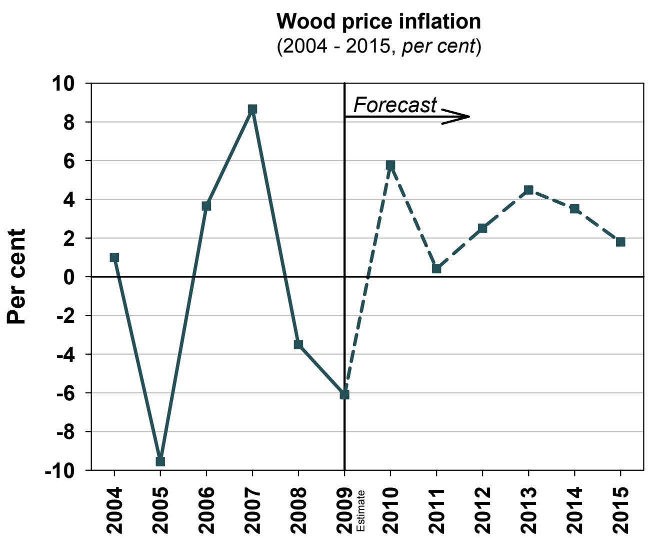

Source: Statistics Canada; Corporate Economics

## Wood

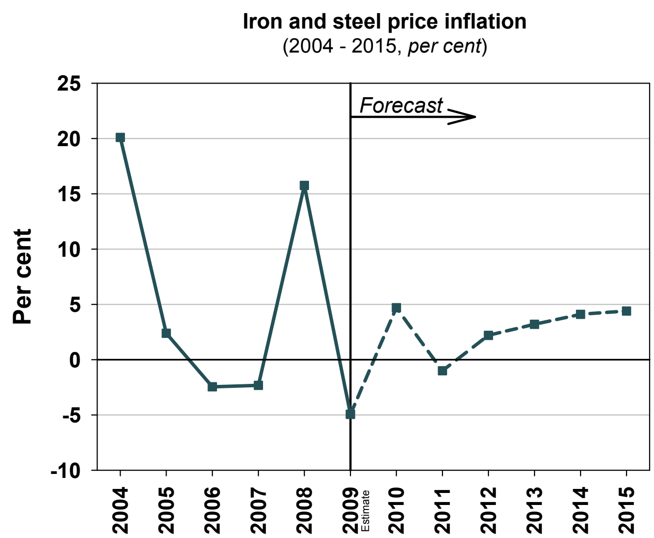
Softwood lumber markets are severely depressed in Canada with demand at sawmills down as much as 50% in BC[16]. Some pulp mills are commissioning wood chip manufacturing rather than taking waste sawdust from sawmills temporarily increasing the price of pulp and paper. The return of some construction activity, particularly in eastern Canada is further buoying wood markets while exports, particularly out of the west, continue to suffer. Add in recent mill closures in Canada and wood market prices likely bottomed out in mid 2009. The outlook is for modest price increases in Canada for the next 5 years as any rapid increase in demand could be met by bringing currently closed plants back on-stream.

## Steel

Steel prices rose significantly in the last weeks of December as results of 4th quarter global demand became available. 2010 steel prices will depend heavily on the Chinese supply/demand balance, which is showing signs of being short with Chinese car sales exceeding 13 million units, well above the 27 year low of 10.4 million sold in the U.S. Chinese mills are currently "panic buying" on fears they won't be able to secure supply of iron ore for their operations in 2010[17]. Beyond 2010 mills in North America will find it harder to pass on production cost increases as the recovery in the U.S. languishes under the weight of the U.S. deficit.




Source: Statistics Canada; Corporate Economics



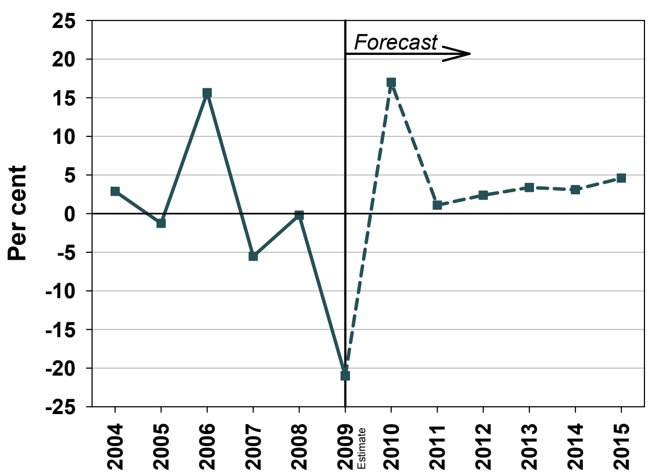

Source: Statistics Canada; Corporate Economics

16 David Hobden, Central 1 Credit Union Economics, BC Weekly Briefing July 31, 2009, p.1
17 Sydney Morning Herald, http://www.smh.com.au/business/panic-buying-by-chinese-fuels-surge-in-commodity-prices-20100107-lwvd.html

## Aluminum

In response to decreased global demand smelters around the world have cut production. As a result, the most bullish forecasts call for prices of US$1.25/lb by year end but the consensus view is for prices to hover around US$1/lb[18]. The climb to US$1/lb came quickly in December 2009 from an annual average price of only US$0.74/lb[19] on news that some smelters were having issues with electricity supply. The longer term outlook is for prices to soften late in 2010 and for the market to experience relatively stable prices[20] over the next five years as built-up inventories and currently shut-in capacity meet demand increases.

**Aluminum price inflation**
(2004 - 2015, *per cent*)




Source: Statistics Canada; Corporate Economics

18 Gerson Lehrman Group (August 2009), http://www.glgroup.com/News/Aluminum---Is-There-Light-at-the-End-of-this-Tunnel--42271.html
19 TD Bank Weekly Commodity Price Report, Dec 14, 2009
20 Bank of America Merril Lynch, 2010 Commodity Outlook p. 29-30 and Bank of America Merril Lynch Global Metals Weekly, November 6, 2009, "Aluminum to stay weak as smelters bring production back"

# Table 1 - Selected Economic Indicators

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

| FORECAST COMPLETED: January 2010 | | | | | | BASE FORECAST | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **ASSUMPTIONS** | | | | | | | | | | | | |
| **Global Economy** | | | | | | | | | | | | |
| World Gross Domestic Product (annual % change) | 4.9 | 4.4 | 5.1 | 5.2 | 3.2 | -1.3 | 2.9 | 4.2 | 4.4 | 4.6 | 4.5 | 3.3 |
| **The United States** | | | | | | | | | | | | |
| U.S. Real Gross Domestic Product growth (chained 2000 dollar) (%) | 3.6 | 2.9 | 2.8 | 2.0 | 1.1 | -2.6 | 1.8 | 2.8 | 3.3 | 3.0 | 2.7 | 2.7 |
| **Canada** | | | | | | | | | | | | |
| Real Canada Gross Domestic Product growth, (chained 2002 dollar) (%) | 3.1 | 2.7 | 2.9 | 2.5 | 0.5 | -2.3 | 1.9 | 2.8 | 3.7 | 3.1 | 2.7 | 2.3 |
| Prime Business Loan Rate (%) | 4.0 | 4.4 | 5.8 | 6.1 | 4.7 | 2.4 | 2.9 | 4.9 | 6.5 | 6.5 | 6.5 | 6.3 |
| Canadian/US. Exchange Rate (US¢/Cdn$) | 0.77 | 0.83 | 0.88 | 0.94 | 0.94 | 0.88 | 0.96 | 0.97 | 0.97 | 0.98 | 0.98 | 0.95 |
| **Alberta** | | | | | | | | | | | | |
| Gross Domestic Product (%) | 5.5 | 4.7 | 5.8 | 2.9 | 0.6 | -3.0 | 2.5 | 3.9 | 3.5 | 3.0 | 2.5 | 2.4 |
| Total Employment Growth (%) | 2.5 | 1.5 | 4.8 | 4.7 | 2.9 | -1.0 | 1.0 | 2.3 | 1.9 | 1.4 | 1.4 | 1.4 |
| Unemployment Rate (%) | 4.6 | 4.0 | 3.5 | 3.5 | 3.5 | 6.3 | 7.0 | 5.5 | 4.0 | 3.5 | 3.5 | 3.5 |
| Housing Starts ('000 Units) | 36.3 | 40.8 | 49.0 | 48.3 | 29.2 | 20.3 | 22.3 | 42.0 | 42.0 | 38.0 | 38.0 | 35.0 |
| Inflation Rate (%) | 1.4 | 2.1 | 3.9 | 4.9 | 3.2 | -0.6 | 1.7 | 2.1 | 2.2 | 2.2 | 2.0 | 2.0 |
| Crude Oil Price - WTI (US$/bbl) | 41.4 | 56.5 | 66.1 | 72.4 | 99.6 | 62.0 | 78.0 | 84.0 | 86.0 | 89.0 | 92.0 | 93.0 |
| Alberta Power Pool Prices ($/MWh) | 54.9 | 70.2 | 80.5 | 66.9 | 87.4 | | | | | | | |
| Alberta Natural Gas Price - AECO/NIT (Cdn$/GJ) | 6.2 | 8.3 | 6.2 | 6.1 | 7.7 | 4 | 4 | 5 | 5 | 5 | 5 | 6 |
| **FORECAST** | | | | | | | | | | | | |
| **Calgary Economic Region (CER)** | | | | | | | | | | | | |
| Gross Domestic Product (%) | 4.5 | 4.9 | 10.9 | 14.9 | 9.4 | -2.5 | 2.2 | 3.7 | 3.3 | 2.9 | 2.5 | 2.2 |
| Total population* | 1,119 | 1,152 | 1,188 | 1,230 | 1,251 | 1,296 | 1,328 | 1,351 | 1,380 | 1,405 | 1,433 | 1,453 |
| Total Employment ('000 Persons) | 643 | 649 | 700 | 735 | 756 | 752 | 762 | 777 | 797 | 811 | 827 | 839 |
| Total Employment Growth (%) | 3.1 | 1.0 | 7.5 | 4.9 | 2.7 | -0.5 | 1.3 | 2.0 | 2.6 | 1.8 | 2.0 | 0.6 |
| Unemployment Rate (%) | 5.0 | 3.9 | 3.4 | 3.2 | 3.3 | 6.3 | 7.0 | 6.0 | 5.5 | 4.5 | 4.0 | 3.5 |
| Inflation Rate (%) | 1.7 | 2.0 | 4.6 | 5.0 | 3.2 | -0.1 | 1.5 | 2.0 | 2.5 | 3.0 | 3.0 | 2.5 |
| Building Permits ($billion) | 3.1 | 4.3 | 6.0 | 7.1 | 5.1 | 3.7 | | | | | | |
| *Low Forecast* | | | | | | | *3.0* | *3.1* | *4.3* | *4.6* | *4.9* | *4.9* |
| *High Forecast* | | | | | | | *4.8* | *5.1* | *6.3* | *6.9* | *7.0* | *7.0* |
| Housing Starts ('000 Units) CMA | 14.0 | 13.7 | 17.0 | 13.5 | 11.4 | 6.3 | 8.2 | 12.3 | 11.9 | 12.8 | 10.6 | 10.4 |
| Non-Residential Building Price Inflation (%) CMA | 6.7 | 6.9 | 12.8 | 17.7 | 13.7 | -7.8 | 4.8 | 4.8 | -2.7 | 0.9 | 0.9 | 2.4 |

Numbers may not add up due to rounding

* Total population, census divisions and census metropolitan areas, 2001 Census boundaries

## Table 2 - Selected Indicators

| City of Calgary | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FORECAST COMPLETED: January 2010 | | | | | | BASE FORECAST | | | | | | |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Municipal price Index (as of June, 2009) | | | | | 6.3 | 2.2 | 4.8 | 4.2 | NA | NA | NA | NA |
| **DEMOGRAPHY** | | | | | | | | | | | | |
| Total Population ('000 Persons) | 933 | 956 | 992 | 1,020 | 1,043 | 1,065 | 1,093 | 1,113 | 1,139 | 1,160 | 1,184 | 1,202 |
| *Total Population Growth (%)* | *1.2* | *2.4* | *3.7* | *2.9* | *2.2* | *2.2* | *2.6* | *1.9* | *2.3* | *1.9* | *2.1* | *1.5* |
| Net Migration ('000 Persons) | 2.3 | 13.7 | 25.6 | 17.6 | 12.4 | 12.9 | 18.0 | 11.0 | 16.0 | 12.0 | 15.0 | 9.0 |
| **REAL ESTATE** | | | | | | | | | | | | |
| Residential Market | | | | | | | | | | | | |
| Housing Starts ('000 units) | 12.2 | 11.7 | 14.1 | 10.9 | 9.6 | 5.0 | 6.5 | 9.8 | 9.5 | 10.2 | 8.5 | 8.3 |
| New House Price Inflation (%) | 5.5 | 7.0 | 43.6 | 16.2 | 2.1 | -5.0 | 5.0 | 8.0 | 6.5 | 6.5 | 5.6 | 5.2 |
| Total Building Permits mid point ($billions) | 2.4 | 3.6 | 4.9 | 5.6 | 4.2 | 3.7 | 3.1 | 3.3 | 4.2 | 4.6 | 4.8 | 4.8 |
| *Low Forecast* | | | | | | | *2.4* | *2.5* | *3.4* | *3.7* | *3.9* | *3.9* |
| *High Forecast* | | | | | | | *3.8* | *4.1* | *5.0* | *5.5* | *5.6* | *5.6* |

Numbers may not add up due to rounding

# Table 3 - Selected Commodity Prices

City of Calgary

| FORECAST COMPLETED: January 2010 | | | | | | BASE FORECAST | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| CONSTRUCTION COMMODITIES | | | | | | | | | | | | |
| Iron and steel products | 20.1 | 2.4 | -2.5 | -2.3 | 15.8 | -4.9 | 4.7 | -1.0 | 2.2 | 3.2 | 4.1 | 4.4 |
| Aluminum products | 2.9 | -1.3 | 15.7 | -5.5 | -0.2 | -21.0 | 17.0 | 1.1 | 2.4 | 3.4 | 3.1 | 4.6 |
| Wood | 1.0 | -9.6 | 3.7 | 8.7 | -3.5 | -6.1 | 5.8 | 0.4 | 2.5 | 4.5 | 3.5 | 1.8 |
| Asphalt** | -9.0 | 4.9 | 51.1 | 9.1 | 61.8 | -24.5 | -5.7 | -2.0 | -16.5 | -4.7 | 6.3 | -3.2 |
| OPERATIONAL COMMODITIES | | | | | | | | | | | | |
| Rubber | 22.0 | 3.9 | 29.9 | 2.0 | 13.0 | -19.5 | 28.4 | -13.0 | 1.6 | 2.3 | 2.3 | 2.2 |
| Diesel oil | 8.5 | 29.3 | 1.9 | 8.1 | 26.4 | -31.5 | 14.3 | 6.0 | 1.9 | 2.8 | 2.7 | 0.9 |
| Vehicle parts | 3.5 | 3.2 | 3.5 | 7.9 | 4.6 | 5.3 | 1.7 | 0.8 | 3.3 | 2.2 | 4.8 | 4.1 |

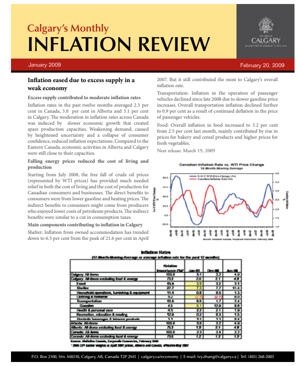
Numbers may not add up due to rounding

** Based on Ontario Ministry of Transportation Asphalt Price Index

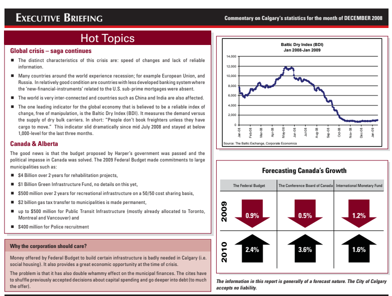
Many of our publications are available on the internet at www.calgary.ca/economy.

**Monthly**
Energy Market Markets and the Economy

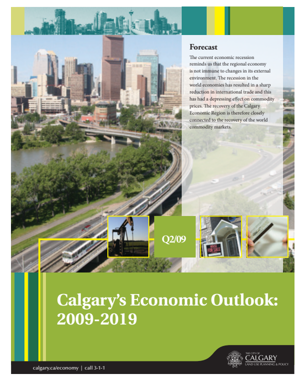

**Monthly**
Review of Economic Trends




**Commentary**
Executive Briefing




**Quarterly**
Calgary's Quarterly 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.

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*Source: Statistics Canada*