

**Economic activity (real GDP<sup>1</sup>) in Canada fell by 1.4% in the first quarter 2009, the largest quarterly decrease since 1991. Lower spending in the U.S. and Canada, particularly business investment in plant and equipment, led to a sharp decline in Canada's exports and imports. Business investment in Canada fell at the fastest rate since 1982. Personal spending, particular durable goods contributed to the decline.**

- The nominal GDP<sup>2</sup> in Canada fell by 3% in Q1/09 compared to Q4/08, reflecting sharp drops in corporate profits (-24%) and labour income (-0.7%). As a result, businesses are taking actions to lower costs, including cutting jobs. Households are increasing savings and holding back on discretionary spending.
- Job losses (- 41,800) continued in May, after a surprise increase (+35, 900) in April. The gains in self-employment (+37,000) in April were mostly offset by the losses (-32, 000) in May in the same category.
- Excess supply in a weak market continued to put downward pressure on inflation.

**With the rebound of crude oil prices, optimisms started to evolve in Alberta's energy industry. However, job cuts and record low drilling activities are still the near-term realities.**

- After three months climbing, the WTI prices in May averaged US\$59 per barrel, 51% higher than the recent low of US\$39 in February. Encouraged by the good news from firming oil prices and lower investment costs, Imperial Oil announced the kick start of the first phase of the Kearl Oil Sands project on May 25, a project worth \$8 billion investment.

- However, the recovery of natural gas prices proved to be slow. The average AECO price in May was \$3.5 per GJ, 63% lower than a year ago. This resulted in a record low drilling activity in May, the lowest since 1999, with only 32 rigs up and running, a 39% decline from last year.

**Bad news from Calgary's job market is mixed with hopeful signs from the home resale (MLS) market.**

- For the first time since March 2005, total employment in CER dropped (-4,800), with more full-time job losses (-23,700) than part-time job gains (+18,900). Unemployment rate in May in Calgary (6.6%) surpassed Alberta (6.5%) for the second consecutive month, climbing faster than the national average.
- The number of Calgarians receiving regular employment insurance benefits jumped by 10,000 in March from a year ago.
- The weakness in the job market has reduced the bargaining power of working Calgarians. The average wage inflation slowed down in March (+2.2%), compared to a year ago (+6.4%).
- The sales to listing ratio in home resale market continued to increase above the trend in May, signaling a shift in the market balance - away from the buyers. However, the number of housing starts was at seasonal low compared to the previous years.

1 Real GDP growth measured by constant dollars represents the volume changes of total output in an economy.

2 Nominal GDP measured by current year dollar reflects both prices and volumes of total output in an economy.

May 2009

# CURRENT ECONOMIC ANALYSIS

Calgary Economic Region



Patrick Walters, City Economist | Ivy Zhang, Corporate Economist

City of Calgary Monthly Economic Indicators	2006	2007	2008	2008								2009					
				Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>General Indicators</b>																	
<b>Inflation (12 month moving average)</b>																	
Calgary Census Metropolitan Area (CMA)	4.6%	5.0%	3.2%	4.1%	4.0%	3.9%	3.7%	3.7%	3.7%	3.5%	3.4%	3.2%	3.1%	3.0%	2.9%	2.6%	
Canada	2.0%	2.1%	2.4%	2.1%	2.1%	2.2%	2.3%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%	2.2%	2.2%	2.1%	
<b>Unemployment Rate (%) (3-month moving average, unadjusted for seasonality)</b>																	
Calgary Economic Region (C.E.R.)	3.4%	3.2%	3.3%	2.9%	3.0%	3.0%	3.2%	3.5%	3.8%	3.9%	3.6%	3.8%	4.1%	5.1%	5.8%	6.4%	6.6%
Canada	6.3%	6.0%	6.1%	6.1%	6.2%	6.2%	6.1%	6.1%	6.1%	6.2%	5.8%	6.0%	6.8%	7.5%	8.3%	8.6%	8.7%
C.E.R. Employment (Person - 000s)	700	735	756	740	749	761	768	772	770	769	770	767	762	753	744	740	744
Employment insurance Alberta - # of recipients - (seasonally adjusted)	18,834	16,838	17,422	16,520	16,950	16,800	18,770	17,590	17,060	18,240	20,110	22,530 <sup>R</sup>	25680 <sup>R</sup>	31920 <sup>R</sup>	42160		
Year-over-year % change	-15.4	-10.4	4.03	-2.5	-2.5	-1.1	-0.6	-1.5	6.0	15.0	28.8	44.1 <sup>R</sup>	60.8 <sup>R</sup>	101.8 <sup>R</sup>	162.5		
Employment insurance Calgary - # of recipients (un-adjusted)	5,293	4,469	4,903	4,680	4,130	3,960	5,070	5,680	3,960	4,060	4,630	6,310	8,940	11,690	15,410		
Year-over-year % change	-24.5	-15.6	9.7	4.23	4.29	7.03	9.03	8.60	13.14	17.00	28.61	47.09	61.66	114.10	186.96		
City of Calgary Population Estimate (000s)	992	1,020	1,048	1,043	1,046	1,047	1,051	1,052	1,055	1,056	1,060	1,062	1,064	1,067	1,069	1,072	1,075
West Texas Intermediate (\$US/barrel)	66.1	72.3	99.7	112.57	125.46	133.93	133.44	116.61	103.90	76.65	57.44	41.91	41.87	39.26	48.06	49.89	59.21
Alberta Natural Gas (Cdn\$/GJ)	6.18	6.12	7.73	8.91	9.50	10.60	9.09	7.01	5.89	6.39	6.51	6.27	5.55	4.54	3.97	3.36	3.49
Canadian real GDP y-o-y % Change - (Chained 2002 dollar)	2.9	2.5	0.5	1.3	0.7	0.5	1.0	0.3	0.1 <sup>R</sup>	-0.1	-0.9	-1.3 <sup>R</sup>	-2.3 <sup>R</sup>	-2.2 <sup>R</sup>	-2.4		
Canadian real GDP m-o-m % Change - (Chained 2002 dollar)	NA	NA	NA	0.3	-0.2	0.1	0.6	-0.5	-0.1	-0.1	-0.7	-1.0	-0.6	-0.1	-0.3		
Prime lending rate - Bank of Canada (%)	5.81%	6.10%	4.73%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.00%	4.00%	3.50%	3.00%	3.00%	2.50%	2.25%	2.25%
<b>Consumer Indicators</b>																	
Hourly earnings - Alberta (\$) Year-over-year % change	6.9%	6.0%	5.7%	5.6%	5.7%	5.6%	4.7%	5.3%	5.5%	6.2%	5.0%	4.1%	6.2%	4.5%	3.6%	4.3%	5.0%
Hourly earnings - Calgary (\$) Year-over-year % change	7.7%	5.2%	5.9%	6.2%	6.4%	6.1%	6.7%	5.9%	4.9%	3.8%	3.2%	2.7%	3.2%	3.7%	3.9%	2.4%	2.2%
Retail sales - Alberta (\$ billions)	55.9	61.2	61.0	5.1	5.1	5.1	5.1	5.1	5.1	5.1	4.9 <sup>R</sup>	4.7	4.7 <sup>R</sup>	4.7	4.6		
Consumer confidence - Canada	98.8	99.1	83.9	92.8	85.8	79.6	81.0	83.2	85.7	73.9	71.0	67.7	70.2	68.8	71.5	75.2	81.4
Housing starts - Calgary CMA	17,046	13,505	11,438	1,096	1,488	577	877	594	573	599	575	403	243	206	297	321	
# of personal bankruptcies - Alberta	4,823	4,768	6,066	458	455	505	457	514	526	632	595	606	696	706	951	838	
Calgary Housing (# of units sold) MLS	32,912	32,286	23,137	2,413	2,358	2,400	2,244	1,990	2,007	1,453	1,141	777	928	1,392	1,797	2,217	2,624
Household sales/listing ratio - Calgary	77.76	61.21	41.77	40.25	38.74	47.24	47.93	48.50	42.62	33.92	40.01	48.44	24.63	38.01	47.39	58.87	63.61
Y-o-y change of Calgary City MLS average prices	38.6	21.7	-2.0	1.4	-1.8	-3.9	-7.5	-7.0	-7.4	-5.9	-7.2	-9.5	-12.3	-10.9	-11.6	-11.7	-9.0
<b>Business Indicators</b>																	
Wholesale sales - Alberta - seasonally adjusted (\$billions)	59.1	61.7	68.2	5.5	5.8	5.6	5.7	6.1	5.9 <sup>R</sup>	6.1	5.9 <sup>R</sup>	5.6	5.5	5.3	5.1		
Manufacturing sales - Alberta - seasonally adjusted (\$billions)	64.4	65.6	70.1	5.8	6.1	6.3	6.3	6.1	6.3 <sup>R</sup>	5.8 <sup>R</sup>	5.5	5.0	5.0	5.0	4.7		
# of business bankruptcies - Alberta		449	447	37	28	55	37	38	32	35	45	30	39	44	31	24	

\*\* Tracking of these indicators commenced in late 2008. Some comparative historical data has not been obtained.  
R = Revised Data  
P = Preliminary Data