Patrick Walters, City Economist | Ivy Zhang, Corporate Economist

Upbeat economic data in August globally suggest the end of current recession in the second half of 2009. Benefited from the increased activities in the U.S., such as the rise in auto sales and production, Canada is emerging from the worst recession in decades:

■ Real GDP[1] in Canada fell by a less than expected rate of 0.9 per cent in Q2/09, compared to 1.6 per cent in Q1/09. The improvement was largely attributed to renewed growth in personal expenditure on consumer goods that resulted from increased government spending on transfers and capital investments. In fact, monthly real GDP increased slightly by 0.1 per cent in June, the first monthly growth since July 2008.

■ Canada's overall inflation rate was negative in July (-0.2% year-over-year) in response to lower energy prices. As a result, the Bank of Canada is keeping its overnight interest rate at current accommodative level of 0.25 per cent.

■ Employment in Canada increased unexpectedly in August by 27,000, led by private sector part-time work. The unemployment rate kept its upward trend, as more people than jobs were added to the labour market.

■ Consumer confidence continued to increase to 88.4 in August, a level higher than the average of 83.9 in 2008.

While the rebound of crude oil prices is encouraging, decade low natural gas prices ($2.6 per GJ in August) brought financial challenges to both the natural gas industry and the Alberta government:

■ As of September 1, active drilling rigs in Alberta were 102 with 502 idle or down, compared to 230 active drilling rigs with 407 down the same time last year.

■ The Alberta government reported its budget deficit at $2.1 billion more than previously forecasted, mainly due to the revenue losses in natural gas and by-products royalty (-$1.8 billion). The deficit[2] should grow in size if natural gas prices remain weak in the coming winter.

Businesses in the Calgary Economic Region (CER) are adjusting to changed investment environments, which resulted in Calgarians coping with the worsening job market conditions that induced cautiousness in consumer spending.

■ Operating and capital efficiency targets are the main reasons that some companies merge and cut jobs in today's economic environment. For example, in September, Suncor Energy Inc. announced a total of about 1,000 job cuts by mid-October, following the company's merger with Petro-Canada on August 1.

■ August unemployment rate in the CER doubled to 7 per cent from a year ago, a result of more job cuts combined with inflows of people from other regions looking for jobs in the CER. There were 19,020 Calgarians receiving regular employment insurance in June, a 380 per cent increase over a year.

■ The sales to listing ratio (0.66) in home resale market declined in August, although still above the trend (0.49). In the new house market, July's number of housing starts (755 units) was at seasonal low compared to the same time previous years (877 units in 2008 and 1,087 in 2007).

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1 Real GDP growth measured by constant dollars represents the volume changes of total output in an economy.
2 Based on its 2009-10 fiscal year assumptions and sensitivities, Alberta government will lose $126 million in royalty revenue with every 10 cents lower than $5.5 per GJ, the assumption of annual average natural gas prices in fiscal year 2009-10.

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City of Calgary Monthly Economic Indicators	2006	2007	2008	2008							2009							
				Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
General Indicators																		
Inflation (12 month moving average)																		
Calgary Census Metropolitan Area (CMA)	4.6%	5.0%	3.2%	3.9%	3.7%	3.7%	3.7%	3.5%	3.4%	3.2%	3.1%	3.0%	2.9%	2.6%	2.2%	1.7%	1.3%	
Canada	2.0%	2.1%	2.4%	2.2%	2.3%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%	2.2%	2.2%	2.1%	1.9%	1.7%	1.3%	
Unemployment Rate (%) (3-month moving average, unadjusted for seasonality)																		
Calgary Economic Region (C.E.R.)	3.4%	3.2%	3.3%	3.0%	3.2%	3.5%	3.8%	3.9%	3.6%	3.8%	4.1%	5.1%	5.8%	6.4%	6.6%	6.4%	6.8%	7.0%
Canada	6.3%	6.0%	6.1%	6.2%	6.1%	6.1%	6.1%	6.2%	5.8%	6.0%	6.8%	7.5%	8.3%	8.6%	8.7%	8.4%	8.6%	8.7%
C.E.R. Employment (Person - 000s)	700	735	756	761	768	772	770	769	770	767	762	753	744	740	744	754	760	761
Employment insurance Alberta - # of recipients - (seasonally adjusted)	18,834	16,838	17,422	16,800	18,770	17,590	17,060	18,240	20,110	22,530	25,680	34,180	44,010	50,940R	55880R	61,140		
Year-over-year % change	-15.4%	-10.4%	4.0%	-1.1%	-0.6%	-1.5%	6.0%	15.0%	28.8%	44.1%	60.80%	116.1%	174.0%	208.4%R	229.7%R	263.9%		
Employment insurance Calgary - # of recipients (un-adjusted)	5,293	4,469	4,903	3,960	5,070	5,680	3,960	4,060	4,630	6,310	9,340R	12,310R	16,260R	17,330	18,150	19,020		
Year-over-year % change	-24.46%	-15.56%	9.71%	7.03%	9.03%	8.60%	13.14%	17.00%	28.61%	47.09%	68.90%R	125.46%R	202.79%R	270.3%	339.47%	380.30%		
City of Calgary Population Estimate (000s)	992	1,020	1,048	1,047	1,051	1,052	1,055	1,056	1,060	1,062	1,064	1,067	1,069	1,065	1,068	1,071	1,074	1,077
West Texas Intermediate ($US/barrel)	66.10	72.30	99.65	133.93	133.44	116.61	103.90	76.65	57.44	41.91	41.87	39.26	48.06	49.89	59.21	69.70	64.29	71.15
Alberta Natural Gas (Cdn$/GJ)	6.18	6.12	7.73	10.60	9.09	7.01	5.89	6.39	6.51	6.27	5.55	4.54	3.97	3.36	3.49	3.00	2.89	2.59
Canadian real GDP y-o-y % Change - (Chained 2002 dollar)	2.9%	2.5%	0.5%	0.5%	1.0%	0.3%	0.1%R	-0.1%	-0.9%	-1.3%	-2.4%R	-2.3%R	-2.8%R	-3.3%R	-3.6%R	-3.6%		
Canadian real GDP m-o-m % Change - (Chained 2002 dollar)	NA	NA	NA	0.1%	0.6%	-0.5%	-0.1%	-0.1%	-0.7%	-1.0%	-0.6%	-0.1%	-0.5%R	-0.2%R	-0.5%	0.1%		
Prime lending rate - Bank of Canada (%)	5.81%	6.10%	4.73%	4.75%	4.75%	4.75%	4.75%	4.00%	4.00%	3.50%	3.00%	3.00%	2.50%	2.25%	2.25%	2.25%	2.25%	2.25%
Consumer Indicators																		
Hourly earnings - Alberta ($) Year-over-year % change	6.9%	6.0%	5.7%	5.6%	4.7%	5.3%	5.5%	6.2%	5.0%	4.1%	6.2%	4.5%	3.6%	4.3%	5.0%	6.1%	4.6%	5.9%
Hourly earnings - Calgary ($) Year-over-year % change	7.7%	5.2%	5.9%	6.1%	6.7%	5.9%	4.9%	3.8%	3.2%	2.7%	3.2%	3.7%	3.9%	2.4%	2.2%	3.4%	4.9%	5.7%
Retail sales - Alberta ($ billions)	55.9	61.2	61.0	5.1	5.1	5.1	5.1	5.1	4.9	4.7	4.7	4.7	4.6	4.6	4.6	4.7		
Consumer confidence - Canada	98.8	99.1	83.9	79.6	81.0	83.2	85.7	73.9	71.0	67.7	70.2	68.8	71.5	75.2	81.4	79.6	82.9	88.4
Housing starts - Calgary CMA	17,046	13,505	11,438	577	877	594	573	599	575	403	243	206	297	321	480	434	755	
# of personal bankruptcies - Alberta	4,823	4,768	6,066	505	457	514	526	632	595	606	696	706	951	838	847	1,021		
Calgary Housing (# of units sold) MLS	32,912	32,286	23,137	2,400	2,244	1,990	2,007	1,453	1,141	777	928	1,392	1,797	2,217	2,624	3,057	2,745	2,324
Household sales/listing ratio - Calgary	77.76	61.21	41.77	47.24	47.93	48.50	42.62	33.92	40.01	48.44	24.63	38.01	47.39	58.87	63.61	75.20	70.80	66.48
Current month average house price - Calgary Metro ($ thousands)	348.0	422.4	412.9	427.1	413.7	404.5	400.5	405.6	388.7	373.8	374.0	379.1	379.4	376.7	394.4	402.6	395.0	397.9
Y-o-y change of Calgary City MLS average prices	38.6%	21.7%	-2.0%	-3.9%	-7.5%	-7.0%	-7.4%	-5.9%	-7.2%	-9.5%	-12.3%	-10.9%	-11.6%	-11.7%	-9.0%	-5.7%	-4.5%	-1.6%
Business Indicators																		
Wholesale sales - Alberta - seasonally adjusted ($billions)	59.1	61.7	68.2	5.6	5.7	6.1	5.9	6.1	5.9	5.6	5.5	5.2R	5.1	5.0R	4.9	4.8		
Manufacturing sales - Alberta - seasonally adjusted ($billions)	64.4	65.6	70.1	6.3	6.3	6.1	6.3	5.8	5.5	5.0	5.0	4.9R	4.7	4.5R	4.5R	4.5		
# of business bankruptcies - Alberta		449	447	55	37	38	32	35	45	30	39	44	31	24	34	33		

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