

CALGARY'S ECONOMY

STATE & OUTLOOK 2009

Situation Assessment - Global

CALGARY
ECONOMIC
DEVELOPMENT

Calgary  Heart of the New West

- Stage was set by under-regulated lending practices in the US and a global credit bubble.
- Many who shouldn't have had mortgages got one.
- US housing market ran out of steam, eroding house values.
- And the train went off the tracks.....

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- Current global challenges are a result of two losses:
 1. Liquidity
 2. Confidence

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- S&P/TSX Composite
 - 7,724.76 as of Nov. 20
 - Down 49% from 52 week high of 15,154.77

- Canadian dollar
 - \$.7780 US as of Nov. 20

- Bank of Canada
 - Overnight rate at 2.25% - down 75 BP
 - Liquidity injection of \$65 billion by end of 2008

Situation Assessment - Global

- US Federal Reserve Bank
 - Federal funds rate at 1%
 - Cut of 50 basis points Oct. 29, 2008

- LIBOR-OIS spread
 - Spread at 173 (Nov 20)
 - Spread 87 bps on Sept. 12, 2008
 - Peaked at 364 bps Oct. 10, 2008

Situation Assessment - Global

■ Oil

- WTI – US\$49.62 as of Nov. 20
- High of US\$147 July 11
- Global demand trimmed to 0.5% (08) and 0.8% (09)
- OPEC production cut 1.5M bpd (Oct. 24)

■ Natural gas (AECO)

- \$6.99/GJ as of Nov. 20
- High of \$10.60/GJ June 2008
- Inventory levels high

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- Canadian Federal government insures short-term inter-bank lending and buys pooled mortgages
- G-7 agreement on multilateral rate cuts
- Currency agreements - surging US\$ and yen
- Nationalization of banks global banks and FIs – US, Britain, Iceland, Portugal, Netherlands

- Job growth
 - Employment up 27,200, or 3.96 per cent October y/y
- Unemployment rate
 - 3.8 per cent October
- Employers not cutting jobs or holding off hiring
- Labour shortage still remains challenge to long-term economic growth

- 3.7 per cent Q3 2008
 - Down from 5.3 per cent Q3 2007
- 2.6 per cent October 2008 y/y
- Shelter component - deflation
- Fuel component will retrench due to lower oil prices
- Alberta hourly wages increased 5.2 per cent in Q3

- Housing
 - BP values \$1.36B YTD (Oct), down 44%

- Commercial
 - BP values \$2.2B YTD (Oct), down 18%
 - Very tight office and industrial markets

- Total building permit values down 27% YTD (Oct. 31)

- Significant construction activity underway

- Concerns over job and income stability
- Lower household net worth
- Reduced retail expenditure
- Softer demand for housing
- Slower, but still healthy, wage gains
- Continued demand for strong performing workers

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What does it mean – Calgary

- Protracted period of economic slowdown
 - Biggest impacts not felt until Q1/Q2 2009
 - Last 4 to 6 quarters or more
- Higher cost environment remains – for now
- Businesses will be challenged
 - Lower demand, fewer projects
 - Lower revenue
- Confidence will be low
- Will see economic rebound with increasing energy prices and return of US demand

What does it mean – Calgary

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- Potential for increased incidence of social impacts
 - Unemployment
 - Homelessness
 - Poverty
- Clear out unsustainable businesses models, activity and employment levels
- Re-balancing of employment demands and price pressures

What does it mean – Calgary

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- Why are Alberta and Calgary well positioned to weather the storm?
 - Strong labour force
 - Demand
 - Wages
 - Skills
 - Head office economy and city – Energy capital
 - Number and magnitude of major commercial and capital projects underway
 - Stability and strength of Canadian banking system

- Stabilizing house values in US
- US consumer feels stable again = CONFIDENCE
 - House value
 - Net worth (i.e., investment portfolio, income)
- FI's feel confident to lend again = LIQUIDITY
- US consumer begins spending again – differently
- US business investment spending returns
- Global demand grows, economic growth returns - slower

Global Recovery

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- Role of government
 - Facilitate liquidity
 - Create certainty, stability and confidence in the economy

- Europe must find economic stability

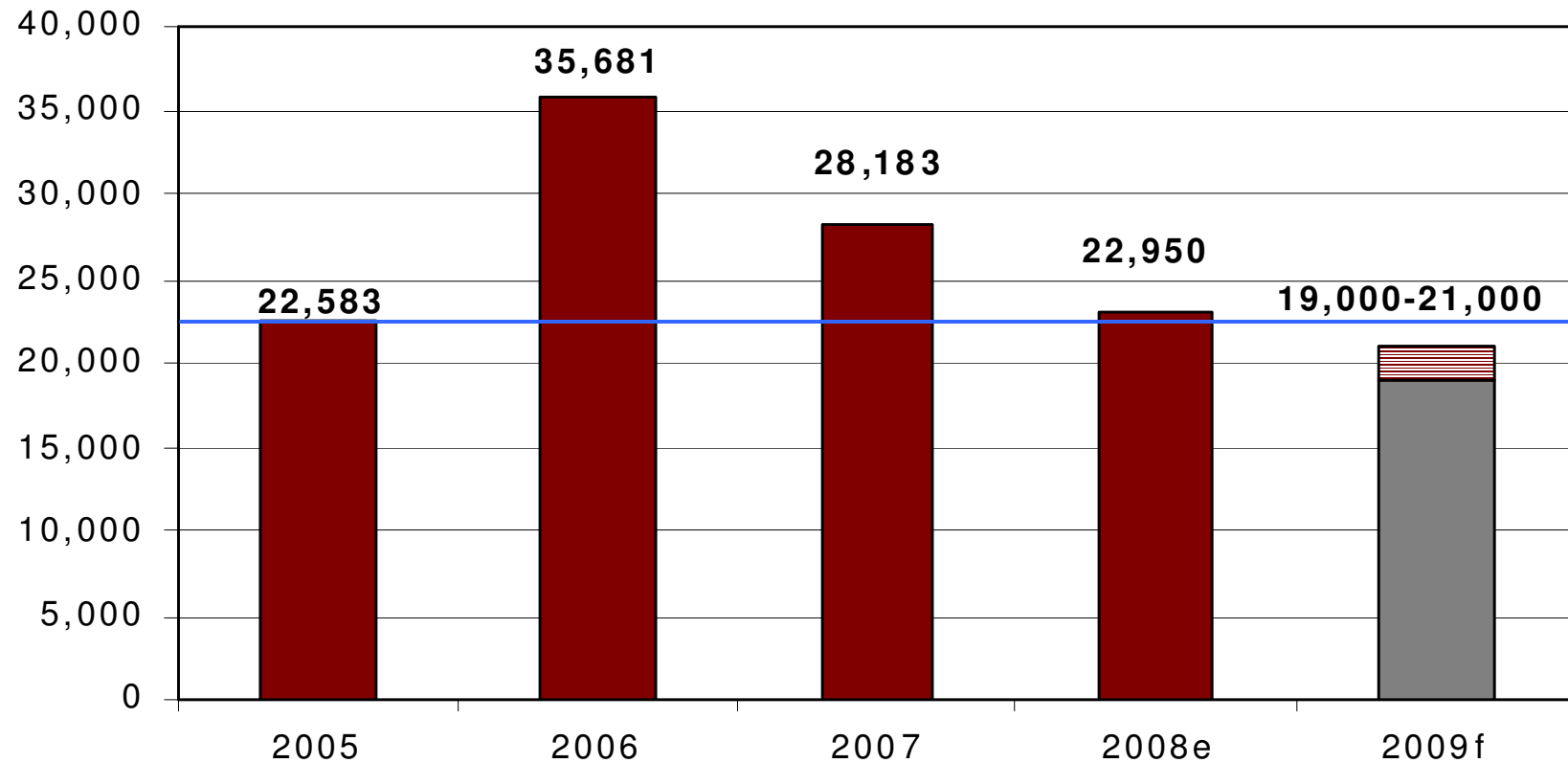
- Emerging economies key to global recovery

- Panic and fear are poor solutions

- Continue to focus on long-term strategic directions

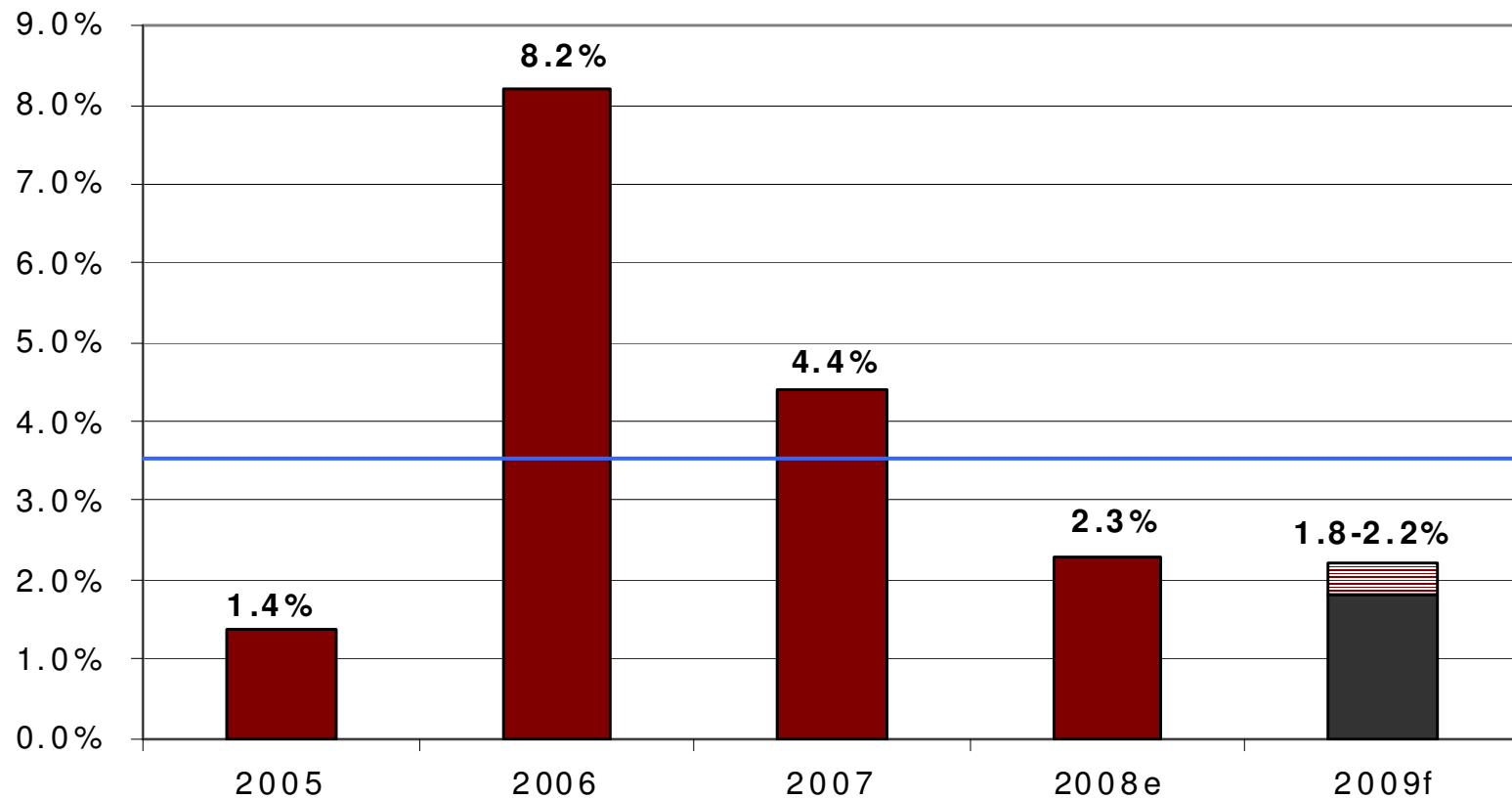
2009 Calgary Economic Outlook Revised

Population Growth



Source: Calgary Civic Census, CED

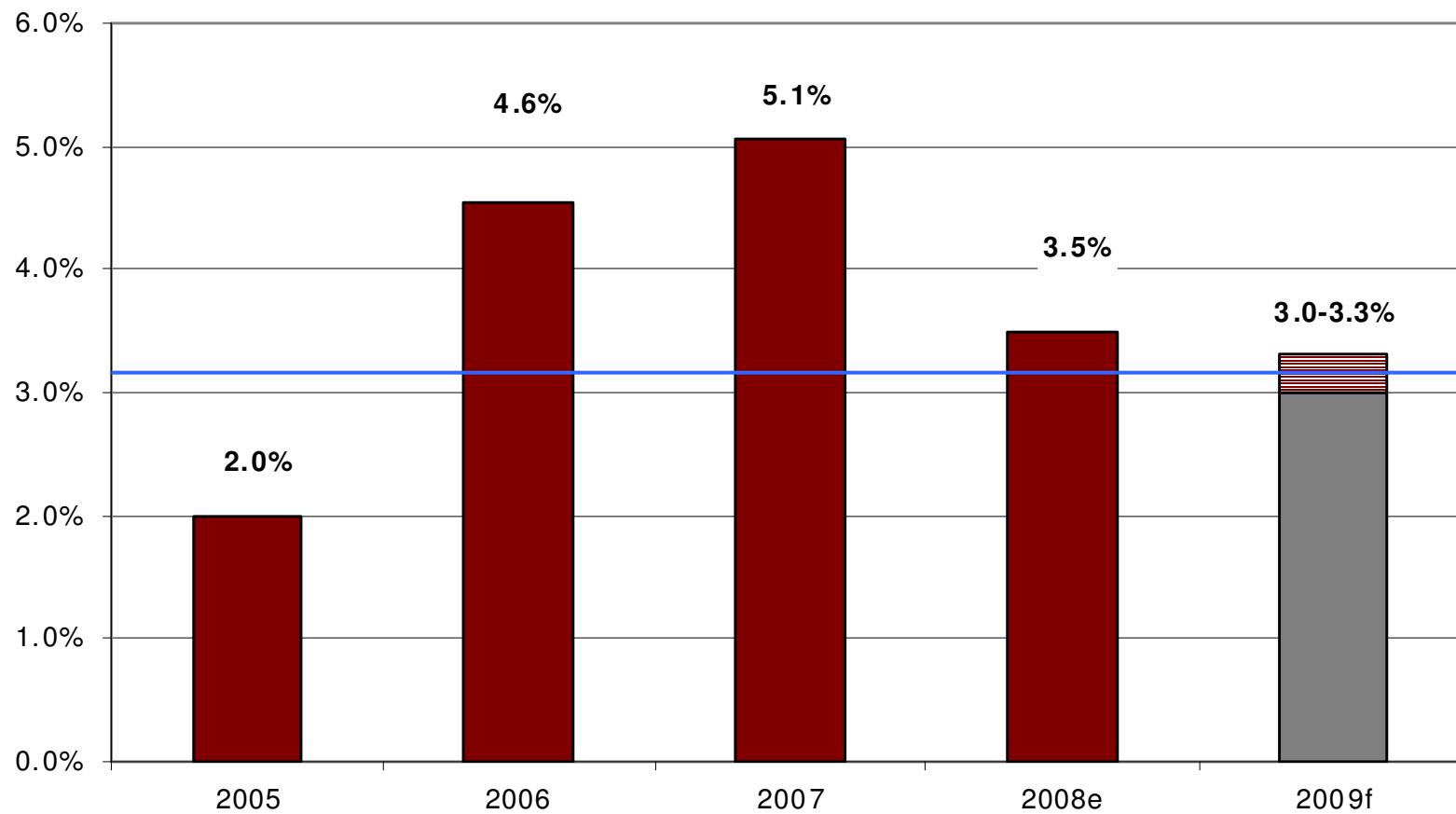
Employment Growth



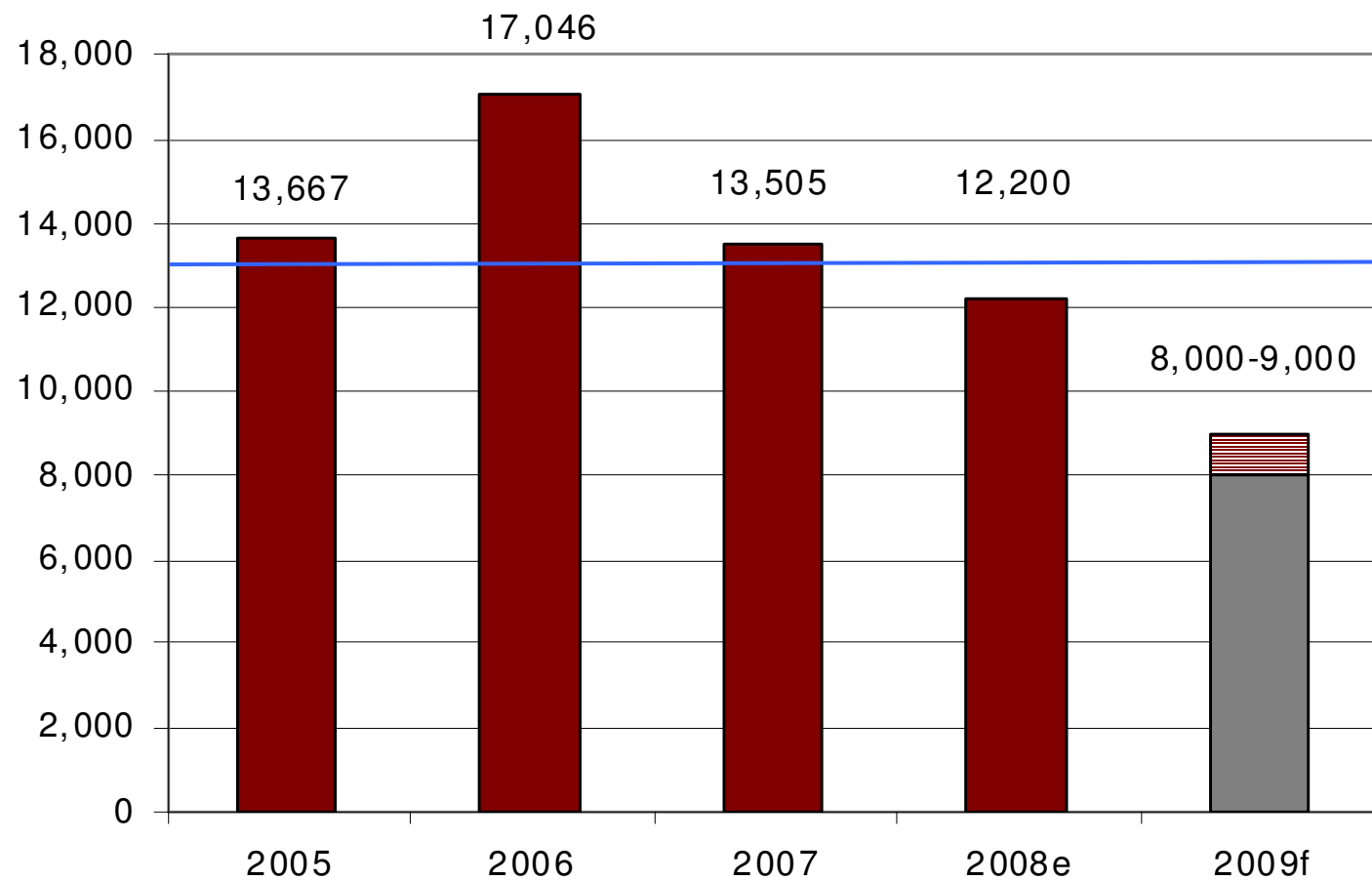
Source: Statistics Canada, CED

Unemployment Rate

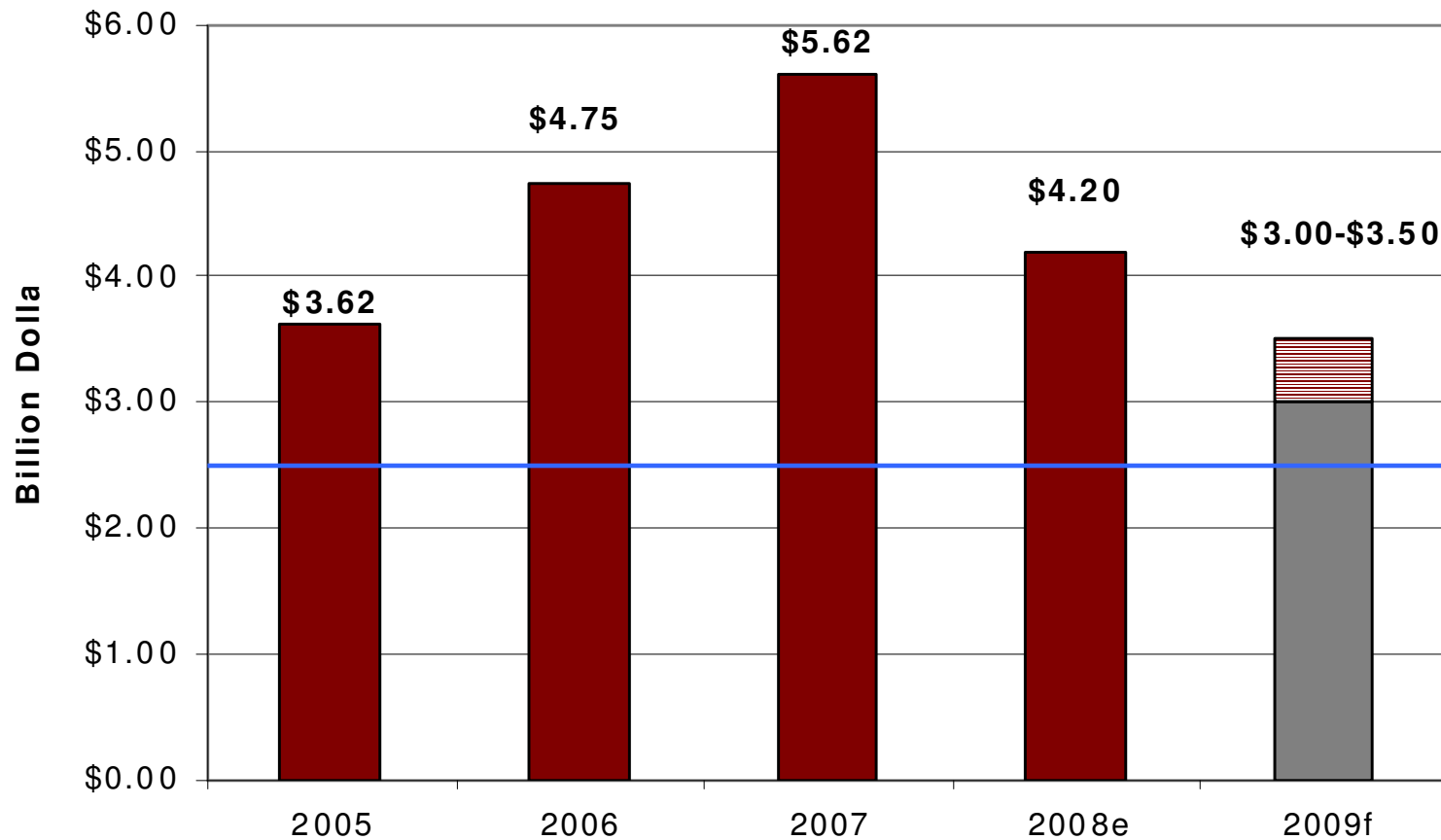
Inflation Rate



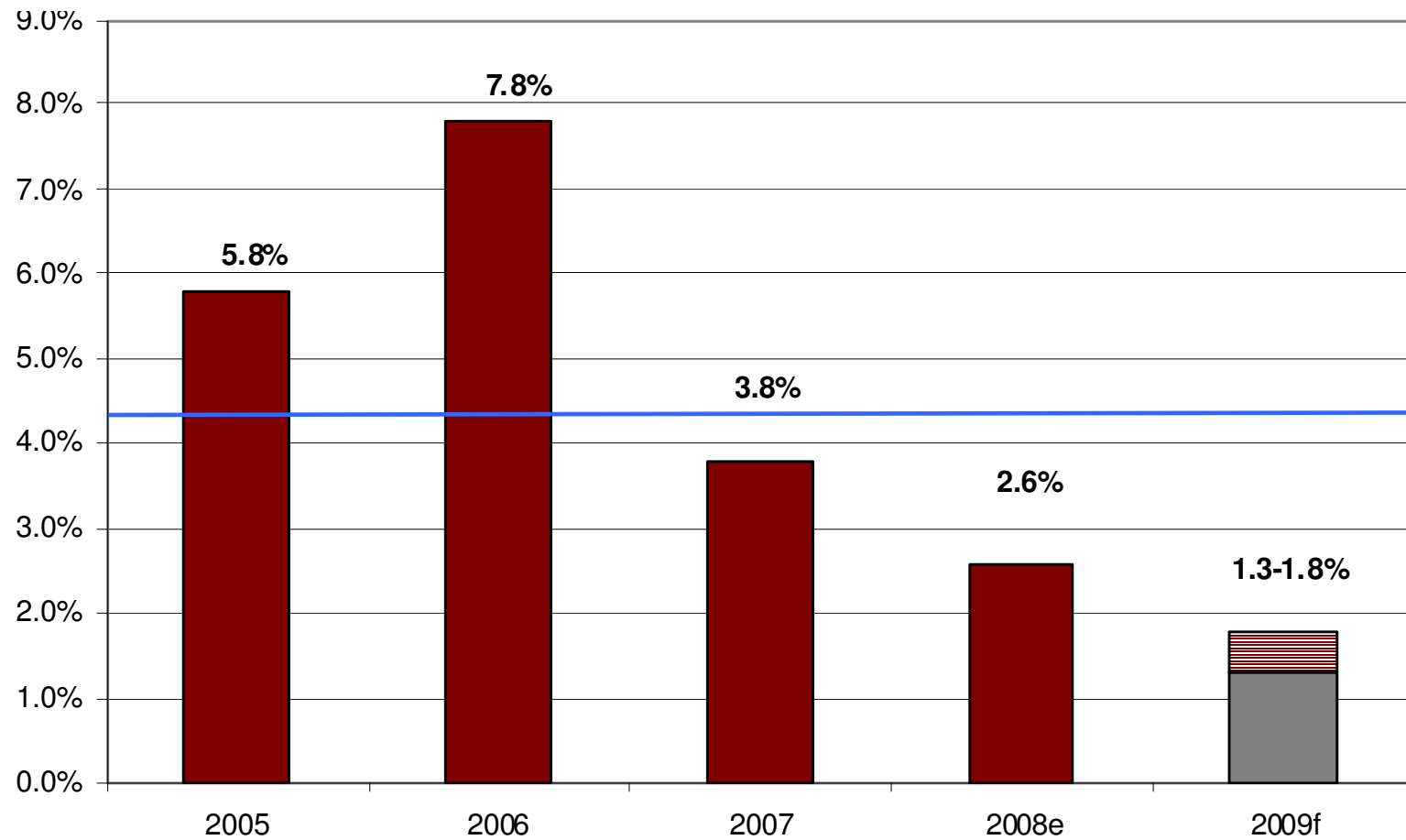
Housing Starts



Building Permit Values



Real GDP Growth



Source: Conference Board of Canada, CED

Thank you