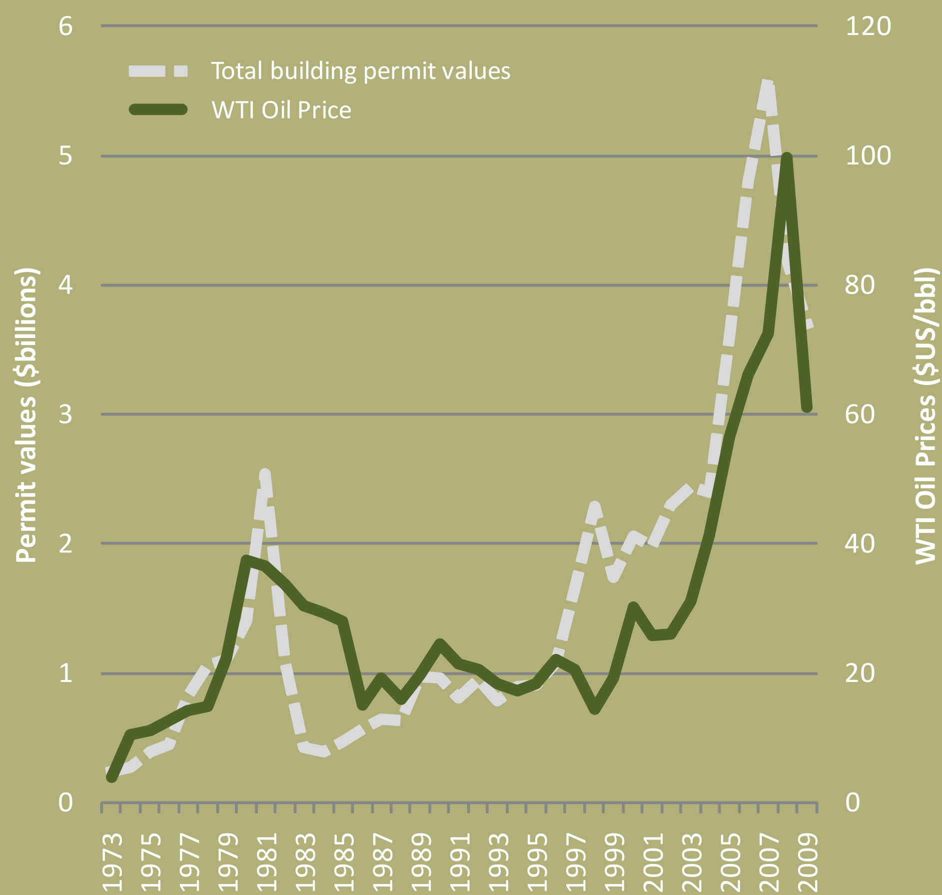
Q2
2010

Calgary's Economic Outlook 2010-2015

THE CITY OF
CALGARY
FINANCE & SUPPLY

Introduction

City of Calgary building permit values and WTI oil prices (1973-2009)



Source: The City of Calgary, U.S. Federal Bank Reserve of St. Louis; Corporate Economics

The City of Calgary monitors the local economy throughout the year and updates the economic forecast each quarter to provide information for use in the decision making process by Council and Administration.

The forecasts contain economic and demographic information on the regional economy of Calgary. The document that follows presents forecasts of a selected number of economic variables for the period 2010–2015. It provides an analysis of those factors that are considered most likely to have a significant effect on the local economy over the forecast period.

Completed on: July 15, 2010

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Executive Summary

City of Calgary

- The vacancy rate in Calgary's office market rose to 13.1 per cent in Q1 2010, up from 6.1 per cent in Q1 2009. The occupied space was estimated at 51.35 million square feet in Q1 2010, down from 51.98 million square feet in Q1 2009.
- Construction of new office space is expected to remain weak for the rest of the forecast period as vacancy rates remain relatively high. This should have a negative effect on building permit values in the office market.
- The Calgary residential resale market is experiencing the impacts of recent CMHC mortgage insurance rule changes. Entry level housing has become more difficult to obtain because of greater down payment requirements and higher mortgage rates.
- Calgary housing starts totalled 1,761 units in Q1 2010 and should taper-off in Q2 2010, owing to rising interest rates and changed mortgage rules. The forecast calls for housing starts to total 6,700 units in 2010 and then rise to 7,100 in 2011 and 7,500 units in 2012. Slower population growth and higher mortgage rates should reduce the attractiveness for new home construction.

Calgary Economic Region (CER)

- Economic activity should become more sustainable by 2011 and 2012 as the region experiences stronger net job creation. The combination of employment and labour growth should provide a foundation for consumer spending, which accounts for about 60 per cent of the region's gross domestic product. The CER should therefore grow by 4.1 per cent in 2011 and 4.4 per cent in 2012.
- Total employment averaged 737,000 in Q1 2010. In Q2 2010, the job market is expected to show some improvement and total employment is expected to average 754,000 in H2 2010 Total employment is expected to average 746,000 for 2010.
- The unemployment rate averaged 7.4 per cent in Q1 2010, and is expected to average out at 7.4 per cent for 2010 before falling to 6.4 per cent in 2011.

Alberta

- The non-export sector of the economy should lead the recovery, driven by a revival in non-residential investment due to easing costs and higher crude oil prices.
- West Texas Intermediate crude oil prices are expected to average US$78/bbl in 2010 as the global economy recovers. Prices are projected to respond to stronger global economic growth - which would clear the excess supply of oil that built up during the recession – and inch up to US$83/bbl in 2011.
- The forecast for natural gas shows that prices are expected to fluctuate between a band of $5.22/GJ and $3.64/GJ in 2010, for an average of $4/GJ. In 2011 prices are expected to range between $6.16/GJ and $3.37/GJ, for an average of $5/GJ in 2011. Stronger economic growth in 2012 should result in prices ranging between $6.35/GJ and $4.62/GJ and average of $6/GJ.

- Government spending is expected to moderate as the provincial government attempts to eliminate the deficits incurred during the recent recession.

Canada

- Real GDP in Canada grew at an annualized rate of 6.1 per cent in Q1 2010, largely driven by increases in consumer expenditure, inventory accumulation and investment in residential structures. Growth in exports (2.9 per cent) and imports (3.4 per cent) reflected an increase in demand from the U.S. and, from imports of machinery and equipment, respectively. A slower increase in government spending (0.5 per cent) in the quarter marked the start of the stimulus wind-down.
- The outlook for real GDP in Canada is 3.4 per cent in 2010 and 2.9 per cent in 2011, before slowing to 2.1 per cent in 2015.
- On June 1st, The Bank of Canada raised its target for the overnight rate by 25 percentage points to 0.50 per cent based on its inflation outlook, and decided to re-establish the normal functioning of the overnight market. The Bank also indicated that any further reduction of monetary stimulus (e.g. interest rate hikes) would be weighed carefully against domestic and global economic developments.
- The Canadian dollar depreciated 3.4 per cent month-over-month in May, due to the appreciation of the U.S. dollar against major currencies as a result of Eurozone crisis. Once the European crisis subsides, the Canadian dollar, also supported by higher interest rates, should regain its recent strength to reach parity with the U.S. dollar in 2010 and remain close to parity for the rest of the forecast period.

United States

- The real GDP growth in the U.S. is expected to average 3.3 per cent in 2010 and 2.9 per cent in 2011, before declining to 2.5 per cent in 2015. Recent government financial crises in Eurozone should not impact U.S. economy significantly, given the weak link between U.S. and European real economies. However, there are still challenges on U.S. growth through financial market risks which seem to be triggered by the loss of risk-appetite in financial markets and ongoing uncertainty in the credit market.
- Federal Reserve policy makers in the U.S. announced the decision to keep key short-term lending rates at historically low levels - near zero per cent, because of concern about a less supportive financial condition largely as a result of recent developments in Europe. Given current low inflation and high unemployment, it is expected that the Fed will not raise interest rate until early 2011.

World

- World output is expected to rise by 3.8 per cent in 2010, after contracting by 0.8 per cent last year. Global economic recovery has proceeded better than earlier projections indicated, on account of strong inventory restocking and continued fiscal and monetary stimulus in the first half of 2010.
- Growth in emerging and developing economies is leading the global recovery. Developing Asian countries are expected to grow at 8.7 per cent in 2010, led by large fiscal spending, improving exports and the revival of their domestic markets.

- Advanced economies will continue to grow at lower speeds than emerging economies in 2010. In this group, the U.S. is off to a better start than the Eurozone and Japan. For 2010, the U.S. will lead growth in advanced economies along with some less-indebted and commodity-rich economies such as Canada and Australia.

Commodity Prices

Commodity prices are expected be stronger in 2010 due to the rising demand in OECD countries and emerging markets. Infrastructure spending will continue to benefit trade in bulk goods. These factors should cause commodity prices to trend higher, but remain volatile as trade growth eases later in 2010.

Forecast Risks

- The worldwide recession ended in response to a coordinated effort by governments to use large amounts of monetary and fiscal stimulus to boost aggregate demand. Emerging countries have recovered much faster than developed countries from the recession. But the output from emerging markets only accounts for 30 per cent of world trade, which indicates their ability to contribute to a sustained global economic recovery is limited.

- Economic recovery of the large developed countries is critical to a sustained recovery. An unintended consequence of the stimulus policies has deteriorated the sovereign debt position of several developed countries. The current U.S. and European debt problems are examples of this. The end of the recession gave rise to two competing policy choices on how fast to end the stimulus policies - which have kept the recession from being more severe. The first option is being taken by the U.S., which feels that a premature tightening of fiscal policy could plunge the world economy back into recession and deflation, and ultimately lead to higher sovereign debt levels stemming from reduced government revenues and higher spending. The second option is being taken by the Eurozone countries and Canada. They believe that stimulus measures are likely to lead to higher deficit and debt, and would eventually lead to higher interest rates, reduced investment, lower economic growth, lower government revenues and a further increase in the sovereign debt. They would therefore like to see a quick end to the stimulus measures and efforts to address the deficit and debt problems.

- The forecast takes the position that while tight monetary and fiscal policies may be necessary in countries with large deficits and debt over the short run, applying such measures to the world as whole, may push the world back into the recession and deflation. The problem is to find a middle ground. The forecast risks are therefore weighted to the downside.

City of Calgary

Calgary Real Estate Market

Office Market:

The vacancy rate in Calgary's office market rose to 13.1 per cent in Q1 2010, up from 6.1 per cent in Q1 2009. The occupied space was estimated at 51.35 million square feet in Q1 2010, down from 51.98 million square feet in Q1 2009. Five buildings, with a total area of 3.09 million square feet, are currently under construction and 1.92 million square feet of that space is already leased. The office vacancy rate is expected to peak in 2012 when EnCana moves into The Bow and puts its current 1.7 million square feet of office space on the market. With these new towers set for completion within the next three years landlords, particularly of new office towers, are offering significant incentives and tenants are taking advantage of these incentives to move up in quality. Consequently, downtown "AA" rental rates have fallen from $27.82 at the start of 2010 to $26.72 Q2 2010, which is on par with 2005 prices.

Construction of new office space is expected to remain weak for the rest of the forecast period as vacancy rates remain relatively high. This should have a negative effect on building permit values in the office market.

Retail Market:

Commercial retail space continues to be the bright spot in Calgary's non-residential market. Retail space vacancies continue in the two per cent range. About half a million square feet of new and expanded retail space is expected to be completed before the end of 2010 and about two million square feet of retail are expected in 2011. There are plans to construct more than 7.5 million square feet of retail space in the Calgary area over the forecast horizon. Projects range from small strip malls to very large regional centres such as the Shawnessy or Crowfoot centres. East Hills, a 1.5 million square foot regional centre akin to the West Hills development, is currently under construction at 17th Avenue and 64th Street S.E., and is expected to open in 2011.

Industrial Market:

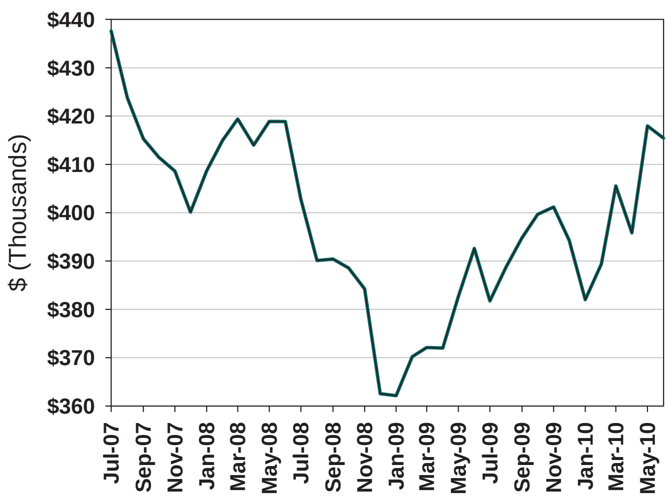
Construction is still stalled in the Calgary industrial market although the market appears to be improving in some areas. The southeast and central parts of the city are starting to see some properties return to the market as tenants vacate unused space. Meanwhile the north part of the city is seeing some renewed interest. Overall vacancies are coming down from their peak in the fourth quarter of 2009, but not enough to indicate the market is tightening. Vacancy for warehouse style industrial space now sits at 11 per cent whereas mixed use (retail/warehouse) sits at 4.9 per cent compared to fourth quarter rates of 12.6 per cent and 5 per cent respectively. The current rental range is $6.50 to $10 while expectations are for prices to remain flat throughout 2010 and go up by about 2 per cent next year.

Residential Market:

The Calgary resale market is experiencing the impacts of the recent CMHC mortgage insurance rule changes. Entry level housing has become more difficult to obtain because of greater down payment requirements and higher mortgage rates. Many new home buyers entered the market in the first quarter in anticipation of those rule changes. This resulted in a sharp increase in prices and sellers responded with an equally sharp increase in listings. The sales to inventory ratio is now hovering just below 0.6, which indicates we will soon move from a balanced market to a buyers' market. The rule changes plus anticipated increases in mortgage rates over the forecast period should increase the difficulty and cost of borrowing for potential buyers.

The run-up in housing prices before June was anticipated but sellers' response to those higher prices was greater than anticipated. It now appears that Calgary will experience some oscillation in prices for a few years, as a result of the CMHC rule changes, before settling down to a normal cycle. Stronger immigration, increased job creation, or fewer new homes constructed over the next 12-18 months should speed up the adjustment period.

City of Calgary: MLS residential average prices
(July 2007 - June 2010, *thousands of dollars*)



Source: CREB; Corporate Economics

Housing Starts:

Calgary housing starts totalled 1,761 units in the first quarter 2010 (Q1 2010) and should taper-off in second half 2010 (H2 2010), owing to rising interest rates and changed mortgage rules. The forecast calls for housing starts to total 6,700 units in 2010 and increase to 7,100 in 2011 and 7,500 units in 2012. Slower population growth and higher mortgage rates should reduce the attractiveness for new home construction.

The multi-family market continues to see significant oversupply causing some condo prices to fall to 2003 levels. Apartment vacancy rates continue to climb and landlords are beginning to offer incentives to tenants to continue renting instead of buying. Longer term, we anticipate higher interest rates and stricter financing requirements will reduce demand for multi-family dwellings from first time buyers while demand increases from empty-nesters.

Total Building Permits (value):

The only large commercial building permits expected over the forecast horizon are from retail developments, in large contrast to recent years that saw significant activity in the industrial, institutional and office categories. Residential development is expected to concentrate in the single-dwelling market with multi-dwelling activity concentrated in the row and semi-attached categories while few high-rise multi developments are expected. Consequently values per application are expected to be down compared to prior years. The institutional market is expected to see some retrenchment as government spending on infrastructure projects moderates. On net, oversupply in some markets and rising interest rates are expected to temper construction activity and building permit values throughout the forecast.

Calgary Economic Region (CER)

Gross Domestic Product

Economic activity in the Calgary Economic Region (CER) slumped in 2009 in response to the world recession. The CER and Alberta economies were adversely affected by falling commodity demand, which resulted in reduced business cash flows and government revenues. These changes along with tighter credit conditions and higher labour costs contributed to the postponement or cancellation of several large investment projects in northern Alberta and Calgary. The Alberta Economic Development Authority estimates that $3.5 billion worth of projects are currently on hold in Calgary. The cutting of capital spending resulted in a reduction in the demand for various professional services and also adversely affected the entire economy.

Major Projects Calgary (planned, recently completed, underway or on hold)

Project Sector	# of Projects	Value of All Projects *($Millions)*	% of Total	# on Hold	Value of On Hold Projects *($Millions)*
Commercial/Retail	37	$7,709.9	30.6%	4	$1,094.0
Commercial/Retail and Residential	4	$2,316.0	9.2%	3	$1,216.0
Forestry & Related					
Infrastructure	61	$5,330.0	21.1%	4	$83.4
Institutional	28	$3,789.7	15.0%		
Manufacturing	1	$6.0	0.0%		
Power	3	$1,648.0	6.5%		
Residential	38	$2251.9	8.9%	11	$1,152.4
Telecommunications					
Tourism/Recreation	24	$2171.5	8.6%		
Total	**196**	**$25,223.0**	**100.0%**	**22**	**$3,545.8**

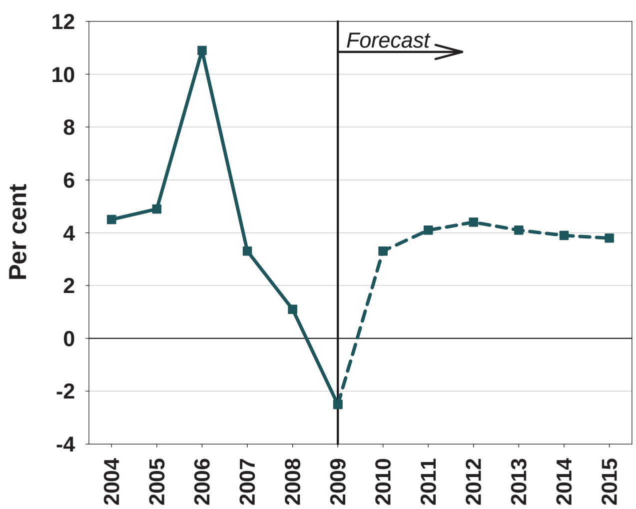
Source: Alberta Economic Development Authority, June 2010

CALGARY ECONOMIC REGION (CER)

The Calgary Economic Region (CER) should grow by 3.3 per cent in 2010, up from -2.5 per cent in 2009. The expansion should be driven by increased business and government spending. Most of the added output should come from productivity increases as employees work longer hours and therefore, increased output should not be accompanied by increased employment.

Economic activity should become more sustainable by 2011 and 2012 as the region experiences stronger net job creation. The combination of growth in employment and labour incomes should provide a foundation for consumer spending, which accounts for about 60 per cent of the region's gross domestic product. In this period, government spending is expected to be a drag on economic growth as governments try to place their finances on a firmer footing by reducing the rate of spending increase. Economic activity should be driven by a combination of consumer and investment spending.

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



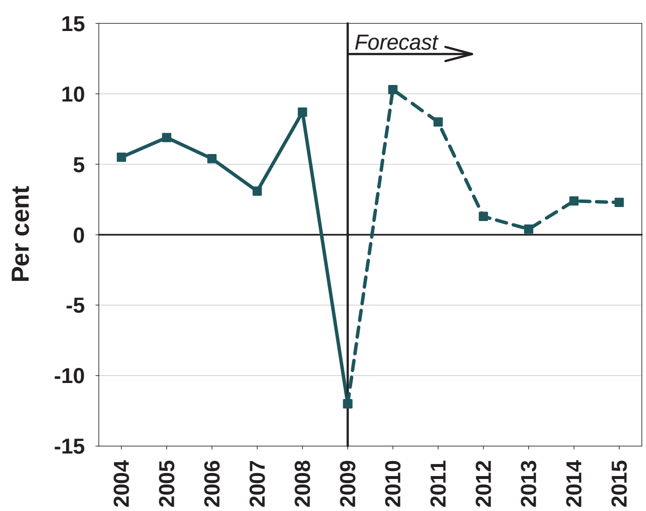
Source: Centre for Spatial Economics; Corporate Economics

Examples of expenditures on major infrastructure projects in the Calgary Economic Region that are expected to occur over the forecast include:

- Alberta Health and Wellness is spending $1.3 billion to construct a hospital in south Calgary. Construction on the facility began in 2010 and should finish by 2012.
- The Calgary Airport Authority plans to construct a new north-south parallel runway at a cost of $500 million. Construction of the runway should begin in 2011 and finish in 2015.
- The Calgary Airport Authority plans to spend $1.3 billion to construct a new concourse. Work should commence in 2011 and finish in 2015.
- The City of Calgary is spending $700 million building the West LRT line. Construction of the facility should cover the period 2010 to 2012.

The CER should therefore grow by 4.1 per cent in 2011 and 4.2 per cent in 2012.

Calgary Economic Region: Plant and equipment investment
(2004 - 2015, *per cent*)



Source: Centre for Spatial Economics; Corporate Economics

Labour Market

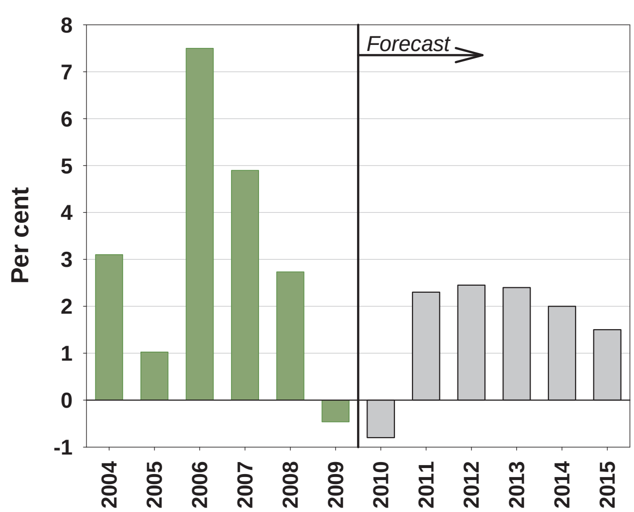
- Total employment in the CER averaged 752,000 in 2009, down from 756,000 in 2008. This was the first time since 1992 that total employment has contracted in the CER. The goods producing industries suffered a net loss of 13,000 jobs while the service producing sector had a net gain of 9,000 jobs.

- Total employment averaged 737,000 in H1 2010. The job market should show some improvement in H2 2010 and total employment should average 754,000 for H2 2010. Consequently, total employment should average 746,000 for 2010.

- Employment is a lagging indicator and consequently, significant employment growth should appear in the national and local economies from 2011 and onwards. In the initial stages of an economic recovery, employers generally meet additional output by requiring employees to work longer hours and employing longer production runs. Similarly, part-time employment is converted to full-time employment. Faster GDP growth in 2011 and beyond should create an increasing demand for labour. Total employment in the CER should average 763,000 in 2011 and 782,000 in 2012, up from 752,000 in 2009.

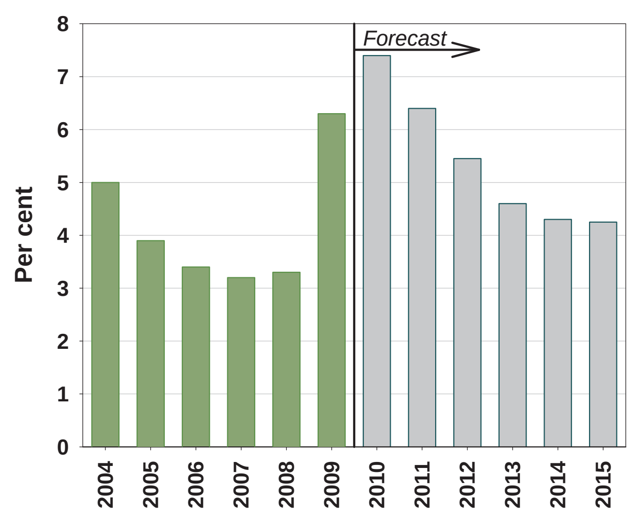
- The unemployment rate averaged 7.4 per cent in H1 2010. The forecast is for the unemployment rate to average 7.4 per cent for all of 2010 before falling to 6.4 per cent in 2011. The higher unemployment rate would result as the labour force grows at a faster rate than employment. The pace of the labour force growth should be influenced by former discouraged workers returning to the work force in response to improved expectations of finding employment and increases in the working age population through population aging and net migration. While the pace of job creation should be muted as part- time jobs are converted to full-time jobs and existing workers are asked to worker longer hours.

Calgary Economic Region: Total employment growth
(2004 - 2015, *per cent*)



Source: Statistics Canada; Corporate Economics

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



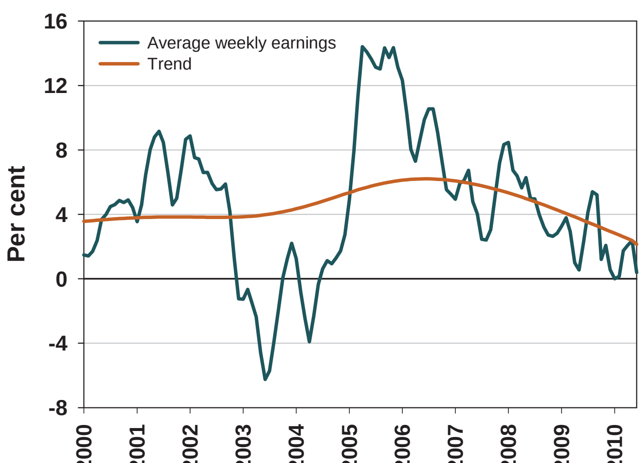
Source: Statistics Canada; Corporate Economics

Wages

- Wages in Calgary increased by 2.7 per cent in 2009, down from 4.9 per cent in 2008. In Alberta, the wage inflation in 2009 was 3.4 per cent, down from 6.1 per cent in 2008. The moderation of the wage inflation rate resulted from the sharp increase in the unemployment rate. A larger number of workers in search of a smaller number of jobs caused employers to offer lower wage increases.

- The average weekly wage rate in the Calgary CMA was estimated at $980 in H1 2010, up from $969 in the same period 2009. The reduction in the wage inflation rate resulted from a weaker economy and poor job creation. In the current labour market, with higher unemployment rates, employees were unable to demand higher wage settlements. In addition, employers were unable to pass on higher wage settlements as increased prices to consumers because of weak consumer demand.

Calgary CMA: Average weekly earnings
(year-over-year, January 2000 - June 2010, *percentage change*)



Source: Statistics Canada; Corporate Economics

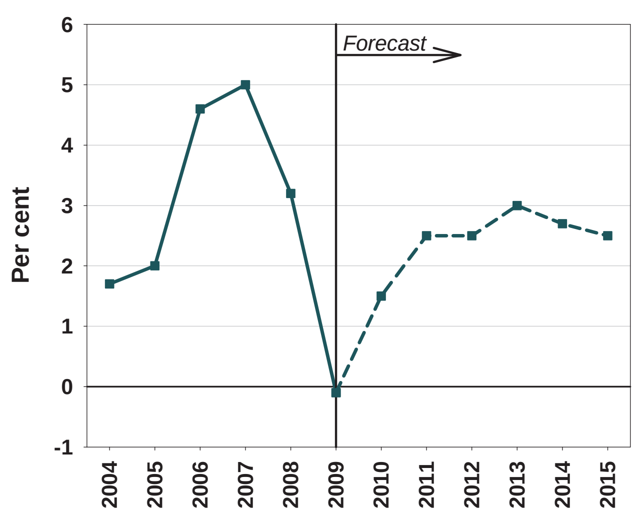
- The strengthening of economic growth along with the reduction in the unemployment rate from 2011 to the end of the forecast period should see wage inflation rates rising higher.

Inflation

Consumer Prices *(CER)*

Consumer prices declined by 0.1 per cent in 2009, down from 3.2 per cent a year earlier. Excess capacity in various markets, such as housing and labour, placed downward pressure on consumer prices. The consumer price inflation rate is expected to increase by 1.5 per cent in 2010 and 2.5 per cent in 2011. Inflation rates are expected to increase as the region's spare capacity in various markets becomes exhausted.

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



Source: Statistics Canada; Corporate Economics

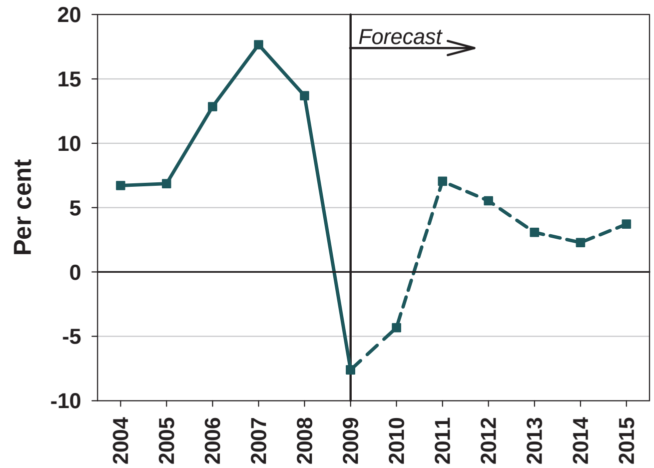
New House Price *(CMA)*

Changed rules for insured mortgages have resulted in many first time buyers advancing their purchases from the future into the first half of 2010. The second half of 2010 will see softer demand for new housing, which has been concentrated on the entry level market recently. First-time buyers do not have the opportunity to dive into the still active move-up market as increased prices recently have enticed more listings in the existing inventory. As a result we anticipate stagnant prices with move-in incentives to dominate the rest of 2010. Looking forward higher interest rates should limit the price increases possible for new housing. To maintain profit margins builders may move from single family to duplex and town-home type properties.

Non Residential Building Price *(CMA)*

Recent changes in financing rules for CMHC insured mortgages caused a significant increase in housing activity in the first half of the year. The second half of the year is expected to be significantly softer adding to slackness currently in the non-residential building market. Recent international debt concerns are having a small impact on business confidence and tempering inflation. The outlook is for international currencies to rebalance next year, particularly the Chinese Yuan which will have to appreciate compared to the Canadian dollar to alleviate inflation in China. This should increase the demand for Canadian and international exports to China, resulting in increased Canadian non residential building construction material costs. Further, the outlook calls for increased Canadian interest rates in 2012, which will filter through to increase building costs at the same time as the construction industry faces a tightening labour market.

Calgary CMA: Non-residential building price inflation
(2004 - 2015, *per cent*)



Source: Statistics Canada; Corporate Economics

Alberta Economy

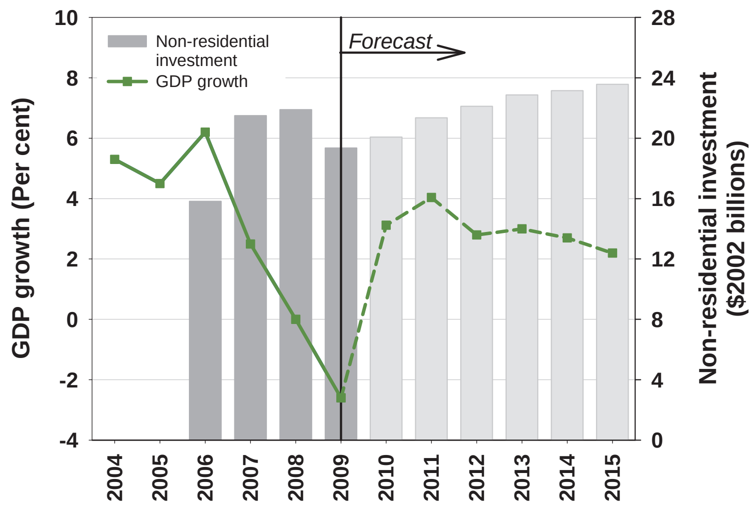
Gross Domestic Product

Alberta's economy is expected to grow at 3.1 per cent in 2010, up from -2.6 per cent in 2009. But the collapse of oil prices in 2009 forced companies to shelve $72 billion worth of major projects, including:

- Shell Canada Energy, Scotford Upgrader 2 ($22 billion),
- Fort Hills Energy Corporation, Voyageur Oil Sands Upgrader 3 ($11.6 billion) and
- Energy Inc./UTS Energy Corporation/Tech Cominco, Fort Hills Oilsands Mine ($10 billion).

In June 2010, the Alberta Economic Development Authority (AEDA) reported that approximately $231 billion (including the $72 billion worth of projects put on hold) in major construction projects were either planned or underway in Alberta. The majority (62 per cent) of investments stem from oil sands extraction and upgrading, but recent revisions to the province's royalty framework have improved the economics in the natural gas industry. The strength in unconventional oil production is projected to offset an underperforming natural gas sector. The domestic economy should lead the recovery, driven by a revival in non-residential investment due to easing costs and higher crude oil prices. Government spending is expected to moderate as the provincial government attempts to eliminate the deficits incurred during the recent recession. The turnaround in the world economy, especially in the United States – Alberta's key trading partner - rising commodity prices, and recent revisions to the province's royalty framework are expected to attract investment in the oil and gas industry. These investments should have a positive impact on employment[1], household income and consumer spending. But the elevated Canadian currency is expected to reduce Alberta's international competitive position.

Alberta: GDP growth and non-residential investment
(2004 - 2015)



Source: Statistics Canada; Construction Sector Council; Corporate Economics

Investment

Non-residential

Investment in Alberta's energy sector forms the foundation for economic growth in the province. The recent increase in West Texas Intermediate (WTI)

1 Currently almost one in seven Albertans are directly and indirectly employed by the energy industry. Alberta Government (2010). Alberta delivers on oil and gas competitiveness. News Release. Calgary: Alberta, Canada.

crude oil prices combined with the recovery in key energy-consuming markets have created conditions for increased investment and brightened the energy industry near-term outlook. The proposed or ongoing investments in the energy sector should lead to significant benefits to manufacturing and services that are all heavily tied to the energy sector.

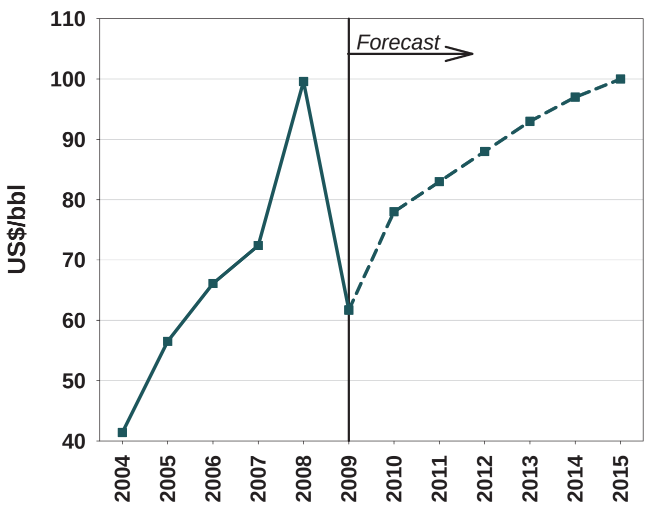
Major Projects Calgary (planned, recently completed, underway or on hold)

Project Sector	# of Projects	Value of All Projects *($Millions)*	% of Total	# on Hold	Value of On Hold Projects *($Millions)*
Agriculture & Related	6	$191.7	0.1%	0	
Biofuels	13	$1,853.0	0.8%	2	$590.0
Chemicals & Petrochemicals	1	$35.0	0.0%	0	
Commercial/Retail	65	$9,706.9	4.2%	4	$159.0
Commercial/Retail and Residential	10	$3,873.5	1.7%	3	$827.8
Forestry & Related	1	$30.0	0.0%	0	
Infrastructure	337	$17,475.5	7.6%	5	$89.4
Institutional	164	$10,163.4	4.4%	11	$745.5
Manufacturing	9	$692.7	0.3%	0	
Mining	4	$4,915.0	2.1%	1	$4,500.0
Oil & Gas	9	$1,583.5	0.7%	0	
Oilsands	52	$143,087.9	62.0%	12	$59,847.0
Other Industrial	8	$270.7	0.1%	0	
Pipelines	26	$6,646.3	2.9%	2	$2,018.0
Power	44	$19,312.5	8.4%	3	$800.0
Residential	90	$5,920.1	2.6%	21	$2,745.0
Telecommunications	1	$650.0	0.3%	0	
Tourism/Recreation	110	$4,453.3	1.9%	3	$114.8
Total	**950**	**$230,861.0**	**100.0%**	**67**	**$72,436.5**

Source: Alberta Economic Development Authority, June 2010

Global crude oil market conditions have been largely balanced since the recession although price volatility was caused by international economic events, such as the European fiscal crisis and prospects for a global economic recovery. West Texas Intermediate crude oil prices are expected to average US$78/bbl in 2010 as the global economy recovers. Prices are projected to rise to US$83/bbl in 2011 in response to stronger global economic growth.

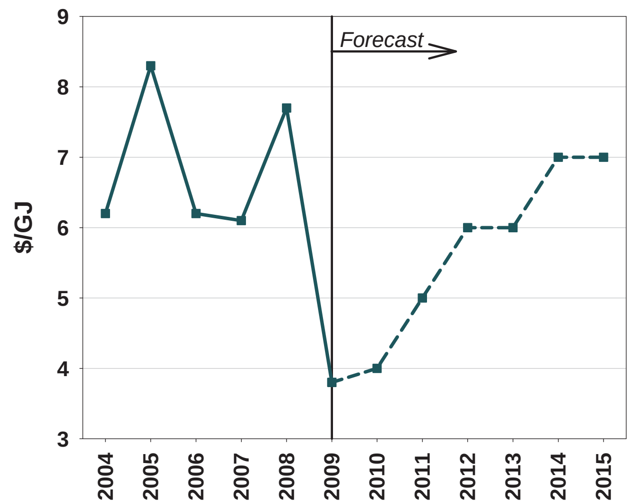
West Texas Intermediate (WTI) spot oil prices
(2004 - 2015, *US$/bbl*)



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

Natural gas markets have moved into a period of oversupply since the beginning of the recession. The discovery of shale gas in North America increased supply significantly and demand growth was slowed by the recession, especially in the industrial sector. Over the forecast period aggregate consumption is expected to grow in harmony with population, but this growth should be offset by efficiency measures put in place by the government. The only growth in natural gas demand should come from the power industry. The forecast expects prices to fluctuate between a band of $5.22/GJ and $3.64/GJ in 2010 for an average of $4/GJ. In 2011 prices are expected to range between $6.16/GJ and $3.37/GJ for an average of $5/GJ in 2011. Stronger economic growth in 2012 should result in prices ranging between $6.35/GJ and $4.62/GJ for and average of $6/GJ.

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

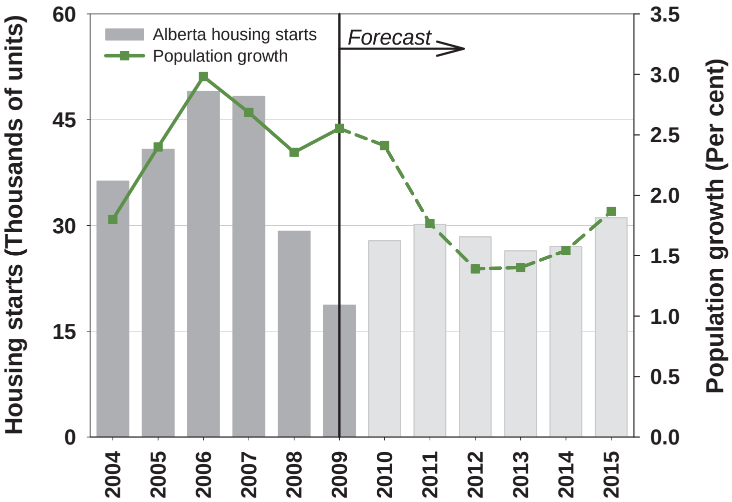


Source: GLJ Energy Publications; Construction Sector Council; Corporate Economics

Residential

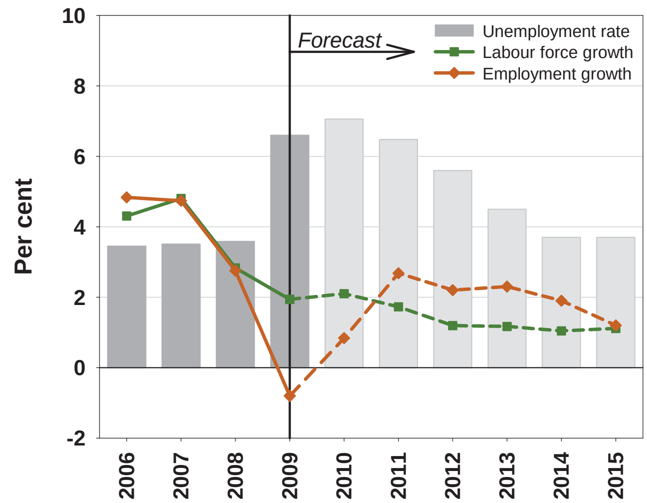
Housing starts are expected to peak in 2011 and grow in line with slower population growth as the number of newcomers to the province declines and the Bank of Canada increases short-term interest rates to control future inflationary pressures. Residential investment is expected to remain below the five-year average during the forecast period.

Alberta: Housing starts and population growth
(2004 - 2015)



Source: CMHC; Construction Sector Council; Corporate Economics

Alberta: Unemployment rate, labour force growth and employment growth for all industries
(2006 - 2015, *per cent*)

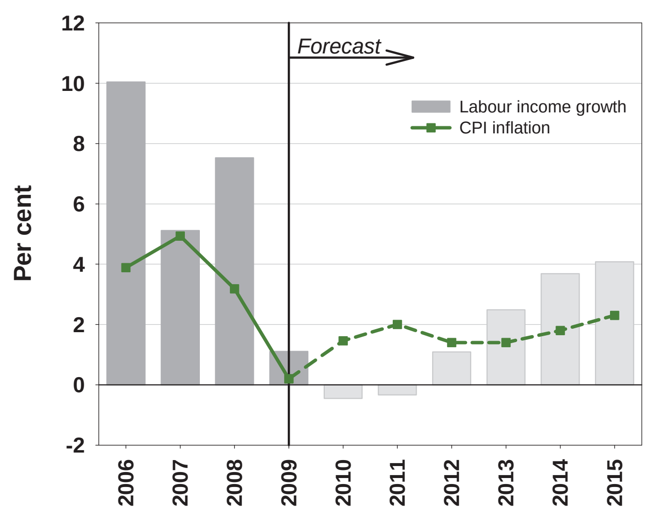


Source: Statistics Canada; Construction Sector Council; Corporate Economics

Consumer Spending

As the economic recovery gains momentum, employment growth in Alberta is expected to exceed the growth in the labour force causing the unemployment rate to fall to 3.7 per cent by 2015. By 2013, as the Alberta economy grows close to its long-term potential, tight labour market conditions should allow wages to grow at a faster pace than the consumer price inflation. The resulting real wage gain is expected to benefit consumer spending during this period.

Alberta: Inflation and labour income growth
(2006 - 2015, *per cent*)

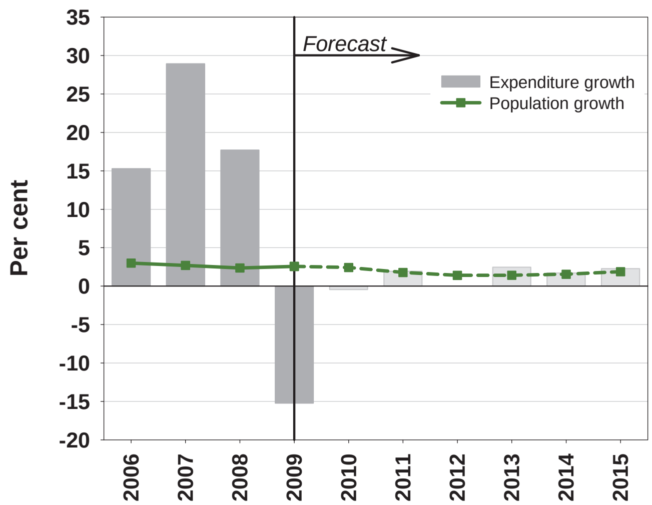


Source: Statistics Canada; Construction Sector Council; Corporate Economics

Government Spending

During the recent recession government revenues grew at a slower pace than expenditures, resulting in an operating deficit. The expected high Canadian dollar combined with the negative impact of the recession on public finance is expected to constrain government spending for the remainder of the forecast period and force capital expenditures to grow in line with population. Provincial transfers to municipalities may therefore be restricted.

Alberta: Government capital expenditure growth and population growth
(2006 - 2015, *per cent*)

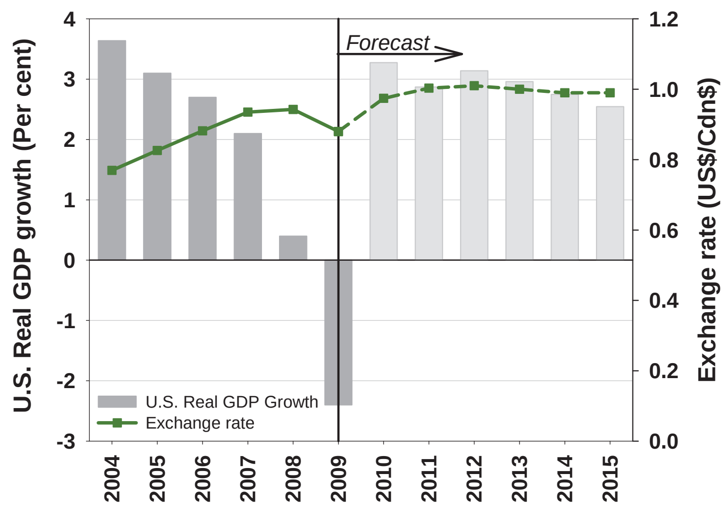


Source: Construction Sector Council; Corporate Economics

Net Exports

The two main drivers of Alberta's exports are economic growth in the United States and the value of the Canadian dollar. Alberta exports the majority of its goods and services to United States. Exports from the energy sector (crude oil, natural gas and natural gas liquids) continue to comprise the bulk of sales. A high Canadian dollar prevents Alberta's export sector from achieving its full potential, as crude oil – approximately 30 per cent of sales[2] – is denominated in U.S. dollars. A high Canadian dollar and anaemic U.S. GDP growth are expected to reduce the rate of export growth.

U.S. real GDP growth and exchange rate
(2004 - 2015)



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

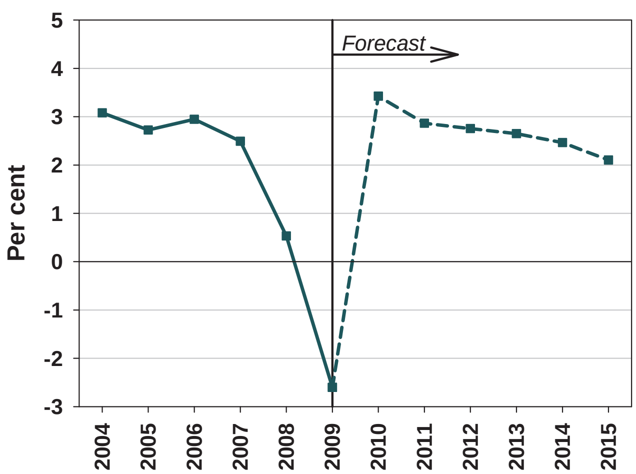
2 Alberta Economic Development Authority.

Canadian Economy

Gross Domestic Product

Real GDP in Canada grew at an annualized rate of 6.1 per cent in Q1 2010, largely driven by increases in personal expenditure, inventory accumulation and investment in residential structures. Growth in exports (2.9 per cent) and imports (3.4 per cent) reflected an increased demand from the U.S. and from imports in machinery and equipments. A slower government spending increase (0.5 per cent) in the quarter marked the start of the stimulus wind-down.

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



Source: Statistics Canada; Corporate Economics

Preliminary data suggest that the Canadian economy maintained its forward momentum in Q2 2010. Going forward, however, this outsized GDP growth is unlikely to continue. The growth is expected to moderate starting from H2 2010, given external risks from the financial market volatility triggered by Eurozone government debt crisis and possible weaker than expected U.S. growth, combined with domestic constraints arising from consumer and government debt retrenchment. The outlook for real GDP in Canada is 3.4 per cent in 2010 and 2.9 per cent in 2011, before slowing to 2.1 per cent in 2015.

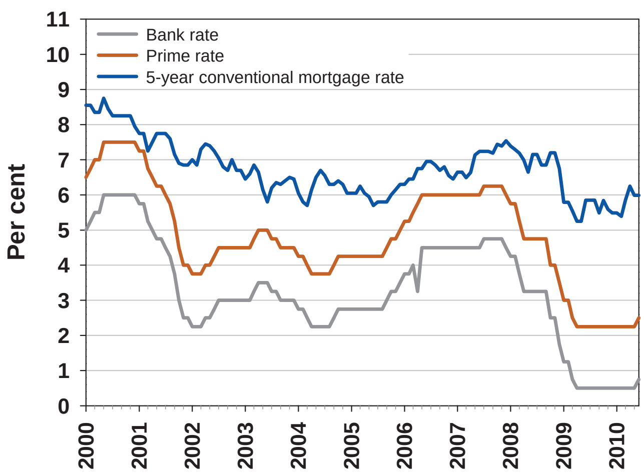
Monetary Policy and Interest Rates

On June 1st[3], based on its inflation outlook , The Bank of Canada raised its target for the overnight rate by 25 percentage points to 0.50 per cent and decided to re-establish the normal functioning of the overnight market[4]. The Bank is the first G7 country to raise short-term interest rates after the recent recession. Still, the Bank's decision leaves considerable monetary stimulus in, which should help keeping the strength of the economic recovery under current external uncertainties. The Bank also indicated that any further reduction of monetary stimulus (e.g. interest rate hikes) would be weighed carefully against domestic and global economic developments.

3 The Bank of Canada's policy actions relating to the overnight interest rate have almost immediate effects on the exchange rate and interest rates, but current estimates suggest that it takes between 12 and 18 months for most of the effect on aggregate output to be observed. Most of the effect on inflation is not apparent for between 18 and 24 months (Duguay 1994).

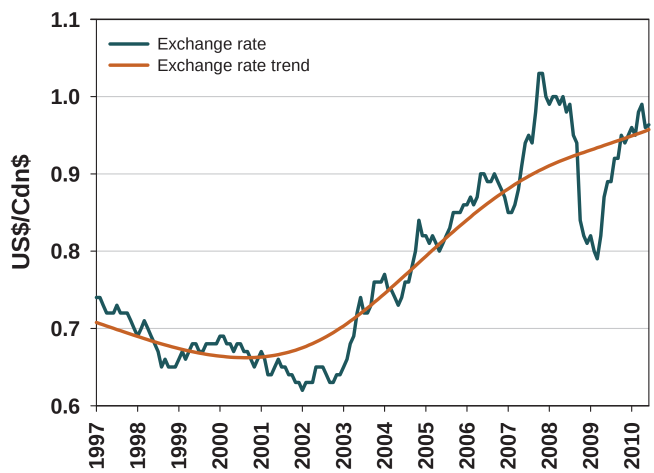
4 The standard operating framework for the implementation of Monetary Policy: The key features of this framework are the target for the overnight rate, the operating band, and settlement-balance management. Effective immediately, the target for the overnight rate will be the midpoint of the operating band and the width of the operating band will revert to 50 basis points.

Canada: Interest rates
(January 2000 - June 2010, *per cent*)



Source: Bank of Canada; Corporate Economics

Canada: U.S./Canadian dollar exchange rate
(January 1997 - June 2010, *US$/Cdn$*)



Source: Bank of Canada; Corporate Economics

Canadian Dollar

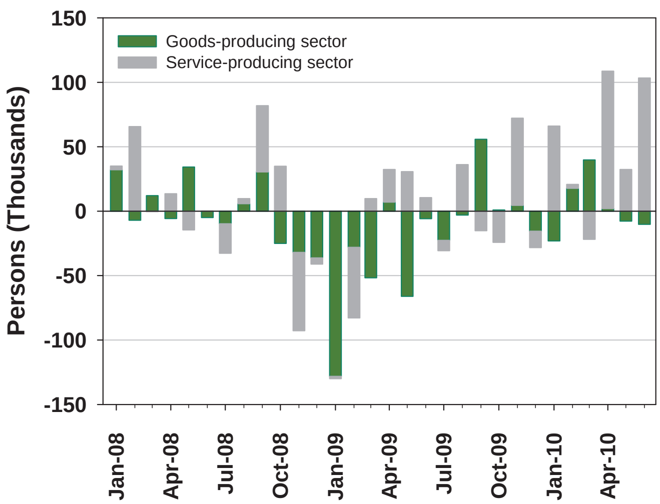
The Canadian dollar depreciated 3.4 per cent- month over month- in May, due to the appreciation of the U.S. dollar against major currencies as a result of Eurozone crisis. The movement has nothing to do with fundamentals in Canada and is temporary in nature. The movement was influenced by investors' flight to safety. Once the European crisis subsides, the Canadian dollar, also supported by higher interest rates, should regain its recent strength to reach parity with the U.S. dollar in 2010 and remain close to parity for the rest of the forecast period. A strong Canadian dollar should benefit business investments in machinery and equipment through lower import costs, but impact the export sector through higher export prices measured in the U.S. dollar.

Labour Market

Total employment in Canada has risen by 403,000 (+2.4%), since the start of the upward trend in July 2009. Most of the gains were in full-time positions (+355,000 or 2.6%) and in the service-producing industries (+333,400). A majority of new employees were in the private sector (+351,000). The strength of the early job recovery in Canada was in sharp contrast to the situation in the U.S. However, the pace of the job market recovery should moderate in the near- to medium-term, given that the Canadian economy is driven by export demand, most notably from its biggest trade partner the U.S.

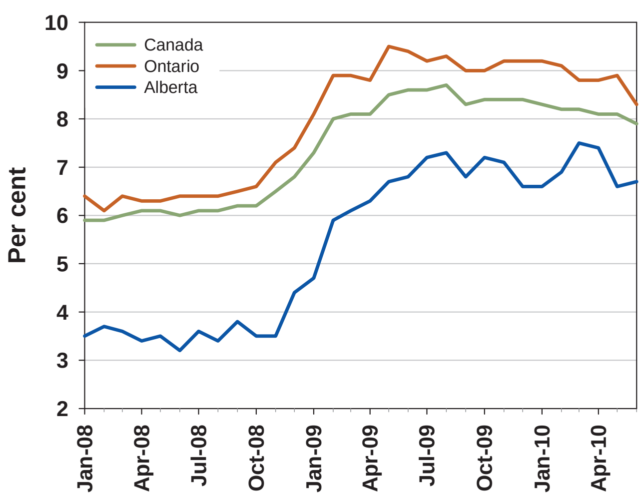
The seasonally adjusted unemployment rate in Canada declined to the current level of 7.9 per cent from its recent peak of 8.7 per cent in August 2009. Similar trends were observed in Ontario and Alberta. So far in the recovery, Ontario, Quebec and British Columbia led the nation in growth, largely driven by rebounding U.S. demand, robust housing activity and economic spill-over from hosting the Olympic Games. Going forward, the leading growth region is expected to shift to the Prairies, especially Alberta, supported by increasing demand for commodities as a result of a global recovery. The labour market in these provinces including Alberta is expected to tighten in 2011-2015, leading to unemployment rates below the national average.

Canada: Total employment changes
(Month-over-month changes,
January 2008 - June 2010, *thousands of persons*)



Source: Statistics Canada; Corporate Economics

Canada: Unemployment rates
(Seasonally adjusted,
January 2008 - June 2010, *per cent*)

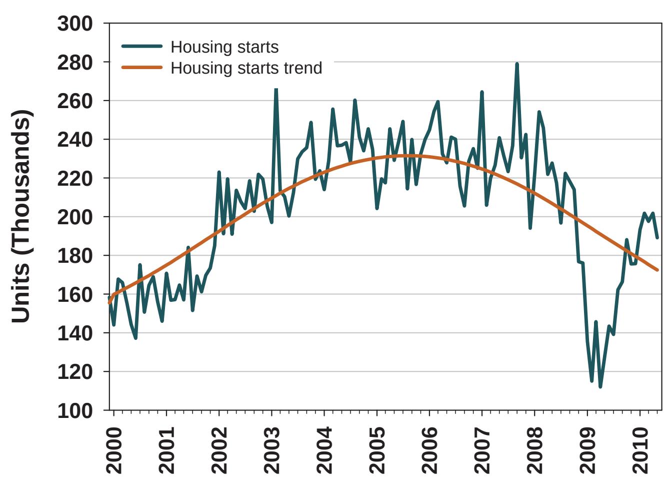


Source: Statistics Canada; Corporate Economics

Residential Investment and Housing Market

Residential investment in Canada rebounded quickly in 2009, supported by low mortgage rates and increasing consumer confidence as a result of improving labour market conditions. It is no coincidence that Ontario and B.C. accounted for about 60 per cent home sales activity in 2009, and are set to implement a harmonized sales tax (HST) by July 1st 2010. Tighter qualifying criteria for government-backed insured mortgages effective April 19th 2010 and expectations that borrowing costs will soon be higher, added further urgency to buyers in the market. However, the temporary lift to demand in Ontario and B.C. is expected to wane and give way to a more subdued activity in the second half of 2010, as higher interest rates and home prices erode affordability. The sign of cooling in the market was shown in the decline of total building permits numbers early this year.

Canada: Total housing starts in all areas
(seasonally adjusted at annual rates,
January 2000 - May 2010, *thousands of units*)



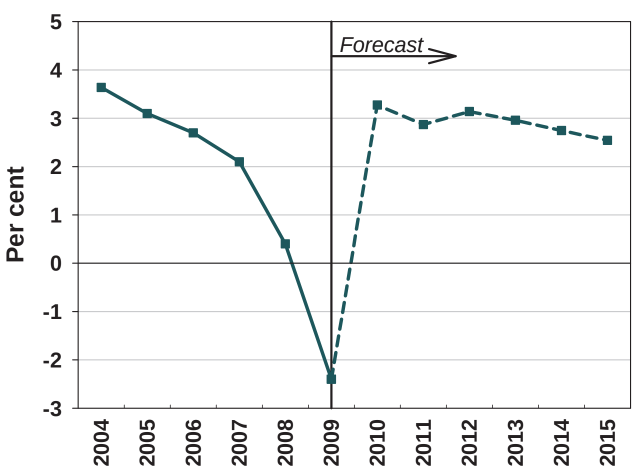
Source: Statistics Canada; Corporate Economics

U.S. Economy

Gross Domestic Product

Real GDP growth in the U.S. moderated in Q1 2010 at an annual rate of 2.7 per cent, after increasing 5.6 per cent in Q4 2009. The moderation in real GDP growth reflected a strong pickup in consumer spending, partially offset by a sharp slowdown in inventory investment as well as slowdown in exports and business investment in equipment and software, and residential investment in housing. A return to positive job growth in the private sector marks the start of the transition from a government stimulus-fuelled recovery to one driven by private demand.

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



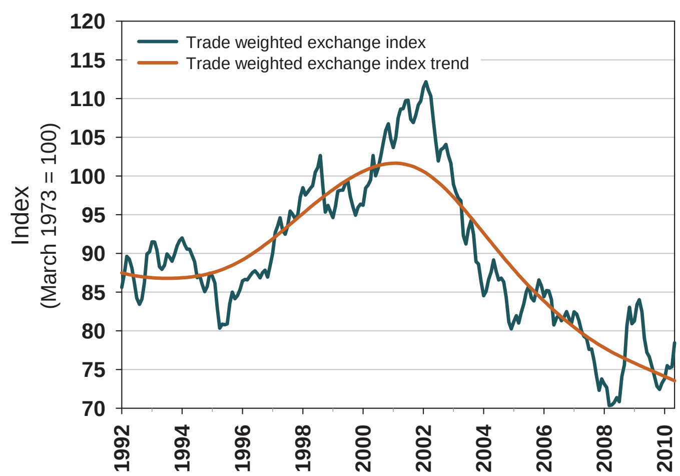
Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

The real GDP growth in the U.S. is expected to average 3.3 per cent in 2010, 2.9 per cent in 2011 before declining to 2.5 per cent in 2015. Recent government financial crises in the Eurozone should not impact U.S. economy significantly, given the weak link between U.S. and European real economies. However, there are still challenges to U.S. growth through financial market risks.

U.S. Dollar

The U.S. dollar appreciated 4.1 per cent in May against major currencies[5]. The appreciation of the U.S. dollar reflected a flight to safety caused by the fear of a global financial crisis from government debt problems in the Eurozone. A recent move by the Chinese government to allow the Yuan to trade more freely should relieve some upward pressure on the U.S. dollar. A cheap U.S. dollar should help the export sector by increasing its price competitiveness in world markets.

U.S.: Trade weighted exchange index - major currencies vs. U.S. dollar
(January 1992 - May 2010, *Index March 1973 = 100*)



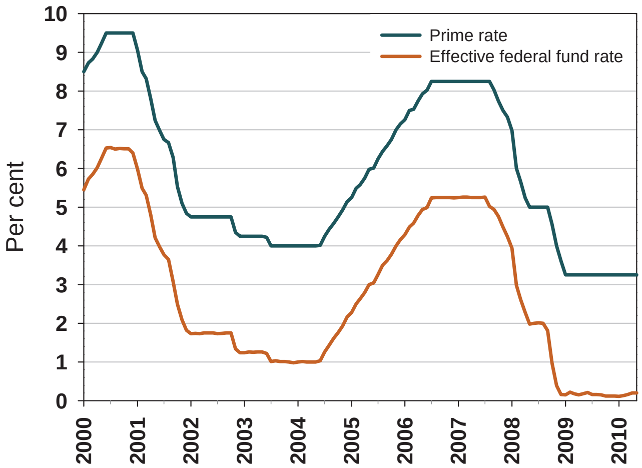
Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

5 It's measured by the major currency index that includes the Eurozone, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden, a weighted average of the foreign exchange value of the U.S. dollar against a subset of the broad index currencies that circulate widely outside the country of issue.

Monetary Policy and Interest Rates

Federal Reserve policy makers in the U.S. announced the decision to keep its key short-term lending rate at historically low levels, near zero per cent, because of the concern about recent developments in Europe. Given current low inflation and high unemployment, it is expected that the Fed will not raise interest rate until early 2011.

U.S.: Interest rates
(January 2000 - May 2010, *per cent*)

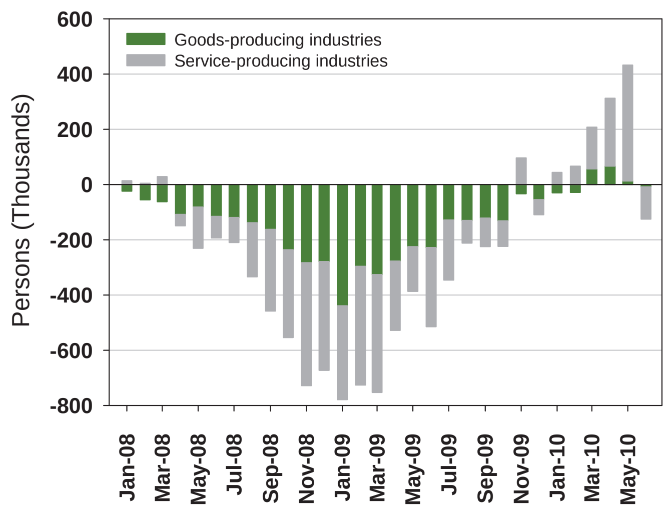


Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

Labour Market

Total non-farm payroll employment declined by 125,000 in June, revising the upward trend in the past few months. The losses of jobs mainly reflected the decrease of 225,000 temporary employees who worked on Census 2010. Private-sector employment changed little in June (+83,000) after large gains in March (+158,000) and April (+218,000). For the past six months, close to one million (+882,000) non-farm payroll jobs were created, with 92 per cent in the service-producing sector. However, a full recovery from job losses should take several years, given the number of job losses since the start of the recession in December 2007 (-8.4 million non-farm payroll positions).

U.S.: Total employment changes
(Month-over-month changes,
January 2008 - June 2010, *thousands of persons*)

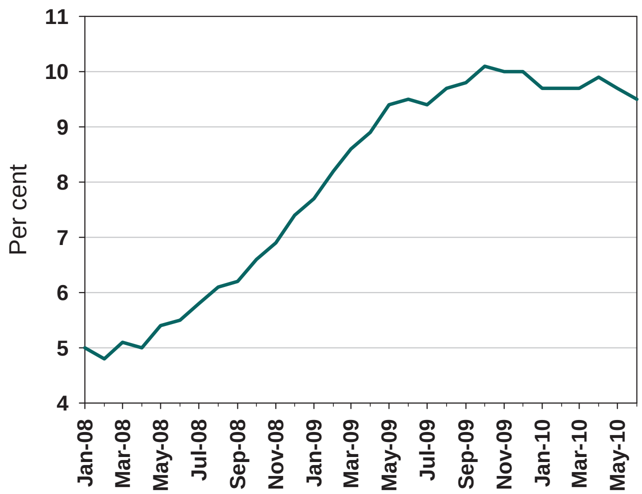


Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

The number of long-term unemployed (those jobless for 27 weeks and more) persons[6] in the U.S. increased to 6.8 million in May. These individuals made up 46 per cent of the unemployed, showing the seriousness of the impact of the recent recession. The national unemployment rate edged down slightly to 9.5 per cent in June, from a recent peak of 10.2 per cent in October 2009.

6 Household Survey: includes the self-employed, unpaid family workers, agricultural workers, and private household workers, who are excluded by the establishment survey.

U.S.: Civilian unemployment rate
(seasonally adjusted, January 2008 - June 2010, *per cent*)

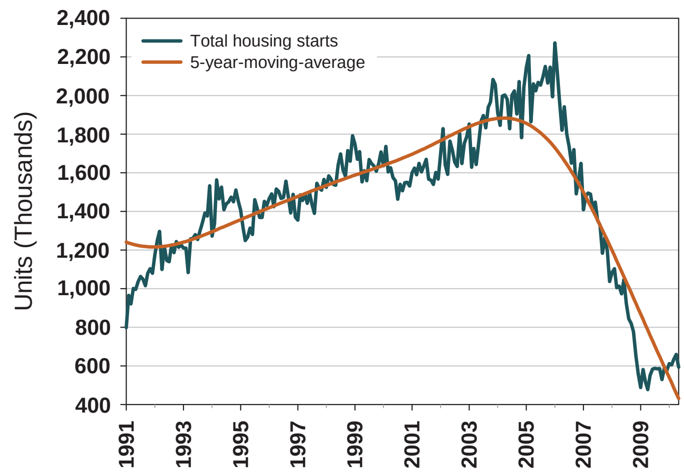


Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

Residential investment

The number of total housing starts dropped (-66,000 units) in May, after four months of increase. With the April 30 deadline of the first-time homebuyer tax credit now behind us, the decline in housing starts and building permits indicated the weaknesses in demand. Given the high inventory of foreclosed houses and slow recovery in the job market, new housing construction is unlikely to contribute to the GDP growth in the near-term, until 2011 at the earliest.

U.S.: Total new privately owned housing starts
(Seasonally adjusted,
January 1991 - May 2010, *thousands of units*)



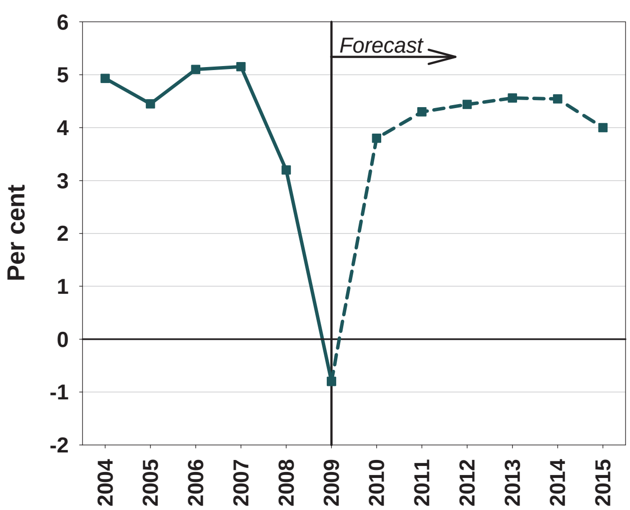
Source: U.S. Federal Bank Reserve of St. Louis; Corporate Economics

Global Economy

Gross Domestic Product

World output is expected to rise by 3.8 per cent in 2010, after a contraction of 0.8 per cent last year. Global economic recovery has proceeded better than earlier projected, on account of strong inventory restocking and continued fiscal and monetary stimulus in the first half of 2010. However, with the waning of these factors, growth may slow later this year. In addition, high dependence on accommodative macroeconomic policies led to increased sovereign debt in many countries, which exerted downside risks on global recovery. The world economy will continue to see a multi-speed recovery across and within regions. Most advanced economies will grow below potential, while emerging economies in Asia and Latin America will show stronger growth rates.

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

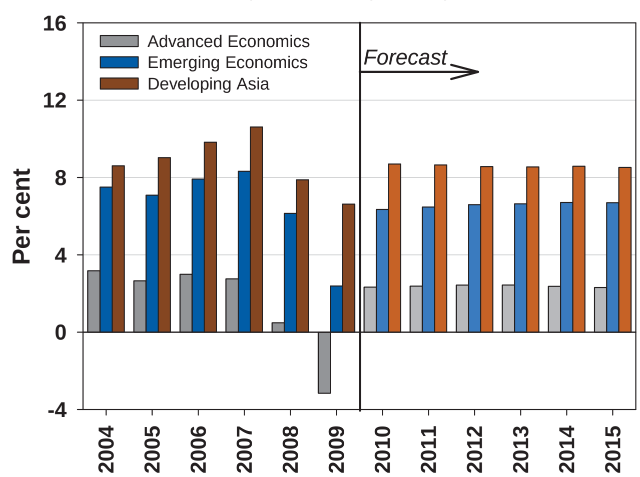


Source: International Money Fund (World Economy Outlook); Consensus Forecasts; World Bank; Corporate Economics

Advanced Economies

Advanced economies will continue to grow at lower speeds than emerging economies in 2010. In this group, the United States is off to a better start than the Eurozone and Japan. For 2010, the United States will lead growth in advanced economies along with some less-indebted and commodity-rich economies such as Canada and Australia. Economic recovery in the Eurozone will be sluggish due to its sovereign debt, slack job markets, and lack of domestic demand. Stimulus removal and implementation of austerity packages will cause government expenditure to slow sharply. Japan will benefit from demand from the Chinese market and the recovery of world trade. As a group, the growth of the advanced economies is expected to be 2.3 per cent in 2010 and 2.4 per cent in 2011.

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



Source: International Money Fund (World Economy Outlook);

Emerging Economies

Growth in emerging and developing economies is leading the global recovery. Developing Asian countries are expected to grow at 8.7 per cent in 2010, led by large fiscal spending, improving exports and the revival of their domestic markets. Especially in China, the inventory cycle will boost its growth rate close to double digit. Improved global growth prospects and solid commodity prices will support growth in Latin America to expand by 4.3 per cent in 2010. Recovery is lagging in emerging Europe and the Commonwealth of Independent States (CIS) economies due to the restrained availability of credit, and weak consumption and investment.

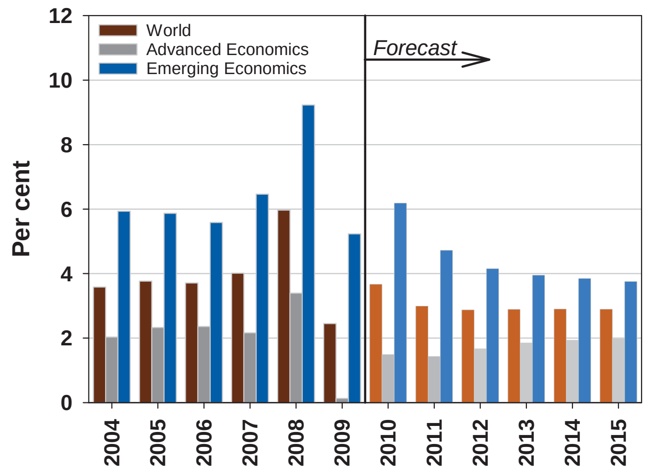
As a group, the emerging economies are expected to grow at 6.3 per cent in 2010, and 6.5 per cent in 2011. However, it should be noted that the output from the emerging markets only account for about 30 per cent per cent of the world total output, which indicates their impacts on the global economy should be limited and the recovery led by developing countries should be slow.

Greece

Greece has been held back by its sizable fiscal and current account imbalances, along with several other European countries (Portugal, Ireland, Spain, and Italy). Greek sovereign and banks debt have been downgraded since late 2009 due to the deteriorating macroeconomic outlook and reports of deposit outflows. The joint bailout by the European Monetary Union and the International Monetary Fund has failed either to restore confidence or to lower borrowing costs for Greek sovereign issues.

The direct impact of the Greek woes on Canada may be on the demand for Canadian exports. The impact will be modest since only 5 per cent of Canada's total export value goes to the EU annually. More importantly, the concerns of sovereign solvency and liquidity in Greece have threatened the normalization in financial market conditions. Problems in the banking sector and financial deleveraging have been passed on to the global credit market. In addition, industries in other countries including Canada have been placed at a competitive disadvantage to Europeans given the depreciation of the euro.

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



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

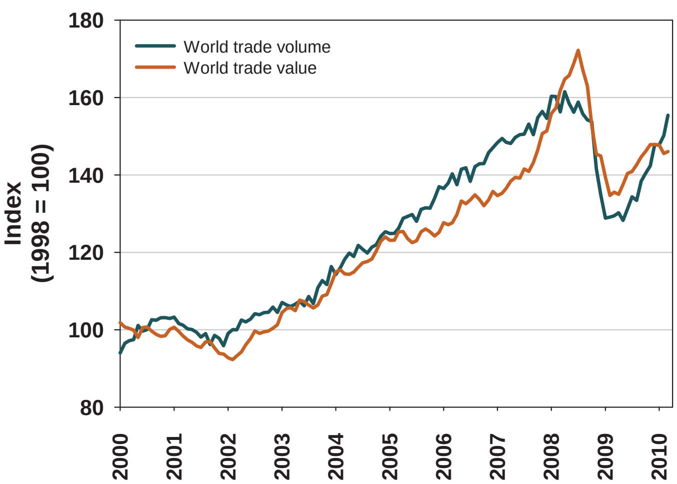
World Inflation

Inflation pressures are projected to remain low, held down by high unemployment rates and excess capacity. Inflation has been higher and more volatile in emerging economies, and inflation pressures could resurface more easily there than in advanced economies. Policy rates were cut to near zero in major advanced economies and reduced significantly in many emerging economies. Markets expect a prolonged period of very low rates for the advanced economies and some significant rate hikes in various emerging economies, which are seen to be closer to full capacity and subject to higher inflation risks. World inflation expectations will generally remain anchored in 2010, at 3.7 per cent on average. Advanced economies are expected to see an inflation rate of 1.5 per cent, while emerging economies will experience an inflation of 6.2 per cent in 2010.

World Trade Market

The rebound in world trade has supported the global economic recovery. After a contraction of 12 per cent in 2009, world trade volume is expected to grow at 7 per cent in 2010, led by strong trade flows in emerging markets. However, it is unlikely that global trade growth would reach its pre-recession highs in the short term as imports by emerging countries with strong domestic demand will be insufficient to offset weaker import demand in the U.S. and EU amid deleveraging and fiscal austerity.

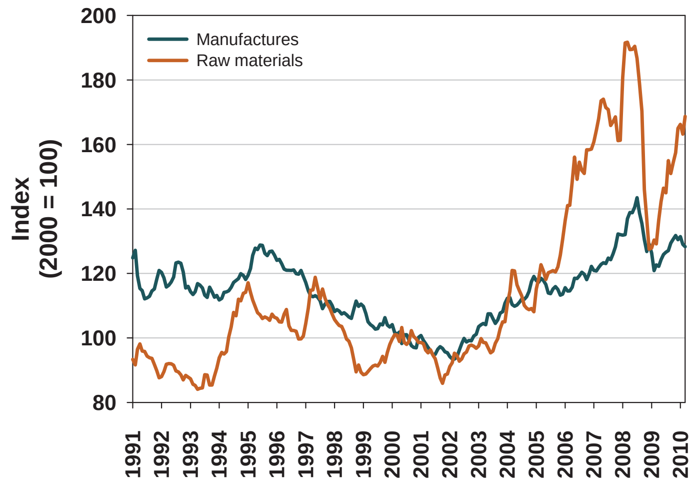
World: Trade volume and value
(January 2000 - March 2010, *Index 2000 = 100*)



Source: Central Plan Bureau Netherlands; Corporate Economics

Commodity prices are expected be stronger in 2010 due to the rising demand in OECD countries and emerging markets. Infrastructure spending will continue to benefit trade in bulk goods. These factors should cause commodity prices to trend higher, but they will remain volatile as trade growth eases later in 2010.

World: Commodity prices
(January 1991 - March 2010, *Index 2000 = 100)*



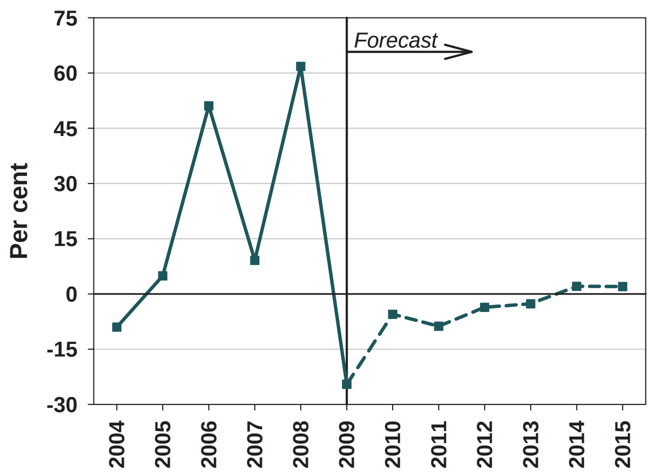
Source: Central Plan Bureau Netherlands; Corporate Economics

Commodity Prices

Asphalt

Uncertainty over greenhouse gas regulation continues to loom over the Alberta oilsands industry. In spite of this some developments have been announced and an application is currently under review for an upgrader to be constructed in the Edmonton region. The resulting increased supply of asphalt combined with rising interest rates, a high Canadian dollar, and slowly rising oil prices all point to slowly falling asphalt prices. Further depressing asphalt prices are government finances, which after a few years of over-spending are expected to be clawed back over the forecast horizon while demand for new houses, with new asphalt roofs, will soften as interest rates rise.

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

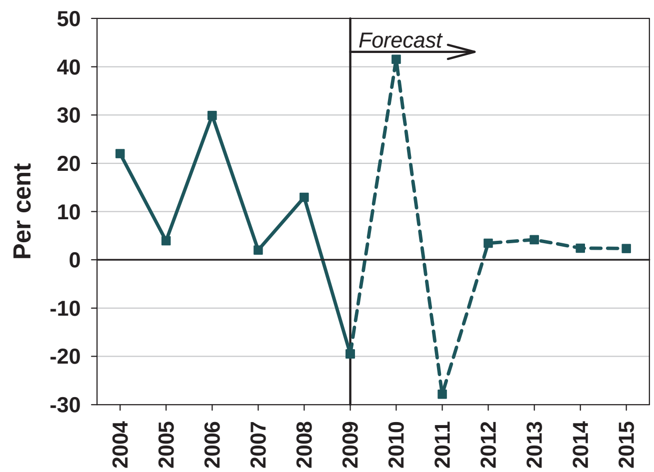


Source: Statistics Canada; Corporate Economics

Rubber

Rains have finally returned to Asia after bad weather and a bad harvest last year. Since Christmas, investors have considered that last years' typhoons took out a lot of young rubber trees leaving only older, lower producing trees in the most productive regions, while demand has increased for vehicles in China and North America. Increased demand and limited supply have combined to push prices higher than expected in the first half of the year. Increased production from Malaysia should begin in July, alleviating investor fears, while India is still on track to increase production in 2011, further softening prices.

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



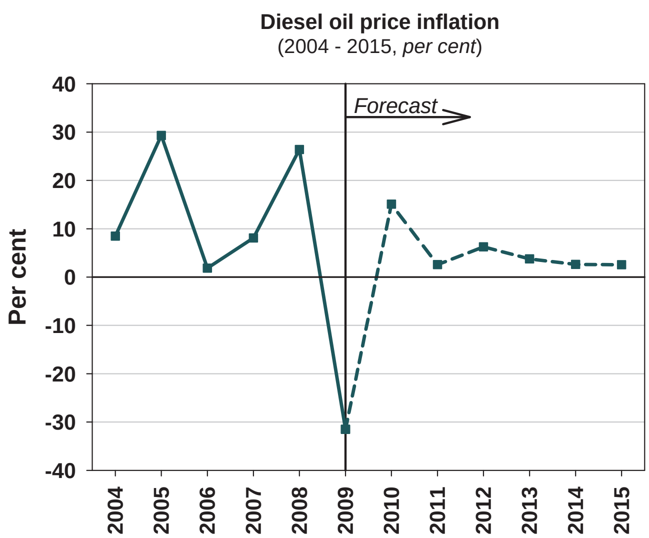
Source: Statistics Canada; Corporate Economics

Diesel

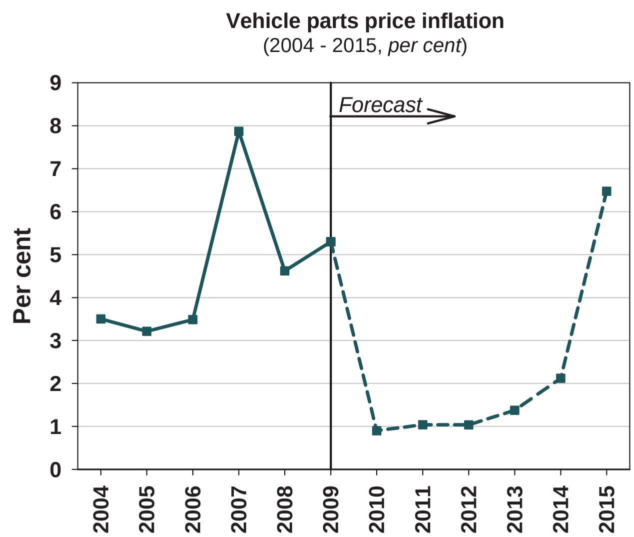
Normal seasonal refinery outages occurred in the spring in the U.S., but the expected concurrent increase in travel did not, mostly as a result of the Gulf oil spill, as would-be travellers stayed away from the beach. As a result diesel prices came off their upward trend and are now just under US$3/Gal. Alberta diesel prices are expected to rise appreciably this year as the shock of the rising Canadian dollar wears off while commercial and residential construction continues. Going into 2011 construction activity will soften reducing pressure on diesel fuels and 2012 will see a price spike as rising interest rates filter downstream. Longer term, we expect moderate increases in diesel prices mirroring moderate increases in oil prices.

Vehicle Parts

Demand for vehicle parts and accessories dropped significantly since the start of the recession. Sales of vehicles have picked up recently but new buyers are opting to minimize their add-ons. As the U.S. enters the third business cycle of the recession the labour market has not shown significant signs of improvement and now government payrolls are being reduced in efforts to balance state and local budgets. Although we continue to expect strong pressure to raise vehicle parts prices in 2011 and beyond we now anticipate there won't be a strong market to accept those higher prices until 2014-2015 when the U.S. labour market finally starts to tighten.



Source: Statistics Canada; Corporate Economics

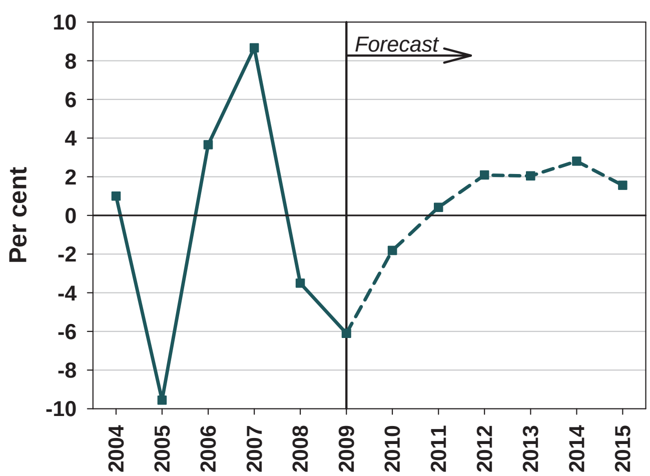


Source: Statistics Canada; Corporate Economics

Wood

Prices of U.S. housing continue to fall as even more homes fall into foreclosure. Some local markets are bright spots but the overall outlook for U.S. residential construction, the prime market for Canadian lumber, is for several years of hard times. The outlook for wood prices in Canada is for modest increases in production but soft prices throughout the forecast. The re-opening of sawmills in Canada has seen supply outstrip the recent increase in demand driving prices down slightly. We anticipate prices will bottom by mid 2011 and show modest inflationary increases throughout the rest of the forecast period.

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

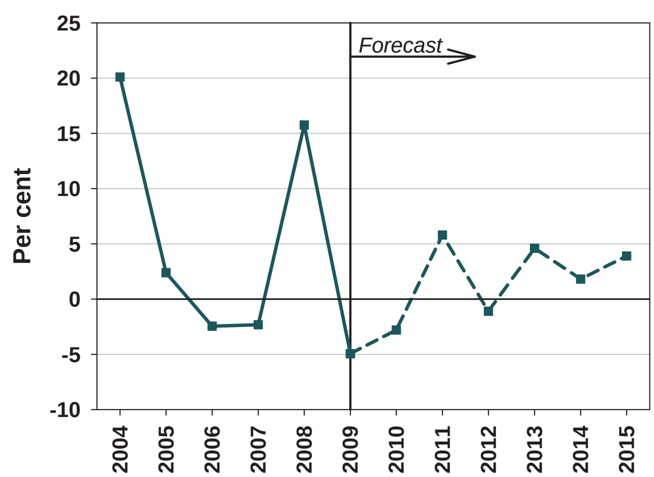


Source: Statistics Canada; Corporate Economics

Steel

For the past 40 years iron ore contracts have been based on 12 months of supplies. In May 2010 the market changed to quarterly contracts and is now moving toward monthly and spot contracts. International iron ore suppliers are pushing this change now that spot prices are down as a way of enticing buyers into the new shorter contracts. Iron suppliers are hopeful they will see higher profits in the future as a result of the move to shorter contracts. As a result of the short contract period greater volatility will be introduced to steel markets from factors such as weather, labour disputes and political issues. Monthly iron ore prices can vary by 25 per cent, so the shift to shorter contracts will force steel producers to follow the iron ore suppliers and price steel on quarterly and shorter term contracts. This volatility will affect auto manufacturers and makers of construction materials while creating new opportunities for futures contract swaps in financial markets. Our outlook for steel prices now reflects the more volatile iron ore and steel markets.

Iron and steel price inflation
(2004 - 2015, *per cent*)

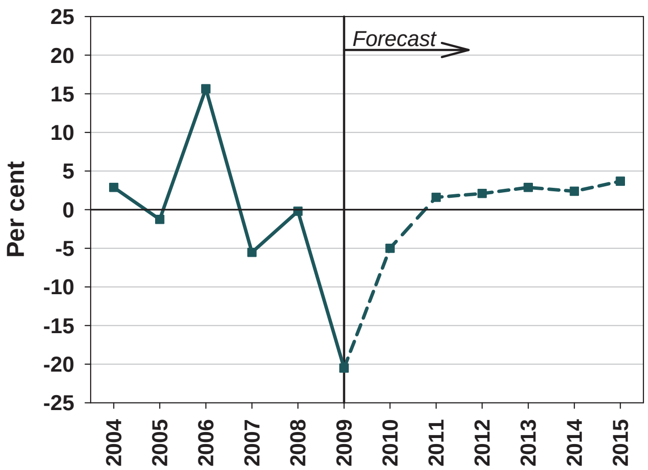


Source: Statistics Canada; Corporate Economics

Aluminum

Nervous investors fled aluminum during the past 2 months on news of the European debt crisis and after the Chinese government started tightening monetary policies. Prices have fallen by about 20 per cent, making some smelters unprofitable and threatening further shutdowns. Emergency union contract negotiations have proven fruitless so an oversupply of Aluminum is anticipated in the second half of this year further exacerbating the price situation after investors departed. Longer term excess capacity will prevent Aluminum prices from spiking and our outlook is for modest price increases after 2010.

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



Source: Statistics Canada; Corporate Economics

Table 1 - Selected Economic Indicators

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

FORECAST COMPLETED: June 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	4.5	5.1	5.2	3.2	-0.8	3.8	4.3	4.4	4.6	4.5	4
The United States												
U.S. Real Gross Domestic Product growth (chained 2000 dollar) (%)	3.6	3.1	2.7	2.1	0.4	-2.4	3.3	2.9	3.1	3.0	2.7	2.5
Canada												
Real Canada Gross Domestic Product growth, (chained 2002 dollar) (%)	3.1	2.7	2.9	2.5	0.5	-2.6	3.4	2.9	2.8	2.7	2.5	2.1
Prime Business Loan Rate (%)	4.0	4.4	5.8	6.1	4.7	2.4	3.0	4.3	6.2	6.3	6.3	6.3
Exchange Rate (US$/Cdn$)	0.77	0.83	0.88	0.94	0.94	0.88	0.97	1.00	1.01	1.00	0.99	0.99
Alberta												
Gross Domestic Product (%)	5.3	4.5	6.2	2.5	0.0	-2.6	3.1	4.0	2.8	3.0	2.7	2.2
Total Employment Growth (%)	2.5	1.5	4.5	4.9	2.9	-1.0	0.8	2.7	2.2	2.3	1.9	1.2
Unemployment Rate (%)	4.6	4.0	3.5	3.5	3.5	6.3	7.1	6.5	5.6	4.5	3.7	3.7
Housing Starts ('000 Units)	36.3	40.9	49.0	48.3	29.2	18.7	27.8	30.2	28.4	26.4	27.0	31.1
Inflation Rate (%)	1.4	2.1	3.9	4.9	3.2	-0.1	1.5	2.0	1.4	1.4	1.8	2.3
Crude Oil Price - WTI (US$/bbl)	41.4	56.5	66.1	72.4	99.6	61.7	78	83	88	93	97	100
Alberta Power Pool Prices ($/MWh)	54.9	70.2	80.5	66.9	87.4	49.5						
Alberta Natural Gas Price - AECO/NIT ($/GJ)	6.2	8.3	6.2	6.1	7.7	3.8	4	5	6	6	7	7
FORECAST												
Calgary Economic Region (CER)												
Gross Domestic Product (%)*	4.5	4.9	10.9	3.3	1.1	-2.5	3.3	4.1	4.4	4.1	3.9	3.8
Total population**	1,119	1,152	1,188	1,230	1,251	1,296	1,328	1,351	1,380	1,405	1,433	1,453
Total Employment ('000 Persons)	643	649	700	735	756	752	746	763	782	801	817	829
Total Employment Growth (%)	3.1	1.0	7.5	4.9	2.7	-0.5	-0.8	2.3	2.5	2.4	2.0	1.5
Unemployment Rate (%)	5.0	3.9	3.4	3.2	3.3	6.3	7.4	6.4	5.5	4.6	4.3	4.3
Inflation Rate (%)	1.7	2.0	4.6	5.0	3.2	-0.1	1.5	2.5	2.5	3.0	2.7	2.5
Building Permits ($billion)	3.1	4.3	6.0	7.1	5.1	4.5						
Low Forecast							*4.0*	*4.1*	*4.3*	*4.4*	*3.9*	*3.9*
High Forecast							*5.0*	*5.0*	*5.5*	*5.4*	*5.0*	*5.0*
Housing Starts ('000 Units) CMA	14.0	13.7	17.0	13.5	11.4	6.3	8.5	9.0	9.5	11.0	9.6	9.4
Non-Residential Building Price Inflation (%) CMA	6.7	6.9	12.8	17.7	13.7	-7.6	-4.3	7.0	5.5	3.1	2.3	3.7

Numbers may not add up due to rounding

* Source: Centre for Spatial Economics, Corporate Economics
** Total population, census divisions and census metropolitan areas, 2001 Census boundaries

Table 2 - Selected Indicators

City of Calgary

FORECAST COMPLETED: June 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	4.7	4.1	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	6.7	7.1	7.5	8.7	7.6	7.5
New House Price Inflation (%)	5.5	7.0	43.6	16.2	0.6	-6.7	5.0	6.5	4.1	4.2	4.8	3.9
Total Building Permits mid point ($billions)	2.4	3.6	4.9	5.6	4.0	3.7	3.7	3.7	4.0	4.0	3.7	3.7
Low Forecast							*3.3*	*3.4*	*3.5*	*3.6*	*3.2*	*3.2*
High Forecast							*4.1*	*4.1*	*4.5*	*4.4*	*4.1*	*4.1*

Numbers may not add up due to rounding

Table 3 - Selected Commodity Prices

City of Calgary

FORECAST COMPLETED: June 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	-2.8	5.8	-1.1	4.6	1.8	3.9
Aluminum products	2.9	-1.3	15.7	-5.5	-0.2	-21.0	-5.0	1.6	2.1	2.9	2.4	3.7
Wood	1.0	-9.6	3.7	8.7	-3.5	-6.1	-1.8	0.4	2.1	2.0	2.8	1.6
Asphalt**	-9.0	4.9	51.1	9.1	61.8	-24.5	-5.5	-8.8	-3.6	-2.7	2.0	2.0
OPERATIONAL COMMODITIES												
Rubber	22.0	3.9	29.9	2.0	13.0	-19.5	41.5	-27.8	3.4	4.2	2.4	2.3
Diesel oil	8.5	29.3	1.9	8.1	26.4	-31.5	15.1	2.6	6.3	3.8	2.6	2.6
Vehicle parts	3.5	3.2	3.5	7.9	4.6	5.3	0.9	1.0	1.0	1.4	2.1	6.5

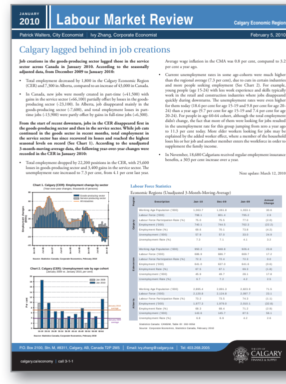
Numbers may not add up due to rounding

** Based on Ontario Ministry of Transportation Asphalt Price Index

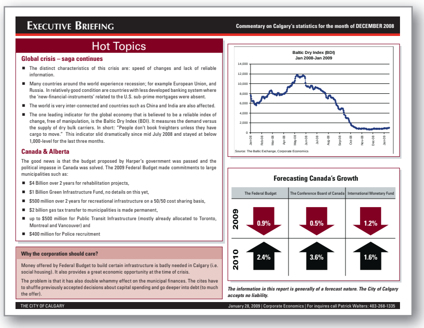
Many of our publications are available on the internet at **www.calgary.ca/economy**.

Monthly
Energy Markets and the Economy

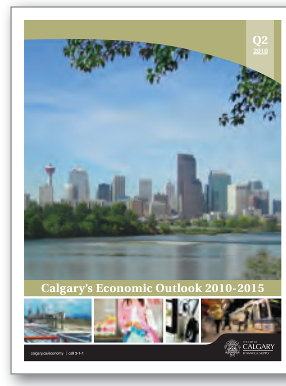
Monthly
Review of Economic Trends:
Labour Market Review



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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Sources: Statistics Canada, CMHC, CREB, MLS, Bank of Canada, Conference Board of Canada, GLJ Energy Publications, The City of Calgary, Centre for Spatial Economics, Construction Sector Council, U.S. Federal Bank Reserve of St. Louis, International Money Fund (World Economy Outlook), World Bank, Central Plan Bureau Netherlands, and others.