

# State of the Economy

## Calgary Semi-Annual Economic Review

### June 2008

#### State of the Economy - Overview

Just as predicted at Calgary Economic Development's 2008 Outlook lunch, the Calgary economy is slowing down nicely for the first half of 2008, from the frenetic pace of 2006, and the still hot level of 2007. The majority of indicators show that the pace of growth is in the more sustainable range and therefore creating healthier and less inflationary conditions. However, despite this well functioning slowdown to more sustainable levels, there are two areas to watch: labour force growth and the residential housing market.

#### The Global Economy

The first half of 2008 has seen a variety of global price surges around key commodities and cash crops. Oil has been pushing record highs during the first half of 2008, reaching into the high \$130s in June. Some analysts are predicting \$150/bbl by the end of 2008. High oil prices are impacting everything from driving habits and intentions, air travel costs and soon, many consumer goods, as transporters pass along higher fuel costs to distributors. Natural gas prices have rebounded from lows of 2007, and are now sitting at the \$10/GJ as of mid-June.

Due to a variety of weather-related issues reducing crop production and growing global demand for food products as input for fuels such as ethanol, global agriculture markets are experiencing unprecedented prices. A number of international meetings have occurred, including the UN Food and Agriculture and Organization's conference in Rome this June, to discuss the future of food supplies, food security and climate change, particularly in light of current shortages. Additionally, a number of catastrophes around the world, including the cyclone in Myanmar and the earthquake in China's Sichuan province, have put additional strains on the global food stocks as emergency food is rushed to victims and survivors. As a result of all the conditions being faced by the global food sector, prices of food are increasing around the world.

The U.S. economy continues to struggle in the midst of a recession. Job losses continue, unemployment is rising and jobless claims have grown significantly. New home sales growth is in negative territory not seen since the early 1980s. Indications are that much of the slowdown in GDP growth in the U.S. is a result of a reduction in consumer spending, with many Americans feeling less wealthy due to the deterioration in housing prices and the sense of reduced net worth.

## The Canadian Economy

The Canadian economy is expected to see a slowdown in 2008, largely a result of declining exports to the U.S. However our economy is expected to outperform the U.S. economy and avoid a similar recession due to stronger consumer demand and more resilient housing and business sectors.

The Bank of Canada faces a difficult challenge, continuing to address inflation, which varies regionally from western Canada to central Canada. In addition to addressing inflation, impacts to changes in the overnight rate can impact the value of the Canadian dollar, which is the key driver of slower export growth in Canada for 2008. In a surprise move on June 10, the Bank of Canada held the overnight rate steady, citing increasing concerns of inflation caused by higher energy and food prices. Now, it is believed that the period of rate cuts are over for the time being and the Bank will be potentially considering rate hikes to stem inflation, despite slower economic conditions in central Canada.

The tale of Canada's economy continues to be regional variation. Western Canada, while slower than previous years, is still performing very strongly. B.C. is continuing its construction boom largely driven by the Olympic needs. Alberta continues to enjoy record high energy prices and Saskatchewan is experiencing some of its best economic times as a result of high energy prices, grain prices and demand for uranium and potash. This is all happening against the backdrop of job losses and meager economic growth forecast for Ontario and Quebec. The June announcement by General Motors of the Oshawa truck plant closure is one more dark cloud on the horizon for the Ontario economy.

## The Calgary Economy

At home in Calgary, the economy is slowing down nicely to a more sustainable level. As mentioned above, oil prices are at record levels, driving economic activity in the oil sector in terms of investment and related spin off activity. Natural gas prices have rebounded and are also driving economic activity in the region. Economic activity and job creation is likely being heavily supported by healthy energy prices.

Job creation in the first five months of 2008 is 14,800 positions, or two per cent growth, with a year-over-year gain of 16,400, resulting in growth of 2.2 per cent. Inflation has moderated, due to the significant moderation of house price growth and currently sits at four per cent. This is still on the higher side than desired, but is well within a more comfortable range than the five per cent being experienced at the same time last year.

Construction activity is still performing strongly with a building permit issuance at \$2.09 billion year-to-date, down from \$2.51 billion the same time last year. However, removing the value of The Bow tower from last year's figures, 2008 is actually ahead of 2007. Markedly down are single-family residential building permits, which is a reflection of the

imbalanced residential real estate market currently in play. Multi-family permits are up as a result of a number of new towers being built. Industrial and commercial development activity continues with the number of permits issued year-to-date up over the same time in 2007, but with a reduction in overall value, down to \$1.16 billion year-to-date from \$1.47 billion same time last year.

## Pressure Points

Despite the well structured slowdown, there are two components of the local economy that could put the brakes on in a greater way than currently being experienced. First, Calgary's labour shortage continues unabated. With the lowest unemployment rate in Canada for the past few years and job creation growth outstripping labour force growth, Calgary is essentially at the wall of employment growth. Calgary's labour participation rate is the highest in Canada, with very little room to grow without improvements in areas such as child care, elder care, changes to pension legislation and changes to immigration practices and processes.

With restricted employment growth, economic growth will be constrained. A significant component of Calgary's economic outlook rests on the ability to generate new workers, or to adjust practices to reduce the demand for workers, either through productivity gains, automation, technology or process improvement. Therefore, efforts need to continue on simultaneously increasing the supply of workers in Calgary, while working to reduce the demand for workers through the use of technology and improved productivity.

The second component that may exert a greater slowing pressure is the residential real estate market. In the span of 18-24 months, Calgary has moved from a sellers market, where demand outstripped supply, to a buyers market, where supply greatly exceeds demand. In May 2008, 7,099 single-family homes and 3,308 condos were listed for sale on MLS. Supply is currently far outstripping demand, creating downward pressure on prices.

With such a large inventory of properties on the market, there is the risk of individuals taking on multiple mortgages to carry properties until sale. This can reduce disposable income and reduce consumer expenditure, reducing overall local economic growth. It remains to be seen how long this excess supply condition will continue and when we will achieve a greater balance or equilibrium in the housing market. Calgary does not appear to be at risk of a burst or collapse in the housing market, the like of which is being experienced in the U.S. However, prolonged disequilibrium in the housing market could put a greater brake on the Calgary economy than otherwise expected.

Overall, Calgary has achieved a soft landing, down from the highs of 2006. Companies are becoming more accustomed to working in a slower, more balanced environment and pressures on price growth have softened, largely a result of slowing house price growth. Calgary's economy is still constrained by a shortage of labour, but well developed

strategies at the federal, provincial and municipal levels, as well as strategies developed by individual employers, should serve to do the best we can with what we have.

## Looking Forward

- The global economy is expected to slow over the balance of 2008, as the U.S. economy continues on its recession. However, inflationary pressures in most developed economies including the EU and parts of Asia, and now Canada and the US, put certain economies in a difficult position of increasing interest rates during times of economic slowdown.
- The U.S. economy is expected to stay the course of slower economic growth and is not expected to begin its turnaround until the latter half of 2009.
- The Canadian economy is expected to perform at a slow pace for the balance of 2008, driven by reduced export activity as a result of a higher Canadian dollar and reduced U.S. demand.
- Calgary's economy is forecasted to see economic growth of 3.3 - 3.8 per cent, a slowdown from 2007, primarily as a result of labour shortages. Inflation should be kept relatively in check, albeit on the high side. Continued higher energy prices should serve to push Calgary's GDP growth for 2008 to the higher side of forecast.

## Consumer Price Index / Inflation

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### Consumer Price Index and Inflation

From May 2007 to May 2008, prices paid by Calgarians for goods and services, as measured by the Consumer Price Index (CPI) basket, rose by 4.0 per cent. Over this same period, increases in the shelter component of the CPI (which accounts for roughly one quarter of the consumer's basket of goods and services), were 11.4 per cent, with the price of water, fuel and electricity increasing by 32.5 per cent.

Indicator	May	Dec	May	YTD Change		YOY Change	
	2008	2007	2007	Number	% (Inflation)	Number	% (Inflation)
CPI (2002=100)	122.3	119.0	117.6	3.3	2.8%	4.7	4.0%

## Labour

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### Average Hourly Wage Rate (Alberta)

The demand for labour in Alberta continues to be strong. The seasonally adjusted unemployment rate was 3.4 per cent for May 2008, with 60,700 jobs created in Alberta since May 2007. The current labour market in Alberta continues to exert pressure on the province's average hourly wages, which increased 5.7 per cent from May 2007 to May 2008, to \$23.23 an hour.

### Employment

Employment growth in Calgary has continued at a steady pace in 2008. Calgary's economy has created 14,800 new jobs (2 per cent increase) since December 2007 and 16,400 new jobs (2.2 per cent increase) since May 2007. Total employment was estimated at 748,800 in May 2008, up from 732,400 a year prior. Calgary accounted for 27 per cent of the job creation in Alberta, on a year over year basis.

### Unemployment Rate

Calgary's unemployment rate has remained steady in 2008, with a rate of 3 per cent in May 2008, compared to a rate of 3.3% in May 2007. This rate reflects the growing labour force and steady employment numbers.

### Employment by Industry

The services-producing industries led the way in job creation in Calgary this year, adding 10,200 jobs since December 2007, a 1.9 per cent increase, while the goods-producing sector gained 4,600 jobs, a 2.5 per cent increase over the same period. Since May 2007, across both the goods-producing and services-producing sectors, the major drivers in terms of job gains were Agriculture (9,400), Health Care and Social Assistance (8,600) and Professional, Scientific and Technical Services (10,300). The major sectors with job losses in the same period were Mining, Oil and Gas (-7,500), Transportation and Warehousing (-8,700), and Educational Services (-8,200).

Indicator - Calgary Economic Region	May 2008	Dec 2007	May 2007	YTD Change		YOY Change	
				Number	%	Number	%
Average Hourly Wage Rate (\$) - Alberta	\$23.23	\$23.52	\$21.97	-\$0.29	-1.2%	\$1.26	5.7%
Employment	748,800	734,000	732,400	14,800	2.0%	16,400	2.2%
Unemployment Rate (%)	3.0%	3.0%	3.3%	0.0%	-	-0.3%	-
<b>Employment by Industry</b>							
<b>TOTAL INDUSTRIES</b>	748,800	734,000	732,400	14,800	2.0%	16,400	2.2%
<b>Goods-Producing Sector</b>	191,900	187,300	194,300	4,600	2.5%	-2,400	-1.2%
Agriculture	14,300	8,800	4,900	5,500	62.5%	9,400	191.8%
Forestry, Fishing, Mining and Oil & Gas	53,600	55,400	61,100	-1,800	-3.2%	-7,500	-12.3%
Utilities	4,200	5,200	10,100	-1,000	19.2%	-5,900	-58.4%
Construction	70,300	76,200	64,400	-5,900	-7.7%	5,900	9.2%
Manufacturing	49,600	41,700	53,700	7,900	18.9%	-4,100	-7.6%
<b>Services-Producing Sector</b>	556,900	546,700	538,100	10,200	1.9%	18,800	3.5%
Trade	109,400	104,500	102,500	4,900	4.7%	6,900	6.7%
Transportation and Warehousing	37,200	43,100	45,900	-5,900	13.7%	-8,700	-19.0%
Finance, Insurance, Real Estate and Leasing	51,400	44,100	46,000	7,300	16.6%	5,400	11.7%
Professional, Scientific and Technical Services	91,500	82,000	81,200	9,500	11.6%	10,300	12.7%
Business, Building and Other Support Services	26,100	35,000	29,300	-8,900	25.4%	-3,200	-10.9%
Educational Services	40,400	34,000	48,600	6,400	18.8%	-8,200	-16.9%
Health Care and Social Assistance	72,100	69,600	63,500	2,500	3.6%	8,600	13.5%
Information, Culture and Recreation	29,700	33,500	31,100	-3,800	11.3%	-1,400	-4.5%
Accommodation and Food Services	39,100	44,400	33,400	-5,300	11.9%	5,700	17.1%
Other Services	34,500	31,900	32,200	2,600	8.2%	2,300	7.1%
Public Administration	25,600	24,800	24,300	800	3.2%	1,300	5.3%

## Retail Trade

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### Retail Sales

Retail sales in Calgary in the first quarter of 2008 were \$22.9 billion, up 1.9 per cent from the previous quarter. Retail sales over the past year have increased by \$1.2 billion, a 5.3 per cent growth rate. The Conference Board of Canada predicts that Calgary's retail sales growth will continue in 2008, at a rate of 6.4 per cent due to employment growth and income gains in the Calgary market.

Indicator Calgary CMA	Q1 2008	Q4 2007	Q1 2007	YTD Change		YOY Change	
				Number	%	Number	%
<b>Retail Sales (\$Millions)</b>	22,908.6	22,490.4	21,751.7	418.3	1.9%	1,157.0	5.3%

## Construction

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### Housing Starts

Year-to-date cumulative housing starts in Calgary increased by 25.3 per cent for 2008, from 5,777 in May 2007, to 7,240. A decline of 41.4 per cent was experienced in single-detached starts, while starts for all other housing types soared by 108.4 per cent, from 2,573 in 2007, to 5,362 in 2008. This was driven by a very strong year in the multi-family segment of new construction. New condominium construction continued to elevate overall housing starts with centres like Airdrie and Cochrane contributing to about a third of May's production.

Indicator - Calgary CMA (Units)	May 2008	May 2007	YTD Cumulative		YOY Change	
			2008	2007	Number	%
			Number			
<b>Housing Starts - Total</b>	1,488	1,633	7,240	5,777	1,463	25.3%
<b>Housing Starts - Single-Detached</b>	475	718	1,878	3,204	-1,326	-41.4%
<b>Housing Starts - Multi-family</b>	1,013	915	5,362	2,573	2,789	108.4%

## Building Permits

Total cumulative building permits values as of April 2008 remained steady with a slight 0.6 per cent increase, from \$1.93 billion in 2007, to \$1.94 billion. Non-residential building permits grew at a slightly higher rate than residential permits, at 2.5 per cent growth year-over-year. Residential permits declined at a year-over year rate of -0.8 per cent.

Indicator - Calgary Economic Region	April 2008	April 2007	YTD Cumulative		YOY Change	
			2008	2007	Number	%
			Number			
<b>Total (\$Millions)</b>	487.3	464.6	1,942.8	1,930.4	12.4	0.6%
<b>Residential (\$Millions)</b>	278	358.6	1,064.0	1,073.0	-9.0	-0.8%
<b>Non-Residential (\$Millions)</b>	208.6	106.0	878.8	857.4	21.4	2.5%

## Major Projects

While the number of major Calgary projects (\$5 million or more) has increased by 16.4 per cent over the past 12 months, the total value of these projects has jumped by 45.4 per cent over the same period to \$32.8 billion. The project sectors with the highest value in May 2008, were Commercial/Retail (\$12.3 billion), Infrastructure (\$7.5 billion), and Institutional (\$6.3 billion). Leading developments among Calgary's major projects include Stonegate Landing retail, office and industrial development, The Bow office tower, Penny Lane office and retail complex and Calgary Health Region's South Calgary Campus.

Indicator – City of Calgary	May 2008	Dec 2007	May 2007	YTD Change		YOY Change	
				Number	%	Number	%
<b>Value (\$Millions)</b>	32,792.5	25,400.8	22,552.3	7,391.7	29.1	10,240.2	45.4
<b>Number</b>	284	255	244	29	11.4	40	16.4

## Real Estate

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### Residential

#### MLS Sales

Calgary's housing market has turned around and is now a buyers market. Home inventories are high, and buyers are reaping the benefits of selection, and are able to negotiate the best sale price and terms.

Month end inventories of single family homes increased from 1,450 in May 2007 to 7,099 as of May 31, 2008, a growth of 390 per cent. Inventories of condominiums rose from 1,173 in May 2007 to 3,308 as of May 31, 2008, an increase of 182 per cent.

Sales of single family homes dropped to 1,368 in May 2008 from 1,995 in May 2007, a 31.4 per cent decrease in numbers. Sales in the more affordable condo market also dropped by 34.9 per cent over the same period, with May 2008 sales of 577 units.

Sales of housing units were down for both single family and condominium markets in the first five months of 2008, compared to the same period in 2007, at 33.9 per cent and 37.6 per respectively. Prices for this period remained about the same as last year for both single family and condominium housing.

The median price of a single family home in May 2008 was \$419,000, a 3.7 per cent drop in price from May 2007, when the median price was \$435,000. Condo prices decreased by 7.5 per cent over the year, with the median sale price dropping to \$285,000 in May 2008, from \$308,000 in May 2007.

Indicator – Calgary area	May 2008	May 2007	YTD Cumulative		YOY Change	
			2008	2007	Number	%
			Number			
<b>Single Family</b>						
Sales	1,368	1,995	6,468	9,775	-627	-31.4%
Median Sale Price (\$)	\$419,000	\$435,000	\$420,000	\$419,900	-\$16,000	-3.7%
<b>Condominium</b>						
Sales	577	887	2,733	4,379	-310	-34.9%
Median Sale Price (\$)	\$285,000	\$308,000	\$290,000	\$292,000	-\$23,000	-7.5%

## Commercial

### Downtown Office

The Calgary downtown office market is strong and continues to be a landlord's market, with vacancy rates more than doubling from 1.8 per cent in Q1 2007 to 4 per cent in Q1 2008, as a result of new supply coming on stream generating negative absorption. Calgary's downtown is the third tightest downtown office market next to Vancouver at 3 per cent and Ottawa at 3.3 per cent. The majority of the new space available is in the form of head lease opportunities, which accounts for 62 per cent of the vacancies.

Average asking lease rates have pulled back slightly in the first quarter of 2008, with an average of \$37.38 per SF. This follows recent rapid increases in lease rates over the past few years.

Indicator - Calgary	Q1 2008	Q4 2007	Q1 2007
Absorption	-188,103	-113,360	858,003
Vacancy Rate	4.0%	3.4%	1.8%

### Suburban Office

The Calgary suburban office market grew as eight new buildings totaling 411,000 square feet, were added to the inventory. Vacancy rates rose for the fourth consecutive quarter to 5 per cent in the first quarter of 2008, from 3.8 per cent at year end 2007, more than doubling the vacancy rate from a year ago.

In spite of high demand for suburban office space and high construction costs, net lease rates have increased marginally. Average asking net lease rates rose by \$0.44 per square foot to \$23.44 per square foot in the first quarter of 2008.

Total suburban office market inventory is expected to top the 16 million square foot plateau set in the first quarter of 2008. More than 2.1 million square feet of completions are scheduled to add to the inventory by year end with a total inventory expected to be over 18 million square feet. Of this new inventory being added in 2008, 71 per cent has been pre-leased.

Indicator - Calgary	Q1 2008	Q4 2007	Q1 2007
Absorption	188,258	55,350	130,779
Vacancy Rate	5.0%	3.8%	2.1%

## Industrial

Calgary's industrial market continues to be active in the first quarter of 2008, with the vacancy rate increasing slightly to 1.2 per cent from 0.6 per cent in the previous quarter. Average asking lease rates have also climbed from 2007, to \$9.43 in the first quarter of 2008, continuing the upward trend due to low vacancy, increased land costs and growing construction costs. There is currently a total of 3.56 million square feet under construction, with only 262,000 square feet of new supply added during the first quarter of 2008. Fully serviced land prices are averaging \$716,000 per acre, while sites with more desirable locations are listed as high as \$1 million per acre.

Indicator - Calgary	Q1 2008	Q4 2007	Q1 2007
Absorption	368,406	181,928	916,848
Vacancy Rate	1.2%	0.6%	1.6%

## Sectoral Analysis – Financial Services

Calgary's financial services sector is a dynamic sector, comprised of banks, investment banking, securities dealers and exchanges, and other financial intermediation activities. The sector includes all six of Canada's major banks, strong regional banks, international investment banks and other financial investment firms, among others. Calgary is Western Canada's financial and business centre with more head offices per capita than any other major Canadian city. The significant concentration of corporate head offices, many with an international focus, provides access to the necessary decision makers, and attracts financial service providers.

While Toronto has traditionally been viewed as Canada's financial centre, the pace of economic growth in Calgary and its strength in the energy sector means that the city has been gaining a reputation as a global financial centre of high regard. A recent article in *The Economist* stated that, "for the first time in a century, Toronto's status as Canada's pre-eminent city is being challenged – the contender is Calgary, the western base of the country's booming energy industry."

The energy sector is one of the most capital intensive sectors of the economy and as a result, all major Canadian financial institutions, and a growing number of global organizations, have offices in Calgary.

Calgary's strength and uniqueness lies in its knowledgeable experience and the sophistication of its workers when it comes to the sell side of the transaction. The continued economic growth in the city will soon add to the amount of assets under management, pushing Calgary to the forefront of global financial centres.

## Employment Growth

Over 22,000 people work in Calgary's financial services industry. From 1998 to 2007, the sector has surpassed the Canadian and Albertan employment growth rates with a 4.6 per cent annual average growth rate. Over the same period, employment growth in the sector was 3.1 per cent for Alberta and 2.3 per cent for Canada. Companies providing financial services are experiencing continued strong demand for their services and therefore continue to need additional employees to service the increased demand.

<b>Financial Services Summary (2007)</b>	
Employment 1998	13,000
Employment 2007	22,700
Jobs Created, 1998-2007	9,700
Average Annual rate of Employment Growth, 1998 - 2007	4.6%
Sector Unemployment Rate, 2007	2.2%
Financial Services Employment as a Proportion of Total Calgary Employment, 2007	3.1%

The following are employment highlights of the various financial services sub-sectors in Calgary:

<b>Average Annual Employment Growth % (1998-2007)</b>			
	<b>Canada</b>	<b>Alberta</b>	<b>Calgary</b>
Monetary Authorities - Central Bank	-	-	-
Credit Intermediation and Related Activities	1.5%	3.0%	5.1%
Securities, Commodity Contracts, and Other Financial Investment and Related Activities	5.5%	6.7%	7.4%
Funds and Other Financial Vehicles	12.5%	-	-
<b>Total of Financial Services Sector</b>	<b>2.3%</b>	<b>3.1%</b>	<b>4.6%</b>
- data suppressed by Statistics Canada			

Sub Sector	1998 employment	2007 employment	Jobs Created
Monetary Authorities – Central Bank	-	-	-
Credit Intermediation and Related Activities	9,200	16,400	7,200
Securities, Commodity Contracts, and Other Financial Investment and Related Vehicles	3,800	6,300	2,500
Funds and Other Financial Vehicles	-	-	-
<b>Total</b>	<b>13,000</b>	<b>22,700</b>	<b>9,700</b>
- data suppressed by Statistics Canada			

Almost 79 per cent of the 12,300 jobs created in the sector in Alberta over the past 10 years were in the Calgary Region. Over this period, Calgary's unemployment rate in the sector averaged 1.6 per cent, and at the end of 2007 it was 2.2 per cent.

### Business Establishments

Over 1,200 companies with employees in the financial services sector operate in Calgary, an increase of 3.9 per cent in the past five years.

Year	Business Establishments
2003	1,247
2004	1,210
2005	1,477
2006	1,548
2007	1,295
<b>Total Growth (%)</b>	<b>3.9%</b>

Small businesses (those with less than 50 employees) dominate this sector of Calgary's economy, representing almost 95 per cent of all financial services companies. This trend is reflective of Calgary's reputation as the small business capital of Canada – the city has the largest concentration of small business among Canadian cities on a per capita basis at 40.2 (per 1,000 population) in 2007. Within the financial services sector, firms operating in the field of Securities, Commodity Contracts and other Financial Investment and Related Activities represent the greatest number of companies with 68.7 per cent of the total.

<b>Business Establishments by number of employees (2007)</b>						
	<b>Total Firms</b>	<b>1 -- 49</b>	<b>50-99</b>	<b>100-199</b>	<b>200-499</b>	<b>500+</b>
Monetary Authorities - Central Bank	1	0	1	0	0	0
Credit Intermediation and Related Activities	390	371	7	2	7	3
Securities, Commodity Contracts, and Other Financial Investment and Related Activities	882	837	20	10	9	6
Funds and Other Financial Vehicles	22	22	0	0	0	0
<b>Total</b>	<b>1,295</b>	<b>1,230</b>	<b>28</b>	<b>12</b>	<b>16</b>	<b>9</b>

For the foreseeable future, the number of business establishments is expected to continue to grow, as financial services companies can expect to benefit from the continuing economic growth in Calgary and Alberta, and increase demand for financing, banking, investment advising, wealth management and other financial services. The influx of new residents and new companies translates into new demand. Indeed, several established firms are looking for locations to open new branches. A number of foreign financial institutions and banks have established their presence in Calgary, including Société Générale, UBS, and Goldman Sachs, further defining Calgary's role as Western Canada's financial centre.

### **Canada's New Financial Capital**

Rapid growth in Calgary and Alberta demands new business and community infrastructure, and requires the support of a large amount of investment, providing financial services companies with abundant opportunities for their products and services. Continued strength in Calgary's overall economy, particularly in the energy sector, has continued to drive strong performance in the financial services segment. Calgary has emerged as the financial and head office centre for the Canadian energy industry. No other centre in Canada has such a large concentration of activity in one industry as Calgary does. Every part of the energy sector's value chain has a significant presence in Calgary, and as a result, a strong financial community has emerged to address the needs of all parts of the energy sector.

Thanks to the large amount of capital spending and the velocity of deal flow that is unique to the energy sector, Calgary is quickly being recognized as more than just Canada's energy capital – it is also becoming a financial services centre. All of this means that Calgary financial companies are recognized as being at the forefront of financing expertise and knowledge. Oil and gas companies from all over the world come to Calgary to look for investment assistance and capital, and they're not just getting it

from Canadian companies – foreign businesses will often come to Calgary for financing, and assistance with financing, as opposed to other larger centres because of the experience and expertise that exists in Calgary.

Beyond the capital-intensive oil and gas industry, Calgary is also home to incredible individual wealth, which is beneficial to the financial services retail market. In 2007, Calgary's labour force boasted the highest personal income per capita in Canada at \$57,940 per employee, and represents the highest average annual growth over the past 10 years at 5.3 per cent. Calgary also has the highest number of millionaires in Canada on a per capita basis, at 182.6 per 100,000 population. As of 2005, 42.4 per cent of Calgary families had Calculated Financial Assets (CFA), resulting in 212,110 Calgary families generating an investment total of \$121.8 billion, an average of \$574,128 per family with CFA. This exceeds both the provincial (\$464,864) and national (\$283,100) averages.

## **2008 – Outlook**

It is not just one factor that makes a financial centre successful, but a combination of factors. Calgary certainly has many of the key factors – proven economic growth, an industry base that continues to diversify, a high concentration of head offices, an internationally renowned securities market and regulatory system, individual wealth, and an experienced pool of talent. Due to the experience of those working in the oil and gas sector, as well as the safety net that the sector provides, Calgary has an underlying asset base that can translate across all financial services.

The sell side of Calgary's financial services sector has shown itself to be incredibly strong and diverse and has been recognized internationally for its knowledgeable experience and number of successful deals. The city is becoming more competitive in its ability to attract both the capital and the people needed to make deals happen, as exemplified by a recent report by the Toronto Financial Services Alliance, which stated that Calgary is "attracting available resources and potentially diminishing Toronto's eminence as the financial centre of the nation."

Despite Calgary's position as Western Canada and Alberta's financial centre, there is still room to grow. Significant opportunity exists for Calgary to leverage the existing capital flows from the energy sector and broaden capital availability and expertise across all sectors to become Canada's financial capital, as well as a global capital epicentre. Given the size and importance of the financial services in Calgary, the sector warrants focused attention and resources aimed at maximizing long-term growth and competitiveness. There are two main requirements to meet this goal: first, there is a need to increase the activity on the buy side of the deal (assets under management); and secondly, the sell side needs diversification beyond energy. These two things will work to create a diverse capital centre that is globally recognized and competitive.

**Sources:**

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Toronto Financial Services Alliance

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