

Calgary as a Magnet city

By Katie Emond

This past January, the Conference Board of Canada released its “City Magnets” report, which benchmarked the attractiveness of 50 Canadian cities. The premise of the report is cities that fail to attract new people will struggle to stay prosperous and vibrant. The report analyzed 50 of Canada’s largest cities weighing in on 41 indicators – grouped in seven categories – that make Canadian cities attractive to mobile populations.

Calgary was named one of the most attractive cities to migrants, receiving three A grades. Calgary received an A grade in the economy category, which looked at traditional measures such as GDP growth, employment and unemployment rates, and income. But looking back at 2010 and forward into 2011, would most Calgarians agree with this assessment? Is Calgary’s economy still one of the strongest in Canada? And if not, when will it recover?

This year, the annual Calgary Economic Development business survey asked Calgary businesses how large of an impact they felt the downturn had been on Calgary’s economy. The majority (56 per cent) indicated that the downturn had a moderate impact, while 35 per cent felt it had a major impact. Only eight per cent felt that the downturn had a minor impact on the city’s economy. When asked about how the economy will perform in the next 12 months, 38 per cent of respondents indicated that they expect it will grow, while 52 per cent indicated that they expect it to stay the same.

Overall, businesses are still concerned about economic conditions, however, negative sentiment regarding an outlook on the economy has dropped significantly this year. Over the last 12 months Calgary businesses have started to show signs that they are feeling more realistic and cautiously optimistic about Calgary’s economy and their own place of business. The hard numbers also seem to reflect this sentiment of recovery – oil prices have nearly doubled from their lows of 2009, which bodes well for profitability and investment in the sector. While investment in the oil sands was still far below the hectic pace of 2008 when capital spending reached approximately \$24 billion, spending in 2010 kept pace with last year, with estimated capital spending this year expected to be just under \$14 billion. As part of its crude oil forecast the Canadian Association of Petroleum Producers has indicated that in 2010 and beyond, thanks to more robust commodity prices and market demand, projects that were deferred in the past two years will return to active development.

Foreign direct investment (FDI) is playing a major role in some of this sector recovery. China in particular is becoming a key investment partner, injecting approximately \$8.9 billion of FDI into Canada’s economy and taking other steps to show its commitment to the Canadian economy. In addition, Cathay Pacific and WestJet have entered into a code-share agreement to service several

Canadian destinations, including Calgary. Over the past 12 months, Asian companies have invested more than \$11 billion into Canada's energy sector.

As an overall measure of the economy in Calgary, GDP tells the story. Calgarians certainly felt 2009's negative growth at -4.5 per cent. For 2010, the Conference Board of Canada is forecasting economic growth in Calgary at 3.5 per cent with 2011 forecast to be 3.8 per cent. This forecast puts Calgary's GDP growth in 2011 above the rates forecast for Toronto, Ottawa-Gatineau, Montreal, Vancouver and Edmonton.

One issue that could interfere with the road to recovery is the job market. Unemployment rates in Calgary remain high, at approximately 6.9 per cent as of September 2010, which is unchanged from the same time last year. Moving into 2011 it is forecast that the unemployment rate will drop slightly to 6.7 per cent, but this is not a change that will be noticeable to the average Calgarian. Time and patience are the words to remember when it comes to looking for work. That said, there is still reason for optimism as employment insurance beneficiaries have dropped sharply from their high in August 2009, a trend that is expected to continue. Respondents to CED's business survey also indicated that moving into the new year they are planning on either maintaining staffing levels (51 per cent) or planning on hiring in the next 12 months (32 per cent).

With inherent optimism among Calgary business leaders as well as available talent, office space and natural resources in 2011, Calgary aims to live up to its standing as a magnet city for people and business.