

The most severe global recession in sixty years is nearing an end...

- Thanks to prompt and aggressive action by global monetary and fiscal authorities, global financial conditions have improved significantly. There are now increasing signs that the global economic recession is nearing an end.
 - » Economic growth is expected to resume in the second half of 2009 in Canada and the US. Growth has accelerated in China and India, while growth has resumed in Japan, France and Germany.
 - » Inflation remains well contained, allowing monetary authorities to keep interest rates at the current historically low levels.
- Oil prices have rebounded in response to large production cuts from OPEC and reduced uncertainty about the global economy. After hitting a multi-year low of US\$33.87/bbl in December 2008, oil prices are currently trading around US\$70/bbl. Oil prices are now expected to average US\$61/barrel in 2009-10, up from US\$55.50/barrel in the budget forecast.
- Natural gas prices have weakened due to low US industrial demand and high North American inventories. The Alberta Gas Reference Price is now expected to average C\$3.75/GJ, down from C\$5.50/GJ in the budget forecast.
- Higher oil prices and a weaker US dollar have contributed to the recent appreciation of the Canadian dollar. The Canadian dollar is now expected to average 89.4 US cents in 2009-10, compared to 83.4 US cents forecast in the budget.

Alberta's 2009 economic performance in line with Canada's...

- After shrinking 0.2% in 2008, the Alberta economy is now expected to contract by an additional 2.5% in 2009. This is weaker than the 2% contraction forecast in the budget, due to significantly weaker housing starts and consumer spending in the first half of the year. However, recent housing and consumer indicators are improving:
 - » Since bottoming out at 11,900 units in March 2009, housing starts have risen to an annualized rate of 17,600 units in July.
 - » Low interest rates and improved affordability have improved the market for existing homes. Average resale activity and prices have been rising on a monthly basis since January.
 - » Retail sales have also risen on a monthly basis since April.
- Job losses moderated from an average of almost 12,000 per month in the first quarter of 2009 to 350 per month between April and July. Average Alberta employment in 2009 is now forecast to average 1,991,000 over the year, down 22,000 (1.1%) from the 2008 average of 2,013,000. This is a larger decline than the 15,000 forecast at budget.
- The 2009 unemployment rate forecast has been revised up to 6.6% from 5.8% in the budget primarily because of stronger labour force growth reflecting higher-than-expected interprovincial migration.
- Given strong inflows of interprovincial migrants, Alberta's population growth is projected to be 2.4% compared to the budget forecast of 1.9%. This, along with healthy wage growth, should support the recovery in the housing market and consumer spending in the near term.

- Cost pressures have eased within the province:
 - » Alberta is no longer the inflation leader among the provinces. Alberta's annual CPI inflation rate was -1.6% in June, the lowest rate among provinces. The decline was largely caused by a drop in house prices and energy prices from last year's high levels.
 - » Non-residential construction costs were down 6.3% in the first half of 2009 compared to the same period in 2008.
- Alberta's economic contraction in 2009 is expected to be roughly in line with the national average. According to a recent survey of private sector forecasters, Saskatchewan is the only province expected to post positive growth in 2009. Newfoundland and Labrador and Ontario are expected to experience the most severe economic contractions.

