

# Information Bulletin

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## ATB FINANCIAL BUSINESS SENTIMENTS INDEX™

WHERE IS THE ALBERTA ECONOMY GOING?  
2008 QUARTER 3

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## Methodology

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These Indexes are based on responses to a telephone survey of business firms, equally distributed between North and South Alberta, in key driving sectors of the economy. The Q2 2008 survey sampled 406 firms between May 26 and June 4, 2008. Figures in parentheses are the number of respondents from each sector or region included in the sample.

The distribution of respondents by sector is as follows:

- oil and gas exploration and development (67)
- construction (67)
- manufacturing (67)
- transportation and warehousing (68)
- wholesaling (67)
- professional and technical services (67)

The geographical distribution of respondents is as follows:

- North Alberta excluding Edmonton (67)
- Edmonton/Red Deer (136)
- South excluding Calgary (67)
- Calgary (133)

The ATB Financial Business Sentiments Index™, the Activity Index and the Hiring Intentions Index are constructed as follows:

Take the difference between the percentage of positive and negative responses to questions about current and future sales and employment requirements, *i.e.* percent stating 'increase' minus percent stating 'decrease'.

Convert the results to an index measure, *i.e.* add 100 to the percentage difference. Combine the weighted index of responses from each sector to obtain a composite index.

To interpret the results:

Growth in the economy if the Index is greater than 100.

An economy in neutral if the Index is at 100.

Decline in the economy if the Index is below 100.

The higher the value of the Index, the stronger is the sentiment for expansion. The ceiling value of the index is 200 (all respondents expect increase) and the floor value is zero (all respondents expect a decrease).

The sample has a margin of error of plus or minus 5%.

## Where is the Alberta Economy Going?<sup>1</sup>

| Business Sentiments Index™<br>Q3 2008 | Business Activity Index<br>Q2 2008 | Business Hiring Index<br>Q3 2008 |
|---------------------------------------|------------------------------------|----------------------------------|
| 141.1 ▲                               | 116.1 ▼                            | 131.2 ▼                          |

### Quarterly Highlights

The increase in the ATB Financial Business Sentiments Index™ this quarter was driven by a large upsurge in the oil and gas sector in Northern Alberta.

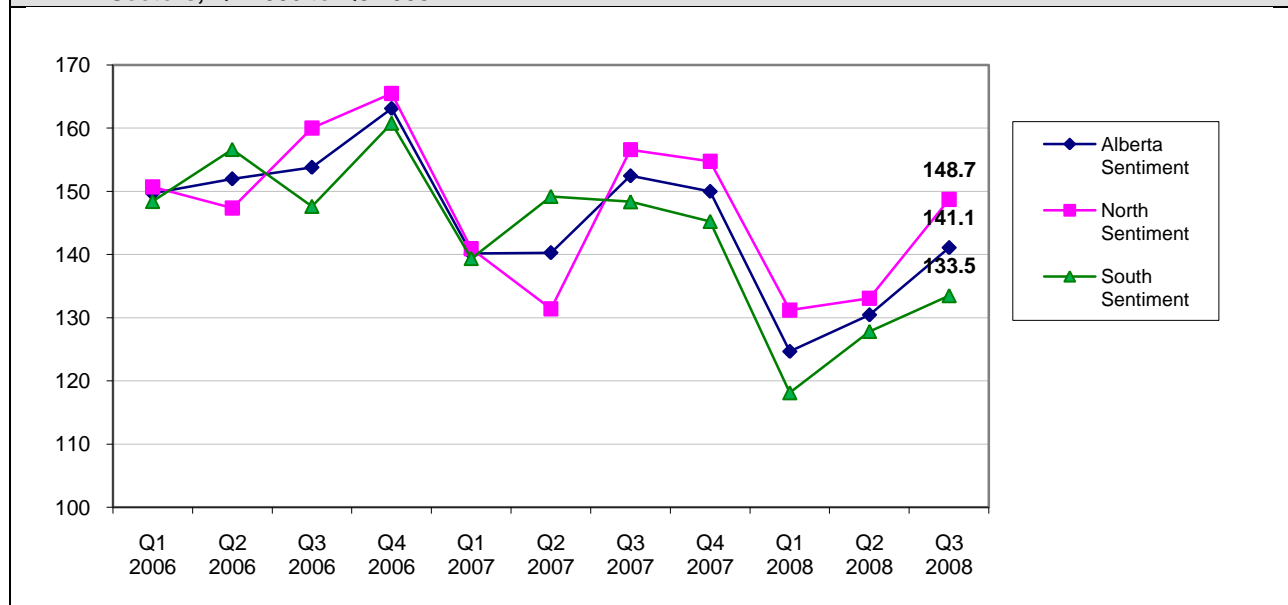
Although the business activity index and the business hiring index are down from the previous quarters, the three indices combined suggest continued strong economic performance in both Northern and Southern Alberta.

### Feature Figure

The ATB Financial Business Sentiments Index™ (BSI) stands at 141.1 for Q3/2008. This compares with 130.5 in Q2 2008, 153.8 in Q3 2006 and 152.5 in Q3 2007.

For Q3 2008 the spread between the BSI of 149 for Northern Alberta compared with 134 for Southern Alberta continues a pattern that first became evident in Q3 2007.

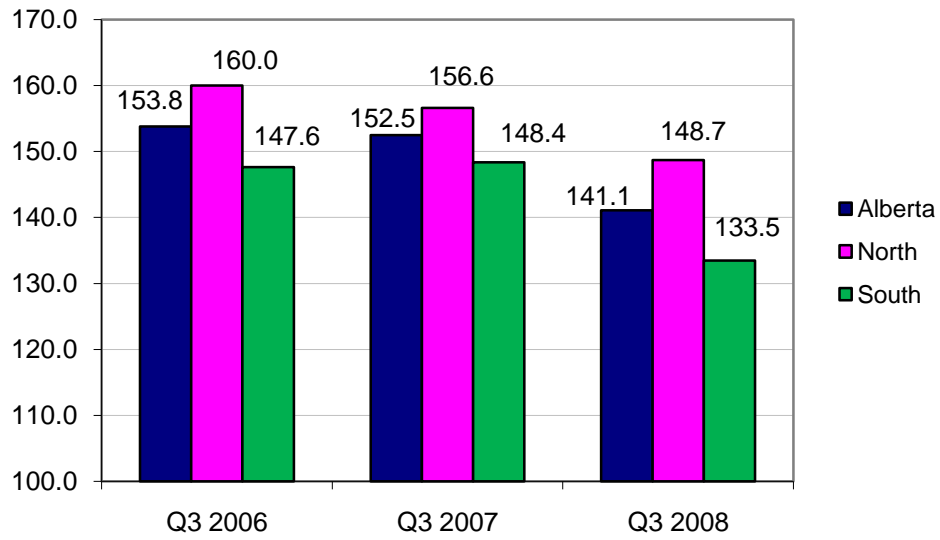
**1. ATB Financial Business Sentiments Index™ by Provincial Region, All Sectors, Q1 2006 to Q3 2008**



Source: WCER

<sup>1</sup> Please see Appendix A for data tables. Please contact the Western Centre for Economic Research if more detail is required.

**2. ATB Financial Business Sentiments Index™ by Provincial Region,  
Quarter 3 of 2006/2007/2008, All Sectors**

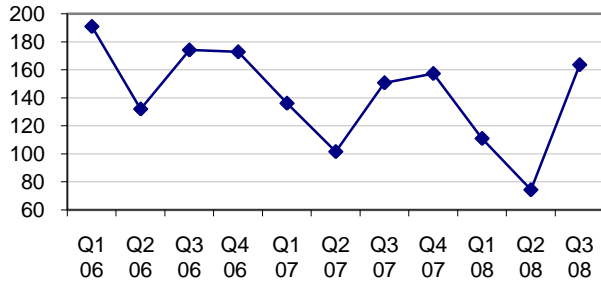


Source: WCER

## Business Sentiment Indexes – Sector Analysis

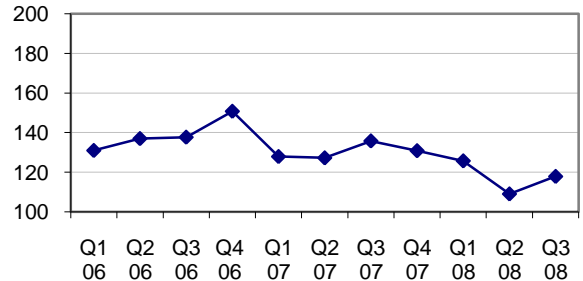
### 3. Oil & Gas Sector

All Regions, Q1 2006 to Q3 2008



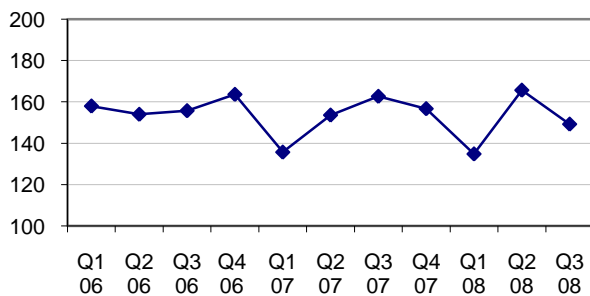
### 4. Construction Sector

All Regions, Q1 2006 to Q3 2008



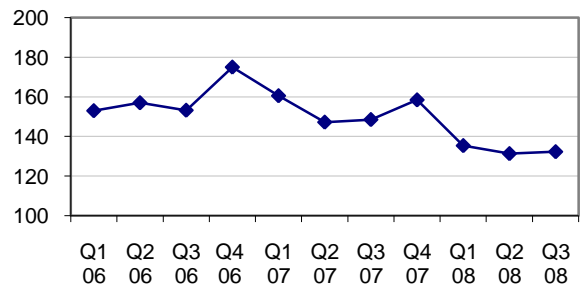
### 5. Manufacturing Sector

All Regions, Q1 2006 to Q3 2008



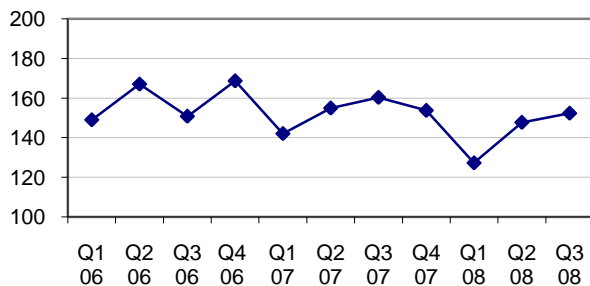
### 6. Professional & Technical Services Sector

All Regions, Q1 2006 to Q3 2008



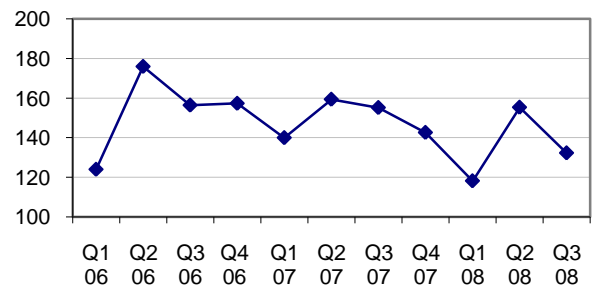
### 7. Transportation & Warehousing Sector

All Regions, Q1 2006 to Q3 2008



### 8. Wholesale Sector

All Regions, Q1 2006 to Q3 2008

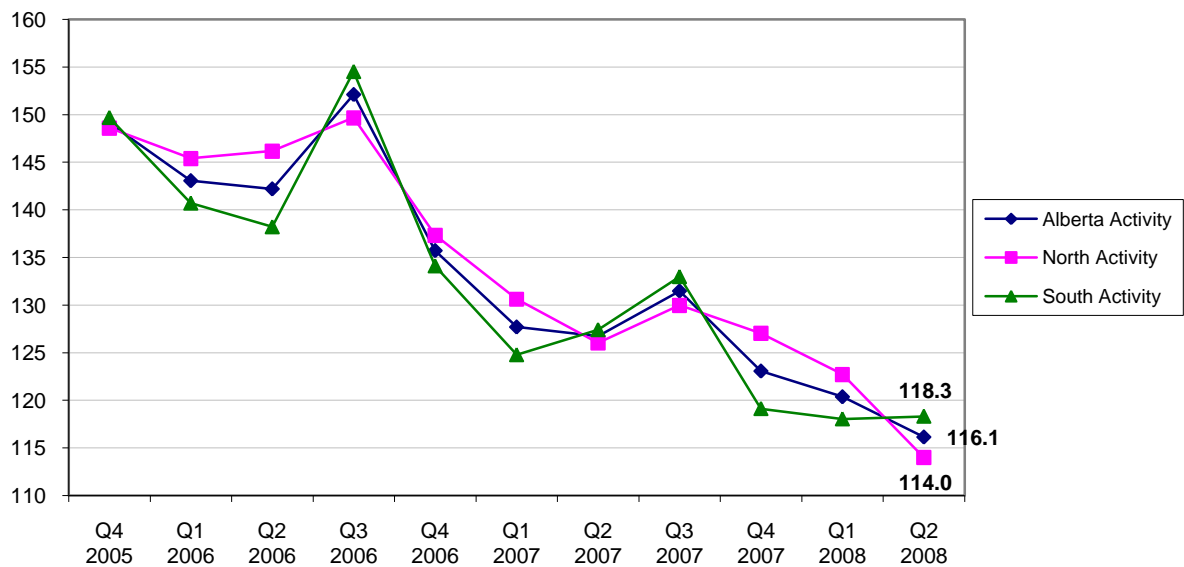


Source: WCER



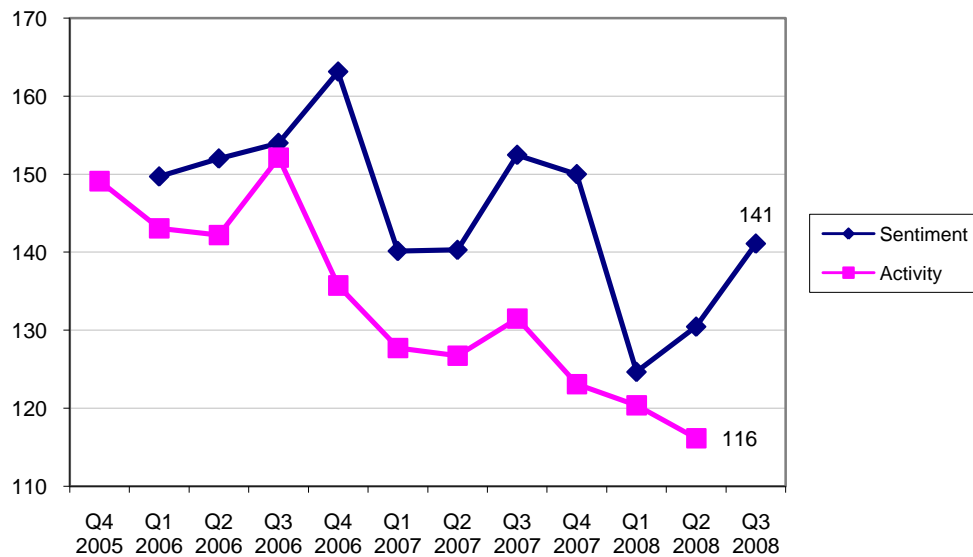
## Business Activity Index

### 9. Business Activity Index by Region, Q4 2005 to Q2 2008



Source: WCER

### 10. Business Activity Index vs. Business Sentiments Index™ All Regions, All Sectors, Q4 2005 to Q3 2008

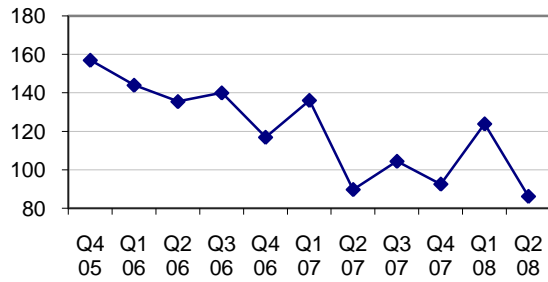


Source: WCER

## Business Activity Index – Sector Analysis

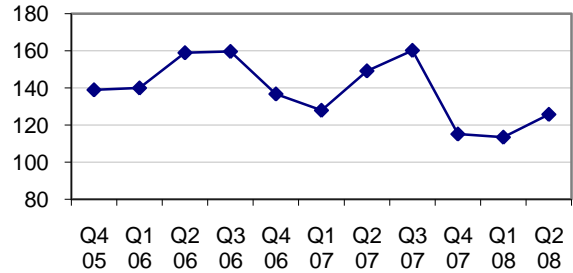
### 11. Oil & Gas Sector

All Regions, Q4 2005 to Q2 2008



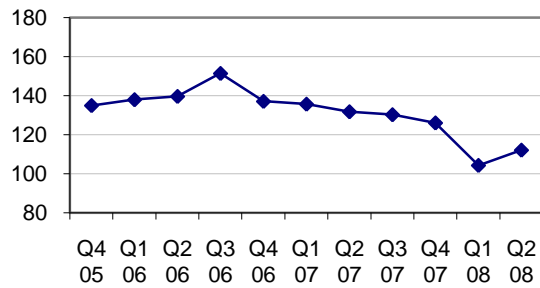
### 12. Construction Sector

All Regions, Q4 2005 to Q2 2008



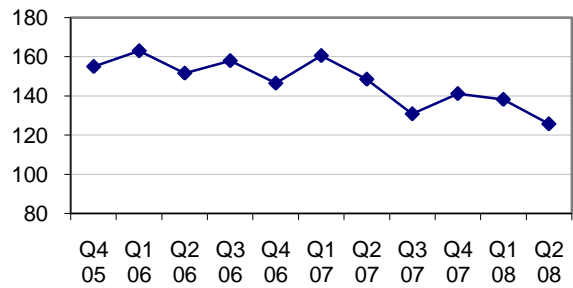
### 13. Manufacturing Sector

All Regions, Q4 2005 to Q2 2008



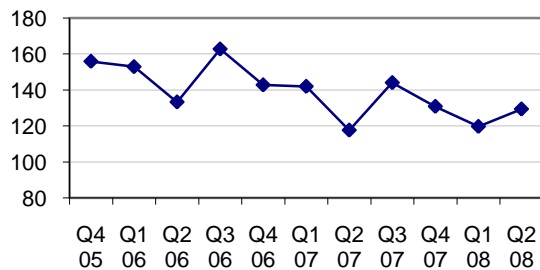
### 14. Professional & Technical Services Sector

All Regions, Q4 2005 to Q2 2008



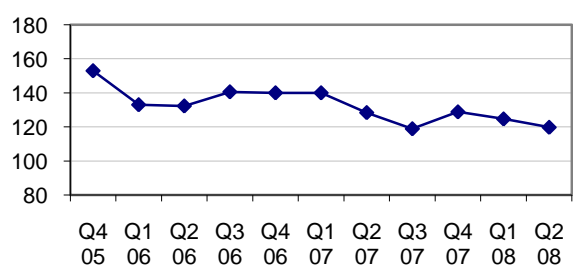
### 15. Transportation & Warehousing Sector

All Regions Q4 2005 to Q2 2008



### 16. Wholesale Sector

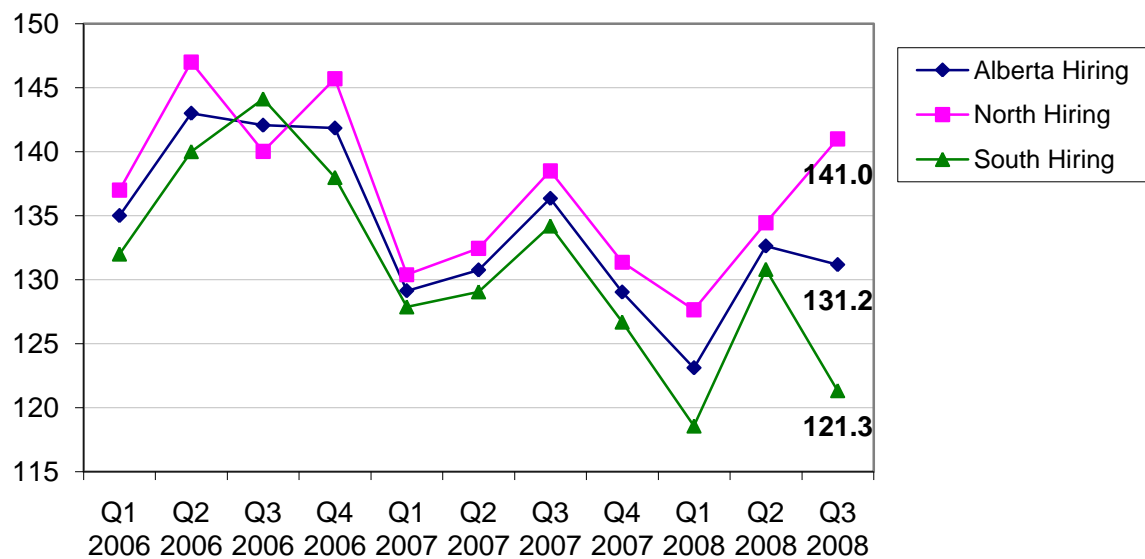
All Regions, Q4 2005 to Q2 2008



Source: WCER

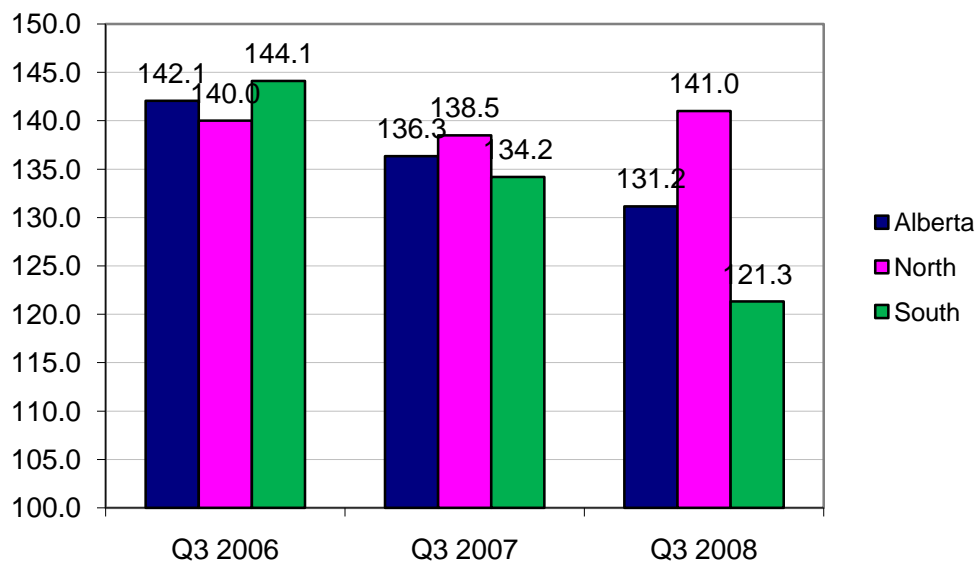
## Business Hiring Intentions

17. Business Hiring Intentions by Region, All Sectors, Q1 2006 to Q3 2008



Source: WCER

18. Business Hiring Intentions All Sectors, Q3 2006, Q3 2007 and Q3 2008 by Region

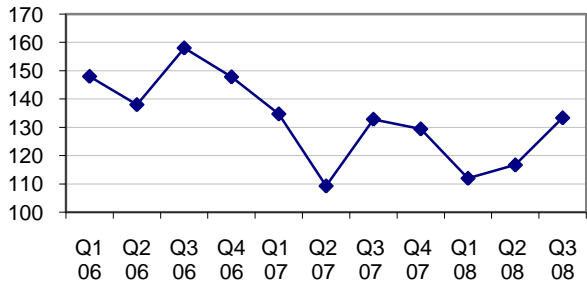


Source: WCER

## Business Hiring Intentions – Sector Analysis

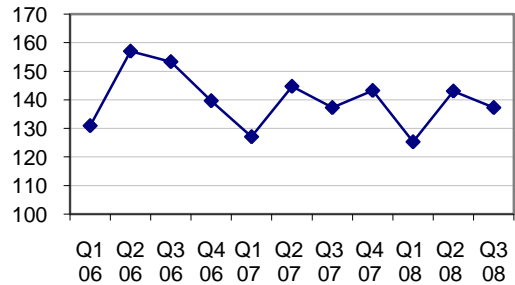
### 19. Oil & Gas Sector

All Regions, Q1 2006 to Q3 2008



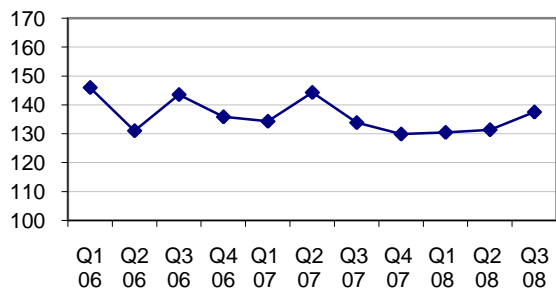
### 20. Construction Sector

All Regions, Q1 2006 to Q3 2008



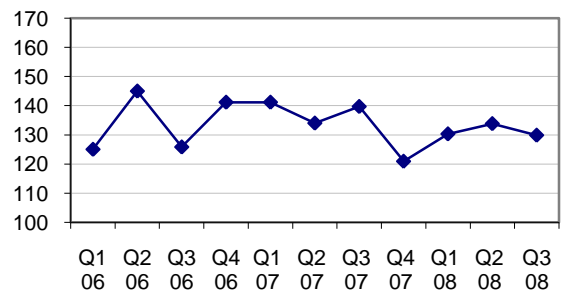
### 21. Manufacturing Sector

All Regions, Q1 2006 to Q3 2008



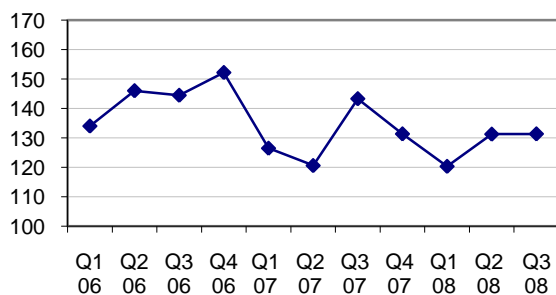
### 22. Professional & Technical Services Sector

All Regions, Q1 2006 to Q3 2008



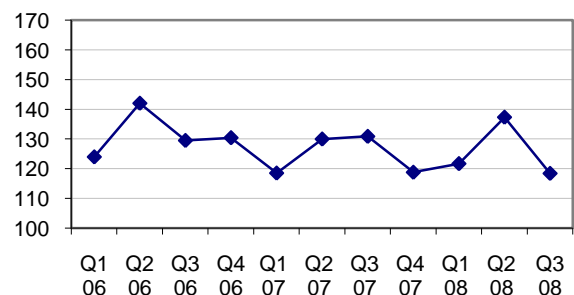
### 23. Transportation & Warehousing Sector

All Regions, Q1 2006 to Q3 2008



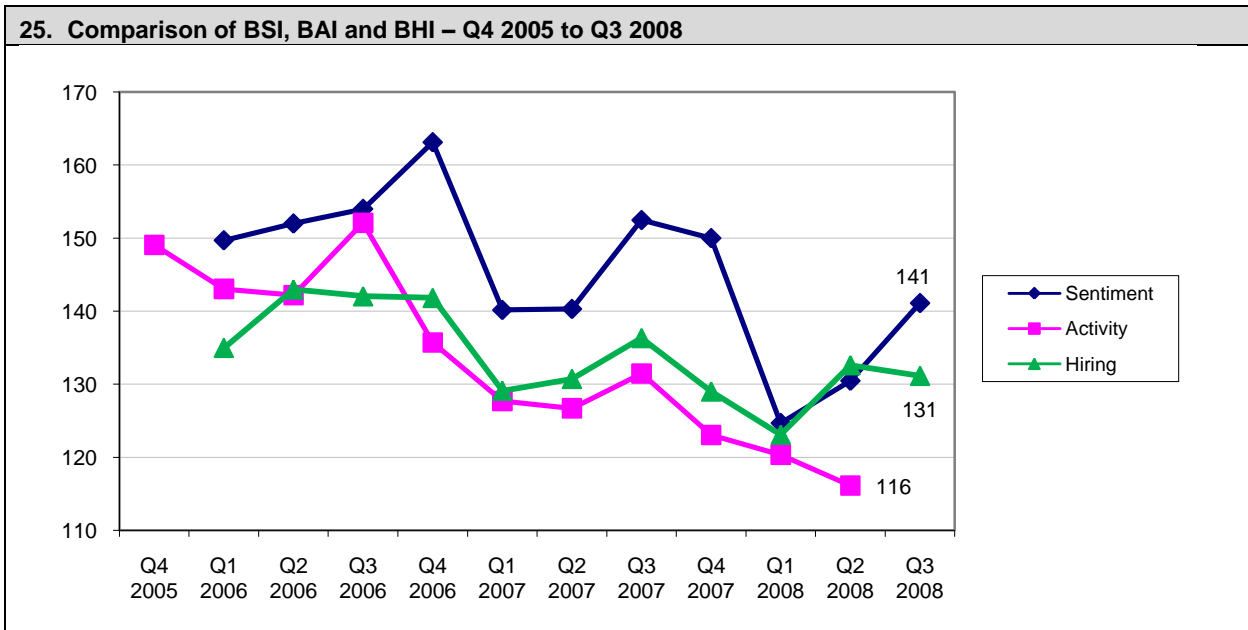
### 24. Wholesale Sector

All Regions, Q1 2006 to Q3 2008

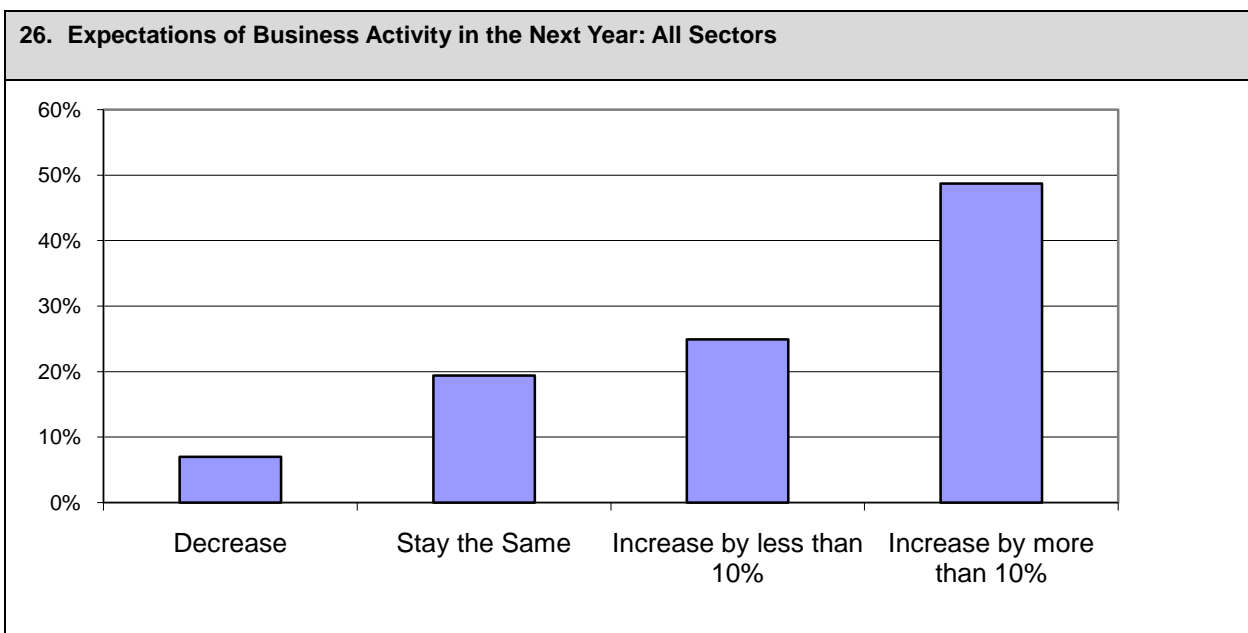


Source: WCER

Figure 25 shows a comparison of the three indicators since the inception of the BSI survey in 2006. Respondents generally have higher expectations (BSI) for their businesses' activity than what occurs (BAI). It is interesting to note that, for the most part, the hiring index follows the trend of the BSI but remains near the level of the BAI. Despite a general trend of optimism for the future, hiring intentions appear to be more closely tied to business activity. The divergence between activity and hiring in the last quarter occurred because of a spike in hiring intentions in North Alberta over the past two quarters.



Source: WCER



Source: WCER

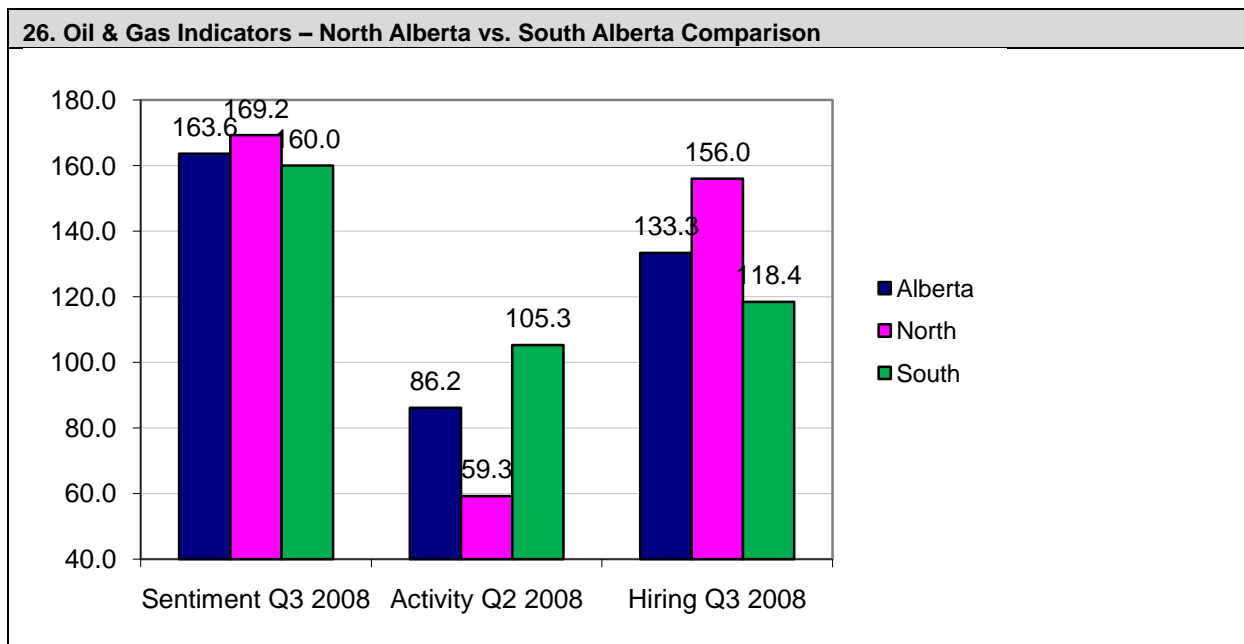
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## More on Industry Sectors

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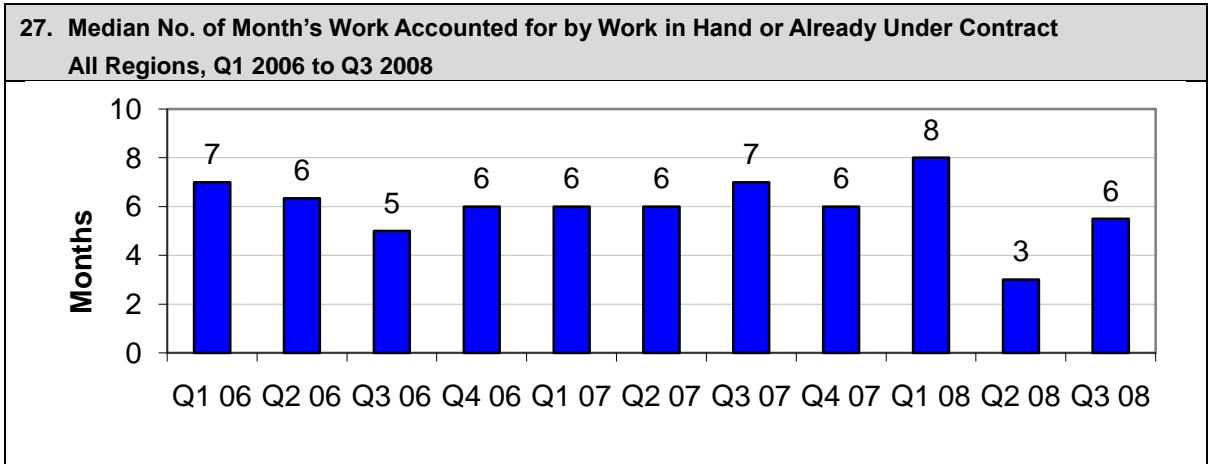
### Oil & Gas

- In the coming Q3 2008, 67% expect an increase in the BSI, while only 3% expect a decrease.
- 40% expect to increase hiring in Q3 2008, while 6% expect to decrease hiring in Q3 2008.
- 37% indicated activity levels decreased in Q2 2008, while 23% indicated activity levels increased.



### Construction

- 33% expect an increase in the BSI over the next quarter, while 15% expect a decrease.
- 51% expect no change in hiring levels, while 33% expect to increase hiring over the next quarter.
- 39% experienced increased activity in Q2 2008, compared to 14% who experienced a decrease in activity.



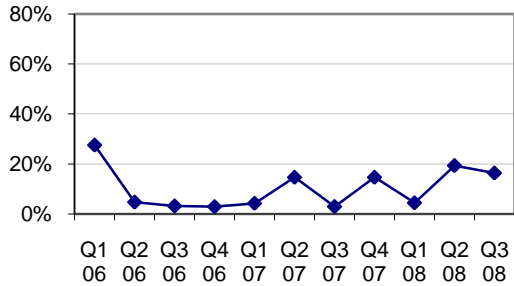
Source: WCER

Our survey also asks about potential bottlenecks in the Construction industry including: shortage of labour, weather conditions, insufficient demand, shortages of construction material or equipment, financial constraints, land availability, and other factors. Labour shortage, in particular skilled labour, continues to be the main bottleneck, as it has been every quarter since the BSI's inception. Other factors identified by respondents are the more sluggish conditions in the housing market and the bad weather conditions.

## Construction Sector Bottlenecks

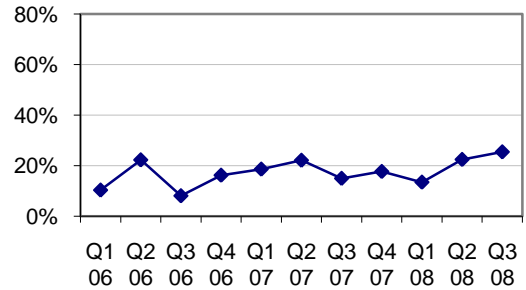
### 28. Insufficient Demand

All Regions, Q1 2006 to Q3 2008



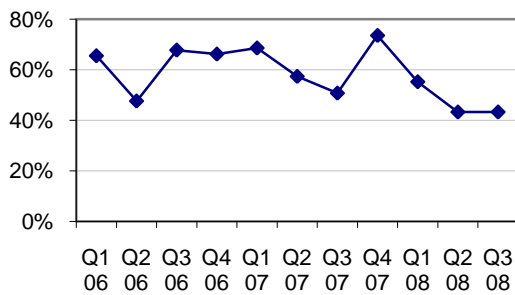
### 29. Weather Conditions

All Regions, Q1 2006 to Q3 2008



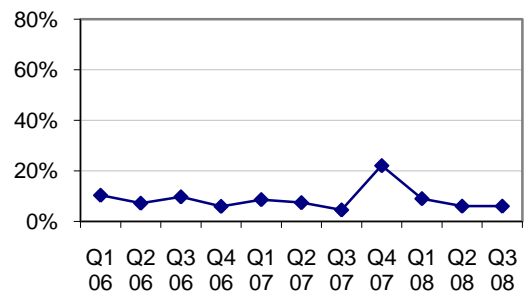
### 30. Shortage of Labour

All Regions, Q1 2006 to Q3 2008



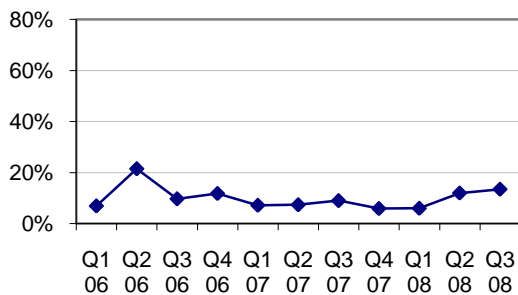
### 31. Shortage of Material and/or Equipment

All Regions, Q1 2006 to Q3 2008



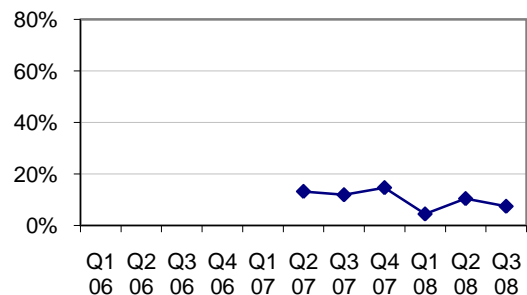
### 32. Financial Constraints

All Regions, Q1 2006 to Q3 2008



### 33. Land Availability\*

All Regions, Q2 2007 to Q3 2008



\* Collection of Land Availability data began in Q2 2007

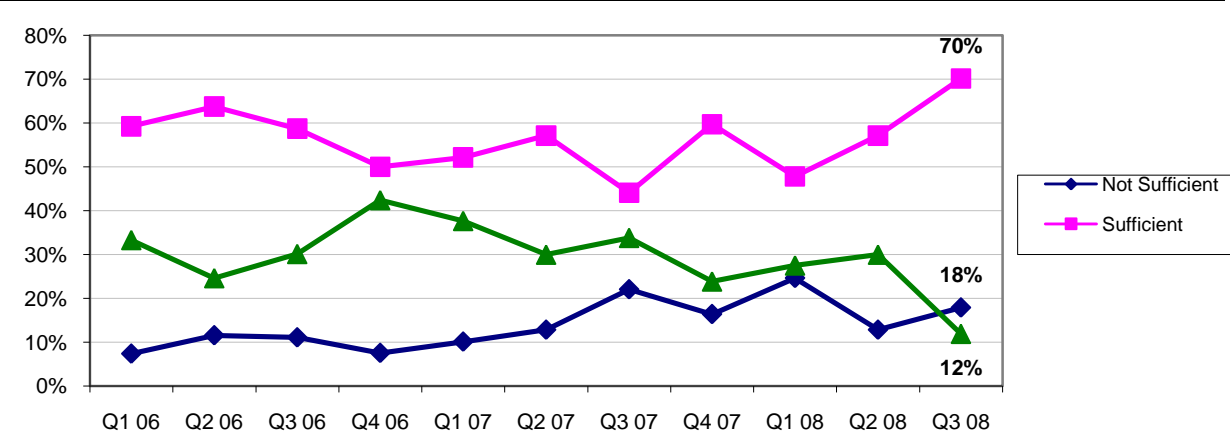
Source: WCER



### Manufacturing

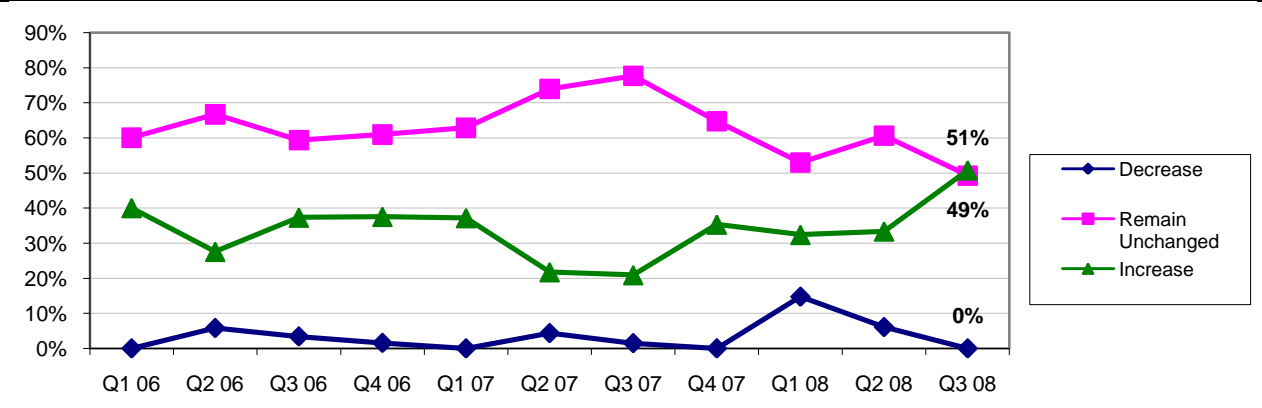
- 60% expect increased production runs in Q3 2008, down from 72% last quarter.
- 44% expect to increase employment over the next quarter, while only 6% expect to decrease employment.
- 39% experienced increased production in Q2 2008, while 27% experienced a decrease.
- 78% had sufficient stock of finished products.

**34. Orders on Hand, Manufacturing Sector, All Regions, Q1 2006 to Q3 2008**



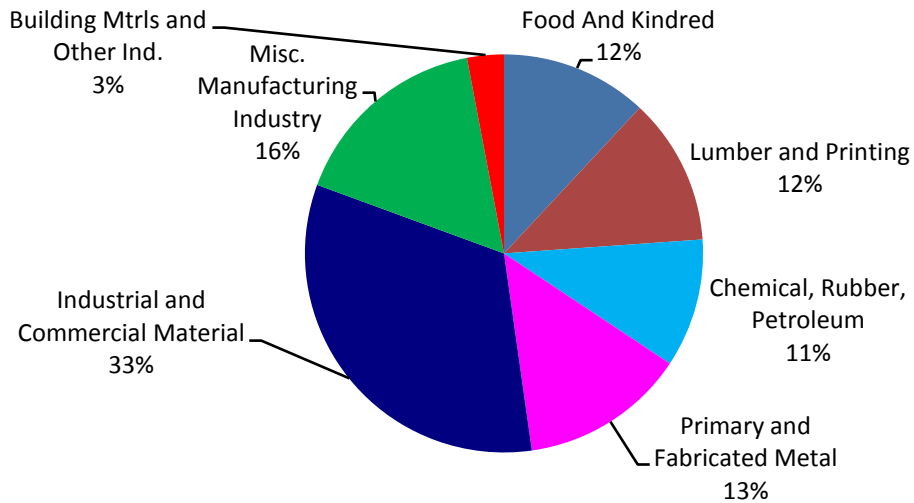
Source: WCER

**35. Price Expectations, Manufacturing Sector, All Regions, Q1 2006 to Q3 2008**



Source: WCER

### 36. Manufacturing Type by 2-Digit SIC Category – Q3 2008



#### Professional and Technical Service

- 43% expect demand to increase in Q3 2008; 46% expect no change.
- 31% anticipate increasing employment; 67% expect no change in Q3 2008.
- 42% experienced increased activity in Q2 2008.

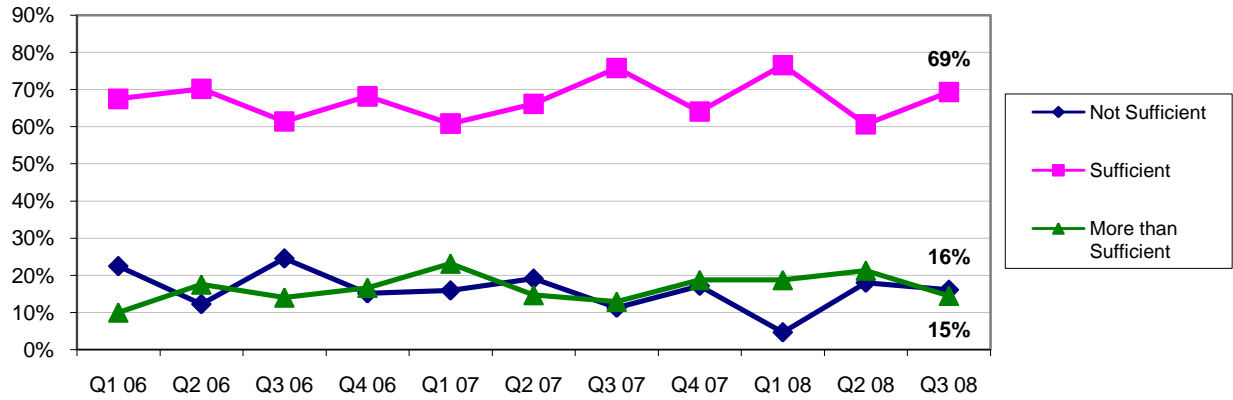
#### Transportation/Warehousing

- 65% expect business to increase in Q3 2008.
- 36% plan to increase employment in Q3 2008, while 60% see no change ahead.
- 46% experienced increased demand in Q2 2009.

#### Wholesalers

- 52% expect increased sales in Q3 2008.
- 26% expect to increase employment
- 44% recorded sales increases in Q2 2008
- 69% thought inventory sufficient.
- 45% expect to increase orders with suppliers in Q3 2008.

**37. Firms' Satisfaction with Current Inventory Levels**  
**Wholesale Sector, All Regions, Q1 2006 to Q3 2008**



Source: WCER

## Appendix A – Data Tables

| Respondent Distributions by Region vs. Sector |       |          |         |       |       |
|---|-------|----------|---------|-------|-------|
|   | North | Edmonton | Calgary | South | Total |
| Construction                                  | 14    | 16       | 28      | 9     | 67    |
| Manufacturing                                 | 11    | 34       | 14      | 8     | 67    |
| Professional & Technical                      | 10    | 19       | 23      | 15    | 67    |
| Transportation & Warehousing                  | 10    | 29       | 18      | 11    | 68    |
| Wholesale                                     | 11    | 22       | 23      | 11    | 67    |
| Oil & Gas                                     | 11    | 16       | 27      | 13    | 67    |
| Total   | 67    | 136      | 133     | 67    | 403   |

| Business Sentiments Index by Region vs. Sector |       |       |       |
|--|-------|-------|-------|
|  | North | South | All   |
| Construction                                   | 116.7 | 118.9 | 117.9 |
| Manufacturing                                  | 151.1 | 145.5 | 149.3 |
| Professional & Technical                       | 148.3 | 119.4 | 132.3 |
| Transportation & Warehousing                   | 167.6 | 132.1 | 152.3 |
| Wholesale                                      | 139.4 | 125.0 | 132.3 |
| Oil & Gas                                      | 169.2 | 160.0 | 163.6 |

| Business Activity Index by Region vs. Sector |       |       |       |
|--|-------|-------|-------|
|  | North | South | All   |
| Construction                                 | 124.1 | 127.0 | 125.8 |
| Manufacturing                                | 104.5 | 127.3 | 112.1 |
| Professional & Technical                     | 124.1 | 127.0 | 125.8 |
| Transportation & Warehousing                 | 138.5 | 117.2 | 129.4 |
| Wholesale                                    | 133.3 | 106.1 | 119.7 |
| Oil & Gas                                    | 59.3  | 105.3 | 86.2  |

| Business Hiring Intentions by Region vs. Sector |       |       |       |
|---|-------|-------|-------|
|   | North | South | All   |
| Construction                                    | 143.3 | 132.4 | 137.3 |
| Manufacturing                                   | 147.7 | 115.0 | 137.5 |
| Professional & Technical                        | 141.4 | 121.1 | 129.9 |
| Transportation & Warehousing                    | 133.3 | 128.6 | 131.3 |
| Wholesale                                       | 124.2 | 112.5 | 118.5 |
| Oil & Gas                                       | 156.0 | 118.4 | 133.3 |

| <b>Business Sentiments Index by Quarter vs. Sector</b> |            |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Q1<br>2007 | Q2<br>2007 | Q3<br>2007 | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Q3<br>2008 |
| Construction   | 131        | 137        | 137.7      | 150.8      | 127.9      | 127.3      | 135.8      | 130.9      | 125.8      | 109.1      | 117.9      |
| Manufacturing  | 158        | 154        | 155.7      | 163.6      | 135.7      | 153.6      | 162.7      | 156.7      | 134.8      | 165.7      | 149.3      |
| Professional & Technical                               | 153        | 157        | 153.2      | 175.0      | 160.6      | 147.2      | 148.5      | 158.5      | 135.4      | 131.3      | 132.3      |
| Transportation & Warehousing                           | 149        | 167        | 150.8      | 168.7      | 142.0      | 154.9      | 160.3      | 153.7      | 127.3      | 147.7      | 152.3      |
| Wholesale  | 124        | 176        | 156.5      | 157.4      | 140.0      | 159.4      | 155.2      | 142.6      | 118.2      | 155.4      | 132.3      |
| Oil & Gas  | 191        | 132        | 174.2      | 172.9      | 136.1      | 101.5      | 150.7      | 157.4      | 110.9      | 74.2       | 163.6      |

| <b>Business Sentiments Index by Quarter vs. Region</b> |            |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Q1<br>2007 | Q2<br>2007 | Q3<br>2007 | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Q3<br>2008 |
| Alberta  | 149.7      | 152.0      | 153.8      | 163.1      | 140.2      | 140.3      | 152.5      | 150.0      | 124.7      | 130.5      | 141.1      |
| North  | 150.7      | 147.3      | 160.0      | 165.5      | 140.9      | 131.4      | 156.6      | 154.8      | 131.2      | 133.1      | 148.7      |
| South  | 148.4      | 156.6      | 147.6      | 160.8      | 139.4      | 149.2      | 148.4      | 145.2      | 118.1      | 127.8      | 133.5      |

| <b>Business Activities Index by Quarter vs. Sector</b> |            |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | Q4<br>2005 | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Q1<br>2007 | Q2<br>2007 | Q3<br>2007 | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 |
| Construction   | 157        | 144        | 135.5      | 140.0      | 116.9      | 136.1      | 89.7       | 104.4      | 92.5       | 113.4      | 125.8      |
| Manufacturing  | 139        | 140        | 159.0      | 159.7      | 136.8      | 127.9      | 149.2      | 160.3      | 115.2      | 104.3      | 112.1      |
| Professional & Technical                               | 135        | 138        | 139.7      | 151.5      | 137.1      | 135.7      | 131.8      | 130.3      | 126.1      | 138.2      | 125.8      |
| Transportation & Warehousing                           | 155        | 163        | 151.6      | 158.0      | 146.5      | 160.6      | 148.5      | 130.9      | 141.2      | 119.7      | 129.4      |
| Wholesale  | 156        | 153        | 133.3      | 162.9      | 142.9      | 142.0      | 117.6      | 144.1      | 130.9      | 124.6      | 119.7      |
| Oil & Gas  | 153        | 133        | 132.3      | 140.6      | 140.0      | 140.0      | 128.4      | 118.8      | 128.8      | 123.9      | 86.2       |

| <b>Business Activities Index by Quarter vs. Region</b> |            |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | Q4<br>2005 | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Q1<br>2007 | Q2<br>2007 | Q3<br>2007 | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 |
| Alberta  | 149.1      | 143.1      | 142.2      | 152.1      | 135.7      | 127.7      | 126.7      | 131.5      | 123.1      | 120.4      | 116.1      |
| North  | 148.6      | 145.4      | 146.2      | 149.7      | 137.3      | 130.6      | 126.0      | 130.0      | 127.0      | 122.7      | 114.0      |
| South  | 149.7      | 140.7      | 138.2      | 154.5      | 134.1      | 124.8      | 127.4      | 133.0      | 119.1      | 118.0      | 118.3      |

| <b>Business Hiring Index by Quarter vs. Sector</b> |            |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Q1<br>2007 | Q2<br>2007 | Q3<br>2007 | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Q3<br>2008 |
| Construction                                       | 148        | 138        | 158.1      | 147.8      | 134.7      | 109.2      | 132.8      | 129.4      | 111.9      | 101.5      | 137.3      |
| Manufacturing                                      | 131        | 157        | 153.3      | 139.7      | 127.1      | 144.7      | 137.3      | 143.3      | 125.4      | 131.3      | 137.5      |
| Professional & Technical                           | 146        | 131        | 143.5      | 135.8      | 134.3      | 144.3      | 133.8      | 129.9      | 130.4      | 133.8      | 129.9      |
| Transportation & Warehousing                       | 125        | 145        | 125.8      | 141.2      | 141.2      | 134.0      | 139.7      | 120.9      | 130.3      | 131.3      | 131.3      |
| Wholesale  | 134        | 146        | 144.4      | 152.2      | 126.5      | 120.6      | 143.3      | 131.3      | 120.3      | 137.3      | 118.5      |
| Oil & Gas  | 124        | 142        | 129.5      | 130.4      | 118.6      | 130.0      | 130.9      | 118.8      | 121.7      | 116.7      | 133.3      |

| <b>Business Hiring Index by Quarter vs. Region</b> |            |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Q1<br>2007 | Q2<br>2007 | Q3<br>2007 | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Q3<br>2008 |
| Alberta  | 135.0      | 143.0      | 142.1      | 141.8      | 129.1      | 130.7      | 136.3      | 129.0      | 123.1      | 125.4      | 131.2      |
| North  | 137.0      | 147.0      | 140.0      | 145.7      | 130.4      | 132.4      | 138.5      | 131.4      | 127.6      | 129.8      | 141.0      |
| South  | 132.0      | 140.0      | 144.1      | 138.0      | 127.9      | 129.0      | 134.2      | 126.7      | 118.6      | 121.1      | 121.3      |