

Information Bulletin

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ATB FINANCIAL BUSINESS SENTIMENTS INDEX™

WHERE IS THE ALBERTA ECONOMY GOING?
2009 QUARTER 4

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Methodology

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 Q4 2009 survey sampled 408 firms between August 18th and September 4th, 2009. The survey was conducted by the Population Research Laboratory at the University of Alberta. 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 (70)
- transportation and warehousing (67)
- wholesaling (67)
- professional and technical services (67)

The geographical distribution of respondents is as follows:

- North Alberta excluding Edmonton/Red Deer (69)
- Edmonton/Red Deer (135)
- South Alberta excluding Calgary (71)
- Calgary (133)

North Alberta is comprised of North Alberta and Edmonton/Red Deer. South Alberta is comprised of South Alberta and Calgary. 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%.

We are continuing the process of **seasonally adjusting** the data. The seasonal adjustment was done using the X-12-ARIMA program, created by the United States

Census Bureau. This is the 16th installment of the indexes and a minimum of 12 data points are required for seasonal adjustment. As such, our confidence in the seasonally adjusted results will grow as more quarters are added to the database. There are some sections, however, for which seasonal adjustment is not possible. In these instances, it has been noted that the data is unadjusted.

Where is the Alberta Economy Going?¹

Business Sentiments Index™ Q4 2009	Business Activity Index Q3 2009	Business Hiring Index Q4 2009
114.9 ▲	84.7 ▲	102.2 ▼

Quarterly Highlights

This quarter's Business Sentiments Index™ of 114.9 is a marked improvement over the level of 107.0 last quarter.

The decline in the Business Activity Index slowed for the second straight quarter, standing at 84.7. This compares with a level of 72.8 last quarter. The Business Hiring Index of 102.2 suggests almost no change from the previous quarter, when the index stood at 103.7. The numbers suggest a positive outlook appears to be returning to the Alberta business world.

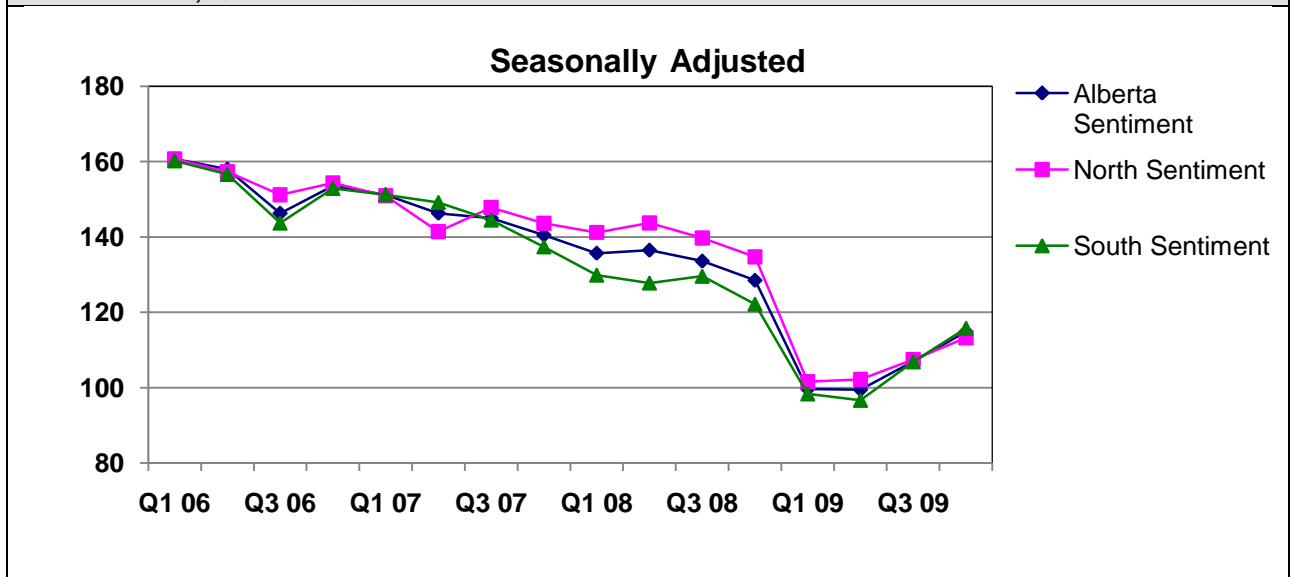
Feature Figure

The seasonally adjusted ATB Financial Business Sentiments Index™ (BSI) stands at 114.9 for Q4 2009. This compares with 107.0 in Q3 2009, 128.5 in Q4 2008, 140.5 in Q4 2007 and 153.6 in Q4 2006.

The spread between the Sentiment in the North (107.5) and in the South (106.9) is small, indicating that expectations are uniform across the province.

For more information on individual sectors, see Figures 2-7 below.

1. ATB Financial *Business Sentiments Index*™ by Provincial Region: Seasonally Adjusted
All Sectors, Q1 2006 to Q4 2009

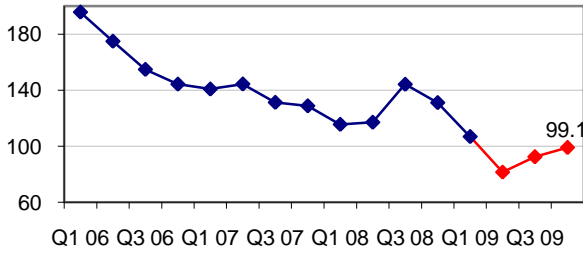


Source: WCER

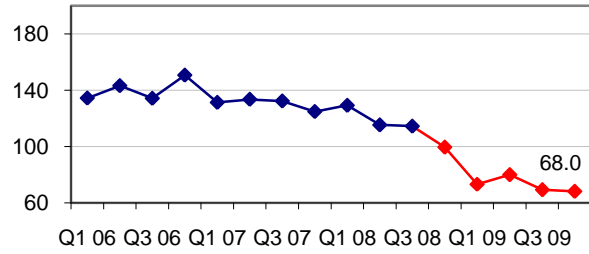
¹ See Appendix A for data tables. Contact the Western Centre for Economic Research if more detail is required.

Business Sentiment Indexes – Sector Analysis – Seasonally Adjusted

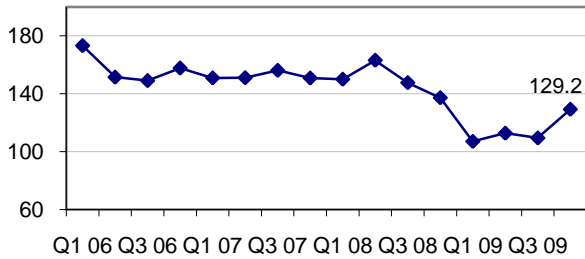
2. Oil & Gas Sector All Regions, Q1 2006 to Q4 2009



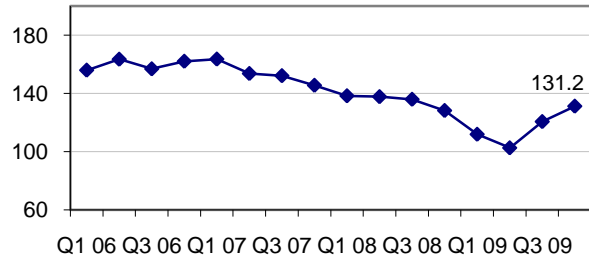
3. Construction Sector All Regions, Q1 2006 to Q4 2009



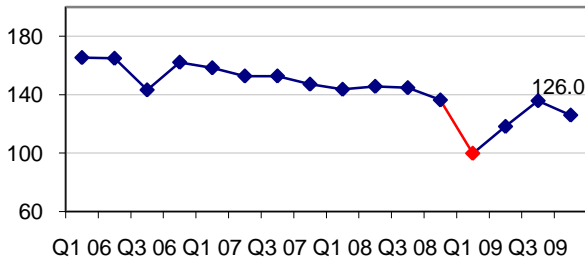
4. Manufacturing Sector All Regions, Q1 2006 to Q4 2009



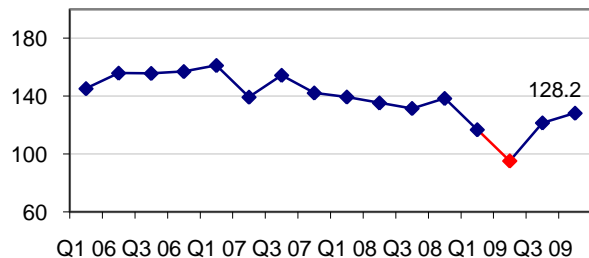
5. Professional & Technical Services Sector All Regions, Q1 2006 to Q4 2009



6. Transportation & Warehousing Sector All Regions, Q1 2006 to Q4 2009



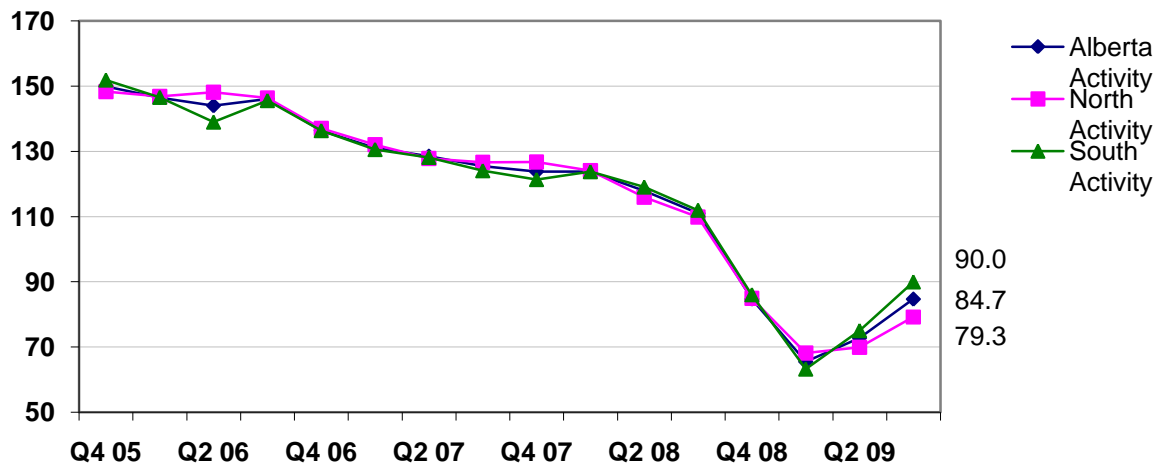
7. Wholesale Sector All Regions, Q1 2006 to Q4 2009



Source: WCER

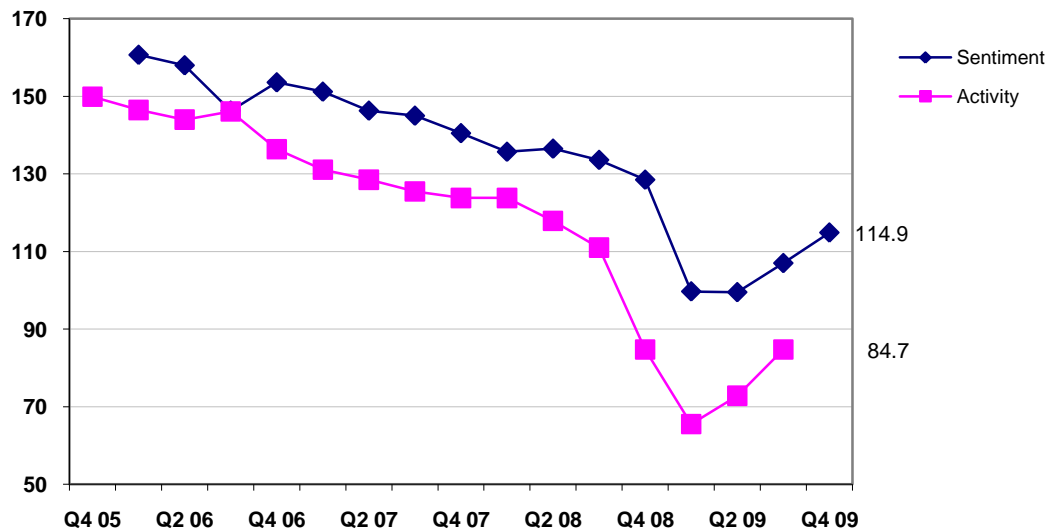
Business Activity Index – Seasonally Adjusted

8. Business Activity Index by Region Q4 2005 to Q4 2009



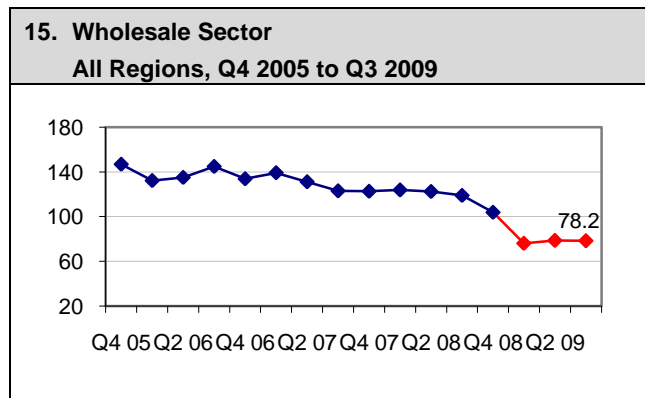
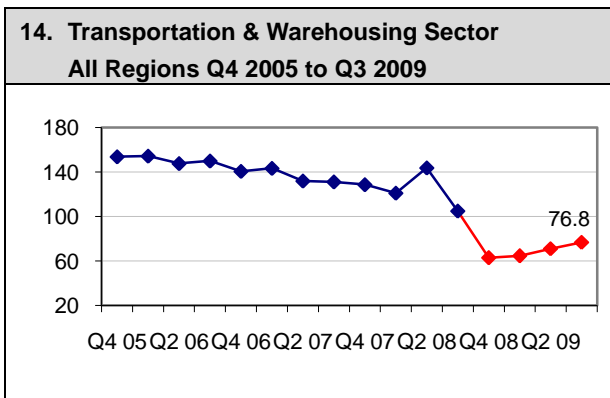
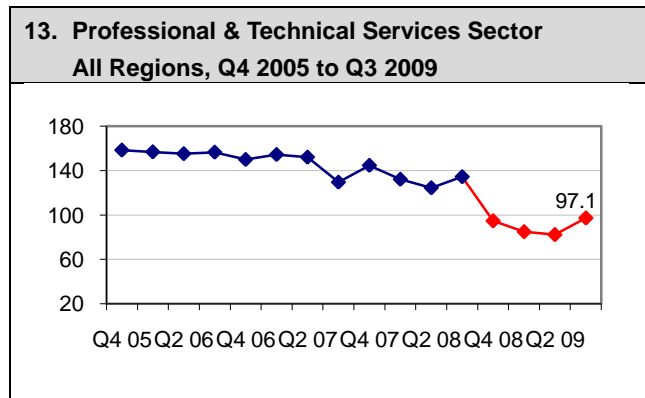
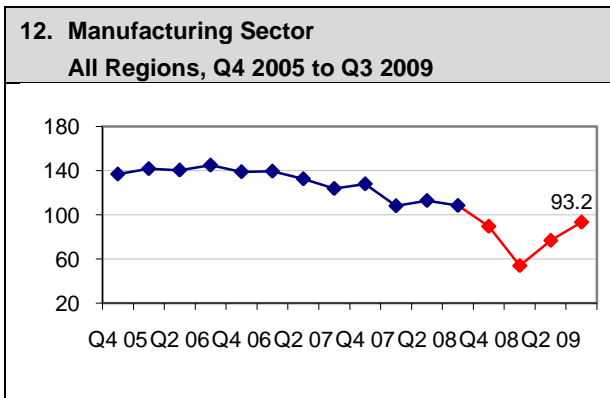
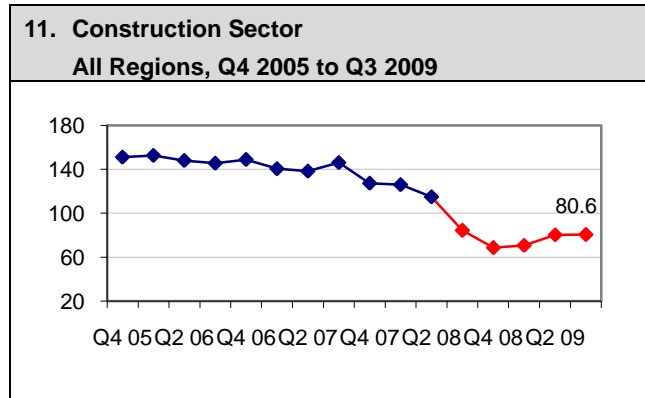
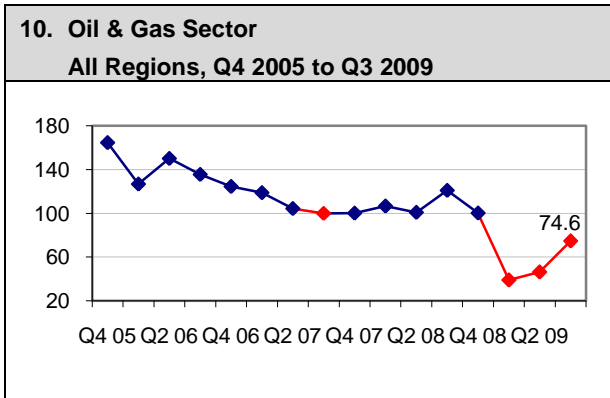
Source: WCER

9. Business Activity Index vs. Business Sentiments Index™: All Regions, All Sectors, Q4 2005 to Q4 2009



Source: WCER

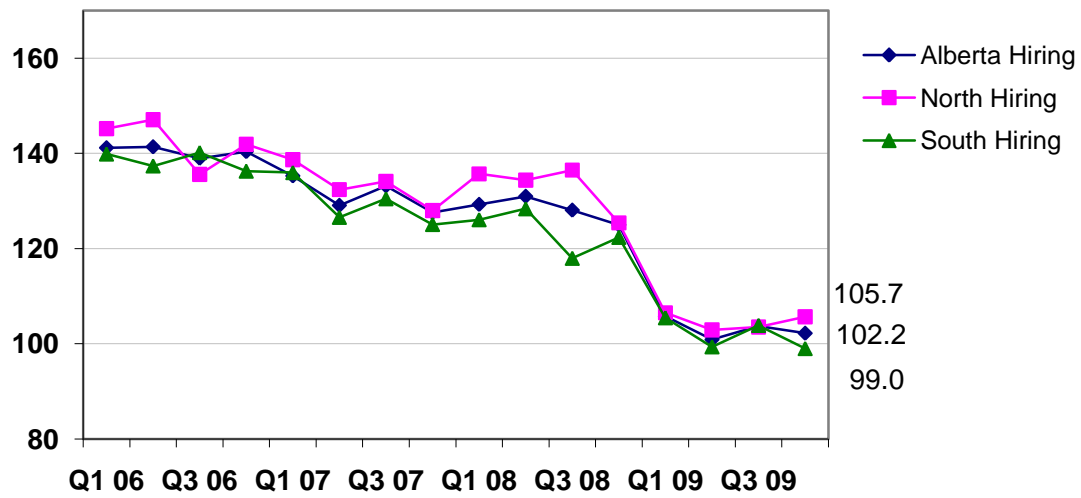
Business Activity Index – Sector Analysis – Seasonally Adjusted



Source: WCER

Business Hiring Intentions – Seasonally Adjusted

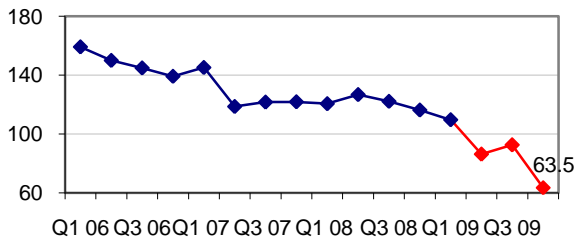
16. Business Hiring Intentions by Region
All Sectors, Q1 2006 to Q4 2009



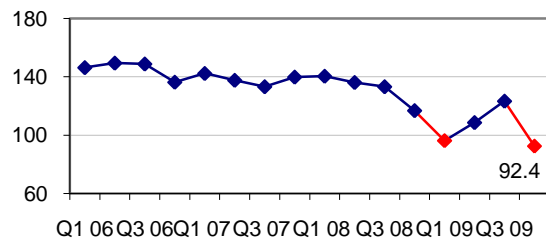
Source: WCER

Business Hiring Intentions – Sector Analysis – Seasonally Adjusted

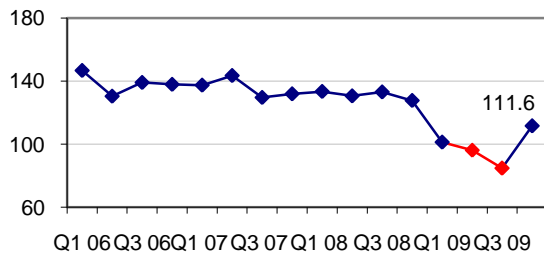
17. Oil & Gas Sector
All Regions, Q1 2006 to Q4 2009



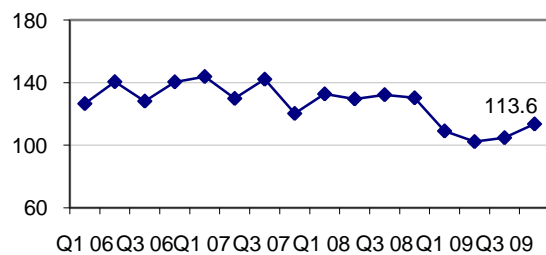
18. Construction Sector
All Regions, Q1 2006 to Q4 2009



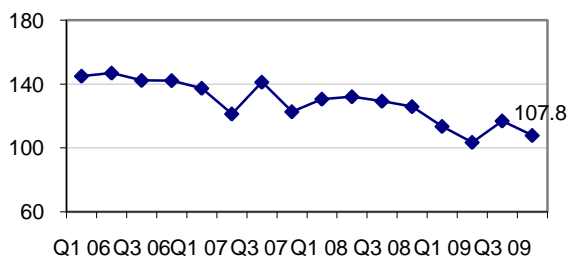
19. Manufacturing Sector
All Regions, Q1 2006 to Q4 2009



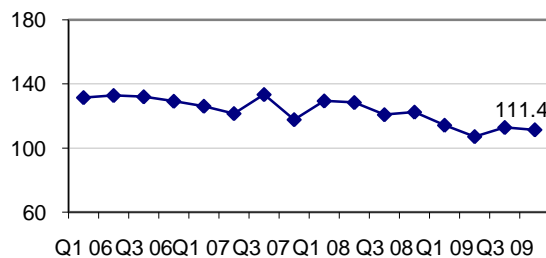
20. Professional & Technical Services Sector
All Regions, Q1 2006 to Q4 2009



21. Transportation & Warehousing Sector
All Regions, Q1 2006 to Q4 2009



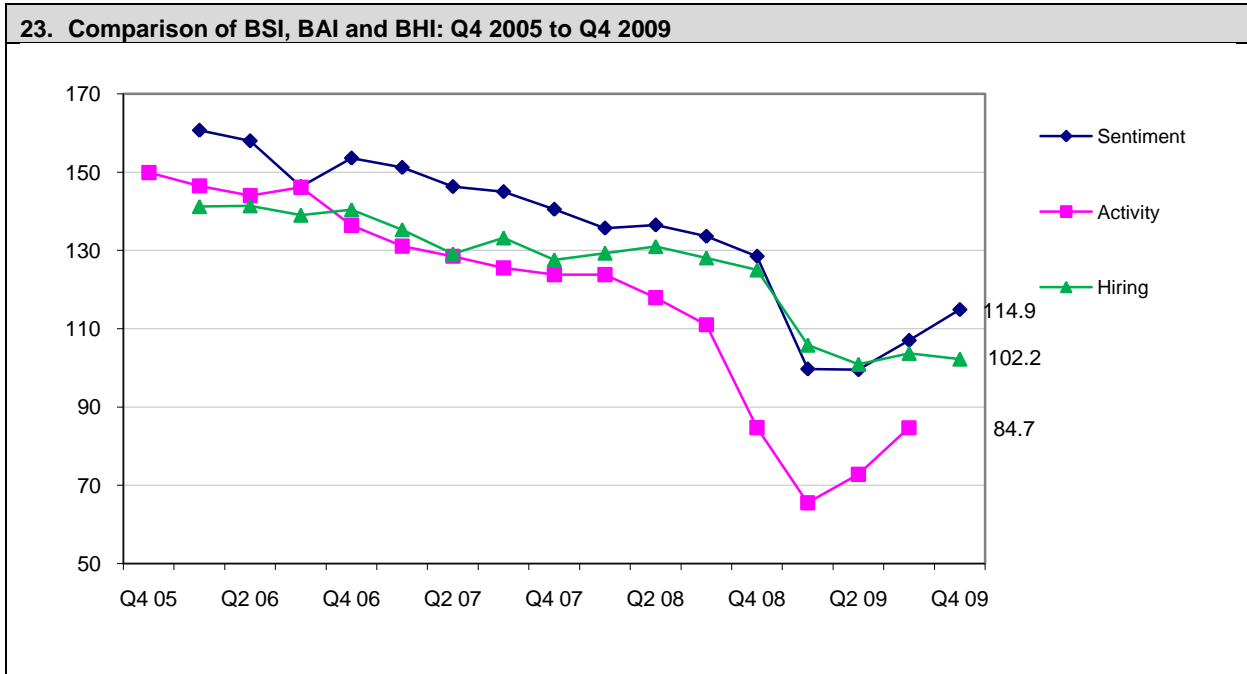
22. Wholesale Sector
All Regions, Q1 2006 to Q4 2009



Source: WCER

Comparison of BSI, BAI and BHI – Seasonally Adjusted

Figure 23 shows a seasonally adjusted comparison of the three indicators since the inception of the BSI survey in 2006. Respondents generally have higher expectations (BSI) for their business activity than what occurs (BAI). The Sentiment index suggests firms expect modest growth over the next quarter, indicating that the Activity index will rise above its current level.



Source: WCER

More on Industry Sectors

Although the overall indices for each sector have been seasonally adjusted, the raw data has not. Therefore, the following data is presented in its unadjusted form.

Oil & Gas

- In the coming Q4 2009, 43% of respondents expect an increase in business, while 16% expect a decrease.
- 29% of respondents expect to increase employment in Q4 2009, while 61% expect to decrease employment and 9% expect no change in employment in Q4 2009.
- 27% of respondents indicated activity levels increased in Q3 2009, while 39% indicated activity levels decreased.

Construction

- 31% of all respondents experienced a decrease in activity in Q3 2009, while 22% of respondents experienced an increase in activity.
- 10.6% of respondents expect to increase employment over the next quarter, while only 17% expect to decrease employment over the next quarter.
- 12% of respondents expect business activity to increase in Q4 2009, while 39% expect business activity to decrease in Q4 2009.

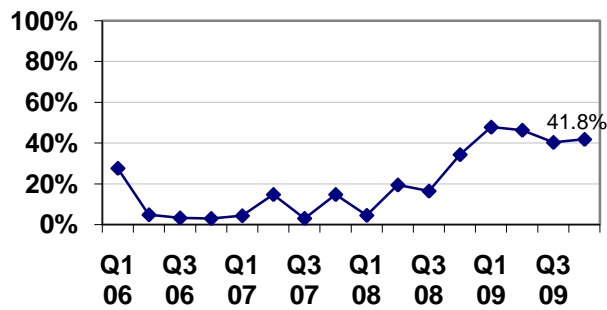
Our survey also asks about potential bottlenecks in the construction industry including: shortage of labour, weather conditions, insufficient demand, shortages of construction material or equipment, financial constraints, land availability, and other factors. Insufficient demand remains the largest potential bottleneck for the construction industry, reflecting the general downturn in building activity, though this has declined over the last two quarters. An increasing number of firms are also reporting financial constraints to be an issue for the industry, again reflecting the current economic situation. The response levels for each potential bottleneck are available in figures 24 through 29.

Figure 30 shows the median number of work on hand for surveyed construction firms. The results further emphasize the drastic decrease in demand for construction in Alberta. Firms surveyed for this quarter reported a median of 3.7 months work on hand, indicating an improvement over the past three quarters, but still below the levels experienced before the recession. 7% of firms responded that they had one year or more of work on their books.

Construction Sector Bottlenecks

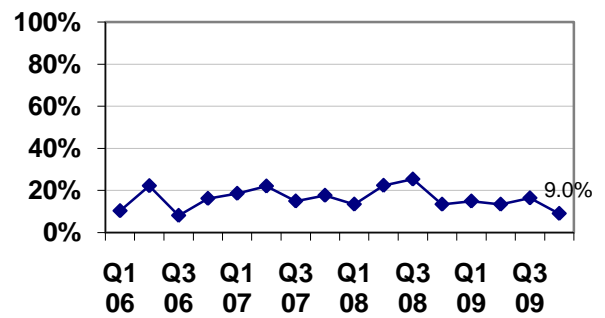
24. Insufficient Demand

All Regions, Q1 2006 to Q4 2009



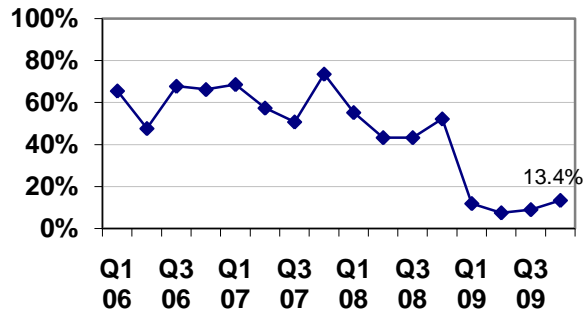
25. Weather Conditions

All Regions, Q1 2006 to Q4 2009



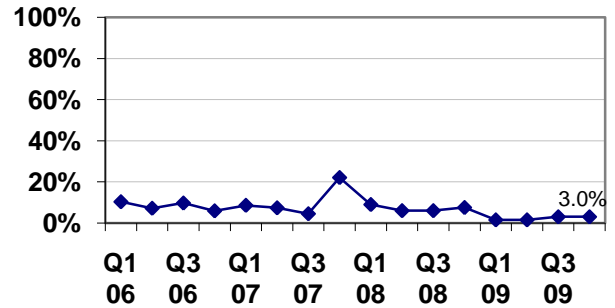
26. Shortage of Labour

All Regions, Q1 2006 to Q4 2009



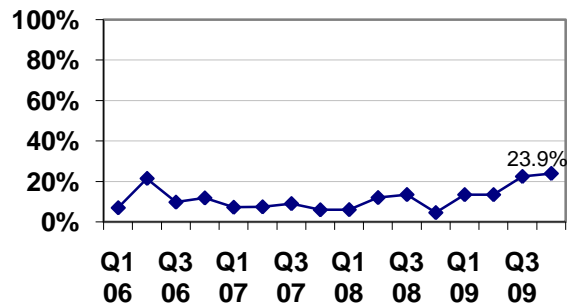
27. Shortage of Material and/or Equipment

All Regions, Q1 2006 to Q4 2009



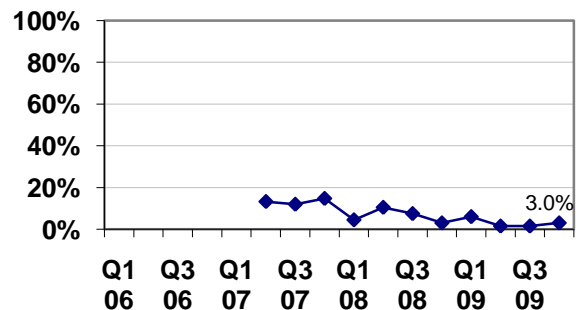
28. Financial Constraints

All Regions, Q1 2006 to Q4 2009



29. Land Availability*

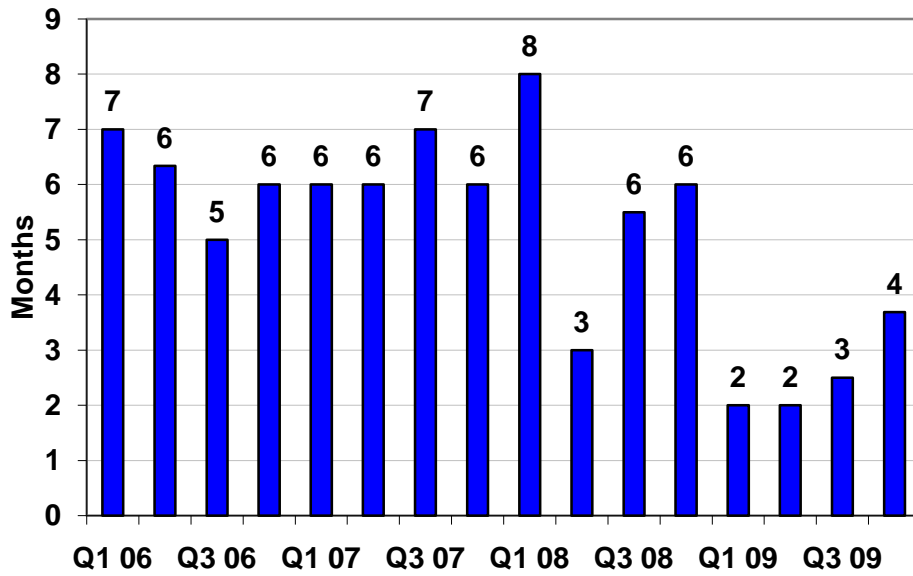
All Regions, Q2 2007 to Q4 2009



* Collection of Land Availability data began in Q2 2007

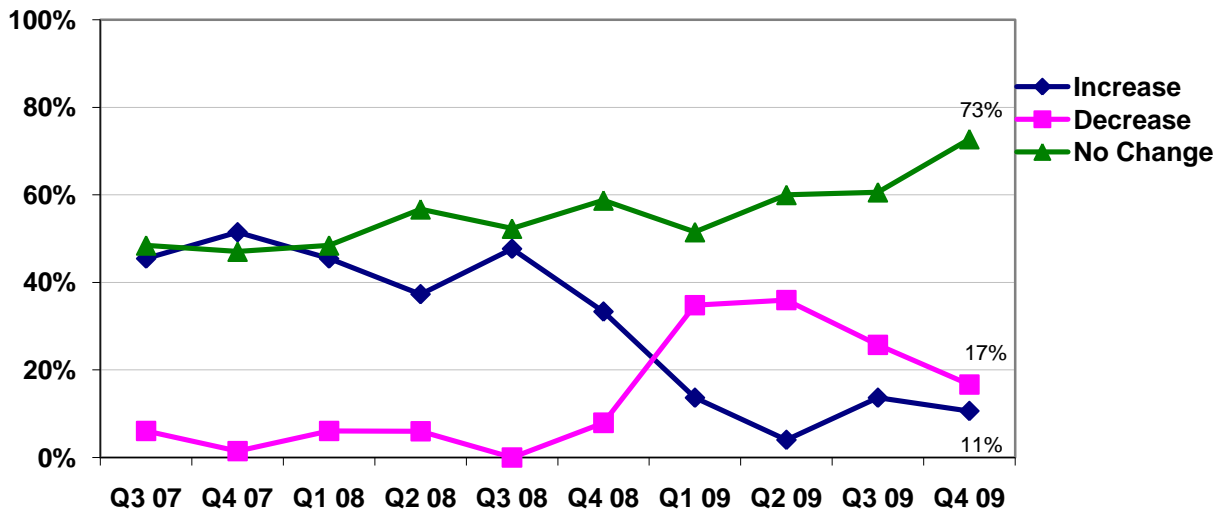
Source: WCER

**30. Median No. of Month's Work Accounted for by Work in Hand or Already Under Contract
All Regions, Q1 2006 to Q4 2009**



Source: WCER

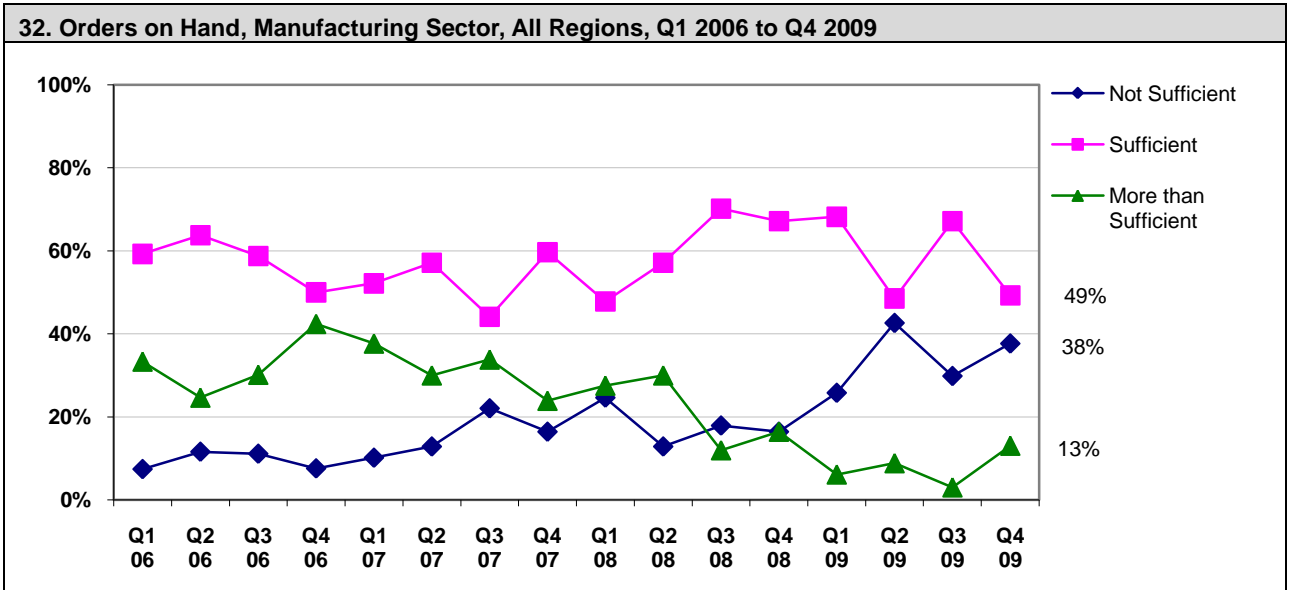
31. Pricing Expectations, Construction Sector, All Regions, Q3 2007 to Q4 2009



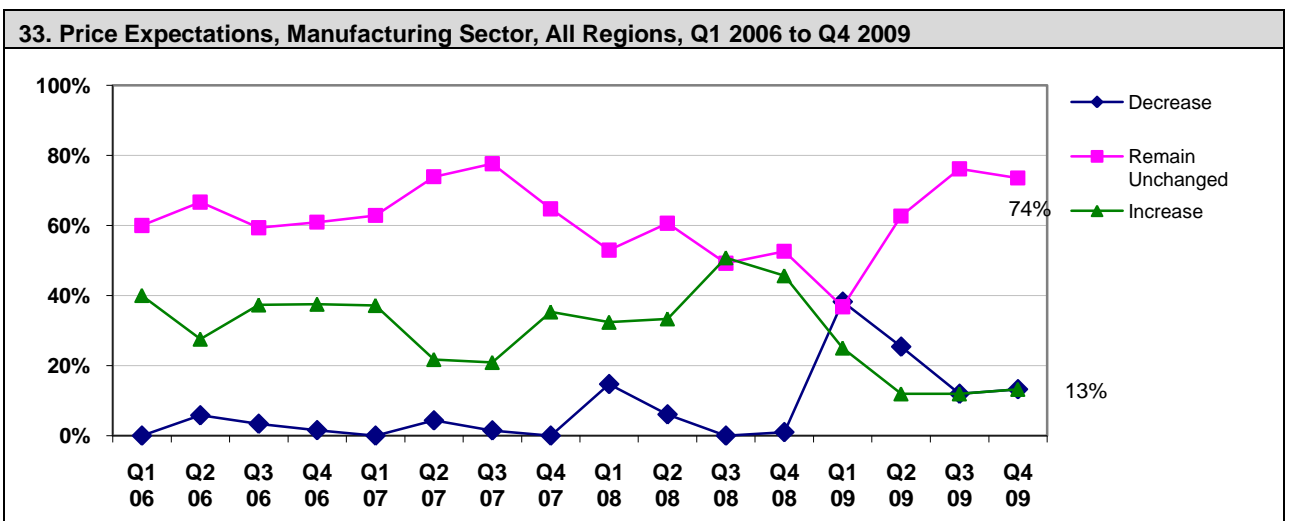
Source: WCER

Manufacturing

- 57% of respondents expect increased production runs in Q4 2009, while 18% expect production runs will decrease.
- 25% of respondents expect to increase employment over the next quarter, while 12% expect to decrease employment.
- 30% of respondents experienced increased production in Q3 2009, while 26% experienced a decrease.
- 38% of respondents had sufficient orders on hand (Fig. 32), while only 13% reported having more than sufficient orders on hand. 74% expect prices to remain as they are during the next quarter (Fig. 33), while 13% expect a decrease.



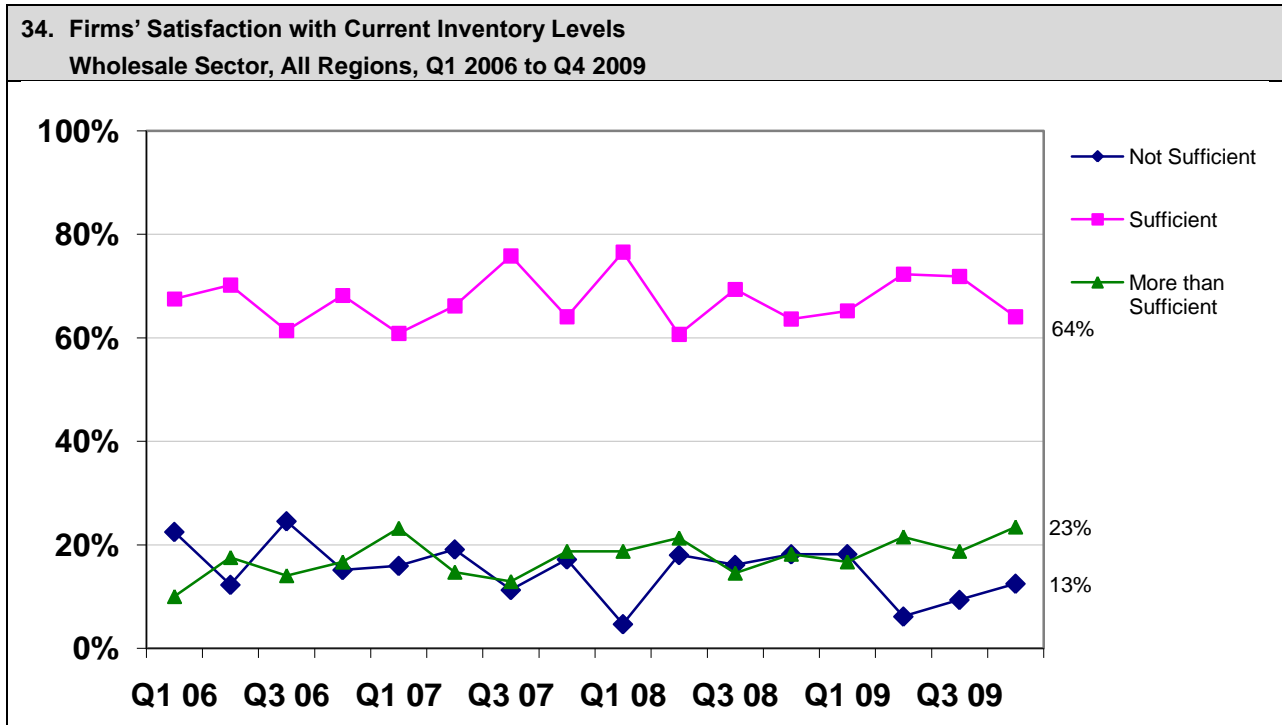
Source: WCER



Source: WCER

Wholesaling

- 55% of respondents expect increased production runs in Q4 2009, while 20% expect decreased activity.
- 21% of respondents expect to increase employment over the next quarter, while 7% expect to decrease employment.
- 22% of respondents experienced increased production in Q3 2009, while 33% experienced a decrease.
- 23% of respondents were satisfied with their inventory levels (Fig. 34).

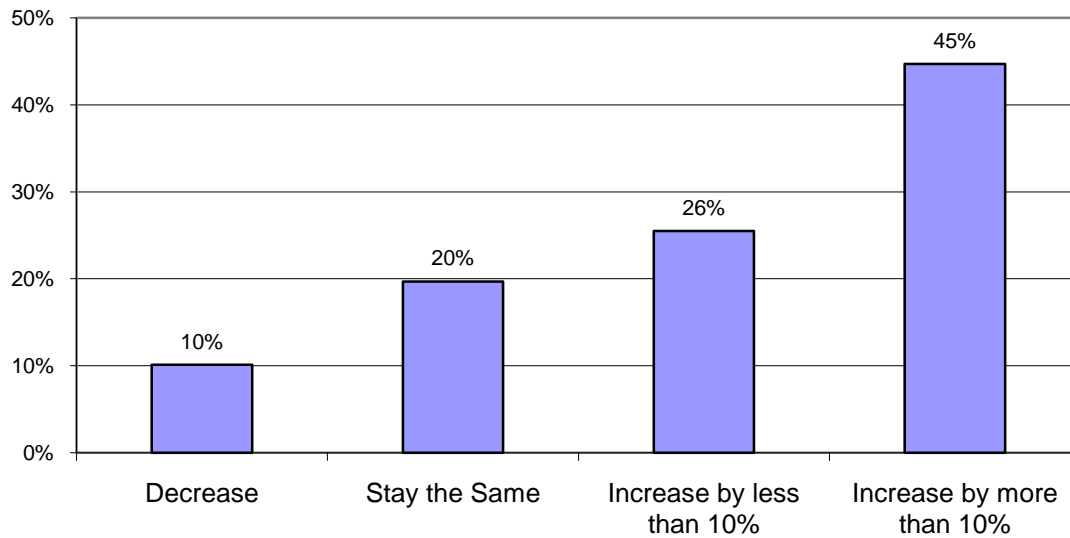


Source: WCER

Additional Questions

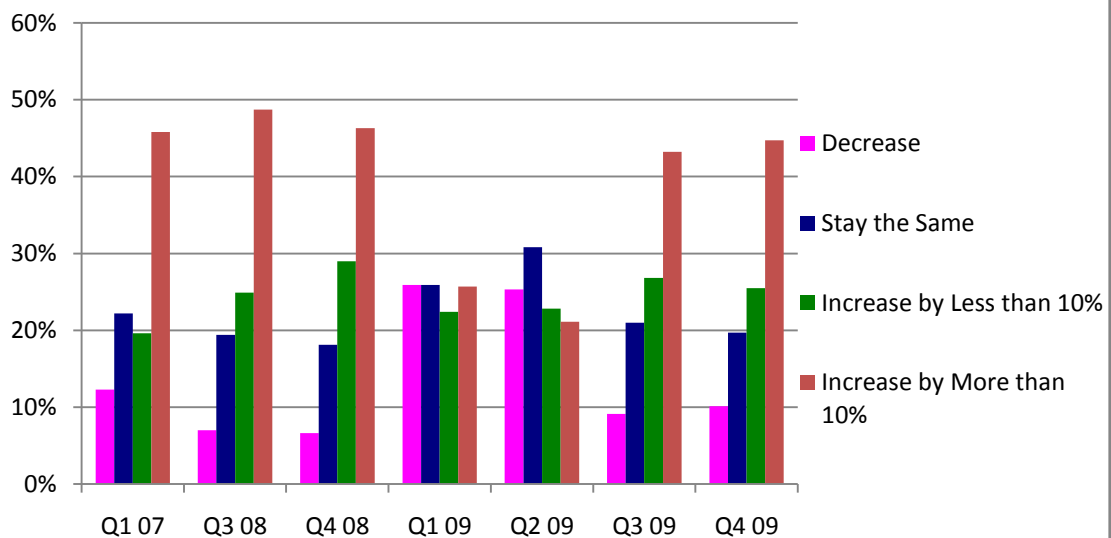
In addition to questions specific to each sector, we also included two questions for all respondents in our survey. Here are the results of those questions.

35. Expectations of Business Activity in the Next Year: All Sectors

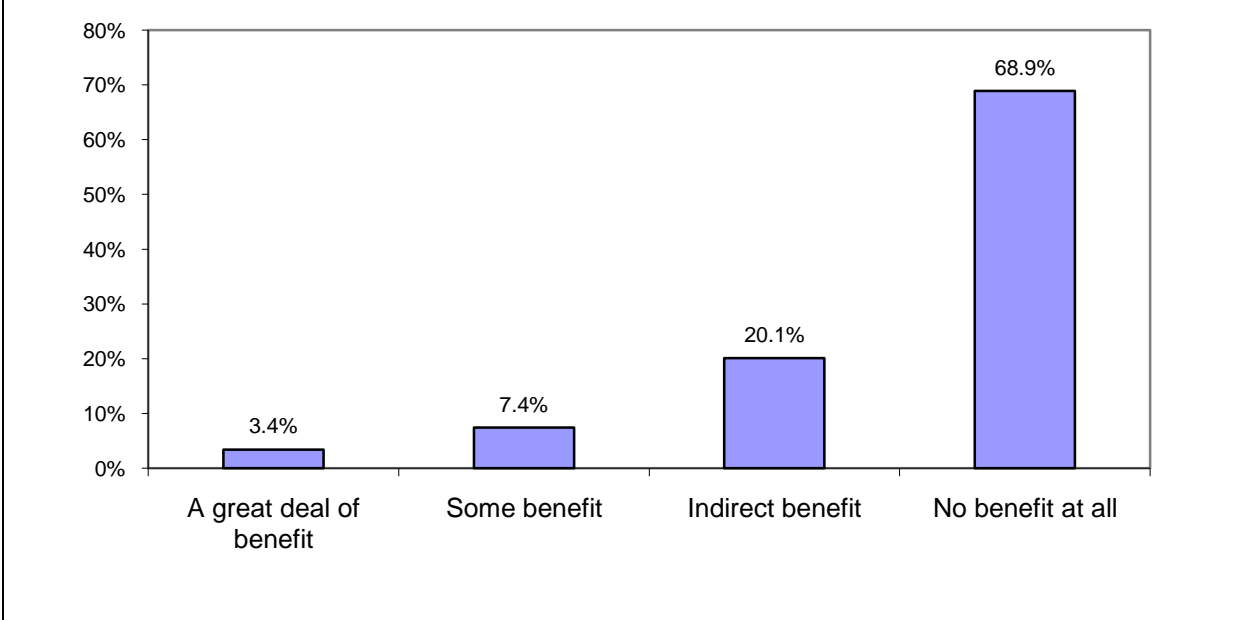


Source: WCER

36. How do you expect your business to develop over the next 12 months? All Sectors Q1 2007, Q3 2008 – Q4 2009

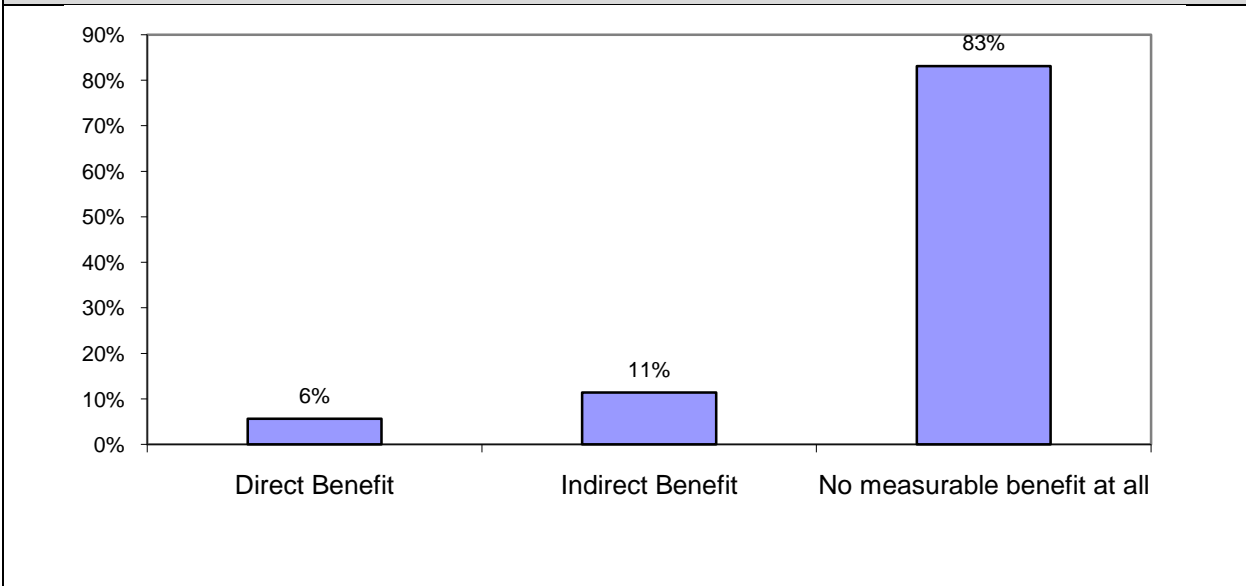


37. Lately the federal government has taken measures to improve relations with China. What would be the potential impact on your company from greater access to the China Market?



Source: WCER

38. With respect to the federal government's infrastructure spending program announced in this year's spring budget, what has been the general impact on your business activity?



Source: WCER

Appendix A – Data Tables

Respondent Distributions by Region vs. Sector					
	North	Edmonton	Calgary	South	Total
Construction	10	21	24	12	67
Manufacturing	14	24	17	15	70
Professional & Technical	10	23	21	13	67
Transportation & Warehousing	12	26	19	13	70
Wholesale	9	23	29	6	67
Oil & Gas	14	18	23	12	67
Total	69	135	133	71	408

Business Sentiments Index by Region vs. Sector (Unadjusted)			
	North	South	All
Construction	74.2	71.4	72.7
Manufacturing	133.3	145.2	138.8
Professional & Technical	154.8	141.2	147.7
Transportation & Warehousing	136.8	129.0	133.3
Wholesale	134.4	135.3	134.8
Oil & Gas	115.6	137.1	126.9

Business Activity Index by Region vs. Sector (Unadjusted)			
	North	South	All
Construction	83.9	96.9	90.5
Manufacturing	102.7	106.3	104.3
Professional & Technical	100.0	114.7	107.5
Transportation & Warehousing	76.3	103.2	88.4
Wholesale	65.6	88.6	77.6
Oil & Gas	78.1	97.1	88.1

Business Hiring Intentions by Region vs. Sector (Unadjusted)			
	North	South	All
Construction	100.0	88.6	93.9
Manufacturing	102.6	125.8	113.0
Professional & Technical	134.4	102.9	118.2
Transportation & Warehousing	115.8	112.9	114.5
Wholesale	118.8	108.6	113.4
Oil & Gas	80.6	55.9	67.7

Business Sentiments Index by Quarter vs. Sector (Seasonally Adjusted)																
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Construction	134.4	143.2	134.2	150.7	131.3	133.5	132.3	124.8	129.2	115.3	114.4	99.4	73.2	79.9	69.2	68.0
Manufacturing	173.2	151.4	149.0	157.7	150.9	151.0	156.1	150.8	150.0	163.1	147.6	137.2	107.0	112.7	109.4	129.2
Professional & Technical	155.9	163.4	156.8	162.0	163.5	153.6	152.1	145.5	138.3	137.7	135.9	128.2	111.9	102.6	120.6	131.2
Transportation & Warehousing	165.3	164.8	143.2	162.1	158.3	152.7	152.7	147.1	143.6	145.6	144.7	136.3	99.8	118.2	135.8	126.0
Wholesale	145.2	155.9	155.7	157.0	161.2	139.3	154.4	142.2	139.4	135.3	131.5	138.4	116.8	95.2	121.5	128.2
Oil & Gas	195.8	175.0	154.9	144.4	140.9	144.5	131.4	128.9	115.7	117.2	144.3	131.2	107.0	81.6	92.5	99.1

BSI, BAI, BHI by Quarter, (Seasonally Adjusted)																	
	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
BSI		160.7	158	146.3	153.6	151.2	146.3	145	140.5	135.7	136.5	133.6	128.5	99.7	99.5	107.0	114.9
BAI	149.9	146.5	144	146.1	136.4	131.1	128.5	125.5	123.8	123.8	117.9	111	84.7	65.5	72.8	84.7	
BHI		141.2	141.4	139	140.4	135.3	129.1	133.2	127.6	129.3	131	128.1	125	105.8	100.9	103.7	102.2

Business Sentiments Index by Quarter vs. Region (Seasonally Adjusted)																
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Alberta	160.7	158	146.3	153.6	151.2	146.3	145	140.5	135.7	136.5	133.6	128.5	99.7	99.5	107.0	114.9
North	160.7	157.3	151.2	154.3	150.9	141.4	147.8	143.6	141.2	143.7	139.7	134.7	101.6	102.2	107.5	113.2
South	160.2	156.6	143.7	152.9	151.2	149.2	144.5	137.4	129.9	127.8	129.6	122.2	98.4	96.7	106.9	115.8

Business Activities Index by Quarter vs. Sector (Seasonally Adjusted)																
	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Oil & Gas	151.2	152.7	148.1	145.6	149.0	140.6	138.4	146.2	127.4	126.1	115.0	84.4	68.7	70.8	80.5	80.6
Construction	136.9	141.8	140.5	145.0	139.0	139.5	132.6	123.8	128.0	108.1	112.9	108.4	89.5	54.0	76.7	93.2
Manufacturing	158.6	157.0	155.3	156.7	150.1	154.6	152.2	129.6	144.8	132.2	124.5	134.5	94.7	84.8	82.1	97.1
Professional & Technical	153.6	154.2	147.5	149.8	140.5	143.2	131.8	131.0	128.5	120.9	143.6	104.8	62.8	64.5	71.0	76.8
Transportation & Warehousing	146.8	132.2	135.0	144.8	133.8	139.2	131.1	123.0	122.6	123.8	122.4	118.9	103.8	76.0	78.5	78.2
Wholesale	164.5	126.6	150.0	135.4	124.4	118.7	104.2	99.8	100.0	106.5	100.7	120.8	100.1	38.8	46.1	74.6

Business Activities Index by Quarter vs. Region (Seasonally Adjusted)																
	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Alberta	149.9	146.5	144.0	146.1	136.4	131.1	128.5	125.5	123.8	123.8	117.9	111.0	84.7	65.5	72.8	84.7
North	148.4	146.9	148.2	146.4	137.1	132.1	127.9	126.7	126.8	124.2	116.0	109.9	85.0	68.2	70.0	79.3
South	151.9	146.6	139.0	145.6	136.4	130.6	128.2	124.1	121.4	123.8	119.1	112.0	86.1	63.3	75.1	90.0

Business Hiring Index by Quarter vs. Sector (Seasonally Adjusted)																
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Oil & Gas	146.3	149.4	148.8	136.3	142.3	137.6	133.2	139.8	140.4	136.1	133.2	116.8	96.2	108.6	123.3	92.4
Construction	146.7	130.4	139.1	137.9	137.4	143.5	129.6	131.9	133.4	130.6	133.1	127.7	101.3	96.2	84.8	111.6
Manufacturing	126.6	140.6	128.2	140.5	143.9	129.9	142.2	120.3	132.8	129.6	132.3	130.3	109.1	102.3	104.8	113.6
Professional & Technical	145.0	146.9	142.3	142.2	137.4	121.3	141.2	122.7	130.6	132.1	129.3	125.9	113.5	103.5	116.9	107.8
Transportation & Warehousing	131.5	132.8	132.0	129.2	126.1	121.5	133.4	117.7	129.4	128.4	120.8	122.4	114.2	107.1	112.8	111.4
Wholesale	159.2	150.0	144.9	139.2	145.2	118.7	121.7	121.9	120.6	126.8	122.2	116.3	109.7	86.3	92.6	63.5

Business Hiring Index by Quarter vs. Region (Seasonally Adjusted)																
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Alberta	141.2	141.4	139.0	140.4	135.3	129.1	133.2	127.6	129.3	131.0	128.1	125.0	105.8	100.9	103.7	102.2
North	145.2	147.1	135.6	141.9	138.7	132.4	134.1	128.0	135.7	134.4	136.5	125.4	106.5	102.9	103.5	105.7
South	139.9	137.4	140.2	136.3	136.0	126.6	130.5	125.1	126.1	128.4	118.0	122.4	105.5	99.4	103.9	99.0