

Information Bulletin

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ATB FINANCIAL BUSINESS SENTIMENTS INDEX™

WHERE IS THE ALBERTA ECONOMY GOING?
2008 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 Q2 2008 survey sampled 408 firms between August 25th and September 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 (68)
- construction (67)
- manufacturing (68)
- transportation and warehousing (67)
- wholesaling (69)
- professional and technical services (69)

The geographical distribution of respondents is as follows:

- North Alberta excluding Edmonton/Red Deer (68)
- Edmonton/Red Deer (136)
- South excluding Calgary (69)
- Calgary (135)

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%.

For the first time, we are presenting the three indicators with **seasonal adjustment**. This data was developed using the X-12-ARIMA program, created by the United States Census Bureau. As the 12th installment of the BSI, this is the first time we have had the minimum 12 required data points for seasonal adjustment. As such, our confidence in the seasonally adjusted results will grow as more quarters are added to the database.

Where is the Alberta Economy Going?¹

Business Sentiments Index™ Q4 2008	Business Activity Index Q3 2008	Business Hiring Index Q4 2008
128.5 ▼	111.0 ▼	125.0 ▼

Quarterly Highlights

The decrease in the ATB Financial Business Sentiments Index™ this quarter shows a continuation of the trend of decelerating but steady growth. Figure 1 shows the sentiment indicators, seasonally adjusted.

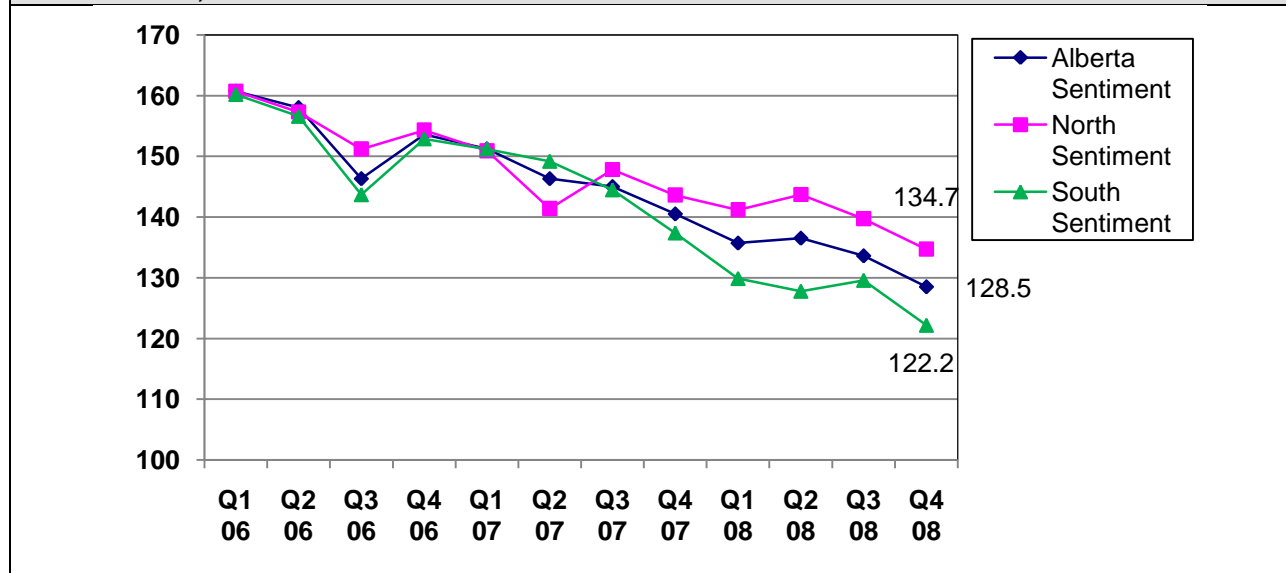
The Hiring Index is also down, owing to decreases in the construction, oil & gas and manufacturing sectors. The seasonally adjusted Activity Index is down, although the unadjusted activity level is up.

Feature Figure

The seasonally adjusted ATB Financial Business Sentiments Index™ (BSI) stands at 128.5 for Q4 2008. This compares with 133.6 in Q3 2008, 153.6 in Q4 2006 and 140.5 in Q4 2007.

For Q4 2008 the spread between the BSI of 134.7 for Northern Alberta compared with 122.2 for Southern Alberta continues a pattern that first became evident in Q3 2007.

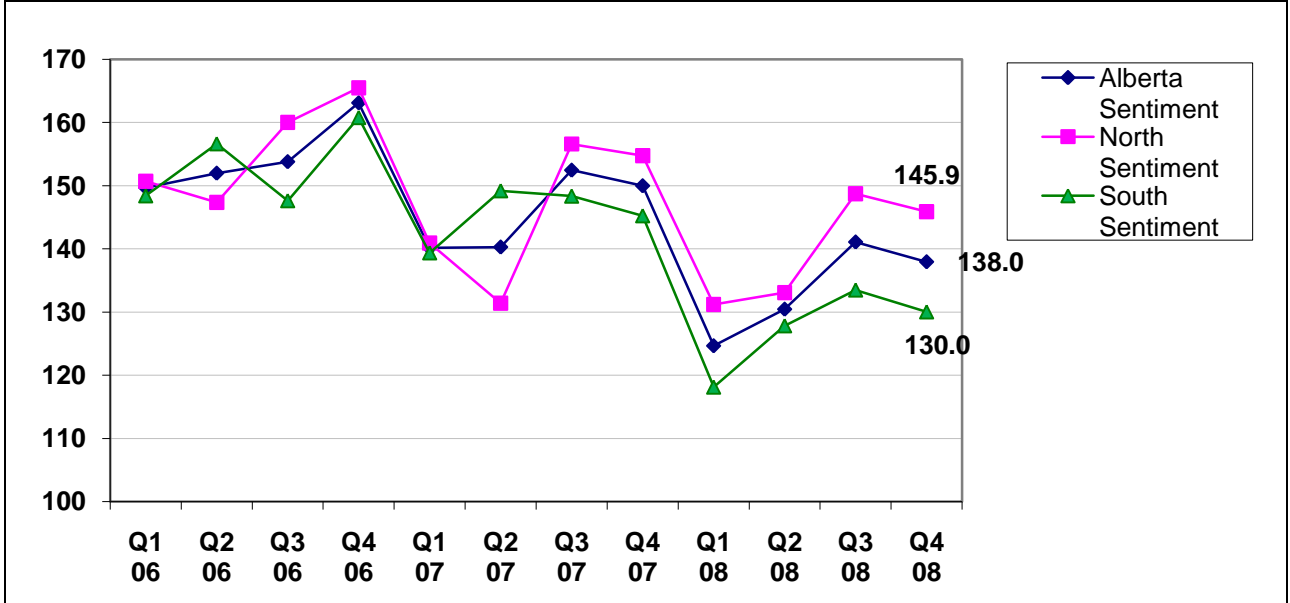
1. ATB Financial *Business Sentiments Index*™ by Provincial Region: Seasonally Adjusted
All Sectors, Q1 2006 to Q4 2008



Source: WCER

¹ 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*TM, Unadjusted, All Sectors Q1 2006 to Q4 2008

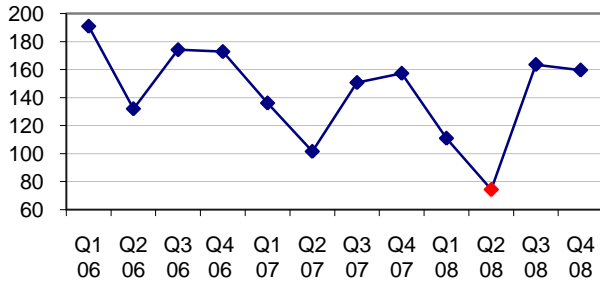


Source: WCER

Business Sentiment Indexes – Sector Analysis - Unadjusted

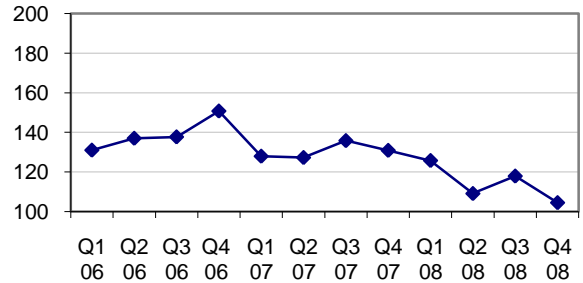
3. Oil & Gas Sector

All Regions, Q1 2006 to Q4 2008



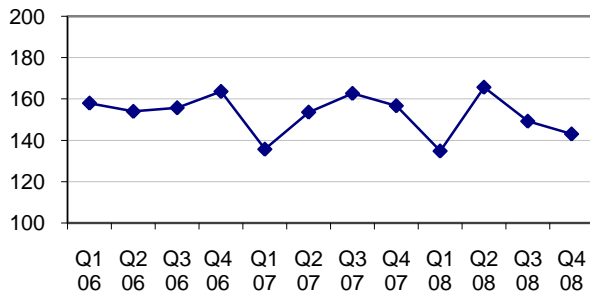
4. Construction Sector

All Regions, Q1 2006 to Q4 2008



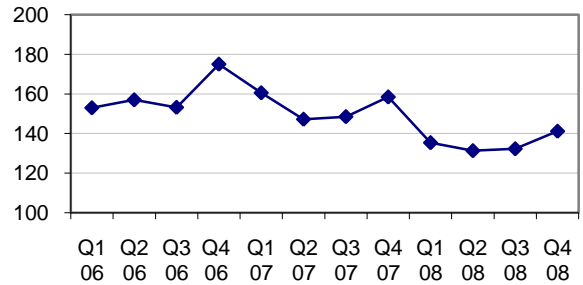
5. Manufacturing Sector

All Regions, Q1 2006 to Q4 2008



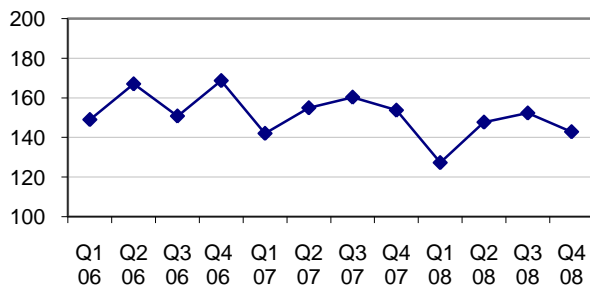
6. Professional & Technical Services Sector

All Regions, Q1 2006 to Q4 2008



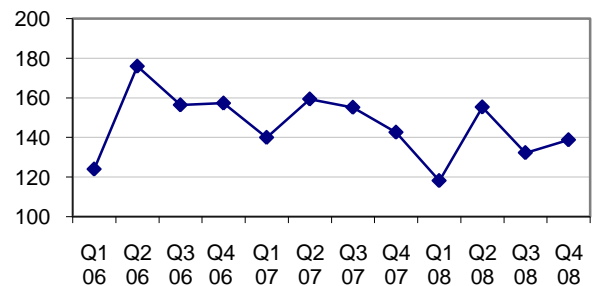
7. Transportation & Warehousing Sector

All Regions, Q1 2006 to Q4 2008



8. Wholesale Sector

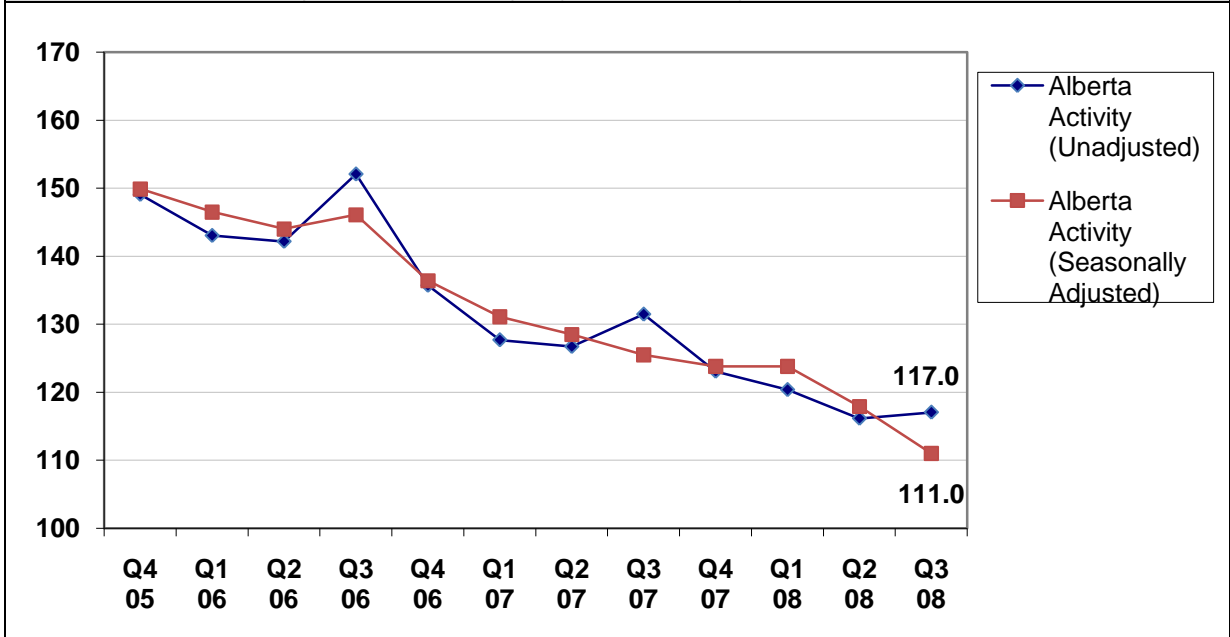
All Regions, Q1 2006 to Q4 2008



Source: WCER

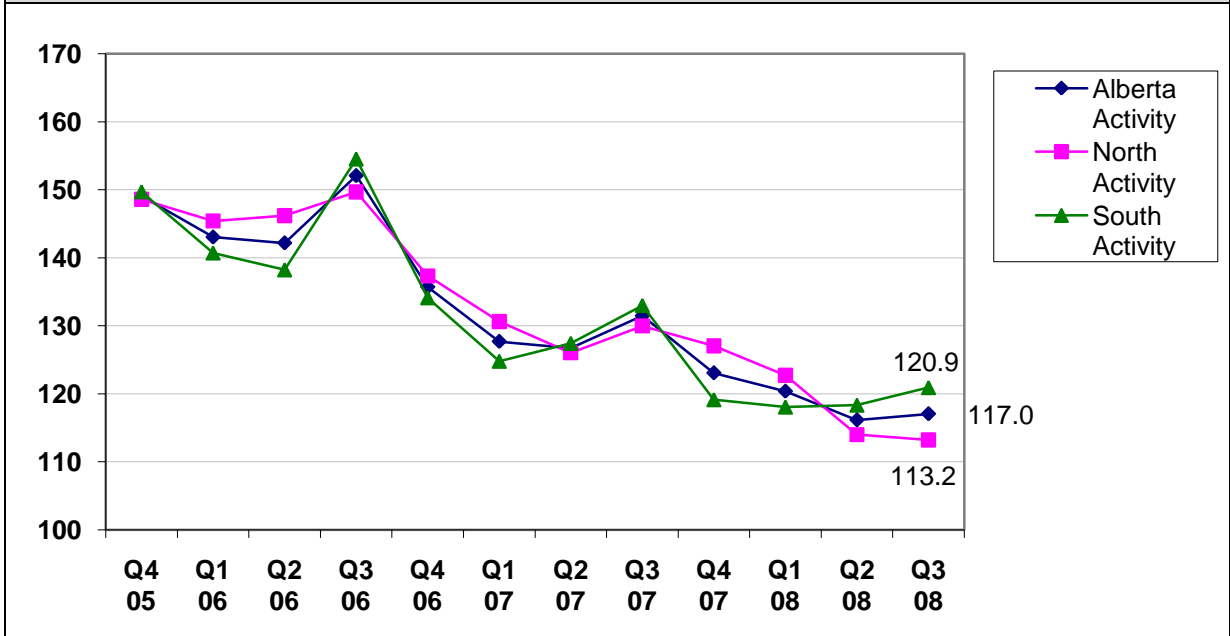
Business Activity Index

9. Business Activity Index, Seasonally Adjusted vs. Unadjusted, All Sectors, Q4 2005 to Q3 2008



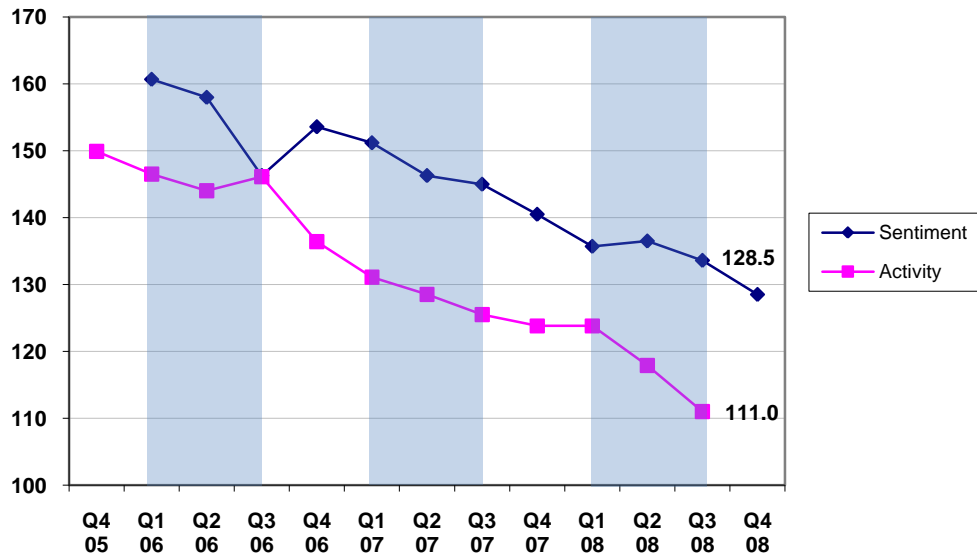
Source: WCER

10. Business Activity Index by Region, Unadjusted
Q4 2005 to Q3 2008



Source: WCER

11. Business Activity Index vs. Business Sentiments Index™: Seasonally Adjusted
All Regions, All Sectors, Q4 2005 to Q4 2008

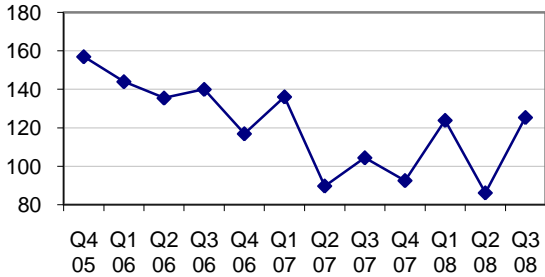


Source: WCER

Business Activity Index – Sector Analysis - Unadjusted

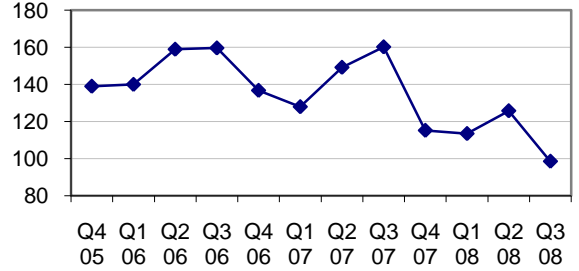
12. Oil & Gas Sector

All Regions, Q4 2005 to Q3 2008



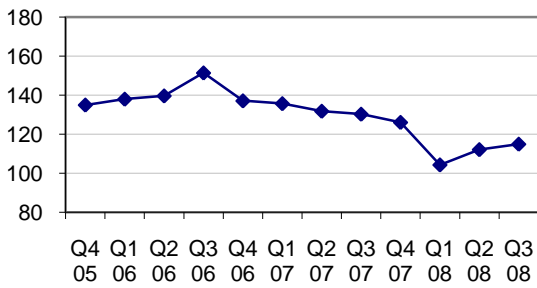
13. Construction Sector

All Regions, Q4 2005 to Q3 2008



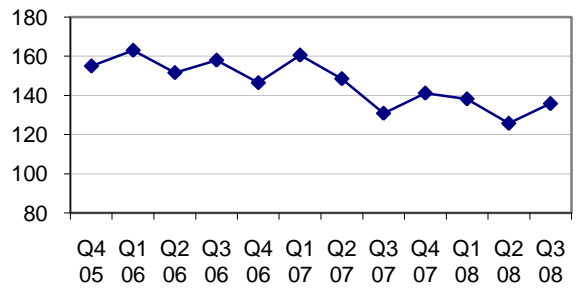
14. Manufacturing Sector

All Regions, Q4 2005 to Q3 2008



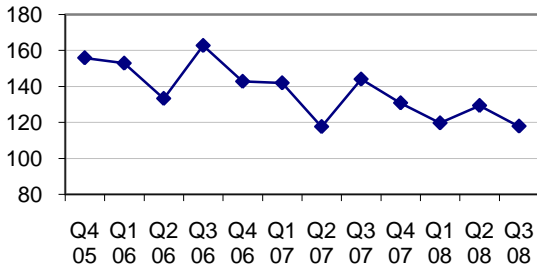
15. Professional & Technical Services Sector

All Regions, Q4 2005 to Q3 2008



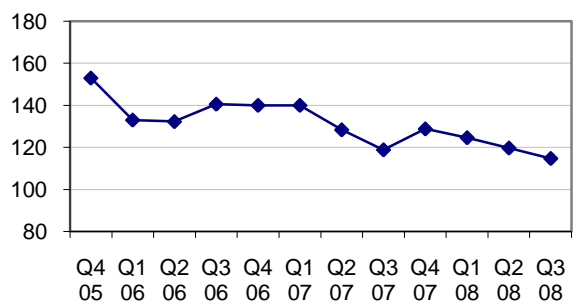
16. Transportation & Warehousing Sector

All Regions Q4 2005 to Q3 2008



17. Wholesale Sector

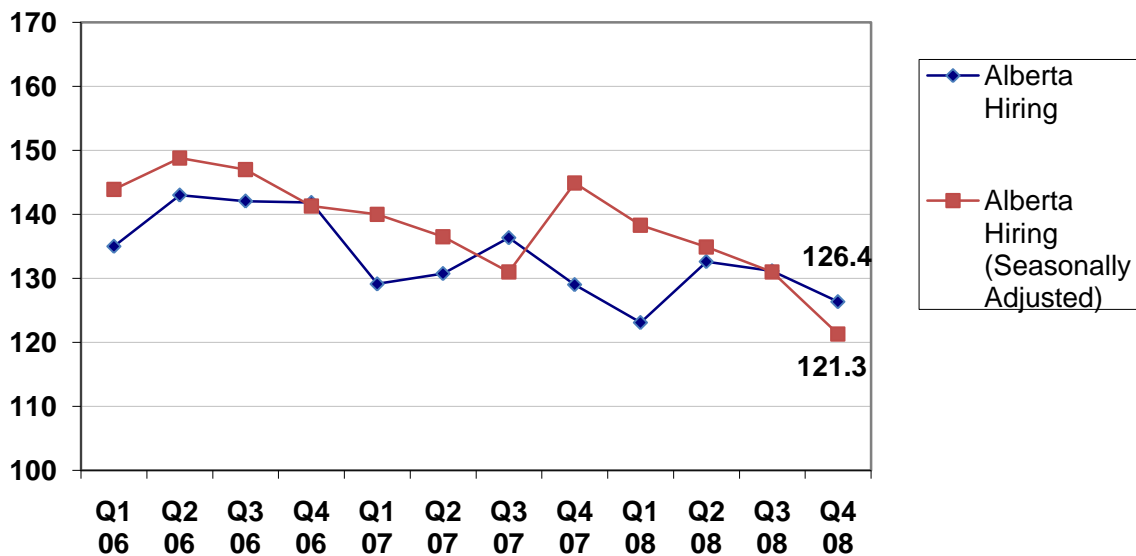
All Regions, Q4 2005 to Q3 2008



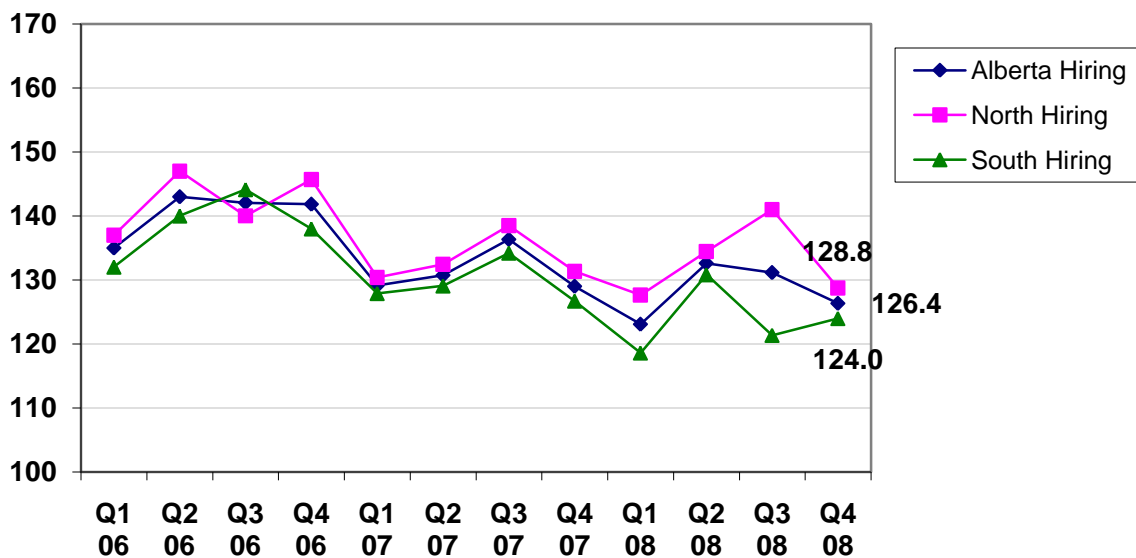
Source: WCER

Business Hiring Intentions

18. Business Hiring Intentions, Seasonally Adjusted vs. Unadjusted, All Sectors, Q1 2006 to Q4 2008

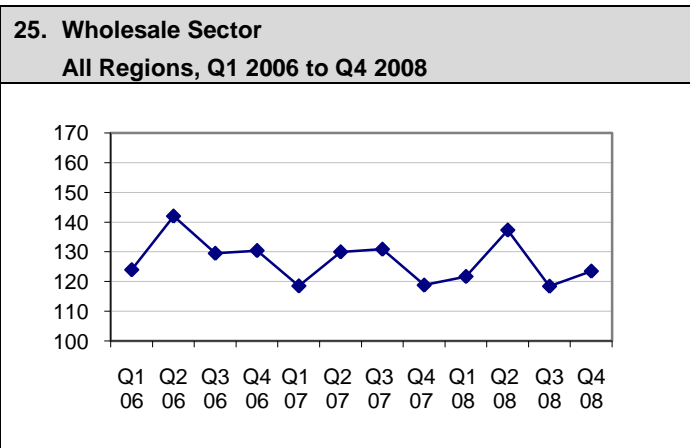
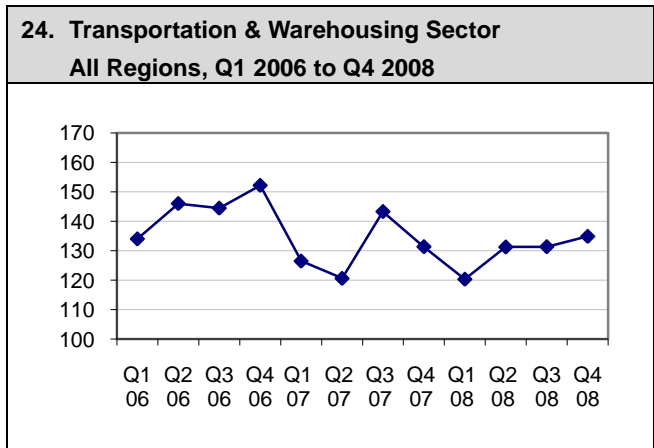
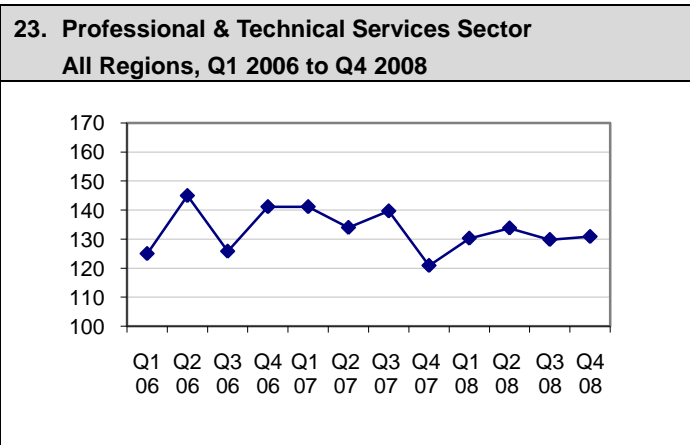
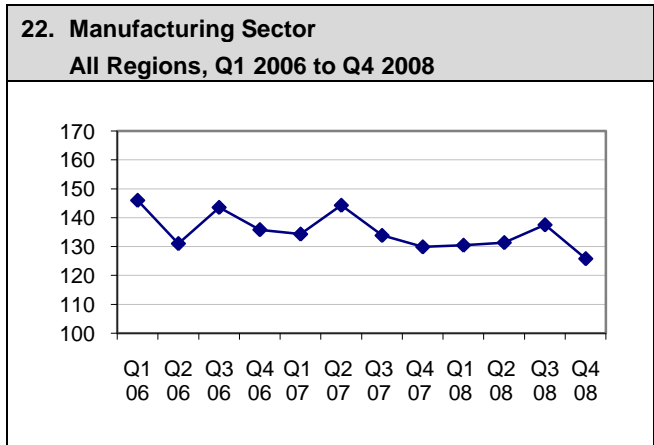
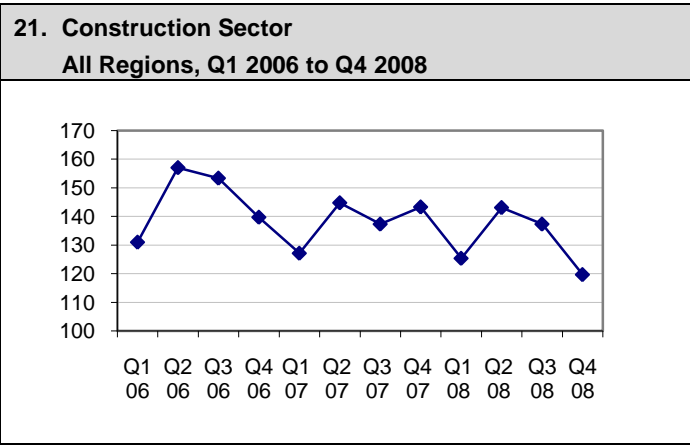
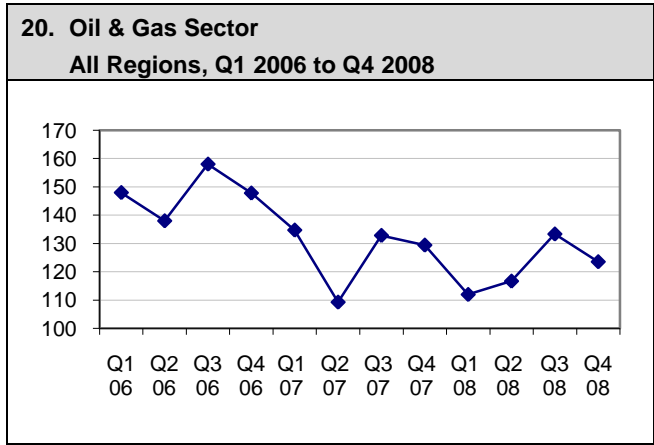


19. Business Hiring Intentions by Region, Unadjusted
All Sectors, Q1 2006 to Q4 2008



Source: WCER

Business Hiring Intentions – Sector Analysis - Unadjusted

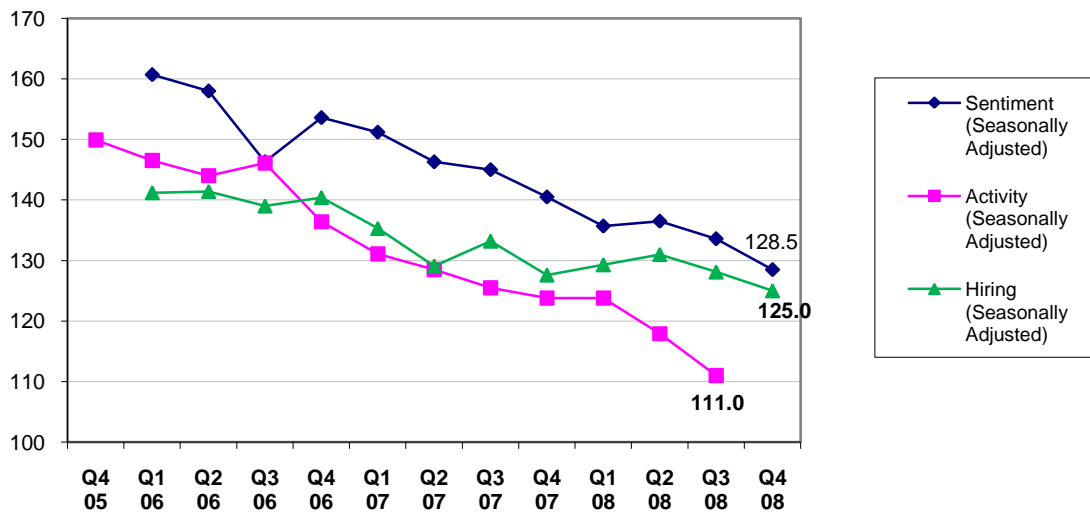


Source: WCER

Comparison of BSI, BAI and BHI

Figure 26 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 businesses' activity than what occurs (BAI). It is interesting to note that, for the most part, the hiring index remains between the two, suggesting that hiring decisions are a balance of activity and sentiment. The past three quarters suggest that hiring is more closely tied to sentiment, although earlier quarters suggest that activity held a stronger pull over hiring.

26. Comparison of BSI, BAI and BHI: Seasonally Adjusted – Q4 2005 to Q4 2008

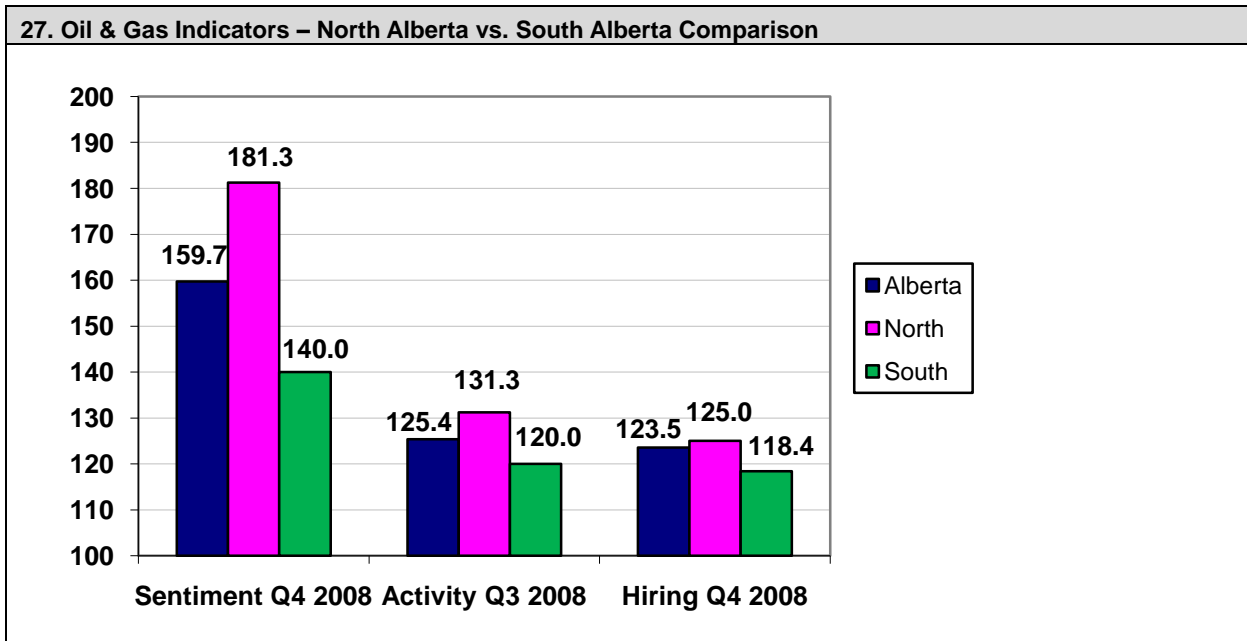


Source: WCER

More on Industry Sectors – Data is Unadjusted

Oil & Gas

- In the coming Q4 2008, 64% expect an increase in business, while only 4% expect a decrease.
- 32% expect to increase hiring in Q4 2008, while 9% expect to decrease hiring in Q4 2008.
- 43% indicated activity levels increased in Q3 2008, while 17% indicated activity levels decreased.



Source: WCER

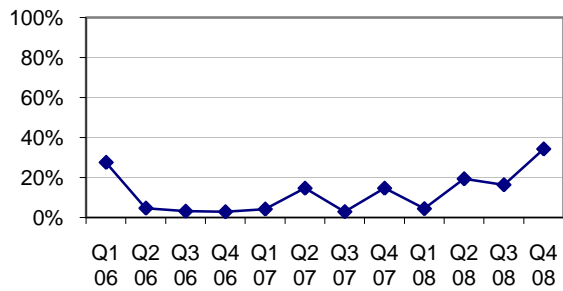
Construction

- 19% expect an increase in business over the next quarter, while 14% expect a decrease.
- 65% expect no change in hiring levels, while 27% expect to increase hiring over the next quarter.
- 28% experienced increased activity in Q3 2008, compared to 29% who experienced a decrease in activity. This marks the first quarter in which Construction recorded a negative BAI (less than 100). Construction and Oil & Gas are the only sectors that have recorded negative indicators since the inception of the BSI survey.

Construction Sector Bottlenecks

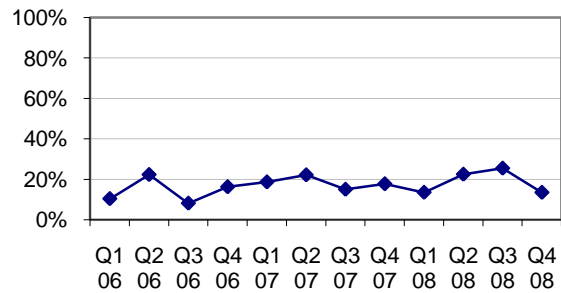
28. Insufficient Demand

All Regions, Q1 2006 to Q4 2008



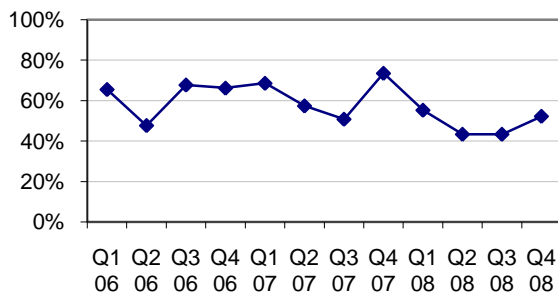
29. Weather Conditions

All Regions, Q1 2006 to Q4 2008



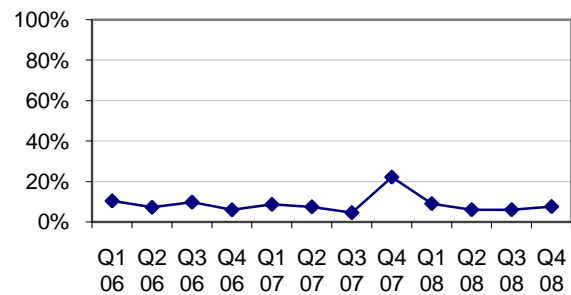
30. Shortage of Labour

All Regions, Q1 2006 to Q4 2008



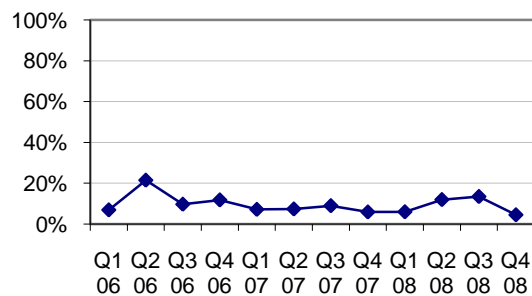
31. Shortage of Material and/or Equipment

All Regions, Q1 2006 to Q4 2008



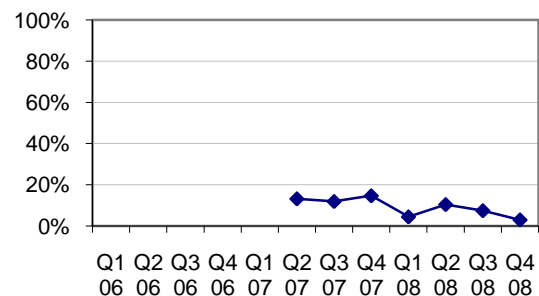
32. Financial Constraints

All Regions, Q1 2006 to Q4 2008



33. Land Availability*

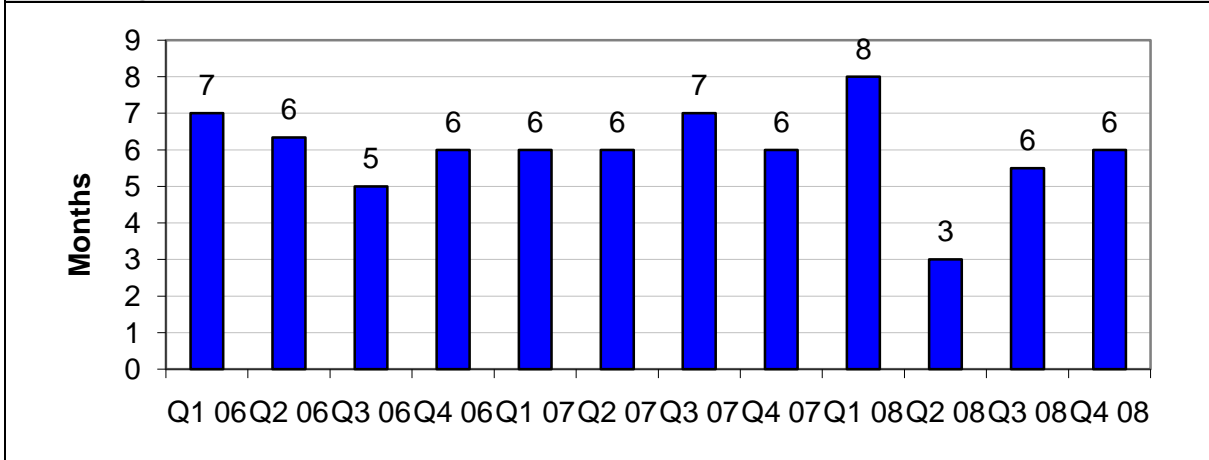
All Regions, Q2 2007 to Q4 2008



* Collection of Land Availability data began in Q2 2007

Source: WCER

**34. Median No. of Month's Work Accounted for by Work in Hand or Already Under Contract
All Regions, Q1 2006 to Q4 2008**



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. The lack of demand (Fig. 33) has spiked over the previous 3 quarters as the housing market has slowed.

Figure 35 shows the median number of work on hand for surveyed construction firms. The numbers suggest that around 6 months of work is typical for a construction firm in Alberta. Furthermore, 30% of firms responded in Q4 2008 that they had at least a year's worth of work on hand. This is up from 22% for Q3 2008.

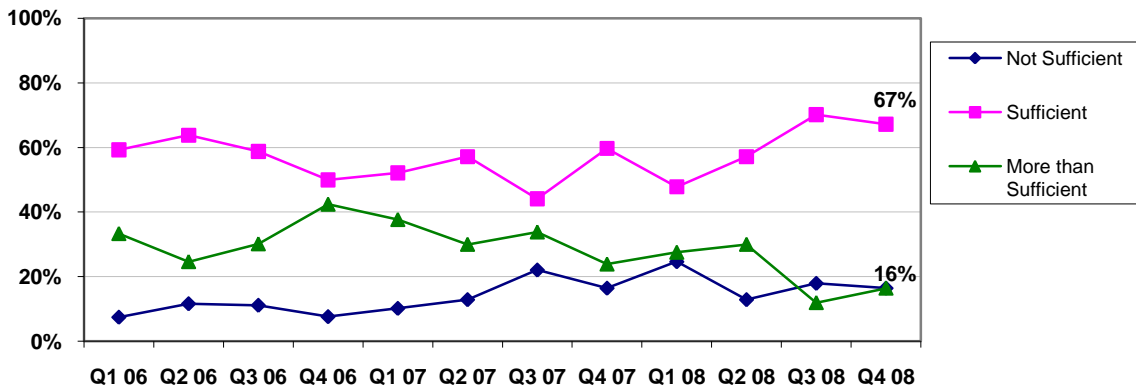
Manufacturing

- 60% expect increased production runs in Q4 2008, the same as last quarter.
- 36% expect to increase employment over the next quarter, while 10% expect to decrease employment.
- 40% experienced increased production in Q3 2008, while 25% experienced a decrease.
- 67% had sufficient orders on hand (Fig. 36) and 46% expected prices to increase during the next quarter (Fig. 37).

Wholesaling

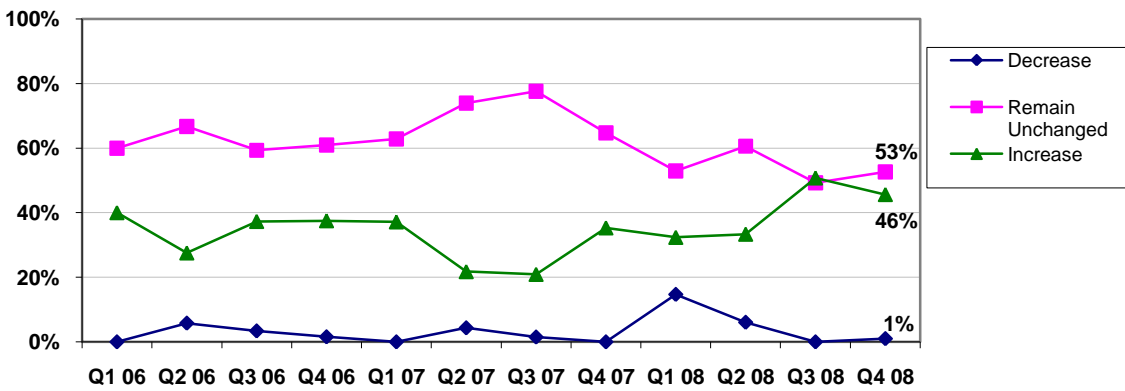
- 55% expect increased production runs in Q4 2008, while 16% expect decreased activity.
- 29% expect to increase employment over the next quarter, while only 6% expect to decrease employment.
- 34% experienced increased production in Q3 2008, while 19% experienced a decrease.
- 64% were satisfied with their inventory levels (Fig. 38).

35. Orders on Hand, Manufacturing Sector, All Regions, Q1 2006 to Q4 2008



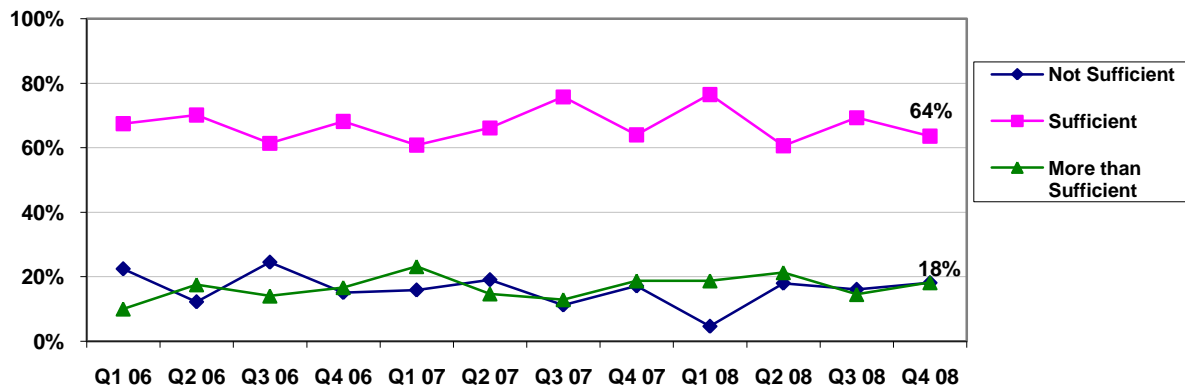
Source: WCER

36. Price Expectations, Manufacturing Sector, All Regions, Q1 2006 to Q4 2008



Source: WCER

**37. Firms' Satisfaction with Current Inventory Levels
Wholesale Sector, All Regions, Q1 2006 to Q4 2008**

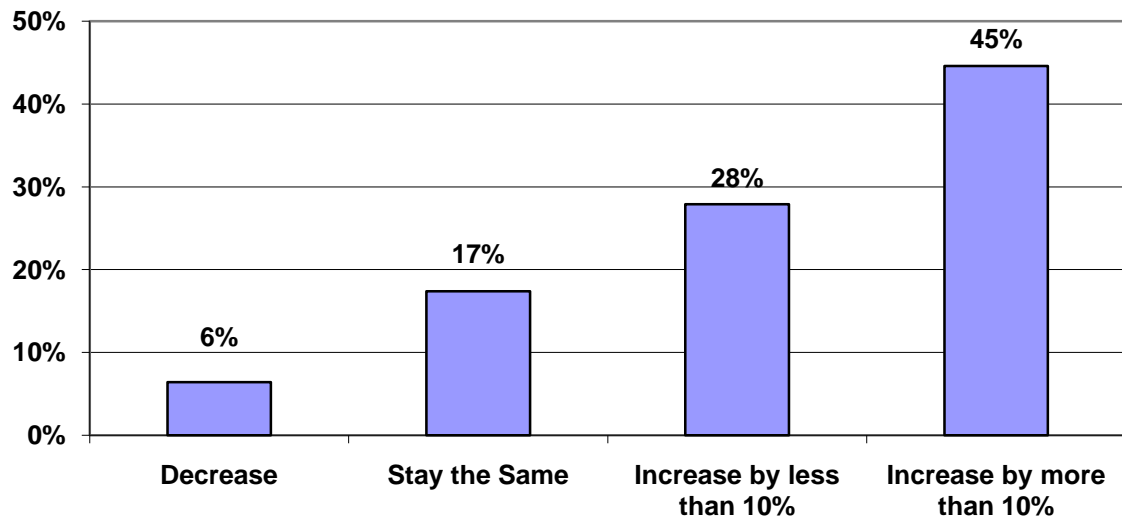


Source: WCER

Additional Questions

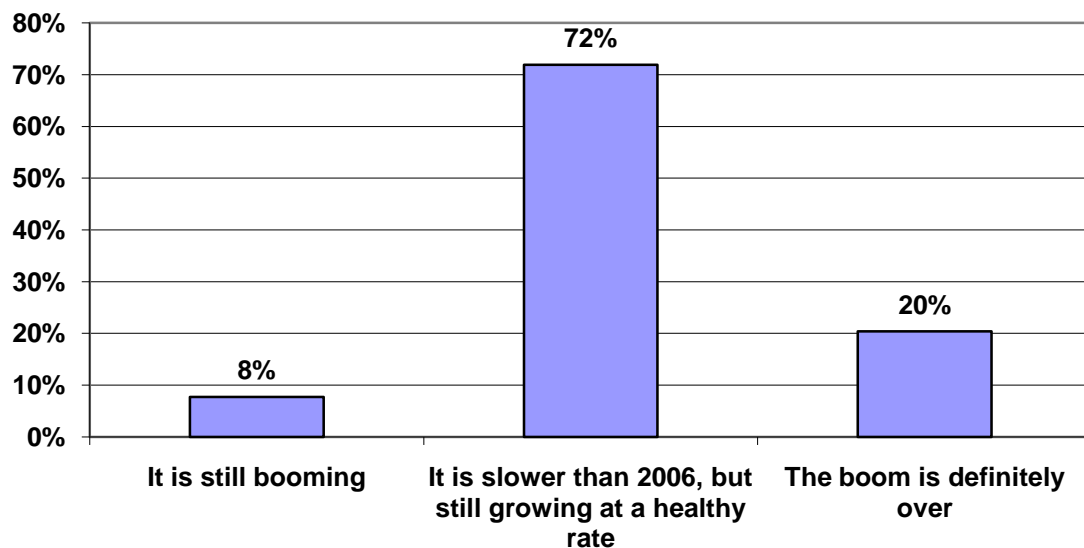
In addition to questions specific to each sector, we also included two questions for all respondents in our survey. Here are the results of those questions.

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



Source: WCER

39. Alberta's economy boomed in 2006 and early 2007, but since then most economic indicators have suggested growth has slowed. How would you best describe Alberta's economy?



Source: WCER

Appendix A – Data Tables

Respondent Distributions by Region vs. Sector					
	North	Edmonton	Calgary	South	Total
Construction	7	16	34	10	67
Manufacturing	15	30	12	11	68
Professional & Technical	10	26	20	13	69
Transportation & Warehousing	10	20	27	10	67
Wholesale	13	25	18	13	69
Oil & Gas	13	19	24	12	68
Total	68	136	135	69	408

Business Sentiments Index by Region vs. Sector			
	North	South	All
Construction	108.7	102.3	104.5
Manufacturing	151.2	127.3	143.1
Professional & Technical	140.0	142.4	141.2
Transportation & Warehousing	148.3	138.2	142.9
Wholesale	145.9	130.0	138.8
Oil & Gas	181.3	140.0	159.7

Business Activity Index by Region vs. Sector			
	North	South	All
Construction	72.7	111.6	98.5
Manufacturing	111.4	121.7	114.9
Professional & Technical	134.3	137.5	135.8
Transportation & Warehousing	113.3	121.6	117.9
Wholesale	116.2	112.9	114.7
Oil & Gas	131.3	120.0	125.4

Business Hiring Intentions by Region vs. Sector			
	North	South	All
Construction	121.7	118.6	119.7
Manufacturing	127.3	122.7	125.8
Professional & Technical	141.7	118.8	130.9
Transportation & Warehousing	137.9	132.4	134.8
Wholesale	118.9	129.0	123.5
Oil & Gas	125.0	122.2	123.5

Business Sentiments Index by Quarter vs. Sector												
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Construction	131	137	137.7	150.8	127.9	127.3	135.8	130.9	125.8	109.1	117.9	104.5
Manufacturing	158	154	155.7	163.6	135.7	153.6	162.7	156.7	134.8	165.7	149.3	143.1
Professional & Technical	153	157	153.2	175.0	160.6	147.2	148.5	158.5	135.4	131.3	132.3	141.2
Transportation & Warehousing	149	167	150.8	168.7	142.0	154.9	160.3	153.7	127.3	147.7	152.3	142.9
Wholesale	124	176	156.5	157.4	140.0	159.4	155.2	142.6	118.2	155.4	132.3	138.8
Oil & Gas	191	132	174.2	172.9	136.1	101.5	150.7	157.4	110.9	74.2	163.6	159.7

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
BSI	--	160.7	158.0	146.3	153.6	151.2	146.3	145.0	140.5	135.7	136.5	133.6	128.5
BAI	149.9	146.5	144.0	146.1	136.4	131.1	128.5	125.5	123.8	123.8	117.9	111.0	--
BHI	--	141.2	141.4	139.0	140.4	135.3	129.1	133.2	127.6	129.3	131.0	128.1	125.0

Business Sentiments Index by Quarter vs. Region													
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	
Alberta	149.7	152.0	153.8	163.1	140.2	140.3	152.5	150.0	124.7	130.5	141.1	138.0	
North	150.7	147.3	160.0	165.5	140.9	131.4	156.6	154.8	131.2	133.1	148.7	145.9	
South	148.4	156.6	147.6	160.8	139.4	149.2	148.4	145.2	118.1	127.8	133.5	130.0	

Business Activities Index by Quarter vs. Sector													
	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	
Construction	157	144	136	140	117	136	90	104	93	113	126	99	
Manufacturing	139	140	159	160	137	128	149	160	115	104	112	115	
Professional & Technical	135	138	140	151.2	137	136	132	130	126	138	126	136	
Transportation & Warehousing	155	163	152	158	147	161	149	131	141	120	129	118	
Wholesale	156	153	133	163	143	142	118	144	131	125	120	115	
Oil & Gas	153	133	132	141	140	140	128	119	129	124	86	125	

Business Activities Index by Quarter vs. Region												
	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008
Alberta	149.1	143.1	142.2	152.1	135.7	127.7	126.7	131.5	123.1	120.4	116.1	117.0
North	148.6	145.4	146.2	149.7	137.3	130.6	126.0	130.0	127.0	122.7	114.0	113.2
South	149.7	140.7	138.2	154.5	134.1	124.8	127.4	133.0	119.1	118.0	118.3	120.9

Business Hiring Index by Quarter vs. Sector												
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Construction	148	138	158.1	147.8	134.7	109.2	132.8	129.4	111.9	101.5	137.3	119.7
Manufacturing	131	157	153.3	139.7	127.1	144.7	137.3	143.3	125.4	131.3	137.5	125.8
Professional & Technical	146	131	143.5	135.8	134.3	144.3	133.8	129.9	130.4	133.8	129.9	130.9
Transportation & Warehousing	125	145	125.8	141.2	141.2	134.0	139.7	120.9	130.3	131.3	131.3	134.8
Wholesale	134	146	144.4	152.2	126.5	120.6	143.3	131.3	120.3	137.3	118.5	123.5
Oil & Gas	124	142	129.5	130.4	118.6	130.0	130.9	118.8	121.7	116.7	133.3	123.5

Business Hiring Index by Quarter vs. Region												
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Alberta	135.0	143.0	142.1	141.8	129.1	130.7	136.3	129.0	123.1	125.4	131.2	126.4
North	137.0	147.0	140.0	145.7	130.4	132.4	138.5	131.4	127.6	129.8	141.0	128.8
South	132.0	140.0	144.1	138.0	127.9	129.0	134.2	126.7	118.6	121.1	121.3	124.0