

Alberta inflation rate rises to 2.1 per cent

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Calgary Herald
CALGARY

Rise in prices seen as positive sign of demand in economy

Alberta is once again an inflation hotspot as the pace of price increases quickened in February. But while higher prices may leave consumers grumbling, analysts said the increase points to positive signs of demand in the economy. Higher costs for food, furniture and fuels drove the provincial inflation rate to 2.1 per cent in February, Statistics Canada reported Thursday. The rate was 1.2 per cent in January. "It is an indication that underlying domestic demand is not collapsing in the wake of job losses and the epic global recession," said Dan Sumner, economist with ATB Financial. The report is a bit of good news for Alberta, where several forecasts

predict the economy will post its first recession in two decades as energy prices slump and companies ratchet back spending. The increase muted growing concerns about deflation, which central banks around the world have worked to battle with near-zero benchmark interest rates and programs aimed at injecting liquidity into markets. Alberta was second only to Saskatchewan in experiencing year-over-year price increases. Manitoba rounded out the top three. The overall Canadian rate was higher than expected last month, as higher food and shelter costs pushed annual inflation to 1.4 per cent, the agency said. This was the first increase in consumer prices in

five months. Last month, annualized inflation stood at 1.1 per cent. Statistics Canada said food prices were the largest single factor driving consumer prices upward, particularly for groceries like fresh vegetables, baked goods and meat. The cost of food increased 7.4 per cent during the 12-month period to February. That followed a 7.3-per-cent rise in January. Higher mortgage interest costs pushed shelter costs up three per cent. Those gains offset falling transportation costs, which continued to exert strong downward pressure on consumer prices in February. Gasoline prices in February were nearly 20 per cent below year-ago levels, although slightly higher than the previous month. Excluding gaso-

line, consumer prices rose 2.5 per cent. Overall, energy prices fell 8.8 per cent during the 12-month period to February, less than the 10.9 per cent fall in January. Core inflation — which strips out volatile-priced goods such as energy — remained just below the Bank of Canada's two-per-cent target, at 1.9 per cent. Economists said the surprising uptick in prices indicates that deflation is a "remote" risk in Canada. "Even so, inflation remains below the Bank of Canada's two-per-cent target and is expected to head lower in the months ahead as the weak economy bears down more heavily on pricing power," said Douglas Porter, deputy chief economist at BMO Capital Markets.

"Despite the high-side surprise, the inflation outlook is likely mild enough" to allow the Bank of Canada to follow the U.S. Federal Reserve's move to engage in quantitative easing — or the purchase of market-held securities in an attempt to inject liquidity into the system, he said. While prices were surprisingly firm in February, that theme is unlikely to continue, said Charmaine Buskas, senior economics strategist at TD Securities. "The Canadian economy is unambiguously weak and the slack emerging in the economy is sure to keep a lid on prices as demand wanes," she said. The Canadian economy is expected to post a deep decline this quarter, as much as nine per cent, according to some economists. *With files from Canwest News Service*

Grants boost agriculture research

Biodiesel project, embryo study launched

Journal Business Staff
EDMONTON

Two new programs designed to boost agricultural diversity and improve livestock quality got rolling Thursday. A \$1-million federal biofuels research project at Alberta Research Council will identify optimal growing conditions and feedstocks for biodiesel production. And a world-first swine and cattle embryo research network, based at the universities of Alberta and Laval, in Quebec, will enhance Canada's role as a world leader in embryo and sperm exports. Although the biofuels project is based at ARC's Edmonton fuels and lubricants laboratory, it involves many research partners across Western Canada working to benefit agricultural producers and Canada's emerging biofuels industry. Westlock-St. Paul MP Brian Storseth said the research network "will help farmers grow more canola more often, giving them a competitive edge in the burgeoning biofuels industry, and giving them more income, which will in turn boost the economy." The \$9-million, five-year swine and cattle program focuses on the impact of reproductive technologies and maternal nutrition on embryos. The swine research will be conducted at the U of A's agriculture and forestry centre, while the cattle portion will be at Laval University. "We'll be looking at the environment in which those embryos are



Dan Wispinski is business-unit manager for the Alberta Research Council's fuels and lubricants group, the base for the biodiesel project.

created and are forming," said George Foxcroft, the program's co-director and head of the U of A's swine research node. "That will help us develop baseline data to determine normal embryos from which we'll be able to develop diagnostic tools to determine an embryo's health." Researchers will also examine environmental factors, including maternal nutrition and assisted reproductive technologies that influence embryo development, Foxcroft said. Ultimately, the research will be able

to determine the conditions that will produce the best eggs and the most efficient livestock, he said. Currently the export of Canadian sperm and embryos to more than 70 countries generates more than \$75 million in revenue. Lorne Babiuik, U of A research vice-president, said the resulting science will have a substantial impact on the food animal industry and the wider economy. The federal Natural Sciences and Engineering Research Council provided \$4.8 million of the research funding.

Alta. business sentiment on 'even keel,' survey says

Journal Business Staff
EDMONTON

Alberta business sentiment remains steady despite the economic turmoil swirling around the globe, ATB Financial said Thursday. The latest Business Sentiments Index (BSI) shows expectations for the second quarter have barely moved from the previous quarter, edging down slightly from 99.7 to 99.5, ATB said. However, the key oil and gas sector is far more pessimistic about its immediate economic outlook, with sentiment dropping below 100 for the first time since the survey's inception, to 81.6. An index value more than 100 indicates optimism, and less than 100 indicates pessimism. "I think this report tells us that Alberta businesses are remaining on a remarkably even keel in extremely difficult circumstances," ATB senior economist Todd Hirsch said. "Even though the economic situation — both locally and globally — has deteriorated significantly since before Christmas, Alberta companies seem to be saying things won't get any worse." Hirsch said it's not surprising sentiment is down in the oil and gas sector, given the winter's discouraging energy prices. "What's more surprising, perhaps, is that prices haven't triggered a broader fall in sentiment," Hirsch said. The BSI, a joint effort of ATB and the Western Centre for Economic

Research at the University of Alberta School of Business, surveyed 428 companies between Feb. 23 and March 6. The new index level of 99.5 is down substantially from the 136.5 for the second quarter last year. It has dropped in three of the six sectors measured — oil and gas, professional/technical and wholesale — while it's up slightly in transportation/warehousing, construction and manufacturing. Ted Chambers, a research professor at the Western Centre for Economic Research, said the steady sentiments index suggests that economic conditions in the short term are not likely to improve or worsen. "The bottom line is little if any immediate change from recessionary conditions," Chambers said. In the medium term, the survey suggests that more Alberta businesses expect their outputs to grow than shrink over the next 12 months, ATB said. Some 25 per cent expected their outputs to decrease, 31 per cent said they will stay the same, 23 per cent said outputs will grow by less than 10 per cent and 21 per cent said they'll grow by more than 10 per cent. The complete report also contains data regarding businesses' actual activity in the previous quarter — down dramatically in oil and gas and manufacturing — and their hiring intentions. It's available at www.business.ualberta.ca/wcer.

Commercial vacancy rates rise across Canada, Edmonton not immune

Financial Post
TORONTO

Canada's residential housing market isn't alone in being hit hard by the economic downturn — commercial real estate in the country's major markets is also taking a hit in the first quarter of 2009, with vacancy rates on the rise across the board, according to a report from CB Richard Ellis Ltd. released Thursday. The report cites declines in the manufacturing, retail and resource sectors as contributing to the 7.5-per-cent vacancy rates for downtown and suburban space, up

from 6.3 per cent last year. The net absorption rate continued to decline, from 2,642,611 to 2,013,299 square feet, from the year-ago period, due to increased commercial inventory and rising unemployment, the report said. "The residual effects of the Canadian economic downturn continued to impact first-quarter commercial real estate market conditions," said John O'Bryan, vice-chairman, CB Richard Ellis. "In almost all cases, vacancies remained broadly based — a trend we expect to continue for the balance of 2009 — while more news regarding the slowing Canadian

economy continues to surface." Western Canada, which has been harder hit by the decline in the resource sector, saw a steeper rise in vacancy rates. Edmonton's year-over-year rate climbed from 4.9 to 6.5 per cent. "We've witnessed some layoffs in engineering and construction — anybody to do with the oilpatch — and we're starting to see some space come back," said David Young, managing director for CBRE in Edmonton. Downtown occupancy rates are stable with greater increases in vacancies in suburban areas, he said. *With files from Journal staff*

Travel declines in January

Journal Business Staff

Travel to and from Canada declined in January over December, according to numbers released Thursday by Statistics Canada. The federal agency said Canadians took 3.8 million trips abroad in January, down 2.4 per cent from the previous month. Of those trips, 690,000 were to overseas countries, a 6.6-per-cent decline. Statistics Canada said this is the first decrease in Canadian travel overseas since August 2008. Canadians also took fewer trips to the U.S. *Canwest News Service*

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