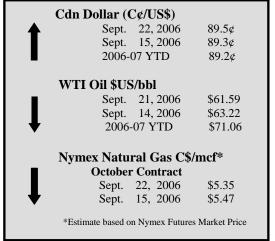
WEEKLY ECONOMIC REVIEW

September 22, 2006

Canada's headline CPI inflation rate fell to 2.1 per cent in August, down from 2.4 per cent in July. Moderating gasoline prices were primarily responsible for the slowdown in inflation. The core inflation rate (which excludes the eight most volatile components of the CPI) held steady at 2.0 per cent.

Alberta's CPI inflation rate jumped to 4.7 per cent in August (up from 4.2 per cent in July), remaining the highest among the provinces. Exceptionally large increases in homeowners' replacement cost continue to account for most of the discrepancy between the Alberta and national inflation rates. This component of the CPI - which is estimated using new house prices - is up by 43 per cent in Alberta over the past 12 months (over the same period, homeowners' replacement cost is up by less than 4 per cent in Ontario, Quebec and British Columbia).

The U.S. Federal Reserve Board maintained its key interest rate at 5.25 per cent this week. There are indications that U.S. inflationary pressures are lessening, reducing the need for further interest rate hikes. In August, the U.S. inflation rate dropped to 3.8 per cent, down from 4.1 per cent in July.



Two reports showed further evidence of a slowing U.S. economy. In August, the Philadelphia Federal Reserve's index of manufacturing activity turned negative for the first time in three years, while the U.S. Conference Board's index of leading indicators fell for the second straight month. These reports contributed to a general weakening of the U.S. dollar.

The Canadian dollar also gained support from a positive report on Canadian retail sales, which showed a 1.5 per cent gain in July. Alberta's retail sector continues to enjoy record growth. Through the first seven months of 2006, Alberta's retail sales are up a phenomenal 16.7 per cent.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date ¹
Consumer Price Index (1997=100)	August			
Alberta	141.4	0.4%	4.7%	3.9%
Canada	130.7	0.2%	2.1%	2.4%
United States (1982-84=100)	203.9	0.2%	3.8%	4.6%
Retail Trade (\$ Millions)	July			
Alberta	4,817	1.5%	16.0%	16.7%
Canada	32,998	1.5%	5.7%	6.2%
Wholesale Trade (\$ Millions)	July			
Alberta	5,177	0.0%	15.5%	15.4%
Canada	42,354	2.1%	9.5%	7.8%

Source: Statistics Canada, U.S. Bureau of Labour Statistics

¹Year-to-date 2006 compared to the same time period in 2005. For example: January-August 2006 versus January-August 2005