

CENTRAL ALBERTA TIMES

March 24, 2024

Key Economic Indicators

WTI Crude \$80.63 USD per barrel (\$76.97)

WCS Crude \$66.42 USD per barrel (\$58.06)

Natural Gas \$1.66 per MMBtu (\$1.78)

Gold \$2181.60 USD per ounce (\$2039.00)

CAD to US \$73.50 (\$74.29)

Bank of Canada Rate 5.00%

Inflation & The Economy

On March 20, 2024, Christine Lagarde, President of the European Central Bank, spoke live from Frankfurt, Germany. The topic was inflation, and the reasons for its persistence.

Geopolitical threats, including the wars in Europe, the Middle East, and the Republic of The Congo, are all contributing to insecurity in the world markets.

It has been a very complex economic environment after COVID, and it has been very difficult for central banks around the world to become more confident in their decisions. They will need to persevere, to ensure that inflation is brought back to the 2% mark.

Raising the interest rates, is one of the many ways, that central banks can curb inflation.

During 2021 and 2022, the central banks got it wrong, when predicting the rate of inflation. In fact, it was more than double what they predicted, due to high energy prices. Other factors also played a role in increasing inflation, including rotation in spending, a boom in the manufacturing sector, fiscal expansion, an increase in supply bottlenecks, and all the ripple effects caused by all the above.

Inflation is dealt with in three phases, as per Lagarde. The first phase is to increase interest rates. The second phase is to hold the interest rates for as long as necessary to slow inflation (this is the current phase most central banks are in now). And the third phase is when interest rates are reduced.

The current prediction is that inflation will be 2.3% in 2024, 2.0% in 2025, and 1.9% in 2026. Euro to CAD is at \$1.47 and the European Central Bank Interest Rate is currently at 4.5%.

Wage growth must slow, profit margins must not increase, and productivity must grow without increasing unit costs. These factors will play a large role in reducing inflation.



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Bank of Japan

For the first time in 17 years, the Bank of Japan, has raised its interest rate to 0.1%, from negative 0.1%.

You might be wondering, why would a central bank set their interest rate in the negative?

Well, when a central bank fears that their economy may slip into a deflationary period of unknown proportions, they will move their interest rates into the negative.

This encourages the economy to borrow and spend, rather than save and hoard their money. It literally costs you to keep your money in your bank account, a storage fee of sorts.

The ripple effect of an economy hoarding their money and waiting for a better price, actually ends up stalling the economy.

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Upcoming Events

Ponoka Stampede June 25th to July 1st

Calgary Stampede July 5th to 14th

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20 Days In Mariupol

It is a documentary, currently on Netflix, which provides live footage in the early days of the Russian invasion of Ukraine.

It provides insight on how civilian populations are affected by war.

Stock Review Of The Week

Ford Motor Co. (NYSE: F)

Stock Price \$12.91 per share

Dividend Yield 4.65%

This company develops, delivers, and services a range of Ford trucks, commercial cars and vans, SUVs, and Lincoln luxury vehicles worldwide.

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