



# Edmonton's Economic Outlook May 11, 2017

Chief Economist  
Financial Services & Utilities



# Agenda

## **The Context**

- Regional & Local Current Indicators

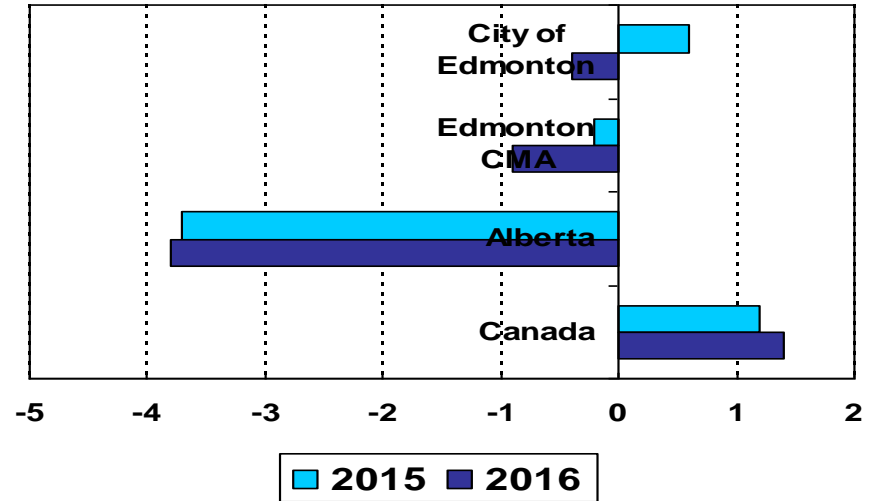
## **Long-Term Outlook**

- Edmonton, the Region and Alberta
- Risks to the Outlook

# Canada, Alberta & Edmonton

- Edmonton will outperform Alberta due to its relatively diverse economy
- 2016 brought dramatically slower growth for the City and negative growth for Alberta and the Edmonton CMA
- A serious recession scenario for Edmonton required low oil prices to persist leading to provincial budget cuts

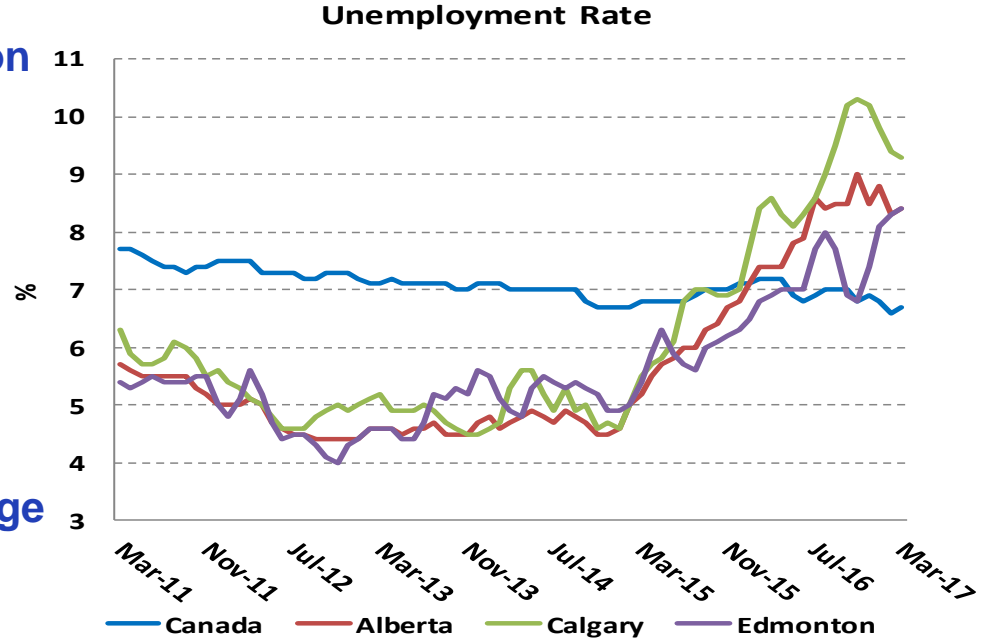
**% Real GDP Growth**



Source: IMF, City of Edmonton, C4SE

# Unemployment Converges

- Higher unemployment in Edmonton is driven by labour force growth as well as net job losses.
- A recent shift to away from part-time job gains may support consumer spending over the next 12 to 18 months
- Unemployment in the Edmonton region will drift up to the 8.5% range in the first half 2017.



# Cyclical Change in Employment

July 2014 to March 2016

Three month moving average

Job Gains		Job Losses	
Alberta (-52,000)			
Education	45,800	Primary	-38,300
Health Care	39,300	Manufacturing	-36,200
Logistics	12,800	Construction	-32,300
Trade	4,200	Agriculture	-15,400
Edmonton Region (-4,700)			
Education	17,100	Manufacturing	-22,800
Health Care	10,700	Primary	-14,800
Trade	8,000	Other Services	-8,100
FIRE	6,300	Prof. Services	-6,300

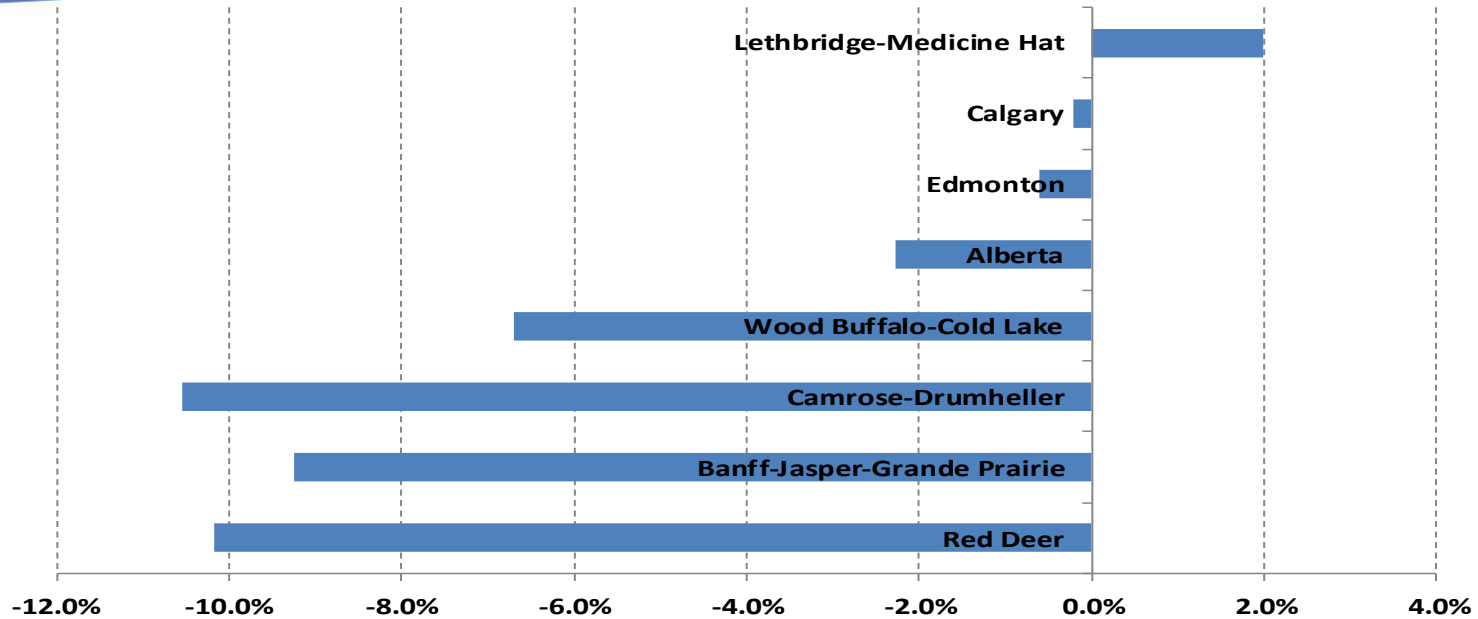
**Source: Statistics Canada**



# Cyclical Change in Employment

July 2014 to March 2017

Three month moving average



Source: Statistics Canada

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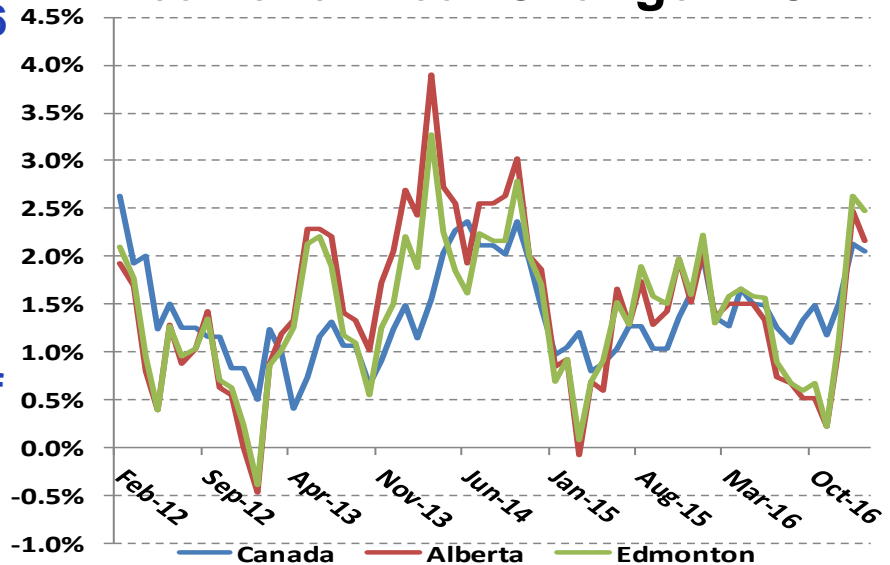
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# Consumer Inflation Spiking

- The region's year-over-year inflation rate slowed sharply in 2016 and then began to accelerate
- Energy prices are the key driver of inflation with natural gas up 42% and gasoline 34% year over year
- Forecast is for to hold at the 2.5% range for the first several months of 2017 then ease
- Higher inflation will erode real incomes for Edmonton residents as wages are rising at 2% annual rate.

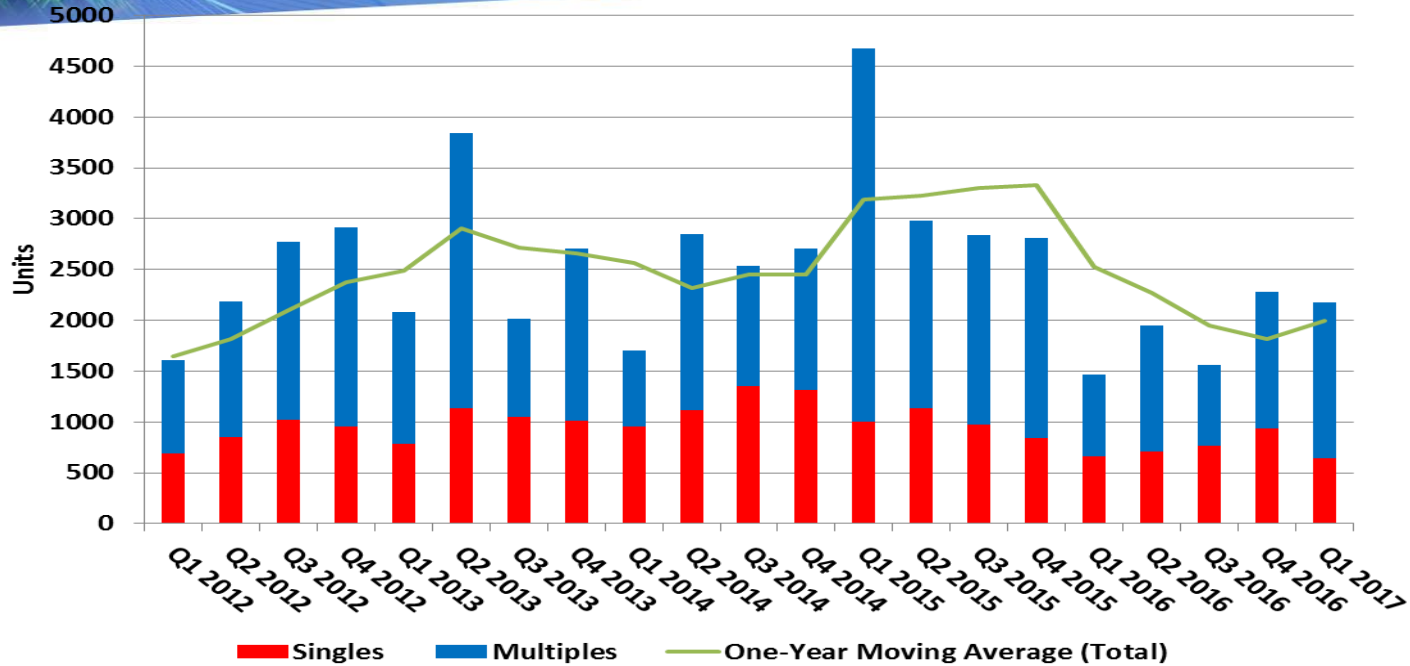
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## Year-over-Year Change in CPI



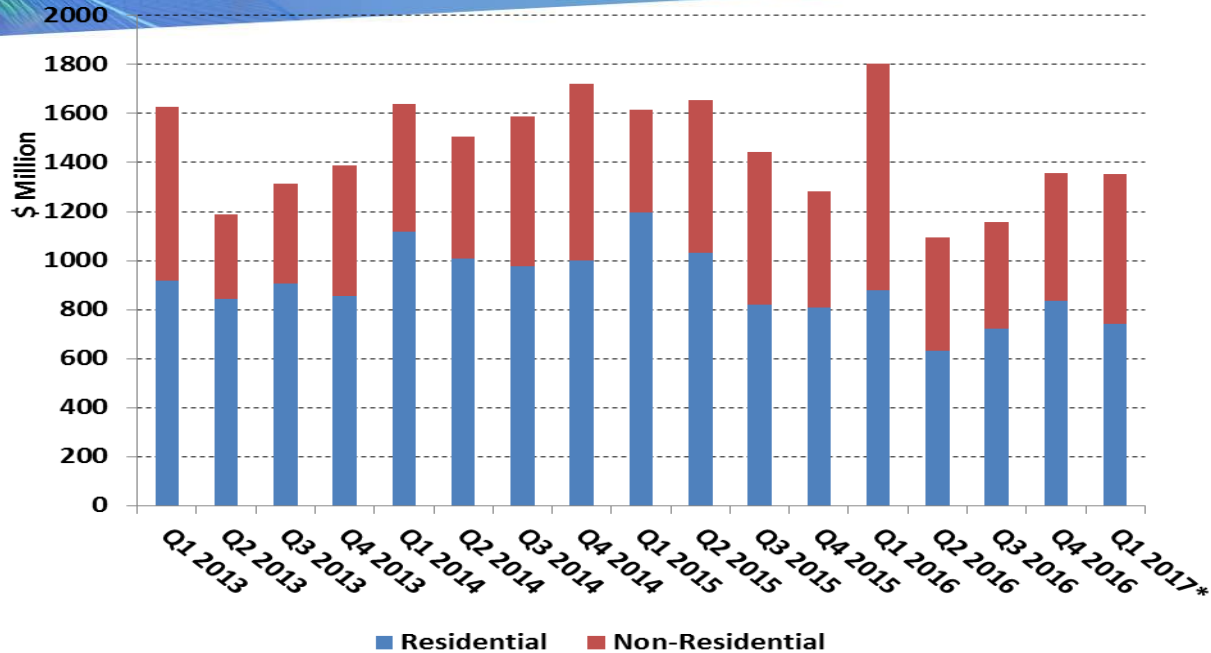
Source: Statistics Canada

# Housing Starts City of Edmonton





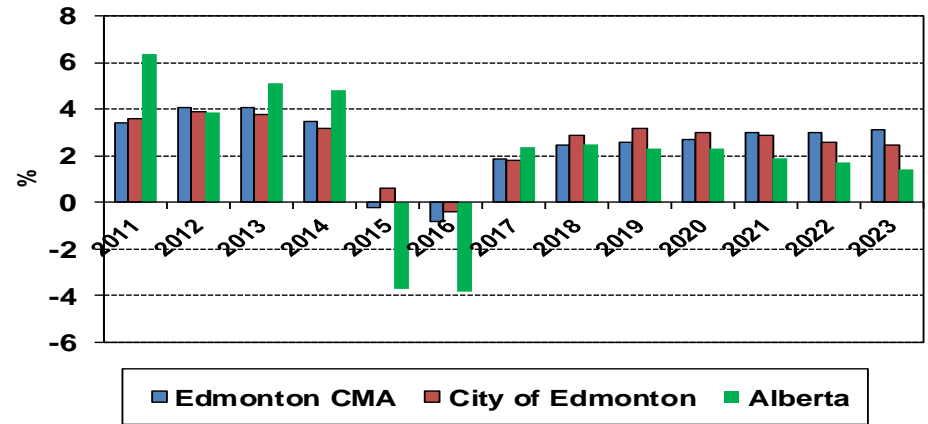
# Edmonton CMA Building Permits



Source: Statistics Canada

# Growth Moderates in the Longer Term

## Real GDP Growth



Source: City of Edmonton, C4SE

- The City experienced a sharp slow down in mid 2016.
- City and region makes a gradual recovery to faster growth in 2017 while the province lags.
- Continuing in-migration allows the City and the region to grow more rapidly than Alberta and Canada in the final years of the outlook.



# Risks to the Edmonton Outlook

## Downside

**Consumer confidence falters with concerns growing over housing, debt and rising interest rates and inflation**

**Low oil prices persist into 2017 and 2018 causing severe slump in energy investment and government spending**

**Conclusion of a number of major construction projects leads to further contraction in the building sector**

**Stricter controls on carbon emissions and opposition to energy investments constrain longer term growth**

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## Upside

**U.S. recovery gains additional momentum with proposed tax cuts and infrastructure spending**

**US oil production has only a partial recovery helping to firm up North American energy prices**

**OPEC and other major oil producers agree on and enforce production cuts**

**Emerging market countries succeed in stimulating more rapid growth**



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