

Alberta's Economic Outlook

Catherine Rothrock
Chief Economist and Executive Director
Alberta Treasury Board and Finance

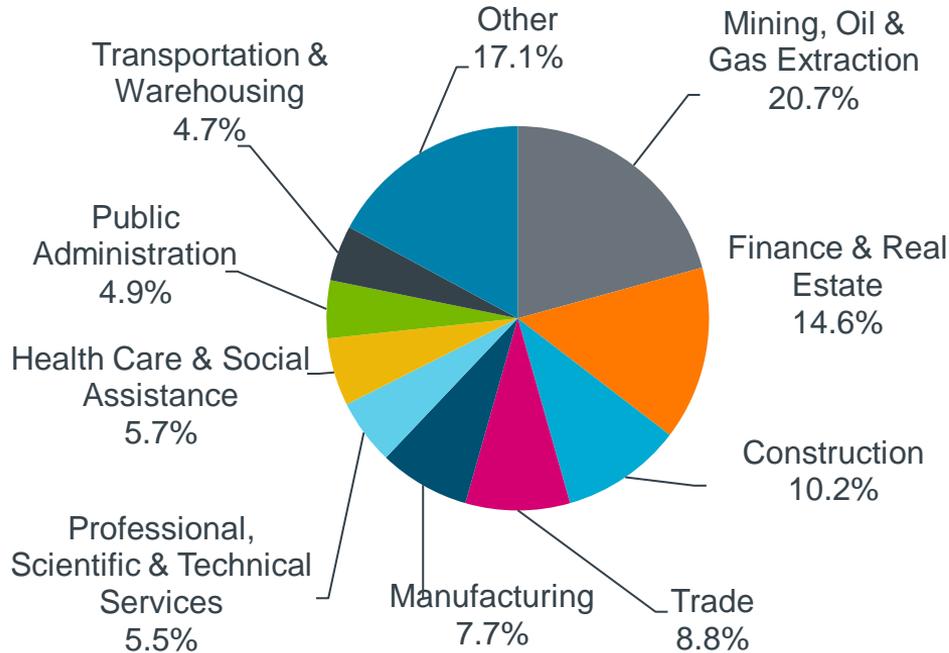
December 3, 2020



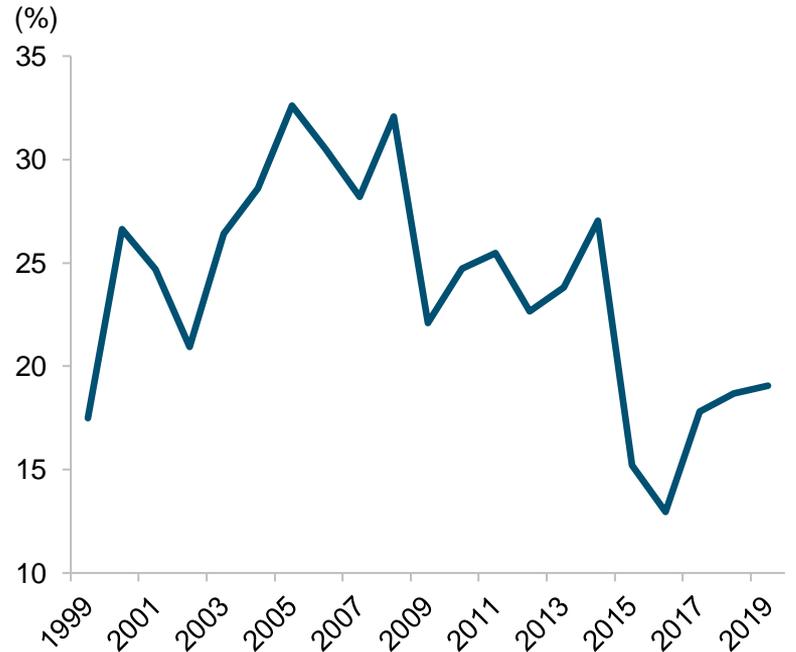
Alberta

What makes up Alberta's economy?

Share of nominal GDP by industry (2010 to 2019 average)



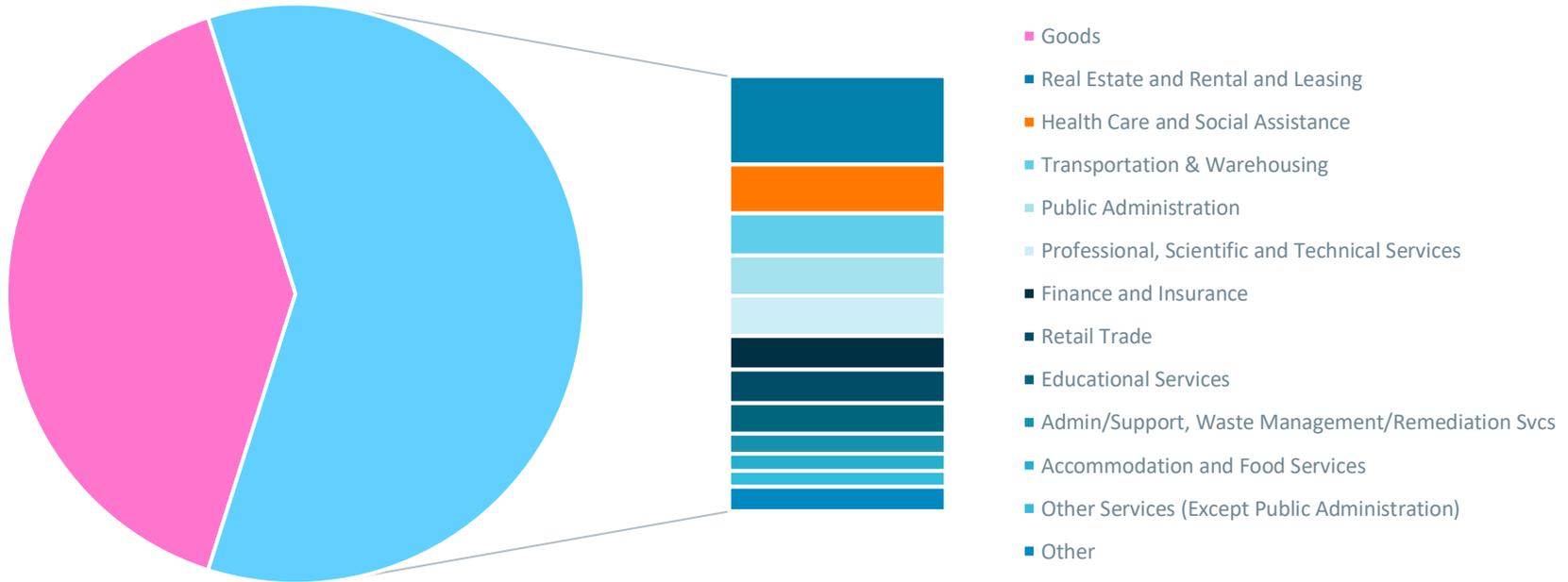
Share of mining, oil and gas extraction to nominal GDP by industry



Sources: Statistics Canada and Haver Analytics

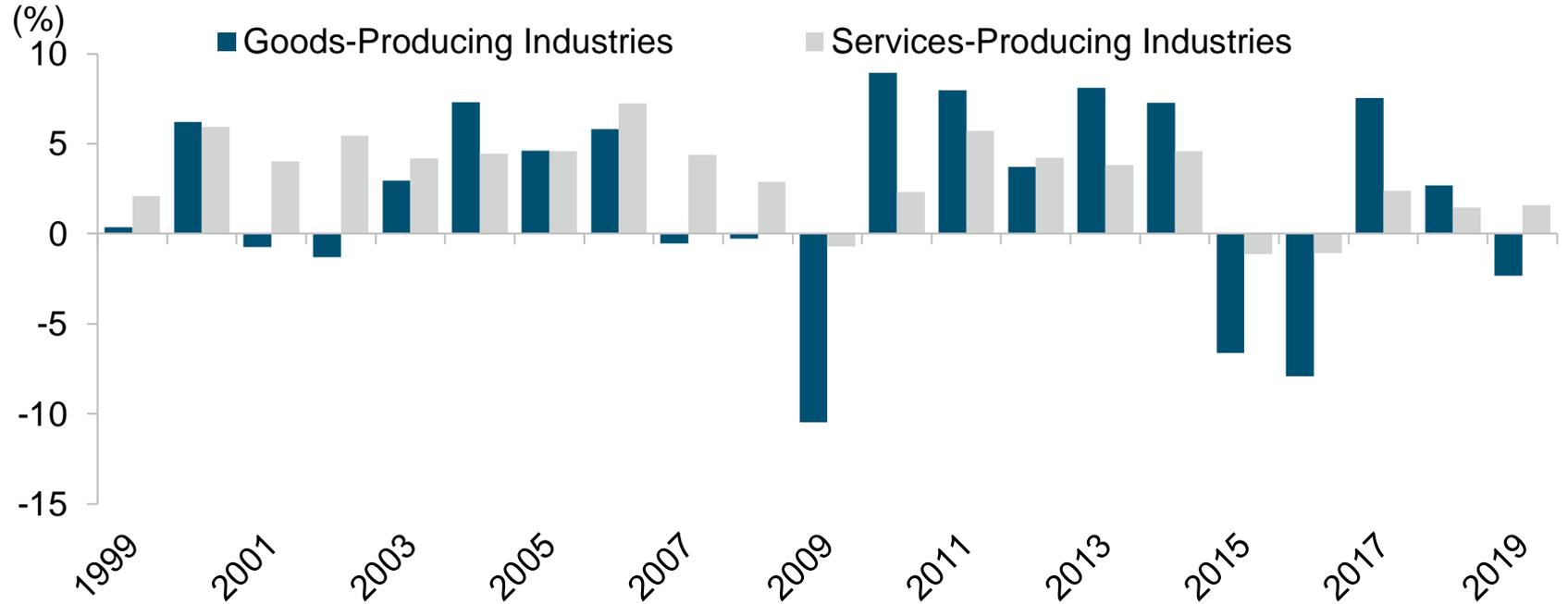
Services represent about 60% of Alberta's GDP

GDP by Industry, 2019



Service sector has been resilient during downturns

Alberta real GDP growth by industry, 1999-2019



Sources: Statistics Canada and Haver Analytics

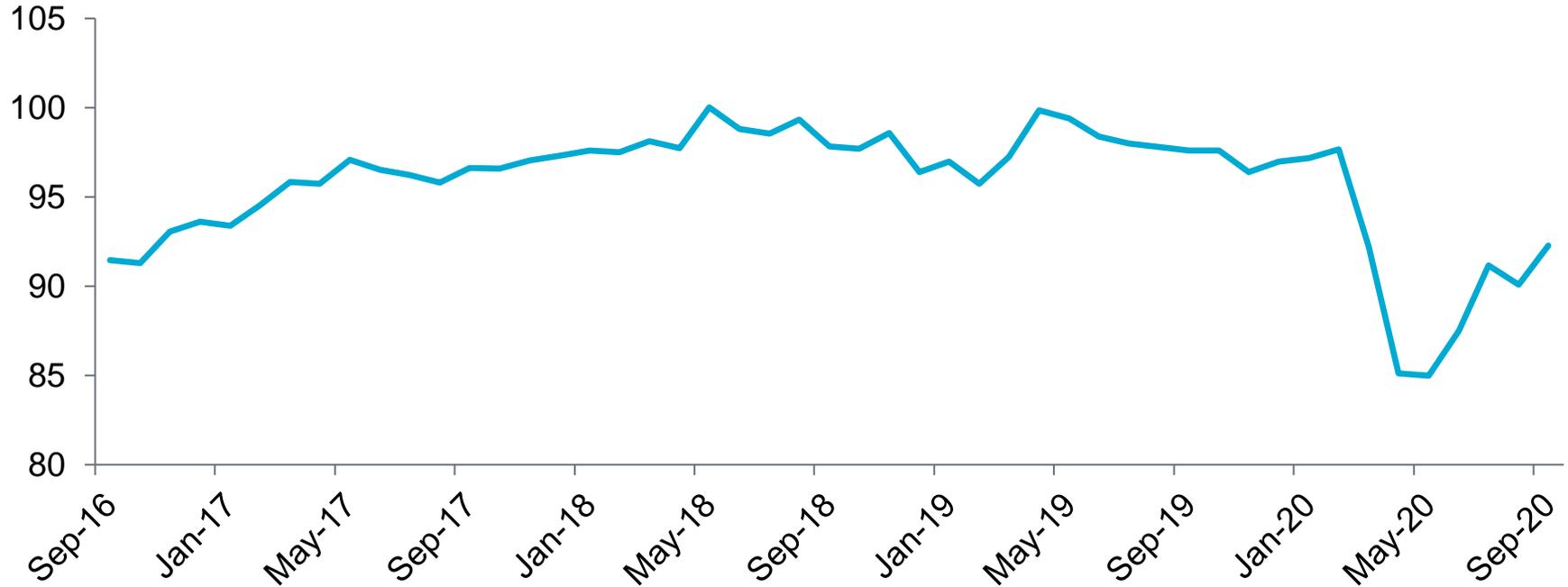
Dual shock of COVID-19 pandemic and oil price collapse hits Alberta economy

- Severe contraction in activity, employment and incomes this year
 - Real GDP forecast to decline by 8.1%, employment to fall 7%
 - Unprecedented monetary and fiscal stimulus mitigate the impact
- Activity has improved in some parts of the economy
 - Housing activity, consumer spending leading the recovery
 - Business activity and investment lagging behind
 - Real GDP to see a partial rebound of 4.4% in 2021
- A prolonged and uneven recovery
 - Social distancing measures expected to remain in place until next year
 - Modest outlook for oil prices over the medium term
 - Full recovery in employment in 2022; real GDP in 2023
 - Risks to outlook extremely high

Provincial activity rebounding from pandemic lows

The Alberta Activity Index

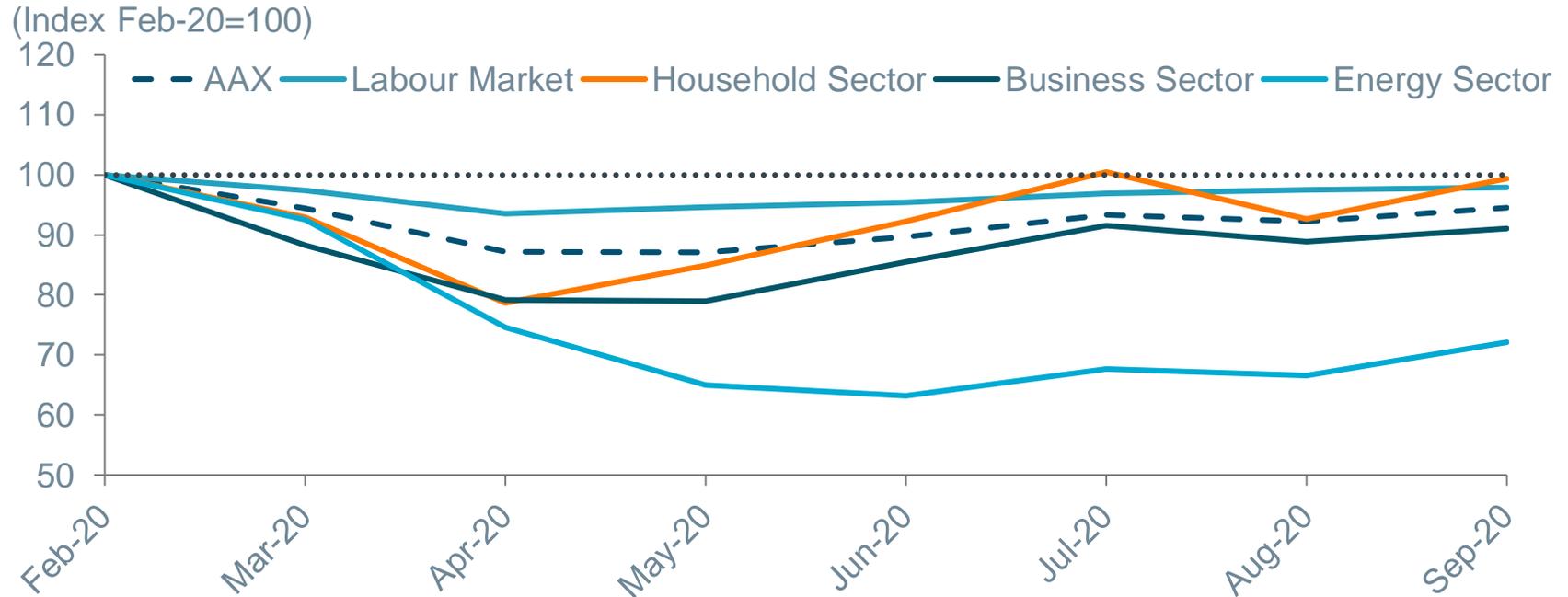
(May-18=100)



Source: Alberta Treasury Board and Finance

Household sector leading the recovery in provincial activity

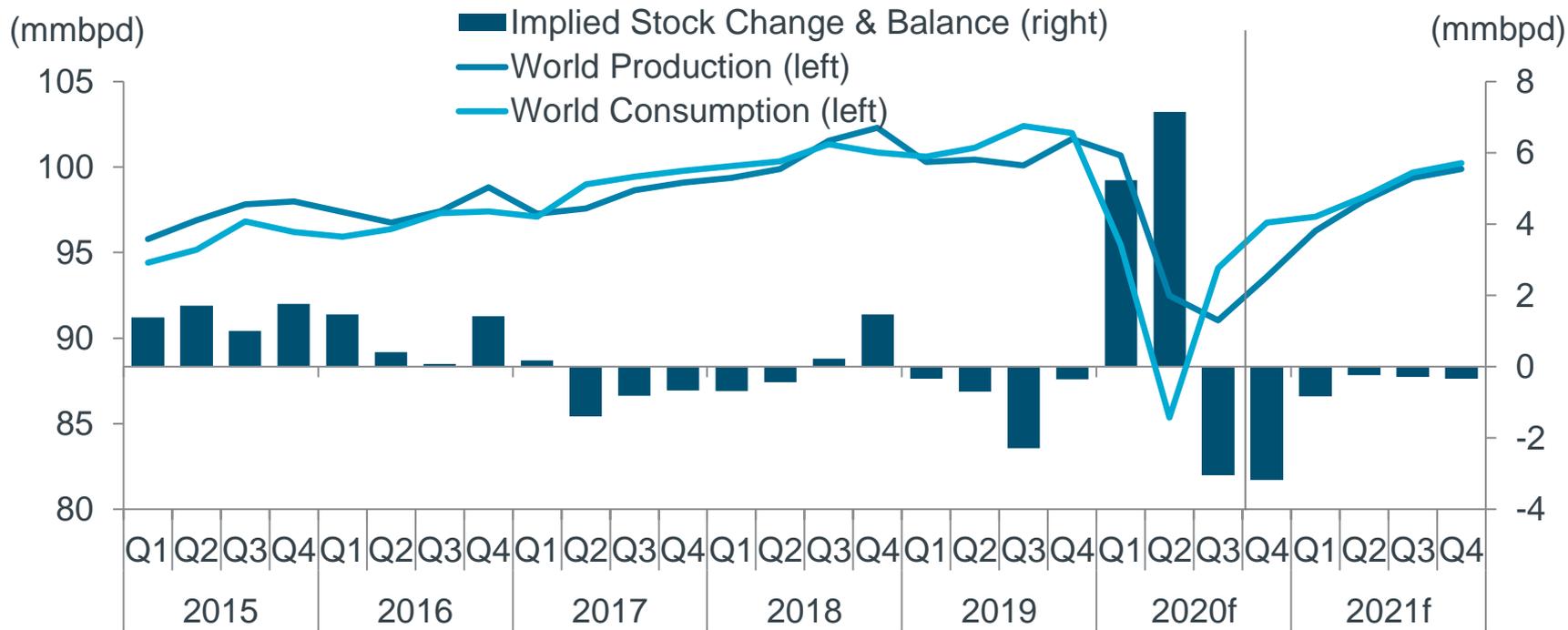
The Alberta Activity Index



Source: Alberta Treasury Board and Finance

World oil market imbalance grows in 2020 amid pandemic

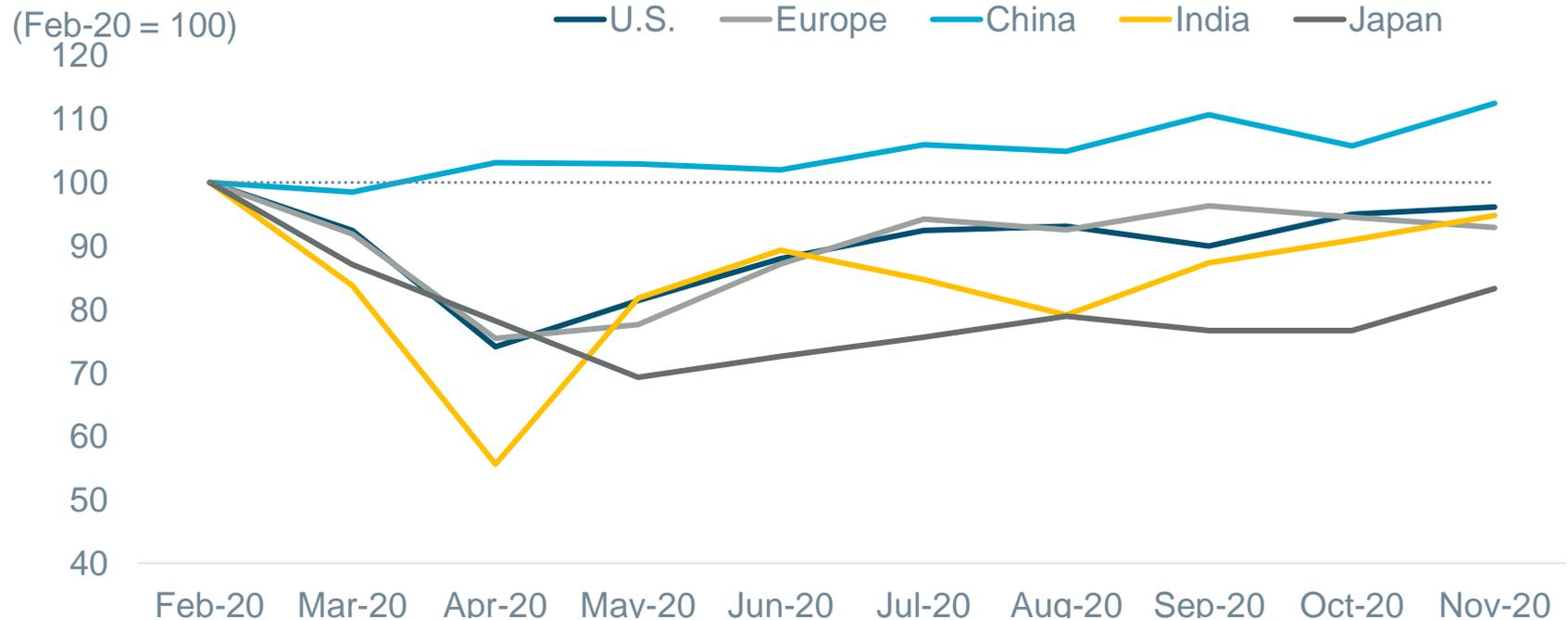
World fuels production and consumption balance



Source: U.S. Energy Information Agency, Short-Term Energy Outlook - September 2020, and Haver Analytics

Uneven recovery in petroleum demand

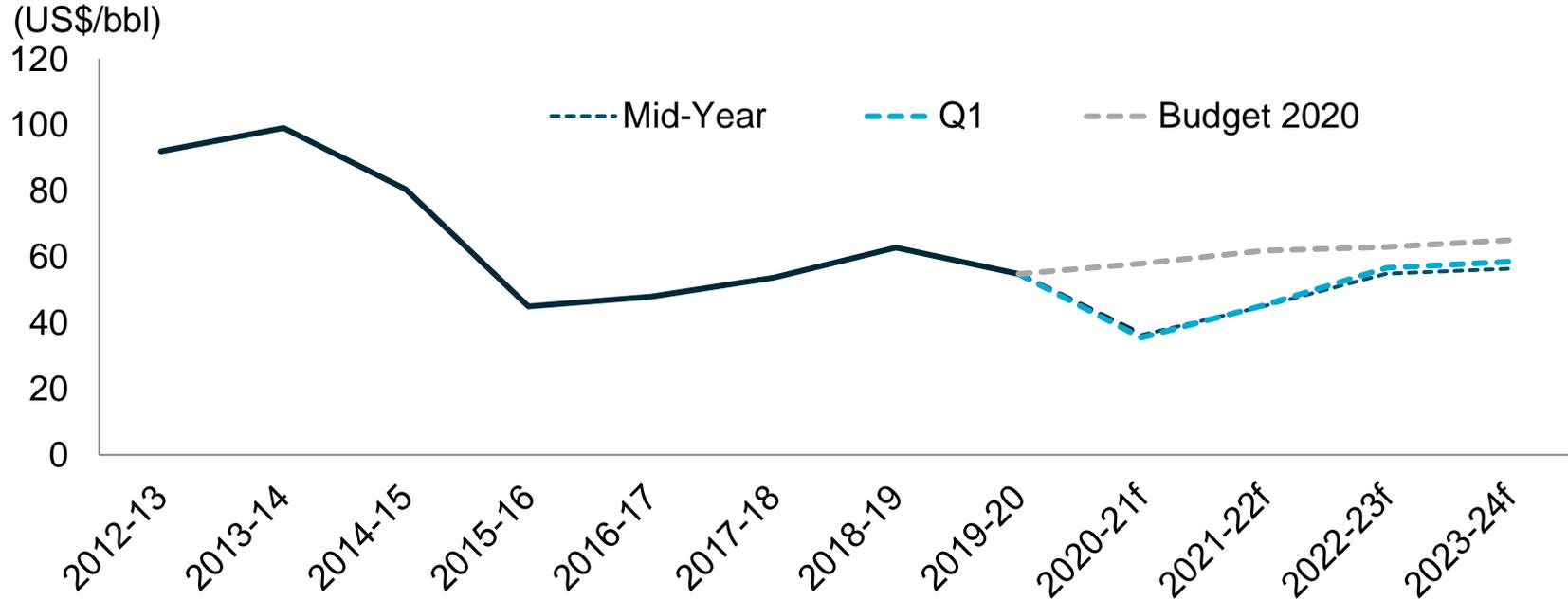
Monthly petroleum demand by jurisdiction compared with February 2020



Source: U.S. Energy Information Agency, Short-Term Energy Outlook - November 2020 , Haver Analytics

Moderate outlook for oil prices

West Texas Intermediate

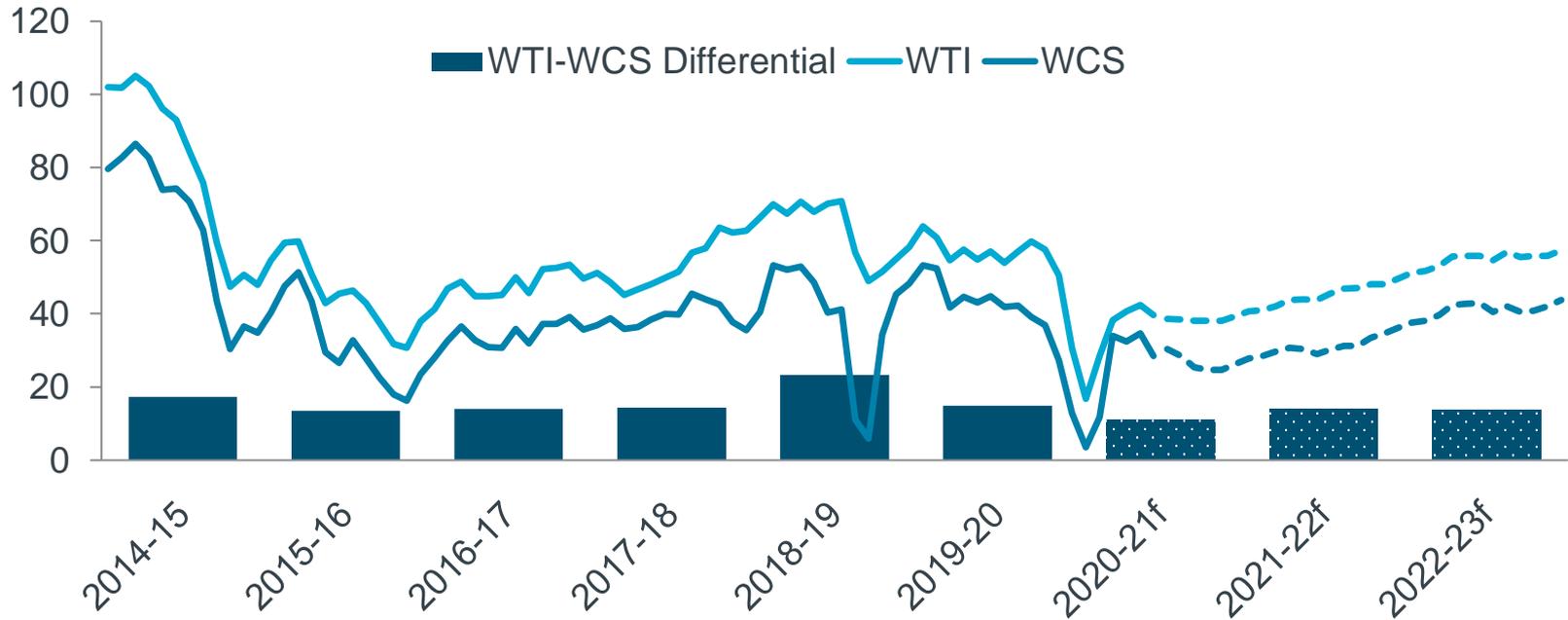


Source: Alberta Treasury Board and Finance, Budget 2020, 2020-21 First Quarter and Mid-Year Fiscal and Economic Updates

Differential to remain narrow

Oil prices

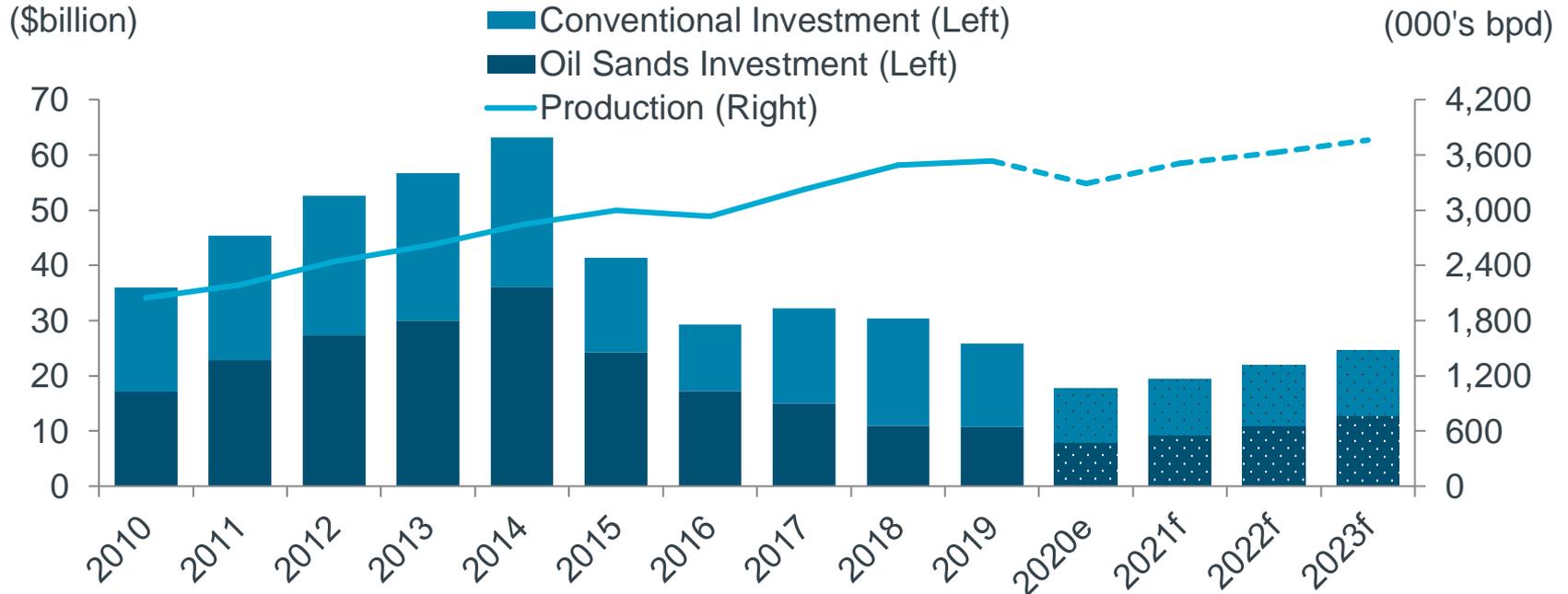
(US\$/bbl)



Sources: Alberta Energy, Alberta Treasury Board and Finance; f-forecast

Oil and gas investment, production to pick up following 2020 weakness

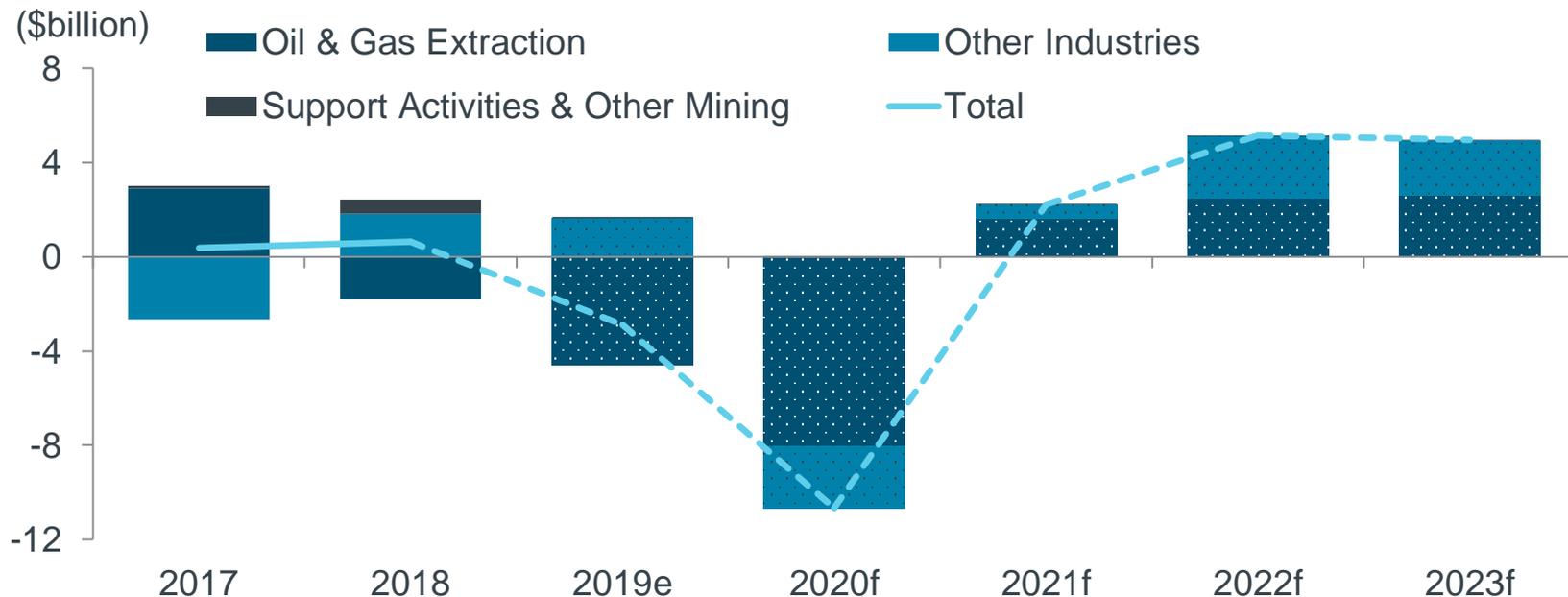
Alberta's nominal oil and gas investment and crude oil production



Sources: Statistics Canada, Alberta Treasury Board and Finance; e-estimate, f-forecast

Non-energy investment to lag in 2021; recover over the medium term

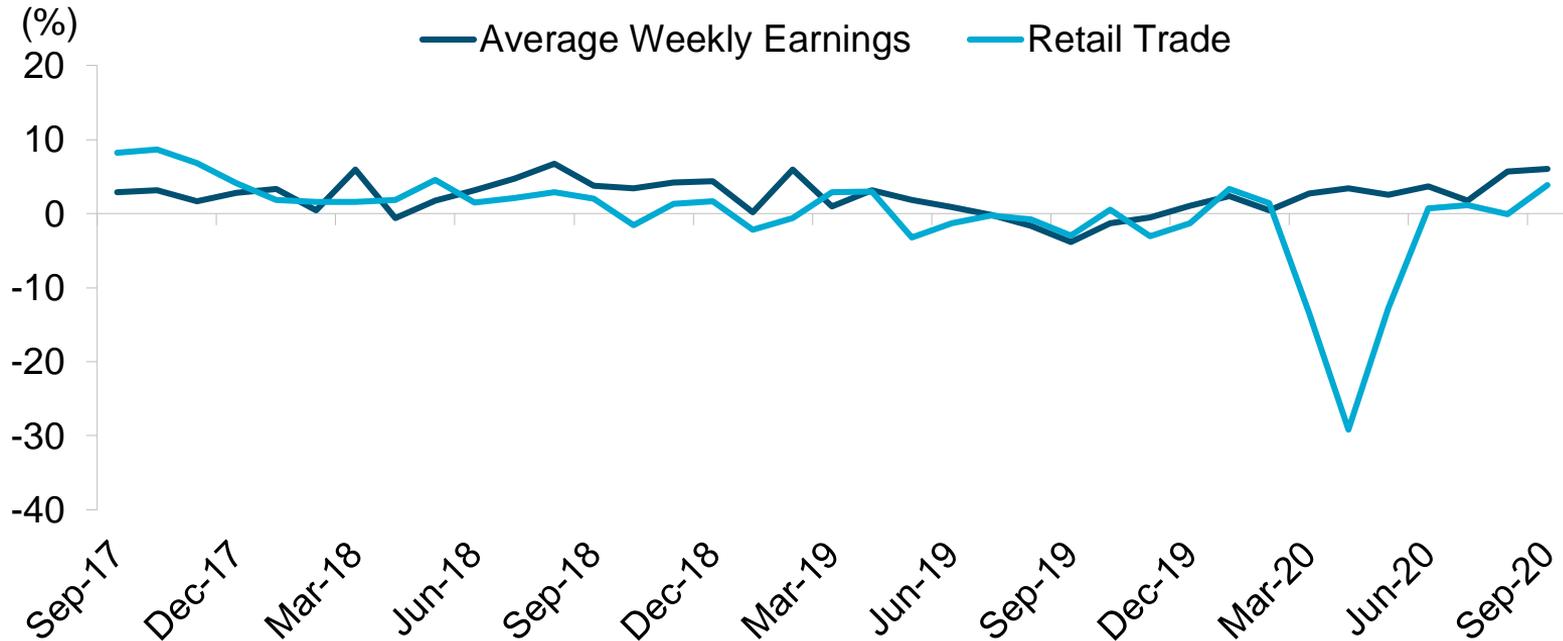
Change in private non-residential investment in Alberta



Source: Alberta Treasury Board and Finance; e – estimate, f-forecast , Haver Analytics

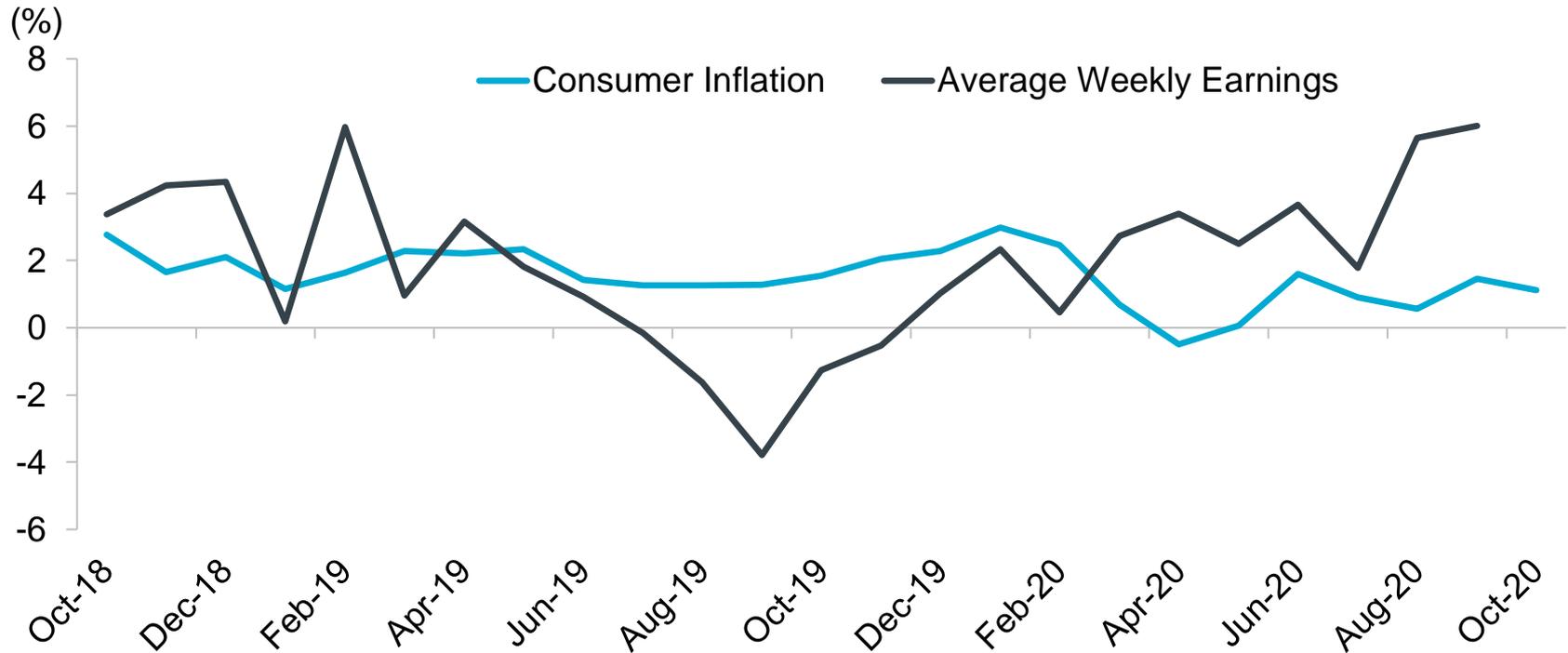
Retail spending leads recovery

Annual growth in retail sales and average weekly earnings



Earnings growth continues to outpace inflation

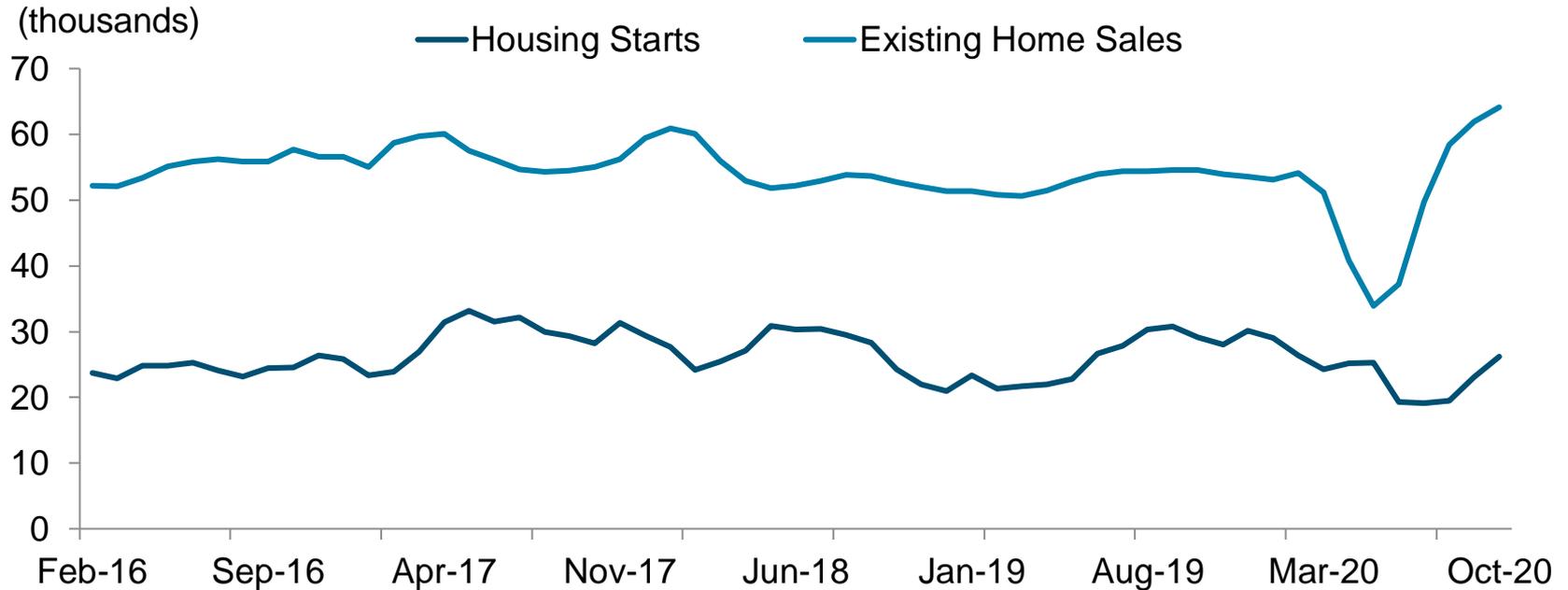
Alberta inflation and average weekly earnings (including overtime, non-seasonally adjusted) growth (%)



Sources: Statistics Canada and Haver Analytics

Housing activity rebounding strongly

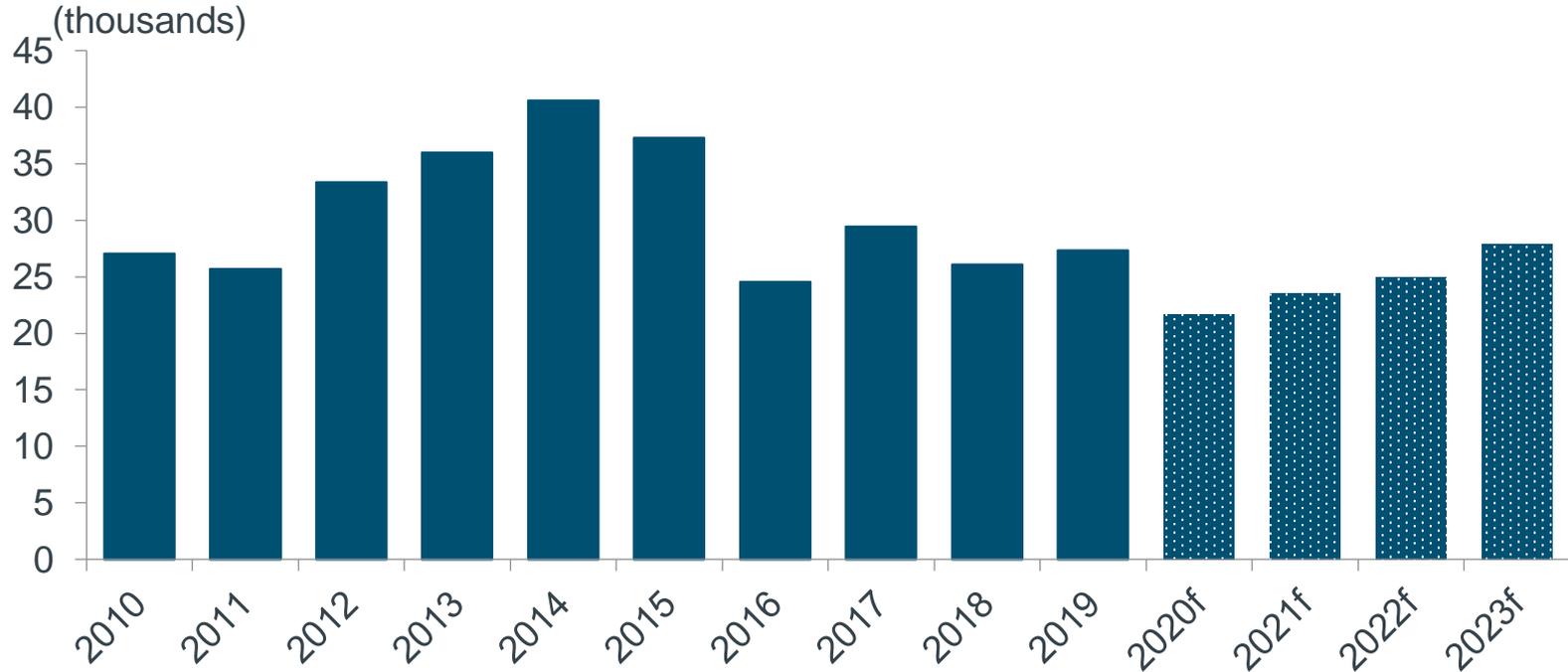
Annualized Alberta housing start and existing home sales*



Source: Canadian Real Estate Association, Canada Mortgage and Housing Corporation
* Three-month moving average

Housing starts to rise gradually

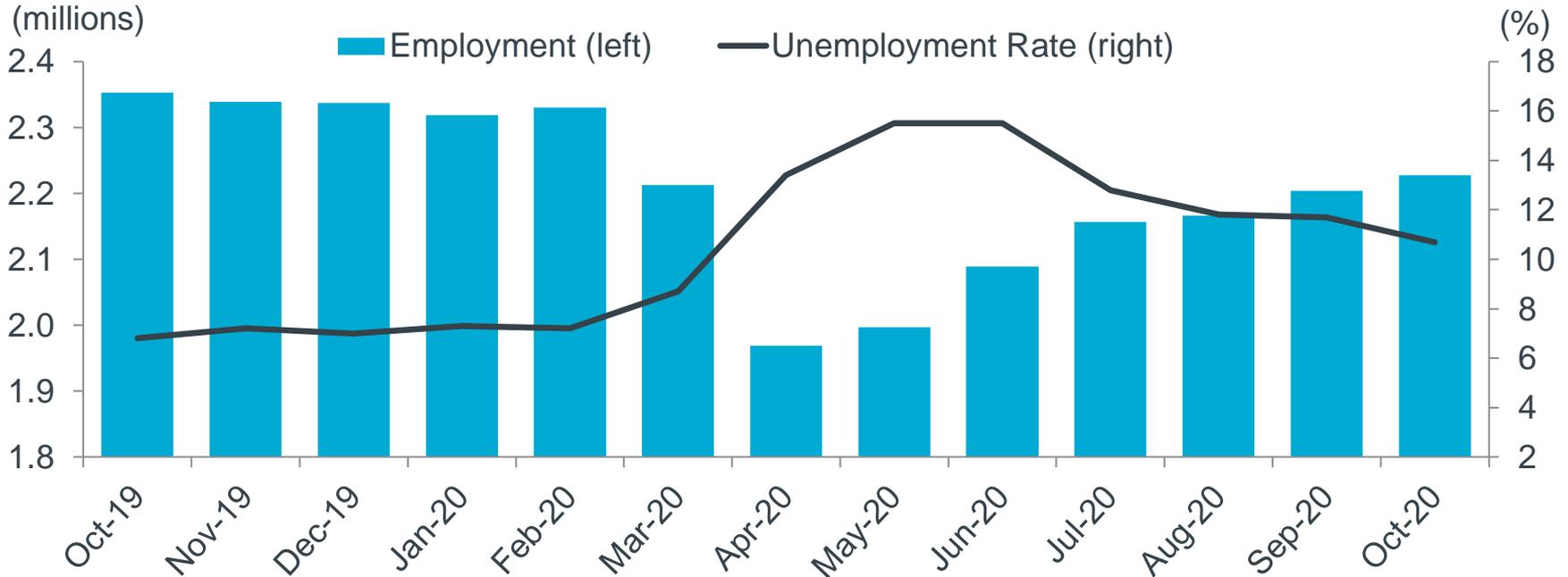
Alberta Housing Starts



Sources: Canada Mortgage and Housing Corporation, Alberta Treasury Board and Finance and Haver Analytics; f-forecast

Labour market on the mend

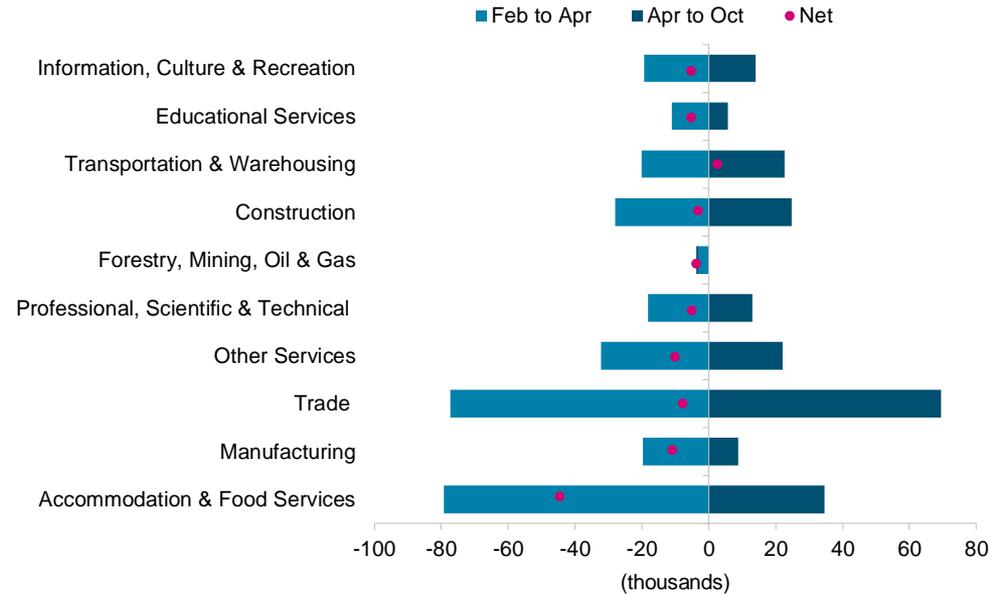
Alberta employment level and unemployment rate



Sources: Statistics Canada and Haver Analytics

Stronger rebound in hardest hit industries

Change in Alberta employment by selected industry

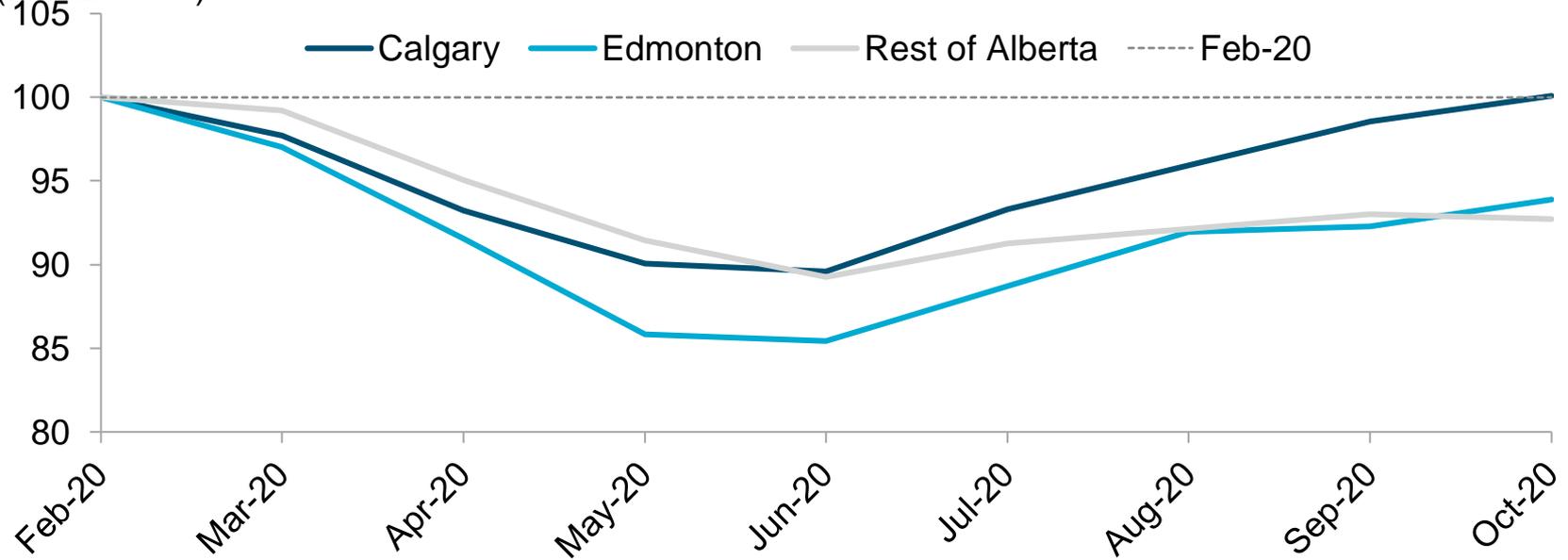


Source: Statistics Canada , Haver Analytics

Calgary leading the recovery

Employment by economic region index to Feb-20 (3-month moving average)

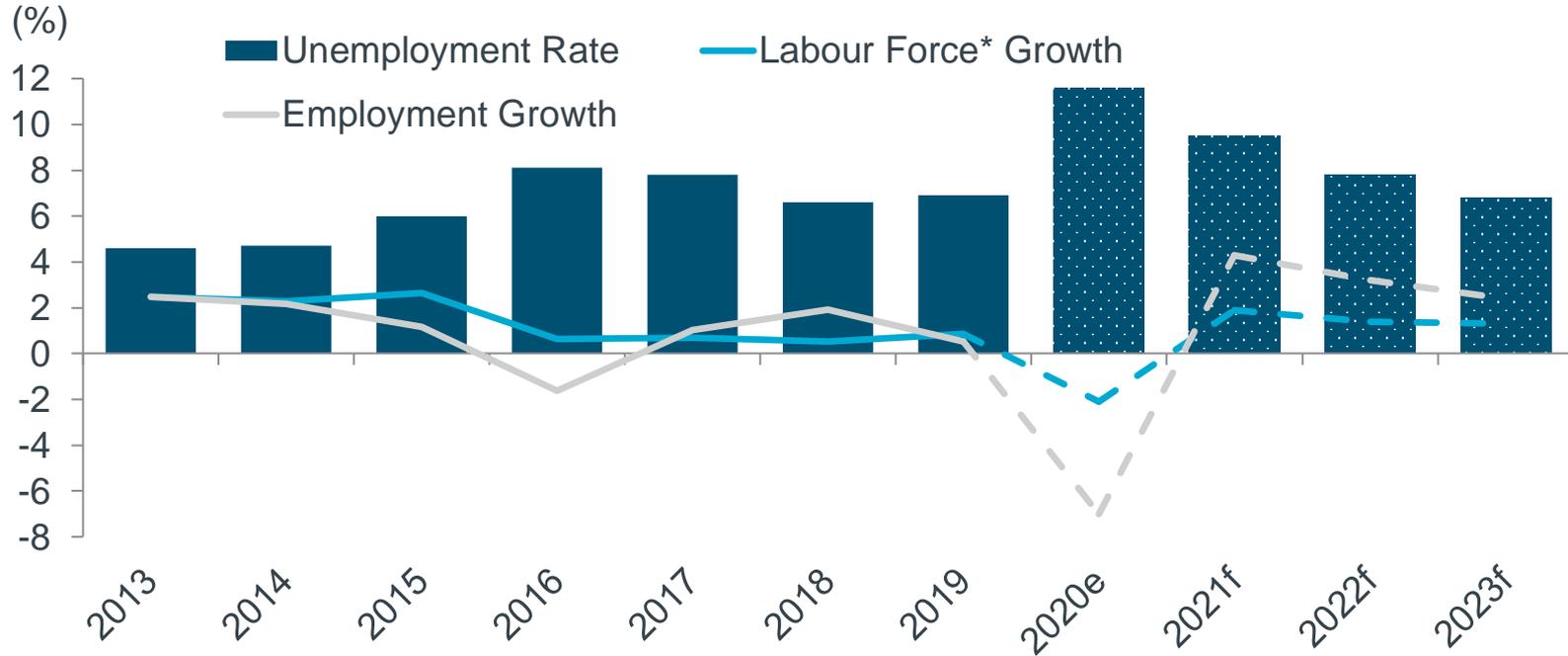
(Feb-20=100)



Sources: Statistics Canada and Haver Analytics

Unemployment rate to ease gradually

Labour market indicators

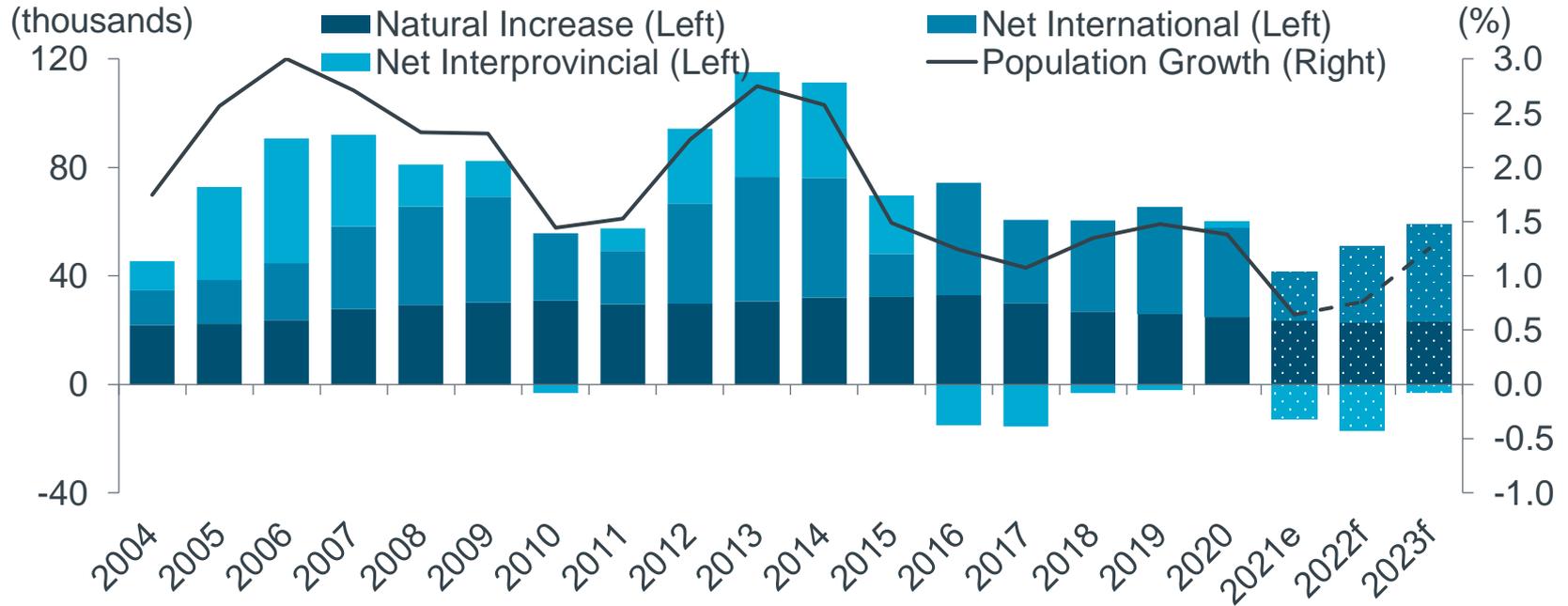


Sources: Statistics Canada, Alberta Treasury Board and Finance and Haver Analytics; e-estimate, f-forecast

* The number of people working or looking for work

Population growth to pick up after slowing in the short-term

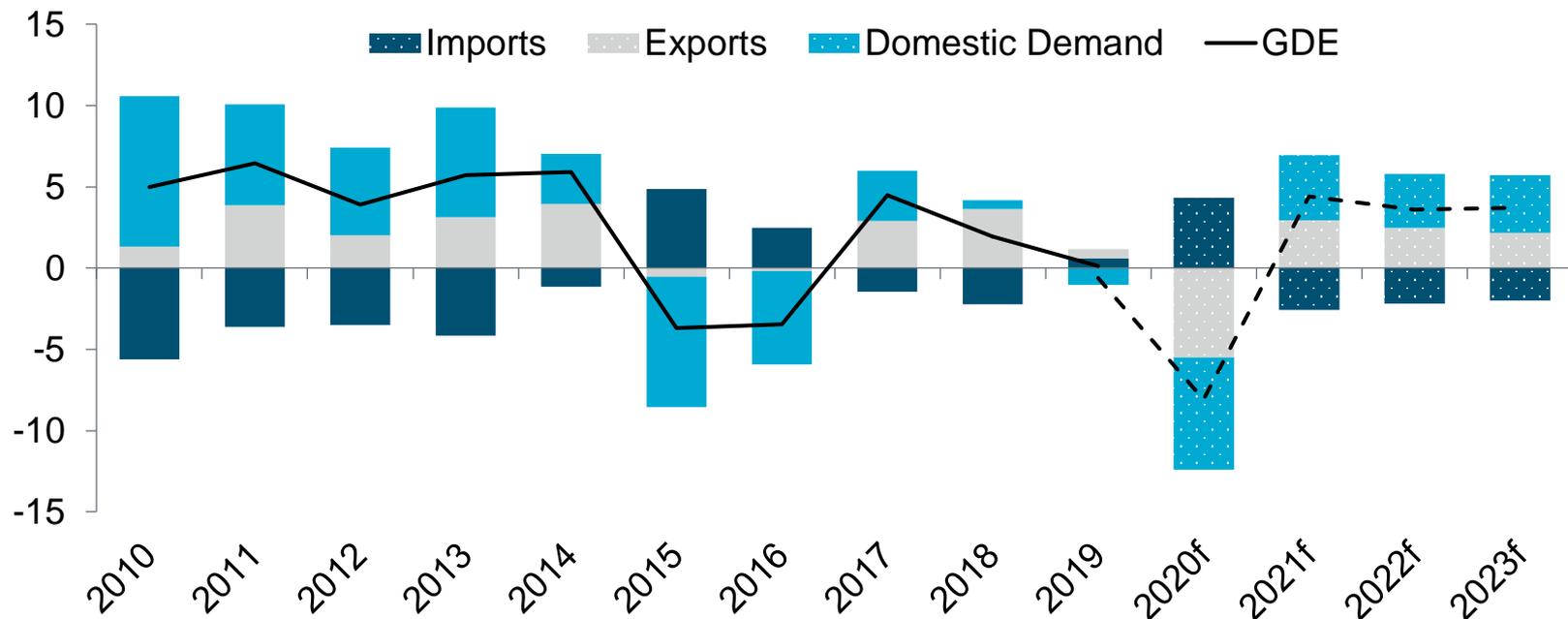
Annual change in the Alberta population by component



Sources: Statistics Canada, Alberta Treasury Board and Finance; e-estimate, f-forecast

Consumption to fuel growth in domestic demand

Contribution to growth in Alberta real GDP by expenditure
(percentage points)



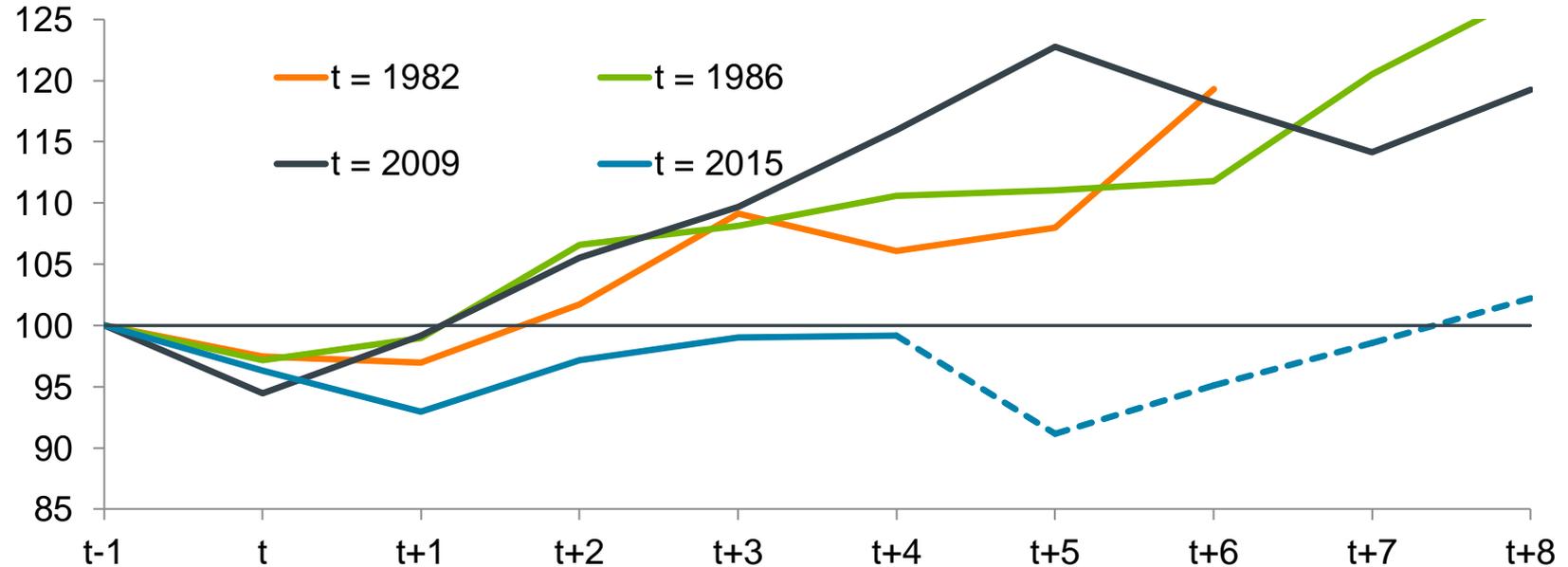
Sources: Statistics Canada, Alberta Treasury Board and Finance and Haver Analytics, f-forecast

* Includes total household, business, and government spending

A longer recovery for Alberta's economy

Downturns in Alberta real GDP since 1980

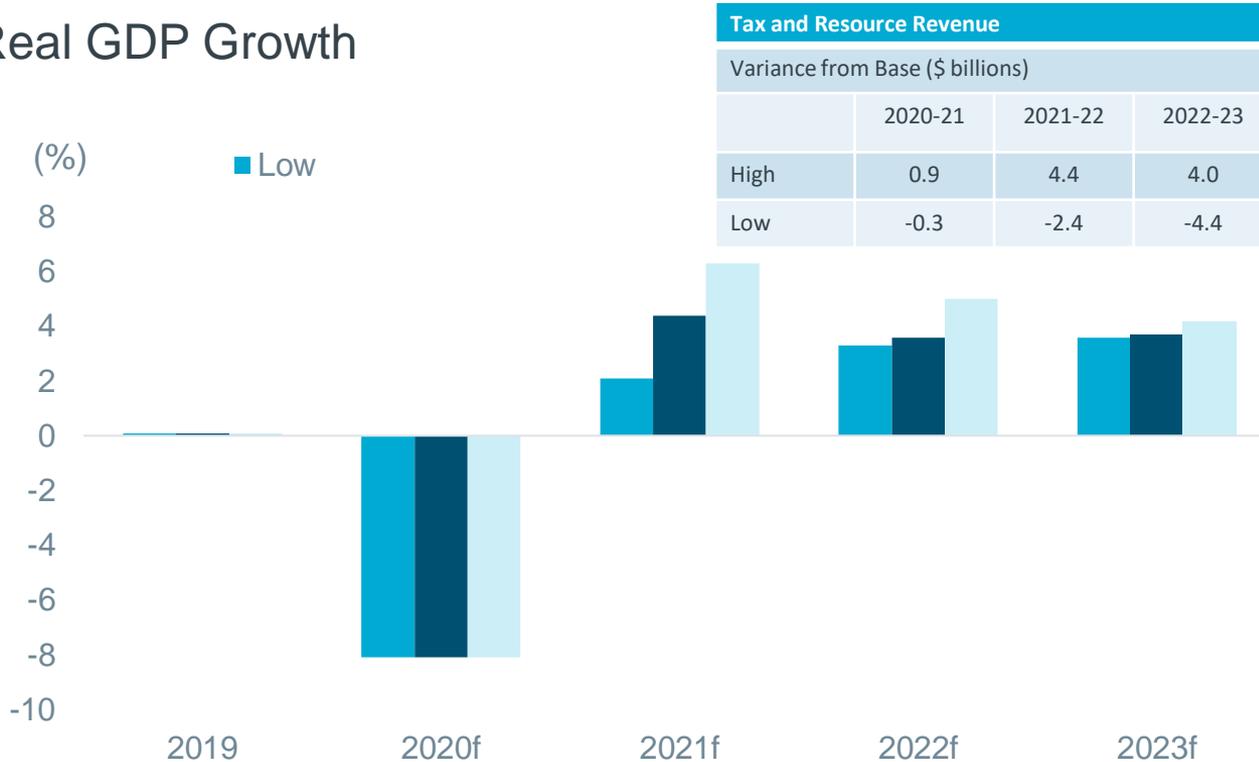
(index, 100=pre-recession peak)



Sources: Statistics Canada, Alberta Treasury Board and Finance , Haver Analytics

Risks elevated for Alberta economy

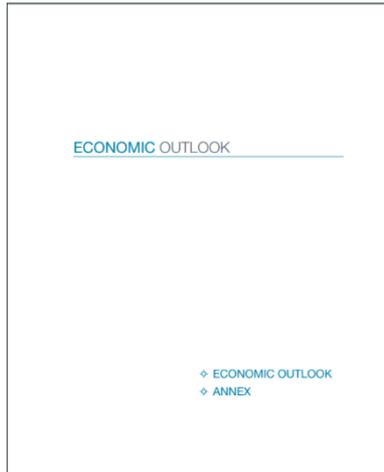
Alberta Real GDP Growth



Source: Statistics Canada and Alberta Treasury Board and Finance; f-forecast

Annual and Quarterly Economic Outlook Publications

http://www.finance.alberta.ca/aboutalberta/economic_outlook.html



ANNUAL AND QUARTERLY ECONOMIC OUTLOOK AND ECONOMIC STATEMENT

ECONOMIC OUTLOOK

Economic outlook weakens

The Alberta economy is being hit by low oil prices. Real GDP is now expected to contract by 0.6% in 2015, down one percentage point from the March forecast. The economic scene from weaker than expected household consumption, investments and exports (Figure 1). The downturn is forecast to be more pronounced than previously expected, with real income falling into 2015. Growth in 2016 is now forecast to be 0.3%, down 0.1 percentage point from the previous forecast. External conditions have weakened since March with weaker demand in the Greek crisis and the economic slowdown in China. This has weighed on oil prices and heightened uncertainty (M&E) for markets for Alberta economy. Canada's economy has also slowed considerably since the oil price drop.

Business Sector
The manufacturing sector (M&E) has been the most affected since the oil price drop. The decline in oil prices has led to a sharp decline in oil and gas prices, which has significantly reduced capital spending in the energy sector. Oil and gas investment is expected to fall over 50% in 2015, with manufacturing investment in 2015. Manufacturing investment has been hit especially hard. Egg sector has also been hit. This through the first seven months of 2015. As a result, the 2015 forecast for manufacturing investment has been revised down. Oil and gas investment is expected to fall by less than forecasted, as production of oil and gas prices has declined more than expected. Overall the energy sector is expected to contract.

Corporate profits decline
Corporate profits are expected to reduce from 2014 to 2015. The decline in oil prices has caused oil producers to fall for oil savings. Further pricing profits and margins for suppliers in the oil sector. Weakness is expected to carry into 2016, with corporate profits recovering by 17% in 2016, down from the March forecast of 27%.

Canadian dollar softens
The Canadian dollar has weakened notably as oil prices have declined and the US dollar has strengthened. The further ground when the Bank of

Figure 1. Contribution of Alberta real GDP growth forecast

Sector	Contribution (Percentage Points)
Personal spending	0.8
Personal investment	0.4
Government	0.2
Exports	0.1
Imports	-0.1

Source: Alberta Treasury Board and Finance

Our Weekly and Monthly Economics Publications

http://www.finance.alberta.ca/aboutalberta/economic_outlook.html

Alberta Economy

Indicators at a Glance

Economic Activity
The Alberta Activity Index (AAI) was up 2.4% year-over-year (YoY) in July, with a modest uptick of 0.1% in Alberta's YoY GDP by month-end by July 2017. It's a positive sign among the provinces.

Population
Alberta's population was 3,502,110 as of July 1, 2017, an increase of 1.5% from the year prior. Canada's population also grew 1.2% from a year ago.

Migration
Net migration to Alberta was 13,578 in the second quarter of 2017, leading the lead. Alberta's population grew 0.5% in the quarter, as well as 1.5% in the year. The province also recorded a small net inflow of international migrants to Alberta.

Employment
Employment in Alberta decreased by 2,000 jobs in September as declines in both manufacturing and public sector employment gave a net negative contribution. Unemployment was 6.2% in July, which is up a modest 0.1% from June.

Investment
Alberta's completed new permitted construction projects in 2017 are up 1.1% from the same period in 2016. The average job creation per project is 1.1 jobs.

Major Outlets
The number of active retail outlets increased 0.1% in September, up 0.1% from the average job creation per project is 1.1 jobs.

Indicators at a Glance | Tuesday, March 28, 2018 | Page 1 | October 12, 2018

The page contains several charts: 'Economic Activity' (line chart showing AAI YoY % from 2010 to 2017), 'Population' (line chart showing population in millions from 2010 to 2017), 'Migration' (line chart showing net migration in thousands from 2010 to 2017), 'Employment' (line chart showing employment in thousands from 2010 to 2017), 'Investment' (line chart showing new permitted construction projects in thousands from 2010 to 2017), and 'Major Outlets' (line chart showing the number of active retail outlets in thousands from 2010 to 2017).

Weekly Economic Review

Alberta housing starts hit a soft patch

Housing Starts
AAI will likely pull back. AHI is up in August, but starts in the province pulled back to a 20-month low in September. Year-to-date construction starts for the province are up 1.5% from the same period in 2016. The monthly decline was led by the solid expansion in the 1-3 bedroom single-unit starts in construction which were up 1.7% in a nearly three-year high in August.

Home Inventory
New home prices are back down. Home prices fell in August after months of gains. The monthly decline was 0.1%, but the year-to-date (YTD) gain was 1.1% in August (Chart 1). The decline in the housing market was more pronounced in September. The monthly decline was 0.1% and only a 0.1% gain in the year-to-date. Although the 1-3 bedroom single-unit starts were up, there was a 1.7% fall in the two-to-three price range.

Construction
Investment did not stay elevated. The number of active retail outlets increased 0.1% in September, up 0.1% from the average job creation per project is 1.1 jobs.

Chart 1: 1-3 bedroom single-unit starts
This bar chart shows monthly 1-3 bedroom single-unit starts from 2015 to 2017. The y-axis represents the number of starts in thousands, ranging from 0 to 40. The x-axis shows months from Jan-15 to Sep-17. The chart shows a general upward trend with a notable dip in September 2017.

Chart 2: HPI gives back most gains
This line chart shows the Housing Price Index (HPI) from 2015 to 2017. The y-axis represents the index value from 100 to 150. The x-axis shows months from Jan-15 to Sep-17. The chart shows a steady increase in the index over the period, with a slight dip in September 2017.

Weekly Economic Review | Tuesday, March 28, 2018 | Page 1 | October 12, 2018

The page contains two charts: 'Chart 1: 1-3 bedroom single-unit starts' (bar chart) and 'Chart 2: HPI gives back most gains' (line chart).

InFocus

Resurgence of Crude by Rail

Canadian refineries are on the rise as oil refiners across the globe seek to meet the growing demand for refined oil. The province's oil refineries have been on the rise since 2010, with a significant increase in capacity in 2017. The province's oil refineries are now producing 1.5 million barrels per day, up from 1.2 million barrels per day in 2010. The province's oil refineries are now producing 1.5 million barrels per day, up from 1.2 million barrels per day in 2010.

Chart 1: Pipeline bottlenecks back to under utilization
This line chart shows the utilization of major pipelines from 2010 to 2017. The y-axis represents the utilization rate from 0% to 100%. The x-axis shows months from Jan-10 to Sep-17. The chart shows a general decline in pipeline utilization over the period, with a notable dip in September 2017.

Chart 2: Crude by rail shipments up to new heights
This line chart shows crude oil shipments by rail from 2010 to 2017. The y-axis represents the number of barrels per day from 0 to 200. The x-axis shows months from Jan-10 to Sep-17. The chart shows a steady increase in crude oil shipments by rail over the period, with a notable dip in September 2017.

InFocus | Tuesday, March 28, 2018 | Page 1 | October 12, 2018

The page contains two charts: 'Chart 1: Pipeline bottlenecks back to under utilization' (line chart) and 'Chart 2: Crude by rail shipments up to new heights' (line chart).



Our Weekly and Monthly Economics Publications

- <http://www.finance.alberta.ca/subscribe/edps/>

The screenshot shows a web form for subscribing to publications. At the top left is the Alberta Treasury Board and Finance logo. The title is 'Economics and Demography Publications - Subscription Service'. The form is divided into two main sections: 'Enter your email address to receive the publication(s)' and 'Select the following publication(s)'. The first section has two input fields for 'Your Email:' and 'Confirm Your Email:'. Below these is a 'Privacy Statement' section with a 'Subscribe' button. The second section lists various publication categories with checkboxes: 'All Publications', 'Weekly (usually published on Friday afternoons):' (with a sub-option for 'Weekly Economic Review and Alberta Economy - Indicators at a Glance'), 'Monthly:' (with sub-options for 'Economic Trends' and 'Labour Market Notes'), 'Quarterly:' (with sub-options for 'Economic Statement' and 'Population Report'), 'Occasional:' (with sub-options for 'Economic Spotlights', 'Demographic Spotlights', 'Fiscal Spotlights', and 'Census Highlights'), and 'Yearly:' (with sub-options for 'Economic Outlook' and 'Alberta Long Term Population Projections'). The footer contains 'Government of Alberta Copyright Privacy'.