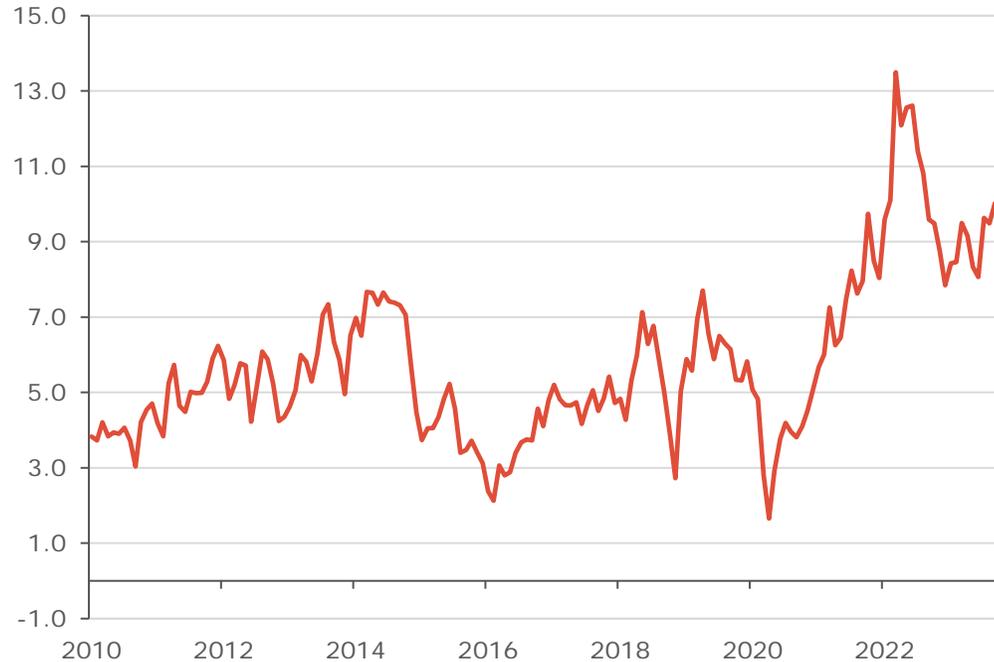


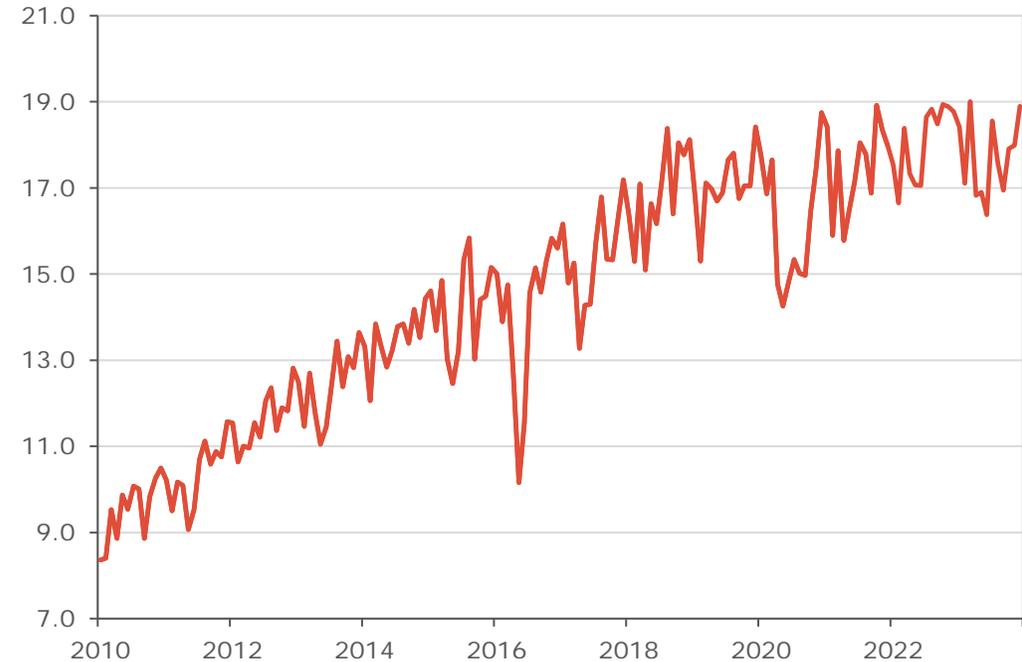
Where's the boom? And the melting of the Alberta wage advantage

Where's the boom? Record oil production

In value (\$bn)



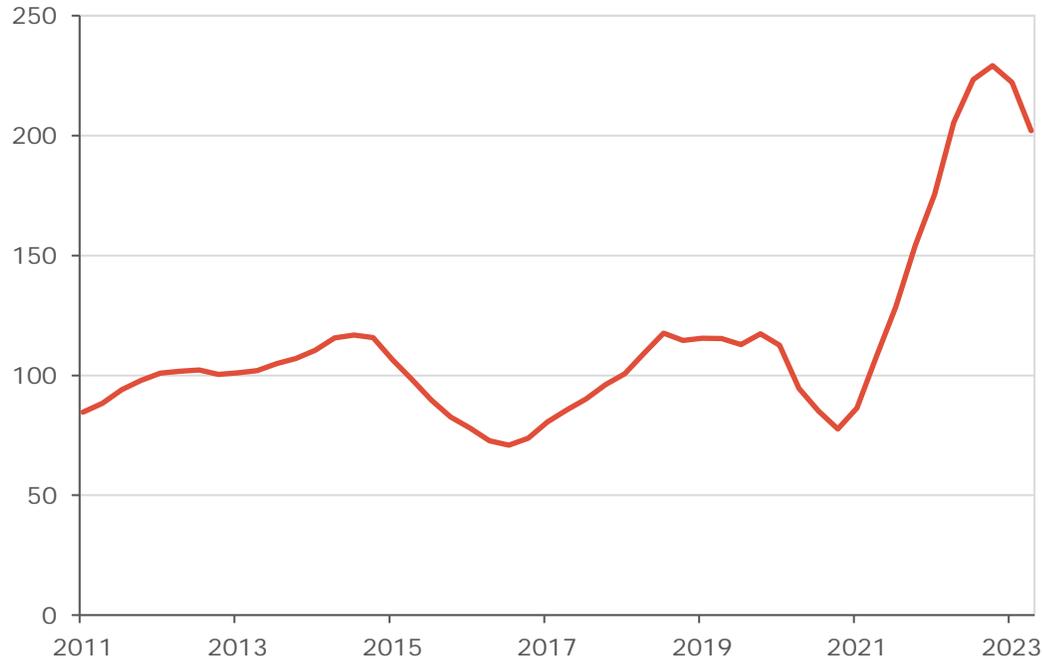
In volume (m³)



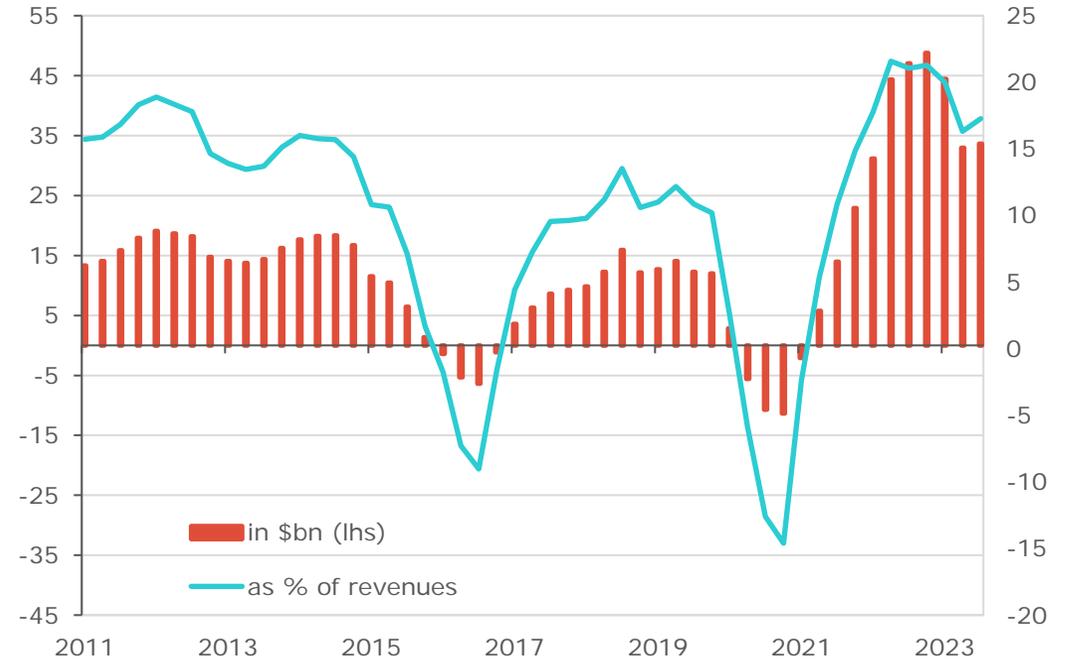
- Oil production averaged about \$11bn a month in 2022, about 75% higher than the best month in 2014. Even with the recent decline in prices, production has averaged C\$9.0bn so far this year.
- Rising prices and production volumes are leading to high oil revenues.

Where's the boom? Record revenues and profits

Revenues (\$bn – 4Q sum)



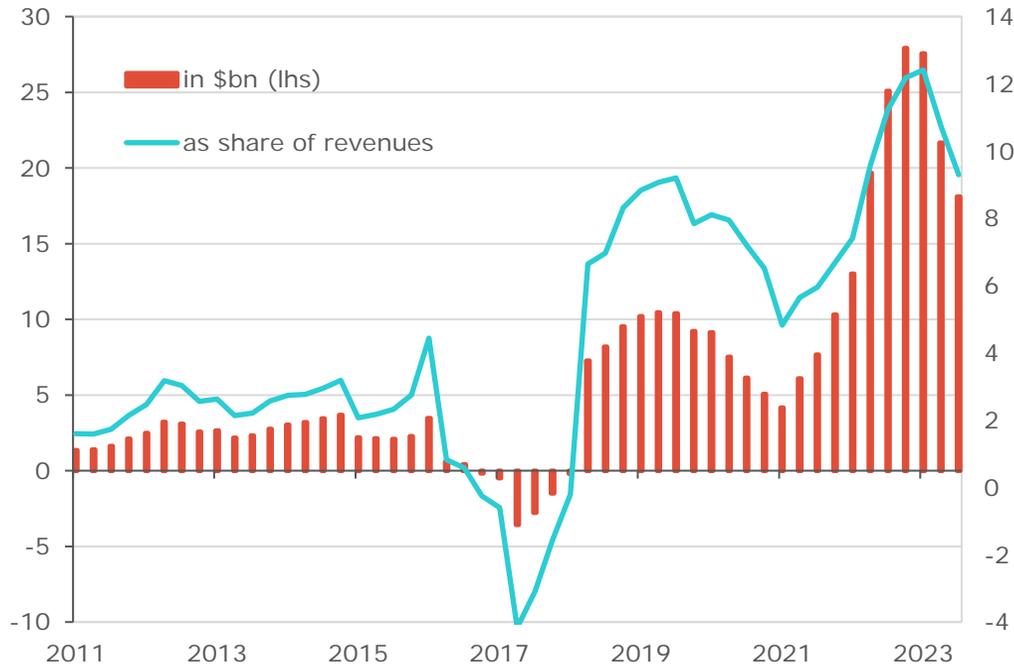
Earnings before interest and taxes (4Q sum)



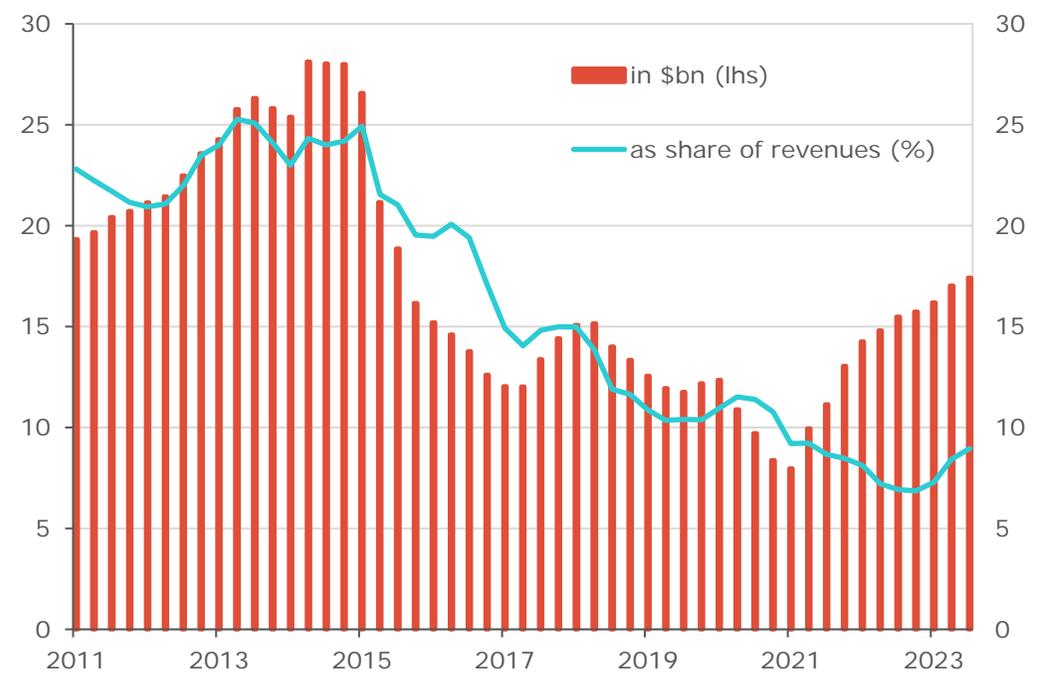
- Based on information from Imperial Oil, Meg Energy, Canadian Natural Resources, Suncor, and Cenovus, revenues and profitability have never been so high.

Less oil revenues staying in the province

Revenues returned to shareholders (4Q sum)



CAPEX (4Q sum)

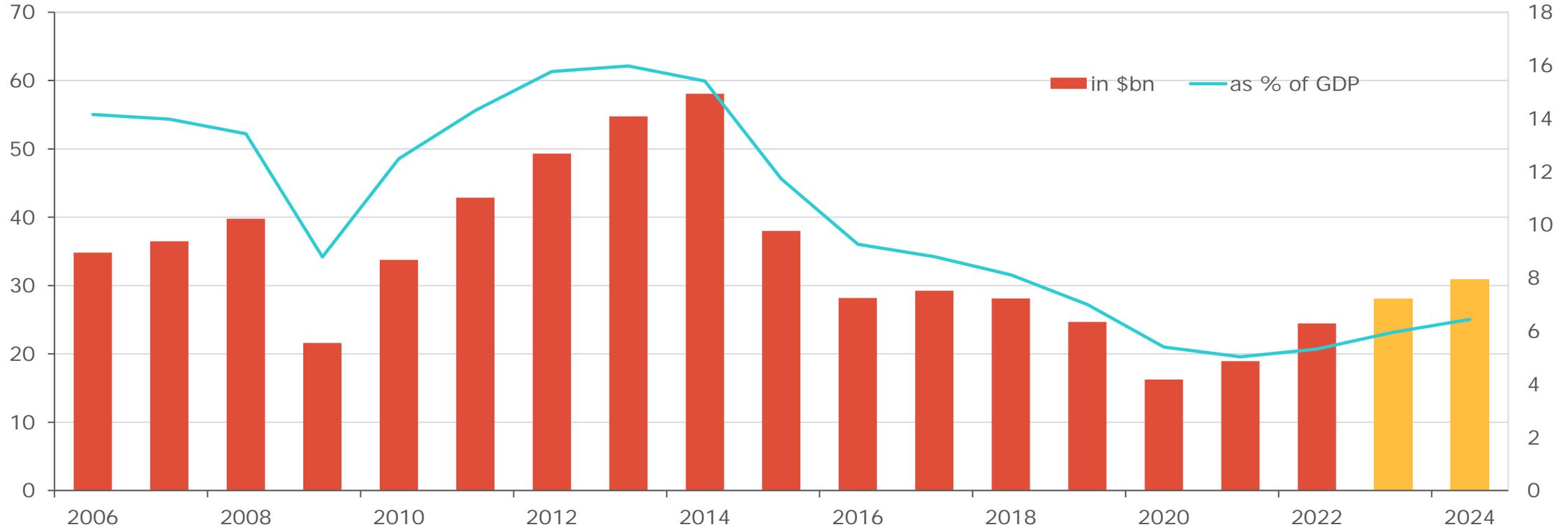


- Oil producers are returning a greater share of their revenues to their shareholders, a majority of which are not Canadian (75% foreign ownership on average).
- Oil producers are re-investing a smaller share of their revenues into their operations compared to previous periods.

Source: Bloomberg, Alberta Central

Capex is growing but well below 2014 levels

Investment by the oil and gas sector (\$bn)



- Oil and gas producers are increasing their amount of Capex, which is a positive for the economy.
- However, the level of investment remains significantly below the peak in 2014 by almost 50%.

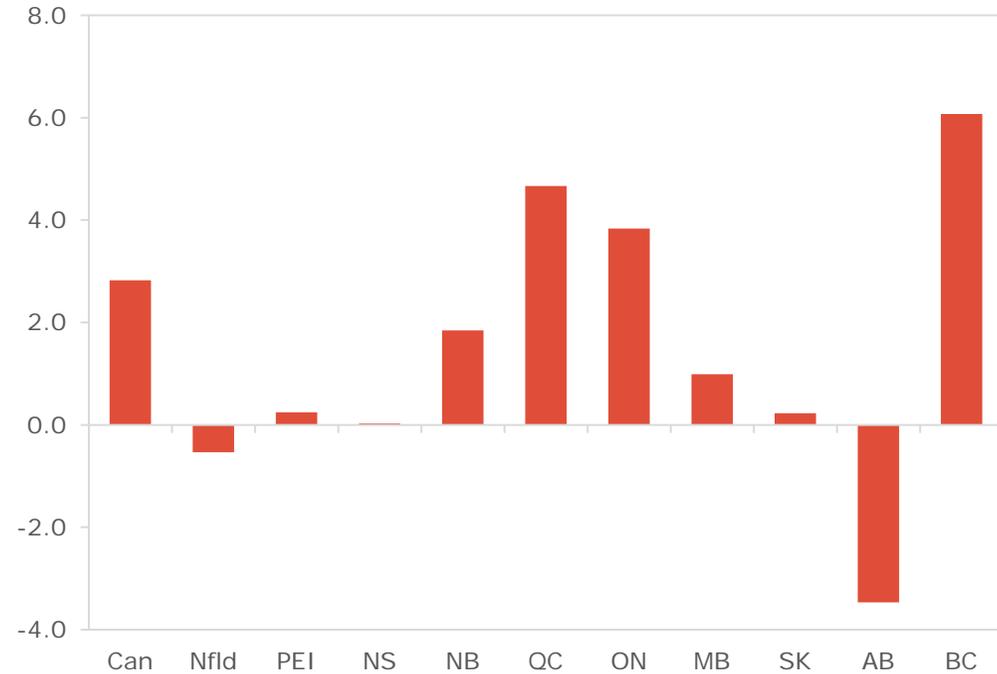
Implications for the outlook

- **A reduced positive terms-of-trade from higher oil prices**
 - High energy prices remain a tailwind to the economy, but there are smaller spillovers.
 - Strong fiscal revenues from non-renewable resources royalties.
 - Wages and income in Alberta are underperforming the rest of the country.
 - The Canadian dollar is less sensitive to oil prices.

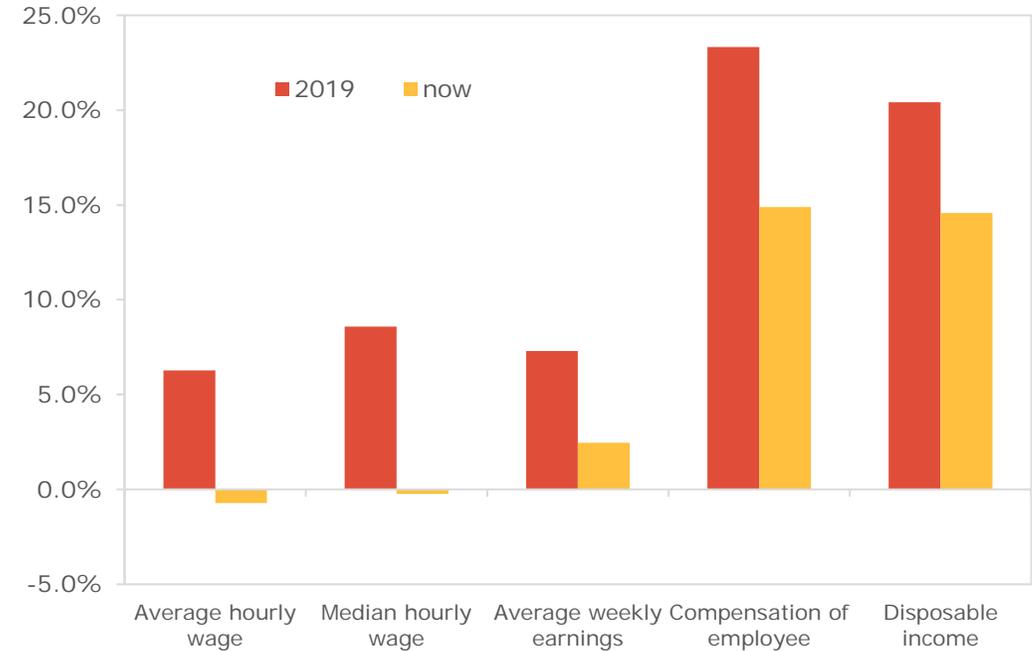
- **If no boom, then no bust. Less volatile growth.**

The Alberta Advantage is melting

Change in real wage and income relative to 2019



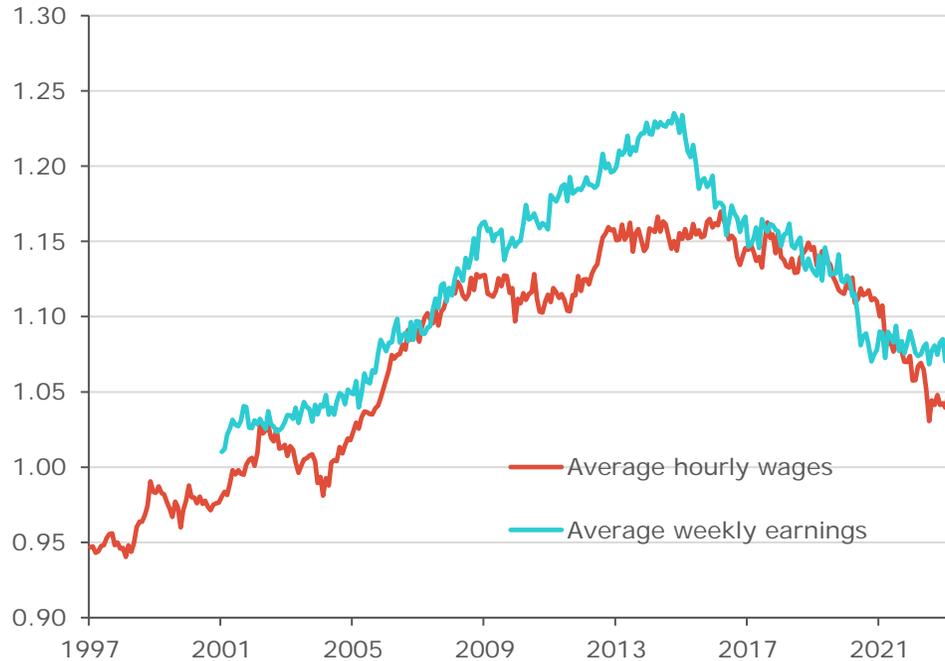
Real wages and income relative to Canada (%)



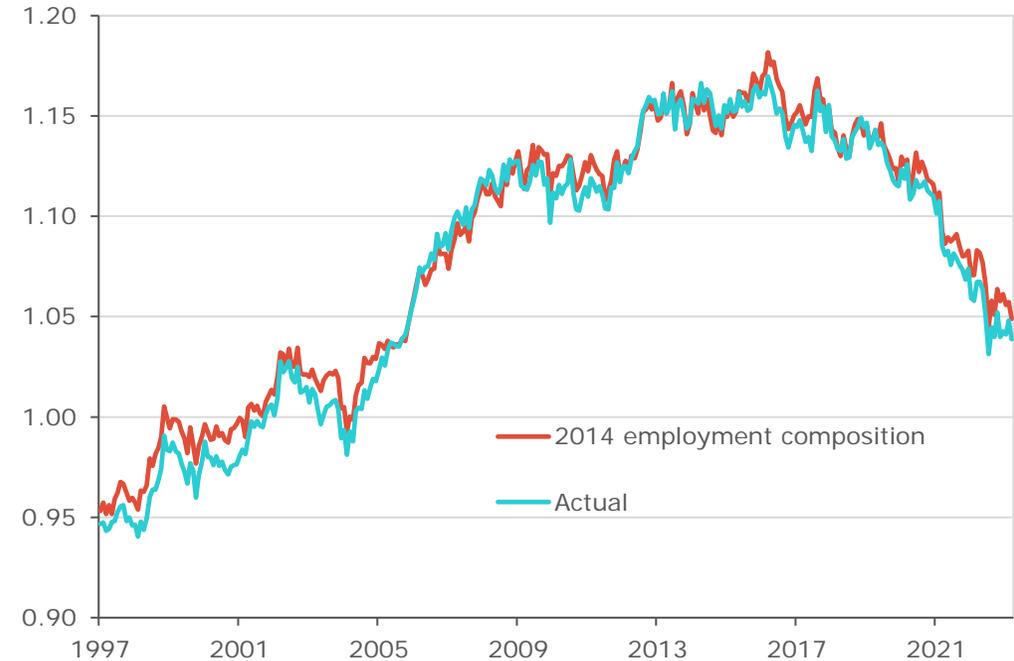
- Albertans have seen a drop in their purchasing power in recent years, while Canadians saw a gain on average. Inflation is not a factor.
- Alberta's wage and income are still mostly above the rest of country, but by less.

The Alberta Advantage is melting

Wages and earning relative to Canada (%)



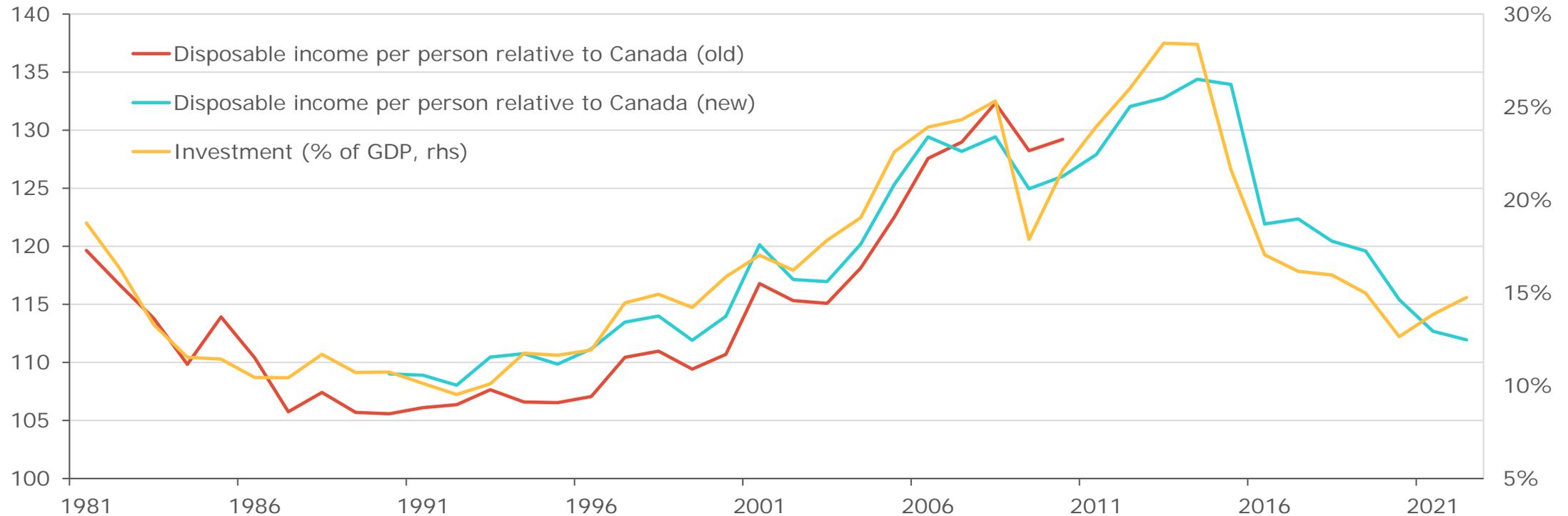
Relative hourly wages to Canada (%)



- The “Alberta wage Advantage” emerged in the mid-2000s but then started to melt away after 2015.
- The composition of the labour market does not explain this trend.

The Alberta Advantage is linked to investment

Relative disposable income and investment as % of GDP in Alberta

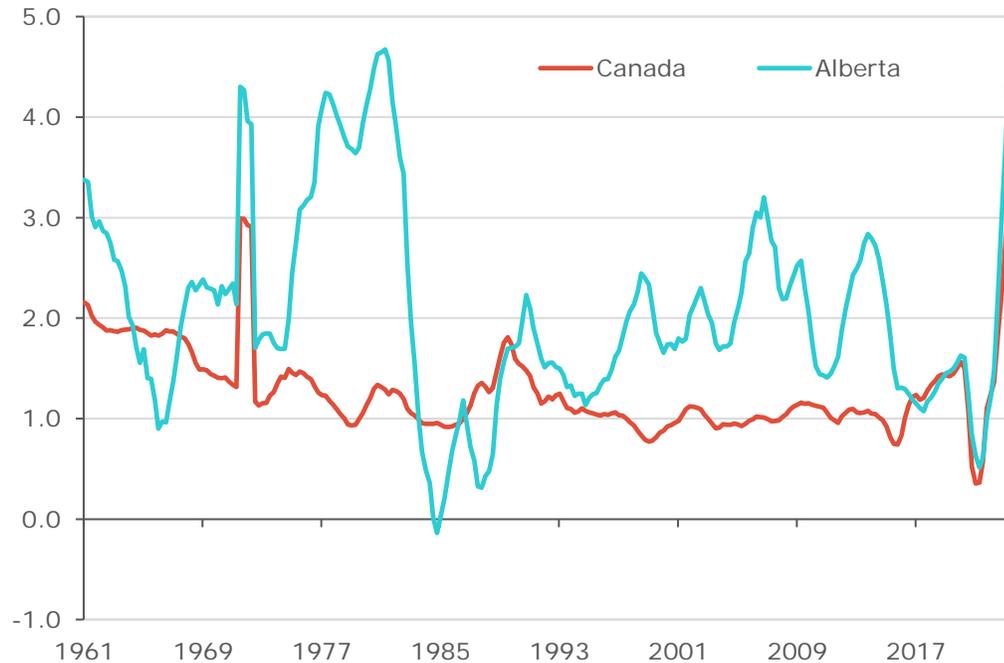


- Strong correlation between investment and relative wage performance, but not clear if there is causation.
- The weak level of investment in the energy sector, despite record revenues, suggests that Alberta is likely to continue to underperform the rest of the country.

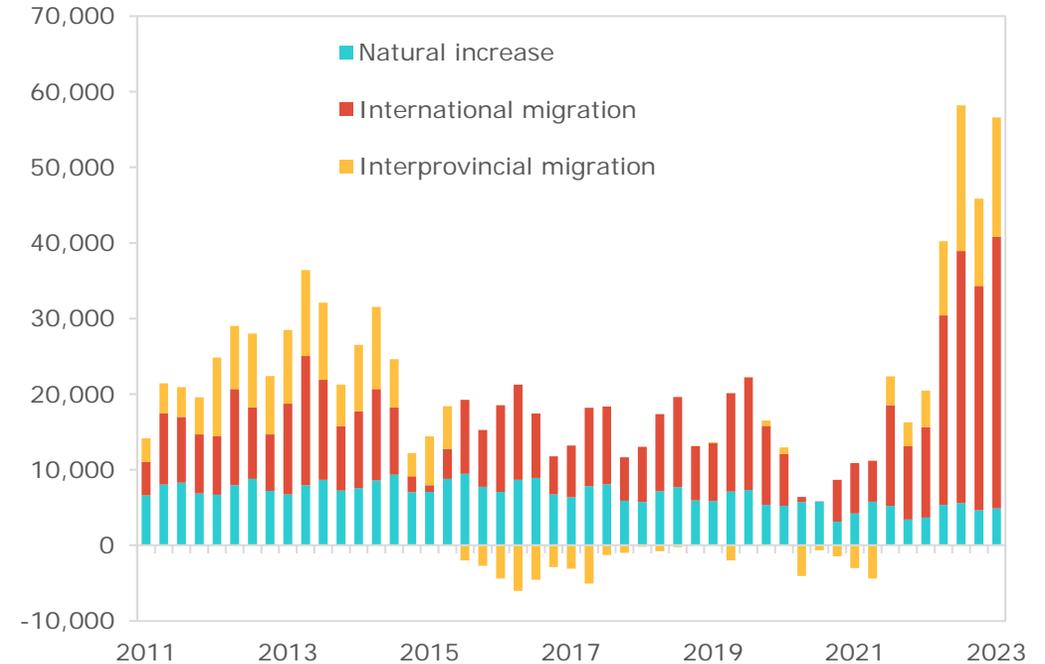
Source: Statistics Canada, Alberta Central

Strong demography

Population growth (% y-o-y)



Source of population increase

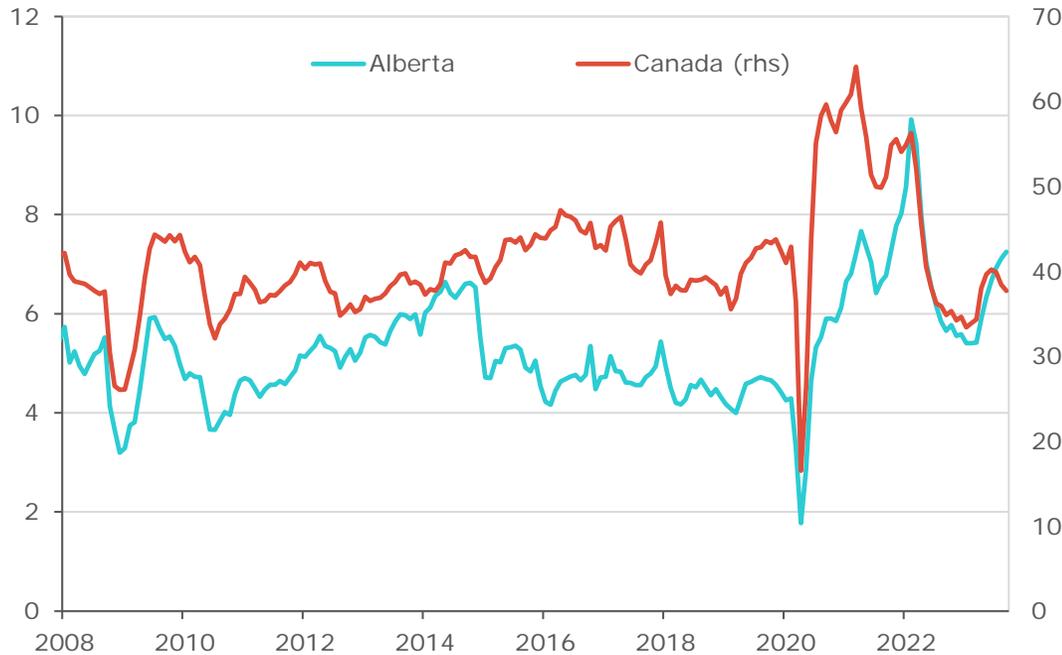


- Thanks to strong immigration, population growth in Canada and Alberta is reaching levels not seen in decades, boosting growth. In Alberta, strong inflows from other provinces is also a big contributor.
- However, strong population growth has negative consequences too, such as: housing shortages, a decline in GDP per capita, strains on public services, etc. These will need to be addressed.

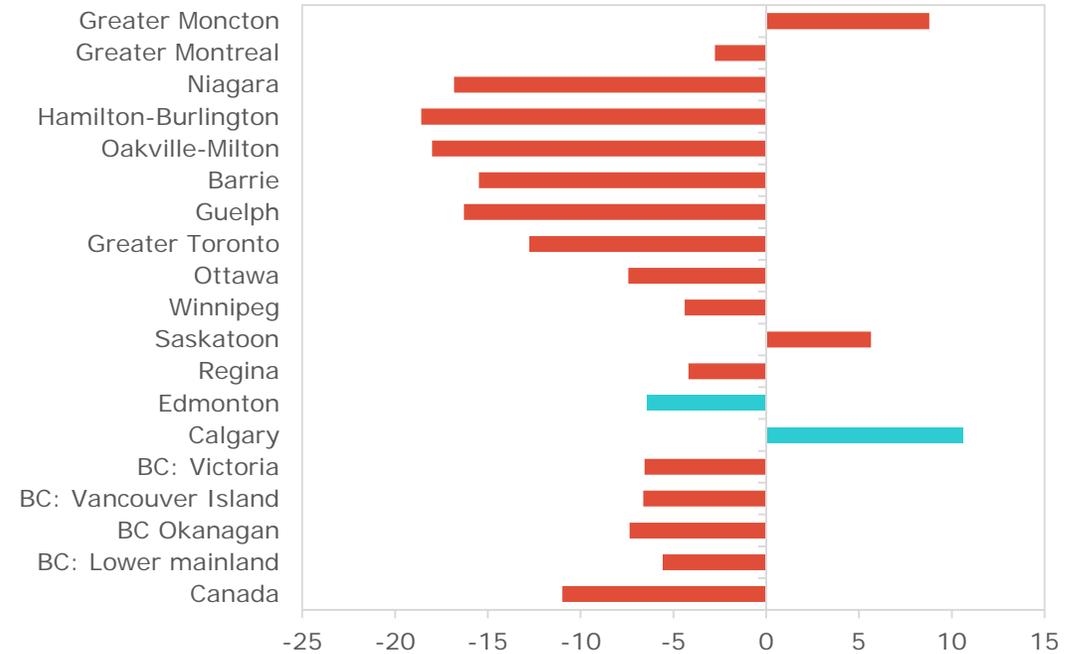
Source: Statistics Canada, Alberta Central

Housing remains solid in Alberta despite higher rates

Number of transactions



House prices since the peak



- While housing activity has declined nationally, sales activity remains robust in Alberta due to population growth and affordability.
- House prices have not dropped to the same extent as in the rest of the country; Calgary has been the best performing market since the start of the tightening cycle.

Source: CREA, Alberta Central

Resilient consumers despite headwinds

Retail sales volume (% y-o-y)

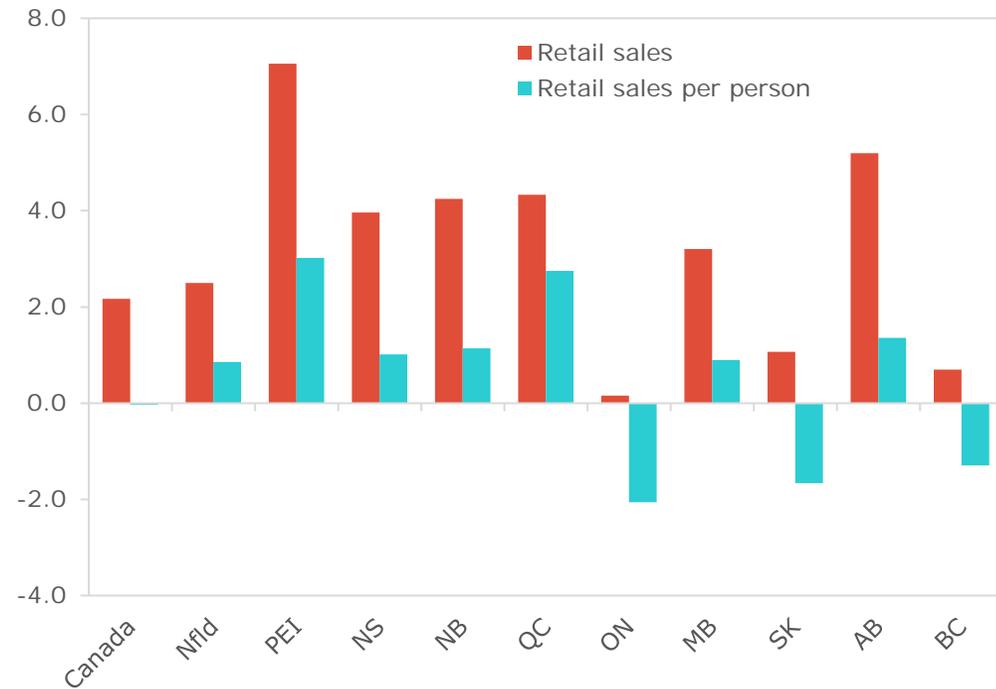
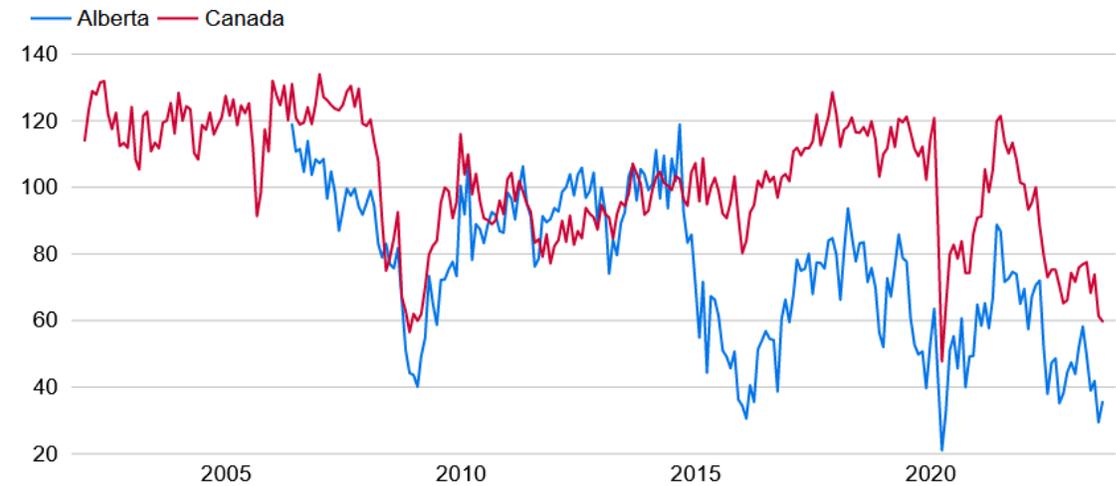


Chart 1
Index of Consumer Confidence
(2014 = 100)

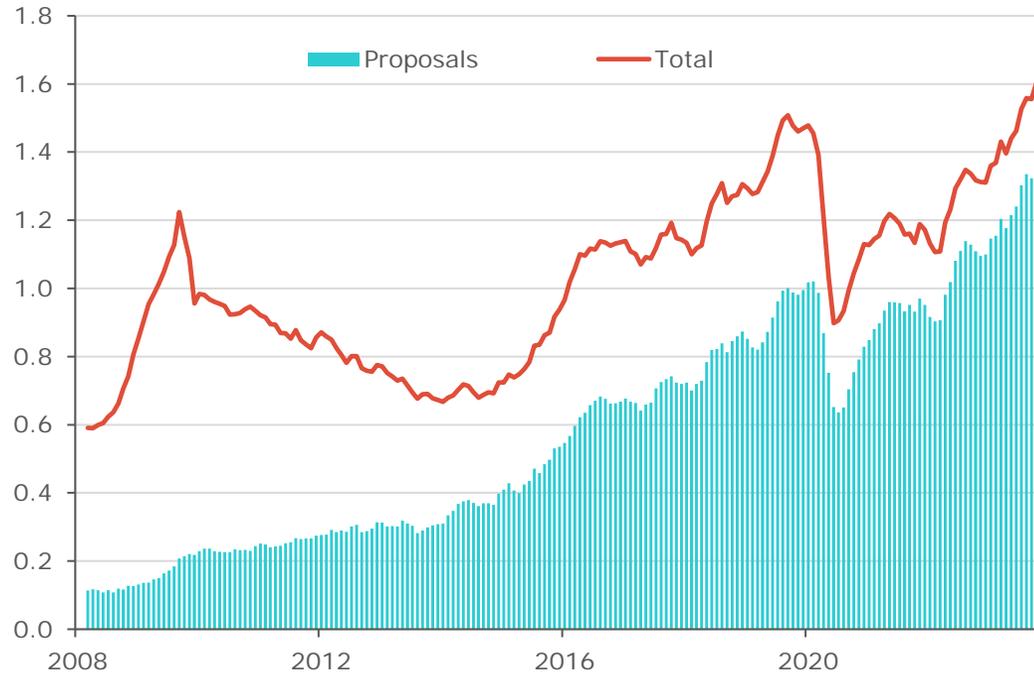


Source: The Index of Consumer Confidence is created by The Conference Board of Canada.

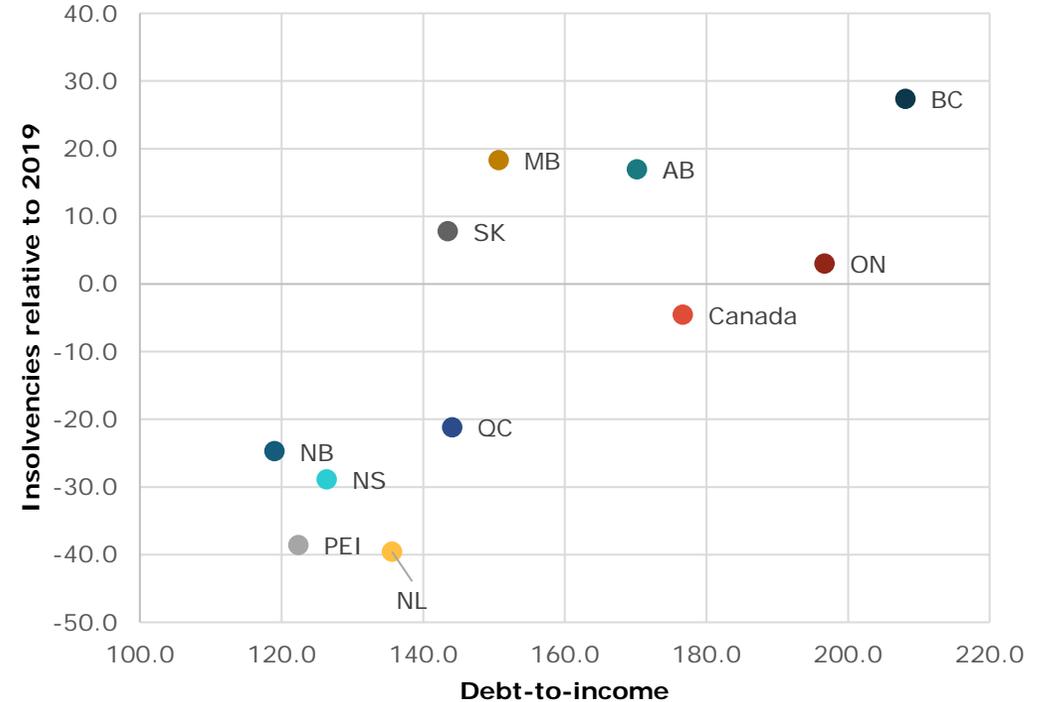
- In aggregate, consumer spending in Alberta is amongst the strongest. However, when adjusted for population, it is more subdued.
- Consumer confidence in the province remains well below the national measure.

Insolvencies are rising fast

Insolvencies (3mma, '000)



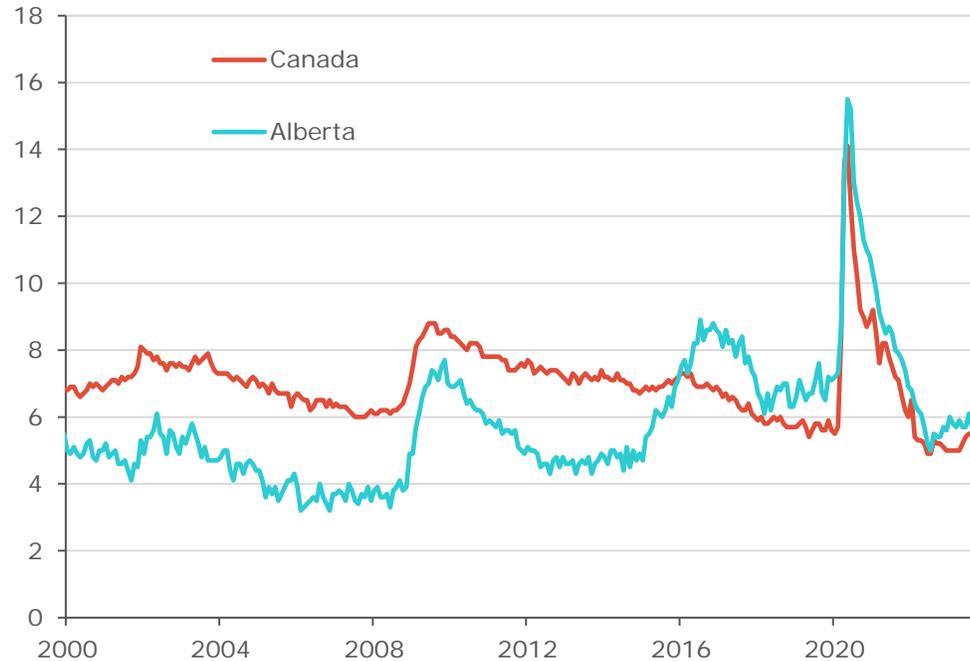
Debt levels and change in insolvencies



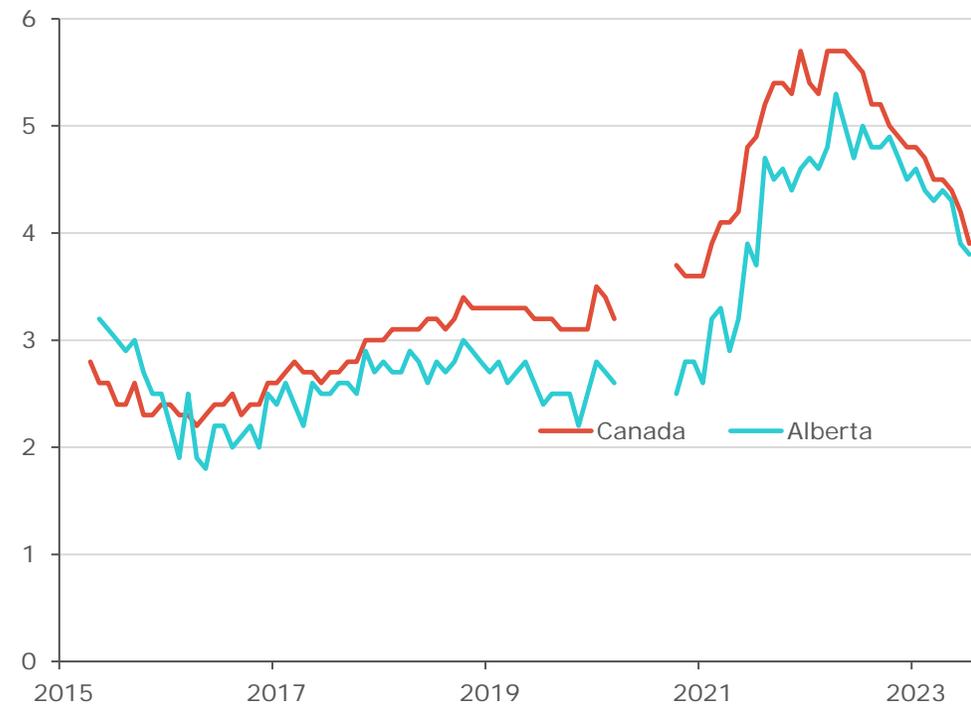
- Insolvencies have increased sharply, especially proposals (i.e. renegotiation of terms).
- There is a strong link between the increase in insolvencies in a province and its level of household debt.

Labour market is key for the outlook

Unemployment rate (%)



Vacancy rate (%)



- The unemployment rate has drifted higher over the past year but remains at a historically low level, while labour shortages have eased over the past year, but remain intense.
- Whether the labour market deteriorates as the economy slows further – thereby leading to job losses - will matter for the outlook. Alberta is benefitting from some tailwinds that could support its economy.

Source: Statistics Canada, Alberta Central

Q&A

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