

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a dark blue rectangular background.

City of Edmonton

Spring 2021 Forecast Update

Office of the Chief Economist

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Edmonton's Economic Performance

Through the City of Edmonton's spring 2021 forecast update¹, Edmonton's economy (based on real gross domestic product) is now estimated to have contracted by about 10 per cent in 2020. This represents a significant downward revision compared to the fall 2020 forecast, when the extent of the economic contraction was projected to be 6.4 per cent. Sectors that were hardest hit in the 2020 contraction include:

- accommodation and food services;
- other private services (which includes personal services);
- transportation and warehousing; and
- forestry, fishing, mining, oil and gas.

These sectors had a high degree of exposure to public health measures either directly (e.g., restrictions related to in-person dining hit the hospitality industry particularly hard) or indirectly (e.g., border closures and stay-at-home orders led to an oil price shock in spring 2020, which dealt an additional blow to Alberta's oil and gas extraction industry). Not all sectors are estimated to have contracted in 2020 though, with the finance, insurance and real estate, and professional services sectors seeing gains.

Even though the 2020 contraction was much deeper than expected, the pace of recovery in 2021 was lifted, and is now projected to reach seven per cent. A return to pre-pandemic output levels is expected by 2022. From 2021 to 2030, annual growth is expected to average 2.6 per cent. Growth across sectors - and in many cases, the pace of recovery - will be uneven in 2021, with more significant headwinds faced by industries like tourism, food services, oil and gas extraction, and support industries for resource extraction. Overall recovery in 2021 will be supported by stronger growth in the goods-producing sector, particularly construction and manufacturing. Private services (i.e., all services-producing sectors except education, health care, and public administration that are largely related to government spending) are also projected to see strong growth, fully recovering output levels as a whole by the end of this year.

Labour Market

Employment losses in the Edmonton census metropolitan area (CMA) as a result of the pandemic peaked in June 2020 with 112,700 fewer individuals without a job. The unemployment rate spiked to 15.8 per cent that same month, a level not seen since comparable data going back to 2006 and the highest among Canadian CMAs. The sectors

¹ The City of Edmonton updates its long-term economic forecast for Edmonton and the region twice a year.

most affected by the pandemic were the ones that were most impacted by public health measures. High-contact sectors like hospitality, trade, and transportation and warehousing were sectors that saw the greatest relative drops in employment in June 2020. As of May 2021, employment in the Edmonton CMA was within 5,000 individuals of February 2020 estimates, though the unemployment rate remained elevated at 10.2 per cent with 86,300 individuals without employment.

In 2020, employment in Edmonton was estimated to have fallen by 47,100 individuals, accounting for about 76 per cent of the region's employment loss that same year. Employment losses were dispersed across most sectors, though the largest loss (in levels and relative terms) was in the accommodation and food services sector.

Excess labour market slack in Edmonton and the region is projected to persist, keeping the unemployment rate fairly elevated over the course of the next few years. A return to pre-pandemic unemployment rates is not expected until about 2024 as employment growth is likely to be met by more individuals joining the labour force (i.e., more unemployed individuals actively seeking work). This labour market slack will take some time to absorb given more moderate rates of economic growth ahead and more challenging paths to recovery for some sectors that were most affected by public health measures (i.e., accommodation and food services, other private services, and forestry, fishing, and oil and gas extraction).

Population

According to the Alberta Treasury Board and Finance, Edmonton's population was 1,047,526 as of July 1, 2020, putting annual growth at about 2.2 per cent. Even though population growth by component is not available at this time, it is reasonable to assume that Edmonton's growth patterns were very similar to the CMA, specifically growth largely coming from net international migration (i.e., those moving from other parts of the world) and natural increase (i.e., births minus deaths).

Edmonton's population is projected to keep growing on an annual basis over the forecast horizon, though the pace of growth has been lowered. In the fall 2020 forecast, Edmonton's annual population growth from 2020 to 2030 was projected to average 1.8 per cent. In the spring update, the population growth projection over that same period was lowered to 1.6 per cent with reductions to natural increase and net migration over the forecast horizon. The reductions to net in-migration between July 1, 2020 and June 30, 2021 are expected to largely come from the net international and net interprovincial (i.e., those moving to Edmonton from other provinces) components. Reductions to the net international migration

component will be due to border closures, whereas net interprovincial migration reductions will be because of weaker economic conditions in Edmonton over that same period.

From 2021 onward, there is some upside potential for international migration as quarterly permanent resident admissions with Edmonton as their intended destination have been increasing since experiencing a sharp drop in Q2 2020 due to the aforementioned travel restrictions. Even though levels remain low by historical standards, the quarterly increases are encouraging, as net international migration is expected to be a large contributor to Edmonton's population growth.

Inflation

The pandemic has caused unusual movement in monthly consumer-based inflation rates due to changes in consumption which, in turn, caused significant price declines in many months in 2020. For example, headline consumer inflation in the Edmonton CMA slowed from 2.5 per cent in February 2020 to 0.9 per cent in March, and then fell into negative territory in April and May. For the balance of 2020, inflation rates ranged from 0.6 to 1.2 per cent, averaging one per cent for the year as a whole. It is worth noting that over the past 10 years, the annual average inflation rate was 1.7 per cent. As annualised rates of inflation are calculated over a 12-month period, distortions in consumer price index (CPI) readings due to significantly lower prices caused by the pandemic have been quite pronounced in recent months and do not offer as much insight on price trends. This is expected to be temporary, with the impact of significant price declines in many months of 2020 gradually fading in the coming months.

The annualised rate of change in the CPI for the Edmonton CMA was 2.9 per cent in May 2021 compared to three per cent in April. Base-year effects continued to bolster inflation in the region, though there was additional pressure coming from higher energy prices, particularly gasoline prices. Edmonton CMA inflation is expected to average 2.2 per cent in 2021, though there are risks that the actual figure may be higher than expected due to pandemic-related price distortions.

Risks to the Outlook

Since the spring update, there have been some major economic developments that will need to be taken into careful consideration in the next forecast update. One key development is the Government of Alberta's Open for Summer plans, which were announced to "outline how restrictions would ease while protecting the health-care system and increasing vaccination rates in the province." Stage 3 of these plans, which would effectively mean lifting of all restrictions, is expected to come into effect on July 1 as the 70 per cent threshold

for eligible Albertans to have received at least one dose was reached as of June 17, 2021. This is expected to help businesses and households chart a path back to more normalised behaviour, potentially offering liftoff to the pace of economic recovery currently projected. Another major development is Air Products Canada's intention to build a \$1.3 billion hydrogen plant in Edmonton which would support job creation and activity in the oil and gas extraction industry.

There remains a considerable amount of uncertainty as to how these developments will impact Edmonton's economic performance this year. At the same time, there is also some downside risk to the forecast, as well as any future updates, related to the pandemic. One major downside risk to this outlook is the spread of the Delta COVID-19 variant, which has shown greater effectiveness at infecting individuals who received only one dose. Should there be a fourth wave of COVID-19 driven by the Delta variant, restrictions on economic activity may be reimplemented until a large proportion of the population is vaccinated with two doses. However, given the resilience of employment figures in previous COVID-19 waves, it is likely that Edmonton would experience economic stagnation instead of contraction.

City of Edmonton Spring 2021 Forecast Update

Edmonton Census Metropolitan Area	Forecast											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Real GDP (\$2012 Millions)(Market Prices)	104,192	93,734	100,521	104,024	107,164	110,014	112,760	115,245	117,899	120,763	123,676	126,387
% Change	0.3	-10	7.2	3.5	3	2.7	2.5	2.2	2.3	2.4	2.4	2.2
Real GDP (\$2012 Millions)(Basic Prices)	100,401	90,323	96,863	100,238	103,264	106,011	108,657	111,051	113,609	116,368	119,176	121,788
% Change	0.1	-10	7.2	3.5	3	2.7	2.5	2.2	2.3	2.4	2.4	2.2
Labour Market												
Employment (000s)	770	708	753	780	803	821	838	852	866	881	895	908
% Change	1.2	-8.1	6.4	3.6	2.9	2.3	2.1	1.6	1.7	1.7	1.6	1.4
GDP/Employee (\$2012, 000s)	130.4	127.6	128.6	128.5	128.7	129.1	129.6	130.4	131.1	132.1	133.1	134.1
% Change	-1	-2.1	0.8	-0.1	0.1	0.3	0.4	0.6	0.6	0.7	0.8	0.8
Labour Force (000s)	832	805	844	861	873	882	895	909	923	937	952	965
% Change	2.1	-3.3	5	2	1.4	1	1.5	1.5	1.5	1.5	1.6	1.4
Source Population (000s)	1,161	1,184	1,197	1,213	1,231	1,251	1,275	1,299	1,324	1,349	1,374	1,398
% Change	2.1	2	1.1	1.3	1.5	1.6	1.9	1.9	1.9	1.9	1.8	1.7
Participation Rate (%)	71.7	67.9	70.5	71	70.9	70.5	70.2	69.9	69.7	69.4	69.3	69.1
% Change	0	-5.2	3.8	0.7	-0.1	-0.6	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3
Unemployment (000s)	62.2	96.8	91.3	81	70.7	60.9	56.9	56.8	56.3	56.1	56.4	57.6
Unemployment Rate (%)	7.5	12	10.8	9.4	8.1	6.9	6.4	6.3	6.1	6	5.9	6
Population and Households												
Population (000s)	1,442.8	1,468.9	1,485.3	1,504.2	1,525.4	1,548.1	1,574.9	1,603.3	1,631.8	1,660.4	1,688.4	1,714.3
% Change	1.9	1.8	1.1	1.3	1.4	1.5	1.7	1.8	1.8	1.8	1.7	1.5
Net In-Migration (000s)	18.7	17.7	7.7	10.5	13.1	14.9	19.3	21.1	21.4	21.8	21.5	19.7
Households (000s)	553.5	565.6	574.9	584.7	595.1	606.3	619	631.8	644.4	657	669.6	681.4
% Change	2.3	2.2	1.6	1.7	1.8	1.9	2.1	2.1	2	2	1.9	1.8
Household Formation (000s)	12.7	12.2	9.3	9.8	10.5	11.2	12.6	12.9	12.6	12.6	12.5	11.8
Housing Starts (000s)	10.7	11.5	10.7	9.7	9.9	10.1	10.6	11	11.7	12	11.9	11.6
% Change	6.8	7.4	-7	-9.6	2.6	2	4.5	3.8	6	3.4	-1.5	-2.1
Annual Wage (000s)	71.7	70.2	69.7	70.4	71.1	72.3	74	75.9	78.2	80.6	83.3	86.1
% Change	0.8	-2	-0.7	0.9	1	1.7	2.4	2.6	2.9	3.2	3.3	3.3
Consumer Price Index (2002=100)	143.2	144.683	147.814	150.853	153.611	156.961	160.788	164.794	169.075	173.522	178.012	182.44
% Change	1.7	1	2.2	2.1	1.8	2.2	2.4	2.5	2.6	2.6	2.6	2.5

Source for actual data: Canada Mortgage and Housing Corporation, and Statistics Canada

Source for forecast: City of Edmonton and Stokes Economics

Edmonton	Forecast											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Real GDP (\$2012 Millions)(Market Prices)	72,942	65,730	70,318	73,000	75,162	77,168	79,050	80,742	82,564	84,550	86,590	88,485
% Change	0.4	-9.9	7	3.8	3	2.7	2.4	2.1	2.3	2.4	2.4	2.2
Real GDP (\$2012 Millions)(Basic Prices)	70,288	63,338	67,759	70,343	72,427	74,360	76,174	77,804	79,559	81,473	83,439	85,265
% Change	0.3	-9.9	7	3.8	3	2.7	2.4	2.1	2.3	2.4	2.4	2.2
Labour Market												
Employment (000s)	545	498	530	551	568	582	595	604	615	625	636	645
% Change	1.1	-8.6	6.4	3.9	3.1	2.5	2.2	1.7	1.7	1.7	1.7	1.5
GDP/Employee (\$2012 000s)	128.9	127.2	127.8	127.8	127.6	127.8	128.1	128.7	129.4	130.3	131.2	132.2
% Change	-0.8	-1.4	0.5	0	-0.1	0.1	0.3	0.5	0.5	0.7	0.7	0.7
Labour Force (000s)	588	570	598	610	619	625	634	644	654	664	674	684
% Change	2	-3.1	5	2	1.5	1	1.4	1.5	1.5	1.6	1.6	1.4
Source Population (000s)	819	838	848	860	872	886	902	919	937	955	972	989
% Change	2	2.3	1.2	1.4	1.5	1.6	1.8	1.9	1.9	1.9	1.8	1.7
Participation Rate (%)	71.8	68.1	70.6	71	71	70.6	70.3	70	69.8	69.5	69.4	69.2
% Change	0	-5.2	3.7	0.6	0	-0.6	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3
Unemployment (000s)	43	72	68	60	52	43	40	39	39	39	39	39
Unemployment Rate (%)	7.3	12.6	11.4	9.8	8.3	7	6.3	6.1	5.9	5.8	5.7	5.7
Population and Households												
Population (000s)	1,025.2	1,047.5	1,059.8	1,073.7	1,089.1	1,105.6	1,124.9	1,145.3	1,165.7	1,186.2	1,206.2	1,224.8
% Change	2.4	2.2	1.2	1.3	1.4	1.5	1.7	1.8	1.8	1.8	1.7	1.5
Net In-Migration (000s)	16.9	16	5.4	7.3	9.2	10.5	13.5	14.8	15	15.3	15.1	13.8
Households (000s)	389.8	399.5	405.3	411.6	418.4	425.6	433.9	442.5	451.1	459.9	468.5	476.6
% Change	2.7	2.5	1.5	1.6	1.7	1.7	1.9	2	2	1.9	1.9	1.7
Household Formation (000s)	10.1	9.6	5.8	6.3	6.9	7.2	8.2	8.6	8.7	8.7	8.6	8.1
Housing Starts (000s)	8.605	9.865	8.973	8.329	8.227	8.37	8.786	9.097	9.641	9.828	9.641	9.342
% Change	7.5	14.6	-9	-7.2	-1.2	1.7	5	3.5	6	1.9	-1.9	-3.1
Annual Wage (000s)	68	66.6	66.1	66.8	67.4	68.5	70.2	72	74.1	76.5	79	81.6
% Change	0.8	-2	-0.7	0.9	1	1.7	2.4	2.6	2.9	3.2	3.3	3.3

Source for actual data: Alberta Treasury Board and Finance, Canada Mortgage and Housing Corporation, and Statistics Canada

Source for forecast: City of Edmonton and Stokes Economics