

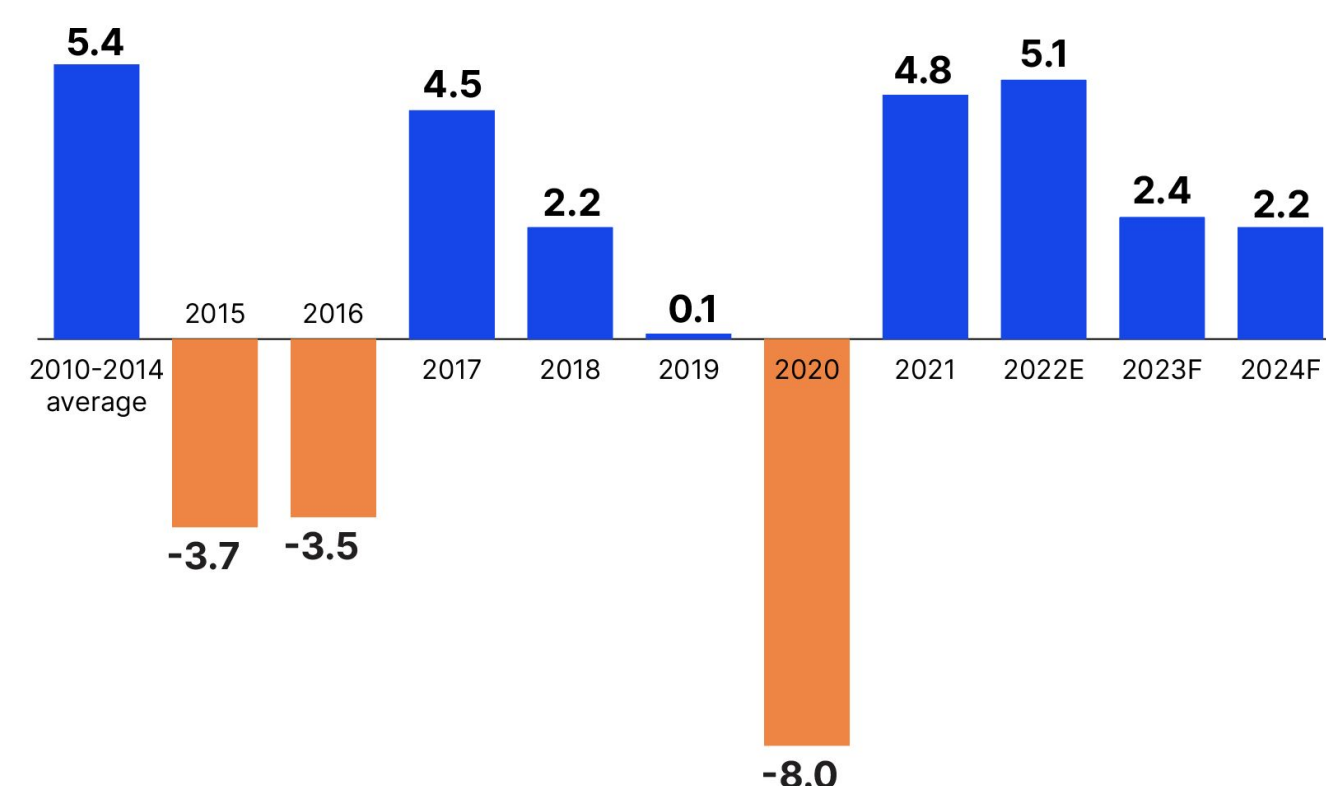
## Drafting through headwinds: Alberta's economy in 2023 and 2024

### Key takeaways

- Alberta's economy is forecast to grow by 2.4% in 2023 followed by 2.2% in 2024. Although slower than the 5.1% pace set last year, Alberta is expected to be one of Canada's growth leaders.
- Headwinds include slowing external demand and ongoing efforts of central banks to reduce inflation via higher borrowing costs.
- The early and intense wildfires that displaced thousands of Albertans in May has had a negative impact on oil and gas activity, but—assuming the turmoil seen in May is not repeated later in the year—not nearly to the same degree as the Wood Buffalo wildfires in 2016.
- The economic drag created by these headwinds is being reduced in Alberta by two key factors: a mini population boom and strong performance in the energy and agriculture and agri-food sectors.
- In the fourth quarter of 2022, Alberta's year-over-year population growth clocked in at 3.7%, the highest rate since 1982 and a full percentage point above the national increase.
- From retail to construction, the influx of residents is helping to support a wide range of economic activity while also filling some of the labour shortages faced by Alberta's employers.
- It's not back to where it was during the previous energy-driven booms, but capital spending by Alberta's oil and gas sector is on the rise along with production.
- The anticipated completion of the expansion of the Trans Mountain Pipeline that connects Strathcona County, Alberta and Burnaby, BC will add much-needed oil transportation capacity.
- Alberta's agriculture and agri-food industry is getting a boost from a rebound in crop exports, elevated prices, and expanding food processing capacity.
- Other growth areas include hydrogen, renewable energy, tourism, aviation, and tech/clean tech.
- Despite being in an expansion mode, Alberta's economy cannot avoid the detrimental effects of the battle against inflation.
- Higher interest rates are adversely affecting businesses, families, and entrepreneurs. The lagged impact of the higher rates is expected to weigh on consumer spending, home construction, hiring, and will be particularly challenging for anyone holding large amounts of debt relative to their income.
- While the Alberta economy is doing well and better than most other parts of the country, the lingering effects of elevated inflation and the still-to-come full impact of high interest rates will pose challenges for many Alberta families and businesses.

### Annual % change in Alberta's real GDP

Chained (2012) dollars



E=Estimate, F=ATB Economics forecast

Source: Statistics Canada Table 36-10-0222-01 and ATB Economics

	Actuals		Estimates	
	2021	2022	2023	2024
<b>Alberta economic forecast</b>				
Real GDP (annual % change)	4.8	5.1	2.4	2.2
Employment (annual % change)	5.4	5.2	2.8	1.6
Unemployment rate (annual average %)	8.6	5.8	6.1	5.9
Retail sales (annual % change)	11.7	6.9	3.7	5.1
Annual housing starts (000s)	31.9	36.5	31.9	37.1
Consumer Price Index (annual % change)	3.2	6.4	3.6	2.2
Population (annual % change)	0.6	2.2	3.2	2.0
<b>Financial assumptions</b>				
WTI crude (annual average US\$/bbl)	68	94	76	74
WCS crude (annual average US\$/bbl)	55	75	58	58
AECO gas (annual average C\$/MMBtu)	3.7	5.4	2.9	3.8
Canada-US exchange rate (US\$/CDN\$)	0.80	0.77	0.75	0.76

## Executive Summary

### Reduced wind resistance

Alberta's economy is shifting into a lower gear following a blistering performance in 2022. After topping 5% growth in 2022 (the strongest since 2014), ATB is forecasting the economy will expand by 2.4% in 2023 and 2.2% next year. The slowdown reflects a softer global backdrop, a pullback in commodity prices, and soaring interest rates. ATB has revised down its 2023 forecast from 2.6% in March given the wildfires, renewed financial stress, and some softening of commodity prices.

It's been a rocky road for Alberta's economy since the oil price collapse that precipitated the 2015-16 recession. Last year marked a significant milestone as real GDP finally surpassed the level set in 2014. The economy is now in expansion mode.

When facing headwinds, road cyclists group together in tight formations—known as a peloton—to cut wind resistance. Research suggests that drafting off your teammates can lower your drag by [up to 40%](#). While Alberta businesses and households are not immune to higher borrowing costs and a global slowdown, two major “peloton” forces are helping Alberta draft through the headwinds:

#### 1. Surging population growth

Alberta is in the midst of a population boom. In the fourth quarter of 2022, Alberta's year-over-year population growth clocked in at 3.7%, the highest rate since 1982 and a full percentage point above the national increase. Alberta has received record inflows of international migrants and interprovincial migration has turned sharply positive—hitting a 40-year high in the third quarter of 2022. As more people move to the province, they will require housing and a wide range of goods and services—cushioning the impacts of higher interest rates on overall spending in Alberta.

#### 2. Growing energy and agri-food sectors

The oil and gas extraction sector is expected to post another year of increased capital spending and production. In the agriculture and agri-food sector, farmers had a bounce back year in 2022 and are expected to benefit from better-than-average output prices and easing input costs. Both sectors are bringing on new manufacturing capacity, with expansions in food processing, petrochemicals, hydrogen, and biofuels. Emissions reduction is an area of focus, with renewable energy experiencing high growth and large potential for carbon capture and storage.

### Higher interest rates to slow momentum

Alberta finished 2022 on a high note and has posted solid gains across a number of indicators to start 2023, including employment growth, rig activity, and retail sales. But conditions are expected to slow due to the lagged effects of sharply higher interest rates.

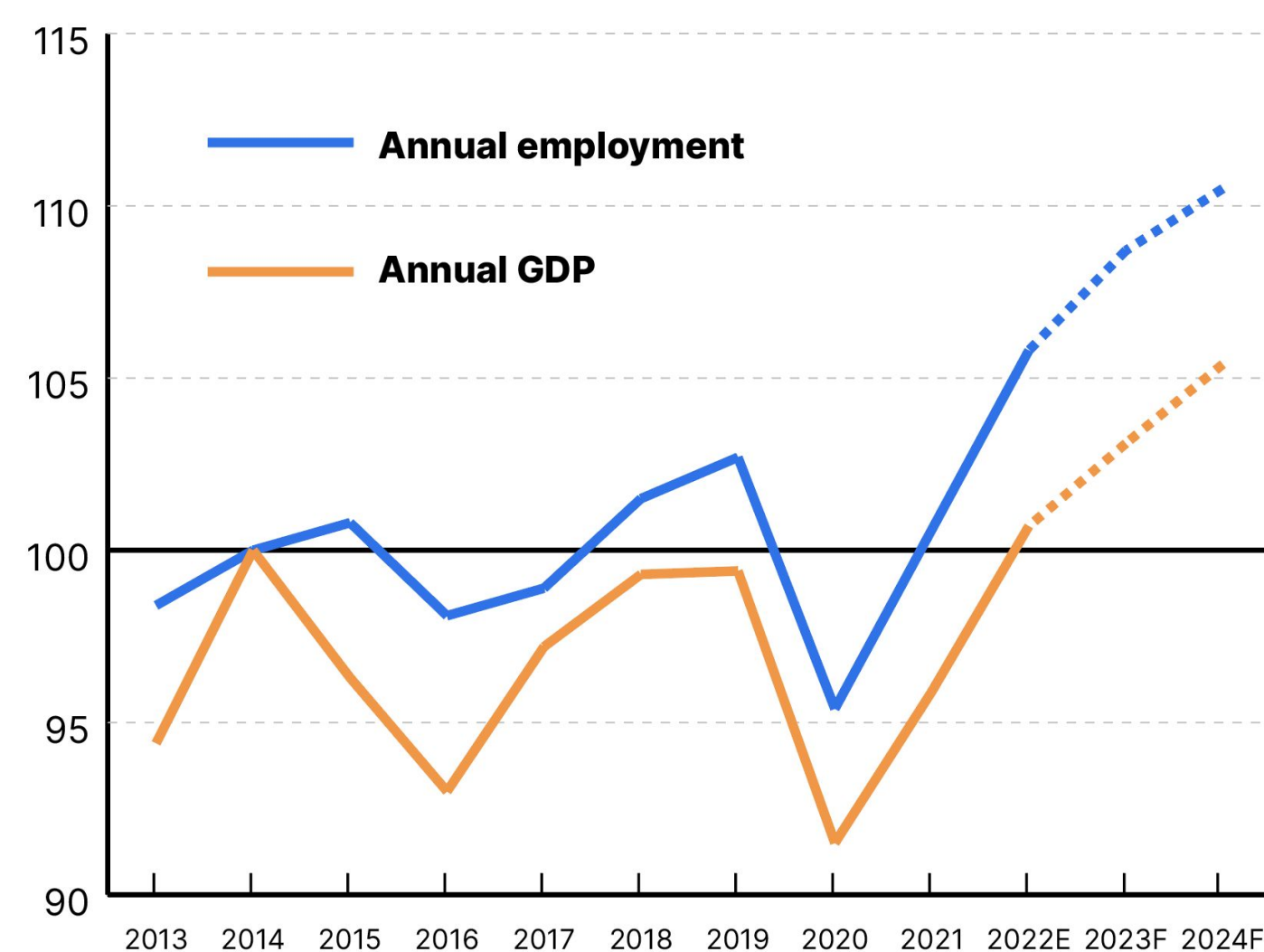
Housing has been the first victim, with starts and home resales down sharply to start the year. This weakness should prove short lived, as we expect the demand from record migration to push up housing starts again next year. Consumers will also feel the pinch as debt service ratios climb, cooling spending in the second half of the year. Employment growth will also moderate amid softer business conditions, though elevated vacancies should prevent an outright decline in jobs.

### Alternate scenarios

As a trade-exposed, resource-intensive economy, Alberta's outlook is subject to a higher degree of risk than other provinces. In this report, ATB has introduced low and high scenarios around its base case forecast. The scenarios produce a range of real GDP growth of 0.6%-4.4% this year and 0.9%-3.3% in 2024.

### Real GDP and employment in Alberta

Index (2014=100)



E=estimate, F=forecast

Source: Statistics Canada Tables 36-10-0222-01 and 14-10-0393-01 and ATB Economics



## External Environment

The collapse of Silicon Valley Bank (SVB), and subsequent regional bank failures, have added additional stress to the financial system. US Federal Reserve Chairman Jerome Powell has indicated the worst is behind us following a series of interventions. Measures of financial stress have subsided. The US debt ceiling negotiations brought additional strain, though a deal has recently been reached.

The International Monetary Fund expects the global economy to expand 2.8%—a touch (0.1 point) lower than the forecast it published in January of this year, but well-below the 3.4% growth achieved in 2022. The war in Ukraine remains another uncertainty, as the extended conflict continues to pressure global supply chains.

## US and Canadian economies to slow

The US economy is assumed to post growth of just over 1% this year and next, with a mild recession in-year as consumers start to pullback and job growth slows. Canadian growth has been resilient in the face of higher interest rates—annualized first quarter growth of 3.1% topped expectations. But the positive reading has only pushed out calls for an inevitable slowdown as higher interest rates weigh on indebted households. Canadian annual growth of 1-1.5% is expected this year and next.

## China's reopening supports oil demand

China, the world's second largest oil consumer, is bouncing back following the end of the zero-COVID shutdowns. However, the recovery has been uneven—consumers have come back, but industrial activity has been more tepid. Chinese GDP growth is expected to improve to just over 5% following 3% in 2022, one of its weakest on record.

## Euro area weathers energy crisis

Russia's invasion of Ukraine abruptly disrupted energy flows last year, raising fears of a recession in Europe. The Euro area weathered the storm better than many expected, as countries diversified their supplies and natural gas consumption dropped. However, high inflation and expectations of further interest rate increases will slow growth to less than 1% this year.

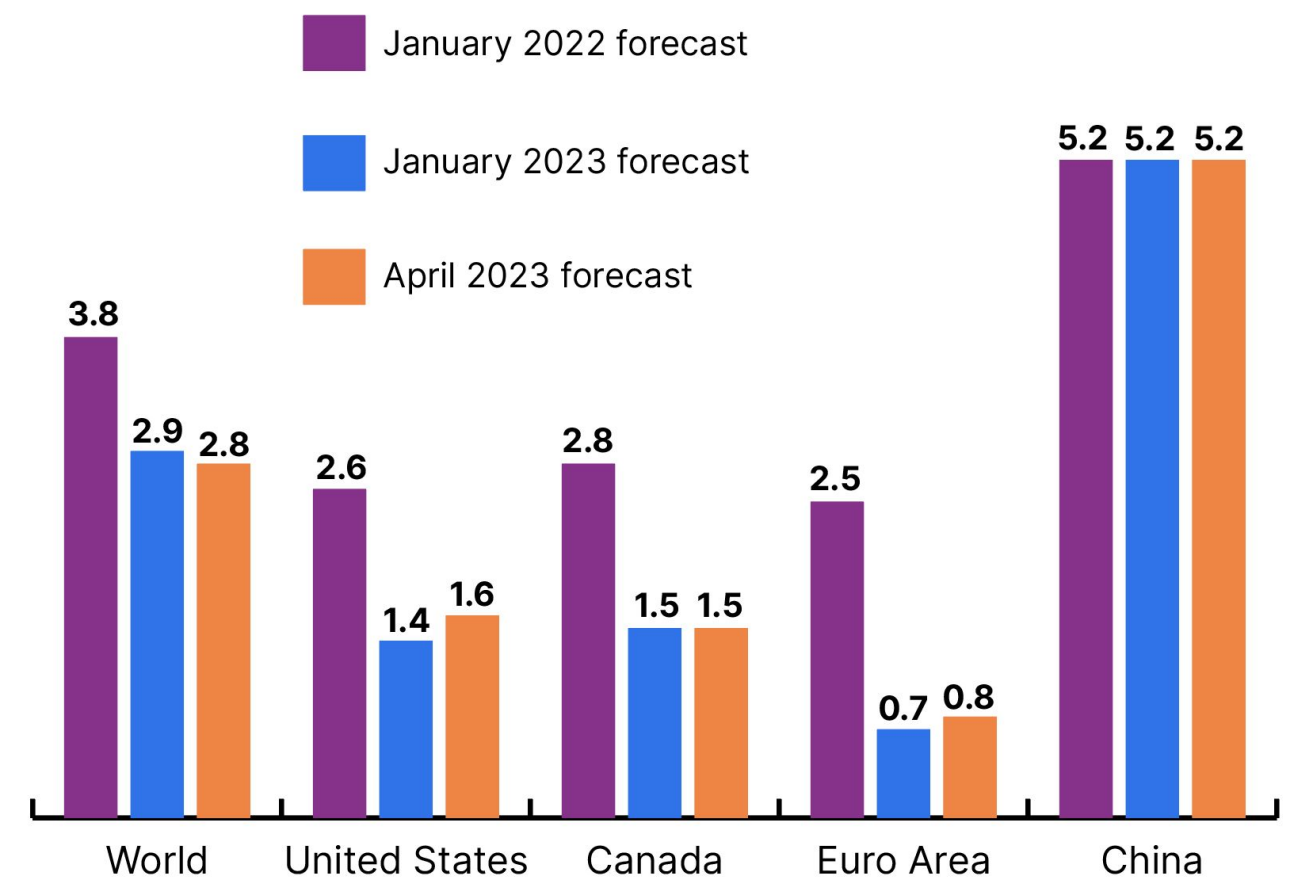
## Inflation battle continues

All eyes remain on monetary policy authorities and whether the next 6-9 months will mark a turning point in the fight against inflation. Since February 2022, the Bank of Canada has raised its policy rate by 4.5 percentage points—one of the fastest increases since the early 1990s.

In April, the Bank of Canada forecast that inflation would return to its 2% target by the end of 2024. However, higher-than-expected inflation in April and first quarter growth led the Bank of Canada to raise rates on June 7 for the first time since January 2023. The Bank will assess new employment and inflation data before its July decision with another rate hike a possibility. Our expectation is that the Bank will not begin to cut rates until early next year.

## International Monetary Fund forecasts

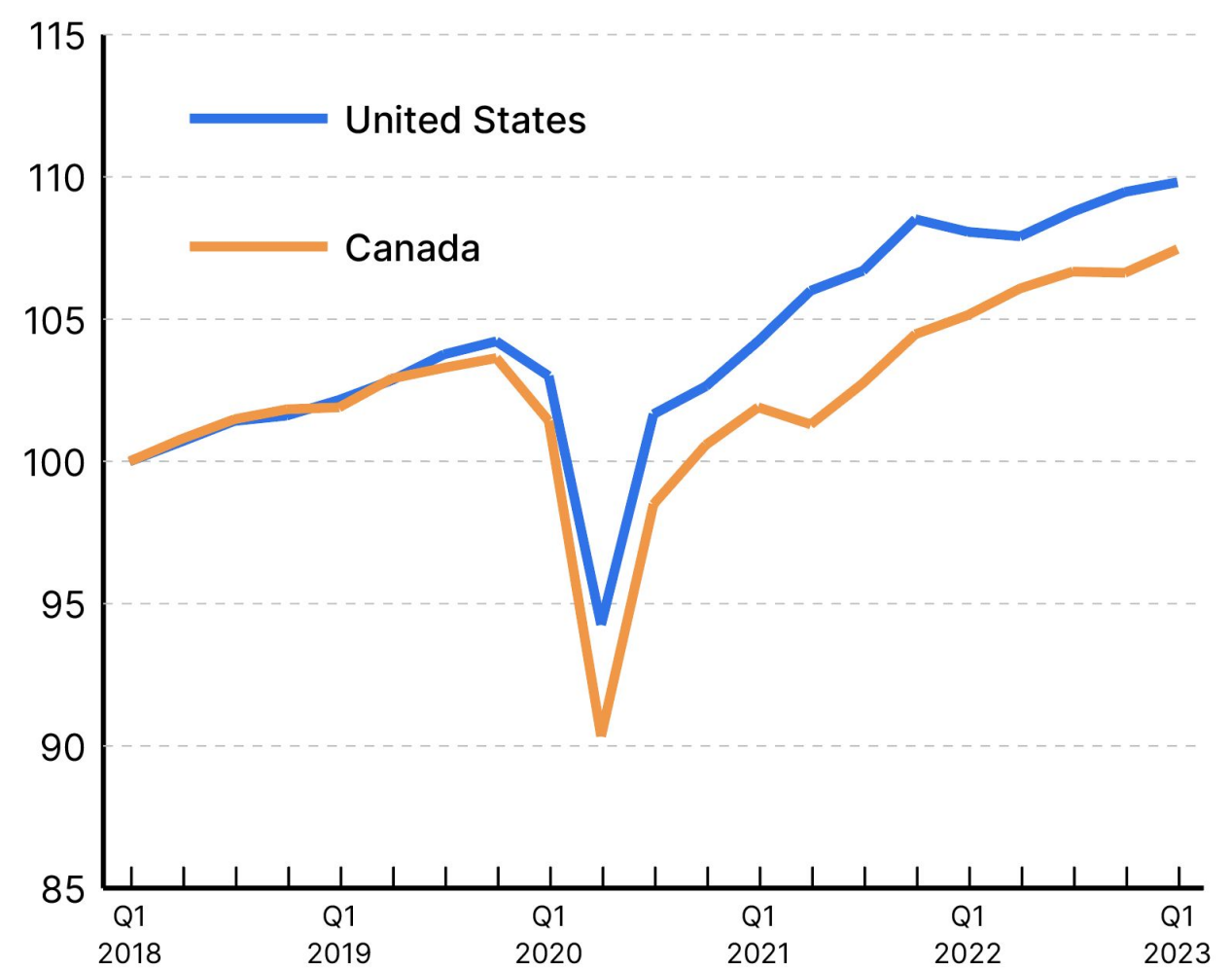
Expected annual % change in real GDP in 2023 by forecast date



Source: International Monetary Fund, World Economic Outlooks

## Real GDP in Canada and the US

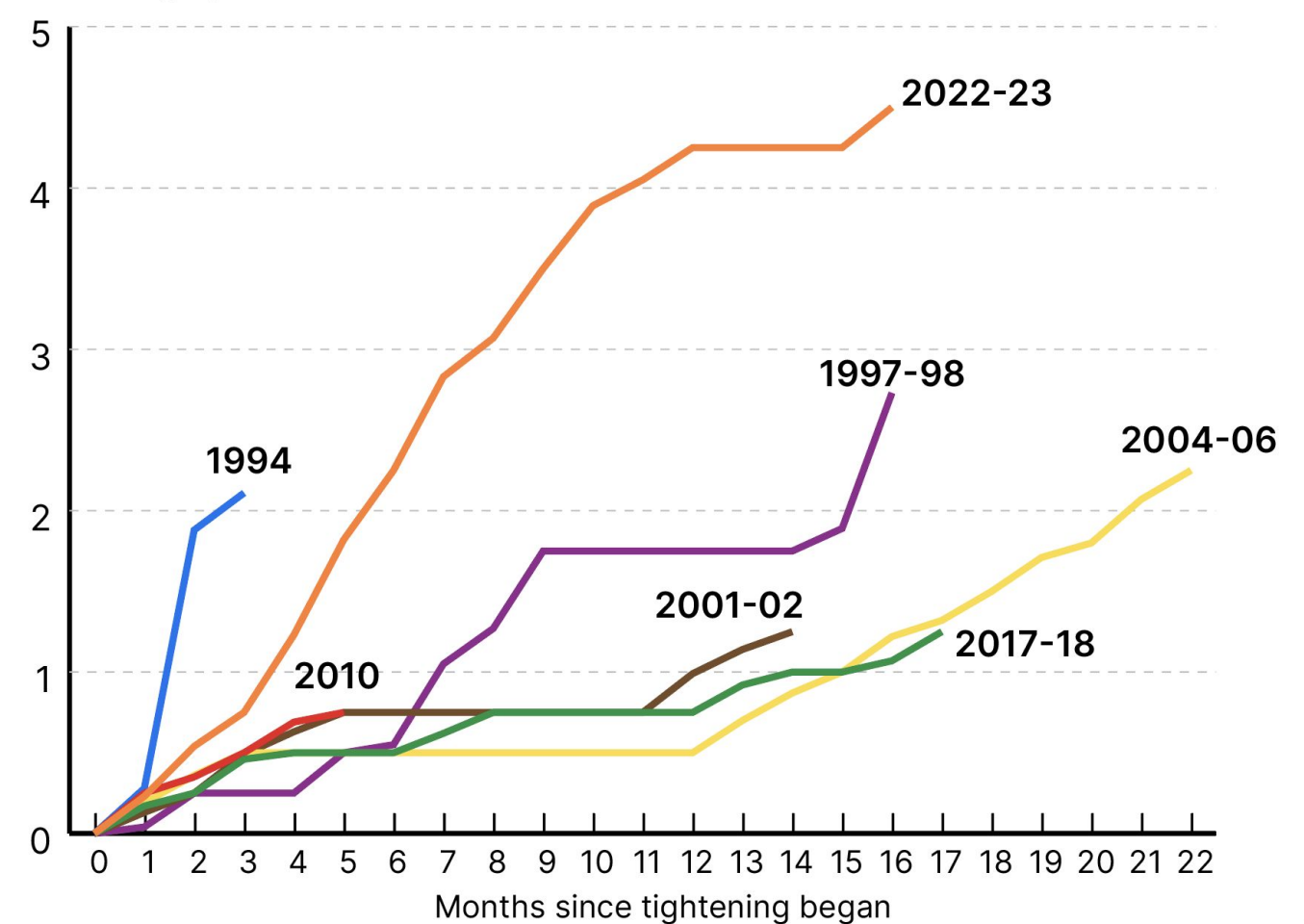
Q1 2018=100, chained (2012) dollars, seasonally adjusted at annual rates



Source: Statistics Canada Table 36-10-0104-01, US BEA, and ATB Economics

## Bank of Canada tightening cycles

Percentage points from low



Source: Bank of Canada and ATB Economics



Positive inflation developments include the downward trend in goods inflation (aided by lower energy prices), reduced inflation expectations, and improvements in global supply chains. Food prices, while elevated, are adding less to annual inflation and leading indicators point to further moderation. But getting below 3% could prove challenging. The price of services remains sticky and wage growth elevated. According to the Bank of Canada, wage growth must fall below its current pace or productivity improve for inflation to drift back to its 2% target.

In the US, the Federal Reserve provided some signs in May that its latest rate increase to 5-5.25% could be its last. However, the outcome is far from certain, as core inflation readings remain persistently high.

### Energy sector adds fuel to Alberta's growth

After surging above US\$120 per barrel in mid-2022, WTI oil prices have been hovering in the US\$70-80 range in recent months. OPEC's decision in April to cut production by 1.2 million barrels per day temporarily lifted prices along with China's re-opening. However, this has been countered by ongoing recession fears, resilient Russian production, and financial stress following the SVB collapse.

The International Energy Agency expects the oil market to tighten in the second half as demand picks up, most notably in China. WTI prices are now assumed to be US\$76 per barrel in 2023, and US\$74 in 2024. WTI averaged just under US\$76 over the first four months of the year.

Rig activity has picked up markedly since mid-2022, bolstered by healthy Canadian oil prices. With natural gas prices weakening, producers have shifted their focus to liquids-rich production. The sector will also benefit from long-awaited improvements to market access as the Trans Mountain Expansion (TMX) pipeline comes online next year.

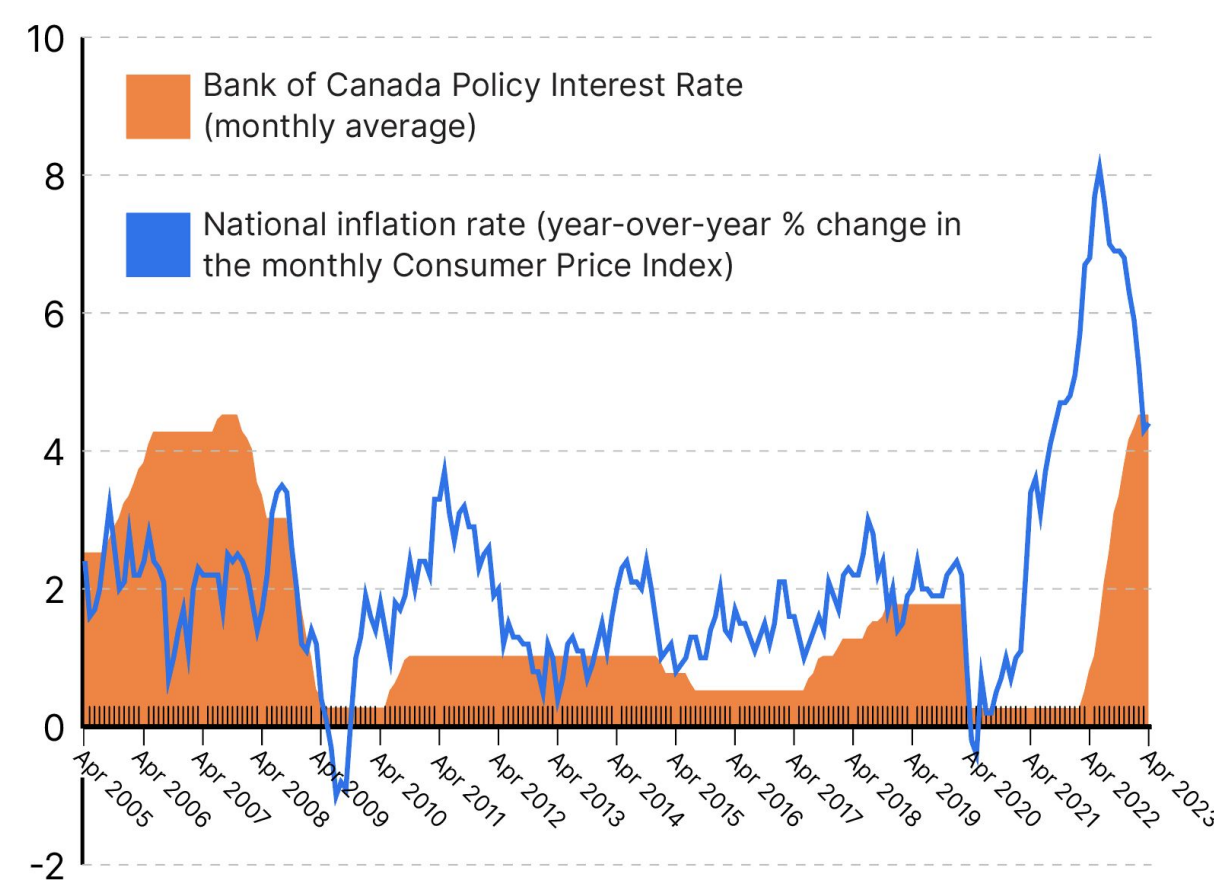
ATB Capital Markets Spring 2023 Energy Survey points to cautious optimism in the sector. While the recent pullback in oil and gas prices has dampened sentiment, producers and service companies expect prices and capital spending to improve over the next year. Moreover, the sector sees supply chain and market access problems easing over this period. Opportunities identified include liquified natural gas (LNG) west coast expansions, new pipeline capacity, and carbon capture and storage (CCS).

### Capital spending on the rise

Overall, oil and gas capital spending in Alberta is forecast to increase by 10% in 2023 followed by a gain of 8% next year. This comes on the heels of an estimated 30% increase in 2022 in the aftermath of the COVID slump. Recent data reinforces the forecast, with national oil and gas spending posting solid 2023Q1 gains. Real oil and gas exports, meanwhile, are expected to advance by about 2% per year over the next two years.

### Interest rates and inflation

%, April 2005 to April 2023

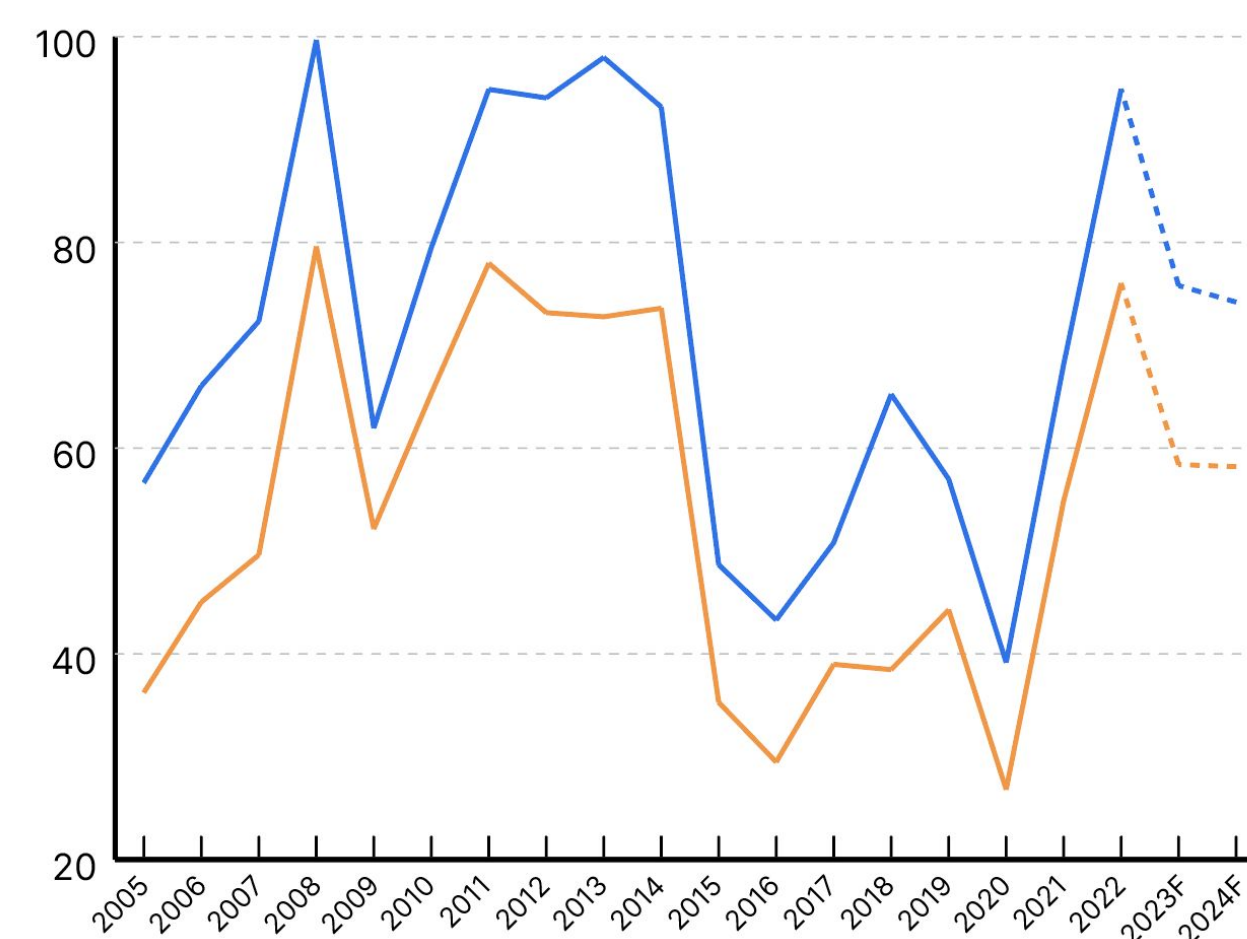


Source: Statistics Canada Table 18-10-0004-01 and Haver Analytics

### Benchmark oil prices

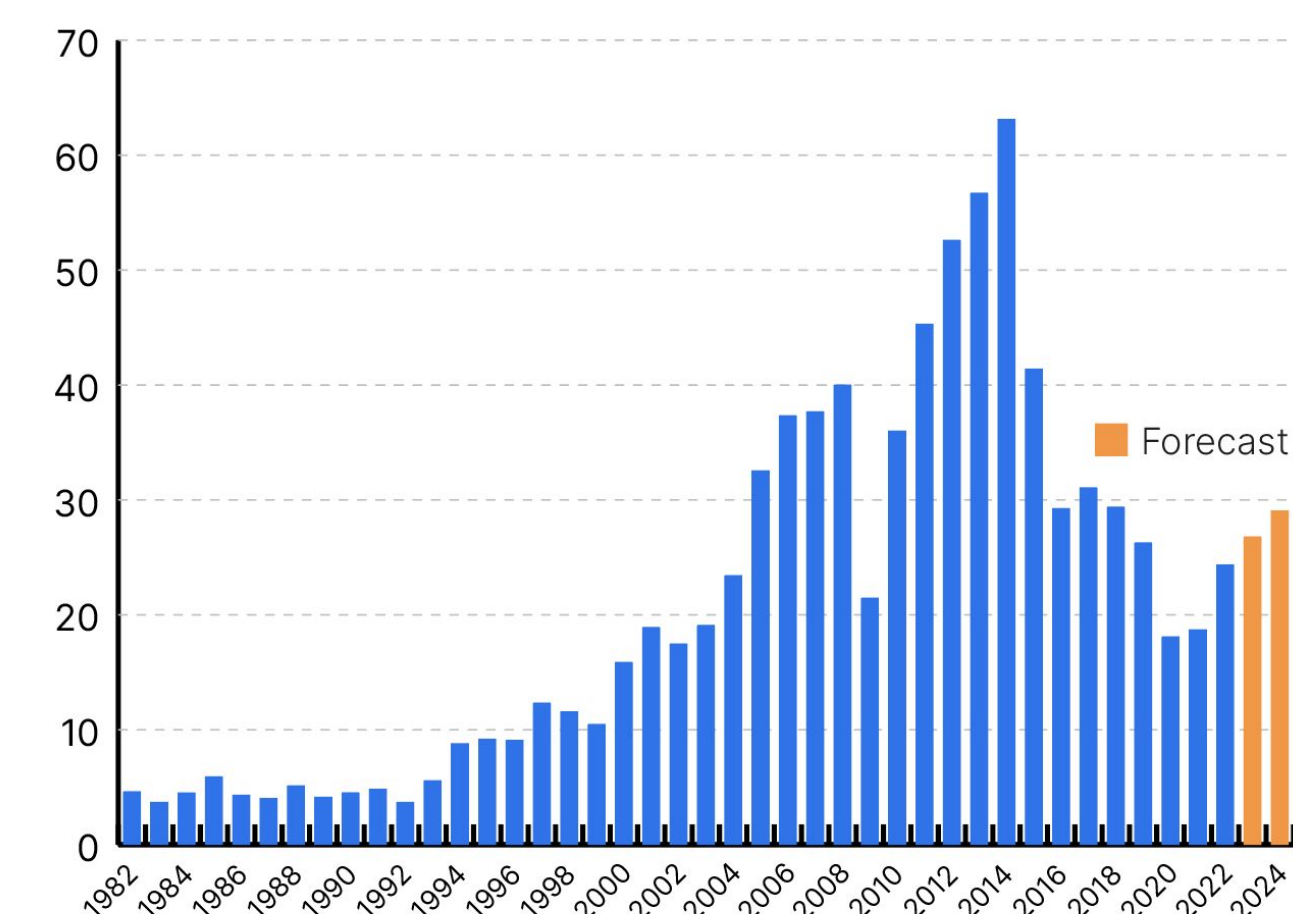
US\$ per barrel, annual average

— West Texas Intermediate  
— Western Canadian Select



F=forecast Source: US Energy Information Administration, Alberta Energy and ATB Economics

### Oil and gas extraction capital spending in Alberta, Billions of dollars



Source: Statistics Canada Table 36-10-0096 and ATB Economics (2023 and 2024 forecast)



## Wildfires disrupt oil and gas activity

The wildfires in Alberta hurt oil and gas activity in May, but the impacts are temporary and expected to be much smaller than in 2016.

ATB has attempted to account for the wildfires that began ravaging the province in early May. At the peak, 30,000 people were displaced and over 300,000 barrels per day of oil equivalent were shut-in, though conditions have stabilized. For the economy, the largest immediate impact will be from foregone oil and gas production. Energy accounted for more than three-quarters of Alberta's exports last year.

The forecast assumes that the wildfires subtract about 2-3% from Canadian oil and gas production in May before returning to normal levels. This results in an annualized hit of about 0.1% to Alberta's real GDP this year. While significant, this is far less than the toll from the Wood Buffalo wildfires which temporarily shut in more than one million barrels per day at the peak.

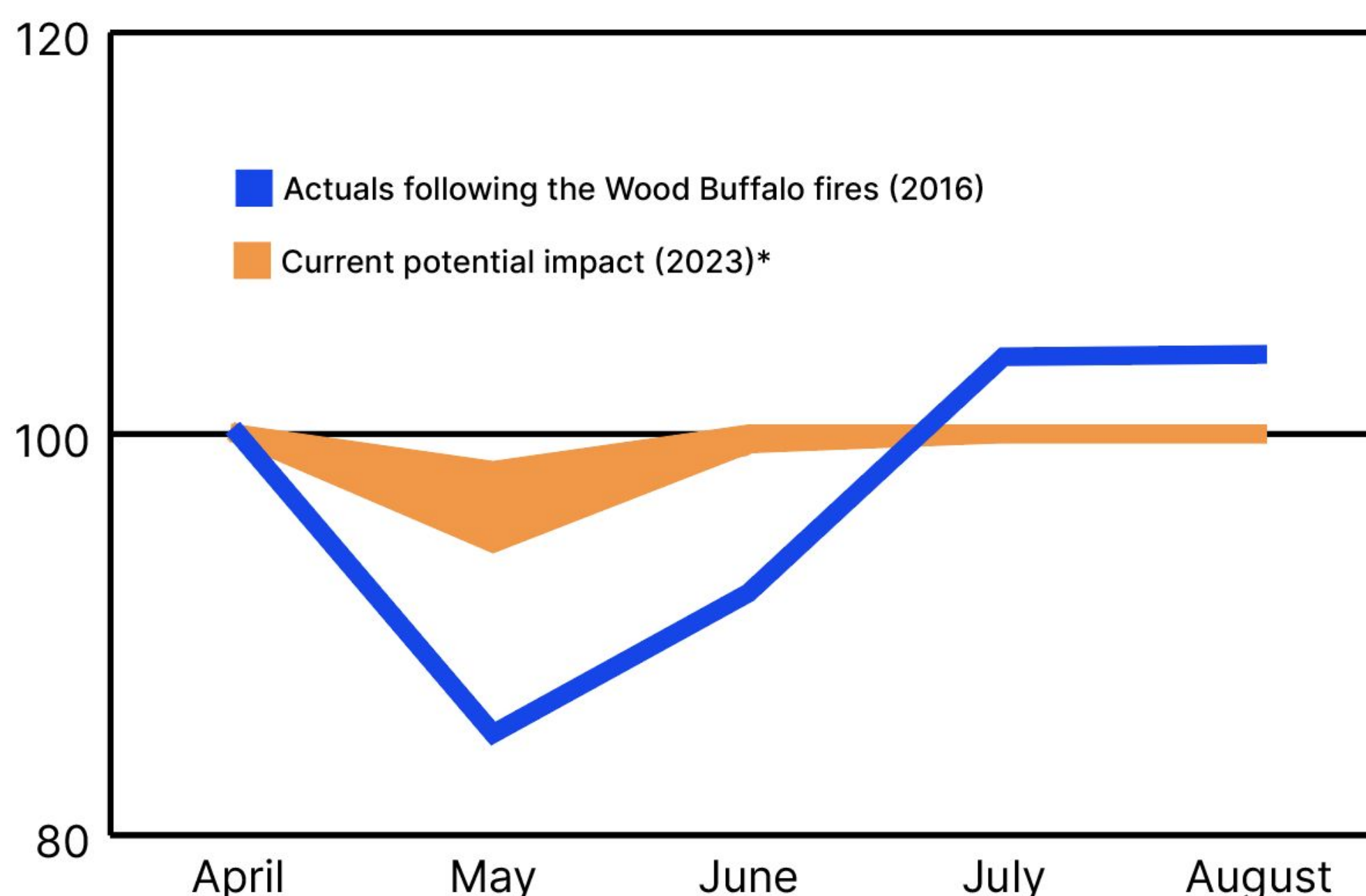
The disruptions in 2016 shaved an estimated 0.6 percentage points from Alberta's real GDP in 2016 and added an estimated 1.0 percentage points in 2017 as production bounced back and reconstruction took place.\* Reconstruction activity remains uncertain, as damages are still being assessed. As of May 19, the Province reported that 275 structures have been lost. Reconstruction will add marginally to Alberta's GDP growth over the next two years, though not nearly to the same extent as in 2016 when approximately 2,400 homes and businesses were destroyed.

Positive or negative real GDP effects do not measure the toll to human lives and damages incurred. The fires have damaged property, the replacement of which adds to economic activity but does not necessarily improve the underlying performance of the economy.

\*See Alberta Treasury Board and Finance, [2016-17 Fiscal Update and Economic Statement](#)

## Canadian oil and gas extraction sector GDP

Real GDP in April = 100



\*Relative to the base case without the fires. Source: Statistics Canada and ATB Economics

Oil and gas capital spending in Alberta, while improving, will still be far removed from prior years of elevated oil prices, including the high watermark for oil and gas investment in 2014 at over \$60 billion. The industry's focus will be on optimizing and extending the life of assets, continued balance sheet improvements, and reducing emissions. For example, the Pathways Alliance, comprising the largest oil sands producers, has announced plans for CCS investments totalling \$16.5 billion by 2030.

### Market access improving

The oil and gas sector has benefited from much needed pipeline expansions following years of delays. The Line 3 Replacement Project was completed in 2021, adding 380,000 barrels per day of new capacity to eastern markets. Early next year, the completion of the Trans Mountain Expansion Project will add 590,000 barrels per day of new capacity with exposure to west coast pricing.

Additional egress is a relief to producers following years of pipeline bottlenecks, which ultimately led to a provincially-mandated production curtailment that was in effect from January 1, 2019 to December 21, 2021. [S&P Commodity Insights](#) suggests that additional pipeline capacity should accommodate growth in production over the medium-term, but notes that the pipeline system could be tight again by the late 2020s. Additional pipeline capacity will support Alberta heavy oil prices, with the light-heavy differential forecast at US\$16-17 per barrel over the forecast.

### Natural gas prices tumble, but fundamentals improving

Natural gas prices stumbled this year following last year's spike. Storage levels have surged amid warmer weather and the temporary shutdown of the Freeport LNG export terminal in Texas. Demand has also been weaker than expected in Europe, resulting in declines in international natural gas benchmarks. AECO prices are expected to improve to C\$2.90/MMBtu on average in 2023 and C\$3.80 in 2024. The expansion of the Nova Gas Transmission Line (NGTL) system and the approval of the Coastal GasLink pipeline (targeted completion in late 2023) to LNG Canada's site in Kitimat, BC will help reduce volatility and support Canadian prices.

### Renewable energy boom

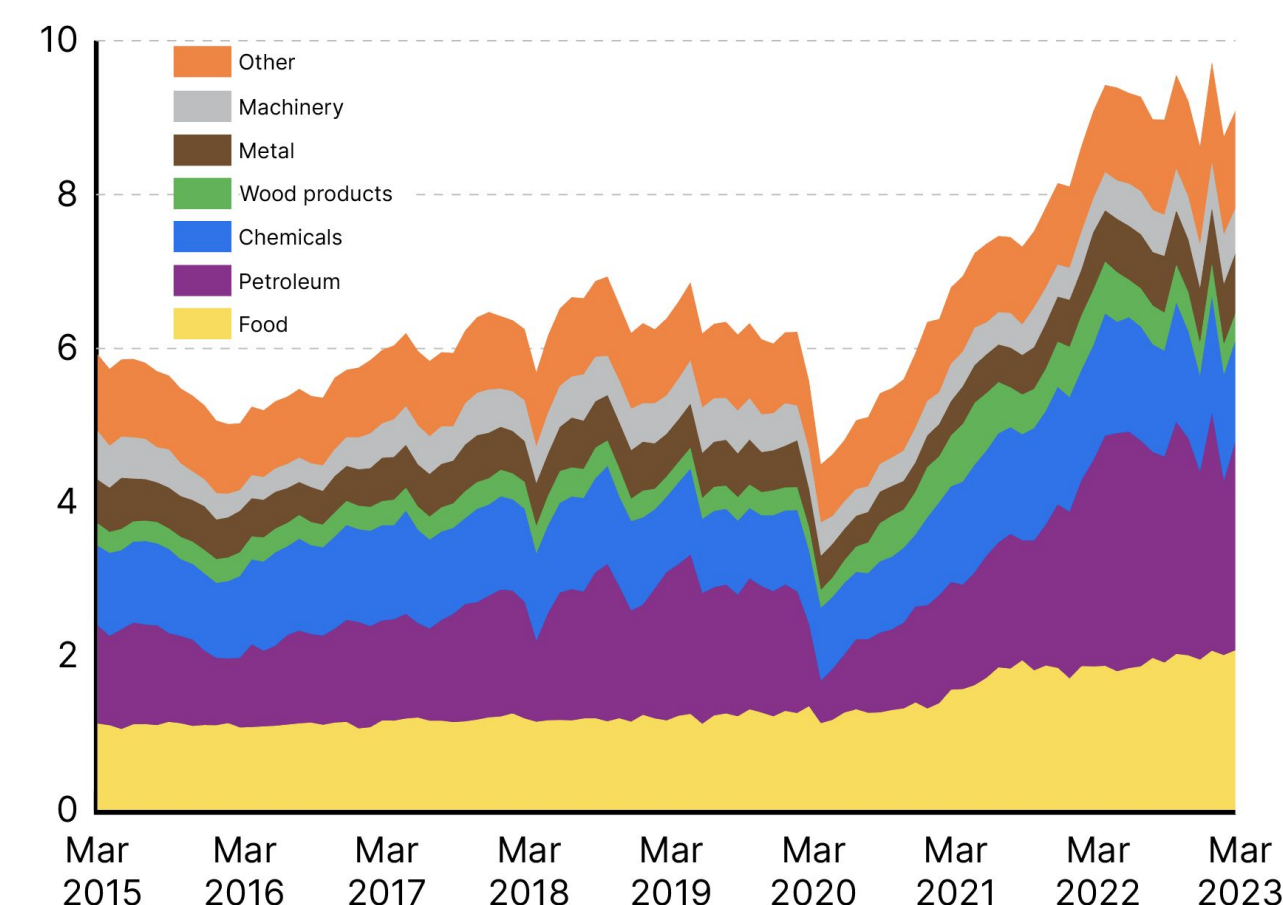
Alberta's utilities sector has been an economic driver with investment intentions hitting nearly \$7 billion in 2023. Capital spending has been bolstered by renewable energy investment in solar and wind. Between 2018 and 2022, installed capacity for renewables has more than doubled to 3,600 MW, and the [Alberta Electric System Operator reports](#) that nearly 3,800 MW of additional capacity is under construction.

### Chemicals, hydrogen, and biofuels

Alberta's chemical manufacturing sales set a record last year, rising to \$17.4 billion. Higher prices have helped, but the sector is also getting a boost from new capacity expansions. This includes Inter Pipeline's Heartland polypropylene facility, which started commercial operations in the second half of 2022.

### Manufacturing sales, Alberta

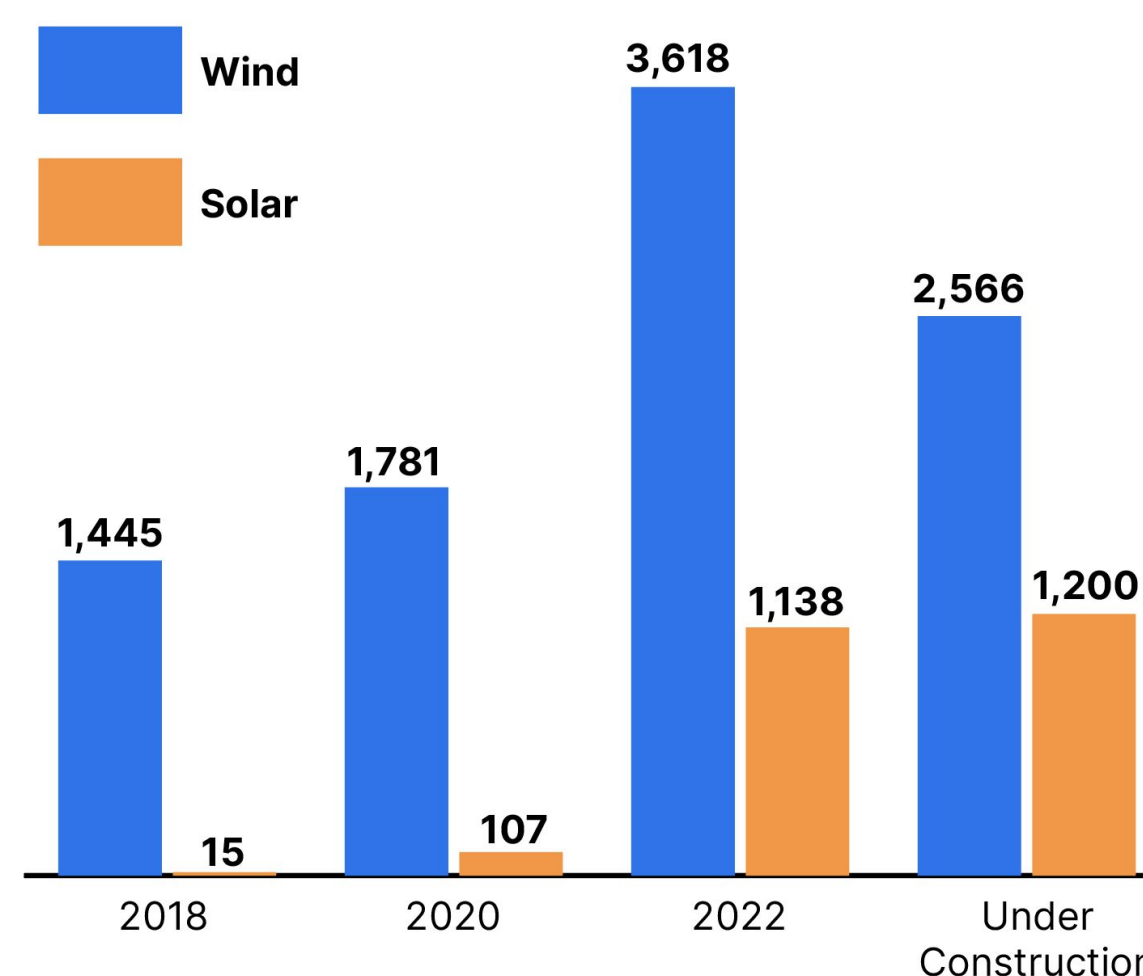
\$ billions, monthly



Source: Statistics Canada Table 16-10-0048-01

### Renewable energy capacity in Alberta

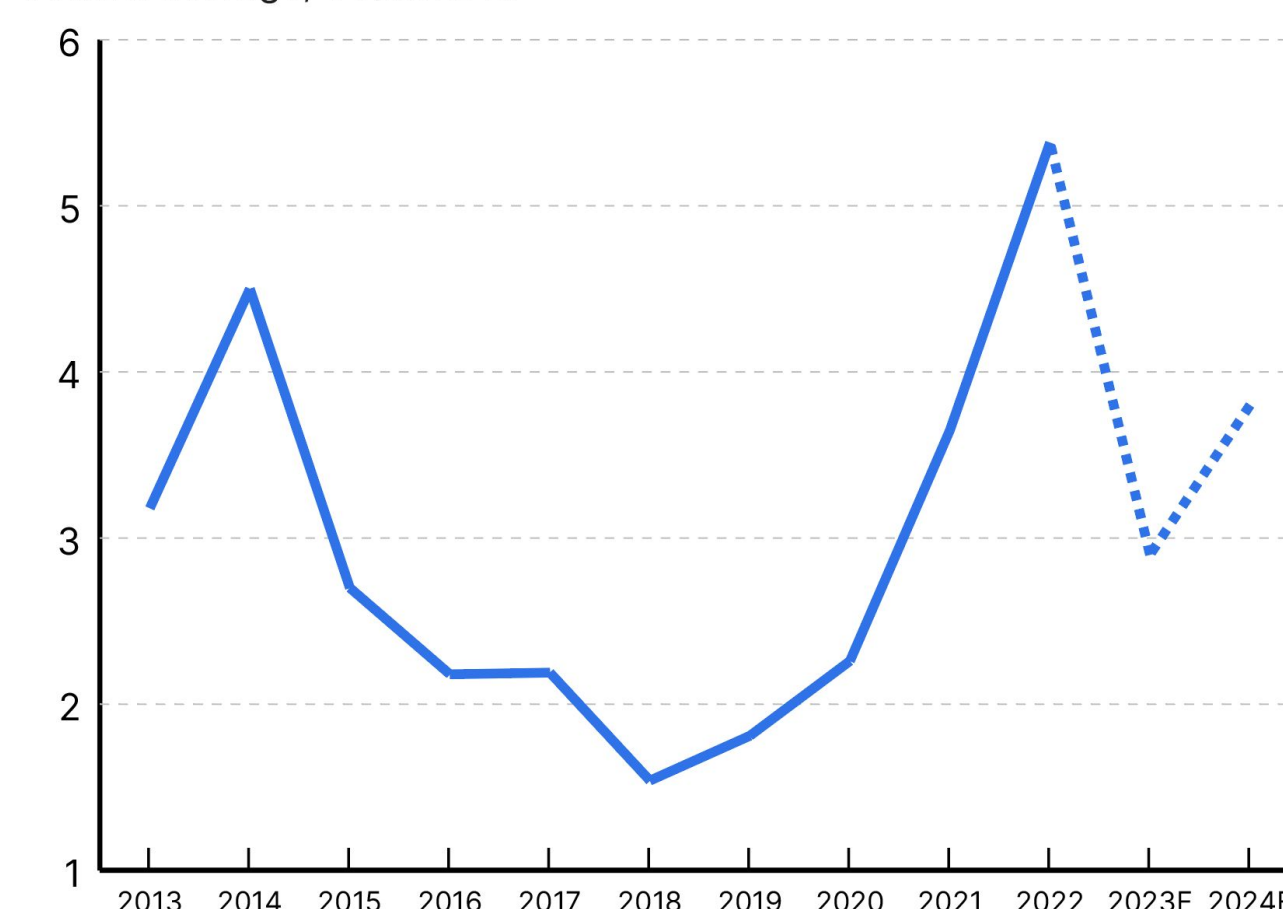
Megawatts



Source: The Alberta Electric System Operator (AESO)

### Natural gas prices, Alberta

Annual average, \$C/MMBtu



F=forecast Source: GLJ and ATB Economics (2023 and 2024 forecast)



Air Products is proceeding with a \$1.6 billion hydrogen production net-zero facility scheduled for completion in late 2024, which will help supply Imperial Oil's new renewable diesel facility. Future Energy Park's \$1.2 billion renewable natural gas and ethanol project, which will use low-grade wheat as feedstock, is going through approvals and is scheduled to start construction as early as this year. While no final decision has been made, Dow Chemical's proposed net-zero petrochemical complex in the Industrial Heartland, with a cost upwards of \$10 billion, could provide another boost to the sector.

### The agriculture and agri-food sector roars back in 2022

It will be difficult for Alberta farmers to repeat last year's revenue performance. Grain prices soared in 2022 following Russia's invasion of Ukraine, livestock prices jumped amid tight cattle supply, and crop production rebounded following the 2021 drought.

Farm cash receipts hit a record \$22 billion (+19%) last year in Alberta, although soaring input (e.g. fertilizer and fuel) costs offset much of the gains. Real GDP in Alberta's agriculture and food manufacturing sector grew 26% last year and contributed 0.8 percentage points to real GDP growth in Alberta, the most in over two decades.

While grain prices have trended lower, they are still above pre-COVID levels and input costs have also come down. Global supply/demand balances for grains are tight. The stock-to-use ratios for global wheat and coarse grains are at their lowest level in six years as supply has struggled to keep up with demand.

The Black Sea deal to keep Ukraine grain shipments moving was extended for another two months until mid-July, which will help ease pressure on prices though [the absence of a long-term deal](#) adds to the uncertainty.

Unlike grains, cattle prices have continued to march upwards in 2023. Cattle inventory remains at historically low levels in North America. [The USDA is projecting](#) that beef production will decline in the US this year and remain flat globally. Feed prices remain elevated and will offset some of the price gains.

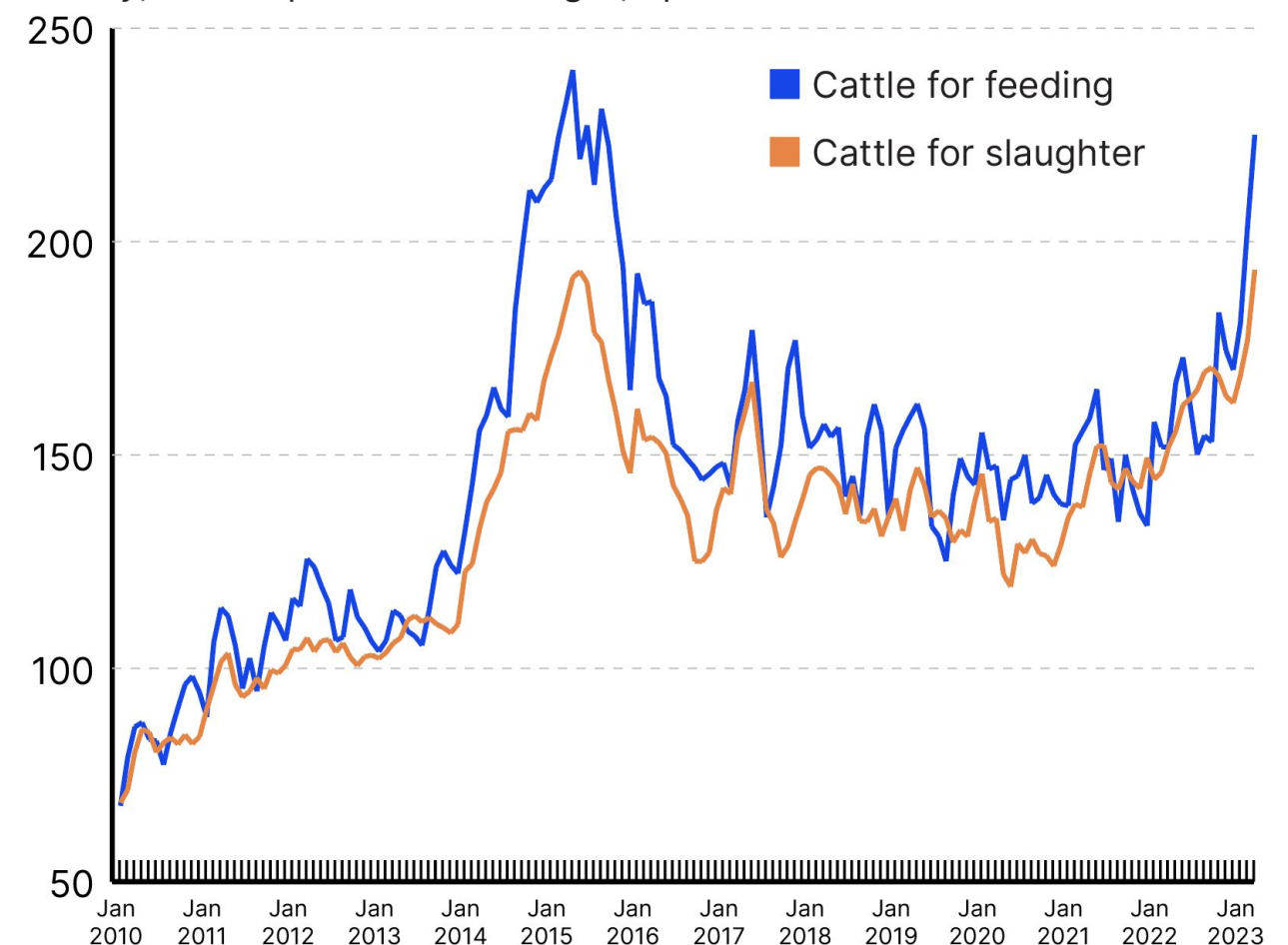
The sector is also benefiting from an expansion of food processing. In 2019, Cavendish Farms opened its \$430 million frozen potato processing plant in Lethbridge. In nearby Coaldale, McCain Foods plans to double the size of its potato processing plant with a \$600 million investment.

PIP International is constructing a \$150 million pea protein facility following the completion of a pilot facility last year. While not a food product, medium-density fiberboard would be constructed from straw at a proposed \$800 million facility in central Alberta.

Overall, the sector is expected to contribute to Alberta's growth with real GDP in agriculture and agri-food forecast to expand by 2.7% this year.

### Alberta cattle prices

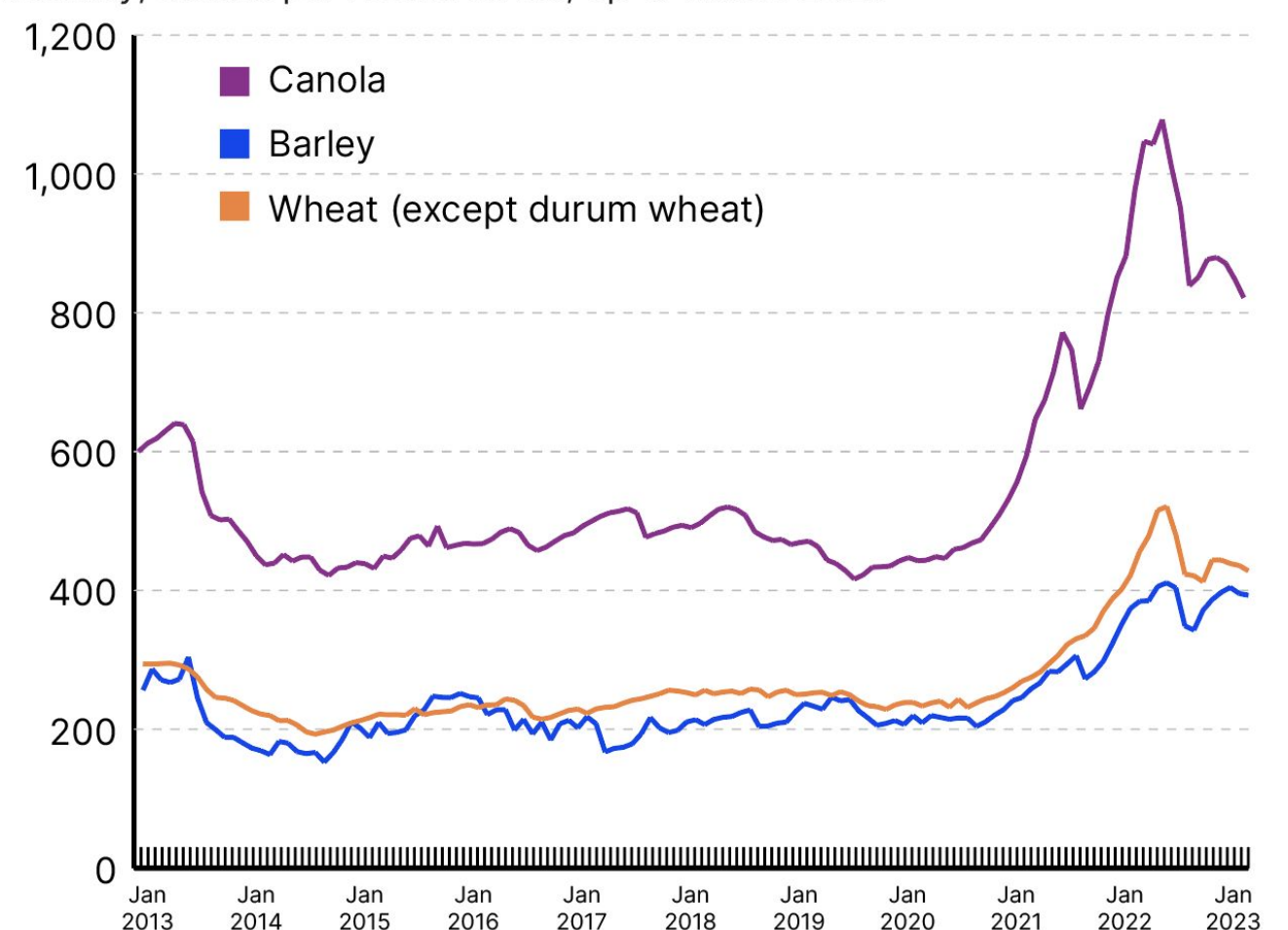
Monthly, dollars per hundredweight, up to March 2023



Source: Statistics Canada Table 32-10-0077-01

### Alberta crop prices

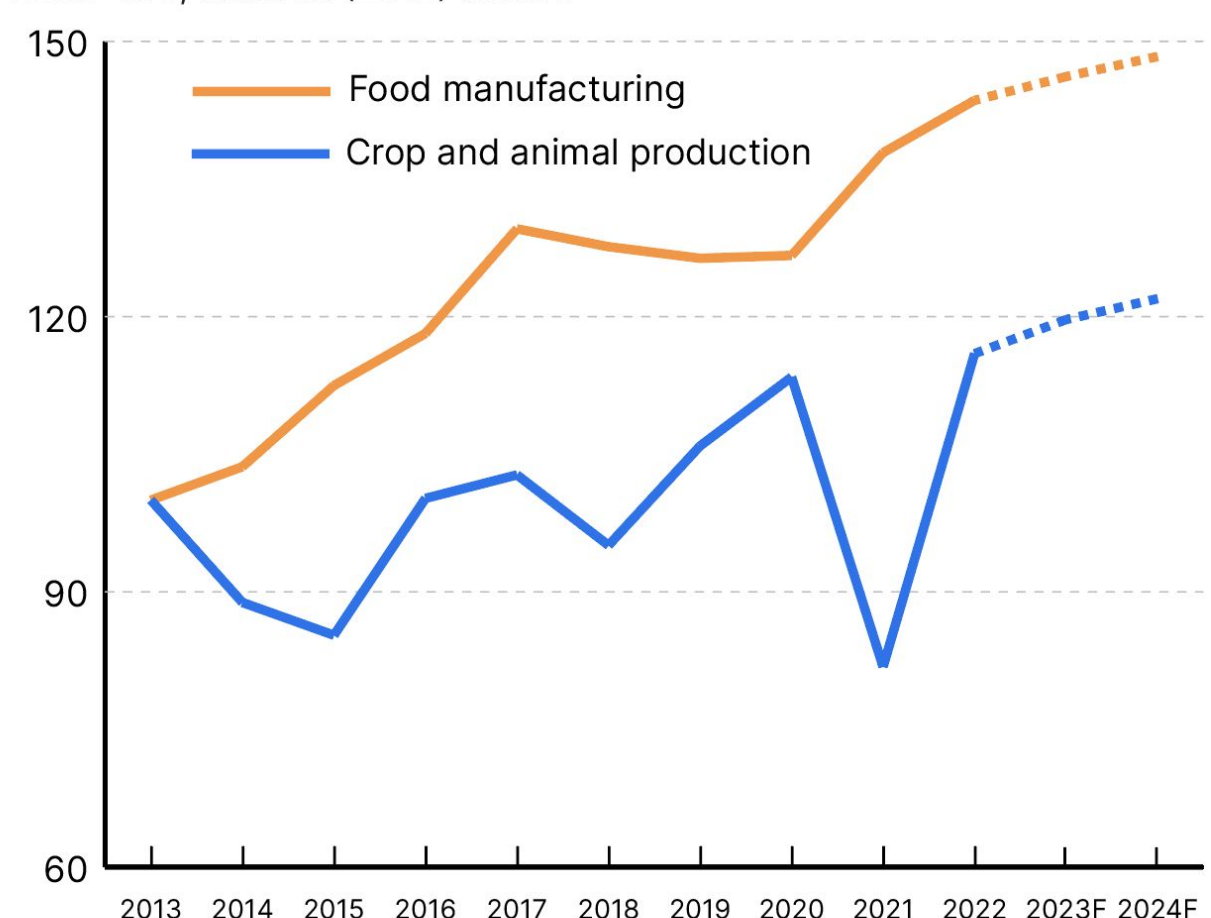
Monthly, dollars per metric tonne, up to March 2023



Source: Statistics Canada Table 32-10-0077-01

### Agriculture and agri-food GDP in Alberta

2013=100, chained (2012) dollars



F=forecast Source: Haver Analytics and ATB Economics



## Push and pull in the construction sector

The post-COVID rebound in home construction shifted into reverse last summer amid rising interest rates, escalating building costs, and labour shortages (job vacancies have soared in the construction sector).

Residential activity has fallen the hardest, with housing starts reaching 28,000 units (annualized) in the first quarter of 2023 compared to 42,000 at the peak in the second quarter of 2022. Activity in Calgary has held up relatively well, bolstered by large population gains and a tighter resale market.

Higher interest rates and labour constraints will “pull” on activity for the remainder of 2023 and into 2024, but surging demand from record in-migration will “push.” Housing starts are currently advancing well below the estimated rate of household formation, and are forecast to improve to 37,000 units in 2024.

The rental market is facing pressures with vacancies expected to decline and rents forecast to rise. In the resale market, higher interest rates have reduced buyer’s appetites. Sales and listings have fallen from last year’s elevated levels. As a result, inventory sits at 3.3 months of supply, well below historic norms (the 20-year average is 4.9 months of supply).

Outside the residential sector, prospects are mixed. Industrial demand is strong, as Alberta offers lower rents than other provinces and industrial availability rates have fallen. The office segment has stabilized, but at high levels of vacancies. Work is underway to convert empty offices to condos.

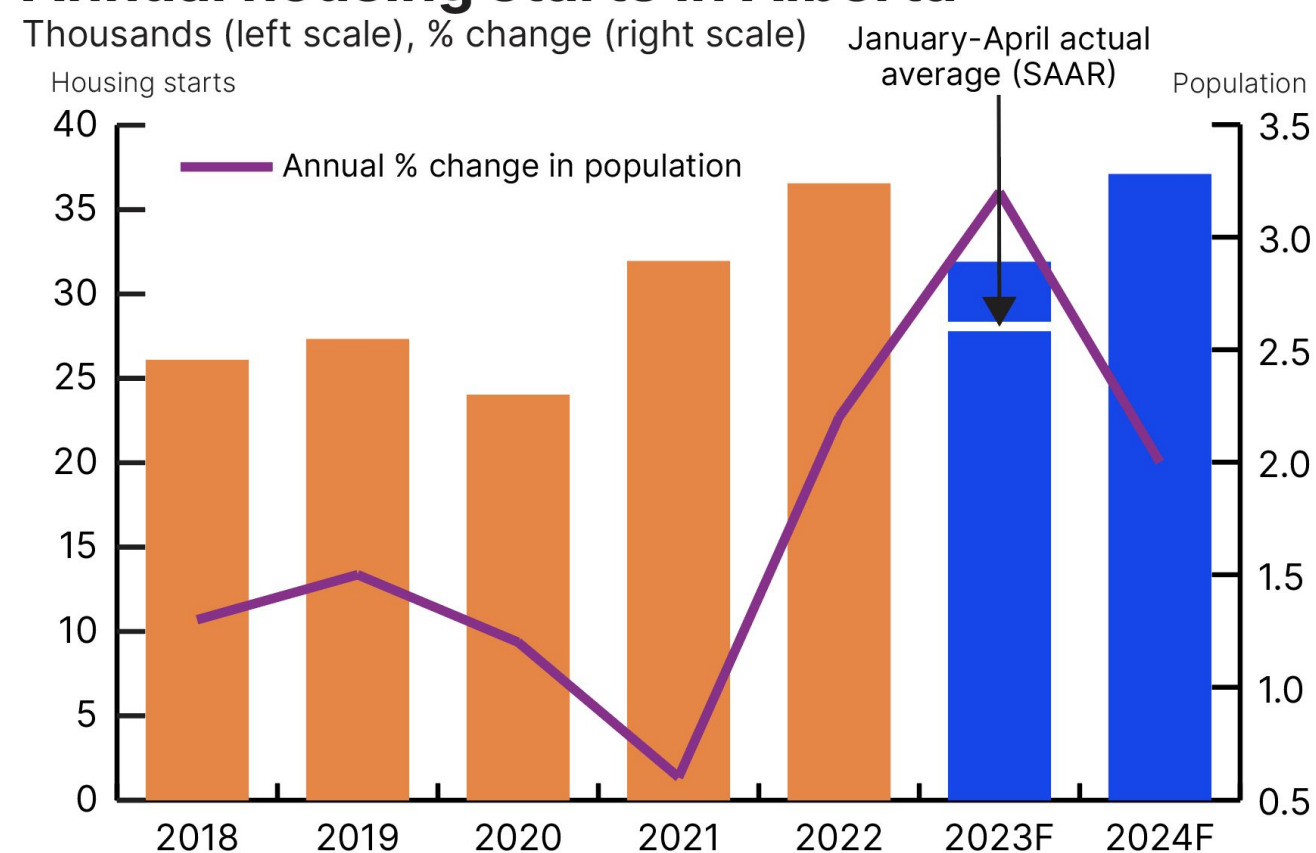
The **tourism and hospitality sector** is gaining ground after being decimated by COVID disruptions. The total number of air passengers traveling through the Calgary and Edmonton airports remains below pre-COVID levels, but saw a 66% jump in the first quarter compared to the same period last year, including a more than doubling of international travel. US visitors traveling by vehicle to Alberta have seen similarly large gains, though traffic volumes are still well below 2019 levels.

The sector has also been hit with sharply rising food costs and labour shortages. Accommodation and food services has the highest job vacancy rate of any industry as it looks to bring in workers following COVID disruptions.

Tourism spending is expected to fully recover to pre-pandemic levels this year and improve further in 2024 as international tourism recovers and aided by continued weakness in the Canadian dollar (relative to the US dollar).

In Alberta’s **lumber industry**, a cooling in US residential construction has contributed to a drop in demand and production since mid-2022. Lumber prices have fallen close to pre-pandemic levels, after supply shortages and a renovation boom caused prices to quadruple.

## Annual housing starts in Alberta



Source: Statistics Canada Table 34-10-0126-01, 34-10-0158-01, 17-10-0005-01 and ATB Economics

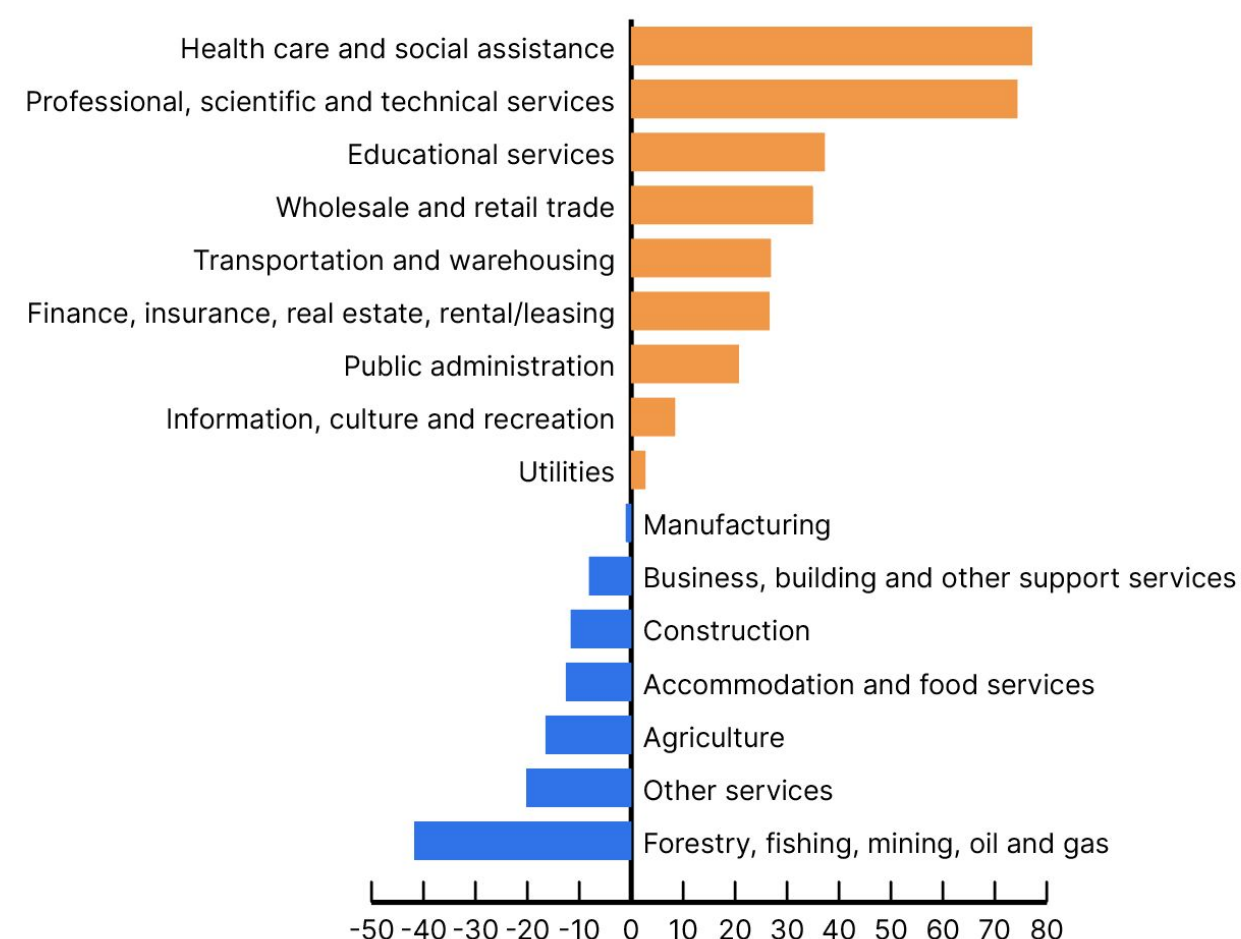
## Construction sector job vacancies in Alberta



Data for the second and third quarters of 2020 are unavailable. Source: Statistics Canada Table 14-10-0326-01

## Change in employment in Alberta

Thousands, net change, 2014 (average) to April 2023, seasonally adjusted



Source: Statistics Canada Table 14-10-0355-01 and ATB Economics



Market conditions are expected to improve in 2024 due to a combination of lower inventories, as North American producers have curtailed output, alongside an expected improvement in US residential construction. Alberta lumber producers have increased their share of Canadian production over the last five years and are expected to increase exports again in 2024.

Alberta's **technology sector** has experienced tremendous growth in recent years. Despite a pullback in the rest of the country, Alberta venture capital investment rose 30% to a record high of [\\$729 million in 2022](#)—the fifth straight annual increase. Continued growth will be aided by a large pool of engineering and science talent, relatively affordable cost of living and office space, and strong linkages to post secondary programs.

The **aviation sector** is another growth industry in the province, with De Havilland announcing in September 2022 a new aircraft manufacturing facility in Wheatland county and WestJet announcing Calgary as its global connecting hub.

## Population growth surges

A resurgence of immigration, near-record interprovincial migration and ongoing natural increase have boosted Alberta's economy and will continue to help drive growth this year and next. The growth will support a broad range of economic activity including retail sales, housing starts, and labour market expansion. Alberta's population growth rate between the start of 2022 and the start of 2023 was 3.7%—a full point higher than the national average of 2.7% and well above Alberta's average of 1.3% over the previous 24 months.

After an extended period of modest net outflow to other parts of Canada, Alberta has been gaining residents from interprovincial migration since the third quarter of 2021, with 52,500 more people moving to the province from other parts of the country over this period than the other way around.

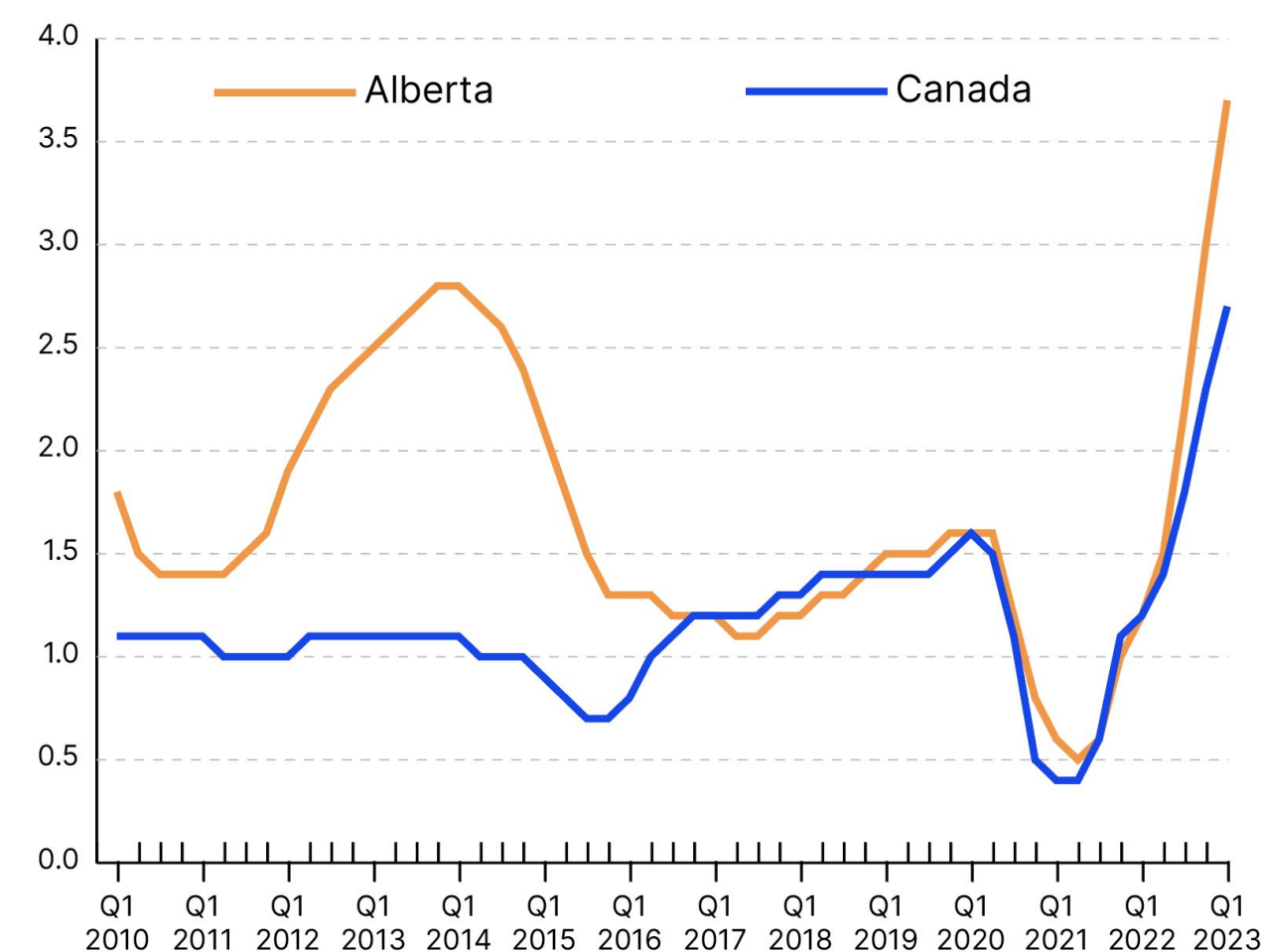
Relatively strong economic growth combined with more affordable housing compared to higher-priced markets such as Toronto and Vancouver are expected to keep Alberta's interprovincial migration numbers in positive territory this year and next.

Alberta is also benefiting from a strong rebound in international migration. The net gain from international movements fell from 46,000 in 2019 (January 1 to December 31) to 13,100 in 2020 due to the pandemic. In 2022, however, the net gain reached a record high of 100,000. While the inflow from other parts of the world will taper as the backlog created by the pandemic is cleared, it will remain a source of growth for Alberta.

Our forecast is for population growth in Alberta of 3.2% (July 1, 2022 to June 30, 2023) this year and 2.0% in 2024 with particularly large contributions from other parts of Canada and non-permanent residents (which includes temporary foreign workers, international students and refugee claimants). For a more detailed account of the impact of population growth on the Alberta economy please see our new report "[Foot traffic.](#)"

## Population growth rate

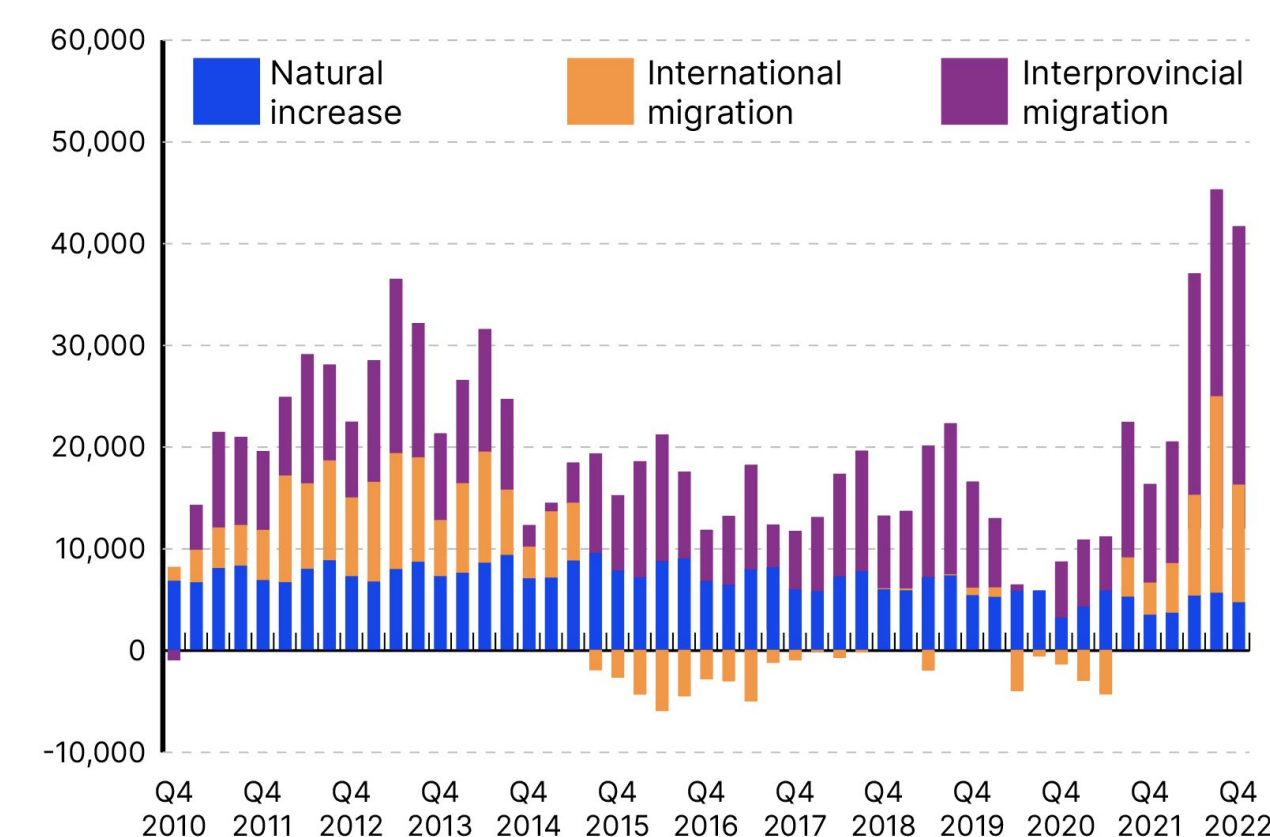
Quarterly, year-over-year % change



Population estimates: Q1 = January 1; Q2 = April 1; Q3 = July 1; Q4 = October 1.  
Source: Statistics Canada Table 17-10-0009-01

## Population growth in Alberta

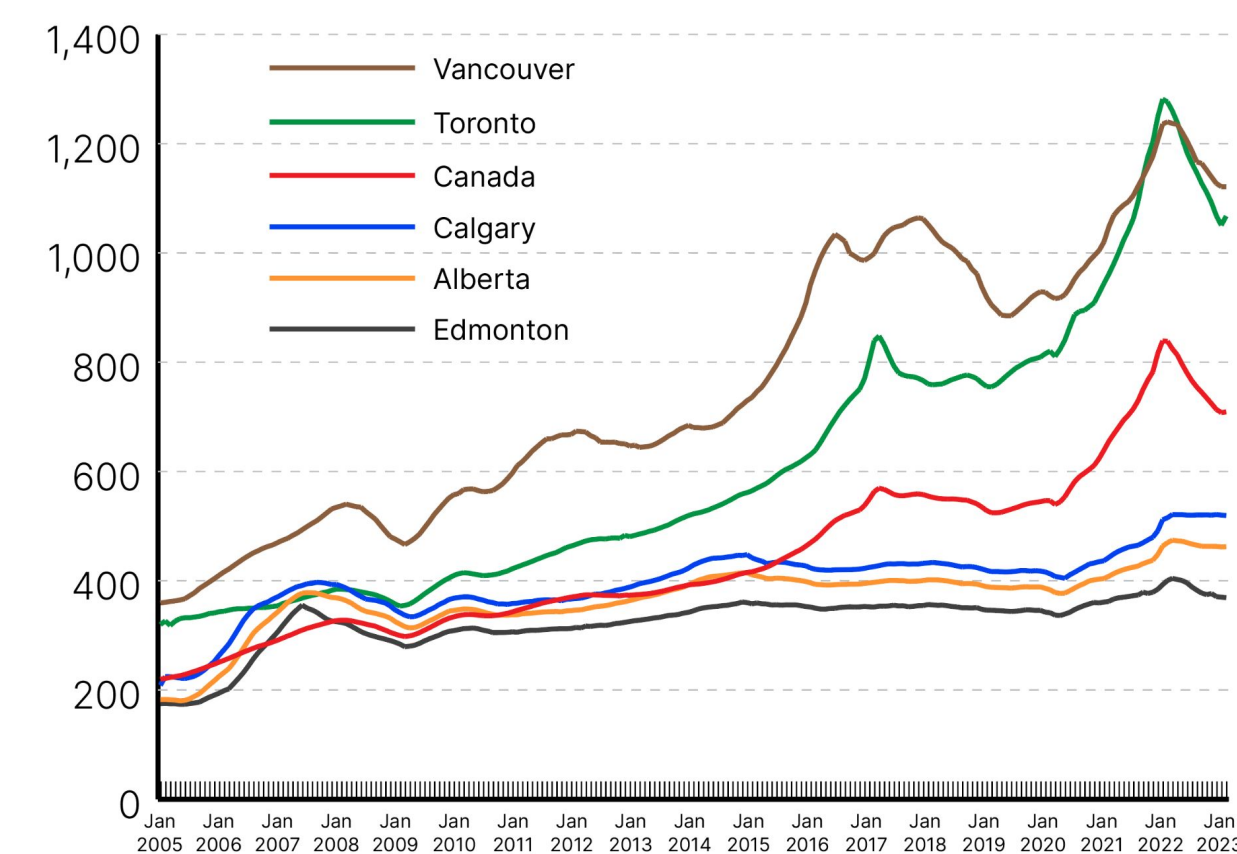
Quarterly, number



Estimates for the quarter: Q1 = Jan to Mar; Q2 = Apr to Jun; Q3 = Jul to Sept; Q4 = Oct to Dec  
Source: Statistics Canada Table 17-10-0040-01, 17-10-0020-01, 14-10-0059-01 and ATB Economics

## Benchmark home prices

\$ thousands, select markets, to March 2023



Benchmark prices are generated by the MLS® Home Price Index model  
Source: Canadian Real Estate Association



## Job gains to moderate

Alberta's labour market ended 2022 on a high note, and momentum has carried into this year. The province has been adding jobs at a faster pace than the rest of the country since spring 2022 with full-time jobs accounting for most of the gains. Job growth was 3.7% year-to-date through April.

Momentum is expected to cool in the second half of 2023, though still-elevated job openings will counter some of the pressure from softer economic conditions. Following a 5.2% increase last year, annual employment growth is forecast at 2.8% this year before easing further to 1.6% 2024.

The population has more than kept pace with job gains. With so many people coming to Alberta and entering the labour force (Alberta's labour force has increased by 3.0% since April 2022 compared to 1.8% in Canada as a whole), the unemployment rate has been trending upwards since last summer. It is forecast to average 6.1% this year before inching down to 5.9% next year. Both rates are roughly in line with the 20-year average.

Even with the unemployment rate nudging higher, many employers will continue to face challenges hiring. The Business Council of Alberta's [Survey of Business Expectations](#) found that 61% of Alberta respondents reported they were struggling to meet customer demand in February due to difficulty finding qualified workers. The Bank of Canada's [Business Outlook Survey](#) for the first quarter of 2023 found that 42% of firms in the Prairie region reported labour shortages—the highest since 2008.

Rapid shifts in Alberta's labour market have contributed to hiring challenges and potential skills mismatches. The labour market has been adjusting to a number of "shocks" including the 2015-16 recession, the 2019 market access-related slowdown, and the 2020 COVID recession.

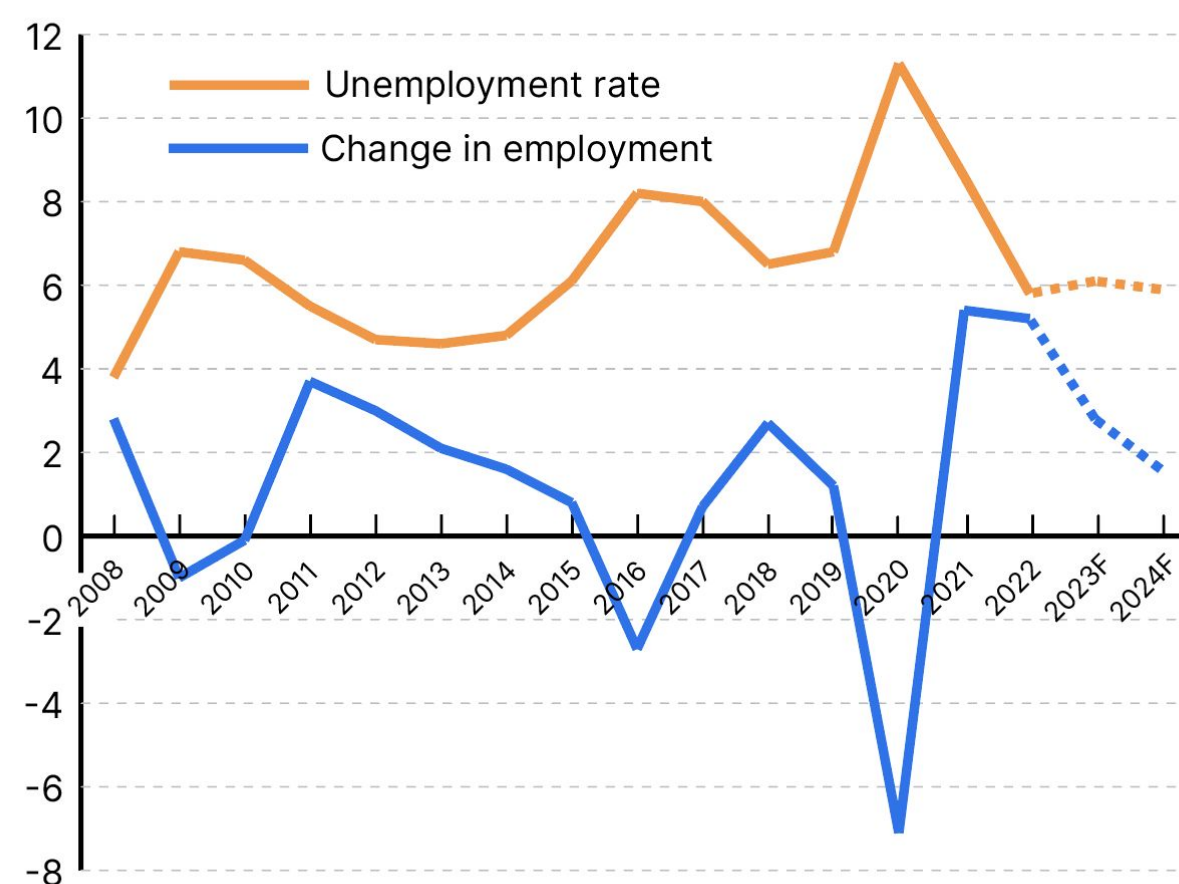
Since 2014, employment in goods-producing industries has dropped, including in the oil and gas and construction sectors, while service industry employment (e.g. professional and scientific services, health care) has jumped. COVID created further dislocations with employment in some industries (e.g. food and accommodation) still not fully recovered from 2019 levels.

While the labour market has improved, wage growth has been muted. Average wages in Alberta rose 2.5% to 3% last year depending on the measure used,\* which was below the rate of inflation. Average wage growth is to expected improve to about 3-3.5% this year as employers look to fill ongoing vacancies.

\*From the Survey of Employment, Payrolls and Hours, wage measures include average weekly earnings (including overtime), average hourly earnings (including overtime), and the fixed weighted index of average hourly earnings. The year-over-year range for the first quarter of 2023 was 1.1% to 6.5% depending on the measure used.

## Employment and unemployment in Alberta

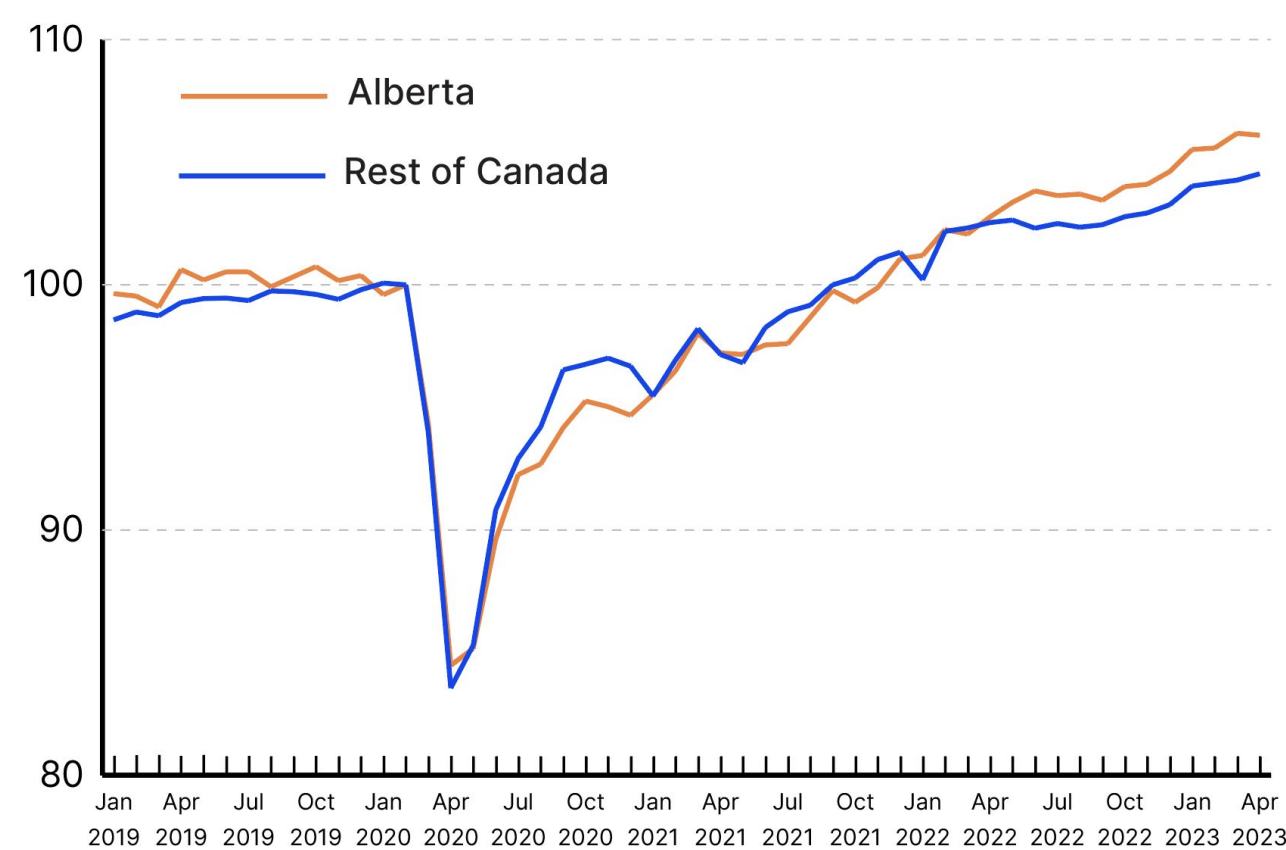
% change in annual employment and the annual unemployment rate (%)



F=forecast Source: Statistics Canada Table 14-10-0393-01 and ATB Economics

## Employment growth

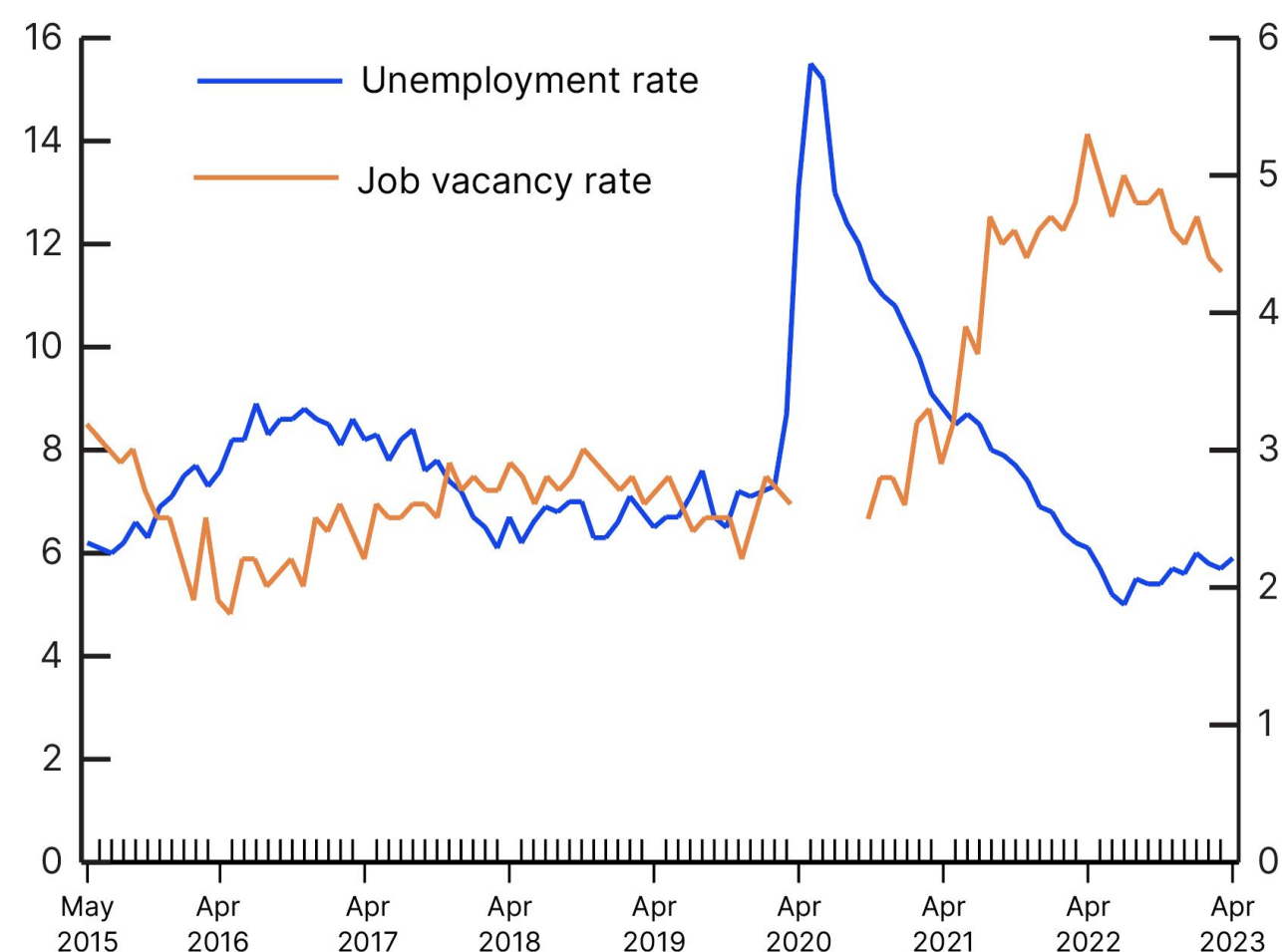
Index (Feb 2020=100), seasonally adjusted



Source: Statistics Canada Table 14-10-0287-01 and ATB Economics

## Job vacancies vs unemployment in Alberta

%, job vacancy rate right axis, unemployment rate left axis



Both rates are seasonally adjusted; the job vacancy rate series began in May 2015; March 2023 was the most recent job vacancy rate at the time of writing; job vacancy data for the second and third quarters of 2020 are unavailable. Source: Statistics Canada Table 14-10-0287-01 and 14-10-0432-01.



## Households to (eventually) rein in their spending

Alberta households have kept their wallets open despite rising debt servicing costs. In the first quarter of 2023, retail sales jumped 9.1% year-over-year—far outpacing the national gain of 3.8%. Spending in the more discretionary categories posted some of the largest gains. The last two months of retail data, however, point to some early signs of a pullback.

ATB's consumer spending tracker provides a more up-to-date reading on spending. Composed of millions of monthly credit card transactions, it suggests that spending actually nudged up in April, but is showing a stabilization trend.

Debt servicing costs are rising and consuming a larger share of income. Those with variable-rate debt have already been impacted, while others will face higher costs as fixed-rate mortgages are renewed. Slowing job growth and the winding down of elevated savings accumulated during the pandemic will also put a damper on spending.

As a result, Alberta consumers are expected to tighten their belts, especially on goods purchases. Retail sales are expected to hold fairly steady for the rest of the year following a strong first quarter. A 3.7% annual gain in retail sales is forecast for 2023 before picking up to 5.1% next year.

A jump in consumer insolvencies suggests that some households are already feeling the pinch. Insolvencies rose nearly 30% in the first quarter year-over-year, and are now at pre-COVID levels on a seasonally-adjusted basis. Most of the increase is in proposals, as bankruptcies remain near 15-year lows (data available back to 2007). The Bank of Canada's [Senior Loan Officer Survey](#) shows that lending conditions tightened significantly nationally in the first quarter, especially for mortgage loans, pointing to tighter conditions later this year.

## Alberta inflation elevated, but trending lower

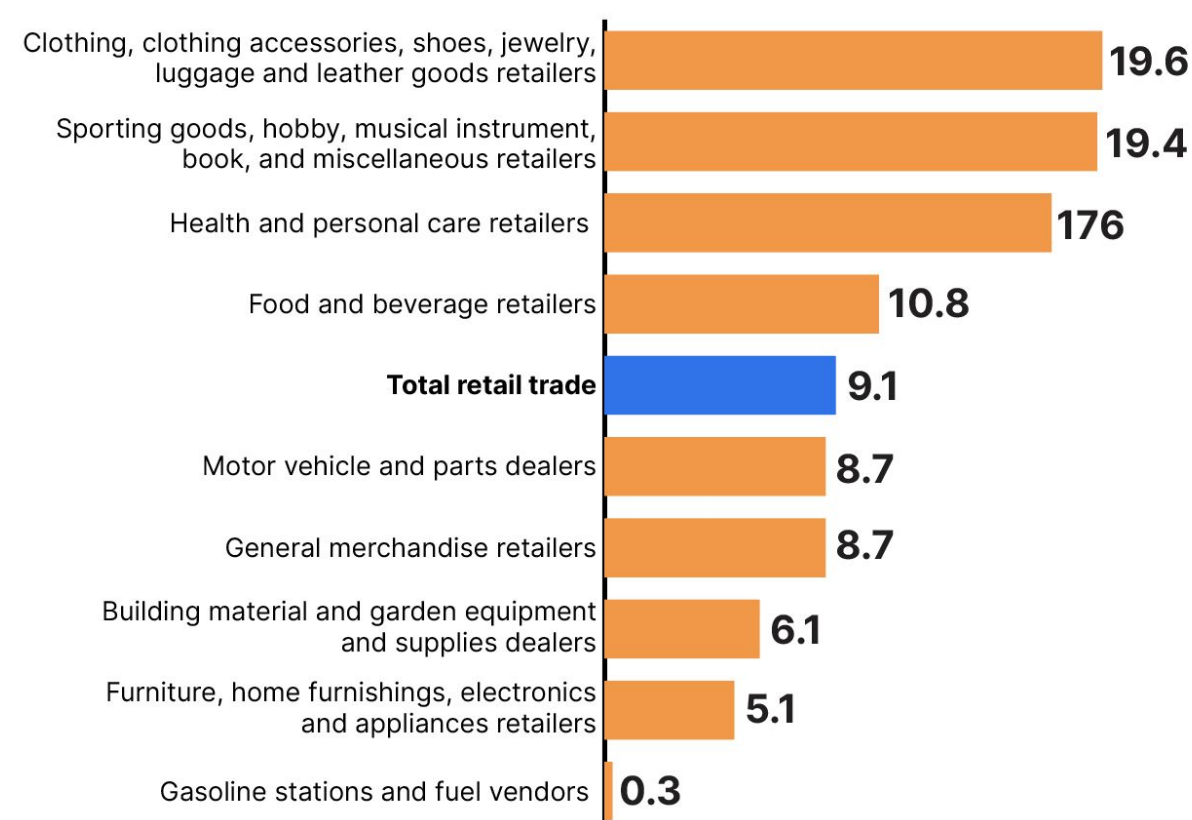
After surging to a 20-year high of 8.4% in June 2022, Alberta's inflation rate has, for the most part, been trending in the right direction. As of April 2023, the inflation rate in Alberta was 4.3%—an elevated reading, but below the 6.3% pace observed a year earlier.

Alberta tends to follow national inflation trends, with deviations typically caused by shelter and energy prices. Since mid-2022, Alberta has had lower inflation readings than the rest of Canada due to the energy component of the Consumer Price Index, in part reflecting the temporary effects of fuel tax relief in Alberta.

Going forward, inflation in Alberta is expected to follow a similar path forecast by the Bank of Canada, returning closer to 2% by the end of 2024. Easing supply chains and lower shipping costs will feed through food and other goods prices, while service price inflation should ease as spending slows. Consumer inflation is expected to average 3.6% in 2023 and 2.2% in 2024.

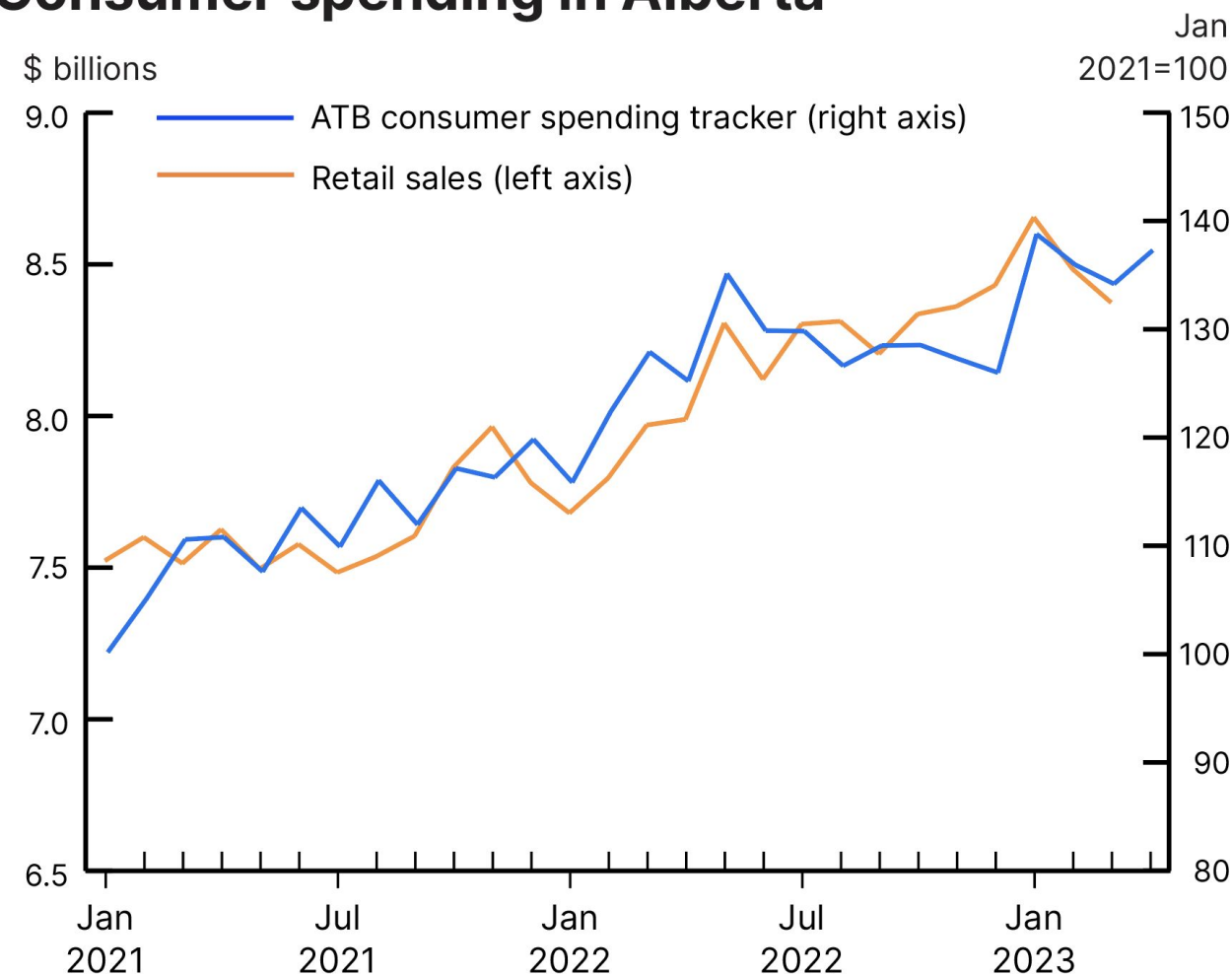
## Retail sales in Alberta

% change between Q1 2022 and Q1 2023



Source: Statistics Canada Table 20-10-0056-01 and ATB Economics

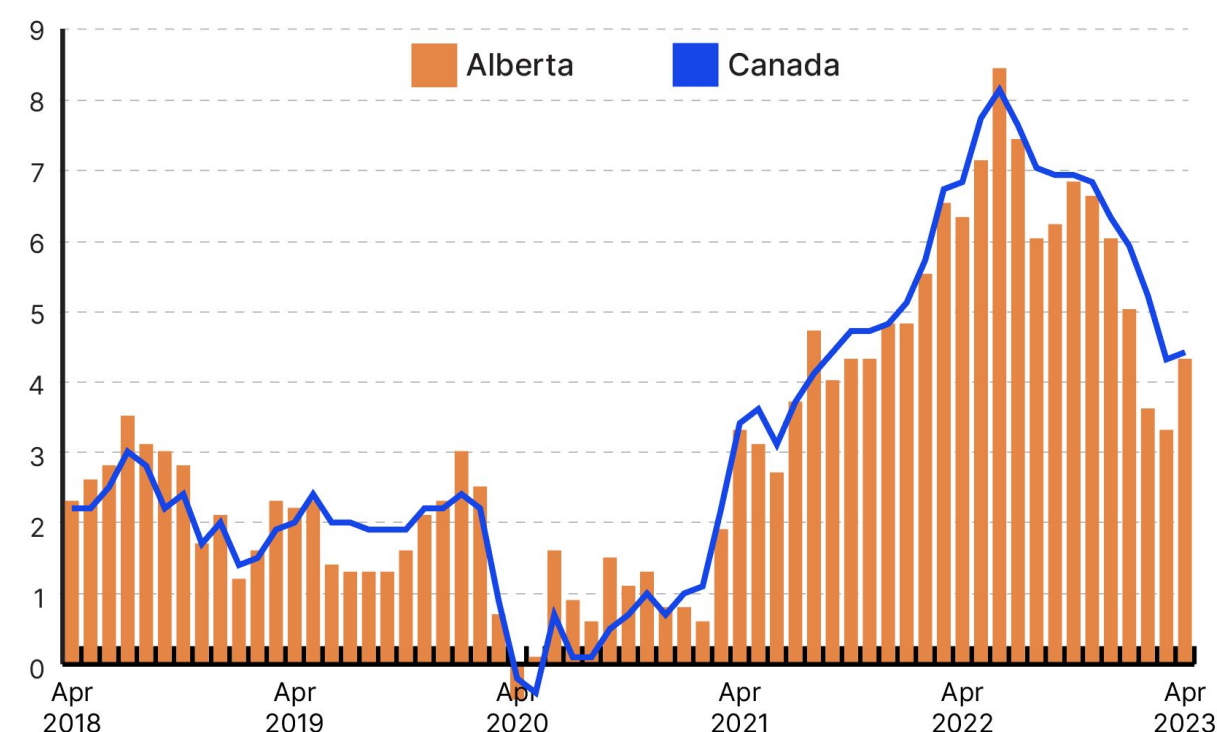
## Consumer spending in Alberta



Note: The data have been seasonally-adjusted.  
Source: Statistics Canada Table 20-10-0056-01 and ATB Economics

## Monthly inflation in Alberta and Canada

Year-over-year % change in the unadjusted Consumer Price Index



Source: Statistics Canada Table 18-10-0004-01



# ALBERTA ECONOMIC OUTLOOK



June 8, 2023

## ATB scenarios - navigating through uncertainty

Alberta's GDP tends to be more volatile than in other provinces given our reliance on natural resources and commodity prices. For this reason, and because a range of GDP outcomes is a more robust approach than a single estimate, ATB Economics for the first time is publishing alternative risk scenarios.

In the low case, real GDP ekes out tepid growth of 0.6% this year and 0.9% in 2024. In the high case, Alberta's output rises by 4.4% this year and 3.3% next year. More detail on the low and high cases can be found [here](#).

While Alberta is expected to outperform the country in the base case, risks are more elevated than normal. The regional banking crisis in the US appears contained for now following the collapse of Silicon Valley Bank and First Republic, but a spillover to the larger banking sector could tighten credit conditions. Concerns also remain about the resiliency of China's recovery and a potential escalation of the war in Ukraine. On the upside, a soft landing scenario combined with rising global commodity prices could lead to higher growth in Alberta.

## General Disclosure

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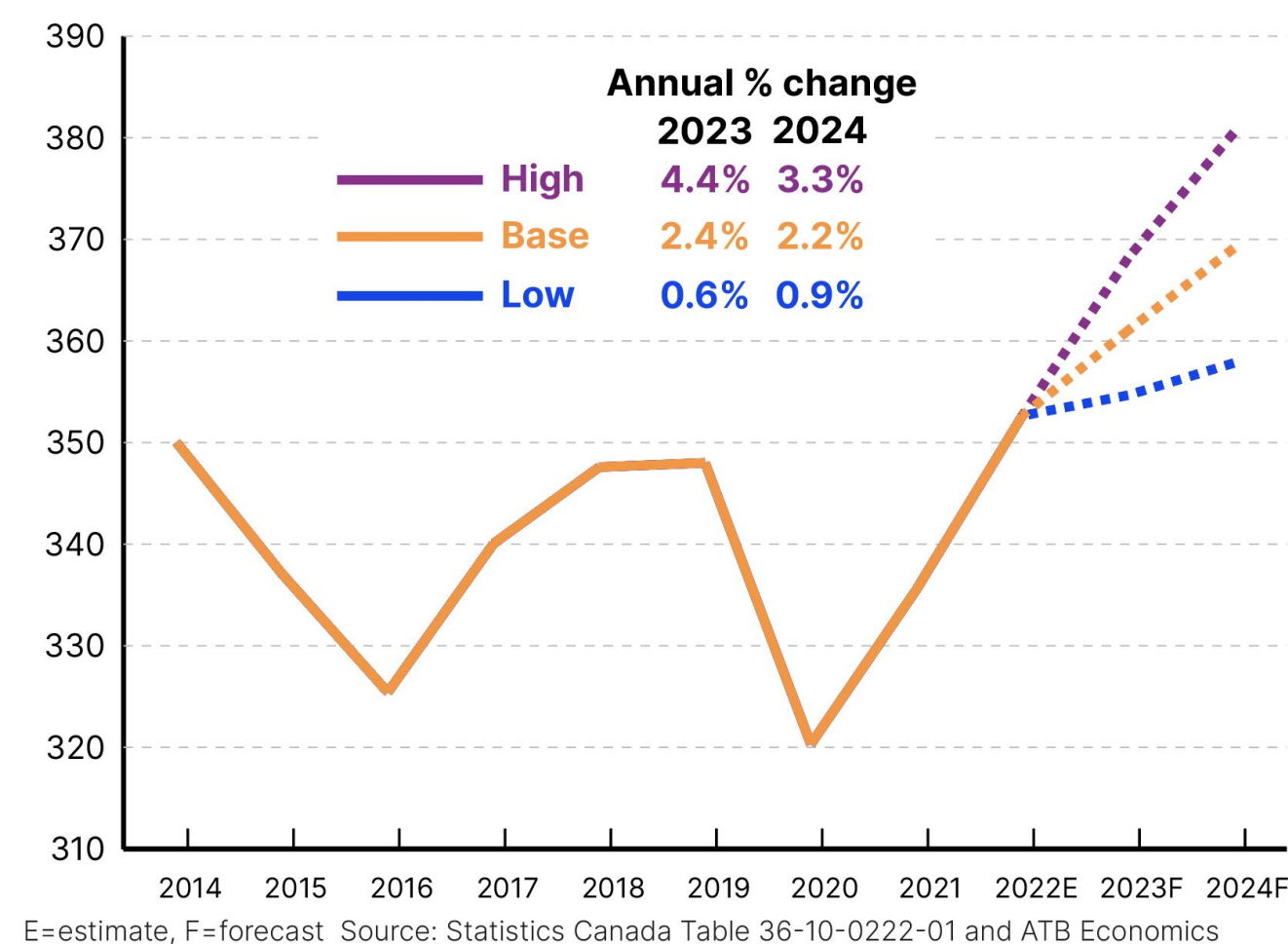
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With \$57.5 billion in assets, ATB Financial is a leading financial institution that started in Alberta with the focus of putting people first. Our success comes from our more than 5,000 team members who love to deliver exceptional experiences to nearly 800,000 clients across our Personal and Business Banking, ATB Wealth Management and ATB Capital Markets businesses. ATB provides expert advice, services and products through our many branches and agencies, our 24-hour Client Care Centre, four entrepreneur centres and our digital banking options. ATB powers possibilities for our clients, communities and beyond. More information about ATB can be found at [atb.com](http://atb.com).

## Annual real GDP in Alberta

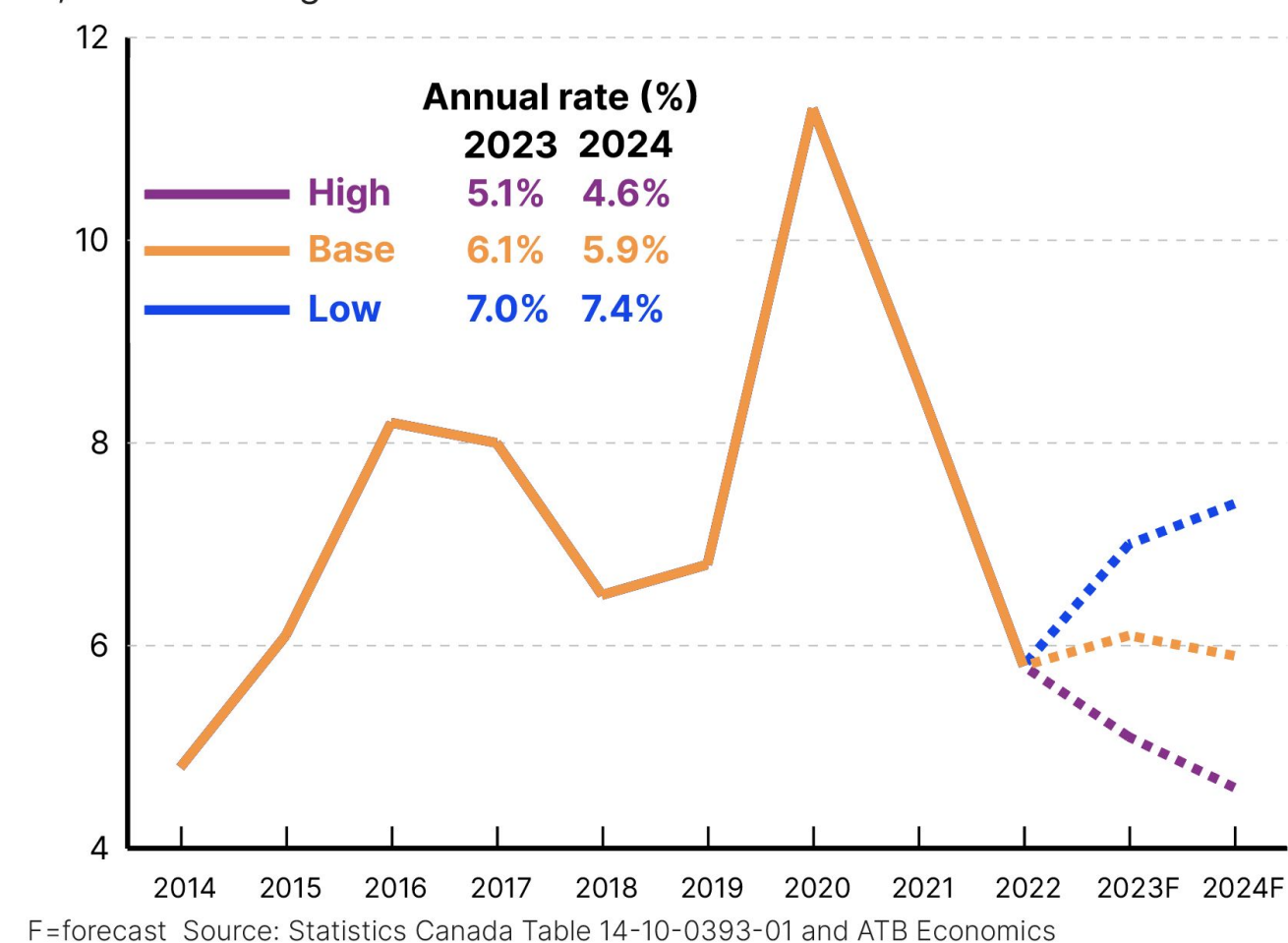
Billions of chained (2012) dollars



E=estimate, F=forecast Source: Statistics Canada Table 36-10-0222-01 and ATB Economics

## Annual unemployment rate in Alberta

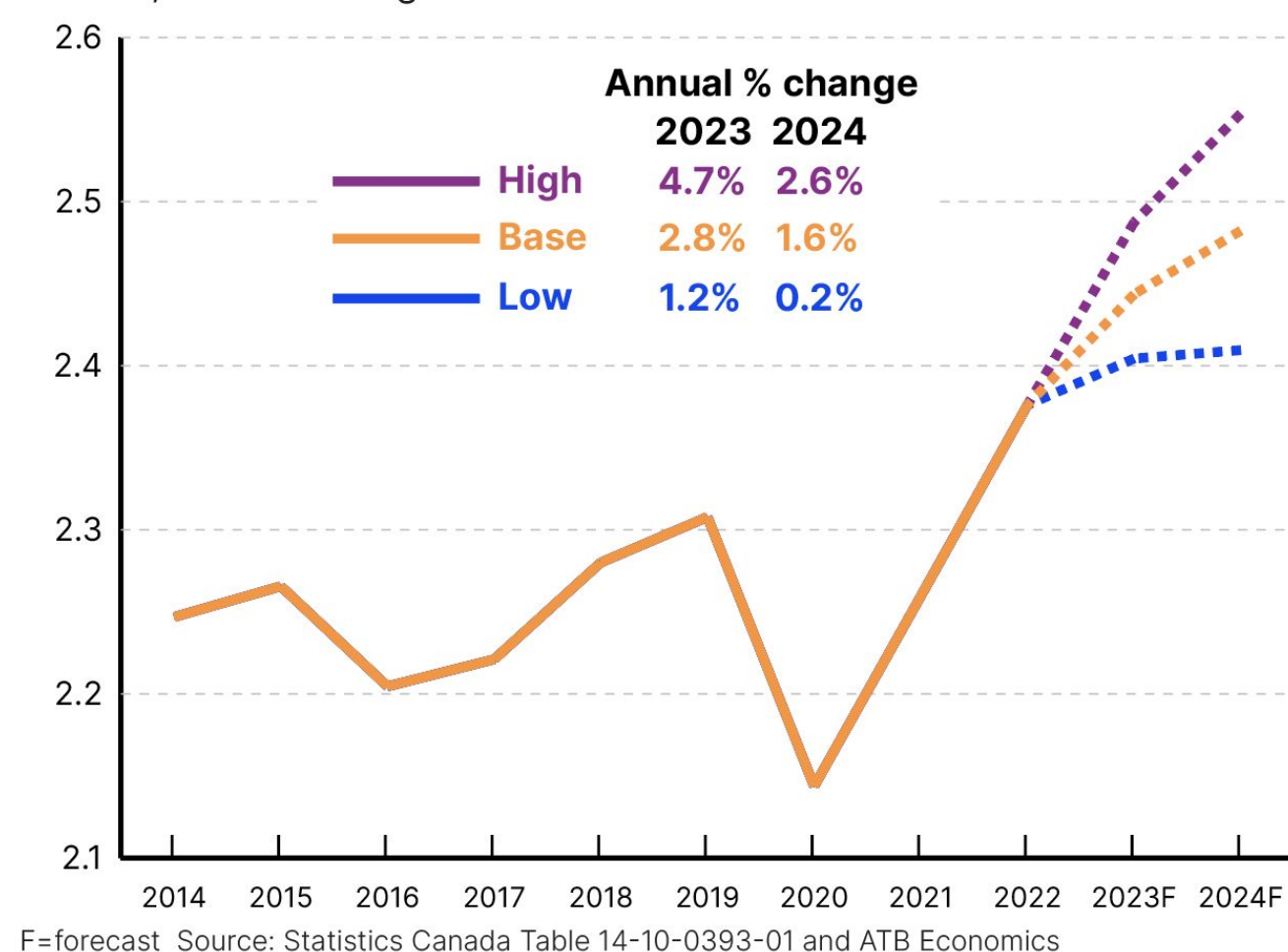
%, annual average



F=forecast Source: Statistics Canada Table 14-10-0393-01 and ATB Economics

## Annual employment in Alberta

Millions, annual average



F=forecast Source: Statistics Canada Table 14-10-0393-01 and ATB Economics