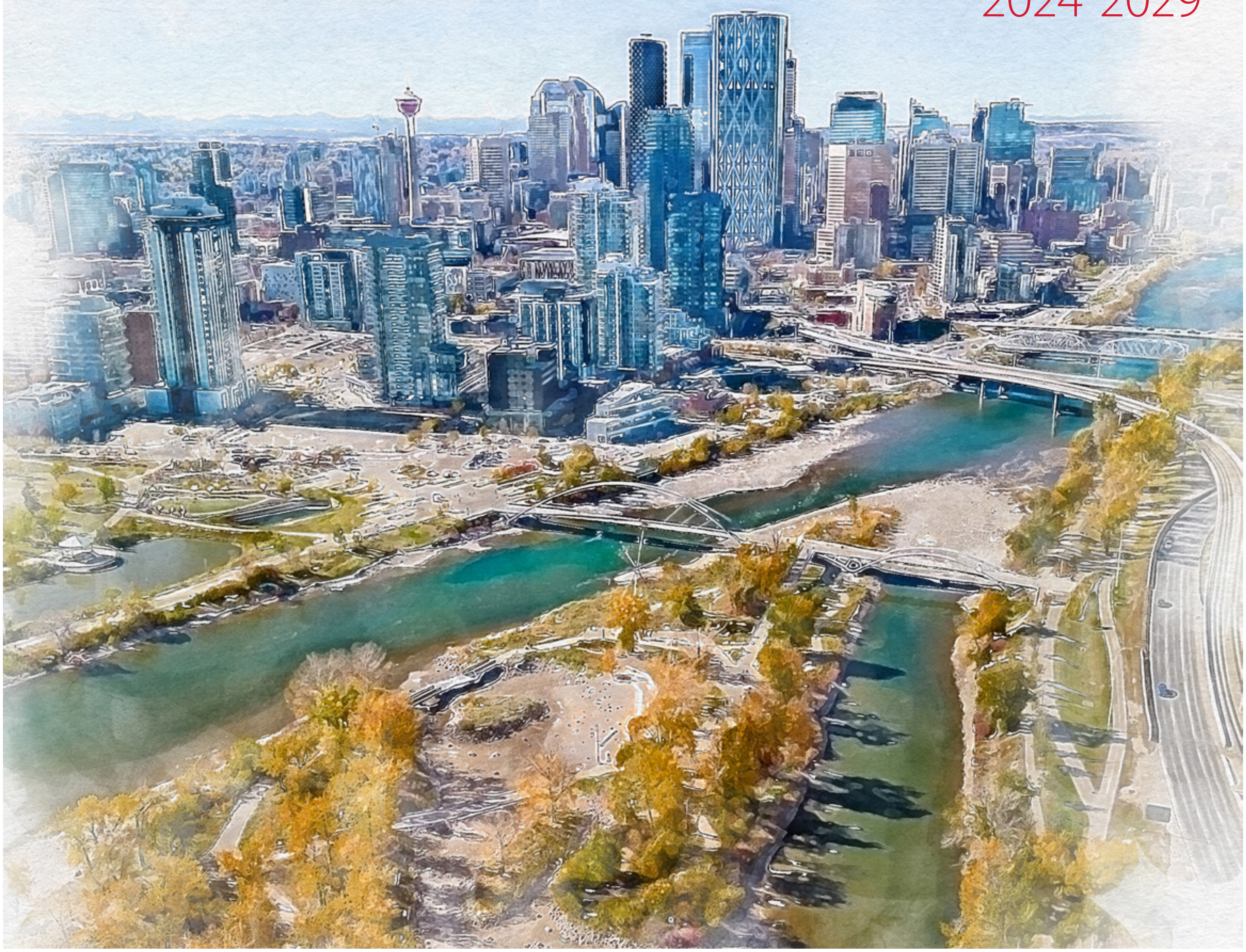
FALL 2024

CALGARY AND REGION ECONOMIC OUTLOOK

2024-2029



EXECUTIVE SUMMARY

Calgary's economy is expected to grow faster than the national economy as improved market accessibility and better transportation capability improve the cash flow of the energy sector and boost local and provincial economies. Elevated housing demand within the region should drive investment intentions in construction. A more favourable financing environment and a larger consumer base should boost household consumption and encourage business investment.

Introduction

The City of Calgary (The City) tracks economic indicators throughout the year to develop insights about the impacts of external events on the local economy. The results are published in the Economic Outlook semi-annually in the spring and fall and are available to the public.

The timing of the release of The City's Fall Economic Outlook is late October every year. The timing is dependent on several items. For example, the report typically follows and incorporates insights from a fall release of the International Monetary Fund's World Economic Outlook, and the Bank of Canada's quarterly monetary policy update. The late October release of the Fall 2024 Economic Outlook also supports Council's work during the November 2024 Adjustments to the 2024-2027 Service Plans and Budgets.

Purpose

The Fall 2024 Economic Outlook supports The City's financial and physical planning. It provides a reasonable basis for decision-making by outlining and clarifying the economic opportunities and threats facing the Calgary Economic Region. The outlook considers several economic indicators. The choice of indicators reflects factors deemed likely to affect local economic performance over the forecast period.

Plan

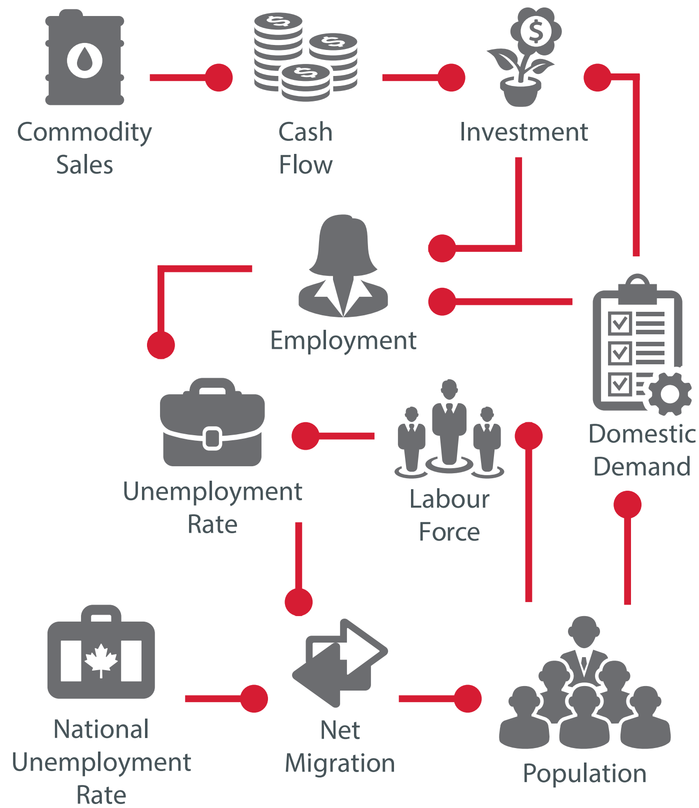
There are two areas or economies of interest. The first is the local (or city of Calgary) economy. The second is the regional economy (Calgary Economic Region or CER).

The CER is a small open economy affected by changes outside its borders. Consequently, external influences from the provincial, national and world economies get transmitted to the local and regional economies. Outside factors judged to have a substantial impact get presented as forecast assumptions. Most national and international forecast estimates in the assumptions section reflect the average expectations of private sector forecasters. All the CER or City forecast estimates are the output of City of Calgary forecast models, validated by private sector forecasts.

The economic cycle for commodity-based regions helps to inform projections of economic activity in the CER. The level of crude oil sales affects the cash flow of Alberta's energy industry and investment in the local economy. A summary of the path from crude oil sales to increased domestic demand is available in the chart below. The Fall 2024 Economic Outlook uses assumptions about changes in the path for the 2024 to 2029 period as follows:

- Improved market accessibility and better transportation capability will improve the cash flow of the energy sector and boost local and provincial economies.
- A more favorable financing environment should boost household consumption, encourage private sector investment, and support exports.
- Central Banks' synchronized contractionary monetary policies and removing global supply chain constraints have successfully reduced global inflation.

From Strong Commodity Performance to Strong Economic Performance



Payoff

The Fall 2024 Economic Outlook provides comprehensive estimates of the future conditions for Calgary's local and regional economies. Like the work of alternative forecast providers, it uses theoretical and empirical economic underpinnings. However, unlike the work of alternative forecasters, it provides the complete set of indicators requested by local decision-makers for the city and CER.

Finally, it tackles key recurring questions posed by City of Calgary decision-makers:

- What is the overall forecast for the growth rate in the local economy?
- What are the drivers of local economic performance?
- How many jobs is the local economy expected to create?
- What is the forecast for population growth in the city and region?
- What is the expected inflation rate?
- What are the implications, especially for municipal finance?

Executive Summary

1. Alberta's crude oil and natural gas production is anticipated to increase due to the completion of the Trans Mountain Pipeline Expansion (TMX) project in Western Canada

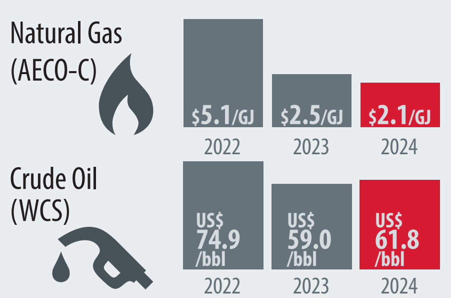
May 1, 2024, signified the commercial commencement date for the Trans Mountain Pipeline Expanded System, which includes 988 kilometres of new pipeline and 193 kilometres of reactivated pipeline, between Strathcona County in Alberta and Burnaby, British Columbia. By gaining access to international markets where oil is valued more highly, twinning the Trans Mountain Pipeline will raise the value of Canadian oil and boost tax income for the country. The project is anticipated to increase crude oil and natural gas revenue by tripling the volume of crude shipped, from 300,000 to 890,000 barrels per day (bpd). Additionally, it will increase taxes paid to all three orders of government, generate new short- and long-term jobs, provide training opportunities for job seekers, and provide funding for several local initiatives in surrounding towns.

The crude oil price differential between Canada's benchmark heavy crude - Western Canadian Select (WCS) - and U.S. benchmark for crude oil - West Texas Intermediate (WTI) - is expected to narrow as Alberta's ability to reach more markets other than U.S. are enhanced, thus increasing expected profit margins and government revenues. The Alberta economy grew by 1.5 per cent in 2023 on the backdrop of tight monetary policy stance embarked on by the Bank of Canada in early 2022 to combat high inflation. Historically, British Columbia, followed by Alberta, have led economic growth in Canada between 1997-2023, with Alberta's real gross domestic product (GDP) growing at an annual average of approximately 2.4 per cent per year between 1997 and 2023, the second fastest growth amongst Canadian provinces. Growth is expected to strengthen as the Bank of Canada's monetary stance is relaxed in the second half of this year, and population growth remains strong in Alberta. The expected lower borrowing cost for businesses and households coupled with a larger consumer base, on the heels of firm employment growth bode well towards firming economic growth for Alberta.

The increased and improved delivery of crude oil production should contribute to a stronger economic growth of 1.8 per cent in real GDP for Alberta in 2024. Alberta's contribution to meeting Canada's net-zero emissions by 2050 and contributing to the 2023 emissions reduction plan (40-45 per cent target of 2005 emissions) is not just reflected in the carbon-capture sequestration projects by the oil and gas sector but also in investments such as the $1.6 billion (2022-2024) in net-zero hydrogen energy complex in Edmonton, and Air Products Hydrogen Production and Liquefaction Facility of $720 million (2023-2025). Also, a proposed $2.0 billion clean hydrogen and atmospheric gases facility (2025-2028) to support Dow's net-zero ethylene cracker site and decarbonation efforts are intended to capture over 2 million metric tons of CO2 annually. There is likewise a planned 430 forty-foot equivalent emissions-neutral facility able to store and maintain a fully zero-emission bus fleet. The garage is planned to include a mix of zero emission technology, including both Fuel Cell Electric Buses and Battery Electric Buses. The facility will measure nearly 1.7 million square feet upon completion.

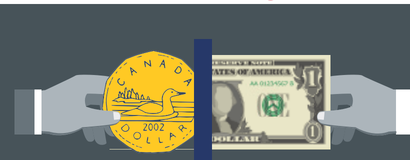
The contribution to hydrogen and lithium (used for electric vehicle batteries) technology and production in Alberta by the mining, oil and gas sector, manufacturing and the professional scientific and technical services industry, is stimulating research and development, and highlights industry diversification and commitment towards a greener and yet sustainable resource economy. The work of the United Nations Declaration adopted in 2007, recognizes the rights of all Indigenous peoples of the world, to that, which constitutes the minimum standards for survival, dignity, and well-being. A path to a more balanced, greener Alberta economy is further fortified by "protocol agreements" between the Alberta government and various Indigenous

Energy Prices



A sustainable **green economic pathway** should continue to put **downward pressure** on **WCS oil price** despite gains in 2024, while the **opposite** is true for **AECO-C natural gas price** despite marginal loss in 2024.

Canada/U.S. Exchange Rate



US$ for 1 C$

2025-2029 Average **0.75** 2023 **0.75**

2024 **0.73** 2022 **0.77**

A relatively **stable Canadian dollar** to the U.S. dollar **bodes well** for **Canadian exports and subdued price volatility** in imported goods.

GDP Growth Comparison

Calgary economy is poised to outperform Alberta and Canada's **economic growth**, matching U.S. growth, but below the global growth in 2024, despite outperforming all between 2022-2023.

Calgary CER 2.3%
Alberta 1.8%
Canada 1.1%
U.S. 2.3%
World 3.2%

leaders since 2019-2022 (i.e. Blackfoot Confederacy, Stoney Nakoda-Tsuut'ina Tribal Council, and Confederacy of Treaty Six First Nations in Alberta). The protocol agreements highlight a framework for addressing information sharing, issues of mutual concern (including lands and resources, the environment, to mention a few) and continued collaboration.

West Texas Intermediate is expected to reach an annual average of US$79/bbl this year from the annual average of US$78/bbl experienced in 2023, while the Western Canadian Select oil price is expected to hit an annual average of US$62/bbl this year. The differential price gap between the two is expected to narrow as Alberta's ability to reach further markets other than the U.S. expands along with firming crude oil demand from the U.S. as manufacturing-home-shoring of its supply chain continues to ramp up.

In the first half of 2024, compared to the same time a year ago, natural gas inventories have tightened; despite that, AECO's average annual price is expected to come in lower at $2.10/GJ in 2024 compared to $2.50/GJ in 2023. The price is expected to increase by more than a dollar in 2025 and average $3.90/GJ over the rest of the forecast horizon as demand and alternative greener energy sources and infrastructure improve.

2. A surge in residential investment is anticipated as the real estate and construction sectors rush to capitalize on Calgary's rapidly increasing housing demand brought on by the city's rapid population growth

Relative home affordability compared to cities like Toronto and Vancouver is expected to be one of the key drivers of growth and will keep housing demand elevated within the region. Several residential and infrastructure capital projects are already underway or set to begin in 2024. The design and construction phase of the Calgary Events Centre project is already underway. The arena is expected to cost approximately $800 million, with additional infrastructure and other expenses bringing the total project cost to $1.22 billion. The government of Alberta has committed $330 million to infrastructure investments, including demolishing the Saddledome and other road construction projects. Over $2.5 billion in residential investment is already underway or set to begin. Most of these residential investment projects are set to be completed by 2026.

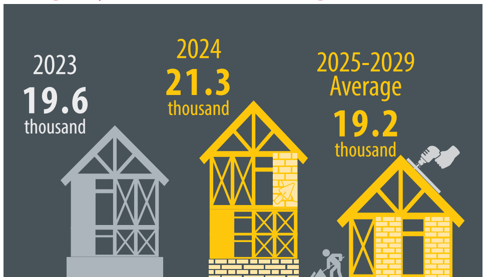
On October 10th, The City of Calgary and the Province of Alberta agreed to advance work on Green Line, from 4th Street SE to Shepard. The Province reiterated that the $1.53 billion in already pledged funds is still available to support the ongoing work in the interim. At the same time, AECOM is working on the Province's updated downtown alignment. Either at-grade or elevated, this route will link communities in southeast Calgary, the new Event Centre, and the Red and Blue Lines. The continuation of this project will likely support non-residential investment growth in the city. This project, which is expected to be the largest infrastructural project in Calgary's history, will potentially reduce transportation issues as Calgary experiences its fastest population growth on record. There is also the likelihood of housing projects purposefully planned to be close to the Green Line being executed.

Overall, investments within the Calgary Economic Region are expected to increase slightly this year, driven by the construction, real estate, and manufacturing industries. This improvement is expected to support the local economy, providing some modest relief to Calgary's housing supply issues. One key issue facing non-residential buildings in Calgary today is the continued increase in population and number of people working in Calgary. Increased demand for workspace to accommodate all of Calgary's new employees is driving increased non-residential construction

Calgary Building Permits

Total building permit values are expected to remain elevated in response to growing demand for residential construction.

Calgary (CMA) Housing Starts



Housing starts in the Calgary CMA are set to reach record-breaking levels in 2024, with strong construction activity expected to continue throughout the forecast period.

Prime Business Loan Rate

The **BOC's policy rate cut by 1.25 percentage points** in 2024H2 so far is expected to drive down the prime business loan rate, providing businesses and consumers with lower borrowing costs.

2022
4.2%

2023
6.9%

2024
6.4%

2029
5.1%

costs this year and next. Based on CMHC data, housing starts in the city of Calgary and Calgary CMA for 2024 year-to-date (YTD) (as of August) reached 12,472 and 15,324 units, respectively. This marks a significant increase compared to the same period in 2022 (11,186) and 2023 (11,407), posting a record-breaking year.

The growth is primarily attributed to the surge in multi-family housing, particularly apartments, where starts have hit 6,436 year-to-date —well above the 10-year average (2014-2023) of 3,357. Given higher mortgage costs, the higher demand for less expensive housing options is driving this trend. The building permit values submitted to The City of Calgary reflect the investment intentions in construction. As of September 2024, the total value of permits submitted to The City has reached approximately $6.2 billion. Residential permits account for approximately 65 per cent of this total, or $4.0 billion—about 25 per cent higher than the same period in 2023. These permits are projected to create 18,097 housing units, up from 14,466 last year.

Building on the sellers' market conditions from 2023, driven by strong population growth, 2024 has remained a hot year for Calgary's real estate market, surpassing the national trend. The average annual growth rate for benchmark prices (composite), representing the price of a typical house in Calgary, has been 8.5 per cent in 2024 (up to August), compared to 3.4 per cent during the same period last year. As Calgary catches up with other major cities regarding housing prices, its affordability advantage is diminishing.

3. Industries with a critical need for workers are finding it easier to fill job openings, although Calgary's economy struggles to absorb the number of job seekers flocking to the region

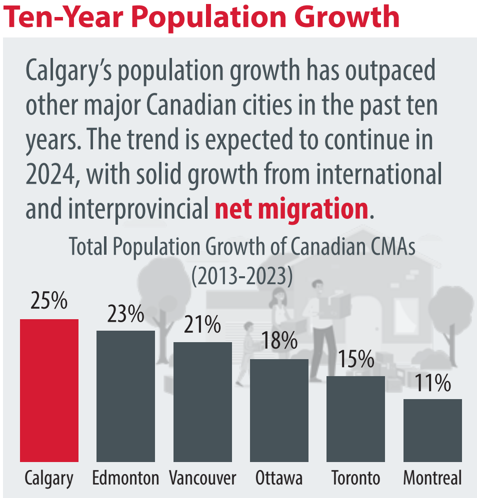
The government immigration program partly meets the labour demand, calling for the admission of many workers between 2023 and 2026. The seasonally adjusted job vacancy rate for the Calgary Economic Region dropped for the seventh quarter in Q1 2024, reaching almost identical levels to those before the pandemic.

With exceptionally high migration to the area over the previous two years, Calgary's labour market is experiencing an inflow of job seekers. For comparison, there were 67,000 new residents in Calgary in 2023 compared to 19,000 in 2022, an increase of almost 200 percent. As of April 1, 2023, the population in the city of Calgary was estimated at 1,422,800 persons, which translates to a 5.6 per cent annual population growth rate.

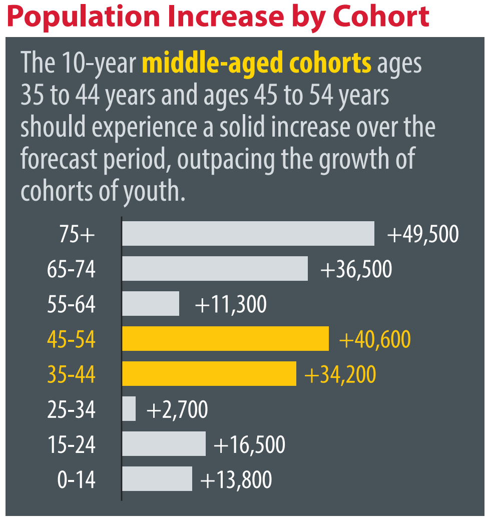
However, a halt in hiring brought on by a slower growing economy and stricter monetary policy has left job seekers dissatisfied with Calgary's labour market. The people most affected by Calgary's stalling employment market are younger and have less work experience.

These difficulties are starting to show symptoms: Among the leading Canadian cities, Calgary has the highest unemployment rate, and jobless people find it more difficult to find employment. Because job seekers seeking full-time employment are compelled to accept part-time work, the meagre job growth has been concentrated in the public sector and part-time positions.

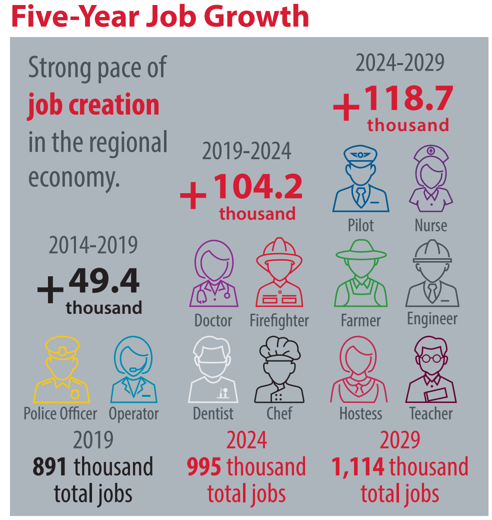
Ten-Year Population Growth



Population Increase by Cohort



Five-Year Job Growth



The Calgary Economic Region is predicted to see a sharp increase in unemployment from 6.3 per cent in 2023 to 7.0 per cent in 2024–2025. Due to the number of people who have settled for part-time jobs while continuing to look for full-time work, these unemployment estimates will probably underestimate the lack of available positions.

Employment growth is anticipated to remain moderate as businesses strive to reduce hiring to save operating expenses. Employment is anticipated to increase by 3.9 per cent in 2024 and 2.8 per cent in 2025. The three industries that are anticipated to contribute most to job growth in the CER are construction, lodging, and food services. Unfortunately, there are still a lot of job openings in these sectors since the immigration skills targets haven't done enough to address the labour shortages in these fields.

4. Consumer Price Inflation in the Calgary Census Metropolitan Area (CMA) remains higher than the provincial and national average due to relatively higher shelter cost growth

While national inflation seems to be falling towards the Bank of Canada's inflation target of two per cent, the slowdown in inflation seems to be occurring at a much slower pace in Calgary. For comparison, as of June 2024, the national year-to-date inflation rate was 2.7 per cent, while the Calgary CMA had a rate of 3.6 per cent.

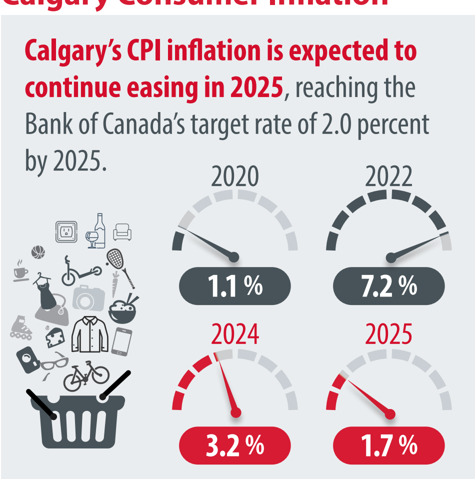
The main factor contributing to Calgary's increased inflation rate is the city's record-high migration rate. The number of individuals migrating to Calgary is outpacing housing availability, causing record-breaking rent increases due to imbalances in the rental market (demand overshadowing supply). At 18.0 per cent at the halfway point of the year, rental inflation was the highest in Canada and the main driver of rising living expenses. Utility prices are declining after a sharp surge at the start of the year. This has been made possible in part by the low marginal cost of electric plant capacities and the Government of Alberta's pressure through Bill-19 to make utility bills more affordable.

Expected expansion in the construction industry is projected to speed up the completion of housing projects over the long term. The shortage of construction workers has added to some of the inflationary risks Calgary has experienced recently. The expected expansion of the construction industry over time is expected to reduce some of the supply imbalances in the real estate industry.

In response to increased recessionary risks resulting from tighter monetary policy thus far in 2024, the Bank of Canada has already lowered interest rates four times. When new house ownership becomes more appealing, this is anticipated to offer a small reprieve in the rental market.

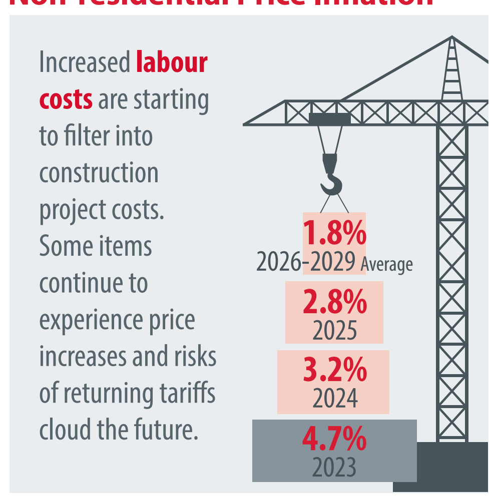
Interest rates are not anticipated to return to their pre-pandemic lows anytime soon, notwithstanding the Bank of Canada's string of rate reductions. This lessens the possibility of unforeseen spikes in consumer and company debt.

Calgary Consumer Inflation



Alberta Wage Inflation

Non-residential Price Inflation



Forecast Implications

Averages: Previous vis-à-vis Current City of Calgary Service Plans and Budget Cycle

Economic Indicator	Estimate Previous Service Plans and Budget Cycle [2019-2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Assumptions			
Global Economy			
Real Gross Domestic Product Growth (%)	2.5	3.2	The average growth of the world GDP is expected to be higher for the current service plans and budget cycle than the previous one. With decelerating global inflation and steady growth, the likelihood of a hard landing has decreased. The resilience in the global market should have a positive impact on consumer confidence and spending in Calgary.
The United States			
Real Gross Domestic Product Growth (%)	1.8	2.1	The U.S. economy is expected to improve slightly in this budget cycle, driven by higher productivity and the three key pieces of legislation passed by the Biden Administration[1]. A relatively strong U.S. economy will bode well for Canadian exports. However, sustained elevated borrowing costs could weigh on U.S. domestic demand.
Canada			
Real Gross Domestic Product Growth (%)	1.4	1.6	Canada's economy should be supported by population growth and household spending. The average rate of economic growth in Canada will be higher in this cycle than in the previous one, supporting interprovincial trade.
Prime Business Loan Rate (%)	3.3	6.3	Interest rates will stay elevated in the current cycle. Higher financing costs should weigh on business investment incentives and consumer spending in Canada.
Exchange Rate (US$ for 1 C$)	0.77	0.74	Canada's exchange rate is expected to remain relatively stable to the U.S. dollar as monetary rate shifts across both regions remain in sync. This should support trade as trading partners benefit from improved price certainty.
Alberta			
Real Gross Domestic Product Growth (%)	0.6	2.1	Alberta's economic performance is expected to be significantly stronger during 2023-2026 compared to the previous cycle. The City benefits from the Province's improved fiscal situation and strong growth.
Total Employment Growth (%)	1.2	2.7	Despite expected firm employment growth, the strong population growth improved the pace of labour force growth but at a much slower rate than employment growth, causing the unemployment rate to trend lower. The smaller labour pool reduces the potential skill labour set Calgary employers can choose from.
Unemployment Rate (%)	8.1	6.6	A lower unemployment rate in the 2023-2026 cycle leads to reduced demand for social assistance programs from The City as the number of unemployed persons reduces.
Housing Starts ('000 units)	29.9	43.3	Adding over 13,000 new housing units is expected to grow the housing stock and reduce the housing market imbalance, which has driven significant house price swings in Alberta regions. Residential investment in the current service plans and budget cycle should contribute to economic growth within the province.
Inflation Rate – Consumer Price Inflation or CPI (%)	3.1	2.4	Alberta's consumer price inflation is poised to slow in 2024 as the aggressive rate hike cycle by the Bank of Canada, which started in March of 2022, began crawling back some of its cumulative effects in June of this year. Lower inflation in Alberta should reduce pressure on City expenditures.
West Texas Intermediate - WTI (US$/bbl)	64.8	77.8	Crude oil price volatility continues into 2024. This prompts The City to continue to explore countercyclical fiscal policy options to help moderate the impact of price volatility and economic fluctuations. Oil prices will remain elevated in this cycle compared to the previous one.
Western Canadian Select - WCS (US$/bbl)	50.1	60.2	Improved transportation capacity and expanded access to markets should help reduce the price difference between the WCS and WTI. This should enhance the energy sector's cash flow and support the provincial and local economy.
Alberta Natural Gas Price - AECO/NIT ($/GJ)	3.1	2.9	Although natural gas inventories have tightened, AECO average annual price is expected to be lower in 2024. This will moderate operational costs for businesses and household costs of living. At the same time, this will impact natural gas franchise fee revenues for The City, while operating expenditures for some City services will also decrease.
Industrial Product Price Index (%)	6.5	0.2	Prices for industrial products are expected to decrease from their mid-2022 peak in this service plans and budget cycle, resulting in a lower average of price growth in 2023-2026. This should moderate the inflationary pressures for The City.
Raw Materials Price Index (%)	11.4	-2.4	Raw material prices are expected to decline in this cycle from the price spike experienced in 2021-2022, which should reduce cost pressures for businesses.
Alberta Average Annual Wage Rate Growth (%)	1.7	3.1	Higher wage growth in the current cycle will raise incomes and improve affordability. However, it will also increase the labour cost, contributing to persistent inflation within the province and The City.

Averages: Previous vis-à-vis Current City of Calgary Service Plans and Budget Cycle

Economic Indicator	Estimate Previous Service Plans and Budget Cycle [2019 to 2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Forecast			
Calgary Economic Region (CER)			
Real Gross Domestic Product Growth (%)	1.0	2.1	Calgary Economic Region should expect solid economic growth in the current service plans and budget cycle, supporting the resilience of the property tax base.
Total Employment ('000 persons)	882.7	1,005.5	Strong job growth will expand the consumer base, increasing demand for housing and goods and services in the region.
Total Employment Growth (%)	2.1	2.9	The employment growth rate is expected to remain strong in this cycle, continuing to create solid demand for City services and infrastructure.
Unemployment Rate (%)	8.4	6.6	Lower unemployment rates in this cycle should shrink the pool of skilled workers and reduce the demand for social services that support the unemployed. The tightness and mismatch of skillsets in the labour market will put pressures on labour costs for The City.
Calgary Census Metropolitan Area (CMA)			
Housing Starts ('000 Units)	13.4	21.0	Housing investments in the Calgary area are expected to be higher in the current budget cycle. Strong population growth from international and interprovincial net migration should support solid housing starts in Calgary CMA.
Inflation Rate - CPI (%)	3.2	2.6	Consumer price inflation is expected to moderate in this cycle. Prices will stay at a relatively elevated level compared to pre-pandemic. Moderation of the costs of goods and services helps mitigate the risks of cost overruns and budget adjustments.
Non-Residential Building Price Inflation (%)	3.9	3.1	Non-residential construction costs will decelerate in this cycle despite the continued increase in population and number of people working in Calgary. This will have a positive impact on non-residential building activities, including The City's infrastructure investment.
City of Calgary			
Demography			
Total Population ('000 Persons)	1,315.5	1,495.6	A larger total population indicates a higher demand for municipal services and infrastructure. It also means that the residential property tax base would increase.
Total Population Growth (%)	1.6	3.5	Calgary's population growth is expected to be higher in this cycle than the previous one, driven by robust net migration in the forecast period. This could generate additional pressure on certain City services.
Net Migration ('000 Persons)	11.8	41.4	Calgary has seen strong migration and expects the trend to continue in this budget cycle. This should support consumption and demand for housing and mitigate the labour market tightness in Calgary.
Household Formation ('000 Units)	7.4	18.9	The higher household formation in the current cycle supports higher demand for residential spaces, therefore indicating a larger residential tax base and increased demand for City infrastructure and services.
Real Estate			
Residential Market			
Housing Starts ('000 Units)	11.5	17.5	Stronger residential construction activity in the current cycle should support increases in the residential tax base, development and building permit activity, and demand for the continued expansion of City infrastructure.
Calgary Average Residential MLS® Sale price (%)	2.1	5.3	Housing affordability in Calgary will remain challenging for new housing market entrants as housing prices continue to grow in the current cycle. This should stimulate the supply of new housing units and shift the demand across different housing structure types.
Benchmark Home Price Growth (%)	5.1	5.4	Benchmark home price growth should also stay elevated in this cycle. This is driven by strong demand for shelter from population growth and increasing residential building costs. The increasing shelter costs should weigh on the affordability of Calgarians.
Total Building Permits ($ billions)	4.9	7.0	Higher building permit values in the current cycle will lead to a broader property tax base and higher revenues.

Numbers may not add up due to rounding.

[1] The Inflation Reduction Act (IRA), the Infrastructure and Investment Jobs Act (IIJA) and the Chips and Science Act (CSA) should translate to about US $3.5 trillion in funding over the next decade and aid real GDP growth.

Forecast Risks

Legend: Upside Risk | Downside Risk | Both

Risks arising from activities in the Rest of the World:

Major factors that could alter actual economic performance include reconfiguration of supply chains and ongoing trade disputes, uncertainties in global commodity prices and inflation, and potential divergence in global productivity.

1

Global Economic Reconfiguration

Geopolitical tensions, especially those between the United States and China, are causing a major reconfiguration of the global economy by changing supply networks. These changes restrict global competitiveness and drive inflation due to ongoing trade disputes, particularly in strategic sectors.

2

Commodity Prices and Inflation

It is anticipated that commodities and energy prices will continue to fluctuate, with geopolitical threats like the Middle East conflict able to disrupt oil supplies. Trade tensions and persistent inflation will keep inflationary pressures above pre-pandemic levels. Persistent inflation will be made worse by supply chain reconfigurations. In general, the risks to the outlook for inflation are balanced.

3

Technological and Geopolitical Disruption

Advanced economies will benefit more quickly from technological advancements like artificial intelligence (AI). However, these technologies are expected to exacerbate global inequality as less-developed economies struggle to integrate them. This could exacerbate economic inequality and the divergence in global productivity.

Risks from market conditions and policy differences across Canada:

Significant factors that could alter actual economic performance include the progress of inflation deceleration to its target range, uncertainties in consumption demand, the impact of the U.S. election, and environmental policy divergence that creates business investment ambiguity.

4

Inflation and Monetary Policy

The Bank of Canada has taken a dovish stance by reducing interest rates, but inflation remains a concern. High household debt and persistent wage growth could prolong inflationary pressures despite falling energy prices and easing mortgage interest rates. Downside risks exist on Canadian economic activity if inflation does not decelerate as expected, interest rates may stay elevated, dampening consumer spending and business investment. Household wealth and business incentives could further dampen, resulting in larger output losses.

5

Consumption Demand

Canada's population growth, driven by high immigration rates, supports consumption demand. However, households with high levels of debt, may constrain future consumption, particularly in sectors sensitive to interest rates. The uncertainty surrounding interest rates poses significant risks to consumer confidence and could put downward pressure on consumption demand.

6

Environmental Policy Coherence vis-à-vis Divergence

Canada's environmental policy landscape is fragmented, with federal, provincial, and municipal governments pursuing different strategies. This divergence creates uncertainty, particularly in the energy sector, which has downside risks to business investment. Inconsistent regulatory frameworks hinder long-term investment decisions necessary for the green transition.

7

U.S. Election and Trade Restrictions

The November 5th U.S. election poses significant risks to Canadian trade. A new U.S. administration may implement more restrictive trade policies, mainly targeting Canadian exports. These potential barriers would greatly impact Canada's economic outlook, particularly in industries heavily reliant on U.S. trade (such as Canada's energy industry reliance on U.S. steel) and inflation trajectory.

8

Breakup with China

A breakup in China's ties with the West could lead to a rapid decoupling of the global economy. Canada's reliance on trade with China, particularly in critical sectors like energy and minerals, puts it at risk of supply chain disruptions and trade barriers, which would have significant economic consequences (inflation trajectory).

9

Wildfires and Critical Infrastructure

The increasing severity of wildfires in Canada poses a major risk to critical infrastructure. Destruction of energy, transportation, and communication networks due to wildfires could significantly impact both local economies and national productivity. Climate change further exacerbates these risks, increasing the likelihood of infrastructure damage.

Risks from potential changes in Alberta provincial economy:

Significant factors that could alter actual economic performance include the uncertainties associated with energy prices and exports, migration and demand for housing and infrastructure services, and the labour market imbalance.

10

Oil and Natural Gas Prices and Exports

Though energy prices are forecast to trend down in 2024, upward price pressures exist due to geopolitical uncertainties and weather shocks. The potential escalation of the Middle East war and the ongoing war between Ukraine and Russia could impact global energy supply and prices. More extreme shocks could also cause extra price volatility. For Alberta's energy production and exports, the oil and gas sector investment and exports should be robust in the forecast period, supported by healthy cashflows and improving transportation capacity due to the completion of the Trans Mountain Pipeline Expansion (TMX) project in Western Canada.

11

The Level of Net Migration

International immigration to Alberta should stay strong in the medium term due to the federal 2024-2026 Immigration Levels Plan. The Government of Canada has announced plans to reduce the size of its temporary worker programs and place more priority on programs that help address worker shortages in targeted industries. The rapid growth of net migration has created challenges in housing affordability, infrastructure, and services shortfall, as well as falling GDP per capita with a surging population. Higher net migration levels beyond those incorporated in the forecast should further boost the population growth in Alberta while amplifying the existing challenges.

12

Labour Market Balance

Strong population growth from net migration into the province is helping to fill job vacancies and improve employment. However, the net migration spike will not immediately translate into higher labour force participation and employment levels. It will take time to mitigate the discrepancy between skills and jobs. Alberta's tight labour market will see further relief in the forecast period. However, there are risks that some industries will continue to face hiring challenges, especially for occupations requiring more specialized training.

Risks from local and regional private and public sector influences:

The uncertainty is associated with normalizing business pricing behaviour and improved investment environment, weakening consumer confidence and spending activities, and escalating labour cost.

13

Business Pricing and Investment

A lot of Calgary-based companies continue to exercise caution when it comes to their investments and the general economic climate. Over the predicted period, business incentives should strengthen as borrowing costs fall and credit conditions improve.

14

Consumer Confidence and Spending

Many Calgarians are facing record-high household debt levels. Elevated interest rates have been weighing on consumer confidence and consumption activities. Mortgage renewals in 2024 and high debt servicing costs will impact household spending decisions in Calgary. As more homeowners on fixed-five-year mortgages approach renewals, the higher rate environment will tighten some consumer spending in 2024 and into 2025. Consumers could become more cautious and cut back residential expenditures more than projected. This could also impact business incentives and slow down business investment.

15

Labour Cost Escalation

Labour cost growth in Calgary remains elevated, with uneven distribution across industries and occupations. Real wages are expected to grow relatively faster for industries with labour shortages, including construction, retail trade, education, and accommodation and food service industries. A higher real disposable income should help improve households' purchasing power and affordability. However, higher wages also indicate higher labour costs for both private and public sectors. There are risks of upward pressures on cost-push inflation.

Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and have developed reliable methods of forecasting and analysis.

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Sources:
Bank of Canada, Calgary Real Estate Board (CREB), Canada Mortgage and Housing Corporation (CMHC), Canadian Real Estate Association (CREA), Conference Board of Canada, Federal Reserve Bank of the U.S., Government of Alberta, Government of Canada, International Monetary Fund (IMF), Organization of the Petroleum Exporting Countries (OPEC), Statistics Canada, Stokes Economics, The City of Calgary, U.S. Energy Information Administration (EIA), World Bank, and others.