

A scenic view of a forest stream with a large fallen log in the foreground. The water flows over rocks, and the surrounding area is lush with green vegetation and trees. The title 'Alberta Snapshot' is overlaid in large white text.

Alberta Snapshot

A Quarterly Economic Update ▶▶▶ **Spring 2024**

Produced by the Business Council of Alberta

Executive Summary

Alberta's economy continues to show resilience in the face of high interest rates and slowing growth worldwide.

Talk of a recession in Canada has waned as population growth is helping keep the national economy afloat. And the even larger influx of newcomers to Alberta is ensuring that the provincial economy will continue to outpace the rest of the country.

All told, **Alberta workers and households are facing some headwinds, while indicators on the business side are somewhat stronger.**

Alberta's labour market is stronger than in most other provinces, but it's starting to cool off, with a sharp decline in job vacancies and a notable increase in unemployment since January.

Albertans are also struggling financially as high inflation and interest rates take hold of modest gains in wages. [Survey data](#) shows that fewer Albertans consider themselves to be in "good" financial condition and the smallest number in four years. Though most have avoided bankruptcy, many are still cutting back on spending and, in some cases, renegotiating the terms of loans.

On the positive side, aggregate measures of Alberta's economy show resilience while real-time measures suggest that activity may even be picking up. Also, it's no secret that population growth continues at an unprecedented rate, increasing dollars and demand for a number of industries, notably housing. The prospect of interest rate cuts later this year could also offer households some relief.

At the same time, geopolitical events are pushing oil prices higher, as Alberta's production capacity is set to be unlocked with the long-awaited expansion of the Trans Mountain Pipeline. As well, investment in the province is holding steady, both in terms of traditional capital spending as well as early-stage funding.

Given the headwinds Alberta is facing, perhaps the best news is about what we are *not* seeing. Business expectations have not deteriorated, consumer and business bankruptcies both remain extremely low, and the province's outlook for growth has not been downgraded by any of the bank forecasts.

Highlights

1

Albertans are less confident in the economy and their financial position. With inflation and interest rates still high, consumers are cutting back.



2

Alberta's economy nonetheless shows resilience. Population growth and high oil prices are likely to outweigh the effects of a slowing global economy and subdued consumer spending, leading to modest growth in 2024.



3

Business expectations—among the most optimistic in the country—remain strong. Plans for capital investment continue despite high interest rates and global uncertainty.

Building Better

Work in Alberta



Building better is about work opportunities—those available, emerging, or lost. Access to work is a signal of financial and personal opportunity for individual Albertans, a sign of business health, and a gauge of current economic activity in the province.

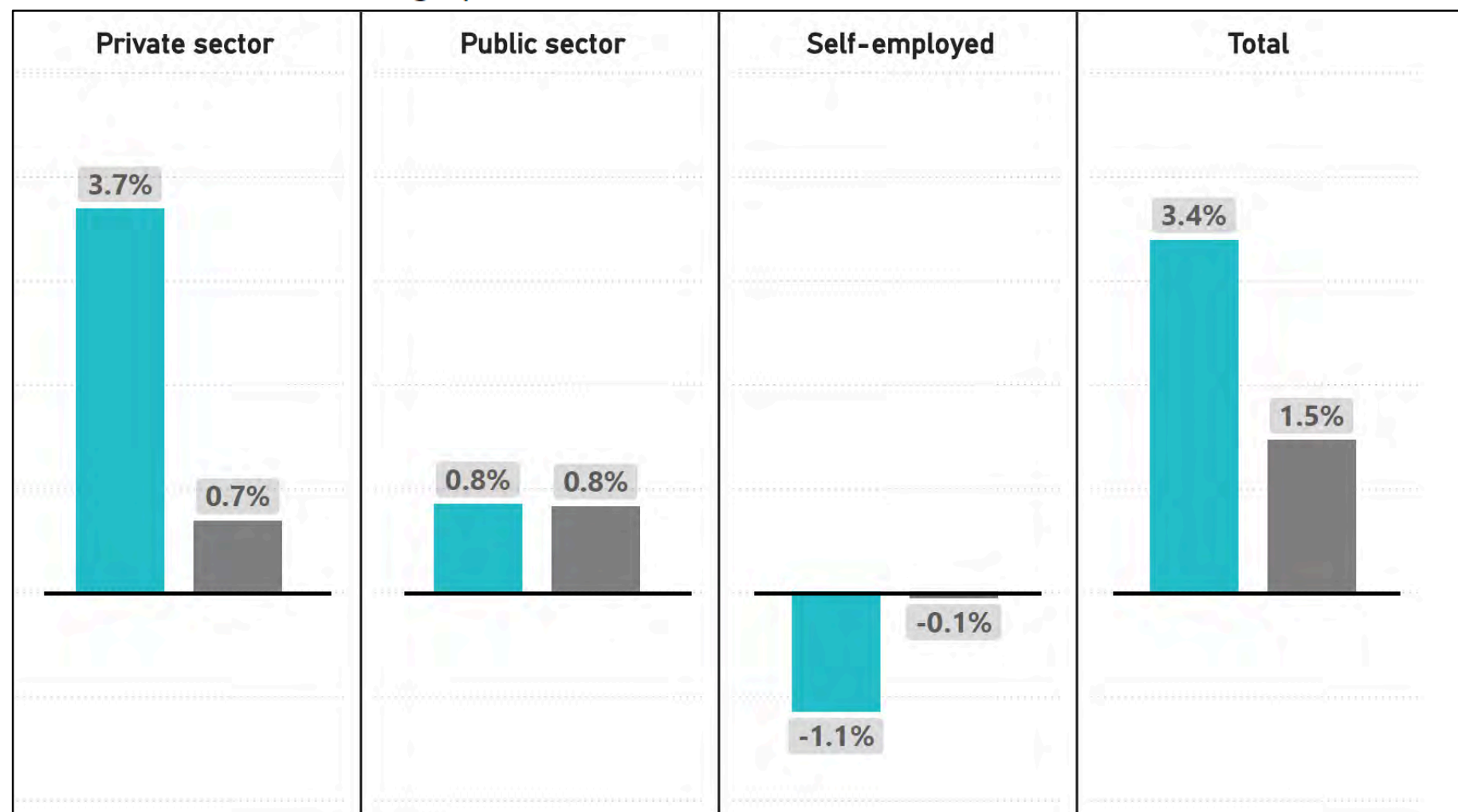
Building Better

Work in Alberta

Drivers of employment growth

Contribution to employment growth from March 2023 to 2024

● Alberta ● All other large provinces



▶ Private sector drives jobs gains

Alberta has seen among the strongest employment growth in Canada over the last year. While unprecedented population growth is driving these gains, what really separates Alberta from other provinces is the strong role the private sector has played in job creation. In other large provinces, the public sector accounts for about half of their much more limited job growth. This is also unlikely to end anytime soon. About half of respondents in BCA's Business Expectations Survey report plans to continue to increase their staffing over the next year, in line with past surveys.

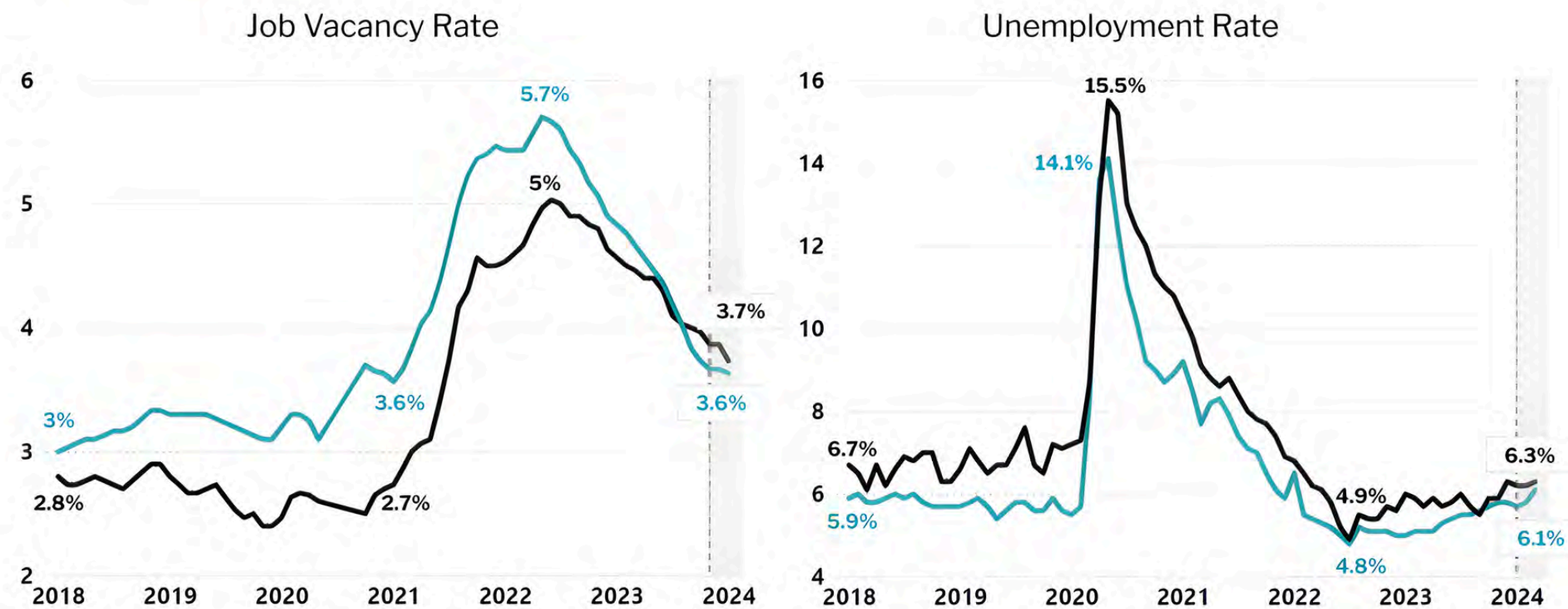
Source: Statistics Canada, Haver, simple average of Ontario, Quebec, British Columbia, Saskatchewan, and Manitoba

Building Better

Work in Alberta

The Canada and Alberta labour market

● Alberta ● Canada



Source: Statistics Canada, Haver

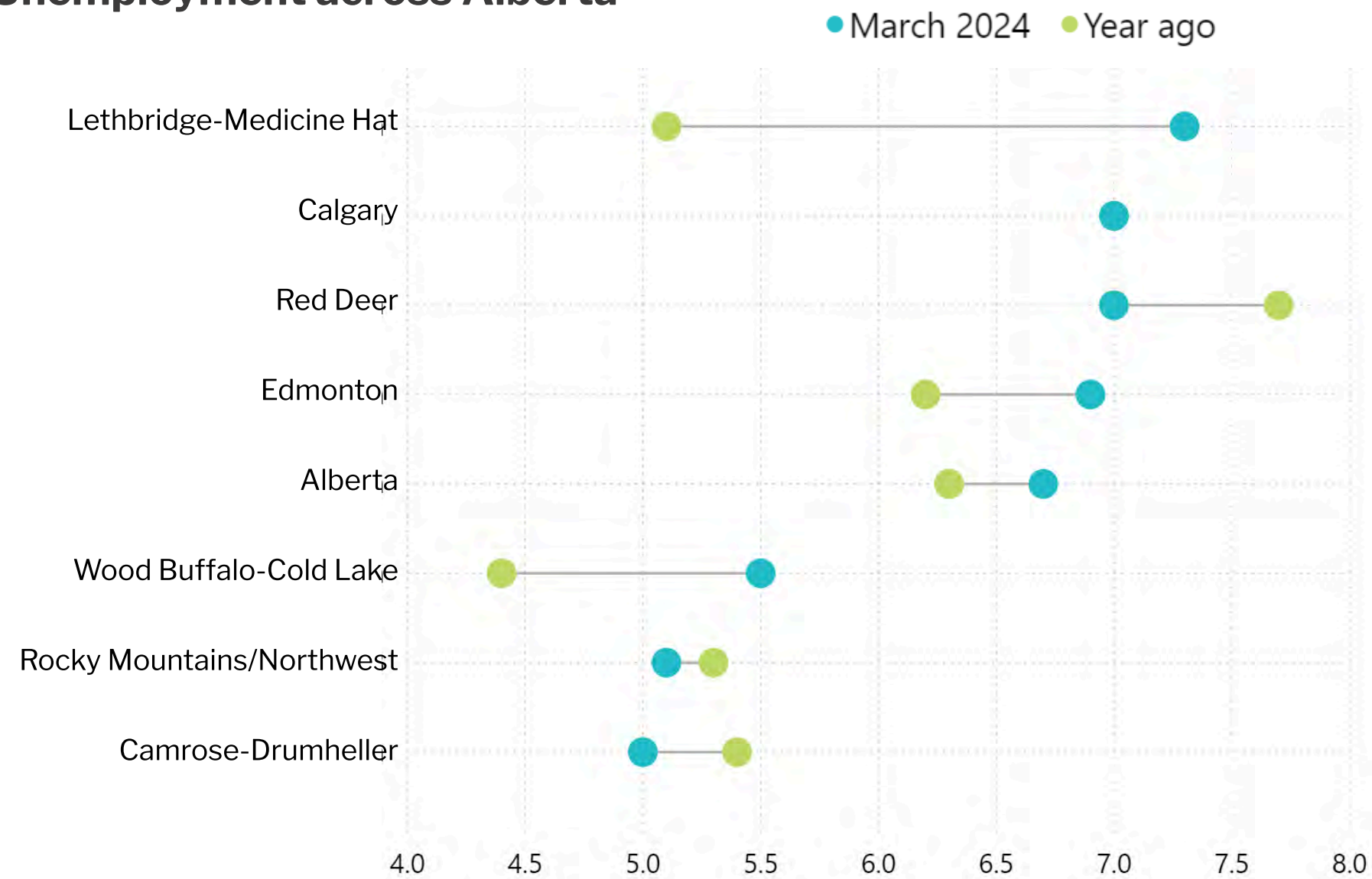
► Labour market continues to cool

Though it is still adding jobs, Alberta's labour market is nonetheless softening. Unemployment (at 6.3%) is now closer to levels the province was seeing a few years ago. At the same time, job vacancies have continued their sharp decline, falling to 3.7% (down from its 5.0% peak in May of 2022) and once again in line with that of the national average. As a result, businesses who continue to hire report that it is easier to fill open positions.

Building Better

Work in Alberta

Unemployment across Alberta



Source: Statistics Canada, Haver

► **But differences exist across the province**
 Not all regions have seen the same softening in their local labour market. Edmonton has seen a modest deterioration—with the unemployment rate rising from 6.2% to 6.9% over the year—while there has been a bigger increase in the Wood Buffalo-Cold Lake region (which includes Fort McMurray) and, most notably, in Lethbridge-Medicine Hat. On the other hand, Calgary, though it had a higher unemployment rate to begin with, has held steady. And other regions have actually seen their job market tighten over the last year.

Making a Life

People in Alberta

Making a life is about Alberta being an attractive and affordable place to call home. Low living costs, debt, and poverty, combined with economic opportunity, are signs of shared prosperity—which will encourage young adults to stay in the province and prospective Albertans to move here.



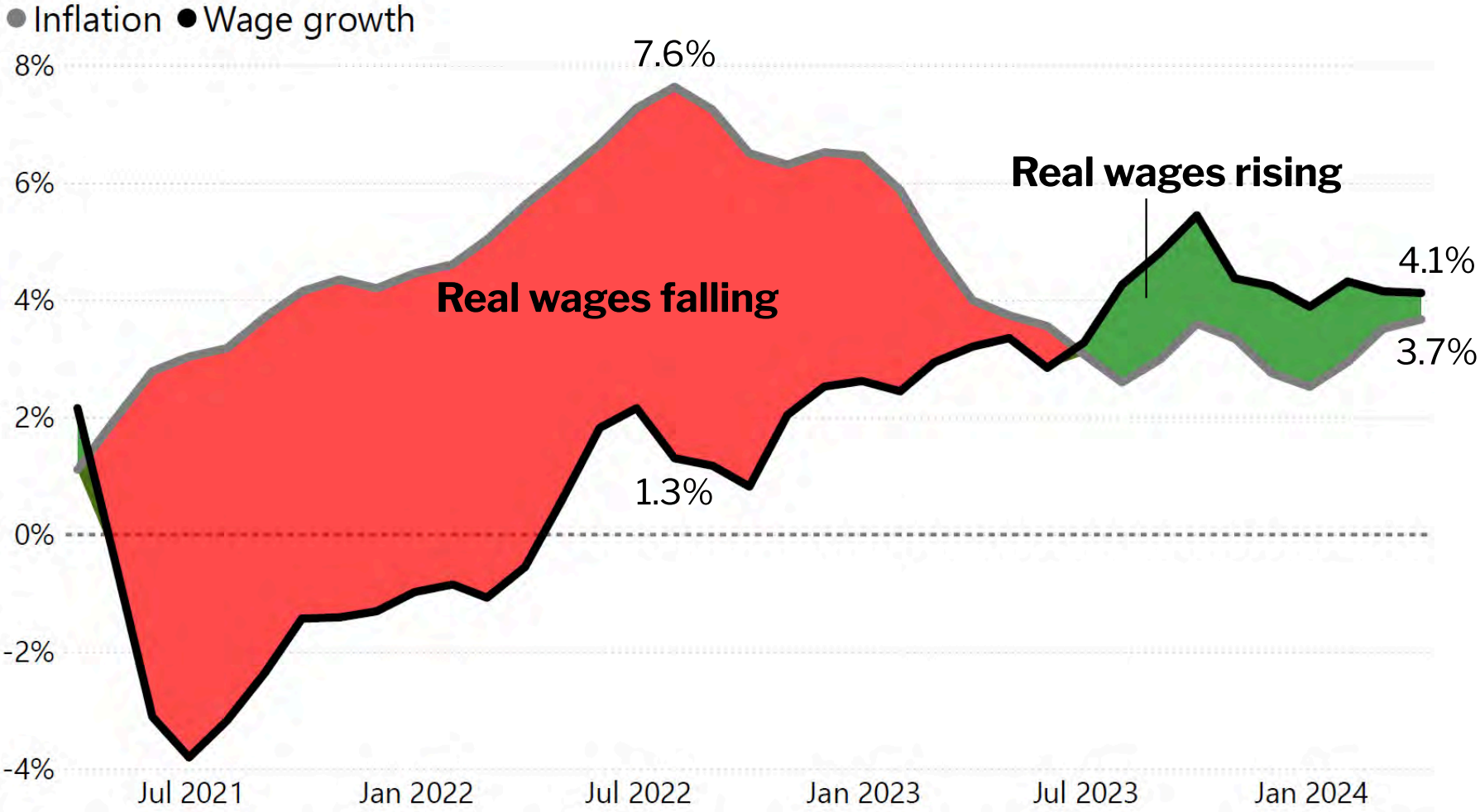
Making a Life

People in Alberta

► **Inflation is taking a bite out of wage gains**

Though the Alberta economy continues to grow bigger thanks to unprecedented population growth (up 4.4% over the last year), individual Albertans may not be finding themselves better off. Wage growth has leveled off at around 4% while inflation eats away at most of those gains. In fact, provincial inflation has not shown much improvement since last summer—with prices up around 3.5% versus a year ago—and remains well above the Bank of Canada’s midpoint target of 2%.

Real wage growth in Alberta (3 month moving average)



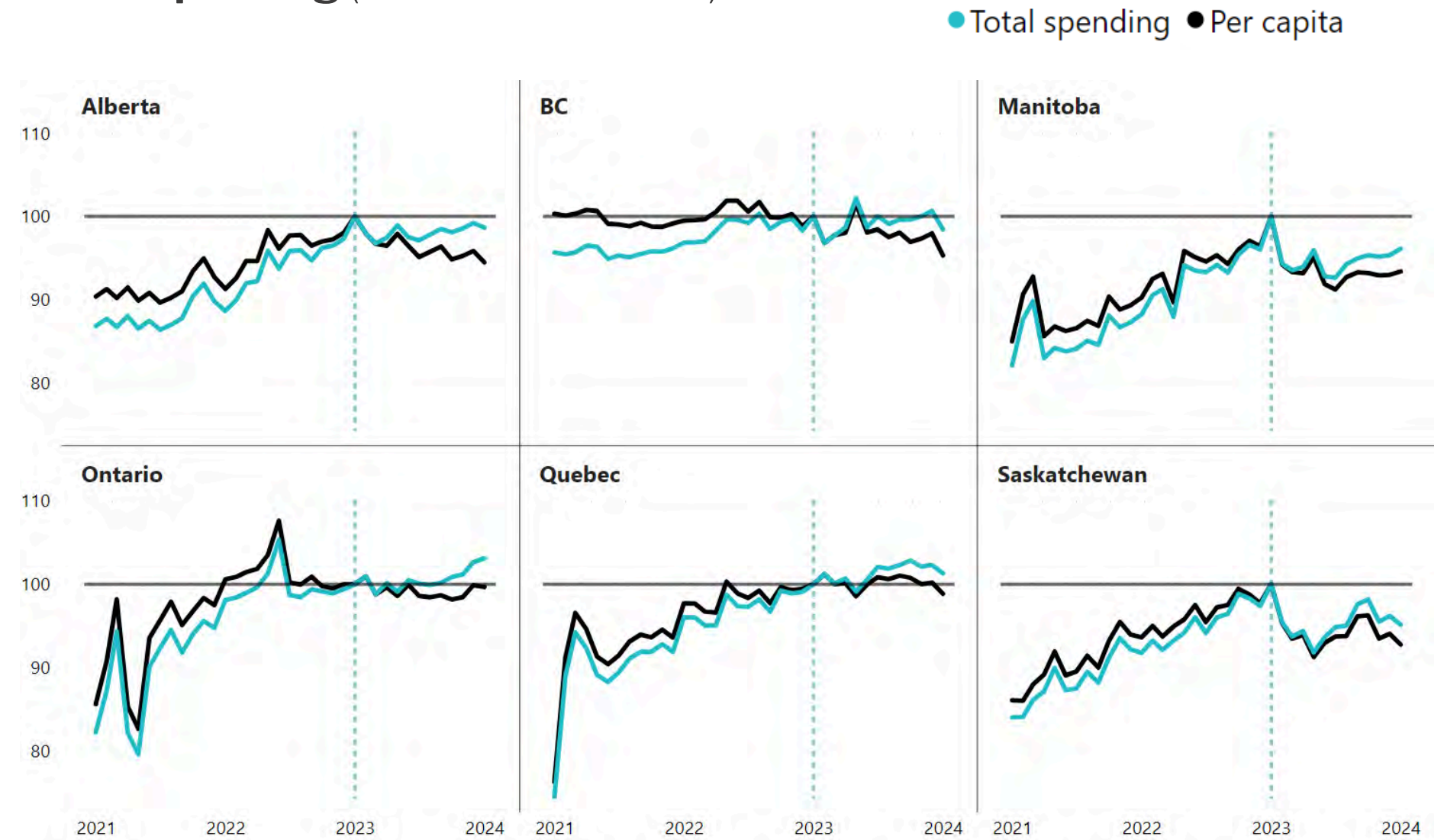
Source: Statistics Canada, Haver

Making a Life

People in Alberta

► **Consumers continue cutting back on spending**
 As a result, Alberta retailers are not seeing population growth translate into more business. Total retail spending in the province is flat and, as of the latest data, individual Albertans were spending about 5% less than they were a year ago. More recent data from Canadian credit card transactions suggests spending continues to moderate Canada-wide but especially in Alberta. Specifically, consumers are cutting back on discretionary items (like clothing and footwear) while entertainment and recreation-related spending remains intact.

Retail spending (index to Jan 2023)



Source: Statistics Canada, Haver, own calculations of per capita spending based on quarterly population growth

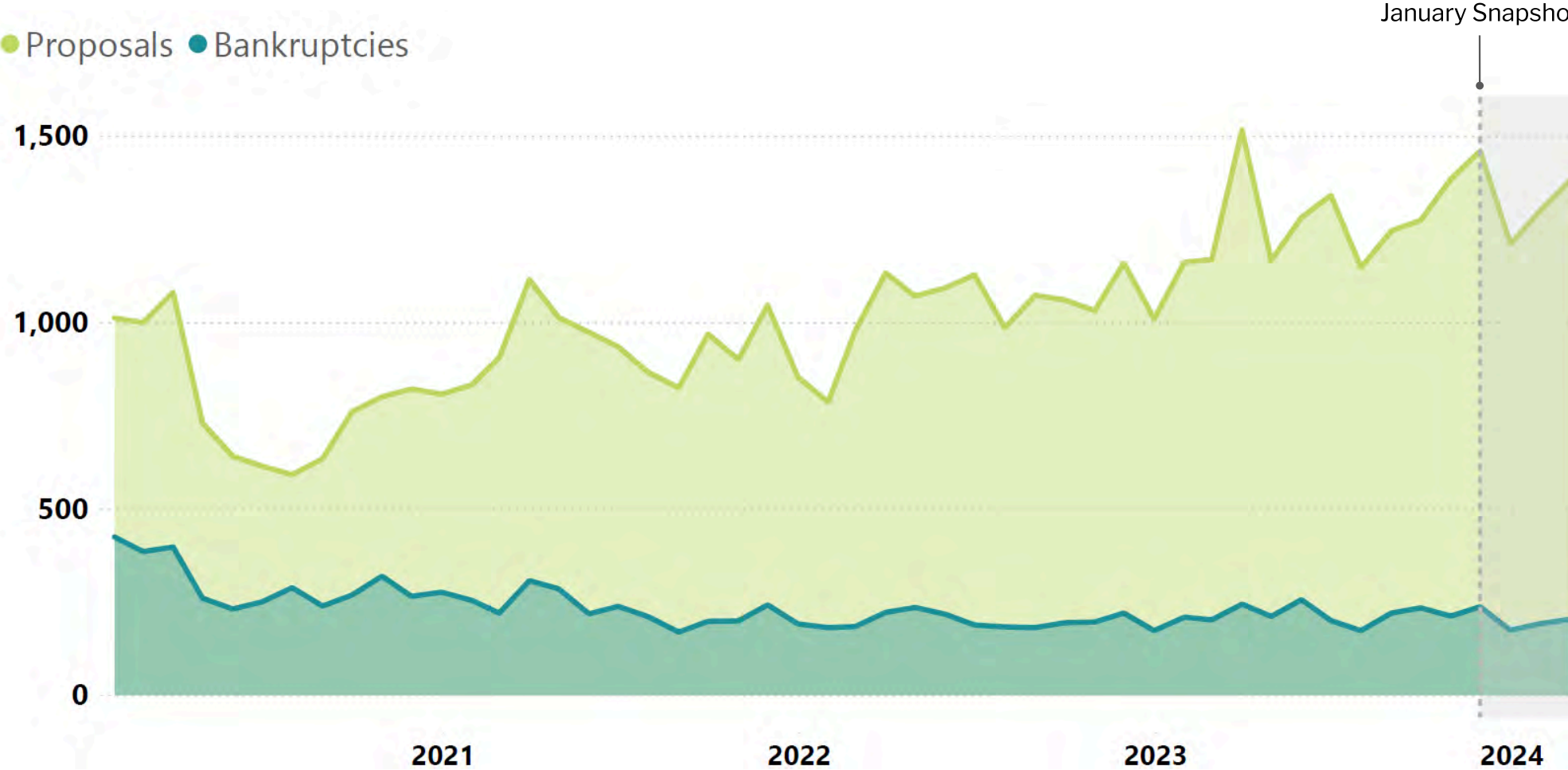
Making a Life

People in Alberta

► **Finances are strained by inflation and interest rates**

Polling data show a sharp decline in the percentage of Albertans who describe their financial situation as “good”—from 54% to 42%. That’s the smallest share recorded since data was first tracked four years ago. As such, we continue to see an increase in consumer debt renegotiation proposals. However, similar to our last Snapshot, bankruptcies remain uncommon (among both consumers and businesses) and it is likely that interest rates will begin to normalize soon.

Financial strain in Alberta



Source: ISED, Haver

Creating Prosperity

Business in Alberta

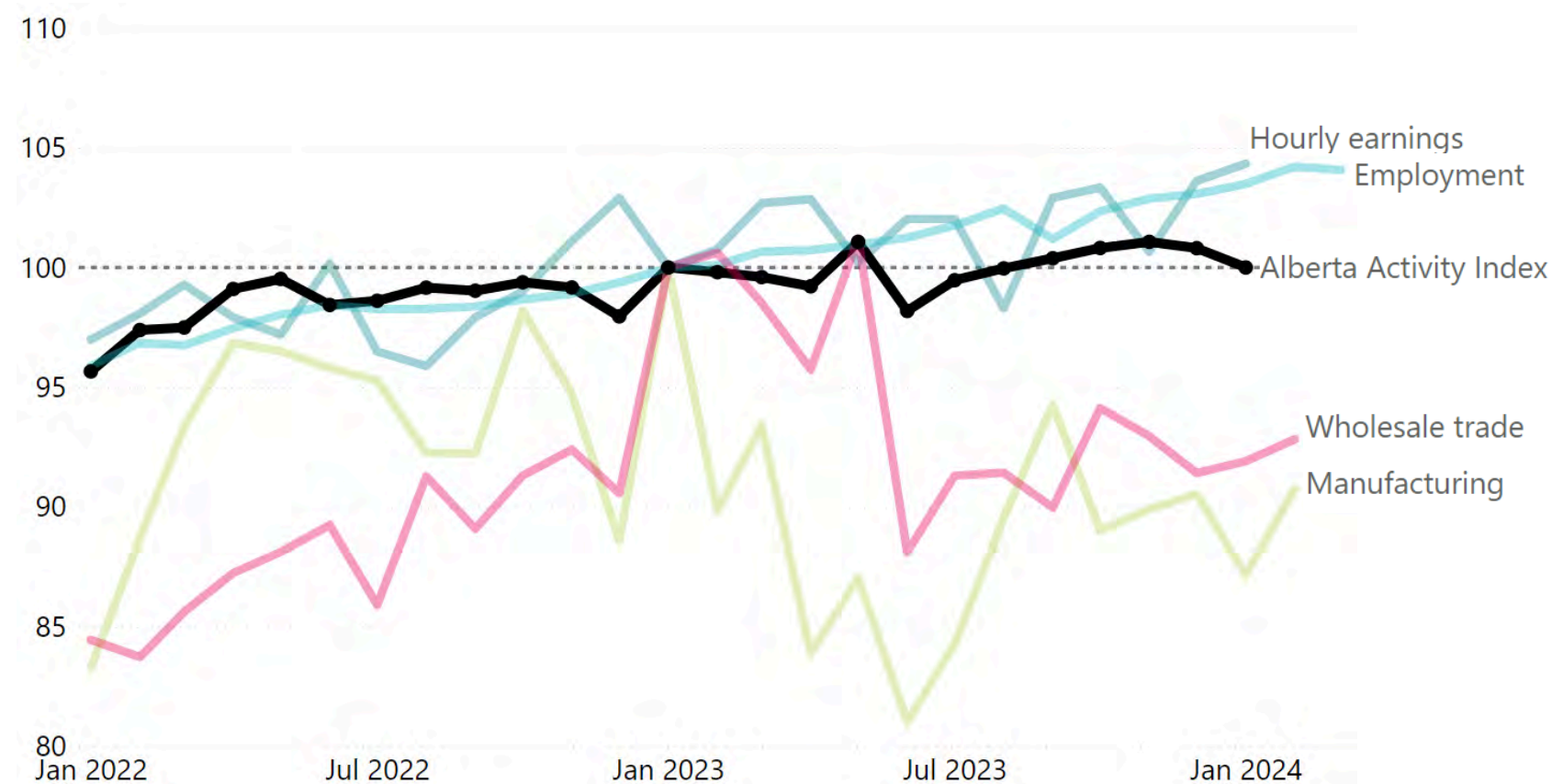


The health of the business sector is central to economic prosperity. Businesses create jobs, opportunities, and growth. By so doing, they generate tax revenue that supports social spending. When businesses do well, Albertans do well.

Creating Prosperity

Business in Alberta

Indicators of Alberta's economic activity (index to Jan 2023)



Source: Government of Alberta, Statistics Canada, Haver

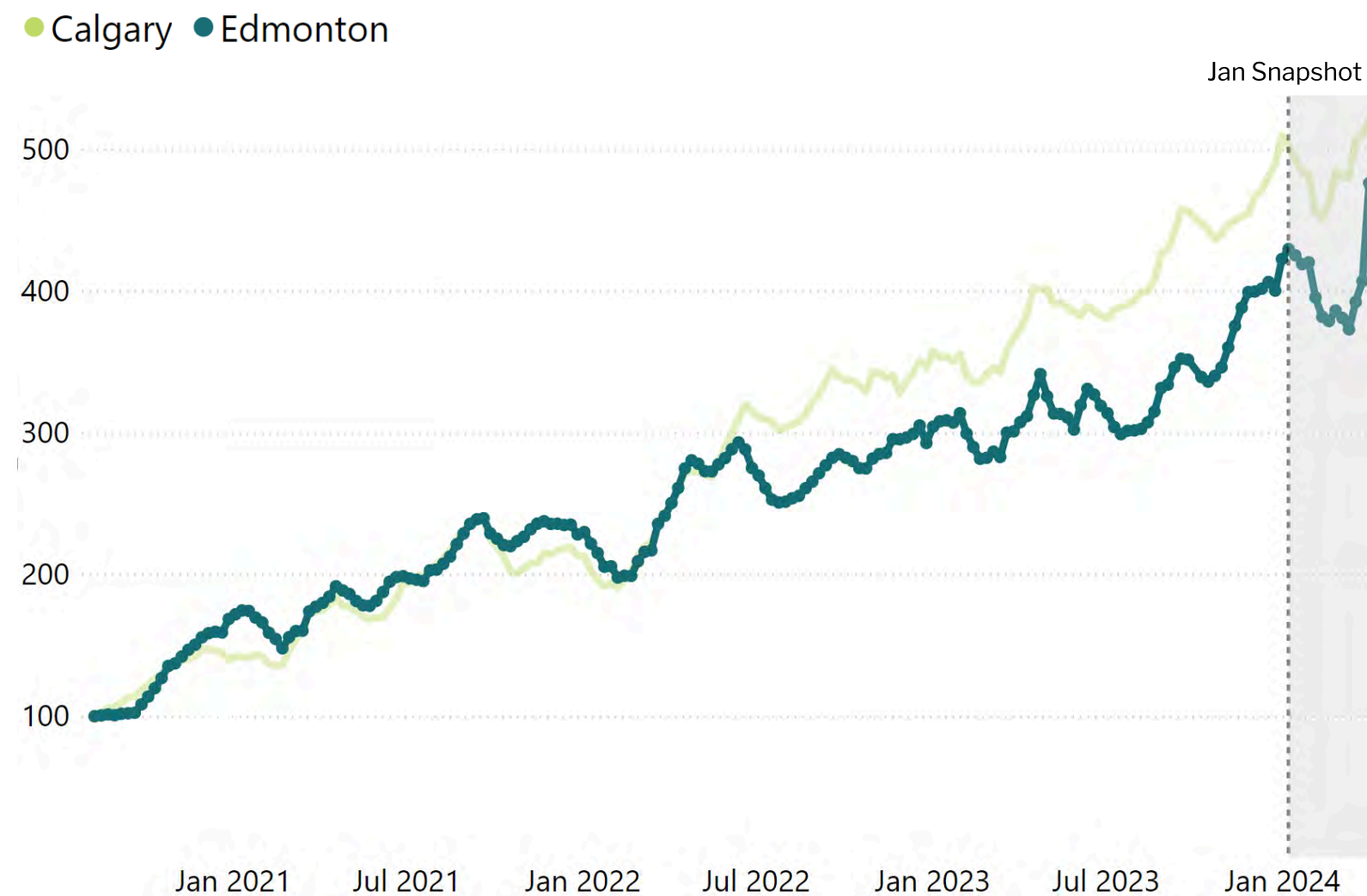
► Economic activity shows signs of moderating

Though official economic output data is not reported frequently at the provincial level, a close substitute is the Alberta Activity Index which is a weighted average of nine key indicators and is strongly correlated with GDP. According to this index, economic activity in Alberta remains resilient but has waned in recent months due to weakness in wholesale trade, manufacturing shipments, and housing activity which, despite unprecedented demand, has cooled. That said, the most recent data point (January) shows a promising uptick for wholesale trade and manufacturing.

Creating Prosperity

Business in Alberta

Real-time Local Business Conditions Index (one-month moving average)



▶ But real-time indicators offer signs of hope

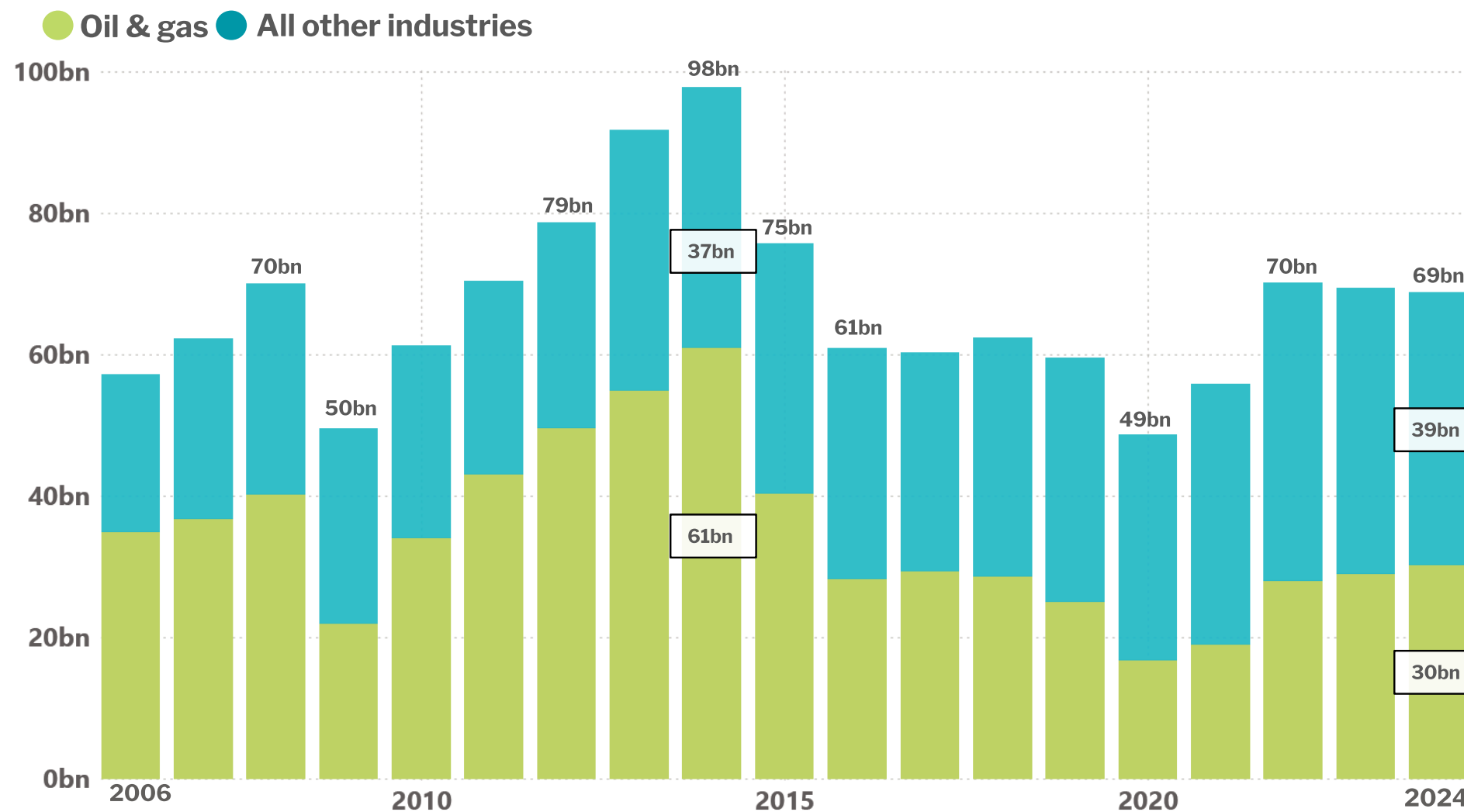
Canada's "Real-time Local Business Conditions Index" tracks more frequently collected data like foot traffic in business districts and business closures. This indicator suggests that there has been a resurgence of activity since the Alberta Activity Index was last reported. Interestingly, this uptick has been especially notable in Edmonton, where economic activity has previously lagged that seen in Calgary. In both cases, population growth is likely playing a role.

Source: Statistics Canada, Haver, own calculation of index to October 2020

Creating Prosperity

Business in Alberta

Alberta capital spending and expectations



► **And capital investment spending will be maintained in 2024**

Despite high interest rates, businesses in Alberta plan to continue to spend on capital this year, pouring an estimated \$69 billion into future productive capacity, with about \$30 billion in the oil and gas sector specifically and about \$39 billion across other industries. Both of these totals remain on par with spending last year. Nonetheless, as we've previously reported, this remains a far cry from historic levels and may be short of the level needed to propel strong growth in the province.

Source: Statistics Canada, Haver; 2022 data is final, 2023 data is preliminary and 2024 is intentions for capital spending, "Oil & gas" is the Mining, quarrying, and oil and gas extraction NAICS code.

Thinking Globally

Economic Conditions

Alberta is not an island in the world. Our people and businesses are affected by global factors over which they have no direct control.

Understanding and anticipating international trends is key to being resilient and adaptable.



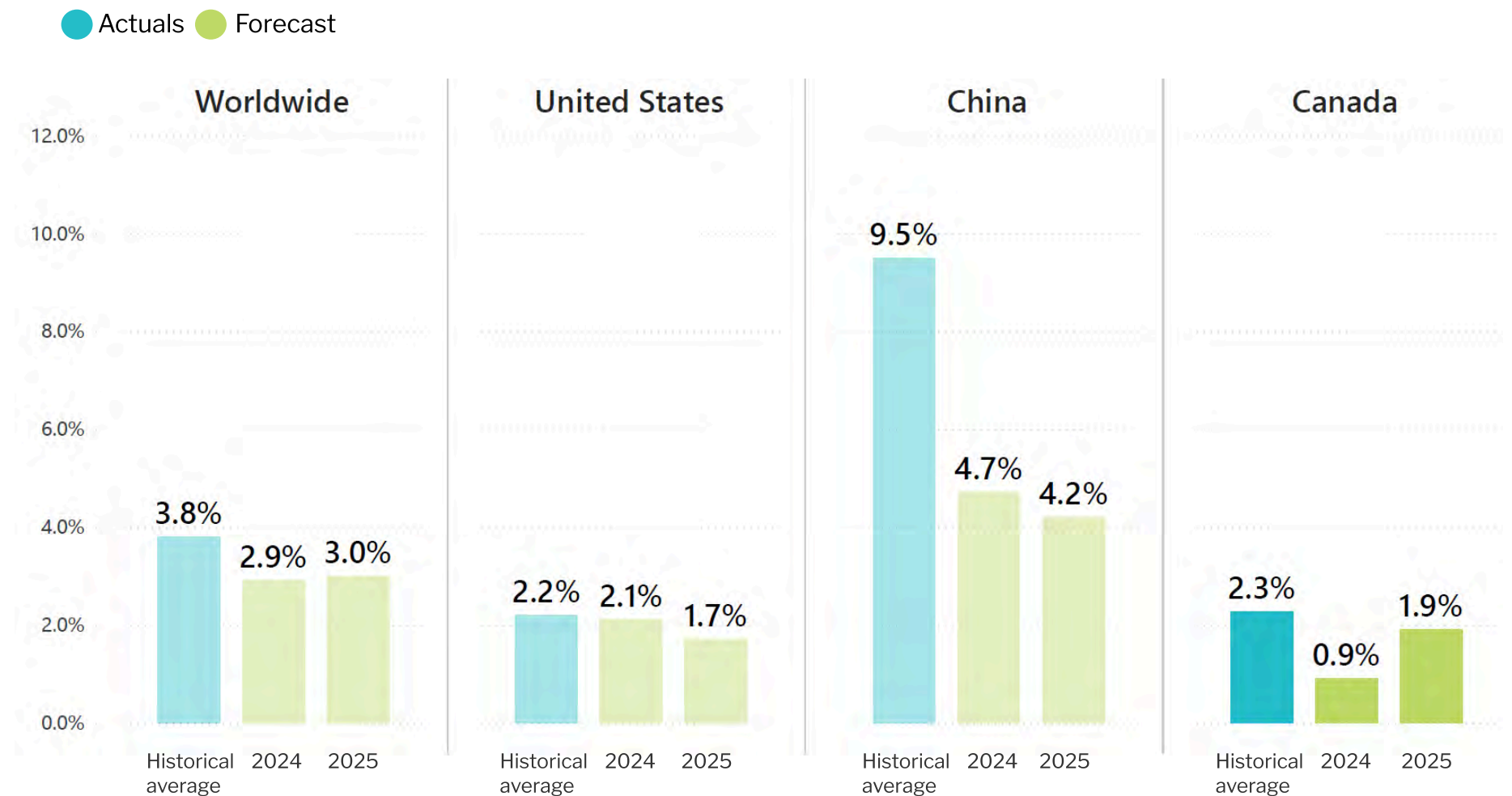
Thinking Globally

Economic Conditions

► **The global outlook remains weak**

In line with previous forecasts, the global economy is expected to further slow—from 3.1% in 2023 to 2.9% in 2024 as the fight against inflation continues and high interest rates take hold. Growth expectations across major economies remain below historical norms. This is especially notable in Canada where growth is set to be almost stagnant (less than 1%). The [Bank of Canada](#) is slightly more optimistic that growth will clock in around 1.5% due to population growth, growth in government spending, and an expected recovery of consumer spending.

Economic growth projections



Source: OECD Economic Outlook, Interim Report February 2024, OECD country historical average (2000 - 2019)

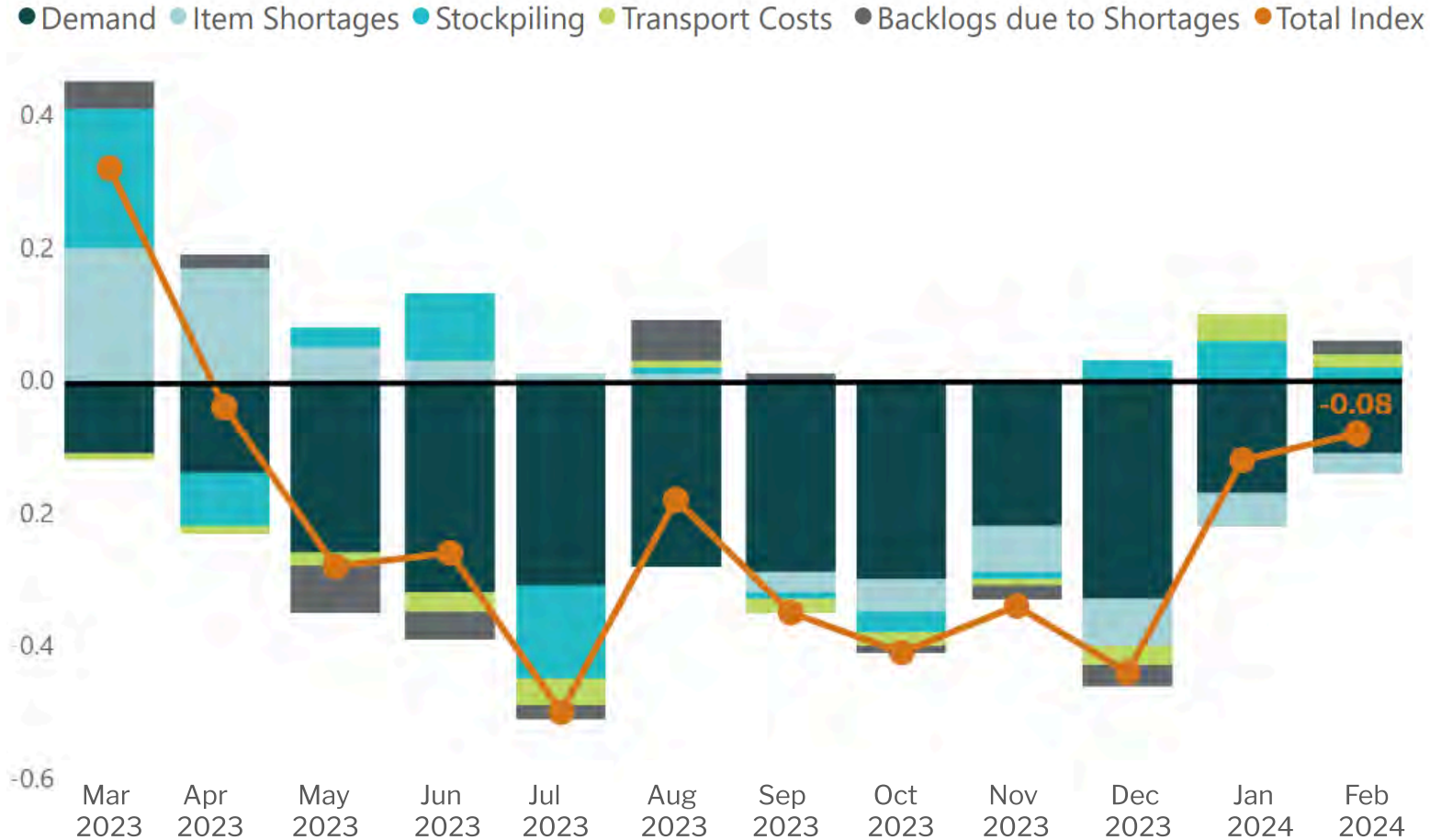
Thinking Globally

Economic Conditions

▶ **Yet this slowdown is not seen in global supply chains**

Since the start of 2024, global supply chains have, surprisingly, become more active, with Asian factories seeing the strongest demand in years and North American suppliers struggling to meet orders. Specifically, in February, the GEP Global Supply Chain Volatility Index (which measures the utilization of supply chains) increased to near 0, marking the highest level in 10 months and the closest to full capacity. Additionally, signs of inventory building in North America suggest that manufacturers are preparing for growth.

GEP Global Supply Chain Volatility Index



Supply chains are stretched

There is underutilized capacity

Source: GEP, S&P Global

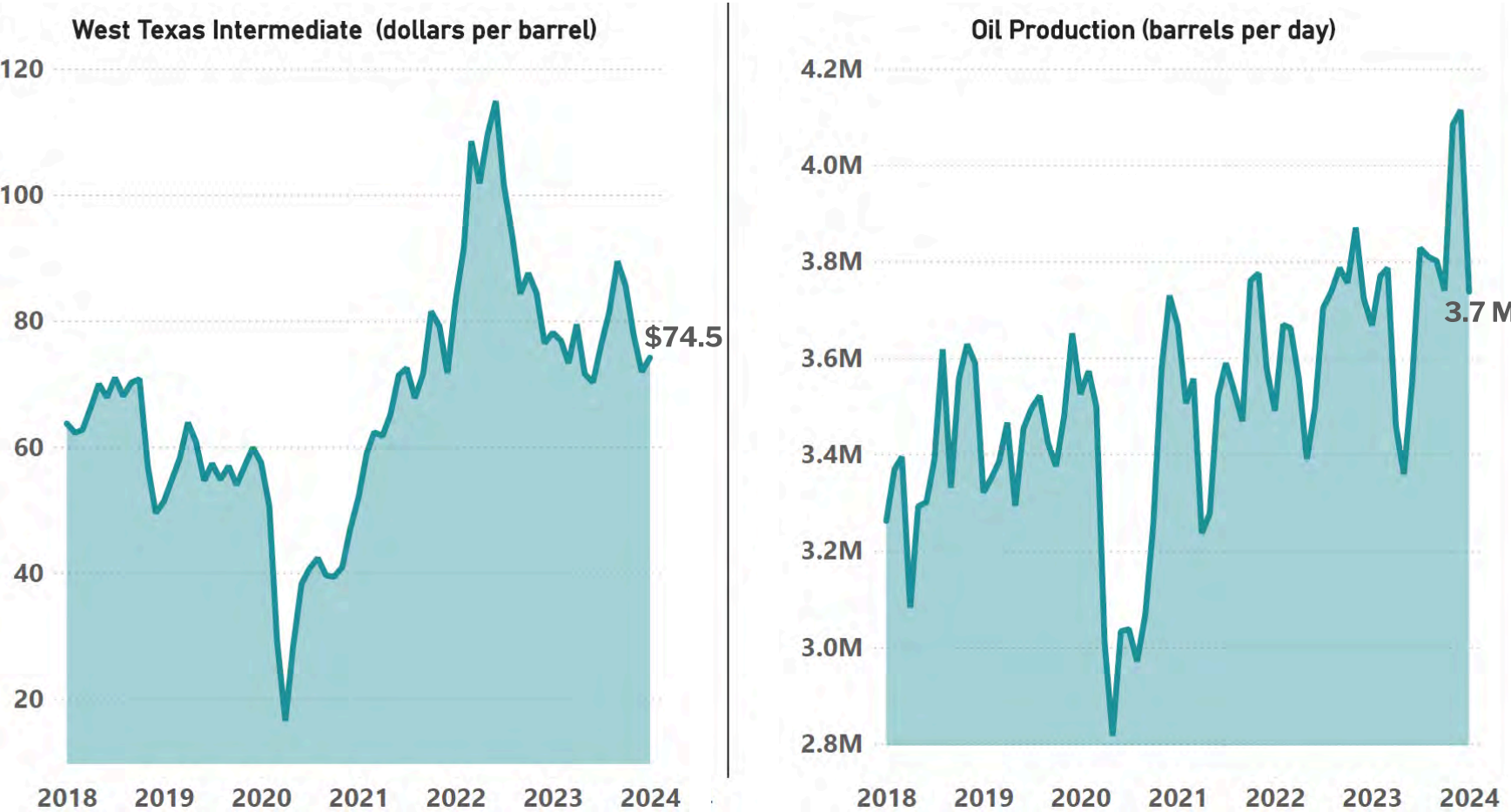
Thinking Globally

Economic Conditions

▶ **Oil prices will be pushed higher in 2024**

With the worsening conflict in the Middle East and additional cuts to OPEC+ production, most outlooks for oil prices have increased. As of our January snapshot, oil prices were expected to remain near their 2023 average of around \$78. Latest expectations suggest this could be closer to \$83. Meanwhile, Alberta production has been especially strong, hitting a peak of around 4.1 million barrels per day in January. With the eagerly awaited opening of the Trans Mountain Pipeline expansion, Alberta’s oil producers are well-positioned to ramp up production and revenues.

Oil prices and Alberta production



Source: Statistics Canada, Haver, Federal Reserve Bank of St. Louis, Spot Crude Oil Price: West Texas Intermediate.

Building Alberta's Future

The Next Generation

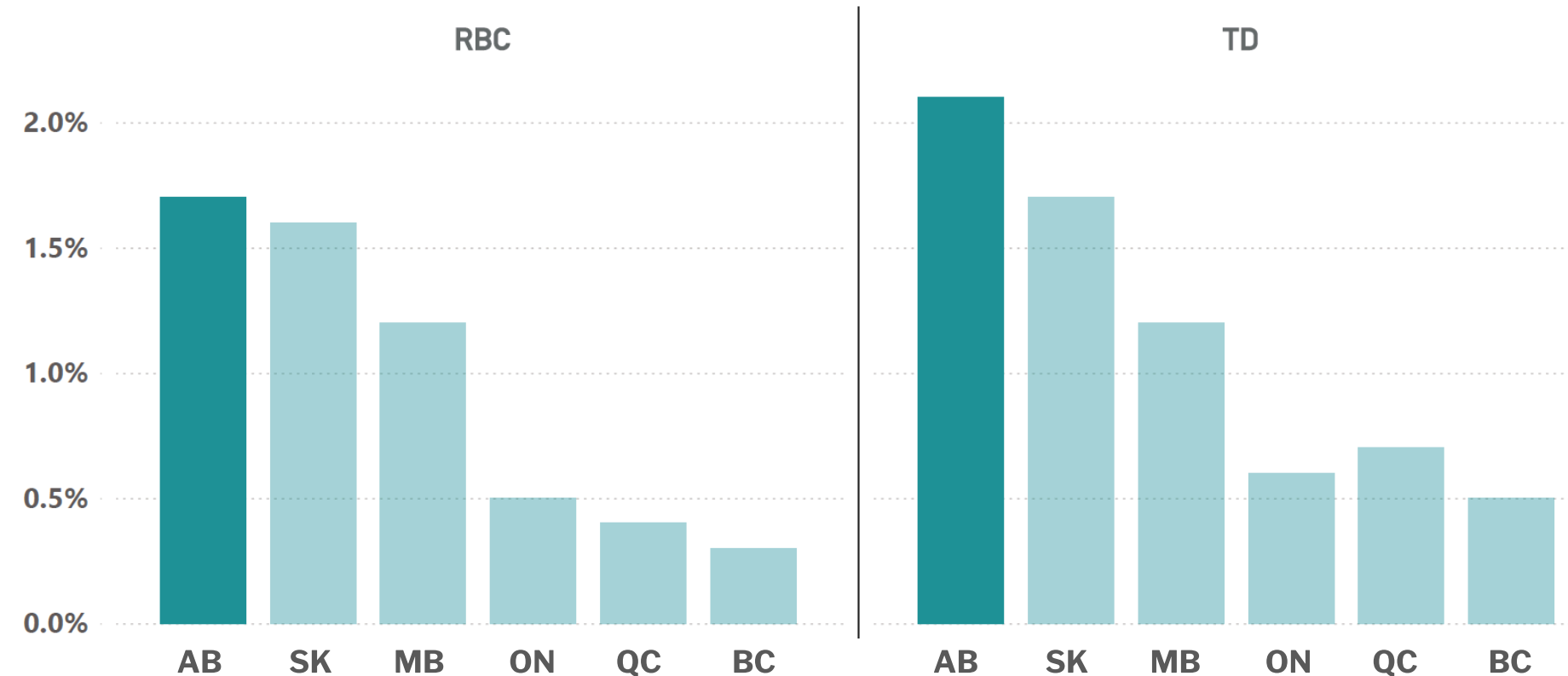


Economic prosperity isn't just about what happens today—it's about planting the seeds for the future. When Albertans see new opportunities, they will plan, invest, and take risks in creating a better tomorrow for themselves and for their province.

Building Alberta's Future

The Next Generation

2024 provincial economic forecasts



Source: TD Provincial Economic Forecast (March) and RBC Provincial Outlook (March)

- ▶ **Alberta positioned to lead growth nationally**

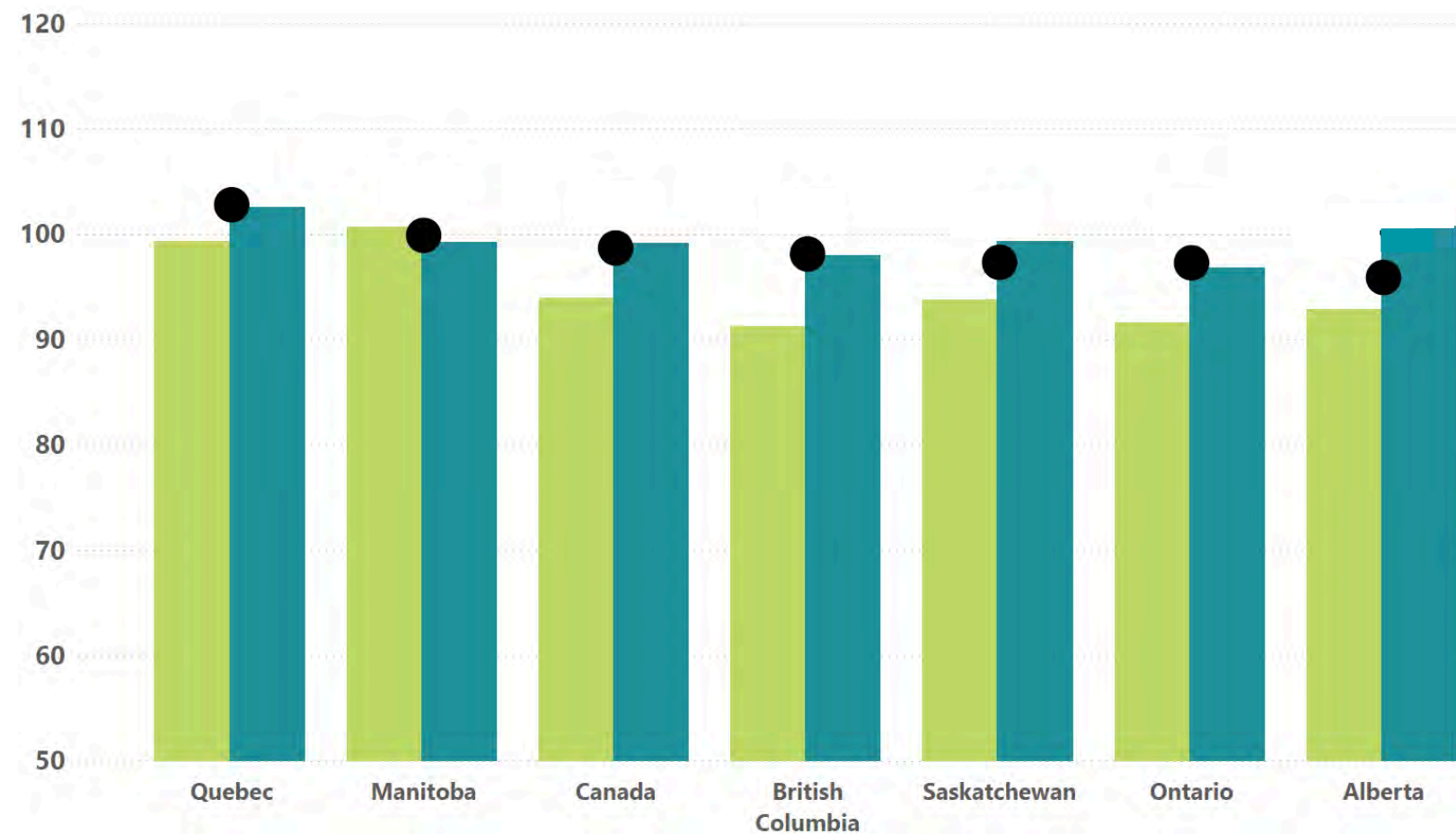
According to major bank forecasts, Alberta will again top the provincial leaderboard this year with forecasts ranging from 1.5% to just over 2% growth. But as we reported in January, Alberta is just the “fastest skater on a slow team” with economic growth weak across Canada and falling well short of population growth (which is set to come in around 3.4% to 3.7% this year). Nonetheless, given the existing headwinds—a slowing global economy and still-high inflation and interest rates—there’s something to be said for achieving even modest growth.

Building Alberta's Future

The Next Generation

Canada Business Expectations Index

● Average (Q1 2021 - Q3 2023) ● Quarter 4 2023 ● Quarter 1 2024



Source: Canadian Chamber of Commerce Business Data Lab, Statistics Canada

► Business expectations are in line with other provinces and especially strong in Alberta's biggest cities

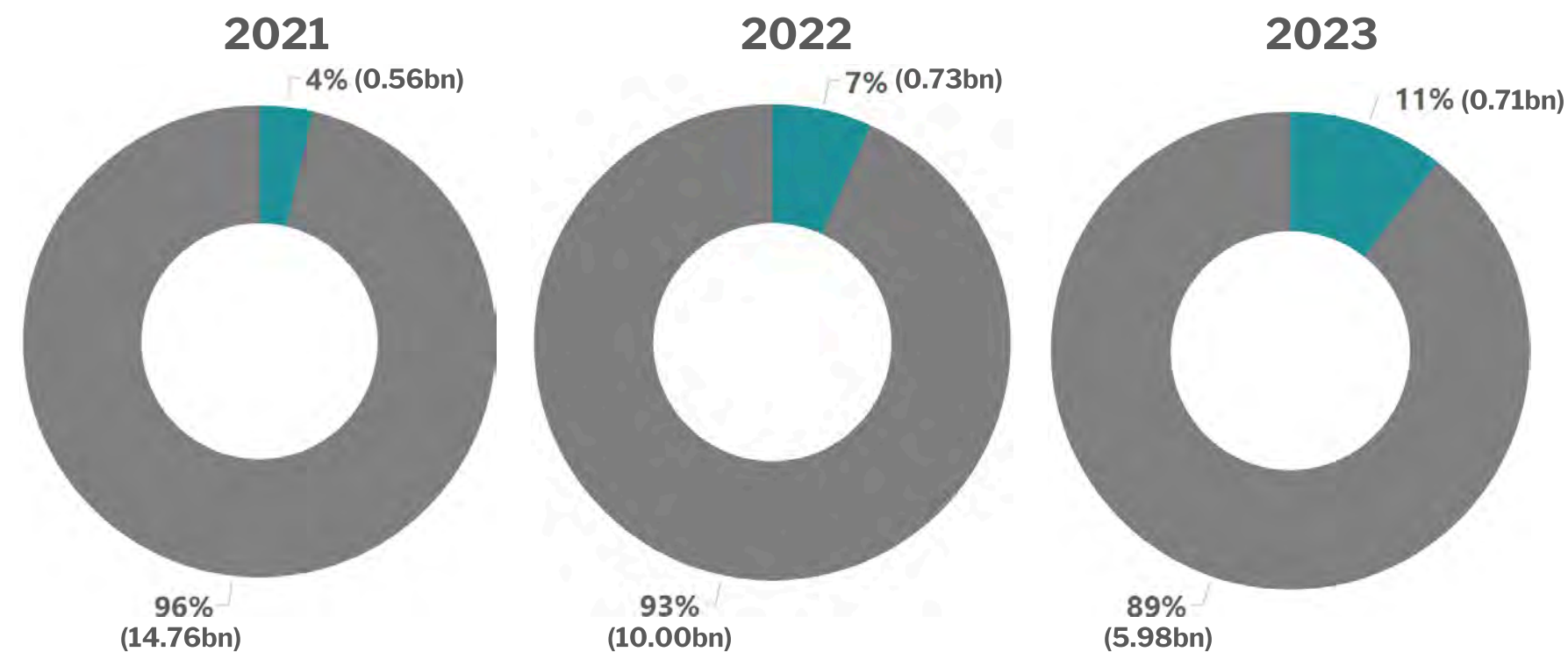
While BCA's Business Expectations Survey shows business optimistic in Alberta, it does not allow us to compare business sentiment with the rest of Canada or regionally within the province. A business survey reported by the Canadian Chamber of Commerce does. According to this survey, which also captures a broader range of business, Alberta business expectations have shown the most improvement of any province over the last quarter and are now among the best in the country. Regionally, Edmonton and Calgary now have among the highest sentiment of any region reported.

Building Alberta's Future

The Next Generation

Canada Venture Capital investment

● Alberta ● All other



Source: CVCA, 2023 Canadian Venture Capital Market Overview

► And the province is proving its ability to attract early-stage investment

Another bright spot for Alberta is Venture Capital (VC) funding. VC helps to grow promising startups into larger operations. In 2023, Alberta attracted over \$700 million in VC funding. Though VC investment dipped nationally, and even globally, in 2023, Alberta managed to attract a larger share of the dollars invested—up to 11%, from 7% in 2022 and just 4% in 2021, proving the province's ability to compete for early-stage investment dollars.

About the Alberta Snapshot

The Alberta Snapshot is a quarterly executive summary that helps you keep a pulse on what's going on in Alberta, from economic activity to business conditions to social well-being.

This report is produced by, and the property of, the Business Council of Alberta. For more information, email info@BusinessCouncilAB.com



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Report Citation:

Business Council of Alberta. Spring 2024.
Alberta Snapshot: A Quarterly Economic Update.

All data in this report is the latest available data as of April 16, 2024.