

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

City of Edmonton

Fall 2020 Forecast Update

Office of the Chief Economist

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Overview

The City of Edmonton's fall 2020 forecast predicts an economic contraction of 6.4 per cent for Edmonton for the whole of 2020, a moderate downgrade from 5.7 per cent in the spring forecast. An economic contraction of 5.9 per cent is predicted for 2020 in Edmonton's metropolitan region, including the city and outlying areas. From 2021 onward, growth is expected to be positive, though a full recovery to 2019 output levels is not expected until 2022 for Edmonton. Since the spring 2020 forecast, additional considerations included observed impacts of the pandemic on sectors across the economy, employment, and Edmonton's demography. Risks were adjusted to reflect these considerations, though the messaging remains the same: the road to recovery will be protracted and uneven. Economic scarring from the negative impact of the pandemic will take time to heal. Behaviours will also take some time to normalise, longer still if there are delays in vaccination distribution. Nine months into the pandemic, the full economic impact on Edmonton and the region remains unknown in some respects, due to the lag in the release of data and a lack of detail in some monthly data releases. The City of Edmonton will continue to closely monitor economic data to consider in future updates to its forecast. The major components of the fall 2020 forecast are discussed in further detail below. A summary of the fall forecast indicators can be found [here](#).

Economic Growth

Economic growth rates for Edmonton and the region were downgraded for 2020 in the fall forecast update. An economic contraction of 6.4 per cent is now expected for Edmonton, and 5.9 per cent predicted for the region. This assumes that the national and provincial economies contract by 5.8 per cent and 6.6 per cent, respectively. Within Edmonton, the largest relative contractions in real gross domestic product are anticipated to be in the sectors of:

- accommodation and food services (-23.4 per cent);
- trade (-11.9 per cent); and
- construction (-9.8 per cent).

Since the spring forecast update, it has become clear that the pandemic's significant impact on Edmonton's economy is disproportionately larger on sectors more reliant on in-person interaction, including accommodation and food services, transportation, personal services, tourism and retail trade sectors. Not only are these sectors seeing large employment losses, but there are greater downside risks to their recovery paths to pre-COVID levels.

Government support has been crucial, both for helping to offset some of the financial impact of the pandemic on businesses and households, as well as for providing support for an economic recovery. Certain sectors have been more resilient than initially expected, such as construction for residential structures (bolstered by low interest rates and shifts in preferences to land oriented units). However, construction remains one of the sectors expected to see a large relative drop in output due to anticipated lower development in the non-residential side for sectors that were hardest hit, such as the hospitality industry. Federal support has broadened since initial announcements of support early in the pandemic, with more targeted support and augmented eligibility criteria, as outlined in the federal government's fall economic statement.

With the exception of health and social services, and educational services, all other sectors are expected to contract in 2020. Edmonton's economy is not expected to return to 2019 levels until 2022, but real GDP per capita is not expected to return to 2019 levels until about 2025/26. In 2021, Edmonton's economy is forecast to grow four per cent with growth expected for all private sectors. Relative growth will be more pronounced in some services-producing sectors in the medium term, such as accommodation and food services, though goods-producing sectors, including construction and manufacturing, will also see strong gains. Between 2021 and 2024, the city's economy is expected to grow by about 3.1 per cent annually.

Population¹

Edmonton's population is still forecast to continue growing on an annual basis, supported by positive expectations for net in-migration and natural increase (i.e. births minus deaths). However, the rate of growth starting in 2021 is expected to be slower than previously forecast. In 2020, Edmonton's population is estimated to have grown by 1.9 per cent year-over-year. This rate of growth reflects an estimate as of July 1, 2020. Up until 2023, population growth is projected to hold steady at 1.5 per cent, a rate slower than in the years following the 2008 financial crisis, largely due to slower net in-migration.

Details of migration by component are not available at the city level due to a lack of data. However, it is reasonable to assume that CMA trends generally reflect migration patterns into the city, specifically lower levels of inter-provincial migration (i.e. persons moving from other parts of the country) and lower in-flows of net international migration (i.e. persons moving from other countries) over the medium-term. The underlying assumption is that

¹ Edmonton population estimates as of the fall 2020 forecast now align with data from Statistics Canada [Table 17-10-0142-01](#), Population estimates, July 1, by Census Subdivision, 2016 boundaries.

Edmonton's unemployment rate will likely remain among the highest across Canadian cities, undercutting its attractiveness for those looking to move for work.

Labour Market

According to Statistics Canada's Labour Force Survey, employment in the Edmonton CMA appears to be recovering, with November marking the fifth consecutive month of gains in seasonally adjusted employment. Between February and June 2020, employment estimates brought peak job losses of 122,100 positions. Consistent monthly gains in employment have helped to narrow the difference with November employment 56,800 positions below February estimates.

Growth in unadjusted employment suggests full-time employment has seen some gradual improvements, whereas part-time employment has been stronger in the employment recovery story with the November 2020 estimate 5,800 positions higher than the previous year. This aligns with the fact that some services-producing sectors, including the trade, and accommodation and food services, saw a more significant hit in employment relative to the goods-producing sector. Since the provincial relaunch strategy came into effect in May, the recovery in employment has been more pronounced in services-producing sectors, some of which tend to hire more part-time workers. Despite gradual improvements, full-time work remained lower on a year-over-year basis as of November, which presents a downside risk to the pace of recovery in consumption.

The employment forecast for the city was revised in the fall update and now projects a loss of 42,400 positions in 2020. That represents a downward revision of 12,600 positions compared to the spring 2020 forecast. Employment is expected to return to 2019 levels by 2022/23.

In 2020, the city's unemployment rate is expected to average 11.5 per cent, well above the 6.9 per cent average in 2019, and high by historical standards. As employment growth picks up traction in the coming years, the labour force is also expected to grow. This will result in a slowly lowering unemployment rate over the next several years.

In 2021, employment growth will gain traction with notable (relative) rebounds in the following sectors which were also hardest hit by employment losses in 2020:

- accommodation and food services;
- other private services; and
- trade.

Even though a return to 2019 employment levels is expected by 2022/23, there is some upside risk (i.e., actuals may be higher than projected) to the employment forecast, particularly should provincial vaccine distribution proceed as planned, providing businesses and households with confidence to begin charting a path back to normalised behaviour.

Housing Starts

Housing starts in Edmonton are expected to slow in 2020, with a forecasted decline of eight per cent. It is important to note that there is some upside risk to the housing starts forecast for the year, especially with year-to-date October starts already close to the 7,914 units forecast in the fall update. Supporting the stronger-than-expected performance has been low interest rates and an increased desire from buyers for single family units (as also evidenced in existing housing market statistics). Housing starts in 2021 are projected to total 7,387 units. It is important to note that housing starts are expected to be lower than pre-COVID levels for the next few years. Given the stronger than anticipated performance of housing starts in 2020, there is the risk of any housing starts in excess of the 2020 forecast drawing from the 2021 projection. The rationale behind this tradeoff for housing starts in 2020 and 2021 is the protracted and uneven path of Edmonton's economic recovery, particularly related to a risk of a slower recovery in full-time employment and incomes, two key drivers of housing demand.

Risks to the Outlook

Risks to the economic outlook for both Edmonton and the region remain tilted to the downside and are concentrated in the following areas:

- Oil prices — even though production cuts have helped to stabilise prices in recent months and vaccine announcements have offered some liftoff in recent weeks, prices are likely to remain volatile over the forecast period. Volatile oil prices pose a risk to the incentive to invest in the sector, potentially prolonging the oil and gas sector's recovery.
- Business confidence — should business confidence be slow to return post-COVID, employment and investment in the Edmonton area will be affected, which would impact not only Edmonton's economic recovery, but medium to long term growth prospects.
- Population growth — should the region's unemployment rate take longer to drift lower than expected, population growth may be slower than anticipated (particularly the net international and inter-provincial migration components), which would weigh on the pace of Edmonton's economic recovery.