

City of Edmonton Q4 2022 Economic Update

Edmonton and the region saw 2021's COVID-19 recovery momentum carry into 2022, with real gross domestic product (GDP) for both jurisdictions estimated to have surpassed pre-pandemic levels¹. This growth was in spite of inflation pressures amplified by Russia's invasion of Ukraine, and financial strain on consumers and businesses from interest rate increases from the Bank of Canada to combat inflation. Looking ahead, real GDP in Edmonton is expected to grow two per cent in 2023; and average two per cent growth annually between 2023 and 2027. Population growth is expected to support economic growth in 2023 with the construction, agriculture, accommodation and food services, and utilities sectors expected to see comparatively stronger real GDP growth rates. More information on the City of Edmonton's fall 2022 forecast update can be found on the City's Economic Reports and Forecasts website².

In Q4 2022, economic data for Edmonton and the region provided mixed signals on what was happening in the economy. Regional labour market conditions appeared to be in good shape in Q4 with employment gains, albeit at a slower pace than in Q3, and unemployment at relatively low levels. Business conditions appeared to be relatively solid in Q4, based on changes in Statistics Canada's Real-Time Local Business Conditions Index³ and responses from the Q4 2022 Canadian Survey on Business Conditions. The pace of housing starts slowed and the number of building permits for new residential structures in Edmonton pulled back over Q4, which may suggest cooling demand for new housing. As well, inflation continued to be a challenge in Q4, though price pressures for consumer goods and services, as well as for building construction, eased. More details on the labour market, consumer inflation, and residential construction are provided below.

Regional labour market

According to Statistics Canada's Labour Force Survey (LFS)^{4 5 6}, seasonally adjusted employment in the Edmonton census metropolitan area (CMA) gained 1,300 individuals in Q4 2022 quarter-over-quarter. This modest increase kept the unemployment rate virtually unchanged at 5.5 per cent, as the region's labour force saw minimal growth

¹ City of Edmonton fall 2022 forecast update

² edmonton.ca/business_economy/economic-reports-and-forecasts

³ www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2021017-eng.htm

⁴ www150.statcan.gc.ca/n1/daily-quotidien/230106/dq230106a-eng.htm

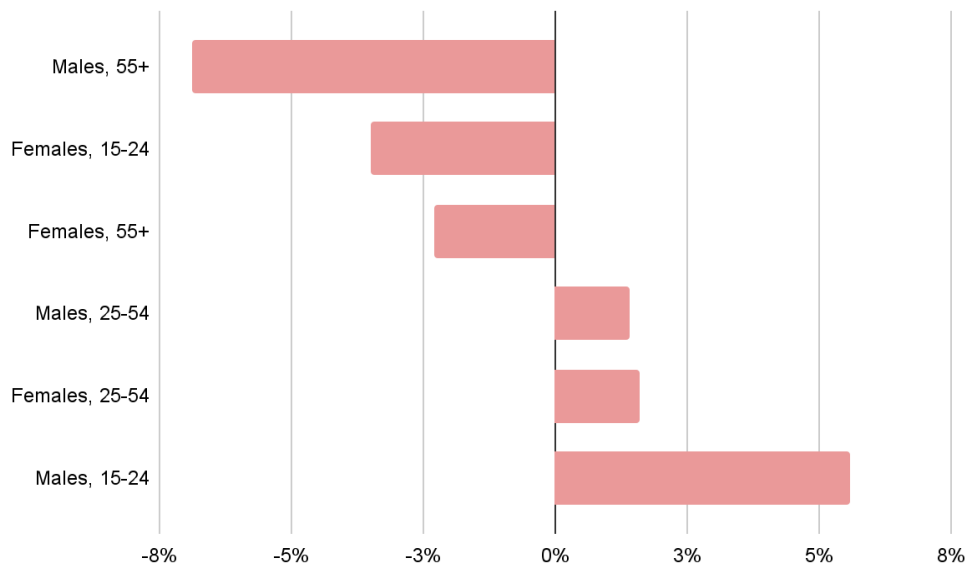
⁵ As LFS estimates for the Edmonton CMA are three-month moving averages, estimates for the last month in a quarter are used to represent the entire quarter. For example, March estimates would be representative of Q1.

⁶ On January 30, 2023, Statistics Canada revised its Labour Force Survey data. As a result of the revisions, data references in this report and going forward are not comparable to those made in previous reports. More information can be found here: www150.statcan.gc.ca/n1/pub/71f0031x/71f0031x2023001-eng.htm

quarter-over-quarter in Q4. Unadjusted employment levels gained 10,000 individuals in Q4 year-over-year, with 9,200 of those gains being for full-time work. At the sector level, there were notable year-over-year employment gains in construction (+19,600); professional, scientific and technical services (+16,600); and manufacturing (+12,500). Service sector employment decreased by almost 24,000 individuals year-over-year in Q4, with the most pronounced year-over-year reductions in educational services (-14,200) and trade (-12,200).

Aggregate employment in the Edmonton CMA recovered to pre-pandemic levels by mid-2021 and continued to strengthen in 2022, though growth softened towards the end of the year. Labour force growth has been outpaced by employment growth, which has led to significant decreases in the unemployment rate, bringing it below where it was pre-pandemic. Despite these improvements, the regional labour market recovery is incomplete, with a Q4 2022 employment rate lower than Q4 2019, the pre-pandemic reference point. The employment rate measures the share of the working age population that is employed. Across broad age groups, employment gains have been uneven, as indicated in Figure 1. For those aged 55 years and over, the employment rate was lower in Q4 2022 compared to Q4 2019, with a more sizable difference for males. The difference in the employment rate for older workers may be reflective of an increase in early retirements. For female youths (15-24 years old), the employment rate as of Q4 2022 still had room to recover, though the employment rate differential compared to pre-pandemic levels was narrower than in Q4 2021.

Figure 1. Edmonton CMA Q4 2022 employment rate differential by broad age group, relative to Q4 2019



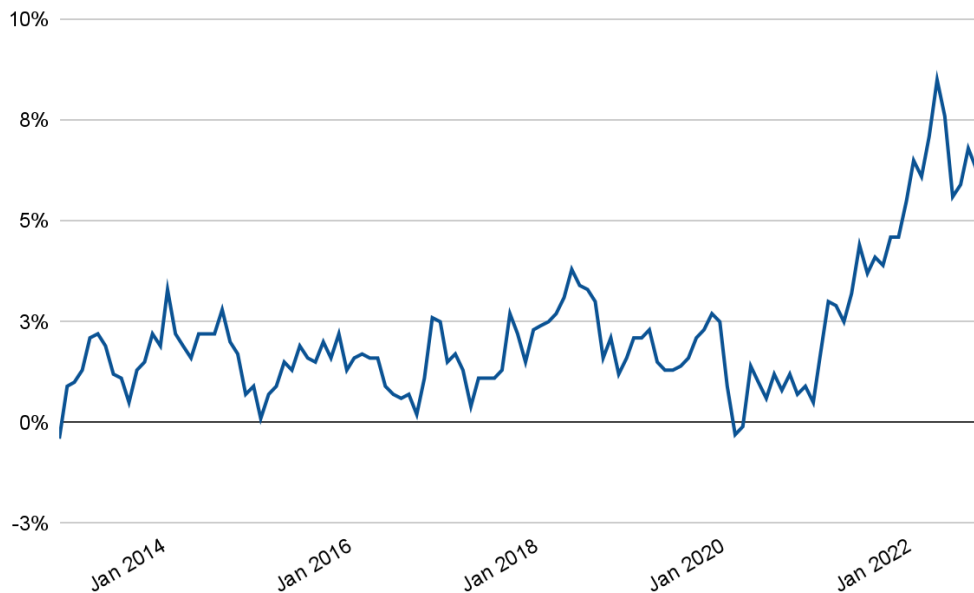
Source: Statistics Canada. Table 14-10-0378-01 Labour force characteristics, three-month moving average, unadjusted for seasonality; calculations by City of Edmonton

Looking ahead, employment in the Edmonton CMA is forecast to grow 2.1 per cent in 2023, and average annual growth of 1.9 per cent between 2023 and 2027. The region’s labour force is expected to continue to grow generally in-line with employment growth over the same period, which should keep the unemployment rate close to its 2022 average of 5.9 per cent.

Consumer inflation

Consumer inflation in the Edmonton CMA, as measured by year-over-year changes in Statistics Canada’s Consumer Price Index (CPI)⁷, eased slightly from an average of 6.4 per cent in Q3 to 6.2 per cent in Q4. Since Q3, price growth for shelter picked up. This was largely driven by higher inflation for accommodations, both rented and owned. Utility inflation in the Edmonton CMA pulled back slightly from an average of 7.3 per cent in Q3 to about six per cent in Q4. Retail gasoline prices in the Edmonton CMA were elevated in Q4, though the pace of increase has slowed down. Provincial CPI data, which provide more details on how consumer prices have changed, indicate that price pressures were broad-based as prices for all major components of the CPI basket increased year-over-year in Q4. Food inflation accelerated in Q4, with prices for food purchased in stores growing at a significantly faster pace than food purchased from a restaurant. Price growth for services also picked up from an average of five per cent in Q3 to an average of 5.7 per cent in Q4.

Figure 1. Annualized consumer inflation for the Edmonton CMA



Source: Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted

⁷ Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.

On an annual basis, consumers in the Edmonton CMA faced the strongest rate of inflation since 1982, with annual inflation of 6.3 per cent⁸ in 2022. Lingering supply chain issues and Russia's invasion of Ukraine, which upended commodity markets and consumer and business confidence, were the primary sources for soaring consumer prices and further accelerated food and energy inflation. Looking ahead, consumer inflation is forecast to ease in 2023 to average 3.9 per cent, followed by an average of 2.1 per cent in 2024. This forecast assumes that higher interest rates will slow consumer and business demand as the higher cost of borrowing starts to become more apparent in purchasing decisions in 2023, which should help to ease price pressures.

Residential construction

Demographic trends in Edmonton saw a return to more normal conditions in 2022, supported by federal immigration backlogs dissipating from the pandemic and Alberta attracting more people from other provinces. Edmonton's population was estimated to have reached 1,087,803⁹ as of July 1, 2022, marking an increase of 2.9 per cent over 2021. This is the fastest growth since 2013 to 2014, with the city welcoming more than triple the number of new residents it did between 2020 and 2021. A rebound in population growth combined with employment growth in the regional labour market, continued to spur housing demand in 2022. This was evident in strong growth in sales activity in the Greater Edmonton Area's existing home market and Edmonton housing starts throughout most months in 2022.

In Q4, housing demand appeared to soften. Specific to residential construction, the value of residential building permits in Edmonton declined by five per cent year-over-year to \$476.8 million¹⁰. For new structures, the value of residential building permits decreased 6.4 per cent year-over-year in Q4, while the number of permits was 23 per cent lower. The reduction largely reflected changes in construction intentions for new single and semi-detached dwellings. In Q4, housing starts in Edmonton totalled 2,796¹¹ units across all types and was relatively unchanged year-over-year, as fewer starts for single and semi-detached units were counterbalanced by an increase in row and apartment starts.

According to the Canada Mortgage and Housing Corporation, rental market conditions in Edmonton tightened in October 2022¹². Net migration, rising ownership costs and students returning to in-person learning were factors that lifted rental demand in Edmonton between

⁸ Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted.

⁹ Alberta Office of Statistics and Information, Demography and Social Statistics. January 2023 version.

¹⁰ City of Edmonton 2022 Statement of Building Permits Issued. Note: values for new residential structures exclude permits for residential alterations and repairs, and miscellaneous residential.

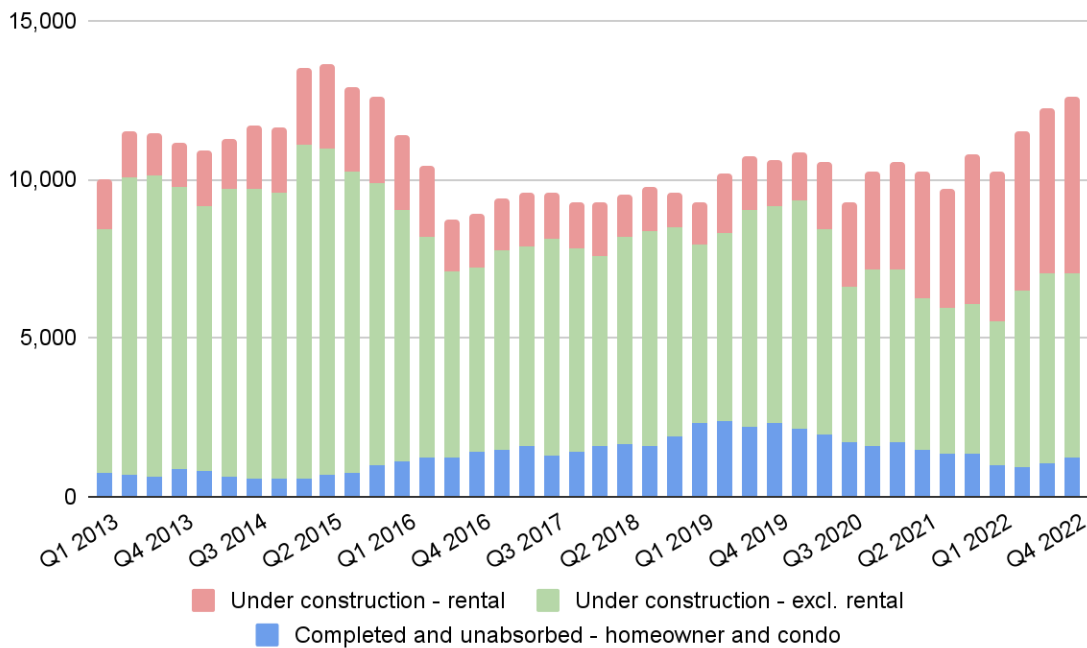
¹¹ Canada Mortgage and Housing Corporation, Starts and Completions Survey.

¹² Canada Mortgage and Housing Corporation, 2022 Rental Market Report.

2021 and 2022. Greater rental demand more than offset an increase in purpose-built rental apartment supply, which brought the vacancy rate down in Edmonton to 4.5 per cent in October 2022 from 7.6 per cent in October 2021.

Apartment starts have had a strong performance in 2022 with a 32.2 per cent gain compared to 2021. In recent years, the intended market for new apartment units in Edmonton has shifted away from condominiums towards purpose-built rentals. As of December 2022, there were 6,127 apartment units under construction in Edmonton. This is the highest year-end number since 2015. The share of apartment units under construction intended for the rental market was 83.9 per cent in December, which is more than double its 10-year historical average.

Figure 3. Edmonton new housing supply by intended market



Source: Canada Mortgage and Housing Corporation