

2015

# Economic Outlook





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# 1 EXECUTIVE SUMMARY

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## 1.1 CANADA

As a result of plunging oil prices, the Canadian economy is expected to slow. Economic growth is forecasted to average 2.2% in 2016.

## 1.2 ALBERTA

The energy sector is vital to Alberta's economy therefore the collapse of oil prices has resulted in negative implications across the province. Alberta's real gross domestic product is forecasted to grow marginally by 1.7% while unemployment is forecasted to rise to 5.9% in 2016.

## 1.3 PARKLAND COUNTY

Economic growth within Parkland County is expected to slow in the latter half of 2015 and the 2016 fiscal year as a result of the economic downturn. Nonetheless, in 2016, net migration is projected to remain positive while employment as well as commercial/industrial and residential assessments are projected to increase by 1.0%.



## 2 INTRODUCTION

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A critical component of our budget process is looking at economic indicators and assessing how they will impact Parkland County. We complete this process by reviewing reports developed by external parties and through discussion with our internal experts at Parkland County. As a result of this work, an overview of the economy, assessment predictions, and other factors are provided below.

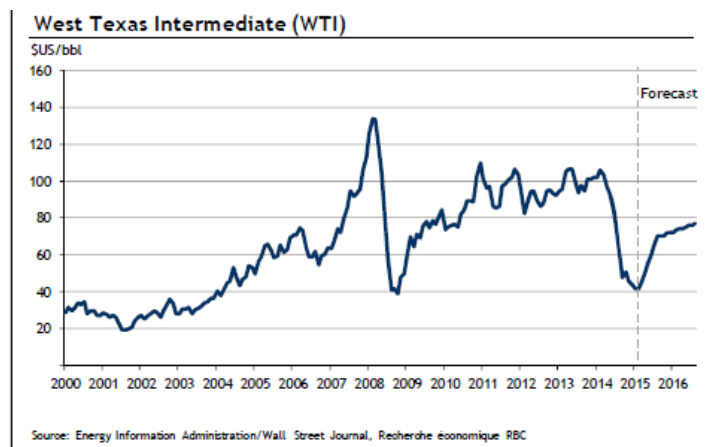
## 3 GROWTH AND THE ECONOMY

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### 3.1 CANADA

While the Government of Canada restored fiscal balance in the form of a surplus budget for 2015-16, economists are predicting that economic growth will remain underwhelming in the coming year as a result of slumping oil prices<sup>1</sup>. The Conference Board of Canada (CBC) is reporting that the consensus of private sector economists calls for economic growth to average just 2.2 per cent in 2016<sup>2</sup>.

Furthermore, the Province of Alberta and the Royal Bank of Canada (RBC) are both forecasting that oil prices will remain in the low end of the recent trading range until mid-2015 then will gradually recover thereafter. The former expects the price for a barrel of West Texas Intermediate to average \$54.84 (USD) in 2015 and \$62.80 (USD) in 2016 while the latter expects prices to average \$53.00 (USD) in 2015 and \$77.00 (USD) in 2016<sup>3 4</sup>.



### 3.2 ALBERTA

Alberta's economy is heavily dependent on the energy sector, therefore, the adverse effects resulting from the collapse of oil prices have been widespread. As per Marie-Christine Bernard, Associate Director, Provincial Economic Trends at the CBC, "the party appears to be over in Alberta, at least over the medium term, as low oil prices send chills through the economy. Several oil-industry firms have already announced sharp reductions to their capital plans and to employment"<sup>5</sup>. In response,

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<sup>1</sup> <http://www.budget.gc.ca/2015/docs/bb/brief-bref-eng.html>

<sup>2</sup> [http://www.conferenceboard.ca/topics/economics/budgets/federal\\_2015.aspx](http://www.conferenceboard.ca/topics/economics/budgets/federal_2015.aspx)

<sup>3</sup> <http://finance.alberta.ca/publications/budget/budget2015/fiscal-plan-complete.pdf>

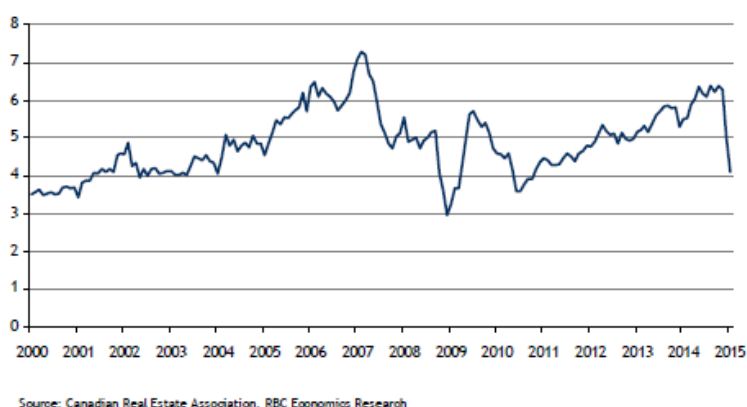
<sup>4</sup> [http://www.rbc.com/newsroom/\\_assets-custom/pdf/20150312-fcst.pdf](http://www.rbc.com/newsroom/_assets-custom/pdf/20150312-fcst.pdf)

<sup>5</sup> [http://www.conferenceboard.ca/press/newsrelease/15-02-23/alberta\\_s\\_economy\\_expected\\_to\\_decline\\_by\\_1\\_5\\_per\\_cent.aspx](http://www.conferenceboard.ca/press/newsrelease/15-02-23/alberta_s_economy_expected_to_decline_by_1_5_per_cent.aspx)

both the Province of Alberta and the RBC have revised their 2016 Alberta real gross domestic product growth forecasts downwards to 1.7%<sup>6 7</sup>.

#### Alberta : Existing home sales

Thousands of units, seasonally adjusted



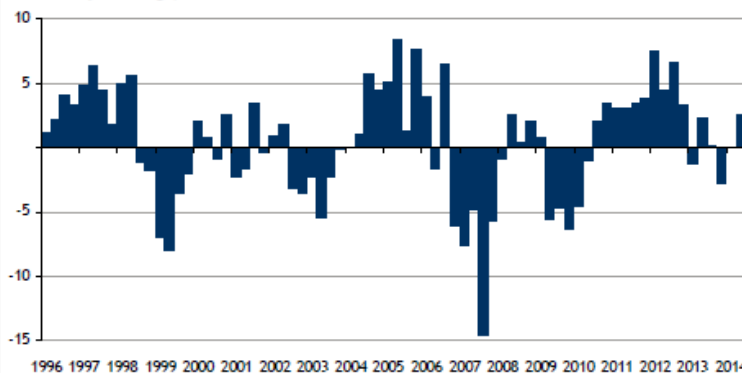
Since September 2014, multiple companies in the natural resource sector including but not limited to Suncor Energy, Cenovus, and Talisman Energy have reported mass layoffs to the tune of approximately 13,000 jobs<sup>8</sup>. Alberta's once robust labour market is expected to further tighten as the Province of Alberta is forecasting unemployment to rise from 5.7% in 2015 to 5.9% in 2016<sup>9</sup>.

With the labour market softening, consumer confidence is beginning to erode as evident by Alberta's recent housing statistics. As compared to the prior year, the number of active residential listings in April 2015 increased by 24.6% while the number of sales across all property types decreased by 22.6 per cent<sup>10</sup>.

In addition, the RBC is reporting that "the number of people coming to Alberta from across Canada plunged in the third quarter of 2014, thereby reducing the annual flow of provincial in-migrants by the greatest amount since 2009"<sup>11</sup>. If this trend continues, Alberta will experience a substantial reduction in population growth in 2016.

#### Alberta : Interprovincial migration

Year-over-year change, thousands



<sup>6</sup> <http://finance.alberta.ca/publications/budget/budget2015/fiscal-plan-complete.pdf>

<sup>7</sup> <http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/alta.pdf>

<sup>8</sup> <http://globalnews.ca/news/1889598/timeline-tracking-the-layoffs-in-albertas-oilpatch/>

<sup>9</sup> <http://finance.alberta.ca/publications/budget/budget2015/fiscal-plan-complete.pdf>

<sup>10</sup> <http://creastats.crea.ca/area/>

<sup>11</sup> <http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/alta.pdf>

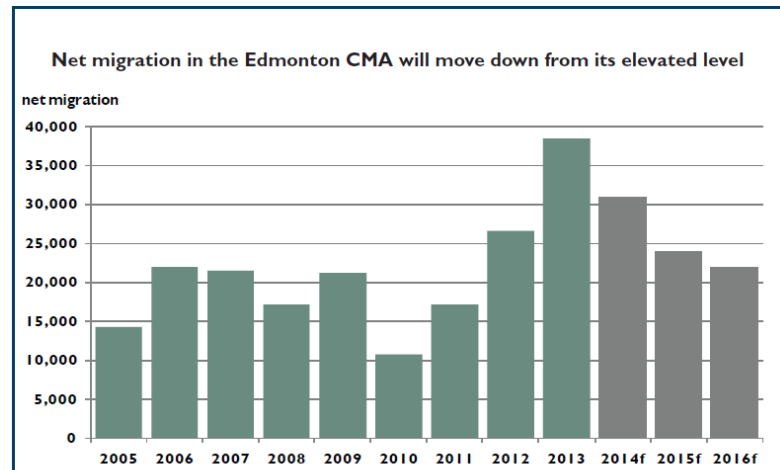


### 3.3 PARKLAND COUNTY

With the downturn in the Canadian and Alberta economy expected to persist for the foreseeable future, economic growth in Parkland County is projected to slow in 2016. A summary of key economic indicators is as follows:

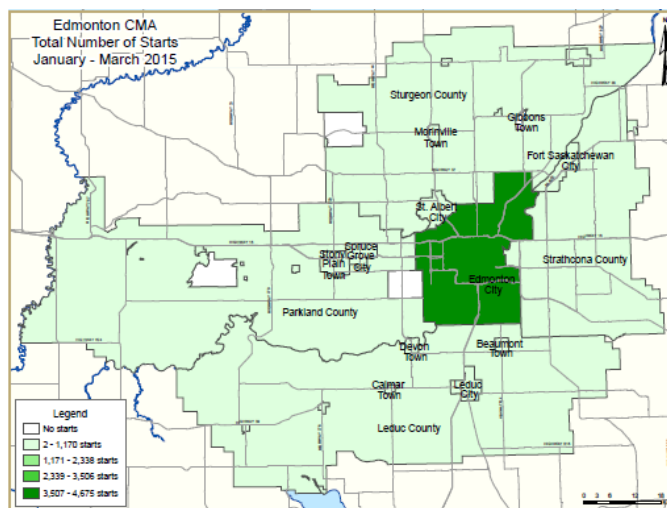
#### 3.3.1.1 Migration

Despite the slowdown in the oil sector, employment growth in the Edmonton Census Metropolitan Area (CMA) continues to post modest gains. In the first quarter of 2015, employment grew by 1.2% as compared to the prior year<sup>12</sup>. As a result, the Edmonton CMA is expected to remain an attractive destination among prospective residents.



Source: Statistics Canada, July to June, CMHC Forecast (f)

However, with Alberta's unemployment rate forecasted to be on the rise, overall net migration levels are expected to decline in 2016. The Canadian Mortgage and Housing Corporation is forecasting that net migration to the Edmonton CMA will amount to 22,000 people in 2016<sup>13</sup>.



Although the majority of new residents are expected to settle within the Edmonton city limits, data pertaining to housing starts in the first quarter of 2015 suggests that new residents are also migrating, albeit in fewer numbers, to surrounding areas<sup>14</sup>. As such, Parkland County is expected to experience modest population growth in 2016.

#### 3.3.1.2 Development

With modest population growth projected, construction activity as well as revenue from permits and services is expected fall below levels realized in 2015.

The value of permits for commercial/industrial construction for the five months ended May 31, 2015 is \$39 million as compared to \$30 million for the same period in 2014. Residential permits are also up with construction values totaling \$33 million compared to \$25 million for the same period in

<sup>12</sup> [http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171\\_2015\\_M04.pdf?fr=1432140696682](http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171_2015_M04.pdf?fr=1432140696682)

<sup>13</sup> [http://www.cmhc-schl.gc.ca/odpub/esub/64343/64343\\_2014\\_B02.pdf?fr=1431724157638](http://www.cmhc-schl.gc.ca/odpub/esub/64343/64343_2014_B02.pdf?fr=1431724157638)

<sup>14</sup> [http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171\\_2015\\_M04.pdf?fr=1432140696682](http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171_2015_M04.pdf?fr=1432140696682)

2014. The majority of this revenue has been generated from projects that commenced in 2014. Permit revenue is expected to slow for the remainder of 2015 and 2016.

### ***3.3.1.3 Funding***

As part of the 2015 Alberta Budget released on March 26, 2015, the Progressive Conservative led government prepared a five year capital plan to address the province's growing infrastructure needs. In total, \$29.5 billion was budgeted over the course of the next five years to build and maintain infrastructure within Alberta<sup>15</sup>. Of this amount, \$7.9 billion was allocated specifically to support municipal infrastructure<sup>16</sup>.

However, these values are subject to change as subsequent to the initial 2015 Alberta Budget being released, the Progressive Conservatives were defeated by the New Democrats in the provincial election held on May 5, 2015. A full revised 2015 Alberta Budget will be released by the New Democrat led government in the fall<sup>17</sup>.

### ***3.3.1.4 Impact of Growth***

With modest economic and population growth projected for 2016, the incremental impact on Parkland County resulting from new growth is expected to be minimal. As a result, the demand on County services and infrastructure is expected to remain consistent with 2015 levels.

### ***3.3.1.5 Assessment Predictions***

The Realtors Association of Edmonton is reporting that in April 2015, the average market price for residential property in the Edmonton CMA increased by 3.13% over the prior year<sup>18</sup>. As such, residential assessments are expected to increase modestly with Assessment Services projecting a 1.0% increase for 2016.

As a result of the increase in building permits issued as at May 2015 as compared to the prior year, Assessment Services is projecting that the commercial/industrial assessments will increase by 1.0% for 2016.

Assessment services is projecting flat growth in both the linear and machinery and equipment assessments for 2016.

### ***3.3.1.6 Internal Utility Rates***

Parkland County is entering into the final year of an agreement with their current electricity and natural gas supplier, Unified Energy 8760 Ltd. Electricity and natural gas prices are expected to remain stable in 2015 but may fluctuate in 2016 once a new agreement is reached.

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<sup>15</sup> <http://finance.alberta.ca/publications/budget/budget2015/fiscal-plan-capital-plan.pdf>

<sup>16</sup> <http://finance.alberta.ca/publications/budget/budget2015/fiscal-plan-capital-plan.pdf>

<sup>17</sup> <http://www.theglobeandmail.com/news/alberta/alberta-premier-designate-notley-says-no-full-budget-until-the-fall/article24521718/>

<sup>18</sup> <http://www.ereb.com/News&Events/LatestMarketStatistics.html>

### ***3.3.1.7 Manpower Planning***

With employment in the Edmonton CMA expected to post modest growth<sup>19</sup> in 2015, Parkland County will continue to review recruitment and retention practices to ensure that Parkland hires and retains the best employees.

## **4 SUMMARY**

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Alberta's economy is heavily dependent on the energy sector, therefore; it is projected that the collapse of oil prices will negatively impact the local economy of many municipalities within the province including that of Parkland County in the latter half of 2015 and the 2016 fiscal year. With oil prices projected to remain low for the foreseeable future, economic and population growth in Parkland County are both expected to slow. Commercial/industrial and residential assessments are expected to grow modestly while the demand on County services and infrastructure is expected to remain consistent with 2015 levels.

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<sup>19</sup> [http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171\\_2015\\_M04.pdf?fr=1432140696682](http://www.cmhc-schl.gc.ca/odpub/esub/64171/64171_2015_M04.pdf?fr=1432140696682)