



2017

# Economic Outlook



Financial Services Department  
Parkland County  
May 12, 2016

---

## Contents

|     |                             |   |
|-----|-----------------------------|---|
| 1   | Executive Summary.....      | 2 |
| 1.1 | Canada .....                | 2 |
| 1.2 | Alberta.....                | 2 |
| 1.3 | Parkland County .....       | 2 |
| 2   | Introduction.....           | 3 |
| 3   | Growth and the Economy..... | 3 |
| 3.1 | Canada .....                | 3 |
| 3.2 | Alberta.....                | 4 |
| 3.3 | Parkland County .....       | 6 |
| 4   | Summary.....                | 7 |

---



# 1 EXECUTIVE SUMMARY

---

## 1.1 CANADA

The Canadian economy is not expected to show improvement in 2017 as commodity prices are expected to remain low. Economic growth is forecasted to average 2.2 in 2017 which may still be tempered by significant worldwide economic factors.

## 1.2 ALBERTA

The energy sector is central to Alberta's economy; therefore, the ongoing low oil prices continue to have negative implications across the province. Alberta's real gross domestic product is forecasted to grow marginally or be flat while unemployment is forecasted to rise proportionately higher in 2017 unless there is a significant change in commodity prices.

## 1.3 PARKLAND COUNTY

Economic growth within Parkland County is expected to remain slow as a result of the continued economic downturn. In 2017, net migration and employment are projected to remain flat or increase modestly resulting in limited growth potential for commercial/industrial and residential assessments.



## 2 INTRODUCTION

---

A vital 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

---

### 3.1 CANADA

“Over the last four years, growth in Canada has slowed to below 2 per cent on average and the sharp decline in global crude oil prices since the end of 2014 has placed more significant downward pressure on the economy. However, the conditions are in place for the economy to begin to regain momentum”<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 1.4 per cent in 2016, followed by a modest bounce-back of 2.2 per cent growth in 2017”<sup>2</sup>

The Province of Alberta is forecasting that oil prices are expected to recover gradually over the forecast horizon as production slows down and demand picks up.<sup>3</sup> Historically oil prices have been very difficult to forecast as oil is affected by the global market. A comparison of oil price forecasts for the year 2020, completed by Black and Veatch, illustrates this fact<sup>4</sup>.

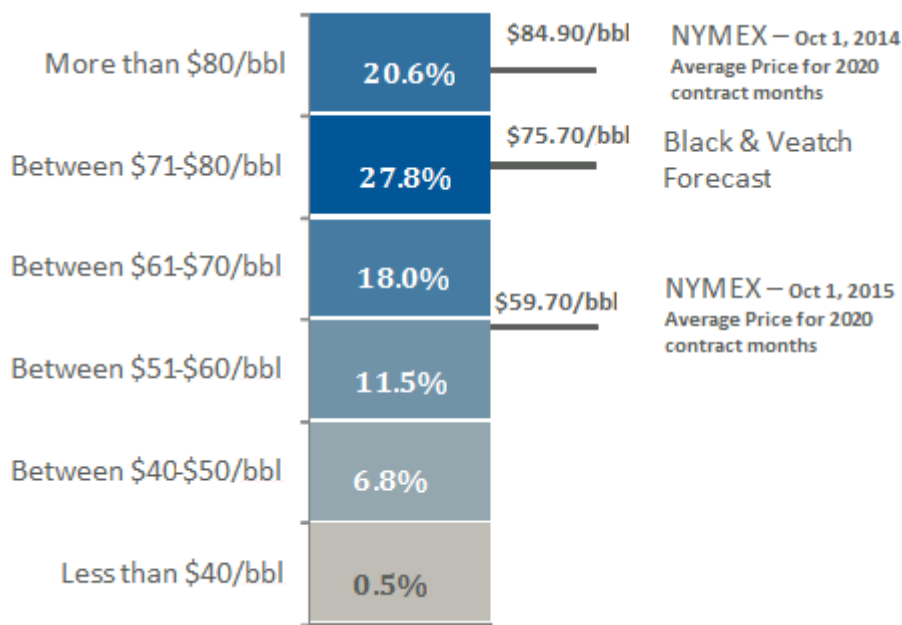
---

<sup>1</sup> <http://www.budget.gc.ca/2016/docs/plan/overview-apercu-en.html> (March 23, 2016)

<sup>2</sup> [http://www.conferenceboard.ca/topics/economics/budgets/federal\\_2016](http://www.conferenceboard.ca/topics/economics/budgets/federal_2016) (March 22, 2016)

<sup>3</sup> <http://finance.alberta.ca/publications/budget/budget2016/fiscal-plan-economic-outlook.pdf> (April 14, 2016)

<sup>4</sup> <http://breakingenergy.com/2015/11/19/oil-outlook-favors-higher-prices/> (November 19, 2015)



### 3.2 ALBERTA

Alberta's economy continues to adjust to the drop in oil prices. "Weakness directly related to the downturn in the energy sector will continue to weigh considerably on the province's economic conditions; however, we expect that such weakness increasingly will spill over to other sectors of the economy. We believe conditions will start to improve and that a modest recovery will begin next year as economic adjustments to lower oil prices make increasing progress."<sup>5</sup> As noted in the RBC Provincial Outlook Alberta Forecast at a Glance table, RBC is forecasting a slight increase of 2% in the real GDP for 2017<sup>6</sup>.

#### Alberta forecast at a glance

% change unless otherwise indicated

|             | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|-------------|------|------|------|-------|-------|-------|
| Real GDP    | 3.9  | 5.1  | 4.8  | -1.8  | -1.6  | 2.0   |
| Nominal GDP | 4.3  | 10.2 | 9.1  | -10.6 | -3.7  | 10.2  |

Alberta's labour market has been hit hard, and unemployment is expected to remain elevated into 2017. The unemployment rate is expected to remain elevated over the next two years, averaging 8.0% in 2016 and 7.5% in 2017.<sup>7</sup>

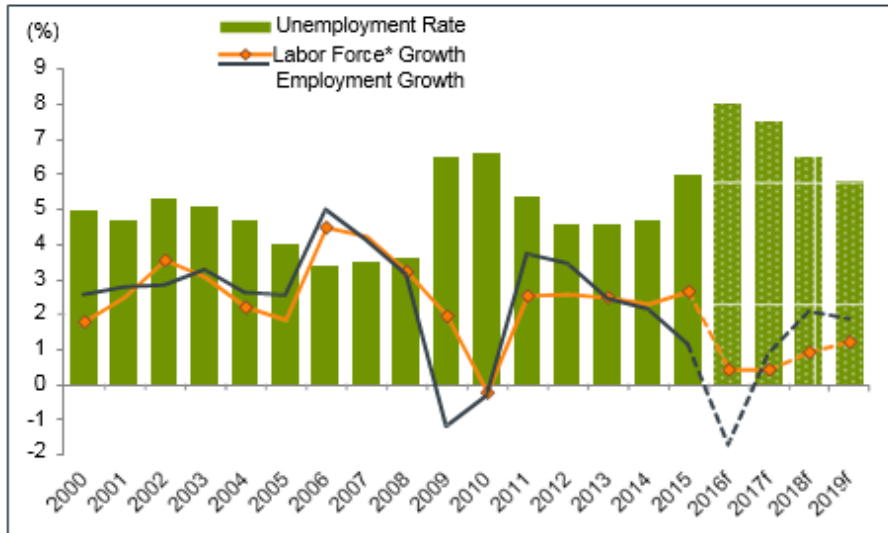
<sup>5</sup> <http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/alta.pdf> (March 2016)

<sup>6</sup> <http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/alta.pdf> (March 2016)

<sup>7</sup> <http://finance.alberta.ca/publications/budget/budget2016/fiscal-plan-economic-outlook.pdf> (April 14, 2016)



#### Alberta Labor Market Indicators

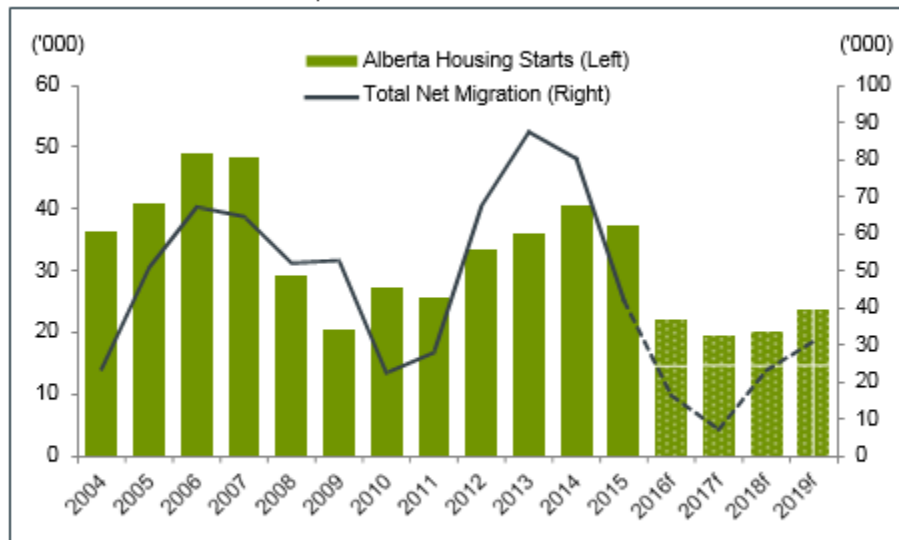


Sources: Statistics Canada and Alberta Treasury Board and Finance, f- forecast

\* The number of people working or looking for work

"A sharp rise in the outflow of individuals to other provinces is expected to contribute to a slowing in population growth in 2016, which would further weigh on household demand, including the province's housing market."<sup>8</sup> "House starts are expected to decline in both 2016 and 2017, with a gradual recovery in the medium term"<sup>9</sup>.

#### Alberta Housing Starts and Net Migration



Sources: Canada Mortgage and Housing Corporation, Statistics Canada and Alberta Treasury Board and Finance, f- forecast.

<sup>8</sup> <http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/alta.pdf> (March 2011)

<sup>9</sup> <http://finance.alberta.ca/publications/budget/budget2016/fiscal-plan-economic-outlook.pdf> (April 14, 2016)

### **3.3 PARKLAND COUNTY**

With the continued downturn in the Canadian and Alberta economy, the economic growth in Parkland County is projected to remain slow into 2017. A summary of key economic indicators is as follows:

#### **3.3.1 Migration**

Alberta's unemployment rate surpassed the national rate and is expected to remain elevated over the next two years, while overall net migration levels are expected to remain low with 1.2% in 2016 and 1.0% in 2017<sup>10</sup>. "Relatively slow economic growth and reduced net migration will lead to softer housing demand in 2016. By 2017, rising inventory on the multi-family market will lead to a further reduction in total housing starts"<sup>11</sup>.

#### **3.3.2 Development**

With limited population growth projected, construction activity as well as revenue from permits and services is expected to increase only slightly over levels realized in 2016.

The value of permits for commercial/industrial construction for the four months ended April 30, 2016 is \$5 million as compared to \$19 million for the same period in 2015. The number of permits issued is consistent with the prior year, however it is the value of the construction projects obtained in the first quarter that was significantly higher in 2015 as compared to 2016. Residential permits are also down with construction values totaling \$13 million compared to \$24 million for the same period in 2015. Although it is anticipated that permit numbers will remain fairly consistent with the prior year, it is anticipated that the value of permits will decrease as permits being issued are a result of smaller projects such as renovations, accessory buildings, and garages.

#### **3.3.3 Funding**

As part of the 2016 Alberta Budget released on April 14, 2016, the New Democrat Party led government prepared a five year capital plan to address the province's growing infrastructure needs. "Alberta's Capital Plan commits \$34.8 billion over 5 years to address the provinces infrastructure deficit and attempt to stimulate the economy. Within this plan, \$9 billion will go toward supporting municipal infrastructure"<sup>12</sup>.

#### **3.3.4 Impact of Growth**

With modest economic and population growth projected for 2017, 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 2016 levels.

When assessing future growth, it is important to look at future growth forecasts as well as existing one time capital projects. The Capital Region currently has a number of significant one time capital projects. These projects include the revitalization of the Edmonton Down Town Core, the North West Redwater Refinery, and the FortHills oil sands project. It is anticipated that the completion of these projects will result in a surplus of skilled labour in the Capital Region.

#### **3.3.5 Assessment Predictions**

The Realtors Association of Edmonton, Chair Steve Sedgwick expects a small decrease in single family home sales in the Edmonton area, as economic uncertainty continues." The continuation of low oil prices and

---

<sup>10</sup> <http://finance.alberta.ca/publications/budget/budget2016/fiscal-plan-economic-outlook.pdf> (April 14, 2016)

<sup>11</sup> [http://www.cmhc-schl.gc.ca/oppud/esub/64171/64171\\_2015\\_M04.pdf?fr=1432140696682](http://www.cmhc-schl.gc.ca/oppud/esub/64171/64171_2015_M04.pdf?fr=1432140696682) (October 26, 2015)

<sup>12</sup> <http://finance.alberta.ca/publications/budget/budget2016/fiscal-plan-capital-plan.pdf> (March 22, 2016)

economic decline have made buyers cautious. While much of the decline is offset by record low lending rates, we don't expect sales to pick up without a boost in our overall economy"<sup>13</sup>. Assessment Services predicts little to no change in residential assessment from 2016 to 2017.

As a result of the decrease in building permits issued to April 2016 as compared to the prior year, Assessment Services is projecting that the commercial/industrial assessments will remain flat from 2016 to 2017.

The growth in the Machinery and Equipment assessment will slow down due to production levels and will see little change or possibly a slight decrease for 2017.

Well & Pipeline is expecting a 9-10% decrease in 2017, as a result of decreases in material and earth work costs.

The Alberta Government's announcement that coal fired generation will be phased out by the year 2030 has resulted in uncertainty regarding the future of Parkland County's linear revenue received from coal fired power plants.

### **3.3.6 Internal Utility Rates**

Parkland County has entered into a new agreement for electricity and natural gas with Unified Energy 8760 Ltd. Electricity and natural gas prices will decrease slightly in 2017 as compared to 2016.

### **3.3.7 Manpower Planning**

With unemployment rates in the Edmonton CMA expected to be elevated, Parkland County will continue to review recruitment and retention practices to ensure that Parkland hires and retains the best employees from the larger pool of available individuals.

## **4 SUMMARY**

---

Alberta's economy is heavily dependent on the energy sector therefore the decrease in oil prices has negatively impacted the local economy of many municipalities within the province including that of Parkland County. With continued economic uncertainty regarding the impacts of oil prices, coal generation, the 2016 wildfire season, and the new Carbon Tax Levy, economic and population growth in Parkland County are both expected to remain steady or decline. Commercial/industrial and residential assessments are expected to remain flat while the demand on County services and infrastructure is expected to remain consistent with 2016 levels.

---

<sup>13</sup> <http://www.ereb.com/News&Events/2016HousingForecastSeminar.html> (January 6, 2016)