



Executive Summary

Calgary and Region Economic Outlook 2022-2027

Legend:

Selected Indicators

2019-2022 average • 2023-2026 average



Real GDP Growth
(per cent)

1.4 • 2.6



Employment Growth
(persons)

10,100 • 23,800



Inflation Rate
(per cent)

2.8 • 2.1



Net Migration
(persons)

10,400 • 13,500



Building Permit Value
(billions of dollars)

5.1 • 6.1

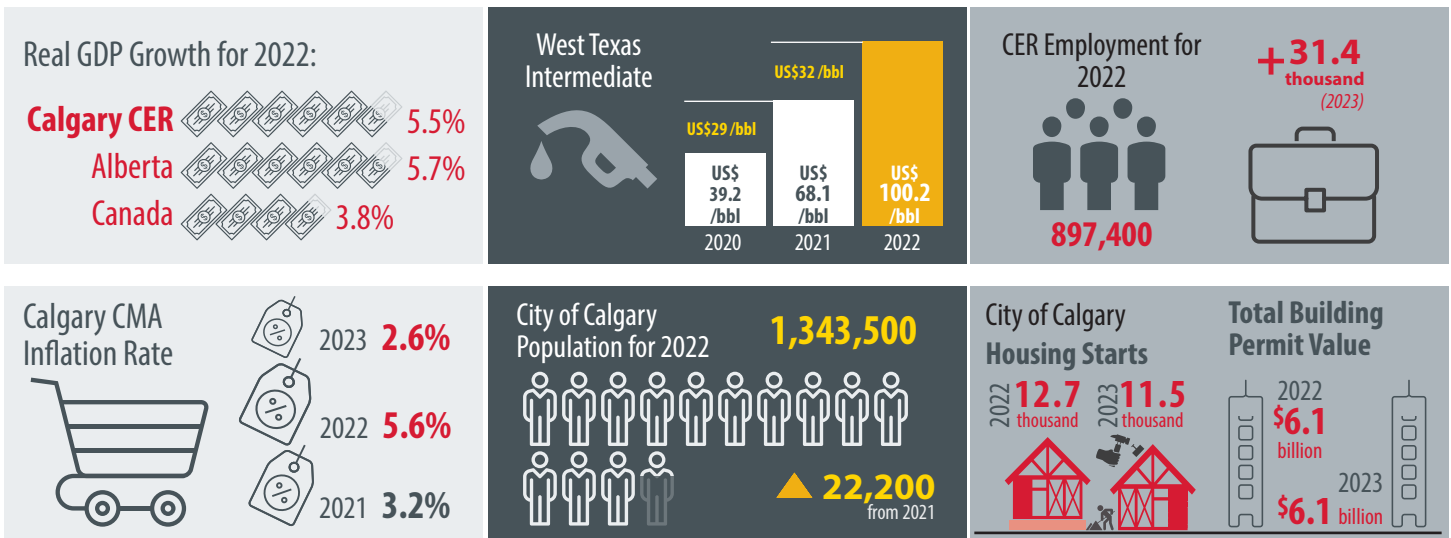
Executive Summary

Canada, Alberta, and Calgary started economic recovery in 2021. Economic growth is expected to continue into 2022 against the backdrop of high inflation, elevated energy prices, increased vaccination against COVID-19 and variants across the globe, and an ongoing war between Russia and Ukraine. The Bank of Canada has commenced a more aggressive monetary stance to rein in inflation and the implications are still unfolding. Lower hospitalization rates and higher vaccination uptake across the globe have prompted a relaxation of most public health-related measures. The public health relaxations in some regions have contributed to more robust regional demand as business activities return to some degree of normalcy. Though global supply chain constraints persist due to varying degrees of pandemic-variant disruptions, among others, the advent of the Russia-Ukraine war has contributed to increasing uncertainty surrounding the global supply chain.

Canada is expected to see growth in real GDP of 3.8 per cent in 2022, as a sizable portion of the services-producing sector (such as food and accommodation) returns to more normal operations after the pandemic health-related measures disproportionately impacted their industry. In Alberta and Calgary, real GDP growth is expected to reach 5.7 per cent and 5.5 per cent, respectively, aided by elevated energy prices in 2022 and the larger presence of the resource sector. Employment is expected to grow at a rate above the pre-pandemic five-year historical average growth rate in Alberta and Calgary over the forecast horizon. The average annual West Texas Intermediate oil price increased by US\$29 per barrel in 2021 from 2020 as pandemic health-related measures eased. It is expected to rise by as much as US\$32 per barrel more in 2022. The ongoing con-

flict between Russia and Ukraine, which began in late February 2022, will also add upward pressure on energy commodities and food prices and dampen global growth prospects.

We expect to see employment in the Calgary Economic Region finally exceed the pre-pandemic 2019 employment level in 2022, growing by as much as 4.1 per cent or 36,000 persons above the 2021 annual employment level. Inflation in Calgary is expected to remain elevated into 2022, increasing from 3.2 per cent in 2021 to 5.6 per cent this year as supply disruptions persist and some semblance of demand of the pre-pandemic era returns. However, inflation should wane as the Bank of Canada's monetary policy stance in 2022 wrestles inflation to 2.6 per cent by 2023. The City of Calgary's population is expected to grow by 1.7 per cent, or over 22,000 persons, in 2022, as prospects for employment opportunities strengthen. The City's population is then expected to increase by an average of 22,000 persons per year over the forecast horizon 2023-2027. The total new houses started in the city are expected to mimic 2021 levels of about 12,700 units in 2022 and normalize at about 11,500 houses started per year over the forecast horizon. Total building construction investments in the city are expected to be over \$6 billion in 2022, on the back of expected higher population growth, sustained housing demand and expected stronger employment growth in 2022. The challenges of new COVID-19 variants emerging and the ongoing war between Russia and Ukraine will exacerbate risks to the current forecast. The economic challenges across regions will vary as the policy prescription and success of vaccinations against COVID-19 have varied across countries, coupled with export disruptions caused by the war and economic sanctions against Russia.



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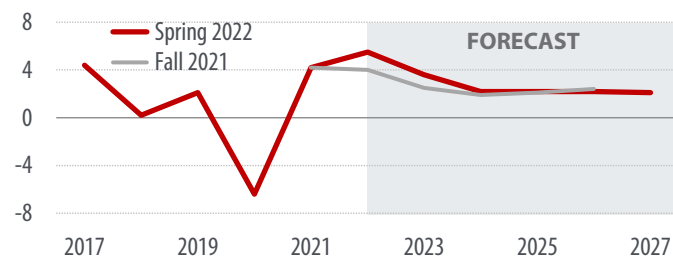
Forecast Table: Selected Key Indicators

	Actual	Estimate	Forecast				
	2021	2022	2023	2024	2025	2026	2027
World: GDP (%)	6.1	3.6	3.6	3.4	3.4	3.3	3.3
The U.S.: GDP(%)	5.7	3.7	2.5	1.8	1.7	1.7	1.7
Canada: GDP (%)	4.6	3.8	2.9	1.8	1.6	1.7	1.8
Alberta: GDP (%)	6.0	5.7	2.4	1.8	1.9	1.7	1.8
Calgary Economic Region: GDP (%)	4.2	5.5	3.6	2.2	2.2	2.2	2.1
Calgary Economic Region: Unemployment Rate (%)	9.1	7.7	6.9	6.4	5.9	5.5	5.2
Calgary Census Metropolitan Area: CPI (%)	3.2	5.6	2.6	1.8	2.0	2.0	2.2
City of Calgary: Total Building Permits (\$billion)	5.7	6.1	6.1	5.9	6.0	6.2	6.3
City of Calgary: Total Population ('000 persons)	1,321.3*	1,343.5*	1,366.2	1,388.9	1,409.7	1,431.5	1,454.4
City of Calgary: Housing Starts ('000 units)	12.7	12.7	11.5	10.5	10.4	10.6	10.6

* Estimates from Corporate Economics' Population Model.

Calgary Economic Region: Real GDP Growth

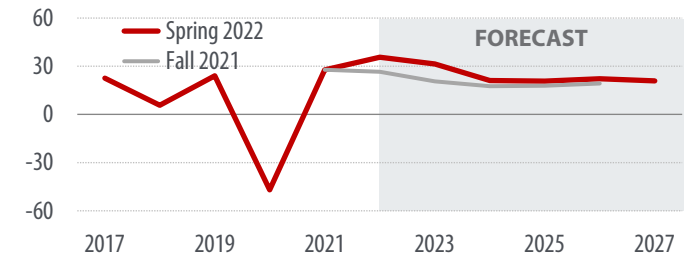
(per cent)



Source: Statistics Canada, Corporate Economics.

Calgary Economic Region: Employment Growth

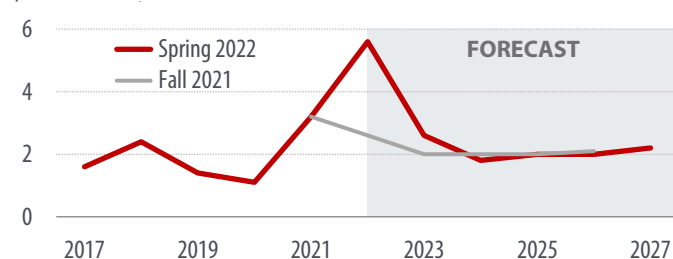
(thousands of persons)



Source: Statistics Canada, Corporate Economics.

Calgary CMA: Inflation Rate

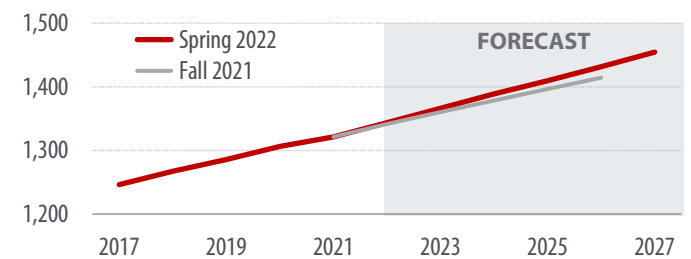
(per cent)



Source: Statistics Canada, Corporate Economics.

City of Calgary: Population

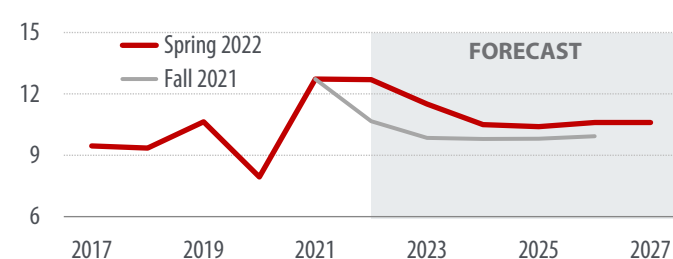
(thousands of persons)



Source: The City of Calgary, Corporate Economics.

City of Calgary: Housing Starts

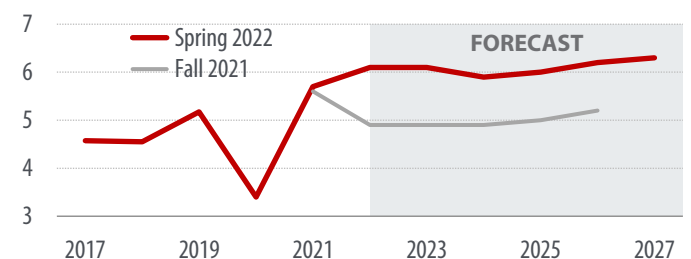
(thousands of units)



Source: CMHC, Corporate Economics.

City of Calgary: Total Building Permit Value

(billions of dollars)



Source: Statistics Canada, Corporate Economics.

Forecast Implications

Averages: Current (2019 to 2022) vis-à-vis Forecast (2023 to 2026) Budget Cycle

Economic Indicator	Current Service Plans and Budget Cycle 2019-2022 Average	Next Service Plans and Budget Cycle 2023-2026 Average	Forecast Implications
Assumptions			
World			
Real Gross Domestic Product Growth (%)	2.4	3.4	Higher global growth also highlights the staggered global COVID-19 response recovery from the different regions. The expected growing global demand pressures are positive attributes to supporting growth in Canada, however, Canada's exposure to global trade is currently significantly tied to the United States, Canada's biggest trading partner. The growth in global GDP and corresponding slow down in the United States GDP will have a push and pull effect on Canada.
The United States			
Real Gross Domestic Product Growth (%)	2.1	1.9	Reduction in demand for Canadian exports in next budget cycle as U.S. economic growth slows down. Canada's energy exports however expected to remain stable.
Canada			
Real Gross Domestic Product Growth (%)	1.3	2.0	With the effects of the COVID-19 pandemic fading away, the average rate of economic growth in Canada will be higher in the next budget cycle, supporting interprovincial trade.
Prime Business Loan Rate (%)	3.0	4.1	After dropping to record lows in 2020 and 2021, interest rates will rise to more typical levels during the next budget cycle, increasing The City's borrowing costs.
Exchange Rate (US\$ for 1C\$)	0.77	0.79	A mild increase in the value of the Canadian dollar in the next budget cycle will help to limit increases in the cost of imported goods.
Alberta			
Real Gross Domestic Product Growth (%)	0.9	2.0	The City's next budget cycle will be supported by the recovery in the oil and gas sector, as the province is expected to benefit from higher oil and gas prices.
Total Employment Growth (%)	0.8	1.9	The demand for City services will increase in the next budget cycle as pace of job growth increases.
Unemployment Rate (%)	8.6	6.0	Reduced demand for social assistance programs from The City as the number of unemployed persons reduces.
Housing Starts ('000 Units)	29.7	29.9	Relative stability in housing between current and next budget cycle, as relative affordability and international migration keeps demand steady.
Inflation Rate (%)	2.8	2.1	Despite persistent inflation in the current cycle due to pent-up demand and volatile energy markets, monetary policies by the Bank of Canada is expected to slow down consumer price growth in the next cycle. This is expected to reduce pressure on City revenue sources as the risks of insufficient revenue reduces.
West Texas Intermediate - WTI (US\$/bbl)	66.1	79.5	Oil prices are expected to remain significantly elevated in the next budget cycle in comparison to the current cycle. This is due to a ramp-up in energy demand, compounded by geopolitical tensions that have led to volatile energy supply globally.
Western Canadian Select - WCS (US\$/bbl)	52.2	63.2	Quality preferences and limited market access expected to be a contributing factor to slightly elevated WCS discount over the next cycle.
Alberta Natural Gas Price - AECO/NIT (\$/GJ)	3.0	3.4	An increase in natural gas prices likely to increase operational costs for businesses, cost of living for households and increase in city franchise fees.
Industrial Product Price Index (%)	5.3	0.6	Price growth for finished products will be lower than the previous budget cycle, as inflation and production costs subside after 2022, reducing inflationary pressure in The City.
Raw Materials Price Index (%)	9.2	-0.5	Raw material prices are expected to decline after 2022 an into the next budget cycle as global supply chains stabilize and inflationary pressures die down within the region.
Alberta Average Annual Wage Rate Growth (%)	0.9	1.8	Higher wage growth in the next budget cycle will raise incomes as well as the cost of labour, contributing to inflationary pressure within the province and The City.

Forecast Implications

Averages: Current (2019 to 2022) vis-à-vis Forecast (2023 to 2026) Budget Cycle

Economic Indicator	Current Service Plans and Budget Cycle 2019-2022 Average	Next Service Plans and Budget Cycle 2023-2026 Average	Forecast Implications
Forecast			
Calgary Economic Region			
Real Gross Domestic Product Growth (%)	1.4	2.6	While the pandemic-driven recession has created significant economic challenges in the current budget cycle, stable growth is expected for the region in the coming budget cycle, supporting recovery in the non-residential tax base.
Total Employment ('000 persons)	868.6	960.5	An increasing employed population will bring an increased consumer base and increase demand for housing and services in the region.
Total Employment Growth (%)	1.2	2.6	Compared to the current budget cycle, which was impacted by the COVID-19 pandemic, the rate of employment growth will increase the rate of demand for City services and infrastructure in the upcoming budget cycle.
Unemployment Rate (%)	8.9	6.2	A falling unemployment rate in the next budget cycle will increase the competition for skilled workers and reduce demand for social services that support the unemployed.
Calgary Census Metropolitan Area (CMA)			
Housing Starts ('000 units)	12.8	13.3	Housing investments in the Calgary area are expected to increase slightly in the coming budget cycle as growth in Calgary's neighbouring municipalities continues.
Inflation Rate (%)	2.8	2.1	Following the high inflation of 2021-2022, increases in consumer prices will moderate in the coming cycle. More stability in the cost of goods and services helps limit the risks of cost overruns and budget adjustments.
Non-Residential Building Construction Inflation (%)	2.8	2.4	Costs are expected to rise every year in the forecast, yet average a lower non-residential escalation in the next budget cycle. Previously, cost escalation would generally skip a year or more.
City of Calgary			
<i>Demography</i>			
Total Population ('000 Persons) <i>at the end of the cycle</i>	1,314.2	1,399.1	Larger total population means demand for municipal services would be higher and the residential property tax base would increase.
Total Population Growth (%)	1.5	1.6	Calgary population continues to grow, from births as well as in migration. When the pandemic finally ends the City may find itself having to do a lot of catch-up to provide services to its larger population.
Net Migration ('000 Persons)	10.4	13.5	Following disruptions due to the COVID-19 pandemic in the current budget cycle, net migration to Calgary is expected to pick up in the upcoming cycle, supporting demand for housing.
Household Formation ('000 Units)	7.0	8.6	The higher household formation in the next budget cycle supports the narrative of a larger residential tax base and increased demand for City infrastructure and services.
<i>Real Estate</i>			
<i>Residential Market</i>			
Housing Starts ('000 units)	11.0	10.7	Stable residential construction activity in the next business cycle will support increases in the residential tax base, development and building permit activity, and demand for the continued expansion of City infrastructure.
Average Residential MLS Sale Price (% change)	3.4	3.1	Home affordability in Calgary will remain challenging for new housing market entrants in the upcoming cycle as price growth remains stronger than inflation.
Building Permits (city) (\$billions)	5.1	6.1	Led by stable growth in residential and non-residential construction, as well as increases in the price of real estate, higher building permit values in the next budget cycle will lead to increased revenues and demand for services.

Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and have developed reliable methods of forecasting and analysis.

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Sources:

Bank of Canada, CMHC, Conference Board of Canada, CREA, CREB, Government of Alberta, Government of Canada, International Monetary Fund (IMF), Statistics Canada, Stokes Economics, The City of Calgary, U.S. Energy Information Administration (EIA), Federal Reserve Bank of St. Louis (FRED), World Health Organization (WHO), and others.