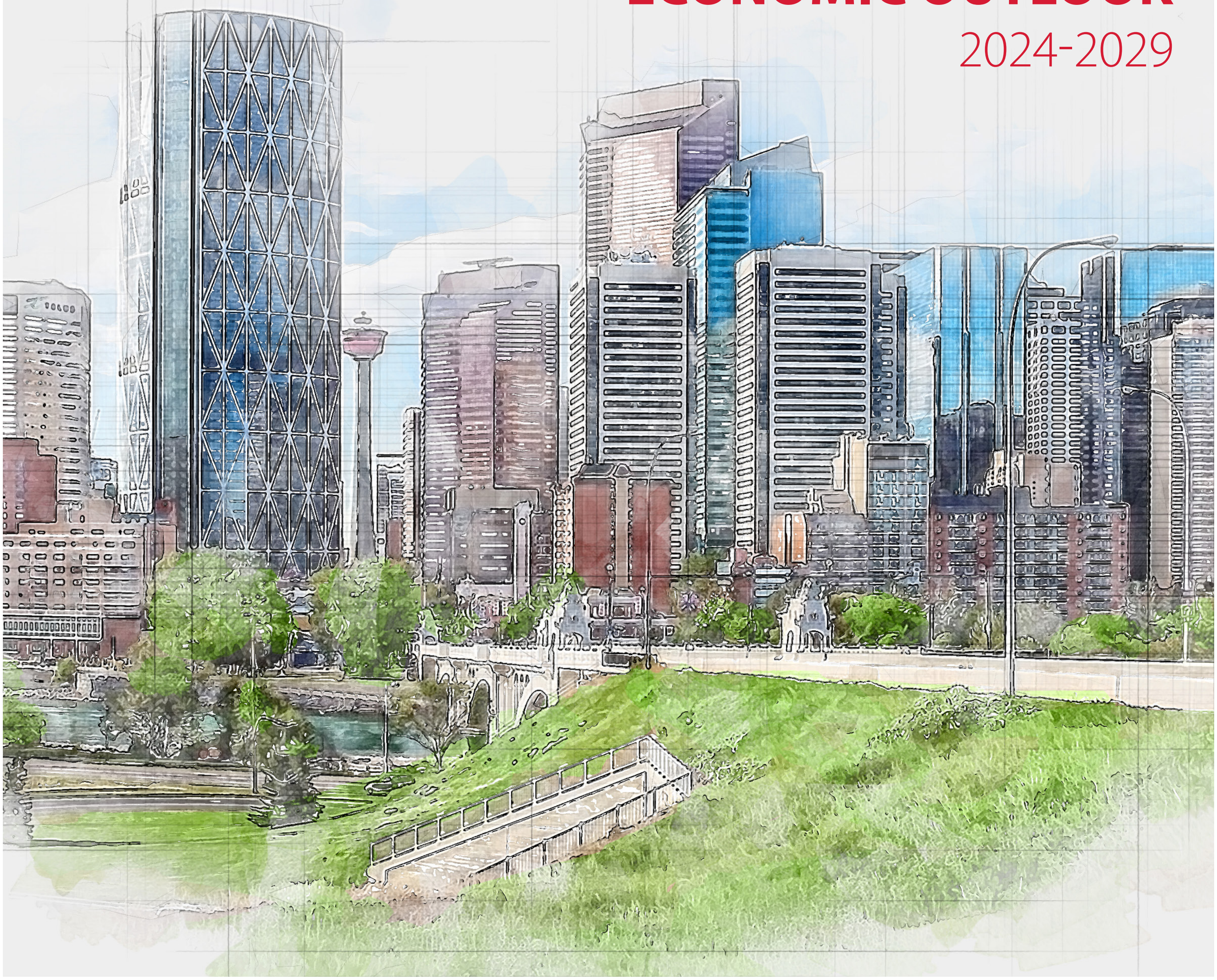
SPRING 2024

CALGARY AND REGION ECONOMIC OUTLOOK

2024-2029



EXECUTIVE SUMMARY

Calgary's economy should outpace the national economy as commodity prices and oil and gas investments insulate Alberta from macroeconomic headwinds. In addition, the demand for housing to accommodate the number of people moving the city should drive an expansion in construction. Expected lower borrowing costs in the second half of the year should contribute to residential investments.

Executive Summary

1. The start of the Trans Mountain Pipeline Expansion (TMX) should boost crude oil capacity and narrow the WTI-WCS differential, consequently enhancing Alberta's energy sector cash flows

Following a mixed performance in 2023, the oil and gas sector is prepared for substantial gains in 2024. Oil output in the province reached an all-time high in December 2023, driven by producers overcoming earlier struggles and adjusting production for the completion of the much-anticipated Trans Mountain Pipeline expansion. Proposed federal government climate policies, such as emissions caps on the oil and gas sector, could hinder future output increases and impact various aspects of the economy, including investment and government revenues. Producers are expected to focus their investment toward optimizing current production infrastructures and redirect a portion of their spending toward greenhouse gas emissions reduction, either by investing in lowering emission intensities or purchasing carbon offsets.

In 2024, the price of West Texas Intermediate (WTI) crude oil is predicted to average U.S.$77/bbl, unchanged from last year, and U.S.$75/bbl in 2025. The price of Alberta's Western Canadian Select (WCS) crude oil should hover around U.S.$58/bbl in 2024, virtually unchanged from the U.S.$59/bbl reached in 2023 and increase to U.S.$60/bbl in 2025. Work on the Trans Mountain Pipeline Expansion is expected to conclude in the first half of 2024, expanding the current 1,150-kilometre pipeline between Strathcona County, Alberta and Burnaby, British Columbia. This expansion will create a twinned pipeline that will almost triple the nominal capacity of the system from 300,000 barrels per day to 890,000 barrels per day. The addition will increase the value of Canadian oil by unlocking access to world markets where higher prices are paid for oil, resulting in greater tax revenue for Canada. It will enable producers to capture an additional $73.5 billion in revenues by narrowing the price differential between the WTI and WCS, which is currently hovering around U.S.$18/bbl.

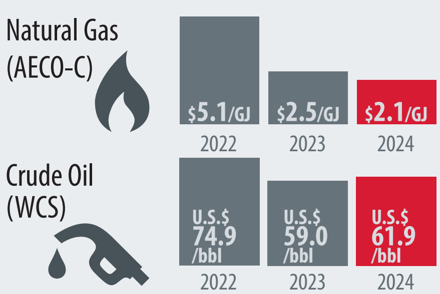
Although energy prices are forecast to trend down in 2024, upward price pressures exist due to geopolitical uncertainties and weather shocks. The potential escalation of the Israel-Hamas war to the wider Middle East region, especially with the recent Iranian strikes in Israel, continued attacks in the Red Sea and the ongoing war in Ukraine could impact global oil supply and prices. More extreme shocks could also cause extra price volatility.

Although the start of 2023 experienced a rare winter injection, 2024 was characterized by frigid polar weather which slammed into North America. Colder-than-average temperatures led to large natural gas withdrawals from storage, easily overshadowing 5-year highs. As temperatures moderated in February, withdrawals quickly retraced and are now substantially less than the 5-year average. Storage levels are currently trending above 5-year highs.

Amidst depressed prices, North American production was robust, especially in Permian Basin natural gas, which saw a 12 per cent increase in production. Overall, production in both the U.S. and Canada rose by 4 per cent and 2 per cent, respectively, in 2023. Gas rig activities in the U.S. were 5 per cent lower in 2023 compared to 2022, while Canadian activities increased by 10 per cent, according to Baker Hughes.

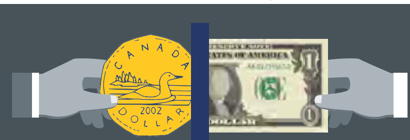
Given ample inventory and forecasted mild weather, it is expected that AECO prices will remain similar or slightly lower compared to 2023, with an average of $2.20/GJ for 2024. For the mid-term outlook, prices are anticipated to rebound as the oversupply moderates and the economy recovers, with prices forecasted to be $3.20/GJ in 2025 and $3.80/GJ in 2026.

Energy Prices



The **WCS oil price is expected to remain strong**, thanks to the completion of the Trans Mountain pipeline, while **the AESO-C price is projected to decline** due to mild weather and ample storage levels.

Canada/U.S. Exchange Rate



U.S.$ for 1 C$

2025-2029 Average **0.76**
2024 **0.75**
2023 **0.74**
2022 **0.77**

The **exchange rate** between U.S. and Canadian dollars is expected to remain stable in the current cycle. This should support trade as trading partners benefit from improved price certainty.

GDP Growth Comparison

Real GDP growth rate for the CER should should exceed the provincial, Canadian, and U.S. economic performance, supported by energy industry investments.

Calgary CER **2.3%**
Alberta 2.3%
Canada 0.7%
U.S. 2.0%
World 3.2%

2. Strong net migration in Calgary is expected to drive the construction and owner-occupied housing industries, while expected increase in housing supply should aid in the deceleration of average resale house price appreciation in 2024

The need for companies to fulfill the significant demand from net migration and the lifting of pandemic limitations resulted in record-high job openings, causing the labour market to heat up over the last year. But since then, the labour market has significantly cooled off as company expansion is impeded by a combination of high inflation and high lending rates.

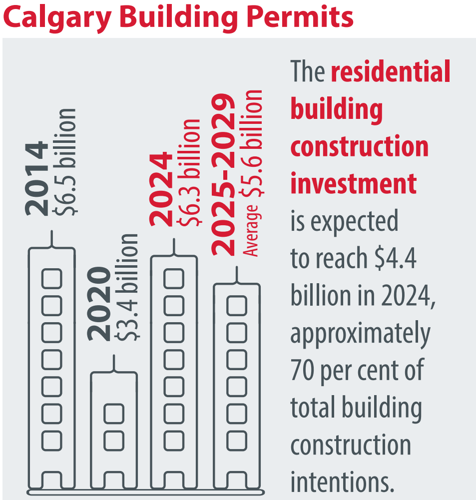
The underlying trend in Calgary's labour market is not an unwillingness to hire; hiring has been stronger than expected to start the year. Statistics Canada reported that the CER added nearly 50,000 jobs between March 2023 and March 2024, which is quite impressive. The fundamental problem is that hiring is not keeping up with Calgary's rapid population growth, which pushes CER unemployment rates upward even in the face of substantial hiring. For example, despite months-long increases in employment, the unemployment rate in the Calgary Census Metropolitan Area (CMA) climbed for the third consecutive month in March, rising from 5.3 per cent in December 2023 to 6.4 per cent in March of this year.

Overall, current labour market trends indicate a significant rise in Calgary's unemployment rates. We expect the CER unemployment rate to rise from 6.0 per cent in 2023 to 6.6 per cent in 2024 as strong net migration dwarfs the number of job openings. This is expected to trend downwards in 2025 as the combination of lower interest rates and lower inflation improves demand and business expansion. Employment growth in 2024 and 2025 is expected to remain fairly like last year, recording an approximately 2.6 per cent growth rate in both years. Growth this year is expected to be driven by the accommodation and food services and transportation and warehousing industries.

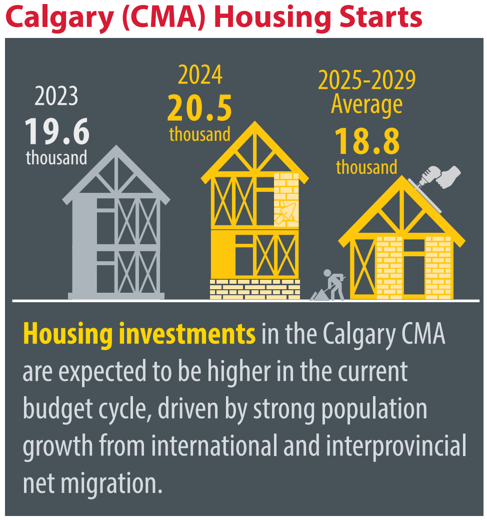
Employment in the construction industry is expected to increase this year. However, some underlying concerns remain about the availability of enough construction workers to meet residential and non-residential construction demand. Employment in the healthcare industry has also been on a downward trend since last year.

Higher borrowing costs due to the Bank of Canada's efforts to tackle inflation in 2023 contributed to an all-structure-house price growth deceleration in 2023, though the impact was uneven across housing structure types. The average house price across all-structure types was $539,313, an annual appreciation of 4.3 per cent in 2023 compared to 4.9 per cent in 2022. Despite the single digit average resale house price deceleration in appreciation of all-structure types, row housing structures experienced an annual 14.1 per cent appreciation in 2023 compared to 9.6 per cent in 2022, while apartment structures saw an annual appreciation of 8.1 per cent, up from 6.2 per cent experienced in 2022. The house price appreciation and acceleration experienced amongst these two categories of housing structure types was caused by a change in housing preferences driven primarily by affordability. Single-family average resale house price reached $719,811 in 2023, an annual appreciation of 9.8 per cent compared to 12.1 per cent annual appreciation in 2022, principally slowed by higher borrowing.

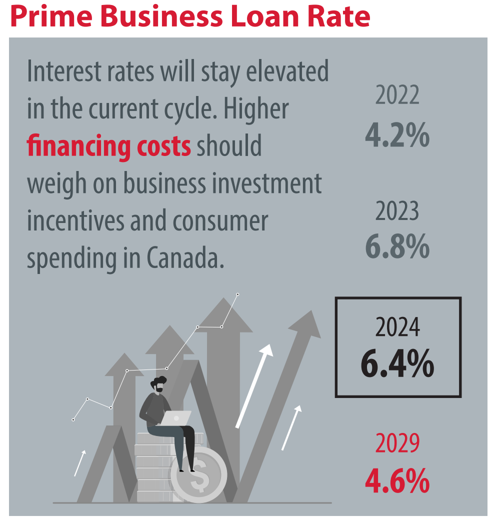
Calgary Building Permits



Calgary (CMA) Housing Starts



Prime Business Loan Rate



3. Calgary's labour market is showing signs of easing. However, longer term the Calgary Economic Region (CER) may experience occupational hiring challenges

Calgary's labour market has shown signs of tightening since 2021, as post-pandemic demand for goods and services led to a rise in worker demand, creating labour scarcity. Job vacancies saw a significant spike, reaching a record high in 2022. The unemployment rate also continuously declined during this period as hiring picked up.

The sudden surge in demand and rising vacancies led the Government of Canada to embark on setting immigration targets to boost labour supply. This, combined with tightening monetary policy, is starting to cool down the labour market. Recent evidence shows that the labour market is beginning to ease. The CER job vacancy rate fell for the sixth consecutive month, recording a 3.4 per cent growth rate to the end of 2023. The current business climate and the reluctance of businesses to boost their payrolls are other contributing factors to the slowdown in job vacancy rates. A significant contributor to the easing of the labour market can be traced to the construction, accommodation and food services industries.

The number of job seekers is expected to exceed the number of job openings between 2023 and 2026 as net migration reaches record highs. This is expected to reduce the number of job vacancies accumulated since 2022, reducing cumulative imbalances (shortages) within the current budget cycle. Projected job seekers will mainly comprise of international immigrants and young people entering the labour force.

The next budget cycle (2027-2030) will see a slightly different trend. The combination of economic expansion as interest rates fall and the need to replace workers due to retirement is expected to lead to a surge in job openings and a slowdown in job seekers. As a result, some cumulative imbalance (shortage) challenges are expected to persist in critical occupations.

International immigration to Alberta should stay strong in the medium term due to the Government of Canada's 2024-2026 Immigration Levels Plan, while non-permanent migration from international students and temporary foreign workers is more likely to slow down. Strong population growth from net migration into the province is helping to fill job vacancies and improve employment. However, the net migration spike will not immediately translate into higher labour force participation and employment levels. It will take time to mitigate the discrepancy between skills and jobs. Alberta's tight labour market is expected to see further relief in the forecast period. However, there are risks that some industries will continue to face hiring challenges, especially for occupations requiring more specialized training.

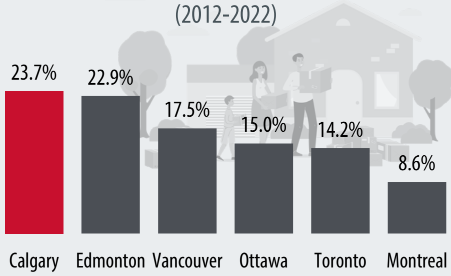
4. Overall, inflationary pressure appears to be on the rise in Calgary and Alberta while prices are rising at a slower pace at the national level

Consumer prices in the Calgary Census Metropolitan Area (CMA) rose by 3.8 per cent in 2023, while prices at the national average edged up by 3.9 per cent. The deceleration of inflation growth in 2023 was primarily driven by the Bank of Canada's contractionary monetary policy, specifically the successive rate hikes.

Ten-Year Population Growth

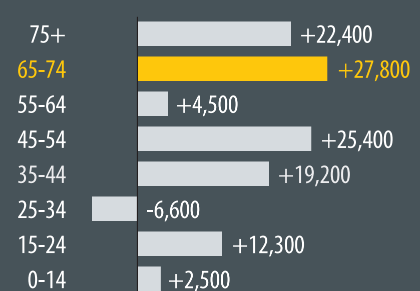
Calgary's population growth has outpaced other major Canadian cities in the past ten years. The trend is expected to continue in 2023, with solid growth from international and interprovincial **net migration**.

Total Population Growth of Canadian CMAs (2012-2022)



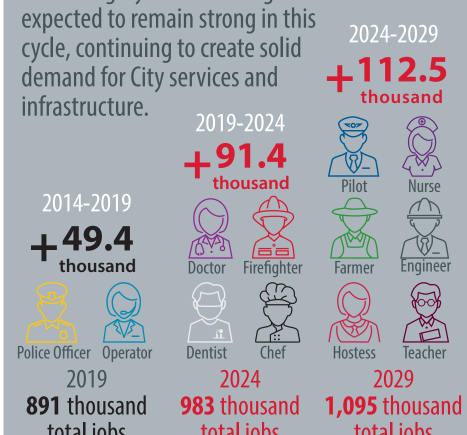
Population Increase by Cohort

The 10-year **middle-aged cohorts** ages 35 to 44 years and ages 45 to 54 years should experience a solid increase over the forecast period, outpacing the growth of cohorts of youth while lagging behind the growth of senior cohorts.



Five-Year Job Growth

The **employment growth** rate in the Calgary Economic Region is expected to remain strong in this cycle, continuing to create solid demand for City services and infrastructure.



Despite the overall slowdown in inflation, there are several factors that continue to drive inflation in Calgary and Alberta:

- Alberta's population has been growing at an unusually fast pace since 2021, driving demand for shelter. Low affordable housing supply is causing a rise in shelter costs. For February 2024, the cost of renting in Calgary rose by 15 per cent, the fifth consecutive month of double-digit growth. This also ranked Calgary's rental costs as the fastest growing in Canada.
- The shortage of construction workers has exacerbated inflationary pressure, delaying the completion of several housing developments and other construction projects due to a competitive real estate market along with elevated prices.
- Gasoline prices surged at the beginning of 2024 as the Government of Alberta reinstated the gasoline fuel tax at $0.13 per litre, which was suspended for 2023.
- The projected increase in the federal carbon tax to start the second quarter of this year will likely provide support to gasoline costs and natural gas price.
- Electricity prices across Alberta have also seen an increase in prices as the end of Alberta's energy rebate program and higher energy prices have led to a rise in utility costs.

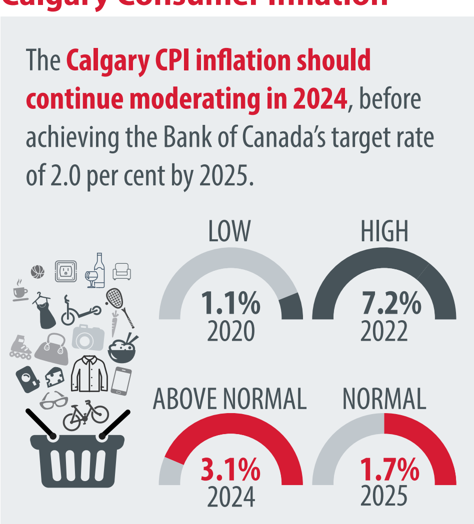
On 2024 March 18, Council directed City Administration to design and implement a revised Local Access Fee (LAF) methodology that aligns with a "quantity only" model. This method ties the LAF revenue to the quantity of energy consumed and does not include a measure of the underlying commodity price. As such, LAF revenue under quantity only is unaffected by fluctuations in the Regulated Rate Option (RRO) or the Gas Cost Flow-through Rate (GCFR) and is therefore more stable and predictable for both The City and Calgary ratepayers. Design principles are to be incorporated in the quantity only LAF methodology so that it results in more stable/predictable revenue while supporting the affordability concerns of Calgarians and businesses.

Generally, we expect consumer prices in the Calgary CMA to decelerate from 3.8 per cent in 2023 to 3.1 per cent in 2024, still above the Bank of Canada's 2 per cent inflation target. High population growth in Calgary is expected to exert upward pressure on the demand for food, shelter and energy, consequently keeping consumer prices elevated. As inflation is expected to decelerate, monetary policy may start to loosen, providing opportunities for business and economic expansion through increased investments. Municipal and provincial attempts to increase affordable housing over the next few years are aimed at providing relief in the rental and ownership markets, tapering off inflation.

The forecast assumes energy and commodity prices will decline in 2024 and 2025, and interest rates will ease in major economies. Any deviation from these assumptions will cause adjustments to the forecast results. Faster disinflation can lead to improving business and consumer incentives and increased growth. Greater-than-expected inflation persistence may cause central banks to delay rate cuts and hinder growth. Overall, the risks to the outlook for inflation are balanced.

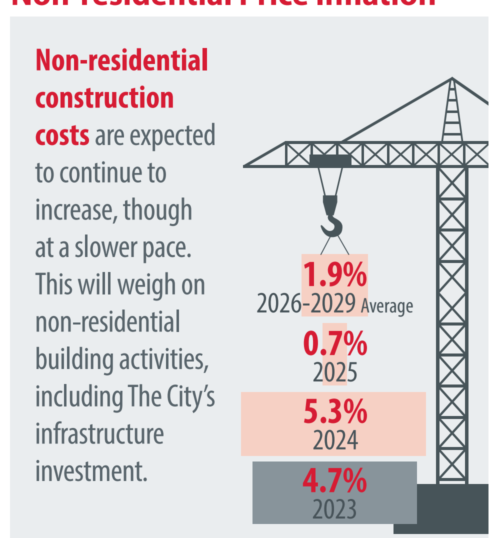
Though inflation in Canada has been decelerating, there are risks that the progress toward the inflation target could be prolonged. If consumers and businesses continue to expect inflation to stay elevated, this could impact prices and real wage growth rates, as well as household spending and business investment incentives. Further, if wage growth continues to outpace productivity growth, this could translate into additional inflationary pressure. Downside risks exist on Canadian economic activity if inflation remains elevated for longer. Household wealth and business incentives could further dampen, resulting in larger output losses.

Calgary Consumer Inflation



Alberta Wage Inflation

Non-residential Price Inflation



Forecast Implications

Averages: Previous vis-à-vis Current City of Calgary Service Plans and Budget Cycle

Economic Indicator	Estimate Previous Service Plans and Budget Cycle [2019-2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Assumptions			
World			
Real Gross Domestic Product Growth (%)	2.3	3.1	The average growth of world GDP is expected to be higher for the current service plans and budget cycle than the previous one. With decelerating global inflation and steady growth, the likelihood of a hard landing has decreased. The resilience in the global market should have a positive impact on consumer confidence and spending in Calgary.
The United States			
Real Gross Domestic Product Growth (%)	1.9	2.0	The U.S. economic growth is expected to improve slightly in this cycle driven by higher productivity and strong labour market performance. This should support the demand for Canadian exports. Canada's energy exports are expected to outperform non-energy exports.
Canada			
Real Gross Domestic Product Growth (%)	1.4	1.5	Canada's economy should be supported by population growth and household spending. The average rate of economic growth in Canada will be higher in this cycle than in the previous one, supporting interprovincial trade.
Prime Business Loan Rate (%)	3.3	5.9	Interest rates will stay elevated in the current cycle. Higher financing costs should weigh on business investment incentives and consumer spending in Canada.
Exchange Rate (U.S.$ for 1 C$)	0.77	0.75	The exchange rate between U.S. and Canadian dollars is expected to remain stable in the current cycle. This should support trade as trading partners benefit from improved price certainty.
Alberta			
Real Gross Domestic Product Growth (%)	0.6	2.3	Alberta's economic performance is expected to be significantly stronger during 2023-2026 compared to the previous cycle. The City benefits from the Province's improved fiscal situation and strong growth.
Total Employment Growth (%)	1.2	2.6	Alberta should expect strong employment growth and tight labour market conditions in this cycle. Employers in Calgary will have a more challenging time finding workers and competing against the rest of the province.
Unemployment Rate (%)	8.1	6.4	A lower unemployment rate in the 2023-2026 cycle leads to reduced demand for social assistance programs from The City as the number of unemployed persons declines.
Housing Starts ('000 units)	29.9	35.8	Strong population growth in Alberta supports housing demand and residential investment in the current service plans and budget cycle, which should contribute to economic growth within the province.
Inflation Rate – Consumer Price Inflation or CPI (%)	3.1	2.3	With the tightening monetary policies and the pullback in input costs, inflation is expected to moderate in the current cycle. This should reduce pressure on City expenditures.
West Texas Intermediate - WTI (U.S.$/bbl)	64.8	76.7	Crude oil price volatility continues into 2024. This prompts The City to continue to explore countercyclical fiscal policy options to help moderate the impact of price volatility and economic fluctuations. Oil prices will remain elevated in this cycle compared to the previous one.
Western Canadian Select - WCS (U.S.$/bbl)	50.1	60.5	Improved transportation capacity and expanded access to markets should help reduce the price difference between the WCS and WTI. This should enhance the energy sector's cash flow and support the provincial and local economy.
Alberta Natural Gas Price - AECO/NIT ($/GJ)	3.1	2.9	Natural gas prices are expected to average lower in this cycle than in the previous one. This will moderate operational costs for businesses and household costs of living. Although this will impact franchise fees for The City from natural gas, operating expenditures for some City services will decrease.
Industrial Product Price Index (%)	6.6	0.2	Prices for industrial products are expected to decrease from their mid-2022 peak in this service plans and budget cycle, resulting in a lower average of price growth in 2023-2026. This should moderate the inflationary pressures for The City.
Raw Materials Price Index (%)	11.4	-2.4	Raw material prices are expected to decline in this cycle from the price spike experienced in 2021-2022, which should reduce cost pressures for businesses.
Alberta Average Annual Wage Rate Growth (%)	1.7	3.1	Higher wage growth in the current cycle will raise incomes and improve affordability. However, it will also increase the labour cost, contributing to the inflationary persistence within the province and The City.

Averages: Previous vis-à-vis Current City of Calgary Service Plans and Budget Cycle

Economic Indicator	Estimate Previous Service Plans and Budget Cycle [2019 to 2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Forecast			
Calgary Economic Region (CER)			
Real Gross Domestic Product Growth (%)	1.1	2.7	Calgary Economic Region should expect solid economic growth in the current service plans and budget cycle, supporting the resilience of the property tax base.
Total Employment ('000 persons)	882.7	994.4	Strong job growth will expand the consumer base, increasing demand for housing and goods and services in the region.
Total Employment Growth (%)	2.1	2.5	The employment growth rate is expected to remain strong in this cycle, continuing to create solid demand for City services and infrastructure.
Unemployment Rate (%)	8.4	6.2	Lower unemployment rates in this cycle should increase competition for skilled workers and reduce the demand for social services that support the unemployed. The tightness and mismatch in skillsets in the labour market will increase pressures on labour costs for The City.
Calgary Census Metropolitan Area (CMA)			
Housing Starts ('000 Units)	13.4	19.6	Housing investments in the Calgary area are expected to be higher in the current budget cycle. Strong population growth from international and interprovincial net migration should support solid housing starts in the Calgary CMA.
Inflation Rate - CPI (%)	3.2	2.6	Consumer price inflation is expected to moderate in this cycle. Prices will stay at a relatively elevated level compared to pre-pandemic. Moderation of the costs of goods and services helps mitigate the risks of cost overruns and budget adjustments.
Non-Residential Building Price Inflation (%)	3.9	3.2	Non-residential construction costs are expected to continue to increase, though at a slightly decelerated pace in this cycle. This will weigh on non-residential building activities, including The City's infrastructure investment.
City of Calgary			
Real Estate			
Residential Market			
Housing Starts ('000 Units)	11.5	16.7	Stronger residential construction activity in the current cycle should support increases in the residential tax base, development and building permit activity and demand for the continued expansion of City infrastructure.
Calgary Average Residential MLS® Sale price (%)	2.1	4.5	Home affordability in Calgary will remain challenging for new housing market entrants as housing prices continue to grow in the current cycle. This should stimulate the supply of new housing units and shift the demand across different housing structure types.
Benchmark Home Price Growth (%)	5.1	4.6	Benchmark home price growth should also stay elevated in this cycle. This is driven by strong demand for shelter from population growth and increasing residential building costs. The increasing shelter costs will weigh on the affordability of Calgarians.
Total Building Permits ($ billions)	4.9	5.8	Higher building permit values in the current cycle will lead to a broader property tax base, higher revenues and demand for services.

Numbers may not add up due to rounding.

Forecast Risks

Risks arising from activities in the Rest of the World:

Major factors that could alter actual economic performance include a slightly improved global GDP outlook, uncertainties in global commodity prices and inflation and potential improvement of global productivity.

1

Global GDP Outlook

The forecast risks for a hard landing of global GDP growth **receded slightly**. Slightly higher growth is expected for 2024 than earlier expected in Fall 2023, but growth remains below the historical average of the past two decades. The slowdown is more pronounced in advanced economies than in emerging market and developing ones. Within advanced economies, the U.S. surprised on the upside, with resilient consumption and investment, while euro area activity was revised downward. Many emerging market economies proved quite resilient and surprised on the upside, with the notable exception of China, facing growing headwinds from its real estate crisis and weakening confidence.

2

Global Commodity Prices and Inflation

The forecast assumes energy and commodity prices will decline in 2024 and 2025, and interest rates will ease in major economies. Any deviation from these assumptions will cause adjustments to the forecast results. Faster disinflation can lead to improving business and consumer incentives, increasing growth. Greater-than-expected inflation persistence may cause central banks to delay rate cuts and hinder growth. Overall, the **risks to the outlook for inflation are balanced**.

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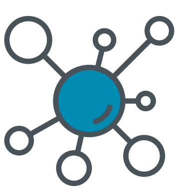

Global Productivity and Divergence

The rapid development of artificial intelligence (AI) could **boost productivity, albeit in an uneven way across the global economy**. Advanced economies will benefit more and faster from AI advancements due to their more educated workforce, higher knowledge intensity, and readiness for regulation frameworks. Less developed economies lack these advantages and may not benefit as fast from AI, or even experience some disruptions. This could intensify diverging global productivity and income inequality.

Risks from market conditions and policy differences across Canada:

Significant factors that could alter actual economic performance include the progress of inflation deceleration to its target range, uncertainties in consumption demand and environmental policy divergence that creates ambiguity in business investment.

4

The Progress of Inflation Deceleration

Though inflation in Canada has been decelerating, there are risks that the progress toward the 2 per cent inflation target could be prolonged. If consumers and businesses continue to expect inflation to stay elevated, this could impact prices and real wage growth rates, as well as household spending and business investment incentives. Further, if wage growth continues to outpace productivity growth, this could translate into additional inflationary pressure. **Downside risks exist on Canadian economic activity** if inflation remains elevated for longer. Household wealth and business incentives could further dampen, resulting in larger output losses.

5

Canadian Consumption Demand

Canada's population growth has been strong due to robust net migration of permanent and non-permanent residents. This has supported **Canadian consumption demand** across a broad range of goods and services. On the other hand, many Canadian households are heavily in debt and facing upcoming mortgage renewals. This could put **downward pressure on consumption demand** as consumers become more cautious, especially with goods and services that are sensitive to interest rates.

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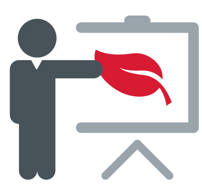

Environmental Policy Coherence vis-à-vis Divergence

Environmental policy divergence exists between municipal, provincial, and federal governments. This will create **uncertainty and ambiguity, therefore, downside risks to business investment**. The heightened tensions should continue to exist between different orders of governments on environmental policy and the pace of policy implementation. The proposed Clean Electricity Regulation is a good example. Uncoordinated incentives from policymakers will drag down the efficiency of the green transition and make the future of environmental policy across governments ambiguous.

Risks from potential changes in Alberta's provincial economy:

Significant factors that could alter actual economic performance include the uncertainties associated with oil and natural gas prices and exports, migration and demand for housing and infrastructure services, and labour market balance.

Oil and Natural Gas Prices and Exports

Though energy prices are forecast to trend down in 2024, upward price pressures exist due to geopolitical uncertainties and weather shocks. The potential escalation of the Israel-Hamas war to the wider Middle East region, especially with the Iranian strikes in Israel, continued attacks at the Red Sea, and the ongoing war in Ukraine could impact global oil supply and prices. More extreme shocks could also cause extra price volatility. For Alberta's energy production and exports, **the oil and gas sector investment and exports should be robust in the forecast period**, supported by healthy cashflows and improving transportation capacity.

The Level of Net Migration

International immigration to Alberta should stay strong in the medium term due to the federal 2024-2026 Immigration Levels Plan, while non-permanent migration from international students and temporary foreign workers is more likely to slow down. The rapid growth of net migration and the challenges of planning and preparation to accommodate have created housing supply and housing affordability issues, shortfalls in infrastructure and services, and falling GDP per capita with a surging population. Higher net migration levels beyond those incorporated in the forecast should **further boost the population growth** in Alberta **yet amplify the existing challenges**.

Labour Market Balance

Strong population growth from net migration into the province is helping fill job vacancies and increase employment. However, the net migration spike will not immediately translate into higher labour force participation and employment levels. It will take time to mitigate the discrepancy between skills and jobs. **Alberta's tight labour market is expected to see further relief in the forecast period**. However, there are risks that some industries will continue to face hiring challenges, especially for occupations requiring specialized training.

Risks from local and regional private and public sector influences:

Factors that could alter economic performance include the uncertainty associated with normalizing business pricing behaviour and improved investment environment, weakening consumer confidence and spending activities and labour cost escalation.

Business Pricing and Investment

More businesses are normalizing pricing behaviours after the pandemic. Fewer businesses are expecting to increase their prices more often than normal, and the trend is likely to continue. However, many Calgary businesses are still cautious of the overall business environment and prudent with their investment decisions. Should borrowing costs moderate and credit conditions improve, there **should be improvements in business incentives during the forecasting period**.

Consumer Confidence and Spending

Many Calgarians are facing record-high household debt levels. Elevated interest rates have been weighing on consumer confidence and consumption activities. Mortgage renewals in 2024 and high debt servicing costs will impact household spending decisions in Calgary. Should the interest rate persist longer, **consumers could become more cautious and cut back residential expenditures more than projected**. This could also impact business incentives and slow down business investment.

Labour Cost Escalation

Labour cost growth in Calgary remains elevated, with uneven distribution across industries and occupations. For industries with labour shortages, real wages are expected to grow relatively faster, including construction, retail trade, education, and accommodation and food service industries. A higher real disposable income should help improve households' purchasing power and affordability. However, higher wages also indicate higher labour costs for both private and public sectors. There are risks of **upward pressures on cost-push inflation**.

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, Calgary Real Estate Board (CREB), Canada Mortgage and Housing Corporation (CMHC), Canadian Real Estate Association (CREA), Conference Board of Canada, Federal Reserve Bank of the U.S., Government of Alberta, Government of Canada, International Monetary Fund (IMF), Organization of the Petroleum Exporting Countries (OPEC), Statistics Canada, Stokes Economics, The City of Calgary, U.S. Energy Information Administration (EIA), World Bank, and others.