Spring 2025

Calgary and Region

ECONOMIC OUTLOOK 2025-2030

Executive Summary

www.calgary.ca/**economy**

LAND ACKNOWLEDGEMENT

The city of Calgary, where the Bow and Elbow rivers meet, was historically a place of confluence where the sharing of resources, ideas and opportunities naturally come together. Long before Settlers named it Calgary, the original Indigenous Nations of this area had their own names for the land. In the Blackfoot language, it is called Moh-kins-tsis. The Îethka Nakoda Wîcastabi First Nations refer to this place as Wicispa Oyade and the people of the Tsuut'ina nation call it Guts-ists-I. The Métis call the Calgary area Otos-kwunee.

We would like to take this opportunity to appreciate and acknowledge that we are gathered on the ancestral and traditional territory of the Blackfoot Confederacy, made up of the Siksika, Piikani, Amskaapipiikani and Kainai First Nations; the Îethka Nakoda Wîcastabi First Nations, comprised of the Chiniki, Bearspaw, and Goodstoney First Nations; and the Tsuut'ina First Nation. The city of Calgary is also homeland to the historic Northwest Métis and to the Otipemisiwak Métis Government, Métis Nation Battle River Territory (Nose Hill Métis District 5 and Elbow Métis District 6). We acknowledge all Indigenous people who have made Calgary their home.

INTRODUCTION

The City of Calgary (The City) tracks economic indicators throughout the year to develop insights about the impacts of external events on the local economy. The results are published in the Economic Outlook semi-annually in the spring and fall and are available to the public.

The release of the City's Spring Economic Outlook is in late April every year. This timing is the result of several dependencies. For example, it typically follows and incorporates insights from a spring release of the Government of Alberta budget. The late April timing also ensures that a complete set of historical values, including those for the previous year and the first quarter of the current year, are incorporated into the forecast. Many of these values are attributable to several external agencies that complete their work in mid-April.

Purpose

The Spring 2025 Economic Outlook supports The City's financial and physical planning. It provides a reasonable basis for decision-making by outlining and clarifying the economic opportunities and threats facing the Calgary Economic Region. The outlook considers several economic indicators. The choice of indicators reflects factors deemed likely to affect local economic performance over the forecast period.

Plan

There are two areas or economies of interest. The first is the local (or city of Calgary) economy. The second is the regional economy (Calgary Economic Region or CER).

The CER is a small open economy affected by changes outside its borders. Consequently, external influences from the provincial, national and world economies get transmitted to the local and regional economies. Outside factors judged to have a substantial impact get presented as forecast assumptions. Most national and international forecast estimates in the assumptions section reflect the average expectations of private sector forecasters. All the CER or City forecast estimates are the output of City of Calgary forecast models, validated by private sector forecasts.

The economic cycle for commodity-based regions helps to inform projections of economic activity in the CER. The level of crude oil sales affects the cash flow of Alberta's energy industry and investment in the local economy. A summary of the path from crude oil sales to increased domestic demand is available in the chart below. The Spring 2025 Economic Outlook uses assumptions about changes in the path for the 2025 to 2030 period as follows:

- Improved market accessibility and better transportation capability will improve the cash flow of the energy sector and boost local and provincial economies.
- A more favorable financing environment should boost household consumption, encourage private sector investment, and support exports.
- Central Banks' synchronized contractionary monetary policies and removing global supply chain constraints have successfully reduced global inflation.

Payoff

The Spring 2025 Economic Outlook provides comprehensive estimates of the future conditions for Calgary's local and regional economies. Like the work of alternative forecast providers, it uses theoretical and empirical economic underpinnings. However, unlike the work of alternative forecasters, it provides the complete set of indicators requested by local decision-makers for the city and CER.

Finally, it tackles key recurring questions posed by City of Calgary decision-makers:

- **What is the overall forecast for the growth rate in the local economy?**
- **What are the drivers of local economic performance?**
- **How many jobs is the local economy expected to create?**
- **What is the forecast for population growth in the city and region?**
- **What is the expected inflation rate?**
- **What are the implications, especially for municipal finance?**

PREAMBLE

What has changed since the 2024 Fall Economic Outlook

Our 2024 Fall Economic Outlook assumed that decelerating global inflation and steady growth would decrease the likelihood of a hard landing. The resilience of global markets would have a positive impact on consumer confidence and spending. The U.S. economy was expected to improve slightly, driven by higher productivity and the three key pieces of legislation passed by the Biden Administration[1]. Canada's economy was projected to benefit from population growth, while a more favourable borrowing environment going into 2025 would improve confidence for private investment, stimulate household consumption, and aid exports. Canada's exchange rate was expected to remain relatively stable against the U.S. dollar as monetary rate shifts across both regions stay in sync. This would support trade as trading partners benefit from improved price certainty. Alberta's economic performance was anticipated to be significantly stronger. The City would benefit from the Province's improved fiscal situation and strong growth.

In the past few months, rising tariff uncertainty and persistent market volatility have mounted fears of stagnant economic growth.

[1] The Inflation Reduction Act (IRA), the Infrastructure and Investment Jobs Act (IIJA) and the Chips and Science Act (CSA) should translate to about US $3.5 trillion in funding over the next decade and aid real GDP growth.

Executive Summary

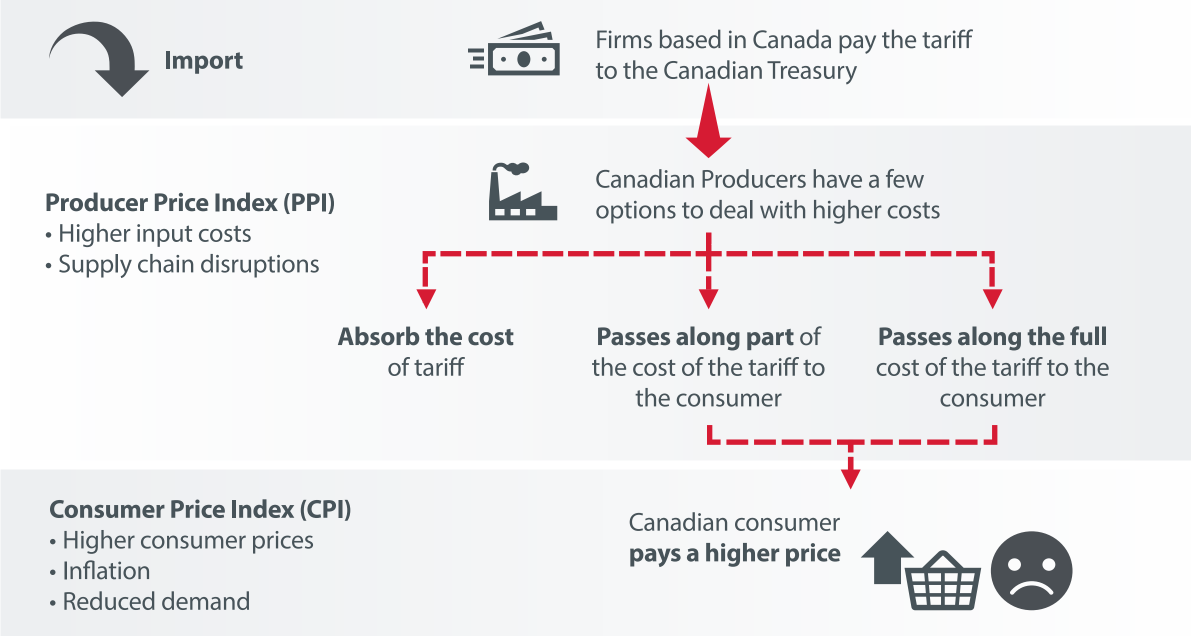
Forecast Implications
Forecast Risks

EXECUTIVE SUMMARY

1. Rising tariff uncertainty, market volatility, and fears of slow economic growth pose near-term risks to investment, employment, and the housing market, potentially leading to reduced activity and instability

Tariffs are sales taxes that a government imposes on goods and services imported from other countries. They are designed to generate revenues for the government, protect domestic industries from foreign competition, and potentially reduce trade imbalances by discouraging consumption and imports. Tariffs increase import costs and, depending on alternative product availability and substitutability, pose a potential risk of cost pass-through to customers/buyers. Switching to another supplier is not always easy as it might involve legal challenges and steep switching costs.

- Do importers reduce profit margin by absorbing the extra costs of tariffs?
- Are they willing and able to pass on the full increased costs to customers through higher prices?
- Do they pass on part of the cost of the tariff to consumers while absorbing the rest?



The most common type of tariff—import tariff—is levied on goods entering a country. It usually results in higher prices for consumers and tends to decrease the volume of trade between countries, as imports become less competitive. Tariffs can lead to retaliatory measures from other countries, potentially escalating into trade wars.

On April 2nd, the United States imposed additional discounted retaliatory tariffs on almost all countries, including the world's major economies, exposing the U.S. to severe retaliation risk. While the tariffs were marketed as reciprocal, the methodology employed to determine them was rudimentary and lacked a solid economic foundation. However, on April 9th, the President suddenly paused these tariffs for more than 75 countries for 90 days after economic and market turmoil, but hiked levies on China to 145 per cent. Shortly after that, China retaliated imposing 125 per cent tariffs on U.S. imports.

Due to tariffs' unpredictable costs and complexities, businesses may achieve lower profits, delay, or cancel investment plans, leading to reduced investment in infrastructure, equipment, and expansion. The accompanying economic uncertainty can lead to a decline in consumer confidence and spending, which can negatively impact businesses and lead to job cuts, slow hiring, or reduced employment opportunities. Rising costs for construction materials and other inputs due to tariffs can increase housing costs, making it less affordable and potentially slowing down construction and sales; it can also negatively impact housing demand.

Tariffs could directly or indirectly affect municipal operating and capital expenditures through reduced investment in the local economy, higher costs of procuring goods and services, potential supply chain disruptions and delays, and increased demand for government support. One potential risk to revenue is the decline in municipal income due to lower property tax collections. Increased construction costs may hinder building projects, which could lead to a slowdown in both residential and commercial development, ultimately affecting the expansion of the property tax base. Rising construction expenses, driven by tariffs on imported materials such as steel, lumber, and aluminum, may affect affordable housing projects. Furthermore, extended development schedules caused by global supply chain disruptions could result in delays and increased costs for municipal initiatives. The introduction of tariffs on equipment and technology used by police and fire departments might lead to higher procurement costs. Strengthened government support could be essential in maintaining adequate funding for critical public safety services, enabling these departments to provide effective services and ensure community safety.

2. Housing starts are projected to moderate from record highs but stay elevated. Residential construction investment is expected to fall slightly but remain elevated

Calgary's historically strong population growth sustained housing demand despite high financing costs. As a result, Calgary recorded the highest number of housing starts among Canadian municipalities in 2024, the second time since 2014. The growth in housing starts was primarily driven by multi-family construction, particularly apartments. Government initiatives are expected to support new supply, although these developments remain sensitive to tariff-related risks.

Building permit values, which reflect investment intentions in construction, experienced substantial growth in 2024, led by permits for the construction of apartment units. Residential permit values accounted for about 65 per cent of the total value. Notably, permits for secondary suites experienced the highest growth, rising by 110 per cent. This was driven by tight rental market conditions and various City initiatives that have made these projects more attractive to homeowners and builders.

Residential construction investment is expected to taper off but remain elevated, at approximately $7 billion annually, well above historical averages. While housing demand may soften due to tighter federal immigration policies, several government programs, including the City's Downtown Incentive Program and declining interest rates are expected to help sustain investment. Additionally, higher construction costs resulting from tariffs may continue to inflate permit values.

In 2024, the benchmark price across all property types in Calgary rose by 7 per cent. While this represents a slowdown from the double-digit increases seen in 2021 and 2022, it remains above the ten-year average growth rate and Calgary's inflation rate.

Limited supply and strong population growth supported most of the price growth. However, price increases varied across product types and regions. Districts with lower benchmark prices recorded the most significant gains across all housing types, as buyers sought less expensive options amid high prices and elevated mortgage rates.

Although recent policy changes and declining interest rates could stimulate demand, economic uncertainty stemming from trade tensions is expected to weaken consumer confidence, slow sales and price growth, and narrow the price gap between resale and new homes.

The average growth rate in benchmark prices is expected to slow in the short term as demand and supply become more balanced. Softer demand due to slower population growth and added supply, especially in the condominium segment, are expected to ease price pressures.

Canada/U.S. Exchange Rate

2026 **0.76**
2025 **0.74**
US$ for 1 C$

2024 **0.73** | 2022 **0.77**
2023 **0.74** | 2021 **0.80**

A relatively stable Canadian dollar to the U.S. dollar bodes well for Canadian exports, as higher valued Canadian currency cushions price volatility in imported goods.

Calgary (CMA) Housing Starts

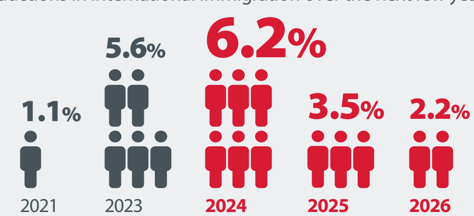
15.2 thousand
2026-2030 Average

2025 **22.7** thousand
2024 **24.4** thousand

Housing starts in the Calgary CMA hit a record high in 2024 and are expected to remain elevated, supported by sustained demand and policies aimed at boosting construction.

City of Calgary: Population Growth

Calgary's population is projected to grow by 3.5 per cent in 2025 and 2.2 per cent in 2026. This is largely due to anticipated reductions in international immigration over the next few years.



3. Calgary's slow economic growth has limited its ability to accommodate the surge of job seekers, resulting in increased unemployment

Last year, the Calgary Census Metropolitan Area (CMA) saw a remarkable 6.0 per cent increase in population in 2024, the highest in Canada. The unprecedented population growth has alleviated some pressure in sectors grappling with acute labour shortages, particularly in Construction and Health Care. However, the high unemployment rate in Calgary poses significant challenges to the local economy. The local economy is not expanding quickly enough to generate sufficient job opportunities, resulting in a higher unemployment rate. For reference, Calgary recorded the second-highest unemployment rate in 2024, at 7.6 per cent among major cities, trailing only Toronto's 8.0 per cent. The lingering tariff uncertainty and Calgary's considerable reliance on the U.S. market for exports - a Canadian Chamber of Commerce report indicates that almost 97 per cent of Calgary's exports are directed to the U.S. – could exacerbate conditions in Calgary's labour market.

However, technological advancements, digital trends (including artificial intelligence and information processing), and investments to reduce carbon emissions will likely influence Calgary's labour market. Current projections indicate approximately 427,000 job openings within the Calgary Economic Region (CER) from 2024 to 2033, with a concentration in Health Care and Social Assistance, Construction, and Professional, Scientific, and Technical Services in the medium term.

Looking ahead, we anticipate that Calgary's unemployment rate will remain high, projected at 7.5 per cent in 2025 and slightly decreasing to 7.1 per cent in 2026. Employment growth is also expected to decelerate significantly, from 4.8 per cent to 2.2 per cent in 2025. However, we foresee a rebound in employment growth by 2027 as the economy stabilizes, aided by a lower interest rate environment and potentially favourable resolutions to trade policy uncertainties.

4. The potential for extended tariffs and counter-tariffs affecting construction expenses and rising input costs in Calgary's manufacturing sector will likely create upward pressure on prices in the medium term, particularly for industries reliant on U.S. trade

Tariffs on imported construction materials (such as steel and aluminum) will immediately raise project costs. They can disrupt supply networks, causing delays and potential shortages, further increasing costs. Even if building materials are not directly subject to tariffs, the increasing costs of commodities used to manufacture other goods (such as Heating, Ventilation, and Air Conditioning (HVAC) equipment) will result in higher prices. Warm air gas furnaces and electro-thermic cooking stoves, with total import values of $36 million and $59 million respectively in Alberta in 2024, are among the imported goods subject to tariffs; about half of these imports originate from the United States. Tariff-related uncertainties and increased expenses may cause project delays or even suspension.

Tariffs on imported raw materials and components will increase manufacturers' production costs. Businesses may face reduced profit margins as they absorb some of the increased costs associated with tariffs. In the construction sector, tariffs can disrupt supply chains, leading to delays and potential shortages, further escalating costs. Companies may need to explore

Calgary: Unemployment Rate

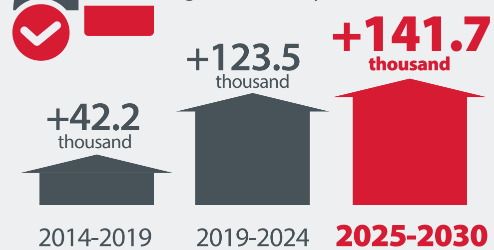
Calgary's sluggish economic growth has hindered its ability to accommodate the influx of job seekers due to rapid population growth, resulting in rising unemployment. Calgary's unemployment rate will remain high, projected at 7.5 percent in 2025, as employers and investors remain cautious in light of the uncertainty surrounding tariffs.

7.5% 2025

2024	7.4%
2023	6.0%
2022	6.1%

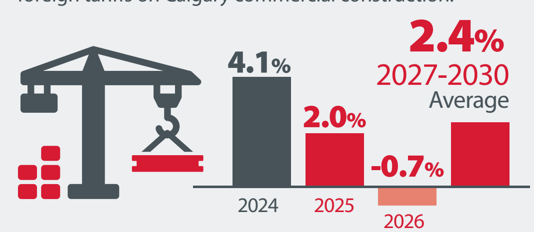
Five-Year Job Growth

Strong pace of job creation in the regional economy in the medium-term.



Non-residential Price Inflation

Exchange rates and energy costs are offsetting increases in raw material and labour costs softening the impact of foreign tariffs on Calgary commercial construction.



alternative markets to mitigate the negative impact of tariffs. Industries crucial to Calgary's economy, especially oil, agriculture and manufacturing, will face increased pressure and costs because of the tariffs. Increased input costs due to tariffs could lead to job losses in the manufacturing sector. The increased costs for manufacturers and construction companies will ultimately be passed on to consumers through higher prices for goods and services.

Non-residential building prices include various inputs like wood, steel, and aluminum. Labour cost increases have recently manifested, and we anticipate more. However, the two most prominent drivers of non-residential building inflation are exchange rates and energy costs.

Energy costs are likely to fall slightly in the coming years as the full impact of the United States' reduction in the size of the federal workforce is felt across the economy. Furthermore, the Trump administration's tariff uncertainty will likely significantly reduce business investment in the United States. Lower interest rates will considerably reduce the cost of constructing non-residential structures in Calgary. Due to the tariff issue, the Bank of Canada has responded by cutting interest rates faster than expected.

For consumers, the inflation rate in the Calgary Census Metropolitan Area (CMA) is projected to decrease from 3.4 per cent in 2024 to 3.0 per cent in 2025, but will remain elevated above inflation targets due to some of the price pressures expected to materialize this year.

5. The impact of the uncertainty created by the current policy environment can contribute to slower economic growth

The current policy environment has created uncertainty, which can harm the economy by decreasing business investment, depressing consumer and business sentiment, and potentially contributing to higher inflation. This uncertainty may potentially result in slower economic growth and employment losses. Uncertainty regarding future trade restrictions has undermined confidence in the economy, potentially lowering consumer spending and business activity. The United States's imposition of tariffs triggered retaliatory tariffs by other countries, resulting in a trade war with potentially severe economic impacts on the global economy. Tariffs on imported commodities, particularly those originating in the United States or passing through U.S. ports, directly raise the cost of project materials. Steel and aluminum are essential materials for construction and infrastructure projects. The increased cost due to the retaliatory tariffs can be passed on to consumers through higher prices (inflation).

Supply chains may be disrupted, leading to delays in procurement, manufacturing, and delivery of key components. This can further put pressure on project timelines and budgets. The uncertainty surrounding tariffs makes it difficult for contractors to lock in prices and timelines for future projects. This creates a volatile economic climate in which project owners, contractors, and suppliers must navigate a rapidly changing marketplace. Fixed-price contracts may struggle to absorb rapid cost increases induced by tariffs, resulting in conflicts and lawsuits. Rising material costs and rising expenses owing to tariffs may push project participants to reconsider their budgets. This could cause projects to become costly and be suspended or cancelled. These decisions may force businesses to downsize their employment if they expect slower growth or increased costs.

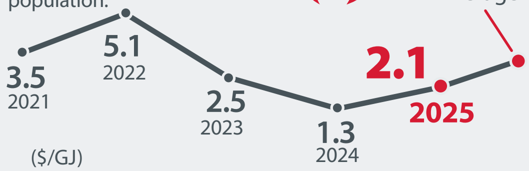
Finally, reduced investment and consumer spending, and the potential for higher prices (inflation) can all contribute to slower economic growth.

> Due to tariffs' unpredictable costs and complexities, firms may experience decreased profitability, delay or cancel investment plans, resulting in reduced investment in infrastructure, equipment, and expansion. The accompanying economic uncertainty can lead to a decrease in consumer confidence and spending, which can severely effect firms, leading to job cutbacks, slow hiring, or limited employment possibilities.

Natural Gas (AECO-C)

Natural gas prices are expected to continue an upward trajectory as alternative cheaper and cleaner energy demand grows driven primarily by technology and population.

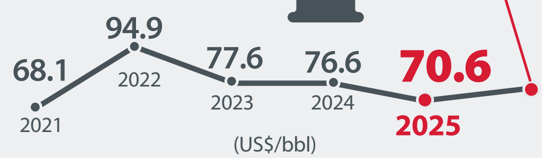
3.2
2026-2030 Average



West Texas Intermediate (WTI)

The weaker demand in crude oil in 2024, aided downward pressure on WTI prices along with improved supply from non-OPEC participants like Canada and the USA.

74.4
2026-2030 Average



Calgary Building Permit

$6.9 billion
2026-2030 Average

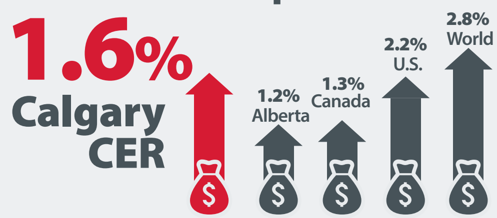
Total building permit values are expected to stay elevated, driven by continued demand for residential construction.

2025 **$7.6 billion**

2024 **$9.4 billion**

2023 **$6.0 billion**

GDP Growth Comparison



Calgary's economic performance is expected to surpass Alberta's and Canada's, but it will trail behind the U.S. and global economic growth in 2025.

Prime Business Loan Rate

The Bank of Canada (BOC)'s policy rate fell 1.75 percentage points in 2024 and has seen another 0.5 percentage points cuts so far. The expectation is that the BOC could cut the policy rate again which is expected to drive down the prime business loan rate, providing businesses and consumers with lower borrowing costs.

5.9%
2025

2024 **6.9%**

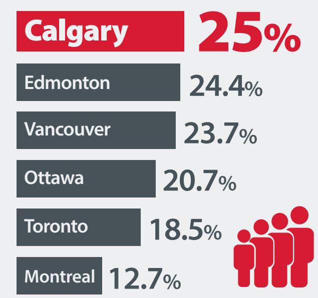
2023 **6.9%**

2022 **4.2%**

Ten-Year Population Growth

Growth Rate Among Canadian CMAs (2014-2024)

Calgary's population growth has outpaced other major Canadian cities in the past ten years. The trend is expected to continue in 2025, albeit with a slowdown in net migration.



Calgary Consumer Inflation

Calgary's CPI inflation is expected to remain above the Bank of Canada's inflation target in 2025, at 3.0 per cent.

3.0%
2025

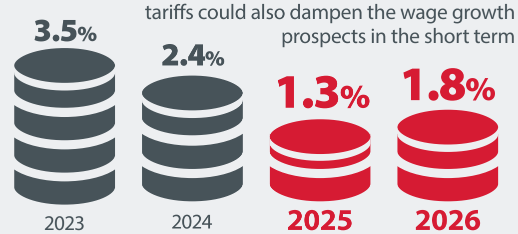
2024 **3.4%**

2022 **7.2%**

2020 **1.1%**

Alberta Wage Inflation

As elevated unemployment persists in 2025 due to strong population growth and weakened economic conditions, wage growth continues to slow. Headwinds caused by tariffs could also dampen the wage growth prospects in the short term



Population Increase by Cohort

Calgary's senior cohort is expected to experience a solid increase over the forecast window.

Youth 12-17 **+10,500**

Working 15-64 **+88,700**

Seniors 65+ **+64,400**

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 to 2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Assumptions			
Global Economy			
Real Gross Domestic Product Growth (%)	2.5	3.1	The average global economic growth rate is predicted to be higher throughout the current service plans and budget cycle than last cycle. However, lingering inflation, tariff/geopolitical uncertainty, and potential policy shifts could pose risks, with some regional disparities. Increased trade protectionism, including tariffs, could lead to slower growth, potentially impacting global trade. The stance of monetary policy, particularly in advanced economies, will significantly impact inflation and growth expectations.
The United States			
Real Gross Domestic Product Growth (%)	1.8	2.3	Our forecast calls for the U.S. economy to perform slightly better in this budget cycle. While there is a prospect of a "soft landing" with a modest expansion, many experts predict slowing economic activity. Real GDP growth in the United States is expected to decline in the short term, potentially leading to a recession. Elevated interest rates, decreasing post-pandemic stimulus, and the impact of tariffs can all contribute to the slowdown.
Canada			
Real Gross Domestic Product Growth (%)	1.4	1.3	While the outlook for Canadian GDP is mixed, growth will be slightly slower during this budget cycle. Slower population growth and the impact of tariffs could serve as headwinds. Lower interest rates are likely to enhance consumer spending, but rising costs due to the tariffs may dampen it, and the unemployment rate is expected to remain high.
Prime Business Loan Rate (%)	3.3	6.3	The Bank of Canada's short-term interest rate decisions balance managing inflation and supporting economic growth while carefully navigating the uncertain landscape of U.S. tariffs. Currently, the Bank is focused on keeping inflation close to 2 per cent. Simultaneously, the Bank is monitoring the impact of U.S. tariffs on the Canadian economy, which may result in higher uncertainty and slower economic growth.
Exchange Rate (US$ for 1 C$)	0.77	0.74	The exchange rate between Canada and the United States is expected to be volatile in the coming months, with the Canadian dollar potentially weakening further due to U.S. tariffs and differing monetary policies. Experts believe that the Canadian dollar will decrease, potentially affecting Canadian exporters and importers, particularly those that rely on the U.S. market.
Alberta			
Real Gross Domestic Product Growth (%)	0.9	1.7	Alberta's real GDP is predicted to perform better during the current budget cycle, driven mainly by strong energy sector performance, growth in emerging industries, including technology and petrochemicals, and continued interprovincial migration. Potential obstacles include the ongoing trade war with the United States, which might slow economic growth.
Total Employment Growth (%)	1.0	2.6	While Alberta's economy is predicted to expand faster during this budget cycle, the labour market will likely have shortages or surpluses in various occupations. The overall picture is of a primarily balanced market with an uneven distribution of workers across sectors, which may be impacted by trade uncertainty and the rise of specific industries, such as the digital economy.
Unemployment Rate (%)	8.2	7.0	Alberta's unemployment rate is forecast to be lower during the current budget cycle. The province's population growth will likely support hiring and spending. However, consumers are expected to be cautious due to economic uncertainties and potentially higher inflation than in other provinces.

Numbers may not add up due to rounding.

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 to 2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Assumptions			
Alberta			
Housing Starts ('000 units)	**30.0**	**42.6**	Higher housing starts in Alberta have strong implications for the province's economy. They suggest a robust construction sector, contributing to GDP growth and employment. However, it also reflects a strong housing market, with potential for investment and affordability challenges.
Inflation Rate – Consumer Price Inflation or CPI (%)	**3.1**	**2.8**	Alberta's inflation rate will certainly influence the Bank of Canada's monetary policy decisions, particularly given the current global trade war. Alberta's inflation rate will likely moderate but remain above the national average. This might affect Alberta's GDP growth, consumer spending, and government budgets.
West Texas Intermediate - WTI (US$/bbl)	**64.8**	**73.6**	Our forecast predicts a higher price for West Texas Intermediate crude oil during the current budget cycle. However, lower WTI oil prices negatively impact Alberta's economy (Alberta's February budget forecast an average WTI price of US$68. Each dollar by which that price fluctuates results in a $750 million hit to revenues), potentially leading to budget deficits, reduced investment, cuts in government spending, increased unemployment, and slower economic growth.
Western Canadian Select - WCS (US$/bbl)	**50.1**	**58.6**	The price of WCS improved significantly relative to the last budget cycle. A narrowing WCS-WTI differential and increased ability to access new markets could boost Alberta's economy, increase profit margins, and enhance government revenues.
Alberta Natural Gas Price - AECO/NIT ($/GJ)	**3.1**	**2.2**	The Alberta Energy Company (AECO) natural gas price, an important benchmark for natural gas pricing in Alberta, directly impacts the oil and gas industry's income and profitability, both of which are major economic drivers in Alberta. AECO prices also impact Alberta's energy sector's competitiveness and capacity to attract investors. While the impacts may be indirect, decreased AECO prices may produce cheaper energy costs for consumers, boosting consumer spending and confidence.
Industrial Product Price Index (%)	**6.6**	**1.1**	Overall, the Industrial Product Price Index's (IPPI) influence on Alberta's economy is complex and depends on several factors, including duration and magnitude of the price increase, the strength of the global economy, and the effectiveness of government policies in managing the potential impacts. The IPPI can impact Alberta's economy by affecting energy sector investment, overall economic growth, and government revenue. Sustained high IPPIs owing to tariffs may also cause inflationary pressures, thereby depressing consumer spending and corporate investment.
Raw Materials Price Index (%)	**11.4**	**-0.8**	Tariff-induced increases in the Raw Materials Price Index (RMPI) have a significant economic advantage for Alberta. Higher oil and gas prices, as the RMPI measures, increase output and profitability, increasing investment, job creation, and general economic expansion. We expect a decrease in the RMPI during this budget cycle.
Alberta Average Annual Wage Rate Growth (%)	**1.7**	**2.2**	Increased average annual wage growth in Alberta can have a significant economic impact. Higher earnings can boost consumer spending, increasing demand for products and services, thus driving economic growth. However, it can raise labor expenses for firms, potentially contributing to inflationary pressures and increased costs of living, which can negatively impact their profitability and competitiveness.

Numbers may not add up due to rounding.

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 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 (%)	1.7	2.5	Overall, Calgary's economic forecasts point to a positive trajectory, with the region poised to continue as a major economic hub in Canada. However, addressing the potential challenges attributed to various factors related to the ongoing trade conflicts and prevailing uncertainties is crucial.
Total Employment ('000 persons)	878.2	1,015.2	Calgary's total employment increase has a substantial economic influence, affecting GDP, business activity, and the overall cost of living. A robust labor market boosts consumer spending, encourages investment, and benefits local businesses. However, rapid employment growth can strain resources and infrastructure, raising the cost of housing and other critical services.
Total Employment Growth (%)	2.1	3.3	The city's economy is expected to grow faster than the national economy. Calgary's employment growth will be faster this budget cycle and has positive economic implications, including increased consumer spending, potentially lowering unemployment, and driving demand for services and infrastructure.
Unemployment Rate (%)	8.5	7.0	Though trending lower, Calgary's high unemployment rate has several economic implications. It indicates a mismatch between job seekers and available opportunities, potentially leading to slower economic growth. This can affect consumer spending, business investment, and overall economic activity. The ongoing trade war could exacerbate the labour force and job creation mismatch.
Calgary Census Metropolitan Area (CMA)			
Housing Starts ('000 Units)	13.4	21.1	High housing starts in Calgary, like the record-breaking 24,400 starts in 2024, have significant positive economic implications. They indicate strong demand, can drive job creation in the construction industry, and attract interprovincial migration, further boosting the economy. Additionally, increased housing supply can help ease pressure on rental markets and potentially lead to more affordable homeownership.
Inflation Rate - CPI (%)	3.2	3.1	Our forecast calls for consumer price inflation to remain virtually unchanged from last budget cycle. Calgary's consumer price inflation, which remains above the 2 per cent mark, can impact the city's economy by potentially decreasing purchasing power, impacting business costs, and potentially affecting investment and growth.
Non-Residential Building Price Inflation (%)	3.9	2.5	Non-residential construction costs will decelerate in this cycle despite the continued increase in Calgary's population and number of workers. However, the ongoing global trade war can have several economic impacts on Calgary's non-residential construction price inflation. Potentially increased construction prices may increase project expenses, potentially delaying or preventing new development. This can affect the city's ability to attract businesses and retain personnel, hurting overall economic growth. Furthermore, inflation may result in fewer investments in the construction sector and therefore higher real estate prices, reducing affordability.

Numbers may not add up due to rounding.

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 to 2022] Annual Average	Forecast Current Service Plans and Budget Cycle [2023 to 2026] Annual Average	Forecast Implications
Forecast			
City of Calgary			
Demography			
Total Population ('000 Persons)	1,315.5	1,522.9	A larger city population points to increased demand for municipal services and infrastructure. It also means that the residential property tax base would grow.
Total Population Growth (%)	1.6	4.4	Calgary's population growth rate is predicted to quadruple this cycle, owing to strong net migration. This could put additional strain on some City services and infrastructure.
Net Migration ('000 Persons)	11.8	53.5	Calgary has experienced strong migration, but population growth may temper due to tightening immigration policies. While net migration drives strong growth in sectors like construction and housing, it also leads to a sharp increase in unemployment in the short term, potentially impacting affordability and infrastructure. However, in this cycle, the elevated population level should support consumption and demand for housing.
Household Formation ('000 Units)	7.4	23.7	Rising household formation in the current cycle should support higher demand for residential spaces, pointing to a larger residential tax base and increased demand for City infrastructure and services.
Real Estate			
Residential Market			
Housing Starts ('000 Units)	11.5	17.6	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	6.0	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, such as multi-family units.
Benchmark Home Price Growth (%)	5.0	4.5	Benchmark home price growth should remain virtually unchanged in this cycle. This is driven by strong demand for shelter from population growth and increasing residential building costs. While rising prices can boost property tax revenue and stimulate demand for services, they also create challenges for new home buyers. If the housing market becomes overly inflated, they could potentially strain the economy. Tariff uncertainty could also impact home price growth.
Total Building Permits ($ billions)	4.9	7.5	Higher building permit values in the current cycle will lead to a broader property tax base and higher revenues.

Numbers may not add up due to rounding.

Forecast Risks

Legend: Upside Risk Downside Risk Both

Risks arising from activities in the Rest of the World:

Major factors that could **alter actual economic performance** include reconfiguration of supply chains and ongoing trade disputes, uncertainties in global commodity prices and inflation, and potential divergence in global productivity.

1. Tariffs Uncertainty[2]

The Trump Administration's tariff whiplash **injected uncertainty and volatility into global markets.** Tariffs are government taxes on goods and services imported from another country. Tariff uncertainty is detrimental to international markets, resulting in lower investment, slower economic growth, and more volatility as businesses and consumers become more cautious and corporations delay or cancel planned investments. To make matters worse, the Trump Administration appears to want to re-negotiate the same deal they negotiated with Mexico and Canada last time Trump was elected, which calls to question whether or not the Trump Administration can be trusted at all in the negotiations Mr. Trump purports to want to have with nations regarding trade.

2. Global Economic Reconfiguration

Geopolitical tensions, especially those between the United States, Canada, Mexico, the European Union, and China, are causing a **major reconfiguration of the global economy** by changing supply networks. These changes restrict global competitiveness and drive inflation due to ongoing trade disputes, particularly in strategic sectors.

3. Commodity Prices and Inflation

Commodities and energy prices are anticipated to continue fluctuating, with geopolitical threats like the Middle East conflict able to disrupt oil supplies. **Trade tensions with the United States and persistent inflation will keep inflationary pressures** above pre-pandemic levels. Supply chain reconfigurations will make persistent inflation worse. **There is a high probability for inflation to move higher.**

4. Technological and Geopolitical Disruption

Technological advancements like artificial intelligence (AI) will benefit advanced economies more quickly. However, these **technologies are expected to exacerbate global inequality** as less-developed economies struggle to integrate them. This could exacerbate economic inequality and the divergence in global productivity.

[2] Tariff policies are as old as the United States. However, many economists blame restrictive trade policy for inflicting enormous misery during the Great Depression in the 1930s, and the post-World War II period witnessed the gradual lowering of trade barriers before a fundamental restructuring of global commerce as the twenty-first century began.

Forecast Risks

Legend: ▲ Upside Risk ▼ Downside Risk ◆ Both

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 business investment ambiguity.

▼ 5. Inflation and Monetary Policy

Many view trade tensions as a main inflation risk, and they have undoubtedly fueled concerns about price stability and the impact on the Canadian economy. Although the United States has temporarily postponed retaliatory tariffs, **mounting uncertainty has eroded consumer and business confidence and raised inflation** forecasts. A prolonged trade war would increase consumer prices and accelerate inflation rate. Higher inflation due to trade disruptions may keep interest rate reductions on hold; however, an economic downturn in Canada may drive the Bank to reduce the rate more aggressively.

▼ 6. Consumption Demand

Canada's population growth, driven by high immigration rates, supports consumption demand. However, households with high debt levels may constrain future consumption, particularly in sectors sensitive to interest rates. The uncertainty surrounding interest rates poses **significant risks to consumer confidence and could put downward pressure on consumption demand**.

▼ 7. Environmental Policy Divergence

Fragmented environmental policies among different orders of Canadian government **jeopardize economic growth by impeding long-term planning**, creating regulatory uncertainty, particularly in the energy sector, and potentially resulting in inefficient resource allocation and investment. Different environmental standards can lead to higher compliance costs for businesses operating in multiple jurisdictions, potentially reducing their domestic and international competitiveness.

▼ 8. Tariffs Imposed on Canadian Imports

The Trump Administration's imposition of tariffs on Canadian imports, with the intent to force U.S. companies to relocate manufacturing and supply chains to the United States, thereby creating jobs and reviving regions left behind by globalization, could significantly impact Canada's economic outlook, particularly in industries heavily reliant on U.S. trade (such as Canada's energy and automobile industry, and reliance on U.S. steel and aluminum) and inflation trajectory.

▼ 9. Breakup with China

The economic decoupling between China and the West, including Canada, **will impact the Canadian economy through reduced trade, supply chain disruptions, and potential shifts in investment and production**. As the United States seeks to reduce its reliance on China by imposing retaliatory tariffs, there could be shifts in investment and production activities away from China, potentially impacting the complex Canada-China relationship.

▼ 10. Disasters due to Climate Change and Critical Infrastructure

The increasing severity of wildfires in Canada poses a major risk to critical infrastructure. Wildfires could destroy energy, transportation, and communication networks, significantly impacting local economies and national productivity. **Climate change further exacerbates these risks**, increasing the likelihood of infrastructure damage.

Forecast Risks

Legend: ▲ Upside Risk ▼ Downside Risk ♦ Both

Risks from potential changes in Alberta provincial economy:

Significant factors that could **alter actual economic performance** include the uncertainties associated with energy prices and exports, tariffs, migration and demand for housing and infrastructure services, and the labour market imbalance.

▼ 11. Oil and Natural Gas Prices and Exports

Changes in oil and natural gas prices and exports significantly impact the Alberta economy, affecting GDP, employment, government revenues, and the strength of the Canadian dollar. As Canada's energy products contribute approximately 13 per cent to the total value of trade with the United States, the **ongoing trade war with the U.S. could negatively impact the industry through reduced investment, increased input costs (tariff on steel as one of the primary input), and slower job creation**. The lower royalties revenues due to lower energy price would lead to lower transfers to the municipal governments.

▼ 12. The Level of Net Migration

On October 24, 2024, the Federal government announced the 2025–2027 Immigration Levels Plan, which will pause population growth in the short term to achieve well-managed, sustainable growth in the long term. Alberta's economy is likely to experience a slowdown in population growth due to the announced change in government immigration policy, which **will impact labour force entry, consumer spending, and infrastructure demands**. However, the province's strong economic position should still lead to faster growth than the national average.

▼ 13. Labour Market Balance

Alberta's labor market imbalance, with shortages in specific sectors and surpluses in others, **will likely lead to economic challenges, including increased costs, wage pressures, and potential strain on housing affordability, particularly in construction and related industries**. The ongoing tariff uncertainty can pose challenges for specific sectors with skills gaps, and sectors with shortages could experience higher costs to acquire and retain skilled workers.