

# Fall Economic Outlook Update

2021 November 8



# Key Messages

- Net migration to exceed 8,600 persons to Calgary in 2021 and 9,000 more person in 2022.
- Improved global demand from ease of health-related restrictions.
- Inflationary pressure due to pent-up demand from 2020 and low borrowing costs
- Climate change disruptions in 2021 impacting global supply chain and input prices.



## Population

- Increase of 17,000 persons in 2021 and average 18,000 persons per year between 2022-2026. The increase in population in 2021, was 5,000 persons shy of the entire population of the city of Chestermere.



## Labour Market

- Calgary employment to increase by 25,000 persons in 2021 but will exceed 2019 annual employment in 2022, employing over 29,000 more persons.



## Real GDP Growth

- Calgary GDP growth contracted by -6.3 per cent in 2020 and expected to rise by 4.2 per cent in 2021, and average 2.6 per cent over the forecast horizon.



## Inflation

- Calgary CPI inflation to increase to 3.1 per cent in 2021, remain elevated at 2.6 per cent in 2022 and average 2.1 per cent between 2022-2026.

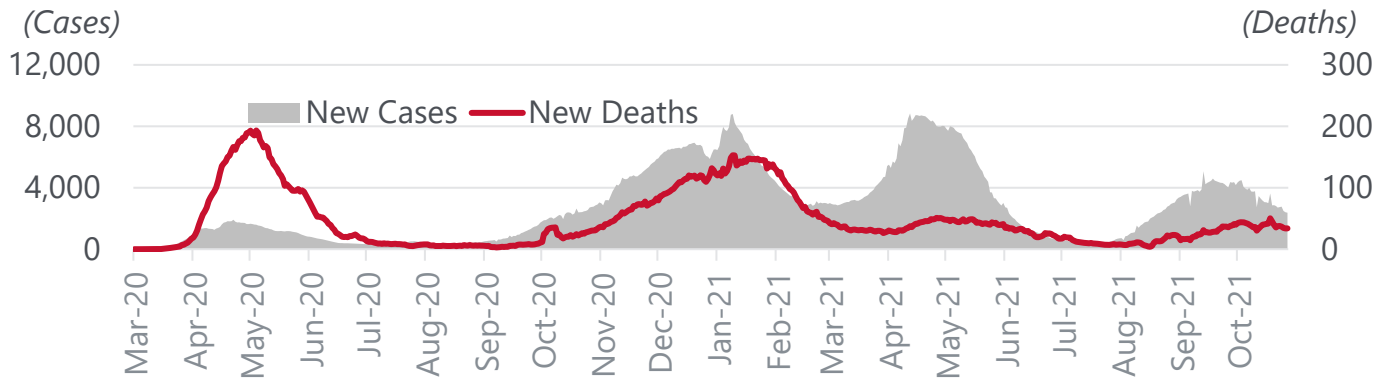


# Sustainable Recovery

- The impact of COVID-19 has been uneven across industries.
- The consequence of this unevenness is a potential increase in income inequality and a slower pace of economic growth and recovery.
- The Bank of Canada is currently maintaining its policy rate at 0.25 per cent.
- A side effect of aggressive “expansionary” monetary and fiscal policy is rising inflation.

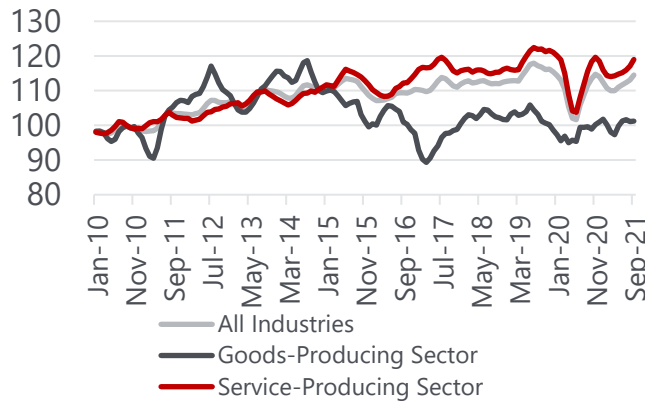
## Canada COVID-19 New Cases and Deaths

(7-day Moving Average, as of October 27, 2021)



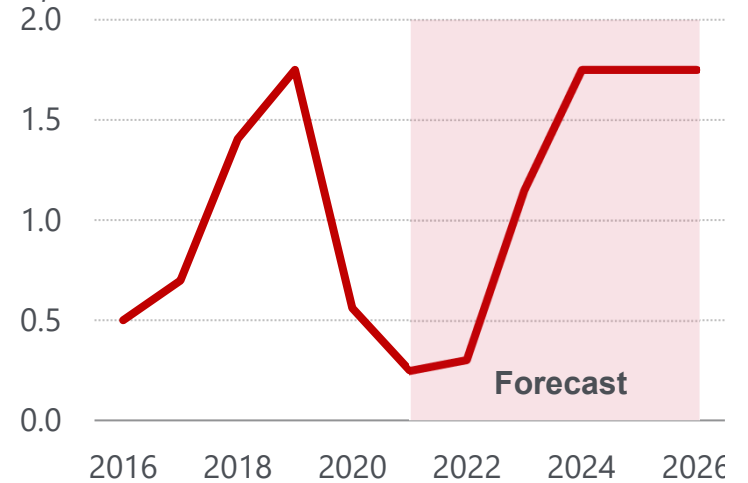
## Calgary Economic Region: Employment Growth by Industry

(January 2010 - September 2021)  
(index 2009=100)



## Bank of Canada Overnight Rate

(per cent)



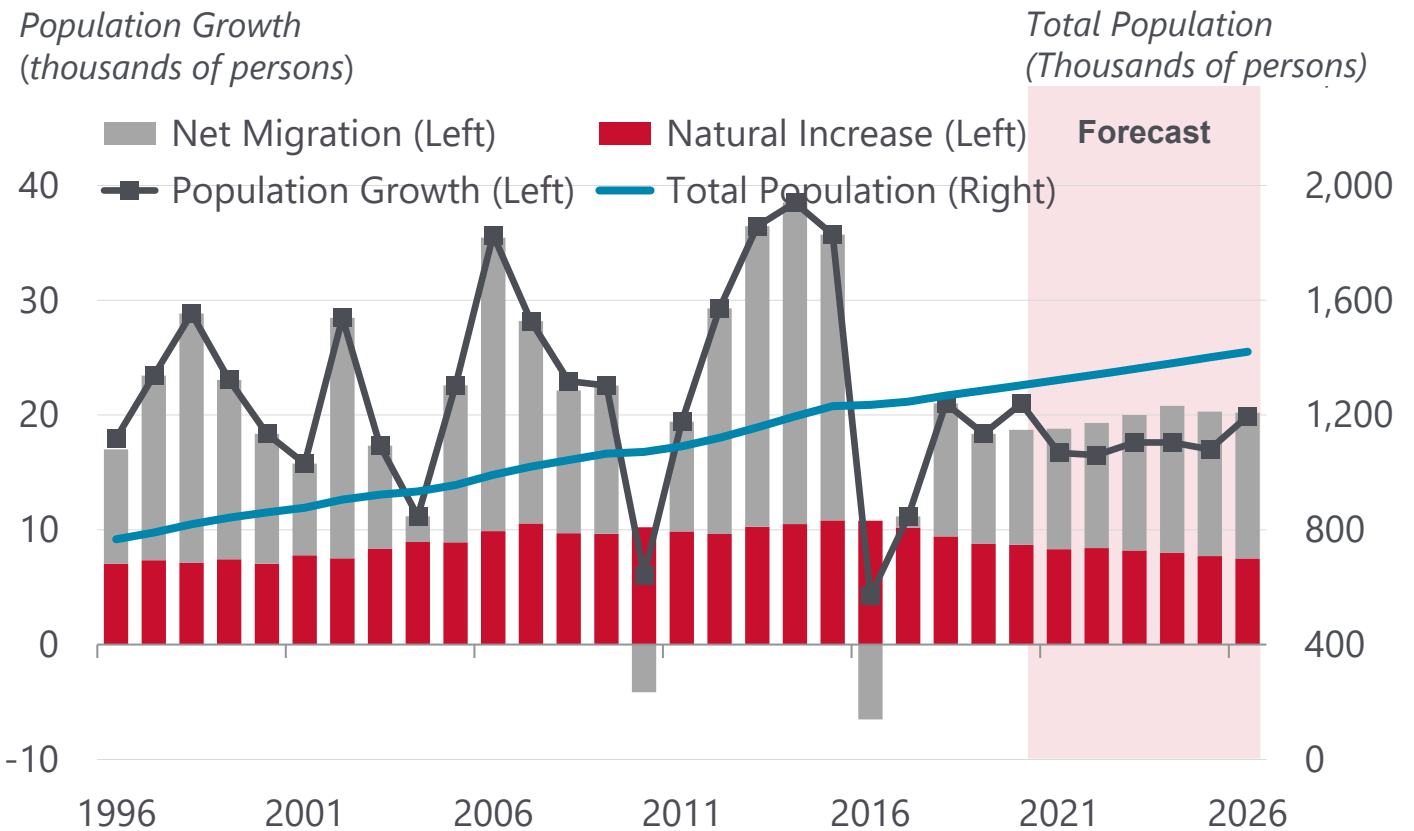


# City of Calgary - Population Growth Forecast

Population growth in the City of Calgary expected to remain steady

- Population to average a 1.3 per cent growth over the 2022-2026 forecast horizon.
- Over this period, net migration is forecast to add 48,800 persons to the population, while natural increase contributes 41,800.
- While seniors made up 12.5 per cent of the population in 2021, this ratio is expected to rise to 14.6 per cent in 2026.

## Population Growth in Calgary by Components





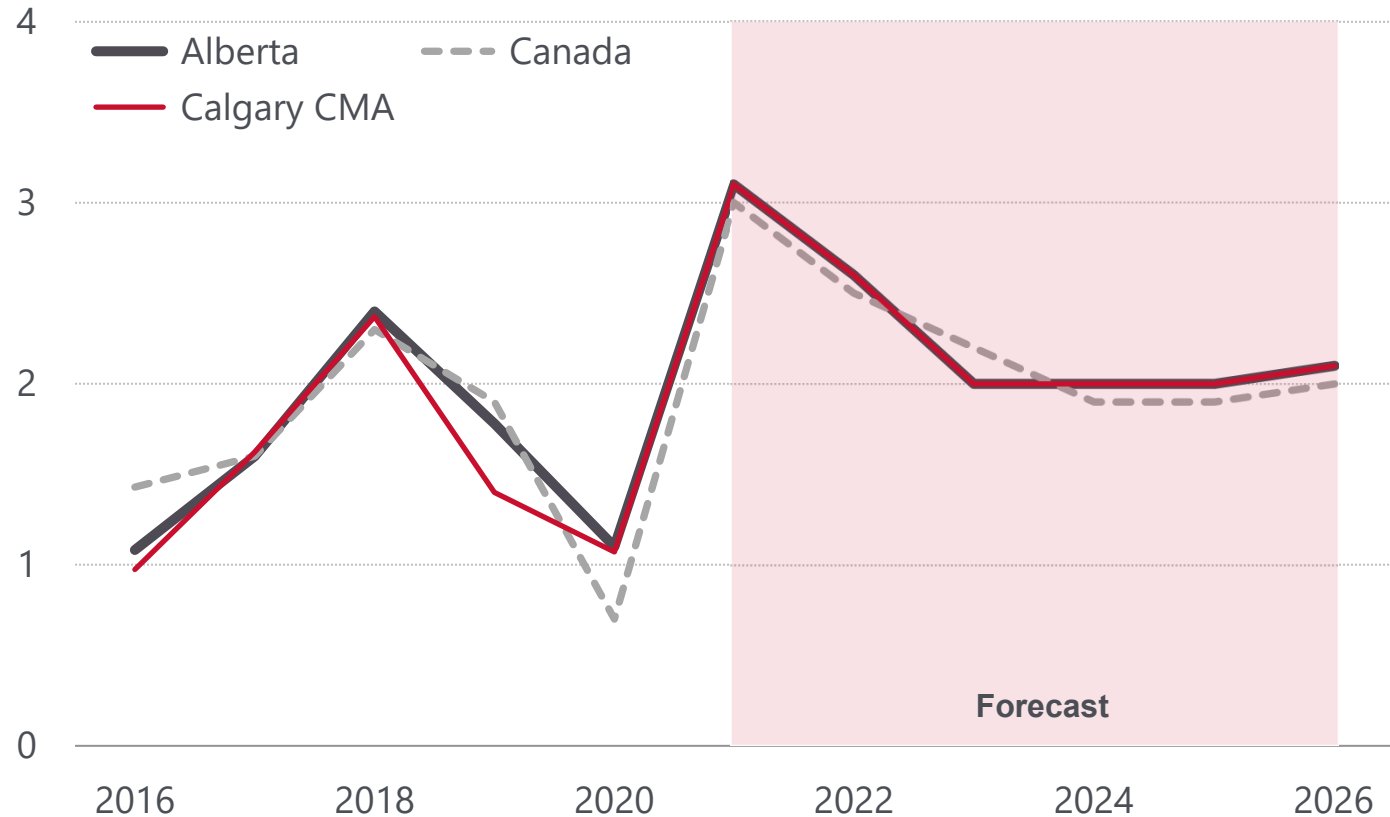
# Calgary Census Metropolitan Area- (CMA) Inflation Forecasts

Annual CPI inflation in the CMA expected to average 2.0 per cent in 2023-2026

- CPI inflation in the Calgary CMA is forecast to remain above average at 2.6 per cent in 2022.
- Stable economic growth as interest rates rise leading to stable annual CPI inflation rates.
- High inflation in 2021 as a result of supply chain issues, low interest rates, pent-up demand and the oil market recovery.

**CPI Inflation: Calgary CMA vs. Alberta and Canada**

(per cent)





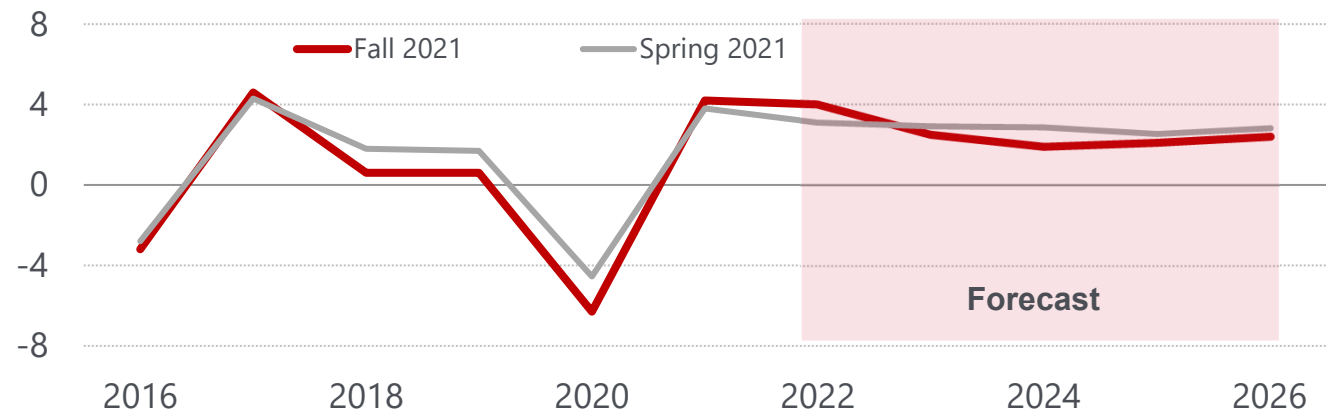
## Calgary Economic Region (CER) - Real GDP and Labour Market Forecast

- Smaller GDP growth in the CER in 2021 and 2022 than in Alberta, as the CER experienced less of a severe downturn from which to recover.
- In 2023-2026, annual real GDP growth in the CER is expected to average 2.2 per cent per year, driven by population growth and stable energy prices.
- Total employment in the CER is forecast to rise by 3.0 per cent in 2021, and recover to pre-pandemic level by 2022, increasing by 3.4 per cent in that year.

**Real GDP in the CER is forecast to increase by 4.2 per cent in 2021**

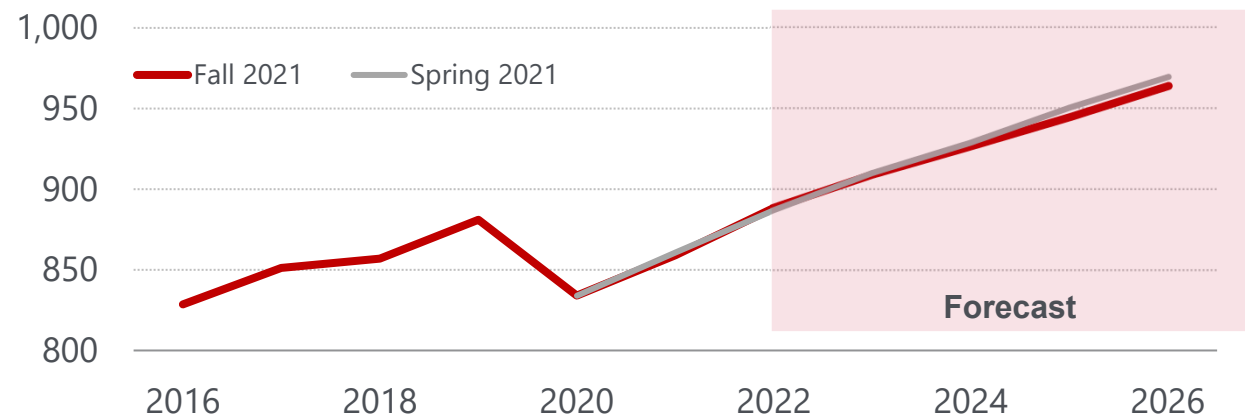
**Calgary Economic Region: Real GDP Growth**

(per cent)



**Calgary Economic Region: Total Employment**

(thousands of persons)



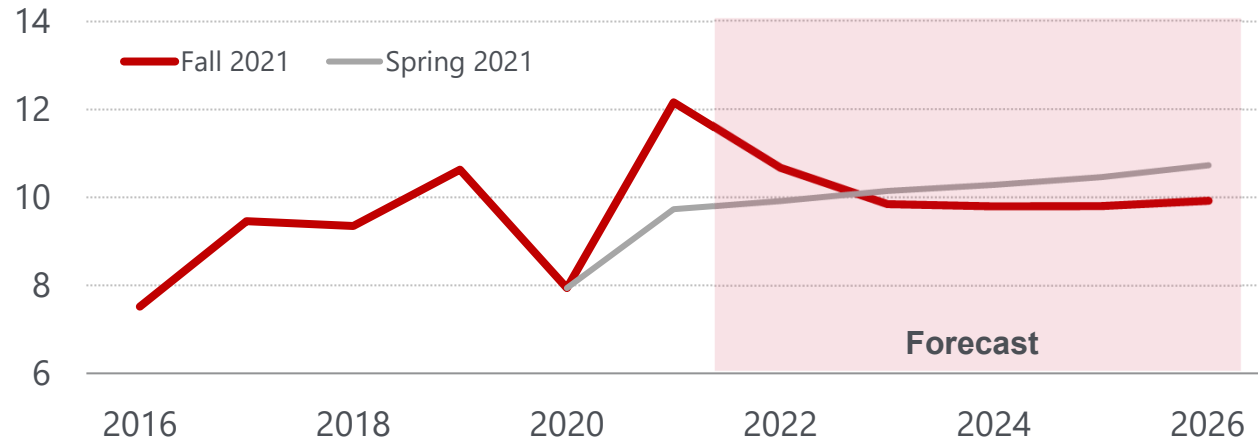


## City of Calgary - Real Estate Forecasts

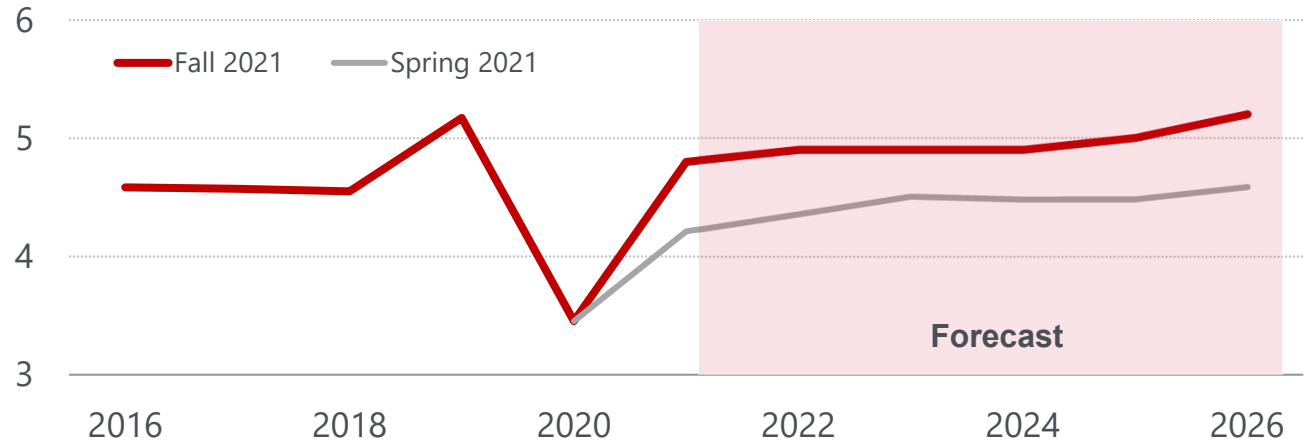
- The last time the city of Calgary saw total housing starts that large was in 2014, when starts totaled 13,800.
- Total housing starts are expected to average 10,000 per year over 2022-2026.
- Permit values expected to top 2020 permits by over \$1.3 billion in 2021, rising to \$4.8 billion.
- Total permits in 2022 expected to increase to \$4.9 billion in 2022, and average \$5 billion over 2022-2026.

### Total housing starts expected to increase by over 12,000 units in 2021

**City of Calgary: Housing Starts**  
(thousands of units)



**City of Calgary: Total Building Permit Value**  
(billions of dollars)

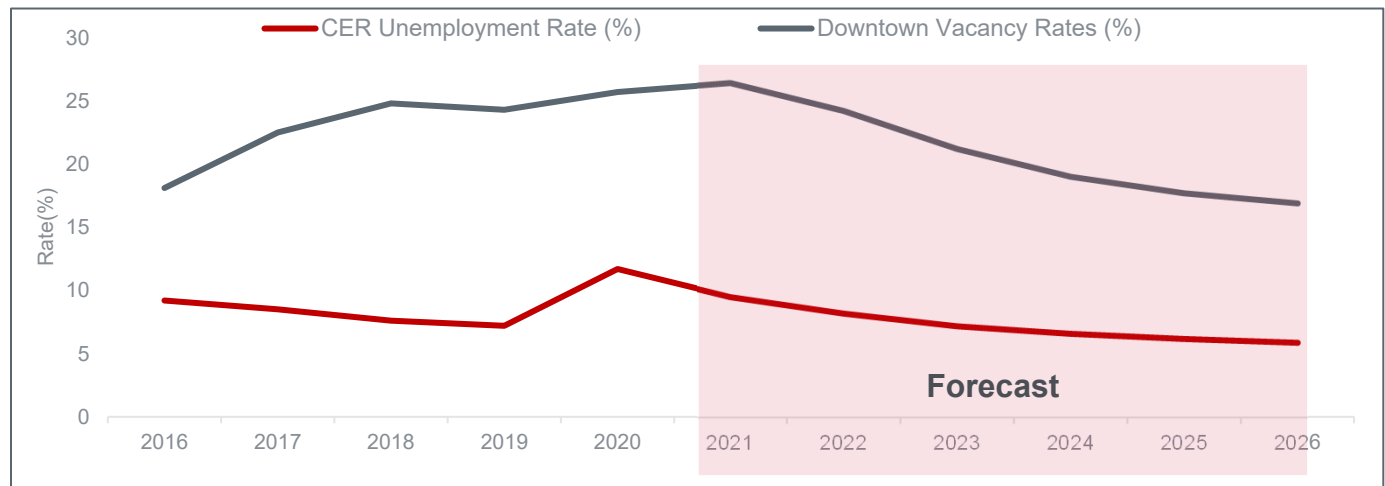
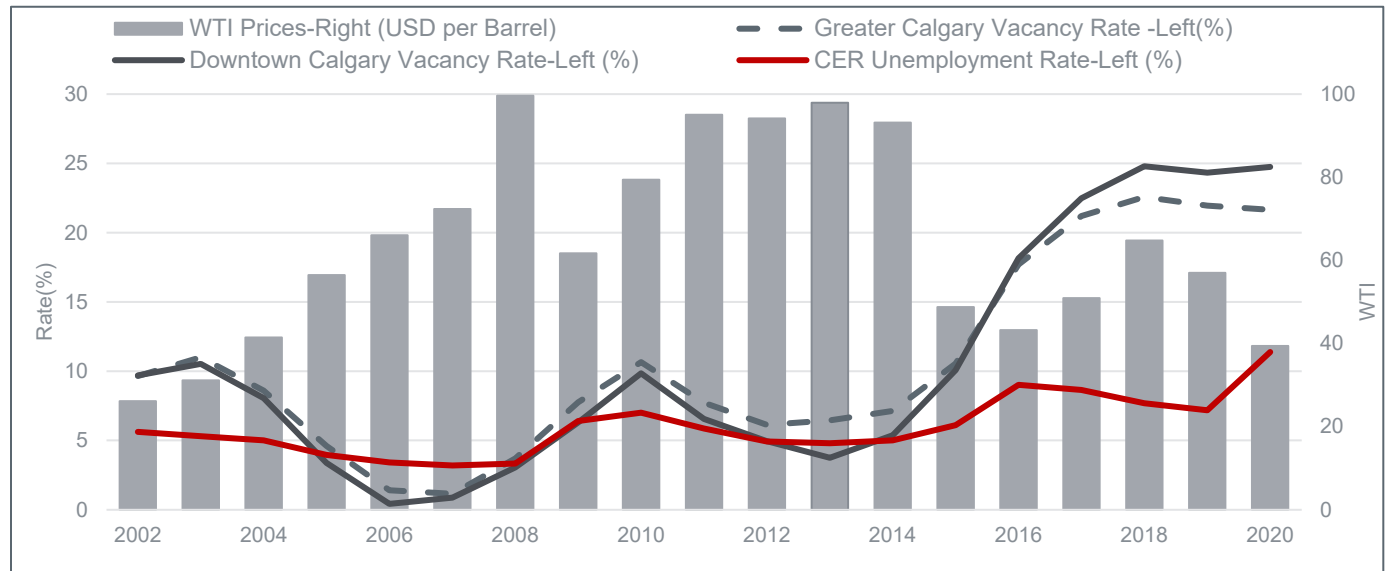




# City of Calgary – Office Vacancy Rates

Vacancy rates to remain unchanged for about another year then decline

- Vacancy rates to remain relatively unchanged for about another year then decline, achieving market balance conditions in 2031.
- The improved global demand resulting from the easing of health-related restrictions has driven West Texas Intermediate (WTI) oil prices to upwards of \$80 per barrel in 2021.
- The WTI is expected to average \$65 per barrel in 2021, up from under \$40 per barrel in 2020.

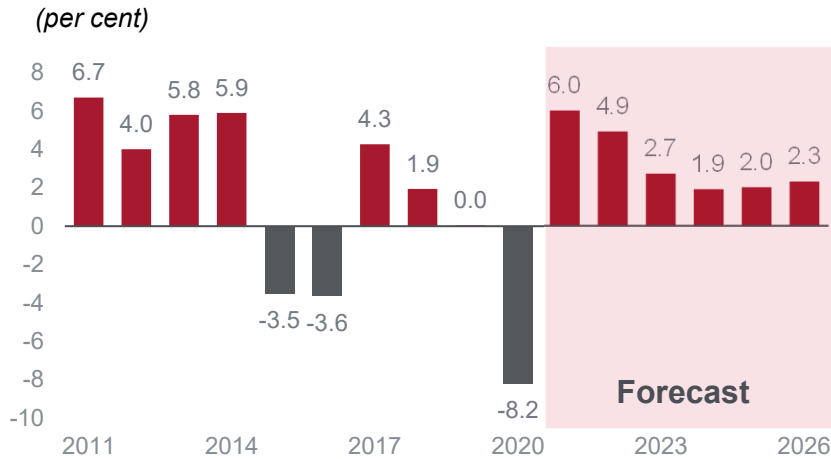




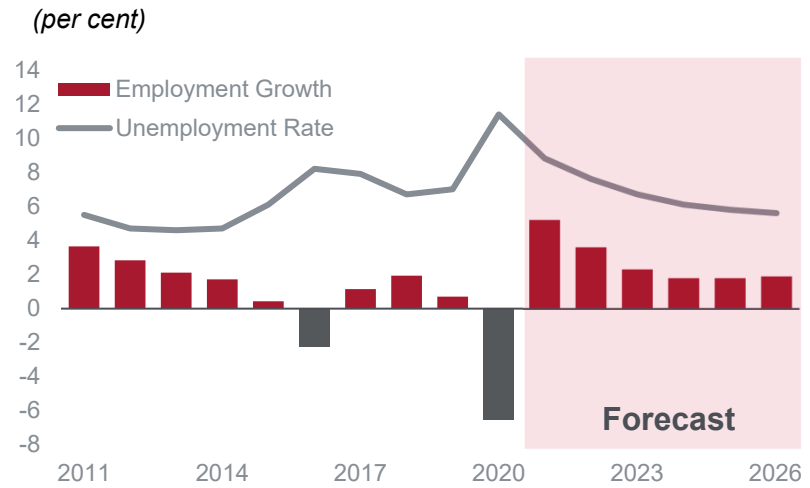


# Alberta Forecasts

## Alberta Real GDP Growth



## Alberta Employment Growth



Promising signals for Alberta's economy observed in 2021

Employment is showing strong signs of recovery

### GDP Forecasts

Alberta 2021	6.0%
Alberta 2022	4.9%
Alberta 2023	2.7%
Alberta 2024	1.9%
Alberta 2025	2.0%
Alberta 2026	2.3%

### Employment Forecasts

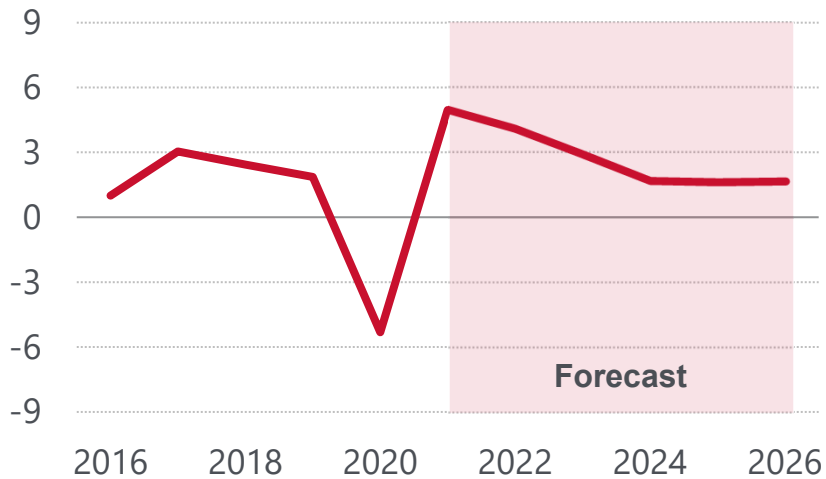
Employment Growth 2021	5.2%
Employment Growth 2022	3.6%
Unemployment Rate 2021	8.8%
Unemployment Rate 2022	7.6%
Unemployment Rate 2026	5.6%



# Canada Assumptions

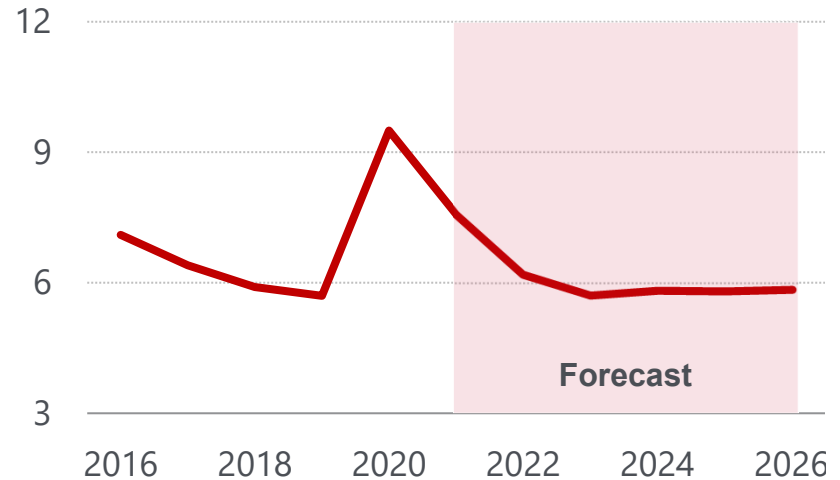
## Canada Real GDP Growth

(per cent)



## Canada Unemployment Rates

(per cent)



- GDP Growth due to Canada's successful vaccine rollout and a positive economic growth outlook in the U.S.
- Canada's total employment (three-month moving average) is expected to surpass the pre-pandemic peak in the next few months.
- However, it's unemployment rate will take another two to three years to return to the levels seen in 2019.

## GDP Forecasts

Canada Real GDP Growth 2021	5.0%
Canada Real GDP Growth 2022	4.1%
Canada Real GDP Growth 2023	2.3%



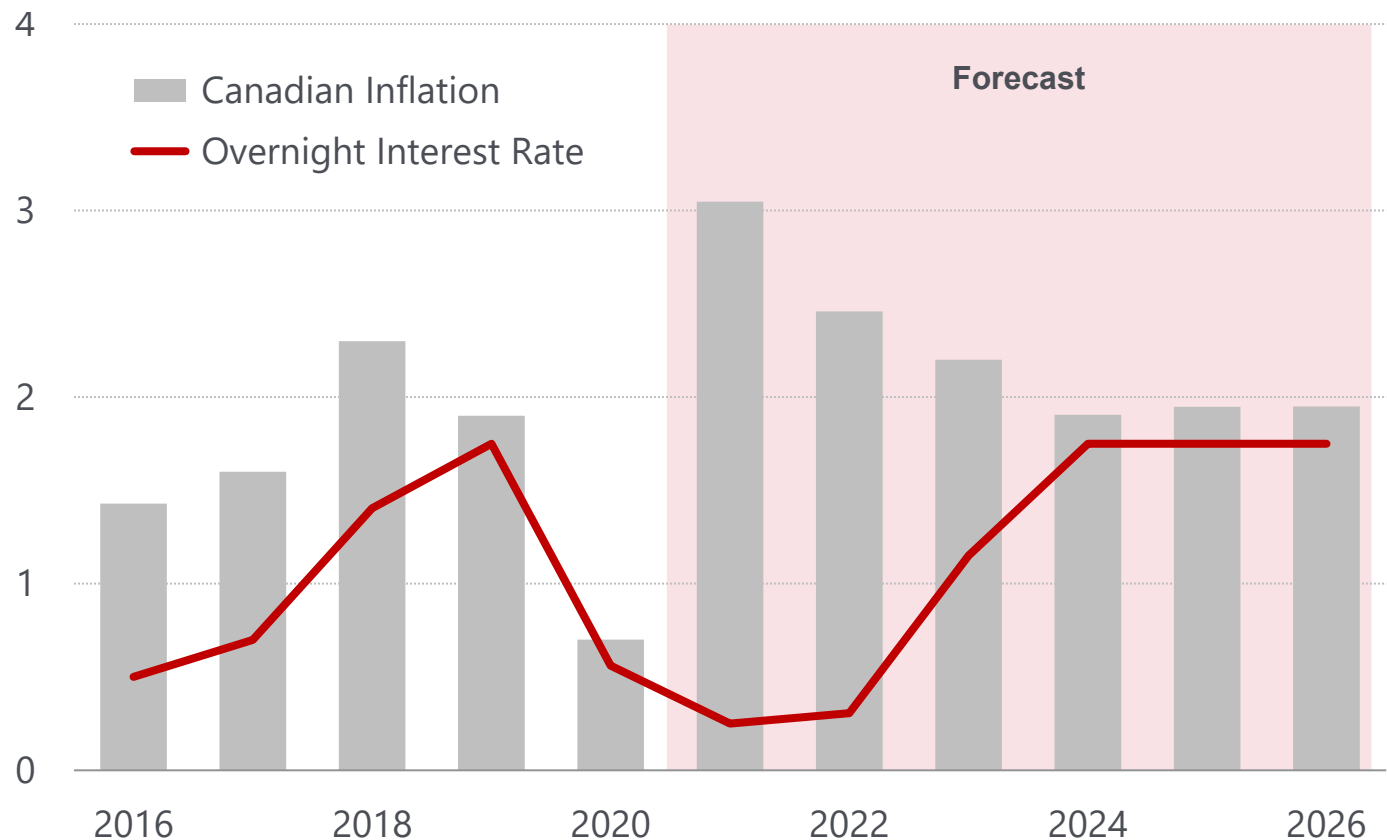
# Canada Assumptions Continued...

**BoC expected to hike rates before the U.S. Fed, pushing the Canadian dollar higher.**

- The Bank of Canada is expected to keep the policy rate at 0.25 until mid-2022.
- The BoC considered that the higher than 2 per cent inflation rates were boosted by temporary supply chain disruptions from the pandemic.
- It is now expected those factors may persist longer, and thus the change in timing from 2023 to mid-2022 towards an interest rate hike.

## Bank of Canada Policy Rate vs. Inflation Rate

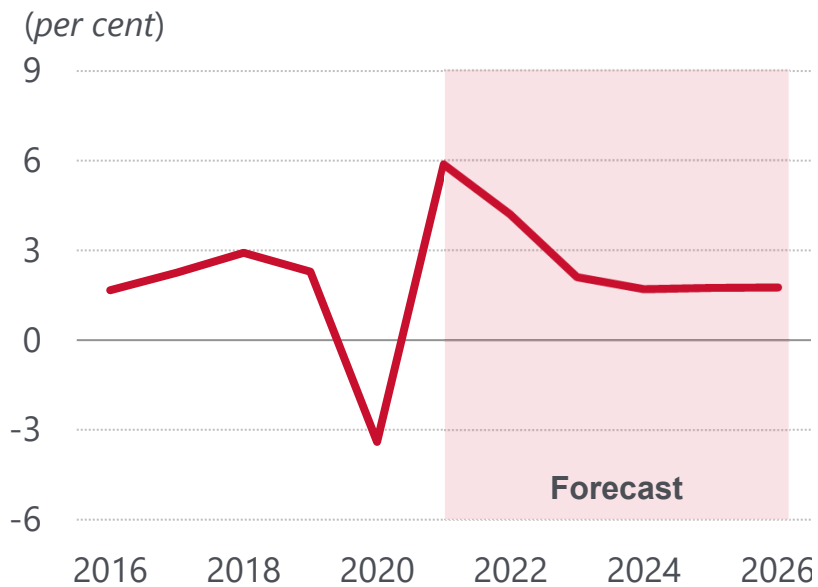
(per cent)



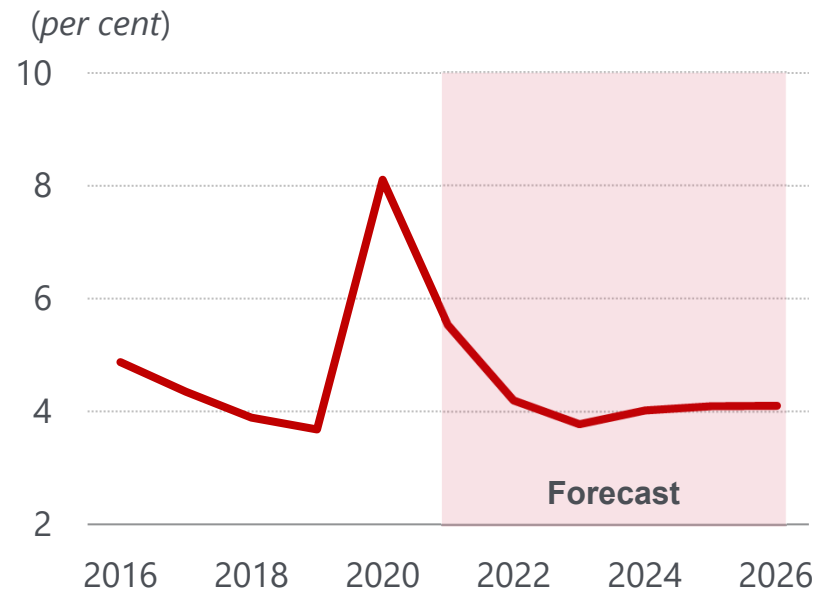


# U.S Assumptions

## U.S. Real GDP Growth



## U.S. Unemployment Rates

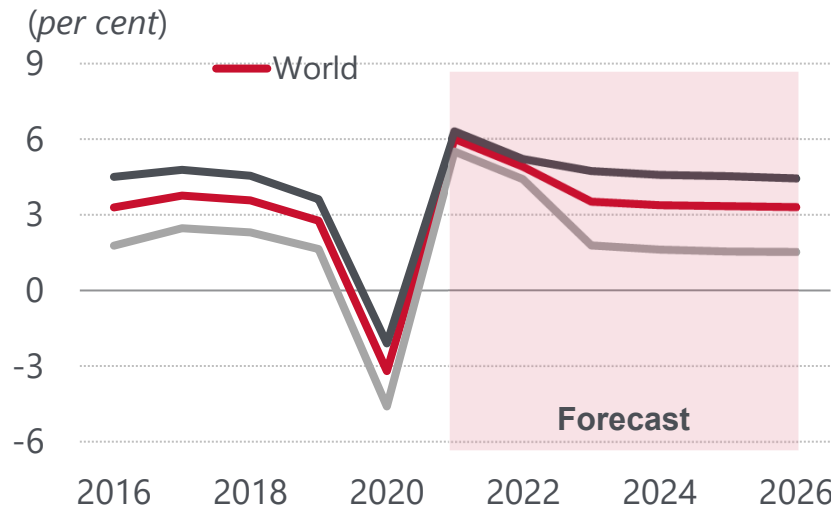


- The real GDP growth in the U.S. is expected to increase to 5.9 per cent in 2021 and 4.2 per cent in 2022.
- Total unemployed in the U.S. was 7.7 million in September 2021, down by 1.9 million from January 2020.
- Slack in the U.S. labour market due to the mismatch between skills offered and demanded.



# Global Assumptions

## World Real GDP Growth

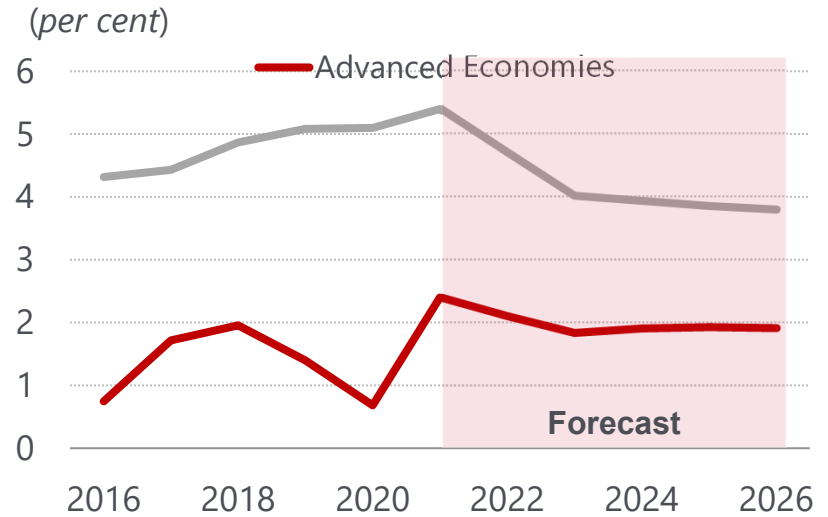


GDP growth rebound due to less public health-related restrictions and vaccine rollouts

### GDP Forecasts

World 2021	5.7%
World 2022	4.5%
Advanced Economies 2021	5.5%
Advanced Economies 2022	4.4%
Emerging Markets 2021	6.3%
Emerging Markets 2022	5.2%

## World Inflation Rates

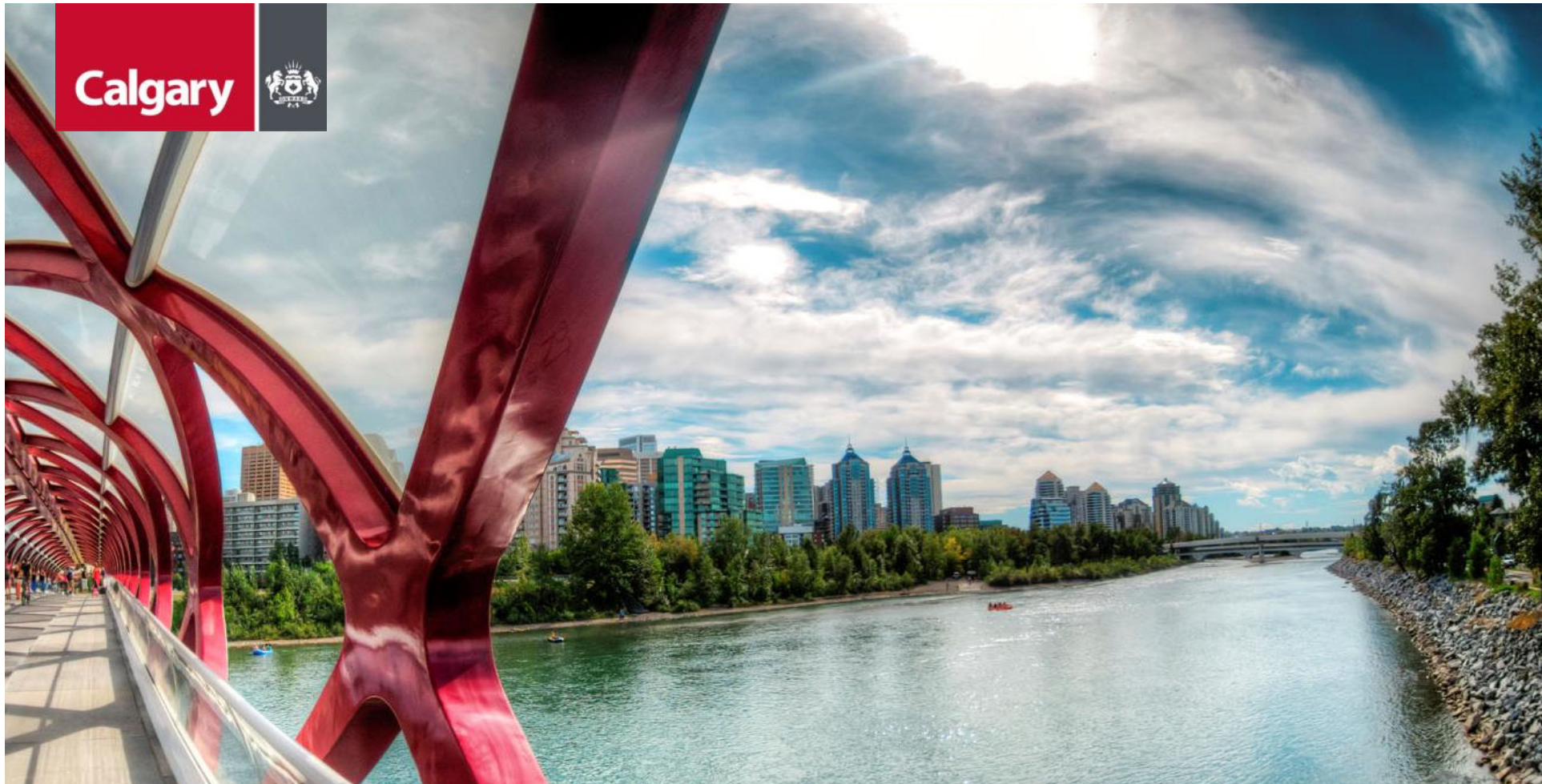


Inflation rates spike due to lower base effects, pent-up demand, climate change and supply chain disruptions

### Inflation Forecasts

Advanced Economies 2021	2.4%
Advanced Economies 2022	2.1%
Emerging Markets 2021	5.4%
Emerging Markets 2022	4.7%

Calgary



# Questions