

Economic Growth

What you need to know

- The energy sector fueled a period of strong growth in Alberta from 2000 to 2014, ending abruptly when oil prices collapsed.
- After this, GDP declined and did not return to 2014 levels until 2019.
- Meanwhile, Alberta's population continued to grow, leaving per capita GDP 17% below its 2014 peak.
- Job prospects declined over that period while cost cutting measures led to productivity gains.
- The impact of the oil price wars in early 2020 added to COVID impacts, hurting Alberta's already weak economy.

Reason for optimism

Consumer demand, investment, and a rebound in commodity prices will drive a stronger recovery. As a result, the Conference Board predicts strong growth for Alberta this year.

Cause for concern

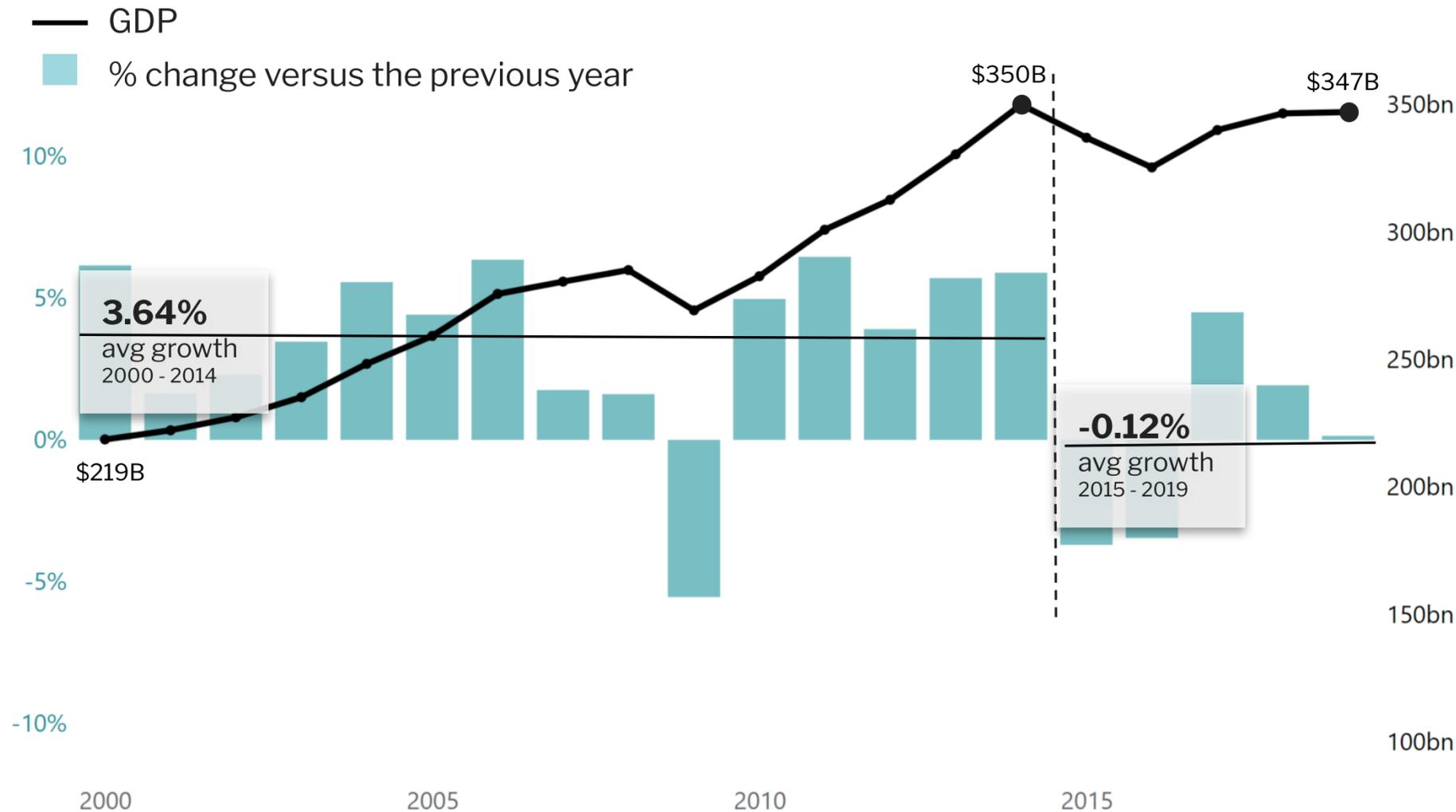
Alberta's primary wealth-generator faces challenges inherent of a low-carbon future: investor emphasis on ESG, uncertainty around government policy, and changing consumer demand.



Economic Growth



Alberta's economic growth, 2000-2019



- The Alberta economy was strong from 2000 to 2014, growing by an average annual rate of 3.64%. Over 50% higher than the national average, Alberta's growth surpassed all other provinces.
- This growth was driven by the energy industry. Capital investment, production and exports all soared in a high-price environment.
- Since then, things have changed. After the oil price collapse in 2014, Alberta's economy saw an average annual decline of 0.12% through 2019, the year prior to the pandemic.
- As of 2019, the value of Alberta's economy was at roughly the same level as its peak from 5 years ago.

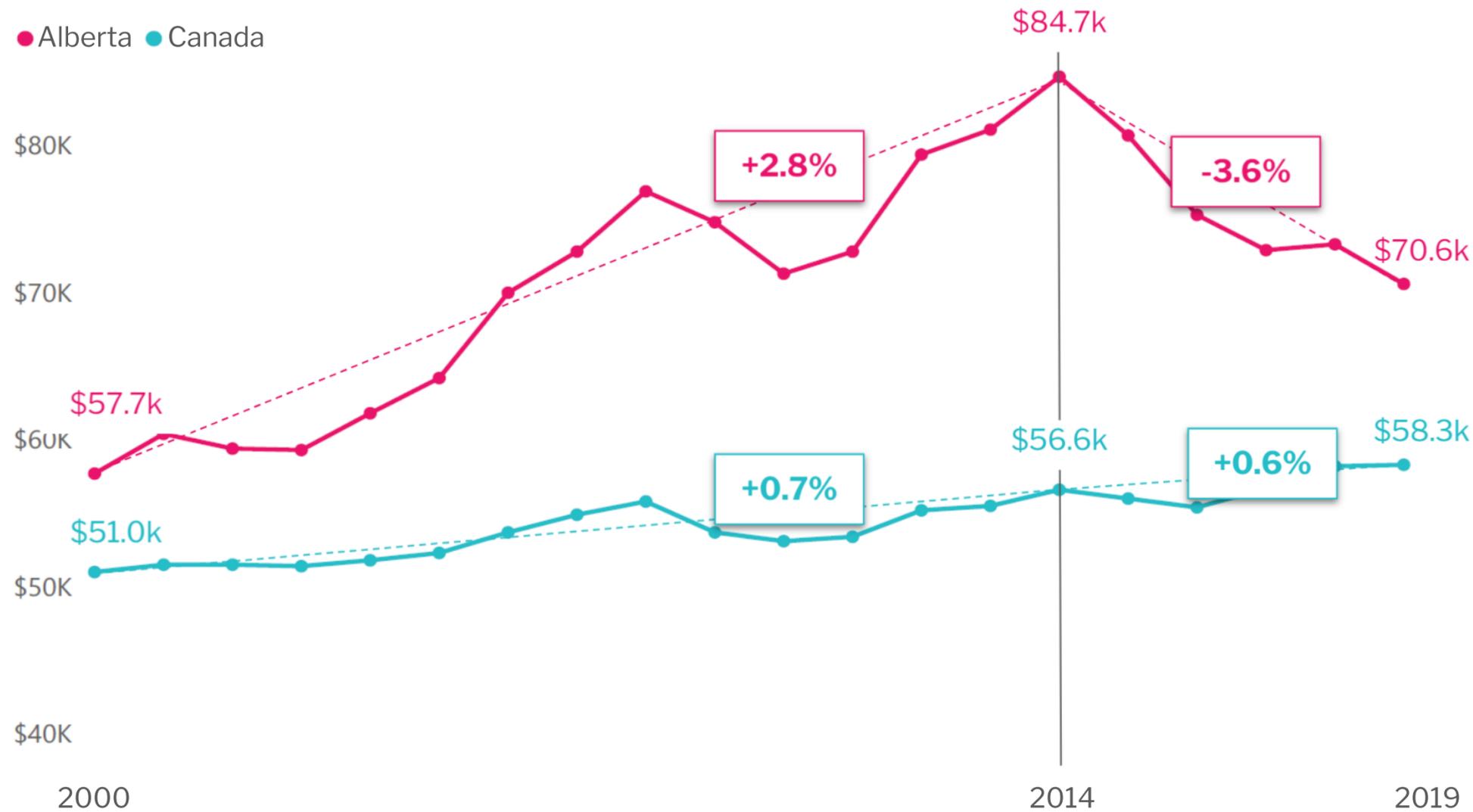
Source: Statistics Canada



Economic Growth



GDP per capita growth, 2000-2019



- Taking into account population growth over this time, economic growth was similarly strong through 2014, well outpacing the national average at 2.8% vs 0.7%.
- Since the 2014 peak, GDP per capita has fallen precipitously. While Canada saw an increase of about 0.6% each year, Alberta saw, on average, a 3.6% decrease. Relative to its population size, the Alberta economy was 17% smaller in 2019 than it was 5 years prior.
- Even so, Albertans continue to generate 21% more economic value per person than the Canadian average, though a further convergence seems plausible.

Source: Statistics Canada



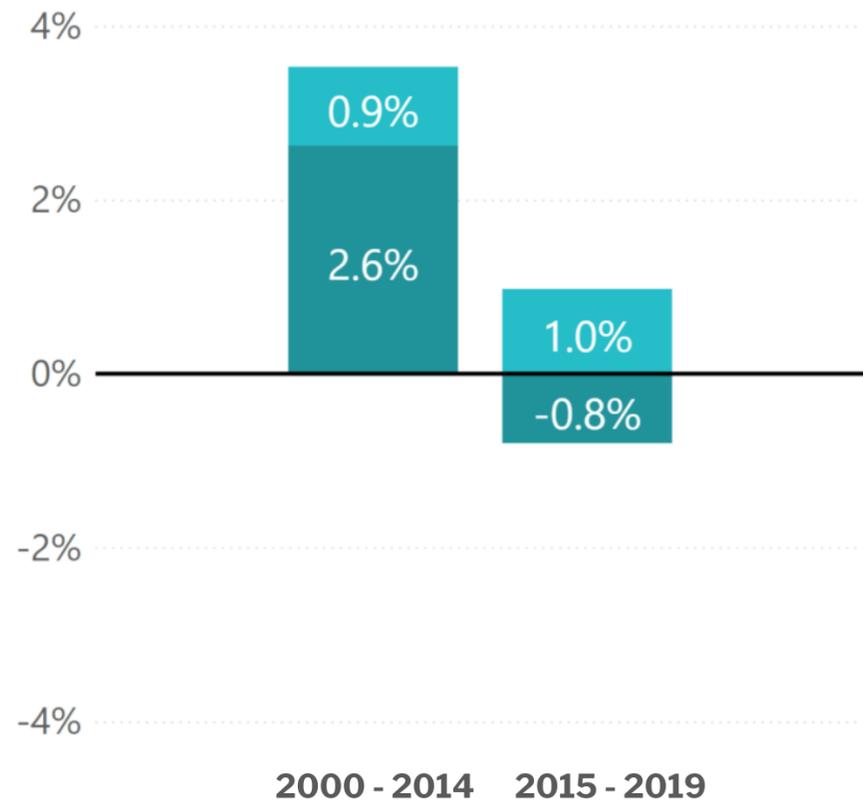
Economic Growth



Contribution to GDP growth

Business Sector Industries

● Labour growth rate ● Productivity growth rate



Source: Statistics Canada

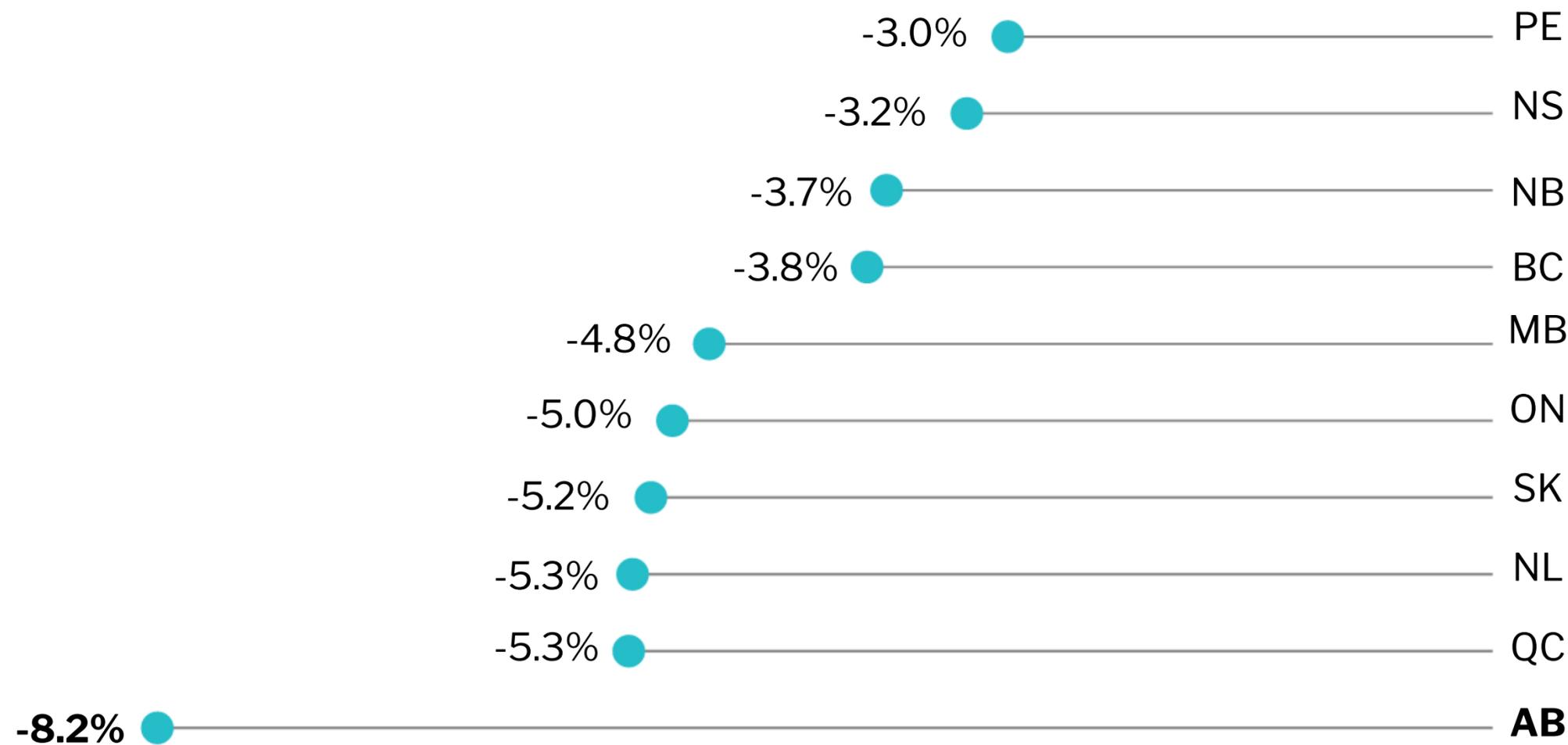
- Alberta's growth from 2000 to 2014 was driven by both employment (number of workers and/or hours worked) and productivity gains, although ~75% of that growth came from the employment side.
- Since then, changes in employment led to an annual loss in economic growth while productivity continued to drive some gains.
- The reason for productivity growth, however, may be more related to labour force declines; the oil price collapse likely drove employers to cut staff down to the most essential workers to compete in a new world of lower commodity prices.



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Pandemic impact, GDP % change 2019 to 2020



- Alberta's economy was harder hit in 2020 than any other province.
- While most provinces saw a 4-5% decrease in GDP compared with 2019 levels, Alberta saw a decrease of more than 8%.
- The 2020 oil price collapse explains the difference. This added to the pandemic impact that affected all provinces.
- As a result, other factors like unemployment remained worse in Alberta in 2020 than other provinces. However, oil prices have come back quicker than expected in 2021, leading to expectations of a stronger rebound.

Source: Statistics Canada

