



Environmental Scan

Alberta

2016



KEY HIGHLIGHTS

- In 2015, Alberta's economy contracted by an estimated 2.9%¹, as low oil prices dramatically reduced energy sector investments, exports, and employment. Alberta is expected to experience a second consecutive year of recession in 2016, but moderate growth is projected to resume in 2017.
- The catastrophic wildfire that swept through Fort McMurray in May 2016 will further lower the provincial outlook for the year. Major oil sands operations went undamaged in the blaze. However, about half of total daily oil sands production went offline, either as a precautionary measure or due to logistical issues. Assuming an orderly restart, foregone oil sands production could amount to 14 million barrels, worth about \$750 million.
- Alberta posted the strongest employment growth of any province between 2010 and 2015, accounting for 28% of all employment growth nationwide. Nonetheless, the province's employment gains slowed to 1.2% in 2015, as low oil prices led to significant job losses in industries like resource extraction, professional services, and manufacturing. Alberta's unemployment rate also increased sharply, rising from 4.6% to 7.0% over the course of the year.
- Between 2010 and 2015, Alberta's population grew faster than any other province or territory, adding 463,800 people (+12.4%). Nonetheless, Alberta's economic challenges are expected to slow net interprovincial migration into Alberta over the next few years.
- Over the past five years, most of Alberta's economic regions have experienced strong employment growth. However, in 2015, employment actually declined in most parts of the province, with the exception of Calgary, Edmonton, and Lethbridge-Medicine Hat.
- Alberta's youth unemployment rate has been rising in recent years, as young men have been particularly impacted by the slowdown in the energy sector and related industries.

- Alberta's Indigenous population experiences better labour market outcomes than their counterparts in the rest of Canada. However, their employment indicators continue to lag those of the province's non-indigenous population.

GENERAL OVERVIEW/ECONOMIC CONTEXT

Global Economic Picture

The global economy grew at an annual rate of 3.9% between 2000 and 2014, but slowed considerably in 2015. The International Monetary Fund (IMF) now foresees growth of 3.1% in 2015 and 3.4% in 2016.² Emerging markets such as China (6.9% 2015f) and India (7.3% 2015f) continue to show some of the strongest growth, while growth in Indonesia (4.8% 2015f) and Turkey (3.7% 2015f) is also projected to be strong. In the Eurozone core, economic growth is projected to be flat over the next year, while for other major economies such as Russia and Brazil, a significant contraction is anticipated.³ Economic expansion is expected to pick up again in 2017 as the Brazilian and Russian economies recover, but this could be tempered by new global economic and/or political instability.

The slowdown in global growth can partly be attributed to China's plan to reduce overcapacity in manufacturing. As the world's second largest economy transitions to higher value-added production and more service-oriented output, the supply chain throughout Asia and South America will continue to be impacted.⁴ While consumer spending rose in China in 2015, this was offset by lower industry output and a weakening in both imports and exports. Over the next few years, the rapid growth China experienced over the last decade is not expected to be replicated, as the pace of capital investment and labour force growth both gradually diminish.⁵

Since the summer of 2015, oil prices have continued to slide as members of the Organization of the Petroleum Exporting Countries (OPEC) have kept levels of oil production higher than levels of global demand. This has harmed the economies of many net oil exporting countries.⁶ Moreover, many commodity-dependent nations are struggling to adjust to lower baseline energy and metal prices, and this has had a dampening effect on investment and hiring and also contributed to instability in financial markets.⁷

Global macroeconomic policies also started to diverge late in 2015, and this has added to the overall uncertainty of the global economic picture. For instance, deflationary pressures persist in Europe and this has caused some European countries to experiment with negative rates. Similarly, Japan has also embarked on a negative rate policy in an effort to stimulate growth. In this backdrop, the U.S. economy has performed quite well and the Federal Reserve has started to normalize borrowing costs due to low levels of unemployment and burgeoning price pressures. This in turn has buoyed the greenback and has led some major U.S. trading partners (e.g. Mexico) to raise interest rates in an effort to slow capital outflows and stabilize exchange rates.⁸

For the remainder of 2016, U.S. consumers are expected to continue spending, as strong job growth, lower gasoline prices, reduced debt burdens, rising wages, and rising home valuations enhance their purchasing power.⁹ Nevertheless, turmoil in the oil and gas industry continues to weigh down the U.S. energy industry and a strong American dollar is having a moderating effect on manufacturers and exporters.

National Overview

Moderate economic growth of 1.7% is anticipated for 2016 in Canada, following what many analysts considered a subpar performance in 2015 (1.2%). An ambitious spending program that was announced in Budget 2016 should help support growth and mitigate the downside risks from the collapse in oil and gas prices.¹⁰ In the short-term, exports are expected to drive national growth, supported by a lower-valued Canadian dollar and also by growing demand for imports in the United States.¹¹

The devastating wildfire that swept through Fort McMurray in May is expected to materially affect national second quarter GDP. While no major oil sands operations themselves were damaged, about half of total daily oil production went offline due to the blaze. According to recent estimates, foregone oil sands production has already amounted to 14 million barrels worth about \$750 million. National GDP growth for the second quarter is now expected to be as low as -0.5%.¹²

In 2015 the Canadian labour market added jobs at a moderate pace with weakness in manufacturing and resources (particularly in the Western provinces) offset by strength in construction and services. While GDP growth has been stronger than expected so far this year,¹³ employment growth has been mixed, with modest employment declines in January (-2,300) and February (-5,700) followed by an unexpected increase of 40,600 in March.

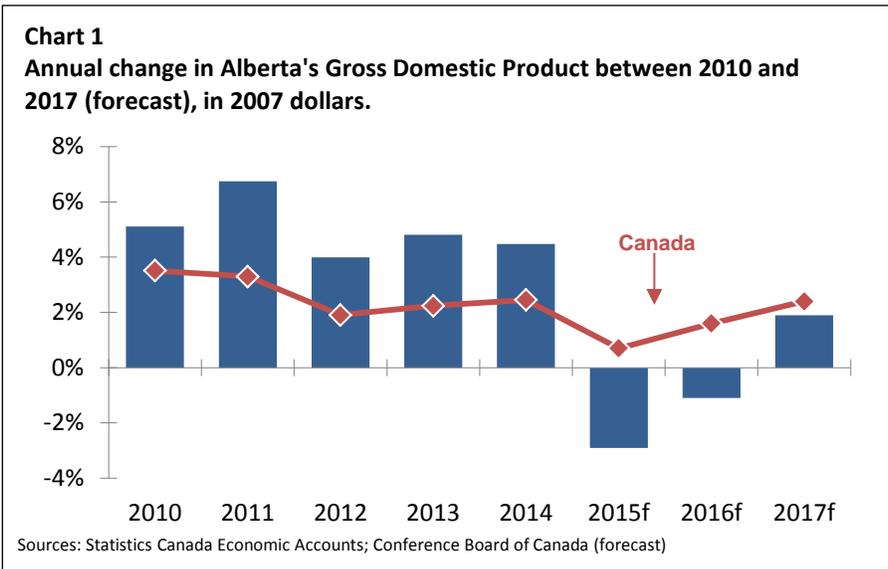
This employment picture has been coupled with steady levels of consumer spending, which is helping to support growth. At the same time, weak wage growth and elevated levels of household debt will likely reduce consumer confidence and purchasing power for the remainder of 2016.¹⁴ Pockets of unemployment, especially in parts of Alberta and Saskatchewan, may also weigh down the economies of those provinces. Unemployment in Alberta's Wood Buffalo region may be difficult to measure in the aftermath of the Fort McMurray wildfire. While rebuilding efforts will boost construction employment later in the year, total employment will remain below pre-fire levels for the foreseeable future.

Residential investment Canada-wide is expected to be steady in 2016, following a 4% jump last year. While the housing markets of Alberta and Saskatchewan struggle, this is being offset by exceptional growth in other parts of the country (i.e. Vancouver, Toronto). Overall, business investment will likely see another year of decline due to the downturn in the energy sector. A weak Canadian dollar should also help trade, while the Bank of Canada is expected to hold overnight rates to current levels through to early 2017.

REGIONAL, PROVINCIAL AND LOCAL LABOUR MARKET CONDITIONS

Alberta’s short-term economic outlook has weakened considerably. Concerns over global oversupply caused benchmark oil prices to collapse from over \$100 USD per barrel in mid-2014 to around \$40 USD by the end of 2015.

The dramatic decline in Alberta’s export values illustrates the impact of low energy prices. In 2014, exports from its oil and gas extraction industry reached a record \$88.7 billion—roughly three-quarters of Alberta’s export total.¹⁵ One year later, the value of energy exports dropped by \$28.1 billion, despite the fact that volumes actually increased.



Although oil prices have recovered a little since the start of 2016, a quick turnaround appears unlikely. As a result, many of Alberta’s energy producers are continuing to reduce capital spending and staffing levels. The energy services industry has been hit particularly hard, with conventional drilling activity falling dramatically and firms shuttering operations across the province. Meanwhile, the continued development of oil sands projects that were previously committed to has caused the province’s overall crude production to climb. However, the slump in oil prices has resulted in the cancellation or postponement of many new developments, including Shell Canada’s multi-billion dollar Carmon Creek oil sands project.¹⁶

The slowdown in Alberta’s energy sector has had broad repercussions. Over the course of 2015, retail and wholesale trade, manufacturing sales, building permits, construction activity, and both business and consumer confidence all trended downwards. Looking forward, most economic forecasters are not expecting conditions to improve over the short-term. For example, the Conference Board of Canada predicts that Alberta will experience a second year of recession, with the provincial economy contracting a further 1.1% in 2016. Moderate growth is expected to resume in 2017 (+1.9%) and beyond, but downward risks remain; namely that energy prices will fail to recover significantly, and that the current downturn could delay projects and infrastructure needed to support growth over the longer-term.

Employment by Sector

Between 2010 and 2015 employment in Alberta increased by 277,400 (13.7%). This is equivalent to 28% of all growth nationwide. Alberta's goods-producing sector added 107,600 (+20.1%) more workers over this period, and grew nearly twice as fast as the larger services-producing sector, which employed 169,900 (+11.4%) more individuals.

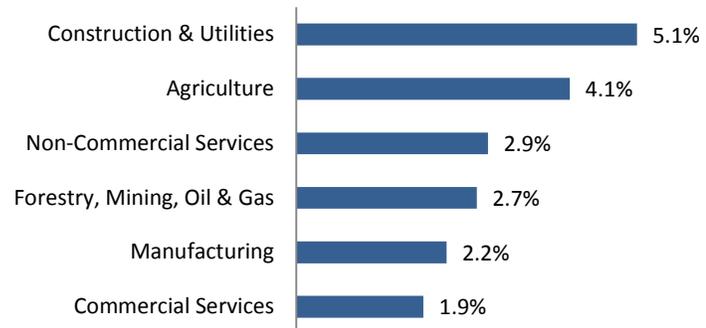
Among the province's goods-producing industries, the strongest annualized growth occurred in construction employment (+5.3%). This industry benefitted from robust investment in residential and non-residential buildings, public infrastructure, and engineered construction projects—including tens of billions of dollars flowing into the oil sands. Employment in Alberta's agricultural industry increased an average of 4.1% per year, supported by above-average output in 2013 and 2014. Employment in resource extraction and manufacturing grew by an average of 2.7% and 2.2% per year respectively—although 2015 saw significant job losses in both industries.

Results were far more varied in Alberta's services-producing sector. The province's retail and wholesale trade industry continued to employ more people than any other industry, but its annual growth averaged a mere 0.5% per year from 2010 to 2015. Employment declined in the finance, insurance, real estate and leasing industry, which had 6,700 fewer people working in 2015 than in 2010. In contrast, the number of people working in transportation and warehousing surged 5.3% per year, reaching record employment in 2015. Finally, employment in professional, scientific and technical services increased markedly, growing an average of 2.9% per year; this industry also experienced sizeable job losses in 2016 though, primarily due to lower spending by clients in the energy sector.

Among public-sector industries, employment grew rapidly in healthcare and social assistance between 2010 and 2015, rising an average of 4.1% per year. At the same time, moderate gains occurred in public administration (+1.7% per year) and educational services (1.4% per year). Over this period, employment in these three industries increased by 65,400 positions, accounting for close to a quarter of all gains in the province. Continued public-sector employment growth was particularly important for the province in 2015, given that it outweighed losses in industries directly impacted by slumping oil prices.

Looking forward, the Conference Board is forecasting that Alberta's overall employment will decline 1.2% in 2016, before stabilizing in 2017 (+0.3%). The provincial unemployment rate is expected to peak at 7.5% in the second quarter of 2016 but remain above 6% until the end of 2018.

Chart 2
Industry employment growth in Alberta between 2010 and 2015.*



Source: Statistics Canada Labour Force Survey
*The average annual compound growth rate between 2010 and 2015.

These projections anticipate continued weakness in the resource sector and support industries, along with restrained consumer spending, which will negatively impact domestic industries. Strong government spending is expected to partially offset these trends, including infrastructure investments intended to boost construction activity. However, the dramatic drop in provincial energy royalties could also limit public sector employment gains.

Table 1**Change in employment by industry in Alberta between 2010 and 2015.**

	2015	2010	% Share 2015	Five Year Growth rate
Total, all industries (000s)	2,301.1	2,023.7	100.0%	2.6%
Goods-producing sector	641.7	534.1	27.9%	3.7%
Agriculture	62.8	51.4	2.7%	4.1%
Forestry, fishing, mining, quarrying, oil and gas	158.9	139.1	6.9%	2.7%
Utilities	20.2	18.2	0.9%	2.1%
Construction	259.9	200.3	11.3%	5.3%
Manufacturing	139.9	125.2	6.1%	2.2%
Services-producing sector	1,659.4	1,489.5	72.1%	2.2%
Trade	318.8	311.1	13.9%	0.5%
Transportation and warehousing	139.3	107.7	6.1%	5.3%
Finance, insurance, real estate and leasing	103.5	110.2	4.5%	-1.2%
Professional, scientific and technical services	173.2	150.4	7.5%	2.9%
Business, building and other support services	82.3	72.0	3.6%	2.7%
Educational services	138.0	128.8	6.0%	1.4%
Health care and social assistance	264.1	215.6	11.5%	4.1%
Information, culture and recreation	74.9	75.5	3.3%	-0.2%
Accommodation and food services	153.5	131.8	6.7%	3.1%
Other services	117.5	99.8	5.1%	3.3%
Public administration	94.4	86.7	4.1%	1.7%

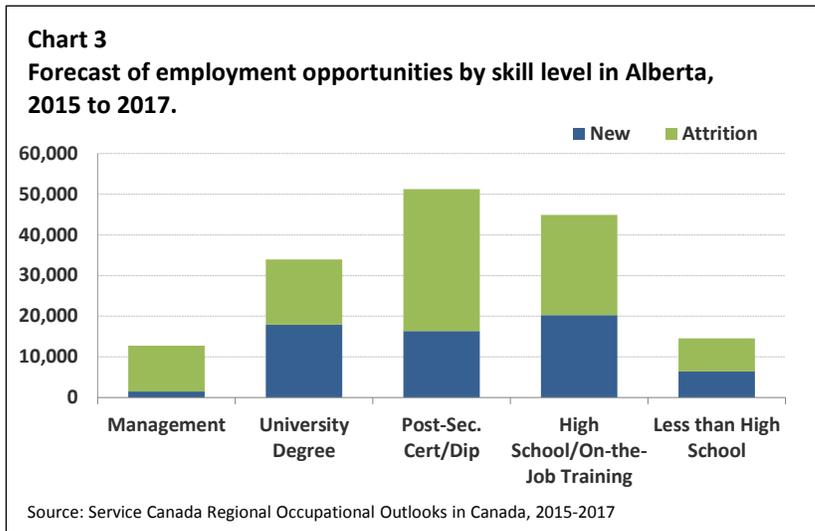
Note: Totals may not add due to rounding

Source: Statistics Canada Labour Force Survey Estimates - CANSIM Table 282-0008

Job Opportunities by Skill Level

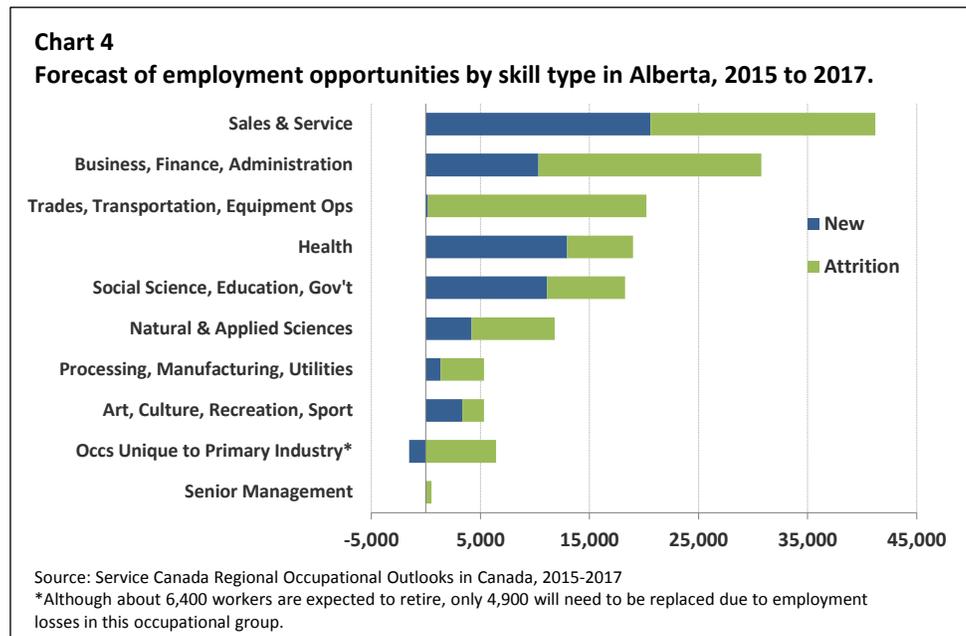
Between 2015 and 2017, considerable demand is expected for workers with some form of post-secondary education. Including management positions, highly skilled jobs will account for 62% of all opportunities forecast in the province.

Still, over a quarter of all openings are expected to require only a high school diploma. This actually exceeds the number of job openings requiring a university degree. Indeed, research has shown that Alberta’s booming resource economy has resulted in narrower differences between these two groups, both in terms of employment outcomes and wages.¹⁷



Job Opportunities by Skill Type

Between 2015 and 2017, over 70% of all employment opportunities are projected to be in five occupational groups: sales and service; business, finance, and administration; trades, transportation and equipment operators; health occupations. Growth in most these areas will be the result of both industry expansion and replacement demand for retiring workers.



The exception to this is the trades, transport, and equipment operators group, which is projected to see very little expansion demand, and will rely on attrition for job openings. This weaker outlook reflects the challenges facing occupations related to the energy sector. Meanwhile, other groups are also projected to see fewer job opportunities due to the economic downturn, including occupations in primary industries, as well as in processing, manufacturing, and utilities.

Local Labour Market Conditions

Between 2010 and 2015, strong employment growth occurred in all but one of Alberta's economic regions. Looking at the province's largest labour markets, employment increased by around 120,000 positions in both Edmonton and Calgary. Employment in Wood Buffalo-Cold Lake, which is home to most of Alberta's oil sands developments, increased by 10,500 (+14.1%). Only Camrose-Drumheller experienced declining employment over this period (-4,300 positions, -4.0%). This relates to the region's aging population and shrinking labour force, rather than to a lack of job opportunities.

More recently, labour market performance has dropped considerably across the province, as slumping oil prices weigh heavily on certain regions. As of the first quarter of 2016, year-over-year employment is down in most regions, including sizeable losses in Calgary (-21,700), Red Deer (-14,400), and Banff-Jasper-Rocky Mountain House and Athabasca-Grande Prairie-Peace River (-11,100). Positive employment growth continues in Edmonton (+28,100) and Lethbridge-Medicine Hat (+4,200), although energy-related industries in these regions are also facing challenges. Regional unemployment rates though have risen markedly across the province, including in Wood Buffalo-Cold Lake, where the unemployment rate was over 10% even before the devastation of the Fort McMurray fire.

Table 2
Annual employment growth in Alberta's economic regions between 2010 and 2015.*

	2015	2010	Five Year Growth rate*
Alberta (000s)	2,301.1	2,023.7	2.6%
Lethbridge-Medicine Hat	147.1	138.7	1.2%
Camrose-Drumheller	103.5	107.8	-0.8%
Calgary	876.1	753.2	3.1%
Banff-Jasper-Rocky Mountain House and Athabasca-Grande Prairie- Peace River	192.0	184.7	0.8%
Red Deer	117.1	104.2	2.4%
Edmonton	780.1	660.4	3.4%
Wood Buffalo-Cold Lake	85.2	74.7	2.7%

Note: Totals may not add due to rounding

Source: Statistics Canada Labour Force Survey

*The average annual compound growth rate from 2010 to 2015

Interprovincial Migration

Alberta's strong economic growth over the past decade has certainly helped to attract people from other parts of Canada. Between July 2014 and June 2015, Alberta had the largest net gain (28,921) in interprovincial migration. During this period, the largest group of newcomers arrived from Ontario (26,013) and British Columbia (22,462).

However, these gains appear to be slowing amid the province's economic challenges. In the fourth quarter of 2015, Alberta's net interprovincial migration was negative for the first time since 2009, with nearly 1,000 more residents moving out of the province than it gained from other parts of the country.¹⁸

LABOUR MARKET OUTCOMES FOR CLIENT SEGMENTS

Immigrants/Newcomers

In 2015, landed immigrants accounted for 21.3% of Alberta's labour force. This segment of the province's population has grown an average of 5.1% per year since 2010, compared to 0.9% growth for its Canadian-born population.

Over the past five years, the unemployment rate continued to be higher for landed immigrants than for Canadian-born workers. However, the difference generally decreased over longer periods of residence. For example, in 2015 immigrants who arrived five years ago or less had an unemployment rate of 10.0%, compared to 6.3% for those who arrived more than five ago and 5.8% for individuals born in Canada.

Despite the province's current economic challenges, the Conference Board expects that strong international immigration to Alberta will continue in both 2016 and 2017.¹⁹

Indigenous Workers

In 2011, Census estimates indicated that 220,700 Indigenous individuals were living in Alberta, representing 6.2% of the province's total population. Labour market outcomes for this group trailed those of the non-Indigenous population, including a significantly higher unemployment rate (14.2% versus 5.4%) and far lower participation rate (64.0% versus 73.8%).

In 2011, approximately 20% of Alberta's Indigenous people were living on a reserve. Limited economic activity in many of these communities resulted in only one in three working age Indigenous individuals being employed, and an unemployment rate of 23.4%. In contrast, the unemployment rate was 10.9% for those living off reserve, and the participation rate for the off-reserve population was far closer to that of the overall population.²⁰

More recent data is only available for Alberta's off-reserve Indigenous population. Between 2014 and 2015, this group's unemployment rate rose from 8.1% to 11.7%. Even with this increase, their unemployment rate remains well below that of Indigenous workers in neighbouring British Columbia (14.3%) and slightly better than the national average (12.4%).

Youth

Unemployment rates for Alberta youth (aged 15 to 24 years) declined between 2010 and 2013 but have since trended upwards. In 2015, the youth unemployment rate averaged 10.7%, which was more than double the rate for adults aged 25 years and older.

Between 2014 and 2015, the unemployment rate for young men increased from 9.9% to 12.0%, while the rate for young women remained at 9.2%. This difference reflects the fact that last year's employment losses occurred primarily in industries like resource extraction and manufacturing, which have traditionally offered more entry-level opportunities to young men.

Older Workers

In 2015, 72.1% of individuals aged 55 to 64 in the province were either working or actively seeking employment, which was fairly close to the participation rate for the total working age population (73.0%).

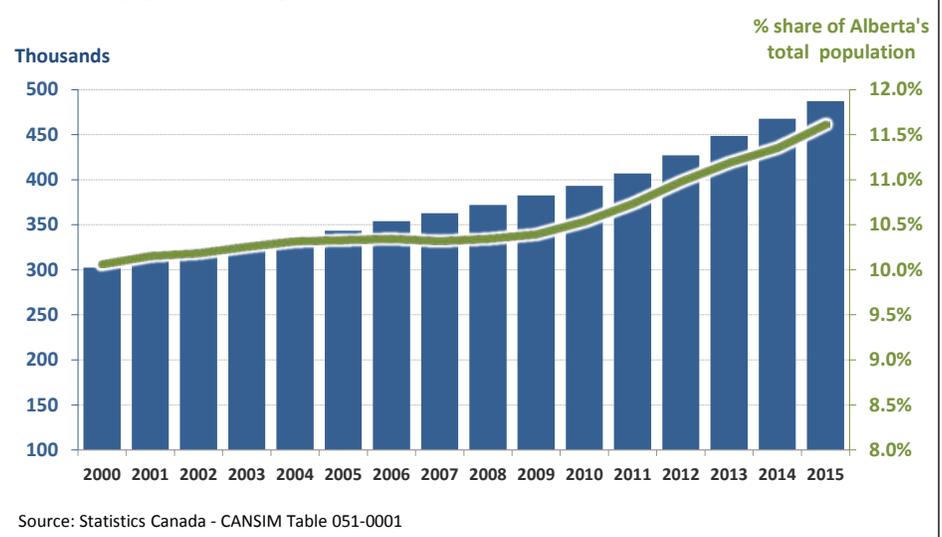
Over the past five years, employment for Alberta’s older workers has grown at more than twice the rate (+28.2%) of employment growth for the entire province (+13.7%). This reflects the population’s aging demographics, but it also points to increased incentive for Albertans to work longer. Alberta’s high wages and strong demand for experienced workers appears to be convincing older individuals to remain active in the labour market. However, the province’s current downturn could limit some of these incentives.

Seniors

The proportion of seniors aged 65 and older rose from 10.5% in 2011 to 11.6% in 2015. Nonetheless, the province’s share of seniors remained significantly lower than the national average of 16.1% in 2015. In fact, Alberta had the lowest proportion of seniors among all the provinces.

Regardless, the number of Alberta seniors who remain active in the labour market is increasing. Between 2010 and 2015, seniors’ participation rates rose from 15.8% to 20.1%, while their employment grew a remarkable 61.6%.

Chart 5
Alberta's population 65 years and older between 2000 and 2015.



According to the most recent statistics, employment income accounted for around 24% of Alberta seniors’ total income in 2013—the highest percentage in all provinces and significantly above the 15% Canadian average.

People with Disabilities

In 2012, nearly 370,000 Albertans were estimated to have some form of disability, representing 12.5% of the population aged 15 or older. This was the lowest prevalence of disability in any province, and it is likely the result of Alberta’s younger population.²¹

Of working age Albertans (aged 15 to 64), 58.9% of individuals with a disability were employed, compared to 78.4% for those without.²² Meanwhile, the unemployment rate for disabled individuals was 8.9%, compared to

5.5% for the non-disabled. However, disabled Albertans still had a lower unemployment rate and high participation than national averages for this group.

Official Language Minority Communities

In 2011, approximately 92% of Alberta's population had knowledge of only English, 0.1% had knowledge of only French, 6.5% had knowledge of both, and 1.4% knew neither official language. Employment opportunities for this last group appeared quite limited, with less than one in three of its members working during this period.

Note: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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¹ Statistics Canada has not yet released 2015 Real Gross Domestic Product (GDP) figures by province. The Conference Board of Canada's most recent estimates are used throughout this document, as is their short-term forecast for labour market indicators.

Conference Board of Canada. (April 13, 2016). Provincial Outlook Economic Forecast for Alberta - Winter 2016. Retrieved from <http://www.conferenceboard.ca/e-library/abstract.aspx?did=7913> (subscription required)

² International Monetary Fund. World Economic Outlook. January 19, 2016.

³ Scotia Economics. Global Forecast Update. March 2, 2016.

⁴ Ibid. & International Monetary Fund, World Economic Outlook. January 19, 2016.

⁵ RBC Economics. Economic and Financial Market Outlook. December 2015.

⁶ International Monetary Fund. World Economic Outlook. January 19, 2016.

⁷ Scotia Economics. Global Forecast Update. March 2, 2016.

⁸ Ibid.

⁹ Ibid. & TD Economics. Long-Term Economic Forecast. March 23, 2016.

¹⁰ Conference Board of Canada. Canadian Outlook: Economic Forecast. Winter, 2016. Oil prices are expected to remain below \$50 per barrel (USD) through to 2017.

¹¹ TD Economics. Long-Term Economic Forecast. March 23, 2016.

¹² The Globe and Mail, May 12, 2016. The risk of damage to oil sands plants in Alberta has receded, but the impact of the wildfires on the petroleum industry will be felt for weeks.

¹³ Q4 2015 GDP growth increased by 0.8% following (an upwardly revised) 2.4% increase in Q3.

¹⁴ Scotia Economics, Country Profile: Canada. April 2016.

¹⁵ Industry Canada. (April 2016). Trade Data Online. Retrieved from <http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home>

¹⁶ Industry observers report that 17 oil sands developments were either scrapped or put on hold last year. Expectations of slower growth in the oil sands led the Canadian Association of Petroleum Producers' to cut its long-term oil production forecast by 1.1 million barrels per day.

Canadian Association of Petroleum Producers. (June 2015). 2015 CAPP Crude Oil Forecast, Markets & Transportation. Retrieved from <http://capp.ca/publications-and-statistics/publications/264673>

¹⁷ Statistics Canada. (April 2014). Wages and Full-time Employment Rates of Young High School Graduates and Bachelor's Degree Holders, 1997 to 2012. Retrieved from <http://www.statcan.gc.ca/pub/11f0019m/11f0019m2014360-eng.htm>

¹⁸ Statistics Canada. (March 2016). CANSIM Table 051-0017: Interprovincial migrants, Canada, provinces and territories, quarterly. Retrieved from <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=510017>

¹⁹ According to the forecaster's latest outlook, Alberta's net international migration will climb to 40,000 people in 2016, outweighing losses in net-interprovincial migration (-8,400).

Conference Board of Canada. (April 13, 2016). Provincial Outlook Economic Forecast for Alberta - Winter 2016. Retrieved from <http://www.conferenceboard.ca/e-library/abstract.aspx?did=7913> (subscription required)

²⁰ Statistics Canada. (June 2013). 2011 National Household Survey: Data Table 99-012-X2011044. Retrieved from http://www.statcan.gc.ca/cgi-bin/IPS/display?cat_num=99-012-X2011044

²¹ Statistics Canada. (November 2015). A profile of persons with disabilities among Canadians aged 15 years or older, 2012. Retrieved from <http://www.statcan.gc.ca/pub/89-654-x/89-654-x2015001-eng.htm>

²² When comparing characteristics of populations who have different age compositions (for example, persons with disabilities tend to be older than persons without disabilities), using an age standardization method for employment and unemployment rates allows for more meaningful comparisons.