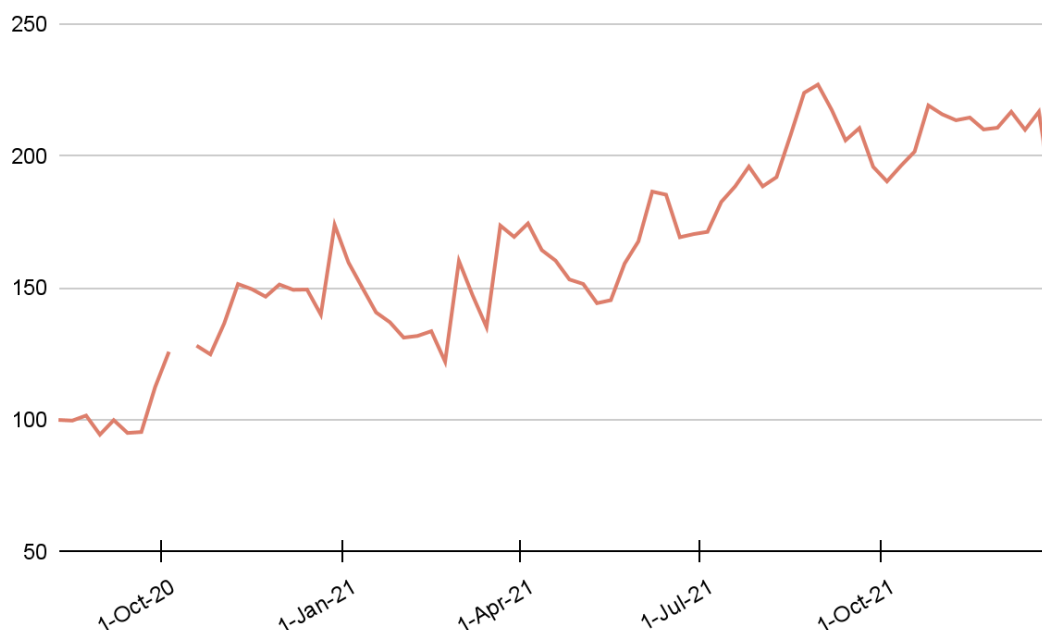


City of Edmonton's Q4 2021 Economic Update

Data over Q4 2021 provided mixed signals on economic activity in Edmonton and the region. On one hand, Edmonton business conditions seemed to have reached relatively stable ground until the index saw a significant drop in the week of December 27, 2021, which coincided with the holiday season. This is based on Statistics Canada's Real-Time Local Business Conditions Index (see Figure 1). Looking ahead, there is emerging evidence, based on Q4 2021 Canadian Survey on Business Conditions responses for Edmonton, that some near-term obstacles businesses may expect to face are related to pandemic supply chain disruptions (affecting the ability to acquire inputs domestically and/or internationally and applying upward pressure on prices) and workforce challenges (either related to hiring and/or retaining workers). However, there is significant uncertainty as to when and how these factors and their impacts on business activity will unwind. Community mobility data for Census Division 11 (the census division containing Edmonton) suggest that pandemic trends are holding when it comes to how individuals are operating, including more time spent at home, less time spent at work, retail, and recreational places, as well as at parks, and relatively lower use of transit. Trips and time spent at grocery stores and pharmacies have been relatively consistent throughout the pandemic relative to pre-pandemic baselines. Trends in community mobility data are helpful to assess how individuals are moving around the census division, and can provide some indication of mobility and any progress towards pre-pandemic baselines.

Figure 1. Real-time Local Business Conditions Index for Edmonton



Source: Statistics Canada; weekly data from August 10, 2020 (= 100) to December 27, 2021

On the other hand, the performance of some key indicators tracked by the City of Edmonton suggest a stronger foundation upon which momentum is building for an economic recovery. Despite mixed signals coming from data, it appears as though there is enough runway for the economy to continue recovering and then shift towards growth. At the onset of the pandemic, public health measures were introduced to slow the spread of the virus. After each wave of infection, and government actions corresponding to public health conditions, the economic impacts of public health measures appear to have lessened. That is not to say that the impact has lessened for everyone after each development related to the pandemic, including new variants, or a spike in new cases; rather, data trends indicate the pullback in activity to be less severe. More about key indicators that are being tracked and reported on to assess economic conditions and the economy's progress in its recovery are discussed in more detail below.

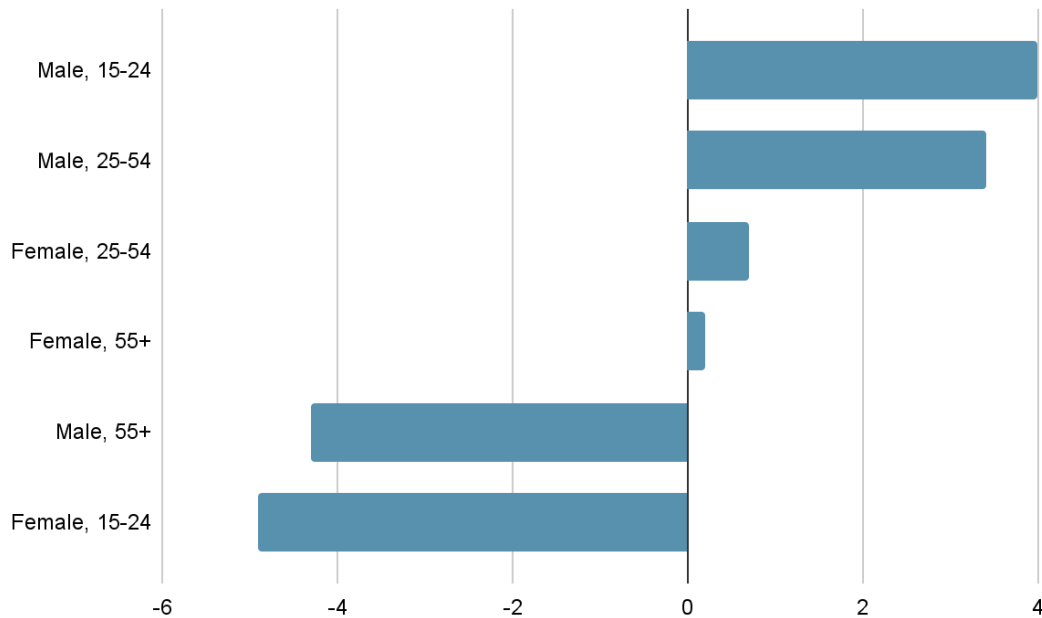
The Edmonton CMA labour market closed out 2021 on a positive note

Seasonally adjusted employment in the Edmonton census metropolitan area (CMA) continued to rise in Q4 2021, adding almost 19,000 jobs from Q3. There was a quarter-over-quarter expansion in the region's labour force, though smaller compared to the gain in employment, putting downward pressure on the unemployment rate. In Q4 2021, the region's seasonally adjusted unemployment rate was 6.5 per cent, 1.5 percentage points lower than in Q3. Labour force indicators generally performed well in Q4, including indicators like the region's employment rate, which rose from 64.5 per cent in Q3 to 65.7 per cent. The employment rate has been of particular interest throughout the pandemic since it measures the extent to which available labour resources are being used. Compared to its pre-pandemic reference point, the employment rate saw a significant improvement, adding cautious optimism about how the labour market has been recovering and its prospects for 2022.

When regional employment losses peaked in June 2020, losses were uneven between males and females, as well as across age groups. For example, regional employment saw a larger relative pullback for females and youths (i.e., those between the ages of 15 and 24 years). As of Q4 2021, the employment rate for females, as well as for youths, saw a significant improvement. The employment rates for each segment were within one percentage point of their respective rates in Q4 2019. However, it is important to note that upon closer examination of the Q4 2019 to Q4 2021 employment rate differential between males and females by age group, that there remained significant differentials for both males aged 55

years and over and for female youths. A summary of the employment rate differentials between Q4 2019 and Q4 2021 for males and females by age group can be found in Figure 2.

Figure 2. Edmonton CMA Q4 2021 employment rate differences relative to Q4 2019 by age group



Source: Statistics Canada; differences are expressed in percentage points

In 2021, the Edmonton regional labour market closed out the year on much stronger footing than initially expected. The annual employment level in 2021 surpassed its 2019 annual average. The region's labour force also expanded, with growth of almost two per cent in 2021 compared to 2019. The annual average unemployment rate was nine per cent, which was higher than in 2019 but a marked improvement compared to an average of 12 per cent in 2020. Part-time employment gains led the way for many months in 2021 for the region's labour market recovery. Full-time employment has also been improving, but only in the last two months of 2021 did full-time monthly levels surpass their corresponding 2019 levels.

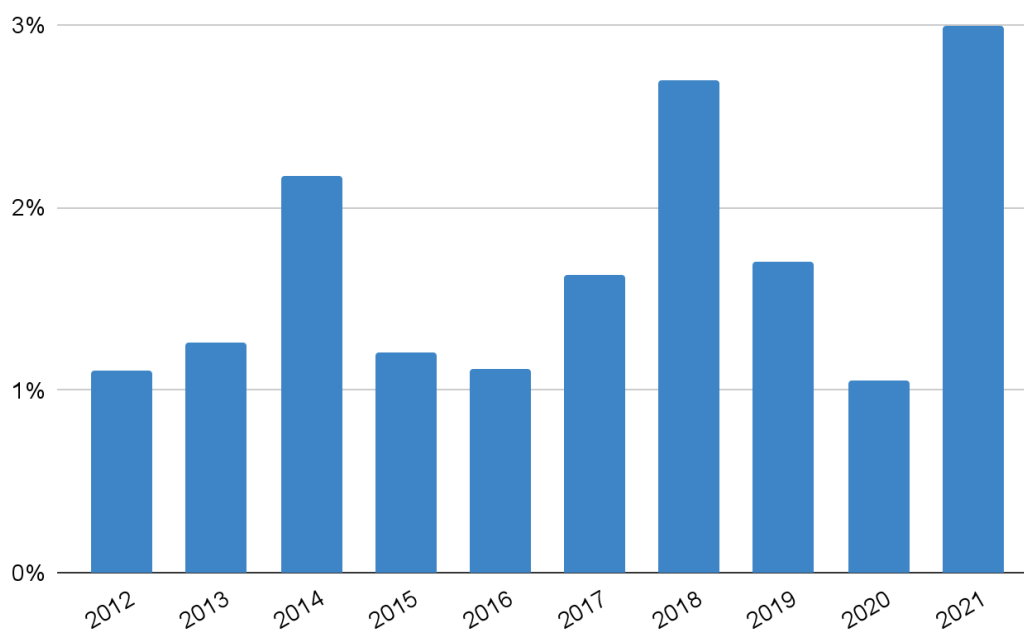
In 2022, labour market conditions are expected to continue improving in the Edmonton CMA, though improvements are not expected to follow a straight line. There remains a great deal of uncertainty surrounding labour market expectations in 2022, particularly related to the Omicron variant, persistent labour shortages, and other pandemic-related factors like supply chain disruptions, which are likely impacting some sectors more than others. Nonetheless, the Edmonton CMA's labour market performance in 2021 exceeded expectations, which put the region on more solid footing for 2022.

Consumer inflation remained elevated throughout Q4

Consumer inflation in the Edmonton census metropolitan area (CMA) was 4.2 per cent in Q4 2021, which represents an acceleration from 3.8 per cent in Q3. Consumer inflation, based on year-over-year changes to the Consumer Price Index (CPI) for the Edmonton CMA, was elevated in every month of Q4. Price pressures in the region are likely concentrated in the areas of food, energy, and durable goods, three areas that are seeing notable price increases at the provincial level. Prices have been influenced in large part by the pandemic, including supply chain disruptions, market imbalances and shifts in household consumption favouring goods instead of typical services.

In 2021, the annual average rate of inflation in the Edmonton CMA was three per cent, a significant jump from one per cent in 2020. Shelter prices increased by 2.5 per cent year-over-year in 2021, largely influenced by very strong price growth for utilities (13 per cent year-over-year). Retail gasoline prices have also seen significant growth across fuel types, which is likely bolstering the region's overall CPI readings further.

Figure 3. Edmonton CMA annual consumer inflation



Source: Statistics Canada

The Bank of Canada, through their latest guidance on the state of the national economy and expectations, lifted their expectations for consumer inflation for Canada to be in the range of five per cent over the first half of the year, followed by a reduction to three per cent by the end of 2022. The City of Edmonton used the Bank of Canada guidance when the long-term

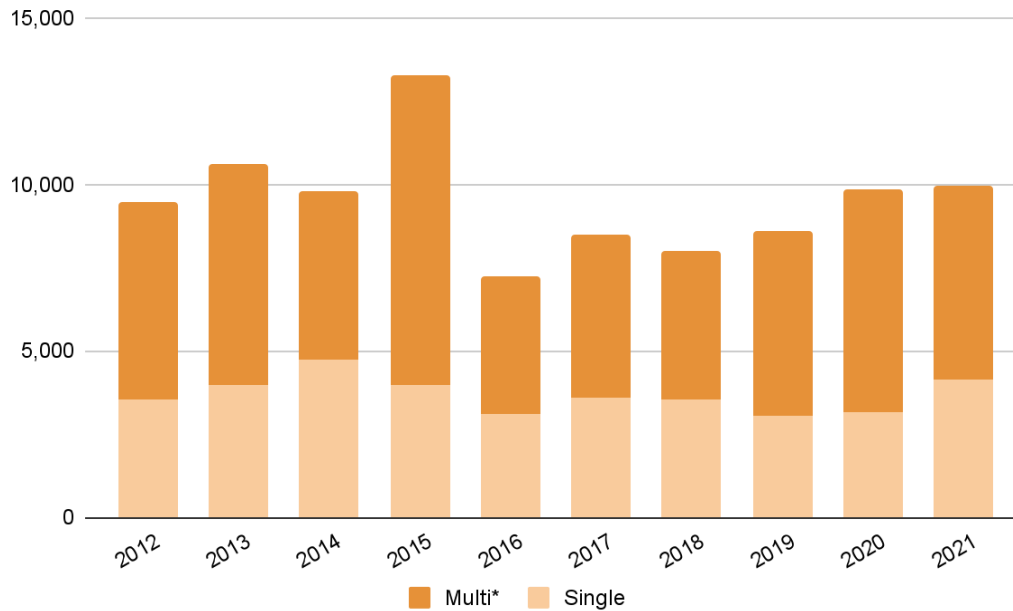
forecast was finalised in November 2021. Through that forecast update, expectations for consumer inflation in the Edmonton CMA were lifted to average three per cent in 2021, followed by an average rate of 2.8 per cent in 2022. The Bank of Canada's upward revisions to consumer inflation expectations over the course of 2022 will be considered when the City of Edmonton updates its long-term forecast in the spring.

Single dwelling construction intentions providing the most support to near term construction activity expectations

In Q4 2021, the value of building permits in the Edmonton CMA totalled almost \$1.1 billion, a reduction of 7.2 per cent year-over-year. Trends in building permit activity provide indications of future building construction activity in the region, even if permits issued in a given period may not mean immediate construction. Across segments, building permit values were higher in Q4 2021 on a year-over-year basis for single dwelling, industrial, and commercial buildings.

In 2021, the value of issued building permits in the Edmonton CMA totalled almost \$4.5 billion, with sizable gains in permit values for single dwelling, industrial, and commercial buildings. The volume of issued permits in 2021 suggest construction activity will be largely supported in the near term by the residential sector, specifically for single dwelling buildings.

Housing starts activity over the course of 2021 saw a noticeable shift away from multiple dwellings, particularly apartment units, in favour of single dwellings. Housing demand in Edmonton has performed much more strongly than initially anticipated at the onset of the pandemic, which has made predicting housing starts activity harder based on fundamentals like full-time employment and population growth. There is still reason to believe that housing starts activity will moderate in 2022, but the extent and unit types impacted will be more challenging to predict. Factors that may hold back the pace of new home production include supply chain disruptions and emerging evidence of labour shortages. On the demand side, higher mortgage rates are expected to have a dampening effect. Fixed term mortgage rates have already been on the rise and will be joined by variable mortgage rates should the Bank of Canada increase its overnight target rate. While it is difficult to quantify how these factors will impact overall production this year, they represent downside risks to housing starts activity in 2022.

Figure 4. Edmonton housing starts

Source: Canada Mortgage and Housing Corporation; *multi includes semi-detached, row and apartment units

Edmonton's population has been growing and was Canada's fifth most populous city in 2021

On February 9, Statistics Canada released the first set of results from the 2021 federal Census of Population. The initial data release was on Canada's growing population and where they are living. Between the 2016 and 2021 censuses, Edmonton's population grew 8.3 per cent, to reach a population of 1,010,899 and was Canada's fifth most populous city. This rate of growth outpaced growth at the national, provincial, and regional levels. As future themes are released, more will be known about Edmonton's population and households. The next theme is on Canada's shifting demographic profile and data will be released on April 27, 2022.

Note: The federal Census of Population is designed to conduct a complete count of the population with a reference date that is used for data reporting. However, census population counts and population estimates differ, with population estimates usually being higher solely due to census counts not being adjusted for undercoverage (not enumerating individuals) or overcoverage (individuals being enumerated more than once).