



City of Edmonton

## Q3 2023 Economic Update

**City of Edmonton Corporate Economics**

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## Overview

Over the first three quarters of 2023, the performance of key economic variables indicate economic activity in Edmonton and the census metropolitan area (CMA) has continued to exceed expectations, though the pace of activity has softened in recent months. In-migration has likely played a significant role in supporting activity as there has been little relief for households from the cumulative burden of a prolonged inflationary period and rising borrowing costs.

As mentioned in the mid-year 2023 economic update, migration inflows for Edmonton over 2022 to 2023 were likely stronger than the spring 2023 outlook based on recent quarterly population reports for Alberta.<sup>1</sup> Alberta's annualized population growth reached 4.1 per cent in Q3 2023 and Edmonton's population, which is only released annually, has seen stronger growth compared to the overall provincial numbers every year between 2009 and 2022. Positive net migration can potentially benefit economic growth by adding more consumers of goods and services, including housing, as well as potentially boosting the working age population (i.e., those aged 15 years and older), depending on the age composition of newcomers to Edmonton. There is evidence that this has been the case in the Edmonton CMA in 2023. Based on available data, both retail sales (not adjusting for the impact of price inflation) reported through August and the working age population measured through September 2023 were roughly four per cent higher than the same months in 2022.

Despite the uplift to economic activity from migration inflows, households have not escaped the impacts of elevated price levels and interest rates, which have weighed heavier as the year has progressed. New housing construction and sales activity in the Edmonton region's existing home market have softened so far in 2023 compared to 2022. At the same time, media and public commentary suggest that the rental market has been tightening. On the labour front, estimated growth in Edmonton CMA employment has been slowing even as growth in the working age population has continued to accelerate. Details of developments in the regional labour market, inflation, construction and housing over the first three quarters of 2023 are provided below.

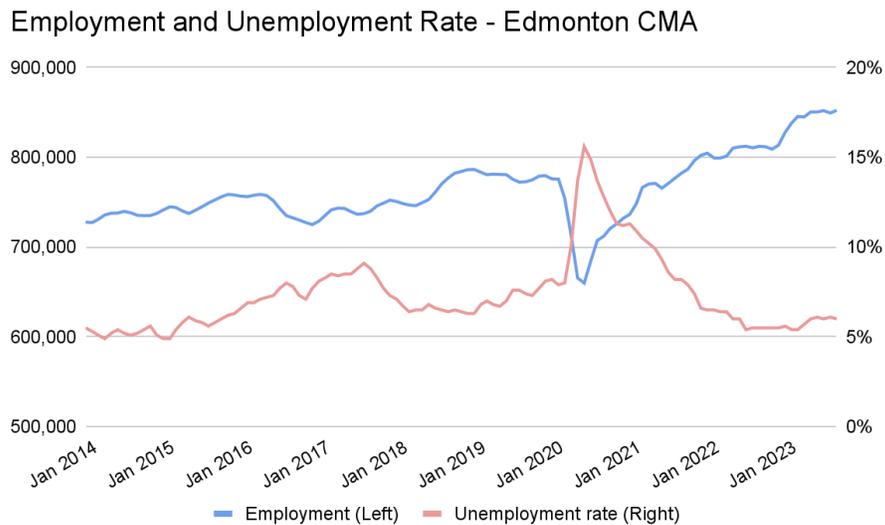
## Labour Market

Growth in the working age population in the Edmonton CMA climbed as 2023 advanced, hitting 1.5 per cent quarter-over-quarter in Q3, the fastest expansion on record going back to 2007. However, other labour market indicators moved in the opposite direction. On a

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<sup>1</sup> Commentary on the City's spring 2023 outlook can be found in the [mid-year 2023 economic update](#). The forecast summary table can be found [here](#).

seasonally adjusted basis, the labour force and employment each opened 2023 with almost four per cent quarter-over-quarter growth in Q1, but growth has since slowed. In Q3 2023, both indicators grew 0.2 per cent from Q2. With growth in the labour force and employment largely moving in lockstep in Q3 2023, the unemployment rate was virtually unchanged at 6.0 per cent compared to 6.1 per cent in Q2 2023.



Source: Statistics Canada, seasonally adjusted; Note: as Labour Force Survey estimates for the Edmonton CMA are 3-month moving averages, estimates from end of quarter months represent quarterly averages, i.e., March = Q1, June = Q2, September = Q3, and December = Q4.

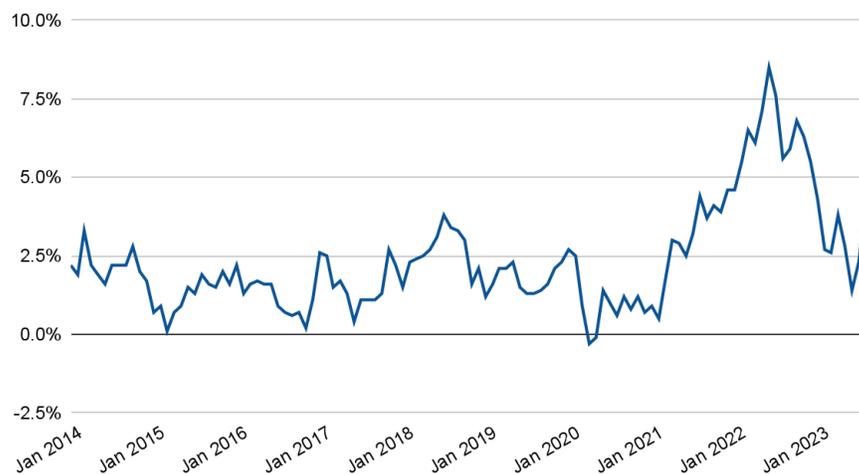
Data unadjusted for seasonality suggest both full-time and part-time employment shared in year-over-year growth through Q3 2023. On an industry basis, growth has been strongest in professional, scientific and technical services, and transportation and warehousing services. Goods sector employment has eased as the year has progressed and was virtually unchanged over the first three quarters of the year, compared to the same period in 2022.

The spring Edmonton CMA forecast was revised to reflect more moderate employment growth in response to economic headwinds in 2023 and for growth in the region's labour force to generally keep pace with employment growth. While labour force and employment growth have generally mirrored each other closely over the first three quarters of 2023, the pace of growth for both indicators has exceeded expectations. For example, employment in the Edmonton CMA was forecast to grow 3.3 per cent in 2023 in the spring forecast; however, year-to-date growth as of Q3 2023 was 5.4 per cent. The region's labour force has generally grown in-line with employment in 2023 so far, which has kept the unemployment rate as Q3 2023 at 6.0 per cent, which is in line with the spring forecasted unemployment rate of 5.9 per cent for 2023.

### Consumer Inflation

Inflation for consumer goods and services has been easing in the Edmonton CMA over the first nine months of 2023. Annualized inflation opened 2023 at 4.3 per cent in January, but by September, the year-to-date average slowed to 3.1 per cent as gasoline and food inflation eased. However, the likelihood of inflation moderating over the last three months of 2023 in the Edmonton region is uncertain as upward pressure on rented accommodations and core utilities have emerged. Annualized rented accommodation inflation in the Edmonton CMA climbed from a deflationary -0.5 per cent in January to 11.0 per cent in September, while core utilities saw annualized inflation swing from minus 12 per cent in January to plus 22 per cent in September.

Annualized Consumer Inflation - Edmonton CMA



Source: Statistics Canada

In 2023, consumer inflation is forecast to average 3.7 per cent. Inflationary pressures were stronger and more persistent than expected in 2022, but annualized consumer inflation in the Edmonton CMA has been decelerating in 2023, averaging 3.1 per cent over the first nine months of the year. Inflation is expected to continue moderating in 2024 and average 2.3 per cent over the 2023-27 period.

### Construction activity and housing

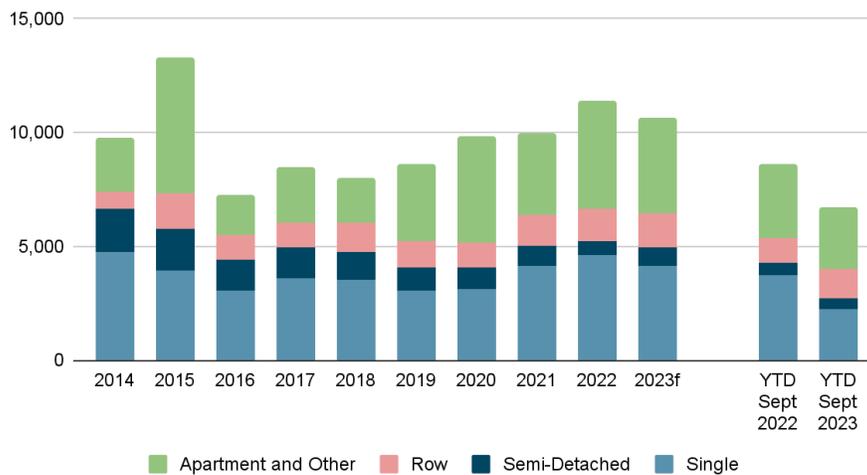
Construction intentions in Edmonton have softened in 2023 with fewer building permits issued over the first nine months compared to the same period in 2022. As well, the total value of building permits issued up to September was 23.4 per cent lower year-over-year at almost \$2.4 billion. On a year-to-date basis, building permit values for institutional and residential structures saw double-digit reductions year-over-year by September. These reductions more than offset gains in the value of industrial and commercial building permits.

By September, the value of building permits for industrial structures was 91 per cent higher than the same period in 2022, likely a reflection of still strong market conditions.

Building construction price inflation for residential and non-residential structures in the Edmonton CMA decelerated over the first three quarters of 2023. Annualized construction prices for residential structures declined 0.4 per cent in Q3 2023 from 8.5 per cent growth in Q1, while construction price inflation for non-residential structures slowed from 8.1 per cent to 3.8 per cent. Despite the slowdown, the cumulative impact of price pressures over 2021 and 2022 has left building construction prices significantly higher compared to Q1 2020. For residential structures, prices rose almost 54 per cent higher over that period. Conversely, prices for non-residential building construction were almost 27 per cent higher.

The construction of new residential homes in Edmonton over the first three quarters of 2023 has been slower compared to 2022. Housing starts in Edmonton were 22 per cent lower than 2022 through September, driven by a 39 per cent decline in single-detached housing starts. With interest rates having climbed nearly five percentage points since the beginning of 2022 and residential building construction prices at elevated levels, new housing demand appears to have shifted towards lower priced segments of the new housing market. Housing starts for row houses in Edmonton through the first three quarters of 2023 were up 12 per cent at 1,229, the second highest total for the time frame over at least the past 34 years. Semi-detached housing starts have seen a softer decline than overall starts at 6.2 per cent over the first nine months of 2023, with the same occurring for apartment and other starts (-15 per cent).

Housing Starts - Edmonton



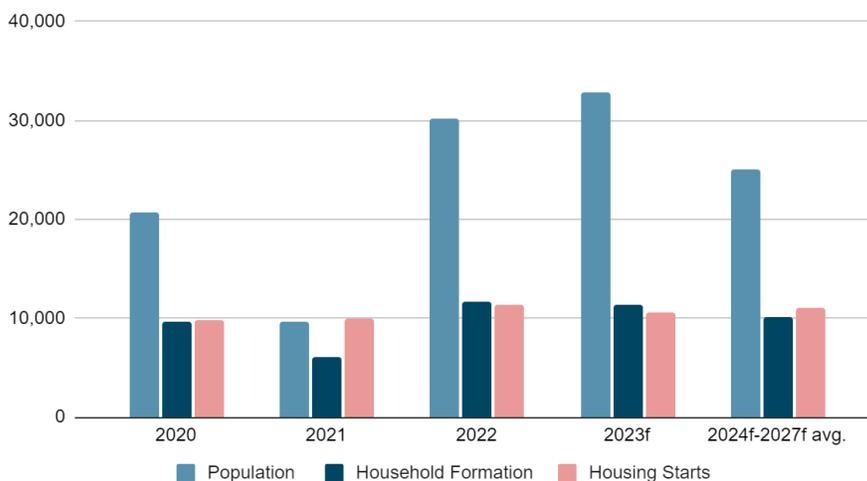
Sources: Stokes Economics, City of Edmonton, and Canada Mortgage and Housing Corporation (CMHC);

Note: "f" = forecast.

Strong population growth over the past couple years and a large increase in interest rates have especially incentivized construction of housing units in the ‘apartments and other housing’ category. Housing starts in this category have seen 86 per cent of units being constructed for the rental market in 2023 through September, an all-time high for the January-September period going back at least to 1990, and the third straight year rental apartment starts for the period have topped 75 per cent of all starts in this category. Concurrently, the inventory of completed and unabsorbed apartments and other units for ownership hit a 15-year low for September (111) in Edmonton, while the inventory of single-family homes remained high (961).

The combination of higher interest rates increasing carrying costs for ownership, higher building costs, and elevated new home inventory levels is expected to weigh on single-detached construction into 2024. This is further supported by building permit data, with a 45 per cent year-over-year reduction in the number of issued permits for new single-family dwellings through September 2023. Stronger than expected in-migration will boost household formation and increase the demand for housing. Over the past decade housing starts (97,000) have more than kept pace with household formation (85,000). However, in the near-term, given borrowing conditions and the current price environment, activity is likely to skew more towards rental units than ownership, relative to recent history. For renters who are planning on becoming homeowners, higher costs may alter how much they can pay to enter the homeownership market or delay their plans, keeping them in the rental market for longer than anticipated.

Select growth indicators - Edmonton



Sources: Stokes Economics, City of Edmonton, Alberta Treasury Board and Finance, and Canada Mortgage and Housing Corporation (CMHC); Note: “f” = forecast.

## *Information Sources by Concept*

### Long-term economic outlook

- City of Edmonton, [Mid-year 2023 Economic Update](#).
- City of Edmonton, [Spring 2023 Forecast Summary Table](#).

### Demography

- Alberta Treasury Board and Finance Office of Statistics and Information, [Census Subdivision Population Estimates, July 1, 2016 to 2022, Alberta](#).
- Statistics Canada, [Table 17-10-0009-01 Population estimates, quarterly](#).

### Retail sales

- Statistics Canada, [Table 20-10-0056-01 Monthly retail trade sales by province and territory \(x 1,000\)](#).

### Labour and Employment

- Statistics Canada, [Table 14-10-0378-01 Labour force characteristics, three-month moving average, unadjusted for seasonality](#).
- Statistics Canada, [Table 14-10-0380-01 Labour force characteristics, three-month moving average, seasonally adjusted \(x 1,000\)](#).
- [Statistics Canada, Table 14-10-0379-01 Employment by industry, three-month moving average, unadjusted for seasonality \(x 1,000\)](#).

### Prices

- Statistics Canada, [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted](#).
- Statistics Canada, [Table 18-10-0276-01 Building construction price indexes, by type of building and division](#).

### Residential construction and housing

- CMHC Starts and Completions and Market Absorption Surveys via the [Housing Market Information Portal](#).
- City of Edmonton, [Monthly Building Permit Summary](#).
- REALTORS Association of Edmonton, [Monthly Market Statistics](#).