



City of Edmonton

Q3 2024 Economic Update

City of Edmonton Corporate Economics

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Summer 2024 Economic Outlook Highlights

The City's summer 2024 economic outlook was finalized in August, and reflected developments in the Edmonton and census metropolitan area (CMA) economies over the first half of 2024. This outlook also contemplated the implications of upcoming federal policy announcements on non-permanent immigration that could impact key variables, such as population growth, over the medium term. However, when the summer outlook was being developed specific details on implementation of the non-permanent immigration policy changes were not available. The federal government released details on non-permanent immigration policy direction and changes to permanent immigration targets on October 24, 2024. These changes will be examined and taken into consideration in the City's winter 2025 outlook. Highlights from the summer outlook are provided below.

Near Term:

- After growing an estimated 3.4 per cent in 2023, real gross domestic product (GDP) in Edmonton was forecast to grow 1.9 per cent in 2024 and 2.6 per cent in 2025.
- Across industry sectors, real GDP growth rates in Edmonton were expected to be strongest in the educational services (+5.8 per cent), construction (+3.4 per cent), and utilities (+2.7 per cent) sectors in 2024. In 2025, real GDP growth rates for the construction (+3.9 per cent) and transportation and warehousing (+3.9 per cent) sectors were forecast to be highest among sectors.
- Following 5.1 per cent growth between 2022 and 2023, Edmonton's population was forecast to grow 4.5 per cent in 2024, slowing to 2.3 per cent growth in 2025.
- The outlook for Edmonton real GDP per capita was for growth to remain in negative territory in 2024, followed by positive, albeit modest, growth in 2025.
- The summer outlook for the Edmonton CMA in 2024 took into consideration a more evident softening in labour market conditions compared to the spring outlook. Employment growth in the summer outlook was forecast to average 1.4 per cent in 2024 and 2.3 per cent in 2025.
- The Edmonton CMA unemployment rate was forecast to rise in 2024 to average 7.4 per cent, as employment growth was projected to continue trailing labour force and working age population growth. The unemployment rate is anticipated to decline in 2025 to 6.7 per cent.
- The outlook for Edmonton CMA consumer prices was for Consumer Price Index (CPI) inflation to continue moderating, averaging 3.1 per cent in 2024 and 2.3 per cent in 2025.

Medium Term:

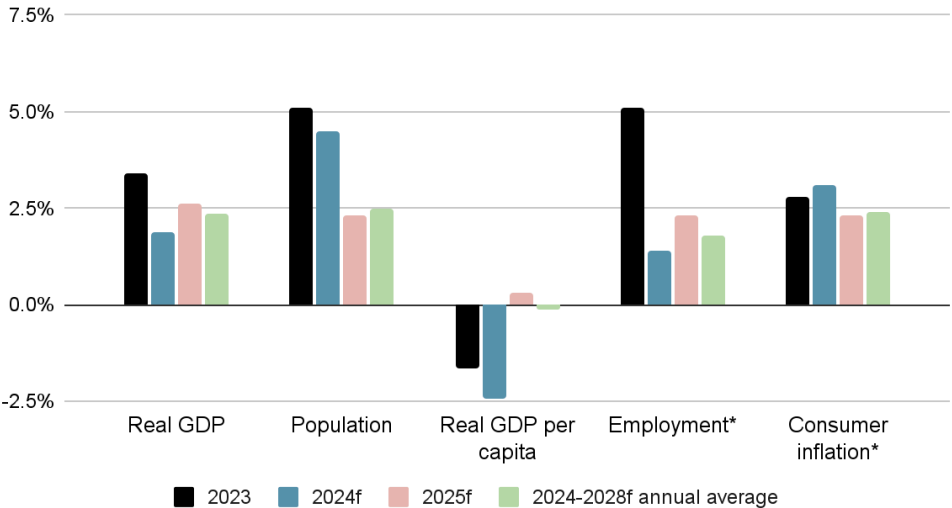
- Real GDP is forecast to average 2.4 per cent growth annually between 2024 and 2028. At the sectoral level, annual average growth over this period is forecast to be

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highest in the transportation and warehousing (+3.1 per cent), finance, insurance and real estate (+2.9 per cent), and accommodation and food services (+2.9 per cent) sectors.

- Over the 2024-2028 period, population growth was projected to average 2.5 per cent annually, with net migration being the largest contributor to growth over this period.
- Edmonton real GDP per capita is expected to average a contraction of 0.1 per cent annually between 2024 and 2028. Though positive growth annually is predicted between 2025 and 2028, it is expected to be modest, not offsetting the significant contraction forecast in 2024.
- Employment growth in the summer outlook was forecast to average 1.8 per cent annually between 2024 and 2028 in the Edmonton CMA. Annual average employment growth over the 2024-2028 period is forecast to be highest in the public administration (+3.7 per cent) and business, building and other support services (+3.0 per cent) sectors.
- Over the 2024-2028 period, the unemployment rate was forecast to average 6.5 per cent in the Edmonton CMA, steadily declining over the first four years of the time period due to the combination of modest improvements to annual average employment growth and softer average annual labour force growth.
- Over the next five years, consumer inflation in the Edmonton CMA was forecast to stabilize and average 2.4 per cent annually.

Growth forecast, select indicators - Edmonton



Sources: Statistics Canada, Alberta Treasury Board and Finance, City of Edmonton, and Stokes Economics.

Notes: "f" = forecast; and * signifies an Edmonton CMA-level indicator

Q3 2024 Economic Overview

Estimates of quarterly provincial population, combined with those for the Edmonton CMA working age population from Statistics Canada's Labour Force Survey, point to continued robust growth in the Edmonton CMA population in Q3 2024. The rapid pace of population growth is having a significant impact on Edmonton CMA economic activity, particularly in the housing market. Housing demand has been elevated in recent years from the growing population, which has generally led to increased sales activity in the Greater Edmonton Area (GEA) resale market and price growth. In 2024, elevated housing demand has also contributed to a rise in residential building construction activity, though new housing price inflation has been restrained when compared to price trends in the GEA MLS Home Price Index (HPI) composite benchmark price and Edmonton CMA CPI inflation for rented accommodation. Despite growth in residential investment through building construction, Edmonton CMA labour market conditions have weakened considerably in 2024, which may be holding back individual household demand. These developments support the City's expectations for real GDP growth in Edmonton and the CMA to moderate in 2024.

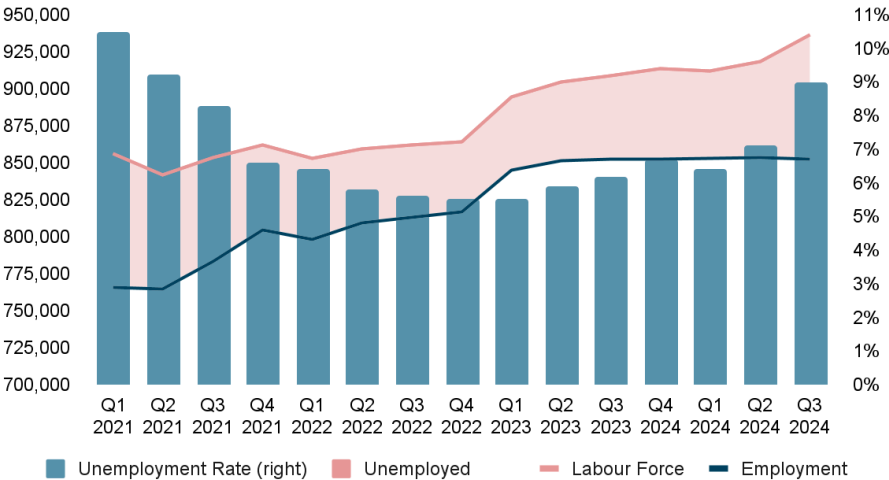
Details of Q3 2024 developments in the Edmonton CMA related to the labour market and inflation, and in Edmonton housing and residential building construction are provided below.

Labour Market

Quarterly growth in the Edmonton CMA working age and provincial-level populations suggest 2024 has seen a continuation of the Edmonton CMA's exceptional population expansion that started in late 2022 and accelerated in 2023. However, unlike in 2023, the CMA labour market in 2024 has had greater difficulty absorbing the influx of job seekers. The seasonally adjusted working age population in the Edmonton CMA was 1.5 per cent higher in Q3 2024 than the previous quarter, marking the seventh consecutive quarter with quarter-over-quarter growth in excess of one per cent. Since the end of 2023, the working age population has grown 4.3 per cent, but the labour force has only grown 2.5 per cent and employment has been essentially flat. This has led the unemployment rate to climb from 6.7 per cent in Q4 2023 to 9.0 per cent in Q3 2024, which was highest among Canada's CMAs. The softening in the labour market has also been reflected in job vacancy data, where the annualized decline in vacancies in the Edmonton economic region, a larger geography than the CMA, has accelerated for three consecutive quarters to Q2 2024. The year-to-date ratio of unemployed to job vacancies over the first months of the year averaged 2.5, the highest ratio since 2021.

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Labour Market Indicators - Edmonton CMA

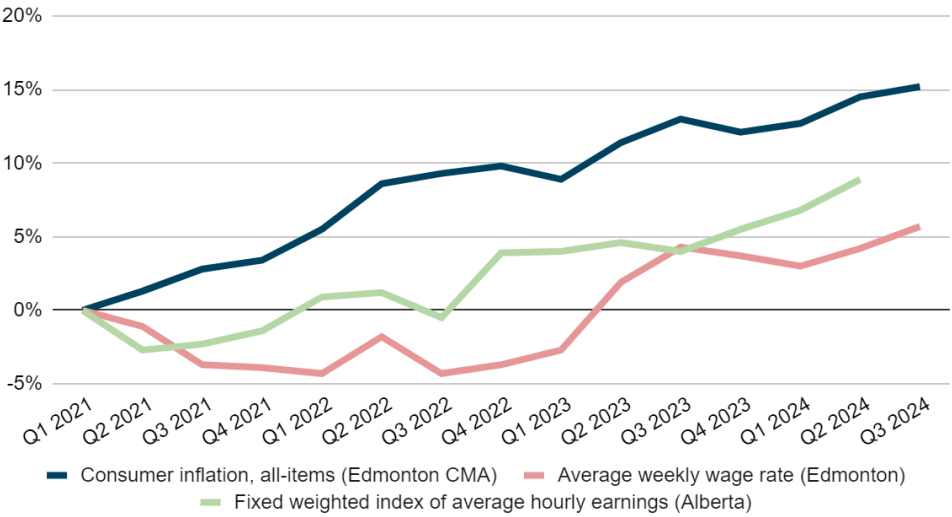


Source: Statistics Canada, seasonally adjusted

On a sectoral basis, employment growth has been marginal in both the goods (+0.6 per cent) and services (+0.5 per cent) sectors over the first three quarters of 2024, compared to the same period in 2023, with annualized growth slowing throughout the year. In the third quarter, annualized growth was concentrated in the goods sector (+2.3 per cent), with growth declining 0.5 per cent in the services sector. Only five of 15 sectors—accounting for just over one third of Edmonton CMA employment in Q3 2024—displayed annualized growth in Q3, led by educational services (+31 per cent), public administration (+21 per cent), and construction (+11 per cent).

There have been positive developments in the labour market in 2024 despite signs of weakening. The growth in Edmonton CMA employment was concentrated in full-time employment, which grew at an annualized rate of 0.6 per cent in Q3 and on a year-to-date basis was 1.2 per cent higher than the same period in 2023. The full-time employment growth was especially strong for youths (15-24 years of age) in Q3, with annualized growth of 5.8 per cent, reversing a three-quarter trend of negative growth. There have also been positive signs in earnings as Q3 extended the trend of annualized average weekly wage growth in the Edmonton CMA to eight consecutive quarters. At 3.1 per cent, year-to-date weekly wage growth through the first nine months of the year surpassed consumer price inflation (+2.7 per cent). However, the bulk of that year-to-date growth happened in the first six months of 2024, as Q3 saw annualized growth below consumer price inflation. Since Q1 2021, the last quarter before consumer inflation started materially accelerating, Edmonton CMA average weekly wage growth up to Q3 2024 trailed consumer price inflation by almost 10 percentage points. While Edmonton CMA wage data doesn't account for compositional changes like hours worked in a typical week, a similar trend exists in data for Alberta that better accounts for such changes (see chart).

Cumulative Growth in Prices and Earnings since Q1 2021



Source: Statistics Canada

The summer 2024 outlook for the Edmonton CMA was revised from the spring outlook to reflect the softening labour market. Nevertheless, developments since Q2 suggest a risk of even weaker employment growth in the Edmonton CMA over the remainder of 2024. With labour force growth accelerating in Q3, the year could end with a higher unemployment rate than currently forecast. Over the medium term, labour force growth is expected to moderate and track at or below employment growth, resulting in an improving unemployment rate starting in 2025.

Consumer Inflation

Q3 2024 saw continued deceleration in annualized Edmonton CMA consumer inflation¹ that emerged in Q2. Consumer prices in the CMA increased an average of 2.0 per cent in Q3 2024, down from 3.5 per cent in Q1 and 2.7 per cent in Q2. Over the first nine months of 2024 in total, consumer inflation averaged 2.7 per cent in the Edmonton CMA, down from the same period in 2023 and the first six months of the year, which both saw annualized inflation average 3.1 per cent. The deceleration in Q3 was in line with softening inflation seen across Canada. This coincided with an easing in monetary policy by the Bank of Canada, which lowered its target policy interest rate from 5.0 per cent to open 2024 to 3.75 per cent as of October 23, 2024.

Led by a sharp reversal in annualized inflation for core utilities, shelter inflation decelerated in the Edmonton CMA over the first three quarters of 2024. Annualized shelter inflation was 3.8 per cent in Q3 2024, down from 10.5 per cent in Q1 and 7.0 per cent in Q2. While rented

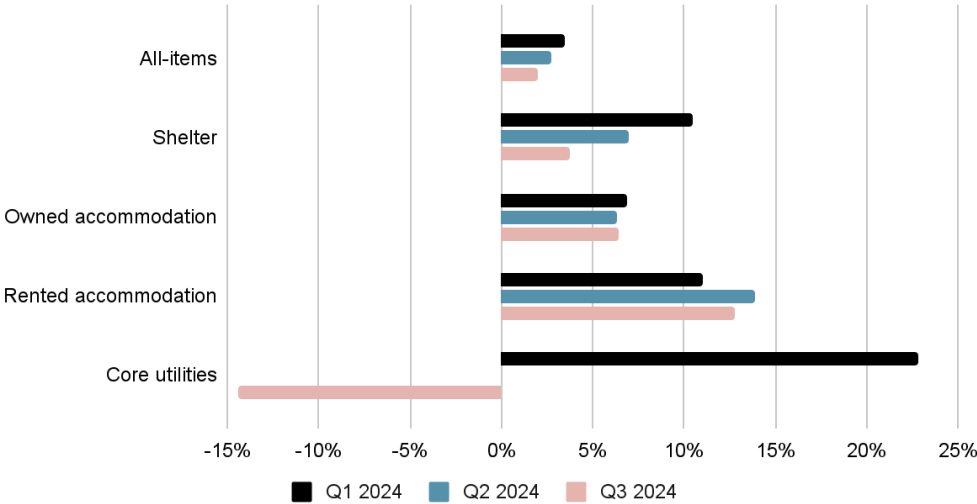
¹ As measured by annualized per cent changes in Statistics Canada’s Consumer Price Index.
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accommodation annualized inflation has remained in double digits throughout 2024, coming in at 13 per cent in Q3, and owned accommodation has remained above six per cent all year, core utilities prices saw 14 per cent annualized deflation in Q3, down from 22 per cent growth in the same quarter of 2023 and from zero per cent growth in Q2 2024. Despite these developments, over the first nine months of 2024, annualized shelter inflation in the Edmonton CMA still averaged 7.0 per cent.

Annualized Consumer Inflation - Edmonton CMA



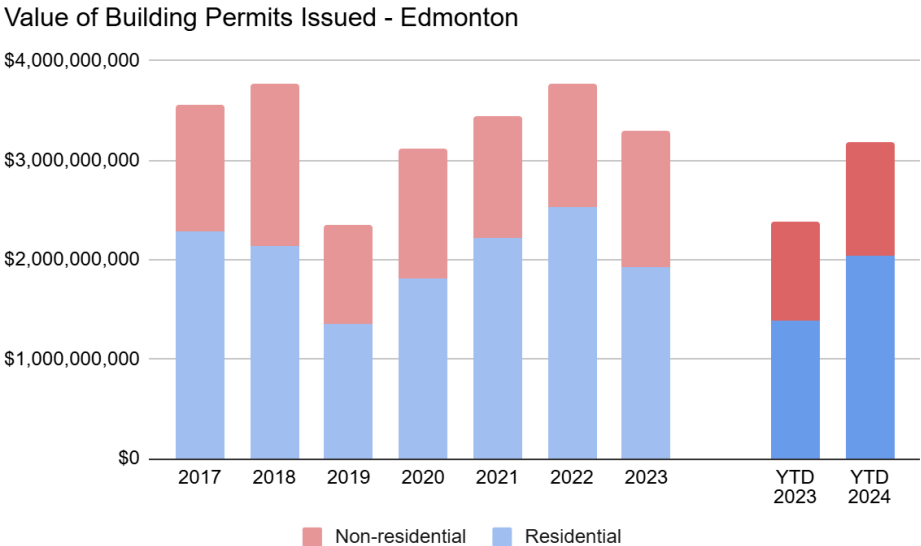
Source: Statistics Canada

Consumer inflation developments over Q3 2024 resulted in year-to-date annualized inflation below the annual inflation forecast of 3.1 per cent for 2024. There remains some upside risks over Q4 though, especially in relation to shelter inflation. Moderating inflation is expected to continue into 2025, when it is forecast to average 2.3 per cent.

Housing and Residential Building Construction

According to the Realtors Association of Edmonton, there were 5,314 residential unit sales in Edmonton in Q3 2024, representing a 15 per cent gain over Q3 2023. Between July and September 2024, there were 7,271 new listings, which represents annualized growth of 6.7 per cent. With sales growth outpacing new listings growth, the quarterly average sales-to-new listings ratio rose from 68 per cent in Q3 2023 to 73 per cent in Q3 2024. These observations suggest demand in the Edmonton resale market remains elevated, and market conditions were more favourable to sellers, similar to prior quarters this year. In the GEA, resale market developments followed a similar trend, with the Q3 sales-to-new listings ratio rising from an average of 69 per cent in 2023 to 76 per cent in 2024.

There has also been elevated demand for new homes, which has contributed to a rise in activity from the Edmonton residential construction sector this year, based on developments in building permits and housing starts. In Q3, the total value of building permits issued by the City of Edmonton increased from \$916.6 million in 2023 to \$1.1 billion in 2024. This brought the value of building permits over the first three quarters of 2024 to \$3.2 billion, a 33 per cent increase over the same period in 2023. This growth was largely driven by building intentions for new residential structures, which were valued at \$613.5 million in Q3 2024, up 63 per cent compared to Q3 2023. Building permit values for new residential construction from January to September 2024 were 53 per cent higher at \$1.8 billion.

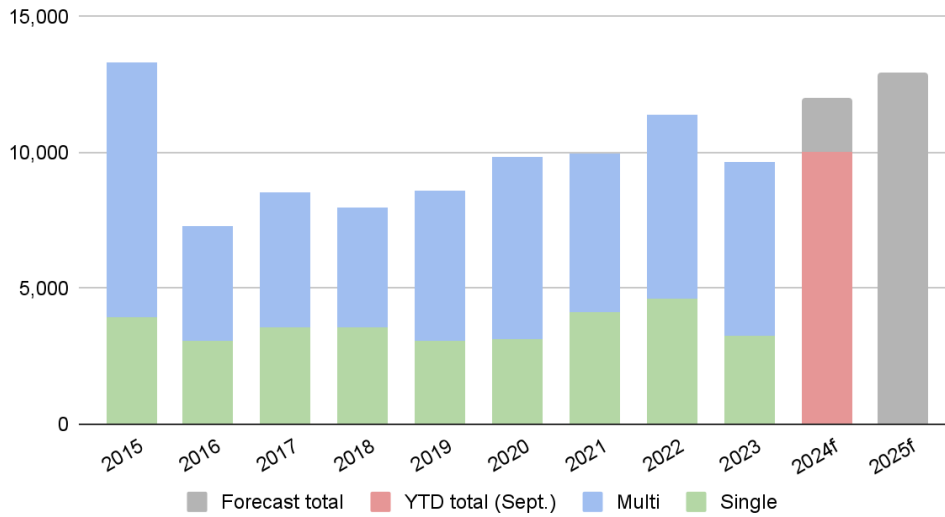


Source: City of Edmonton

Notes: "YTD" = year-to-date September; residential includes single, semi-detached, row, and apartment structures; and non-residential includes commercial, industrial, and institutional structures.

Through September 2024, building intentions for new dwelling units have been concentrated in single-family dwellings (41 per cent), followed by apartments (29 per cent). This trend is consistent with the composition of new housing starts in Edmonton in recent years. In Q3, housing starts in Edmonton totalled 3,828 units in 2024, 27 per cent growth over 2023. The strongest growth by dwelling type was for single detached (+59 per cent), followed by semi-detached dwellings (+32 per cent). The 27 per cent gain in starts over Q3 added to an already high pace of new home construction over the first half of 2024. As a result, from January through September 2024, there have been 10,004 housing starts in Edmonton, representing a 48 per cent increase over 2023. On that year-to-date basis, growth in starts was led by apartments (+66 per cent), primarily rentals, and singles (+45 per cent), although starts for every other housing type are higher by at least 19 per cent for all housing types.

Housing starts - Edmonton



Sources: Canada Mortgage and Housing Corporation, City of Edmonton, and Stokes Economics
Notes: "f"=forecast; multi includes semi-detached, row, apartment, and other housing starts.

The summer outlook projects Edmonton housing starts to increase 24 per cent annually in 2024 to 12,014 units, up from 9,665 in 2023. Starts activity from Q1 through Q3 2024 has been strong, which presents upside risks to the City's forecast in 2024 and potentially 2025. In combination with persistent strength in building construction intentions for new residential dwellings, there is a possibility that total housing starts in 2024 may reach or even exceed the previous record of 13,311 recorded in 2015 (data availability starting in 1990).

Risks to the Summer 2024 Outlook

Two key risks that could impact the City's outlook for 2024 and 2025 are provided below.

1. Sudden or unexpected changes to migration patterns

Working age population data from Statistics Canada's Labour Force Survey (LFS) suggest weaker population growth in Edmonton and stronger growth in the Edmonton CMA than currently forecast for 2024. Additionally, the current outlook did not assume reductions to federal immigration targets announced at the end of October, which will likely lower international inflows to Edmonton and the CMA starting in 2025. A softening in population growth could reduce price pressures in the economy for services and housing. Additionally, slower population growth could reduce labour force growth in 2025, leading to a sharper decline in the unemployment rate. These impacts will depend on the distribution of international migrants across Canada, and the timing of policy implementation and enforcement.

2. Uncertainty surrounding future path of consumer inflation

For the City's outlook for Edmonton CMA consumer prices in 2024 to be realized, inflation would need to accelerate over Q4 2024. Outside of some upside risk to rented accommodation inflation, the trend across many core expenditure categories in the Edmonton CMA and Canada has been slowing annualized inflation, if not outright deflation. This presents some downside risk to the City's current inflation forecast.

Information Sources by Concept

Long-term economic outlook

- City of Edmonton, [Mid-year 2024 Economic Update](#).
- City of Edmonton, [Summer 2024 Outlook Summary Table](#).

Demography

- Alberta Treasury Board and Finance Office of Statistics and Information, [Municipal \(Census Subdivision\) Population Estimates: 2016 - 2023 \(updated May 22, 2024\)](#).
- Immigration, Refugees and Citizenship Canada. [Government of Canada reduces immigration](#).
- Statistics Canada. [Table 17-10-0009-01 Population estimates, quarterly](#).
- Statistics Canada. [Table 17-10-0148-01 Population estimates, July 1, by census metropolitan area and census agglomeration, 2021 boundaries](#).
- Statistics Canada. [Table 17-10-0149-01 Components of population change by census metropolitan area and census agglomeration, 2021 boundaries](#).

Labour and Employment

- Statistics Canada. [Table 14-10-0213-01 Fixed weighted index of average hourly earnings for all employees, by industry, monthly](#).
- Statistics Canada. [Table 14-10-0378-01 Labour force characteristics, three-month moving average, unadjusted for seasonality](#).
- Statistics Canada. [Table 14-10-0379-01 Employment by industry, three-month moving average, unadjusted for seasonality \(x 1,000\)](#).
- Statistics Canada. [Table 14-10-0380-01 Labour force characteristics, three-month moving average, seasonally adjusted \(x 1,000\)](#).
- Statistics Canada. [Table 14-10-0387-01 Labour force characteristics, three-month moving average, unadjusted for seasonality, last 5 months](#).
- Statistics Canada. [Table 14-10-0441-01 Job vacancies, payroll employees, job vacancy rate, and average offered hourly wage by economic regions, quarterly, unadjusted for seasonality](#).

Prices

- Bank of Canada. [Policy interest rate](#).
- Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted](#).

Residential construction and real estate

- Canada Mortgage and Housing Corporation 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 Update](#).