

Economic Challenges and Impacts to the Planning and Development Business Model

Economic Challenges

The current state of the Reserve has been impacted by declining revenues due to weakening economic conditions and a decline in activity in the construction sector. Real gross domestic product (“GDP”) forecasts for Edmonton were revised downward from 2.8 percent to 0.5 percent between fall 2018 and fall 2019.

The City’s Q3 2019 Quarterly Economic Update anticipates a modest recovery to 1.4 percent real GDP growth in 2020. However, significant downside risks to that forecast remain which may result in a downward revision in 2020. These downside risks include:

- global energy prices declining further;
- consumer confidence declining due to debt and unemployment;
- conclusion of a number of major construction projects in the region;
- stricter controls on carbon emissions and opposition to energy investments; and
- international trade conflict between the US and China.

These broader economic challenges will weigh on future economic growth rates and housing demand. Reduced economic activity impacts consumer confidence and, potentially, incomes. Both of these developments tend to weigh on the housing market and many other sectors of the economy such as retail sales. Given Edmonton’s current oversupply of housing, slower economic growth will continue to translate into lower construction activity, resulting in lower permitting revenue in Edmonton.