

Alberta

LIFTED BY OIL PRICE GAINS

- Alberta experienced the deepest recession of any province last year as it dealt with the effects of COVID-19 and a plunge in oil and gas activity.
- Rising crude values to begin this year bode well for a solid rebound in 2021, but the pandemic extends recovery from the last downturn to eight years.
- For non-energy industries, petrochemicals and forestry face the best near-term prospects, but full economic diversification remains a long-run goal.

Alberta was harder-hit than any other provincial economy in 2020, a result of its oil and gas industry intensity. It witnessed the steepest drop in wages and salaries last year, the second-largest reductions in hours worked and active businesses, and as of January, its full-time workforce was further from its February 2020 peak than any other jurisdiction. Crude production fell by 5%—more than in 2016 at the height of the last commodity price correction—and drilling activity at one point reached an all-time low, driving a 38% decline in oil and gas investment at the national level in 2020.

As in prior economic downturns, the oil and gas downturn extended to adjacent industries (chart). Full-time employment declines in construction, manufacturing, and professional, scientific, and technical services reflect the role played by energy in generating business for firms in those sectors. Commercial building outlays continue to be held back by the supply overhang accrued since the last oil price downturn.

The surge in crude values to begin 2021—which prompted an upward revision to our price forecast—bodes well for a recovery this year. Crude output rose above year-earlier levels in November and December 2020, and should see further increases following the end of curtailment. With improving fuel demand, egress capacity will likely once again become a factor—we expect the eventual completion of the Line 3 and TransMountain Extension conduits to assist in this respect. Still, investment will likely stay below pre-pandemic levels for at least a few years; the pace and direction of an eventual Biden climate agenda poses additional risk. All told, we do not expect the province to reach the peak GDP it hit before the last oil price downturn until 2022.

Outside oil and gas, petrochemicals and forestry have strong prospects.

Chemical manufacturing investment intentions are nearly 25% higher than preliminary estimates for last year, supported by work at the Heartland Petrochemical Complex. Forest product exports should benefit from strong lumber prices and housing market activity. The agricultural outlook is more mixed. Beef production will likely rise this year given early 2020 COVID-19 plant shutdowns. Wheat output could reasonably be expected to ease after stronger-than-average yields in 2020, though prices remain elevated alongside those of oilseeds. Stepped-up FY22 capital outlays concentrated in municipal infrastructure will likely lend further support to the province's expansion. A number of renewable projects dot the economic landscape.

Budget 2021 announced several new economic diversification initiatives. These include: attraction and development of skilled workers in the technology industry, plans to boost agricultural investment, and efforts to reduce FinTech regulatory burdens. These efforts could help guard against future downturns, but will take time to bear fruit.

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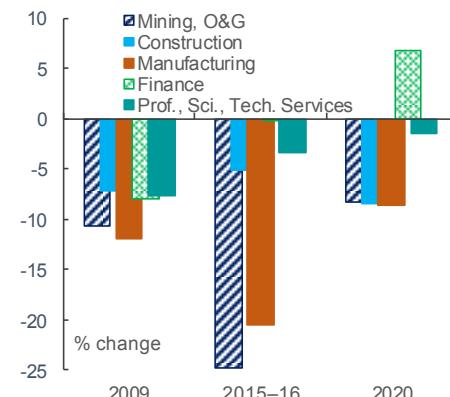
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Economic Forecast Details

annual % change except where noted

	19	20E	21F	22F
Real GDP	0.1	-6.8	6.0	4.3
Nominal GDP	2.7	-9.3	12.1	8.0
Employment	0.7	-6.6	4.1	3.9
Unemployment Rate, %	7.0	11.4	10.0	7.5
Housing Starts, 000s	27	24	27	29
Total CPI	1.7	1.1	2.4	2.6

Full-Time Job Losses by Industry During Past Alberta Downturns



Sources: Scotiabank Economics, Statistics Canada.

Provincial Forecast Summary											
(annual % change except where noted)											
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.4	-5.1	-3.6	-4.0	-3.2	-5.1	-5.7	-3.6	-5.2	-6.8	-5.0
2021f	6.2	3.8	5.2	5.6	5.2	6.6	6.3	5.1	5.9	6.0	6.1
2022f	4.0	1.5	3.3	3.5	3.4	4.1	4.2	3.5	3.6	4.3	4.1
Nominal GDP											
2010–19	4.0	3.5	4.3	2.9	2.8	3.8	4.1	3.8	3.3	3.7	4.5
2019	3.6	4.1	7.0	3.8	3.0	4.3	3.8	1.0	0.1	2.7	4.4
2020e	-4.6	-6.8	-1.7	-2.1	-1.3	-3.9	-4.4	-1.6	-7.5	-9.3	-2.3
2021f	9.7	9.0	7.5	8.0	7.4	9.1	9.4	7.2	10.7	12.1	9.1
2022f	6.9	4.5	5.7	5.8	5.8	6.8	6.8	6.0	7.4	8.0	6.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.2	3.4	4.1	4.3	3.9	4.3	4.3	3.9	4.0	4.1	4.4
2022f	3.6	1.0	2.9	3.1	2.9	3.6	3.8	3.2	3.3	3.9	3.6
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	8.0	13.0	9.0	8.2	8.9	7.3	8.0	6.8	7.0	10.0	7.3
2022f	5.7	12.2	7.4	6.6	7.2	5.1	5.6	5.0	5.1	7.5	5.0
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2019	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45
2020	219	0.8	1.0	4.9	3.7	55	81	7.3	3.1	24	38
2021f	222	0.8	1.2	5.0	3.1	57	80	6.3	3.2	27	39
2022f	214	0.8	1.2	4.5	2.5	52	76	6.0	3.5	29	38
Motor Vehicle Sales (units, 000s)											
2010–19	1,819	33	7	51	41	432	715	55	53	237	194
2019	1,916	34	8	53	41	454	789	53	46	227	214
2020	1,569	28	7	44	34	376	612	46	40	186	180
2021f	1,790	31	8	50	38	439	712	52	45	211	206
2022f	1,920	32	8	52	40	472	769	54	47	225	221
Budget Balances, (CAD mn)											
2019*	-39,400	-1,383	22	2	98	4	-8,672	5	-319	-12,152	-321
2020e	-381,600	-1,838	-178	-779	-13	-2,991	-38,468	-2,048	-2,045	-20,192	-13,643
2021f	-141,200		-70			-8,250	-33,100		-1,350	-18,221	
2022f	-50,700		-38			-7,000	-28,150		-855	-10,982	

* NL budget balance in 2019 is net of one-time revenue boost via *Atlantic Accord*.

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund and Stabilization Reserve transfers.

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