

Alberta

SOLID REBOUND TO FOLLOW DEEP DROP LAST YEAR

- We expect early-year momentum and base effects to support very strong growth in Alberta this year.
- Among non-energy sectors, forestry, chemicals, and agriculture have sanguine near-term outlooks.

Incoming data continue to highlight the spillover effects of oil prices on Alberta's economy. Last year's estimate of an 8.2% real GDP decline was anchored by crude price plunges and the deepest drop of any province; construction and manufacturing saw even steeper declines than oil and gas extraction. Yet by May of this year, WCS and WTI had returned to pre-virus levels. Supported by that improved pricing backdrop, Alberta oil output is up on a y/y ytd basis as of April, and drilling activity has surged, though it remains historically low. Preliminary Q1-2021 non-residential business investment data suggest that private-sector capital outlays rose to begin the year, an idea reinforced by the 64% (q/q ann.) climb in national-level oil and gas spending. Still, the latter is at its fourth-lowest recorded since at least 2013.

We expect early-year momentum and base effects to result in strong growth in Alberta in 2021, though longer-run prospects are less certain. For oil production, we assume growth in the 7% range this year and about 2% in 2022—in line with recent provincial government projections. That should drive solid 2021 export growth. For investment, we await a strong advance this year, but not one in the range of what might have historically been expected in a year of 50%-plus oil price gains. Capital discipline is widely expected to be the industry trend after last year's price volatility and amid greater international producer competition plus investor appetite for clean energy sources, though work is proceeding on several renewable projects in Alberta.

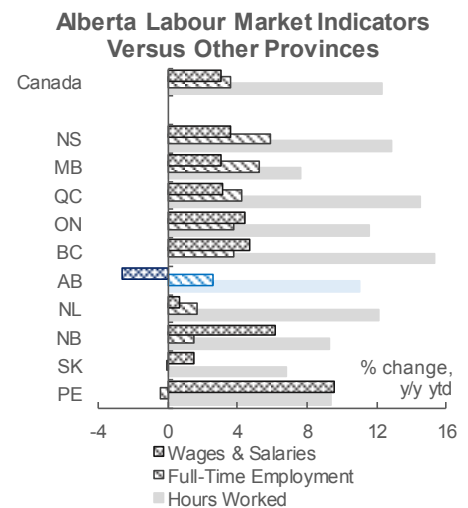
Alberta's labour market looks to have gotten off to a slow start relative to other provinces. In 2020, Alberta witnessed the steepest drop in wages and salaries, and the second-largest falls in full-time employment and hours worked among the provinces. To date in 2021, Alberta is lagging national-level gains across all of those indicators. Lingering effects from lockdown measures put in place to control a severe third pandemic wave may hinder the recovery, but we are encouraged by the recent pace of infection rate decline and the province's accelerated reopening plan.

Among non-energy sectors, forestry, chemicals, and agriculture have sanguine near-term outlooks. Lumber prices have eased of late but remain historically strong; Alberta production is trending higher as mills aim to meet voracious North American home construction demand. Work continues at the Heartland Petrochemical Complex despite reports of recent COVID-19 outbreaks; as we noted last quarter, chemical manufacturing investment intentions are nearly 25% higher than preliminary estimates for last year. Crop receipts climbed a hefty 31% y/y in Q1-2021—supported by strong wheat and canola prices—and we expect livestock producers to benefit from rising cattle prices and stronger output after plant shutdowns last year. Broadly speaking, the industrial sector should gain from the hefty US expansion forecast this year.

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Key Economic Indicators			
annual % change except where noted			
	20E	21F	22F
Real GDP	-8.2	6.2	4.2
Nominal GDP	-10.6	14.7	7.5
Employment	-6.6	4.4	3.7
Unemployment Rate, %	11.4	9.2	7.0
Housing Starts, 000s	24.0	29.2	30.0
Total CPI	1.1	2.6	2.7



Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC.

Provincial Forecast Summary

The Provinces	(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	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
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	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
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	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
Motor Vehicle Sales (units, 000s)											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
Budget Balances, (CAD mn)											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. ** 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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