

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a blue rectangular background.A vertical photograph on the left side of the page showing the Edmonton skyline at night. The Peace Bridge is illuminated with blue lights, and the city buildings are lit up against a dark sky.

City of Edmonton

Q1 2024 Economic Update

City of Edmonton Corporate Economics

Felicia Mutheardy, Chief Corporate Economist
Financial and Corporate Services
(780) 496-6144

Wade Sebastian-Tymchak, Senior Economist
Financial and Corporate Services
(780) 508-4062

For media inquiries:

Matt Pretty, Communications Advisor
(780) 886-7552

Overview

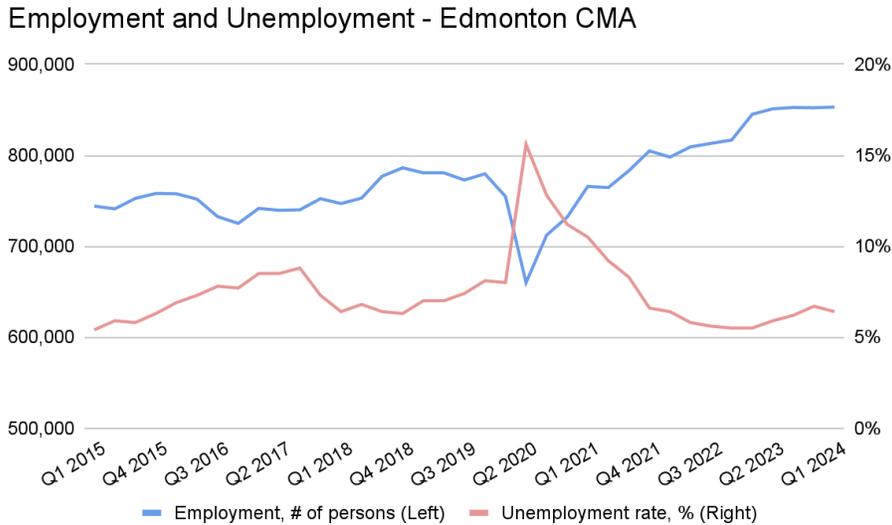
Population growth and a rebound in construction activity supported overall economic activity in Edmonton and the Edmonton census metropolitan area (CMA) in Q1, as CMA labour market conditions visibly cooled and inflationary pressures remained elevated. As Statistics Canada has not yet released its July 1, 2023 population estimates for Edmonton and the CMA, this economic update uses quarterly population reports for Alberta to inform population growth trends. In Q4 2023, Alberta's population grew at an annualized 4.3 per cent, with non-permanent resident arrivals boosting overall growth. In Q1 2024, Alberta's population grew 4.4 per cent, owed largely to persistent high net in-flows of international migrants. Edmonton population growth over the decade prior to 2023 has been stronger than provincial population growth, which indicates that population growth between 2023 and 2024 (i.e., between Q3 2023 and Q3 2024) may be stronger than the 3.6 per cent annualized growth in the City's fall 2023 outlook.

Population growth is impacting economic activity, with increased demand for goods and services, including shelter. Specific to shelter, population growth has tightened existing housing and rental market conditions, and pushed demand higher for new residential construction. New housing starts in Q4 2023 rebounded after four consecutive quarters of weaker year-over-year growth. This has continued into Q1 2024, with housing starts across most dwelling types posting significant growth. Building construction intentions in Edmonton so far in 2024, as indicated by issued building permits, have also been strong, suggesting a busy construction season ahead. Despite the response from the residential construction sector, housing market conditions in Edmonton are much tighter than a year prior, which is pushing up prices. This is adding to financial pressures for households that are already having to contend with higher prices for consumer goods and services. Businesses are also having to endure these pressures, with higher production costs and, for some, softer demand from reduced household discretionary spending. These pressures help to explain the upward trend in Edmonton CMA consumer and business insolvencies, which includes bankruptcies and proposals, with double-digit annualized growth rates in combined insolvencies throughout 2023. In Q4 2023, the last quarter for which data are available, consumer and business insolvencies combined rose 24 per cent year-over-year. Combined bankruptcies alone were up 17 per cent in Q4 2023. This trend presents a risk to the City's short-term economic outlook, though strong population growth could partially compensate for the downside impacts of higher insolvencies.

Details of Q1 2024 developments in the Edmonton CMA related to the labour market, inflation, and residential construction are provided below.

Labour Market

In Q1 2024, seasonally adjusted employment in the Edmonton CMA was relatively unchanged from Q4 2023. The working age population continued to expand in Q1, with 1.4 per cent growth quarter-over-quarter, while the labour force saw a marginal contraction (-0.2 per cent). As a consequence, the unemployment rate was lower in Q1 at 6.4 per cent, compared to 6.7 per cent in Q4 2023.



Source: Statistics Canada, seasonally adjusted

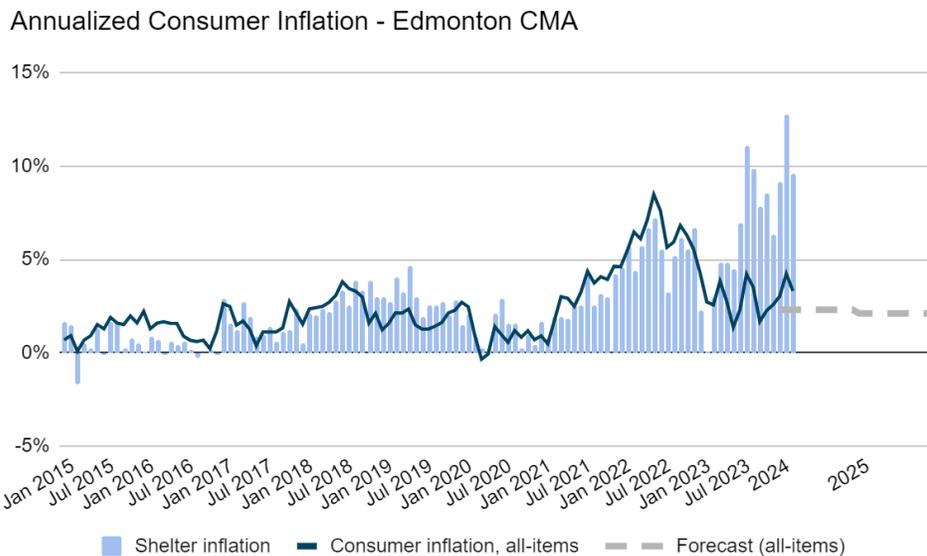
Unadjusted employment in the Edmonton CMA grew 1.2 per cent year-over-year in Q1. Growth was entirely restricted to full-time employment, which grew 2.5 per cent year-over-year, while part-time employment contracted 4.2 per cent. By sector, gains were in services-producing sector employment, with 2.6 per cent year-over-year growth in Q1, while goods sector employment contracted 4.4 per cent. The public administration (+23 per cent), business, building and other support services (+17 per cent), and forestry, fishing, mining, oil and gas (+14 per cent) sectors saw the strongest employment growth in Q1. In contrast, employment in the professional, scientific and technical services (-18 per cent), information, culture and recreation (-14 per cent), and manufacturing (-8 per cent) sectors saw the most pronounced contractions.

The fall 2023 outlook for the Edmonton CMA was revised to reflect persistent strength in employment and labour force growth in 2023, with expectations of moderating growth in 2024. The outlook continued to predict strong population growth in 2024, translating into further labour force growth in the CMA. Employment was also expected to see additional expansion, albeit at a more modest pace. Developments over Q1, however, suggest there is potential for weaker performance in the Edmonton CMA labour market in 2024 than

projected in the fall outlook, especially with virtually no growth in employment over Q1, while the working age population continues to see strong growth. Labour force participation in Q1 2024 was its lowest since Q2 2020.

Consumer Inflation

Annualized consumer inflation in the Edmonton CMA accelerated over Q1 2024, averaging 3.5 per cent, up from 2.2 per cent in Q4 2023. Shelter price inflation accelerated from an average of 7.5 per cent in Q4 2023 to 10 per cent in Q1. While annualized price inflation remained strong for rented accommodation and owned accommodation over Q1 compared to Q4 2023, price inflation for utilities surged from an average of 7.4 per cent in Q4 2023 to 23 per cent in Q1. More detailed price data available at the provincial level suggest that inflationary pressures for natural gas and electricity drove utilities inflation in Q1. Annualized price inflation for electricity was particularly strong in January and February with prices more than doubling, and February saw natural gas reverse a 12-month streak of annualized deflation with double-digit inflation that carried into March.



Sources: Statistics Canada, City of Edmonton, and Stokes Economics

With the exception of shelter and transportation, though, inflationary pressures across a majority of components eased over Q1 2024, based on the Alberta CPI, for which more detailed price data are available. Price pressures for the operation of passenger vehicles re-emerged between Q4 2023 and Q1 2024, which coincided with price acceleration for gasoline. Higher oil prices and the gradual reinstatement of the provincial government’s 13-cent-per-litre fuel tax were factors pushing gasoline prices higher in Q1. Looking ahead, gasoline prices in Q2 2024 will likely move higher from the full reinstatement of the provincial fuel tax and an increase to the federal carbon tax – both of which came into effect

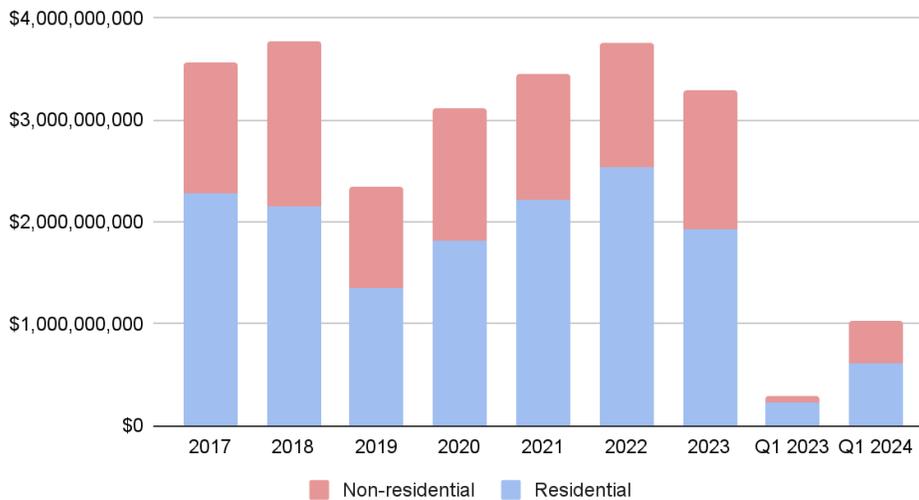
on April 1, 2024 – and the expectation for crude oil prices to remain elevated. Annualized food inflation eased between Q4 2023 and Q1 2024, though food inflation remained elevated at 3.9 per cent. Generally, consumer inflation in the Edmonton CMA is expected to continue moderating in 2024, however, uncertainty surrounding energy and accommodation prices pose risks to the inflation outlook.

Residential construction

A strong rebound in new housing starts in Q4 2023 continued into Q1 2024 in both Edmonton and the CMA. Between January and March 2024, 2,816 units broke ground in Edmonton, translating to 65 per cent year-over-year growth. With the exception of row housing, all dwelling types posted significant housing starts growth in Q1. Growth in apartment starts was the strongest at 140 per cent, with 94 per cent of units destined for the rental market. After four consecutive quarters of negative annualized growth, single detached starts posted a 16 per cent gain in Q4 2023, which was followed by 24 per cent annualized growth in Q1. In the Edmonton CMA, housing starts were 55 per cent higher year-over-year in Q1, with growth across all dwelling types. Growth was strongest in semi-detached starts, which more than doubled Q1 2023 starts.

The fall 2023 outlook projected an increase in housing starts for Edmonton in 2024 to 10,187 units. However, housing starts since Q4 2023 have been stronger than expected, and values for issued building permits in Edmonton for Q1 2024 were also much higher, both year-over-year and compared to Q1 2022. In Q1, residential building permits in Edmonton for new structures were 47 per cent higher in value year-over-year, and were for 4.6 per cent more units than the previous year. These developments, should they continue over 2024, indicate upside risks to the City's annual housing starts forecast in 2024, and potentially 2025.

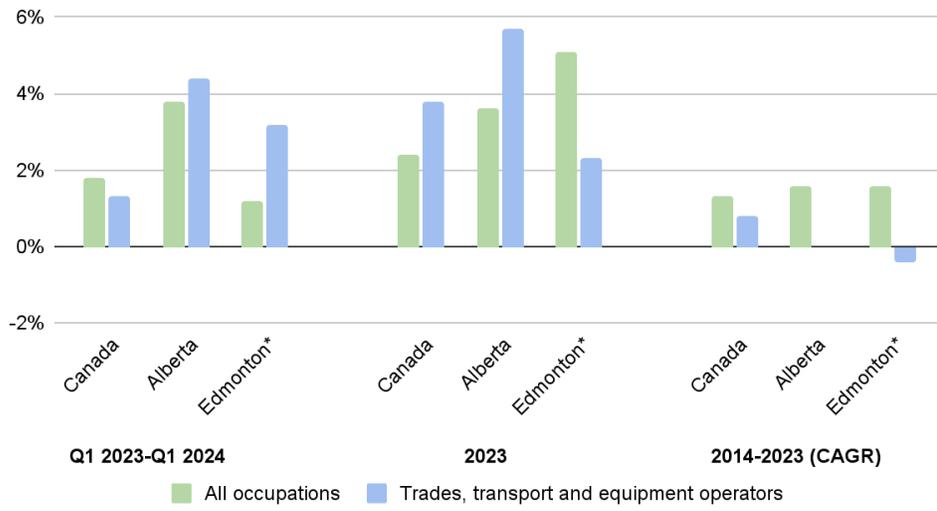
Value of Building Permits Issued - Edmonton



Source: City of Edmonton

In an environment with much higher housing demand from population growth, prospective homebuyers and renters in Edmonton are being challenged by mounting price pressures in all areas of the housing market. In the existing home market, limited inflows of new supply relative to demand have tilted market conditions in favour of sellers across most housing types. In the rental market, increased competition has brought purpose-built rental vacancies much lower, pushing up rental rates. While the rebound in new home construction over the past two quarters will help to meet supply needs, price growth will be more challenging to contain. Specific to the new home market, capacity constraints are a growing concern, especially related to the availability of materials and labour. New home construction activity this year will be in an environment where construction costs remain high, while supply for some material types will be in greater demand from large scale non-residential projects slated to commence construction in 2024 in the Edmonton region. As for labour, employment in the trades, transport and equipment operators occupations in the Edmonton CMA has generally been in decline over the 10 years preceding 2023, contrary to growth in all occupations combined, as well as provincial and national trends for this occupation grouping. In 2023, and continuing into 2024, employment growth in this occupation grouping has been positive in the Edmonton CMA, province, and Canada; however, at least in the case of the Edmonton CMA, much more growth will be needed to compensate for negative growth in prior years and anticipated outflows from those retiring from the labour market altogether.

Employment growth by occupation



Source: Statistics Canada

Note: *denotes census metropolitan area

Information Sources by Concept

Long-term economic outlook

- City of Edmonton, [Fall 2023 Forecast Summary Table](#).
- City of Edmonton, [Q3 2023 Economic Update](#).

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](#).
- Statistics Canada. [Table 17-10-0020-01 Estimates of the components of interprovincial migration, quarterly](#).
- Statistics Canada. [Table 17-10-0040-01 Estimates of the components of international migration, quarterly](#).
- Statistics Canada. [Table 17-10-0059-01 Estimates of the components of natural increase, quarterly](#).

Labour and Employment

- Statistics Canada. [Table 14-10-0378-01 Labour force characteristics, three-month moving average, unadjusted for seasonality](#).
- Statistics Canada. [Table 14-10-0379-01 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 14-10-0430-01 Employment by occupation, census metropolitan areas, three-month moving average, unadjusted for seasonality](#).

Prices

- Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted](#).
- Statistics Canada. [Table 18-10-0205-01 New housing price index, monthly](#).
- Statistics Canada. [Table 18-10-0273-01 New condominium apartment price indexes, by census metropolitan area](#).
- Statistics Canada. [Table 18-10-0276-01 Building construction price indexes, by type of building and division](#).

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 [Statement of Building Permits Issued](#) (accessed April 2024).
- Realtors Association of Edmonton, [March 2024 Monthly Market Statistics Update](#).

Financial conditions

- [Bank of Canada](#).
- Equifax Canada via Canada Mortgage and Housing Corporation, [Mortgage and Delinquency Rate \(%\) - Canada, Provinces, and CMAs, 2012 Q3 to 2023 Q4](#).
- Office of the Superintendent of Bankruptcy, [Insolvency statistics in Canada](#).

Business conditions

- Statistics Canada. [Canadian Survey on Business Conditions, first quarter 2024](#).
- Bank of Canada. [Business Outlook Survey - First Quarter of 2024](#).