Economic Prospects and Regional Impacts

Northeast Alberta Region
Overview

Objectives

Global Economic Perspectives

Key Regional Business / Labour Indicators

Key Regional Industries

Resources Available
Objectives

The goal of this presentation is to assist regional economic development practitioners and stakeholders in gaining a better understanding of economic information at the regional level.

The presentation will focus on a key regional industry, business, employment and economic indicators. It is not meant to be a comprehensive regional economic overview or forecast.

Interpretation and application of this information is left to audience.
Questions We Need to Ask

**What** does this information mean to our region?

**Why** is this information important to us?

**How** could this information affect our understanding of the region’s economy, and our role in strategic planning and decision making?
Pulse of the World Economy

Euro recession means increasing risks
  • Tighter lending

Weak US employment and housing starts
  • Less demand for commodities

Strong growth in China continues
  • New market opportunities

Real GDP Growth - China and U.S.

Source: Economist Intelligence Unit
Bucking the Trend

Canadian recovery based on strength of domestic economy
• Future growth heavily dependent on U.S. economy

Strong Canadian Dollar
• Weaker exports, increased imports

Energy sector fuelling growth
• Western Canada job creation, income growth
Alberta Forges Ahead

Economy grew by 3.3% in 2010
• Strong growth in drilling; agriculture; construction; manufacturing; wholesale

Strong energy prices
• Fueling investment, exports, manufacturing growth

Energy sector fueling job gains
• Tighter job market, income and retail sales growth
Alberta Economic Dashboard ’11

Retail Sales 6.9%
Housing Starts (’11) 2.2%
Oil Production 7.8%
Gas Production 3.6%
Rig Activity (’11) 38%
Employment (Dec) 4.9%
Manufacturing Sales 18%
Farm Cash Receipts 15%
Exports 16%
**Real GDP Growth – A Comparison**

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>Can</th>
<th>AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-0.3</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>2009</td>
<td>-3.5</td>
<td>-2.8</td>
<td>-4.5</td>
</tr>
<tr>
<td>2010</td>
<td>3.0</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>2011(f)</td>
<td>1.7</td>
<td>2.3</td>
<td>3.3</td>
</tr>
<tr>
<td>2012(f)</td>
<td>2.1</td>
<td>2.0</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Sources: Statistics Canada, Bureau of Economic Analysis (historical); average of recent forecasts by major Canadian banks
Things to Watch

Strong Canadian Dollar
• Limiting export growth
• Cheaper machinery/equipment

Oil Prices High, Gas Prices Low
• China/India driving long term oil prices
• U.S. shale gas displacing traditional customers

Agriculture on Rebound
• Asian demand, bio-fuels
What makes up Alberta’s Economy?

Percentage Distribution of GDP
Total GDP: $263.5 Billion

- Energy: 25.7%
- Construction: 9.6%
- Agriculture: 1.5%
- Health: 5.3%
- Education: 3.8%
- Public Administration: 3.8%
- Retail & Wholesale: 8.6%
- Tourism & Consumer Services: 5.0%
- Finance & Real Estate: 14.8%
- Manufacturing: 6.2%
- Transportation & Utilities: 6.3%
- Business & Commercial Services: 9.4%

Sources: Statistics Canada and Alberta Treasury Board and Enterprise
Regional Employment Growth
(December 2010 - December 2011)

Wood Buffalo – Cold Lake: +3.5%
Athabasca-Grande Prairie: +4.4%
Edmonton Region: +5.2%
Red Deer Region: +5.6%
Banff-Jasper Rocky Mtn. House: 0.0%
Calgary Region: +4.9%
Camrose-Drumheller: +1.8%
Lethbridge-Medicine Hat: +5.5%
Provincial Rate: +4.9%

Note: regional rates are 3-month averages
Source: Statistics Canada, Labour Force Survey
Northeast Indicators

North East Region's Share of Alberta (%)

- Wells drilled: 18.6%
- Crude oil: 23.0%
- Natural gas: 4.2%
- Cropland (area): 10.0%
- Cattle and calves: 9.9%
- Farm cash receipts: 6.9%
- Supply of hotel rooms: 4.5%
- Major projects: 3.2%
- New housing units: 2.5%
- Building permits: 2.3%
- Number of businesses: 3.6%
- Personal income: 2.4%
- EI beneficiaries: 3.3%
- Employment: 2.9%
- Population: 3.1%
- Land area: 6.4%
## Economic Indicators: Northeast Region

### Major Construction Projects, as of September 30, 2011

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Number of Projects</th>
<th>Value ($millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biofuels</td>
<td>3</td>
<td>$321.6</td>
</tr>
<tr>
<td>Commercial/Retail</td>
<td>3</td>
<td>$36.7</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>23</td>
<td>$368.7</td>
</tr>
<tr>
<td>Institutional</td>
<td>4</td>
<td>$82.4</td>
</tr>
<tr>
<td>Oil Sands</td>
<td>4</td>
<td>$5,210.0</td>
</tr>
<tr>
<td>Pipelines</td>
<td>2</td>
<td>$38.5</td>
</tr>
<tr>
<td>Residential</td>
<td>2</td>
<td>$10.5</td>
</tr>
<tr>
<td>Tourism/Recreation</td>
<td>3</td>
<td>$90.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>$6,158.7</strong></td>
</tr>
</tbody>
</table>

### % of Provincial Total

- **4.8%**
- **3.2%**

Source: Alberta Treasury Board and Enterprise, Inventory of Major Alberta Projects
Building Permits

Value of Building Permits
Northeast Region

Source: Statistics Canada, Compilations by Alberta Treasury Board & Enterprise
Number of NE Businesses by Industry

Source: Statistics Canada’s Business Register
A Region That Works

- Unemployment rate in region: 4.1% in ‘10 (6.5% for AB)
- Employment rate: 70.6% (68.1% for AB)
- Participation rate: 73.6% (72.9% for AB)

**Employment Share (%) by Sector**

- Forestry, mining, oil & gas: 38%
- Retail trade: 16%
- Health care: 12%
- Construction: 10%
- Education: 5%
- Agriculture: 9%
- Other: 10%
Workforce Characteristics

- 36.8% have post-secondary degree, 11% less than AB average (working age population)
- 16.7% have trade certificate versus 12.4% provincially
## Wages and Salaries

### Alberta Wage and Salary Survey - 2009

<table>
<thead>
<tr>
<th>Industry</th>
<th>Northeast Region</th>
<th></th>
<th>Alberta</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Hourly</td>
<td>Hiring</td>
<td>Average</td>
<td>Hiring</td>
</tr>
<tr>
<td></td>
<td>Wage</td>
<td>Difficulties</td>
<td>Wage</td>
<td>Difficulties</td>
</tr>
<tr>
<td>Total, All Industries</td>
<td>$23.47</td>
<td>49%</td>
<td>$24.34</td>
<td>41%</td>
</tr>
<tr>
<td>Oil &amp; Gas Extraction</td>
<td>$40.06</td>
<td>47%</td>
<td>$43.53</td>
<td>17%</td>
</tr>
<tr>
<td>Construction</td>
<td>$28.24</td>
<td>54%</td>
<td>$28.50</td>
<td>61%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$20.40</td>
<td>39%</td>
<td>$24.70</td>
<td>54%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$23.74</td>
<td>45%</td>
<td>$27.09</td>
<td>40%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$17.29</td>
<td>47%</td>
<td>$17.31</td>
<td>41%</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>$24.58</td>
<td>76%</td>
<td>$24.31</td>
<td>51%</td>
</tr>
<tr>
<td>Finance, Insurance &amp; Real Estate</td>
<td>$23.73</td>
<td>42%</td>
<td>$24.02</td>
<td>33%</td>
</tr>
<tr>
<td>Scientific, Technical &amp; Professional Services</td>
<td>$29.64</td>
<td>32%</td>
<td>$34.56</td>
<td>45%</td>
</tr>
<tr>
<td>Health Care &amp; Social Services</td>
<td>$23.43</td>
<td>49%</td>
<td>$26.33</td>
<td>51%</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>$11.43</td>
<td>87%</td>
<td>$11.95</td>
<td>65%</td>
</tr>
</tbody>
</table>

*Source: 2009 Alberta Wage and Salary Survey*
Consumer Prices

Consumer Price Levels in Northeast Municipalities

Edmonton = 100

<table>
<thead>
<tr>
<th></th>
<th>Lloydminster</th>
<th>Cold Lake</th>
<th>St. Paul</th>
<th>Vegreville</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total '07</td>
<td>92</td>
<td>94</td>
<td>93.7</td>
<td>99.6</td>
</tr>
<tr>
<td>Total '10</td>
<td>94.3</td>
<td>97</td>
<td>97.2</td>
<td>98.8</td>
</tr>
<tr>
<td>Shelter '07</td>
<td>74.1</td>
<td>77.4</td>
<td>75.1</td>
<td>82</td>
</tr>
<tr>
<td>Shelter '10</td>
<td>82</td>
<td>83.2</td>
<td>88.1</td>
<td>88.1</td>
</tr>
</tbody>
</table>

Sources: 2007 and 2010 Alberta Spatial Price Surveys - Alberta Finance & Enterprise
Northeast Energy Sector

Drilling activity remains strong
  • 19% of Alberta wells drilled

Natural gas production down
  • Part of long term trend

Crude oil production up
  • 23% of Alberta’s oil production
  • Bitumen production up 17%

Source: Energy Information Agency ($US)
Conventional Energy Production

Northeast's Share of Conventional Alberta Oil & Gas Production

Source: Alberta Energy

Gas  Crude Oil
A Growing Source of Energy

Unconventional Oil Production (m3)

Source: Alberta Energy
NE Alberta Ranching 2010

Value of NE livestock $450 million (‘06 Census)

Country of origin labeling and strong dollar affecting exports to U.S.

Cattle and calves

• 629,000; 10% of AB
• Herd size down 41% from 2005
Ranchers Feeling the Pinch

**Inventories of Cattle**

**at Mid-Year in Alberta**

- **2001**: 6,500
- **2002**: 6,300
- **2003**: 6,500
- **2004**: 6,700
- **2005**: 7,000
- **2006**: 6,600
- **2007**: 6,200
- **2008**: 6,000
- **2009**: 5,800
- **2010**: 5,500
- **2011**: 5,300

**Source:** Statistics Canada and AARD

**Inventories of Cattle**

**at Mid-Year in CDs 10 and 12**

- **2001**: 800,000
- **2002**: 800,000
- **2003**: 800,000
- **2004**: 900,000
- **2005**: 800,000
- **2006**: 700,000
- **2007**: 600,000
- **2008**: 500,000
- **2009**: 400,000
- **2010**: 300,000
- **2011**: 200,000

**Source:** Statistics Canada and AARD

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*Alberta* Freedom To Create. Spirit To Achieve.
NE Alberta Farming 2010

- NE accounts for 10% of Alberta cropland

- One of the province’s largest canola producers (13%)

- Weaker Canadian dollar will benefit Alberta crop growers

![Prices for Feed Grain and Canola](chart.png)

(Cdn$ per Tonne)
4 Wing Presence – Cold Lake

Total Population ~ 13,900
  • 41% of Cold Lake population

Military Community ~ 5,300
  • Regular ~ 1,700
  • Reserve ~ 130
  • Civilians ~ 500
  • Dependants ~ 3,000

Est. Economic Impact ~ $235M+
  • Wages ~ $129M
  • Operations ~ $106M

Source: CFB 4 Wing, Cold Lake
Slowdown in Defense Spending?

“Military spending of about $20 billion will slow in two years, providing the Armed Forces with $525 million less than previously planned in 2012-13 and $1 billion less than expected in 2013-14”.

-National Post

“Military to freeze size of forces, sell off property”

-Edmonton Journal
Based on what you have seen...

...how can we use this information to support our economic development strategies?

...what should we monitor or investigate further?

...how can we use this information to support business retention, expansion and new investment?
For More Information

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Regional Economic Indicator Reports:
www.albertacanada.com/about-alberta/regional-economic-indicators.html