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Varcoe: Population boom driving Alberta economy, even as provincial energy revenues dip

Alberta hasn't seen this type of population influx since 1981, and it's providing a turbo-boost to the economy

Chris Varcoe || Aug 31, 2023



Alberta Finance Minister Nate Horner leaves a provincial fiscal update press conference at McDougall Centre in Calgary on Thursday, Aug. 31. PHOTO BY GAVIN YOUNG /Postmedia

Energy royalties are dipping and the province has trimmed its budget expectations for both oil and natural gas prices this year, yet economic growth in Alberta isn't gearing down.

In fact, it's picking up steam.

The province's first-quarter financial update on Thursday predicted Alberta's economy will expand by three per cent this year — up from estimates made in February's budget — while the unemployment rate has been “contained.”

What's behind the gravity-defying trend?

Alberta's soaring population is on pace to increase by 4.4 per cent for the census year (the period ending in June, once final data is released by Statistics Canada).

It's the fastest annual growth since 1981, back when Peter Lougheed was the province's premier and the original Raiders of the Lost Ark was tops at the movie theatres.

In other words, it's been a very long time since we've seen this type of population influx and it's providing a turbo-boost to the economy.

“That's a very, very high number,” Finance Minister Nate Horner told reporters.

“I know our economists within the department have a hard time believing it, but we're seeing strong (increases) not only immigration, but interprovincial migration and a lot of Ukrainian refugees adding to that number in a big way.”

In the latest financial report card, the province projects a \$2.4-billion surplus in this fiscal year — up about \$94 million from the February budget — even as it trimmed expectations for oil and natural gas prices.

The province sliced its projections for benchmark West Texas Intermediate crude prices to US\$75 a barrel for the 2023-24 fiscal year. That's down \$4 a barrel from the initial budget estimates after global oil markets softened during the April-to-June period.



More than 46,000 people have relocated to Alberta from other parts of the country so far this census year. PHOTO BY GAVIN YOUNG /Postmedia

The government also chopped its expected royalty take from Alberta natural gas by 47 per cent, cutting it to an estimated \$1.3 billion this year.

The forecast price for Alberta natural gas has been lowered to C\$2.50 per gigajoule (down from \$4.10) reflecting weak prices, high inventory levels and growing production in North America.

Although bitumen royalties are anticipated to rise by another \$515 million in this financial year to \$13.1 billion, natural resource revenues have collectively fallen by nearly \$700 million in just a few months.

This would normally be an ominous sign for the government's finances.

Yet, the economy is outperforming initial budget expectations.

The province has now hiked the economic growth this year to three per cent in the fiscal year, up slightly from budget figures, and 2.9 per cent next year. “The majority of the uplift in the outlook for this year is being driven by recent population trends,” the report states.

The population growth has come from several different areas, with more than 46,000 people relocating to Alberta from other parts of the country so far this census year.

“Net international migration is also on track to reach a record high, bolstered by unprecedented net inflows of non-permanent residents,” which includes international students, refugee claimants and temporary foreign workers, it stated.

Marc Desormeaux, an economist with Desjardins, said the budget estimates were in line with expectations, given the relative state of energy prices.

“One number really stood out, which is the population growth forecast for 2023,” he said.

“The first thing it signifies is Alberta’s draw to people in other parts of the country at this time. Rates of interprovincial migration, particularly from Ontario, have been very strong in the past year.”

There have also been increases in international immigration to the province, along with natural population growth, which means these trends should persist into the next few years, Desormeaux added.

After several years of young Albertans moving to other places last decade following the drop in oil prices, the province is now seeing younger Canadians relocate here, said Janet Lane, director of the Human Capital Centre at the Canada West Foundation.



“The infrastructure does need to be there . . . We’ve got to do this really quickly,” said Kelly Ernst, vice president, vulnerable populations, with the Centre for Newcomers on the need for housing. Gavin Young/Postmedia

Unlike past population booms, this upswing isn’t as directly tied to rising energy prices, but to people taking jobs in many different economic sectors — and due to the lower cost of living compared with larger provinces, she said.

“It’s a combination — I can live a little cheaper (here) and I can get a decent job,” she said.

From an economic standpoint, a growing population means greater economic momentum, but also more demand on services and infrastructure.

Recent reports of surging rent levels and escalating housing prices, and the need for more teachers and doctors, are signs of a province grappling with growth pressures.

In Calgary, Kelly Ernst with the Centre for Newcomers said the front-line group is seeing rising demand for its services, such as housing and language training, and waiting lists are expanding.

“First and foremost, they see Alberta as a place of opportunity where they can get a job. So that’s our reputation right now,” said Ernst, the centre’s chief program officer.

“The infrastructure does need to be there . . . We’ve got to do this really quickly.”

Next year, the province projects the population increases will slow to 2.3 per cent.

Horner agreed that it’s “inevitable” Alberta could lose some of its affordability advantages over provinces as housing prices rise and inflation hits.

And housing starts are down over the past year, with the Danielle Smith-led government now projecting lower housing starts than it did in the budget, noted NDP MLA Samir Kayande.

On the employment front, the report said the province has added more than 60,000 jobs since December.

University of Calgary economist Trevor Tombe pointed out the government now anticipates the jobless rate will average six per cent in 2023, which is down 0.4 percentage points from the budget.

“That’s a pretty meaningful drop,” he said.

“So there is real broader-based economic strength in the province, beyond just the scale effect that comes from the population changes.”