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## **Varcoe: Investment poised to grow in Alberta into 2025, as economy strengthens and interest rates fall**

*'Overall, it's shaping up to be a reasonably good year for the Alberta economy going into '25, given all these risks'*

Chris Varcoe || October 4, 2024



Mark Parsons, Vice President and Chief Economist, ATB during the 2024 Economic Outlook event at the Telus Convention Centre in Calgary on Wednesday, Nov. 1, 2023. PHOTO BY DARREN MAKOWICHUK /Postmedia

A Louisiana-based company announced Thursday it's developing a new multimillion-dollar facility and putting its Canadian headquarters squarely in Alberta.

On Thursday, privately-held Bartlett Group confirmed it's setting up a Canadian base in Sherwood Park, where it will begin to manufacture industrial scaffolding for construction customers in the coming months.

Based in Baton Rouge, the industrial contractor expects to create 100 permanent jobs in the province by the end of next year. The decision also represents another major commitment as more businesses make key investment decisions while inflation eases, interest rates drop and Alberta's economic outlook strengthens heading into 2025.

"We see enough investment opportunity to make it worthwhile for us to position (ourselves) here," said Scott Thibodeaux, Bartlett Group director of Canadian operations, citing the quality of the workforce, business climate and growth opportunities among the factors at play in its decision.

"There are a lot of elements there that support landing here in Alberta."

The announcement was made as economic prospects are expected to improve next year, according to a new forecast by ATB Financial.

Several companies are already moving ahead with major capital projects, including Dow's \$9-billion net-zero petrochemical project being built near Fort Saskatchewan. Shell Canada also recently gave the green light to its Polaris carbon capture project at the Scotford refinery.

ATB says Canada's economy will see a "softish landing" and avoid a recession, with two per cent growth in gross domestic product expected in 2025, after a tepid 1.2 per cent bump this year.

The provincial economy is projected to expand by 2.8 per cent next year, slightly above this year's rate of 2.5 per cent, despite wild cards such as geopolitical turbulence.

"We do expect the province to outperform on growth this year and next," said ATB chief economist Mark Parsons, noting Alberta is seeing growth in oil production, housing, carbon capture projects and other industries.

"Overall, it's shaping up to be a reasonably good year for the Alberta economy going into '25, given all these risks."

The economy is finding its stride as oil production reaches record levels, thanks in part to increased market access from the startup of the Trans Mountain expansion project.

Crude oil prices are projected to average US\$74 a barrel next year, close to Thursday's closing price for West Texas Intermediate crude.

Inflation, which had been running at a clip of 6.4 per cent in 2022, fell to two per cent in August. (It's forecast to average 2.2 per cent next year.)

In response, the Bank of Canada has cut its key interest rate three times since June. It's expected to continue to lower its policy rate to 2.75 per cent by the middle of next year, according to ATB.

The province's population, which grew by more than 200,000 people — or a torrid 4.4 per cent pace — for the 12 months ending in June, has fuelled economic growth and put Alberta on pace for building 45,000 housing units this year and again in 2025.

The Alberta population is expected to increase by another 2.8 per cent next year as interprovincial migration remains strong, although Ottawa is restricting the number of applications for temporary foreign workers and international students moving to Canada.

While the province has been creating more jobs, it's not kept up with the massive population boom, pushing the jobless rate to 7.7 per cent in August.

Retail sales, which have been sluggish this year, are expected to jump by 3.7 per cent next year and by more than five per cent in 2025.



Condos are seen under construction in northwest Calgary on Wednesday, June 19, 2024. Brent Calver/Postmedia

The report notes cautious consumers will need some time to adjust before opening their pocketbooks for major purchases. However, it anticipates Albertans will begin buying more durable items, such as cars and appliances, as interest rates dip.

“So far, consumers are not celebrating on the streets, even though the inflation rate has fallen to target, and that’s because price levels are so much higher than they were four years ago,” added Parsons.

There are signs that business confidence is rising as 2024 winds down.

A Statistics Canada survey on business conditions conducted during the third quarter shows 85 per cent of Calgary business owners anticipate their sales will rise or stay the same over the next three months.

And 78 per cent reported they were optimistic about the next 12 months, while 28 per cent said they’re concerned about inflation, a sharp drop from 47 per cent in the previous quarter.

“We’ve seen a lot of businesses that have been keeping capital on the sidelines, just waiting for the right time to reinvest. And so businesses have been anxiously awaiting the start of rate cuts,” said Calgary Chamber of Commerce vice-president Ruhee Ismail-Teja.



One of the Centre Street Bridge's lions was photographed with Calgary's downtown skyline in the background on Wednesday, Oct. 2, 2024. Gavin Young/Postmedia

Yet, there are still challenges to overcome, including affordability concerns focused around housing and other necessities, as was underscored by the release this week of the Calgary Foundation's annual quality of life survey.

It found the number of Calgarians who say they're optimistic about the local economy has dropped to 35 per cent from 50 per cent last year.

"We've almost got this Tale of Two Cities situation right now," said Usman Tahir Jutt, owner of Chirp Foods Inc., which operates almost 20 fast-food restaurants around the city.

"Confidence is there for the most part — but there's still a segment of the population that has yet to get to that feeling of stability."