

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a dark blue rectangular background.

City of Edmonton

## Q2 2021 Economic Update

**Office of the Chief Economist**

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

**For media inquiries:**

Matt Pretty, Communications Advisor  
Financial and Corporate Services  
(780) 442-0970

## Economic activity moving in right direction

Edmonton's economic developments since the start of 2021 have been generally positive, even through multiple rounds of changing COVID-19 restrictions. The regional labour market was resilient throughout the third wave of the pandemic, holding most of the employment gains posted over the second half of 2020 and Q1 2021. Despite some setbacks in the region's employment recovery trajectory, the gap in employment has narrowed at a surprisingly quick pace from a peak of almost 113,000 in June 2020 (relative to February 2020), to under 10,000 as of June 2021. A key factor has been the pace of vaccinations, which helped accelerate the Government of Alberta's plans to reopen the economy. On June 10, 2021, the province entered into Stage 2 of the province's [Open for Summer Plan](#), which meant easing restrictions, including for: outdoor social gatherings; recreation, performance, and entertainment activities; business closures and capacity restrictions; and large events. On July 1, the province entered into Stage 3, which effectively lifted all restrictions.

Business activity and household retail activity have been responding well to easing measures, even before the province entered into Stage 2. Statistics Canada's monthly series on business openings and closures<sup>1</sup> indicates the number of active businesses in the Edmonton census metropolitan area (CMA) has generally been on the rise from June 2020 to April 2021 (the latest data point at the time of writing). Based on Statistics Canada's new Real-time Local Business Conditions Index<sup>2</sup>, business conditions in the Edmonton region have generally been improving, with notable traction in weekly estimates since June 21, 2021 through to July 26, 2021 (the latest data point at the time of writing).

Edmonton CMA retail trade sales for many subsectors saw significant year-over-year reductions in 2020 with the exception of three: building material and garden equipment and supplies dealers (e.g., Home Depot), food and beverage stores (e.g., grocery stores) and general merchandise stores (e.g., Costco Wholesale). These findings correspond with the public health restrictions, which shifted household retail spending to focus more on purchasing food and other essentials, as well as materials to complete home improvement projects. Retail trade sales appear to be improving this year, with year-to-date May 2021 sales up almost 13 percent compared to the January to May period in 2019<sup>3</sup>. As restrictions eased, growth was more broadly distributed across subsectors.

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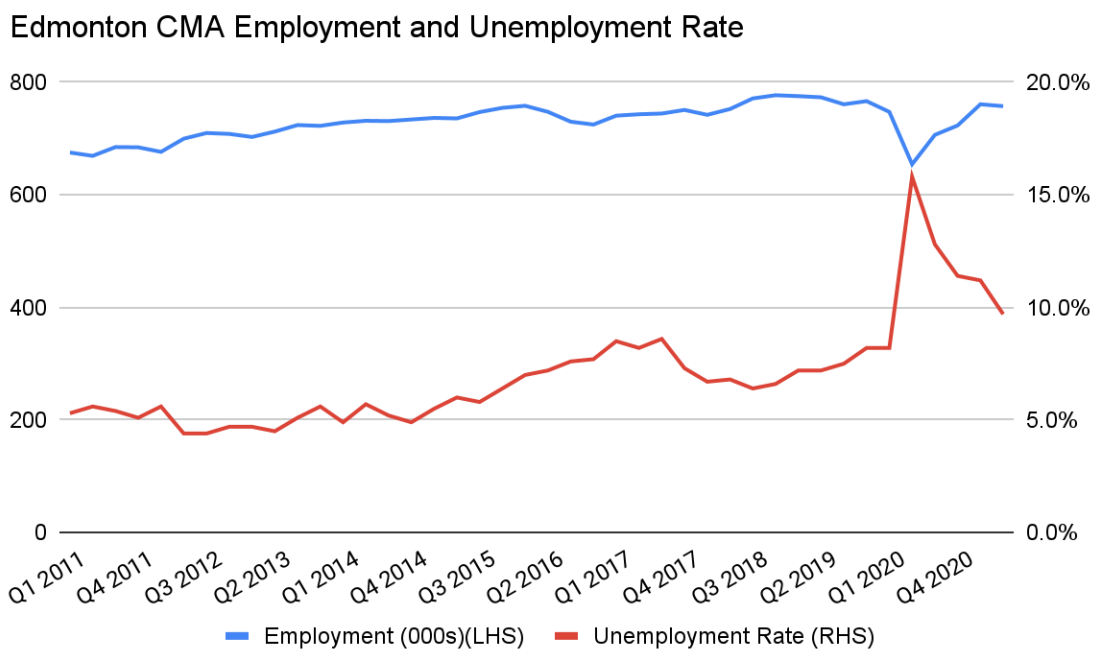
<sup>1</sup> [Statistics Canada's The Daily, Monthly estimates of business openings and closures, April 2021](#)

<sup>2</sup> [Statistics Canada's Real-Time Local Business Conditions Index](#)

<sup>3</sup> Monthly retail trade sales data experienced significant year-over-year reductions between March and May 2020, which would skew the year-over-year growth rate in year-to-date sales between 2020 and 2021 upward. Comparing the 2021 figures against 2019 provides more insight into how retail trade sales are recovering.

## Labour market conditions improving despite recent setback

Seasonally adjusted employment in the Edmonton CMA faced a minor setback in its recovery, with a quarterly average that was 3,300 individuals lower in Q2 2021 from Q1. The region's labour force also faced a reduction, with 17,200 fewer individuals in the second quarter from Q1. On balance, this brought the unemployment rate lower to average 9.7 percent in Q2 from 11.2 percent in Q1. As of Q2 2021, employment was within 10,000 individuals of the region's pre-pandemic level.



Source: Statistics Canada (Q1: March, Q2: June, Q3: September, and Q4: December), seasonally adjusted. Series ends in Q2 2021.

Note: Historical data were revised by [Statistics Canada](#) due to the rebasing of populations to reflect population counts from the 2016 Census. Revised data are available going back to 2006 for the Edmonton CMA.

Unadjusted employment data indicate that the recovery has been more concentrated in part-time work. Employment levels in a majority of sectors remained lower year-over-year in Q2 compared to 2019, with the largest difference being in the accommodation and food services sector (-11,400). There were a few exceptions though, such as in the finance, insurance, real estate and leasing sector (+15,400) and the professional, scientific and technical services sector (+12,300), with both posting impressive gains relative to both 2020 and 2019 levels.

## Price pressures are rising, especially for home buyers

The annualised rate of consumer-based inflation in the Edmonton CMA, as measured by the Consumer Price Index (CPI), averaged 2.8 percent in Q1 2021, a significant pick-up from a rate of one percent in Q1 and 0.3 percent in Q2 2020. The acceleration was partly due to base-year effects<sup>4</sup>, though pent-up consumer demand and supply not being able to keep pace as economies reopen likely played a part as well. Price growth for the shelter component rose at a rate of 2.1 percent, supported by higher prices for utilities and rented accommodation. Prices for owned accommodation, on the other hand, decreased at an annualised rate of 1.1 percent in Q2.

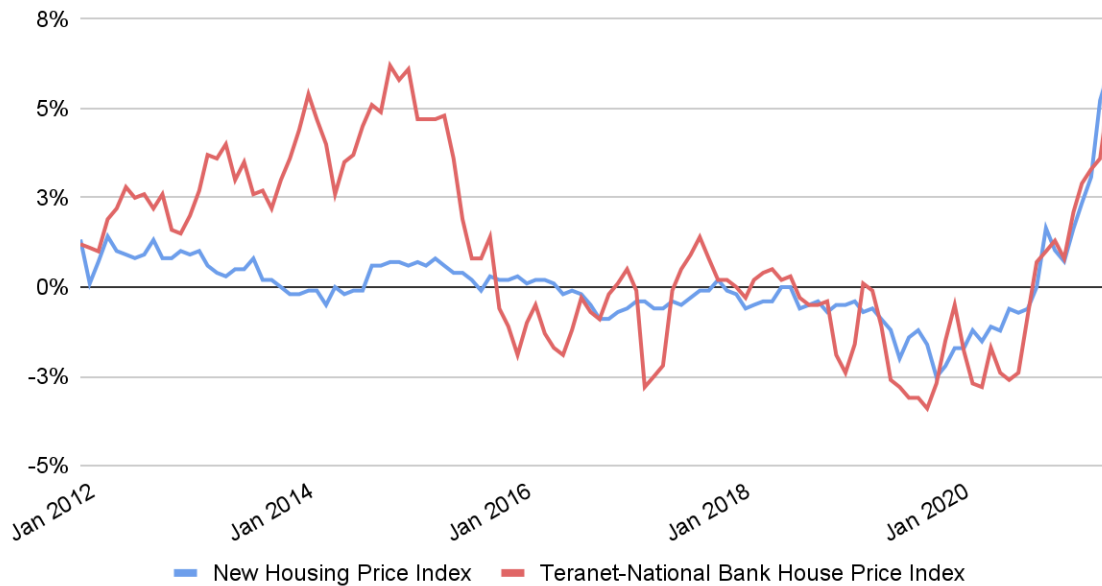
It is worth noting that [Statistics Canada](#) tracks the cost of owned accommodation by treating homeowners as though they were renting their own dwelling. The annualised rate of inflation for the owned accommodation sub-component then refers to any price changes for expenses that a landlord would normally incur and does not reflect price changes in the housing market for home buyers.

Home prices in the Edmonton region have seen strong growth since the start of 2021 as indicated in the chart below, largely due to greater demand, which has been supported by low interest rates. According to Statistics Canada's New Housing Price Index, which measures changes over time in contractor selling prices of new residential houses, new housing prices rose at an annualised rate of 4.8 percent year-over-year in Q2, an acceleration from 1.6 percent in Q1 and -1.3 percent in Q2 2020. According to the [Teranet-National Bank House Price Index](#), which represents price growth for single family homes, annualised price growth in the Edmonton region was 4.2 percent in Q2, a notable jump from 1.9 percent in Q1 and -2.3 percent in Q2 2020.

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<sup>4</sup> A base-year effect refers to the impact that price movements from 12 months earlier have on the current period's annualised rate of inflation.

## Edmonton Region House Price Indexes

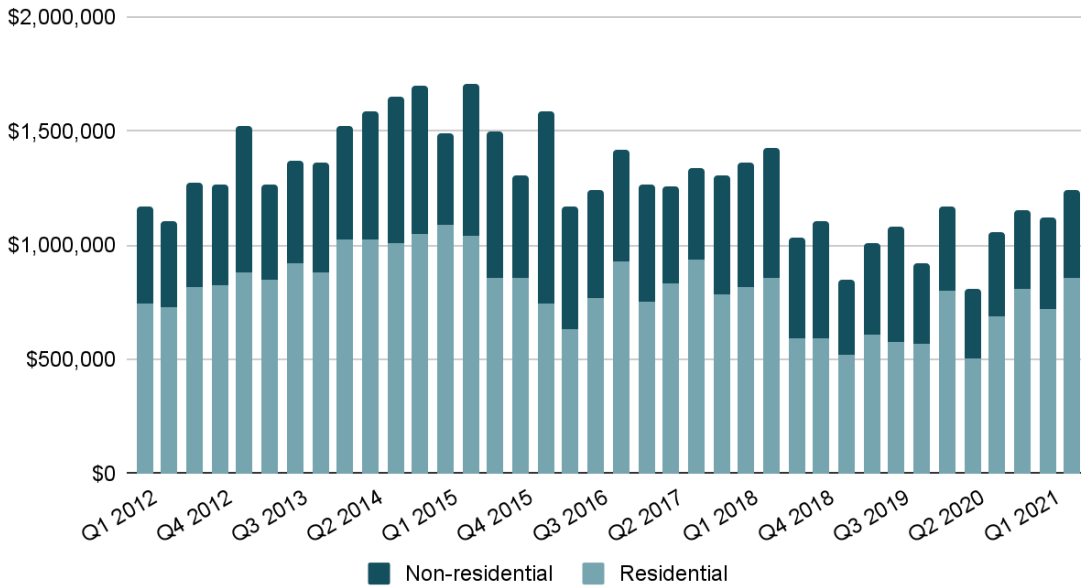


Source: Statistics Canada and Teranet-National Bank House Price Index. Series ends in June 2021.

## Construction intentions indicate more residential support for activity in near term

Construction intentions in the Edmonton census metropolitan area (CMA) for both residential and non-residential structures saw an impressive quarter-over-quarter gain of 10.6 percent in the second quarter (Q2) of 2021 and increased almost 53 percent from Q2 2020. Residential and non-residential permits totaled \$1.24 billion in value after adjusting for seasonal factors, with support largely coming from residential construction intentions. Residential building permit values gained 18 percent in Q2 from Q1, with a great deal of support coming from intentions to build multiple dwellings, which includes doubles, row houses and apartments. In Q2, non-residential building permit values saw a three percent reduction from Q1, largely due to lower permit values for institutional and governmental structures, which more than offset higher permit values for industrial and commercial buildings.

## Edmonton CMA Building Permit Values (\$000s)



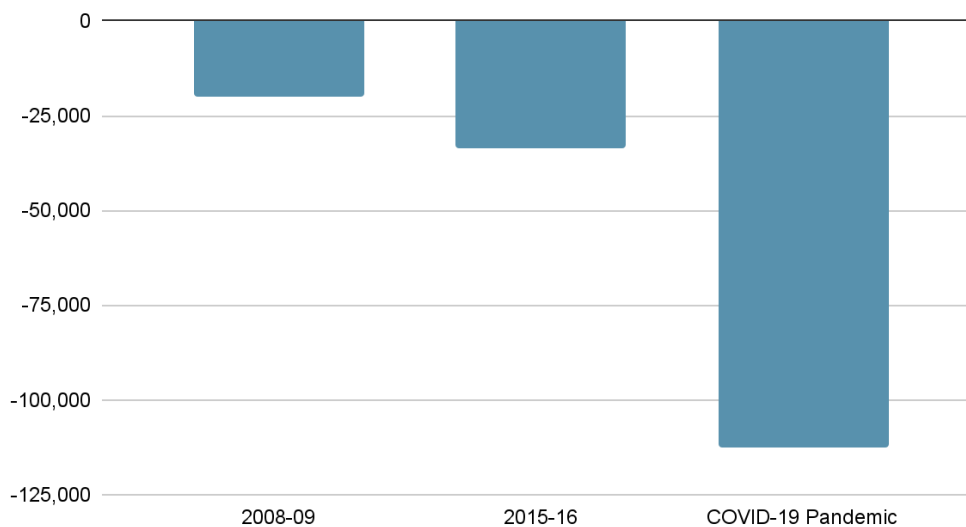
Source: Statistics Canada, seasonally adjusted. Series ends in Q2 2021.

Unadjusted permit values indicate that support for the construction industry will mostly come from residential structures, specifically singles, doubles, and row houses. These types of units all posted double-digit growth in year-to-date permit values as of June 2021, on a year-over-year basis.

## Looking ahead: Edmonton's labour market is recovering, but that may not mean a full recovery

The COVID-19 pandemic has had a very clear, negative impact on Edmonton's regional labour market. As indicated in the chart below, which compares peak-to-trough employment losses across three major shocks for the Edmonton economy, employment losses caused by the pandemic were far greater than combined losses in 2008/09 and 2015/16. It is worth noting that the economic crisis from the pandemic unfolded at a much more rapid pace than the other two events, with peak to trough employment levels within only a four month period. The timespan between peak to trough employment in 2008/09 was 11 months. Employment losses during the 2015/16 recession spanned a period of eight months.

Comparison of Edmonton CMA Employment Losses



Source: Statistics Canada

Labour market developments since losses peaked in June 2020 have been encouraging. The participation rate has been improving after dropping to a low of 64.9 percent in May 2020, reaching a rate of 70 percent in June 2021 (note: in February 2020, the participation rate was 71 percent). This indicates stronger labour market attachment in the region or improving labour availability to support economic growth. The employment rate<sup>5</sup> has also been rising, with June 2021's rate only 2.1 percentage points below February 2020. However, a full recovery to pre-2015 or pre-pandemic employment rates is not expected over the City of Edmonton's long-term forecast horizon.

Heading into the pandemic, the Edmonton region's labour market was still recovering from back-to-back years of recession in 2015 and 2016. A recovery to pre-pandemic employment levels is expected by 2022 and a return to pre-pandemic unemployment rates by 2024. The region's working age population (i.e., those aged 15 years and older) has continued to expand though, leading to more potential labour supply even at June 2021 levels. This means that a full recovery to both pre-pandemic and pre-2015 conditions would require employment to grow at a much stronger rate than what is expected in the City's latest long-term forecast. This is not to say that the region's labour market will not recover and thrive, but if a full recovery is defined as returning to pre-pandemic or pre-2015 labour market conditions, then that full recovery becomes less likely.

<sup>5</sup> The employment rate is calculated by dividing the employment estimate by the working age population estimate.