

Ahead of the crowd: Alberta's economy heading into 2024

Summary

Slower growth ahead

As we enter the final stages of 2023, it's evident that Alberta's economy has weathered the inflation storm better than most. Albertans have kept spending and job growth has been brisk, even as interest rates have soared.

This resilience shouldn't be entirely surprising. As a major commodity producer, higher prices have boosted incomes in the province, cushioning the impacts of inflation even as consumers get squeezed. Nonetheless, we've been surprised by some of the strong readings—particularly consumer spending, employment, and population growth.

We have upgraded our Alberta real GDP forecast for 2023 to 2.7%—from 2.4% in June—based on stronger-than-expected results to date. An expanding energy sector and an influx of people from other provinces will help propel Alberta's growth ahead of other provinces. Compared to earlier in the year, [Alberta businesses](#) intend to invest more, and the outlook for sales has improved.

Moving into 2024, the headwinds will create more drag. There is a lag between higher interest rates and their impacts on the economy—more households and businesses will face higher borrowing costs next year. Softer global economic conditions are another headwind. Next year, growth of 2.0% is forecast—a downgrade from 2.2% in June—before improving to 2.6% in 2025.

Alberta has emerged from a difficult period, starting with the oil price crash of 2014-15, leading into market access challenges in 2019, and then the 2020 pandemic. After moving past 2014 real GDP levels in 2022, the province is now firmly in expansion mode.

Keeping up with the population

Alberta is setting demographic records. It is estimated that over 200,000 people were added to the province since last summer. That's the equivalent of two Red Deers. For context, the previous record was 106,500 in 2013. We have upgraded our forecast for annual population growth in 2023 a full point to 4.5%—the highest rate of growth since 1981.

All provinces are experiencing an *international* migration boom, but Alberta is experiencing something beyond that: an influx of people from other provinces. Population growth will slow, but it will remain elevated at 2.5% next year. More people means more housing demand, consumer spending, and a larger labour force.

Wounded from the inflation fight, but not down

Alberta is not immune in the Bank of Canada's fight against inflation. The 4.75 point interest rate increase since March 2022 is one of the most aggressive since the 1990s. While we expect the Bank will press pause for the rest of the year, a larger impact will be felt in 2024. More loans will be renewed at higher rates, increasing debt servicing costs, and weighing on consumer spending and business investment. Higher interest will continue to pull on construction, but we think the push force from population-driven demand will be stronger. Housing starts is one area where we've upgraded our forecast.

Turbulence

While Alberta's economy is moving faster than others, it hasn't been a smooth flight. The wildfires in May and June disrupted economic activity, and the strikes at the B.C. ports slowed trade with Asia in July. The agriculture sector faces strong long-term prospects, and has come off a record year for production. But this year has had much more challenging conditions, particularly in the south, central east, and far north west where conditions are much drier than normal.

Risky (forecasting) business

In developing this outlook, we've analyzed current trends, ran a model, and consulted with others. We are confident, but also humble. As such, we're providing a high and a low case scenario for real GDP. The ultimate outcome of the inflation fight remains unclear. While a soft landing looks more probable now than in June, global conditions are foggy. A harder landing cannot be ruled out.

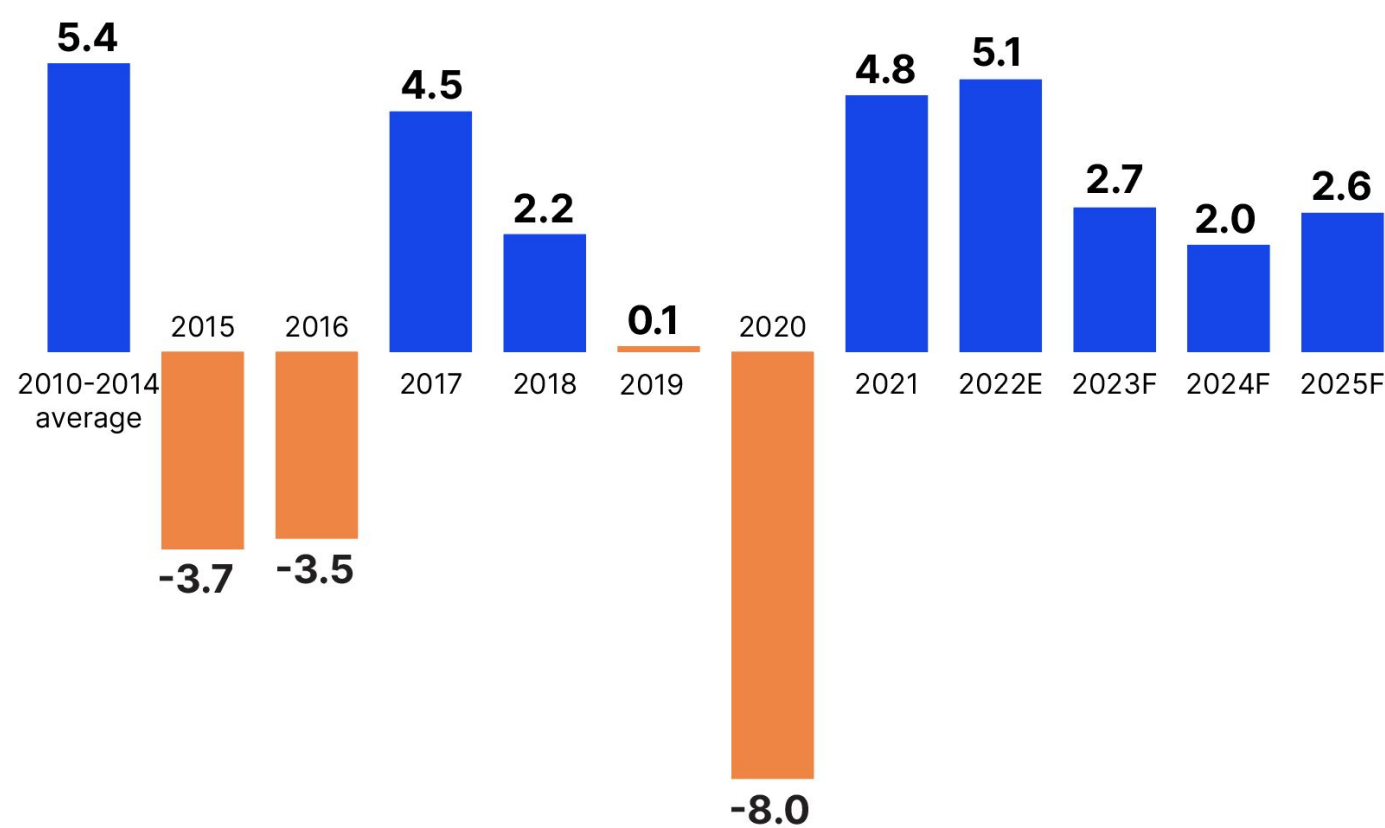
ALBERTA ECONOMIC OUTLOOK



September 19, 2023

Annual % change in Alberta's real GDP

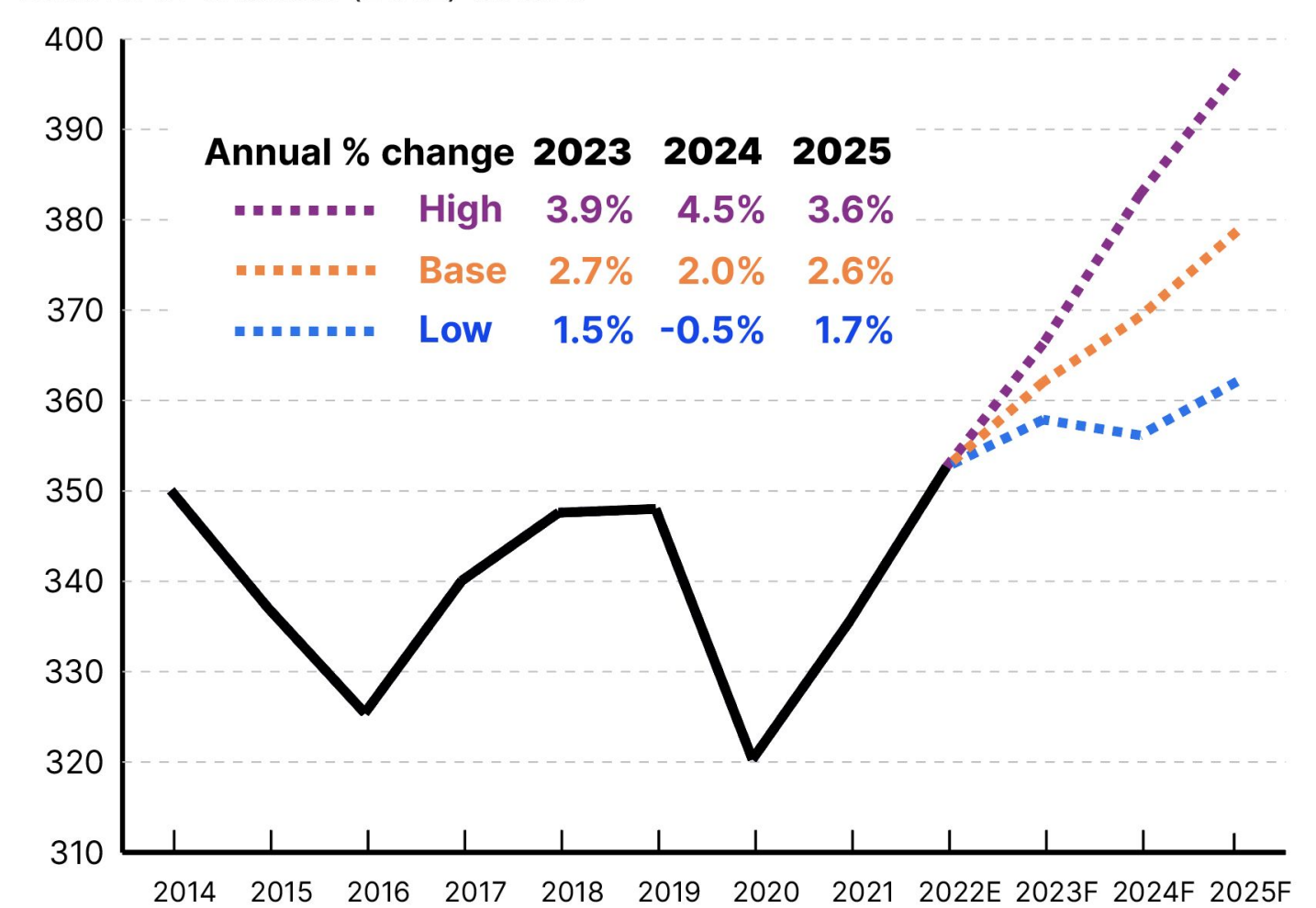
Chained (2012) dollars



E=Estimate, F=ATB Economics forecast (base case)
Source: Statistics Canada Table 36-10-0222-01 and ATB Economics

Annual real GDP in Alberta

Billions of chained (2012) dollars



E=estimate, F=forecast Source: Statistics Canada Table 36-10-0222-01 and ATB Economics

	Actuals		Forecasts		
	2021	2022	2023	2024	2025
Real GDP (annual % change)	4.8	5.1*	2.7	2.0	2.6
Nominal GDP (annual % change)	26.2	20.3*	-2.9	5.1	5.8
Employment (annual % change)	5.4	5.2	3.6	1.8	2.3
Unemployment rate (annual average %)	8.6	5.8	5.9	5.9	5.6
Participation rate (annual average %)	69.7	69.8	69.8	69.5	69.4
Retail sales (annual % change)	11.7	6.9	4.6	3.6	5.4
Annual housing starts (000s)	31.9	36.5	32.4	38.5	35.6
Consumer Price Index (annual % change)	3.2	6.4	3.7	2.3	2.0
Population (July 1, annual % change)	0.6	2.2	4.5	2.5	2.1
Financial assumptions					
WTI crude (annual average US\$/bbl)	68	94	78	75	72
WCS crude (annual average US\$/bbl)	55	75	61	57	57
AECO gas (annual average CDN\$/MMBtu)	3.6	5.4	2.7	3.6	3.8
Canada-US exchange rate (US\$/CDN\$)	0.80	0.77	0.75	0.76	0.77
3-month T-Bill rate (annual average %)	0.13	2.43	4.75	4.65	3.50

*Estimate Sources: Statistics Canada Tables 36-10-0222-01, 14-10-0393-01, 20-10-0056-01, 34-10-0126-01, 18-10-0004-01, 17-10-0005-01; U.S. Energy Information Administration; GLJ Price Charts; Bank of Canada; ATB Economics

Inflation rates have trended lower

Inflation remains a dominant theme for the global economy. Despite the recent uptick in gasoline prices, inflation has trended lower in most countries (see chart) since our last outlook. However, overall inflation remains elevated and core inflation readings have been more persistent, keeping monetary policy in restrictive territory.

Canada's economy is slowing

Canada's economy, at least until recently, seemed to be largely shrugging off interest rate hikes. Canadians maintained a penchant for spending well into the rate hiking cycle, while housing did not fall as much as expected. Pent up demand coming out of the pandemic, excess savings, and rapid population growth kept activity stronger than otherwise would be the case. There are clear signs, however, that activity is slowing. After a strong first quarter, economic growth unexpectedly stalled again in the second quarter. Even with the migration boom, consumer spending is pulling back and the labour market is softening. The wildfires and port strike have created further disruptions. Modest GDP growth of about 1% is expected this year and next.

US stamina

The U.S. economy keeps trucking along. GDP growth has been at least 2% (annualized) in each of the last four quarters, and the unemployment rate is holding near historic lows. Consumers continue to spend, supported by a tight job market and accumulated savings, while government spending has also propped up growth. In late July, U.S. Federal Reserve Chairman Jerome Powell announced that his staff is no longer forecasting a recession, though it expects conditions to weaken later this year and next. U.S. growth is expected to average about 2% growth this year and 1% next year.

China - engine problems

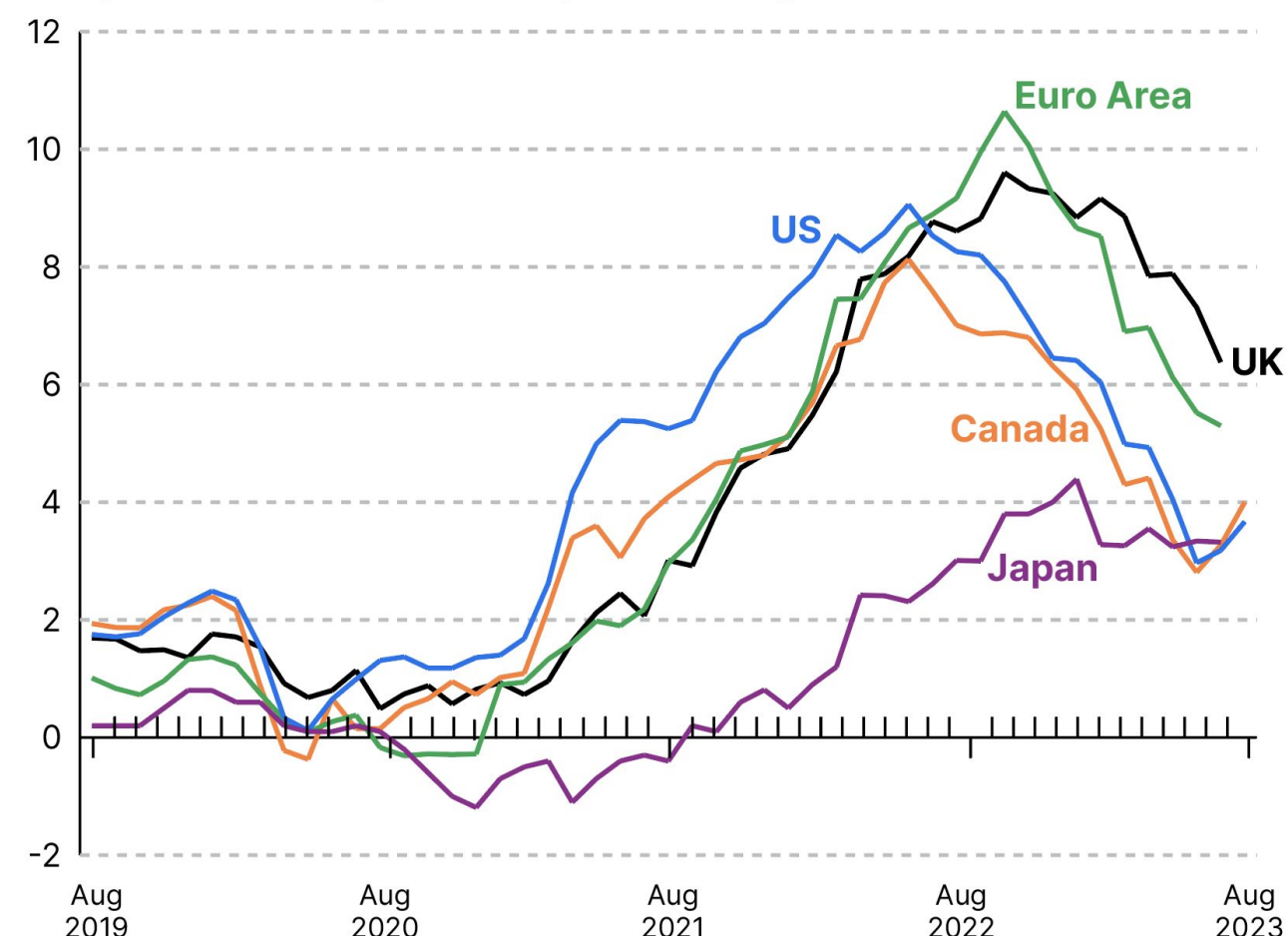
Cracks have appeared in China's economy following an early bounce back from COVID lockdowns. Property sector woes have worsened, industrial production has slowed, and youth unemployment has jumped. China's central bank has lowered its key lending benchmark rates, and the government has introduced some targeted supports to bolster the ailing economy. Real GDP growth of around 5% is expected this year and next—a marked slowdown from the pre-COVID era.

Euro area averts recession, for now

The Euro area weathered energy disruptions caused by Russia's invasion of Ukraine better than expected, as countries diversified their supplies and natural gas consumption dropped. However, high inflation and rising interest rates are weighing on private investment and consumption. A manufacturing slump is expected to lead to a mild economic contraction in Germany this year. Growth of around 0.5% is expected this year for the Euro area before improving to just over 1% next year.

Inflation around the world

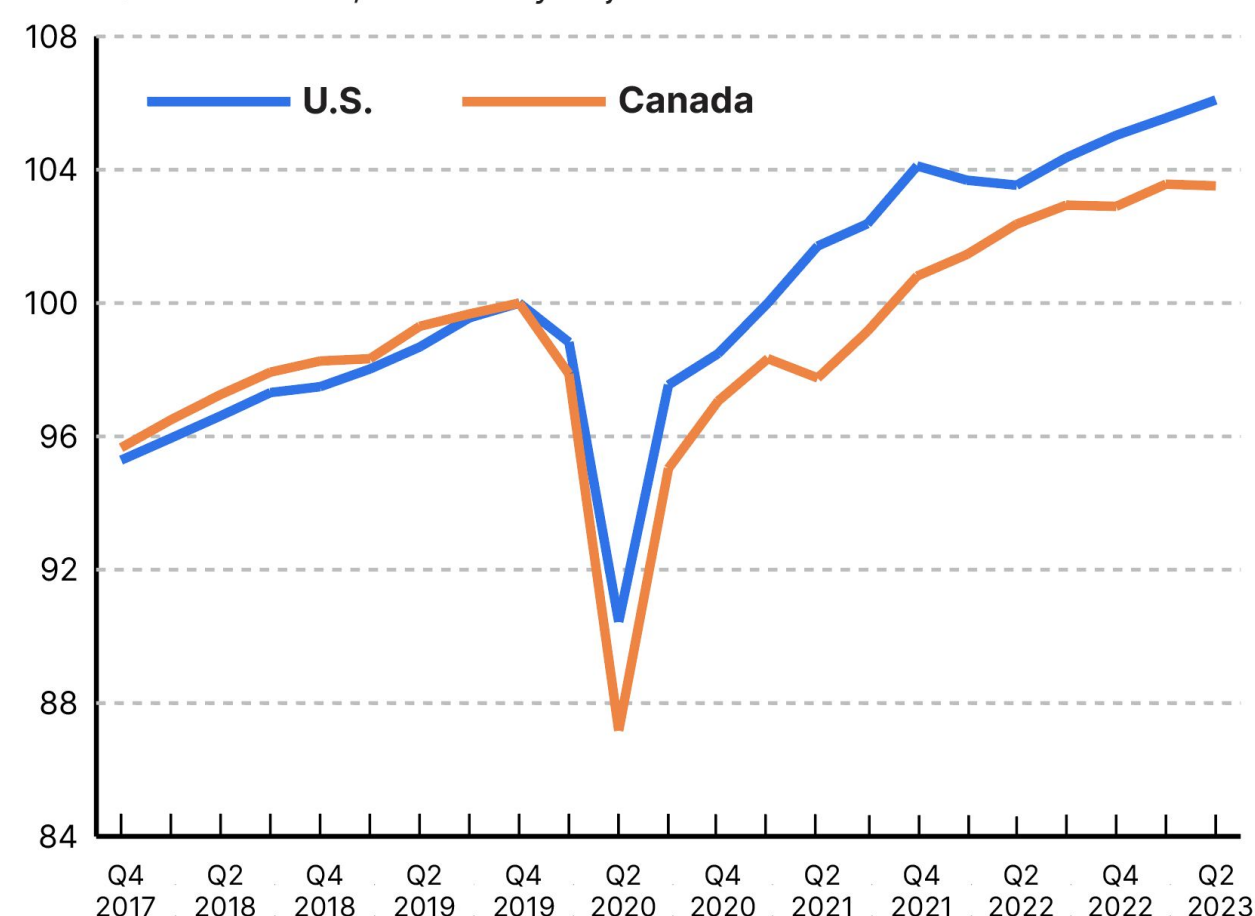
Monthly inflation rate, year-over-year % change



Source: Haver Analytics

Change in real GDP

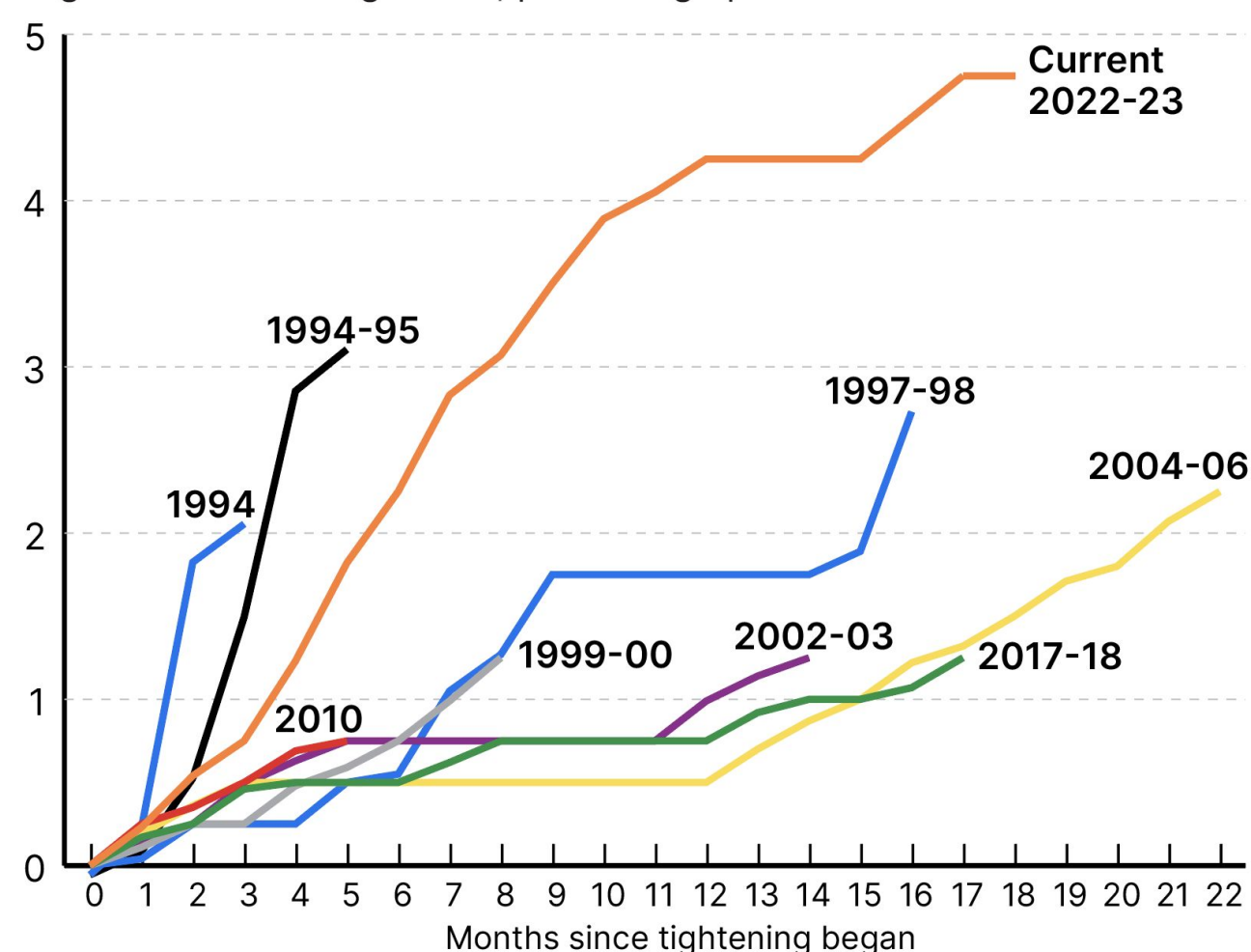
Index Q4 2019 = 100, seasonally adjusted



Source: Statistics Canada, U.S. Bureau of Economic Analysis, Haver Analytics

Bank of Canada tightening cycles

Target for the overnight rate, percentage points from low



Source: Bank of Canada and ATB Economics

Higher for longer interest rates

Progress has been made on Canada's inflation front: from a national peak of 8.1% in June 2022 down to 4.0% in August. But getting from there to the 2% target will be more difficult. Trend, or core, inflation still sits well above target. There are now clear signs the economy is cooling, taking some of the demand-related steam off prices, and helping offset the recent uptick in energy prices. A loosening labour market should help contain wage pressures.

Our view is that the Bank of Canada will hold the current policy rate for the rest of year. But it won't be in any rush to lower rates either. Our "higher for longer" forecast assumes the Bank will hold at 5% until mid-2024, then cautiously lower thereafter with a close eye on core inflation trends.

A tighter oil market

Since our last forecast, there has been a seesaw in the oil market. On the one hand, there are concerns about global growth including a sputtering Chinese recovery. On the other, supply balances are tightening with extended OPEC cuts and falling inventories. Sentiment has improved and West Texas Intermediate (WTI) oil prices have recently risen well above US\$80 per barrel. But given the uncertain demand backdrop, our forecast is cautious, averaging US\$75 per barrel next year.

More market access

Closer to home, the Trans Mountain Expansion Project is slated to come online next year, adding 590,000 barrels per day of additional oil pipeline capacity and providing exposure to west coast pricing. We expect the differential to reflect pipeline economics, narrowing to US\$15 per barrel by 2025.

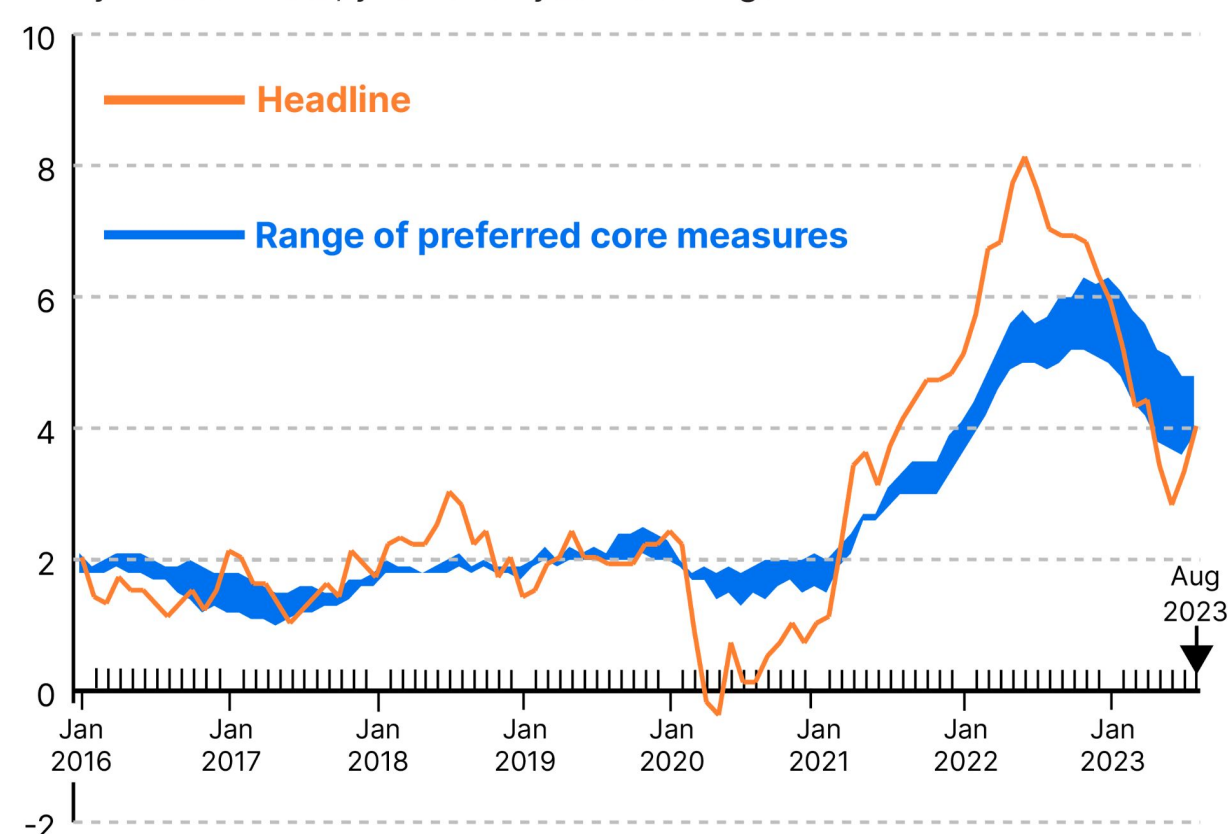
Additional egress is a relief to producers following years of pipeline bottlenecks, which ultimately led to a provincially-mandated production curtailment in 2019. [S&P Commodity Insights](#) suggests that additional pipeline capacity should accommodate growth in production over the medium-term, but notes that the pipeline system could be tight again by the late 2020s.

Natural Gas

Natural gas prices have stumbled this year. Storage levels rose amid warmer winter weather, US LNG disruptions, and rising production. Over the medium term, demand will be supported by electricity generation, industrial production and LNG exports. AECO prices are expected to improve to C\$3.60/MMBtu on average in 2024. Longer-term, the expansion of the Nova Gas Transmission Line (NGTL) system and Coastal GasLink pipeline to LNG Canada's site in Kitimat, B.C. will help reduce volatility and support Canadian prices.

Core versus headline inflation in Canada

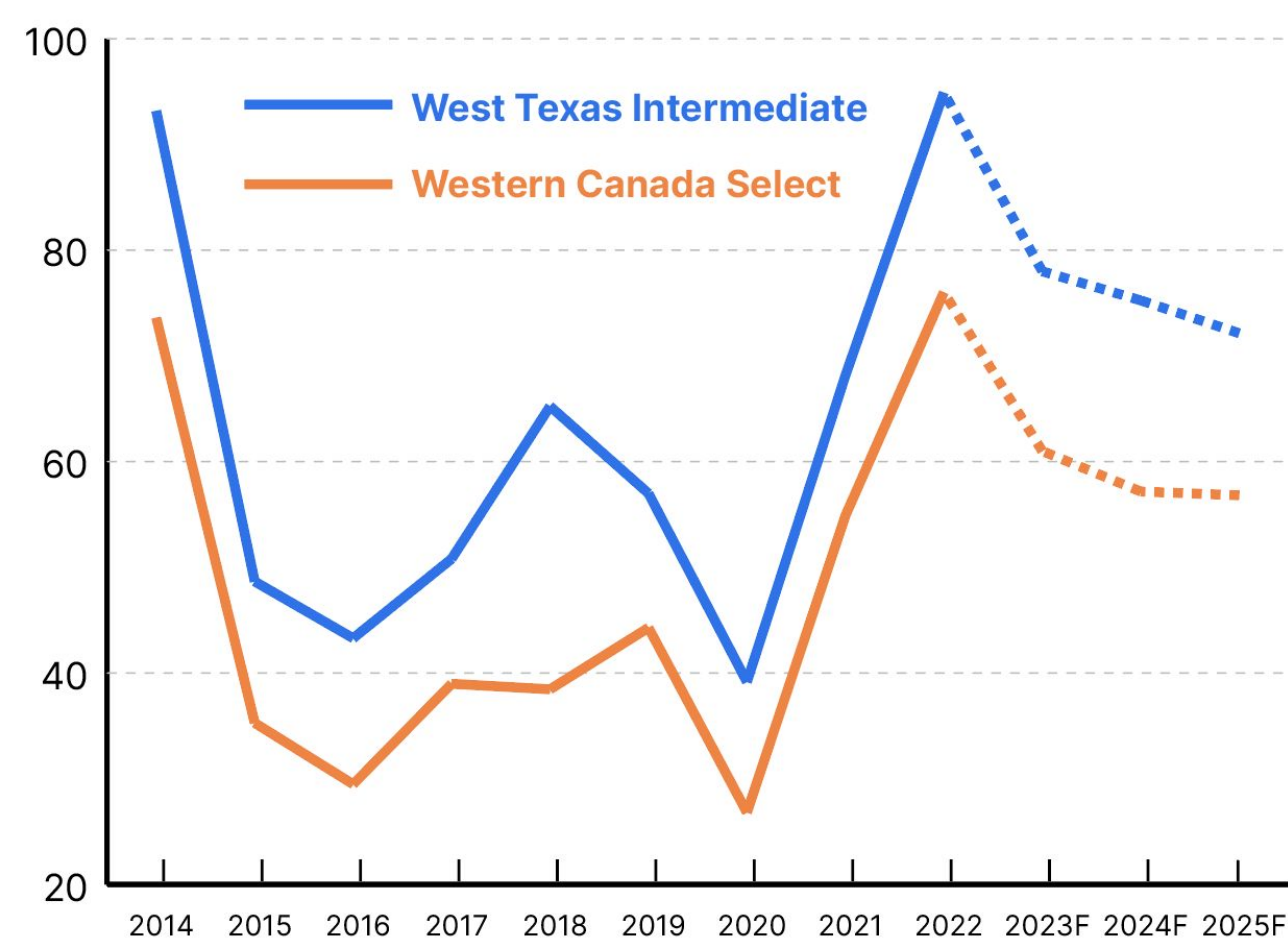
Monthly inflation rate, year-over-year % change



Statistics Canada Table 18-10-0004-01 and ATB Economics

Benchmark oil prices

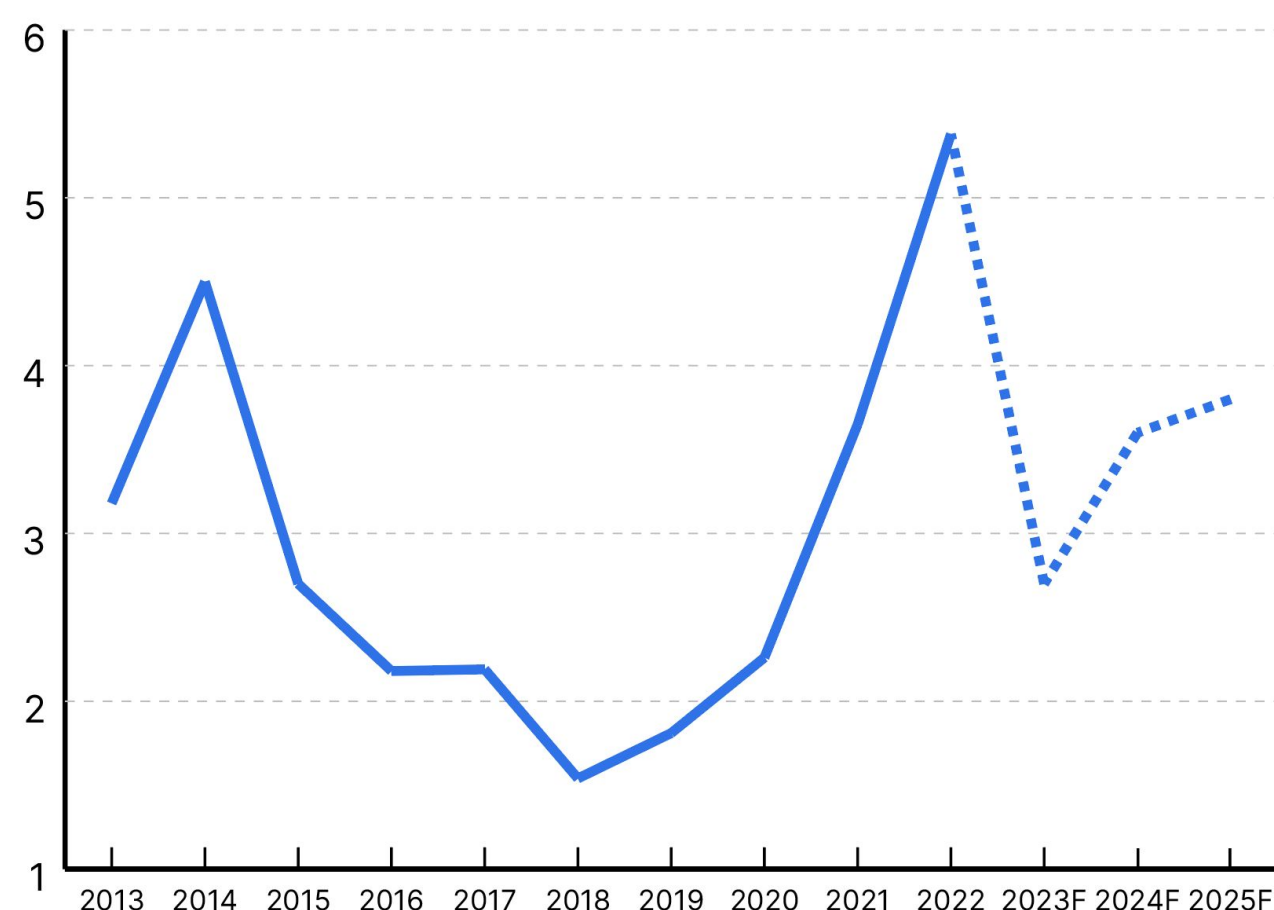
\$US per barrel, annual average



F=forecast Source: U.S. Energy Information Administration, Alberta Energy, and ATB Economics

Natural gas prices, Alberta

Annual average, \$C/MMBtu



F=forecast Source: GLJ and ATB Economics (2023 and 2024 forecast)

Energy comeback

Alberta's largest sector has experienced a remarkable turnaround from the COVID lows. Last year, energy product exports hit \$159 billion—higher than *total* exports from any other province except Ontario. That performance won't be matched this year—year-to-date energy exports are down 22% through July on lower prices. But the industry is on pace for its second highest level of annual exports on record. Rising energy investment and production is a major factor driving Alberta's real GDP growth ahead of the national average this year and next.

The industry has faced some speed bumps. Wildfire and maintenance disruptions dented about 3.6% of real national oil and gas extraction output in May—entirely conventional oil and gas and natural gas liquids. But it avoided a repeat of the Wood Buffalo fires in 2016 when the hit was 14.9%. Overall, real oil and gas exports are forecast to grow just over 2% annually over the next two years.

We've upgraded our (nominal) capital spending outlook for the oil and gas sector to an increase of 12% this year (from 10% in June) on solid pricing, easing supply chain challenges, and improving market access. Our forecast is still cautious given the first half strength in Canadian oil and gas investment (+24% y/y), and the Alberta Energy Regulators forecast for a 17% increase. Another 8% increase is expected next year before moderating. Spending will be directed to sustaining capital investment and optimization of existing assets, as opposed to new greenfield investments. The sector continues to emphasize cost discipline, shareholder returns, and emission reduction opportunities.

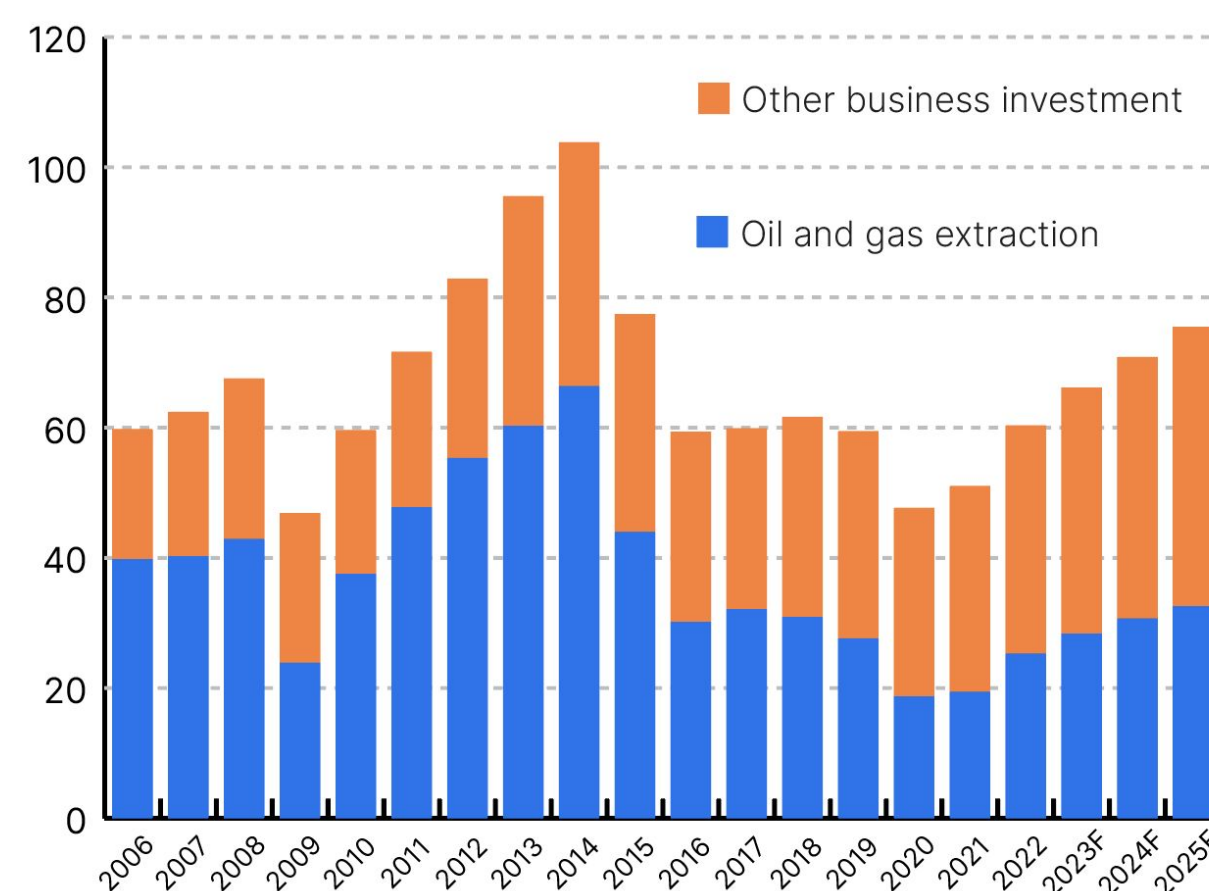
Emerging energy and petrochemicals

Alberta is a key player in emerging and low-emitting energy and petrochemicals. The province has abundant low-cost feedstock, existing talent pools and infrastructure, and location advantages. Growth areas include:

- **Hydrogen** - Air Products \$1.6 billion hydrogen facility is under construction in Alberta's Industrial Heartland. It will be equipped with carbon capture. Suncor and ATCO are proposing a hydrogen project with a sanctioning decision expected next year.
- **Biofuels** - Imperial Oil's \$720 million biodiesel facility will use hydrogen from the Air Products facility as a feedstock along with other local feedstocks. It is slated for completion in 2025. Near Calgary, Future Energy Park is a planned \$1.2 billion facility that will use lower quality grain, along with carbon capture, to create renewable diesel.
- **Petrochemicals** - Inter Pipeline commissioned its new Heartland Polypropylene facility last year. Dow Chemicals completed an ethylene plant expansion in 2021, and has proposed a net-zero petrochemical complex in the Industrial Heartland.
- **Carbon Capture and Storage** - Comprised of Canada's largest oil sands companies, Pathways Alliance is proposing a \$16.5 billion investment in carbon capture for 20 sites, transporting carbon 400 km for storage in the Cold Lake area. Engineering design work has started. Heidelberg Materials is also proposing a capture carbon facility at its Edmonton cement plant.

Business capital spending in Alberta

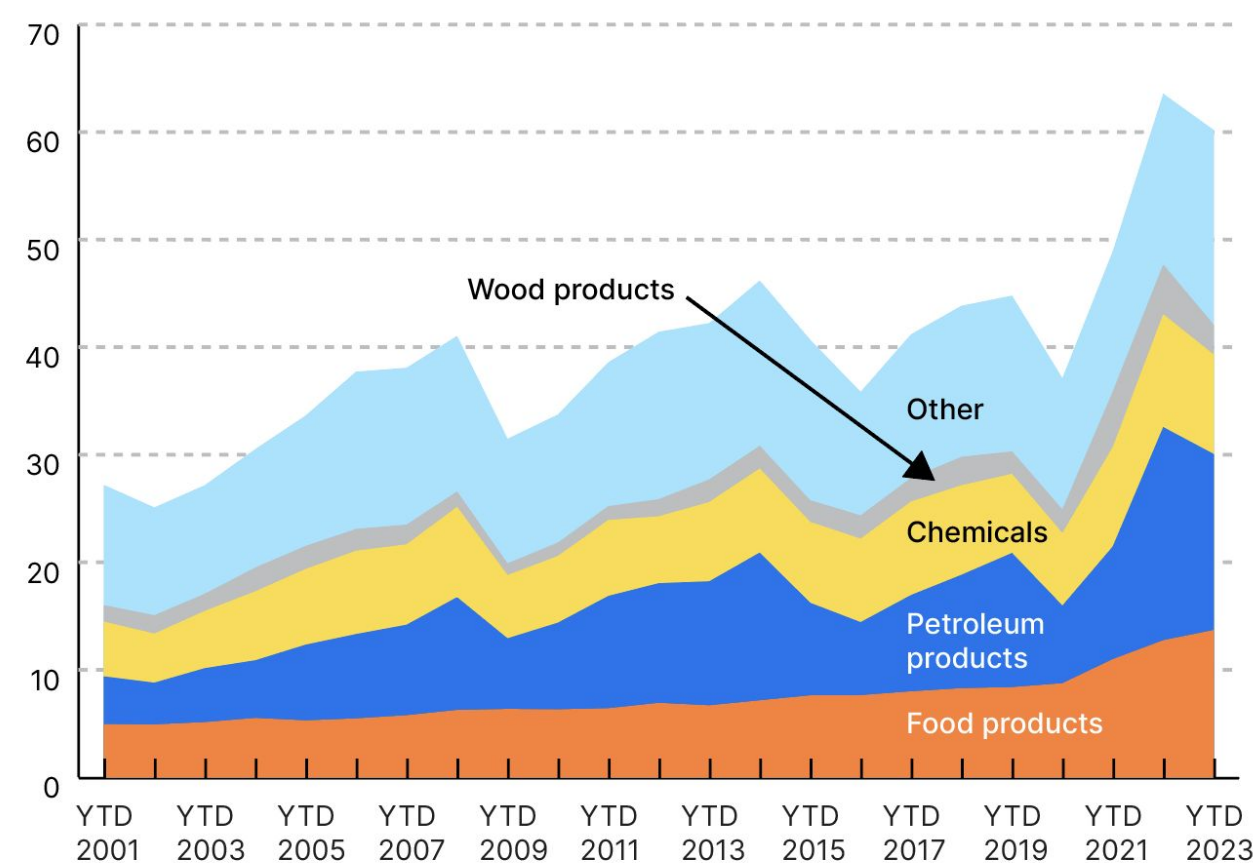
Nominal annual non-residential investment, \$ billions



F=ATB Forecast
Source: Statistics Canada Table 36-10-0096 and ATB Economics

Manufacturing sales by industry in Alberta

Year to date (YTD), January to July, \$ billion



Source: Statistics Canada Table 16-10-0048-01

Agriculture - more difficult crop conditions

Agriculture is one industry where we've lowered our expectations for the year. After a record year of production, current yields are under pressure. The summer has been dry in many parts of the province (particularly the south and east), with over a dozen municipalities declaring an agricultural emergency. Less than half (42%) of the crops were rated good to excellent as of late [August](#), below the 5 and 10-year averages. Early indications are that major [crop production will decline](#) this year, particularly for wheat and barley, but will remain above the depressed levels seen in 2021.

Crop prices are well below last year's records, but remain high from a historical perspective. Global supply/demand balances remain fairly tight, especially for wheat (global wheat stocks are expected to finish 2023-24 at their lowest level since 2015-16 according to the [USDA](#)). Geopolitical tensions continue to create uncertainty with Russia's cancellation of the Black Sea deal and port attacks constraining Ukraine grain shipments.

Providing some offset to lower yields, some crop input costs like fertilizer and fuel have edged lower after last year's surge. [Farm Credit Corporation](#) is forecasting lower gasoline/diesel prices, and either falling or at least slower-growing fertilizer prices for the upcoming crop year.

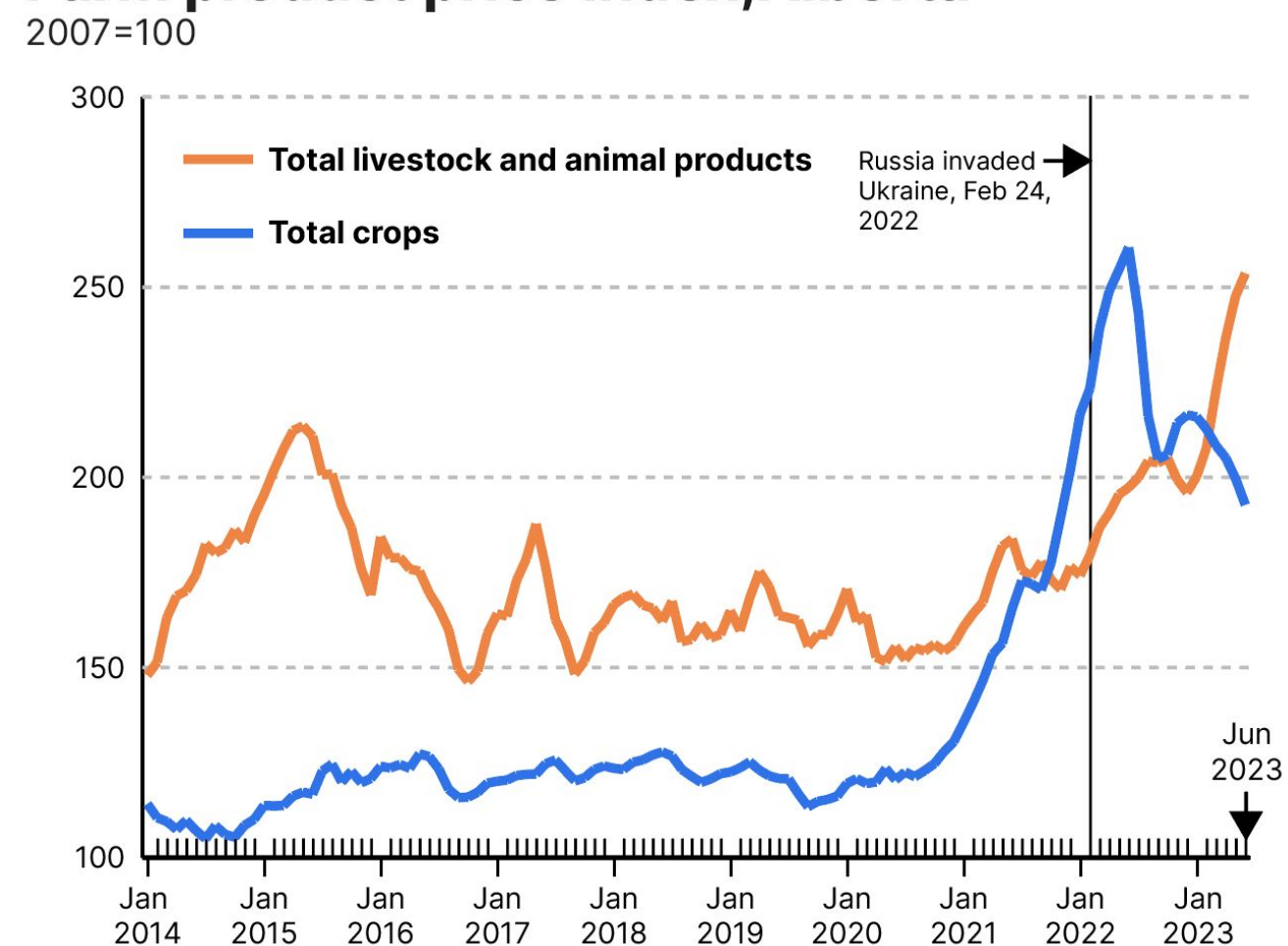
Livestock prices have surged amid very low North American inventories. But so have feed costs, and some ranchers in drought stricken areas have been forced to cull their herd.

More food processing capacity

Momentum is building in Alberta's food processing sector. In 2019, Cavendish Farms opened its frozen potato processing plant in Lethbridge. In nearby Coaldale, McCain Foods plans to double the size of its potato processing plant with a \$600 million investment. Plant protein is another emerging growth area, with new processing facilities announced by PIP international and Phyto Organix. While not a food product, medium-density fiberboard (MDF) would be constructed from straw at a proposed \$800 million facility in central Alberta.

Alberta's [lumber industry](#) has experienced more challenging market conditions and lower prices since mid-2022. Lumber production has continued to decrease this year, with exports to the U.S. falling alongside a pullback in residential construction. Market conditions and exports are expected to stabilize and improve later in 2024 as North American construction activity slowly recovers. Canada has recently launched a challenge to the latest U.S. countervailing and anti-dumping duties on softwood lumber.

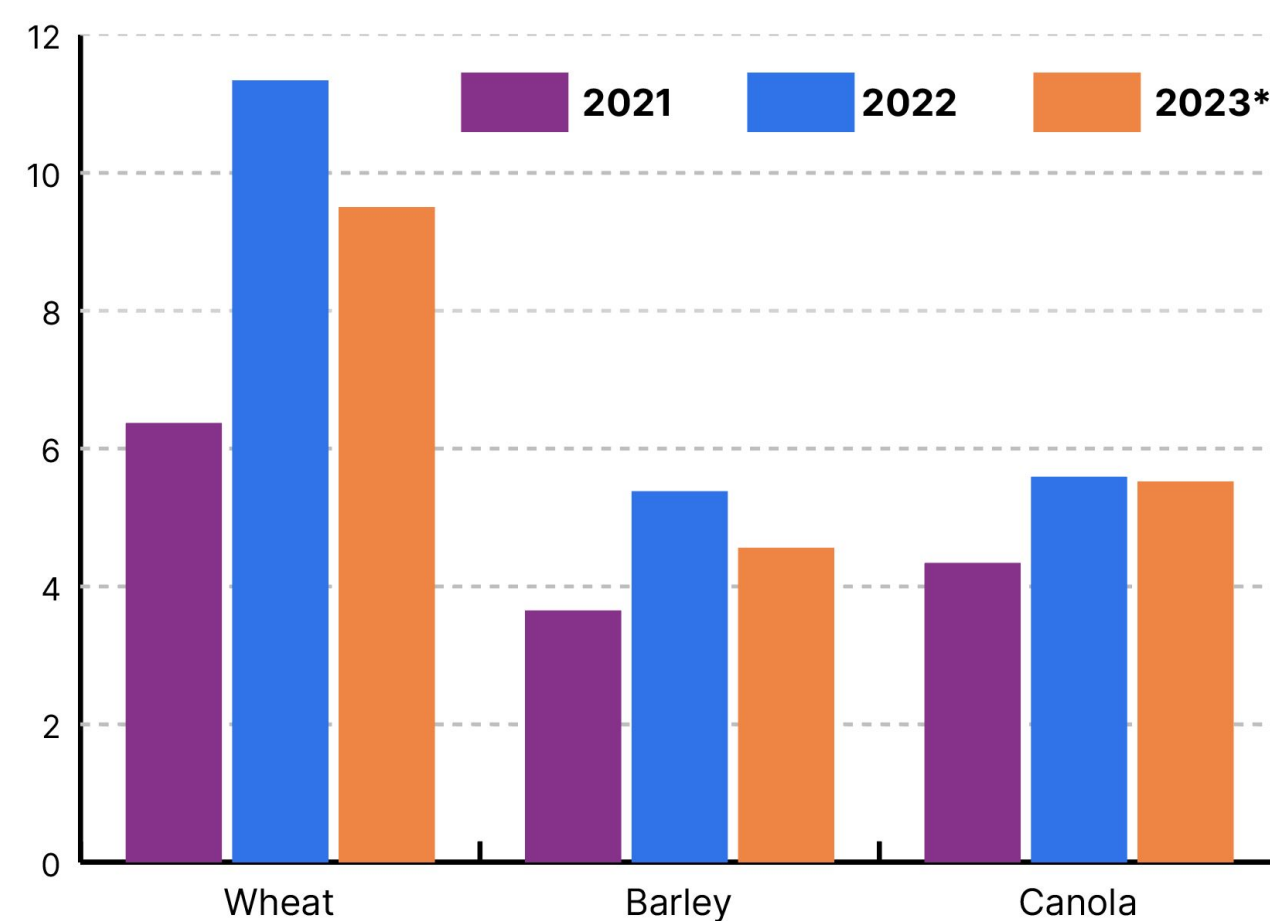
Farm product price index, Alberta



Source: Statistics Canada Table 32-10-0098-01

Alberta crop production estimates

Annual, millions of metric tonnes



*Preliminary estimate Source: Statistics Canada Table 32-10-0359-01 and ATB Economics

Tourism and hospitality

Walloped by COVID, the tourism industry has staged a dramatic comeback. Total visitor spending is expected to fully recover this year from pre-pandemic levels. International visitors are returning, with visits by non-residents moving above pre-COVID levels in June (see chart)

Hotel occupancy rates are up this year, and have recently edged above 2019 levels. For restaurant and bars, sales were 18% above pre-COVID levels as of June 2023, though only an estimated 3% in volume terms.

Despite the turnaround, the tourism and hospitality sector faces some ongoing challenges. The first has been rising costs, particularly for food. The second is hiring challenges. The food and accommodation industry has the highest job vacancy rate, and employment is still below 2019 levels. More direct flights, increased promotion of the province through films and TV series like the “The Last of Us,” and improved venues (e.g. BMO Centre, Fort Edmonton Park Enhancement) will support tourism in the province.

Technology Sector

Alberta has emerged as a major player in the technology industry. Venture capital investment rose 30% to a record high of \$729 million in 2022—the fifth straight annual increase. Despite difficult market conditions, [first half of 2023 results](#) were solid at \$406 million raised in Alberta with Edmonton-based Jobber driving the largest deal. Continued growth will be aided by a large pool of engineering and science talent, relatively affordable cost of living and office space, and strong linkages to post secondary programs.

Aviation

Aviation is another emerging industry, spearheaded by [De Havilland’s new aircraft production and assembly facility](#) in Wheatland county. The project, which will support an estimated 1,500 jobs once operational, is undergoing final permits and approvals, with the first phase slated for completion in 2027. WestJet has announced Calgary as its global connecting hub, while new aviation training programs are being expanded in the province.

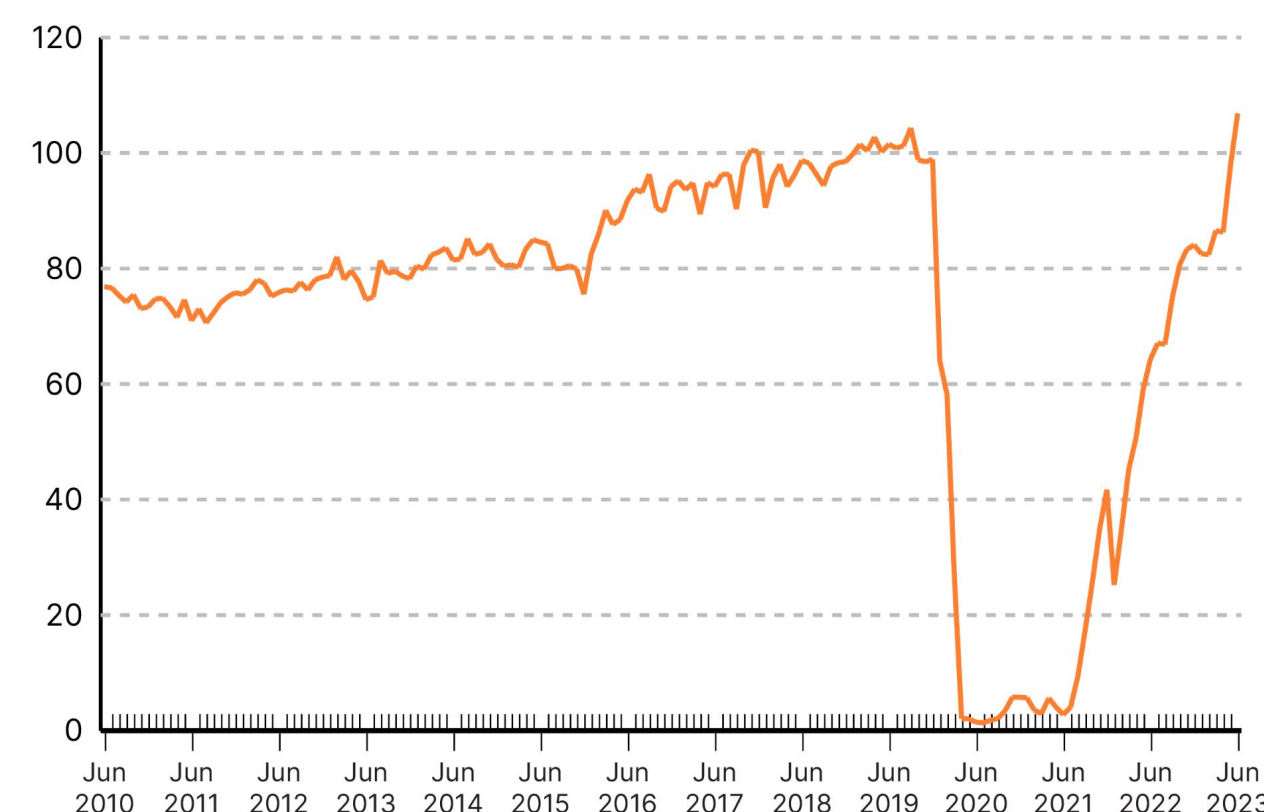
Population bonanza

A key driver of our economic growth forecast is population growth. It is expected to hit 4.5% for the census year (July to July), effectively matching the previous record of 4.6% in 1981. In people terms, however, no other year comes close. The 203,000 expected gain exceeds the previous record of 106,000 in 2013. Growth is coming from all angles: immigration, interprovincial migration and natural increases. But it is inflows from other provinces that is driving a 1.4 percentage point wedge between Alberta’s and the national growth rate (see chart).

More than three-quarters of inflows from other provinces were from Ontario and BC over the last four quarters of data. While Alberta’s strong job performance has helped, another major draw is relatively affordable housing.

Monthly international non-resident visitors entering Alberta

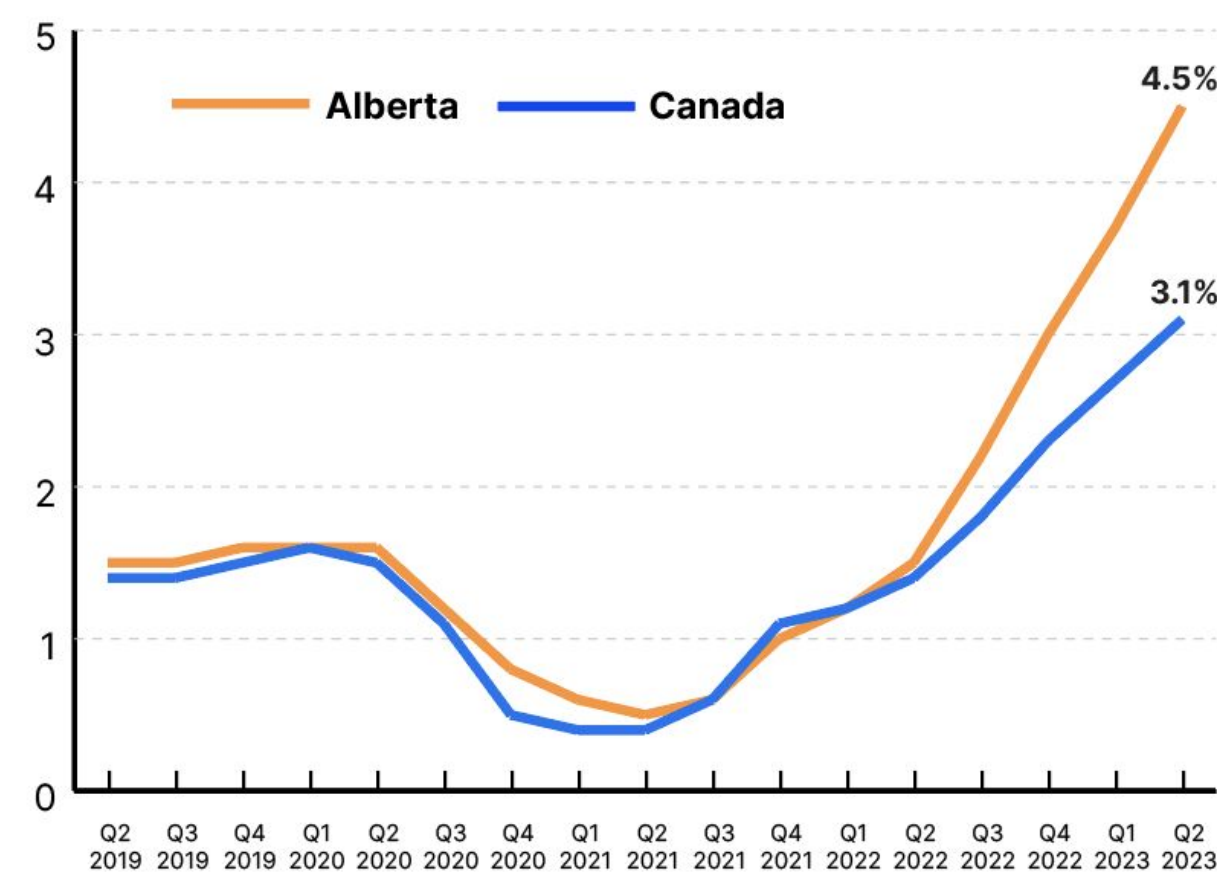
Thousands



Source: Statistics Canada Table 24-10-0054-01

Recent population growth

Annual % change from the same quarter the previous year



Population estimates: Q1 = January 1; Q2 = April 1; Q3 = July 1; Q4 = October 1
Source: Statistics Canada Table 17-10-0009-01 and ATB Economics

The population boom is pushing up housing demand and consumer spending, contributing to Alberta's relative resilience in these areas. It is adding to the labour force, which (aside from the COVID bounce-back) is now growing at its fastest pace since 2007. Longer-term, it will work to keep Alberta's population younger than the rest of Canada, given the younger profile of migrants.

In 2024, population growth is expected to ease due to more normal levels of non-permanent residents and easing (but still positive) interprovincial migration.

Housing and Construction

Alberta's housing market has been in a tug of war between push and pull factors all year. The push is demographic—migration is creating a heightened demand for housing. The pull is higher mortgage rates, construction costs, and labour shortages. Pull factors have dominated to the midpoint of this year, with housing construction falling 10% in the first half.

There are some tentative signs of improvement. Housing starts jumped in July and August and residential permits have turned higher. We expect housing starts to rise to 38,500 in 2024, up from an expected level of 32,400 this year, adding to Alberta's GDP growth. Even at these higher levels, starts will struggle to keep pace with population growth.

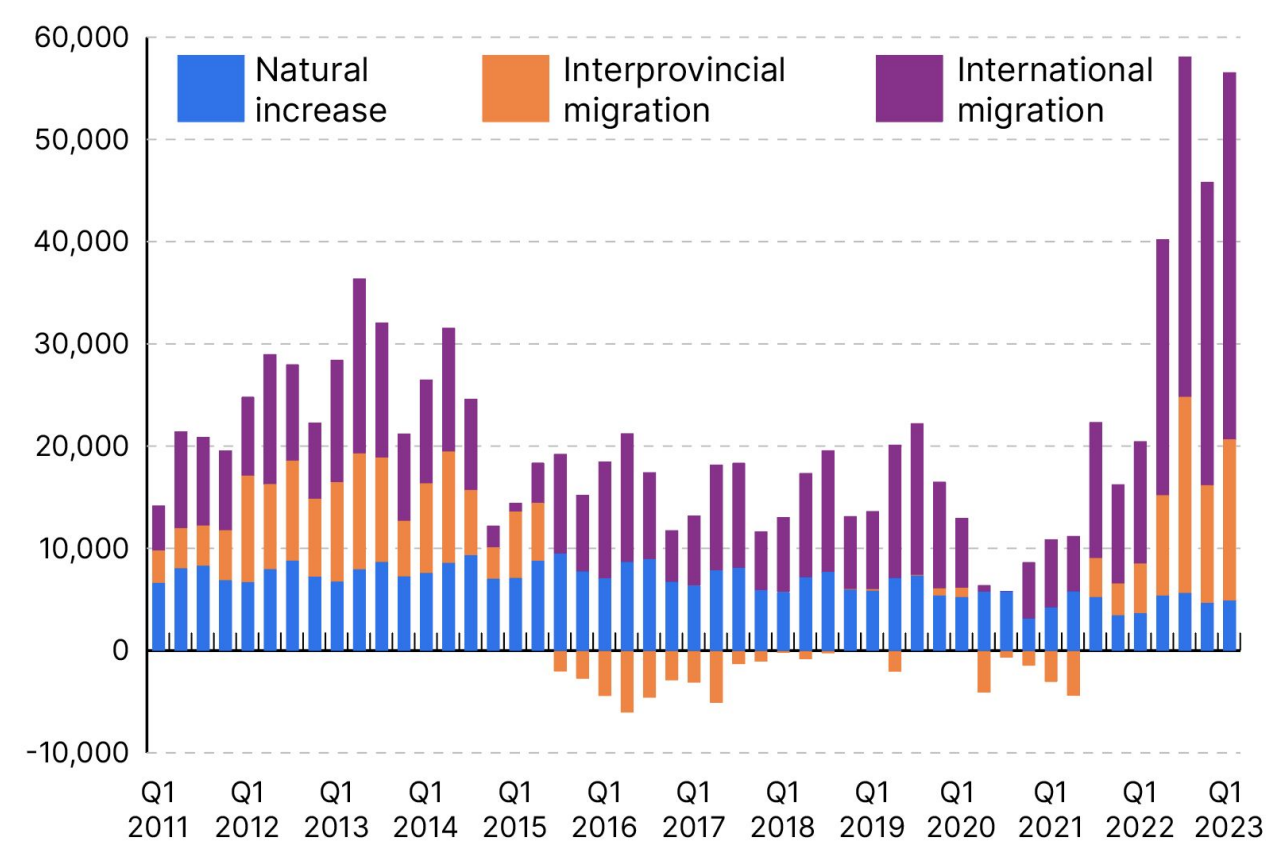
The market is responding to much tighter conditions as migration surges. Some of the demand is out of province—especially from B.C. and Ontario, where prices and rents are higher on average than in Alberta. Inventory of existing homes fell for the sixth straight month in August to 2.5 months of supply. The benchmark Alberta resale price has risen to a new high, fueled by gains in Calgary, while rents have risen even faster.

In the industrial sector, stronger construction activity is expected, with permits jumping to their highest level since 2019 in the second quarter. Alberta's lower industrial rents compared to other provinces and demand for distribution space has bolstered [demand](#).

On the other hand, commercial permits show little signs of growth. The office segment has stabilized, but at high levels of vacancies and square footage under [construction remains low](#). Work is underway to convert empty offices to condos in Calgary through a grant program, while Edmonton is considering a similar proposal.

Population growth in Alberta

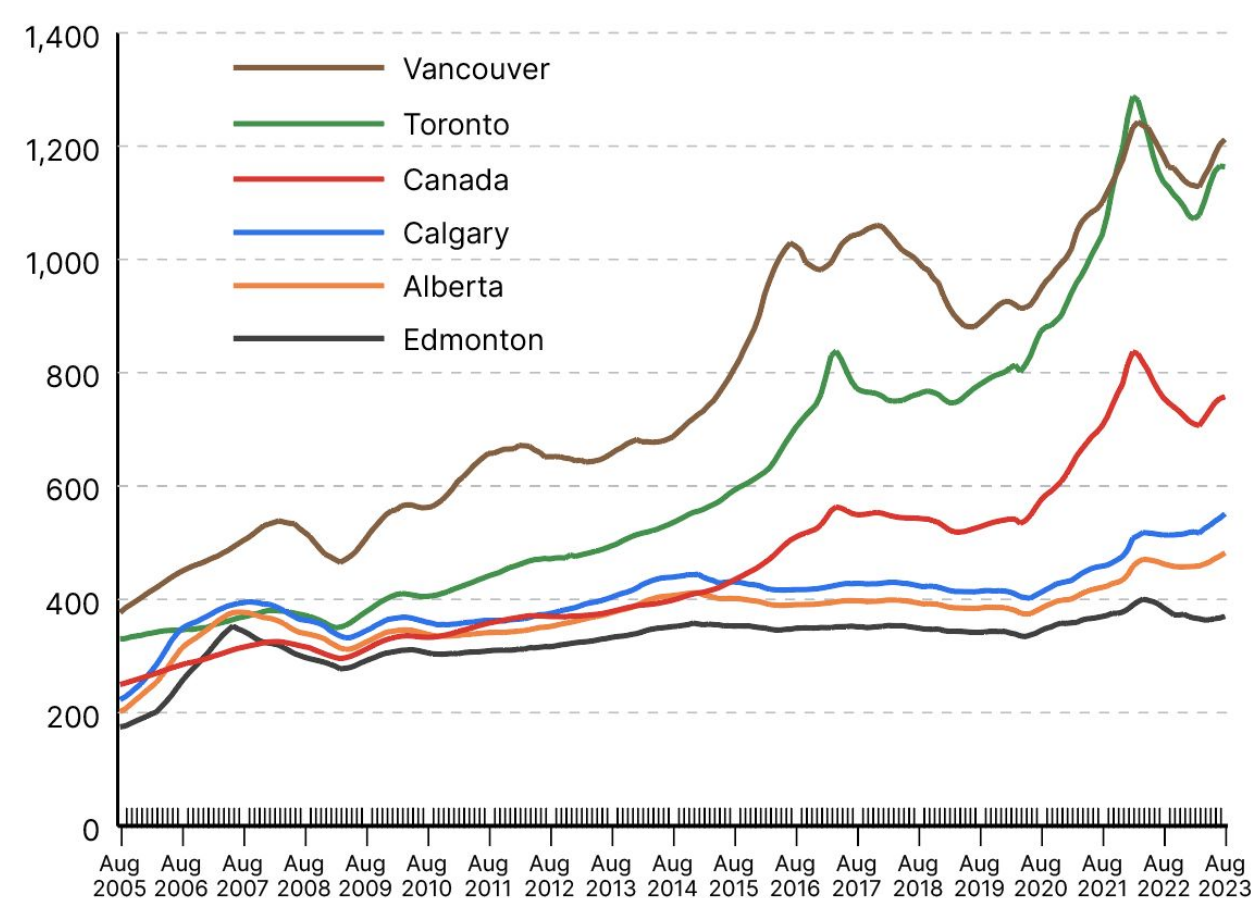
Quarterly, number



Q1 = Jan to Mar; Q2 = Apr to Jun; Q3 = Jul to Sept; Q4 = Oct to Dec
Source: Statistics Canada Table 17-10-0040-01, 17-10-0020-01, 14-10-0059-01 and ATB Economics

Benchmark resale home prices

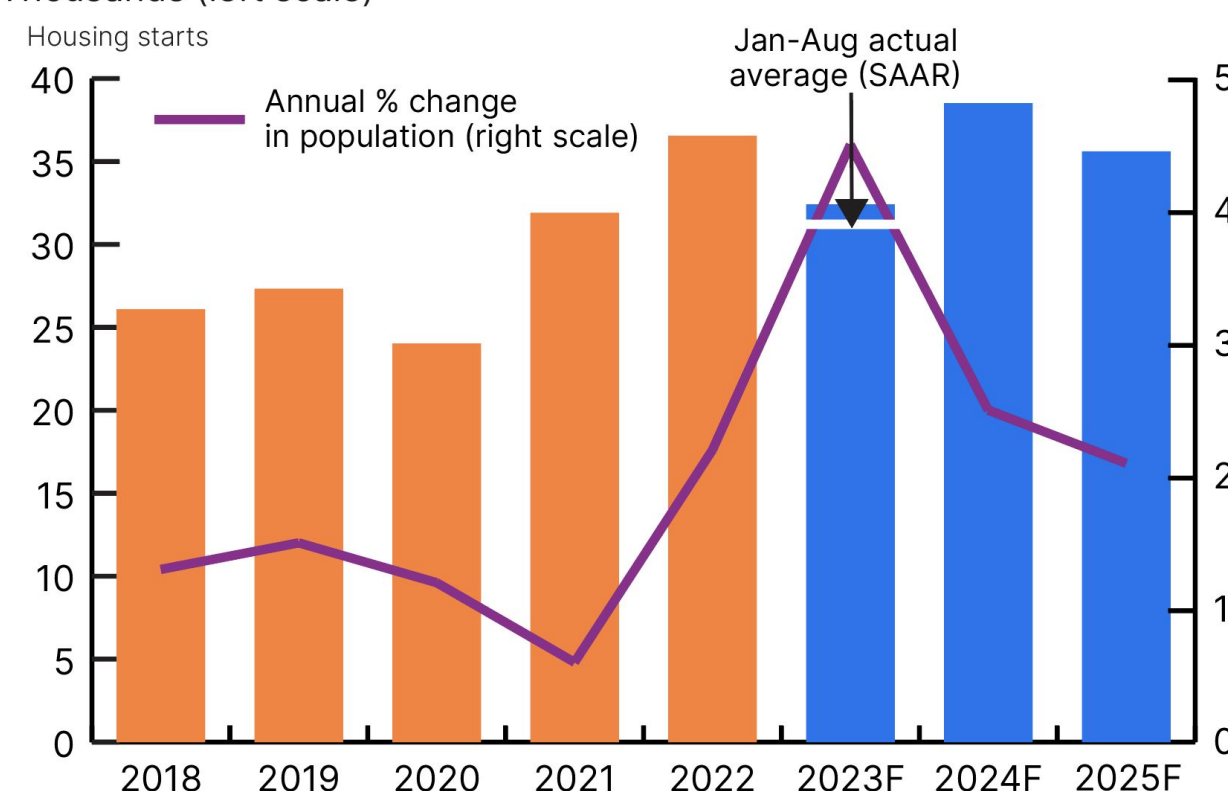
\$ thousands, seasonally adjusted, composite Home Price Index



Benchmark prices are generated by the MLS® Home Price Index model
Source: Canadian Real Estate Association

Annual housing starts in Alberta

Thousands (left scale)



Source: Statistics Canada Table 34-10-0126-01, 34-10-0158-01, 17-10-0005-01 and ATB Economics

More jobs, more people

Alberta's job performance has exceeded our expectations, and we now expect an employment gain of 3.6% (compared to 2.8% in June) in 2023.

The province has outpaced national employment growth, on a year-over-year basis, for 17 straight months. Year-to-date job growth is 3.5%—well above the national average of 2.4%. The details have also been favourable—entirely in full-time positions and mostly in private sector jobs. Growth this year has been fairly broad based across industries, led by professional services, transportation and warehousing and manufacturing.

With jobs outpacing entry into the labour force in August, the unemployment rate fell back to 5.7%—where it was in May and June. We expect the rate to average 5.9% this year and next.

Momentum is expected to ease—a 1.8% employment gain is expected next year, reflecting a slowdown in business investment and household spending, before picking up to 2.3% in 2025

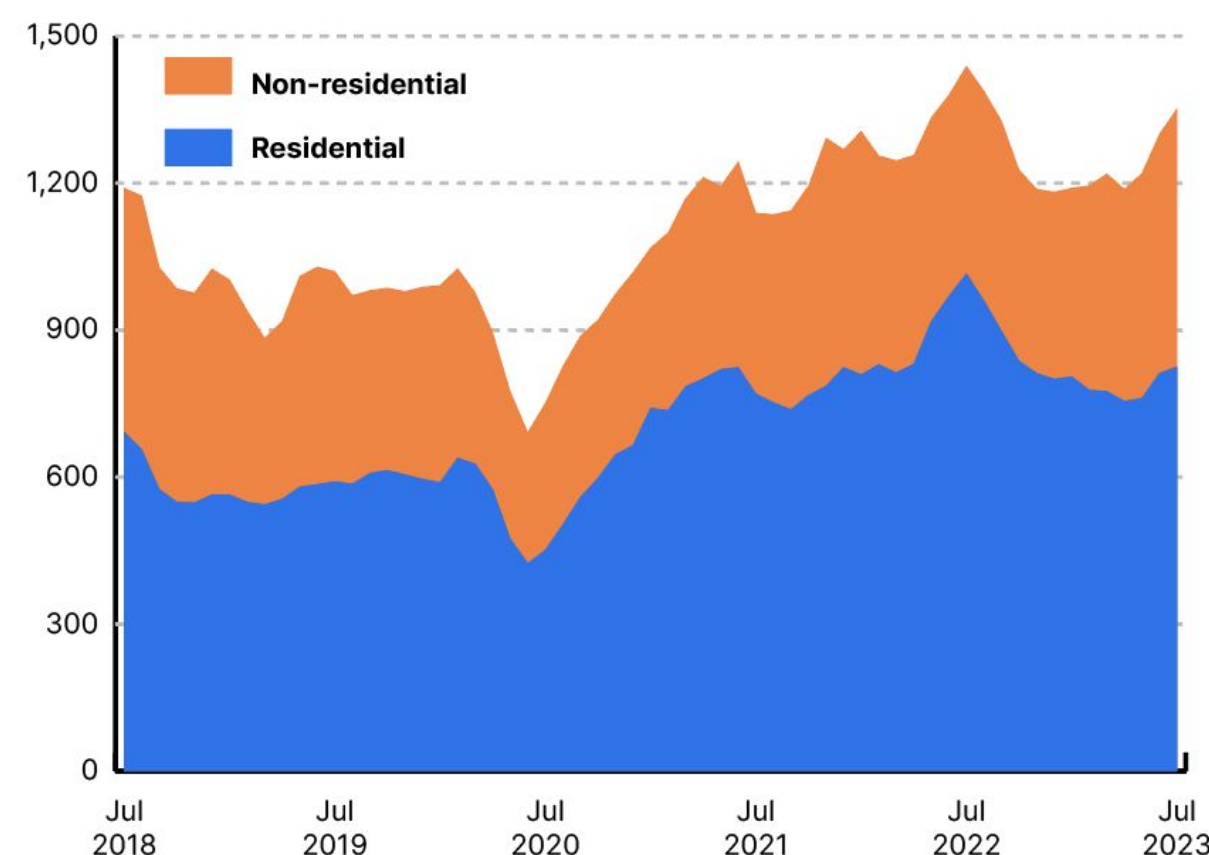
We expect larger job gains in sectors where job vacancy rates are still elevated, notably food and accommodation, construction, transportation and oil and gas services. Hiring challenges persist, with the [majority \(56%\) of businesses](#) reporting difficulty finding qualified workers to meet demand last quarter.

Major labour market disruptions—the 2015-16 oil price crash and 2020 pandemic—have contributed to mismatches in what employers want and the skills available. As a result, Alberta job vacancies are higher than what what one would expect for the level of unemployment (see chart). These frictions are expected to ease with time.

Hourly wage growth has finally picked up after lagging the national average and inflation for the last two years. Average hourly wages in Alberta have [risen 3% to 4.5% so far in 2023](#) depending on the measure used and is expected to rise about 3% next year.

Building permits in Alberta

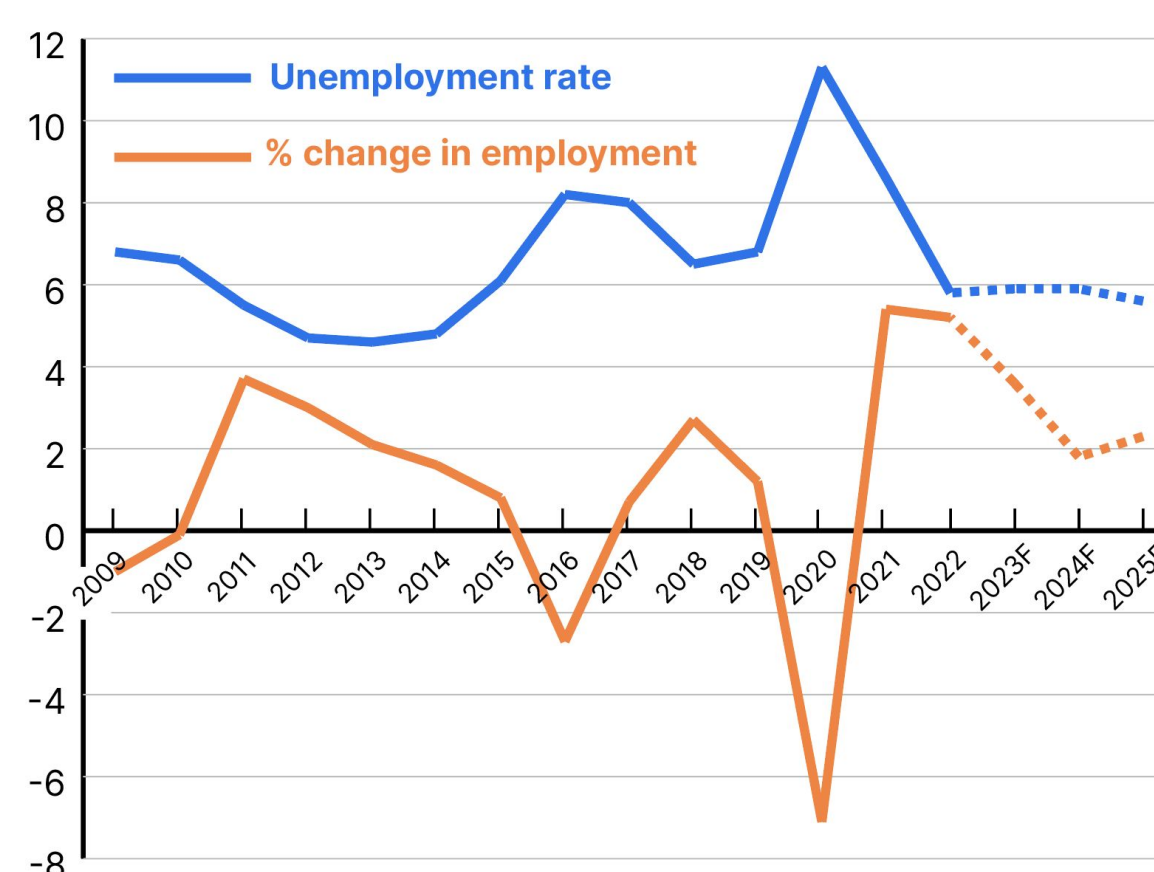
\$ millions, 3-month moving average, seasonally adjusted



Source: Statistics Canada Table 34-10-0066-01 and ATB Economics

Employment and unemployment in Alberta

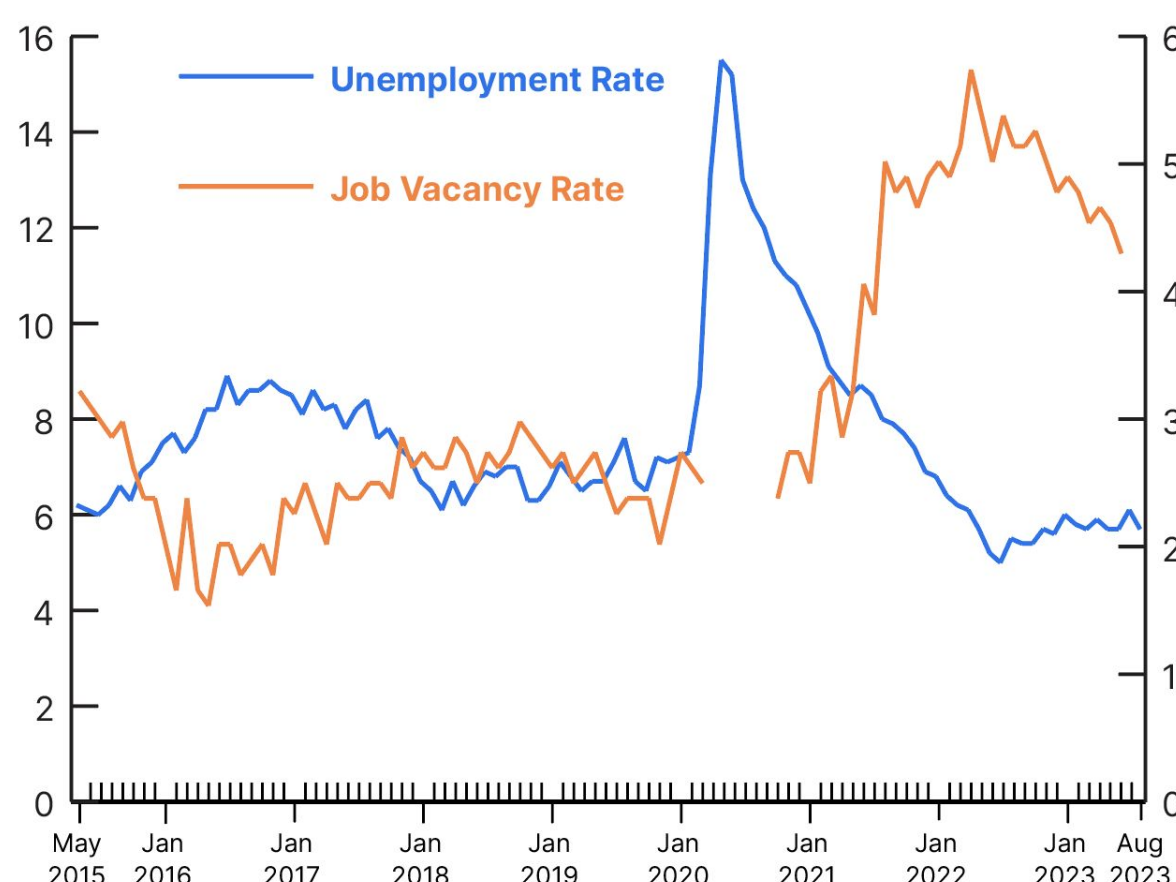
% change in annual employment and the annual unemployment rate (%)



F=forecast Source: Statistics Canada Table 14-10-0393-01 and ATB Economics

Unemployment vs job vacancies in Alberta

%, unemployment rate (left axis), job vacancy rate (right axis)



Both rates are seasonally adjusted; the job vacancy rate series began in May 2015; June 2023 was the most recent job vacancy rate at the time of writing; job vacancy data for the second and third quarters of 2020 are unavailable. Source: Statistics Canada Table 14-10-0287-01 and 14-10-0432-01.

Consumer spending resilient, slowdown delayed

Alberta households have kept spending despite rising debt servicing costs, bolstered by soaring population, healthy job gains and a recent uptick in wage growth.

In the first half of 2023, retail sales jumped 6.8% compared to the same period in 2022—far outpacing the national gain of 2.2%. Spending in the more discretionary categories, like shoes and jewelry, posted some of the largest gains. Among interest rate sensitive categories, autos have motored ahead while building material and furniture sales have softened (see chart).

However, retail sales are levelling off, a trend we expect to continue for the rest of the year. Second quarter sales were slightly above the first quarter and declined in per capita terms.

Debt servicing costs are rising and consuming a larger share of income, putting pressure on spending levels. We expect larger impacts next year. Many borrowers with variable-rate debt have already been impacted, while others will face higher costs as fixed-rate mortgages are renewed. Slowing job growth and the winding down of elevated savings accumulated during the pandemic will also weigh on spending. Adjusted for inflation, real consumer spending is expected to slow to 1.3% growth in 2024.

A jump in consumer insolvencies suggests that some households are already feeling the pinch. Insolvencies have risen to pre-COVID levels, though bankruptcies remain near historic lows.

Impacts vary by household. Debt-to-income ratios are highest among prime-working age households, and lowest among older households. Alberta's younger demographics puts upward pressure on its average debt ratio, which is third highest after BC and Ontario. However, Alberta's ratio has fallen since 2015 compared to an upward trend in national debt.

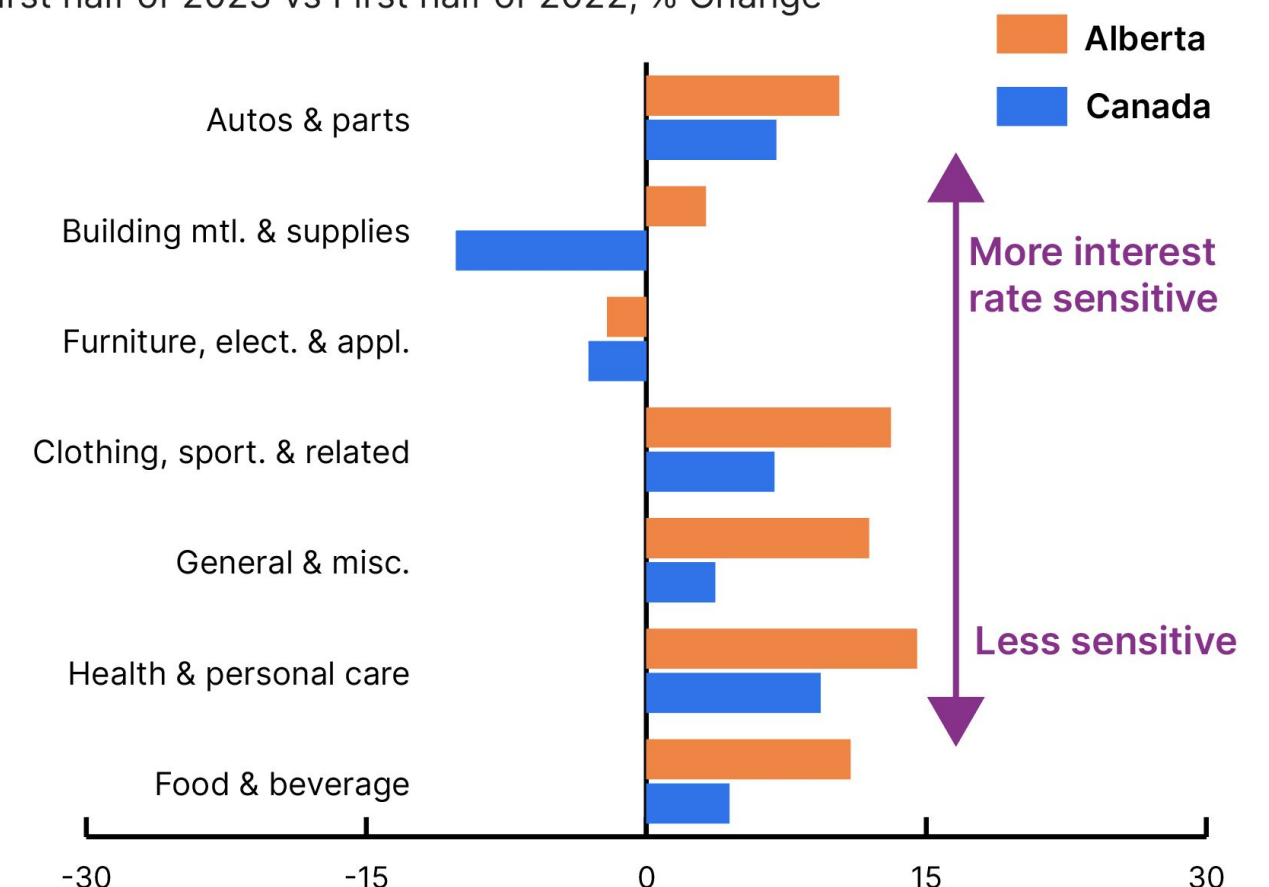
Inflation to moderate next year

Alberta's inflation rate has averaged 3.5% so far this year (through August) compared to 4.2% nationally. Gasoline prices fell more in Alberta in the first quarter, with the fuel tax pause (introduced in April 2022) playing a role. More recently, an uptick in gasoline and electricity prices has pushed Alberta's inflation rate higher. Alberta tends to track national inflation trends over longer periods, with shelter and energy costs mainly driving deviations.

Consumer price inflation is forecast at 3.7% this year, easing to 2.3% next year consistent with our assumption for relatively flat energy prices, along with improved supply chains and moderating food price inflation.

Retail sales growth by components

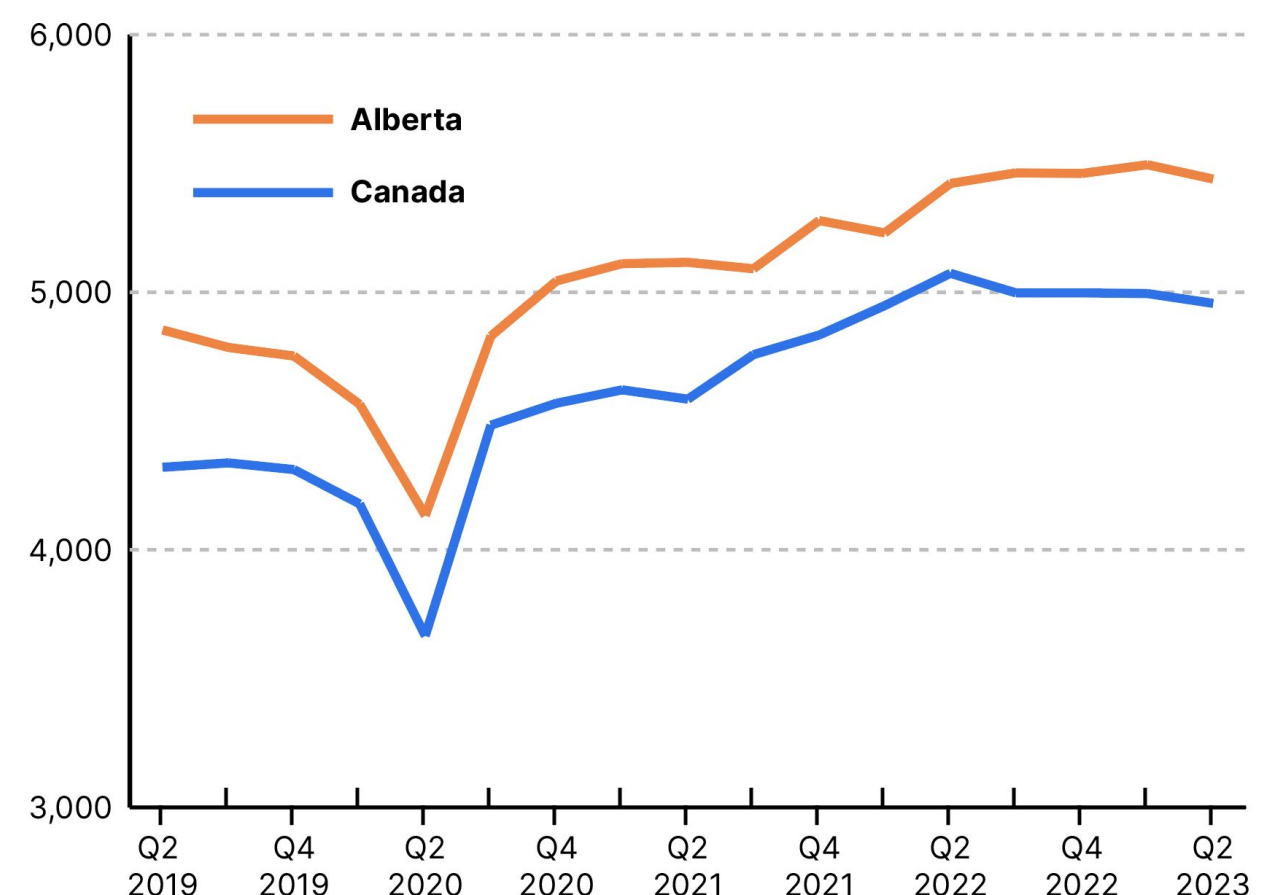
First half of 2023 vs First half of 2022, % Change



Source: Statistics Canada Table 20-10-0056-01 and ATB Economics

Retail spending per capita

\$, quarterly, seasonally adjusted



Population in Q2 2023 is an estimate
Source: Statistics Canada, Haver Analytics, and ATB Economics

Risks are elevated

The global outlook is highly uncertain. The U.S. appears to be moving toward a soft landing while Canada will most likely emerge from the inflation fight without a major recession. But risks remain, such as China's sputtering economy, a longer-than-expected battle against inflation, the ongoing war in Ukraine, and extreme weather-related incidents.

Given the uncertainty, it's best to plan for a range of plausible outcomes. For Alberta, this is especially needed. Our economy is more volatile than in other provinces due to our high trade exposure, reliance on natural resources and commodity prices.

For this reason, ATB Economics has provided alternative scenarios for real GDP. In our low case, real GDP contracts slightly by -0.5% in 2024 before improving to 1.7% in 2025. In the high case, output grows by 4.5% in 2024 and 3.6% in 2025.

General Disclosure

ATB Financial's Economic Outlook is intended for general information and educational purposes only and should not be considered specific legal, financial, tax or other professional advice or recommendations. Information presented is believed to be reliable and up-to-date but it is not guaranteed to be accurate or a complete analysis of the subjects discussed. All expressions of opinion reflect the judgement of the authors as of the date of publication and are subject to change. The actual outcome may be materially different.

ATB Financial and any of its affiliates are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered. No endorsement of any third parties or their advice, opinions, information, products or services is expressly given or implied by ATB Financial or any of its affiliates and related entities.

About ATB Financial

With \$57.5 billion in assets, ATB Financial is a leading financial institution that started in Alberta with the focus of putting people first. Our success comes from our more than 5,000 team members who love to deliver exceptional experiences to nearly 800,000 clients across our Personal and Business Banking, ATB Wealth Management and ATB Capital Markets businesses. ATB provides expert advice, services and products through our many branches and agencies, our 24-hour Client Care Centre, four entrepreneur centres and our digital banking options. ATB powers possibilities for our clients, communities and beyond. More information about ATB can be found at atb.com.