



## Edmonton's economy declines sharply

*City's Chief Economist predicts modest rebound in 2017*

November 8, 2016

Edmonton's Economic Update report shows Edmonton's economy took a hit in the third quarter of 2016. John Rose, City of Edmonton Chief Economist, says dramatically lower oil prices mean the city will close the year with negative economic growth and a 0.4 per cent decline in Real Gross Domestic Product (GDP).

Today's Economic Update provides an overview of the economic indicators for employment, inflation, housing starts and building permits for the remainder of 2016 and into the first quarter of 2017.

"The Economic Update notes a decline in the growth rate for GDP and higher unemployment for 2016 when compared to the forecast released in the spring. However Edmonton should see modest growth in these areas for the remainder of 2016," he says. "The construction and manufacturing sectors in the Edmonton area were very weak over the summer. September and October indicators show activity in these areas have stabilized and with the rest of the economy continuing to grow at a slow pace, modest improvements will be noticed."

Despite this and a sharp decline in employment and fall in GDP, Rose believes things will improve modestly in 2017. "If energy prices improve, we will see a 1.8 per cent growth in overall GDP next year," he said, adding that he expects overall unemployment will remain high in 2017 at seven per cent.

### Employment

Losses in construction and manufacturing jobs were partially offset by job gains in retail, public administration and education. Edmonton's unemployment rate stood at 7.7 per cent in September 2016 and is expected to be in the 7.5 per cent to 8.0 per cent range in the coming months. Continuing employment growth in 2017 will slowly bring the unemployment rate down to 7.0 per cent or 7.5 per cent for the year.

### Inflation

Inflation as measured by the Consumer Price Index (CPI) decreased in the third quarter of 2016. Year-over-year inflation was 0.6 per cent in September 2016 as lower energy and shelter costs more than balanced higher food and clothing prices. Housing costs, particularly rental costs, are beginning to ease and will lead to very modest inflation for the remainder of 2016. Edmonton's rental vacancy rate is in the 4.2 per cent range - well above the recent low of one per cent - causing rents to fall.

### Housing Starts

Housing start values will remain at relatively low levels over the remainder of 2016 as current rental demand gradually catches up to the stock of multi-family units and single family home sales remain soft. In 2017, housing starts will remain at relatively weak levels. Rental vacancy rates in Metro Edmonton are now hovering in the four per cent range, undercutting the incentive for adding to multi-family housing stock. As well, the inventory of new and existing single family homes is increasing, causing builders and developers to slow the rate of new house construction.

### Building Permits

Total amount of building permits decreased significantly as both residential and non-residential values decreased and as the rental vacancy rates start to rise over the remainder of 2016. Looking to 2017, permit levels will improve slightly as residential construction intentions firm up.

What can we expect in the new year?

"In 2017, growth will pick up noticeably to the range of 1.8 per cent as the Provincial and City economies begin to recover with improving energy prices," says Rose. "A new Economic Forecast for 2017 will be conducted in the first quarter and then again in the third quarter of 2017."

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### For more information:

[Economic Outlook October 2016 Report](#)

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