

Alberta's Halting Economic Recovery- Implications for Alberta's Public Finances

Presentation to the Rotary West Club of
Edmonton

1 October 2020

Robert (Bob) Ascah Ph.D.



AGENDA

- How we got here
- Major Economic Challenges for Alberta
- Alberta's Economic Recovery Plan
- Fiscal Challenges
- Where do we go from here?
- Questions

1. How we got here

Oil Prices 2010-2020

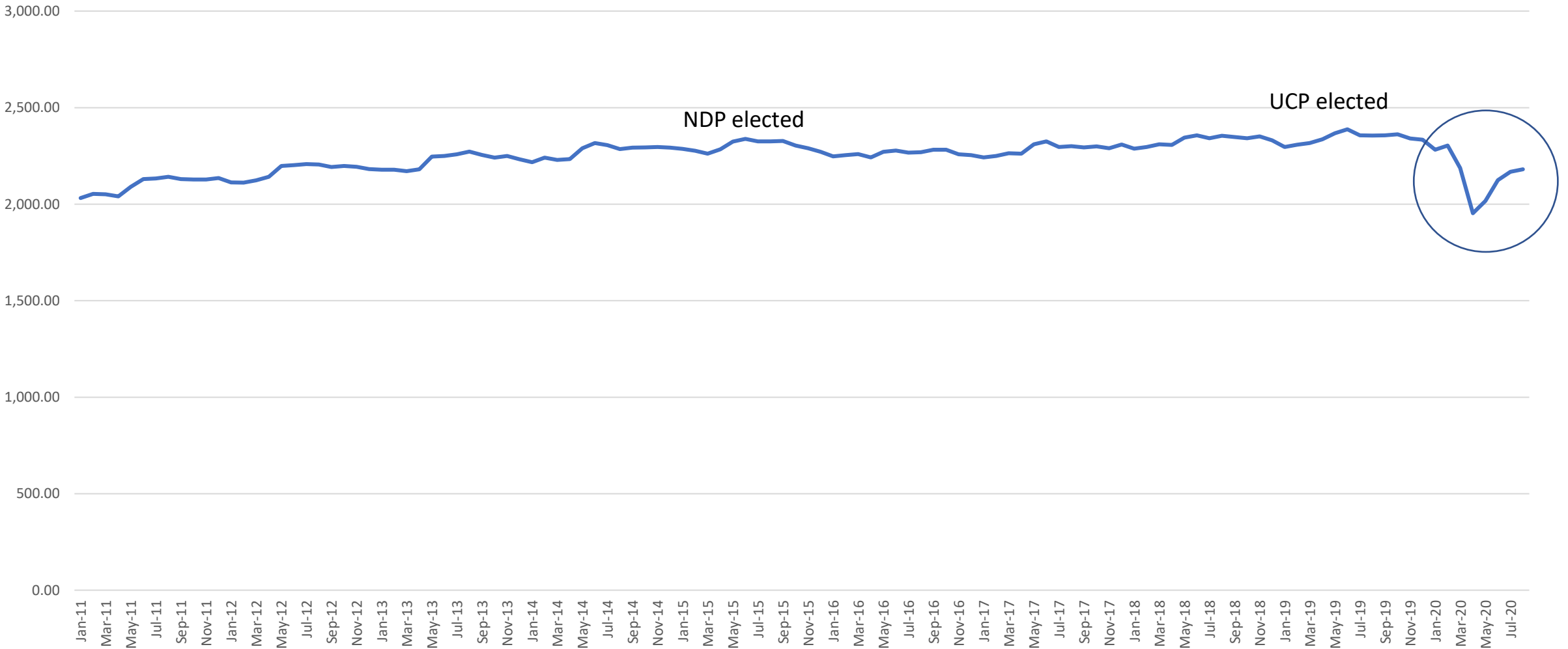
Figure 7.1- WTI Crude Oil Price 2010-2020 (U.S. \$)



2020-10-15

Abpolecon.ca

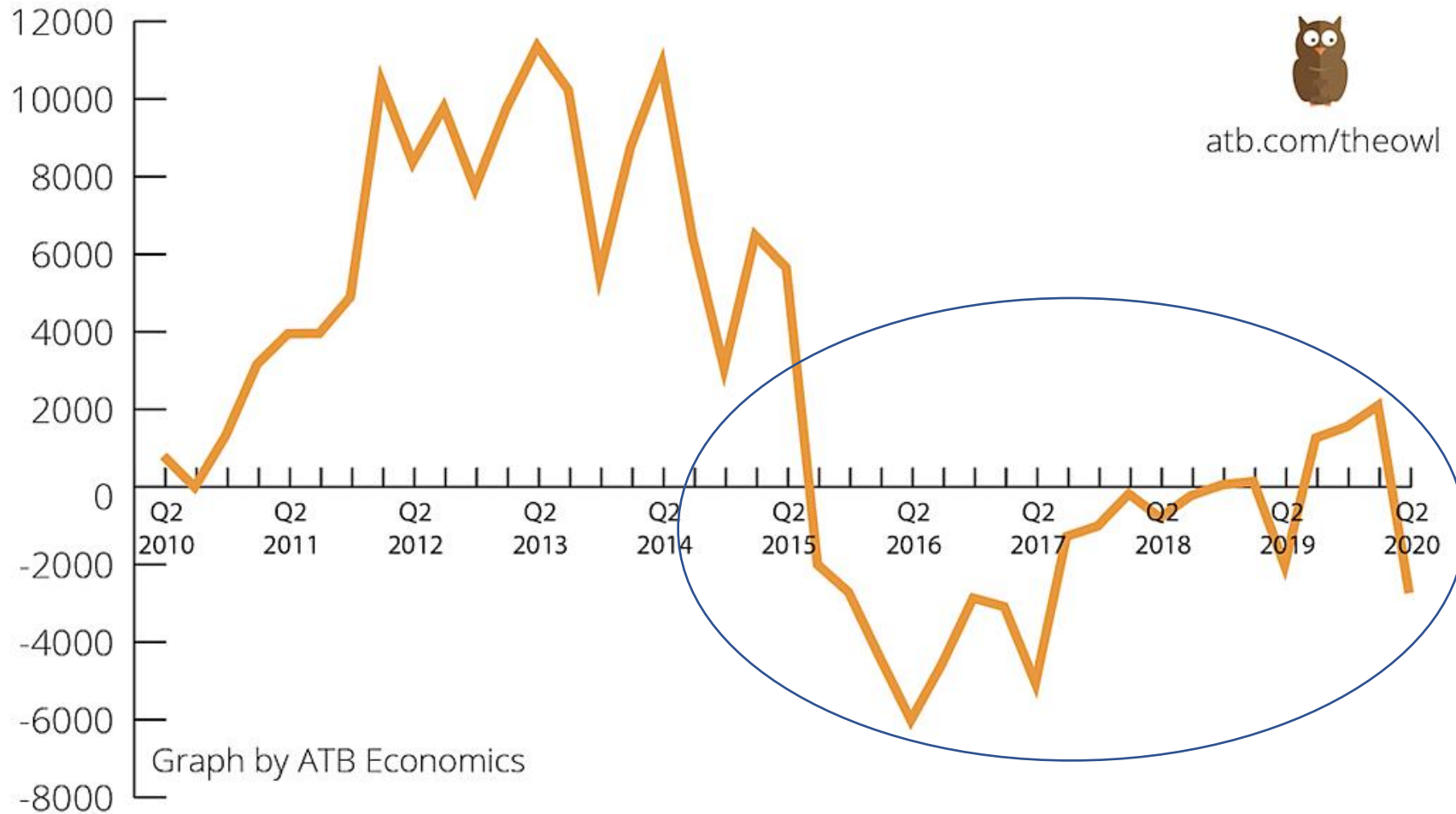
Total Employment Alberta (thousands)



— Total, all population centres and rural areas (x 1,000)

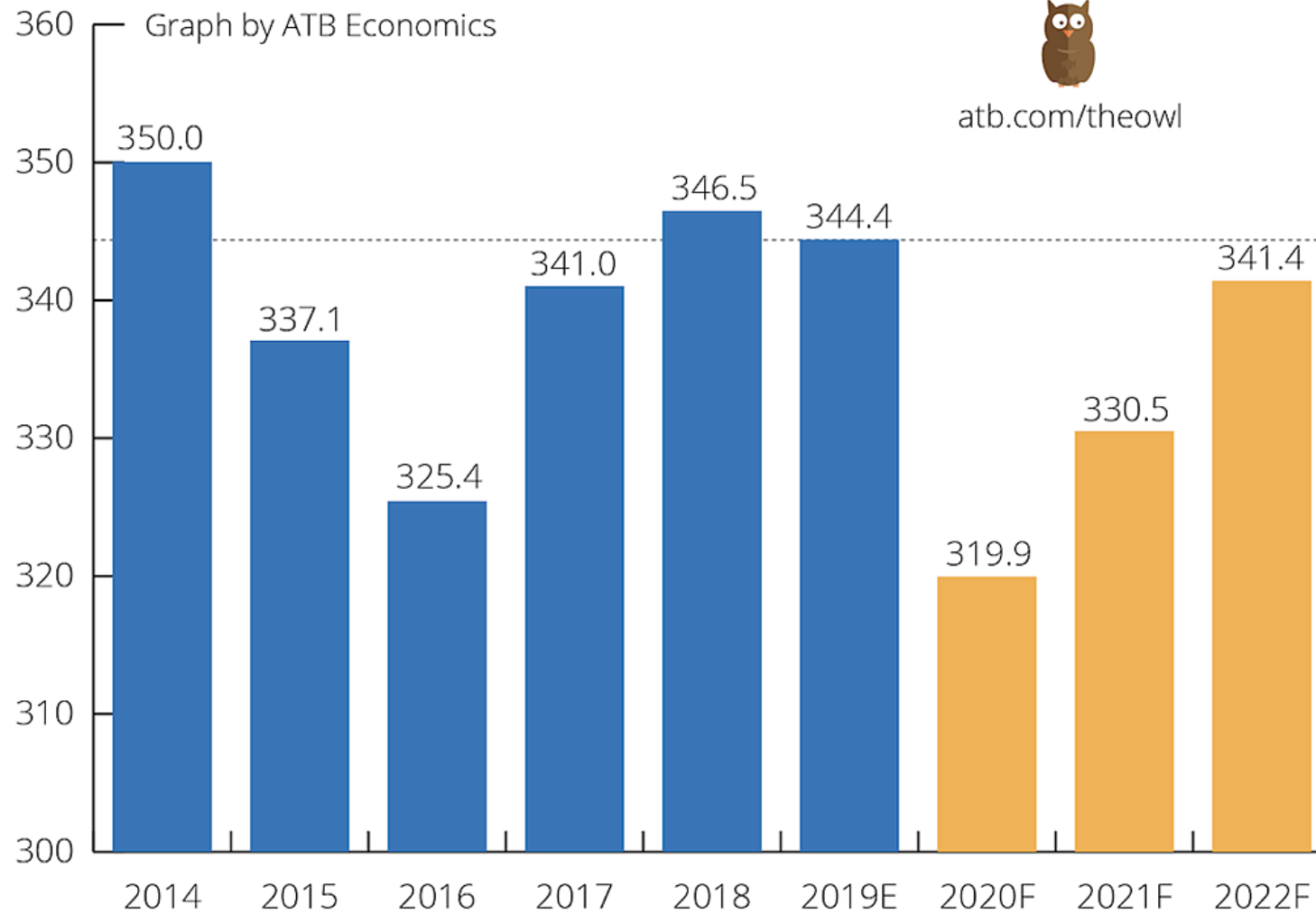
Net interprovincial migration to Alberta

Number of in-migrants less out-migrants, quarterly



Alberta's real GDP

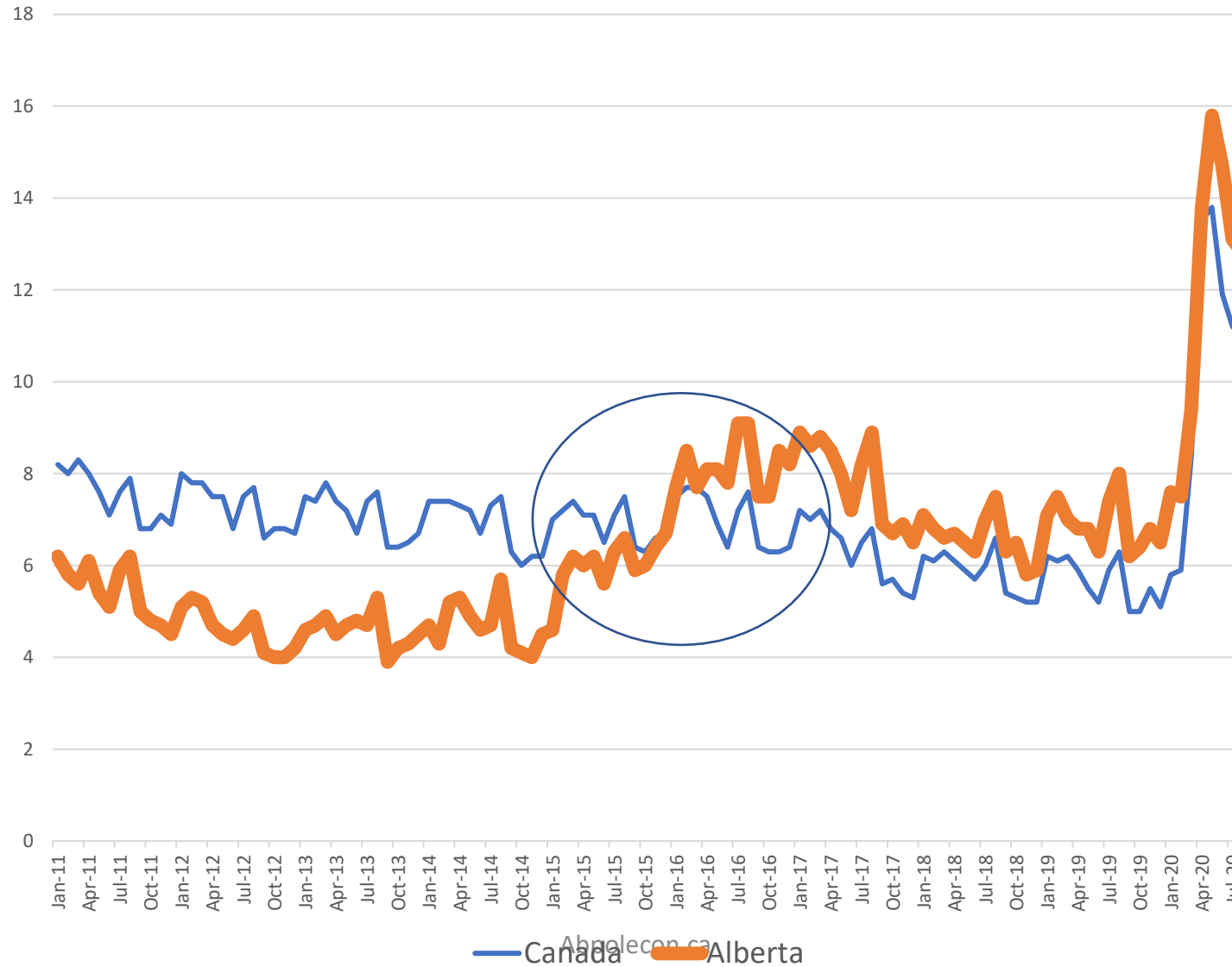
billions, chained (2012) dollars



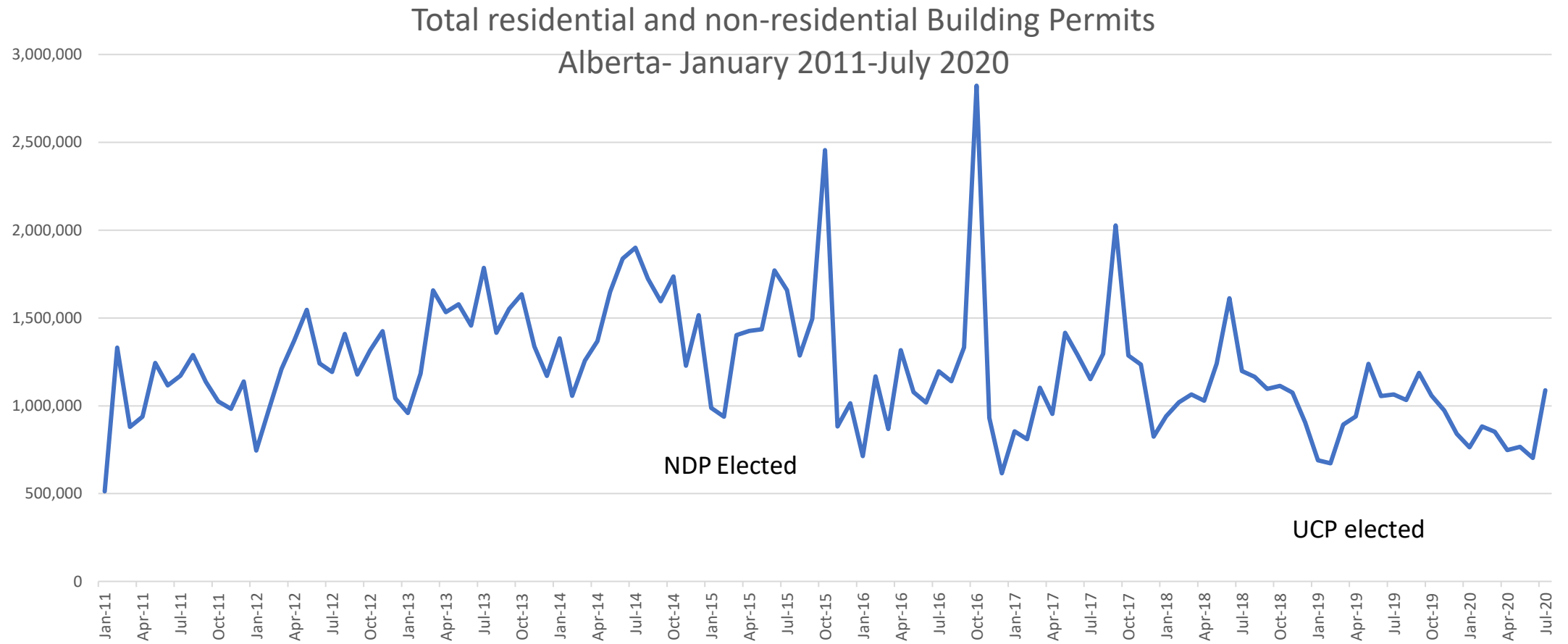
E=estimate F=forecast

Source: Statistics Canada Table 36-10-0222-01 and ATB Economics

Unemployment Rates Alberta and Canada (%) January 2011-August 2020

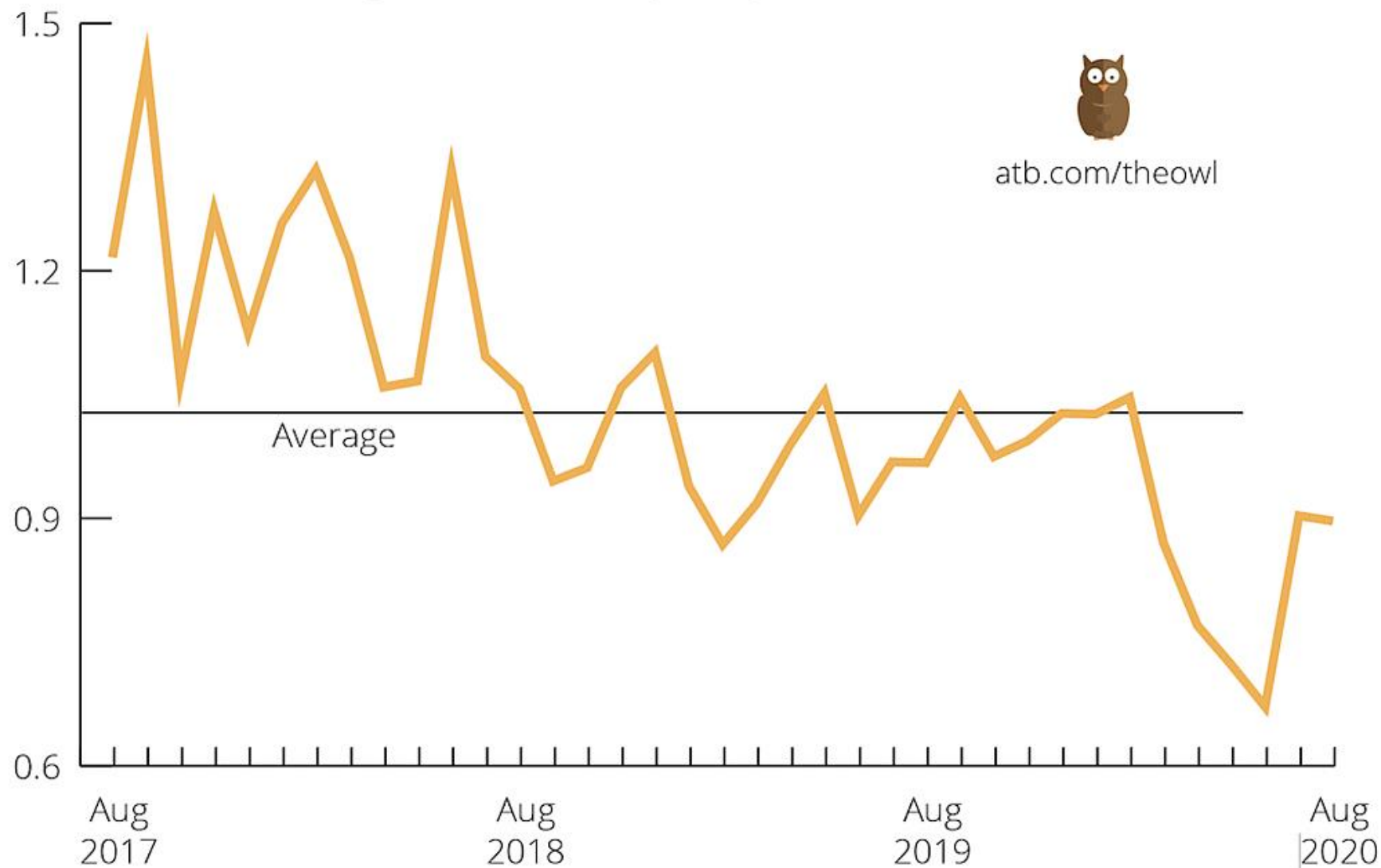


Residential and non-residential Building Permits January 2011-July 2020



Value of building permits, Alberta

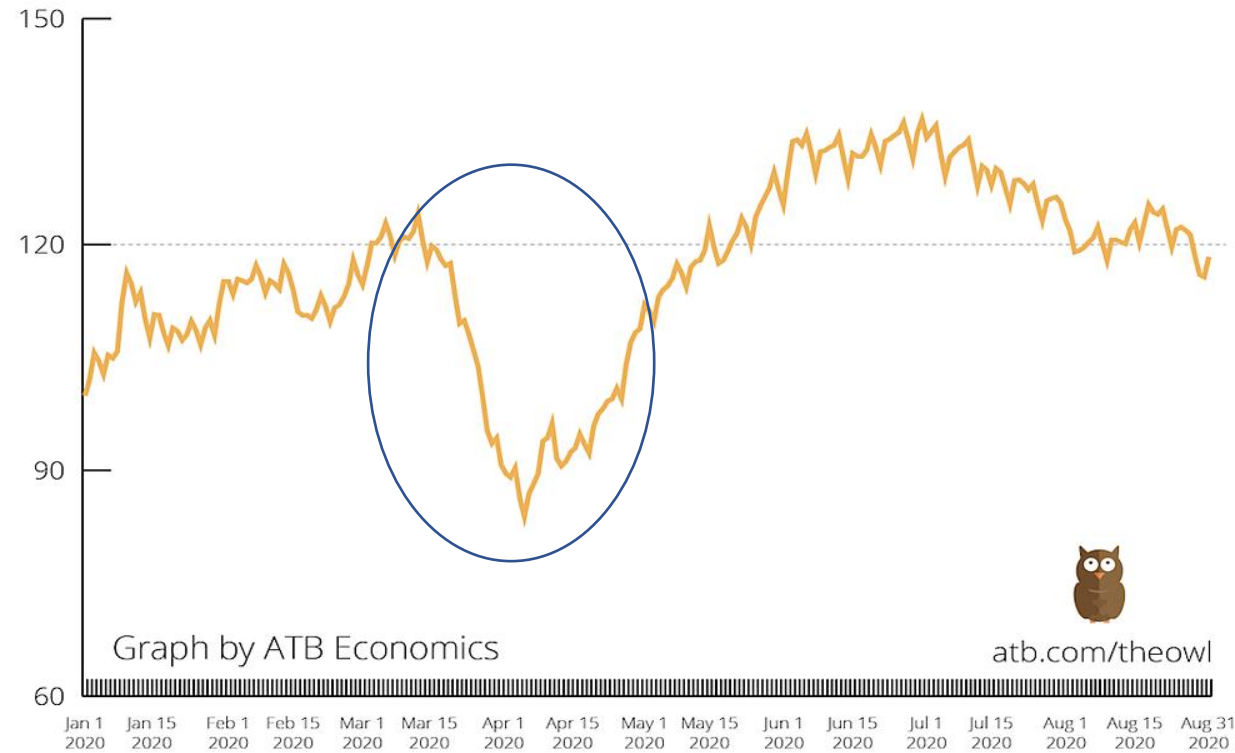
\$ billions, monthly, seasonally adjusted



atb.com/theowl

Consumer Spending

Index of daily consumer spending in Alberta January 1, 2020=100, two-week rolling average



Source: ATB Financial, Data + AI, Artificial Intelligence Delivery, AI Labs Team

2. Major Economic Challenges for Alberta



- Energy dependence including hollowing out
- Climate change
- Environmental liabilities
- Regulatory system



3. Alberta's Economic Recovery Plan

- <https://www.alberta.ca/assets/documents/alberta-recovery-plan.pdf>
- Employer Income Tax deferral \$1.5 billion
- Keystone XL \$1.5 billion plus \$6 billion loan guarantee
- WCB premium waiver/deferral \$1.1 billion
- Freezing and deferring education property tax \$545 million
- Orphan Well Association \$300 million loan
- ATB credit relief \$250 million
- Utility payment deferrals \$233 million

3. Alberta's Economic Recovery Plan

- <https://www.alberta.ca/assets/documents/alberta-recovery-plan.pdf>
- Lowest corporate tax
- Lowest tax for individuals generally
- Getting Albertans back to work by creating an environment that attracts investment and job creators
- Supporting a competitive business environment
- Removing barriers to job creation
- Building core infrastructure that creates immediate new jobs for Albertans and benefits communities
- Building on our strengths to diversify the economy- energy, agriculture, forestry, tourism, culture, technology, Aviation, aerospace and logistics, Finance and Fintech
- <http://abpolecon.ca/2020/07/04/albertas-economic-recovery-plan>

4. Fiscal Challenges

- Over-reliance on Non-renewable resource revenue
- Lack of savings
- Poor investments

Figure 3.1 Non-renewable Resource Revenue as Per cent of Own Source Revenue 1981/82-2019/20

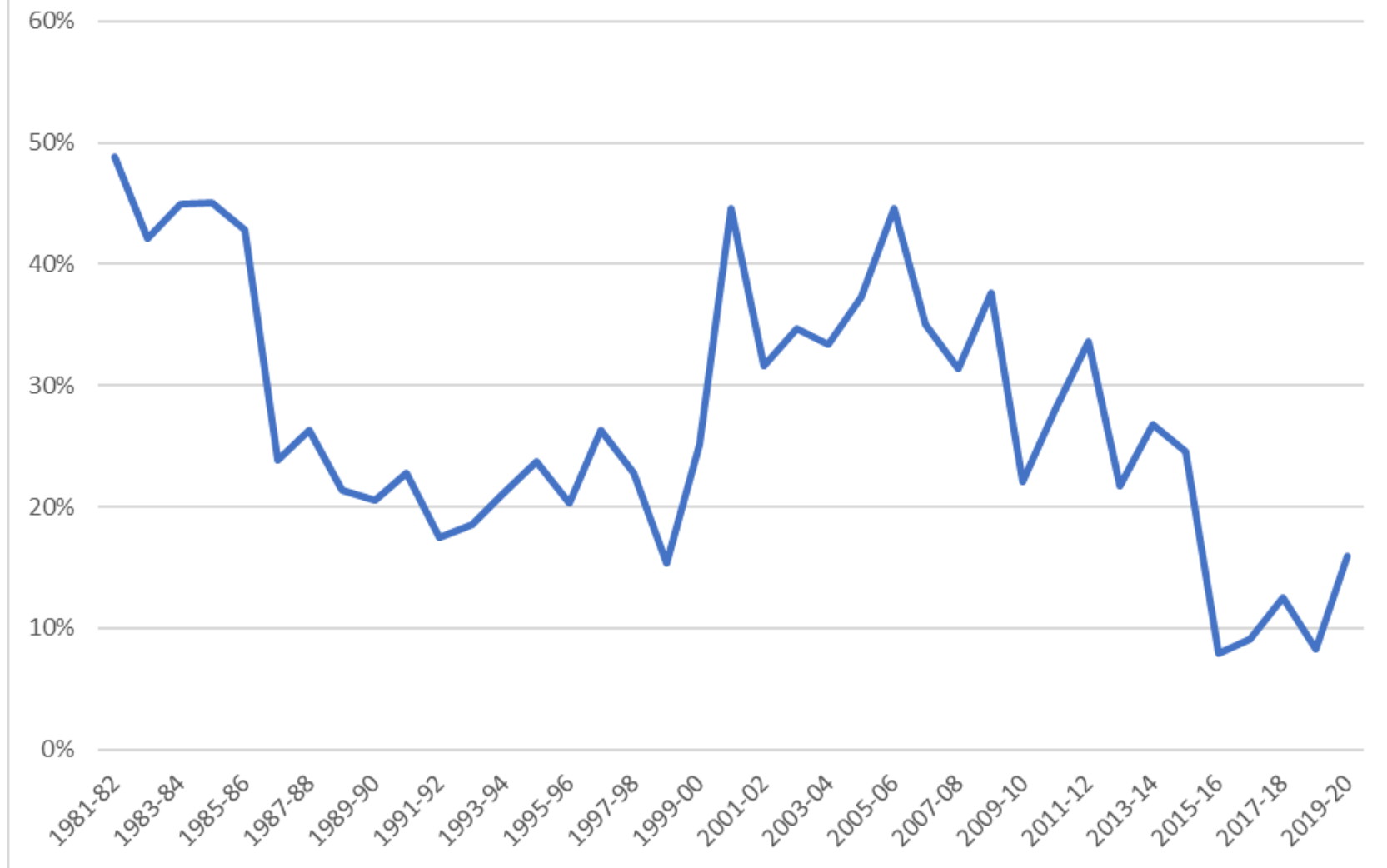


Table 10.1: Alberta's Major Exports (\$000s)

Years	2013	2014	2015	2016	2017	2018	2019
Mining, quarrying, and oil and gas extraction	59,494,444	70,529,209	43,808,506	33,780,241	49,173,039	64,787,587	67,829,932
Agriculture, forestry, fishing and hunting	487,688	692,807	655,301	647,963	579,619	550,292	614,396
Construction	687,301	526,236	302,182	136,949	172,919	432,881	400,445
Manufacturing	17,470,090	20,537,621	20,685,949	17,806,307	18,185,478	20,921,947	19,784,518
Chemical manufacturing	7,323,082	8,011,885	8,939,918	8,689,744	8,950,307	9,259,836	7,880,309
Machinery manufacturing	1758835	1946857	1676563	1002199	1268736	439,452	430,621
Machinery manufacturing	795,349	913,539	943,792	473,551	311,933	1,468,402	1,780,646

Source: Statistics Canada, Table: 12-10-0098-01 (formerly CANSIM 228-0077) Trade in goods by exporter characteristics, by industry of establishment (x 1,000)

Figure 4.1 Major Revenue Sources Per Capita:
1965/66-2019/20 (\$2002 millions)

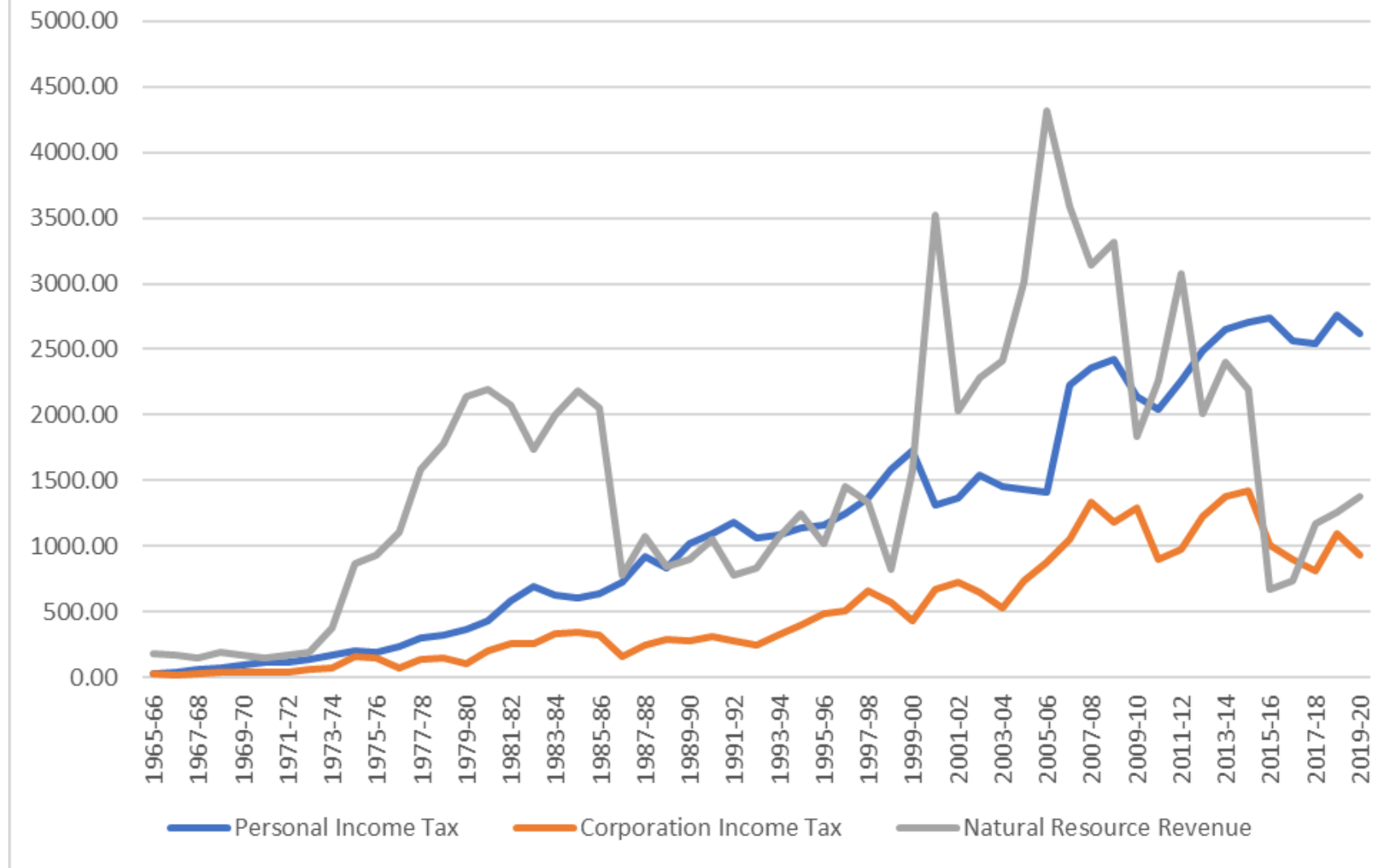


Figure 4.2 Investment income, 1981/82-2019/20
(\$millions)



Figure 4.4 Total Per Capita Revenue and Expenditure
1965/66-2019/20 (2002\$)

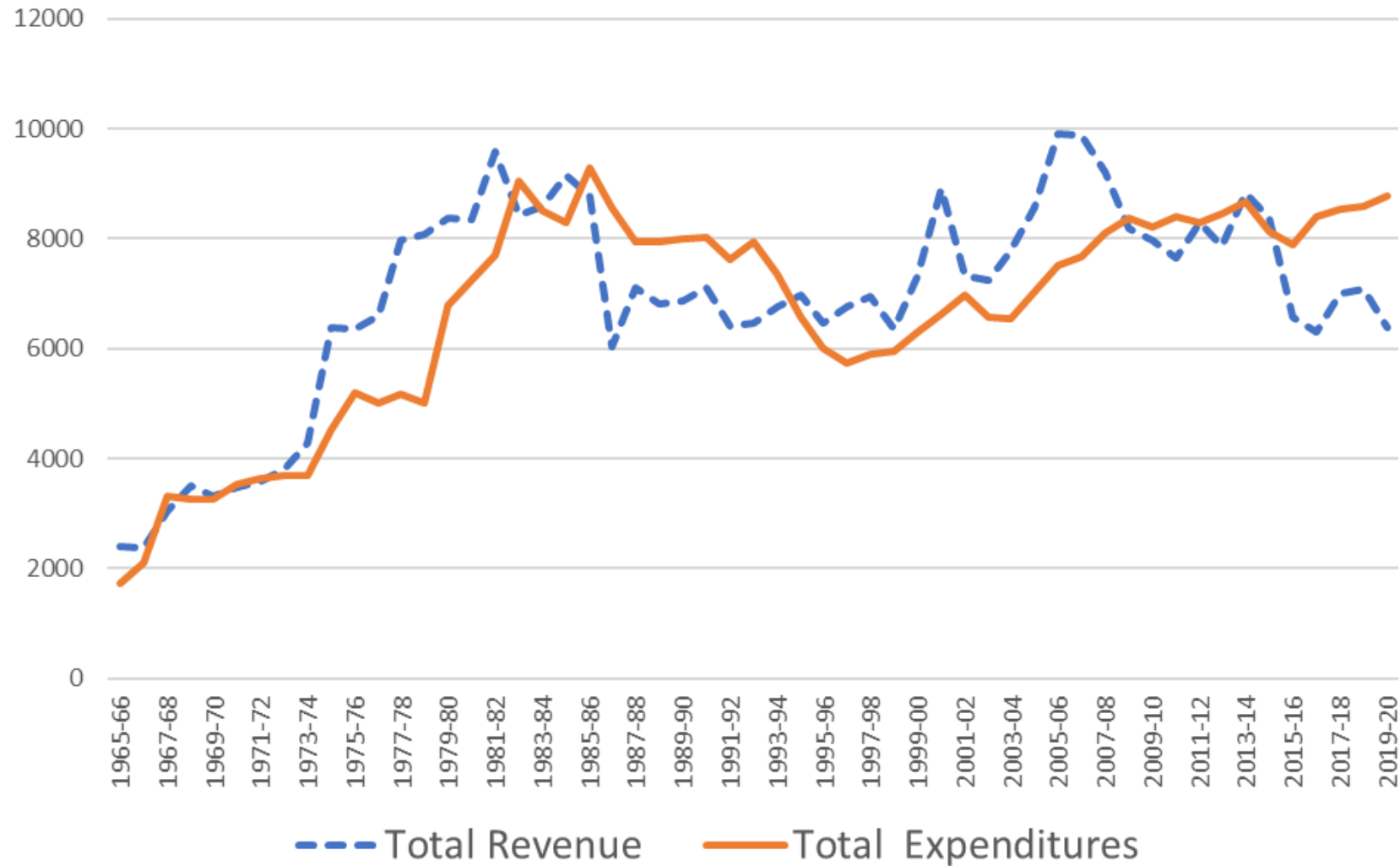


Figure 4.3 Major Expenditures 1965/66-2019/20
Per Capita (\$2002)

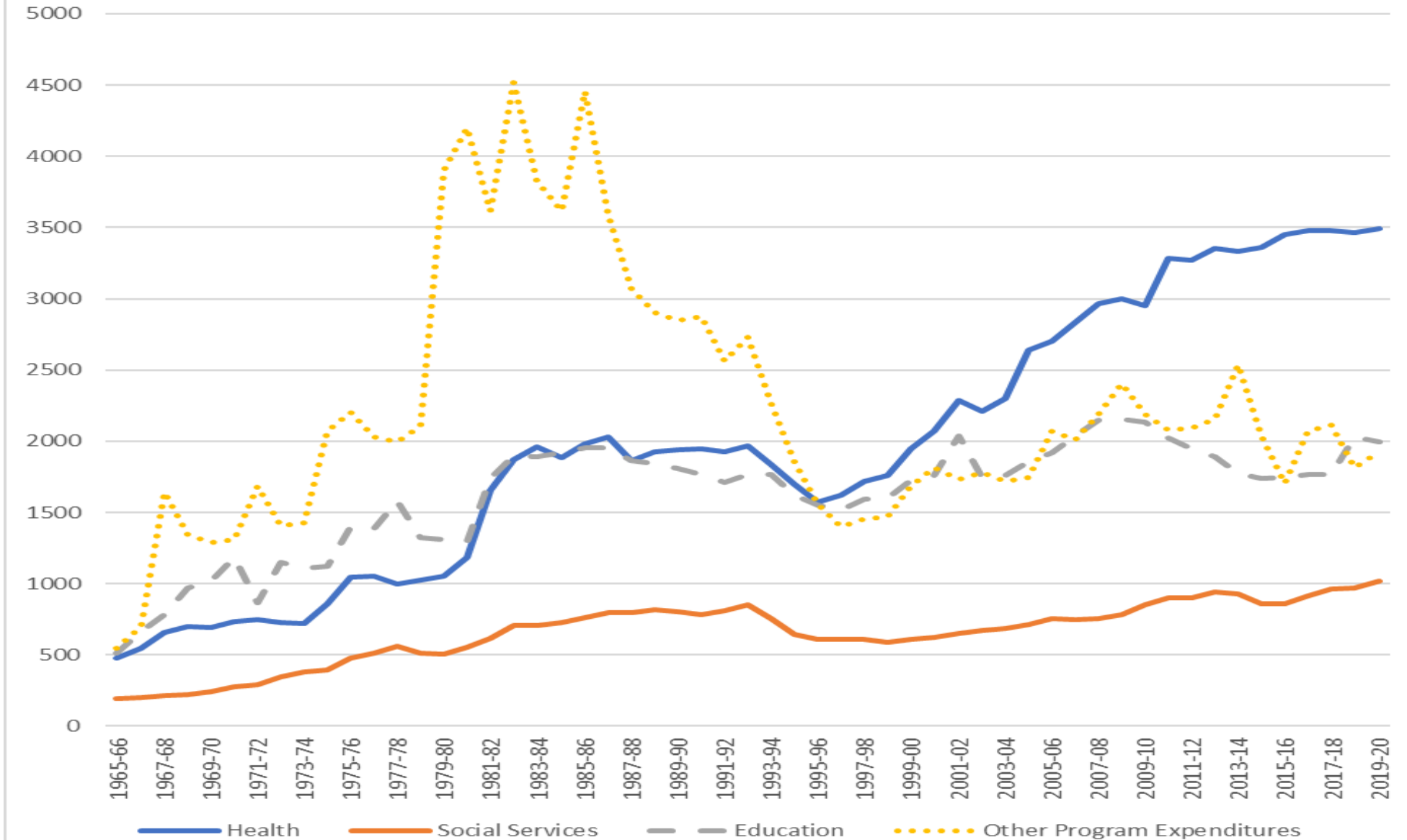


Figure 4.5 Percentage Change in Deficit due to Revenue or Expenditure: 1965/66-2019-20

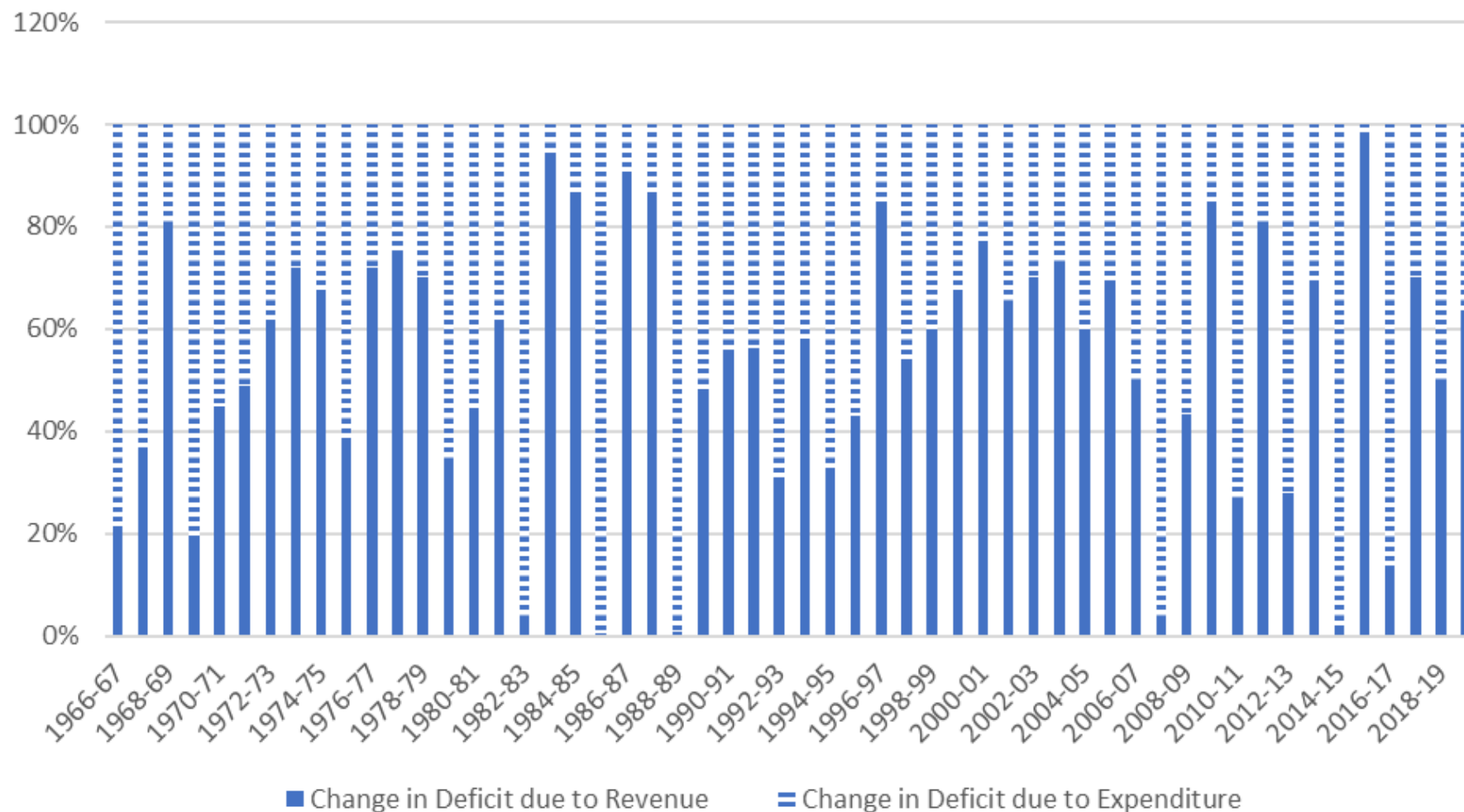
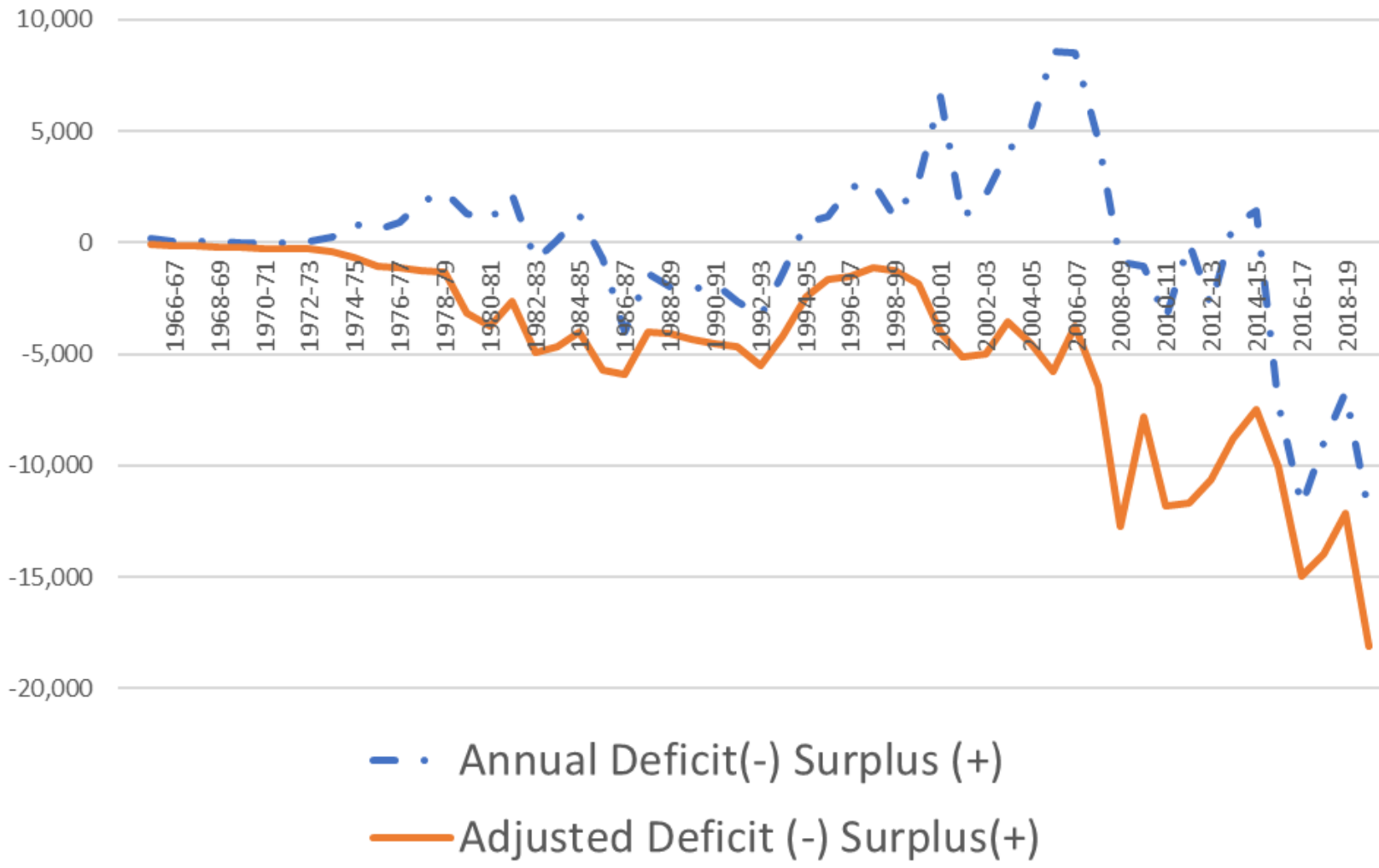
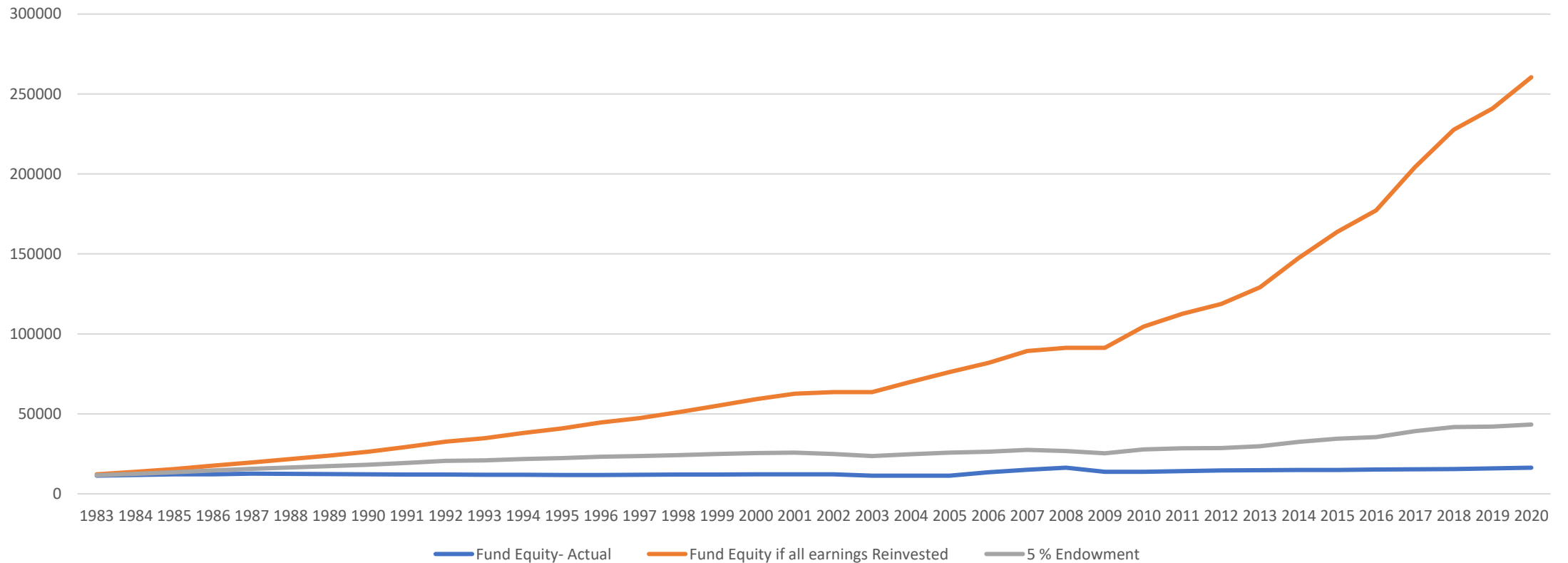


Figure 3.2- Annual Deficit/Surplus and Adjusted Deficit/Surplus
1965/66-2019/20



Lack of Savings- corrected chart

Value of Heritage Fund:
Actual, All Earnings Reinvested, 5 % Endowment Rule:
1983-2020



Poor investments

- Oil by Rail- \$2.1 billion estimate
- North-west Redwater Partnership- \$2.7B
- Keystone Excel? \$7.5 billion at risk
- Alberta Growth Mandate-(AHSTF) - \$500 million ?
- Trans Mountain \$2 billion loan guarantee backstop
- ATB?
- AIMCo?

5. Where do we go from here?

- Green investments?
- Artificial Intelligence- Machine Learning?
- Agriculture- value added?
- HST for Alberta?
- Get rid of Heritage Fund?

A green, rectangular sign with rounded corners and a white border, mounted on a metal pole. The sign features the word "Questions" in a large, white, sans-serif font. The background of the sign is a textured green. The sign is set against a bright blue sky with scattered white clouds. The pole is silver and appears to be made of metal.

Questions