Q3 Quarterly Economic Summary

Brought to you by Alberta Central's Chief Economist Charles St-Arnaud

ENERGY SECTOR

Global oil demand dropped by about 30% at the height of the restrictions on economic activity to prevent the spread of COVID-19, leading to a dramatic decline in the price of oil. Despite the many limitations being removed, oil demand is only recovering gradually.

GLOBAL OIL DEMAND DROPPED **30%**

ALBERTA'S OIL PRODUCTION IS **13%** BELOW 2019 LEVELS

Oil producers have cut production and reduced investment intentions for 2020. In Alberta, oil production is about 13% below its level of last year. With investment by oil producers at its lowest in decades.

LABOUR MARKET

The Alberta economy lost 360,000 jobs between February and April

FEBRUARY › APRIL	MAY › AUGUST
− 360,000	+ 200,000
Unemployment rate at a record	Unemployment rate
15.5%	**11.8%**

With the reopening of the economy, Alberta has regained 200,000 jobs between May and August However, the job recovery is lagging the rest of the country

The shock has been particularly important for women, part-time workers and younger cohorts.

THE COVID-19 PANDEMIC HAS BEEN A MAJOR SHOCK TO ALBERTA'S ECONOMY.

With measures to limit the spread of the virus and a decline in global energy demand we will see the worst recession in Alberta since the Great Depression.

HOUSING MARKET

After a major downturn in the spring and concern regarding the outlook, the housing market is proving to be resilient – rebounding faster than expected nationally and provincially.

The level of housing transactions are above their pre-COVID levels, likely due to pent up demand, low interest rate and the fact that many households have been barely affected or even better off now than pre-COVID,

Demand is stronger than the increase in new listing, leading to shortages in some markets and upside pressures on house prices.

Whether the strength remains will depend on the extent income-support programs remain in place and whether households start to feel some financial strains for persistently high unemployment.

INCREASE IN HOUSING DEMAND

HOUSEHOLDS

The high household indebtedness going into the pandemic meant **households were vulnerable to a decline in income,** especially from job losses.

Thanks to the considerable support to the economy provided by the government, **household disposable income, which includes transfer payments, has surged since the start of the pandemic** despite a sharp decline in employment income.

As a result of the increase in income, indebtedness levels fell to their lowest in a decade.

The increase income and the loan payment deferral programs led to a sharp reduction in the debt-service ratio and insolvencies with some households better off now than at the start of the pandemic.

A key question remains: what will happen once those support programs are gradually phased out, especially as the unemployment rate is expected to remain elevated. We are likely to see a decline in disposable income and a rise in consumer insolvencies, creating a headwind on the economic recovery.

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