

Economic Report Card – Medicine Hat – Q4 2016

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Executive Summary

Although regional employment expanded in 2016, Medicine Hat employment dropped slightly (300 persons) from 2015 levels. Despite province-wide retrenchments in the energy sector, regional construction remained strong, with only local housing construction activity and regional industrial building permits showing signs of weakness.

- 2015 population was up only 0.2% over 2014 with net inter-provincial migration slowing and net intra-provincial migration continuing to be negative. 2016 population will be released in mid-February 2017.
- Regional employment growth was positive in 2015 (up 5% over 2014) but decelerated in 2016 with Economic Region (ER) employment up 1.7% over 2015. During the same time period, Medicine Hat Census Agglomeration (CA) employment dropped 0.8% or 300 positions from 2015.
- ER Employment growth was strong in wholesale and retail trade, transportation and warehousing, finance, professional services, education, health care, information, culture and recreation industries and other services in 2016.
- Despite the weakening of the Medicine Hat labour market in 2016, local labour market performance was consistent with Calgary and the province overall.

Data below is for the Medicine Hat Census Agglomeration (CA)

Indicator	2014	2015	Chg	%Chg
Population (persons) July 1	84,046	84,184	138	0.2%
Net Migration (persons)	174	44	-130	-74.7%
Indicator	2015	2016	Chg	%Chg
Employment	38,500	38,200	-300	-0.8%
Unemployment	2,600	4,300	1,700	65.4%
Unemployment Rate (%)	6.3	10.1	3.8	60.3%
Participation Rate (%)	60.4	69.4	9.0	14.9%
Employment Rate (%)	56.6	62.4	5.8	10.2%

Data below is for the combined Medicine Hat/Lethbridge Economic Region (ER)

Indicator	December 2015	December 2016	Chg	%Chg	December 2015 ytd	December 2016 ytd	Chg	%Chg
Employment	149,600	147,600	-2,000	-1.3%	146,692	149,225	2,533	1.7%
Employment Agriculture	14,800	14,600	-200	-1.4%	17,867	13,042	-4,825	-27.0%
Employment Resource Extraction	6,000	6,800	800	13.3%	6,600	5,008	-1,592	-24.1%
Employment Construction	13,500	15,100	1,600	11.9%	14,033	13,925	-108	-0.8%
Employment Manufacturing	14,400	9,800	-4,600	-31.9%	13,450	9,775	-3,675	-27.3%
Employment Trade	18,600	19,900	1,300	7.0%	17,808	20,375	2,567	14.4%
Employment Transportation and warehousing	6,900	4,000	-2,900	-42.0%	6,408	7,650	1,242	19.4%

Indicator	December 2015	December 2016	Chg	%Chg	December 2015 ytd	December 2016 ytd	Chg	%Chg
Employment Finance, insurance, real estate and leasing	5,200	7,100	1,900	36.5%	5,025	6,925	1,900	37.8%
Employment Professional, scientific and technical services	6,800	6,100	-700	-10.3%	6,167	7,075	908	14.7%
Employment Business, building and other support services	4,100	4,600	500	12.2%	5,625	4,033	-1,592	-28.3%
Employment Educational services	12,000	8,600	-3,400	-28.3%	11,092	12,658	1,567	14.1%
Employment Health care and social assistance	21,300	20,500	-800	-3.8%	17,067	20,858	3,792	22.2%
Employment Information, culture and recreation	3,400	3,900	500	14.7%	2,775	3,792	1,017	36.6%
Employment Accommodation and food services	7,200	13,100	5,900	81.9%	9,558	9,108	-450	-4.7%
Employment Other services	6,900	7,500	600	8.7%	6,458	8,308	1,850	28.6%
Employment Public administration	7,300	5,400	-1,900	-26.0%	5,842	5,467	-375	-6.4%
Unemployment	9,100	10,100	1,000	11.0%	7,408	10,883	3,475	46.9%
Unemployment Rate (%)	5.7	6.4	0.7	12.3%	4.8	6.8	2.0	42.0%
Participation Rate (%)	68.9	68.6	-0.3	-0.4%	67.0	69.5	2.5	3.8%
Employment Rate (%)	64.9	64.2	-0.7	-1.1%	63.7	64.8	1.1	1.7%

Data below is for the Medicine Hat Census Agglomeration (CA)

Indicator	November 2015	November 2016	Chg	%Chg	November 2015 ytd	November 2016 ytd	Chg	%Chg
Housing Starts Total (Units)	9	13	4	44.4%	180	154	-26	-14.4%
Housing Starts Single (Units)	9	9	0	0.0%	140	97	-43	-30.7%
Housing Starts Semi-detached (Units)	0	4	4	100.0%	16	22	6	37.5%
Housing Starts Row (Units)	0	0	0	0.0%	8	7	-1	-12.5%
Housing Starts Apartment and other types (Units)	0	0	0	0.0%	16	28	12	75.0%

Data below is for the combined Medicine Hat/Lethbridge Economic Region (ER)

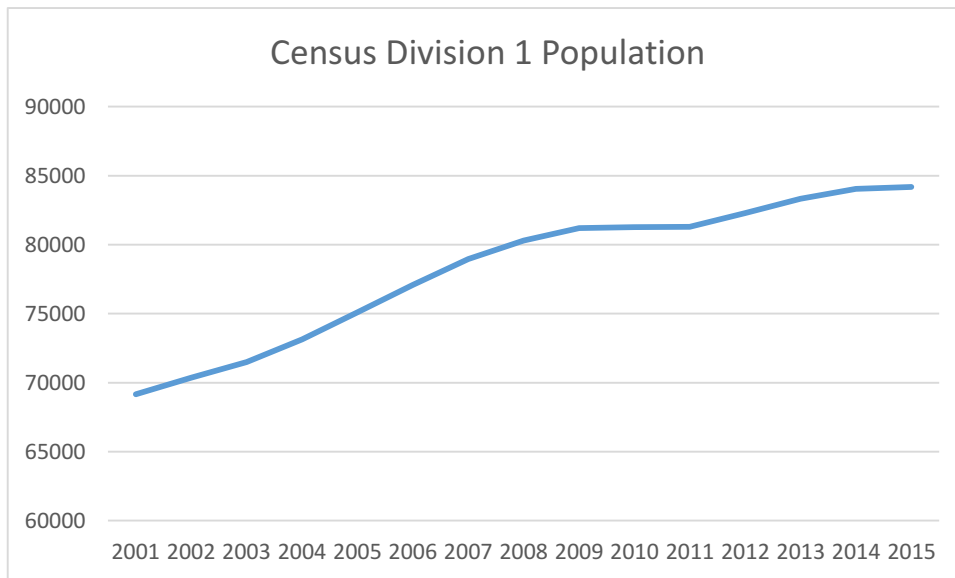
Indicator	November 2015	November 2016	Chg	%Chg	November 2015 ytd	November 2016 ytd	Chg	%Chg
Building Permits Total (\$000s)	27,071	61,713	34,642	128.0%	542,642	660,063	117,421	21.6%
Building Permits Residential (\$000s)	20,045	26,233	6,188	30.9%	241,385	258,117	16,732	6.9%
Building Permits Industrial (\$000s)	1,069	1,151	82	7.7%	30,886	23,828	-7,058	-22.9%
Building Permits Commercial (\$000s)	5,734	33,919	28,185	491.5%	125,539	194,369	68,830	54.8%
Building Permits Institutional and governmental (\$000s)	223	410	187	83.9%	144,832	183,749	38,917	26.9%

Sources: Statistics Canada Cansim Tables 026-0007, 027-0034, 051-0062, 051-0063, 282-0134, 282-0122, 282-0124

Analysis

Demographics

According to Statistics Canada, Alberta Census Division 1 population (the bulk of which is Medicine Hat) continues to grow, although at a slowing rate, rising from 69,151 on July 1, 2001 to 84,216 on July 1, 2015, a 21.7% increase. Census Division 1 population grew by 0.2% between 2014 and 2015. 2016 population will be released in mid-February 2017.



Source: Cansim 051-0062

Driving this increase until 2014/2015 was primarily surging in-migration. In 2014/2015 migration slackened dramatically, contributing to slowing overall population growth.

Components of population growth) Statistics Canada Table 051-0057)	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Immigrants	163	277	227	279	269
Emigrants	52	62	49	144	145
Returning emigrants	112	124	103	54	54
Net temporary emigration	17	18	14	35	36
Net interprovincial migration	-7	450	543	348	229
Net intraprovincial migration	-21	-284	-402	-309	-309
Net non-permanent residents	-236	165	258	136	-322

Source: Cansim 051-0062

Notable among in-migration between 2010 and 2014 has been net interprovincial migration, from -151 during 2009/2010 rising to 503 during 2013/2014 and net non-permanent migration rising from -1 to 103 during the same period. 2014/2015 saw a softer immigration (international

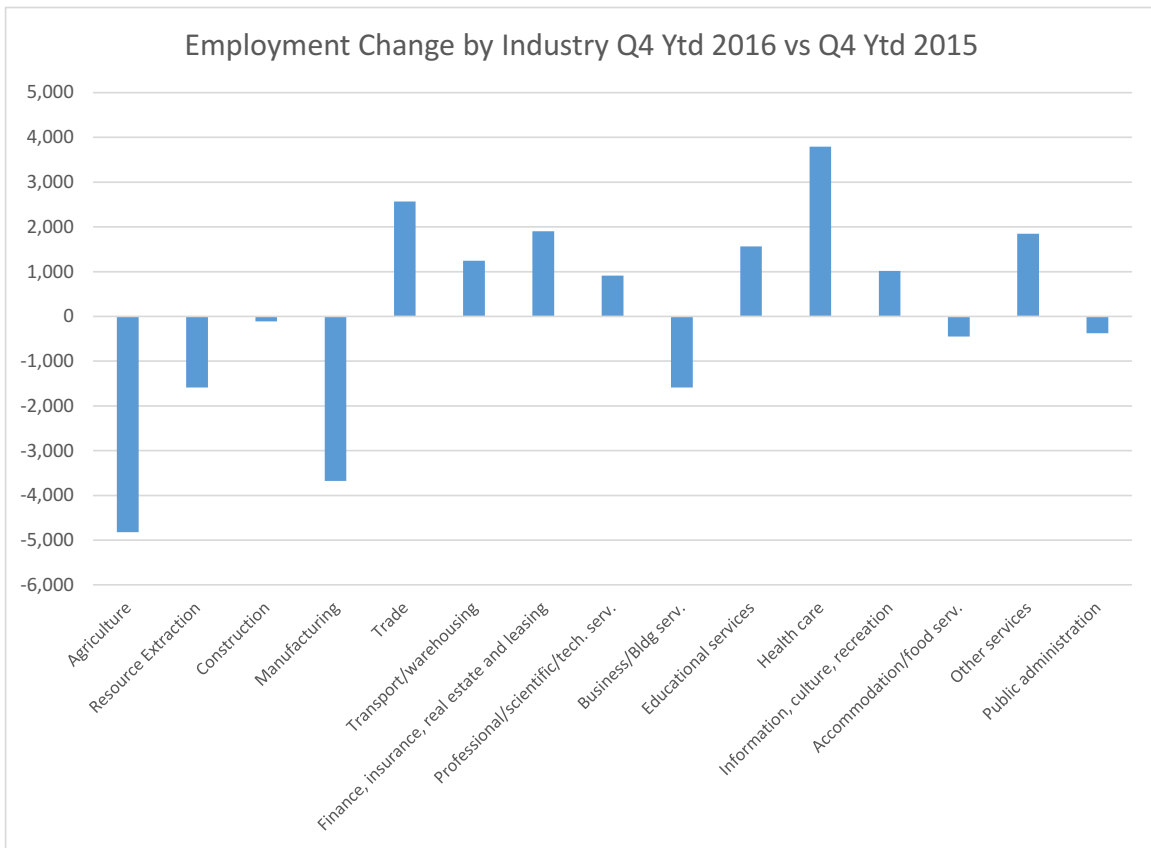
in-migration) declining net interprovincial net migration, and continued negative net intraprovincial migration.

Labour Market

It should be noted that only total summary annual labour market indicators are available for the Medicine Hat Census Agglomeration (CA). Monthly labour market indicators and industry detail are available only for the Lethbridge-Medicine Hat Economic Region (ER). These are shown as 3 month moving averages and seasonally unadjusted.

Key among the labour market indicators is the increase in the total number of people employed in the Medicine Hat CA. Employment growth was positive in 2014 (1.2%) but dropped sharply (8% or 3,400 positions) in 2015. This patterned slowed in 2016 with employment only dropping 300 persons or 0.8%.

The drop in oil prices beginning in the second half of 2014 was expected to impact resource employment, however, the largest drags on employment growth in 2016 were in agriculture and manufacturing (much of this energy related). Despite softness in these 2 industries other sectors more than offset these declines. ER employment growth was strong in wholesale and retail trade, transportation and warehousing, finance, professional services, education, health care, information, culture and recreation industries and other services pushing ER employment to 2,500 positions above 2015.



Source: Cansim 282-0124

The implications to local businesses of developments in the labour market are not all negative. In 2014 the Medicine Hat CA unemployment rate was unsustainably low at 3.9%. At higher levels of unemployment, employers have a larger available labour pool to draw from with less upward pressure on local wages.

Construction

Housing starts are available monthly for the Medicine Hat Census Agglomeration (CA). Monthly building permits by type are available for the Lethbridge-Medicine Hat Economic Region (ER).

Single starts in Medicine Hat in 2016 were largely responsible for 2016 total starts being 14.44% behind 2015 starts. Single starts were 30.7% (43 units) behind 2015 levels. At the same time, semi-detached starts were up 37.5% and apartments were up 75% over 2015.

However, despite weaknesses in total starts, total year-to-date building permits in the ER are up 21.6% over the first 11 months of 2015. The increase is wide ranging and across residential (+6.9%), commercial (+54.8%), and institutional and governmental permits (+26.9%). Only commercial permits (-22.9%) posted a decline over the same time period. The increase in residential permits, a leading indicator of housing starts, bodes well for home construction in early 2017.

Detailed Labour Market Analysis

Definitions

Employment: Employed persons are those who, during the reference week, did any work for pay or profit, or had a job and were absent from work.

Unemployment: Unemployed persons are those who, during reference week, were available for work and were either on temporary layoff, had looked for work in the past four weeks or had a job to start within the next four weeks.

Labour force: Civilian non-institutional population 15 years of age and over who, during the survey reference week, were employed or unemployed.

Unemployment rate: Number of unemployed persons expressed as a percentage of the labour force. The unemployment rate for a particular group (for example, age, sex, marital status) is the number of unemployed in that group expressed as a percentage of the labour force for that group.

Participation rate: Total labour force expressed as a percentage of the population aged 15 years and over. The participation rate for a particular group (for example, women aged 25 years and over) is the labour force in that group expressed as a percentage of the population for that group.

Employment rate (employment/population ratio): Number of employed persons expressed as a percentage of the population 15 years of age and over. The employment rate for a particular group (age, sex, marital status, province, etc.) is the number employed in that group expressed as a percentage of the population for that group.

Seasonal adjustment: Fluctuations in economic time series are caused by seasonal, cyclical and irregular movements. A seasonally adjusted series is one from which seasonal movements have been eliminated. Seasonal movements are defined as those which are caused by regular annual events such as climate, holidays, vacation periods and cycles related to crops, production and retail sales associated with Christmas.

While seasonal adjusted data allows month to month comparisons, it should be noted that these figures do not represent the actual number of individuals employed or unemployed. The more valid comparison is using the year-over-year change, comparing the raw data against the same month in a prior year.

Source: Statistics Canada, Guide to the Labour Force Survey. Catalogue no. 71-543-G

2016 in Review

Data below is for the Medicine Hat Census Agglomeration (CA):

Indicator	2015	2016	Chg	%Chg
Employment	38,500	38,200	-300	-0.8%
Unemployment	2,600	4,300	1,700	65.4%
Labour Force	41,100	42,500	1,400	3.4%
Unemployment Rate (%)	6.3	10.1	3.8	60.3%
Participation Rate (%)	60.4	69.4	9.0	14.9%
Employment Rate (%)	56.6	62.4	5.8	10.2%

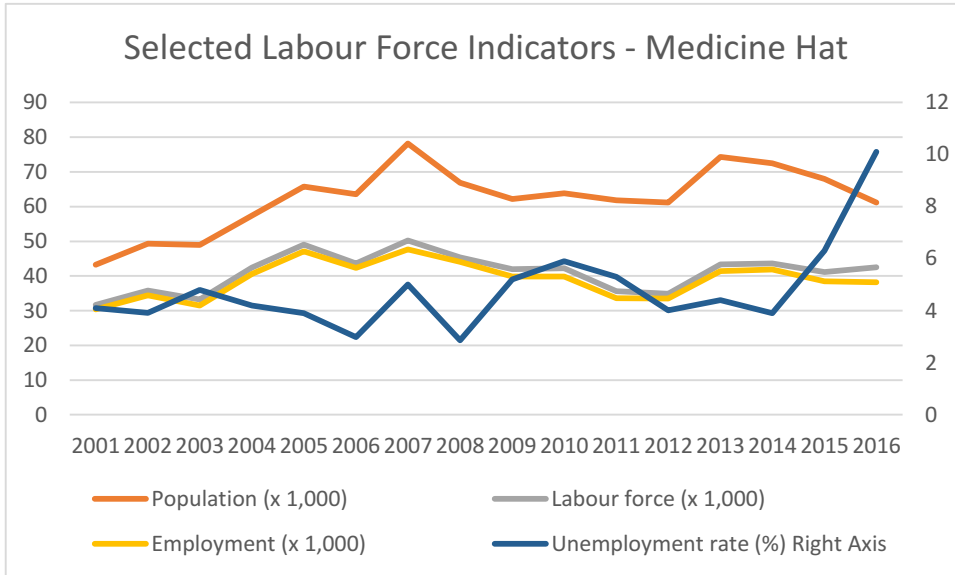
Source: Cansim 282-0134

During 2016, Medicine Hat Census (CA) employment dropped 0.8% or 300 positions from 2015. While this represents a significant slowdown from the decline experienced between 2014 and 2015 (-3,400), worrisome was the increase in the number of unemployed by 1,700, driving up the unemployment rate from 6.3% to 10.1%. In a small regional economy such as Medicine Hats' out-migration usually clears the labour market, keeping unemployment rates manageable. However, in 2016, with a lack of employment opportunities in the rest of the province, this did not occur. In addition, there was growth in the participation rate (ratio of those working and seeking work to the population of working age) as individuals remain confident in future employment prospects in Medicine Hat and have not either relocated or withdrawn from active job seeking.

2001 to 2016: Historical and Inter-City Perspective

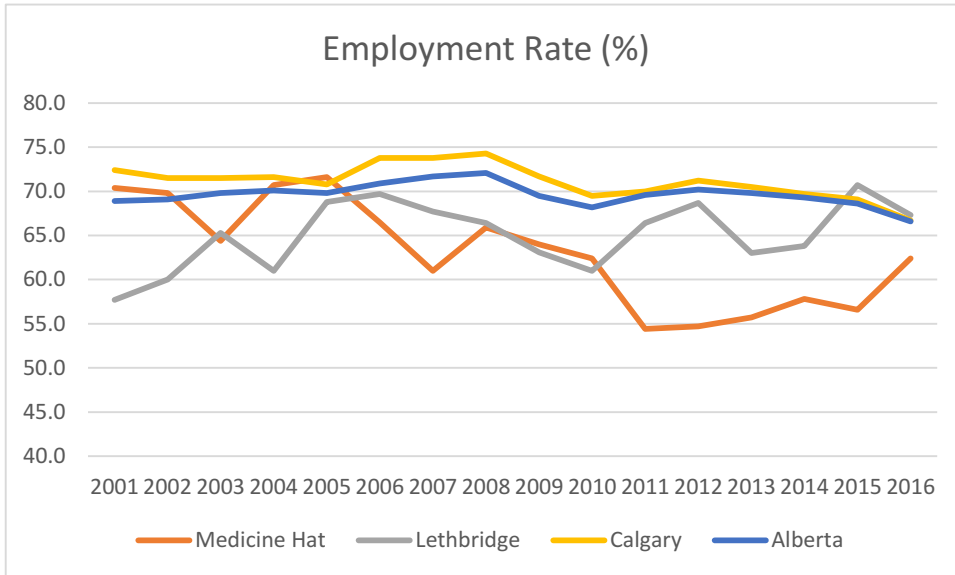
Medicine Hat's current labour force statistics need to be viewed in relation to historical labour force statistics to compare the significance of the current trends. As seen in the graph below, the unemployment rate rose significantly during 2008/2009 close to 6% and gradually dropped

back to a more reasonable level around 4% during the 2011 to 2014 period. The 2015 rise in the unemployment rate was within the bounds of recent historical variations, however, the 2016 experience was unprecedented in recent history as there remains a lack of opportunities elsewhere to spur outmigration of the unemployed.



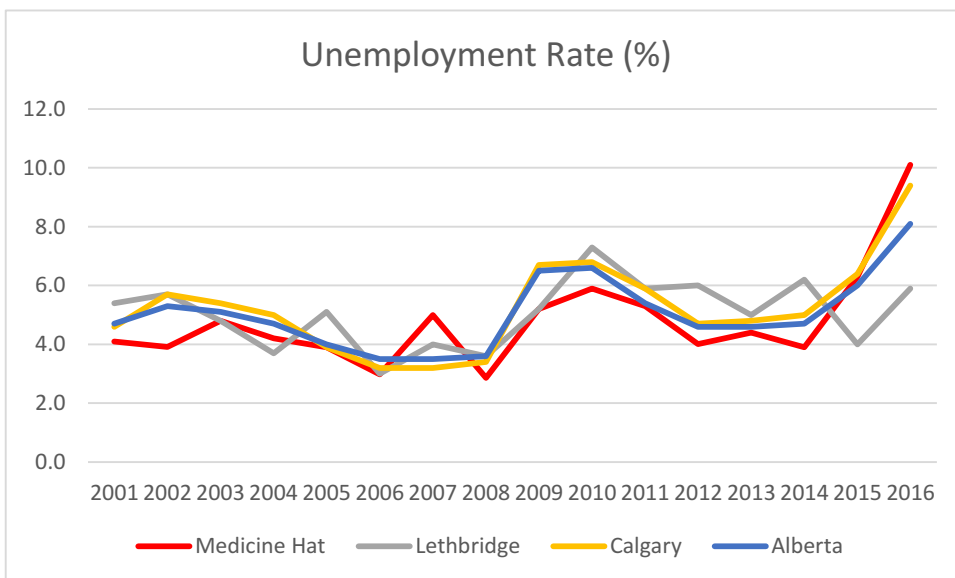
Source: Cansim 282-0134

Employment in Alberta (expressed as the employment rate) has been relatively stable from 2001 to 2015 with a notable decline over the 2008/2009 period and again in 2015/2016. Since 2001, employment in Calgary has moved in the same general directions, following the same patterns of declines in 2008/2009 and again in 2015/2016. However, during that time period both Lethbridge and Medicine Hat, as smaller markets, experienced higher degrees of variability. It should be noted that the 2015/2016 increase in the Medicine Hat employment rate was driven by both a weaker decline in employment and softness in the overall population figure.



Source: Cansim 282-0134, 2820129, 2820123, 2820129

Historically, as smaller markets, Medicine Hat and Lethbridge have experienced wider fluctuations in the unemployment rate than either Calgary or the province, as seen in the graph below. In addition, despite higher variability, during the 2001 through 2014 time period Medicine Hat experienced slightly lower unemployment rates than Lethbridge, Calgary or the province overall. This began to change in 2015 and carried through to 2016 when Medicine Hat’s unemployment rate topped the provincial rate and Calgary’s as weak local job growth and lack of opportunities elsewhere continued to place upward pressure on the unemployment rate.



Source: Cansim 282-0134, 2820129, 2820123, 2820129