



Economic Report Card
Fourth Quarter 2015

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Executive Summary

Although regional employment expanded in 2015, Medicine Hat employment slowed in the final quarter of the year. Despite province-wide weaknesses in the energy sector, local construction remained strong, with only housing construction activity showing signs of slowing.

- 2014 population was up 1.1% over 2013 on the strength of inter-provincial in-migration. 2015 population will be released in mid-February 2016.
- Regional employment growth was positive in 2014 (1.2%) and accelerated in 2015 with Economic Region (ER) employment up 5% over 2014. However, Medicine Hat Census Agglomeration (CA) employment dropped 8% or 3,400 positions from 2014.
- ER Employment growth was strong in construction, manufacturing, finance, professional services, education, health care, business, building and other support services and accommodation and food in 2015.
- Despite a slowing in housing starts, regional construction employment was up 24% in 2015 benefitting from advances in the value of total building permits issued.
- Although the Medicine Hat labour market weakened in 2015 it remained consistent to Calgary and the province overall.

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

Indicator	2013	2014	Chg	%Chg
Population (persons) July 1	83,328	84,216	888	1.1%
Net Migration (persons)	318	303	-15	-4.7%
Indicator	2014	2015	Chg	%Chg
Employment	41,900	38,500	-3,400	-8.1%
Unemployment	1,700	2,600	900	52.9%
Unemployment Rate (%)	3.9	6.3	2.4	61.5%
Participation Rate (%)	60.1	60.4	0.3	0.5%
Employment Rate (%)	57.8	56.6	-1.2	-2.1%

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

Indicator	December 2014	December 2015	Chg	%Chg	December 2014 ytd	December 2015 ytd	Chg	%Chg
Employment	147,300	149,600	2,300	1.6%	139,717	146,692	6,975	5.0%
Employment Agriculture	23,100	14,800	-8,300	-35.9%	22,492	17,867	-4,625	-20.6%
Employment Resource Extraction	7,500	6,000	-1,500	-20.0%	7,250	6,600	-650	-9.0%
Employment Construction	11,100	13,500	2,400	21.6%	11,333	14,033	2,700	23.8%
Employment Manufacturing	8,100	14,400	6,300	77.8%	9,208	13,450	4,242	46.1%
Employment Trade	18,700	18,600	-100	-0.5%	21,058	17,808	-3,250	-15.4%
Employment Transportation and warehousing	8,700	6,900	-1,800	-20.7%	7,242	6,408	-833	-11.5%

Indicator	December 2014	December 2015	Chg	%Chg	December 2014 ytd	December 2015 ytd	Chg	%Chg
Employment Finance, insurance, real estate and leasing	5,700	5,200	-500	-8.8%	4,442	5,025	583	13.1%
Employment Professional, scientific and technical services	5,400	6,800	1,400	25.9%	4,933	6,167	1,233	25.0%
Employment Business, building and other support services	5,000	4,100	-900	-18.0%	3,933	5,625	1,692	43.0%
Employment Educational services	7,100	12,000	4,900	69.0%	6,567	11,092	4,525	68.9%
Employment Health care and social assistance	14,300	21,300	7,000	49.0%	13,850	17,067	3,217	23.2%
Employment Information, culture and recreation	5,400	3,400	-2,000	-37.0%	5,150	2,775	-2,375	-46.1%
Employment Accommodation and food services	6,800	7,200	400	5.9%	8,192	9,558	1,367	16.7%
Employment Other services	7,100	6,900	-200	-2.8%	6,667	6,458	-208	-3.1%
Employment Public administration	6,700	7,300	600	9.0%	6,892	5,842	-1,050	-15.2%
Unemployment	4,100	7,200	3,100	75.6%	5,800	7,408	1,608	27.7%
Unemployment Rate (%)	2.7	4.6	1.9	70.4%	4.0	4.8	0.8	19.8%
Participation Rate (%)	66.0	67.3	1.3	2.0%	63.7	67.0	3.3	5.2%
Employment Rate (%)	64.2	64.2	0.0	0.0%	61.1	63.7	2.6	4.3%

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

Housing Starts Total (Units)	20	10	-10	-50.0%	273	190	-83	-30.4%
Housing Starts Single (Units)	13	6	-7	-53.8%	196	146	-50	-25.5%
Housing Starts Semi-detached (Units)	4	0	-4	-100.0%	22	16	-6	-27.3%
Housing Starts Row (Units)	3	0	-3	-100.0%	15	8	-7	-46.7%
Housing Starts Apartment and other types (Units)	0	4	4	100.0%	40	20	-20	-50.0%

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

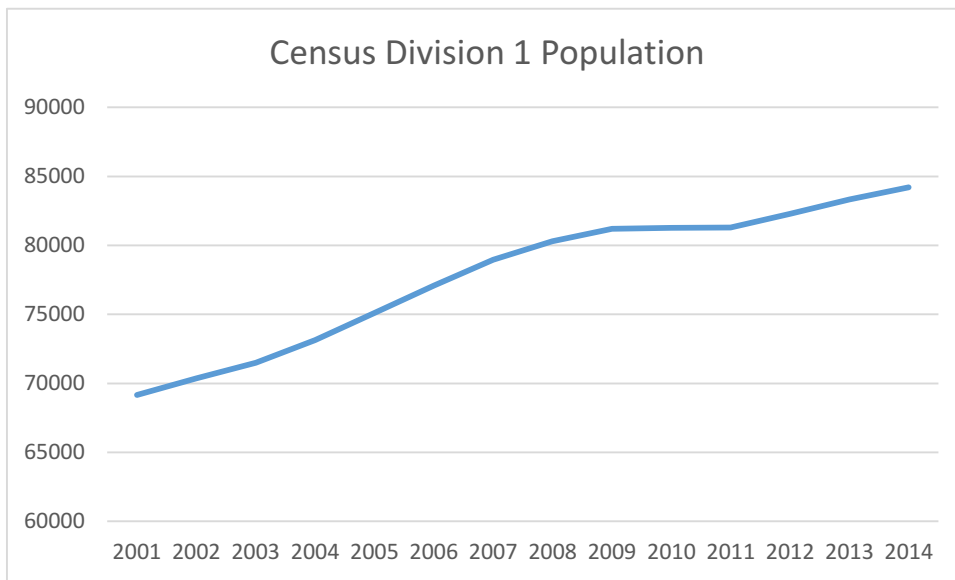
Indicator	November 2014	November 2015	Chg	%Chg	November 2014 ytd	November 2015 ytd	Chg	%Chg
Building Permits Total (\$000s)	20,891	27,071	6,180	29.6%	510,638	542,642	32,004	6.3%
Building Permits Residential (\$000s)	16,027	20,045	4,018	25.1%	218,027	241,385	23,358	10.7%
Building Permits Industrial (\$000s)	514	1,069	555	108.0%	25,886	30,886	5,000	19.3%
Building Permits Commercial (\$000s)	3,213	5,734	2,521	78.5%	155,764	125,539	-30,225	-19.4%
Building Permits Institutional and governmental (\$000s)	1,137	223	-914	-80.4%	110,961	144,832	33,871	30.5%

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 post impressive gains, rising from 69,151 on July 1, 2001 to 84,216 on July 1, 2014, a 21.8% increase. The Palliser region's population was estimated at 117,595 in 2014, a 13% increase from 2004. The region accounts for 2.9% of Alberta's population. The largest municipality in the Palliser Region is Medicine Hat with a population of 64,240, a 15% increase from 2004. Redcliff, with a population of 5,997, was the fastest growing municipality with a 23% increase from 2004.



Driving this increase has been primarily surging in-migration.

Components of population growth) Statistics Canada Table 051-0057)	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Immigrants	263	163	277	227	252
Emigrants	66	52	60	50	50
Returning emigrants	117	112	124	106	106
Net temporary emigration	24	17	18	15	15
Net interprovincial migration	-151	-7	450	543	503
Net intraprovincial migration	-168	-21	-284	-402	-402
Net non-permanent residents	-1	-236	163	248	103

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.

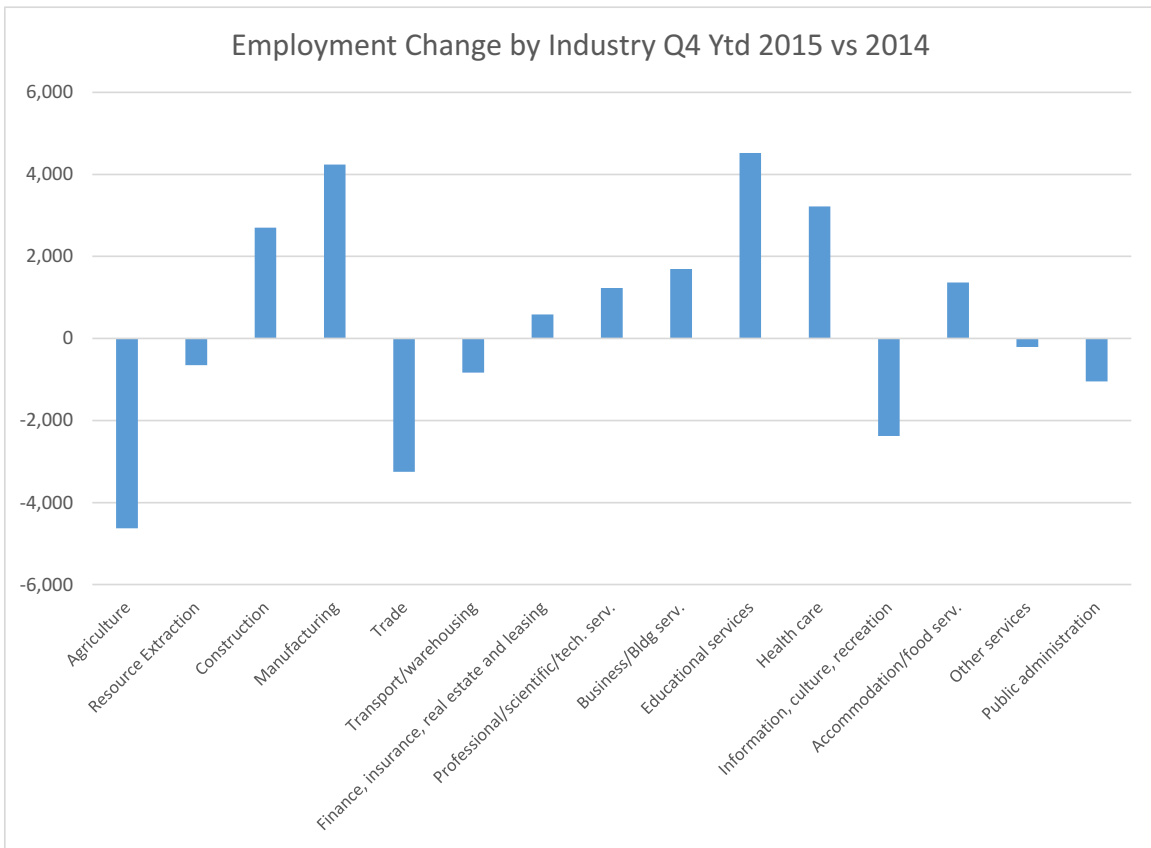
2015 population estimates are expected to be released in mid-February 2016.

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.

Although a drop in oil prices beginning in the second half of 2014 was expected to impact resource employment, the largest drags on employment growth were retail and wholesale trade and agricultural employment. Despite softness in agriculture and resources, other sectors more than offset this slowdown. ER employment growth was strong in construction, manufacturing, education, and health care pushing ER employment to almost 7,000 positions above 2014.



The implications to local businesses of industry shifts in employment are obvious. The decline in agricultural employment is weather related and resource sector employment declines were anticipated. Declines in retail sector employment are being experienced throughout North America with the growth of on-line retail. However, substantial business opportunities remain in manufacturing, education, health-care, and, to lesser extent, construction.

However, a loosening of the tight labour market has some positives. In 2014 the Medicine Hat CA unemployment rate was unsustainably low at 3.9%. At 6.3% in 2015 with an additional 900 unemployed, employers had a slightly 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 only for the Lethbridge-Medicine Hat Economic Region (ER).

Single detached starts in Medicine Hat in 2015 were slightly behind (50 units) 2014 levels. While total starts are down relative to 2014, construction in 2014 received a temporary boost benefitted from a 40 unit condo/apartment project.

However, despite weaknesses in total starts, total year-to-date building permits in the ER are up 6.3% over the 11 months of 2014. The increase is wide ranging and across residential (+10.7%), industrial (+19.3%), and institutional and governmental permits (+30.5%). Only commercial permits posted a decline (-19.4%).

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 allow month to month comparisons, it should be noted that these figures do not represent the actual number of individual 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

2015 in Review

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

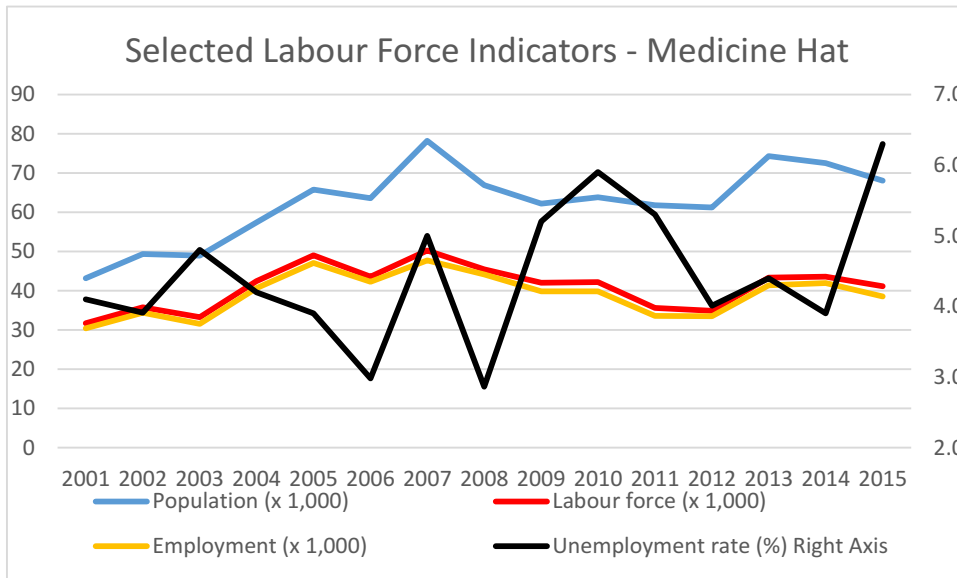
Indicator	2014	2015	Chg	%Chg
Employment	41,900	38,500	-3,400	-8.1%
Unemployment	1,700	2,600	900	52.9%
Labour Force	43,600	41,100	-2,500	-5.7%
Unemployment Rate (%)	3.9	6.3	2.4	61.5%
Participation Rate (%)	60.1	60.4	0.3	0.5%
Employment Rate (%)	57.8	56.6	-1.2	-2.1%

The most concerning indicator in the labour market is the 3,400 person drop in total employment. At the same time, 900 more people were unemployed and the labour force contracted by 2,500. While there was growth in the participation rate there were modest retrenchment employment rates (ratio of those working and seeking work to the population of working age and ratio of employment to total population, respectively). Possible explanations are that individuals remain confident in future employment prospects in Medicine Hat and have not either relocated or withdrawn from active job seeking.

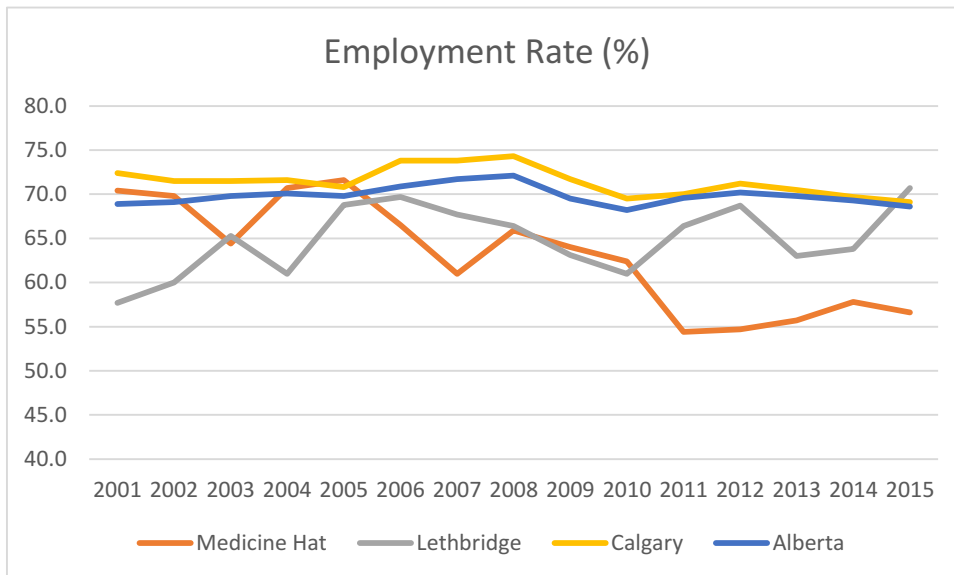
2001 to 2015: Historical and Inter-City Perspective

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 unemployment is expected to be less severe than some of the previous historical variations.



Employment in Alberta overall has been relatively stable from 2001 to 2015 with the largest decline over the 2008/2009 period. Statistics show employment in Calgary to be very similar to employment in the province overall from 2001 through 2015. However, during that time period both Lethbridge and Medicine Hat, as smaller markets, experienced higher degrees of variability.



Although the province overall and Calgary experience similar rises and declines in the unemployment rate, Medicine Hat and Lethbridge have experienced wider fluctuations as seen

in the graph below. In addition, despite higher variability, Medicine Hat experienced slightly lower unemployment rates than Lethbridge, Calgary or the province overall during the 2001 through 2014 period with 2015 as an anomaly.

