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INVEST
→ MEDICINE HAT ←

ECONOMIC REPORT CARD

Quarter 2 (April 1 - June 30, 2017)





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EXECUTIVE SUMMARY

The 2016 pattern of continued job losses has reversed itself in the first half of 2017 as June 2017 Medicine Hat Census Agglomeration (CA) year to date employment grew by 4,517 or 11.8% over the same period in 2016.

- Within the Medicine Hat CA, there was also a drop in the number of unemployed by 1,100 from 4,100 in Q2 ytd 2016 to 3,033 in Q2 ytd 2017. There was also a corresponding decrease in the unemployment rate dropping from 9.7% to 6.6% during the same time period.
- 2016 population was up 0.6% over 2015 largely on the strength of international in-migration. Net inter-provincial migration slowed and net intra-provincial migration continued to be negative. 2017 population will be released in mid-February 2018.
- Economic Region (ER) employment growth was strong in agriculture, resource extraction, construction, business and building services, health care, and accommodation and food services. Softness was observed in transportation and warehousing, education, and, to a lesser extent, finance, insurance, real estate and leasing, professional services, information, culture and recreation, education, other services, and manufacturing (much of this energy related).
- Construction indicators presented a mixed bag of results with housing starts down over 2016 but building permits, a leading indicator of construction activity, up over last year.

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

Indicator	2015	2016	Chg	%Chg
Population (persons) July 1	84,576	85,081	505	0.6%
Net Migration (persons)	399	156	-243	-60.9%
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%

Indicator	June 2016	June 2017	Chg	%Chg	June 2016 ytd	June 2017 ytd	Chg	%Chg
Employment	37,100	42,200	5,100	13.7%	38,150	42,667	4,517	11.8%
Unemployment	5,400	2,000	-3,400	-63.0%	4,100	3,033	-1,067	-26.0%
Unemployment Rate (%)	12.7	4.5	-8.2	-64.6%	9.7	6.6	-3.1	-31.7%
Participation Rate (%)	71.3	67.9	-3.4	-4.8%	71.5	69.2	-2.3	-3.3%
Employment Rate (%)	62.2	64.8	2.6	4.2%	64.6	64.5	0.0	-0.1%

Indicator	June 2016	June 2017	Chg	June 2016 ytd	June 2017 ytd	Chg	%Chg
Housing Starts Total (Units)	10	13	3	65	47	-18	-27.7%
Housing Starts Single (Units)	8	11	3	53	35	-18	-34.0%
Housing Starts Semi-detached (Units)	2	2	0	8	8	0	0.0%
Housing Starts Row (Units)	0	0	0	0	0	0	100.0%
Housing Starts Apartment and other types (Units)	0	0	0	4	4	0	0.0%

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

Indicator	June 2016	June 2017	Chg	June 2016 ytd	June 2017 ytd	Chg	%Chg
Employment Agriculture	11,800	15,700	3,900	12,567	13,233	667	5.3%
Employment Resource Ex- traction	2,900	8,200	5,300	4,317	7,400	3,083	71.4%
Employment Construction	13,800	12,800	-1,000	12,833	14,467	1,633	12.7%
Employment Manufacturing	8,300	9,700	1,400	10,050	9,567	-483	-4.8%
Employment Trade	20,200	21,100	900	19,900	19,800	-100	-0.5%
Employment Transportation and warehousing	9,600	7,400	-2,200	9,050	5,150	-3,900	-43.1%
Employment Finance, insurance, real estate and leasing	6,200	4,300	-1,900	6,617	5,567	-1,050	-15.9%
Employment Professional, scien- tific and technical services	7,600	6,300	-1,300	6,767	6,467	-300	-4.4%
Employment Business, building and other support services	4,000	3,700	-300	3,650	4,200	550	15.1%
Employment Educational services	16,400	10,400	-6,000	13,850	9,583	-4,267	-30.8%
Employment Health care and social assistance	21,000	23,900	2,900	22,150	22,800	650	2.9%
Employment Information, culture and recreation	4,100	2,000	-2,100	3,000	2,667	-333	-11.1%
Employment Accommodation and food services	8,400	7,900	-500	8,267	11,083	2,817	34.1%
Employment Other services	8,300	6,500	-1,800	8,183	7,200	-983	-12.0%
Employment Public adminis- tration	5,300	6,000	700	5,167	5,033	-133	-2.6%

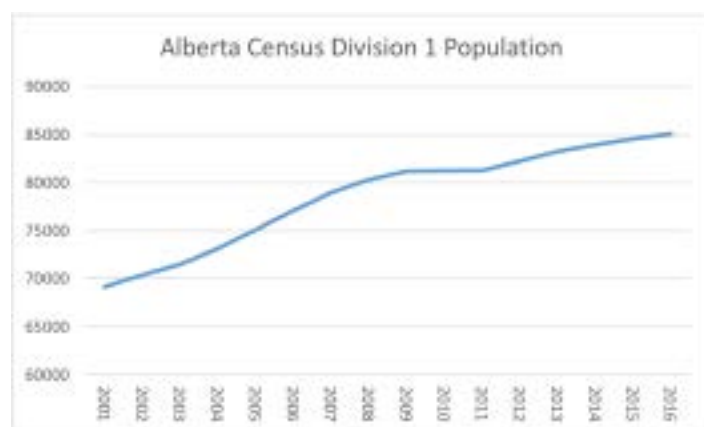
Indicator	June 2016	June 2017	Chg	June 2016 ytd	June 2017 ytd	Chg	%Chg
Building Permits Total (\$000s)	57,174	55,543	-1,631	262,112	431,100	168,988	64.5%
Building Permits Residential (\$000s)	23,303	31,200	7,897	125,103	129,194	4,091	3.3%
Building Permits Industrial (\$000s)	1,726	6,130	4,404	15,621	24,361	8,740	56.0%
Building Permits Commercial (\$000s)	6,404	4,701	-1,703	48,882	65,032	16,150	33.0%
Building Permits Institutional and governmental (\$000s)	25,741	13,512	-12,229	72,506	212,513	140,007	193.1%

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. Population increased by 23%, rising from 69,151 on July 1, 2001 to 85,081 on July 1, 2016. Census Division 1 population grew by 0.6% between 2015 and 2016. 2017 population will be released in mid-February 2018.



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. 2015/2016 saw negative net inter-provincial migration with only international migration (Immigrants) remaining positive.



Components of population growth) Statistics Canada Table 051-0063)	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Immigrants	277	227	279	387	562
Emigrants	62	49	149	56	56
Returning emigrants	125	108	62	106	106
Net temporary emigration	18	14	36	16	16
Net interprovincial migration	450	543	348	296	-122
Net intraprovincial migration	-284	-402	-309	-228	-228
Net non-permanent residents	59	210	112	-276	-144

Source: Cansim 051-0063

Notable among in-migration between 2011 and 2016 has been net interprovincial migration, dropping steadily from 543 in 2012/2013 to -122 in 2015/2016. During the same period international immigration grew from 227 to 562 with only modest offsetting emigration, proving to be the largest contributor to population growth, ahead of natural increase (births less deaths).

LABOUR MARKET

Note that only total summary monthly and annual labour market indicators are available for the Medicine Hat Census Agglomeration (CA). Monthly 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 but dropped sharply (8% or 3,400 positions) in 2015. This pattern continued but at a slowing rate in 2016 with employment only dropping 300 persons or 0.8%. This trend has reversed itself in the first half of 2017 as June 2017 CA year to date employment grew by 4,517 or 11.8% over the same period in 2016.

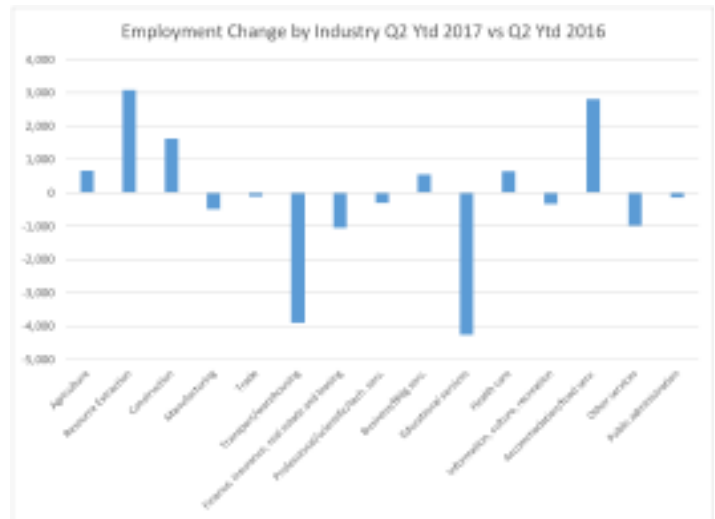
The drop in oil prices beginning in the second half of 2014 was expected to impact resource employment, however, the largest drags on employment growth in the first half of 2017 were in transportation and warehousing, education, and, to a lesser extent, finance, insurance, real estate and leasing, professional services, information, culture and recreation, education, other services, and manufacturing (much of this energy related). Despite softness in these industries, ER employment growth was strong in agriculture, resource extraction, construction, business and building services, health care, and accommodation and food services.

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).

Most categories of housing starts are behind 2016 levels so far in 2017. Single starts are 27.7% (18 units) behind 2016 levels. At the same time, semi-detached starts, row units, and apartments all remain at 2016 levels.

However, despite weaknesses in total starts, total year-to-date building permits in the ER are up 64.5% over the first 6 months of 2016. The increase is wide ranging with residential (+3.3%), industrial (+56%), commercial (+33%) and institutional and governmental permits (+193.1%) outstripping 2016 levels.



Source: Cansim 282-0124

Within the Medicine Hat CA, there was also a drop in the number of unemployed by 1,100 from 4,100 in Q2 ytd 2016 to 3,033 in Q2 ytd 2017. There was also a corresponding decrease in the unemployment rate dropping from 9.7% to 6.6% during the same time period.



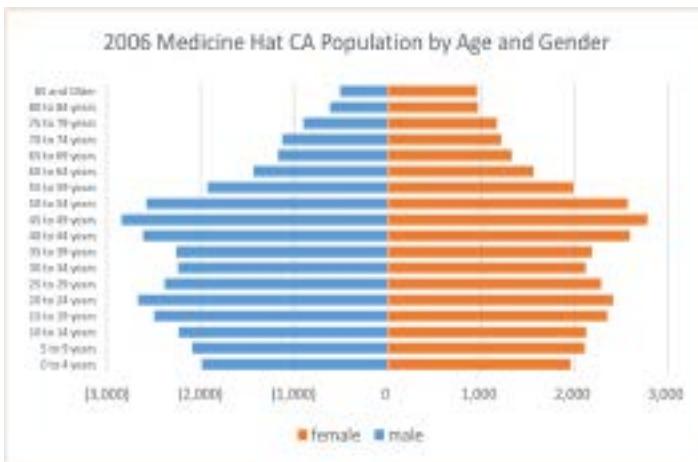
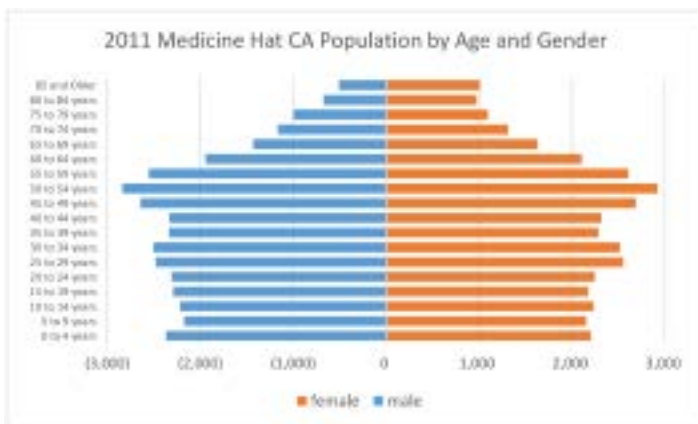
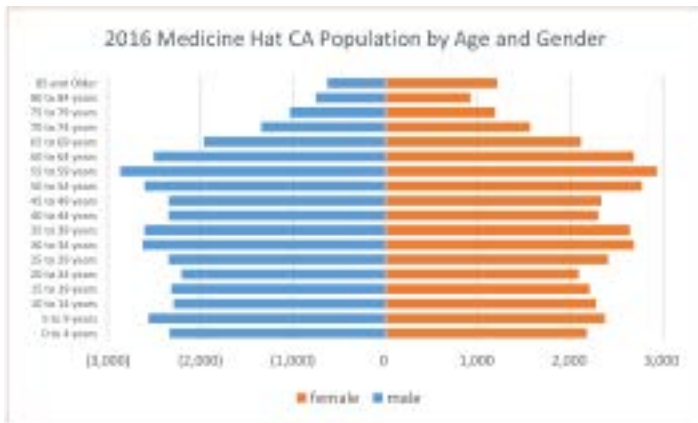
DEMOGRAPHIC ANALYSIS

2006 TO 2016

On May 3, 2017 Statistics Canada released age and sex breakdowns of the 2016 Census population. This data display distributions by broad age groups for various levels of geography, for example Canada, provinces and territories, census metropolitan areas, census agglomerations and census subdivisions. With the release of this data it is possible to prepare an updated population pyramid for the Medicine Hat Census Agglomeration. A population pyramid, also called an age pyramid or age picture, is a graphical illustration that shows the distribution of various age groups in a population (typically that of a country or region), which forms the shape of a pyramid when the population is growing. This tool can be used to visualize sex and age composition of a particular population. It is also used in ecology to determine the overall age distribution of a population which is an indication of reproductive capabilities and likelihood of the continuation of a species.

Population pyramids typically contain continuous stacked-histogram bars. The population size is depicted on the x-axis (horizontal), and age-groups on y-axis (vertical). Males are conventionally shown on the left and females on the right, and they may be measured by raw number or as a percentage of the total population. Population pyramids are often viewed as the most effective way to graphically depict the age and sex distribution of a population.





Analysis

Population change is a key component in determining economic outcomes. Medicine Hat's demographics have been changing over time and demographic changes, occurring at the national level, are, most likely, not directly applicable to the Region. This section highlights changes in Medicine Hat's demographics

Medicine Hat's Age and Gender structure continues to evolve with the overall population growing by 11.2%, between 2006 and 2016. This generally implies more persons in the various age and gender groups, however, on a percent distribution basis, there have been changes in the composition of the region's age and gender makeup. The Regions' Population Pyramid, comparing the percent shares by single years of age and gender between 2006 and 2016, highlights the changes that have occurred in the last ten years.

Over the last ten years, there was a small reduction in the concentration of persons aged 19 and under, moving from 25.2% to 24.2%. This also occurred for 20 to 64 year olds (the working age population) which moved from 60.3% to 59.2%. Meanwhile the concentration of those aged 65+ moved from 14.5% to 16.6%. Overall the average/median age of the population was 38.3 years in 2006 versus 40.5 years in 2016.

Baby Boomers, born in 1947 to 1966, currently aged 50 to 69, were the result of a sudden rise in birth rates following WWII. Boomers are currently an important topic due to the economic and social impacts of their retirement and ageing and moved from 21.2% to 26.7% of total population since 2006.

Generation X, born in 1967 to 1979, now aged 37 to 49, are comprised of the "baby bust" group. This group moved from 22.2% to 19% of the total regional population over the last 10 years.

Generation Y, born in 1980 to 1995, currently 21 to 36, includes the children of the boomer generation and are often referred to as "Millennials". This "echo of boom" is smaller than the boomer generation and moved from 20.5% of the total population in 2006 to 18.8% in 2016.

Generation Z born after 1996 and now aged 0 to 20, were born after the advent of the World Wide Web and into an age of advanced consumer technology. This population, as noted above, moved from 25.2% to 24.2% of total population in the Region over the last 10 years.

Implications for Business

The on-going ageing of the Region's population is expected to have significant consequences as a large population cohort, the Boomers, leaves the labour force. Even though participation rates of older Regional residents can be expected to rise over time, they will still be significantly lower than those of younger people. As baby boomers age, they will contribute to proportionately fewer people participating in the labour force. This will cause a decline in the overall participation rate for the Region, unless working age population is replaced by in-migration which to some extent is already occurring through inter-national in-migration.

Over the next decade, and beyond, the Region can expect a growing senior as well as an increasing ethnically diverse population. Changes in these 2 important demographics represent a number of challenges but also significant long term marketing opportunities. An ageing population could lead to a shortage of workers and push up wages causing wage inflation. Alternatively, firms may have to respond by encouraging more people to enter the workforce, through offering flexible working practices. An increase in the numbers of retired people will create a bigger market for goods and services linked to older people (e.g. retirement homes). The ageing population is both an economic challenge and a business opportunity. Companies need to tailor their marketing strategies to be more inclusive of all ages. Those businesses that adapt to population ageing will succeed. Potential business opportunities include:

- Activity holidays. Baby boomers are likely the only age group to increase the average number of holidays they take every year. Demand is growing for activity-based trips (golf, etc).
- The fitness industry is also poised to capture the opportunity that the 65+ market presents.
- With the 65+ now owning considerable housing wealth, older people are key players in the property market. This includes downsizing, vacation properties, cottages, retirement villages, private care services, and care-provider services.
- The financial services industry can become the largest beneficiary of all, providing products such as pensions, insurance and equity release.

International in-migrants tend to be younger than the general population and have larger families. In addition, they tend to cluster in large cities. However, second and third generation migrants also seem to be shifting towards suburbs and semi-rural locations. From a more encompassing, economic point of view, migrants contribute to the prosperity of their host countries, helping fill employment gaps when necessary and rejuvenating ageing populations and workforces. This, along with ethnic minority consumers' rising incomes, is positively impacting shopping behaviour within host countries. A successful economic development strategy should accommodate increased population diversity by providing products and services in appropriate, easily understood languages.



