



Economic Report Card Medicine Hat – Q4 2018

October 1 - December 31, 2018

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Executive Summary

While 2017 saw a complete reversal of the job losses experienced in 2015 and 2016, Medicine Hat Census Agglomeration (CA) annual 2018 employment dropped below 2015 levels to 35,700 or 10.8% from 2017. By way of comparison, 2016 CA employment dropped by 300 or 0.8% over the previous year and 2015 employment dropped by 3,400 positions or 3.4% from 2014. Despite this setback a number of positive developments did occur in 2018.

- 2017 population was up 0.1% or 50 persons amid slowing international in-migration.
- Economic Region (ER), which includes Lethbridge, employment growth was strong in resource extraction, construction, transportation and warehousing, finance, insurance, real estate and leasing, business and building services, educational services, Information, culture, and recreation, accommodation and food services, and other services in 2018.
- 2018 total housing starts are more than double 2017 figures (up by 206 units or 147.1%) on the strength of a 219 unit increase in apartment construction and a 12 unit increase in row starts.
- Building permits, a leading indicator of construction activity, are up 24.2% over 2017 with industrial permits increasing by \$30.6 million or almost 700%.

Medicine Hat Census Agglomeration (CA)

Indicator	2016	2017	Chg	%Chg
Population (persons) July 1	84,482	84,532	50	0.1%
Net Migration (persons)	-126	-241	-115	91.3%

Indicator	2017	2018	Chg	%Chg
Employment	40,000	35,700	-4,300	-10.8%
Unemployment	2,600	2,300	-300	-11.5%
Unemployment Rate (%)	6.1	6.1	0.0	0.0%
Participation Rate (%)	66.4	61.4	-5.0	-7.5%
Employment Rate (%)	62.3	57.7	-4.6	-7.4%

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

Indicator	Dec 2017	Dec 2018	Chg	%Chg	Dec 2017 ytd	Dec 2018 ytd	Chg	%Chg
Employment Agriculture	13,900	12,700	-1,200	-8.6%	14,358	10,867	-3,492	-24.3%
Employment Resource Extraction	7,400	7,800	400	5.4%	7,558	7,700	142	1.9%
Employment Construction	13,200	14,900	1,700	12.9%	13,525	16,158	2,633	19.5%
Employment Manufacturing	12,100	11,000	-1,100	-9.1%	10,742	10,392	-350	-3.3%
Employment Trade	21,000	20,600	-400	-1.9%	20,217	19,467	-750	-3.7%
Employment Transportation and warehousing	6,800	6,000	-800	-11.8%	6,333	7,517	1,183	18.7%
Employment Finance, insurance, real estate and leasing	5,000	5,500	500	10.0%	4,650	5,442	792	17.0%
Employment Professional, scientific and technical services	7,900	6,700	-1,200	-15.2%	6,942	6,275	-667	-9.6%
Employment Business, building and other support services	5,100	3,500	-1,600	-31.4%	4,217	4,283	67	1.6%
Employment Educational services	8,000	9,300	1,300	16.3%	8,983	9,850	867	9.6%
Employment Health care and social assistance	18,600	18,400	-200	-1.1%	21,583	18,917	-2,667	-12.4%
Employment Information, culture and recreation	2,000	2,100	100	5.0%	2,533	4,275	1,742	68.8%
Employment Accommodation and food services	8,800	10,400	1,600	18.2%	9,350	9,642	292	3.1%
Employment Other services	6,100	5,800	-300	-4.9%	6,400	6,692	292	4.6%
Employment Public administration	8,400	5,000	-3,400	-40.5%	6,617	5,850	-767	-11.6%

Data below is for Medicine Hat Census Agglomeration (CA)

Indicator	Dec 2017	Dec 2018	Chg	%Chg	Dec 2017 ytd	Dec 2018 ytd	Chg	%Chg
Housing Starts Total (Units)	16	13	-3	-18.8%	140	346	206	147.1%
Housing Starts Single (Units)	14	9	-5	-35.7%	101	84	-17	-16.8%
Housing Starts Semi-detached (Units)	2	4	2	100.0%	26	18	-8	-30.8%
Housing Starts Row (Units)	0	0	0	0.0%	9	21	12	133.3%
Housing Starts Apartment and other types (Units)	0	0	0	0.0%	4	223	219	5475.0%

Data below is for the City of Medicine Hat

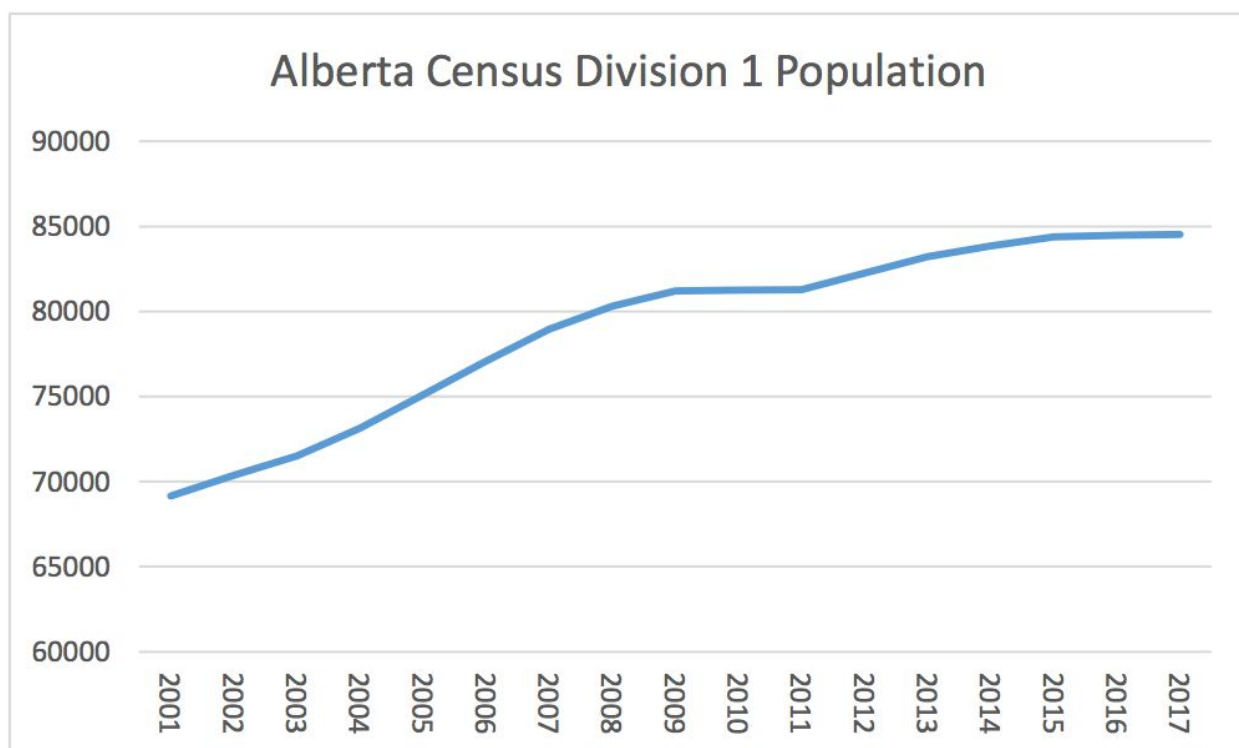
Indicator	Dec 2016	Dec 2017	Chg	%Chg	Dec 2016 ytd	Dec 2017 ytd	Chg	%Chg
Building Permits Total (\$000s)	3,991	39,468	35,477	888.9%	113,831	141,419	27,588	24.2%
Building Permits Residential (\$000s)	2,053	936	-1,117	-54.4%	32,630	46,274	13,644	41.8%
Building Permits Industrial (\$000s)	10	29,802	29,792	297,920%	4,377	34,946	30,569	698.4%
Building Permits Commercial (\$000s)	1,910	8,451	6,541	342.5%	46,142	44,886	-1,256	-2.7%
Building Permits Institutional and governmental (\$000s)	18	279	261	1450.0%	30,682	15,313	-15,369	-50.1%

Sources: Statistics Canada Cansim Tables 026-0007, 027-0034, 051-0062, 051-0063, 282-0134, 282-0122, 282-0124, Special Tab 20.

Analysis

Demographics

According to Statistics Canada, Alberta Census Division 1 population (the bulk of which is Medicine Hat) continues to increase, although at a slowing pace. 2017 population was up 0.1% or 50 persons from 84,482 on July 1, 2016 to 84,532 on July 1, 2017. Historically, the average annual Census Division rate of growth from 2001 to 2017 was 1.3%, peaking at 2.7% in 2005. The next Census Division population release for 2018 will be in March 28, 2019.



Source: Cansim 051-0062

This slowdown in population growth has been the result of a lessening in international in-migration (immigrants) which dropped from 475 in 2015/2016 to 362 in 2016/2017. All other components of population growth showed little change between 2015/2016 and 2016/2017, with the exception of net non-permanent residents.

Components of population growth Alberta Census Division 1	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Births	1019	1063	1094	1111	1122
Deaths	691	743	767	792	816
Immigrants	227	279	387	475	362
Emigrants	47	149	62	106	106
Returning emigrants	108	60	106	93	93
Net temporary emigration	14	36	16	28	28
Net interprovincial migration	543	348	296	-221	-223
Net intraprovincial migration	-402	-309	-228	-274	-274
Net non-permanent residents	238	115	-281	-154	-80

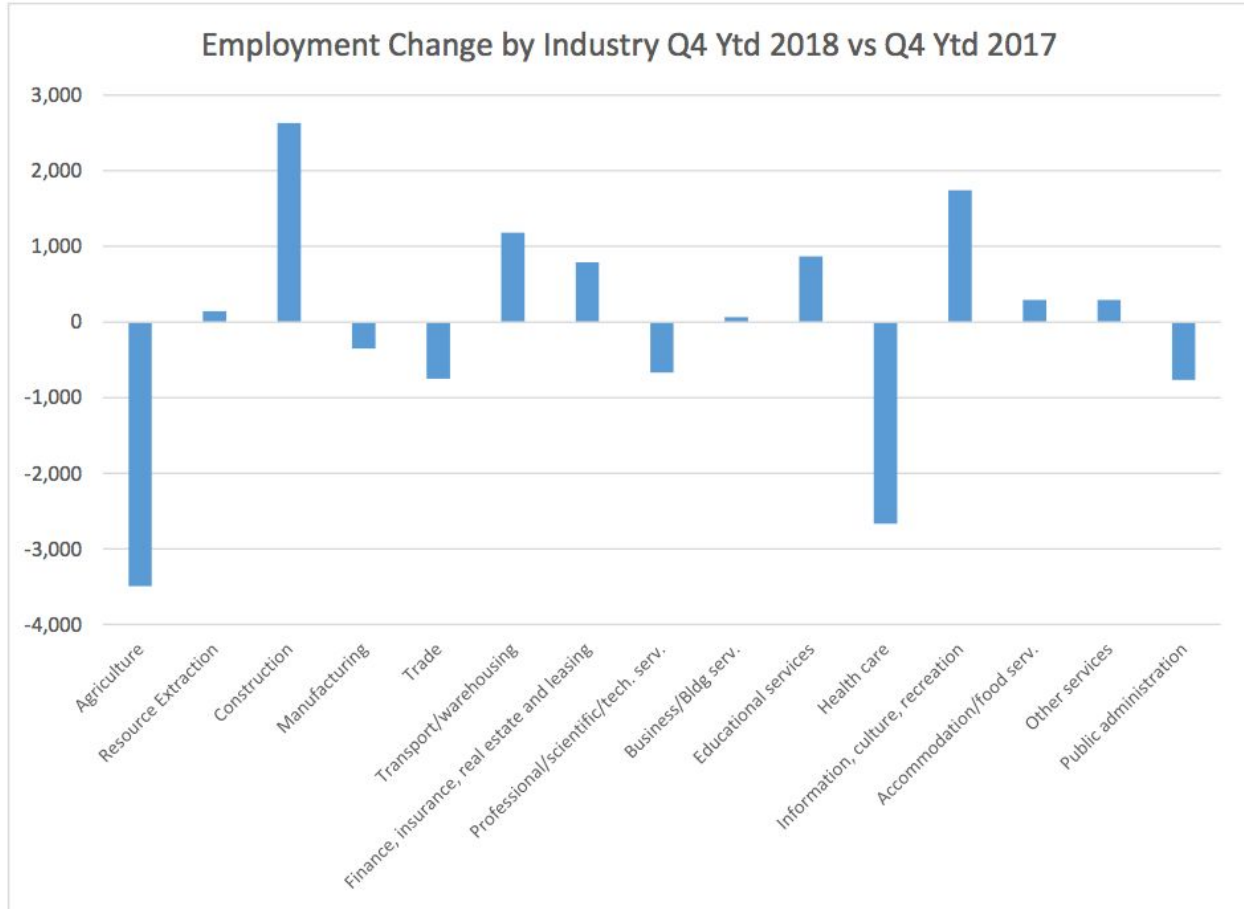
Source: Cansim Table 051-0063

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.

While 2017 saw a complete reversal of the job losses experienced in 2015 and 2016 Medicine Hat CA annual 2018 employment dropped below 2015 levels to 35,700 or 10.8% from 2017. By way of comparison, 2016 CA employment dropped by 300 or 0.8% over the previous year and 2015 employment dropped by 3,400 positions or 3.4% from 2014.

The drop in oil prices beginning in the second half of 2014 was expected to continue to impact resource employment in 2018. Despite lack of pipeline capacity and its dampening effect on Western Canadian oil prices, ER resource extraction employment advanced slightly by 142 positions in 2018. The largest drags on ER employment in 2018 were in agriculture and health care, and, to a lesser extent, manufacturing, wholesale and retail trade, professional services, and public administration. ER employment growth was strong in construction, transportation and warehousing, finance, insurance, real estate and leasing, education, and information, culture and recreation but not at a level to offset losses in other industries. 2018 ER employment dropped by 4,300 positions from 2017.



The implications to local businesses of industry shifts in employment are generally positive. Agriculture employment is trending downward, as in most jurisdictions, with increasing farm size and automation. Declines in retail sector employment are being experienced throughout North America with the growth of on-line retail. However, other substantial business opportunities remain in construction, transportation and warehousing, finance, information, culture and recreation, and educational services procurement.

Construction

Housing starts are available monthly for the Medicine Hat Census Agglomeration (CA). Monthly building permits by type are available for the City of Medicine Hat.

Total starts are up substantially relative to 2017 (206 units or 147.1%). Residential construction in 2018 saw row starts rise by 133.3% or 12 units and apartments 5745% or 219 units. Single detached starts in Medicine Hat in 2018 were slightly behind (17 units or 16.8%) 2017 levels and semi-detached starts saw an 8 unit or 30.8% decline over the same time period.

City of Medicine Hat building permits saw a similar growth profile to residential starts. Total year-to-date building permits in the City were up 24.2% over 2017 with

increases found in residential (+41.8%) and industrial (+698% or \$30.6 million). Notable among building permits was the \$29.8 million in industrial building permits issued in December 2018. During the same time period, commercial and institutional and governmental permits dropped by 2.7% and 50.1%, respectively.

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

2018 in Review

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

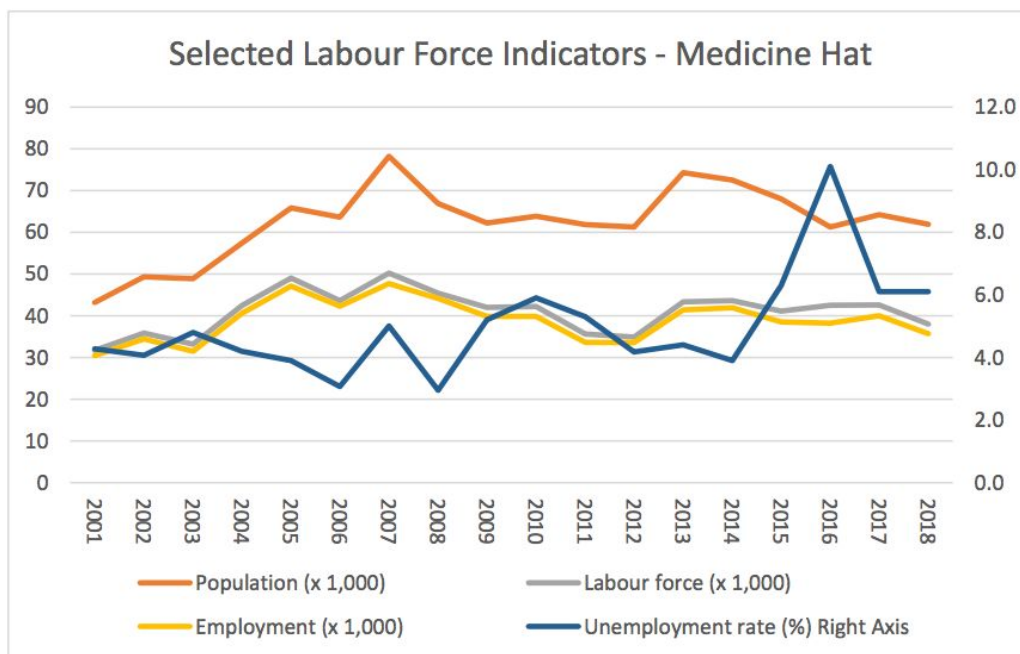
Indicator	2017	2018	Chg	%Chg
Employment	40,000	35,700	-4,300	-10.8%
Unemployment	2,600	2,300	-300	-11.5%
Labour Force	42,600	38,000	-4,600	-10.8%
Unemployment Rate (%)	6.1	6.1	0.0	0.0%
Participation Rate (%)	66.4	61.4	-5.0	-7.5%
Employment Rate (%)	62.3	57.7	-4.6	-7.4%

During 2018, Medicine Hat Census (CA) employment declined by 10.8% or 4,300 positions from 2017. By way of comparison, this is the sharpest drop since 2011 and the third largest since 2002. Only 2011 (-15.6%) and 2006 (-11.0%) saw steeper declines in the number of people working in the CA.

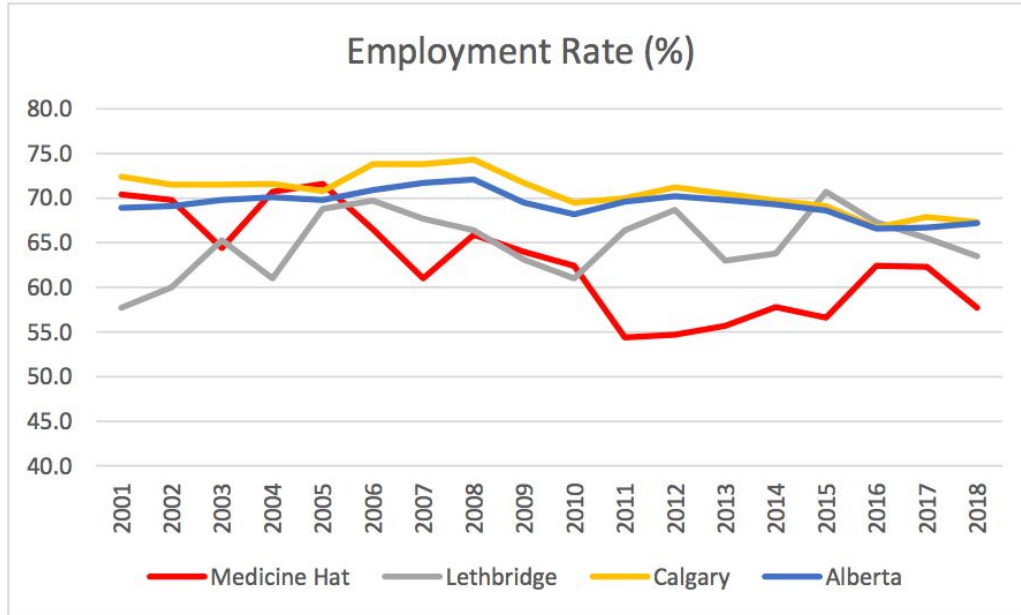
The increase in the number of employed in 2017 represented a significant turnaround from the previous 2 years, where employment declined in both 2015 and 2016. In addition, the number of unemployed dropped by 2,600 people driving down the unemployment rate from a 2001 to 2018 peak of 10.1% in 2016 to 6.1% in 2017. 2018 saw a reversal from the gains in 2017 with employment dropping from 40,000 to 37,500 or 4,300 positions (10.8%). Unemployment shrank by 300 persons driving the labour force down by 4,600, keeping the unemployment rate at 6.1%. Another negative development is the 5 point decline in the participation rate (ratio of those working and seeking work to the population of working age) reflecting a “discouraged worker” effect. A discouraged worker is a person of legal employment age who is not actively seeking employment or who does not find employment after long-term unemployment. This is usually because an individual has given up looking or has had no success in finding employment.

2001-2018: Historical and Inter-City Perspective

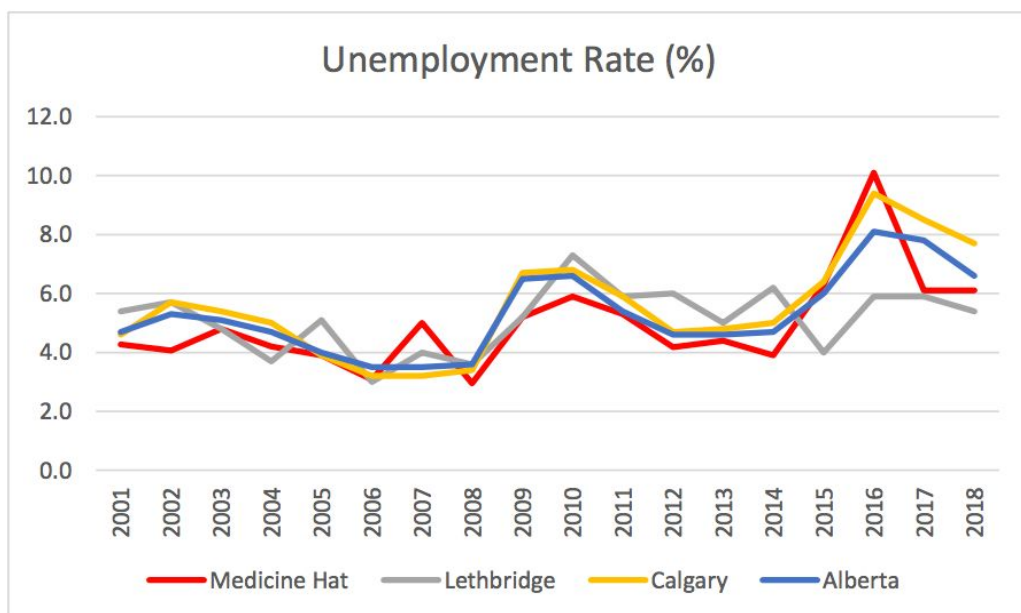
Medicine Hat's current labour force statistics need to be viewed within the context of historical labour force statistics to compare the significance of current trends. The unemployment rate rose significantly during 2008/2009 close to 6% and gradually dropped back to around 4% during the 2011 to 2014 period. As seen in the graph below, the 2015 rise in the unemployment rate was within the bounds of recent historical variations, however, the 2016 increase in the unemployment rate was unprecedented in recent history. 2016 was characterized by weak employment prospects in most of Alberta which failed to provoke outmigration of the unemployed. 2017 and 2018 both saw the unemployment rate drop to a more sustainable 6.1% as workers withdrew from the labour force.



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 to 66.6% in 2016. 2017 and 2018 (66.7% and 67.2%, respectively) saw a modest recovery but the Alberta employment rate is still well below the peak 2008 level of 72.1%. Since 2001, employment in Calgary has moved in the same general direction as the provincial rate, following the same patterns of declines in 2008/2009 and again in 2015/2016 with a slight 2017 recovery. However, 2018 saw the Calgary employment rate drop from 67.9% to 67.3%. During the same period, both Lethbridge and Medicine Hat, as smaller markets, experienced higher degrees of variability in their employment rates. Lethbridge's employment rate swung from 57.7% in 2001 to 70.7% in 2015 and 63.5% in 2018. Medicine Hat's employment rate remained an average of 8 percentage points below that of Lethbridge since 2010.



The graph below illustrates that, similar to employment rates, Medicine Hat and Lethbridge show wider fluctuations in their respective unemployment rates when compared to the province overall and Calgary. In addition, Alberta and Calgary unemployment rates move in close synchronization with each other with the Calgary rate slightly higher than the provincial rate since 2009. Despite higher variability, Medicine Hat experienced slightly lower unemployment rates than Lethbridge, Calgary, and the province overall during the 2001 through 2014 period with 2016 as a significant outlier. 2017 and 2018 saw Medicine Hat's unemployment rate return to levels closer to the 2001 to 2015 experience and, on average, a half percentage point below the provincial average.





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