



Economic Report Card Medicine Hat – Q1 2019

January 1 - March 31, 2019

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Executive Summary

Medicine Hat Census Agglomeration (CA) annual 2018 employment dropped below 2015 levels to 35,700. This trend is continuing so far in 2019 with Q1 CA employment dropping 4,400 from 38,367 in Q1 2018 to 33,967 in Q1 2019. Q1 2019 employment is now close to 2011 annual employment (33,600). Despite this setback a number of positive developments did occur in 2018 and Q1 2019:

- Alberta Census Division 1 population (the bulk of which is Medicine Hat) increased in 2018, with the rate of increase almost twice that experienced in 2017. 2018 population was up 0.8%, or 696 persons, from 84,948 on July 1, 2017 to 85,644 on July 1, 2018, versus 352 persons, or 0.4%, between July 1, 2016 and July 1, 2017.
- Economic Region (ER), which includes Lethbridge, employment growth was positive in agriculture, manufacturing, finance, insurance, and real estate, education, and accommodation and food services
- Institutional and governmental building permits in Q1 2019 are up 63.1% or \$4.2 million over Q1 2018.
- While Q1 2019 activity appears negative, major projects such as Aurora Cannabis, Folium Biosciences, and various regional renewable energy projects will, hopefully, support regional economic activity and associated employment later in 2019 and into 2020.

Medicine Hat Census Agglomeration (CA)

Indicator	2017	2018	Chg	%Chg
Population (persons) July 1	84,948	85,644	696	0.8%
Net Migration (persons)	122	487	365	299.2%

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%

Table 2: Medicine Hat CA Monthly Labour Force Indicators

Indicator	Mar 2018	Mar 2019	Chg	%Chg	Mar 2018 ytd	Mar 2019 ytd	Chg	%Chg
Employment	38,400	33,300	-5,100	-13.3%	38,367	33,967	-4,400	-11.5%
Unemployment	3,100	4,100	1,000	32.3%	3,433	3,267	-167	-4.9%
Unemployment Rate (%)	7.5	11.0	3.5	46.7%	8.2	8.8	0.5	6.5%
Participation Rate (%)	67.4	59.1	-8.3	-12.3%	68.2	58.2	-9.9	-14.6%
Employment Rate (%)	62.3	52.6	-9.7	-15.6%	62.5	53.1	-9.4	-15.1%

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

Table 3: Medicine Hat/Lethbridge Employment by Industry

Indicator	Mar 2018	Mar 2019	Chg	%Chg	Mar 2018 ytd	Mar 2019 ytd	Chg	%Chg
Employment Agriculture	8,300	9,200	900	10.8%	9,833	10,767	933	9.5%
Employment Resource Extraction	7,300	5,100	-2,200	-30.1%	7,233	5,567	-1,667	-23.0%
Employment Construction	812,700	11,900	-800	-6.3%	12,967	12,167	-800	-6.2%
Employment Manufacturing	11,300	13,700	2,400	21.2%	11,967	13,300	1,333	11.1%
Employment Trade	20,800	20,800	0	0.0%	21,500	20,600	-900	-4.2%
Employment Transportation and warehousing	6,600	5,200	-1,400	-21.2%	6,200	5,167	-1,033	-16.7%
Employment Finance, insurance, real estate and leasing	5,700	6,100	400	7.0%	5,533	5,933	400	7.2%
Employment Professional, scientific and technical services	6,900	7,500	600	8.7%	7,333	7,300	-33	-0.5%
Employment Business, building and other support services	5,800	3,400	-2,400	-41.4%	5,233	3,767	-1,467	-28.0%
Employment Educational services	9,200	10,000	800	8.7%	9,167	9,500	333	3.6%
Employment Health care and social assistance	19,300	19,700	400	2.1%	19,033	18,867	-167	-0.9%
Employment Information, culture and recreation	4,300	2,700	-1,600	-37.2%	3,633	2,500	-1,133	-31.2%
Employment Accommodation and food services	7,900	9,300	1,400	17.7%	7,933	10,033	2,100	26.5%
Employment Other services	7,600	5,900	-1,700	-22.4%	7,067	5,867	-1,200	-17.0%
Employment Public administration	6,900	5,000	-1,900	-27.5%	7,267	4,700	-2,567	-35.3%

Data below is for Medicine Hat Census Agglomeration (CA)

Table 4: Medicine Hat CA Housing Starts

Indicator	Mar 2018	Mar 2019	Chg	%Chg	Mar 2018 ytd	Mar 2019 ytd	Chg	%Chg
Housing Starts Total (Units)	2	6	4	200.0%	21	11	-10	-47.6%
Housing Starts Single (Units)	2	0	-2	-100.0%	14	5	-9	-64.3%
Housing Starts Semi-detached (Units)	0	0	0	0.0%	0	0	0	0.0%
Housing Starts Row (Units)	0	6	6	0.0%	7	6	-1	-14.3%
Housing Starts Apartment and other types (Units)	0	0	0	0.0%	0	0	0	0.0%

Data below is for the City of Medicine Hat

Table 5: City of Medicine Hat Building Permits

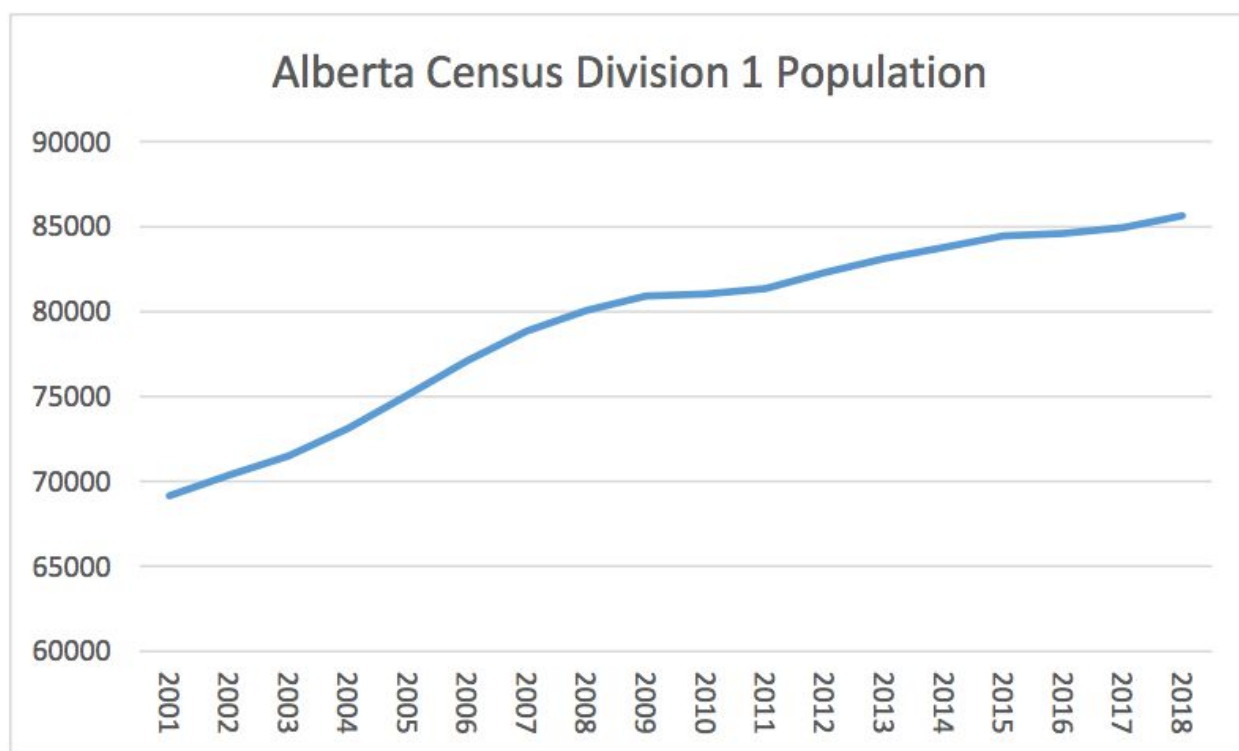
Indicator	Mar 2018	Mar 2019	Chg	%Chg	Mar 2018 ytd	Mar 2019 ytd	Chg	%Chg
Building Permits Total (\$000s)	11,424	1,508	-9,916	-86.8%	25,968	18,088	-7,880	-30.3%
Building Permits Residential (\$000s)	5,706	722	-4,984	-87.3%	10,311	1,851	-8,460	-82.0%
Building Permits Industrial (\$000s)	0	47	47	0%	344	91	-253	-73.5%
Building Permits Commercial (\$000s)	3,255	363	-2,892	-88.8%	8,616	5,223	-3,393	-39.4%
Building Permits Institutional and governmental (\$000s)	2,463	376	-2,087	-84.7%	6,697	10,923	4,226	63.1%

Sources: Statistics Canada Tables 026-0007, 027-0034, 17-10-0139-01, 17-10-0140-01, 282-0134, 282-0122, 282-0124, Special Tab 20. City of Medicine Hat.

Analysis

Demographics

According to Statistics Canada, Alberta Census Division 1 population (the bulk of which is Medicine Hat) continued to increase in 2018. The rate of increase in 2018 was almost twice the growth rate experienced in 2017. 2018 population was up 0.8% or 696 persons from 84,948 on July 1, 2017 to 85,644 on July 1, 2018 versus 352 persons or 0.4% between July 1, 2016 and July 1, 2017. Historically, the average annual Census Division rate of growth from 2001 to 2018 was 1.3%, peaking at 2.7% in 2005. The next Census Division population release for 2019 will be in March, 2019.



The uptick in population growth has been the result of an inter-provincial net migration which advanced from -95 in 2016/2017 to 163 in 2017/2018 and a small increase in international in-migration (immigration). All other components of population growth showed little change between 2016/2017 and 2017/2018, with the exception of net non-permanent residents.

Table 6: Alberta Census Division 1 Components of Population Growth

Components of population growth Alberta Census Division 1	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Births	1069	1103	1019	997	1001
Deaths	725	728	751	767	792
Immigrants	252	318	534	366	386
Emigrants	147	61	112	84	84
Returning emigrants	59	104	87	121	122
Net temporary emigration	35	16	27	20	21
Net interprovincial migration	348	296	-221	-95	163
Net intra-provincial migration	-309	-228	-274	-219	-219
Net non-permanent residents	144	-102	-126	53	140

Labour Market

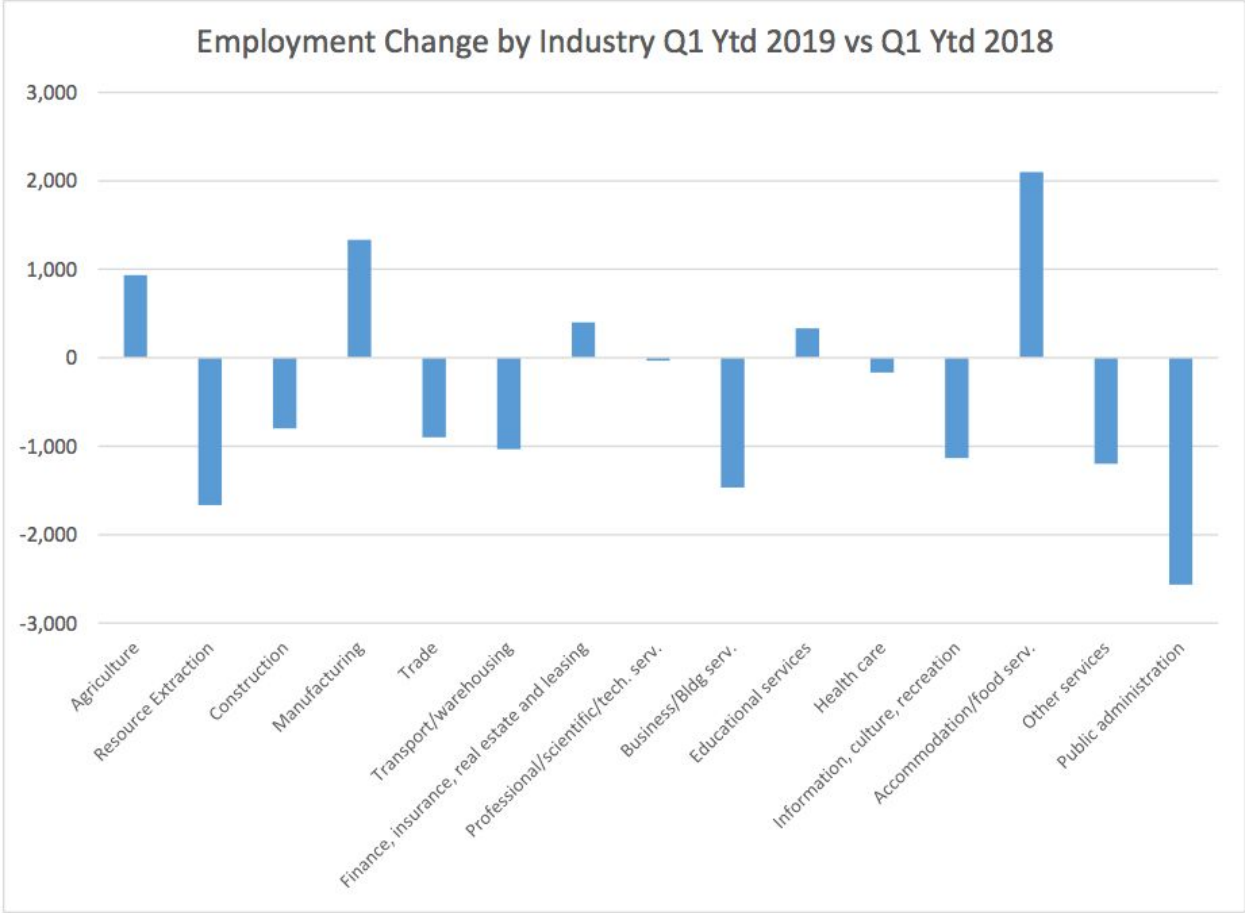
Note that only total summary monthly and annual labour market indicators are available for the Medicine Hat Census Agglomeration (CA). Monthly industry details are available only for the Lethbridge-Medicine Hat Economic Region (ER). These are shown as 3 month moving averages and seasonally unadjusted.

While 2017 saw a complete reversal of the job losses experienced in 2015 and 2016, annual 2018 employment dropped below 2015 levels to 35,700, equivalent to a 10.8% decline from 2017. This trend is continuing so far in 2019 with Q1 employment dropping from 38,367 in Q1 2018 to 33,967 in Q1 2019, a real drop of 4,400. Q1 2019 employment is now close to 2011 annual employment (33,600).

An increase in the number of individuals of labour force age that are not in the labour force and a decline in the participation rate are indicative of 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.

The decrease in oil prices that began in the second half of 2014 continues to impact resource employment in 2019. ER resource extraction employment dropped by 1667 positions in Q1 2019, with a lack of pipeline capacity having a dampening effect on Western Canadian oil prices. The largest drags on employment in Q1 2019 were in resource extraction, construction, wholesale and retail trade, transportation and

warehousing, business and building services, information, culture, recreation, other services, and public administration. Employment growth was strong in agriculture, manufacturing, and accommodation and food services but not at a level to offset losses in other industries. Q1 2019 ER employment dropped by 5,800 positions from the same period in 2018.



Despite declining overall employment and other weak indicators, the implications for business are not entirely negative. Opportunities remain in agriculture, manufacturing, finance, insurance, and real estate, education procurement, and accommodation and food services. Finally, employers have a larger labour pool to draw from, mitigating upward pressure on wages.

Construction

While total starts were up substantially in 2018 relative to 2017 (206 units or 147.1%), residential construction so far in Q1 2019 saw total starts drop by 47.6%, a real decline of 10 units. Single detached starts were down 64.3% from the same time period in 2018. Row starts were down 14.3%. Semi-detached and apartments were even with 2018 activity at 0 units.

City of Medicine Hat building permits, a leading indicator of construction activity, are also in decline. Total year-to-date (Q1 2019) building permits in the City were down 30.3% over the same time period in 2018 with decreases observed in residential (-82%), industrial (-73.5%), and commercial (-39.4%). During the same time period, institutional and governmental permits increased by 63.1% or \$4.2 million.

Detailed Demographic Analysis

Introduction

The mathematics of population growth are relatively simple:

Population growth = (natural increase=births-deaths) + (migratory increase=immigration-emigration).

However, changes in the drivers of population growth are much more complicated. For example, at the national level the contribution of natural increase to population growth has dropped as the Canadian population aged and fertility rates declined. Currently, natural increase accounts for less than one-third of Canada's population growth and has ceased to be the major contributor to population growth. At the same time, migratory increase plays an increasing role in Canada's population growth. Migratory increase currently accounts for about two-thirds of Canada's population growth.

Definitions

Emigrant: Canadian citizen or immigrant who has left Canada to establish a residence in another country, involving a change in usual place of residence. Emigration may be either temporary or permanent.

Immigrant: An immigrant refers to a person who is or has ever been a landed immigrant (permanent resident) and who has been granted the right to live in Canada permanently by immigration authorities.

Interprovincial migration: Interprovincial migration represents all movements from one province or territory to another involving a change in usual place of residence. A person who takes up residence in another province or territory is an out-migrant with reference to the province or territory of origin and an in-migrant with reference to the province or territory of destination.

Intra-provincial migration or sub-provincial migration: Intra-provincial migration or sub-provincial migration represents all movements from one region to another within the same province or territory involving a change in usual place of residence.

A person who takes up residence in another region is an out-migrant with reference to the region of origin and an in-migrant with reference to the region of destination.

Natural increase: Variation of the population size over a given period as a result of the difference between the numbers of births and deaths.

Net interprovincial migration: Net interprovincial migration represents the difference between in-migrants and out-migrants for a given province or territory.

Net intra-provincial migration: Net intra-provincial migration represents the difference between in-migrants and out-migrants in a given intra-provincial region. A region can be defined as a census division (CD), an economic region (ER) or a census metropolitan area (CMA).

Temporary emigration: Temporary emigration includes Canadian citizens and immigrants living temporarily abroad who have not maintained a usual place of residence in Canada.

Non-permanent resident: A non-permanent resident is a person who is lawfully in Canada on a temporary basis under the authority of a valid document (work permit, study permit, Minister's permit or refugee) issued for that person along with members of his family living with them. This group also includes individuals who seek refugee status upon or after their arrival in Canada and remain in the country pending the outcome of processes relative to their claim.

Source: Statistics Canada 91-528-X

The Alberta Census Division 1 (Medicine Hat) Experience

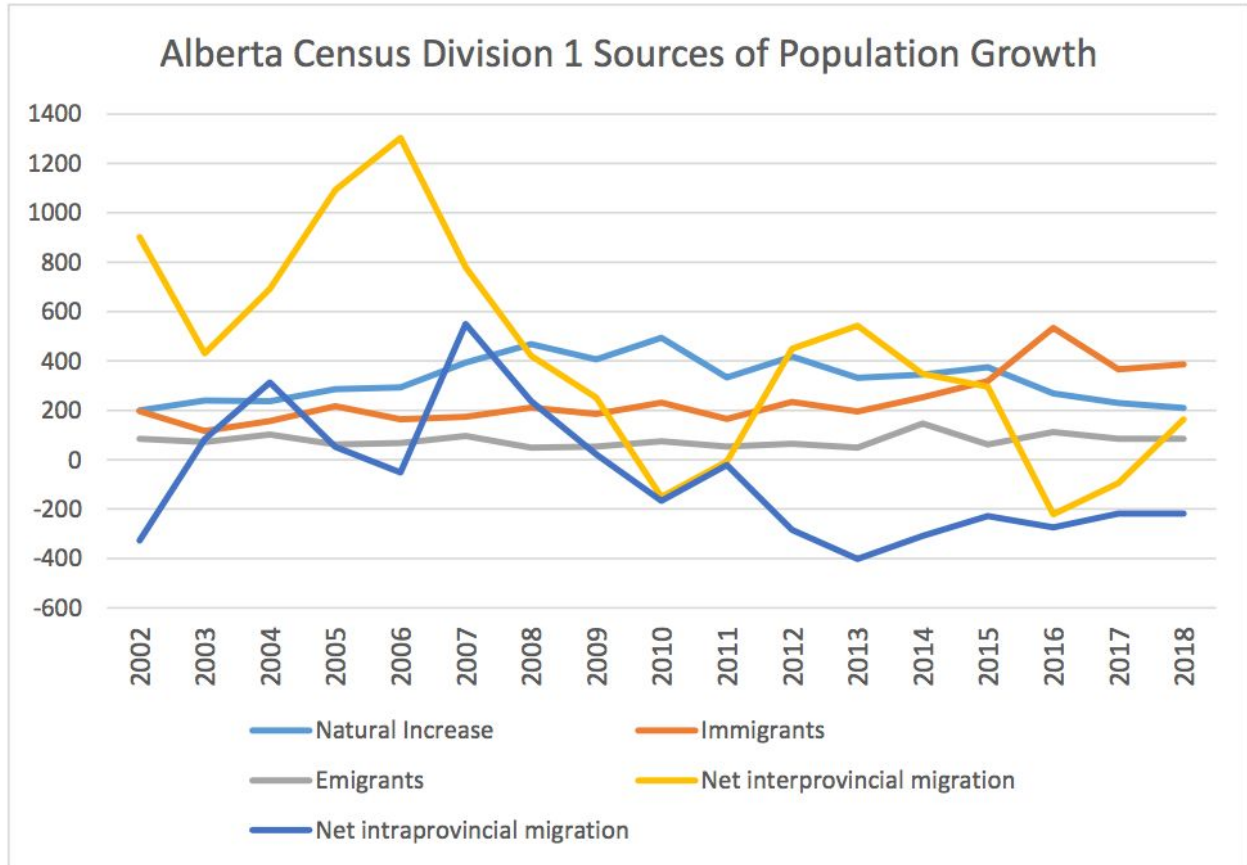
In the case of Alberta Census Division 1, the bulk of which is Medicine Hat, immigration has outstripped natural increase since, and including, 2016. Since 2015, immigration has been the leading contributor of population growth, just ahead of net-interprovincial migration, and is only marginally offset by emigration.

Table 7: Alberta Census Division 1 Components of Population Growth (Historical)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Births	942	1006	1090	1074	1069	999	1031	1019	1069	1103	1019	997	1001
Deaths	649	613	622	668	575	666	613	687	725	728	751	767	792
Natural increase	293	393	468	406	494	333	418	332	344	375	268	230	209
Immigrants	164	173	211	185	231	165	234	195	252	318	534	366	386
Emigrants	68	96	49	53	75	53	64	49	147	61	112	84	84
Returning emigrants	122	150	59	123	117	116	127	108	59	104	87	121	122
Net temporary emigration	37	30	15	15	24	17	18	14	35	16	27	20	21
Net interprovincial migration	1304	780	420	251	-151	-7	450	543	348	296	-221	-95	163
Net intra-provincial migration	-52	550	237	21	-167	-21	-284	-402	-309	-228	-274	-219	-219
Net non-permanent residents	90	68	133	172	-23	12	116	108	144	-102	-126	53	140
Residual deviation	164	-246	-249	-255	-266	-233	-13	-8	-10	-7	18	0	0

Source: Statistics Canada Table 17-10-0140-01

Removing the less important contributors to population growth and showing the results graphically tells shows a more compelling story.



Source: Statistics Canada Table 17-10-0140-01

While immigration is increasing, net intra-provincial migration and natural increase are in a general state of decline. From 2015-2018, natural increase dropped from 375 to 209; that number stood at 468 in 2008. Births have been relatively stable at between 1000 and 1100 per year; deaths have increased from 622 in 2008 to 792 in 2018. Since 2002, net interprovincial migration has displayed a high degree of volatility, peaking at 1304 in 2006 and dropping to -221 in 2016. Interprovincial migration growth was due to peak resource prices combined with a lack of economic opportunities in other parts of Canada.

In 2018, net immigration accounted for 43.4% of total population growth as compared to 13.3% in 2008. In both 2010 and 2016 net immigration accounted for more than the total population change suggesting that the census division population would have declined in its absence.

Table 8: Alberta Census Division 1 Population Change and Net Immigration

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Population	80,079	80,914	81,050	81,345	82,311	83,124	83,770	84,449	84,596	84,948	85,644
Change	1,215	835	136	295	966	813	646	679	147	352	696
Net Immigration	162	132	156	112	170	146	105	257	422	282	302
Net Immigration % of Change	13.3%	15.8%	114.7%	38.0%	17.6%	18.0%	16.3%	37.8%	287.1%	80.1%	43.4%

The business implications of immigration fueled population growth are clear. International in-migrants tend to be younger than the general population and have larger families. In addition, they tend to cluster in large cities, with second and third generation migrants shifting towards suburbs and semi-rural locations. Generally speaking, migrants tend to contribute to the prosperity of their host countries, fill employment gaps when necessary and rejuvenate ageing populations and workforces. This, along with ethnic minority consumers' rising incomes, has a positive impact on shopping behaviour within host countries. A successful economic development strategy should therefore accommodate increased population diversity by providing products and services in appropriate, easily understood languages.



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