

Economic spotlight

Strong energy sector rebound supports economic recovery

2022 GDP by industry

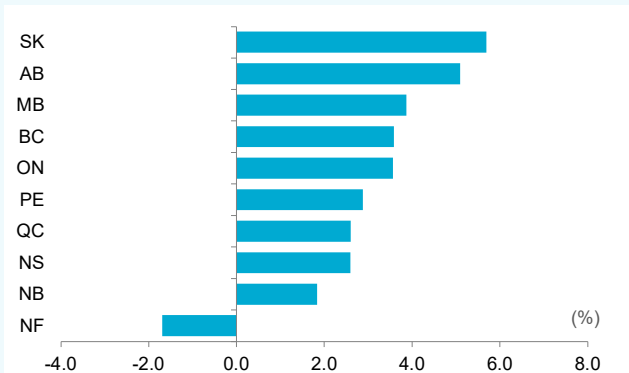
Alberta's real gross domestic product (GDP) by industry advanced by 5.1% in 2022, fully recovering from the COVID lows and surpassing the 2014 level to reach a new high. The gains were widespread, with activity improving in 19 out of 20 industries. The goods-producing industries (+6.6%) led the growth as output in the agriculture sector rebounded and increasing oil production and drilling activity lifted output in the energy sector. Activity in the services sector (+3.9%) also rose to eclipse its pre-pandemic level, spurred by loosening restrictions and pent-up demand. While the annual growth was widespread and significant, there remains a handful of industries still down from 2019.

Robust growth in Alberta and the Prairie provinces

The strong economic rebound in Alberta boosted Canadian growth in 2022. Alberta's GDP by industry growth ranked second among the provinces (Chart 1) and well above the national average (+3.6%). While growth at the national level was led by professional, scientific, & technical services, manufacturing, transportation & warehousing, and accommodation & food services industries, the prairie provinces led the way on the back of a strong rebound in agriculture output. Saskatchewan, Manitoba, and Alberta were the only three provinces that exceeded the national growth rate. All other provinces experienced more modest growth in 2022, with the exception of a decline in Newfoundland and Labrador.

CHART 1. ALBERTA RANKED SECOND IN GROWTH

Real GDP by industry growth, by province (2022)



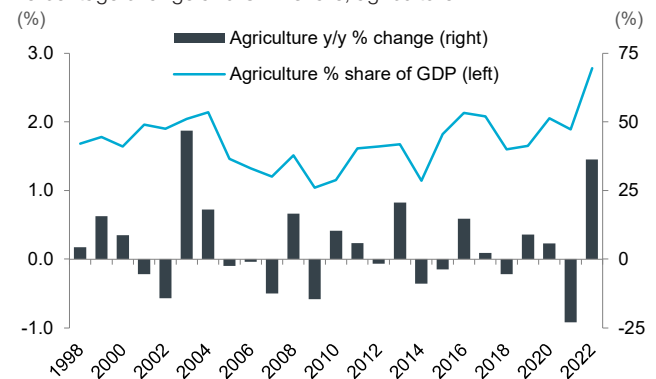
Sources: Statistics Canada, Haver Analytics

Agriculture bounces back

The agriculture, forestry, fishing & hunting industry rebounded strongly in 2022. The sector surged 36% to its highest level on record. The advance was spearheaded by a recovery in crop production (+44%) after extreme drought conditions in 2021 resulted in a historic contraction. Animal production also posted strong growth. Conversely, forestry & logging moderated (-1.9%) after jumping in 2021. With the strong annual growth, agriculture, forestry, fishing & hunting accounted for 2.8% of Alberta's GDP, the highest share in more than 25 years (Chart 2).

CHART 2. STRONG REBOUND IN AGRICULTURE LIFTS ITS SHARE TO 25-YEAR HIGH

Percentage change and GDP share, agriculture



Sources: Statistics Canada, Haver Analytics

Oil and gas extraction leads the way

The oil and gas extraction continues to be a critical industry in Alberta. Output from the mining, quarrying, & oil & gas extraction industry rose by over 5.6% to hit an all-time high. Soaring prices and strong demand boosted both conventional oil & gas extraction (+11%) and oil sands extraction (+2.4%). Favourable market conditions and strong cash flows supported drilling and investment, bolstering oil and gas support activities (+14%). Mining, quarrying, & oil & gas extraction was, by a wide margin, the largest contributor to Alberta's real GDP growth (30%) and GDP (27%) in 2022. This strength in the energy sector percolated throughout the economy for Alberta and for Canada, with mining, quarrying, & oil & gas extraction contributing 7.7% to national GDP growth in 2022.

Strong growth in construction activity

The increase in activity and investment in oil and gas extraction boosted output in the construction sector. Construction activity jumped 6.9% in 2022 and was the third largest contributor to growth. The gain was almost entirely due to an increase in engineering construction (+15%), particularly oil & gas engineering construction, which shot up 20%. Meanwhile, residential construction edged up 0.7% after the large increase in 2021. Construction activity for warehousing, distribution, and other industrial spaces lifted growth in the non-residential building construction sector (+1.1%), although output remained below 2019's level.

Fabricated metal lifts manufacturing

Growth in agriculture production and energy investment supported growth in manufacturing sector. Manufacturing real GDP rose 3.0% in 2022, but was still shy of 2019's level. Fabricated metal product manufacturing was the largest contributor to the sector's growth, advancing by 17%. There were large gains in architectural & structural steel and boiler & tank manufacturing, which are both closely tied to the energy sector (Chart 3). Food manufacturing moved higher (+4.1%) for the third consecutive year, and computer & electronic product manufacturing also saw healthy growth (+15%). These gains were moderated by a pullback in the largest sector, chemical manufacturing (-3.3%), which retreated amidst lower resin & rubber and fertilizer manufacturing.

TABLE 1: WIDESPREAD IMPROVEMENTS

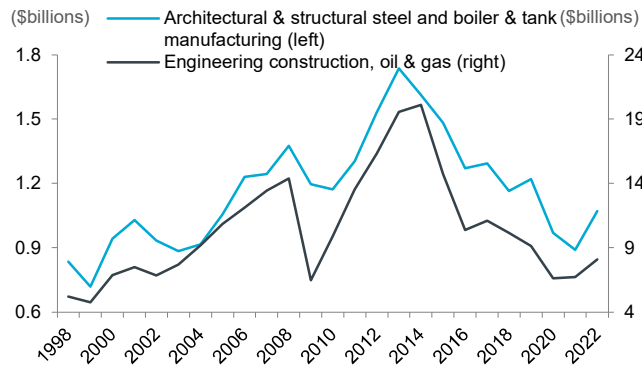
Alberta real GDP by major industries

	2022		Change since 2019 (%)
	Change (%)	Contribution to change*	
All industries	5.1	5.1	1.3
Goods-producing sectors	6.6	2.9	0.7
AFFH**	36.2	0.7	10.9
Mining, quarrying & oil & gas extraction	5.6	1.4	2.5
Utilities	1.1	0.0	-7.1
Construction	6.9	0.5	0.5
Manufacturing	3.0	0.2	-4.2
Services-producing sectors	3.9	2.2	1.3
Wholesale trade	4.9	0.2	1.9
Retail trade	0.5	0.0	1.7
Transportation & warehousing	8.9	0.4	-5.5
Information & culture	3.1	0.1	2.1
Finance & insurance	1.6	0.1	11.8
Real estate, rental & leasing	2.0	0.2	5.5
Professional, scientific & technical services	3.6	0.2	2.7
Management of companies	-26.4	0.0	-65.2
Waste management & remediation	3.2	0.1	-9.3
Educational services	3.1	0.1	-0.2
Health care & social assistance	3.4	0.2	6.2
Arts, entertainment & recreation	24.9	0.1	-25.4
Accommodation & food services	21.4	0.3	-10.4
Other services	7.8	0.1	-2.9
Public administration	2.3	0.1	1.2

Sources: Statistics Canada, Haver Analytics, Treasury Board and Finance calculations; *percentage points, **Agriculture, forestry, fishing & hunting

CHART 3: CONSTRUCTION GAIN IN SUB-SECTORS TIED TO OIL & GAS INVESTMENT

Construction real GDP by sub-sector



Sources: Statistics Canada, Haver Analytics

CHART 4: ENERGY RELATED SUB-SECTORS SEE STRONG GAINS

Real GDP y/y growth by selected industry and sub-sector



Sources: Statistics Canada, Haver Analytics

Machinery & equipment boosts wholesale trade

Record-levels of wholesale trade sales boosted GDP in 2022. Wholesale trade increased 4.9%, accounting for 9.5% of service-sector GDP growth. The vast majority of the annual growth resulted from a sharp uptick for machinery, equipment and supplies merchant wholesalers (+12%), stemming from increased activity in the energy and agriculture sectors. Petroleum & petroleum products merchant wholesalers (+8.5%) also chipped in with solid annual growth.

Energy sector activity drives engineering services

The increase in activity and investment in oil and gas extraction also propped up gains in professional, scientific, and technical services (PSTS) (Chart 4). PSTS activity increased for the second consecutive year (+3.6%) to surpass 2019's level. Architectural, engineering, and related services (+8.3%) led the gains but remained down over 30% from 2014's all-time high. Other professional services (+5.0%) also contributed strongly, most notably management, scientific & technical consulting services. Overall, PSTS accounted for 8.4% of service sector GDP growth.

Rebound in air travel lifts transportation

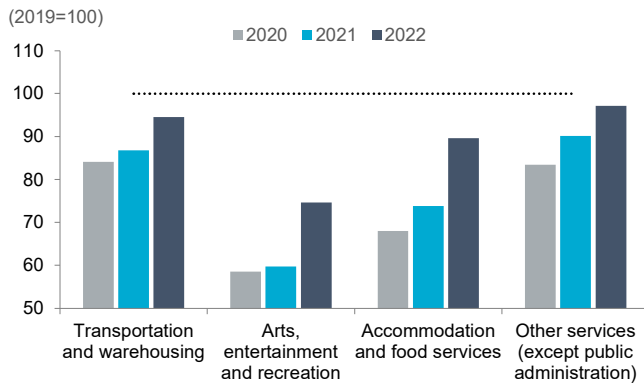
The loosening of pandemic restrictions and pent-up demand for travel supported the transportation sector in 2022. Transportation & warehousing surged 8.9%, buoyed by air transportation (+177%). Air travel picked up after the historic low in 2021 but remained down from the level in 2019. The rebound in tourism also supported transit and sightseeing transportation (+28%), while an increase in international and interprovincial trucking saw truck transportation (+6.0%) jump. Additionally, pipeline transportation (+3.4%) also advanced on the back of higher exports of crude oil and natural gas.

Close contact industries continue to recover

Industries that were most affected by public health measures continued to recover in 2022 (Chart 5). Accommodation & food services jumped 21%, contributing 15% to service sector annual growth. Within this category, traveller accommodation vaulted almost 38% while food services & drinking places went up 18% reflecting the historically low levels in 2021 and a rebound in tourism and dining. Arts & entertainment saw the second highest growth of all industries (+25%) while other services also increased (+7.8%). The travel arrangement & reservation service, a subcategory of the administration and support & waste management industry, also saw a significant increase (+20%). Despite the strong rebound, activity remained below 2019 levels. The recovery in these sectors was partly hampered by pronounced labour shortages.

CHART 5: TRAVEL AND CLOSE-CONTACT INDUSTRIES REBOUND

Real GDP by selected industries (2019=100)



Sources: Statistics Canada, Haver Analytics

Rising interest rates slow growth

Tighter monetary policy and higher interest rates weighed on growth in the real estate and retail industries. Although real estate & rental & leasing was the third-largest contributor to growth in the service-producing sector, growth slowed from 3.2% in 2021 to 2.0% in 2022. The slowdown reflected the cooling in the resale housing market, as activity at offices of real estate agents & brokers fell 3.5% from its all-time high in 2021. This drop mitigated stronger growth in all other subcategories. Similarly, growth in the retail sector slowed in 2022 as output in interest rate sensitive retailers declined. Supply-chain bottlenecks and inflation lowered output for motor vehicle & parts dealers (-3.6%) and furniture & home furnishings stores. Output was also lower at food & beverage stores while all other categories recorded growth, including ongoing strong recoveries at gasoline stations (+11%) and clothing stores (+9.8%).

What is GDP by Industry?

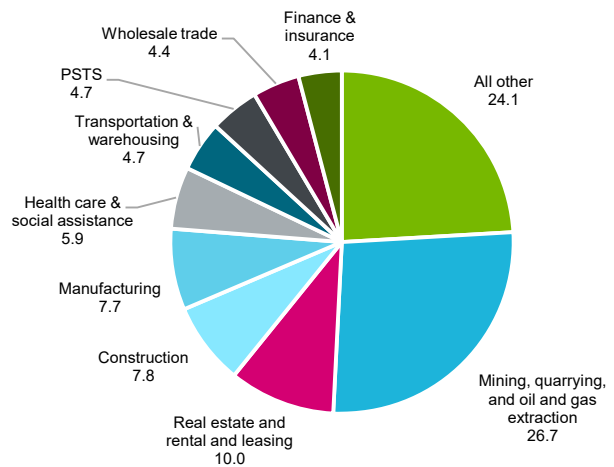
Gross Domestic Product (GDP) by Industry measures the value of output generated by an industry less the value of intermediate inputs purchased from other industries. GDP is sometimes referred to as “value added” as it captures how much value is being added over and above what is used as input. The sum of each industry’s GDP yields the GDP for the overall economy. Alberta’s 2022 provincial accounts estimate of GDP, which breaks down GDP by expenditure category and income type, will be released in November. While this estimate differs slightly from total GDP by Industry, growth in the two series track closely over time.

Alberta’s share of GDP by industry

The energy sector continues to be a major contributor and driver of economic growth in the province. With the strength in 2022, the mining, quarrying, and oil & gas extraction accounted for 27% of total real GDP, the highest since 2014 and significantly higher than the 15% in 2020. This was followed by real estate, rental, and leasing (10%) and construction (8%) (Chart 6).

CHART 6: ENERGY SECTOR A MAJOR SOURCE OF ECONOMIC ACTIVITY

Contribution to Alberta’s real GDP in 2022, percentage share



Sources: Statistics Canada, Haver Analytics

Contact Ceilidh Ballantyne TBF.ERFPublications@gov.ab.ca