

- **The unemployment rate is low in Alberta compared to other provinces, which is good for net migration**
- **Wages provide a strong incentive to relocate to Alberta**
- **Housing prices are also relatively affordable in the province**
- **Alberta net interprovincial migration could triple from 2010 levels by 2013**
- **More migrants will increase demand for housing and rental units, and help to alleviate labour shortages**

Alberta has been a strong benefactor of interprovincial migration over the past thirty years, and particularly so during the mid 2000s.

During the height of the economic boom in 2006, over 100,000 Canadians moved to Alberta from other provinces, far more than the 55,000 who left. This matches the heights observed in Alberta's previous economic boom in 1980 and 1981 (44,000 and 38,000 net in-migrants respectively).

However, as is often the case, boom brought on bust and in the depths of the recession in 2009, net migration to Alberta plunged to only 1,000 people. Net interprovincial migration did recover slightly in 2010 to 6,797, although by historical standards it remains subdued.

But moving forward, thanks to an improving labour market, relatively affordable housing market, and strong wage growth, interprovincial migration to Alberta is poised to rebound in 2011, and remain strong over the next couple of years. In fact current conditions indicate it could more than triple from 2010 levels over the span of a few years. This will impact various aspects of the Alberta economy, and specifically the labour market, the housing and rental markets and the retail sector.

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## Where are you from?

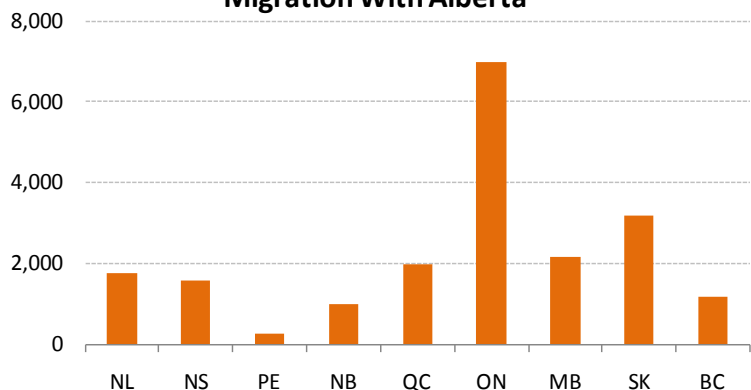
Considering the general state of the Alberta economy during the 2000s (i.e. booming) it may not come as a huge surprise that more Canadians have moved to Alberta than have left. However, it is still a rather impressive statistic that over the last ten years Alberta has held a positive net-migration position with *every single* Canadian province.

Ontario and Saskatchewan were the largest source of migrants from 2000 to 2010. Net migration with Ontario has been positive every year since 2000. Saskatchewan was a large source of migrants through the 1990s and early 2000s, but in 2007 the flow of people abruptly changed course. Since 2006, migration has remained negative with Saskatchewan, although it appears poised to move into positive territory in 2011.

Other important provinces in the migration equation are BC and Manitoba. Manitoba has been an important source of migrants for the last twenty years, but with Manitoba the flow remained positive through the late 2000s. BC, like Saskatchewan, was one of the largest sources of migrants in the late 1990s and early 2000s; however, that trend also reversed in the late 2000s, with net outflows from 2007-2009.

**Figure 1**

### 2000-2010 Average Annual Net Migration With Alberta



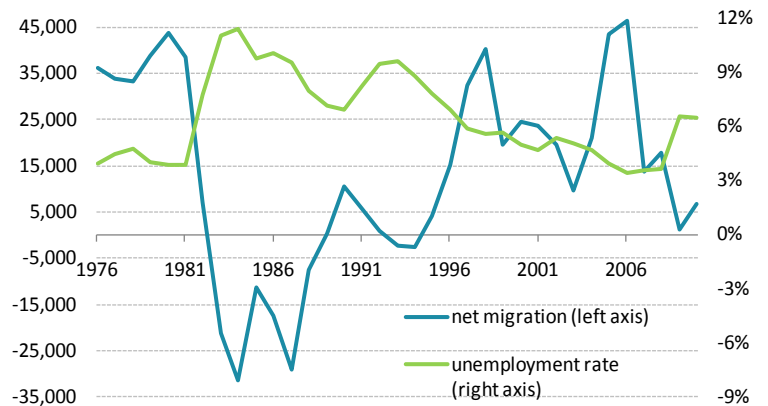
Source: Statistics Canada, CANSIM

## Follow the jobs

Although deciding where to live is a major, multi-faceted decision, the principle determinant is job prospects. When one region of Canada prospers and experiences growth in employment, migrants tend to quickly follow.

**Figure 2**

### Annual Migration and Unemployment



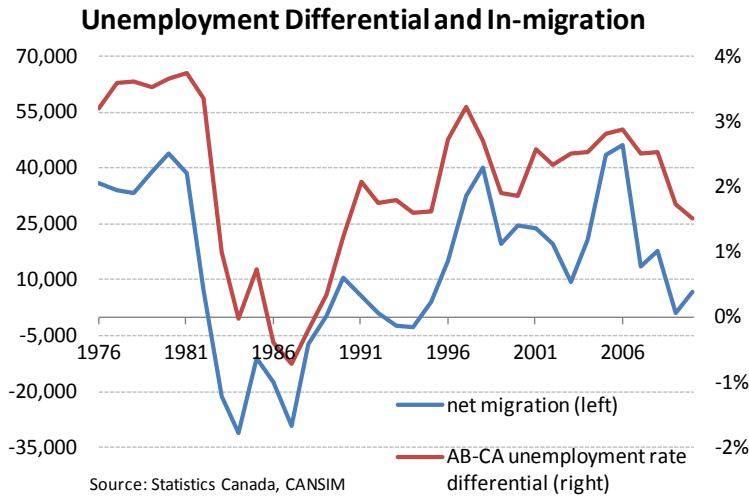
Source: Statistics Canada, CANSIM

This is illustrated in figure 2 above, which shows a clear negative relationship between the net interprovincial migration position of Alberta and the provincial unemployment rate. This relationship seems to be particularly strong during periods of economic turmoil. For instance, during the last two major economic recessions in Alberta, in the early 1980s and 2008, the unemployment rate spiked and migration plunged in tandem.

But an even more important determiner than the *absolute* unemployment rate is the *relative* unemployment rate—that is, the difference between the unemployment rate in Alberta and in Canada, or in provinces where Alberta tends to receive migrants from (Ontario, Saskatchewan etc.). Even if the unemployment rate is 10% in Alberta, if it is averaging 13% in Canada, migrants are going to move to Alberta. Figure 3 (next page)

shows an equally impressive relationship that holds almost perfectly across time. In fact, there have only been a couple deviations in the relationship over the past 35 years.

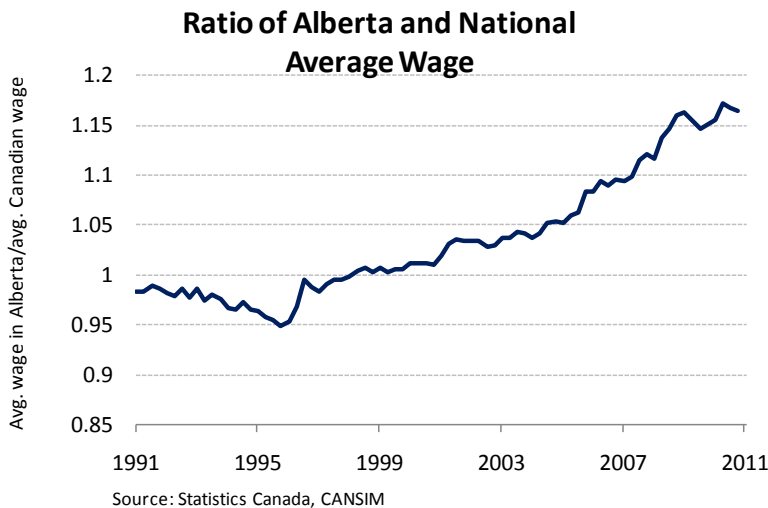
**Figure 3**



**The big bucks**

In addition to job opportunities, the wage rate also plays a role in attracting migrants. During the early 1990s wage growth in Alberta lagged behind the national rate. The average weekly wage in Alberta fell from roughly equal to the national average in 1990 to around 95% in 1996 (it fell particularly strongly against the average wage in Ontario).

**Figure 4**



This probably played a role in the weak level of net interprovincial migration to Alberta in the early 1990s (as displayed in figure 3), despite the fact that the unemployment rate in Alberta was around 2 percentage points lower than nationally (this was when the 1990s recession was underway). Shortly afterwards, when wage Alberta growth picked up in 1996, net migration quickly rose (see graph).

The other period when wages appear to have played a major role in the in-migration trend is from late 2005 to late 2008. During this period the average wage in Alberta surged from 105% of the national average in Q4 2005 to a staggering 116% in Q4 2008. This helps explain the abnormally large jump in net migration in 2005 and 2006. However, it does not explain the sharp drop in 2007 in 2008...

**The housing factor**

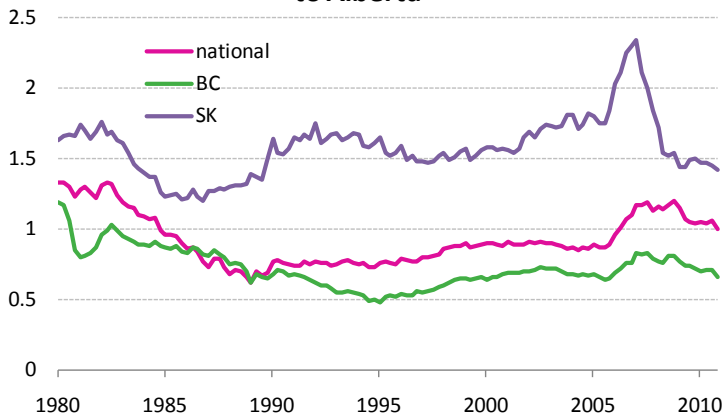
Another important factor in the 'where to live' decision is the cost of shelter, and specifically housing prices. Generally, higher housing prices deter migrants since they make it more expensive to relocate. Considering this, because housing prices rose so quickly in Alberta during the 2000s, the impact of housing prices on migration trends became particularly large in 2007 and 2008, at the peak of the housing price cycle.

Figure 5 (next page) illustrates that the average price of a home in Alberta rose quickly against the average price of a home in other jurisdictions in Canada starting around 2005. In fact, for the first time since the early 1980s the average price in Alberta rose above the average national price (i.e. pink line moved above 1). The mean price of a home in Alberta also moved from an average 1.6 to 2.3 times as the average price

of a home in Saskatchewan—well above the normal historical differential.

**Figure 5**

**Average Housing Prices Relative to Alberta**



Source: Canadian Real Estate Association

Considering this, it is no coincidence that net migration slowed substantially in 2007—affording a home in Alberta became tough for people moving from other regions! Also, for homeowners in Alberta, a handsome spread could be pocketed if they sold their home in Alberta and moved to Saskatchewan, Manitoba or Ontario.

The housing price differential may have been a particularly important factor for the migration flow with Saskatchewan, as net migration abruptly turned negative in 2007 (for the first time since 1984), right when the home price differential reached a new peak. The sharp pickup in the Saskatchewan economy at that time also played an important role in reversing the migration trend. Since the housing price boom in Alberta ran its course, housing prices in other jurisdictions have appreciated against Alberta (especially in Saskatchewan). This means that the incentives against relocating to Alberta aren't present anymore. Considering this, it is probably no coincidence that the migration

flow with Saskatchewan is again turning positive for Alberta.

**Forecast**

It appears that the stars have aligned for interprovincial migrants to come to Alberta over the next couple of years. As of the first quarter of 2011 the provincial unemployment rate is 5.8%, 2 full percentage points lower than the national average and 2.3 percentage points lower than in Ontario. Of all the main drivers of interprovincial in-migration, the unemployment rate differential is the most important, and because of this Alberta is in a good position to entice Canadians. In fact, the Prairie Provinces in general appear to be in a good position to attract migrants as across the region the unemployment rate differential is in their favour.

The other factors of interprovincial migration also support a prediction of strong levels of net interprovincial migration to Alberta. Compared to the national average, wages in Alberta are near 20-year highs (~\$140 per week higher than nationally) and are the highest among all provinces. In addition, wages have continued to grow at a rate faster than the national average.

Housing prices are also at a level that is supportive of migrants choosing to live in Alberta. Although housing prices remain higher relative to the national average than over the last 30 years, compared to B.C. and Saskatchewan, prices in Alberta look good by historical comparisons. In fact, when the average wage is taken into account, prices in Alberta are among the most affordable in the country. Considering this, housing price differentials in places like Saskatchewan will not be a major incentive for Albertans to move away, as was the case in 2007.

The final, and potentially most important, factor in the in-migration equation is the outlook for the provincial economy. Currently gross domestic product is widely expected to grow faster in Alberta than the national average. A survey of private sector forecasts puts GDP growth in Alberta near the top, trailing only Saskatchewan and Newfoundland and Labrador. Commodity prices are strong across the board (save for natural gas) and the high value of the loonie will likely continue to weigh heavily on the economies of central Canada.

All these factors will lead to low unemployment over the next couple years and a relatively large unemployment rate differential compared to other areas of Canada (in Alberta's favour).

Considering all this, in-migration to Alberta will probably return to around 20,000 migrants per year by 2013, up from less than 7,000 in 2010. Also, there is a possibility that if there another prolonged boom in the energy sector, interprovincial net migration could spike to as high as 35,000 migrants per year.

### **Economic implications**

A growing population generally provides a boost to economic activity. Indeed during the mid-2000s, the surge of migrants to Alberta played a major role in reinforcing the provincial economic boom. However, the benefits are generally instilled on a few particular sectors.

One of the main sectors that would receive a boost is the Alberta rental accommodation market. People that choose to relocate permanently tend to be younger, less established individuals who are able to move without up-heaving significant roots. It is this

demographic that is also the principle demander of rental accommodation. Considering this, the rental vacancy rate, which is currently averaging around 4.5% in Alberta's main cities, could fall steadily. Rental rates, which have also fallen during the last couple of years, could experience some upward pressure as demand rises.

The Alberta housing resale market will also receive a bit of a pick-me-up. It is unlikely that the surge of migrants will be enough to push housing prices up significantly; however, it will boost the number of sales and help offset some of the downward pressure on home prices from rising interest rates.

The retail sector will also benefit as more people living in Alberta means more spending. Migrants require necessities like food and clothing and will also contribute to higher sales of durable goods like vehicle sales. This probably won't lead to a boom in retailing as was observed in the mid 2000s; however, it will underpin the general trend of retail sales growth moving forward.

Finally, Alberta labour markets will feel the impact of migrants as people moving to Alberta tend to be of working age and move here for employment reasons (as opposed to BC where people often move for retirement reasons). This will stop the unemployment rate from falling too far as more migrants means a larger labour force and more job seekers. However, more importantly it will help provide firms with available workers to offset labour shortages. There is no doubt that the retirement of the baby boomers is going to be a significant trend affecting Alberta labour markets over the next couple of years, and hence an increase in interprovincial in-migration will provide a welcome offset.