

# 'Modest' Alberta recovery predicted

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After two years of misery, Alberta's oil-fired economy should begin the long road back to health in 2017. But don't expect a return to the good old days.

That was the message Thursday at the Economics Society of Northern Alberta's annual outlook conference, where several speakers forecast gradually improving oil prices and modest economic growth over the next couple of years.

"In terms of economic growth, two is the new three," said Avery Shenfeld, chief economist at CIBC Capital Markets. "It used to be that 2.5-per-cent growth was what the U.S. needed to maintain a given unemployment rate, and three per cent was pretty good."

But in the wake of the Great Recession, and due to changes in the global economy and the labour force, he said, two per cent is now considered a strong enough growth rate to reduce unemployment without creating inflationary pressures.

"If we look at the world economy these days, it's a pretty cool place, and that's not cool in the good sense of the word. That's cool in the sense that growth is cooler than we used to see in decades past," he said.

Although stock markets have heated up since the U.S. election in November on hopes that president-elect Donald Trump will drive faster economic growth, Shenfeld figures that's unlikely. He sees U.S. growth remaining around two per cent for the next couple of years.

As for the Canadian economy, Shenfeld likened it to a doughnut, with Alberta's struggling energy sector comprising the hole. The oil downturn has carved roughly one per cent out of Canada's annual growth over the past two years, he said.

"Canada, largely because of what's happened in the oilpatch, has had a couple years of growth closer to one per cent. We do have it improving to 1.7 or 1.9 per cent (annual growth), but these are still pretty low growth rates from what we're used to," he added.

As for oil prices, Shenfeld sees U.S. light crude averaging about US\$53 a barrel in 2017 and \$58 by 2018, slightly above the current level of around \$51.

Catherine Rothrock, chief economist at Alberta Treasury Board and Finance, likewise sees only a modest pickup in oil prices over the next few years.

"Even out to 2019 or 2020, we kind of top out at around \$70, so we're not expecting a big rebound," she said.

Reconstruction activity in Fort McMurray stemming from the wildfires in May will add about one percentage point to Alberta's economic growth in 2017, she predicted. But that won't be enough to get Alberta back to the growth rates the province enjoyed before oil prices tanked in 2014.

"We see a recovery. It's definitely a return to growth, but it's a modest recovery," she said. "Overall, comparing this recovery to past recoveries, it's a pretty weak recovery."  
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