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Stories by MAURICE TOUGAS

No better place to ride out a sluggish economy

There's no getting around it — the northern Alberta boom is over.

Multinational companies are delaying or canceling multibillion-dollar oilsands projects. Oil rigs sit idle. The forestry industry is shedding jobs and profits.

And yet, there is optimism. The economic landscape has shifted dramatically, but for residents and industry of northern Alberta, it's a case of been there, done that.

Alberta's North, the vast and mostly empty top half of the province, remains an economic powerhouse despite the world's economic woes.

By the calculations of the Northern Alberta Development Council, northern Alberta covers 60 per cent of the province, but it is home to just nine per cent of the population. But that nine per cent makes a huge contribution. According to a 2004 report, the gross domestic product of the North was \$45 billion, or 24 per cent of Alberta's total.

During several years of oil-fuelled boom, the North was growing at an unprecedented rate. But the U.S. subprime mortgage crisis, which triggered a worldwide recession, suddenly put the brakes on the North's madcap growth. While recession has hit some economies like a tsunami, in northern Alberta it was more like a strong wave.

And according to one economic expert, you're living in the right place to ride out the recession.

Mike Percy, dean of the Faculty of Business at the University of Alberta, believes northern Alberta is poised to bounce back from the recession faster than anywhere else in Canada.

Percy says it is important for worried Albertans to remember that we are coming down from an unsustainable high generated by an overheated economy.

“The run-up in growth we experienced from 2005-07 was exceptional, and well above long-term sustainable trends,” Percy says. “When people are looking at this downturn, they are judging it from a peak that was exceptional. The fall from that peak is significant, but not necessarily that far below where trends would have taken us.”

Percy says the recession will probably have a greater long-term impact in southern Alberta than the North.

The recession has had a disproportionate impact on large corporations, particularly those in the financial sector, he says. Calgary — with its large collection of head offices, western offices of the chartered banks, and energy investment bankers whose sole focus is the energy patch — will feel the recession to a greater extent than a place like Grande Prairie or Fort McMurray.

“When margins go and profits fall, generally the first to go over the precipice is middle management.”

Percy says Red Deer north will take less of a hit than Alberta as a whole, and probably bounce back relatively quickly.

The slowdown doesn't mean the end of major oil projects in Alberta, he says. Projects that were seen as marginal may now be seen as workable.

“Many of the types of projects we’re looking at now are tied not the price of oil today, but oil prices five or ten years from now.”

There will be a significant rebound in the price of oil, Percy predicts. While demand has fallen, supply has fallen even faster. That means when demand for oil bounces back, there will be less oil to go around, resulting in higher prices.

If history is any indication, we will have another boom, so this is an ideal time for the province to consider how it will manage growth, Percy says. The ripple effect of a mega-project can be felt all through the economy in terms of increased wages and supply prices, and Percy hopes the government will find some way to get some control over development. This would be a good time to invest in infrastructure for oilsands projects, and to look at labour market strategies to ensure that we have the trades available for the next building splurge.

Regardless of what part of the province you live in, “there is no better place to live in Canada than Alberta. Alberta will come through this in better shape than Canada as a whole.”

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