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World Economy Trends and Their Implications for the City of Calgary

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Executive Summary

December 2006

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For centuries, the world economy has affected the life of cities. Under conditions of global integration and spatial dispersal, this trend is becoming even more pronounced. Today, the service- and knowledge-based economy is a major driver of urban growth. The role of cities is being redefined and reshaped as they become concentrated command points in the organization of the world economy, key locations for finance, sites of production and innovation, as well as markets for products and innovations. This new role increasingly requires cities to compete for investments and financial and labour capital with other cities, nationally and internationally, while ensuring a balance between economic growth and sustainable development. In a recent report, the Organisation for Economic Co-operation and Development (OECD) highlighted the central importance of cities as the drivers of national economies (OECD, 2006).

Overall, the world economy is projected to grow over the next decades. This growth will be primarily driven by international trade and capital flows, contributing to increases in world Gross Domestic Product (GDP) and making countries deeply dependent on international trade and financial markets. This trend will be further intensified by the development of a global supply chain, which offers investors not only low labour costs, but also a growing technical workforce and improving infrastructure. Moreover, continuing development and diffusion of information technology will accelerate the speed of change and create ongoing challenges for cities to increase innovation, reduce costs and work more flexibly in the next few decades. Shifts towards knowledge economies combined with demographic changes worldwide will in turn increase competition for highly-skilled labour (“talent”) and increase international mobility of labour.

In addition, worldwide energy demand is projected to grow by nearly 50 percent over the next 30 years, driven by sustained global economic growth and population increases. The projected growth in world consumption will drive oil sands production, which is expected to significantly increase in the next decades. With Alberta being the second largest reserve of oil sands in the world, energy production is likely to continue providing a solid stream of revenue for municipal, provincial and national governments. At the same time, Alberta will be challenged to address issues associated with global energy supplies. These include the volatility of energy prices, the negative environmental effects of oil sands production, the growing challenge of attracting and retaining skilled labour as well as the non-renewable nature of oil and gas as sources of energy.

In general, these global trends will provide strong development potential for Calgary, including population growth, employment and a strong economy. The dynamics of economic growth will bring opportunities for a higher standard of living and prosperity. Calgary has already outpaced all Canadian cities in economic growth by a wide margin in the past few years. The oil and gas sector and soaring energy prices are clearly responsible for much of Calgary and Alberta’s fast economic growth. Investments in the energy sector have also contributed to the growth of other industries, such as manufacturing, construction, transportation and warehousing, and information, culture and recreation. This trend is expected to continue over the next decades, though to a lesser degree.

Economic growth over the next 30 years is expected to generate an increase in employment in Calgary from 498,000 in 2001 to 705,000 in 2033. The rate of employment growth however is expected to decline through the forecast period from a rate of 3.6 percent in 2001 to 0.5 percent in 2033. The decline will be largely driven by the aging population of North America. The Calgary labour market has currently reached nearly full employment (with the unemployment rate at 3.5 percent) and, according to some estimates, is likely to become even tighter (2.9 percent) over the next decades, driven by growing energy demand.

Yet, future economic trends may also pose new challenges for Calgary which, if left unattended, may affect such areas as the quality of life, the natural environment, services and infrastructure, governance, and social development. Thus despite strong economic growth, poverty and social exclusion remain important issues for Calgary. In 2003, poverty rates in Calgary increased for the second consecutive year, following five years of decline, rising to 17 percent (compared to 13.7 percent in 2002 and 13.1 percent in 2001). The emergence of new financial districts and luxurious residential areas is accompanied by an increasing socio-economic separation of citizens living in highly segregated neighborhoods. In addition, unsustainable growth may involve noticeable health costs, which can arise from a number of factors such as sprawl, poor environmental conditions, and growing poverty.

In order to respond to growing labour market demand over the next decades, Calgary will depend mainly on its ability to attract and retain skilled economic labour, including immigrants and foreign workers. Adaptation and integration of newcomers will continue being an important policy issue as the share of immigrants, visible minorities and Aboriginal persons is projected to increase. In addition, the city will need to accommodate this population growth in the next decades, by the development of extensive and costly infrastructure, effective transportation systems (such as enhancing Calgary's transit system), as well as addressing the shortage of affordable housing.

Moreover, unimpeded and resource-rich growth has a strong potential to threaten Calgary's natural resources, environmental sustainability and biological diversity. Thus, Calgary will face the need to address environmental threats arising from oil and gas production as well as automobile-dependent geographic expansion. Finally, the governance implications of global economy trends range from the need for greater transparency, efficiency and flexibility on the part of local policy-makers to pressures for increased participation of a multiplicity of stakeholders in the local decision-making process and the need to address increasingly complex issues faced by cities in coherent, inclusive and sustainable ways.