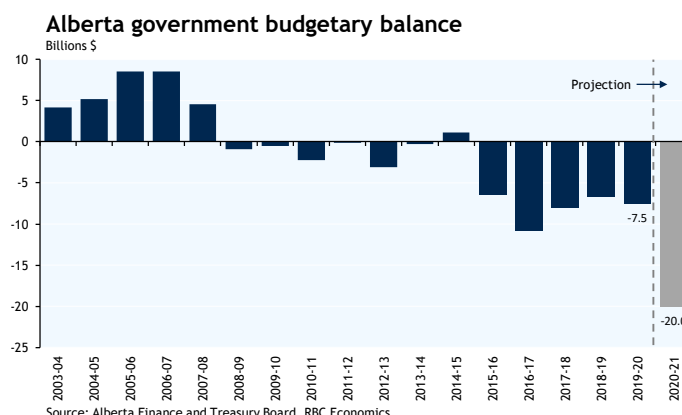


Alberta announces “Sweeping Actions”: \$10 B fiscal stimulus

June 29, 2020

Highlights

- Alberta is projecting a \$20 billion deficit this year, up from the \$7 billion shortfall projected in February
- Largest infrastructure build in AB history: \$10 billion in infrastructure projects expected to create 50,000 jobs
- Acceleration of the job creation tax cut: general business tax rates to fall from 10% to 8% effective July 1st
- Alberta to halt majority of temporary foreign worker program and reduce immigration nominee certificates



Infrastructure Investment expected to create 50,000 jobs

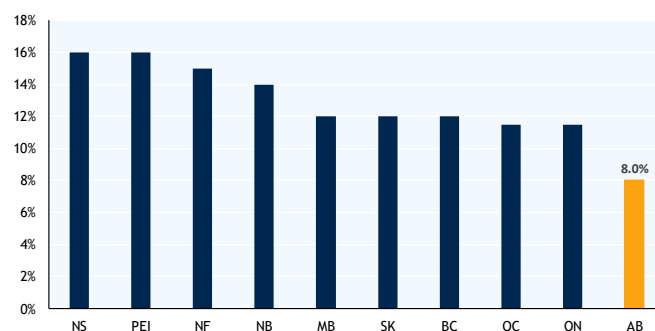
In response to what Premier Kenney describes as the “deepest jobs crisis in nearly a century,” the province of Alberta has implemented a record-breaking \$10 billion infrastructure package (equal to ~3% of annual GDP) in addition to \$14 billion in pre-existing crisis spending which is expected to create 50,000 positions in the face of 365,000 job losses since February. The province intends to invest in new transportation corridors, water projects, gas lines, pipelines, as well as schools, hospitals, and long-term care homes. This represents an increase of 40% relative to the level of capital expenditure initially earmarked in this fiscal year’s capital plan. The province also expects to create 7,400 jobs through moving forward with Keystone XL.

Open for Business: Alberta cuts corporate taxes by 2 percentage points

In order to stimulate business investment, Alberta has planned to accelerate the job creation tax cut, lowering the general business income tax rate from 10% to 8% effective July 1st, sooner than the January 2022 launch announced previously. As the most tax-competitive jurisdiction in Canada, this measure will expedite the creation of 55,000 new jobs. With over one-quarter of Calgary offices empty, and a drive to promote the province as a fintech hub, Alberta has announced the implementation of additional measures including an Innovation Employment Grant (details to follow), which will cost the province close to \$60 million, and \$175 million in the Alberta Enterprise Corporation, which will grant emerging start-ups access to venture capital financing.

Alberta's general business tax rate will fall well below other provinces

General business tax rates by province, %



Source: RBC Economics Research

Fewer temporary foreign workers and permanent resident nominees

In addition to the previous fiscal measures, Alberta plans to alter its approach to temporary foreign workers. Moving forward, Alberta will ask Ottawa not to process temporary foreign worker applications for Alberta in the majority of occupational categories including hospitality and tourism. In addition to this, the province plans to reduce the number of certificates issued this year under the Alberta Immigration Nominee program by at least one-third.

Overall, the province plans to create 50,000 jobs through \$10 billion in infrastructure spending alongside the 7,400 new jobs created through the continuation of Keystone XL. These two measures will fill ~16% of the employment gap. The official unemployment rate in Alberta is 15.5%, although it is likely over 20% considering the share of unemployed workers who have fallen out of the labour force. Infrastructure spending coupled with corporate tax cuts may well garner business investment, and with WTI prices at unsustainable lows, there has never been a better time for the province to diversify.