



How to Invest in Alberta's Next Economic Boom

Description

If you were around in the mid-90s through to about 2012, you'll probably remember the great Albertan economic boom. Thanks to soaring oil prices, the tar sands made money hand over fist. Profits grew, wages rose, and even entry-level workers earned high salaries. Fast-food restaurants started paying cashiers what would be great wages in other provinces, as the demand for labour outstripped supply. It got to the point where businesses began closing — not for a lack of customers, but because they couldn't get enough workers!

It was a great time for Alberta.

But eventually, disaster struck.

In 2014, oil prices began falling, leading to a collapse in Alberta's economic fortunes. Companies laid off workers, house prices fell, and the NDP rode a wave of economic angst to take control the province's government after decades of Conservative rule. In 2020, it got to the point where WTI oil futures went negative, and oil companies started losing money.

It was a difficult time. But this year, things finally started turning around. In October, WTI oil prices crossed \$80 for the first time since 2018. Eventually, they reached \$85, a price at which tar sands operations become extremely profitable. If these high oil prices continue, then Alberta could see another economic boom in which high wages, profits, and stock prices return after years of absence. In this article, I will explore three ways to invest in Alberta's next economic boom, starting with the most obvious: oil stocks.

Oil producers

Oil companies like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) are obvious beneficiaries of any [bullishness in oil prices](#). The higher the price of oil goes, the higher oil companies' profit margins. This effect can be seen in Suncor's most recent earnings release. In the third quarter, Suncor delivered

- \$877 in net income;

- \$2.6 billion in funds from operations; and
- \$1 billion in operating income.

The net income and operating figures were up from losses in the prior quarter. Funds from operations were up 160%. This was all made possible due to rising oil prices, which increased Suncor's profit margins. As long as the tar sands keep booming, SU will keep cranking out solid profits. So, its stock is an investment you could make to profit off a future Albertan economic boom.

Railroads

Next, we have railroads like **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)). Railroads are heavily involved in transporting crude oil like that produced by Suncor. The more demand for oil there is, the more demand there will be for CN rail cars. Pipeline stocks like **Enbridge** profit off this too, but what I like about CN Rail compared to a pipeline stock like ENB is that it does more than just ship oil. If the tar sands were to collapse overnight, CN Railway would remain in business — albeit in a diminished state. The same can't be said for pipeline companies like Enbridge.

Housing

Last but not least, we have housing.

Houses were among the assets that soared in price during Alberta's last economic boom. As companies started paying workers higher and higher wages, demand for housing increased, leading to higher prices. Eventually it got to the point where people were [paying \\$400,000 for 2 bedroom condos](#) in Fort McMurray — a city with just 66,000 people! It was a red-hot real estate market at the time. And if oil prices were to top \$100, we'd expect to see that kind of thing again. With higher oil prices come higher wages for oil workers, and that kind of thing tends to drive high demand for housing.

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