

Weekly Economic Review

Manufacturing gaining ground

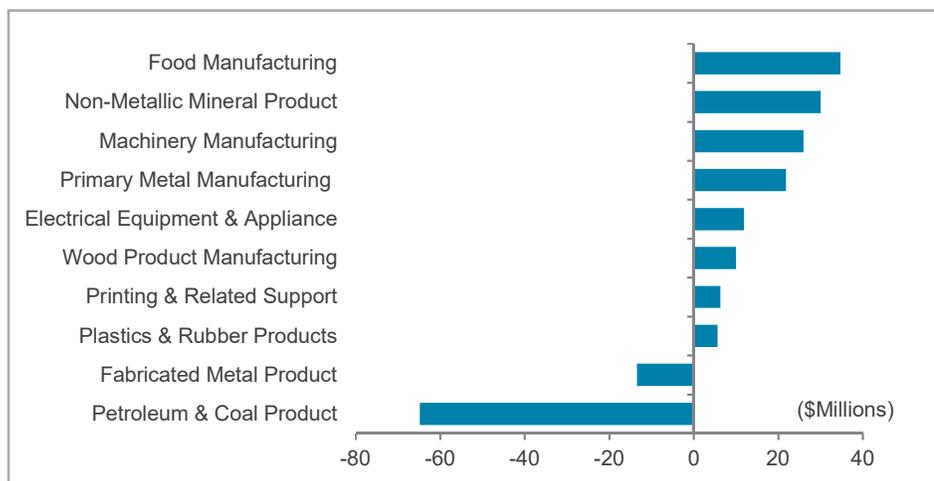
Manufacturing Shipments

Broad increase in factory sales

Alberta's manufacturing shipments resumed their upward climb. The value of manufacturing shipments in Alberta rose a solid 0.9% month-over-month (m/m) to \$6.2 billion in March after easing in the previous two months. Gains were broad-based, led by a jump in food shipments to just below the February 2016

Chart 1: Broad strength offsets a pullback in petroleum and coal

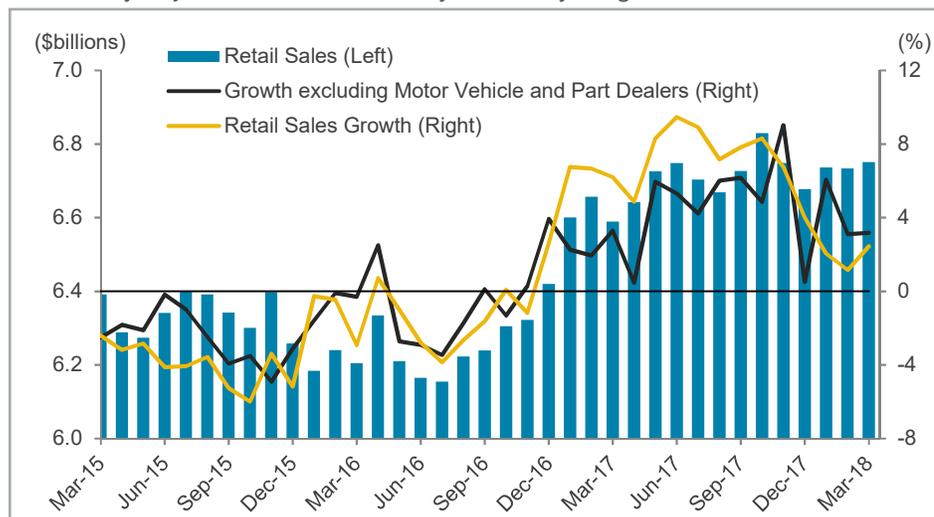
Monthly change in manufacturing shipments, by selected categories



Source: Statistics Canada

Chart 2: Solid retail sales

Seasonally adjusted retail sales and year-over-year growth



Source: Statistics Canada

high and a resurgence in non-metallic minerals products, which bounced back from a nine-year low (Chart 1). There were also solid increases in sales of machinery, primary metals, and wood products. These gains were moderated by petroleum and coal, which continued to pullback from the three-year high reached in January 2018, and lower shipments of fabricated metals. Although shipments have increased in six of the last eight months, the year-over-year (y/y) gains moderated to 7.5% year-to-date (YTD) following significant growth of 13.3% in 2017.

Retail Sales

Sales move higher

Retail sales inched higher in March after pausing in February. They increased 0.3% m/m to \$6.8 billion. The gains were led by seasonally stronger sales at clothing and accessories, food and beverage, electronic and appliance, and furniture and home furnishings stores. Higher gasoline prices also boosted sales at gasoline stations in the month. The year-over-year growth moved up to 2.5% but continued to be well below 2017 growth rates which were boosted by strong vehicle sales. While the pace of overall sales growth has slowed, it has become more broad-based, with sales excluding motor vehicle and parts dealers up a healthy 3.4% y/y (Chart 2).

New Vehicle Sales

Weak car sales persist

New vehicle sales remain soft as car sales continue to be weak. Albertans purchased 21,218 new vehicles in March, significantly more than in February but lower than a year ago (-5.9% y/y). Car sales continued to be sluggish (-20.0% y/y), with the fewest number of sales ever recorded in March. Conversely, truck sales remained solid

and just slightly below last year's record March level. Year-to-date, vehicle sales were down 2.9%, weighed down by car sales (-13.7%). Truck sales were virtually unchanged.

Consumer Price Index

Energy price surge in April

Rising energy prices are putting pressure on consumer prices in Alberta. Prices rose 0.5% m/m in April as gasoline (+9.1% m/m) and electricity (+17.1% m/m) prices jumped. Both electricity and gasoline prices have been rising since mid-2017 (Chart 3), and with the recent surge, were up 38.9% y/y and 17.7% y/y respectively in April. These increases were moderated by weaker natural gas prices (-10.6% y/y). Despite the large gains in energy prices, the annual inflation rate was unchanged at 2.3% in April, as inflation excluding energy remained muted at 1.3%.

Business Formations

New formations remain high

Businesses continue to incorporate at a steady pace in the province. There was an average of 3,722 businesses formed in Alberta over the three-month period ending in April. While down slightly from the previous month, they were close to a three-year high and exceeded last year levels by 2.8%. Since the start of the year, the number of new businesses formed is up 2.0% over the same period in 2017.

Resale Housing

Weakness in Calgary weighs on resale activity

Activity in Alberta's resale housing market edged lower, dragged down by slow sales in Calgary. Seasonally adjusted home sales declined 1.7% m/m to 4,192 units, a two-year low. The monthly decline was driven by slower activity in Calgary (-6.1% m/m).

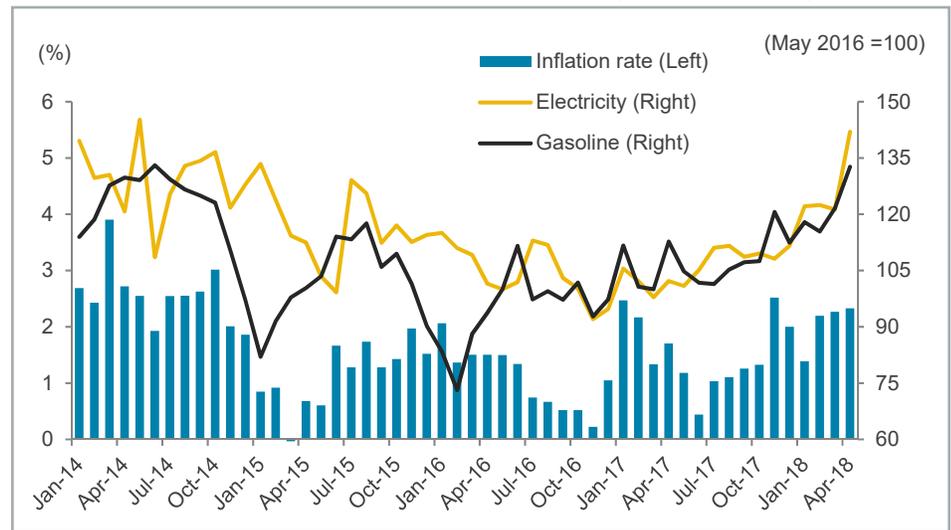
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Sales excluding Calgary were slightly higher as activity stabilized in many regions after declining for three months in a row. This followed a surge in late 2017 when buyers rushed to purchase homes before the new mortgage rules took effect in January. While the number of new listings moderated in April, they remained at elevated levels. With plenty of new listings and slower sales, the months of inventory jumped to 7.7, the highest level since August 2010. Rising inventories have exerted downward pressure on the average resale price which fell to a two-year low of \$384,125. Nationally, sales were down 2.9% m/m in April and 15.0% YTD, reflecting weaker activity across the country in 2018 in particularly in Ontario (Chart 4).

Chart 3: Rising energy prices lift consumer inflation rate

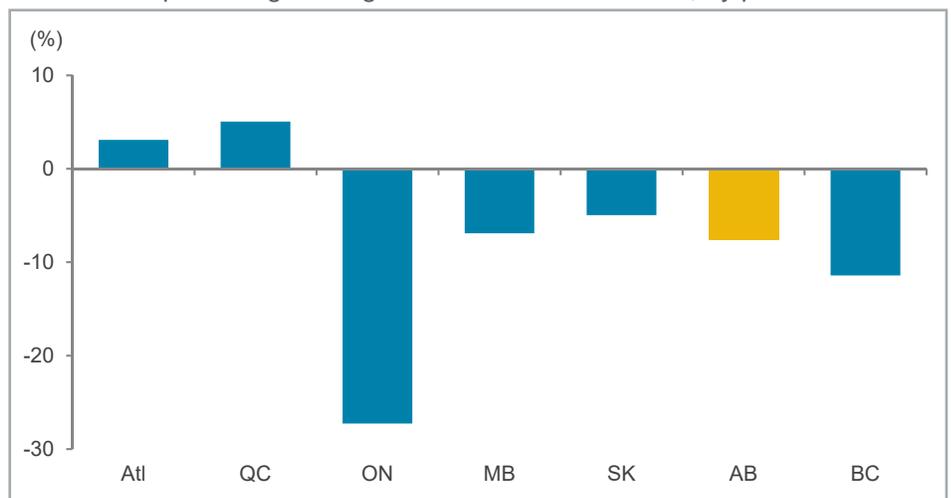
Alberta's annual inflation rate and select consumer price index components



Source: Statistics Canada

Chart 4: Home sales down across most provinces through April

Year-to-date percentage change in residential home sales, by province



Source: The Canadian Real Estate Association

Please see the [Alberta Economy - Indicators at a Glance](#) for a snapshot of Alberta indicators.