

Weekly Economic Review

Manufacturing remains strong

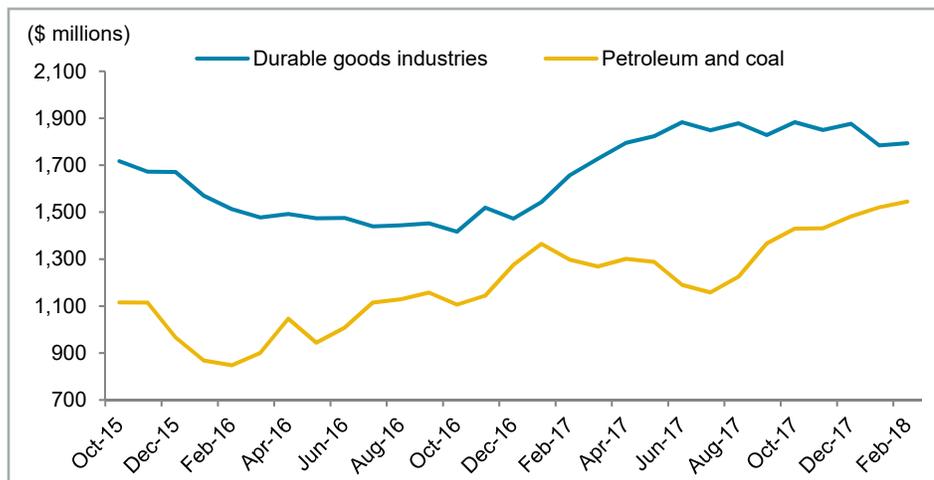
Manufacturing Shipments

Rising petroleum shipments boost manufacturing

Alberta's manufacturing sector continues to advance at a solid pace. The value of manufacturing shipments in Alberta rose a healthy 0.7% month-over-month (m/m) in February to \$6.2 billion, a three-year high. Gains continue to be led by petroleum and coal shipments (+1.6% m/m), which rose for the seventh month in a row

Chart 1: Growth in Alberta's petroleum and coal shipments continues

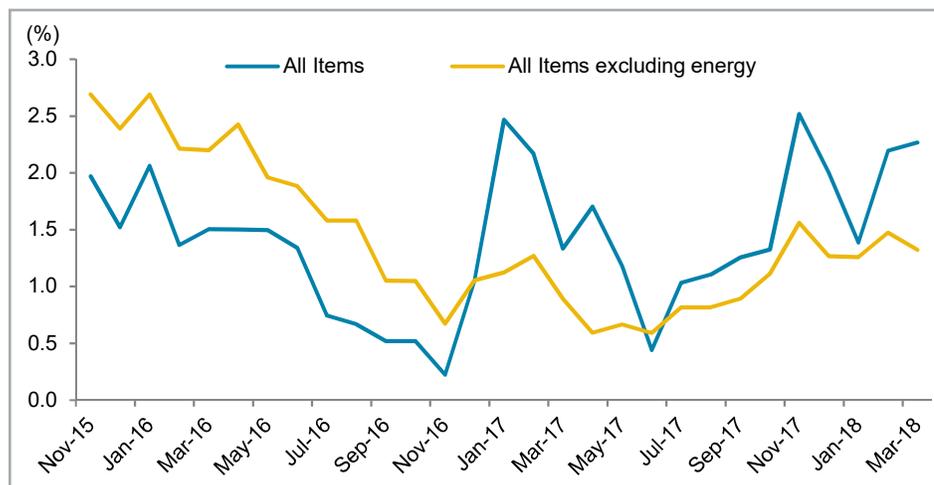
Alberta Manufacturing shipments, by category



Source: Statistics Canada

Chart 2: Alberta's inflation moves higher with energy prices

Annual rate of consumer inflation



Source: Statistics Canada

(Chart 1). The monthly gains were also supported by a rebound in machinery sales (+3.1%) and paper shipments (+9.2% m/m), the latter of which are approaching the 18-year high set last April. On the other hand, chemical sales edged down from the previous month (-0.4% m/m), and wood products continued to retreat from the all-time high reached in October 2016. Despite rising petroleum and coal shipments, the year-over-year gains in overall shipments moderated to 8.7% as sales for many durables goods categories have slowed.

Retail Sales

Sales slip in February

After a solid gain to start 2018, retail sales pulled back slightly. Retail sales fell 0.3% m/m in February after a 0.8% gain in the prior month. Sales were seasonally weak in most categories, with only building materials and garden supplies stores experiencing a meaningful increase. Even with the monthly decline, retail sales are only marginally below the October 2017 peak. Compared to a year ago, sales were up slightly (+0.7% y/y). Growth was weighed down by declines in several categories, most notably motor vehicles.

Consumer Price Index

Consumer inflation ticks up

Alberta's consumer inflation rate moved higher in March along with stronger growth in energy prices (Chart 2). The consumer price index (CPI) rose 2.3% year-over-year (y/y) in March, slightly higher than in February. The increase in CPI was due to higher energy prices (+16% y/y). Gasoline prices continued to rise and reached a three-year high, while electricity prices remained at levels significantly higher than the low rates a year ago. Excluding

energy, inflation eased 0.2 percentage points to 1.3%. The year-over-year gain in store-bought food prices moderated, while price increases in durable and semi-durable goods remained modest. Service inflation was unchanged at 1.8% y/y.

New Housing Investment

Seasonal pickup in investment

New housing investment in Alberta picked up in February, which is typical for this month. It rose 3.3% m/m, in line with the average monthly increase for this time of the year. Compared to a year ago, investment in new housing remains higher (+9.5%). However, the year-over-year growth has slowed after peaking in August 2017, reflecting slowing momentum in single unit construction (Chart 3) and lower construction activity in Fort McMurray.

Non-Residential Investment

Major projects lift construction

Non-residential construction activity in Alberta ticked up modestly in the first quarter of 2018. After nine consecutive quarterly declines, Alberta's non-residential building investment edged up 0.5% quarter-over-quarter (q/q) to \$2.4 billion. Industrial construction rebounded (+8.1% q/q) from a 12-year low. Non-residential investment was also supported by the construction of a new hospital in Calgary which lifted institutional investment to near the post-recession high (+3.0% q/q). However, commercial spending remains weak as it dipped to a seven-year low (Chart 4).

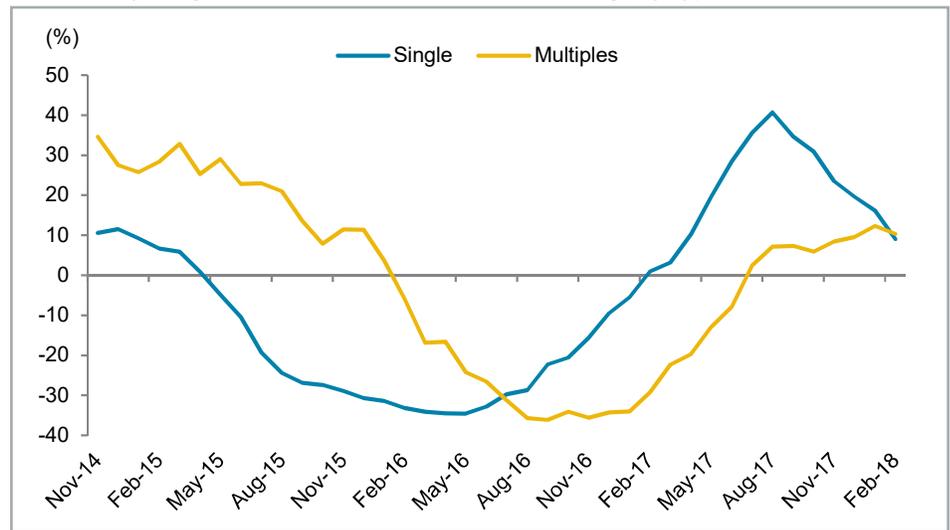
Monetary Policy

Bank of Canada on hold

The Bank of Canada (BoC) kept its policy interest rate unchanged and adjusted its economic growth projections. BoC held its key policy rate at 1.25% for the second consecutive time, which came on the heels of three rate increases since July 2017. The bank was on hold as they revised their 2018 Canadian growth projections down slightly to 2.0% from 2.2%. This reflected lower expected export growth and a weak start to this year due to the short-term housing market adjustment following regulatory changes. Growth is expected to pick up after a slow first quarter, and the 2019 projections were increased 0.5 percentage points to 2.1%.

Chart 3: Momentum slows in single unit construction in Alberta

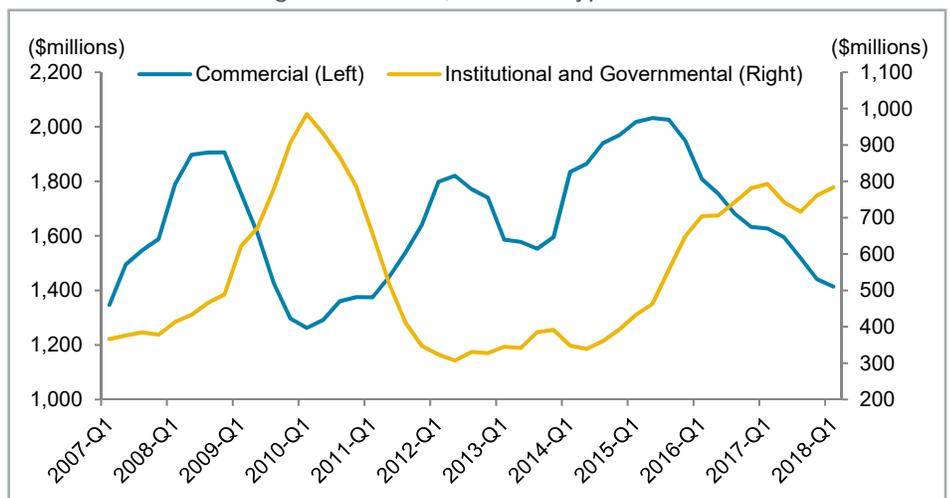
Year-over-year growth in investment in new housing, by type



Source: Statistics Canada

Chart 4: Strength in institutional and governmental construction

Non-residential building construction, selected types



Source: Statistics Canada

Contact

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