

Weekly Economic Review

Alberta Activity Index shows broad-based strength

Alberta Activity Index

Wholesale trade bolsters activity

The Alberta Activity Index (AAX) jumped 2.5% month-over-month (m/m) in May, the fourth highest monthly growth rate on record. Wholesale trade led the charge, recording the highest monthly growth rate in 24 years, spearheaded by a spike in agricultural supply sales (Chart 1). Oil production, manufacturing shipments, housing starts and new truck sales also saw notable gains. Year-over-year (y/y) growth ticked up to 2.9% from 2.5% the month before. The AAX is now 0.8% above its pre-recession peak.

Crude Oil Production

Output remains steady

Oil production was relatively unchanged in June after a jump in May. Crude oil production in Alberta held steady at 3.4 million barrels per day (Mbp/d), lifted by continued gains in synthetic production (+9.6% m/m) and condensate (+7.9% m/m). These gains were offset by bitumen (-3.9% m/m), which pulled back after reaching a record high in the previous month, and a dip in light and heavy crude oils. Over the past 12 months, output increased 13% y/y, with solid gains in both conventional and non-conventional production.

Merchandise Trade

Exports hold on to gains

Alberta exports held steady in June following significant gains in recent months. The value of merchandise trade in the province was roughly unchanged at \$10.3 billion, as strength in energy exports offset weakness in chemical exports. This was near a three-and-a-half-year high and about

4% below the pre-recession peak. Energy exports continued to gain traction along with machinery and equipment, which rose to the highest level since February 2015. These increases were offset by a decline in agri-food products and lower chemical export volumes, due to scheduled maintenance. This dragged down non-energy exports (-5.8% m/m) from the all-time high reached in May. In the first half of 2018, merchandise exports were up 11% over the same time as last year, fuelled by strong gains in both energy and non-energy exports.

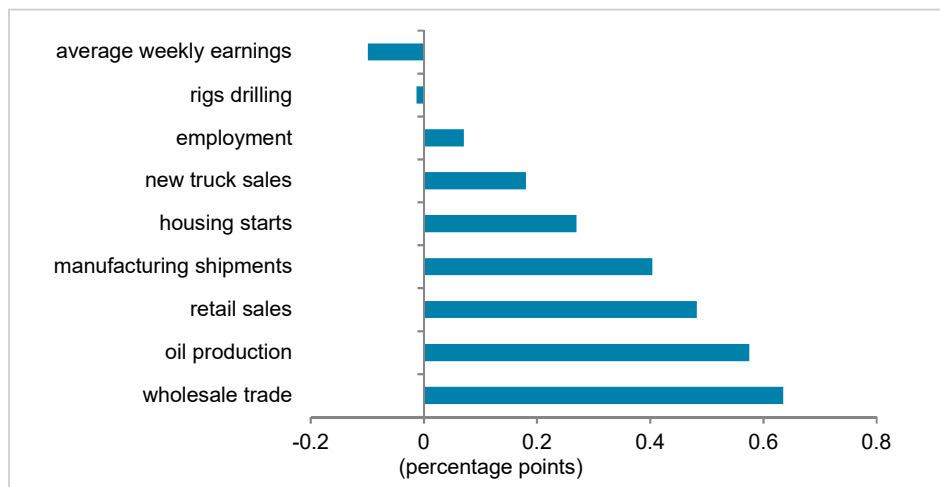
Canadian Real GDP by Industry

Real GDP gains traction

GDP growth in Canada picked up in May after transitory factors held back growth in April. Real GDP by industry grew 0.5% m/m relative to 0.1% m/m growth in April. Strength was broad-based, with only the utilities industry weighing on growth. Oil and gas extraction (+2.5% m/m) led the way, as non-conventional oil production rebounded from maintenance work in the previous month. Retail trade and construction also rebounded after the impact of unusually bad weather conditions weighed on growth in April. Compared to last year, real GDP was up 2.6%. The oil and gas extraction industry has been the strongest contributor to growth so far this year, with unconventional oil production up over 14% y/y.

Chart 1: Wholesale leads Alberta activity

Contribution to month-over-month change in the Alberta Activity Index, May-2018



Source: Alberta Treasury Board and Finance

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