

# Weekly Economic Review

## Pullback after May spike in Alberta housing starts

### Housing Starts

#### First half of the year tracking close to 2017 levels

After surging to a two-and-a-half year high, housing starts fell back in June. Housing starts in Alberta came in at a seasonally adjusted annual rate (SAAR) of 26,100 units, down from 35,700 in the previous month. Starts declined for all types of housing and in all regions across the province, but were most pronounced in multi-unit construction (Chart 1) and in Calgary. Housing starts through the first six months have averaged 27,800, roughly in line with 2017 levels, which were lifted by rebuilding in Fort McMurray.

### New Housing Price Index

#### New home prices hold steady

New housing prices remain stable in Alberta. For the second month in a row, the new housing price index (NHPI) was unchanged in May. Compared to a year ago, the NHPI was slightly lower (-0.1% year-over-year or y/y) as prices declined for the house-only component while partially offset by higher land prices.

### Building Permits

#### Intentions edge up

Construction permits issued by Alberta municipalities rose modestly after declining in the previous month. The value of building permits in Alberta edge up 1.4% m/m to \$1.2 billion in May, largely boosted by multi-unit intentions which set a 17-month high in March. The gain was further supported by increases in commercial and industrial structures. These gains were partially offset by lower construction intentions for single detached homes and a drop in institutional

and governmental permits, which have eased from elevated levels over the past three years. Through the first five months of 2018, building permits were up 2.7% from the same period last year, lifted by a pickup in multi-unit and commercial intentions.

### Business Formations

#### Formations up year-over-year

Incorporations in the province remained above last year's levels. There was an average of 3,658 businesses formed in the three-month period ending in June. While formations have eased since hitting a three-year high in February, they continue to exceed (+1.4% y/y) last year's level. Overall in the first half of 2018, incorporations were up 1.8% over the same period last year.

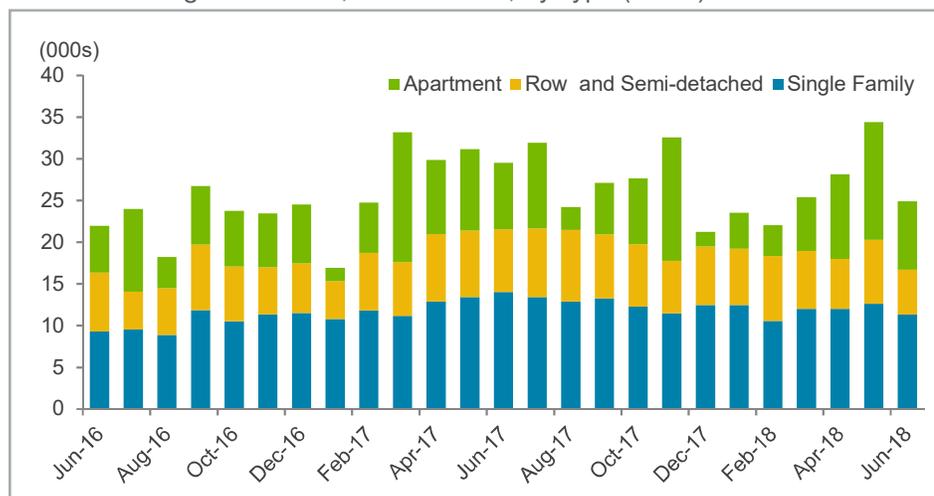
### Monetary Policy Report

#### BoC raises target rate

The Bank of Canada (BoC) raised its key policy rate after remaining on the sidelines since January 2018. In a widely anticipated move, the Bank raised the overnight rate by 25 basis points to 1.5% as headline and core inflation remain close to the 2.0% target and the Canadian economy continues to operate close to capacity. While trade-related uncertainties have increased, Canadian economic growth is expected to be 2.0% in 2018 and average 2.1% in 2019 and 2020, similar to the outlook in April. Despite downside risks, the Bank indicated that further rate increases will likely be warranted to maintain a hold on inflation.

### Chart 1: Multi-unit construction dips after surging in May

Alberta Housing Starts in 10,000+ Centres, by Type (SAAR)



Source: Canadian Mortgage and Housing Corporation

### Contact

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