

# Weekly Economic Review

## Expected reversal in Alberta employment

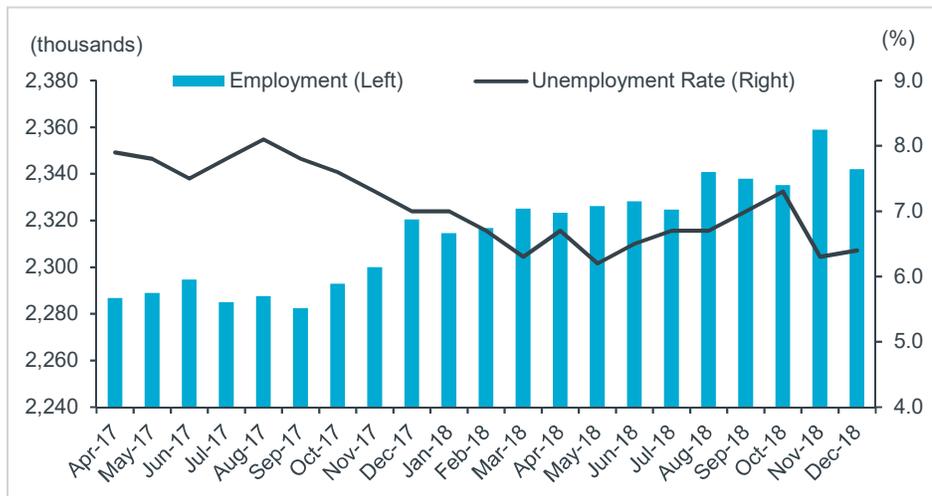
### Employment

#### Full-time and private sector employment pull back

Alberta's employment retreated after surging ahead in November. Employment pulled back 16,900 as full-time (-36,200) and private sector (-15,700) employment gave back some of the outsized gains in November. Employment retraced a significant portion of the previous month's gain in both the services sector (-11,400) and goods sector (-5,500), as job losses were reported in nine

**Chart 1: Employment dips after November surge**

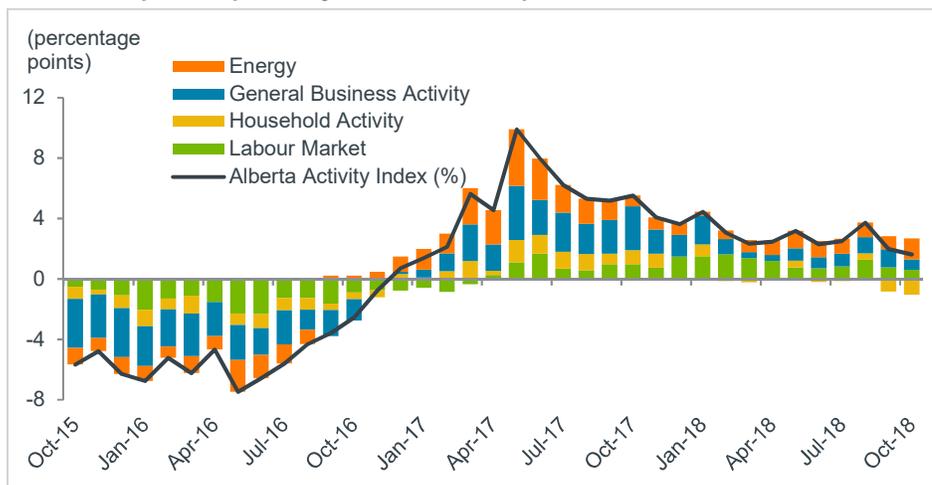
Alberta employment and unemployment rate



Source: Statistics Canada

**Chart 2: Household activity weighs on AAX**

Contribution to year-over-year change in the Alberta Activity Index



Source: Alberta Treasury Board and Finance

of the sixteen industries. Despite the sharp pullback in employment, the unemployment rate ticked up 0.1 percentage point to 6.4% (Chart 1) as the labour force fell. This was due to a decline in the participation rate which fell 0.5 percentage point to a 25-year low of 71.6%. Despite the monthly pullback, employment was still up 21,600 on a year-over-year basis, led by the strength in full-time and private sector jobs. Overall in 2018, employment grew a solid 1.9%.

### Alberta Activity Index

#### Activity holds steady

The Alberta Activity Index (AAX) held steady in October following some moderation in the previous months. A rebound in oil production following oil sands upgrader maintenance, combined with gains in manufacturing shipments and average weekly earnings, were offset by pullbacks in housing starts, wholesale trade, and rigs drilling. On a year-over-year (y/y) basis, growth slowed to 1.6%, weighed down by weakness in household activity (Chart 2). Nevertheless, the AAX remained up 2.8% year-to-date (YTD), reflecting strength in the first half of the year.

### Consumer inflation

#### Inflation cools

Alberta inflation has slowed sharply with lower gasoline prices. The consumer price index (CPI) rose 1.7% y/y in November, down from 2.8% y/y in October. Consumer inflation has been slowing since the fall, with gasoline prices retreating

from a ten-year high (Chart 3).

With the recent declines, gasoline prices were lower than a year ago for the first time in 17 months. Excluding both food and energy, core inflation eased 0.4 percentage point to 1.3%. Core inflation remained muted as lower prices for durable goods (-0.8% y/y) overshadowed gains in services (+2.2% y/y).

### Average Weekly Earnings

#### Earnings edge higher

Average weekly earnings (AWE) in Alberta ticked up in October after falling to a 2018 low in September. They increased 0.4% month-over-month (m/m) to \$1,143.82, supported by both goods and service sectors. The monthly gain in the goods sector AWE (+0.6% m/m) was largely driven by the mining, oil and gas industry, which recovered modestly after sinking to a three-year low in the previous month. Despite the monthly improvement, goods sector AWE remained 1.0% lower than in January 2018. In contrast, service sector earnings have trended higher since the beginning of the year. Year-to-date, AWE has risen 2.1%, largely propped up by the strength in the services sector (Chart 4).

### Retail sales

#### Retail sales ease

Retail sales declined in October for the third consecutive month. Sales fell 1.8% m/m to \$6.7 billion. With the recent weakness, year-over-year sales have declined (-1.9%) for the first time since November 2016. Year-to-date, however, retail sales were up 2.0% lifted by higher gasoline prices and gains in early 2018. Excluding sales at gasoline stations, retail sales were unchanged YTD.

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

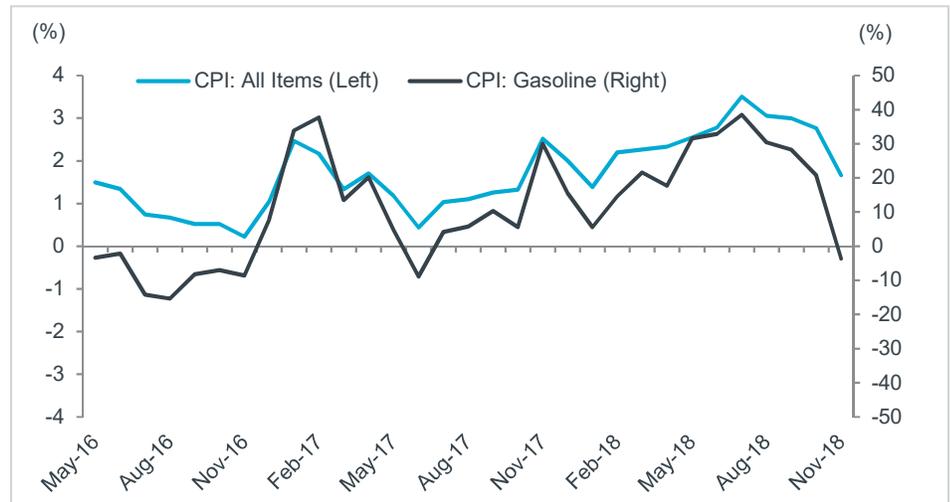
### Resale Housing

#### Edmonton rebound conceals ongoing weakness in Calgary

Activity in the Alberta housing market picked up in November as sales rebounded in Edmonton. Seasonally adjusted home sales increased 3.4% m/m from a six-month low to 4,361 units. This was driven by a sharp rebound in Edmonton, where sales surged 12% m/m. This more than offset slowing sales in Calgary, which declined for the third consecutive month. Inventory levels pulled back from an eight-year high but remained elevated. As a result, resale prices declined 1.3% m/m to \$379,534, the lowest level since May 2013.

### Chart 3: Falling gasoline prices dampen inflation

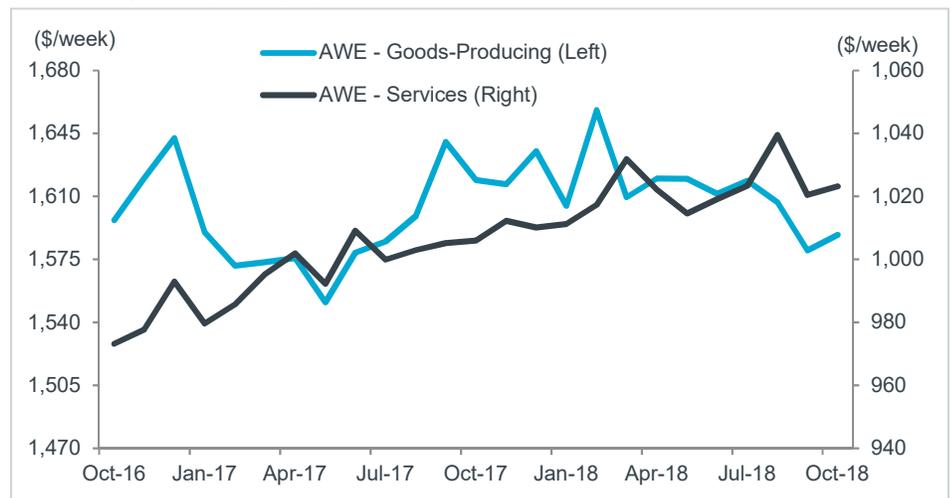
Year-over-year growth in Alberta consumer price and gasoline price indices



Source: Statistics Canada

### Chart 4: Services sector driving earnings growth

Alberta average weekly earnings by sector



Sources: Statistics Canada