

Weekly economic review

Employment advances in May

Employment

Goods sector drives employment growth

Alberta's labour moved forward in May despite the wildfires and associated evacuations. Employment advanced 3,900 month-over-month (m/m), propped by gains in the goods sector. Goods sector employment increased by 6,100, with a large gain in construction overwhelming a pullback in manufacturing. In the services sector, employment retreated 2,200 m/m, as large declines in professional, scientific & technical services and transportation & warehousing offset gains in other industries. With the monthly addition, employment increased in seven of the last eight months and was up 2.8% from a year ago, with strong gains in the private sector, full-time positions, and the service sector. Despite the momentum, some Albertans left the labour force as the participation rate fell 0.3 percentage points to 69.5%. With the employment gains and lower participation rate, the unemployment rate improved to 5.7%, from 5.9% in April.

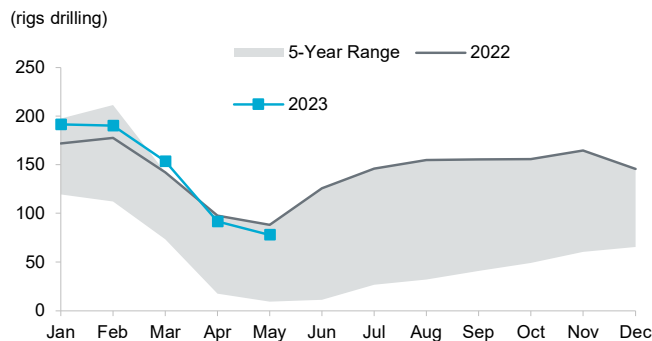
Rigs Drilling

Seasonal activity near five years high

Drilling activity in Alberta remained steady and started to improve in late-May. The number of active rigs averaged 78 in May, 13 less than in April. The monthly decline was typical and reflected the seasonal lows reached in the first three weeks of the month. The number of active rigs surged in the last week of the month as companies started to bring more rigs online after the spring breakup and the wildfire scare subsided. Despite the strong gain late in the month, the number of rigs drilling was lower than a year ago. However, activity remained near the high end of the five-year range (Chart 1) and was up 4% year-to-date (YTD).

CHART 1: RIGS DRILLING REMAINS NEAR FIVE YEAR HIGH

Number of rigs drilling and five-year seasonal range



Sources: Canadian Association of Energy Contractors (CAOEC)

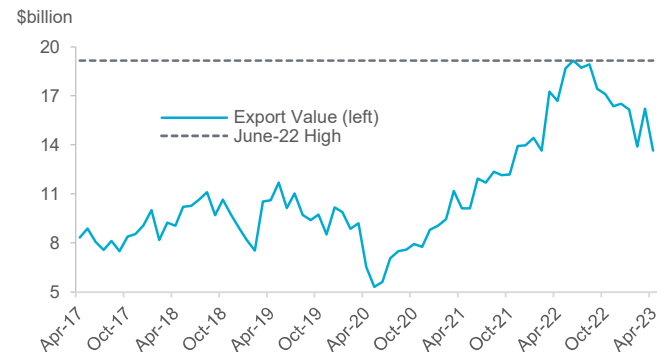
Merchandise Exports

Lower prices drag on exports

Alberta's goods exports declined in April, giving back all the gains made in March (Chart 2). The value of merchandise exports went down by 16% m/m to \$13.6 billion, after surging 17% in the previous month. The pullback was led by the same categories that drove the gain in March. Energy (-18% m/m), farm, fishing & intermediate food (-22% m/m), basic & industrial chemical, plastic & rubber (-7.5% m/m) and industrial machinery, equipment & parts (-19% m/m) gave back all or most of the previous month's gains. The value of exports has retreated significantly from the June 2022 peak and on a year-over-year (y/y) basis, they were down 18% in April. The pullback from the high and the annual declines reflects lower prices for many commodities. The largest year-over-year declines in prices and export values were in energy products, forestry products & building materials, and metal & non-metallic minerals & products.

CHART 2: EXPORT EASED IN APRIL

Value of Alberta merchandise exports



Sources: Statistics Canada, Haver Analytics

Supply of Oil

Production drop with seasonal maintenance

Alberta's oil output declined notably in April amid planned seasonal maintenance. Total oil production descended 8.6% m/m to 3.5 million barrels per day (mmbpd), about 0.3 mmbpd lower than March and 0.4 mmbpd lower than the November 2022 high. Non-conventional output (-10% m/m) decreased, as both bitumen (-8.3% m/m) and synthetic

(-13% m/m) output dropped due to seasonal outages. Meanwhile, conventional oil production remained essentially unchanged at its highest level since 2017, with gains in light & medium production being offset by declines in heavy and condensate. Total oil production was down 3.0% y/y but remained near higher end of five years historical range. On YTD basis, production was up 3.4%.

Supply of Natural Gas

Gas production retreats

Production of natural gas and natural gas liquids fell in April. Conventional gas well production, which accounts for most of the overall natural gas production in the province, decreased 3.1% m/m to 11 billion cubic meters. The production declines are consistent with the seasonal slowing in demand. Natural gas supply also declined in the month amid lower consumption in Alberta and lower exports to the U.S. The supply of natural gas liquids (NGLs) was also down in April (-6.0 % m/m).

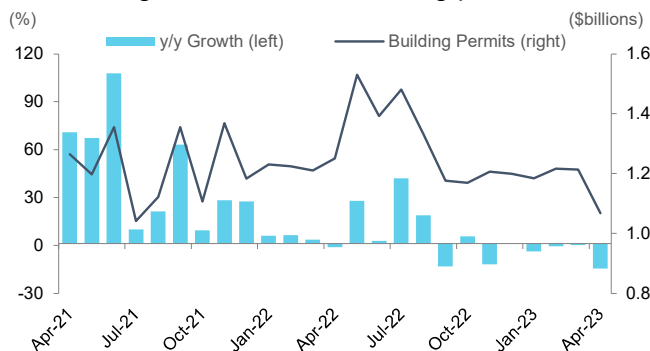
Building Permits

Sharp decline in permits

Alberta's construction intentions plunged to a 21-month low in April. The seasonally adjusted value of building permits dropped 12% m/m to \$1.1 billion. Non-residential permits (-28% m/m) led the decline, as commercial permits fell 37% m/m to their lowest level since December 2021. Industrial permits also retreated from a near-four-year-high, while institutional & governmental permits advanced. Meanwhile, residential permits (-1.8% m/m) continued to slide lower, with the pullback in single permits (-3.9% m/m) overwhelming the uptick for multiples (+0.8% m/m). On a year-over-year (y/y) basis, permit values were down 15% (Chart 3), with residential (-13% y/y) and non-residential permits (-18% y/y) both markedly lower.

CHART 3: CONSTRUCTION INTENSIONS SLOWING

Value and growth of Alberta building permits



Source: Statistics Canada and Haver Analytics

Business Formations

Incorporations continue to rise

Alberta incorporations improved in May for the fourth consecutive month. The seasonally adjusted business formations went up 15% m/m to an average of 4,566 in the three months ending in May. With the monthly uptick, Alberta business formations were up 4.7% y/y.

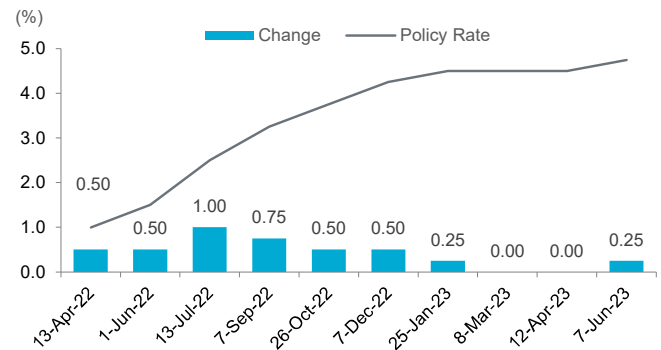
Monetary Policy

Bank of Canada reboots rate hiking cycle

After pausing for two meeting, the Bank of Canada (BoC) increased interest rates this week. The Bank raised the overnight target rate by 0.25 percentage points to 4.75% in its June policy meeting (Chart 4). The decision to increase rate was made to help to control inflationary pressure following a better than expected first quarter national GDP number, fueled by strong labour market and household consumption.

CHART 4: BOC REINSTATE RATE HIKE IN JUNE

Policy rate and change by BoC Meeting date



Sources: Statistics Canada, Haver Analytics