Weekly Economic Review

Homebuilding activity gaining momentum

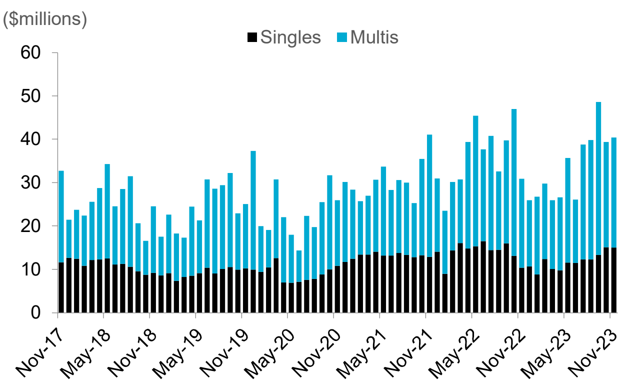
Housing Starts

Edmonton apartments advance

Alberta's housing starts continued their strong momentum in November. Starts rose 2.4% month-over-month (m/m) to a seasonally adjusted annual rate (SAAR) of 40,899, the second highest level in the past 13 months. Edmonton was the only region to increase in the month, surging ahead 40% m/m. However, Calgary's 14% m/m decline came from exceptionally high levels in October and starts remained elevated. While the monthly increase was solely due to a jump in the volatile apartment starts (+17% m/m), single starts slowed a bit from the past seven months, easing 0.6% m/m from a 12-month high. Despite the monthly rise, housing starts were down 6.1% year-to-date (YTD) as a weak start to the year has outweighed strength over the previous five months.

CHART 1: MULTIS GAINING MOMENTUM

Seasonally adjusted annual rate of housing starts in all centers 10,000+



Sources: The Canadian Real Estate Association, Haver Analytics

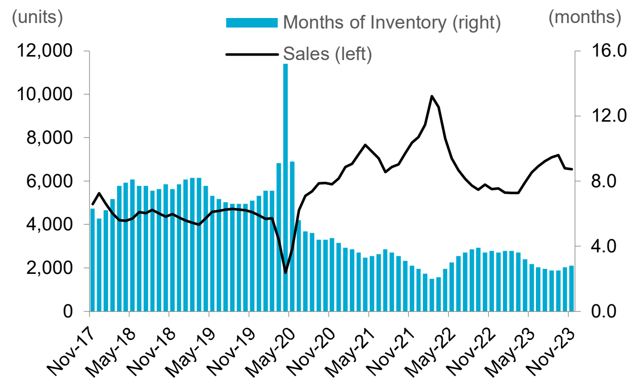
Resale Housing

Market conditions loosening a bit

Conditions in Alberta's resale housing market continued to moderate in November. Seasonally adjusted unit sales eased 0.5% m/m to 6,550. While province wide sales were relatively flat, activity declined in most regions with only Edmonton, Fort MacMurray, and Central Alberta posting gains. New listings rose across the province and jumped 3.4% m/m to a 16-month high. With sales easing and a pickup in new listings, the months of inventory increased to 2.8 months. Although the market conditions have loosened, sales activity remains significantly higher than last year (+16% year-over-year or y/y), and the average resale price inched up 0.1% m/m to $455,759, 5.9% higher than last year.

CHART 2: SALES SLOW AND MONTHS OF INV. TICKS UP

Seasonally adjusted unit sales and months of inventory



Sources: The Canadian Real Estate Association, Haver Analytics

Wholesale Trade

Machinery sales prop up wholesale trade

Alberta's wholesale trade saw a modest uptick in October. Wholesale trade (excluding petroleum, petroleum products, and other hydrocarbons and excluding oilseed and grain) advanced by 3.6% m/m to $9.1 billion. Sales improved in five of the seven categories, led by a jump in machinery, equipment & supplies (+5.2% m/m), which recovered from the drop in September. Despite the monthly gain, sales were down from last year's levels (-0.6% y/y) for the third consecutive month. They still remained 5.4% higher YTD driven by strong growth in machinery, equipment & supplies (+11% YTD).

New Motor Vehicle Sales

Seasonal slowdown

New motor vehicle sales slowed going into the fall but remain well above last year's levels. The number of new vehicles sold in Alberta declined 9.3% m/m in October to 17,880. While large, the monthly decline was similar to last October's monthly decline, and sales continued to be significantly higher (+21% y/y) than the 2022 depressed levels. With the ongoing year-over-year gains, sales were up 12% YTD, propped up by strong gains in truck sales (+14% YTD).

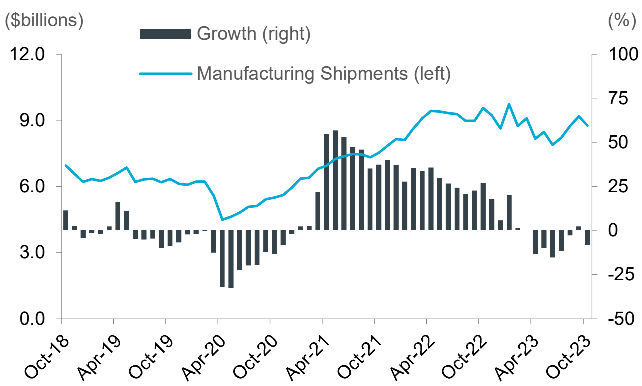
Manufacturing Shipments

Shipments take a breather

Factory sales in Alberta gave back some of the recent gains in October. The value of manufacturing shipments decreased by 4.6% m/m to $8.7 billion after three consecutive months of increase. Shipments of both non-durable (-3.6% m/m) and durable goods (-7.1% m/m) pared back recent gains. The decline in the non-durable goods was led by a large pullback in the petroleum & coal (-12% m/m) after it surged 38% over the previous two months. Meanwhile the pull back in durable goods was widespread with seven of the ten components declining. Even with the monthly slowdown, factory sales remained strong and well above the mid-year low. However, with prices still lower than a year ago, sales were down 8.3% y/y and down 4.2% YTD.

CHART 3: SHIPMENTS PULL BACK AFTER THREE CONSECUTIVE MONTHS OF INCREASE

Seasonally adjusted manufacturing shipments in Alberta



Source: Statistics Canada, Haver Analytics

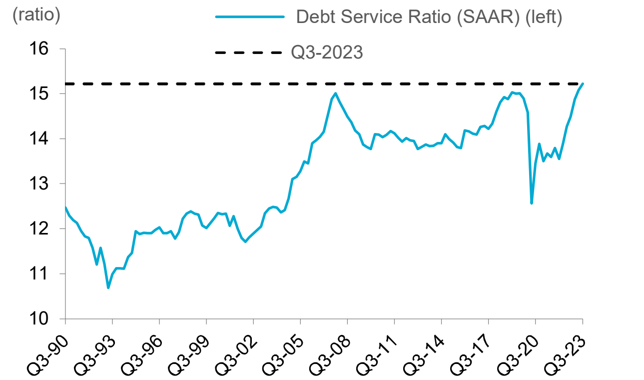
Household Balance Sheet

Financial pressures continue to grow

The financial health of Canadian households deteriorated in the third quarter of 2023. Households' net worth fell 1.8% quarter-over-quarter (q/q) to $16.2 trillion, as the value of their assets declined and financial liabilities edged higher. The market value of assets held by Canadians households fell in the quarter as financial assets (-2.1% q/q) declined with the weak global equity markets and non-financial assets (-0.8% q/q) eased with the soft housing market and lower property prices. Meanwhile, the level of household debt increased (+1.0 q/q) and the debt service ratio continued to rise as debt payments expanded at a faster rate than the household disposable income. Canadian household spent 15.2% of their disposable income on debt payments (principal and interest) in the third quarter. This was one percentage point higher than Q3 2022 and the highest rate recorded in the series which started in 1993.

CHART 4: DEBT CONSUMING MORE HOUSEHOLD INCOME

Canadian debt service ratio



Sources: Statistics Canada, Haver Analytics

Monetary Policy

Central banks remain on hold

The Federal Reserve (Fed), Bank of England (BoE) and European Central Bank (ECB) all kept their benchmark interest rate unchanged during meetings this week. This was the third consecutive meeting that the Fed left the target to a range between 5.25% and 5.50% and the BoE at 5.25%, while the ECB has held rates at 4.50% in its last two meetings. The pauses were accompanied by a moderation in both the Fed and ECB forecasts for growth and inflation next year. Despite similar actions and forecasts, Central Banks diverged in the expected path of interest rates. Policy rates are at multiyear highs, and while the ECB and BoE reiterated that rates would remain high, the Fed indicated that rates cuts are likely in 2024.

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