

Weekly economic review

Businesses increasingly optimistic about long-term outlook

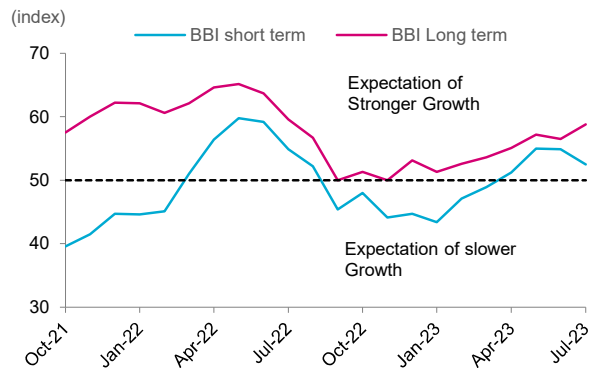
Business Barometer Index

Business prospects remain positive

Small businesses in Alberta continue to have a positive outlook. The long-term Business Barometer Index (BBI) rose (+2.3 points month-over-month or m/m) in July and remained well above 50, indicating that businesses expect stronger performance over the next 12 months. The long-term outlook improved even though the short-term index moderated for the second month in a row. The long-term sentiment has continued to improve since the start of the year despite higher interest rates and other headwinds impacting the short-term outlook (Chart 1).

CHART 1: BUSINESSES REMAIN OPTIMISTIC

Business Barometer Index, long and short-term



Source: Conference Board of Canada

Food Services and Drinking Places

Sales remain strong

Sales at Alberta's restaurants eased in May but remained near the all-time high reached in January. Seasonally adjusted sales at food and drinking places dipped 0.9% m/m but were still up 12% year-over-year (y/y). Sales were up significantly across most categories, including full-service restaurants (+11% y/y) and limited-service eating places (+14% y/y). Speciality food services (food trucks, catering, etc.) also experienced large growth while sales at drinking places have remained subdued.

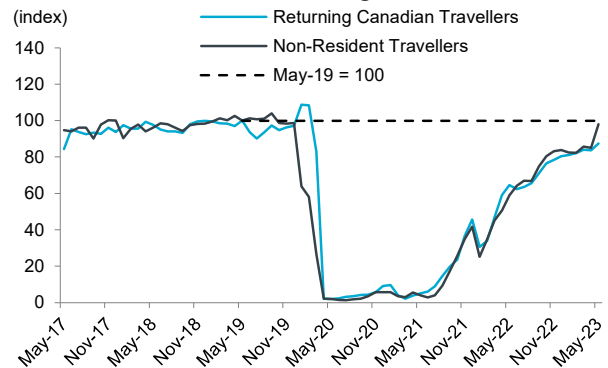
International Travel

Travel continues to recover

The number of travellers entering Alberta continues to recover from the COVID slowdown. The seasonally adjusted number of non-resident travellers entering Canada through Alberta increased 15% m/m to 98,116 in May. Meanwhile, the number of returning Canadians via Alberta was up 4.7% m/m to 223,949. The number of travellers has been on the rise since mid-2021, and with the monthly increases, both were up significantly from last year's levels. Despite the ongoing gains, the amount of non-resident travellers and returning Canadians remain below the levels observed before the pandemic, down 2.1% and down 13% from May 2019, respectively (Chart 2).

CHART 2: TRAVEL RISES, CONTINUING RECOVERY

Non-resident and returning Canadian travellers via Alberta (SA)



Sources: Statistics Canada, Haver Analytics

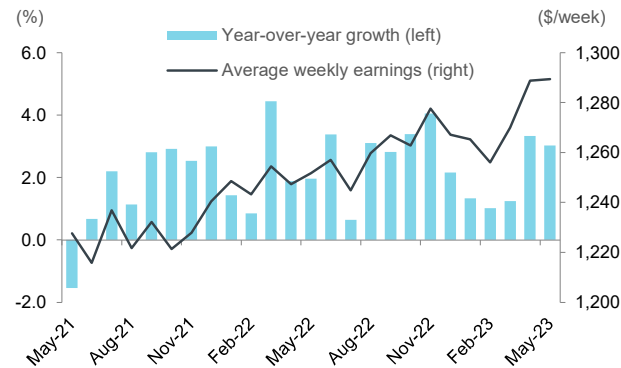
Average Weekly Earnings

Earnings hold steady

Average weekly earnings (AWE) in Alberta were largely unchanged in May. AWE ticked up 0.1% m/m to \$1,289, with gains in the services sector (+0.3% m/m) outweighing a pullback in the goods sector (-0.7% m/m) (Chart 3). Earnings in the services sector moved higher, with gains in 7 out of 15 industries. Health care, the second largest industry by employment, led the gains, further supported by solid monthly growth in real estate and arts, and entertainment & recreation. Meanwhile, AWE in the goods sector retreated, with declines in mining, oil & gas extraction and construction overwhelming an increase in manufacturing. With improvements over the last three months, AWE were up 3.0% y/y on the back of higher earnings in services (+3.5% y/y) and goods sectors (+2.2% y/y).

CHART 3: AWE STILL AT AN ALL-TIME HIGH

AWE and year-over-year change in AWE



Sources: Statistics Canada, Haver Analytics

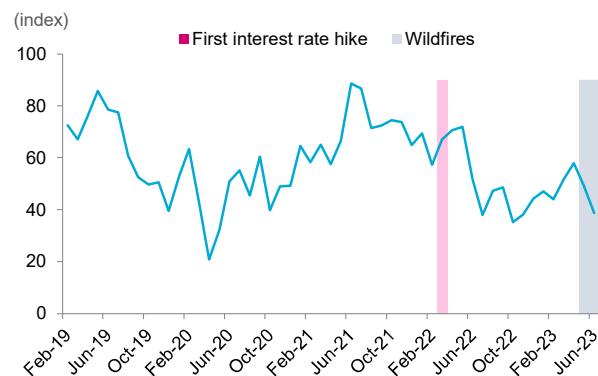
Consumer Confidence

Wildfires and rate hike weigh on sentiment

After positive momentum to start the year, Alberta's consumer sentiment retreated for the second consecutive month in June. The Conference Board of Canada's index of consumer confidence fell 10.5 points in the month to its lowest level since October 2022 (Chart 4). Fewer Albertans were optimistic about future finances, job prospects, and major purchases, reflecting both the impact of wildfires and renewed interest rate hikes. The Bank of Canada raised its target overnight rate early in June after holding rates steady for more than four months.

CHART 4: SENTIMENT DECLINES AS WILDFIRES BURN

Index of consumer confidence, 2014=100



Source: Conference Board of Canada

Industrial Product Price Index (IPPI)

Prices ease further

Prices for Canadian manufactured products continued to decline in June. Canada's Industrial Product Price Index (IPPI) decreased 0.6% m/m, the tenth monthly decline in the last 13 months. The monthly decline was broad-based, led by precious and primary metals, chemical products and pulp & paper products. Meanwhile, meat, fish & dairy prices and refined petroleum products increased. On a year-over-year basis, the IPPI was down 5.5%, with lower prices for lumber (-20% y/y), energy (-33% y/y), chemical (-11% y/y) and primary ferrous metal prices (-11% y/y) leading the way.

Canadian Real GDP by Industry

Solid growth continues

Canadian economic activity continued to expand in May. Canadian real gross domestic product (GDP) by industry increased 0.3% m/m after experiencing muted growth over the last three months. The service sector led the charge, increasing 0.5% m/m. The strength in the service sector was in part due to the rebound in the public sector, as federal public workers returned to work following a strike in April. This was supported by ongoing growth in offices of real estate agents & brokers, information & cultural, and professional, scientific, & technical services. Meanwhile, the goods sector fell back (0.3% m/m) as activity in mining, quarrying, oil & gas extraction (-2.9% m/m) was hampered by wildfires and seasonal maintenance in Alberta's oilsands facilities. On a year-to-date basis, Canada's GDP by industry has expanded 2.2%.

Monetary Policy

Rate hikes continue

While the pace of interest rate hikes has slowed, major central banks continue to tighten their monetary policy. After a brief pause in June, the US Federal Reserve Bank (Fed) increased its target interest rates by 25 bps on Wednesday. This was the eleventh hike in the last twelve meetings since March 2022, and it lifted the target range to 5.25-5.50%, the highest level since 2001. Meanwhile, the European Central Bank (ECB) also raised its key interest rates by 25 basis points (bps) on Thursday. This was the third 25 bps raise by the ECB after six hikes of 50 bps or more. With the hikes, the ECB's main refinancing rate is at 4.25%, a level last reached in 2008.