

Weekly economic review

Momentum building in the housing sector

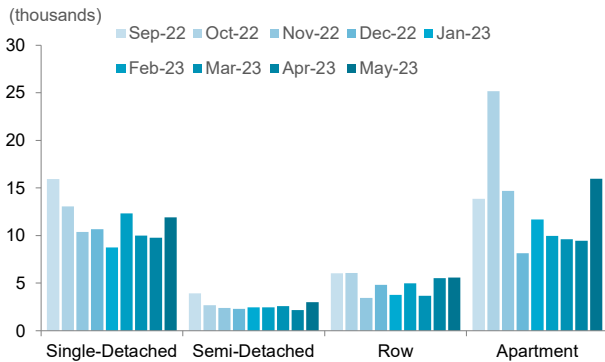
Housing Starts

Calgary leads renewed strength

Alberta's housing starts surged in May after a subdued start to the year. Housing starts jumped 35% month-over-month (m/m) to a seasonally adjusted annual rate (SAAR) of 37,104. Multi-unit starts (+43% m/m) drove the gains while single-detached starts (+22% m/m) also rebounded strongly from the previous month's dip. The strength in the multi-unit segment was concentrated in the volatile apartment starts, which sprung to a seven-month high. The number of semi-detached, row, and single-detached starts were all at or near multi-month highs (Chart 1). The renewed strength was concentrated in Calgary, which accounted for almost all of the monthly gains, while starts in Edmonton remained subdued. Despite the sharp monthly increase, year-to-date (YTD) starts were down 15% from the strong levels in 2022, primarily due to weakness in Edmonton (-32% YTD). Starts were up in Calgary (+9.7% YTD).

CHART 1: APARTMENT STARTS SHOOT UP

Housing starts by dwelling type (SAAR)



Sources: Canada Mortgage and Housing Corporation, Haver Analytics

Resale Housing

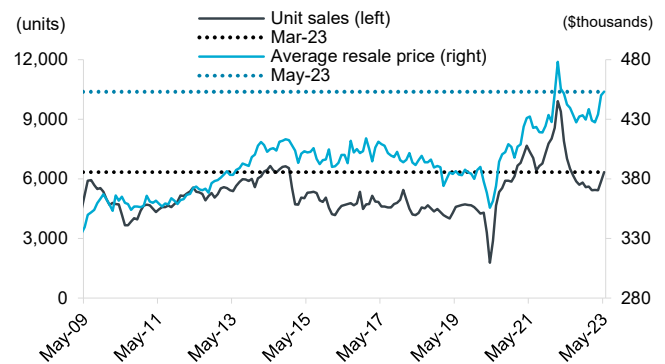
Resale market taking off

Activity in Alberta's resale market swelled for the second consecutive month in May. Seasonally adjusted (SA) unit sales jumped 8.0% m/m to 6,339, with broad-based gains across the province. Higher sales overwhelmed a jump in new listings (+7.5% m/m) which lowered the months of inventory from 3.3 in April to 2.9 in May and pushed the average resale price up to \$453,066. While activity has slowed significantly since peaking in February 2022, both sales and average resale price remain above

pre-COVID levels. With the strong gains since April, sales are back to the elevated levels only seen in past boom years (Chart 2).

CHART 2: ACTIVITY RAMPING BACK UP

Resale housing unit sales and average resale price (SA)



Sources: The Canadian Real Estate Association, Haver Analytics

Investment in Residential Building Construction

Nominal investment continues to soften

Investment in residential building construction continues to moderate from elevated levels. Residential construction spending decreased 4.1% m/m to \$1.3 billion in April, with declines for both single (-5.3% m/m) and multi-unit (-2.5% m/m) dwellings. Investment hit an all-time high last August, propped up by soaring input costs. Costs have since moderated, weighing on nominal investment, which was down 7.9% year-over-year (y/y) in April. This y/y pullback has been widespread throughout the province, most pronounced for single dwellings (-33% y/y) and renovation spending (-46% y/y). Despite this, investment remains above pre-pandemic levels, reflecting the higher prices.

Investment in Non-Residential Building Construction

Construction investment holds steady

Non-residential construction activity in Alberta was largely unchanged in April. Investment in non-residential building construction edged down 0.4% m/m to \$669.4 million.

The modest pullback came as a decline in institutional & government investment (-3.9% m/m) overwhelmed a gain in industrial investment (+2.7% m/m) while commercial investment was unchanged. Regionally, the declines in Lethbridge and Alberta's non-CMA regions shaded mild upticks in Calgary and Edmonton. On a y/y basis, investment in non-residential construction inched down 0.1%, with lower institutional & governmental spending countering gains in the other two segments.

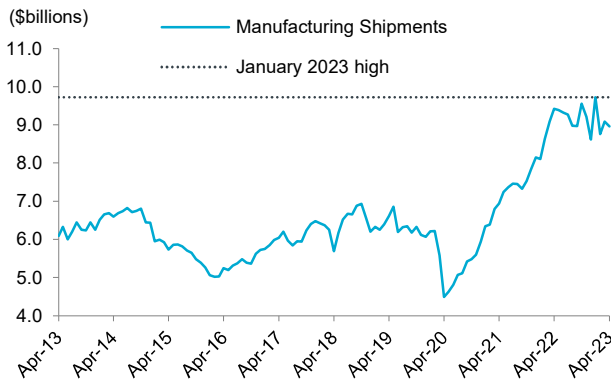
Manufacturing Shipments

Durable goods shipments pull back

Factory sales in Alberta eased after bouncing back in March. The value of manufacturing shipments fell 1.4% m/m to \$9.0 billion in April, weighed down by lower durable goods shipments (-6.0% m/m). Seven out of ten durable goods categories retreated in the month, led by fabricated metals, machinery, and non-metallic mineral products. In contrast, shipments of non-durable goods inched up (+0.2% m/m), with gains in petroleum & coal and chemicals outweighing lower food shipments. While factory sales were down 4.9% y/y, they were up 3.7% YTD, reflecting the strong gains in 2022 and January's record high (Chart 3).

CHART 3: FACTORY SALES DIP BUT REMAIN ELEVATED

Value of manufacturing shipments in Alberta



Sources: Statistics Canada, Haver Analytics

Wholesale Trade

Sales continue to ease

Alberta's wholesale trade excluding petroleum and oilseed slowed for the third consecutive month in April. Wholesale trade decreased 2.0% m/m to \$9.3 billion, with lower sales in five of the seven categories. The pullback was led by machinery & equipment, food, beverage & tobacco, and farm product merchant wholesalers. These losses were partially

offset by increases in building materials & supplies and personal & household goods wholesalers. Despite the recent moderation, year-to-date sales were up 11% with large gains in all categories except for building materials & supplies.

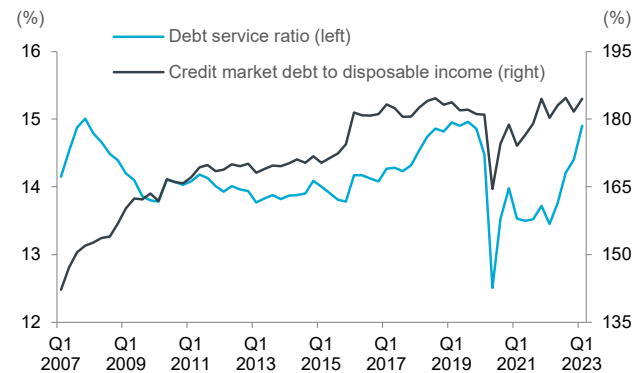
Household Balance Sheet

Net worth and debt burden rise

The wealth of Canadian households moved higher in the first quarter. Household net worth – the value of all assets less liabilities – rose 3.4% quarter-over-quarter (q/q) to \$15.7 trillion as gains in assets values dwarfed a small increase in debt. The value of financial assets (+3.0% q/q) was boosted by strong equity markets while non-financial assets (+2.7% q/q) were lifted by a rebound in real estate values. Despite the modest increase in total debt (+0.6% q/q), debt payments jumped (+3.3% q/q) with higher interest rates. Disposable income also eased in the quarter and the debt service ratio moved higher. Debt payments consumed 14.9% of Canadian household disposal income in the first quarter, up from 14.4% in Q4-2022 and just below the all-time high of 2007 (Chart 4).

CHART 4: DEBT PAYMENTS INCREASE

Ratios of debt to income, quarterly, Canada



Source: Statistics Canada

Monetary Policy

More interest rate hikes

While the pace of rate hikes has slowed, major central banks continue to have a tighten bias. After ten consecutive increases, the US Federal Reserve Bank (Fed) decided to keep the target range steady at 5.00-5.25%. Meanwhile, the European Central Bank (ECB) raised its key interest rates by 25 basis points (bps). This was the second 25 bps raise after six hikes of 50bps or more. Both the ECB and Fed indicated that further rate hikes are likely with the Fed expecting two more 25 bps hikes.

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For current snapshot of Alberta indicators [Alberta Economy - Indicators at a Glance](#)