

Weekly economic review

Housing market heating up

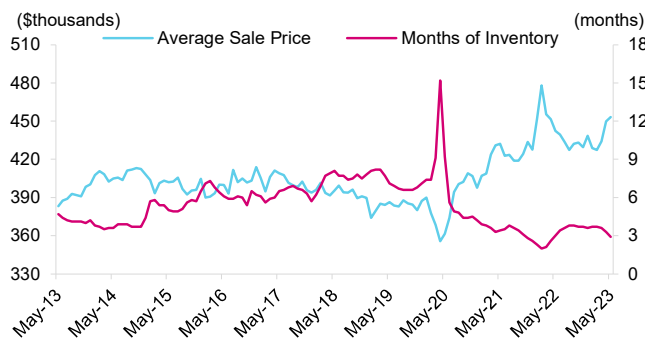
Resale Housing

Strong momentum continues

Activity in Alberta's resale market advanced for the third consecutive month in June. Seasonally adjusted (SA) unit sales increased 4.7% month-over-month (m/m) to 6,652. The gains continue to be led by Calgary, which accounted for 70% of the monthly increase, while Edmonton and Central Alberta also posted strong monthly growth. While improved market conditions enticed more new listings (+4.7% m/m), the provincial resale market remains tight. The months of inventory fell from 2.9 in May to 2.7 in June and the average resale price increased \$3,136 to \$456,152 (Chart 1). With the strong recovery since March, sales are up 2.3% from a year ago – the first year-over-year (y/y) growth since April 2022 – and sales are back to the elevated levels only seen in past boom years.

CHART 1: REALESTATE MARKET TIGHTENING

Alberta-wide average resale price and months of inventory, SA



Sources: Bank of Canada, Haver Analytics

Building Permits

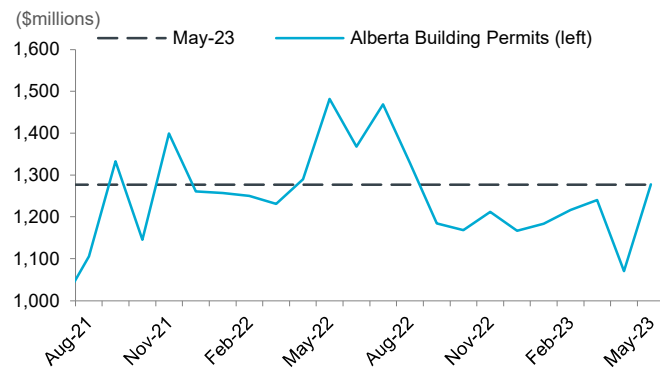
Permits jump

Alberta's construction intentions rebounded in May to hit the highest level since August 2022 (Chart 2). The seasonally adjusted value of building permits jumped 19% m/m to \$1.3 billion following the large dip in April. Non-residential permits (+50% m/m) led the charge, as commercial permits surged 78% on the back of stronger warehouse permits. Institutional & governmental permits also advanced while industrial

permits retreated. Meanwhile, residential permits (+4.7% m/m) ticked up after declining for three consecutive months as single permits jumped to a six-month high while multi-unit permits held flat. On a regional basis, Calgary and Lethbridge both experienced strong monthly growth, overwhelming slight pullbacks in Edmonton and Alberta's non-CMA regions. Despite the monthly gain, overall permit values were down 14% from last year's elevated levels, weighed down by lower residential permits (-30% y/y), while non-residential permits were higher (+31% y/y).

CHART 2: PERMITS AT HIGHEST LEVEL SINCE AUGUST

Alberta building permits by type, SA



Sources: Statistics Canada, Haver Analytics

Manufacturing Shipments

Shipments remain robust

Factory sales picked up in May to remain near record levels. The value of manufacturing shipments increased 3.9% m/m to \$9.4 billion, reflecting higher shipments of both non-durable (+3.7% m/m) and durable goods (+4.6% m/m). While the increase in non-durable goods was widespread, the growth was concentrated in petroleum & coal which continued to recover from February's decline. Food manufacturing sales also bounced back in the month. For durable goods shipments, five out of ten categories advanced, led by non-metallic mineral products and machinery. While factory sales were down 0.4% y/y in May, they were up 2.9% YTD, reflecting the strong gains in 2022 and January's record high.

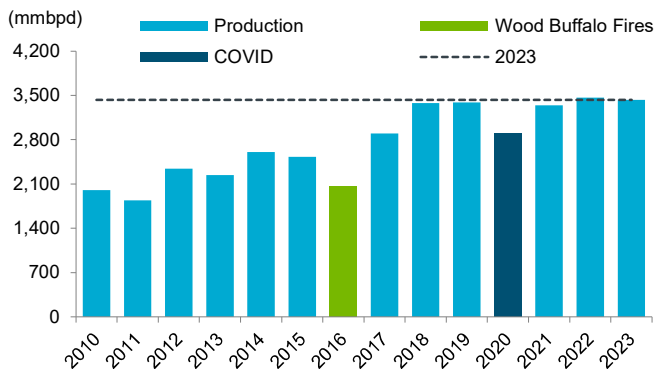
Supply of Oil

Production resilient despite headwinds

Maintenance and wildfires weighed on Alberta's oil production in May. Total oil production declined 2.8% m/m to 3.4 million barrels per day (mmbpd). Conventional output (-8.7% m/m) pulled back as wildfires impacted light & medium production while the output of heavy oil eased, and condensate increased. Meanwhile, non-conventional oil production pulled back 1.6% m/m, as maintenance limited synthetic production (-4.1% m/m) and bitumen output was unchanged. Even with the ongoing headwinds, total oil production was only down slightly (-1.0% y/y) from the record seasonal high reached last May (Chart 3). With the strong start to the year and continuing resiliency, production was up 1.5% year-to-date (YTD).

CHART 3: OIL PRODUCTION NEAR RECORD SEASONAL LEVELS

Alberta's total oil production in the month of May



Source: Alberta Energy Regulator

Supply of Natural Gas

Wildfires weigh on production

Production of natural gas and natural gas liquids fell in May as wildfires impacted production. Conventional gas well production, which accounts for most of the overall natural gas production in the province, decreased 10% m/m to 9.8 billion cubic metres. The production of natural gas liquids (NGLs) was also down significantly in May (-15% m/m). The production declines were largely the result of wildfires impacting production from the predominantly gas formations of the Duvernay, Cardium, and Deep Basin.

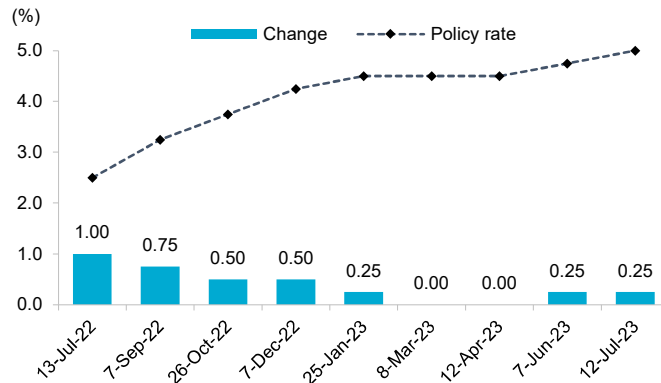
Bank of Canada

Back-to-back rate hikes

The Bank of Canada (BoC) continued its tightening cycle this week. The BoC increased its target rate by 0.25 percentage points to 5.0% on Wednesday. This was the second hike in a row after pausing in March and April (Chart 4). The decision comes as the BoC is now expecting inflation and economic growth this year to be stronger than initially expected. Canadian real gross domestic product (GDP) is now forecast to grow 1.8% in 2023, a 0.4 percentage point increase from its April forecast. The BoC also revised their inflation forecast higher by 0.2 percentage points to 3.7% this year, with inflation not expected to return to 2% before 2025.

CHART 4: SECOND RATE HIKE THIS YEAR

Policy rate and change by BoC meeting date



Sources: Bank of Canada, Haver Analytics