

Weekly Economic Review

Alberta economy strengthening ahead of Omicron wave

Employment

Strong end to 2021

Alberta's labour market finished the year on a strong note. Employment rose 11,100 month-over-month (m/m) in December, driven by full-time and private sector jobs and supported by gains across many sectors. Goods sector employment rose (+6,200) for the second consecutive month, propelled by construction (+4,400 m/m) and natural resources (+3,700 m/m). Growth in services (+4,800) was bolstered by hiring in health care (+7,400), accommodation & food (+5,100), and other services (+3,900). With the monthly jobs gain, the unemployment rate dropped to 7.3%. On an annual basis, employment increased 5.1% in 2021, while the unemployment rate averaged 8.7%, down from the 11.4% in 2020.

Supply & Disposition of Oil

Production remains at peak levels

Alberta's oil output increased slightly in November from a high in the previous month, making it another record. Oil production was up 0.3% m/m to 3.8 million barrels per day, following a 8.4% increase in October. Both non-conventional and conventional production increased in the month by 0.3% each. Bitumen production went up slightly (+1.2% m/m), offsetting a slight decline in synthetic crude oil (SCO) production. Overall, oil production in Alberta rose 9.6% year-to-date (YTD).

Rigs Drilling

Seasonal slowdown in drilling activity

Rigs drilling moved lower over the holiday season which was typical for the time of the year. While the first two weeks of December averaged over 140 active rigs, the monthly average was 118, 13 less than in November, but significantly higher than the low levels seen last year (Chart 1). Drilling activity continues to surpass 2019 pre-pandemic levels. The overall rig count averaged 98 in 2021, up 64% from last year, when drilling activity was at its lowest level on record, and 5.8% from 2019.

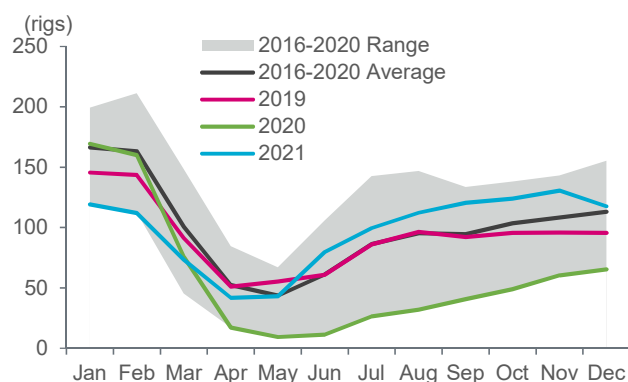
Merchandise Exports

Energy drives goods exports

Alberta's goods exports bounced back to hit a new high in November (Chart 2), despite the severe disruptions caused by the B.C. floods. The value of merchandise exports increased 16% m/m to \$13.8 billion. The monthly

CHART 1: RIG COUNT HIGHER THAN PREVIOUS TWO YEARS

Number of rigs drilling for oil and gas in Alberta



Source: Canadian Association of Energy Contractors (CAOEC)

gain was driven almost entirely by higher energy exports (+24% m/m) on the back of higher volumes and prices. Excluding energy, exports fell 3.8% m/m reflecting declines in 8 out of 11 non-energy products, most notably farm, fishing & intermediate food products and consumer goods. In particular, canola export volumes fell sharply (-20% m/m) and weighed on agricultural exports, likely reflecting the impact of the BC flood. YTD, overall goods exports were up 49%, reflecting widespread growth, except motor vehicles & parts and aircraft & other transportation equipment that remained soft. On a YTD basis, exports to US were up 56% while exports to other countries were up 9%.

CHART 2: EXPORTS BOUNCE BACK TO HIT NEW HIGH

Alberta's international merchandise exports



Source: Statistics Canada

Average Weekly Earnings

Earnings dip slightly

Alberta's average weekly earnings (AWE) decreased in October, giving back some of the previous month's advance. They fell 0.2% m/m to \$1,228, reflecting declines in both goods-producing (-0.5% m/m) and service-producing (-1.1% m/m) industries. Earnings in mining, quarrying, oil & gas extraction pulled back from September's recent high (-0.5% m/m) despite higher payroll employment. Other services and arts, entertainment & recreation also saw lower AWE, with more hiring in lower-paid hourly positions. Despite the monthly dip, earnings were up 1.9% YTD, with gains in nearly all industries.

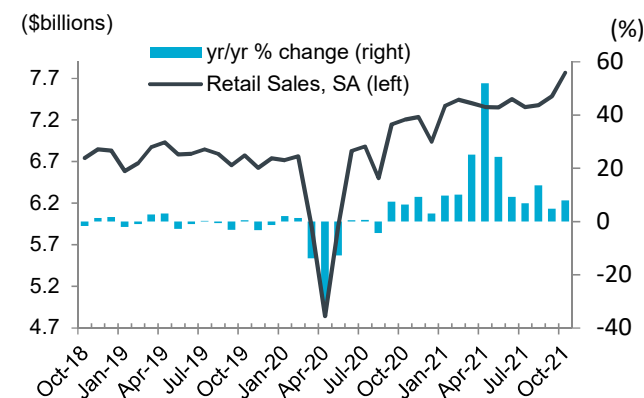
Retail Sales

Sales at all-time high

Alberta retail trade activity advanced in October. Sales increased 3.8% m/m to \$7.8 billion and landed at an all-time high (Chart 3). The monthly gain was led by seasonally strong sales at building materials & garden supply stores; sporting goods, hobby, book & music stores; and clothing & accessories stores. Conversely, sales at health & personal care stores eased after a solid increase in September, while sales at electronics & appliances stores continued trending downwards. YTD retail sales were up 15%, with 8 out of 11 categories posting double-digit growth. The one notable exception was food & beverage store sales which were down 1.8% YTD following a substantial increase in 2020.

CHART 3: PACE OF ANNUAL GROWTH REBOUNDS

Alberta retail sales, seasonally adjusted



Sources: Statistics Canada, Haver Analytics

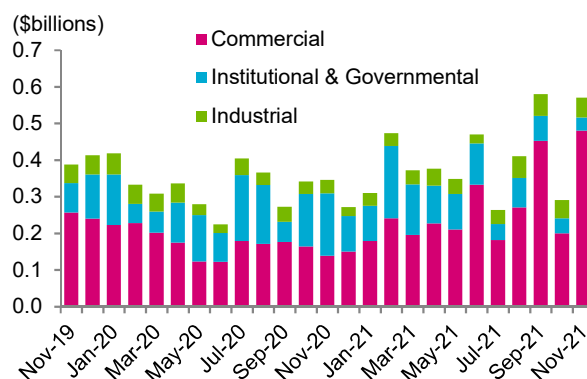
Building Permits

Commercial building permits lead growth

A spike in commercial building permits in November lifted the value of overall permits in the province. They increased 21% m/m to \$1.3 billion, as lower residential permits (-6.6% m/m) were offset by a spike in non-residential permits (+96% m/m) (Chart 4). The latter was propelled by commercial building permits (+140% m/m) which surged to an almost six-year high, with the increase most pronounced in Calgary upon approval of a \$316 million permit for the BMO convention centre expansion. Building permits were up 34% YTD, with increases in all but institutional & governmental permits which eased from last year's elevated levels.

CHART 4: COMMERCIAL PERMITS SPIKE

Alberta non-residential building permits, by type



Sources: Statistics Canada, Haver Analytics

Alberta Activity Index

Activity picks up

The Alberta Activity Index (AAX) increased in October and remained significantly higher than year-ago levels. The index rose 0.6% m/m, led by the household sector which posted its first monthly gain after pulling back from the high in April 2021. The energy sector also contributed to growth and is now 1.4% shy of its pre-pandemic February 2020 level, with strong oil production recovery offsetting a modest decline in the seasonally adjusted number of rigs drilled. Meanwhile, the labour market was weighed down by lower employment and average weekly earnings. General business sector activity also fell as declines in both wholesale trade and manufacturing shipments more than outweighed gains in new truck sales. The AAX remained up 9.1% YTD, with broad-based recovery across most subcomponents.

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