

Weekly Economic Review

Solid momentum in Alberta's economy

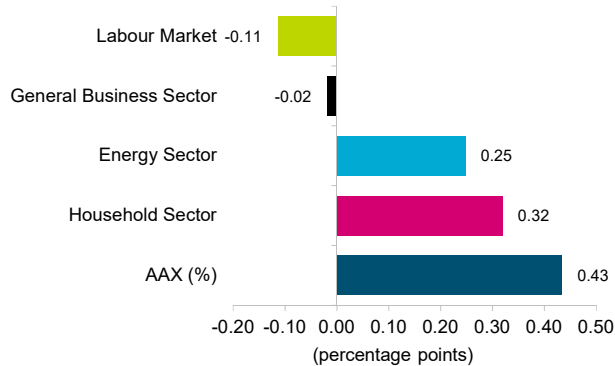
Alberta Activity Index

Household and energy sectors support activity

Activity in Alberta continued to expand in March as measured by the Alberta Activity Index (AAX). The AAX was up 0.4% month-over-month (m/m) on the back of strong drilling activity and retail sales, particularly at gasoline stations (Chart 1). For general business sector, combined declines in new truck sales and wholesale trade offset solid gains in manufacturing shipments. Labour market activity took a step back for the second consecutive month amid weaker average weekly earnings, which were tempered by slight increase in employment. Year-to-date (YTD), the AAX went up 5.2%.

CHART 1: HOUSEHOLD AND ENERGY SECTORS SUPPORTED ACTIVITY IN MARCH

Contributions to month-over-month change in the AAX, March 2022



Source: Alberta Treasury Board and Finance

Consumer Confidence

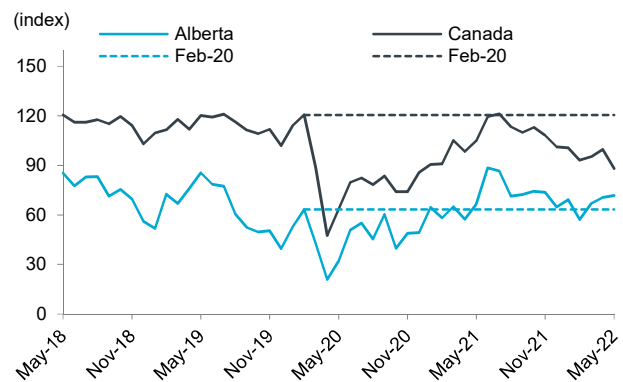
Albertans remain cautiously optimistic

Alberta's consumer sentiment bucked the national trend to advance for the third consecutive month. The Conference Board of Canada's index of consumer confidence grew 1.3 points in May (Chart 2) as surging oil prices strengthened

sentiment surrounding future job prospects. However, Albertans remain wary of future oil market adjustments, with sentiments largely unchanged for future finances. Nationally, consumer confidence fell 11.7 points, with sizeable declines in all other provinces, a result of inflationary pressures and rising interest rates.

CHART 2: CONFIDENCE IN ALBERTA REMAINS ROBUST

Index of consumer confidence



Source: The Conference Board of Canada

Supply & Disposition of Oil

Maintenance season reduces output

Alberta's oil output ticked down in April, but remained above the 5-year historical average for the month. Oil production declined 2.6% m/m to 3.6 million barrels per day, driven by a decrease in non-conventional oil production (-3.8% m/m) as scheduled maintenance at major oil sands projects in Alberta was under way. Conversely, conventional oil production increased 4.3% m/m, led by light and medium, and was almost back to the February 2020 high. YTD, total oil production was up 2.9%, propped by conventional oil output (+12%), whereas non-conventional remained muted (+1.5%).

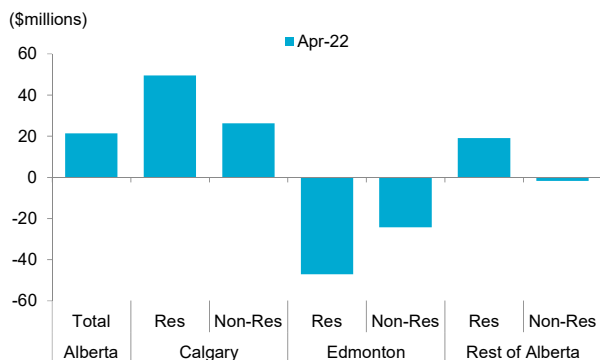
Building Permits

Construction intentions improve

Spending intentions for Alberta's construction sector ticked up in April, following two months of decline. The value of building permits increased 1.8% m/m to \$1.2 billion, driven by growth in residential permits (+2.7% m/m) (Chart 3). Gains in permits for multiple dwellings (+36% m/m) were offset by a decline in the value of single permits (-12% m/m). Meanwhile, non-residential permits held steady. Growth in commercial permits (+17% m/m) was driven by warehouse projects. Mining and agricultural projects in Calgary propelled gains in industrial permits (+24% m/m). Conversely, institutional & governmental permits countered this growth with declines in all regions, except Lethbridge, which experienced a sizeable boost. YTD, building permits went up 2.7% on the back of strong commercial building intentions.

CHART 3: STRONG GAINS FOR CALGARY

Monthly change in building permits, by CMA and type (seasonally adjusted)



Sources: Statistics Canada, Haver Analytics

Food Services and Drinking Places

Sales improve in March

Alberta's restaurant sales grew in March following the widespread relaxing of public health measures. Seasonally adjusted sales at food and drinking places increased 5.6% m/m. The gains were broad-based, driven by sales at full-service restaurants and limited-service eating places. With the monthly improvement, YTD sales were up 31% from the very low level in early 2021.

Canadian Real GDP by Expenditure

National economy expands but loses momentum

After posting strong growth in Q4 2021, the national economy grew further in Q1 2022, but at a slower pace. Canadian real GDP posted a 3.1% annualized gain, in-line with the Bank of Canada's April Monetary Policy Report forecast (+3.0%). This was on the heels of 6.7% growth at the end of 2021. First quarter growth was led by solid household consumption (+3.4%) on the back of strong demand for durables. Also, investment in residential structures increased (+18.1%) ahead of the anticipated interest rate hikes. These gains were offset by a decline in exports (-9.4%). However, Canada's terms of trade peaked amid surging commodity prices.

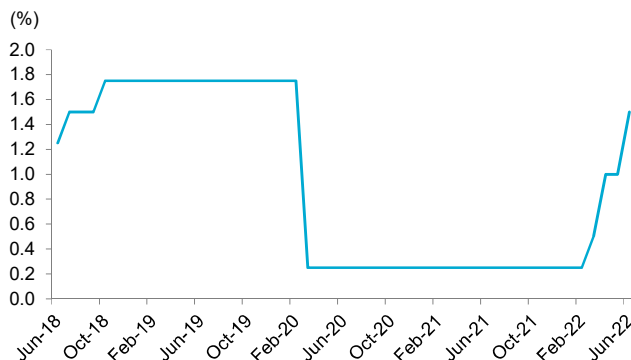
Bank of Canada Rate Announcement

Another significant rate hike

This week, the Bank of Canada (BoC) announced a second consecutive 50-basis-point rate hike in two months. The Bank raised its key interest rate to 1.5% on Wednesday (Chart 4), the third increase since March, and warned that elevated inflation is no longer transitory as input cost pressures propagate through a wider range of consumer prices. Despite ongoing global turmoil and supply chain issues, Canadian economic activity remains "strong" and the Bank expects a "solid" growth in the national economy in Q2, alluding to more rate hikes in the future.

CHART 4: BANK OF CANADA INCREASES POLICY RATE

Bank of Canada's overnight target rate



Source: Bank of Canada and Haver Analytics

Contact Mohammad Khan at TBF.ERFPublications@gov.ab.ca
For current snapshot of Alberta indicators [Alberta Economy - Indicators at a Glance](#)