

Weekly Economic Review

Inflation pressure easing

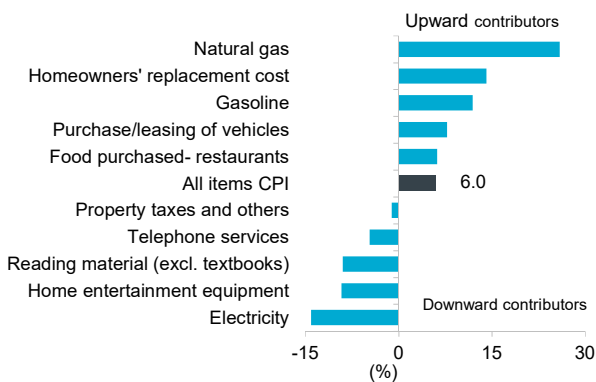
Consumer Price Index

Inflation falling with energy prices

Alberta's annual inflation rate slowed for the second consecutive month. The headline consumer price index increased 6.0% year-over-year (y/y) in August, down from the 7.4% y/y in July. Inflation eased as both gasoline and natural gas prices pulled back dramatically in the month. Alberta's electricity rebate also continued to have a major impact on inflation (Chart 1). Despite electricity prices rising in the month, they were 14% lower than a year ago. Conversely, food prices continued to accelerate, increasing 1.2% in the month and accelerating from 8.4% to 9.4% annually, the highest rate since 1982. Core inflation (all items except food and energy) eased from 5.2% y/y in July to 4.9% y/y with slower goods and services inflation. Service inflation slowed as growth in prices for travel related services, particularly for accommodation and inter-city transportation, eased in after rapid gain throughout the summer. Nationally, the slowdown in consumer inflation was less pronounced, easing from 7.6% in July to 7.0% in August, and Alberta's inflation rate was the lowest among provinces.

CHART 1: MAJOR CONTRIBUTORS TO ANNUAL INFLATION IN ALBERTA

Y/Y change in CPI by selected components, Aug-2022



Sources: Statistics Canada, Haver Analytics

New Housing Price Index

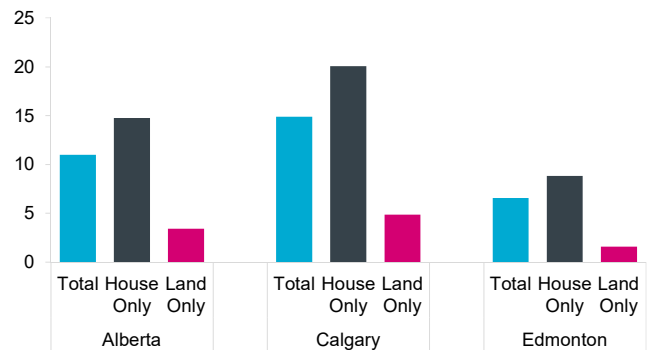
New home prices levelling off

The Alberta new housing price index ticked up in August after July's pullback. The index rose 0.2% month-over-month (m/m) with higher prices in both Calgary and Edmonton. After rapid gains in 2021 and earlier in 2022, the index has levelled off and has been essentially unchanged since May. The index

was up 11.0% y/y, on the back of large annual growth in Calgary and in the house-only component, in part reflecting higher construction cost (Chart 2).

CHART 2: CALGARY LEADS THE NHPI GROWTH

Year-over-year change in NHPI by component and region (%)



Sources: Statistics Canada

Food Services and Drinking Places

Sales reach a new high

Albertans spent more on restaurants in the summer. Seasonally-adjusted sales at food and drinking places increased 1.5% m/m in July, reaching a new high. The monthly gain was driven by higher sales at full-service restaurants, limited-service eating places, and drinking places. Meanwhile, sales at special food services eased after surging in the previous two months. Sales were up 31% YTD, with solid gains in all types, reflecting the strong recovery post-pandemic and higher prices.

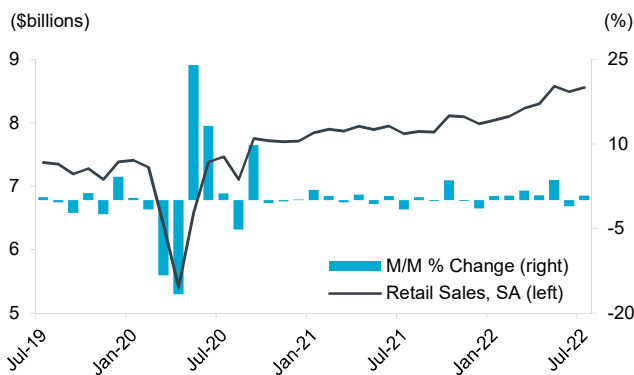
Retail Trade

Sales inched up

Alberta's retail sales appear to be levelling off. Seasonally adjusted retail sales went up 0.8% month-over-month (m/m) to \$8.1 billion in July after dipping 1.1% (m/m) in June (Chart 3). Monthly gains were limited to general merchandise, miscellaneous, and food & beverage stores. These gains were tempered by lower sales of motor vehicles and gasoline stations. On an unadjusted basis, sales at gasoline stations dipped 3.0% m/m with lower gasoline prices, although they remained up 35% y/y. Total retail sales were up 8.4% y/y and 5.6% year-to-date (YTD), supported by higher prices and primarily growth in gasoline station sales.

CHART 3: RETAIL SALES INCHED UP IN JULY

Seasonally adjusted retail sales (billion \$)



Sources: Statistics Canada, Haver Analytics

Employment Insurance (EI)

Beneficiaries continue to decline

The number of EI beneficiaries in Alberta continues to decline below pre-COVID levels. The number of Albertans receiving regular EI benefits fell 1.3% m/m to 49,720 in July. The decline in total beneficiaries continued despite a 25% increase in the number of Albertans applying for EI. The monthly increase in applications largely reflects an influx of claims from teachers and educational assistants following the end of the school year, which is common in late June and early July.

International Travel

Travel picks up over the summer

Non-resident international travel continues to improve but remains well below pre-pandemic levels. The seasonally adjusted number of non-residential travellers entering Canada through Alberta increased by 3.5% m/m to just over 72 thousand people in July. While this was 14 times more than a year ago, it only represented 72% of the number of trips observed in July 2019. Similarly, the number of returning Canadians via Alberta rose 4.0% m/m – 7 times more than a year ago, but only 75% of the July 2019 pre-pandemic level. On a YTD basis, non-resident and resident travel was 11 and 8 times higher, respectively.

Industrial Product Price Index (IPPI)

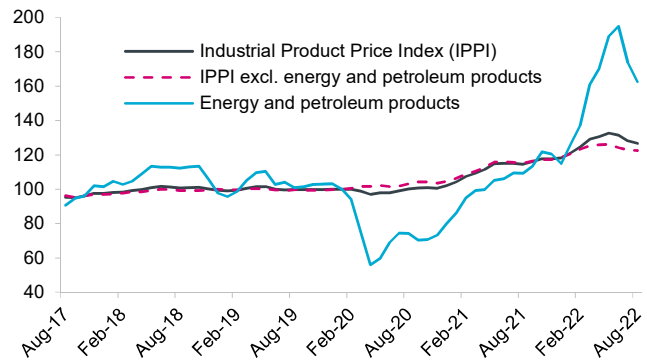
IPPI down amid easing energy prices

Prices for products sold by manufacturers in Canada declined in August amid a significant drop in energy & petroleum, chemical and lumber prices. The IPPI was down 1.2% m/m, following a decline in July (-2.5% m/m) (Chart 4). The price of energy & petroleum products declined 6.5% m/m as refined petroleum products prices went down in August with lower oil prices. Chemical & chemical products prices fell 3.7% m/m,

mainly due to a large drop in ammonia and chemical fertilizer prices (19.3% m/m). Lumber prices were also down by 3.5% (m/m), reflecting the slowing US and Canadian housing markets. Primary ferrous metal products fell by 2.1% (m/m) as the demand from China remained low amid ongoing friction in the country's housing market. Despite the monthly decline, IPPI was up 10.6% year-over-year (y/y), with the energy index still up by 49%.

CHART 4: IPPI EASES AS ENERGY PRICES FALL

Industrial Product Price Index (IPPI) level (Index Jan-2020 = 100)



Sources: Statistics Canada, Haver Analytics

Federal Reserve (FOMC) Rate Decision

Federal Reserve Bank overnight rate crossed 3%

The U.S. FED continues to raise its overnight interest rates to combat inflation. The FED increased the target rate by 75 basis points (bps) on Wednesday, its' third 75 bps hike since June and the fifth hike in 2022. The increases reflect the Federal Open Market Committees' continuing commitment to curb inflation and inflationary pressure. With demand and supply imbalances persisting since the pandemic, higher food and energy prices, and ongoing tightness in the labour market, further increases are expected despite the target range already rising by 3.00% to the highest level since December 2007.

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