

Weekly Economic Review

Inflation moderates with lower energy prices, electricity rebates

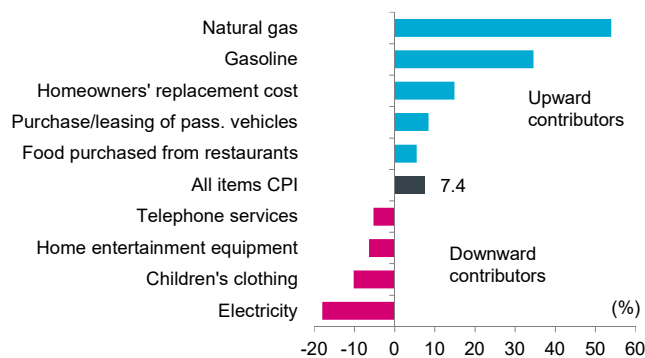
Consumer Price Index

Inflation eases but remains elevated

Alberta's inflation rate slowed in July with lower gasoline prices and the implementation of the provincial electricity rebate. The headline consumer price index rose 7.4% year-over-year (y/y), down from 8.4% y/y in June. Alberta's electricity rebate had a major impact on July's inflation rate. Electricity was the top downward contributor for the monthly (-24%) and annual (-18%) change (Chart 1). Gasoline prices also fell on the month, and energy inflation slowed from 46% to 28%. Conversely, food prices continued their upward trend, increasing 0.7% in the month and 8.4% y/y. Core inflation (all items except food and energy) remained elevated and unchanged from June (+5.2% y/y) as slower goods inflation was offset by higher services inflation. The latter partly reflects the rising demand for travel services in the first summer post-COVID restrictions. Inter-city transportation prices (which includes airfares) surged 50% y/y, while prices for traveller accommodations were up 30% y/y. Nationally, consumer inflation slowed to 7.6% from 8.1% in July on the back of lower gasoline prices.

CHART 1: LOWER ELECTRICITY BILLS HELP ALLEVIATE INFLATION

Annual percentage change in selected CPI components in Alberta (July 2022)



Sources: Statistics Canada, Haver Analytics

Resale Housing

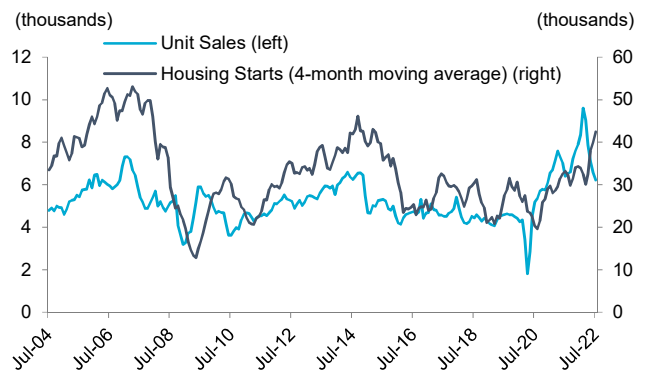
Housing market continues to cool

Activity in Alberta's resale housing market pulled back for the fifth month in a row. Seasonally-adjusted (SA) unit sales declined 5.5% month-over-month (m/m) to 6,220 in July, with

slower activity in most regions. Despite the sharp slowdown since February, unit sales remained at levels only previously observed in 2014 and during the booming 2006-2007 period (Chart 2). While new listings also declined (-3.8% m/m), the months of inventory continued to inch up from the 14-year low in February. The recent slowdown has resulted in an easing of prices, with the average resale price falling 1.3% m/m to \$438,493 in July. Even with the recent pullback, unit sales were up by 12.4% YTD.

CHART 2: HOUSING STARTS PRESS ON AMID EASING IN RESELL MARKET

Unit sales and Housing starts (SAAR) July 2022



Source: Canada Mortgage and Housing Corporation, CREA, and Haver Analytics

Housing Starts

Starts press on

The strong momentum in new housing construction continues. Housing starts rose 8.8% m/m to a seasonally adjusted annual rate (SAAR) of 42,479 units, with the volatile multi-unit category (+23% m/m) outweighing lower single-detached starts (-9.3% m/m). Regionally, Edmonton, Calgary, and rural Alberta all saw gains, while other urban centres pulled back. Despite rising interest rates, housing starts have been extremely strong over the past four months, averaging nearly 42,500, a level only surpassed in 2005-2007 and occasionally in 2014-2015 (Chart 2). YTD starts were up 19%, with gains in most regions and types.

Retail Trade

Sales move up with prices

Retail sales inched up with higher prices. Seasonally adjusted retail sales went up 0.5% month-over-month (m/m) to \$7.9 billion in June. Gains were limited to 4 of 11 categories and led by gasoline stations. On an unadjusted basis, sales at gasoline stations jumped 7.8% in the month and were up 51% from a year ago. Sales at building material & garden supplies and food & beverage stores also contributed to the monthly rise. These gains were tempered by lower sales of motor vehicles following strong gains in May. Total unadjusted retail sales were up 6.0% y/y and 5.1% YTD, primarily supported by gasoline station sales.

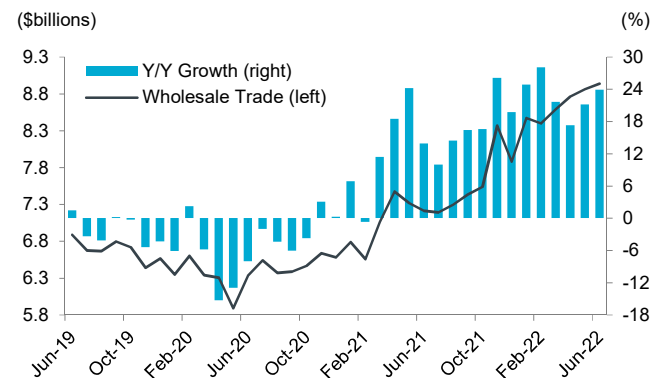
Wholesale Trade

Sales inch higher

Alberta's wholesale trade remains at record levels. It ticked up 0.8% m/m to \$8.9 billion (Chart 3), led by gains for miscellaneous wholesalers (+5.3% m/m), mainly due to higher demand for fertilizer. This was followed by gains in machinery, equipment & supplies (+2.2% m/m), and building material & supplies (+3.3% m/m). These gains were partly offset by sluggish sales for motor vehicles & parts (-4.8% m/m), food, beverage & tobacco (-2.0% m/m) and farm products (-16% m/m). On a YTD basis, overall sales were up 23%, with higher volumes and prices.

CHART 3: WHOLESALE REMAINS STRONG

Alberta Wholesale Trade (Seasonally Adjusted)



Sources: Statistics Canada, Haver Analytics

Manufacturing Shipments

Factory sales step back

Factory sales in Alberta decreased in June after eight consecutive months of gains. The value of manufacturing shipments dipped 1.8% m/m to \$9.3 billion as sales of both durable and non-durable goods fell. The decline in non-durable goods was driven entirely by lower sales of

petroleum & coal products (-5.7% m/m) on the back of lower volumes. This was moderated by higher chemical (+4.5% m/m), food (+0.9% m/m) and plastics & rubber (+4.5% m/m) sales, primarily due to higher prices. Durable goods were pulled down by wood products (-18.0% m/m) amid tempering prices and volumes. This was partially offset by a solid increase in machinery shipments (+11.0% m/m) which hit a 3-year high, and fabricated metals (+4.0% m/m). Overall, factory sales were up 32.5% YTD.

Canada Industrial Product Price Index (IPPI)

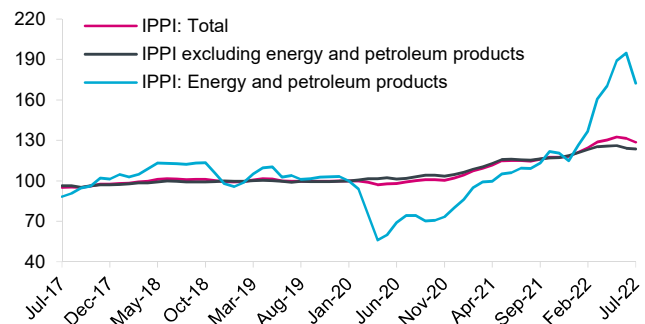
IPPI eased in July as energy prices decline

Prices received by Canadian producers of industrial products fell for the second month in a row. The IPPI was down 2.1% m/m in July, following a 0.8% decline in June. The decline was led by energy & petroleum product index (-11.6% m/m) as diesel fuel (-13.4%) and motor gasoline (-12.6%) prices plunged (Chart 4). Prices for primary non-ferrous metals also decline significantly (-8.9% m/m) with declines in both precious and industrial metals. In contrast, the non-metallic mineral products advanced (+5.3% m/m), mainly due to higher prices for concrete products, cement and lime. On a YTD basis, Canada's IPPI grew 15.6%, with increases in prices of all major product groups, except lumber.

CHART 4: ENERGY AND PETROLEUM PRODUCTS PLUNGED IN JULY

IPPI Level

(Jan-20=100)



Sources: Statistics Canada, Haver Analytics

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