

# Weekly Economic Review

## Strong household sector supports activity in Alberta

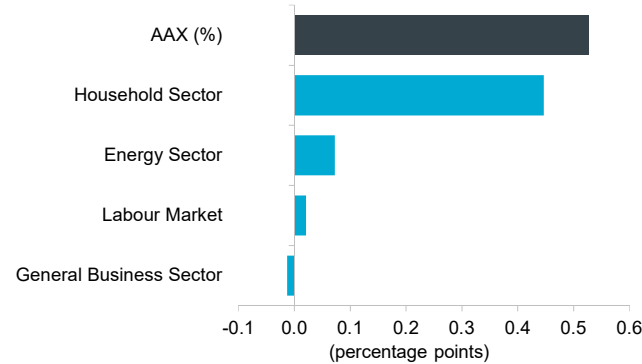
### Alberta Activity Index

#### Activity increases

Economic activity in Alberta continued to advance in May as nearly all sectors posted gains, according to the Alberta Activity Index. The index increased 0.5% month-over-month (m/m), the fifth consecutive monthly gain. The household sector led the gains with robust housing starts and retail sales (Chart 1), which were boosted by motor vehicle and gasoline sales. Strong seasonal drilling lifted the energy sector, while activity in the labour market inched up as improvements in employment tempered declines in earnings. Activity in the general business sector was largely unchanged as a pullback in manufacturing shipments outweighed solid growth in new truck sales. Year-to-date (YTD), the AAX was up 6.2%.

#### CHART 1: HOUSING SECTOR LEADS GAINS

Contributions to month-over-month change in the Alberta Activity Index, May-22



Source: Alberta Treasury Board and Finance

### Average Weekly Earnings

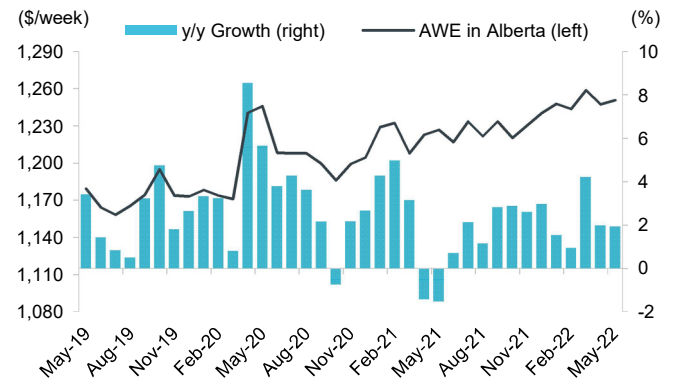
#### Modest gain in earnings

The goods sector boosted Alberta's average weekly earnings (AWE) in May. AWE inched up 0.3% m/m to \$1,251. Earnings in the goods sector (+1.5% m/m) advanced with increases in mining, quarrying, oil & gas extraction and construction. Meanwhile, AWE were mixed in the service sector, which dipped slightly (-0.4% m/m). Earnings pulled back from recent highs in the finance & insurance, professional, scientific & technical service, wholesale trade and retail trade

industries. Conversely, earnings continued to regain ground in transportation & warehousing and arts, entertainment & recreation. AWE in health care surged 4.1% after a sharp drop over the past three months. With the modest monthly gain, overall earnings continued to grow at a steady pace, up 1.9% y/y (Chart 2).

#### CHART 2: STEADY GROWTH IN AWE

Average weekly earnings in Alberta



Sources: Statistics Canada, Haver Analytics

### Food Services and Drinking Places

#### Sales reach a new high

Alberta's restaurant sales continue to grow at a rapid pace. Seasonally-adjusted sales at food and drinking places increased 2.6% m/m in May. The gain was driven by higher seasonal sales at limited-service eating places (the largest component) and special food services. Sales surged 23% over the four months up to May to reach a new historical high. Sales were up 38% YTD, reflecting both the strong growth this year and the weak sales last year during the pandemic.

### Canadian Real GDP by Industry

#### Economic activity holds steady in May

National economic activity remained flat in May, as growth in service producing industry was tempered by a decline in goods producing industry. Canadian real gross domestic product (GDP) by industry nudged up (+0.03% m/m) in May, after posting solid growth since February 2022. The goods sector lost momentum (-1.0% m/m) as construction (-1.6% m/m) and manufacturing (-1.7%) sector declined

significantly. Manufacturing was down first time in eight months, as some motor vehicle production was delayed by semi conductor chip shortages, while the workers strike in Ontario impacted construction activities. The services sector grew by a 0.4% m/m. Wholesale trade, transportation and warehousing, and accommodation & food services showed strong performance during the month. Canada's GDP by industry grew 5.7% year over year (y/y) in May.

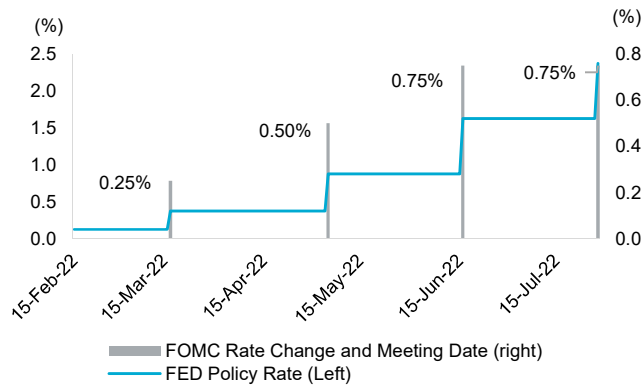
## Federal Reserve (FOMC) Rate Decision

### Federal Reserve Bank (FED) increases target rates

The U.S. FED raised interest rates again. They increased the target rate by 75 basis points (bps) on Wednesday, the fourth rate increase since March and the second 75 bps increase since June. The increase reflects the Federal Open Market Committees' continuing commitment to curb the inflationary pressure while achieving maximum employment. They noted that while recent indicators of spending and production have softened, inflation remains elevated, and the labour market remains tight. Although the target range has been increased by 2.25% over the past four months to 2.25-2.50% (Chart 3), further increases are not out of consideration.

#### CHART 3: RAPID INCREASE IN THE TARGET RATE

Federal funds rate and Rate hike decision dates



Source: Federal Reserve, Haver Analytics

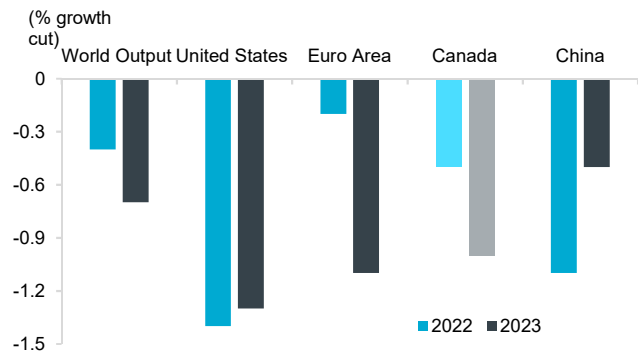
## International Monetary Fund (IMF) Economic Outlook

### IMF downgrades global growth forecast

The IMF cut the global economic growth forecast in its July World Economic Outlook (WEO) report. IMF expects the world economy to grow by 3.2% in 2022 and 2.9% in 2023, down 0.4% and 0.7% from the April report (Chart 4). The revision reflects lower than expected performance during the first half of 2022 in the major economies of the world

(USA, China, and Europe). The weaker outlook also reflects higher inflation, tighter financial conditions, a slowdown in housing and uncertainty in energy markets. The outlook for the Canadian economy was also reduced. It is now projected to grow by 3.4% and 1.8% in 2022 and 2023, respectively – a downward revision of 0.5% and 1.0%.

#### CHART 4: GROWTH CUT FROM APRIL 2022 REPORT: BROAD-BASED SLOWDOWN ACROSS REGIONS



Source: IMF WEO July 2022

## Business Barometer Index

### Sentiment deteriorates

Small business sentiment declined in July for the second consecutive month in the province. The Alberta long-term Business Barometer Index (BBI) decreased 4.1 points m/m, the largest monthly decline since October 2021. The short-term outlook also went down 4.3 points m/m. Sentiment has slumped over the last two months as labour shortages and fuel and energy cost have weighed on business optimism. Nationally, the long-term BBI declined 6.7 points, weighed down by lower levels of confidence in all provinces except Saskatchewan.

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