

Weekly Economic Review

Alberta business sentiment resilient despite Omicron

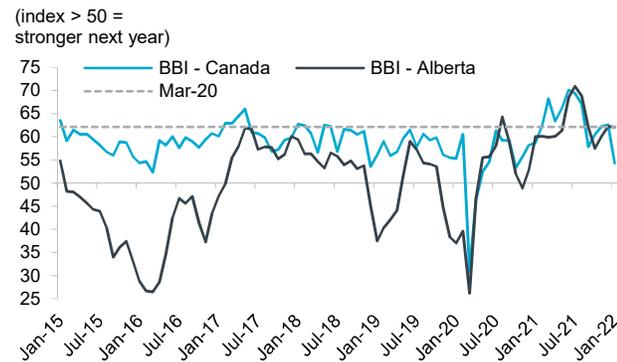
Business Barometer Index

Sentiment largely unchanged

Alberta's small business confidence held relatively steady in January. The Business Barometer Index (BBI) decreased 0.1 points month-over-month (m/m) to 62.1 (Chart 1). Both Alberta's long- and short-term outlooks maintained December's level as businesses resiliently navigated the Omicron wave, likely buoyed by higher oil prices. Nationally, the BBI declined 8.3 points m/m, led by sharp pullbacks in Ontario and Saskatchewan. Aside from Nova Scotia (the only province to see an increase in the index), Alberta experienced the smallest decline.

CHART 1: ALBERTA BBI LARGELY UNCHANGED, WHILE CANADA BBI DOWN

Long-term business barometer index (two-month moving average)



Source: Canadian Federation of Independent Business

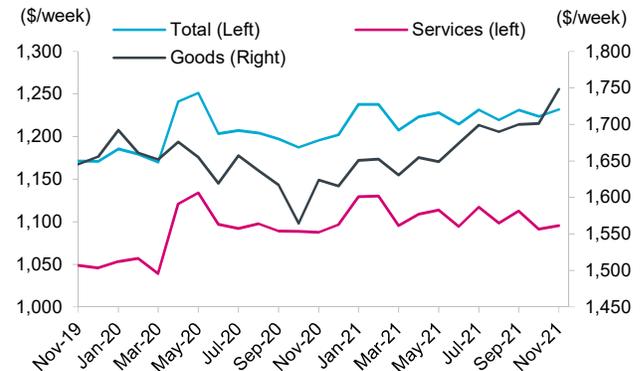
Average Weekly Earnings

Earnings nudge back up

Alberta's average weekly earnings (AWE) increased in November, offsetting the previous month's loss. AWE rose 0.7% m/m to \$1,232 (Chart 2). Although AWE increased for both goods and services sectors, the underlying trends were different. For the goods sector, growth in AWE was accompanied by growth in payroll employment, primarily in utilities, and mining, quarrying, and oil & gas extraction. However, a decline in lower-paying jobs pushed AWE higher for the services sector, particularly in other services and arts & entertainment, close contact industries still recovering from the pandemic. Overall, with the monthly gain, earnings were up 2.0% year-to-date (YTD), with gains in nearly all industries.

CHART 2: SERVICES STEADY WHILE GOODS DRIVE AWAY HIGHER

Average weekly earnings in Alberta by sector



Sources: Statistics Canada, Haver Analytics

New Housing Price Index

New home prices up slightly

New home prices in Alberta posted modest gains in December. The new housing price index (NHPI) increased 0.4% m/m in December. This followed four months of no growth, in which house price gains in Calgary were offset by cooling house prices in Edmonton. In December, Edmonton house prices reversed the trend and, along with Calgary, contributed to growth in the provincial NHPI. Year-over-year (y/y), the NHPI was up 9.3%, driven by escalating input prices and a moderate increase in land prices.

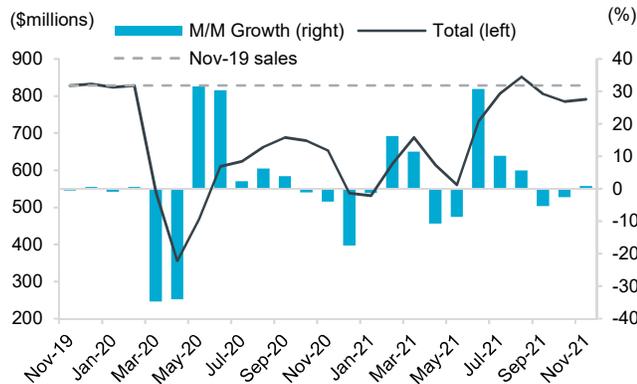
Food Services and Drinking Places

Sales stabilise but still not fully recovered

Alberta's restaurant sales grew marginally in November to halt the slide from August's peak. Despite the onset of the Omicron wave late in the month, seasonally adjusted sales at food and drinking places grew 0.8% m/m. This followed declines in September and October, when Alberta reinstated public health measures in response to the Delta-driven fourth wave. While sales fell for full-service restaurants in November, sales increased for limited-service eating places, the largest sub-component. Overall, restaurant sales were up 12% YTD, but they remained down from pre-COVID levels, indicating that the recovery is still underway (Chart 3).

CHART 3: RESTAURANT SALES IMPROVE BUT REMAIN BELOW PRE-PANDEMIC LEVEL

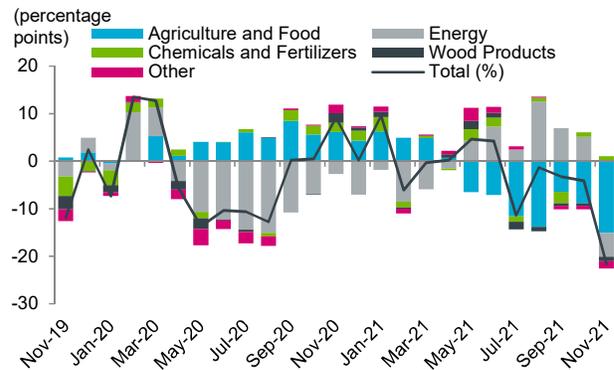
Sales at Alberta food services and drinking places, seasonally adjusted



Sources: Statistics Canada, Haver Analytics

CHART 4: BC DISRUPTIONS HIT AGRICULTURE AND ENERGY CARLOADINGS

Contributions to year-over-year growth in Western Canadian carloadings



Sources: Statistics Canada, Haver Analytics

Oil Production

Down from historical high

Alberta's oil output retreated in December from a historical high reached in November. Oil production was down 5.2% m/m to 3.6 million barrels per day, while much of Western Canada remained under extreme cold warning in the second half of December. Both conventional and non-conventional production decreased this month, including all subcategories. On an annual basis, oil production in Alberta was 8.3% higher in 2021 compared to 2020.

Railway Carloadings

Carloadings plummet

Railway carloadings went down in November due to disruptions caused by flooding in British Columbia (Chart 4). Western Canadian railway carloadings stood at 144,943 railcars, down 22% y/y, the lowest November level since 2012. Reduced shipments of wheat and canola seeds were the main contributors, as the flooding temporarily halted rail shipments to and from the Port of Vancouver—a critical link in the Canadian agricultural supply chain. Additionally, decreases were reported for energy shipments. Meanwhile, chemical and fertilizer shipments grew on the back of higher potash loadings. Overall, Western Canadian volumes of non-intermodal freight loadings were 2.8% lower YTD.

Monetary Policy Update

BoC prepares for imminent rate hikes

The Bank of Canada (BoC) ended its exceptional forward guidance to hold the policy rate at the effective lower bound in its January Monetary Policy Report, setting the stage for an

upcoming rate increase. With rising energy and food prices, it now expects the national consumer inflation to average 4.0% in 2022 and 3.5% in 2023. Until the BoC raises interest rates, the policy interest rate remains at 0.25%. Meanwhile, the Bank revised down Canada's real GDP growth to 4.0% in 2022 and 3.5% in 2023 on fears that Omicron-related containment measures, supply constraints, earlier easing of government spending across the country, and downward revisions to the U.S. demand will weigh on the country's economic activity.

IMF World Economic Outlook

A disrupted recovery and higher inflation

The International Monetary Fund (IMF) has downgraded growth projections as the global economy entered 2022 in a weaker position than previously anticipated. The IMF projects the global economy to grow 5.9% in 2021, 4.4% in 2022, and 3.8% in 2023, a downgrade for 2021 and 2022, largely reflecting revisions to economic outlooks for the U.S. and China. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, most notably in the U.S., but also in other countries. Thus, earlier withdrawal of monetary accommodation to curb inflation and continued supply shortages are expected to limit economic growth in the U.S. in the near term. In China, the ongoing retrenchment of its real estate sector and slower-than-expected recovery of private consumption will likely limit growth. Downside risks to the global economy remain.

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