Weekly Economic Review

Consumer inflation accelerates in March

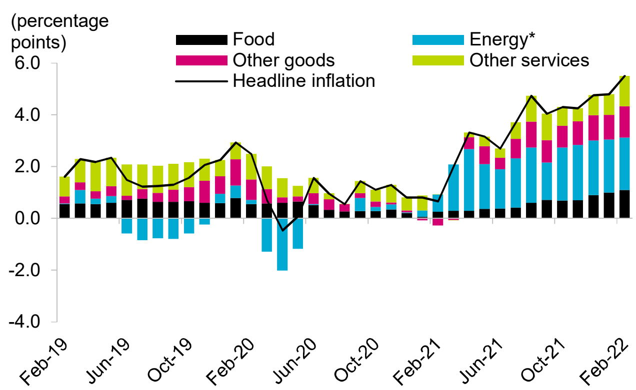
Consumer Price Index

Geopolitical conflict adds to inflation

Alberta's consumer inflation surged in March. Existing supply constraints and Russia's invasion of Ukraine, which has roiled global energy, commodity, and agricultural markets, led to broad-based price acceleration. The headline consumer price index rose 6.5% year-over-year (y/y) in March (Chart 1), the fastest pace since 2003. Energy prices (+31% y/y) remained the leading component of inflation, with gasoline contributing the most. Continuing growth in food prices (+6.8% y/y) was led by meat in March. Core inflation (all items except food and energy) also jumped to 4.3% y/y. Prices for durable goods rose 8.4% y/y, led by higher prices for passenger vehicles. Semi-durable (+4.2% y/y) and non-durable (+12% y/y) goods prices also increased. Services inflation accelerated (+3.3% y/y), with higher prices for close-contact services contributing to the increase. Rising shelter costs continued to reflect Alberta's tight housing market, with homeowner's replacement cost (+19% y/y) being a significant driver of inflation. Nationally, consumer inflation climbed to 6.7% y/y.

CHART 1: HEADLINE INFLATION ACCELERATES

Contribution to Alberta's headline inflation



Sources: Statistics Canada, Treasury Board and Finance calculations
*Energy inludes gasoline, natural gas, and electricity

New Housing Price Index

Unflagging growth in prices

The Alberta new housing price index (NHPI) grew further in March. The index increased 2.9% month-over-month (m/m) as the growing cost of labour and construction materials (particularly softwood lumber) weighed on prices. Calgary posted the largest price increase in the country (+4.1% m/m) as low inventories on the resale market likely nudged some buyers towards the new home market, driving up the price. Meanwhile, prices for Edmonton also ticked up (+1.5% m/m). On a y/y basis, the provincial index was up 16% with significant gains in the house-only component (+22% y/y) and muted growth in land prices (+4.1% y/y).

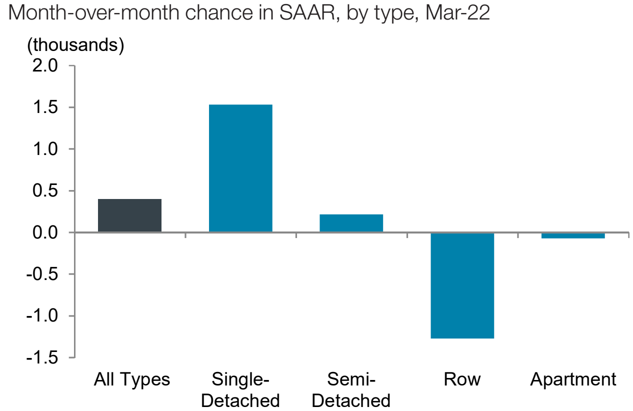
Housing Starts

Starts remain strong

Housing starts in Alberta ticked up in March following the jump in February. Starts were up 1.8% m/m to a seasonally adjusted annual rate (SAAR) of 31,915, led by single unit starts in urban centres (+11% m/m) (Chart 2). Multi-unit starts declined 7.2% m/m, with lower row and apartment starts. Regionally, the gains were concentrated in Calgary, Edmonton, and rural Alberta, while the rest of the province declined. Overall, starts were up 4.2% year-to-date (YTD).

CHART 2: SINGLE DETACHED STARTS LEAD GROWTH

Month-over-month chance in SAAR, by type, Mar-22



Sources: Canada Mortgage and Housing Corporation, Haver Analytics

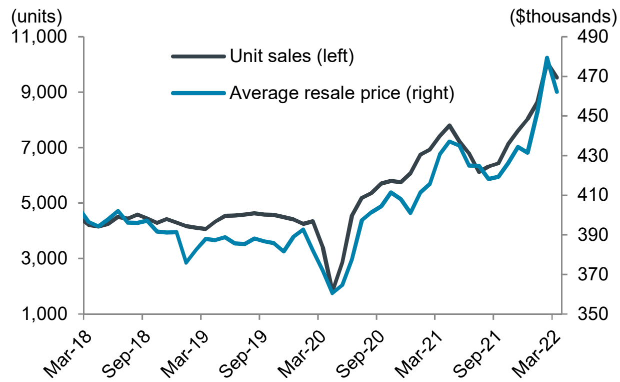
Resale Housing

Housing market activity eases from torrid pace

Activity in Alberta's resale housing market slowed in March following seven months of strong growth (Chart 3). Seasonally-adjusted unit sales declined 5.3% m/m to 9,530, as a sizable decrease in Calgary outweighed gains elsewhere in the province. This drop-off in demand may have been a reflection of the Bank of Canada's interest rate hike in early March. With the decline in new listings (-8.3% m/m), the months of inventory (1.9) remained near the 14-year low. Although housing market remains tight, the average resale price fell 3.6% m/m to $462,135. Despite the monthly dip, overall unit sales were up 34% YTD.

CHART 3: SALES AND PRICES REMAIN NEAR RECORD LEVEL

Resale housing unit sales and average resale prices (SA)



Sources: The Canadian Real Estate Association, Haver Analytics

Retail Trade

Sales holding steady

Retail sales were solid in February, although growth was muted. Seasonally adjusted retail sales were essentially unchanged at $7.5 billion (-0.1% m/m). A decline in sales at food and beverage stores offset gains in most other categories. On a y/y basis, retail trade was driven by gasoline station sales due to strong volumes and prices (Chart 4). YTD, retail sales improved further in February to 1.7% from the strong sales in the same period last year.

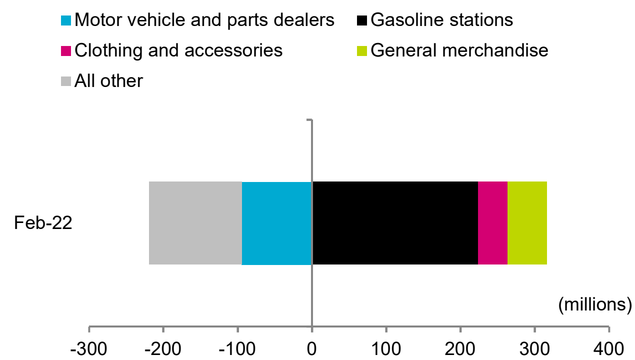
Employment Insurance

Beneficiaries continue to dwindle

The number of Albertans receiving regular Employment Insurance (EI) benefits declined further in February on the back of Alberta's strengthening labour market. On a seasonally-adjusted basis, 63,340 people received regular EI benefits in February. This was 4,220 fewer than in January (-6.2% m/m) and 144,900 fewer than the January 2021 peak. With February's strong employment gains, the seasonally-adjusted number of submitted EI claims declined to 25,430 (-4.8% m/m), on par with pre-covid levels.

CHART 4: GROWTH POWERED BY GASOLINE SALES

Contribution to year-over-year change in retail sales



Sources: Statistics Canada

International Travel

Travel rises as Omicron cases subside

International travel improved in February as Omicron cases went down. The seasonally adjusted number of non-residential travellers entering Canada through Alberta increased by 55% m/m to over 34 thousand people. Similarly, the number of returning Canadians via Alberta also went up (+22% m/m) to over 90 thousand people. Although the numbers of both non-resident and Canadian travellers went significantly up YTD, they remained down from pre-pandemic levels.

International Monetary Fund

War sets back the global recovery

Global economic prospects have worsened since January with the war in Ukraine, subsequent sanctions against Russia and recent lockdowns in key manufacturing and trade hubs in China. The International Monetary Fund projects the global economy to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. A severe decline in GDP for Ukraine and a large contraction in Russia are forecast, along with worldwide spillovers through commodity markets, trade, and financial channels. The conflict will add to inflation. For 2022, inflation is projected at 5.7% and 8.7% in advanced and developing economies, respectively. Interest rates are expected to rise as central banks to tighten monetary policy.

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For current snapshot of Alberta indicators Alberta Economy - Indicators at a Glance