

Weekly Economic Review

Alberta's housing market continues to cool

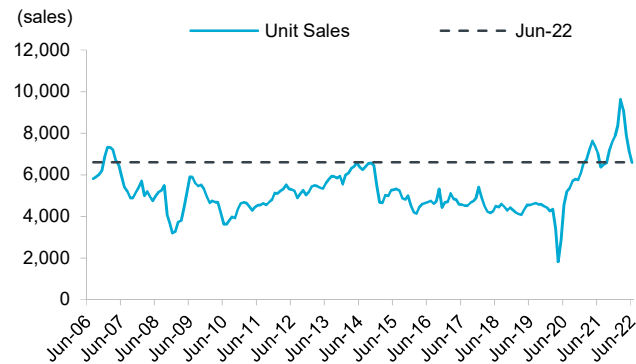
Resale Housing

Sales easing

Activity in Alberta's resale housing market pulled back for the fourth month in a row. Seasonally-adjusted unit sales declined 7.3% month-over-month (m/m) to 6,596 in June, with slower activity in most regions, including Calgary and Edmonton. Despite declining 31% over the last four months, unit sales remain high at levels similar to previous booms (Chart 1). Meanwhile, new listings ticked up (+0.6% m/m), resulting in the months of inventory continuing to inch up from the 14-year low in February. While housing market conditions continue to be tight, the recent slowdown has resulted in easing prices, with the average resale price falling 0.7% m/m to \$445,213 in June. Even with the recent pullback, Year to date (YTD) unit sales were up 15%, and the average resale price is up 4.3% y/y.

CHART 1: SALES EASING BUT REMAIN AT SIMILAR LEVELS AS PREVIOUS PEAKS

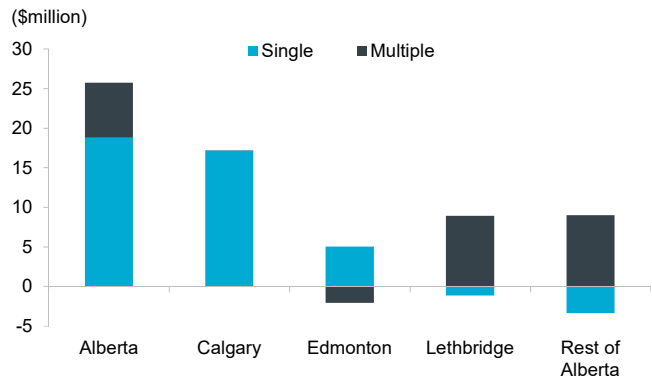
Alberta wide unit sales, seasonally adjusted



Source: Canadian Real Estate Association, Haver Analytics

CHART 2: MONTHLY INCREASE LED BY SINGLES IN ALBERTA

M/M change in residential investment by region and type, May 2022



Source: Statistics Canada and Haver Analytics

Residential Construction Investment

Construction spending moves higher

Investment in residential construction continued to increase in May. Alberta residential construction spending went up 1.6% m/m to \$1.7 billion (Chart 2), increasing for the seventh time in the last eight months. Spending on single dwellings rose 1.7% m/m while multi-unit building spending grew 1.3% m/m. Calgary, Edmonton, and Lethbridge all saw upticks, while Alberta's non-CMA regions eased slightly. YTD, residential investment was up 13% with gain in all types and regions driven by higher construction costs.

Investment in Non-Residential Building Construction

Investment in commercial building construction remains solid

Non-residential construction activity in Alberta nudged up in May primarily on the back of commercial construction activity in Calgary. Investment in non-residential building construction stood at \$674 million (+0.6% m/m) as gains in commercial construction (+1.4% m/m) more than offset declines in industrial (-1.3% m/m) and institutional & governmental (-0.8% m/m) investment. Regionally, there were gains in Calgary (+1.1% m/m), Lethbridge (+4.4% m/m), and rest of Alberta (+1.8% m/m), while declines were reported in Edmonton (-1.7% m/m). Overall, non-residential construction was up 20% YTD.

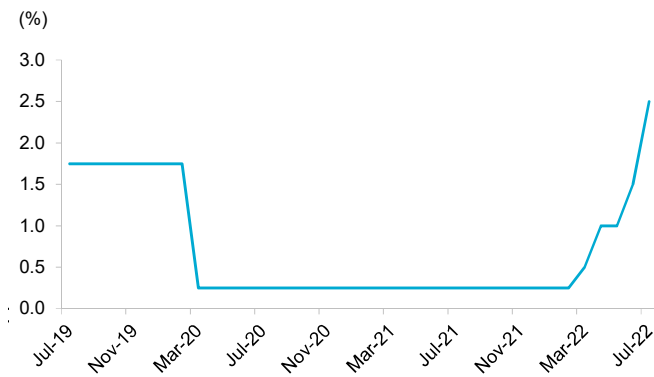
Bank of Canada Rate Announcement

Larger than expected rate hike

The Bank of Canada (BoC) accelerated the pace of interest rate hikes. They increased its overnight target rate by 1.0% to 2.5% (Chart 3), the largest single rate increase since 1998. This was the fourth rate increase since March 2022 and the first time above market expectations. The BoC took aggressive action in response to persistently high and broadening inflation as well as an overheated Canadian economy. Inflation expectations are also rising and the labour market remains tight, increasing the risk of 'wage-price spiral' further lifting inflation.

CHART 3: BANK OF CANADA INCREASES POLICY RATES

Monthly BoC overnight money market financing rate



Sources: Bank of Canada and Haver Analytics

Wholesale Trade

Sales break a record once again

Alberta's wholesale trade continues to move higher. Wholesale trade increased 1.3% m/m to \$8.8 billion in May (Chart 4). The gains were led by gains in motor vehicles & parts (+17 % m/m) and machinery, equipment & supplies (+3.2% m/m), followed by a solid gain in farm products (+39% m/m). Conversely, building material & supplies plunged 10% m/m, reflecting a drop in the price of lumber and other sawmill products. On a YTD basis, sales were up 22%, supported by gains in all subsectors with both higher prices and volumes.

CHART 4: SALES AT RECORD LEVEL

Alberta's wholesale trade (SA)



Sources: Statistics Canada and Haver Analytics

Monetary Policy Report (MPR)

Bank of Canada downgrades GDP growth amid higher inflation

BoC significantly lowered its Canadian economic outlook amid higher inflation, tighter financial conditions and weaker global growth. The Bank projects Canadian real GDP to grow by 3.5% and 1.8% in 2022 and 2023, down 0.7 and 1.4 percentage points from its April forecast, respectively. A sharp pullback in the housing market and net exports will be the major contributors to slowing growth in 2022. Meanwhile, lackluster growth in consumption and business fixed investment, along with continued weakness in housing, is expected to weigh on growth in 2023.

Manufacturing Shipments

Broad-based gains pushed factory sales higher

Factory sales in Alberta increased in May as sales of both durable and non-durable goods improved. The value of manufacturing shipments increased 1.2% m/m to \$9.5 billion, posting an eighth consecutive monthly increase. The gain in non-durable goods continued to be driven by higher sales of petroleum & coal products (+2.7% m/m) on the back of higher prices. This was partially tempered by lower food sales (-2.8% m/m) as volumes eased in the month. Durable goods were lifted by fabricated metals products (+5.6% m/m) and transportation equipment (+46% m/m). Meanwhile, shipments of wood products moderated for the third consecutive month (-2.2% m/m) amid receding prices and volumes. Overall, total factory sales were up 34% YTD, while excluding petroleum, they are up 16%.

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