

Weekly Economic Review

Housing market cooling down but remains strong

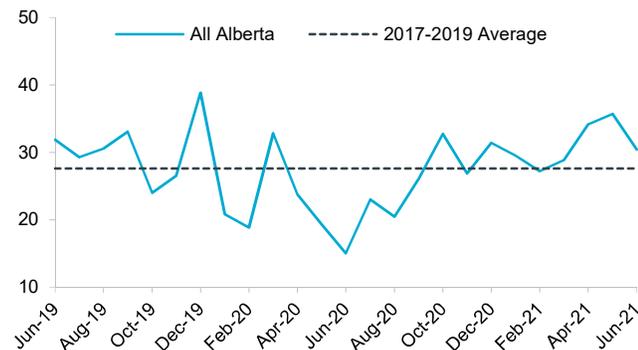
Housing Starts

Activity pulls back but remains high

Housing starts in Alberta declined in June, following three monthly gains, but remained above the three-year average (Chart 1). Starts decreased 15% month-over-month (m/m) to a seasonally adjusted annual rate (SAAR) of 30,420 units, as declines in multi-family units outweighed gains in single-detached dwellings. The pullback was driven by Calgary and other urban centers, while starts grew in rural areas and Edmonton. Despite the monthly decline, housing starts in Alberta were up 42% year-to-date (YTD). Nationally they declined 1.5% m/m, but were up 48% YTD.

CHART 1: HOUSING STARTS REMAIN ROBUST

Housing starts for all Centers 10,000+, by dwelling type (SAAR) (thousands)



Sources: Canada Mortgage and Housing Corporation, Haver Analytics

Resale Housing

Resale inventories remain tight

Alberta's resale activity fell in June for the second straight month, but the market remained tight. Unit sales decreased 6.2% m/m to 6,947, with a widespread decline across the province. Increase in new listings (+0.8% m/m) along with a slowdown in sales, pushed the months of inventory up to 3.4 months in June, but inventory remained historically low. Meanwhile, the average resale price fell for the second month in a row. Despite the recent pullback, unit sales more than doubled in the first half of the year and posted the second highest growth in the country, following British Columbia.

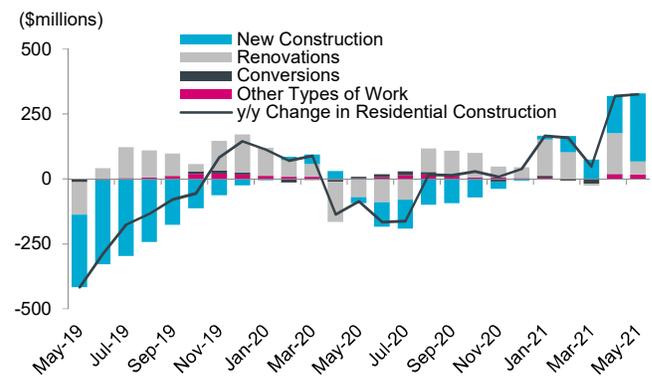
Residential Construction Investment

Widespread gain in spending

Alberta investment in residential construction continued to grow in May and reached the highest level in nearly three years. Residential construction spending increased 4.8% m/m to \$1.4 billion, on the back of gains in single (+5.2% m/m) and multiple (+4.0% m/m) dwellings. Gains were also widespread across Alberta, led by single dwellings in Calgary. Compared to a year ago, residential construction spending grew 33%, as new construction rebounded from last year's weak levels (Chart 2). Nationally, residential investment declined 2.7% m/m, but remained up 61% year-over-year (y/y).

CHART 2: NEW CONSTRUCTION DRIVES GROWTH

y/y change in residential investment by type, non-seasonally adjusted



Source: Statistics Canada, Haver Analytics

Non-Residential Construction Investment

Activity continues to improve

Non-residential spending in Alberta ticked up again in May, on the back of gains in commercial activity. Investment in non-residential building construction was up 1.6% m/m to \$554 million, following a 0.3% m/m inch up in April. Commercial investment grew with higher trade and services-related spending in the month, but remained weak YTD. Institutional and governmental construction spending also rose and posted its seventh consecutive monthly gain. Meanwhile, industrial construction declined as an uptick in transportation and utilities spending in Edmonton was overshadowed by weakness elsewhere in the province. Despite the slight overall pick up, non-residential building construction in Alberta was down 18% YTD.

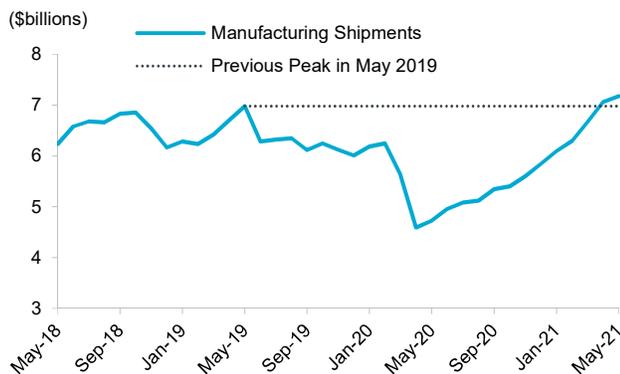
Manufacturing Shipments

Factory sales rise again in May

Manufacturing activity in Alberta remained robust in May, up for the thirteenth consecutive month. The value of manufacturing shipments grew 1.6% m/m to \$7.2 billion and set a new record (Chart 3). The monthly gains were led by wood and petroleum & coal shipments on the back of higher prices. Sales of chemical products also jumped to reach the highest level since October 2018. Meanwhile, machinery manufacturing shipments contracted sharply in Alberta as well as nationally, partly due to some raw material shortages and delays that slowed industrial production in the month. With the monthly gain, Alberta's factory sales rose 52% from the pandemic-induced depressed level last year and were up 22% YTD.

CHART 3: FACTORY SALES AT NEAR RECORD HIGH

Value of Manufacturing Shipments in Alberta



Sources: Statistics Canada, Haver Analytics

Wholesale Trade

Sales take a breather in May

Wholesale activity eased in May, after setting a record high in the previous month (Chart 4). Alberta's wholesale trade sales stood at \$7.4 billion, down 1.8% m/m. Sales of building materials & supplies retreated in May, despite higher lumber prices, and drove majority of the overall decline. Motor vehicles & parts sales also slowed in the month, but they stood significantly higher compared to its low levels reached last May. These losses were tempered by machinery, equipment & supplies sales, which continued to grow for the third straight month. Despite the overall dip, wholesale trade sales in Alberta were up 14% YTD.

CHART 4: ACTIVITY TICKS DOWN BUT STILL CLOSE TO PEAK

Value and growth of wholesale trade in Alberta, seasonally adjusted



Sources: Statistics Canada, Haver Analytics

Monetary Policy

Quantitative easing tapered but rates unchanged

The Bank of Canada (BoC) maintained its overnight target rate, but reduced the target pace of asset purchases. The BoC estimated headline inflation will remain at or above 3% through 2021, before easing toward 2% in 2022, with current price growth attributed to transitory factors. The BoC lowered its estimate of real GDP growth in 2021 to 6% due to second quarter weakness following the pandemic's third wave, but upgraded its forecast for 2022 and 2023 on the back of upward revised estimates for household consumption. With extraordinary monetary policy support still required, the BoC reiterated its commitment to hold the overnight rate at current low levels until the second half of 2022.

Business Formations

Incorporations ease again

Alberta incorporations dipped in June for the second consecutive time, but were still high. Business formations fell 4.5% m/m to average 4,250 in the three months ending in June, following a 0.9% tick down in May. Despite the monthly dip, the number of new incorporations in Alberta remained close to its previous peak, and were up 36% YTD.

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