# Weekly Economic Review

Provincial economic activity remains strong

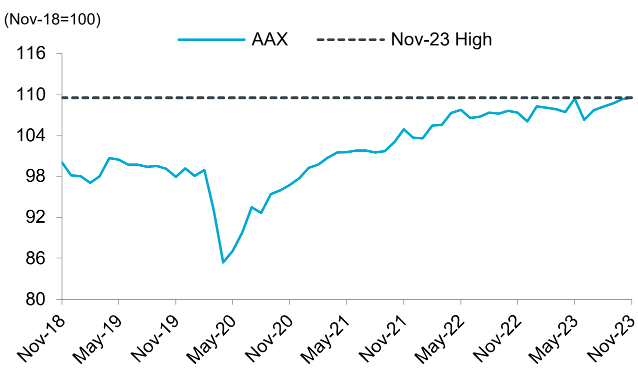
## Alberta Activity Index

### Activity at record high

The Alberta Activity Index (AAX), a measure of economic activity in the province, continued to climb in November. The index grew for the fifth consecutive month, up 0.2% month-over-month (m/m) to a new historical high. Rising activity in the business sector led the gain as new truck sales rose to a six-month high and manufacturing shipments advanced. Meanwhile, activity in the energy sector rebounded as a surge in oil production outweighed moderating drilling activity. Household sector activity also inched up as both housing starts and retail sales saw modest gains. In contrast, the labour sector retreated as a reduction in average weekly earnings more than offset gains in employment. With the monthly increase, the AAX was up 2.0% year-over-year (y/y) and up 1.6% year-to-date (YTD) (Chart 1).

**CHART 1: ACTIVITY CONTINUES TO EXPAND**

Alberta Activity Index




Source: Alberta Treasury Board and Finance

## Food Services and Drinking Places

### Sales take a breather

Sales at Alberta's restaurants held steady in November after advancing for five consecutive months. Seasonally adjusted sales at food and drinking places were nearly unchanged (-0.1% m/m) at just over $1 billion. Relative to a year ago, sales were up 12%, led by growth in limited service eating places (+14% y/y) and full-service restaurants (+9.2% y/y). Sales at special food services establishments (which includes food trucks and catering) also grew strongly (+23% y/y), while growth was muted in drinking places (+1.1% y/y). On a YTD basis, sales were up 14%.

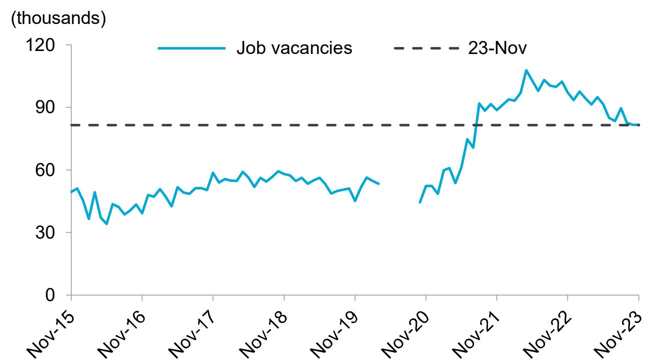
## Job Vacancies

### Plenty of job opportunities

The number of unfilled jobs in Alberta remains high despite easing back in recent months. The seasonally adjusted number of job vacancies dipped (-105 m/m) to 81,605 in November (Chart 2). Compared to last year, vacancies were down 15,600 y/y. The decline over the last 12 months has come as employers have added employees at a faster pace (+63,760) than their growing demand (+48,160). Despite pulling back over the last year, the number of unfilled jobs is significantly higher than the levels seen prior to COVID.

**CHART 2: JOB VACANCIES STILL ELEVATED DESPITE RECENT SOFTENING**

Seasonally adjusted job vacancies




Sources: Statistics Canada, Haver Analytics

## Supply & Disposition of Oil

### Oil production continues ramping up

Alberta oil producers are ramping up production. Oil output hit another all-time high in December, increasing 0.8% m/m to 4.19 million barrels per day (mbpd), with broad-based gains. Conventional output was up 1.9% m/m as condensate (+6.7% m/m) bounced back, and light, medium, and heavy oil production ticked up. At the same time, non-conventional oil (+0.7% m/m) also moved higher as synthetic oil (+3.1% m/m) continued to advance while bitumen eased (-0.9% m/m). With the monthly gain, total oil production was nearly 10% higher than last year. For the calendar year 2023, oil production grew 2.3%, with gains in non-conventional (+2.1%) and conventional oil (+3.5%).

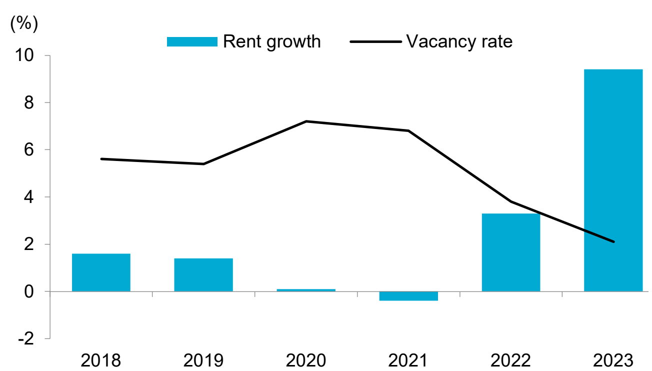
## Rental Market Report

### Alberta's housing rental market tightening

Alberta's rental vacancy rate has fallen to the lowest level in a decade as the surging population has overwhelmed the increase in rental supply. According to the CHMC, the rental vacancy rate in Alberta's urban centres fell from 3.8% last year to 2.1% in October 2023 (Chart 3). With the tighter rental markets, rents surged in Alberta (+9.4% y/y). The Calgary market was the most impacted, with the vacancy rate falling 1.3 percentage points to 1.4% and the average rent for a two-bedroom apartment increasing 14% y/y, the largest growth in the country. The change was slightly less dramatic in Edmonton, where the vacancy rate also plunged from 4.3% to 2.4% and rental rates jumped (+6.4% y/y). Despite the tightening market, rent is lower compared with other major cities in Canada, contributing to Alberta's relative affordability.

**CHART 3: VACANCY RATE FALLS WHILE RENTS SURGE**

Alberta Rental vacancy rate and Rent growth




Sources: Canada Mortgage and Housing Corporation Haver Analytics

## Building construction price index

### Costs on the rise

Construction costs picked up in the fourth quarter of 2023. Residential construction costs jumped 0.9% quarter-over-quarter (q/q) as rising prices in Calgary (+1.7% q/q) were tempered by falling prices in Edmonton (-0.1% q/q). Meanwhile, non-residential prices were up 0.6% q/q, with similar gains in Calgary and Edmonton. While prices were up in the quarter, the pace of annual growth remained muted. Growth in non-residential prices continued to moderate, falling to 3.9% y/y, the slowest since Q1 2021. Meanwhile, residential price growth held steady (+1.4% y/y) after six consecutive quarters of declines.

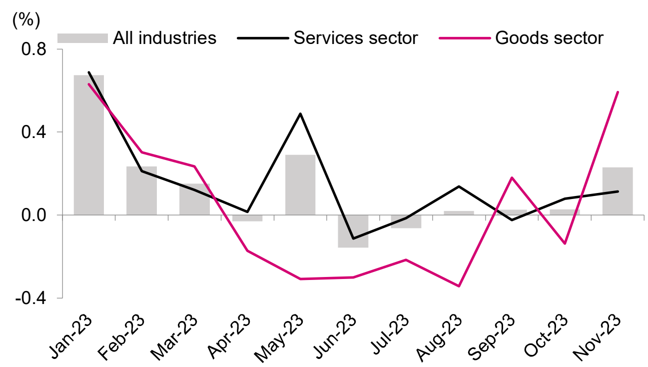
## Canadian Real GDP by Industry

### Economic activity resumes growth

Economic activity moved higher in November after stagnating for three consecutive months. Canadian real GDP by industry increased 0.2% m/m, led by strong growth in the goods-producing sector (+0.6% m/m) (Chart 4). While the gains in the goods sector were widespread, manufacturing output saw a notable gain (+0.9% m/m), led by chemical and primary metal production as factories came online after maintenance. Meanwhile, activity in the service sector inched ahead (+0.1% m/m) as rebounds in wholesale trade (+0.7% m/m) and transportation & warehousing (+0.8% m/m) were partially offset by a decline in educational services (-0.3% m/m) due to strikes in Quebec's public sector. Canada's GDP by industry was 1.4% higher YTD, with robust activity in services-producing industries (+2.2% YTD) offsetting earlier weakness in the goods sector (-0.7% YTD).

**CHART 4: GOODS SECTOR LEADS GROWTH AFTER LAGGING EARLIER THIS YEAR**

Monthly growth in real GDP




Sources: Statistics Canada, Haver Analytics

## World Economic Outlook

### Outlook improves

Global growth is expected to be resilient and pick up as inflation continues to moderate. In the January World Economic Outlook, the IMF forecasts the world economy will maintain its current pace and grow 3.1% in 2024 before accelerating to 3.2% in 2025. This is an upgrade from 2.9% and 3.2% forecasted in its October report. The outlook improved largely due to more persistent strength in the U.S. and stronger fiscal support in China. With the improved growth outlook, the IMF also revised the forecast for consumer inflation in advanced economies from 3.0% to 2.6% in 2024 and from 2.2% to 2.0% in 2025. The lower inflation projections are the result of improving conditions in the global supply chain and easing labour markets.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For current snapshot of Alberta indicators Alberta Economy - Indicators at a Glance