

Weekly Economic Review

Housing market activity remains robust

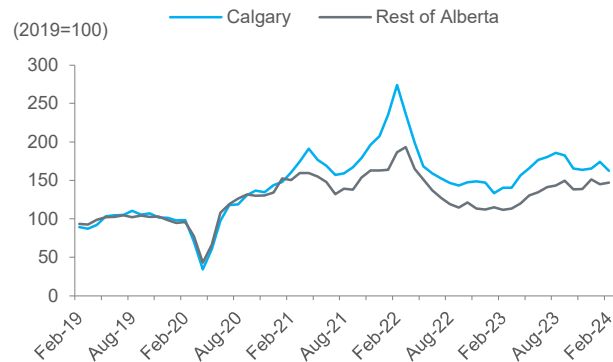
Resale Housing

Market tightness continues

Alberta's resale housing market remained tight in February even as sales in Calgary moderated. Seasonally adjusted unit sales declined 2.1% month-over-month (m/m) to 6,827. The lower sales activity was solely due to slowing sales in Calgary (-6.6% m/m). While sales fell to a 10-month low, they remained well above pre-COVID levels (Chart 1). Meanwhile, sales picked up in Edmonton (+0.5% m/m) and the rest of Alberta (+3.2% m/m). New listings also rose (+2.7% m/m) but continued to be muted compared to the pace of sales. The market remained tight with 2.5 months of inventory. Despite the tight market, Alberta's average resale price eased 0.7% m/m to \$474,253 as the impact of fewer sales in the higher priced Calgary area offset higher prices in most regions.

CHART 1: CALGARY SALES DIP BUT REMAIN STRONG

Seasonally adjusted unit sales, indexed to 2019=100



Sources: Canadian Real Estate Association, Haver Analytics

New House Price Index

Prices move higher

Newly constructed house prices increased for the third consecutive month in February. The new housing price index (NHPI) rose 0.2% m/m and is approaching its previous peak from June 2022. The recent gains come as prices in Edmonton increased (+0.3% m/m) after moderating throughout 2023. Meanwhile, prices in Calgary remained steady after reaching a new high in December. Alberta's NHPI was up 1.1% year-over-year (y/y) due to prior momentum in Calgary (+2.6% y/y) while Edmonton, despite the recent strength, was down 0.9% y/y.

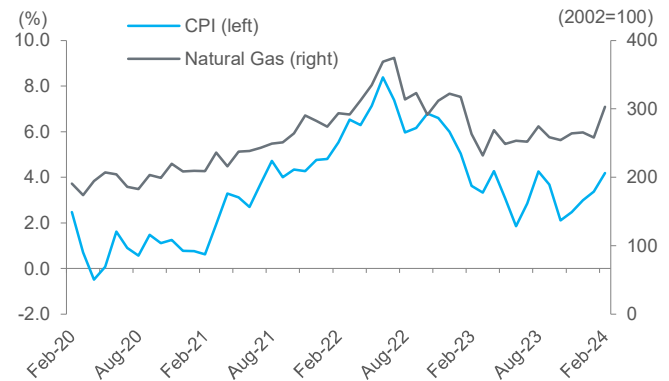
Consumer Price Index

Energy prices push inflation higher

Consumer inflation in Alberta moved higher in February. The consumer price index (CPI) increased 4.2% y/y, up from 3.4% y/y in January. The increase was led by energy prices and in particular a surge in natural gas prices (+17% m/m) as the regulated variable rate jumped following January's cold snap (Chart 2). Meanwhile, gasoline prices also moved higher (+7.4% m/m) after months of weakness. Although electricity prices fell in the month (-2.9% m/m), they remained significantly higher from last year's level (+113% y/y) when prices were suppressed by government affordability programs. Food inflation slowed 0.2 percentage points to 3.9% y/y in February, the slowest rate since August 2021. Core inflation (all items outside food and energy) nudged up from 2.8% y/y to 2.9% y/y, reflecting the sustained pressure in shelter costs. The cost of owned accommodation continued to rise (+0.5% m/m) while rent jumped 3.0% m/m and was up 14% y/y the largest increase since 1982.

CHART 2: INFLATION HIGHER AS NATURAL GAS JUMPS

Year-over-year change in CPI and natural gas CPI level



Sources: Statistics Canada, Haver Analytics

Consumer Sentiment

Sentiment inches ahead

Alberta's consumer sentiment improved a bit in February. The Conference Board of Canada's index of consumer confidence increased 0.3 points. Sentiment towards major purchase improved while perceptions on current and future finances

was largely unchanged and the outlook for job prospects remained mixed. The monthly uptick pushed confidence to the highest level since July 2023, however consumer confidence remained below levels seen prior to the interest rate hikes.

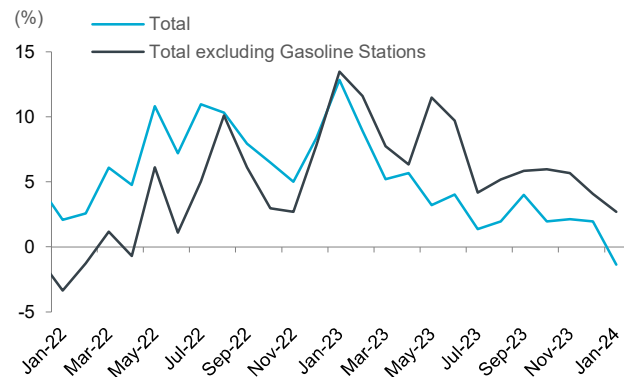
Retail Trade

Sales ease

Alberta's retail sales pulled back in January. Seasonally adjusted retail sales declined 0.6% m/m to \$8.5 billion. With the decline, sales were down 1.4% y/y from the exceptionally strong level of last January, when sales surged to an all-time high. Much of the weakness reflects year-over-year declines in gasoline prices which have weighed on sales at gasoline stations (-13% y/y) for the past ten months (Chart 3). Conversely, growth remained positive but slowed at motor vehicle & parts dealers (+2.2% y/y) and food & beverage stores (+3.0% y/y), while it picked up at general merchandise (+5.2% y/y) and health & personal care (+7.0% y/y) stores.

CHART 3: SALES WEIGHED DOWN BY GASOLINE STATIONS

Year-over-year growth in Alberta retail sales



Sources: Statistics Canada, Haver Analytics

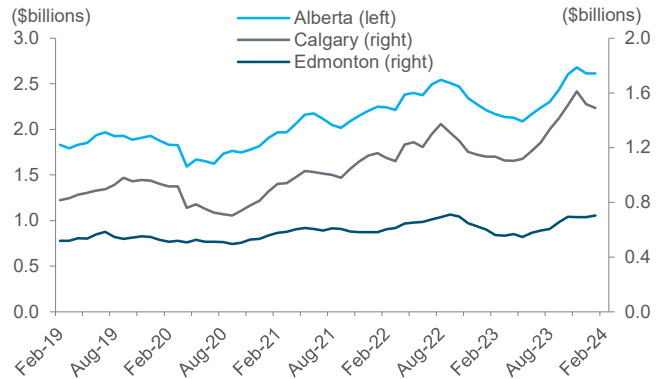
Construction Investment

Investment holds steady

Alberta's building investment was unchanged in January. The value of building investment held steady at \$2.6 billion with little change in both residential investment and non-residential investment. Non-residential investment inched forward 0.2% m/m to \$699 million due to higher spending on commercial (+0.4% m/m) and industrial buildings (+0.2% m/m) which rose for the seventh straight month. Meanwhile, residential construction spending was unchanged at \$1.9 billion as declines in Calgary were offset by gains in the rest of the province (Chart 4). While holding steady, building construction investment started 2024 at strong levels, just below its November peak and up 18% y/y.

CHART 4: INVESTMENT ELEVATED DESPITE EASING IN CALGARY

Building construction investment, seasonally adjusted



Sources: Statistics Canada, Haver Analytics

Industrial Product Price Index

Oil prices lead industrial prices higher

Canada's Industrial Product Price Index (IPPI) edged higher in February after four consecutive monthly declines. The IPPI increased 0.7% m/m as prices for energy and petroleum products bounced back. Energy and petroleum products prices were up 5.2% m/m as higher crude prices and maintenance and unexpected shutdowns of refineries resulted in higher prices for refined products. Excluding energy and petroleum products, the IPPI edged up a modest 0.1% m/m. However, this was also due to higher petroleum prices, as prices for chemicals and chemical products rose 1.6% m/m. Meanwhile, most other product prices declined such as intermediate food (-1.3% m/m) and meat, fish & dairy products (-0.9% m/m). Despite the monthly increase, both the IPPI (-1.7% y/y) and IPPI excluding energy and petroleum (-1.0% y/y) were below last year's level.

Federal Reserve

Rates on hold as outlook improves

The Federal Reserve Bank (Fed) left the benchmark interest rate unchanged at its meeting on Wednesday. The policy rate has remained in the range between 5.25% and 5.50% since July 2023. The decision came even as the Fed increased its forecast for both inflation and economic growth. The Fed see core inflation of 2.6% this year, from 2.4% in the December forecast, while GDP growth forecast was upgraded to 2.1% from 1.4%.

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