

Weekly Economic Review

Strong momentum in the housing market

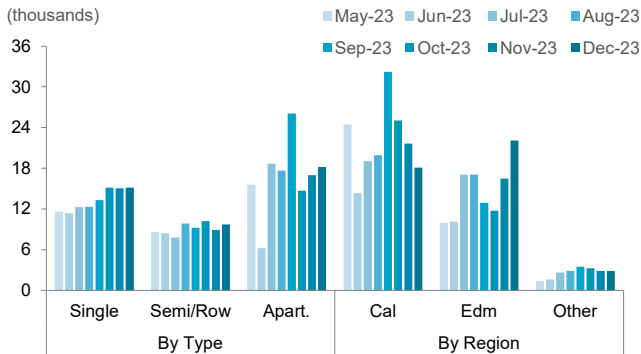
Housing Starts

Apartments continue to drive growth

Alberta's housing starts finished the year strong. Housing starts increased 4.9% month-over-month (m/m) to a seasonally adjusted annual rate (SAAR) of 44,279 in December. The monthly gain was led by a surge in Edmonton (+34% m/m) and ongoing strength in apartment starts (+7.2% m/m). The pace of housing starts was extraordinarily strong in the second half of 2023 as apartment starts soared and single starts remained strong (Chart 1). Regionally, activity picked up in Edmonton, while starts in Calgary moderated from elevated levels. Despite the strength over the last six months, housing starts in 2023 were down slightly (-1.4%) from elevated levels in 2022.

CHART 1: APARTMENTS ADVANCE AND EDMONTON PICKS UP

Housing starts by dwelling type (SAAR)



Sources: Canada Mortgage and Housing Corporation, Haver Analytics

Resale Housing

Market picks up

Alberta's resale housing gained momentum in December after moderating in the fall. Seasonally adjusted unit sales rose 5.7% m/m to 6,964, with gains across the province. Activity was particularly strong in Edmonton (+6.2% m/m), Fort McMurray, Grande Prairie, and Central Alberta, where sales reached the highest level since rate hikes began. The number of new listings also continued to climb (+0.6% m/m), reaching an 18-month high. Despite more new listings, the

months of inventory fell to 2.6. With the market tightening, the average resale price advanced 0.7% m/m to \$459,585, just shy of all-time high.

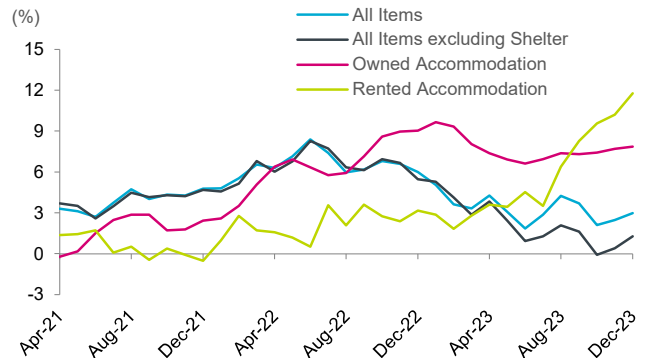
Consumer Price Index

Housing costs propping up inflation

Consumer inflation in Alberta moved higher in December. The consumer price index (CPI) increased 3.0% year-over-year (y/y), up from 2.5% y/y in November, as prices for shelter and food continued to climb. Housing costs edged higher again, remaining the primary driver of inflation as both owned accommodation (+7.8% y/y) and rent (+12% y/y) inflation accelerated once more (Chart 2). Food prices also increased (+0.4% m/m) in the month and food inflation advanced 0.5 percentage points to 5.1% y/y in December. Meanwhile, electricity prices paid by consumers remained high and up significantly from last year, offsetting much of the impact from the y/y declines in natural gas and gasoline. Alberta's consumer inflation averaged 3.3% in 2023, down from 6.4% in 2022 but higher than the pre-COVID levels.

CHART 2: STUBBORNLY HIGH SHELTER COSTS

Year-over-year change in CPI by selected components



Sources: Statistics Canada, Haver Analytics

Retail Sales

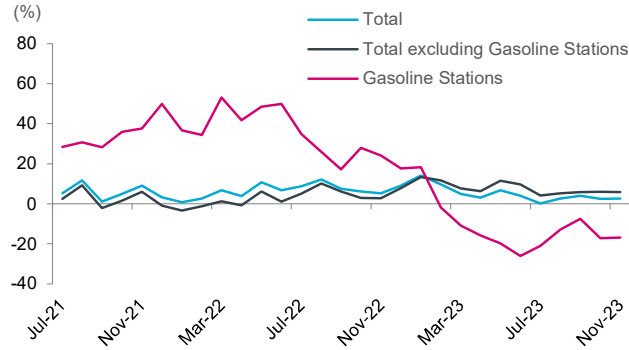
Modest growth continues

Alberta's retail sales nudged higher in November. Seasonally adjusted retail sales increased 0.6% m/m to \$8.6 billion. This bump pushed y/y growth from 2.2% in October to 2.5% in November. Growth was subdued in the second half of 2023 as lower gasoline prices continued to weigh on sales at gasoline stations (-17% y/y) (Chart 3). Conversely, sales

growth at motor vehicle & parts dealers (+6.9% y/y) remained solid and picked up at food & beverage stores (+8.9% y/y), building material & garden suppliers (+9.0% y/y) and furniture stores (+4.8 y/y). With the strong start to 2023, sales were up 4.6% year-to-date (YTD), led by strong gains at motor vehicle dealers and food, health, clothing, and sporting/hobby stores.

CHART 3: GROWTH CONTAINED BY LOWER GASOLINE PRICES

Year-over-year growth in Alberta retail sales



Source: Statistics Canada, Haver Analytics

Consumer Insolvencies

Insolvencies on the rise

The number of Albertans filing for insolvency moved higher for the third consecutive month in November. A total of 1,696 consumer insolvencies were submitted, 100 more than in October and 317 more than November of 2022. Insolvencies have been trending higher over the last two years and over the last 12 months, a total 17,719 applications have been filed, more than any other 12-month period.

Manufacturing Shipments

Durable goods lift factory sales

Factory sales in Alberta inched higher in November. The value of manufacturing shipments was up by 0.7% m/m to \$8.8 billion, the second highest level in the last eight months. The increase was led by a broad-based gain in durable goods (+2.7% m/m), with strong gains in metals, mineral products, and wood. In contrast, non-durable goods sales declined slightly (-0.1% m/m), as losses in petroleum & coal (-3.6% m/m) and plastic (-3.8% m/m) outweighed gains in food (+2.6% m/m) and chemical (+4.0% m/m). On a YTD basis, the value of manufacturing shipments was down 4.2%, reflecting softer prices and sales in the 2023 spring and summer.

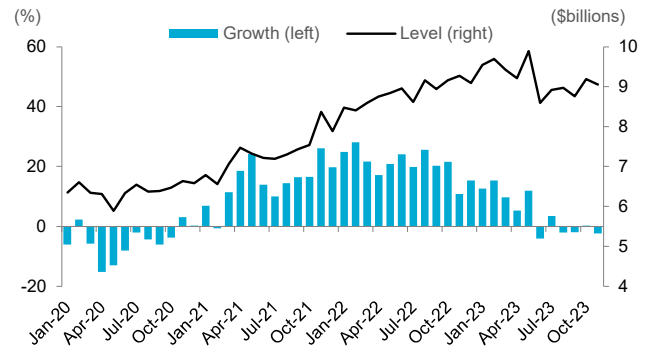
Wholesale Trade

Sales leveled off

Alberta’s wholesale trade moderated in November but remained strong. Wholesale trade (excluding petroleum, petroleum products, and other hydrocarbons and excluding oilseed and grain) fell by 1.5% m/m to \$9.1 billion as lower sales in machinery, equipment, and supplies (-3.4% m/m) offset gains in the motor vehicle & parts subsector (+3.4% m/m). While sales have been fairly steady since a sharp pullback in June, they have fallen below 2022’s price-boosted levels (Chart 4). Even though growth has moderated, sales were up 4.7% YTD, reflecting the strong start to the year, robust sales in machinery, equipment, and supplies, and ongoing growth in motor vehicle & parts.

CHART 4: SALES STEADY

Alberta’s wholesale trade and year-over-year growth



Sources: Statistics Canada, Haver Analytics

Canadian Business Outlook

A gloomy outlook

Business conditions in Canada deteriorated in the 4Q of 2023. A larger share of firms (39% vs 32% in 3Q of 2023) surveyed by the Bank of Canada’s Business Outlook Survey reported outright sales declines over the past 12 months. Meanwhile, sluggish demand and tighter credit conditions continued to weigh on investment plans and hiring intentions, although energy companies’ plans remained strong. With easing in consumer demand and a softening economy, fewer firms (37% vs 43% in 3Q of 2023) reported plans for larger than normal price increases this year. Despite the headwinds and fewer orders, on balance, firms expect sales to stabilize over the next 12 months.

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

