

Weekly Economic Review

Employment back on track

Employment

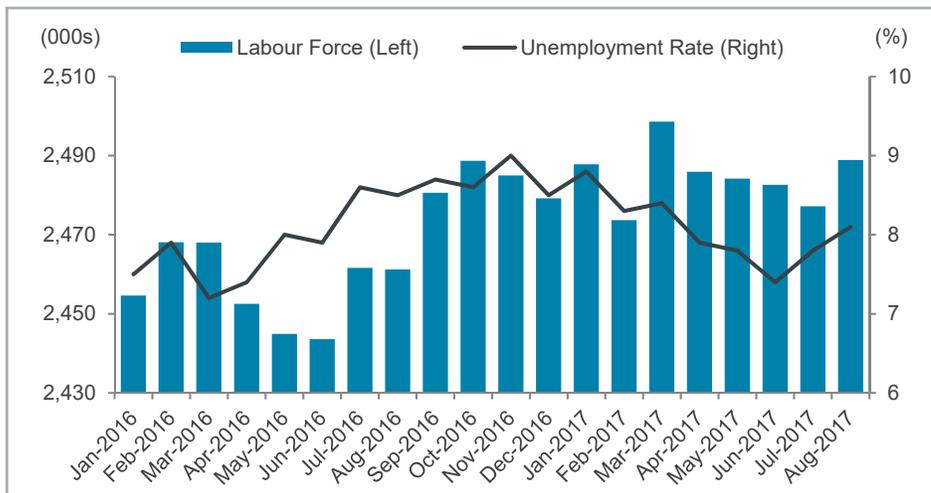
Gains in full-time and private sector jobs

Alberta posted modest employment gains in August after a setback in the previous month. The province added 2,300 jobs in August, supported by an ongoing shift from part-time (-5,400) to full-time work (+7,600) and a rebound in private sector employment (+9,100). On an industry basis, job losses in service sector

(-3,300) were more than offset by gains in the goods sector (+5,500) led by a boost in hiring activity in construction and manufacturing. With the Alberta economy gaining strength, more people entered the labour force (+11,700 month-over-month or m/m) (Chart 1). This pushed up the unemployment rate for the second month in a row to 8.1%, reversing the declines seen in the second quarter of this year.

Chart 1: Surge in labour force pushes the unemployment rate higher

Alberta unemployment rate and labour force (seasonally adjusted)



Source: Statistics Canada

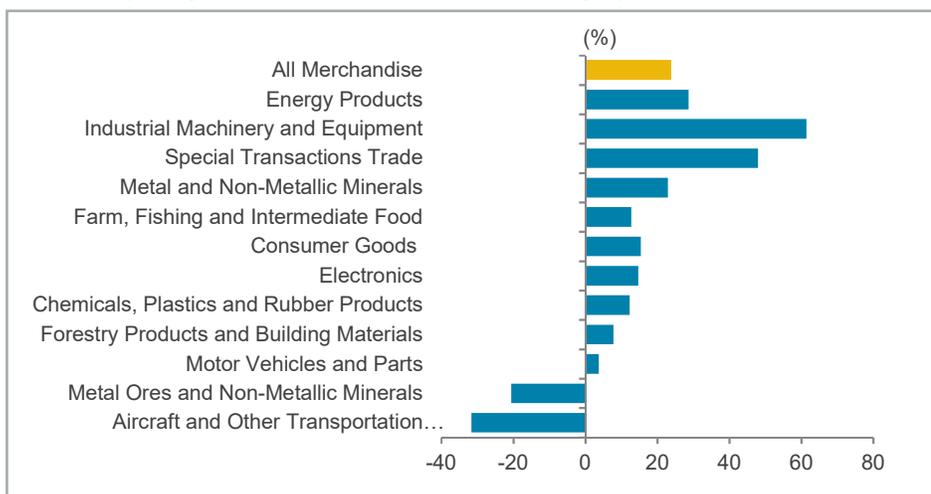
Merchandise Trade

Exports continue to ease

After climbing steadily for almost a year, Alberta exports moderated for the second consecutive month in July. The total value of exports fell 6.5% m/m to due to a pullback in energy and non-energy exports. Weaker energy prices and volumes resulted in lower energy exports (-9.0% m/m), while non-energy exports ticked down (-0.9% m/m) as declines in farm, food, and forestry products more than offset gains in chemicals, plastics, and rubber. Despite the recent softening, exports remain significantly higher from last year (+24% year-over-year or y/y) led by gains in energy as well as chemicals, plastics, and rubber, and machinery and equipment products (Chart 2).

Chart 2: Exports remain higher from year-ago levels in most categories

Year-over-year growth in Alberta exports by category



Source: Statistics Canada

Residential Investment

Strong rebound in investment

Residential construction investment in Alberta bounced back in the second quarter of 2017. After dipping to a 5-year low in the previous quarter, it rose 13% quarter-over-quarter (q/q) to \$4.3 billion. While renovation expenditures continued to improve, investment in new dwellings finally turned the corner after almost two years of decline (18.5% q/q). Compared to the previous year, residential investment was up for the first time in nearly two years on the back of stronger investment on both

renovations (12% y/y) and new dwellings (3.7% y/y), with the latter fueled by single-family dwellings.

Building Permits

Weakness in commercial and industrial permits

Construction intentions in the province continued to slow, dragged down by weakness in private sector construction. The value of building permits fell for the second month in a row to \$1.0 billion in July (-6.5% m/m). Residential permits retreated again following strong increases earlier this year, while weakness in commercial and industrial permits outweighed gains in institutional and government in the non-residential sector (Chart 3). On a year-to-date basis, building permits

were down 2.8% as improvements in residential were offset by declines in non-residential permits.

Construction intentions also fell at the national level (-3.5% m/m). The value of building permits declined in seven out of ten provinces, led by lower construction intentions for commercial buildings and multi-family dwellings in Ontario.

Oil and Gas Investment

Investment holds fairly steady

Capital expenditures for the Canadian oil and gas extraction industry continue to stabilize. They totalled \$9.8 billion in the second quarter of 2017. This was down slightly from the first quarter, likely due to seasonal weakness, but up nearly 15% from the second quarter last year when it hit a recession low. While investment has increased on a year-over-year basis for the second straight quarter, it remains well below pre-recession levels (Chart 4).

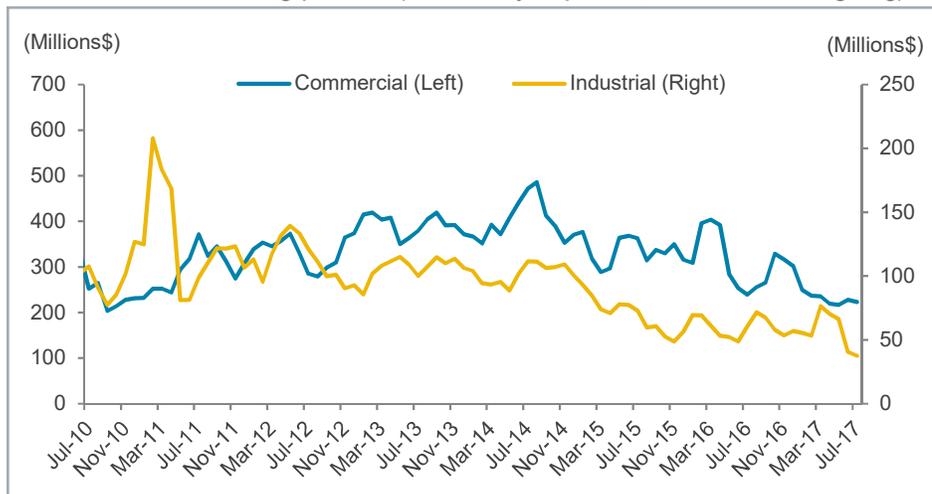
Monetary Policy

BoC hikes rate again

The Bank of Canada (BoC) surprised markets by announcing its second rate hike in two months amid stronger-than-expected economic activity. The BoC raised its benchmark interest rate by a quarter of a percentage point to 1%, now reversing the two cuts it implemented in 2015 when oil prices collapsed. The BoC views the strength in Canadian economic data as an indication that growth is becoming more broadly-based and self-sustaining. The Bank also noted that future rate decisions will not be predetermined and will be guided by incoming economic data and financial market developments. The Canadian dollar surged to over 82 US cents following the announcement.

Chart 3: Commercial and industrial permits remain weak in the province

Value of Alberta building permits (seasonally adjusted, 3-month moving avg)



Source: Statistics Canada

Chart 4: Oil and gas investment stabilize below pre-recession levels

Capital expenditures in Canada's oil and gas extraction industry



Source: Statistics Canada

Please see the [Alberta Economy - Indicators at a Glance](#) for a snapshot of Alberta indicators.

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