

Weekly Economic Review

Momentum in non-residential construction investment continues

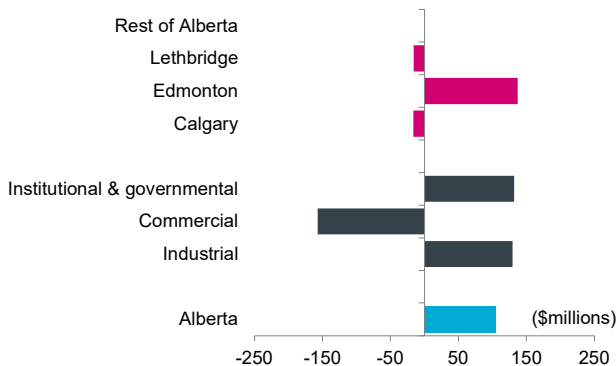
Non-Residential Construction Investment

Growth continues

Non-residential building construction investment advanced for the eighth consecutive month in March. Alberta's seasonally adjusted non-residential investment increased 3.2% month-over-month (m/m) to \$789 million. The strength was widespread, led by institutional & governmental (+6.9% m/m) which hit a five-year high (Chart 1). This was accompanied by continued gains in industrial (+6.6% m/m) investment, which has risen in 22 of the past 24 months, and an uptick in commercial investment (+0.9% m/m). Regionally, investment moved higher in Calgary (+2.6% m/m), Edmonton (+5.3% m/m), and the rest of the province (+1.1% m/m). With the monthly gain, non-residential investment was up 8.4% year-over-year (y/y) with a surge in industrial and institutional & governmental investment.

CHART 1: EDMONTON, GOVERNMENTAL AND INDUSTRIAL INVESTMENT SUPPORTED GROWTH

Year-to-date growth in non-residential investment



Sources: Statistics Canada, Haver Analytics

Residential Construction Investment

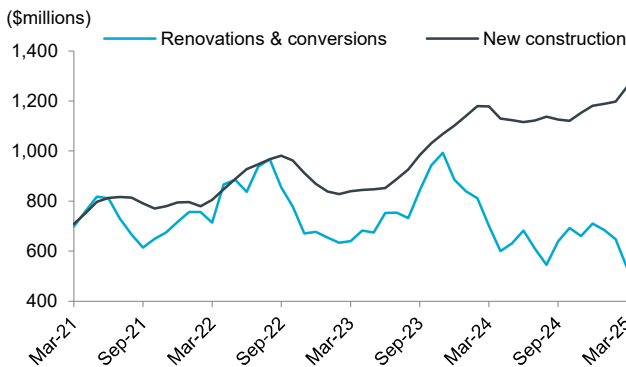
Renovations & conversions continue to drag investment

Alberta's residential construction spending moved down in March partly due to weakness in renovations and conversions spending (Chart 2). Seasonally adjusted residential building investment declined 3.0% m/m to \$1.79 billion. The monthly decline was solely due to an 18% plunge in renovations and

conversions, which offset gains in new construction and resulted in lower spending on both single and multi-dwelling buildings. Regionally, the weakness was concentrated in the major centres, with residential investment declining in Edmonton (-4.1% m/m) and Calgary (-5.6% m/m) but rising for the rest of the province (+7.4% m/m). Year-to-date (YTD), residential investment was down 5.9% as significantly lower renovation & conversions (-21% YTD) outweighed gains in new construction (+4.2% YTD).

CHART 2: LOWER RENOVATIONS SPENDING WEIGH ON INVESTMENT

Alberta residential construction investment by type of work, seasonally adjusted



Sources: Statistics Canada, Haver Analytics

Alberta Activity Index

Activity moderated but remained elevated

The Alberta Activity Index (AAX) took a breather from record levels in March. The index inched down 0.2% month-over-month (m/m), as a rebound in the energy sector was overwhelmed by pullback in other sectors. The energy sector bounced back, with strong gains in both oil production and rigs drilling. Labour market momentum slowed amid declines in both employment and average weekly earnings. Business sector activity also retreated from its recent high, weighed down by manufacturing shipments. Household sector activity eased, as moderating housing starts more than offset strong retail sales. Despite the monthly decline, the AAX was up 3.8% y/y and 3.6% YTD with solid gains in all sectors.

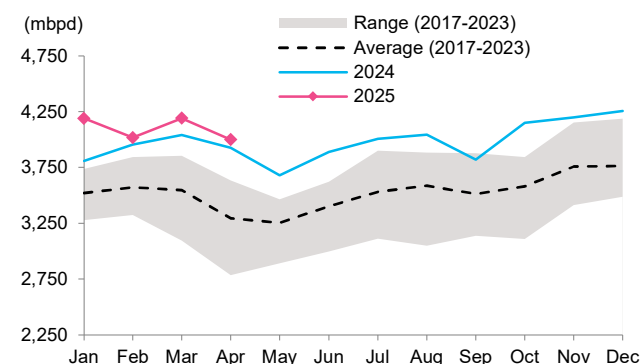
Supply & Disposition of Oil

Facility maintenance weighs on production

Alberta's oil production declined in April but continued to set a seasonal record (Chart 3). Total oil output fell 4.6% m/m to 4.0 million barrels per day (mbpd) as planned facility maintenance weighed on non-conventional output. Non-conventional production fell 5.8% m/m as both synthetic (-14% m/m) and bitumen production (-0.8% m/m) pulled back from elevated levels. Meanwhile, conventional (+1.8% m/m) oil continued to move higher as strength in condensate (+11% m/m) and light & medium crude (+1.4% m/m) production more than offset the decline in heavy oil production (-1.5% m/m). Despite this monthly drop, total oil production was up 4.9% YTD as demand for Alberta's oil remained strong, with a significant increase in both in-province use (+5.4% YTD) and removals from the province (+6.6% YTD).

CHART 3: OIL PRODUCTION CONTINUES TO HIT SEASONAL HIGH

Monthly oil production



Source: Alberta Energy Regulator

Food Services and Drinking Places

Sales move up

Alberta restaurant sales inched higher in March, supported by broad-based monthly gains. Seasonally adjusted sales at food services and drinking places rose 1.6% m/m to \$1.06 billion. With this monthly strength, y/y growth accelerated from 1.9% in February to 5.3% in March—the highest rate in 15 months. Limited-service eating places (+7.7% y/y) led the annual increase in sales, followed by full-service restaurants (+2.4% y/y) while drinking places (-6.5% y/y) and special food services (-1.9% y/y) growth.

Average Weekly Earnings

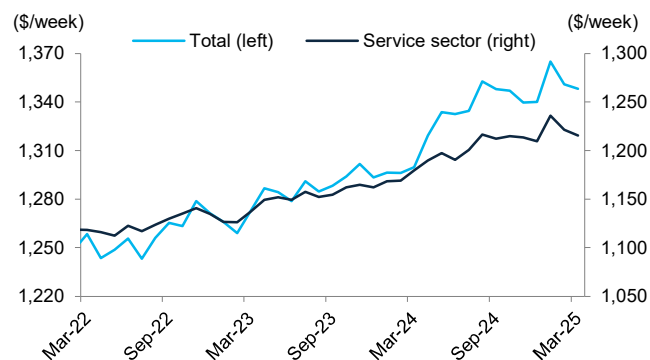
Earnings take a step back

Alberta's average weekly earnings (AWE) inched down for the second consecutive month after spiking in January. AWE declined 0.2% m/m to \$1,348 in March (Chart 4). Services AWE fell back 0.5% m/m with eight of the 15 industries

declining, led by health care and social assistance (-1.6% m/m), transportation and warehousing (-1.3% m/m), and accommodation and food services (-1.3% m/m). On the other hand, the goods sector rose 0.6% m/m with continued momentum in the construction sector. Although Alberta's AWE eased in the past two months, they were up 3.7% y/y with higher earnings in both the services (+3.1% y/y) and goods sectors (+4.8% y/y).

CHART 4: EARNINGS EASE WITH PULL BACK IN THE SERVICE SECTOR

Seasonally adjusted average weekly earnings



Sources: Statistics Canada, Haver Analytics

Canada Real GDP by Expenditure

Pre-tariff activity boosts growth

The Canadian economy moved forward in the first quarter, supported by increased foreign demand and business activity before tariff. Canada's real GDP by expenditure increased 0.5% quarter-over-quarter (q/q), the same pace as in the previous three-month period. The increase was mostly driven by businesses front-running the U.S. tariffs. Exports rose 1.6% q/q led by large gains in passenger vehicles (+17% q/q) and industrial machinery, equipment & parts (+12% q/q). Business investment (+1.0% q/q) also increased as the surge in machinery and equipment (+5.3% q/q) more than offset the lower investment in non-residential structures (-1.6% q/q). Inventory accumulation also contributed to growth and consumer spending (+0.3% q/q) continued to edge higher but at a slower pace. By contrast, residential investment dropped 2.8% q/q with the weak resale market activity. With moderating consumer spending and the decline in residential investment, final domestic demand (consumer spending and investment in fixed capital) was essentially flat.

Contact Asrafuzzaman at TBF.ERFPublications@gov.ab.ca

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