

WESTERN POLICY Analyst

Bi-Weekly Briefing

JOHNSON
SHOYAMA
GRADUATE SCHOOL OF
PUBLIC POLICY

OCTOBER 18, 2010

This Week...

Employment and job demand increase in the west; crops affected by cool, wet weather

Volume I, Issue 2

Employment up, along with job demand



By Doug Elliott, Editor
Labour Market

Employment is growing in the western provinces. In the first three quarters of 2010, aggregate employment in the four increased by 61,000 compared with the same period in 2009, the equivalent of a 1.1% increase. The fastest growth rates are in B.C. (2.0%) and Manitoba (1.9%) with Saskatchewan (1.1%) and Alberta (0.0%) lagging.

The employment growth is not keeping pace with the increase in supply, however, so the unemployment rate has increased substantially. The increase is near 2% in Canada as a whole, B.C., and Alberta. The increases are closer to 1% in Manitoba and Saskatchewan both of which had lower unemployment rates to start with.

There is no sign that this situation will end soon, confirming the view that this recovery would not be a quick one.

Motor Vehicle Sales

Purchases of "big ticket" items are often used as an indicator of consumer confidence and motor vehicle sales are a good example. (This is in spite of the fact that businesses and governments also

buy new vehicles.) Their role as a proxy for consumer confidence is because most of us have to borrow to buy a new car or truck and we need to be confident of future income in order to repay the loan.

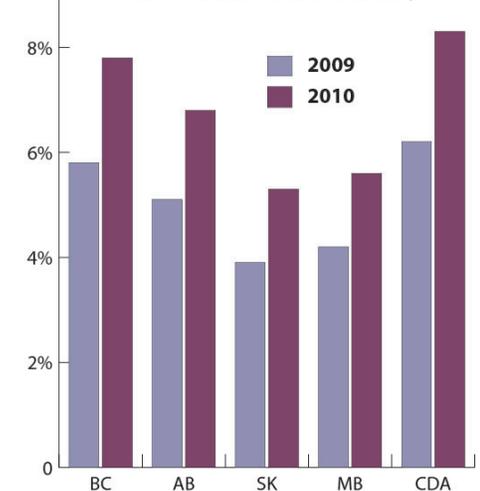
The number of cars, trucks, and SUVs purchased in 2009 was down in Canada and in each of the western provinces with double-digit declines in B.C. and Alberta. Sales have recovered in each of the provinces with the most dramatic turnaround in Alberta. Besides a recovery in consumer confidence, that means more revenue for dealers and higher tax revenues for governments, at least in provinces that have a sales tax.

The 2010 Crop

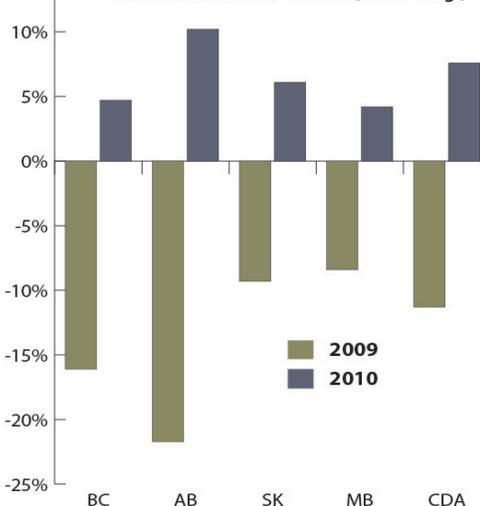
The weather in the prairies was too wet during much of the growing season this year so both seeding and harvesting were adversely affected. In mid September, Statistics Canada surveyed farmers and found that crop production was expected to be much lower this year than in 2009.

The decline is the result of two factors. Firstly, the growing conditions were mixed so yields were generally a bit lower than in 2009, particularly in Manitoba and Saskatchewan. Secondly, and more importantly, there was a 10% decline in

Unemployment Rates
Western Provinces and Canada
2009 and 2010 Year to Date (Jan. to Sept.)



Unit Sales of New Motor Vehicles
Western Provinces and Canada
2009 and 2010 Year to Date (Jan. to Aug.)



the number of seeded acres for the principal field crops and an even larger decline in the amount farmers expected to harvest. The net effect is an 18% decline in crop production from 2009 and a probable reduction in quality because of frost and wet conditions.

Grain prices have improved so this will help mitigate the negative effects of the smaller crop, particularly among farmers who have some of last year's harvest still in the bin.

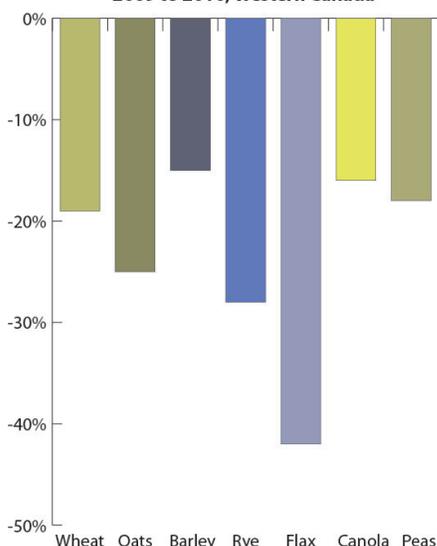
International Trade

Among the western provinces, Alberta is the most dependent on the USA as a market for merchandise exports. On a customs basis and measured in Canadian dollars, 84% of exports from Alberta were to the USA in 2009. This compares with 67% in Manitoba, 61% in Saskatchewan, and 51% in B.C. That dependence on the USA, along with the dramatic drop in crude oil prices, accounts for the 36% drop in the value of international merchandise exports from Alberta in 2009.

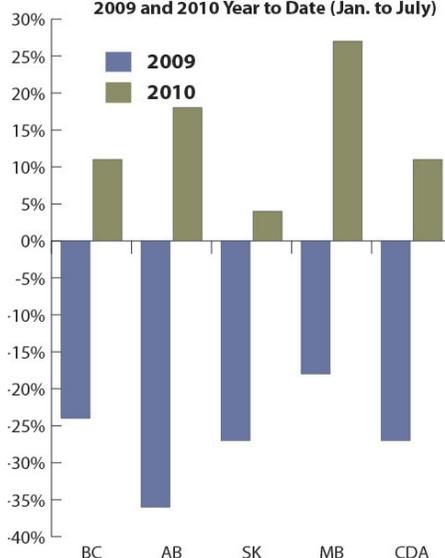
In all four western provinces and in Canada as a whole, the value of exports has increased in the first seven months of 2010.

In all four western provinces and in Canada as a whole, the value of exports has increased in the first seven months of 2010 compared with the same period in 2009. The largest increase has been in Manitoba where exports have grown by 27% in the first part of 2010.

Expected Change in the Volume of Crop Production 2009 to 2010, Western Canada



Change in the Value of International Exports 2009 and 2010 Year to Date (Jan. to July)



UPCOMING RELEASES

In the next two weeks we will see releases from Statistics Canada describing:

- August wholesale sales and retail sales on Oct. 20 and 25 respectively;
- the September consumer price index on Oct. 22, and
- August payrolls and earnings data on Oct. 28.

Sources: *The figures are adapted from the following sources.*

Labour Market: Statistics Canada CANSIM Table 282-0001

Motor Vehicle Sales: Statistics Canada CANSIM Table 079-0003

The 2010 Crop: Statistics Canada, 22-002

International Trade: Strategis Website maintained by Industry Canada

OCTOBER 18, 2010

The Western Policy Analyst is published bi-weekly and quarterly by the Johnson-Shoyama Graduate School of Public Policy. No reproduction of any material is allowed without express consent of the publishers.

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ISSN No. 1923-9971



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