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This Week...

Personal Income
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Consumer Prices
Building Permits
Commodity Prices



Personal Income

By Doug Elliott, Editor

The recently released results from Statistics Canada's annual survey of personal income describe personal and

household income before and after taxes for the calendar year 2010. This marks the year when the Canadian economy was recovering from the 2009 recession.

Measured at the household level and after adjusting for inflation, after-tax income in the West grew by a remarkable 4.3% per year on average from 2004 to 2008. This compares with a national average of 2.3% over the same period and an average of 1.7% in the previous (2000 to 2004) four-year period. The figure shows that the rapid increase in disposable income was evident in each of the provinces but that the growth rates were higher in Saskatchewan (4.9% per year) and Alberta (4.6% per year).

The rapid growth stopped in 2009 when after-tax household income fell in three of the four provinces. The decline continued into 2010 with drops in all four provinces. Notwithstanding the 2010 drop, the average western household had disposable income of \$64,500 in 2010 which is \$7,000 more than in 2005.

The survey also found that income inequality (as measured by the GINI coefficient) fell from 2009 to 2010 in Manitoba and Saskatchewan but increased in Alberta and B.C. The proportion of persons living in low-income households, sometimes called the poverty rate, increased in Manitoba and fell in the other three western provinces.

Employment

Led by Alberta, employment in the West has grown by 2.3% in the first half of 2012 compared with the

same period of 2011. The national average was 1.0%.

Increased employment in the resource sector is the main reason for the growth. During the first half of 2012 western employment grew by:

- 14.6% in forestry, oil/gas, and mining;
- 8.0% in personal and household services; and
- 6.2% in transportation.

Offsetting these increases were declines of:

- 4.2% in wholesale trade;
- 3.7% in utilities; and
- 3.1% in agriculture.

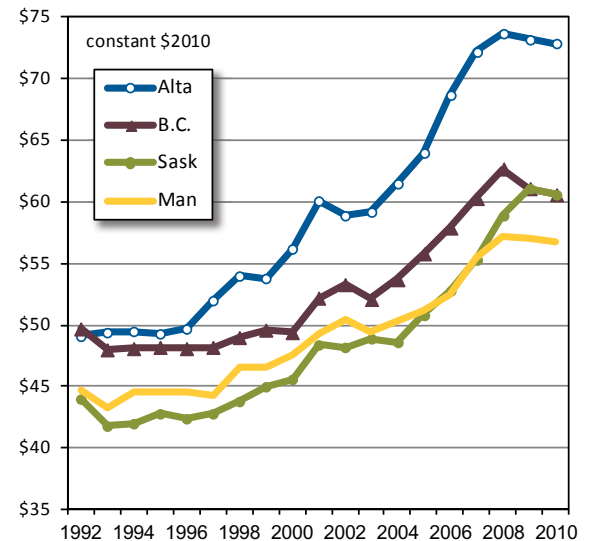
All of the employment growth in early 2012 is in the full-time category. Full-time employment increased by 3.2% compared with a 1.2% drop in part-time employment.

Consumer Prices

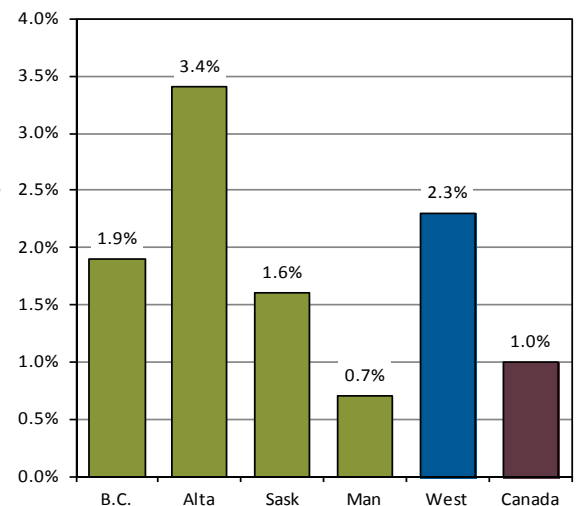
In the first part of 2012, the rate of inflation in the West has been lower than in other parts of Canada. Saskatchewan is an exception where the Consumer Price Index (CPI) has grown by 2.0% in the first five months of 2012 – the same as for Canada as a whole.

The lower inflation rates in the West relative to the national average are broadly based with lower rates of inflation across most of the sub-categories – shelter and household operations, transportation, and recreation, for example. The higher inflation rate in Saskatchewan is also evident in most sub-categories. The declining value of the loonie vis-à-vis the US\$ will probably mean higher inflation rates in the last half of 2012.

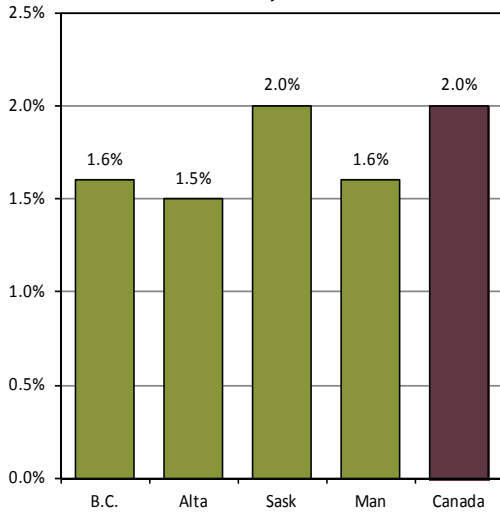
After-Tax Household Income



Annual Employment Growth, 2012 YTD



Annual Consumer Price Inflation, Jan to May, 2012



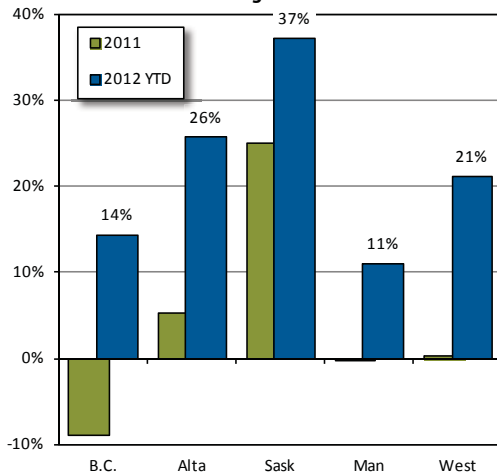
Building Prices

Concerns about unsustainable growth in the housing market have not dampened activity in the sector so far. Residential building permits in the four western provinces totalled \$7 billion in the first five months of 2012, up 21% from the same period in 2011.

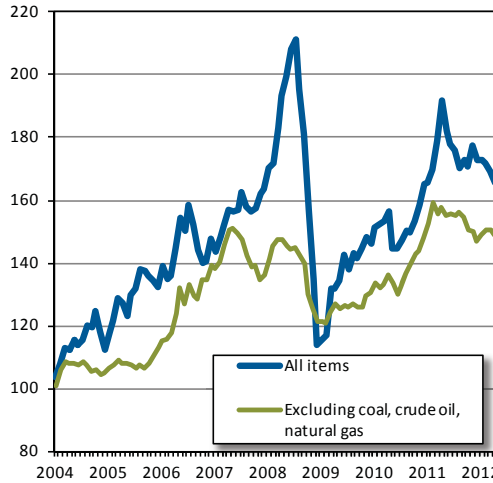
There are increases in each of the provinces with the largest jump in Saskatchewan with a 37% increase that followed a 25% increase in 2011.

The value of non-residential construction is also increasing this year with a 25% increase in the first five months of 2012 compared with the same period a year ago. Employment in the construction industry, on the other hand, has grown by only 2.7% in the first six months of 2012.

Change in the Value of Residential Building Permits



Raw Material Price Index, 2002=100



Commodity Prices

Statistics Canada tracks commodity prices on a monthly basis with the Raw Materials Price Index (RMPI). The index is available only at the national level so from a western perspective it is unduly influenced by prices for raw materials from Ontario and Quebec such as iron and nickel ores.

In spite of this shortcoming, the RMPI is still an interesting time series for the West because it shows both the steady commodity price increases that began in the mid-2000s, the dramatic crash in the last half of 2008, and the subsequent increases.

Commodity prices are now falling from their peak in the April of 2012 and the figure shows that the downward trend is not exclusively because of the recent drop in the price of crude oil.

From the recent peak in April of 2011, the RMPI has declined by 14% with particularly large declines of:

- 24% in crude oil;
- 17% in natural gas;
- 19% in aluminum materials; and
- 12% in copper products.

Food product prices have been more stable with a 4% decline in grain prices and a 1% increase in animal products. Forestry product prices are unchanged.

Sources:

The figures are adapted from the following sources:

Personal Income: Statistics Canada CANSIM Table 202-0601, 202-0705, 202-0802

Employment: Statistics Canada CANSIM Tables 282-0001 and 282-0007

Consumer Price Inflation: Statistics Canada CANSIM Table 326-0020

Commodity Prices: Statistics Canada CANSIM Table 330-0007

Building Permits: Statistics Canada CANSIM 026-0003

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