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This Week...

Business Counts
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Capital Investment
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Business Counts



By Doug Elliott, Editor

Statistics Canada keeps track of the number of business establishments in each province according to their size (as measured by the number of employees) and industry group. The December 2010 counts have just been released.

There were 889,000 business establishments in western Canada at the end of 2010. More than one half probably have no employees (officially classified as “indeterminant” by Statistics Canada) and another 40% have fewer than twenty employees. That leaves about 48,000 businesses, a mere 5% of the total, with twenty or more employees.

Figure 1 shows that Manitoba is different from the other provinces with relatively more large and medium size businesses. Saskatchewan, at the other extreme, has the largest proportion of smaller businesses.

To compare the raw counts, the number of business establishments in each of the four western provinces was compared with the size of the economy (2009 GDP at market value). In the West, GDP per establishment is \$614,000 but there are differences by province, with outputs of:

- \$515,000 in B.C.;
- \$586,000 in Saskatchewan;
- \$650,000 in Manitoba; and
- \$718,000 in Alberta.

The national average is \$629,000.

Is the number of businesses an economic indicator? At first glance, one wouldn't think so

because economies can grow with lots of little businesses or a few big ones. There does not seem to be any correlation with the absolute count of businesses and economic activity. From 2009 to 2010, for example, the number of businesses in Canada grew by 2.0% whereas the number in the West, with a more vibrant economy, grew by only 1.5%.

Earnings and Payrolls

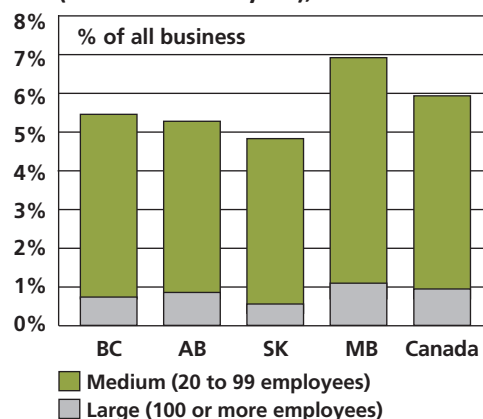
Preliminary 2010 estimates for the earnings of paid workers are now available. These data measure gross earnings before deductions for the approximately 4.6 million paid workers in the four western provinces. They exclude the earnings of the self-employed. Unlike the hourly wage rates reported in Volume 2, Issue 3 of the *Western Policy Analyst*, earnings are affected by hours worked, particularly by part-timers, and by premium pay such as overtime and shift differentials. Payments from retroactive wage settlements are included; this is a measure of gross earnings, not wage rates.

Average weekly earnings increased by 3.7% in 2011 to reach \$884 among the four western provinces. This is near the ten-year average and well above the 2.0% increase in 2010.

Adjusted for inflation, earnings grew by 2.5% to make this the seventh year in a row with an increase in real earnings. The increase in real earnings was highest in Saskatchewan (3.6%) and Alberta (3.5%) and lowest in B.C. (1.5%) and Manitoba (1.2%). The national average was 1.7%.

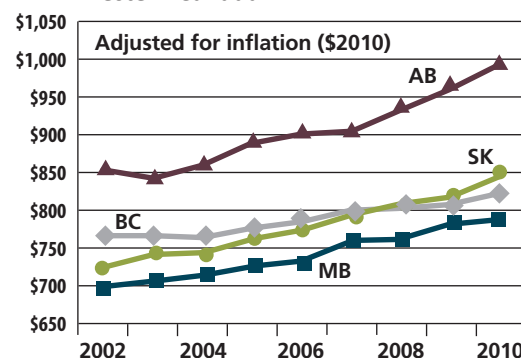
Figure 2 shows that average earnings in Saskatchewan are now above those in B.C. for

Figure 1: Business Establishments by Size (number of employees), December 2010



Average earnings in Saskatchewan are now above those in B.C. for the first time.

Figure 2: Average Weekly Earnings Including Overtime, Constant \$2010, Western Canada



the first time. Manitoba is on track to catch up with B.C. in a few years. Average earnings in Alberta are still head and shoulders above those in the other western provinces and will exceed \$1,000 in 2011.

The increases in gross payrolls (earnings times employment) are a reasonable proxy for income tax revenue growth to the provincial treasuries. In 2010, payrolls grew by:

- 1.9% in Manitoba;
- 3.1% in B.C.;
- 5.4% in Saskatchewan; and
- 5.5% in Alberta.

Capital Investment

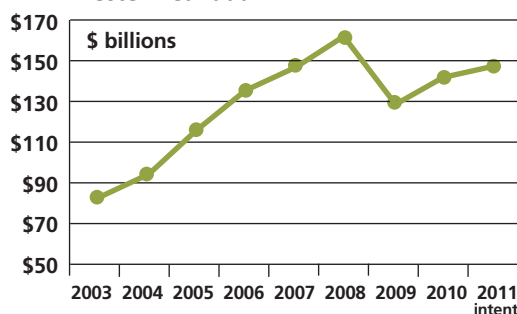
Statistics Canada periodically surveys businesses and governments about their actual and intended capital investments. These estimates cover investment in both new structures such as buildings, mines, and oil wells, and in new machinery and equipment.

The most recent survey was conducted late in 2010 and measures intentions for 2011. The figures show that capital investment in the West is rebounding from the sharp drop in 2009. Businesses and governments intend to invest a total of \$147 billion this year, a 4.1% increase from 2010. If they act on their intentions for the coming year, capital investment will, when combined with the 9.4% increase in 2010, have recovered half of the ground lost by the 20% decline in 2009. The 2011 increase is strongest in Saskatchewan (7.2%) and weakest in Manitoba (1.1%). The national average was 3.3%.

The winding down of government stimulus spending is evident in the data. Capital investment by the public sector will drop by 1.0% in 2011 whereas private sector investment will increase by 5.4%. The resource sector (mining and oil/gas) accounts for about 25¢ out of every \$1 invested; investment in this sector is expected to grow by 6.5% this year.

Capital investment is an important economic indicator in its own right and also one of the best indicators of business confidence and future economic growth. This indicator does not get the attention it deserves so the next quarterly issue of the *Western Policy Analyst* will have a more in-depth look at the recent numbers.

Figure 3: New Capital Investment in Buildings, Machinery, and Equipment, Western Canada



Retail and Wholesale Sales

Preliminary estimates for 2010 are available for gross sales in retail and wholesale establishments. The retail sales figures show that consumers increased their spending by 5.0% in 2010, reversing the 5.3% decline a year earlier.

Growth varied by province with increases of:

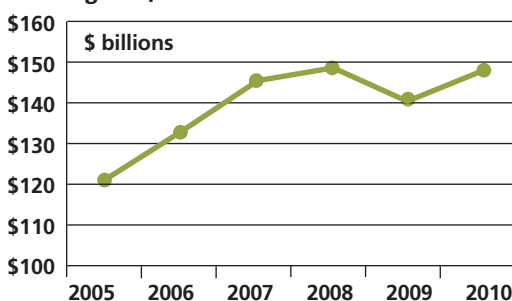
- 5.7% in Alberta;
 - 5.5% in Manitoba;
 - 4.8% in B.C.; and
 - 2.7% in Saskatchewan.
- The national average was 5.1%.

A good deal of the increase was caused by a rebound in new motor vehicle sales. The number of units sold in the West increased by 6% in 2010 compared with a 17% decline in 2009.

Wholesale sales represent sales to businesses and are often a leading indicator of retail sales. In 2010, wholesale sales in the West grew by 8% compared with a 14% decline in 2009. This suggests that retail sales will grow only slowly in the next few months.

Sales tax revenues are strongly correlated with retail sales so the provincial treasuries in Manitoba and B.C. will be experiencing above-average increases this year.

Figure 4: Retail Sales in Western Canada



Upcoming Releases

In the next two weeks Statistics Canada will be releasing data describing:

- January building permits on March 7th;
- January international merchandise trade on March 10th; and
- February labour force data on March 11th.

Sources:

The figures are adapted from the following sources:

Business Counts: Statistics Canada; *Canadian Business Patterns*

Earnings and Payrolls: Statistics Canada; CANSIM 281-0023 and 281-0026

Capital Investment: Statistics Canada; CANSIM 029-0008 and 032-0023

Retail and Wholesale Sales: Statistics Canada; CANSIM Tables 080-0020 and 081-0005

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EDITOR

Doug Elliott

EDITORIAL BOARD

Peter Phillips
Lihui Zhang
Jim Marshall

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Johnson-Shoyama Graduate School of Public Policy

University of Saskatchewan Campus
Diefenbaker Building
101 Diefenbaker Place
Saskatoon, SK, Canada
S7N 5B8

Tel: 306 966-8525

Fax: 306 966-1967

Email: public.policy@usask.ca

University of Regina Campus
3737 Wascana Parkway
Regina, SK, Canada
S4S 0A2

Tel: 306 585-5460

Fax: 306 585-5461

Email: gspp@uregina.ca

Outreach and Training

University of Regina
College Avenue Campus,
Gallery Building, Second Floor
Regina, SK, Canada
S4S 0A2

Tel: 306 585-5777

Fax: 306 585-5780

Email: js_outreach@uregina.ca

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University
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