

WESTERN POLICY Analyst

Bi-Weekly Briefing

Volume 2, Issue 6

JOHNSON
SHOWAMA GRADUATE SCHOOL OF
PUBLIC POLICY

APRIL 4, 2011

This Week...

Employment
Consumer Price Inflation
Farm Income
Population
Urban Housing Starts

Employment



By Doug Elliott, Editor

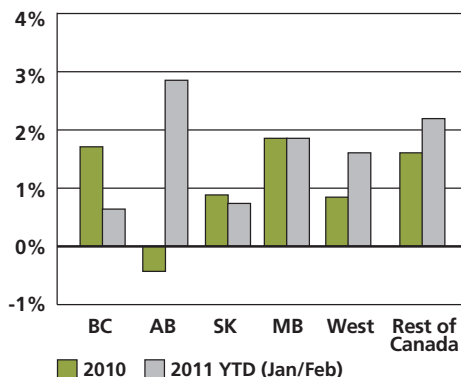
The labour market in western Canada was weak in 2010 with employment growing by less than 1% compared with increases of 2%-3% that were

typical earlier in the decade. Employment data for the first two months of 2011 show a stronger performance with employment growing by 1.6% compared with the same period in 2010.

Figure 1 shows that the increase is not uniform across the four provinces. Alberta has bounced back strongly with a 2.9% increase in employment compared with a drop in 2010. Employment in B.C. and Saskatchewan, on the other hand, has increased by less than 1% and in both cases the increases are lower than in 2010. Manitoba is holding steady with a 1.9% increase, the same as in 2010.

If this pattern continues, we can expect an increase in migrant workers moving to Alberta from B.C. and Saskatchewan.

Figure 1: Employment Growth, 2010 and 2011 YTD



Consumer Price Inflation

A year ago, the main concern among economists was that consumer prices would decline. A period of negative inflation or "deflation" would dampen consumer spending because people would postpone purchases knowing that the price would fall. With the recent increases in food and crude oil prices, the usual concern about high inflation is back.

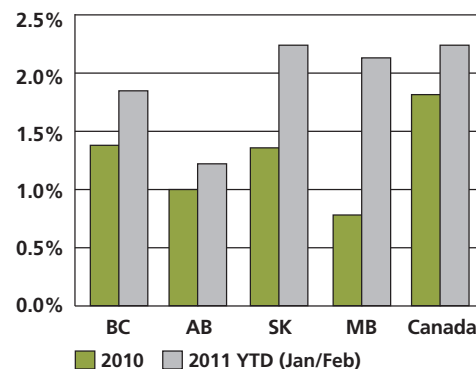
The annual rate of inflation in February was higher than the 2010 average in each of the western provinces. Last year, inflation rates in the West were near 1% whereas prices are growing at closer to 2% in early 2011.

The main cost drivers for the higher inflation rates in 2011 are food and transportation, particularly gasoline prices. The inflation rate in the transportation component of the consumer price index has ranged from a low of 3.2% in Manitoba to a high of 4.0% in B.C. Grocery prices have grown by as little as 1.0% in Alberta and as much as 3.4% in Saskatchewan. Even higher prices for food and transportation are expected in the next few months.

Farm Income in 2008

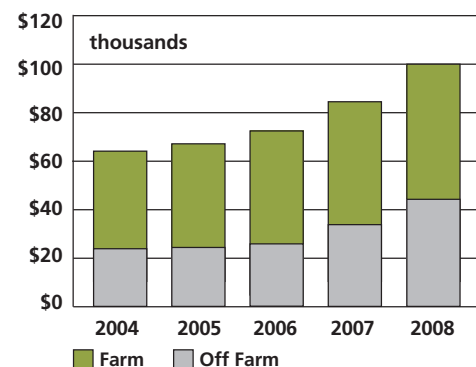
Information based on the 2008 tax returns of farmers in western Canada has been released. This data source allows us to paint a composite picture of household incomes for the estimated 144,000 farmers in 111,000 farm operations in western Canada. Cash receipts increased by 16% to \$27 billion in 2008 after an equally impressive 13% increase the year before so this was the second of two consecutive good years in agriculture. Average net cash income per farm

Figure 2: Annual Rate of Consumer Price Inflation



Even with strong back-to-back increases in income from farming operations in 2007 and 2008, farm income made up only 44% of total income received by western farmers in 2008.

Figure 3: Average Income per Farm, Four Western Provinces Combined



was \$43,700 which was nearly double the \$24,500 two years earlier¹.

The thriving Alberta and Saskatchewan economies meant lots of opportunities to work off the farm as well. Income from off-farm sources grew by 5% to an average of \$55,600 per farm. The net effect was that income from both farm and off-farm sources reached \$99,300 per farm compared with \$74,000 per farm in 2006.

This highlights the importance of off-farm income. Even with strong back-to-back increases in income from farming operations, farm income made up only 44% of the total income. The proportion of income that came from farming was lowest in B.C. (25%) and highest in Manitoba (53%) with Alberta (40%) and Saskatchewan (51%) between the two extremes.

Cash receipts stayed high in 2009 and 2010 but opportunities for off-farm employment will have declined, particularly in Alberta, so we can expect that total income will not have increased as rapidly as it did in 2007 and 2008.

Population

Statistics Canada estimates the population in the West at 10.6 million at the end of 2010. This is a 1.3% annual growth rate, down from 1.6% in 2009 but still above the national average. Figure 4 shows that the slower rate of growth was most pronounced in B.C. where the population grew by 1.2% in 2010 compared with 1.7% in 2009. Manitoba was an exception to this pattern – the population grew by 1.4% compared with 1.3% a year ago.

The slowdown in B.C. was a result of lower levels of interprovincial migration; for Alberta, it was a lower level of international immigration.

Housing Starts in Urban Centres

The Canada Mortgage and Housing Corporation (CMHC) publishes monthly data on the number of new housing starts in larger urban centres, those with a population of at least 10,000. The number of units started in western Canada had been increasing steadily after the turn of the decade, reaching a high of 80,000 units in 2006 and 2007. Starts fell by more than 50% in the next two years to reach a low of 37,000 in 2009.

There was evidence of a strong recovery in 2010 with an increase to more than 56,000 starts but that momentum has slowed in early 2011. Starts in the first two months of the year, admittedly not the busiest time of the year, are down 5% from a year ago. The 2011 slowdown is evident in only two of the western provinces with drops of 36% in Manitoba and 19% in Alberta. Starts have increased by 5% in B.C. and by 43% in Saskatchewan.

Figure 4: Annual Population Growth Rates, as of December

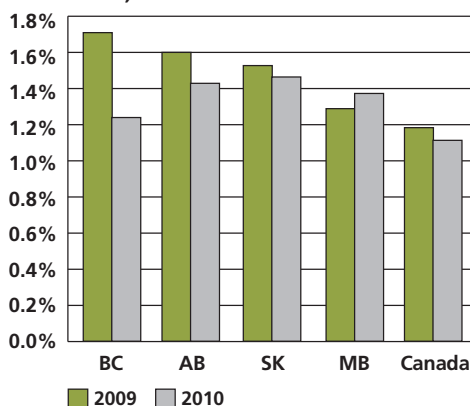
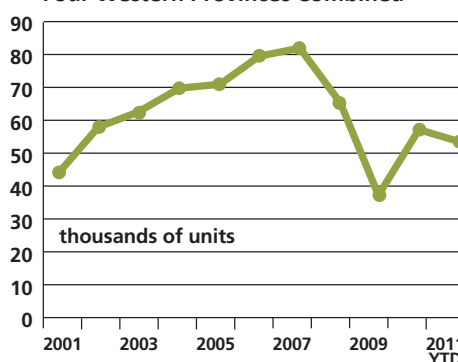


Figure 5: Housing Starts in Urban Centres, Four Western Provinces Combined



CMHC is expecting 2011 starts to remain near 2010 levels in Alberta, to increase in B.C., and to decline in Manitoba and, in spite of strong showing early in 2011, Saskatchewan.

Upcoming Releases

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

- March labour force figures on April 8th;
- The value of February building permits on April 7th ;
- January sales from manufacturers on April 14th; and
- New motor vehicle sales on April 14th

Sources:

The figures are adapted from the following sources:

Employment: Statistics Canada CANSIM Table 282-0001

Consumer Price Index: Statistics Canada CANSIM Table 326-0020

Farm Income: Statistics Canada 21-206-X

Population: Statistics Canada 91-002-X

Urban Housing Starts: CHMH Preliminary Housing Start Data

APRIL 4, 2011

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 1923-9971



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¹ Net cash income is gross receipts less cash expenses net of subsidies. Depreciation on capital equipment is not taken into account.