

# WESTERN POLICY Analyst

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This Week...

GDP by Industry  
Foreign Direct Investment  
Registered Pension Plan Membership  
Employment



## GDP by Industry

By Doug Elliott, Editor

The first estimates for economic growth in 2010 have been released by

Statistics Canada. Adjusted for inflation, the gross domestic product (GDP) in the four western provinces grew by 3.7% in 2010<sup>1</sup>, near the Canadian growth rate of 3.3% for the same period. The growth rates varied by province with increases of:

- 4.4% in Saskatchewan;
- 4.0% in B.C.;
- 3.8% in Alberta; and
- 2.0% in Manitoba.

The increase more than recovers the ground lost during the 2009 recession (see Figure 1).

Broadly speaking, the growth in output was the result of increases in the goods-producing part of the economy (excluding forestry and agriculture) combined with respectable increases in the services-producing parts of the economy.

The fastest growing industry group was the mining/oil and gas sector where a 7% increase in 2010 followed a 10% decline from 2007 to 2009. The rebound was strongest outside Alberta where the increase was only 4% compared with, for example, 19% in Saskatchewan.

The other goods-producing industry groups showing strong growth were construction (+5.5%) and the manufacturing/processing group (+5.4%). Output from the agriculture/forestry sector declined by 1.5% because of sharp declines in Saskatchewan (-18.1%) and Manitoba (-12.5%)

where poor growing conditions reduced the volume of harvests.

In the services-producing sector, the fastest growing industry groups were wholesale trade (+5.9%), transportation (+4.4%), and retail trade (+3.7%).

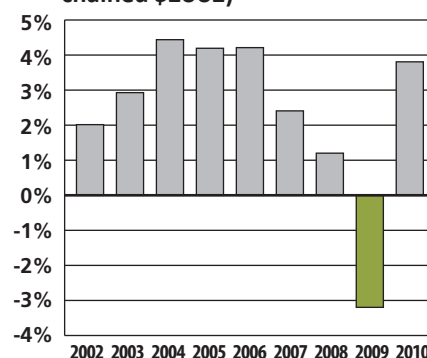
## Foreign Direct Investment

The capital-intensive resource extraction economies in western Canada require a great deal of investment to maintain their level of output. A small but not insignificant amount of that financial capital comes from outside Canada. Media attention tends to focus on investments by sovereign funds from China but the USA remains by far the dominant foreign investor in western Canada. And, contrary to conventional wisdom, the share of capital investment coming from outside Canada has fallen over the past five years rather than increased.

Foreign direct investment (FDI) is notoriously difficult to measure. Statistics Canada does so by determining the country of control for the business or government agency making the investment. Subsidiaries are assigned the country of control of their parent; if the source of the investment is unclear, they assume it to be Canadian.

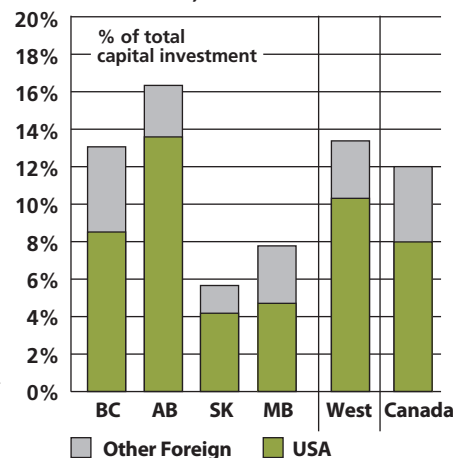
In 2010, aggregate capital investment in machinery, equipment, and structures in the four western provinces was estimated at \$141 billion. Of this, 87% was from domestic sources and 13% from foreign sources with the USA accounting for 10% of the total, that is, more than three

**Figure 1: Economic Growth in the West (annual increase in GDP in chained \$2002)**



Adjusted for inflation, the GDP in the four western provinces grew by 3.7% in 2010.

**Figure 2: Foreign Direct Investment, 2010 Estimate**



<sup>1</sup> These figures are based on the provincial gross domestic product by industry data at basic prices using chained volume estimates with 2002 as the reference year. This article uses the corrected figures released on May 11.

quarters of FDI. While FDI accounted for 13% of total investment in 2010, it accounted for 20% in 2005.

The proportion of investment from foreign sources ranges from a low of 5% in Saskatchewan to a high of 16% in Alberta (see Figure 2). The USA is particularly dominant in Alberta where it accounted for almost 14% of 2010 capital investment.

## Registered Pension Plan Membership<sup>2</sup>

The number of registered pension plan (RPP) members in the four western provinces declined slightly to 1.58 million in 2010, the first decline in the number of plan members since 2003. The decline was only evident in B.C. (-1.0%) and Manitoba (-0.9%); the number of RPP members increased in Alberta (1.0%) and Saskatchewan (2.7%) and in Canada as a whole (0.2%).

**Figure 3: Registered Pension Plan Members, Four Western Provinces**

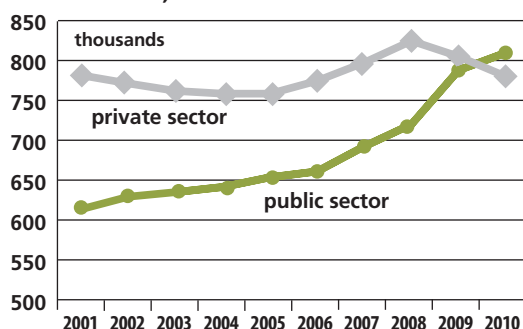
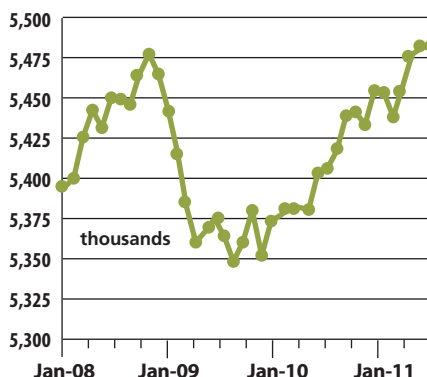


Figure 3 shows that the drop was limited to the private sector; the number of pension plan members in the public sector (broadly defined to include crown corporations, health and education, as well as government proper) increased by 2.8%.

There are now more members of public sector plans in the West than there are members of private sector plans in spite of the fact that 80% of employment is in the private sector. Expressed as a percentage of total employment, 74% of public sector employees had a pension plan in 2010 compared with 18% in the private sector – 23% if the self-employed are excluded from the calculation.

Defined benefit plans, where the pension is a function of final salary and years of service, are gradually giving way to defined contribution plans where the contributions are fixed and a pension is purchased at retirement with the resulting funds. From 2005 to 2010, the number of registered pension plan members who are in defined contribution plans increased by 14% compared with 7% for the number who are in defined benefit plans. This is in spite of the fact that public sector plans are more likely to be defined benefit plans than private sector ones.

**Figure 4: Employment, Four Western Provinces, by Month (seasonally adjusted)**



## Employment

The labour market in the West is recovering from the downturn that started late in 2008 but the growth is not uniform across the four provinces. After adjusting for seasonal variations, April employment was 5,480,000 compared with 5,476,000 at the pre-recession peak in October 2008. It has taken more than two years to make up for the ground lost during five short months in late 2008.

In the first four months of 2011, employment is up in all four provinces with increases, compared with the same period in 2010, of:

- 3.1% in Alberta;
- 1.6% in Manitoba;
- 0.7% in B.C.; and
- 0.2% in Saskatchewan.

Overall employment growth in the West is lagging growth in the rest of Canada. Employment growth has averaged 1.6% in the first four months of 2011 compared with the national average of 1.9%.

## Upcoming Releases

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

- March manufacturing sales on May 16;
- March employment insurance statistics on May 19;
- The April Consumer Price Index on May 20;
- March retail sales on May 20;
- Farm incomes for 2010 and estimates for 2011 on May 25; and
- March employment earnings on May 26.

### Sources:

*The figures are adapted from the following sources:*

**GDP by Industry:** Statistics Canada CANSIM Table 379-0025

**Foreign Direct Investment:** Statistics Canada 61-232-X

**Registered Pension Plan Membership:** Statistics Canada CANSIM Table 280-0008

**Labour Force:** Statistics Canada 71-001-X

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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](mailto: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](mailto: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](mailto:js_outreach@uregina.ca)

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<sup>2</sup> Registered pension plans are those established by employers or unions for employees. Membership includes active members of the pension plan currently making contributions to the pension plan or for whom contributions are being made.