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This Week...

Employment Trends
Housing Starts
Census of Agriculture
Capital Expenditure Price Index
Commodity Prices and the Exchange Rates



Employment Trends By Doug Elliott, Editor

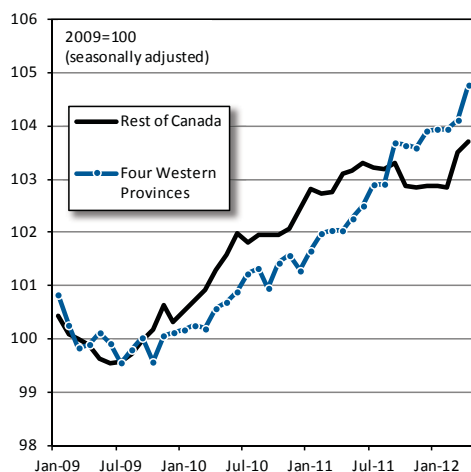
April was a particularly strong month for employment growth in the West. The number of people employed grew by 2.8%

compared with April 2011, the largest increase since last September. The increase was broadly based across the provinces with year-over-year increases of:

- 4.0% in Alberta;
- 2.5% in Saskatchewan;
- 2.2% in British Columbia; and
- 1.1% in Manitoba.

The graph compares employment growth in the West with growth in the rest of Canada over the three years since the 2009 recession. The recovery in employment was slower in the West during 2010 but that changed in mid-2011 when employment stopped growing in other provinces even as it accelerated in the West.

Employment Growth Since 2009



Housing Starts

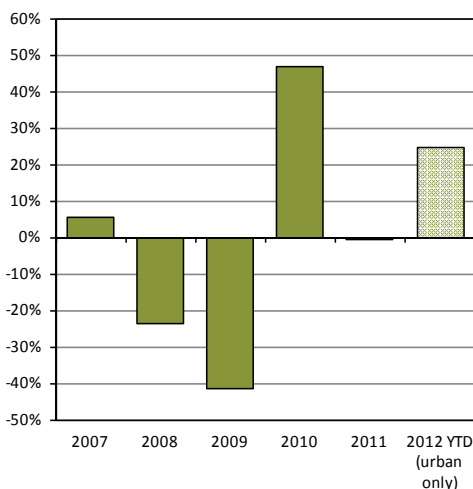
After no growth at all in 2011, new housing construction has started out at a furious pace in 2012. Starts in urban areas (population 10,000 or more) for the first five months of 2012 are up 25% across the West compared with the same period in 2011. There are increases of:

- 61% in Alberta;
- 35% in Saskatchewan;
- 21% in Manitoba; and
- 10% in British Columbia

The national average was 23%.

The increase in Saskatchewan was concentrated in single-detached units; whereas the growth in other provinces was more pronounced in multiple-unit dwellings. Among specific metropolitan areas, the largest increases were in Calgary and Regina where starts are more than double the levels in 2011. The increases are more modest in Winnipeg (+34%), Edmonton (+27%), and Vancouver (+16%); starts declined in Saskatoon (-3%) and Victoria (-9%).

New Housing Starts, Four Western Provinces



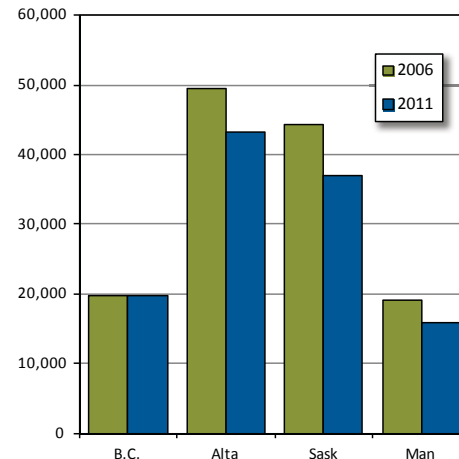
Census of Agriculture

The 2011 Census of Agriculture, which is a mandatory survey conducted by Statistics Canada at the same time as the regular census (May 2011) will have measured the state of western agriculture during relatively good economic times. Ironically, the number of farms tends to decline the most quickly when times are good as older farmers take advantage of the higher land prices to retire.

As the figure shows, the number of farm operations in the West declined by 13% from 2006 to 2011 with the largest percentage drops in Manitoba (-17%) and Saskatchewan (-17%) where grain farms are dominant. The number in British Columbia was virtually unchanged and the number in Alberta declined by 13%. The declines are most pronounced among the smaller farms whether measured in terms of acreage, assets, or revenue.

A more detailed analysis of the 2011 Census of Agriculture will be included in the next quarterly edition of the *Western Policy Analyst*.

Number of Census Farms



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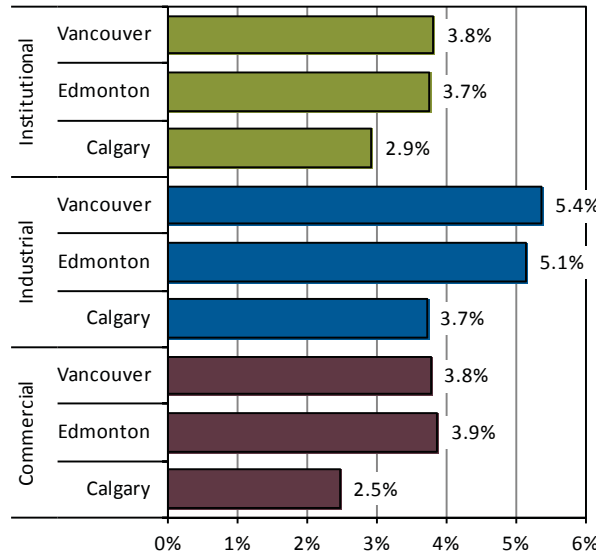
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Capital Expenditure Price Index

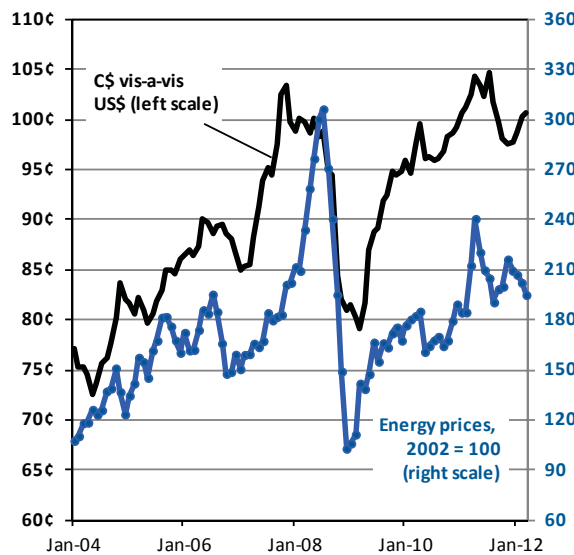
There is a gap in the variety of price statistics that are routinely provided by Statistics Canada, namely the “inflation rate” for capital expenditures in Saskatchewan and Manitoba. When total expenditures increases are reported, it is important to know how much is due strictly to higher prices, versus how much is attributable to an increase in activity. For example, how much of the 16% increase in the value of western non-residential building permits issued in 2011 was because of increased activity and how much was because of increases in the cost of construction? The only available published data are limited to three cities – Calgary, Edmonton, and Vancouver – so there are no data for Saskatchewan and Manitoba.

The figure shows that the increase in the cost of construction would have accounted for about 4% of the 16% increase in the value of building permits. The cost increases were higher for industrial buildings than for institutional or commercial buildings. Capital cost inflation was higher in Vancouver and Edmonton than in Calgary.

"Inflation Rate" in Non-Residential Building Construction, 2011



Energy Prices vs. Value of C\$



Commodity Prices and the Exchange Rates

Is the loonie a petrodollar? Several politicians from Ontario and Quebec have hinted that the strong increase in commodity prices led to a higher value for the C\$ vis-à-vis the USA\$, thereby hurting the manufacturing sector in central Canada.

While there are many problems with the economics of their assertion that Canada needs a lower exchange rate, the evidence suggests that the basis for the argument is true. The figure shows the strong correlation between the value of the C\$ vis-à-vis the US\$ and energy prices (crude oil, natural gas, and coal) as measured by Statistics Canada’s raw material price index.

Upcoming Releases

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

- March manufacturing sales on May 16;
- March wholesale trade on May 17;
- April consumer price index on May 18;
- 2011 farm income on May 23; and
- March retail sales data on 23.

The figures are adapted from the following sources:

- Employment Trends: Statistics Canada CANSIM Table 282-0087
- Housing Starts: CMHC Preliminary Housing Start Data, May 2012 Edition
- Census of Agriculture: Statistics Canada Farm and Farm Operator Data, 95-640-X
- Capital Expenditure Price Index: Statistics Canada CANSIM Table 327-0043
- Commodity Prices and the Exchange Rate: Statistics Canada CANSIM Tables 330-0007 and 176-0049