

# WESTERN POLICY Analyst

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**1** 2010 Labour Market Review  
Employment rebounded in 2010 but not enough to recover all the recent losses.

**8** Public and Private Capital Investment  
Capital investment continues to grow in the West.

**10** A Review of Provincial Economic Forecasts  
The western economies will grow faster than the national economy in 2010.

## 2010 Labour Market Review



By Doug Elliott, Editor

After growing strongly in 2007 and the first three quarters of 2008, employment in the West dropped precipitously in

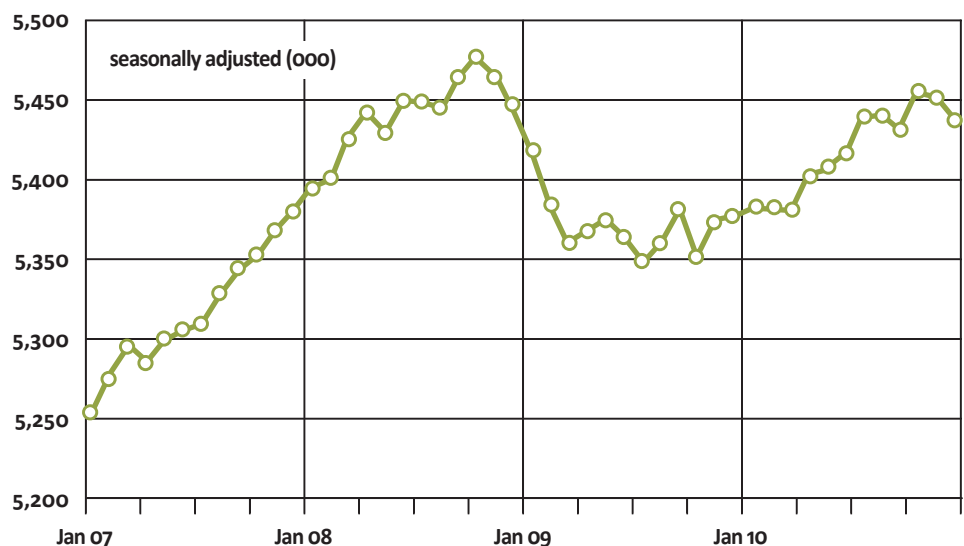
early 2009 (see Figure 1). In the five months after the employment peak in October 2008, a total of 116,000 jobs were lost. This is a huge decline – the largest, in fact, since 1982 when employment dropped by 176,000 between September 1981 and November 1982.

The labour market was stagnant for the next twelve months with little or no increase in employment until the second quarter of 2010. This article looks at calendar year 2010, when employment began to pick up again, albeit in fits and starts, and not enough to recover all of the jobs lost during the decline.

Figure 2 shows the annual growth in western employment over the past ten years. The period from 2005 to 2008 was a strong one for the western economies and employment grew more quickly than in Canada as a whole, averaging 2.8% per year. The figure also shows that the drop in 2009 was less pronounced in the West than it was nationally. The 2010 recovery has, however, been weaker.

*continued on page 2...*

Figure 1: Employment by Month, Western Provinces



*These figures are from Statistics Canada's monthly Labour Force Survey (LFS), the main source of labour market information in Canada.*

- The LFS surveys only the adult population (15 and older) living off-Reserve.
- For those who have two or more jobs simultaneously, the figures refer to the "main" job, that is, the one at which the person spends the most time.
- Persons are classified as working part-time if they usually work fewer than 30 hours per week at their main or only job.
- The figures count people where they live which may not be the same province as where they work.

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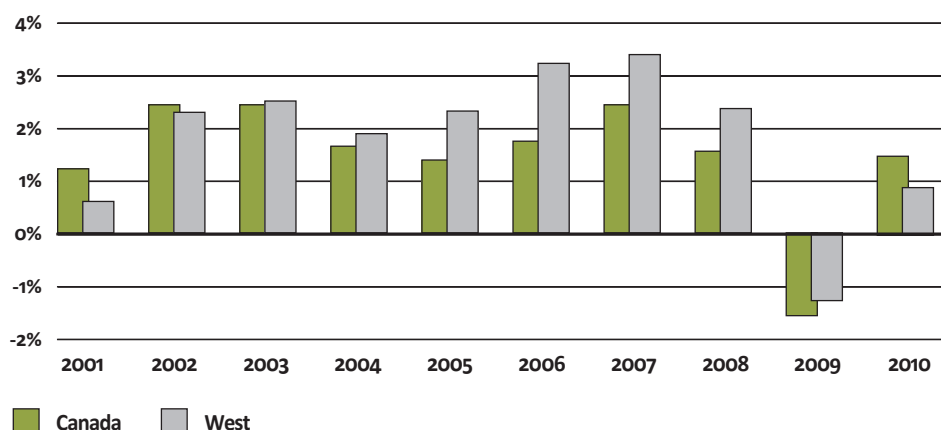
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Figure 2: Annual Employment Growth



The balance of this article looks at the 0.9% employment growth in 2010 in more detail because there have been some interesting changes within those twelve months of slow employment growth. Before we tackle that, however, the overall labour market needs to be examined.

### Population and Labour Force

The adult population in the West grew by an estimated 1.6% in 2010 so the 0.9% increase in employment was not enough to match the population growth. In labour market terminology, that means that the “employment rate”, defined as the percentage of adults with a job, dropped – from 64.8% to 64.3%.

There was a 1.1% increase in the number of unemployed but no change in the unemployment rate which remained at 6.7%. Instead, the bulk of the increase in the population who were not working was among those “not in the labour force”, that is, among those who were neither working nor looking for work. This population, which includes the discouraged workers who have stopped looking for work, grew by 3.3%.

The average duration of unemployment increased from 13.6 weeks to 17.1 weeks, reflecting the difficulty many workers had in finding a new job after being laid off.

### Employment by Province

In 2009, Saskatchewan led the country with a 1.3% increase in employment, the only province where employment grew in any significant way. Manitoba and Alberta also outperformed the national economy but employment dropped significantly (-2.1%) in B.C. In 2010 the results are not as clear cut. Manitoba continues to do well but Saskatchewan and Alberta have employment growth rates that are below the national average. B.C. has bounced back strongly.

Looked at over a longer five-year period, however, the four western provinces take all the medals, holding the four top spots with average annual growth rates from 2005 to 2010 of:

- 2.0% in Alberta;
- 1.6% in Saskatchewan;
- 1.5% in B.C.; and
- 1.3% in Manitoba.

The national average was 1.1%.

## Hours of Work

When the labour market weakens, there is normally an increase in part-time work as employers opt to reduce hours rather than lay off workers. This happened in 2009 when part-time employment grew by 6% and full-time employment dropped by 3%. As one example of the weakness of the recovery in the labour market in 2010, part-time employment also increased more quickly than full-time employment – 1.5% compared with 0.7%. Some of this is a natural lag as employers wait for strong signs of demand before they hire full-time workers.

The strong economy over the past few years has provided many part-timers who want to work full-time with an opportunity to do so. The number of “involuntary” part-time workers, defined as those who work part-time but would work full-time if they could, increased by 7.2% in 2010. The number of involuntary part-timers is now 267,000, a quarter of part-time workers.

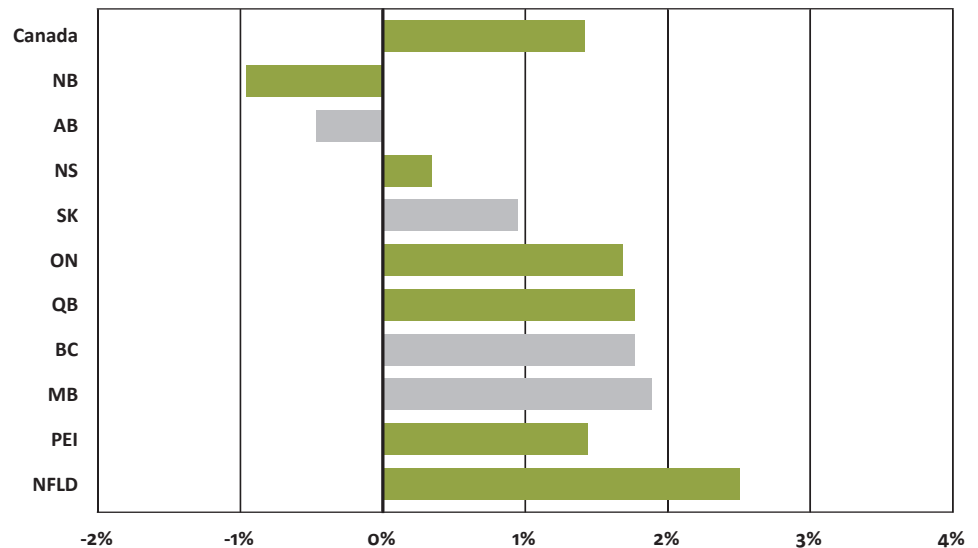
Multiple job holding and part-time work are two of several factors that affect aggregate hours worked. Others are overtime and the average amount an individual worker spends away from work because of vacations or sick leave. In spite of the increase in part-time work, aggregate hours worked increased by 2.2% in 2010. This suggests that the labour market is stronger than the 0.9% overall employment increase would suggest.

The increase in aggregate hours worked is partly because there was an increase in the number of multiple job holders and partly because there was a 4.5% increase among those who work more than 40 hours per week. There is clearly a mismatch in the labour market when we see an increasing number of workers putting in long hours with a simultaneous increase in the number of involuntary part-timers.

The time lost for sick leave or other personal reasons declined from an average of 9.1 days per person in 2009 to 9.0 days in 2010.

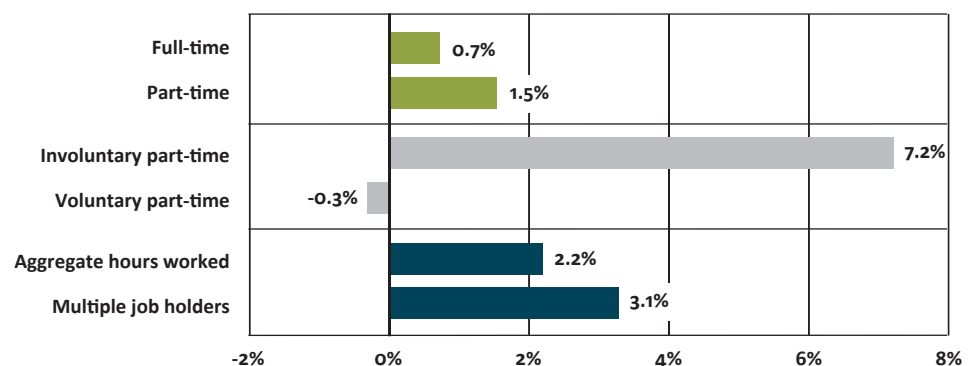
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Figure 3: 2010 Employment Growth by Province



Aggregate hours worked increased by 2.2% in 2010, suggesting that the labour market is stronger than the 0.9% overall employment increase would suggest.

Figure 4: 2010 Employment Growth, Hours of Work Indicators, Western Canada



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## Type of Employment

After increasing for three consecutive years, including a 2.8% increase during the slowdown, the number of self-employed westerners declined by 1.2% in 2010. The drop was concentrated among those who have no employees. The number of business owners (the self-employed with paid employees) increased by 0.8%.

The number of “employees”, defined as those who work for someone else, increased by 1.3% from 2009 to 2010 with a 1.3% increase in private sector employees and a 1.5% increase among those in the public sector (broadly defined to include health, education, and crown corporations as well as government). In 2010, 20.2% of employment was in the public sector compared with 20.0% in 2009 and 18.8% in 2005.

One of the side effects of the growth in the public sector was that union membership increased. The number of employees covered by a collective agreement increased by 2.4% compared with a 0.9% increase among employees without one.

*In the past few years there has been unprecedented growth in the number of older workers and 2010 was no exception.*

The bulk of the new jobs in 2010 were non-permanent. The increase from 2009 to 2010 was 0.6% for permanent positions compared with 7.1% for non-permanent positions including 9.8% for seasonal positions and 7.8% for casual positions.

## Age and Sex

In 2010, employment among men grew by 1.0% compared with a 0.7% increase among women. This reverses the 2009 pattern when employment among men fell by 2.7% and employment among women increased by 0.4%.

In the past few years there has been unprecedented growth in the number of older workers (taken to be those 55 years of age and older) and 2010 was no exception. The number of older workers increased by 4.7% in 2010. This occurred in three of the four western provinces with Alberta being the exception. Some of the increase is simple demographics but most is because of higher labour force participation rates. Among those 55 to 69 years of age, for example, 54% were employed in 2010 compared with 50% in 2005.

At the other end of the age spectrum, employment among 15 to 24 year olds dropped for the second year in a row.

The shift to older workers had a predictable effect on job tenure (years with the same employer) which increased from an average of 7.8 years in 2009 to 8.1 years in 2010.

## Aboriginal Identity

Since 2004, Statistics Canada has been asking respondents to the LFS if they identify themselves as Aboriginal. This allows an examination of employment data by Aboriginal identity but the analysis applies only to the off-Reserve population because the LFS excludes on-Reserve residents.

After increasing by 4% in 2008, employment among the Aboriginal population fell by 4% in 2009. There was a further decline in 2010 but as Figure 7 shows, the drop did not occur in Alberta where Aboriginal employment grew by 4.4%. The Aboriginal population is growing

Figure 5: 2010 Employment Growth by Type of Work (Main Job), Western Canada

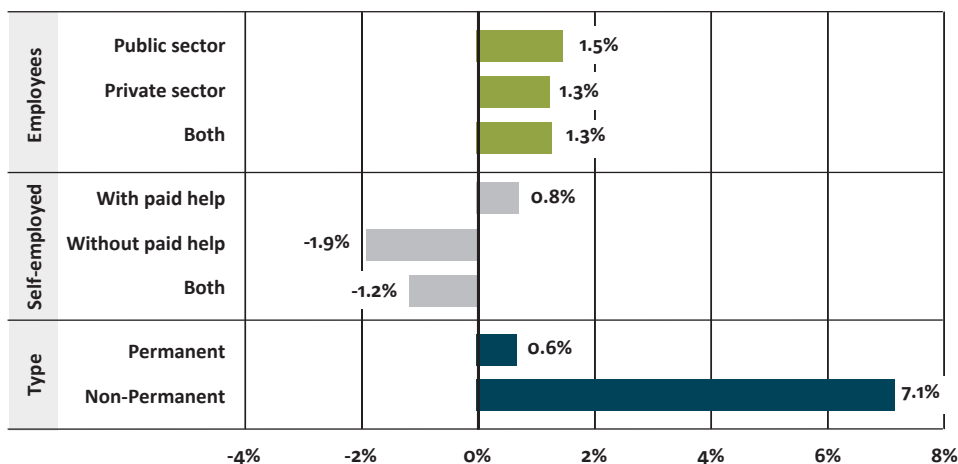
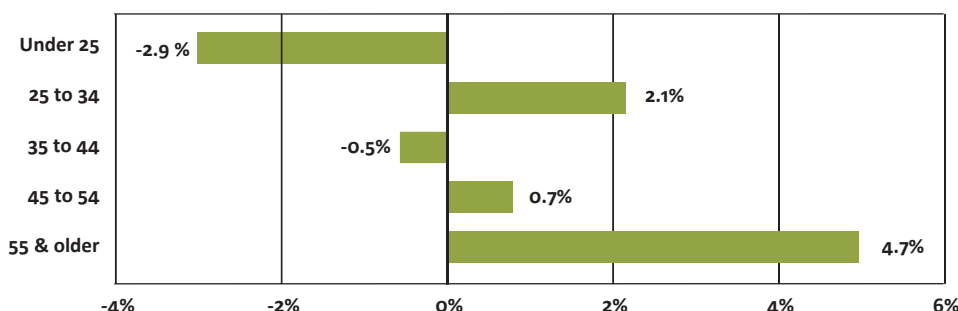


Figure 6: 2010 Employment Growth by Age Group, Western Canada



quickly in the West so the 0.4% decline in employment translates into an even larger drop in the employment rate which fell from 58% to 57%.

By December of 2010, employment had still not recovered all of the ground lost during the slowdown and for the first time in eight years, employment in the West was not growing as quickly as in the rest of Canada.

### Immigrant Status

Statistics Canada has also recently added questions to the LFS asking if respondents were born outside Canada (the definition used for “immigrant”) and if so, when they moved to Canada.

Figure 8 shows that employment among recent immigrants, taken to be those who moved to Canada less than ten years ago and are living in the West (regardless of where they originally settled), fell slightly in 2010. There are dramatic differences by province, however, with recent immigrants doing much better in Manitoba and Saskatchewan than in Alberta or, especially, B.C. The figures also show employment among immigrants who moved to Canada more than ten years ago is growing more quickly than employment among those born in Canada.

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Figure 7: 2010 Employment Growth by Aboriginal Identity (off-Reserve Only), Western Canada

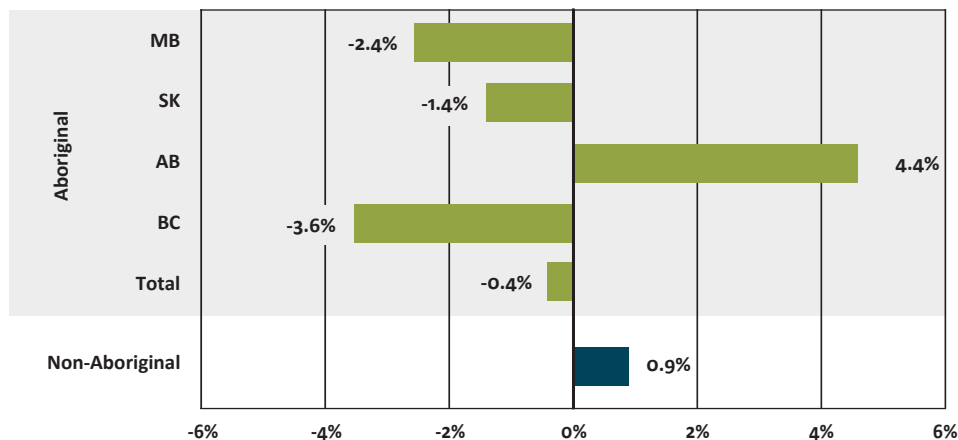
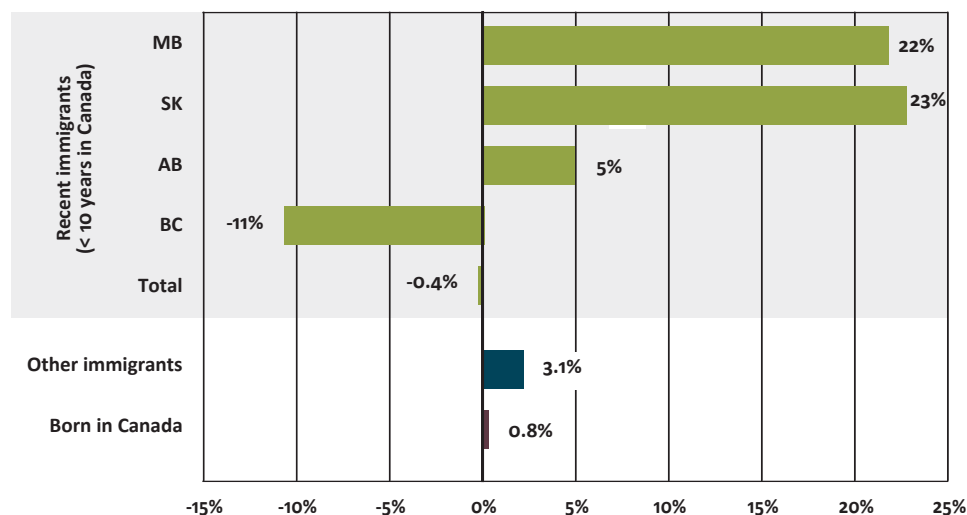
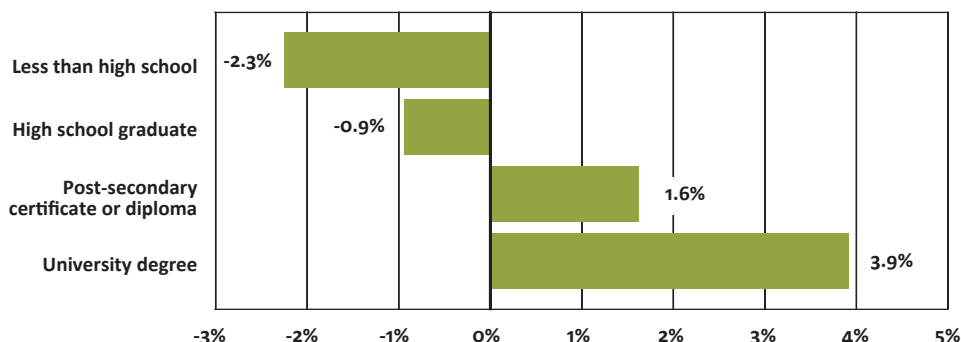


Figure 8: 2010 Employment Growth by Immigrant Status, Western Canada



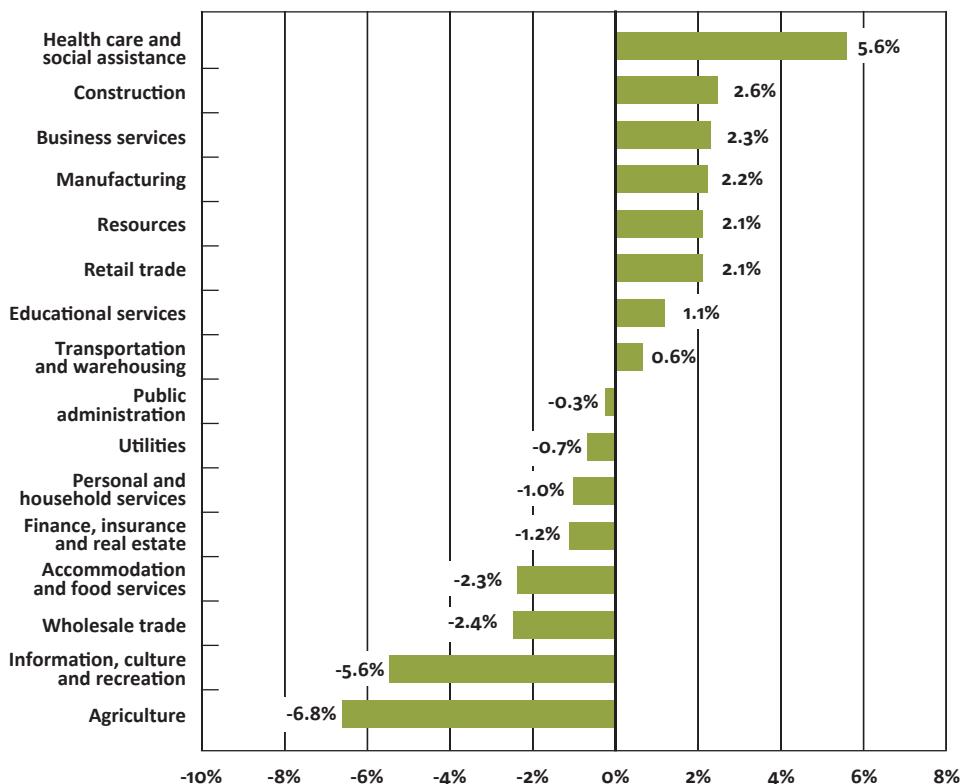
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Figure 9: 2010 Employment Growth by Level of Completed Education, Western Canada



The population out of the labour force, which includes those who have stopped looking for work, grew by 3.3% in 2010.

Figure 10: 2010 Employment Growth by Industry, Western Canada



## Educational Attainment

The long-term trend toward higher levels of completed education among those who are working was in abeyance during the boom years when even those who hadn't completed high school were able to find work. The normal pattern reasserted itself in 2009 and again in 2010. Employment grew among those with a post-secondary education, particularly a university degree, and fell among those with Grade 12 or less (see Figure 9).

In 2010, 57% of the employed in the West were post-secondary graduates compared with 53% in 2005.

## Industry Group

In 2010, employment grew in one half of the sixteen industry groups shown in Figure 10 and fell in the other half.

The highest growth rate was in the health care and social assistance group where employment increased by 5.6% following a similar 5.1% increase in 2009. There were also above-average increases in:

- construction;
- business services (e.g. building services, lawyers, accountants, head offices);
- manufacturing;
- the resource sector (primarily mining and oil/gas exploration); and
- retail trade.

Four of those groups – all except retail trade – registered employment declines in 2009 so they are representative of the turnaround in 2010.

At the other end of the scale there were several industry groups with significant employment declines in 2010 including:

- an ongoing decline in agricultural employment;
- the information, culture, and recreation group which includes the media;
- wholesale trade; and
- the accommodation and food services group.



## Cities

Employment grew in all four of B.C.'s metropolitan areas with the largest increase in Kelowna and the smallest in Victoria. Both of Alberta's major centres showed declines as did Saskatoon (see Figure 11).

## Wage Rates

Wage rates in the labour market function the same way as prices do in a traditional market for goods and services. When supply falls short of demand, as was the case during 2007 and 2008, one generally finds above-average increases in wage rates. The momentum of this upward trend continued into 2009 but not into 2010. In 2010, the average wage rate in the West was \$23.33/hour, a 2.2% increase. This was still above the rate of inflation but much lower than the 4.0% increase in 2009 and the 5.2% increase in 2008.

Figure 12 shows that, from 2009 to 2010, Saskatchewan had the largest increase in average hourly wage rates and Alberta the smallest.

## Summary

The labour market in 2010 was clearly recovering from the drop that started in late 2008 and continued into 2009. The loss of employment was severe and the recovery pretty feeble, all things considered. By December of 2010, employment had still not recovered all of the ground lost during the slowdown and for the first time in eight years, employment in the West was not growing as quickly as in the rest of Canada.

Overall employment growth in 2010 was 0.9% but there were bigger changes in the types of job on offer and in the characteristics of people employed. Employment increased much more than average among:

- residents of B.C. and Manitoba, particularly those in large urban areas;
- part-time workers, particularly the involuntary part-timers;

- employees rather than the self-employed;
- temporary positions;
- union members;
- older workers; and
- those with a post-secondary education.

Source: Statistics Canada Labour Force Survey – various CANSIM tables

In 2010, 57% of the employed in the West were post-secondary graduates compared with 53% in 2005.

Figure 11: 2010 Employment Growth in Metropolitan Areas

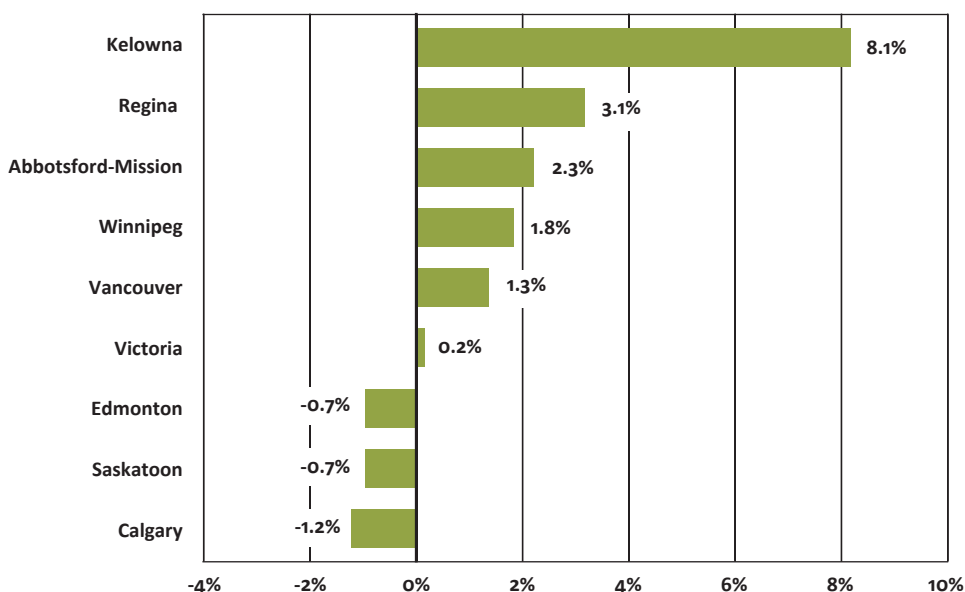
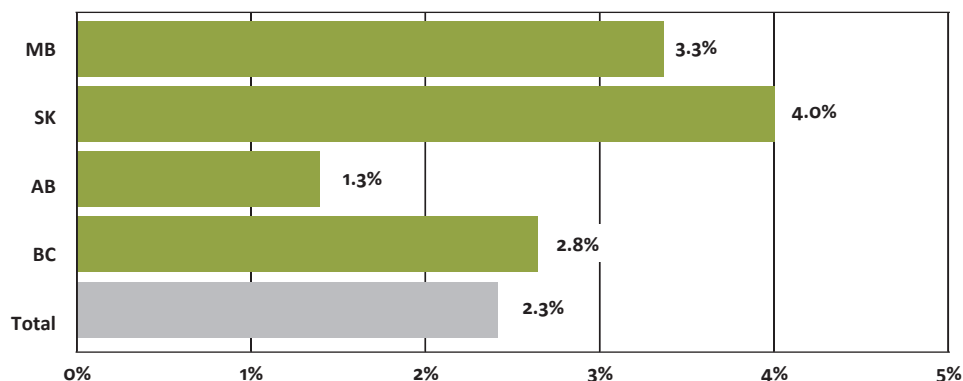


Figure 12: 2010 Increase in Hourly Wage Rates





## Public and Private Capital Investment



**Jim Marshall,**  
**Senior Policy Fellow,**  
**Johnson-Shoyama Graduate**  
**School of Public Policy**

Statistics Canada surveys businesses and governments twice a year to obtain estimates of actual and intended capital investment for the construction of new facilities and/or the purchase of new equipment for use in production processes. The most recent survey, conducted late in 2010, provides estimates

for 2010 and intended investment for 2011. In general, the figures paint a rosy picture for the western provinces.

### 2011 Expectations

Figure 1 compares the 2011 growth rates for projected capital investment in the four western provinces with the national data. One must be careful in comparing intentions with actual data (or preliminary actual) since not all intentions are eventually realized.

However, capital investment activities usually involve a lengthy planning process and a degree of advanced commitment leads to a very high correlation between intentions and actual investment.

As the figure shows, there is substantial growth in investment expected in all four western provinces, led by Saskatchewan (7.2%), Alberta (4.3%) and B.C. (3.5%). All three provinces exceed the national average of 3.3%, with only Manitoba below the national average (1.1% growth).



All four western provinces have exceeded the national average in growth in capital investment over the past 10 years.

### Ten-Year Trend

These growth rates are part of a continuing long-term “westward shift” in capital investment within Canada, as can be seen by the growth rate averages over the past 10 years (see Figure 2).

In this case, the long-term trend suggests that all four western provinces have exceeded the national average in growth in capital investment over the past 10 years. Again, Saskatchewan leads the pack with an average annual growth rate of 9.1%, followed by B.C. at 7.0% per year and Manitoba at 6.4% per year. Alberta’s 10-year average of 5.7% per year is the lowest in the West but still well above the national average of 5.4% per year.

While these growth rates may seem high, it is important to note that the data are presented in “current dollars” (i.e. they are not adjusted for inflation) so growth rates are generally higher than would be the case in volume terms.

### Investment Levels Compared

As growth rates may conceal poor levels of activity, they can sometimes be misleading. Even high growth rates, from a smaller than average base, can still result in below average

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Figure 1: Growth in Capital Investment, 2010 Estimate to 2011 Intended

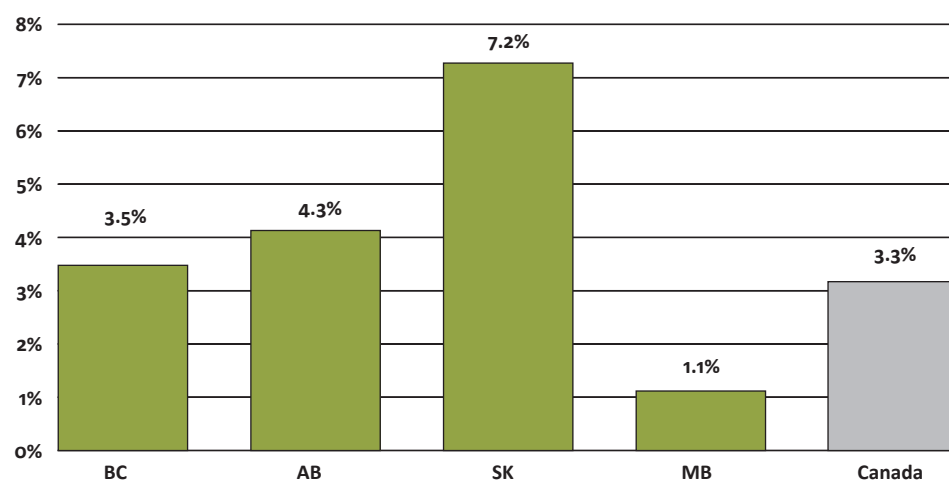
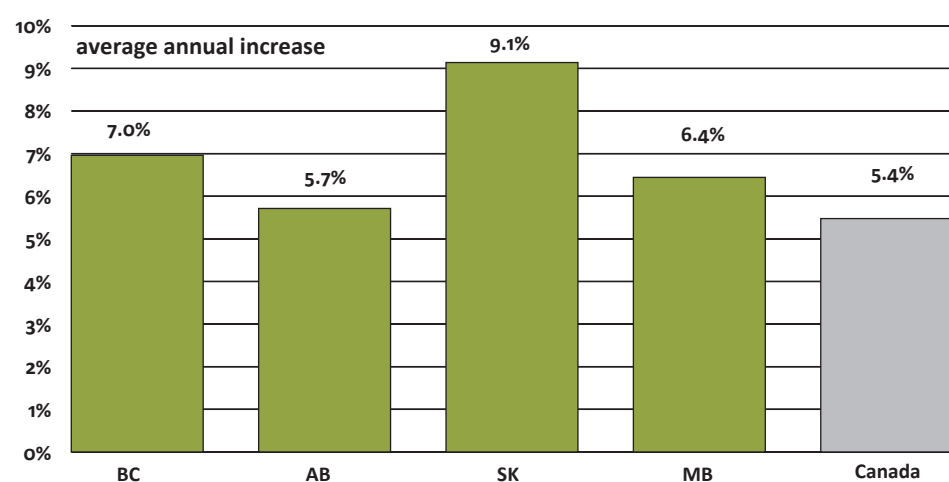
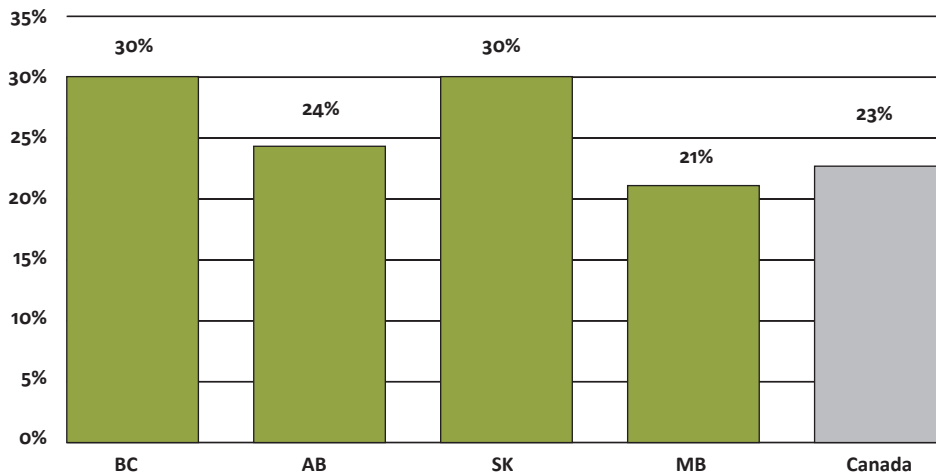


Figure 2: Growth in Capital Investment, 2001 to 2011 Intended



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Figure 3: Intended Capital Investment in 2011, as Percentage of 2009 GDP



There is substantial growth in investment expected in all four western provinces for 2011.

investment levels. Accordingly, it is important to compare jurisdictions on the basis of levels of activity as well as on growth rates.

To standardize comparisons between jurisdictions of differing sizes, one would typically consider expressing data in relation to a common denominator such as the level of Gross Domestic Product (GDP) in each jurisdiction. This would allow for comparison between a small jurisdiction such as Manitoba or Saskatchewan with a larger one such as Canada.

Unfortunately, Statistics Canada has not yet released estimates of GDP by province for 2010. The latest available data for setting this context is the 2009 estimates of GDP by province. Figure 3 compares the investment intentions by province for 2011 (expressed as a share of the provinces' GDP for 2009) to allow for this comparison.

As the figure shows, investment levels in the West are generally in excess of the national level, with B.C.'s and Saskatchewan's investments topping the list at 30% of (2009) GDP. At 24% of GDP, Alberta also exceeds the Canadian average of 23% of GDP. Only Manitoba has investment intentions below the national average, with investment at 21% of their 2009 GDP level in 2011.

It is very important to note, however, that investment intentions for 2011, if realized, would be the highest level ever (at least in current dollar terms) in both Saskatchewan and Manitoba. Conversely, in B.C. and Canada, levels in 2011 will struggle to match their peak in 2008 and Alberta's investment activity will still be 18% below their 2008 peak in 2011.

### Composition of Investment

Capital investment is comprised of two main components: construction of new physical plant (or housing) and purchase or production of machinery and equipment. The composition of intended investment for the four western provinces is compared with the national data in Figure 4.

As the figure illustrates, construction of facilities dominates capital investment with the share in Manitoba and Saskatchewan approximating the national composition at around 69% of investment. Construction represents a larger share in both Alberta (72%) and B.C. (76%) with a smaller role played by equipment purchases than is the case nationally.

Investment intentions for 2011, if realized, would be the highest level ever in both Saskatchewan and Manitoba.

### Public and Private Sectors

The data collected by Statistics Canada also provides a breakdown of investment intentions between the private sector and public institutions as shown in Figure 5.

In this case, more dramatic differences in the nature of capital investment become clear as compared to the national split of roughly 75:25 between private and public sector investment. Manitoba's investment plans are split at 65% private and 35% public while the other three provinces are split much more towards the private sector where investment represents 78% of the total in B.C., 79% in Saskatchewan and 85% in Alberta.

Source: Adapted from Statistics Canada CANSIM Tables 029-0005 and 032-0023

Figure 4: Intended Capital Investment in 2011, by Component

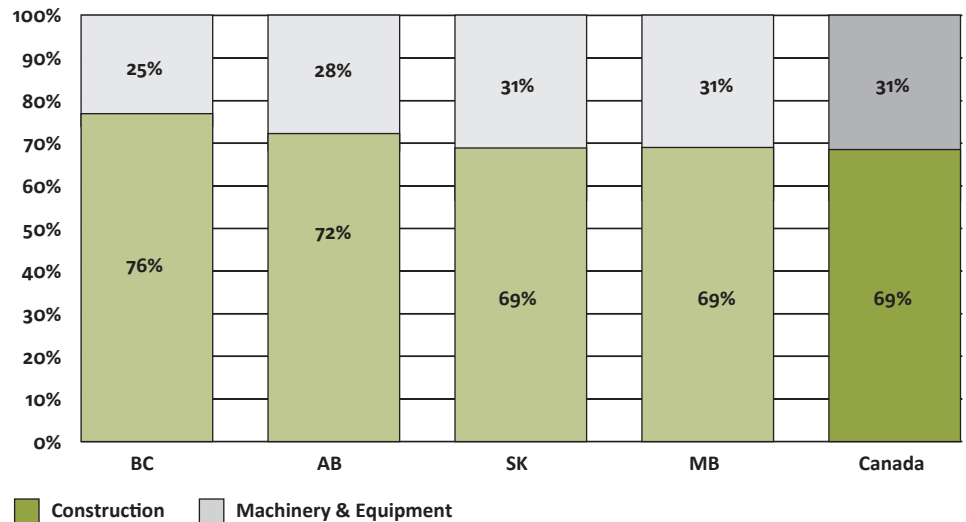
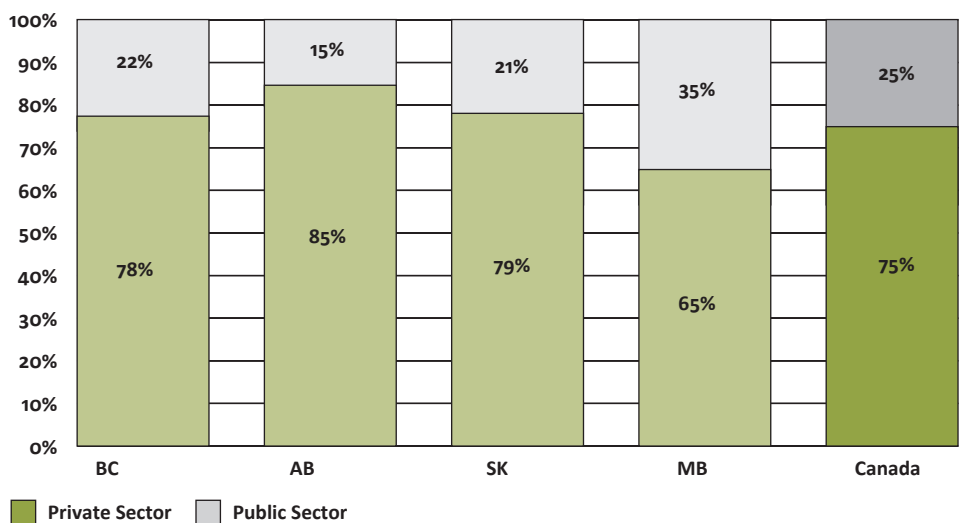


Figure 5: Intended Capital Investment in 2011, by Sector



# A Review of Provincial Economic Forecasts



**By Peter Phillips, Professor,  
Johnson-Shoyama Graduate  
School of Public Policy**

Budget season is upon us. The federal government recently tabled its budgetary

plans for the 2011-12 fiscal year and the provinces that have not already done so will table theirs in the next few weeks. The economic prospects in Canada and the four western provinces are an important factor in determining expenditure needs and the fiscal capacity to meet those needs.

Most provinces release the economic forecasts that drive their fiscal plans in tandem with their budget speeches. In anticipation of those releases, we have surveyed the five largest chartered banks—BNS, CIBC, RBC, Scotiabank, and TD—and analysed their latest provincial economic forecasts. The forecasts were produced in either February or early March of 2011. All of the banks produced forecasts for real growth (GDP), employment, the unemployment rate and housing starts for 2010, 2011 and 2012. Four produced forecasts for consumer price inflation and two produced forecasts for retail sales.

For the analysis, we show the average, minimum, and maximum for each year with the minimum and maximum a measure of the divergence of views around the average. Statistical analysis indicates that generally there is a wider divergence of forecasts at the provincial than the national level and that the smaller provinces—Saskatchewan and Manitoba—have much greater degrees of divergence than Alberta or B.C. While one might also expect further divergence in forecasts in the later years, there is actually more diversity of opinion for 2010 and the near-term forecasts. The further out, the more the forecasts tend to converge—perhaps reflecting the lack of any particular distinguishing features that might drive different opinions. The detail for the forecasts is provided in the table at the end of this article.

As you read the following article, keep in mind two overriding realities: First, the West is starting from a stronger economic base. Even though the economy shrank faster in Alberta and Saskatchewan than in Canada as a whole in 2009, all of the western provinces started from a stronger absolute position—they had higher relative levels of employment, lower rates of unemployment and higher per capita GDP (on average and especially in Alberta and Saskatchewan; see *Western Policy Analyst*, Volume 1, Issue 2). Secondly, the western economies appear poised to recover more rapidly than in the rest of Canada, further solidifying their position as a key driver of the national economy.

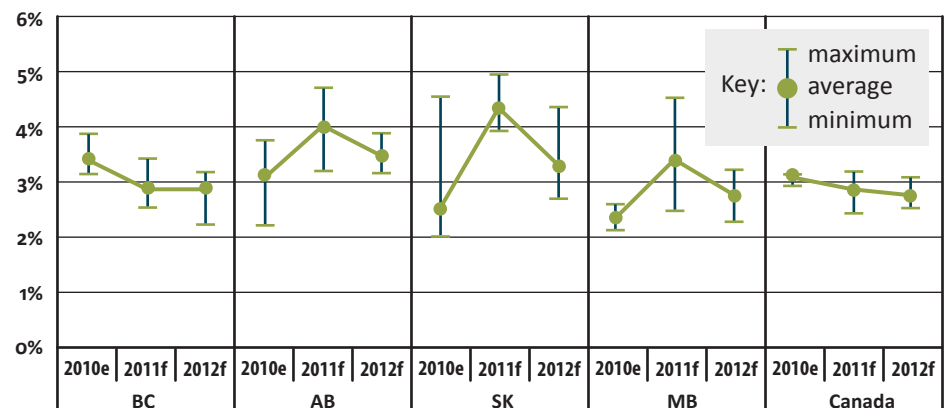
## Real Economic Growth (GDP)

The forecasters are unanimous! In 2011 and 2012, the economies in the western provinces will grow faster than the national average (see Figure 1). This growth is underpinned and driven by strong export commodity prices, rising capital investment, and renewed consumer confidence, as reflected in recoveries in both retail sales and new housing construction.

**In 2011 and 2012, the economies in the western provinces will grow faster than the national average.**

Saskatchewan is forecast to lead the pack in 2011 and 2012, with average forecast growth rates of 4.3% and 3.3%. Alberta is expected to come a close second, with annual growth of 4.0% in 2011 and 3.5% in 2012. Both provinces' relative strength in the coming two years is at least partly explained by their short, sharp drops in real GDP in 2009 and sub-par recoveries in 2010. Rising prices for commodities important to those provinces were at least partly offset by the strong Canadian dollar, which dampened current dollar incomes and growth in 2011. Manitoba and B.C., in contrast, had relatively shallow recessions and are expected to accelerate, but at a more modest pace than their resource-driven neighbours.

**Figure 1: Annual Change in Real GDP, Actual and Forecasted, Canada and the Western Provinces**



## The Labour Market

The strengthening real economy in the West is forecast to translate into positive employment growth (see Figure 2) and lower rates of unemployment (see Figure 3).

As with much of the economic reporting in recent years, Saskatchewan was the exception to the overall trend in 2009. While employment dropped 1.6% in 2009 in Canada as a whole and by 1.4% and 2.1% in Alberta and B.C., employment in Saskatchewan actually rose 1.3%. Manitoba simply held steady. Thus, while employment in Saskatchewan grew by only 0.9% in 2010, its two-year average growth was 2.2%, compared with two-year averages of -0.4% in B.C., -1.8% in Alberta, -0.3% for Canada, and +1.9% for Manitoba.

The forecasts suggest that consumers in the West will be cautiously optimistic in 2011 and 2012.

In 2011 and 2012, Alberta is expected to lead the West with average employment growth of 2.3% and 2.0% respectively. B.C., Saskatchewan, and Manitoba are expected to have growth at about the Canadian average in the two years.

Canada and all of the four western provinces are forecast to post lower unemployment rates in 2011 and 2012. While the national rate is only forecast to drop about 0.8 percentage points, from 8.0% in 2010 to 7.2% in 2012, Alberta is forecast to cut the rate by 1.3 percentage points. Overall, unemployment is expected to be relatively lower in the West than other provinces. The big risk to this forecast is that low unemployment rates could trigger interprovincial migration from high unemployment areas to the West, effectively raising the number of people seeking jobs faster than the number of jobs available.

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Figure 2: Annual Change in Employment, Actual and Forecasted, Canada and the Western Provinces

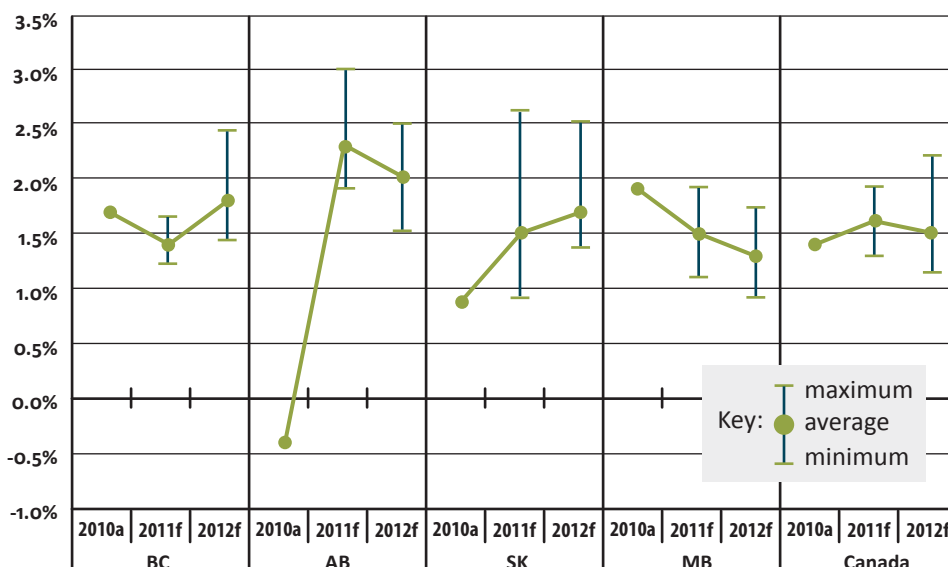
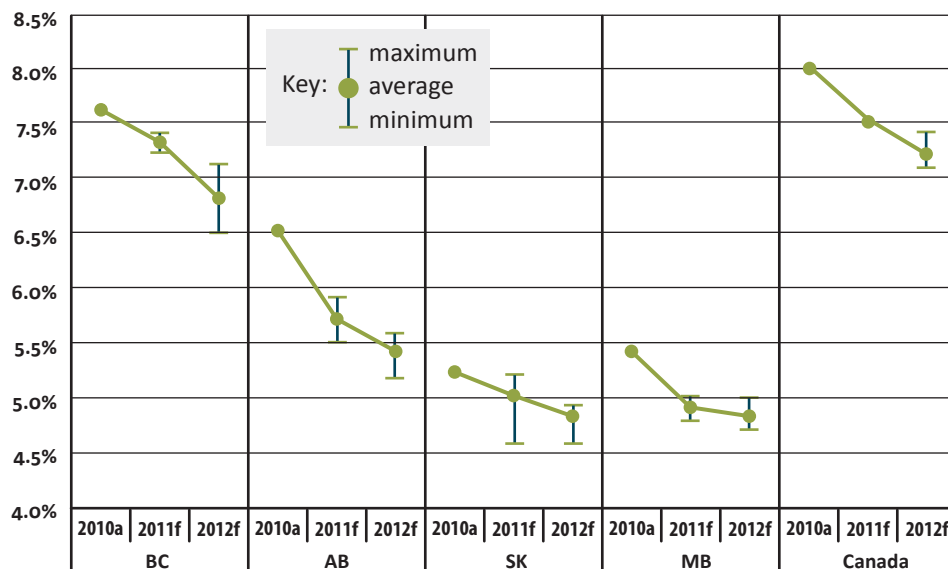


Figure 3: Unemployment Rate, Actual and Forecasted, Canada and the Western Provinces





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Figure 4: Increase in Retail Sales, Actual and Forecasted, Canada and the Western Provinces

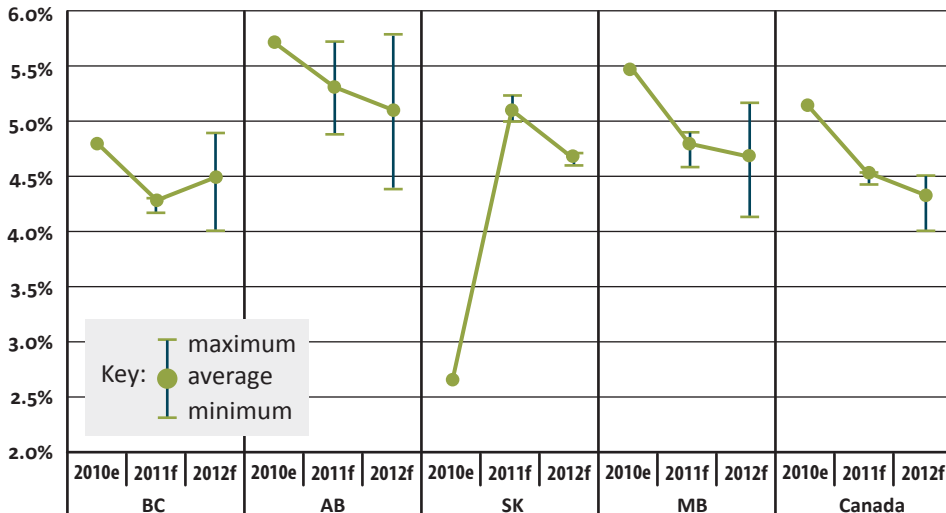
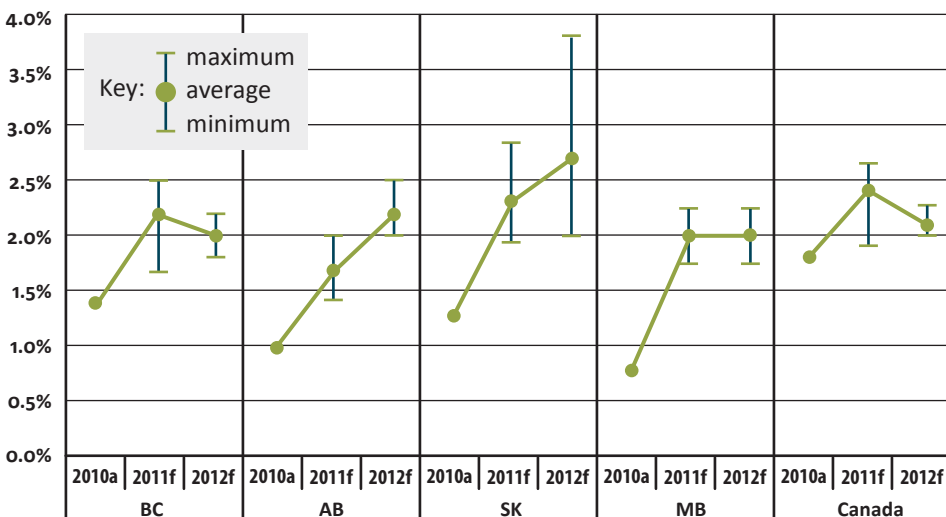


Figure 5: Inflation Rate (CPI), Actual and Forecasted, Canada and the Western Provinces



## Consumer Activity

Consumer spending on goods and services and on housing accounts for about 58% of the West's GDP and about 62% of the national GDP (see *Western Policy Analyst*, Volume 1, Issue 2). Hence it is vital to understand whether consumers are willing to spend. Almost as importantly for provincial treasuries, taxes on sales and new home construction generate significant tax revenues for both the federal and provincial governments.

The forecasts suggest that consumers in the West will be cautiously optimistic (see Figure 4). Retail sales in the West dropped relatively more than in the rest of Canada and the recovery has been more subdued. The five banks forecast that Alberta and Saskatchewan will lead the way in 2011 and 2012 but that none of the provinces will have particularly notable sales increases. In real, inflation-adjusted terms, sales will grow a bit over 2% per year almost across the board.

Alberta is expected to lead the West with average employment growth of 2.3% and 2.0% in 2011 and 2012.

Meanwhile, housing starts are estimated to have risen between 37% (Manitoba) and 67% (B.C.) in 2010 from their depressed 2009 levels. In contrast, housing starts in Canada as a whole rose only 27%. The consensus among forecasters is that activity will dip about 6% in 2011 (compared with more than 9% across Canada) and then stabilize at a slightly higher level for the coming year.

continued on page 16...

Table 1: Summary of Economic Forecasts, Canada and the Western Provinces

		2009 actual	2010 actual or estimated			2011 forecast			2012 forecast		
			Avg	Min	Max	Avg	Min	Max	Avg	Min	Max
Economic Growth (change in real GDP) <sup>1</sup>	BC	-1.8%	3.4%	3.2%	3.8%	2.9%	2.6%	3.4%	2.9%	2.3%	3.2%
	AB	-4.5%	3.1%	2.3%	3.6%	4.0%	3.3%	4.4%	3.5%	3.2%	3.8%
	SK	-3.9%	2.6%	2.0%	4.5%	4.3%	3.9%	4.9%	3.3%	2.8%	4.3%
	MB	0.0%	2.4%	2.2%	2.6%	3.4%	2.5%	4.6%	2.8%	2.3%	3.2%
	Canada	-2.5%	3.1%	2.9%	3.1%	2.9%	2.4%	3.2%	2.8%	2.6%	3.1%
Employment (annual change) <sup>1</sup>	BC	-2.1%	1.7%			1.4%	1.2%	1.6%	1.8%	1.4%	2.4%
	AB	-1.4%	-0.4%			2.3%	1.9%	3.0%	2.0%	1.5%	2.5%
	SK	1.3%	0.9%			1.5%	0.9%	2.6%	1.7%	1.3%	2.5%
	MB	0.0%	1.9%			1.5%	1.1%	1.9%	1.3%	0.9%	1.7%
	Canada	-1.6%	1.4%			1.6%	1.3%	1.9%	1.5%	1.1%	2.2%
Unemployment Rate <sup>1</sup>	BC	7.7%	7.6%			7.3%	7.2%	7.4%	6.8%	6.5%	7.1%
	AB	6.6%	6.5%			5.7%	5.5%	5.9%	5.4%	5.2%	5.6%
	SK	4.8%	5.2%			5.0%	4.6%	5.2%	4.8%	4.6%	4.9%
	MB	5.2%	5.4%			4.9%	4.8%	5.0%	4.8%	4.7%	5.0%
	Canada	8.3%	8.0%			7.5%	7.2%	7.7%	7.2%	7.1%	7.4%
Retail Sales (annual change) <sup>2</sup>	BC	-5.1%	4.8%			4.3%	4.2%	4.3%	4.5%	4.0%	4.9%
	AB	-8.4%	5.7%			5.3%	4.9%	5.7%	5.1%	4.4%	5.8%
	SK	-2.3%	2.7%			5.1%	5.0%	5.2%	4.7%	4.6%	4.7%
	MB	-0.9%	5.5%			4.8%	4.6%	4.9%	4.7%	4.2%	5.2%
	Canada	-3.0%	5.1%			4.5%	4.4%	4.5%	4.3%	4.0%	4.5%
Housing Starts (000) <sup>1</sup>	BC	16.0	26.5			25.5	24.0	27.9	25.9	25.0	28.4
	AB	20.0	27.1			25.5	23.0	28.1	27.7	24.5	33.3
	SK	3.8	5.9			5.6	5.0	6.5	5.4	5.0	6.0
	MB	4.0	5.9			5.1	4.8	5.5	5.4	4.8	6.0
	Canada	149.0	190.0			172.5	160.0	179.4	175.3	169.5	182.0
Inflation Rate (change in CPI) <sup>3</sup>	BC	0.0%	1.4%			2.2%	1.7%	2.5%	2.0%	1.8%	2.2%
	AB	-0.1%	1.0%			1.7%	1.4%	2.0%	2.2%	2.0%	2.5%
	SK	1.1%	1.3%			2.3%	1.9%	2.8%	2.7%	2.0%	3.8%
	MB	0.6%	0.8%			2.0%	1.7%	2.2%	2.0%	1.7%	2.2%
	Canada	0.3%	1.8%			2.4%	1.9%	2.7%	2.1%	2.0%	2.3%

Sources: Author's calculations from forecasts produced by:

<sup>1</sup> BMO (Mar. 4, 2011), CIBC (Feb. 1, 2011), RBC (Mar. 11, 2011), Scotiabank (Mar. 3, 2011) and TD (Mar. 16, 2011).

<sup>2</sup> RBC (Mar. 11, 2011) and TD (Mar. 16, 2011).

<sup>3</sup> BMO (Mar. 4, 2011), CIBC (Feb. 1, 2011), RBC (Mar. 11, 2011) and TD (Mar. 16, 2011).

*continued from page 14...*

## Inflation

There are a range of price deflators one can use to estimate inflation. The GDP price deflator is especially important in the West, where commodity exports have very volatile prices but none of the banks forecast this measure. The consumer price index, another widely used measure of inflation based on a basket of common consumer purchases, is also important for governments as they plan for wage and price changes. For the most part, the West is expected to follow the national trend (see Figure 5). After flat prices in 2009 (except in

Saskatchewan), consumer prices accelerated in 2010 and inflation looks to be stabilizing at about 2.1%. The main risk to the forecast seems to be Saskatchewan, where the economy is forecast to exhibit relatively strong wage and price inflation.

The cumulative effects of the forecast price increases over the 2009-12 period range from +4.9% in Alberta to +7.6% in Saskatchewan. The corresponding Canadian aggregate forecast price inflation would be 6.8%. Recent forecasts indicate inflationary expectations are rising, as each incremental forecast adds marginally to its expectations.

## Summary

In many ways provincial governments in the West are doubly blessed. Not only are the western provincial economies doing relatively better than in other parts of Canada, they are coming off one of their best decades of fiscal performance.

These forecasts suggest that, generally speaking, they will continue to outperform the economies east of the Manitoba border, at least in the short term.

# STATISTICALLY SPEAKING...

## ○ CONSUMER PRICE INDEX (CPI) (FEBRUARY 2010 TO FEBRUARY 2011)

Higher energy and food prices are driving up the rate of inflation.

## □ EMPLOYMENT GROWTH (FEBRUARY 2010 TO FEBRUARY 2011)

In early 2011, employment growth slows in Saskatchewan, increases in Alberta.

