

CHAPTER 9

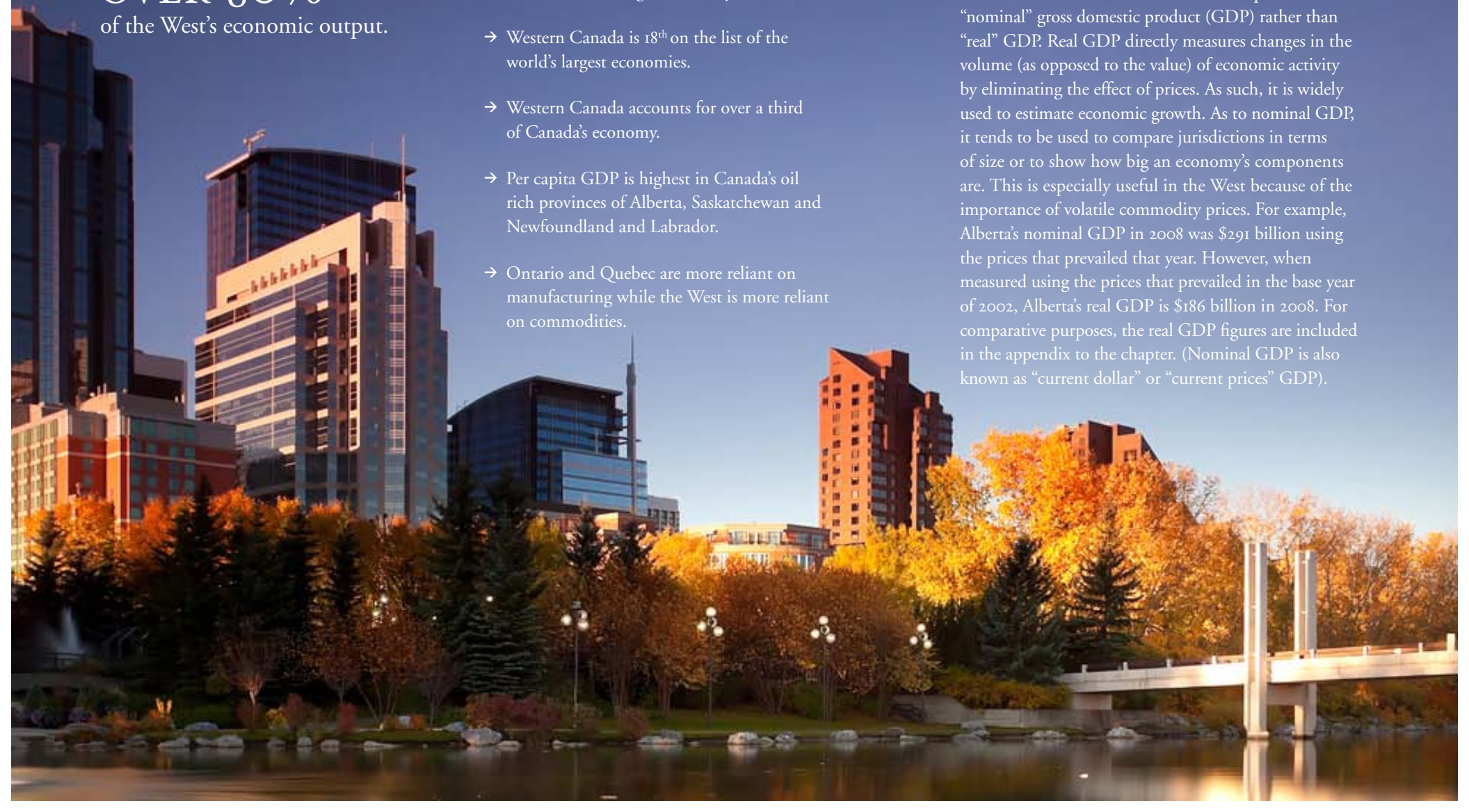
Economic Output in the West

BC and Alberta account for
OVER 80%
of the West's economic output.

HIGHLIGHTS

- Alberta has the largest economy in the West.
- Western Canada is 18th on the list of the world's largest economies.
- Western Canada accounts for over a third of Canada's economy.
- Per capita GDP is highest in Canada's oil rich provinces of Alberta, Saskatchewan and Newfoundland and Labrador.
- Ontario and Quebec are more reliant on manufacturing while the West is more reliant on commodities.

NOTE: Unless otherwise noted, this chapter refers to “nominal” gross domestic product (GDP) rather than “real” GDP. Real GDP directly measures changes in the volume (as opposed to the value) of economic activity by eliminating the effect of prices. As such, it is widely used to estimate economic growth. As to nominal GDP, it tends to be used to compare jurisdictions in terms of size or to show how big an economy's components are. This is especially useful in the West because of the importance of volatile commodity prices. For example, Alberta's nominal GDP in 2008 was \$291 billion using the prices that prevailed that year. However, when measured using the prices that prevailed in the base year of 2002, Alberta's real GDP is \$186 billion in 2008. For comparative purposes, the real GDP figures are included in the appendix to the chapter. (Nominal GDP is also known as “current dollar” or “current prices” GDP).



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Nominal Gross Domestic Product by Province 2008

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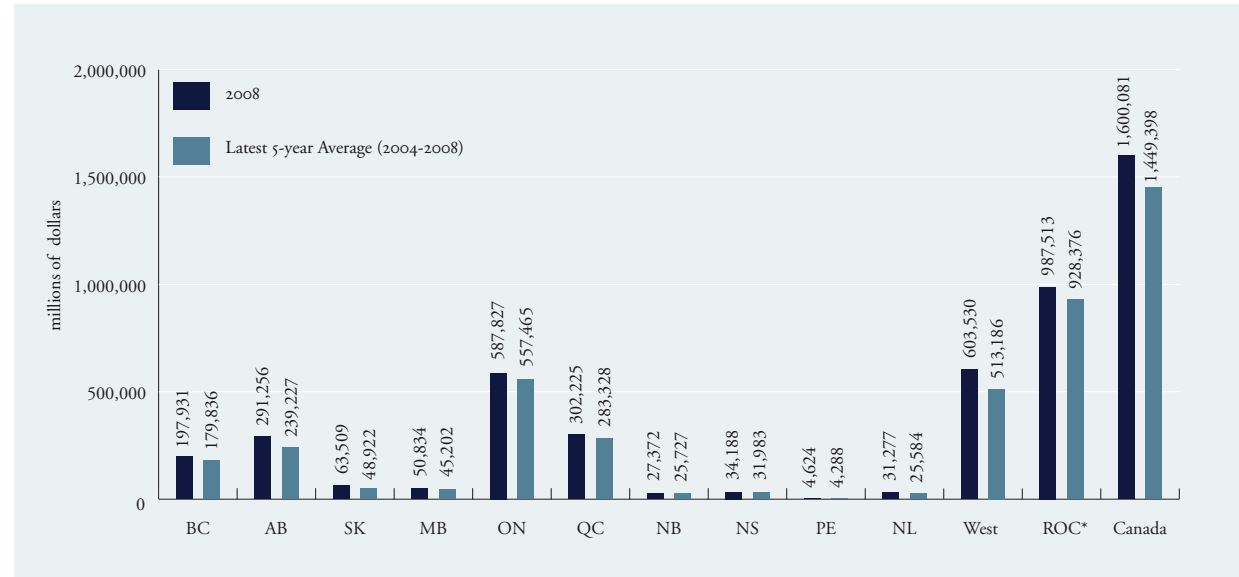
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Appendix: Nominal and Real GDP

Alberta generated the most gross domestic product in the West in 2008

FIGURE 100: NOMINAL GROSS DOMESTIC PRODUCT BY PROVINCE 2008



Source: Statistics Canada Cansim Table 384-0002 and author's calculations.

*ROC (not including the territories).

Just as the number of goals a hockey player scores is only one way to measure his or her performance on the ice, gross domestic product (GDP) is only one indicator of economic growth and success. But, in the same way hockey fans want to know how many goals a player scores, GDP is definitely a key statistic for understanding economic performance.

As of 2008 (the latest year for which comparative provincial figures were available at the time of writing), Alberta had the largest GDP in the West at over \$291 billion. This is almost as high as Quebec's GDP despite the fact that Alberta's population is only half as large.

Alberta's GDP was larger than BC's from 1981 to 1986 but fell behind thereafter. Alberta's GDP once again surpassed BC's in 2000 and has been higher ever since. The price of oil is a key factor in the see-sawing of Alberta's GDP and the overall size of its economy relative to its population.

As a whole, the West's average annual economic output between 2004 and 2008 is just over \$513 billion compared to just over \$928 billion in the other provinces.

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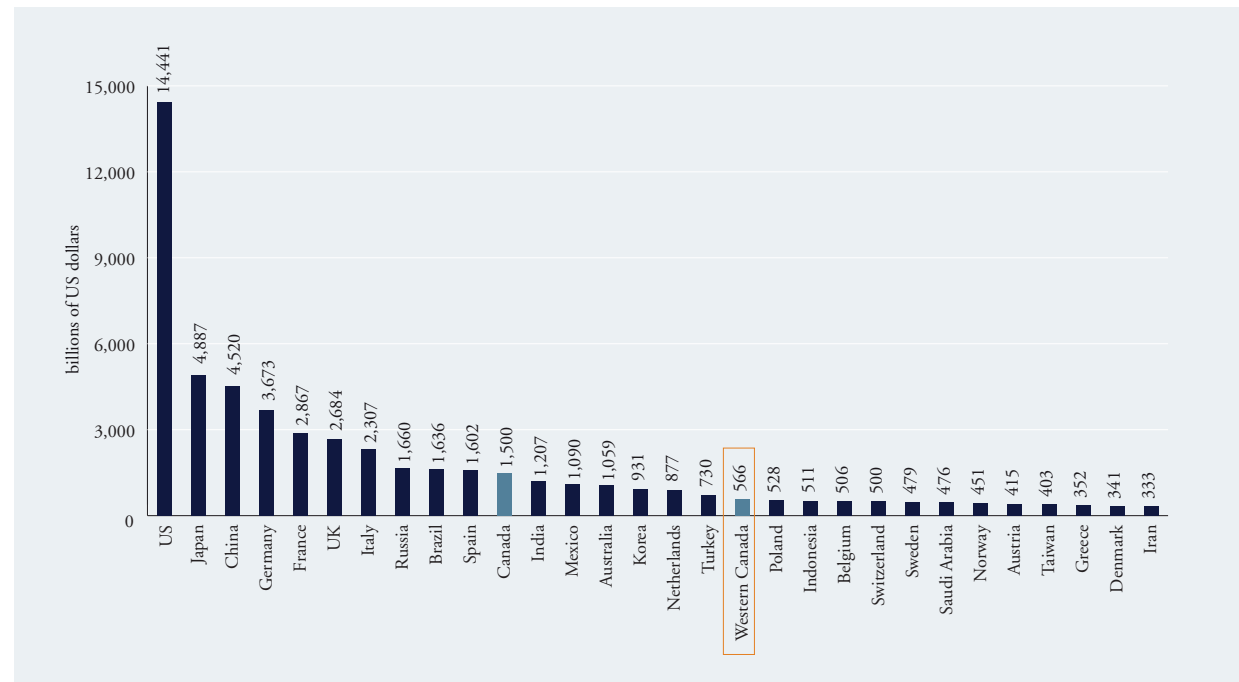
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Appendix: Nominal and Real GDP

Western Canada's economic output places it on the same list as the world's 20 largest national economies

FIGURE IOI: THE 30 LARGEST NATIONAL ECONOMIES IN THE WORLD, 2008 (BILLIONS OF US DOLLARS, NOMINAL GDP)



Source: International Monetary Fund, Bank of Canada, Statistics Canada and author's calculations.

Like Canadians in general, there is a certain modesty at work in western Canada that leads us to underestimate our place in the world. We tend to think of ourselves as a small player on the world economic stage. However, Canada sits at 11th on the list of the world's largest economies and, if western Canada were added to the list, it would sit at 18th. These rankings are nothing to snuff at and mean that both the region and the country are major economies rather than the bit players we sometimes think we are.

With that said, when we compare ourselves to the US, we are dwarfed by its massive economic output. Metropolitan Chicago alone, for example, generates almost as much GDP as western Canada.

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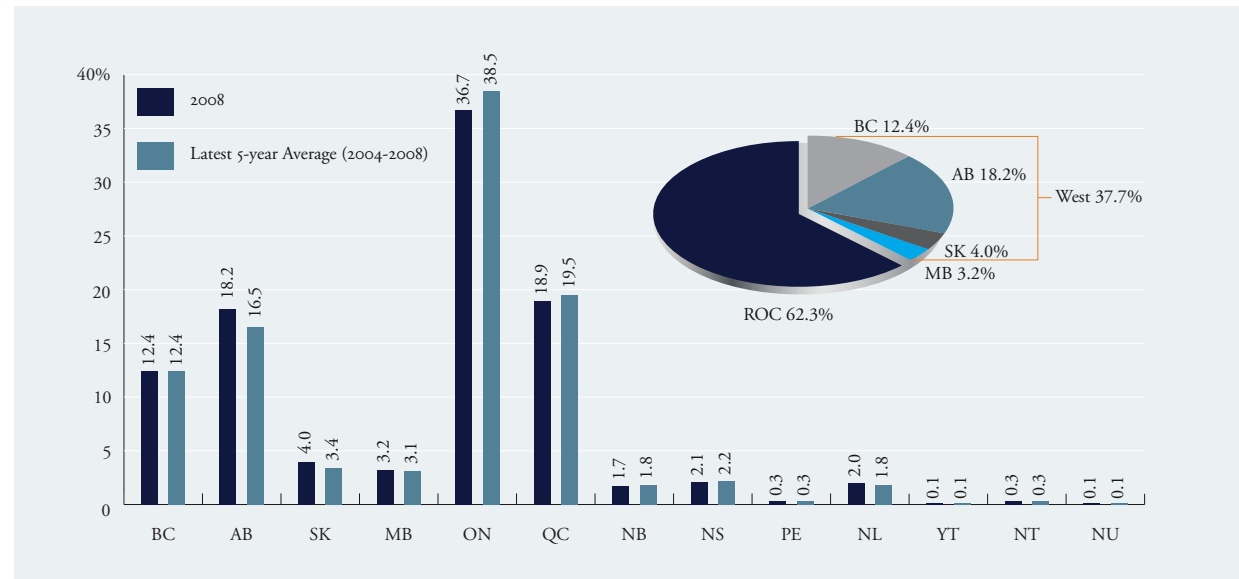
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Appendix: Nominal and Real GDP

Western Canada accounts for over a third of Canada’s national economic output

FIGURE IO2: NOMINAL GROSS DOMESTIC PRODUCT AS A PERCENTAGE OF THE NATIONAL TOTAL 2008



Source: Statistics Canada Cansim Table 384-0002 and author’s calculations.

Looking at the 2008 numbers, we see that the West accounted for 37.7% of the nation’s economic output—a larger percentage than its share of the national population (30.6%). This is just slightly higher than Ontario’s share of the national GDP (36.7%) and almost double that of Quebec (18.9%)

At 18.2% of Canada’s GDP, but just 10.9% of its population, Alberta is punching way above its demographic weight when it comes to economic output.

GDP, especially in a commodity-based economy like western Canada, is prone to significant annual fluctuations. Hence, it makes sense to step back somewhat from annual data and look at a five-year average to make sure we are not seeing a one-time blip. When we do this, we find that not much changes in terms of the relative contributions of the provinces except for a slight dip in the prairie numbers and a slight rise in the Quebec and Ontario numbers.

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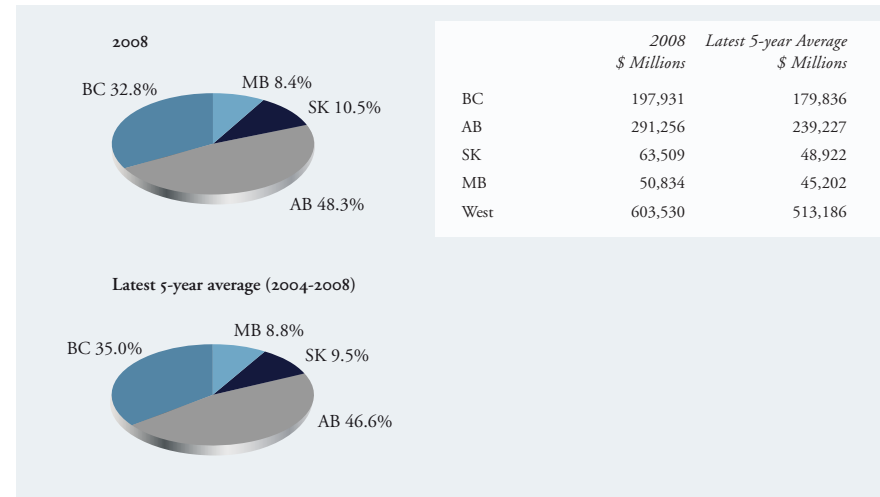
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Appendix: Nominal and Real GDP

Alberta accounted for almost half of the West's GDP in 2008

FIGURE IO3: NOMINAL GROSS DOMESTIC PRODUCT AS A PERCENTAGE OF THE REGIONAL TOTAL 2008 AND FIVE-YEAR AVERAGE



Source: Statistics Canada Cansim Table 384-0002 and author's calculations.

Within the West, BC and Alberta account for the majority of the region's economic output (81.8% in 2008 and 81.1% between 2004 and 2008). Alberta's contribution to regional output is the largest (48.3% in 2008 and 46.6% between 2004 and 2008).

Alberta's share of the regional GDP was the lowest in 1992 when it was 36.1%. Despite strong economic performance in recent years, Saskatchewan's share of the regional GDP remains lower than it was in the early 1980s. Manitoba has also seen its share of regional GDP decrease from where it was in the 1980s and 1990s.

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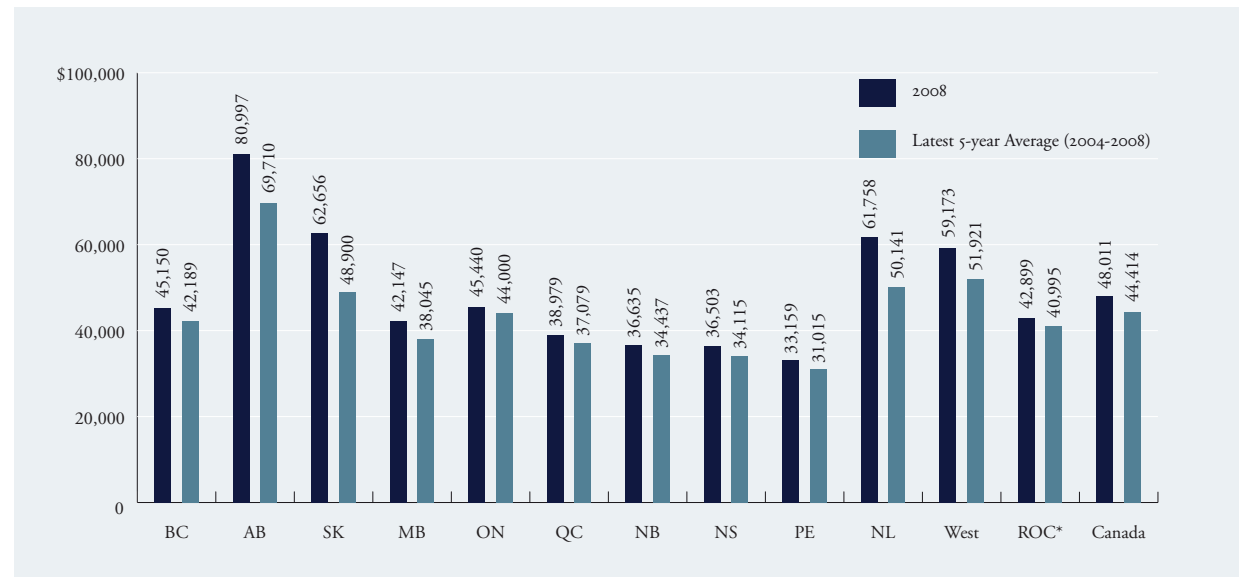
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Appendix: Nominal and Real GDP

The effect of commodity prices is clearly evident in provincial per capita GDP figures

FIGURE 10.4: NOMINAL GROSS DOMESTIC PRODUCT PER CAPITA 2008 AND FIVE-YEAR AVERAGE



Source: Statistics Canada Cansim Tables 051-0001 and 384-0002 and author's calculations.
*ROC (not including the territories).

Alberta, Saskatchewan and Newfoundland and Labrador all have significantly higher per capita GDP levels than the national average. This is due in large part to the impact of oil prices on the economy of each of these provinces. When prices are strong, nominal (current price) economic output spikes. While the effects on individual residents tend to be small, the relatively high levels of per capita GDP in these provinces means that there is—at times—a lot of money sloshing around their economies and available to government via natural resource royalties and taxes.

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Appendix: Nominal and Real GDP

Oil and gas are much more important to Alberta and Saskatchewan than to Manitoba and BC

FIGURE 10.5: NOMINAL GDP BY INDUSTRY (NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM) 2006

	BC	%	AB	%	SK	%	MB	%	West	%
	\$ Millions	of Industries	\$ Millions	of Industries	\$ Millions	of Industries	\$ Millions	of Industries	\$ Millions	of Industries
All industries	167,340	100.0	230,098	100.0	43,121	100.0	41,878	100.0	482,437	100.0
Agriculture, forestry, fishing and hunting	4,388	2.6	3,087	1.3	1,904	4.4	1,509	3.6	10,888	2.3
Mining and oil and gas extraction	10,783	6.4	71,116	30.9	10,549	24.5	1,979	4.7	94,427	19.6
Utilities	2,792	1.7	4,590	2.0	971	2.3	1,603	3.8	9,956	2.1
Construction	12,140	7.3	20,618	9.0	2,703	6.3	1,991	4.8	37,452	7.8
Manufacturing	15,796	9.4	16,520	7.2	2,692	6.2	5,354	12.8	40,362	8.4
Goods-producing industries	45,898	27.4	115,931	50.4	18,819	43.6	12,437	29.7	193,085	40.0
Wholesale trade	7,647	4.6	10,286	4.5	2,364	5.5	2,501	6.0	22,798	4.7
Retail trade	10,328	6.2	9,396	4.1	2,113	4.9	2,660	6.4	24,496	5.1
Transportation and warehousing	10,469	6.3	11,241	4.9	2,485	5.8	2,664	6.4	26,860	5.6
Information and cultural industries	6,141	3.7	5,576	2.4	1,017	2.4	1,340	3.2	14,074	2.9
Finance and insurance, real estate and renting and leasing and management of companies and enterprises	35,902	21.5	29,469	12.8	5,968	13.8	7,417	17.7	78,756	16.3
Professional, scientific and technical services	7,725	4.6	10,105	4.4	821	1.9	1,178	2.8	19,828	4.1
Administrative and support, waste management and remediation services	3,808	2.3	4,187	1.8	477	1.1	749	1.8	9,220	1.9
Educational services	8,194	4.9	7,239	3.1	2,071	4.8	2,217	5.3	19,721	4.1
Health care and social assistance	10,970	6.6	8,828	3.8	2,642	6.1	3,380	8.1	25,820	5.4
Arts, entertainment and recreation	2,012	1.2	1,311	0.6	344	0.8	380	0.9	4,047	0.8
Accommodation and food services	4,895	2.9	4,355	1.9	783	1.8	876	2.1	10,909	2.3
Other services (except public administration)	4,954	3.0	4,836	2.1	1,013	2.3	1,173	2.8	11,976	2.5
Public administration	8,399	5.0	7,339	3.2	2,203	5.1	2,907	6.9	20,848	4.3
Services-producing industries	121,442	72.6	114,167	49.6	24,302	56.4	29,441	70.3	289,353	60.0

Note: GDP for "all industries" does not exactly match total GDP in other charts due to methodological differences. Source: Statistics Canada Cansim Table 379-0025 and author's calculations.

In 2006, the mining and oil and gas extraction sector accounted for 30.9% of Alberta's GDP; the figure for Saskatchewan was 24.5%. At 6.4% and 4.7% respectively, BC and Manitoba's mining and oil and gas sectors are far less important to these provinces than the same sectors in Alberta and Saskatchewan.

When mining is taken out of the equation, oil and gas extraction accounted for 30.6% of GDP in Alberta and 19.4% of GDP in Saskatchewan. The larger difference in Saskatchewan is due largely to the presence of potash and uranium mining.

The oil and gas industry in Alberta and Saskatchewan skew the proportion of the West's GDP generated by the

goods-producing sector. The West's goods-producing sector accounted for 40% of GDP compared to 28.6% in the rest of Canada (not including the territories). However, when looking at the individual western provinces, the relative size of Manitoba's and BC's goods-producing sectors are roughly in line with the rest of the country (with the exception of Newfoundland and Labrador).

Relative to the rest of its economy, Manitoba has the largest manufacturing sector in the region. Although larger in relative terms, it is important to note that the GDP produced by the manufacturing sectors of Alberta (\$16.5 billion) and BC (\$15.8 billion) are triple that of Manitoba's (\$5.4 billion).