



Economic Performance and Development in Western Canada

Presentation to PNEDC Conference

June 20, 2004

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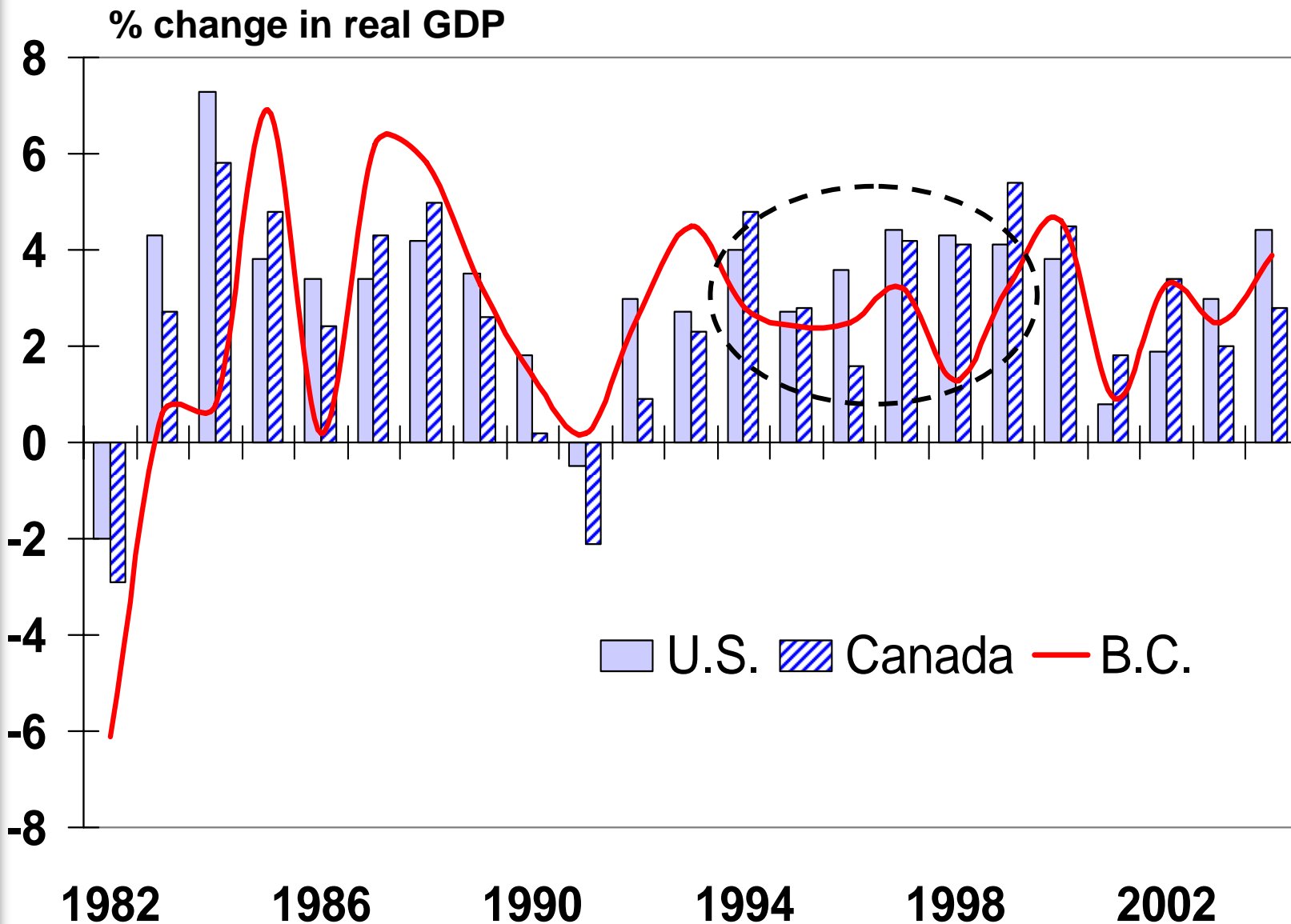
**British Columbia
Investment Management Corporation**



Outline

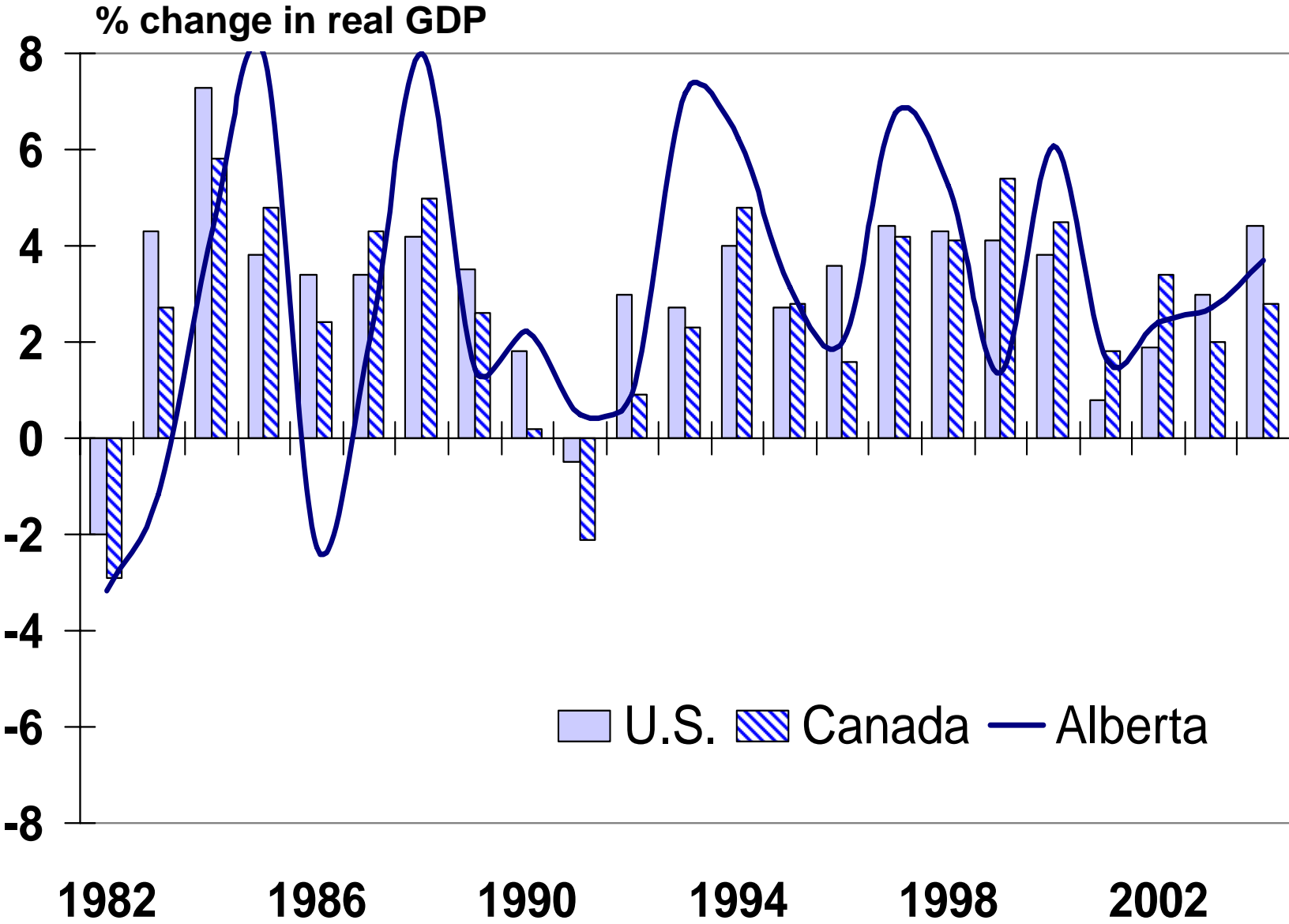
- Review of economic performance in British Columbia and Alberta
- External and internal drivers
- Constraints on provincial output
- Tilting of regional economic weight inside the Canadian federation
- Implications for regional development policy

Economic Growth – B.C. Lagged in '90s



Source: Statistics Canada, U.S. Dept. of Commerce

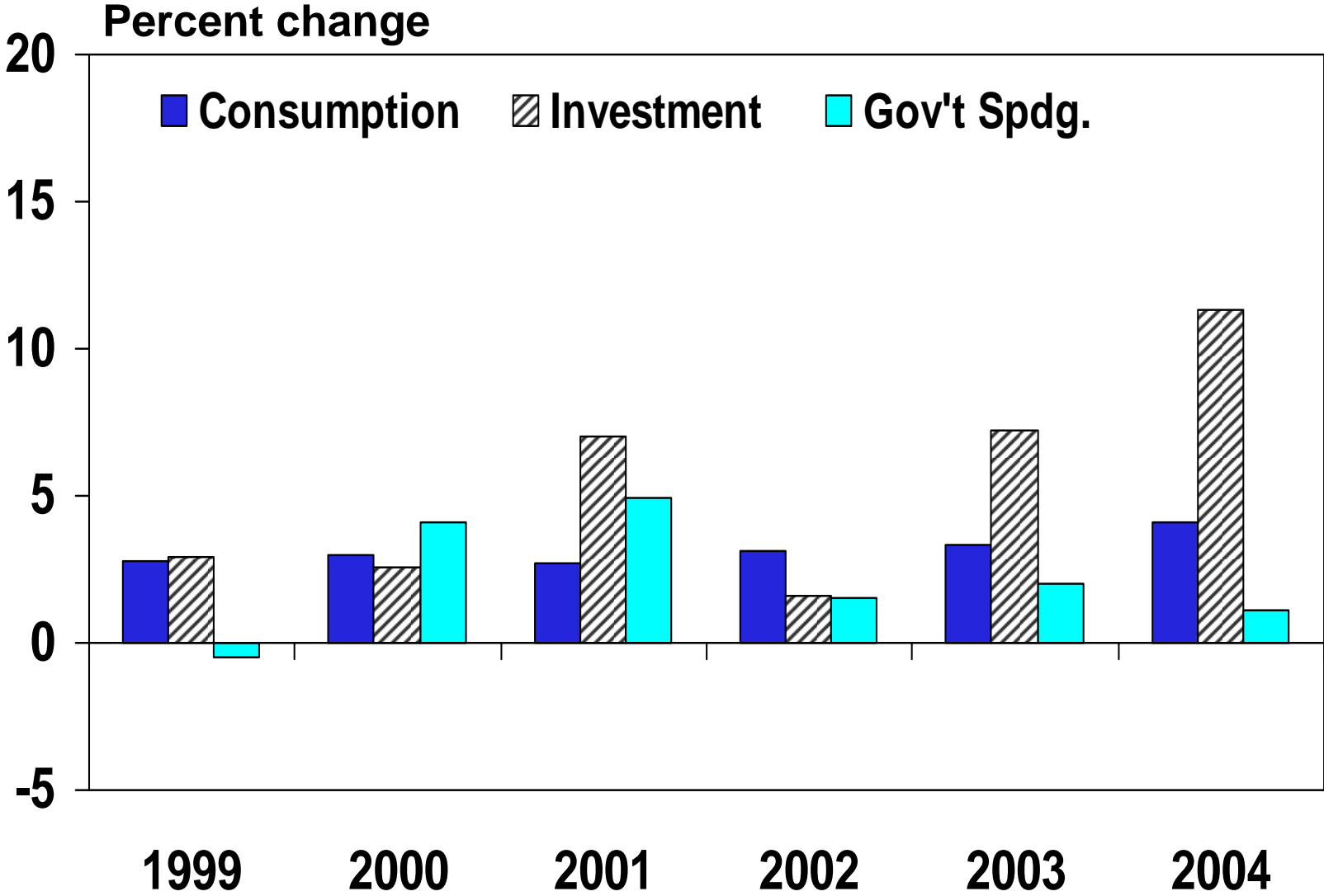
Alberta Growth Choppy But Strong



Source: Statistics Canada, U.S. Dept. of Commerce



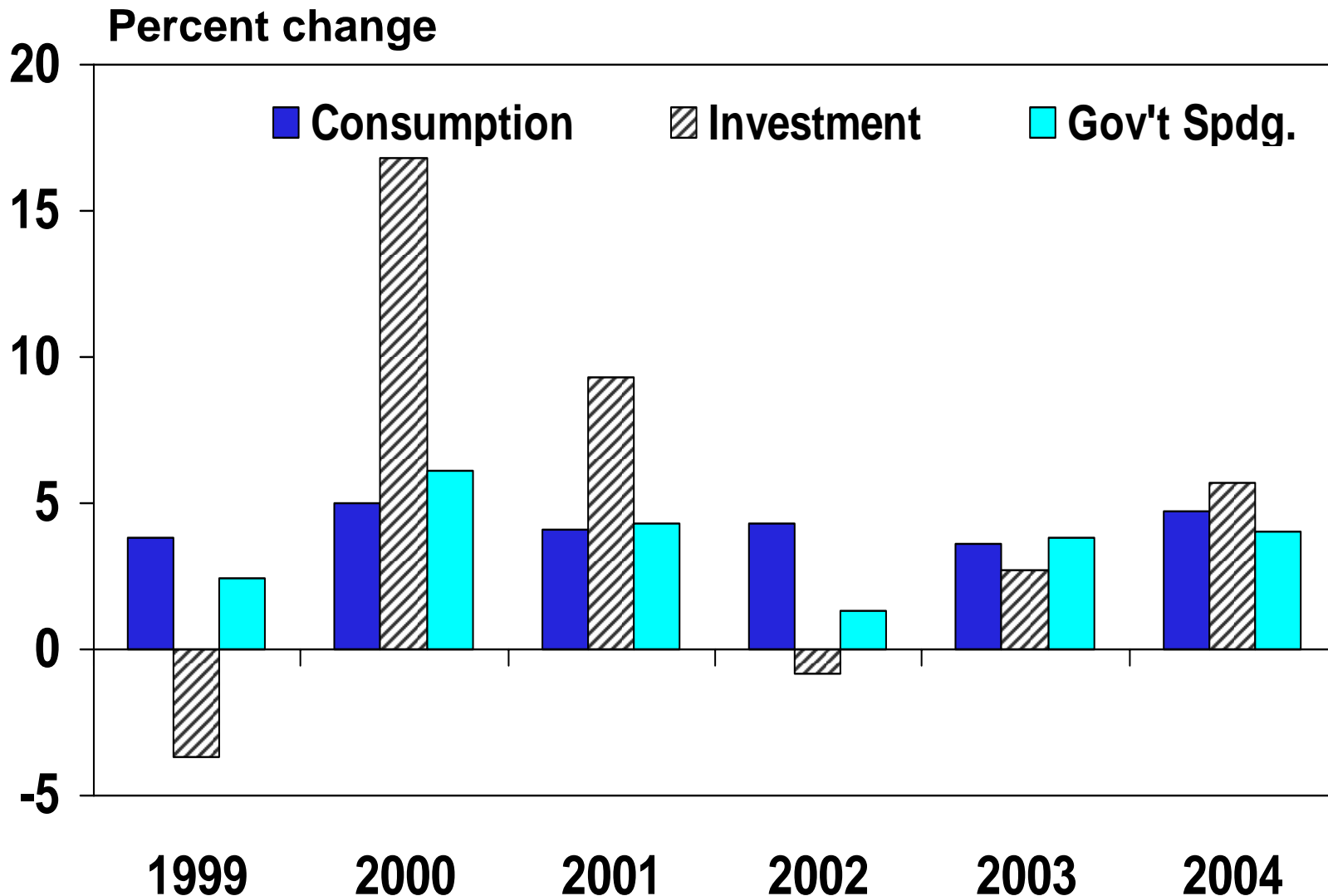
B.C. Final Domestic Demand



Source: Statistics Canada

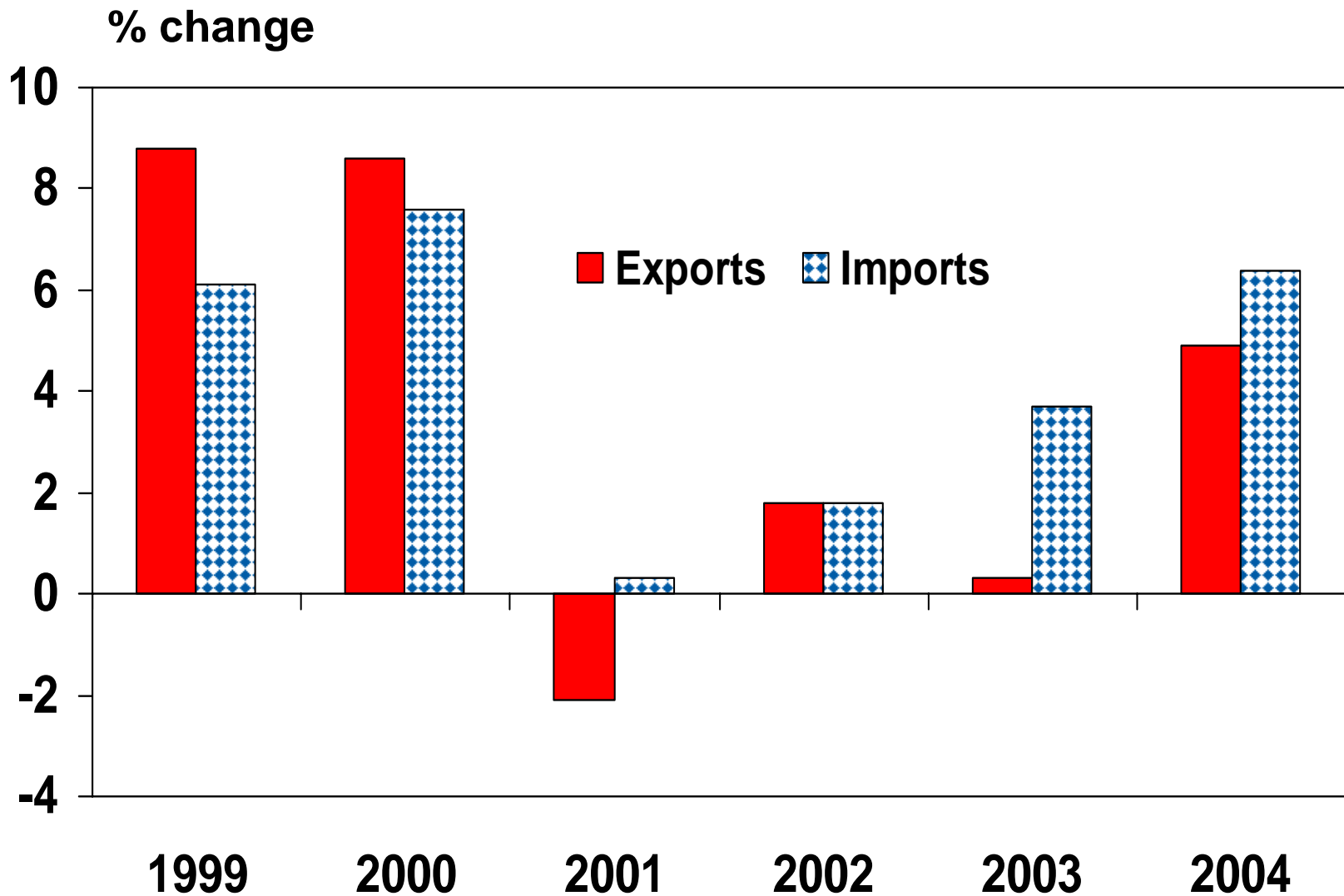


Alberta Final Domestic Demand



Source: Statistics Canada

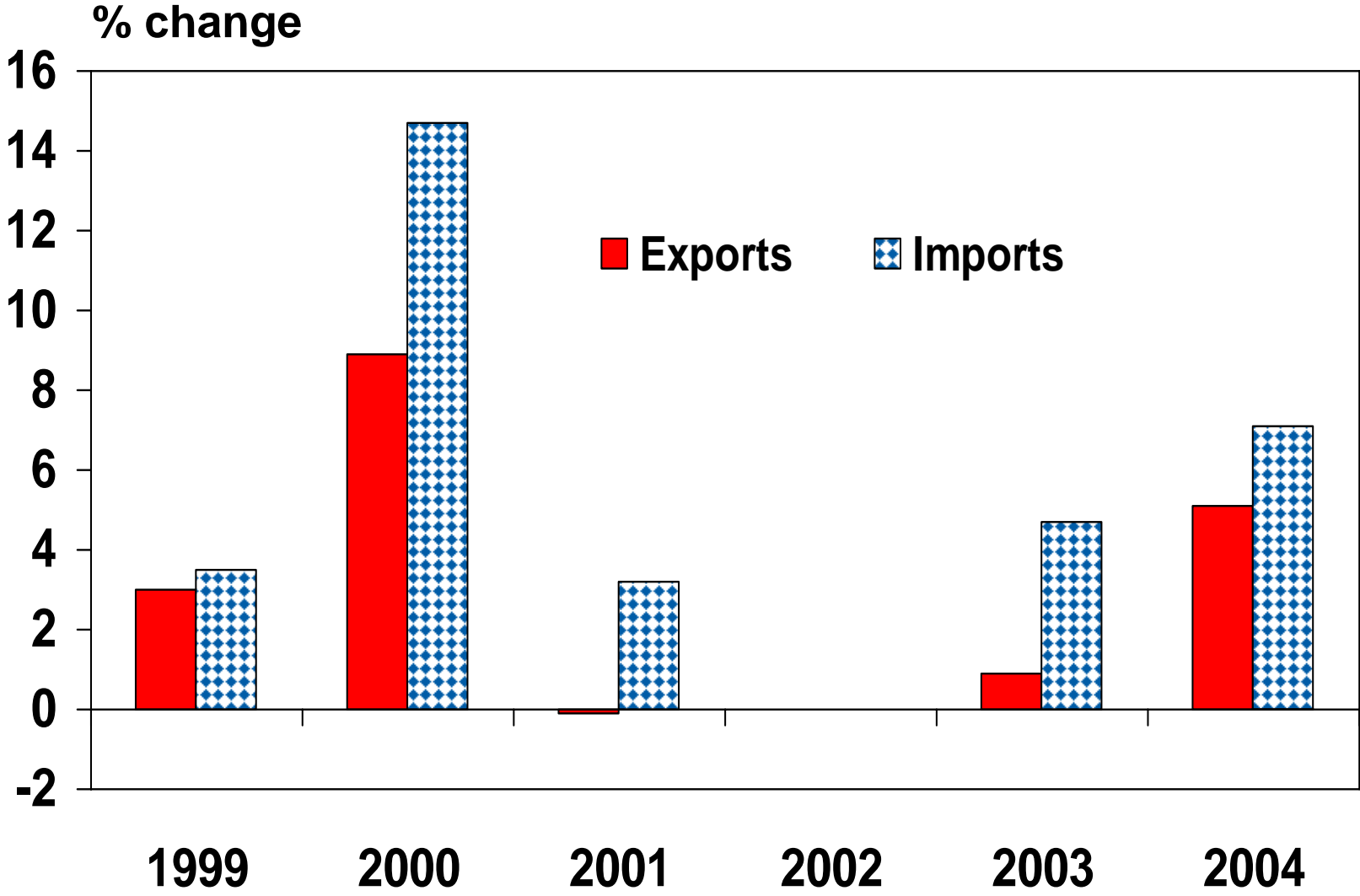
B.C. External Trade



Source: Statistics Canada



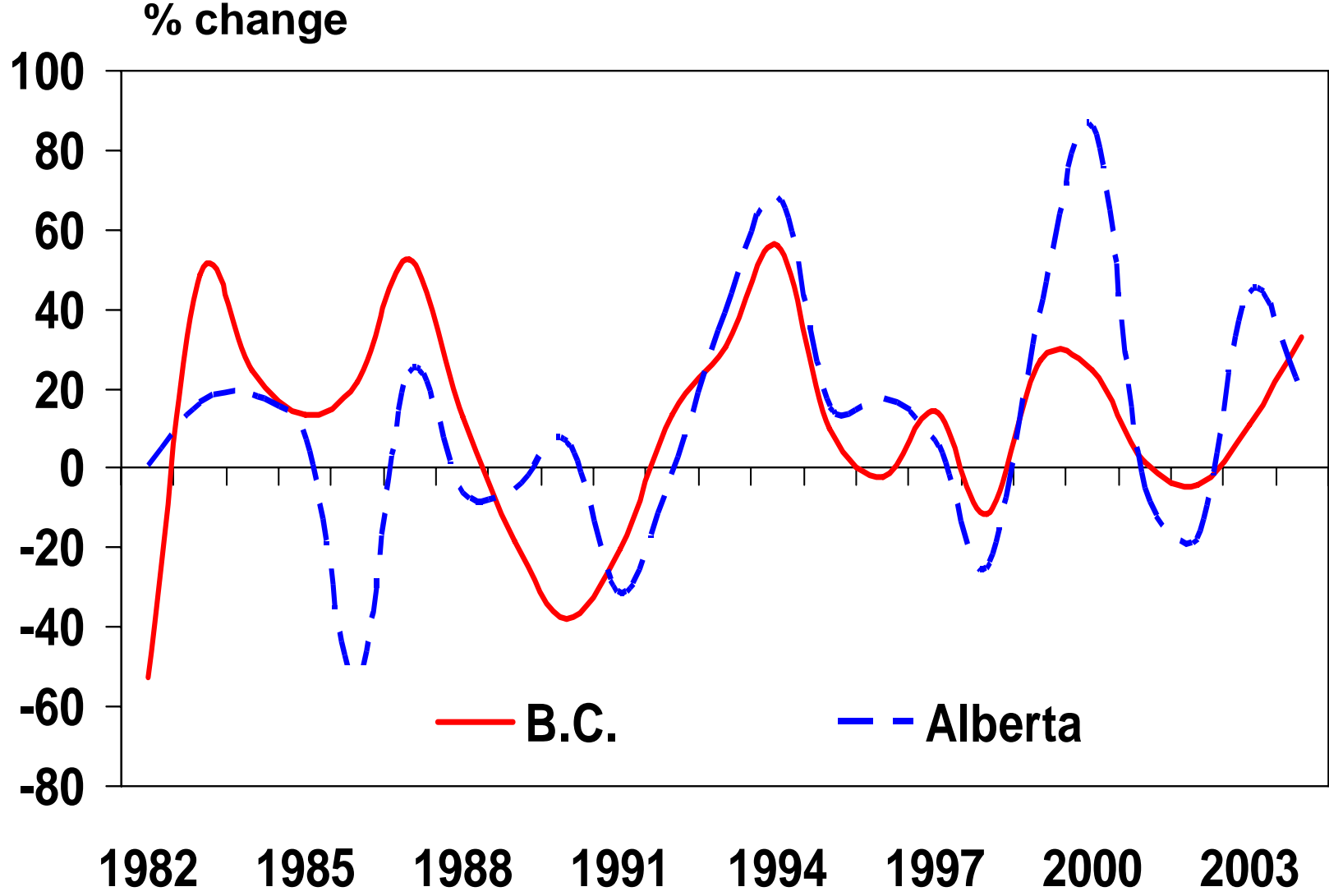
Alberta External Trade



Source: Statistics Canada



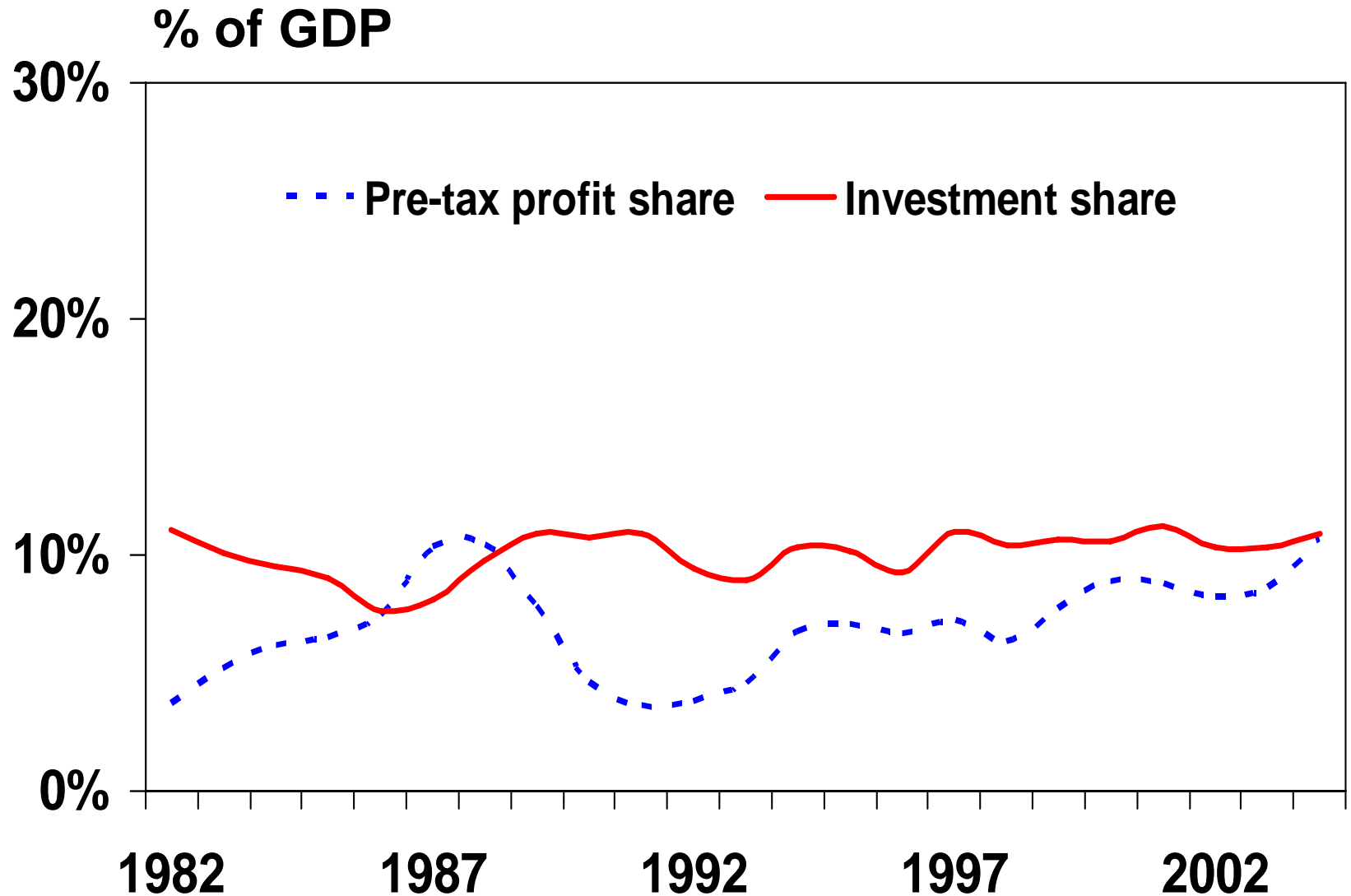
Corporate Profits Before Taxes



Source: Statistics Canada



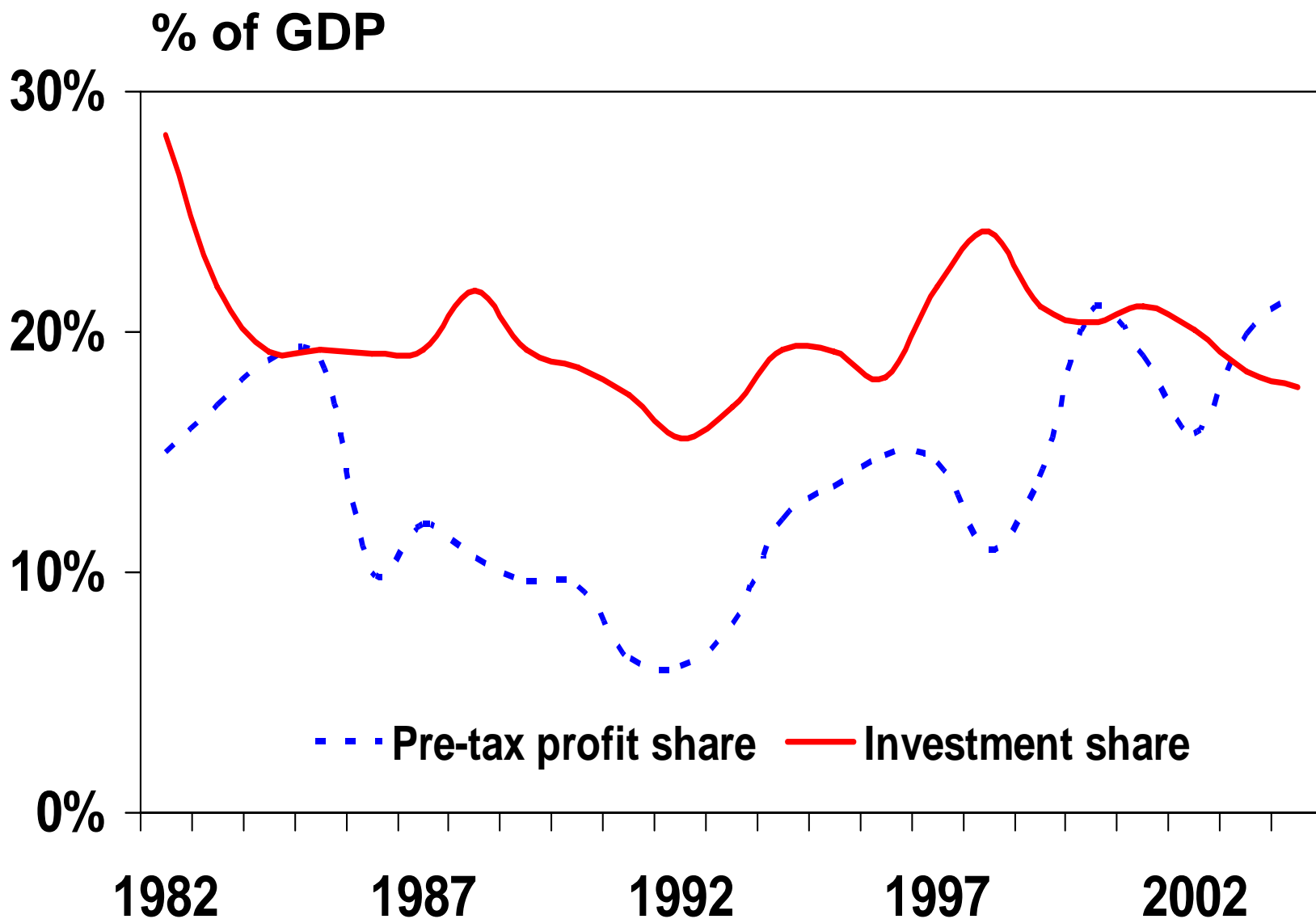
B.C. Profits and Capital Investment



Source: Statistics Canada * Business non-residential investment

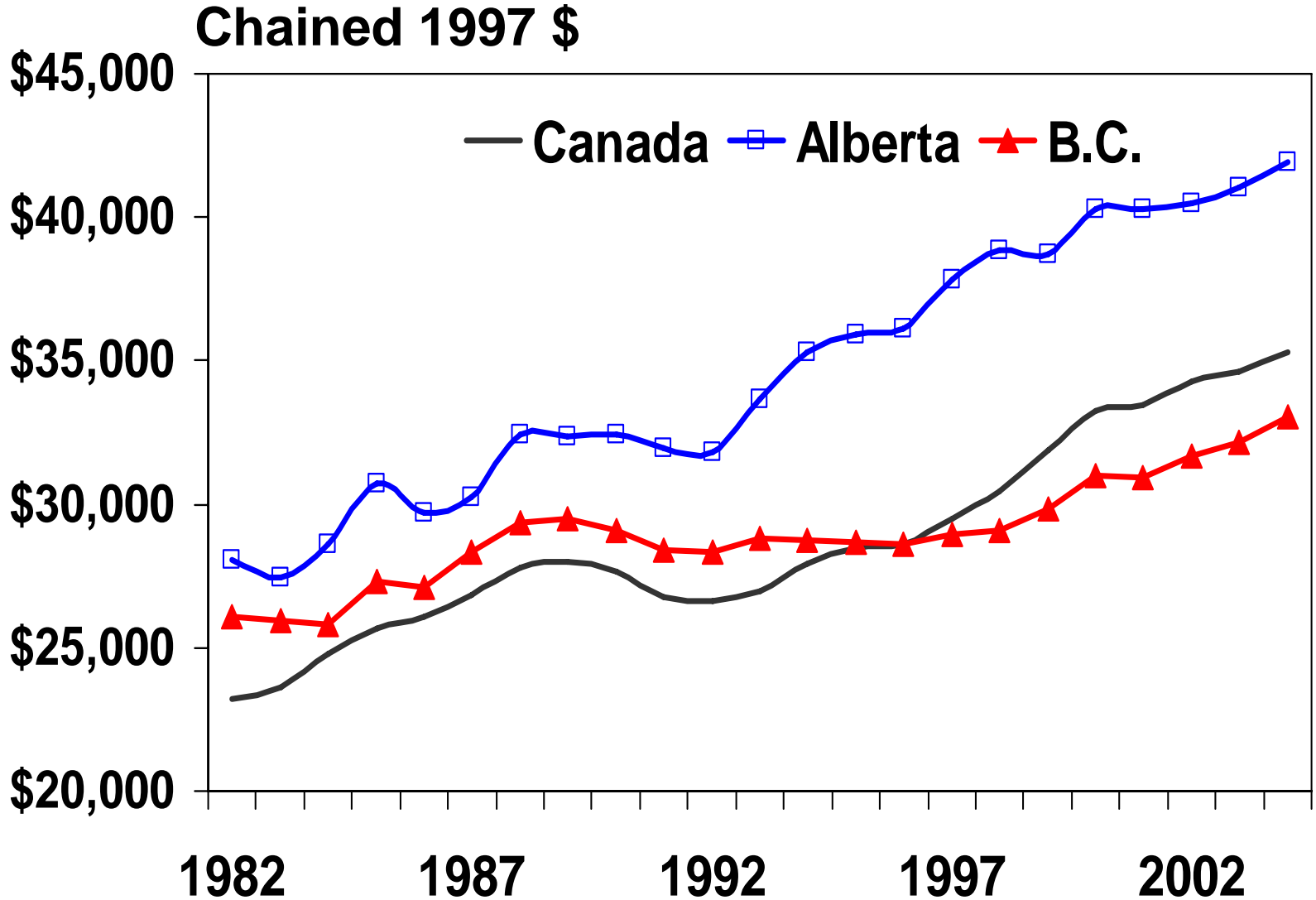


Alberta Profits and Capital Investment



Source: Statistics Canada * Business non-residential investment

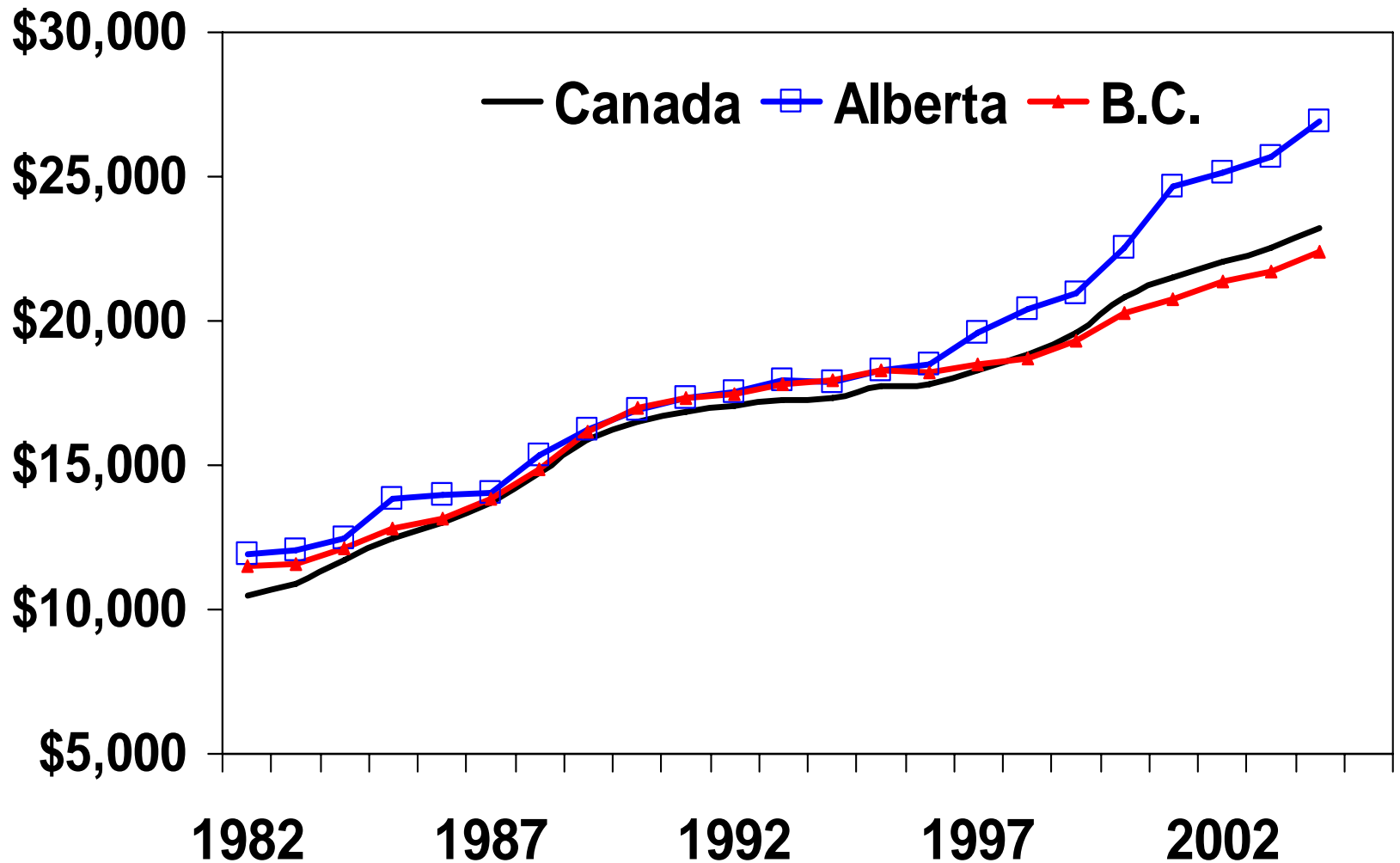
Real GDP Per Capita



Source: Statistics Canada



Personal Disposable Income Per Capita

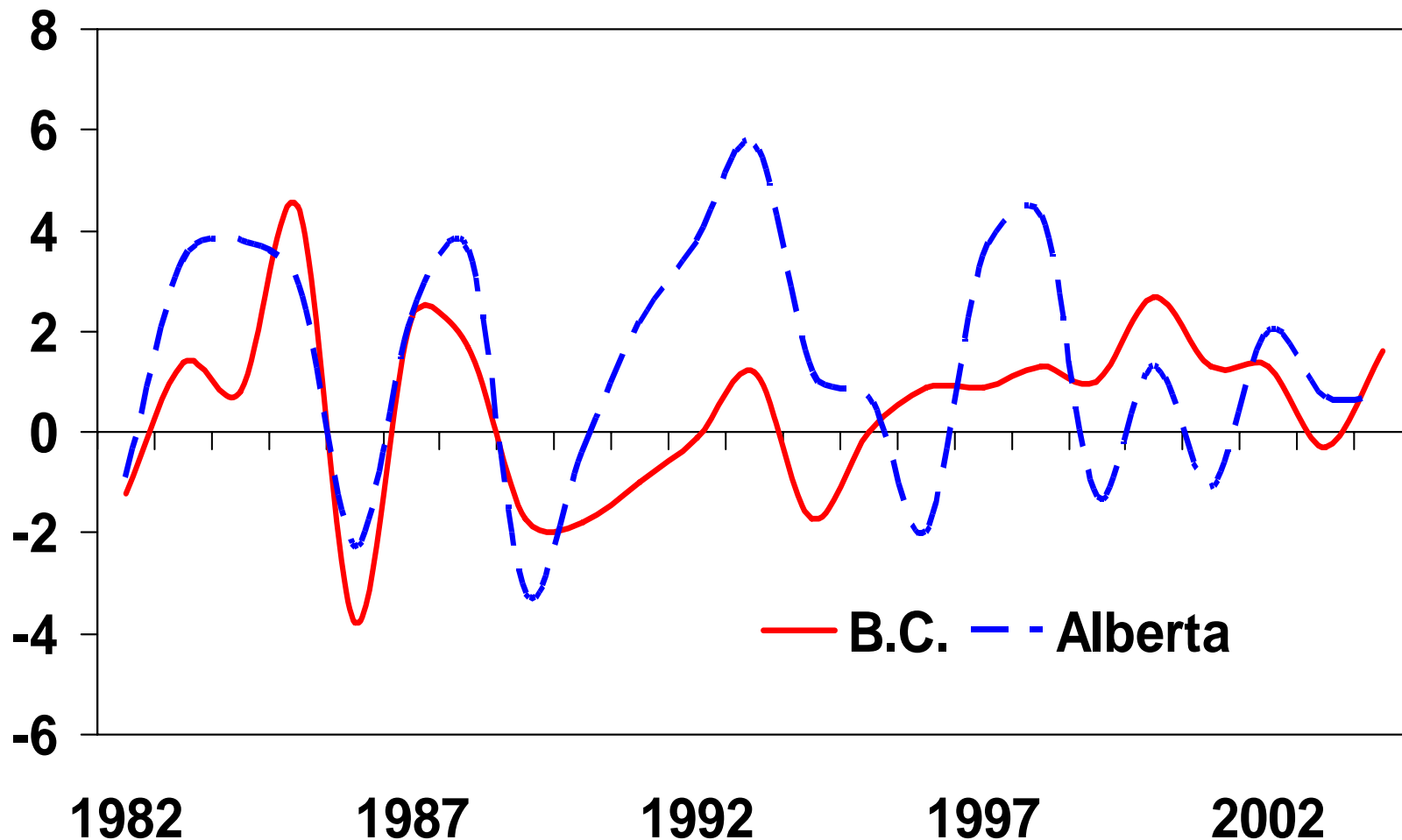


Source: Statistics Canada



Labour Productivity

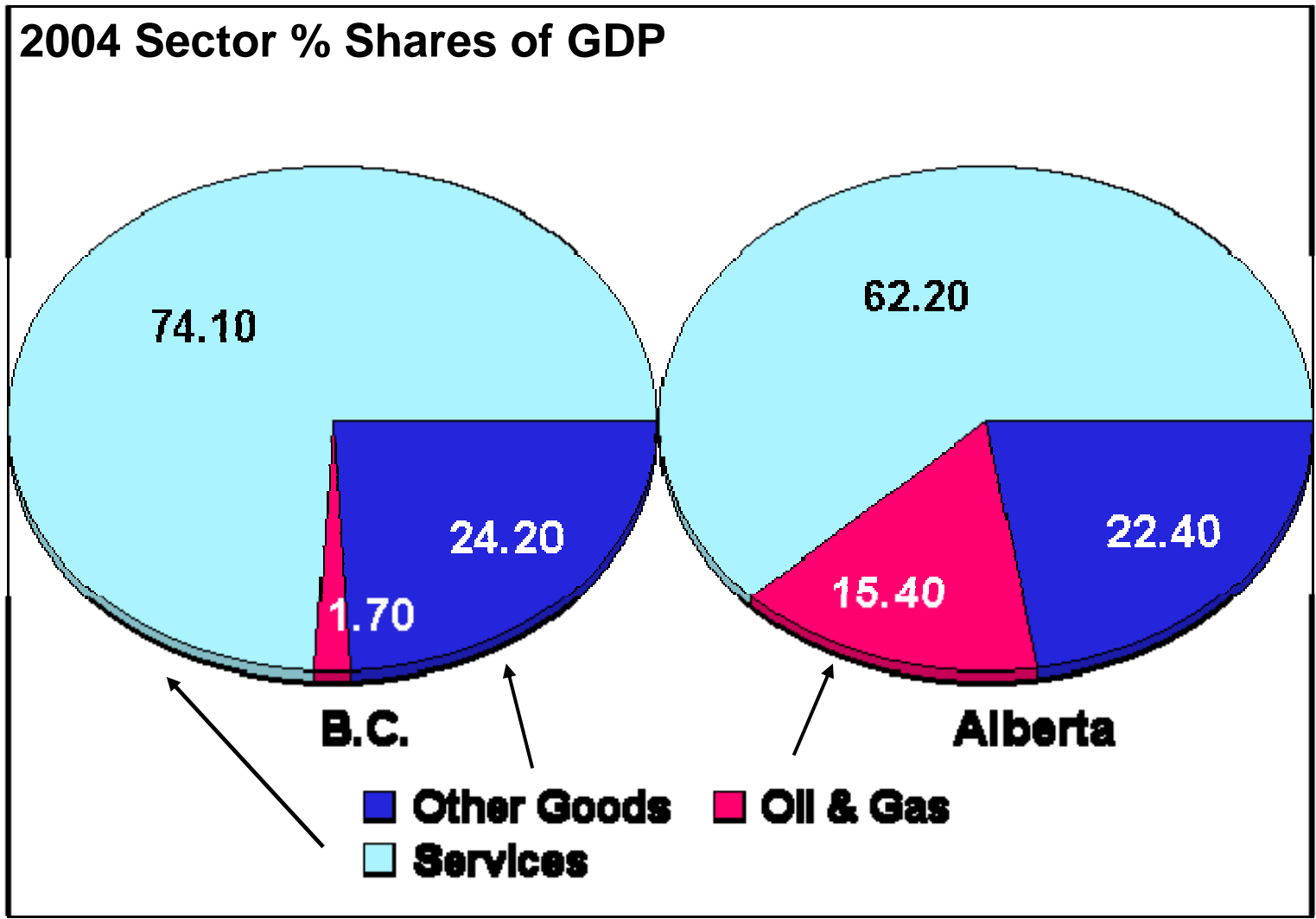
Annual % change in real GDP/hour worked



Source: Statistics Canada



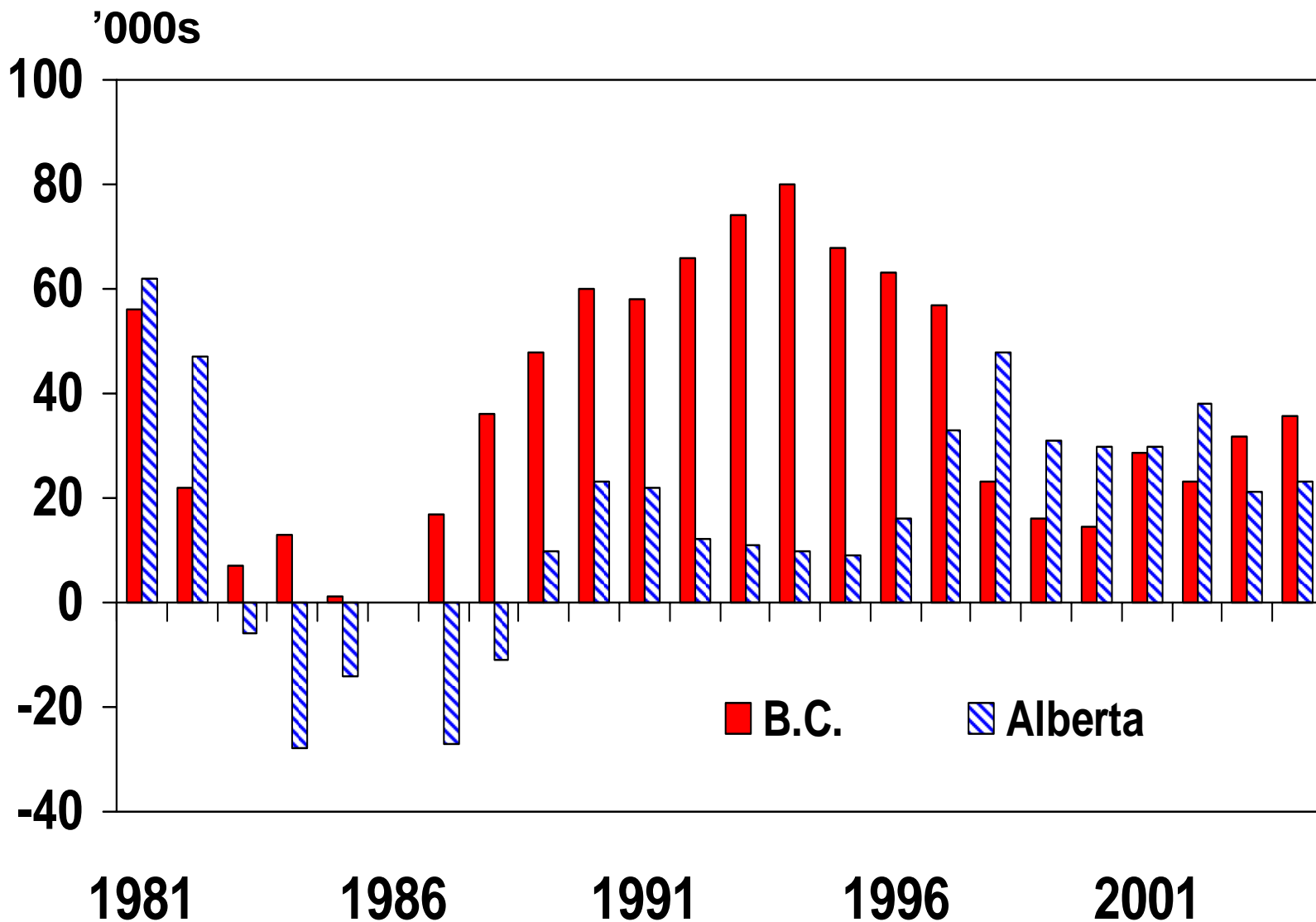
Economic Structures Differ



Source: Statistics Canada



Net Migration*

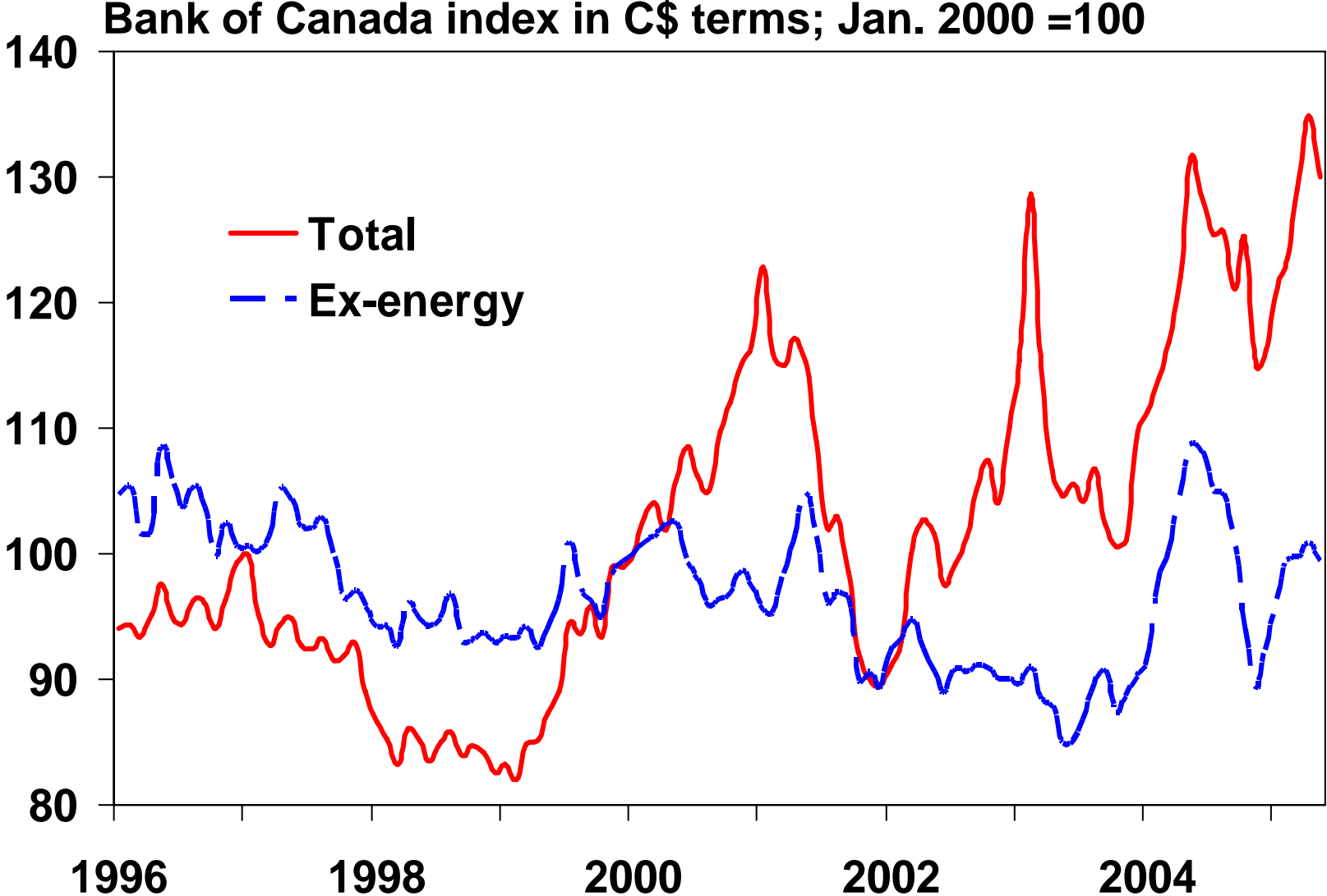


Source: Statistics Canada

* International plus inter-provincial



Commodity Prices

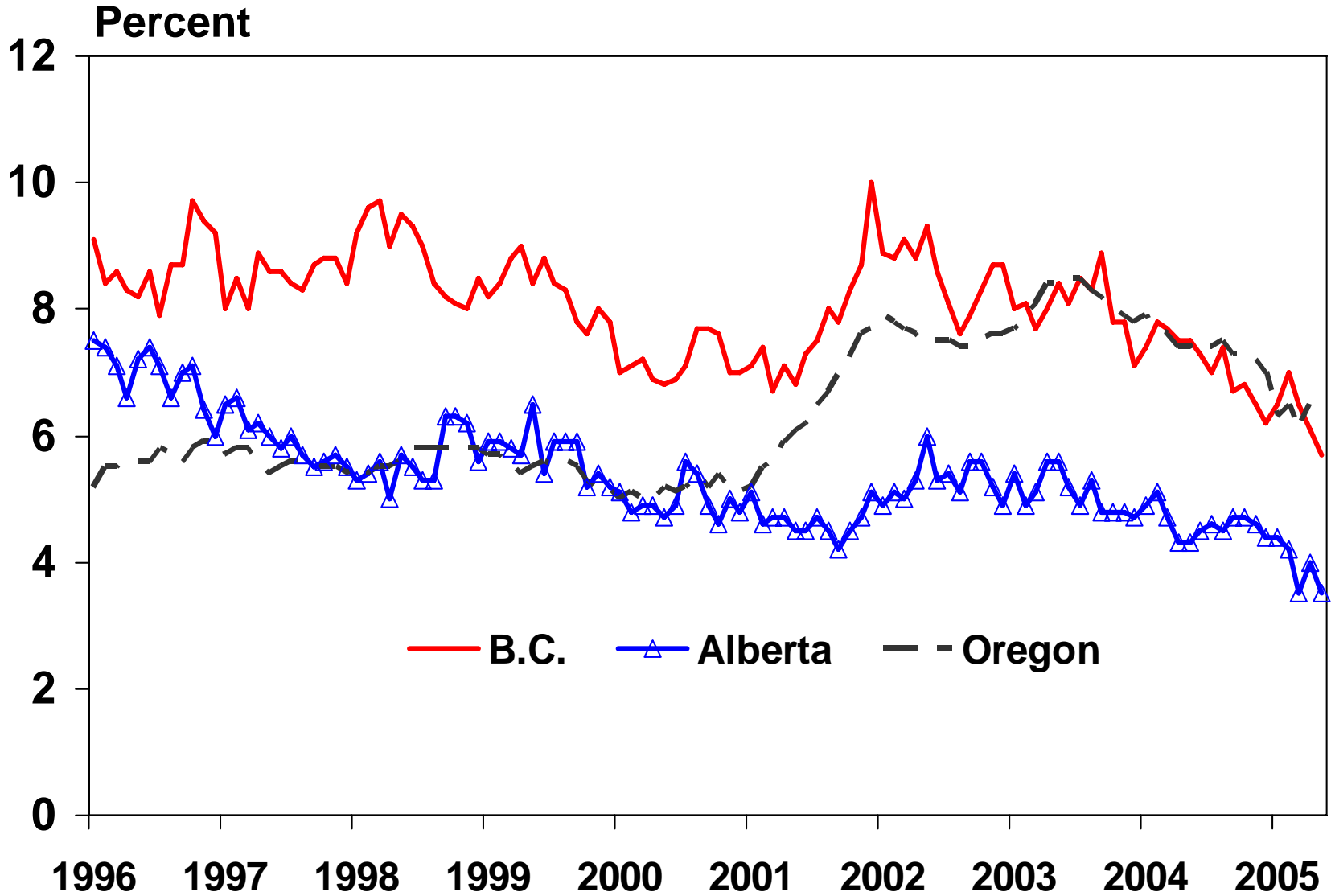


2005 Developments

	<u>B.C.</u>	<u>Alberta</u>
	<i>Year-to-date % change unless noted</i>	
Employment	+3.3	+1.8
Unemployment Rate	6.4%	3.9%
Manufacturing Shipments (\$)	+9.2%	+15.7%
Foreign Exports (\$)	+11.2%	+18.1%
Retail Sales (\$)	+6.6%	+10.4%
Housing Starts	-4.8%	+7.9%
Building Permits (\$)	+30.0%	+47.6%
CPI	+2.1%	+1.8%
GDP – consensus forecast	3.4%	3.6%

Source: Statistics Canada, BC Stats, Alberta Statistics

Unemployment Rates



Source: Statistics Canada, U.S. Department of Labor



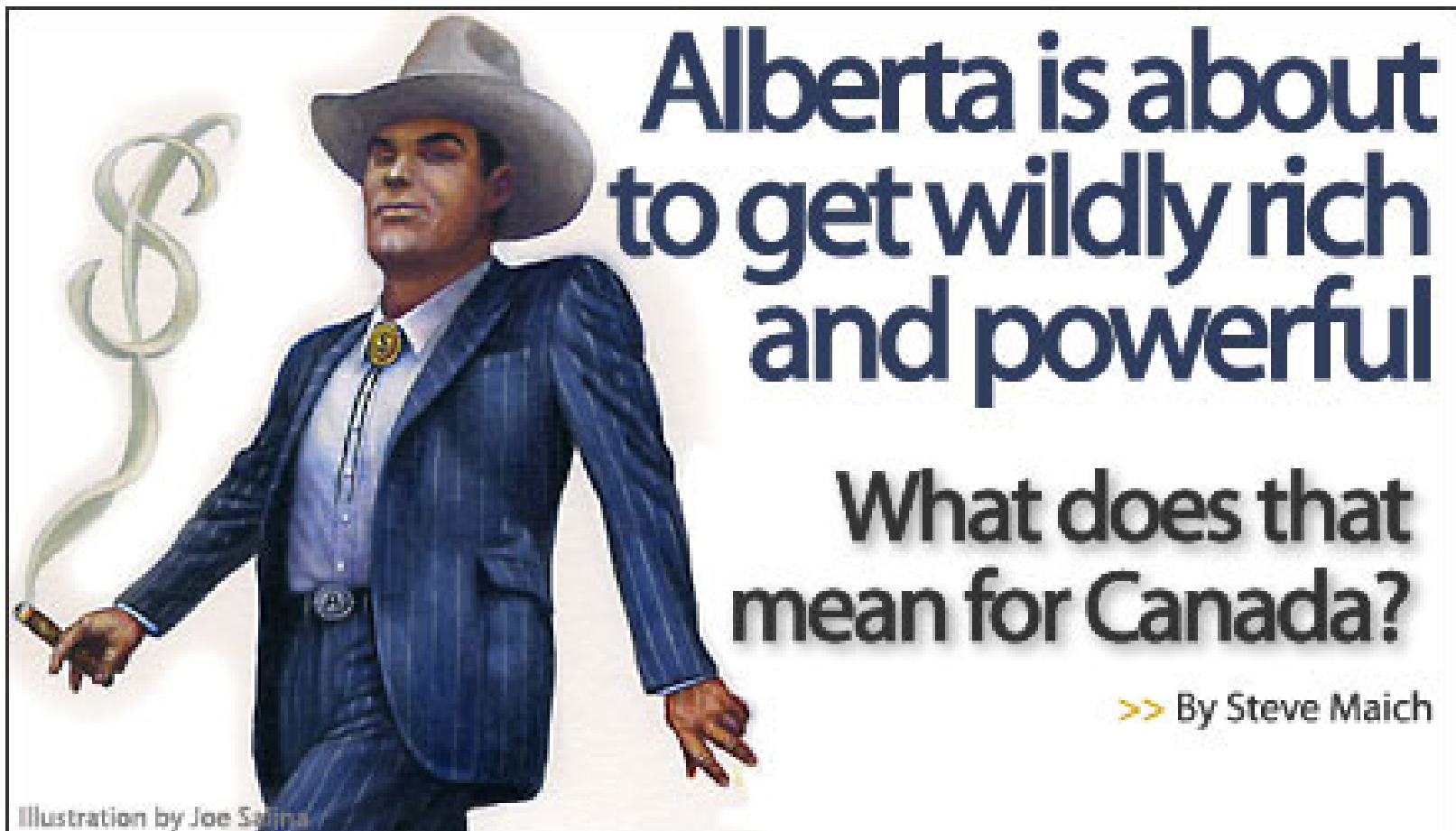
Constraints on Provincial Output?

- Capacity of ports, highways, urban infrastructure, etc.
- Labour supply – affected by barriers to inter-provincial mobility, immigration policies and professional accreditation.
- Environmental issues:
 - Sustainable rate of timber harvest (B.C.)
 - Water (Alberta)
 - Oil sands (Alberta)
 - Offshore oil and gas exploration moratorium (B.C.)
 - Kyoto protocol

Regional “Weight” in Canadian Federation

- Is current commodity boom a replay of late 1970s?
- Resource-rich Western provinces out-performing nation.
- Alberta’s out-sized energy endowment creates fiscal imbalance among provinces.
- 1980: National Energy Program designed to re-distribute Alberta’s energy wealth via federal government.
- Unlikely to see this type of federal initiative again.

MACLEANS




Alberta is about
to get wildly rich
and powerful

What does that
mean for Canada?

>> By Steve Maich

Illustration by Joe Sarna


June 13, 2005 cover story



"We have to make sure that every person in every part of Canada benefits from the potential and the wealth that belongs to the people of Canada."


**- Former Prime Minister
Jean Chrétien**

August 2001



**"It's Alberta's oil if you live in Alberta
and it's Canada's oil if you live in
Ottawa. Energy has become the basic
fault line of federalism."**

**- Barry Cooper
University of Calgary**



“...there’s going to be a growing emphasis in the U.S. on ensuring those oil sands resources come south and don’t go anywhere else.”

**- Michael Klare
Author of *Resource Wars: The New Landscape of Global Conflict***

Implications for Regional Development Policy

- In Canada, provinces and federal government have most of the economic development levers.
- Local governments discouraged by legislation, fiscal capacity and public attitudes from competing for industry.
- Federal strategy focuses on building hard and soft infrastructure – but politics demand some semblance of regional “equality” of funding.
- What does Alberta do with its resource revenue?
- “The Dutch disease”.