



## Leading the Way

The BC-Alberta Economy

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The New West: The Rise of Alberta and BC in Canada

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Business Council of  
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## The New West: The Rise of Alberta and British Columbia in Canada

Alberta and British Columbia have become leaders in Canada. From economic performance to employment opportunities to innovative relationship building, they are leading the way. **The New West: The Rise of Alberta and British Columbia in Canada** was organized by the Business Council of British Columbia in collaboration with the Canada West Foundation.

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## 1. Overview

In 2004 and 2005, BC and Alberta were the top two provinces in terms of economic growth. This strong performance has been due in large part to conditions in natural resource markets, notably high commodity prices and strong foreign demand. A by-product of this prosperity is a level of employment not witnessed in many years. Sustained job growth and ample economic opportunities have enticed people to move to BC and Alberta from other parts of the country, as evidenced by recent trends in interprovincial migration.

The governments of BC and Alberta have done their part as well, by providing a setting that is conducive to business and investment. BC has been a leader in regulatory reform, making it easier for businesses to succeed. Meanwhile, Alberta recently became the envy of other provinces by achieving debt free status. By working cooperatively on the British Columbia-Alberta Trade, Investment, and Labour Mobility Agreement (TILMA), the two provinces have gone a long way in further enhancing their economic competitiveness.

Looking forward, residents of BC and Alberta will likely witness continued prosperity. Ongoing strength in worldwide demand for energy resources and other commodities, growth in the Asia Pacific region, high levels of construction activity and business investment, and an educated and skilled workforce will all contribute to sustained economic growth.

Of course, this success comes with some challenges, particularly the mounting shortage of labour. For businesses, these shortages can translate into higher labour costs, production delays and barriers to expansion. Add to the mix escalating material costs and the viability of some construction projects may be at risk. Residents of the two provinces are also facing challenges due to rapid growth, including congestion in urban centres and housing affordability and availability.

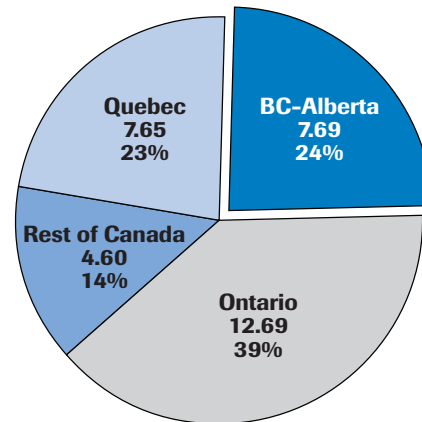
## 2. A Large and Growing Region

Nearly one-in-four Canadians live in BC-Alberta, an area with a combined population slightly larger than that of Quebec (see Figure 1). Further, BC-Alberta is home to 78% of the total population of the four western provinces. Together, the two provinces account for one-third of Canada's population increase over the past five years and nearly half of Canada's population increase from July 1, 2005 to July 1, 2006.

BC and Alberta were the only provinces with a net inflow of interprovincial migrants in 2005/06, with Alberta attracting record levels. Interprovincial migration was negative in all other provinces (see Figure 2). The region's share of international immigrants is roughly proportional to its share of total population (see Figure 3). However, a majority of immigrants to BC-Alberta—approximately 70%—settled in BC.

Figure 1

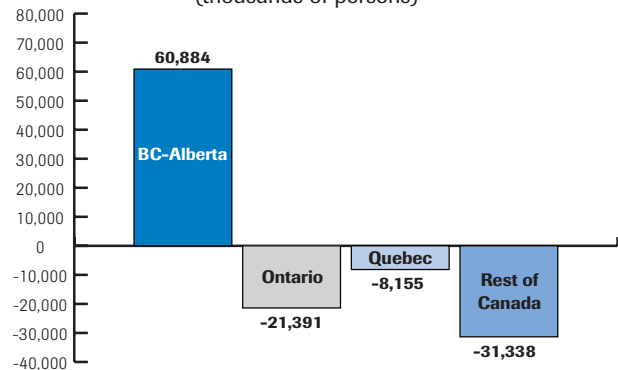
Population as of July 1, 2006  
(millions of persons and % share of total)



Source: Statistics Canada, CANSIM, table 051-0001

Figure 2

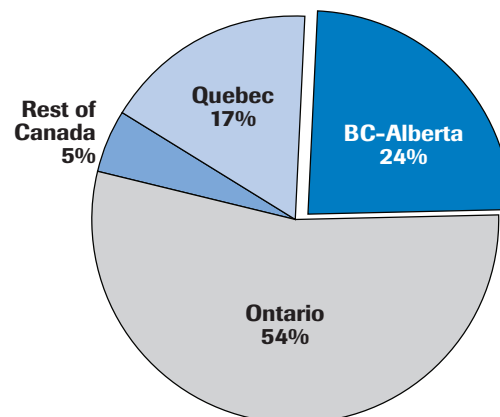
Interprovincial Migration 2005/6  
(thousands of persons)



Source: Statistics Canada, Catalogue 91-215

Figure 3

Share of Immigration, 2005



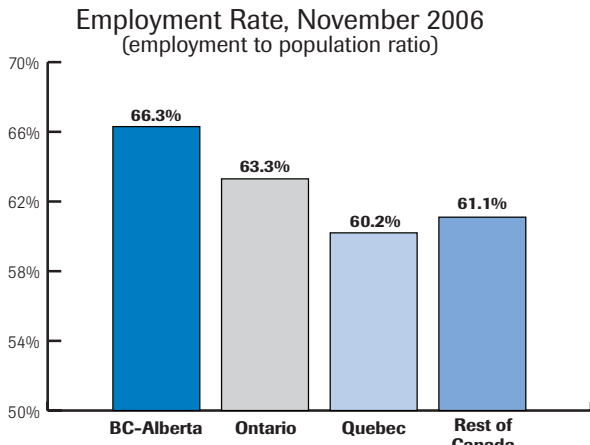
Source: Citizenship and Immigration Canada, Facts and Figures 2005, www.cic.gc.ca

### 3. Record Employment Levels

Due to rapid economic growth and strong demand for labour, the employment rate (ratio of employment to working age population) of BC-Alberta leads the nation at 66.3% (see Figure 4). Unemployment rates for BC and Alberta—4.9% and 3.1% respectively—are lower than all other provinces except Manitoba and Saskatchewan (see Figure 5).

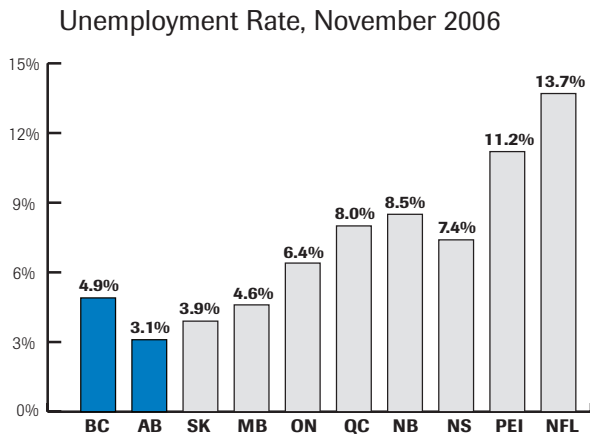
Employment growth in BC-Alberta has significantly outpaced the rest of the country in recent years (see Figure 6). Between October 2003 and October 2006, employment in the two provinces is up 9.1% whereas it is up 3.9% in the rest of Canada. As a result of the region's strong growth, BC-Alberta has accounted for 42% of all job growth in Canada in the past three years.

Figure 4



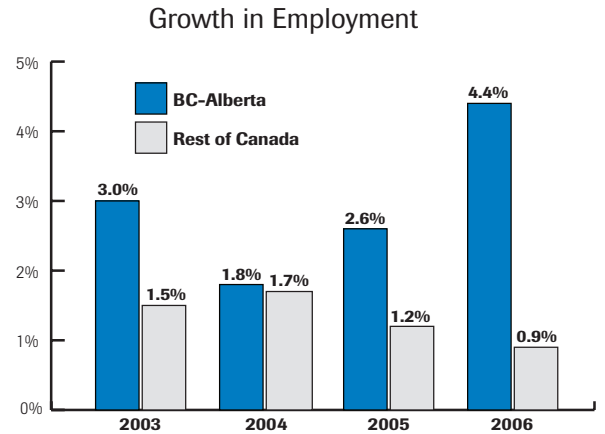
Source: Statistics Canada, *The Daily*, December 1, 2006

Figure 5



Source: Statistics Canada, *The Daily*, December 1, 2006

Figure 6

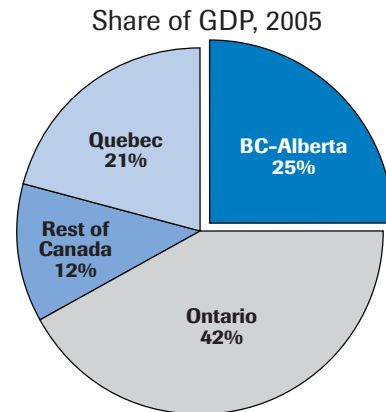


Source: Statistics Canada, CANSIM, table 282-0087

### 4. An Economic Powerhouse

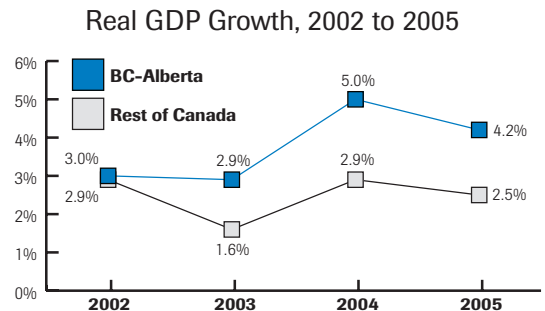
In 2005, the combined economy of BC-Alberta was responsible for 25% of Canada's economic output (see Figure 7). Economic growth for the combined market of BC-Alberta has outpaced the rest of the country for the past few years (see Figure 8).

Figure 7



Source: Statistics Canada, CANSIM, table 384-0002

Figure 8



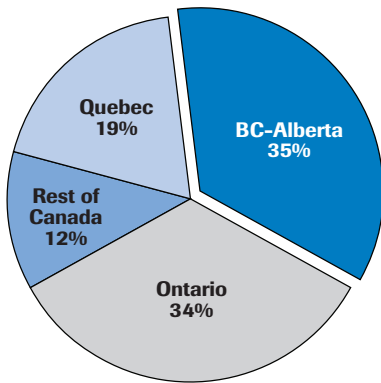
Source: Statistics Canada, CANSIM, table 384-0002

### 5. Robust Investment

Construction activity and investment in machinery and equipment in BC-Alberta is nearly double that of Quebec and exceeds even Ontario, an economy that is 69% larger than BC-Alberta (see Figure 9). Although inflationary pressures and labour shortages are causing some headaches, non-residential construction activity will continue to be an important component of growth in the region. Growth in capital expenditures in BC-Alberta leads the nation (see Figure 10).

**Figure 9**

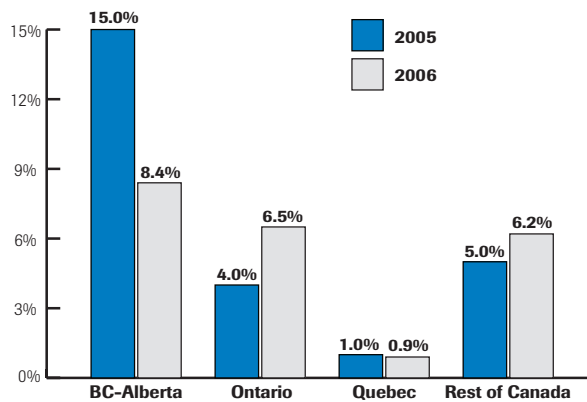
Share of Private and Public Investment, 2005



Source: Statistics Canada, Catalogue 61-205

**Figure 10**

Public and Private Investment (annual % change)



Source: Statistics Canada, Catalogue 61-205

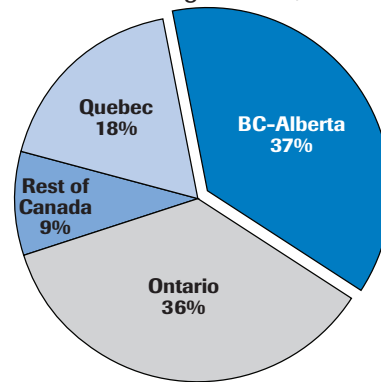
### 6. Building Permits and Housing Starts

The BC-Alberta economy accounted for 37% of the value of all building permits in Canada for the first three quarters of 2006 (see Figure 11). Compared to the same period in 2005, the total value of building permits in BC-Alberta is up 25% (see Figure 12). BC-Alberta's share of all building permits in Canada has increased in recent years from an average of 27% from 2001 to 2004 to 37% in 2006.

Compared to the rest of Canada, growth in the value of non-residential building permits in BC-Alberta has been exceptionally strong as of late. Figure 13 shows the change in the value of non-residential building permits over the past decade and a half. In BC-Alberta, the value has doubled over the past two years.

**Figure 11**

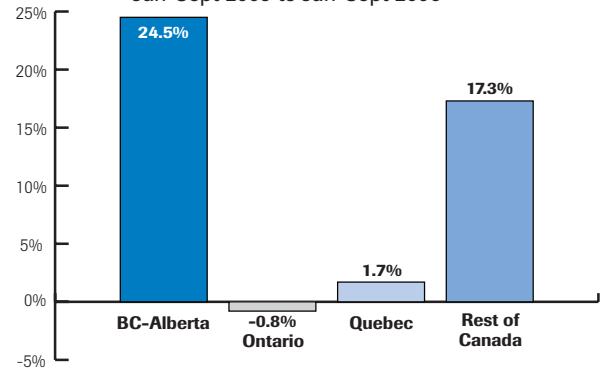
Share of Total Building Permits, Jan-Sept 2006



Source: Statistics Canada, The Daily, November 6, 2006

**Figure 12**

Increase in Building Permits Jan-Sept 2005 to Jan-Sept 2006



Source: Statistics Canada, The Daily, November 6, 2006

BC-Alberta accounts for a disproportionate share of the total number of housing starts in Canada (see Figure 14). Canadian Mortgage and Housing Corporation forecasts indicate that the number of housing starts in BC-Alberta in 2006 will exceed that of Ontario.

Figure 13

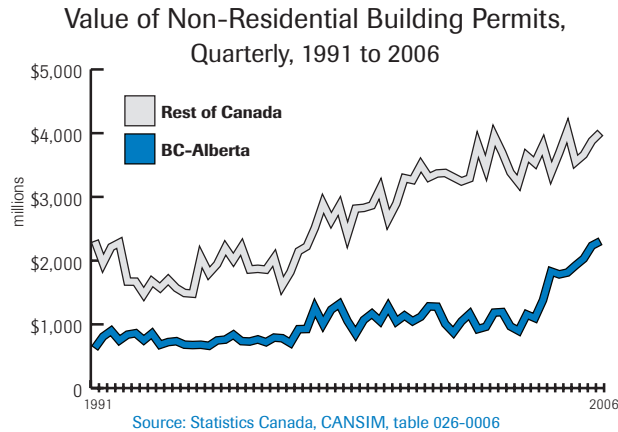
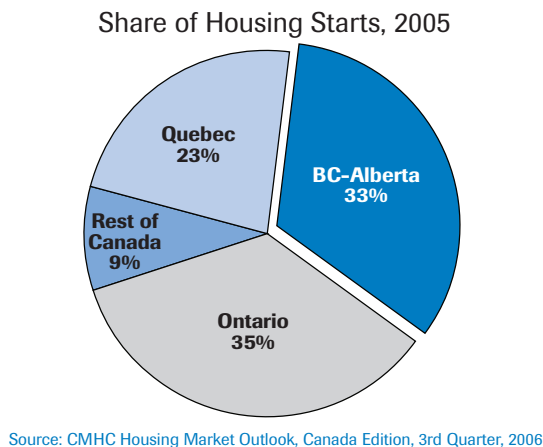


Figure 14



## 7. International and Interprovincial Trade

In 2005, 27% of Canada's international exports came from BC-Alberta (see Figure 15). Due to strong exports of natural gas and crude oil, Alberta punches above its weight in this category. The composition of exports differs significantly between the two provinces. While wood products and pulp and paper make up about 40% of BC's exports, over 70% of Alberta's exports are energy related. Compared to BC, Alberta is more heavily dependent on the US as an export market. Almost 90% of Alberta's exports are destined for the US, compared to 65% for BC. Nearly one-quarter of BC exports go to Asia-Pacific countries. Exports to China, while still a small part of overall trade, have grown dramatically.

Alberta has tripled its exports to China in the past 10 years while the value from BC has more than doubled.

Interprovincial trade lags behind international trade (see Figure 16). In fact, BC-Alberta's exports to the US exceed interprovincial exports to the rest of Canada. Looking at trade within Canada, BC-Alberta combined runs a trade deficit with both Ontario and Quebec and a surplus with the rest the country (see Figure 17).

Figure 15

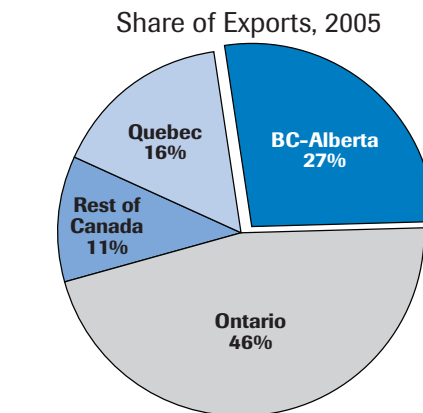


Figure 16

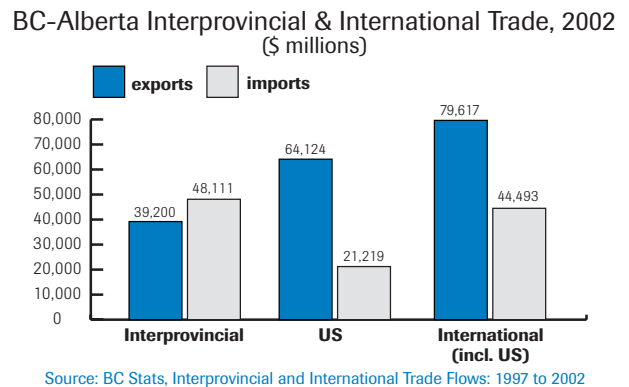
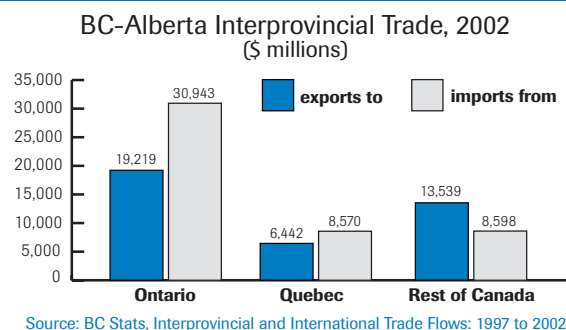


Figure 17



## 8. Consumers in BC-Alberta are Spending

Given employment growth and gains in wages and salaries, it is not surprising that retail sales have been strong, especially in Alberta. In the past 12 months, retail sales in BC were up 5.6%, on par with most other provinces. The increase in Alberta, however, was an astonishing 17.4%.

The region's share of total retail sales in Canada (27%) is slightly larger than the share of total population (see Figure 18).

## 9. Manufacturing

Manufacturing activity is a smaller part of the BC-Alberta economy compared to central Canada (see Figure 19). The energy sector in Alberta and the resource sector in BC are key elements of manufacturing in the region. In Alberta, more than 40% of manufacturing shipments are related to the energy sector. Following a less than stellar performance from 2000 and 2004, manufacturing shipments in BC have rebounded somewhat due to increases in shipments of paper, petroleum and coal.

## 10. Research and Development

Combined expenditures on research and development in BC-Alberta represent 17% of the Canadian total, compared to 44% in Ontario and 28% in Quebec (see Figure 20).

## 11. Growth Brings Challenges

The economic expansion in BC and Alberta comes with some challenges, particularly the shortage of labour. For businesses, these shortages can translate into higher labour costs, production delays and barriers to expansion. Not only do average weekly earnings in BC and Alberta exceed those of most other provinces, they are also increasing at a faster rate. Add to the mix escalating material costs and the viability of some construction projects may be at risk.


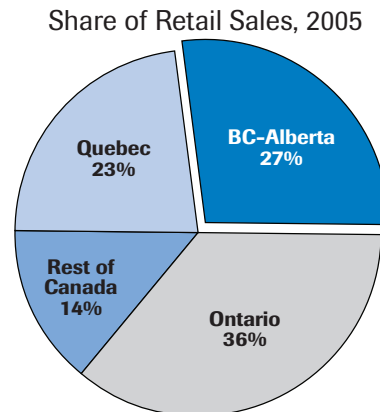
Residents of the two provinces are also facing the challenges of growth, including congestion in urban centres and housing affordability and availability. For many people in BC, such as those living in Vancouver or Victoria, the affordability of housing is a real concern. TD Economics recently reported that home ownership costs in the two centres are in the range of 50% of median household income. In comparison, housing is still relatively affordable in places like Calgary and Edmonton. Nonetheless, extraordinary price increases have reduced affordability in these cities considerably. 

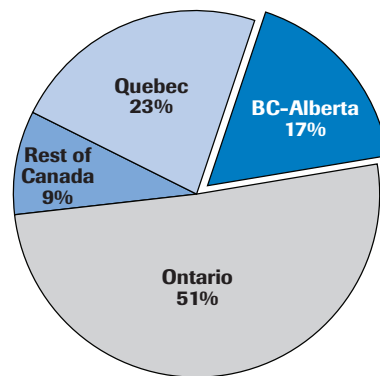
Figure 18



Source: Statistics Canada, CANSIM, table 080-0014

Figure 19

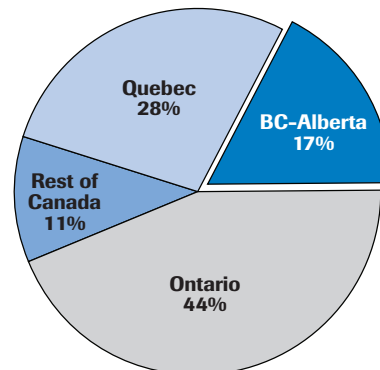
Share of Manufacturing Shipments, 2005



Source: Statistics Canada, CANSIM, tables 304-0014 and 304-0015

Figure 20

Share of Total Spending on R & D, 2005



Source: Statistics Canada, Catalogue 88F006XIE



## Spotlight on...

### **Alberta's Oil Sands**

Canada has the second largest proven crude oil reserves in the world, after Saudi Arabia. Alberta's oil sands contain the majority of this oil. This resource has been, and will continue to be, an essential component of Alberta's economic success:

- \$87 billion in oil sands projects have been announced for the period 1996-2016;
- the Canadian Energy Research Institute estimates that the oil sands will contribute a cumulative \$789 billion to Canada's economy and a total of \$123 billion in revenues to various governments in Canada from 2000-2020.

### **2010 Olympic Winter Games**

The eyes of the world will be on BC as it hosts the 2010 Olympic and Paralympic Winter Games in Vancouver and Whistler. The 2010 Games will provide a lasting legacy for all BC residents—ranging from increased tourism and economic opportunities to greater availability of affordable housing for low-income families in Vancouver (a significant portion of the Olympic Village will be converted to affordable housing). A study prepared by the BC government predicts that the 2010 Games could generate up to \$10.7 billion in economic activity, create up to 244,000 full-time jobs and provide tax revenues of up to \$2.6 billion.

### **Pacific Gateway**

With the rise of Asian economies, investment in an enhanced Pacific Gateway is of key importance to the long term success of the economies of BC and Alberta. Expansion of the infrastructure required for substantially increased trade with countries like China and India will improve the region's competitiveness and attract foreign direct investment. Although BC is on the front line of the gateway to Asian economies, the gateway and its benefits extend beyond BC to the other western provinces, and indeed the entire country.



## Appendix 1

### Selected Statistics for BC, Alberta and Canada

	<b>BC</b>	<b>AB</b>	<b>BC-AB</b>	<b>Canada</b>
Population	4,310,500	3,375,800	7,686,300	32,623,500
Interprovincial migration 2005/06	3,779	57,105	60,884	-
Immigration, 2005	44,767	19,399	66,166	262,236
Real GDP, 2005, millions of chained (1997) dollars	\$145,501	\$142,896	\$288,397	\$1,157,705
Real GDP growth, 2004/2005	3.7%	4.6%	4.2%	2.9%
Unemployment rate, Nov. 2006	4.9%	3.1%	4.1%	6.3%
Employment rate (employment to population ratio), Nov. 2006	62.5%	71.1%	66.3%	63.0%
Public and private investment (millions)	\$32,257	\$60,317	\$92,574	\$265,512
Percentage change in public and private investment, 2005	8.7%	18.7%	15.0%	7.1%
Percentage change in public and private investment, 2006	6.5%	9.5%	8.4%	6.1%
Total value of building permits, Jan. to Aug. 2006 (millions)	\$7,351	\$8,678	\$16,029	\$42,914
Change in building permits, Jan.- Aug. 2005 to Jan.- Aug. 2006	12.1%	34.3%	23.2%	9.0%
Housing starts, 2005	34,667	40,847	75,514	225,481
Retail sales, 2005 (millions)	\$49,915	\$48,633	\$98,547	\$367,829
Exports, 2005 (millions)	\$35,476	\$81,221	\$116,697	\$435,937
Exports, 2002 (millions)	\$30,067	\$49,549	\$79,617	\$396,381
Imports, 2002 (millions)	\$31,534	\$12,958	\$44,493	\$348,957
Exports to US, 2002 (millions)	\$20,683	\$43,441	\$64,124	\$345,366
Imports from US, 2002 (millions)	\$11,826	\$9,393	\$21,219	\$218,497
Interprovincial exports, 2002 (millions)	\$21,395	\$35,078	\$39,200	-
Interprovincial imports, 2002 (millions)	\$29,396	\$35,986	\$48,111	-
Manufacturing shipments, 2005 (millions)	\$41,140	\$60,311	\$101,450	\$591,086
Research and development, 2004 (millions)	\$2,282	\$2,053	\$4,335	\$26,003

## About the Canada West Foundation

### Our Vision

A dynamic and prosperous West in a strong Canada.

### Our Mission

A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces, the territories, and all Canadians.

Canada West Foundation is a registered Canadian charitable organization incorporated under federal charter (#11882 8698 RR 0001).

In 1970, the One Prairie Province Conference was held in Lethbridge, Alberta. Sponsored by the University of Lethbridge and the Lethbridge Herald, the conference received considerable attention from concerned citizens and community leaders. The consensus at the time was that research on the West (including BC and the Canadian North) should be expanded by a new organization. To fill this need, the Canada West Foundation was created under letters patent on December 31, 1970. Since that time, the Canada West Foundation has established itself as one of Canada's premier research institutes. Non-partisan, accessible research and active citizen engagement are hallmarks of the Foundation's past, present and future endeavours. These efforts are rooted in the belief that a strong West makes for a strong Canada.

More information can be found at [www.cwf.ca](http://www.cwf.ca).



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