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The Daily

Statistics Canada

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Study: Year end review of the economy
2006

In retrospect, the most surprising development in Canada's economy last year was not that a surge in oil prices or the bursting of the American housing bubble failed to dampen growth, according to a year-end review of the economy.

Instead, the surprise was that so many people continued to underestimate the ability of Canadians to react and adapt to fast-changing or unexpected circumstances, the review suggests.

The theme that really stands out is the adaptability of Canadians faced with rapid changes in their economy, it concludes. The most dramatic example of this was the increased migration of people to oil-rich Alberta during the past year.

The study, published today in the online edition of *Canadian Economic Observer*, concludes that Alberta's dominant role in economic growth was the biggest economic story of the year.

Going back several years, the economy has been hit with a number of shocks which in the past could well have triggered a slowdown or even recession. Instead, growth has been remarkably stable since 2003.

Real gross domestic product expanded 2.7%, only marginally less than the 2.9% gain in 2005, despite a mid-year slowdown. This rate of growth was exactly the same as the average annual gain since 2003.

The mildness of the slowdown in growth was even more surprising in light of concerns and perceived threats expressed about the economy, including the slump in the automobile and housing markets.

That the perceived threats to growth did not derail the economy is not new. Just in the past decade, the economy has survived shocks ranging from the Long-Term Capital Management collapse to the Asian and Russian financial crisis in the late 1990s, the review noted.

The economy also survived the bursting of the high-tech bubble (which triggered the worst bear market for stocks since the Great Depression); the 9/11 terrorist attacks and persistent turmoil in the Middle East; and the jump in the exchange rate and commodity prices.

The resource boom

The current boom in commodity prices is now entering its fifth year. Initially, it was sparked by a surge in the energy sector. Metals took the lead in pushing up prices to record levels last year.

So-called "blue-collar" metals such as copper, nickel, zinc and iron ore spearheaded the advance, overshadowing their more illustrious precious metal cousins, such as silver and gold. This reflects higher demand in the rapidly expanding industrial base of developing countries, notably China. One measure of the strength of mining was that it was the only industry that increased employment in every province last year.

The development of the oil sands in northern Alberta remained the dominant trend in the energy sector, reshaping Canada's economic geography. Firms continued to pour money into these investments, tripling from $5.2 billion when the current surge in oil prices began in 2003 to a planned $16.1 billion in 2007.

The economic impact of the development of the oil sands rippled across Alberta, which had a litany of record-setting performances. They include fastest increase ever in retail sales (+16.2%), biggest hike in building permits and in non-residential construction ($3.6 billion and $1.1 billion respectively), the lowest unemployment rate (3.4%) and largest net inter-provincial migration on record.

The number of unemployed in Alberta (66,800), was the lowest in absolute terms since 1981, despite population growth of nearly one million (+47%) in the past quarter century. Its 4.8% increase in employment was the most of any province in nearly a decade.

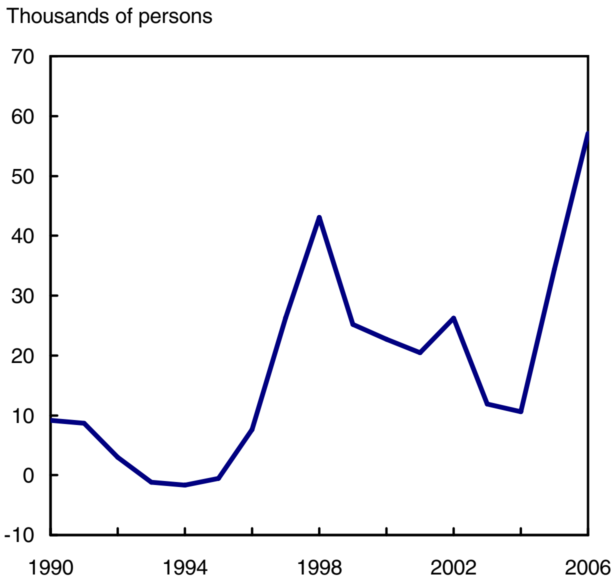
Alberta by itself accounted for the faster gain in employment and retail sales in Canada than in the United States. In fact, without Alberta, growth in the rest of Canada lagged slightly behind the United States on both accounts.

Great trek westward

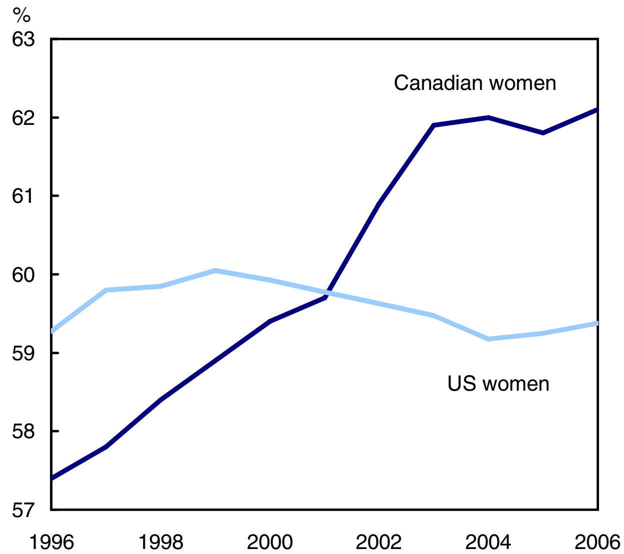
Alberta proved to be an increasingly attractive destination for people from all provinces. It received a net inflow of 57,105 people from other provinces, the largest inter-provincial movement of people to one province on record back to 1972.

The trek west accelerated sharply over the last two years, as word of the Alberta boom spread: after an average net inflow of just 11,000 people in 2003 and 2004, inter-provincial migration accelerated to 34,423 in 2005 before its record-setting performance last year. In the last decade, the net inflow of 285,620 inter-provincial migrants was the equivalent of 10% of Alberta's overall population in 1996, and nearly half of its growth of 600,600 people.

Record inter-provincial migration to Alberta



Gap widens in the participation rates of Canadian and American women



In any other year, British Columbia would have been the provincial success story. Employment in British Columbia grew 3.1% in 2006, on the heels of a 3.3% gain in 2005. This matched Alberta's torrid growth over the last two years. By early 2007, unemployment in British Columbia had fallen below 4.0%, a level that only Alberta and Saskatchewan have successfully broken through. Job growth was again led by mining.

Labour market: Unrelenting impact of the boomers

Canada's demographic profile shows the unrelenting impact of the aging of the boomer generation. The share of the prime-aged labour force (25 to 54) dropped below 70% for the first time in nearly two decades as the first boomers turned 60.

Labour force growth was sustained by ongoing gains in the participation rates of women. After a brief pause in growth in 2005, a record 62.1% of all women were in the labour force last year. Since 1999, their participation rate has risen 3.2 points, more than in all of the 1990s.

One reason women continued to enter the labour force was their increasing prospect of getting a job. Unemployment among adult women was a record low of 5.2% last year, and has been below that of adult men every year since 2000. (Historically, it fell below men only during recessions).

The increasing attachment of Canadian women to the labour force was in marked contrast with the United States. There, the participation rate of women peaked at 60% in 1999, before falling steadily to 59.4%.

This growth was a critical development in a labour market increasingly characterized by aging and shortages. Given the widening gap in educational attainment between women and men, this also assured a growing supply of the most skilled workers. In 2006, the number of women with a university degree exceeded men for the first time ever.

Another difference with the United States was the recovery in youth employment rates in Canada. Last year, 58.7% of youths aged 15 to 24 held a job, up from a low of 51.5% a decade ago. The increase was equally evident for teens and older youths.

In contrast, youths (especially teens) have been withdrawing from the labour force in the United States as their unemployment rate rose. The increase in Canadian youths holding jobs relative to American youths was equivalent to 1.5% of total employment.

Consumers were unfazed by rising gas prices

Consumer spending continued to expand briskly last year, underpinned by strong labour, housing and stock markets.

Not even record high energy prices deterred consumers. While prices rose another 5% on average, the mild winter weather lowered the use of energy for home heating enough that consumers actually devoted a smaller share of their budgets to energy than in 2005.

Consumers in Canada mostly shrugged off the effect of rising gasoline prices on their driving habits, never mind their overall behaviour.

Retail gasoline consumption has continued to increase every year since 2002, including a 0.8% rise last year. The only concession drivers made to higher prices was to switch from premium to regular grade gasoline in each year.

Neither did rising gasoline prices broadly affect the level or composition of vehicle sales. Overall, unit sales were the second highest ever, just 4% below the record set in 2002.

For the fifth straight year, purchases of trucks rose faster than car sales. In fact, the strength of truck sales pushed the share of cars in all vehicle sales to a record low of 51.7% last year.

The study "Year end review" is now available for free online. The study is also included in the April 2007, Internet edition of *Canadian Economic Observer*, Volume 20, no. 4 (11-010-XWB, free), which is now available. The monthly paper version of *Canadian Economic Observer*, Volume 20, no. 4 (11-010-XPB, $25/$243) will be available on April 19.

From the *Publications* module of our website, click on the banner ad for *Canadian Economic Observer*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Philip Cross (613-951-9162; *ceo@statcan.ca*), Current Economic Analysis Group. ■

New Housing Price Index

February 2007

The cost of new housing was up 0.5% in February from the previous month. This brought the New Housing Price Index to 148.8 (1997=100). Compared on a year-over-year basis, contractors' selling prices were up 10.0%, just below the 10.1% registered in January.

Prices increased in 10 of the 21 metropolitan areas surveyed with Regina leading the way (+4.7%), as it experienced prolonged construction times due to brisk sales. Québec and Edmonton followed (+2.7% each). Costs for construction materials, labour rates and higher lot values were contributing factors in all three metropolitan areas.

Noteworthy gains were also observed in Greater Sudbury and Thunder Bay (+1.7%) due to expected raw material and labour cost increases. It was followed by Montréal, Hamilton, Winnipeg, St. Catharines–Niagara, Kitchener and Toronto and Oshawa. Of the 10 metropolitan areas showing increases, land prices rose in 7.

Eight metropolitan areas registered no monthly change. Windsor (-0.9%) showed the largest decrease due to new home buyer incentives. Saint John, Fredericton and Moncton and London were also down from the previous month.

Edmonton (+42.5%) posted the largest 12 month increase, followed by Calgary (+37.8%). Saskatoon (+16.1%), Regina (+13.5%), Winnipeg (+7.9%) and Vancouver (+6.0%) also had noteworthy year-over-year gains.

Available on CANSIM: table 327-0005.

Definitions, data sources and methods: survey number 2310.

The fourth quarter 2006 issue of *Capital Expenditure Price Statistics* (62-007-XWE, free) will be available in April.

For more information, or to enquire about the concepts, methods or data quality of this release, contact our Client Services (613-951-9606, fax: 613-951-1539; *prices-prix@statcan.ca*) or Randy Sterns (613-951-8183; *randy.sterns@statcan.ca*), Prices Division.

New housing price Indexes

	February 2007	February 2006 to February 2007	January to February 2007
	(1997=100)	% change	
Canada total	**148.8**	**10.0**	**0.5**
House only	158.5	9.7	0.4
Land only	129.6	10.6	0.5
St. John's	132.3	3.5	0.0
Halifax	131.4	1.3	0.0
Charlottetown	117.8	3.8	0.0
Saint John, Fredericton and Moncton	113.0	1.1	-0.5
Québec	146.6	3.8	2.7
Montréal	152.4	4.9	0.9
Ottawa–Gatineau	161.0	2.8	0.0
Toronto and Oshawa	139.2	2.7	0.1
Hamilton	146.6	5.7	0.7
St. Catharines–Niagara	147.4	3.9	0.2
Kitchener	138.3	2.1	0.2
London	135.4	3.2	-0.2
Windsor	103.3	-2.5	-0.9
Greater Sudbury and Thunder Bay	104.0	2.9	1.7
Winnipeg	150.7	7.9	0.7
Regina	170.1	13.5	4.7
Saskatoon	148.9	16.1	0.0
Calgary	239.0	37.8	0.0
Edmonton	214.1	42.5	2.7
Vancouver	116.1	6.0	0.0
Victoria	117.4	0.3	0.0

Note: *View the census subdivisions that comprise the metropolitan areas online.*

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Electronic, commercial and industrial machinery and equipment repair and maintenance services

2005

Buoyed by continued strong mining and construction activity in Alberta, businesses that repair and maintain electronic, commercial and industrial machinery and equipment earned operating revenues of $6.5 billion in 2005, an increase of 10.0% from 2004. This was the third consecutive year of rapid expansion for the industry.

The industry's operating revenues grew most rapidly in British Columbia (+21%), followed by Alberta (+18%). Operating revenues in Ontario remained flat.

Over 80% of the industry's 2005 operating revenues were generated by businesses located in three provinces — Alberta (33%), Ontario (27%) and Quebec (21%).

Total operating expenses for the industry grew by 9.1% in 2005. Much of the growth can be attributed to salaries and wages which grew by 14.7%, as shortages of skilled welders and trades-people made them harder to attract.

The overall industry's operating profit margin, at the national level, showed a modest increase, rising to 9.1% in 2005 from 8.4% in 2004. The profit margins of large firms did not markedly differ from those of their smaller counterparts. Nor did large firms' operating revenues expand more rapidly than those in the rest of the industry. This industry is not highly concentrated as the 20 largest firms only accounted for 11% of the industry's total operating revenues in 2005.

Of the 20 largest companies in the industry, based on operating revenue, 13 are located in Western Canada.

Four-fifths of the industry's total operating revenue comes from industrial and construction machinery and equipment repair, and other repair services such as welding and repair of non-domestic cooling and refrigeration equipment. Operating revenues for these firms rose by 12.7% in 2005, and they recorded an operating profit margin of 9.4%.

The remaining one-fifth of industry revenues are earned by businesses primarily engaged in the repair and maintenance of electronic and precision equipment. As prices for new electronics fell, consumers increasingly opted to purchase new electronics products rather than repair their old ones. As a result, these firms' operating revenues fell by 1.6% in 2005, and their operating profit margin declined from 7.9% to 7.6%.

Estimates for the reference year 2005 for the Annual Survey of Service Industries: Electronic, commercial and industrial machinery repair and maintenance services are now available.

Available on CANSIM: table 361-0006.

Definitions, data sources and methods: survey number 4720.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Marg Côté (613-951-0406; *marg.cote@statcan.ca*) or Daphne Bennett (613-951-3429; *daphne.bennett@statcan.ca*), Service Industries Division. ■

Salary and salary scales of full-time teaching staff at Canadian universities

2005/2006 (supplementary)

Preliminary data on the salaries of full-time teaching staff at 63 Canadian universities for the 2005/06 academic year were released in *The Daily* on July 11, 2006.

Information is now available on the salaries of full-time teaching staff at 25 additional Canadian universities, along with information on the salary scales for selected institutions for the 2005/2006 academic year. The institutions that are included are all those that have completed the survey by the beginning of April 2007.

The information is collected annually under the University and College Academic Staff Salary System.

As more information becomes available, it will be released periodically. Once information for all institutions has been received, a final report will be issued. Also available are special requests from this data set.

Definitions, data sources and methods: survey number 3101.

For further information or to order data, contact Client Services (toll-free 1-800-307-3382; 613-951-7608; fax: 613-951-9040; *educationstats@statcan.ca*), Culture, Tourism and the Centre for Education Statistics. ■

New products

Canadian Economic Observer, April 2007, Vol. 20, no. 4
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(free).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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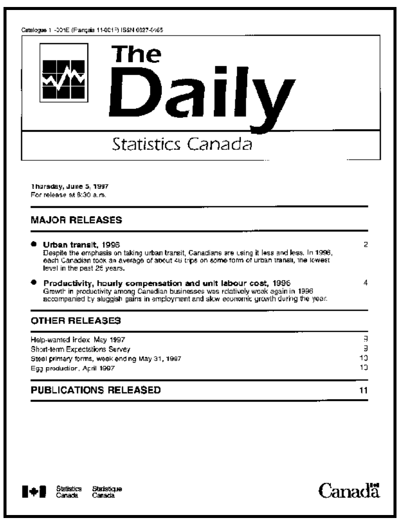

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Thursday, June 5, 1997
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MAJOR RELEASES

- **Urban transit,** 1996 — 2
  Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 46 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost,** 1996 — 4
  Growth in productivity among Canadian businesses was relatively weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

OTHER RELEASES

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