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ECONOMIC CIRCUMSTANCES BY PROVINCE

A DREE PERSPECTIVE

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Spring 1977



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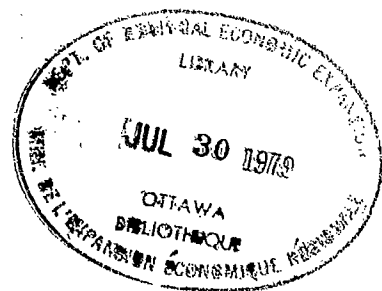
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FOREWORD

As part of DREE's ongoing research and monitoring of economic activity in each of the 10 provinces, a good deal of useful information on current and short-term prospects for the provincial and regional economies is developed. During the early part of the year, the provincial and regional offices of this department prepared brief summary reviews which were collected in the enclosed document "Economic Circumstances by Province: A DREE Perspective".



NATIONAL ECONOMIC OVERVIEW

The slow cyclical recovery, which began after the mid-year of 1975, is still underway in Canada. After a marginal increase in 1975, real output recorded a strong recovery in the first part of 1976. Since then, however, growth has been sporadic due to inventory changes and developments in the foreign sector. For the year as a whole, real GNE advanced by slightly less than 5.0 per cent in 1976. The main impetus to real growth came from personal consumption expenditures (up nearly 6.0 per cent) and residential construction (up over 18.5 per cent). The foreign sector was relatively neutral in its impact on real growth in 1976 as an improvement in the real trade balance was almost offset by a continuing deterioration in the real services balance. Business investment in plant and equipment showed no real growth last year. At the industry level, investment in the commercial and manufacturing sectors experienced significant declines while investment in oil and gas, electrical utilities, and the mining sectors continued to show some strength. The growth in government current expenditures in real terms decelerated significantly in 1976 to around 2.0 per cent from approximately 4.0 per cent in 1975.

Given the economic growth pattern in 1976, employment grew more rapidly in the first half of that year than in the second half. The unemployment rate rose from slightly less than 7.0 per cent in the first few months of the year to almost 7.5 per cent in the last quarter. Overall, the rate averaged 7.2 per cent for the year, marginally higher than in 1975. The consumer price index moderated almost continuously in 1976 with a year-over-year increase of about 7.5 per cent, over 3.0 percentage points less than in the previous year.

Economic activity in Canada in 1977 appears weaker than in 1976, with the growth in real GNE expected to be a modest 3.0 to 3.5 per cent. The growth in consumer spending should slow in 1977 while the number of housing starts will probably decline from last year's high level. The slow but continuous recovery of Canada's major trading partners with the current depreciation of the Canadian dollar are giving some strength to export markets although the accumulated deficit in the balance of payments will continue to be of concern.

One of the weakest areas in the economy will be business spending on plant and equipment. Given past low levels of corporate profits, capacity utilization rates and the uncertainty over the post-controls environment, real business investment in plant and equipment is expected to increase only marginally in 1977. The one positive factor in the investment picture, however, is the number of major energy projects now underway. Outlays on energy and energy-related projects are likely to continue to show considerable strength. Exports are expected to expand considerably during 1977, but will have little more than a moderate impact on overall growth.

The slower economic growth in 1977, along with the effects of the wage and price control program, should result in a continuing moderation in inflation rates. The depreciation of the Canadian dollar, however, may work to partially offset this moderation. The slower growth will also give rise to smaller employment gains and consequently the unemployment rate may rise to over 7.5 per cent this year.

MAJOR DEVELOPMENT ISSUES

Provincial economic circumstances are dominated by current policy issues which may foster or hinder economic growth. While many of these policy issues are provincially or regionally specific by nature, others are general and are more likely to affect the performance of the Canadian economy as a whole. Over the next few months and years, a number of these major economic development issues that will likely affect the national economy may require some government action. Although the following is by no means an exhaustive list of those issues, they currently are some of the major important concerns.

Competitiveness of Canadian Industries

The growth in private-sector investment has recently been declining in Canada and is not projected to pick up substantially for at least another year. The inhibiting factors have included excess capacity, low profit levels and corporate liquidity, relatively poor international market demand attributable to the recent world-wide recession, escalating prices of projects due to inflation and political uncertainty. A further inhibiting factor is the changing attractiveness of the Canadian economy relative to other industrialized countries. There are some fears that some investors are increasingly considering locations other than Canada because of, perhaps, lower production costs and fewer controls. Decreased levels of capital spending will lower the potential output of Canadian industries in the future and lower the productivity gains that can be realized. The ultimate outcome might include Canadian industries that are less competitive internationally but this fact has to somewhat be put into perspective with regional development objectives.

International Trade

International trade and then the current multi-lateral trade negotiations are important factors for economic growth. In Ontario, for instance, 23 per cent of the gross provincial product and a large proportion of manufacturing jobs are directly related to conditions in the export market. Moreover, many industries in Ontario and Quebec, such as textile and clothing, seem to depend upon tariffs and quotas on imports for their viability. In contrast, the auto industry has thrived under a relatively free trade system with the United States. Canada's manufacturing industries are therefore very concerned with the outcome of the present GATT negotiations.

Whether or not free trade is in the country's best interest, the outcome of the present trade negotiations could have a significant effect on the future performance and structure of the country's manufacturing industries. In the short-run, trade liberalization might have a negative effect on high-wage, low-productivity industries; but, in the long-run, fewer trade barriers could be of some assistance in encouraging industrial rationalization and in increasing overall productivity. Of course, such changes in the structure of Canadian industries would have an effect on the location of jobs and on regional development efforts to encourage exports of support adjustment for non-competing industries.

Energy

The international energy crisis of the past few years has had serious implications for development in those parts of the country that lack the natural endowments needed to produce energy. Conversely, the provinces of Alberta and to a lesser extent Saskatchewan, which are relatively affluent in terms of oil and gas have been stimulated in their growth through new development opportunities. The result has been an alteration in traditional patterns of development with some competitive advantages shifting away from central Canada. The relatively more expensive cost of energy in the Maritimes has meant an aggravation of that region's economic difficulties.

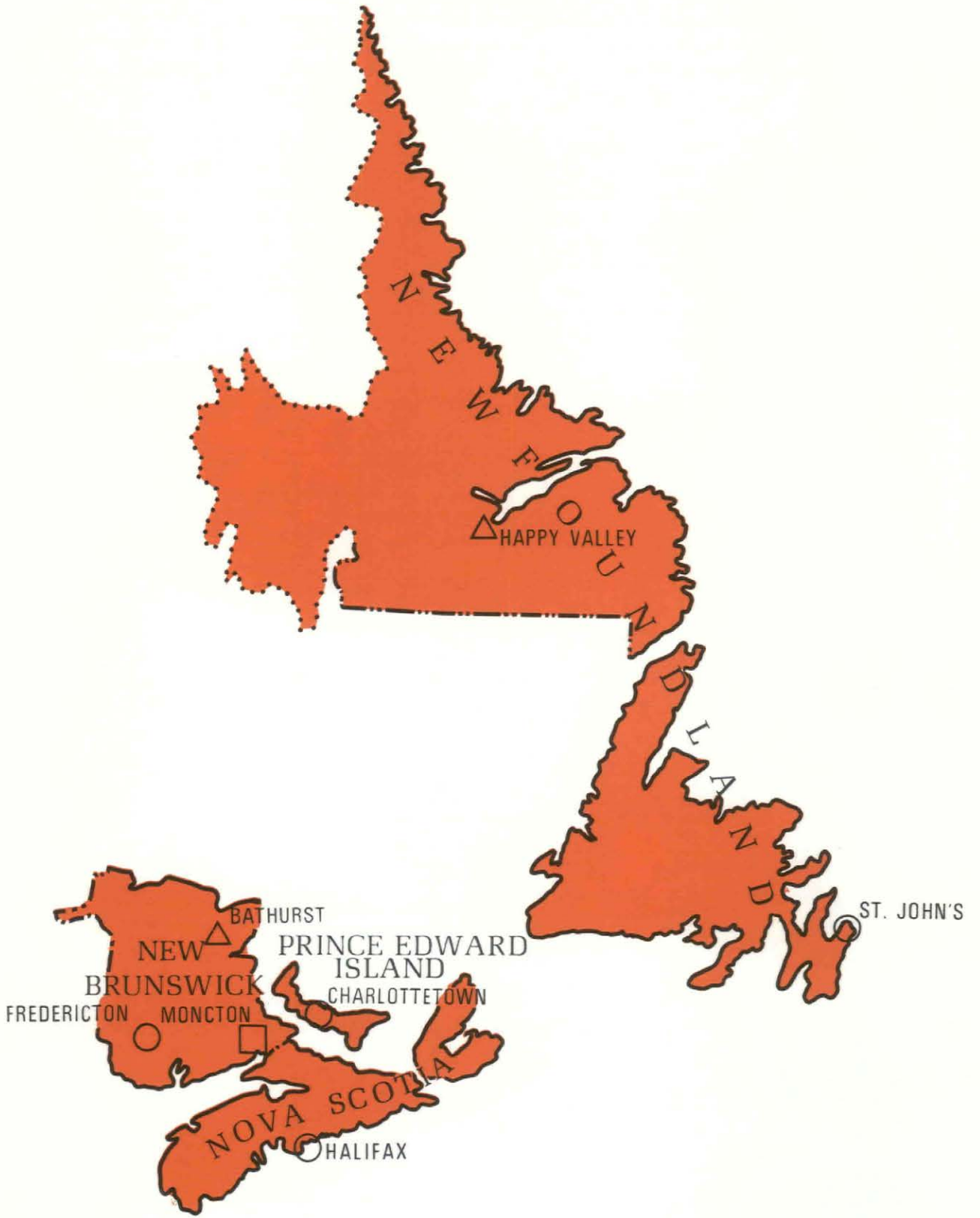
For all consumers, increasing energy prices have affected personal disposable income and have tended to change traditional consumption patterns. Furthermore, the conservation of scarce (and expensive) resources promises to be a continuing issue of national concern. Not only will energy, and the conservation of energy, help decide how individuals consume in the future, but energy might also help decide what industries Canada has a comparative advantage in, and hence how our industrial structure is likely to be modified. In terms of energy supplies, one of the major developmental issues in the next years would be the construction of the gas pipeline in the west.

Environmental Issues

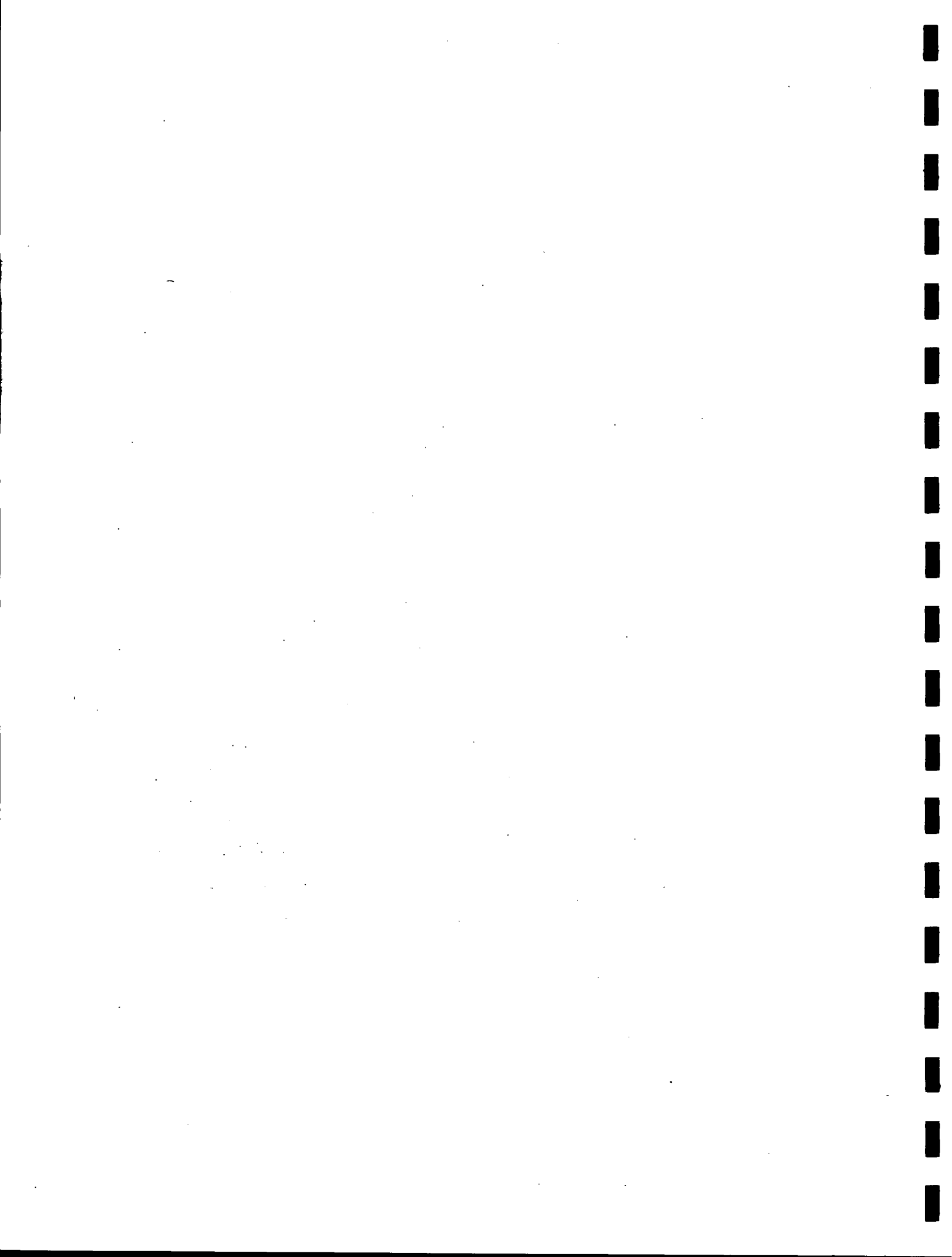
Conservation is not by any means limited to fossil fuels or hydro-electric power. Disruption of the natural environment and the pollution of air and water are, and will continue to be, a major concern over the new few years.

Both provincial and federal governments have undertaken many specific policies aimed at persuading or forcing industries to lessen pollution and increase environmental safeguards. As necessary as such policies have been, however, they clearly entail additional costs for industry and ultimately the consumer.

For some companies, the imposition of environmental safeguards involves competition for limited investment funds between new or expanded plant facilities and anti-pollution devices, although tax relief has been granted for certain types of anti-pollution equipment. In addition, the need to satisfy environmental safeguards may have, in some cases, contributed to delay and uncertainty over major developments. Since the majority of forecasters have been predicting a somewhat slower growth rate for Canada over the next few years, there is the strong possibility that the trade-off between increased production and environmental protection may become a more dominant issue.



- REGIONAL OFFICE
- PROVINCIAL OFFICE
- △ BRANCH OFFICE



ATLANTIC REGION

OVERVIEW

The economic situation in the Atlantic Region during 1976 was mixed. Overall, the growth performance was better than in the previous year, but the recovery was weaker than in Canada as a whole. Significant advances were made in the primary sectors in response to a recovery in export markets for primary products, such as fish, minerals, and potatoes. On the other hand, the growth rate in consumer expenditures tapered off and, on the negative side, a weak investment performance - despite some strength in utilities and housing construction - coupled with government expenditure restraints, hampered the overall rate of economic growth.

The outlook for 1977 is not particularly encouraging. The pace of economic recovery is expected to remain slow. Overall, the rate of growth is anticipated to be around 3.0 per cent, about the same as for Canada as a whole. The rate of inflation is expected to remain about the same as in the previous year, despite increases in oil prices, and real disposable income will increase, favouring a moderate growth in consumer expenditures. Exports are also anticipated to grow modestly, but will be constrained by poor economic performance in Canada generally and a lower growth performance in the United States than was predicted earlier. Investment performance is also expected to remain weak during 1977. As a consequence of the moderate rate of growth in output and weak investment performance, employment increases will remain low in 1977 and the rate of unemployment is expected to increase by at least one percentage point, reaching between 12 and 13 per cent.

DEMOGRAPHIC TRENDS

Reversing a long-standing trend, migration in the Atlantic Region has been positive since 1973. Total population as of June 1, 1976 was 2 181 775, 6.1 per cent higher than in 1971. This compares with an increase of 6.6 per cent for Canada as a whole. Two provinces, however (Newfoundland and New Brunswick), registered greater population increases than Canada as a whole. Preliminary census figures also show a decrease in urban-core population through a shift to suburban areas.

LABOUR MARKET

Reflecting the generally slow growth in output, employment grew by only 1.4 per cent during 1976. (The comparable figure for Canada is 2.2 per cent.) This increase was almost entirely recorded in services and public administration. The labour force increased by 2.5 per cent (the same as in Canada) and consequently the rate of unemployment rose from 9.9 per cent in 1975 to 11 per cent in 1976. In Canada as a whole, the unemployment rate edged upward by two-tenths of one percentage point, from 6.9 to 7.1 per cent.

SECTORAL REVIEW

Agriculture

Farm cash receipts in the first 10 months of 1976 exceeded the previous year's level by about 17 per cent. The increased revenue is largely due to higher exports of potatoes, particularly to Europe where a poor crop was experienced. While increased supplies are expected from producers in the United States, potato prices are expected to remain at about their present adequate levels into mid-1977. Otherwise the outlook for the agricultural sector is not particularly bright at this time, as beef prices remain at a low level, milk quotas have been reduced, and farm input prices continue to rise.

Fisheries

The Atlantic fishing industry has recovered somewhat from last year as markets have firmed and prices have risen gradually. A comparison of preliminary data on regional fish landings for the first 10 months of 1975 and 1976 indicates that rates of increases of 5.0 per cent in volume and 17 per cent in value terms have been registered. Whether the final annual outcome will ultimately show such dramatic increases is considered unlikely as the application of numerous quotas forced the closure of certain waters earlier than in 1975. While the January 1977 imposition of the 200-mile limit is welcomed in the region, the benefits derived will accrue only in the longer term as depleted stocks recoup. The outlook for 1977 is not an optimistic one; prices are expected to remain fairly stable, fishermen will be forced to operate further from shore (as quotas will be reduced in traditional areas, although the Canadian allocations will increase moderately overall) and a cost-price squeeze is expected.

Forestry

During 1976, growth in the forestry sector was marred by labour conflicts and the upturn in export markets for pulp and paper and lumber was not as strong as was anticipated. However, improvements were noted in the second and third quarters of the year although markets appear to be strengthening only very slowly and heavy inventories and low productivity have led to some periodic shutdowns. Over the longer term a number of major structural

problems beset the wood and wood-products industry in the region. Wood quality is low, and damages from budworm infestation are widespread. Due to the obsolescence of some pulp and paper mills, productivity is low. The resulting lack of competitiveness implies that production improves substantially only when markets are strong and that output is curtailed at the first sign of softening demand.

Mining

Mining is probably the brightest sector of the regional economy. Iron ore shipments from Labrador exhibited a strong recovery in the second half of 1976, and following a prolonged strike early in the year in northeast New Brunswick, base-metal mines are responding to improvement in these markets. Coal production in Cape Breton increased by 20.5 per cent to 2.2 million tons. Further significant increases are expected in 1977 and the long-term outlook appears good in view of rising oil prices and the signing of contracts with the Nova Scotia Power Commission and Stelco and the construction of a coal generating plant in Lingan. Oil exploration off Sable Island will continue throughout the year. On the negative side, Kaiser Aluminum and Chemical Corporation closed its celestite mine and strontium production operation in Cape Breton, affecting some 100 jobs.

Manufacturing

The performance of the manufacturing sector in 1976 was mixed. Generally, the primary manufacturing sector fared well. Pulp and paper production, as noted earlier, was hampered early in the year by labour conflicts but production and shipments strengthened after the first quarter of the year. On the other hand, a number of important failures or bankruptcies were recorded and at the end of the year some firms were in receivership or had been taken over by governments. Important lay-offs also occurred during the year. In total, regional shipments of manufactured goods were not significantly higher than in 1975, rising by only 7.3 per cent during the first 10 months in current dollar terms over the level a year earlier, in comparison to 12.1 per cent nationally.

Construction

The overall level of activity in the construction industry in 1976 was down from the previous year despite some strength in the residential sector and increased investment in energy-related projects. In the housing sector, however, some softness in the real-estate market appeared in the second half of the year. Housing prices have stabilized and even dropped in some areas. This development may adversely affect the number of starts in 1977. On the other hand, the rising cost of energy is expected to sustain a high level of construction activity in energy-related projects for a while. Overall, however, the construction industry is not expected to show much strength through the year. In particular, investment in government, industrial and commercial projects is expected to be soft.

Services

The service sector remains the fastest growing sector in the Atlantic Region. In 1976, employment in services grew by 2.8 per cent compared to 1.4 per cent for total employment and its share of total employment edged upward from 69.5 per cent in 1975 to 70.5 per cent in 1976. Employment in community, business and personal services alone rose by 3.1 per cent to 200 000.

However, some service industries were inconvenienced by the generally soft economic conditions which prevailed in 1976. Thus, employment in trade, transportation and finance, insurance and real estate remained virtually unchanged. The value of retail trade during the first 10 months of the year exceeded the previous year's level by 12.2 per cent, but sales of durable goods were somewhat soft. In particular, sales of new passenger cars were down from the corresponding period a year ago.

NEWFOUNDLAND

OVERVIEW

The standard economic indicators have continued, in 1976, to reflect the inability of the Newfoundland economy to generate any structural growth elements which can act positively and independently of the national economy and international circumstances. Real domestic product increased by significantly less than the Canadian average. The unemployment rate, however, fell to under 14 per cent and total personal income was up by 15.2 per cent. Newfoundland continues, in 1977, to await a resurgence of international demand for its new export commodities to spur its economic growth. Output growth in 1977 is again expected to be lower than the national average.

In large part, the sustaining elements for Newfoundland in 1976 have been the traditional, large-scale transfer of federal funds into the province, coupled with the provincial government's operational expenditures financed in part by long-term borrowing. Both of these elements supporting the economy have been and remain subject to the present policy of fiscal restraint by both levels of government. Federal transfer payments to the province exceed provincially generated revenue. Personal income also depends heavily on government transfer payments. The 1976 provincial budget, of almost \$1.1 billion, was funded 42 per cent from federal contributions, 40 per cent from provincial revenues and 18 per cent from borrowing. The province's per capita debt reached \$3 800 in 1976, more than double the national average.

DEMOGRAPHIC TRENDS

Newfoundland's population growth over the last few years has remained fairly constant with an increase of about 6.8 per cent to June 1976 from June 1971. Population in 1976 reached 557 725, however, although assessments are difficult to make except in census years, year-end indicators show an increased out-migration of skilled construction and mechanical workers.

LABOUR MARKET

The number employed rose by 4.0 per cent to 158 500 in 1976. Unemployment dropped to 13.6 per cent of the labour force from 14.2 per cent in 1975. However, Newfoundland's participation rate remains well below the national

average. Average weekly wages and salaries for the first three quarters of 1976 rose by 13.4 per cent to \$220 compared with a national average of approximately \$225.

INVESTMENT CLIMATE

New capital investment expenditures in Newfoundland for the year 1976 are estimated to have exceeded \$805 million, an increase of 12.8 per cent over the previous year. The major sources of investment strength were in utilities, up 68.3 per cent, and housing, up 31.8 per cent.

It is expected that the growth in investment expenditures in 1977 will only be in the vicinity of 2.5 per cent in current dollars. Moreover, 20 to 30 per cent of the expenditures are expected to be government generated and, given current restraint policies, many proposed intentions may not materialize, resulting in a decidedly negative effect on the construction and allied sectors.

SECTORAL REVIEW

Fishing

The volume and value of fish landings in Newfoundland were up substantially for the first 10 months of 1976 over the corresponding period a year earlier. Landings amounted to 255 000 metric tons, an increase of 20.1 per cent and the value was \$52.3 million, up 31.3 per cent. In 1975, landings were low due to adverse weather conditions, labour stoppages and the seriously diminished levels of fish stocks. In 1976, however, climatic conditions contributed to an excellent fishing season.

The industry has not recaptured its historic level of catch nor has its profitability recovered. Long-term prospects for the fishing industry in Newfoundland will be significantly affected by the new 200-mile fishing limit. The resulting greater degree of control of foreign catches is expected to result in greater catches for Canadian vessels and greater stability in fishermen's income.

Forestry

In 1976, the volume of output of newsprint and linerboard will have reached somewhat less than 800 000 short tons due to industry-wide labour difficulties during the first quarter of this year, and extended non-productive periods at the Labrador Linerboard Limited mill. In addition, a soft world-wide market for pulp and paper products has contributed to a 10.4 per cent decline in pulpwood production compared to the same period a year earlier.

It is expected that the two paper mills in Newfoundland will be operating at close to full capacity in 1977. However, the future of the linerboard mill at Stephenville, with losses in 1976 estimated at \$50 million,

is in doubt. Presently, world market conditions for linerboard are poor, but conditions are expected to improve in 1977.

Mining

The outlook for mineral production in Newfoundland is bright. Production in 1976 is estimated to be 14 per cent above the 1975 level.

The U.S. is a major export market for Newfoundland minerals and is currently showing signs of a recovery from the recession. This should improve the market for mineral exports. Iron ore from western Labrador represents about 85 per cent of the total value of provincial mineral production. The output from the new zinc mine at Daniel's Harbour is extending diversification in the industry. However, Asarco Mines at Buchans is reaching the end of its useful reserves and Consolidated Rambler Mines at Baie Verte has reduced production due to mercury pollution problems and low copper prices.

Mineral operations in the province employ approximately 6 300 people. The most current data show that average weekly wages and salaries in this sector were \$326.48 for the province, compared to the national average of \$310.54.

Oil and gas exploration activity off the coast of Labrador continued in 1976. Industry and government experts remain hopeful that a commercial find will be made and brought into production within the next 10 years.

Manufacturing

The value of manufacturing shipments was down 14.1 per cent for the first 10 months of 1976 over the same period the previous year, and the trend is expected to continue for the remainder of the year. The decline reflects closure of the Come-by-Chance oil refinery.

Construction

Construction activity gained slightly (6.9 per cent) over 1975, to \$699 million, largely based on increased activity in the residential sector. Many major projects were completed in 1976. A lack of new undertakings coupled with the indefinite deferment of the Lower Churchill power development has caused financial problems in the industry and is expected to result in an extremely low level of activity in 1977. Industry sources are projecting an unemployment rate, possibly as high as 80 per cent in the non-residential construction sector. The provincial construction labour force has about 15 000 workers, about 10 per cent of the total labour force. Out-migration of skilled workers is already reported to be occurring.

SUB-REGIONAL CIRCUMSTANCES

St. John's continues to be reasonably constant in its contribution to the provincial economy. Labrador Linerboard Limited, with its operating and market difficulties, is having a serious effect on the economy. The impact is being felt at the mill site in Stephenville and in the woods operation in Labrador. Happy Valley/Goose Bay is still feeling the impact of the deferment of the Gull Island project. For the first time since the development of the iron-ore deposits in the Labrador City/Wabush area, unemployment has become a problem. This local unemployment problem results from an influx of workers from other parts of the province reflecting, in turn, the more general and widespread weakness of the provincial economy.

PRINCE EDWARD ISLAND

OVERVIEW

The Prince Edward Island economy suffered significant unemployment in 1976. This unemployment reflected the major decline in construction activity which ensued from decreases in major government and institutional investments as well as residential construction. This employment decrease in construction was only partially offset by small increases in new small-manufacturing activity. While production (and resultant returns) were up significantly in both the primary sectors - agriculture and fisheries - very little of it translated into increased employment in the processing sector.

The rate of output growth for 1977 is again expected to be below the national average. Employment will rise only marginally above the 1976 level, and the unemployment rate is expected to increase slightly.

DEMOGRAPHIC TRENDS

The population of Prince Edward Island as of the June 1, 1976 census was 118 229. This represents a 5.9 per cent increase from the 1971 figure of 111 641. The population of the eastern and western ends of the Island remained approximately the same, while the population in the centre of the Island (Queens County) increased from 51 135 in 1971 to 56 414 in 1976. Population in both major centres, Charlottetown and Summerside, decreased substantially between 1971 and 1976, but the populations of the suburban communities around these centres increased more than enough to offset the decline.

LABOUR MARKET

The size of the working-age population in Prince Edward Island is expected to grow at a slower rate through 1977 than it has during the past two years, reaching about 86 000 by the end of 1977. The significant increase in participation rates, which contributed to the rapid expansion of the labour force in the past two years (from 45 000 in 1974 to 48 000 in 1976) is also expected to slow considerably over the next year. Resultant growth in the

labour force in 1977 is expected to be in the range of 2.0 per cent. The average annual rate of unemployment in 1976 was just under 10 per cent for the Island, and it is expected that this rate will decrease slightly during 1977.

Employment in the eastern and western ends of the Island is highly volatile, associated with the seasonal and natural fluctuations in agriculture, fishing, and processing industries, the predominant industries in those areas. The unemployment rate in the eastern and western ends of the Island during the winter is over twice the rate for the Charlottetown area, where the economy is more diversified.

INVESTMENT CLIMATE

The level of public and private investment in Prince Edward Island in 1976 is estimated to be \$106.4 million, down 9.6 per cent from the 1975 level. This decrease reflected a reduction in the trade and services sector of 25 per cent and in the government and institutions category of 20.7 per cent. The effect of this decline on employment was devastating, especially in the construction occupations. Investment during 1977 is expected to pick up significantly in the public sector.

SECTORAL REVIEW

Agriculture

The agriculture sector showed a considerable improvement in 1976 over 1975. Farm cash income from January to October 1976 was about 27 per cent higher than the corresponding period in 1975. The potato crop accounted for a substantial share of this increase - from \$10.3 million in 1975 (January-September) to \$30.6 million in 1976 (January-September). Receipts from dairy products have also increased substantially over this past year. Beef and hog prices have been low, however, total receipts have increased slightly due to higher volume.

Potato yields in 1976 were much higher and acreages planted were greater than the previous year. Major shipments were made to Europe which meant that prices remained strong. This trend should continue as long as the export business is buoyant. These high prices are expected to encourage a further increase in acreages in 1977.

Fishing

The value of fish landings in 1976 was \$11.8 million, up significantly over the \$10.7 million recorded for 1975, reflecting a combination of greater catches and slightly higher prices. Lobster accounted for approximately 65 per cent of the total landed value during 1976 and accounted for the major portion of the increase over 1975. Landings for the 1977 season are

hard to predict because of the many exogenous factors that affect the level of catch. However, major initiatives are being taken under the Prince Edward Island Development Plan to establish an aquaculture industry and efforts are continuing to increase the productivity of fishermen. In addition, a lobster licence buy-back program has been initiated to reduce the number of fishermen.

Manufacturing

The food- and fish-processing sectors account for over 75 per cent of manufacturing employment on the Island. Employment growth in processing increased slightly during 1976, reflecting the increased product available from fisheries and agriculture although much of the agriculture increase was not processed but exported in bulk. Nevertheless, employment in processing remains extremely seasonal - during the winter months, there were more than 1 200 people in processing occupations without employment.

Initiatives have been taken under the Development Plan to promote the growth of small, specialized manufacturing concerns by establishing industrial parks and malls. A new industrial mall will be built in Summerside in 1977, the employment benefits of which will accrue in subsequent years. Expansions in the processing sector in 1977 will create significant increases in construction employment and processing employment.

Construction

The total value of construction work performed during 1976 was \$90 million, a decrease of 9.7 per cent from the \$99.7 million during 1975. This decrease represents a significant fall in large government and institutional project categories. However, residential construction in 1976 was also down significantly; there were 950 building permits issued in 1976 while in 1975 there were 1 127. Unemployment in the construction occupations remained extremely high during the summer months, reflecting the general low level of activity in this sector during 1976.

Construction activities will increase in 1977 as several new industrial, government, and institutional projects come on stream. Residential housing is expected to increase, spurred by federal and provincial low-income housing programs and sub-division projects such as Marysfield and Hillsborough.

Tourism

The number of tourists visiting the Island between May 15 and September 12, 1976 declined 6.2 per cent in comparison to the same period in the previous year. This decline was common to all Maritime provinces and has been attributed to such factors as the Olympic games, American bicentennial, and the rise in oil prices. As a result, total tourists' expenditures during 1976 were \$26.5 million, down 12 per cent from 1975. In 1977 it is expected that the 1975 level will be regained.

Retail Trade

Consumer spending has remained strong through 1976 even though unemployment has been high. Retail trade over the first 10 months of 1976 increased 10.2 per cent over the equivalent period in the previous year. Retail sales are expected to increase over 1977 as personal incomes rise and other parts of the economy expand. Consequently, a moderate increase in employment is anticipated this sector.

Public Administration

The recently announced relocation of the Department of Veterans Affairs to Charlottetown, anticipated to take place in five years, will produce no employment increases during 1977. The provincial government, under present austerity policies, is restraining growth in public-sector employment and, in fact, there could potentially be some slight cutback in employment. A slight increase is, however, expected in the federal sector.

NOVA SCOTIA

OVERVIEW

In 1976 the Nova Scotia economy experienced setbacks in a number of sectors. Primary industries, for the most part, fared reasonably well; however, weaknesses in manufacturing and tourism contributed to a marked rise in provincial unemployment with rates in some regions of the province reaching the highest levels of the past 20 years. The economy in 1977 is not expected to improve much over 1976, although real output will probably grow as much as the Canadian average, and unemployment rates will rise considerably.

Prices moderated by November 1976 to a year-over-year increase of 5.2 per cent, compared to a 5.3 per cent increase nationally, primarily as a result of major decreases in the price of food. The increase in clothing costs moderated considerably but housing and transportation costs increased substantially. Wage gains, reflecting AIB restrictions, increased some 12.4 per cent in 1976 compared to a 15.3 per cent increase in 1975.

Retail trade remained firm in Nova Scotia in 1976, increasing 13.6 per cent over the previous year.

DEMOGRAPHIC TRENDS

According to preliminary 1976 census results, the population of the province increased 5.0 per cent from 1971 to 1976. Most of the population increase was in central Nova Scotia. In the most economically disadvantaged counties (Cape Breton, Richmond, Guysborough) the population decreased.

LABOUR MARKET

The unemployment rate for 1976 averaged 9.6 per cent; 1.8 percentage points above the 1975 rate, and 2.5 percentage points above the Canadian rate for the same period. Employment did not increase in 1976 over the previous year while the labour force increased by 1.9 per cent in the same period. This increase in the labour force occurred even though the labour force participation rate declined marginally in 1976. Work stoppages increased by 17.3 per cent over 1975.

INVESTMENT CLIMATE

Given the third straight year of an increase in the number of business failures in Nova Scotia, business capital investment decreased in real terms in 1976. To November 4, the number of companies unable to meet commitments to creditors totalled 62 compared to 54 in the same period of 1975 and 28 in all of 1974. Most business failures were among either construction or wholesale and retail trade firms. Estimates of employment lost due to these failures range from 478 to 590.

Capital investment, using 1975 actual figures and 1976 preliminary actual figures, increased 7.4 per cent over 1975 to a level of nearly \$990 million, compared to an increase of 10 per cent in Canada as a whole. In Nova Scotia a disproportionate amount of the total is accounted for by government and institutional investment (24.6 per cent) compared to all of Canada (15.7 per cent). Investment in manufacturing decreased some 31.5 per cent due largely to under-utilized current capacity.

In the trade and services sectors investment remained high in 1976, up some 10 per cent over 1975, compared to a national decrease of 5.5 per cent. However, it is doubtful that this level of activity will be maintained in 1977 as a number of office towers in Halifax/Dartmouth will soon be completed and the office vacancy rate will continue at a high level. Utilities and institutional and government projects are likely to be the few major starts that will help somewhat in maintaining construction employment.

SECTORAL REVIEW

Agriculture

Agriculture had a relatively good year in 1976 with farm cash receipts to November up 6.0 per cent over the previous year, compared to a slight decline nationally. Major gains were in apples and potatoes which increased their farm cash receipts 17.5 per cent and 17.4 per cent, respectively. Poultry and dairy also had significant gains; however, eggs, vegetables and beef decreased in value of output. With the decline in production-cost increases, real income gains are expected to reach high levels.

Fishing

Despite warnings of severe shortages, the fishing industry performed well in 1976 with an increase of 39 per cent in the volume of landings and 12 per cent in the value of landings over 1975. The greatest improvement was in scallops which increased 34 per cent in volume and 44 per cent in value and, for the first time, exceeded lobsters in landed value. Lobster landings were considered less than 1975 levels in both quantity and value. Large increases in the catch of cod, haddock, redfish, and flatfishes contributed to a 14 per cent increase in groundfish landings and a 13 per cent increase in value. Landings of pelagic species decreased by 13 per cent

compared to 1975 while the value of landings increased 16 per cent largely as a result of better prices for herring which, although landings decreased by 16 per cent, led to an increase in landed value of 18 per cent. This improvement results in large part from the government's effort to divert herring to use for food rather than fish meal. The outlook for 1977, however, is not very promising for the Nova Scotia fishing industry. Reduced quotas as a result of declining stocks affect mainly Nova Scotia's traditional fishing areas, in particular, the Scotian shelf.

Forestry

Forestry, suffering from weak demand and high inventories of pulpwood, recorded a 20.1 per cent decrease in pulpwood production to the end of October. The boom in housing starts brought sawn lumber production to 132.4 million board feet in October, however, this was a decrease of 5.4 per cent when compared to 1975. Improvement is predicted in export markets for pulpwood and pulp products; however, housing starts are expected to decrease because of the already high level of unsold houses at existing prices.

Mining

Mining also had a very active year. Coal production to the end of October increased 10.8 per cent over last year's high levels. Gypsum, the province's second most important mineral, maintained 1975 production levels in 1976 and should increase in 1977 with an improvement in the U.S. economy. Nineteen seventy-six saw a major interest in the development of a lead-zinc deposit in Halifax County; discoveries of lead, zinc, tin and copper near Yarmouth; work on development of limestone deposits in Cape Breton; the acquisition of salt caverns in the Strait of Canso for possible use for oil storage; and the completion of about \$23 million of work on oil exploration off the province's coast. This high level of activity forecasts a good year for mining in 1977, particularly in petroleum with the announcement of a \$25 to \$43 million exploration program by Mobil Oil and Petro Canada Explorations.

Manufacturing

In 1976 most manufacturing industries felt the full brunt of the economic downturn that had largely eluded them in 1975. In total, to October, the value of manufacturing shipments was up 11.5 per cent over 1975 compared to 12.1 per cent for Canada as a whole. Virtually all of the gains, however, were in the food and beverage industries and the petroleum and coal products industries. There were declines in the high-value transportation equipment and paper and allied products industries at a time when nationally these industries increased the value of their shipments. Of the remaining 11 manufacturing groups for which provincial data is published, only knitting mills increased at more than the national rate. Textile industries increased at the national rate of 18 per cent.

These data do not entirely reflect the underlying weaknesses in some manufacturing groups. The province's metal-using industries have been particularly hard hit by economic conditions. The 1 650 workers laid off at Sysco, the 1 400 at the Trenton car works, prolonged work stoppages at Enheat in Amherst, and layoffs at still other plants in the province emphasize the difficulties in these areas. Lack of orders for the province's shipyards could mean massive layoffs in 1977 unless major defence or other contracts are forthcoming. If present conditions persist or worsen, 1977 could be a key year for the survival of some of Nova Scotia's firms in the heavy-industry sector.

On the opposite side, Michelin Tire in 1976 announced an expansion that will result in additional employment of over 200, and a buyer was found for the former ANIL plant (now Masonite Canada Ltd.) at East River, thereby maintaining 375 jobs.

Tourism

Tourism, as measured by accommodation guest days, decreased close to 6.0 per cent by October of 1976, compared to the same period the previous year. Increases in a number of cost factors severely cut many tourist facilities' profits.

SUB-REGIONAL CIRCUMSTANCES

While Halifax County experienced an unemployment rate of 7.0 per cent in 1976, the rate in Cape Breton was 12.7 per cent. Moreover, a labour force participation rate in Cape Breton of 49 per cent (compared to a Nova Scotia average of 55.2 per cent) indicates that there may be other potential employees who are not presently counted in the unemployment statistics. Layoffs at Sydney Steel Corporation, the closure of Kaiser Strontium, and the general decline in economic conditions have brought the industrial composite employment index for Sydney to its lowest level since data began to be collected in 1965.

In other areas of northern Nova Scotia, economic conditions were also quite depressed, with the unemployment rate averaging 12.4 per cent. Layoffs at the Hawker-Siddeley car works in Trenton and in other metal-using industries appear to be the main cause of the deteriorating unemployment situation.

NEW BRUNSWICK

OVERVIEW

The New Brunswick economy achieved only moderate growth in 1976 with an advance of 3.0 per cent in real domestic product and employment growth of 1.3 per cent (vs. 2.2 per cent for Canada).

The major sources of growth in the provincial economy were the continuation of the utility projects started in 1974, and a strong performance by the service sector resulting partially from growth in consumer spending. Retail sales are estimated to have increased by 9.0 per cent in real terms, and labour income achieved a real growth of 6.0 per cent. The relative strength in the construction and service sectors have helped to reduce the impact of the poor performance that occurred in other sectors of the New Brunswick economy.

In 1976, non-residential construction declined by roughly 7.0 per cent from the previous year. There was also a decline in new capital investment by the manufacturing sector. This is a reflection of the generally tight capital market and the rather slow recovery of national and international economies.

Expected growth in New Brunswick in 1977 is slightly less than the national average. This growth is dependent upon overall improvements in the North American and European economies. Improved performance in the mining and forestry sector is expected and a modest growth in the manufacturing sector should result in a strengthening of confidence with increased capital investment. Given the expected growth in the labour force, and a continued inflow of new residents, however, the unemployment rate will still remain over 11 per cent.

DEMOGRAPHIC TRENDS

From June 1971 to June 1976, the New Brunswick population grew by 6.7 per cent to 677 250, while Canada had a 6.6 per cent increase. The age distribution of the population remains slanted toward the pre-labour-force age

and those 65 years and over, and a higher dependency ratio provincially than in Canada. New Brunswick can expect a greater rate of increase of persons into the labour-force population than is the case nationally. Moreover, if the actual pattern of in-migration to New Brunswick should continue, this would increase the pressures to develop employment opportunities.

LABOUR MARKET

As in the early 1970s the population of labour-force age continued to grow at a higher than average rate in 1976. This reflects the skewed distribution of the provincial population in the younger group as compared to the Canadian average.

The increases in the number entering the labour market were not met to the same extent by new employment opportunities. The employment estimates for 1976 indicate a relative increase of approximately 1.3 per cent provincially, as compared to 2.2 per cent nationally. Virtually all employment growth in 1976 occurred in the service sectors at a 4.5 per cent increase while the goods-producing sectors showed a decrease of 4.1 per cent from 1975 levels.

As a consequence of increments to the labour force and changes in employment opportunities, the average number of unemployed increased from 25 000 in 1975 to 29 000 in 1976. This represents an increase of 16 per cent in the number of unemployed.

INVESTMENT CLIMATE

Investment in the New Brunswick economy registered few net gains in 1976, falling some 4.5 per cent in current dollars from the 1975 level. One of the few sources of strength in 1976 was utilities with a 14.8 per cent increase. In the mining sector major expansion initiatives were undertaken by Brunswick Mining and Smelting and Heath Steel. The greatest disappointment occurred in the manufacturing sector where new capital investment is estimated to have decreased by 44.5 per cent. Similarly, the government and institutional sectors, reflecting budgetary constraints, showed a decline of 0.6 per cent. Total business investment showed a nominal decrease of 11.4 per cent compared to a 4.3 per cent increase nationally.

SECTORAL REVIEW

With the exception of the mining sector and the potato market, export markets have remained relatively soft. Similarly, decreased levels of industrial and commercial construction have had adverse effects on the overall level of construction activity, a source of strength during 1975.

Agriculture

Within the primary sector, agriculture has maintained a steady level of employment of approximately 6 000 persons with output gains of 11 per cent, largely due to favourable conditions for the New Brunswick potato crop. Preliminary estimates of farm cash receipts show a significant improvement over the low levels of 1975 with an increase of approximately 19 per cent.

Mining

Mining, with its major resource base of zinc, lead and copper, continues to be a source of strength for the provincial economy. The three-month strike at Brunswick Mining and Smelting has affected the performance of this sector. In terms of output and employment, preliminary estimates indicate that real output declined by approximately 4.0 per cent, and employment by 50 800 man-days as a result of the strike.

Manufacturing

In the manufacturing sector shipments increased by approximately 12 per cent, a rate comparable to that at the national level. The strength came primarily from the traditional industries within the sector, with increased exports of pulp, and increases in lumber production. The relatively high levels of residential construction buoyed the domestic market for lumber, causing prices to rise substantially throughout 1976 as well as increasing the volume of output. In 1976, secondary manufacturing did not fare as well with a number of closures occurring throughout the year. In total, the impact on employment of the various closures and strikes was an absolute decline in manufacturing employment of 2 000 jobs. Output growth for manufacturing has, however, remained positive with an estimated growth in real output in the order of 5.0 to 6.0 per cent, reflecting an improvement in productivity.

Services

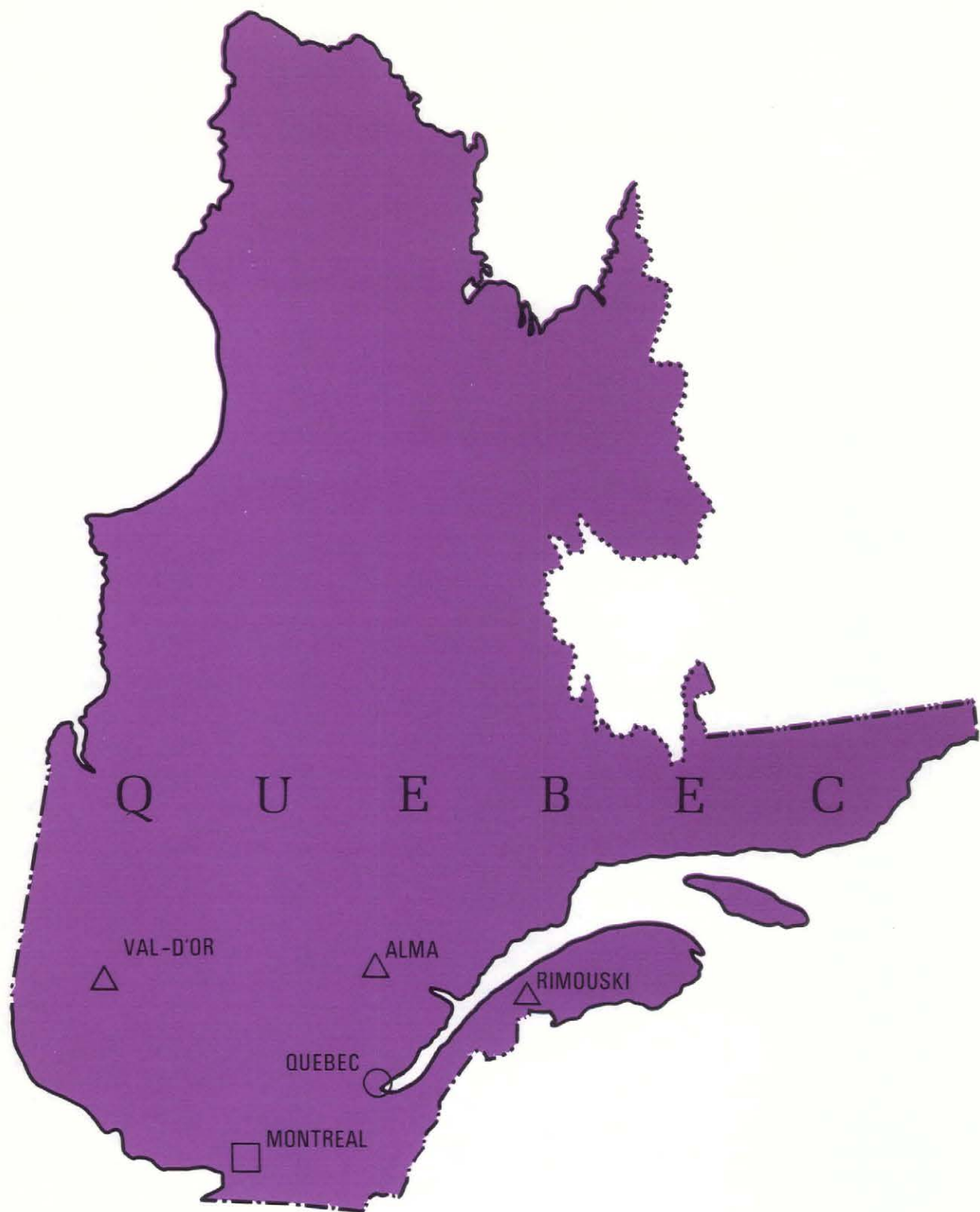
The major source of strength in the provincial economy occurred in the service sector. Increased consumer expenditures resulting from wage and salary increases of approximately 13 per cent provided a positive stimulus to this sector.

SUB-REGIONAL CIRCUMSTANCES

Sub-provincial disparities are a major problem in New Brunswick. In 1976, the rural areas of the province which do not have the benefit of major urban-centred service activity, showed the poorest economic performance.

Current estimates reveal that the employment ratio for the north-east, expressed as a percentage of the provincial ratio, decreased from 81.4 per cent in 1975 to 74.9 per cent in 1976. The strike at Brunswick

Mines and the general decline in fishing employment contributed to the deterioration of employment in the region. Declining commercial construction activity in the Saint John region and a series of manufacturing closures resulted in a decline in the employment ratio for this region, having an impact on employment for other regions of the province. The central region, with Fredericton as the major centre, held its own in 1976 due largely to stable public service employment and a strong service sector. The southeast region showed significant improvements over the low levels attained in 1975, with increased activity being generated largely in service activities centred in Moncton.



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QUEBEC REGION

OVERVIEW

Quebec's economic situation is characterized by numerous areas of uncertainty and several signs of weakness. The alarming level of unemployment and the weakness of private investment constitute the most serious problems at the present time.

In 1976, the growth of the Quebec economy, measured in terms of real gross domestic product, was slightly lower than the approximately 5.0 per cent growth in Ontario and in Canada as a whole. The growth in economic activity was particularly strong during the first half of the year but slowed markedly thereafter. Consumer spending and the exceptional strength of residential construction were the principal expansionary factors over the year as a whole. The number of housing starts reached 68 700 units compared with 50 700 in 1975, an increase of 25.6 per cent. However, construction related to the Olympic games and completion of several projects in the commercial sector accounted for most of the growth in the first half of the year. Termination of this work combined with weak private investment and restrictions on government spending resulted in a significant decline in the rate of growth of Quebec's economy during the latter half of the year.

Analysis of the key economic indicators for 1977 reveals that the growth rate of Quebec's economy will remain particularly modest and below the national average. The real gross domestic product is expected to increase by only about 2.7 per cent in Quebec and 3.1 per cent in Canada as a whole. Under present conditions, few areas of economic activity appear sufficiently dynamic to ensure a sustained recovery. Private investment prospects are especially disappointing as businesses remain reluctant to undertake new projects in view of the prevailing climate of uncertainty.

On the labour market, 1977 is expected to be particularly difficult with regard to job creation, with the number of new jobs not expected to exceed 20 000. This will mean no decrease and perhaps even a slight increase in the unemployment rate. Forecasts indicate that difficult conditions will lead many people to withdraw from the labour market or move to other provinces.

On the sectoral level, very slow growth is expected in the manufacturing industry as a result of a general slump in exports and a reduction in consumer spending. The level of activity in the construction industry will

be lower than in 1976 owing to a lack of new major projects and the anticipated decline in residential construction. In the agricultural sector a further drop in net income, estimated at approximately 16 per cent, is forecast while the fisheries sector will continue to face the same problems as in 1976. In the mining sector, prospects appear encouraging for iron and asbestos mines while gold and copper mines are expected to recover slightly. Finally, the growth of tertiary industries will continue to be limited, particularly in the areas of public administration, transportation and communication.

In view of these adverse conditions, one of the immediate priorities for Quebec will be to give fresh impetus to the recovery of economic activity, which should emphasize those programs most likely to encourage a revival of investment and employment. Priority should also be given to selective intervention aimed at the basic structural problems in the Quebec economy. The most important of these problems are deficiencies in the manufacturing industry, the decline of Montreal, and regional inequalities.

DEMOGRAPHIC TRENDS

Quebec's population increased in 1976 to reach 6 234 000. This represents a lower growth rate than for Ontario and Canada. Between 1964 and 1976 Quebec's share of the Canadian population decreased steadily. The slow growth of Quebec's population in 1976 was due to relatively slow natural growth combined with a net out-migration of a few thousand people.

LABOUR MARKET

The downturn in economic activity during the second half of 1976 resulted in a very marked deterioration of conditions on the labour market.

The under-utilization of human resources has always been a major problem in Quebec, where the unemployment rate has traditionally been higher than the national average despite a lower labour force participation rate and slower population growth. For several years this situation has been attributable primarily to slow growth in employment.

In 1976, there was a net increase of only 27 000 jobs in Quebec, the lowest rate of growth since the beginning of this decade, and 50 per cent below those recorded in Ontario and Canada. This slow growth in employment caused the unemployment rate to increase significantly from 8.1 per cent in 1975 to 8.7 per cent in 1976, whereas in Ontario it dropped from 6.3 to 6.2 per cent over the same period. Young people in particular were affected by unemployment. Moreover, the period of unemployment tends to be longer in Quebec where 41 per cent of those without jobs had been unemployed for 14 weeks or more compared with only 34 per cent in Canada as a whole. The performance of the Quebec economy in 1976 has also been seriously impaired by problems on the labour front. In effect, the province registered a 65 per cent increase over 1975 in the number of man-days lost due to work stoppages, reaching a level three times that of Ontario.

An examination of the changes in the situation during the year reveals a gradual deterioration in labour market conditions since the second quarter and in particular since July 1976. The seasonally adjusted unemployment rate rose from 7.9 per cent during the first two quarters to 9.1 per cent in the third quarter and 9.9 per cent in the final quarter. Based on seasonally adjusted data, there was a net loss of 40 000 jobs from the first to the fourth quarter and an increase of 56 000 in the number of unemployed, which reached 270 000 or 35 per cent of the total unemployed in Canada.

INVESTMENT CLIMATE

The growth of capital expenditures was significantly lower in 1976 than the annual average rate of 21 per cent established during the period 1971 to 1975. According to Statistics Canada data, capital expenditures rose by only 3.9 per cent in nominal terms in Quebec in 1976 compared with 10 per cent in Canada as a whole. This decline in the growth rate was due to the slowdown in public-sector spending that followed the slowdown apparent in the private sector since 1975. Over the last two years, growth in private-sector spending has slowed markedly while public-sector spending, particularly on major projects such as James Bay, Mirabel International Airport, the Olympic games and the extension of the subway and the highway system, has helped to sustain investment growth in Quebec. In 1976, for example, the public sector was directly responsible for 40 per cent of total capital expenditures in Quebec compared with only 33.7 per cent in Ontario. Despite private-sector reluctance, and based on the latest Statistics Canada survey of total investment intentions, Quebec should fare well in 1977 mostly due to the strength in public utilities. New capital expenditures in the province are expected to increase by 12.3 per cent over 1976 compared to 8.1 per cent for Canada.

PROVINCIAL FINANCES

The financial situation in Quebec remains difficult. During the mini-session last December, Quebec's Minister of Finance brought down supplementary estimates of \$590 million, bringing the real deficit to \$937 million and the borrowing program to \$1 331 million for the 1976-1977 fiscal year. Government income and expenditures are estimated at \$9 310 million and \$10 247 million respectively. Under these conditions, the Quebec government's margin of flexibility for undertaking new programs appears to be severely limited unless it is willing to raise taxes or resort to increased borrowing.

SECTORAL REVIEW

Primary

The Quebec agricultural sector experienced some difficulties in 1976. Net farm incomes declined by 11.7 per cent, mainly as a result of the reduction in milk production following quotas imposed by the federal government because

of the overproduction of industrial milk. The loss of revenues to milk producers was partially compensated by a \$22-million subsidy from the Government of Quebec. This sector will benefit, especially during 1977, from the increase of the quotas introduced recently by the federal government.

Fishing activity in Quebec felt the effects of restrictions in the form of quotas and bans in the Gulf of St. Lawrence area. During the first 11 months of 1976 the volume of the catch was down 25 per cent in comparison with the same period in 1975, causing several processors to lay off a substantial number of employees and raise prices.

In 1976, the forestry industry benefited from increased activity in the pulp and paper mills and the brisk pace of residential construction. The value of shipments in the pulp and paper industry rose by 12.2 per cent over the preceding year despite several labour disputes that affected this industry early in 1976. Profiting from the upswing in residential construction, the wood industry increased the value of its shipments by 14.6 per cent over 1975 while employment rose by 5.6 per cent.

The value of mineral production in Quebec rose by an estimated 22.7 per cent in 1976 compared with 15.4 per cent for the country as a whole. However, the situation varies from one ore to another, with the volume of iron and asbestos production increasing by 54.4 and 57.5 per cent respectively in 1976 while copper production increased by only 2.4 per cent and zinc production decreased by 1.8 per cent. Despite a slight increase in volume, the value of gold production dropped 21.6 per cent owing to the price of gold, thus making the profitability of several mines uncertain.

Manufacturing

Quebec's economy has grown more slowly over the past year largely because recovery of activity in the manufacturing industry, which appeared later in Quebec than in Canada as a whole, has been weak. Thus the value of shipments of manufactured goods increased by only 7.9 per cent in 1976 in Quebec compared with 14 per cent in Ontario and 12.1 per cent in the country as a whole. Similarly, employment in the manufacturing industry increased by only 0.7 per cent in Quebec compared with 4.1 and 2.9 per cent in Ontario and Canada. Capital expenditures in manufacturing increased by only 2.2 per cent in Ontario and Canada. Capital expenditures in manufacturing increased by only 2.5 per cent in 1975 and decreased by 19.5 per cent in 1976 compared with successive increases of 27 and 4.1 per cent in Ontario.

The heavy concentration of Quebec's manufacturing industry in slow-growth sectors is largely responsible for this delay. In addition, several traditional industries, which account for a substantial portion of Quebec's manufacturing structure, continue to experience problems owing to their weakening competitive position. This is the case particularly in the pulp and paper and textile and clothing industries. Since 1974, more than 21 000 jobs have been lost in Quebec's textile and clothing industry and several plants have closed.

Construction

In 1976, Quebec's construction industry as a whole experienced a relatively high level of activity. Employment increased by 7.0 per cent and the total value of construction by 38 per cent. The most rapid growth sectors were residential and commercial construction which recorded increases of 38 and 63 per cent respectively, while the value of industrial, institutional and government construction reached a plateau.

The Tertiary Sector

The performance of the tertiary sector in Quebec was far from satisfactory in 1976, with employment growing by only 0.6 per cent. Job losses occurred in several sectors, including transportation and communication (15 000), public utilities (2 000) and government (5 000).

REGIONAL REVIEW

All areas of Quebec were affected by the 1976 slowdown in economic activity. In addition, marked economic disparities continue to exist, especially regarding the labour market and incomes.

The Montreal Area

The Montreal area also experienced a significant slowdown in economic activity in 1976, especially in the latter half of the year. This slowdown is all the more disturbing in that Montreal is the only real development pole in Quebec and its dynamism has a considerable impact on the economy of the entire province since two-thirds of manufacturing and 70 per cent of employment in the secondary sector are concentrated in the Montreal region.

Over the past few years, the level of economic activity in the Montreal area has been relatively high. This upswing was due primarily to the implementation of several major public investment projects combined with sustained growth in residential, industrial and commercial construction. This investment had a considerable impact not only on the construction sector but also on a number of manufacturing industries. The completion of several of these projects in 1976 and the postponement or staggering of other projects over a longer period of time along with the stagnation in non-residential construction caused a downturn in economic activity in the Montreal area in the second half of this year. Thus the unadjusted rate of unemployment rose from 6.3 per cent in December 1975 to 7.8 per cent in December 1976. More than half of Quebec's unemployed currently live in the Montreal area.

The Other Regions

Equally serious problems may be found in other regions of Quebec as well. One example is the Trois-Rivières area whose economy, largely oriented toward traditional industries, has been unable to generate enough new jobs, resulting in a population decline over the last 10 years. The problems facing the textile and clothing industries have also had a negative impact on several communities where these industries predominate. The fact remains, however, that it is the outlying areas of Quebec that are in the most precarious situation.

The economy of these regions is characterized by under-utilization of both human potential and natural resources, a structure based on raw materials and marked dependence of regional industries on international markets. It should be noted, however, that the nature of the problem differs from one area to another.

In the lower St. Lawrence - Gaspé area there was a slowdown of economic activity in the main industries that pushed the unemployment rate up from 17.2 per cent in 1975 to 19 per cent in 1976. These unfavourable economic conditions were accentuated by the restrictions imposed on fishing and dairy production, by the weak recovery of copper and by a slowdown in the tourist trade.

The economy of the Saguenay - Lac Saint-Jean area was seriously disturbed in 1976, in particular by the numerous labour disputes in the area's major industries (aluminum, pulp and paper, public and parapublic sectors and construction). There was a decrease of 16 000 jobs and the unemployment rate rose from 12.4 per cent in 1975 to 15.8 per cent in 1976. The fact that the area's main businesses are getting older tends to weaken their competitive position on international markets.

Northwest Quebec is essentially dependent on mining and forest resources. An increase in activity can be seen in the pulp and paper industry but sawmills, especially the smaller ones, are facing financing difficulties and large inventories. The area's mining companies are experiencing serious problems, meanwhile, that threaten the survival of several mining communities. Particular mention should be made of the problems of gold mines and the dwindling reserves of copper. Analysis of key labour market indicators shows a gradual deterioration of the area's economy. For example, the unemployment rate in northwestern Quebec rose from 11.6 per cent in 1975 to 15.8 per cent in 1976. The shortage of jobs was an important factor in a decrease, estimated at more than 10 000 people, in the area's population over the past 10 years.



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ONTARIO REGION

OVERVIEW

During 1976, real growth in the Ontario economy approximated the national level of just under 5.0 per cent. This improved performance over 1975 was due to growth in the manufacturing sector, particularly in the wood, petroleum and coal products, transportation equipment, non-metallic and mineral products industries, in addition to improvements in the trade and finance, insurance and real estate sectors. Construction remained weak, however, as capital investment in the provincial economy was below the national average. Domestic consumer demand weakened during the year, as provincial retail sales underperformed the national level of activity. Strong export performance, however, offset this domestic weakness and assured real growth in GPP for the year. Unemployment was fairly high at 6.2 per cent for the year, while the labour force and employment increased by 74 000 and 76 000 respectively.

The outlook for 1977 is for a slower growth rate of 3.0 per cent to 3.5 per cent. Capital investment is expected to remain sluggish with unemployment increasing marginally to above 7.0 per cent as the rate of job creation lags slightly behind the labour force growth. Trouble spots are expected in the mining, construction and public administration sectors. Manufacturing, the auto assembly, petroleum and coal products, and wood industries should experience good years, while expectations for home furnishings and other consumer durables are forecast to be somewhat less. Retail trade is likely to achieve only the same rate of growth as in 1976, thereby showing only modest increases. Positive factors that may have a significant impact on the Ontario economy for the year include reduced interest rates, a falling Canadian dollar and a stimulated U.S. economy. However, high wage rates, relatively low rates of growth in productivity as compared to other industrialized countries, poor corporate liquidity and uneasiness with public policy will likely have continuing dampening effects.

DEMOGRAPHIC TRENDS

In 1976, Ontario's population was estimated to be 8 264 000. The current slow growth of Ontario's population is part of a longer trend which started in 1973. A combination of continued low birth rates and decreasing immigration to the province are the causes of this reduced growth.

Long-established trends in the changing age and sex characteristics of the population have continued. There is a decreasing percentile of population in the 0-14 age bracket, while the age group 20-39, on the other hand, has shown an inverse trend, and accounts for a majority of the former group's percentile loss. Because these trends apply to absolute as well as to relative numbers, this situation has serious implications for the growth of future labour supply in Ontario. Other characteristics include an increasing female and elderly proportion of the population, in addition to further urban concentration. The concentration factor has meant smaller relative populations in rural and northern Ontario.

LABOUR MARKET

In 1976, the Ontario labour force averaged 3 931 000 of which 3 689 000 were employed. This represents annual growth rates of 1.9 per cent and 2.1 per cent for labour force and employment respectively over 1975. Hence, the employment rate remained relatively flat, varying within the 5.7 per cent to 6.5 per cent range over the past year. The unemployment rate among males decreased slightly from 5.4 per cent in 1975 to 5.1 per cent in 1976 while the unemployment rate for females remained constant at 7.8 per cent. On an age basis, unemployment is by far the highest among the 15-24 age group, which stood at 11.2 per cent for the year. The male and female participation rates also declined during the period.

Employment in most industrial sectors grew modestly during 1976, with only the trade and public administration sectors showing any real decline. The former was due to the recent poor performance of personal consumption expenditures while the latter was due to public sector spending restraints. The service and manufacturing sectors continue to be the largest Ontario employers with close to a million employees each, although manufacturing employment is declining in its relative share of total employment.

The three most serious locations of unemployment are those labour-force economic regions centred around Windsor, Sudbury and Peterborough. Unemployment rates for 1976 were 7.2 per cent, 7.4 per cent and 7.9 per cent respectively, and participation rates in the latter two cases were below the provincial and national averages. The metropolitan areas of St. Catharines - Niagara, Windsor, and London, which had unemployment rates of 7.1 per cent, 8.2 per cent and 7.5 per cent respectively in November 1976, are specific locations of labour concern. All of these metropolitan areas have strong links with the auto-parts industry, and have suffered due to the relatively poor performance of that industry in Canada over the last couple of years.

Despite the province's predictions of 135 000 new jobs in Ontario within the next year, and a drop in the unemployment rate, most observers feel that unemployment will continue to increase during 1977. The fall in the number of immigrants coming to Ontario should help to moderate the upward pressure on unemployment. In the longer term, falling birth rates should bring about a reversal of the existing trend, as the province is forecasting actual labour shortages in the 1980s.

INVESTMENT CLIMATE

Capital investment in Ontario in 1976 has shown little or no growth in real terms. Uncertainty in the private sector over inflation, federal and provincial policies, the slowing down of domestic personal consumption and under-utilized capacity within the economy have been the main causes of this poor performance. However, the recent fall in the value of the Canadian dollar, lower interest rates and stimulation of the U.S. economy should have some positive implications.

Construction activity in the residential sector was stronger than expected during 1976. With a sizeable inventory of completed but unsold houses, residential construction will probably decline in 1977. However, lower interest rates and more stable housing prices could minimize this decline and even result in modest growth. Continued low activity is expected in the rental accommodation construction field because of rent controls. Expenditures on repairs of existing housing stock are expected to grow as an alternative to housing purchases. The construction outlook for non-residential building is also poor and has been influenced by public-sector expenditure constraints. Planned investment in utilities has, in several instances, been abandoned or postponed (e.g. some \$11 billion worth of Ontario Hydro projects). Investment in new office and plaza construction is slack. Construction of the Sarnia Petrosar petro-chemical complex is the one bright area within non-residential construction but this is nearing completion. The growth rate of capital expenditures in machinery and equipment is continuing to deteriorate, with little or no growth expected in 1977 - largely because of under-utilized capacity in many industrial sectors.

PROVINCIAL GOVERNMENT FINANCE

The Province of Ontario, despite serious efforts to reduce its deficit spending in the past year, has a projected net debt of \$5 995 million at the end of the 1976-77 fiscal year or an increase of 19.5 per cent over the previous fiscal year. This increase is a result of a \$977 million deficit estimated for that fiscal year which projects revenues growing by 20.4 per cent to \$10 814 million while expenditures are expected to grow 11.7 per cent to \$11 791 million. The new deficit means that net debt per capita is expected to rise from \$602.33 to \$708.29 while net debt as a percentage of GPP is anticipated to increase from 7.8 per cent to 8.1 per cent. For the new fiscal year of 1977-78, it is generally felt that the province will continue in its efforts to control spending.

SECTORAL REVIEW

Primary

Ontario farm cash receipts were \$2.2 billion in the first 10 months of 1976, an increase of \$42 million or 2.0 per cent over the corresponding 10-month period of 1975. If the increase in cash receipts is deflated by the farm

price increase, the percentage change in real terms drops below 1.0 per cent. This growth, the smallest in recent years, was stimulated primarily by the livestock sector. Receipts for cattle, poultry, soybeans and sugar beets showed substantial increases while those for hogs, dairy products and tobacco were down significantly.

Predictions for 1977 call for a negative growth rate. Provincial and other agricultural experts suggest that production will be lower in the beef, dairy and grain industries with only the hog industry making positive gains. Some of the reductions will likely lead to higher prices for beef and dairy products if producers are to be assured of adequate profit levels.

The second major primary industry in Ontario, forestry, experienced a strong upswing during the latter part of 1976. This is largely attributable to the settling of the pulp and paper industry strike in the earlier part of the year and the corresponding increased demand for pulpwood. With both the lumbering and paper industries expected to benefit from growing demand in the U.S., particularly due to an anticipated good year in U.S. housing construction during 1977, it is forecast that the Ontario forest industry will continue to expand. The recent drop in the value of the Canadian dollar is also expected to have positive implications on industry growth and profits.

Ontario was the second largest mineral producer in Canada last year, with output valued at \$2.6 billion, up from \$2.4 billion a year earlier. Nickel accounted for almost 40 per cent of the 1976 output by value, despite flat market conditions in the industry and the stockpiling of large quantities of the ore. Copper and zinc, the second and third largest contributors by value, suffered from similar problems of inadequate demand and stockpiling was again implemented. Prices for these two commodities were weak. Gold, during 1976, suffered a serious crisis when the price plummeted with the IMF auctions. Despite the recent modest recovery in price, production of this commodity has been considerably rationalized. The outlook for mining is one of weak growth in 1977. Prices are expected to stabilize over the year and large inventories should be gradually reduced.

Manufacturing

During 1976, manufacturing proved to be one of the stronger sectors in the provincial economy. Estimated value of shipments in current dollars was up 13.9 per cent for the first 10 months over that of a comparable period in 1975. This fairly strong performance, however, started to show some signs of weakening during the last quarter.

Among those industries which have contributed significantly to growth in the manufacturing sector are wood, petroleum and coal products, transportation equipment, non-metallic mineral products and some sections of the textile industry, although the latter three are losing some of their growth momentum. Food and beverage, tobacco, paper and allied products, printing and publishing, and electrical industries, however, have been slow-growth areas within the Ontario economy during 1976.

For 1977, the manufacturing sector is expected to continue growing, albeit at a slower rate than in 1976. Pulp and paper, which is improving after the forestry strike of 1975/76, should benefit competitively from the effective devaluation of the Canadian dollar and increased U.S. demand. The Ontario automotive industry is also expecting a good year with increased demand in the North American market, which it shares with the U.S. under the current auto pact. It is forecast that there will be a need for 600 000 to 1 000 000 additional units over 1976 production, although some minor problems are expected in certain production runs due to the failure of small car sales to meet expectations. Slow, but steady, recovery in metal prices and demand should also have a positive impact on the primary-metal industry. The outlook for home furnishings and other consumer durables, however, should be weaker, primarily because of a reduction in Canadian personal consumption.

Construction

The forecast for the construction industry is not very optimistic. Housing starts during 1977 are expected to decline over 1976 levels and rental accommodation construction will continue to be poor given the continuation of rent control. Non-residential construction is expected to show a real decline in 1977.

Transportation, Communications and Other Utilities

While the future development in this sector looks bright, there are a number of immediate problems related to the need to raise the large amounts of capital investment required. This is most evident in the recent curtailment of Ontario Hydro's expansion plans. Despite these problems, this sector continues to be one of the leading growth areas in Ontario's economy and real growth for 1977 is expected to be in the 4.0 to 5.0 per cent range.

Retail Trade

Preliminary statistics for 1976 indicate modest growth in this sector. Retail trade advanced 11.8 per cent in a comparison of 1975 and 1976 figures for the first 10 months of the year (current dollars). It is expected, however, that given slow labour-income growth, consumer expenditures will be slow in 1977. Hardest hit will be household furnishings and appliance stores.

Finance, Insurance and Real Estate

This sector has shown above average performance through 1976. It was the only sector to show positive increases in employment throughout the year. With the Ontario consumer showing a reluctance to curtail spending in the face of continuing high inflation, the tendency has been for increasing credit as real disposable incomes declined. Loans in Ontario from chartered banks grew by 7.3 per cent over the first six months of 1976. While demand for real estate and insurance moderated during this period, the maturation of the "baby boom" phenomenon kept demand at a high level.

Expectations for 1977 are for a steady performance with growth exceeding that of GPP. Lower interest rates should encourage some consumer borrowing and real estate transactions. Large business expenditures on new projects, however, will continue to be weak and should further affect the demand for investment financing.

Community, Business and Personal Services

While this sector has a substantial potential for growth in Ontario due to the large amount of urban concentration, short-run conditions are producing negative effects. Restricted government spending in health, education and community services, as a part of the provincial government's restraint policy, has been a major factor. In the education field, the maturation of the "baby boom", declining birth rates and school board budget ceilings have restricted expansion. Tourism has been affected by poor weather, over-capacity in Toronto's accommodation facilities, and competition from the Montreal Olympics. Services to business management has also suffered due to the deferral or cancellation of several major construction projects in the utilities and manufacturing industries.

The service sector is not expected to improve its performance substantially in 1977 because of spending restraints in the public sector and continued low-key business activity. Tourism, however, may be expected to improve somewhat due to the drop in value of the Canadian dollar.

Public Administration

The two senior levels of government, along with most local governments, have embarked on programs of restraint in public-sector growth and employment. Consequently, public-sector employment and expenditure growth has been, and will continue, slowing from that experienced in the first five years of the 1970s.

SUB-REGIONAL CIRCUMSTANCES

Northern Ontario

Economic performance in this region was poor during 1976 because of such factors as the industry-wide pulp and paper strike, low metal prices, a slowdown in construction activity, poor demand for steel and a decline in the tourist trade. Conditions are expected to improve during 1977 and 1978 on the basis of the devalued Canadian dollar, a renewed recovery in the U.S., anticipated lack of labour unrest and improved prices for the region's products. Beyond 1978, however, prospects appear less optimistic; the current dearth of capital-investment projects and the minimal prospects of any change over the next five years, indicate there could be stagnation in the region's economic growth base.

Major uranium and base-metal developments at Elliot Lake and Timmins, respectively, have permitted these communities some economic security. Because of its more diversified economic base, Thunder Bay's economy will also likely perform above the region's norm over the next several years. However, the economies of the Kirkland Lake and New Liskeard areas have stagnated for some time, a situation which is unlikely to change in the short run. Sustained unemployment is quite severe in the Kapuskasing, Kirkland Lake, North Bay and Sturgeon Falls districts.

Eastern Ontario

After a year of economic deterioration in 1975 most industries have been able to produce a slow but steady job recovery. Weather problems affecting hay quality and harvesting, policy changes such as reductions in milk quotas by the federal government and U.S. import quotas on Canadian beef had negative effects on the region's agricultural sector during 1976. Forestry-based industries had difficulties as a shortage of wood occurred, necessitating the importation of more wood from outside the province. Pulp and paper industry production was limited by the industry-wide strike, while certain components of the textile industry suffered hardship due to increased foreign competition and the electronics industry had several plant closures and/or relocations to the U.S. However, other manufacturing industries, such as the metal-fabricating and machinery industries, fared better with improved performances. The service sector showed some positive gains throughout the year. Currently, the districts of Napanee, Hawkesbury and Gananoque are among the highest unemployment areas in the region.

As elsewhere in the province, capital expenditures are expected to be shaky during 1977 with many large projects failing to materialize or being postponed. Employment in public administration, agriculture and mining is unlikely to increase during 1977. Nevertheless there are signs that the region should gather some strength. In addition to a number of small- to medium-sized investment projects, the lower prime interest rate, improved agricultural prospects and possible improvements in the investment

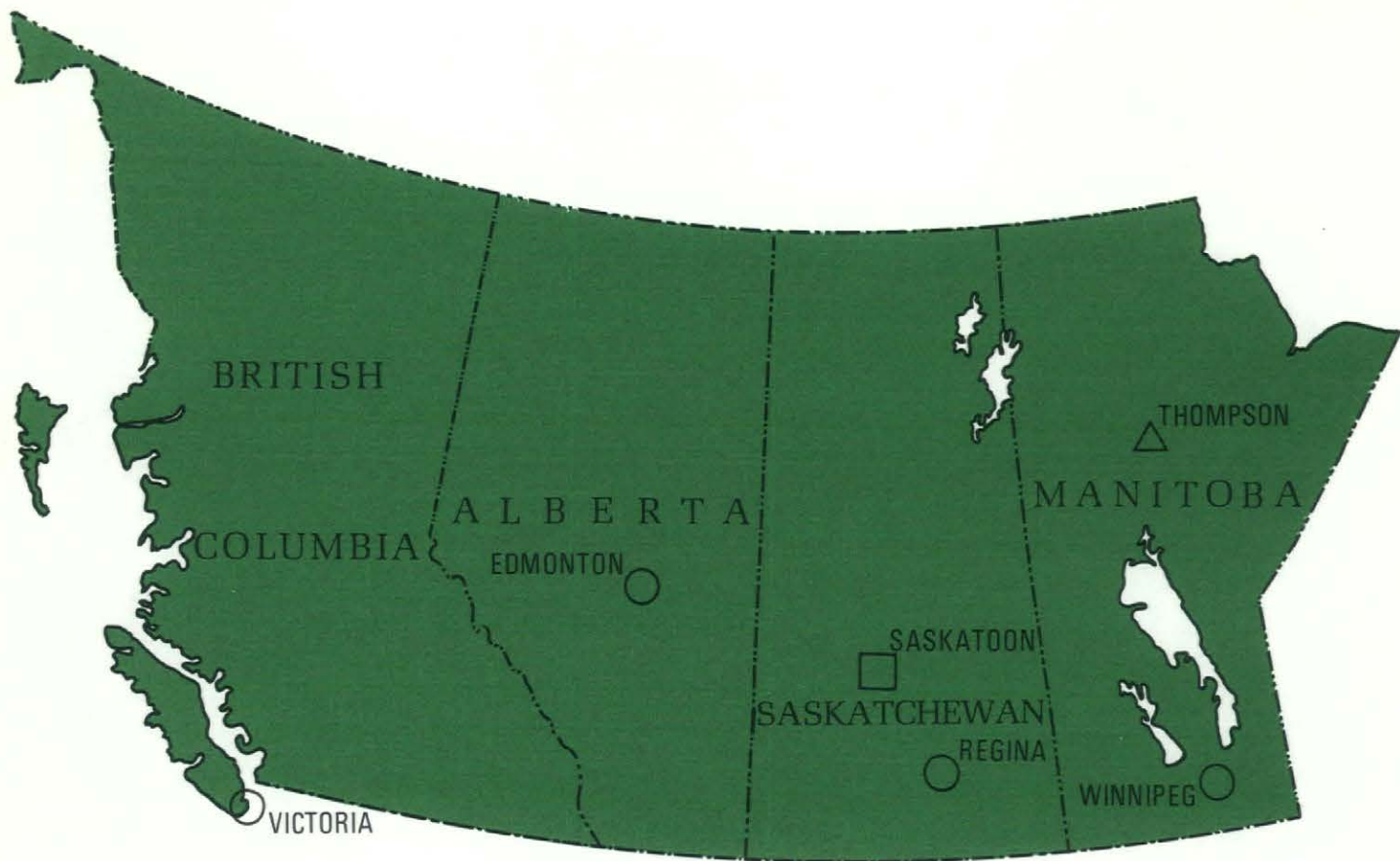
climate should have a positive impact. As in the past, however, eastern Ontario is expected to have its pockets of continuing economic disparity which will require special attention by the public sector.

Southern Ontario

The southern Ontario economy, while it is dominated by the manufacturing and service sectors, has some serious structural problems and unsettling symptoms. Economic factors of national concern are of particular relevance to southern Ontario. Thus, low consumer demand, under-utilized capacity, poor corporate liquidity, high interest rates and uncertainty about public policies, particularly in regard to prices and profits, have acted as deterrents. Unemployment is relatively high at 6.0 per cent with expectations that it will increase further. The metropolitan areas of St. Catharines and Windsor are particularly high unemployment areas because of adverse conditions in the auto-parts industry. Capital investment has shown lagging growth in southern Ontario over the past two years. Productivity is showing increasing signs of lagging behind the standard achieved in the U.S. Small production runs, a less-skilled labour force and a slower rate of capital investment are further contributors to this problem. A much faster increase in manufacturing wage settlements in Canada has also placed the Ontario manufacturing industry at a disadvantage. As a result of many of these difficulties, some companies have diversified their operations, or moved entirely outside of Ontario and Canada.

Nevertheless, southern Ontario led the province in its modest recovery of 1976. Domestic consumer demand, which remained relatively high through the first part of 1976, provided an impetus for the manufacturing industry until increased export demand took up the slack. The finance, insurance and real estate sector also contributed to the improved performance.

The outlook for 1977 in southern Ontario is for a weaker rate of growth and a slight increase in unemployment and inflation. At the same time, consumer spending is expected to remain weak and the rate of capital investment will not improve significantly. Some aspects of the manufacturing sector are expected to fare well, such as the auto-assembly and chemical industries, while others, like textiles, auto-parts and metal fabricating, may decline. However, improved interest rates, the devalued dollar, and a likely increased demand in the U.S. should help to modify these negative aspects in southern Ontario.



- REGIONAL OFFICE
- PROVINCIAL OFFICE
- △ BRANCH OFFICE



WESTERN REGION

OVERVIEW

Through 1976, the real regional product of western Canada was estimated* to have grown by 5.7 per cent to reach almost \$31 billion. Growth was largely as a result of a buoyant grain income and enabled the region to account for 30.1 per cent of national output. In 1977, for the first time western regional output is expected to exceed the production of Quebec and the Atlantic provinces.* The regional population rose to 6.3 million in 1976 and accounted for 27.1 per cent of the national total.

The regional climate for economic development showed marked changes in 1976 from the conditions that had prevailed since 1974. In British Columbia, the dominant forest products and mining industries did not make major recoveries as the United States market growth remained sluggish following the recession, and the province's international competitiveness was inhibited by high labour costs and low capacity utilization and productivity. Provincial average annual unemployment rates at 8.6 per cent remained the highest in Canada west of Quebec.

In the prairies, steadily rising farm costs combined with the moderate 1975 grain price declines and a depressed livestock industry to reduce net farm incomes by 11 per cent in 1976. The record Canadian wheat crop, estimated by Statistics Canada at 23.6 million tons for the 1976-77 season, contributed to the dramatic halving of world grain prices through 1976 from the record 1975 levels. Current prospects for 1977 prairie farm incomes suggest declines in excess of 30 per cent from 1976 levels. The unusually dry fall in 1976, with rainfall less than 25 per cent of the long-term normal at many southern Saskatchewan and Manitoba locations, and low soil-moisture content are also contributing to the reduced agricultural expectations for the region in 1977.

Throughout the region there was little progress towards diversification in 1976, although this remained a priority item with all four western provinces. The rate of growth of manufacturing shipments in the prairie provinces slowed considerably and manufacturing employment actually dropped in Manitoba by 10 per cent. Western Canada's seven metropolitan

*Estimated at 1971 constant dollars by the Conference Board in Canada, January 18, 1977.

areas continued to dominate regional activity with 52 per cent of the population and 57 per cent of the employment in 1976. Few new economic alternatives developed in the rural west where the future of grain handling and the rail system in the prairies and the slow revival of the forest and mining industries in British Columbia dominated development prospects.

Provincial changes in mining, forestry and oil and gas legislation, royalties, and tax structures, and direct provincial government joint ventures and ownership have contributed to resource development uncertainties in 1976, particularly in Manitoba and Saskatchewan. Federal regulation of transport, energy, trade and monetary policies are seen by the western provinces as central to achieving the west's development goals of economic and spatial diversification. Following the reports of the Berger, Hall and Snavely commissions of enquiry, federal decisions in 1977 on pipeline proposals, branch-line abandonment, railway rates and the direction for railway development in western Canada are basic to future regional economic prospects.

In the light of these conditions, estimates for regional activity suggest marked reductions in the rate of economic growth in 1977. Saskatchewan is predicted to experience real declines in output. Reduced rates of growth are expected to prevail in Manitoba, Alberta and British Columbia.

DEMOGRAPHIC TRENDS

Although the regional population reached 6.3 million in 1976, growth was sharply reduced from the previous year. This slowdown, although still above the national population growth rate in 1976, was attributable largely to the sharp decline in immigration to British Columbia.

Population growth was most rapid in Alberta where the 3.4 per cent increase in 1976 exceeded the national average and increased the provincial total to nearly 30 per cent of the region. In other provinces, population growth was below the 1.4 per cent Canadian increase. Although, notably, Saskatchewan was able to continue its reversal of the population decline it suffered between 1968 and 1973.

Between 1971 and 1976, the intercensal estimates reveal that population growth occurred in regional centres with populations of between 15 000 and 100 000. In British Columbia the growth of these regional towns reduced the metropolitan dominance of Victoria and Vancouver and shifted the provincial population centre of gravity inland. In the prairies, although the regional towns had increased their share of total population to 7.5 per cent by 1976, metropolitan areas had also increased their share to one-half of the population by the end of the period. Many smaller centres with less than 5 000 people showed absolute declines.

Indian and Metis population growth rates continued well above national averages. It is estimated that of the approximately 200 000 Indians

now resident in western Canada, an increasing proportion, particularly in the 15-30 age group, are choosing to live in the metropolitan areas. Throughout the west, Native people continue to experience unacceptable levels of social and economic deprivation.

LABOUR MARKET

Western Canada's labour force grew by approximately 4.0 per cent in 1976 to reach 2.8 million. Growth was most pronounced in Saskatchewan and Alberta with increases of 5.0 per cent and 5.5 per cent, respectively. This growth may have been somewhat inflated by the inclusion, for the first time, of working farm wives within the new labour-force definition.

Unemployment rose slightly in the prairies during 1976 although it remained well under 5.0 per cent in the face of a strong employment growth that was nearly double the 2.2 per cent national average. In British Columbia, unemployment reached 9.8 per cent in May and was consistently above the Canadian total. However, employment growth increased from 2.3 per cent in 1975 to 2.7 per cent last year. Participation rates rose throughout the region to reach a high of 66.5 per cent in Alberta and a low of 60.4 per cent in Saskatchewan, all of which compared favourably with the 61.1 per cent national rate.

Average weekly wages and salaries in western Canada for the year ending August, 1976 rose at rates well above the national 8.3 per cent increase and reached \$265 and \$240 in British Columbia and Alberta, respectively. Wages and salaries in Manitoba and Saskatchewan were between \$16 and \$20 below the national average of \$230.

INVESTMENT CLIMATE

New capital expenditures in western Canada grew by 20.7 per cent in 1976 to reach almost \$15.4 billion. Primary industries and the housing sector experienced high rates of investment growth in all provinces, government investment increased significantly in Manitoba and Saskatchewan, while growth in the trade, finance and commercial services sector was pronounced in Manitoba and Alberta. Manufacturing investment growth was generally weak, with Manitoba experiencing a substantial decrease, only Alberta showing some strength.

Across the west, rising labour costs, low levels of industrial capacity utilization and productivity have encouraged some investment activity to move south of the border. Manufacturers in the farm-machinery, metal-fabricating, food and beverage, and forest industries have been particularly active in considering American locations. The exchange rate parity between the Canadian and United States dollars maintained through most of 1976 and the lower American inflation rate have further encouraged this trend.

This year new capital expenditures in the western provinces are forecast to increase by 10.7 per cent, about half the rate of growth experienced over the last two years. Compared to last year, the rate of investment growth is expected to fall significantly in all three prairie provinces and to rise marginally in British Columbia. Housing investment is expected to stabilize in all provinces, while investment in manufacturing is forecast to exhibit somewhat of a recovery in all provinces except Saskatchewan. In Manitoba, the government sector is the only other sector expected to show significant investment growth, while in Saskatchewan growth will be concentrated in the utilities sector. All sectors except housing are anticipated to share fairly evenly in Alberta's investment growth, whereas in British Columbia, the utilities and primary sectors along with manufacturing are expected to exhibit significant increases in investment.

SECTORAL REVIEW

Reduced development expectations in western Canada are not limited to agriculture. In Manitoba, the northern resource boom that has continued since the 1960s, based on minerals, forestry and more recently hydro-electric development, is slowing down. During 1976 there was a 10 per cent decline in the province's manufacturing employment. Winnipeg's long history of supremacy on the prairies is being overtaken by the growth of both population and industry in Edmonton and Calgary.

In Saskatchewan, the development of a provincial government position on uranium expansion following public hearings in 1977 has postponed a number of mining, milling and refining ventures in the north and Saskatoon. The purchase of some potash mines by the province in 1976 with reduced world prices has stalled overall expansion plans for that industry. Declines in oil production and expected declines in farm machinery sales by provincial manufacturers further weaken the economic base.

Albertans are now particularly conscious of the limitations of their oil and gas supplies and the severe environmental implications of further coal and oil-sand development. Continued expansion in the petrochemical, forest and food-processing industries provided the major supplements to the province's oil and gas and farm revenues in 1976 and offer solid prospects for the future. In addition, the rapidly growing provincial population is making the province an attractive location to service both provincial and regional markets. In British Columbia, economic limits to forest and mining developments are being reached. Remaining untapped natural resources are both costly and remote with extensive new infrastructure requirements and potentially adverse environmental impacts.

MANITOBA

OVERVIEW

According to the Conference Board in Canada, Manitoba's gross domestic product reached \$6.9 billion in 1976, an increase of 4.1 per cent in real terms over 1975. Output of the agricultural and construction sectors registered significant increases in 1976, but the buoyancy in these sectors was partly offset by the weak performance of the manufacturing sector and a decline in mining activities.

Employment in Manitoba grew by 2.0 per cent in 1976 to reach 428 000. The increase in employment was not quite sufficient to absorb the increase in the labour force, and the unemployment rate remained at 4.6 per cent.

A slowdown in growth in Manitoba's real domestic product is anticipated for 1977. The expected slowdown in construction, and the decline in agricultural output will not be sufficiently offset by the anticipated increase in mineral output and improvement in the manufacturing sector. The restraint programs of the federal and provincial governments will also contribute to the anticipated slow rate of expansion of the provincial economy.

Consumer purchasing power in Manitoba has been deteriorating in the last year relative to Canada, as a result of a slower rate of growth in personal disposable income and a more rapid increase in the cost of living. In 1976 personal disposable income increased by 10.9 per cent in Manitoba and 13 per cent in Canada, while the consumer price index increased by 8.7 per cent compared to 7.5 per cent in Canada. .

DEMOGRAPHIC TRENDS

The population of Manitoba reached 1 021 506 by July 1, 1976, a marginal increase over the July 1, 1975 estimate. This rate of growth was about the same as in the previous year but still below the 1.4 per cent rate of growth achieved in 1974.

The rate of growth of the Status Native population continues to be more than double that of the provincial average. On-Reserve population is approximately 32 000 while 10 000 Treaty Indians are located off Reserve.

While in 1975 only four of the province's eight regions - Winnipeg, the Interlake, the Southeast and the Northern regions - had registered positive demographic growth, in 1976 all regions registered increases in their population. Winnipeg and the larger urban centres in rural and in northern Manitoba continue to be the main locations which register population increase.

LABOUR MARKET

In 1976, the provincial labour force increased by 9 000 to 449 000. This represents a provincial growth rate of 2.1 per cent, somewhat below the national rate of 2.5 per cent. The labour force participation rate increased during the year from 60.8 to 61.1 per cent and reached the Canadian average. Employment in the province increased by 8 000 to 428 000, as employment growth in the service sector more than offset declines in other industries. Manitoba's average unemployment rate in 1976 was 4.6 per cent, significantly lower than the national rate of 7.2 per cent.

INVESTMENT CLIMATE

Total new capital expenditures reached almost \$1.8 billion in 1976, an increase of 16.4 per cent over the previous year. Trade, finance and commercial services (39.6 per cent) and housing (35.5 per cent) were the sectors showing great strength, while investment in manufacturing declined by 24.5 per cent following a reduction of 15.7 per cent in 1975. New capital expenditures are forecast to grow by only 3.3 per cent this year with manufacturing (29.8 per cent) and institutions and government departments (22 per cent) the only sectors expected to experience high rates of growth.

PROVINCIAL GOVERNMENT FINANCE

Following a number of years in which a surplus was experienced, the provincial government is expected to incur a small deficit of about \$13 million in both the 1975-76 and 1976-77 fiscal years. Revenues and expenditures are both forecast to rise by just under 14 per cent for the 1976-77 fiscal year. At the end of the fiscal year ending March 1975, Manitoba's provincial government debt as a percentage of gross provincial product was significantly higher than in any of the other provinces except those in the Atlantic Region.

SECTORAL REVIEW

Agriculture

The agricultural sector is not expected to provide strength to the economy this year as it did in the recent past. Gross farm cash receipts in 1976 were estimated at \$903 million, down 3.9 per cent from 1975. Gross receipts from livestock production were up 4.4 per cent from last year, while gross receipts from crops were down 10.5 per cent. Net farm income will probably fall by 18.5 per cent and reach only \$341 million in 1976. This situation resulted from a combination of factors: grain prices have declined since last July because of a better world supply (an excellent grain crop was recorded in the fall), low prices prevailed for livestock, and cost of inputs such as fertilizers and machinery and equipment were rising. Further substantial falls in net income are predicted for 1977.

The full effects on declining net incomes of the drop in grain prices, drought conditions that prevailed during late 1976, a soft market for livestock, and increases in production costs are not expected to be felt until late 1977 and early 1978 partly because of the lag effect from the Wheat Board payment system.

Mining

The value of mineral output in Manitoba was \$479 million in 1976, a decrease of 9.5 per cent from 1975. In particular, production of nickel, zinc and copper, which together account for more than 75 per cent of the value of the province's mineral output, was 11.5 per cent lower than in the previous year. Market prospects for metal products which are particularly dependent upon international trade, are anticipated to improve in 1977 as the economic recovery in the United States and Japan proceeds. Value of industrial mineral products, which represents about 10 per cent of total mineral activities in Manitoba, increased to \$58 million in 1976, due mainly to the expansion in the level of activity in the construction industry.

Manufacturing

The value of manufacturing shipments was approximately \$2 billion during the first three quarters of 1976, an increase of 4.3 per cent in current dollar terms over the same period in 1975. The metal-fabricating and transportation-equipment industries experienced significant reductions in employment, as total manufacturing employment fell to 60 000, a reduction of 6 000 from the 1975 level.

Service

The service sector continues to be the area of most rapid employment growth in the Manitoba economy. Tertiary employment increased by 14 000 in 1976 and constituted 69.9 per cent of total employment compared to 67.9 per cent in the previous year.

SUB-REGIONAL CIRCUMSTANCES

Northern Manitoba

Although the major primary-resource extraction industries continue to provide significant employment opportunities, the major problem facing northern Manitoba continues to be the lack of participation of a significant group of northern residents of Native ancestry. Average per capita income of people living in remote areas was only \$618 in 1974. Rapid increases in the working-age population are expected to continue at approximately 1 000 per year. Greater awareness of this situation resulted in a number of specific measures to foster the participation of Native people in the socio-economic development of the north. DREE participated in these measures through Special ARDA and the Manitoba northlands agreement.

Rural Areas

The economic base of rural Manitoba is predominantly agricultural, and therefore changes in net farm income remain the most significant dynamic factor in rural development. In recent years, increases in farm cash receipts have contributed to further mechanization of agriculture, as evidenced by sales of farm implements and equipment which increased from \$38 million in 1971 to \$118 million in 1975. Deterioration in world market conditions for grains, lack of adequate moisture in the prairie soils, and the past heavy investment in farm machinery points to an anticipated slowdown in 1976 and 1977 in agro-business in rural Manitoba. Preliminary information suggests that no significant alternative rural employment opportunities have developed in other sectors during the last year.

Winnipeg

Winnipeg accounted for .55 per cent of the provincial population in 1976. The construction and service sectors both contributed to economic growth last year. Dwelling-unit starts rose by 27 per cent over the previous year, while retail sales in the last 10 months of 1976 were \$1.2 billion, an increase of 11 per cent over the same period in 1975.

The labour force participation rate in Winnipeg in 1976 was 62.7 per cent, 1.5 percentage points higher than the provincial and national average of 61.1 per cent. The unemployment rate averaged 4.9 per cent last year, an increase of approximately one percentage point over 1975.

SASKATCHEWAN

OVERVIEW

The buoyancy of the Saskatchewan economy continued through the first half of 1976, moderated, and then tightened primarily in response to declining grain prices and resultant lower farm cash receipts. Although there is some evidence that the price for wheat has bottomed out, it is not expected to return to the high levels of early 1976, and farm cash receipts in 1977 are expected to decline. The quick and adverse reaction of the entire economy to declining grain prices clearly emphasizes the continued dependency of the province on the grain industry. Overall, it is estimated (by the Conference Board) that the real domestic product of Saskatchewan advanced by about 8.6 per cent last year, but a decrease of about 0.8 per cent is forecast for 1977.

Almost 13 000 jobs were created in 1976, an increase of about 3.4 per cent. With the exception of the primary sector, all sectors experienced employment growth, with the tertiary sector once again accounting for the major share of the increase. Employment in manufacturing showed little growth and slipped behind the more rapidly growing construction industry. The rate of unemployment rose from 2.9 per cent in 1975 to 4.1 per cent in 1976 as the province held its new labour force entrants and experienced some in-migration.

In addition to the downturn expected in the agricultural sector, the private investment climate is perceived to be somewhat unfavourable, due partly to uncertainties related to provincial resource policies and national economic circumstances.

DEMOGRAPHIC TRENDS

The marginal population increase of 1.3 per cent experienced in 1975, the first sign of a positive growth in population in the province this decade, has continued into 1976. Based on the 1976 census, Saskatchewan's population stood at 921 000. The increase in population in the 1975-76 period is a result, in part, of net in-migration, which, in turn, is a reflection of the continued relative buoyancy of the Saskatchewan economy for the first half of 1976.

LABOUR MARKET

The labour force experienced a 4.9 per cent rate of growth over 1975, with an increase of 19 000 to 403 000. The participation rate was 60.4 per cent last year, slightly below the Canadian average. The number of unemployed rose by about 4 000, as the increase in employment, which reached 387 000 in 1976, did not keep pace with the growth in the labour force. It should be noted that the above figures for 1976 include an estimated 10 000 farm wives in the province who were counted as employed members of the labour force for the first time last year.

These figures do not take account of the Indian Reserve population, or persons residing in more remote areas. In both cases, participation rates are 10 to 20 percentage points lower and unemployment is extremely high.

Average wages, based on the industrial composite of firms employing more than 20 workers, remain below the national average, although some gains were made in 1976. The gap between Saskatchewan and national levels narrowed from 11.7 per cent in 1975 to 6.5 per cent in 1976. However, during the same period, the cost of living in Saskatchewan rose at a higher rate than it did nationally, offsetting some of the income gains.

INVESTMENT CLIMATE

In comparison with the neighbouring States, the investment climate in Saskatchewan is affected by high wage rates and low productivity levels. The recent reduction in interest rates will have some, but not a major impact on investment in 1977. The situation in Saskatchewan is more uncertain than in many areas of Canada because of the general weakening of the economy due to soft grain markets, a low moisture content in the soil which could adversely affect germination of the spring crop planting, and a great deal of uncertainty regarding provincial attitudes to new business ventures, resulting from the provincial government's resource taxation and ownership policies. It appears that in 1977 the major investor will be the government sector via a variety of federal and provincial channels.

Total new capital expenditures were just over \$2.1 billion last year, 20.5 per cent higher than in 1975. Investment in manufacturing grew by only 4.0 per cent, while the rates of growth in the other sectors ranged from 11.8 per cent for primary industries and construction to 42.4 per cent for housing. The forecast rate of growth in new capital expenditures for 1977 at 7.7 per cent is much weaker than that experienced in recent years. Only the utilities sector is expected to experience a high rate of growth, estimated at 33 per cent, while investment in manufacturing is anticipated to decline by about 9.0 per cent.

PROVINCIAL GOVERNMENT FINANCE

The 1976-77 Saskatchewan budget reached \$1.3 billion and expenditures continue to be concentrated on health, education, social welfare, highways and transportation. However, a smaller proportion of the budget in 1976-77 has been allocated to health and education than was the case in the 1975-76 budget.

It is likely that the 1977-78 budget will exhibit considerable overall restraint in provincial spending, with a further reduction of expenditures in areas where federal cost-sharing is declining or uncertain. The Saskatchewan government follows a policy of attempting to either balance the budget or show a revenue surplus each year.

SECTORAL REVIEW

Agriculture

Agriculture accounted for 53.8 per cent of value added in the goods-producing sector in 1975. In 1976, in spite of record crops, cash receipts from agriculture declined by 10 per cent from the 1975 peak. Unless there is unusually heavy spring rainfall, there will be a significantly lower yield in 1977.

The cattle market should show considerable improvement during 1977 as a result of lower herd sizes and reduced feed prices. The outlook for hog marketing is more uncertain, but it appears that prices will remain low for much of 1977.

Forestry

The forest industry employs only 1.0 to 2.0 per cent of Saskatchewan's labour force. Nevertheless, the provincial government still hopes to find in forest utilization a critical employment generator for certain northern areas and is presently studying the resource and market potentials.

Mining

The mining industry is the province's second largest revenue generator in the goods-producing sector. It accounts for about 19 per cent of the value added of the goods-producing sector in the province, but employs only 2.0 to 3.0 per cent of the province's labour force. While value added in this sector grew significantly in 1974 and moderately in 1975, presently there is a great deal of uncertainty, especially in light of the provincial government's taxation policies, initiatives to take over the potash industry, and continuing conflict over similar issues with the petroleum and uranium industries.

Manufacturing

Manufacturing has a very small base in Saskatchewan, accounting for about 5.0 per cent of total value added in recent years. Growth in shipments during 1976 was sluggish, showing about a 5.4 per cent increase in current dollars during the first three quarters. Since much of Saskatchewan's manufacturing is for local and regional markets, declining farm receipts will adversely affect this industry. In the case of farm implement manufacture, a rationalization process appears to have begun, with smaller firms either going into receivership or being bought out by larger firms.

In view of the uncertain investment climate in Saskatchewan, some expansion plans are being deferred or relocated to nearby American states.

Services

The service industries continued to increase their share of the provincial economy, although some levelling off in the growth trend of these industries appears to have started.

The entire service sector in Saskatchewan is experiencing structural adjustment as its traditional highly decentralized distribution system adapts to greater urbanization and more centralized shopping patterns of the remaining rural residents.

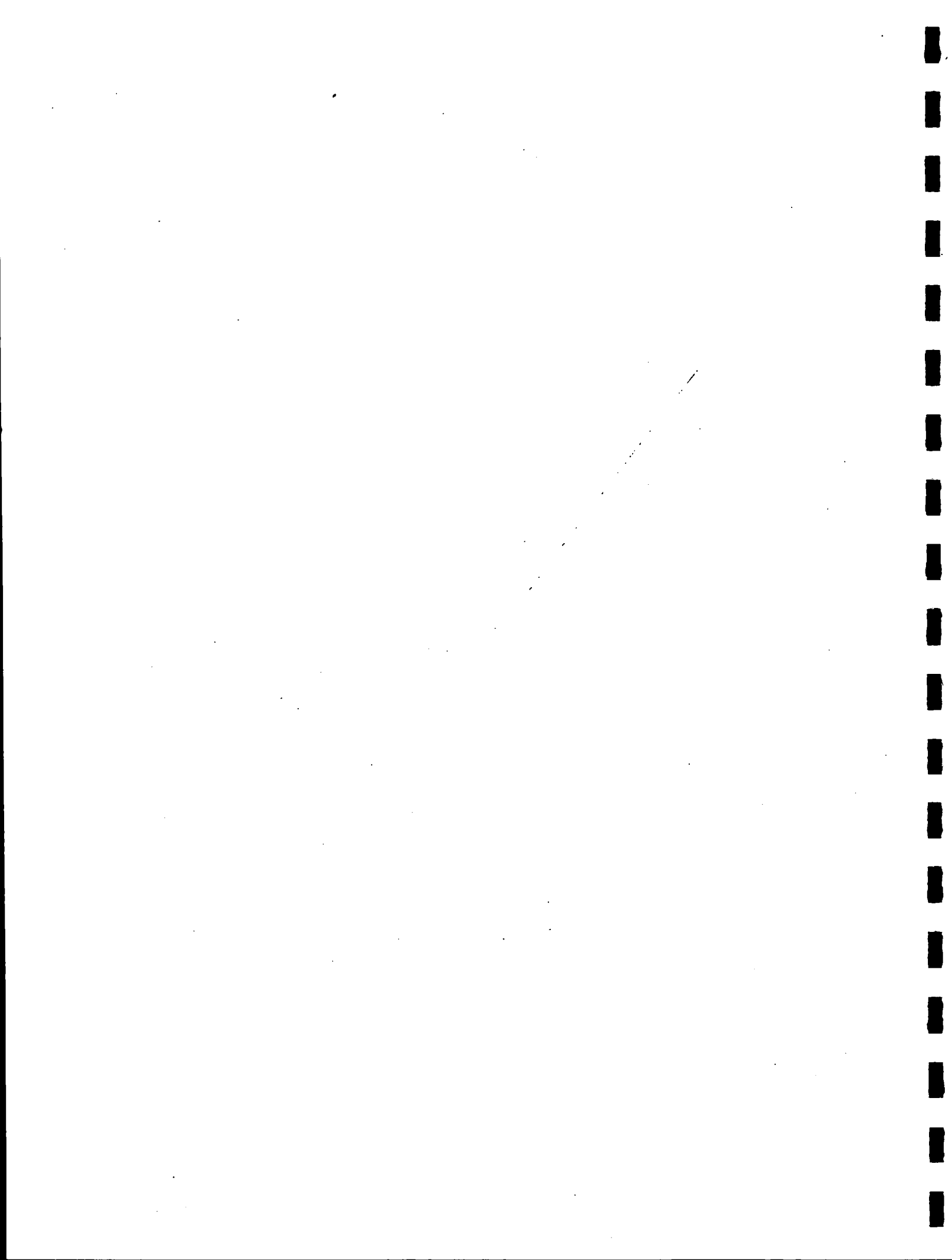
SUB-REGIONAL CIRCUMSTANCES

While agriculture occupies large portions of the province, Saskatchewan is by no means a homogeneous entity. Northern Saskatchewan, an area of 125 000 square miles, includes the agricultural fringe in the south, the forested belt through the middle and the vast area of Precambrian Shield in the north, and is an area of sharp contrast to the southern part of the province. Significant differences occur in terms of population levels and distribution, standards of living, sources of income and income levels, and public participation in the social and economic life of the province.

Beyond the agriculture fringe, the basic industries are forestry and mining. In the remote areas of the north, the participation rate is less than 50 per cent compared to a provincial average of 60.4 per cent. The unemployment rate is between 40 and 50 per cent compared to 4.1 per cent for all of Saskatchewan.

In the Northern Administration District, 35 per cent of the population is receiving social assistance from either the provincial government or the federal Department of Indian Affairs, as opposed to 6.0 per cent for the total province.

The southern populated portion of the province exhibits its agrarian roots. It is served by two small metropolitan centres, Regina (150 000 population) in the south and Saskatoon (135 000 population) in the centre; a series of regional service centres an average of 125 miles apart, each with a population ranging from 5 000 to 35 000; towns of 2 000 to 5 000 scattered through each region; and villages of under 2 000 population every eight to 10 miles.



ALBERTA

OVERVIEW

Alberta's overall economic performance continued to be strong in 1976 as the provincial real domestic product increased by about 5.9 per cent over 1975. Average weekly wages and salaries in Alberta rose 14 per cent, the largest percentage increase of all provinces. Total personal income rose by 16.5 per cent and personal disposable income rose 15.8 per cent. These major increases in income were not shared equally by Alberta's rural and northern residents. Income levels in many areas of northern Alberta were as much as 75 per cent below the provincial average.

Almost all the key economic indicators are expected to show a decline in their rate of growth in 1977. Real domestic product is projected to grow at 3.7 per cent, down from the 1976 figure. Unemployment is expected to rise slightly to 4.3 per cent. Most notable is the decline in the growth rate for both retail sales and housing starts. Retail sales growth is predicted to fall to 9.7 per cent from 16.8 per cent, while housing starts are forecast to fall by 24.9 per cent following a 60 per cent rate of growth last year.

The forecasted economic slowdown would result from problems in agriculture, declining production of conventional crude oil, reduced activity in the oil sands, slowing of residential construction, soft world wheat markets, and problems faced by cow-calf operators. While conventional crude-oil production has been declining, recent changes in Alberta's royalties which encourage secondary and tertiary recovery may reverse this situation in 1977. The boom in construction will not be maintained unless a third oil-sands plant is commenced.

DEMOGRAPHIC TRENDS

Between 1975 and 1976 Alberta's population increased by 3.0 per cent to reach 1.8 million, while the proportion of population in urban centres rose from 77.3 per cent to 78 per cent. Alberta's Native population was estimated to be about 67 000 in 1976, approximately one-half of whom were Registered Indians. In northern Alberta, approximately one-quarter of the total population is Native.

LABOUR MARKET

The rates of growth of labour-force population, labour force, and employment in Alberta advanced more rapidly than in any other province in 1976 and this trend is expected to continue into 1977. Labour-force population grew by 4.4 per cent in 1976 as a result of both immigration and natural increase, and is expected to advance by 4.5 per cent this year. The labour force increased at an even faster rate of 5.5 per cent to reach about 855 000 as the participation rate rose to 66.5 per cent, the highest in the nation. The unemployment rate fell from 4.1 per cent in 1975 to 3.9 per cent last year as the 5.8 per cent rate of increase in employment exceeded the labour-force growth rate. Employment is expected to grow by 4.0 per cent in 1977 to 855 000. The unemployment rate is forecast to increase to 4.3 per cent, still the lowest in the nation.

Native people often cannot take advantage of Alberta's strong labour market. Their participation rate is at least 20 percentage points below the provincial average, and when they do participate in the labour force, they experience unemployment rates of about 70 per cent.

INVESTMENT CLIMATE

New capital expenditures in Alberta increased by 31.8 per cent in 1976, by far the highest rate of growth in any of the provinces. New housing construction showed a 94.8 per cent rate of growth, investment in the primary and construction industries increased by 38.7 per cent, while manufacturing investment rose 13.6 per cent. The rate of growth of new capital expenditure is expected to be only 13.1 per cent this year, which, while still the highest in the nation, is far below the 30 per cent annual rates of increase experienced in the past three years. This slowdown is related to the cancellation or deferral of a number of projects such as the Calgary Power-Canpac Mines thermal-power project at Dodds-Roundhill and two conventional oil-sands plants. Investment growth in 1977 is expected to be fairly evenly distributed across the major sectors except housing, where construction is forecast to remain at about the same level as last year.

PROVINCIAL GOVERNMENT FINANCE

Recognizing the decline in conventional crude-oil reserves, the province is concerned about its long-term ability to stimulate growth. As a result, it is setting aside 30 per cent of its current resource revenues for investments in the province's future.

SECTORAL REVIEW

Agriculture

Crop production reached a record high in 1976, while livestock production remained in the doldrums. Production costs have caught up to commodity

price increases, and as a result net farm incomes have been gradually eroded from \$726 million in 1973 to \$669 million in 1976. Softening world wheat markets will result in lower prices this coming year. As a result, farm cash receipts and net farm incomes will likely decline during the year.

Coal

Coal is Alberta's third largest extractive industry. Total production in 1976 was up 10 per cent to 12.2 million tons. Thermal coal accounted for 7 million tons while metallurgical coal production reached 5.2 million tons.

Alberta's coal policy favours the development of thermal coal for domestic use and restricts development of metallurgical coal. Thermal coal production for power generation should continue to increase in 1977.

Oil and Gas

Oil production, at 386 316 million barrels, was down 9.0 per cent from 1975, and 26 per cent below the peak level recorded in 1973. The decline should take on greater importance over time as production continues to exceed additions to reserves, a trend which began in 1969.

Production of natural gas in 1976 should reach 7.3 billion cubic feet per day. Gas production has increased every year since 1970 except for 1974. New discoveries of natural gas suggest that production levels could continue to increase slowly over the next few years.

Manufacturing

Between 1975 and 1976, manufacturing grew at a faster rate than the provincial economy, but accounted for only 9.8 per cent of total provincial value added last year.

Alberta's food and beverage industry is the largest component of the manufacturing sector and continued to expand at a moderate rate. In 1976, it accounted for over 25 per cent of Alberta's manufacturing sector.

The short-term prospects for the petrochemical industry in Alberta continue to be good. Alberta Gas Ethylene's new Red Deer plant, the three new Dow Chemical plants at Fort Saskatchewan, plus a new benzene plant, could establish the basis for an integrated petrochemical industry in Alberta. However, the industry continues to face marketing problems.

The lumber industry continued to have economic problems in 1976. Although the industry recorded gains last year, unused mill capacity remains. The pulp and paper industry has fared somewhat better as prices firmed up, with good markets expected in 1977. Sawmill output is not predicted to reach pre-1975 levels this year and the outlook is for a slow recovery through 1978.

Services

Service industries are Alberta's largest employers. They provided jobs for 66 per cent of the employed labour force in 1976. Services dominate the provincial value added, generating nearly half of the provincial total. Given past trends, services should continue to increase their production of both provincial employment and value added in the coming year, although their rate of growth will moderate.

SUB-REGIONAL CIRCUMSTANCES

Alberta's dependence upon energy, agriculture and construction has created a geographic imbalance in the distribution of the benefits of economic growth. This economic imbalance has been expressed in rapid growth in the major urban areas and limited economic change in the rural community.

The predominance of Edmonton and Calgary in Alberta's economy becomes evident when we look at their relationship to the province as a whole. They contain 57 per cent of the population, conduct 61 per cent of the retail trade and services, generate 65 per cent of the manufacturing activity, and provide 62 per cent of the value of building permits.

BRITISH COLUMBIA

OVERVIEW

The British Columbia economy improved in 1976 with real gross domestic product estimated to have risen by 6.4 per cent, in comparison to the 4.6 per cent rate of growth for the Canadian economy. This improvement follows the decline in real output of just under one per cent during 1975. The strengthening of the economy did not result in a net reduction of the high rates of unemployment. The unemployment rate for 1976 was estimated at 8.6 per cent, the highest west of Quebec. The rate of population growth has been slowing recently, particularly in the Lower Mainland. New capital investment increased by 9.7 per cent in current dollar terms in 1976, and is forecast to rise by 11.4 per cent this year. The provincial government increased taxation in a number of areas in 1976 with a view to having a balanced budget for the 1976-77 fiscal year.

DEMOGRAPHIC TRENDS

According to the 1976 census, the provincial population was 2 467 000. These results confirmed the fact already evident from sources such as family allowance transfers that the rate of population increase in British Columbia has slowed considerably. Family allowance transfers, frequently taken as a measure of migration, show a net outflow of families from British Columbia to all other provinces in 1975 - the first such outflow in 17 years. The trend accelerated during 1976, reaching 641 families by August 31, 1976. These outflows can be seen in better perspective when compared to average net inflows of 4 158 families per annum for the previous five years.

The geographic distribution of population growth in British Columbia between 1971 and 1976 was in contrast to the metropolitanization occurring in most areas of the country. The province's total population grew by 10.1 per cent, down from 16.6 per cent for the 1966-71 period. Between 1971 and 1976 population in the Vancouver-centered Lower Mainland grew by 6.1 per cent while the Victoria metropolitan area population increased by 9.7 per cent. In comparison, the Lower Mainland population had grown by 16.4 per cent between 1966 and 1971 and the Victoria area had

experienced a 12.4 per cent increase. Non-metropolitan British Columbia had the highest rate of population growth, 16.2 per cent, down marginally from the 18 per cent rate of growth between 1966 and 1971.

British Columbia's population growth regularly has a high migration component, and preliminary indications are that the slowing of the rate of population increase was a response on the part of the potential migrant population to the slowdown in the provincial economy.

LABOUR MARKET

The British Columbia labour market is characterized by its persistently high rate of unemployment (averaging around 8.6 per cent for both 1976 and 1975). The province regularly experiences the worst unemployment conditions west of Quebec. Partly related to the decrease in the rate of population growth, there was a slowing in the rate of labour force growth from 5.0 per cent in 1975, to 2.9 per cent in 1976. Nonetheless, even with this below-normal growth in the labour force, job creation in the last two years was insufficient to reduce unemployment levels. The employment growth rate was only 2.7 per cent in 1976 and 2.3 per cent in 1975. British Columbia's labour-force participation rate, at 61.5 per cent, is almost identical to the national average.

INVESTMENT CLIMATE

The climate for investment in British Columbia is often referred to in the business community as "cautiously optimistic". New capital investment during 1976 was nearly \$4.9 billion, 9.7 per cent above the 1975 level. Primary industries and construction and housing were the sectors which experienced the highest rates of growth, at 29.5 and 29.2 per cent respectively, while investment declined in trade, finance, and commercial services (-6.9 per cent) and utilities (-5.0 per cent). This year new capital expenditures are forecast to increase by 11.4 per cent over 1976, with high rates of growth expected in primary industries and construction (21.4 per cent), manufacturing (36.1 per cent), and utilities (24.7 per cent), while new housing construction is anticipated to decline by 6.8 per cent.

PROVINCIAL GOVERNMENT FINANCE

In the fiscal year 1976-77, provincial government revenues are expected to approach \$3.6 billion. Spending is predicted to rise by only 5.4 per cent over 1975-76. The April, 1976 budget reflected the Social Credit government's desire to avoid deficit financing, with notable increases in several areas of taxation. The provincial sales tax was raised from 5.0 per cent to 7.0 per cent. Provincial income tax was increased two points to 32.5 per cent effective July 1. Corporate taxes were raised two points to 15 per cent effective January 1, 1976, the highest in Canada. Health

insurance premiums and the costs of hospital care were also increased. The increased revenue, however, was forecast to fall short of expenditures, resulting in a budgetary deficit of \$28 million. Based upon results from the first quarter of the fiscal year, the British Columbia Finance Minister was predicting an even greater deficit, in the order of \$125 million.

SECTORAL REVIEW

The poor performance of the British Columbia economy in 1975 continues to result in misinterpretations about the strength of the 1976 recovery. This is witnessed by the following observations about industrial sectors.

Agriculture

Farm cash receipts from farming operations totalled \$332 million to October of 1976, marginally better by 2.3 per cent than for the same period in 1975. In real terms there was a decline in value. In nominal terms, cash receipts for livestock showed no gain, while receipts for crops rose 25.6 per cent.

Fishing

The fishing industry showed a substantial improvement in 1976 over the poor performance registered in 1975. Fish landings through October were \$116 million, compared to \$77 million for the same period a year ago. Nonetheless, in real terms the 1976 catch is below the value of the catch in 1973 and similar to that registered in 1974.

Mining

The mining industry showed a mixed performance during 1976. Copper, which performed poorly in 1975, showed an improvement in price during 1976, although actual output remained virtually unchanged. Copper was the most important mineral overall with the value of production at \$397 million. Coal output was down drastically in 1976 as a result of lengthy strikes affecting both major producers. Production is estimated to have declined over 1975 by 15.6 per cent to 7.53 million tons, as value dropped 8.0 per cent to \$292 million. Zinc production was up by 13.6 per cent over the previous year but value dropped by 15.6 per cent. Oil revenues increased primarily due to higher prices. Gas revenues were also higher due to price increases that more than offset the decline in production.

Manufacturing

The total value of factory shipments for all manufacturing industries was up 21.6 per cent in nominal terms. In real terms this would still represent

a significant improvement over 1975 where a decrease in both nominal and real terms had been recorded in comparison with 1974. The strengthening of the manufacturing sector was pronounced in both the lumber and pulp and paper components of the dominant wood sector. Nonetheless, these improvements were illusory when compared to real output for 1974 and 1973. The volume of paper production and pulp production through October 1976 was actually less than it was for the same period in 1973. Sawn-lumber production had just regained 1973 levels.

SUB-REGIONAL CIRCUMSTANCES

Of interest is a newly emerging demographic pattern within British Columbia. During the past five years, the two metropolitan areas of the province (Vancouver and Victoria), although experiencing substantial growth in absolute numbers, have declined significantly in terms of their share of the provincial population. This can be explained, in part, by a rapid growth in the fringe localities of the metropolitan areas (for example, Nanaimo and the Central Fraser Valley). Of equal significance, however, is the growth in population in and around centres in the interior, such as Prince George, Kamloops and Kelowna. In addition to providing some relief to population pressures in Vancouver, the current trend is complementary to and supportive of potential rural and industrial development outside the southwestern part of the province (for example, coal prospects in the northeast).

