

Oil-Producing Versus Oil-Consuming Provinces ... More 2016 Detail from the *Economic Accounts*

- Statistics Canada's *Provincial and Territorial Economic Accounts*** release leaves BC's expansion in 2016 well ahead of the other provinces' (table 1). The differences in estimated 2016 growth from the April real GDP data by industry at basic prices to today's estimates of GDP by expenditure are little changed with the exception of a smaller rise for Quebec, a greater gain for Newfoundland and Labrador and half the decline for Saskatchewan. In 2017, Alberta and Saskatchewan are recouping a significant share of the losses documented in these *Accounts*. As well, domestic spending is being boosted by the emerging consumer strength noted for last year in most net oil-consuming provinces.
- The extended oil patch weakness** is mirrored in Alberta's cumulative 7.2% fall in real GDP over 2015–16 and Saskatchewan's more modest 1.5% decrease. For Canada's three major oil-producing provinces, the correction is filtered across most indicators. Corporate net operating income continued to decline last year, resulting in a cumulative three-year drop for Newfoundland and Labrador and Saskatchewan of 69½% and 56.4%, respectively, while Alberta's dramatic two-year fall was almost 81% (table 2, p.2). Total business investment during 2015–16 plunged by more than 35% in Alberta and Saskatchewan. In Newfoundland and Labrador, capital spending actually rose by 15.5% over 2015–16 years due to ongoing work on the Hebron offshore oil platform and the Muskrat Falls hydro-electricity project.
- Households' real consumption** flattened in Alberta last year as their disposable income dropped 7.4% (table 2, p.2, table 3, p.3). In NL and Saskatchewan, less pronounced income weakness left real consumer spending edging up 0.6% in NL and 1.5% in Saskatchewan. The hefty 15.1% jump in current transfers to households across all provinces over 2015–16 offered a valued cushion for residents in the oil-producing provinces. Most marked was Alberta's 25.5% two-year transfer increase, boosted by the federal and Alberta governments' child benefit enhancements. This held the 2015–16 cumulative drop in Alberta households' primary income to 4.6%, from the 9.2% decline excluding these transfers.
- Residential construction** was eroded by the oil price correction. Over the three years to 2016, it contracted by 9.4% in Alberta, 21.5% in Saskatchewan and 27.6% in Newfoundland and Labrador.
- Conversely, real consumption** in the net oil-consuming provinces advanced by a solid 2.8% last year, with synergy from a 7.9% jump in residential construction activity. Powered by Ontario and BC, growth in total wages and salaries in 2016 surpassed 3% for the third consecutive year, compared with last year's 4.5% fall in wages and salaries for the three oil producers.
- The seven net oil-consuming provinces** reported a cumulative 2014–16 gain of 20.5% in corporations' net operating surplus, driven by Ontario, BC and Nova Scotia. For non-residential construction activity, increases in 2016 were pushed up in Manitoba by a hydro-electric dam and major transmission

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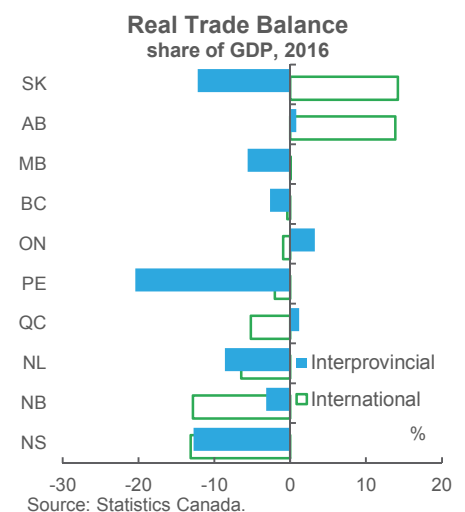
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Table 1

Real GDP by Expenditure		
annual % change		
	2015	2016
Canada	1.0	1.4
NL	-1.7	1.9
PE	1.3	2.3
NS	1.4	0.8
NB	2.4	1.2
QC	1.0	1.4
ON	2.9	2.6
MB	1.3	2.2
SK	-1.0	-0.5
AB	-3.7	-3.7
BC	3.5	3.5

Source: Statistics Canada

Chart 1



project, in Nova Scotia by the Maritime Link transmission line, a signature convention centre and a gold mine, and in PEI by the Interconnection Upgrade power transmission link.

- **Real machinery & equipment investment** fell 4.1% across the seven net oil-consuming provinces in 2016. Of concern in terms of future productivity is the string of declines in M&E purchases in Central Canada and the surprisingly erratic path in BC given the province's 3.6% average annual real GDP growth from 2014 to 2016. For Intellectual Property investment, a strong multi-year trajectory is only reported for Nova Scotia.
- **Real trade balances** improved in half the provinces in 2016. Net exports to other provinces propelled gains in Alberta, while international trade assisted Ontario, Manitoba, Saskatchewan and BC. The external sector was a drag on economic growth throughout the Atlantic provinces and in Quebec, hampered by deteriorating net interprovincial exports (chart 1, p.1). Of note is last year's 3.1% rise in international services export volumes.
- **With respect to nominal GDP**, the resource price correction drove a sizeable cumulative 2015–16 decline in the GDP price deflator of 9.9% for Alberta, 7.8% for Saskatchewan and 9.4% for Newfoundland and Labrador. It also dampened price increases across the oil-consuming provinces. In 2016, for example, Manitoba's GDP deflator was virtually flat and the rise in both Quebec's and BC's deflator was just 1.2%, despite a 4.7% rise in the residential construction deflator for the latter province.

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	Canada
Real Gross Domestic Product	1.9	2.3	0.8	1.2	1.4	2.6	2.2	-0.5	-3.7	3.5	1.4
Final Domestic Demand	3.8	2.7	2.4	1.8	2.3	2.1	2.2	-3.1	-4.6	3.2	1.1
Final Consumption	0.6	2.8	1.2	1.8	2.4	2.6	2.3	1.1	1.2	3.0	2.3
Household spending	0.6	3.1	1.3	1.5	2.7	3.0	2.5	1.5	-0.1	3.2	2.4
Durable Goods	-0.1	8.6	3.3	2.9	5.6	7.4	1.5	-1.6	-5.2	7.3	4.5
Semi-durable Goods	-0.7	5.7	-0.5	-0.4	2.4	3.5	2.7	-0.6	-1.7	3.8	2.2
Non-durable Goods	-0.6	1.4	0.2	1.5	2.1	1.9	3.5	2.9	-0.1	2.2	1.7
Services	1.7	2.4	1.8	1.4	2.4	2.4	2.3	1.9	1.1	2.7	2.2
Current Government Expenditure	0.5	2.1	1.2	2.6	2.0	1.8	2.0	0.4	5.1	2.5	2.2
Gross Fixed Capital Formation	10.2	1.9	8.5	1.5	1.6	0.1	1.8	-12.3	-14.7	3.6	-3.0
Residential Construction	-8.9	5.7	5.5	1.5	3.0	7.5	0.4	-8.8	-15.6	15.0	3.3
Business Investment [†]	17.6	6.4	7.8	-5.1	2.5	-8.9	1.4	-19.5	-18.4	-7.4	-9.4
Machinery & Equipment	-15.6	-7.9	0.6	-9.2	0.0	-7.8	-14.2	-17.9	-8.9	7.4	-6.0
Non-Residential Construction	22.8	34.4	17.4	2.0	4.4	-10.1	13.6	-20.4	-21.8	-15.7	-11.5
Intellectual Property	-10.2	-4.4	21.0	-0.4	-2.8	-3.4	-4.3	-13.5	-14.6	-10.4	-6.3
Government Capital Spending	-2.7	-7.7	10.5	13.6	0.1	4.0	5.5	26.8	8.9	5.6	5.1
Trade Balance - \$ billions	-4.0	-1.2	-9.5	-4.9	-13.4	15.8	-3.2	1.7	44.2	-7.2	7.4
Exports of Goods & Services	8.1	2.3	-0.7	0.4	1.7	2.5	1.2	-1.1	0.3	1.9	1.0
Imports of Goods & Services	10.0	4.0	2.2	1.5	3.1	0.0	0.7	-3.3	-1.8	1.0	-1.0
Inventory Change - \$2007 millions	49	46	124	176	1,807	-1,328	240	116	-1,879	758	976
GDP Deflator	0.7	1.7	2.0	2.4	1.2	1.7	0.1	-3.4	-1.3	1.2	0.6
Nominal GDP	2.6	4.0	2.8	3.6	2.7	4.3	2.3	-4.0	-4.9	4.8	2.0
Income Components											
Household After-Tax Income	1.5	6.1	3.1	5.4	3.5	4.2	2.7	-0.8	-7.4	5.6	2.2
Household Saving Rate - %	6.4	0.3	-3.6	2.0	5.0	2.4	2.0	6.3	8.8	-0.7	3.5
Corporations: Net Operating Surplus	-5.8	9.8	16.9	7.4	3.7	7.3	-0.3	-24.3	-46.3	9.8	-1.9

Source: Statistics Canada.

Table 3

Real Provincial GDP by Industry, Basic Prices

	annual % change										
	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	Canada
2014	-1.1	0.3	1.0	0.1	1.6	2.5	1.9	1.9	5.9	3.6	2.6
2015	-1.5	1.5	1.2	2.3	1.0	2.8	1.4	-1.2	-3.9	3.3	0.9
2016	1.7	2.2	1.0	1.2	1.5	2.6	2.1	-0.4	-3.6	3.6	1.3
Industry Detail 2016											
Goods	4.0	1.8	2.2	0.2	0.4	1.5	2.2	-1.8	-7.8	3.4	-0.6
Agriculture, Fishing & Forestry	-5.1	-2.7	-6.6	3.7	4.4	-0.7	2.4	8.9	13.3	0.5	4.6
Mining and Oil & Gas	14.6	6.7	-4.8	-29.4	-0.5	-2.1	-5.5	-4.0	-4.5	3.7	-1.7
Utilities	0.8	2.1	-1.6	0.9	0.7	1.6	2.7	1.6	-3.9	3.4	0.5
Construction	-6.4	6.0	8.8	3.6	2.2	1.4	5.7	-10.6	-16.1	1.9	-3.2
Manufacturing	-7.9	2.6	2.8	0.2	-0.9	2.0	1.0	2.3	-7.1	5.8	1.0
Services	0.1	2.3	0.8	1.5	1.9	2.9	2.1	0.6	-0.8	3.7	2.2
Retail Trade	0.3	3.9	2.9	3.3	3.9	4.4	3.3	0.1	-2.1	5.7	2.6
Wholesale Trade	-12.2	-0.3	-2.6	2.1	-0.5	2.8	1.0	-2.9	-9.8	5.3	1.5
Transportation & Warehousing	-0.5	2.4	1.4	1.0	3.4	3.4	2.6	0.2	-0.1	5.6	3.1
Information & Culture	-0.7	0.8	-1.9	-0.7	1.9	1.4	-0.2	-0.1	-0.9	1.7	0.7
Finance & Insurance	3.9	3.3	1.4	3.3	2.7	4.7	3.6	3.1	4.4	4.3	4.4
Real Estate & Leasing	1.6	3.1	1.8	2.7	2.9	3.6	2.8	2.6	2.2	4.1	3.0
Professional, Scientific & Technical	-2.7	4.8	2.3	1.7	1.0	3.6	0.3	-4.4	-7.4	5.1	1.0
Management of Companies	-6.4	-2.9	-6.0	-5.2	0.8	-2.5	5.6	-1.8	-3.4	-3.8	-2.4
Administrative, Support & Waste	-0.8	-2.8	-2.5	-2.8	1.5	0.9	-0.5	-2.3	-4.9	0.0	-0.2
Education	-0.5	1.0	-0.5	0.4	0.5	1.5	1.6	0.9	2.2	2.1	1.6
Health & Social	1.1	2.6	1.2	1.9	1.4	3.5	1.9	3.0	4.1	2.4	2.8
Arts, Entertainment & Recreation	7.7	-0.7	5.0	1.4	1.8	5.6	3.5	1.3	2.3	6.4	4.1
Accommodation & Food	0.1	3.1	1.8	3.8	4.1	3.7	3.9	0.8	-3.1	3.4	2.5
Other Services	0.0	2.7	-0.4	1.4	1.4	-1.0	1.4	-3.5	-6.4	0.1	-1.0
Public Administration	1.9	2.4	0.1	0.6	1.9	1.4	1.6	0.8	2.2	2.3	1.4
Memo Items:											
Industrial Production	9.7	2.5	1.2	-1.5	-0.5	1.7	0.3	-1.9	-5.1	4.7	-0.1
Private-Sector Services	-0.3	2.4	1.0	1.7	2.2	3.2	2.3	0.2	-1.9	4.1	2.2
Public-Sector Services	0.9	2.1	0.3	1.0	1.3	2.2	1.7	1.6	3.0	2.4	1.9
Info & Communication Technology	0.4	2.5	2.4	4.3	2.3	4.7	0.6	0.9	-0.3	3.9	3.1

Source: Statistics Canada.

- **Agriculture and forestry** offered some upside in Saskatchewan and Alberta, with double-digit increases in 2016.
- **Information and Communications Technology** continues its broad-based expansion, led by Ontario, New Brunswick and BC last year. Real gains topping 2.0% also were reported in PEI, Nova Scotia and Quebec, pacing sizeable expansion over the prior two years.
- BC, PEI and Ontario propelled last year's jump in **Professional, Scientific and Technical Services**. In addition to BC's strength in private-sector services, it reported a hefty 5.8% surge in manufacturing, that helped to support 5.6% growth in **Transportation & Warehousing**.
- **Health & Social Services plus Public Administration** rose across-the-board last year. Including Education, the 2016 public-sector industry proxy climbed more than 2.0% in PEI, Ontario, Alberta and British Columbia.

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