

Provincial Economic Accounts: More Detail on Drivers of the Robust 2017 Expansion

SUMMARY

- **Statistics Canada today released its *Provincial and Territorial Economic Accounts for 2017*.** These data provide updated estimates of provincial GDP growth and new insight into the sectors driving Canada's regional economies.
- **The data still indicate real GDP growth in every province last year—the first time since 2011—but the pace of expansion was revised in some regions.** Alberta continued to lead, albeit with gains weaker than the 4.9% estimated in May (table 1), followed by BC near 4%. Growth in Prince Edward Island, Nova Scotia and Manitoba were revised upward. Newfoundland and Labrador saw the largest downward revision: by-industry and by-expenditure measures indicate gains of just 0.9% in 2017 versus a 2.1% May estimate.
- **As anticipated, household consumption was a key driver of growth in many jurisdictions.** Five provinces witnessed real consumer spending rises over 3%—the most since 2010. Disposable income growth accelerated in every region, lifted by broad-based worker compensation gains (chart 1). The pace of transfers to households eased versus 2016 in every province.
- **Residential construction investment advanced in seven provinces.** Gains mirrored home building activity in most regions, with growth moderating in Ontario and investment edging lower in BC following hefty cumulative two-year advances of 16% and 26%, respectively.
- **Provincial business investment patterns were more mixed.** Despite rising net operating surpluses for corporations and emerging capacity pressures across the net oil-consuming provinces, machinery & equipment investment rose substantially in only PEI and Central Canada. In line with major project activity, non-residential building investment rose in PEI, New Brunswick, Manitoba and BC and fell in Newfoundland and Labrador and Nova Scotia. Capital outlays remained weak in Alberta despite elevated conventional oil & gas activity and continuing work on large oil sands projects.
- **Public sector spending contributed to the expansion in most provinces.** Current government expenditure rose more than 3% in nine provinces—the first time since 2008. Public sector capital outlays retreated in Alberta and Saskatchewan, in line with previously detailed infrastructure plans.
- **Real international trade balances improved in the net oil-producing provinces.** Stepped-up oil production drove healthy real export gains to other countries of 5.8% and 6.2% in Alberta and Saskatchewan, respectively. In Newfoundland and Labrador, imports from other countries plummeted as construction of the Hebron offshore oil field wound down.
- **Real international trade balances worsened across the net oil-consuming provinces, with growth in import volumes outpacing real export gains.**
- **Rising interprovincial exports across nine provinces likely reflect the recovery in Western oil-producing provinces alongside robust**

CONTACTS

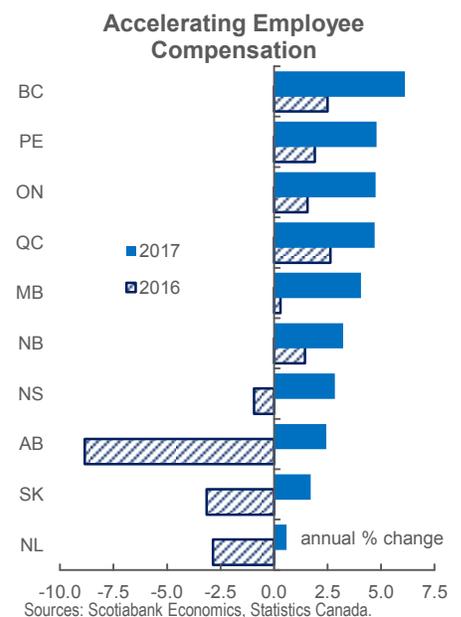
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Table 1

	Provincial Real GDP, 2017 annual % change		
	By Industry		By Expenditure
	May/18	Nov./18	Nov./18
Canada	3.3	3.3	3.0
NL	2.1	0.9	0.9
PE	3.2	3.4	3.5
NS	1.2	1.5	1.5
NB	1.9	2.0	1.8
QC	3.1	2.9	2.8
ON	2.8	2.8	2.8
MB	2.9	3.1	3.2
SK	2.9	2.3	2.2
AB	4.9	4.6	4.4
BC	3.9	4.0	3.8

Source: Statistics Canada

Chart 1



expansions in BC and Central Canada. Manitoba maintains a strong balance between domestic and international export markets (chart 2).

TAKEAWAYS

- Today's release offers further evidence that the robust pace of expansion witnessed last year across multiple provinces is unlikely to persist.** Government spending is liable to become less stimulative with multiple jurisdictions progressing on deficit reduction plans or scaling back infrastructure. Household consumption and residential investment, two other key contributors to the 2017 expansion, are expected to be dampened across the provinces given our forecast of easing employment growth and the effects of new housing regulations.
- Yet upside potential remains.** Employee compensation anchored last year's robust household spending gains, and healthy full-time employment advances to date this year in provinces such as PEI, Nova Scotia, Quebec and Ontario bode well for consumer outlays in 2018. The rotation of growth towards investment and exports anticipated this year across much of Canada is also auspicious given the drag these sectors posed in several regions in 2017.

Chart 2

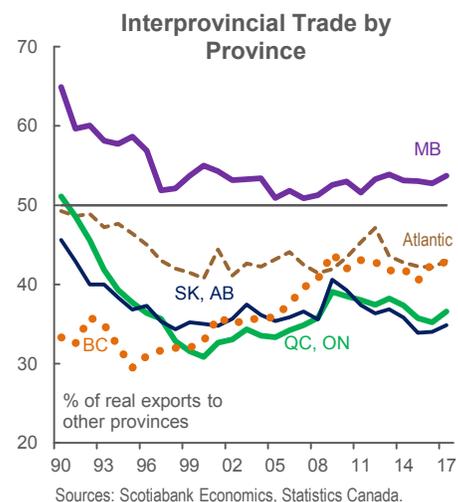


Table 2

Real Provincial GDP by Expenditure and Income, 2017

annual % change, unless otherwise stated

	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	Canada
Real Gross Domestic Product	0.9	3.5	1.5	1.8	2.8	2.8	3.2	2.2	4.4	3.8	3.0
Final Domestic Demand	-6.0	5.0	1.6	2.5	3.3	3.4	3.4	1.1	1.9	5.3	3.1
Final Consumption	0.6	2.2	2.5	2.0	2.9	3.4	2.9	1.8	2.9	4.1	3.1
Household spending	0.7	2.4	2.8	2.2	3.2	3.9	3.4	2.0	3.2	4.6	3.6
Durable Goods	0.6	4.3	7.3	4.4	5.7	8.4	5.6	2.8	7.4	8.3	7.1
Semi-durable Goods	-1.5	1.7	1.8	1.6	1.5	5.3	4.9	-2.2	0.5	3.4	3.1
Non-durable Goods	0.8	2.9	2.4	1.6	2.1	2.7	3.0	1.5	2.9	4.4	2.7
Services	1.0	1.7	2.1	2.0	3.4	3.3	2.9	2.5	2.8	4.1	3.3
Current Government Expenditure	0.7	2.0	2.1	1.6	2.2	2.0	2.0	1.6	2.3	3.0	2.1
Gross Fixed Capital Formation	-18.0	23.2	-2.7	5.2	5.1	3.3	5.4	-0.5	-0.4	9.2	3.0
Residential Construction	-7.5	25.6	4.6	3.6	7.3	1.0	9.0	-1.0	3.2	-0.4	2.4
Business Investment ^f	-20.4	24.2	-2.1	8.1	2.0	4.9	5.7	0.6	-1.8	17.8	2.5
Machinery & Equipment	8.3	9.3	-2.8	-0.5	10.7	7.9	-8.0	5.6	0.5	-0.6	4.7
Non-Residential Construction	-23.4	51.4	-1.1	20.4	-4.8	1.7	14.7	-1.8	-2.7	29.7	1.1
Intellectual Property	-37.8	2.4	-46.9	1.5	4.9	2.3	-0.3	14.7	2.6	3.3	1.2
Government Capital Spending	8.4	21.9	4.2	3.2	6.8	6.3	1.1	-8.6	-1.2	23.6	6.3
Trade Balance - \$ billions	0.6	-1.2	-11.5	-5.8	-18.5	-3.5	-5.0	15.4	52.3	-25.6	-8.3
Exports of Goods & Services	-0.4	1.8	1.9	5.5	1.2	1.8	4.0	5.0	8.4	3.4	1.1
Imports of Goods & Services	-11.6	5.3	2.2	5.9	3.9	5.1	5.0	2.3	6.5	8.0	4.2
Inventory Change - \$2007 millions	179	66	125	178	3,715	9,329	508	268	1,133	1,746	17,582
GDP Deflator	3.4	1.3	1.4	2.4	2.2	1.4	2.0	2.5	5.5	3.0	2.6
Nominal GDP	4.3	4.8	2.9	4.3	5.0	4.1	5.4	4.8	10.0	6.9	5.6
Income Components											
Household After-Tax Income	1.2	5.7	3.4	3.3	4.5	4.7	5.5	2.6	2.6	7.3	4.6
Household Saving Rate - %	3.7	0.3	-5.3	0.0	5.5	0.1	1.1	3.9	3.5	-2.0	1.5
Corporations: Net Operating Surplus	14.1	9.4	10.4	13.8	11.7	1.8	12.4	18.7	247.5	18.7	20.1

Source: Statistics Canada.

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