

Key Economic Indicators for Saskatchewan

An interprovincial comparison of
selected economic indicators over time.

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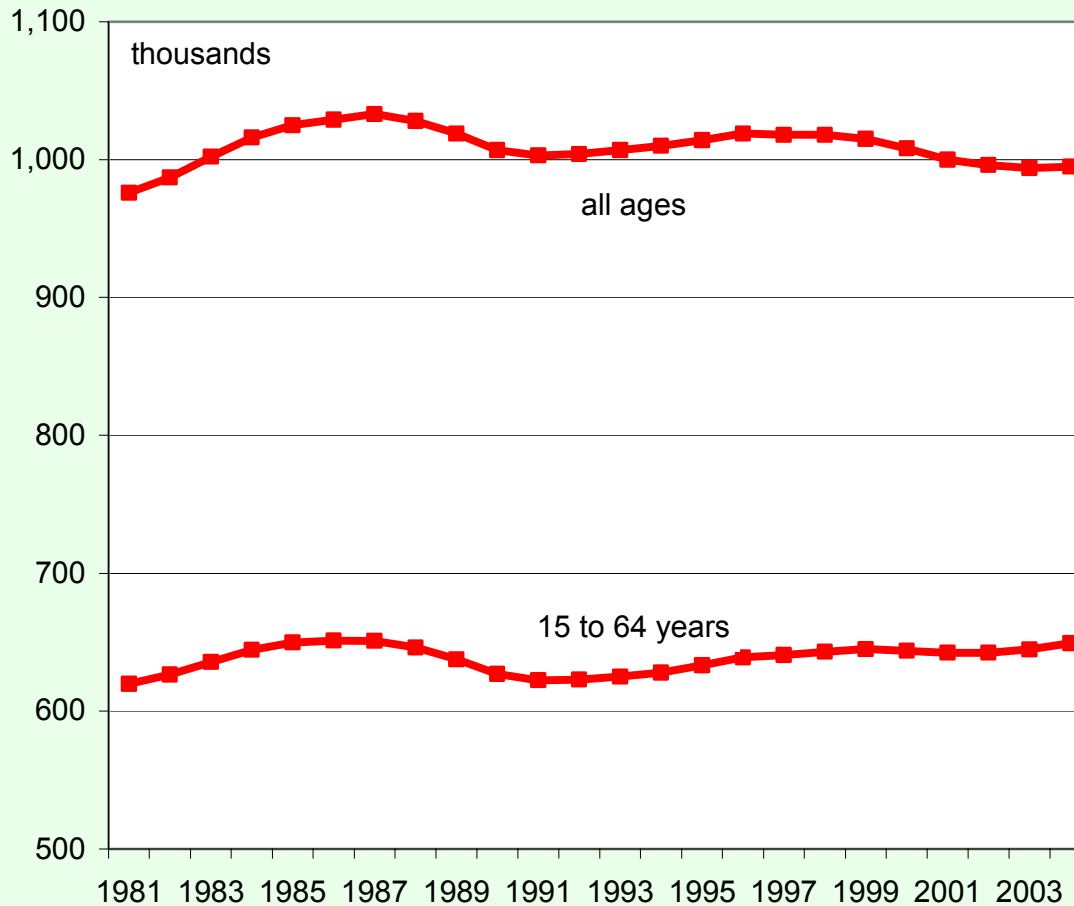
Outline

- There are a variety of ways to examine economic performance and no single indicator or set of indicators is completely satisfactory. A host of economic statistics are produced about Saskatchewan every month and each indicator can be interpreted in different ways. This material uses a blend of approaches by:
 - comparing Saskatchewan with neighbouring prairie provinces and Canada as a whole for reference points;
 - looking at a long period of time to examine trends, typically from 1981 to 2004; and
 - generally focusing on the “players” in the economy - businesses, consumers, and governments - rather than on the performance of specific industries.
- The first section concentrates on general indicators - population, employment, economic growth, for example.
- The next section looks at the performance of the main groups in the economy - consumers/workers, businesses, governments - and international/interprovincial trade in Saskatchewan compared with other provinces.
- The last section looks at some of the specific industries that are of particular interest in Saskatchewan - tourism, the knowledge-based economy, and value-added processing, for example.
- This is an interim report. The results of the analysis will be included in a formal final report to be released in November 2005.

General Indicators

Population

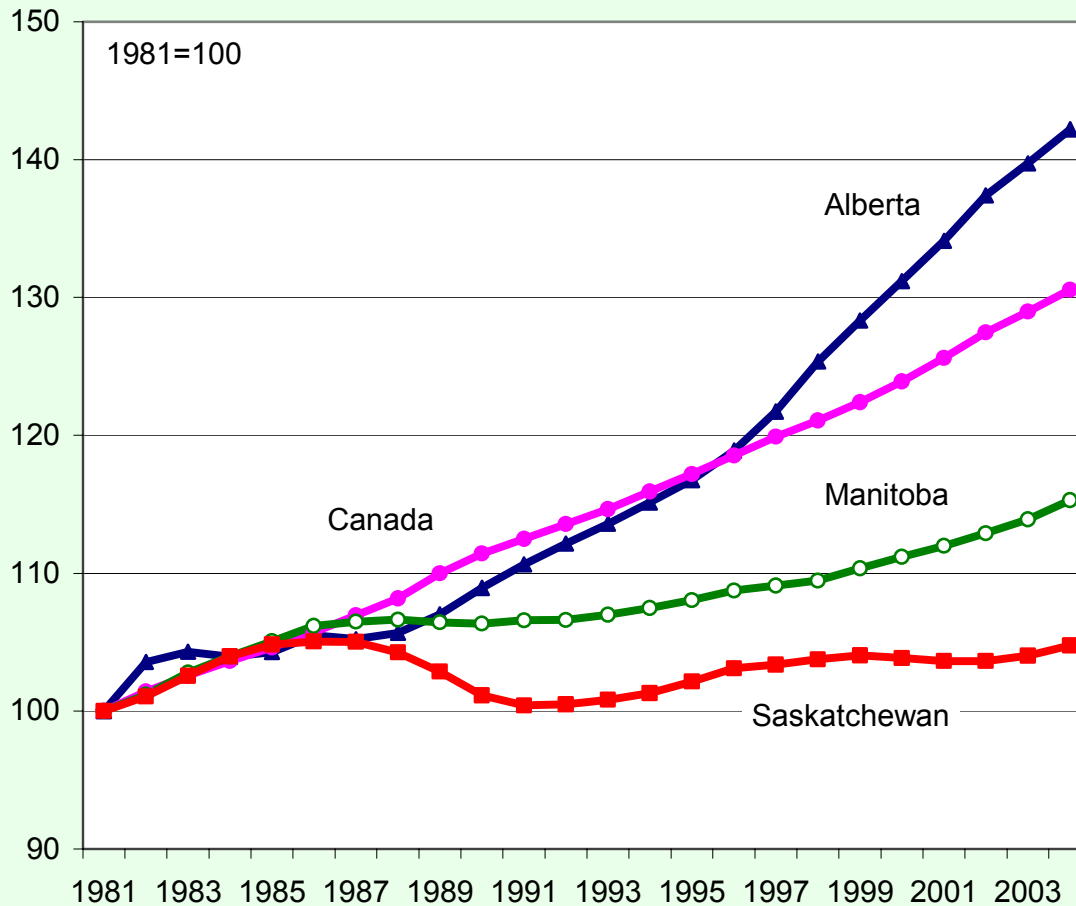
Saskatchewan Population



- Population is not normally considered an “economic” indicator but it is an important one for Saskatchewan.
- Not only do the people in the working age group provide a source of labour for economic activity but the residents generate economic activity on their own account by building houses, buying cars, using the health care system, getting haircuts, etc.
- Saskatchewan’s population has been effectively at one million since 1981 with only minor fluctuations around that figure. The population 15 to 64 years of age - 650,000 in 2004 - represents about two thirds of the total. The number of persons in this age group has also been relatively stable over the past two decades.

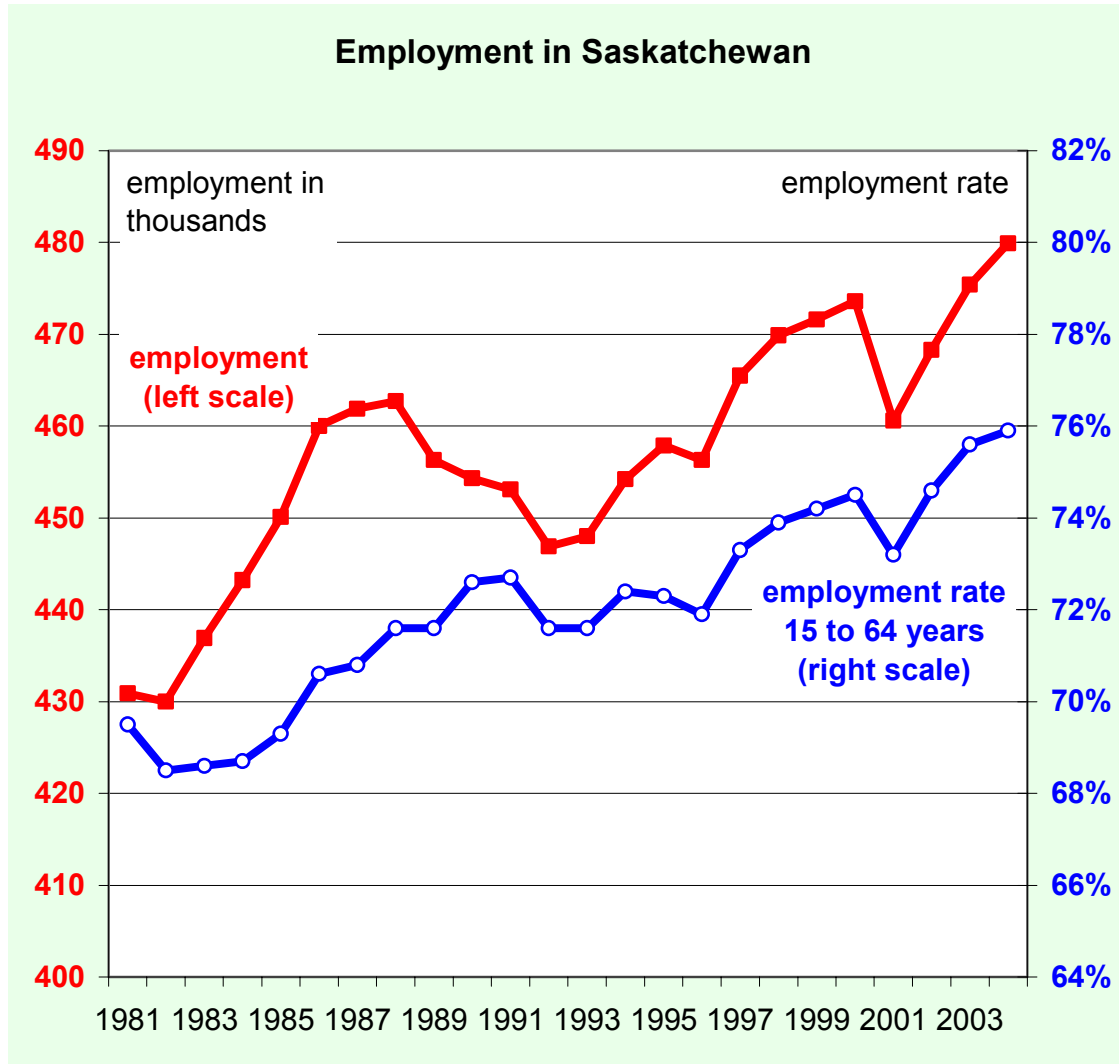
Interprovincial Comparison of Population Trends

Population Trends, 15 to 64 Years



- Since 1981, the Canadian population in the labour force age group has grown by 30% compared with 15% in Manitoba and 5% in Saskatchewan.
- Alberta's total population has grown by 42% over the period with half of that growth happening since the mid 1990s.

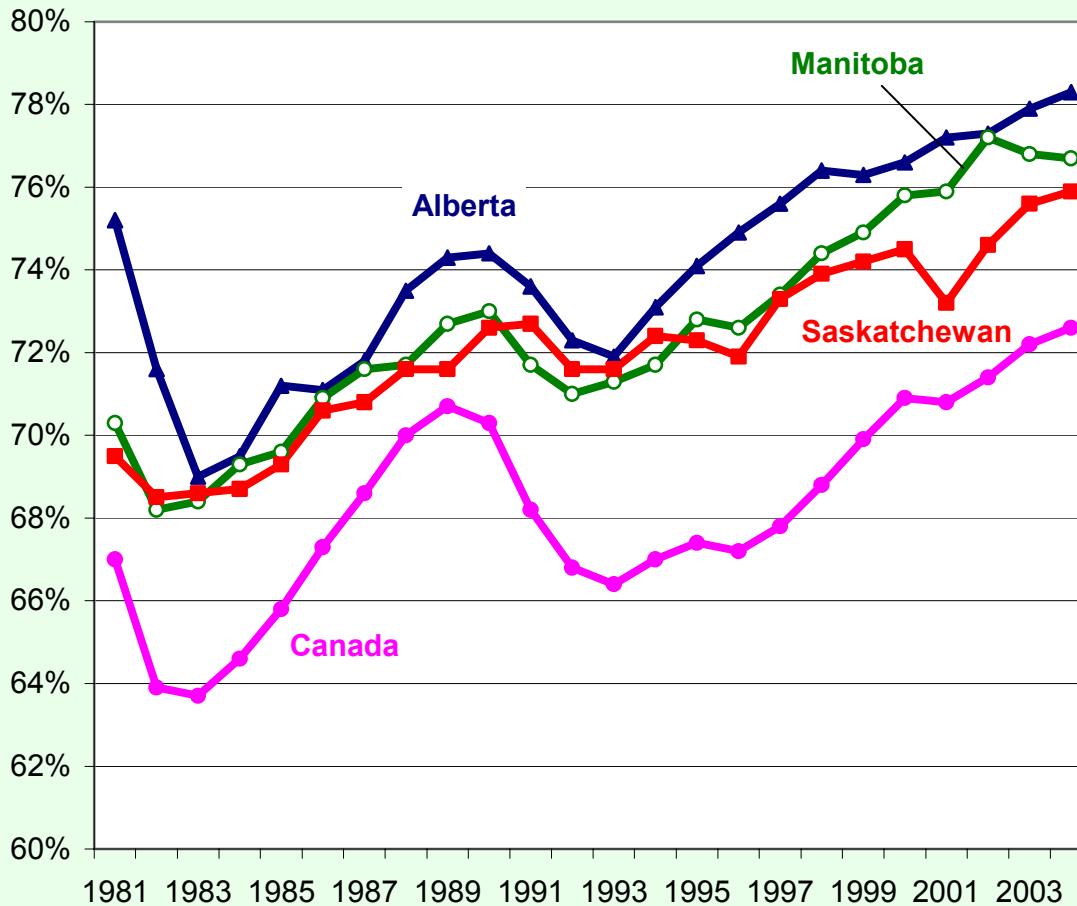
Employment and the Employment Rate



- In spite of a stagnant overall population, there are more people working in Saskatchewan than there was in the early 1980s. Total employment has increased from 430,000 to 480,000 over the 24 years.
- The employment rate is the proportion of the population that has a job, either self-employed or working for someone else.
- The employment rate among those in the primary labour market age group (15 to 64 years) has grown from less than 70% in the early 1980s to more than 75% in the last two years. This is the effect of a stagnant population in the labour market age group and an increasing number of jobs.

Interprovincial Comparison of Employment Rates

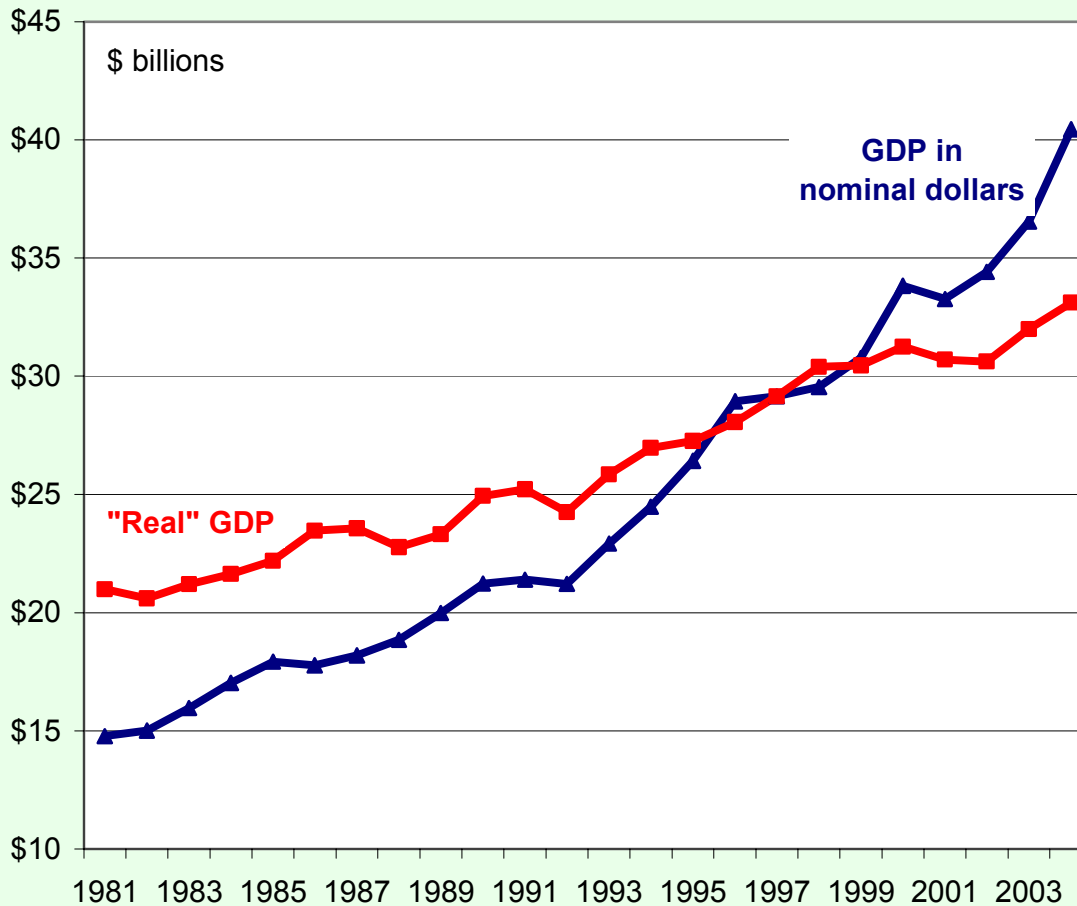
Employment Rates, 15 to 64 Years



- Employment rates in the prairie provinces have traditionally been higher than in other parts of Canada.
- The employment rate in Saskatchewan is following the general trend in the prairie provinces although it has fallen behind the Alberta and Manitoba rates in the last five years.
- Looked at another way, Saskatchewan adults are almost as likely to be employed as those in our neighbouring provinces and more likely to be employed than those in Canada as a whole.

Gross Domestic Product

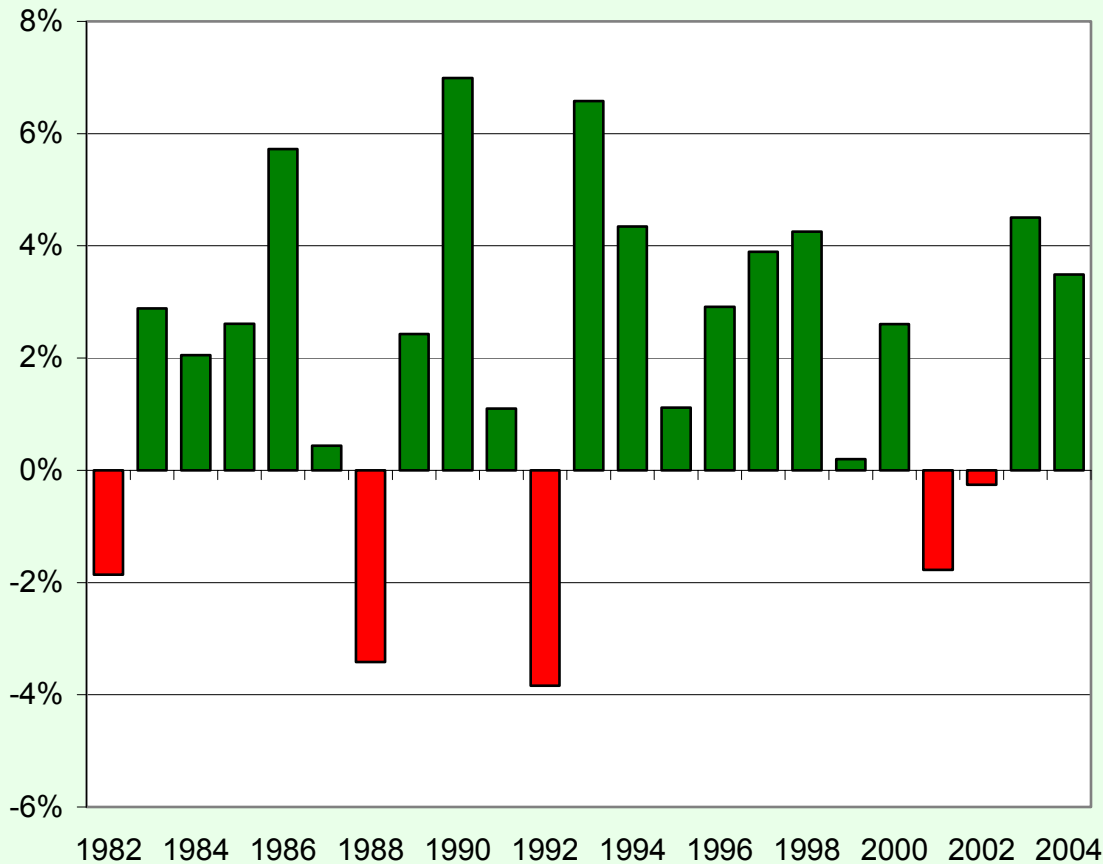
Saskatchewan Gross Domestic Product



- The Gross Domestic Product (GDP) is the most comprehensive measure of economic activity and the one used by most economists to measure economic activity. The GDP is a measure of the value of goods and services produced by an economy.
- GDP is disliked as an objective of economic policy by some because it is not a perfect measure of welfare. It does not include aspects of the good life such as leisure activities nor does it include valuable activities that are not paid for, such as parents teaching their children to read. And it includes some things that lower the quality of life, such as activities that damage the environment.
- Saskatchewan's GDP has grown by an average of 4.3% over the past 24 years to reach \$40.5 billion in 2004.
- Adjusted for price changes (i.e. "real" GDP), Saskatchewan's economy has grown from \$21 billion 1997\$ to \$33 billion over the past twenty-four years.

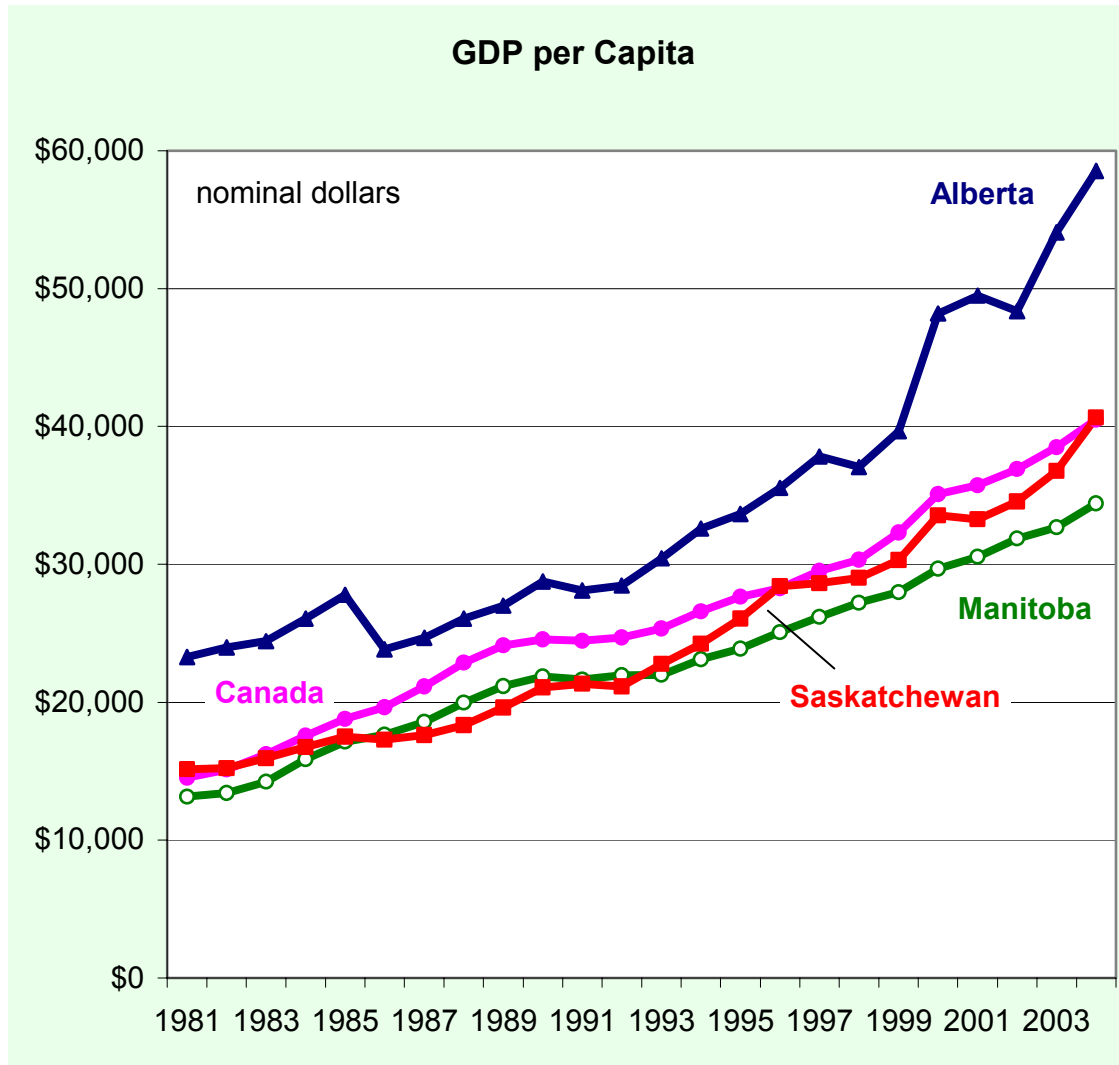
Growth in Real GDP

Annual Growth in Saskatchewan's Real Gross Domestic Product



- A “recession” is defined as a period when real GDP declines. That is the value of goods and services produced in the economy, after adjusting for inflation, declines. (There is no accepted definition of a “depression”.)
- Since 1981, real GDP has grown by an average of 2.0% per year in Saskatchewan. There have been four recessionary periods:
 - 1982
 - 1988
 - 1992
 - 2001 and 2002
- The 1982 and 1992 recessions were national in scope whereas the 1988 and 2001-02 recessions were unique to Saskatchewan.

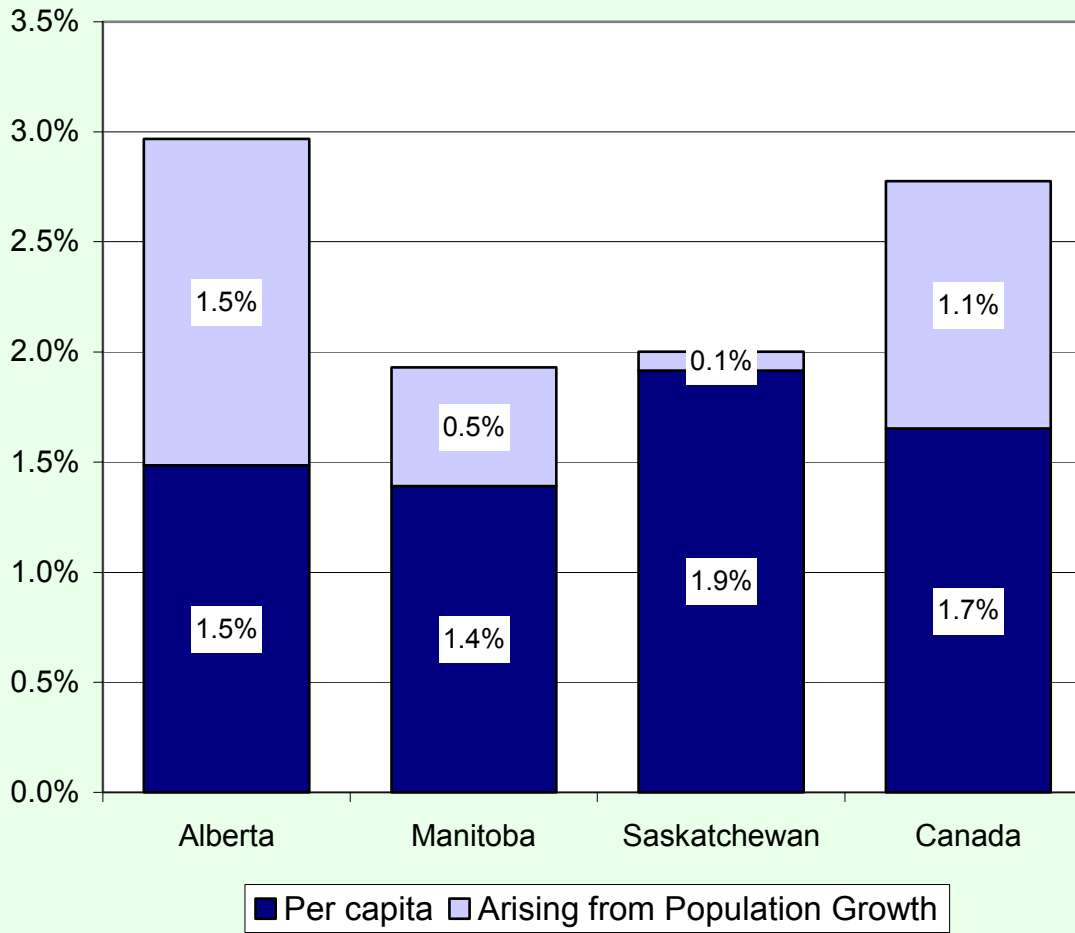
GDP per Capita



- GDP per capita can be interpreted in two ways.
- In one interpretation, GDP per capita is each citizen's "share" of economic output from the province's economy. A higher value will generally mean more income to share among the residents and businesses.
- In the second interpretation, the roles are reversed because economic growth is, to a large extent, driven by population. In this case, per capita GDP measures economic growth excluding the contribution made by population growth.
- Saskatchewan's GDP per capita is near the national average, above the level in Manitoba, and below the level in Alberta.

Growth in Real GDP

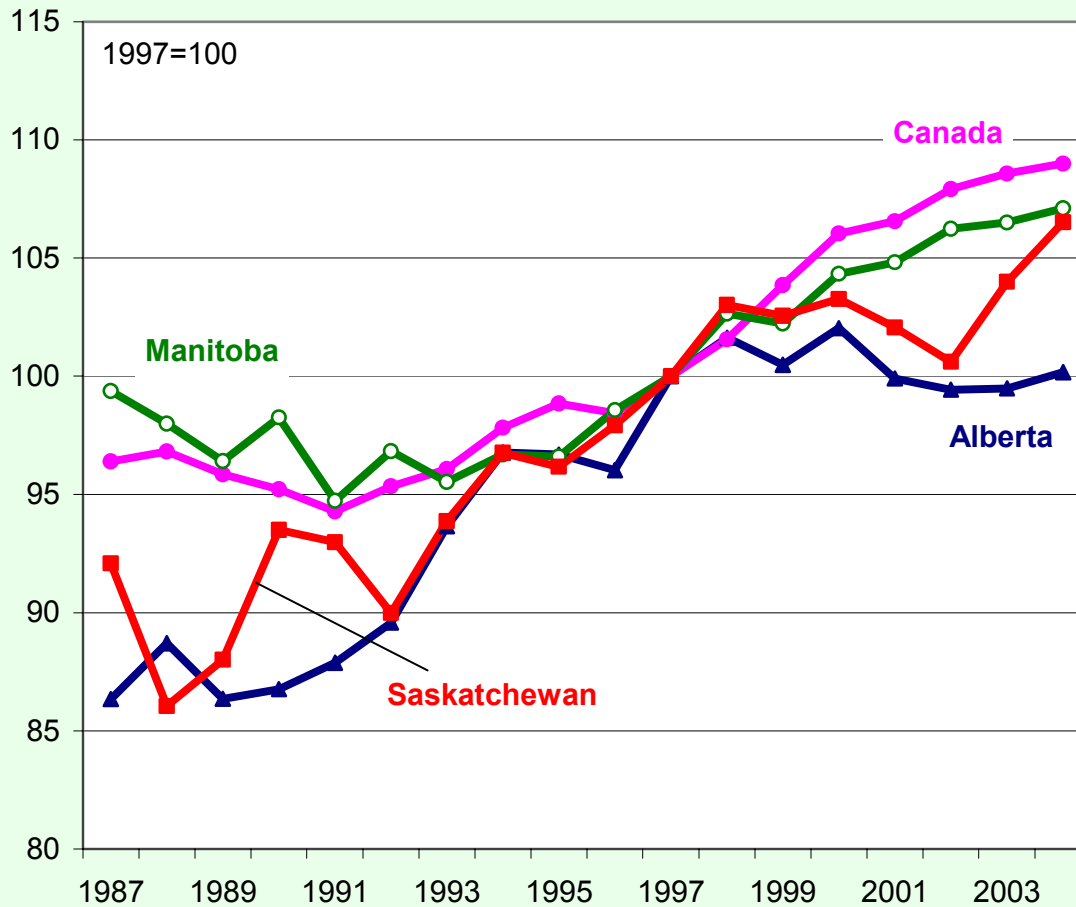
Average Annual Growth in Real GDP, 1981 to 2004



- Much of Canada's and Alberta's economic growth in the past twenty-four years has arisen from population increases.
- This figure shows overall economic growth (as measured by real GDP) broken down into the per capita amount and the residual. One interpretation is that the residual figure is the growth arising from population change.
- Saskatchewan's lower rate of overall growth in real GDP over the period (2.0% compared with 2.8% for Canada and 3.0% for Alberta) is a consequence of almost no contribution from population growth. In Alberta, the rate of growth in per capita GDP is lower than in Saskatchewan; one half of that province's overall economic growth is attributable to population growth..

Productivity

Total Factor Productivity



- Productivity is a measure of how efficient the economy is producing goods and services. Higher productivity arises when an efficient mix of capital and labour is used. Productivity growth is generally seen as leading to increased economic prosperity.

- Both capital and labour contribute to productivity. The figure shows total factor productivity using hours worked for labour and gross fixed capital formation for capital.

- From 1987, productivity has grown by an average of:
 - 0.4% in Manitoba;
 - 0.7% in Canada;
 - 0.8% in Alberta and Saskatchewan.

(These data are published by the Canadian Centre for Living Standards and are available only since 1987.)

Summary

Average Annual Growth Rates

	Alberta		Saskatchewan		Manitoba	
	1981 to 1992	1992 to 2004	1981 to 1992	1992 to 2004	1981 to 1992	1992 to 2004
Population	1.3%	1.6%	0.3%	-0.1%	0.7%	0.4%
Employment	0.7%	2.7%	0.3%	0.6%	0.6%	1.2%
Real GDP	1.8%	4.0%	1.3%	2.6%	1.5%	2.3%
Real GDP per Capita	0.6%	2.3%	1.1%	2.7%	0.8%	1.9%
Productivity	0.7%*	0.9%	-0.5%*	1.4%	-0.5%*	0.8%

* 1987 to 1992

- The key factor in understanding Saskatchewan's general economic performance in the last two to three decades is the lack of population growth. Growth in employment and GDP, for example, is lower than growth in Manitoba and Alberta.
- But using per-capita figures or rates such as the employment rate and GDP per capita to "adjust" for this lack of population growth leads to figures showing the province doing well in economic terms.
- In terms of trends, the early 1990s marked a turning point. With the notable exception of population, most of the indicators changed from a downward trend to an upward trend.
- Because economic growth and population growth are closely related, the implications for future growth are clear even if the method of achieving that growth is not. If the province's GDP and employment are to increase on other than a per-capita basis then the population will need to increase.

Interprovincial Comparison

This section examines the contribution to the Saskatchewan economy made by the players in the economy.

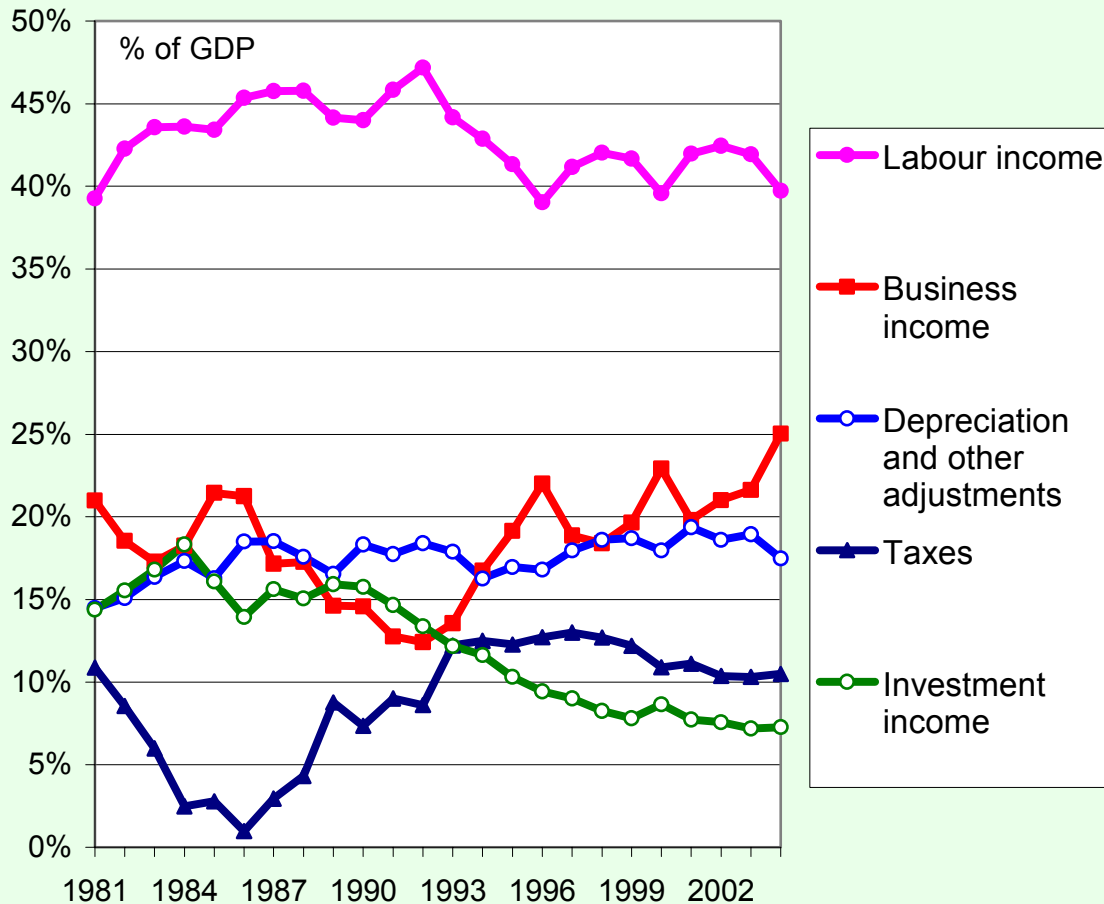
Unless otherwise specified, the indicators are expressed in nominal dollars relative to the size of the economy as measured by GDP.

The “Players” in the Provincial Economy

- In the analysis that follows, economic activity is examined from two perspectives. The income method looks at the income of residents (individuals and firms) derived from the production of goods and services. The expenditure method totals spending on goods and services produced by residents, before allowing for depreciation and capital consumption.
- The two measures are highly inter-related.
- The income method looks at:
 - wages, salaries, and supplementary income;
 - corporate profits before taxes;
 - net farm income;
 - investment income; and
 - taxes.
- The expenditure method looks at activity by the “players” in the economy.
 - consumer spending
 - government spending (operating and capital)
 - business capital investment
 - interprovincial and international trade.

Income in the Provincial Economy

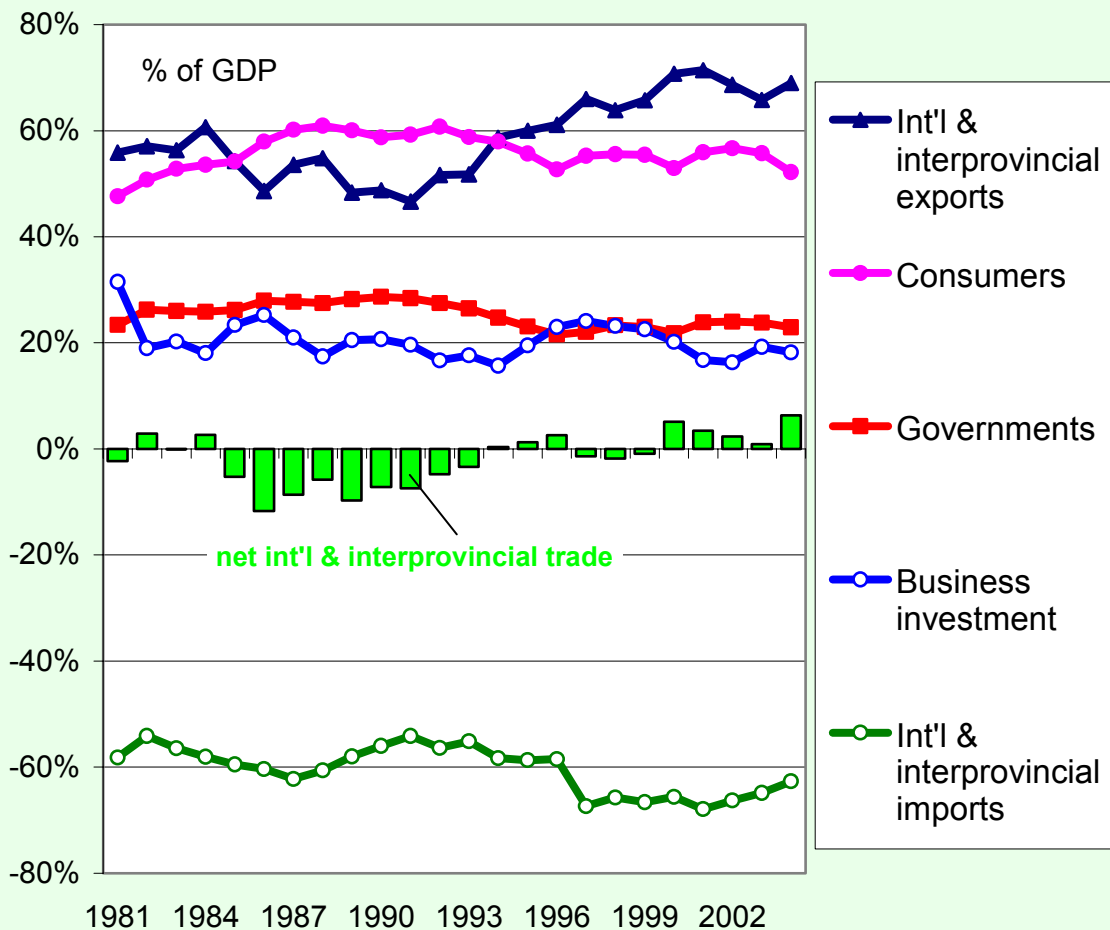
GDP Income Accounts, Saskatchewan



- Since 1981, wages, salaries and other labour income have represented 40% to 45% of GDP.
- Business income, which includes net income from farming, declined from 20% in the early 1980s to reach a low of 12% in 1992. The share has increased to 25% since then.
- Taxes (net of subsidies) increased significantly from 1986 to 1993 and have been declining slowly since then.
- Lower consumer savings and interest rates have led to a decline in investment income from 15% of GDP in the early 1980s to 7% in 2004.

Expenditure in the Provincial Economy

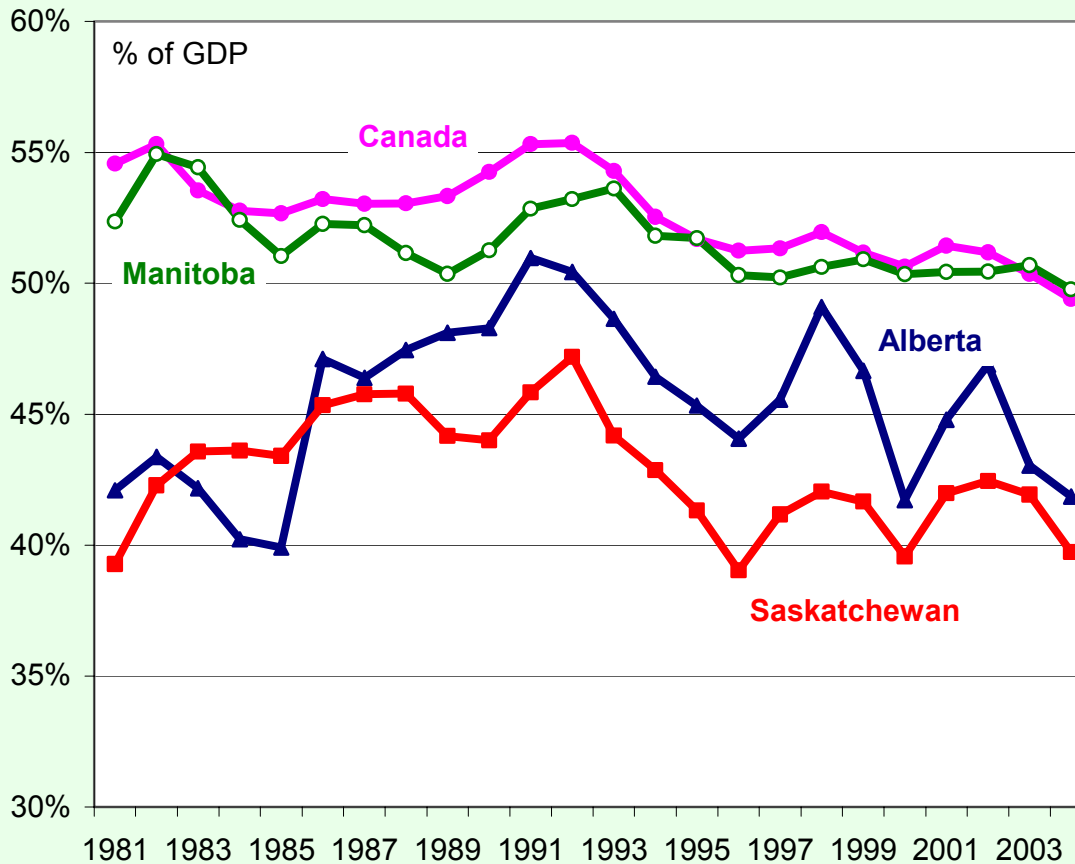
GDP Expenditure Accounts, Saskatchewan



- The expenditure accounts are more complex because imports are an offset to exports. (The goods or services were produced in another economy but consumed in Saskatchewan.)
- Relative to the size of the economy, exports (both interprovincial and international) are the largest component of the economy. Exports are, however, almost completely offset by imports so net trade to/from Saskatchewan is near zero.
- This was not the case in the late 1980s when consumer spending was the largest component of the economy.
- Relative to the size of the economy, both government spending (capital and operating) and business investment have fluctuated near 20% for the past twenty-four years.

Interprovincial Comparison: Labour Income

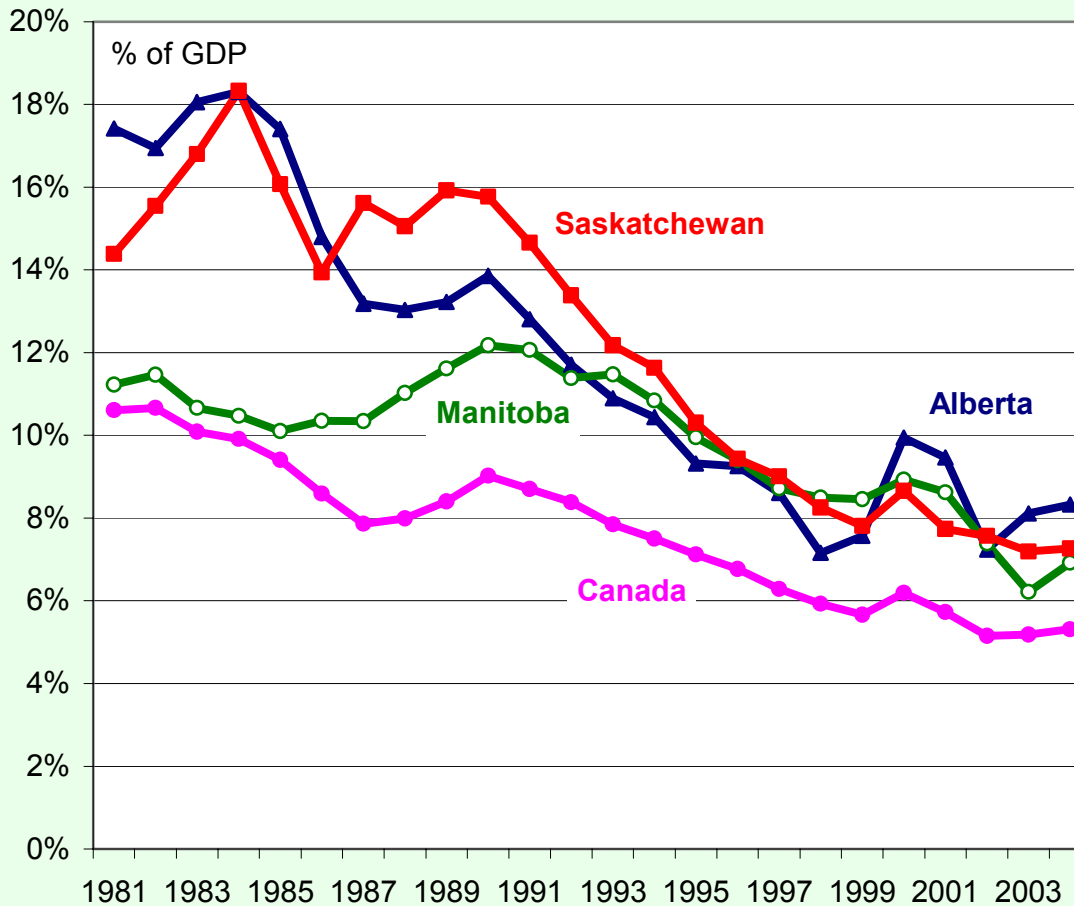
**Wages, Salaries, and Supplementary Labour Income
Relative to GDP**



- Workers in Saskatchewan and Alberta have traditionally had lower levels of labour income relative to GDP than other provinces.
- In 2004, for example, labour income made up 50% of the Canada and Manitoba GDP compared with 40% in Saskatchewan and 42% in Alberta.
- This is partly explained by the relatively high level of capital investment required in resource-based economies.

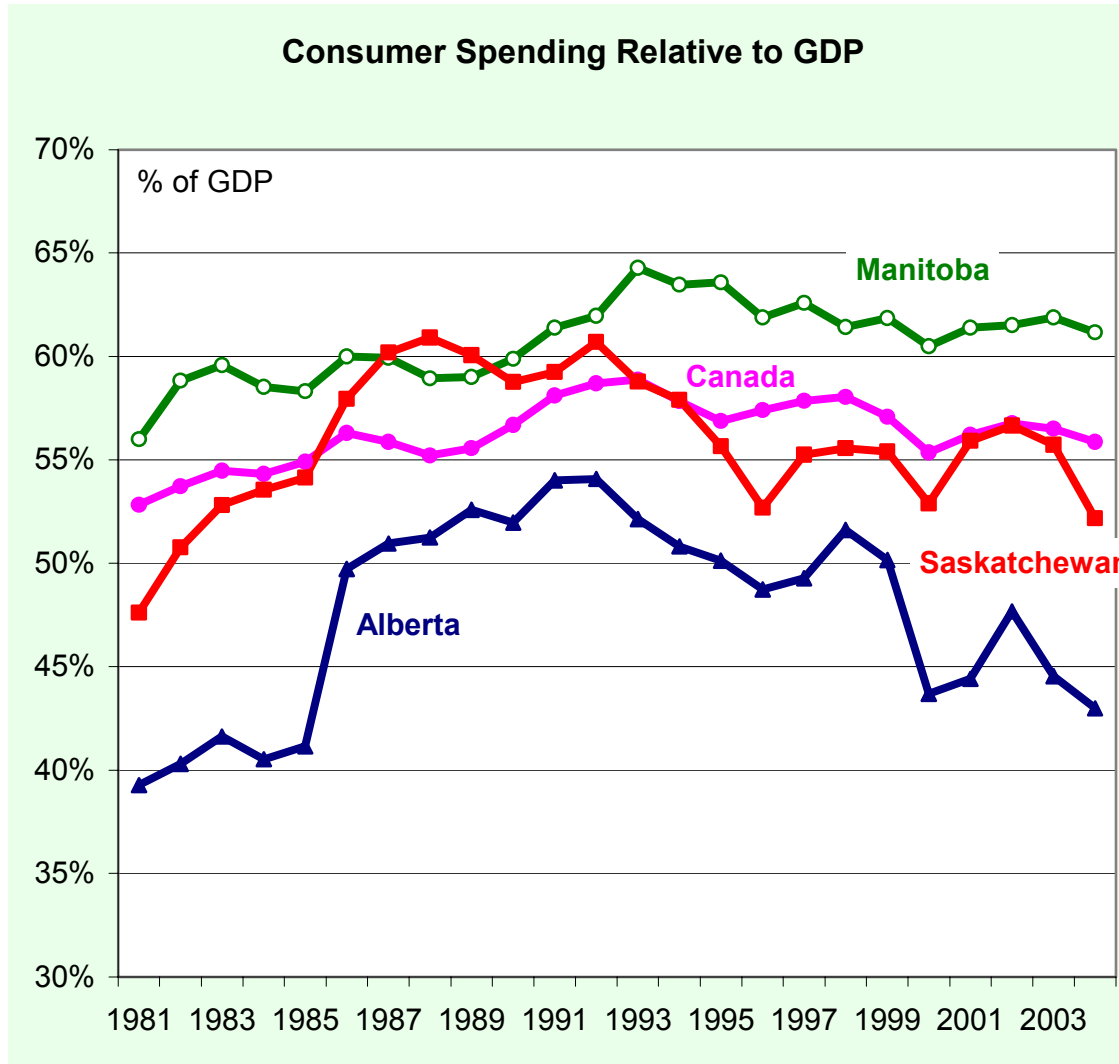
Interprovincial Comparison: Interest and Investment Income

Interest and Investment Income Relative to GDP



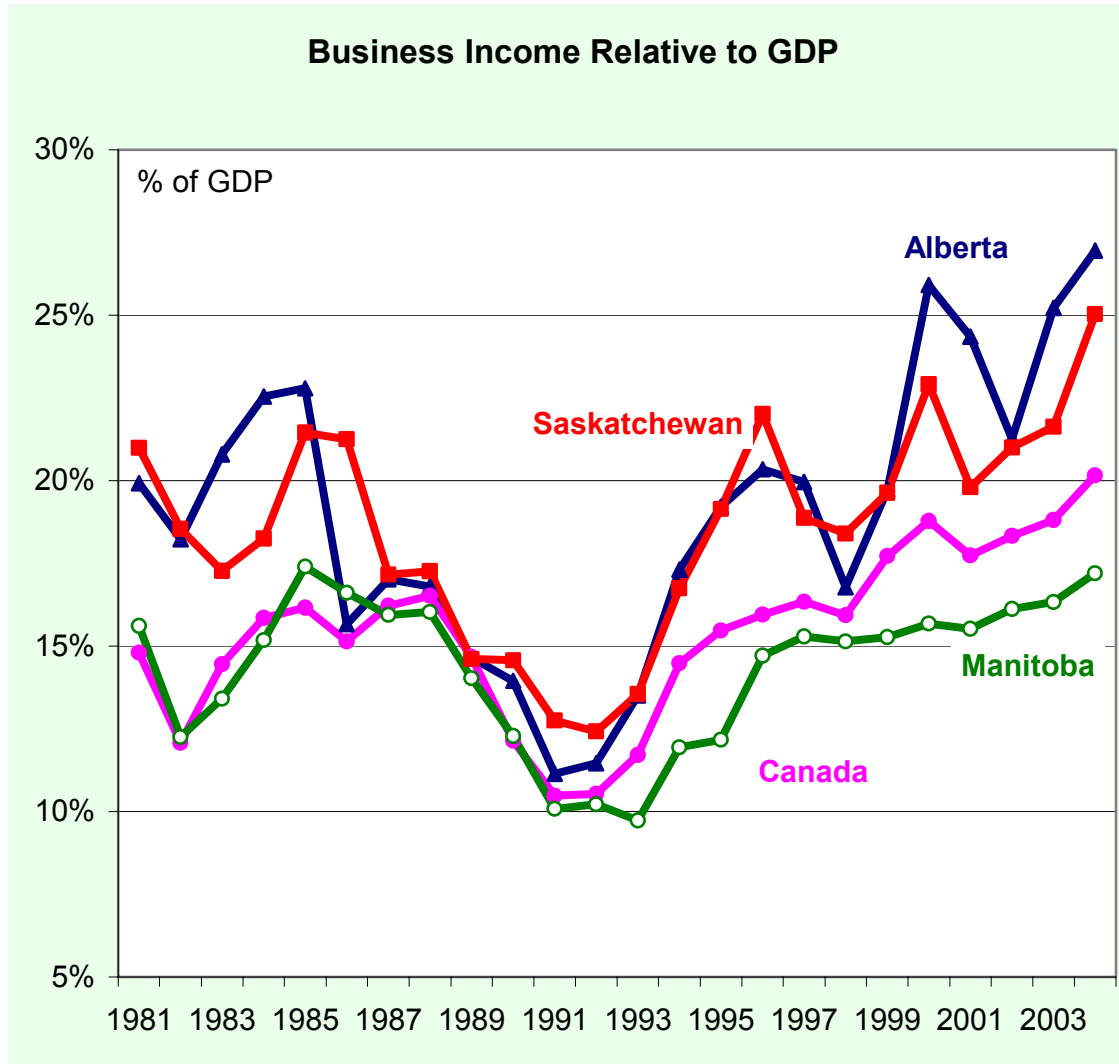
- With a higher personal savings rate in Alberta and Saskatchewan, investment income has traditionally been higher than in Manitoba or Canada as a whole.
- This is changing as investment income is declining in importance with lower interest rates and the lower savings rates that occur in an aging population.
- Interest and investment income are converging in Saskatchewan and the other prairie provinces to a value near the national average of 5% of GDP.

Interprovincial Comparison: Consumer Spending



- On the expenditure side, the Manitoba economy is more dependent on consumer spending than either the Alberta or Saskatchewan economies.
- In particular, consumer spending represents less than 45% of the Alberta economy compared with 51% in Saskatchewan and 56% in Canada as a whole.
- Consumer spending is still a large and important part of the Saskatchewan economy but its contribution is declining. After increasing throughout the 1980s, consumer spending is becoming less important in each of the prairie economies.

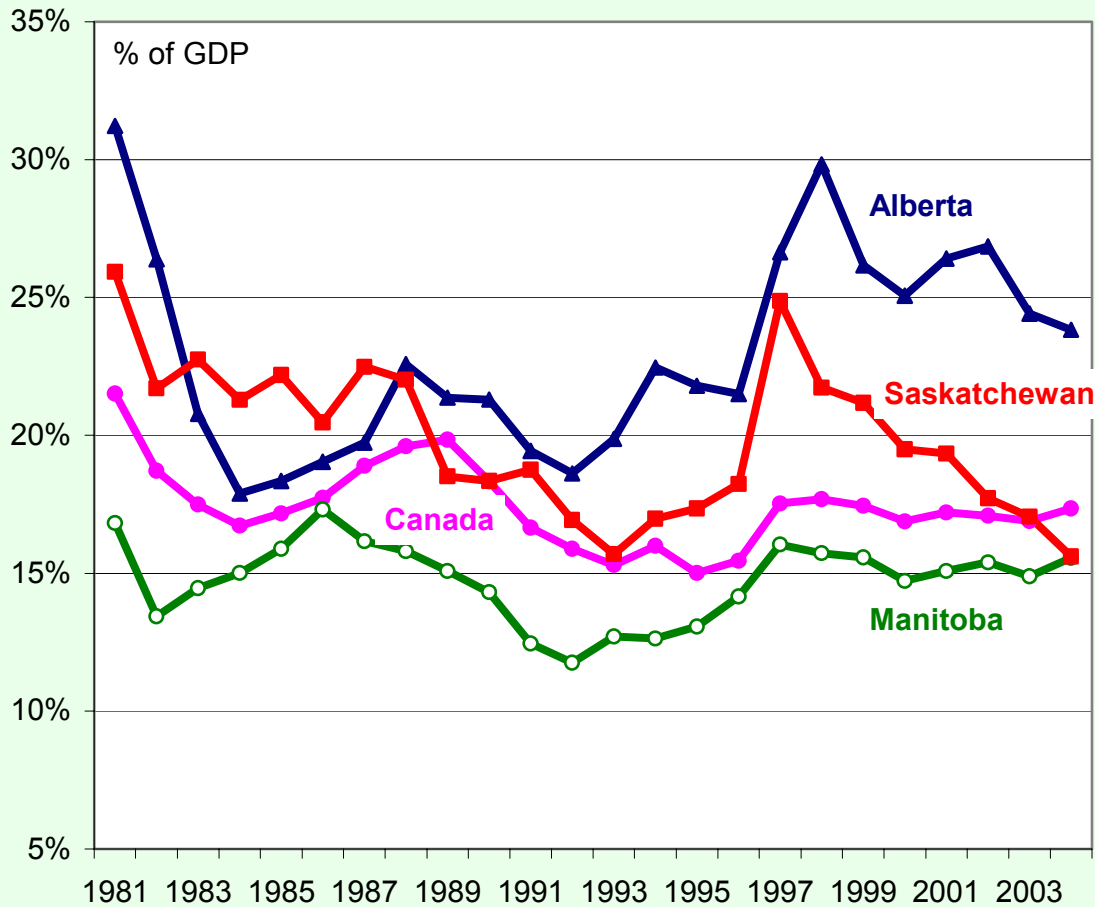
Interprovincial Comparison: Business Income



- This figure uses a broad definition of business income that includes:
 - corporate profits before taxes,
 - net income from farm operations; and
 - net income from unincorporated businesses including rent.
- After declining relative to GDP throughout most of the 1980s, business incomes is growing in each of the four economies. Both the decline and the subsequent increase are more pronounced in Alberta and Saskatchewan than in Manitoba or Canada as a whole.

Interprovincial Comparison: Business Investment

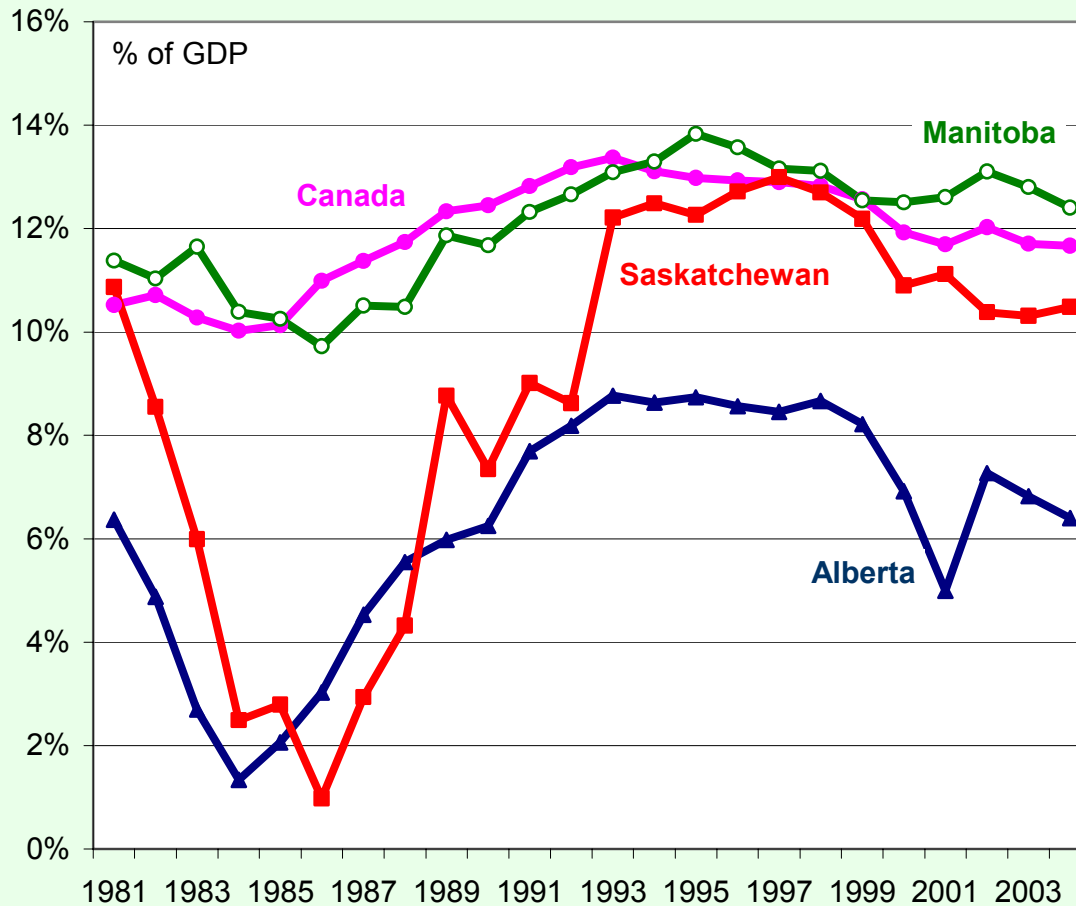
Business Investment Relative to GDP



- Business investment (including residential housing) declined with business income in the 1980s.
- The period of decline occurred over different time periods in the four economies. Canada and Manitoba followed similar tracks.
- The resource-rich economies of Alberta and Saskatchewan tend to have higher levels of business investment.
- Since the recent peak in 1997-98, business investment has fallen in Alberta and (especially) Saskatchewan.

Interprovincial Comparison: Direct and Indirect Taxes

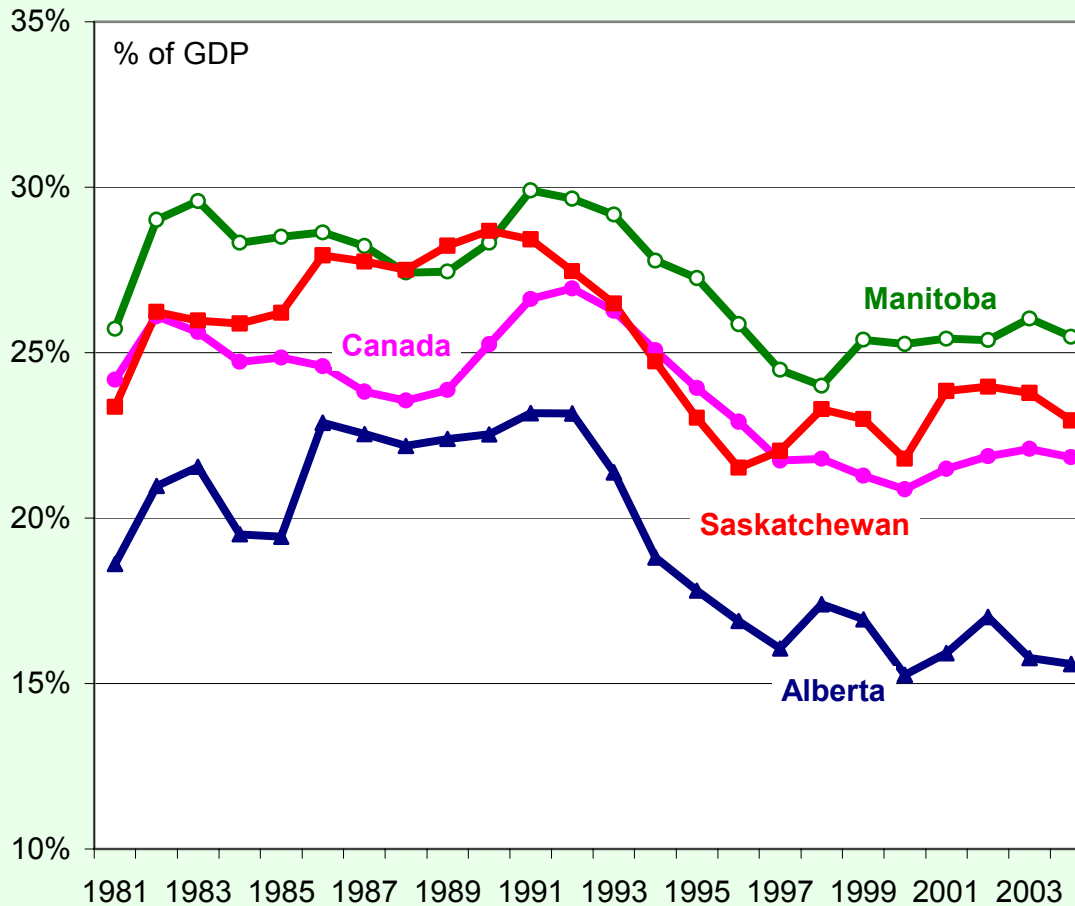
Taxes (net of subsidies) Relative to GDP



- Taxes in these data include both direct and indirect taxes paid by both businesses and individuals to all three levels of government. Subsidies to businesses are deducted.
- Relative to the size of their respective economies, taxes are higher in Manitoba and Canada as a whole than they are in Saskatchewan or Alberta.
- Taxes increased dramatically from the mid 1980s to the early 1990s in both Saskatchewan and Alberta but the increase was more dramatic in Saskatchewan. Since then, they have been drifting downward.

Interprovincial Comparison: Government Spending

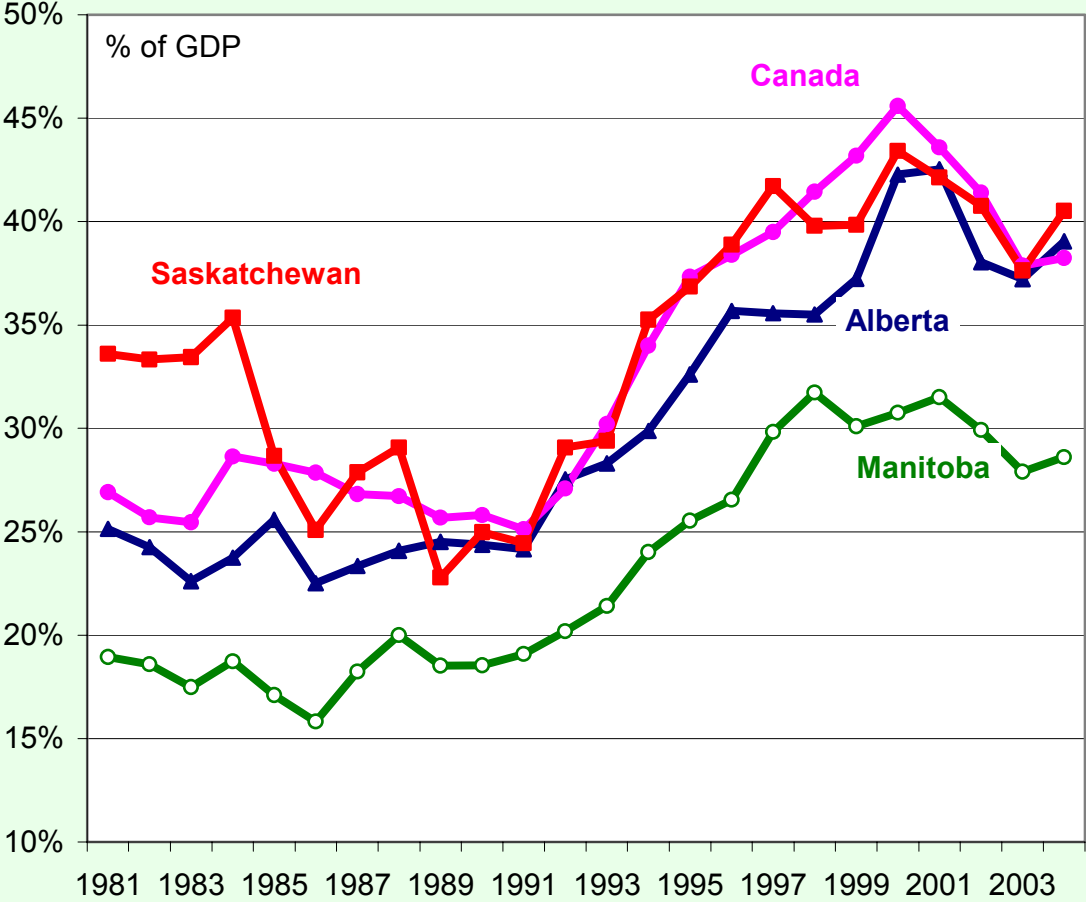
Government Spending Relative to GDP



- Relative to the size of their respective economies, government spending (both capital and operating by all three levels of government) is highest in Manitoba and lowest in Alberta. Saskatchewan is near the national average.
- All the prairie provinces have followed a similar trend over time. Government spending was higher in the 1980s, fell from the late 1980s to the mid 1990s and has been stable relative to GDP since then.

Interprovincial Comparison: International Exports

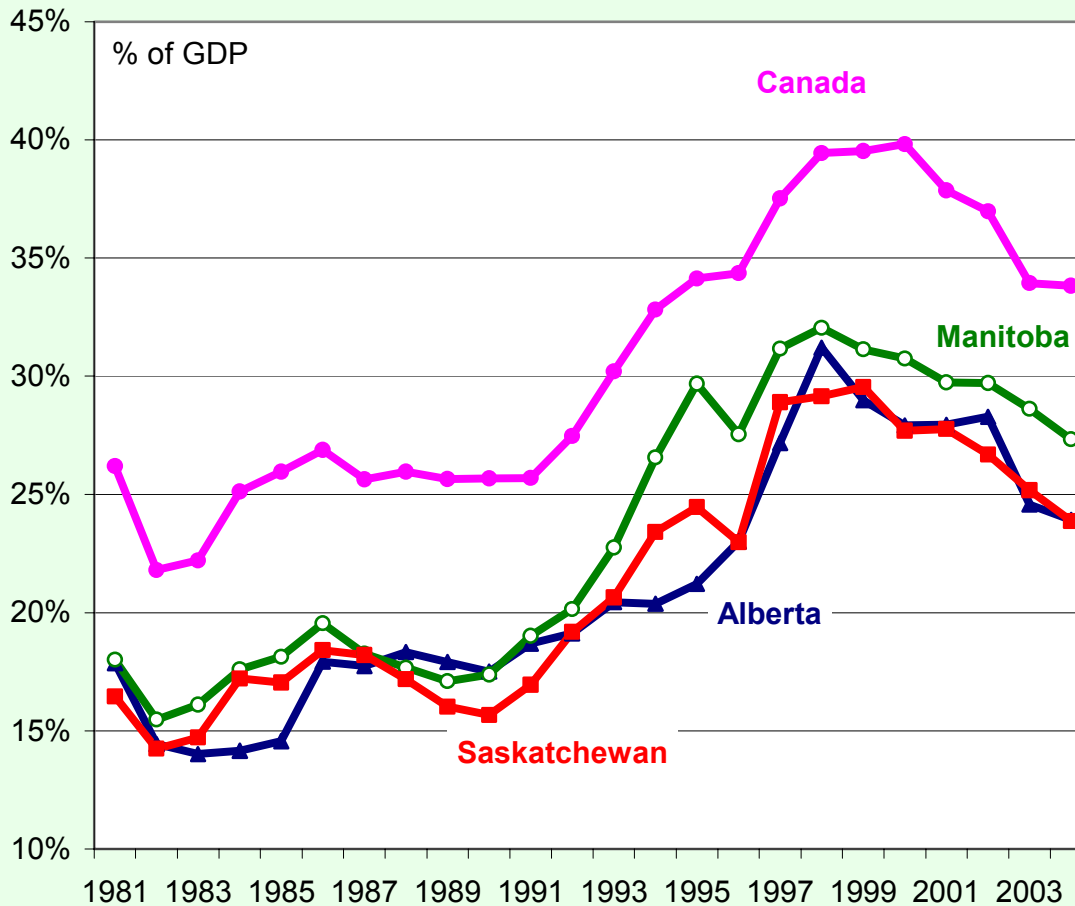
Exports to Other Countries



- Exports of goods and services to other countries (the majority is to the USA) grew in all three prairie provinces and in Canada as a whole in the post-FTA period.
- Relative to the size of their respective economies, the largest exporters to international markets are Alberta and Saskatchewan.

Interprovincial Comparison: International Imports

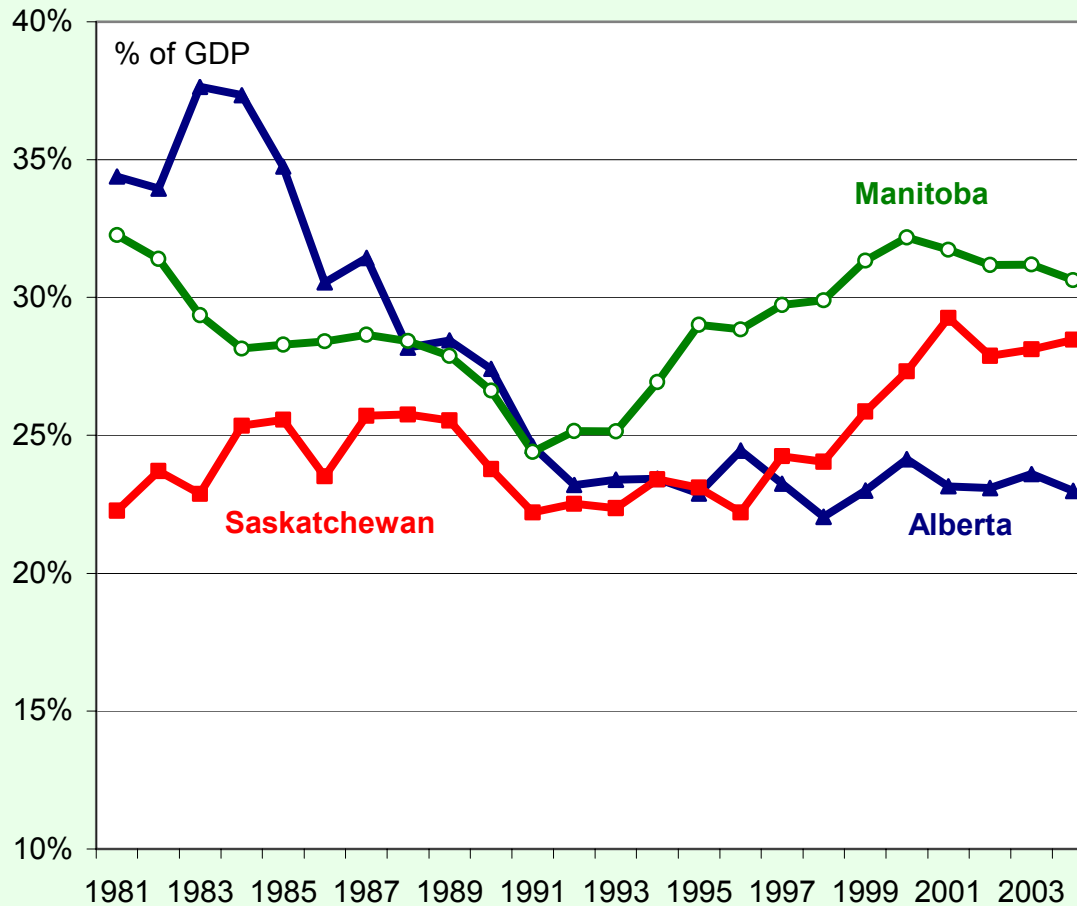
Imports from Other Countries



- Imports of goods and services from other countries have also increased in importance since the late 1980s in all three prairie provinces and in Canada as a whole.
- Relative to the size of their respective economies, Canada is a larger importer than any of the prairie provinces.

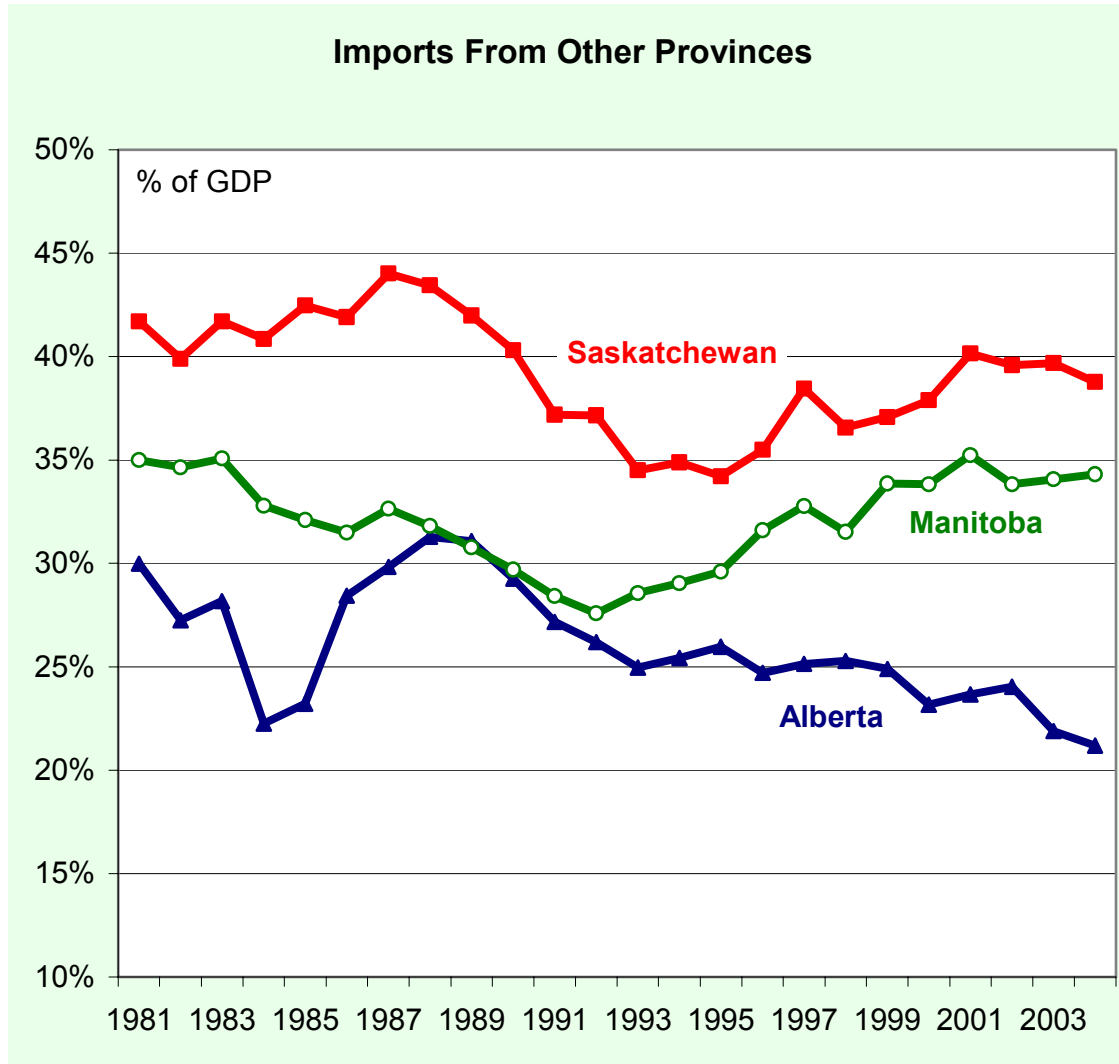
Interprovincial Comparison: Interprovincial Exports

Exports to Other Provinces



- Relative to the size of its economy, Manitoba is a larger exporter of goods and services to other provinces than either Saskatchewan or Alberta.
- The pattern of interprovincial exports has changed significantly since 1981. During the early 1980s, Alberta was the largest interprovincial exporter among the prairie provinces and Saskatchewan the smallest.
- During the 1990s, Manitoba and Saskatchewan increased their interprovincial exports whereas Alberta's remained constant.

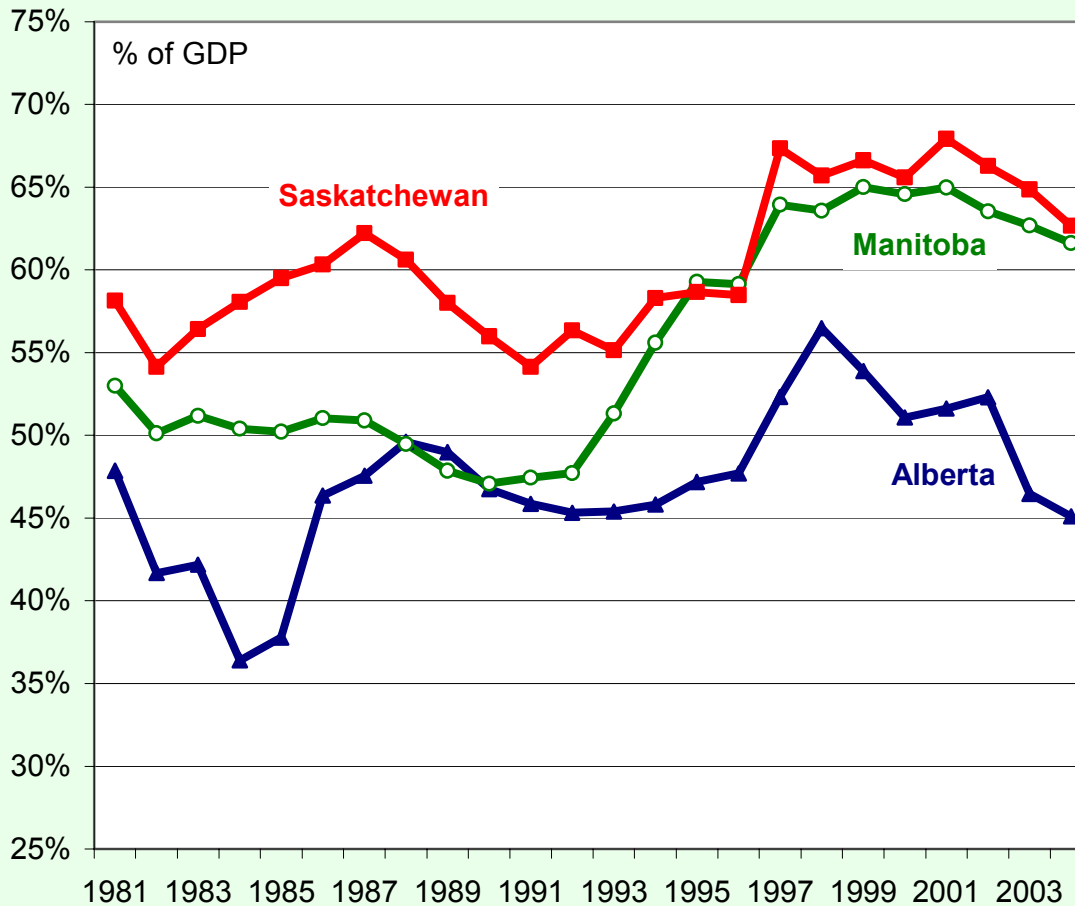
Interprovincial Comparison: Interprovincial Imports



- Saskatchewan's lack of a manufacturing base means that interprovincial imports are larger, relative to its economy, than in either Manitoba or Alberta.
- In the 1990s, imports from other provinces have been increasing in Saskatchewan and Manitoba and declining in Alberta.

Interprovincial Comparison: All Imports

Total Imports (International and Interprovincial)

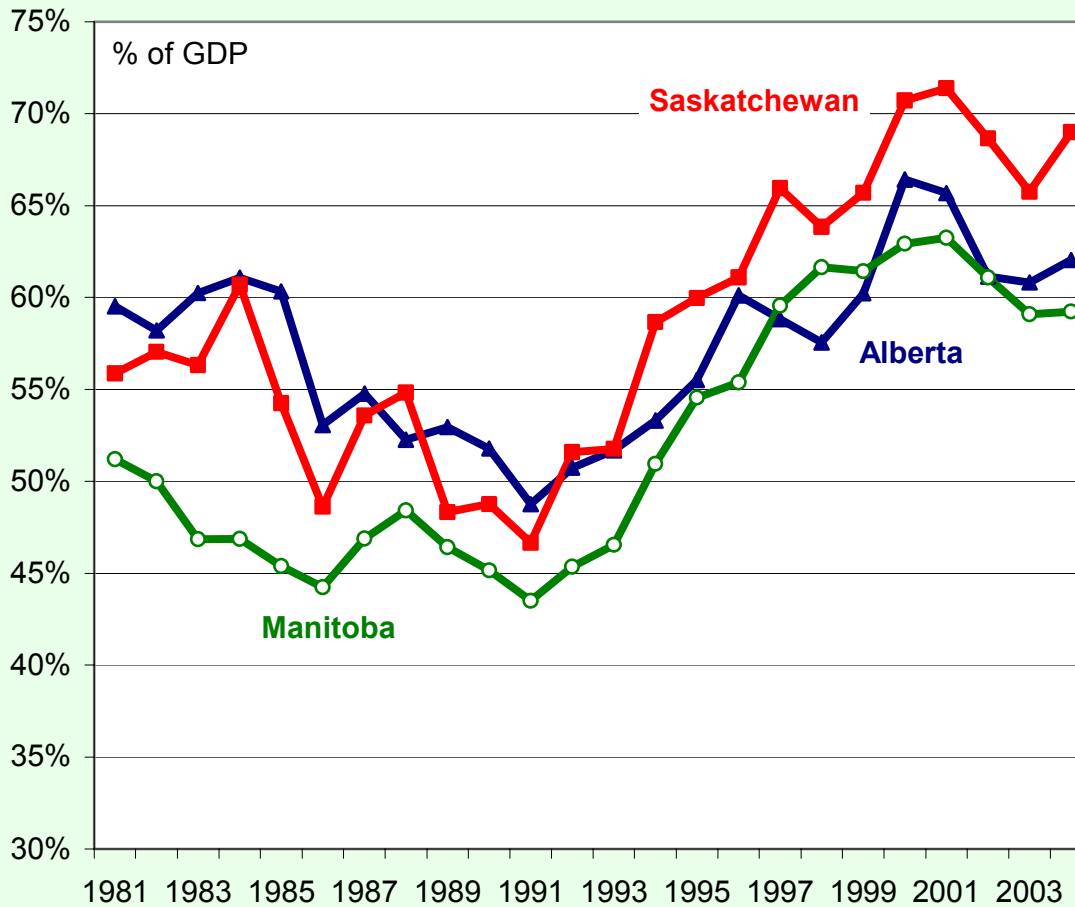


- Imports represent a larger proportion of the economies of Saskatchewan and Manitoba than they do in Alberta.

Note that some imports are related to exports - raw materials and intermediate goods destined for manufacturing for example.

Interprovincial Comparison: All Exports

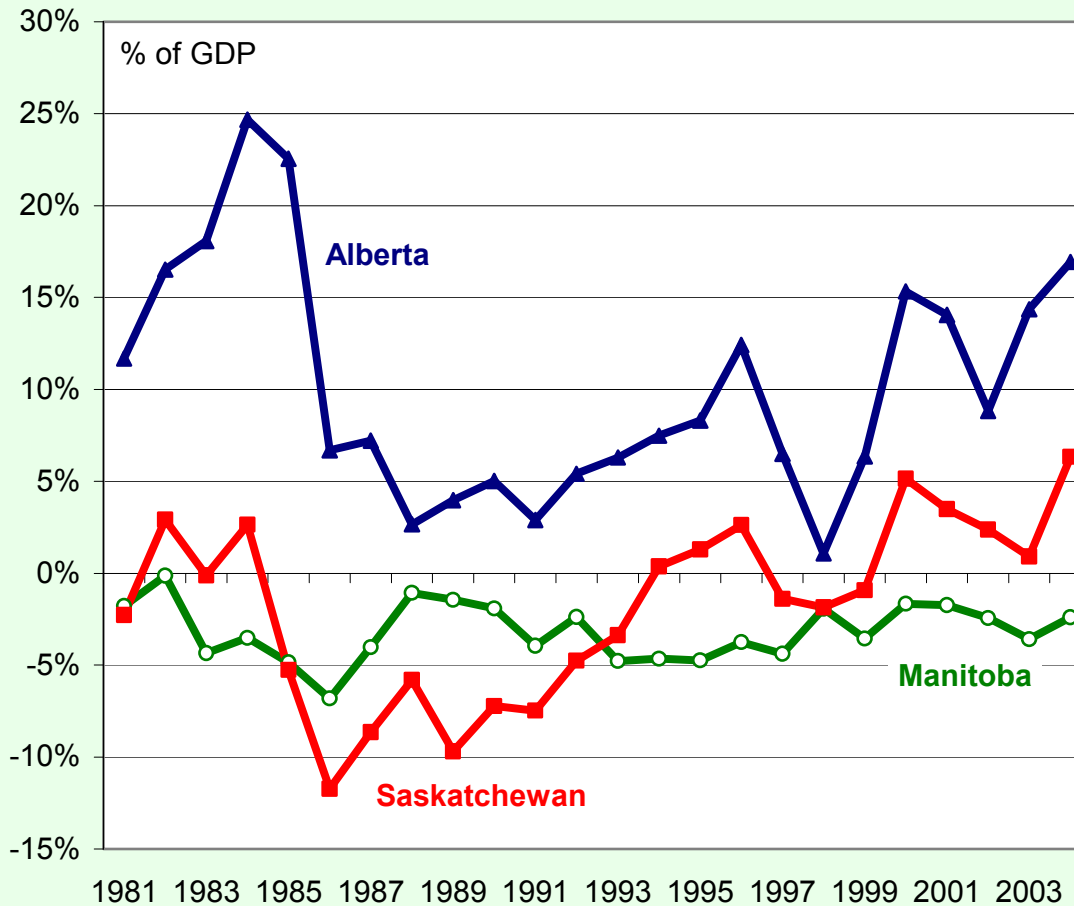
Total Exports (International and Interprovincial)



- Exports in all three prairie provinces have become a more important part of their economies since the early 1990s.
- Saskatchewan shows the largest increase.

Contribution of Overall Trade (Int'l and Interprovincial)

Net Trade (International and Interprovincial)



- In spite of the high levels of trade in the prairie provinces, the overall contribution of trade to GDP is relatively small because exports are offset by imports.
- The contribution is positive and increasing in Alberta and Saskatchewan. It is consistently small and negative for Manitoba.

Summary

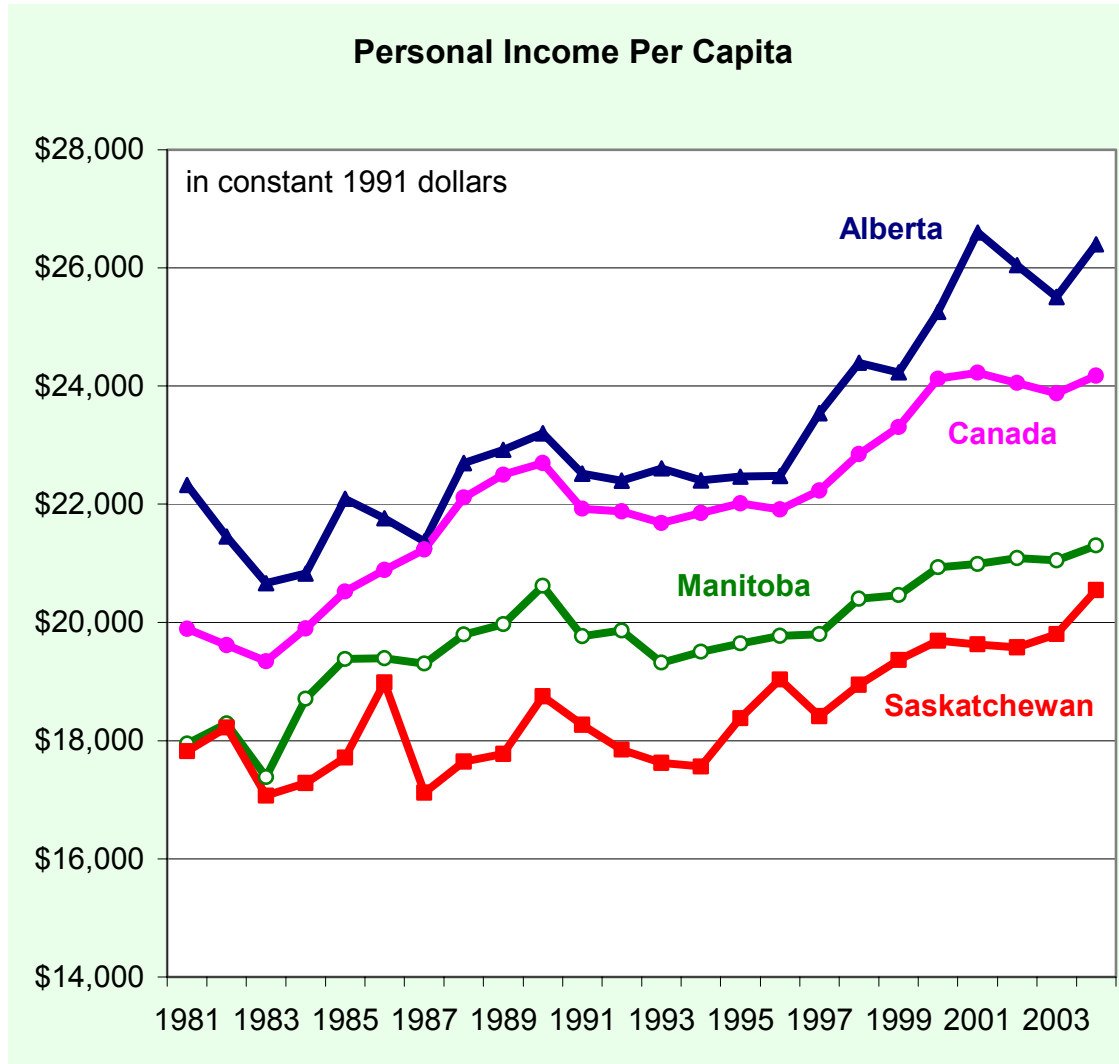
	Percent of GDP								
	Alberta			Saskatchewan			Manitoba		
	1981	1992	2004	1981	1992	2004	1981	1992	2004
Labour Income	42%	50%	42%	39%	47%	40%	52%	53%	50%
Investment Income	17%	12%	8%	14%	13%	7%	11%	11%	7%
Business Income	20%	11%	27%	21%	12%	25%	16%	10%	17%
Consumer Spending	39%	54%	43%	48%	61%	52%	56%	62%	61%
Business Investment	31%	19%	24%	26%	17%	16%	17%	12%	16%
Taxes	6%	8%	6%	11%	9%	10%	11%	13%	12%
Government Spending	19%	23%	16%	23%	27%	23%	26%	30%	25%
Exports	60%	51%	62%	56%	52%	69%	51%	45%	59%
Imports	48%	45%	45%	58%	56%	63%	53%	48%	62%

- The prairie provinces show a general similarity in the structure of their economies. Trade and the consumer sector make important contributions.
 - Exports represent a larger share of the economy in Saskatchewan than in Manitoba or Alberta but, as with Manitoba, they are offset by imports.
 - Saskatchewan resembles Manitoba in terms of relatively high government spending and relatively low business investment.
 - Consumer spending is more important in Manitoba and Saskatchewan than in Alberta.
 - Business incomes are larger in Alberta and Saskatchewan; labour incomes are higher in Manitoba.

- With the exception of investment income which is on a downward trend, all of the indicators show that the early 1990s were a turning point. 1992 marked a low in business income and investment and a high in taxes, labour income, government spending and consumer spending. The one exception to this pattern is business investment in Saskatchewan which has remained low relative to GDP.

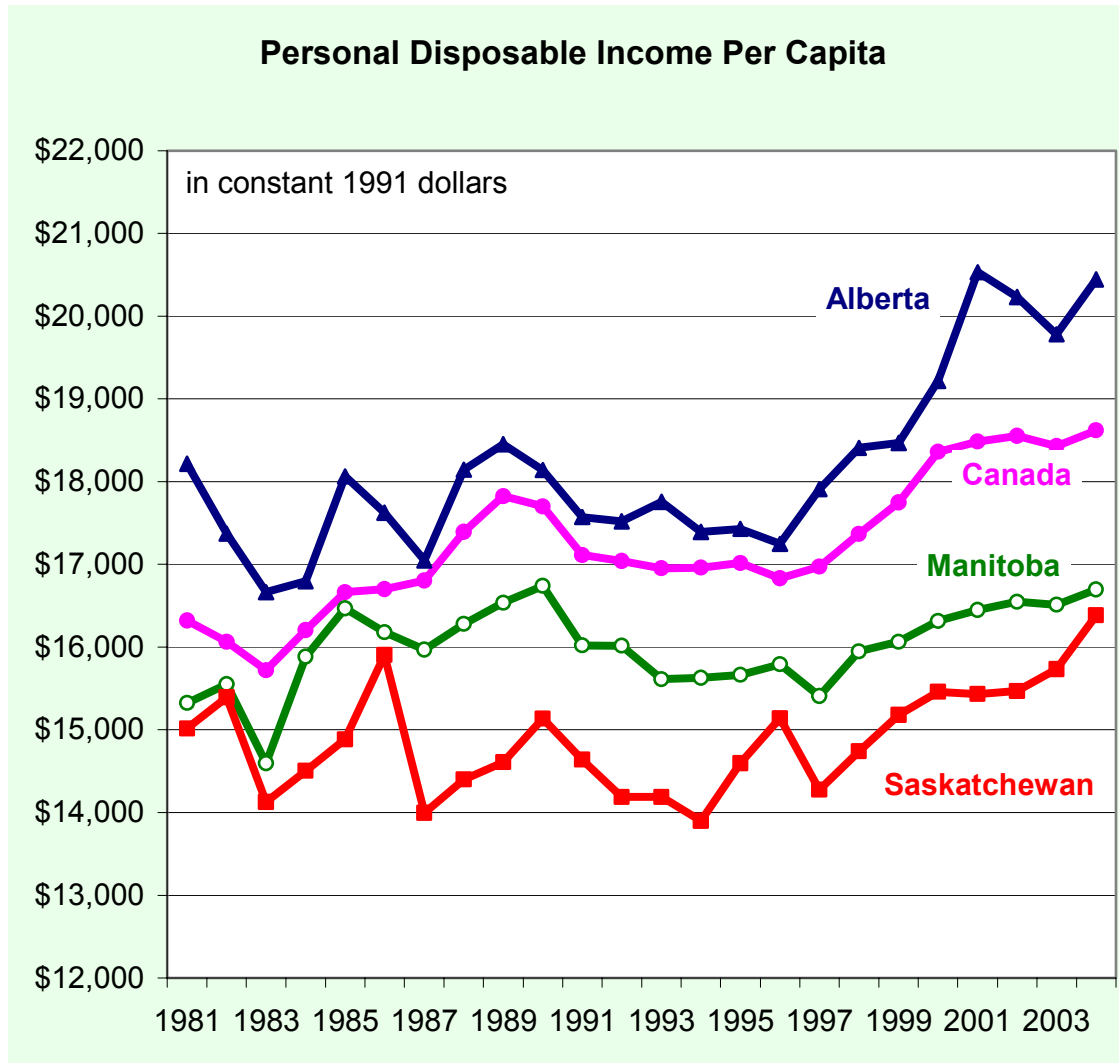
Consumer and Labour Indicators

Personal Income



- Personal income per capita, a measure of overall wealth in the hands of individuals, is higher in Alberta and Canada than in Manitoba or Saskatchewan.
- In all four jurisdictions, however, income has been growing strongly since the mid 1990s. From 1995 to 2004, for example, income per capita after adjusting for inflation has grown by:
 - 1.8% per year in Alberta;
 - 1.2% per year in Saskatchewan;
 - 1.0% per year in Canada; and
 - 0.9% per year in Manitoba.

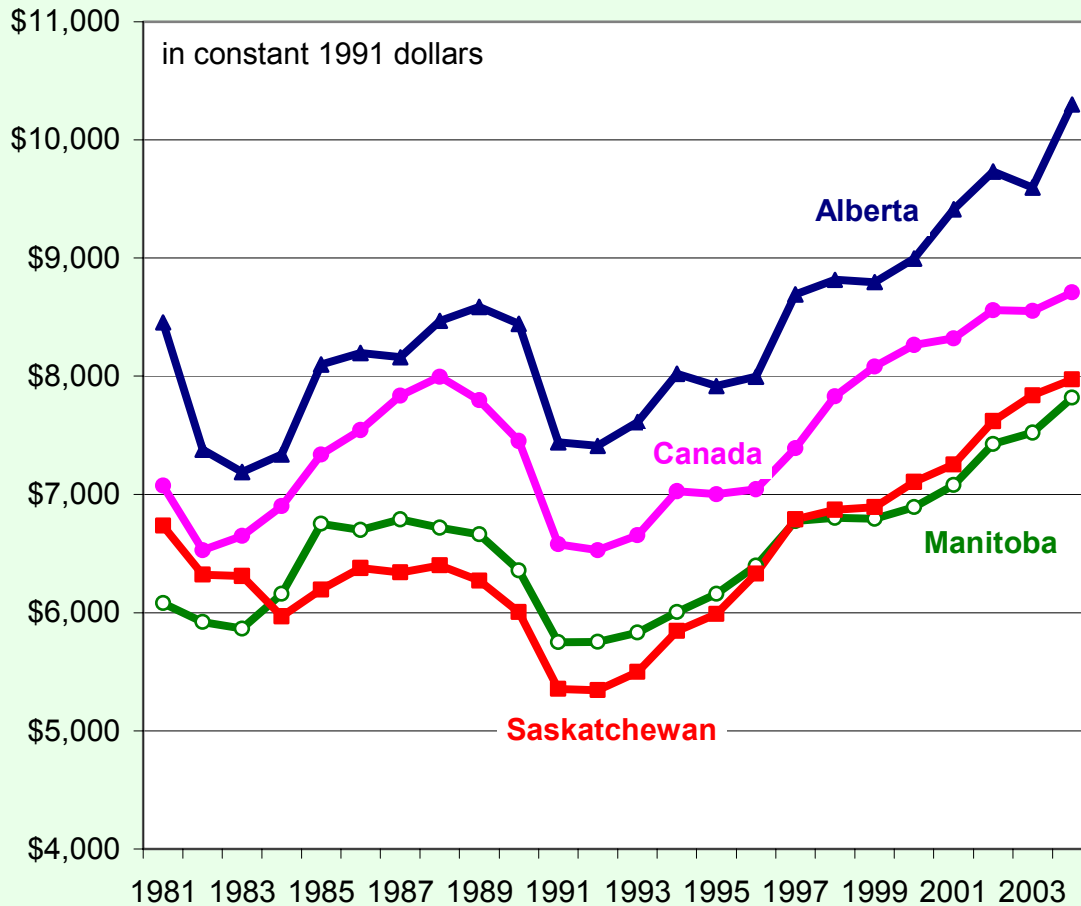
Disposable (After Income Tax) Incomes per Capita



- A similar hierarchy among regions and a similar trend over time is evident in per capita income after income taxes. Alberta and Canada have higher levels of personal disposable income than either Saskatchewan or Manitoba.
- Disposable income has grown more quickly than gross income in recent years because of cuts to income tax rates. From 1995 to 2004, for example, disposable income per capita has grown by:
 - 1.8% per year in Alberta;
 - 1.3% per year in Saskatchewan;
 - 1.0% per year in Canada; and
 - 0.7% per year in Manitoba.
- The effective income tax rate, that is the percentage of gross income paid in income taxes was, in 2004:
 - 23% in Alberta and Canada;
 - 22% in Manitoba; and
 - 20% in Saskatchewan.

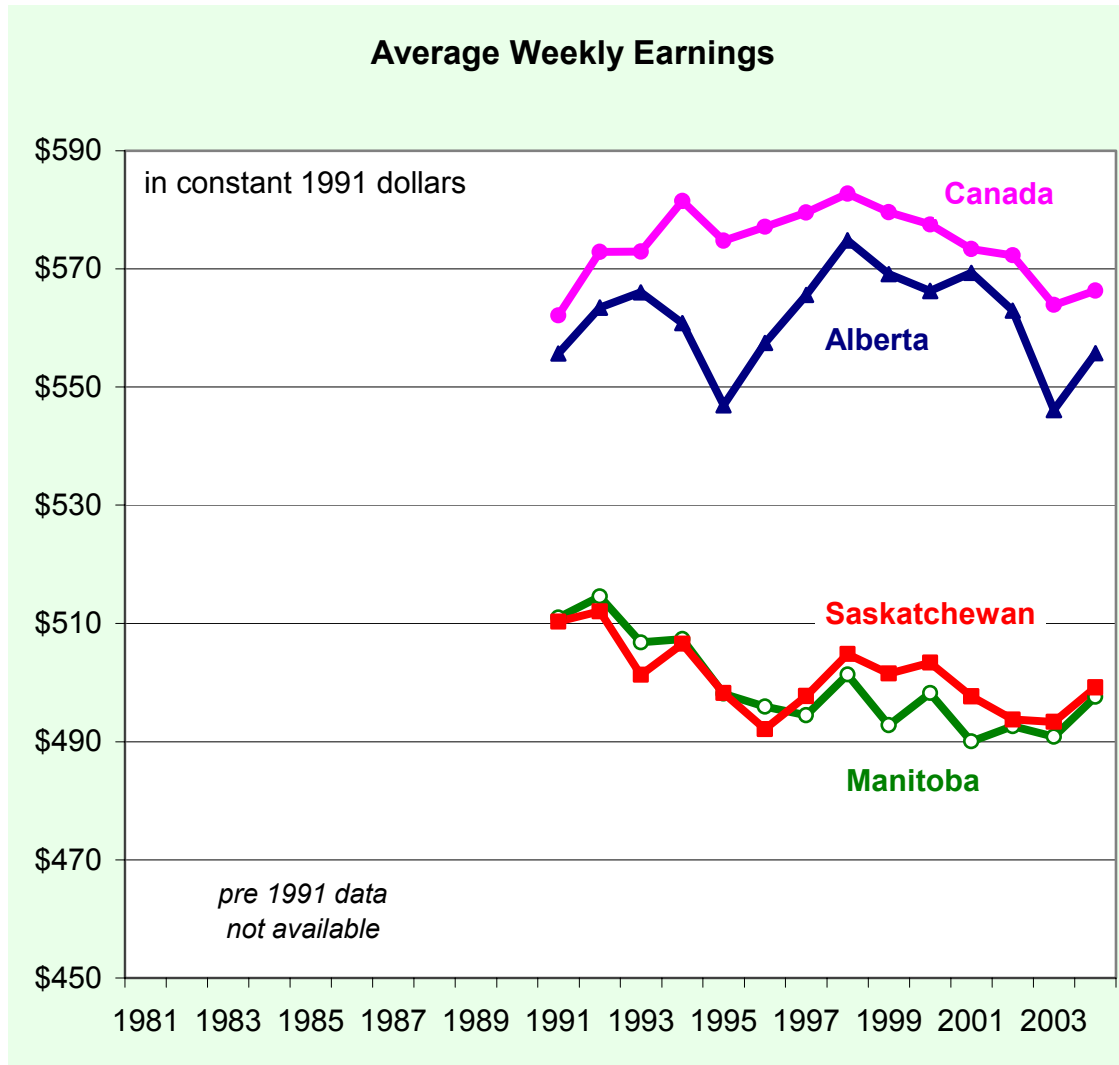
Retail Sales

Retail Sales Per Capita



- Retail sales per capita are typically higher in provinces that are tourism destinations or where personal income is higher. Note that both consumers and businesses purchase from retail outlets.
- After slumping in the late 1980s, retail sales per capita have shown steady increases in all three prairie provinces and in Canada as a whole.
- The increase from the low in 1992 has been:
 - 3.4% per year in Saskatchewan;
 - 2.8% per year in Alberta;
 - 2.6% per year in Manitoba; and
 - 2.4% per year in Canada.

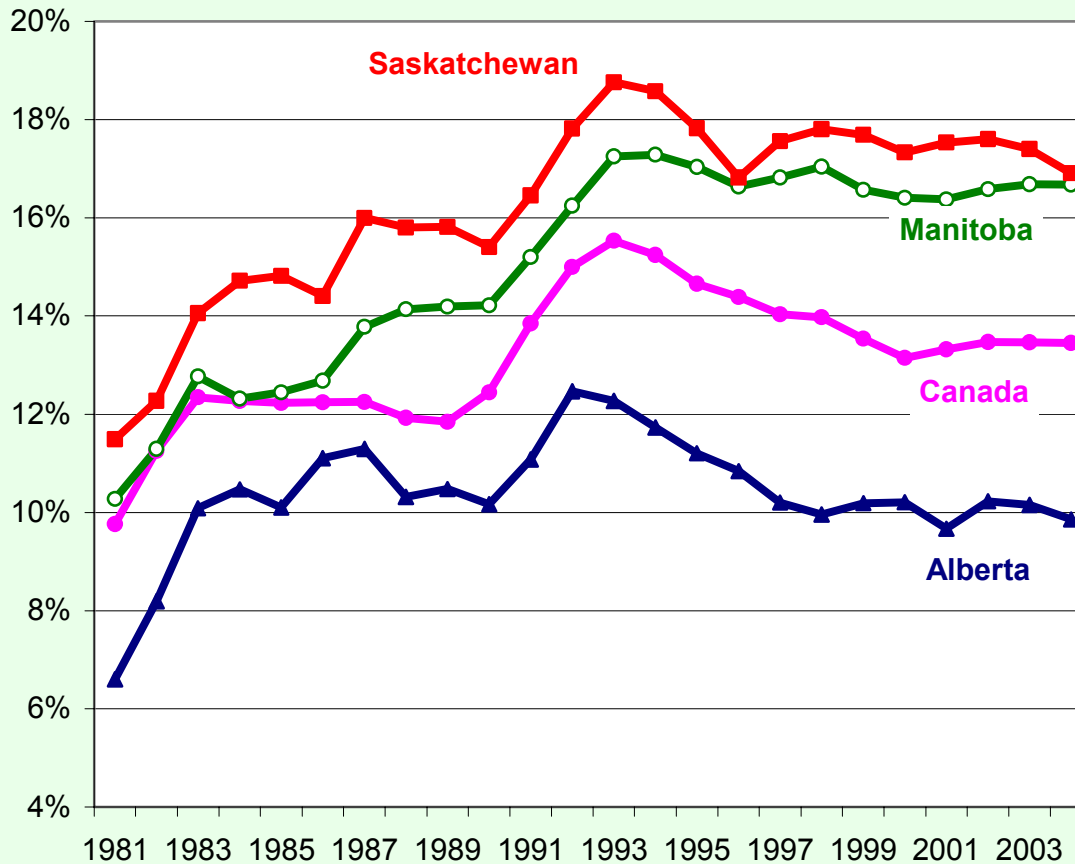
Average Weekly Earnings



- Employment earnings are by far the biggest determinant of personal income. Average weekly earnings measure gross take-home pay for those who are paid workers, i.e. excluding the self-employed. Overtime is included.
- Average weekly earnings are much higher in Canada and Alberta than in Saskatchewan and Manitoba. The differential between Canada and Saskatchewan is 12%.
- In all four regions and after adjusting for inflation, earnings have either declined or remained stable since 1991.

Share of Income from Government Transfers

Government Transfers as Percentage of Personal Income



- Government transfers include social assistance, EI payments, CPP/OAS payments, child tax credits, GST credits, Workers' Compensation benefits, etc.
- A higher proportion of personal income in Manitoba and Saskatchewan comes from government transfer payments - 17% in 2004 - than in Canada or Alberta.
- In all four regions, the proportion has declined since 1992 after increasing throughout the 1980s.

Summary

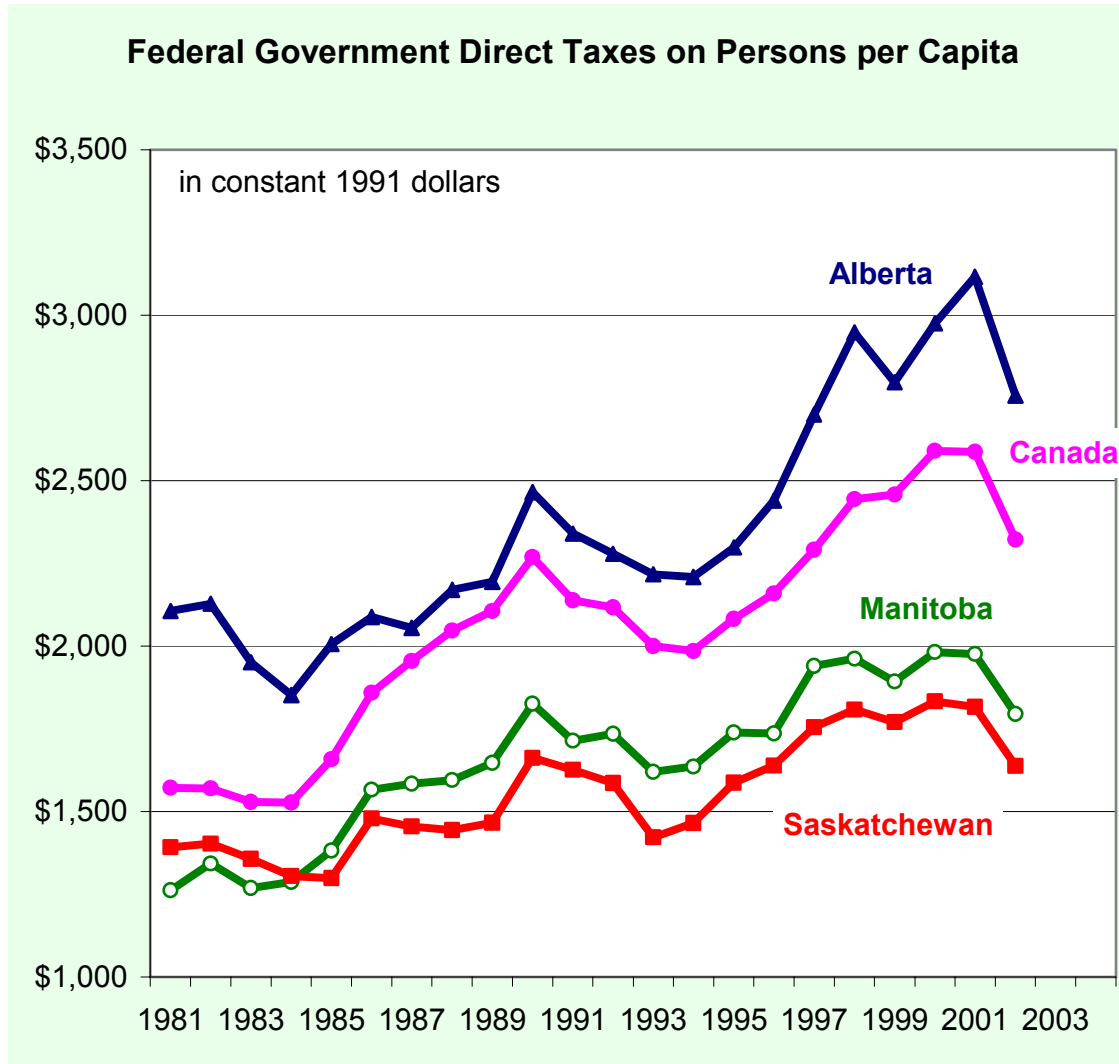
	Average Annual Growth Rates Adjusted for Inflation					
	Alberta		Saskatchewan		Manitoba	
	1981 to 1992	1992 to 2004	1981 to 1992	1992 to 2004	1981 to 1992	1992 to 2004
Personal income per capita	0.0%	1.4%	0.0%	1.2%	0.9%	0.6%
Personal disposable income per capita	-0.4%	1.3%	-0.5%	1.2%	0.4%	0.3%
Retail sales per capita	-1.2%	2.8%	-2.1%	3.4%	-0.5%	2.6%
Average weekly earnings	n/a	-0.1%	n/a	-0.2%	n/a	-0.3%
Income from government transfers*	0.5%	-0.2%	0.6%	-0.1%	0.5%	0.0%

* as percentage of total income, change in percentage points

- After adjusting for inflation, both total personal income and personal disposable (after income tax) income per capita have increased in the three prairie provinces during the 1992 to 2004 period. The rate of increase is higher in Alberta and Saskatchewan. The growth is because more people are working, not because wage rates have increased.
- Retail sales, which declined from 1981 to 1992, have been growing in the most recent twelve years. Growth is particularly strong in Saskatchewan.
- The share of personal income from government transfers, after increasing in the 1980s is declining or stable.

Taxes and Government Spending

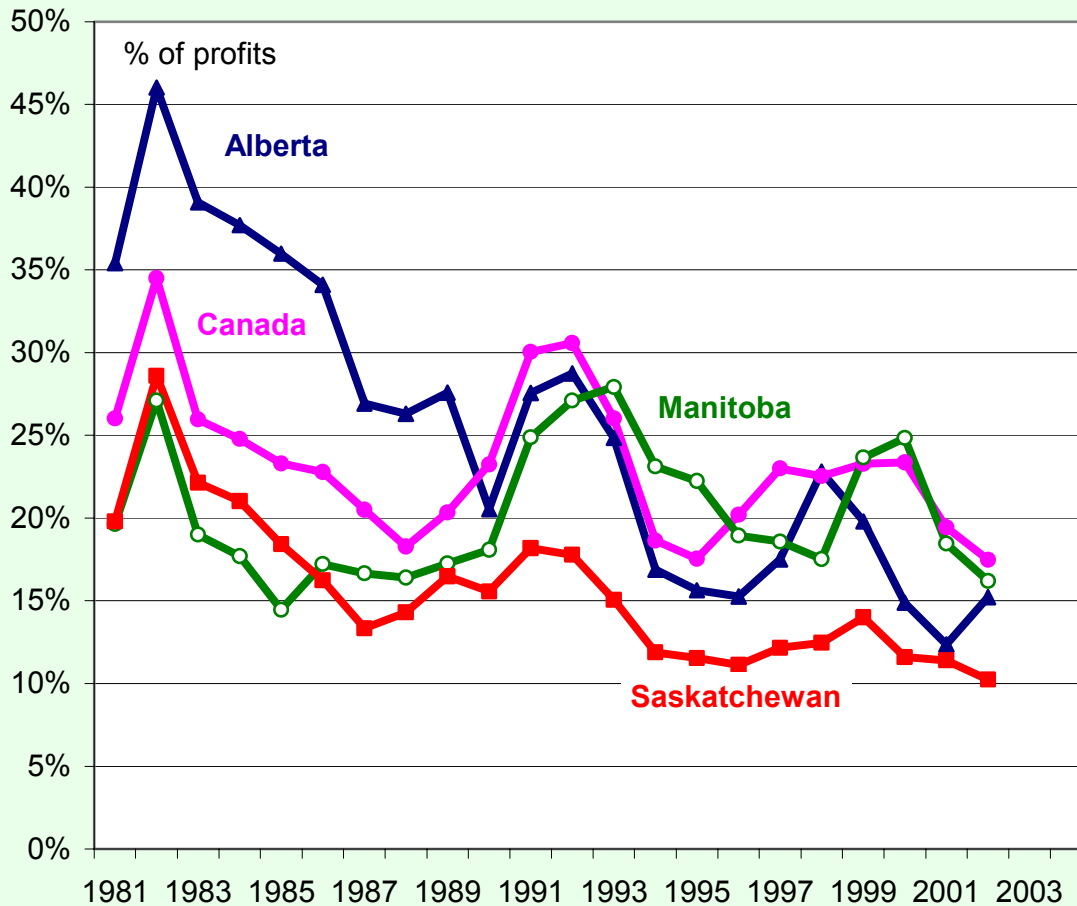
Direct (Income) Taxes on Persons - Federal



- Direct taxes on individuals are almost exclusively income taxes although succession duties and estate taxes are also included.
- Federal income taxes are higher in Alberta and Canada than in Saskatchewan or Manitoba because incomes are higher. The tax régimes are, of course, the same.

Direct (Income) Taxes on Corporations - Federal

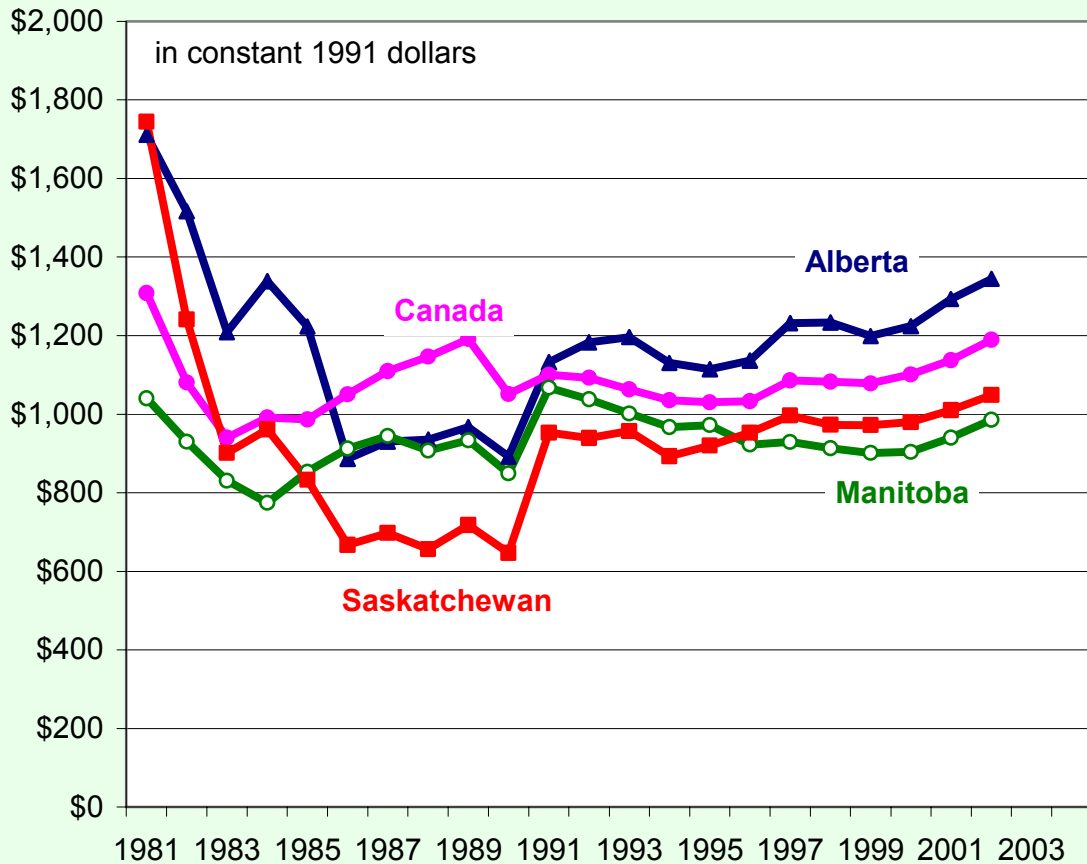
Federal Government Direct Taxes on Corporations



- Direct taxes on corporations are exclusively corporate income taxes. Tax régimes across Canada are the same but differences arise in profitability and the nature of the corporations.
- The federal government relies less on corporate taxes now than in previous years. As a percentage of corporate profits, direct federal taxation of corporations has fallen to less than 20% compared with 30% in the early 1980s.

Indirect Taxes - Federal

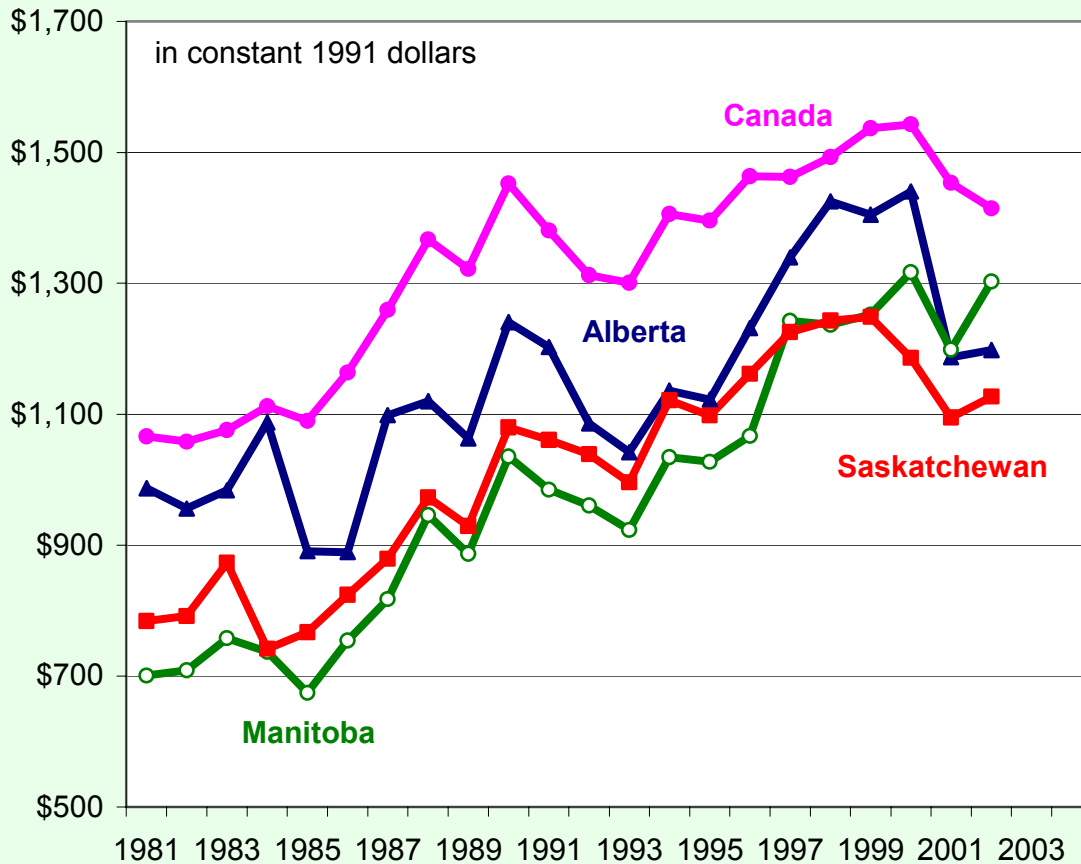
Federal Government Indirect Taxes on Persons and Businesses per Capita



- Indirect taxes are paid by both consumers and businesses. At the Federal level, indirect taxes include the GST (and prior to 1991 the MST), excise taxes on tobacco and alcohol, and duties.
- On a per capita basis, the federal government collects more indirect taxes in Alberta than in Saskatchewan or Manitoba.

Direct (Income) Taxes on Persons - Provincial

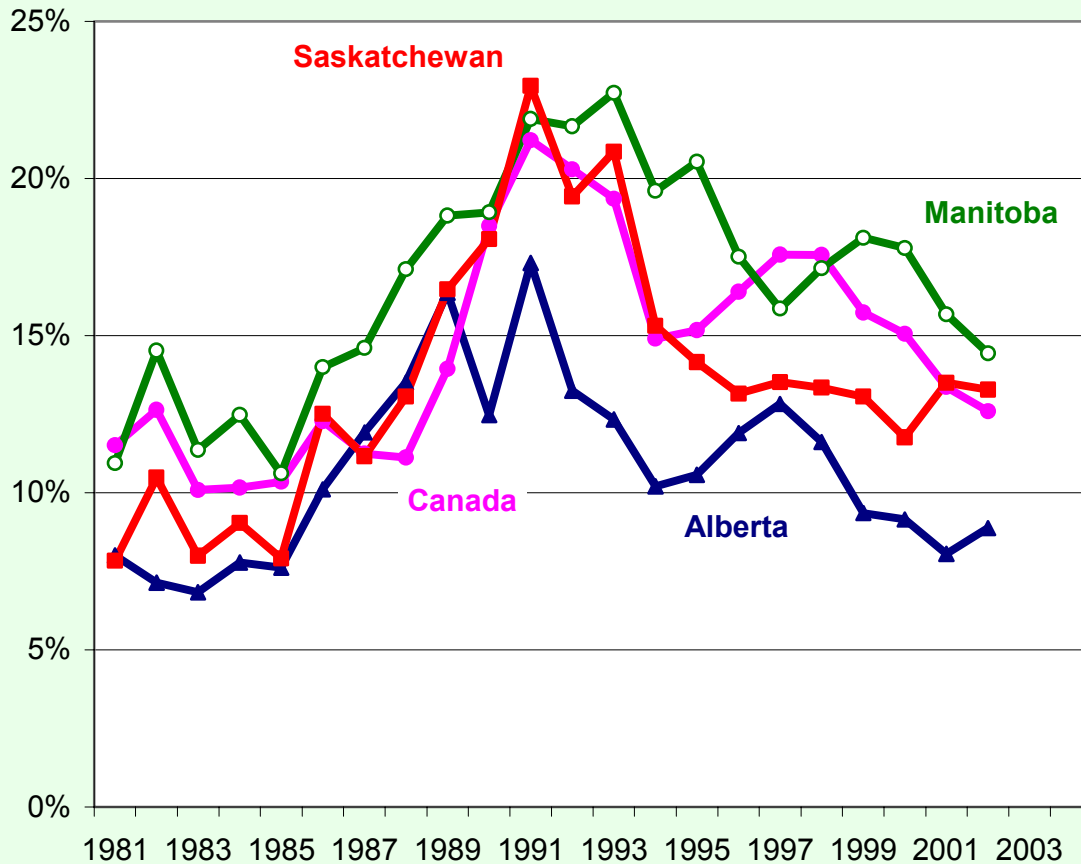
Provincial Government Direct Taxes on Persons per Capita



- For provincial governments, direct (income) taxes on persons are affected by the levels of income and the particular tax régime in place in the province.
- On a per capita basis, provincial income taxes have been rising in all four jurisdictions even after adjusting for inflation. Recent tax cuts in Alberta and Saskatchewan show as a decline in per capita taxes in 2000 and 2001.
- Each of the prairie provinces collects less in income taxes than the national average.

Direct (Income) Taxes on Corporations - Provincial

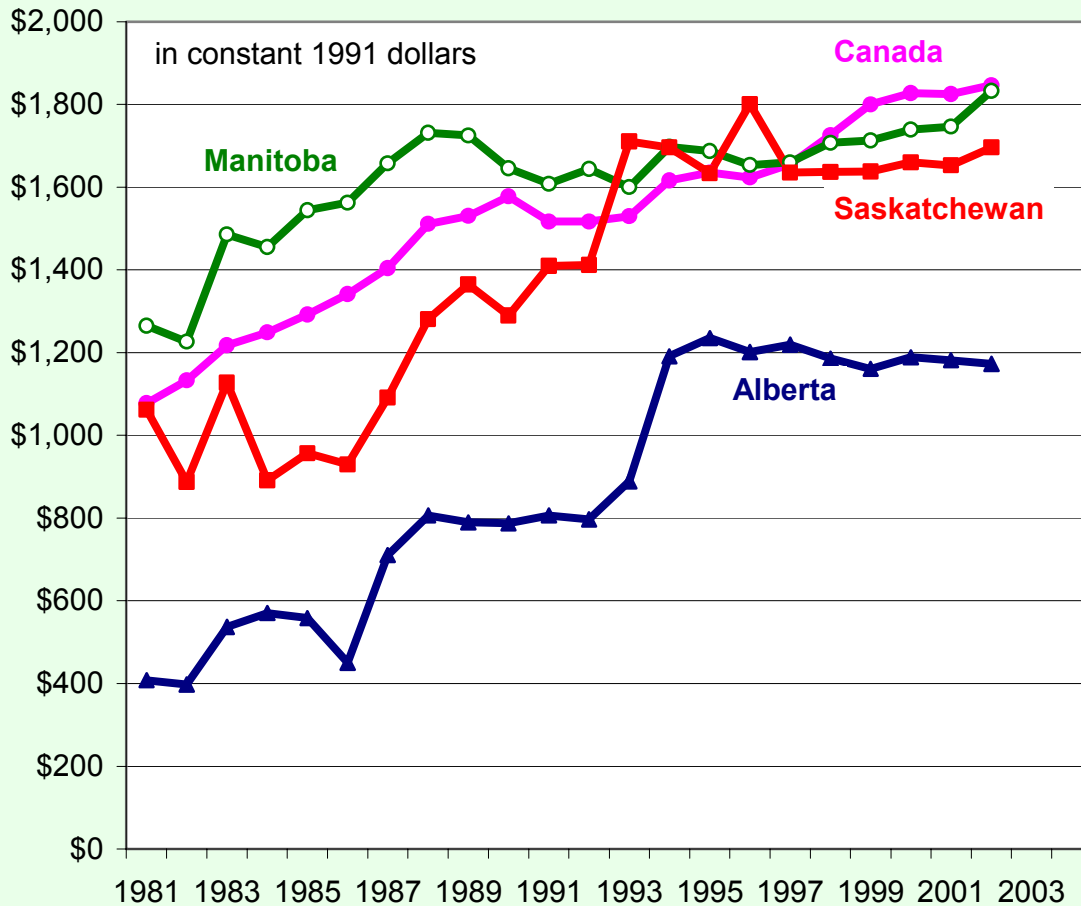
Provincial Government Direct Taxes on Corporations as Percentage of Corporate Profits



- Although the corporate capital tax is considered as an indirect tax, it is included in these figures along with corporate income tax.
- Relative to corporate profits, corporate taxation peaked in all four regions in the early 1990s and has been declining since then.
- As a percentage of corporate profits, taxes in 2002 were highest in Manitoba and lowest in Alberta. Saskatchewan is near the national average.

Indirect Taxes - Provincial

Provincial Government Indirect Taxes per Capita

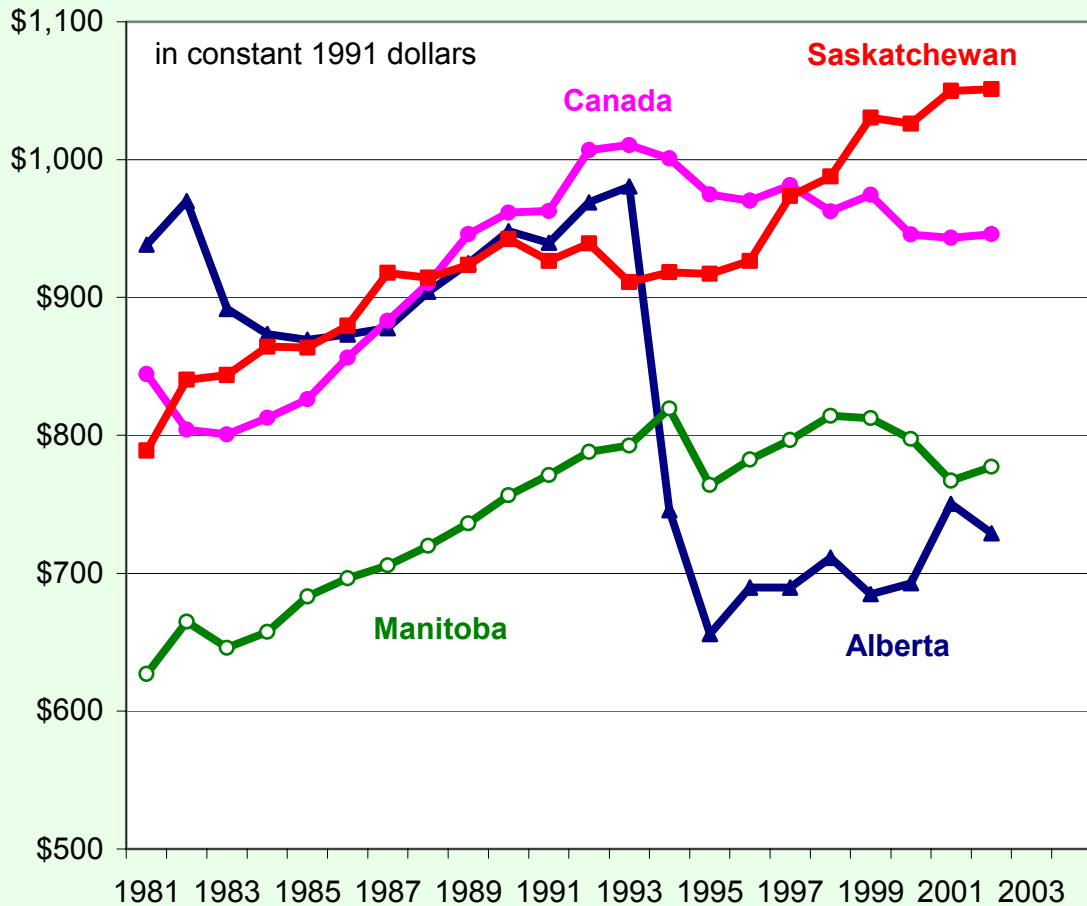


- Indirect taxes at the provincial level are largely consumption taxes and paid by both businesses and consumers. They include:
 - retail sales tax (including gasoline, liquor, and tobacco);
 - motor vehicle and other licenses and permits;
 - profits of liquor commissions;
 - gaming profits;
 - amusement taxes; and
 - payroll taxes.

- Although revenues from indirect taxes are rising in each of the prairie provinces, the absence of a sales tax in Alberta means that indirect taxes to the provincial government on a per capita basis are much lower than in other jurisdictions.

Indirect Taxes - Local Governments

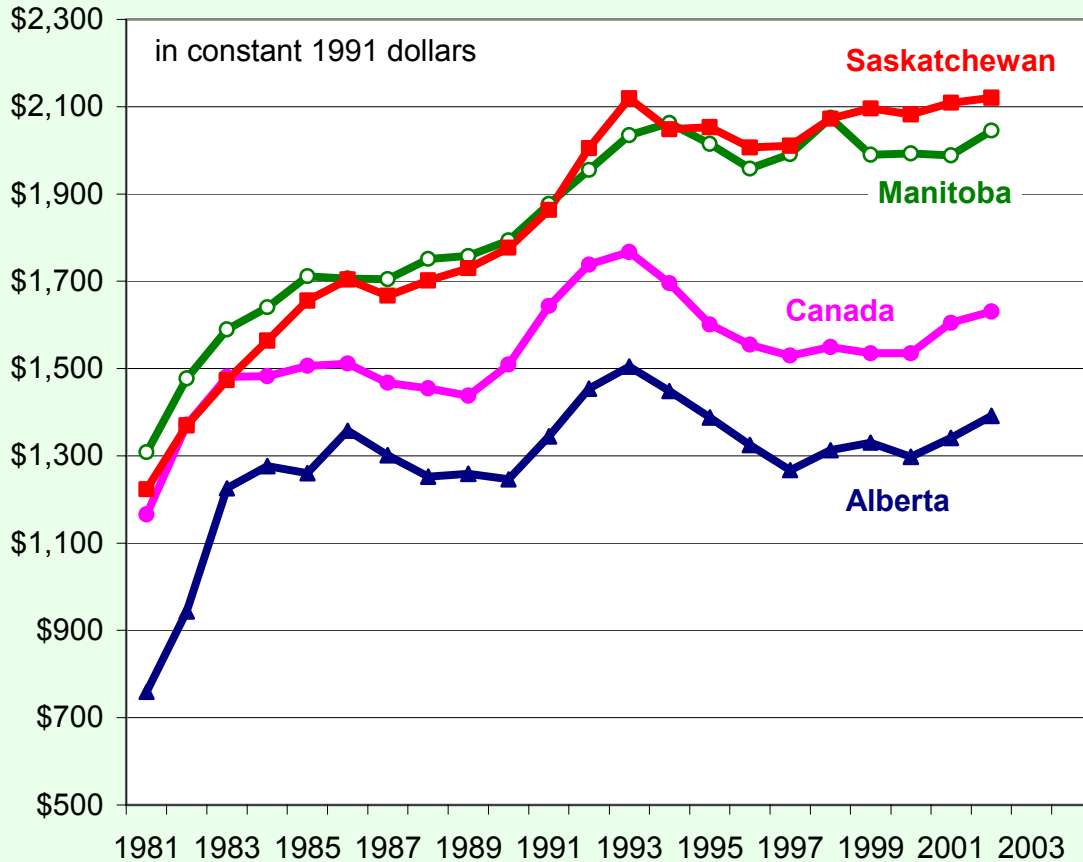
Local Government Indirect Taxes per Capita



- Indirect taxes at the local government level are predominantly property taxes but the category also includes developer's fees, business taxes, and other licenses.
- On a per capita basis, local government taxes in Saskatchewan are above the levels in the other prairie provinces and in Canada as a whole.
- The sharp drop in Alberta resulted when the provincial government increased transfer payments to enable a reduction in property taxes.

Government Spending - Federal Transfers to Individuals

Federal Government Transfer Payments to Individuals per Capita



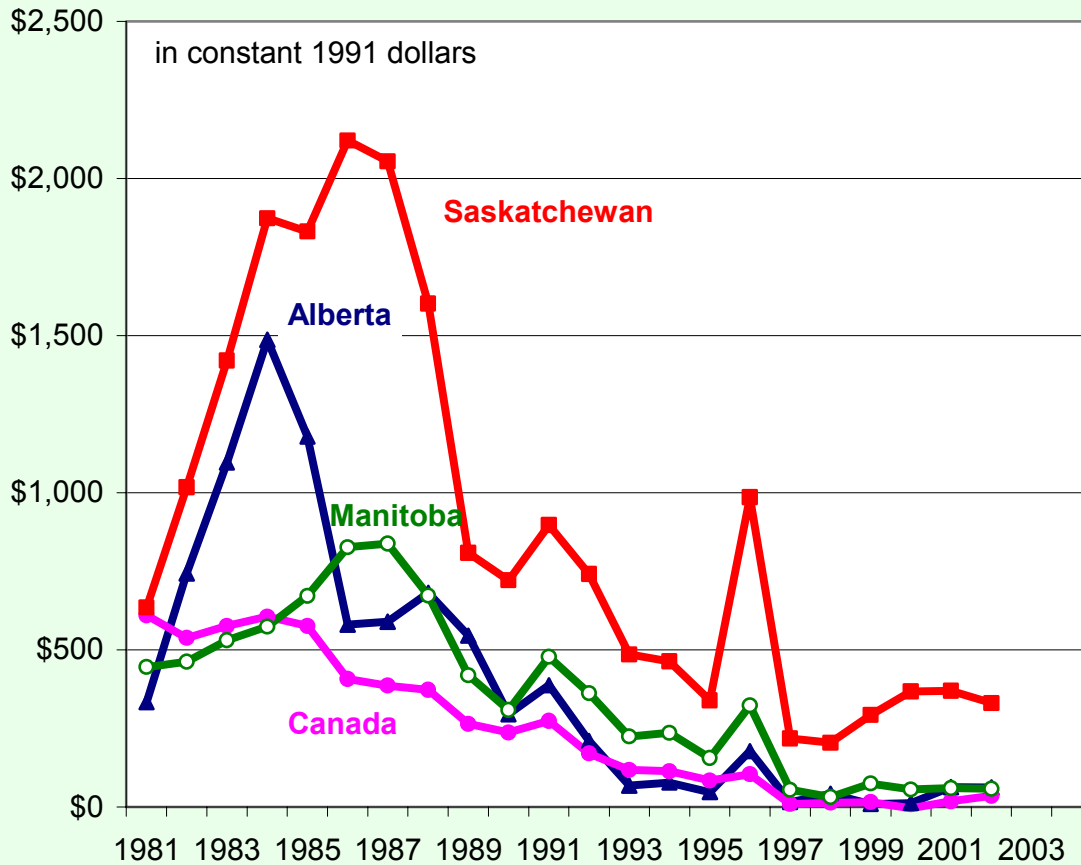
- Federal transfer payments to individuals include:
 - family and youth allowances;
 - child tax benefit/credit;
 - veterans' allowances and pensions;
 - grants to aboriginal persons and organizations;
 - GST tax credit;
 - employment insurance benefits;
 - old age security payments; and
 - scholarships and research grants.

- The relative age of the population and the lower average incomes in Manitoba and Saskatchewan means that federal transfer payments to individuals are higher than in Alberta or Canada as a whole.

- A larger Aboriginal population in Saskatchewan and Manitoba also contributes to the difference.

Government Spending - Federal Transfers to Businesses

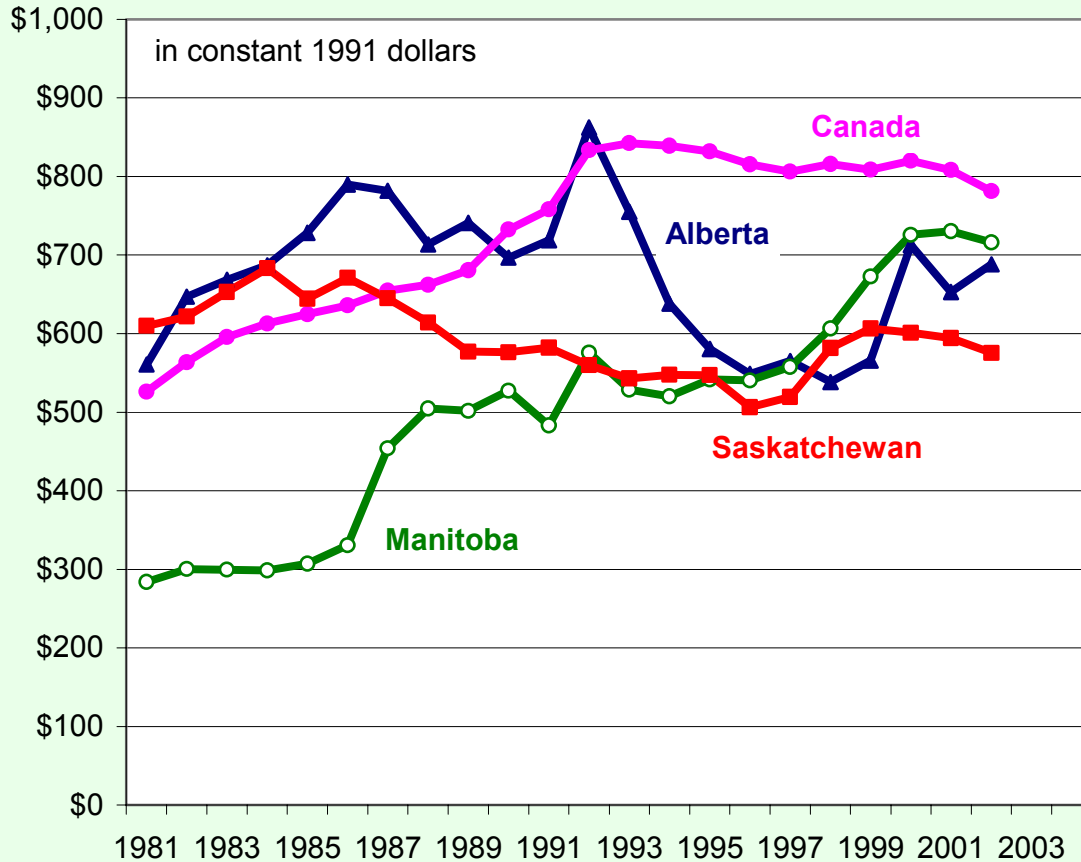
Federal Government Transfer Payments to Businesses per Capita



- The dominant form of federal transfers to businesses (which includes both operating and capital support) is to the agriculture sector.
- The peak in 1996 was the Crow Benefit.

Government Spending - Provincial Transfers to Individuals

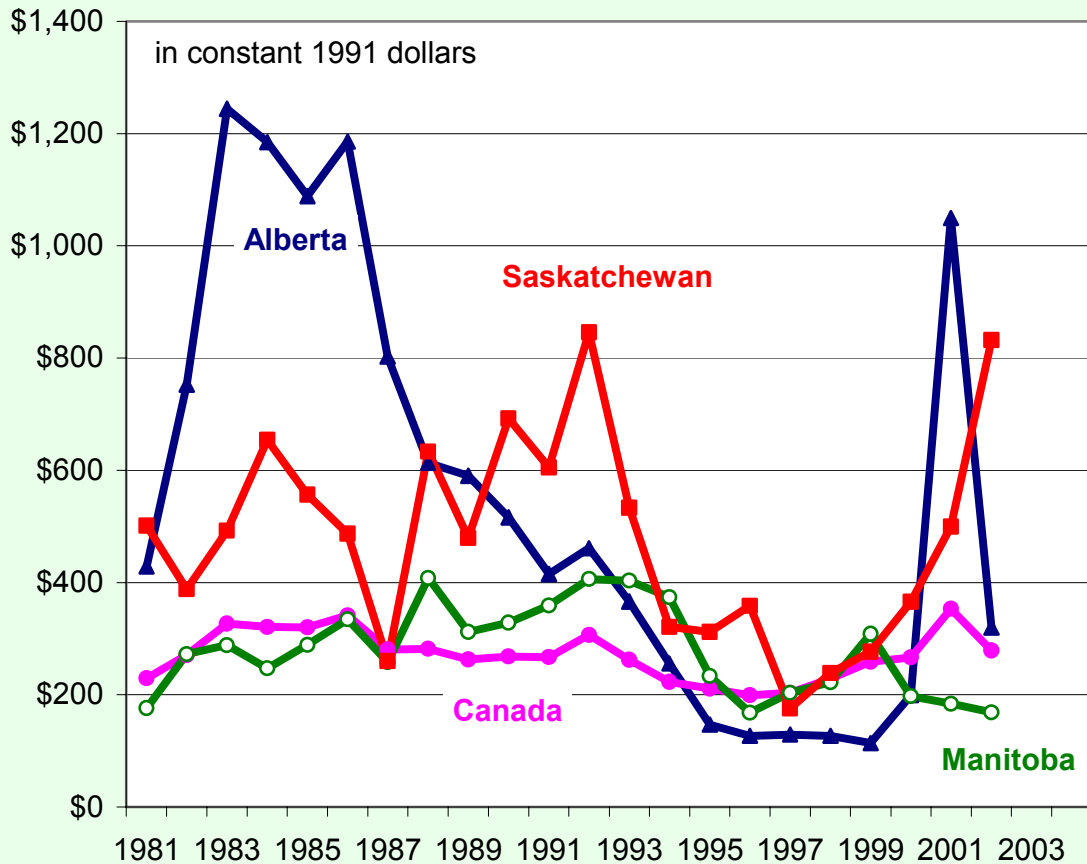
Provincial Government Transfer Payments to Individuals per Capita



- At the provincial level, provincial transfer payments to individuals are largely social assistance but the figures also include workers' compensation benefits and grants to benevolent associations.
- Payments to individuals are lower on a per capita basis in Saskatchewan than in Alberta or Manitoba.

Government Spending - Provincial Transfers to Businesses

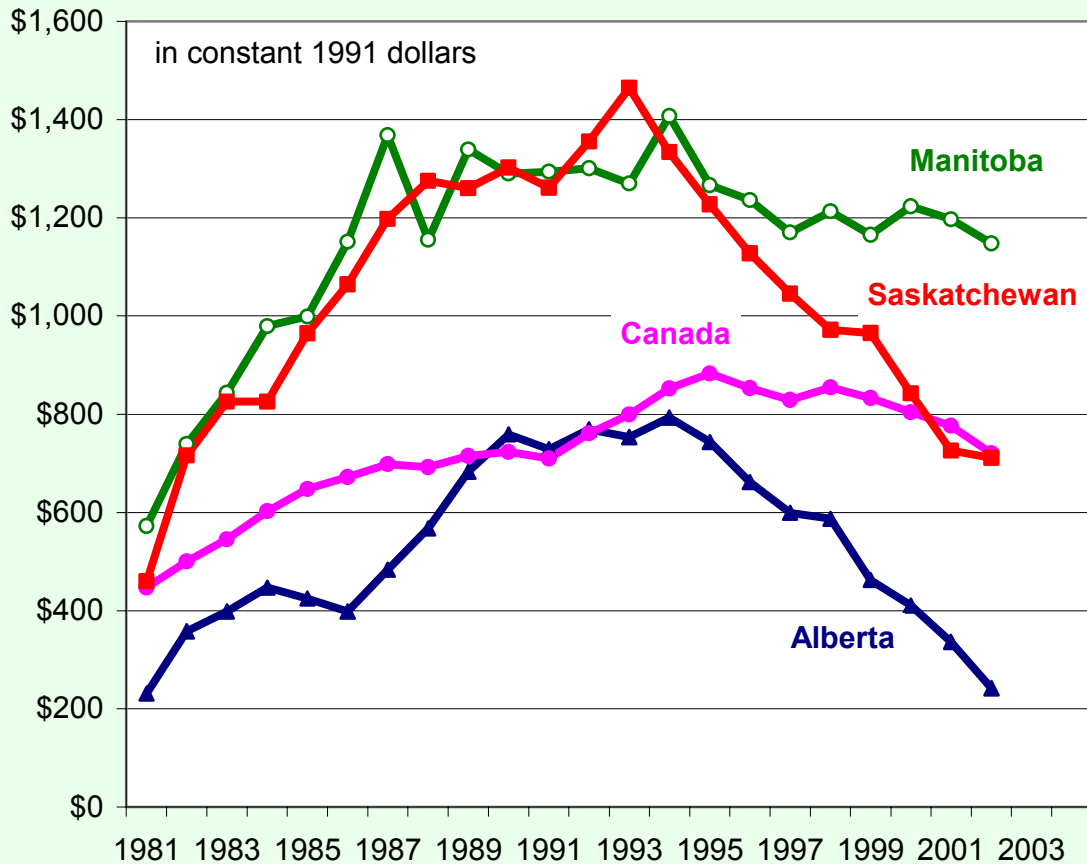
Provincial Government Transfer Payments to Businesses per Capita



- As with federal transfers to businesses, the majority of provincial government support goes to the agricultural sector.
- Provincial transfers to businesses were on a downward trend until the sharp increase in 2001 and 2002.

Provincial Government Interest Payments

Provincial Government Interest Payments on the Public Debt per Capita



- Per capita interest payments on the public debt reflect the total deficit of the province as well as changes in interest rates over time.
- After increasing throughout the 1980s, Alberta and Saskatchewan began reducing their debt in the early 1990s.
- On a per capita basis, Manitoba has the highest level of interest payments and Alberta the lowest. Saskatchewan is near the national average.

Summary

	Average Annual Growth Rates Adjusted for Inflation					
	Alberta		Saskatchewan		Manitoba	
	1981 to <u>1992</u>	1992 to <u>2002</u>	1981 to <u>1992</u>	1992 to <u>2002</u>	1981 to <u>1992</u>	1992 to <u>2002</u>
Per Capita Personal Income Taxes - Federal	0.7%	1.9%	1.2%	0.3%	2.9%	0.3%
Per Capita Personal Income Taxes - Provincial	0.9%	1.0%	2.6%	0.8%	2.9%	3.1%
Corporate Income/Capital Taxes - Federal*	-0.6%	-1.4%	-0.2%	-0.8%	0.7%	-1.1%
Corporate Income/Capital Taxes - Provincial*	-0.6%	-1.4%	-0.2%	-0.8%	0.7%	-1.1%
Per Capita Indirect Taxes - Federal	-3.3%	1.3%	-5.5%	1.1%	-0.0%	-0.5%
Per Capita Indirect Taxes - Provincial	6.3%	3.9%	2.6%	1.8%	2.4%	1.1%
Per Capita Indirect Taxes - Local Governments	0.3%	-2.8%	1.6%	1.1%	2.1%	-0.1%
Gov't Transfers to Individuals	5.2%	-1.1%	3.1%	0.5%	4.3%	0.9%
Gov't Transfers to Businesses	-1.2%	-5.5%	3.1%	-3.1%	1.9%	-11.5%
Provincial Government Interest Payments	11.5%	-10.9%	10.3%	-6.2%	7.7%	-1.2%

* as percentage of corporate profits, change in percentage points

- Over the course of the past two to three decades, the federal and provincial governments have gradually shifted their tax bases from corporate and personal income taxes to indirect taxes such as consumption taxes.
- Income taxes paid by Alberta residents and businesses are higher than in Saskatchewan but this is a partly a consequence of higher incomes. Taxation rates are generally lower than in Manitoba and Saskatchewan.
- All three provincial governments have reduced their interest payments on the public debt in the 1990s.
- Transfer payments to businesses, largely agriculture, are declining.

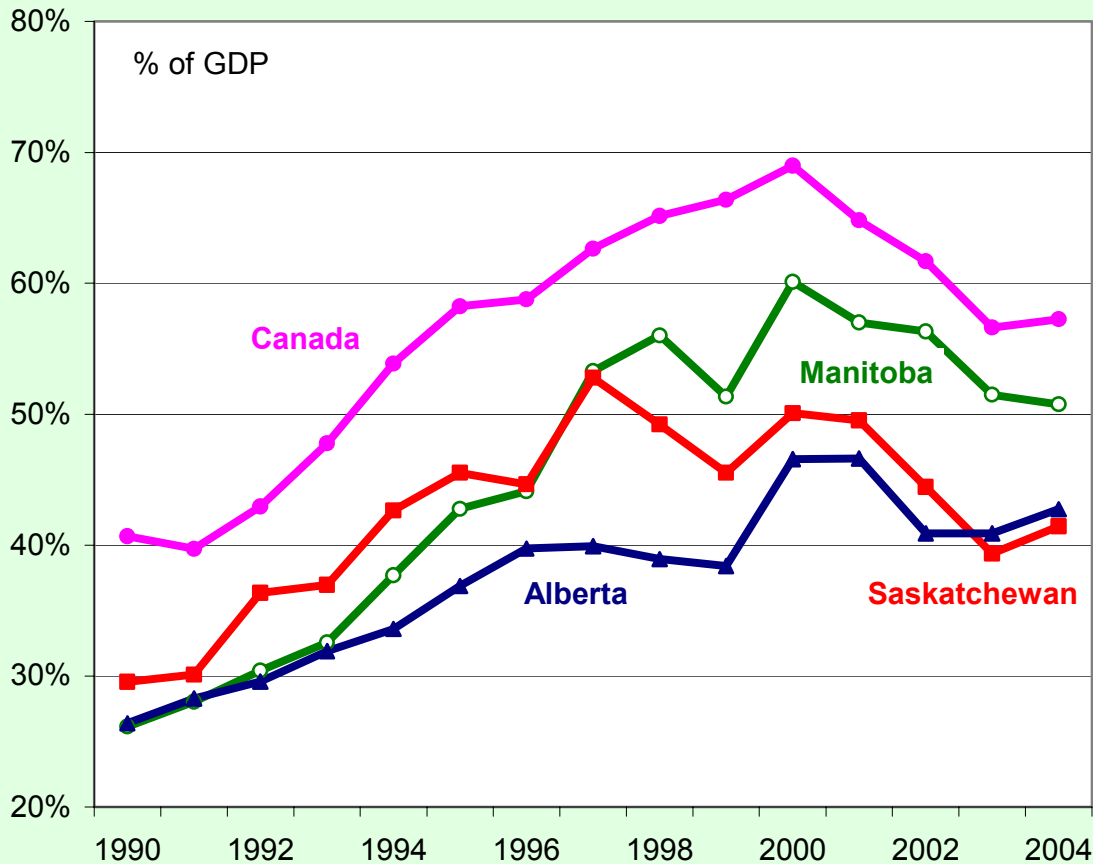
International Merchandise Trade

These figures, available only since 1990, are from the Strategis website and measure international trade on a customs basis for merchandise. The trade in services is not included.

All figures are in Canadian dollars.

Commodity Exports and Imports

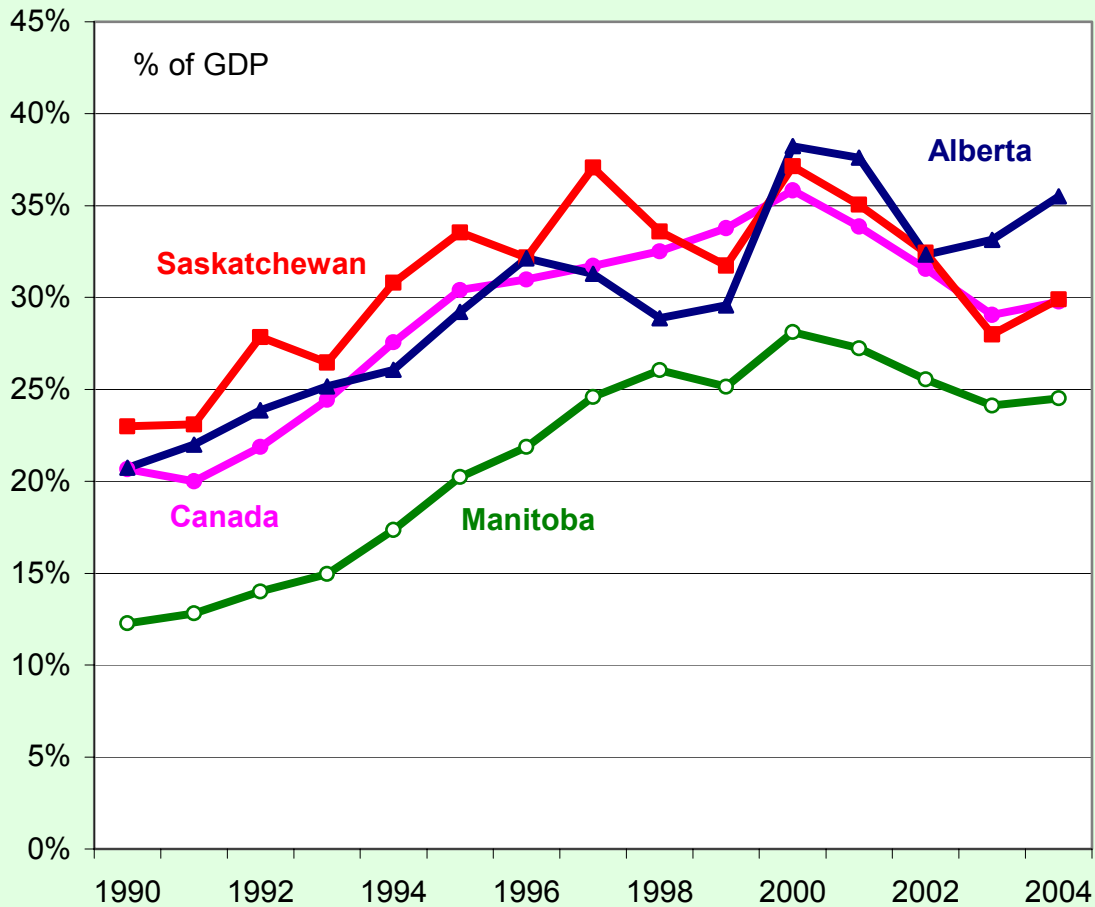
Total International Merchandise Trade (Imports plus Exports)



- Relative to the size of their respective economies, Manitoba is a larger international trader than Saskatchewan or Alberta.
- All three prairie provinces are smaller than Canada as a whole.
- Total trade increased from 1990 to peak in 2000 for Canada, Manitoba and Alberta. Saskatchewan's high point was reached earlier, in 1996. In all four regions, there has been a decline since the peak.
- Because we are measuring trade flows in Canadian dollars, some of the increase and some of the decline is related to changes in exchange rates.

Commodity Exports

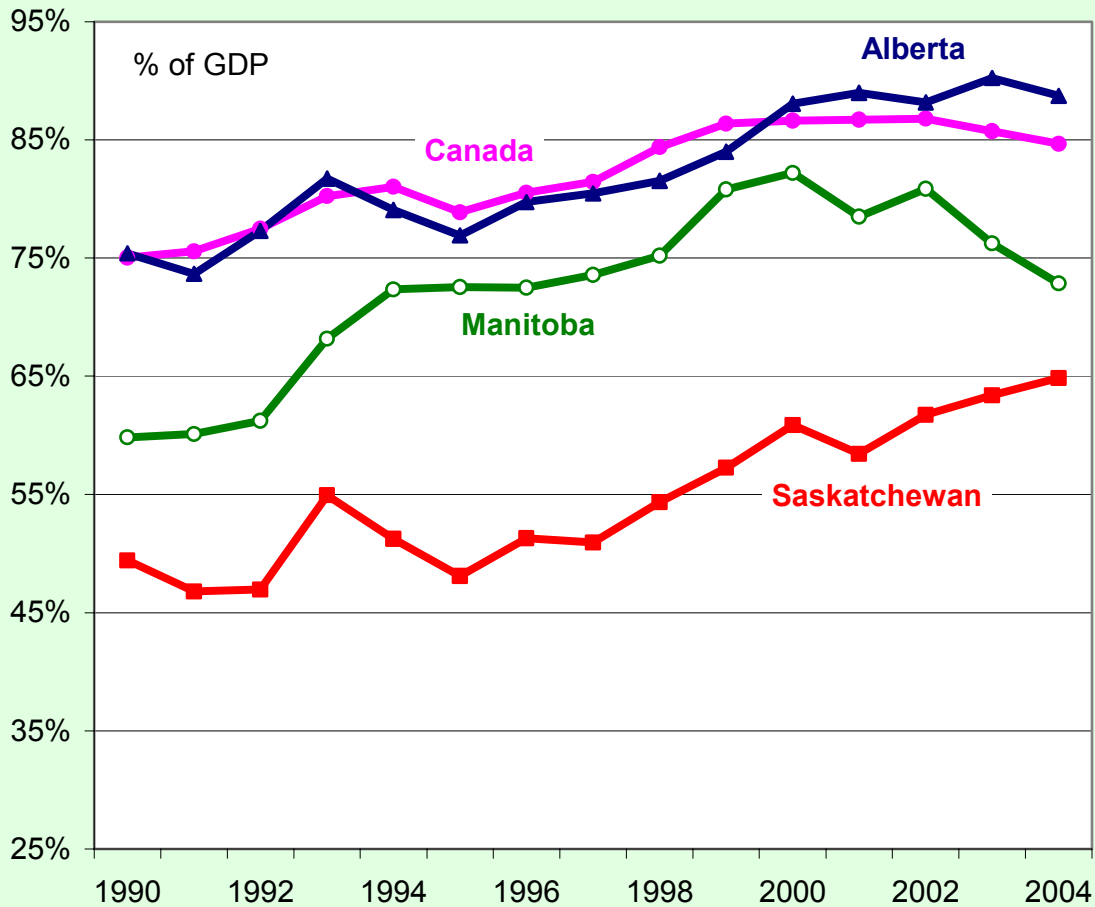
Merchandise Exports (Customs Basis)



- Although Canada is a larger trader than the prairie provinces, exports in Alberta and Saskatchewan are near or above the national average. International commodity exports from Manitoba are somewhat lower.
- The value of exports has been on an upward trend since 1990.

Commodity Exports - by Destination

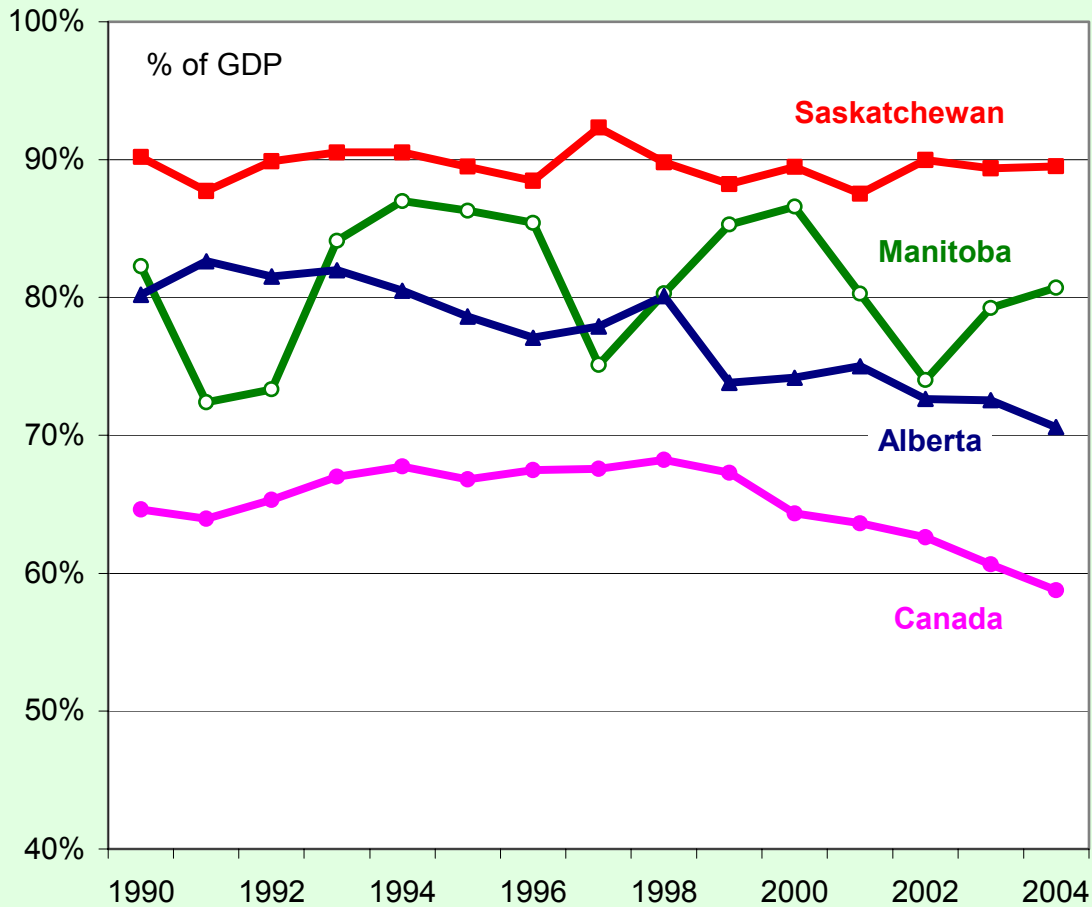
Percent of Merchandise Exports to the USA



- A smaller proportion (but still the majority) of Saskatchewan's exports are to the USA than in other jurisdictions. This is because wheat and grain shipments tend to go to a variety of different countries.
- Alberta and Canada are much more dependent on the US market.
- The proportion of Saskatchewan's exports going to the USA has increased from 45% to 65% over the 15 years.

Commodity Imports - by Source

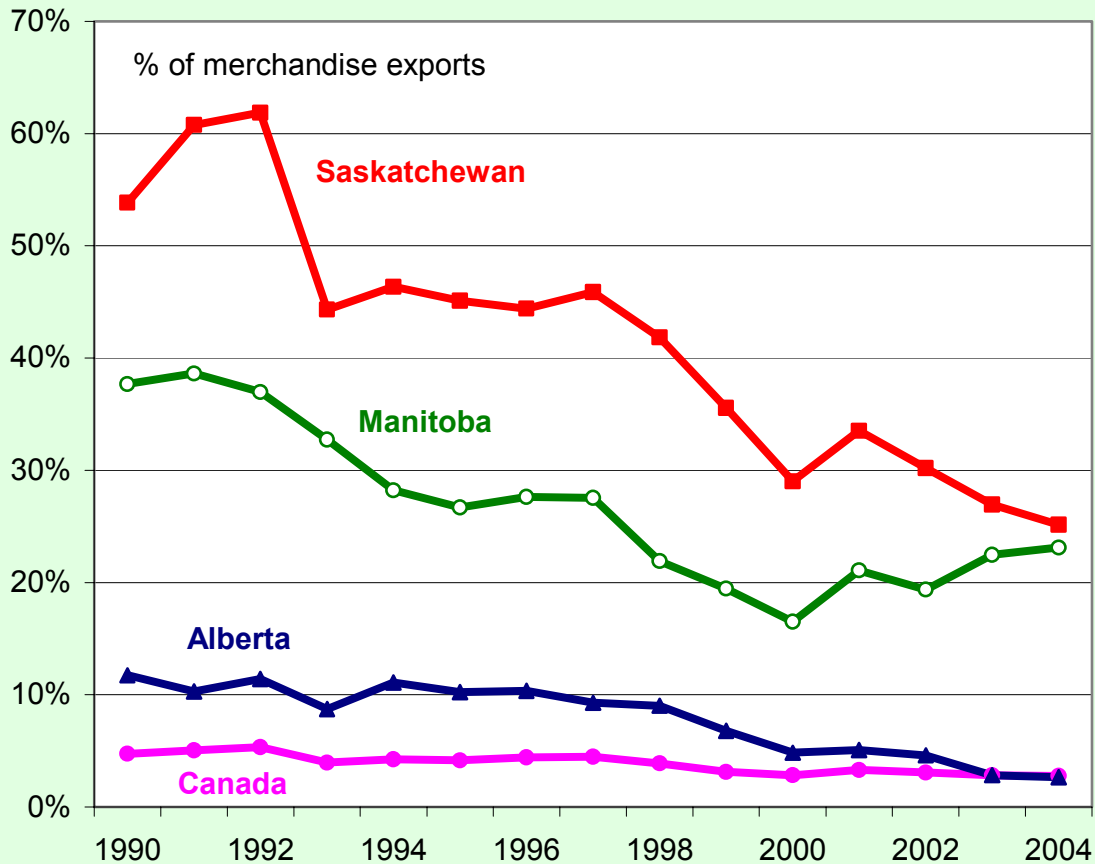
Percent of Merchandise Imports from the USA



- Virtually all (90%) of the merchandise imported into Saskatchewan comes from the US.
- Canada and the other prairie provinces are less reliant on the US for imports and the reliance is declining in Alberta and Canada as a whole whereas it is constant in Manitoba and Saskatchewan.

Agricultural Commodity Exports

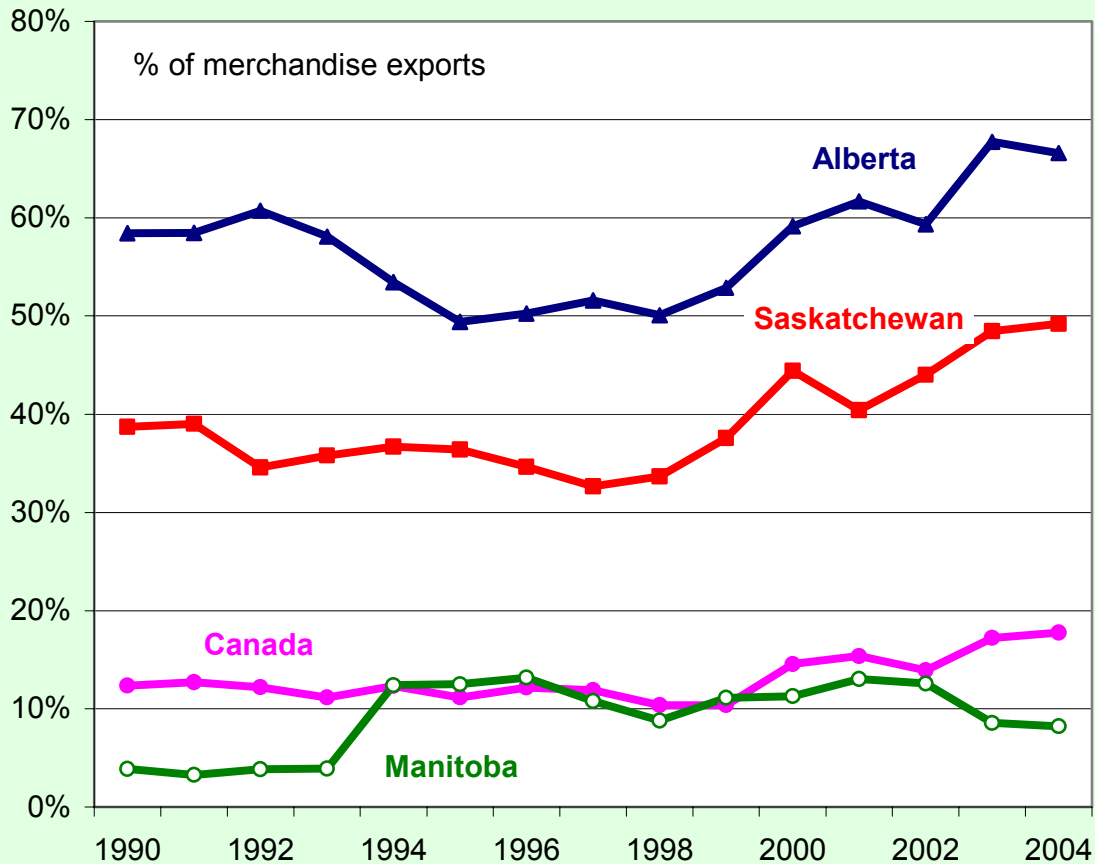
Primary Agricultural Products as Percent of Merchandise Exports



- Primary agricultural products (primarily grain but also includes live animals) now represent 25% of Saskatchewan's exports compared with more than 50% in the early 1990s.
- A similar decline is evident in Manitoba although the proportion has always been smaller and the share has increased slightly in the past few years.
- Less than 5% of Alberta's exports are now primary agricultural products - the same proportion as in Canada as a whole.

Resource Sector Commodity Exports

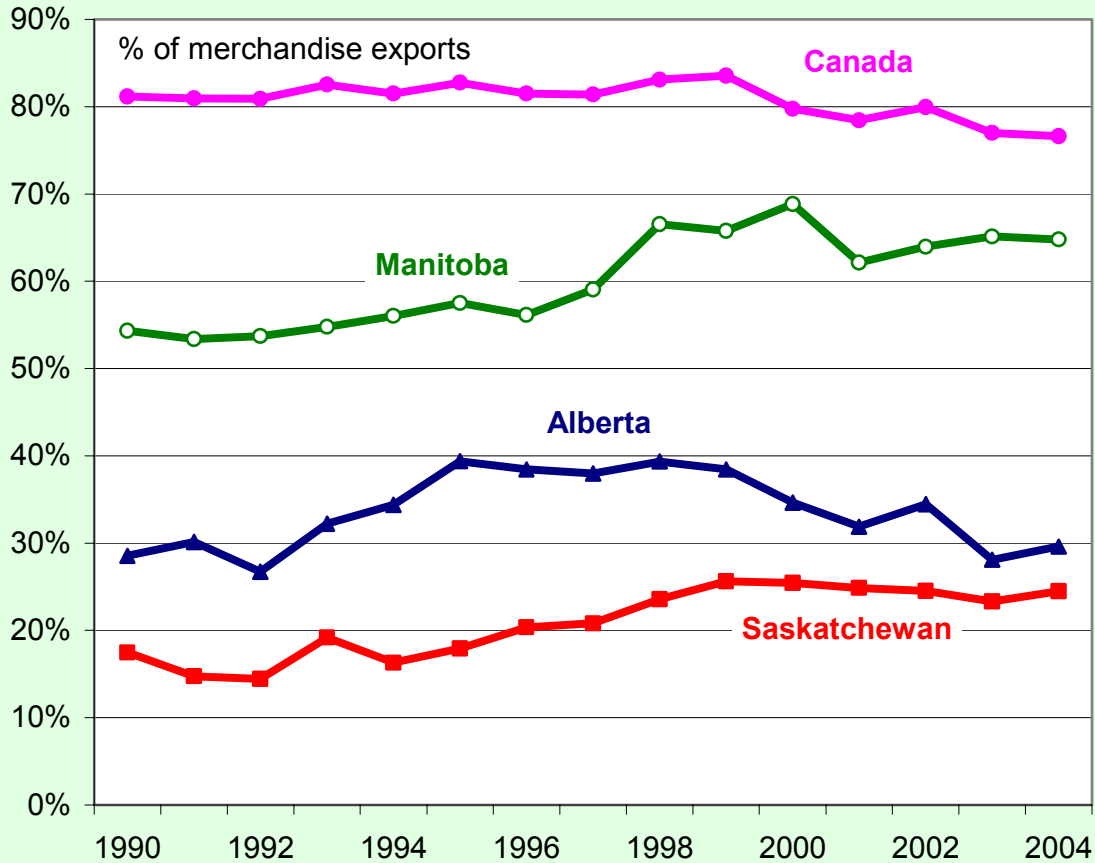
Resource Sector Products (including electricity) as Percent of Merchandise Exports



- Resource sector products (minerals, oil and gas, potash, uranium, raw logs, e.g.) now represent 50% of the value of Saskatchewan's exports compared with 30%-35% in the mid 1990s.
- Two thirds of Alberta's exports are now products from the resource sector.
- The recent increase in Alberta and Saskatchewan is the result of an increase in prices rather than an increase in volumes.

Manufacturing Sector Commodity Exports

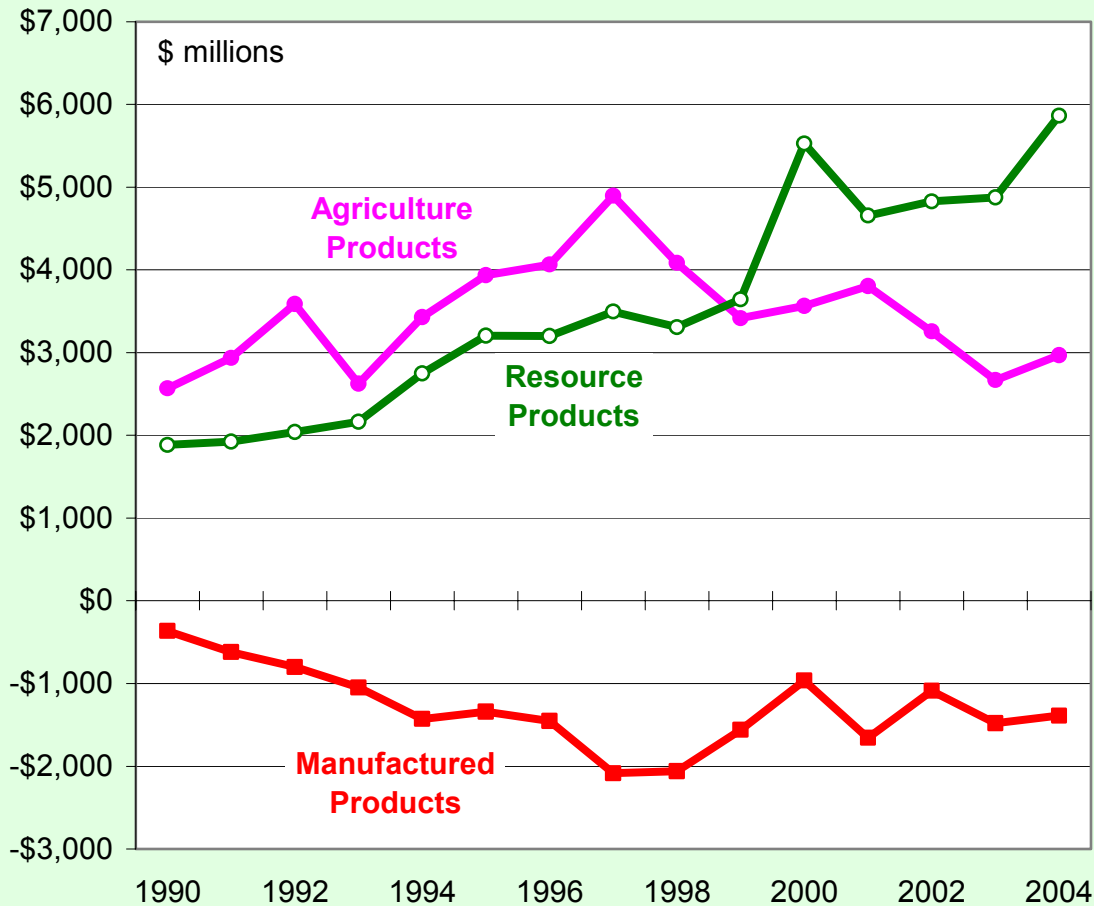
Manufactured Products as Percent of Merchandise Exports



- Among the prairie provinces, the proportion of exports that are manufactured products is the lowest in Saskatchewan and the highest in Manitoba.
- The share of Saskatchewan's commodity exports that are manufactured products has increased from 15% in the early 1990s to 25% in the last few years.
- Virtually all of international commodity imports, on the other hand, are manufactured products. In 2004, for example, 93% of imports were manufactured products.

Saskatchewan's Trade Surplus/Deficit by Industry Group

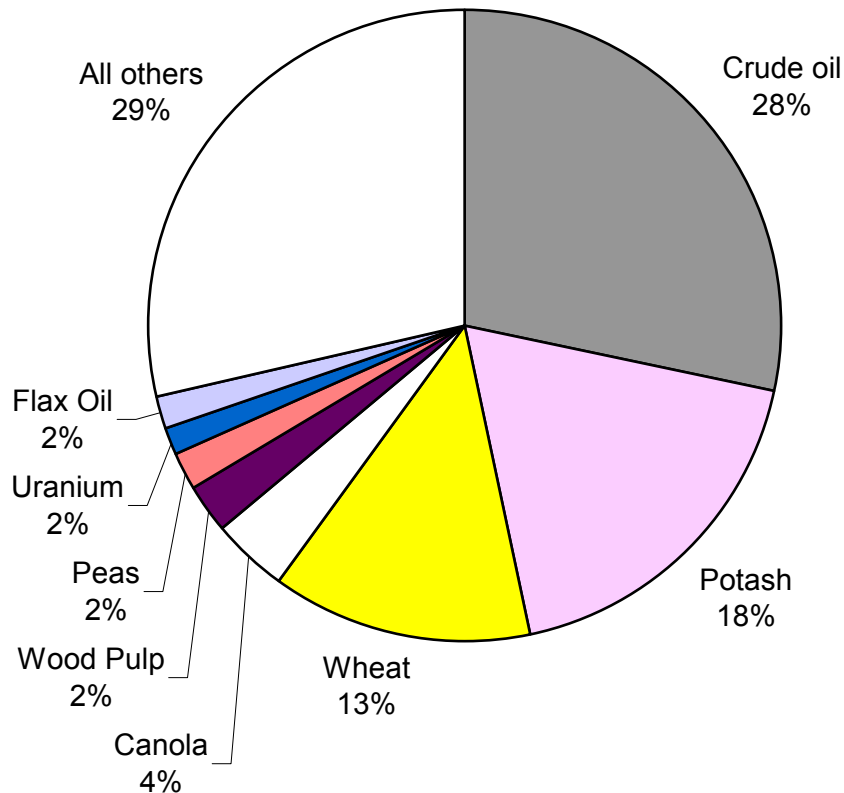
Trade Surplus/Deficit by Type of Merchandise



- In the past fifteen years, Saskatchewan's trade position on resource products has grown from +\$2 billion to +\$5 billion.
- After peaking at +\$5 billion in 1997, the surplus in agricultural products has declined to +\$3 billion.
- The deficit in manufactured products, which was near zero in 1990, has widened to -\$1.5 billion.

Top Exports from Saskatchewan

Saskatchewan Exports by Commodity, 2002 to 2004
Average



- Three products - crude oil, potash, and wheat (including durum) - have accounted for 60% of Saskatchewan's exports in the past three years. Those same three commodities accounted for 61% in the 1990 to 1992 period.
- Among the next five most common exports, only two are processed products - wood pulp and flax oil - and the degree of value-added to the raw materials is relatively low in both cases.
- In contrast the top three products imported into Saskatchewan are
 - Herbicides,
 - semi truck tractors, and
 - farm tractors,and together these make up only 9% of imports. There is a much broader range of imports to Saskatchewan than exports from the province.

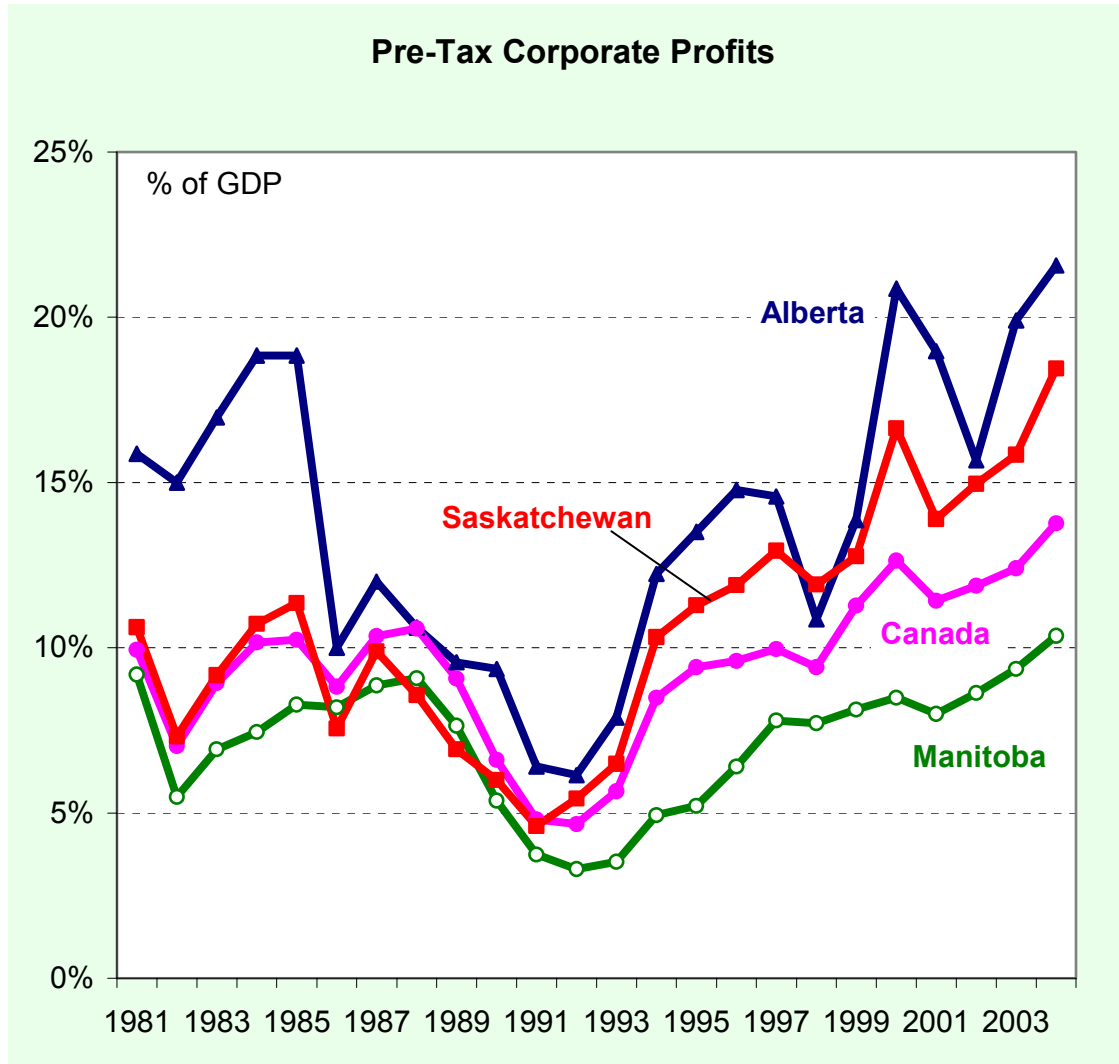
Summary

- Relative to the size of their respective economies, Manitoba is a larger international trader than Saskatchewan or Alberta. All three prairie provinces are smaller than Canada as a whole.
- Compared with Manitoba and Alberta, a smaller (but still the majority) of Saskatchewan exports go to the USA. Virtually all (90%) of merchandise imports to Saskatchewan come from the USA.
- Since 1990, merchandise exports have gradually shifted away from agricultural products to resource products:
 - in 2004, 25% of exports were agricultural products compared with 54% in 1990;
 - in 2004, 49% of exports were resource-sector products compared with 39% in 1990; and
 - in 2004, 25% of exports were manufactured products compared with 17% in 1990.
- Among the prairie provinces, the proportion of exports that are manufactured products is the lowest in Saskatchewan and the highest in Manitoba.
- Three products - crude oil, potash, and wheat - accounted for 60% of merchandise exports in the past three years. The same three products accounted for 61% of merchandise exports ten years ago.

Business Income and Investment

These figures apply only to private sector corporations in the province and therefore exclude most farm income and income from unincorporated businesses.

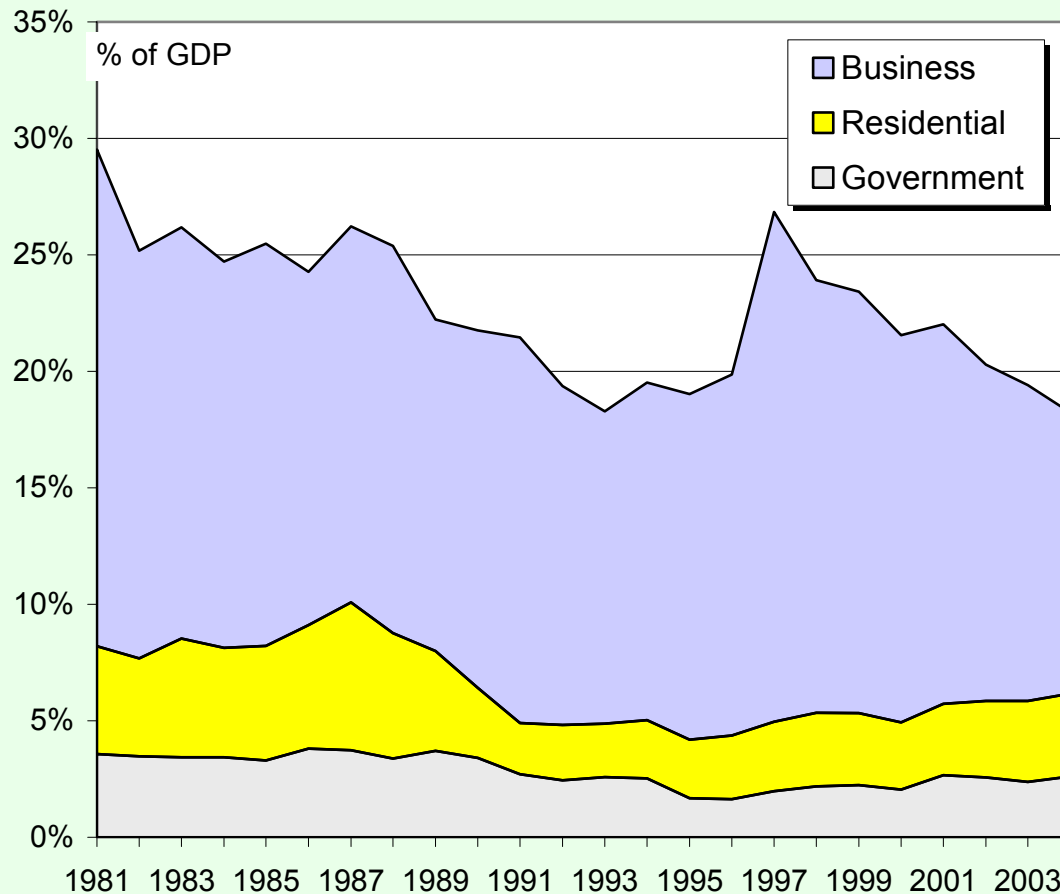
Corporate Profits before Taxes



- Relative to the size of their respective economies, corporate profits are higher in Alberta and Saskatchewan than in Manitoba or Canada as a whole. This is partly because resource-based companies generally require higher levels of capital investment.
- The general pattern in all four regions is the same, namely declining profits in the 1980s and increasing profits since 1992. The decline was more pronounced in Alberta, the recovery more pronounced in Saskatchewan.

Business Investment

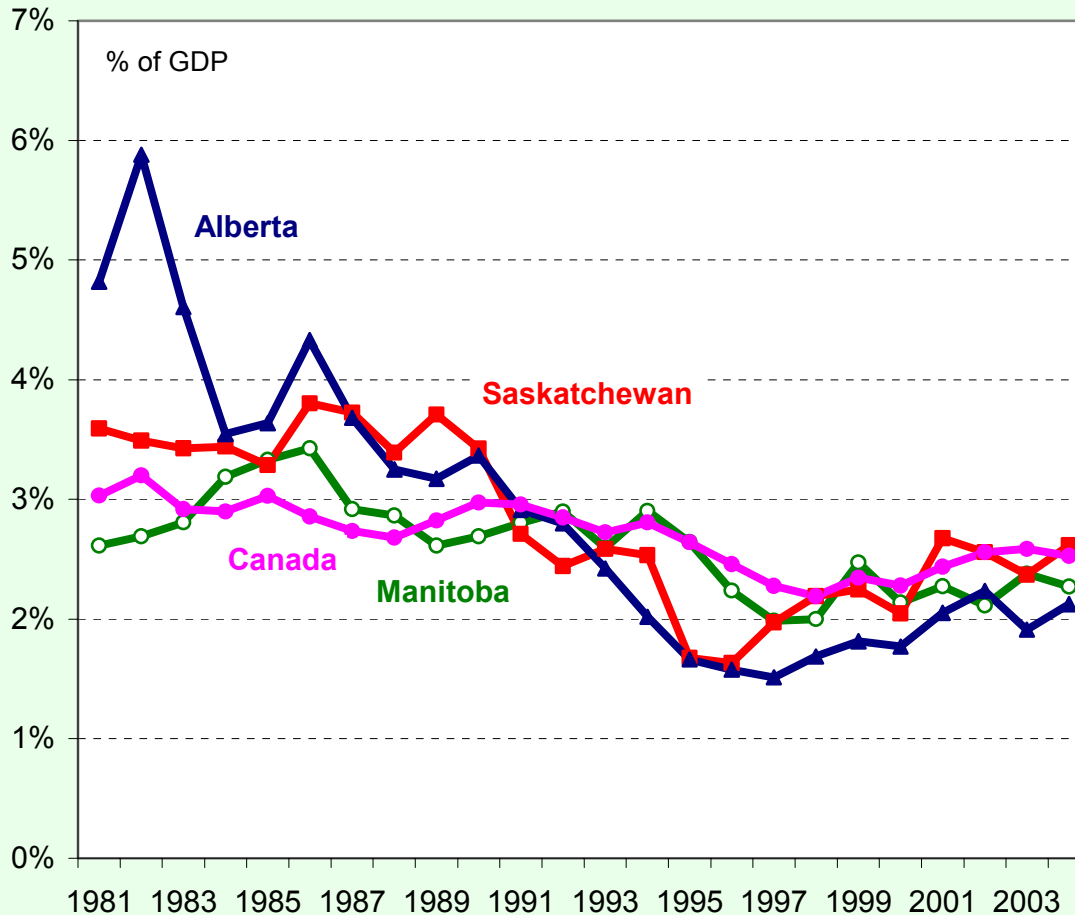
**Gross Fixed Capital Formation by Sector,
Saskatchewan, 1981 to 2004**



- In 2004, business investment in Saskatchewan represented 66% of total capital investment. The remaining 33% was split between residential construction (14%) and public sector investment (19%).
- Relative to GDP capital investment in the province is lower than in the 1980s with most of the decline in the private sector.
- One third of business investment in Saskatchewan is directed toward oil and gas exploration.

Government Capital Investment in the Prairie Provinces

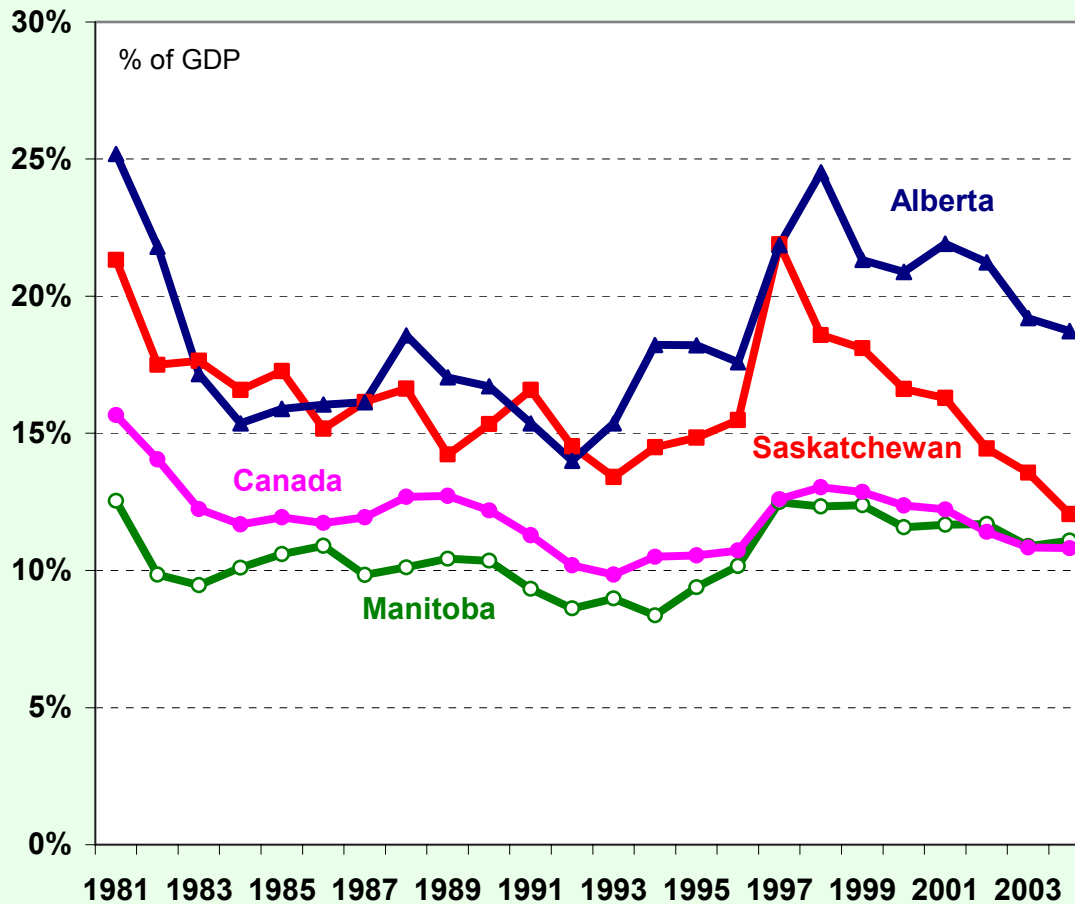
Government Capital Investment Relative to GDP



- Relative to the respective sizes of their economies, governments in the prairie provinces typically invest the same amount as other provinces.
- The pattern over time - a general decline from the early 1980s to the mid 1990s followed by a gradual increase - is also similar.
- In the 1980s, Alberta and Saskatchewan were typically above the national average. In the 1990s, they were typically below the national average.

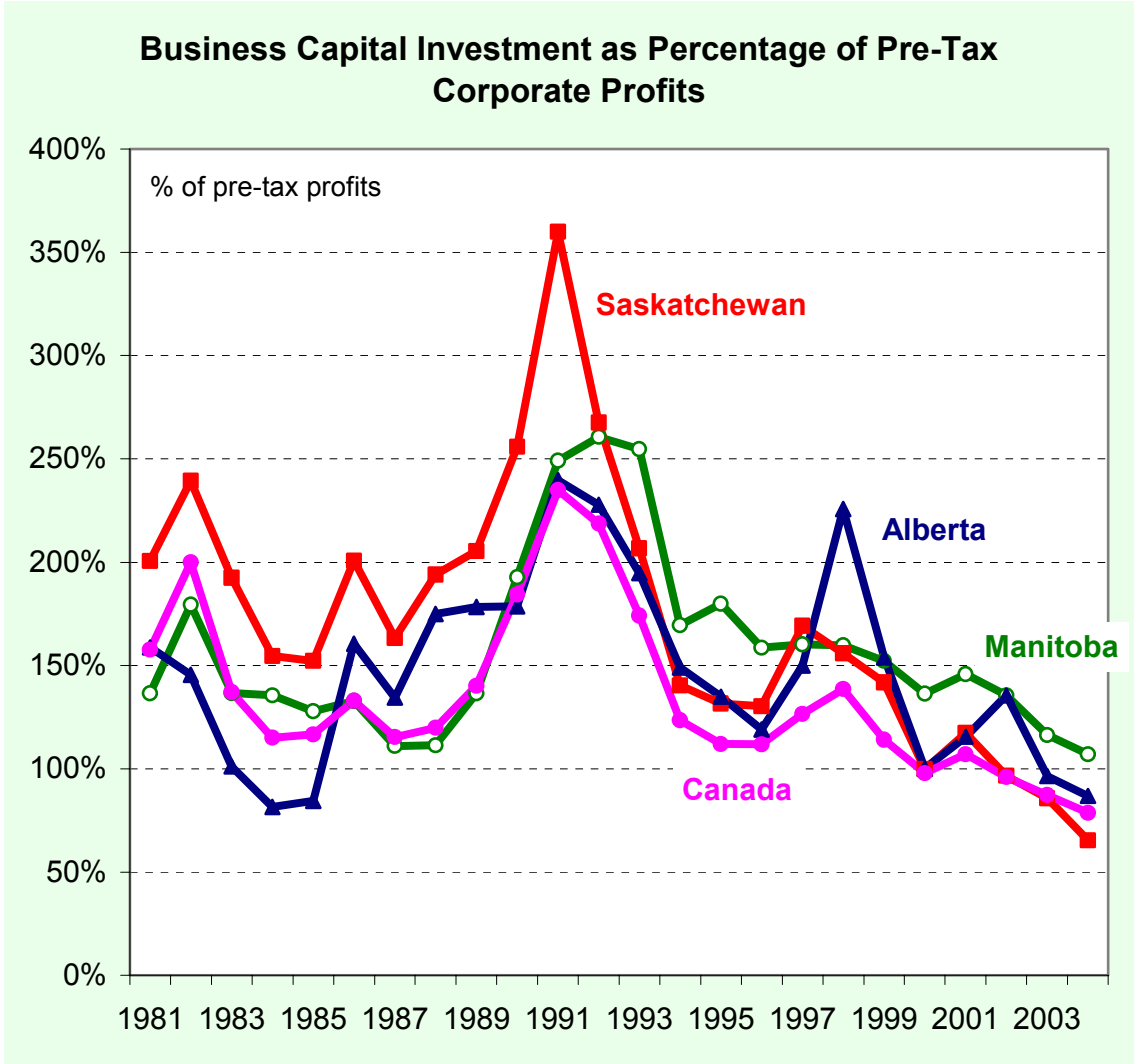
Business Capital Investment in the Prairie Provinces

Business Capital Investment



- Relative to the size of their respective economies, Canada and all the prairie provinces saw an increase from 1993 to 1997 and a decline from 1997 to 2004.
- The sharpest rise and the most pronounced drop, however, was in Saskatchewan. By 2004, the ratio of capital investment to GDP in Saskatchewan had dropped to near the national average.
- Although oil and gas exploration make up the bulk of capital investment in Saskatchewan, the increase from 1993 to 1997 was broadly based with most industry groups participating.

Investment Relative to Corporate Profits



- The relatively low level of capital investment relative to profits is also common across Canada and in the other prairie provinces.
- This decline in investment relative to profits is also evident throughout the developed world.

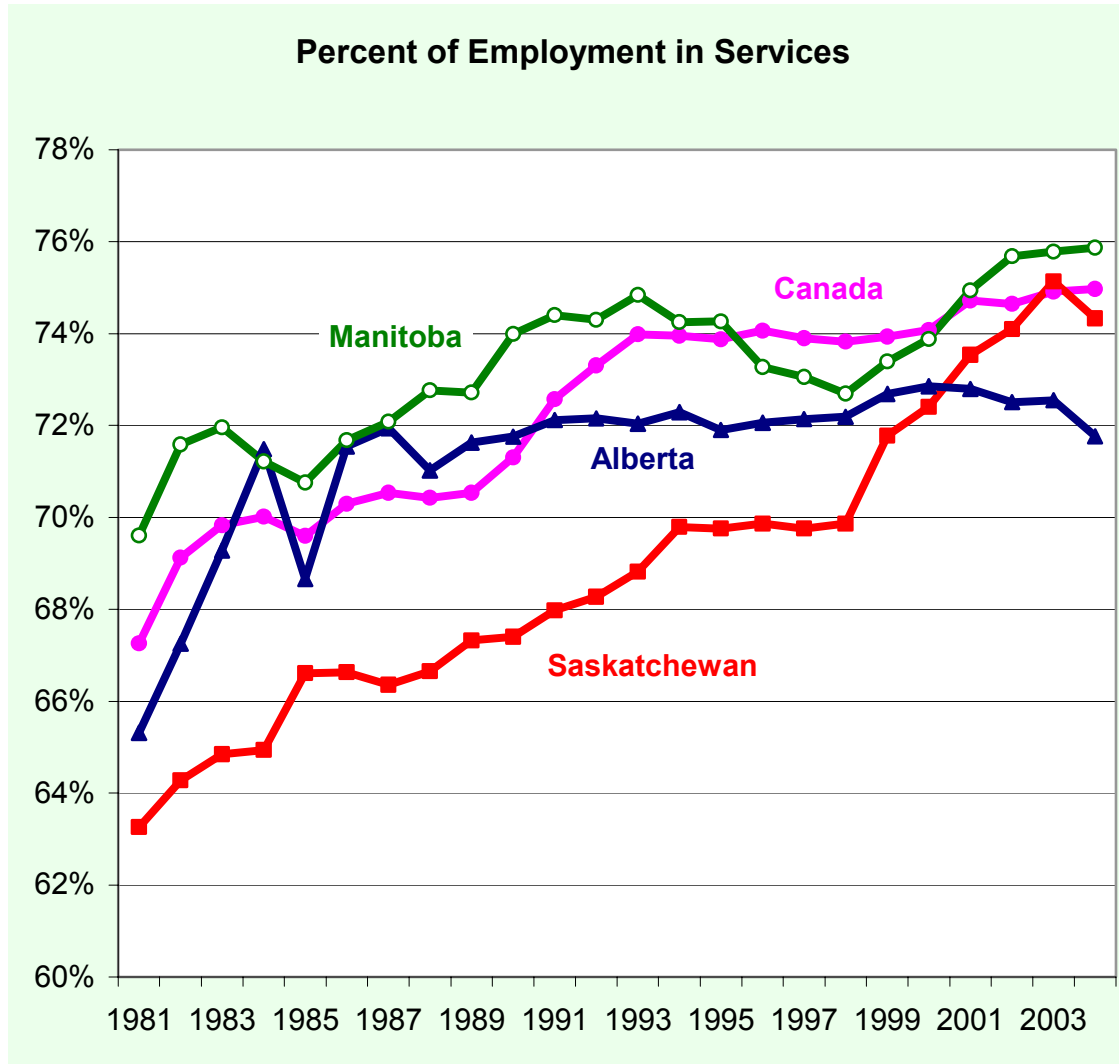
Summary

	Percent of GDP								
	Alberta			Saskatchewan			Manitoba		
	1981	1992	2004	1981	1992	2004	1981	1992	2004
Corporate Profits Before Taxes	16%	6%	22%	11%	5%	18%	9%	3%	10%
Government Capital Investment	5%	3%	2%	4%	2%	3%	3%	3%	2%
Private Sector Capital Investment	25%	14%	19%	21%	15%	12%	13%	9%	11%

- Relative to the size of the respective economies, corporate profits declined from 1981 to 1992 in all three prairie provinces but have increased sharply since then.
- Private sector capital investment also fell from 1981 to 1992 but has, except for Saskatchewan, grown since then.
- In all three prairie provinces, government capital investment, after dropping from 1981 to 1992, has been stable.

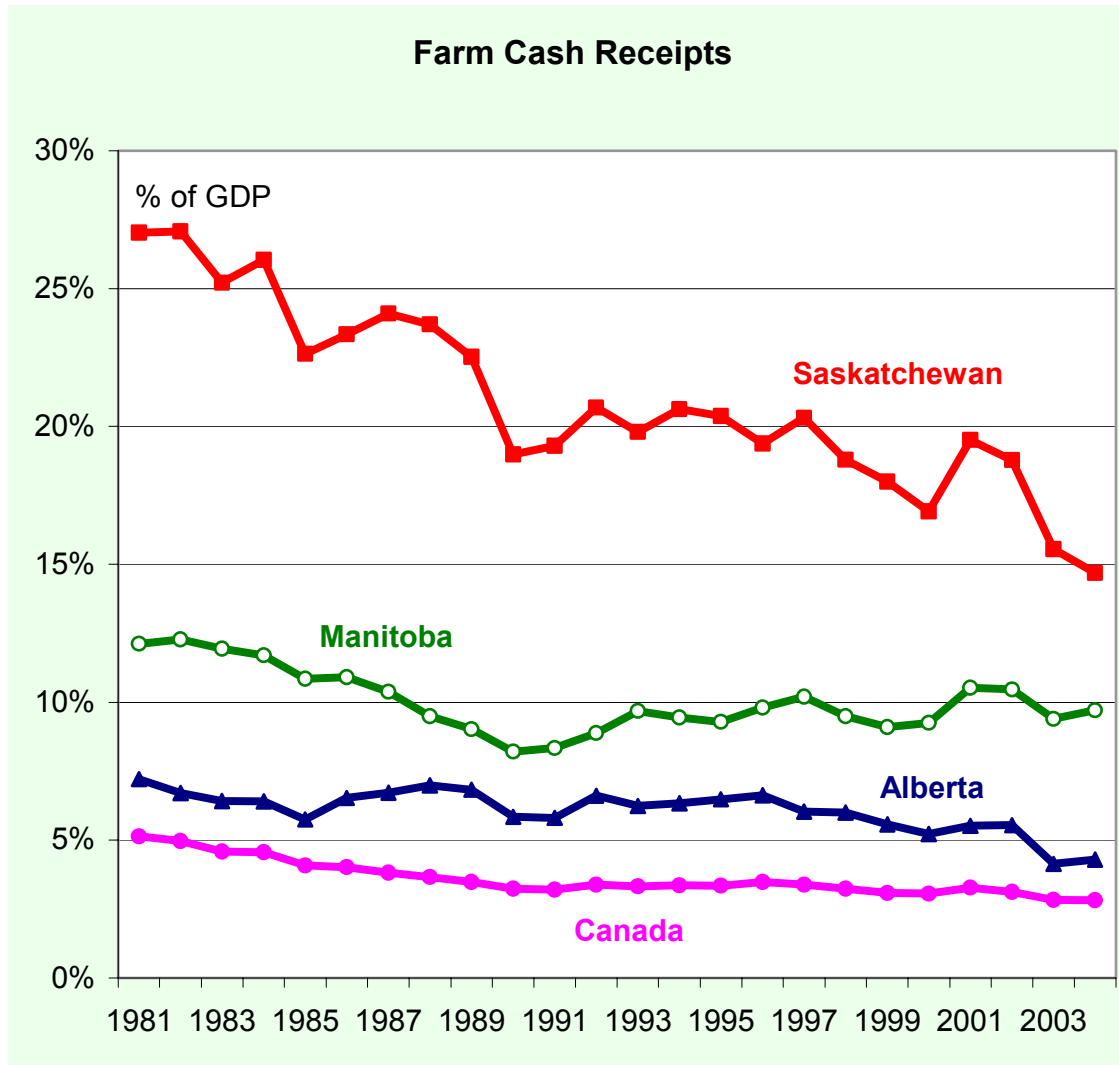
Key Sectors

Service Sector Share



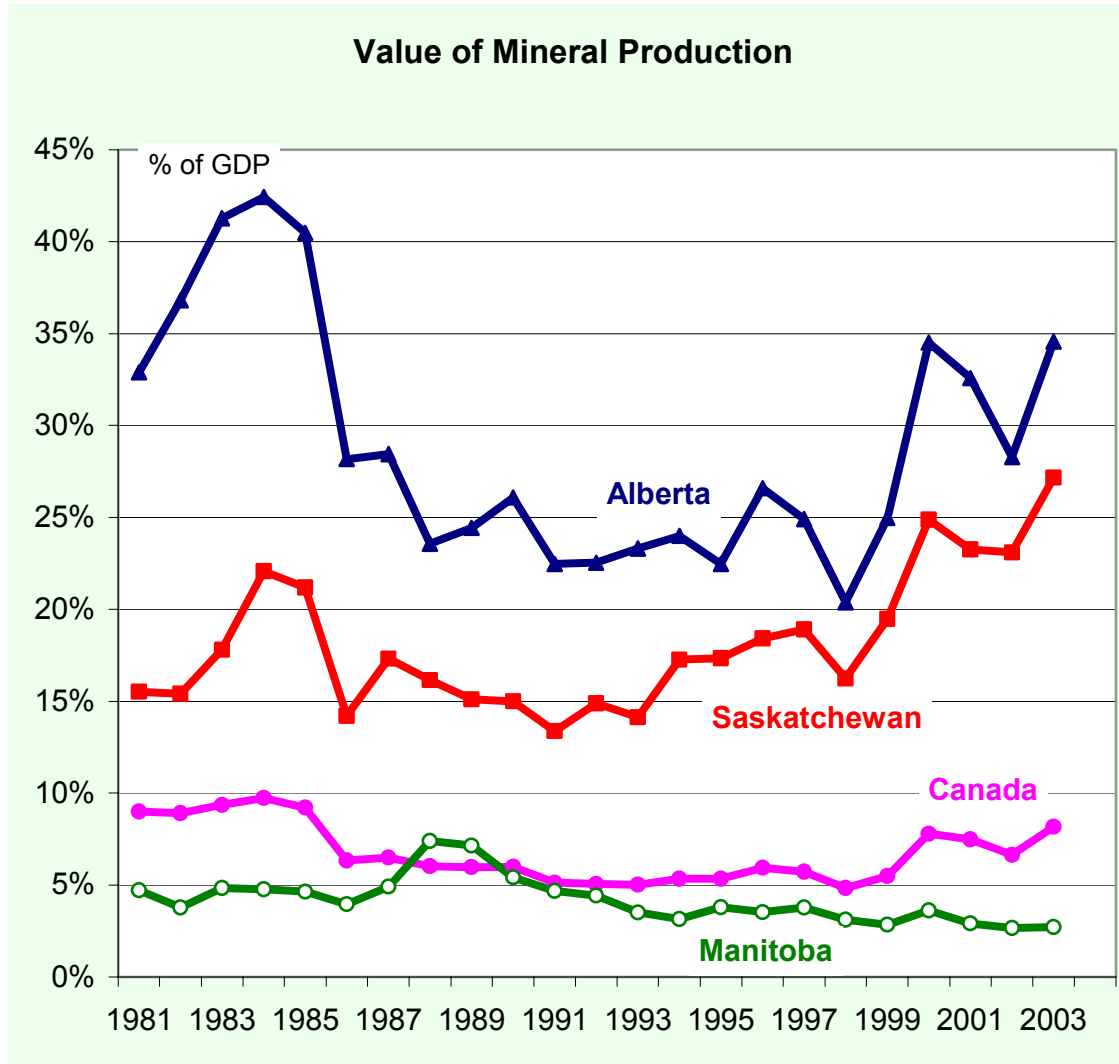
- Employment is the only economic indicator available over the long term that can measure the switch from a goods-producing to a service-producing economy.
- Saskatchewan has only recently caught up with Canada in this trend to a service-based economy. In 2003, 75% of employment was in the services-producing part of the provincial economy compared with 63% in 1981.
- Manitoba has been near or above the national average for the entire period and the share in Alberta has been constant for the past twenty years.

Agriculture: Farm Cash Receipts



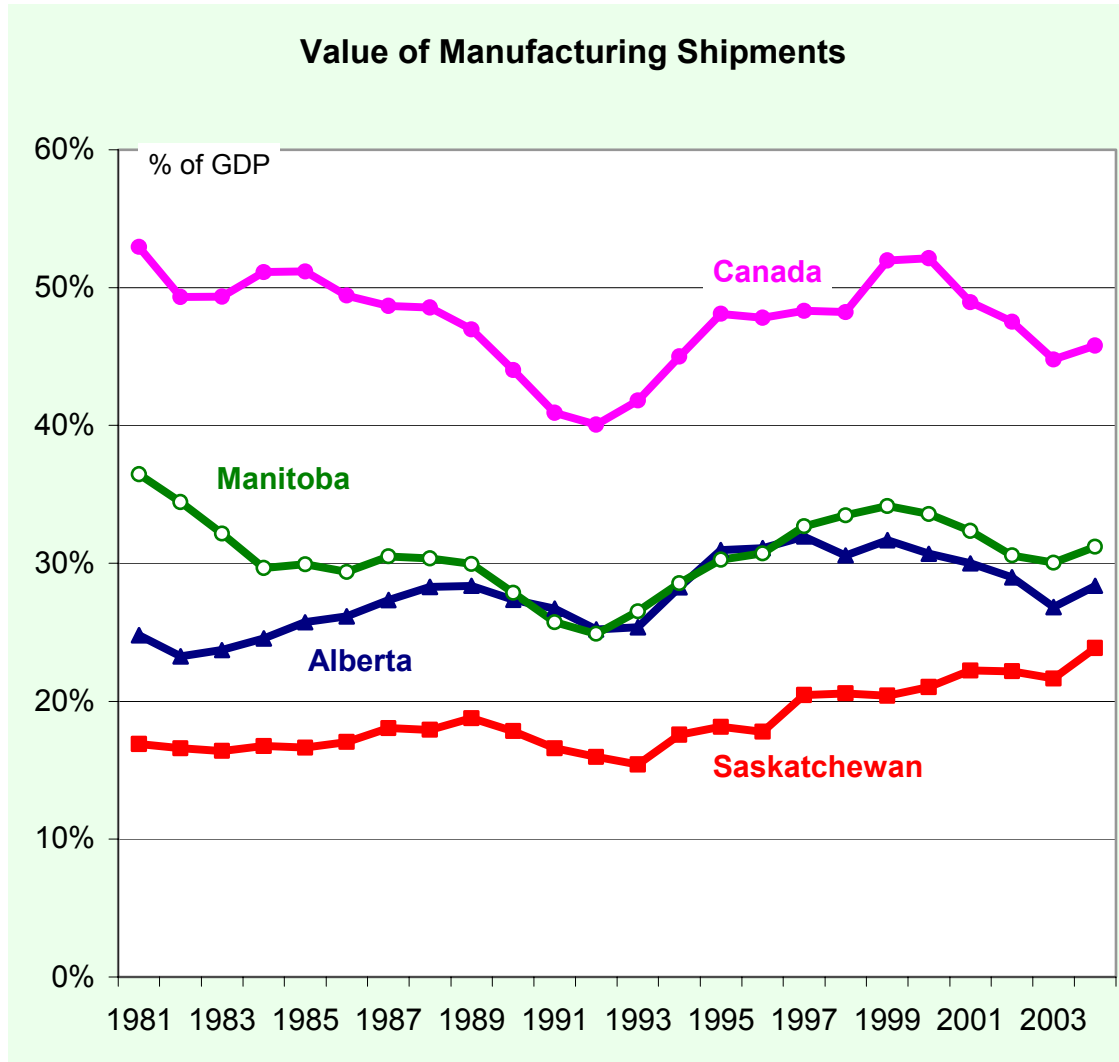
- This is one indicator of the declining importance of agriculture in the provincial and national economies.

Resource Sector: Value of Mineral Production



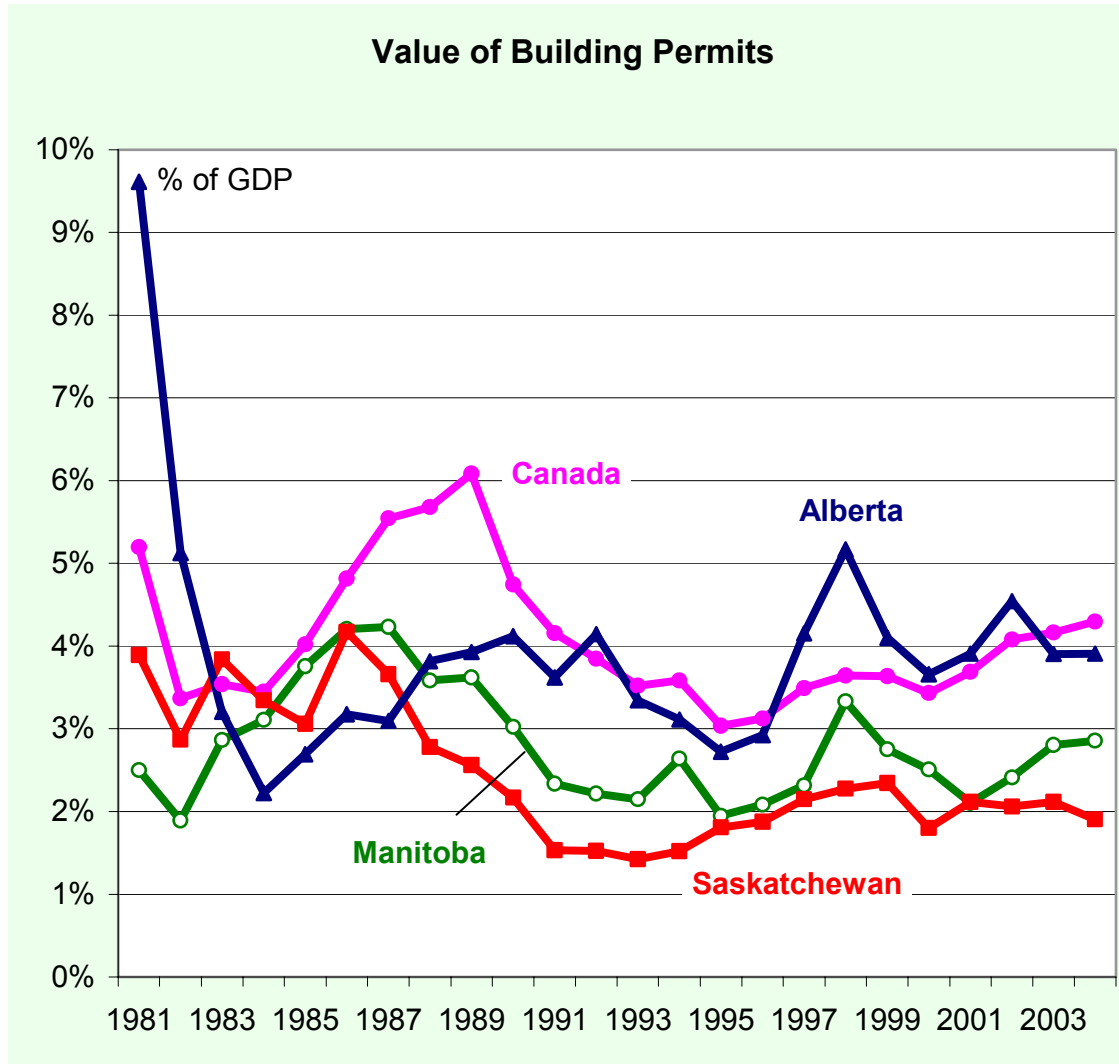
- Mineral production includes fuel minerals such as crude oil, natural gas, and coal.

Manufacturing: Value of Shipments



- The prairie provinces in general and Saskatchewan in particular have always had a relatively small manufacturing sector compared with central Canada.
- The gap between Saskatchewan and the other provinces is narrowing.

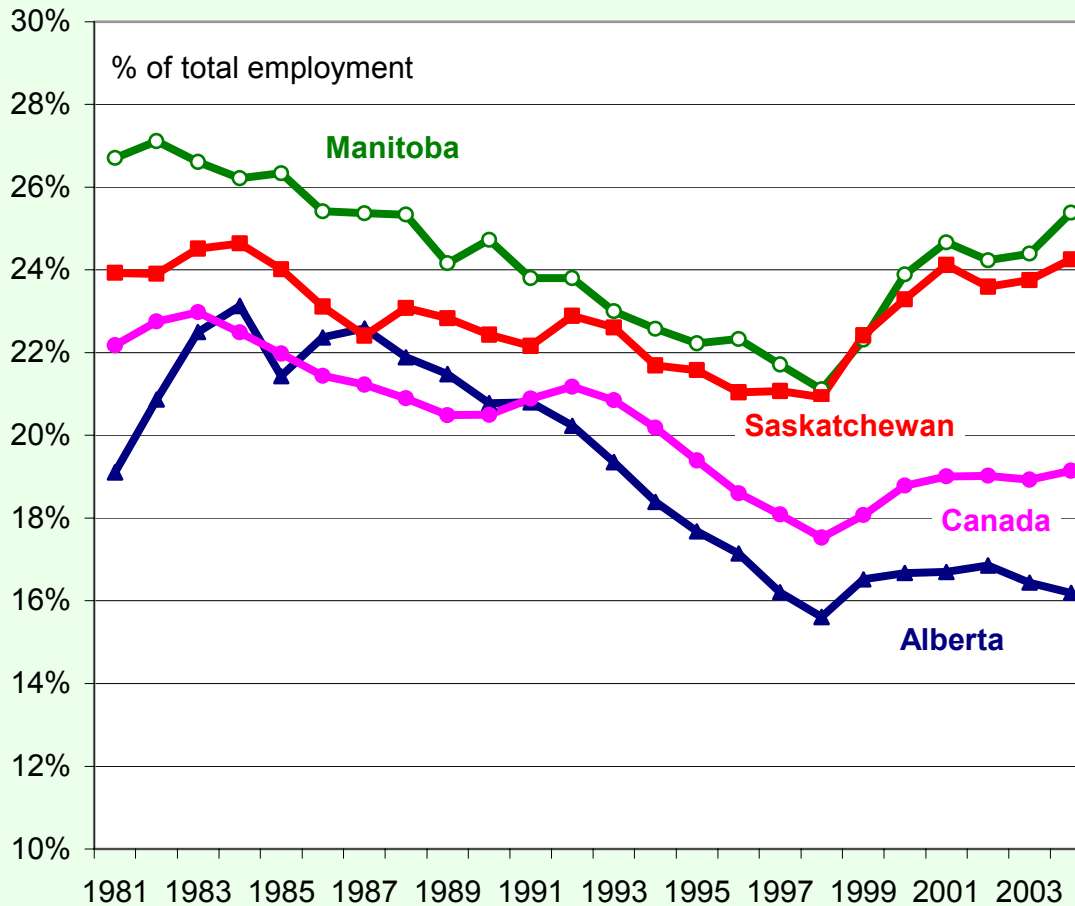
Construction: Value of Building Permits



- Relative to the size of their respective economies, building activity in Alberta and Canada has typically been above the level in Manitoba and Saskatchewan. This was not the case for a short period in the mid 1980s.
- Construction activity (excluding engineering construction) has been effectively constant relative to GDP in Saskatchewan through the past fifteen years.
- Much of the building construction activity is related to population growth.

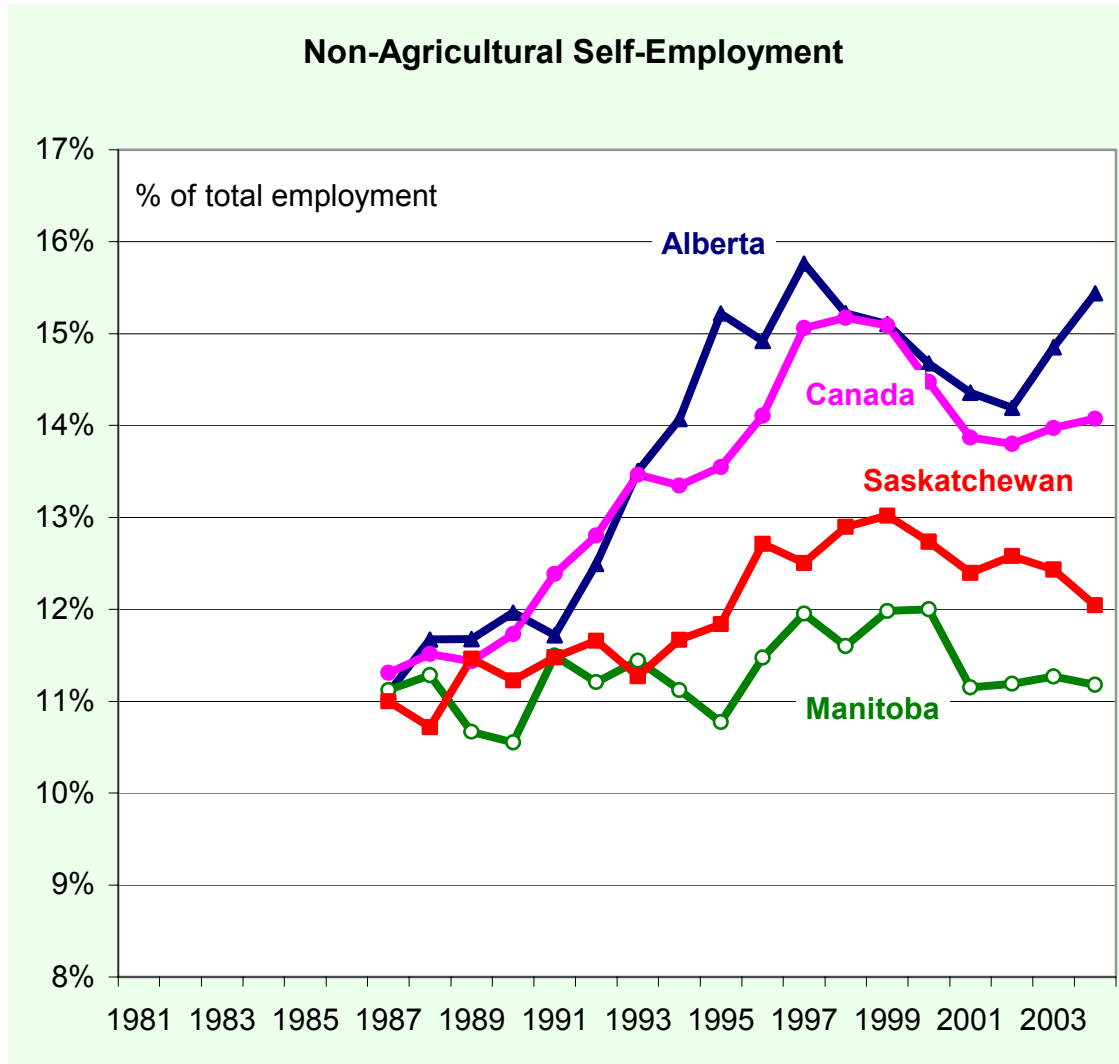
Public vs. Private Sector Employment

Public Sector Employment



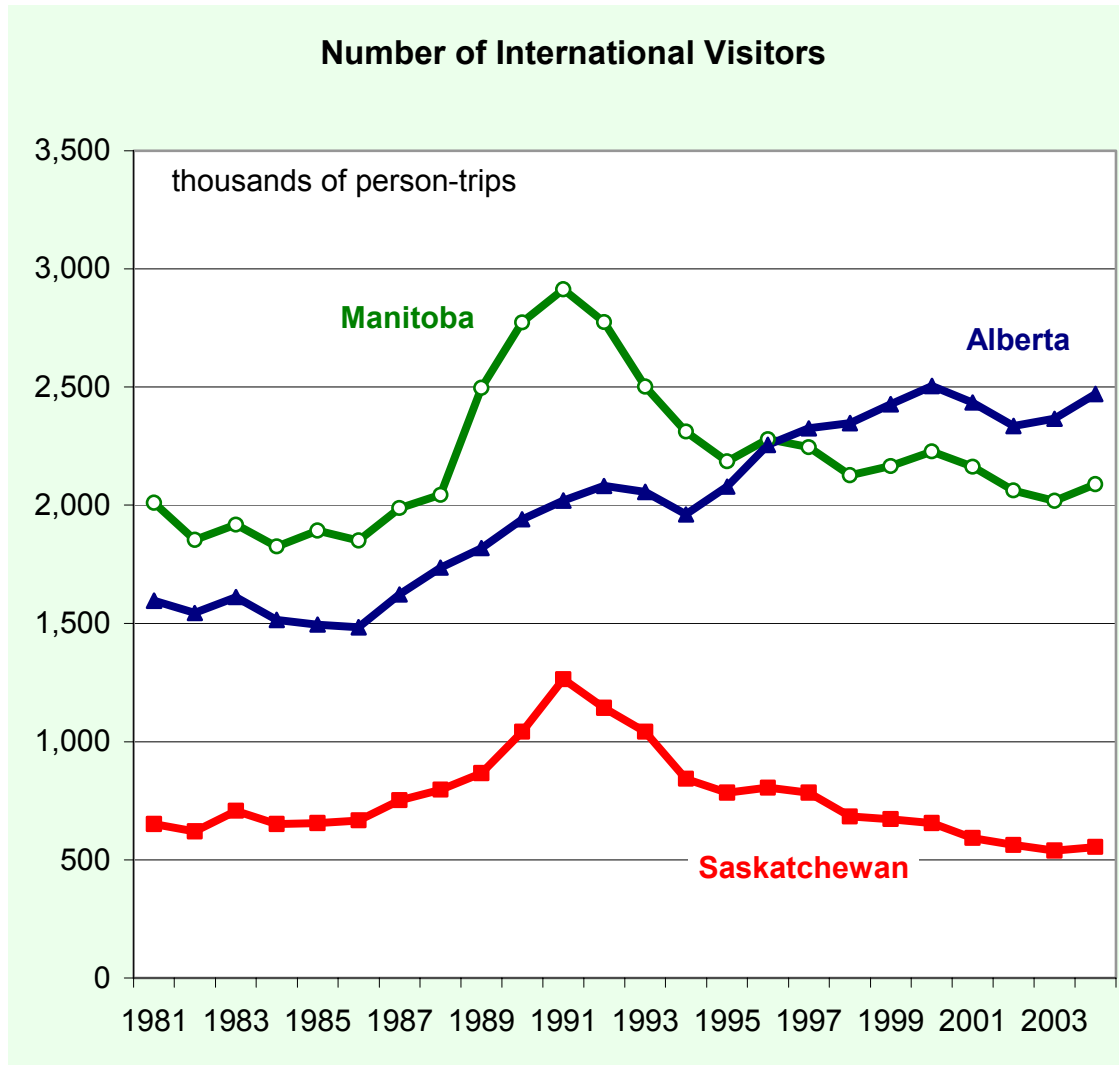
- Public sector employment includes employment in all organizations that are “substantially funded” by governments. Besides government proper, this includes the majority of the health and education sectors as well as crown corporations.
- Manitoba and Saskatchewan have traditionally had a higher level of public sector employment than other provinces, Alberta in particular.
- Public sector employment declined in all jurisdictions to reach a low point in 1998. Since then there has been an increase with the biggest jump in Manitoba and Saskatchewan.

Entrepreneurs: Non-Agricultural Self-Employment



- As an indicator of entrepreneurship, these figures show the proportion of employment that is represented by those who are self-employed. Agriculture is excluded.
- The figures suggest that from equal starting points in the mid 1980s, entrepreneurship has increased sharply in Alberta and Canada as a whole. There has been a modest increase in Saskatchewan and no change in Manitoba.
- In recent years, the indicator has fallen slightly in Saskatchewan.

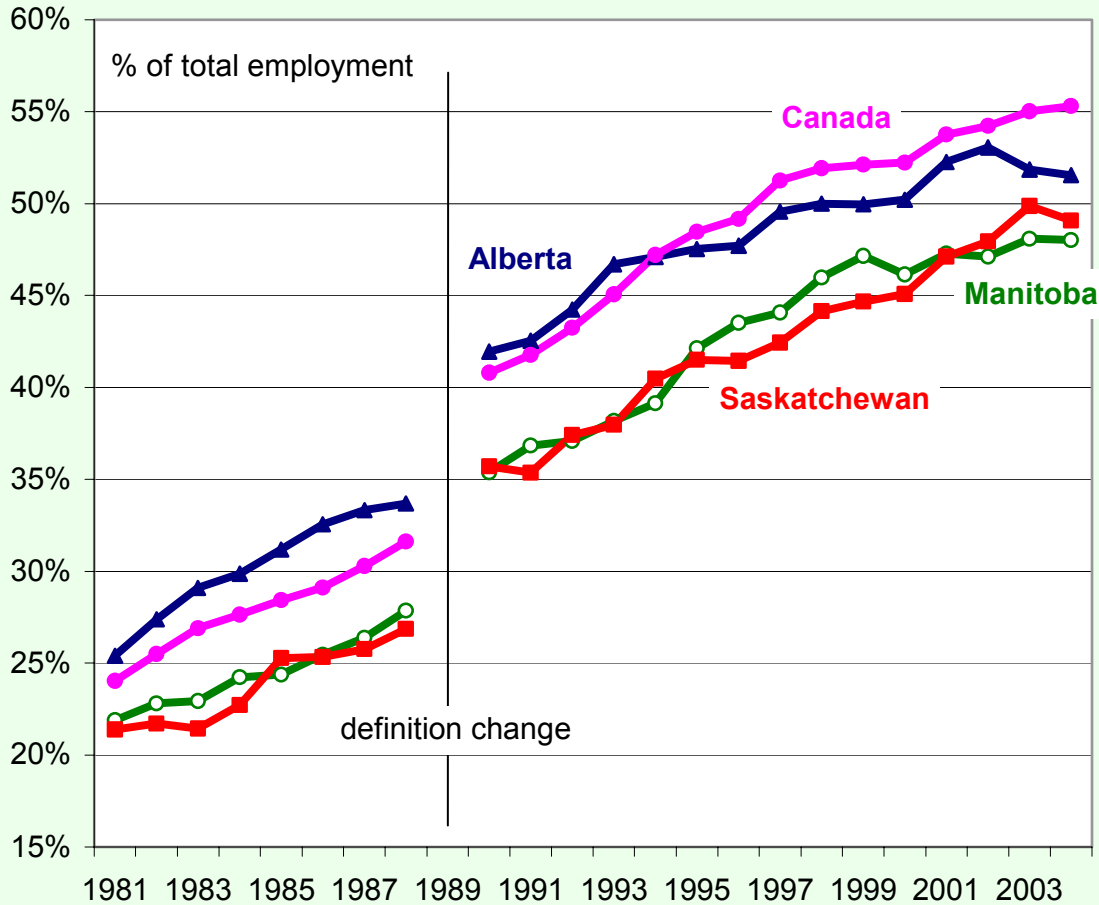
Tourism - Arrivals of International Visitors



- These figures measure the number of non-residents who arrive in the province on trips for business or pleasure. The port of entry may not be their final destination.
- Saskatchewan and Manitoba were popular destinations in the late 1980s and early 1990s but the number of visitors has declined since then. The number who arrive in Alberta continues to increase.

The "Knowledge" Economy

Post Secondary Graduates



- Saskatchewan and Manitoba have traditionally had a lower level of completed education among those employed in the province.
- Although the proportion of employees with a post-secondary education is increasing steadily, there is a persistent gap between the ratio in Saskatchewan and the ratio in Alberta and Canada as a whole.

Summary

- **Service Based Economy:** Saskatchewan has only recently caught up with Canada in the trend to a service-based economy. In 2003, 75% of employment was in the services-producing part of the provincial economy compared with 63% in 1981.
- **Agriculture:** Although declining in importance, agriculture is a more important industry in Saskatchewan than in the other prairie provinces.
- **Resources:** The resource sector is becoming a more important sector in Saskatchewan.
- **Public Sector:** Manitoba and Saskatchewan have traditionally had a higher level of public sector employment than other provinces, Alberta in particular.
- **Construction:** Construction activity (excluding engineering construction) has been effectively constant relative to GDP in Saskatchewan through the past fifteen years.
- **Manufacturing:** The prairie provinces in general and Saskatchewan in particular have always had a relatively small manufacturing sector compared with central Canada. The gap between Saskatchewan and the other provinces is narrowing.
- **Entrepreneurs:** The figures suggest that from equal starting points in the mid 1980s, entrepreneurship has increased sharply in Alberta and Canada as a whole. There has been a modest increase in Saskatchewan and no change in Manitoba.
- **Tourism:** Saskatchewan and Manitoba were popular destinations in the late 1980s and early 1990s but the number of visitors has declined since then. The number who arrive in Alberta continues to increase.
- **Knowledge Economy:** Although the proportion of employees with a post-secondary education is increasing steadily, there is a persistent gap between the ratio in Saskatchewan and the ratio in Alberta and Canada as a whole.