



Press Release – Ottawa, May 15, 2014

Despite Broad Trends Toward Convergence, Certain Economic Disparities Between Provinces Increased with Higher Oil Prices

The Centre for the Study of Living Standards today released a report entitled “Convergence across Provincial Economies in Canada: Trends, Drivers, and Implications”. The objective of the report is to examine the evolution of provincial differences in 25 economic variables related to income, productivity, the labour market, well-being and fiscal capacity, and to analyze trends toward or away from convergence (*i.e.*, the reduction of provincial disparities) for these economic variables. Table 1 presents these economic variables along with their coefficient of variation (CV), which is the measure of disparities used in the report. The CV is defined as the standard deviation of a data set divided by its mean. The report also examines the factors influencing these trends and discusses the implications for the federation.

Key findings from the report are highlighted below.

- Over the last half century, there has been a broad tendency toward convergence of economic variables across provincial economies in Canada, with poorer provinces making up some of the ground between themselves and richer ones.
- However, the trend has periodically been interrupted and reversed by episodes of high economic disparities among the provinces, resulting mostly from high crude oil prices. Two periods stand out in this regard: the early 1980s and from the early 2000s to present.
- Since the early 2000s, there has been significant divergence across the provinces in nominal variables due to soaring prices for many commodities (but chiefly crude oil), the benefits of which have largely accrued to the oil-producing provinces – namely, Alberta, Saskatchewan, and Newfoundland and Labrador.

- At present, provincial disparities are most significant for per capita stocks of wealth, followed by the unemployment rate, per capita fiscal capacity, nominal and real GDP per capita, real GDI per capita, and nominal and real labour productivity (Table 1). On the other hand, there are relatively small disparities across the provinces with respect to labour market variables (excluding the unemployment rate).
- From the earliest year for which data are available for each economic variable, there has been convergence across the provinces for 16 of the 25 economic variables. Generally speaking, there was divergence in economic variables related to productivity and fiscal capacity, while there was convergence in economic variables related to income, the labour market, well-being, equality, wealth, consumption and demographics.
- There exists a great deal of uncertainty concerning the future of provincial disparities in Canada, especially those related to income, productivity and fiscal capacity. Whether Alberta, Saskatchewan and Newfoundland and Labrador are likely to sustain their respective commodity booms ultimately depends on the future of crude oil prices (which are notoriously hard to predict) and their ability to deliver their product to key markets.

The report is posted at <http://www.csls.ca/reports/csls2014-03.pdf>. The database accompanying the report is posted at <http://www.csls.ca/reports/csls2014-03database.pdf>

For further information, please contact:

Andrew Sharpe
Executive Director
Centre for the Study of Living Standards
710-151 Slater Street
Ottawa, Ontario, K1P 5H3
(613) 233-8891
andrew.sharpe@csls.ca

The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards and economic wellbeing in Canada through research.

Table 1: The Level of and Trends in Economic Disparities between Canadian Provinces based on the Coefficient of Variation (CV)

(A) Coefficient of Variation (latest year)		(b) Absolute Change (from earliest to most recent year)	
	Per Cent		Percentage Points
Index of Total per Capita Stocks of Wealth	34.4	Nominal GDP per Worker	6.9
Unemployment Rate	32.7	Fiscal Capacity	3.8
Fiscal Capacity	30.2	Nominal GDP per Hour Worked	3.8
Nominal GDP per Capita	26.6	Security Index	3.0
Real GDI per Capita	25.7	Real GDP per Worker	2.8
Nominal GDP per Worker	24.8	Average After-tax Family Income	2.4
Real GDP per Capita	24.2	Average Market Family Income	1.5
Nominal GDP per Hour Worked	21.9	Average Total Family Income	1.5
Real GDP per Worker	20.9	Real GDP per Hour Worked	1.2
Security Index	18.4	Human Development Index	-0.6
Real GDP per Hour Worked	18.2	Share of the Total Population Aged 15+	-1.6
Average Market Family Income	16.9	Share of the Total Population Aged 15-64	-2.2
Average Total Family Income	13.1	Nominal GDP per Capita	-3.2
Index of Economic Well-being	13.1	Participation Rate	-3.4
Equality Index	12.9	Educational Attainment	-3.6
Average After-tax Family Income	12.2	Employment Rate	-3.9
Nom. Personal Income per Capita	12.1	Real GDP per Capita	-5.3
Nom. Personal Disposable Income per Capita	11.8	Unemployment Rate	-5.5
Index of Total per Capita Consumption Flows	8.8	Real GDI per Capita	-7.5
Employment Rate	7.4	Nom. Personal Disposable Income per Capita	-10.8
Educational Attainment	6.0	Index of Economic Well-being	-11.2
Participation Rate	5.0	Nom. Personal Income per Capita	-11.8
Share of the Total Population Aged 15+	2.0	Equality Index	-12.1
Share of the Total Population Aged 15-64	1.6	Index of Total per Capita Stocks of Wealth	-23.7
Human Development Index	1.5	Index of Total per Capita Consumption Flows	-34.6

Note: Table 1 summarizes the report's findings with respect to the level of the coefficient of variation (CV) for 25 economic variables in the most recent year for which data are available and absolute change in the CV from the earliest available year to the most recent year. The higher the CV, the greater the disparity between provinces. An increase in the CV indicates divergence and a decrease convergence.