

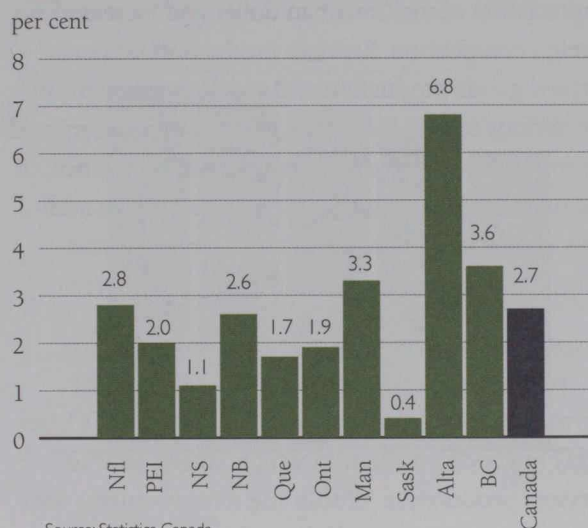
## GDP growth by province

In contrast with the clear-cut regional divide in GDP growth observed in 2005, the picture was somewhat mixed in 2006. Once again, with the exception of Saskatchewan, provinces west of Ontario recorded growth rates above the Canadian average of 2.7 per cent; however this year Newfoundland and Labrador also topped the national average and New Brunswick was close to the national average rate as well.

Alberta's economy grew at a brisk 6.8 per cent in 2006, more than double the national average. This was the third consecutive year during which Alberta has led all other provinces in growth. Continued oil price increases in 2006 supported strong corporate profits and business investment, which, in turn, stimulated labour income and spending. The buoyancy of Alberta's economy combined with a low unemployment rate of 3.4 per cent were enough to attract about 57,000 inter-provincial migrants from across Canada, the largest movement of people to one province since 1972. As a result, residential construction increased 8.1 per cent, and consumer spending accelerated to 7.9 per cent. Manufacturing activity in Alberta was not outdone, rising by 7.6 per cent on the heels of a 6.3 per cent increase in 2005. The bulk of the growth came from petrochemical industries and suppliers of machinery and equipment to the burgeoning oil-sands infrastructure projects.

Economic activity in British Columbia outpaced national average growth for the fifth consecutive year with a 3.6 per cent increase in 2006, slightly less than the 3.7 per cent increase in 2005. Domestic demand, boosted by an increase in labour income (8.2 per cent) and a historically low unemployment rate (4.8 per cent), was the main driver of growth. By industry, construction (10.1 per cent), wholesale trade (9.7 per cent) and retail trade (5.9 per cent) led growth. And, in general, services-producing industries outpaced goods-producing industries in 2006, especially the construction industry which benefited from investment relating to the 2010 Olympics.

**FIGURE 3-3**  
Real GDP Growth by Province, 2006



Source: Statistics Canada

The Saskatchewan economy decelerated steeply to 0.4 per cent growth after three years of growth exceeding the national average. Production of goods-producing industries fell 9.1 per cent as a result of a drop in crop production (9.1 per cent) due to poor weather conditions and decreased exports in key mining products (uranium and potash). However, corporate profits remained strong as world demand for these products kept prices high. In addition, investment and consumer spending continued to be solid as Saskatchewan took advantage of its proximity to Alberta.

Manitoba's economy grew by 3.3 per cent in 2006, up from the 2.7 per cent increase in 2005, reflecting the best crop in three years. Strong consumer spending – supported by low interest rates and the second lowest unemployment rate in the nation (4.3 per cent) – business investment, inter-provincial shipments of metal and agricultural products, and the opening of the U.S. border for cattle were the main factors underpinning the strong growth.

At 1.9 per cent, the economic expansion in Ontario lagged the Canadian average for the fourth consecutive year. A combination of factors contributed to the further deceleration in 2006 compared with the 2005 performance. These included a decrease