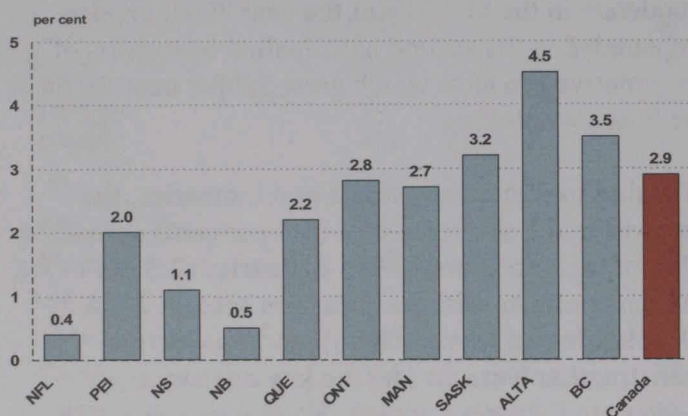


GDP by Province

There was a regional divide with respect to GDP growth for 2005, with provinces west of Ontario registering the highest growth and all, with the exception of Manitoba, performing above the Canadian average of 2.9 percent.

Figure 3-3
Real GDP Growth by Province, 2005



Source: Statistics Canada

Oil price increases throughout 2004 and 2005 propelled Alberta's expansion, with GDP rising by 4.5 per cent, the highest of any province. Surging oil prices also boosted corporate profits, business investment, and personal expenditure on goods and services. Manufacturing advanced 8.9 per cent, supplying machinery, steel pipe and tube and temporary buildings to burgeoning oil-producing northern Alberta.

British Columbia followed with a 3.5 per cent gain, supported by a marked drop in the unemployment rate, strong growth in labour incomes, and a boom in residential construction. All these elements contributed to an increase in expenditures on durable goods and on infrastructure by all levels of government. Forestry output increased moderately, but exports of lumber were hampered by the appreciation of the Canadian dollar and the continuing trade dispute with respect to this sector with the United States.

GDP growth in Saskatchewan also outpaced the Canadian average at 3.2 per cent in 2005, powered by strong energy prices, increased activity in the wood and metal products, as well as exports of potash and uranium.

Manitoba's economy grew by 2.7 per cent in 2005, somewhat faster than the 2.3 per cent increase

obtained in 2004, but slightly below the Canadian average. Electricity exports, coupled with the second lowest unemployment rate in the country, stimulated residential construction and personal expenditure.

Economic activity in Ontario rose by 2.8 per cent in 2005, marginally below the Canadian average for a third consecutive year. Export performance was affected by the appreciation of the Canadian dollar and by increased foreign competition; however, the auto sector remained strong and employment gains in various service industries compensated for job losses in manufacturing. Strength in labour incomes, resulting from another drop in the unemployment rate, and low interest rates further boosted personal expenditure.

Quebec's economy grew 2.2 per cent in 2005, with services production outperforming goods production. Within the manufacturing sector, aerospace production and aluminium production were standout performers.

In general, economic growth was sluggish in the Atlantic provinces, except in Prince Edward Island where the economy increased by 2.0 per cent, just above the 1.8 per cent gain in 2004. Labour income strength and low interest rates contributed to increased personal expenditure and investment in machinery and equipment.

Employment

Overall, Canadian labour market conditions continued to improve in 2005. Employment grew 1.4 per cent with 227,600 net new jobs created; this increase, however, was still less than that in the previous year (1.8 per cent or 284,500), with most of the increase in full time jobs (1.7 per cent) compared to part-time jobs (0.4 per cent).

The employment generated in services-producing sectors outperformed that in the goods-producing sector in 2005, with an increase of 1.7 per cent (+204,500) compared to 0.6 per cent (+23,100). Within the goods-producing sector, manufacturing turned in a lacklustre performance with employment down 3.6 per cent (-81,700). The decline was experienced in most provinces, but was especially strong in Quebec and Ontario. The strength in construction employment observed over the past few years continued in 2005 with an increase of 7.4 per cent (+70,400). Added employment in the industry coincided with more non-residential building construction.