

Saskatchewan set to pass Ontario in wealth stakes

BY PAUL VIEIRA, FINANCIAL POST NOVEMBER 24, 2009 6:11 PM



Toronto's financial district: Ontario is set to lose second spot among provinces in terms of living standards, to Saskatchewan.

Photograph by: National Post, National Post

OTTAWA -- Saskatchewan will surpass Ontario this year as Canada's second-wealthiest province as measured by living standards, the result of a recession that has shown no mercy on the country's industrial heartland, according to an independent analysis issued Tuesday.

Moreover, the report from Dale Orr Economic Insight said Canada's overall standard of living -- or real GDP per capita -- will have dropped by a startling 4.3% as a result of the economic crisis, with the bulk of the drop to be recorded this year. The bigger provinces, most notably Alberta and Ontario, sustained the deepest hits, of 6.2% and 5.8% respectively.

Put in context, Canada's standard of living grew at an average rate of 2.3% for the 24-year period ended 2008, as expansion in output outstripped population growth. A higher standard of living means a better quality and quantity of goods and services available to households.

The findings from Dale Orr, a leading fiscal and economic forecaster, are based on his own predictions for economic and population growth in each province. In an interview, he said the numbers he's using are close to the Bay Street consensus, such as a 2.4% economic contraction for the country this year.

The analysis is yet another piece of evidence documenting the economic decay Ontario faces.

According to Mr. Orr, the one-time manufacturing hot bed has seen its living standards decrease dramatically this decade, to the point at which Saskatchewan is set to overtake Ontario as the No. 2 province in terms of living standards, trailing only Alberta which remains comfortably in first place.

In the mid-1980s, which is as far back as Mr. Orr examined, Ontario's living standard was 113% of the national average and solidly in the No. 2 spot behind Alberta. But it has stumbled steadily, to roughly 109% at the start of this decade to a projected 103% once the 2009 data are calculated. Living standards in Saskatchewan, meanwhile, will be the equivalent of 104% of the national average as of the end of this year

Mr. Orr said much of Ontario's precipitous drop has coincided with the Canadian dollar's surge from the low-US60¢ level to parity with the U.S. currency.

The currency's appreciation "was harder on Ontario than any other province," Mr. Orr said, adding he expects the loonie to trade, on average, at par with its U.S. counterpart for most of next year. "What people don't know is that Ontario's standard of living had been declining, relative to the Canadian average, well before the start of the decade. It is just the rate of decline has picked up, and got worse with the problems in the auto sector."

Mr. Orr said big challenges remain for the Ontario economy even though the recession likely came to an end last quarter.

For starters, some of the manufacturing capacity that was shut down during this downturn is unlikely to return. Manufacturers that opt to continue operating will attempt to do so with possibly fewer workers.

And then there's Ontario bulging budget deficit, which will limit the provincial government's ability to influence growth.

For its part, Saskatchewan's ascent is attributed to its natural resources, from oil and natural gas, to potash and wheat. "They have been riding some really winning horses and they have had a good open-for-business climate as well," Mr. Orr said.

However, he warned commodity prices remain volatile and a sharp pullback could hit Saskatchewan's living standards.

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