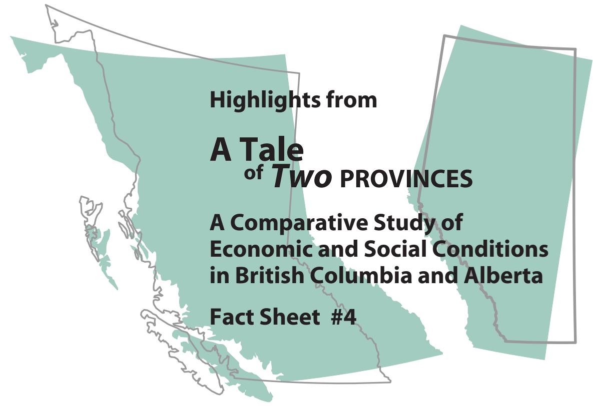
# Quick Fax

Canadian Centre for Policy Alternatives—BC Office




January 1999

# Behind Alberta's Growth and BC's Downturn

A new CCPA study comparing Alberta and BC concludes that the "Alberta Advantage" is not a product of lower taxes and budget surpluses. Rather, Alberta's growth results from the *real* Alberta Advantage: oil and gas. Alberta's growth has been export-led, driven by oil and gas exports to the U.S. market.

Both Alberta and BC are resource-based economies. As such, their economic fortunes have less to do with short-term public policy and much more to do with demand and prices for their main resource commodity exports.

Alberta and BC are fundamentally at different points in their business cycles, but not because their fiscal policies differ. Rather, demand and prices for forestry and mineral commodities (BC's main exports) peaked in 1995, while oil peaked in 1997 and gas prices are still rising. Thus, Alberta is only now experiencing the effects of falling oil prices. Secondly, BC and Alberta have different markets. BC is much more dependent on the Asian market, which is now in recession, while Alberta ships much more of its exports to the U.S., which is still enjoying strong growth.

Among the CCPA study findings:

- By 1997, the natural resource sector represented 9% of BC's GDP, down from 13% in 1987. In contrast, Alberta's natural resource sector accounts for a growing share of provincial output, climbing to over 21% of Alberta's GDP in 1997 from 19.5% in 1987. Alberta is approximately twice as dependent as BC on the resource sector for its government revenues.

- Northeast BC, like Alberta, is home to considerable oil and gas reserves. As a result, the region's unemployment rate averaged about 3.5% in 1998, the lowest in B.C.

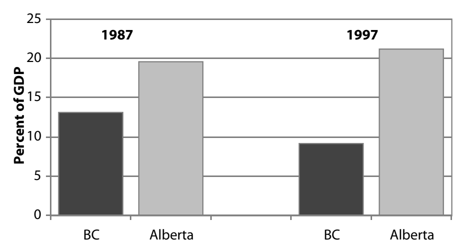
- Net exports are positive for Alberta. In BC, however, net exports are negative. Alberta's international trade surpluses are three times that of BC. In 1997, exports represented 59.7% of Alberta's GDP, compared to 44.5% of GDP in BC. On balance, trade has been a drag on BC's growth, but an important source of growth in Alberta.

- While resource-based industries in BC represented 9% of total provincial output in 1997, resource exports accounted for 77.7% of BC's merchandise exports. Thus, declines in international prices for BC's commodity exports and the Asian economic crisis have had a significant impact on the BC economy.

- In 1997, 22.5% of BC's international exports, and 42.5% of all BC's forestry exports, were to Japan, which is now deep in recession. In contrast, only 5% of Alberta's exports are to Japan, and only 0.6% of Ontario's exports.

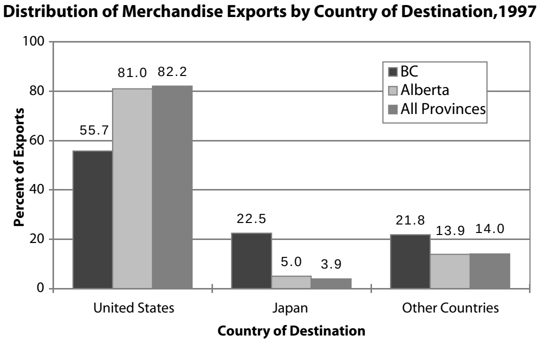
Expediting the process of economic diversification remains a challenge for both provinces, but particularly for Alberta, which in recent years has become more dependent on oil and gas—a non-renewable resource and the primary source of greenhouse gas emissions.

**Natural Resource Industries as a share of GDP**




Source: Statistics Canada, GDP by Industry, Catalogue 13-213.

**Distribution of Merchandise Exports by Country of Destination,1997**




Source: Statistics Canada, Catalogue # 65-004.


**For commentary, or to obtain a copy of *A Tale of Two Provinces*, contact Shannon Daub at the Canadian Centre for Policy Alternatives—BC Office: 815–207 W Hastings St, Vancouver, BC V6B 1H7**
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