

# Economic Spotlight

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## THE 1970'S ECONOMIC BOOM VERSUS THE CURRENT BOOM

### ISSUE:

- There has been a great deal of controversy in the media lately on whether “Alberta’s boom” over the last few years could have been predicted. One way of analyzing the current boom would be to compare it to Alberta’s past booms. This briefing compares the boom in 1972-1980 to the boom in 2000-2005.

### KEY MESSAGE:

- The boom Alberta is experiencing (since 2000) is far more modest than the boom Alberta experienced in the 1970s. Growth in most indicators is almost half the amount it was in the 1970’s.

### BACKGROUND:

- An economic boom is caused by increases in commodity prices, which increases domestic income and places upward pressure on wages and prices
- In the 1970s Alberta’s nominal GDP growth averaged 21% per year in the 1970s, peaking in 1974 with an increase of 42%. On the other hand, the present boom has only had an average nominal GDP growth of 11%. GDP growth has been quite volatile with a low in 2002 of -0.63% growth, and a high in 2000 of 25% growth. As a result of high inflation levels in the 1970s, real GDP growth was not as high. In the 1970s real GDP growth was about 4.7% per year, compared to 3.7% growth in recent years.
- Corporate profits made-up roughly the same portion of nominal GDP as they do today, but experienced about 3% higher growth in the 1970’s.
- Exports make-up a slightly larger share of GDP today. However, average growth was 25% in the 1970s, compared to 12% today.
- Retail sales made-up an average of 15% of nominal GDP, opposed to 9% in recent years.
- Inflation in recent years is far lower than it was in the 1970s. In the 1970s average inflation was 9%, whereas today average inflation is about 3%. To compensate for the high inflation rates, interest rates were also quite high. In the 1970s the average 3-month treasury bill rate was 8%, compared to 3% today.
- Employment growth was also far higher in the 1970s with average growth of 6%, versus 2% in current years. The highest employment growth Alberta has seen is in the current year-to-date growth of 4.1%, which doesn’t come close to the average growth rate in the 1970s. The participation rate was also higher in the 1970s, with a rate of 70.9% in 1980 up from 63.8% in 1972, compared to an average rate of 72.9%, which was virtually unchanged over the period. The large increase in the 1970s can be explained by women entering the workforce, while the current aging population has put in place barriers to further participation rate increases.

- Population growth was also higher in the 1970s with average growth of 3.1%, compared to growth in recent years of 1.6%. Interprovincial migration was similarly higher in the 1970s with an average of 25,800 newcomers per year, compared to 21,641 today.
- Housing starts reflected the large population growth in the 1970s with growth of 2% per capita, compared to 1% in current years.
- Average weekly earnings averaged 11% growth in the 1970s, compared to only 3% in recent years. The highest increases in recent years are in 2005 and 2006 year-to-date, with growth of 5%.

Key Economic Indicators  
(Previous Boom vs Current Boom)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	Average	2000	2001	2002	2003	2004	2005	Average	2006 YTD <sup>a</sup>
<b>Employment (thousands)</b>	671	706	754	788	838	880	937	1,007	1,078	851	1,584	1,631	1,671	1,717	1,758	1,784	1,691	1,853 <sup>b</sup>
Year-over-year change	4.35%	5.22%	6.80%	4.51%	6.35%	5.01%	6.48%	7.47%	7.05%	5.91%	2.59%	2.96%	2.45%	2.75%	2.38%	1.53%	2.44%	4.1%
Unemployment Rate	5.6	5.3	3.5	4.1	4	4.5	4.7	3.9	3.7	4.4	5	4.6	5.3	5.1	4.6	3.9	4.8	3.5 <sup>c</sup>
Participation Rate	63.8	64.8	65.6	66.1	67	67.2	68.4	69.7	70.9	67.1	72.2	72.4	73.0	73.5	73.5	72.7	72.9	73.4 <sup>d</sup>
Employment Rate	60.2	61.4	63.4	63.4	64.3	64.1	65.2	67	68.3	64.1	68.6	69	69.1	69.8	70.1	69.8	69.4	70.8 <sup>e</sup>
<b>Retail Sales (millions)<sup>f</sup></b>	2,890	3,380	4,132	4,681	5,136	5,593	6,170	7,402	8,817	5,356	31,738	34,560	37,663	39,318	43,372	48,633	39,214	27,616 <sup>g</sup>
Year-over-year change	15.50%	16.93%	22.27%	13.28%	9.73%	8.88%	10.33%	19.97%	19.11%	15.11%	7.75%	8.89%	8.98%	4.39%	10.31%	12.13%	8.74%	16.80%
Retail Sales- CPI Adjusted	11,607	12,611	14,104	14,315	14,550	14,564	14,833	16,305	17,635	14,503	29,606	31,504	33,213	33,208	36,113	39,668	33,885	n/a
Year-over-year change	10.40%	8.64%	11.84%	1.50%	1.64%	0.09%	1.85%	9.93%	8.16%	6.01%	4.14%	6.41%	5.42%	-0.01%	8.75%	9.84%	5.76%	n/a
Per Capita (thousands)	6.85	7.31	8.04	7.91	7.79	7.48	7.34	7.77	8.05	7.61	9.85	10.31	10.66	10.51	11.27	12.18	10.80	n.a
<b>Housing Starts</b>	22,503	20,977	19,008	24,707	38,771	38,075	47,925	39,947	32,031	31,549	26,266	29,174	38,754	36,171	36,270	40,847	34,580	49,600 <sup>h</sup>
Year-over-year change	-12.10%	-6.78%	-9.39%	29.98%	56.92%	-1.80%	25.87%	-16.65%	-19.82%	5.14%	3.22%	11.07%	32.84%	-6.67%	0.27%	12.62%	8.89%	49.60%
Per Capita	0.0133	0.0122	0.0108	0.0137	0.0207	0.0195	0.0237	0.0190	0.0146	0.0164	0.0087	0.0095	0.0124	0.0114	0.0113	0.0125	0.0110	n/a
<b>Exports (millions)</b>	4,723	6,183	10,412	12,015	13,057	14,896	17,554	22,312	27,430	14,287	96,150	99,724	93,889	105,605	117,099	134,086	107,759	n/a
Year-over-year change	15.93%	30.91%	68.40%	15.40%	8.67%	14.08%	17.84%	27.10%	22.94%	24.59%	36.36%	3.72%	-5.85%	12.48%	10.88%	14.51%	12.02%	n/a
Share of of nominal GDP	50.64%	53.14%	63.16%	62.20%	59.07%	58.59%	58.79%	60.19%	61.40%	58.58%	66.41%	65.92%	62.25%	61.69%	62.57%	62.12%	63.49%	n/a
<b>Wages, Salaries &amp; Supplementary Income (millions)</b>	4,211	4,914	6,095	7,499	8,919	10,369	11,861	14,036	16,931	9,426	54,624	61,355	63,400	66,266	72,383	79,760	66,298	n/a
Year-over-year change	12.62%	16.69%	24.03%	23.04%	18.94%	16.26%	14.39%	18.34%	20.63%	18.33%	10.88%	12.32%	3.33%	4.52%	9.23%	10.19%	8.41%	n/a
Share of nominal GDP	45.15%	42.23%	36.97%	38.82%	40.35%	40.79%	39.72%	37.87%	37.90%	39.98%	37.73%	40.56%	42.04%	38.71%	38.68%	36.95%	39.11%	n/a
<b>Average Weekly Earnings<sup>a</sup></b>	136.44	146.62	162.64	188.72	215.57	238.39	251.45	279.18	311.16	214.46	664.27	683.43	698.81	707.27	730.76	768.94	708.9	795.73 <sup>b</sup>
Year-over-year change	8.04%	7.46%	10.92%	16.04%	14.22%	10.59%	5.48%	11.03%	11.45%	10.58%	3.0%	2.9%	2.3%	1.2%	3.3%	5.2%	2.98%	5.0%
<b>Population</b>	1,694,090	1,725,327	1,754,622	1,808,690	1,869,301	1,947,657	2,021,771	2,097,565	2,192,409	1,901,270	3,004,940	3,056,739	3,116,332	3,159,620	3,204,780	3,256,816	3,133,205	3,332,225 <sup>c</sup>
Year-over-year change	1.70%	1.84%	1.70%	3.08%	3.35%	4.19%	3.81%	3.75%	4.52%	3.11%	1.75%	1.72%	1.95%	1.39%	1.43%	1.62%	1.64%	2.85%
Natural Population growth		21,728	5,467	18,725	15,258	37,309	36,749	27,356	31,722	24,289	19,444	16,367	31,743	22,153	22,685	-4,048	18,057	
<b>Migration</b>																		
Net Interprovincial Migration	6,538	2,698	14,810	23,463	34,215	32,344	31,987	39,212	46,933	25,800	24,397	24,614	17,883	10,254	10,993	41,707	21,641	15,573 <sup>d</sup>
Net International Migration	5,118	6,811	9,018	11,880	11,138	8,703	5,378	9,226	16,189	9,273	7,844	10,818	9,967	10,881	11,482	14,377	10,895	
Immigration	8,390	11,904	14,289	16,277	14,896	12,694	9,826	12,786	18,889	13,328	14,349	16,393	14,752	15,839	16,474	19,393	16,200	
Emigration	7,787	9,724	9,702	8,911	8,271	8,101	8,567	7,557	6,417	8,337	6,198	5,357	4,169	3,998	4,036	4,063	4,637	
Net Temporary Emigration <sup>e</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,961	2,946	2,927	2,942	2,937	2,934	2,941	
Returning Emigrants	4,515	4,631	4,431	4,514	4,513	4,110	4,119	3,997	3,717	4,283	2,654	2,728	2,311	1,982	1,981	1,981	2,273	
<b>Public and Private Investment (millions)</b>	2,486	3,028	4,000	5,214	7,172	8,085	9,769	12,375	14,799	7,436	37,474	42,238	42,644	44,744	48,531	52,312	44,657	n/a
Year-over-year change	10.49%	21.80%	32.10%	30.35%	37.55%	12.73%	20.83%	26.68%	19.59%	23.57%	18.27%	12.71%	0.96%	4.92%	8.46%	7.79%	8.85%	n/a
<b>Corporate Profits Before Taxes (millions)</b>	1,352	2,035	2,860	3,651	3,816	5,229	5,870	8,029	9,822	4,740	30,206	28,909	23,508	34,025	40,029	53,083	34,960	n/a
Year-over-year change	27.19%	50.52%	40.54%	27.66%	4.52%	37.03%	12.26%	36.78%	22.33%	28.76%	86.04%	-4.29%	-18.68%	44.74%	17.65%	32.61%	26.34%	n/a
Share of nominal GDP	14.50%	17.49%	17.35%	18.90%	17.26%	20.57%	19.66%	21.66%	21.99%	18.82%	20.86%	19.11%	15.59%	19.88%	21.39%	24.59%	20.24%	n/a
<b>Real GDP (millions)</b>	52,410	57,475	59,351	59,573	59,885	62,114	65,160	71,927	72,309	62,245	121,153	123,250	126,328	130,256	135,837	141,992	129,803	n/a
Year-over-year change	8.68%	9.66%	3.26%	0.37%	0.52%	3.72%	4.90%	10.39%	0.53%	4.67%	6.06%	1.73%	2.50%	3.11%	4.28%	4.53%	3.70%	n/a
<b>Nominal GDP (millions)</b>	9,327	11,636	16,486	19,316	22,105	25,422	29,860	37,068	44,671	23,988	144,789	151,274	150,814	171,175	187,152	215,858	170,177	n/a
Year-over-year change	14.19%	24.76%	41.68%	17.17%	14.44%	15.01%	17.46%	24.14%	20.51%	21.04%	23.67%	4.48%	-0.30%	13.50%	9.33%	15.34%	11.00%	n/a
Per Capita GDP (thousands)	5.51	6.75	9.39	10.68	11.83	13.05	14.77	17.67	20.38	12.22	48.18	49.48	48.40	54.17	58.39	66.28	54.15	n/a
Year-over-year change	12.30%	22.51%	39.26%	13.67%	10.77%	10.34%	13.16%	19.64%	15.34%	17.44%	21.53%	2.70%	-2.19%	11.92%	7.80%	13.50%	9.21%	n/a
<b>Consumer Price Index</b>	24.9	26.8	29.3	32.7	35.3	38.4	41.6	45.4	50.0	36.0	107.2	109.7	113.4	118.4	120.1	122.6	115.2	n/a
Year-over-year change	4.62%	7.63%	9.33%	11.60%	7.95%	8.78%	8.33%	9.13%	10.13%	8.61%	3.47%	2.33%	3.37%	4.41%	1.44%	2.08%	2.85%	n/a
<b>Interest Rates</b>																		
3 month T-bill	3.56	5.47	7.78	7.40	8.87	7.33	8.68	11.69	12.79	8.17	5.44	3.76	2.59	2.87	2.22	2.73	3.27	3.97 <sup>f</sup>
10-year Government Bond	7.23	7.56	8.90	9.04	9.20	8.70	9.27	10.21	12.48	9.18	5.87	5.72	5.66	5.28	5.08	4.39	5.33	4.39 <sup>g</sup>

a. As a result of methodology changes, 1971-1980 figures were restated based on a ratio of 1991 data  
b. Year-to-date 2006 compared to the same period in 2005. For example, January-July 2006 versus January-July 2005  
c. As of August 2006  
d. As of July 2006  
e. As of June 2006  
f. As of April 2006  
g. As of March 2006  
h. This statistic is not available until 3rd Quarter 1991