
OBSERVATION

TD Economics



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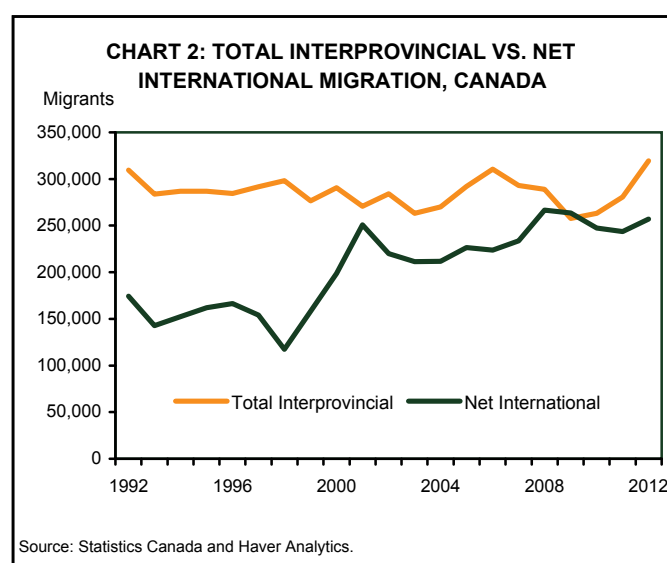
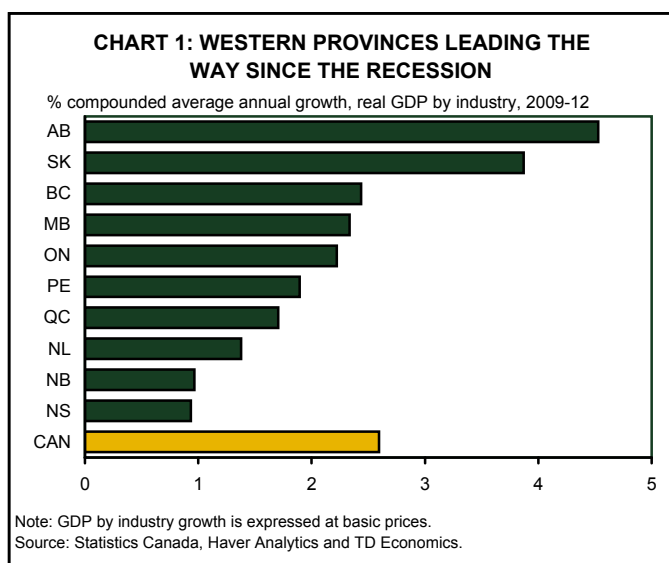
INTERPROVINCIAL MIGRATION SHIFTS IN CANADA

Highlights

- Interprovincial migration has increased steadily over the past few years, as the total number of persons moving across provinces totaled just under 320,000 in 2012 (about 1% of the population). Consistent with general perception, the destination of migrants is increasingly the greener economic pastures of Alberta and Saskatchewan – as these were the only two provinces to record net gains in 2012.
- The Maritime provinces suffered the greatest setbacks, as their labour markets have underperformed compared to the rest of Canada since the recovery took hold. The net declines recorded in British Columbia and Manitoba likely reflect the relative strength of the Alberta and Saskatchewan economies.
- As a share of the population, flows have been relatively stable and declining on a long-term basis. Although part of this declining trend in mobility is structural and reflects the ageing of the population in Canada, it does suggest that there are ongoing barriers to interprovincial migration.
- TD's medium-term outlook of modest economic growth is consistent with continued overall interprovincial migration flows in line with the sub-1% share of total population seen in recent years. The Maritime provinces could see some relative improvement, driven in part by the development of some large scale projects such as the military shipbuilding contract in Nova Scotia which is scheduled to commence production in 2015.

Canada's impressive recovery from the great recession has been well documented. The Canadian economy has experienced one of the strongest performances among G7 countries since mid-2009 – in terms of both economic growth and job creation. However, regional economic growth in Canada has been markedly different (see Chart 1), with the resource rich western provinces outperforming the rest of the country. This varied provincial growth picture has also fostered an increase in interprovincial migration as the total number of persons moving across provinces has increased steadily over the past few years and totaled just under 320,000 in 2012 (about 1% of the population), the highest reading since 1990. To put this result in context, the total number of Canadians moving between provinces was greater than the net increase in immigration in Canada in 2012 (see Chart 2).

This report takes a deeper look at some of the trends occurring in the area of interprovincial migration. Consistent with general perception, the destination of migrants is increasingly the greener economic pastures of Alberta and Saskatchewan. Indeed, Alberta, which accounts for 11% of the national population, managed to attract over 100,000 in-migrants (almost one-third of total migrants) from other provinces in 2012 – a higher reading than compared to the hey-day of the oil boom in 2005-06. But, while Alberta's attraction is likely to come as little surprise, the data across the other provinces reveal some more interesting shifts under the surface.



Interprovincial migration adds grease to an economy's wheels

Interprovincial migration warrants attention since it helps to grease the wheels of the national economy. As highlighted in an earlier TD Economics observation from January 2011¹, recessionary periods are typically accompanied by slowdowns in interprovincial migration as lack of employment opportunities and job uncertainty deter residents from jumping ship to another province. Similarly, as economic expansions are not usually balanced across Canadian regions, incentives for migrants to move for better opportunities drive up migration levels across provinces. In the short-run, causality goes both ways, as new migrants are attracted to economies where job prospects are the brightest. At the same time, economies – notably housing and retail activity – can receive a boost from a rising population base. The counterargument holds as well, with provinces losing residents falling further behind.

On a national level, interprovincial migration is a net gain for Canada as skill sets are aligned with more productive markets pushing provincial and national output higher. However, there are winners and losers. Demographic challenges can be magnified through cross-country migration flows as migrants tend to be younger, well-educated and highly skilled. This implies that not only is the size of population affected, but the long-run growth potential of a region can also be altered through changes in labour supply².

From a public services perspective, interprovincial flows carry implications as well. As populations permanently move to different regions, their tax revenues that follow

them can be counted on to bolster their new government coffers. As migrants tend to occupy both ends of the income spectrum, any potential savings for provincial governments experiencing a net outflow of migrants (in the form of reduced social services and transfers for low-income or unemployed individuals) can be offset by reduced tax revenues from high-income individuals³. Also, a number of transfers are federal in nature (e.g., Employment Insurance), therefore on a national level, Canada benefits from increased employment regardless of region as it reduces overall EI benefits paid out by the federal government⁴.

Beyond these findings, prior research has identified that the key factors drawing migrants to one province versus another can be tied to differences in unemployment rates and per capita incomes – both metrics will be the focus of this report⁵. It will also be of interest to see the outcomes from the National Household Survey data release on June 26th on mobility and migration, as the data may provide a more complete profile of the characteristics of migrants in recent years.

Alberta: the magnet

Net migration patterns over the last two years could not be more clear: more Canadians are moving to Alberta. Indeed, Alberta saw its net interprovincial migration tally (102,000 in-migrants less 56,000 out-migrants) come in at just under 46,000 in 2012 – accounting for 1.2% of its population. Saskatchewan was the only other province to post a net gain in 2012 gaining over 2,500 persons (0.2% of its population) – see Table 1. In addition to Ontario, which

TABLE 1: NET INTERPROVINCIAL MIGRATION

	Persons				% Share of population			
	Period Averages			Annual	Period Averages			Annual
	2002-07	2008-09	2010-12	2012	2002-07	2008-09	2010-12	2012
NL	-2,984	1,200	-385	-1,305	-0.6	0.2	-0.1	-0.3
PE	-284	-283	-731	-1,337	-0.2	-0.2	-0.5	-0.9
NS	-1,993	-395	-2,086	-4,300	-0.2	0.0	-0.2	-0.5
NB	-1,645	-333	-1,399	-3,645	-0.2	0.0	-0.2	-0.5
QC	-6,325	-6,977	-5,140	-6,720	-0.1	-0.1	-0.1	-0.1
ON	-9,829	-12,187	-8,200	-17,561	-0.1	-0.1	-0.1	-0.1
MB	-4,910	-3,223	-3,655	-3,926	-0.4	-0.3	-0.3	-0.3
SK	-4,392	2,434	1,884	2,647	-0.4	0.2	0.2	0.2
AB	25,550	10,020	21,004	45,718	0.8	0.3	0.5	1.2
BC	7,192	10,261	-855	-8,657	0.2	0.2	0.0	-0.2

Note: Time periods shown were selected to capture interprovincial flows over the course of a business cycle.

Source: Statistics Canada, Haver Analytics and TD Economics.

due to its larger population accounts for the largest share of gross in-flows of migrants across most provinces, the bulk of new interprovincial migrants in Alberta came from its neighbouring provinces in 2012 (Saskatchewan: 11%; B.C.: 30%). While residents of Saskatchewan leave for Alberta, migration is bilateral: Saskatchewan saw a large share of its new residents come from Alberta (43%).

Drawing Canadians to their province is not a new phenomenon for these two Prairie provinces. Saskatchewan has been a net beneficiary from interprovincial flows since 2007, while Alberta has not experienced a net loss since 1994. Both provinces have posted the strongest recoveries since the recession and exhibit the tightest labour markets, so it is no surprise that they demonstrate the strongest lure for other Canadians. The unemployment rates in these provinces are the lowest in Canada and act as a signal to potential entrants

to their labour force. Further, real per capita incomes are higher in both provinces relative to the rest of Canada (see Tables 2 and 3).

While all other provinces recorded net losses from interprovincial migration in 2012, the Maritime provinces suffered the greatest setbacks. Although Ontario posted the largest volume net decrease (18,000 or 0.1% of its population), as a percentage share of its population New Brunswick (-0.5%), Nova Scotia (-0.5%) and Prince Edward Island (-0.9%) saw the steepest declines. Most of these provinces had been sitting on the fence between being a net source or recipient of migrants since the recovery took hold, but have clearly fallen into the red in 2012. On a relative basis, labour markets in the Maritime provinces have underperformed compared to the rest of Canada during the recovery period. Unemployment rates in these provinces have generally been trending upwards vis-à-vis the rest of Canada since the recession, while per capita incomes have been tracking lower. Both trends help support the interprovincial patterns recorded in recent years. In terms of destinations, Ontario and Alberta are the overwhelming top destinations for all Maritime provinces. Interestingly, Nova Scotia proved to be a popular destination amongst these provinces, likely reflecting the relative strength of its labour market within the region and its proximity to Prince Edward Island and New Brunswick (see Table 4).

Other noteworthy observations include the performances of British Columbia and Manitoba; with a large share of outflows from both provinces landing in Alberta in 2012 (B.C. 56%; Manitoba 31%).

Following eight consecutive years as a net gainer, B.C.

TABLE 2: UNEMPLOYMENT RATE DIFFERENTIALS

	Percentage points				
	2008	2009	2010	2011	2012
NL	7.2	7.3	6.5	5.3	5.3
PE	4.7	3.8	3.2	3.9	4.1
NS	1.6	1.0	1.3	1.4	1.8
NB	2.4	0.5	1.3	2.1	3.0
QC	1.4	0.3	0.0	0.4	0.7
ON	0.6	1.2	1.1	0.6	0.9
MB	-2.0	-3.2	-2.7	-2.1	-2.0
SK	-2.1	-3.6	-2.9	-2.5	-2.6
AB	-2.9	-1.9	-1.7	-2.2	-3.0
BC	-1.8	-0.7	-0.5	0.1	-0.6

Note: Differentials are expressed as province of reference less rest of country.

Source: Statistics Canada, Haver Analytics and TD Economics.

TABLE 3: INCOME PER CAPITA DIFFERENTIALS

2007 Dollars

	2008	2009	2010	2011	2012*
NL	-6,452	-3,930	-3,559	-2,638	-1,268
PE	-8,128	-6,847	-6,977	-7,705	-8,090
NS	-4,891	-3,747	-3,910	-4,352	-4,886
NB	-5,672	-4,606	-4,659	-4,796	-5,370
QC	-4,574	-4,083	-3,971	-4,002	-4,570
ON	372	783	890	-19	-515
MB	-4,251	-3,946	-4,270	-4,406	-4,599
SK	-339	-565	-677	559	1,308
AB	12,878	10,734	10,947	12,598	14,158
BC	-24	-774	-1,163	-1,138	-884

Note: Differentials are expressed as province of reference less rest of country.

* Forecast by TD Economics as of June 2013.

Source: Statistics Canada, Haver Analytics and TD Economics.

slipped into the red in 2011 and registered a steeper net loss in 2012. The unemployment rate in B.C. had been rising steadily relative to the rest of Canada – albeit from record lows – since 2007, surpassing the national average in 2011. Consistent with a labour market showing excess slack, net interprovincial migration gains had been trending downward over the 2007-10 period before registering a slight decline in 2011. In 2012, B.C.'s unemployment rate declined by 0.8 percentage points (outperforming the rest of Canada by a healthy 0.6 percentage points). Yet, the province registered its largest outflow of migrants since 2000 (in volume terms) – pushing B.C. further into the outflow category on a net basis. This apparent break with theory likely reflects the relative strength of Alberta's labour market compared to

B.C. given the large out-flows of B.C. migrants who move to Alberta (almost three in five in 2012). Alberta also posts a higher per capita income – drawing people from B.C. to Alberta.

Unlike the other Prairie provinces, Manitoba has recorded net losses since 1984, despite being one of the top performing economies since the recession. Manitoba's performance is likely tied to a weaker income draw compared to its Prairie neighbours. Per capita income has hovered in the \$4,000-\$4,600 range (in real terms) below the rest of Canada since 2008 which compares unfavourably to the higher incomes exhibited by Saskatchewan and Alberta in recent years. One might also consider the disadvantaged position Manitoba is in compared to the other Western provinces that have entered into the New Western Partnership Trade Agreement – a regional deal that has removed some of the barriers to interprovincial mobility⁶. Partially cushioning the interprovincial blow in migration in Manitoba has been the steady annual inflows of international immigrants over the last ten years (see Chart 3). In turn, overall population growth in the province has performed well over this period vis-à-vis the national story.

Intraprovincial migration and border effects

In absolute terms, the flow of migrants between provinces has risen steadily since 2009, but as a share of the population, flows have been relatively stable and declining on a long-term basis (see Chart 4). In 1981, interprovincial migration accounted for about 1.5% of the total Canadian population – by 1993, this share had fallen to 1.0% and has

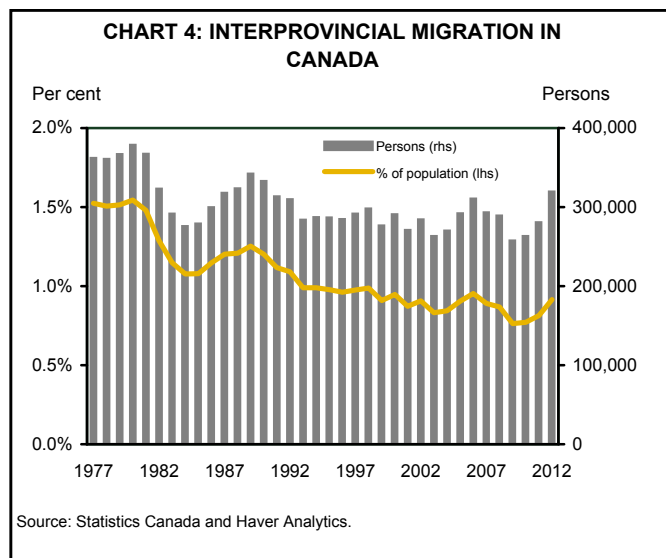
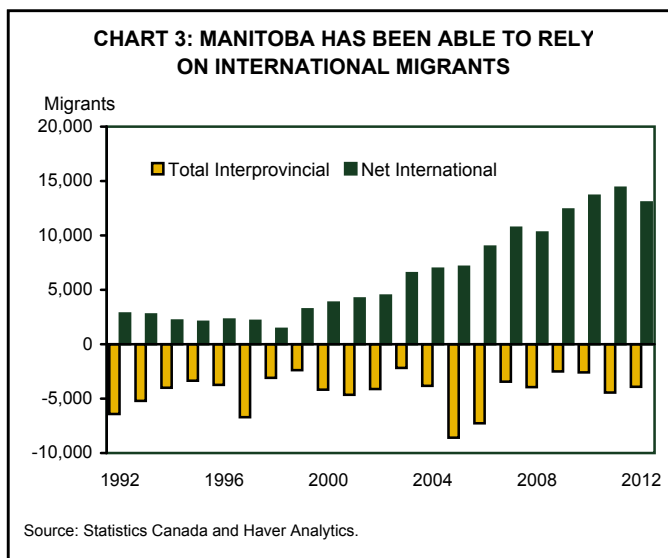
TABLE 4: GROSS OUT-FLOW OF MIGRANTS BY DESINATION PROVINCE

% SHARE OF OUT-MIGRANTS, 2012

		DESTINATION										TOTAL
		NL	PE	NS	NB	QC	ON	MB	SK	AB	BC	
ORIGIN	NL	--	1	9	3	2	24	2	2	51	5	100
	PE	6	--	15	11	6	32	1	2	19	8	100
	NS	6	3	--	11	3	32	2	2	35	6	100
	NB	3	2	20	--	13	25	2	1	27	6	100
	QC	1	0	3	5	--	61	2	2	18	8	100
	ON	4	1	7	4	17	--	6	6	38	17	100
	MB	1	0	2	1	4	27	--	14	32	19	100
	SK	1	0	1	1	5	15	9	--	53	16	100
	AB	5	1	4	3	4	24	5	18	--	36	100
	BC	1	0	2	1	5	23	4	7	57	--	100

Note: Table is to be read from left to right. For example, 24% of all out-migrants from Newfoundland and Labrador relocated to Ontario in 2012. Totals may not add due to rounding.

Source: Statistics Canada, Haver Analytics and TD Economics.



not climbed higher since. Although part of this declining trend in mobility is structural and reflects the ageing of the population in Canada, it does suggest that there are ongoing barriers to interprovincial migration.

A recent study by the Bank of Canada⁷ explored the issue of regional migration, with a focus on intraprovincial migration patterns using sub-provincial data from economic regions within provinces rather than focus on migration flows between provinces alone. This analysis shed some interesting light on the negative impact of provincial borders on migration and cites residency requirements, licensing and certification and recognition of qualifications as examples of impediments to interprovincial mobility.

Another notable finding by the Bank is that intraprovincial flows are much more volatile and account for a larger share of the population compared to migration between provinces. Shorter distances and language differences were proposed as possible reasons for the greater volatility.

Outlook

Barring new efforts to knock down interprovincial barriers, TD's medium-term outlook of modest economic growth is consistent with continued overall interprovincial migration flows in line with the sub-1% share of total population seen in recent years. Current provincial economic differentials are likely to narrow over the near-term, which should result in a slight tapering off in interprovincial migration, but not enough to put a significant dent in overall flows. The Maritime provinces could record some relative improvement, driven in part by the development of some large scale projects such as the military shipbuilding contract in Nova Scotia which is scheduled to commence production in 2015. That said, Alberta and Saskatchewan are likely to continue to lead the pack in terms of net in-flows of migrants within Canada, as both resource-rich provincial economies are expected to outperform the rest of Canada.

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End Notes

1. Gauthier, Pascal “Interprovincial Migration: Where are Canadians Headed?”, January 27, 2011.
2. Ibid.
3. Ibid.
4. Bernard, Andre, Finnie, Ross and St-Jean, Benoit “Interprovincial mobility and earnings” Perspectives, October 2008. Statistics Canada Catalogue no. 75-001-X p. 15-25.
5. Household income deflated by the final consumption expenditure index is used as an estimate for real personal income. TD Economics forecast is used for 2012.
6. The New West Partnership Trade Agreement (NWPTA) is an accord between the Governments of British Columbia, Alberta and Saskatchewan that creates Canada’s largest, barrier-free, interprovincial market. Under the NWPTA, British Columbia, Alberta and Saskatchewan are the first jurisdictions to commit to full mutual recognition or reconciliation of rules that hinder the free movement of goods, services, investment, and people within Canada. The NWPTA builds on the Trade, Investment and Labour Mobility Agreement (TILMA) between British Columbia and Alberta. The NWPTA came into effect July 1, 2010 and will be fully implemented on July 1, 2013. For more information see <http://www.newwestpartnershiptrade.ca>.
7. Amirault, David, de Munnik, Daniel and Miller, Sarah “Explaining Canada’s Regional Migration Patterns” Bank of Canada Review, Spring 2013 p. 16-27.

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