

# Information Bulletin

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## WESTERN ECONOMIC EXPECTATIONS SURVEY: DECEMBER, 2010

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Economic Research

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### **Introduction for December 2010 WEE Survey**

The online Western Economic Expectations (WEE) survey solicits views on the future economic performance of the western provinces and the country from a pool of about 1,800 economists and financial analysts who are closest to the working details of the Western Canadian economy.

The survey covers people who use economics in their work, in universities and colleges, industry associations, economic development agencies, the private sector and the public service across Western Canada.

The survey is conducted through a partnership between Alberta's two premier economic and policy research centres, the Canada West Foundation in Calgary and the Western Centre for Economic Research at the University of Alberta's School of Business in Edmonton. It is the only survey that solicits economic views from people in all four western provinces.

This is the third survey in the WEE series, previous surveys being administered electronically in the fall of 2009 and the winter of 2010.

In addition to economic expectations, each survey explores a timely economic issue such as the impact of the economic stimulus package, protectionism or expansion in international trade, or environmental protection. Each survey also includes an open-ended question, or in this case "Is it realistic for Canada to expect to be free from the use of carbon-based fuels (oil, gas and coal) 30 years from now? Why or why not?"

The results are publicized in Information Bulletins and through a series of news releases following each survey. The results will provide public policy practitioners with useful information about how Western Canadians view their economic prospects and current economic policy issues.

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## Results

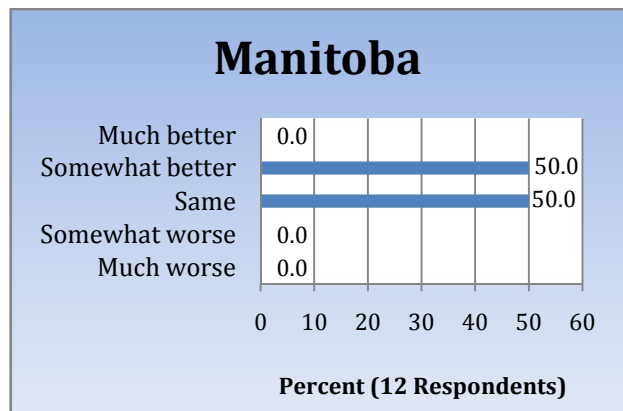
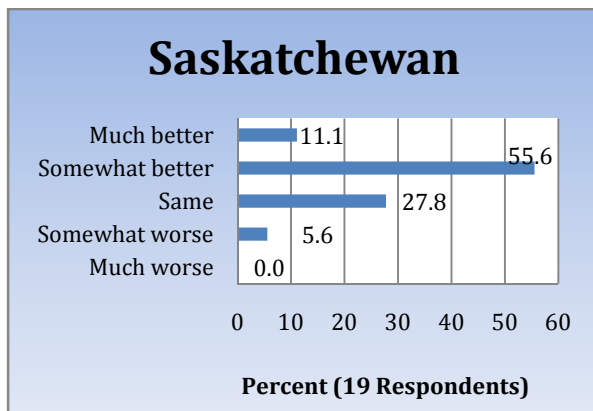
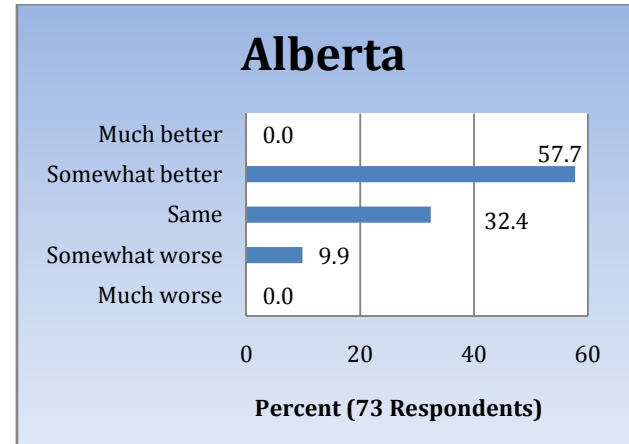
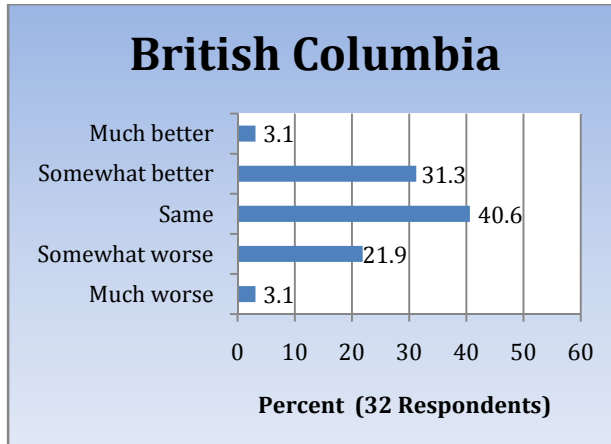
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In this installment, from a survey undertaken from October 14th to November 23<sup>th</sup>, 2010, 137 out of over 1,800 potential respondents completed the survey, providing the lowest response rate to date of about 7.5%. Provincially, 32 (23.4%) responses are from British Columbia, 73 (53.3%) are from Alberta, 19 (13.9%) are from Saskatchewan, and 13 (9.5%) are from Manitoba. The bulk of respondents, over 80%, reside in Western Canadian cities.

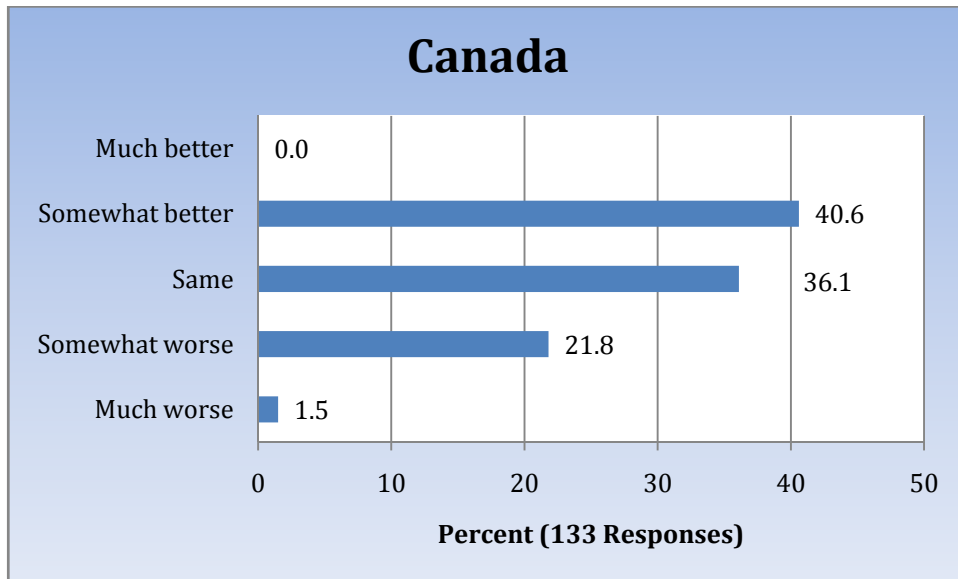
The relatively low response is curious and merits some thought. Those involved in monitoring the economy may have become exhausted by the sheer number of surveys they receive. There may also be weariness on the part of many analysts to look into their respective crystal balls as economic matters have become and continue to be, fairly bleak.

The results of the survey do still reflect, however, the economic expectations of a fairly large and diverse array of sectors, characteristic of the Western Canadian demographic. Some 33% of respondents are currently self-employed or in the private sector, 26% are government employees and about 15% are employed in universities or colleges. Persons working for Industry Associations/NGOs constitute about 12% of responses, while about 14%, or the rest of the respondents, are made-up of those from non-profits and retirees.

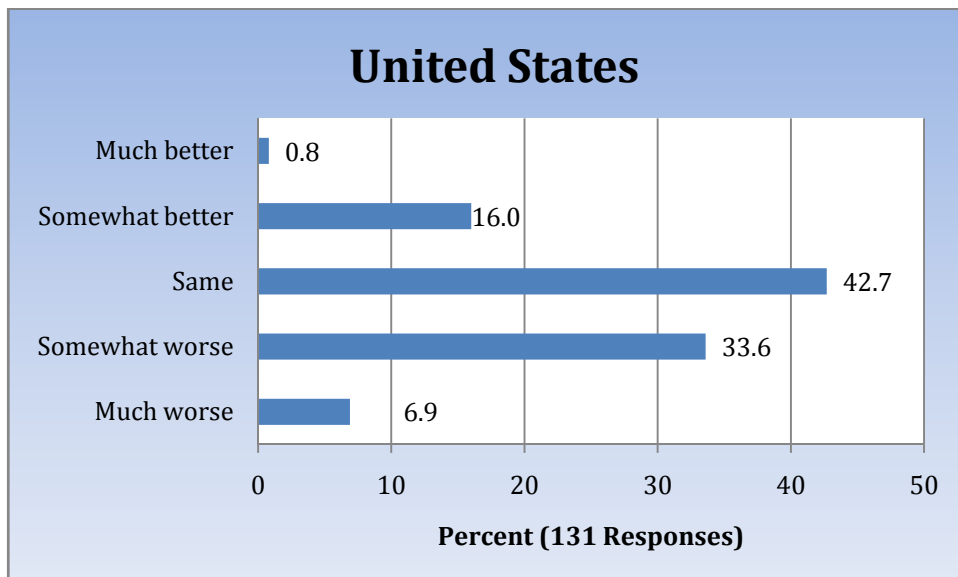
**Q: How do you expect your province's economy to perform over the next 6 months?**



**Q. How do you expect Canada's economy to perform over the next 6 months?**



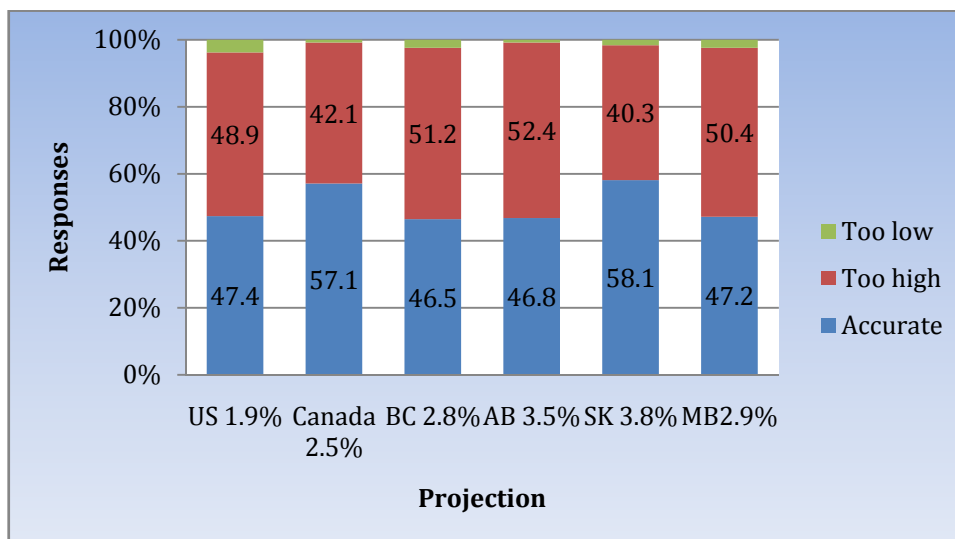
**Q. How do you expect the US economy to perform over the next 6 months?**



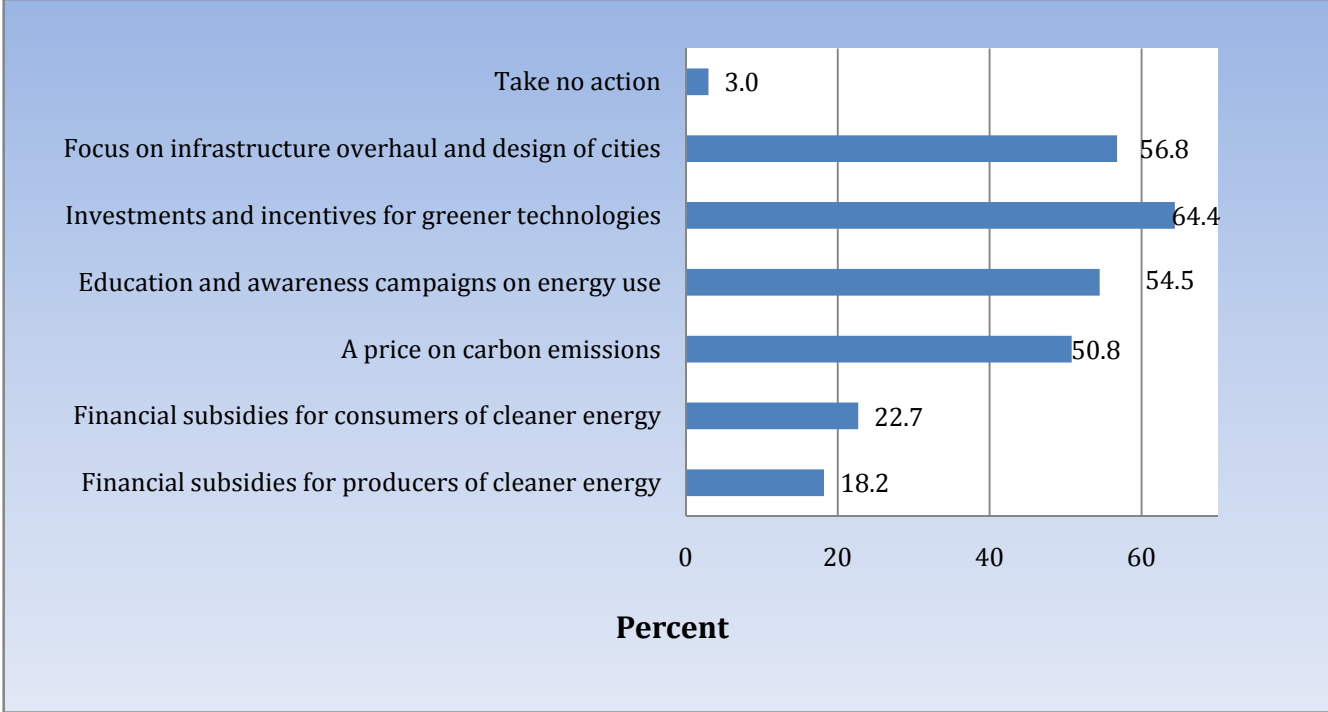


**Q: The following projections for real economic growth in 2011 are based on a weighted average of the major Canadian bank forecasts released since August. For each of the following, do you think the forecast is:**

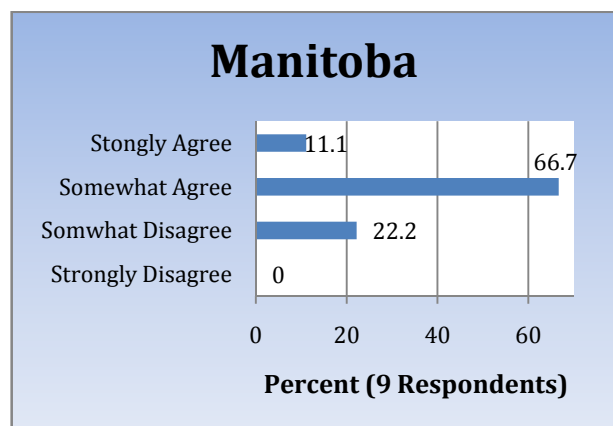
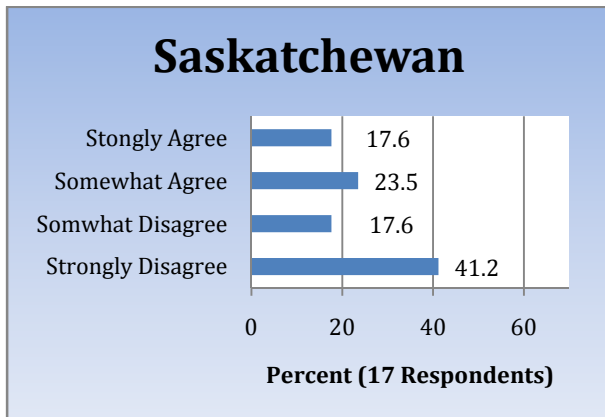
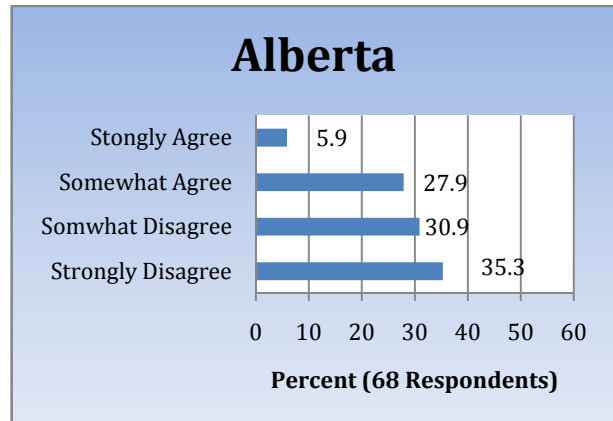
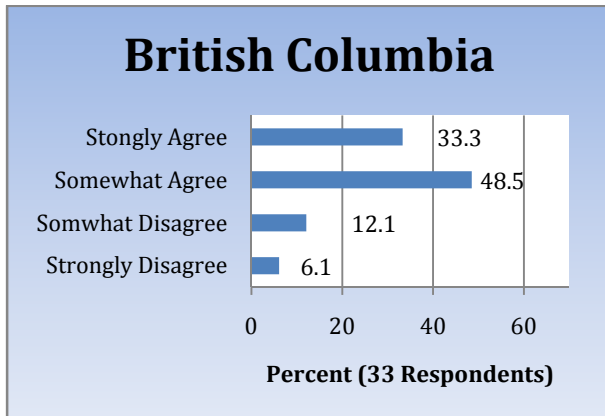
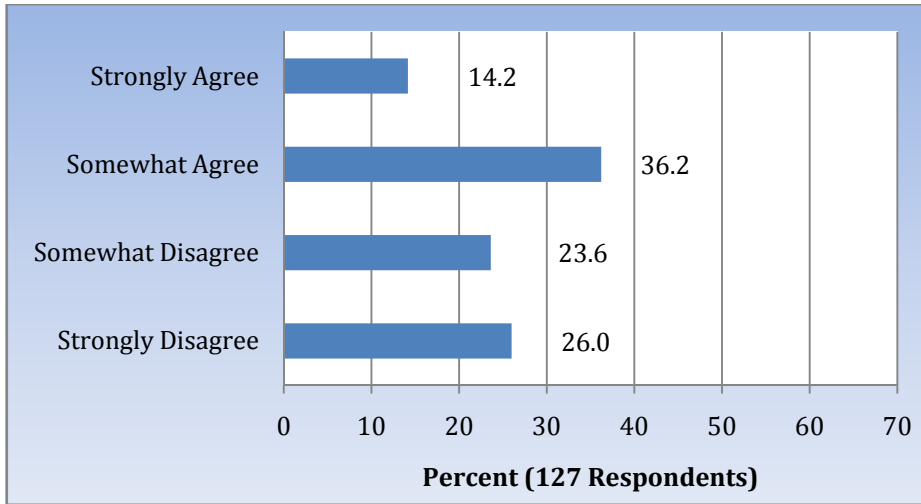
	Projection	Reasonably accurate	Too high	Too low	Responses
United States	1.9%	47.4	48.9	3.8	133
Canada	2.5%	57.1	42.1	0.8	133
British Columbia	2.8%	46.5	51.2	2.4	127
Alberta	3.5%	46.8	52.4	0.8	126
Saskatchewan	3.8%	58.1	40.3	1.6	124
Manitoba	2.9%	47.2	50.4	2.4	123



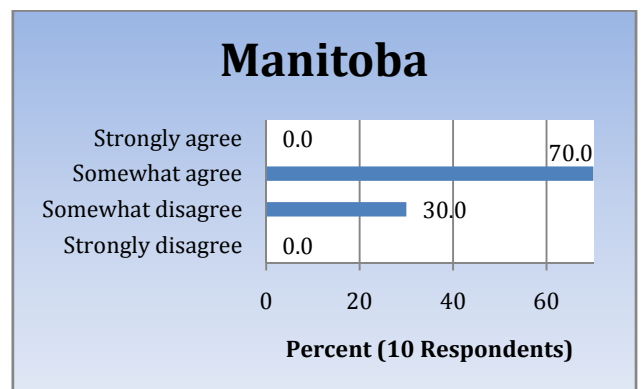
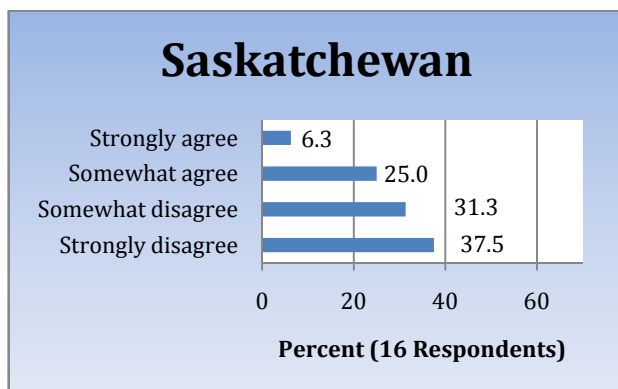
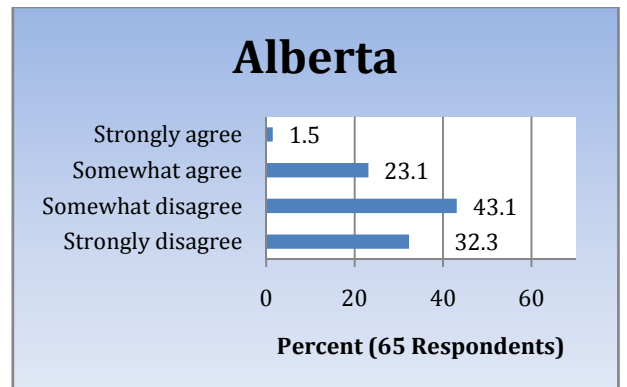
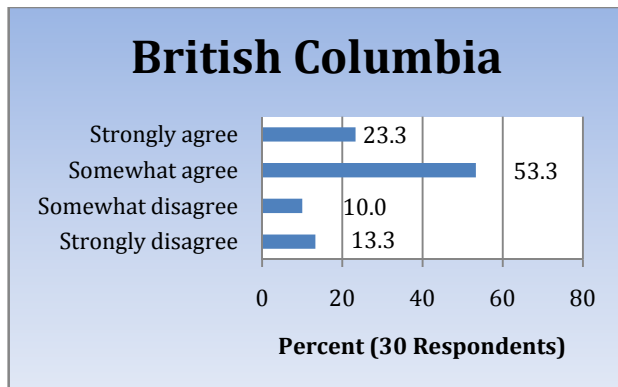
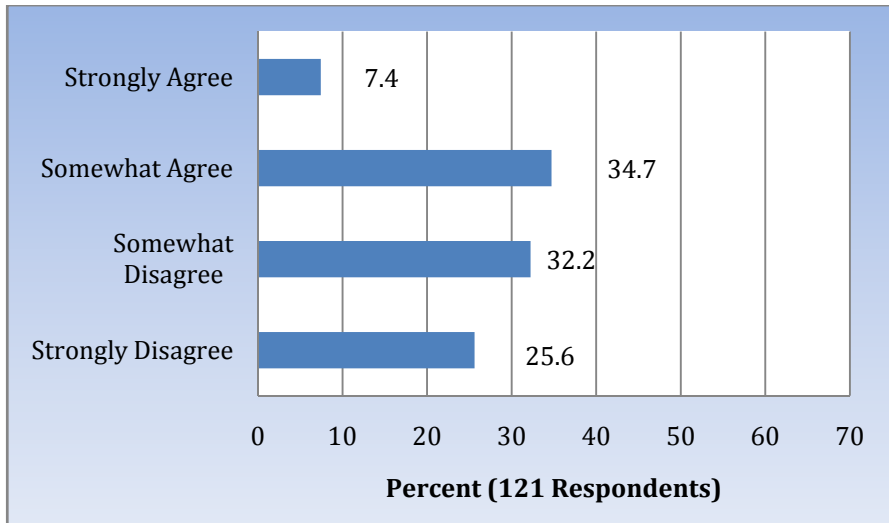
**Q: What should provincial governments in Western Canada do to promote cleaner energy production and more efficient energy use? (Check all that apply)**



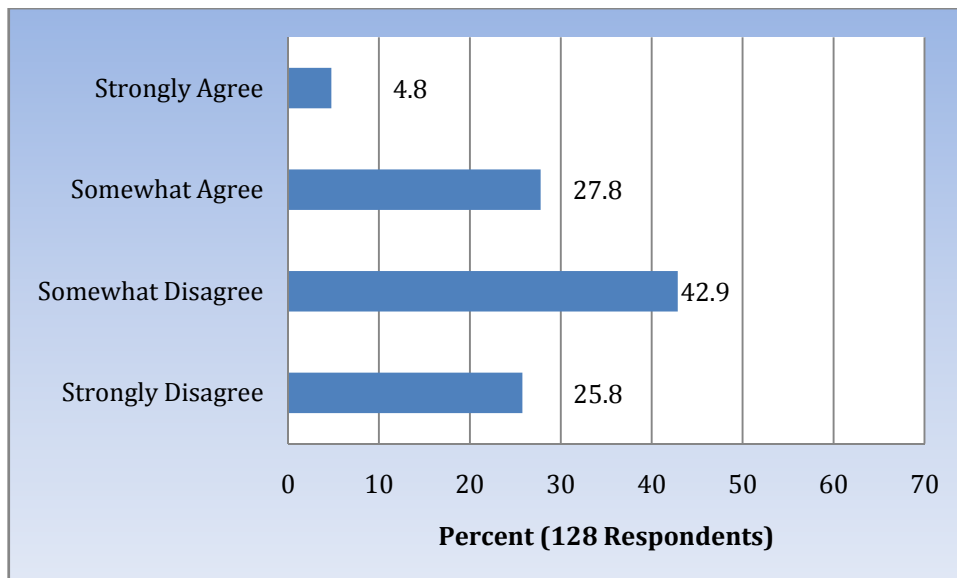
**Q: My provincial government is currently doing enough to encourage the shift to more renewable and cleaner forms of energy production.**



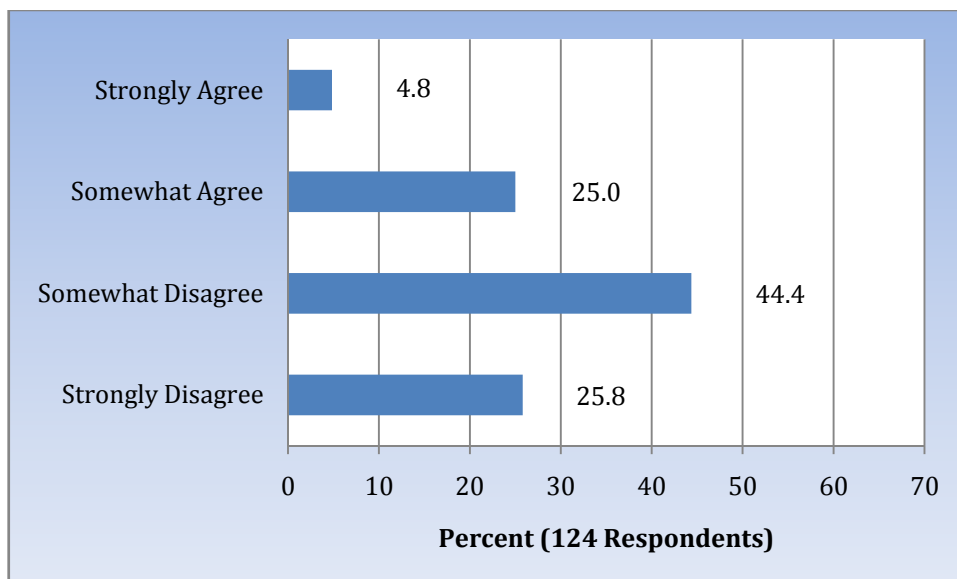
**Q: My provincial government is currently doing enough to encourage the shift to more efficient consumption of energy.**



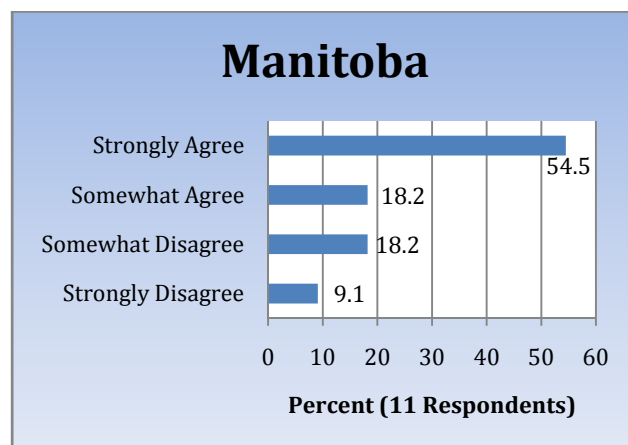
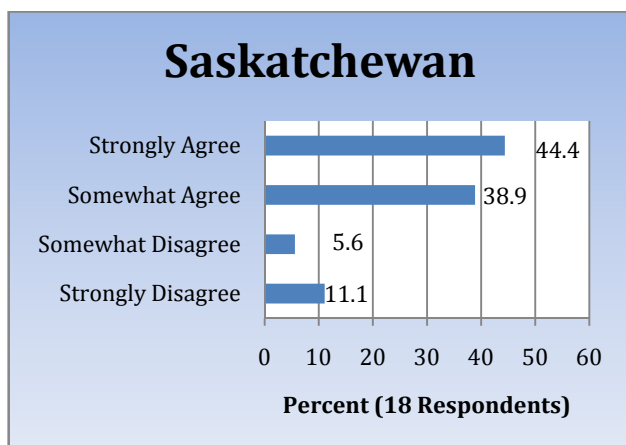
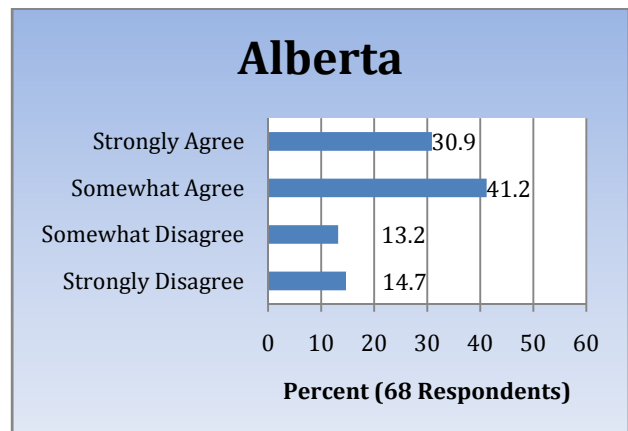
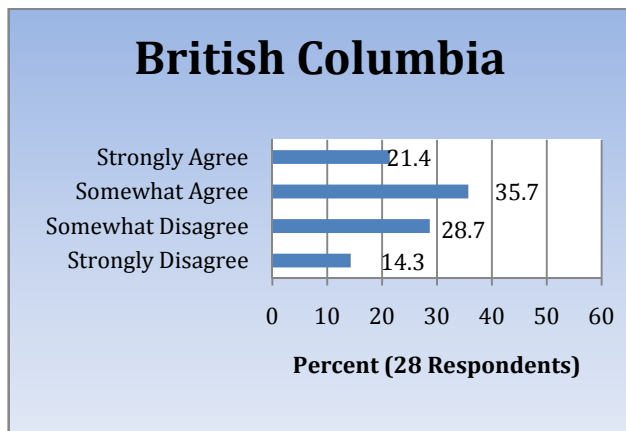
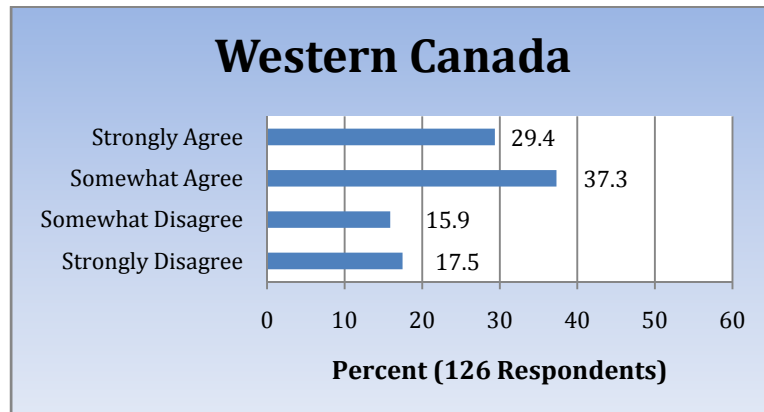
**Q: The federal government is currently doing enough to encourage the shift to more renewable and cleaner forms of energy production.**



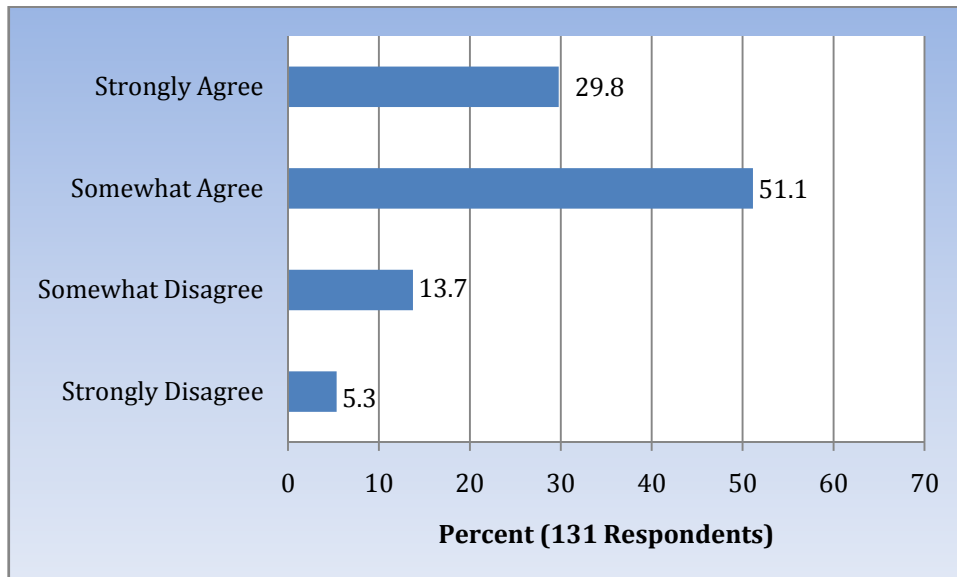
**Q: The federal government is currently doing enough to encourage more efficient consumption of energy.**



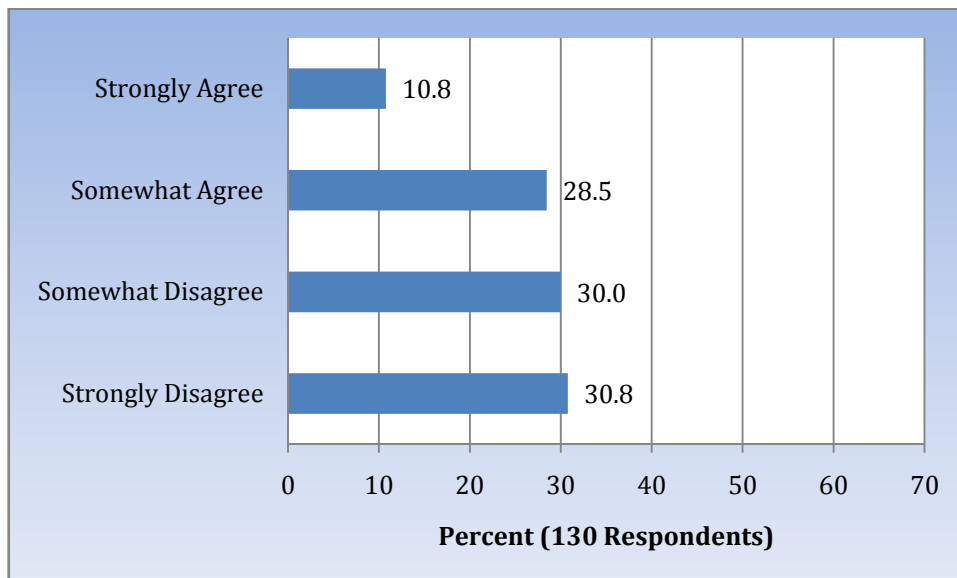
**Q: I am in favour of nuclear power generation in my province.**



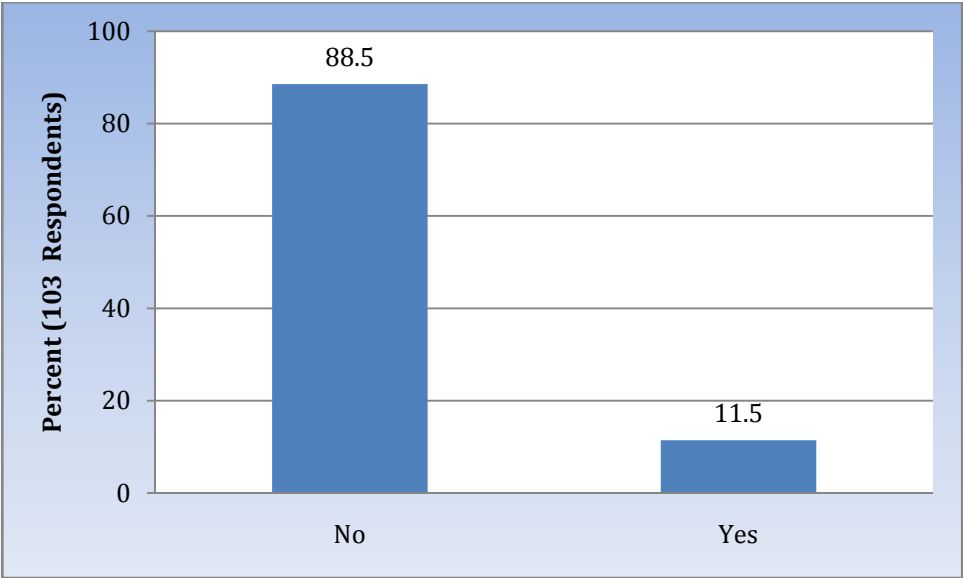
**Q: Is it realistic for Canada to become a global leader in renewable energy production?**



**Q: Canada should wait to see what the United States will do before implementing its own carbon reduction policies.**



**Q: Is it realistic for Canada to expect to be free from the use of carbon-based fuels (oil, gas and coal) 30 years from now?**





**Economic Expectations:**

The survey of Western Economic Expectations (WEE) asked economic and financial analysts across Western Canada their thoughts on the economy. Participants were first asked to weigh in on the short run future performance of their respective economies. Like the last WEE survey that noted a “constrained optimism” across the four provinces, more than 80% of respondents believe that their provinces’ economic performance “over the next 6 months” will be the same as it has been recently, or will improve. Although the response rate was relatively low for provinces outside of Alberta, we do note that about half of the respondents, chose “somewhat better” as the most appropriate performance measure, at 57.7%, 55.6% and 50.0% in Alberta, Saskatchewan and Manitoba, respectively. With only 31.3% of British Columbia’s respondents choosing “somewhat better,” (and none choosing “much better”), British Columbians appear to be the least enthusiastic about their province’s potential performance. That province’s HST debacle and less than robust post-Olympic economic benefits have perhaps dimmed prospects in BC.

Next, respondents were asked about their expectations for Canada’s economy over the next 6 months. Here we aggregate the responses and find a hint of optimism (see page 4) with a small majority of those surveyed expecting Canada’s economy to perform “somewhat better” in the next half year. While over one-fifth (21.8%) see a “somewhat worse” performance for the Canadian economy – and perhaps tellingly, not one respondent choose “much better” – over three-quarters (76.7%) do see Canada maintaining or improving its performance.

When participants were then asked to consider the US economy’s performance over the next six months, sentiments were far more pessimistic than those pertaining to Canada’s short-run economic future. These sentiments appear to be even more pronounced than the last WEE survey (March, 2010) with one-third of respondents (33.3%) expecting the US economy to perform “somewhat worse”, and a handful of respondents predicting a “much worse” performance. This pessimistic group outnumbered the optimists by a large measure while a solid 42.7% of those surveyed see the US as continuing to struggle to improve its performance.

The next question about forecast expectations for 2011 found respondents wary of the Canadian bank forecasts provided (see page 5). When asked about real economic growth rates for 2011, respondents were generally split between those who felt the forecasts were “reasonably accurate” and those who felt that the forecast were “too high”. Slightly more than half of respondents felt the forecasts were accurate while the rest saw them as too optimistic. Only a handful of respondents saw any of the six forecasts offered up as “too low”. When these numbers are considered graphically (see page 5) it certainly paints a dark picture of how Western Canadians view the chances for a sustained recovery in the US. “Too low” was rarely chosen used in responding to what are arguably some pretty conservative forecast numbers. What does this mean? Has the economy created an entire cohort of pessimistic analysts? Or are uncertain circumstances

preventing a wider range of decision-making? The lack of positive responses to the “Too low” column is certainly a striking result.

### **What should provincial governments in western Canada do to promote cleaner energy production and more efficient energy use?**

A surprising amount of action is desired on the clean energy production front. (Only 4 respondents suggested that the provincial governments “take no action”).

“Investments and Incentives” were the top ranked answer in promoting cleaner energy production and more efficient energy use. Besides “investments and incentives for greener technology”, a focus on “infrastructure overhaul and design of cities” was chosen by 75 respondents, with 72 choosing the use of “education campaigns” on energy use. One notable characteristic of the responses here was how few would choose to use “subsidies” to promote the producers of cleaner energy. Less than one fifth (18.2%) of respondents felt that subsidies were an answer.

### **My provincial government is currently doing enough to encourage the shift to: 1) more renewable and cleaner forms of energy production; and 2) more efficient consumption of energy.**

The response to how people see their provincial governments handling the shift to “cleaner forms of energy production” while encouraging the “efficient consumption of energy” was decidedly mixed. Almost exactly half agree that their provinces are doing enough on the production side while the same number disagree that enough is being done.

In terms of provincial work on promoting “more efficient consumption”, there is slightly sharper disagreement, with almost one quarter of respondents in strong disagreement that their province is doing enough, and 57.8% in total disagreeing that enough work is being done on efficient consumption. 42.2% appear more satisfied by provincial efforts.

### **The federal government is doing enough to encourage the shift to: 1) more renewable and cleaner forms of energy production; and 2) more efficient consumption of energy.**

The federal government was viewed by respondents as having done less than the provinces on the clean energy/efficient consumption front. 68.7% of respondents disagreed with the statement that the federal government was doing enough to “encourage the shift to more renewable and cleaner forms of energy production,” with about the same number dissatisfied with the federal effort on encouraging a shift to “more efficient consumption of energy.”

### **I am in favour of nuclear power generation in my province.**

The majority of respondents (66.7%) supported nuclear power generation in their province. Support was highest in Saskatchewan with 83.3% of Saskatchewan respondents supporting nuclear power and lowest in British Columbia with 57.1% support.

### **It is realistic for Canada to become a global leader in renewable energy production?**

Over 80% of the 131 respondents to this question agreed—29.8% “strongly” and 51.1% “somewhat”—that it was realistic for Canada to become a leader in renewable energy production. This overwhelmingly positive response once again suggests that financial and economic analysts in Western Canada are fairly concerned about environmental issues and believe that more could be done to mitigate the use of carbon-based fuels in our regional economy, and indeed, that Canada could take a leadership role in doing so.

### **Canada should wait to see what the United States will do before implementing its own carbon reduction policies.**

When asked this question, again the respondents seemed eager to see something done without waiting for the US to lead. Some 60% (or 79) of the 130 responses disagreed with the idea of waiting for to see what the US would do in implementing its own carbon reduction policies. Conversely, a little under 40% agreed, to some extent, on waiting for the US lead. These results could be interpreted in a variety of ways.

There has been an oft-articulated idea that any schemes or policies to reduce emissions should dovetail with what the US is doing. The now-famous phrase: “when the US sneezes, Canada catches a cold” has more than a ring-of-truth to it; case in point, the 2009 US recession was, and remains, a very real drag on the Canadian economy. The economies cannot be ‘uncoupled’ and put simply, any effective means to mitigate green house gas (GHG) emissions south of the border would have to be followed here.

Perhaps another explanation that might be better supported by the results here, is one that views the US as not being able to do make such huge policies changes in the face of a poorly performing economy and a highly polarized political climate. Whatever the rationale for opinion on this question, the WEE respondents do seem to have an appetite for policy changes aimed at carbon reduction.

### **Is it realistic for Canada to expect to be free from the use of carbon-based fuels (oil, gas and coal) 30 years from now? Why or why not?**

Interesting in light of the overwhelmingly positive response to Questions 12 and 13—“It is realistic for Canada to become a global leader in renewable energy production?” And “Canada should wait to see what the United States will do before implementing its own carbon reduction policies?”—since the answers here can certainly

be seen as supportive of moving from carbon-based fuels though largely unconvinced that it can be done in a 30 year time frame. Again, the responses paint a picture of a cohort of very knowledgeable Western Canadians that seem very interested in moving the region towards a much greener future. Given a quick glance at the results, one would think that the WEE survey had taken place within the ranks of a large environmental NGO.

The 103 open-ended comments to this final question can be used to draw up a short narrative of typical responses. The story would be characterized by a strong desire to move to alternatives. This desire would quickly be replaced by uncertainty as to how best to do this and what that “alternative” would in fact be. A large group of commentators cited the need to move or ‘transition’ to nuclear or, and this was perhaps mentioned more often, transition to the greater use of natural gas (the corollary, at least in Alberta, being that we need to “get off coal”). The uncertainty about means or processes for Canada to liberate itself from oil, gas and coal was not a darker theme: many commentators were certain that reductions in carbon dependence were indeed on the horizon. To many of those surveyed it is simply a given that, as one respondent put it, “emissions from carbon-based fuels will be much lower.”

The second part of the narrative would then have to consider the 30-year timeframe. Here the storyline takes the questions’ thread from one of topicality—30 years being seen by many as “short-run”—and turns it into a proposition of saga-like proportions. So while most view the carbon-free goal as a given, there is every indication that few believe it will happen in such a short time frame. The question might well have asked respondents to propose a realistic timeframe. Had this been done, our commentators (their children, and perhaps their grandchildren) would certainly be supportive of moving the story along towards Canada’s carbon-free future, it would just be a much longer-term goal.

**December 9, 2010**

**Western Canadian Economists Agree Canadian Recovery Will Outpace US**

A recent survey indicates economists and financial analysts across western Canada hold with the increasingly popular view that Canada's economy will outperform that of the US over the coming months.

The November survey of 130 economists and financial analysts in the four western Canadian provinces was conducted by the Canada West Foundation and the Western Centre for Economic Research at the University of Alberta School of Business.

When asked about economic performance over the next six months, 77% of the respondents said Canada's economy would be the same or somewhat better compared to 76% who said the US economy would be the same or somewhat worse.

The stronger growth for Canada scenario was also reflected in responses to a question assessing economic growth forecasts for both countries.

In considering a US consensus forecast of 1.9% for 2011, 47% of respondents thought it was reasonably accurate and 49% thought it was too high. But when assessing the considerably higher consensus forecast for Canada of 2.5%, 57% thought it was reasonably accurate while 42% thought it was too high.

Considering US Federal Reserve Chairman Ben Bernanke's recent comment that it takes about 2.5% growth just to keep US unemployment stable, it is clear that economists in western Canada are predicting a continued rocky road for US economic prospects.

## **Economists: Canada Could Lead Global Renewable Energy Production**

CALGARY / EDMONTON – December 14, 2010. A recent survey indicates that western Canadian economists and financial analysts think that Canada has the potential to become a global leader in renewable energy production, but with a caveat: Canada will still need carbon-based fuels 30 years from now.

The November survey of about 130 economists and financial analysts in the four western Canadian provinces was conducted by the Canada West Foundation and the Western Centre for Economic Research at the University of Alberta's School of Business.

The majority of respondents (80.9%) agreed that it is realistic for Canada to become a global leader in renewable energy production. However, only 11.5% felt that Canada should expect to be free from the use of carbon-based fuels (oil, gas and coal) 30 years from now. Over 66% of respondents supported nuclear power generation in their province. Support was highest in Saskatchewan with over 80% support and lowest in British Columbia with 57.1% support. Currently none of the West's energy is nuclear-generated.

The responses suggest that analysts in Western Canada:

- are optimistic that Canada can substantially grow its reliance on renewable energy sources; and
- are in favor of nuclear power generation, even if they believe that carbon-based fuels will be part of the nation's energy mix beyond 30 years from today.

The survey is conducted through a partnership between Alberta's two premier economic and policy research centres, the Canada West Foundation and the Western Centre for Economic Research at the University of Alberta's School of Business. It is the only survey that solicits economic views from people in all four western provinces.

## **Westerners Agree: Canada Shouldn't Wait for the U.S. to Move on Carbon Reduction**

CALGARY / EDMONTON – December 17, 2010. A recent survey indicates that western Canadian economists and financial analysts think Canada should move toward carbon reduction policies without waiting for the US.

The November survey of about 130 economists and financial analysts in the four western Canadian provinces was conducted by the Canada West Foundation and the Western Centre for Economic Research at the University of Alberta's School of Business.

A majority of respondents (60.8%) disagreed with the statement: "Canada should wait to see what the United States will do before implementing its own carbon reduction policies."

This sends a signal to the provincial and federal governments to move ahead on energy policies. Initiatives such as a national energy strategy are likely to be well received by economists and financial analysts in western Canada. However, respondents seem to be happier with provincial energy policies over federal policies.

Respondents were less satisfied with the level of action on this file from the government of Canada, relative to provincial governments. Only 32.6% of respondents thought that the government of Canada is doing enough to encourage the shift to cleaner energy, much less than the 50.4% who thought that their provincial government is doing enough.

These results suggest that western Canadians feel that while Canada should move towards its own carbon reduction policies, both the federal and provincial governments need to make it happen. This was confirmed during recent roundtable consultations that Canada West Foundation held across the West; the results will soon be published in an upcoming report on the "*New Energy Economy*."