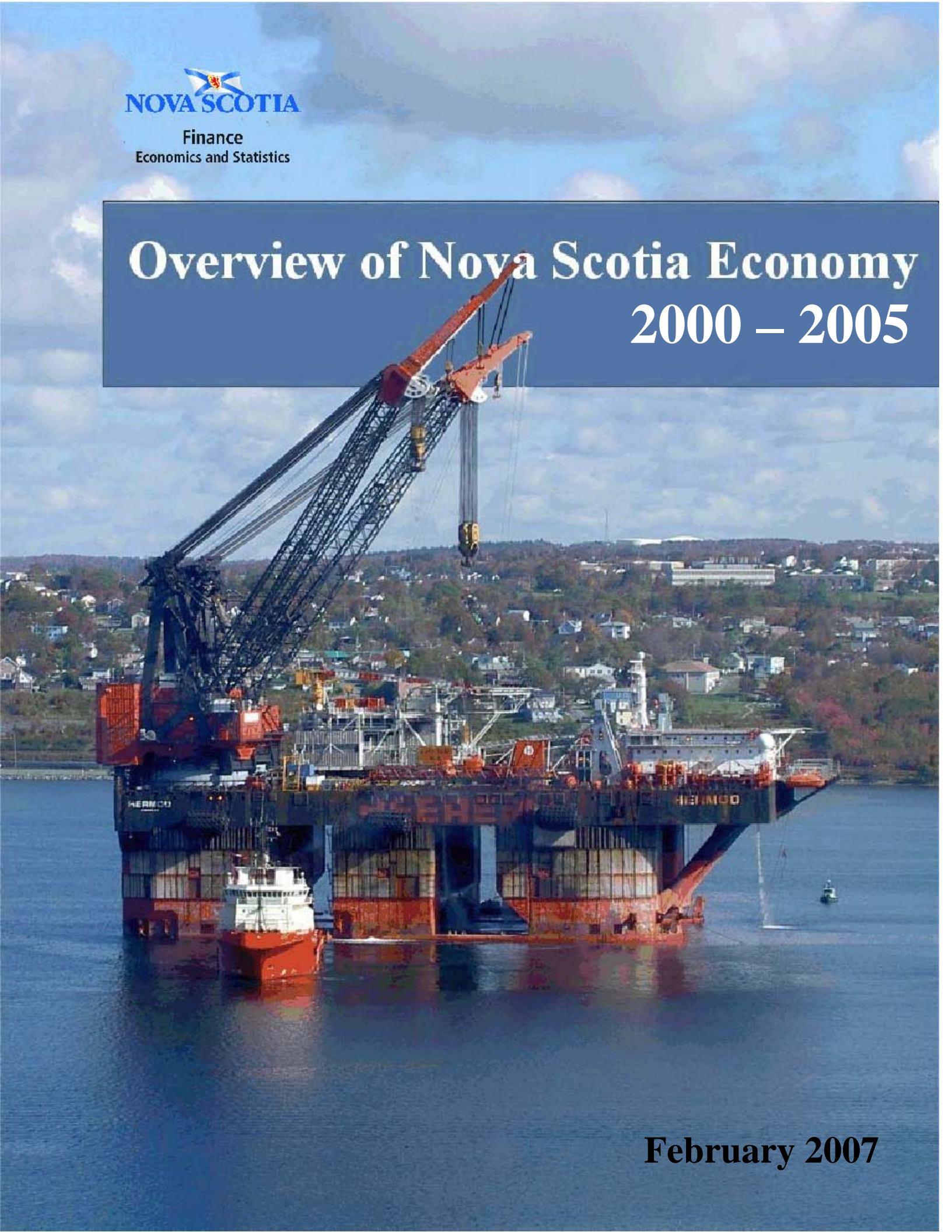


Overview of Nova Scotia Economy 2000 – 2005



February 2007

Overview of Nova Scotia Economy

4th Edition
February 2007

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Cover photo – Douglas J. McCann

Hermond - a heavy lift vessel owned by Heerema Marine Contractors of the Netherlands. The vessel is capable of a tandem lift of 8,100 tonnes. Overall length = 154 metres (505 ft) and breadth = 86 metres (282 ft). Total deck load capacity = 8,000 tons. Transit speed with a 8,000 ton deck load = 6 knots at 11.5 meters (38 ft) draft. The living quarters are equipped to accommodate 336 men. All quarters have heating and air conditioning facilities.

On the deck of the *Hermond* are the components of a 2,400-tonne platform, built at the Halifax Shipyards, destined for the ExxonMobil South Venture offshore natural gas site.

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Introduction

This paper provides a brief overview of the Nova Scotia economy, including the relative contribution of each sector to the provincial Gross Domestic Product (GDP) and structural changes in employment over the mid-term period.¹ There is also some discussion on labour productivity in Nova Scotia during the five-year period 2000-2005, and key labour productivity indicators including labour income, wages and salaries, average weekly wages, and capital expenditures.

During the five-year period 2000-2005, the province's economy experienced a healthy growth due to the expansion in both private and public sectors, with above six percent growth in administrative, support and waste management services, due to advent of call centers and recycling activities.

Significant growth was also observed in professional, scientific and technical services, and information and cultural industries. Retail trade, health care and social assistance, finance, insurance, real estate and leasing, construction and utilities all experienced above average GDP growth during the same time period.

Arts, entertainment and recreation, accommodation and food services, transportation and warehousing, manufacturing, wholesale trade, public administration, educational services, and mining and oil and gas extraction all

experienced less than two percent real GDP growth during the five-year period 2000-2005.

In order to evaluate the overall economic performance of each sector of Nova Scotia's economy, a composite index was created based on the six indicators of economic performance. The indicators used in development of this composite index included the compound annual growth rates in GDP, employment, labour income, average weekly wages and salaries, and capital investment for 2000-2005, as well as the labour productivity index for the same time period. Each sector was ranked from the highest to lowest for each of GDP, employment, labour income, average weekly wages, capital investment and productivity. Next, the ranking scores for each of the six indicators were added up for each sector to create an overall ranking by sector (Appendix 1). The lowest total ranking score was ranked as 1 and the highest total ranking score was ranked as 18.

The best economic performance during the 5-year period 2000-2005, based on the composite index was observed in health care and social assistance sector, followed by the support and waste management sector and retail trade. The rapid growth in health care costs may be linked to its strong economic growth. The educational services and professional, scientific and technical services sectors' ranking were the fourth and fifth highest

¹ Five-year period is considered to be a mid-term period. Since the latest annual statistics is available for 2005 the 5-year period chosen for analysis is 2000-2005.

among all Nova Scotia's sectors between 2000-2005.

The public administration performance was ranked the tenth best in Nova Scotia for 2000-2005, while the finance, insurance, real estate and leasing sector was ranked the eleventh. The lowest performance was observed in the whole sale trade sector, followed by manufacturing and transportation and warehousing.

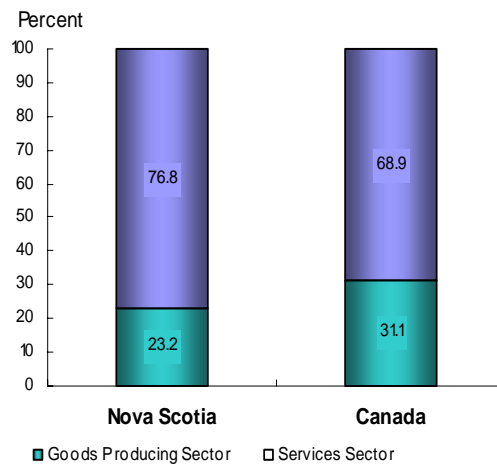
Economic Structure

The Nova Scotia economy is predominantly service-based. The Province's services sector is proportionally larger than that of Canada. In 2005, 76.8% of the provincial economy was within the services sector, compared to 68.9% for Canada (See Figure 1). The goods producing sector accounted for 23.2% of Nova Scotia's economy in 2005, compared to 31.1% for Canada in 2005. This represents Nova Scotia's long established position as the principal private sector service centre for Atlantic Canada and the centre for regional public administration and defence.

The services sector includes a wide range of business and financial services, wholesale and retail trade, transportation and warehousing, personal services, health and educational services, public administration, defence and other federal departments. The goods producing sector includes manufacturing, construction, utilities and primary resource industries.

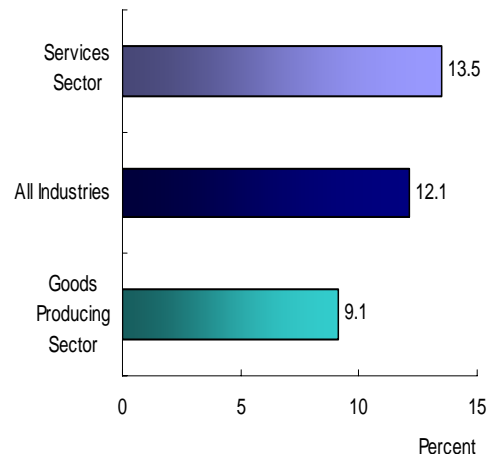
From 2000 to 2005 the provincial economy expanded by 12.1%. The services sector, in general, outperformed the goods producing sector during this time period. While GDP² in the services sector grew by 13.5%, the GDP in the goods producing sector grew only by 9.1% between 2000 and 2005, mainly as a result of the contraction in the shares of real GDP in manufacturing and mining and oil and gas extraction by 0.8 percentage points and 0.1 percentage

Figure 1: Contribution of the Goods Producing and Services Sectors to GDP [%], Nova Scotia and Canada, 2005.



Source: CANSIM Tables 379-0025 and 379-0017.

Figure 2: GDP Growth by Sector [%], Nova Scotia, 2000-2005.



Source: Statistics Canada, *GDP by Industry in Chained 1997\$, Catalogue No 15-203-XIB, November 8, 2006.*

² In chained 1997 dollars.

points, respectively from 10.3% to 9.5%, and from 2.8% to 2.7% of the provincial economy, respectively (Table 1).

Over the five-year period 2000-2005, Nova Scotia's real GDP grew at a compound annual growth rate of 2.3%. The growth in the services sector was above the annual growth rate of the entire Nova Scotia economy and faster than in the goods producing sector, at 2.6% and 1.8%, respectively for 2000-2005.

However, within the services sector the private sector compound annual growth rate was faster than the public sector's growth rate, at 2.9% and 2.0% respectively. As a result, the services sector's share of the provincial economy, expressed by the share of provincial GDP, increased from 76.0% in 2000 to 76.8% in 2005, while the goods producing sector's share declined from 24.0% in 2000 to 23.2% in 2005.

Within the goods producing sector, the growth in primary industries was more rapid than in the secondary industries, at 2.0% and 1.6%, respectively for 2000-2005 (Figure 3).

The fastest growing sectors in the province were administrative, support and waste management services and professional, scientific and technical services, which grew at the compound annual rates of GDP growth of 6.4% and 5.1%, respectively between 2000 and 2005 (Figure 4). The provincial shares of GDP for administrative and support services increased from 1.6% in 2000 to 1.9% in 2005, while for professional, scientific and technical services from 2.7% in 2000 to 3.1% in 2005.

Table 1. Compound Annual Growth in GDP (CAGR) and Shares of Total Provincial GDP by Industry, Nova Scotia, 2000-2005.

Industry	CAGR 2000-2005 [%]	Share of Total Provincial GDP	
		2000 [%]	2005 [%]
Total	2.3	100.0	100.0
Goods Producing Sector	1.8	24.0	23.2
Primary Industries	2.0	8.1	8.0
Agriculture, Forestry, Fishing & Hunting	2.2	2.9	2.9
Mining & Oil & Gas Extraction	1.4	2.8	2.7
Utilities	2.5	2.4	2.4
Secondary Industries	1.6	15.9	15.2
Manufacturing	0.9	10.3	9.5
Construction	2.8	5.6	5.7
Services Sector	2.6	76.0	76.8
Private Sector	2.9	51.2	52.6
Retail Trade	3.7	6.6	7.0
Wholesale Trade	1.1	4.9	4.6
Transportation & Warehousing	0.8	4.6	4.3
Finance, Insurance, Real Estate & Leasing	3.0	21.0	21.8
Professional, Scientific & Technical Services	5.1	2.7	3.1
Information & Cultural Industries	4.2	4.1	4.4
Arts, Entertainment & Recreation	0.3	0.7	0.6
Accommodation & Food Services	0.4	2.7	2.4
Administrative, Support & Waste Management	6.4	1.6	1.9
Other Services	2.3	2.4	2.4
Public Sector	2.0	24.8	24.2
Educational Services	1.4	5.9	5.7
Health Care & Social Assistance	3.3	8.0	8.3
Public Administration	1.3	10.9	10.2

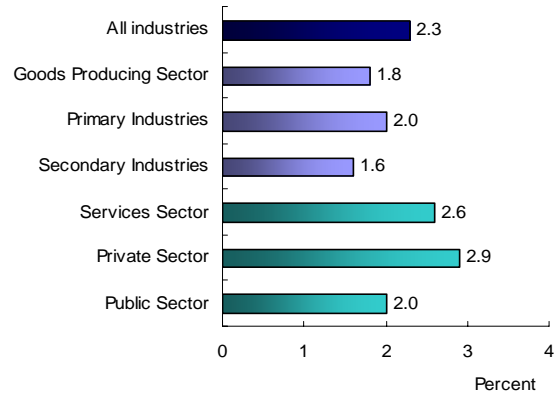
Source: Statistics Canada, GDP by Industry in Chained 1997\$, Catalogue No 15-203-XIB, 2005 data released November 8, 2006.

The growth in information and cultural industries, retail trade and health care and social assistance also exceeded the compound annual growth rate for the overall Nova Scotia economy for 2000-2005, by growing at the compound annual growth rates of 4.2%, 3.7% and 3.3%, respectively between 2000 and 2005. The provincial shares of GDP for the information and cultural services sector increased from 4.1% in 2000 to 4.4% in 2005, for the retail trade increased from 6.6% in 2000 to 7.0% in 2005, and for health care and social assistance from 8.0% in 2000 to 8.3% in 2005.

Above average annual sectoral growth was also observed in finance, insurance, real estate and leasing (FIRE) sector, construction and utilities, which grew at the compound annual rates of 3.0%, 2.8%, and 2.5%, respectively for 2000-2005. The provincial share of GDP for the FIRE sector increased from 21.0% in 2000 to 21.8% in 2005 and for construction sector from 5.6% in 2000 to 5.7% in 2005. The provincial share of GDP for utilities, agriculture, fishing and hunting, and other services remained unchanged between 2000 and 2005 at 2.4%, 2.9% and 2.4%, respectively.

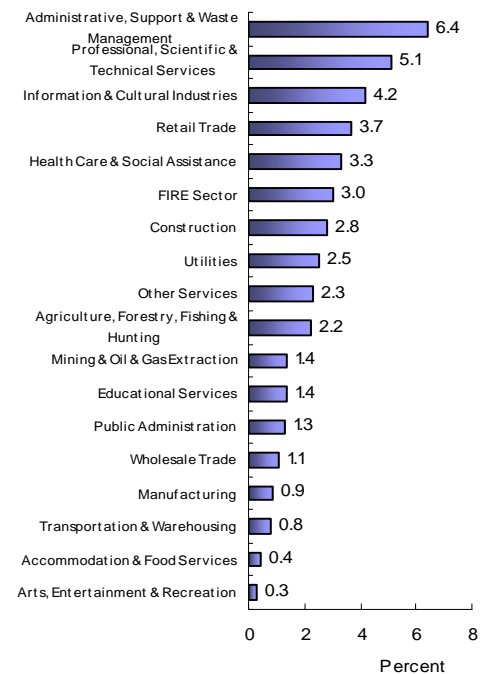
By contrast, arts entertainment and recreation industries, accommodation and food services, transportation and warehousing and manufacturing sector experienced growth below the annual growth rate of the Nova Scotia's economy, as shown by the compound annual GDP growth rates of 0.3%, 0.4%, 0.8%, and 0.9%, respectively for 2000-2005.

Figure 3: Compound Annual GDP Growth Rates by Sector, Nova Scotia, 2000-2005.



Source: Statistics Canada, *GDP by Industry in Chained 1997\$, Catalogue No 15-203-XIB, November 8, 2006.*

Figure 4: Compound Annual GDP Growth Rates by Industry, Nova Scotia, 2000-2005.



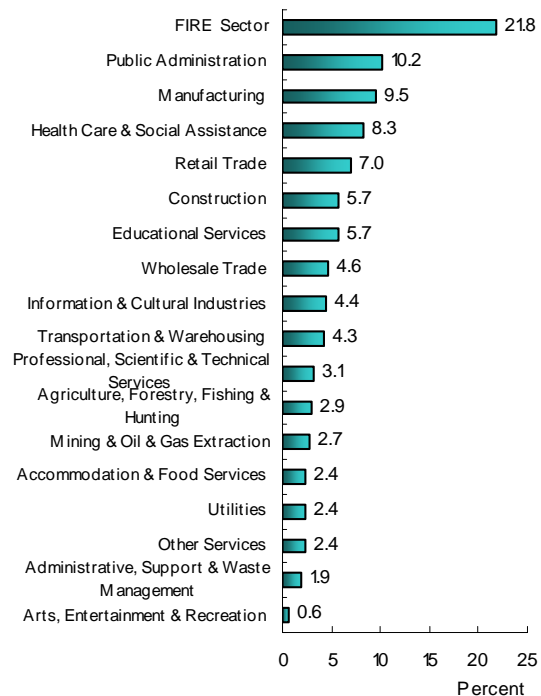
Source: Statistics Canada, *GDP by Industry in Chained 1997\$, Catalogue No 15-203-XIB, November 8, 2006.*

The most significant decline in the provincial share of GDP was registered in the manufacturing sector, which declined by 0.8 percentage points from 10.3% of the total provincial GDP in 2000 to 9.5% in 2005. The manufacturing sector in Nova Scotia has been met with many challenges over the 5-year period between 2000 and 2005, such as the appreciation of the Canadian dollar, increasing competition from China, changing customer demands and increasing business costs due to growing energy prices. The slowing US economy also had a negative impact on manufacturing exports. Despite those challenges, Nova Scotia's manufacturing shipments increased by 19.4% in 2005 over the 2000 level, surpassing \$9.9 billion for the first time in 2005.

The provincial share of GDP for public administration, educational services, transportation and warehousing, and the wholesale trade sector declined by 0.7 percentage points, 0.3 percentage points, 0.3 percentage points, and 0.3 percentage points, respectively in the same time period.

The growth in the agriculture, forestry, fishing and hunting sector was slightly below the annual growth rate of the Nova Scotia economy, at 2.2% for 2000-2005. The provincial share of GDP for this sector remained unchanged at 2.9% for 2000-2005.

Figure 5: Shares of Total Provincial GDP by Industry, Nova Scotia, 2005.



Source: Statistics Canada, *GDP by Industry in Chained 1997\$, Catalogue No 15-203-XIB, November 8, 2006.*

Although, the mining and oil and gas extraction industry and educational services experienced moderate growth in GDP, both at 1.4%, those sectors showed declines in their provincial shares of GDP by 0.1 percentage points and 0.3 percentage points, respectively for 2000-2005.

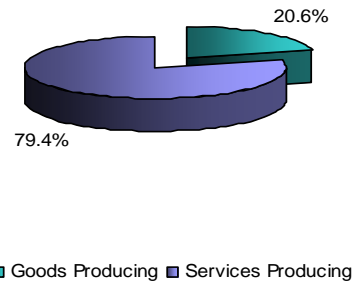
Employment

Between 2000 and 2005, Nova Scotia's total employment gain, for the population 15 and over, was 7.7% or 31,700 new jobs in the province. The employment growth in the province was driven primarily by large increases in a few, mainly service related, industries and an increase in the labour participation rate from 61.3% in 2000 to 63.6% in 2005. The participation rate in Nova Scotia appears to have reached its peak in 2004 at 64.1%. This is the highest the rate has ever been in the province and may mark the high point in the province's participation rate for the medium term. Demographics and a tightening labour market will cause this rate to increase in the future.

The economic diversification of the province is reflected in where Nova Scotians are employed among the economy's industrial sectors. Distribution of employment between the goods and services producing sectors slightly changed with 79.4% jobs in the services producing sector in 2005, up by 1.2 percentage points from 2000, and 20.6% of the jobs in the goods producing sector, down by 1.2 percentage points from 2000 (Table 2 and Figure 6).

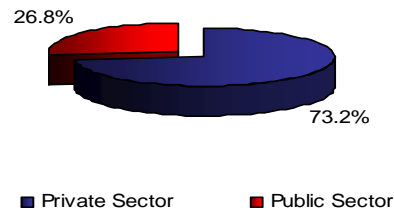
From 2000 to 2005, the compound annual growth rate in total employment in Nova Scotia was 1.5%, with a much higher growth rate in the services producing sector than in the goods producing sector, at 1.8% and 0.3%, respectively. Since the services sector is significantly larger than the goods producing sector, the major employment gains, approximately 30,400 or 95.9% of

Figure 6: Distribution of Employment between the Goods Producing and Services Sectors, Nova Scotia, 2005.



Source: Statistics Canada, *Labour Force Historical Review 2006*, CD-ROM No. 71F0004-XCB.

Figure 7: Distribution of Employment between the Private and Public Sectors, Nova Scotia, 2005.



Source: Statistics Canada, *Labour Force Historical Review 2006*, CD-ROM No. 71F0004-XCB.

the new jobs, were in the services sector, including 20,400 new jobs in the private sector and 10,000 new jobs in the public sector³ (Figures 7 and 8).

³ Including 5,500 new jobs in health care and social assistance, 3,100 new jobs in educational services and 1,400 new jobs in public administration created between 2000 and 2005.

In the services sector, the compound annual growth rate in employment in the public sector was the same as in the private sector, both at 1.8% from 2000 to 2005. As a result of such a growth rate, the share of the public sector employment increased from 26.4% of total provincial employment in 2000 to 26.8% in 2005, while the share of the private sector employment in the services sector increased from 51.8% in 2000 to 52.7% in 2005.

The fastest growth in employment was observed in the business, building and other support services, where approximately 7,700 new jobs were created, mainly due to the proliferation of new call centers in the province (Table 3). The compound annual growth rate in employment in this industry was 8.0% for 2000-2005 (Figure 9). The share of total provincial employment in this category increased by 1.5 percentage point, from 4.0% in 2000 to 5.5% in 2005 (Figure 10).

The second largest increase in employment was in health care and social assistance, with approximately 5,500 new jobs created in this industry between 2000 and 2005. The sector grew at the compound annual growth rate of 2.1% in this time period. This sector is the second largest industrial category in Nova Scotia labour market and employed 12.6% of all employed workers in the province in 2005. Despite a moderately higher compound annual growth, at 2.1%, compared to 1.5% for all industries, the share of total provincial employment in this sector increased from 12.3% in 2000 to 12.6% in 2005.

Table 2. Compound Annual Growth in Employment by Industry and Shares of Total Provincial Employment by Industry, Nova Scotia, 2000-2005.

Industry	CAGR 2000- 2005 [%]	Share of Total Employment	
		2000 [%]	2005 [%]
Total	1.5	100.0	100.0
Goods Producing Sector	0.3	21.8	20.6
Primary Industries	(0.7)	5.8	5.2
Agriculture, Forestry, Fishing & Hunting	0.1	4.3	4.0
Mining & Oil & Gas Extraction	(4.2)	0.9	0.7
Utilities	(1.6)	0.6	0.5
Secondary Industries	0.6	16.0	15.4
Manufacturing	(0.9)	10.2	9.1
Construction	3.1	5.8	6.3
Services Sector	1.8	78.2	79.4
Private Sector	1.8	51.8	52.7
Retail Trade	1.7	13.9	14.0
Wholesale Trade	(0.1)	3.8	3.5
Transportation & Warehousing	0.5	5.0	4.7
Finance & Insurance, Real Estate & Leasing	(1.7)	3.6	3.0
Professional, Scientific & Technical Services	4.0	1.7	1.9
Information, Culture, Recreation	4.4	4.0	4.6
Accommodation & Food Services	(0.7)	4.0	3.6
Business & Building Services	3.9	6.3	7.1
Other Services	8.0	4.0	5.5
	(1.6)	5.5	4.7
Public Sector	1.8	26.4	26.8
Educational Services	1.9	7.8	8.0
Health Care & Social Assistance	2.1	12.3	12.6
Public Administration	1.1	6.3	6.2

Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

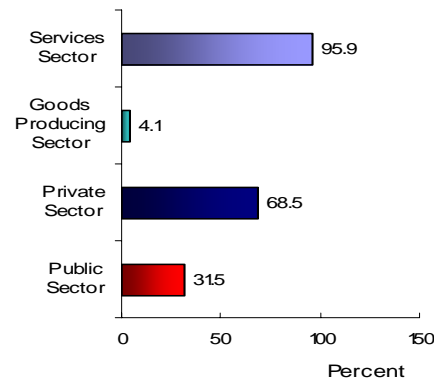
Job gains in the accommodation and food services accounted for approximately 5,500 new jobs created between 2000 and 2005. The compound annual growth in employment in this sector was 3.9%, 2.4 percentage points above the growth in employment in all industries in Nova Scotia for 2000-2005. The share of total provincial employment in this sector increased from 6.3% in 2000 to 7.1% in 2005. At the same time, tourism receipts were up by 7.1% over 2000 level to \$1.3 billion in 2005.

The retail trade sector, the single largest industrial category in Nova Scotia labour market, created approximately 4,900 new jobs between 2000 and 2005. The compound annual growth in employment in this sector was 1.7%, compared to 1.5% for all industries for the same time period. The share of total provincial employment in this sector increased by 0.1 percentage points from 13.9% in 2000 to 14.0% in 2005. Despite relatively slow growth in employment, retail trade sales in Nova Scotia increased by 18.6% in 2005 over 2000 level, and reached \$10.6 billion in 2005.

Significant growth in employment was also observed in professional, scientific and technical services, with 3,900 new jobs created between 2000 and 2005. The compound annual growth rate in this industry was 4.4% for 2000-2005. The share of total provincial employment in this sector increased from 4.0% in 2000 to 4.6% in 2005.

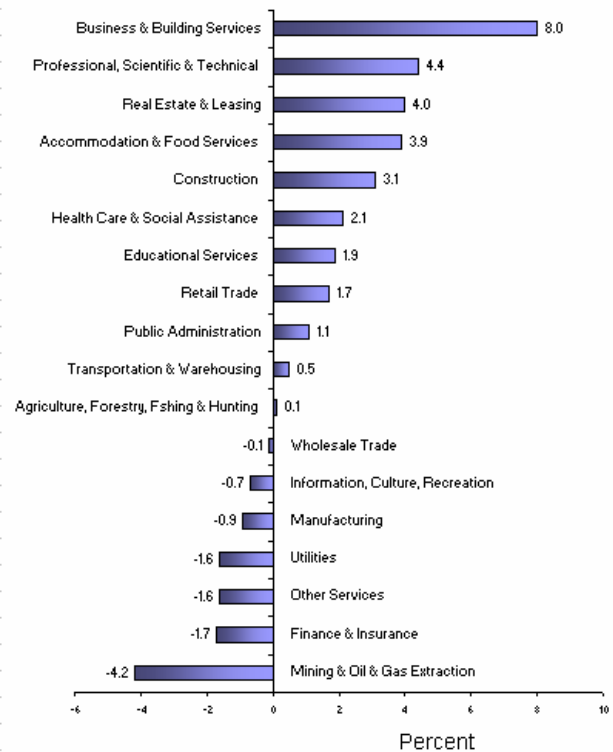
Job gains in construction accounted for approximately 3,900 new jobs created between 2000 and 2005. The employment in this sector grew at the compound annual growth rate of 3.1% in this period, due primarily to record investment projects in the non-

Figure 8. Employment Growth by Sector, Nova Scotia, 2000-2005.



Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

Figure 9. Compound Annual Growth in Employment by Industry, Nova Scotia, 2000-2005.



Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

residential sector, including Sable Offshore Energy Project and Maritimes and Northeast Pipeline Project, and strong residential construction activity, fuelled by the combination of low interest rates and aging stock of housing, which required renovations. The share of total provincial employment in this sector increased from 5.8% in 2000 to 6.3% in 2005.

Significant growth in employment was also observed in educational services, with 3,100 new jobs created between 2000 and 2005. This sector experienced job growth at the compound annual rate of 1.9%, 0.4 percentage points above the growth in employment in all industries in Nova Scotia between 2000 and 2005. As a result, the share of total provincial employment in this sector increased from 7.8% in 2000 to 8.0% in 2005.

Real estate and leasing sector has also shown higher than the average Nova Scotia employment compound annual growth rate of 4.0% for 2000-2005. This sector created 1,500 new jobs between 2000 and 2005. Housing starts in Nova Scotia were up by 7.7% in 2005 from the 2000 level. Capital expenditures on residential building construction reached \$1,757.0 million in 2005, a 54.3% increase from the 2000 level. The value of building permits in the province rose 5.5% over 2004 to \$1,188 million in 2005.

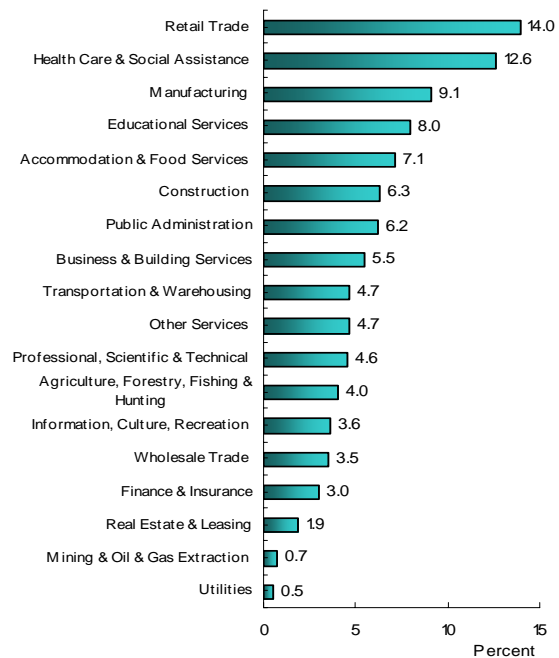
By contrast, the mining and oil and gas extraction industry, the finance and insurance, utilities, other services, manufacturing, information, culture and recreation, and wholesale trade experienced declines in employment, as shown by the negative compound annual rate of growth of employment of -4.2%,

Table 3. Largest Increase in Employment by Industry, Nova Scotia, 2000-2005.

Largest Increase in Employment 2000-2005	Employment Growth [Persons]	Employment Growth [%]
Business, Building & Other Services	7,700	46.7
Health Care & Social Assistance	5,500	10.9
Accommodation & Food Services	5,500	21.1
Retail Trade	4,900	8.6
Professional, Scientific & Technical Services	3,900	23.9
Construction	3,900	16.4
Educational Services	3,100	9.6

Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

Figure 10. Shares of Total Provincial Employment by Industry, Nova Scotia, 2005.



Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

-1.7%, -1.6%, -1.6%, -0.9%, -0.7%, and -0.1%, respectively for 2000-2005 (Figure 9).

The most significant decrease in employment was observed in the manufacturing sector, where approximately 1,800 jobs were lost between 2000 and 2005, due to impact of slowing US economy on manufacturing exports, facing an increasing competition from China and other Asian economies, and changing consumer demands. The share of total provincial employment in this sector dropped from 10.2% in 2000 to 9.1% in 2005.

The employment losses in the other services sector accounted for 1,700 jobs lost between 2000 and 2005. The share of total provincial employment in this sector dropped from 5.5% in 2000 to 4.7% in 2005.

The decline in employment, which occurred in finance and insurance sector, mainly due to the consolidation of banking services with the closure of rural branches and the proliferation of ATM's, accounted for 1,200 jobs lost between 2000 and 2005. The share of total provincial employment in this sector dropped from 3.6% in 2000 to 3.0% in 2005.

The employment losses, which occurred in the mining, oil and gas extraction industries accounted for 700 jobs lost between 2000 and 2005. The share of total provincial employment in this capital intensive sector dropped from 0.9% in 2000 to 0.7% in 2005. The decline in employment in this sector was mainly attributed to the decrease in direct employment in this industry. After the oil and gas exploration reached a peak in

2000, as a result of the Sable Offshore project, direct employment in the industry has declined even though exploration activities have continued.

The decline in employment was also observed in information, culture and recreation, where approximately 600 jobs were lost during the time period 2000-2005. The share of total provincial employment in this sector dropped from 4.0% in 2000 to 3.6% in 2005.

The employment losses, which occurred in utilities sector accounted for approximately 200 jobs lost between 2000 and 2005. The share of total provincial employment in this sector decreased from 0.6% in 2000 to 0.5% in 2005.

A slight decline in employment was also observed in the wholesale trade sector where approximately 100 jobs were lost between 2000 and 2005. The share of total provincial employment in this sector declined from 3.8% in 2000 to 3.5% in 2005.

The employment increase in public administration accounted for 1,400 new jobs created in the public sector between 2000 and 2005. However, since the compound annual growth rate in employment in this sector was 1.1%, 0.4 percentage points below the overall growth in employment for all industries, the share of total provincial employment in this sector declined from 6.3% in 2000 to 6.2% in 2005.

Interestingly, the information, culture and recreation industries registered a negative employment growth, at -0.7%, even though the sector posted above average GDP growth, at 4.2% for 2000-2005 (Table 1). Despite losing 200

Overview of Nova Scotia Economy, 2000-2005

jobs, this sector experienced a significant growth in GDP between 2000 and 2005, which is primarily due to the impact of the telecommunication industry on GDP growth.

Labour Income

Over the five-year period 2000-2005, labour income in Nova Scotia grew at the compound annual rate of 4.0%, with a higher growth in the supplementary labour income than in the wages and salaries, at 6.0% and 3.8%, respectively (Table 4 and Figure 11). As a result, the share of the labour income from wages and salaries decreased from 87.8% in 2000 to 86.6% in 2005, while the share of the supplementary labour income increased from 12.2% in 2000 to 13.4% in 2005.

In general, wages and salaries were growing significantly faster in the services sector than in the goods producing sector, at the compound annual growth rates of 4.5% and 1.1%, respectively between 2000 and 2005 (Figure 12). As a result, the services sector's share of total provincial wages and salaries increased from 76.8% in 2000 to 79.6% in 2005, while the goods producing sector share declined from 20.4% in 2000 to 17.6% in 2005 (Table 5).

Within the goods producing sector, the primary industries experienced significantly faster growth in wages and salaries than the secondary industries, and grew at the compound annual growth rates of 2.9% and 1.1%, respectively, between 2000 and 2005 (Figure 12).

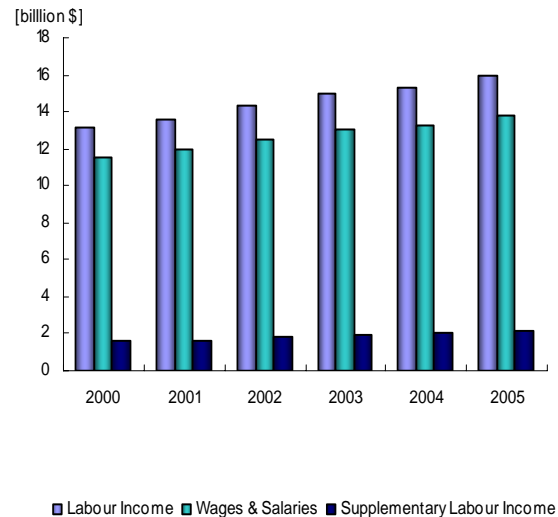
However, within the services sector, the public sector experienced slightly faster growth rates in wages and salaries than the private sector, at 4.6% and 4.5%, respectively, between 2000 and 2005 (Figure 12 and Table 5). As a result, the

Table 4. Components of Labour Income, Nova Scotia, 2000-2005.

Components of Labour Income	CAGR 2000-2005 [%]	Share of Industrial Aggregate	
		2000 [%]	2005 [%]
Labour Income	4.0	100.0	100.0
Supplementary Labour Income	6.0	12.2	13.4
Wages & Salaries	3.8	87.8	86.6

Source: Statistics Canada, *Estimates of Labour Income*, Catalogue No 13F0016-XPB.

Figure 11. Growth in Components of Labour Income, Nova Scotia, 2000-2005.



Source: Statistics Canada, *Estimates of Labour Income*, Catalogue No 13F0016-XPB.

share of total provincial wages and salaries in the public sector increased by 1.4 percentage points from 34.2% in 2000 to 35.6% in 2005, and the share of total provincial wages and salaries in the

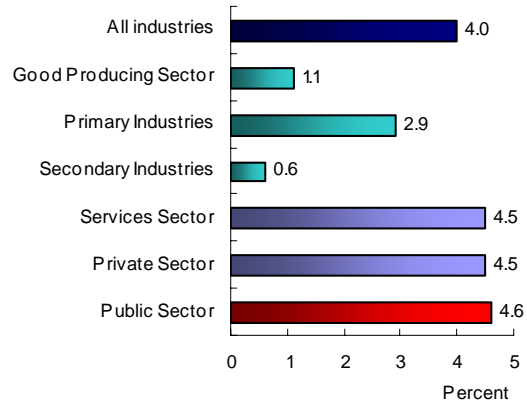
private sector increased also by 1.4 percentage points from 42.6% in 2000 to 44.0% in 2005.

The fastest growth in wages and salaries was observed in health care and social assistance, professional and personal services, and agriculture, forestry, fishing and hunting, which grew at the compound annual growth rates of 6.9%, 6.5% and 5.7%, respectively, between 2000 and 2005 (Figure 13). As a result, the share of total provincial wages and salaries in the health care and social assistance increased from 10.5% in 2000 to 12.2% in 2005, in professional and personal services from 13.3% in 2000 to 15.2% in 2005, while in the agriculture, forestry, fishing and hunting from 2.1% in 2000 to 2.3% in 2005 (Figure 14).

Over the five-year period 2000-2005, construction, information and cultural industries, and local public administration also experienced a significant growth in total wages and salaries, which grew at the compound annual growth rates of 4.8%, 4.7% and 4.4%, respectively. The provincial share of total wages and salaries in construction increased by 0.3 percentage points from 6.5% in 2000 to 6.8% in 2005, in information and cultural industries from 2.6% in 2000 to 2.7% in 2005, while in local public administration it remained unchanged at 1.4% for 2000-2005.

The finance, insurance and company management industry registered growth in total wages and salaries slightly below the overall industrial aggregate's compound annual growth rate, by growing at 3.7% compared to 4.0% for all industries for 2000-2005. The share of total provincial wages and salaries in this sector remained unchanged at 7.1%

Figure 12. Compound Annual Rate of Growth in Wages and Salaries by Sector, Nova Scotia, 2000-2005.



Source: Statistics Canada, *Estimates of Labour Income*, Catalogue No 13F0016-XPB.

Figure 13. Compound Annual Rate of Growth in Wages and Salaries by Industry, Nova Scotia, 2000-2005.



Source: Statistics Canada, *Estimates of Labour Income*, Catalogue No 13F0016-XPB.

between 2000 and 2005 (Table 5).

Educational services, transportation and storage, and trade sector also showed a slightly slower than the overall industrial aggregate's compound annual growth rates, and grew at the compound annual growth rates of 3.6%, 3.4% and 3.3%, respectively, between 2000 and 2005 (Table 5). As a result, the share of total provincial wages and salaries in the educational sector declined by 0.1 percentage points from 9.4% in 2000 to 9.3% in 2005 (Figure 14). The share of total provincial wages and salaries in transportation and storage industry also declined by 0.1 percentage points from 5.4% in 2000 to 5.3% in 2005, while the share of total provincial wages and salaries in trade sector declined by 0.4 percentage points from 14.2% in 2000 to 13.8% in 2005.

The public sector, excluding health care and social assistance, showed a growth rate in wages and salaries below the compound annual growth rate for the overall industrial aggregate, that is below 4.0% for 2000-2005. The wages and salaries in the provincial public administration and federal public administration grew at the compound annual growth rates of 3.3% and 3.2%, respectively, between 2000 and 2005.

However, within the federal public administration, the compound annual growth rate in wages and salaries was much higher for military staff than for federal public administration, at 4.3% and 2.2%, respectively, for 2000-2005, reflecting both expansion of the military personnel combined with raising salaries for military staff.

Table 5. Compound Annual Growth in Wages and Salaries by Industry and Shares of Total Provincial Wages and Salaries by Industry, Nova Scotia, 2000-2005.

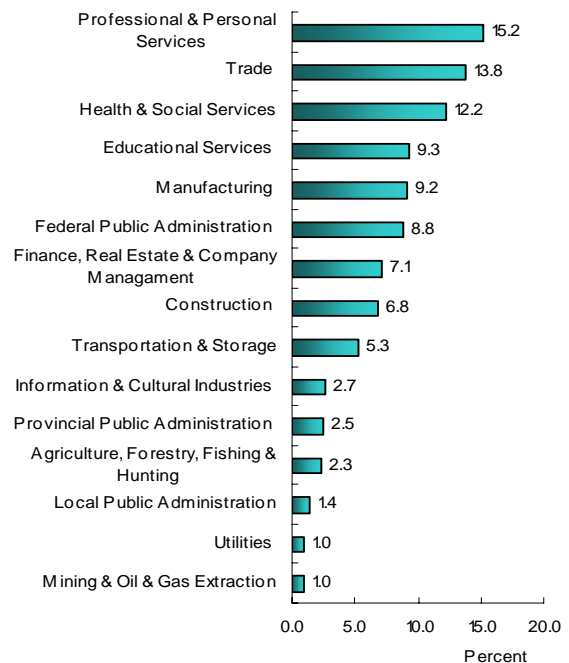
Industry	CAGR 2000- 2005 [%]	Share of Industrial Aggregate	
		2000 [%]	2005 [%]
Wages and Salaries	4.0	100.0	100.0
Goods Producing Sector	1.1	20.4	17.6
Primary Industries	2.9	4.6	4.4
Agriculture, Forestry, Fishing & Hunting	5.7	2.1	2.3
Mining & Oil and Gas Extraction	(0.9)	1.3	1.0
Utilities	1.3	1.1	1.0
Secondary Industries	0.6	18.7	16.0
Manufacturing	(1.9)	12.2	9.2
Construction	4.8	6.5	6.8
Services Producing Sector	4.5	76.8	79.6
Private Sector	4.5	42.6	44.0
Trade	3.3	14.2	13.8
Transportation & Storage	3.4	5.4	5.3
Finance, Real Estate & Company Management	3.7	7.1	7.1
Professional & Personal Services	6.5	13.3	15.2
Information & Cultural Industries	4.7	2.6	2.7
Public Sector	4.6	34.2	35.6
Educational Services	3.6	9.4	9.3
Health Care & Social Assistance	6.9	10.5	12.2
Federal Public Administration	3.2	10.4	10.1
Federal Public Admin. excluding Military	2.2	5.2	4.7
Military	4.3	4.0	4.0
Provincial & Territorial Public Administration	3.3	2.6	2.5
Local Public Administration	4.4	1.4	1.4

Source: Statistics Canada, *Estimates of Labour Income*, Catalogue No 13F0016-XPB.

Between 2000 and 2005, the manufacturing and mining and oil and gas extraction sectors experienced declines in wages and salaries, at the compound annual negative growth rates of 1.9% and 0.9%, respectively. The decline in total wages in salaries in the manufacturing industry was attributed to a decreasing employment in this industry at the compound annual rate of -0.9%, reflecting the impact of a slowing US economy on the manufacturing sector, as well as other challenges, such as rising energy prices and growing competition from China. As a result, the share of total provincial wages and salaries in manufacturing decreased by 3.0 percentage points from 12.2% in 2000 to 9.2% in 2005.

The decline in total wages and salaries in the mining and oil and gas extraction sector reflected a decreasing employment in this sector, at the compound annual rate of -4.2% between 2000 and 2005, mainly due to completion of major phases of the Sable Offshore Energy Project and the Maritimes and Northeast Pipeline Project. As a result, the share of total provincial wages and salaries in mining and oil and gas extraction industry decreased by 0.2 percentage points from 1.3% in 2000 to 1.1% in 2005.

Figure 14. Shares of Total Provincial Wages and Salaries by Industry, Nova Scotia, 2005.



Source: Statistics Canada, *Estimates of Labour Income*, Catalogue No 13F0016-XPB.

Average Weekly Wages and Salaries

Over the five-year period 2000-2005, average weekly wages in Nova Scotia grew at the compound annual growth rate of 2.5%, with a slightly higher growth in the services sector than in the goods producing sector, at 2.6% and 2.3%, respectively (Table 6).

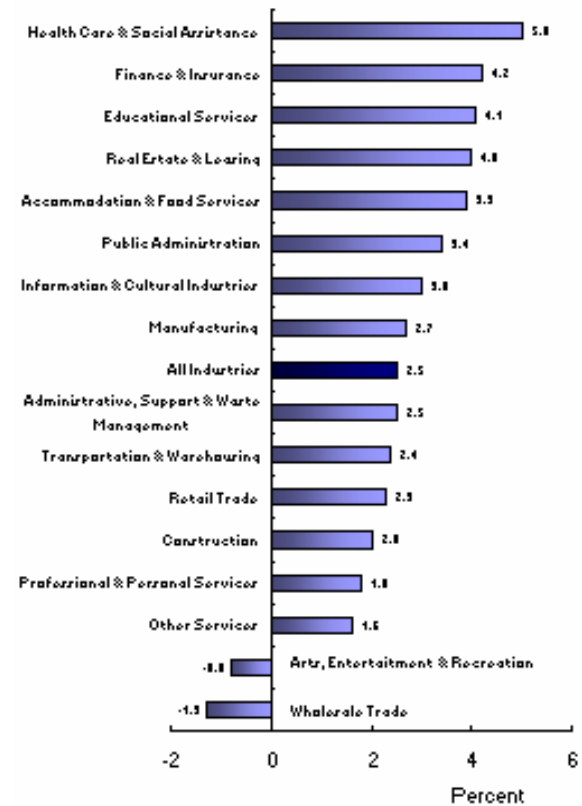
The fastest growth in average weekly wages was observed in health care and social assistance, finance and insurance, educational services, accommodation and food services, and public administration, which grew at the compound annual rates of 5.0%, 4.2%, 4.1%, 3.9% and 3.4%, respectively between 2000 and 2005 (Figure 15).

Growth above the overall industrial aggregate's average weekly wages growth rate was also registered in information and cultural industries, and manufacturing sector, which grew at the compound annual growth rates of 3.0% and 2.7%, respectively for 2000-2005.

Administrative, support and waste management industry experienced growth in average weekly wages and salaries at the compound annual growth rate of 2.5% that is the same rate as for all industries in Nova Scotia between 2000 and 2005.

During the five-year period 2000-2005, transportation and warehousing, retail trade, construction, professional and personal services, and other services experienced growth in average weekly wages and salaries below the overall industrial aggregate's average weekly wages growth rate, and grew at the

Figure 15. Compound Annual Growth in Average Weekly Wages and Salaries by Industry, Nova Scotia, 2000-2005.



Source: Statistics Canada, *Employment, Earnings & Hours*, Catalogue No 72F0023-XCB.

compound annual rate of 2.4%, 2.3%, 2.0%, 1.8% and 1.6%, respectively.

In contrast, a decline in average weekly wages and salaries was observed in arts, entertainment and recreation, and wholesale trade, which decreased at the compound annual negative growth rates of -1.3% and -0.8%, respectively between 2000 and 2005.

In 2005, average weekly earnings in Nova Scotia were \$636.09, as compared to \$728.17 in Canada. In the goods producing sector, in general, the average weekly wages and salaries were higher than in the services sector, at \$770.48 and \$608.26, respectively for 2005. These figures represent gross earnings, before tax and other deductions, and include overtime.

The highest paying industries in 2005 included finance and insurance, public administration, professional and personal services, and manufacturing, in which employees earned average weekly wages of \$909.91, \$855.15, \$788.63 and \$777.58, respectively (Figure 16).

The lowest average weekly wages and salaries were observed in accommodation and food services, arts, entertainment and recreation, retail trade, other services, and administrative, support and waste management services at \$290.10, \$303.14, \$439.54, \$463.39 and \$505.80, respectively for 2005.

Finance, insurance, real estate and leasing sector, the highest paying sector in Nova Scotia in 2005, had the highest percentage of permanent jobs among all industries in Nova Scotia. Only 6.1% of all FIRE and leasing industry workers were temporary employees, compared to the provincial average of 16.7%. In addition, the sector employed more full-time workers, on a percentage basis, than the provincial average. In 2005, 15.6% of all FIRE and leasing sector employees worked on part-time basis, compared to the provincial average of 18.7% (Figures 16, 17, 18 and 19). The level of workforce unionization in this sector was very low, at 8.3% for 2005, compared to the provincial average of 29.4% for 2005.

Table 6. Compound Annual Growth in Average Weekly Wages and Salaries by Industry, Nova Scotia, 2000-2005.

Industry	CAGR 2000- 2005 [%]	Share of Industrial Aggregate	
		2000 [%]	2005 [%]
Industrial Aggregate	2.5	100.0	100.0
Goods Producing Sector	2.3	121.9	121.1
Primary Industries	X	X	X
Agriculture, Forestry, Fishing & Hunting	X	X	X
Mining & Oil and Gas Extraction	X	X	X
Utilities	X	X	X
Secondary Industries			
Manufacturing	2.7	121.0	122.2
Construction	2.0	116.5	114.0
Services Producing Sector	2.6	95.0	95.6
Private Sector			
Retail Trade	2.3	69.6	69.1
Wholesale Trade	(1.3)	128.3	106.5
Transportation & Warehousing	2.4	119.1	118.3
Finance & Insurance	4.2	131.8	143.0
Professional and Personal Services	1.8	128.3	124.0
Information & Cultural Services	3.0	115.3	118.2
Arts, Entertainment & Recreation	(0.8)	56.2	47.7
Accommodation & Food Services	3.9	42.5	45.6
Administrative, Support & Waste Management Services	2.5	79.4	79.5
Other Services	1.6	75.9	72.8
Public Sector			
Educational Services	4.1	107.8	116.5
Health Care & Social Assistance	5.0	93.4	105.5
Public Administration	3.4	128.7	134.4

Source: Statistics Canada, *Employment, Earnings & Hours*, Catalogue No 72F0023-XCB.

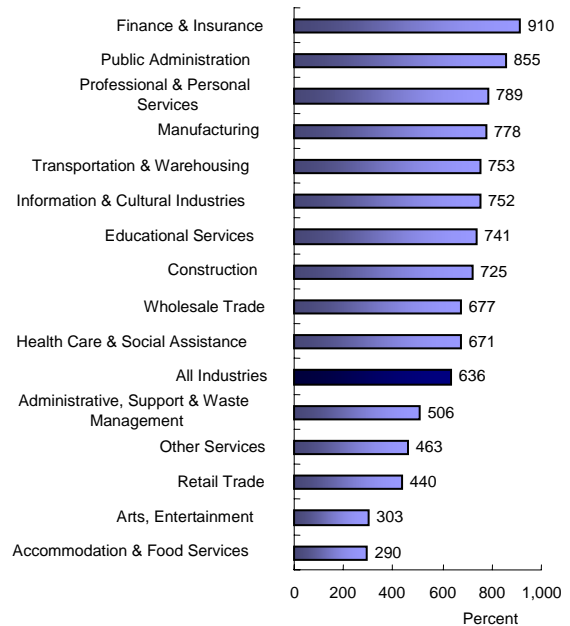
Note: X – Suppressed to meet the confidentiality requirements of the Statistics Act.

The second highest paying sector in Nova Scotia, public administration, employed significantly more full-time workers, on a percentage basis, than the provincial average in 2005. Only 6.9% of public administration employees worked on a part-time basis, compared to the provincial average of 18.7% in 2005. In addition, only 17.5% of all jobs in public administration were temporary or term jobs, slightly less than the provincial average of 16.7% for 2005. This sector had the second highest level of unionization of workforce. In 2005, 66.8% of the public administration employees were unionized, as compared to the provincial average of 29.4%.

In contrast, the third highest paying industry, professional and personal services, which had the higher percentage of permanent jobs than public administration sector, but less full-time jobs, had only 4.3% of unionized employees in 2005 (Figure 18). The professional and personal services employed only 13.4% of part-time workers, compared to the provincial average of 18.7% for 2005. In addition, 90.0% of all jobs in this sector were permanent jobs, compared to 83.3% for all industries in 2005.

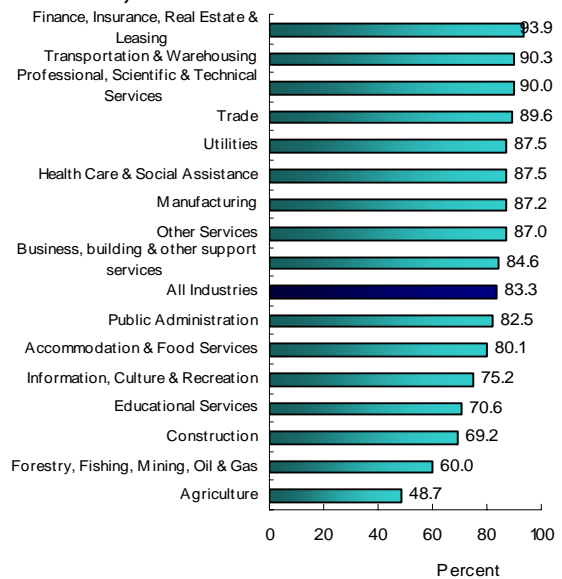
Manufacturing sector, which paid the fourth highest average weekly wages in Nova Scotia in 2005, employed significantly more full-time workers, on a percentage basis, than the provincial average. In fact, the percentage of full-time jobs in the manufacturing sector was the second highest among all industries in 2005. Only 4.5% of all manufacturing industry workers were employed on a part-time basis. The number of permanent jobs, on the

Figure 16. Average Weekly Wages and Salaries by Industry, Nova Scotia, 2005.



Source: Statistics Canada, *Employment, Earnings & Hours*, Catalogue No 72F0023-XCB.

Figure 17. Permanent Jobs by Industry, Nova Scotia, 2005.



Source: Statistics Canada, *Labour Force Historical Review 2006*, CD-ROM No. 71F0004-XCB.

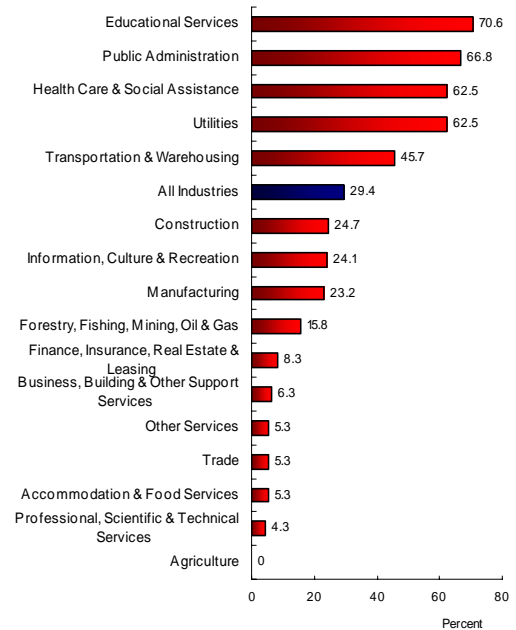
percentage basis was also very high, 87.2% compared to 83.3% for all industries in 2005. Unionization of workers in the manufacturing sector was 23.2%, 6.2 percentage point below the provincial average of 29.4% for 2005.

Although, the level of unionization in educational services was the highest of all industries, at 70.6% for 2005, the high percentage of part-time and temporary jobs contributed to relatively lower average weekly wages. In 2005, the educational services sector employed 25.2% part-time workers, compared to the provincial average of 18.7%. The number of permanent jobs in this sector, on a percentage basis, were 70.6%, which is also below the provincial average of 83.3% for 2005.

In 2005, the highest percentage of full time jobs was in utilities sector, where 100.0% employees worked on full-time basis. Unionization of workforce in this industry was very high. About 62.5% of all employees were union members, compared to the provincial average of 29.4% for 2005. In addition, the number of permanent jobs was also very high, at 87.5%, as compared to the provincial average of 83.3% for 2005.

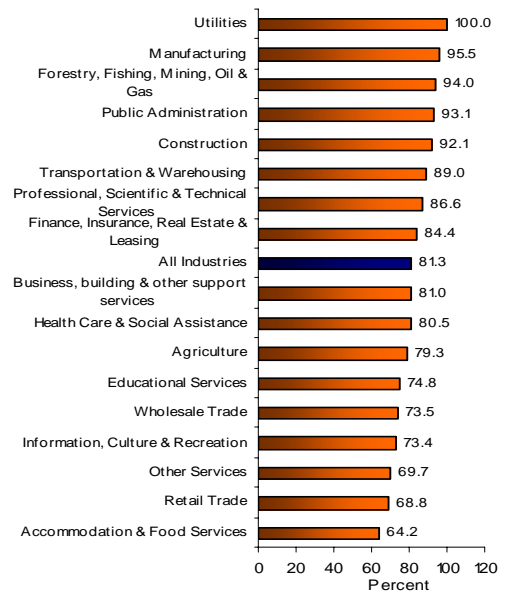
Accommodation and food services, the lowest paying industry in Nova Scotia employed significantly more part-time, temporary and seasonal workers, on a percentage basis, than the provincial average. In 2005, 35.8% of all workers in this sector, aged 15 year and over, were employed on a part-time basis, compared to the provincial average of 18.7% in 2005. In addition, only 80.1% of all jobs in this industry were permanent, as compared to the provincial average of 83.3% in 2005. Unionization of workforce in this sector

Figure 18. Unionization by Industry, Nova Scotia, 2005.



Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

Figure 19. Full-Time Jobs by Industry, Nova Scotia, 2005.



Source: Statistics Canada, Labour Force Historical Review 2006, CD-ROM No. 71F0004-XCB.

Overview of Nova Scotia Economy, 2000-2005

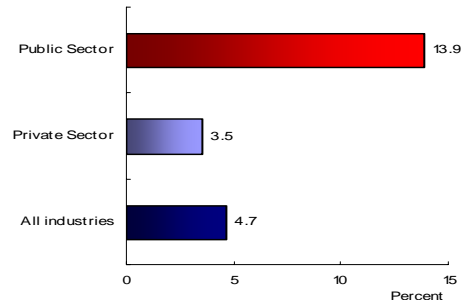
was very low. Only 5.3% of all employees were union members, compared to the provincial average of 29.4% for 2005.

Capital Expenditures

Nova Scotia registered total capital expenditures of \$5.9 billion in 2005, a 25.7% increase over the 2000 level. During the five-year period 2000-2005, total capital expenditures in Nova Scotia grew at the compound annual growth rate of 4.7%, with a rapid growth in the public sector, at 13.9% (Table 7 and Figure 20), mainly due to reinvestment in public services, notably hospitals, P-3 schools and the Nova Scotia Community College. Over the same time period the compound annual growth in private sector capital investments was 3.5%, because of the effect of one-time, huge capital investments in 1999, related mainly to the Sable Offshore Energy Project and Maritimes and Northeast Pipeline Project, as well as expansion of Michelin and STORA, which thereafter declined over time. As a result of that substantial capital spending, the public sector share of total provincial capital expenditures increased from 9.9% in 2000 to 15.1% in 2005, while the private sector share declined from 90.1% in 2000 to 84.9% in 2005.

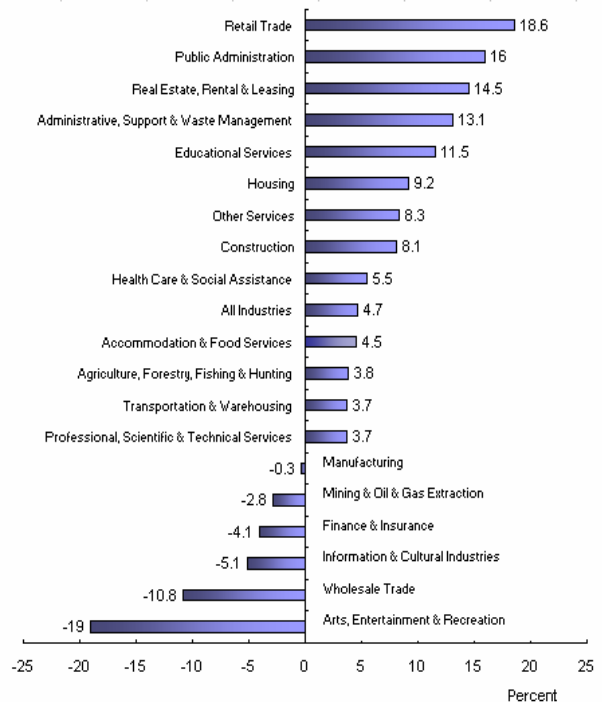
Double digit growth in capital expenditures was observed in retail trade (Wal-Mart and new Big Box stores in Bayers Lake area), public administration (re-investment in public services after fiscal restraint in 1990s), real estate, rental and leasing, administrative, support and waste management services, and educational services (Nova Scotia Community College and P-3 schools), which grew at compound annual growth rates of 18.6%, 16.0%, 14.5%, 13.1% and 11.5%, respectively between 2000 and 2005 (Figure 21). Since the retail trade sector accounts for

Figure 20. Compound Annual Growth in Capital Expenditures by Sector, Nova Scotia, 2000-2005.



Source: Statistics Canada, *Public & Private Investment in Canada*, Catalogue No 61-206 XPB.

Figure 21. Compound Annual Growth in Capital Expenditures by Industry, Nova Scotia, 2000-2005.



Source: Statistics Canada, *Public & Private Investment in Canada*, Catalogue No 61-206 XPB.

only a small percentage of Nova Scotia's total capital expenditures, despite the rapid growth in capital investment in this sector, at the compound annual growth rate of 18.6% for 2000-2005, the provincial share of total capital expenditures for this sector increased only by 2.1 percentage points from 2.5% of the total provincial expenditures in 2000 to 4.6% in 2005 (Figure 22).

The most significant increase in the share of the total provincial capital expenditures was observed in the housing sector, which was up by 5.7 percentage points from 24.0% of total provincial capital expenditures in 2000 to 29.7% in 2005. Lower interest rates and lower unemployment was driving up housing investment in the province during this period.

The share of total provincial capital investment in public administration increased by 4.3 percentage points from 6.4% in 2000 to 10.7% in 2005, and in real estate, rental and leasing sector (driven by imports of autos) increased by 2.3 percentage points, from 4.2% in 2000 to 6.5% in 2005.

Since the administrative, support and waste management services sector accounts for only small percentage of Nova Scotia's total capital expenditures, despite the double-digit growth in capital investment in this sector, at the compound annual growth rate of 13.1% for 2000-2005, the provincial share of total expenditures for this sector increased only by 0.2 percentage points from 0.5% of the total provincial expenditures in 2000 to 0.7% in 2005 (Figure 22).

The educational services also showed an increase in the share of total provincial

Table 7. Total Capital Expenditures by Industry, Nova Scotia, 2005.

Industry	CAGR 2000- 2005 [%]	Share of Industrial Aggregate	
		2000 [%]	2005 [%]
Industrial Aggregate	4.7	100.0	100.0
Goods Producing Sector	X	X	X
Primary Industries	X	X	X
Agriculture, Forestry, Fishing & Hunting	3.8	2.3	2.2
Mining & Oil & Gas Extraction	(2.8)	14.9	10.3
Utilities	X	X	X
Secondary Industries	1.1	10.3	8.6
Manufacturing	(0.3)	8.8	6.9
Construction	8.1	1.5	1.7
Services Producing Sector	X	X	X
Private Sector	X	X	X
Retail Trade	18.6	2.5	4.6
Wholesale Trade	(10.8)	3.8	1.7
Transportation & Warehousing	3.7	5.2	4.9
Finance & Insurance	(4.1)	8.6	5.6
Real Estate, Rental & Leasing	14.5	4.2	6.5
Professional, Scientific & Technical	3.7	1.0	1.0
Management of Companies	X	X	X
Information & Cultural Services	(5.1)	7.0	4.3
Arts, Entertainment & Recreation	(19.0)	1.1	0.3
Accommodation & Food Services	4.5	0.8	0.8
Administrative, Support & Waste Management	13.1	0.5	0.7
Other Services	8.3	0.4	0.5
Housing	9.2	24.0	29.7
Public Sector	13.9	9.9	15.1
Educational Services	11.5	2.2	3.0
Health Care & Social Assistance	5.5	1.3	1.3
Public Administration	16.0	6.4	10.7

Source: Statistics Canada, Public & Private Investment in Canada, Catalogue No 61-206 XPB.

Note: X – Suppressed to meet the confidentiality requirements of the Statistics Act.

capital expenditures by 0.8 percentage points from 2.2% in 2000 to 3.0% in 2005, reflecting re-investment in P-3 schools and community college, following cuts in the 1990s.

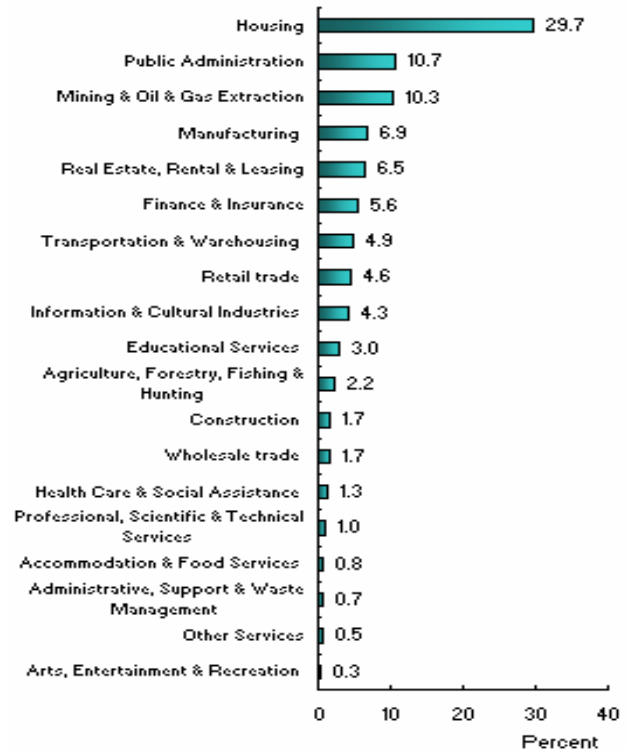
During the 2000-2005 period, the goods producing sector experienced a decline in total capital investment, mainly due to the decrease in capital expenditures in mining and oil and gas extraction sector (Sable Offshore Energy Project and Maritimes and Northeast Pipeline Project had one-time huge capital investments in 1999 and thereafter declined over time), which showed a negative compound annual growth rate of -2.8% for 2000-2005. The share of total provincial capital expenditures in this capital intensive sector declined by 4.6 percentage points from 14.9% in 2000 to 10.3% in 2005.

At the same time, the share of total provincial capital expenditures in finance and insurance industry declined by 3.0 percentage points from 8.6% in 2000 to 5.6% in 2005, while the share of total provincial capital expenditures in real estate, rental and leasing increased by 2.3 percentage points from 4.2% in 2000 to 6.5% in 2005. Therefore, the overall share of total provincial capital expenditures in FIRE sector declined from 12.8% in 2000 to 12.1% in 2005.

Information and cultural services showed a decrease also in the share of total provincial capital expenditures by 2.7 percentage points from 7.0% in 2000 to 4.3% in 2005.

Wholesale trade registered a decline by 2.1 percentage points in the share of total provincial capital expenditures from 3.8% in 2000 to 1.7% in 2005.

Figure 22. Shares of Capital Expenditures by Industry, Nova Scotia, 2005.



Source: Statistics Canada, *Public & Private Investment in Canada, Catalogue No 61-206 XPB*.

Manufacturing sector experienced a decline in the provincial share of total capital expenditures from 8.8% in 2000 to 6.9% in 2005, as a result of many challenges facing this sector over the 5-year period 2000-2005. Those challenges included slowing demand for manufacturing exports as a result of appreciation of the Canadian dollar, higher raw materials costs, and increasing competition from cheaper foreign imports, changing customers demands and increasing business costs due to growing energy prices, that industry needed to absorb over a relatively short time period.

Labour Productivity

Labour productivity is defined as the ratio of real value added over hours worked. The simplest measure of labour productivity in an individual industry is output divided by hours worked. Productivity, as measured by output per hour worked, improves when GDP increases more rapidly than the number of hours worked. Improvements in productivity imply increased efficiency, that is, labour and capital resources are used in ways that add more value.

Productivity is not only the key to the performance of firms and industries, it is fundamental to raising and maintaining the living standard of a country's residents. Labour productivity, as measured by real GDP (in chained 1997 dollars) per hour worked, is a primary determinant of improvements to the standard of living in the long run. It is also the main source of economic growth. Three main drivers of productivity are human capital, physical capital and innovation.

Labour productivity in selected industry sectors was compared using as a proxy⁴ labour productivity index (Table 8 and Figures 23 and 24). In order to calculate a labour productivity index, an index of

⁴ Labour productivity index is a proxy that does not take into consideration the effects of changes in the ratio of capital to labour and the ratio of intermediate purchases to labour. Only industry multifactor productivity measures relate output to the combined inputs of labour, capital, and intermediate purchases. However, because of the enormous data requirements for the measurement of capital and intermediate purchases, a very limited number of industry multifactor productivity measures have been published.

Table 8. Labour Productivity Index Q_t/Q_0 : L_t/L_0 by industry sector, Nova Scotia, 2000-2005.

Industry	Q_t/Q_0	L_t/L_0	Q_t/Q_0 : L_t/L_0
Industrial Aggregate	1.12	1.05	1.07
Goods Producing Sector	1.09	0.98	1.11
Primary Industries	1.10	1.00	1.10
Agriculture, Forestry, Fishing & Hunting	1.12	0.98	1.14
Mining, Oil & Gas Extraction	1.07	1.07	1.00
Utilities	1.13	1.05	1.08
Secondary Industries	1.08	0.97	1.11
Manufacturing	1.05	0.87	1.21
Construction	1.15	1.15	1.00
Services Producing Sector	1.14	1.07	1.06
Private Sector	1.15	1.11	1.04
Wholesale Trade	1.05	1.19	0.88
Retail Trade	1.20	1.02	1.18
Transportation & Warehousing	1.04	1.10	0.95
Information & Cultural Industries	1.23	1.09	1.12
Finance, Insurance, Real Estate & Leasing	1.16	1.08	1.07
Professional, Scientific & Technical Services	1.28	1.32	0.97
Administrative, Support & Waste Management	1.36	1.47	0.93
Arts, Entertainment & Recreation	1.02	1.19	0.86
Accommodation & Food Services	1.02	1.05	0.97
Other Services	1.12	1.05	1.07
Public Sector	1.10	1.00	1.10
Educational Services	1.07	0.96	1.12
Health Care & Social Services	1.18	1.03	1.14
Public Administration	1.07	1.00	1.07
Federal Public Admin. (except Military)	1.11	1.05	1.05
Defense Services	1.05	0.98	1.07
Provincial Public Administration	1.05	0.91	1.15
Municipal & Local Public Administration	1.05	1.10	0.96

Source: Statistics Canada, CANSIM Tables 383-0010 and 379-0025.

industry output was divided by an index of hours:

$$Q_t/Q_0 : L_t/L_0$$

where:

Q_t/Q_0 = the index of output in the current year (2005),

L_t/L_0 = the index of labour input in the current year (2005),

t = the current year (2005)

0 = the base year (2000)

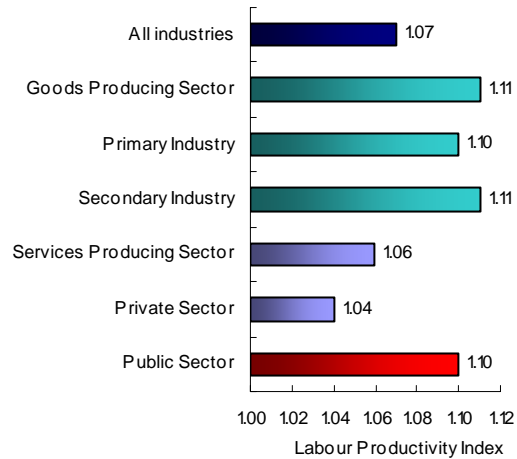
Over the five year period 2000-2005, labour productivity growth for all industries in Nova Scotia was 1.07, and was higher in the goods producing sector compared to the services sector, as illustrated by the labour productivity indexes equal 1.11 and 1.06, respectively, for 2000-2005.

However, within the goods producing sector, the labour productivity index was slightly lower in the primary industries than in the secondary industries, with $Q_t/Q_0 : L_t/L_0$ indexes equal 1.10 for the primary sector compared to 1.11 for the secondary sector.

Within the services sector, the productivity growth in the public sector was higher than in the private sector, with $Q_t/Q_0 : L_t/L_0$ indexes equal 1.10 for the public sector compared to 1.04 for the private sector (Figure 23).

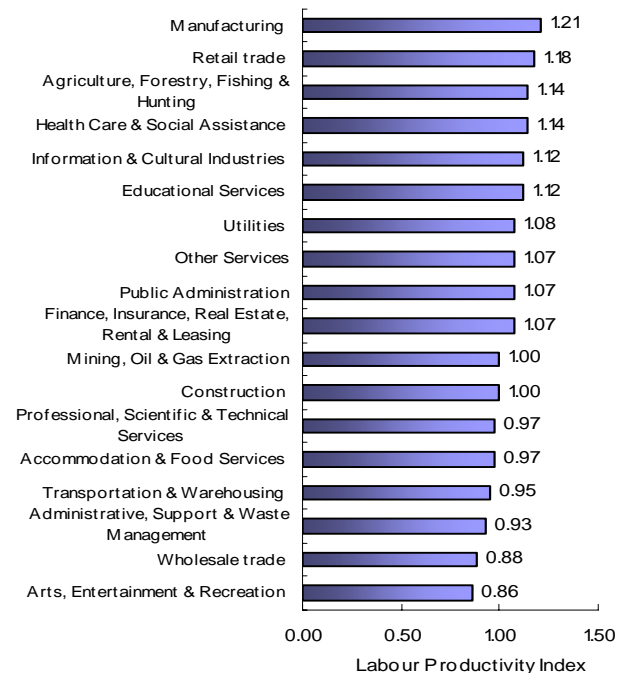
There is also a wide variation of performance at industry level. The most dramatic gain in labour productivity in Nova Scotia was observed in the manufacturing sector, where $Q_t/Q_0 : L_t/L_0$

Figure 23. Labour Productivity Index $Q_t/Q_0 : L_t/L_0$ by Sector, Nova Scotia, 2000-2005.



Source: Statistics Canada, CANSIM Tables 383-0010 and 379-0025.

Figure 24. Labour Productivity Index $Q_t/Q_0 : L_t/L_0$ by Industry, Nova Scotia, 2000-2005.



Source: Statistics Canada, CANSIM Tables 383-0010 and 379-0025.

index equals 1.21 for the five-year period 2000-2005, reflecting a decline in employment, at the compound annual rate of -0.9%, a slow growth in GDP, at a compound annual growth rate of 0.9%, a decline in wages and salaries at the compound annual growth rate of -1.9%, combined with the slight decline in capital investment, at the compound annual rate of -0.3% (Figure 24).

Retail trade, agriculture, forestry, fishing and hunting, health care and social assistance, information and cultural industries and educational services experienced also significant labour productivity growth, with $Q_t/Q_0 : L_t/L_0$ ratios equal to 1.18, 1.14, 1.14, 1.12 and 1.12, respectively over the 5-year period 2000-2005.

The increase in the labour productivity observed in the retail trade sector was mainly attributed to a double digit growth in capital expenditures, at the compound annual growth rate of 18.6%, and a strong growth in GDP, at the compound annual growth rate of 3.7%, combined with a slow growth in employment, at the compound annual growth rate of 1.7%, for 2000-2005.

Health care and social assistance experienced the increase in labour productivity due to a strong growth in capital expenditures, at the compound annual growth rate of 5.5%, moderate growth in GDP, at the compound annual growth rate of 3.3%, combined with a moderate growth in employment, at the compound annual growth rate of 2.1%, and strong growth in wages and salaries, at the compound annual growth rate of 6.9%, over the 5-year period.

Agriculture, forestry, fishing and hunting sector experienced gains in the labour productivity, which were mainly attributed to the growth in capital expenditures, at the compound annual growth rate of 3.8%, combined with a moderate growth in GDP, at the compound annual growth rate of 2.2%, and a very slow growth in employment, at the compound annual growth rate of 0.1%, and a strong growth in wages and salaries at the compound annual growth rate of 5.7% for 2000-2005.

The labour productivity increases in information and cultural industries were due to the fast growth in GDP, at the compound annual growth rate of 4.2% (impact of innovation and telecommunication industry on GDP growth), coupled with a decline in employment, at the compound annual growth rate of -0.7%, an increase in wages and salaries, at the compound annual growth rate of 4.7%, and despite a significant decline in the capital investment, at the compound annual growth rate of -5.1%, for 2000-2005.

Educational services experienced the increase in labour productivity due to a strong growth in capital expenditures at the compound annual growth rate of 4.1%, combined with a growth in wages and salaries at the compound annual growth rate of 3.6%, despite the relatively slow growth in GDP at the compound annual growth rate of 1.4% and a moderate growth in employment at the compound annual growth rate of 1.9% over the 5-year period.

Labour productivity gains in public administration, finance, insurance, real estate and leasing, other services and

Utilities were moderate as shown by productivity indices $Q_t/Q_0 : L_t/L_0$ equal to 1.07, 1.07, 1.07 and 1.08, respectively.

Public administration experienced an increase in labour productivity mainly due to the double digit growth in capital expenditures, at the compound annual growth rate of 16.0%, and slightly faster growth in GDP than in employment, at 1.3% and 1.1%, respectively, for 2000-2005. Within public administration, the fastest growth in labour productivity was observed in the provincial public administration ($Q_t/Q_0 : L_t/L_0 = 1.15$), followed by the federal public administration, except military, ($Q_t/Q_0 : L_t/L_0 = 1.05$), and the municipal and local public administration ($Q_t/Q_0 : L_t/L_0 = 0.96$).

Over the five-year period 2000-2005, a decrease in labour productivity was observed in the arts, entertainment and recreation sector ($Q_t/Q_0 : L_t/L_0 = 0.86$), wholesale trade ($Q_t/Q_0 : L_t/L_0 = 0.88$), administrative, support and waste management services ($Q_t/Q_0 : L_t/L_0 = 0.93$), transportation and warehousing ($Q_t/Q_0 : L_t/L_0 = 0.95$), accommodation and food services ($Q_t/Q_0 : L_t/L_0 = 0.97$), and professional, scientific and technical services ($Q_t/Q_0 : L_t/L_0 = 0.97$), as shown by $Q_t/Q_0 : L_t/L_0$ ratios less than 1.00 (Table 8 and Figure 24).

The decline in labour productivity in arts, entertainment and recreation industry ($Q_t/Q_0 : L_t/L_0 = 0.86$) was attributed to the double digit decline in capital expenditures, at the compound annual growth rates of -19.0%, combined with a very slow growth in GDP, at the compound annual growth rate of 0.3%, and a decline in average weekly wages and salaries, at the compound annual growth rate of 0.8%, for 2000-2005.

Wholesale trade sector experienced a decline in the labour productivity ($Q_t/Q_0 : L_t/L_0 = 0.88$), mainly due to the significant decrease in capital expenditures, at the compound annual growth rate of -10.8%, combined with a slow growth in GDP, at the compound annual growth rate of 1.1%, and a moderate growth in wages and salaries, at the compound annual growth rate of 3.4%, despite a slight decline in employment, at the compound annual growth rate of -0.1%, over the 5-year period 2000-2005.

A decline in labour productivity in the administrative, support and waste management industry ($Q_t/Q_0 : L_t/L_0 = 0.93$) was a result of the faster growth in employment than in GDP, at the compound annual growth rates of 8.0% and 6.4%, respectively for 2000-2005. This decline in labour productivity was softened by a strong growth in capital expenditures, at the compound annual growth rate of 6.4% over the same time period.

The labour productivity decrease in the transportation and warehousing ($Q_t/Q_0 : L_t/L_0 = 0.95$) was attributed to a very slow growth in GDP, at the compound annual growth rate of 0.8%, combined with a slow growth in employment, at the compound annual growth rate of 0.5%, despite a moderate growth in capital expenditures, at the compound annual growth rate of 3.7%, and a moderate growth in wages and salaries, at the compound annual growth rate of 3.4%, between 2000 and 2005.

Appendix

Sectors' Performance Ranking based on a Composite Index

Table 9. Ranking of Sectors' Performance based on a Composite Index of the Compound Annual Growth Rates of Economic Indicators and Labour Productivity for Nova Scotia, 2000-2005.

Industry	Real GDP	Employment	Wages and Salaries	Average Weekly Wages	Capital Spending	Labour Productivity Index	Ranking of Sectors Performance
Industrial Aggregate	2.3	1.5	4.0	2.5	4.7	1.07	
Goods Producing Sector							
Agriculture, Forestry, Fishing & Hunting	2.2	0.1	5.7	X	3.8	1.14	6
Mining & Oil & Gas Extraction	1.4	(4.2)	(0.9)	X	(2.8)	1.00	14
Utilities	2.5	(1.6)	1.3	X	X	1.08	7
Manufacturing	0.9	(0.9)	(1.9)	2.7	(0.3)	1.21	17
Construction	2.8	3.1	4.8	2.0	8.1	1.00	9
Services Sector							
Private Sector							
Retail Trade	3.7	1.7	3.3	2.3	18.6	1.18	3
Wholesale Trade	1.1	(0.1)	3.3	(1.3)	(10.8)	0.88	18
Transportation & Warehousing	0.8	0.5	3.4	2.4	3.7	0.95	16
Finance, Insurance, Real Estate, Leasing	3.0	0.2	3.7	4.2	3.5	1.07	11
Professional, Scientific & Technical Services	5.1	4.4	6.5	1.8	3.7	0.97	5
Information & Cultural Industries	4.2	(0.7)	4.7	3.0	(5.1)	1.12	12
Arts, Entertainment & Recreation	0.3	N/A	N/A	(0.8)	(19.0)	0.86	15
Accommodation & Food Services	0.4	3.9	N/A	3.9	4.5	0.97	8
Administrative, Support & Waste Management	6.4	8.0	N/A	2.5	13.1	0.93	2
Other Services	2.3	(1.6)	N/A	1.6	8.3	1.07	13
Public Sector							
Educational Services	1.4	1.9	3.6	4.1	11.5	1.12	4
Health Care & Social Assistance	3.3	2.1	6.9	5.0	5.5	1.14	1
Public Administration	1.3	1.1	3.3	3.4	16.0	1.07	10

Note 1: There are some compatibility issues due to the slightly different definitions of few sectors. For example a definition of the information and cultural industries according to NAICS classification is less inclusive than the broader definition of this sector for employment.

Note 2: X – Suppressed to meet the confidentiality requirements of the Statistics Act.

Industries	Total of 6 indicators	Ranking
Health Care & Social Assistance Administrative, Support & Waste Management	23	1
Retail Trade	23	2
Educational Services	33	3
Professional, Scientific & Technical Services	35	4
Agriculture, Forestry, Fishing & Hunting Utilities	37	5
Accommodation & Food Services	37	6
Construction	38	7
Public Administration	40	8
FIRE Sector	40	9
Information & Cultural Industries	42	10
Other Services	43	11
Mining & Oil & Gas Extraction	47	12
Arts, Entertainment & Recreation	49	13
Transportation & Warehousing	60	14
Manufacturing	61	15
Wholesale Trade	62	16
	77	17
		18