



# Halifax as Atlantic Hub: Strengthening Growth for the Entire Region

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# Global Economic Highlights

- The world economy expanded by 2.4 per cent in 2008 but growth will be negative in 2009
- The U.S. financial crisis and recession has rippled around the world
- Sustained but slower growth in emerging markets, led by China and India, is barely blunting the impact of a U.S. slowdown



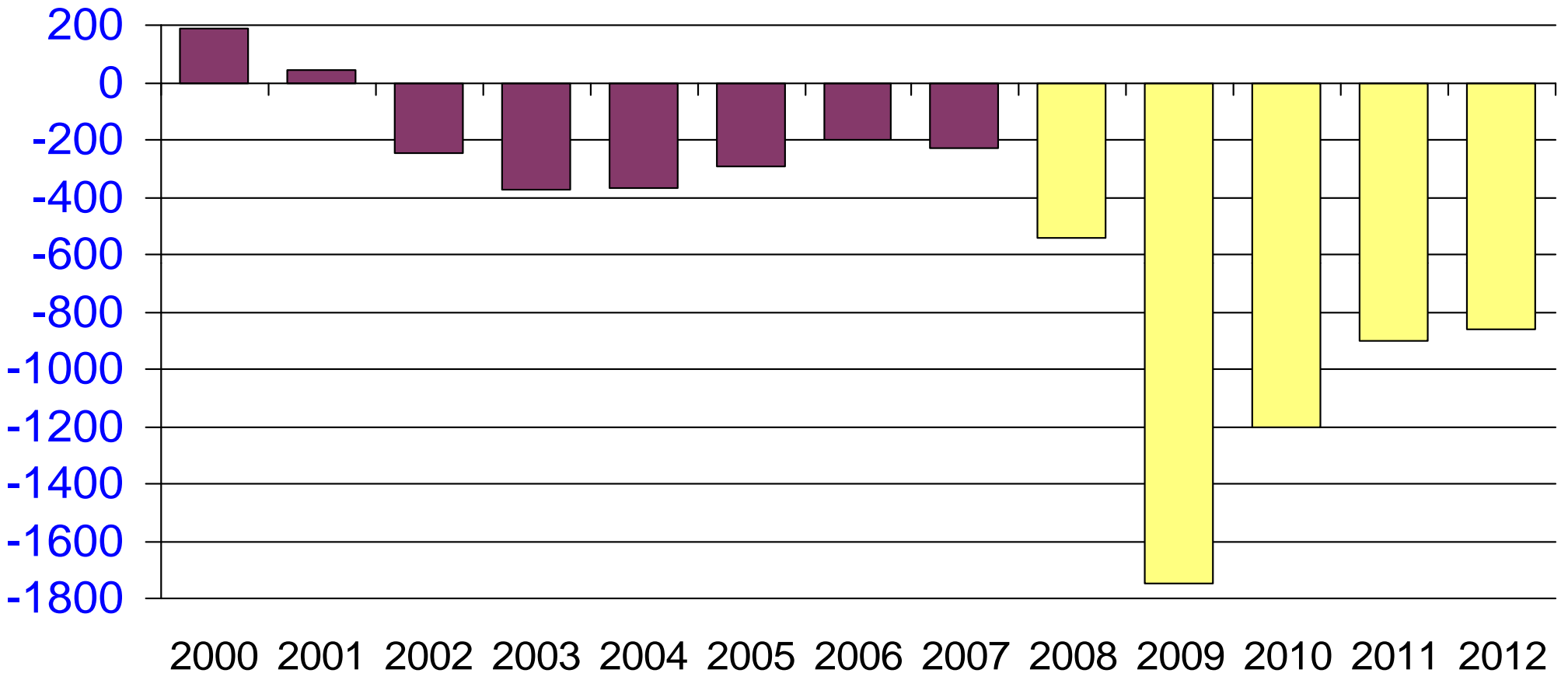


## U.S. Outlook

- U.S. economy is in deep recession
- Continued sharp decline in home prices
- Consumer spending falls for 5 quarters
- Occasional good news is slowly starting to emerge



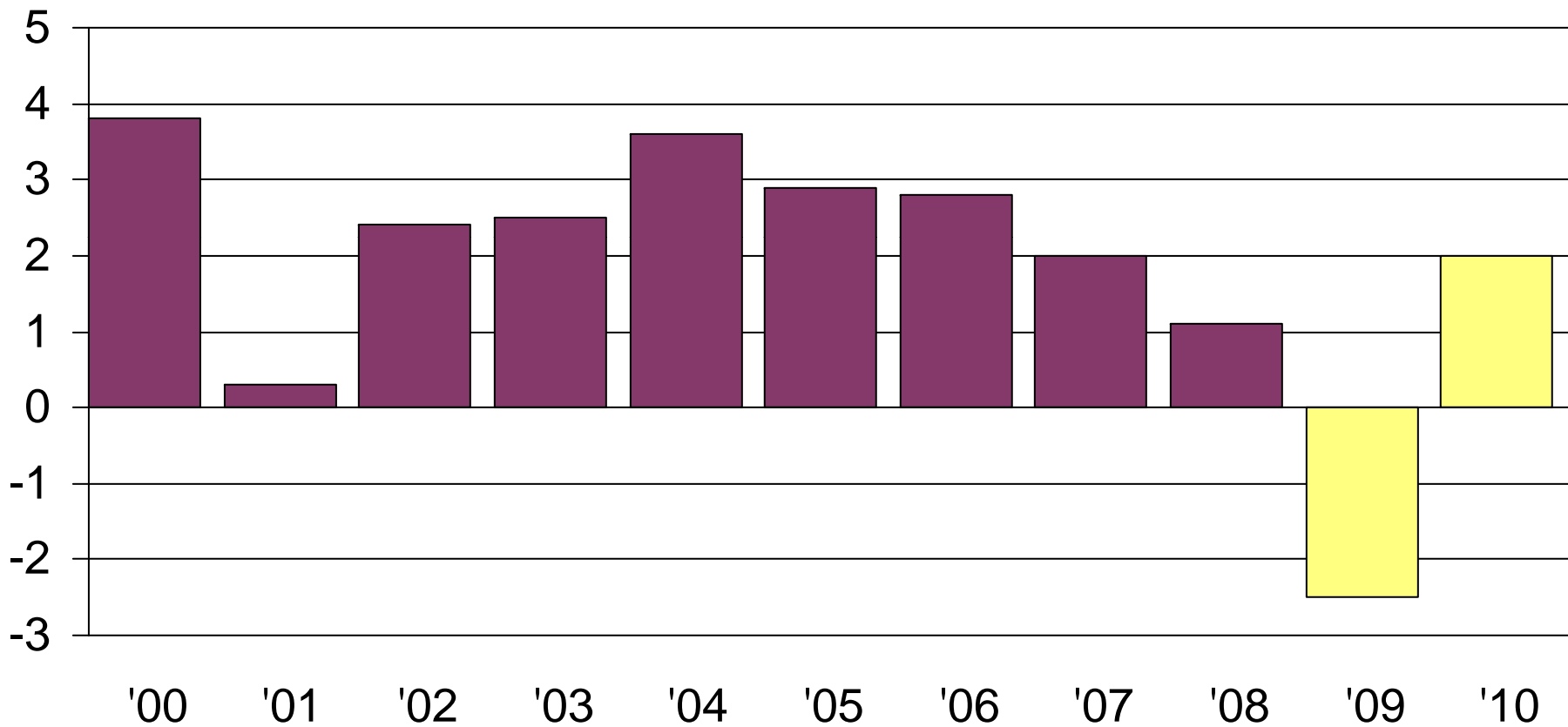
# US Federal Deficit (\$billions)



Sources: BEA; CBoC



# U.S. Real GDP (per cent change)



Sources: BEA; CBoC



# Canadian Outlook

- Canada dragged down by global recession and sharp drop in commodity prices
- Fiscal stimulus packages in Canada and the United States will eventually pull us out of recession
- Employment will decline this year, as the unemployment rate peaks at just over 8.5 per cent in early 2010
- A recovery is in store for 2010, with GDP rebounding to 2.5 per cent



# Nova Scotia Highlights

- Provincial economy also dragged down by the global recession
- Manufacturing industry still struggling
- Natural gas production expected to drop over next two years
- Development of Deep Panuke natural gas field provides a bright spot for the economy this year
- Real GDP is forecast to contract by 0.5 per cent in 2009 and to recover to 2 per cent in 2010



# Halifax Highlights

- Halifax economy partly insulated from global forces
- But GDP growth will stall this year as the global economic slowdown takes hold.
- The first annual drop in employment in 17 years will push Halifax's unemployment rate to 6.6 per cent in 2009.



# Recent Conference Board Research

## Mission Possible, Vol. 3: Successful Cities

- Globally, cities and city-regions must be at the core of national prosperity agendas
- Cities are attracting public and private investment, and people, to make them more liveable, more competitive and more sustainable



# Three Imperatives for Achieving Successful Cities

- Make major cities a national priority
- Strengthen the cornerstones of competitive cities
  - Infrastructure
  - Sustainability—industrial ecology
  - Governance
- Give major cities the power and fiscal resources they need for success



# Our Report Card on Canadian Census Metropolitan Areas (CMAs)

- 46 indicators used to measure a city's attractiveness to people
- Indicators are split across seven domains: Economy, Education, Environment, Health, Housing, Innovation and Society



# Grading

- For each indicator, scores are divided into quartiles
- a quartile grade of A, B, C or D is given to each city
- Top quartile gets an A, second quartile a B, etc.

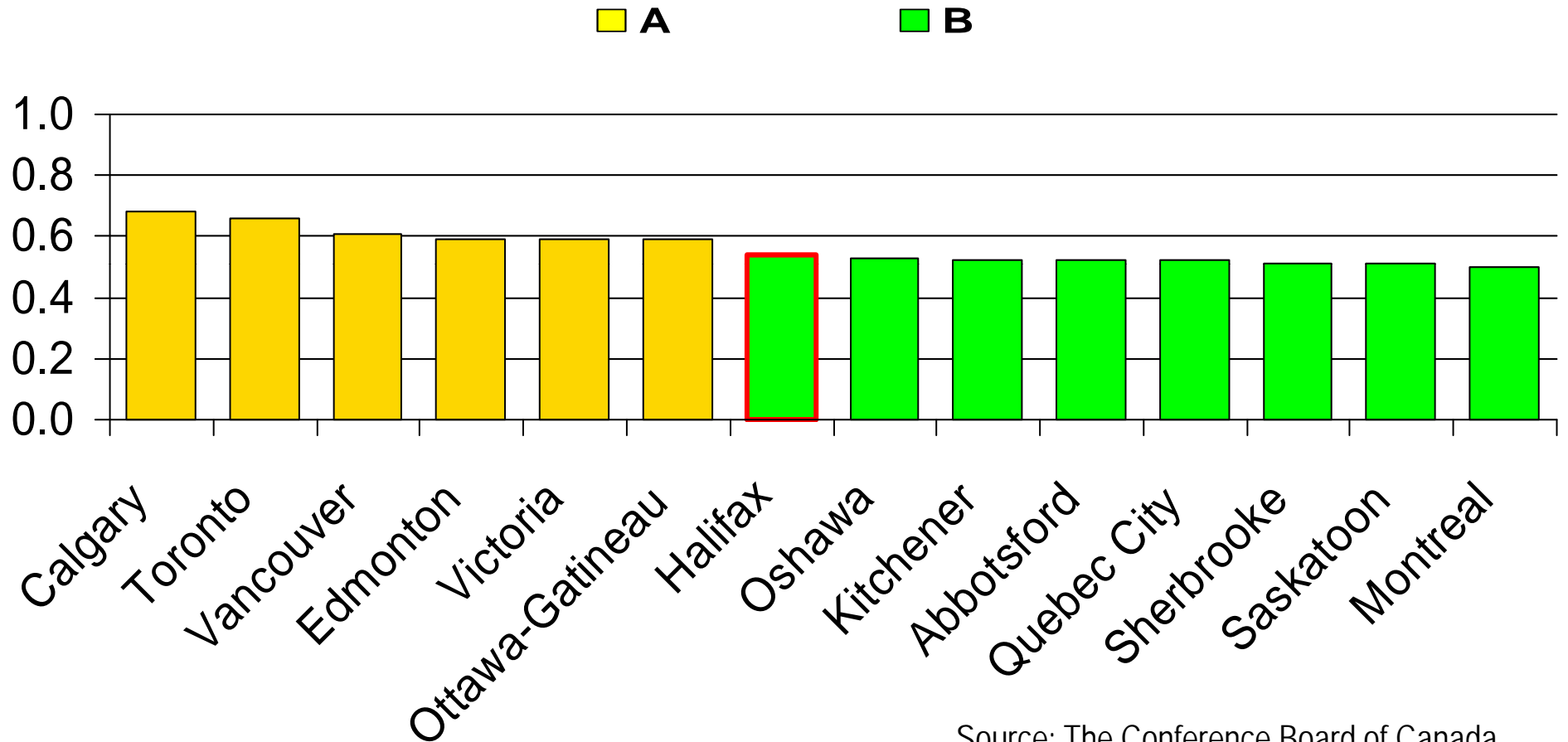


# So How Did Halifax Do?

- Halifax received a “B” aggregate score
- 7<sup>th</sup> overall and 2<sup>nd</sup> among the mid-sized CMAs
- One A, in Environment (4<sup>th</sup> overall)
- Two “Bs”: Education (3<sup>rd</sup>) and Health (6<sup>th</sup>)
- Four “C’s”: Economy (12<sup>th</sup> ), Innovation (13<sup>th</sup>), Society (13<sup>th</sup> ), Housing (22<sup>nd</sup>)

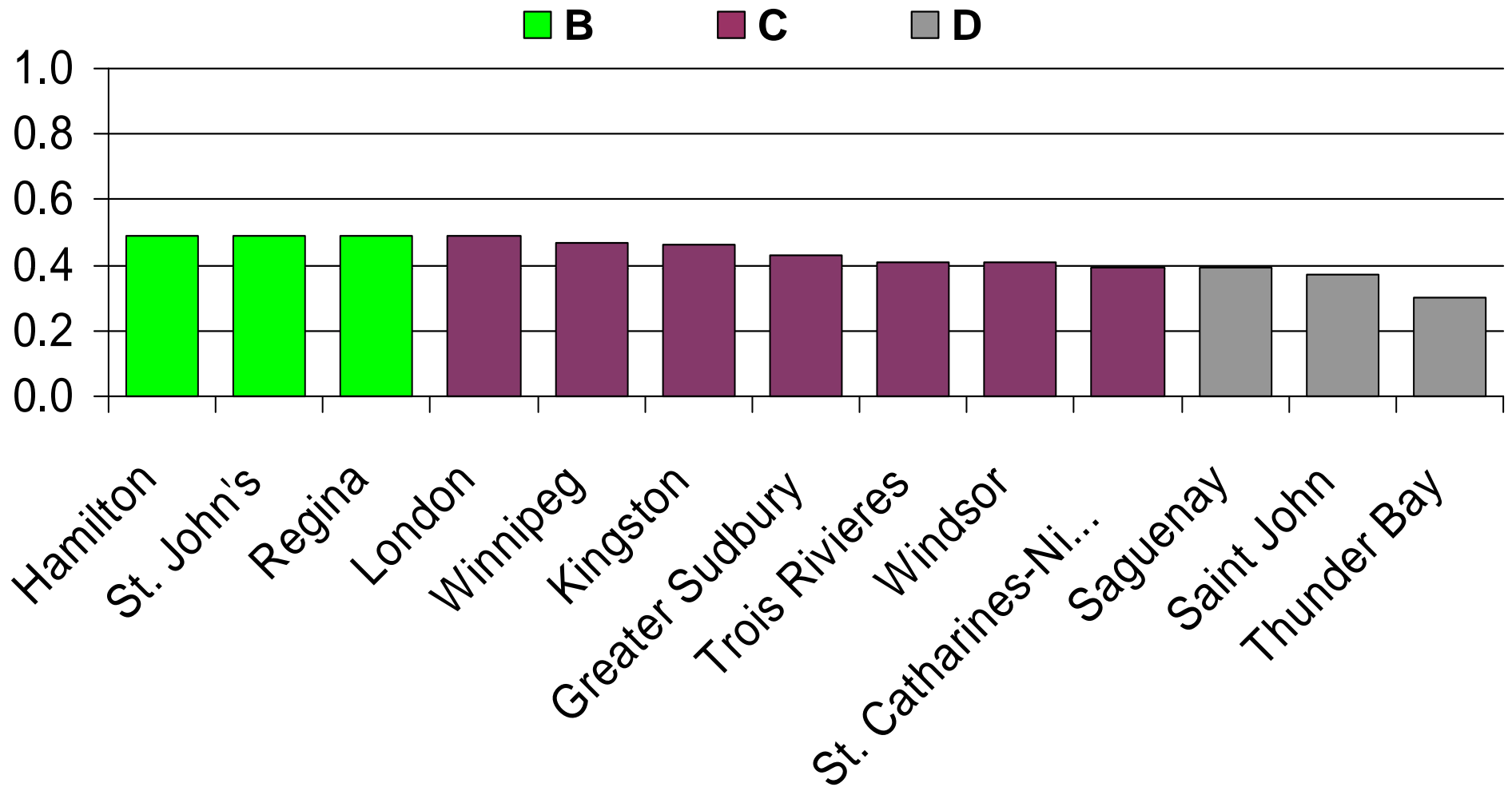


# Final Rankings for Canadian Cities



Source: The Conference Board of Canada.

# Final Rankings (cont.)



Source: The Conference Board of Canada.

# What Does Success Look Like?

- Overall “B” grade for Halifax is good, but still leaves room for improvement
- Innovation and competitiveness deserve special focus
- Leading practices to boost city innovation and competitiveness include:
  - Attract the new workforce – quality of life
  - Develop key inputs – human capital and ideas
  - Provide the right financial incentives for the creators
  - Make key public strategic investment(s)



# Specific Success Factors for Halifax

- If Halifax is to remain vibrant, need to create space for class “A” office construction
- Halifax got a D on patents
- No silver bullet, but consider creative economy strategies based on R&D in key industries (like oceans)
- Halifax also got a “D” on immigrant share of population – so need to fully implement your strategy, starting with foreign university students



# Canada's Hub Cities

- For years now, the CBoC has documented that Canada's major cities are under-funded
- The message is now being heard
- Additional money has started coming — although not enough
- And: research shows that per capita distribution, while politically appealing, is not optimal



# Canada's Hub Cities: Our Research

- CBoC research identified nine hub cities – Halifax, Montreal, Toronto, Winnipeg, Regina & Saskatoon, Calgary & Edmonton, and Vancouver
- These cities are the economic engines in their respective regions or province
- Funding should be allocated strategically to these nine hub cities to meet their needs and pull their region forward
- This would be a win-win strategy for every citizen



# Economic Importance of Hub Cities

<u>Province</u>	<u>CMA(s)</u>	<u>Share of Prov. GDP</u>
Nova Scotia	Halifax	46.3
Quebec	Montreal	49.0
Ontario	Toronto	43.8
Manitoba	Winnipeg	65.0



# Economic Importance of Hub Cities

<u>Province</u>	<u>CMA(s)</u>	<u>Share of Prov. GDP</u>
Saskatchewan	Saskatoon and Regina	44.7
Alberta	Edmonton and Calgary	64.8
B.C.	Vancouver	53.2



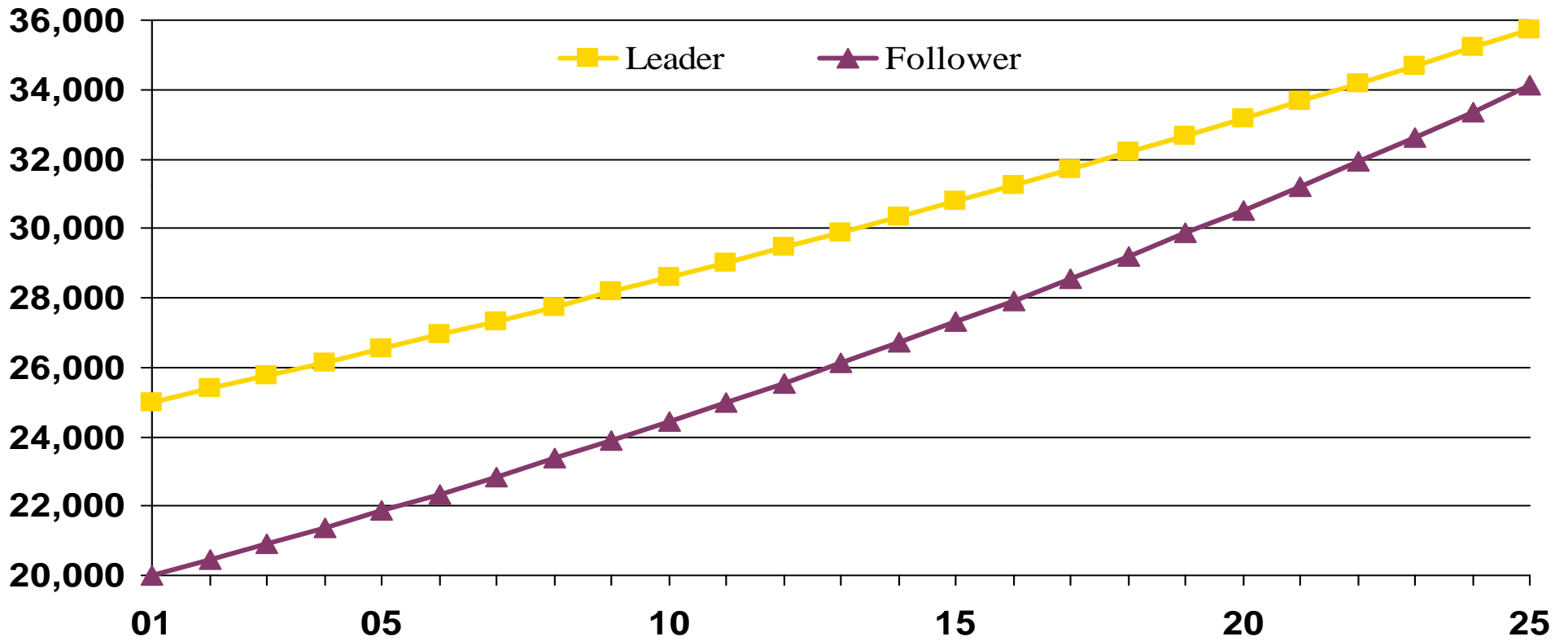
# Econ 101: The Convergence Hypothesis

- Economic theory suggests that economic output per capita in poorer regions tends to converge, over time, towards output per capita in richer regions
- Why? Higher returns on investment are available in poorer regions – provided there are minimal barriers to movement of people, capital and trade
- This is called the **converge hypothesis**
- The richer region acts as a growth locomotive — and the poorer region experiences faster growth rates



# The Convergence Hypothesis

## A Textbook Case



Sources: The Conference Board of Canada; Statistics Canada.

# Testing for Convergence

- We tested a number of possible areas of convergence in economic growth and GDP:
  - City GDP leader (Calgary) vs. rest of country – no evidence
  - Big three (Toronto, Montreal and Vancouver) vs. rest of country – no evidence
  - **Major cities vs. their province or region – clear evidence of growth convergence**
- Why? Barriers to mobility, especially for labour



# Conclusive Convergence Results: Halifax

- Convergence to Halifax:
  - rest of Nova Scotia
  - Newfoundland and Labrador
  - Prince Edward Island
  - New Brunswick
  - other CMAs of the Atlantic provinces
  - non-CMA communities of the Atlantic provinces
- Halifax the only regional hub city in Canada, across provincial boundaries



# Policy Conclusions

- Halifax is **the** hub city for Atlantic Canada
- Helping Halifax to reach its economic potential must be a provincial and regional priority, **since everyone benefits**
- New funding should address the full spectrum of programs that support thriving urban economies, particularly infrastructure



# Policy Conclusions

- Setting the investment priorities for Halifax:
  - Be guided by attractiveness to people
  - Fight for a dedicated budget line from the province and the Feds
  - Do serious socio-economic cost-benefit analysis on specific projects
  - Invest in the showroom – the downtown core
  - Build financing capacity at the city level



A hand is shown holding a clear crystal ball. The background is a blue gradient with geometric shapes. The text is overlaid on the crystal ball.

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