

Halifax still doing well, despite slip in rankings

By ROGER TAYLOR Business Columnist

At this time last year, Halifax was at the top of the heap in a quarterly index that measures the economic health of Canadian cities. But this year, Nova Scotia's capital has slipped to seventh place on the list of the top 25 largest cities.

It isn't that Halifax has been doing anything wrong. But after being hard hit by the economic slowdown, big cities like Montreal, Toronto and Vancouver have had more room to grow, says Fred Morley, chief economist and vice-president of the Greater Halifax Partnership, which promotes economic development.

"These things are quite cyclical," says Morley. "Halifax is still in the top third anyhow, if I look at it in thirds, so that's not so bad, I guess."

One of the reasons Halifax continues to do reasonably well during difficult times in the economy, he says, is the fact that it is a centre for government, and a large part of the economy is based on domestic consumption. So that means if the world economy goes into the dumper, Halifax can weather the downturn better than some other centres.

The economist who developed the CIBC metropolitan economic activity index says the latest edition, which reflects economic activity during the third quarter of 2010, has climbed back to pre-recession levels mainly because of improvements in the manufacturing sector.

Benny Tal, deputy chief economist with CIBC World Markets Inc., says Halifax is still doing well compared to most other Canadian cities, but the rebound in Canada's manufacturing sector resulted in greater improvement for larger cities in the index.

"Halifax is a well-diversified city. It was able to benefit from the improvement in the economy in general," Tal wrote in an email Thursday.

"Note that it is not leading anymore, reflecting the fact that the importance in manufacturing was more important in other cities."

There is always a slingshot effect for cities that went into a deep hole during the recession to come out of it pretty quickly, Morley says.

The fact Halifax led the economic activity index in the third quarter of 2009 also made it hard for the city to hold that position a year later, according to Tal.

"It is very difficult to build momentum when you are already operating at a high level."

Last year, Halifax was in a really good place compared to most other cities, says Morley. The largest city in the Atlantic region wasn't leading in all categories but was ranked fairly high in most, resulting in the top score overall.

To create the index, CIBC World Markets uses measurements of population growth, employment growth, unemployment rate, full-time share of total employment, personal bankruptcy rate, business bankruptcy rate, housing starts, housing resales and non-residential building permits.

"In 2009, for quite a few months, we had the highest absolute job growth of any city in the country, regardless of size, which, when you're 400,000 people, that's pretty good," says Morley.

In the latest index, just two cities — Saint John, N.B., and Kingston, Ont. — had a negative rating, which is the best economic performance overall for the survey in more than two years. Economic activity is improving; however, jobless numbers are still high.

The Nova Scotia government is expected to try reducing the size of government through attrition this year, Morley says, which may put pressure on Halifax.

The city's economy has become much less government dependent over the last 10 years, says Morley, and that trend is expected to continue. That means almost all the job growth will continue to be driven by the private sector.

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