



Economics

Canadian Cities: An Economic Snapshot

Toronto Continues To Lead the Pack

by Benjamin Tal

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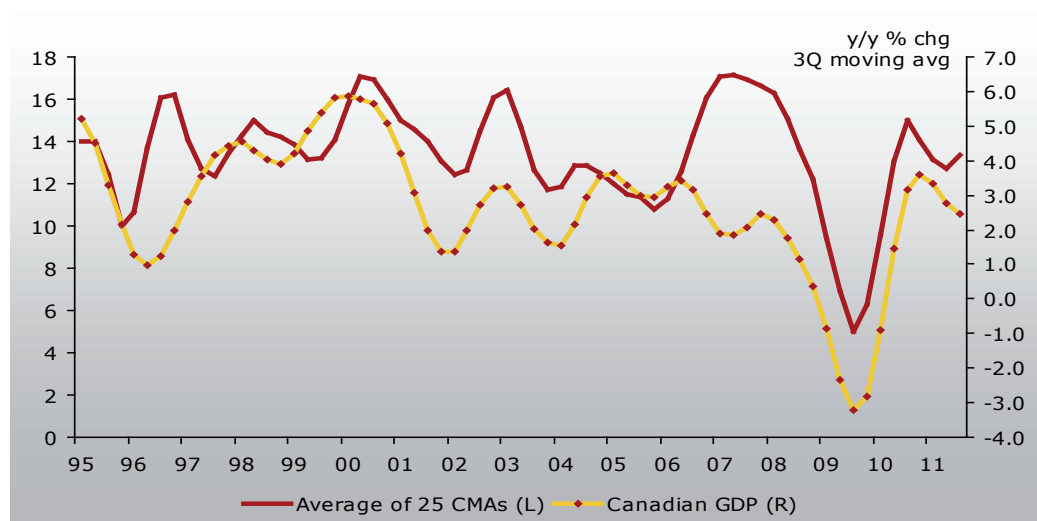
Our latest **CIBC Canadian Metropolitan Economic Activity Index** looks beyond the headline GDP numbers and assesses the relative performance of Canada's major cities during the third quarter of 2011. For the second time in a row, the city of **Toronto** emerged as the one to beat, with the city showing the fastest economic momentum as of the third quarter of 2011.

What's so impressive about the ranking of Toronto in our current metro monitor reading is not that the city is once again ranked first among the country's largest 25 CMAs, but the fact that it has been in the top five for more than six consecutive years, with the only exception being the 2009

recession when Toronto's ranking slipped to the 7th place.

While the recession saw the city losing ground faster than the rest of the country's largest CMAs, its recovery trajectory has been much more impressive with the city's index of economic momentum currently at its highest level in more than 10 years. Since bottoming out in third quarter of 2009, the city's population has risen by 3.9%—much faster than the 2.5% growth seen in the nation as a whole. Same goes for employment which rose by 4.6% in Toronto vs. 3.4% nationally—with a larger portion of Toronto's new jobs being full-time positions. The number of personal

Chart 1
CIBCWM Metropolitan Economic Activity Index vs. GDP



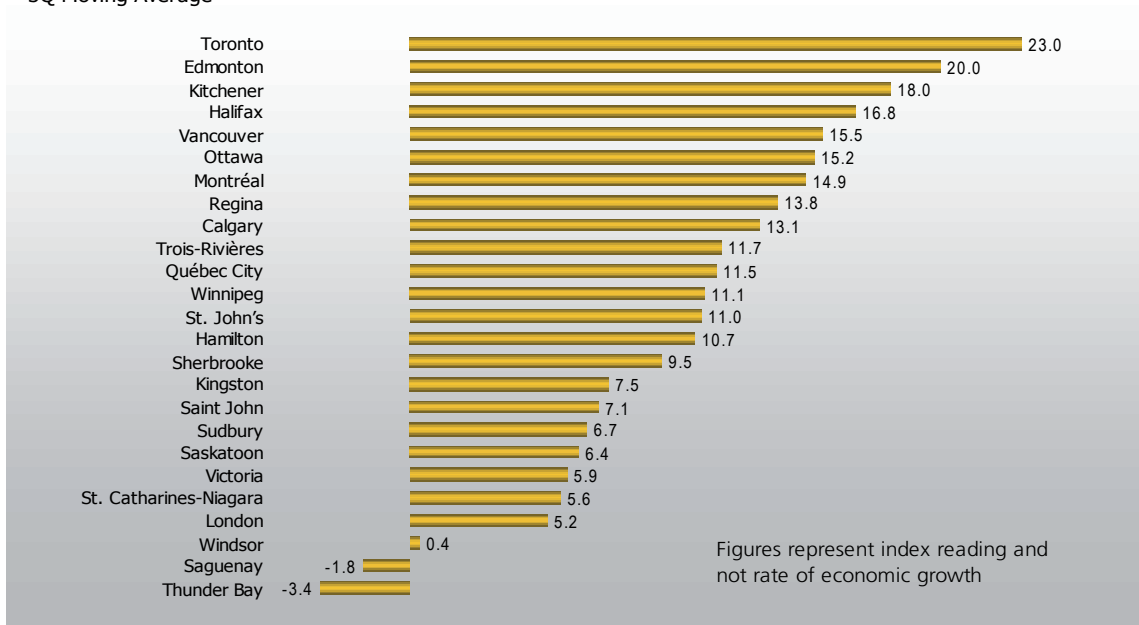
Source: Statistics Canada, CIBC

<http://research.cibcwm.com/res/Eco/EcoResearch.html>

Chart 2

CIBCWM Metropolitan Economic Activity Index (2011Q3)

3Q Moving Average



(For more details on each CMA, please refer to <http://research.cibcwm.com/res/Eco/ArEcoMEA.html>).

Chart 3
Toronto

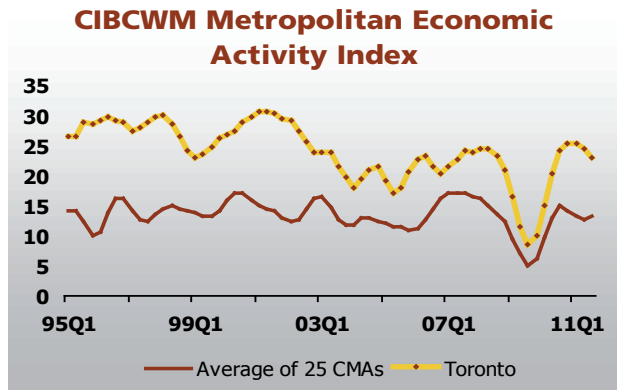


Chart 5
Kitchener

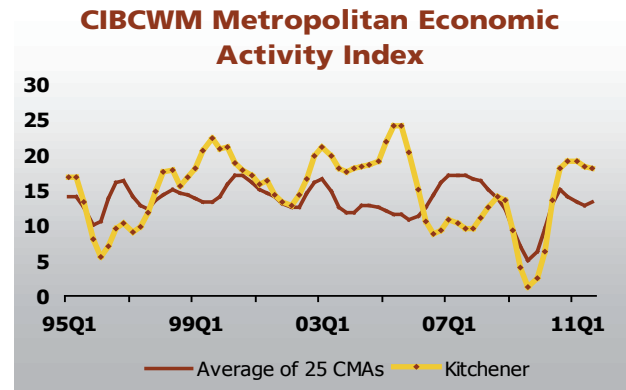


Chart 4
Edmonton

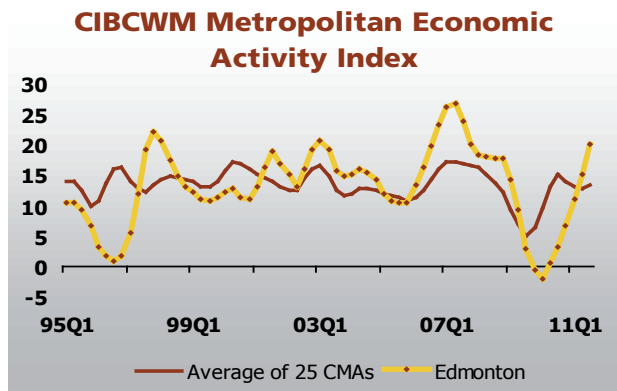
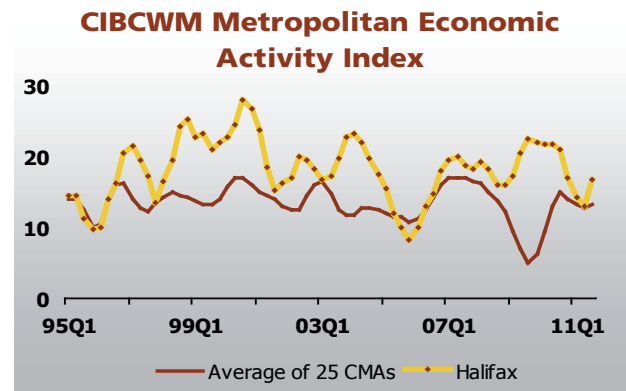


Chart 6
Halifax



and business bankruptcies fell much faster in Toronto compared to the average of all other cities, while growth in housing starts outpaced the rest of the country by a wide margin.

The consistent strong performance of Toronto reflects the growing diversity of the city's economic engine. At 1.8% annual pace, the city's population is growing fast (ranked 3rd in the nation). While the labour market is showing signs of fatigue, the quality of employment continues to improve. As well, the level of consumer bankruptcies is well below the national average while the real estate market continues to act as an important driver. At only 1.4%, the apartment vacancy rate in the city is currently at a 10-year low, while non-residential construction activity has already reached pre-recession levels.

Edmonton is ranked second in our momentum index, reflecting the city's strong labour market with overall employment rising by almost 8% (year-over-year) in the third quarter—the fastest pace among all Canada's CMAs. The city also enjoyed one of the lowest unemployment rates in the nation (5.7% as of the third quarter of 2011) while the quality of employment is relatively elevated (ranked 4th among all cities). As well, Edmonton's population is now rising by a year-over-year rate of 1.7%—well above the national average, while

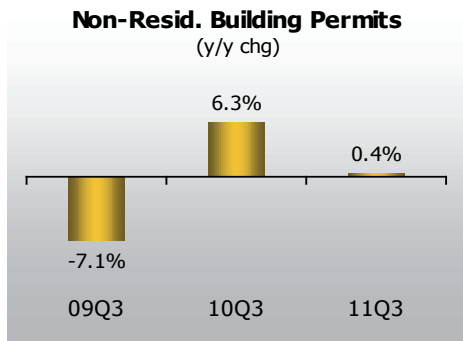
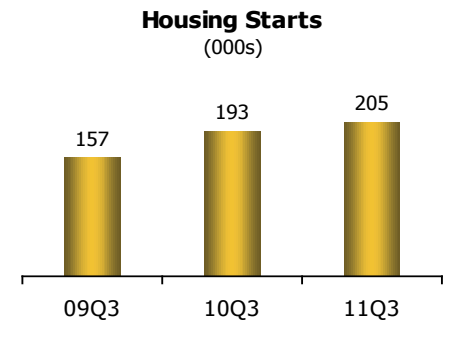
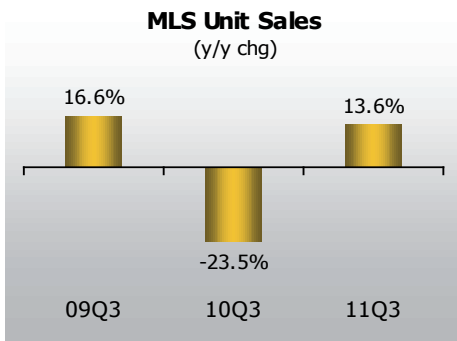
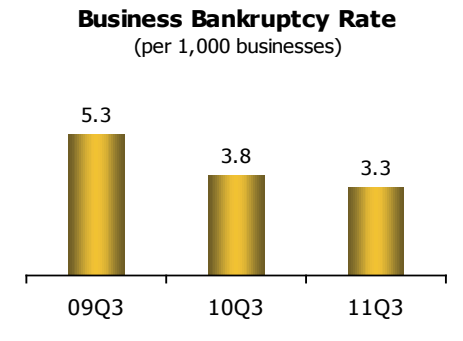
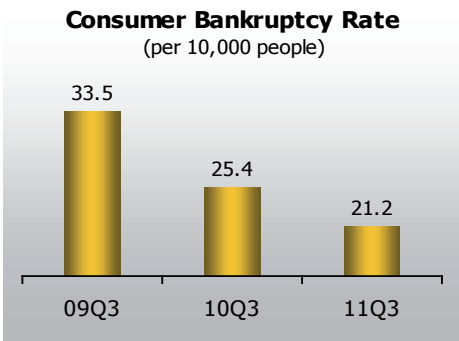
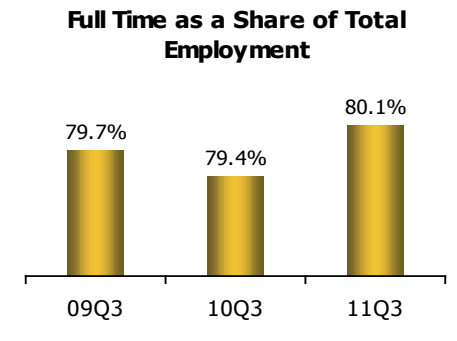
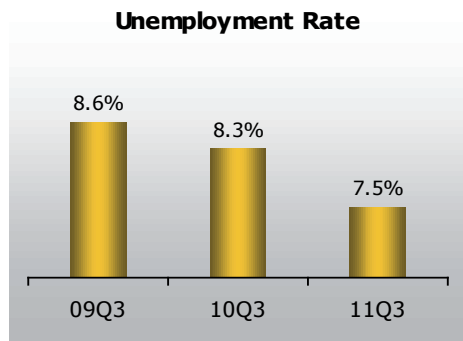
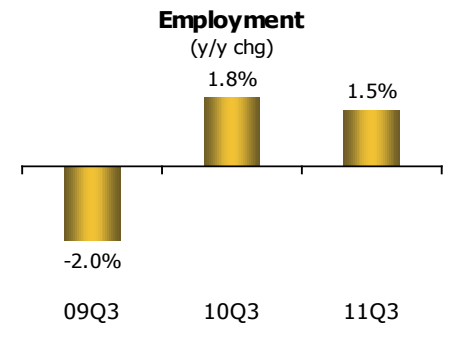
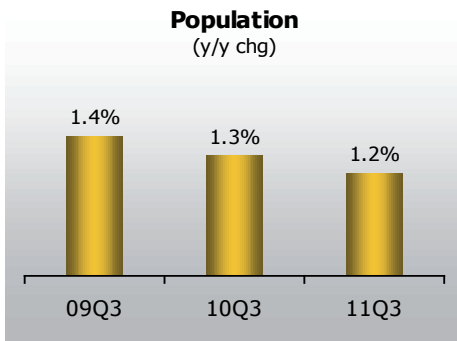
the numbers of consumer and business bankruptcies are among the lowest in the nation.

The city of **Kitchener** continues to show positive momentum and is currently ranked third in our momentum index, largely reflecting a strong population growth, a relatively high quality of employment, strong growth in construction activity and low levels of business and consumer bankruptcies.

The city of **Halifax** did not lead the pack in any of our sub-measures of economic momentum, but it ranked high enough in many categories to achieve the fourth spot in our current ranking. The city enjoyed a relatively healthy population growth while the labour market is performing somewhat above average. The real estate market is well balanced, with housing starts rising by well over 40% (year-over-year) in the third quarter of 2011.

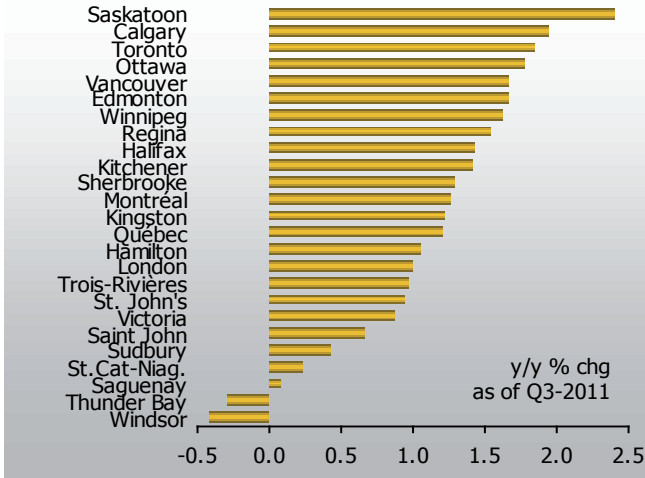
Vancouver is ranked 5th in our index, a modest improvement from its 7th place in the first quarter of 2011. The city continues to enjoy above average population growth, while the pace of job creation and the level of employment quality are well above the national average. While improving recently, the unemployment rate is still relatively high, just one tick below the national average, while the pace of real estate activity is starting to slow.

Selected Economic Variables — CANADA

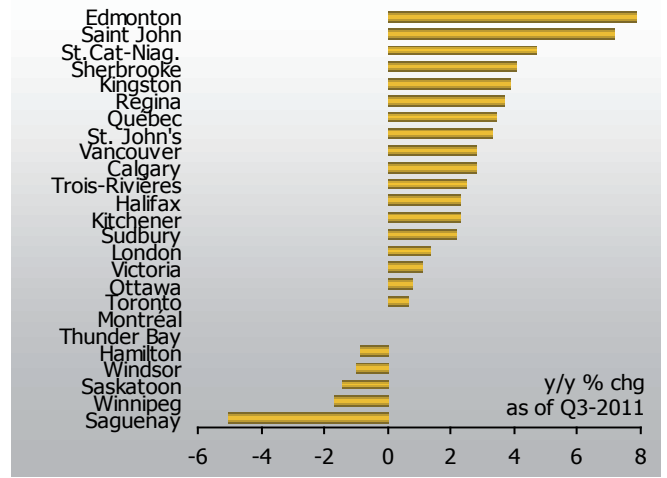


CMA's by Selected Economic Variables

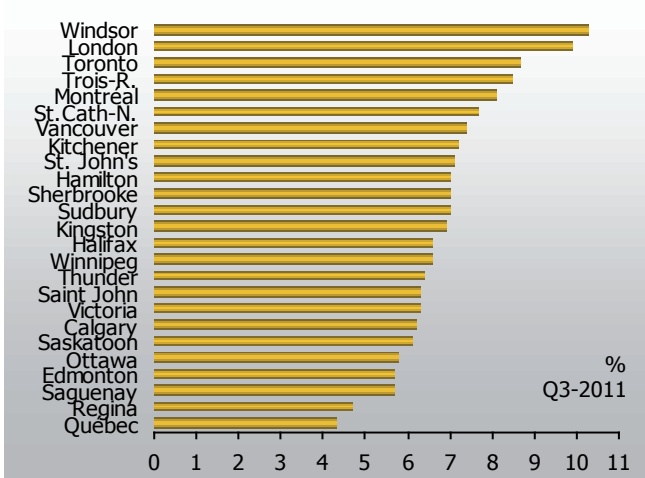
Population



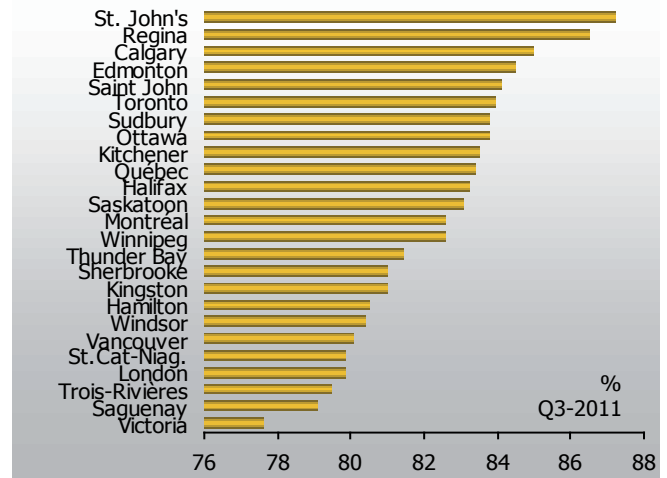
Employment



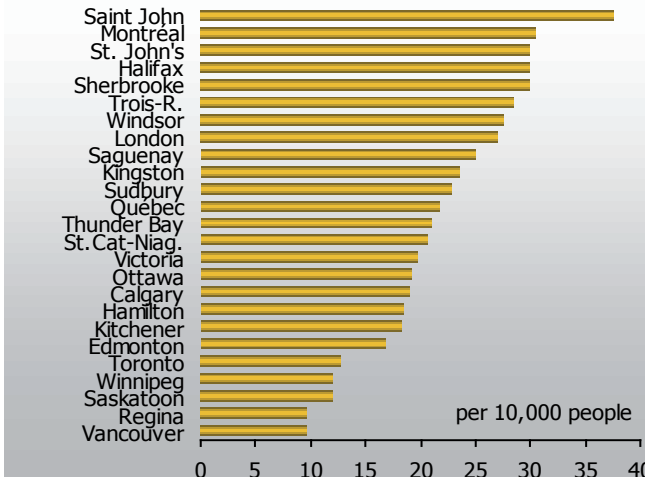
Unemployment Rate



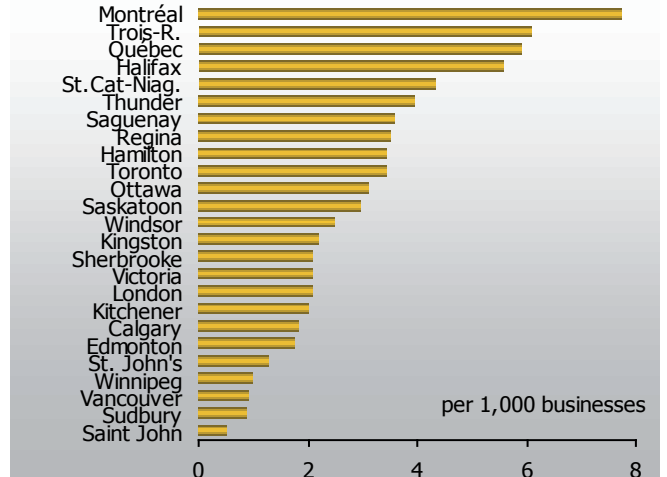
Full Time as a Share of Total Employment



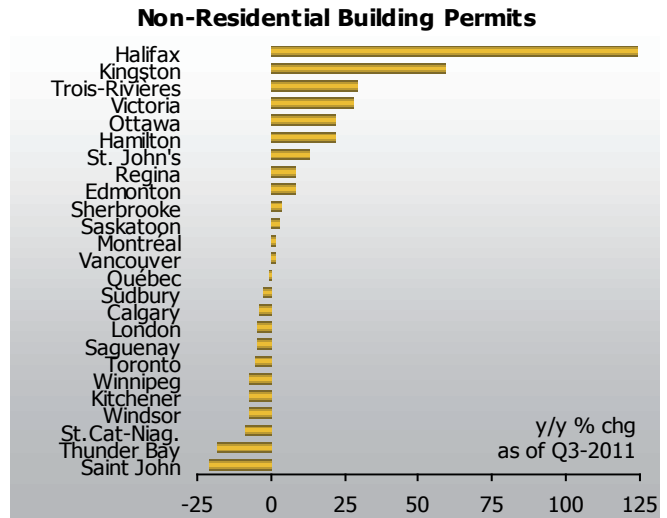
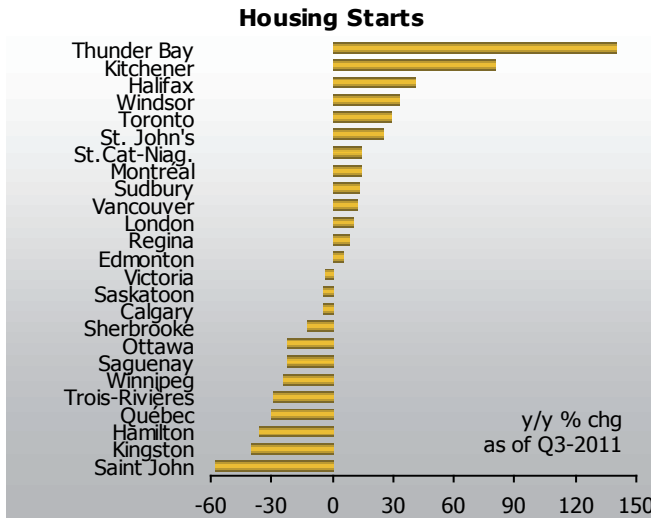
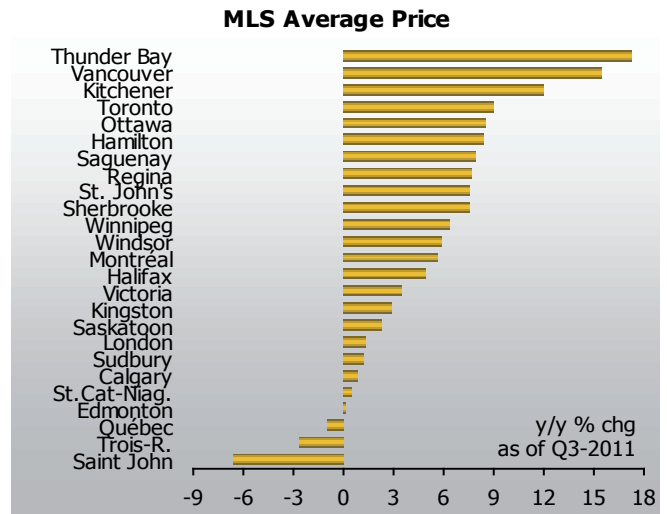
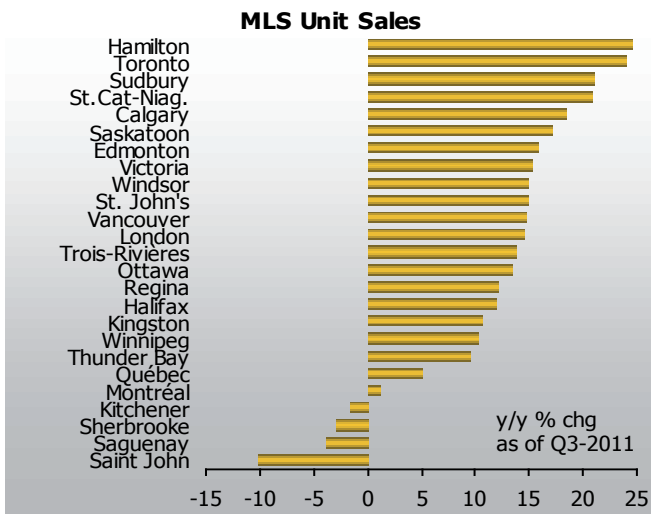
Consumer Bankruptcy Rate



Business Bankruptcy Rate



CMA by Selected Economic Variables



Sources:
 Canadian Mortgage and Housing Corporation (CMHC)
 Office of the Superintendent of Bankruptcy Canada
 Statistics Canada
 The Canadian Real Estate Association (CREA)
 Québec Federation of Real Estate Boards (QFREB)
 CIBC World Markets Inc.

Appendix

The CIBCWM Metropolitan Economic Activity Index

Using 9 key macroeconomic variables, we have developed a metropolitan index of economic activity, which is structured in a way that approximates the change in each city's level of economic activity. With data going back in history, our index enables us not only to monitor the current performance of a given city but also to track its cyclical behavior against the national economy and other census metropolitan areas (CMAs)¹. The focus is on the 25 largest CMAs in Canada.

The macro variables used to develop the index are: (1) Population growth, (2) Employment growth, (3) Unemployment rate, (4) Full-time share in total employment, (5) Personal bankruptcy rate, (6) Business bankruptcy rate, (7) Housing starts, (8) MLS Housing resales, and (9) Non-Residential building permits. We combined all the above information into one index per city: "The CIBCWM Metropolitan Economic Activity Index"².

Notes:

1. According to Statistics Canada, a census metropolitan area is delineated around an urban area (urbanized core having a population of at least 100,000, based on the previous census). Across Canada, 27 census metropolitan areas have been defined (according to the 2001 Standard Geographical Classification). Once an area becomes a census metropolitan area, it is retained as a census metropolitan area even if its population subsequently declines.
2. Each city's index was derived by combining the nine economic variables into one measure. In order to determine the appropriate weight that each economic variable receives, we correlated those variables with overall GDP for the economy as a whole. That is, we treated the overall Canadian economy as a city, and using real GDP growth as published by Statistics Canada to determine the relevant coefficient for each variable. The technology we use for this model is neural networks — an artificial intelligence based system.

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