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The New Economy – How Does Newfoundland and Labrador Measure Up?

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Presentation Overview

- Introduction
- Defining the new economy
- Size and growth of new economy
- New Economy Framework
- Methodology
- Economy level results
- Disaggregate Industrial Analysis and Results
- Zonal Analysis and Results
- Policy Implications and Conclusions
Defining the New Economy

• Being measured by examining establishment counts at the 4-digit SIC level
• The new economy consists of three distinct groups of industries (Refer to Handout)

1. ICT (19 Industries)
   i. Core ICT (4 industries)
   ii. ICT Manufacturing (10 Industries)
   iii. Other ICT (5 industries)


3. Non-ICT Science-based Services (8 Industries)
The Number of Firms in the New Economy 2001

- NL: 1,067
- PEI: 300
- NB: 1,972
- NS: 2,777
- QUE: 33,452
- ONT: 66,489
- MAN: 3,032
- SASK: 2,742
- ALB: 27,716
- BC: 22,854
## Growth Rates for New Economy Firms: 1997-2001

<table>
<thead>
<tr>
<th>Region</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland and Labrador</td>
<td>28.2%</td>
<td>2.0%</td>
<td>10.9%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>16.3%</td>
<td>2.6%</td>
<td>9.4%</td>
<td>17.2%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>30.8%</td>
<td>3.6%</td>
<td>16.5%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>21.5%</td>
<td>0.9%</td>
<td>21.7%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Quebec</td>
<td>56.7%</td>
<td>4.1%</td>
<td>18.5%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Ontario</td>
<td>36.4%</td>
<td>4.6%</td>
<td>24.3%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>24.4%</td>
<td>2.8%</td>
<td>16.2%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>27.8%</td>
<td>1.4%</td>
<td>14.7%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Alberta</td>
<td>38.7%</td>
<td>3.9%</td>
<td>18.9%</td>
<td>16.2%</td>
</tr>
<tr>
<td>British Columbia</td>
<td>29.2%</td>
<td>3.7%</td>
<td>21.0%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Canada</td>
<td>38.6%</td>
<td>3.9%</td>
<td>21.1%</td>
<td>14.8%</td>
</tr>
</tbody>
</table>
New Economy Framework

Research approached draws on:


Methodology

Change in NE Firms = National Share of Overall Firm Growth (NS) + Composition Shift Effect (CSE) + Provincial Shift Effect (PSE)

NS – ceteris paribus, change in NE firms in each province should follow the overall firm growth in Canada

CSE - the adjusts for the differences in industrial composition (NE vs other type firms) between the nation and each the respective province. This captures the effect of an area having a higher proportion of firms that are experiencing higher or lower growth.

PSE - this captures other location effects and identifies leading and lagging provinces and industries – i.e., leading industries are industries with growth rates above those experienced nationally in comparable industries.
Methodology

\[
NS = \sum \mathcal{F}_{i}^{t-1} * \frac{F_{i}^{t}}{F_{i}^{t-1}}
\]

\[
CSE = \sum \mathcal{F}_{i}^{t-1} * \left( \frac{F_{i}^{t}}{F_{i}^{t-1}} - \frac{F_{i}^{t}}{F_{i}^{t-1}} \right)
\]

\[
PSE = \sum \mathcal{F}_{i}^{t-1} \cdot \left( \frac{\sum_{i}^{t} f_{i}}{\sum_{i}^{t-1} f_{i}} - \frac{F_{i}^{t}}{F_{i}^{t-1}} \right)
\]
Establishment of New Economy Firms 1997-2001
Growth Above/Below National Average

<table>
<thead>
<tr>
<th></th>
<th>NL</th>
<th>PEI</th>
<th>NB</th>
<th>NS</th>
<th>QUE</th>
<th>ONT</th>
<th>MAN</th>
<th>SASK</th>
<th>ALB</th>
<th>BC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1</td>
<td>-2.16%</td>
<td>-7.09%</td>
<td>9.02%</td>
<td>3.61%</td>
<td>30.06%</td>
<td>25.33%</td>
<td>1.46%</td>
<td>-0.03%</td>
<td>20.78%</td>
<td>13.78%</td>
</tr>
</tbody>
</table>
Disaggregate Industrial Analysis

- The provincial analysis was also undertaken at a more disaggregate industrial level.
- Utilized the same basic methodology
- Results presented in graphical form below
ICT Sub-Sector Growth Differences
(The Growth Rate in Newfoundland in Sector i Minus the Growth Rate in Canada in Sector i)
Newfoundland and Labrador: 1997-2001

-200% -180% -160% -140% -120% -100% -80% -60% -40% -20% 0%

- Record Player, Radio and Television Receiver Industry
- Other Office, Store and Business Machine Industries
- Computer Equipment Maintenance and Repair
- Telecommunication Carriers Industry
- Telecommunication Equipment Industry
- Computer Services
- Office Furniture and Machinery Rental and Leasing
- Office and Store Machinery, Equipment and Supplies, Wholesale
- Other Communication and Electronic Equipment Industries
- Electronic Machinery, Equipment and Supplies
- Cable Television Industry
Non-ICT Sub-Sector Growth Differences
(The Growth Rate in Newfoundland in Sector i Minus the Growth Rate in Canada in Sector i)
Newfoundland and Labrador, 1997 - 2001
Non-ICT Subsector Growth Differences
(The Growth Rate in Newfoundland in Sector i Minus the Growth Rate in Canada in Sector i)
Newfoundland and Labrador vs Canada, 1997 - 2000

- Other Chemical Products Industries n.e.c.: 17%
- Pharmaceutical and Medicine Industry: 58%
- Other Electrical Industrial Equipment Industries: 74%
- Construction and Mining Machinery and Materials Handling Equipment: 299%
ICT Subsector Growth Differences (The Growth Rate in Newfoundland in Sector i Minus the Growth Rate in Canada in Sector i) Newfoundland and Labrador vs Canada: 1997-2001

- Other Instruments and Related Products Industry: 536%
- Indicating, Recording and Controlling Instruments Industry: 244%
- Electronic Parts and Components Industry: 144%
- Computer and Related Machinery, Equipment and Packaged Software, Wholesale: 25%
Zonal Analysis

• The provincial analysis was also undertaken at a zone board level
• Utilized the same basic methodology
• Results presented in graphical form below
Leading Zones
Growth Above Provincial Average (Provincial Average: Growth in the Establishment of New Economy Firms), 1997-2001

- 6. Nordic: 439%
- 5. Labrador Straits: 239%
- 11. Emerald Zone: 114%
- 4. Southeast Aurora: 39%
- 17. Mariner: 44%
- 16. Schooner: 51%
- 15. Discovery: 53%
- 19. Capital Coast: 55%
- 12. Exploits Valley: 64%
- 3. Central Labrador: 30%
- 4. Southeast Aurora: 39%
- 2. Hyron: 59%
Lagging Zones
Growth Below Provincial Average (Provincial Average Growth in the Establishment of New Economy Firms), 1997-2001

- 10. Marine and Mountain: -78%
- 1. Inukshuk: -61%
- 20. Irish Loop: -41%
- 9. Long Range: -16%
- 13. Coast of Bays: -11%
- 7. Red Ochre: -11%
- 8. Humber: -8%
# New Economy Firms Established from 1997 to 2001

(Selected Zones)

<table>
<thead>
<tr>
<th>Economic Zone</th>
<th>Total New Entrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>19. Capital Coast Development Alliance</td>
<td>396</td>
</tr>
<tr>
<td>17. Mariner Resource Opportunities Network</td>
<td>22</td>
</tr>
<tr>
<td>14. Kittiwake Economic Development Corporation</td>
<td>21</td>
</tr>
<tr>
<td>8. Humber Economic Development Board</td>
<td>18</td>
</tr>
<tr>
<td>15. Discovery Regional Development Board</td>
<td>16</td>
</tr>
<tr>
<td>12. Exploits Valley Economic Development Corporation</td>
<td>15</td>
</tr>
<tr>
<td>3. Central Labrador Economic Development Board</td>
<td>11</td>
</tr>
<tr>
<td>16. Schooner Regional Development Corporation</td>
<td>9</td>
</tr>
<tr>
<td>11. Emerald Zone Corporation</td>
<td>7</td>
</tr>
<tr>
<td>2. Hyron Regional Economic Development Corporation</td>
<td>6</td>
</tr>
<tr>
<td>6. Nordic Economic Development Corporation</td>
<td>5</td>
</tr>
<tr>
<td>Selected Economic Zones</td>
<td>Expected Number of New Economy Firms</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>19. Capital Coast Development Alliance</td>
<td>79.2</td>
</tr>
<tr>
<td>17. Mariner Resource Opportunities Network</td>
<td>4.4</td>
</tr>
<tr>
<td>14. Kittiwake Economic Development Corporation</td>
<td>4.2</td>
</tr>
<tr>
<td>8. Humber Economic Development Board</td>
<td>3.6</td>
</tr>
<tr>
<td>15. Discovery Regional Development Board</td>
<td>3.2</td>
</tr>
<tr>
<td>12. Exploits Valley Economic Development Corporation</td>
<td>3</td>
</tr>
<tr>
<td>3. Central Labrador Economic Development Board</td>
<td>2.2</td>
</tr>
<tr>
<td>16. Schooner Regional Development Corporation</td>
<td>1.8</td>
</tr>
<tr>
<td>11. Emerald Zone Corporation</td>
<td>1.4</td>
</tr>
<tr>
<td>2. Hyron Regional Economic Development Corporation</td>
<td>1.2</td>
</tr>
</tbody>
</table>
Duncan’s Index of Dissimilarity Applied to the New Economy
(Gives the Percentage in each Zone Which Would have to be Reallocated to
Produce the Same Distribution as in Zone 19)
Conclusion and Policy Implications

- Newfoundland and Labrador not performing well in terms of growth of new economy firms relative to Canadian average.
- In some sectors Newfoundland and Labrador is above the national average.
- Not all zones are performing equally; Capital Coast dominate in terms of numbers of firms.
- While much more analysis required, policies directed at specific zones and specific industries hold the more promise for increasing the contribution of new economy firms to the growth of businesses within Newfoundland and Labrador.