

**POPULATION INCREASE  
AND  
ECONOMIC GROWTH  
WHAT ARE THE IMPACTS?**

*M*ANITOBA *B*UREAU  
OF *S*TATISTICS

---

*RIGHT  
ANSWERS*

*RIGHT  
NOW*

**SEPTEMBER 2008**

## **An Overview**

### **Population Increase and Economic Growth**

#### **What are the Impacts?**

##### **I. Introduction:**

To estimate the impacts on the Manitoba economy of a population increase in Manitoba, the Manitoba Bureau of Statistics (MBS) has produced two economic simulations. One simulation is a “Business as Usual” or Base case. The other simulation, known as “The Shock”, has a one-time increase of 10,000 individuals to the population through increased international landings of immigrants in 2008. The yearly difference between the two simulations is the impact of the increased population.

In addition to the 10,000 individuals, the population increase will alter the number of births and deaths in succeeding years. Consequently, the impact on the size of the population is estimated to be 13,200.

Choosing to increase the population through international immigration has specific age consequences as this method adds a population that is younger than the population that would otherwise be present. For example, consequences for demands on the economy include a disproportionately larger effect on education than for health care (where the elderly are a more significant contribution to the demand for service).

By 2030, the demographic indicator for elementary/secondary education has increased by 1.1 per cent; while for combined public and private health care, the increase is 0.7 per cent.

It is useful to note that the source of population increase could play a differentiating, but probably small role in determining economic impacts.

Increasing the population through increased fertility or through reduced death rates would be notably distinguished from the effects reported here. Increased births would not impact the source population for at least fifteen years, and to be significant would have to be a sharp change in the fertility rate. An increase in population of, 10,000 would require improbably large changes in death rates and fertility rates.

## **II. Key Findings:**

- There are positive impacts to economic output, as measured by Gross Domestic Product, employment and disposable income due to a one-time increase of 10,000 immigrants. Initial impacts are relatively large and derived from an assumption that the increase in households will produce an initial sharp increase in housing starts, and related construction activity.
- Over time, the impact magnitudes grows, as the economy adjusts to the growing population impact derived from births that are associated with the initial 10,000 immigrant landings.
- Impacts on sectors vary. Partly this reflects varying sensitivity to demographic indicators of demand. Impacts on education and other sectors sensitive to the fact that the population impact is weighted toward the young are relatively large, while effects on health care (sensitive to spending on the elderly) are fairly modest.
- Variations in the scale of overall and sector impacts produce variations in the effect on labour markets. In the longer term, employment rises by 1.0 per cent. Increased employment fails to match the increase in labour supply so that that there is a small increase in unemployment numbers and the unemployment rate.
- There are small impacts on overall productivity. Effects are very small at the sector level. Variations in GDP and employment effects do produce changes in sector level sector weights to alter overall productivity. There are stronger positive impacts on goods-producing industries, which have higher than average productivity levels and create a slightly stronger overall productivity impact.
- Real disposable income is increased. Per capita income may be expected to be reduced for some period of time when the impact on employment is smaller than the impact on population. This result is also sensitive to changes in productivity, which in these results are small.

## **II. The Results:**

The following table provides selected impacts of the one-time increase of 10,000 immigrants. The incremental economic impacts are presented for the average annual impact for the first two years after arrival in Manitoba. Also presented is the net change after the ten and twenty years.

The MBS impact estimates should be considered general estimates not exact impacts. Alternating the approach will produce a different set of impact estimates.

MBS is planning an analytical report on the impact of population change for early 2009. It will provide additional impact areas and alternate approaches.

## Estimated Incremental Economic Impact: One-time Increase of 10,000 Immigrants

Impact Area	Incremental Growth Estimates		
	First two years (Average Impact)	Tenth Year Impact	Twentieth Year Impact
<b><u>Demographic Change:</u></b>			
Population	10,100	11,400	12,800
Population 15 years and older (%)	67%	72%	75%
Households	3,100	3,900	4,800
<b><u>The Labour Market:</u></b>			
Labour Force	5,500	6,900	7,600
Employment	6,100	5,800	6,600
Non Government Employment (%)	98%	97%	98%
<b><u>The Economy</u></b>			
Gross Economic Output (\$ Millions)	757	810	1,075
Wholesale and Retail Trade Sales (\$ Millions)	55	78	103
Value-Added Economic Growth (\$ Millions)	355	411	530
Disposable Income (\$ Millions)	315	367	644
<b><u>The Housing Market:</u></b>			
	<b>After two years</b>	<b>After 10 years</b>	<b>After 20 years</b>
Housing Starts Increases (Units)	3,700	4,700	6,000

Data Source: Manitoba Bureau of Statistics  
September 2008