



# Sectoral Profile

## Finance, Insurance, Real Estate, Rental and Leasing

### Atlantic Region

2018



#### KEY HIGHLIGHTS

- The Finance, insurance, real estate, rental and leasing industry generates a substantial amount of economic output in Atlantic Canada, but it is not a large industry in terms of employment.
- The Finance, insurance, real estate, rental and leasing industry accounts for 4.4% of total employment in Atlantic Canada.
- Despite some fluctuations, the level of employment in Finance, and insurance, real estate, rental and leasing has not changed much from a decade ago in the Atlantic region. Only New Brunswick has lost ground during this time.
- Nova Scotia accounts for over 40% of the Finance, insurance, real estate, rental and leasing jobs in Atlantic Canada.
- Despite a weak new construction market, the Finance, insurance, real estate, rental and leasing industry has continued to display strong growth across the Atlantic provinces in recent years. Housing prices have increased by nearly 13% since the economic downturn, in 2008.
- Growth is projected to stall somewhat, going forward, with a contraction in New Brunswick, and in Newfoundland and Labrador, expected to offset modest growth in the two Atlantic provinces. Overall, employment is expected to increase at an average annual rate of 0.1% over the next three years.
- Wages have grown by nearly 40% over the past decade in the Atlantic region's Finance, insurance, real estate, rental and leasing industry, outpacing the national average (32%).

#### INDUSTRY PROFILE

The finance and insurance sector is comprised of establishments primarily engaged in financial transactions (that is, transactions involving the creation, liquidation, or change in ownership of financial assets) or in facilitating financial transactions. Included are establishments that are primarily engaged in financial intermediation. They raise funds by taking deposits and/or issuing securities, and, in the process, incur liabilities, which they use to acquire financial assets by making loans and/or purchasing securities. Putting

themselves at risk, they channel funds from lenders to borrowers and transform or repackage the funds with respect to maturity, scale and risk. Also included are establishments that are primarily engaged in the pooling of risk by underwriting annuities and insurance. They collect fees (insurance premiums or annuity considerations), build up reserves, invest those reserves and make contractual payments. Fees are based on the expected incidence of the insured risk and the expected return on investment.

The Real estate and rental and leasing sector includes establishments primarily engaged in renting, leasing, or allowing the use of tangible or intangible assets, and establishments providing related services. The industry is mainly made up of businesses that rent, lease, or allow the use of their own assets by others. Assets may be tangible such as real estate and equipment, or intangible like patents and trademarks. This industry also includes establishments that are engaged in managing real estate for others, selling, renting and/or buying real estate for others, as well as appraising real estate.<sup>1</sup>

Combined, the Finance, insurance, real estate, rental and leasing industry is a growing source of economic output for the Atlantic region, accounting for nearly 18% of the region's total Gross Domestic Product (GDP) in 2017. The industry is most important to Nova Scotia, where it accounts for 22% of the province's total GDP. For comparison, the industry only accounted for 12% of Newfoundland and Labrador's total provincial GDP, the lowest rate among the Atlantic provinces. Nevertheless, the industry has also been a source of growth for the Newfoundland and Labrador economy, with the industry's GDP share increasing by over two percentage points during the last decade.

Despite making significant contributions to Atlantic Canada's economy, the Finance, insurance, real estate and rental and leasing industry does not provide a substantial source of direct employment. Overall, the industry accounts for only 4.4% of the region's jobs. The shares of provincial employment varied across the region, from 5.1% in Nova Scotia to 2.8% in Newfoundland and Labrador. For comparison, the industry accounted for almost 6.4% of total employment at the national level, in 2017.

**Table One**  
**Employed Labour Force - Finance, Insurance, Real Estate, Rental and Leasing**  
**Atlantic Canada and Canada**

	Atlantic	Canada
Finance and insurance	100%	100%
Monetary authorities - central bank	0.0%	0.2%
Credit intermediation and related activities	43.9%	48.9%
Securities, commodity contracts, and other financial investment and related activities	12.0%	15.5%
Insurance carriers and related activities	43.5%	34.7%
Funds and other financial vehicles	0.6%	0.7%
Real estate and rental and leasing	100.0%	100%
Real estate	82.8%	84.6%
Rental and leasing services	16.8%	14.9%
Lessors of non-financial intangible assets (except copyrighted works)	0.4%	0.5%

Source: Statistics Canada, 2016 Census of Canada, Table 98-400-X2016290

<sup>1</sup> North American Industry Classification System; 2018

Most of the jobs in the Finance and insurance, real estate and rental and leasing industry are full-time positions and females account for roughly 60% of these jobs. Typically only a small segment (5%) of the people employed in this industry within Atlantic Canada are under the age of 25. The vast majority of workers fall between the ages of 25 and 54, while older workers (those aged 55+) account for one-quarter of the industry's total employment.

## RECENT HISTORY

The value of the Finance, insurance, real estate, rental and leasing industry in Atlantic Canada has grown considerably over the past 10 years, with real GDP increasing by over 30% between 2007 and 2017. This is reflective of strong growth at the national level, which is mainly attributable to a sturdy housing market and significant price growth. While housing prices in Atlantic Canada have not seen as sharp of an increase as in areas like Toronto and Vancouver, growth has been steady over the past decade, even in times of economic hardship. Indeed, the average price of a new home in the Atlantic Region continued to grow throughout the 2008-2009 economic recession. By 2017, the price of a new home (house and land) in Atlantic Canada was up by nearly 13% compared to 2008<sup>2</sup>.

Yet, despite the rising value of the real estate market, the industry has not been a major source of job creation over the last decade. During this time, the industry's employment level has been stagnant, holding at just below 49,000 in both 2007 and 2017.

Lacklustre employment growth in Atlantic Canada's Finance, insurance, real estate, rental and leasing industry over the past decade can be attributed to a number of different and complex factors. However, the overarching influences that have negatively impacted the industry's employment profile are limited population growth and a lack of overall job creation in the region. Indeed, the population of Atlantic Canada is growing slower than the national average and the mass exodus of young Atlantic Canadians has resulted in a net outmigration for the region. Between 2007 and 2017, the population in the Atlantic provinces increased by a meager 2.9%, compared to 11.6% for Canada as a whole during that same time<sup>3</sup>. Also, since 2007, total employment in the Atlantic Region has only increased by less than 1%, which is well below the national average of nearly 10%.

## EXPECTED OUTLOOK

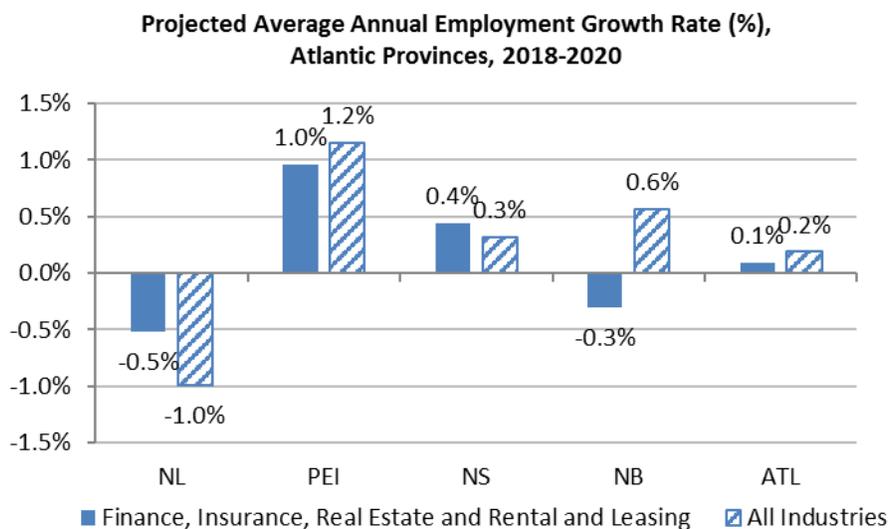
Overall, Atlantic Canada is not expected to see any significant employment growth over the 2018-2020 forecast period and this is likely to carry over into the Finance and insurance, real estate, rental and leasing industry. While Prince Edward Island is projected to experience modest employment growth, regional performance will be weighed-down by a soft Newfoundland and Labrador economy as well as a lack of job creation in Nova Scotia. During this same period, employment in the region's Finance and insurance, real estate, rental and leasing industry is anticipated to increase at an average annual rate of 0.1%.

<sup>2</sup> Statistics Canada. Table 18-10-0205-01; 2018

<sup>3</sup> Statistics Canada; Table 17-10-0005-01; 2018

Although employment growth is expected to remain weak over the next three years, the overall industry outlook has improved since last year. These improved conditions can be traced in part to a strengthening resale housing market in New Brunswick and Nova Scotia, where home prices and the volume of sales have been on the rise. Buoyed by these two provinces, the Canadian Mortgage and Housing Corporation (CMHC) is forecasting that the average price for existing homes in Atlantic Canada will continue to rise through 2020, with sales also increasing during this time.

However, the employment decline in Newfoundland and Labrador is more a product of a fragile economy that is still recovering from the most recent downturn in oil prices. Indeed, work from major projects has been limited, and soft commodity prices are having a negative impact on resource extraction. This will amplify structural issues like weak population growth and an ongoing negative fiscal situation. With a reduction to the overall level of income circulating through the economy, there will be less money available for the consumption of goods and services, in general.



Source: Employment and Social Development Canada / Service Canada, *Regional Occupational Outlooks in Canada, 2018-2020*

## SUB-REGIONAL DYNAMICS

### Newfoundland and Labrador

- While Newfoundland and Labrador's Finance and Insurance, real estate, rental and leasing industry has undergone significant growth in terms of GDP, over the past decade, growth in its employment base has been uneven during the same time period. Most recently, employment in the province's Finance and insurance, real estate, rental and leasing industry fell to its lowest level in a decade during 2017. At 6,400, employment in this industry was down by nearly 20% from the previous year.
- According to CMHC, a strengthening provincial economy has not yet impacted the real estate market in 2018. As the economy continues to rebound, with oil prices improving, home sales activity and demand for rental units are expected to increase in 2019 and 2020<sup>4</sup>.

<sup>4</sup> CMHC. Housing Market Outlook. Atlantic Region Highlights; Fourth Quarter 2018

- Newfoundland and Labrador is expected to see the weakest job growth within the Atlantic region in terms of the Finance and insurance, real estate, rental and leasing industry between 2018 and 2020. During this period, employment is expected to decline by an average of -0.5% annually.

### Prince Edward Island

- In Prince Edward Island, employment in Finance and insurance, real estate, rental and leasing has increased by nearly 3.8% over the last 10 years. The industry appears stable and is poised to grow at an average annual rate of 1.0% between 2018 and 2020.
- Demand for housing in Prince Edward Island is expected to be supported by an expanding population base, as international immigration continues to trend upward in the province.
- The median hourly wage in this industry has increased by 40% in Prince Edward Island over the last 10 years, outpacing the national growth rate.

### Nova Scotia

- Nearly half of Atlantic Canada's jobs in Finance and insurance, real estate and rental and leasing are located in Nova Scotia. With economic growth expected to remain stable over the next few years, housing starts are expected to increase each year through 2020.
- According to CMHC<sup>5</sup>, population gains driven by international immigration into the Halifax Regional Municipality (HRM) as well growth from interprovincial migration are expected to provide a boost in residential housing starts. Furthermore, an aging population base should continue to provide strong demand for rental apartment construction. Employment in Finance and insurance, real estate, rental and leasing is expected to grow at a modest average annual rate of 0.4% between 2018 and 2020.

### New Brunswick

- New Brunswick's Finance and insurance, real estate, rental and leasing industry accounts for a greater (18%) share of overall economic activity than it did a decade ago (14%). The number of people employed in this industry hit a 10-year high in 2016, with this employment level holding steady in 2017 at 16,900. Some of this improvement can be traced to a rebounding housing market, as the number of housing starts grew by 25% between 2016 and 2017.
- Despite the weakening employment prospects, this industry has undergone significant wage growth during the past decade. Indeed, wages were up by over \$6 per hour, or 42%, between 2007 and 2017.
- Going forward, CMHC<sup>6</sup> anticipates new housing activity to slow down in the short term before picking up again in 2019 and 2020. From a longer-term perspective, the province's aging baby boomer population will likely drive demand for more rental units as this segment looks to downsize from their detached homes. Nevertheless, employment in the province's Finance, insurance, real estate, rental and leasing industry is expected to decline at an average annual rate of 0.3%.

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<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

## APPENDIX

**Table Two**  
**Real GDP (2017) and Employment (2018) for Atlantic Canada**

	Finance, Insurance, Real Estate and Rental and Leasing			All Industries		
	Number	Share of		Number	Share of	
		Total	AAGR*		Total	AAGR*
Real GDP (M\$)	\$18,231.1	100.0%	2.2%	\$103,262.4	100.0%	0.4%
Newfoundland and Labrador	\$3,752.3	20.6%	2.7%	\$31,585.2	30.6%	-0.3%
Prince Edward Island	\$1,045.1	5.7%	2.2%	\$5,540.0	5.4%	1.5%
Nova Scotia	\$7,917.9	43.4%	1.9%	\$35,955.4	34.8%	0.8%
New Brunswick	\$5,515.8	30.3%	2.2%	\$30,181.8	29.2%	0.4%
Employment (000s)	48.9	100.0%	0.4%	1111.0	100.0%	0.1%
Male	21.5	44.0%	0.9%	562.8	50.7%	0.1%
Female	27.4	56.0%	0.0%	548.2	49.3%	0.1%
15-24 years old	2.4	4.9%	-5.4%	143.3	12.9%	-1.4%
25-54 years old	34.6	70.8%	0.1%	709.4	63.9%	-0.7%
55 years and older	11.9	24.3%	3.3%	258.3	23.2%	3.7%
Worked full-time	43.0	87.9%	0.5%	930.8	83.8%	0.1%
Worked part-time	5.9	12.1%	-0.2%	180.2	16.2%	-0.2%
Self-employed	8.5	17.4%	2.4%	131.1	11.8%	-0.2%
Employees	40.4	82.6%	0.0%	979.9	88.2%	0.1%
Permanent job	37.9	77.5%	0.2%	804.9	72.4%	0.3%
Temporary job	2.5	5.1%	-2.1%	175.0	15.8%	-0.5%
Less than high school	1.7	3.5%	-5.5%	106.6	9.6%	-4.4%
High school graduate	10.7	21.9%	-1.7%	278.9	25.1%	-1.0%
Postsecondary cert. or diploma	20.8	42.5%	0.8%	435.8	39.2%	0.6%
University degree	15.7	32.1%	2.8%	289.6	26.1%	2.9%
Newfoundland and Labrador	7.3	14.9%	-0.1%	225.3	20.3%	0.2%
Prince Edward Island	2.9	5.9%	0.4%	76.0	6.8%	1.0%
Nova Scotia	22.1	45.2%	0.3%	455.9	41.0%	0.1%
New Brunswick	16.7	34.2%	0.9%	353.8	31.8%	-0.2%

Source: Statistics Canada, Labour Force Survey - Custom Table; Table 36-10-0402-01

\*Average annual growth rate for last ten years of available data (GDP 2008-17 and Employment 2009-18)

**Note:** In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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