



Tough Times Ahead

Provincial Summary for Executives



The COVID-19 pandemic has caused a sharp contraction in economic activity throughout the world. We expect global real GDP to decline by 4.7 per cent this year, crushed by the lockdowns that brought a halt to non-essential activities in most countries in the second quarter of 2020. The global economy recovered part of the lost ground in the third quarter, but a second wave of the virus and a delay in additional stimulus measures in the United States is hampering the recovery in the fourth quarter.

Canada's economy bounced back in the months following the economic plunge sparked by the COVID-related shutdowns in March and April. As health restrictions began to be lifted in May, the rebound set in. Statistics Canada estimates that by September, economic activity was back to 96 per cent of February levels and 2.4 million jobs had been recovered. Still, that leaves a gaping chasm from what we would consider "normal" levels of economic activity.



Looking ahead, the pace of recovery is expected to flatten, if not stall completely. The arrival of colder weather, coupled with a steep rise in the number of COVID-19 cases in many provinces recently, is expected to continue to disrupt the economic recovery. While the health measures and testing currently in place should prevent another full shutdown of economic activity, we do expect localized and regional shutdowns to continue to flatten the trajectory of the recovery.

Provincial overview

Canada's provinces are recovering from the shutdown in economic activity they suffered through in March and April, but the path back to normal will vary by industry—and thus by province. Tourism-related industries will continue to face hard times, something that will weigh more heavily on provinces where tourism typically accounts for a greater share of economic activity like Prince Edward Island, Nova Scotia, and British Columbia. Despite the Atlantic provinces' success in containing the COVID-19 outbreak and their efforts to promote domestic tourism within the Atlantic bubble, Canada's east coast provinces will suffer deep recessions this year, and the recovery will take time.

Newfoundland and Labrador has been hit hard by the combination of pandemic-related shutdowns and the global decline in demand and prices for resources, especially oil. Moreover, while the resource sector will recover, the impact on the government's finances suggests that the province is in for a long period of austerity once the crisis is past. New Brunswick has also felt the pinch of low resource prices. Refining production was reduced through part of the year, resulting in a sharp drop in manufacturing output. Similarly, Nova Scotia's manufacturing sector has been hammered this year, adding to the troubles in the province's tourism sector. Overall, Nova Scotia is expected to post the deepest recession in Atlantic Canada this year. And in P.E.I., the collapse in the tourism sector has made a big dent in that province's economy.



Quebec's economic recession has been deeper than initially forecast. The shutdown in the province was wide-reaching, hitting construction and manufacturing activity especially hard, and a rising number of COVID-19 cases over the summer and fall have led to another round of closures. Ontario is also suffering from a high rate of COVID-19 cases and will not escape a deep recession despite a relatively robust performance in professional services and in the finance, insurance, and real estate sector.

Out west, Manitoba successfully contained the initial wave of the pandemic, but cases have risen sharply since the summer, and the province is struggling to contain the second wave. With the exception of food manufacturing, the province's manufacturing sector has also been hit hard. Next door, however, the deep recession initially forecast for Saskatchewan is looking to be less severe. Despite the sizable hit to its energy and resource sectors, Saskatchewan has had better success at containing the pandemic, and a few key factors, including a recovery in agricultural exports and prices, are helping to offset the impact on overall economic growth.

Alberta's economy has been struggling ever since the collapse in oil prices in late 2014. Energy output and investment in the province have been further hit by the effects of COVID-19 on global demand for oil. Alberta is still forecast to post the deepest recession among the provinces this year. But a solid rebound (albeit, from deep lows) is forecast for 2021.

British Columbia will feel the pain from the shutdown in international travel. The province is also heavily dependent on trade flows, given its position as Canada's gateway to Asia. Despite the slowdown in 2020, there are many bright spots in the near-term outlook. Demand for forestry products has picked up sharply, as residential construction and renovation activity has been buoyant in North America despite the pandemic. Consumer spending has held up well, and several megaprojects will bolster investment and construction activity into 2021.

