

Sharp Deep Unprecedented Provincial Outlook Spring 2020

April 15, 2020



Canada is in the midst of the worst economic downturn it has experienced in decades. The shutdown of non-essential businesses and the physical distancing measures in place across the country to slow the spread of COVID-19 have brought activity in many industries to a near standstill. On top of that, Canada's energy sector is dealing with plummeting demand for oil and a price war between Saudi Arabia and Russia.

We estimate that real GDP declined at an annualized pace of nearly 5 per cent in the first quarter. In the second quarter, the decline in GDP is forecast to hit 25 per cent. This will be the steepest quarterly decline in economic output on record, based on modern statistics that date back to 1961.

The arrival of the COVID-19 pandemic has devastated the economic outlook for all provinces. The reduction in consumer and global demand will be felt across the country. On top of the havoc from the pandemic, the collapse in oil prices is amplifying economic hardship in the energy-producing provinces. Our forecast for 2020 calls for a steep decline in economic growth in every province. (See Chart 1.)

Chart 1

Change in our forecast for GDP growth in 2020

(percentage-point change from our February 2020 forecast, real GDP at basic prices)



Sources: The Conference Board of Canada; Statistics Canada.

Newfoundland and Labrador is set to enter a recession this year, with its economy contracting by 3.8 per cent as the province deals with the decline in oil prices and sharp reductions in global and domestic demand. While growth is forecast to rebound by 5.4 per cent next year, that is one of the weaker gains in our forecast.

In Prince Edward Island, the economy will contract by 3.0 per cent in 2020, with the contraction in tourism activity a key driver of this outcome. Although leisure travel will be slow to recover, the resumption of normal operations for businesses in the second half of the year will lay the foundation for a 5.7 per cent rebound in 2021.

Nova Scotia's economy is forecast to contract 3.6 per cent this year. Both export-intensive and domestic-oriented industries are seeing a massive drop in foreign demand due to the coronavirus pandemic. Fortunately, pent-up consumer demand and the start of construction on the \$10-billion Goldboro LNG terminal will allow the economy to rebound 5.9 per cent next year.

The broad-based slowdown in global and domestic demand will see New Brunswick's economy shrink by 3.3 per cent this year. This revision to our previous forecast is the smallest among all provinces, as healthcare makes up a larger than average share of the New Brunswick economy. (Healthcare is one of the lone sectors expected to post positive growth this quarter.) Growth will bounce back to 4.8 per cent next year as the economy emerges from recession.





In an attempt to slow the spread of COVID-19, Quebec has shut down businesses deemed non-essential until at least May 4, 2020. With activity restricted and consumer and global demand falling, the province's real GDP will fall 3.8 per cent this year. Buoyed by various income support programs, Quebec's economy will bounce back next year, gaining 5.8 per cent.

In Ontario, real GDP is forecast to decline by 3.2 per cent this year, one of the smallest declines among the provinces. A large concentration of professional service activities (which can be done remotely) and the retooling of some facilities to produce medical supplies are helping to lift the outlook for Ontario relative to other provinces. Next year, economic growth is forecast to hit 6.0 per cent.

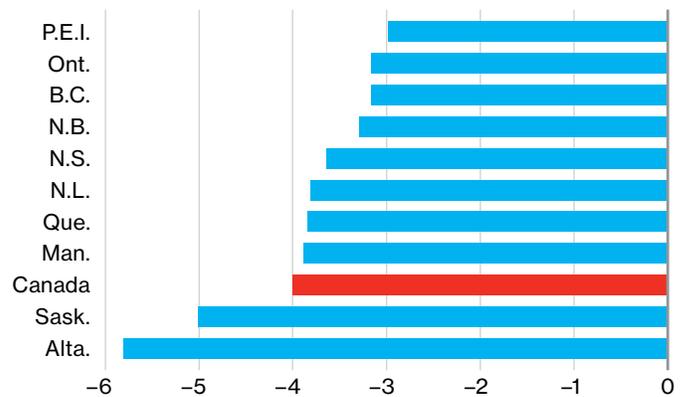
Manitoba's economy is set to contract by 3.9 per cent this year. The impacts of COVID-19 will reduce household spending and weigh on demand in key industries, such as transportation equipment manufacturing. The economy will recover over the second half of this year and into the next, boosting GDP growth to 6.0 per cent in 2021.

Saskatchewan will experience one of the largest declines in output this year as the negative impacts of COVID-19 are layered on top of the weakness in the province's mining industry. Overall, the province is looking at a decline in real GDP of 5.0 per cent this year before rebounding by 5.4 per cent in 2021.

Alberta is grappling not only with COVID-19, but also with a severe contraction in oil prices resulting from the steep drop in global demand (due to the pandemic) and the price war between Russia and Saudi Arabia. We expect the economy to contract by 5.8 per cent in 2020, which would be the worst annual decline on record. Fortunately, the downturn will be temporary, and the economy will rebound with 6.1 per cent growth in 2021.

British Columbia's economy is projected to contract by 3.2 per cent this year. Some consumer-facing industries will see a near-halt to activity while the slowdown in international trade weighs on port and transportation activity. A rebound of 6.3 per cent is forecast in 2021 with construction activity on megaprojects, such as the LNG Canada liquefied gas project and the Site C hydroelectric complex, leading the way.

Chart 2
Real GDP by province, 2020
 (real GDP at basic prices, percentage change*)



*based on 2012 \$
 Sources: The Conference Board of Canada; Statistics Canada.

