



Provincial economic outlook

In our recent [national economic outlook](#) we forecasted a year of transition for the Canadian economy as recent years policy rate hikes continue to work through household spending and business investment decisions and global growth slows. Specifically, the mortgage cliff of existing mortgages renewing at higher rates, albeit cushioned by higher pandemic wages and savings. A technical recession is avoided due to strong (if not excessive) population growth and expansionary government spending. A pivot by central banks to cut policy interest rates through the course of the year provides a some early-stage momentum to the existing home sales market but we anticipate ongoing weakness in new home construction due to the lags between weak pre-sale condominium sales and construction.

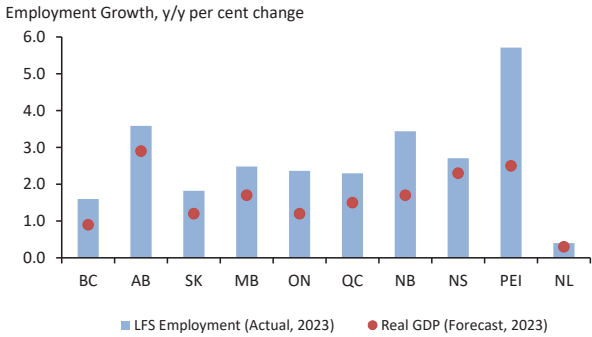
Highlights of the national forecast included a deceleration in GDP growth of 0.8 percent in 2024 followed by a rebound in 2025 as lower interest rates and a global growth recovery contributes to a broad strengthening in activity. No recession is forecast given robust population growth, although households will feel the pain as economic expansion trails population gains and per capita output declines. An average unemployment rate north of six per cent but easing in 2025 reflects the slower growth in economic conditions and population gains.

Economic growth flows from Alberta and the Atlantic

Unlike national GDP data, which is published quarterly on an expenditure basis and monthly based on industry production, estimates are available for the provinces and territories only annually and with a considerable lag¹. Nevertheless, based on the available data and our projections there were several themes for the economy heading into 2024. While broad economic activity slowed after a hefty 2022, our estimates for 2023 included real GDP growth of nearly three per cent in Alberta and 2.5 per cent in Prince Edward Island. Broadly, growth in east coast markets outperformed their provincial peers, although the weighting on national growth modest due to the size of the economy. Growth in B.C. and Ontario was estimated at 0.9 and 1.2 percent, respectively.

¹ Ontario and Quebec publish their own system of provincial economic accounts which are published quarterly.

Economic growth led by Alberta and Atlantic provinces in 2023



Source: Statistics Canada, Central 1

Stronger regional patterns evident in key indicators

	Employment	Unemployment Rate	Payroll Employment	Retail sales	MLS Sales	MLS Price	Manufacturing	Population
BC	Green	Green	Green	Red	Green	Green	Green	Green
AB	Green	Green	Green	Red	Green	Green	Green	Green
SK	Green	Green	Green	Red	Green	Green	Green	Green
MB	Green	Green	Green	Red	Green	Green	Green	Green
ON	Green	Green	Green	Red	Green	Green	Green	Green
QC	Green	Green	Green	Red	Green	Green	Green	Green
NB	Green	Green	Green	Red	Green	Green	Green	Green
NS	Green	Green	Green	Red	Green	Green	Green	Green
PEI	Green	Green	Green	Red	Green	Green	Green	Green
NL	Green	Green	Green	Red	Green	Green	Green	Green
CA	2.4	5.4	2.8	1.8	-11.1	-3.6	1.2	3.0

Worse National average Better

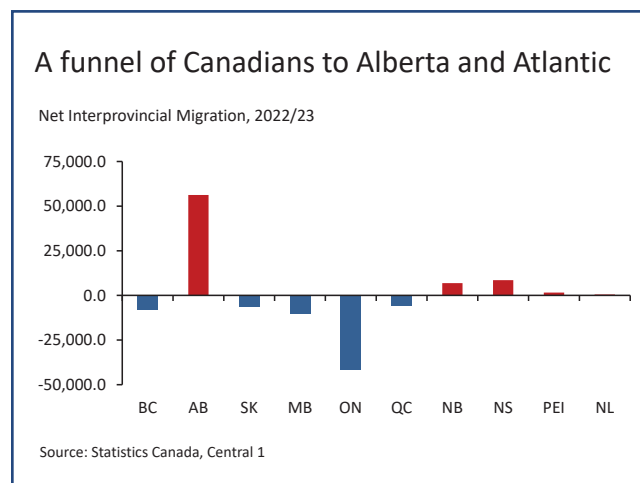
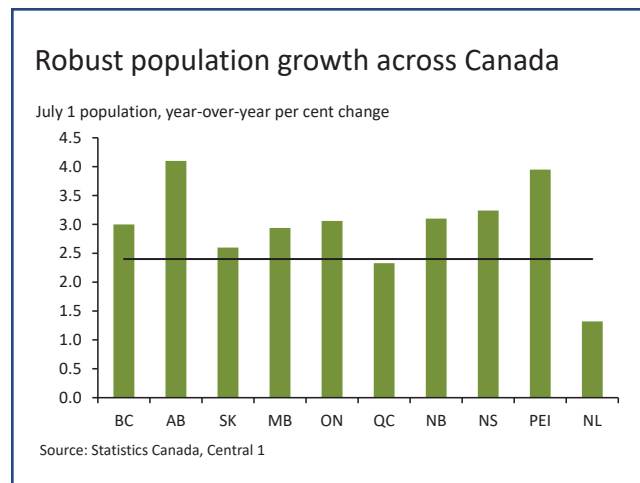
Differing growth patterns owed to several key factors, even as the broader growth story slowed due to higher interest rates, weaker housing markets, and the slowdown in consumer spending. Real output aligned with labour market patterns, where employment growth remained positive across the country but softer outside the higher growth regions. There were some divergence in patterns when comparing employment by place of residence (Labour Force Survey) and payroll counts which likely owed to prevalence of remote work as place of employment and residence differed.

Internal migration was a key driver as faster growing provinces recorded net inflows from other regions on top of already robust international inflows. Both Alberta and Prince Edward Island reported more than 4 per cent population growth last year. Canadians have shifted spaces, fanning out to more affordable

regions of the country, aided in part due to the more permanent trends of remote and hybrid work, propelling employment and income growth. It shouldn't be too surprising that retail sales spending in these areas have been relatively stronger, and home prices held up. Several provinces stand out with rising prices through 2023 including growth to new highs in Alberta and Nova Scotia and a robust increase in Manitoba. B.C. and Ontario fell, but also followed more vigorous price appreciation earlier in the pandemic.

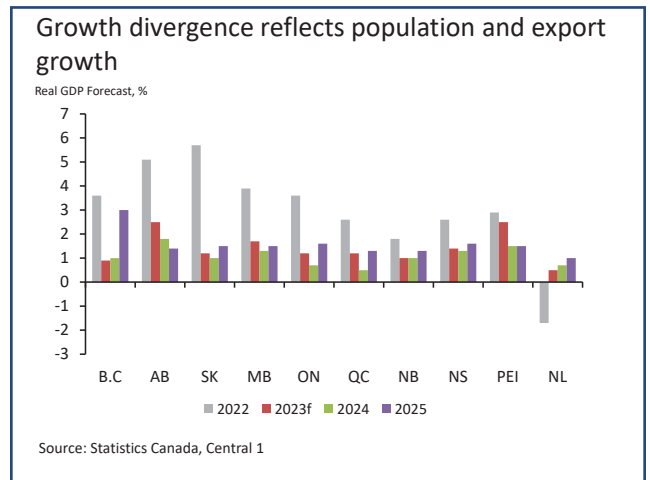
Mining, oil and gas extraction has continued to support prairie markets with real output rising faster than the broader economy, even as manufacturing stumbled among the provinces. Ontario recorded stronger growth in manufacturing of about six per cent as vehicle production rebounded. High prices have supported farm receipts in the Prairies.

Capital investment strength due to higher commodity prices earlier in the pandemic continued to provide a lift in provinces like Alberta and Saskatchewan, while maturing of the major project construction cycle has tempered B.C. activity. This has largely been reflected in mixed patterns in non-building investment. Despite mixed housing starts, residential building investment in renovations and new housing fell sharply across the country last year, albeit with more modest declines in Alberta.

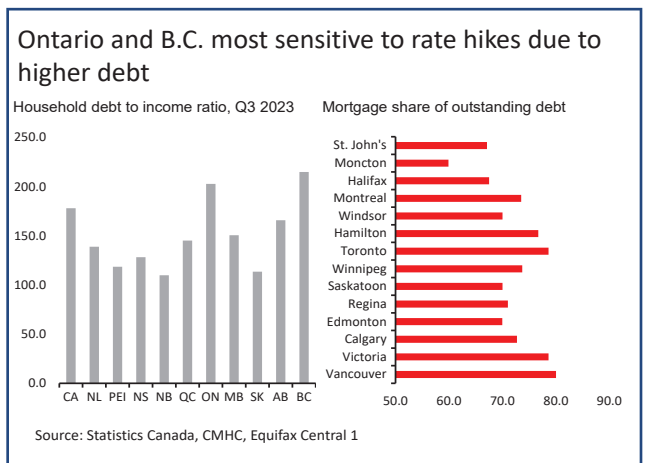


The 2024 Economic Fizzle

This year, economic growth is forecast to fizzle across the country but by varying degrees. Alberta and Prince Edward Island are again expected to lead the pack while Ontario and Quebec trail, and B.C. holds slightly above the national performance. Deviations in population growth observed in 2023 continue to be catalysts for stronger growth in these regions. In contrast, the impact of elevated interest rates will also differ amongst provinces.



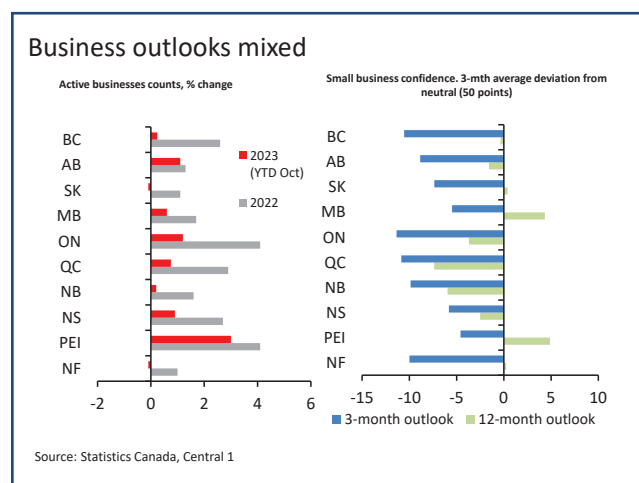
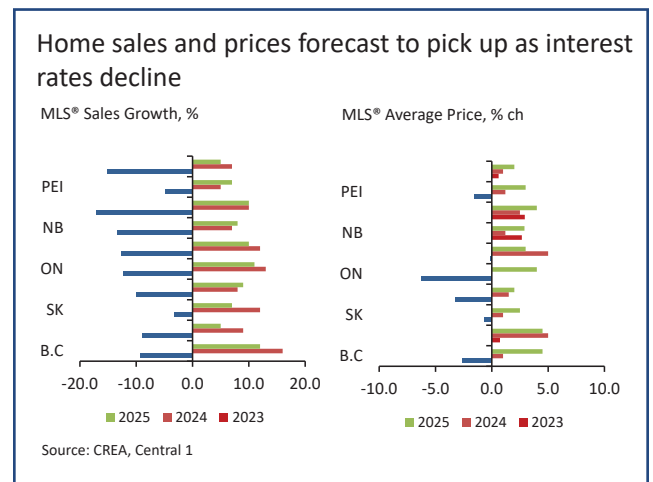
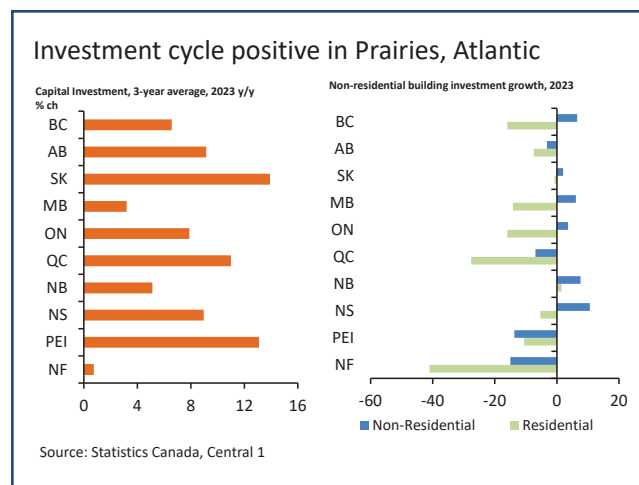
Mortgage renewal headwinds are likely to be more severe for B.C. and Ontario households reflecting the highest debt-to-income ratios and share of mortgage to outstanding debt. For the latter, these shares range from 70 per cent in Edmonton and Saskatoon, and 72 per cent in Calgary, while Toronto and Vancouver sit at 79 and 80 per cent, respectively. Pass through of higher interest will weigh on already sluggish consumer spending. That said, households will likely be able to absorb the impact of higher rates, due to mortgage stress tests, recent years wage growth, and accumulation of savings during the pandemic but broad spending is anticipated to be weak. Moreover, it is not entirely clear that provinces with more household debt will fare substantially worse as household net worth in these provinces is highest in the country, while mortgage in arrears heading into 2024 were also the lowest among provinces in B.C. and Ontario, and higher in Alberta.



Business conditions across provinces are mixed in early 2024 as consumer spending and investment slows with elevated interest rates, while export demand is anticipated to stall with a slowing global. Small business outlooks are consistent with short-term weakness, specifically in areas like B.C. and Ontario, with shallow pessimism in the prairies. Soft oil prices will be a drag in Alberta but offset by rising domestic demand from expansion in population, small business expansion and relocation, and other sectors of the economy. Ontario looks to see some lift from expansion in sectors including manufacturing electric vehicle (EV) batteries, and critical minerals extraction, but offset by a weaker consumer sector, housing construction, and fewer international students in post-secondary education. Stronger growth likely comes in 2025. B.C. growth edges up this year but remains sluggish at 1.0 per cent with some support from surprisingly strong housing starts over the past year but offset by near completion of major projects such as LNG Canada and the Site C dam. Growth picks up in 2025 as LNG projects begin to drive export dollars. Public sector spending is anticipated to remain a key pillar for growth over the next two years across the country especially as governments focus on increasing housing supply and supporting the needs of rapid population growth.

Employment growth is forecast to slow to 1.0 per cent in 2024. Growth of nearly two per cent is forecast in Alberta and Saskatchewan, with Atlantic Canada also observing stronger growth than the headline national figure. Canada's largest provinces of Ontario, Quebec and B.C. are expected to lag before gaining traction in 2025. Unemployment rates are anticipated to move higher over the next year before falling in 2025, this largely reflects elevated population growth that has outpaced the ability of the economy to create jobs. Higher unemployment rates are expected in Atlantic Canada.

With 2024 being a transition year for the economy, broad economic activity will be strained as high interest rates continue to work through the consumer economy. However, as we have noted, the existing home market is expected to gain traction this year as mortgage rates fall with rate reductions and a swell of buyers jump off the sidelines. Massive population growth and delayed homeownership due to financing constraints have buyers ready to jump in, which has been evident in early year data. While this will depend on the speed and magnitude of interest rate decline the ingredients are there for a significant sales bump, although price growth will be limited by affordability.



We anticipate higher priced markets in BC and Ontario, which saw some of the most severe sales declines in 2022 and 2023 to lead the rebound, particularly in larger urban areas.

In contrast housing starts are expected to decline due to the lagged effects of a weak resale market and high financing costs which have impeded condominium pre-sales and rental activity in large urban markets. Government policies to fuel housing activity will be constructive, but unlikely to fully offset the drag from market forces despite underlying demand.

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Real GDP				
	2022	2023	2024	2025
B.C	3.8	0.9	0.9	3.0
AB	5.0	2.9	1.8	1.4
SK	6.0	1.2	1.0	1.5
MB	3.3	1.7	1.3	1.5
ON	3.9	1.2	0.7	1.9
QC	2.5	1.5	0.5	1.3
NB	1.1	1.0	1.0	1.3
NS	2.9	1.4	1.3	1.6
PEI	2.9	2.5	1.5	1.5
NL	-1.7	0.3	0.7	1.0
CA	3.8	1.1	0.8	1.9

Source: Statistics Canada, Central 1

	Labour Force				Employment			
	2022	2023	2024	2025	2022	2023	2024	2025
B.C	1.0	2.2	2.0	1.6	3.1	1.6	1.2	2.1
AB	2.1	3.7	3.2	1.9	5.2	3.6	1.9	1.8
SK	1.5	2.0	1.4	1.0	3.5	1.8	2.0	1.7
MB	1.2	2.8	2.1	1.0	3.2	2.5	1.3	1.5
ON	1.8	2.4	1.8	1.4	4.6	2.4	0.8	1.7
QC	1.1	2.5	1.5	1.2	3.1	2.3	0.6	1.5
NB	0.6	2.7	2.0	1.3	2.7	3.4	1.3	1.2
NS	1.4	2.5	1.7	1.2	3.6	2.7	1.8	1.5
PEI	2.6	5.5	3.0	1.5	5.3	5.7	2.5	2.0
NL	2.1	0.3	0.7	0.7	4.3	0.4	0.5	0.8
CA	1.5	2.6	1.9	1.4	4.0	2.4	1.0	1.7

Source: Statistics Canada, Central 1

Unemployment Rate				
	2022	2023	2024	2025
B.C	4.6	5.2	5.9	5.5
AB	5.8	5.9	7.0	7.1
SK	4.7	4.8	4.2	3.6
MB	4.5	4.8	5.6	5.1
ON	5.6	5.7	6.6	6.3
QC	4.3	4.5	5.3	5.0
NB	7.2	6.6	7.2	7.3
NS	6.6	6.4	6.3	6.0
PEI	7.5	7.4	7.8	7.4
NL	11.2	9.9	10.1	10.0
CA	5.3	5.4	6.2	6.0

Source: Statistics Canada, Central 1

MLS® Sales, Units (000s)					% change			
	2022	2023	2024	2025	2022	2023	2024	2025
B.C	80.5	73.1	84.8	94.9	-35.1	-9.2	16.0	12.0
AB	84.0	76.5	83.4	87.5	-1.9	-9.0	9.0	5.0
SK	15.4	14.9	16.7	17.9	-11.7	-3.3	12.0	7.0
MB	15.7	14.2	15.3	16.7	-20.1	-10.0	8.0	9.0
ON	184.3	161.7	182.7	202.8	-32.0	-12.3	13.0	11.0
QC	86.8	75.8	84.9	93.4	-20.4	-12.7	12.0	10.0
NB	10.5	9.1	9.7	10.5	-20.5	-13.5	7.0	8.0
NS	12.5	10.3	11.4	12.5	-21.7	-17.2	10.0	10.0
PEI	2.0	1.9	2.0	2.1	-18.2	-4.9	5.0	7.0
NL	6.3	5.4	5.7	6.0	-7.2	-15.2	7.0	5.0
CA	499.0	443.5	497.1	545.0	-25.1	-11.1	12.1	9.6

MLS® Sales, Average Price (000s)					% change			
	2022	2023	2024	2025	2022	2023	2024	2025
B.C	996.9	971.2	980.9	1025.0	7.5	-2.6	1.0	4.5
AB	447.4	450.7	473.2	494.5	5.3	0.7	5.0	4.5
SK	303.3	301.4	304.4	312.0	0.6	-0.6	1.0	2.5
MB	360.4	348.7	353.9	361.0	7.9	-3.2	1.5	2.0
ON	930.7	872.3	872.3	907.2	6.7	-6.3	0.0	4.0
QC	488.1	487.4	511.7	527.1	11.3	-0.1	5.0	3.0
NB	289.8	297.5	301.1	309.8	17.6	2.7	1.2	2.9
NS	411.8	423.8	434.4	451.8	14.8	2.9	2.5	4.0
PEI	388.7	382.7	387.3	398.9	13.8	-1.6	1.2	3.0
NL	291.8	293.6	296.5	302.4	6.7	0.6	1.0	2.0
CA	704.0	678.3	691.8	721.6	2.4	-3.6	2.0	4.3

Source: CREA, Central 1

Housing Starts				
	2022	2023	2024	2025
B.C	46,721	50,490	39,000	42,000
AB	36,544	36,022	40,000	38,000
SK	4,211	4,619	4,900	4,000
MB	8,095	7,104	6,800	7,000
ON	96,080	89,297	82,000	93,900
QC	57,107	38,912	41,000	45,000
NB	4,680	4,547	4,700	4,500
NS	5,714	7,159	6,800	6,500
PEI	1,318	1,139	1,200	1,300
NL	1,379	978	1,100	900
CA				

Source: CMHC, Central 1

Population				
	2022	2023	2024	2025
B.C	2.2	3.1	2.7	1.5
AB	2.2	4.1	3.4	2.0
SK	1.1	2.6	1.7	1.0
MB	1.2	2.9	2.2	1.0
ON	2.0	3.1	2.7	1.3
QC	1.1	2.3	1.7	1.2
NB	2.7	3.1	2.4	1.5
NS	2.9	3.2	2.2	1.5
PEI	3.6	4.0	3.0	2.0
NL	1.1	1.3	1.0	1.0
CA	1.8	3.0	2.4	1.5

Source: Statistics Canada, Central 1

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