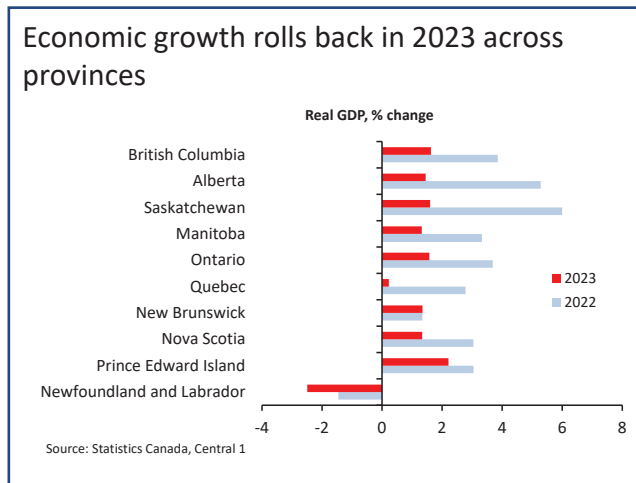




Little to separate economic growth among provinces in 2023

There wasn't a lot of room separating Canadian provincial economies in 2023 according to long-awaited annual gross domestic product (GDP) figures released this week. As already known, the Canadian economy grew at 1.2 per cent in 2023, but there was no notable growth leader among provinces. Newfoundland and Labrador was however the weakest amongst its peers.



Based on industry-output, GDP growth in most provinces clustered near 1.5 per cent with notable drags coming from Quebec (0.2 per cent) and Newfoundland and Labrador (-2.5 per cent). On the upper end, growth on Prince Edward Island led provinces at 2.2 per cent although given the relative size of the economy, this had a negligible impact on national performance.

Unsurprisingly, all provinces reported hefty slowdowns as national growth fell from 3.9 per cent. After leading the way the prior year, growth in Saskatchewan fell to 1.6 per cent from 6.0 per cent. Meanwhile, Alberta's growth rate fell from 5.3 per cent to 1.5 per cent. In B.C., GDP growth slid from 3.9 per cent to 1.6 per cent, while Ontario reported a similar decline from 3.7 per cent to 1.6 per cent. On a per capita basis, real output growth deteriorated across provinces reflecting massive population gains and headwinds facing all economies from higher interest rates environment and some fading of the post-pandemic rebound.

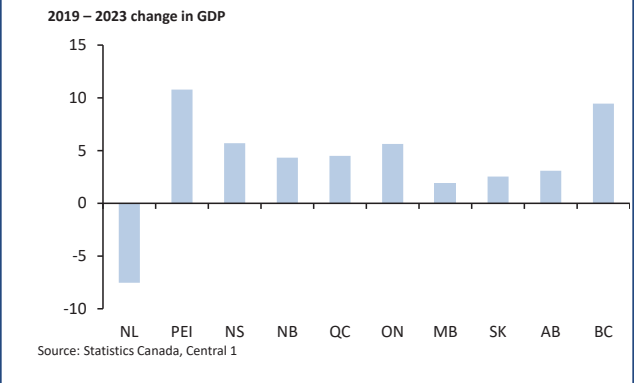
While there was no single story across the country last year, several key patterns were observed. Services-

oriented sectors led growth across all provinces, with good sectors adding little and in provinces detracting to economic output.

Goods-sector weakness varied. B.C. reported a sharp decline in manufacturing driven by wood products, alongside declines in utilities and agriculture and other non-mining primary industries. More broadly, drought conditions hammered agriculture sectors in the Prairies and in most provinces. Construction was mixed with a decline in Ontario, Alberta, Quebec and several Atlantic provinces, but up sharply in Saskatchewan and slightly higher in B.C.

Among services-producing sectors, 2023 growth was propelled by the impacts of higher population growth with retail spending significantly higher in most provinces and supported headline growth. That said, retail sector output slipped in Ontario, was flat in Saskatchewan and nudged higher in B.C. Elevated interest rates and slower housing market conditions generally held back growth in the finance and real estate sectors. Further recovery in tourism likely drove the strong gains observed in accommodations and foodservices while elevated government spending continued to lift gains in direct public administration and government adjacent sectors like education and healthcare.

B.C. and P.E.I. show strongest growth through pandemic



While economic growth was largely consistent across the country last year, provincial conditions have been uneven during since the pandemic in terms of magnitude of downturn and recovery speed. Even as Saskatchewan and Alberta posted massive gains in 2022, GDP was only 2.5 per cent and 3.1 per cent above pre—pandemic 2019. In contrast, B.C.'s

economy was 9.5 per cent larger and Prince Edward Island GDP was up by 10.8 per cent. For B.C. this partly reflected less restrictive health measures during the pandemic and boost from major project activity. Ontario's economy expanded 5.6 per cent over the period. Newfoundland and Labrador reported a real contraction of 7.5 per cent over the period.

This year, growth is anticipated to remain broadly tepid near 2023 levels. Elevated interest rates continue to drag on consumer spending as more mortgages renew and temper residential investment, while investment spending struggles.

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