

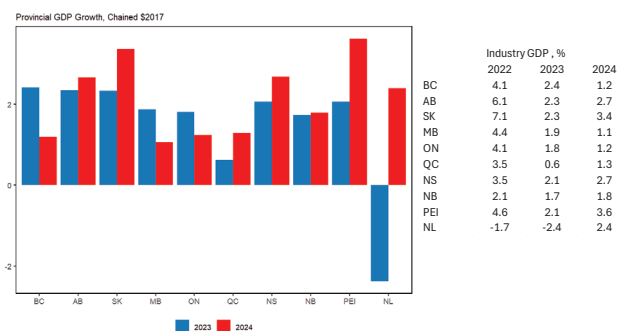


Economic growth mixed across the country in 2024

This week saw the first estimates for provincial economic growth for 2024 based on industry production. As previously published by Statistics Canada, the Canadian economy expanded by 1.6 per cent in 2024. The latest provincial estimates showed significant dispersion in performance across the country, with population growth patterns, resource production, and construction trends all contributing to varying magnitudes of strength as the country headed into this year's trade war. Expenditure GDP estimates which are the "official" growth measure will not be released until late in the year.

Industry GDP growth was split in 2024. Growth increased in seven of ten provinces, even as aggregate growth in the country was consistent with 2023. Growth was led by the provinces of Prince Edward Island (3.6 per cent), Saskatchewan (3.4 per cent), and Alberta (2.7 per cent). These three provinces accelerated from their pace in 2023, while Newfoundland and Labrador (2.4 per cent) rebounded after being the only province to contract in 2023. Dragging on overall growth was a slowdown in British Columbia which slumped to a growth rate of 1.2 per cent from 2.4 per cent in 2023, which was second lowest pace of growth next to Manitoba (1.1 per cent). Ontario growth came in just above 1.2 per cent.

Tempered year for Canadian growth, but stronger gains in Alberta, Saskatchewan and Prince Edward Island



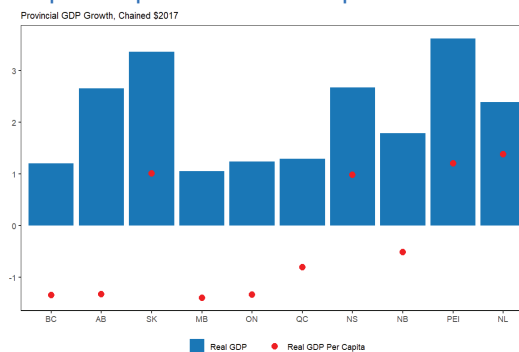
Source: Statistics Canada, Central 1

On a per capita basis, GDP growth underwhelmed the robust population gains seen across all large provinces, including Alberta. While year-over-year national population growth as of January 1 was 1.8 per cent, it is more

appropriate to use the average population for the year relative to 2023, which was 2.6 per cent, led by 4 per cent growth in Alberta, with a low of 1 per cent in Newfoundland and Labrador.

Per capita GDP fell in all large provinces including Alberta (-1.3 per cent) where population growth swamped solid growth in the economy, consistent with B.C. and Ontario. In contrast, per capita GDP rose in Saskatchewan and several Atlantic provinces. While this could signal a substantial deterioration in economic well-being in many regions (and growth has been soft), we caution about reading too much into the pull back given the unprecedented immigration inflows in recent years and a normal lag in productivity of newcomers as many integrate into the workforce.

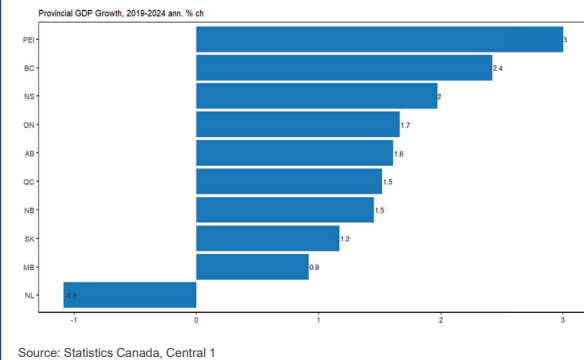
Per capita output lower in most provinces



Source: Statistics Canada, Central 1

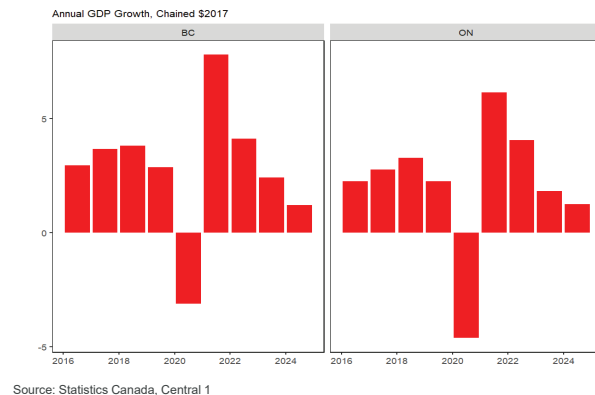
Medium-term economic growth trends also differ from the latest year. As we noted in a recent report, economic growth has been volatile in recent years as the pandemic and shifts in the broader economy have led to uneven growth among provinces through the pandemic + era. Despite recent years showing stronger gains in Alberta and Saskatchewan, growth has been stronger in B.C. and two Atlantic markets even as the former decelerated last year. Both provinces recorded shallower pandemic declines, and robust early recoveries. Growth averaged 3 per cent in PEI, and 2.4 per cent in B.C. when comparing 2024 and 2019, with the weakest growth in Newfoundland and Labrador and Manitoba over the period.

Pandemic+ period still favoured coastal regions



Provincial Scans

Annual GDP growth: B.C. and Ontario



British Columbia

Industry output rose 1.2 per cent in 2024, as growth in services (2.5 per cent) more than offset a contraction of 2.9 per cent in the goods-producing sector. In the latter, there was a steep decline in both construction (-5.7 per cent) and manufacturing (-6.2 per cent). Resources and utilities fared much more strongly with more than 3.8 per cent growth. Manufacturing saw further declines in wood product manufacturing, adding to a longer-term downtrend, while primary and fabricated metal manufacturing slumped sharply. Construction declines were driven by drops of nine per cent in the residential market and engineering construction, reflecting housing market weakness and the end of some major project activity.

Among services-producing sectors, higher growth was public-sector tangent. Public administration expanded 3.4 per cent (adding to 5.4 per cent growth in 2023), while education (3.3 per cent), and healthcare (4.3 per cent), also continued to grow at a rapid pace.

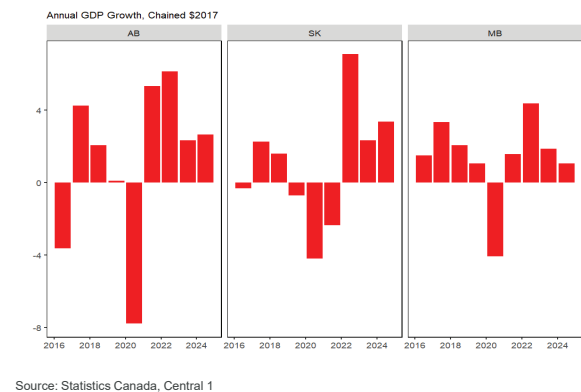
Transportation/warehousing expanded 4.1 per cent on pipeline throughput (following construction of TMX) and increased air transportation. In contrast, management services plunged 30 per cent, accommodation/food services (-0.3 per cent), and retail and wholesale trade, which grew at about one per cent, were weak.

Ontario

Industry output rose 1.2 per cent in 2024, slowing from 1.8 per cent in 2023. A contraction of 2.3 per cent in the goods-producing industry was offset by an increase in services production. Goods-sector weakness was driven by construction (-1.9 per cent) as residential construction fell, while manufacturing contracted by 4.7 per cent driven in large part by the automobile and parts sector (-11 per cent), as well as significant retracements in sectors like computers, electronics, and non-metallic mineral products. Resources extraction (up 3.9 per cent) on a surge in metal mining activity, and agriculture were offsets.

In contrast, services sector growth was lifted by finance and insurance (3.5 per cent) and transportation/warehousing (3.1 per cent). Government and public-sector tangent services expanded at a robust pace. Public administration grew 2.6 per cent, with education and health/social assistance up by 4.8 and 3.3 per cent. Hospitality slowed but expanded 1.6 per cent.

Annual GDP growth: Prairies



Alberta

The economy grew at a brisk pace in 2024 by 2.7 per cent and was the fastest growing of Canada's large provinces. The economy accelerated from a 2.3 per cent pace in 2023. In contrast to some of its peers, both the goods-sector (3.0 per cent) and services sector (2.4 per cent) expanded during the year. Resources (+3.9 per cent) owed to increased oil and gas

production, while the booming population-led housing construction market lifted construction by 4.7 per cent. Manufacturing slipped one per cent.

Service-producing sectors expanded in nearly all segments, consistent with population-driven growth like in other provinces. Finance, insurance and real estate expanded by more than two per cent, with retail trade up 2.8 per cent. Like other markets the public administration (up 2.1 per cent), health services (5.0 per cent) and education (3.7 per cent) were key drivers.

Saskatchewan

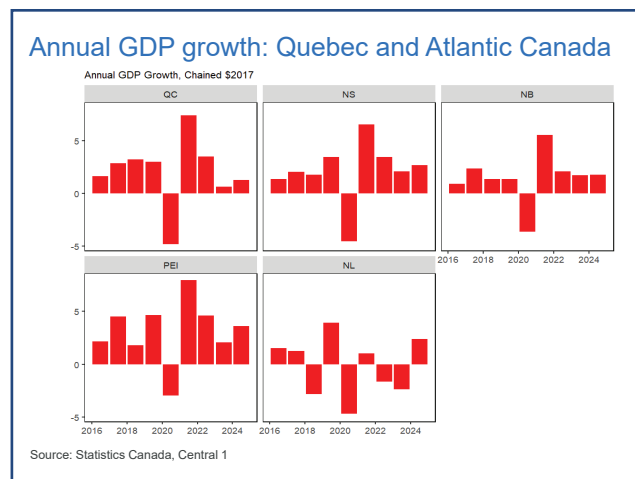
The province reported the second strongest growth performance in the country with a 3.4 per cent increase in GDP, compared to 2.3 per cent in 2023. Goods-production soared by 5.4 per cent as services-producing output increased a modest 1.6 per cent. The agriculture sector jumped 8.4 per cent on a 9.4 per cent increase in crop production, while mining output increased 5.6 per cent on potash mining (8.3 per cent). Construction jumped 13.2 per cent on residential construction 9.2 per cent, and a massive increase in both non-residential (14 per cent) and engineering construction (22 per cent), owing to a new potash mine. Manufacturing fell 4.6 per cent.

Services sector growth was broadly mild, but public administration fell 0.3 per cent, while healthcare rose 4.4 per cent.

Manitoba

Growth in the province was among the softest in the country at 1.1 per cent. Goods production was flat while services-sector growth advanced 1.4 per cent. In the former, a slight uptick in manufacturing and construction of about one per cent and higher resources production was offset by lower utilities and agriculture.

Most services sectors grew from 1-2 to per cent, except arts/entertainment/recreation (3.5 per cent) and independent personal services (3.8 per cent).



Quebec

Growth in the province was slow at 1.3 per cent but improved from the dismal 0.7 per cent in 2023. Goods production slipped 0.8 per cent while services-sector growth advanced 2.0 per cent. In the former, lower manufacturing and utilities growth offset an increase in resource output (4.6 per cent). Services were led in part by a rebound in education (4.9 per cent) reflecting the negative impacts of the teachers strike in 2023, while healthcare rose 3.7 per cent. Transportation/warehousing and finance/insurance were also modest growth drivers.

New Brunswick

The province expanded by a modest 1.8 per cent consistent with 2023. Goods production slipped 0.4 per cent, while services-sector growth advanced 2.5 per cent. The former was lifted by construction and manufacturing growth of 2.8 per cent but offset by a utilities pullback (-18 per cent) and a drop in resources extraction.

Services growth was lifted by stronger growth in public administration (3.0 per cent) and public-sector tangent education (3.3 per cent) and health services (4.1 per cent). Finance and insurance, real estate rose about 2.4 per cent and arts/entertainment surged 4.1 per cent

Nova Scotia

The province posted a moderate gain in 2024 with GDP up 2.7 per cent. Good-producing sectors expanded 3.8 per cent, with services up 2.4 per cent. Stronger gains in construction (7.0 per cent), manufacturing (5.2 per cent) and utilities (4.0 per cent) led growth in the former. Services sector trade was led by healthcare/social assistance (3.5 per cent), education (3.0 per cent), and a 6.2 per cent in transportation/warehousing.

Prince Edward Island

The province led national growth in 2024 with growth of 3.6 per cent compared to 2.1 per cent in 2023. Goods producing sectors (5.8 per cent) led growth, but services were no slouch at 2.8 per cent. The former reported robust growth in construction (12 per cent), and resources (4.7 per cent) alongside expansion in manufacturing. Among services, there were strong gains in healthcare/social assistance (4.4 per cent), arts/entertainment (5.4 per cent), and real estate/leasing (5.0 per cent). Population growth has driven gains in the province.

Newfoundland and Labrador

After two years of contraction, growth moved back into positive territory in 2024. Provincial GDP rose 2.4 per cent after a similar retracement in 2023. Goods-sector production rose four per cent as services nudged up 1.2 per cent. Good sector growth reflected large gains in oil and gas (4.6 per cent), and a surge in manufacturing (12 per cent), including large pickups in food production, sawmills, and chemicals.

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