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Prairie provinces topped the 2022 growth rankings

- All provincial economies but one (Newfoundland & Labrador) grew for a second-straight time last year.
- Improved growing conditions helped accelerate growth in the Prairies while the pace slowed in all other provinces.
- The removal of pandemic-related restrictions significantly buoyed service industries while improved weather conditions bolstered crop production.
- Growth is projected to continue slowing in 2023 as many provinces brace for recession.

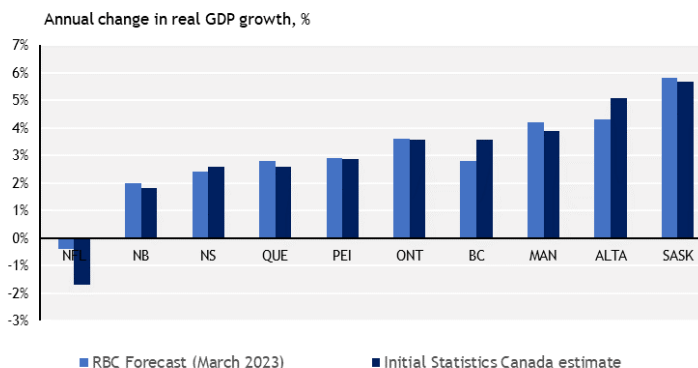
Economic activity mostly decelerates from the post-pandemic boom

After a broad-based spurt of activity during the early phase of the recovery in 2021, the pace faded in most provinces last year amid soaring interest rates. As expected, the Prairie provinces bucked this trend. Improved growing conditions and booming commodity markets supported a fierce turnaround for the region. Saskatchewan (+5.7%), Alberta (+5.1%) and Manitoba (+3.9%) topped off Canada's growth rankings in 2022.

A split year in B.C. and Ontario put growth in these provinces in line with the overall rate of 3.6% for Canada, while a weakening export market left Quebec trailing behind at 2.6%. And following a record year in 2021, growth in the Maritime provinces moderated in P.E.I (+2.9%), Nova Scotia (+2.6%) and New Brunswick (+1.8%). Underperforming oil and mining production in Newfoundland & Labrador pushed Canada's most eastern province into an outright contraction (-1.7%).

These initial estimates for 2022 growth outcomes are largely in line with our [latest forecast](#). They are based on industry GDP. "Official" numbers based on expenditure accounts will be published later this year.

2022 Economic growth in line with expectations



Source: Statistics Canada, RBC Economics

Commodity boom supports strong growth in Prairie provinces

High crop yields and relatively strong demand for oil and gas pushed the Prairie provinces to the top of Canada's growth ranking in 2022. While last year was a continuation of strong growth for Alberta, it marked a notable acceleration for Manitoba and a turning point for Saskatchewan. After reporting negative real GDP growth for a third consecutive year in 2021, Saskatchewan has finally pulled itself out of its recession. We expect the momentum from 2022 will be carried forward to this year, cushioning the three Prairie provinces from contracting despite the global economic weakening.

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Removal of pandemic-related restrictions boosts growth in service industries

With the removal of lingering pandemic restrictions, service-producing industries further advanced their recoveries across all provinces. Growth in service-producing sectors was particularly strong in Ontario and Quebec where professional, scientific, and technical services were the top contributor for real GDP growth in 2022 at 8.6% and 6.7% respectively.

Likewise, improved weather conditions spurred a recovery in goods-producing industries. This was particularly notable in the Prairie provinces thanks to a bounce back in crop production. Higher yields in 2022 supported crop production in Alberta, Saskatchewan, and Manitoba which reported their largest single year increase since at least 2017.

Headwinds in the year ahead

Although the Bank of Canada hit pause on its rate-hiking cycle earlier this year, economic activity is expected to be sluggish in most of the country in 2023. Propped up by strong global commodity markets, we expect Saskatchewan (+2.0%) and Alberta (+1.9%) to continue leading the pack while Ontario, B.C. and Quebec face elevated recession risks.