

May 2, 2022

Half of Canadian provinces fully recovered pandemic losses in 2021

- Nine of ten provinces posted real GDP growth in 2021; half of provinces fully recovered pandemic losses
- The Maritimes reported the strongest growth alongside BC and Quebec; drought conditions hurt Saskatchewan
- Health care and social assistance provided the greatest lift to output alongside professional, scientific, and technical services
- Growth momentum will slow in 2022 across most regions

Half of Canadian provinces fully recovered pandemic losses in 2021. All provinces reported annual growth in real GDP, with the exception being Saskatchewan, where 2021 output was 5.4% below 2019 levels. PEI, BC, Nova Scotia, and Quebec recorded the strongest growth in 2021. New Brunswick also fully recovered pandemic losses and Ontario came quite close. While Alberta's economy was hardest hit by the pandemic in 2020, this province reported real GDP growth above the national average in 2021 thanks to a strong energy sector rebound (and also a base effect).

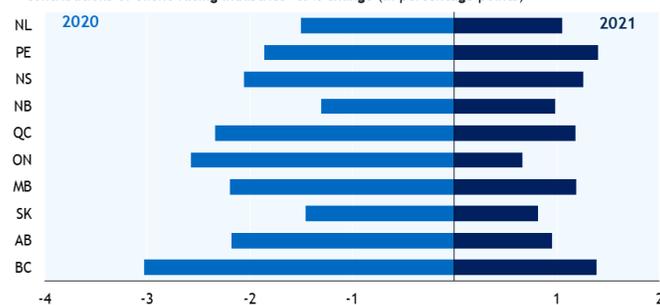
Real GDP growth reported in 9 of 10 provinces in 2021



Source: Statistics Canada, RBC Economics

Client-facing industries rebounded in 2021

contributions of client-facing industries* to % change (in percentage points)



* Retail trade excluding non-store retailers; air transportation; urban transit systems; taxi and limousine services; other transit and ground passenger transportation and scenic and sightseeing transportation; motion picture and video exhibition; ambulatory health care services; arts, entertainment and recreation; accommodation and food services; travel arrangement and reservation services; personal and laundry services

Source: Statistics Canada, RBC Economics

Across the country, services-sector GDP drove the recovery. Health care and social assistance was the greatest contributor to national output alongside professional and scientific and technical services (PST). BC, Alberta, and Ontario all reported annualized growth above 8% in health care and social assistance, as restrictions eased and practitioners resumed in-person visits. Canada's Maritime Provinces eclipsed national growth in PST, all of which posted double-digit annualized growth in this sector. Despite persistent and pervasive supply chain disruptions, construction and manufacturing combined accounted for close to one-fifth of national growth. Client-facing services reported strong rebounds in real GDP, but still lag other sectors in the recovery, most notably in Ontario and BC. Output in accommodation and food services was still well below pre-pandemic levels.

Carrie Freestone | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-6930
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Canada's Maritime Provinces reported some of the strongest growth nationally led by favourable crop conditions and higher seafood prices and the real estate sector. But declines in the goods-producing sector (mining and oil and gas) weighed on output overall in NL. Unsurprisingly, Central Canada accounted for 60% of national growth with health care and social assistance leading the recovery. Manitoba and Saskatchewan saw their levels of output significantly impacted by extreme droughts. Crop production output fell by half in Saskatchewan and 25% in Manitoba. Alberta's oil and gas output (+6.3%) helped propel the province forward. BC reported the highest level provincial year-over-year growth (+10.3%), in part thanks to strength in the real estate sector.

In 2022, we expect momentum will slow in most provinces (with the exception being the Prairies) as higher interest rates and rising prices cool consumer spending.