

November 10, 2022

2021 in review: Almost all provinces enjoyed sharp economic rebounds

- Nine out of 10 provinces posted strong growth in real GDP last year following pandemic-induced economic contractions in 2020.
- Unprecedented migration to Atlantic Canada fueled household spending in these provinces, sparking some of the fastest economic recoveries in the country.
- Drought-stricken Saskatchewan was the only provincial economy that contracted further (-0.9%) last year.
- We project growth to slow for most provinces this year.

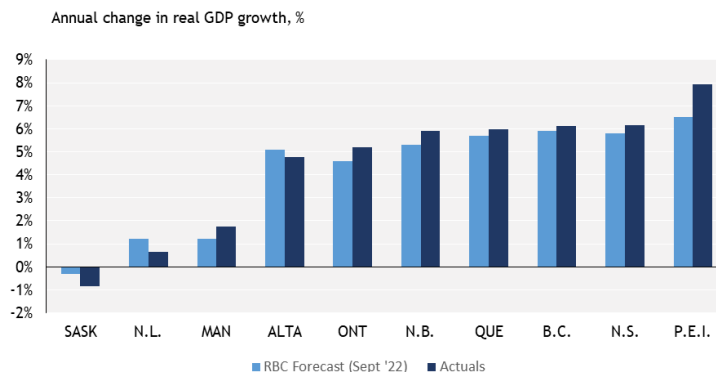
Household spending, real estate and business investment fuelled rebounds in most provinces

The easing of pandemic restrictions, paired with rock-bottom interest rates and continued COVID-related government support kickstarted provincial economies in a big way last year. Rebounding household spending, red-hot real estate activity, and rising business investment set the stage for very strong economic growth in most of the country, Statistics Canada's 2021 provincial economic accounts confirmed. In most cases (P.E.I., Nova Scotia, New Brunswick, Quebec, Ontario and British Columbia), these rebounds more than reversed contractions that took place in 2020.

P.E.I. (+7.9%) led the pack, posting its largest real GDP increase in nearly four decades. A wave of interprovincial and international migrants supported elevated levels of household spending on the island. A similar story can be told in Nova Scotia (+6.2%) and New Brunswick (+5.9%) which also experienced population booms.

Growth in B.C. (+6.1%), Quebec (+6.0%), and Ontario (+5.2%) also outpaced Canada as a whole (+5.0%). All benefited from outsized gains in household spending and real estate investment. In B.C., investment strength went beyond real estate and extended into other business and public sector capital spending (total capital formation jumped 10.5%, the highest among provinces).

Economic rebound stronger than expected in most provinces in 2021



Source: Statistics Canada, RBC Economics

Drought in the Prairies and an investment lull in Newfoundland held these provinces back

Saskatchewan's economy (-0.9%) shrank for a third straight year. Unfavourable weather conditions pummeled crop production in this province, dragging on its exports and investment in goods inventories. While other Prairie provinces also suffered from low crop yields, resilient manufacturing sectors and relatively strong demand for oil and gas gave Manitoba (+1.8%) and Alberta (+4.8%) material offsets. Despite posting positive growth, halts to major oil rigging projects prevented Newfoundland and Labrador's economy (+0.6%) from recovering faster.

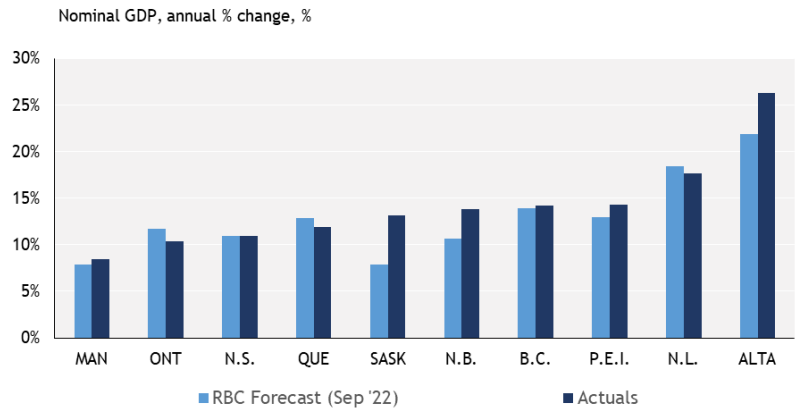
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Soaring commodity prices and rising inflation revved up nominal GDP

Taking into account price changes in the economy, nominal GDP shot up even more dramatically last year, rising 13.6% nationwide. These gains were most pronounced in Alberta (+26.2%) and Newfoundland (+17.7%) thanks in large part to soaring energy prices. Faster than anticipated nominal economic growth was a boon to governments from coast to coast, propping up their revenues and sharply improving their fiscal balances. Alberta, B.C., Ontario, Quebec, New Brunswick, Nova Scotia, and P.E.I. even reported budget surpluses in the 2021-22 fiscal year.

Growth in most provinces surpasses bullish forecast



Source: Statistics Canada, RBC Economics

Growth expected to slow from 2021 surge

Although provincial economies generally looked vibrant in the first half of 2022, we expect the Bank of Canada's aggressive interest rate hiking campaign to slow things down through the remainder of this year. Higher rates are already cooling real estate activity across the country. And we expect this to spread to other interest rate sensitive sectors in the period ahead. Our latest [Provincial Outlook](#) report provides up-to-date forecasts for provincial economies.