

## Economic and Social Reports

# Differences in the economic impacts of COVID-19 across the provinces and territories



by Carter McCormack

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# ***Differences in the economic impacts of COVID-19 across the provinces and territories***

by Carter McCormack

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Economic activity remained resilient during late 2020 and early 2021 as households and businesses continued to adjust to changes in the intensity of COVID-19 containment measures. During this period, the pace of the recovery, particularly insofar as it pertained to activity levels in high-contact services, increasingly reflected the degree to which public health measures were tightening or easing in different regions of the country.

A new presentation, *Economic impacts of COVID-19 in the provinces and territories* (Gellatly and McCormack 2021), highlights how COVID-19 has affected economic activity in different provinces and territories. It provides an integrated summary of key developments since the onset of the pandemic.

While all provinces experienced severe declines in economic output during 2020, the magnitude of these losses varied substantially across the country. They largely reflect province-specific factors, beyond the severe disruptions that lockdown measures have had on accommodation and food services, retail trade, and passenger transportation in all areas of the country. In several provinces, including Alberta, Saskatchewan and Newfoundland and Labrador, lower industrial output related to resource extraction or engineering construction weighed heavily on economic activity.

Throughout the pandemic, employment levels have moved in lockstep with changes in the intensity of containment measures, particularly in high-contact services that were hardest-hit by public health restrictions. Employment losses in most regions of the country were more severe among young and part-time workers—particularly among young women—as evolving restrictions severely impacted dine-in restaurants and brick and mortar retailers. Less intensive lockdowns during the second wave in Atlantic Canada mitigated losses among young workers as many non-essential businesses were able to maintain operations longer than in other regions of the country.

While employment levels in accommodation and food services remain well below pre-pandemic levels, many industries with high levels of telework capacity have added jobs during the pandemic. Employment in professional, scientific and technical services and in financial services has risen steadily in many regions of the country, with the largest gains in Ontario and British Columbia. Employment in higher-earning services also advanced steadily in Quebec.

The pandemic continues to fuel housing markets in many regions of the country—as consumers look for more living space and larger homes to accommodate the rapid shift to online work. Home prices have surged in most provinces (Alberta and Saskatchewan are notable exceptions), as double-digit price increases spread beyond major urban markets into smaller cities and communities. A key feature of the economic recovery for the country as a whole is the extent to which housing market activity has bolstered economic growth, as spending on residential dwellings supplants lower investment in non-residential structures in many areas of the country.

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## Western Canada

Economic activity in Alberta and Saskatchewan was sharply impacted by lower energy demand. Petroleum and coal product manufacturing sales in Alberta fell by almost two-thirds during the initial lockdowns, and, as of March 2021, remains about 14% below pre-COVID levels. In Saskatchewan, wholesale agricultural supplies and farm machinery sales, buoyed by a strong, sustained demand for agricultural products, were less impacted by COVID-related disruptions and partly offset declines in energy. Substantial reductions in engineering construction related to resource projects weighted on activity in Alberta and Saskatchewan, as well as in Manitoba.

The economic impact of the pandemic in Alberta was more severe than in other provinces. As of February 2021, the number of active businesses operating in the province remained just over 2% below pre-COVID levels, the largest gap in Western Canada. Following the first and second waves of restrictions, the employment recovery among youth and in accommodation and food services has been the slowest of the western provinces, as the third-wave of restrictions took effect in April.

Economic activity in British Columbia was more resilient as stronger housing market activity helped mitigate declines in tourism and high-contact sectors. Since the onset of the pandemic, new home prices in the province have risen by over 12% as of April, compounding challenges related to living costs and affordability. Increases in engineering construction linked to major resource projects helped offset lowered manufacturing output, as the province's economy contracted by 3.8% in 2020, a substantially smaller decline than that experienced in other western provinces. Employment in professional, scientific and technical services surged in British Columbia, supporting the strongest employment recovery in Canada, despite the circuit breaker restrictions imposed at the end of March. By avoiding third wave restrictions, youth employment in Saskatchewan has advanced steadily since the New Year, surpassing pre-pandemic levels as of May for the strongest recovery outside of Atlantic Canada.

## Central Canada

Manufacturing sales in Ontario were severely impacted at the beginning of the pandemic, as shutdowns in the auto sector led to record declines before production ramped up as initial restrictions eased. By mid-summer 2020, sales at assembly plants and parts makers had surpassed their pre-pandemic levels. Factory sales in Quebec followed a similar path, quickly rebounding from the initial lockdowns. Lower manufacturing activity in 2020 accounted for nearly one quarter of the annual declines in both provinces.

Retail sales in Quebec experienced the largest decline in the country during the initial lockdowns, falling to 60% of pre-pandemic levels before rebounding swiftly in late spring. Sales followed a similar trajectory in Ontario.

The robust recovery in retail spending continued into late fall, before second-wave restrictions came into effect. Retail sales in both provinces peaked in November and then contracted sharply in December and January, particularly in Quebec where stricter limitations on social gathering and on the sale of non-essential goods and services were enacted. Sales in Quebec surged in February. By March, retail spending in Quebec was 15% above pre-COVID levels, outpacing the recovery in Ontario by 6 percentage points. Factory sales in Ontario began to moderate at the start of 2021 as the global semi-conductor shortage began impacting auto production, while factory sales in Quebec advanced on broad-based gains.

Employment levels in Ontario and Quebec have moved in accordance with changes in containment measures. Youth employment in Quebec was particularly hard-hit by the initial shutdown, falling by over one third before rebounding to within 7% of pre-COVID levels in September. Youth employment

fluctuated in late 2020 and early 2021 as restrictions in the province tightened and eased. Employment in accommodation and food services fell sharply as the province tightened restrictions in October and has remained around one third below pre-COVID levels before edging lower in May.

The employment recovery in Ontario continued into November, before province-wide lockdowns came into effect at the end of the year. The extended shutdown of the Greater Toronto Area continued well into 2021. The recovery in youth employment in Ontario has lagged well behind the recovery in other provinces. As of May, youth employment in Ontario was 18% below pre-COVID levels, while youth employment in Quebec was 10% below. Similarly, the number of businesses operating in Ontario one year into the pandemic was 4.5% below levels reported in February 2020, compared to 1.1% below in Quebec.

## Atlantic Canada

About half of the decline in Newfoundland and Labrador's economic output in 2020 reflected lower engineering construction related to major resource projects. Heavily impacted by the downturn in the energy sector, manufacturing sales in Newfoundland and Labrador fell more sharply than in other provinces, and remain well below pre-COVID levels. In contrast, manufacturing sales in Nova Scotia and New Brunswick have increased markedly since the onset of the pandemic. Gains in transportation manufacturing contributed to the recovery in Nova Scotia, while steady growth in New Brunswick was led by shipments of non-durables that were relatively unaffected by pandemic-related measures.

Atlantic Canada has experienced a much smoother employment recovery compared with other regions of the country. From mid-2020 to May 2021, employment losses, relative to pre-COVID levels, have been lower in Atlantic Canada. While several provinces, including Quebec, Manitoba and Ontario, began imposing lockdown restrictions in late 2020 to deal with the pandemic's second wave, Atlantic Canada was able to remain relatively open through the New Year with short-lived restrictions over the holidays. In Newfoundland and Labrador and New Brunswick, the rebound in youth employment has been comparatively swift. Employment levels among 15- to 24-year-olds in both provinces, as of May 2021, were 6% and 5% higher respectively, than before the pandemic. Circuit breaker restrictions at the end of April in Nova Scotia resulted in a 13% decline in youth employment levels for May, halting the strong recovery.

While output declines in Prince Edward Island were less severe than in other parts of Atlantic Canada, the employment recovery in the province, especially among young workers, has been far more modest, as accommodation and food services and other activities that depend on tourism remain relatively hard hit. Increases in real estate activity and financial services helped mitigate steep declines in tourism-related sectors.

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## Reference

Gellatly, G., and C. McCormack. 2021. [Economic impacts of COVID-19 in the provinces and territories](https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2021002-eng.htm). A Presentation Series from Statistics Canada About the Economy, Environment and Society, no. 2. Available at: <https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2021002-eng.htm>.