



Laurentian Bank Securities ECONOMIC RESEARCH AND STRATEGY

Sébastien Lavoie • Chief Economist
514 350-2931 • LavoieS@vmbl.ca

Dominique Lapointe, CFA • Senior Economist
514 350-2924 • LapointeD@vmbl.ca

18 January 2021

Provincial Economic Forecasts – January 2021

Canadian Outlook

Our revisited economic forecasts are driven by many intertwined epidemiological factors and assumptions:

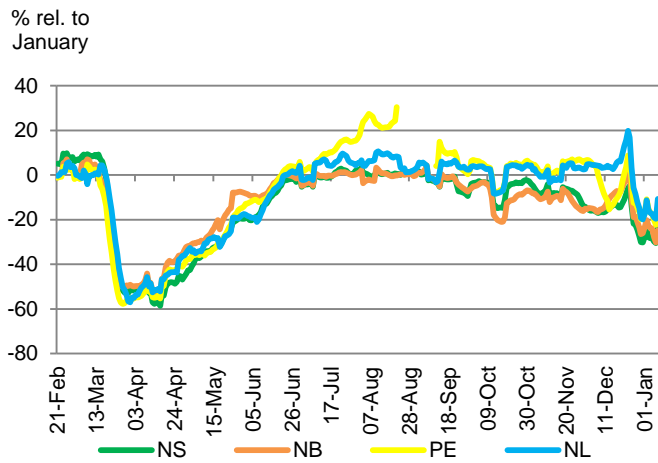
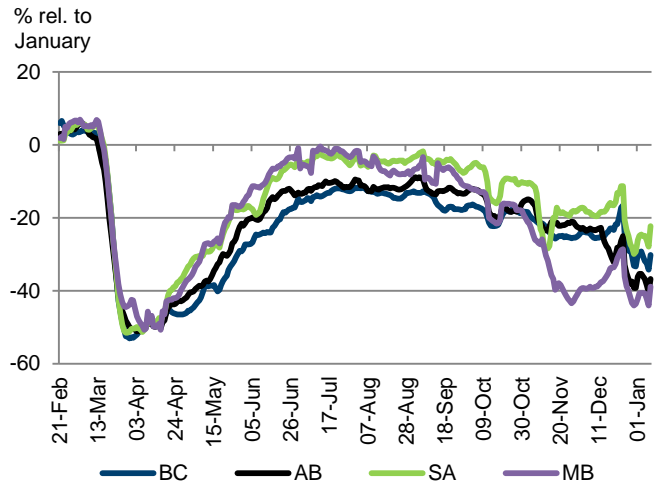
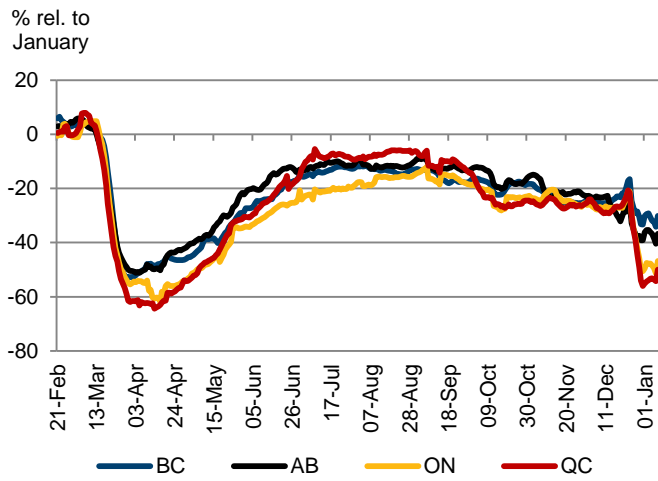
- A very challenging second wave of infections leads to uneven lockdowns across the country to begin the year 2021;
- Despite the shutdowns, businesses and households adaptation implies a higher level of economic activity compared to last Spring's deep trough;
- We assume a faster vaccination rollout, following a slow start;
- We assume elevated vaccine efficacy and no supply problems, despite new COVID-19 variants;
- The beginning of mass vaccination this upcoming Spring should lead to a gradual and permanent reopening;
- The partial spending of consumers' accumulated savings will temporarily reinforce the positive momentum during the second half of 2021;
- We assume that Canada will reach herd immunity in 2021Q4, before the U.S. where the percentage of people willing to receive the vaccine could be too low to reach herd immunity this year;
- The pre-pandemic level of real GDP remains within reach in late-2021 or early-2022, although the mix of outperforming and underperforming industries has structurally changed
- Changing consumer preferences creates dispersion in sectoral performances. Elevated long term unemployment reflects a challenging reallocation process for many people. As a result, we forecast a slower labour market recovery relative to GDP. Unemployment does not go back to pre-pandemic level until early 2024.

Provincial Outlook

- We forecast a second economic contraction in Ontario, Quebec and Manitoba in 2021Q1, caused by stringent restrictions. In contrast, the January reopening of targeted sectors in Nova Scotia underpins a rebound.
- The level of economic activity proxied by Google Mobility data on retail and recreation localisation is close to April's lows in Quebec, Ontario, Manitoba and Alberta (see charts).
- Fewer active COVID-19 cases in the Atlantic Region and Saskatchewan allowed economic activity to resume faster last year. Current restrictions are also much lighter in those regions.



Retail and Recreation - Canadian Provinces



Note: shown as a 7-day moving average. Last data point is January 8.
 Source: Google Mobility, LBS Econ. Res. and Strategy calculations.



Nominal GDP Growth (%)						
	2017	2018	2019	2020	2021	2022
Canada	5.7	4.2	3.6	-4.7	7.1	6.4
N&L	6.9	0.8	4.1	-9.0	6.1	3.0
PEI	6.5	3.6	7.0	-2.8	6.7	5.7
NS	4.1	3.6	3.8	-2.9	7.0	5.0
NB	4.4	3.6	3.0	-2.4	5.7	4.5
Quebec	4.9	5.4	4.3	-3.8	7.0	6.2
Ontario	4.3	4.1	3.8	-4.5	6.8	6.5
Manitoba	5.9	2.5	1.0	-2.5	5.5	5.4
Sask	6.0	3.2	0.1	-7.0	6.8	5.2
Alberta	9.2	3.4	2.7	-10.4	7.9	7.3
BC	7.0	4.9	4.4	-4.2	7.2	6.3

Source: Statistics Canada, LBS Econ. Research and Strategy

Real GDP Growth (%)						
	2017	2018	2019	2020	2021	2022
Canada	3.0	2.4	1.9	-5.5	4.0	4.5
N&L	1.5	-3.5	4.0	-4.5	2.9	1.0
PEI	4.7	2.5	5.1	-4.0	4.7	4.2
NS	1.8	1.9	2.4	-4.3	4.4	3.5
NB	2.5	0.5	1.2	-3.8	3.5	3.1
Quebec	2.9	2.9	2.7	-5.1	4.5	4.3
Ontario	2.8	2.8	2.1	-5.8	4.2	4.5
Manitoba	3.3	1.5	0.6	-4.0	3.5	4.0
Sask	2.6	1.2	-0.7	-5.0	4.0	3.2
Alberta	4.5	1.9	0.1	-7.4	4.1	4.7
BC	3.8	2.7	2.7	-5.7	4.6	4.7

Source: Statistics Canada, LBS Econ. Research and Strategy

Unemployment Rate (%)						
	2017	2018	2019	2020	2021	2022
Canada	6.3	5.8	5.7	9.5	8.7	7.6
N&L	14.7	13.7	11.9	13.8	12.7	12.4
PEI	9.9	9.3	8.8	10.6	10.1	9.9
NS	8.4	7.6	7.2	9.6	8.1	7.6
NB	8.1	8.0	8.0	9.8	9.0	8.8
Quebec	6.0	5.5	5.1	8.9	7.7	6.9
Ontario	6.0	5.6	5.6	9.6	8.5	7.5
Manitoba	5.4	6.0	5.3	7.9	7.3	6.5
Sask	6.3	6.1	5.4	8.3	6.7	6.4
Alberta	7.8	6.6	6.9	11.4	10.3	8.3
BC	5.1	4.7	4.7	8.9	7.3	5.8

Source: Statistics Canada, LBS Econ. Research and Strategy

Employment (annual change in %)						
	2017	2018	2019	2020	2021	2022
Canada	1.9	1.3	2.1	-5.2	2.8	2.0
N&L	-3.6	0.4	0.7	-5.9	3.5	0.3
PEI	3.0	3.0	2.7	-2.6	1.3	1.7
NS	0.7	1.5	2.2	-4.6	3.3	1.8
NB	0.4	0.3	0.7	-2.5	1.9	0.4
Quebec	2.2	0.9	1.7	-4.6	2.7	1.8
Ontario	1.8	1.6	2.9	-4.9	3.0	2.0
Manitoba	1.7	0.6	0.9	-3.5	2.5	1.6
Sask	-0.1	0.5	1.6	-4.9	3.5	1.0
Alberta	1.0	1.9	0.5	-7.2	3.0	3.0
BC	3.7	1.1	2.6	-6.1	3.4	2.8

Source: Statistics Canada, LBS Econ. Research and Strategy

CPI Inflation (%)						
	2017	2018	2019	2020	2021	2022
Canada	1.6	2.3	3.7	0.8	1.6	1.9
N&L	2.4	1.7	3.2	0.2	1.0	1.7
PEI	1.8	2.3	3.3	0.1	1.3	1.8
NS	1.1	2.2	2.9	0.3	1.3	1.8
NB	2.3	2.2	2.8	0.2	1.2	1.8
Quebec	1.1	1.7	2.1	0.6	1.6	1.9
Ontario	1.7	2.4	1.9	0.6	1.7	1.9
Manitoba	1.6	2.5	2.3	0.6	1.6	1.8
Sask	1.7	2.3	1.7	0.6	1.7	1.8
Alberta	1.5	2.5	1.7	1.2	1.5	1.8
BC	2.1	2.7	2.3	0.8	1.6	1.9

Source: Statistics Canada, LBS Econ. Research and Strategy

Housing Starts (000s of units)						
	2017	2018	2019	2020	2021	2022
Canada	220	213	209	217	195	207
N&L	1.4	1.1	0.9	0.8	0.8	0.8
PEI	0.9	1.1	1.5	1.1	0.9	1.0
NS	4.0	4.8	4.7	4.8	4.4	4.3
NB	2.3	2.3	2.9	3.4	2.9	2.5
Quebec	46.5	46.9	48.0	54.0	45.0	46.0
Ontario	79.1	78.7	69.0	81.4	73.0	79.5
Manitoba	7.5	7.4	6.9	7.0	6.5	6.5
Sask	4.9	3.6	2.4	3.1	3.5	3.1
Alberta	29.5	26.1	27.3	24.0	24.0	26.0
BC	43.7	40.9	44.9	37.0	34.0	37.0

Source: CMHC, LBS Econ. Research and Strategy.