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September 28, 2020

Movement of United Professionals
c/o Allevato Quail & Roy, Barristers and Solicitors
405-510 West Hastings St.
Vancouver, BC
V6B 1L8

Attention: Mr. Jim Quail

Dear Mr. Quail

Re: FortisBC Energy Inc. (FEI)

Project No. 1599120

Annual Review for 2020 and 2021 Delivery Rates (Application)

Response to Canadian Office and Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP) Information Request (IR) No. 1

On August 12, 2020, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-209-20 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to MoveUP IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

1.0 TOPIC: DEMAND FORECAST AND REVENUE AT EXISTING RATES

REFERENCE: p. 18

> ***3.3.2.1 Commercial Customers***
>
> The commercial net customer additions forecast is based on the average of the actual net customer additions over the last three years for which a full year of actual data is available (i.e., 2017 to 2019). As there was a relatively large migration of Rate Schedule 23 transportation customers to bundled service under Rate Schedule 3 over the past years, these two rate classes were forecast together as "large commercial" and the total allocated to the two rate classes proportional to the current composition. For 2020, the first six months of the forecast were replaced by actual values.

1.1 Please identify "the past years"

<u>Response:</u>

The reference to "years" is a typographical error. FEI should have stated "the past year", as it is meant to refer to 2019.

1.2 What proportion of Rate Schedule 23 customers (customer numbers and delivery volumes) have migrated to Rate Schedule 3 over that period?

<u>Response:</u>

43 percent of Rate Schedule 23 customers, representing 33 percent of Rate Schedule 23 demand, switched to Rate Schedule 3 effective November 1, 2019.

1.3 What has been the net revenue impact of this migration? (a reasonable approximation will suffice)

<u>Response:</u>

The net annual delivery revenue impact from Rate Schedule 23 transportation customers switching to Rate Schedule 3 is estimated to be a reduction of approximately $330 thousand based on the 2020 interim approved rates. Please refer to the table below for the calculations:

Line	Particular	Reference	RS 23	RS 3	Net Delivery Margin Change
1	No. of Customers switched from RS 23 to RS 3	MOVE UP IR1 1.2	(705)	705	
2	Demand (GJ) transferred from RS 23 to RS 3	MOVE UP IR1 1.2	(3,009)	3,009	
3					
4	Admin Charge per Month ($/Mth)	2020 Interim Rates	39	-	
5	Basic Charge per Month ($/Mth)	2020 Interim Rates	145.780	-	
6	Basic Charge per Day ($/day)	2020 Interim Rates	-	4.790	
7	Delivery Charge ($/GJ), excl. rate rider	2020 Interim Rates	3.046	3.046	
8					
9	Admin Charge ($)	Line 1 x Line 4 x 12 Mths	(329,940)	-	(329,940)
10	Basic Charge ($)	Line 1 x Line 5 x 12 Mths + Line 1 x Line 6 x 365.25 days	(1,233,299)	1,233,302	3
11	Delivery Charge ($)	Line 2 x Line 7	(9,165)	9,165	-
12	**TOTAL ($)**	**Sum of Line 9 to 11**	**(1,572,404)**	**1,242,468**	**(329,937)**

1.4 What are the motivations behind this migration? To what extent does it reflect changing customer requirements, as opposed to potential rate design issues?

Response:

Please refer to the response to CEC IR1 6.1.

1.5 Does FEI anticipate that it will continue?

Response:

Please refer to the response to BCUC IR1 7.2.2.

REFERENCE: p. 22 - 23

3.3.3 Industrial Demand

> The 2021F demand for industrial customers was forecast using the Industrial Survey.
>
> For the 2021 Forecast, customers responded to the survey in June and July of 2020. The survey was launched as close as possible to the filing date to mitigate potential variances in the forecast, particularly from Rate Schedule 22 customers. The survey needed to be completed by July 6, 2020 to allow sufficient time for internal review of the results, loading of data in FEI's Forecasting Information System (FIS), preparing the forecast and drafting the Application. Since the survey requires approximately five weeks to complete, it was launched on June 5, 2020.
>
> As shown in Table 3-1 below, the response rate achieved in 2020 was 46.7 percent of industrial customers, representing approximately 89.3 percent of industrial volumes. There was no reply from 44.5 percent of industrial customers, who received the survey and three reminder notifications; this group represents only 9.5 percent of the industrial demand. Surveys could not be delivered to 8.8 percent of the industrial customers due to issues such as incorrect email addresses; this group represents 1.2 percent of the total industrial load.
>
> . . . .
>
> The forecast of demand for customers that either chose not to reply to the survey or could not be contacted (representing 11 percent of the total industrial demand) was set to equal 2019 Actual consumption.
>
> As seen in Figure 3-11 below, the demand from the industrial rate schedules is forecast to increase by 1.3 PJ in 2020P compared to 2019 Approved and then decrease 4.1 PJs in 2021F comparted to 2020P.

1.6 Confirm that the forecast demand for the customers who responded to the survey accounts for all of the change in the demand forecast for 2020P and 2021F. If not confirmed, please explain.

Response:

Not confirmed. The change in demand relative to 2019 is a combination of 2020P January-June actuals along with survey responses for 2021F.

FEI undertook the following process in forecasting the demand from industrial rate schedules:

1. Before the Industrial Survey is launched, FEI set 2020P and 2021F to 2019 actual values for each customer.
2. FEI updated 2020P with 2020 actual values from January to June 2020.
3. FEI updated 2021F with all surveys that were returned.

1.7 Confirm that this approach assumes that customers who did not respond to the survey are more likely to maintain their current volumes than those who responded. If not confirmed, please explain.

Response:

Based on FEI's experience, non-responders are likely to maintain their current volumes, as they include stratas and other non-process loads such as hotels and offices, whose demand is similar from year to year. Anecdotally, FEI is aware that some customers do not respond to the survey precisely because their demand does not change materially from year to year.

However, this does not mean they are <u>more</u> likely than responders with similar consumption levels to maintain their current volume, as many responders return forecasts that are "same as 2019". For example, as shown in the response to BCUC IR1 8.3, 70 percent of the customers who responded to the survey that consumed between 10 and 25 TJs provided a forecast that was equal to their 2019 actual consumption.

1.8 Confirm that this assumption (that non-responders, uniquely as a group, will not reduce their consumption from pre-COVID levels through 2021) probably results in an overestimation of industrial demand through 2021. If not confirmed, please explain.

Response:

Not confirmed. FEI has no evidence to suggest that non-responding customers will consume less in 2021.

Please refer to the response to BCUC IR1 8.3 for further information.

1.9 Please explain why FEI did not apply the same changes in demand indicated by the responding customers to the non-responding customers.

Response:

Please refer to the response to BCUC IR1 8.3.

2.0 TOPIC: COVID-19 CUSTOMER RECOVERY FUND DEFERRAL ACCOUNT

REFERENCE: p. 69

a) Bill payment deferrals provided to residential and small commercial customers

The 3-month bill payment deferral program has been offered to residential and small commercial customers affected by COVID-19 from April to June 2020. The bill payment deferrals are to be repaid by customers over a 12-month period with such repayments beginning in July 2020.

Table 7-11: 2020 Bill payment deferral forecast

COVID-19 Deferral Account	Year	Opening Bal.	Gross Additions	Less Taxes	Amortization Expense	Ending Bal.
COVID-19 Customer Recovery Fund - Bill Payment Deferrals	**2020**	-	1,625	-	-	1,625
COVID-19 Customer Recovery Fund - Bill Payment Deferrals	**2021**	1,625	(1,625)	-	-	-

The deferral account gross additions of $1.625 million related to this customer relief offering have been estimated as the outstanding customer accounts receivable balances of $3.652 million as of July 2020, less the estimated customer repayments from July 2020 through to the end of 2020. As customers are expected to repay the balances over a 12-month term, beginning in July 2020, there is not expected to be an ending balance of bill payment deferral balances as at the end of 2021.

Bill payment deferrals

2.1 Please provide a table showing total monthly deferrals under this program for each of the residential and small commercial customer classes from the inception of the program through August of 2020.

Response:

Please refer to the response to CEC IR1 27.1.

Repayment of bill payment deferrals

2.2 Please provide a table showing total monthly bill deferral repayments under this program for each of the residential and small commercial customer classes in each of July and August 2020, in total dollar amounts and as a percentage of the total repayments that had come due under the program for each month (i.e., percentage of recovery of repayments as they have come due).

Response:

Please refer to the table below. Due to the timing of billing cycles, repayments were billed beginning in July with the first payments received in August. The table shows that for both Residential and Small Commercial bill deferrals, repayments received were greater than planned repayments. This is attributable to some customers choosing to pay their entire deferred balance.

Residential Bill Payment Deferral Repayments

Amounts in $'000s

Date	Repayments	Expected Repayments	Variance ($)	% of expected repayment
31-Jul-20	-	-	-	0%
31-Aug-20	71	70	1	101%

Small Commercial Bill Payment Deferral Repayments

Amounts in $'000s

Date	Repayments	Expected Repayments	Variance ($)	% of expected repayment
31-Jul-20	-	-	-	0%
31-Aug-20	22	9	13	144%

(1) Due to the variability in customer billing cycles, installment plans were created for customers throughout the month of July and August once billing cycles were completed. Expected repayments therefore begin in August and will include all customer installment plans in September.

(2) Approximately $35 thousand in repayments throughout the month of August are from customers paying off their deferred balances in full.

REFERENCE: p. 71

> For residential and small commercial customers, the loss rate took into account the relative increase in the forecasted 2020 unemployment rate for BC from 5.0 percent prior to the pandemic to 8.2 percent. Similarly, there was a loss rate applied for industrial and large commercial customers which incorporated the forecasted 2020 GDP decrease in BC of 4.5 percent. The loss rate was then applied to forecasted revenues from March 2020 through to December 2020. The unemployment and GDP indicators are macroeconomic factors based on forecasts from five financial institutions and corroborated through the Conference Board of Canada.

2.3 Please identify the "five financial institutions" and provide the date of each forecast and their corroboration through the Conference Board of Canada.

Response:

The five financial institutions' reports are listed below, in addition to the forecast from the Conference Board of Canada Report.

- CIBC Economics - Forecast Update, April 2020
- Scotiabank Global - Economics Forecast Update, March 2020
- TD Economics - Provincial Economic Forecast, June 2020
- RBC Economics – Provincial Outlook, June 2020
- Central 1 – Economic Analysis of British Columbia, April 2020
- Conference Board of Canada – Provincial Outlook British Columbia, June 2020

Please refer to Attachment 2.3 for copies of the reports noted above.

2.4 Please file the five forecasts and the corroborative document produced by the Conference Board of Canada.

Response:

Please refer to MoveUP IR1 2.3, Attachment 2.3.

3.0 TOPIC: SERVICE QUALITY INDICATORS – ALL INJURY FREQUENCY RATE (AIFR)

3.1 Please produce a table with updated 2020 year-to-date injuries, identifying with respect to each injury:

a. General nature of the injury

b. How the injury occurred

c. Affiliation (MoveUP, IBEW or Non-union)

d. Work-days lost

e. Actions taken, if any, to prevent recurrence

Response:

The requested table is provided below.

Affiliation	Injury's Nature	How Injury Occurred	Work-days Lost	Preventative/Corrective actions
IBEW	Slip, trip and fall	Employee slipped and fell on ice, injuring lower back.	Lost Time, 18 days	- Review the incident with the crew during the next safety meeting highlighting: - Hazard identification - Traction aid options - Managing injuries to avoid re-aggravation
IBEW	Stepping up	Employee stepped up to an equipment skid and felt discomfort in knee	Medical Treatment, 0 days	- Fabricate and install steps at the motor access points for the two BOG compressors. - Review the incident with the crew during the next monthly scheduled safety meeting, highlighting the importance of warm-up exercises and reminding everyone to exercise caution when performing strenuous activities like pushing/shoveling snow.
IBEW	Lifting, Crush	Employee pinched finger while moving a barrel	Lost Time, 3 days	- Reposition the no post barriers to allow room for the loader to access the barrel. - Review the event with the crew, highlighting the need to exercise caution while adjusting the barrel on the dolly and be aware of pinch points and to ensure it is secured prior to moving it. Also, remind everyone that there is a plan to reposition the no post barriers to allow room for the loader to access the location of the barrel.
IBEW	Lifting	Employee strained back while lifting meter	Lost Time, 9 days	- Remind employees to ask customers to provide safe access and working space around the meter or that we remove vegetation on

Affiliation	Injury's Nature	How Injury Occurred	Work-days Lost	Preventative/Corrective actions
				behalf of the customer. - Review the incident during the next scheduled safety meeting, highlighting the importance of mitigating congested areas prior to carrying loads to prevent potential injuries.
IBEW	Struck by, Crush	Employee was jackhammering rock, the bit slipped off and caused employees finger to slam against a saw cut edge of a driveway cut	Lost Time, 8 days	- A Safety Communication capturing an overview of the event and the part PPE played in limiting the seriousness of the injury. Distributed across the whole company. - A Safety Communication capturing the importance of safe work planning, with emphasis on identifying and controlling all hazards and reassessment when conditions change. The sharp concrete edge of the excavation, worker's ergonomic positioning during jackhammer use while working in a tight space excavation to be used as examples in the communication. - Conduct a job hazard assessment (JHA) on jackhammering to identify and assess all possible hazards and produce a 'What Good Looks Like' job aid for the task. - Operations to explore the possibility of acquiring handle guards on jackhammer equipment to better protect operators.
IBEW	Overexertio n	Employee felt pull in arm while wrenching	Medical Treatment , 0 days	- Review the event during the next safety meeting, highlighting the importance of practicing good ergonomic positioning, using both arms and body weight for strenuous activities, taking advantage of micro breaks and stretching regularly to warm up your body.
IBEW	Sharp edge	Employee nicked their knee with hedge trimmer, while weed whacking	Medical Treatment , 0 days	- Procure chain saw chaps for use with sharp yard maintenance tools. Nylon/Kevlar construction, WBC approved. To be available in yard equipment storage shed.
IBEW	Slip, trip and fall	Employee tripped over a shovel, and fell backwards on shoulder	Lost Time, 26 days	- Review the event during the next safety meeting, reminding workers to be vigilant in slip trip and fall hazard identification when conducting work around an excavation. The excavation, spoil piles and co-workers could present slip, trip and fall hazards.

1

Attachment 2.3

Economic Analysis of British Columbia

Volume 40 • Issue 3 | ISSN: 0834-3980

central 1

B.C. Economic Forecast Update - April 2020

Highlights:

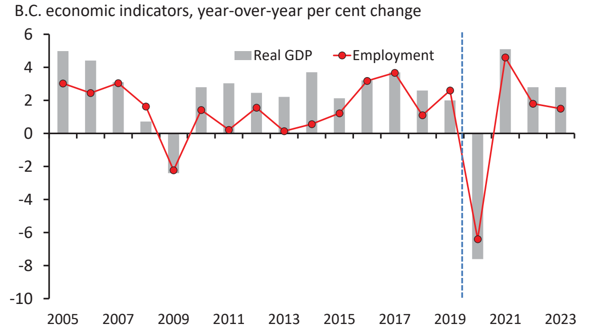
- B.C. GDP to contract 7.3 per cent in 2020 as COVID-19 effects and government containment measures stem the health crisis, but freezes economic activity
- Layoffs surge amidst the economic downturn pushing unemployment to average of eight per cent in 2020 but unprecedented measures provide to support households and business through pandemic
- Recovery phase for economy in sight as government expected to partially re-open affected sector late in the first half lifting growth to 5.1 per cent in 2021
- Rebound will be relatively strong but gradual as government balance risks to public health with economic growth and many containment are maintained
- Tourism and other customer facing service sectors to remain challenged over next two years

Canadian economic activity has been hit by an unfathomable amount due to the COVID-19 health crisis and containment measures.

The global economy is amidst a deep COVID-19 induced recession as governments press pause to limit the spread of the virus and protect healthcare systems. Central 1 forecasts Canadian GDP to contract 40 per cent during second quarter 2020 as the full COVID-19 effects are observed, combined with the effects of the collapse in oil prices. We forecast a full-year contraction in the Canadian economy of eight per cent this year, with a six per cent rebound in 2021.

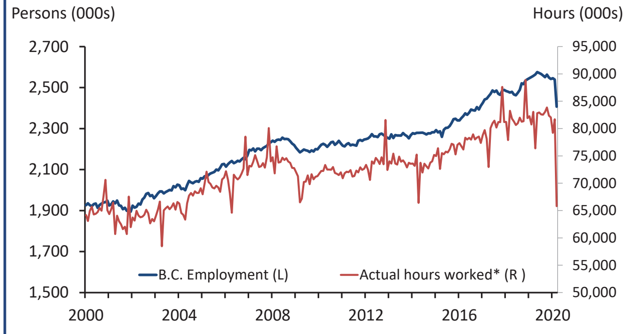
Within B.C. – where there is less oil sector exposure but more tourism exposure – we forecast GDP to plummet more than seven per cent this year, with annual unemployment averaging eight per cent. Broadly poor business conditions are expected to continue into mid-year, before a re-opening of the economy underpins a stronger recovery phase through 2021. Overall, B.C.'s economy is still expected to 'outperform' the Canadian average for whatever solace that may bring.

B.C. economy dives in 2020 on COVID-19 impact



Source: Statistics Canada, Central 1 Credit Union

B.C. employment losses align with national picture, services post largest contraction



Source: Statistics Canada, Central 1 Latest: March 2020
*C1 Seasonal Adjustment

While our baseline forecast is presented here, there is substantial uncertainty given that economic outcomes are entirely dependent on the evolution of the COVID-19 epidemic and government policies to relax or tighten containment measures.

Economic data begins to reflect COVID-19 impacts

The severity of the COVID-19 health crisis and government containment measures has been evident in the daily lives of B.C. residents and Canadians at large. Swaths of businesses have been impacted, with many under temporary closure. Restaurants have closed or shifted business models to allow take out only, while municipal services such as recreation centres and schools have closed. Meanwhile, the broad downturn demand both domestically and abroad amidst the pandemic has impacted export-oriented goods and services producers.

While there is no question that the speed and magnitude has been severe, we are only now receiving confirmation from the economic data.

Labour market and economic output are far worse than most economic prognosticators, including us, had expected. Preliminary estimates of Canadian industry-economic output showed an unprecedented month-to-month contraction of 9.0 per cent from February. On an annualized basis, the economy contracted by 10 per cent in the first quarter owing largely to services producing industries. As containment measures intensified across the country in the second half of March, the plunge in economic activity will be more evident in the second quarter.

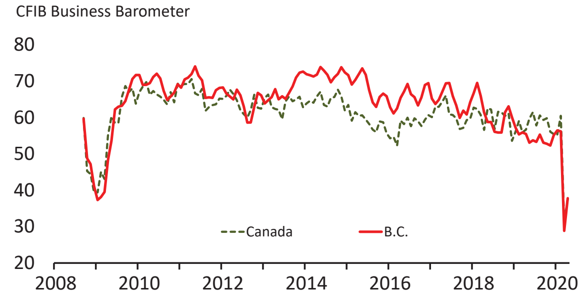
Jobs lost in the current environment have been numbing. Nation-wide, Statistics Canada estimated more than 1 million jobs lost in March, marking a 5.3 per cent decline from February, which was deeper than any on record. During the Great Financial Crisis period from 2008-2009, the worst single-month decline was about 125,000 jobs, while the peak to trough decline during the period was 426,000 over a seven-month period. Given the global nature of the shock, similar patterns were observed across the country.

B.C. employment contracted by a similar 5.2 per cent or 132,400 persons, with the unemployment rate up more than two points to 7.2 per cent. Service-sector workers, particularly those in face-to-face roles in sectors such as accommodations and foodservices, information and culture, and retail bore the brunt of the decline. Younger workers and females have been most deeply impacted. Headline labour market data understates the full effect of the COVID-19 crisis on workers and those still employed but with diminished or no hours. Hours worked in B.C. fell 20 per cent from both February and a year ago. Sectoral contractions were similar in the province, with the bulk occurring in Metro Vancouver.

March employment declines are not the last given timing of the survey. The survey captured a reference week ending March 21. Many with lost hours or no hours will likely join the ranks of the officially unemployed in April, while other businesses and municipal governments also laid off staff. Examples of the latter in B.C. has included the City of Vancouver laying off 1,800 staff due to closures of recreation facilities, parks and other services.

For the most part, standard economic indicators do not yet reflect the current environment due to data availability lags. Indeed, much of the data still shows a mild growth environment from early this year, where retail

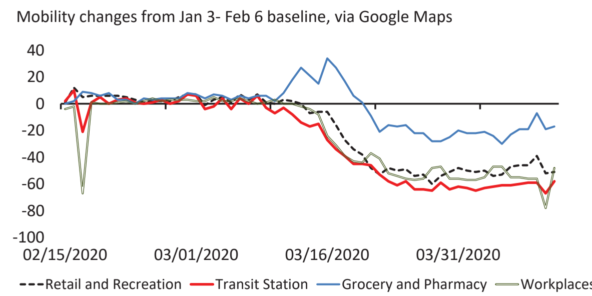
Small business confidence plummets in March as pandemic effects hit



Source: CFIB, Central 1 CU

Note: Latest April 2020

Physical distancing measures help flatten the curve, but also the economy



Source: Google Community Mobility Reports

spending rose for four straight months through February, resale market activity was firm, and manufacturing slowdown looked to abate. More timely sources point to the magnitude of contraction. Small business confidence remains near historic lows according to the Canadian Federation of Independent Businesses, with the share of businesses being fully open at only 25 per cent. Near real time information published by Google Maps point to lower mobility since mid-March, with travel to retail, workplaces, and transit down 50 per cent. This is also translating into lower economic activity. That said, the stronger lead-in to current weakness provides for some optimism for when the current challenges abate.

Government support to bridge the economy

This recession is like no other. Rather than supply or demand excesses, this downturn is largely by decree as the government combats the raging health crisis. Indeed, the flurry of government programs to mitigate the effects on household finances, and to a lesser extent businesses, has been breathtaking. The federal government has introduced a laundry list of temporary measures aimed at bridging the economy to the other side of the pandemic and minimizing the extent of long-term damage. These include: emergency cash benefits for impacted households through the Canada Emergency Response Benefit, wage subsidies of up to 75 per cent for nearly all businesses with revenues severely impacted via the Canada Emergency Wage Subsidy, along with interest-free emergency loans for small business with possibility of partial loan forgiveness via the Canada Emergency Business Account. The direct programs will cost nearly $150 billion, excluding tax deferral measures. Employment numbers should pick up with wage subsidies, despite many workers at home during the duration of the pandemic.

The B.C. government also introduced a one-time $1,000 payment for affected individuals as well as temporary rent support for affected individuals.

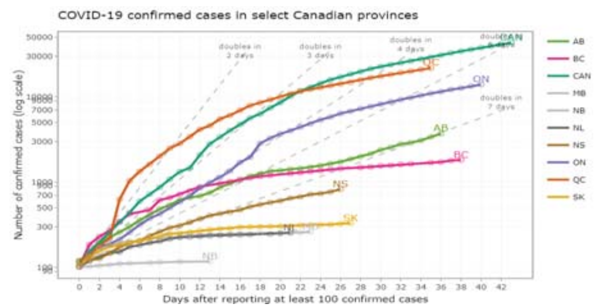
B.C. economic forecast and the uncertain road to recovery

The extent of the damage is still uncertain, although it is clear that this will be one of the deepest economic contractions on record. That said it is also anticipated to be brief, reflecting its nature as a health crisis and policy driven pause in the economy.

Our base case for the recovery phase is that authorities will re-open segments of the economy in late May as Canadians' efforts to flatten the epidemic curve bear fruit. While cases continue to grow, the rate of growth is slowing and trending well below the paths of countries like the U.S. and European epicenters. However, expect this recovery phase to be gradual in the absence of a vaccine which is unlikely to emerge within the next 12 months. Authorities will be vigilant in trying to control further breakouts, suggesting the age of physical distancing will be with us for some time. On the productive capacity front, retail shops, restaurants, and other face-to-face sectors will see a recovery limited by both requirements to impose distancing in their locations while consumers who will be wary of spreading of the virus may be hesitant to return to normal activities. Physical distancing will be the norm across sectors. Tourism will remain in a deep funk into 2021. Many small businesses may be unable to survive the duration of the health crisis, curtailing a rebound. Economic output is not expected to return to pre-COVID19 trends until mid-2021.

Provincial paths will be similar, but dependent on the success in COVID-19 management. B.C is in relatively stronger shape to re-open affected sectors earlier than other large provinces (to the elation of residents). Earlier mitigation strategies and strong buy-in by residents looks to have flattened the curve with spread of COVID-19. Nevertheless, like other regions, there is no return to normal given the absence of a vaccine.

B.C. residents successfully flattening the curve for now



Source: MountainMath Software and Analytic, data as of April 23

With the rapid contraction in the first half of this year and ramp up thereafter, we forecast a contraction in B.C.'s economy of 7.3 per cent before a rebound of 5.1 per cent in 2021. This will exceed the previous record contraction of 6.4 per cent observed in 1982, albeit with a strong recovery. Growth is forecast to return exceed 2.5 per cent in both 2022 and 2023.

Nearly all sectors of the economy will negatively impacted by COVID-19 with accommodations/foodservices, recreation, personal services and, to a lesser extent, retail trade bearing the brunt. This reflects the combination of lower consumer spending and a prolonged slump in the tourism cycle. Retail sales are forecast to decline 12 per cent this year, although this may be optimistic. Fewer home sales, hunkered down families and higher unemployment rates are cutting into sales of vehicles, clothing, gasoline and other products. The recovery phase will likely see pent-up demand unleashed in the second half of the year providing a lift to retailers which remain open. Consumption may overshoot temporarily as households make up for some lost time, although many households and business owners will bear the scars of income loss.

The housing sector is also expected to contract sharply this year. While underlying demand for housing has been robust in recent years, driven by population growth and strong employment, the sector will contract. Home sales will plunge through mid-year with the rest of the economy. Buyers will be hesitant to engage, while sellers may also be uncomfortable to open their homes for listing. A 30 per cent decline in home sales this year would not surprise, although home prices should be supported by cuts to listings. Short-term pricing will not be indicative of a post-pandemic housing conditions. Housing construction activity continues but housing starts are forecast to decline from nearly 45,000 units in 2019 to 31,400 units this year. Supply side constraints could delay construction and developers may take a wait and see attitude to construction in light of the pandemic.

With the global economy amidst a sharp recession, B.C. exports are set to fall more than six per cent. The International Monetary Fund (IMF) dubbed the current downturn as the Great Lockdown and predicts the deepest recession since the Depression, with global GDP contracting three per cent and with considerable uncertainty about the outlook. In turn, low commodity prices, contraction in global consumption and weak tourism contribute to weakness in exports. This will have a related effects on sectors like TV and film, accommodations and foodservices. National borders, which will undoubtedly thicken temporarily, will likely drag on these sectors going forward.

The health sector is one area of the economy which will remain relatively firm this year, given increased requirements for care and increased government investments, although private practices are experiencing loss of income. Major project construction also continues on projects like the Site C dam, although work has been temporarily scaled back at LNG Canada's Kitimat plant construction due to virus concerns. Nevertheless, major project construction remains an area of growth for the province, amidst weak domestic demand and likelihood of small businesses scaling back investments.

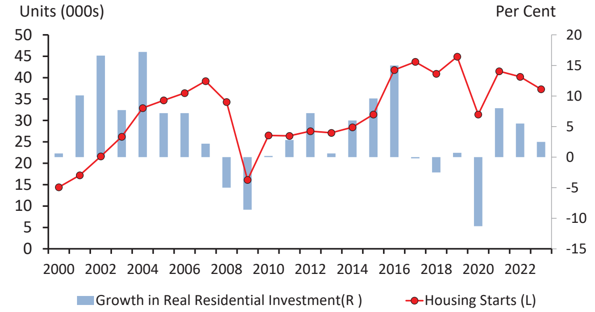
Average unemployment is forecast to peak partway through the second quarter at near 10 per cent but shift lower thereafter. The Canada Emergency Wage Subsidy will likely drive more companies to hire back its workforce (even if temporary idled) to ensure workforce availability during the recovery phase. A recovery phase will lift employment quickly at the front-end before gradually rising. This reflects the expectation of a start – idle – start re-opening of the economy. Permanent closures of some businesses, and persistent weakness in sectors will limit the recovery. Annual average employment for 2020 declines 6.4 per cent with a 4.6 per cent increase in 2021, while the average unemployment rate hits 8.0 per cent before trending to 6.3 per cent in 2021 and 5.7 per cent in 2022.

The combination of higher joblessness over the next year and travel restrictions will constrict population growth which has been one of B.C.'s – and more broadly, Canada's – pillars of growth in recent years. Population growth is forecast to sink to 0.4 per cent this year from 1.4 per cent in 2019, marking the lowest increases in decades, before rebounding to 1.1 per cent in 2021.

A recovery can take many forms

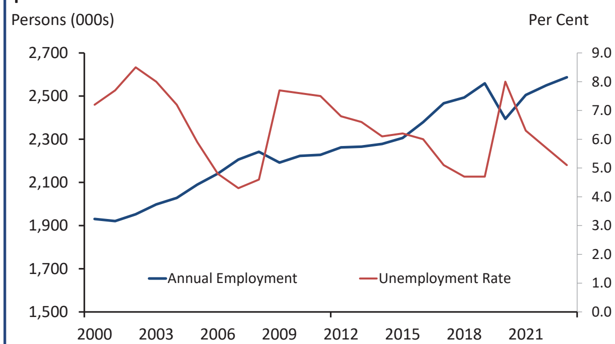
We have sketched out our expectations for the economy based on what we deem as the most

Housing starts decline despite ongoing construction work



Source: Statistics Canada, CMHC, Central 1 Credit Union

Return to pre-COVID19 employment a gradual process



Source: Statistics Canada, Central 1

Latest: 2019

probable scenario: a truncated V-shape rebound that takes time to regain lost footing given epidemic related constraints and persistent weakness in some sectors. There are however other possible outcomes very much in the realm of possibility which generate a more challenging outlook.

A realistic alternative is U-shaped recovery if we witness an extended duration of current containment measures due to the inability of Canada and B.C. to flatten the curve in the near-term. Duration of containment would persist into the third quarter, requiring ongoing federal assistance. This would, in the terms of the IMF, lead to increased long-term scarring on the economy. More businesses would fail in this scenario given insufficient funds to cover fixed costs on an ongoing basis, and hesitation to add additional debt. Longer-term unemployment would rise as these businesses exit the market, while investment spending would also decline.

Another alternative is the re-emergence of a COVID-19 outbreak following a short re-opening of the economy in late 2020 or early-2021 (or a W-shaped recovery). This would likely drive a second round of current containment measures. Health systems should be in a better place to cope given current experience, but this will have a substantial impact on both consumers and businesses. Confidence would be sapped with a second round, more businesses would likely cease permanently given uncertainty, and persistent unemployment would entail.

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Terms

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Provincial Forecast

	2017	2018	2019	2020	2021	2022	2023
GDP at market prices	7.1	4.5	4.7	-5.9	6.6	4.9	5.5
Real GDP, expenditure-based	3.7	2.6	2.0	-7.3	5.1	2.8	2.8
Household consumption	4.6	2.3	1.5	-9.8	5.5	3.5	4.2
Government expenditure	2.9	3.0	2.5	1.3	1.0	1.2	1.0
Government capital formation	14.2	6.3	14.2	1.7	3.3	-2.5	-2.8
Business capital formation	4.4	0.6	2.4	-5.7	7.7	0.7	-0.2
Residential structures	-0.2	-2.5	0.7	-11.2	8.0	5.5	2.6
Machinery and equipment	3.3	5.5	4.3	-9.2	0.7	-0.9	8.6
Non-residential structures	15.1	1.7	5.9	6.5	11.5	-6.8	-10.4
Final domestic demand	4.4	2.2	2.3	-6.6	4.9	2.3	2.4
Exports	2.7	4.2	1.4	-8.3	6.1	3.9	4.2
Imports	5.6	2.9	1.4	-6.8	5.9	4.1	2.7
Net exports, $2007 bil.	-22.2	-21.6	-21.9	-22.0	-23.2	-24.3	-23.4
Employment	3.7	1.1	2.6	-6.4	4.6	1.8	1.5
Unemployment rate (%)	5.1	4.7	4.7	8.0	6.3	5.7	5.1
Personal income	6.2	4.3	5.0	-4.6	6.7	4.9	4.8
Disposable income	7.0	4.1	4.6	-4.5	7.2	4.7	4.7
Net operating surplus: Corporations	18.0	-0.4	1.0	-16.2	-4.3	-1.4	3.7
CPI	2.1	2.7	2.3	1.3	2.1	1.6	1.6
Retail sales	9.3	2.0	0.7	-12.4	6.9	4.7	5.8
Housing starts, 000s	43.7	40.9	44.9	31.5	41.5	40.3	37.4
Population Growth (%)	1.3	1.6	1.4	0.4	1.1	0.9	0.8

Key External Forecasts

U.S. Real GDP	2.4	3.0	2.3	-7.0	5.0	2.0	2.2
Canada Real GDP	3.1	2.0	1.6	-8.0	6.0	2.1	1.8
European Union Real GDP	2.7	1.5	1.2	-8.0	5.0	1.6	1.7
China Real GDP	6.0	6.6	6.1	0.0	4.0	5.7	5.5
Japan Real GDP	1.9	0.8	0.7	-6.0	4.0	0.9	0.8
Canada 3-month t-bill, %	0.71	1.37	1.66	0.30	0.25	0.40	0.50
Canada GoC long-term Bond, %	2.18	2.36	1.80	1.10	1.10	1.50	1.80
U.S.-Canada Exchange Rate, cents/dollar	77.1	77.2	76.2	71.9	73.0	74.1	76.3
Crude Oil WTI USD$ per barrel	51	65	57	31	42	50	55
Henry Hub Natural Gas Price, US$ per mmbtu	2.99	3.15	2.56	1.90	2.50	2.70	2.90

Statistics Canada, CMHC, Central 1 Forecast

Real Gross Domestic Product: Industries
Provincial Forecast

	2017	2018	2019	2020	2021	2022	2023
All Industries	240,658	246,506	251,490	234,082	246,039	252,939	260,082
% change	4.0	2.4	2.0	-6.9	5.1	2.8	2.8
Agriculture	2,865	3,245	3,235	2,933	3,039	3,098	3,161
% change	-1.2	13.2	-0.3	-9.3	3.6	2.0	2.0
Forestry	1,822	1,912	1,762	1,607	1,612	1,627	1,644
% change	-3.5	5.0	-7.8	-8.8	0.3	0.9	1.1
Fishing, hunting, trapping and agriculture and forestry support	298	292	293	267	279	283	288
% change	-1.9	-2.1	0.2	-8.8	4.4	1.6	1.8
Oil and Gas Mining	3,705	4,528	4,614	4,717	4,819	5,099	5,390
% change	1.7	22.2	1.9	2.2	2.2	5.8	5.7
Other Mining	4,580	4,686	4,758	4,336	4,856	4,549	4,537
% change	-3.5	2.3	1.5	-8.9	12.0	-6.3	-0.3
Support activities for oil, gas, and other mining	713	835	804	721	683	603	629
% change	-4.1	17.1	-3.7	-10.4	-5.3	-11.7	4.4
Utilities	5,261	4,940	4,993	4,706	4,887	4,969	5,105
% change	5.6	-6.1	1.1	-5.7	3.8	1.7	2.7
Construction	20,478	21,110	21,479	21,048	22,496	23,120	23,160
% change	10.8	3.1	1.8	-2.0	6.9	2.8	0.2
Residential Construction	8,939	9,272	9,289	8,233	8,741	9,327	9,544
% change	2.5	3.7	0.2	-11.4	6.2	6.7	2.3
Non-Residential Construction	2,039	2,308	2,600	2,435	2,534	2,653	2,846
% change	-8.0	13.2	12.6	-6.3	4.1	4.7	7.3
Engineering Construction	6,150	6,128	6,062	6,668	7,336	7,054	6,500
% change	37.9	-0.4	-1.1	10.0	10.0	-3.9	-7.8
Other Construction	3,350	3,401	3,527	3,712	3,885	4,086	4,270
% change	8.7	1.5	3.7	5.2	4.7	5.2	4.5
Manufacturing	17,354	17,711	17,826	16,278	17,315	17,727	18,252
% change	5.6	2.1	0.6	-8.7	6.4	2.4	3.0
Food Products	2,153	2,155	2,235	2,060	2,179	2,233	2,306
% change	3.5	0.1	3.7	-7.8	5.8	2.5	3.3
Wood Products	2,986	2,975	2,680	2,539	2,581	2,670	2,730
% change	-0.9	-0.4	-9.9	-5.3	1.7	3.4	2.3
Paper and Allied Product	1,451	1,483	1,446	1,345	1,385	1,403	1,417
% change	3.8	2.2	-2.5	-7.0	3.0	1.3	1.0
Primary Metals	1,471	1,453	1,352	1,245	1,295	1,290	1,326
% change	10.9	-1.2	-6.9	-7.9	4.0	-0.4	2.8
Non-Metallic Minerals	1,378	1,591	1,620	1,487	1,578	1,634	1,676
% change	15.2	15.5	1.8	-8.2	6.1	3.5	2.6
Fabricated Metals	1,167	1,383	1,525	1,313	1,523	1,570	1,610
% change	7.1	18.5	10.3	-13.9	16.0	3.1	2.5
Machinery	1,190	1,148	1,273	1,174	1,292	1,324	1,368
% change	22.3	-3.5	10.9	-7.8	10.0	2.5	3.4
Wholesale trade	9,655	9,900	10,105	9,274	9,689	9,955	10,227
% change	6.0	2.5	2.1	-8.2	4.5	2.7	2.7

Real Gross Domestic Product: Industries (continued)

Provincial Forecast

	2017	2018	2019	2020	2021	2022	2023
Retail trade	14,609	14,768	14,917	13,247	14,073	14,730	15,261
% change	6.4	1.1	1.0	-11.2	6.2	4.7	3.6
Transportation And Warehousing	14,289	14,830	15,346	13,867	14,493	15,701	17,102
% change	7.5	3.8	3.5	-9.6	4.5	8.3	8.9
Pipelines	1,307	1,313	1,493	1,401	1,453	1,717	1,829
% change	4.3	0.4	13.7	-6.1	3.7	18.2	6.5
Other Transportation & Warehousing	12,982	13,517	13,854	12,466	13,040	13,984	15,274
% change	7.8	4.1	2.5	-10.0	4.6	7.2	9.2
Finance, Insurance & Real Estate	28,813	28,703	29,209	26,792	28,095	29,052	30,098
% change	2.3	-0.4	1.8	-8.3	4.9	3.4	3.6
Owner-Occupied Housing	28,342	29,465	30,538	30,938	31,970	32,937	33,957
% change	3.7	4.0	3.6	1.3	3.3	3.0	3.1
Professional, scientific and technical services	15,029	15,289	15,522	14,460	15,146	15,512	15,835
% change	3.2	1.7	1.5	-6.8	4.7	2.4	2.1
Administrative and support, waste management and remediation services	6,931	7,026	7,177	6,609	6,943	7,129	7,325
% change	-0.8	1.4	2.2	-7.9	5.1	2.7	2.8
Other services (except public administration)	5,253	5,330	5,428	4,985	5,171	5,344	5,539
% change	2.3	1.5	1.8	-8.2	3.7	3.3	3.7
Arts, entertainment and recreation	2,259	2,315	2,359	1,872	2,121	2,185	2,266
% change	2.2	2.5	1.9	-20.7	13.3	3.0	3.7
Information and cultural industries	8,228	8,097	8,252	7,485	7,777	7,978	8,236
% change	2.5	-1.6	1.9	-9.3	3.9	2.6	3.2
Educational services	12,229	12,684	12,991	12,973	12,978	12,905	12,776
% change	1.7	3.7	2.4	-0.1	0.0	-0.6	-1.0
Health care and social assistance	16,339	16,825	17,347	17,669	18,077	18,486	18,885
% change	2.1	3.0	3.1	1.9	2.3	2.3	2.2
Government Services	13,104	13,367	13,681	13,922	14,024	14,224	14,408
% change	2.1	2.0	2.3	1.8	0.7	1.4	1.3
Accommodation and food services	7,219	7,577	7,735	5,133	7,357	7,586	7,875
% change	5.9	5.0	2.1	-33.6	43.3	3.1	3.8

* includes direct hunting, fishing and trapping

Statistics Canada, Central 1 Forecast

Labour Market Indicators: British Columbia

	Provincial Forecast						
	2017	2018	2019	2020	2021	2022	2023
Employment by Industry: British Columbia							
Total	2,466.8	2,493.6	2,559.0	2,394.9	2,505.8	2,550.4	2,587.8
% Change	3.7	1.1	2.6	-6.4	4.6	1.8	1.5
Agriculture	26.2	23.6	26.6	24.8	25.4	25.4	25.2
% Change	7.4	-9.9	12.7	-6.8	2.3	0.0	-0.7
Other Primary	49.8	49.7	44.5	43.6	45.2	44.5	44.3
% Change	-2.0	-0.2	-10.5	-2.0	3.6	-1.5	-0.4
Manufacturing	174.2	174.3	165.7	152.2	158.2	158.6	158.5
% Change	2.4	0.1	-4.9	-8.2	3.9	0.3	-0.1
Utilities	12.9	13.9	12.2	11.6	12.0	12.0	12.0
% Change	-4.4	7.8	-12.2	-5.1	3.4	0.4	0.2
Construction	228.6	238.4	236.6	222.8	230.2	236.2	238.5
% Change	8.2	4.3	-0.8	-5.8	3.3	2.6	1.0
Transportation & Warehousing	139.4	135.8	140.6	127.4	132.1	135.0	138.1
% Change	1.1	-2.6	3.5	-9.4	3.7	2.2	2.3
Trade	374.0	368.4	389.2	357.8	373.9	382.7	387.9
% Change	1.1	-1.5	5.6	-8.1	4.5	2.3	1.4
FIRE	156.2	150.8	158.9	149.5	156.2	159.5	162.2
% Change	14.9	-3.5	5.4	-5.9	4.5	2.1	1.6
Professional, Scientific, Managerial	299.7	309.1	336.0	318.4	332.6	338.1	339.7
% Change	-0.2	3.1	8.7	-5.2	4.5	1.7	0.5
Accomodation & Food Services	182.6	187.7	191.2	140.8	177.0	184.0	197.0
% Change	4.8	2.8	1.9	-26.4	25.7	3.9	7.1
Education Services	166.6	168.6	178.7	178.3	178.2	177.0	175.0
% Change	1.0	1.2	6.0	-0.2	-0.1	-0.7	-1.1
Health & Welfare Services	303.5	323.2	312.6	318.1	325.2	332.2	339.0
% Change	4.1	6.5	-3.3	1.8	2.2	2.2	2.1
Other Services	251.2	245.7	250.3	231.9	241.5	245.5	249.1
% Change	8.7	-2.2	1.9	-7.4	4.1	1.7	1.5
Government Services	101.9	104.3	116.0	117.8	118.4	119.9	121.2
% Change	-1.7	2.4	11.2	1.5	0.5	1.2	1.1

Labour Market Indicators: British Columbia

Source Population	3,979.7	4,031.8	4,097.3	4,117.3	4,165.4	4,208.6	4,246.9
% Change	1.2	1.3	1.6	0.5	1.2	1.0	0.9
Participation Rate	65.3	64.9	65.5	63.2	64.2	64.3	64.2
Labour Force	2,600.7	2,616.5	2,684.7	2,603.4	2,675.3	2,705.2	2,727.6
% Change	2.7	0.6	2.6	-3.0	2.8	1.1	0.8
Employment	2,466.8	2,493.6	2,559.0	2,394.9	2,505.8	2,550.4	2,587.8
% Change	3.7	1.1	2.6	-6.4	4.6	1.8	1.5
Unemployment	133.9	122.9	125.7	208.4	169.5	154.8	139.8
% Change	-12.4	-8.2	2.3	65.8	-18.7	-8.6	-9.7
Unemployment Rate	5.1	4.7	4.7	8.0	6.3	5.7	5.1

Statistics Canada, Central 1 Forecast

Forecast Update

April 3, 2020

Economics (416) 594-7355

CANADA FORECAST DETAIL
(real % change, SAAR, unless otherwise noted)

	19:4A	20:1F	20:2F	20:3F	20:4F	21:1F	21:2F	21:3F	21:4F	2019F	2020F	2021F
GDP At Market Prices ($Bn)	2,338	2,304	2,094	2,208	2,287	2,343	2,381	2,418	2,452	2,304	2,223	2,399
% change	4.5	-5.6	-31.7	23.6	15.2	10.1	6.7	6.2	5.8	3.6	-3.5	7.9
Real GDP ($2007 Bn)	2,100	2,080	1,919	1,994	2,045	2,077	2,097	2,115	2,130	2,092	2,010	2,105
% change	0.3	-3.8	-27.5	16.6	10.6	6.4	3.8	3.5	2.9	1.6	-3.9	4.7
Final Domestic Demand	0.7	-2.4	-19.0	9.0	6.5	5.7	4.1	3.4	2.9	1.2	-2.5	3.7
Household Consumption	2.0	-3.1	-21.5	10.4	6.3	5.9	4.6	3.7	2.9	1.6	-3.0	3.8
Total Govt. Expenditures	0.5	1.9	2.7	3.6	3.3	2.9	2.0	2.4	2.0	1.6	2.1	2.8
Residential Construction	1.1	-5.2	-33.7	17.2	9.9	7.1	5.1	3.1	3.4	-0.6	-4.2	4.5
Business Fixed Investment*	-5.8	-6.9	-40.6	12.3	15.4	11.6	5.9	4.3	4.6	-0.7	-9.5	5.5
Inventory Change ($2007 Bn)	10.5	6.6	-13.5	5.6	11.7	8.6	7.6	7.1	6.6	14.7	2.6	7.5
Exports	-5.1	-7.4	-39.7	22.4	16.0	11.5	5.2	5.1	2.2	1.2	-8.0	6.7
Imports	-2.5	-5.1	-23.9	11.5	6.5	6.8	5.4	4.4	1.8	0.3	-5.3	4.2
GDP Deflator	4.1	-1.9	-5.8	6.0	4.1	3.4	2.8	2.7	2.9	1.9	0.4	3.0
CPI (yr/yr % chg)	2.1	1.8	0.4	1.4	1.7	2.3	3.1	2.3	2.1	1.9	1.3	2.4
Unemployment Rate (%)	5.7	5.9	11.7	11.5	9.4	8.6	8.4	8.2	8.1	5.7	9.6	8.4
Employment Change (K)	23	-28	-1152	119	467	211	116	103	91	391	-641	494
Goods Trade Balance (AR, $bn)	-12.6	-14.4	-50.0	-36.1	-24.8	-17.6	-18.0	-17.2	-16.7	-18.2	-31.3	-32.1
Housing Starts (AR, K)	202	191	70	88	157	195	207	211	215	209	127	207

* M&E plus Non-Res Structures and Intellectual Property and NPISH

US FORECAST DETAIL

(real % change, SAAR, unless otherwise noted)

	19:4A	20:1F	20:2F	20:3F	20:4F	21:1F	21:2F	21:3F	21:4F	2019A	2020F	2021F
GDP At Market Prices ($Bn)	21,727	21,611	19,892	20,863	21,498	21,902	22,253	22,577	22,889	21,427	20,966	22,405
% change	3.5	-2.1	-28.2	21.0	12.7	7.7	6.5	6.0	5.6	4.1	-2.2	6.9
Real GDP ($2009 Bn)	19,221	19,072	17,577	18,352	18,795	19,052	19,270	19,440	19,587	19,073	18,449	19,337
% change	2.1	-3.1	-27.9	18.8	10.0	5.6	4.7	3.6	3.1	2.3	-3.3	4.8
Final Sales	3.1	-3.1	-26.8	15.5	10.3	5.9	4.8	3.7	3.1	2.2	-3.1	4.7
Personal Consumption	1.7	-3.0	-24.3	16.6	13.2	6.0	5.5	4.0	3.2	2.6	-2.2	5.8
Total Govt. Expenditures	2.6	1.0	1.2	3.8	3.7	1.2	1.2	1.2	1.2	2.3	2.2	2.0
Residential Investment	6.1	13.9	-31.2	22.1	12.8	7.9	5.3	4.9	4.3	-1.5	1.1	6.3
Business Fixed Investment	-2.3	-6.7	-43.8	18.0	10.0	10.1	6.4	6.0	4.2	2.1	-10.0	4.8
Inventory Change ($2009 Bn)	13.0	14.9	-47.1	80.0	68.2	52.5	46.1	38.9	39.7	67.0	29.0	44.3
Exports	2.1	-3.6	-45.9	29.9	13.4	6.5	5.9	5.4	4.8	0.0	-7.8	5.4
Imports	-8.6	0.7	-24.0	19.0	17.0	5.2	6.0	5.1	4.2	1.0	-3.2	6.8
GDP Deflator	1.3	1.0	-0.5	1.8	2.5	2.1	1.8	2.3	2.5	1.8	1.1	2.0
CPI (yr/yr % chg)	2.0	2.2	1.0	1.0	1.3	1.7	2.5	2.7	2.7	1.8	1.4	2.4
Core CPI (yr/yr % chg)	2.3	2.3	2.2	1.9	1.9	1.9	2.1	2.2	2.3	2.2	2.1	2.1
Unemployment Rate (%)	3.5	3.8	12.0	8.7	7.8	7.2	6.7	6.2	5.8	3.7	8.1	6.5
Housing Starts (AR, K)	1,441	1,481	963	1,190	1,232	1,253	1,320	1,410	1,472	1,298	1,217	1,364

PROVINCIAL FORECAST DETAIL

(real % change, SAAR, unless otherwise noted)

	Real GDP Y/Y % Chg			Nominal GDP Y/Y % Chg			Unemployment Rate %			Housing Starts 000s Units			Consumer Price Index Y/Y % Chg		
	2019F	2020F	2021F	2019F	2020F	2021F	2019A	2020F	2021F	2019A	2020F	2021F	2019F	2020F	2021F
BC	1.9	-3.7	5.1	3.8	-2.3	7.5	4.7	8.8	7.6	44.9	26.0	42.0	2.3	1.4	2.4
Alta	0.5	-4.5	3.9	2.5	-8.5	10.9	6.9	10.8	9.8	27.3	18.0	33.0	1.7	1.9	2.2
Sask	0.5	-3.9	3.7	2.5	-6.9	9.5	5.4	8.9	8.1	2.4	1.5	4.0	1.7	1.2	2.3
Man	1.4	-3.8	4.2	3.3	-2.4	6.5	5.3	8.9	7.9	6.9	3.5	7.0	2.3	1.3	2.4
Ont	1.7	-3.8	4.8	3.6	-2.4	7.2	5.6	9.6	8.1	69.0	43.0	68.0	1.9	1.2	2.4
Qué	2.7	-3.5	5.2	4.6	-2.2	7.6	5.1	8.8	7.6	48.0	30.0	43.0	2.1	1.4	2.3
NB	1.1	-4.1	4.7	2.9	-2.8	7.0	8.0	12.2	11.1	2.9	1.5	3.0	1.7	1.3	2.4
NS	1.5	-4.2	4.9	3.3	-2.8	7.2	7.2	11.5	10.3	4.7	2.5	4.0	1.6	1.5	2.3
PEI	2.3	-4.0	5.0	4.1	-2.6	7.3	8.8	12.8	11.6	1.5	0.8	1.0	1.2	1.1	2.4
N&L	1.9	-4.4	4.0	3.9	-7.4	9.8	11.9	16.9	16.3	0.9	0.5	1.5	1.0	1.0	2.4
Canada	**1.6**	**-3.9**	**4.7**	**3.6**	**-3.5**	**7.9**	**5.7**	**9.6**	**8.4**	**209**	**127**	**207**	**1.9**	**1.3**	**2.4**

Sources: CIBC, Statistics Canada, CMHC

The Conference Board of Canada

Provincial Outlook British Columbia

British Columbia's Key Industries Hammered by COVID-19

Economic Outlook | June 17, 2020

Contents

Key findings

- Real GDP in B.C. will decline by close to 4.0 per cent this year.
- Growth will rebound and expand by 7.0 per cent in 2021 as the impact of the virus gradually fades and economic activity returns to more normal levels.
- Real household spending will drop by close to 41 per cent (annualized) in the second quarter of this year.
- B.C. exporters will be hurt by slumping demand and weaker commodity prices.

British Columbia snapshot

Government background and information

Premier	John Horgan
Next election	Unknown
Population (2020Q1)	5,110,273
Government balance (2020–21)	$227 million

Sources: The Conference Board of Canada; B.C. Ministry of Finance; Statistics Canada.

Forecast risk

Short term
If another wave of COVID-19 erupts in the autumn, that could lead to another downturn in growth in the final quarter of this year.

Medium term
The dispute over the Coastal GasLink pipeline could drag on for years, restraining production at the LNG plant in Kitimat.

Key economic indicators

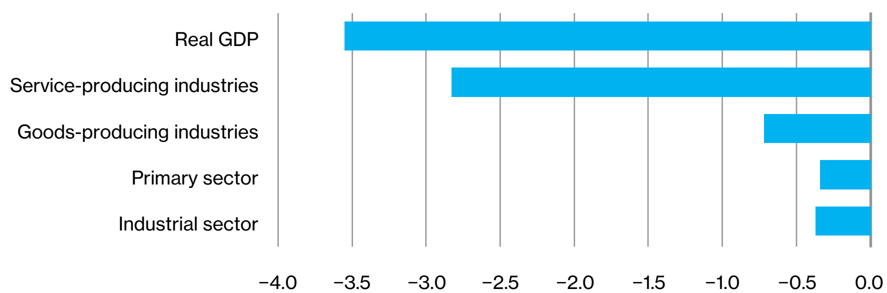
(percentage change)

	2019	2020	2021
Real GDP	2.5	–3.8	7.0
Consumer price index	2.3	1.0	2.6
Household disposable income	4.8	1.6	4.3
Employment	2.6	–4.5	3.9
Unemployment rate (level)	4.7	7.6	5.5
Retail sales	0.6	–3.3	8.0
Wages and salaries per employee	2.7	1.9	1.6
Population	1.5	0.9	0.9

Shaded area represents forecast data.
Sources: The Conference Board of Canada; Statistics Canada.

Contributions to British Columbia real GDP growth, 2020

(by industry/sector, percentage point; GDP, per cent)

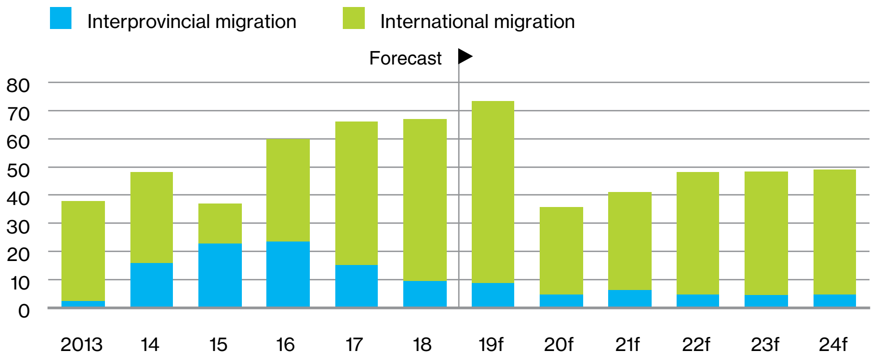


Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.
Sources: The Conference Board of Canada; Statistics Canada.

British Columbia snapshot (cont'd)

Sources of migration

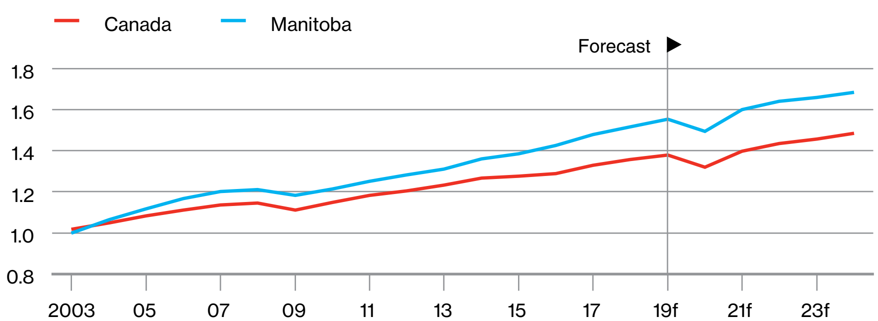
(British Columbia net migration, 000s)



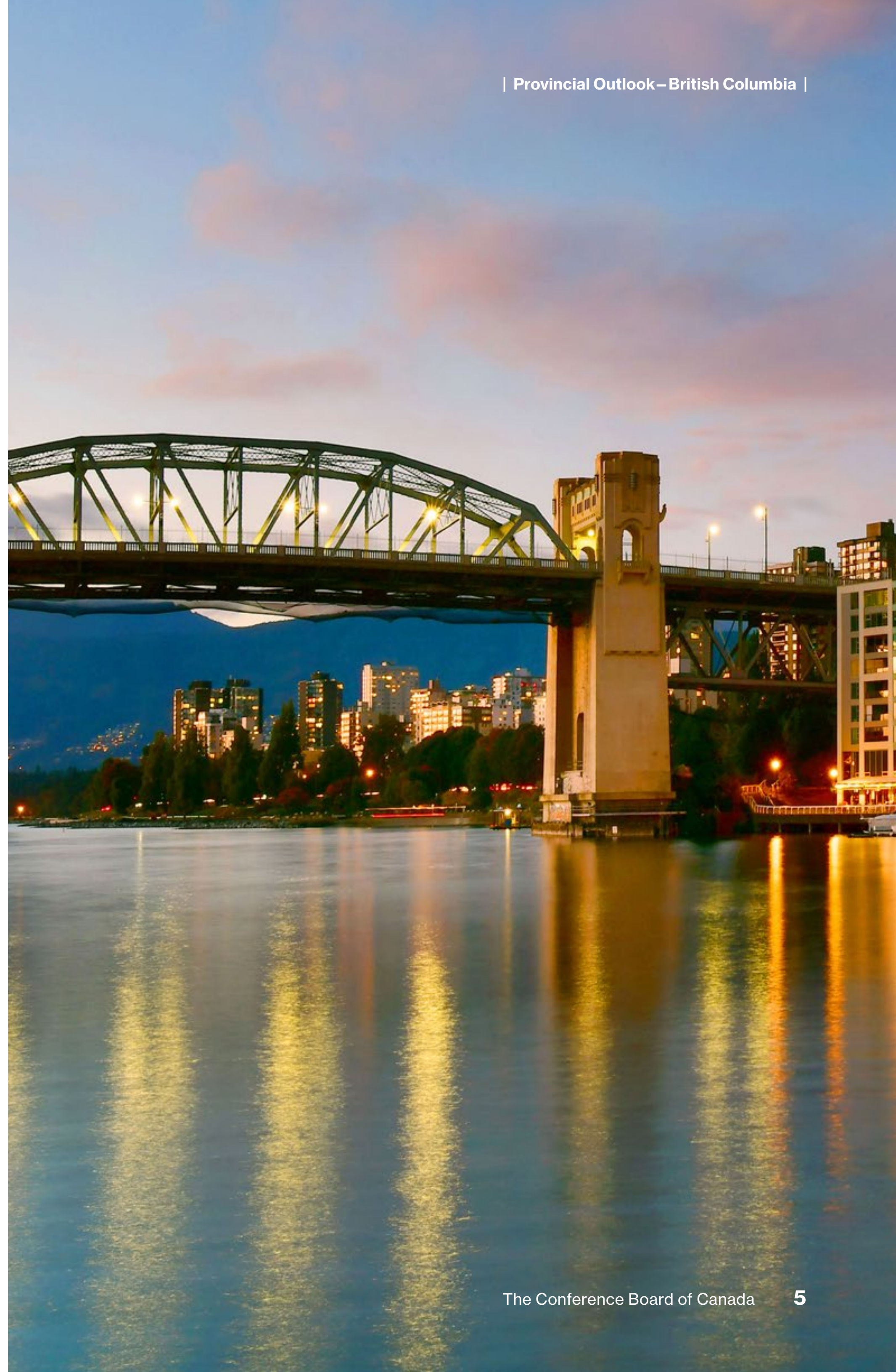
f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2003 to 2024

(index, 2003 = 1.0)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.



Tough times for B.C. economy

In mid-February, the B.C. government released an optimistic forecast for the province's economy, which included another fiscal surplus. But the situation changed dramatically in the space of a few weeks, and we now expect real GDP in B.C. to drop by 3.8 per cent this year. Fortunately, as the impact of the virus gradually fades and life returns to some semblance of normalcy in the second half of this year, economic growth is expected to rebound and expand by 7.0 per cent in 2021.

The province's dependence on tourism and trade with Asia has left B.C.'s economy vulnerable to the devastating effects of COVID-19. In B.C., the travel and tourism industry's share of the provincial economy is the second largest in Canada, behind only Prince Edward Island. Travel to B.C. has ground to a halt, as the U.S. border remains closed to pleasure travel and the number of overseas visitors has slowed to a trickle as airlines have slashed flights in the face of tumbling demand. On the trade front, the province's exports are closely linked to numerous commodities for which prices have collapsed amid plummeting global trade volumes. While world oil prices have received much of the attention due to their dramatic crash in the second half of April, prices for other commodities, such as natural gas, have also come under pressure. Chinese demand for B.C.'s resources will also be weaker, as projections for China's economic growth in 2020 have dropped from around 6.0 per cent at the beginning of this year to less than 2.0 per cent today.

Not surprisingly, the outlook for consumer spending is bleak, as social distancing and stay-at-home measures have restrained demand. In particular, food services, accommodations, retail, entertainment, and the arts and cultural industries are all set to post significant declines this year. However, once the restrictions start to ease in the second half of this year, consumer demand will begin to recover, setting the stage for a solid rebound in activity in 2021. Other factors that should boost the prospects for higher growth once the effects of the virus start to fade are the anticipated resumption of full-time work on the LNG and Trans Mountain pipeline projects in the second half of this year. Also, B.C. is in a better fiscal situation compared with other provinces, and the government has promised to boost financial assistance over the next few months.

Consumption

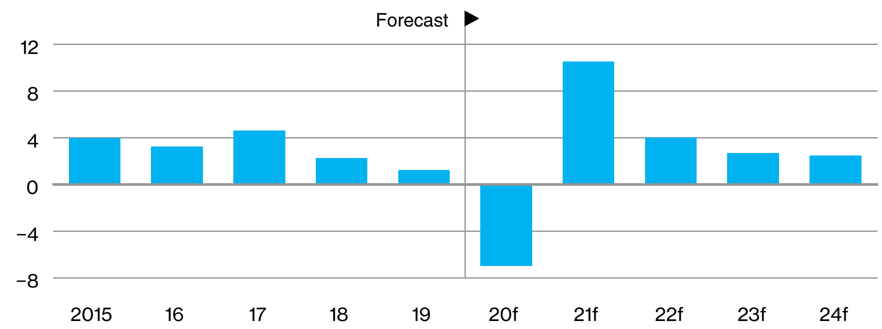
Last year, real household spending expanded by 1.2 per cent as modest economic growth of 2.5 per cent restrained gains in employment and income. In 2020, the outlook for the consumer has turned much worse, as the COVID-19 virus has led to a shutdown of the B.C. economy, similar to the situation in other provinces. Consequently, we expect employment to decline by 4.5 per cent this year, with the majority of the slump taking place in the second quarter. At the same time, the unemployment rate will increase from 4.7 per cent last year to 7.6 per cent in 2020 with, once again, most of the damage taking place in the second quarter. The decline in employment will limit gains in wages and salaries per employee to 1.9 per cent this year, down from a 2.7 per cent increase in 2019. Declining gains in income will lead to an overall drop in real household spending of close to 7.0 per cent this year (see Chart 1) including a close to 41 per cent plunge in the second quarter. Spending on services will bear the brunt of the damage, as a drop of 9.1 per cent is anticipated in 2020, compared with a decline of 3.6 per cent in spending on goods. This is not surprising given that the B.C. provincial government ordered restaurants, beauty salons, gyms, and physiotherapists, among other outlets, to close their doors to contain the spread of the virus.

The good news is that in the third quarter of this year spending will start to make a comeback as the government gradually reopens the economy. In early May, Premier John Horgan announced that shops forced to close due to the pandemic in March could begin to reopen on May 19. Outlets that do reopen—from restaurants to hair salons to recreation facilities—must

Chart 1

Real household spending in B.C. set to plunge

(percentage change)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

follow strict physical-distancing measures and publicly display them. Physical distancing measures will likely be in place for at least another year. Sporting events and concerts won't be permitted for another 12 to 18 months.

These reopenings will lead to a 14.0 per cent rebound in household spending in the third quarter, with an additional gain of 20.8 per cent anticipated in the final quarter of 2020. In 2021, we expect household spending to increase by 7.3 per cent. In addition to the return of operations for numerous retail outlets, spending will also benefit from pent-up demand as some consumers who put off purchasing appliances or a new car while the stay-at-home measures were in effect return to more normal spending patterns.

These re-openings will lead to a 14.0 per cent rebound in The degree to which spending in B.C. comes back depends on how consumer behaviour unfolds over the next few months.

The degree to which spending in B.C. and other parts of the country comes back depends on how consumer behaviour unfolds over the next few months. B.C. residents may be unwilling to go to a restaurant or a pub, even if they have reopened, due to worries about contracting the virus, which will remain a threat to the public even though the infection rate has declined in the province. Evidence from Sweden, which took a different approach to COVID-19 than other developed countries, provides some key insights into what could be in store for B.C. over the near term. The Swedish government didn't close shops, bars, and restaurants, choosing instead to simply urge citizens to act responsibly and practice social distancing measures. But even though Swedes could go out to restaurants and other entertainment venues, revenues declined sharply, as people were concerned about contracting the virus in places where staying a safe distance away from others can be challenging. This suggests that there is downside risk to our outlook for household spending in B.C. over the second half of this year.

Investment

The outlook for investment spending in B.C. is mixed. Spending on equipment is expected to decline by 15.0 per cent this year as companies pull back on investment spending in the face of tumbling revenues and earnings. However, the outlook for non-residential investment spending is optimistic and runs counter to what we're seeing in other parts of the country. We expect spending on structures in B.C. to expand by close to 20.0 per cent this year in the wake of a 27.0 per cent surge in 2019. The gains are closely linked to the ongoing construction of the $18-billion LNG Canada export terminal in Kitimat B.C. and the Trans Mountain pipeline.

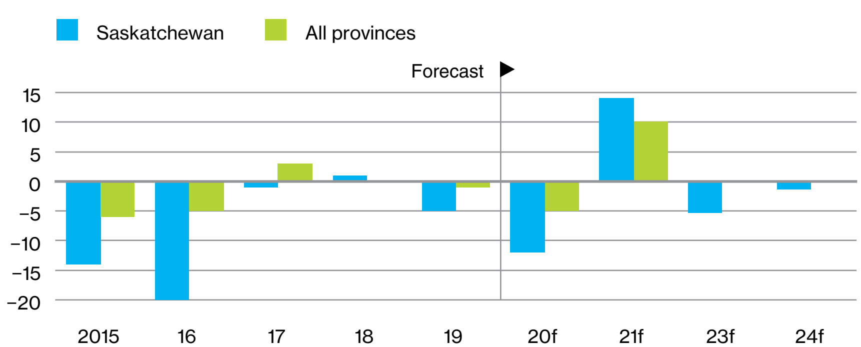
While construction of the LNG terminal is ongoing, there is still considerable uncertainty concerning the future of the project due to the status of the Coastal GasLink pipeline, which would transport natural gas from northeastern B.C. to the Kitimat plant. At the end of April, the B.C. and federal governments agreed to a process ensuring that hereditary leaders within the Wet'suwet'en First Nation would have the final say in determining the construction activity taking place on their territory. A few months ago, there were large protests and rail blockades across Canada in support of the hereditary chiefs' opposition to the pipeline. The pipeline would go through their territory. And although the chiefs and the provincial and federal government reached an agreement in mid-May on ways to resolve such disputes, the deal did not specifically mention the pipeline project. Elected chiefs generally support the Coastal GasLink pipeline, but they are angry about being left out of the agreement with the hereditary chiefs, and it is uncertain what their role in determining the future of the project will be. The pipeline is a crucial link in the overall infrastructure for the LNG terminal. The terminal is being constructed on the traditional territory of the Haisla Nation, whose elected leaders support the overall project.

Spending on machinery and equipment will begin to recover in the second half of 2020, and a strong gain of more than 27 per cent is anticipated in 2021. (See Chart 2.) Investment in structures will post solid gains through 2022 thanks to ongoing expenditures on pipelines and LNG plants.

Chart 2

Real spending on machinery and equipment in B.C.

(percentage change)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Housing

Economic uncertainty and physical distancing measures will stifle the housing sector over the near term. After reaching a peak in 2019, new housing construction is expected to drop off, with 35,300 housing starts forecast this year, down from close to 45,000 in 2019. In 2021, based on our assumption that the pandemic will gradually fade away, starts are expected to rebound and expand to 38,000. A combination of pent-up demand and low mortgage rates will help drive demand. The Bank of Canada cut interest rates to close to zero in March to help fight the steep recession, and we expect rates to remain at rock-bottom levels, as the anticipated recovery in the second half of 2020 and into 2021 will be too fragile to justify raising interest rates. While housing demand will rebound, housing starts aren't expected to return to their pre-COVID-19 levels before the end of the medium term.

Investment in residential structures started to drop in 2018 due mainly to measures implemented by the provincial and federal governments to cool down Vancouver's overheated housing market. Last year, spending dropped by 2.2 per cent, and the pandemic will reinforce this trend. A decline in spending of 5.2 per cent is expected for 2020. Next year should see a sharp rebound in activity, with a gain of more than 10 per cent anticipated. However, growth will subsequently slump back into negative territory as the demographic trends in the province—specifically an aging population—restrain housing activity.

Economic uncertainty and physical distancing measures will stifle the housing sector over the near term.

Looking at Vancouver's housing market, sales plunged in April as the virus caused activity in the traditionally busy spring season to drop sharply. The Real Estate Board of Greater Vancouver reported that sales were down 40 per cent compared with April 2019, hitting their lowest levels since 1982. However, despite the drop in sales, buyers didn't receive much of a break on prices, as a lack of listings (also a result of COVID-19) offset the slump in demand. In fact, the average price of a home increased by 2.5 per cent from a year earlier. The average price of a home in Metro Vancouver is currently about $1.04 million, far out of the reach of the typical homebuyer, especially in an economy experiencing a severe downturn.

Government

In early February, the provincial government projected a small surplus for the fiscal year beginning on April 1. The projection was based on modest economic growth in the 2.0 per cent range. These optimistic projections evaporated as COVID-19 quickly sent the B.C. economy into a tailspin. In late March, the provincial government announced plans to provide payments of $1,000 to B.C. workers whose jobs had been affected by COVID-19. Workers received the payments at the beginning of May and the funds are tax-free for workers struggling to make ends meet due to layoffs linked to the virus. B.C. workers who qualified for extended EI benefits from federal government programs still qualified to receive the $1,000 from the provincial government. Parents with children who must stay at home due to school and daycare closures, as well as those with sick family members, also qualify for the funding.

The $1,000 is part of a larger $5-billion package that will see $2.8 billion earmarked for households and $2.2 billion provided to help businesses hurt by the severe economic downturn. Some of the funds are designed to help renters who have lost their jobs remain in their current locations. Compared with other provinces, the B.C. government is in a good position to assist B.C. residents during these challenging times because it has been running budget surpluses for several years. We expect real government spending to increase by about 3.0 per cent this year, up from a solid 2.6 per cent gain in 2019. Next year, as the provincial government attempts to return the province to a healthier fiscal position, spending is forecast to expand by only 0.2 per cent.

Trade

B.C. exports grew by just 1.8 per cent last year, much slower than gains the two previous years, due to a combination of slower growth in global trade volumes, U.S. tariffs implemented by the Trump administration, and the dispute between Ottawa and Beijing over Canada's detention of Huawei executive Meng Wanzhou on a U.S. extradition request. In 2020, the plunge in global trade linked to COVID-19 and the subsequent drop in the price of several commodities that the province exports will result in a drop of close to 10 per cent in real export volumes, significantly lowering revenues.

In 2021, as the global economy recovers from the effects of the virus, B.C. exports are expected to rebound and increase by 5.3 per cent. The weaker value of the loonie could also help boost B.C. exports to the key U.S. market. The Canadian dollar was trading in the US$0.75 range before the virus took hold but has subsequently depreciated to a US$0.70–0.71 range, mainly because of plunging world oil prices. While we expect the loonie to slowly appreciate over the near term, there is considerable risk to this outlook for the exchange rate, given the ongoing volatility in global currency markets.

Download the Forecast tables

B.C.'s tourism and travel industry hammered by COVID-19

The province's key travel and tourism industry is be hit especially hard by the global economic downturn linked to the pandemic.

This key sector of the economy has been hurt in several different ways. The border with the United States has been closed since mid-March to all but commercial trips. On May 19, the shutdown was extended for another 30 days, and it is likely that the border will remain closed for a good part of the summer, especially if the United States continues to struggle in its battle to contain the spread of COVID-19. The United States is the largest source of inbound travel to the province. As well, travel from non-U.S. destinations has ground to a halt. And while the number of visitors from countries other than the U.S. is far less than those from the U.S. market, overseas visitors tend to spend far more per visit.

B.C. residents also haven't been going out to restaurants and bars or visiting other parts of the province, due to the government-ordered closures and stay-at-home directives. A combination of all these factors will lead to a 38 per cent drop in real output in 2020 in the province's accommodation and food industry. The arts and recreation sector will record an even greater 60 per cent plunge in activity this year. The only other sector of the B.C. economy that will come close to matching these losses is the transportation sector, which has close linkages to the travel and tourism industry. The industry will gradually recover in the second half of this year and into 2021, but the rebound will be slower than in other sectors of the economy due to ongoing concerns on the part of B.C. residents about contracting the virus in larger gatherings.in addition to rising demand from emerging markets, implies that the long-term prospects for the sector are still strong.

Acknowledgements

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Disclaimer

The spread of the novel coronavirus disease (COVID-19) has created uncertainty in all global markets. We're doing our best to provide timely updates, but information can fall out of date quickly. Visit conferenceboard.ca for our latest insights. The Conference Board of Canada reserves the right to adjust content as necessary.

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The Conference Board of Canada

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Reopening of provincial economies: different speed, scale and outcomes

June 10, 2020

The end of the Great Lockdown is still a long way away but we're seeing positive steps across Canada. All provinces are now reopening parts of their economy gradually. And as they do, businesses are calling back laid-off workers and increasing work hours—getting the wheels of the economy spinning again. Barring any setbacks at containing the spread of COVID-19, we believe this reopening process will set the stage for a meaningful economic recovery over the second half of this year and into 2021. The pace of the recovery will be uneven across the country. Some provinces are proceeding a little more quickly than others with lifting lockdown restrictions—in part reflecting further progress at containing the pandemic. We believe this will give Manitoba, British Columbia and New Brunswick a head-start on the recovery. Low oil prices pose an additional hurdle for oil-producing provinces leaving Newfoundland and Labrador, Alberta and Saskatchewan as the weakest performers.

We have updated our provincial forecast based on data recently released and the latest government reopening plans. The main story hasn't really changed from all interim updates since March—we expect all provincial economies to contract severely this year—though we now believe contractions won't be quite as massive as we thought previously. The May labour report showed an earlier pick-up in jobs and hours worked than we anticipated for most provinces, which we believe marked the turning point. Other economic indicators—including housing starts and RBC's proprietary consumer card spending data—also point to some near-term resilience or strengthening.

The GDP recovery path we assume for most provinces now generally has a slightly higher cyclical bottom in April-May compared to our May Provincial Outlook Update. We expect Manitoba, BC and New Brunswick will recover the most ground lost by year-end, with Newfoundland and Labrador, Alberta and PEI trailing all provinces. Full recovery will be a long and bumpy road for all provinc-

GDP recovery path assumptions

February 2020 = 100

	Feb 2020	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec 2020
NL	100	84	78	80	86	87	87	86	87	87	87
PE	100	83	89	89	91	93	92	92	92	92	92
NS	100	88	89	88	94	94	95	94	94	94	94
NB	100	88	88	88	94	95	95	95	95	95	95
QC	100	87	74	83	91	94	94	94	94	94	94
ON	100	89	84	83	91	94	94	94	94	94	94
MB	100	93	90	88	93	95	95	95	95	95	96
SK	100	91	85	87	93	94	94	94	93	93	93
AB	100	91	86	86	89	90	90	90	92	92	92
BC	100	87	85	85	93	95	95	95	95	95	95

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es—easily stretching into 2022 or beyond in some cases. The maintenance of some forms of social distancing, permanent business closures, weakened balance sheets and lower in-migration will restrain the economic rebound. We expect the impact of COVID-19 on some sectors like home construction will continue to grow well into 2021. Lower in-migration levels are poised to sap demand for new housing units, causing housing starts to fall in virtually every province next year. Still, despite many possible cross-currents, our forecast calls for positive economic growth to return from coast to coast in 2021—though this will say more about extremely low comparison point in 2020 than the degree of vitality in 2021.

Forecast details

% change unless otherwise indicated

	Real GDP				Nominal GDP				Employment				Unemployment, %				Housing starts, (000s)				Retail sales				CPI			
	18	19F	20F	21F	18	19F	20F	21F	18	19F	20F	21F	18	19F	20F	21F	18	19F	20F	21F	18	19F	20F	21F	18	19F	20F	21F
N.& L.	-3.5	4.0	-9.9	2.7	1.7	5.4	-16.2	6.5	0.5	0.6	-7.6	-0.1	13.8	11.9	15.1	14.4	1.1	0.9	0.5	0.4	-2.3	-0.1	-9.7	-0.4	1.7	1.0	0.4	0.8
P.E.I	2.6	4.5	-5.7	3.5	4.2	6.7	-3.2	4.2	3.0	2.7	-2.4	3.3	9.4	8.8	10.8	9.5	1.1	1.5	0.9	0.6	2.9	3.6	-6.2	4.0	2.3	1.2	0.7	0.8
N.S.	1.5	2.1	-5.5	3.8	3.3	4.3	-3.0	4.7	1.5	2.2	-5.2	4.9	7.6	7.2	10.1	8.4	4.8	4.7	3.8	3.4	0.3	2.7	-5.5	4.0	2.2	1.6	0.4	1.6
N.B.	0.8	1.0	-5.3	3.7	3.2	3.0	-2.8	4.5	0.3	0.8	-3.6	3.6	8.0	8.0	10.4	8.3	2.3	2.9	2.7	2.0	1.7	2.1	-4.6	4.0	2.2	1.7	0.4	1.1
QUE.	2.5	2.8	-6.0	4.3	4.8	4.9	-3.4	5.2	0.9	1.8	-5.0	5.2	5.5	5.1	9.6	7.6	46.9	48.0	44.0	34.8	2.9	1.9	-6.5	5.0	1.7	2.1	0.2	1.1
ONT.	2.2	1.9	-5.8	4.2	3.7	4.1	-3.1	5.1	1.6	2.9	-4.7	5.4	5.6	5.6	8.9	7.1	78.7	69.0	67.7	55.8	4.4	2.9	-4.6	4.3	2.4	1.9	0.4	1.1
MAN.	1.3	1.0	-3.8	3.6	2.2	3.0	-1.1	4.5	0.6	0.9	-3.1	4.8	6.0	5.3	7.8	6.1	7.4	6.9	5.7	5.3	2.9	1.2	-3.4	2.2	2.5	2.3	0.3	1.1
SASK.	1.3	-0.8	-6.2	3.8	1.4	0.6	-11.8	9.5	0.4	1.8	-6.0	4.0	6.1	5.4	9.5	8.4	3.6	2.4	2.4	3.0	-0.3	-0.5	-4.1	0.4	2.3	1.7	0.4	1.2
ALTA.	1.6	-0.6	-8.7	4.5	3.8	-0.1	-16.9	11.3	1.9	0.5	-8.2	4.2	6.6	6.9	11.3	9.5	26.1	27.3	21.1	22.5	2.0	-0.9	-9.9	3.3	2.5	1.7	0.1	1.2
B.C.	2.6	2.8	-4.2	3.9	4.5	5.3	-1.4	5.0	1.1	2.6	-5.9	5.9	4.7	4.7	8.7	6.3	40.9	44.9	34.7	27.3	2.0	0.6	-4.0	3.9	2.7	2.3	0.2	1.2
CANADA	**2.0**	**1.7**	**-5.9**	**4.2**	**3.9**	**3.6**	**-5.4**	**6.0**	**1.3**	**2.1**	**-5.5**	**5.1**	**5.8**	**5.7**	**9.5**	**7.6**	**213**	**209**	**184**	**155**	**2.9**	**1.6**	**-5.7**	**4.0**	**2.3**	**1.9**	**0.4**	**1.1**

Key provincial comparisons

(2018 unless otherwise stated)

	Canada	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Population (000s, 2018)	**37,589**	522	157	971	777	8,485	14,567	1,369	1,174	4,371	5,071
Gross domestic product ($ billions)	**2,223.9**	33.2	7.0	44.4	37.0	439.4	857.4	72.7	80.7	344.8	295.4
Real GDP ($2012 billions)	**2,058.1**	32.4	6.3	40.2	33.2	394.9	778.5	67.4	86.6	346.5	264.1
Share of provincial GDP of Canadian GDP (%)	**100.0**	1.5	0.3	2.0	1.7	19.8	38.6	3.3	3.6	15.5	13.3
Real GDP growth (CAGR, 2013-18, %)	**1.9**	-0.8	2.1	1.3	0.9	1.9	2.4	1.8	0.8	0.9	3.0
Real GDP per capita ($ 2012)	**55,538**	61,655	41,111	41,948	43,059	47,077	54,371	49,824	74,462	80,563	52,800
Real GDP growth rate per capita (CAGR, 2013-18, %)	**0.8**	-0.8	0.8	0.9	0.6	1.2	1.3	0.5	-0.3	-0.6	1.4
Personal disposable income per capita ($)	**33,310**	31,665	29,241	30,145	30,108	29,924	33,488	29,943	33,357	38,872	35,749
Employment growth (CAGR, 2013-18, %)	**1.1**	-1.5	0.5	0.1	0.0	1.0	1.2	0.7	0.2	0.9	1.9
Employment rate (May 2020, %)	**52.9**	45.1	54.8	49.6	51.6	53.4	52.0	56.2	56.8	55.9	52.5
Discomfort index (inflation + unemp. rate, April 2020)	**7.6**	14.5	9.5	11.4	11.9	17.2	11.2	10.8	9.9	12.9	11.5
Manufacturing industry output (% of GDP)	**10.4**	4.0	10.6	7.8	10.7	14.1	12.2	9.8	6.4	8.5	7.1
Personal expenditures on goods & services (% of GDP)	**56.4**	52.1	66.4	70.7	65.4	57.4	57.8	58.1	48.0	46.3	62.7
International exports (% of GDP)	**32.1**	45.2	22.7	17.9	39.1	29.6	34.1	24.6	40.8	35.8	25.3

Forecast Details

% change unless otherwise specified

British Columbia

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	2.2	3.7	2.0	2.8	3.7	2.6	2.8	-4.2	3.9
Nominal GDP	3.4	5.6	2.8	5.2	7.1	4.5	5.3	-1.4	5.0
Employment	0.1	0.6	1.2	3.2	3.7	1.1	2.6	-5.9	5.9
Unemployment Rate (%)	6.6	6.1	6.2	6.0	5.1	4.7	4.7	8.7	6.3
Retail Sales	2.8	6.3	7.0	7.7	9.3	2.0	0.6	-4.0	3.9
Housing Starts (Thousands of Units)	27.1	28.4	31.4	41.8	43.7	40.9	44.9	34.7	27.3
Consumer Price Index	-0.1	1.0	1.1	1.9	2.1	2.7	2.3	0.2	1.2

Alberta

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	5.7	5.9	-3.7	-3.5	4.8	1.6	-0.6	-8.7	4.5
Nominal GDP	9.6	10.0	-14.0	-6.1	9.2	3.8	-0.1	-16.9	11.3
Employment	2.5	2.2	1.2	-1.6	1.0	1.9	0.5	-8.2	4.2
Unemployment Rate (%)	4.6	4.7	6.0	8.1	7.8	6.6	6.9	11.3	9.5
Retail Sales	7.2	7.9	-4.0	-1.1	7.1	2.0	-0.9	-9.9	3.3
Housing Starts (Thousands of Units)	36.0	40.6	37.3	24.5	29.5	26.1	27.3	21.1	22.5
Consumer Price Index	1.4	2.6	1.2	1.1	1.5	2.5	1.7	0.1	1.2

Saskatchewan

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	6.5	2.0	-0.8	-0.1	1.7	1.3	-0.8	-6.2	3.8
Nominal GDP	6.7	-0.4	-3.9	-5.0	5.1	1.4	0.6	-11.8	9.5
Employment	3.1	1.0	0.5	-0.9	-0.2	0.4	1.8	-6.0	4.0
Unemployment Rate (%)	4.1	3.8	5.0	6.3	6.3	6.1	5.4	9.5	8.4
Retail Sales	5.2	4.7	-3.3	1.5	4.1	-0.3	-0.5	-4.1	0.4
Housing Starts (Thousands of Units)	8.3	8.3	5.1	4.8	4.9	3.6	2.4	2.4	3.0
Consumer Price Index	1.4	2.4	1.6	1.1	1.7	2.3	1.7	0.4	1.2

Manitoba

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	2.9	2.1	1.2	1.4	3.1	1.3	1.0	-3.8	3.6
Nominal GDP	4.2	3.1	2.5	2.1	5.7	2.2	3.0	-1.1	4.5
Employment	0.7	0.1	1.6	-0.4	1.7	0.6	0.9	-3.1	4.8
Unemployment Rate (%)	5.4	5.4	5.6	6.1	5.4	6.0	5.3	7.8	6.1
Retail Sales	3.8	4.2	1.3	3.7	7.8	2.9	1.2	-3.4	2.2
Housing Starts (Thousands of Units)	7.5	6.2	5.5	5.3	7.5	7.4	6.9	5.7	5.3
Consumer Price Index	2.3	1.8	1.2	1.3	1.6	2.5	2.3	0.3	1.1

Ontario

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	1.4	2.5	2.5	2.1	2.9	2.2	1.9	-5.8	4.2
Nominal GDP	2.3	4.4	4.6	4.0	4.6	3.7	4.1	-3.1	5.1
Employment	1.8	0.8	0.7	1.1	1.8	1.6	2.9	-4.7	5.4
Unemployment Rate (%)	7.6	7.3	6.8	6.5	6.0	5.6	5.6	8.9	7.1
Retail Sales	2.7	5.7	5.3	6.9	7.7	4.4	2.9	-4.6	4.3
Housing Starts (Thousands of Units)	61.1	59.1	70.2	75.0	79.1	78.7	69.0	67.7	55.8
Consumer Price Index	1.1	2.3	1.2	1.8	1.7	2.4	1.9	0.4	1.1

Forecast Details

% change unless otherwise specified

Quebec

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	1.3	1.6	0.9	1.6	2.8	2.5	2.8	-6.0	4.3
Nominal GDP	3.0	3.0	2.9	3.0	5.0	4.8	4.9	-3.4	5.2
Employment	1.4	0.0	0.9	0.9	2.2	0.9	1.8	-5.0	5.2
Unemployment Rate (%)	7.6	7.7	7.6	7.1	6.1	5.5	5.1	9.6	7.6
Retail Sales	3.0	2.6	1.9	6.6	5.5	2.9	1.9	-6.5	5.0
Housing Starts (Thousands of Units)	37.8	38.8	37.9	38.9	46.5	46.9	48.0	44.0	34.8
Consumer Price Index	0.8	1.4	1.1	0.7	1.1	1.7	2.1	0.2	1.1

New Brunswick

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	-0.3	0.1	0.7	0.8	2.2	0.8	1.0	-5.3	3.7
Nominal GDP	0.3	1.8	3.1	2.6	4.4	3.2	3.0	-2.8	4.5
Employment	0.4	-0.2	-0.6	-0.1	0.4	0.3	0.8	-3.6	3.6
Unemployment Rate (%)	10.3	10.0	9.8	9.6	8.1	8.0	8.0	10.4	8.3
Retail Sales	0.7	3.7	2.2	2.1	6.8	1.7	2.1	-4.6	4.0
Housing Starts (Thousands of Units)	2.8	2.3	2.0	1.8	2.3	2.3	2.9	2.7	2.0
Consumer Price Index	0.8	1.5	0.5	2.2	2.3	2.2	1.7	0.4	1.1

Nova Scotia

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	-0.3	1.0	0.7	1.6	1.6	1.5	2.1	-5.5	3.8
Nominal GDP	2.1	2.9	2.2	2.2	3.2	3.3	4.3	-3.0	4.7
Employment	-1.1	-1.1	0.1	-0.4	0.6	1.5	2.2	-5.2	4.9
Unemployment Rate (%)	9.1	8.9	8.6	8.3	8.4	7.6	7.2	10.1	8.4
Retail Sales	3.2	2.8	0.2	4.7	7.8	0.3	2.7	-5.5	4.0
Housing Starts (Thousands of Units)	3.9	3.1	3.8	3.8	4.0	4.8	4.7	3.8	3.4
Consumer Price Index	1.2	1.7	0.4	1.2	1.1	2.2	1.6	0.4	1.6

Prince Edward Island

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	1.8	0.1	1.4	2.1	4.4	2.6	4.5	-5.7	3.5
Nominal GDP	3.2	1.6	3.9	4.7	5.3	4.2	6.7	-3.2	4.2
Employment	1.4	-0.1	-1.2	-2.2	3.1	3.0	2.7	-2.4	3.3
Unemployment Rate (%)	11.5	10.6	10.5	10.8	9.8	9.4	8.8	10.8	9.5
Retail Sales	0.9	3.5	2.6	7.3	6.3	2.9	3.6	-6.2	4.0
Housing Starts (Thousands of Units)	0.6	0.5	0.6	0.6	0.9	1.1	1.5	0.9	0.6
Consumer Price Index	2.0	1.6	-0.6	1.2	1.8	2.3	1.2	0.7	0.8

Newfoundland and Labrador

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	5.3	-1.2	-1.2	1.5	0.4	-3.5	4.0	-9.9	2.7
Nominal GDP	7.6	-0.6	-9.2	1.1	3.7	1.7	5.4	-16.2	6.5
Employment	0.8	-1.7	-1.0	-1.5	-3.7	0.5	0.6	-7.6	-0.1
Unemployment Rate (%)	11.6	11.9	12.8	13.4	14.8	13.8	11.9	15.1	14.4
Retail Sales	5.2	3.7	0.7	0.4	2.4	-2.3	-0.1	-9.7	-0.4
Housing Starts (Thousands of Units)	2.9	2.1	1.7	1.4	1.4	1.1	0.9	0.5	0.4
Consumer Price Index	1.7	1.9	0.4	2.7	2.4	1.7	1.0	0.4	0.8

A note to our readers: Owing to the speed at which developments are occurring and the uncertainty associated with them, we will be publishing more frequent, but irregular, updates to our forecast. The pace at which we update our forecasts will be dictated by developments.

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Forecast Update: Economies Shutting Down

- **More countries implementing restrictions on individuals and business activity. This is having a major impact on forecasts. Global GDP now expected to remain flat this year.**
- **In Canada, GDP is expected to contract by 28% in Q2 given the shutdown of non-essential businesses in Quebec and Ontario. A decline of 35% could be observed if other provinces follow suit.**
- **Assuming a return to more normal operating conditions by the end of Q2, Canadian GDP is expected to fall 4.1% this year followed by a rebound of 5.1% in 2021.**
- **Canadian GDP could decline by more than 6% in 2020 if the shutdown were to extend through Q3.**
- **Significant additional stabilization measures are expected in Canada but not incorporated in this forecast.**

Rapidly evolving developments necessitate an update to the forecasts we published just last Friday. Additional quarantine or shut-down measures have been put in place in a number of countries in the last few days. As a result, we now anticipate global GDP growth to be 0% in 2020, followed by a sizeable rebound in activity in 2021 given our view that economic activity will rebound quickly once the virus is no longer a serious threat to public health. At present, we believe activity will begin to return to normal in the third quarter, except in countries where containment measures were aggressively deployed in the first quarter (essentially the Asian economies), where activity resumes in the second quarter.

In Canada, the closure of non-essential business in Quebec and Ontario announced earlier this week will have large economic consequences. At present, we believe Canadian economic activity will fall by 28% in Q2 as these measures are felt. If other provinces follow, the fall in Q2 economic activity would be in the 35% range.

We now assume that economic activity resumes by the start of the third quarter and that growth rebounds sharply at that time. However, the 20% drop in US economic activity in the second quarter will restrain the rebound in Canadian activity in the third quarter owing to the usual lags between US and Canadian economic outcomes. Under these assumptions, Canadian GDP would fall by slightly more than 4% in 2020 and rebound by 5.1% in 2021. Though we have not included any additional measures in this update beyond those already announced, we believe a substantial ramping up of fiscal support measures in Canada is forthcoming.

There is a chance that aggressive virus management measures are required beyond Q2 to ensure the virus is truly well-contained. Evidence in Asia this week suggests that even in countries where aggressive management measures have been put in place, COVID-19 can come back quite quickly. If measures in Canada are not lifted by the end of Q2, growth would fall again in Q3, and GDP would fall by 6.3% in 2020 instead of the 4.1% we currently expect.

A key question for forecasters is the length of the virus-related restrictions on firms and households. As noted above, a shift of one quarter in the resumption of normal operating conditions can have a large impact on growth outcomes. Since we do not have a good handle on the ultimate length of the interruptions, we consider it more informative to assign probabilities to the time at which virus containment measures end. At this time, we believe there is a 75% chance that activity resumes by Q3 and a 25% chance that activity returns to more normal levels by Q4. How officials manage virus containment internationally, as well as the evolution of the virus, will inform our assessment of probabilities going forward.

International	2010–18	2018	2019	2020f	2021f	2010–18	2018	2019	2020f	2021f
	Real GDP (annual % change)					Consumer Prices (y/y % change, year-end)				
World (based on purchasing power parity)	3.8	3.7	2.9	0.1	4.2					
Canada	2.2	2.0	1.6	-4.1	5.1	1.7	2.0	2.1	-0.1	2.4
United States	2.3	2.9	2.3	-2.0	4.1	1.7	2.2	2.0	0.8	2.8
Mexico	3.0	2.1	-0.1	-5.8	1.8	4.1	4.8	2.8	4.4	4.1
United Kingdom	1.9	1.3	1.4	-3.1	1.5	2.2	2.1	1.8	0.6	1.5
Eurozone	1.4	1.9	1.2	-4.2	1.9	1.3	1.5	1.3	0.5	1.0
Germany	2.1	1.5	0.6	-4.3	2.0	1.3	1.6	1.5	0.5	1.1
France	1.4	1.7	1.3	-4.1	1.9	1.1	1.6	1.5	0.4	1.0
China	7.9	6.8	6.1	3.0	7.0	2.5	1.8	4.5	2.3	2.5
India	7.2	6.8	5.3	4.0	7.0	7.3	2.1	7.4	4.3	4.9
Japan	1.4	0.3	0.7	-1.0	1.8	0.6	0.3	0.8	0.6	0.8
South Korea	3.4	2.7	2.0	1.0	2.8	1.8	1.3	0.7	1.6	2.1
Australia	2.7	2.7	1.8	1.2	2.7	2.1	1.8	1.8	1.9	2.1
Thailand	3.8	4.1	2.4	-2.5	3.5	1.5	0.4	0.9	1.2	1.6
Brazil	1.4	1.3	1.1	-3.0	1.5	6.0	3.8	4.3	7.3	8.2
Colombia	3.8	2.5	3.3	1.2	2.8	3.9	3.2	3.8	2.9	3.0
Peru	4.8	4.0	2.2	0.3	3.5	3.0	2.2	1.9	1.4	2.0
Chile	3.5	4.0	1.1	-2.1	2.9	3.1	2.6	3.0	3.0	3.0

Commodities	2010–18	2018	2019	2020f	2021f
	(annual average)				
WTI Oil (USD/bbl)	74	65	57	31	42
Brent Oil (USD/bbl)	82	72	64	35	43
WCS - WTI Discount (USD/bbl)	-18	-26	-14	-14	-21
Nymex Natural Gas (USD/mmbtu)	3.39	3.07	2.53	2.39	2.63
Copper (USD/lb)	3.10	2.96	2.72	2.80	3.00
Zinc (USD/lb)	1.02	1.33	1.16	1.10	1.05
Nickel (USD/lb)	7.00	5.95	6.32	6.50	7.00
Aluminium (USD/lb)	0.89	0.96	0.81	0.90	0.90
Iron Ore (USD/tonne)	101	70	94	78	70
Metallurgical Coal (USD/tonne)	179	207	184	145	150
Gold, (USD/oz)	1,342	1,268	1,393	1,525	1,450
Silver, (USD/oz)	21.64	15.71	16.21	18.75	17.75

Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, IMF, Bloomberg.

North America	2010–18	2018	2019	2020f	2021f	2010–18	2018	2019	2020f	2021f
	Canada (annual % change, unless noted)					United States (annual % change, unless noted)				
Real GDP	2.2	2.0	1.6	-4.1	5.1	2.3	2.9	2.3	-2.0	4.1
Consumer spending	2.6	2.1	1.6	-0.2	4.5	2.4	3.0	2.6	0.7	3.3
Residential investment	2.7	-1.5	-0.5	-10.3	4.7	4.8	-1.5	-1.5	-7.8	4.9
Business investment*	2.4	1.8	-0.8	-14.7	5.7	5.2	6.4	2.1	-10.8	8.7
Government	1.2	3.4	1.6	1.4	2.5	-0.3	1.7	2.3	2.2	2.7
Exports	3.6	3.1	1.2	-6.9	9.4	4.1	3.0	0.0	-9.5	4.5
Imports	3.9	2.6	0.3	-2.9	7.1	4.9	4.4	1.6	-1.0	3.1
Nominal GDP	3.9	3.9	3.6	-5.8	7.4	4.0	5.4	4.1	-0.9	5.6
GDP deflator	1.7	1.8	1.9	-1.8	2.3	1.7	2.4	1.7	1.2	1.4
Consumer price index (CPI)	1.7	2.3	1.9	0.8	1.6	1.8	2.4	1.8	1.1	2.4
Core inflation rate**	1.9	1.9	2.0	1.4	1.2	1.6	1.9	1.6	1.4	1.8
Pre-tax corporate profits	5.8	2.5	0.3	-14.1	1.5	4.6	3.4	-0.6	-8.9	2.1
Employment	1.2	1.3	2.1	-2.0	2.7	1.4	1.6	1.4	-0.7	0.2
Unemployment rate (%)	7.0	5.8	5.7	8.5	7.0	6.5	3.9	3.7	5.5	6.2
Current account balance (CAD, USD bn)	-58.4	-55.5	-45.4	-68.3	-63.1	-421	-491	-507	-682	-673
Merchandise trade balance (CAD, USD bn)	-13.0	-22.1	-18.2	-48.3	-47.1	-754	-887	-879	-1009	-1036
Federal budget balance (FY, CAD, USD bn)	-19.4	-19.0	-14.0	-26.6	-110.0	-813	-779	-960	-1,008	-1,784
percent of GDP	-1.0	-0.9	-0.6	-1.2	-4.7	-4.6	-3.8	-4.5	-4.7	-8.0
Housing starts (000s, mn)	200	213	209	124	215	0.96	1.25	1.30	1.14	1.27
Motor vehicle sales (000s, mn)	1,810	1,983	1,922	1,552	1,696	15.5	17.2	16.9	14.2	15.5
Industrial production	2.7	3.1	-1.1	-7.3	6.7	2.2	4.0	0.8	-6.7	5.1
	Mexico (annual % change)									
Real GDP	3.0	2.1	-0.1	-5.8	1.8					
Consumer price index (year-end)	4.1	4.8	2.8	4.4	4.1					
Current account balance (USD bn)	-21.2	-23.0	-2.4	-0.3	-10.8					
Merchandise trade balance (USD bn)	-6.8	-13.6	5.8	8.9	-1.8					

Sources: Scotiabank Economics, Statistics Canada, CMHC, BEA, BLS, Bloomberg. *For Canada it includes capital expenditures by businesses and non-profit institutions.
** US: core PCE deflator; Canada: average of 3 core measures published by the BoC.

Quarterly Forecasts	2019	2020				2021			
Canada	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	0.3	-3.4	-28.1	12.3	15.8	5.8	4.2	3.6	3.9
Real GDP (y/y % change)	1.5	0.3	-8.4	-5.9	-2.5	-0.3	9.4	7.2	4.4
Consumer prices (y/y % change)	2.1	2.1	0.3	0.8	-0.1	-0.1	1.9	2.2	2.4
Avg. of new core CPIs (y/y % change)	2.1	1.8	1.6	1.4	1.0	1.1	1.2	1.3	1.4
United States									
Real GDP (q/q ann. % change)	2.1	-2.1	-20.7	13.4	7.7	5.1	3.8	3.4	3.1
Real GDP (y/y % change)	2.3	1.0	-5.2	-2.6	-1.3	0.5	7.5	5.0	3.9
Consumer prices (y/y % change)	2.0	2.1	0.8	0.6	0.8	1.7	2.4	2.6	2.8
Total PCE deflator (y/y % change)	1.4	1.5	0.4	0.3	0.3	1.3	2.1	2.4	2.7
Core PCE deflator (y/y % change)	1.6	1.7	1.5	1.3	1.1	1.5	1.7	1.9	2.0

Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, Bloomberg.

Central Bank Rates	2019 Q4	2020 Q1f	2020 Q2f	2020 Q3f	2020 Q4f	2021 Q1f	2021 Q2f	2021 Q3f	2021 Q4f
Americas					(%, end of period)				
Bank of Canada	1.75	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25
US Federal Reserve (upper bound)	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of Mexico	7.25	6.25	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Central Bank of Brazil	4.50	3.75	3.75	4.25	4.75	5.75	6.75	7.75	8.25
Bank of the Republic of Colombia	4.25	4.00	3.50	3.50	3.50	3.75	4.25	4.25	4.25
Central Reserve Bank of Peru	2.25	1.25	0.75	0.75	1.00	1.25	1.50	1.75	1.75
Central Bank of Chile	1.75	1.00	0.50	0.50	0.50	1.00	1.25	1.75	2.00
Europe									
European Central Bank MRO Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
European Central Bank Deposit Rate	-0.50	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
Bank of England	0.75	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Asia/Oceania									
Reserve Bank of Australia	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
People's Bank of China	4.15	4.05	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Reserve Bank of India	5.15	5.15	4.40	4.15	4.15	4.15	4.15	4.15	4.15
Bank of Korea	1.25	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Bank of Thailand	1.25	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Currencies and Interest Rates									
Americas					(%, end of period)				
Canadian dollar (USDCAD)	1.30	1.48	1.48	1.45	1.42	1.40	1.37	1.34	1.32
Canadian dollar (CADUSD)	0.77	0.68	0.68	0.69	0.70	0.71	0.73	0.75	0.76
Mexican peso (USDMXN)	18.93	23.90	23.13	22.66	22.84	22.93	22.75	22.68	22.74
Brazilian real (USDBRL)	4.02	5.37	5.12	4.72	4.84	5.11	4.64	4.52	4.49
Colombian peso (USDCOP)	3,287	4,050	3,950	3,851	3,654	3,473	3,465	3,458	3,450
Peruvian sol (USDPEN)	3.31	3.57	3.56	3.47	3.45	3.42	3.43	3.39	3.40
Chilean peso (USDCLP)	753	860	820	800	790	780	760	740	720
Europe									
Euro (EURUSD)	1.12	1.08	1.09	1.10	1.12	1.13	1.14	1.15	1.16
UK pound (GBPUSD)	1.33	1.15	1.16	1.17	1.18	1.20	1.21	1.23	1.25
Asia/Oceania									
Japanese yen (USDJPY)	109	108	108	107	107	106	106	106	105
Australian dollar (AUDUSD)	0.70	0.57	0.57	0.58	0.58	0.59	0.59	0.60	0.60
Chinese yuan (USDCNY)	6.96	7.00	6.90	6.80	6.80	6.70	6.70	6.60	6.60
Indian rupee (USDINR)	71.4	76.0	75.0	74.0	74.0	73.0	73.0	72.0	72.0
South Korean won (USDKRW)	1,156	1,220	1,200	1,180	1,180	1,160	1,160	1,140	1,140
Thai baht (USDTHB)	30.0	33.0	32.5	32.0	32.0	31.0	31.0	30.0	30.0
Canada (Yields, %)									
3-month T-bill	1.66	0.45	0.20	0.25	0.25	0.25	0.25	0.25	0.25
2-year Canada	1.69	0.60	0.40	0.45	0.55	0.70	0.80	0.90	1.00
5-year Canada	1.68	0.70	0.55	0.65	0.75	0.90	1.05	1.15	1.20
10-year Canada	1.70	0.80	0.80	0.90	1.00	1.20	1.30	1.40	1.50
30-year Canada	1.76	1.30	1.20	1.25	1.35	1.45	1.55	1.65	1.80
United States (Yields, %)									
3-month T-bill	1.51	0.00	0.10	0.10	0.10	0.10	0.10	0.10	0.15
2-year Treasury	1.57	0.35	0.45	0.50	0.60	0.70	0.80	0.90	1.00
5-year Treasury	1.69	0.50	0.60	0.70	0.90	1.00	1.10	1.20	1.30
10-year Treasury	1.92	0.80	1.00	1.05	1.15	1.25	1.35	1.45	1.60
30-year Treasury	2.39	1.35	1.70	1.80	1.95	2.00	2.05	2.05	2.10

Sources: Scotiabank Economics, Bloomberg.

The Provinces	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–18	2.2	0.5	2.0	0.9	0.6	1.7	2.2	2.2	2.5	2.8	2.8
2018	2.0	-3.5	2.6	1.5	0.8	2.5	2.2	1.3	1.3	1.6	2.6
2019e	1.6	2.1	2.8	1.7	0.6	2.7	1.6	1.3	1.0	0.5	2.1
2020f	-4.1	-3.3	-1.1	-1.5	-2.1	-5.5	-5.6	-1.6	-2.6	-2.9	-1.8
2021f	5.1	1.5	3.8	3.1	2.0	6.1	6.3	2.2	3.8	4.7	3.5
Nominal GDP											
2010–18	3.9	3.2	3.9	2.7	2.8	3.7	4.1	4.0	3.3	3.8	4.5
2018	3.9	1.7	4.2	3.3	3.2	4.8	3.7	2.2	1.4	3.8	4.5
2019e	3.6	3.8	4.8	3.5	2.3	4.4	3.5	3.1	2.7	2.3	4.4
2020f	-5.8	-6.1	-1.5	-2.2	-2.7	-7.0	-7.2	-2.2	-4.5	-5.6	-2.6
2021f	7.4	3.0	6.2	5.2	3.8	8.4	8.6	4.5	6.1	7.2	5.8
Employment											
2010–18	1.2	0.5	1.2	0.2	-0.2	1.1	1.3	0.8	0.9	1.5	1.4
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019e	2.1	0.6	2.7	2.2	0.8	1.8	2.9	0.9	1.8	0.5	2.6
2020f	-2.0	-3.9	1.0	-0.7	-0.5	-2.2	-2.3	-0.2	-1.4	-2.9	-1.1
2021f	2.7	0.8	2.7	1.3	1.2	3.1	3.1	1.7	1.9	2.0	2.5
Unemployment Rate (%)											
2010–18	7.0	13.3	10.8	8.8	9.3	7.4	7.3	5.5	5.2	6.1	6.4
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019e	5.7	11.9	8.8	7.2	8.0	5.1	5.6	5.3	5.4	6.9	4.7
2020f	8.5	14.3	9.2	8.5	8.6	8.0	9.1	6.2	7.4	10.0	6.5
2021f	7.0	13.4	7.5	7.5	7.6	6.1	7.2	5.1	6.2	9.3	5.5
Housing Starts (units, 000s)											
2010–18	200	2.4	0.8	4.1	2.7	44	70	6.5	6.4	31	33
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019e	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45
2020f	124	0.5	0.3	2.9	1.0	29	45	2.8	2.0	19	21
2021f	215	1.2	1.5	4.4	2.4	45	80	6.4	4.4	32	38
Motor Vehicle Sales (units, 000s)											
2010–18	1,810	33	7	52	42	439	725	56	54	241	197
2018	1,983	28	8	51	38	449	853	67	47	226	217
2019e	1,922	30	8	51	40	442	818	56	48	218	204
2020f	1,552	25	8	47	34	360	645	47	41	170	175
2021f	1,696	26	8	50	36	394	712	50	44	188	188
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2019	-14,000	-552	57	120	73	4,803	-7,435	-163	-268	-6,711	1,535
2020f*	-26,600	-944	1	41	98	1,900	-9,023	-325	37	-7,540	203
2021f	-110,000	-796	7	55	92	0	-6,800	-234	49	-6,810	227

* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

Provincial Economic Forecast

Economies Turning the Corner But a Tough Road Lies Ahead

June 17, 2020

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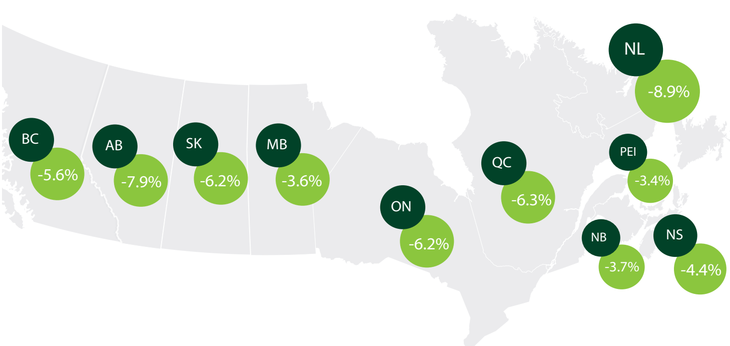
- With provincial economic data for May flowing in, we are just now getting a true sense of the extent of economic declines suffered from coast to coast in the second quarter. In short, no province will be spared from an unprecedented contraction in activity and jobs.
- As provinces push ahead with their phased re-openings, focus is shifting to the shape of the recovery. Although all provinces are expected to return back to the growth track starting in the third quarter, a number of smaller provinces (i.e., New Brunswick, PEI, and Manitoba) are likely to outperform, reflecting both a more moderate hit from the pandemic and a faster restart.
- In the larger provinces, B.C.'s progress in tackling the pandemic positions it well to perform better than the others this year. Quebec's economy has likely suffered the most initial damage from COVID-19, but has begun the long healing process. Meanwhile, Ontario will likely underperform, partly given its go-slow approach to re-opening.
- Canada's oil-producing provinces have seen their fortunes improve recently, with an easing in lockdowns complemented by rising oil prices. That said, capital spending plans will remain weak amid uncertainty related to the path of global oil demand. We expect Alberta and Newfoundland & Labrador to register the weakest GDP showings this year, with Saskatchewan faring somewhat better.
- The Labour Force Survey for May highlighted the tough slog ahead in provincial job markets. A number of provinces recorded a rebound in jobs last month. However, unemployment rates still moved broadly higher on a bounce-back in participation rates. Partly owing to a still-challenged business environment, unemployment rates are likely to end 2020 2.9-5.7 ppts above their pre-virus levels.
- We've downgraded our near-term expectations for housing markets across the country. Tighter lending conditions, a slow recovery in job markets, and soft population growth will dampen home sales, prices and housing construction moving forward.
- In 2021, a rebound in growth rates conceal ongoing moderate recoveries from the crisis, while some permanent scarring leaves unemployment rates on the elevated side. The largest provinces are expected to record some convergence on the smaller provinces. However, ongoing soft oil market conditions in Alberta will likely leave it on its back foot.

Provincial Real GDP Growth Forecast (2020)



Source: TD Economics. Forecast as of June 2020.

For more details on our national forecast see our Quarterly Economic Forecast

British Columbia

With the focus now shifting to the shape of the recovery, B.C. enjoys an edge relative to other large provinces. It has been among the most successful in bending the COVID-19 curve (Chart 1). B.C. is now approaching Phase 3 of its reopening plan, after which restrictions will remain in place only on international tourism and activities where larger gatherings are the norm.

Although still early days, this success in tackling the pandemic has manifested in comparatively better indicators. For instance, B.C.'s manufacturing sales fell by a cumulative 14.7% through March and April. This compared favorably with the drastic 35.5% drop seen nationally. In March, retail sales fell by 4.6%, compared to 10% nationally. Mobility data have outpaced those of Central Canada, and restaurant activity is gradually picking up (Chart 2).

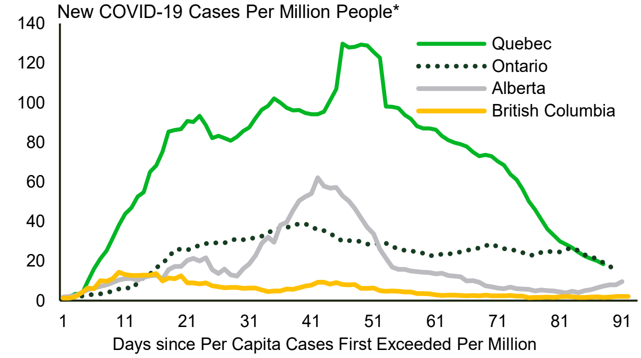
B.C.'s diverse economy has allowed for some pockets of relative strength. Its non-residential construction sector has also seen scaled back activity and employment. However, progress on key projects such as the TransMountain pipeline, the Site C Dam, and LNG Canada, has reportedly either remained on track or experienced only minor setbacks.

With these green shoots in mind, B.C.'s economy still faces notable pressures. The province's reliance on its tourism sector, where prospects remain challenged over the near term, is among the highest in Canada. Moreover, the hit to labour markets since February has been roughly equal to that suffered nationwide. Indeed, employment is still a stark 13.9% below is February levels (compared to 14.1% nationally). Encouragingly, May's jobs report showed a 2% m/m gain, and earlier reopening plans should result in a further pick up during the summer.

On the housing market front, the picture is also mixed. B.C.'s home prices have showed some resilience during the pandemic. However, a likely slowdown in population growth due to reduced immigration and tightening to mortgage rules is expected to weigh on prices in the upcoming quarters.

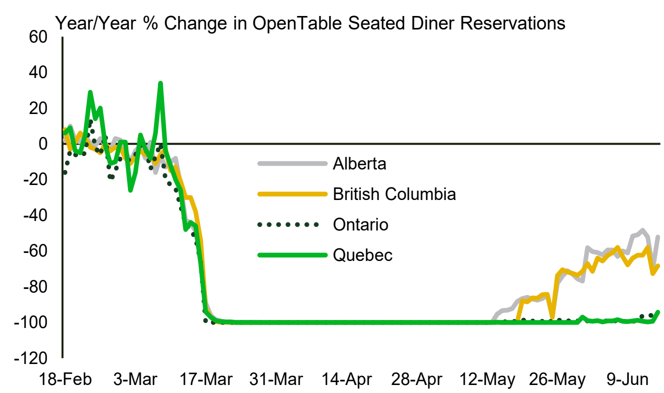
B.C.'s fiscal position remains the envy of other provinces. B.C.'s government has responded to the crisis by earmarking about $5 billion, with dedicated funding to the post-COVID recovery ($1.5 billion). This package comes on top of a hefty 2020/21 capital spending plan. Coffers are taking a substantial hit, but its net debt/GDP ratio is expected to be among the lowest in the country as it exits the crisis.

Chart 1: B.C. was Able to Bend Its COVID-19 Curve Earlier than Other Large Provinces



* 7 Day Moving Average
Source: Government of Canada, Provincial Governments, TD Economics

Chart 2: B.C. Seeing a Gradual Uptick in Seated Restaurant Diners



Source: OpenTable, TD Economics. Last Observation: June 15, 2020.

British Columbia Economic Forecasts
[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	2.8	-5.6	5.4
Nominal GDP	5.3	-3.1	7.4
Employment	2.6	-7.1	6.8
Unemployment Rate (%)	4.7	9.0	6.6
Housing Starts (000's)	45.1	35.0	35.4
Existing Home Prices	-1.5	3.3	-2.5
Home Sales	-1.5	-15.6	22.6

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Alberta

Alberta is experiencing its third deep recession in less than a decade, owing to the 1-2 punch from COVID-related restrictions and the oil price collapse. On a brighter note, recent improvements in oil prices and progress in reopening the economy suggest that the the worst is in the rear-view mirror. However, a long, arduous recovery period awaits the province's economy.

The freefall in oil prices in the March-April period (Chart 1) prompted producers in Alberta to slash capital spending plans and cut production by a reported 1 million barrels per day (slightly more than 25% of production). As a result, Alberta's oil output has been hit harder during this year's pandemic relative to the 2014 oil price shock.

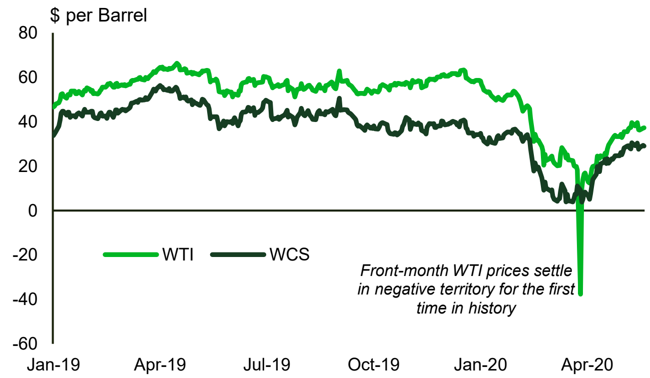
Since May, a recovery in WTI prices back up to around $37 per barrel has provided a much-needed lift to sentiment. Additionally, the reduced production in Western Canada has supported a narrowing in the WCS-WTI price spread in recent weeks. Still, with little further upside in prices expected over the near term, capital spending plans are likely to remain subdued.

This year's recession is dealing a further blow to labour markets, which had yet to heal from the 2014 oil price shock. Indeed, Alberta's unemployment rate is now projected to be the highest outside of Newfoundland & Labrador this year. In turn, this unfavorable backdrop will weigh on already-wary consumers and housing markets.

Despite this challenging environment, we take some comfort in the province's success in containing COVID-19 and strides made on its reopening plans. Elsewhere in the economy, the pickup in mobility indicators in Alberta has outpaced that of Central Canada (Chart 2). We expect further improvements to be mirrored in stronger near-term activity in the services sector. Importantly, the province's small business confidence now stands above the national average.

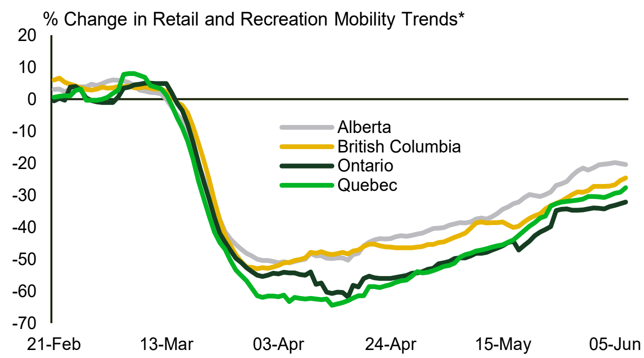
In response to the unprecedented hit, the Province has committed one of the largest stimulus packages among the provinces. Notably, the Alberta government has announced a $1.5 billion direct equity investment in the Keystone XL pipeline, $6 billion in loan commitments to the project, and $1.9 billion in infrastructure outlays. Alberta's still relatively low debt burden leaves it with the capacity to undertake this level of spending, but will exit this crisis with a notably worsened debt trajectory.

Chart 1: March and April Saw Unprecedented Movements in Global Oil Markets



Source: Bloomberg, TD Economics. Last Observation: June 15, 2020.

Chart 2: Alberta's Mobility Data Compares Favourably to Other Large Provinces



* Mobility trends relative to a baseline pre-COVID period (median value for the corresponding day of the week during Jan 3 - Feb 6). 7-Day Moving Average
Source: Google, TD Economics. Last Observation: June 7, 2020.

Alberta Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	-0.6	-7.9	5.7
Nominal GDP	1.1	-12.1	9.1
Employment	0.5	-8.7	6.3
Unemployment Rate (%)	6.9	12.2	9.6
Housing Starts (000's)	27.3	23.4	25.6
Existing Home Prices	-2.4	-1.4	-2.3
Home Sales	-0.2	-16.5	11.7

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Saskatchewan

Despite facing the double whammy of an oil price shock and COVID-related restrictions, Saskatchewan has been turning in a better economic performance than we had anticipated in our April Update. This year's contraction is still expected to be hefty, but at least the province is now tracking close to the national average.

Saskatchewan has been relatively successful at reining in the pandemic - with relatively low case counts and an encouraging downtrend since May. As a result, mobility indicators have consistently outpaced the national average (Chart 1). Retail sales in Saskatchewan suffered the smallest drop nationally in March (-1.5% m/m), and relative resilience in April's new vehicle sales data points to continued retail trade outperformance last month.

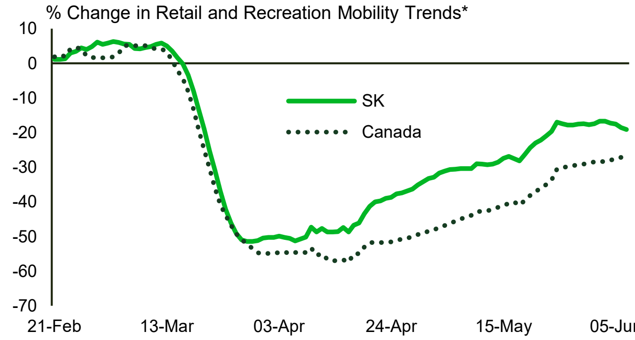
Turning to labour markets, the province has enjoyed an edge relative to most other provinces. Saskatchewan has suffered a smaller drop in employment and hours worked during the pandemic, and currently has the lowest unemployment rate outside of Manitoba.

Saskatchewan's relatively diverse commodity sector has shown its mettle in recent months, holding up relatively well in the face of sharply contracting global activity. Two industries that are better shielded from the impacts of COVID-19 than most other sectors are food/agricultural exports and potash. Rising activity in these areas is expected to support exports (Chart 2) and cushion the blow from ongoing weakness in oil production and capital spending. On the plus side, oil prices have rebounded moderately from their lows recorded earlier this year, which should support a stabilization in oil activity in 2021.

Despite relatively resilient resale activity so far this year, oversupply remains a challenge in the housing market. As a result, average home prices are expected to drift lower on an annual average basis this year and next.

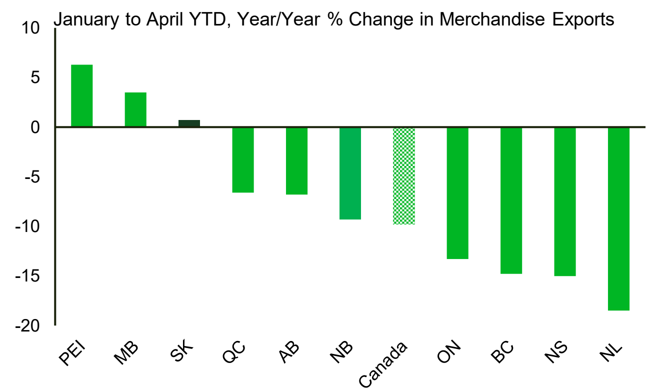
In its recently-released 2020 budget, the provincial government highlighted the $2 billion upgrade to its capital spending plan in response to COVID-19. This should provide a much-needed boost to non-residential construction investment. Like its peers, the Province is forecasting a record deficit this year. ($2.4 billion). However, successful strides made by the government in reducing deficits and containing growth in its net debt following the 2014 oil price shock has afforded some additional wiggle room.

Chart 1: Saskatchewan's Mobility Trends Have Outpaced the National Average



*Mobility trends relative to a baseline pre-COVID period (median value for the corresponding day of the week during Jan 3 - Feb 6. 7-Day Moving Average
Source: Google, TD Economics. Last Observation: June 7, 2020.

Chart 2: Saskatchewan's Exports Have Fared Better than Most Provinces' so Far this Year



Source: Statistics Canada, TD Economics

Saskatchewan Economic Forecasts [Annual average % change, unless otherwise noted]	2019	2020	2021
Real GDP	-0.8	-6.2	4.7
Nominal GDP	0.6	-8.0	7.2
Employment	1.6	-6.1	4.2
Unemployment Rate (%)	5.4	9.3	7.5
Housing Starts (000's)	2.4	2.5	3.6
Existing Home Prices	-0.5	-2.0	-2.6
Home Sales	1.1	-1.7	11.0

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Manitoba

The COVID-19 outbreak in Manitoba has been less severe than in most other provinces (Chart 1). As a result, Manitoba has side-stepped some of the economic damage felt in other parts of the country. In the jobs market, employment plunged 12%, while hours worked were down 17%, from February through May. While still nightmarish collapses, the rest of the country fared even worse. Similarly, retail spending and non-residential building fell by comparatively less in March, while wholesale trade and manufacturing shipments managed to rise (Chart 2). The latter could partly reflect timing, as the pandemic struck later in March. However, more current data also points to the province holding up comparatively well. As such, we see Manitoba's economy contracting by less than the country overall this year.

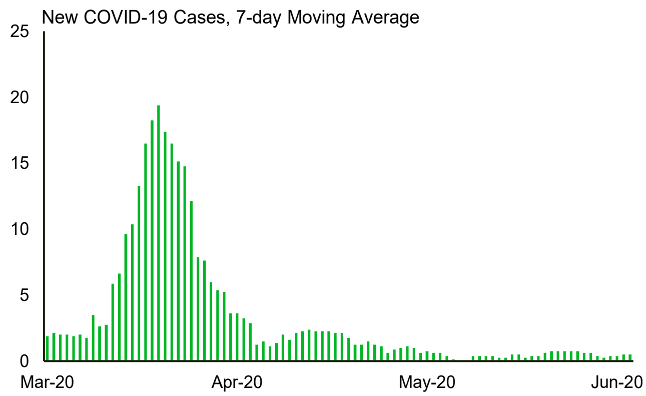
The composition of Manitoba's well-diversified economy should help cushion the blow from COVID-19. For example, tourism activity, which has been decimated by the pandemic, accounts for a low share of economic activity. On the other hand, food manufacturing, which represents a relatively large share of output, is likely to outperform.

Success in containing its COVID-19 curve has allowed Manitoba to move to Phase 2 in its re-opening plan. With this development, virtually all of the industries that were temporarily closed to combat the spread of the virus have re-opened, although several must operate with capacity constraints. The province hopes to move to Phase 3 by June 21st, which would, among other things, relax occupancy rules for several sectors and lift limits on public gatherings.

These positive developments notwithstanding, there are some key factors that will restrain growth this year. Non-residential investment is likely to decline as the massive Keeyask project winds down. This is despite a $500 million investment in "shovel-ready" infrastructure projects by the province, which should support growth, both this year and in 2021. In addition, China's ongoing ban on canola imports will continue to dampen output in Manitoba's agricultural industry. Furthermore, the province's heavy reliance on interprovincial shipments, particularly to Alberta and Saskatchewan, leaves it exposed to the weakness taking place in those provinces.

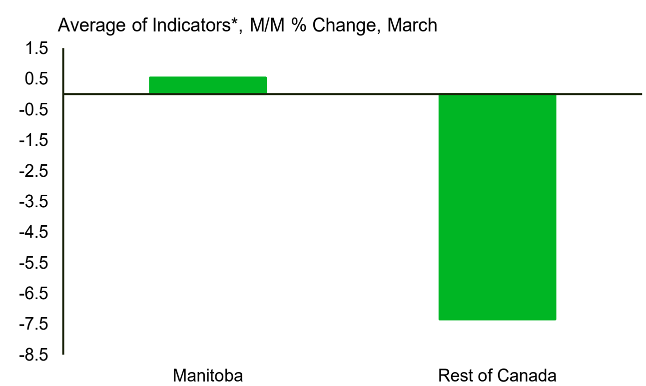
Next year should see much better growth, as the economy is boosted by rising demand from other Canadian provinces and U.S. markets as their economies improve.

Chart 1: Manitoba Has Flattened its COVID-19 Curve



Source: Government of Canada, TD Economics

Chart 2: Manitoba Holding Strong Through the Pandemic



Source: Statistics Canada, TD Economics. Note: Indicators are manufacturing shipments, wholesale and retail trade.

Manitoba Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	1.0	-3.6	3.0
Nominal GDP	1.9	-2.5	3.9
Employment	0.9	-4.2	4.6
Unemployment Rate (%)	5.3	8.4	6.7
Housing Starts (000's)	7.0	5.8	6.0
Existing Home Prices	0.1	-0.2	0.1
Home Sales	8.5	-1.3	19.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Ontario

As the province with the second worst COVID-19 outbreak, Ontario has not only suffered larger pandemic-related disruptions than most other regions, but appears to be lagging behind in the early stages of recovery. Notably, it was the only province which didn't record a job gain in May and has seen employment fall by more than the rest of the country during the outbreak. This in part reflects Ontario's go-slow approach towards re-opening its economy as well as global demand headwinds and supply chain constraints that continue to impart a substantial blow to the auto and overall manufacturing sectors.

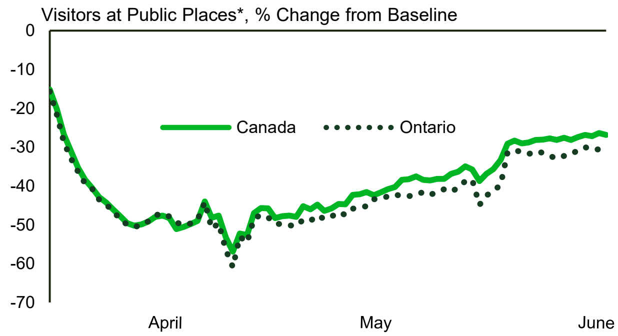
Ontario's cautious stance on re-opening shows itself in mobility trends depicting a slower recovery in consumer traffic compared to other jurisdictions (Chart 1). However, the province announced a partial reopening of retail stores, the resumption of certain medical services, and the re-start of several other industries following the Victoria Day weekend. This should feed through to the start of a job market recovery beginning in June. In addition, much of Ontario recently entered Stage 2 of its re-opening plan, which allows certain personal services, shopping malls (under restrictions) and several other industries to re-start.

Elsewhere, goods exports plunged by 40% m/m in April (compared to a 22% drop in imports), as shipments of vehicles plunged at an almost-unbelievable 90% rate (Chart 2). Fortunately, auto plants came back online through May, with production likely to ramp up in relatively short order. In tandem with an improving U.S. economy, this should support a snap-back in exports in the second half.

Ontario has experienced the steepest decline in home sales since the onset of the pandemic. And, the likelihood that the province's formerly strong population growth will slow to a crawl in the near term will keep home sales subdued, even as they continue to bounce off their April lows, thereby putting a significant damper on price growth after double-digit annual gains to begin the year.

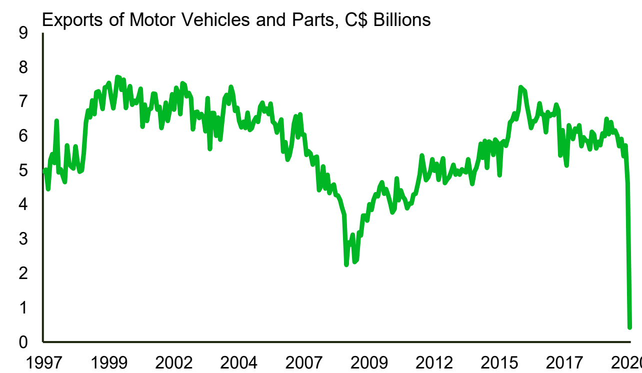
Substantial government support is helping to cushion the blow from COVID-19. The provincial government has committed to support totalling around 3% of GDP. At the same time, the province's large financial services sector is buffering the jobs market, with employment in this industry roughly flat since the onset of the pandemic.

Chart 1: Mobility Data Points to Lagging Activity in Ontario



Source: Google, TD Economics. Data is the average of percentage change in visits to retailers, groceries/pharmacies and public transit, compared to the baseline period, measured between Jan 3- Feb 6th, 2020. Note: Public places represents retailers, grocery stores, pharmacies, and public transit.

Chart 2: Plunging Vehicle Exports Put the Brakes on Overall Shipments in Ontario



Source: Statistics Canada, TD Economics

Ontario Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	1.9	-6.2	5.1
Nominal GDP	4.1	-3.7	6.8
Employment	2.9	-6.0	5.9
Unemployment Rate (%)	5.6	9.6	7.3
Housing Starts (000's)	69.0	74.6	76.6
Existing Home Prices	6.2	4.2	-1.7
Home Sales	8.9	-16.9	15.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Québec

The COVID-19 outbreak hit Quebec especially hard. The province has seen over 50,000 cases, about 70% higher than second-worst hit Ontario (Chart 1). The gravity of the situation in Quebec necessitated the imposition of (by far) the most severe social distancing measures in the country. By our count, about 40% of economic activity in Quebec was deemed non-essential and temporarily shuttered by the provincial government in order to combat the spread of the virus. This includes much of the construction and manufacturing industries, which were mostly able to avoid closing in other provinces. The real estate industry was also labelled as non-essential, although transactions have continued, lessening the impact on overall growth.

These measures likely caused Quebec's economy to contract at a steeper rate than the rest of Canada in March and April. This is evident in the jobs market, where employment dropped by 20% during that time (with a notable 40% collapse in construction jobs) compared to a 15% decline elsewhere in Canada (Chart 2). A similar story is told through the hours worked and retail trade data, although the latter only spans through March.

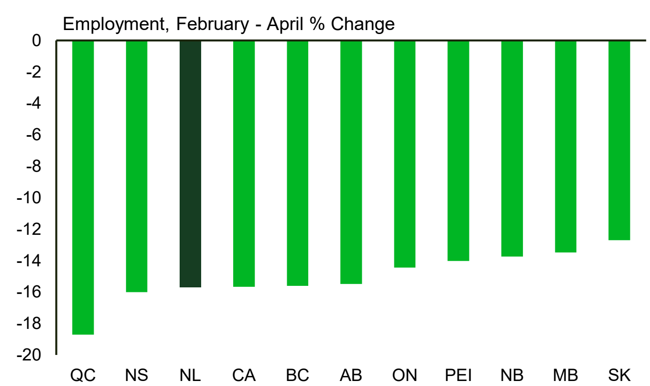
Still, prospects for a turnaround are looking up heading into the summer. The aggressive earlier steps taken by the province have paid dividends, with new COVID-19 cases slowing rapidly in recent weeks. In addition, the province continues to roll out its ambitious re-opening plan, which has seen the construction, manufacturing, real estate, many retail, and numerous personal services industries re-open since mid-May. Pre and elementary schools outside of Montreal also re-opened at that time. The restart of these industries has given a lift to the economy, with the province adding 230k net new positions during the month. This marked the largest gain in the country. Many private health care services have also now restarted as of June, in addition to restaurants. These developments, alongside government support rolled out during the pandemic – including an additional $2.9 billion in infrastructure spending this fiscal year – points to much better second half growth.

A word of caution is warranted, as it will take time for capacity to fully return to these industries. For example, traffic at retailers remains well below early-year levels despite an uptick in late May tied to store re-openings in Montreal. In addition, the province is still very much battling the COVID-19 pandemic, accounting for nearly 90% of active cases in the country.

Chart 1: Quebec Has Struggled With the Worst COVID-19 Outbreak by Far

Source: Statistics Canada, TD Economics.

Chart 2: The Pandemic Hammered Quebec's Economy in March and April



Source: Statistics Canada, TD Economics

Québec Economic Forecasts [Annual average % change, unless otherwise noted]			
	2019	2020	2021
Real GDP	2.7	-6.3	5.3
Nominal GDP	4.4	-4.0	7.0
Employment	1.7	-6.8	6.0
Unemployment Rate (%)	5.1	10.1	7.2
Housing Starts (000's)	48.1	39.6	37.9
Existing Home Prices	5.1	7.9	-0.3
Home Sales	11.8	-5.6	25.2

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

New Brunswick

While still a tough year by any stretch, New Brunswick is on track to record the third smallest decline in real GDP this year among the provinces. This relative outperformance is aided by success in tackling the pandemic. Strict initial restrictions and a quicker flattening of its COVID-19 curve paved the way for an earlier reopening than in most provinces. New Brunswick managed to proceed to the "Yellow" phase of the recovery in late May, leaving only limited types of activities restricted. In turn, it has recorded better mobility indicators relative to most peers.

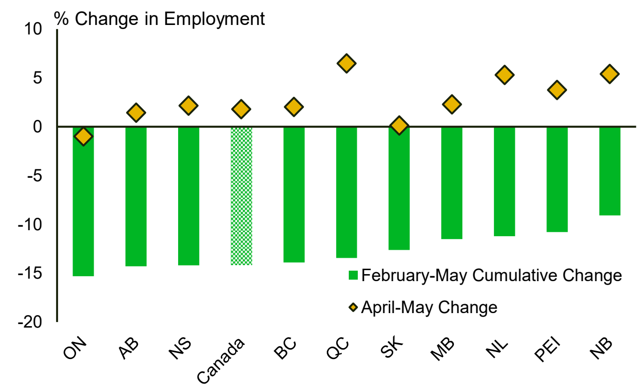
New Brunswick's outperformance is most evident in its labour markets (Chart 1). The province has suffered the lowest contraction in employment since February (-9.1% compared to -14.1% nationally) and the second highest rebound in May (5.8%). Hours worked have also fallen by less than average and its unemployment rate is now the third lowest in the country. A recent survey by the Canadian Federation of Indepdendent Business (CFIB) highlighted that the province has the highest proportion of small businesses that have now fully reopened (Chart 2).

Home resale activity has benefitted from a mix of strong momentum heading into the pandemic, a lesser hit to employment, and past gains in population growth. In contrast to most provinces, average home prices are expected to avoid dipping into negative territory in the next two years. However, reduced immigration (and thus lower population growth) will likely cap any meaningful acceleration.

With this in mind, it is important to note that New Brunswick's economy won't be left unscathed by the pandemic. Heavily geared towards oil products and other commodities, New Brunswick's manufacturing shipments and exports have plummeted since February. New Brunswick also suffers from a weak handoff in its mining sector given the permanent closure of the Belledun lead smelter late last year. Additionally, non-residential construction plans were already lackluster prior to the onset of COVID-19.

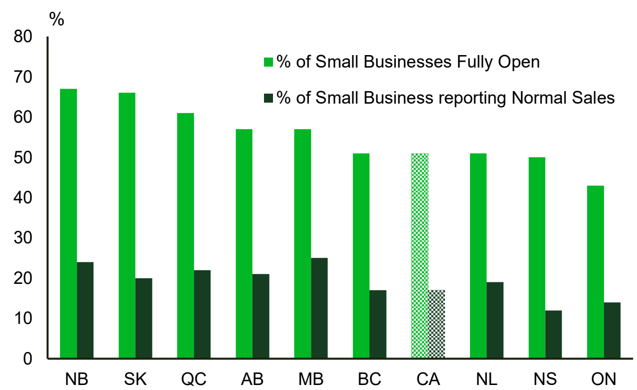
The government has offered bridge support, payment deferrals and working capital in response to the pandemic. Reflecting these measures, the Province is now projecting a $300 million deficit this fiscal year. While marking a sharp turnaround from its March 2020 budget surplus projection of $92 million, this revised tally is significantly smaller than some analysts had anticipated ahead of its May Update.

Chart 1: New Brunswick's Labour Markets Have Suffered the Least Significant Hit so Far



Source: Statistics Canada, TD Economics

Chart 2: A Greater Percentage of Small Businesses Have Reopened in New Brunswick



Source: CFIB, TD Economics. Last Observation: June 16, 2020.

New Brunswick Economic Forecasts [Annual average % change, unless otherwise noted]			
	2019	2020	2021
Real GDP	1.0	-3.7	3.0
Nominal GDP	2.8	-1.8	4.9
Employment	0.7	-4.4	2.9
Unemployment Rate (%)	8.0	10.4	9.1
Housing Starts (000's)	2.9	2.8	3.3
Existing Home Prices	2.7	5.6	1.8
Home Sales	13.4	-10.0	9.7

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Nova Scotia

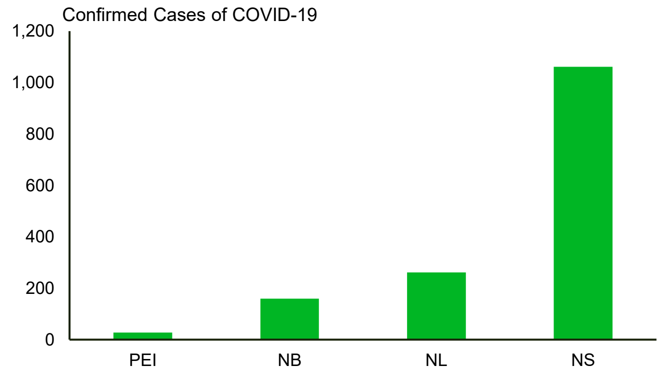
Nova Scotia has the dubious distinction of having the most COVID-19 cases in the Atlantic Region (Chart 1), and 4th most, on a per-capita basis, among the provinces. The extent of the outbreak forced a strict adherence to social distancing by Nova Scotians. Indeed, mobility data showed less traffic at retailers, grocery stores and public transit, compared to the rest of Atlantic Canada, through May. This is despite a comparatively small amount of businesses being forced into temporary shutdowns versus other, highly affected provinces like Ontario and Quebec. This combination of forced closures and voluntary distancing has deeply affected Nova Scotia's economy, with employment down 14% from February through May. The pandemic itself has also weighed, with the illness forcing Irving Shipbuilding to lay off 1,100 employees in March.

Although Nova Scotia has a high number of cumulative cases, the bulk of them were recorded in March and April. New cases have fallen dramatically through May and June, paving the way for industry re-openings. Nova Scotia has generally avoided a phased approach, with most industries re-started on June 5th, and daycares following suit on June 15th. This should result in a burst of activity in June, as pent-up demand is unleashed, and set the table for improved growth in the back-half of the year. Nova Scotia's economy will also draw support, over the forecast horizon, from a robust government infrastructure program as expenditures are forecast to double this fiscal year, with an additional $230 million recently pledged.

Even before the pandemic hit, Nova Scotia's economy was likely to record sluggish growth in 2020. A chunk of this weakness is chalked up to the closure of the Northern Pulp mill in January, with negative indirect impacts to industries along its supply chain. For many years, the mill sent its effluent to the Boat Harbour treatment site. With the mill closed, the Province will move forward on its plan to clean up Boat Habour. This large-scale project will cost at least $217 million and is slated to start next year.

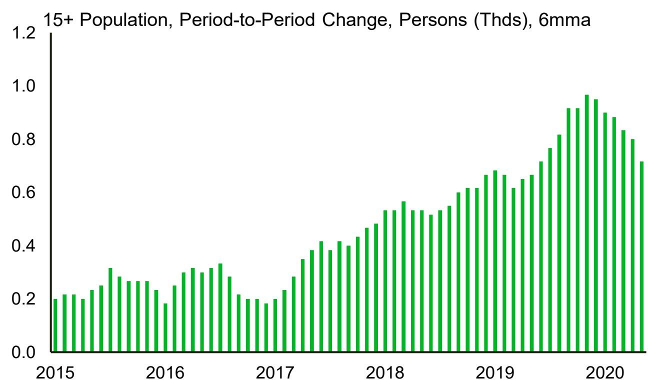
A strong expansion of Nova Scotia's population had been supporting growth in recent years (Chart 2). However, we expect a notable slowdown in population growth to take place in the near-term. This means that housing demand, construction, and consumer spending will take a hit, further lengthening the time required for a recovery to manifest.

Chart 1: Nova Scotia Had the Worst Outbreak of Cases in the Atlantic Region



Source: Government of Canada, TD Economics. Last observation: June 16, 2020.

Chart 2: Pandemic to Cool Nova Scotia's Formerly Strong Population Growth



Source: Statistics Canada, TD Economics

Nova Scotia Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	2.1	-4.4	3.4
Nominal GDP	4.1	-2.4	5.2
Employment	2.2	-7.0	3.8
Unemployment Rate (%)	7.2	11.0	9.2
Housing Starts (000's)	4.7	4.1	4.6
Existing Home Prices	8.0	4.3	0.0
Home Sales	10.6	-14.1	12.3

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Prince Edward Island

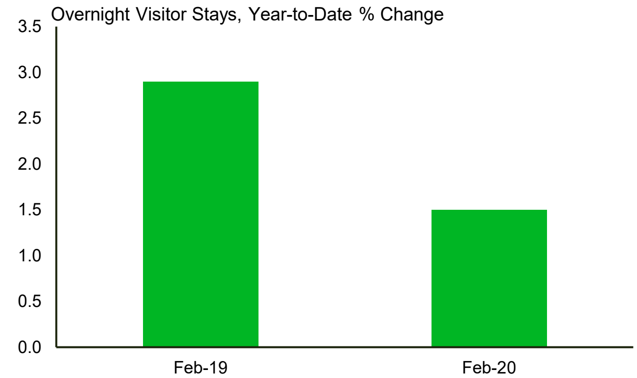
Prince Edward Island has enjoyed considerable success in containing its COVID-19 outbreak. The first case didn't arrive on the Island until March 15th – later than most provinces. And, the last new case was recorded in late April, yielding the lowest per capita level of cases of any province in the country. A lack of testing is not driving this result either, as PEI has testing rates that exceed all but the most heavily impacted provinces.

This less-damaging experience with the illness so far has stoked a broad outperformance for PEI's economy, compared to the rest of Canada. This is evident in the labour market, where the Island has shed 11% of its jobs through the pandemic – a better result than the 14% plunge observed for Canada overall. As such, a lesser contraction in PEI's economy is anticipated this year. Still, PEI's re-opening plan is relatively cautious, which has prevented an even larger gap with the rest of Canada from emerging. For example, personal services and certain public spaces were only allowed to open on June 1st – a similar timeframe to Quebec and well after Manitoba, two provinces that were harder-hit by the pandemic.

The COVID-19 pandemic has still left marks on some of the Island's key industries. PEI's potato production industry suffered under the weight of widespread restaurant closures in U.S. and Canada. Fortunately, this trend should turn around as restaurants continue to re-open and ramp up. However, the same probably can't be said for PEI's outsized tourism industry, which should experience depressed conditions for several quarters to come (Chart 1).

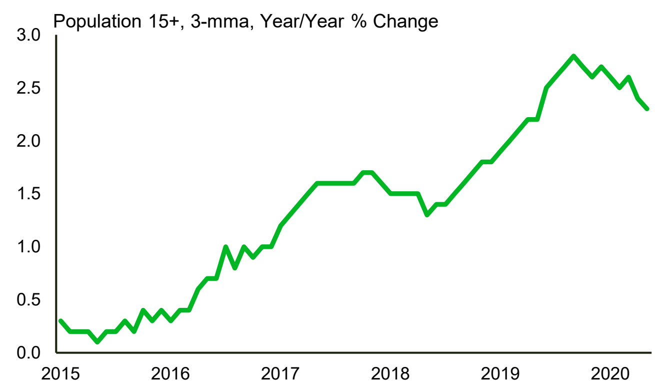
PEI has recorded the strongest population growth in the country in recent years (Chart 2). Indeed, the gap in population growth between PEI and Canada was the largest on record last year. This strength has underpinned the robust economic expansion observed in PEI. Moving forward, population dynamics will play a nuanced role in shaping PEI's economy. On the one hand, past gains will be a source of pent-up demand for housing. On the other, slower population growth moving forward will take some steam out of the Island's recovery in the second half of this year and 2020 and 2021. Fortunately, the provincial government has planned a robust infrastructure program, which should support growth through 2021.

Chart 1: Tourism in PEI Already Softening Heading into the Pandemic; Industry to Suffer Deeply Due to COVID-19



Source: Tourism Industry Association of PEI, TD Economics

Chart 2: Population Growth Already Cooling Before COVID-19; The Pandemic Should Exacerbate this Trend



Source: Statistics Canada, TD Economics

P.E.I. Economic Forecasts [Annual average % change, unless otherwise noted]			
	2019	2020	2021
Real GDP	4.5	-3.4	2.5
Nominal GDP	6.6	-1.5	4.2
Employment	2.7	-2.8	3.0
Unemployment Rate (%)	8.8	10.9	9.8
Housing Starts (000's)	1.3	0.9	1.6
Existing Home Prices	11.7	10.8	-0.4
Home Sales	-6.8	-18.2	1.7

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Newfoundland & Labrador

Newfoundland & Labrador's economy is expected to record the deepest contraction this year among the provinces, as COVID-19 and a collapse in oil prices earlier this year deliver a severe blow across its major industries.

Brent prices have staged a gradual recovery since May, but still remain more than 35% below pre-COVID levels. This unprecedented shock to the oil sector prompted producers to take a cleaver to spending plans. For insance, drilling activity was halted and layoffs were announced at the Hibernia field. Likewise, construction has reportedly ceased at the West White Rose expansion project. Exploration activity in the Flemish Pass Basin will likely take back seat amid uncertainty related to global oil demand. In a similar vein, a final investment decision on the large Bay Du Nord project has been put on hold.

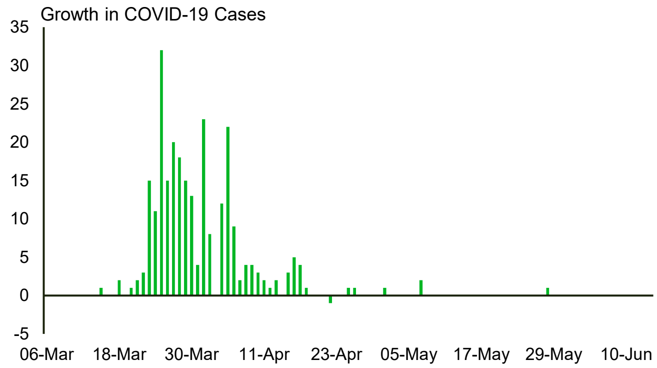
With the oil shock impacting the entire value chain, Newfoundland & Labrador's Come by Chance refinery – responsible for processing up to 130K bpd of crude oil products – had announced a temporary shutdown of operations. Outside of the energy sector, activity was also paused for at Voisey's Bay nickel mine. The metals industry also faces weaker incomes given the broad drop in commodity prices since February.

Elsewhere in the economy, Newfoundland & Labrador has been amongst the slowest in relaxing COVID-19 restrictions, with retail stores and restaurants only allowed to reopen once Alert Level 3 was implemented on June 7th. The silver lining to this is that the province has not recorded any new cases since late May (Chart 1). This should lessen the likelihood of a second wave and provide reassurance to consumers as the economy reopens.

Newfoundland & Labrador has shed less jobs compared to most other provinces since February. That said, the labour market backdrop is still struggling deeply. Indeed, Newfoundland & Labrador has had four consecutive quarters of job losses, and will continue to grapple with the highest unemployment rate in the country (Chart 2).

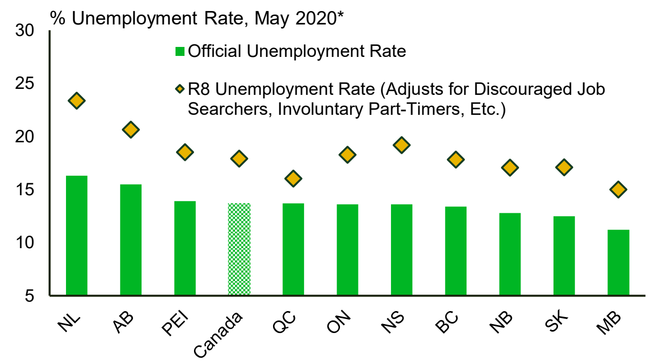
The Province's recently released a fiscal update showed a further worsening of its 2019-20 structural deficit. This year, revenues are expected to suffer a sizeable drop given its heavy reliance on oil royalties. Amid this wide budget shortfall and lofty net debt burden, the Province has held the line on delivering significant COVID-19 stimulus efforts.

Chart 1: Newfoundland & Labrador Hasn't Recorded New COVID-19 Cases since Late May



Source: Government of Canada, Government of Newfoundland & Labrador, TD Economics. Last Observation: June 14, 2020.

Chart 2: Newfoundland & Labrador Suffers from an Elevated Unemployment Rate



*R8 Unemployment Rates are seasonally adjusted values
Source: Statistics Canada, TD Economics

NFLD & Labrador Economic Forecasts [Annual average % change, unless otherwise noted]	2019	2020	2021
Real GDP	4.0	-8.9	3.5
Nominal GDP	5.6	-12.5	5.7
Employment	0.7	-8.8	1.8
Unemployment Rate (%)	11.9	14.8	13.9
Housing Starts (000's)	0.9	0.5	1.3
Existing Home Prices	-3.0	-2.5	-2.8
Home Sales	9.6	-13.1	11.6

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Provincial Economic Forecasts

Provincial Economic Forecasts	Real GDP (% Chg.)			Nominal GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Housing Starts (Thousands)			Home Prices (% Chg.)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
National	**1.7**	**-6.1**	**5.2**	**3.6**	**-4.9**	**7.0**	**2.1**	**-6.6**	**5.8**	**5.7**	**10.0**	**7.6**	**209**	**189**	**196**	**2.3**	**2.3**	**-1.0**
Newfoundland & Labrador	4.0	-8.9	3.5	5.6	-12.5	5.7	0.7	-8.8	1.8	11.9	14.8	13.9	0.9	0.5	1.3	-3.0	-2.5	-2.8
Prince Edward Island	4.5	-3.4	2.5	6.6	-1.5	4.2	2.7	-2.8	3.0	8.8	10.9	9.8	1.3	0.9	1.6	11.7	10.8	-0.4
Nova Scotia	2.1	-4.4	3.4	4.1	-2.4	5.2	2.2	-7.0	3.8	7.2	11.0	9.2	4.7	4.1	4.6	8.0	4.3	0.0
New Brunswick	1.0	-3.7	3.0	2.8	-1.8	4.9	0.7	-4.4	2.9	8.0	10.4	9.1	2.9	2.8	3.3	2.7	5.6	1.8
Québec	2.7	-6.3	5.3	4.4	-4.0	7.0	1.7	-6.8	6.0	5.1	10.1	7.2	48.1	39.6	37.9	5.1	7.9	-0.3
Ontario	1.9	-6.2	5.1	4.1	-3.7	6.8	2.9	-6.0	5.9	5.6	9.6	7.3	69.0	74.6	76.6	6.2	4.2	-1.7
Manitoba	1.0	-3.6	3.0	1.9	-2.5	3.9	0.9	-4.2	4.6	5.3	8.4	6.7	7.0	5.8	6.0	0.1	-0.2	0.1
Saskatchewan	-0.8	-6.2	4.7	0.6	-8.0	7.2	1.6	-6.1	4.2	5.4	9.3	7.5	2.4	2.5	3.6	-0.5	-2.0	-2.6
Alberta	-0.6	-7.9	5.7	1.1	-12.1	9.1	0.5	-8.7	6.3	6.9	12.2	9.6	27.3	23.4	25.6	-2.4	-1.4	-2.3
British Columbia	2.8	-5.6	5.4	5.3	-3.1	7.4	2.6	-7.1	6.8	4.7	9.0	6.6	45.1	35.0	35.4	-1.5	3.3	-2.5

Source: CREA, CMHC, Statistics Canada, TD Economics. Forecasts by TD Economics as at June 2020.