

TD Provincial Economic Tracker

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August 31, 2021

The fast-moving nature of the COVID-19 crisis has spurred a wealth of high-frequency data supplementing traditional economic indicators, thereby allowing analysts to assess the real-time economic implications of the crisis. These charts are meant to illuminate, with high frequency, various aspects of the crisis and recovery in provinces across Canada.

Note: This publication will be updated periodically to reflect changes in provincial economies.

Fourth Wave, Vaccinations in Focus

With the fourth wave now upon us, new cases are on the rise in most provinces. However, the trend is most notable in Western Canada, particularly in B.C., Saskatchewan and Alberta, with the latter two provinces seeing the fastest per capita increase. In response, Alberta has paused its plan to lift all public health restrictions until the end of September, although Saskatchewan has yet to implement any measures. Both provinces have a loose stance on restrictions, reflected in their low stringency indices. B.C., meanwhile, imposed new restrictions in the Central Okanagan region in early August, then extended them to rest of the Interior Health region (the latter area covering 16% of the population). These new measures will cause economic pain for some businesses, like bars and nightclubs (which have been required to close). However, the list of restrictions is a drop in the bucket compared to those seen earlier in the pandemic.

Cases are also creeping higher in Quebec, Ontario and New Brunswick, but are still holding at low levels in Manitoba and the rest of Atlantic Canada. Hospitalizations have climbed modestly across Canada so far in the fourth wave, although there have been steep increases in Alberta and Saskatchewan alongside the rise in cases. In Manitoba, hospitalization levels are high, making the province more vulnerable to a fourth wave. Elsewhere, hospitalizations are rising in Quebec and Ontario,

Chart 1: New Cases on the Uptrend in the Large Provinces

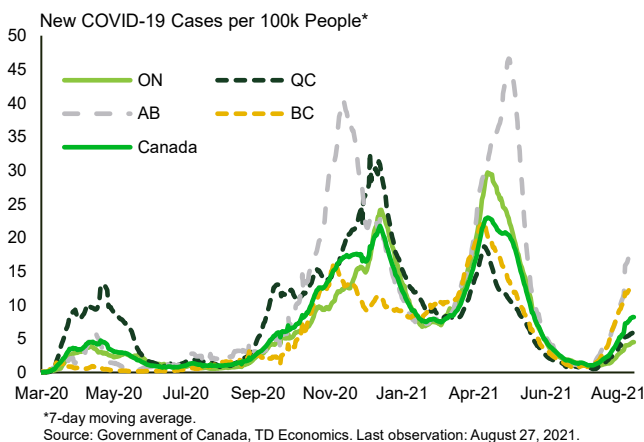


Chart 2: Steeper Rise of Cases in Saskatchewan

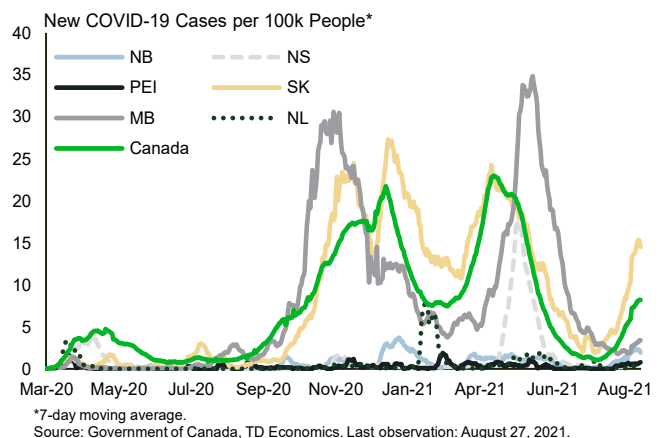


Chart 3: Deaths Remain Lower than in Previous Waves in the Large Provinces

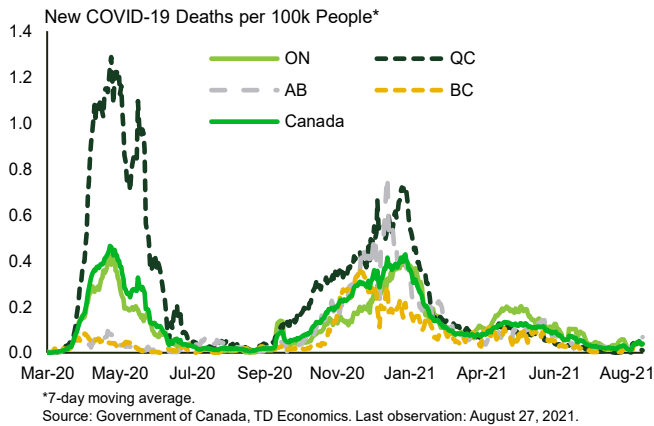
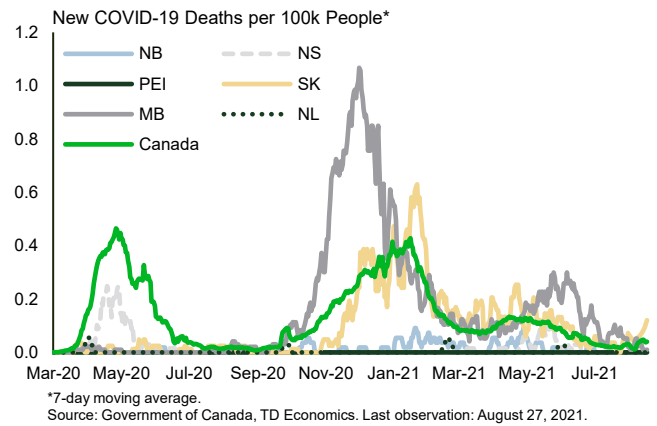


Chart 4: Deaths Also Lower Across Smaller Provinces; PEI Yet to Record COVID-19 Related Death



but remain low in Atlantic Canada. Notably PEI has yet to record a single COVID-19 hospitalization or death. On the bright side, vaccination rates in Canada are now among the highest in the world. Provincially, Alberta and Saskatchewan are lagging. At the other end of the spectrum, Atlantic Canada and Quebec have slightly higher vaccination rates, likely reflecting older demographics.

Rising hospitalizations are a risk to the economic outlook, and it is unknown how far they will climb during the fourth wave and what the policy response will be. International experience in countries with similarly high vaccination rates offers some positives, in that in their most recent waves, hospitalizations have run well below past peaks. New policy measures were also mostly limited to vaccine passports, mask mandates, and some capacity limits, instead of broad restrictions and lockdowns.

Some public and private sector employers have begun mandating vaccine requirements. New Brunswick (where restrictions are relatively low) has mandated vaccines for provincial government employees, while Ontario (where restrictions are higher) is requiring vaccinations or regular testing in healthcare, education and other high-risk settings like retirement homes and group homes. Quebec will implement the first vaccine passport system on September 1st. This passport will be required to access non-essential services, including restaurants, bars, theaters, gyms, large outdoor events, and other close-contact indoor activities. Manitoba has also recently extended its vaccine card mandate to restrict several non-essential activities (similar to Quebec and B.C.) to fully vaccinated individuals. This order will be in effect on September 3rd. B.C. will follow with a two-stage “vaccine card” approach. Starting on September 13th, the vaccine card will allow residents inoculated with a first dose to access non-essential services, with the list of activities mostly similar to Quebec’s. By October 24th, full vaccination will be required to be eligible for the card. Similarly, PEI is instituting a “vaccine pass” which will allow visitors to avoid self-isolation requirements. Reports have recently suggested that Ontario is now considering a vaccine passport, but the details are yet to be announced. Alberta has previously precluded the idea of mandatory vaccines passports.

Chart 5: Hospitalizations Climbing Higher in the Larger Provinces, but Remain below past Peaks

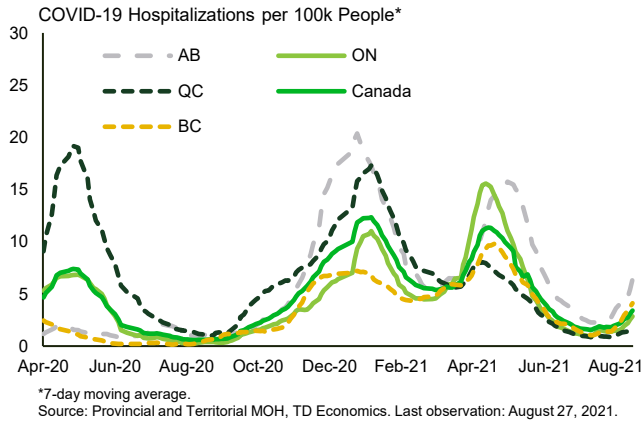


Chart 6: Hospitalizations on the Rise in Saskatchewan and Elevated in Manitoba

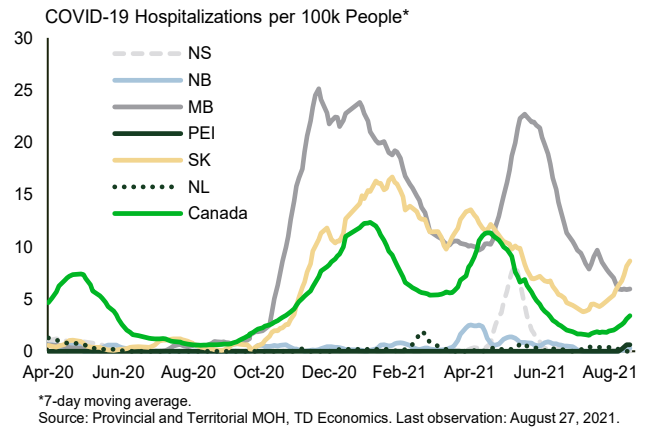


Chart 7: Restriction in B.C Rising with the Fourth Wave, but Remain Low

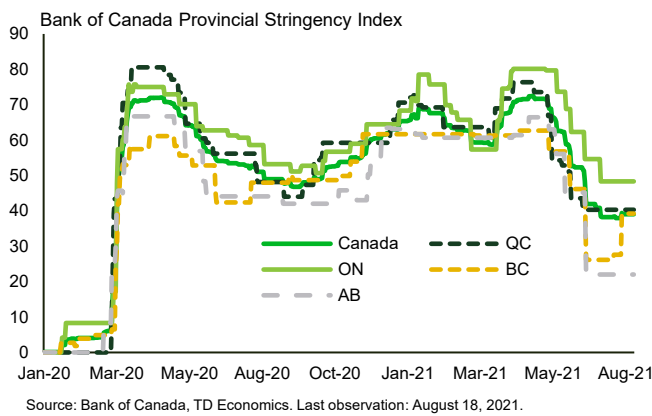


Chart 8: Restrictions Are Comparatively Loose in the Smaller Provinces

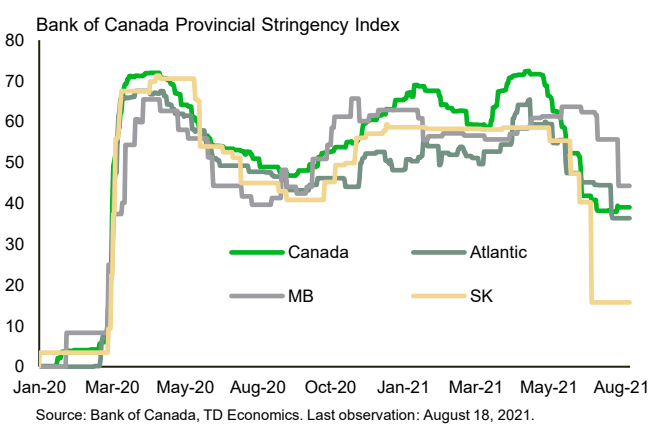
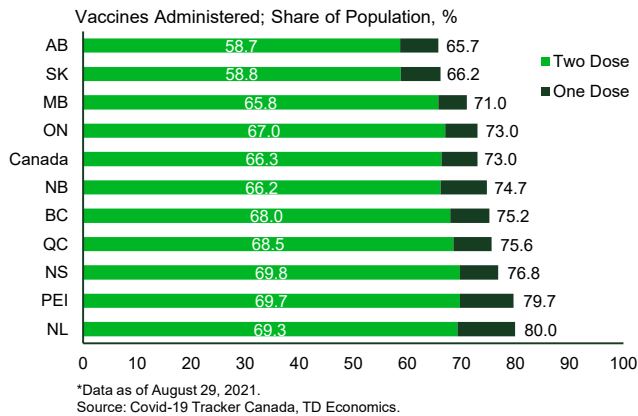


Chart 9: Second Dose Vaccination Has Been on a Rapid Rise



No Meaningful Pullback in Economic Activity Seen As Yet

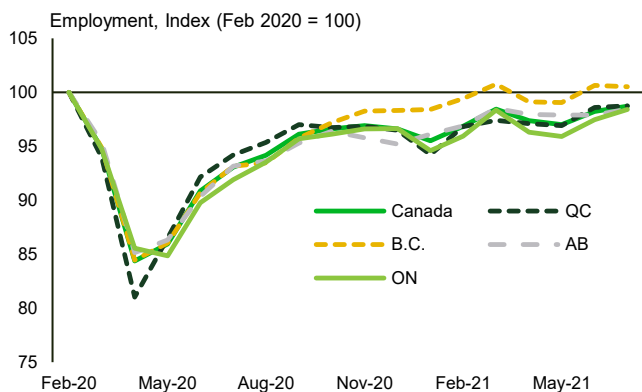
The summer months brought along a revival in economic activity across all regions, in tandem with high vaccinations and reopenings. For the time being, most high-frequency indicators are not signalling any discernable pullback in economic momentum in August. Indeed, TD spend data from early August points to strength in household and business spending.

A preliminary estimate from Statistics Canada points to a 0.4% decline in real GDP in Canada in July. However, employment and hours worked both made further strides during the month. Job losses were only seen in B.C. and some of the smaller provinces. In fact, employment fell for two and three consecutive months in Saskatchewan and New Brunswick, respectively. This is not sufficient to establish a concerning trend, but does suggest that the jobs recovery may be losing steam across some regions that were further ahead in the reopening process. Ontario has played catch-up, with employment now closer to the national average after lagging for the bulk of the past year. Meanwhile, B.C. stands out for being the only province with employment now above pre-pandemic levels. However, risks have tilted slightly to the downside in August due to the aforementioned restrictions in the Interior Health region. In most other provinces, employment is between 1-2% below pre-pandemic levels, with Saskatchewan and PEI are underperforming the rest of the country. The latter is likely a result of still-restricted international tourism - which comprises a relatively high share of GDP. Eased restrictions should give way to further job gains in most provinces in August. Ontario stands to gain the most given that it was the last to reopen some indoor activities in late July.

The hard-hit close-contact industries are starting to show signs of life. Retail and recreation mobility is now trending closer to pre-pandemic levels across most provinces, with Ontario slightly behind. The accommodation and food services industry still has a lot of lost ground to make up. Having said that, recent trends are encouraging, with reservations inching closer to pre-pandemic levels in some provinces. The exception is Quebec, where restaurant reservations are stalling well below pre-pandemic levels. It is uncertain why this may be the case, but high frequency indicators suggest that activity in Quebec has bounced back more forcefully than in other provinces. At the same time, Statistics Canada's Food Services and Drinking Places survey revealed that sales were only 11% below pre-pandemic levels in June. In turn, Quebec's restaurant reservation data should be treated with caution. All told, recent data suggests continued resilience, but the industry may be susceptible to some downside risks in the fourth quarter as infections rise and weather constraints impede outdoor dining.

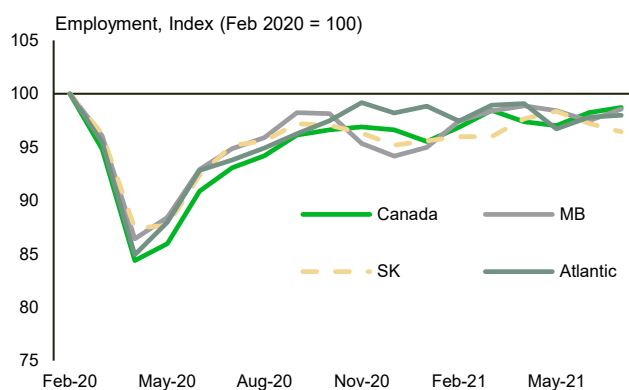
Business activity has continued to recover across all major cities. Statistics Canada's recently-released real-time local business conditions index points to continued resilience. The index relies on a calculation that incorporates high frequency data on business closures and road traffic. Echoing the evidence seen in mobility indicators, business activity has not seen a meaningful retracement, and Alberta's and Quebec's trends are ahead of Ontario's.

Chart 10: Employment Recovering Across Larger Provinces, with B.C. Ahead



Source: Statistics Canada, TD Economics. Last observation: July 2021.

Chart 11: Employment Levels in Some of the Smaller Provinces is Stalling or Modestly Reversing

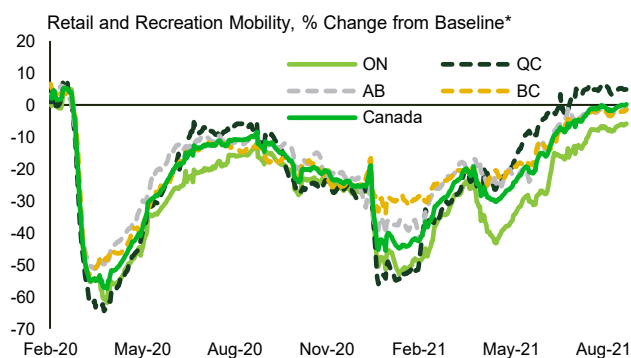


Source: Statistics Canada, TD Economics. Last observation: July 2021.

Bigger Test Awaits this Autumn

With the fourth wave likely to worsen in the weeks ahead, a bigger test for provincial economies awaits this autumn. At the very least, we could see a greater bifurcation in provincial performances. Regions achieving higher vaccination rates and/or pursuing other policies that bolster confidence and mitigate the need for business restrictions (i.e., green passes/vaccine mandates) appear best placed to outperform.

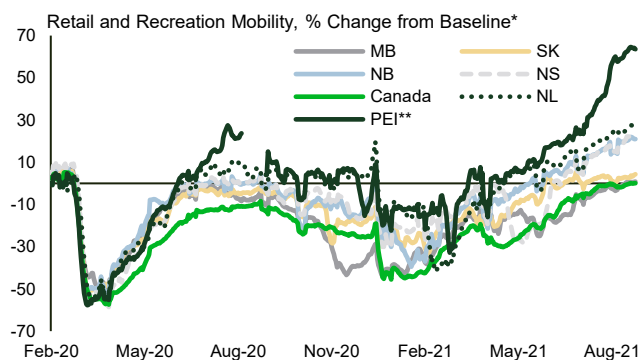
Chart 12: Mobility Trends Flattening, but Not Reversing



*7-day moving average. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3 - Feb 6, 2020.

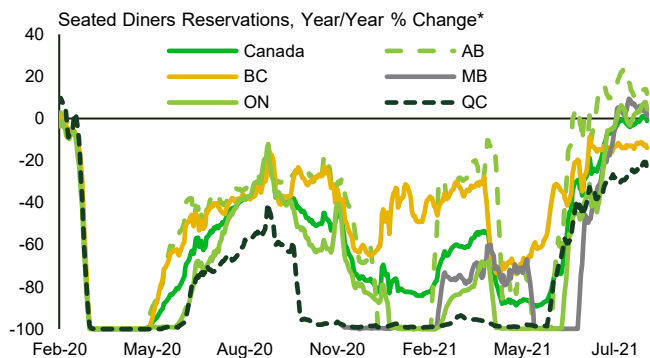
Source: Google Mobility, TD Economics. Last observation: August 25, 2021.

Chart 13: Higher Mobility Seen Across the Smaller Provinces



*7-day moving average. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3 - Feb 6, 2020. **PEI has missing data from Aug 20 - Sep 10, 2021. Source: Google Mobility, TD Economics. Last observation: August 25, 2021.

Chart 14: Restaurant Bookings Closer to Pre-Pandemic Levels than in Previous Waves

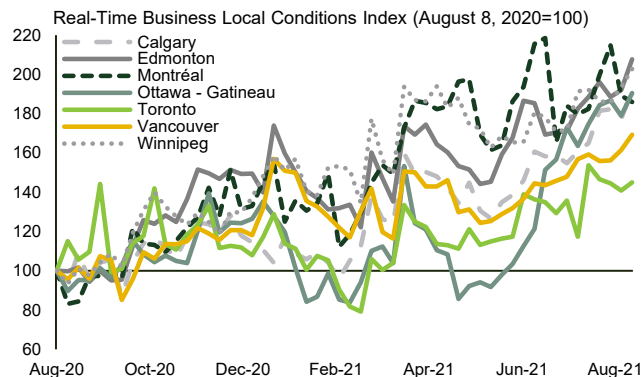


*7-day moving average; 2021 data is relative to 2019 levels.

Note: Data represents seated diner from online, phone and walk-in reservations.

Source: OpenTable, TD Economics. Last observation: August 29, 2021.

Chart 15: Local Business Conditions Have Improved Across Canada



Source: Statistics Canada, TD Economics. Last observation: August 16, 2021.

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