

# Traversing tariff turbulence (a provincial view on economic composition)

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The annual release of StatCan’s provincial GDP by industry data is interesting in the most ‘normal’ of times, but we’re looking at this year’s data through a different lens. Tariffs and related uncertainty are weighing on the economy, and provincial / industry compositions can help inform us on the impacts. In a robust and growing provincial bond market, investors may be keen to better understand the regional decomposition of Canada’s industry exposure. This *Market View* takes a look at refreshed provincial data, attempting to contextualize growth and economic diversification as they relate to navigating the tariff-led turbulence. Read on...

Every province recorded real growth in 2024, but only four recorded growth in per capita terms. Still, that’s up from zero provinces expanding in population-adjusted terms in 2023. While a shift in immigration policy should slow population growth in 2025, the numerator (i.e., real economic growth) could struggle given tariff woes. It’s in this context that we might continue to see certain provinces make an outsized contribution to the national growth tally, relative to the size of their economy, as we outlined in part of a recent note ([link](#)).

Aside from a somewhat subdued tone on growth, these data also allow us to gauge relative provincial diversification / industry concentration – a key input in assessing tariff exposures. By observing GDP shares across twenty industries, we present updated Herfindahl-Hirschman Indices (HHI) for each of the ten provinces. According to the latest HHI figures – which are one statistical approach used to measure concentration – Manitoba and Quebec remain the two most diversified provincial economies in Canada. Provinces that rely more on energy products to drive their economic activity (Alberta, Saskatchewan,

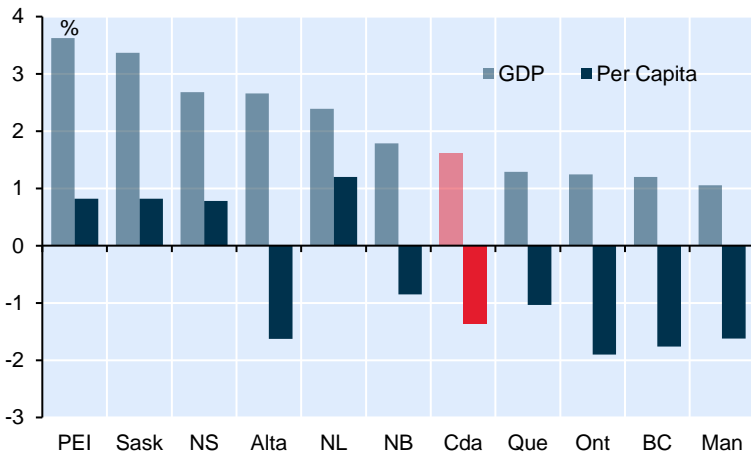
Newfoundland) exhibit greater concentrations. Alberta remains the least diverse economy within Canada’s largest four provinces, and while their industry concentration had declined since the GFC, it ticked back up in 2024 as energy / mineral extraction sectors grew. Ontario, Quebec, and B.C., meanwhile, remain little changed in their economic compositions.

Greater economic concentration comes with risk (associated volatility to be discussed below). That said, concentration can also be rewarding, especially when the industry you have outsized leverage to receives preferential tariff treatment. That’s certainly where Alberta finds itself. Considering the nature of USMCA compliance carveouts, and the potential for fentanyl-related tariffs to be reduced, energy exports are expected to largely (if not entirely) dodge U.S. levies. As such, isolating for the ex-energy share of a provincial economy might allow for a better gauge on tariff exposure. Provinces that have a proportionally larger manufacturing sector in particular will have to contend with a higher effective tariff rate, driven by product-specific levies applied to autos, steel, and aluminum.

While this year we’re looking at this concentration levels with respect to potential tariff impacts, we’ve traditionally looked at them through a fiscal budgetary lens. It remains the case that economic diversification is directly related to budgetary volatility, a key consideration for provincial bond investors. The trade situation remains fluid, and bi-lateral trade deals are starting to be announced. However, this usually clear, linear relationship may be muddled this year. More concentrated provinces could see a smaller fiscal impact than more diversified provinces with greater exposure to tariff-targeted industries.

Chart 1: Growth was largely a population story last year...

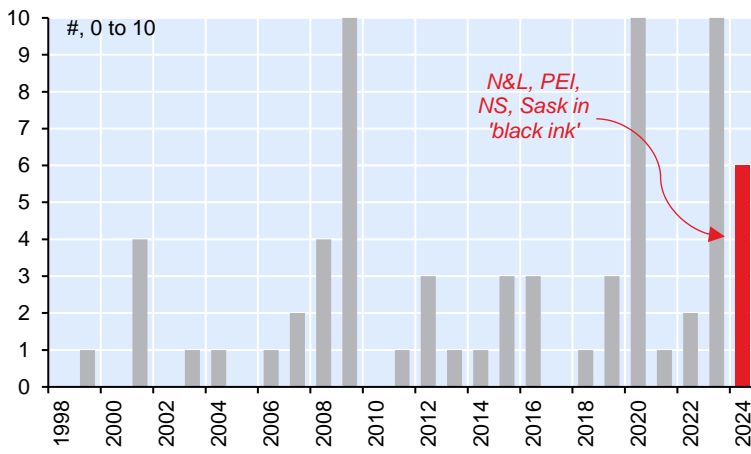
Real GDP & real per capita GDP growth by province, 2024



Source: NBC, StatCan

Chart 2: ... as six provinces record per capita contraction

Number of provinces seeing contraction in annual real per capita GDP

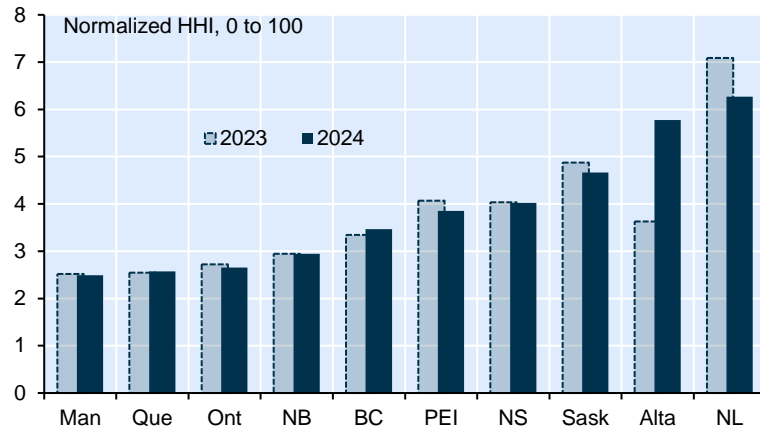


Source: NBC, StatCan

All ten provinces recorded gains in real GDP last year. After adjusting these (relatively modest) growth rates for another surge in population, only four provinces managed to advance their economies. While it’s an improvement from 2023 (when per capita growth contracted within every provincial border), there’s nothing boast worthy about it. Since 2020 (and the related COVID weakness), Canada has only managed to grow at an annualized pace of 1.25% in real, population adjusted terms (a figure that is well below the economy’s potential). As immigration slows, a per capita pick-up could materialize, though tariffs now weigh on the numerator.

### Chart 3: Manitoba & Quebec still most diversified (per HHI)

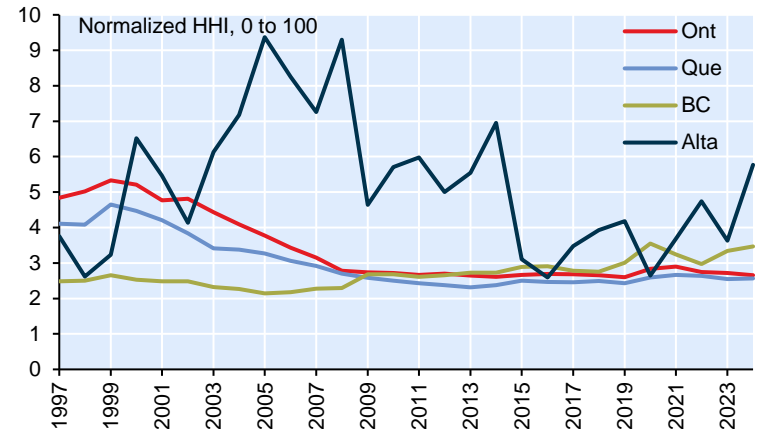
Economic concentration (proxied by HHI), 2023 and 2024



Source: NBC, StatCan | Note: Greater HHI values indicate greater industry concentration

### Chart 4: Measuring economic diversification over time

Economic concentration (proxied by HHI), four largest provinces

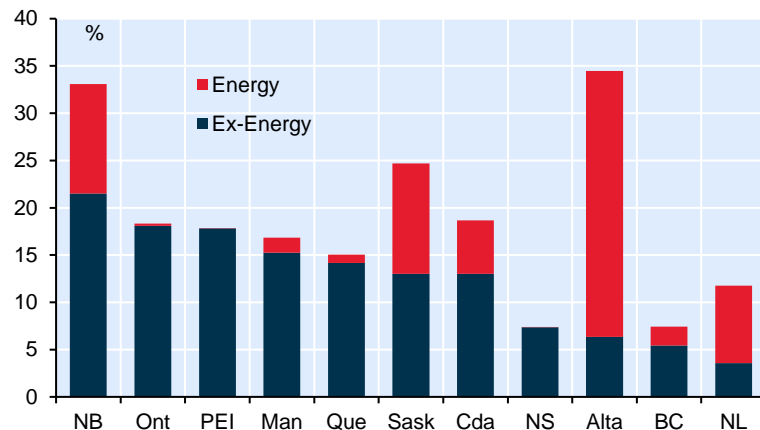


Source: NBC, StatCan | Note: Greater HHI values indicate greater industry concentration

When it comes to economic diversification (or concentration), HHI values suggest that Manitoba and Quebec remain the two most diversified provinces in Canada. The more energy-levered regions have tended to be less diversified, and while Alberta has seen improvements to its economic diversification since the GFC, the province's economy was more concentrated in 2024 vs. 2023. That's thanks largely to an ~11% combined share bump in the energy and mining, quarrying / oil extraction sectors. Together, these two industries made up 53% of the Albertan economy last year.

### Chart 5: Ex-energy trade may receive bulk of tariff attention...

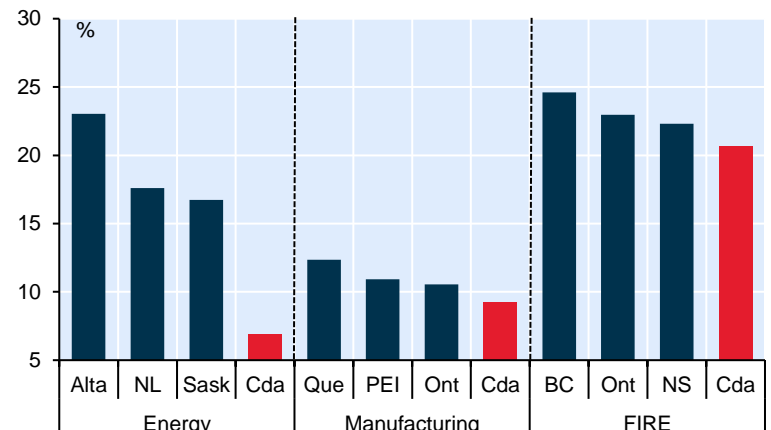
Exports to U.S. as a % of GDP, by province



Source: NBC, StatCan | Note: Using 2023 trade weights

### Chart 6: ... as industry concentrations become top-of-mind

Industry share of provincial GDP (with top 3 largest exposures as of 2024 shown)

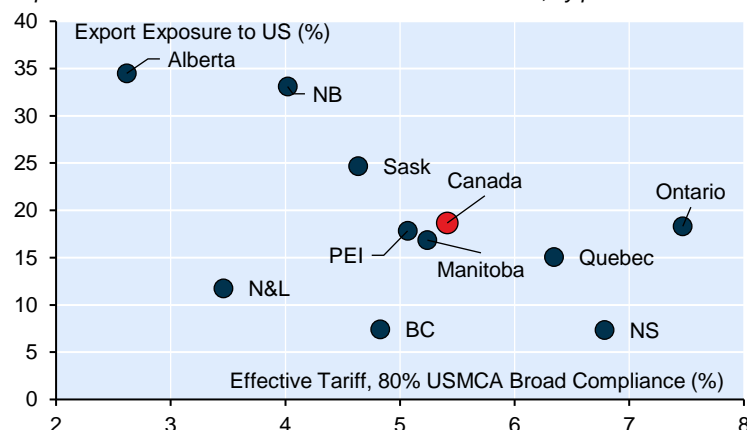


Source: NBC, StatCan | Note: FIRE refers to finance, insurance & real estate

While trade policy is hardly set-in-stone, it's clear that Canadian energy products are less exposed to U.S. levies. The manufacturing sector remains top-of-mind as the White House attempts to shift production activity into the U.S. As such, the effective levy rates each province face will vary, and economic dependence on U.S.-bound exports will play a key role in assessing tariff-led economic weakness. Large real estate exposures remain nation-wide, with incremental Bank of Canada easing (that we still anticipate) perhaps able to re-ignite this crucial sector. Greater industry concentration tends to go hand-in-hand with economic volatility. Likewise, a link exists between economic concentration and fiscal volatility, a key input to inform provincial bond valuations.

### Chart 7: Tariff exposure will vary across Canada

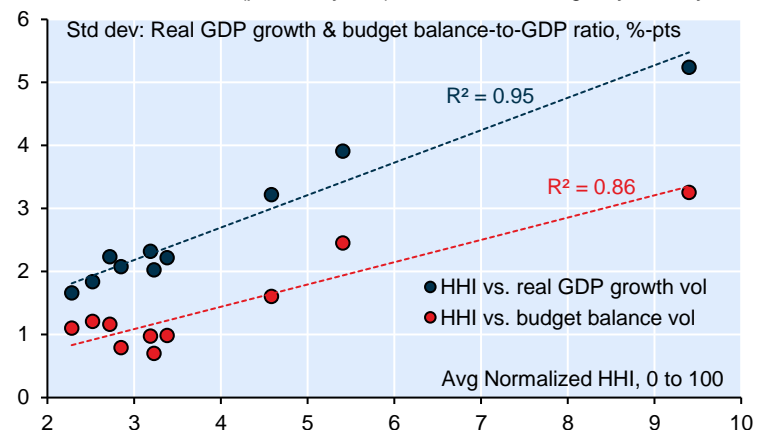
Exports to U.S. as % of GDP and illustrative effective tariff, by province



Source: NBC, StatCan | Note: Using broad-industry trade weights (2023)

### Chart 8: Concentration can mean economic / fiscal volatility

Economic concentration (proxied by HHI) vs. economic / budgetary volatility



Source: NBC, StatCan | Note: Based on 25Y period from 2000-2024

**Table: Providing a more detailed look at provincial industry exposure / economic concentration**

Share of provincial GDP by industry, ranking industries from most to least important &amp; highlighting relative concentration / noted exposures: 2024 (%)

	Prov >	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L
Special agg.	Goods	22.3	42.0	45.8	25.9	21.6	26.1	24.2	19.0	28.1	41.4
	Service	77.7	58.0	54.3	74.1	78.4	73.9	75.9	81.0	71.9	58.6
	Ind prod	11.6	33.4	30.9	15.9	13.6	17.7	13.6	9.8	13.6	30.9
	ICT	4.9	2.7	1.9	3.0	6.5	5.3	3.3	4.2	2.7	2.6
	Energy	5.2	28.6	19.4	5.4	2.5	2.9	4.6	1.8	1.1	16.3
Industry rank, ordered by each province (based on NAICS codes 11-91)	#1	Real est 19.2	Mng,O&G 24.6	Mng,O&G 22.1	Real est 13.8	Real est 13.1	Mfg 12.9	Real est 13.9	Real est 17.7	Real est 15.0	Mng,O&G 25.2
	#2	Const 9.2	Real est 11.0	Real est 9.1	Mfg 10.0	Mfg 10.0	Real est 11.3	Pub admin 11.3	Pub admin 12.5	Mfg 12.1	Real est 10.1
	#3	Prof,sci,tch 8.0	Const 7.6	Ag,for,fish 7.8	Health 9.8	Fin,ins 9.9	Health 9.2	Health 10.2	Health 10.7	Pub admin 11.8	Health 9.2
	#4	Health 8.0	Mfg 7.0	Const 7.1	Pub admin 8.5	Prof,sci,tch 8.3	Pub admin 7.8	Mfg 9.5	Mfg 7.4	Health 10.3	Pub admin 8.3
	#5	Trans,ware 6.1	Health 6.3	Health 7.1	Trans,ware 7.0	Pub admin 7.5	Prof,sci,tch 7.4	Const 7.5	Const 6.9	Const 7.8	Const 8.2
	#6	Pub admin 5.9	Whole 5.9	Whole 7.0	Const 6.3	Const 7.4	Const 7.3	Retail 6.3	Edu 6.5	Ag,for,fish 6.8	Retail 5.5
	#7	Fin,ins 5.7	Trans,ware 5.7	Mfg 5.9	Fin,ins 6.0	Health 7.2	Fin,ins 6.4	Fin,ins 6.2	Retail 6.4	Retail 6.3	Edu 5.3
	#8	Mfg 5.4	Prof,sci,tch 5.1	Pub admin 5.8	Retail 5.7	Whole 6.9	Edu 5.9	Edu 5.8	Fin,ins 5.9	Edu 6.0	Prof,sci,tch 3.7
	#9	Retail 5.2	Pub admin 4.6	Trans,ware 4.8	Edu 5.7	Edu 5.5	Whole 5.7	Trans,ware 4.4	Prof,sci,tch 5.0	Fin,ins 4.6	Mfg 3.5
	#10	Edu 4.9	Fin,ins 4.1	Retail 4.2	Whole 5.3	Retail 4.4	Retail 5.5	Prof,sci,tch 3.9	Trans,ware 3.6	Prof,sci,tch 3.5	Trans,ware 3.4
	#11	Mng,O&G 4.3	Retail 4.0	Edu 4.1	Ag,for,fish 4.0	Trans,ware 4.4	Trans,ware 4.9	Whole 3.7	Whole 3.4	Accom,food 3.2	Fin,ins 3.3
	#12	Whole 3.7	Edu 3.4	Fin,ins 3.9	Prof,sci,tch 3.6	Info,cult 3.6	Utilities 2.7	Utilities 3.4	Info,cult 2.8	Trans,ware 2.6	Whole 2.7
	#13	Accom,food 2.9	Admin 2.1	Utilities 2.8	Utilities 3.2	Admin 3.1	Info,cult 2.5	Ag,for,fish 3.3	Ag,for,fish 2.5	Oth serv 2.2	Ag,for,fish 2.5
	#14	Info,cult 2.8	Oth serv 1.8	Prof,sci,tch 2.4	Mng,O&G 2.5	Utilities 2.1	Admin 2.4	Admin 3.2	Accom,food 2.3	Whole 2.1	Utilities 2.1
	#15	Admin 2.3	Info,cult 1.7	Oth serv 1.5	Info,cult 2.2	Oth serv 1.9	Oth serv 2.2	Info,cult 2.5	Oth serv 2.0	Info,cult 1.8	Info,cult 2.0
	#16	Oth serv 2.1	Accom,food 1.7	Info,cult 1.4	Oth serv 2.1	Accom,food 1.8	Accom,food 2.0	Accom,food 2.0	Utilities 1.9	Admin 1.6	Accom,food 1.8
	#17	Ag,for,fish 1.7	Utilities 1.4	Accom,food 1.4	Accom,food 1.8	Mng,O&G 1.1	Mng,O&G 1.9	Oth serv 1.9	Admin 1.8	Utilities 1.4	Oth serv 1.7
	#18	Utilities 1.7	Ag,for,fish 1.4	Admin 1.0	Admin 1.6	Ag,for,fish 1.1	Ag,for,fish 1.3	Arts,rec 0.6	Arts,rec 0.5	Arts,rec 1.0	Admin 1.3
	#19	Arts,rec 1.0	Arts,rec 0.6	Arts,rec 0.6	Arts,rec 1.0	Arts,rec 1.0	Arts,rec 0.8	Mng,O&G 0.4	Mng,O&G 0.3	Mng,O&G 0.0	Arts,rec 0.3
	#20	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0	Mgmt 0.0
Concentration	Top 3	36.4	43.2	39.0	33.6	33.0	33.4	35.5	40.8	38.8	44.6
	Top 5	50.5	56.4	53.2	49.1	48.8	48.7	52.5	55.1	57.0	61.0
	Top 10	77.5	81.8	80.8	78.0	80.1	79.4	79.0	82.5	84.1	82.4
	HHI	8.3	10.5	9.4	7.4	7.5	7.4	7.8	8.8	8.7	11.0
Select exposures (Top 3)	Ag,for,fish			X							
	Mng,O&G		X	X							X
	Const	X	X								
	Mfg				X	X	X			X	
	Fin,ins					X					
	Real est	X	X	X	X	X	X	X	X	X	X
	Prof,sci,tch	X									
	Health				X		X	X	X		X
	Public admin						X	X	X		

Source: NBC, StatCan | Note: For spacing purposes, we have used shortforms for 20 two-digit NAICS industry classifications; refer to StatCan for complete NAICS industry details; Regarding 'Concentration', Top 3 to Top 10 figures refer to the combined weight of the largest industries in each province; HHI refers to Herfindahl-Hirschman Index value for 2024, where lower scores imply less economic concentration (i.e., greater diversification across industries) & larger scores imply more economic concentration (i.e., less diversification across industries); Regarding 'Select exposures', checkmarks are meant to identify specific industries comprising a top 3 share of provincial GDP in 2024.

If you want to study economic diversification (or concentration) in greater detail, the above table details each province's relative economic composition, ranking each of the twenty main industry groups by GDP share. HHI values and some additional visual guides are used to highlight relative diversification and key industry exposures.



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