



TRACKING NEW BRUNSWICK'S ECONOMIC RECOVERY FROM COVID-19

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An Index of New Brunswick's Economic Recovery from COVID-19

Our Province's Success Story

Atlantic Canada — and New Brunswick, in particular — has been recognized for its public health success throughout the COVID-19 pandemic. Quick and proactive measures successfully minimized COVID-19 cases, hospitalizations, and deaths relative to other jurisdictions across Canada and the world. For example, 3/1,000 New Brunswickers have had confirmed cases of COVID-19, compared to 6/1,000 Nova Scotians, 37/1,000 Ontarians, and 53/1,000 Albertans (the province with the most per capita COVID-19 cases).¹

The question emerged:

Does our public health success offer an economic advantage by lessening the impact to labour markets and business activity? Does our public health success translate to a speedier economic recovery as pandemic pressures ease?

Attention has extended to New Brunswick's relative economic success through the pandemic and into recovery. Conventional metrics such as Gross Domestic Product (GDP), employment, and unemployment rates indicate that the province's economy has suffered a relatively minor blow and recovered well from the pandemic's disruption. Unfortunately, these measures are confounded by government responses like the Canadian Emergency Response Benefit (CERB) and the Canada Emergency Wage Subsidy (CEWS) that maintained the incomes of those who could not work and subsidized employers to retain employees as an alternative to putting them on Employment Insurance. In addition, GDP is an estimate of the economy's overall value, including public spending, and is subject to revision as better data emerges.

Due primarily to federal relief spending that exceeded \$300 million a month in New Brunswick, disposable household income increased more than 10 percent last spring, while economic activity was at a standstill.

However, despite the good news that economic indicators suggest, we may not be seeing the full and clear picture when it comes to economic recovery.

The absence of severe and immediate damage to the New Brunswick economy from COVID-19 restrictions does not negate the possibility of longer-term economic scarring associated with factors such as lost schooling for young New Brunswickers, stalled immigration, and decreased demand for office space due to working from home.

¹ As of August 9, 2021, calculated using Statistics Canada. [Table 17-10-0009-01](#) Population estimates, 2021, Q2. And Health Canada, [COVID Health Infobase](#).

Research Project

Our research team sought to answer these questions:

- How has the COVID-19 pandemic (and its associated restrictions) impacted New Brunswick's economy?
- How does our economic performance since winter 2020 compare to pre-pandemic levels?
- Which domains of the economy have returned to pre-pandemic levels, and which have yet to recover?
- When will New Brunswick's economy recover to pre-pandemic levels?
- How does our economic experience compare to that of Canada as a whole, and other provinces in particular?

NB Economic Recovery Tracker

To understand the impact of the COVID-19 pandemic on New Brunswick's economy and its current state moving through recovery, we constructed the *New Brunswick Economic Recovery Tracker* (NB-ERT). The NB-ERT is based upon the Canadian Economic Recovery Tracker (CERT) created by Export Development Canada (EDC) and illustrates the pandemic's economic impact over the past 16 months within five domains that serve as indicators of economic activity and performance.

While EDC's original goal was to provide an aggregated and close to real-time indication of economic performance ahead of GDP statistics, we created the NB-ERT to describe what *has* happened within the province.

Economic Recovery Tracker Methodology

The New Brunswick Economic Recovery Tracker (NB-ERT) is a monthly index that evaluates economic activity relative to pre-pandemic levels. In this report, we apply a straightforward indexing mechanism to track percentage changes from a baseline of zero that represents performance prior to COVID-19.

The index has five domains that each serve as an indicator of economic activity. Each of the five domains is equally weighted, and each contains between one and three data series that are also equally weighted. Our methodology is similar to that of the Canadian Economic Recovery Tracker ([CERT](#)), but we made a few minor adjustments in response to data availability and to better reflect the industrial structure of New Brunswick's economy.

We normalized each data series by its pre-COVID-19 values to directly determine each measure's percentage change from its respective pre-COVID-19 baseline. Whenever possible, each month of 2020 and 2021 is compared to its 2019 equivalent. For example, both January 2020 and January 2021 are compared to January of 2019 to determine a percentage change.

The NB-ERT domains include the following:

1. COVID-19

Consistent with the CERT, the COVID-19 domain for the NB-ERT equally weights cases of the virus and the stringency of public health restrictions. Throughout the pandemic, the provincial government provided daily updates on the number of new cases, which offered the public a collective sense of our public health performance. We collected provincial case data from Health Canada and calculated the seven-day moving average per 100,000 people. Stringency captures the intensity of public health measures in place to prevent or slow the spread of infection. We utilized the Institute for Research on Public Policy's measure of stringency that grades 12 provincial responses: public gathering limitations, public mask requirements, school operations, school mask requirements, care home visitation, restaurant restrictions, non-essential business operations, non-essential service operations, cultural services, inter- and intra-provincial travel, and curfew requirements. Percentage calculations for this domain are calculated relative to peak values, as they do not have a pre-COVID-19 equivalent.

2. Financial Markets

This domain equally weights lumber prices and the difference between the European Brent spot price for crude oil and US northeast retail gasoline prices. New Brunswick imports crude oil which is refined into products like gasoline. This represents demand for some of the province's most significant exports. EDC's CERT based financial markets on the Toronto Stock Exchange index and crude oil prices. Data used to measure national conditions in financial markets may not be as salient for a small province like New Brunswick. Crude oil for Canada is an important export but an important import for New Brunswick.

This emphasis of NB-ERT's financial markets domain on prices, rather than values (price multiplied by quantity) may make New Brunswick's recovery appear stronger than it actually is if exporters face

capacity constraints due to COVID-19 workplace regulations or challenges getting goods to market. When we used export values rather than prices for financial markets, the index showed that New Brunswick has not yet recovered to its pre-COVID-19 baseline and has not recovered substantially more than Nova Scotia or Ontario as of June 2021.

3. Sentiment

The sentiment domain utilizes the Canadian Federation of Independent Business (CFIB)'s three-month outlook for business captured on a monthly and provincial basis by their Business Barometer. CFIB administers monthly surveys to small businesses to gauge confidence, expectations, and operating conditions. The CFIB Business Barometer has been validated as a useful predictor of GDP changes. The CERT utilized consumer confidence and PMI manufacturing data; and because these are national-level measures, we could not obtain a provincial equivalent.

4. Transportation and Mobility

This domain equally weights air passenger numbers from the Greater Moncton Roméo LeBlanc International Airport and data from Google's COVID-19 Community Mobility reports. The Moncton airport is the province's largest airport with the greatest number of passengers on a yearly basis. The two next largest airports are the Fredericton International Airport and the Saint John Airport. Airlines temporarily stopped flight service to the Fredericton airport early in 2021, and the Saint John airport temporarily closed in January of 2021.

Google's mobility data captures people's movement to places that are presented in clusters: retail and recreation, grocery and pharmacy, parks, transit, workplaces, and residential. We omitted parks and residential data, guided by the CERT, as these do not correlate well with economic activity. The rest are averaged on a monthly basis for our data series. Google reports this data as a percent deviation from a period between January 3 and February 6, 2020.

The CERT also utilizes Google mobility data and flight activity, with rail freight activity as an additional data series. We could not obtain data for provincial rail freight activity by month.

5. Housing and Employment

This domain equally weights three data series: residential unit sales, actual hours worked, and total job postings. Residential unit sales are collected from the New Brunswick Real Estate Association, the provincial branch of the Canadian Real Estate Association. Actual hours worked is gathered by Statistics Canada and captures the hours worked in all jobs by those 15 years of age or above. Total job postings are from by the Labour Market Information Council's Canadian Online Job Posting Dashboard, which provides the number of job postings by province on a monthly basis. This dashboard facilitates searching by National Occupation Classification and work requirements, such as bilingualism and specific trade skills. While this level of analysis is not incorporated in the NB-ERT, it provides an interesting opportunity for future research to understand what jobs and skills were in particularly high or low demand throughout the pandemic.

Within the CERT, this domain includes the additional element of spending, which is captured by national data on credit card usage. We could not obtain a provincial equivalent.

Table 1. NB-ERT Data Sources

Domain	Data	Source
COVID-19	COVID-19 cases (7-day moving average per 100,000 people)	Health Canada, Government of Canada. Data on COVID-19 in Canada.
	COVID-19 stringency	Institute for Research on Public Policy. Centre of Excellence on the Canadian Federation. Montreal. Breton, Charles, Paisley Sim and Mohy-Dean Tabbara. 2021. COVID-19 Canadian Provinces Measures Dataset.
Financial Markets*	Margin between crude oil and retail gas prices	Difference between Weekly Retail Gasoline and Diesel Prices. New England. All Grades – Conventional Areas. And the U.S. Energy Information Administration. Europe Brent Spot Price FOB. Dollars per Barrel.
	Lumber price	Investing.com. Lumber Futures Historical Data.
Sentiment	CFIB Monthly Business Barometer® (3-month outlook)	Canadian Federation of Independent Business. Business Barometer®. 3 Month Outlook.
Transportation and Mobility	Retail and recreation, grocery and pharmacy, transit, and workplace (%) change **	Google Mobility. COVID-19 Community Mobility Reports.
	Airport flight passengers	Greater Moncton Roméo LeBlanc International Airport
Housing and Employment	Residential unit sales	New Brunswick Real Estate Association
	Actual hours worked	Statistics Canada. Table 14-10-0032-01 Actual hours worked by job type (all jobs), monthly, unadjusted for seasonality
	Total job postings	Labour Market Information Council. Canadian Online Job Posting Dashboard.

*For our interprovincial comparison, total exports were used as a substitute data series for financial markets because of limited monthly provincial indicators

**This data is normalized to the 5-week period Jan 3 – Feb 6, 2020

Canada's Economic Recovery

Figure 1. Canadian Economic Recovery Tracker (CERT), as of July 2021
Produced by Export Development Canada.



The Canadian Economic Recovery Tracker's latest update – as of July 16, 2021 – indicates that the Canadian economy was performing just shy of its pre-pandemic level and at its highest level since March 2020.

Export Development Canada's CERT for July 2021 is reproduced as Figure 1 to show the impact of COVID-19 on the national economy and how it has recovered.

Between June 18 and July 16, the CERT recorded a 7 percentage point improvement and now remains only -2 percent below its pre-COVID-19 baseline. Steady economic progress towards pre-COVID-19 levels is promising. After restrictions eased in the summer of 2020, economic recovery was hampered by Canada's second wave of infection — shown by the downward trajectory of the tracker beginning in September of 2020. Progress made early in spring 2021 was again compromised by the variant-driven third wave.

New Brunswick did not experience infection waves of COVID-19 as severely as more densely populated provinces, but it did institute public health measures that impacted economic activity.

Figure 2. Canada’s COVID-19 cases (7-day rolling average, per 100,000) against IRPP’s national stringency measure (average of all provinces)

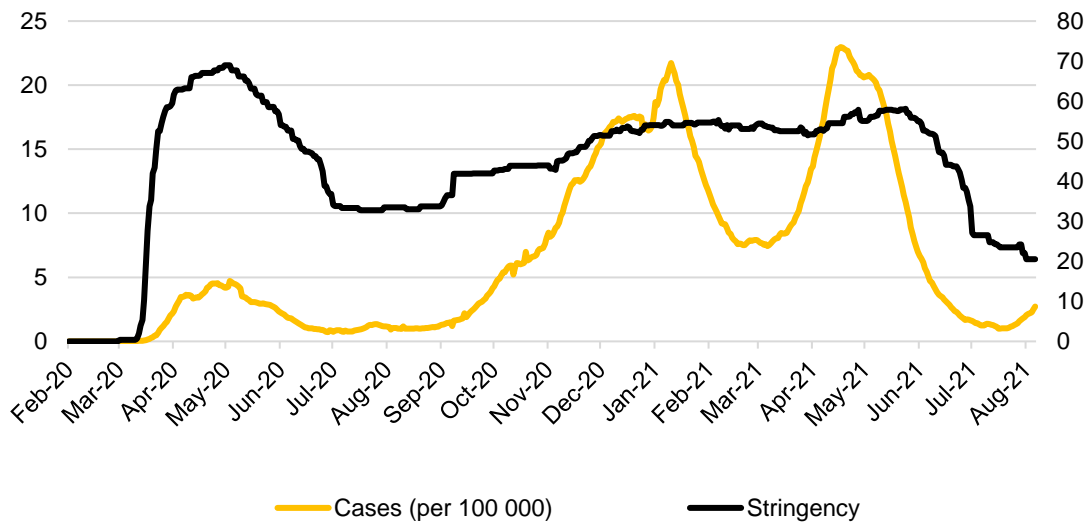


Figure 2 tracks Canada’s COVID-19 cases against the Institute for Research on Public Policy’s stringency measure.

The country’s nearly universal lockdown in March of 2020 prevented the first wave of cases from becoming too large. After stringency was reduced in the summer of 2020, the second wave of cases steadily mounted throughout the fall of 2020 before peaking in January of 2021.

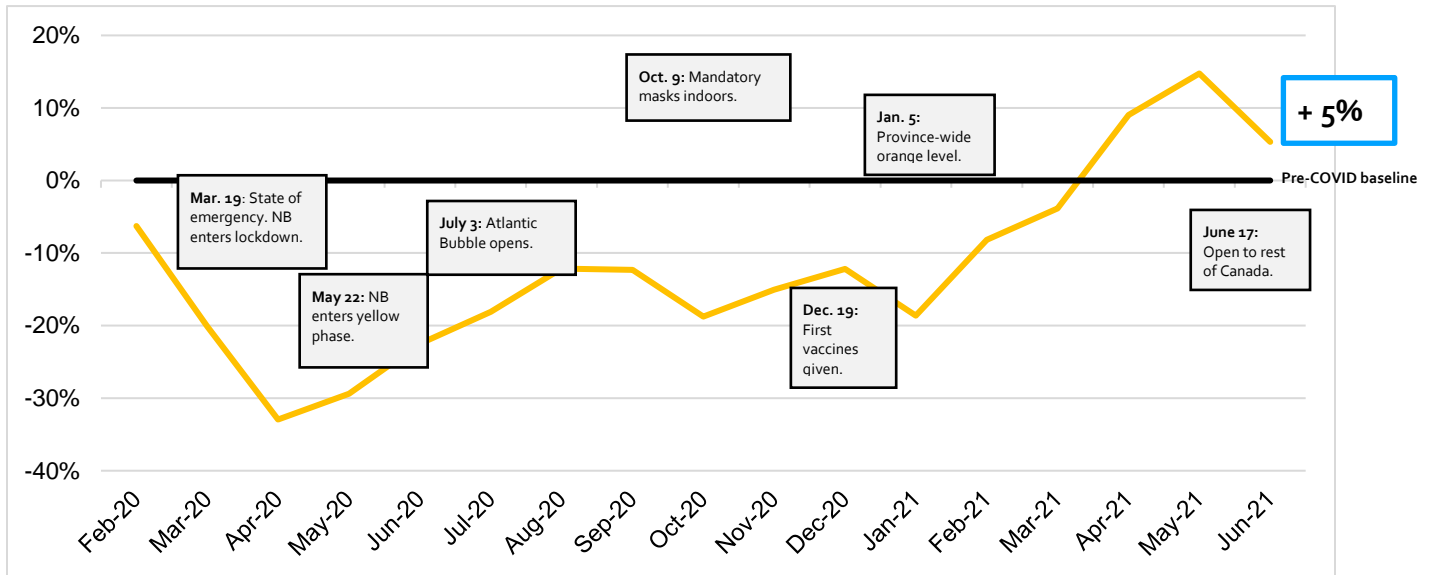
Canada’s average stringency was highest during the first wave of cases in the spring of 2020. The number of cases during that wave, however, pales in comparison to those during the second and third waves.

Stringency stayed fairly consistent from January onward, decreasing slightly throughout the spring of 2021, but a COVID-19 variant-driven third wave prompted the highest peak of cases of the pandemic in April of 2021.

Cases – followed by stringency – have decreased dramatically since May of 2021, but cases trended slightly upwards through August. Stringency is now the lowest it has been since the pandemic began, affected significantly by several provinces moving healthily towards (or already having completed) their official reopening.

New Brunswick's Economic Recovery

Figure 3. New Brunswick Economic Recovery Tracker (NB-ERT).



New Brunswick's economic recovery is ahead of that of Canada. The province's relative success is apparent in June of 2021, with economic activity exceeding the 2019 baseline by +5%, when Canada was still down below its pre-COVID-19 baseline by -9%.

The NB-ERT is most recently down from a peak of +15% in May 2021; however, this peak was almost exclusively attributable to strong increases in lumber prices. In June 2021, lumber prices moderated, and therefore our current measure of +5% above the pre-COVID-baseline is likely a more accurate picture of recovery.

At the time this figure was created, provincial data was not available to create a measure for July. It is natural to presume that the momentum experienced nationally in July will continue to improve our economic activity in July, but it is difficult to determine whether this progress towards recovery has already happened, or whether economic activity will continue to improve, rising further above 2019 levels.

The NB-ERT follows a fairly similar trajectory to the CERT, as COVID-19 waves of infection impacted our province's economic activity. New Brunswick's economic indicators began to decline in the spring of 2020 after the first cases of COVID-19 were reported in Canada but prior to any cases within the province. When lockdown restrictions were implemented in the spring of 2020, the NB-ERT dropped below -30% — which less than the impact of COVID-19 on the national economy as measured by the CERT. As restrictions eased, our province's economic performance began to gradually improve. Second and third waves in the fall of 2020 and winter of 2021 set progress back temporarily.

Figure 4. NB COVID-19 Cases vs. Stringency of Public Health Measures

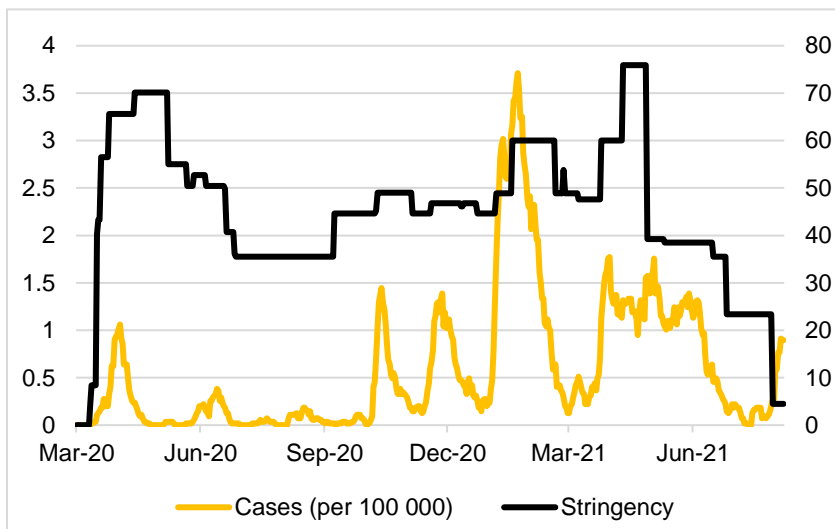
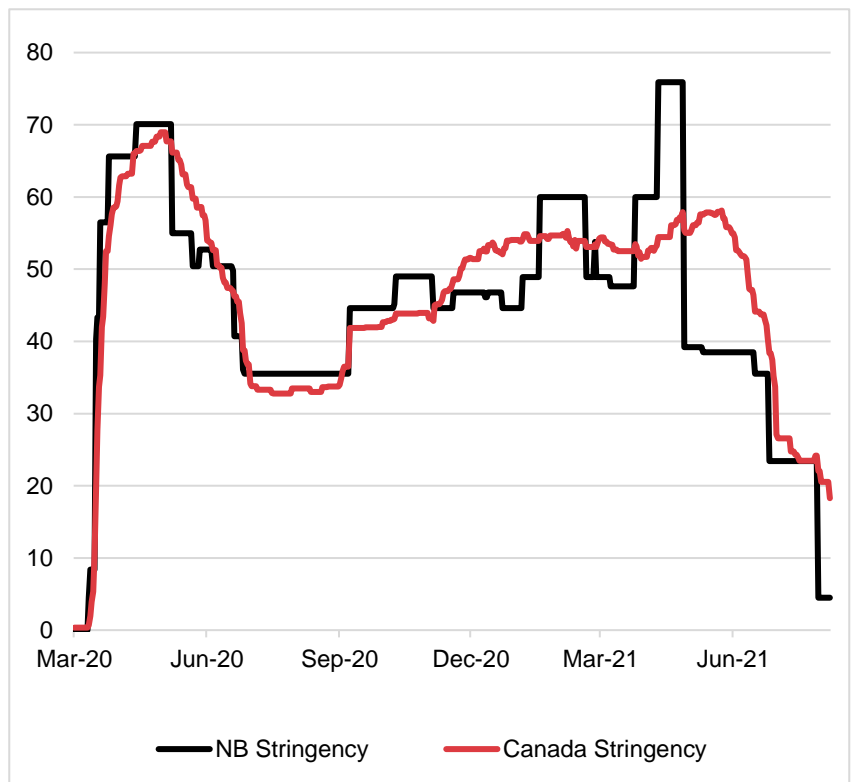


Figure 4 depicts New Brunswick's COVID-19 case count against IRPP's stringency measure. Case counts are calculated as a 7-day moving average (per 100,000 persons), while stringency refers to the intensity of provincial public health restrictions and uses the Institute for Research on Public Policy measure. In the spring of 2020, New Brunswick's stringency rises and continues to mount, even as provincial cases are minimal.

Figure 5. NB Stringency of Public Health Measures vs. Canada (Provincial Average)

Figure 5 depicts New Brunswick's stringency of public health restrictions against the national average, showing that New Brunswick initially acted slightly quicker and more intensely than most provinces. Major difference only emerges in the second and third waves. The national stringency never again approached the stringency first experienced in the spring of 2020. New Brunswick – in response to variant outbreaks elsewhere in the country – began to implement stricter restrictions in January 2021 and reached its maximum stringency in April 2021.



New Brunswick did not experience infection waves of COVID-19 as severely as other provinces, but it did apply as stringent, and at times more stringent, public health measures relative to other provinces with more cases of COVID-19.

Public health measures, not infections, are what impacted business activity in New Brunswick. New Brunswick's reduced stringency and looser restrictions late in 2020 might account for higher case counts in the second wave compared to the first. New Brunswick's stringency is more or less in line with the national average throughout the summer of 2020.

Figure 6. New Brunswick Economic Recovery Tracker by Domain

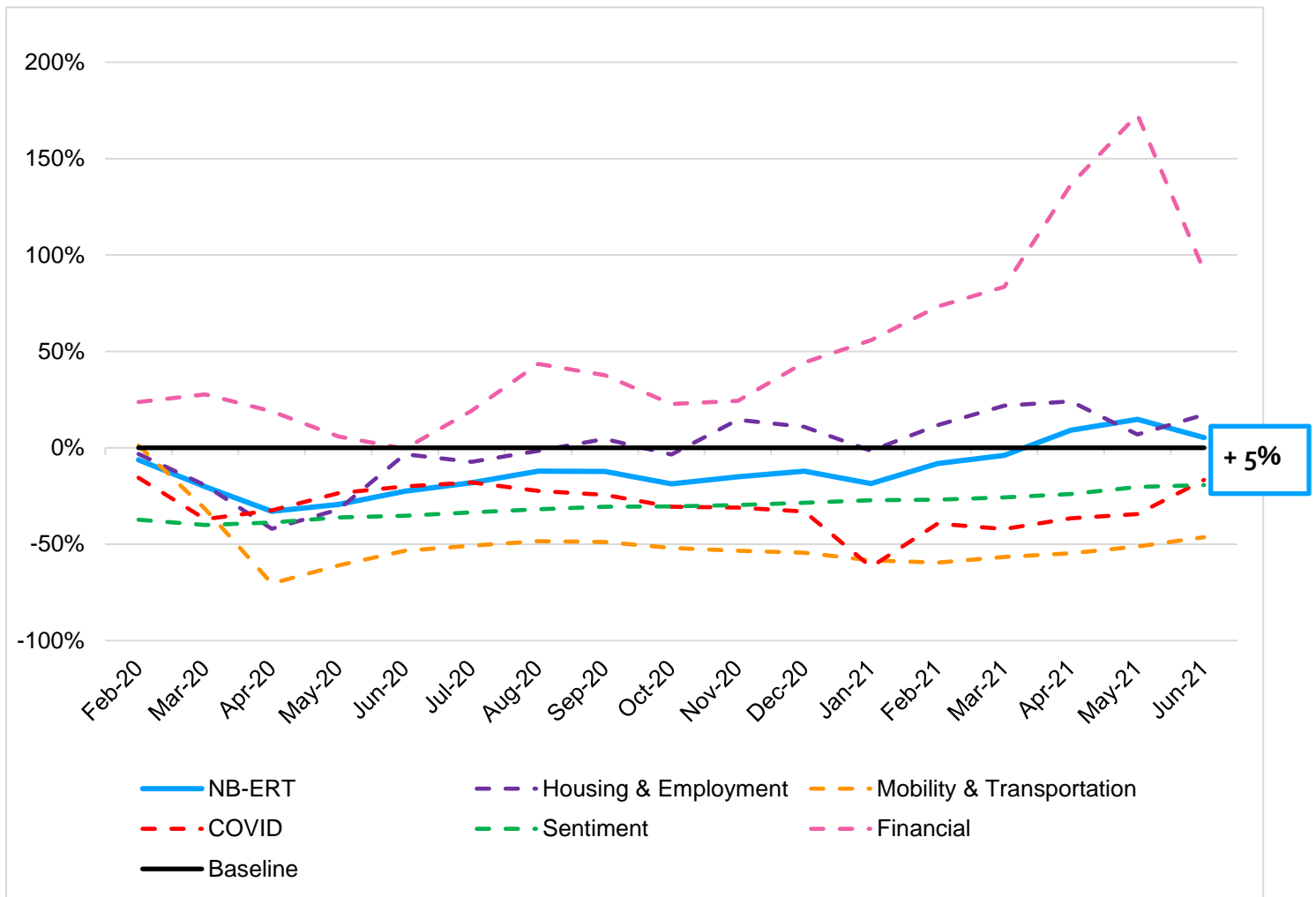


Figure 6 shows NB’s economic recovery — now reading at 5% above the baseline — is largely driven by two domains exceeding their pre-COVID-19 performance:

- Financial markets
- Housing & employment

Figure 7. May & June 2021 vs. Baseline for NB Domains

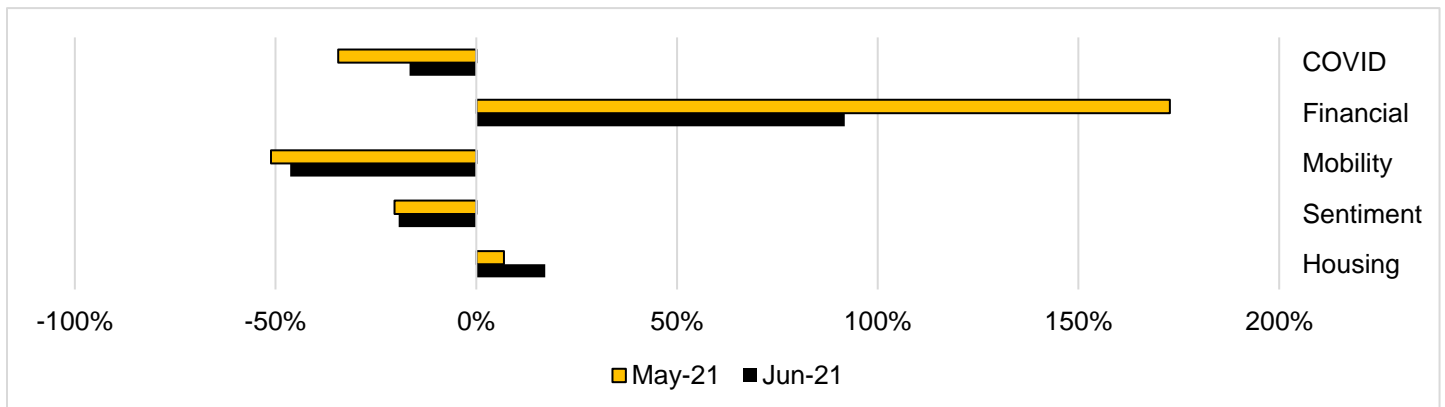


Figure 8. NB Financial Markets

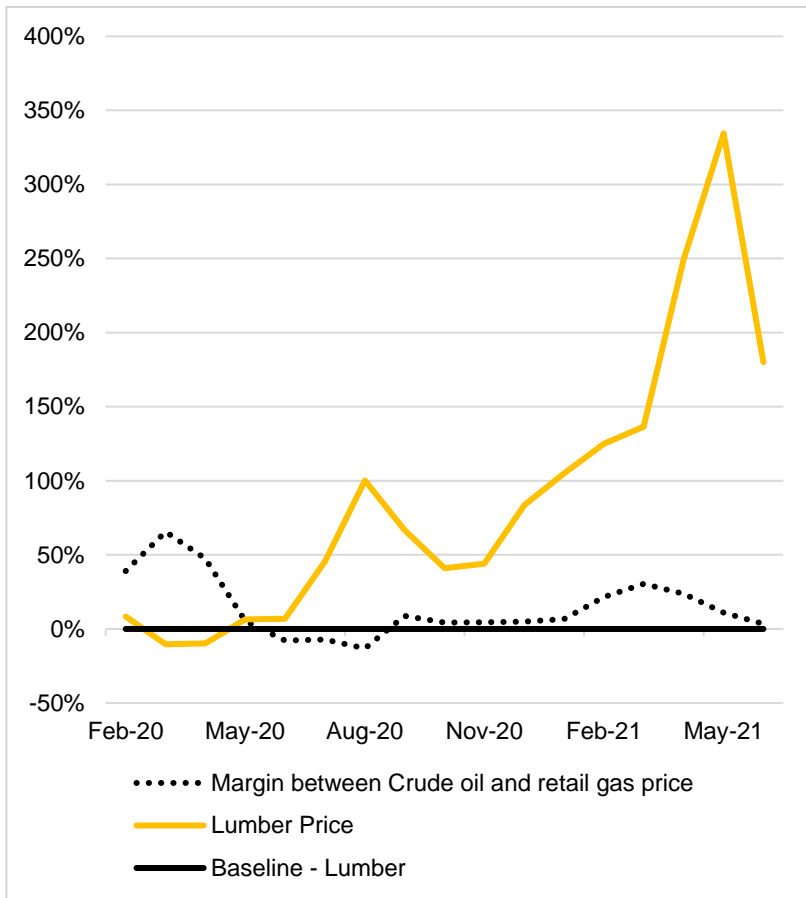


Figure 8 shows that financial markets have improved significantly since March 2020. Lumber prices increased dramatically and sky-rocketed in spring 2021, which is the main driver of this domain for the NB-ERT.

New Brunswick imports crude petroleum, which is refined into products like gasoline which are exported to the US Northeast. The margin of the export price over the crude price remains smaller than pre-COVID-19, largely because the import price of crude oil (Brent Price) has increased more since February 2020 than the retail price of gasoline in the US Northeast.

Figure 9. NB Housing and Employment

Similar to financial markets, the housing and employment domain depicted in Figure 9 has been propelling NB's economic recovery.

Job postings have recovered, and hours worked are on the cusp of doing so. Residential unit sales are substantially surpassing pre-COVID-19 levels.

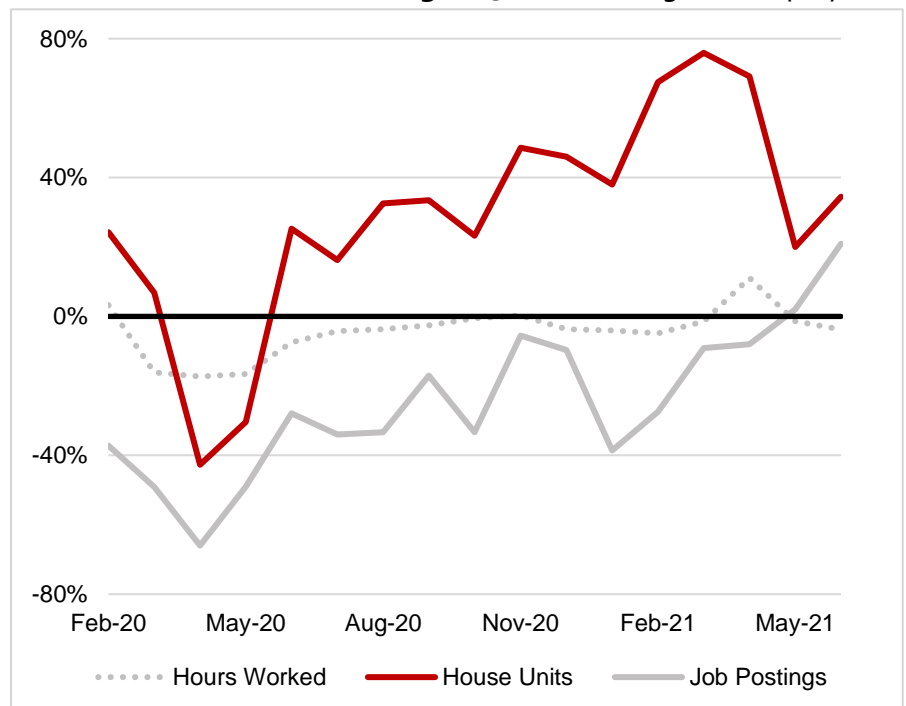


Figure 10. NB Sentiment

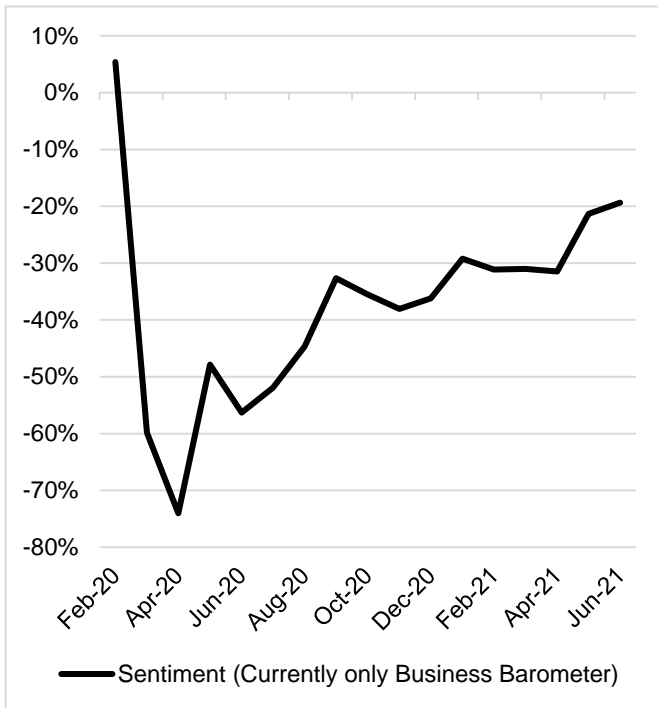
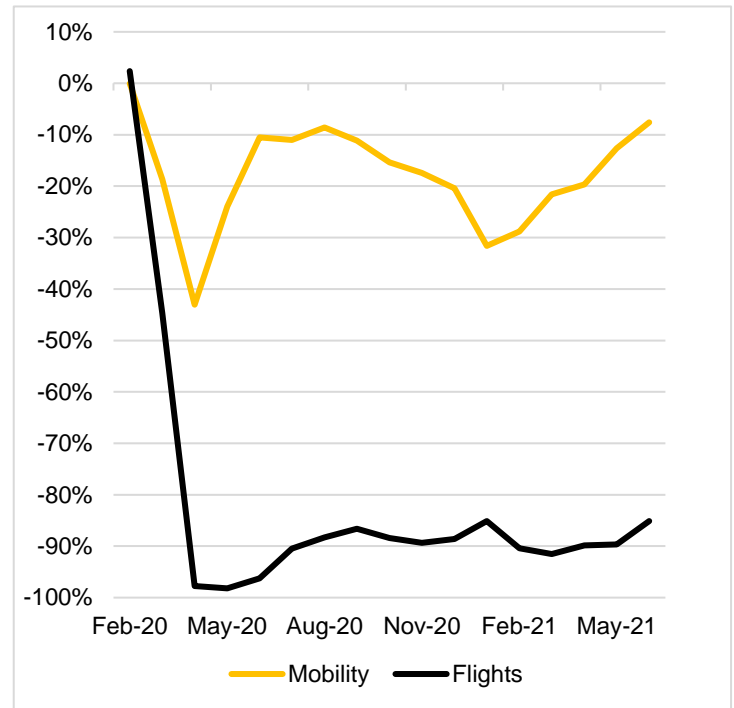


Figure 11. NB Mobility and Transportation



Using the CFIB Business Barometer’s 3-month outlook, we find that business confidence dropped precipitously early on in the pandemic but began to recover in May of 2020, as New Brunswick gradually reopened following the initial lockdown. Since summer 2020, it has gradually but consistently increased, with minor dips in June, October, and February.

While not reported here, the CFIB business barometer also includes a 12-month outlook, which has not really changed over the pandemic – businesses in New Brunswick generally expect that a return to “normal” business conditions is always a year away no matter what the month.

Unsurprisingly, both mobility and transportation (Figure 11) fell dramatically in March of 2020, with mobility at its lowest score of -43% below its pre-COVID-19 baseline in April of 2020, and transit down nearly -100% in April of 2020. Mobility recovered well throughout the summer but fell again gradually during the fall and into January, when New Brunswick implemented more stringent public health restrictions. Since January’s reading of -32%, mobility has steadily recovered and is currently just -8% below its pre-COVID-19 baseline in June of 2021.

Transportation has not recovered as well, with air traffic still -85% below its baseline in June of 2021. New Brunswick has significantly eased its travel restrictions. Moving forward, regulations at provincial, federal, and international levels will partially dictate how and when transportation will recover.

Table 2. NB Economic Domains Anticipated Recovery

Domains	Indicators/Data	Recovery Date
COVID-19	COVID-19 cases	Sept. 2021
	COVID-19 stringency	Aug. 2021
Financial Markets*	Europe Brent Spot Price FOB	June 2021
	Lumber price	May 2020
	US northeast retail gas price	Feb. 2021
Sentiment	Monthly Business Barometer®	Dec. 2021
Transportation and Mobility	Retail & recreation, grocery & pharmacy, transit, workplace traffic	Aug. 2021
	Airport flight passengers	Oct. 2033*
Housing and Employment	Residential unit sales	June 2020
	Actual hours worked	July 2021
	Total job postings	May 2021

Recovered	Not Recovered
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Table 2 provides an overview of which indicators have recovered to or surpassed their pre-COVID-19 levels of activity. Indicators in green have recovered, and those in red have not.

For the recovered indicators, the date indicates the month in which they surpassed their pre-COVID-19 activity level. For the unrecovered indicators, the date is an approximation.

To approximate the month that unrecovered indicators will reach their pre-COVID-19 level, we utilized the Excel trend function to calculate a linear slope and then determined the intercept.

In reality, recovery is determined by a myriad of factors, but these provide an indication of when they will recover if activity continues to follow its trajectory as of June 2020.

Recovery for the COVID-19 domain – including stringency and cases – does not imply that the virus will no longer exist. Experts anticipate that the virus will continue to circulate in pockets, even when 75% of the eligible NB population has received two doses of the vaccine (the government’s target for eliminating COVID-19 restrictions).

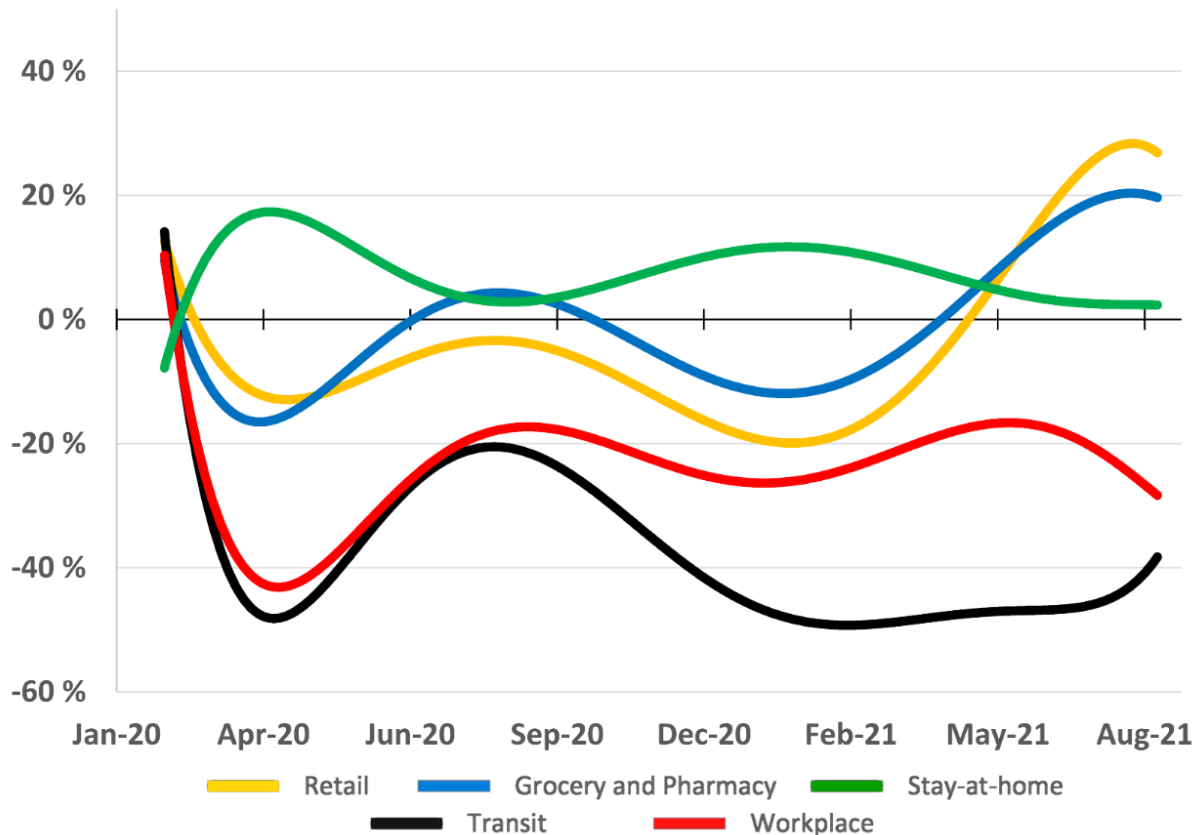
The critical difference is that presence of the COVID-19 virus was not expected to be accompanied by the reimposition of stringent public health restrictions.

Note: Since this table was created, actual hours worked data was released for July 2020, which was our approximated recovery date. This indicator has not recovered, as approximated in our model, and remains 4% below its 2019 equivalent. Also, with COVID-19 cases and hospitalizations climbing in September 2021, New Brunswick has brought back public health measures to contain the growth of infections.

Mobility

Restrictions on movement – including where we could go and where we could work – were among the most profound impacts of the pandemic. People’s movement is inherently linked to economic activity. Movement is reflected in both the “stringency” and “transportation and mobility” domains of the Economic Recovery Tracker, but we wanted to further explore how people’s movement changed during the pandemic and through economic recovery using data from the Google Community Mobility Reports.

Figure 12. Mobility Changes in New Brunswick Throughout the COVID-19 Pandemic



Social distancing measures and the closure of non-essential operations have led to unprecedented levels of working from home – reflected in workplace, transit, and stay at home mobility. As schools and non-essential services in the province closed and municipal elections were postponed, travel to workplaces and transit use plummeted during the initial lockdown in March of 2020 — both falling more than -40% below their pre-COVID-19 baseline in April of 2020.

Workplace and transit mobility both recovered fairly well throughout the summer, reaching -20% below the baseline by September of 2020. Transit usage then steadily dropped throughout the fall of 2020, below -40% again by December and hovering around there until a recent uptick in the summer of 2021. Workplace travel has mostly fluctuated between -15% and -30% below the baseline, recently falling in the summer of 2021, despite general improvements elsewhere.

Retail and grocery and pharmacy mobility originally fell almost -20% below the baseline in April 2020 as restrictions were implemented to limit the spread of the virus. Despite this, grocery and pharmacy mobility recovered quite quickly in the summer of 2020 to surpass its pre-COVID-19 level.

Retail approached its pre-COVID-19 level in summer 2020 but did not quite reach it. Both retail and grocery and pharmacy mobility declined in the fall of 2020 but recovered again beginning around February of 2021 as vaccination plans were announced. Each since climbed to +20% above their pre-COVID-19 levels.

All other mobility fell in the spring of 2020 as time spent at home increased significantly and has since fluctuated above pre-COVID-19 levels throughout the entire pandemic. It is now close to its baseline, but remains slightly above, signaling that people have become accustomed to spending more time at home.

Participants in New Brunswick experienced up to a 40% decrease in the amount of time spent at their workplace and their rate of transit use at the height of the pandemic outbreak in early 2020, when stringency was at its highest as the first cases were spreading. The dramatically reduced travel to workplaces could endure beyond the pandemic and pose future fiscal challenges. Transit – a vital public service – also suffers when people do not travel to work.

Mobility data does not suggest a return to normal in New Brunswick is imminent, particularly regarding where people work or when it comes to their use of public transit.

Interprovincial Economic Recovery Tracker

Within Canada, the experience of COVID-19 varied greatly across provinces. For example, while Alberta once experienced the worst per capita rate of infection in North America, Prince Edward Island had not recorded a single death associated with COVID-19 as of August 2021.

Despite varying outcomes, the provinces did have in common a degree of stringency associated with public health restrictions. The provinces were responsible for their own emergency public health responses, but financial responses were predominantly administered at the federal level.

All provinces benefited from federal transfers to accommodate increased public health expenditures, to offset transit system operating losses, and to support individuals and businesses whose operations were impacted by restrictions.

New Brunswick was one province that benefited greatly from the Canadian Emergency Response Benefit (CERB) to the extent that lower income wage workers may have been compensated beyond their original incomes, creating a potential spending stimulus for provincial economies.

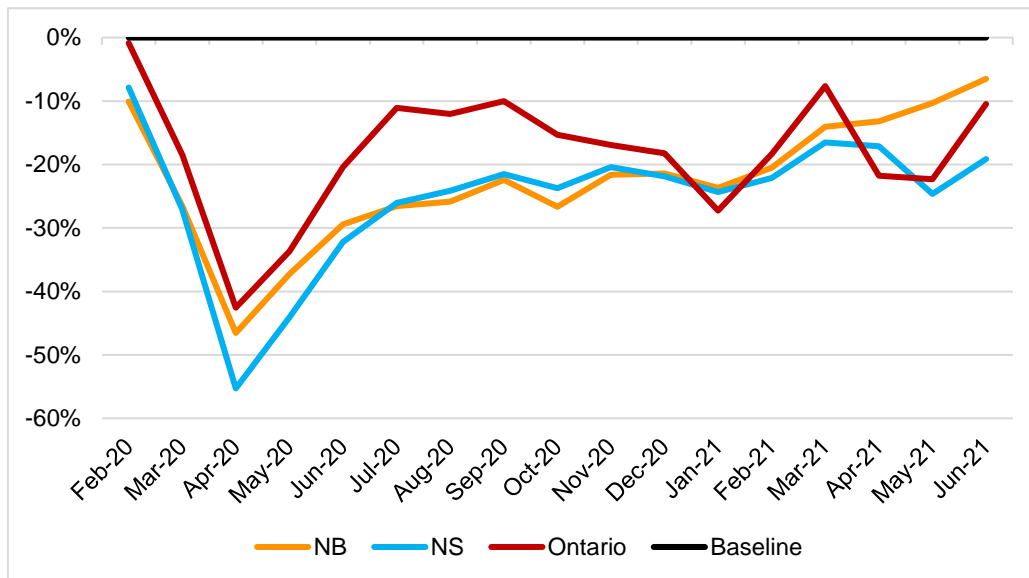
- 167,360 New Brunswickers applied for CERB.²
- Household disposable income increased nearly 11 percent between April and June 2020 due to government transfers.³
- Federal relief funding in NB exceeded \$300 million/month as of October 2020.³

Given variable experiences across provinces during the pandemic, we chose to situate New Brunswick’s performance relative to a province close in proximity and with a similar COVID-19 infection experience (Nova Scotia) and one farther away with a notably different experience (Ontario).

Alterations to the Original Methodology:

- For comparison, COVID-19 cases (per 100, 000) were indexed to the maximum seven-day rolling average of all three provinces. Values were assigned based on their proximity to this maximum.
- For the financial markets domain within the NB-ERT, we used lumber prices and energy prices to reflect the value of the province’s exports. We do not have comparable export price data for Nova Scotia and Ontario. The financial markets domain for the interprovincial tracker thus use the total value of exports as reported by the Government of Canada’s [Trade Data Online](#). This alters the financial domain by emphasizing values (prices and quantities) rather than prices, which shows that New Brunswick’s economy has not fully recovered.

Figure 13. Interprovincial Economic Recovery Tracker



² Statistics Canada. [Canada Emergency Response Benefit and EI Statistics](#). Table 1: Total unique applicants by province/territory and age group.

³ Statistics Canada employee Matthew Hoffarth, shared by CBC News. Robert Jones. [Federal relief programs flood New Brunswick households with money](#).

When applying the altered methodology for interprovincial comparison utilizing export values for the financial domain, New Brunswick's recovery appears more modest and is more consistent with other provinces and Canada as a whole, staying below that baseline at roughly -7%. New Brunswick's trough in April of 2020 is also lower with this model – more than 45% below the pre-COVID-19 baseline.

All three provinces experienced comparable downturns in economic activity in the spring of 2020, each hitting their trough in April of 2020.

Our economic recovery tracker reveals that COVID-19 initially impacted Ontario's economy less than that of Nova Scotia or New Brunswick. Nova Scotia's economic activity plummeted to -55% below its pre-COVID-19 level, while Ontario's fell to -43% below and New Brunswick's fell to -47% below.

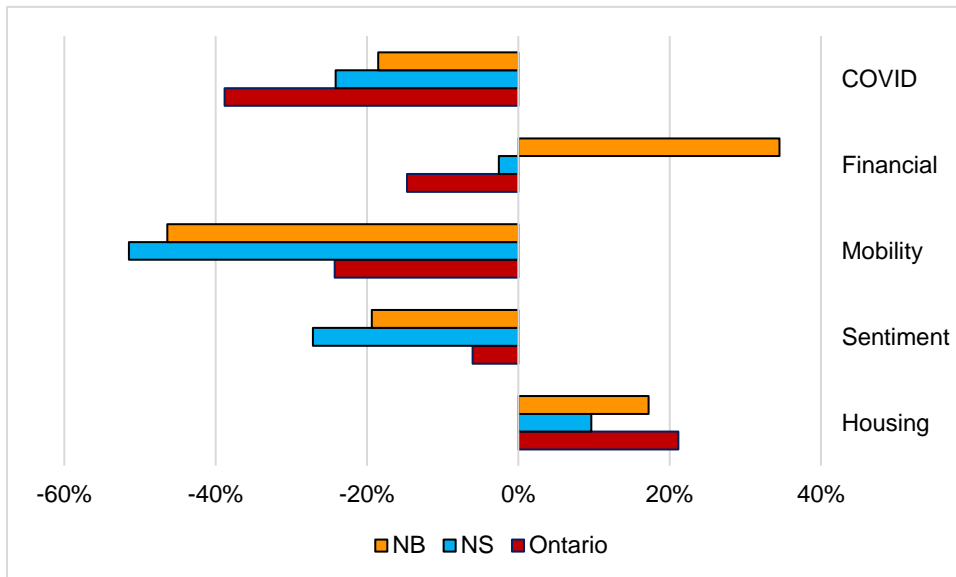
Recovery was apparent for each of the provinces throughout the summer of 2020, but progress slowed around June in Nova Scotia and New Brunswick while Ontario's recovered to just below -10% in July. Progress was modest throughout the fall in Nova Scotia and New Brunswick, but Ontario's gains made in the summer of 2020 began to regress. By November of 2020, all three provinces were sitting at approximately -20% below their pre-COVID-19 baseline.

New Brunswick appears to be -7% below the pre-COVID-19 baseline, markedly ahead of Nova Scotia which lags behind at -19% below. Nova Scotia's recovery had aligned fairly consistently with New Brunswick's until March of 2021, when New Brunswick continued to progress upward but Nova Scotia regressed downward.

Nova Scotia plummeted to -25% below the pre-COVID-19 baseline in May of 2021 – its lowest measure since July of 2020. Nova Scotia's intense third wave in the spring of 2021 clearly hampered economic recovery and regressed some of the previous progress made. Ontario's recovery was also dampened by a third wave of COVID-19 infections in the spring of 2021 but has improved since May and now reads at -10% below its pre-COVID-19 baseline.

NB's recovery through the spring was steadier than that of Ontario and Nova Scotia, who both faced high rates of infection throughout Canada's third wave of COVID-19, but they have progressed at a faster rate.

Figure 14. Provincial Economic Recovery Comparison by Domain, June 2021

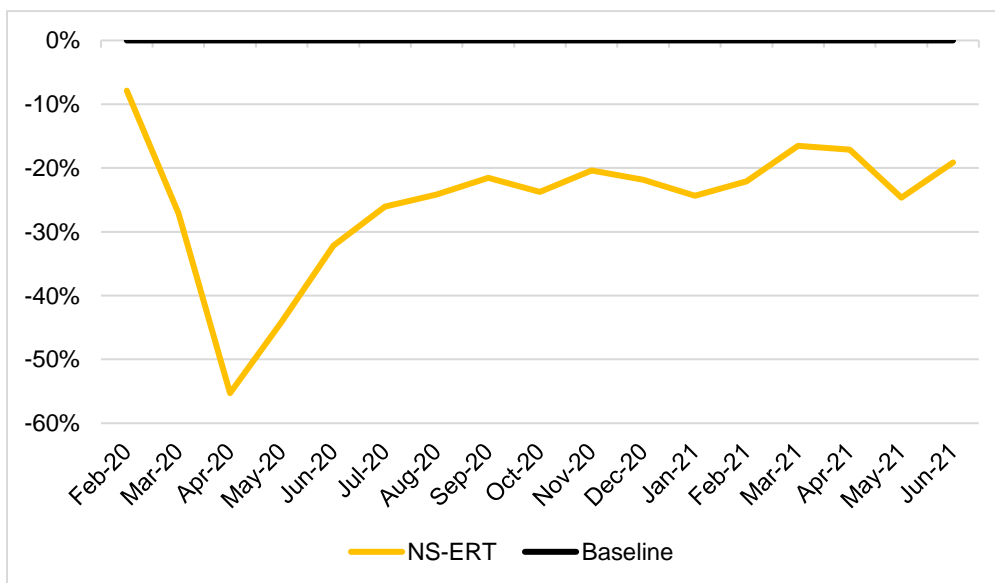


Shown in Figure 14, all three provinces are still set back by the COVID-19 domain, with Ontario grappling with more cases and higher stringency levels than Nova Scotia and New Brunswick. Of all three provinces, New Brunswick appears to have the strongest financial performance relative to pre-COVID-19 levels.

Mobility and sentiment have not yet returned to pre-pandemic levels for any province. Notably, Ontario’s sentiment is down less than the other provinces, signaling that despite the toll that COVID-19 has taken, businesses are relatively optimistic for the coming months. Ontario is set back the most by COVID-19 and financial markets, but its mobility, sentiment, and housing recovery are outperforming New Brunswick.

This could suggest that Ontario’s looser view on putting up restrictions later during a rising wave of cases, while more problematic in terms of COVID cases and long-term restrictions, is leaving other areas of the economy (or index) to become less severely affected overall.

Figure 15. Nova Scotia Economic Recovery Tracker (NS-ERT)



At times clustered with New Brunswick in the “Atlantic Bubble,” Nova Scotia experienced similar success to New Brunswick with a few important distinctions.

Figure 15 shows that Nova Scotia’s economy recovered better than New Brunswick’s throughout the summer of 2020, primarily driven by the sentiment and financial domains. However, due to an intense third wave of the virus, Nova Scotia’s economy had a notable third wave ‘dip’ in April and May of 2021 while New Brunswick’s economy kept progressing upwards towards recovery.

Figure 16. Ontario Economic Recovery Tracker (O-ERT)

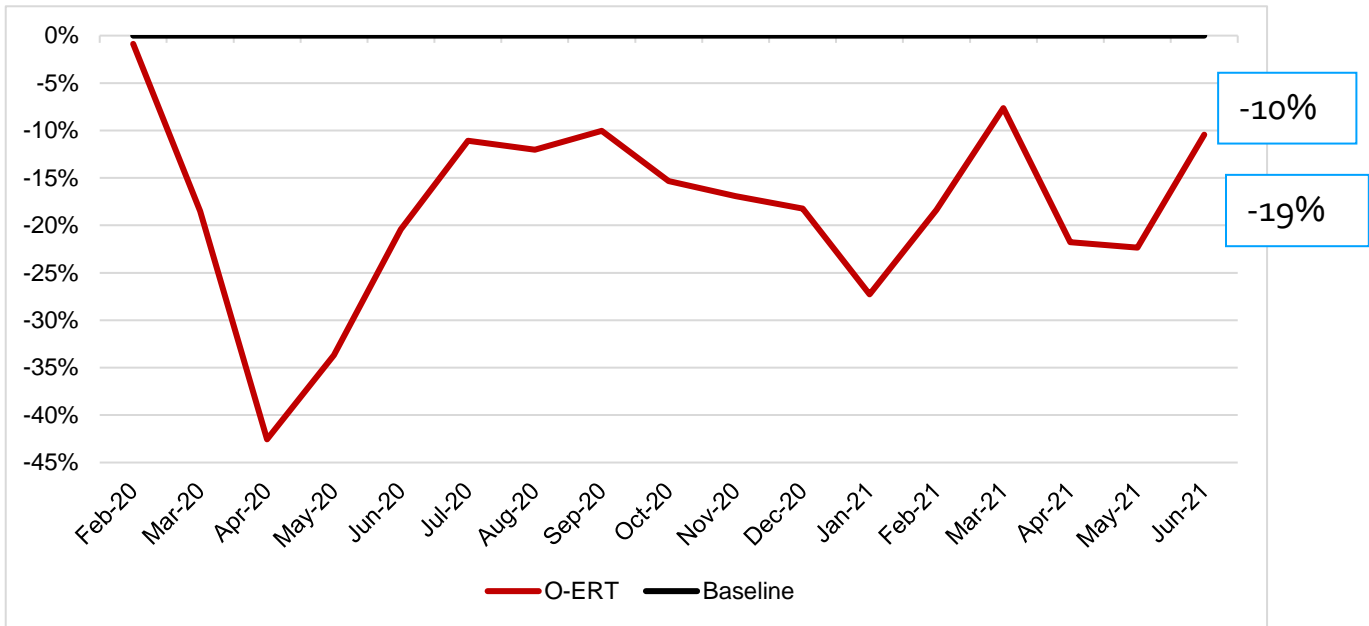


Figure 16 shows Ontario had a notably different COVID-19 experience than both New Brunswick and Nova Scotia, with high numbers of cases and prolonged lockdowns. Toronto’s lockdown was the longest in North America and among the longest in the world, with indoor dining at restaurants restricted for more than 360 days.⁴

In general, Ontario had a more positive economic recovery in the summer of 2020, going from below -40% (the pre-COVID-19 baseline in April of 2020) to just -10% below in July. However, the O-ERT shows much more volatility after that period than either Nova Scotia or New Brunswick.

During waves of infection, Ontario’s public health restrictions were often implemented later than New Brunswick’s. This seems to have sent shockwaves through various domains before they eventually started to trend upwards again. New Brunswick’s earlier use of restrictions seem to have made the economic climb towards recovery a more consistent and smoother one.

⁴ According to Canadian Federation of Businesses President, Dan Kelly. BBC News. [Toronto lockdown – one of the world’s longest?](#)

Interprovincial Mobility Domain Comparison

Widespread public health responses such as social distancing measures and the closure of non-essential businesses likely contribute to similar mobility profiles across provinces. Aspects of mobility that differ between provinces likely reflect more localized responses and changes to the ways people interact with their communities. Across all provinces, time spent at home and time spent on/in retail and grocery stores exceeded pre-pandemic levels by May 2021.

Nova Scotia initially fared slightly worse than New Brunswick in the rate of recovery of its transit system. However, Nova Scotians returned to work sooner, and at greater rates, than their New Brunswick or Ontario counterparts. Nova Scotia's workplace mobility is currently less than -20% below the baseline. The rates of transit recovery track closely with the return to the workplace in all provinces but declines precipitously in Nova Scotia respondents from November 2020. Nova Scotia's transit usage recovered rapidly during the summer of 2021 but still lags behind the rates of return to work.

Ontario respondents experienced a greater decline in their rates of transit use than those in New Brunswick, though they returned to work at a steady rate from June 2020. Conversely, Ontario's transit level exceeds that of the workplace, likely reflecting the province's more robust transit system that transports people to places other than work.

New Brunswick oscillates between below -15% and -30% workplace mobility across the same period, which might be attributed to seasonality within the workforce across a smaller population than Ontario or Nova Scotia. By August 2021, transit use in Ontario had nearly recovered to pre-pandemic levels. However, the recovering rates of transit use and returns to the workplace are in common with New Brunswick, which suggests that Nova Scotia experienced an anomalous response from its transit system during COVID-19.

Figure 17: Mobility Changes in Nova Scotia Throughout the COVID-19 Pandemic

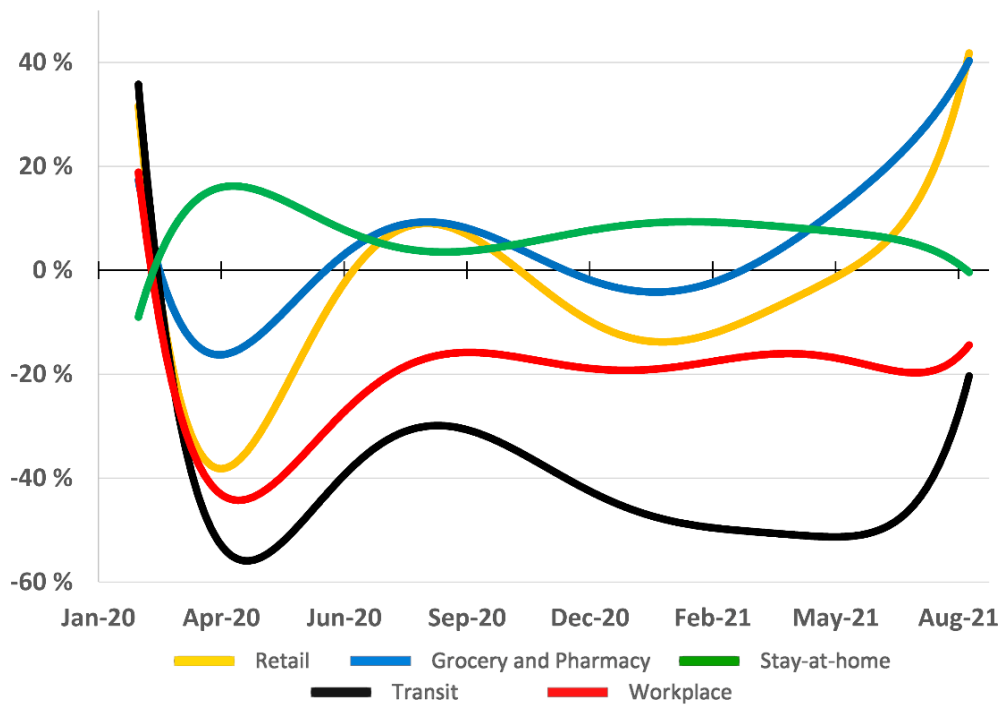
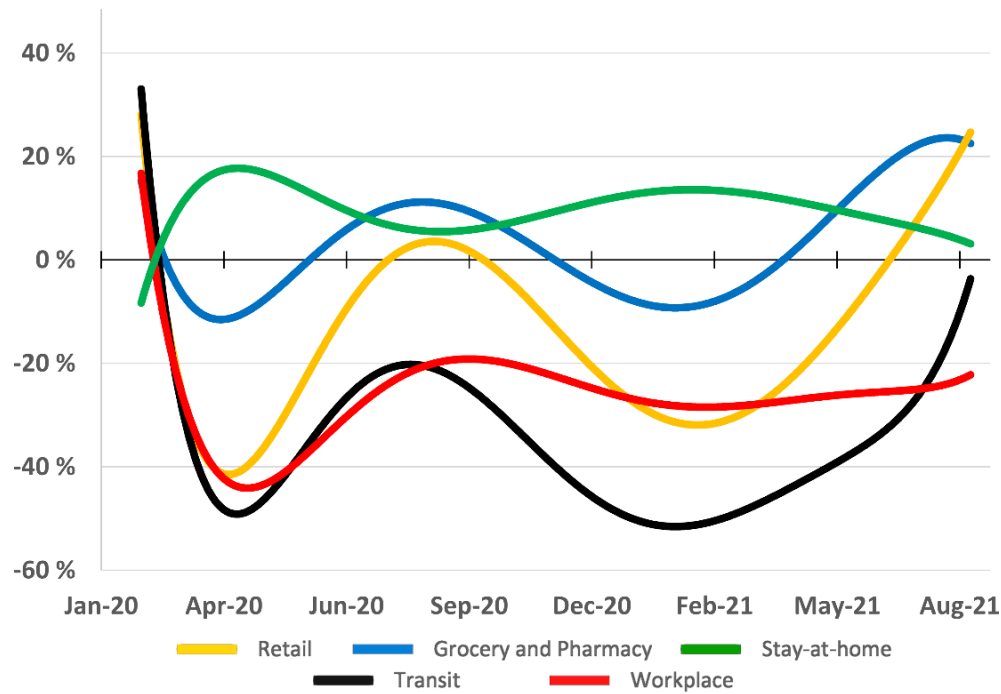


Figure 18: Mobility Changes in Ontario Throughout the COVID-19 Pandemic



What is Unaccounted for in the Economic Recovery Tracker?

As New Brunswick transitions to recovery, we must broaden our scope of focus and pay attention to long-term indications of public health and economic prosperity. Preoccupation with short-term priorities, including emergency public health responses and economic indicators, have illustrated a picture of success. These have been helpful, but to avoid any surprises in the future, we must begin to paint a broader picture.

Beginning in the summer of 2021, our team's original research goal was to investigate whether COVID-19 and the associated public health restrictions have had – or will have – long-term economic repercussions. Early on in the pandemic, there was a belief that economic recovery was guaranteed because public health restrictions disrupted the supply side operations of the economy but did not destroy the economy's productive capacity. Government supports for households were intended to maintain the demand side of the economy and perhaps create additional stimulus towards recovery.

However, there remain concerns that the pandemic may have "scarred" the economy in terms of creating longer term, lasting damage. Furthermore, the additional stimulus may be merely a band-aid.

We offer two areas in which the economy may be scarred that are not captured by our index:

Lost Learning and Human Capital

Following school closures in March of 2020 to limit the spread of COVID-19, New Brunswick students were out of school for nearly six months before returning in September of 2020. The economic impacts of school closures and lost learning accrue at many levels. Education is critical for human capital development and provincial economic growth. International evidence shows that students – even within optimal systems for virtual learning – did not learn anything during COVID-19 school closures, and that learning actually regressed for some.

Experts forecast that closures will exacerbate inequities, decrease literacy rates, and lower the earning potential of students in the future. This is particularly concerning for New Brunswick. As of 2018, NB had the lowest average reading proficiency of all provinces, and 22% of 15-year-olds did not meet the literacy standard deemed necessary for full participation in society. Prior to COVID-19, the equity gap between strong and weak readers aged 15 was equivalent to over six years of schooling. This gap is expected to widen due to COVID-19 school closures.

Throughout the 2020-21 school year, most high school students only attended every other day, and university classes were almost exclusively virtual. Economists estimate that Canada's GDP loss from four months of lost learning through school closures in the spring of 2020 is \$1.3 trillion USD, and that primary and secondary aged children may receive 3 percent lower income over their lifetime due to learning loss.

Provincial Immigration

The flow of immigrants to New Brunswick had been steadily increasing prior to COVID-19 and represented a critical area of growth for the province. Immigration was brought to a near halt during the pandemic due to travel restrictions and office closures. Despite historically not having a large share of Canadian immigrants, recent programs such as the Atlantic Immigration Pilot Program successfully stimulated growth. Even those already in Canada seeking to become permanent residents struggled from halted operations in April 2020.

It may be reasonable to assume that the healthy flow of immigration will return, particularly because both major political parties have recently expressed their intent for immigration to be a major source of economic growth for the province. Furthermore, regions like New Brunswick received significant attention as favourable places to be during the pandemic.

Conclusion

The NB-ERT provides a glimpse into how New Brunswick's economy reacted to COVID-19 interruptions and restrictions. It is not intended to be a perfect account of what transpired, but rather an indication of how things have gone to understand how things will go moving forward.

There will be decades worth of research revealing how unprecedented lockdowns have impacted nearly every facet of our society.

Research Findings

Guided by our research questions outlined at the beginning of this report, these are some of our key findings on New Brunswick's economic recovery from the COVID-19 pandemic.

- The pandemic impacted the New Brunswick economy substantially, with economic activity dropping 40% below its pre-COVID baseline in the spring of 2020. Since then, steady progress has led to economic recovery.
- Public health restrictions were a critical pandemic response for all provinces. New Brunswick's restrictions were as stringent as other provinces and were at times more stringent than provinces battling high COVID-19 case counts. This likely strained facets of the economy. These restrictions successfully minimized case totals, allowing for a smooth transition to recovery.
- According to our Economic Recovery Tracker, the New Brunswick economy is currently operating at approximately 5% above its pre-pandemic level. It is critical to understand that this recovery is primarily driven by two domains: financial markets and housing and employment. The other domains, including mobility and transportation, sentiment, and COVID-19 (cases and stringency) remain below their pre-pandemic levels. In particular, flights are still more than 80% below their pre-COVID usage. While mobility

is steadily progressing towards its pre-pandemic level, transit and workplace traffic are still below 30% their pre-pandemic levels.

- New Brunswick's economic recovery appears significantly better than Canada's. In June of 2021, Canada's economy was operating at 9% below the pre-COVID-19 baseline, while New Brunswick's was 5% above. However, as previously indicated, when using export values rather than lumber and energy prices, New Brunswick's performance is much more consistent with other provinces and Canada as a whole. With the altered interprovincial methodology, New Brunswick reaches -6% below pre-COVID-19 levels, and Nova Scotia is close behind at 7% below. Ontario lags in performance due to worse performance in the COVID domain, reaching 12% below the baseline. Ontario ends up being most consistent with the CERT, which is unsurprising given that it accounts for a significant portion of the country's population and economic activity.

The good news story circulating about New Brunswick's economy is an appealing one, but a closer examination of our index's domains offers a more nuanced tale. While we can remain cautiously optimistic about recovery, we may not be out of the COVID-19 woods yet. The past year has been described as "unprecedented," and our economic journey through recovery will be just that, too. Our economic activity and performance are largely fueled by human behaviour; we must wait to see how people act when their behaviour is no longer restricted by public health measures.

What are the limitations of the Economic Recovery Tracker?

- Equal weighting of domains and data series within them may provide skewed representation. However, Export Development Canada noted that their Canadian Economic Recovery Tracker strongly correlates with GDP.
- Restricted data: There is limited data available on a monthly and provincial basis.
- Long-term economic impacts are unaccounted for.