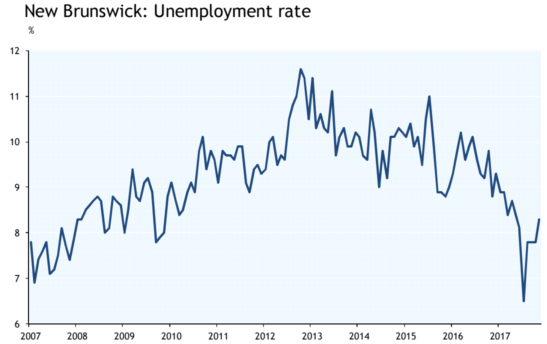
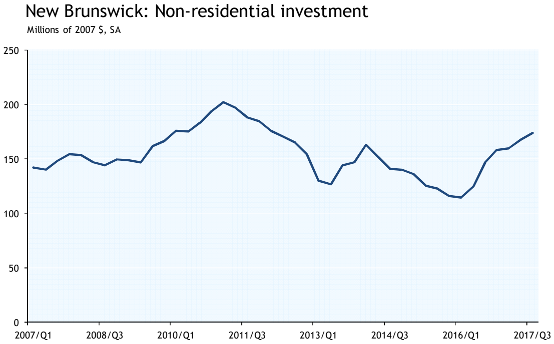
New Brunswick

New Brunswick: Unemployment rate



Source: Statistics Canada, RBC Economics Research

New Brunswick: Non-residential investment



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

	2014	2015	2016	2017F	2018F	2019F
Real GDP	0.1	2.4	1.2	1.7	0.7	0.4
Nominal GDP	1.8	2.0	3.6	3.5	2.3	2.0
Employment	-0.2	-0.6	-0.1	0.3	-0.1	-0.3
Unemployment rate (%)	10.0	9.8	9.6	8.1	7.9	7.5
Retail sales	3.6	2.1	1.8	6.5	3.5	3.0
Housing starts (units)	2,276	1,995	1,838	2,200	2,100	1,900
Consumer price index	1.5	0.5	2.2	2.3	1.8	1.9

Gerard Walsh
Economist

Running out of steam

2017 is shaping up to be a strong year for New Brunswick's economy. Employment is up after three years of decline, infrastructure and residential investments are on the rise, and retail sales are on track to set a new record-high rate of increase. Like the rest of the Atlantic Provinces however, the overall outlook is dimmed by unfavourable demographic trends. A projected acceleration in the decline in working-age population will take an increasing toll on economic growth in the coming years. After growing by a robust 1.7% in 2017, we anticipate economic growth to slow to 0.7% in 2018 and 0.4% in 2019.

Shrinking labour pool to weigh on economic growth but has a silver lining for workers

While demographic factors exert adverse effects on the economy of New Brunswick, there's a silver lining for those looking for a job. The unemployment rate fell to its lowest level in decades last summer. A tighter labour market is also good news for workers. Employees saw robust growth in compensation in 2017 as firms compete for labour. We expect New Brunswick's unemployment rate to remain on a downward track in the period ahead. Yet we also expect to see modest employment losses. The reason for simultaneous declines in both employment and the unemployment rate is a steep expected drop in the labour force arising from a shrinking of the province's working-age population.

A boost in infrastructure spending

The provincial government is keeping a tight rein on spending as it pursues its goal of balancing the budget by 2020-21. It has been a long road for New Brunswick to close what was once a large structural deficit. But interim budget reports since the spring budget show that the government remains on track to achieving its deficit projections. Infrastructure is one area where the province is increasing spending partly by leveraging money from the federal government's Investing in Canada Plan. The recently announced capital budget for 2018-19 shows a 9% increase over this year largely driven by an increase in road work. Increased government investment is adding to a bright outlook from the private sector. On the residential side, a bump in the building of new houses will continue into 2018 thanks to a 14% increase in housing starts in 2017. Major non-residential projects include upgrades at the pulp mill in Saint John—scheduled to will wrap up by the end of 2017—the modernization of the city's port, and New Brunswick Power's capital investments in new equipment.

Mixed outlook for exports

The outlook for exports is mixed with strong demand for the province's products countered by uncertainty in trade policy. Food exports are being supported by high prices and recent investments in frozen food manufacturing to increase capacity. Demand for forestry products remains strong given steady demand from the US housing sector and rebuilding activity following Hurricanes Harvey and Irma. However, a recently imposed tariff on New Brunswick lumber by the United States will limit how much the province benefits from good conditions. The measure highlights the province's vulnerability to protectionist policies due to its high exposure to US trade. New Brunswick sends over 90% of its exports to the United States—the highest proportion of any province.