



NOVA SCOTIA - Tide is rising for Nova Scotia's economy

After grappling with a challenging third wave, Nova Scotia is finally seeing light on the horizon. Vaccination campaigns are moving fast and the provincial government announced its re-opening plan, setting the stage for the easing of most restrictions as early as mid-July. This will bolster the outlook for the province's services sector, which has borne much of the economic cost of COVID-19. We expect GDP growth to rebound strongly this year at 4.7%. This would entirely reverse last year's 3.2% contraction and lift activity 1% above 2019 levels.

Manufacturing sales grew significantly in the first three months of 2021, up 13% from a year ago. Transportation equipment accounted for nearly half of this growth with shipbuilding activity ramping up materially. Halifax shipbuilders are scheduled to complete the third (of six) Arctic offshore patrol ships this year for the Canadian Navy. The major Halifax-based producer is also working to replace the government's naval frigates and maintain the navy's aging warships.

We expect an increase in road trips across North America—as jurisdictions easing travel restrictions—will be positive for Nova Scotia's tire exports.

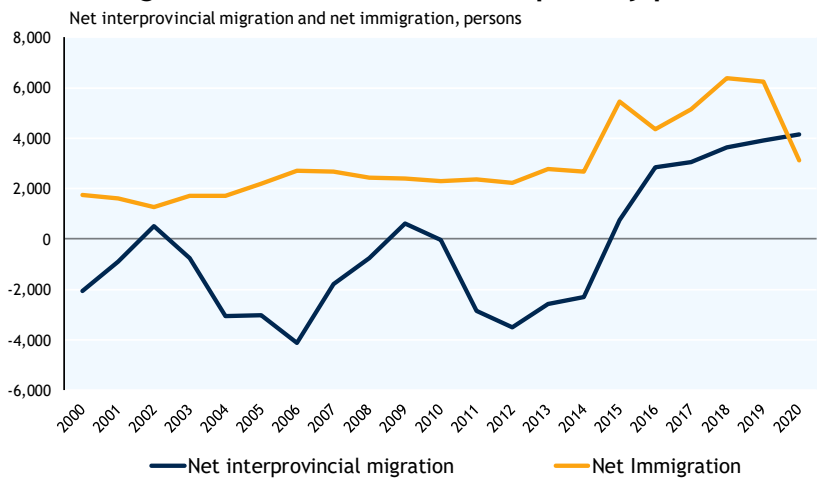
The provincial seafood industry will benefit from higher prices and processing capacity, as well as the reopening of restaurants worldwide. Depressed crustacean prices last year weighed on Nova Scotia's food product sales. Pandemic-related challenges also included a shortage of foreign workers in processing plants in the Atlantic region.

Nova Scotia's housing market is white hot. Home resales soared an astounding 51% from a year ago in the first quarter and prices were up 15% (composite benchmark), with Halifax seeing much of this heat. We expect some moderation from these unsustainable levels but low interest rates and a steady influx of buyers from outside the province—attracted by Nova Scotia's relative affordability—will maintain strong demand. Housing starts are on track to reach a multi-decade high this year.

The pandemic significantly disrupted in-migration into the province. Immigration—the largest contributor to population growth over past decades—plummeted, leaving interprovincial migration as the main source of newcomers. Many of them are in fact returning working-aged Nova Scotians. We expect immigration to resume once Canada's border reopens.

In March, Nova Scotia released its 2021 budget, penciling in a pandemic deficit of \$585 million and introducing a path to balance by fiscal year 2024-25. The province's debt to GDP level is expected to grow to 40% over that horizon, at which point it will be the highest in the Maritimes. Nova Scotia has devoted over \$1 billion in its budget to capital expenditure (earmarked for public infrastructure) to help drive the recovery.

Immigration to Nova Scotia disrupted by pandemic



Source: Statistics Canada, RBC Economics

Nova Scotia forecast at a glance

% change unless otherwise specified

	2018	2019	2020F	2021F	2022F
Real GDP	1.9	2.4	-3.2	4.7	2.2
Nominal GDP	3.6	3.8	-2.0	7.9	4.3
Employment	1.9	2.3	-4.7	6.2	1.9
Unemployment Rate (%)	7.7	7.4	9.8	8.2	7.5
Retail Sales	0.2	2.5	-2.2	10.7	0.9
Housing Starts (Thousands of Units)	4.8	4.7	4.8	5.6	4.4
Consumer Price Index	2.2	1.6	0.3	3.5	2.4