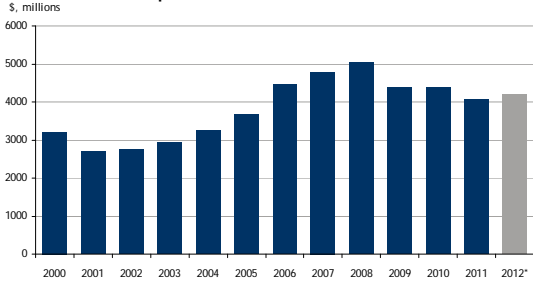
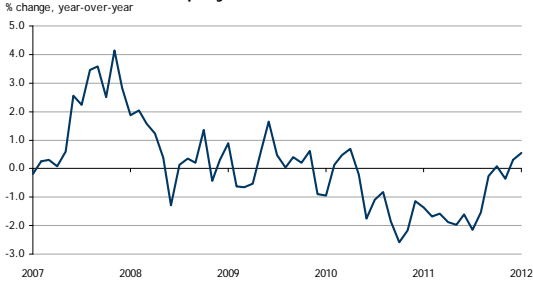


New Brunswick private investment



Source: Statistics Canada, RBC Economics Research
* Intentions.

New Brunswick employment



Source: Statistics Canada, RBC Capital Markets, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

	2010	2011F	2012F	2013F
Real GDP	3.1	0.7	1.6	2.1
Employment	-1.0	-1.1	0.7	1.0
Unemployment rate (%)	9.3	9.5	9.4	8.9
Retail sales	4.9	4.9	3.2	3.7
Housing starts (units)	4,101	3,200	3,100	3,200
Consumer price index	2.1	3.5	2.0	2.1

Private sector is stepping up as public sector is stepping down

Last year, weak exports and a sluggish job market brought economic growth in New Brunswick to a very slow grind (we estimate the rate at 0.7%). This year, we expect to see some improvement as stronger U.S. growth, private-sector investment, and consumer expenditures will generate benefits that will outweigh the effect of belt tightening in the public sector. We see the improvement in the provincial economic performance extending to 2013, when some positive spill-over effects from neighbouring Nova Scotia’s major shipbuilding contract will start kicking in. On the whole, we project real GDP growth of 1.6% in 2012 and 2.1% in 2013.

Fiscal consolidation weighs on growth

As in other jurisdictions, New Brunswick is headed into a period of fiscal austerity, with both the provincial and federal governments engaged in restoring budget balances. Because of New Brunswick’s relatively high share of the government in economic activity (36.1%, compared to 26.0% nationally in 2010) and the large deficit to be eliminated relative to provincial GDP, we expect fiscal restraint to be a greater drag on economic activity than in most other province in both 2012 and 2013.

Exports, private investment pick up the slack in 2012

Last year, pressure on New Brunswick’s international trade sector played a key role in constraining provincial GDP growth. Net trade in energy commodities (which are the province’s biggest export commodities) was a particular drag with real exports falling by 3.7% (despite a nominal increase of 23%) while real energy imports rose by 4.2%. With the refinery maintenance work that contributed to the export decline last year now completed, we expect net energy exports to improve this year. New Brunswick’s overall trade performance will also benefit from stronger expected U.S. growth. Meanwhile, improving economic prospects appear to be boosting business confidence. Statistics Canada’s P&PI intentions survey shows that the private sector intends to raise its investments in the province for the first time since 2008, by 3.5% in 2012. This will more than offset a 0.9% drop in planned public investment. The end of spending at two major projects in the province (Point Lepreau in the last half of 2012 and the Sussex Potash mine in early 2013) will likely keep investment growth subdued in 2013; however, this will be partially offset by increased utilities and mining production.

Shipbuilding spill-over, mine closure in 2013

We expect that the 2012 combination of fiscal austerity but improving private-sector performance will continue into 2013. Two other factors are also expected to affect provincial economic growth in that year. First, we expect there to be some positive spill-over effects from the Nova Scotia shipbuilding contract, which will be most evident in 2013 as spending on the contract ramps up. On the other hand, the closure of the Xstrata Brunswick mine, scheduled for March 2013, will weigh on mining output. The loss of around 800 jobs associated with the mine will also put pressure on employment, which has only recently begun to grow again after a two-year period of decline. We expect that these factors will keep overall economic growth at a relatively modest pace in 2013, with our call for GDP growth at 2.1%.

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