

Good things come to those who wait

Nova Scotia’s economy is in waiting mode. Economic growth has been slow in 2011, with ongoing declines in natural gas production and lower major project investment contributing to weak employment growth and consumer spending. There are several key developments on the horizon that should lead to faster growth in the coming years; however, these will have their largest effects only in the medium to longer term. Until then, the province will continue to see a relatively muted pace of expansion. We expect slightly faster real GDP growth of 1.6% for Nova Scotia in 2012, from a weak 1.3% in 2011. The economy’s pace will pick up substantially by 2013, however, when important new projects start to kick in. We forecast growth to accelerate to 3.5% in 2013.

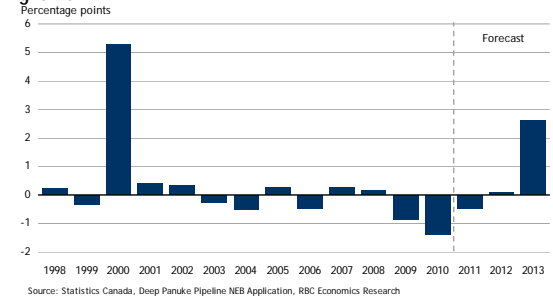
Economic growth on hold for now

Ongoing declines in natural gas production from the Sable natural gas field, combined with lower major capital project spending, have put a heavy damper on economic growth in Nova Scotia this year. Average employment was down 0.2% over the first 11 months of 2011 relative to the same period last year, with the weakness entirely in private-sector jobs (where notable declines were registered in finance, insurance and real estate, business and building services, primary industries, and construction). Retail sales have barely grown, increasing by just 0.2% relative to last year when sales at gasoline stations are removed (buoyed by higher prices). There have been some bright spots, with manufacturing sales and exports both climbing; however, the closure of the New Page paper mill in September will constrain further growth in these areas. We expect that these trends will keep economic activity in the province subdued throughout the rest of this year and into 2012.

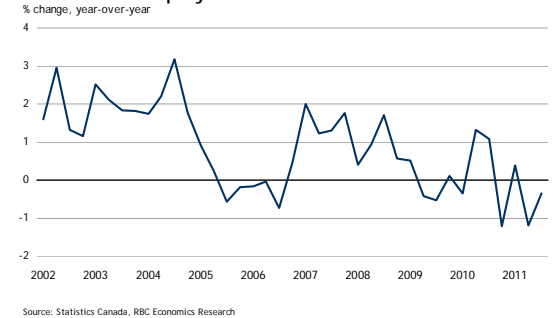
Faster growth in view

While we do not expect a major acceleration of activity in the Nova Scotia economy through to the end of next year, there is reason to be optimistic about the future. The Deep Panuke offshore natural gas project is scheduled to come online in the second quarter of 2012, providing a significant boost to natural gas production next year, although the largest annual gain will be seen in 2013 as output reaches full capacity, and the field sees its first full year of production. Capital spending related to the \$25 billion 30-year shipbuilding contract awarded by the federal government in October to Halifax’s Irving Shipyard is also expected to begin in 2012, initially with work on new structures required for the contract that is expected to last until 2014. In 2013, our forecast assumes that construction on the \$1.2 billion Maritime Transmission Link (as part of the Lower Churchill Project in Labrador) will ramp up. The project is expected to create 2,700 person-years of employment in Nova Scotia, and Newfoundland and Labrador. With such major projects on the way, we expect that Nova Scotia’s growth prospects will improve substantially in the medium term. We forecast the province’s real GDP to grow at a 10-year high rate of 3.5% in 2013.

Nova Scotia mining, oil and gas sector: contribution to growth



Nova Scotia employment



Nova Scotia forecast at a glance

% change unless otherwise indicated

	2010	2011F	2012F	2013F
Real GDP	1.9	1.3	1.6	3.5
Employment	0.2	-0.1	1.1	1.8
Unemployment rate (%)	9.3	9.0	8.7	8.3
Retail sales	4.6	3.0	3.8	4.4
Housing starts (units)	4,309	4,600	4,000	4,600
Consumer price index	2.2	3.8	1.9	2.4

Kirsten Cornelson
Economist