



MOST OF ATLANTIC CANADA SET FOR MODEST ECONOMIC GROWTH IN 2013: RBC ECONOMICS

Newfoundland and Labrador catapult from the bottom to the top of Canada's provincial growth rankings

TORONTO, June 19, 2013 — Atlantic Canada's overall economic growth is picking up pace compared to 2012, buoyed in large part by an exceptionally strong performance from Newfoundland and Labrador, according to the latest [RBC Economics Provincial Outlook](#) issued today.

A rebound in **Newfoundland and Labrador's** oil and gas sector, the province's largest driver of growth, along with firmer market conditions for the mining sector are expected to propel the province to the top of the provincial growth rankings in 2013, despite recent indications that the domestic side of the economy hit a soft patch this spring. RBC forecasts that the province's economy will grow a remarkable 6.0 per cent this year following a dismal -4.5 per cent rate in 2012.

"The dramatic turnaround in oil and gas production from the 11-year low in 2012 will continue to drive Newfoundland and Labrador's economic growth this year. This upswing should be bolstered by a sustained capital spending binge by oil and gas producers with plans to boost capital outlays by nearly 83 per cent," said Craig Wright, senior vice-president and chief economist, RBC. "Construction on the Hebron offshore oil platform is expected to ramp up in 2013, with the project contributing significantly to the record level of capital investment in the province"

RBC notes that an anticipated bounce back in private sector hiring through the remainder of the year is expected to offset losses in public sector employment as the provincial government makes adjustments to their workforce. This renewed momentum should keep the unemployment rate in check and encourage increased consumer spending.

After an estimated 16 per cent decline last year, The Department of Natural Resources projects the overall value of mineral shipments from Newfoundland and Labrador will rise 28 per cent in 2013, led by renewed strength in iron ore and nickel shipments. RBC says that while the rebound has yet to materialize, improving demand for commodities and higher capacity at the province's iron ore projects should contribute to a considerable pickup in production activity for the remainder of the year.

Economic activity in **Nova Scotia** failed to show any meaningful pickup in 2012, with provincial industry growth estimates essentially flat at 0.2 per cent – the slowest pace since 2009. However, RBC projects real GDP growth of 1.7 per cent this year, with strong expected contributions from the long awaited start-up at the Deep Panuke natural gas project, which should provide a notable export boost when it commences production in the middle of the year. With Deep Panuke on the immediate horizon, work related to offshore exploration bids from Shell and British Petroleum will further brighten prospects for the province’s energy sector.

“A pullback in Nova Scotia’s energy sector and declining forest product output combined with weak domestic performance curbed economic growth last year with the latter weakening trend persisting into 2013,” said Wright. “However, positive year-to-date export gains should help to alleviate concerns of a slowdown as pressures weighing on export-led sectors further dissipate.”

RBC says the modest rebound in Nova Scotia’s job market this spring seems tentative, with solid advances in self-employment and public sector employment masking a declining trend in private sector employment. Despite an expected lift to employment as headwinds ease from the provincial trade sector, employment growth will likely remain subdued, keeping the unemployment rate relatively steady at 9.1 per cent.

Prince Edward Island’s economic performance eased in the early months of 2013, after registering the strongest export gains in the country in 2012. With demographic challenges intensifying and government spending to slow markedly, softer domestic growth in the province is expected to be supplemented by trade winds gathering speed for the remainder of the year. RBC expects real GDP growth for PEI of 1.7 per cent in 2013.

“As the province’s emerging export-oriented sectors gained momentum, a slowdown in the traditional potato industry brought about a cooling in overall exports to start the year; however, PEI’s lobsters appear to be increasingly pleasing to the palates of foreigners as exports have increased noticeably year-to-date,” said Wright. “It will likely be a bumpy ride for the remainder of the year, however, as the 2013 provincial budget proposed greater program expenditure restraint than was originally planned.”

PEI’s job market ended 2012 on a strong note with the impressive gains carrying into the early months of the year – employment reached a record high in the spring. The solid overall performance can largely be attributed to a significant jump in hiring in the province’s wholesale and retail trade sectors after two consecutive years of annual declines.

RBC notes PEI's economic performance will likely encounter some turbulence this year as consumers may tighten their purse strings following the introduction of the HST in April. Furthermore, after posting the slowest annual growth rate in 2012 since 2007, population growth ground to a halt in the first quarter of 2013. The trend toward fewer international migrants coupled with an aging population could put pressure on what has been a relatively resilient domestic economy going forward.

New Brunswick's economy struggled under anaemic growth conditions in 2012; however, encouraging signs for a much-anticipated, albeit modest, improvement have emerged so far this year. Led in part by the emerging U.S. housing recovery and the accompanying improvement in the province's lumber sector, RBC expects mild real GDP growth of 0.8 per cent in 2013.

Despite the improving tone, there will be plenty of economic headwinds to contend with in the province. New Brunswick continues to be held back by a slowdown in capital investment, with non-residential construction plunging nearly 20 per cent last year and a further pullback to start 2013.

"With the short term list of major investment projects quite bare, New Brunswick continues to rely on demand for key commodities and strengthening U.S. recovery to lay the foundation for an improvement in economic growth," said Wright. "The results of TransCanada's solicitations for shipper commitments for the East-West oil pipeline hold great potential for the province, as it could represent a much-needed medium-term springboard for growth."

Following a three-year slump, RBC notes that New Brunswick's labour market is now stabilizing and is poised to show modest improvements moving forward. The six-month average employment figure – which smoothes the significant month-to-month volatility – has inched up steadily so far this year. RBC says that job prospects should be bolstered by a pick-up in activity in the province's export-oriented sectors.

"Improving employment would normally have positive implications for consumer spending. In this instance, however, any possible recovery in household spending will likely be dampened by the hikes in personal income tax rates announced in the 2013 budget," said Wright.

New Brunswick's government revealed in the 2013 budget that a weaker-than-expected economy hampered its efforts to balance its books by 2014-2015, yet it remains committed to eliminating the deficit by hiking taxes to boost revenue.

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The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at rbc.com/economics/market/pdf/provfcst.pdf.

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