



## ATLANTIC CANADA POSITIONED FOR MODEST GROWTH IN 2015: RBC ECONOMICS

**TORONTO, December 12, 2014** — Atlantic Canada's economies showed signs of modest growth in 2014 and are likely to maintain a generally subdued pace in 2015, according to the latest [RBC Economics Provincial Outlook](#) released today.

In general, exports have been a key driver of growth in the Atlantic Provinces in 2014 and are expected to remain supportive in 2015. Investment spending is also helping to sustain growth as major capital projects take shape across the region. Tempering these positive factors is a continuing drag arising from fiscal restraint, limited job gains, and gathering demographic headwinds.

Data suggests that economic activity picked up in **Nova Scotia** in 2014. RBC anticipates real GDP growth to accelerate from 0.3 per cent in 2013 to 2.2 per cent in 2014, driven by surging natural gas production along with expanding non-energy exports and continued spending on major capital projects. Ongoing strength in exports and manufacturing coupled with a reviving domestic economy are expected to sustain steady growth of 2.2 per cent in 2015 and a slightly slower advance of 1.9 per cent in 2016.

"Gains in Nova Scotia's export sector offset a weaker domestic side of the economy that is currently facing mounting demographic headwinds. Going forward, as exports continue to benefit from a weak Canadian dollar and major capital projects advance, provincial employment should strengthen and reverse some of the losses we've seen in recent years," said Craig Wright, senior vice-president and chief economist, RBC.

Natural gas output surged in Nova Scotia in 2014 thanks to a full-year of operations at the Deep Panuke offshore gas field. Non-energy exports have also showed strong gains so far in 2014, RBC says. Exports of tires – Nova Scotia's largest export category – remain elevated and growing Asian demand has boosted exports of fish and seafood products.

"Looking ahead to 2015, export growth is expected to slow in Nova Scotia, albeit to a still solid pace, thanks to rising demand from the United States and a lower Canadian dollar," added Wright.

The report notes, however, that Nova Scotia is heading for another year of job losses in 2014 as private-sector employment slides. Job losses are concentrated in the goods-producing sector while public-sector employment has posted modest gains. A soft labour market and declining working-age population is undoubtedly weighing on housing demand and homebuilding activity, with both housing starts and residential investment down significantly in 2014.

“U.S.-led manufacturing growth and work on major capital projects will be positive for Nova Scotia’s job market in 2015,” said Wright.

Major projects continue to progress across the province. The Maritime Link is entering its three-year construction phase and work continues on a number of projects in Halifax. Moreover, the expansion of the Halifax shipyard is wrapping up in preparation for the building of the first new patrol ship, scheduled to begin in mid-2015.

Modest growth is expected to be maintained in **Prince Edward Island** after expanding by 2.0 per cent in 2013. RBC forecasts growth of 1.4 per cent in 2014 followed by 1.2 per cent in 2015.

“Lingering weakness on the domestic side of the economy and ongoing public sector consolidation have been weighing on economic growth in PEI in 2014. Though exports showed strength, especially in manufacturing and agricultural products, capital spending has pulled back causing a slow down in economic growth,” added Wright. “In 2015, we expect growth to ease further as exports expand more modestly.”

Led by farming, fishing and aerospace products, merchandise exports in PEI surged in the first nine months of 2014, rising 20 per cent year-to-date from the same period a year earlier. RBC says growing manufacturing exports have flowed through to employment, boosting manufacturing payrolls by 11 per cent so far in 2014.

“Investments in expanded capacity, growing U.S. demand, and a weakened Canadian dollar all point to continued strength ahead for PEI exporters,” said Wright. “We expect export-oriented sectors to contribute to growth in both 2015 and 2016.”

RBC projects economic growth in **New Brunswick** to edge out a 1.0 per cent gain in 2014 before accelerating to 1.8 per cent in 2015. The expected renewal of growth would represent a notable improvement after declines of 0.4 per cent in 2012 and 0.5 per cent in 2013.

“Following weak performance in the past two years, more recent data suggests that New Brunswick’s economy is growing again in 2014. The outlook for the forestry sector is upbeat and employment growth has returned,” said Wright. “We expect modest gains this year to give way to moderately faster growth in 2015, as exports rise to meet growing U.S. demand, investments in new capacity advance and expanding employment lifts the domestic economy.”

Falling energy exports contributed to a 6 per cent decline in exports overall so far in 2014. RBC also noted that recent mine closures and falling potash prices have negatively impacted exports of metal and mineral products. In 2015, the mining industry is expected to pick up as the multi-billion dollar Picadilly potash project ramps up production.

“Looking ahead, a number of other mining projects are taking shape and will diversify the New Brunswick mining industry, support the construction industry as they are built, and ultimately boost mining output once they are commissioned,” added Wright.

Bucking the falling export trend in 2014, RBC says forestry product shipments posted steady gains. The provincial government has announced an increase in the allowable cut of Crown softwood and substantial investment spending is expected to increase the industry’s capacity in the coming years.

“As capacity expands, the industry will benefit from rising demand for forestry products from a recovering U.S. housing market,” said Wright. “Moreover, increased investment spending will support a sagging construction industry that faced declining housing starts in 2014.”

New Brunswick is set to add jobs in 2014 following four years of declines. Job gains in private services are driving overall employment growth, while goods-producing employment continued to slide as the construction and manufacturing sectors shed workers.

“We expect job losses in the goods-producing sectors to reverse in 2015, as stronger exports support hiring in the manufacturing sector and capital investment boosts construction jobs,” added Wright. “While employment growth has been limited so far in 2014, the province’s high unemployment rate has fallen because of a declining labour force and working-age population.”

After growing at a blistering 7.2 per cent rate in 2013, RBC expects growth in **Newfoundland and Labrador** to edge out a 0.5 per cent gain in 2014 before accelerating modestly to 1.1 per cent in 2015.

“Following accelerated growth in 2013, we anticipate Newfoundland and Labrador’s economy to slow to a crawl in 2014, as energy production and capital spending moderate,” said Wright. “In 2015, we expect growth to advance somewhat faster as work progresses on a number of large projects and manufacturing activity picks up. However, steep declines in oil prices pose challenges to the energy and public sectors.”

So far in 2014, Newfoundland and Labrador’s energy production has pulled back after surging in 2013. Despite recent price declines, nominal energy exports are expected to rise in 2014 thanks to higher prices early in the year.

The sharp decline in global oil prices has created uncertainty for the government of Newfoundland and Labrador. In recent years, the provincial government has derived nearly one-third of its revenues from offshore oil royalties, and declining prices threaten to send these revenues tumbling. In response, the government has begun to announce measures to contain spending with full details expected in the province’s fiscal update in December 2014.

“Despite low energy prices impacting government budgets, major hydroelectric, mining and manufacturing projects remain on track, causing us to remain cautiously optimistic about the province’s economic prospects,” added Wright. “Provincial oil production should hold up in 2015 despite falling prices and we expect work to continue on the \$14-billion Hebron project.”

Newfoundland and Labrador’s non-energy mining industry faces tough challenges as global iron ore markets are currently depressed. While a quick turnaround in the non-energy mining outlook is unlikely, RBC expects that the ramping up of recently completed mining projects will support output in 2015. RBC says work on these investments will help contain job losses in the construction industry which partly reflect declines in new housing activity.

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/economic-reports/provincial-economic-forecasts.html](http://rbc.com/economics/economic-reports/provincial-economic-forecasts.html).

**For more information, please contact:**

[Craig Wright](#), RBC Economics Research, 416-974-7457

[Gerard Walsh](#), RBC Economics Research, 416-974-6525

[Christine Stewart](#), Communications, RBC Capital Markets, 416-974-3678