



## ATLANTIC CANADA POSITIONED FOR MODERATE GROWTH IN 2014: RBC ECONOMICS

Laura Cooper, RBC economist, [discusses](#) Atlantic Canada's economic growth

**TORONTO, March 19, 2014** — Atlantic Canada is set to post modest improvements in growth in 2014, with the exception of Newfoundland & Labrador, according to the latest [RBC Economics Provincial Outlook](#) released today. RBC forecasts all of the provinces in the region to grow at rates below the national level.

Following a year of subdued growth, **Nova Scotia's** economy is poised for modest acceleration in 2014. RBC forecasts that a full year of production at the Deep Panuke offshore natural gas field and the attendant boost to the province's energy exports will help lift real GDP growth to 2.0 per cent in 2014.

"A full year of production at Deep Panuke this year is expected to boost growth in Nova Scotia and support continued trade gains after experiencing renewed strength in the province's international trade merchandise exports in 2013," said Craig Wright, senior vice-president and chief economist, RBC.

Healthy demand for seafood exports will continue in 2014, RBC says, though year-over-year gains from paper product shipments are set to ease following a full year of production in 2013 at the re-opened Port Hawkesbury Mill. Strengthening auto sales in the U.S. are expected to support the province's largest export, rubber tires, but could be tempered by an anticipated reduction in production by the province's largest manufacturer over the next 18 months.

The Provincial Outlook notes that as the province moves towards an anticipated 2015 start date for the "cutting of steel", tasks related to the multi-year \$25 billion shipbuilding procurement contract continue to advance. Increased capital spending plans were confirmed in the recent Statistics Canada P&PI survey, which indicated capital investment (excluding housing) would rise a modest 1.9 per cent in 2014.

RBC expects a modest recovery in employment in Nova Scotia, projected to rise 0.4 per cent in 2014 though this would mark the seventh year of sub-1.0 per cent growth in the province. The slight recovery in the labour market at the margin, however, will help to restore some confidence among consumers and provide a small lift to overall consumer spending, RBC says.

Following a strong rebound in crude oil production that fuelled **Newfoundland & Labrador's** economic growth to a robust pace of 6.0 per cent in 2013, the province's economy is expected to ease to a growth rate of 1.5 per cent in 2014.

RBC notes that the National Energy Board forecasts crude oil production will decline by 0.8 per cent in 2014, following a 16 per cent rebound in 2013, due to the maturation of existing offshore oilfields.

“The absence of the surge in crude oil production that launched Newfoundland & Labrador to the top of provincial growth rankings in 2013 is expected to significantly ease the province’s growth rate in 2014,” added Wright. “That said, we expect the energy sector to continue to be a strong driver of economic growth with capital investment remaining historically elevated supported by advances of major projects.”

Statistics Canada’s latest investment intentions survey indicates that spending by the oil and gas sector is expected to rise by 9.7 per cent to \$5.1 billion in 2014. Construction on the Hebron offshore oil project is expected to peak this year, while ongoing work on the Hibernia Southern Extension Unit and South White Rose extension are expected to continue to contribute to investment in the province.

With challenging conditions continuing to weigh on the sector, mining activity is not expected to pick up in 2014. “Softer commodity prices and lower production troubled the industry in 2013, and recent capital spending intentions show further cutbacks are in the cards for the mining industry in 2014,” explained Wright.

However, the outlook for mining is not all negative, RBC says. Despite persistent downside risks for iron ore prices, the Iron Ore Company of Canada is on track for the second phase of expansion to increase production in 2014. Also, the recent government approval of the Kami project indicates construction is likely to ramp up this year, offsetting the anticipated pullback in construction related to the completion of Vale’s processing plant in 2013.

RBC notes that though subdued employment growth is expected to persist this year, a peak in construction jobs at the Hebron offshore project is expected to contribute to employment gains in the province’s goods producing industries, and advances in developments of other major projects are expected to provide further support with construction set to peak at the province’s Muskrat Falls hydroelectric project in 2015.

“We expect the disruption in economic activity from severe winter weather and subsequent power outages at the start of this year to be reversed in the coming months,” added Wright.

RBC expects economic growth in **Prince Edward Island** to remain subdued in 2014, rising only modestly by 1.4 per cent and slowing in 2015 to a rate of 1.1 per cent.

“A sizeable pullback in non-residential capital investment is expected to temper the anticipated rise in PEI’s economic activity and add to intensifying domestic headwinds,” added Wright. “Providing a partial offset, however, will be a weaker Canadian dollar and strengthening U.S. economy that should provide support to both the province’s tourism and export industries in 2014.”

The anticipated decline in capital investment in PEI in 2014 (excluding housing) will reverse a similar sized jump in 2013, RBC says. The retracement of last year’s increases will be seen in both non-residential construction spending and machinery and equipment investment, with the bulk of the decline expected from a significant pullback in the public sector. As outlined in the provincial government’s fall 2013 capital plan, a 12.1 per cent drop in capital expenditures is expected in the 2014/15 fiscal year, with spending declines across most departments.

The Outlook notes that employment growth accelerated to a 1.8 per cent pace in 2013, as the private sector continued to expand hiring and a rising number of Island residents entered self-employment. And though strong employment gains continued earlier this year in the province, RBC expects the overall pace to moderate as government fiscal restraint weighs on public sector hiring. Still, the overall employment gains should be sufficient enough to put further downward pressure on the unemployment rate, RBC says.

RBC anticipates that PEI’s spring budget will provide an indication of the province’s progress on its path to budget balance by 2015/16, after a larger-than-expected deficit of \$79 million in 2012/13. A potential challenge for the province is expected to come from a declining tax base as a greater share of the population enters retirement age. A further moderation in international migration also presents a potential challenge for the province.

**New Brunswick’s** economy is gradually turning the corner, as lacklustre growth conditions weighing on activity in recent years are set to ease in 2014, propelled by a boost in capital investment and an anticipated turnaround in the province’s labour markets. RBC forecasts real GDP growth to accelerate to 1.0 per cent in 2014 and 1.4 per cent in 2015.

In the second half of 2013, non-residential building construction rose above year-ago levels for the first time in two years. RBC anticipates investment momentum to continue through 2014 with Statistics Canada’s latest P&PI survey indicating that capital spending on non-residential outlays is set to rise by 4.1 per cent in 2014 after a sizeable 18.4 per cent drop in 2013.

“Private investment is set to rise in New Brunswick in 2014 for the first time since 2008, providing an offset to further easing in public investment,” added Wright. “The rebound in overall investment intentions bodes well for the provincial economy finally turning the corner this year, particularly as major construction projects advance”

RBC anticipates improving prospects in New Brunswick’s mining sector this year with an expected resumption at the Caribou mine, a drilling program related to the development of an Atlantic Potash mine and the advancement of the Sisson Brook tungsten mine.

To attract investment to the province’s resource sectors, the New Brunswick government is launching a process to identify potential interest in potash exploration and is also set to implement a new natural gas royalty regime in April 2014. RBC says that by replacing a flat tax structure, the government is hoping to spur new developments in the natural gas sector and lay the foundation for overall production and export gains over the long-term.

The provincial government projects an improvement in employment will support revenue gains through increased consumer spending and expects a return to surplus in 2017/18. RBC also forecasts a recovery in the province’s labour market, following four years of consecutive declines.

“Looking closely beneath the headline employment drop in 2013, the private sector marked its first positive annual job growth in 2013 since 2007,” added Wright. “We expect further creation of private-sector jobs in 2014 to offset continued losses in the public sector, leading to a net overall employment gain of more than 1,800 jobs in the province this year.”

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).

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