



ATLANTIC CANADA'S ECONOMY POISED FOR MODERATE GROWTH IN 2015: RBC ECONOMICS

TORONTO, March 12, 2015 — Atlantic Canada is positioned for modest economic growth in 2015, led by rising U.S. demand and a weaker Canadian dollar, according to the latest RBC Economics [Provincial Outlook](#) released today.

Building on indications of accelerated growth in 2014, **Nova Scotia's** economy is poised to continue expanding at steady rates in 2015 and 2016. Forthcoming data is expected to reveal that the province's economy grew by 2.2 per cent in 2014, setting a positive tone going forward. RBC projects real GDP will expand by 2.2 per cent and 2.1 per cent in 2015 and 2016 respectively.

"While Nova Scotia relied on strong export growth and surging natural gas production to compensate for soft employment and housing figures in 2014, we expect to see growth in the province become more broadly based in 2015 and 2016," said Craig Wright, senior vice-president and chief economist, RBC.

The outlook for Nova Scotia's exports looks positive in 2015 as U.S. demand continues to rise and the Canadian dollar stays weak. Manufacturing activity is also set to pick up as shipbuilding work commences on a multi-year patrol ship contract with the federal government. These developments, along with lower prices at the pump, will help boost consumer spending and support job creation, reversing employment losses witnessed in 2013 and 2014, says RBC.

Nominal merchandise exports rose by 24 per cent in 2014 and while much of this increase was in energy products, most export categories posted strong gains. In 2015 and 2016, RBC says natural gas production is expected to plateau and prevailing prices will remain low, limiting growth in energy exports.

Nevertheless, RBC expects export growth will continue on the non-energy side as a lower Canadian dollar improves competitiveness and stronger U.S. growth supports export demand. Despite reduced production at a plant in Pictou County, exports of tires are rising and will benefit from investments in capacity at other plants.

"Exports of tires and fish and seafood products account for nearly half of Nova Scotia's exports, and strong growth in these categories recently is generating positive momentum for the remainder of 2015," added Wright.

Construction of the first Arctic Offshore Patrol Ship is expected to start in September 2015 and should sustain a prolonged boom in manufacturing. On the other hand, RBC notes that the end of refitting work on the shipyard itself will create a hole for the construction industry which was already set back by lower housing activity in 2014. Some offset will come from other major projects going forward, including the Maritime Link electric transmission project, the re-decking of the Macdonald Bridge in Halifax, and a number of residential and commercial developments.

After two years of job losses, RBC says sustained economic growth in the province is expected to start generating employment gains in 2015. As job creation picks up amid limited labour force growth -- which remains restrained by sluggish demographics -- the province's unemployment rate is set to ease from 8.9 per cent in 2014 to 8.4 per cent this year.

"We expect that the strengthening in the provincial job market will create promising conditions for newly arrived workers, should net migration flows with oil producing provinces turn in favour of Nova Scotia," said Wright.

Despite having grown for the first time in three years, **New Brunswick's economy** remained quite frail in 2014, with modest job losses accompanying weak export performance and declining housing activity. RBC expects data to reveal the economy grew at 0.8 per cent in 2014 and forecasts that it will accelerate to 1.9 per cent in 2015 before slowing to 1.5 per cent in 2016.

"While the latest data has yet to signal a convincing upturn, we see increasingly positive underlying fundamentals for New Brunswick and we expect the economy to gather a bit of steam in 2015," said Wright. "Stronger growth in the U.S. and a weaker Canadian dollar will stimulate export demand, and investments in productive capacity will allow firms in New Brunswick to respond."

Repair work induced production declines at the refinery in Saint John late in 2014 and, along with slumping mineral shipments, contributed to a 10 per cent decline in New Brunswick's merchandise exports last year. However, RBC says the mining industry is poised for a turnaround as the new \$2.2-billion potash mine in Sussex ramps up production during 2015 and the Caribou zinc mine remains on schedule for re-commissioning in the first half of the year. Further, construction is expected to begin this year at a tungsten mine at Sisson Brook, providing a substantial boost to capital spending in the province.

"Rising mining capacity will coincide with stronger demand from the U.S., which accounts for 91 per cent of New Brunswick's exports," added Wright. "Improved growth prospects south of the border coupled with a weakened Canadian dollar bode well for an export-led reinvigoration of the province's economy."

The report notes that the province's exports of wood products grew by 8 per cent in 2014 propelled by rising shipments to the United States. RBC expects spending to expand capacity at the pulp and paper mill in Saint John along with assorted other forestry investments to allow forestry exports to continue growing as demand heats up.

Despite rapid export growth in **Prince Edward Island**, 2014 was a disappointing year for the province's economy, as public-sector job losses outweighed gains in the private-sector industry, and housing and investment tumbled. Official growth figures are expected to show the island's economy grew by 1.4 per cent in 2014.

RBC expects PEI's economic growth to pick up to 1.6 per cent this year as exports continue to expand briskly, and construction and investment turn around. Along with good prospects for tourism, these forces will support solid income and employment gains beyond 2015 and drive faster growth of 1.7 per cent in 2016.

Construction was the key drag on PEI's economic growth in 2014. The completion of the \$60-million wind farm in Hermanville, a steep decline in housing starts and a 25 per cent reduction in intended public investment spending combined to create challenges for the industry last year.

"In 2015, construction should turn from a headwind to a tailwind in PEI, as housing activity begins to rebound and private-sector investments in manufacturing capacity ramp up," added Wright. "Recent and ongoing investments in aerospace, machinery and food product manufacturing capacity will set PEI businesses up to respond to stronger demand expected from the U.S., and will be enhanced further by the weaker Canadian dollar. While the island's share of exports heading to the U.S. has declined in recent years, it remains PEI's largest export partner, signalling upside potential."

In contrast, RBC expects the public sector to contribute less to overall economic growth, reflecting a lower path of planned capital spending by the provincial government.

In 2014, PEI joined the rest of Atlantic Canada in posting job losses as steep reductions in the public sector offset solid private-sector gains. RBC expects continued job creation in the private sector to drive PEI's labour market in 2015, leading to overall net gains.

"As job prospects improve and consumers save at the pump, they will feel more confident and we expect spending at home to increase. We also expect consumer-oriented industries to receive a boost from stronger tourism spurred by the weaker Canadian dollar," said Wright.

Newfoundland and Labrador's economy contracted substantially in 2014 as offshore oil production and mining activity slowed. Economic growth in the province is expected to resume in 2015 at a pace of 0.8 per cent and stay barely positive in 2016 with a rate of 0.2 per cent.

"Newfoundland's economic growth will see improvement in 2015 as the offshore oil sector gets a boost from production at new fields and investments in mining capacity support production. The wider economy, however, is expected to remain weak amid falling employment and a squeezed public sector," said Wright.

RBC says the province's oil production fell in 2014 as depletion-related declines at the Hibernia field more than offset increased production elsewhere. Benchmark oil prices declined more than 50 per cent since mid-2014 and are compounding the impact on the provincial government's budget. The 2014-2015 Fall Update signalled both a larger anticipated budget shortfall for the current fiscal year and cuts to government spending.

“Despite oil declines last year, energy production is expected to climb in 2015 and 2016 as new projects come online,” said Wright.

As production begins at the South White Rose Extension and expands at North Amethyst, capital spending will likely decline, RBC says, but continued work elsewhere will ensure spending in the sector remains elevated through 2016.

RBC notes that falling commodity prices are creating challenges for the province’s mining industry as iron ore prices have continually declined and mine closures contributed to a 19 per cent decline in iron ore production last year. This coincided with declining copper and nickel output. In 2015, the mining industry is poised to regain lost ground, as new and expanded mining operations, as well as new rail access, should support increased iron ore shipments.

Steep losses in public-sector employment in the province led to an overall employment decline in 2014, and prospects for a recovery in 2015 are quite limited due to the provincial government’s fiscal situation.

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.

For more information, please contact:

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

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

[Elyse Lalonde](#), Communications, RBC Capital Markets, 416-842-5635