

Counting on exports to accelerate growth

Economic indicators point to subdued overall growth in 2015 in New Brunswick; however, there are signs suggesting that the provincial economy started to build momentum as the year progressed, which we believe will contribute to acceleration of the pace in 2016. Non-energy exports are beginning to pick up, and strong gains in manufacturing employment in 2015 should continue as the macro environment remains supportive. We expect that hiring in export-oriented sectors will support consumer spending and help stimulate a domestic economy despite continually weak demographics. We forecast that after expanding by 1.0% in 2015, New Brunswick’s real GDP growth will accelerate to 1.2% in 2016 and 1.5% in 2017.

Crosscurrents for construction

The construction sector has been buffeted by a weak housing market and falling non-residential investment in 2015 resulting in a 14% year-over-year drop in employment in the industry in the first 11 months of 2015. There was some reprieve late in the year, however, as the Saint John refinery underwent a \$200-million upgrade project that created thousands of temporary jobs. The outlook for new housing construction remains dim, but non-residential investment should help sustain the construction industry in 2016, as the government increases spending on road and bridge construction, and the forestry and food manufacturing sectors make investments in new capacity.

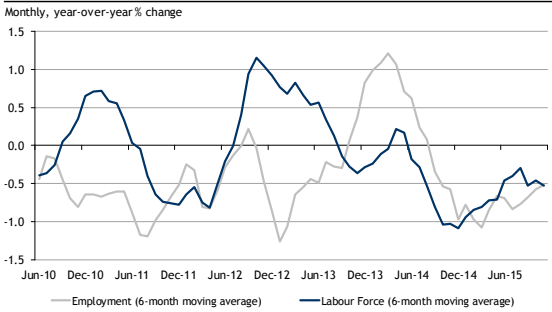
Job growth at last in 2016

New Brunswick once again faces the prospects of seeing employment fall in 2015 after several years of near-zero job growth. Looking ahead, we expect stronger economic growth to translate to renewed, albeit modest, job gains during our forecast horizon. While job gains are likely to be limited, the labour market is bound to tighten due to a shrinking pool of working-age adults puts downward pressure on the labour force and the unemployment rate. Rising public employment in 2015 helped limit job losses in province, but as the government aims to contain its budget deficit (projected to be \$453 million in FY15–16), that support likely will fade. Instead, we expect that the private sector will drive job growth, as payrolls rise in export-oriented industries and recent gains in average wages and stronger consumer spending translate into job creation in the service sector. Growth in retail sales (excluding gasoline) picked up in the first three quarters of 2015, especially in big-ticket categories like motor vehicles and furniture and furnishings, and further gains are expected in 2016.

Non-energy exports begin to lift off

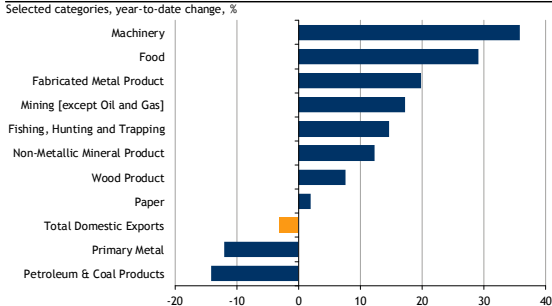
After being reopened to sate international demand for potash in 2014, the potash mine at Penobsquis has now been closed, and production shifted to the nearby Picadilly mine, which is ramping up toward full production. Farther north, the newly commissioned Caribou mine will see increased production of a variety of metal ores next year. A pick-up in mining activity should fuel the industry’s exports and add to strong growth in New Brunswick’s non-energy export categories. Exports of food products have grown substantially year to date, thanks to increased shipments of seafood, and forestry products continue to see gains that are consistent with the steady rise of US housing construction. New investments in both industries point to further growth in 2016 and 2017.

New Brunswick : Labour market indicators



Source: Statistics Canada, RBC Economics Research

New Brunswick : Merchandise exports



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated						
	2012	2013	2014	2015F	2016F	2017F
Real GDP	-1.0	0.4	-0.3	1.0	1.2	1.5
Nominal GDP	0.7	0.4	0.6	2.6	2.8	3.5
Employment	-0.7	0.4	-0.2	-0.4	0.4	0.3
Unemployment rate (%)	10.2	10.3	10.0	9.8	9.5	9.1
Retail sales	-0.7	0.7	3.8	2.7	2.9	2.6
Housing starts (units)	3,299	2,843	2,276	2,000	2,200	1,900
Consumer price index	1.7	0.8	1.5	0.5	2.2	2.1

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