NEWS

Atlantic Canada's economic growth to modestly improve in 2013: RBC Economics

Newfoundland and Labrador to lead provincial growth rankings

TORONTO, March 19, 2013 — Atlantic Canada is positioned to improve in 2013 following a relatively weak economic showing across the region in 2012, according to the latest RBC Economics Provincial Outlook issued today.

A major increase of capital investment in **Newfoundland and Labrador's** energy sector – up a whopping 83 per cent over last year to an anticipated $4.7 billion in 2013 – will accompany a rebound of production at the province's offshore oil fields and help to propel Newfoundland and Labrador to the top of the provincial growth rankings in Canada this year. RBC forecasts real GDP growth of 5.1 per cent in 2013.

The booming energy sector is expected to more than offset weaker spending in mining, which was unsettled in the past year by slumping commodity prices, particularly for iron ore.

"A record high in capital investment and the ramp up of construction on the $8.3 billion Hebron oil project will drive Newfoundland and Labrador's boom-like conditions," said Craig Wright, senior vice-president and chief economist, RBC. "With major projects on the agenda and a rebound in oil production, the provincial economy will be firing on all cylinders, growing at a rate well ahead of the rest of the country."

After reaching an all time high in 2012, additional gains in employment are expected going forward with the approval of the Muskrat Falls portion of the Lower Churchill hydroelectric project. RBC's forecast of two per cent employment growth for 2013 will contribute to a further decline in the unemployment rate.

Private investment was expected to give **New Brunswick** a much-needed boost in 2012 and 2013; however, recent indicators show that no such boost is in the works with investment intentions down for both years.

The provincial capital budget for 2013/14 revealed that spending on new projects would plunge 85 per cent this year as the province addresses its fiscal challenges after a revised 2012/13 deficit estimate came in $228.2 million higher than the initial projection. Accordingly, RBC expects fiscal restraint to act as a greater-than-anticipated drag on growth.

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“The economic engine in New Brunswick still lacks a catalyst for growth. With public spending intentions down 13.5 per cent and a positive impact from the mining sector not to be felt until 2014, we have revised our economic growth estimate for 2012 and forecast for 2013 lower to 0.6 per cent and 1.1 per cent, respectively, from 0.8 per cent and 1.7 per cent previously,” said Wright. “Prospects for growth this year rest more closely on stronger exports and consumer spending.”

RBC notes that Nova Scotia will see a gain in employment for the first time in four years thanks to a recent announcement from J.D. Irving Limited to hire more than 2,700 workers as it gears up for its shipbuilding work in the province. The potential for an East-West pipeline expansion bringing Western Canadian crude to New Brunswick will bolster longer-term prospects for the province.

A boost to natural gas production from two major energy projects will help **Nova Scotia** realize substantial year-over-year production gains for the first time since 2008, helping to increase real GDP growth to 1.9 per cent in 2013, a notable improvement from an estimated 1.1 per cent in 2012.

“After a weaker than expected performance in 2012, we believe that there is scope for a meaningful pick up in economic activity in Nova Scotia this year,” said Wright. “Easing pressures in the forestry and energy sectors in 2013 and continued demand from China and the U.S. for the province’s largest export groups will offset the delay in expected benefits from the $25-billion, 30-year shipbuilding contract with the federal government.”

In other sectors, capital investment plans were modestly raised in 2013. Spending intentions on non-residential construction in the province were boosted by 3.1 per cent, building upon a 5.2 per cent increase in 2012. RBC believes there is scope for further increases in 2014, with construction on the recently approved $1.5-billion Maritime Transmission Link set to begin early next year.

After a year of restraint in 2012, fiscal belt tightening for **Prince Edward Island** may ease in 2013, with indications pointing to a sizable 26 per cent increase in public sector capital investment. RBC also notes that early signs point to 2013 being another solid year for the province’s export sector after posting the strongest growth in the country in 2012.

“French fries, turbo jets and an emerging manufacturing sector should continue to lead Prince Edward Island’s exports this year, fueling economic growth by 1.7 per cent in 2013,” said Wright. “Nevertheless, as the province navigates its way through the

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year, domestic headwinds could gain a few knots, particularly from a further slowing in population growth, though the impact on the economy has been muted thus far."

RBC also notes that the federal government intends to raise its capital spending by 1.6 per cent in Prince Edward Island, after a drastic 58 per cent cut in 2012. The education and health care sectors are projected to boost their expenditures modestly at 8.4 per cent and 1.6 per cent, respectively.

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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