



ECONOMIC OUTLOOK A MIXED BAG IN ATLANTIC CANADA: RBC ECONOMICS

Newfoundland and Labrador to be the second fastest growing economy in Canada this year; Nova Scotia the slowest

TORONTO, June 9, 2011 — Atlantic Canada will continue to show mixed results in 2011, according to the latest Economic Outlook released today by RBC Economics. Newfoundland and Labrador is expected to lead the region in economic growth with a four per cent real GDP growth rate and Nova Scotia is projected to trail with a rate of 1.7 per cent.

“Canada’s most eastern province continues to move full steam ahead with the second fastest projected growth rate in Canada in 2011, behind only Alberta,” said Craig Wright, senior vice-president and chief economist, RBC. “Data in the early part of this year showed robust growth in construction, exports and employment. The natural resource industry, which has been the central factor in Newfoundland and Labrador’s economic performance in recent years, will continue to be a source of strength in 2011.”

The RBC report notes that while goods-producing jobs make up only about one-fifth of employment in Newfoundland and Labrador, new jobs so far this year were concentrated in this sector, with the biggest gains in construction and manufacturing. Provincial employment grew by 2.8 per cent in the first quarter alone – the largest quarterly gain in more than 12 years in the province.

Ongoing major project spending is fuelling non-residential investment and strong oil revenues continue to flow, thanks to high crude oil prices, which more than offset the effect of production volume declines.

“We expect these trends to continue through 2011, leading to a four per cent real GDP growth rate in Newfoundland and Labrador,” Wright indicates. “Next year, we anticipate growth to slow significantly – to just 1.5 per cent – once the ongoing mining production rebound runs its course.”

Strong demand for New Brunswick's export-oriented manufacturing and natural resource sectors will continue to drive economic growth in the province this year. Potash production is benefitting from solid global demand and an even bigger boost will come once the expansion at the Sussex Potash mine begins to operate in 2012.

New Brunswick is also seeing signs of improvement in its somewhat lacklustre domestic economy. Employment has stopped its decline, retail sales are performing reasonably well and average weekly earnings are growing at a good pace in the province.

"Although we project only 1.9 per cent real GDP growth in New Brunswick for 2011, the strength in the export sector should feed through to the domestic economy more meaningfully next year," explained Wright. "Growth for 2012 is expected to accelerate to 2.3 per cent and become more evenly shared across economic sectors via higher employment, earnings and consumer spending."

Manufacturing was a key contributor to Nova Scotia's economic growth last year and has continued to perform well in to 2011. Still, the province's domestic economy had an underwhelming start to the year and early data points to another year of slow growth.

In the first quarter, Nova Scotia's retail sales, housing starts and non-energy exports all remained almost flat, while energy production continued to decline. RBC expects real GDP growth in the province to ease slightly to a pace of 1.7 per cent in 2011 from an estimated 1.9 per cent in 2010.

"Stronger employment in Nova Scotia has been a bright spot in recent data. Jobs grew by 1.1 per cent in the first quarter after remaining essentially flat in 2010," said Wright.

With the start of several new major construction projects next year and an increase in energy production from the Deep Panuke natural gas field, RBC foresees a pick-up in Nova Scotia's growth to 2.0 per cent next year.

Canada's smallest province saw modest but broad-based growth of 2.1 per cent last year, with most industries posting moderate gains. Building investment played a key role in generating economic activity in Prince Edward Island over the past two years, spurred by record levels of government spending.

The latest data showed strong increases in non-residential investment in P.E.I. relative to late last year. Continued government investment and increased demand for agricultural and seafood products will drive growth a little higher. RBC Economics projects growth for P.E.I. to move up to 2.4 per cent this year. However, with the federal and provincial stimulus programs coming to an end, growth is projected to slow slightly to 2.2 per cent in 2012.

"In the first quarter of 2011, P.E.I experienced the strongest population growth in Canada. This solid demographic underpinning will support economic activity over the next two years," said Wright. "The Island's fledgling bioscience and clean energy industries are helping to diversify the economy and should allow P.E.I. to balance out the volatility of its traditional sectors in the longer-term."

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 www.rbc.com/economics/market/pdf/provfcst.pdf.

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