



NEXT YEAR LOOKS BRIGHTER FOR ATLANTIC CANADIAN ECONOMIES: RBC ECONOMICS

Growth in 2012 expected to hover below two per cent across the region

TORONTO, June 12, 2012 — Economic growth in Atlantic Canada will fall below the 2.6 per cent projected national average, according to the latest [RBC Economics Provincial Outlook](#) issued today by RBC Economics Research.

Newfoundland and Labrador is expected to show the strongest growth on the east coast, though still running at a moderate pace in comparison to the rest of Canada. RBC forecasts that the province will grow by 1.9 per cent this year.

In 2012, retail sales and housing starts came in somewhat stronger than expected and both of the province's major export categories (energy and industrial goods) showed solid growth. Employment in the province is at all-time highs, while the unemployment rate has fallen to its lowest level in over a year. Still, RBC expects that energy production and exports will decline significantly towards the middle of this year, impacting overall growth in the province.

“Economic activity in Newfoundland and Labrador will take a serious hit mid-year, when oil production is projected to decline by 22 per cent due to the maintenance shut down of two of the province's major oil fields – Terra Nova and White Rose,” said Craig Wright, senior vice-president and chief economist, RBC. “Fortunately, business investment will help pick up some of the slack until 2013.”

RBC has upgraded its projections for economic growth in 2013 to 3.4 per cent, based on double-digit growth in capital spending, which is expected to provide an offset to the weakness expected in the energy sector.

Prince Edward Island will have the second-strongest economy in Atlantic Canada this year, with projected real GDP growth of 1.8 per cent, according to the Outlook.

Strong demand from both domestic and international customers has been keeping the provincial economy going strong in the early part of this year, with both exports and retail sales showing double-digit growth. RBC says that the surge in retail sales is a bit puzzling, as employment growth has been fairly modest, and population growth slowed substantially in the last two quarters.

With both the federal and provincial governments announcing job cuts in their spring budgets, RBC expects public sector employment to weigh more heavily on job growth, consumer spending and retail sales.

“Exports should see a very strong annual growth rate, supported by the recent spike in machinery and equipment exports, in addition to gains in exports of agricultural and fishing products,” noted Wright. “We anticipate that accelerating U.S. growth will keep provincial exports healthy in 2013, boosting real GDP to 1.9 per cent.”

Following a near-halt in economic activity in **New Brunswick** last year, it looked as though things could only get better for the province in 2012. Unfortunately, early economic performance this year has been mixed at best, as the labour markets have been extremely volatile and manufacturing shipments and housing starts have been disappointing.

Employment fell sharply in the first three months of the year, only to be more than reversed by job gains in April and March. Manufacturing shipments declined by an annualized 9.1 per cent in the first quarter (on a quarterly basis) and housing starts averaged just 2,600 annualized units in the first five months of the year, compared to 3,200 in 2011.

“While data for New Brunswick on the whole has been somewhat lacklustre so far this year, we continue to expect the economy to regain its footing going forward,” Wright commented. “Increased private capital spending and strengthening U.S. growth should lead to an improvement in non-energy exports. We expect these factors to stimulate other parts of the provincial economy as well, driving real GDP in the province to 1.6 per cent in 2012 and 2.1 per cent in 2013.”

RBC also expects **Nova Scotia’s** economy to see real GDP growth of 1.6 per cent in 2012, increasing to 3.2 per cent in 2013. Exports are being weighed down by consolidation in the paper industry and ongoing declines in natural gas production. Improved overall export performance is expected later this year and into 2013, as pressure on the paper and natural gas industries subsides and U.S. growth accelerates.

“Excluding export performance, Nova Scotia’s improved employment picture and its healthy increase in retail sales have supported moderate growth in the economy,” noted Wright. “We expect to see the economy rebound in 2013, with the start of work on the shipbuilding contract, investment ramping up in the Donkin coal mine, a full year of production at Deep Panuke and the anticipated pick-up in the forest product sector.”

The RBC Provincial Economic 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/provcst.pdf.

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