



## **ECONOMIES IN ATLANTIC CANADA SET FOR GROWTH: RBC ECONOMICS**

### **Rising global demand for key exports will boost East Coast prospects**

**TORONTO, December 14, 2009** — All four Atlantic Canada provinces are set to experience growth in 2010, after successfully weathering the recession's negative impact on key export sectors during 2009, according to a new report by RBC Economics.

"While many challenges will remain, 2010 promises a new chapter of widespread positive economic performance," noted Craig Wright, senior vice-president and chief economist, RBC.

In Nova Scotia, better than expected results kept the economy afloat during a tumultuous 2009 and limited declines in consumer spending. Job losses in manufacturing have been fully offset by employment gains in the services sector and public administration. The provincial government's \$800 million infrastructure boost has helped support growth in non-residential construction. Weak demand for Nova Scotia's natural resources and manufactured goods, combined with falling commodity prices, took a significant toll on exports.

RBC forecasts a flat 0.0 per cent growth for Nova Scotia for 2009. This is revised slightly upward from the -0.4 per cent contraction projected in the September Outlook, with economic growth forecast at 2.8 per cent in 2010.

"We're expecting the province's key exports to get a boost from a strengthening U.S. economy, which in turn should lead to increased production in the energy sector and help revive the hard-hit forestry sector," said Wright.

New Brunswick's manufacturing and export sectors were severely impacted by soft commodity prices and weak North American demand. This impact was slightly offset by the provincial government's large stimulus program (\$1.6 billion over two years), which helped fuel non-residential investment as well as employment. New Brunswick is expected to be one of only three provinces to experience employment growth in 2009.

According to the RBC report, New Brunswick's economy is expected to grow in 2010 as a planned 34 per cent increase in capital project investments for 2010-2011, a \$258 million provincial income tax cut in January and as well as further improvement in the job market, should boost consumer spending and housing demand.

"With a stronger U.S. economy on the horizon and commodity prices staying on a firming trend throughout the upcoming year, boosting prospects for exports, the elements should be in place for the New Brunswick economy to start expanding again," explained Wright. "We're forecasting real GDP growth of 2.9 per cent, revised upward from our September projection of 2.7 per cent."

In Newfoundland and Labrador, RBC anticipates that the province's resource sector – representing approximately 30 per cent of real GDP in the province – will jump back into growth mode in 2010. Major declines in mining and crude oil production during 2009 are expected to reverse, with stronger global demand for iron ore.

Capital investment should continue to be a key driver of activity in the province. An aggressive infrastructure plan, \$800 million in both 2009-2010 and 2010-2011, should help advance several projects and improve consumer spending and boost employment. Retail sales are projected to grow by 4.2 per cent in 2010, up from a respectable 2.0 per cent in 2009, which is the only increase among provinces.

"We forecast real GDP growth for Newfoundland and Labrador in 2010 at 2.4 per cent, revised upward from 2.0 per cent projected in our September *Outlook*," said Wright. "GDP growth for 2009 has been revised downward to -4.5 per cent, reflecting the past year's slump in mining and oil and gas extraction."

According to the RBC report, Prince Edward Island has come through the recession in better shape than many of Canada's other provinces. Weak demand for the island's traditional tourism and seafood sectors was almost entirely offset by significant growth in the island's emergent technology industries. A dramatic decline in seafood exports was countered by strong demand for potato products. Due to export gains in technology and potato products, Prince Edward Island was the only province to show an increase in merchandise products (0.4 per cent) for the first nine months of 2009.

The provincial government has allocated \$133 million for capital projects, which should help non-residential investment maintain its strong pace in 2010. Further growth is also expected in Prince Edward Island's aerospace and bioscience industries, which should boost employment growth to a nation-leading 2.1 per cent.

“An increased demand for shellfish exports and tourism, as global economic conditions improve, should support modest growth in Prince Edward Island’s economy,” Wright said. “We’ve revised growth projections for the province upward to 2.2 per cent for 2010, which is up slightly from our September forecast of 2.0 per cent. We expect 3.4 per cent growth in 2011.”

The main theme of the *RBC Economics Provincial Outlook* is that a mild economic recovery is expected to be widespread among provinces in 2010, after a significant contraction spread across the country in 2009 (with only Manitoba and Nova Scotia barely avoiding a decline in activity). The full force of fiscal and monetary stimulus should positively contribute to growth in 2010. The price tag for that stimulus however, will be huge budget deficits. While such deficits might cause some discomfort, the alternative was even less attractive given the severity of the economic downturn. Returning to balance over the medium term will be a challenge involving difficult choices. Provincial economies are expected to be in solid growth territory in 2011, with the Prairie provinces – led by Saskatchewan –benefitting from strengthening commodity prices and hitting higher growth rates than the 3.9 per cent national average.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.

The full report and provincial details are available online as of 8 a.m. EST today [www.rbc.com/economics/market/pdf/provfcst.pdf](http://www.rbc.com/economics/market/pdf/provfcst.pdf).

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