



Atlantic Canada's economy gradually bounces back: RBC Economics

TORONTO, June 10, 2010 — Atlantic Canada's economy is on the path to recovery but at a slightly slower pace than the rest of the country as commodity prices and international demand improve, according to a new report by RBC Economics.

"Most Atlantic provinces did not face the deep economic contraction that took place in other parts of the country throughout the recession," noted Craig Wright, senior vice-president and chief economist, RBC. "This means that they don't need to grow as strongly to reach previous levels, with growth rates generally expected to lag behind the rest of Canada."

In Nova Scotia, RBC is projecting a 2.2 per cent rate of growth for 2010, the weakest rate of growth among all provinces.

The economic picture in the province is mixed, although positive forces are emerging. The report indicates that energy production is still declining, with a delay in the start of gas production at Deep Panuke expected to contribute to a drop in energy exports this year. Recent evidence however, indicates positive momentum is building, with an improving U.S. economy and strengthening commodity prices increasing demand for key provincial exports.

"Nova Scotia's economy is expected to add jobs through the rest of the year, which will maintain solid growth in consumer spending, with retail spending already up by 2.9 per cent in the first quarter," Wright added. "Looking ahead, the main development for the province will be the start of gas production at Deep Panuke in 2011. Challenges remain however, as the reduction of stimulus measures and recently announced tax increases will contribute to slower growth in Nova Scotia's economy, which is forecast to reach 2.1 per cent in 2011."

New Brunswick's economy is projected to grow by 2.4 per cent in 2010, after weak external conditions and soft commodities markets caused a contraction of 0.5 per cent in 2009. So far this year, New Brunswick has benefitted from higher prices in commodity markets and increased U.S. demand with manufacturing shipments and exports increasing significantly. Forestry products, industrial goods and automotive products also showed improvement in the province.

According to the report, a rise in income levels has supported increased retail sales and purchases of new motor vehicles. Non residential construction has also increased by 2.9 per cent in the first quarter, as support from the provincial government's two-year \$1.6 billion infrastructure stimulus plan takes effect.

“Looking ahead, we expect improving economic conditions to support job creation and income growth in New Brunswick, which should boost housing and consumer spending in the province,” Wright noted. “In 2011, we expect the economy to grow slightly faster by 2.9 per cent.”

Newfoundland and Labrador posted the sharpest real GDP decline among provinces in 2009. This decline was caused in large part by steep production cuts in crude oil, metal ore mining and forest products.

On the bright side, RBC anticipates that Newfoundland and Labrador will lead the country in economic growth in 2010, with a projected rate of 4.1 per cent. Increased production of crude oil and mineral products, along with stronger global demand for refined products is expected to support this growth. The metal mining sector in particular, is expected to see a strong increase in production from iron ore and nickel mining operations.

“Retail spending grew by 4.1 per cent in the first quarter in Newfoundland and Labrador, supported by strong gains in the labour market and high levels of residential construction,” explained Wright. “Looking ahead, we expect the provincial economy to expand by 2.3 per cent next year, as investment in the mining and energy sectors along with gains in crude oil production support growth.”

According to the RBC report, Prince Edward Island was the only province to escape an economic contraction, with real GDP rising marginally in 2009. The province benefitted from strong gains in income levels and infrastructure stimulus spending which kept it afloat. So far in 2010, growth appears to be picking up with an improved labour market, retail sales increasing strongly and construction activity in full swing.

“Brisk construction activity and capital spending should support growth throughout 2010, although some weakness in the important agri-food sector is likely to keep the pace of economic growth below the national average,” said Wright. “Real GDP is expected to rise by 2.6 per cent this year and 2.8 per cent in 2011.”

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

For more information, please contact:

Robert Hogue, RBC Economics Research, (416) 974-6192
Craig Wright, RBC Economics Research, (416) 974-7457
Matt Gierasimczuk, RBC Media Relations, (416) 974-2124