



Atlantic Canada set for moderate economic growth in 2010: RBC Economics

TORONTO, September 10, 2010 — Notwithstanding some near-term softness in the North American and global economies, Atlantic Canadian provinces are set for growth in 2010, according to the RBC Economics Provincial Outlook released today. Improvements in the commodities and construction sectors will help reverse the modest contraction experienced in the region, overall, last year.

“While a new round of economic uncertainty south of the border is casting a shadow on the economic performance, all the Atlantic provinces are poised for growth in 2010,” noted Craig Wright, senior vice-president and chief economist, RBC. “However, the pace is generally expected to be slower than the national average.”

In Nova Scotia, RBC is projecting a 1.8 per cent rate of growth in 2010, which is the slowest rate among the provinces.

“Nova Scotia’s economic growth is being held back by continued declines in natural gas production,” said Wright. “Nonetheless, overall growth will still be achieved thanks to solid gains in retail sales and a rebound in the manufacturing sector amid rising demand for tires and improved pulp and paper markets.”

The RBC report notes that Nova Scotia’s outlook for next year calls for a below-average performance once again, as fiscal restraint, the end of stimulus spending and an expected reduction in major investment projects exert a restraining impact.

“On the bright side, provincial exports should receive a boost from the start of production at Deep Panuke natural gas project next year. We expect Nova Scotia’s economy to grow by 1.5 per cent in 2011,” added Wright.

New Brunswick’s economy has received a boost from a broad recovery in the commodity market in 2010, with growth expected to reach 2.3 per cent. Increased energy production and more stable natural gas prices have improved the province’s nominal energy exports by 41 per cent year-to-date. A rebound in the manufacturing sector, along with higher prices for the province’s food, energy and forestry products also contributed to economic growth in New Brunswick.

“Looking ahead, the continued recovery in the world economy should boost global demand for provincial exports with consumer spending rising slightly amid employment gains,” explained Wright. “While non-residential investment is expected to slow along with the removal of considerable stimulus spending, we’re forecasting real GDP growth of 2.2 per cent for New Brunswick in 2011.”

After experiencing the country’s steepest real GDP decline in 2009, Newfoundland and Labrador is regaining positive momentum this year as a recovery in mineral extraction and other sectors appear to be gaining a firm foothold. RBC expects this will contribute to a fairly solid 3.3 per cent growth rate in 2010 overall.

Non-residential investment in the province is expected to surge by 30 per cent in 2010 and will likely be a steady source of economic strength through the medium term. Metal mining output is bouncing back strongly and improved commodity market conditions will also provide a significant boost to the provincial government’s crude oil royalty revenues.

“We expect that Newfoundland & Labrador’s momentum will carry into 2011 with growth remaining steady at 3.3 per cent, as a result of strong capital investment and further gains in the mineral extraction sector,” said Wright.

Prince Edward Island, the sole province to avoid a contraction of economic activity in 2009 with an estimated 0.2 per cent gain, will see a modest pick up in growth in 2010. RBC forecasts real GDP to grow by 2.1 per cent in 2010.

The construction sector has been a significant source of strength for the province’s economy so far this year and firm labour market conditions have also bred solid wage growth which in turn is driving strength in retail sales. On the downside, sales of manufactured durable goods are lower year-to-date, and the agri-food sector is also facing headwinds. Tourism has also been hit hard by the poor labour market conditions in the U.S. and a stronger Canadian dollar.

“Increasing government spending and continued improvement in the global and U.S. economies, which is expected to strengthen demand for agricultural products and boost tourism, bode well for P.E.I. We expect growth to accelerate slightly to 2.4 per cent in 2011,” added Wright.

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/provcst.pdf.

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