



ATLANTIC CANADA BROADLY POSITIONED FOR ECONOMIC GROWTH: RBC ECONOMICS

Newfoundland & Labrador's 2010 growth highest in the country

TORONTO, December 15, 2010 — Despite the deep impact of the recession and the resulting unfavourable economic environment that swept the nation, Atlantic Canada is projected to experience overall growth at varying degrees, according to the latest Provincial Outlook issued today by RBC Economics.

“All Atlantic provinces are poised for growth in 2010, though there are some headwinds on the horizon making the pace of growth generally slower than the national average,” noted Craig Wright, senior vice-president and chief economist, RBC. “A notable economic bright spot for 2010 is an extra spring in Newfoundland & Labrador’s step as the province will yield the highest growth in the country.”

Newfoundland & Labrador is bouncing back quite nicely from the deep 10.2 per cent dive in real GDP it took in 2009. Strong gains in crude oil and mining production and in construction activity have driven a rapid recovery in the province with RBC forecasting growth of 5.0 per cent in 2010 which constitutes the highest real GDP among the provinces.

“Newfoundland & Labrador’s economy is greatly benefiting from a much needed boost to its key energy sector as well as the broad recovery in commodity prices and improving outlook for commodity demand,” noted Wright. “Employment prospects also continue to improve which is fuelling income growth and supporting retail spending and residential construction.”

RBC expects that the provincial economy will maintain its positive trajectory into 2011. Strong capital investment and further gains in the mineral extraction sector will contribute to provincial growth remaining strong at 3.8 per cent; however, this momentum is expected to moderate slightly to a more sustainable pace of 2.6 per cent for 2012.

Throughout 2010, New Brunswick largely reversed the negative effects from the recession when weak commodities injured the export market. RBC expects real GDP to expand by 2.3 per cent with export growth in the province likely leading the nation in 2010.

The province's manufacturing sector continues to rebound strongly from last year's depressed levels, driven by improved demand and favourable pricing for food, energy and forest products. However, construction activity has eased during 2010 and there are indications that this trend will continue into 2011. The Point Lepreau Nuclear Plant refurbishment and the provincial infrastructure stimulus plan are expected to wind down in early 2011, although the construction sector will find some support from the continuation of a potash mine expansion and increased spending on the Route 1 Gateway expansion.

"As the global economy continues to improve in 2011, we anticipate a boost in demand for New Brunswick's goods and services and continued job creation which should in turn increase consumer spending. However, further easing in private non-residential investment and fiscal restraint will hinder growth," said Craig Wright, senior vice-president and chief economist, RBC. "These counteracting forces will help to keep the pace of growth at a 1.9 per cent next year."

RBC notes that expected start of production at the expanded Sussex potash mine in 2012 should provide a boost to New Brunswick's mining sector and contribute to growth accelerating to 2.3 per cent in 2012.

After navigating the financial crisis better than the majority Canada, Nova Scotia's economy is showing considerable relative weakness and is forecast to expand at a modest rate of 1.8 per cent for 2010.

The provincial trade balance is currently undergoing friction with lower energy production being compounded by a 30 per cent decline in natural gas prices since June. Strong momentum in industrial and commercial non-residential building construction has provided major support for the economy, climbing 16 per cent year-over-year in real terms. Yet, construction is anticipated to slow amid fading infrastructure stimulus measures.

"Provincial exports will receive a substantial boost in 2011 from the start of production at the Deep Panuke natural gas project and tourism is expected to pick up thanks to the 2011 Canada Winter Games," said Wright. "Still, unstable conditions in the domestic economy will create a powerful drag easing real GDP to 1.5 per cent in 2011."

Increased energy production and a firmer global economy should contribute to a modest re-acceleration in growth the following year, with RBC expecting Nova Scotia's economy to expand by 2.0 per cent in 2012.

The construction sector has been a key source of strength for Prince Edward Island's economy so far this year, but there are signs of easing with real industrial and commercial building construction down 38 per cent during the first three quarters of 2010.

Durable goods shipments in the province have been down 10 per cent year-to-date compounding the continued weakness in food manufacturing. The agri-food sector, which accounts for more than half of the provincial merchandise exports, continues to struggle with weakened U.S. demand. Island tourism however, posted a strong summer season up 3.7 per cent in the third quarter helping support growth in service-sector employment and boost retail spending.

"Growth in PEI will accelerate to 2.2 per cent in 2011 as plans to increase spending will provide a solid base for stronger growth. This will be further aided by recoveries in the U.S. and global economies which will likely strengthen demand for agricultural products and improve island tourism," added Wright.

RBC expects growth in P.E.I. to carry forward into 2012 with the province replicating the 2.2 per cent growth rate forecast for 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. ET today www.rbc.com/economics/market/pdf/provfcst.pdf.

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