New Brunswick: 2019–20 Outlook

GRAPPLING WITH SOFTER GROWTH

Our forecast for New Brunswick is largely unchanged from April. No major private-sector ventures are expected this year or next, but beyond 2020, work on the $3.1 bn* Mactaquac generating station upgrade should bolster capital outlays and there is upside potential via a range of aquaculture project upgrades. Fiscal policy remains anchored by debt reduction efforts—recently rewarded by one ratings agency with a positive trend change on the Province's credit—and characterized by curtailed infrastructure outlays and departmental expense restraint. Exports are still expected to be dampened by refined petroleum shipments vis-à-vis a weak handoff from the Saint John oil refinery explosion and ensuing shutdown in late 2018 plus the softwood lumber dispute with the US.

The labour market looks to be on its way to more sustainable gains. Employment growth continues to soften, with full-time positions down 0.2% y/y ytd as of May following their best two-year climb in a decade over 2017–18, and the 0.5% total job creation forecast this year is the weakest for any province. Labour shortages, which emerged during the recent above-trend expansion, look to be abating after the province's consecutive job vacancy rate declines in the two quarters to Q1-2019. Accordingly, average offered wages have trended downward (chart) and point to more muted labour income gains in the coming months. As these developments unfold, we look for easing supply-side tightness in the Moncton and Saint John housing markets, even as home building slows.

With the rate of natural population contraction set to accelerate as the population ages and net outflows to other regions likely to widen, international in-migration will be crucial if New Brunswick is to maintain a healthy workforce. Increases to Ottawa's newcomer targets and assistance from the Atlantic Immigration Pilot should help the province build on last year's record number of international immigrant admissions. Further attraction and retention of international students—which last year contributed to New Brunswick's highest-ever net increase in non-permanent residents—will also be needed to sustain even modest population gains going forward.

CONTACTS

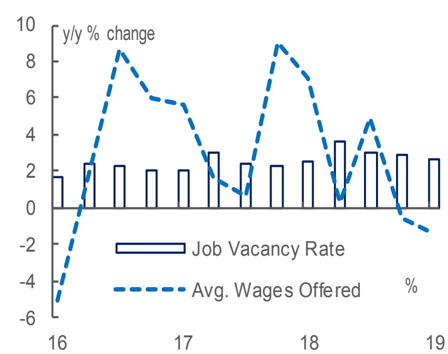
Marc Desormeaux, Provincial Economist
416.866.4733
Scotiabank Economics
marc.desormeaux@scotiabank.com

New Brunswick
% change except where noted

Economic Conditions	17	18e	19f	20f
Real GDP	1.8	0.1	0.6	0.8
Nominal GDP	4.3	1.9	2.2	2.5
Employment	0.4	0.3	0.5	0.2
Unemployment Rate, %	8.1	8.0	8.0	8.0
Housing Starts, 000s	2.3	2.3	2.1	2.0
Fiscal Situation	**FY18**	**FY19**	**FY20**	
Budget Balance, % of GDP	0.2	0.0	0.1	
Net Debt, % of GDP*	38.6	38.4	37.4	

Nom. GDP fcst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, NB Finance.

NB Labour Shortages Ease



Sources: Scotiabank Economics, Statistics Canada.

* Figures reported in Canadian dollars unless otherwise stated.

Provincial Forecast Summary

(annual % change except where noted)

Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2000–17	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2017	3.0	0.9	3.5	1.5	1.8	2.8	2.8	3.2	2.2	4.4	3.8
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.4	2.0	2.1	1.3	0.6	2.1	1.4	1.5	1.4	0.5	2.2
2020f	2.0	0.8	2.0	1.3	0.8	1.8	1.8	1.5	1.6	2.5	3.0
Nominal GDP											
2000–17	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2017	5.6	4.3	4.8	2.9	4.3	5.0	4.1	5.4	4.8	10.0	6.9
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	2.7	3.0	4.1	3.0	2.2	3.2	2.6	3.3	3.3	1.3	4.2
2020f	4.2	3.9	3.9	3.3	2.5	3.7	3.7	3.3	4.0	4.6	5.7
Employment											
2000–17	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
2017	1.9	-3.7	3.1	0.6	0.4	2.2	1.8	1.7	-0.2	1.0	3.7
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019f	2.1	1.9	1.4	2.3	0.5	1.5	2.5	1.2	1.6	1.0	3.0
2020f	1.0	0.2	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
Unemployment Rate (%)											
2000–17	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
2017	6.3	14.8	9.8	8.4	8.1	6.1	6.0	5.4	6.3	7.8	5.1
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019f	5.7	11.8	9.0	6.8	8.0	5.2	5.6	5.5	5.5	6.7	4.6
2020f	5.9	11.6	9.0	6.8	8.0	5.4	5.8	5.5	5.5	6.8	4.7
Housing Starts (units, 000s)											
2000–17	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2017	220	1.4	0.9	4.0	2.3	46	79	7.5	4.9	29	44
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	202	1.0	0.9	3.9	2.1	46	69	6.8	3.2	26	44
2020f	199	1.3	0.8	3.8	2.0	41	72	6.0	4.8	30	37
Motor Vehicle Sales (units, 000s)											
2000–17	1,657	29	6	48	38	413	635	47	45	216	180
2017	2,041	33	9	59	42	453	847	62	56	245	235
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	30	9	51	39	447	813	60	49	220	217
2020f	1,915	30	9	50	37	440	800	56	48	217	228
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2017	-18,957	-1,148	-1	151	-117	2,361	-2,435	-789	-1,218	-10,784	2,727
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-11,815	-522	14	28	5	2,500	-11,700	-470	-380	-6,711	374

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.