

New Brunswick

BETTER GROWTH IN 2020, BUT STILL A CHALLENGING ENVIRONMENT

Our projections of stronger New Brunswick economic growth this year and next largely reflect the elimination of factors that hindered the province's expansion in 2019. The Province largely met its fiscal consolidation targets last year, and public-sector capital outlays are estimated to have fallen by about 25% in FY19. That drag will diminish with planned FY20 expenditures roughly even with FY19 levels, though spending restraint will remain a key plank of fiscal policy going forward. As well, the Saint John refinery shutdown will no longer weigh on manufacturing sector output or exports. That is good news for trade with a slower US expansion poised to weigh on provincial external shipments.

While those headwinds should be diminished, the province's investment outlook is more downcast. Smaller ventures—such as the Port of Saint John expansion and those related to the multi-year, \$200 mn capital upgrade plans of a local aquaculture company—are proceeding, but no new major projects are waiting in the wings. As well, the cannabis facility upgrade that supported 2019 growth is complete, and cost pressures concentrated in power rate increases may deter new investment.

New Brunswick's hot housing market—a bright spot in 2019—should cool in the near-term. Home sales were up 13.1% y/y ytd as of November 2019—more than any other province (chart) and the strongest annual gain since before the financial crisis—and the 3k housing starts represented the best result since 2012. Our expectations are rooted in a forecast of more sustainable total job creation over 2020–21. That forecast incorporates weaker labour force growth vis-à-vis population aging plus stronger outmigration as Alberta's recovery progresses, as well as the dampening impacts of labour shortages and a sawmill closure.

Nevertheless, the province's muted prospects continue to be buoyed by stepped-up immigration. Newcomer admissions propelled 0.9% y/y population gains in the three months to October 2019—the steepest quarterly rise since 1983—which alongside improved retention rates constitute the cornerstone of the Province's blueprint for longer-term growth. Targets laid out in that plan are ambitious, but to the extent that they encourage further headcount gains and immigrant labour market integration, they should assuage the adverse impacts of demographic challenges and an uncertain investment outlook.

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Economic Outlook

annual % change except where noted

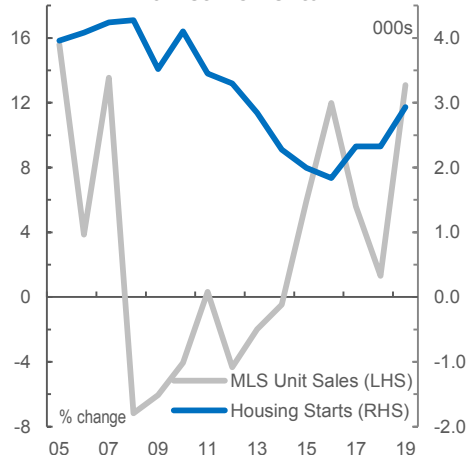
	18	19e	20f	21f
Real GDP	0.8	0.6	0.7	0.7
Nominal GDP	3.2	2.2	2.3	2.1
Employment	0.3	0.8	0.2	0.2
Unemployment Rate, %	8.0	8.0	8.0	7.9
Housing Starts, 000s	2.3	2.9	2.4	2.4

Fiscal Situation

% of nominal GDP*

	FY19	FY20	FY21
Budget Balance	0.2	0.2	0.1
Net Debt	37.5	36.3	— **

NB's 2019 Housing Market Momentum



* Nominal GDP forecast: Scotiabank Economics. ** Data not available.

Sources for chart and tables: Scotiabank Economics, Statistics Canada, CMHC, NB Finance.

Provincial Forecast Summary

(annual % change except where noted)

	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Real GDP											
2010–18	2.2	0.5	2.0	0.9	0.6	1.7	2.2	2.2	2.5	2.8	2.8
2018	2.0	-3.5	2.6	1.5	0.8	2.5	2.2	1.3	1.3	1.6	2.6
2019e	1.6	2.1	2.7	1.7	0.6	2.5	1.7	1.3	1.0	0.5	2.1
2020f	1.5	1.1	2.0	1.3	0.7	1.8	1.5	1.1	1.2	1.6	2.1
2021f	2.0	0.5	2.0	1.3	0.7	1.7	1.8	1.4	1.6	2.5	2.4
Nominal GDP											
2010–18	3.9	3.2	3.9	2.7	2.8	3.7	4.1	4.0	3.3	3.8	4.5
2018	3.9	1.7	4.2	3.3	3.2	4.8	3.7	2.2	1.4	3.8	4.5
2019e	3.2	3.6	4.6	3.4	2.2	4.1	3.3	3.0	2.6	2.0	4.2
2020f	3.3	3.0	3.9	3.2	2.3	3.5	3.2	3.0	2.9	3.3	4.4
2021f	4.2	3.0	4.0	3.1	2.1	3.6	4.0	3.2	4.1	5.2	5.1
Employment											
2010–18	1.2	0.5	1.2	0.2	-0.2	1.1	1.3	0.8	0.9	1.5	1.4
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019e	2.1	0.6	2.7	2.2	0.8	1.8	2.9	0.9	1.8	0.5	2.6
2020f	0.9	-0.1	0.8	0.3	0.2	0.9	1.2	0.6	0.7	1.0	1.3
2021f	1.0	0.0	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
Unemployment Rate (%)											
2010–18	7.0	13.3	10.8	8.8	9.3	7.4	7.3	5.5	5.2	6.1	6.4
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019e	5.7	11.9	8.8	7.2	8.0	5.1	5.6	5.3	5.4	6.9	4.7
2020f	5.8	12.0	8.8	7.2	8.0	5.2	5.7	5.4	5.4	7.0	4.9
2021f	5.8	11.8	9.0	7.3	7.9	5.3	5.7	5.5	5.4	6.9	5.0
Housing Starts (units, 000s)											
2010–18	200	2.4	0.8	4.1	2.7	44	70	6.5	6.4	31	33
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019e	209	0.9	1.3	4.7	2.9	48	69	7.0	2.4	27	45
2020f	205	1.2	1.1	4.3	2.4	46	75	6.0	3.3	30	37
2021f	203	1.1	1.0	4.2	2.4	44	77	5.9	3.7	31	33
Motor Vehicle Sales (units, 000s)											
2010–18	1,847	33	7	52	42	439	725	56	54	241	197
2018	1,983	28	8	51	38	449	853	67	47	226	217
2019e	1,922	31	9	51	40	442	820	57	48	218	207
2020f	1,915	28	8	50	40	430	815	52	49	227	213
2021f	1,915	25	8	50	40	430	815	50	50	232	218
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2019	-14,000	-552	57	120	73	4,803	-7,435	-163	-268	-6,711	1,535
2020f*	-26,600	-944	1	37	88	1,400	-9,023	-350	37	-8,704	148
2021f	-28,100	-796	7	52	33	100	-6,800	-234	49	-5,883	291

* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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