

## New Brunswick

### HEALTHY FINANCES, POISED TO BENEFIT FROM HEFTY US EXPANSION

- New Brunswick's control of COVID-19 helped its economy last year; further success to date this year bodes well for growth in 2021.
- Key export commodities are poised for very strong gains this year.

The preliminary estimate of a 3.7% real GDP decline in New Brunswick last year was one of the smallest of any Canadian jurisdiction, and mirrors its successful containment of COVID-19. The only jump in infections witnessed to date in the province occurred in January of this year; other than that period, New Brunswick has consistently maintained one of the lightest caseloads and some of the least restrictive lockdown measures of any region in Canada. At the time of writing, the province had reached the 75% first dose vaccination rate threshold necessary to begin the first phase of its reopening plan. As part of its economic recovery strategy, the province is providing financial incentives for visitors from other Atlantic provinces.

The benefits of successful virus containment are evident in the relatively modest budget deficit and net debt increases outlined in New Brunswick's 2021–22 budget. Read our full analysis [here](#). The province is the only one in Canada with projected fiscal shortfalls under 1% of nominal GDP in every fiscal year through FY24. Infrastructure outlays—per the province's Capital Budget released late last year—are set to increase by more than 12% this fiscal year.

We expect base effects to limit the province's top-line pace of expansion this year. Because of a softer-than-average decline in 2020, the rebound's effect on economic growth is less significant.

Upgraded crude oil is by far New Brunswick's largest export commodity; strengthening US fuel consumption and rising prices therefore bode well for incomes and profitability in the province. Those effects are already reflected in hefty 43% y/y ytd growth in nominal petroleum refinery exports through April 2021.

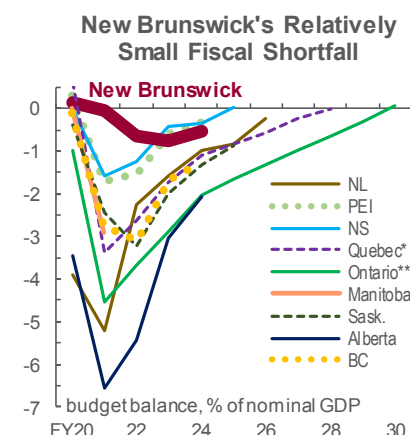
Forest products are another key New Brunswick export industry and should also contribute significantly to provincial growth this year. North American lumber and panel prices remain near all-time records, and we expect demand to remain sturdy amid the strongest levels of US homebuilding since before the GFC. Kraft pulp values continue to benefit from greater tissue paper and packaging use during the pandemic. Upgrades to the St. John pulp mill continue through 2022 and should support short-run capital investment as well as long-run production capacity.

We highlight two developments that may drive economic growth over the longer-term. The first is the potential development of a small modular reactor industry—currently receiving financial support from Ottawa and the province. The second is the \$3–4 bn Mactaquac dam refurbishment plan, though the majority of capital costs are not expected to be incurred until the latter half of this decade.

### CONTACTS

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Key Economic Indicators			
annual % change except where noted			
	20E	21F	22F
Real GDP	-3.7	5.4	3.3
Nominal GDP	-1.7	11.7	5.7
Employment	-2.6	4.1	2.3
Unemployment Rate, %	10.0	8.2	7.3
Housing Starts, 000s	3.5	3.5	2.5
Total CPI	0.2	3.2	2.5



\* Before Stabilization Reserve, after Generations Fund, assumed 3.3% nominal GDP growth per year after FY26.  
\*\* Assumed 3.9% nominal GDP growth per year after FY25.

Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC, Finance Canada, Budget Documents, Industry Canada.

**Provincial Forecast Summary**

The Provinces	(annual % change except where noted)										
Real GDP*	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
Motor Vehicle Sales (units, 000s)											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
Budget Balances, (CAD mn)											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

\* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. \*\* NL budget balance in 2019 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 and Stabilization Reserve transfers.

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