

Newfoundland and Labrador: 2019–20 Outlook

- Economic conditions are far better in Newfoundland and Labrador than they were one year ago. Oil production, though affected by late-2018 shutdowns at older fields, is still up 3.7% y/y ytd as of February on the back of stepped up output at Hebron (see chart). Further ramp-up of production at that field—to about 150,000 bpd at full capacity by the early 2020s—should power robust export gains this year and next, and anchors our forecast of above-trend growth in 2019–20. Work on the \$3.2 bn¹ West White Rose Extension offshore drilling project and \$2 bn Voisey's Bay mine will support capital outlays as the Muskrat Falls hydroelectric station is completed. Lifted in part by these ventures, full-time job creation rose 3.6% y/y in the first quarter of 2019—more than in any other region.
- The recent re-signing of the Atlantic Accord should also provide some relief from the province's well-documented fiscal challenges. Under a new agreement with the Federal Government, Newfoundland and Labrador will receive a greater share of offshore oil receipts generated within its borders. The Province will direct net proceeds—estimated at \$2.5 bn—to redress borrowing, with the benefits of the Accord booked as a one-time FY20 revenue infusion. Yet a sustainable return to black ink by FY23 still rests on ambitious plans that include mean annual spending cuts of 2.5% for FY21–23. That rate has been attained only once in Canada since FY86, and will likely be even more exigent with population aging set to further erode the labour pool and push up healthcare costs.

CONTACTS

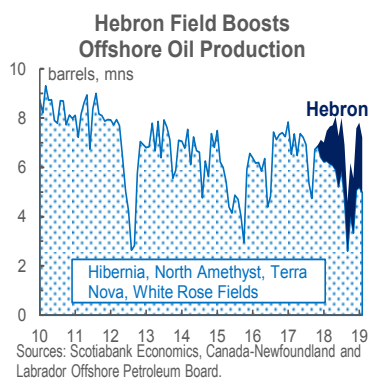
Marc Desormeaux, Provincial Economist
 416.866.4733
 Scotiabank Economics
marc.desormeaux@scotiabank.com

Newfoundland and Labrador

% change except where noted

| <u>Economic Conditions</u> | <u>17</u> | <u>18e</u> | <u>19f</u> | <u>20f</u> |
|----------------------------|-------------|-------------|-------------|------------|
| Real GDP | 0.9 | -0.8 | 1.3 | 0.9 |
| Nominal GDP | 4.3 | 2.4 | 2.3 | 4.3 |
| Employment | -3.7 | 0.5 | 0.6 | 0.0 |
| Unemployment Rate, % | 14.8 | 13.8 | 13.1 | 13.0 |
| Housing Starts, 000s | 1.4 | 1.1 | 1.4 | 1.4 |
| <u>Fiscal Situation</u> | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | |
| Budget Balance, % of GDP | -2.8 | -1.5 | 5.6 | |
| Net Debt, % of GDP* | 44.4 | 45.5 | 39.8 | |

Nom. GDP fctst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, NL Finance.



¹ Figures reported in Canadian dollars unless otherwise stated.

| Provincial Forecast Summary | | | | | | | | | | | |
|--|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| The Provinces | | | | | | | | | | | |
| | <small>(annual % change except where noted)</small> | | | | | | | | | | |
| | CA | NL | PE | NS | NB | QC | ON | MB | SK | AB | BC |
| Real GDP | | | | | | | | | | | |
| 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 | 1.8 | -0.8 | 1.9 | 1.2 | 1.0 | 2.1 | 2.2 | 1.6 | 1.4 | 1.6 | 1.9 |
| 2019f | 1.6 | 1.3 | 1.5 | 1.0 | 0.8 | 1.7 | 1.7 | 1.6 | 1.6 | 1.2 | 2.4 |
| 2020f | 2.1 | 0.9 | 1.1 | 0.9 | 0.9 | 1.7 | 1.7 | 1.5 | 1.7 | 2.5 | 3.5 |
| 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 | 2.4 | 3.7 | 3.0 | 2.8 | 4.2 | 3.4 | 3.4 | 3.4 | 3.6 | 3.9 |
| 2019f | 2.6 | 2.3 | 3.4 | 2.7 | 2.4 | 2.2 | 2.3 | 3.4 | 3.5 | 1.8 | 4.3 |
| 2020f | 4.6 | 4.3 | 3.1 | 2.9 | 2.6 | 3.8 | 4.0 | 3.4 | 4.4 | 5.3 | 6.5 |
| 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 | 1.6 | 1.3 | 1.0 | 1.5 | 0.5 | 1.2 | 1.9 | 1.3 | 1.2 | 1.1 | 2.2 |
| 2020f | 0.7 | 0.0 | 0.7 | 0.2 | 0.2 | 0.6 | 0.7 | 0.6 | 0.6 | 1.0 | 1.0 |
| 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 | 12.6 | 9.3 | 6.9 | 8.0 | 5.3 | 5.7 | 5.8 | 5.8 | 6.5 | 4.5 |
| 2020f | 5.9 | 12.5 | 9.4 | 7.0 | 8.0 | 5.5 | 5.8 | 5.8 | 5.9 | 6.7 | 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 | 1.3 | 0.8 | 3.9 | 1.8 | 43 | 73 | 6.1 | 4.2 | 28 | 39 |
| 2020f | 200 | 1.4 | 0.8 | 3.8 | 2.0 | 41 | 72 | 6.1 | 5.0 | 31 | 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 | 1,930 | 30 | 8 | 48 | 35 | 430 | 826 | 60 | 48 | 220 | 225 |
| 2020f | 1,900 | 30 | 8 | 47 | 34 | 420 | 810 | 55 | 48 | 215 | 233 |
| Budget Balances, Fiscal Year Ending March 31 (CAD mn) | | | | | | | | | | | |
| 2017 | -19,000 | -1,148 | -1 | 151 | -117 | 2,361 | -991 | -764 | -1,218 | -10,784 | 2,737 |
| 2018 | -19,000 | -911 | 75 | 230 | 67 | 2,622 | -3,700 | -695 | -303 | -8,023 | 301 |
| 2019e | -14,900 | -522 | 14 | 28 | 5 | 2,500 | -11,736 | -470 | -348 | -6,930 | 374 |

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

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