

Nova Scotia: 2019–20 Outlook

STILL BENEFITING FROM POPULATION GAINS

Upward revisions to Nova Scotia's projected growth reflect the persistence of above-trend job creation. Total employment is now forecast to expand by 2.3% this year, which would represent the steepest rise since 2004 (chart). Gains to date in 2019 are oriented towards part-time work, and imply a smaller incremental boost to household income than in 2018, but full-time job growth has also held firm after last year's surge. New jobs are concentrated in the goods sector, and in high-wage professional, scientific, and technical, and health care services.

Hefty population gains have also continued. From January 1 to April 1, 2019, Nova Scotia's population rose by 1.2% y/y—the strongest quarterly expansion since 1984—with the number of Halifax residents aged 15 and over up 2% y/y ytd through June 2019. Greater numbers of newcomers, alongside improving immigrant labour force integration, have contributed to this trend, as have stable population inflows from other provinces that reflect both the prolonged nature of the recovery in Canada's oil-producing regions and Nova Scotia's appeal to job-seekers.

Housing markets remain hot. Halifax's sales-to-new listings ratio recently reached some of the highest rates since the early 2010s, and Nova Scotia's 5.8% y/y ytd growth in average home sales prices through May leads the provinces. As well, solid residential construction has continued into this year and new listings are on the rise in the capital city. Consequently, buyer-seller conditions have begun to edge towards more balanced territory. In line with economic growth and still-low borrowing costs, we look for healthy homebuilding through 2020 to further guard against steep home price gains as job creation slows.

Nova Scotia's private-sector investment outlook is improved versus 2018. Work on the Halifax Convention Centre and a major transmission line ending in late 2017 posed a drag last year that is gone in 2019. Outlays related to offshore gas well plugging also persist through 2020. Shipbuilding contracts with the federal government and the proposed LNG facility in Goldboro—should it receive approval this year—will provide a more substantive boost to capital outlays beyond next year.

As in PEI, Sino-Canadian diplomatic tensions present a significant risk to the expansion at this time. Escalation of the dispute would almost certainly weigh on Nova Scotia's exports to China—concentrated in seafood and fishing—which accounted for almost 10% of the province's external merchandise shipments over the last five years.

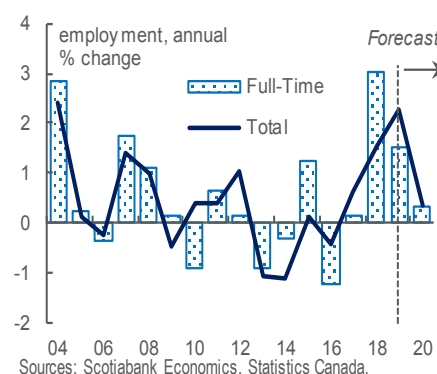
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Nova Scotia				
% change except where noted				
Economic Conditions	17	18e	19f	20f
Real GDP	1.5	1.2	1.3	1.3
Nominal GDP	2.9	3.2	3.0	3.3
Employment	0.6	1.5	2.3	0.3
Unemployment Rate, %	8.4	7.6	6.8	6.8
Housing Starts, 000s	4.0	4.8	3.9	3.8
Fiscal Situation	FY18	FY19	FY20	
Budget Balance, % of GDP	0.5	0.1	0.1	
Net Debt, % of GDP*	35.0	34.2	33.7	

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

Nova Scotia's Robust Job Creation



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.

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