

Nova Scotia

PANDEMIC ADDS TO 2020 TRADE CHALLENGE

A number of unique factors likely mean a more challenging 2020 for Nova Scotia than for its Maritime counterparts, but a relatively solid fiscal position and diversified economy should bolster its eventual recovery.

Despite a clear triumph in containing the first wave of COVID-19—no more than three new daily cases have been reported since May—Nova Scotia's labour market has not fared as well as other COVID-light regions. This reflects its industrial structure: wholesale and retail trade accounted for more than 15% of full-time jobs last year—more than any other province—and its 16.2% retrenchment is thus far worse than anywhere else. And at almost 6%, accommodation and food services—hammered by lockdown measures—last year made up more of the full-time workforce in Nova Scotia than in any other Canadian jurisdiction. Room bookings have improved somewhat since the inception of the Atlantic Bubble, but remained well below 2019 levels heading into the fall shoulder season.

The global nature of this downturn also neutralizes the diversified trading linkages that could normally be counted on as a cushion. Nova Scotia's nominal exports to the US, China, and Europe are all down significantly through August. Adding to this challenge are broadly weaker seafood prices during the pandemic and the closure of the Northern Pulp mill in Pictou County prior to the pandemic. In the first eight months of 2020, external shipment values for staple paper manufacturing were more than 50% lower than year-earlier levels. Over the longer-run, the trading relationship with China will be key: Nova Scotia has arguably benefited more from sales to the Middle Kingdom in recent years than any other Canadian province (chart)

As in PEI, potential downside vis-à-vis weaker population growth could be significant in Nova Scotia. Immigration, interprovincial migration, and net non-permanent resident attraction contributed to a nearly 50-year high in population growth in 2019, with labour market outcomes for newcomers generally improving since 2015. Going forward, it will be important for the province to balance safely resuming population flows with the need to prevent pandemic outbreaks.

Expected to offer near-term support for Nova Scotia's growth outlook is a significant increase to infrastructure spending plans. With an additional boost of almost \$250 mn announced in July, provincial capital plan outlays are now projected to climb to about \$1.3 bn (2.9% of 2019 nominal GDP)—nearly 90% higher than in FY20. This may help fill the void left by soft private-sector investment, and while it generates fiscal pressures, the Province is on pace to avoid a record debt burden following several strong surpluses and attention to debt management pre-pandemic.

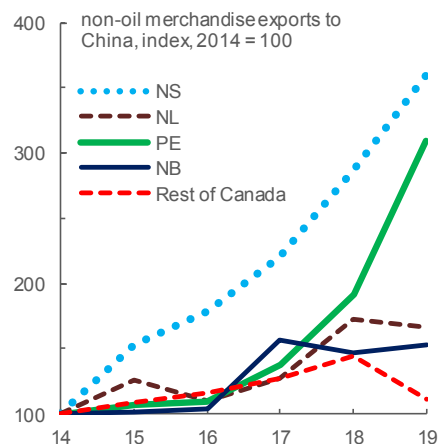
Challenges this year notwithstanding, Halifax remains Atlantic Canada's high value services sector hub. Within Atlantic Canada, ICT, the financial

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Economic Outlook				
annual % change except where noted				
	19e	20f	21f	22f
Real GDP	2.1	-4.3	4.1	2.8
Nominal GDP	3.0	-3.3	5.8	4.7
Employment	2.2	-4.5	5.0	2.2
Unemployment Rate, %	7.2	10.0	8.3	7.2
Housing Starts, 000s	4.7	4.5	3.9	4.0
Total CPI	1.6	0.3	1.6	1.8

Exceptional Pre-Pandemic Growth in Nova Scotia Exports to China



sector, and professional, scientific, and technical services account for the largest share of output and employment in Nova Scotia. With greater capacity for work to be carried out remotely, these industries—and therefore the province—are likely to be more resilient to an extended lockdown situation.

Provincial Forecast Summary											
	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	0.9	2.2	1.0	0.7	1.8	2.2	2.1	2.1	2.5	2.8
2019*	1.7	4.0	4.5	2.1	1.0	2.7	1.6	1.0	-0.8	-0.6	2.8
2020f	-5.7	-6.8	-3.3	-4.3	-3.7	-6.0	-5.7	-3.1	-5.9	-7.3	-4.9
2021f	4.1	3.2	3.7	4.1	3.8	4.3	4.2	3.5	4.0	4.1	3.7
2022f	3.1	1.7	2.9	2.8	2.7	3.2	3.2	2.7	3.1	3.3	3.4
Nominal GDP											
2010–19	3.9	3.3	4.0	2.7	2.8	3.8	4.0	3.9	3.2	3.5	4.5
2019e	3.6	4.0	4.5	3.0	2.9	4.6	3.8	2.8	2.5	0.7	4.4
2020f	-4.9	-8.8	-1.7	-3.3	-2.5	-4.1	-3.7	-2.0	-8.2	-10.0	-3.7
2021f	6.5	5.5	5.5	5.8	5.7	6.5	6.6	4.9	6.9	7.4	5.7
2022f	5.5	3.8	4.9	4.7	4.4	5.4	5.6	4.7	5.6	6.4	5.7
Employment											
2010–19	1.3	0.5	1.4	0.4	-0.1	1.2	1.5	0.8	1.0	1.4	1.6
2019	2.1	0.6	2.7	2.2	0.8	1.8	2.9	0.9	1.8	0.5	2.6
2020f	-5.1	-6.2	-2.2	-4.5	-2.8	-4.8	-4.9	-3.2	-4.4	-6.4	-6.3
2021f	5.2	4.0	4.9	5.0	4.5	5.3	5.1	4.9	5.5	5.6	5.4
2022f	2.4	0.7	2.6	2.2	2.3	2.3	2.4	2.3	2.6	2.7	2.5
Unemployment Rate (%)											
2010–19	6.9	13.0	10.5	8.6	9.3	7.0	7.0	5.5	5.2	6.2	6.1
2019	5.7	11.9	8.8	7.2	8.0	5.1	5.6	5.3	5.4	6.9	4.7
2020f	9.5	14.2	10.4	10.0	9.7	9.1	9.4	8.1	8.7	11.2	9.1
2021f	7.7	12.9	9.1	8.3	8.3	7.3	7.7	6.4	6.5	9.1	7.1
2022f	6.5	12.2	7.9	7.2	7.3	6.2	6.5	5.3	5.3	7.7	6.0
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2019	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45
2020f	206	0.8	1.0	4.5	3.1	52	78	6.0	3.0	22	35
2021f	174	0.8	1.1	3.9	2.5	42	63	5.7	2.1	25	28
2022f	185	0.8	1.2	4.0	2.5	45	66	6.2	2.5	25	32
Motor Vehicle Sales (units, 000s)											
2010–19	1,820	33	7	51	41	432	715	55	53	237	194
2019	1,917	34	8	53	41	454	788	53	46	227	214
2020f	1,568	29	7	43	35	381	625	46	40	186	177
2021f	1,800	32	7	50	41	434	714	54	47	218	204
2022f	1,908	33	8	53	43	462	759	56	49	231	215
Budget Balances, (CAD mn)											
2019	-17,770	-1,386	-4	41	98	1,900	-8,672	5	-319	-12,152	-321
2020f**	-410,000	-1,838	-178	-853	-299	0	-38,538	-2,938	-2,130	-24,159	-12,792
2021f***	-125,000										
2022f	-75,000										

* Based on preliminary GDP by industry estimates for all provinces but Quebec and Ontario. ** NL budget balance in 2020 is net of one-time revenue boost via *Atlantic Accord*.
*** In order to align with US reporting, as of the August 2020 issue of Scotiabank's Forecast Tables, Canadian Federal and Provincial Budget Balances for FY2020/21 are noted in calendar year 2020, FY2021/22 in calendar year 2021. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund and Stabilization Reserve transfers.

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