October 16, 2019

Human Stimulus Picks Up in Heightened Risk Environment

HIGHLIGHTS*

- **Quebec is forecast to lead the provinces in economic growth this year—the first time in recorded history; British Columbia and Alberta will likely top the table in 2020 and 2021, respectively.**
- **This year's population upsurge has persisted—and accelerated in some regions—and limits downside across a number of provinces.**
- **Above-trend job creation remains key to the forecast expansion in many jurisdictions in 2019.**
- **Population and employment growth look to be driving home sales and demand-supply tightness across Canada, with the strongest recent gains witnessed in large cities.**
- **The Provinces continue to take different fiscal policy and economic management approaches, but generally improving balances in many major economies are on a positive trend.**
- **Risks related to Sino-US trade tensions, the Sino-Canadian diplomatic skirmish, and the possibility of an uncertainty-led global economic slowdown remain in place.**
- **Pipeline transportation constraints remain in the western Canadian oil patch.**

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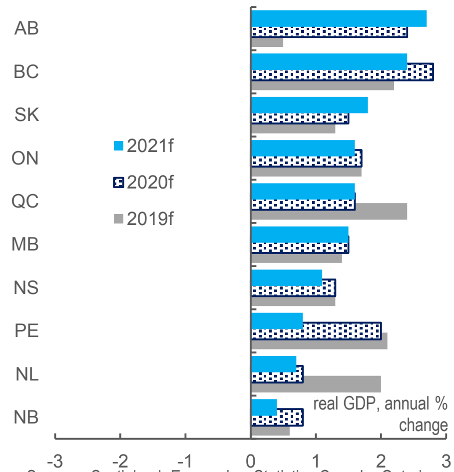
Provincial Forecast Summary



Sources: Scotiabank Economics, Statistics Canada, Ontario Finance, Institut de la Statistique du Québec.

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* Figures reported in Canadian dollars unless otherwise stated. Data finalized Oct. 9, 2019.

NEWFOUNDLAND AND LABRADOR—NEAR-TERM BOOST, LONG-RUN PRESSURES

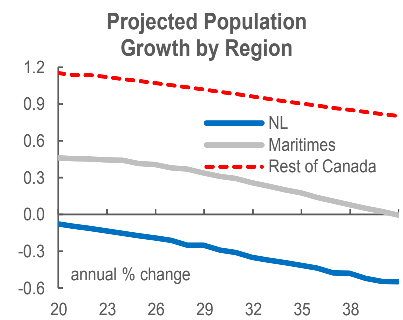
Our forecast for Newfoundland and Labrador is largely unchanged. Peak major project activity continues to dominate the near-term outlook, with ventures such as the West White Rose Extension and the Muskrat Falls dam, as well as work on multiple mines expected to contribute to an upswing in private-sector capital outlays this year. Correspondingly, full-time job creation is up 3.1% y/y ytd as of September—more than any other province—with gains concentrated in mining, quarrying, and oil & gas extraction. Lifted by a rallying labour market, home sales are up a healthy 5.3% y/y ytd through August, a rate that, if it persists, would represent the steepest annual climb since 2011. As major project work subsides beyond 2019, we foresee moderating investment and consumer spending.

Beyond this year, higher crude values should be positive for Newfoundland and Labrador's nominal merchandise exports, up more than 10% to date this year. The province is set to benefit from rising domestic oil and metals production.

Newfoundland and Labrador
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	-2.7	2.0	0.64	0.75
Nominal GDP	0.5	3.5	2.9	3.7
Employment	0.5	1.1	0.0	-0.1
Unemployment Rate, %	13.8	12.1	12.1	12.0
Housing Starts, 000s	1.1	0.9	1.3	1.1
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	-1.6	-1.7	-2.2	
Net Debt, % of GDP	46.4	40.1	--**	

* Nom. GDP fcst: Scotiabank Economics; FY20 balance net of one-time revenue boost via Atlantic Accord. ** Projection not available. Sources: Scotiabank Economics, Statistics Canada, CMHC, NL Finance.



* Based on Statistics Canada annual population projections, medium-growth, 2009–10 to 2010–11 trends. Sources: Scotiabank Economics, Statistics Canada.

Demographics remain a challenge. Newfoundland and Labrador is the only province whose population has contracted to date this year; as of April 1, 2019, its trailing four-quarter outflow of residents to other Canadian jurisdictions was the largest since 2006. That trend should persist as job creation eases, and constrain workforce growth alongside an aging population (chart). Rapid aging will also put upward pressure on healthcare costs at a time when the Province is targeting ambitious average annual spending reductions of 2.5% for FY21–23 in order to balance its budget sustainably by the latter year.

PRINCE EDWARD ISLAND—POPULATION GAINS, INFRASTRUCTURE SPENDING PROPEL ABOVE-TREND EXPANSION

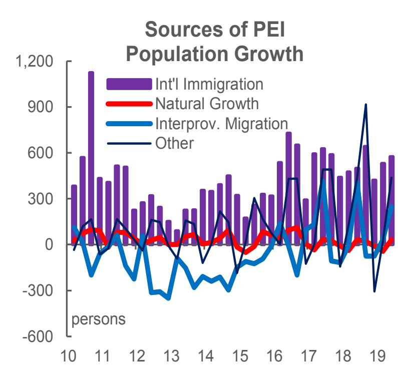
Brisk population growth—the principal driver of Prince Edward Island's robust recent expansion—has persisted since our last forecast publication and still puts the Island on a strong growth trajectory. PEI's headcount rose by 2.1% y/y or more in each of the 12 quarters to July 1, 2019—more than any other jurisdiction during that period and a streak not seen in the province in the 67 years for which data are available. Immigration still anchors those gains, but resumption of interprovincial inflows and continued natural growth are also constructive to further growth (chart). Amid these increases, the Island continues to churn out jobs—full-time positions climbed by 2.8% y/y or more in six of the last seven months.

Infrastructure outlays to address the needs of the Island's growing population are expected to provide additional support for the expansion. Spending under the Province's *Capital Budget*—concentrated in health, education, and transportation—is expected to peak at $156.6 mn (2% of nominal GDP) in FY20 and average more than $100 mn per year through FY24.

Prince Edward Island
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	2.6	2.1	1.9	1.8
Nominal GDP	4.6	4.1	3.9	3.8
Employment	3.0	1.8	0.8	0.6
Unemployment Rate, %	9.4	8.9	9.0	9.1
Housing Starts, 000s	1.1	1.1	1.1	1.0
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	0.2	0.0	0.1	
Net Debt, % of GDP	31.3	31.0	30.3	

* Nom. GDP fcst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, PEI Finance.



Sources: Scotiabank Economics, Statistics Canada.

If there is downside to PEI's hefty population gains, it is the ensuing erosion of housing affordability. Mean home sale prices are up 8.4% y/y ytd as of August—more than any other province—and rental market tightness is acute. These conditions have prompted both demand-side policy moves—like the extension of a tourism levy to short-term rentals in Charlottetown—and efforts to boost supply—including forgivable loans for new construction of affordable housing units.

Canada's ongoing diplomatic dispute with China still presents downside for exports and tourism, but PEI's trade outlook is otherwise more auspicious. Poor weather plagued potato yields in 2018, but an early-year increase in related farm cash receipts suggests a better growing season for the Island's signature crop this year. Beyond 2019, capacity enhancements underway in the aerospace and pharmaceuticals industries should further assist exports.

NOVA SCOTIA—ONE DOOR OPENS AS ANOTHER LOOKS TO BE CLOSING

Major developments in Nova Scotia over the last several months highlight shifts in the province's economy. The $10 bn Goldboro LNG plant still represents the key upside risk to the outlook, though a final investment decision has been delayed until next year. Meanwhile, the paper mill in Boat Harbour—a staple of the province's forestry sector rural economy—is set to close by the end of January 2020 when its wastewater treatment facility is shut down. A proposed replacement wastewater treatment plant—which could extend mill operations—is undergoing environmental assessments.

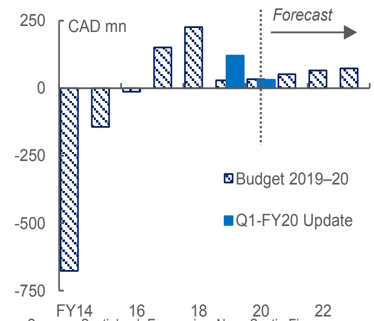
Amid headwinds for forestry and a number of traditional economic pillars like seafood and fishing via Sino-Canadian diplomatic tensions, Nova Scotia continues to witness surging population growth. Full-time job creation in high-earning professional, scientific & technical, and health care services has fallen off somewhat in recent months, but is expected to remain key to the province's near-term expansion. These sectors should help to continue to draw newcomers and workers from other provinces; from April 1 to July 1, 2019, Nova Scotia's headcount rose 1.3% y/y—its strongest quarterly climb since 1973. Halifax has been the main beneficiary, but building activity has responded and kept the city's housing market roughly balanced amid strong sales activity.

Nova Scotia
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	1.2	1.3	1.3	1.1
Nominal GDP	3.2	3.0	3.2	2.8
Employment	1.5	2.2	0.3	0.1
Unemployment Rate, %	7.6	6.8	6.8	6.9
Housing Starts, 000s	4.8	4.6	4.2	4.2
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	0.3	0.1	0.1	
Net Debt, % of GDP	34.1	33.7	33.2	

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

Nova Scotia's Budget Balances



Sources: Scotiabank Economics, Nova Scotia Finance.

Transfers related to Boat Harbour remediation factored significantly into the Province's latest financial update, and are expected to lift ordinary recoveries by $86 mn versus the previous forecast, and keep the projected FY20 surplus intact. According to the Province's Q1 update for this fiscal year, this will partially offset a downward revision in provincial own-source revenues and higher projected healthcare spending. A one-time payment in Federal Gas Tax from the federal government—announced in the Federal Budget—boosted the revenue side of the ledger and showed up in a commensurate transfer to municipalities.

With surpluses planned for the foreseeable future—FY19 was the third consecutive year of black ink and followed five successive annual deficits (chart)—the Province has moved to increase capital spending by more than 10% in FY20. This should support the expansion alongside private-sector outlays for Port of Halifax expansions and shipbuilding contracts with the Federal Government.

NEW BRUNSWICK—IMPROVED FISCAL BALANCE, NEW POLICY PLANS LAY GROUNDWORK FOR LONG-RUN GROWTH

Economic data released since our last forecast suggest little change in New Brunswick's near-term economic trajectory. Job creation has been generally positive, albeit weakening moderately and oriented towards part-time work. Stable, modestly above-trend population growth concentrated in immigration continues to create tightness in local housing markets. The softwood lumber dispute with the US and a late-2018 refinery shutdown present downside for the province's forestry and petroleum exports.

On the fiscal front, new developments were more material. New Brunswick's first quarter update for FY20 penciled in a $38 mn surplus (0.1% of GDP)—$15 mn higher than in the March *Budget*—with forecast net debt revised commensurately lower (chart). That built on a significantly larger-than-anticipated $72.6 mn surplus in FY19 that stemmed from a prior-year adjustment to personal income tax receipts. Federal Gas Tax transfers are expected to pad the government's coffers in FY20, as well as push infrastructure project spending plans higher. Revised healthcare spending plans resulted in expense overages, as did projected disaster assistance payments following spring flood events, though the latter should be partly offset by federal funding support.

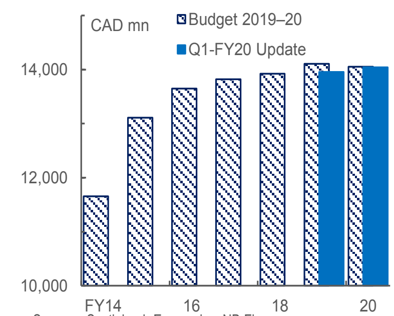
The government also released a list of six policy priorities that will define its mandate. Specific measures were not provided, but two particular areas identified offer some guidance with respect to fiscal and economic development planning. The Province reiterated its intent to facilitate private-sector growth; alongside stronger FY19–20 budget balances, this looks positive for business tax relief implied in last year's Throne Speech. As well, emphasis on sustainable and efficient public services suggest spending control and debt reduction efforts will continue.

New Brunswick
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	0.1	0.6	0.8	0.7
Nominal GDP	1.9	2.2	2.4	2.1
Employment	0.3	0.6	0.2	0.2
Unemployment Rate, %	8.0	8.1	8.1	8.0
Housing Starts, 000s	2.3	2.8	2.4	2.4
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	0.0	0.1	0.1	
Net Debt, % of GDP	38.0	37.4	--*	

* Nom. GDP fcst: Scotiabank Economics. ** Projection not available. Sources: Scotiabank Economics, Statistics Canada, CMHC, NB Finance.

New Brunswick's Net Debt



Sources: Scotiabank Economics, NB Finance.

Earlier in the summer, the Province released its Population Growth Strategy for 2019–24, the key features of which are goals to attract 7,500 newcomers to New Brunswick annually and reach the national average retention rate of 85% by 2024. Emphasis on immigrant attraction and retention are growth positive for a province whose labour pool is aging rapidly and where no major private-sector ventures are currently expected to propel investment activity over the next several years. Still, the targets are ambitious. The province welcomed just over 5,000 immigrants in the year to April 1, 2019—the strongest four-quarter gain ever recorded.

QUEBEC—CLAIMING THE TOP SPOT

Quebec's remarkable streak of above-trend real GDP gains has continued since our last forecast update, and we now expect the province to top provincial growth rankings this year before moderating to a more sustainable rate in 2020–21. That has not occurred at any point since Statistics Canada began publishing provincial GDP data in 1981. Particularly auspicious in the recent data is the upswing in machinery and equipment (M&E) investment, which initially registered as a decline in Q1-2019, but has since been revised to a modest uptick and followed by a sharp spike (chart). This suggests uptake of federal and provincial accelerated depreciation allowances consistent with our initial views. It also puts investment on a healthy trajectory this year alongside a second quarter rebound in non-residential building, major transit projects, and hefty infrastructure outlays.

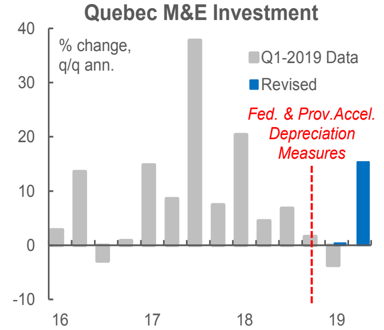
Quebec's near-term consumer outlook also looks healthy despite a modest downward revision to first-quarter real household spending figures. Full-time job creation has firmed since our last quarterly forecast update, as have weekly wage gains, which continue to significantly outpace inflation amid tightness in labour markets. Two policy rate cuts expected from the Bank of Canada should encourage borrowing among marginal consumers, but the province maintains the advantage of a household saving rate well above the national average.

Quebec
% change except where noted

Economic Conditions	18	19f	20f	21f
Real GDP	2.5	2.4	1.6	1.6
Nominal GDP	4.2	3.7	3.3	3.6
Employment	0.9	1.6	0.8	0.8
Unemployment Rate, %	5.5	5.2	5.4	5.5
Housing Starts, 000s	47	49	46	44
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance**, % of GDP	0.58	0.0	0.0	
Net Debt, % of GDP	40.1	38.7	37.6	

* Nom. GDP fcst: Scotiabank Economics. ** After deposits into the Generations Fund.. Sources: Scotiabank Economics, Statistics Canada, CMHC, Finances Québec.

Quebec M&E Investment



Sources: Scotiabank Economics, Institut de la Statistique du Québec.

Above-trend population growth—a key driver of the province's recent expansion—has also persisted. In the three months to April 1, 2019, elevated temporary foreign worker program use drove net non-permanent residents to their highest-ever recorded level, which continues to offset diminished newcomer admissions. As well, net interprovincial migration turned positive for the first time since 2009. In the ensuing quarter, the provincial populace rose 1.2% y/y—its steepest climb since 1989.

Tightness in the Montreal housing market is one of the repercussions of the province's spate of torrid population growth and job creation. As indicated by our rankings of demand-supply balances in local markets, conditions in Montreal have been some of the most seller-friendly in Canada throughout 2019. The good news is that housing starts and construction have remained elevated and should help realign housing demand and supply as provincial growth eases as well as keep price gains stable.

The key risk to the outlook at this time continues to be presented by a weaker global environment vis-à-vis trade uncertainty. A slowdown south of the border would of course weigh significantly on the Quebec economy. However, our base case assumes that downside will be avoided and that Quebec exports will continue to recover from a soft start to the year, supported by strong fundamentals along with a weak exchange rate and solid, albeit easing US growth.

ONTARIO—SOLID FUNDAMENTALS, HEIGHTENED UNCERTAINTY

The modest upward revision to our forecast of Ontario economic growth this year largely reflects a solid rebound in Q2-2019 that followed two quarters of weak expansion. That mirrors a jump in automobile production that looks to have lifted exports, as well as an increase in residential investment that rallied from early-year doldrums.

A prolonged strike in GM's US operations will impact southern Ontario's near-term outlook. As the strike duration approaches one month, GM production in Canada has halted—with about a 20% reduction in auto production for the month, or 30,000 units, while about 4,500 workers have been idled. The auto parts sector is increasingly impacted in light of highly integrated value chains and the more serious retrenchment of GM operations south of the border. While the impact on the provincial outlook will be modest, it is should have serious consequences locally.

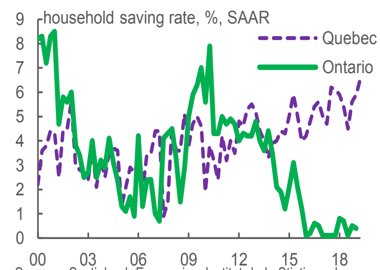
Ontario's labour market is still on firm footing, but we expect household spending gains more muted than those in excess of 2.6% witnessed in each of the last five years during the forecast period. Both full-time job creation and average weekly wages have accelerated in recent months, and our projection of 2.6% total employment growth would be the strongest annual advance since 2003. However, the province's weak savings rate (chart) suggests additional spending from highly indebted borrowers will be limited, even with expectations of a more stimulative rate environment that should lend some additional support for consumers in the outer years of the forecast.

Ontario
% change except where noted

Economic Conditions	18	19f	20f	21f
Real GDP	2.3	1.7	1.7	1.6
Nominal GDP	3.5	3.3	3.4	3.9
Employment	1.6	2.6	1.2	1.0
Unemployment Rate, %	5.6	5.6	5.8	5.8
Housing Starts, 000s	79	71	76	78
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	-0.9	-1.2	-0.7	
Net Debt, % of GDP	39.6	40.8	40.8	

* Nom. GDP fcst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, Ontario Finance.

Ontario's (Relatively) Weak Household Balance Sheets



Sources: Scotiabank Economics, Institut de la Stistique du Québec, Ontario Finance.

Population gains in the 1.7–1.8% range witnessed during the six quarters to April 1, 2019 are the strongest in Ontario since 2001–02. Immigration continues to anchor that growth—concentrated in the GGH—though international student attraction is at record levels, and net migration of residents from other provinces during the last three years has hovered near rates not seen since the early 2000's. Ontario is drawing a significantly greater share of national immigration than in recent years, a trend that has the potential to lift growth via a larger provincial labour pool. It also underscores the need for more housing supply to come online to cushion against affordability pressures, especially as several markets in the GGH witness a return to strong home sales activity.

As in Quebec, elevated global uncertainty—especially that related to Sino-US trade tensions—presents significant downside risk for Ontario to the extent that it translates into weaker consumer and business sentiment or a weaker expansion south of the border. However, a range of large construction projects—notably the second phase of the light rail transit expansion in Ottawa, the $5.7 bn Gordie Howe International Bridge in Windsor, and a $2 bn petrochemical plant in Sarnia—should put a floor under provincial investment.

The Province's recently released fiscal update for FY19 reported a substantially smaller-than-previously-anticipated year-end deficit of $7.4 bn (0.9% of GDP), but we do not foresee deviation from spending restraint plans at this time. The sources of the FY19 windfall—re-profiled federal infrastructure program transfers and an unexpected surge in corporate tax receipts—may well prove transitory. In our view, any additional outer-year fiscal room should be directed towards debt reduction. It is appropriate to build in fiscal buffers given the current environment of heightened uncertainty while carefully navigating a challenging but necessary consolidation path.

MANITOBA—ACCELERATED DEFICIT REDUCTION DESPITE DOWNSIDE RISKS

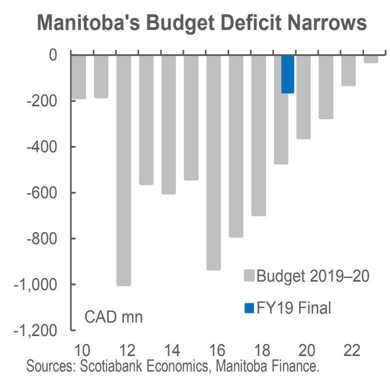
Most of the previously detailed economic forces remain in place, and they are largely negative for growth in the Keystone Province. After significantly supporting the expansion in recent years, ventures such as the BiPole III transmission line, Keeyask generating station, and Manitoba's portion of the Line 3 pipeline will pose a drag on provincial capital spending as they are completed this year and next. A major mine closure is slated for next year, leaving just one metal mine in operation thereafter. And ongoing Sino-Canadian diplomatic tensions look to be increasingly weighing on Manitoba's external sector—merchandise exports to China are down 42% y/y ytd as of July 2019, with weakness concentrated in oilseed shipments.

Manitoba also stands out as one of the few jurisdictions in which population growth is slowing. That is largely a result of widening net interprovincial out-migration. While stepped-up immigration has helped to offset those outflows, the province distinguishes itself from many others at this time in that newcomer admissions are elevated, but not at record levels. Also negative for consumer spending is generally slowing full-time employment that has begun to translate into y/y declines in hours worked, though retail sales growth has not fallen off and wage gains remain firm.

Manitoba
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	1.3	1.4	1.5	1.5
Nominal GDP	3.1	3.4	3.3	3.3
Employment	0.6	1.2	0.6	0.6
Unemployment Rate, %	6.0	5.4	5.5	5.6
Housing Starts, 000s	7.4	6.8	6.0	6.0
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	-0.6	-0.5	-0.3	
Net Debt, % of GDP	34.4	34.5	--**	

* Nom. GDP fcst: Scotiabank Economics. ** Projection not available. Sources: Scotiabank Economics, Statistics Canada, CMHC, Manitoba Finance.



The good news is that Manitoba finds itself on a significantly improved deficit trajectory; recently rewarded by one ratings agency with a positive trend change on the Province's credit. Final results for FY19 reported a fiscal shortfall of just $163 mn (-0.2% of GDP) (chart)—more than $300 mn less than previously anticipated and the second-best one-year deficit improvement recorded in Manitoba history. Higher-than-anticipated income tax revenues—attributed to further unwinding of federal tax planning—anchored the result. Expenditure restraint should still be central to the Province's plan to balance the budget—now expected in 2022—but $357 mn of additional deposits into the Rainy Day Fund create a fiscal buffer that can be deployed in the event of a downturn.

SASKATCHEWAN—EARLY-2019 LABOUR MARKET GAINS EASE; TRADE, INVESTMENT OUTLOOK MUTED

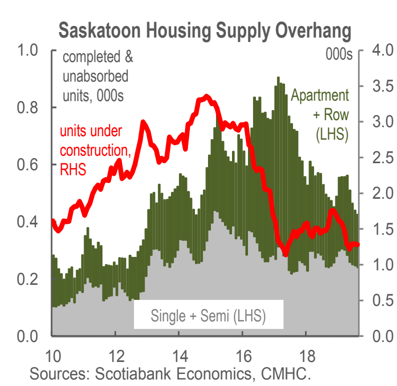
Saskatchewan's near-term outlook is largely unchanged from our previous forecast update. The early-year surge in full-time job creation looks to be finally moderating—though at 1.6% y/y ytd as of August, growth in full-time positions is still on pace for its best year since 2013. Gains to date this year are particularly strong, albeit easing, in high-wage sectors such as financial, and professional, scientific & technical services, though a broad-based pickup in wages has not materialized. We continue to foresee more moderate labour market gains beyond 2019, but that steady forecast employment growth is still an improvement following a prolonged recovery to the last commodity price downturn.

In line with job creation, population growth is decelerating. Further widening of outflows of residents to other provinces—in the four quarters to April 1, 2019, net interprovincial migration reached its largest negative level since 1992—continues to erode headcount gains via admissions of newcomers. We expect stepped-up immigration, stable labour markets and a young populace to facilitate stronger population growth in the coming years, but current conditions are net negative for consumer spending and household formation.

Saskatchewan
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	1.6	1.3	1.5	1.7
Nominal GDP	3.8	3.4	3.8	4.5
Employment	0.4	1.7	0.7	0.6
Unemployment Rate, %	6.1	5.4	5.5	5.4
Housing Starts, 000s	3.6	2.5	3.3	3.7
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	-0.3	0.0	0.1	
Net Debt, % of GDP	14.3	14.5	--**	

* Nom. GDP fcst: Scotiabank Economics. ** Projection not available. Sources: Scotiabank Economics, Statistics Canada, CMHC, SK Finance.



The housing market is at the confluence of short-run and longer-term trends. On the one hand, early-year job creation contributed to strong existing home sales activity in Regina and Saskatoon, though purchases have fallen back in more recent months. On the other, the province remains mired in an overhang of units accrued since the 2014–15 downturn in commodity prices (chart), which should weigh on residential construction and put downward pressure on prices over the next few years.

The outlook for investment and trade remains muted. Capital outlays are expected to be reduced across a number of steam-powered oil projects—in part due to ongoing pipeline transportation issues—and work is expected to finish this year on the $1.9 bn Regina Bypass project and $680 mn Chinook Power Station. Saskatchewan is particularly vulnerable to protectionist Chinese policy given its trade ties to the country and agriculture-oriented external sector, though further gains in potash production are constructive to export growth.

ALBERTA—FINANCIAL REVIEW MAKES THE CASE FOR SPENDING RESTRAINT

We continue to anticipate a soft expansion in Alberta this year, with a rebound to growth of about 2.5% in the ensuing two years. Oil and gas investment remains muted amid heightened uncertainty via insufficient pipeline transportation capacity. That has translated into other corners of the provincial economy, reflected in employment growth well below the national average and softness to date this year across indicators such as home building, retail sales, and non-residential construction.

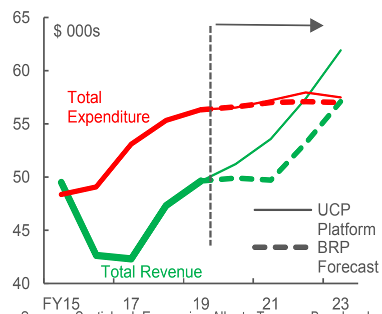
With completion of the TransMountain pipeline not expected until at least 2022, sustainable supply-demand balance in the Western Canadian oil market and a stable light-heavy crude price differential is still at least a few years off. Yet work on pipeline projects as we progress through 2020 should generate an uptick in investment and contribute to stronger economic growth beyond this year. Activity related to major petrochemicals facilities is also expected to support the expansion in the coming years, and we foresee an incremental boost to capital outlays vis-a-vis corporate tax rate reductions planned over the next four years. Further increases to the government-mandated oil production caps should lift oil and gas sector output and exports as well.

Alberta
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	2.3	0.5	2.4	2.7
Nominal GDP	4.5	1.9	4.5	5.7
Employment	1.9	0.8	1.0	1.2
Unemployment Rate, %	6.6	6.8	6.9	6.8
Housing Starts, 000s	26	27	30	31
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	-1.9	-2.2	-1.9	
Net Debt, % of GDP	7.9	10.7	12.6	

* Nom. GDP fcst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, Alberta Finance.

Alberta's Fiscal Outlook



Sources: Scotiabank Economics, Alberta Treasury Board and Finance, United Conservative Party Platform 2018.

Long-dormant energy security concerns were brought to the fore by recent attacks on major Saudi oil facilities that temporarily knocked nearly 6% of global crude supplies offline. Sentiment toward Canada's oil patch—particularly Alberta's voluminous oil sands deposits—has historically benefitted from such security concerns, which were part of the impetus for infrastructure projects like Keystone XL.

The report and recommendations of the Blue Ribbon Panel (BRP) on Alberta's finances published this summer reinforce the Province's previously announced fiscal plans and set the stage for a transformational budget later this month. Expenditure control should be the key feature of the upcoming fiscal blueprint; the BRP suggests restraint beyond that previously outlined will be needed to balance the Province's books by FY23 (chart). The report also outlines suggestions to recalibrate governance and administration spending in the public service and bolster competitiveness. Any details of a new capital spending framework, which will aim to balance fiscal sustainability and the mitigation of boom-and-bust cycles, will be of particular import for long-run growth.

BRITISH COLUMBIA—MAJOR PROJECTS, POPULATION GAINS KEEP PROVINCE AT TOP OF THE TABLE

We continue to anticipate that British Columbia will lead the provinces in job creation in 2019 and 2020, and in economic growth in the latter year. The LNG Canada venture in Kitimat should boost the province's expansion throughout the forecast horizon. In line with project plans and industry estimates of capital expenditure profiles for ventures with comparable timelines, peak activity is expected in 2021. However, the most significant contribution to BC growth relative to our baseline forecast comes next year, with the largest annual jump in capital spending between 2019 and 2020. Other projects expected to support economic growth in BC include the Site C Dam, Pattulo Bridge replacement project, and airport expansions in Vancouver, Victoria, and Abbotsford.

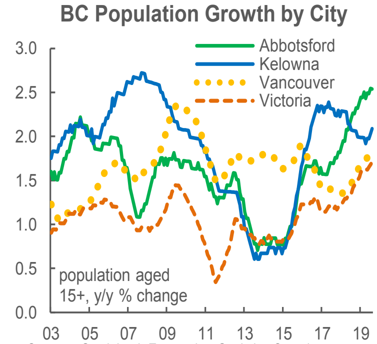
Steady population growth has persisted in BC since our last quarterly forecast update. Alongside gains in newcomers and net non-permanent residents, net interprovincial migration has been trending higher in the three quarters to July 1, 2019. As in other parts of the country, growth has concentrated in the largest cities. Vancouver's population aged 15 years of age and over rose 1.9% y/y in August and September 2019 after climbing just 1.4% per year over 2017–18; meanwhile, Victoria and Abbotsford recently witnessed the their strongest-ever recorded y/y monthly increases (chart).

A return to a more vibrant housing market has been the natural consequence of above-trend job creation and population gains. After pronounced declines in existing home purchases—brought about by rising interest rates and a range of federal and provincial policy measures—Vancouver home sales have risen by about 25% in two of the last four months. As strong demand-side factors support household formation and income growth in the coming years, we expect healthy home sales to resume and put further upward pressure on prices. Steady homebuilding activity should persist in Southern BC as well, constrained by factors such as higher material costs, building restrictions, and labour shortages in BC construction industry.

British Columbia
% change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	2.4	2.2	2.8	2.4
Nominal GDP	4.4	4.4	5.4	5.1
Employment	1.1	3.0	1.5	1.3
Unemployment Rate, %	4.7	4.6	4.8	4.9
Housing Starts, 000s	41	44	37	32
Fiscal Situation*	**FY19**	**FY20**	**FY21**	
Budget Balance, % of GDP	0.5	0.1	0.1	
Net Debt, % of GDP	14.3	14.8	15.3	

* Nom. GDP fcst: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, BC Finance.



Sources: Scotiabank Economics, Statistics Canada.

The outlook for BC's external sector continues to be dominated by downside risks. These include duties on imports of softwood lumber to the US, limits on lumber production following the mountain pine beetle infestation and severe wildfires in each of the last two years, and ongoing Sino-Canadian diplomatic tensions with China.

BC's financial update for the first quarter of FY20 still projects healthy surpluses through the next three fiscal years. Those balances look secure—the Province incorporates significant reserves into its blueprint and continues its longstanding practice of planning on the basis of economic growth less than the private sector forecast average. Taxpayer-supported debt as a share of GDP is still set to edge modestly higher over the planning horizon, reflecting record levels of planned investment in capital infrastructure. However, that rate is expected to remain on one of the softest trajectories among the provinces, and is on a lower path following a significantly larger-than-anticipated surplus in FY19. These factors recently led one ratings agency to affirm its AAA grade—the highest possible rating—of the Province's credit

Provincial Forecast Summary

(annual % change except where noted)

Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2000–18	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.6	2.0	2.1	1.3	0.6	2.4	1.7	1.4	1.3	0.5	2.2
2020f	1.8	0.6	1.9	1.3	0.8	1.6	1.7	1.5	1.5	2.4	2.8
2021f	1.9	0.8	1.8	1.1	0.7	1.6	1.6	1.5	1.7	2.7	2.4
Nominal GDP											
2000–18	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	3.2	3.5	4.1	3.0	2.2	3.7	3.3	3.4	3.4	1.9	4.4
2020f	3.8	2.9	3.9	3.2	2.4	3.3	3.4	3.3	3.8	4.5	5.4
2021f	4.3	3.7	3.8	2.8	2.1	3.6	3.9	3.3	4.5	5.7	5.1
Employment											
2000–18	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
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	1.1	1.8	2.2	0.6	1.6	2.6	1.2	1.7	0.8	3.0
2020f	1.0	0.0	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
2021f	1.0	-0.1	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
Unemployment Rate (%)											
2000–18	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
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	12.1	8.9	6.8	8.1	5.2	5.6	5.4	5.4	6.8	4.6
2020f	5.9	12.1	9.0	6.8	8.1	5.4	5.8	5.5	5.5	6.9	4.8
2021f	5.9	12.0	9.1	6.9	8.0	5.5	5.8	5.6	5.4	6.8	4.9
Housing Starts (units, 000s)											
2000–18	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	210	0.9	1.1	4.6	2.8	49	71	6.8	2.5	27	44
2020f	206	1.3	1.1	4.2	2.4	46	76	6.0	3.3	30	37
2021f	202	1.1	1.0	4.2	2.4	44	78	6.0	3.7	31	32
Motor Vehicle Sales (units, 000s)											
2000–18	1,674	29	6	48	38	415	646	48	45	217	182
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	31	9	51	39	448	810	60	49	223	215
2020f	1,915	26	7	50	38	435	805	58	50	227	219
2021f	1,915	26	7	47	36	435	805	58	51	231	219
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-14,000	-522	14	120	5	2,500	-7,435	-470	-268	-6,711	1,535
2020f*	-19,800	-575	2	31	38	0	-10,252	-360	26	-7,912	179

* 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.