

Nova Scotia

- **Construction activity supportive; cyclical forces boosting population growth**
- **Fiscal situation positive and stable versus Atlantic peers**

Economic growth looks to improve slightly in Nova Scotia this year, with real GDP expected to grow 1.4%, up from a 0.9% pace in 2016. While still sluggish from a national perspective, that would be tops in Atlantic Canada, and mark the best pace in seven years. Sturdy U.S. demand (barring a policy shock) and domestic construction activity will support growth in the near term, but some longer-term challenges remain in the province.

The Halifax Shipyard is now busy with the \$25 billion contract to build combat ships for the Royal Canadian Navy (through 2030) well underway. Other projects such as the Nova Centre and Maritime Link are also supporting growth. Indeed, **capital spending** intentions point to strong growth again after five years of retrenchment. **Exports** are steady overall, led by solid growth in the auto parts sector. **Residential construction** activity remains stable but subdued, with housing starts bouncing around the 3,500 annualized level amid soft demographic demand.

Indeed, the **demographic drain** is among the largest challenges in the province in the years ahead. In the meantime though, Nova Scotia is seeing population growth accelerate to the strongest pace in 26 years (but still less than 1% y/y). This follows four years of outright declines, and has come amid a stall in outward migration flows to Alberta, as well as a jump in international immigration. Still, this strength is most likely short-term and cyclical in nature, masking a longer-term trend that will see aging demographics act as a headwind, pinning economic growth below 1%.

The **labour market** continues to underwhelm, with employment trending modestly lower as sagging private-sector payrolls offset gains in the public sector. The jobless rate, holding around 8.5%, remains favourable versus its Atlantic Canada peers.

The **Province of Nova Scotia is projecting a \$136 million surplus in FY17/18** (0.3% of GDP), improved from the \$41 million surplus now expected for FY16/17. The latter estimate is up from the \$12 million expected in the most recent fiscal update, but down from \$127 million in the original budget plan—largely because of softer revenue. Note that the FY17/18 surplus shrinks to \$25.8 million after accounting for special factors related to the Convention Centre and Provincial Health Complex, which have swung the balance around over the two-year period. Looking ahead, the Province is projecting small surpluses through FY20/21. Against that backdrop, net debt will continue to gradually fall as a share of GDP, down to 35.9% this fiscal year, leaving Nova Scotia to stand out as a relative positive in an environment where some of its peers are seeing deficits persist well into the future.

Nova Scotia

Population:	948,800		
Percent of Canada:	2.6		
Rank by Population:	7 th		
Area:	55,284 km ²		
GDP/Capita:	\$43,300	Legislative Seats:	
Capital:	Halifax	Liberals	34
Party in Power:	Liberals	PC	10
Premier:	NDP	6	
	Hon. Stephen McNeil	Independent	1
Finance Minister:	Hon. Randy Delorey		

Next election: May 30th, 2017

Economic Outlook

Nova Scotia	16	17	18
Real GDP ¹ (% chng)	0.9	1.4	0.9
Employment (% chng)	-0.4	0.9	0.2
Jobless Rate (%)	8.4	8.2	8.2
Housing Starts (000s)	3.7	3.6	3.3
Cons. Prices (% chng)	1.2	1.6	1.8

shading = forecast ¹2016 by industry

Nova Scotia's Fiscal Situation

(C\$ mlns)	FY16/17e	FY17/18f
Revenues	9,784	10,208
Expenditures	10,145	10,516
GBEs & Adjustments	402	445
Budget Balance	41	136
(% of GDP)	0.1	0.3
Net Debt	15,061	15,161
(% of GDP)	36.6	35.9
Debt Service	830	850
(% of revenue)	8.5	8.3

() = deficit As of FY17/18 budget

Population Growth Rebound

Nova Scotia (y/y % chng)

