TD Economics

Provincial Economic Forecast
Regional Growth Disparities Linger

December 17, 2019

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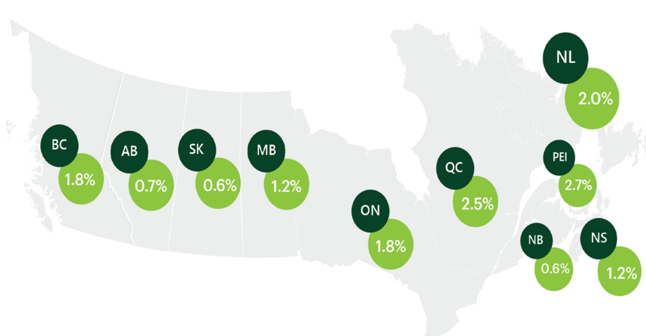
- Every province is on track to record an expansion in 2019. Performances this year are likely to range from a low of 0.6% in New Brunswick and Saskatchewan to a high of 2.7% in PEI.
- Growth disparities linger. Momentum in B.C and Central Canada remains solid, while the Prairies continue to be hobbled by an uncertain global and commodity price backdrop. That said, we expect to see the Alberta and Saskatchewan economies make up some modest ground over the next few years.
- Quebec's economy has continued to impress, underpinned by solid domestic conditions. However, a mix of capacity constraints and external headwinds should set the stage for a downshift to more sustainable growth moving forward. Similarly, despite mounting external challenges, Ontario has been showing its mettle, supported by strong demographics and strengthening housing activity. Continued steady, trend-like growth appears to be in the cards for this province over the forecast period.
- Out west, Alberta's economy remains in the doldrums. Fiscal restraint warrants a cautious outlook, but the easing of curtailment limits and the expectation of increased takeaway capacity in 2021 suggest that the worst is over. Likewise, in Saskatchewan, economic fortunes are expected to pick up, but only modestly, as the province continues to deal with negative interprovincial migration, a tepid commodity outlook and ongoing challenges in the agricultural sector. Manitoba is also facing another subdued year as firming housing activity is offset by a cooldown in major project work.
- British Columbia's economic prospects remain constructive in light of a bounce-back in its housing market, a surge in non-residential investment, including LNG, and buoyant labour markets.
- In the Atlantic Provinces, go-forward growth performances should be a mixed bag. Activity is likely to be strong in PEI, buoyed by a sharply rising population, while reasonably firm growth is forecast in Nova Scotia. Elsewhere, Newfoundland & Labrador will receive a boost from construction activity and oil production, and New Brunswick's economy is facing cross-currents of strengthening housing markets but subdued business activity.

Provincial Real GDP Growth Forecast (2019)



Source: TD Economics. Forecast as of December 2019.

For more details on our national forecast see our Quarterly Economic Forecast

British Columbia

B.C.'s economy continues to show resilience. The recently-released Provincial Economic Accounts showcased a nation-leading 2.6% pace of expansion in 2018. Real GDP gains are estimated to have downshifted to 1.8% in 2019 – a still solid outturn in light of housing market weakness that carried over into the early part of 2019. Booming non-residential investment and a buoyant services sector are expected to be instrumental in bringing B.C. back to the top of the provincial leaderboard in 2020-21.

Housing activity has been on an upward trajectory after bottoming out in early 2019. The stronger-than-anticipated bounce-back prompted an upgrade to our sales and price forecasts in 2020. Homebuilding has been on a tear, but is poised to slow to more sustainable levels.

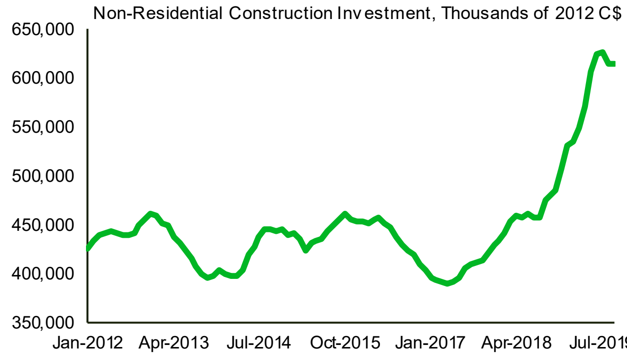
While getting less attention than housing, non-residential investment has become the biggest growth story. Construction spending and new permits for offices and institutional buildings have surged (Chart 1). Oil & gas construction activity is also forging ahead. For instance, work has reportedly begun on the TransMountain and Coastal GasLink pipelines, and construction on LNG Canada is expected to ramp up in 2021-22.

Elsewhere, B.C.'s expansion has been underpinned by a healthy services sector. Large corporations, especially in the high-tech sector, have opened or expanded offices in the GVA. On a related note, net hiring is on track to clock a gain of 2.7% in 2019. While broad-based, the strength has been led by the professional, scientific and technical services, business support, and public sector industries (see report). Still, the softer trajectory of job growth over the past few months suggests that hiring has begun to return towards a more sustainable pace.

B.C.'s fiscal position stands out as one of the healthiest provincially. The government downgraded its surplus estimate slightly in its second-quarter update, but is still poised to turn in a seventh consecutive year in the black.

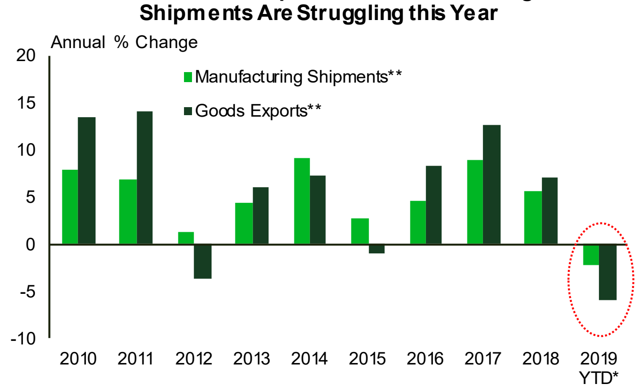
Notwithstanding these strengths, the economy faces some headwinds. Struggles in the forestry sector and softening global commodity demand are leaving their mark on manufacturing exports (Chart 2). Meanwhile, retail sales have been hard-pressed to grow, reflecting the lagged impact on durables spending from last year's housing adjustment and caution amid high household debt levels.

Chart 1: A Surge in Non-Residential Construction Investment is Supporting Growth in B.C.



Source: Statistics Canada, TD Economics. Last data point Sept 2019

Chart 2: B.C.'s Exports and Manufacturing Shipments Are Struggling this Year



Source: Statistics Canada, TD Economics
* Jan-Sep for Manufacturing, Jan-Oct for Exports. **All data are nominal.

British Columbia Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	1.8	2.0	2.3
Nominal GDP	4.4	4.2	4.3
Employment	2.7	0.5	0.8
Unemployment Rate (%)	4.7	4.8	4.8
Housing Starts (000's)	44.6	37.4	36.1
Existing Home Prices	-2.1	8.1	3.3
Home Sales	-1.9	23.9	4.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Alberta

After a challenging year in 2019, Alberta's economy is expected to gradually improve over the next two years. An easing of the Province's curtailment plan alongside a modest rebound in investment are expected to underpin growth. However, still-subdued labour markets and fiscal restraint will limit the upside potential.

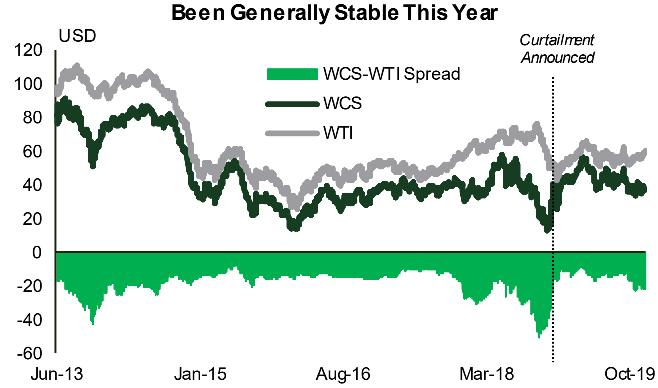
In the energy sector, market access remains a key source of uncertainty. This year's output curtailment has contributed to more stable local oil market conditions (Chart 1) and provided some support to corporate incomes and confidence in the oil patch. And while the WTI-WCS differential has recently edged up to around US$20 per barrel, this level should prompt more crude-by-rail shipments. On that note, the government has incentivized producers with more relaxed curtailment limits for crude shipped by rail. These developments point to increased production and exports in 2020. Globally, the recent OPEC+ decision to deepen existing output cuts mitigates against some downside price risk and should help keep WTI trading in its recent US$55-60 range in 2020-21.

Turning to the labour market, the province's unemployment rate remains the highest outside of Atlantic Canada (Chart 2). Although the composition of job growth has encouragingly shifted from self-employment to the private sector over the past year, headline job gains have been disappointing. In this environment, Alberta's highly-indebted households have remained cautious in their spending.

Alberta's recently-released budget (see report) showcased planned fiscal restraint over the next few years. While falling well short of the austerity measures implemented by the Alberta government in the 1990s, efforts to eliminate the current deficit of around 2% of GDP will take a moderate bite out of the province's expansion. The business sector will see some relief from the government's plan to lower the corporate income tax rate to 8% by 2022.

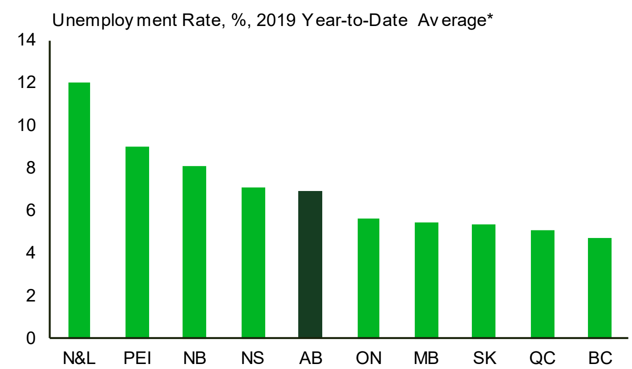
Notwithstanding the challenging economic backdrop, there are some bright spots. Prospects for petrochemical manufacturing are favourable, as construction continues on two large facilities. After a significant setback last year, housing markets have been gradually turning the corner, with modest gains in sales and prices anticipated over the next few years. Longer-term, Alberta's growth prospects remain comparatively bright, underpinned in part by its young and growing population.

Chart 1: Global and Domestic Oil Prices Have Been Generally Stable This Year



Source: Bloomberg, TD Economics. Last data point Dec 2019.

Chart 2: Alberta's Unemployment Rate Remains High



Source: Statistics Canada, TD Economics *Average of Jan-Nov Data

Alberta Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	0.7	1.8	2.0
Nominal GDP	1.9	2.8	4.4
Employment	0.5	0.7	1.6
Unemployment Rate (%)	6.9	7.1	6.7
Housing Starts (000's)	26.3	27.4	30.1
Existing Home Prices	-2.3	1.2	0.8
Home Sales	-0.4	6.8	7.1

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Saskatchewan

Like its neighbour to the west, Saskatchewan's economy appeared to essentially tread water this year amid ongoing headwinds in its commodity industries and subpar consumer spending. What's more, negative net interprovincial migration has continued to weigh on the economy's demographic prospects. While some of these pressures are likely to persist, we believe 2019 will represent the low water mark for economic growth. The relatively solid labour market performance this year should translate into a modest improvement in household spending appetite as we move into the New Year.

After a temporary revival in 2017, the oil and gas sector has been hit by growing global uncertainty and reduced investment. Meanwhile, the indefinite closure of the McArthur River mine last year has continued to cloud the outlook for uranium.

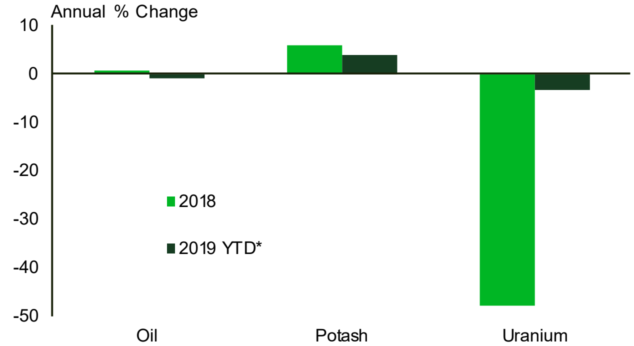
Potash production (Chart 1) had been an area of optimism, but unexpected weakness in global and U.S. demand prompted a temporary shutdown in three of the province's mines earlier this fall. More recently, the CN Rail strike caused Nutrien to shut down its large Rocanville mine for two weeks. Even with global market conditions likely to remain challenging, potash output in the province should rebound going forward given the transitory nature of these setbacks.

Although crop production is poised to expand this year, the agricultural sector remains impeded by Chinese canola import restrictions. Elevated stockpiles and tepid crop prices also don't bode well for farm cash receipts in the near term.

Labour markets have been painting a more positive picture, especially headline job gains (Chart 2). This hiring has been led by manufacturing and service industries. As a result, the province's unemployment rate is estimated to have declined by 0.7 ppts in 2019, to 5.4%. The tighter labour market should spill over to somewhat better household demand in the months to come and is consistent with our upwardly revised forecasts for home sales and prices in 2020.

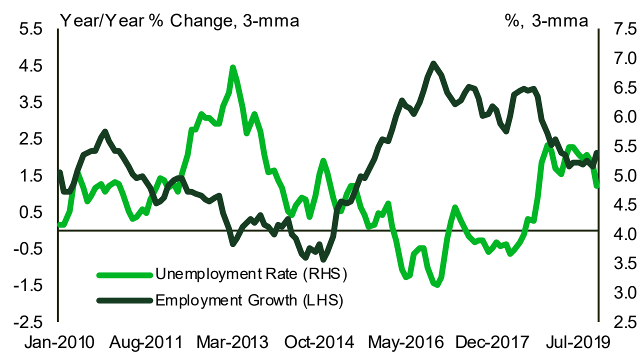
Despite its currently-weak growth backdrop, Saskatchewan's fiscal position remains the envy of many provinces. Its mid-year fiscal update revealed a $37.4 million surplus in FY 2019/20, an improvement over the budget estimates. Outside of Alberta, Saskatchewan maintains the second lowest net debt to GDP burden.

Chart 1: Commodity Production Trends Have Been Subdued



Source: Saskatchewan Ministry of Energy and Resources, TD Economics
* Potash and Uranium (Jan-Oct), Oil (Jan-Sep)

Chart 2: Although Moderating, Labour Markets Still Made Important Strides This Year



Source: Statistics Canada, TD Economics. Last data point Nov 2019

Saskatchewan Economic Forecasts
[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	0.6	1.2	1.5
Nominal GDP	2.1	2.3	3.9
Employment	1.6	0.6	0.7
Unemployment Rate (%)	5.4	5.7	5.7
Housing Starts (000's)	2.5	4.1	4.1
Existing Home Prices	-0.4	0.6	0.6
Home Sales	3.3	7.3	6.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Manitoba

Similar to its Prairie counterparts, Manitoba's economic performance has been modest in recent years. Outside of a one-off spike two years ago, growth has run below 1.5% since 2015. And, the economy likely recorded another sub-par showing in 2019. While near-term upside potential may be limited, we foresee the pace of expansion somewhat closer to the economy's historical running speed over the next two years.

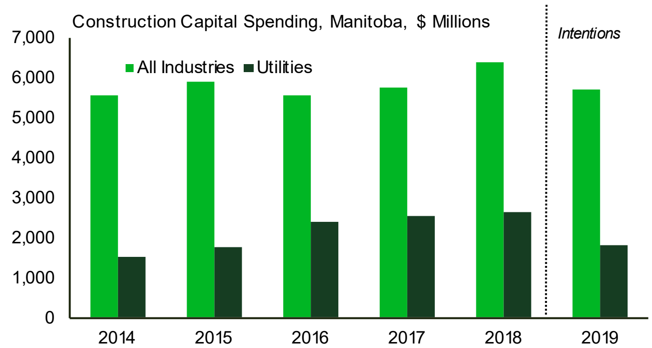
This year's relatively soft performance can be partly chalked up to the struggles of a number of manufacturing industries. Notably, food, machinery and equipment, and primary metals manufacturing industries have all seen declining sales so far this year. For primary metals, this is not a new story, as the industry has been hit by the closure of one mine and the shuttering of processing operations at another. Looking ahead, further pain is in store with another major mine slated for closure in 2022.

Farmers in the province has also had a difficult year amid trade tensions, a brutal fall snow storm, and the recent month-long CN rail strike which impeded grain shipments. Sino-Canadian tensions and resulting import restrictions made matters worse, as evidenced by the 45% plunge in shipments to China. On the plus side, China recently eased its restrictions on meat exports, which should provide a boost going forward. Moreover, steady but moderate expansion stateside should set the stage for growth more broadly in Manitoba's exports.

Our forecast for a modest pickup in GDP growth in 2020 and 2021 also hinges on continued upward momentum in the private service and housing sectors. Population growth, while slower than recent highs, is still relatively firm thanks to strong immigration. Moreover, wage growth is picking up. These factors, alongside continued job gains, should push home sales and overall household spending higher moving forward.

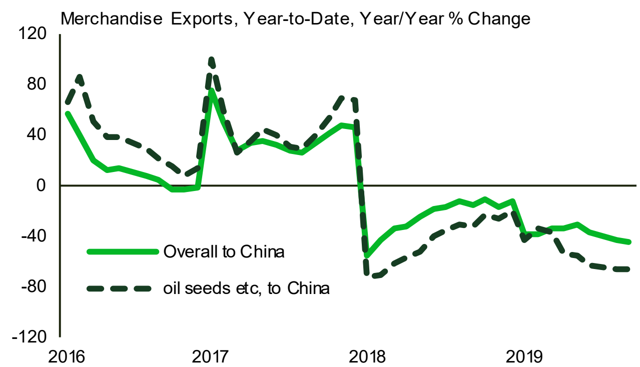
Non-residential spending will likely weigh, after the completion of the BiPole III project last year was a drag on spending this year. The end of Enbridge's Line III replacement project, the ratcheting down of the Keeyask hydro-electric project, and the conclusion of a food processing plant expansion should set non-residential spending on a weaker course. However, some near-term offset will come from on-going work on a new pea processing plant, although this too will shift from boost to a drag by 2021.

Chart 1: Non-Residential Spending Likely Lower in 2019, Set to Remain a Drag in 2020



Source: Statistics Canada, TD Economics

Chart 2: Import Restrictions Keeping Exports to China Subdued



Source: Statistics Canada, TD Economics

Manitoba Economic Forecasts [Annual average % change, unless otherwise noted]			
	2019	2020	2021
Real GDP	1.2	1.5	1.6
Nominal GDP	2.8	3.8	3.6
Employment	0.9	0.2	0.7
Unemployment Rate (%)	5.4	5.5	5.4
Housing Starts (000's)	6.9	6.2	5.9
Existing Home Prices	0.0	2.6	3.9
Home Sales	8.0	5.9	2.7

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Ontario

After recording a robust 3.3% annualized gain in the second quarter, Ontario's economy likely cooled to a more trend-like pace of expansion in the third quarter. All told, we forecast 1.8% growth for Ontario in 2019 – not bad considering the array of headwinds the economy is facing, including significant trade policy uncertainty, fiscal restraint and the GM strike. The latter's impact on Ontario's GDP growth should be modest, despite considerably more harmful disruptions on local area economies.

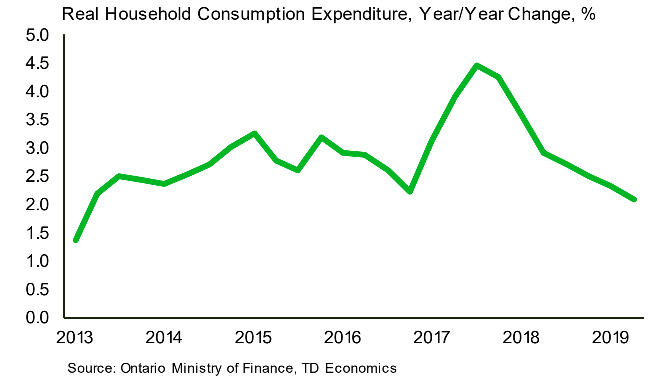
Healthy labour markets are an important reason for this resilience, with job growth running close to its fastest year-on-year rate in nearly 20 years. Meanwhile, the unemployment rate remains near 30-year lows and wage gains continue to accelerate. These trends are occurring even with rapid population growth, as the strong jobs market is absorbing these newcomers. Without these robust conditions, it's likely that consumer spending would have slowed even more than it has, as households remain cautious amid high debt levels and comparatively low savings. These same dynamics, alongside slower job growth compared to 2019's sizzling rate, should cap household spending at a moderate pace in coming years.

Despite a slowdown in overall consumption, housing demand has rapidly recovered in recent months after being restrained by macro-prudential policies. As a result, markets are now in seller's territory, which is sparking solid price growth. Going forward, strong fundamentals should underpin further gains in sales and prices through 2021.

The provincial government's fall economic statement contained little in the way of new initiatives. However, the FY 2019/20 deficit projection was lowered by $1.3 billion and policymakers now expect a lower profile for net debt to GDP. The government is projecting about $5 billion more in spending through FY 2021/22, though considerable fiscal restraint is still baked into their planning. At the same time, stimulus from new federal measures is expected to offset this drag, at least to some extent, over the forecast period.

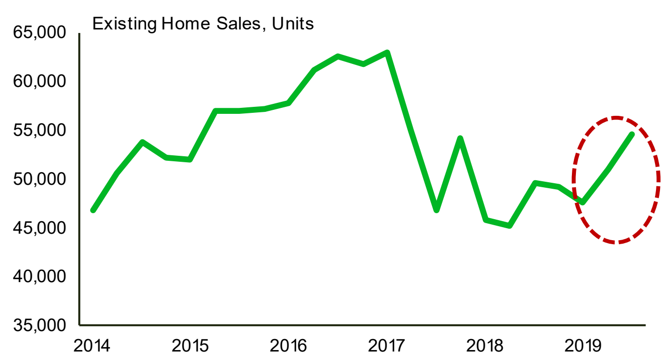
Elsewhere, non-residential spending offers some upside to growth from major projects like the Darlington refurbishment, the Gordie Howe bridge and a new petrochemical plant in Sarnia.

Chart 1: Debt Laden Households Paring Back Spending



Source: Ontario Ministry of Finance, TD Economics

Chart 2: Strong Job Markets, Robust Population Growth Fuelling Recovery in Ontario's Home Sales



Source: CREA, TD Economics

Ontario Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	1.8	1.7	1.7
Nominal GDP	3.9	3.8	3.7
Employment	2.8	1.4	1.0
Unemployment Rate (%)	5.6	5.8	5.7
Housing Starts (000's)	69.9	74.6	78.8
Existing Home Prices	6.1	7.0	3.4
Home Sales	9.5	9.2	3.8

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Québec

Quebec's economy continues to impress, with second-quarter economic growth running at a 2.9% (annualized) pace – marking the 9th time in the past 10 quarters where growth has come in higher than 2%. What's more, we anticipate another solid gain in the third quarter, placing the economy on track to register a 2.5% turnout for the full year. Quebec appears to be on a short list of provinces where the expansion rate didn't decelerate from last year.

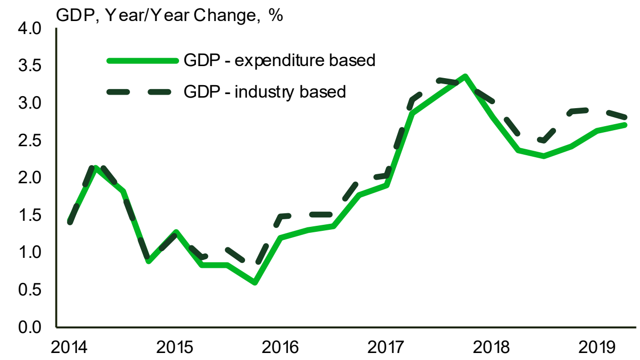
Domestic conditions remain strong, highlighted by another year of solid job growth that has been concentrated in private, full-time positions. In addition, the unemployment rate continues to plumb the depths at near all-time lows and job vacancy rates are at record highs. These conditions have spurred the tremendously strong wage growth, which alongside rising household wealth, is a recipe for near-term strength in consumption growth. However, with employers facing growing challenges in filling vacant positions, we expect job growth to downshift to a more sustainable pace over the forecast period, which in turn, should spill over to a more modest pace of spending.

Government fiscal stimulus has supported the economy in recent years. In this vein, Quebec's fall fiscal update brought a larger-than-anticipated surplus in FY 2018/19 along with upgraded expectations for this year's windfall. Policymakers have used this additional revenue to dole out modest, targeted tax relief aimed at families with children. While these measures should be supportive, they are not enough to materially alter our forecast. Notably, the province has made tremendous strides towards lowering its debt burden. This momentum has continued, with net debt to GDP slipping below 40% last year – its first time under this threshold since FY 2005/06.

Quebec's housing markets are the among the tightest in the nation, yielding strong price growth in markets like Montreal. Further sales gains are anticipated moving forward, though at a somewhat slower rate than in 2019. This should prompt further home price appreciation.

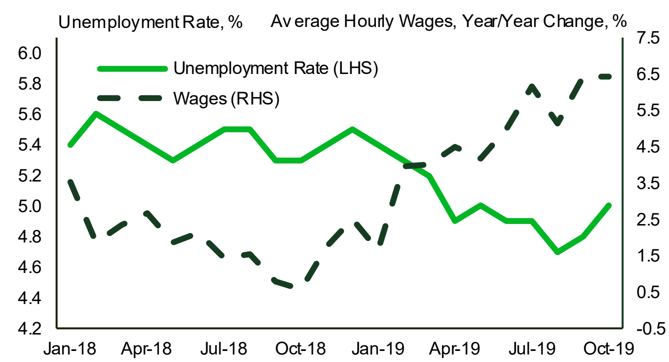
As domestic demand cools somewhat over the next year, the export sector will remain limited in its capacity to take up the slack. Weak global growth has weighed on exports this year and the persistence of these subpar conditions will continue to restrain activity in Quebec's key export oriented industries.

Chart 1: Economic Growth Has Been Robust in Quebec



Source: Institut de la statistique du Québec, TD Economics

Chart 2: Tight Job Markets Bidding up Wages in Quebec



Source: Statistics Canada, TD Economics

Québec Economic Forecasts
[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	2.5	1.5	1.5
Nominal GDP	4.0	3.7	3.5
Employment	1.7	0.5	0.4
Unemployment Rate (%)	5.1	5.3	5.4
Housing Starts (000's)	49.3	46.9	45.7
Existing Home Prices	4.9	4.3	2.4
Home Sales	11.0	9.0	2.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

New Brunswick

The recent release of Provincial Economic Accounts revealed a slightly better-than-expected outturn for New Brunswick's economy in 2018 (0.8% vis-à-vis an earlier estimate of 0.1%). Since then, growth signals have been mixed, with activity in the export-oriented manufacturing sector cooling and domestic-oriented drivers, such as housing, showing improvement. These cross-currents point to a modest growth showing in 2019.

Sub-par forestry markets and an explosion in the province's Saint John refinery late last year have sent manufacturing shipments and exports into negative territory in 2019. While the latter development was only transitory, U.S. tariffs on softwood lumber continue to cloud the outlook. At the same time, non-residential investment construction has been subpar this year.

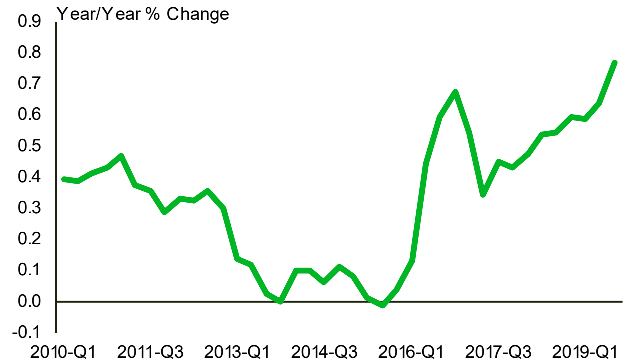
Notwithstanding these weaknesses, a number of key indicators are pointing up. For one, small business sentiment in New Brunswick has held up better than the national average. Demographics continue to improve, On the demographic front, international immigration continues to move higher, reflecting increased federal and provincial immigration targets. Elsewhere, net interprovincial migration has been in positive territory for the first two quarters.

Labour markets have benefitted from a growing population (Chart 1). Employment and labour force growth are on track to turn in decent showings this year. That said, momentum has downshifted, while new jobs have been mostly geared towards part-time.

The marked improvement in the province's headcount has also benefitted resale housing markets (Chart 2), with similar strength recorded in starts activity. We expect resale volumes to continue trending upwards, with average prices set to record a solid 7% gain next year.

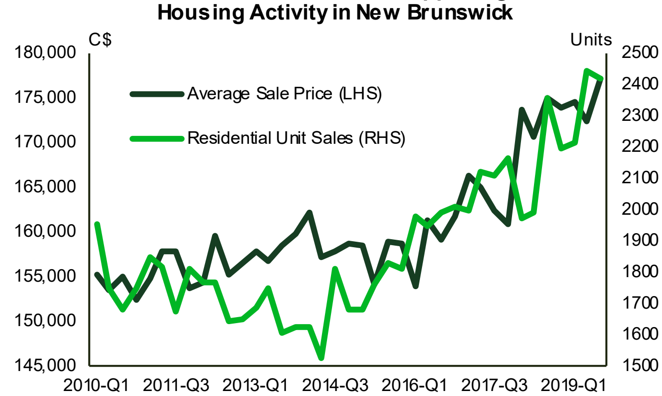
New Brunswick's mid-year fiscal update showed a larger than anticipated surplus of $88.1 million in FY 19/20. Maintaining budget surpluses would help reduce some of the downside risks associated with New Brunswick's high debt burden. Aging demographics remain a concern, but the Province's intent to maintain increased immigration targets would help to at least partially alleviate this pressure.

Chart 1: Population Growth Has Been Gaining Traction in New Brunswick



Source: Statistics Canada, TD Economics. Last data point 2019Q3

Chart 2: Increased Demand Is Supporting Resale Housing Activity in New Brunswick



Source: CREA, TD Economics. Last data point 2019Q3

New Brunswick Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	0.6	0.8	0.8
Nominal GDP	2.2	2.7	2.8
Employment	0.7	-0.4	0.1
Unemployment Rate (%)	8.1	8.2	8.2
Housing Starts (000's)	3.0	2.4	2.5
Existing Home Prices	1.8	6.7	4.3
Home Sales	12.2	7.1	2.1

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Nova Scotia

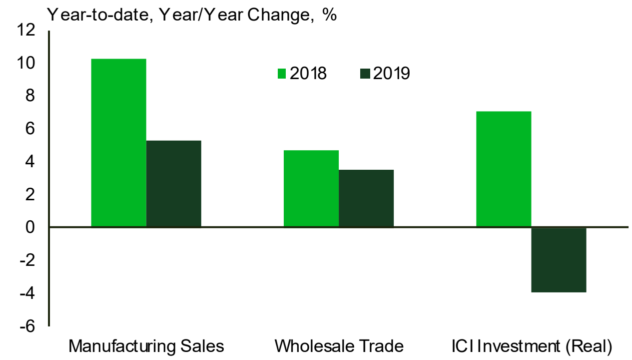
The recently released Provincial Economic Accounts revealed a 1.5% pace of expansion for Nova Scotia's economy in 2018, which was modestly higher than our estimate. However, growth looks to have eased a touch in 2019. Manufacturing sales growth has slowed so far this year. The same holds true for wholesale trade and non-residential investment. In addition, the healthy job growth observed this year has been concentrated in part-time positions, weighing on overall hours worked. On the opposite end of the spectrum, residential investment spending has been solid. All in, we are forecasting 1.2% growth this year, which is above the post-recession average.

Since 2016, an explosive rise in Nova Scotia's population has fueled relatively strong economic growth. This has mostly come from two channels: immigration and interprovincial migration. We maintain a sanguine outlook for the former given rising federal immigration targets, a healthy Halifax economy, positive momentum in the Atlantic Immigration Pilot project and evidence of better absorption of immigrants into labour markets. However, the outlook for interprovincial migration is less rosy, given our expectation for a modest pickup in growth prospects out west. Overall, population growth should remain relatively strong through 2021, providing ongoing support to housing activity, household spending and hiring.

Several major projects are poised to underpin growth moving forward, including the decommissioning of the Sable and Deep Panuke natural gas platforms and hospital redevelopment and expansion work in Halifax and Cape Breton. Further support could come from the building of a new wastewater treatment plant, on which a final investment decision (FID) is expected in mid-December. If this project moves forward, it would extend the life of the paper mill in Boat Harbour, currently scheduled for closure in January 2020. Elsewhere, the wait for the FID on the Goldboro LNG project continues, with an announcement sometime in 2020 anticipated.

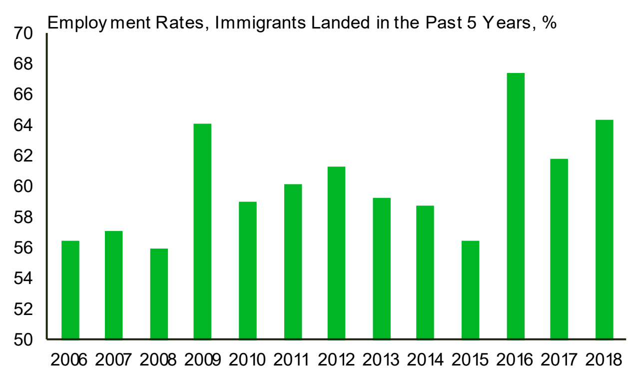
Despite these positives, some slowdown in Nova Scotia's economic growth is likely moving forward. This can be largely chalked up to intensifying challenges in key export markets. Indeed, growth in key trading partners - most notably China - is likely to cool. As such, export growth should ease after a healthy performance in 2019.

Chart 1: Growth Slowing in 2019 Across Several Sectors in Nova Scotia



Source: Statistics Canada, TD Economics

Chart 2: Employment Rates for Recent Immigrants Are on the Rise in Nova Scotia



Source: Statistics Canada, TD Economics

Nova Scotia Economic Forecasts [Annual average % change, unless otherwise noted]			
	2019	2020	2021
Real GDP	1.2	1.1	1.0
Nominal GDP	3.3	3.0	3.0
Employment	2.3	0.1	0.1
Unemployment Rate (%)	7.1	8.1	8.1
Housing Starts (000's)	4.4	4.6	4.8
Existing Home Prices	6.6	5.2	3.7
Home Sales	8.3	7.3	3.3
Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics			

Prince Edward Island

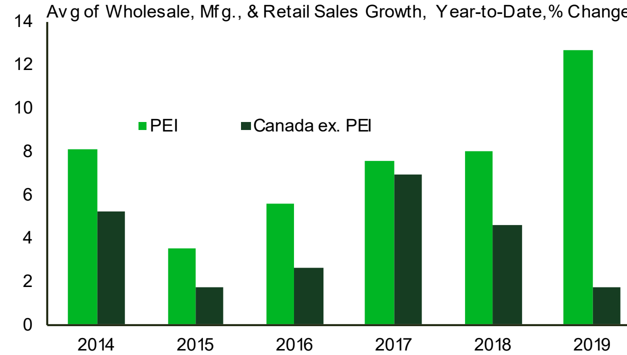
PEI's economy continues to be red-hot, with growth outstripping that of Canada by a significant margin. Manufacturing sales are up a towering 20% year-to-date on broad based increases across both durable and non-durable industries. Similarly, merchandise exports have jumped 10% over the same period, lifted by shipments to the U.S. Elsewhere, wholesale and retail sales have grown robustly, while tourism and housing indicators remain healthy. Job growth has also been solid, fueled by full-time positions. These positive developments imply a stronger expansion than we have previously anticipated for this year and better momentum heading into 2020.

Population growth has been the chief driver of this strength, as the number of immigrants coming to PEI has stepped up considerably in recent years. The province has led the nation in terms of population growth in 2019 and we see little let up on the near-term horizon given rising federal immigration targets. What's more, interprovincial migration has been a net positive since 2016, pointing to an improved ability to retain these newcomers. Moving forward, robust population growth should support relatively firm gains in household spending, boost homebuilding and keep the level of home sales elevated. However, it should also underpin continued home price growth, thereby maintaining challenging affordability conditions.

Non-residential investment has also advanced at a strong pace this year, supported by industrial spending. The latest provincial fiscal update revealed a smaller surplus than anticipated in the July budget. However, in light of rapid population growth, capital expenditure plans have been upwardly revised through 2025, with a particularly elevated level of spending expected in 2020. This points to more support from non-residential spending than previously thought.

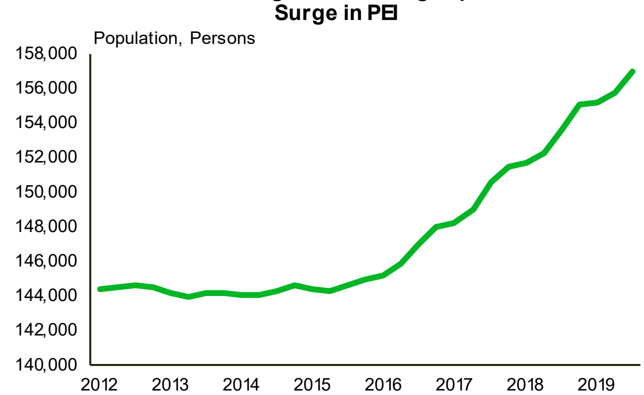
Notwithstanding these positives, we anticipate some slowing in PEI's economic growth in coming years. A major reason stems from the subpar global growth backdrop, which is poised to take a bite out of exports and overall growth after an ultra-strong year in 2019. Modest global growth will also weigh on the province's important tourism sector, countering the support coming from a competitive dollar.

Chart 1: Indicators Point to Another Strong Performance for PEI in 2019



Source: Statistics Canada, TD Economics

Chart 2: Immigration Fuelling Population Surge in PEI



Source: Statistics Canada, TD Economics

P.E.I. Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	2.7	2.0	1.6
Nominal GDP	4.7	4.0	3.6
Employment	2.4	1.7	0.5
Unemployment Rate (%)	8.9	8.5	8.5
Housing Starts (000's)	1.2	1.1	1.1
Existing Home Prices	11.0	3.9	3.0
Home Sales	-7.3	8.0	3.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Newfoundland & Labrador

Real GDP in Newfoundland & Labrador remains on track to bounce-back in 2019 following last's year's contraction. Looking ahead, growth is projected to stay in positive territory over the next two years, underpinned by continued expansion in crude oil production as well as construction on a range of smaller scale resource projects.

Despite several spills, oil production in Newfoundland & Labrador has increased by a hefty 8% so far this year, driven by a ramp up in output at the Hebron field. Additionally, iron ore output is expected to have increased in 2019 following the resolution of the late 2018 labour strike. As a result, total exports for the province are up a decent 5% this year.

Meanwhile, there has been growing optimism around the potential for offshore exploration activity. A potential sanctioning of the proposed Bay Du Nord project would boost investment. In the meantime, construction on the West white Rose expansion project is providing a lift to growth. Elsewhere, non-residential construction is receiving support from expansion at the Voisey's Bay mine.

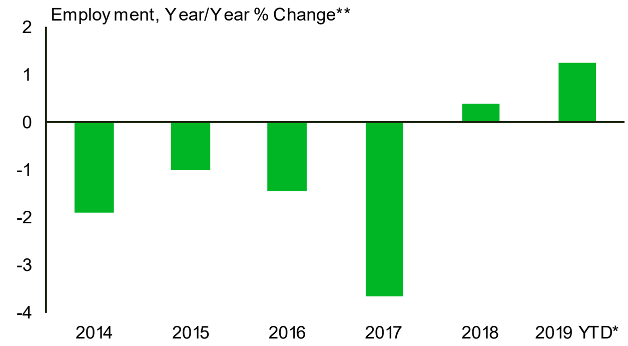
The stronger output showing has been mirrored in job markets, with Newfoundland & Labrador set to record its second annual increase in jobs since 2013. Rising employment, alongside a contracting labour force, have pushed the unemployment rate down to a 5-year low of just over 11% recently.

Housing markets have also perked up this year. Existing home sales are up 9% year-to-date, with higher resale demand anticipated to spill-over to new home construction in the quarters ahead. Still, continued soft retail spending this year suggests that households remain cautious.

Demographics continue to be a key theme shaping Newfoundland and Labrador's longer-term prospects. Unlike its Atlantic neighbours, the province experienced negative population growth (0.8% y/y) this year, driven by aging and increasing outmigration. This is acting as a major headwind to labour force gains and consumer spending.

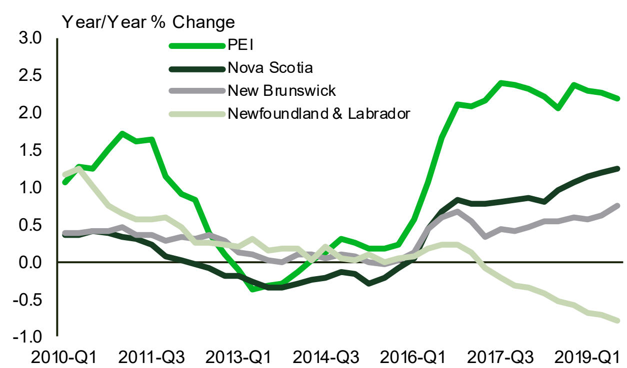
The Province's recently-released fiscal update downgraded its projected budget surplus to $1.6 billion. This black ink is being driven primarily by the one-time accounting treatment of the Atlantic Accord payment. Excluding this temporary boost leaves an underlying structural shortfall of around 3% of GDP, which if unaddressed, will continue to push its already-lofty debt burden higher in coming years.

Chart 1: Despite Moderating of Late, Labour Market Picture Remains a Bright Spot



Source: Statistics Canada, TD Economics *Annual Average **YTD (Jan-Nov)

Chart 2: Newfoundland & Labrador Population Growth Lagging Behind Atlantic Canada Peers



Source: Statistics Canada, TD Economics. Last data point 2019Q3.

NFLD & Labrador Economic Forecasts

[Annual average % change, unless otherwise noted]

	2019	2020	2021
Real GDP	2.0	0.7	0.9
Nominal GDP	3.7	2.6	3.9
Employment	1.1	-0.5	0.0
Unemployment Rate (%)	11.9	11.8	11.9
Housing Starts (000's)	0.8	1.2	1.1
Existing Home Prices	-3.0	-0.4	-1.2
Home Sales	9.0	5.6	2.6

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics

Provincial Economic Forecasts

Provincial Economic Forecasts	Real GDP (% Chg.)			Nominal GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Housing Starts (Thousands)			Home Prices (% Chg.)		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
National	**1.7**	**1.6**	**1.8**	**3.6**	**3.6**	**3.8**	**2.1**	**0.8**	**0.8**	**5.7**	**5.9**	**5.8**	**209**	**206**	**210**	**2.1**	**7.8**	**3.1**
Newfoundland & Labrador	2.0	0.7	0.9	3.7	2.6	3.9	1.1	-0.5	0.0	11.9	11.8	11.9	0.8	1.2	1.1	-3.0	-0.4	-1.2
Prince Edward Island	2.7	2.0	1.6	4.7	4.0	3.6	2.4	1.7	0.5	8.9	8.5	8.5	1.2	1.1	1.1	11.0	3.9	3.0
Nova Scotia	1.2	1.1	1.0	3.3	3.0	3.0	2.3	0.1	0.1	7.1	8.1	8.1	4.4	4.6	4.8	6.6	5.2	3.7
New Brunswick	0.6	0.8	0.8	2.2	2.7	2.8	0.7	-0.4	0.1	8.1	8.2	8.2	3.0	2.4	2.5	1.8	6.7	4.3
Québec	2.5	1.5	1.5	4.0	3.7	3.5	1.7	0.5	0.4	5.1	5.3	5.4	49.3	46.9	45.7	4.9	4.3	2.4
Ontario	1.8	1.7	1.7	3.9	3.8	3.7	2.8	1.4	1.0	5.6	5.8	5.7	69.9	74.6	78.8	6.1	7.0	3.4
Manitoba	1.2	1.5	1.6	2.8	3.8	3.6	0.9	0.2	0.7	5.4	5.5	5.4	6.9	6.2	5.9	0.0	2.6	3.9
Saskatchewan	0.6	1.2	1.5	2.1	2.3	3.9	1.6	0.6	0.7	5.4	5.7	5.7	2.5	4.1	4.1	-0.4	0.6	0.6
Alberta	0.7	1.8	2.0	1.9	2.8	4.4	0.5	0.7	1.6	6.9	7.1	6.7	26.3	27.4	30.1	-2.3	1.2	0.8
British Columbia	1.8	2.0	2.3	4.4	4.2	4.3	2.7	0.5	0.8	4.7	4.8	4.8	44.6	37.4	36.1	-2.1	8.1	3.3

Source: CREA, CMHC, Statistics Canada, TD Economics. Forecasts by TD Economics as at December 2019.