

**NOVA SCOTIA
SUB-PROVINCIAL
ECONOMIC OUTLOOK
APRIL 2016**



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Nova Scotia Sub-Provincial Economic Outlook, April 2016

Overview

Canmac's economic outlook for Nova Scotia sub-regions provides a five-year macro outlook for each of Nova Scotia's five regions.



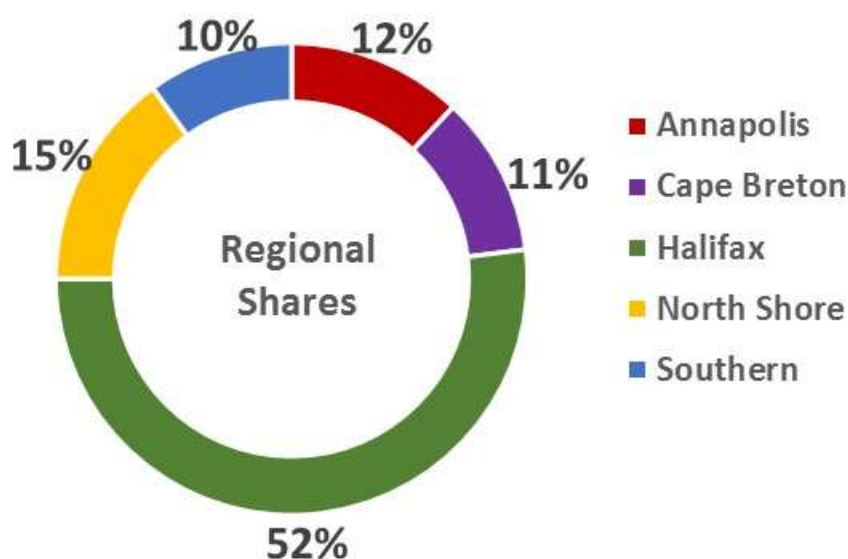
The sub-provincial outlook is derived from Canmac's latest Nova Scotia Economic Outlook. Hence regional outlooks are consistent with Canmac's benchmark projection for Nova Scotia. Nova Scotia is projected to have a stronger than usual 2016 then to exhibit below average growth. Average growth over the 2016 to 2021 period is as follows:

- Gross Domestic Product (GDP) is expected to average 2.02%.
- Inflation is expected to average 1.9%.
- The unemployment rate is projected to reach 7% by 2021.

Regional Outlook Summary

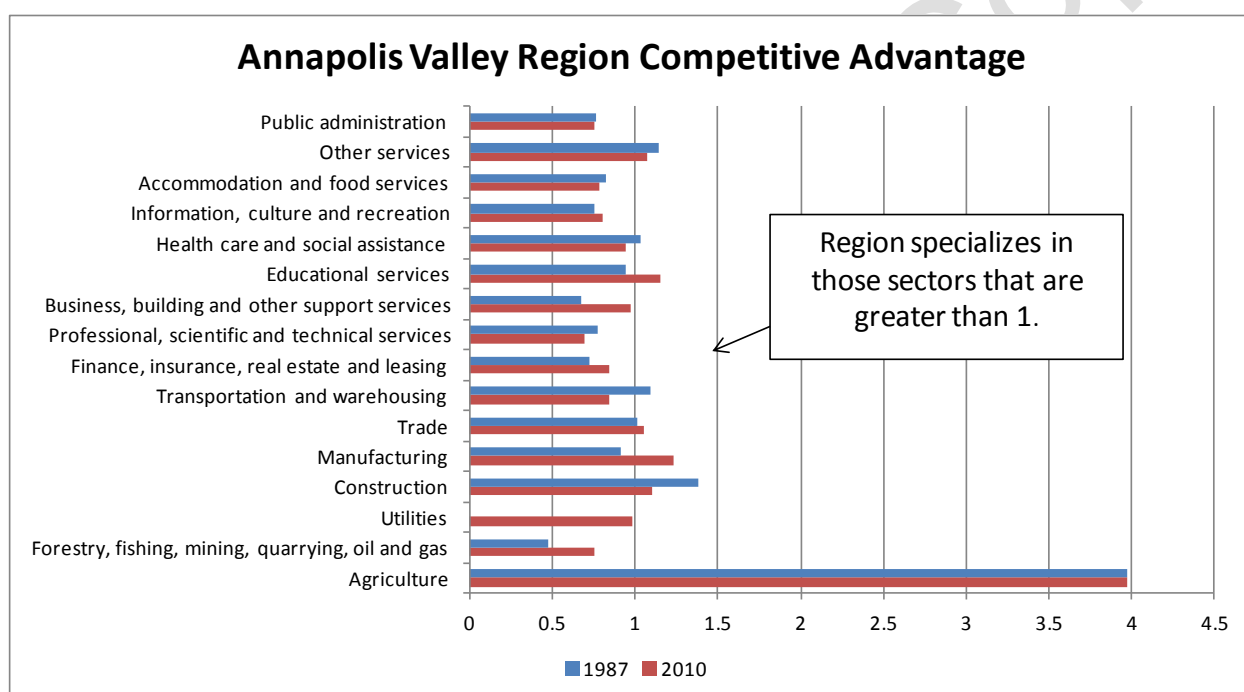
The Halifax region will continue to dominate Nova Scotia's economic outlook. Its share of Nova Scotia's economic pie will continue to increase

- In 2001, the Halifax region represented 44% of Nova Scotia's Gross Domestic Product (GDP), by 2015 it was 49% and by 2021 it is forecast to be 52%.
- All other regions will exhibit declining shares of Nova Scotia's GDP.
- Projected GDP shares for the 2021 period by region are as follows:



Annapolis Region

The Annapolis Valley region is characterized as an agriculture economy with associated strengths in manufacturing and trade. The education and other services are also sectors of strength. The following chart shows the degree of specialization of the Annapolis Valley region in 1987 to 2010, relative to the Nova Scotia economy. A coefficient greater than one reveals that that particular sector has a higher concentration of employment than does the Nova Scotia economy – a measure of its competitiveness.



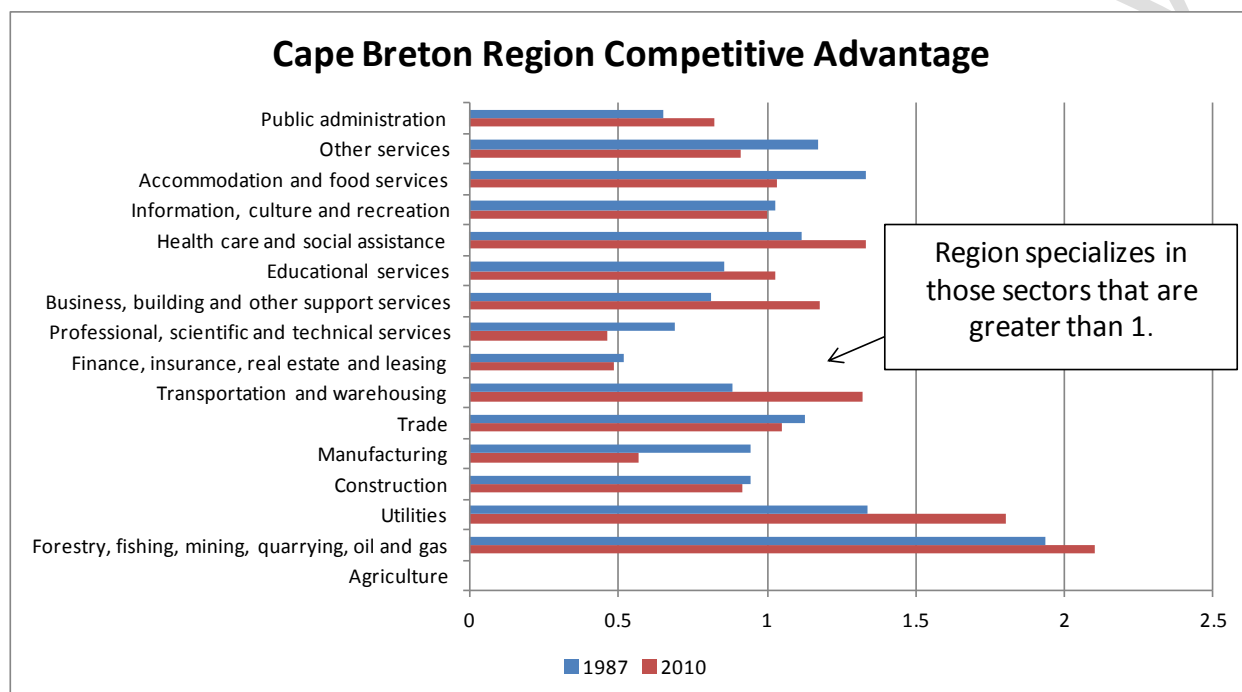
Source: Computed by Canmac Economics, Statistics Canada Labour Force Historical Review, 2010

The macroeconomic outlook for the Annapolis region over the 2016 to 2021 period is as follows:

- GDP growth to average 1.62%.
- Labour force growth to average -0.23%.
- Employment growth to average 0.09%.

Cape Breton Region

The Cape Breton Region’s competitive strength is in the non-agriculture (fishing, forestry) primary sector and services such as trade, transportation and warehousing, business and other support services, education, health care and accommodation and food. The region’s industry portfolio is well diversified compared to other regions.



Source: Computed by Canmac Economics, Statistics Canada Labour Force Historical Review, 2010

The Cape Breton economy has been sluggish of late with a drop-off of transfer incomes from the Western provinces due to a slowdown in the oil and gas sector and a fall off of construction activity.

“The weakest performing industry group within the [goods sector] was construction which registered a loss of 2,100 jobs compared to February 2015”

Labour Market Bulletin Nova Scotia, February, 2016

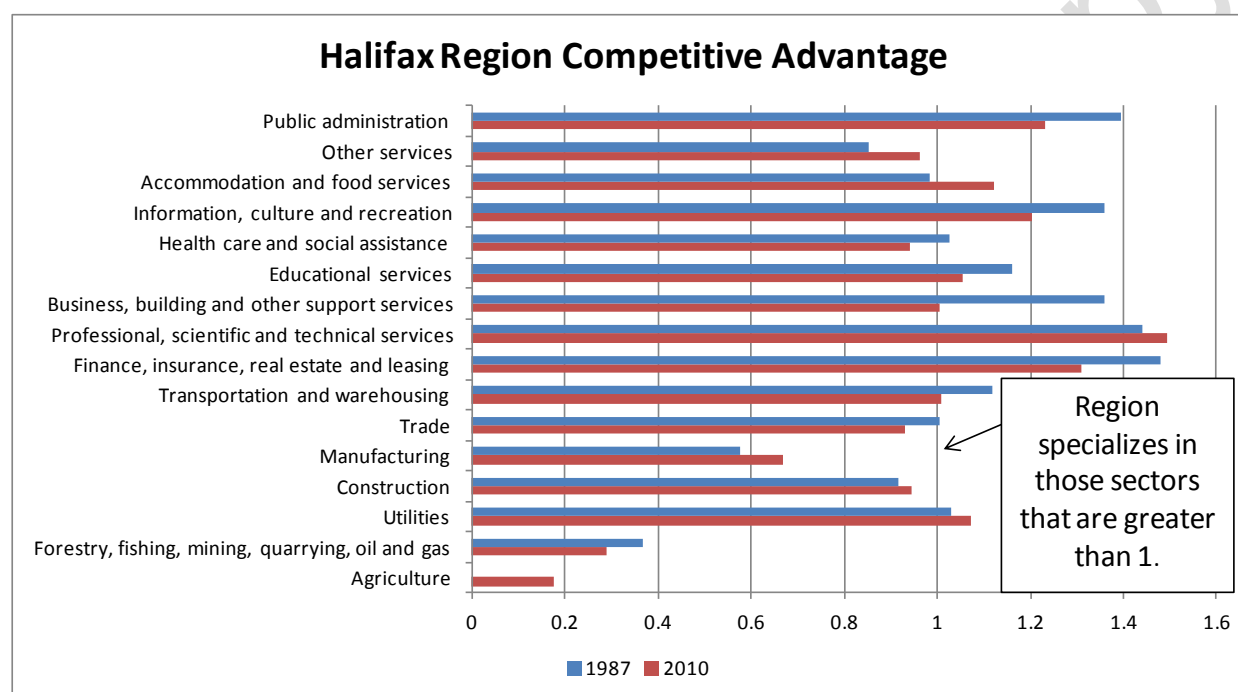
For the rest of the year we expect the economy to grow more strongly with strong growth in the service sector – the Cape Breton Tech sector received more than \$2 million in government funding recently. The Cape Breton economy will benefit from the recently announced Federal \$11.9 billion infrastructure program. As part of the federal infrastructure initiative, \$22 million

will go to Marine Atlantic Inc. to install a new mooring system for its ferries operating between North Sydney and Port-aux-Basques, Nfld. It also includes \$19 million for the Sydney Harbour west wastewater collection and treatment plant to bring the facility up to federal environmental standards, as well as provide upgrades to the existing infrastructure. On a more negative note, Saputo announced it will close its dairy plant in Sydney. Spinoff from the stronger Nova Scotia economy will provide a positive impact for Cape Breton. Overall we project under our base case scenario:

- GDP growth to average 0.93%.
- Labour force growth will average -0.33%.
- Employment growth will average -0.59%.

Halifax Region

The Halifax region has a well-diversified economy with relative strengths in 10 of the 16 sectors. The highest competitive advantage is in professional, scientific and technical services followed by finance, insurance, real estate and leasing. These sectors are part of the new drivers of the post industrial economy and as such provide a strong economic base for the region.



Source: Computed by Canmac Economics, Statistics Canada Labour Force Historical Review, 2010

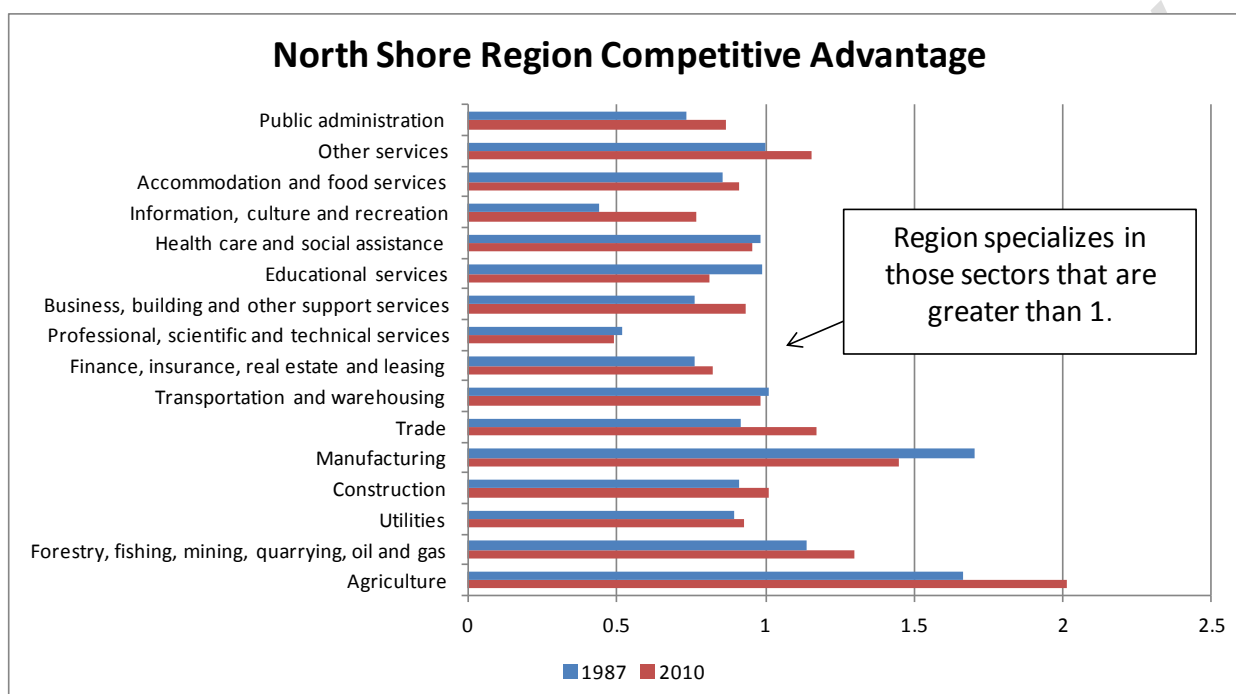
The Halifax economy will benefit from the Federal \$11.9 billion five-year commitment to infrastructure including \$3 billion for public transit, \$2 billion for wastewater upgrades and \$2 billion for university infrastructure.

The macroeconomic outlook for the Halifax region over the 2016 to 2021 period is as follows:

- GDP growth to average 2.90%.
- Labour force growth to average 1.47%.
- Employment growth to average 1.35%.

North Shore Region

The North Shore region's source of competitive strength lies in the primary sector, manufacturing and trade. It's strength in these sectors have increased somewhat relative to 1987. The region is also developing a competitive strength in trade and other services.



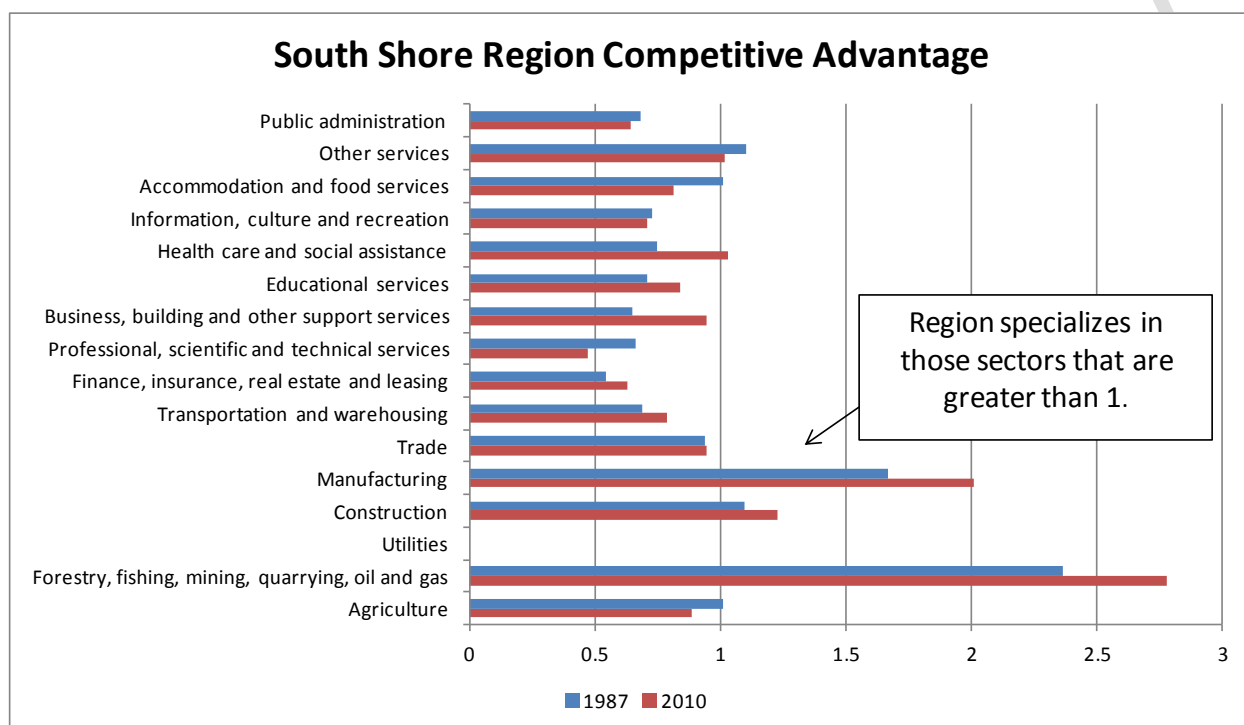
Source: Computed by Canmac Economics, Statistics Canada Labour Force Historical Review, 2010.

The macroeconomic outlook for the North Shore region over the 2016 to 2021 period is as follows:

- GDP growth to average 1.91%.
- Labour force growth to average 0.13%.
- Employment growth to average 0.38%.

South Shore Region

The South Shore region's competitive strength is similar to the North Shore region with a concentration in the non-agriculture primary sector, manufacturing and other services. Health care and social services is also an emerging competitive strength.



Source: Computed by Canmac Economics, Statistics Canada Labour Force Historical Review, 2010.

The region will continue to exhibit solid growth. It is expected that a new office building will begin construction in the near future with a potential of 90 new jobs from Web.com.

The macroeconomic outlook for the South Shore region over the 2016 to 2021 period is as follows:

- GDP growth to average 1.53%.
- Labour force growth to average -0.54%.
- Employment growth to average -0.002%.

Appendix A – Forecast Methodology/Tables

Complimentary Copy

Canmac's forecasts use an advanced analytics approach. Our estimation technique develops models using advanced parameter estimation – Kalman filtering. The algorithm is equivalent to a heat seeking missile. It locks on to the best estimate at a given point in time and over time tracks the best point estimate for a specific point in time. Couple this with Canmac's strong experience with the Nova Scotia economy, you have what we believe is a superior forecast.

Forecasts for the sub-provincial economies are estimated as link equations to Canmac's Nova Scotia projections. From a statistical perspective, the equations exhibit high explanatory power and provide an excellent strategic economic benchmark for investors and economy watchers.

GDP BY NOVA SCOTIA REGION 2016 – 2021

	2016	2017	2018	2019	2020	2021
Cape Breton GDP	4,222.7	4,275.4	4,319.9	4,357.6	4,390.6	4,419.7
North Shore GDP	5,738.4	5,854.8	5,962.1	6,061.8	6,156.6	6,247.8
Annapolis GDP	4,567.3	4,653.0	4,731.3	4,803.1	4,870.9	4,935.6
Southern GDP	4,063.5	4,143.4	4,216.7	4,284.5	4,348.8	4,410.5
Halifax GDP	18,730.1	19,328.2	19,905.7	20,466.4	21,019.2	21,568.0

Source: Canmac Economics Limited

GDP BY NOVA SCOTIA REGION 2016 – 2021 % CHANGE

	2016	2017	2018	2019	2020	2021
Cape Breton GDP	0.99	1.25	1.04	0.87	0.76	0.66
North Shore GDP	2.88	2.03	1.83	1.67	1.56	1.48
Annapolis GDP	1.92	1.88	1.68	1.52	1.41	1.33
Southern GDP	0.93	1.97	1.77	1.61	1.50	1.42
Halifax GDP	3.08	3.19	2.99	2.82	2.70	2.61

Source: Canmac Economics Limited

EMPLOYMENT BY NOVA SCOTIA REGION 2016 - 2021

	2016	2017	2018	2019	2020	2021
Cape Breton Employment	51,468.1	51,322.0	51,074.7	50,744.6	50,358.9	49,931.2
North Shore Employment	69,941.9	70,281.8	70,490.2	70,589.1	70,614.5	70,583.7
Annapolis Employment	55,667.7	55,855.5	55,937.7	55,932.3	55,868.0	55,758.9
Southern Employment	49,527.1	49,737.4	49,854.2	49,893.3	49,880.2	49,827.3
Halifax Employment	228,290	232,018	235,345	238,331	241,086	243,662

Source: Canmac Economics Limited

EMPLOYMENT BY NOVA SCOTIA REGION 2016 – 2021 % CHANGE

	2016	2017	2018	2019	2020	2021
Cape Breton Employment	-0.54	-0.28	-0.48	-0.65	-0.76	-0.85
North Shore Employment	1.32	0.49	0.30	0.14	0.04	-0.04
Annapolis Employment	0.37	0.34	0.15	-0.01	-0.11	-0.20
Southern Employment	-0.60	0.42	0.23	0.08	-0.03	-0.11
Halifax Employment	1.52	1.63	1.43	1.27	1.16	1.07

Source: Canmac Economics Limited

LABOUR FORCE BY NOVA SCOTIA REGION 2016 – 2021

	2016	2017	2018	2019	2020	2021
Cape Breton LF	59,835.4	59,637.3	59,433.8	59,233.4	59,046.1	58,878.1
North Shore LF	77,390.4	77,450.8	77,506.7	77,568.9	77,650.9	77,761.0
Annapolis LF	60,213.8	60,115.8	60,013.4	59,914.6	59,830.1	59,765.9
Southern LF	55,137.4	54,989.0	54,836.1	54,686.1	54,548.6	54,429.2
Halifax LF	242,500	246,056	249,622	253,235	256,938	260,764

Source: Canmac Economics Limited

LABOUR FORCE BY NOVA SCOTIA REGION 2016 – 2021 % CHANGE

	2016	2017	2018	2019	2020	2021
Cape Breton LF	-0.36	-0.33	-0.34	-0.34	-0.32	-0.28
North Shore LF	0.29	0.08	0.07	0.08	0.11	0.14
Annapolis LF	-0.95	-0.16	-0.17	-0.16	-0.14	-0.11
Southern LF	-1.95	-0.27	-0.28	-0.27	-0.25	-0.22
Halifax LF	1.48	1.47	1.45	1.45	1.46	1.49

Source: Canmac Economics Limited

NOVA SCOTIA REGIONAL SHARES – EMPLOYMENT AND LABOUR FORCE 2016 – 2021

	2016	2017	2018	2019	2020	2021
Cape Breton Share Employment	0.11	0.11	0.11	0.11	0.11	0.11
North Shore Share Employment	0.15	0.15	0.15	0.15	0.15	0.15
Annapolis Share Employment	0.12	0.12	0.12	0.12	0.12	0.12
Southern Share Employment	0.11	0.11	0.11	0.11	0.10	0.10
Halifax Share Employment	0.50	0.50	0.51	0.51	0.52	0.52
Cape Breton Share Labour Force	0.12	0.12	0.12	0.12	0.12	0.12
North Shore Share Labour Force	0.16	0.16	0.15	0.15	0.15	0.15
Annapolis Share Labour Force	0.12	0.12	0.12	0.12	0.12	0.12
Southern Share Labour Force	0.11	0.11	0.11	0.11	0.11	0.11
Halifax Share Labour Force	0.49	0.49	0.49	0.50	0.50	0.50

Source: Canmac Economics Limited