

Flattening Economic Landscape

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The Canadian economy slowed significantly at the turn of the year, alongside weaker global activity, low oil prices, softer consumer and housing activity, and a pullback in business investment. Real GDP growth is currently pegged at less than 1% annualized in each of 2018Q4 and 2019Q1, with full-year 2019 growth expected to soften further to 1.4%, from 1.8% in 2018. Across the country, convergence remains a major theme, with most provinces seeing growth settle in around expected longer-run norms. In fact, the variability of 2018 growth among the provinces was near the lowest in at least 25 years, and our current forecast expects an even tighter spread this year.

British Columbia is expected to be at the front of the pack, even though growth is projected to slow to 1.8%, after cooling meaningfully last year. A downdraft in housing-related activity and consumer spending will likely pull the province down after growth above 3% during the 2014-to-2017 period. That said, activity should get a boost in 2020 as a major LNG project ramps up. **Alberta's** real GDP growth is expected to slow in part because of mandated oil production cuts that pulled 325k bpd offline in January. While curbs are gradually easing, 2019 output growth will be depressed. More broadly, capital spending, housing and consumer activity set a still-sluggish backdrop for the province. The recent upward move in oil prices (for both WTI and WCS), however, should support income and confidence this year.

Saskatchewan looks to be relatively stagnant as well around the 1% range, while **Manitoba** should continue its steady performance, expected at 1.5% this year.

Ontario and **Quebec** have decelerated after strong runs. Growth was 2.2% and 2.5% in these provinces, respectively, last year, down from 2.8% each in 2017. Similarly, both are expected to fade further to 1.6% this year. In Ontario, the correction in housing prices and activity is working its way through the economy, but a sharp

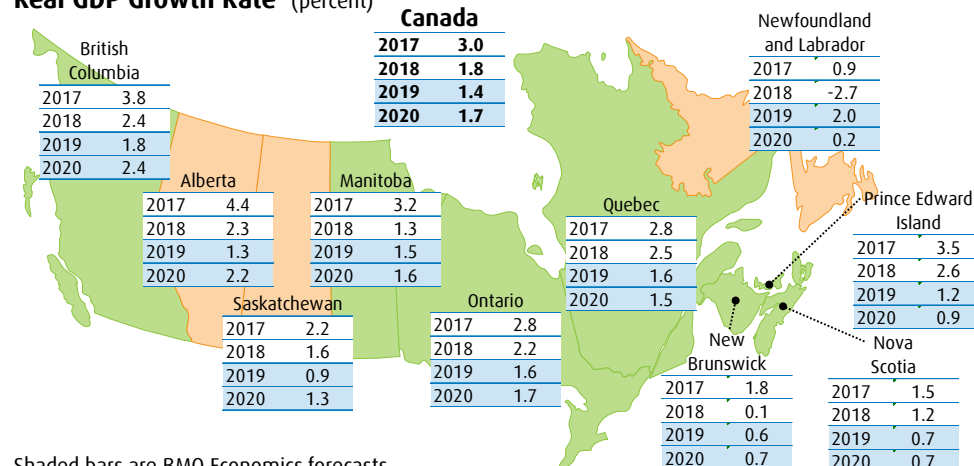
Canada

Population:	36,964,000		
Area:	9,984,670 km ²		
GDP/Capita:	\$57,900		
Capital:	Ottawa		
Party in Power:	Liberals		
Prime Minister:	Rt. Hon. Justin Trudeau	Legislative Seats:	
Finance Minister:	Hon. Bill Morneau	Liberals	177
		Conservatives	97
		NDP	41
		Bloc Québécois	10
		Green	2
		Ind./Other	9

Next election by October 21, 2019

Provincial GDP

Real GDP Growth Rate (percent)



Shaded bars are BMO Economics forecasts

pullback in longer-term interest rates (and presumably mortgage rates) should help stabilize the market in the spring. Underlying demographic and job market fundamentals remain very supportive as well. Meantime, the provincial government has begun a more pro-business policy tack that could support confidence. In Quebec, housing market activity is strong (especially in Montreal), in contrast to many other major markets in Canada. However, consumer spending and business investment have cooled after very strong runs that peaked in late-2017.

Finally, a population boost has helped lift growth in much of **Atlantic Canada** well above potential over the past few years. While that could persist into 2019, we believe the process of gradually returning to trend will play out in this part of the country as well. One challenge will be retaining recent immigrants in a relatively weak (albeit tightening) labour market, which would buck the trend of population flows to stronger regional economies. Some provinces in the region are also starting to feel a hangover after a number of major private- and public-sector capital spending projects reached completion.

Government Finances: Budget Season Recap

Nine provinces have tabled their FY19/20 budget or a meaningful fiscal update by the time of publication (full post-election budgets pending from Alberta and PEI). Assuming the fiscal year plays out as forecast, the majority of provinces (six or more) will post balanced budgets for the first time since FY07/08. The convergence theme is playing out on the fiscal front as well, with previously strong credits in oil-producing provinces backtracking, while Quebec and parts of Atlantic Canada are seeing their debt burdens shrink. Here is a budget recap:

The **Province of British Columbia** is projecting a \$274 million surplus for FY19/20 (0.1% of GDP), which would mark the seventh consecutive year in the black. A \$500 million forecast allowance is in place, along with \$750 million for spending contingencies, providing plenty of wiggle room for the upcoming fiscal year, as is the norm for this province. Small surpluses extend over the three-year forecast horizon, but taxpayer-supported debt has begun to rise as a share of GDP, thanks to a hefty capital spending program. From a policy perspective, this budget made much less of a splash than that of a year ago; instead, focusing modest new spending on priority areas such as clean energy and childcare.

The **Province of Alberta** projected a \$6.9 bln deficit for FY18/19 in a pre-election fiscal update, improved from the prior estimate (\$7.5 bln) and the original budget plan (\$8.8 bln). The improvement comes alongside higher WTI prices and a tighter WCS differential. We await a first budget from the new government.

The **Province of Saskatchewan** is projecting a small \$34 million surplus for FY19/20, or negligible as a share of GDP. That is improved from the \$380 million deficit now expected for FY18/19. Recall that this new fiscal year marks the third in the government's ongoing plan to balance the books, so that promise appears on track at this point. Of course, Saskatchewan is very much at the mercy of oil prices, and recent gains in WTI and Canadian prices have helped the cause—the Province continues to forecast without a contingency, a practice that started last year. That said, the price and currency assumptions are perfectly reasonable, though not overly

Fiscal Summary

FY19/20

	Budget Balance (\$ mlns)	% of GDP	Net Debt (% of GDP)
BC	274	0.1	15.0
AB	(7,912)	(2.2)	10.7
SK	34	0.0	15.1
MB	(360)	(0.5)	34.7
ON	(10,300)	(1.2)	40.7
QC	2,504	0.6	38.8
NB	23	0.1	37.0
NS	34	0.1	33.8
PE	13	0.2	32.4
NL	(575)*	(1.6)	39.1
Total	(16,266)	(0.7)	30.3

	S&P	Moody's	DBRS
BC	AAA	Aaa	AA (high)
AB	A+	Aa1 ²	AA ²
SK	AA	Aaa	AA
MB	A+	Aa2	A (high)
ON	A+	Aa3	AA (low)
QC	AA-	Aa2	A (high)
NB	A+	Aa2	A (high) ²
NS	AA-	Aa2	A (high)
PE	A	Aa2	A (low)
NL	A	Aa3 ²	A (low)

Source: Provinces, BMO Capital Markets, S&P, Moody's, DBRS () = deficit

¹ pos. outlook ² neg. outlook

*Excludes Atlantic Accord revenue

conservative. Net debt will dip as a share of GDP, to 14.7% in FY19/20, after rising steadily in recent years.

The **Province of Manitoba** is projecting a \$360 million summary budget deficit in FY19/20, slightly improved from the \$470 million now expected for FY18/19. That weighs in at less than 1% of GDP, and remains on a clear improving path since bottoming at more than \$800 million in 2015. The Province continues to set a gradual track toward balance, with a small (\$28 million, or effectively balanced) deficit remaining by FY22/23. Indeed, the full path of the budget balance remains little-changed from that set a year ago. The big difference is that Manitoba is cutting the provincial sales tax by 1 ppt, as long promised, and the revenue losses are offset by gains elsewhere, including higher federal transfers. Net debt is also expected to level off at 34.7% of GDP, after rising steadily for the past decade—the ratio was only 24% coming out of the financial crisis.

The **Province of Ontario** is projecting a \$10.3 billion deficit in FY19/20 (1.2% of GDP), in a highly-anticipated detail of how the fiscal path might look under the new government. This follows a \$11.7 billion shortfall now expected for FY18/19, down from the \$13.5 billion estimated in the latest update and \$14.5 billion in the initial post-election report—we’ve suspected all along that the bar was initially set low, and progress has already been made. The Province expects the deficit to shrink gradually before returning to balance in FY23/24, which is largely consistent with pre-budget messaging. In the meantime, net debt will edge up, peaking at 40.7% of GDP in FY19/20 and FY20/21. From a policy perspective, this budget rolled out some more election promises, including tax relief worth \$2.2 billion in FY19/20. Meantime, the government pledges to crack down on program spending through the forecast horizon—this is a marked shift in priorities from recent years.

The **Province of Quebec** is projecting a sixth consecutive surplus in FY19/20, while delivering another helping of policy goodies and spending increases. Before transfers to the Generations Fund (for debt reduction), the surplus is pegged at \$2.5 billion (0.6% of GDP), down from a larger-than-expected \$5.6 billion now estimated for

Table 1
Provincial Credit Report Card (as of May 13, 2019)

	Budget Plan		Net Debt		Taxes		Economy		Overall Grade	
	Level	Progress	Level	Progress	Relative	Progress	Current	Progress	Current	Progress
British Columbia	A-	—	A-	—	A	↓	B+	—	A-	—
Alberta	D	—	A	↓	A+	↓	B-	—	B	↓
Saskatchewan	B	↑	A-	↓	A-	↓	C+	—	B+	—
Manitoba	C+	↑	C+	↓	B	↑	B	—	B-	—
Ontario	C-	↓	C-	↓	B+	↑	B+	—	B-	—
Quebec	A	—	C	↑	D+	↑	B+	—	B-	↑
New Brunswick	B	—	C	↑	D+	—	C+	—	C	—
Nova Scotia	A-	—	C+	↑	D	↑	C+	—	C+	↑
Prince Edward Island	B	—	C+	↑	D	—	B	—	C+	—
Newfoundland & Labrador	D	—	C-	—	D	↓	D	—	D	—

Levels: A+ = Very Strong, A = Strong, B = Neutral, C = Weak, D = Very Weak.
Progress: Current and expected improvement (↑) or deterioration (↓), past through next fiscal year

Source: BMO Economics

FY18/19. Surpluses in the \$2.5-to-\$4 billion range persist through the forecast horizon. Meantime, net debt continues to decline as a share of GDP, pegged at 38.8% in FY19/20, down from more than 50% six years ago. And, on a relative basis, the move below Ontario (budget pending) has been well documented. This year's budget built on a host of measures introduced in the Fall fiscal update, which included accelerated CCA allowances and an enhanced family allowance (for those with children). There were \$2.3 billion worth of new measures outlined for FY19/20—much of that flows through the spending channel, but \$271 million will go back to Quebecers (rising above \$400 million the following year).

The **Province of New Brunswick** is projecting a \$23 million surplus for FY19/20. That follows a small \$4.5 million surplus expected for FY18/19 (originally estimated to be a \$188.7 mln deficit), and would mark the second straight year in the black. That is a nice improvement for a province that has grappled with deficits for years. Looking ahead, the Province continues to expect surpluses through FY22/23, while net debt will drift lower as a share of GDP. The drop in debt will, in fact, be the first such move in over a decade.

The **Province of Nova Scotia** is projecting a \$33.6 million surplus in FY19/20 (0.1% of GDP), roughly in-line with the \$28.4 million now expected in FY18/19 (the latter was little changed during the course of the fiscal year). That would mark the fourth straight year in the black as the Province continues to operate within its means. Nova Scotia projects small surpluses through FY22/23, with the cumulative total about in-line with that projected a year ago. At the same time, net debt will continue to gradually fall as a share of GDP, down to 33.8% this fiscal year, the sixth consecutive year that the burden has fallen. There were few major new policy measures in this budget, with the Province directing some new spending to priority areas such as healthcare.

The **Province of Newfoundland & Labrador** is projecting a hefty \$1.9 billion surplus in FY19/20 (more than 5% of GDP), fully on the back of an accounting move that books new future Atlantic Accord revenues in the current fiscal year. Recall that the Atlantic Accord Review will see \$2.5 billion flow to the Province (with no restrictions on use) by 2056, with most of it front-end loaded by 2030. Excluding this impact, the underlying deficit sits at \$575 million, a touch wider than the \$522 million now expected for FY18/19. Looking ahead, the Province expects the deficit to widen next fiscal year, before gradually returning to balance in FY22/23, a timeline that is unchanged from that laid out a year ago. Net debt is pegged at just under 40% of GDP this fiscal year, down from 45% in FY18/19—the discounted future Atlantic Accord revenue stream reduces net debt today.

British Columbia

British Columbia's economy is moderating along with most of Canada, with real GDP growth expected at 1.8% this year, down from 2.4% in 2018. This is a marked downshift from average growth of 3.2% in the four years through 2017. Growth is expected to pick back up next year when the \$40 billion **LNG Canada** project breaks more significant ground. Pipeline construction from Dawson to Kitimat will begin this year, and plant construction is expected to peak around 2021 with roughly 10,000 jobs created, providing steady support to growth.

Residential investment, however, continues to fade as the **housing market** correction is ongoing, particularly in Vancouver. This is the result of less speculation and foreign investment, prior Bank of Canada rate hikes and stricter OSFI mortgage-qualification rules. Sales in Vancouver are running at roughly half the 10-year average, and prices for both condos and single-detached homes are still falling. Since peaking in June 2018, the benchmark price is down 8.5%, or more than 10% for single-detached homes.

The **labour market** remains solid, with employment growth rebounding to above 3% y/y. But, because of a sharp increase in the labour force, the jobless rate has held steady at just under 5%—still a low rate. International immigration remains high, while relatively strong economic prospects had been drawing in **migrants** from other provinces—the latter trend faded in through 2018, with limited housing availability one possible reason.

The Province of British Columbia is projecting a **\$274 million surplus for FY19/20** (0.1% of GDP), which would mark the seventh consecutive year in the black. There were few major policy initiatives in this year's budget.

Alberta

Alberta's economy remains sluggish despite an improved oil price backdrop. Real GDP growth likely slowed to 1.3% this year from 2.3% in 2018, as mandated **oil production cuts** weight on output. In an effort to ease the supply bottleneck, the Province mandated a 325k bpd cut in January, which has already begun to be gradually rolled back. The good news is that that WTI prices are firm, and the WCS differential has tightened sharply. Longer term, with oilsands production still on the rise and as past projects/expansions reach completion, limited **pipeline capacity** will remain a pressing issue. New capital investment in the sector is expected to remain limited.

The **housing market** is still weak, with prices in Edmonton and Calgary still drifting lower—Calgary's benchmark price is down 10% from the 2015 peak, and 5% in the past year. Housing starts have found a footing, though well down from pre-shock levels.

Commercial real estate also remains awash in supply with vacancy rates topping 25% in Calgary's downtown office segment.

The **labour market** is steady, with employment growth up slightly from year-ago levels. The jobless rate, however, is stuck just under the 7% level, which is still historically high for Alberta and well above the national average.

Albertans voted in a **new government** on April 16th, with the United Conservative Party earning a strong majority mandate. While much of this election was fought over pipelines and related rhetoric, a big differentiating factor for the UCP was a pledge to cut the corporate income tax rate by 4 ppts and repeal the carbon tax. Spending restraint would balance the budget a year earlier than currently planned, in FY22/23.

British Columbia

Population: 4,992,000
GDP/Capita: \$56,800
Party in Power: NDP
Premier:



Hon. John Horgan
Finance Minister: Hon. Carole James
Legislative Seats:
Liberals 42
NDP 41
Green 3
Independent 1

Coalition government since May, 2017

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	2.4	1.8	2.4
Employment	(% chng)	1.1	2.3	1.7
Jobless Rate	(%)	4.7	4.7	4.5
Housing Starts	(000s)	40.9	40.5	35.0
Cons. Prices	(% chng)	2.7	2.3	2.3
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	374	274	
	(% of GDP)	0.1	0.1	
Net Debt	(C\$ mlns)	43,591	46,282	
	(% of GDP)	14.8	15.0	

Shading: forecast ¹ 2018 : by industry

Alberta

Population: 4,307,000
GDP/Capita: \$79,300
Party in Power:
United Conservative Party



Premier: Hon. Jason Kenney
Finance Minister: Hon. Travis Toews
Legislative Seats:
UCP 63
NDP 24

Majority government since May, 2019

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	2.3	1.3	2.2
Employment	(% chng)	1.9	0.4	0.9
Jobless Rate	(%)	6.6	6.7	6.6
Housing Starts	(000s)	26.3	25.5	30.0
Cons. Prices	(% chng)	2.5	2.1	2.0
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	-6,930	-7,912	
	(% of GDP)	-2.0	-2.2	
Net Debt	(C\$ mlns)	28,127	37,700	
	(% of GDP)	8.1	10.7	

Shading: forecast ¹ 2018 : by industry

Saskatchewan

Saskatchewan's economy remains subdued, as the effect of the oil price downturn lingers. Real GDP is expected to advance a moderate 0.9% this year, underperforming the national average for a sixth straight year. Growth is expected to remain subdued at 1.3% next year.

The **oil sector** has been retrenching, but the Province expects relatively stable production over the near term. Capital investment, however, looks to be down this year. **Potash** production is rising at a steady clip, but **trade tensions** with China have added an element of risk in the farm sector (particularly for canola).

Labour market momentum has improved recently, with service-sector jobs lifting total employment after a prolonged period of stagnation. The jobless rate was down to 5.4% in April after peaking at 7% just over two years ago. **Population growth** continues to moderate, to 1% y/y from 1.6% as recently as four years ago—the province is again losing migrants to other regions, which has held back labour force growth.

With slower demographic demand, **housing starts** have fallen and the resale market remains weak. Starts are currently running at a 15-year low as supply from the prior boom is still getting absorbed. **Home prices** continue to drift steadily lower in Regina and Saskatoon. Meantime, the 10 months' of supply on the resale market province-wide is the biggest overhang in at least 15 years—as such, price weakness will likely continue.

The Province of Saskatchewan is projecting a small **\$34 million surplus for FY19/20**, or negligible as a share of GDP. That is improved from the \$380 million deficit now expected for FY18/19. Recall that this new fiscal year marks the third in the government's ongoing plan to balance the books.

Manitoba

Manitoba continues to grow at a steady pace, with real GDP expected to rise 1.5% this year, up slightly from 1.3% in 2018. Manitoba's diverse manufacturing base and sturdy service sector continue to churn out some of the steadiest growth in Canada, which is often the norm for this province.

Manufacturing has had a reasonable run since 2010, and should continue to benefit from sturdy U.S. demand and USMCA clarity—though the latter still needs ratification. That said, Midwest factory activity has softened over the past year.

The **labour market** is sturdy, with employment growth trending around 1.3% when smoothing out data volatility. The jobless rate is bouncing around 5.5%, roughly in-line with the national average, with little deviation in recent years highlighting the province's stability. **Housing market** activity should remain stable, with sales and price growth both modest, supported by solid population growth and favourable affordability. Indeed, demographic demand supported a strong run in housing stats through early-2018, but that momentum has begun to level off.

The Province of Manitoba is projecting a **\$360 million summary budget deficit** in FY19/20, slightly improved from the \$470 million now expected for FY18/19. That weighs in at less than 1% of GDP, and remains on a clear improving path since bottoming at more than \$800 million in 2015. The provincial **sales tax** will be cut by 1 ppt as of July, 2019.

Saskatchewan

Population: 1,162,000
GDP/Capita: \$68,700
Party in Power:
Saskatchewan Party



Premier:
Hon. Scott Moe
Finance Minister:
Hon. Donna Harpauer

Legislative Seats:
Sask. Party 48
NDP 13

Next election by: November, 2020

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	1.6	0.9	1.3
Employment	(% chng)	0.5	1.4	0.4
Jobless Rate	(%)	6.1	5.3	5.2
Housing Starts	(000s)	3.6	3.0	3.5
Cons. Prices	(% chng)	2.3	1.8	2.0
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	-380	34	
	(% of GDP)	-0.5	0.0	
Net Debt	(C\$ mlns)	12,132	12,648	
	(% of GDP)	14.7	15.1	

Shading: forecast ¹ 2018 : by industry

Manitoba

Population: 1,352,000
GDP/Capita: \$53,100
Party in Power:
Progressive Conservatives



Premier:
Hon. Brian Pallister
Finance Minister:
Hon. Scott Fielding

Legislative Seats:
PC 38
NDP 12
Liberal 4
Independent 3

Next election: October, 2020

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	1.3	1.5	1.6
Employment	(% chng)	0.6	1.4	0.5
Jobless Rate	(%)	6.0	5.2	5.3
Housing Starts	(000s)	7.4	6.7	6.5
Cons. Prices	(% chng)	2.5	1.9	2.1
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	-470	-360	
	(% of GDP)	-0.6	-0.5	
Net Debt	(C\$ mlns)	25,211	26,113	
	(% of GDP)	34.3	34.7	

Shading: forecast ¹ 2018 : by industry

Ontario

Ontario's economy has moderated after a powerful multi-year run. Real GDP is expected to grow 1.6% this year, down from 2.2% in 2018 and an average pace of 2.5% in the four years prior to that. The downshift largely reflects a move back toward potential for the province, with some key sectors, such as housing, coming off the boil.

The **housing market** is stabilizing after a wave of recent policy measures (15% tax on non-resident buyers and OSFI rules), and after five Bank of Canada rate hikes. Toronto detached home prices are down roughly 10% from their peak, but condo prices remain at record levels and vacancies are extremely low. This highlights that, despite measures to cool price growth, fundamental supply/demand conditions are still very supportive. Meantime, markets outside the Greater Golden Horseshoe continue to perform very well.

The **labour market** is solid, with 2.5% y/y job growth in 2019Q1, the strongest in 16 years. The jobless rate, at 6% has held relatively steady over the past year amid surge in the labour force, but the province has been able to churn out enough jobs to absorb the influx. The province drew in a record 215,000 migrants from outside Canada and other provinces in 2018. **Export volumes** are rising at a very modest pace, and longer-term issues remain as relatively high labour and electricity costs continue to pose challenges—many sectors are pushing capacity limits, but have been shy to deploy new investment. That said, **USMCA** clarity, **accelerated CCA** allowances and a business-friendly policy shift should support business confidence and investment.

The Province of Ontario is projecting a **\$10.3 billion deficit in FY19/20** (1.2% of GDP), following an \$11.7 billion shortfall expected for FY18/19. The Province expects the deficit to shrink gradually before returning to balance in FY23/24, and will focus on reducing real per-capita program spending, while following through on tax-cut promises.

Quebec

Quebec is moderating after its best economic performance in 15 years. Real GDP is expected to grow 1.6% this year, down from 2.5% in 2018 and 2.8% in 2017. While slowing, this is still a solid growth rate for the province, and overall conditions remain supportive for employment, investment and real estate.

Real **business investment** has softened after rising sharply over the past two years. Confidence was boosted by a stable political backdrop (despite the recent change) and much-improved government finances. **Export** momentum has improved meaningfully, and enters 2019 on solid footing. The **labour market** performance has been solid, with sturdy job growth and a low jobless rate. Indeed, the jobless rate fell to 4.9% in April, the first time on record below the 5% mark.

Montreal's housing market is seeing continued momentum, and remains arguably the strongest in Canada—solid demand fundamentals, favourable affordability and a spillover of nonresident investment have all helped. Benchmark prices are running at a solid 6.3% y/y pace, and prices should be able to rise further. **Residential construction** has also been a recent boon for the economy.

The Province of Quebec is projecting a sixth consecutive **surplus in FY19/20**. This year's budget built on a host of measures introduced in the Fall fiscal update, which included accelerated CCA allowances and an enhanced family allowance (for those with children). Measures included a reduction in school tax rates, and a gradual reduction in the additional contribution for daycare.

Ontario

Population: 14,323,000
GDP/Capita: \$58,900
Party in Power: PC
Premier:



Hon. Doug Ford
Finance Minister:
Hon. Victor Fideli

Legislative Seats:
PC 73
NDP 40
Liberal 7
Green 1
Independent 3

Next election: June, 2022

Economic Outlook	2018	2019	2020
Real GDP ¹ (% chng)	2.2	1.6	1.7
Employment (% chng)	1.6	2.4	1.8
Jobless Rate (%)	5.6	5.8	5.6
Housing Starts (000s)	79.4	72.5	72.0
Cons. Prices (% chng)	2.4	1.9	2.1
Fiscal Situation	FY18/19	FY19/20	
Balance (C\$ mlns)	-11,700	-10,300	
(% of GDP)	-1.4	-1.2	
Net Debt (C\$ mlns)	343,441	359,943	
(% of GDP)	40.2	40.7	

Shading: forecast ¹ 2018 : by industry

Quebec

Population: 8,390,000
GDP/Capita: \$49,700
Party in Power: CAQ
Premier:



Hon. Francois Legault
Finance Minister:
Hon. Eric Girard

Legislative Seats:
CAQ 75
Liberal 29
QS 10
PQ 9
Independent 2

Next election: October, 2022

Economic Outlook	2018	2019	2020
Real GDP ¹ (% chng)	2.5	1.6	1.5
Employment (% chng)	0.9	1.6	1.4
Jobless Rate (%)	5.4	5.2	5.0
Housing Starts (000s)	46.9	46.5	43.0
Cons. Prices (% chng)	1.7	1.8	1.8
Fiscal Situation	FY18/19	FY19/20	
Balance (C\$ mlns)	5,606	2,504	
(% of GDP)	1.3	0.6	
Net Debt (C\$ mlns)	174,095	174,699	
(% of GDP)	40.0	38.8	

Shading: forecast ¹ 2018 : by industry

New Brunswick

The New Brunswick economy has softened after a healthy run, with real GDP little changed in 2018 after 1.6% average growth in the two years prior. We expect moderate and more trend-like 0.6% growth this year.

Capital spending has retrenched recently as some major projects have wound down in the forestry and refining sectors. Risks also persist in the potash sector, while **forestry exports** could be challenged by a peaking (but stable) U.S. housing market.

Labour market trends have been sturdy, with employment rising in each of the past two years. The unemployment rate has held roughly steady since mid-2017, but that comes alongside a meaningful jump in the labour force. While the province has seen a near-term boost in population, **demographics** remain a longer-term challenge given an aging population. In the meantime, international immigration and less outflows to other provinces have helped on this front.

The Province of New Brunswick is projecting a **\$23 million surplus for FY19/20**. That follows a small \$4.5 million surplus expected for FY18/19 (originally estimated to be a \$188.7 mln deficit), and would mark the second straight year in the black. That is a nice improvement for a province that has grappled with deficits for years. Looking ahead, the Province continues to expect surpluses through FY22/23, while net debt will drift lower as a share of GDP. The drop in debt will, in fact, be the first such move in over a decade.

Nova Scotia

Economic growth looks to moderate in Nova Scotia again this year, with real GDP likely to run at 0.7%, down from 1.2% in 2018. Growth should hold around this rate through next year given that it roughly marks near-term potential. Keep in mind that the province has just come off its best three-year run (averaging 1.4%) since emerging from the financial crisis—demographics and nonresidential investment added a boost.

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 major **capital projects**, such as the Nova Centre and Maritime Link, have also supported growth recently, but their contributions have begun to fade—capital spending is expected to fall about 6% this year. **Residential construction** activity has been strong, with the number of units under construction in Halifax at a record high. This is partly in response to **firmer population growth** through two channels: a reversal of outflows previously headed to Alberta, and a big jump in international immigration, as seen across much of the Atlantic region.

Labour market momentum has been strong, with employment surging to record levels, up 2.3% from a year ago through April. That pulled the jobless rate down to a record low 6.2% at one point (March). Job growth has been broad, across full- and part-time positions, and in both the goods and services sectors.

The Province of Nova Scotia is projecting a **\$33.6 million surplus in FY19/20** (0.1% of GDP), roughly in-line with the \$28.4 million now expected in FY18/19. That would mark the fourth straight year in the black as the Province continues to operate within its means. There were few major new policy measures in this budget, with the Province directing some new spending to priority areas such as healthcare..

New Brunswick

Population: 770,600
GDP/Capita: \$46,100
Party in Power: PC
Premier:



Hon. Blaine Higgs
Finance Minister: Hon. Ernie Steeves
Legislative Seats:
PC 22
Liberal 21
Green Party 3
People's Alliance 3

Minority gov't since September 2018

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	0.1	0.6	0.7
Employment	(% chng)	0.3	1.1	0.2
Jobless Rate	(%)	8.0	8.0	7.7
Housing Starts	(000s)	2.3	2.6	2.4
Cons. Prices	(% chng)	2.2	1.8	2.1
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	5	23	
	(% of GDP)	0.0	0.1	
Net Debt	(C\$ mlns)	14,105	14,056	
	(% of GDP)	37.8	37.0	

Shading: forecast ¹ 2018 : by industry

Nova Scotia

Population: 960,000
GDP/Capita: \$45,400
Party in Power: Liberals
Premier:



Hon. Stephen McNeil
Finance Minister: Hon. Karen Casey
Legislative Seats:
Liberals 27
PC 17
NDP 6
Vacant 1

Next election by June, 2022

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	1.2	0.7	0.7
Employment	(% chng)	1.5	2.5	0.2
Jobless Rate	(%)	7.6	6.5	6.5
Housing Starts	(000s)	4.9	5.5	5.0
Cons. Prices	(% chng)	2.2	1.6	2.0
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	28	34	
	(% of GDP)	0.1	0.1	
Net Debt	(C\$ mlns)	15,069	15,276	
	(% of GDP)	34.3	33.8	

Shading: forecast ¹ 2018 : by industry

Prince Edward Island

The **PEI economy has run at a very solid pace**, but real GDP growth will likely moderate to 1.2% this year after averaging 3.0% the prior two years. Sturdy U.S. economic growth and a population boost should continue to offset public-sector restraint, leaving the province to grow roughly at potential over the medium term.

Exports are rising at a solid clip, led by transportation equipment, as well as past gains in electronics and electrical equipment. U.S. demand is expected to remain firm, and the Canadian dollar is supportive of **tourism** activity at recent levels.

Public-sector restraint is likely to remain a mild drag on growth in the year ahead. After rising strongly in recent years, **public-sector capital spending** will likely hold relatively steady this year, according to StatCan's survey of intentions.

Population growth is running at a very strong 2.1% y/y pace. International immigration has accelerated, and net interprovincial migration has largely levelled off. **Employment** has been a bright spot, rising to a record level in the first quarter. That has helped pull the jobless rate consistently below 10%, after trending in the 10%-to-13% range through much of the cycle to date.

The Province of Prince Edward Island's 2019 budget is pending after the **Progressive Conservatives were elected** to a minority mandate in April. Balanced budgets and falling net debt have been a fixture in recent years.

Newfoundland and Labrador

Newfoundland & Labrador's economy remains mixed, but the recent strength in oil prices should support income growth. Real GDP is expected to rebound 2.0% this year after a 2.7% decline in 2018, partly the result of temporary factors.

The **oil sector** makes up roughly 20% of provincial GDP and more than 7% of employment—both just slightly smaller than in Alberta. As a result, the recent cycle in oil prices has impacted incomes. Production has faded after peaking in 2007, but Hebron began producing late in 2017, and should support higher output as it ramps up to 150,000 bpd over the coming years. Longer-term potential in the sector is solid, but near-term **capital investment** is facing a lull, with other projects such as Muskrat Falls also winding down. Last year's temporary decline in **iron-ore output** was a drag on GDP growth that should reverse this year.

Employment has improved over the past year, but is still about 6% below the 2013 peak. But, because the province hasn't seen the population influx that most of its peers have seen, the jobless rate has fallen to below 12%, down more than 3 ppts since the end of 2017. That said, **retail sales** and **housing** have underperformed since the demographic boost has been absent.

The Province of Newfoundland & Labrador is projecting a hefty **\$1.9 billion surplus** in FY19/20 (more than 5% of GDP), fully on the back of an accounting move that books new future Atlantic Accord revenues in the current fiscal year. Recall that the Atlantic Accord Review will see \$2.5 billion flow to the Province (with no restrictions on use) by 2056, with most of it front-end loaded by 2030. Excluding this impact, the underlying deficit sits at \$575 million, a touch wider than the \$522 million now expected for FY18/19. Looking ahead, the Province expects the deficit to widen next fiscal year, before gradually returning to balance in FY22/23.

Prince Edward Island

Population: 153,200
GDP/Capita: \$43,700
Party in Power: PC
Premier:



Hon. Dennis King
Finance Minister: TBD

Legislative Seats:
PC 12
Green 8
Liberal 6

Minority government since May, 2019

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	2.6	1.2	0.9
Employment	(% chng)	3.0	0.4	0.5
Jobless Rate	(%)	9.4	9.3	9.0
Housing Starts	(000s)	1.0	0.9	0.9
Cons. Prices	(% chng)	2.3	1.2	1.8
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	14	13	
	(% of GDP)	0.2	0.2	
Net Debt	(C\$ mlns)	2,239	2,232	
	(% of GDP)	32.5	32.4	

Shading: forecast ¹ 2018 : by industry

Newfoundland & Labrador

Population: 525,400
GDP/Capita: \$61,300
Party in Power: Liberals
Premier:



Hon. Dwight Ball
Finance Minister: Hon. Tom Osborne

Legislative Seats:
Election pending

Next election: May 16, 2019

Economic Outlook		2018	2019	2020
Real GDP ¹	(% chng)	-2.7	2.0	0.2
Employment	(% chng)	0.4	2.8	0.0
Jobless Rate	(%)	13.8	11.6	11.6
Housing Starts	(000s)	1.5	1.0	1.2
Cons. Prices	(% chng)	1.7	1.3	2.0
Fiscal Situation		FY18/19	FY19/20	
Balance	(C\$ mlns)	-522	-575	
	(% of GDP)	-1.5	-1.6	
Net Debt	(C\$ mlns)	15,414	13,768	
	(% of GDP)	44.9	39.1	

Shading: forecast ¹ 2018 : by industry

History of Canadian Fiscal Balances

(\$ millions)	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19e	19/20f
BC	73	(1,812)	(246)	(1,841)	(1,147)	314	1,660	810	2,727	301	374	274
Alberta	(931)	(476)	(2,262)	(114)	(3,099)	(302)	1,115	(6,442)	(10,784)	(8,023)	(6,930)	(7,912)
Sask.	2,968	(409)	(13)	(105)	37	589	62	(1,520)	(1,218)	(303)	(380)	34
Manitoba	449	(185)	(181)	(1,001)	(560)	(600)	(539)	(932)	(764)	(695)	(470)	(360)
Ontario	(6,409)	(19,262)	(17,200)	(15,408)	(10,662)	(11,530)	(11,248)	(5,346)	(2,435)	(3,700)	(11,700)	(10,300)
Quebec	(1,258)	(2,940)	(2,390)	(1,788)	(2,515)	(1,703)	136	3,644	4,362	4,915	5,606	2,504
NB	(152)	(695)	(617)	(244)	(533)	(600)	(361)	(261)	(117)	67	5	23
NS	26	(269)	585	(259)	(304)	(677)	(144)	(13)	151	230	28	34
PEI	(31)	(74)	(63)	(84)	(80)	(46)	(20)	(13)	(1)	1	14	13
NL	2,350	(33)	594	974	(195)	(389)	(1,006)	(2,206)	(1,148)	(911)	(522)	(575)
Provinces	(2,915)	(26,155)	(21,793)	(19,870)	(19,058)	(14,944)	(10,345)	(12,279)	(9,227)	(8,118)	(13,975)	(16,266)
Federal	(9,116)	(56,368)	(34,953)	(28,033)	(21,293)	(8,050)	(550)	(2,861)	(18,957)	(18,961)	(14,900)	(19,800)
Total	(12,031)	(82,523)	(56,746)	(47,903)	(40,351)	(22,994)	(10,895)	(15,140)	(28,184)	(27,079)	(28,875)	(36,066)
(% of GDP)												
BC	0.0	(0.9)	(0.1)	(0.8)	(0.5)	0.1	0.7	0.3	1.0	0.1	0.1	0.1
Alberta	(0.3)	(0.2)	(0.8)	(0.0)	(1.0)	(0.1)	0.3	(2.0)	(3.6)	(2.4)	(2.0)	(2.2)
Sask.	4.4	(0.7)	(0.0)	(0.1)	0.0	0.7	0.1	(1.9)	(1.6)	(0.4)	(0.5)	0.0
Manitoba	0.9	(0.4)	(0.3)	(1.8)	(0.9)	(1.0)	(0.8)	(1.4)	(1.1)	(1.0)	(0.6)	(0.5)
Ontario	(1.1)	(3.2)	(2.7)	(2.3)	(1.6)	(1.7)	(1.5)	(0.7)	(0.3)	(0.4)	(1.4)	(1.2)
Quebec	(0.4)	(0.9)	(0.7)	(0.5)	(0.7)	(0.5)	0.0	0.9	1.1	1.2	1.3	0.6
NB	(0.5)	(2.4)	(2.0)	(0.8)	(1.7)	(1.9)	(1.1)	(0.8)	(0.3)	0.2	0.0	0.1
NS	0.1	(0.8)	1.6	(0.7)	(0.8)	(1.8)	(0.4)	(0.0)	0.4	0.5	0.1	0.1
PEI	(0.7)	(1.5)	(1.2)	(1.5)	(1.4)	(0.8)	(0.3)	(0.2)	(0.0)	0.0	0.2	0.2
NL	7.4	(0.1)	2.0	2.9	(0.6)	(1.1)	(2.9)	(7.1)	(3.6)	(2.8)	(1.5)	(1.6)
Provinces	(0.2)	(1.7)	(1.3)	(1.1)	(1.0)	(0.8)	(0.5)	(0.6)	(0.5)	(0.4)	(0.6)	(0.7)
Federal	(0.6)	(3.6)	(2.1)	(1.6)	(1.2)	(0.4)	(0.0)	(0.1)	(0.9)	(0.9)	(0.7)	(0.9)
Total	(0.7)	(5.3)	(3.4)	(2.7)	(2.2)	(1.2)	(0.5)	(0.8)	(1.4)	(1.3)	(1.3)	(1.6)

() = deficit e = estimate f = forecast Ontario FY19/20 deficit carried forward pending budget

Provincial Economic Summary

	BC	Alberta	Sask.	Manitoba	Ontario	Quebec	NB	NS	PEI	NL	Canada
Real GDP Growth (chain-weighted : year/year % change)											
2018 ¹	2.4	2.3	1.6	1.3	2.2	2.5	0.1	1.2	2.6	-2.7	1.8
2019 f	1.8	1.3	0.9	1.5	1.6	1.6	0.6	0.7	1.2	2.0	1.4
2020 f	2.4	2.2	1.3	1.6	1.7	1.5	0.7	0.7	0.9	0.2	1.7
Employment Growth (year/year % change)											
2018	1.1	1.9	0.5	0.6	1.6	0.9	0.3	1.5	3.0	0.4	1.3
2019 f	2.3	0.4	1.4	1.4	2.4	1.6	1.1	2.5	0.4	2.8	1.9
2020 f	1.7	0.9	0.4	0.5	1.8	1.4	0.2	0.2	0.5	0.0	1.4
Unemployment Rate (percent)											
2018	4.7	6.7	6.1	6.0	5.7	5.5	8.0	7.6	9.4	13.8	5.8
2019 f	4.7	6.7	5.3	5.2	5.8	5.2	8.0	6.5	9.3	11.6	5.7
2020 f	4.5	6.6	5.2	5.3	5.6	5.0	7.7	6.5	9.0	11.6	5.6
Housing Starts (thousands)											
2018	40.9	26.3	3.6	7.4	79.4	46.9	2.3	4.9	1.0	1.5	214
2019 f	40.5	25.5	3.0	6.7	72.5	46.5	2.6	5.5	0.9	1.0	205
2020 f	35.0	30.0	3.5	6.5	72.0	43.0	2.4	5.0	0.9	1.2	200
Consumer Prices (year/year % change)											
2018	2.7	2.5	2.2	2.5	2.4	1.7	2.2	2.2	2.3	1.7	2.2
2019 f	2.3	2.1	1.8	1.9	1.9	1.8	1.8	1.6	1.2	1.3	1.9
2020 f	2.3	2.0	2.0	2.1	2.1	1.8	2.1	2.0	1.8	2.0	2.1

¹ 2018 provincial GDP by industry f = forecast

Provincial Economic Indicators

(3-month m.a. : year/year % change)

	BC	Alberta	Sask.	Manitoba	Ontario	Quebec	NB	NS	PEI	NL	Canada
Retail Sales											
Dec 18	-0.5	0.3	-3.7	1.3	3.5	1.1	-0.1	-3.1	-1.0	-5.0	1.2
Jan 19	1.4	0.5	-3.6	-0.7	1.9	1.1	-0.1	-1.5	-1.3	-2.6	1.0
Feb 19	1.3	0.2	-3.0	0.9	1.7	2.7	0.7	0.6	-0.3	-1.5	1.4
Manufacturing Shipments											
Dec 18	3.4	5.2	7.5	3.6	4.7	6.6	-33.5	3.5	20.6	8.6	4.1
Jan 19	2.7	0.5	5.3	4.8	2.0	5.5	-32.6	4.9	14.9	0.3	1.9
Feb 19	2.3	-0.5	2.3	1.1	0.9	5.9	-25.6	3.6	16.3	6.2	1.4
Exports											
Jan 19	6.7	-2.6	1.8	4.8	2.3	8.6	-35.3	6.7	21.9	15.7	2.0
Feb 19	3.8	-8.0	-2.9	2.2	1.9	10.2	-25.3	5.9	21.0	1.6	0.0
Mar 19	2.1	-3.4	-4.1	0.2	3.0	6.0	-10.3	6.4	9.6	9.3	1.0
Employment Growth											
Feb 19	2.4	0.7	1.7	1.8	2.1	0.8	-0.1	2.0	0.1	2.7	1.6
Mar 19	2.8	0.4	1.5	2.0	2.5	0.9	0.9	2.5	0.7	3.3	1.8
Apr 19	3.1	0.6	2.0	1.6	2.6	1.2	0.6	2.2	1.7	3.0	2.0

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