

Nova Scotia's Economic Recovery: COVID-19 and Beyond

CSLS-AIPR Panel at CEA Virtual Conference on the
Economic Performance and Outlook for the Atlantic Provinces

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Presentation Outline

Where are we? The effects of COVID-19 on Nova Scotia

Where are we going? Nova Scotia's economic outlook for 2021

Four Long-term economic drivers

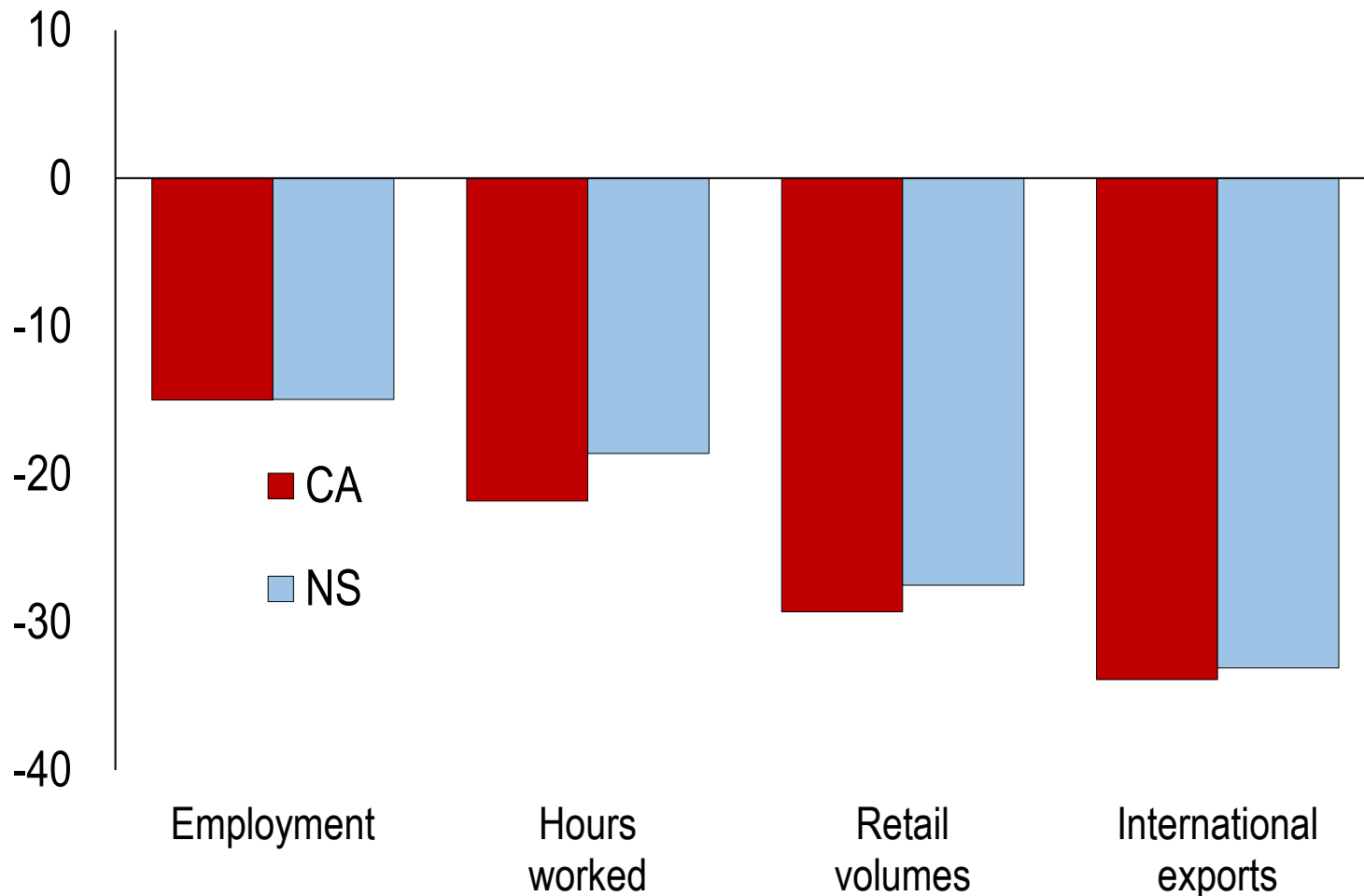
Aging Population, Workforce and Business Owners

Responding to the Labour Challenge

Q&A

COVID-19 Shutdown Caused a Massive Economic Hit in Only Two Months

Change in select indicators, April 2020, year-over-year (%)



We have never experienced an economic contraction this big or this fast.

The decline in Nova Scotia employment was **ten times greater** than the 2008-2009 recession.

Bounce Back Underway But Full Recovery Will Take Time

Change in select indicators, April 2020 and latest month, year-over-year (%)



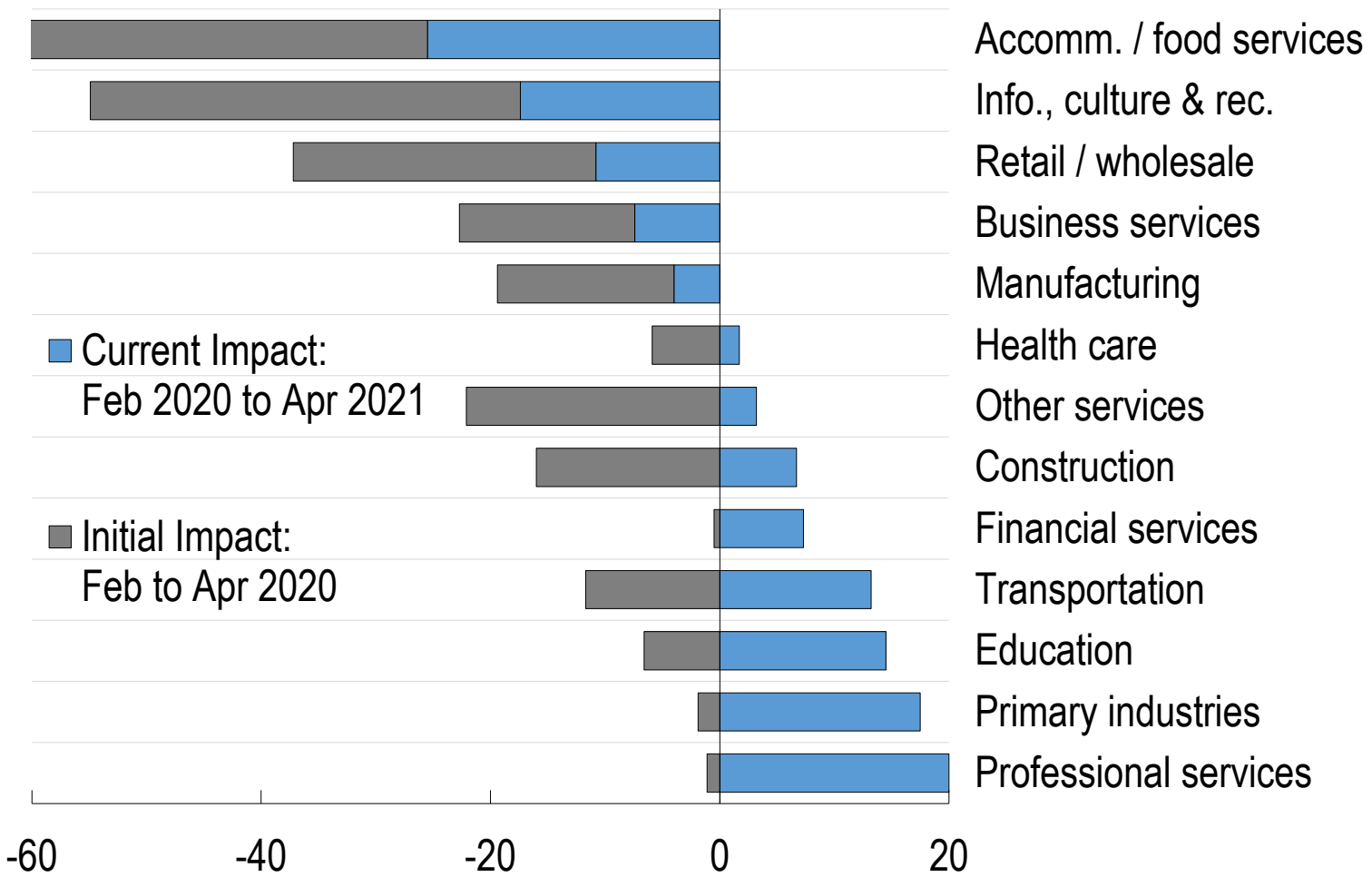
We have never experienced an economic contraction this big or this fast.

The decline in Nova Scotia employment was **ten times greater** than the 2008-2009 recession.

Nova Scotia recovery ahead of Canada, helped by better containment. But hours worked still lag.

Recovery Remains Very Uneven: Some Sectors Are Back to Pre-COVID Levels, Others are Lagging

Percentage change in employment, Nova Scotia (seasonally adjusted, %)



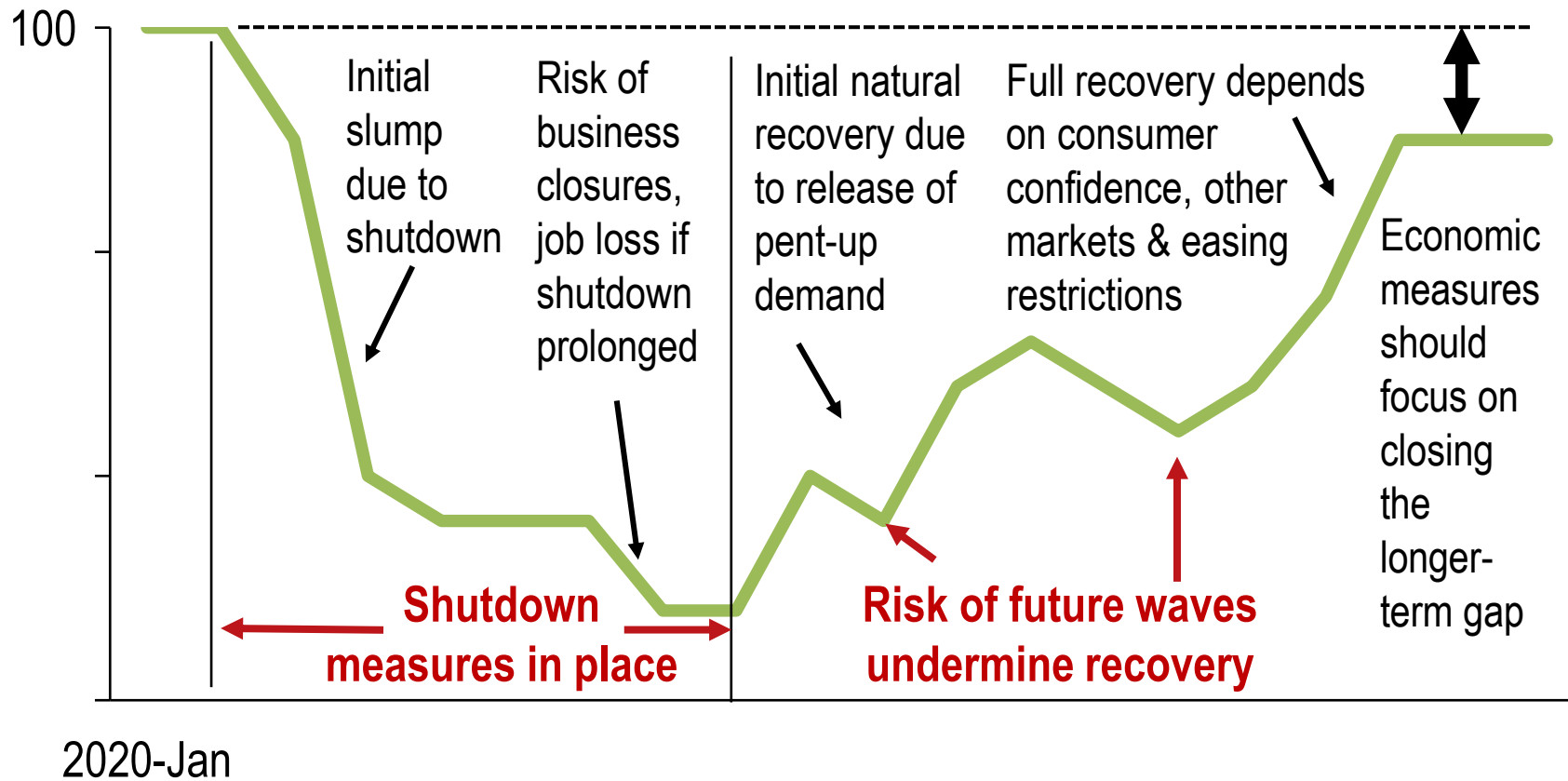
**Largest current job losses
in Nova Scotia**

Accom./food services	9,600
Retail/wholesale trade	8,600
Info, culture & recreation	3,200
Manufacturing	1,400
Business services	1,400

Source: Statistics Canada, Labour Force Survey

What Might the Recovery Look Like?

Illustrative level of real GDP, Atlantic Canada (Index, Jan 2020=100)

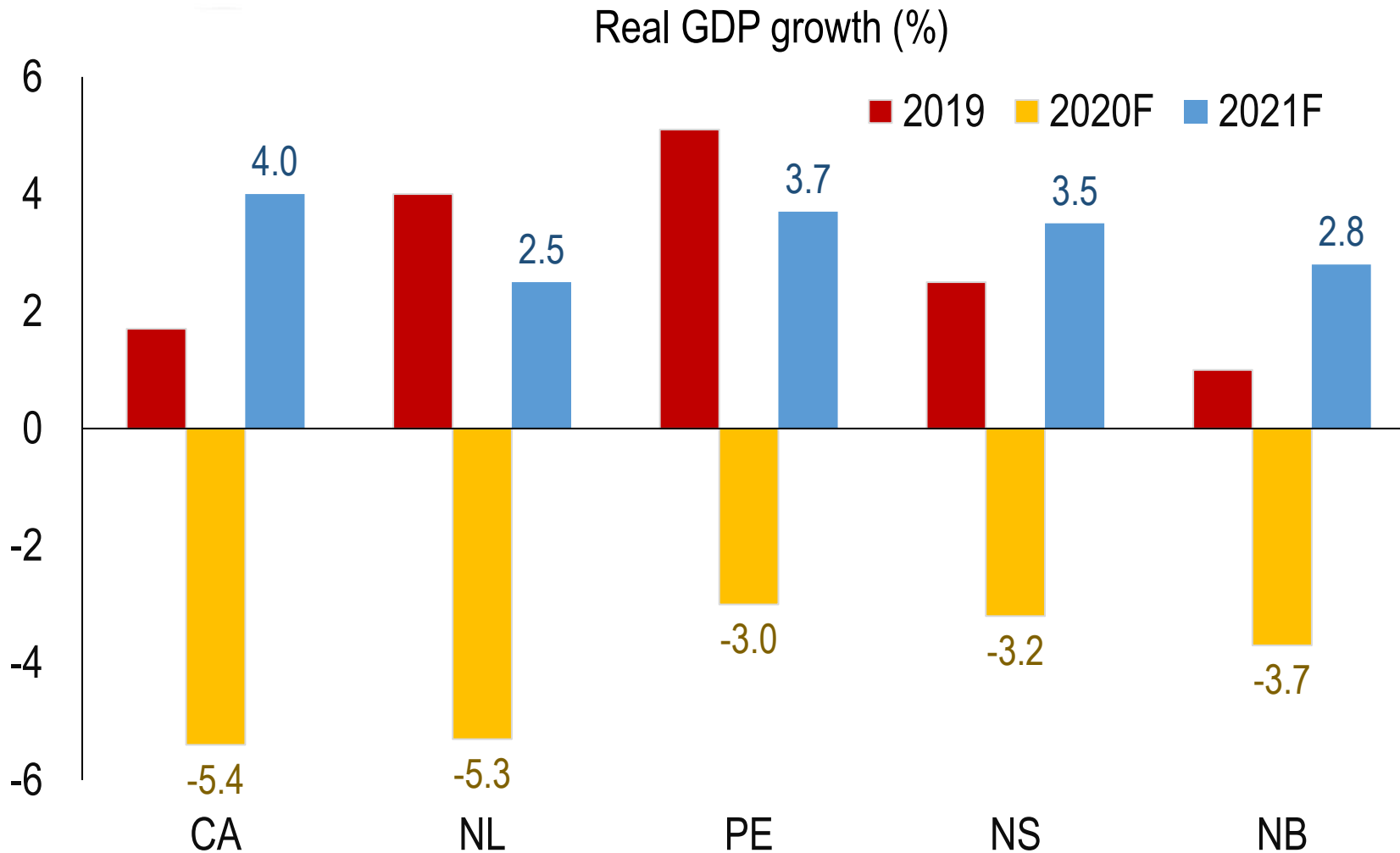


Outlook

Travel remains constrained due to slow containment and travel restrictions.

Recovery bumpy – race between vaccines & variants, stimulus & fatigue.

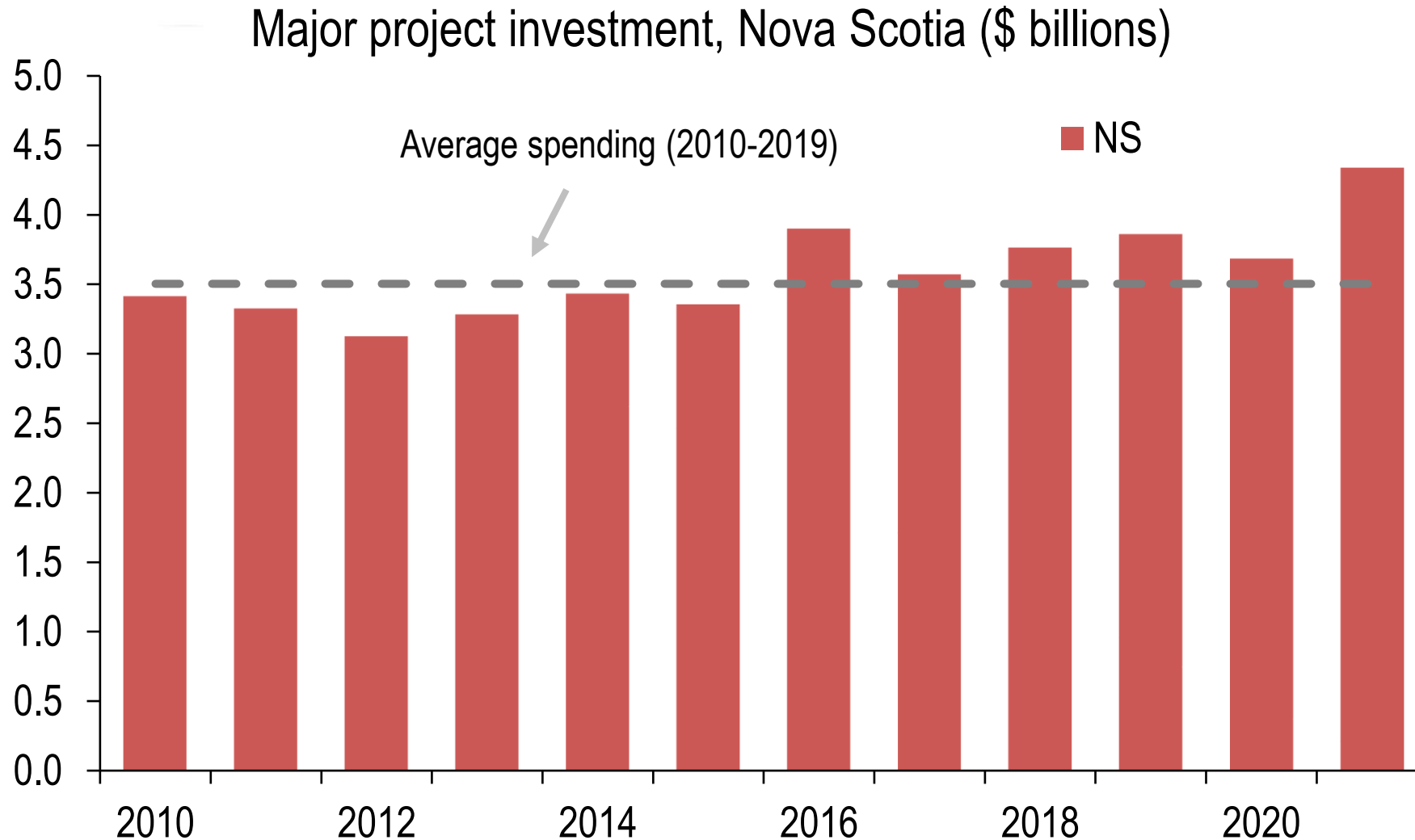
Recovery Across the Atlantic Region in 2021



APEC forecasts Nova Scotia's economy shrank 3% last year, having lost most of its tourists along with other COVID-19 shutdowns.

Strength of recovery in 2021 predicated on external demand picking up and restrictions easing.

Investment in Nova Scotia to Hit New Peak in 2021



NS Highlights

Shipbuilding projects

Health care
redevelopments

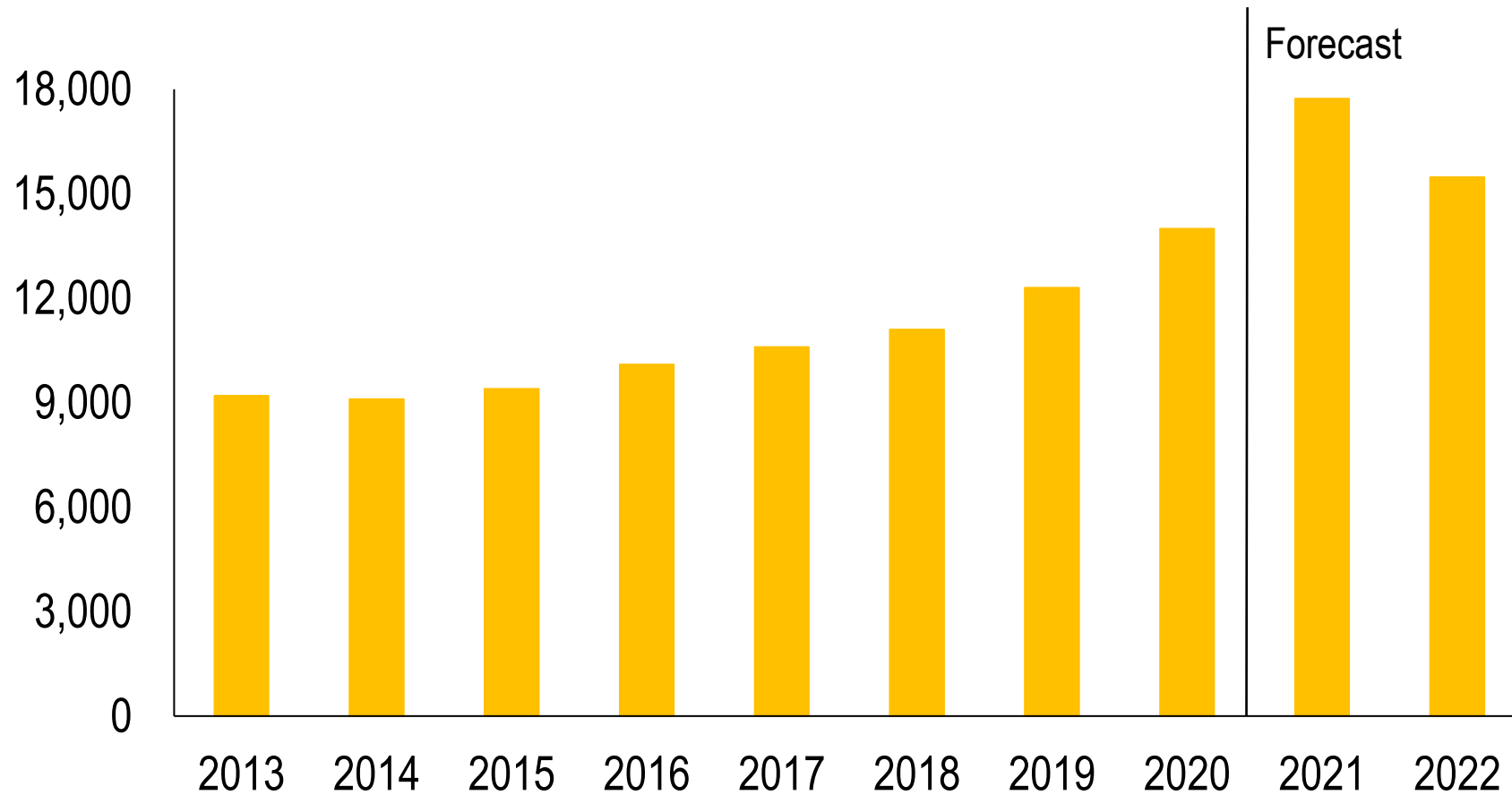
Housing developments

Highway and other
infrastructure projects

Goldboro LNG TBD

Nova Scotia Home Resale Market Remains Hot in Early 2021

Home resales, Nova Scotia (units)



Home resales and prices up sharply in Nova Scotia in 2020.

Nova Scotia home resales up by three-quarters in the first four months of 2021.

Half of resales in early 2021 are outside Halifax, signalling the impact of COVID-19 on rural housing demand.

Build Long-term Economic Drivers into Recovery Plans



Demographics

- Small, slow ATL mkt
- Population aging
- Fiscal sustainability
- Labour supply decline

Global disruption

- Supply chains changing
- Demand risks & opportunities
- “Buy national” risks



Sustainability

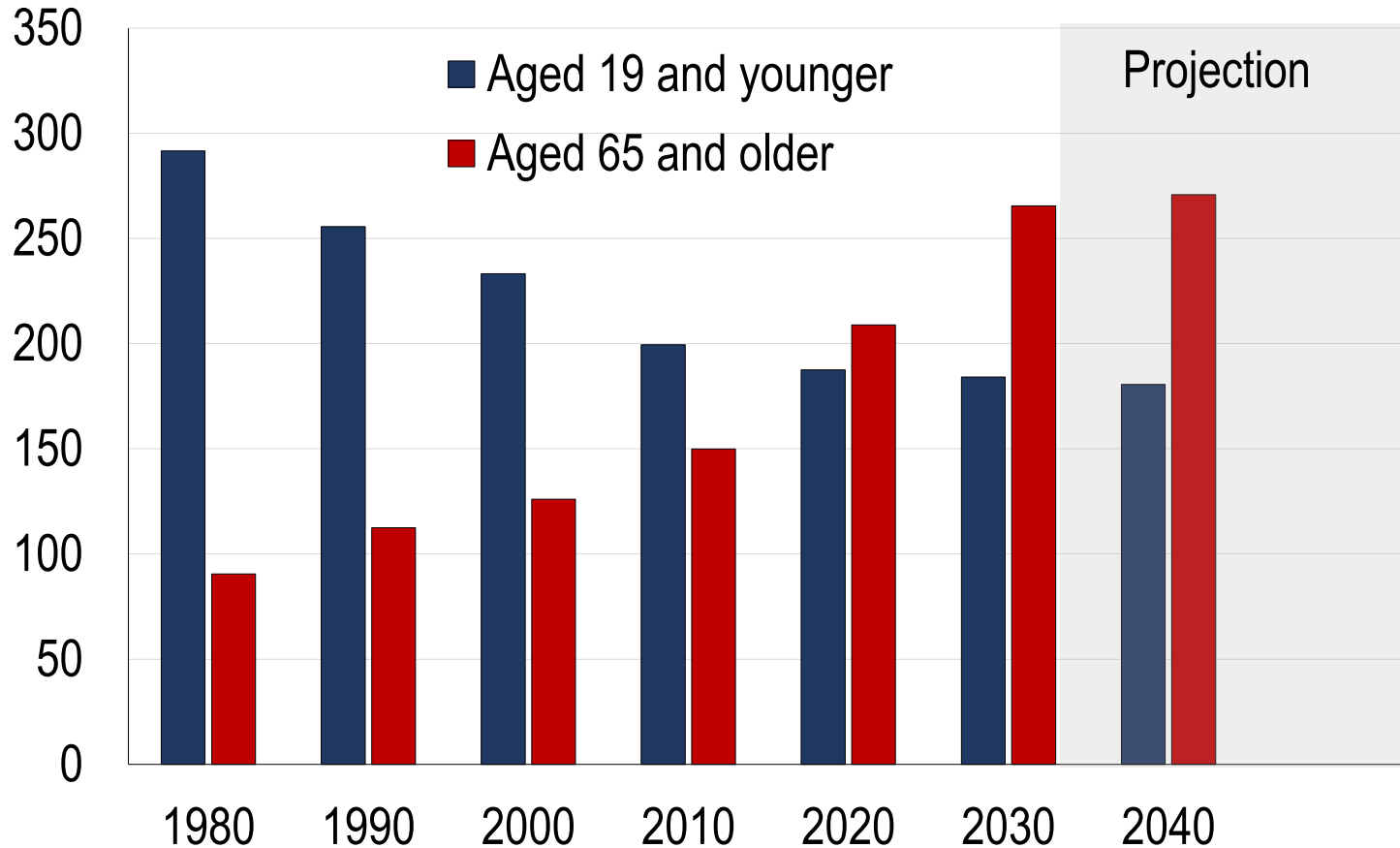
- Environmental policies here to stay
- Build into brand
- Low-cost clean tech

Digitalization

- E-commerce
- Automation
- Remote work
- Broadband access

Nova Scotia's Aging Population Trend Will Continue

Population by age group, Nova Scotia ('000 persons)



Youth (0-19 yrs) to seniors (65+) ratio:

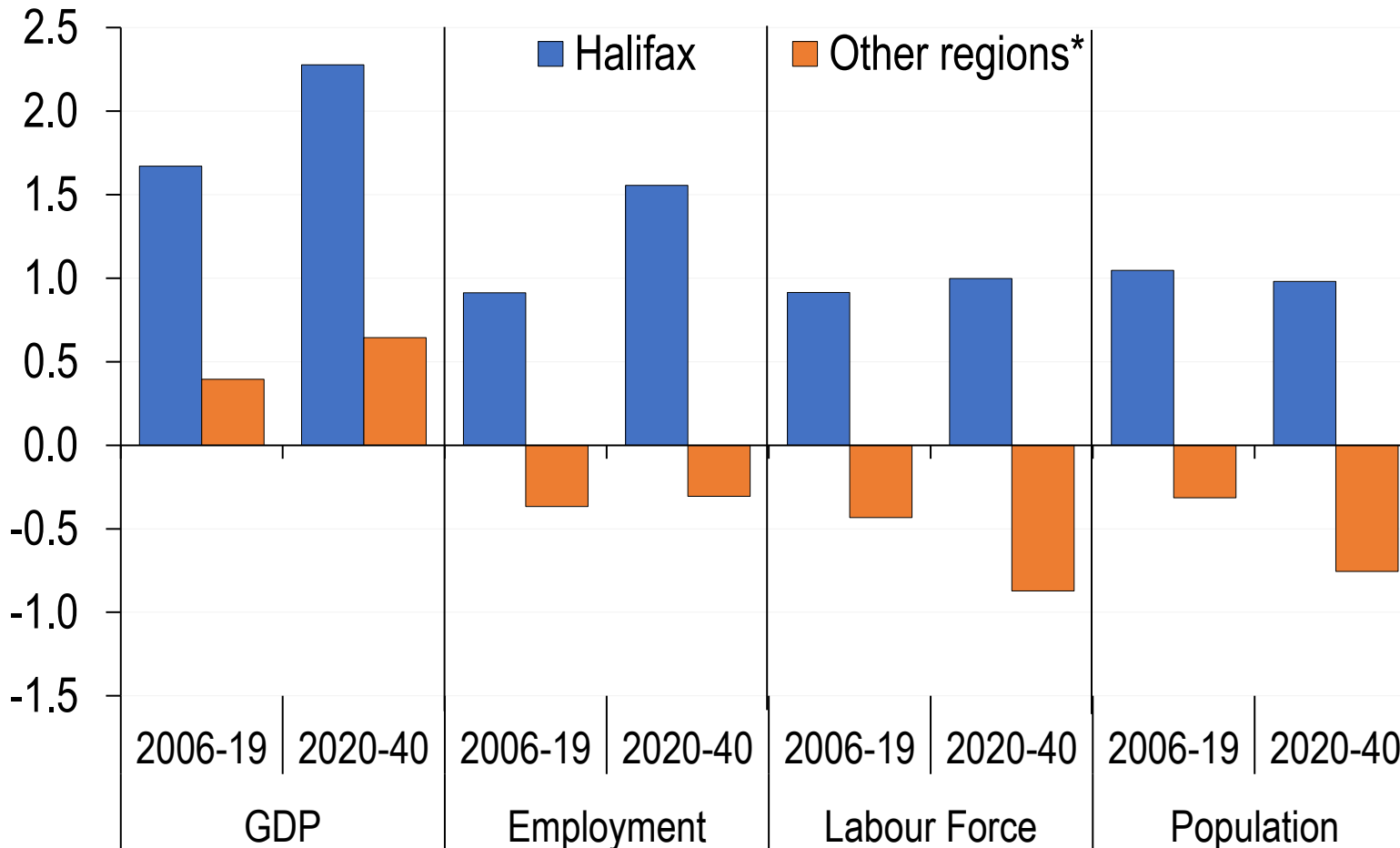
1980	3:1
2000	2:1
2020	1:1
2040	2:2.67

Number of seniors rose 230% from 1980 to 2020 to > 0.2 million

We project a further increase of 30% by 2040, reaching 27% of population.

Economic Growth Concentrated in Halifax

Select economic indicators, annual average change, Nova Scotia (%)

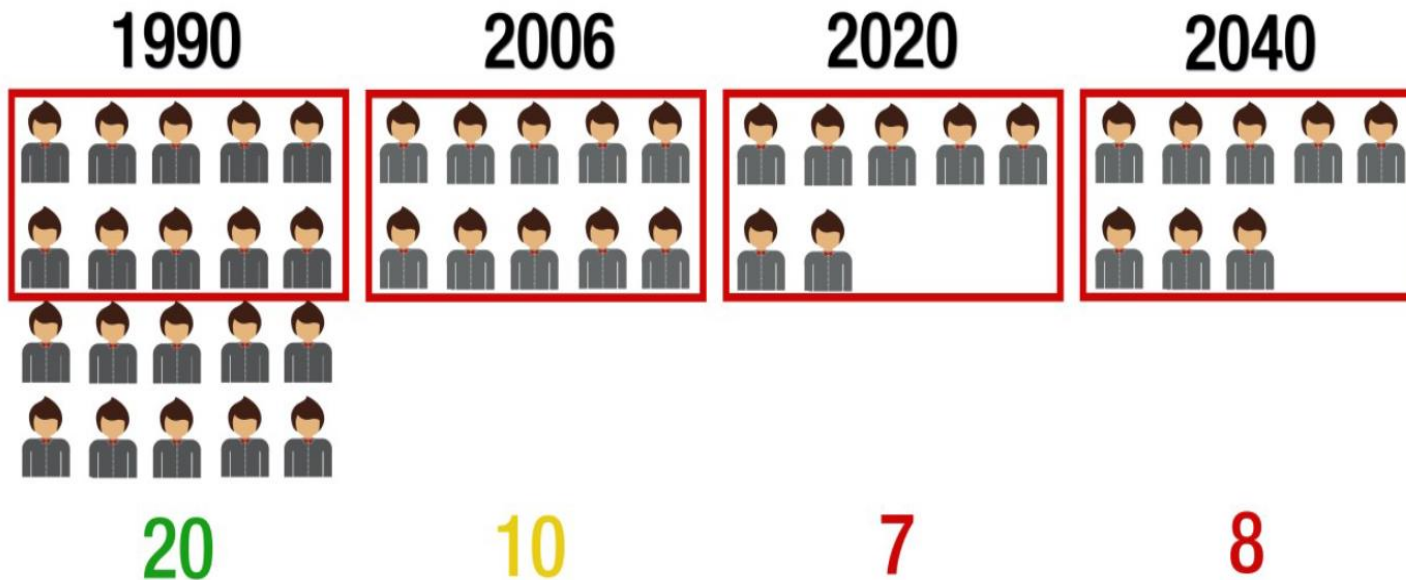


Despite slower growth in population over the forecast horizon, APEC projects modest economic growth.

Halifax accounted for 45% of the province's population and 57% of real GDP in 2019.

Not Enough Young Labour Market Entrants to Replace Retirees

Number of young workers for every ten retirees, Atlantic Canada

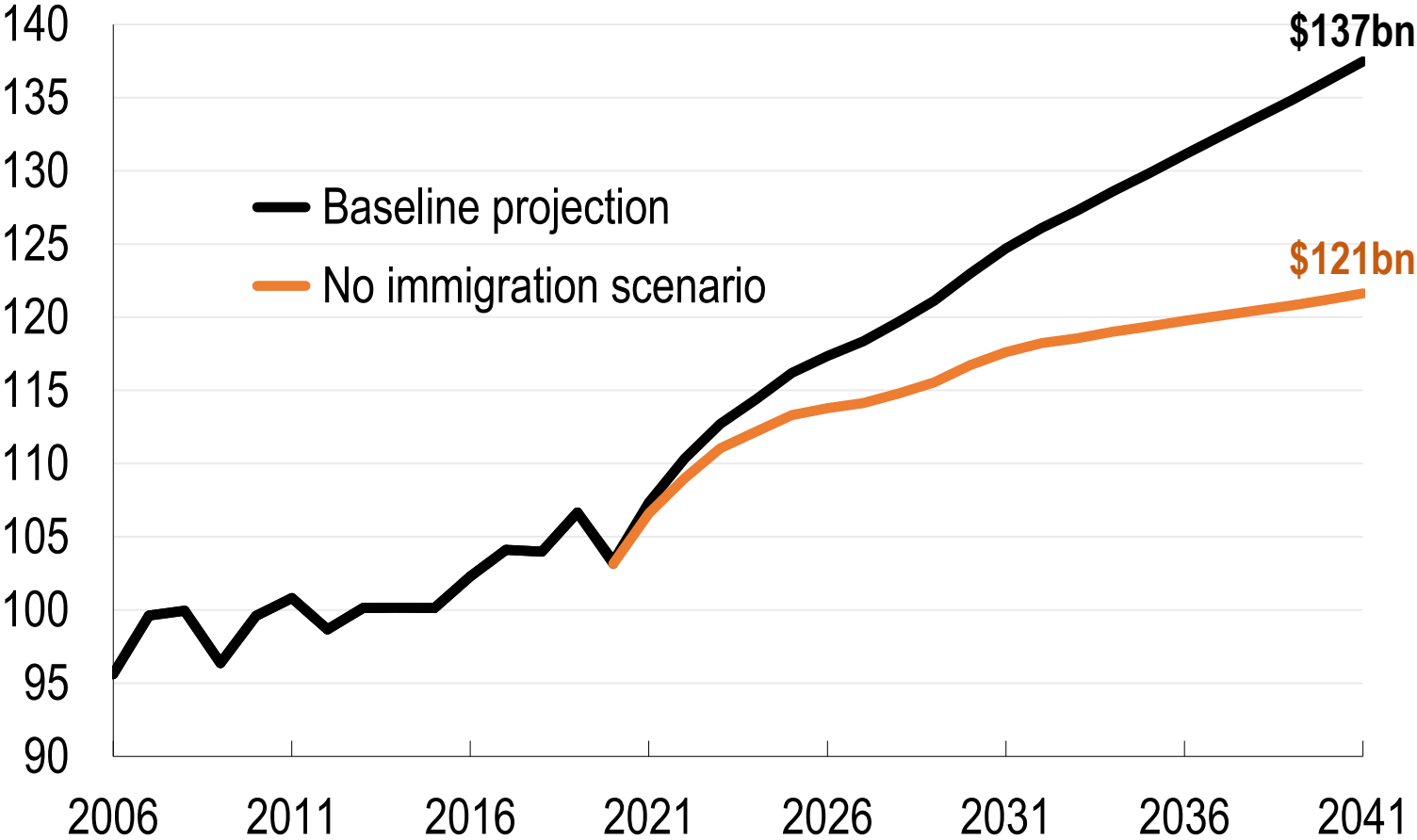


We project that 50% more people will reach retirement age over the next two decades than will enter the labour market.

With no in-migration or higher participation rates, our labour force would shrink by 130,000 by 2040.

Atlantic Canada Needs More People to Ensure Growth

Real GDP, Atlantic Canada (billions of chained 2012 dollars)



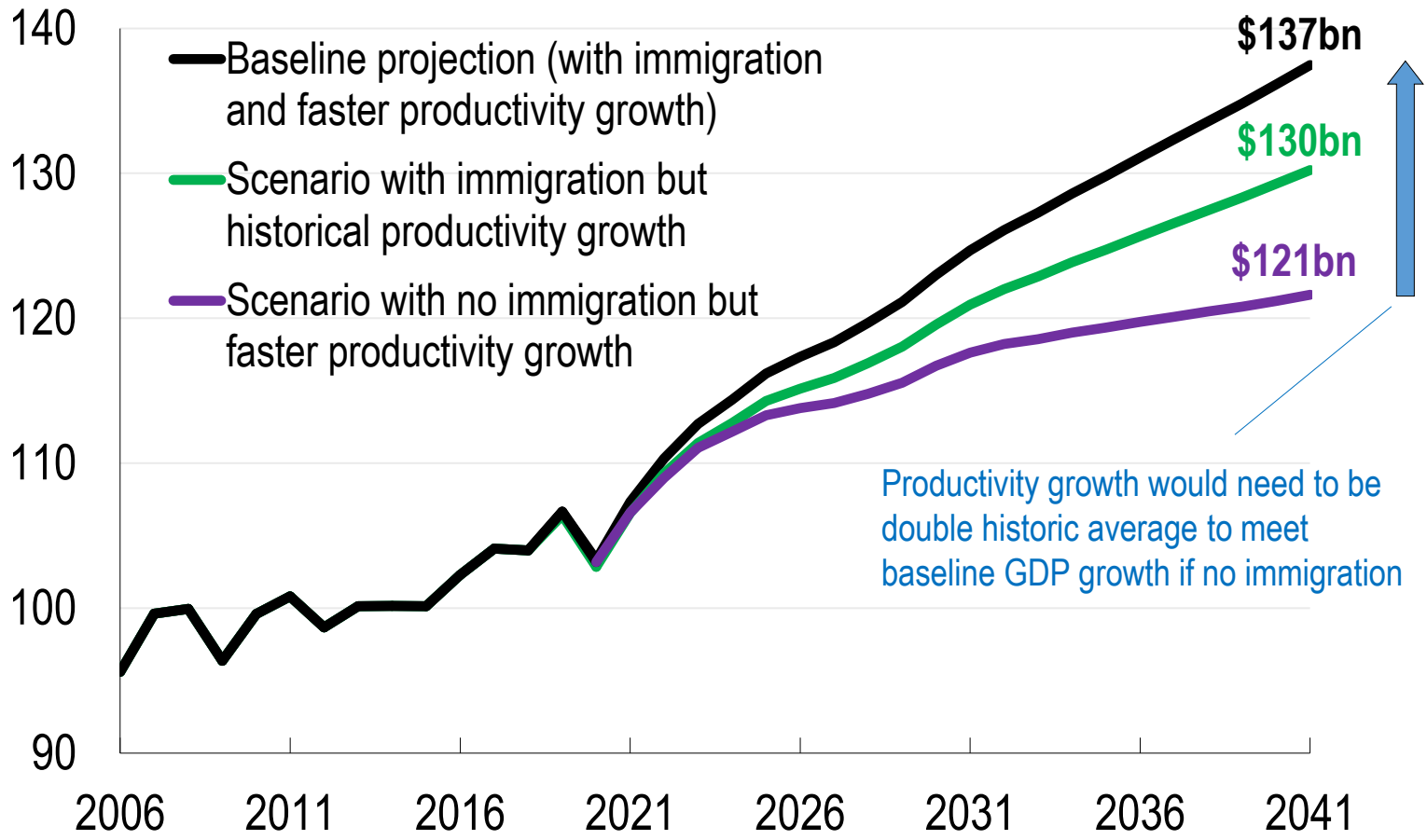
Atlantic Canada will need 13,000 to 16,000 immigrants each year.

With a 75% retention rate, this implies attracting 18,000 to 22,000 immigrants each year.

With no immigration, growth would fall by 50% to 0.8% per year and would stall outside our top 6 cities.

Investment and Productivity Growth Critical For Atlantic Canada's Prosperity

Real GDP, Atlantic Canada (billions of chained 2012 dollars)

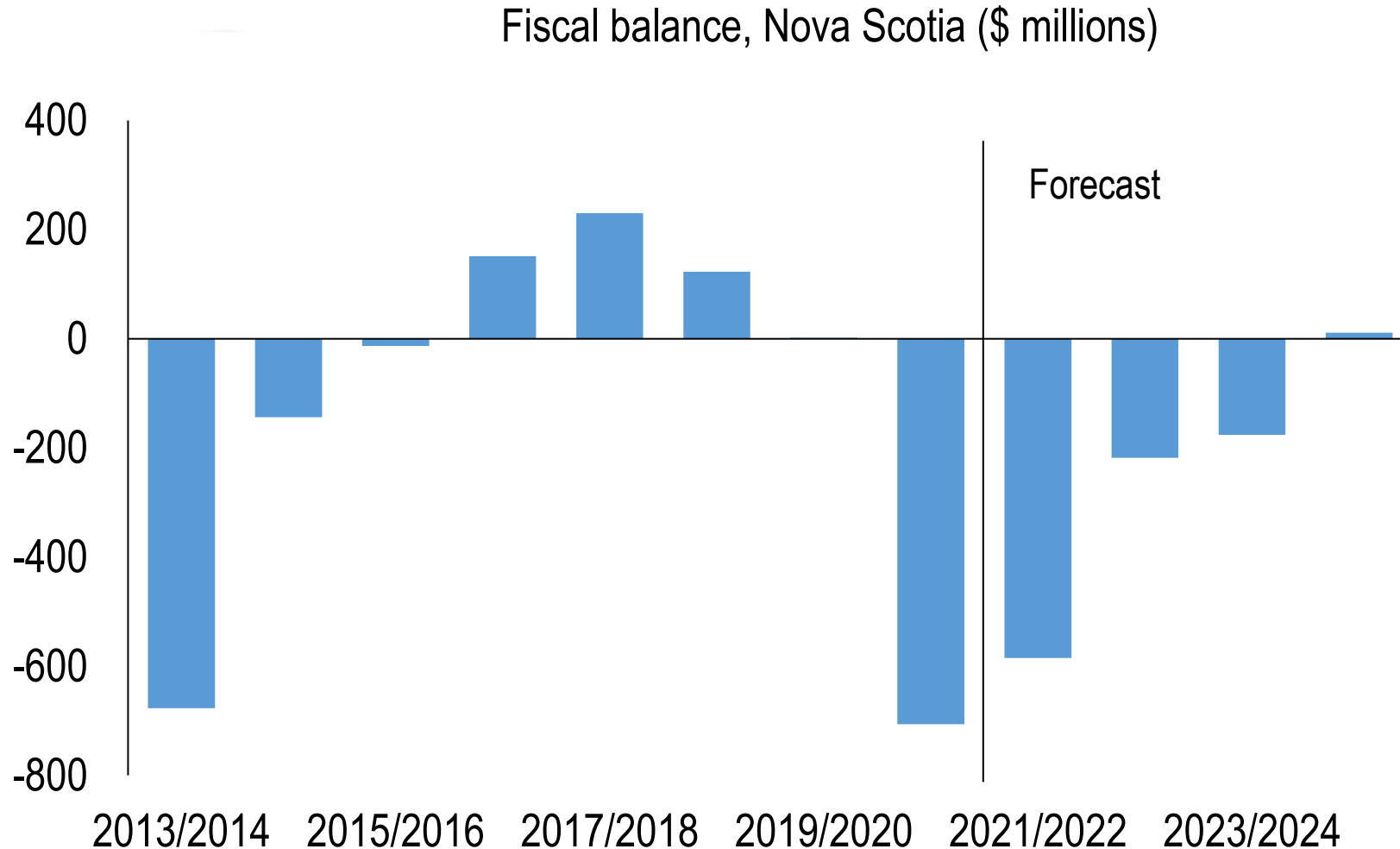


Projection assumes productivity will be 40% faster than 0.6% recent annual average.

If productivity does not increase, output will be \$7 billion or 5% lower in 2040.

If no immigration, annual productivity growth would need to be double from recent rates.

Nova Scotia Deficit Surpasses 2013/2014 Level



Nova Scotia deficit of \$706 million forecast in 2020/2021.

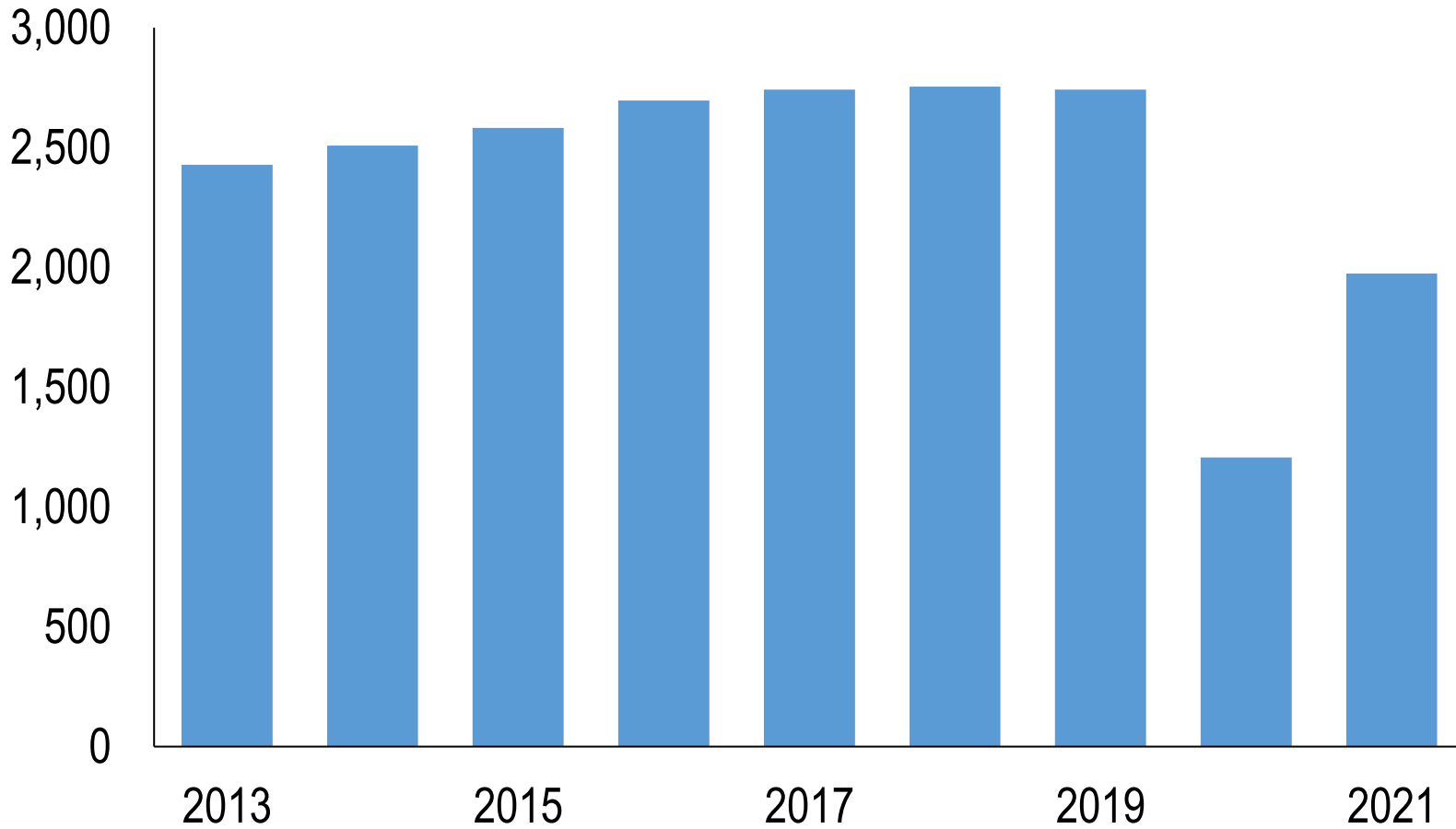
Nova Scotia's budget forecasts a \$585 million deficit for 2021/2022.

Spending will increase 2.5% to fund COVID-19 supports and health care.

This year's deficit is equal to 11% of personal and corporate income taxes and HST.

The Tourism Sector Faces a Slow Road to Recovery

Room nights sold, Nova Scotia (thousands)



Room nights sold in NS declined by 54% in 2020, including a 59% drop in Halifax.

A 3-month delay in easing travel restrictions increases tourism losses by 25% (StatCan estimate for 2020).

Regional flight capacity scaled back, posing risk for recovery.

Tourism revenues may not rebound to 2019 levels until 2023.