



Environmental Scan

New Brunswick

2016



HIGHLIGHTS

The impact of lower energy prices on the world economy has been deep, and continues to be a significant source of global economic uncertainty.

The Canadian labour market has been resilient since the 2009 economic recession, but its overall performance has been slower in the last two years, as economic activity softened.

The low Canadian dollar should enable the province's exporters to be more competitive, and the relative strength of the U.S. economy will help boost these exports. Nevertheless, the labour market in New Brunswick is not expected to improve.

The province's labour market should see further slowdown in 2016, and this situation is expected to continue in 2017.

Regions containing the urban centres of Moncton, Fredericton and Saint John continue to show positive growth, while the more rural and northern regions of the province experience more difficulties.

New Brunswick continues to face significant demographic challenges. Migration to Alberta is a less significant factor because of the drop in oil prices. However, this brings about the return of people seeking jobs.

GENERAL OVERVIEW/ECONOMIC CONTEXT

The Global Economy: *Global economic activity remain subdued, and recovery is expected to be uneven and modest in advanced economies*

The world economy struggled in 2015, as prices of both energy and non-energy commodities declined to their lowest levels in a decade. Three key transitions continue to influence the global economic outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual

tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy¹.

The pickup in global economic activity is expected to be modest in 2016, especially in emerging markets and developing economies, while a faster pace of growth that is more in line with its long-term average is projected for 2017. According to the January 2016 World Economic Outlook (WEO) Update, the International Monetary Fund (IMF) expects global economic growth will come in at 3.1% for 2015, and expected to gradually strengthen to 3.4% in 2016 and 3.6% in 2017.

Table 1: Projection for global economic growth

	Projected growth (%)		
	2015	2016	2017
United States	2.4 (2.5)	2.4 (2.6)	2.4 (2.5)
Rest of the World	1.4 (1.3)	2.0 (2.7)	3.2 (3.2)
China	6.9 (6.8)	6.4 (6.3)	6.2 (6.2)
Oil-importing (Emerging Markets Economies)	3.3 (3.2)	3.8 (3.8)	4.4 (4.2)
Euro Area	1.5 (1.5)	1.6 (1.5)	1.6 (1.5)
World	3.1 (3.0)	3.4 (3.4)	3.6 (3.6)

Sources: Bank of Canada, *Monetary policy Report, January 2016* / International Monetary Fund, *World Economic Outlook (WEO) Update, January 19, 2016*

Numbers in parenthesis are projections used for the Bank of Canada's October 2015 Monetary Policy Report

Sustained weakness in global business investment and slow progress in implementing structural reforms in a number of economies will continue to limit growth in world potential output². Some of the other downside risks which could derail global economic growth include, the potential for further declines in commodity prices, a sharper than expected slowdown in China's economic performance, further appreciation of the US dollar and an escalation of geopolitical tensions in a number of regions.

Against this backdrop, economic growth prospect in the United States, Canada's largest trading partner, is now expected to hold steady rather than gather further steam, as shown in Table 1. The U.S. economy is being challenged by the rapid rise in its dollar which is making its exports less competitive, and a slowdown in its manufacturing sector. Nevertheless, the U.S. economy remains one of the mainstays of global economic growth. Strong domestic demand driven largely by robust consumer spending activity and solid residential construction south of the boarder could help lift Canada's cross-border trade going forward.

Canada: Economic activity shifts towards the non-resource sector in response to lower commodity prices

According to the Bank of Canada's January 2016 Monetary Policy Report, economic activity in Canada has recently been weaker than was anticipated in its October Report, largely due to lower commodity prices. Real GDP growth is expected to strengthen only gradually over the 2016-17 period, with fourth-quarter-over-fourth-quarter growth of about 2% in 2016 and about 2.5% in 2017.

As a global-scale producer and exporter of many commodities, changes in global commodity prices have significant impacts on Canada's economy. Commodity prices affect the income of firms and their domestic investment and employment decisions. Canada's declining terms of trade has resulted in shifts in economic

¹ International Monetary Fund, *World Economic Outlook (WEO) Update, January 19, 2016*

² Government of Canada, Federal Department of Finance, *Update of Economic and Fiscal Projections, November 2015*

activity, and the reallocation of labour and capital resources. Since the beginning of the oil price decline, the Canadian economy has been evolving along two tracks. In the resource sector, investment is being scaled back in response to lower commodity prices, resulting in curtailed production and significant job losses. On the other hand, activity in the non-resource sector has been relatively strong and is expected to be the main source of growth going forward³.

The diverging economic conditions between oil-producing and non-oil producing provinces are expected to persist in 2016, but regional differences in economic performances are expected to narrow leading up to 2017, as crude oil prices show some semblance of stability. The fiscal positions of oil-producing provinces, such as Alberta, Saskatchewan and Newfoundland and Labrador, are expected to remain strained this year, and real GDP in these provinces is expected to contract for a second consecutive year with unemployment rates remaining elevated in the coming months. In the non-oil producing provinces, the prospects of continued strong gains in U.S. domestic demand and a further depreciation of the loonie could help accelerate export activity, with additional spin-off effects on non-resource investment and related service industries.

One of the key risks to economic growth and job creation in the country is the fiscal situation of both federal and provincial governments, which has been deteriorating in recent times, largely due to the impact of lower commodity prices on royalties and tax revenues. The weaker outlook for the Canadian economy, along with federal government commitments to boost infrastructure spending increases the likelihood that the federal deficit will be larger than earlier anticipated, and that the government may not return to fiscal balance in 2019/2020 as previously indicated⁴. Fiscal tightening in the face of rising net debt and modest economic prospects could further dampen an already soft economic outlook in the Atlantic Region.

New Brunswick: *Economic growth is expected to be slower than that seen last year*

New Brunswick's economy has been struggling since the end of the 2008-2009 recession. The economic outlooks do not seem to be improving in 2016, after a slight recovery in 2015, with regard to gross domestic product (GDP) growth. Economic growth is expected to be slower than that seen last year. In 2015, investments in the forestry sector and by the Irving Oil refinery led to an improvement in the labour market, resulting in economic growth. The closure of the Picadilly mine in Sussex and the province's demographic and fiscal realities should result in a slowdown in private investments in 2016.

Increased economic growth in the United States should help the manufacturing sector continue to grow in the province. Like last year, New Brunswick exporters will benefit from the relatively weak Canadian dollar, resulting in more competitive exports. Increased housing starts in the United States will be of particular help to exports of forest products.

The food-processing sector, especially the seafood business, should benefit from the favourable situation in the United States. The concerns raised by the province's producers, who turned to temporary foreign workers because of changes to the rules last year, have dissipated with the recent changes made by the new federal government.

A weaker Canadian dollar should attract more American tourists to the province and stimulate the tourism sector. Tourists from Quebec might also be tempted to stay in Canada and visit the province.

³ Bank of Canada, *Monetary Policy Report, January 2016*

⁴ Atlantic Provinces Economic Council (APEC), *Pre-Budget Fiscal Update and Tax Policy Overview, Winter 2016*

The completion of a number of projects in the forestry sector and at the oil refinery last year will lead to a decline in investments in construction.

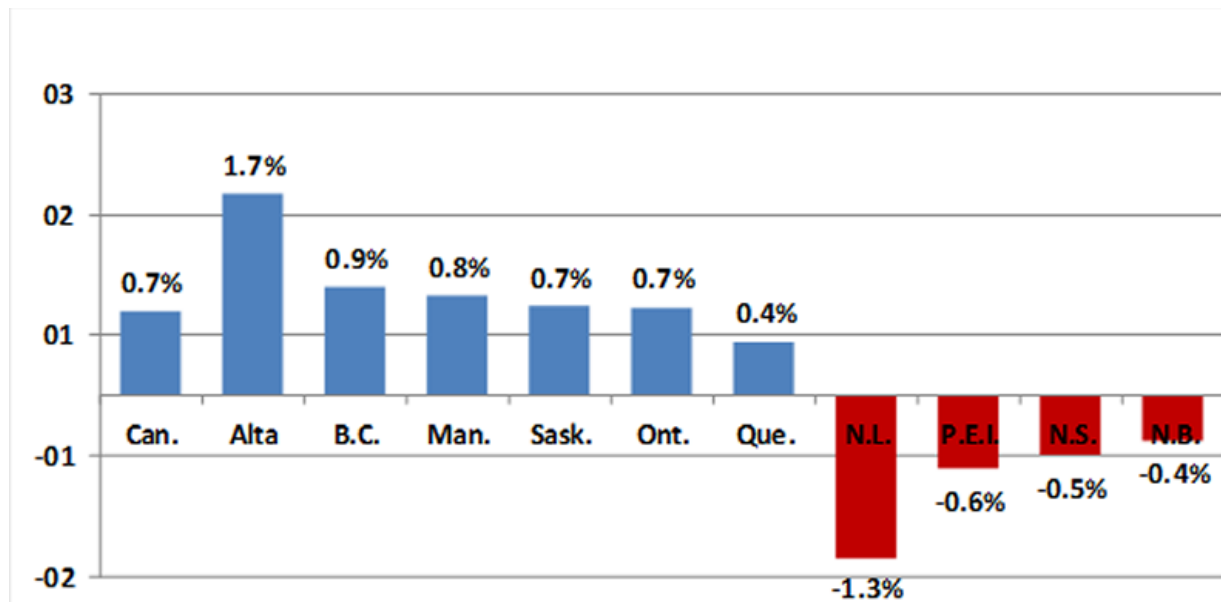
Furthermore, residential construction is expected to slow down. Emigration and a low birth rate result in a low demand for housing. Many urban centres are experiencing high vacancy rates.

LABOUR MARKET

Canada: *The labour market has been resilient despite weakness in the economy*

The Canadian labour market has been resilient despite the weakness in its economic performance in recent times. The economy has generated about 1.2 million jobs since the 2009 economic downturn, but the pace of job creation has been slower in the last two years, averaging 128,000 jobs per year, compared to an annual average of 241,000 jobs created between 2010 and 2013. As shown in chart 1, even in the face of falling oil prices, Western provinces have led the country in job creation since 2013, while all of the provinces in Atlantic Canada experienced declines during this period.

**Canada and Provinces
Employment Growth 2013 – 2015**



Source: Calculated from Statistics Canada, Labour Force Survey Estimates

In the last two years, the majority (96%) of the jobs created in the country have been in full-time work, and have been more pronounced among older workers (aged 55 years plus) who have seen a seven percent increase (or 234,000 more jobs) since 2013. In comparison, employment among the core working-age (25-54 years) group was up only slightly by 0.2% or 26,700 jobs, while younger workers (15-24 years) experienced a slight decline (-0.2% or - 5,100 jobs). Compared to the previous year, the Services-producing sector generated

more than 295,000 jobs in 2015, while the Goods-producing sector experienced job losses largely due to a 5.7% (or 17,700 jobs) decline in the Mining, quarrying, and oil and gas extraction industry.

The Canadian unemployment rate held steady over the last two years at 6.9%. The national unemployment rate has been trending downward and drawing slowly closer to what it was prior to the 2009 economic downturn. However, resource-based provinces such as Newfoundland and Labrador, Saskatchewan and Alberta have experienced increases in their unemployment rates, ranging from 1 to 1.3 percentage points, since 2014.

Looking ahead, there is room for improvement in the Canadian labour market as the number of those not participating in labour force increased by more than 390,000, and the rate of employment has been at a standstill in the last two years. At 13.2%, the youth unemployment rate remains elevated compared to what it was before the 2009 economic recession. As well, finding employment remains a challenge for under-represented groups, such as Indigenous peoples, recent immigrants, and persons with disabilities who also have unemployment rates above those of other Canadians aged 15 years and over. Furthermore, the labour market will continue to face a number of challenges going forward. Canada, along with other advanced economies, will be affected by the aging of its population, continued globalization and increased skill requirements resulting from continued technological advancements⁵.

New Brunswick: *The province's labour market is not expected to improve in 2016/2017*

New Brunswick's labour market continues to experience difficulties. Job growth has been sluggish over the past five years. The province's population has fallen in recent years, namely due to migration to Alberta. However, the current economic challenges in western Canada have forced many workers in the construction industry to return.

The labour force and employment declined for the second consecutive year in 2015. The participation and employment rates also fell in 2014 and 2015. The unemployment rate decreased, but this was due to the fact that people stopped searching for jobs.

The employment situation is not expected to improve in 2016; the outlooks for the provincial economy remain relatively bleak. The unemployment rate is expected to be fairly stable in 2016. The recent budget announcements by the federal government on infrastructure may have an impact on the provincial labour market, but it is still too early to measure their extent because no concrete announcement will be made for some time. Furthermore, there does not seem to be any short-term progress on the Energy East pipeline project.

⁵ Government of Canada, Department of Finance, *Jobs Report: The State of The Canadian Labour Market, 2014*

New Brunswick labour market				
	2014	2015	Variation #	Variation %
Population 15 years and over	621,700	622,000	300	0.0
Labour force	393,000	390,200	-2,800	-0.7
Employment	353,900	351,800	-2,100	-0.6
Full-time	297,600	297,900	300	0.1
Part-time	56,300	53,900	-2,400	-4.3
Unemployment ('000)	39,100	38,400	-700	-1.8
Participation rate	63.2 %	62.7 %	-0.5	
Unemployment rate	9.9 %	9.8 %	-0.1	
Employment rate	56.9 %	56.6 %	-0.3	

With respect to industries, the manufacturing sector recovered in 2015 after a number of difficult years recently. This was the result of the strengthening of the U.S. economy and the decline in the Canadian dollar, which made Canadian exports more competitive. This economic growth south of the border boosted the wood products manufacturing sector in New Brunswick.

The transportation and warehousing industry also grew in 2015. That industry is closely related to the manufacturing industry because the processed products must be sent to the export markets, primarily the United States.

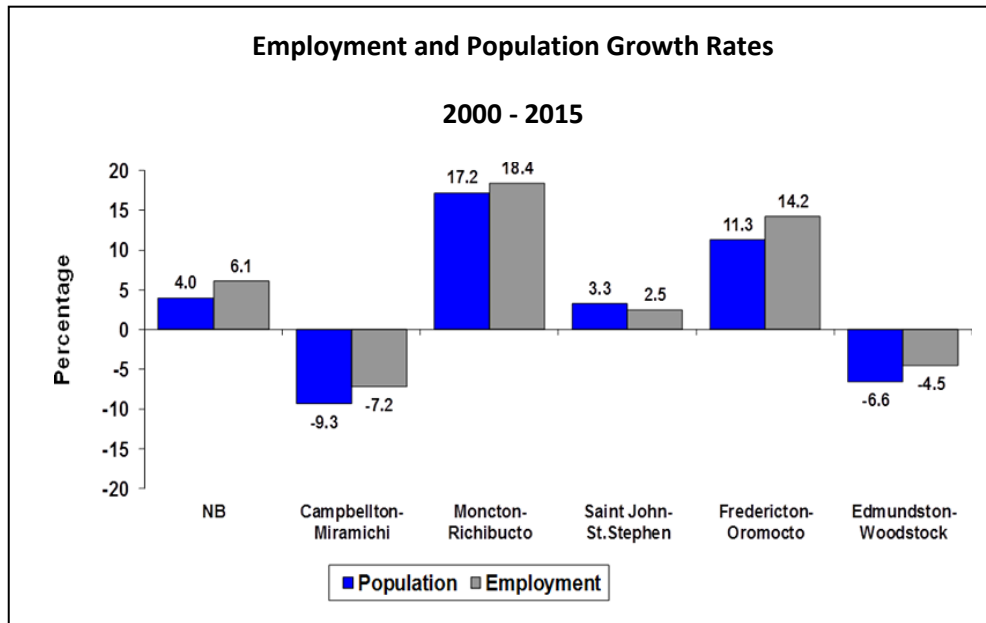
The construction industry experienced strong growth for about ten years, but the situation deteriorated significantly in 2015. People working in the oil industry but whose residence was in New Brunswick were considered as employed individuals in the province. The loss of numerous jobs in the Alberta oil industry therefore had repercussions on the employment data for the construction industry in New Brunswick. The outlook for 2016 remains bleak, because the price of a barrel of oil is not expected to increase in the short term. Moreover, residential construction seems to have slowed due to demographic factors.

These factors are expected to play a role in the health care and social assistance sector. However, employment was down in 2014 and 2015, following the growth recorded during the previous decade. The province's precarious financial situation likely played a role in this drop in employment. Population ageing will result in increasingly higher need for these services in the medium and long term.

The weak Canadian dollar may lead to job growth in accommodation and food services as well as retail trade, given that more tourists might visit the province. However, jobs in these industries normally pay lower wages and tend to have a high turnover rate.

The decline in the birth rate over the past 30 to 40 years has reduced the number of youth in schools across the province. This is coupled with the fact that the portion of the population most likely to leave the province is young people starting families. As a result, educational services are less in demand, and the last provincial budget announced cuts to the number of teaching positions in schools throughout the province. However, Statistics Canada data shows a different reality in 2015, since jobs were on the rise.

Economic regions

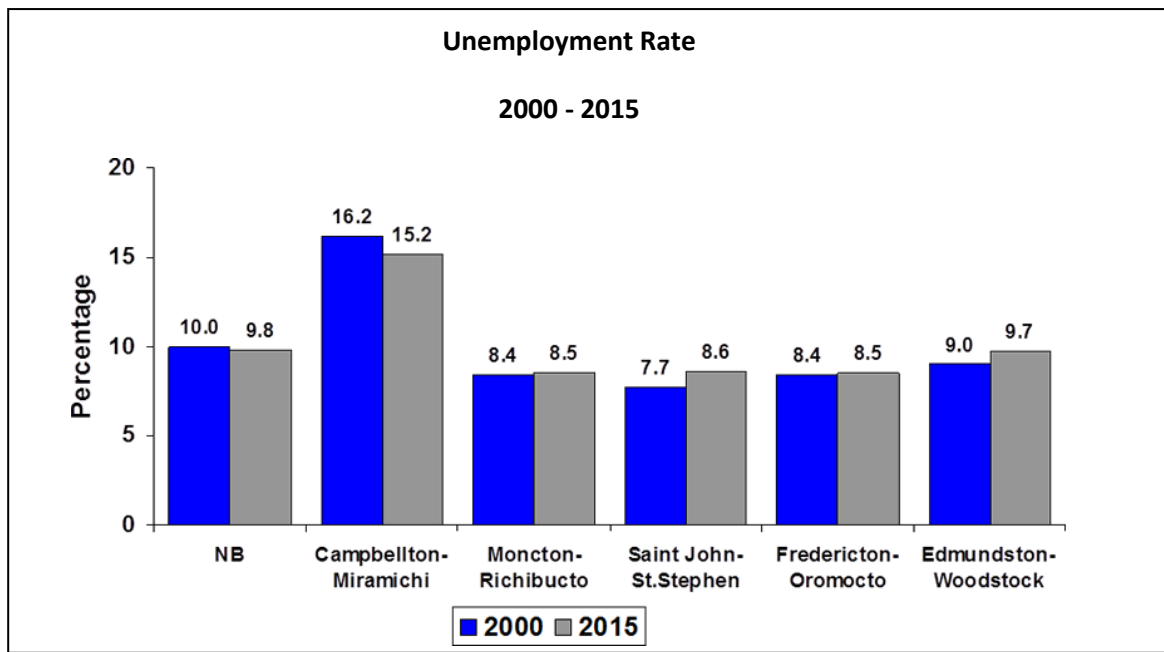


Disparities are evident between the labour markets of different economic regions across the province. Regions with a large urban centre have fared better than those that are mainly rural. The most urban regions are located in the south of the province, while rural regions are situated in the north with some small urban centres.

The Moncton-Richibucto region recorded the highest population and employment growth in the province. The employment growth was higher than that of the population. This situation also occurred in the Fredericton-Oromocto region, which includes the provincial capital. The Saint John-St. Stephen region saw employment growth as well, but it was less rapid than the population growth. The province's two northern regions, Campbellton-Miramichi and Edmundston-Woodstock, have experienced declines in the working-age population and in employment for a number of years. These two regions are seeing their populations leaving for other parts of the country, and even more to the south of the province. The economies of these northern regions are centred more on natural resources and corresponding processing activities.

Only in Campbellton-Miramichi did the unemployment rate decrease since 2000. However, that region is the only one where the unemployment rate was higher than the provincial average of 9.8% in 2015. The unemployment rate in that region was 15.2%. The Edmundston-Woodstock region posted an unemployment rate just below the provincial average.

The three other regions, located in the southern part of the province, posted nearly identical unemployment rates around 8.5% in 2015.



LABOUR MARKET OUTCOMES FOR CLIENT SEGMENTS

Immigrants and newcomers

New Brunswick is faced with an ageing population and a low birth rate. The province is looking to immigration to compensate for its low population growth. However, New Brunswick has difficulty not only with attracting new immigrants but also with retaining them, much like other Atlantic provinces. New Brunswick represents only 2% of the Canadian population, but about 0.5% of immigrants.

Immigrants are more educated than people born in Canada. However, these immigrants have lower proficiency levels in literacy, numeracy and problem solving skills in a highly technological environment compared with people born in Canada.

Furthermore, the median income of newcomers is lower than that of Canadian-born residents despite their higher level of education.

Aboriginal community

The number of people of Aboriginal descent in New Brunswick was about 22,000 in 2011, which represented 3.1% of the province's total population. This population is much younger than the non-Aboriginal population. About 25% of Aboriginal people were less than 15 years old, compared with 15% of the non-Aboriginal population. Moreover, a total of 17% of the Aboriginal population was between 15 and 24 years of age, in contrast with 12% of non-Aboriginal people.

The Aboriginal population is confronted with major challenges: low levels of education, low labour market participation and lower incomes. Aboriginal people face an employment rate lower than that of the non-Aboriginal population. Addressing these challenges would enable Aboriginal people to be part of the solution

to increase the potential labour pool for the province, which sometimes struggles to find employees with certain skills.

Older labour force

Since 2000, the proportion of individuals aged 55 and over rose from 27% of the total population 15 years and older to 40%. This cohort of the population grew 54% between 2000 and 2015. This is attributable to several factors. More and more baby-boomers are entering this age group. What is more, fewer young people live in the province due to the low birth rate that followed the baby-boom period. At the same time, an ever-growing wave of young people is emigrating from the province.

New Brunswick's older labour force is also growing rapidly. Over the same period, the proportion of older workers climbed from 9% of the total to 22%. This is because, in addition to the demographic factors mentioned earlier, more and more people are reintegrating into the labour market. Studies have indicated that there are many young retirees who want to work part time or for short periods during the year.

An analysis prepared by the Atlantic region shows that the dependency ratio is increasing in the province. The dependency ratio shows that the number of elderly persons for every 100 people of working age went from 22 in 2005 to 31 in 2015. According to projections from Statistics Canada, New Brunswick could see 46 elderly persons for every 100 people of working age in 2025, more than double what it was barely 10 years ago.

These massive arrivals of people to retirement age generally cause a decline in income, which results in less tax revenue for governments and less fiscal flexibility. Furthermore, this will create a large shortage of experienced workers who will have to be replaced.

People with disabilities

According to the 2012 Canadian Survey on Disability, a total of 16.4% of New Brunswickers aged 15 and over, or 99,500 people, had a disability that limited their daily activities. This was the second-highest percentage in Canada. Such a large percentage is largely due to the fact that the province's population is proportionately older than most other Canadian provinces. The severity of a disability affects an individual's chances of finding a job. The older people are, the more likely their disability will be severe.

Youth

The province's demographic challenges will not subside in the short term. Young people tend to leave the province most frequently. This causes problems on several different levels. Their departure means that fewer workers are available to fill vacant positions.

The population of youth aged 15 to 24 fell 16% in New Brunswick between 2000 and 2015. This equates to 16,000 less youth in the province. During this time, the number of employed youth dropped nearly 13%. The unemployment rate rose during this period, but the employment rate increased as well. However, there were far fewer full-time jobs. As a result, a higher proportion of youth worked part-time.

Problems faced were more serious among young males. The unemployment rate has been higher for young males than young females since 2000, but the gap has grown significantly since then. The male unemployment

rate rose 3.4 percentage points to 22%, while the female rate increased only 0.3 points to 12.8%. The situation for young men is clearly particularly concerning.

A large portion of youth is employed in services industries (86%). A significant part of this portion works in the trade (27%) and accommodation and food services (21%) sectors. These sectors are more likely to offer part-time jobs and lower wages, and they experience higher turnover rates.

The emigration of youth obviously represents a problem for the province. The lure of the country's west still poses a challenge to a province that hopes to counter the effects of losses to its labour force. However, the recent economic problems in the western provinces have somewhat slowed the trend of youth leaving the province to go west. It remains to be seen whether New Brunswick's unsteady economy will be enough to convince them to stay. They could opt for other destinations, such as Quebec and Ontario that have stronger and more diverse economies.

Note: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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