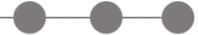




# Halifax Economic Report

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## Highlights

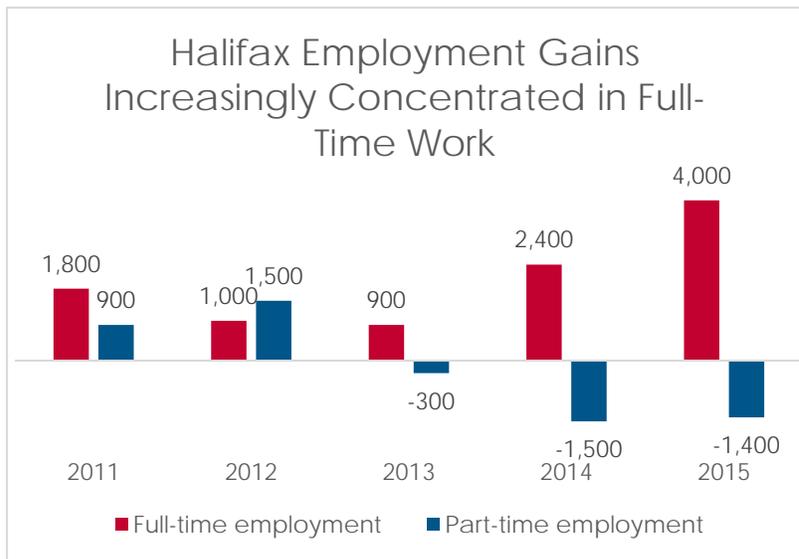
- 2015 continues to be a strong year for the Halifax economy, driven by strength in shipbuilding, construction, and the service sector.
- The labour market is also seeing strong growth in 2015, supported by growth in economic activity and returning workers from Western Canada.
- Though natural gas production has slowed, offshore oil exploration is pushing forward, with drilling beginning on the first of two wells planned by Shell this year.
- A banner year for apartment starts and continued strength in renovation spending are driving a healthy and growing level of residential construction in Halifax, despite weakness in the market for single-detached housing.

Current Economic Indicators for Halifax	Period	YTD 2014	YTD 2015	% Change
<b>Labour Markets</b>				
Real GDP at basic prices (2007 \$ millions)	Annual	18,579	19,004(f)	2.3%
Population (Thousands)	Annual	414.4	419(f)	1.0%
Employment (Thousands)	Jan-Sept	221.6	224.3	1.2%
Unemployment rate (%)	Jan-Sept	6.1%	6.3%	0.2
Labour force (Thousands)	Jan-Sept	236.0	239.4	1.5%
Participation rate (%)	Jan-Sept	68.8%	68.9%	0.1
<b>Consumer Markets</b>				
Average weekly earnings (Current \$)	Jan-Aug	849	872	2.8%
Consumer price index (2002 = 100)	Jan-Sept	127.5	128.1	0.6
Retail sales (Current \$ millions)	Jan-Aug	4,498	4,459	-0.9%
Aircraft Passengers (Thousands)	Jan-Sept	2,823	2,871	1.7%
Cruise ship passengers (Thousands)	Jan-Sept	130,048	141,515	8.8%
Containerized Cargo (Thousands TEUs)	Jan-Sept	307.6	305.3	-0.7%
<b>Housing and Construction Markets</b>				
Housing starts	Jan-Sept	1,361	2,295	68.6%
Housing resales	Jan-Aug	3,378	3,209	-5.0%
Value of building permits (Current \$ millions)	Jan-Aug	423.3	539.6	27.5%
Non-residential construction (2007 \$ millions)	Jan-Sept	270.4	276.4	2.2%
(f) - Forecasted Data				
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Conference Board of Canada, Halifax International Airport Authority, Port of Halifax				

Halifax is expected to be among the top economic performers in Canada in 2015, with 2.3% GDP growth according to the Conference Board of Canada's Autumn forecast. While this represents a downgrade compared to their Spring forecast of 3.1%, reflecting the move to seasonal production at Deep Panuke, this nevertheless represents a year of strong growth amid weaker trends at the national level. Growth will be pushed by strength across industries, led by manufacturing as work begins at the shipyard and manufacturers benefit from a more competitive Canadian dollar and a strengthening U.S. economy.

The labour market has continued to show strong performance through the first three-quarters of 2015. Employment was up 1.2% year-to-date (ytd) as of September, driven by proportionally higher growth in the labour force of 1.5%. This influx of labour likely reflects workers returning from Western Canada amid the slowdown in the oil industry. The unemployment rate inched up slightly to 6.3%, which compares favorably to the national average of 6.8%. Employment growth was concentrated in full-time work, which increased by 4,000 jobs, while part-time jobs fell by 1,400. Employment gains were also largely concentrated in the service sector, led by accommodation and food services (+2,300 jobs), professional, scientific, and technical services (+2,100), and public administration (+1,200), although manufacturing saw increases in the third quarter as hiring began at the Halifax Shipyard.

Combined with strong earnings growth and subdued price growth, gains in employment have produced an increase in consumer spending power in 2015. Average weekly earnings grew by 2.8% ytd to August, well out-pacing growth in consumer prices of only 0.6% ytd to September. Steady consumer prices have been the result of substantially lower energy costs through 2015 compared to the previous year, as a result of the collapse in oil prices. While overall retail is down, this mostly reflects reduced prices at the gas pump. Retail sales excluding gasoline was up 2.8% ytd to August.



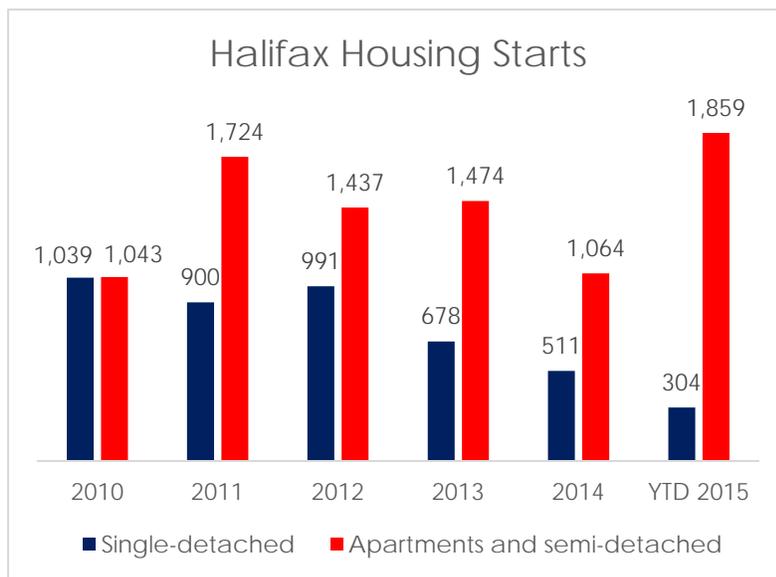
Construction activity is also continuing to drive economic activity. Non-residential construction investment had a strong 3<sup>rd</sup> quarter, pushing growth to 2.2% ytd as of September. The increase has been driven mainly by a 27% jump in spending on commercial projects, like the Nova Centre development. Residential activity is also climbing, with big strength in apartment and condo construction offsetting weakness in the single-detached housing market. This diverging trend in the housing market is explored further in the next section.

While natural gas production at Nova Scotia’s offshore projects is slowing, offshore oil exploration is pushing forward. Shell has begun drilling on the first of two exploration wells planned for this year, after receiving regulatory approval in October. This followed an announcement by the Province that its own geoscience research over the summer indicated strong potential for the presence of oil in two spots offshore, one of which is in the area of Shell’s drilling. BP has also reaffirmed its plans to begin exploratory drilling as early as July 2017. Both of these updates represent important confirmation that offshore exploration will continue as planned, as ongoing weakness in the oil sector globally has caused both Shell and BP to halt exploration projects elsewhere. Finally, bidding has closed on exploration rights to nine more offshore parcels as of October 29<sup>th</sup>. The Canada-Nova Scotia Offshore Petroleum Board has said the results of this year’s round of bids will be announced by mid-November.

## Residential Construction Continues to Grow

Halifax’s housing market has been a topic of much discussion lately. Mostly, the news coverage has been somber. Construction of single-detached housing is at a historic low and resale activity has been relatively slow in recent years, creating big concerns for realtors and home owners hoping to build and access equity in their homes.

This is only half the story however. The explosion in apartment style housing construction stands in stark contrast to the slow pace of activity in single housing, accounting for an overwhelming majority of total starts. Following a brief hiatus last year from the surge in apartment starts that began in 2011, 2015 is on track to be the biggest year for apartment starts in almost four decades. Construction has begun on 1,859 units in the first three quarters of the year, which by itself would make for the fourth highest year on record.



It’s also worth noting that while new housing construction is slow, residential investment values have continued to climb over the last decade, driven by renovations rather than new construction.

What’s driving these trends? Some have suggested that the slump in markets for new houses and resales reflects weak economic and population growth but this doesn’t appear to be borne out by the evidence. Halifax has seen healthy economic growth and sustained above-average population growth

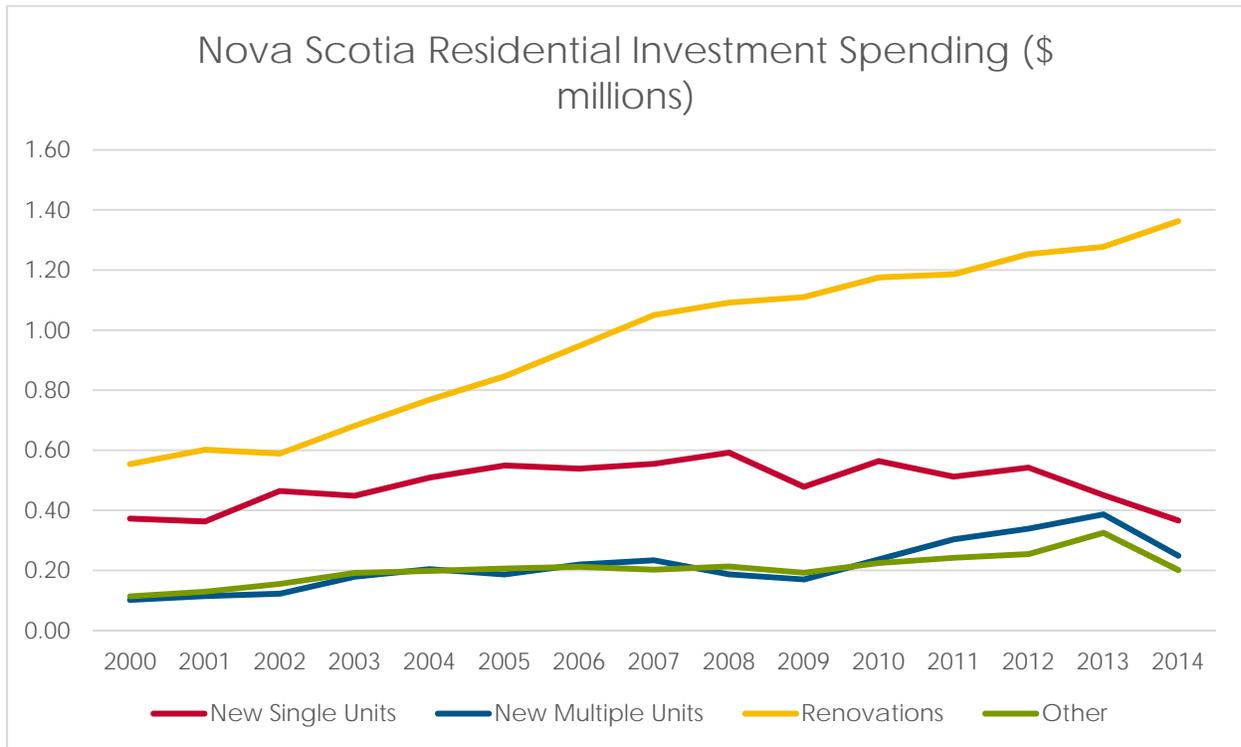
for several years. Moreover, consumer demand for other big-ticket durable goods, like automobiles, has grown steadily over the past four years.

This trend instead reflects a shift in consumer preferences for smaller housing in urban environments, driven by demographic changes. As the baby boomer generation enters retirement, they are looking to downsize and access the equity in their homes to finance retirement. This trend is increasing the supply of homes for sale on the market and driving up demand for apartment and condo housing all at once. This isn’t unique to Halifax – indeed this trend is occurring across the country. It is somewhat more pronounced here however, reflecting our older population.

So what does this mean for the Halifax economy? Is this a good thing or a bad thing? That’s a matter of perspective. On the bad side, a slow market for houses is obviously not good news for real estate agents and with the market balanced in buyers’ favors, retirees looking to downsize may have trouble selling their homes, especially at their historic high prices. However, from the perspective of living affordability, increasing supply of rental units will relieve upward pressure on rents and slower growth in house prices

will benefit young families and new arrivals looking to buy their first home (though slower price growth could limit their return on investment in the long run if that trend continues). Apartment construction has seen vacancy rates grow steadily over the past five years and rental and housing prices have grown at significantly slower rates as a result.

From an overall perspective, the residential construction market appears to be in fine shape. Though they may be selling a different final product, the value of what their producing is as high as ever.



## The Halifax Partnership

The Halifax Partnership is Halifax’s economic development organization. We help keep, grow and get business, talent and investment in Halifax. We do this through leadership on economic issues, our core programs, our partnerships across all sectors, and by marketing Halifax to the world.

If you have any questions or concerns about this document, its methodology, or how its indices are measured, please contact the Partnership at [info@halifaxpartnership.com](mailto:info@halifaxpartnership.com) for further details.