

Halifax and the World Economy: Waiting to Exhale

Fred Morley, Executive Vice President and Chief Economist, Greater Halifax Partnership

Remember a couple of years ago when there was a lot of talk about whether the housing bubble would burst in the United States and what it would mean for rest of us? Well bubbles always burst and for the last 8 weeks it has been like watching a train wreck in slow motion, entirely predictable but none the less horrifying.

Government response has been unprecedented. Governments have moved to shore up confidence in financial markets by extending deposit insurance, providing direct injections of cash into banks to thaw capital markets, and even injecting equity into the most troubled financial institutions. Markets are still very uncertain and have been behaving badly. They are not sure that all the bad news is out. Likely the US election cycle will have to finish up before we see all the economic cards on the table.

So what does all this mean for Halifax? Well, Canada has side stepped the worst of the financial downturn. We resisted the siren song of deregulation and the conservative nature of our banks has left us better off than most nations.

Closer to home, our city has always been somewhat sheltered from economic downturn by its uniquely diversified and stable economy. The combination of the Navy and other government spending, together with universities, hospitals, a large and stable service sector and a growing population provides a very strong foundation.

The Canadian financial services sector seems healthy by world standards and the big cluster of bank and insurance presence in Halifax will continue to be an important part of growth here. While credit around the world is tight, Canadian banks have not tightened the screws too much. However, tight money and slower growth may mean a few big development projects in Halifax will evaporate. Long approval times for the current batch means some will miss the growth cycle. Only time will tell how many of the billion dollars worth of projects approved this year will actually break ground.

Public investment continues at a slow pace driven mostly by HRM expenditures. Federal and provincial governments have showed a unique reluctance to invest in Nova Scotia's capital region although gateway expenditures hold some promise if recent talk turns into action. Consumers from across the Maritimes have embraced the Halifax region's new retail offerings. This trend should continue.

The dollar fell to the 80-cent range in the course of a couple of weeks. There is consensus that this is now close to where it belongs, although it wasn't expected to get to this level until the last quarter of 2009. A low dollar should keep a few more shoppers close to home and away from the US factory outlets this fall. The dollar should also provide some relief for hard-pressed exporters in manufacturing and services in coming months.

Overall, the Halifax economy will not miss the economic downturn, but we will do better than most. The real question is how do we insure that these short term problems don't affect our long term prospects.

The standard responses to economic downturn may hurt us this time around. It's not the time to layoff good workers because good talent is getting harder to find. It's not the time to give any weight to the self fulfilling prophecies of doom and gloom. It's not the time for governments to defer investments in education and infrastructure. It is a time for smart investors to make money. It's a time for smart businesses to dig out their strategic plans and look for opportunities as well as threats.

In Halifax, our diversified economy will help us like it did during the last big economic dip in the early 1990s. If you were holding your breath for the last two months, it may be time to exhale.

If you are looking for more information on the state of the Greater Halifax economy, check out our [fast facts](#) - a good resource for baseline information about our past and current economic performance.