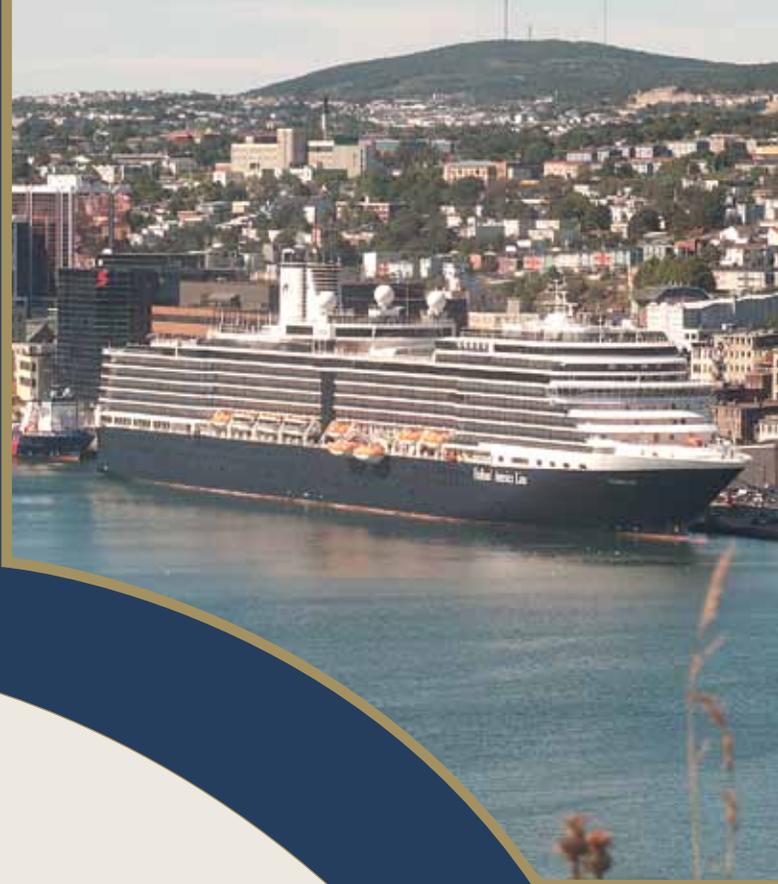


Highlights and Expectations

Cruise ship in St. John's Harbour (Dept. of Finance)



2010 Highlights

Economic growth in Newfoundland and Labrador resumed in 2010. Real Gross Domestic Product (GDP) is estimated to have grown by 5.6%, fuelled by investment growth and a rebound in exports.

Real GDP growth in Newfoundland and Labrador was the highest among provinces.

Investment grew by 32% to over \$6.5 billion, due in large part to development of major projects but also aided by public sector infrastructure spending.

Real exports are estimated to have increased by about 4% due to a significant boost in mineral (particularly iron ore) output and slightly higher oil production.

Employment grew by 3.3% to reach 219,400, recouping the losses experienced during the 2009 recession. This marks the shortest recovery in employment from a recession since at least the 1970s.

Employment growth in the province was the highest among provinces and was more than double the national rate of growth.

The unemployment rate declined by 1.1 percentage points to 14.4%.

Average weekly wages grew by 4.5% supported by increases in the minimum wage, public sector wage increases and general wage growth in the private sector.

Personal income rose by 4.2% due to both wage gains and employment growth. Personal disposable income grew by 4.1%.

Retail sales grew by 3.7% to \$7.4 billion, driven by employment and income gains and solid consumer confidence.

The province's population stood at 509,739 as of July 1, 2010, an increase of 0.3% compared with July 1, 2009. This marked the second consecutive year of population gains after 16 years of decline.

Inflation averaged 2.4% in 2010. Higher energy and food prices exerted upward pressure on the overall price index.

Housing activity remained strong in 2010. Residential construction investment increased 20.7% to \$1.73 billion with increases in both new and renovation expenditures. Housing starts increased by 18.0% to 3,606 units in 2010, the highest level in 30 years. The number of MLS® sales decreased by 4.1% but the average price increased 14.0% to \$235,360.

Offshore oil production totalled 100.7 million barrels, an increase of 3.1% relative to 2009. The addition of Hibernia AA Blocks and North Amethyst bolstered oil output. The value of oil production increased to \$8.2 billion from \$6.6 billion in 2009 due to higher volume and prices. Brent prices increased to US\$79.61/barrel in 2010 from US\$61.74 in 2009.

The value of manufacturing shipments increased to more than \$5.2 billion mainly due to gains in value for refined petroleum and fish products.

The volume of fish landings was virtually unchanged from 2009, while landed value increased to \$439.1 million, up 3.7%. Improved global demand for seafood and higher market prices for crab and shrimp contributed to the increased value.

Aquaculture production increased to 15,400 tonnes in 2010, up 12.7% compared to 2009. The market value was \$116.3 million, up 26.1%. The increases were driven by production growth in the salmonid sector.

Newsprint shipments declined 2.0% to about 259,100 tonnes, impacted by the closure of the Grand Falls-Windsor mill during 2009. Shipment value was down about 5%, reflecting lower volume and the stronger Canadian dollar.

The value of mineral shipments increased by about 90% due mainly to higher production and prices for iron ore. Iron ore shipments increased by 17.5%.

Mineral exploration expenditures increased to about \$110 million in 2010 from \$55 million in 2009.

The number of travel and tourism visitors to the province grew by more than 7% to a record 518,500 and expenditures increased by 9.6% to \$410.6 million.

Development of several major projects progressed throughout 2010, including Vale's nickel processing facility in Long Harbour, the Hebron oil project, and expansions at White Rose and Hibernia.

An agreement to develop the Muskrat Falls portion of the Lower Churchill River hydroelectric development was announced.

2011 Expectations

Real GDP is forecast to increase by 3.0% in 2011 as gains in mineral production and increased construction activity on major projects more than offset a natural decline in oil production.

Newfoundland and Labrador is expected to be among the leaders in GDP growth in 2011.

Employment is expected to grow by 3.0% to average 226,000 and the unemployment rate is expected to decline by 0.6 percentage points to 13.8%.

Personal income and disposable income are expected to grow by 5.5% and 5.4% respectively, both aided by wage gains and employment growth.

Retail sales are expected to increase by 4.2%.

Population is expected to increase 0.3% due to positive net migration.

The construction industry is expected to record another solid performance.

Capital investment is expected to rise 27.2%, driven mainly by expenditures in oil and gas, mining and manufacturing industries (including Vale's nickel processing facility). The province is expected to lead the provinces in investment growth in 2011.

The value of mineral shipments is expected to increase about 27% to \$4.8 billion due to higher production volume and commodity prices.

Mineral exploration expenditures are expected to increase to \$127 million from \$110 million in 2010.

The value of manufactured products is expected to increase in 2011 as a result of higher prices for refined petroleum, fish products and newsprint.

Newsprint shipments are expected to be about the same as last year, totalling 260,000 tonnes. Newsprint prices are expected to rise between 12% and 13% for the year.

The Conference Board of Canada predicts that total overnight tourist visits to the province will increase 2.1% in 2011.

Total oil production is expected to decline by approximately 14.7% to 85.9 million barrels, due primarily to natural declines.

First oil from HSE Unit, one of two areas comprising Hibernia South, is expected in the second quarter.

Fish landings in 2011 are expected to be slightly lower than 2010. Market prices are expected to remain strong.

Salmonid aquaculture production is expected to increase in 2011 and global markets for the province's salmonid products are expected to remain strong. Mussel production and market value is expected to be on par with 2010.

The level of activity in the residential real estate market is expected to remain high during 2011.

Housing starts are expected to decrease 8.7% to 3,294 but remain at relatively high levels. Residential construction spending is expected to decrease 0.2% to \$1.72 billion.

Development of the Hebron oil field will continue to advance and the Development Plan Application is expected to be submitted in the second quarter of 2011.

Peak activity is expected to occur at the Vale nickel processing plant. Over US\$800 million in expenditures are planned for this year.

The Lower Churchill Project will continue towards achieving project sanction for construction.