

Construction



Construction activity at North Spur. Courtesy: Nalcor Energy.

In 2015, spending in the construction industry retreated from the historical highs set in 2014, but the level of local activity remained brisk and employment remained near historical highs. Following unprecedented growth over the past several years, construction related investment declined by 8.7% to \$9.4 billion in 2015 (see chart). Construction industry employment remained unchanged at 22,600 last year. Construction employment and wages have both more than doubled since 2001 and remain at very high levels.

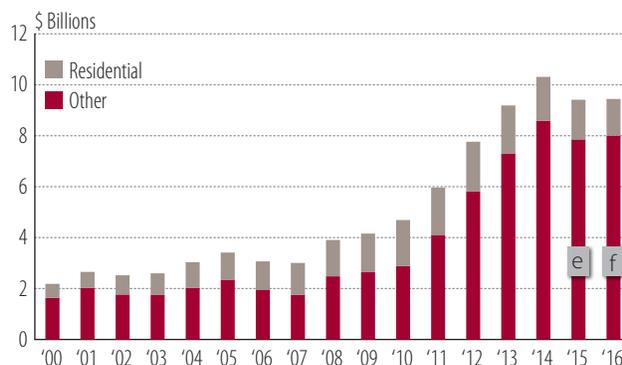
Investment Expenditures

Construction industry activity is generated by three types of spending: residential investment, government capital spending and private sector investment in non-residential structures. In 2015, a significant portion of expenditures in private sector construction were attributable to the utility, mining and oil and gas extraction industries. Investment in mining and oil and gas last year included both the expansion of currently producing oil projects, such as White Rose and Hibernia, as well as new construction related to the ongoing development of the Hebron project. Investment in the utilities industry reflected work on the Muskrat Falls project.

Investment in residential construction fell 9.4% to \$1.4 billion in 2015, as housing starts continued to decline. Expenditures on renovations (up 1.8%) partially offset declines in expenditures on new dwellings (down 25%). The decrease in expenditures for new dwellings is consistent with fewer housing starts this year (see *Real Estate*).

Increased spending on the Muskrat Falls project was insufficient to offset lower capital spending on the White Rose and Hebron oil projects and, as a result, private sector non-residential capital spending declined by approximately 9% in 2015. Despite lower spending, local employment on most major projects either increased or remained on par with 2014 levels.

Construction Related Investment

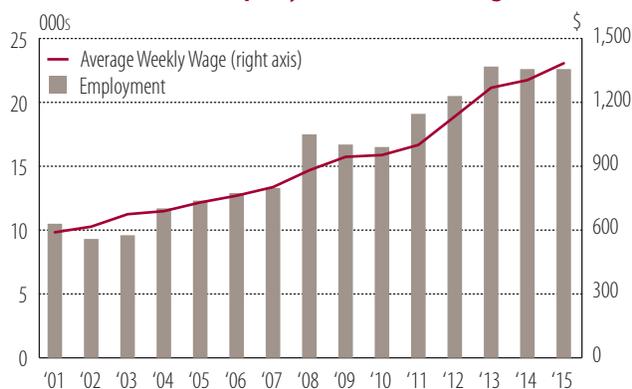


e: estimate; f: forecast
Source: Statistics Canada; Department of Finance

Employment and Wages

The recent surge in construction investment in the province is reflected in construction industry labour market indicators. Construction wages have increased considerably over the past eight years. Between 2007 and 2015, average weekly wages in the construction industry increased by over 72%. Average weekly wages in construction were \$1,384 in 2015 (see chart). Amongst provinces, only Alberta recorded a higher weekly construction wage than Newfoundland and Labrador.

Construction Employment and Wages



Source: Statistics Canada

In 2015, construction industry employment averaged 22,600, identical to 2014 levels and only slightly below the historical peak of 22,800 set in 2013. Higher employment levels at Vale’s nickel processing facility in Long Harbour and the Muskrat Falls hydroelectric project offset lower employment on the White Rose project and reduced residen-

tial construction activity. Ongoing major project development, public sector infrastructure spending and a number of new commercial and industrial projects have been the primary drivers of high levels of construction activity in Newfoundland and Labrador.

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2016 Outlook

- Construction activity is expected to remain at high levels due to continued work on the Hebron and Muskrat Falls projects.
- Major project spending and employment are expected to increase due to higher activity levels on the Muskrat Falls project.
- Total construction related capital spending is expected to remain on par with 2015 levels at roughly \$9.4 billion.
- Over \$33 billion in project spending is planned or underway in the province according to the *Inventory of Major Capital Projects* (see page 62).