

Highlights and Expectations



Cod Fishing Near Winterton. Courtesy: Newfoundland & Labrador Tourism

2015 Highlights

- Real Gross Domestic Product (GDP) declined by 2.3% primarily due to lower exports.
- Real exports are estimated to have decreased by 2.6% mainly reflecting lower oil output.
- Capital investment is estimated to have declined by 8.1% to \$10.9 billion as a result of lower expenditures on residential construction and the Hebron project.
- Consumer spending was on par with 2014 as retail sales increased by 0.4% to \$8.9 billion.
- The number of new vehicles sold in the province was 34,960, a decrease of 1.4% compared to 2014.
- Consumer prices rose by 0.5%, as lower energy prices constrained the overall increase.
- Employment fell by 1.0% to 236,200.
- The unemployment rate averaged 12.8%, up 0.9 percentage points from the previous year.
- Average weekly earnings increased by 2.6% to \$1,017, representing the second highest average weekly earnings among provinces after Alberta.
- Household income rose by 1.6% (1.1% in real terms) to nearly \$25 billion.
- The population as of July 1, 2015 was 527,756, a decrease of 0.2% from one year earlier.
- Oil production declined by 20.5% to 62.7 million barrels as all three producing projects (Hibernia, Terra Nova, White Rose) recorded lower production.
- The price of Brent crude oil averaged US\$52.32/barrel in 2015, down 47.1% from US\$98.97/barrel in 2014.
- The C-NLOPB accepted \$1.2 billion in exploration bids in the Newfoundland and Labrador offshore area.
- Development of the Hebron oil project proceeded with employment of 5,075 in the province as of December 31, 2015.
- Statoil progressed its 18-month exploration drilling program in the Flemish Pass.
- The value of provincial manufacturing shipments decreased by 5.5% to \$5.8 billion, mainly due to a drop in the value of refined petroleum products.
- Fish landings remained stable at approximately 240,800 tonnes as increased landings of pelagics offset declines in shellfish. The associated landed value increased by 11.6% mainly due to higher shrimp prices.
- Total aquaculture production was 22,800 tonnes, up significantly from the 9,200 tonnes produced in 2014. The growth was mainly attributable to increased salmonid production, particularly Atlantic salmon.
- The estimated value of newsprint shipments increased by 8.4%, benefitting from higher volume and depreciation of the Canadian dollar.
- Newfoundland and Labrador lumber production increased due to improved saw log availability and new capital investments. Production increased from 65 million board feet in 2014 to 71 million in 2015.
- The value of provincial mineral shipments increased by 0.4% to approximately \$2.9 billion. This increase was due to a higher value of nickel shipments which offset a lower value of iron ore shipments.
- Total mining related employment (including employment associated with activities at Vale's Long Harbour nickel processing facility) averaged approximately 7,100 person years.
- In July 2015, Vale sanctioned the development of the Reid Brook and Eastern Deeps underground mine at Voisey's Bay.

- Following strong growth over the past several years, construction related investment declined by 8.7% to \$9.4 billion.
- Construction industry employment averaged 22,600, identical to 2014 levels and only slightly below the historical peak of 22,800 set in 2013.
- Housing starts in the province totalled 1,697 units, a decrease of 19.9% compared to 2014.
- The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service (MLS®) rose by 3.7% to 4,251 units while the average MLS® residential price fell by 2.9%.
- The number of travel and tourism visitors to the province reached an estimated 503,100 visitors, a decrease of 0.9% compared to 2014 levels. An increase in non-resident auto visitation did not offset declines in both non-resident air travel and the number of unique cruise visitors.
- Provincial farms reported receipts of \$100.9 million during the first three quarters of 2015, up 3.4% from the same period in 2014. The increase reflected higher livestock receipts.

2016 Expectations

- Real GDP is forecast to increase by 1.0% as a result of gains in exports.
- Real exports are expected to grow by 4.4% due to increases in oil and mineral output.
- Capital investment is expected to increase by 0.6% to nearly \$11 billion as a result of continued advancement of the Muskrat Falls development and high levels of spending on the Hebron project.
- Significant construction work will continue across all components of the Muskrat Falls project.
- Hebron construction will continue at Bull Arm and other fabrication facilities throughout the province.
- Household income is expected to increase by 1.0% as wage gains offset lower employment.
- Consumer prices are expected to increase by 2.2%, due to higher energy prices and sales tax increases.
- Employment is expected to average 233,700, down 1.0% from 2015; however, the unemployment rate is expected to remain at 12.8%.
- Retail sales are expected to post an increase of 1.5% to \$9.1 billion.
- The province's population is projected to decline slightly (0.1%) to 527,100.
- Oil production is expected to increase by 7.7% to 67.5 million barrels as increased production at Hibernia more than offsets declines at Terra Nova and White Rose.
- Brent crude prices are expected to average approximately US\$37.00 per barrel on a calendar year basis (US\$40.00 per barrel for fiscal year 2016-17).

- Hebron development activity will continue with mating of the GBS and topsides. Hook up and commissioning of the platform is scheduled for 2016.
- The value of mineral shipments is expected to decline as production increases at IOC are more than offset by lower prices and production declines at Voisey's Bay.
- Mineral exploration expenditures are expected to decrease by about 59% to \$20 million, mainly due to low mineral prices.
- Construction on the underground mine at Voisey's Bay is expected to begin in the fall of 2016.
- The value of provincial manufacturing shipments is expected to increase as Vale Newfoundland and Labrador continues to ramp up production at the nickel processing plant in Long Harbour.
- The depreciation of the Canadian dollar with respect to the U.S. dollar should benefit local manufacturers.
- Newsprint shipments from Newfoundland and Labrador are expected to be around 250,000 tonnes, down 1.8% from 2015.
- Lumber production is anticipated to increase by 5.6% to approximately 75 million board feet, reflecting mill improvements and increased capacity.
- Total fish landings are expected to be similar to landings in 2015.
- Aquaculture production in the province is expected to increase to levels near the peak volume recorded in 2013.
- Total construction related capital spending is expected to remain on par with 2015 levels at \$9.4 billion.
- Housing starts are forecast to decrease by 15.5% to 1,434 units.
- The Canadian Real Estate Association forecasts MLS® sales to fall by 1.2% and the average residential resale price to fall by 0.9%.
- Non-resident pleasure travel to the province should benefit from lower fuel costs and a significantly weaker Canadian dollar, which acts as an incentive for American tourists and also makes vacationing within Canada more attractive for Canadians.
- The St. John's Convention Centre's official re-opening is scheduled for May 2016 and a successful season is expected, with bookings 12% ahead of the 2015 booking pace (as of February 2016).
- \$33 billion in project spending is planned or underway in the province according to the *Inventory of Major Capital Projects* (see page 62).