



Highlights and Expectations

Following many years of expansion, the economy of Newfoundland and Labrador has contracted in recent years due to several factors, including major project development timelines and a decline in commodity prices. While overall economic activity will continue to be dampened by the transitioning of the economy from major project construction to production, there are positive developments occurring throughout many sectors of the economy, including offshore oil exploration, aquaculture and tourism. The section below provides some of the highlights of 2016 and expectations for 2017 for the Newfoundland and Labrador economy.

2016 Highlights

- Real gross domestic product (GDP) declined by 0.7% primarily due to lower capital investment as some major projects passed peak construction activity.
- Capital investment is estimated to have declined by 6.4% to \$12.1 billion as lower spending on Hebron and the Vale nickel processing facility offset higher spending on Muskrat Falls.
- The real value of provincial exports is estimated to have increased by 4.5% due mainly to higher oil production.
- Average weekly earnings, at \$1,014, were the second highest among provinces after Alberta, despite a slight year-over-year decline.
- Household income rose by 0.7% to \$25.4 billion (down by 2.0% in real terms).
- The population as of July 1, 2016 was 530,128, an increase of 0.3% from one year earlier. This was the ninth consecutive year of population growth.
- Consumer spending growth was limited with the value of retail sales increasing by 0.9% (down by 1.6% in real terms).
- The number of new vehicles sold was 33,687, a year-over-year decline of 3.8%, but sales value increased by 1.4%, reflecting higher prices and a shift in sales composition.

- Consumer prices rose by 2.7%, reflecting increases in consumer taxes as well as general underlying inflation.
- Employment fell by 1.5% to average 232,600.
- The unemployment rate averaged 13.4%, an increase of 0.6 percentage points compared to the previous year.
- Oil production increased by 22.5% to 76.7 million barrels as a result of increased Hibernia output. The estimated value of production increased by 7.3% to \$4.4 billion.
- On December 21, 2016, Hibernia reached a major milestone, pumping its billionth barrel of oil.
- The price of Brent crude oil averaged US\$43.67/barrel in 2016, down 16.5% from an average of US\$52.32/barrel in 2015. Despite the lower annual average price, Brent prices trended upward throughout the year.
- The Canada-Newfoundland and Labrador Offshore Petroleum Board accepted \$758 million in exploration bids in the offshore area.
- Development of the Hebron oil project proceeded with employment of 3,756 people in the province as of December 31, 2016.
- The value of provincial manufacturing shipments decreased by 15.3% to \$4.7 billion, mainly due to a drop in the value of refined petroleum products.
- The value of fish landings was high by historical standards, at \$708.3 million. Volume decreased to approximately 222,700 tonnes, a 7.6% decline compared to the previous year, largely due to resource supply constraints.
- Aquaculture production increased to approximately 28,600 tonnes, up from 22,800 tonnes in 2015, and higher than the previous peak in 2013. The corresponding value of production reached over \$276 million, a more than 70% increase from 2015.
- The estimated value of newsprint shipments increased by 1.1% as higher prices compensated for a small decline in volume.
- Lumber production totalled 81 million board feet, up from 73 million board feet in 2015, reflecting improved saw log availability and capital investments.
- The value of provincial mineral shipments totalled \$2.9 billion, representing an increase of 3.2% from 2015. This increase was due to higher values for iron ore shipments which offset lower values for nickel shipments.
- Mining related employment (including employment associated with activities at Vale's Long Harbour nickel processing facility) averaged approximately 6,600 jobs.
- Site preparation activity occurred at the Voisey's Bay underground mine and construction continued at Long Harbour. Construction activity associated with Long Harbour remained the biggest contributor to project employment.
- Overall construction industry employment averaged 21,900, down 700 relative to 2015 and only moderately lower than the historical peak of 22,800 set in 2013.
- Construction on all components of the Muskrat Falls Project advanced significantly. Work continued in many areas of the province from Churchill Falls in Labrador to the Avalon Peninsula on the island portion of the province. Approximately two-thirds of total project construction was complete at the end of the year.
- The Strait of Belle Isle Marine Cable Crossing for the Muskrat Falls Project was substantially completed, marking the first-ever connection between Labrador and the island.
- Housing starts totalled 1,398 units, a decrease of 17.6% compared to 2015.
- The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service (MLS®) fell by 1.4% to 4,192 units, while the average MLS® residential price fell 6.5%.
- Most travel indicators point to an increase in tourism activity for the year. Non-resident automobile and cruise visitors increased, and overall air passenger numbers were higher.
- Provincial farms reported receipts of \$97.3 million during the first three quarters of 2016, down 3.5% from the same period in 2015. The decrease reflected lower livestock receipts.

2017 Expectations

- Real GDP is forecast to decrease by 3.8%, reflecting declines in most major sectors.
- Capital investment is expected to decline by 7.8% to \$11.1 billion as Hebron, Vale's nickel processing facility and Muskrat Falls move closer to completion. Even with the decline, overall capital investment will remain high by historical standards.
- Real exports are expected to decline by 2.4% mainly due to decreases in oil output.
- Employment is expected to average 228,300, down 1.9% from 2016.
- The unemployment rate is expected to increase by 0.5 percentage points to average 13.9%.
- Household income is expected to decline by 0.3% due to lower employment.
- Retail sales are expected to decline by 0.2% to \$9.0 billion.
- Consumer prices are expected to increase by 2.9%.
- The province's population is projected to decline by 0.5% to 527,300.
- Oil production is expected to decrease by 7.8% to 70.8 million barrels with lower production at Hibernia, Terra Nova and White Rose.
- Hook-up and commissioning of the Hebron Gravity Based Structure (GBS) will continue and the GBS will be towed to the field in mid-2017, with first oil anticipated for late-2017.
- The West White Rose Extension Project will be considered for sanction in 2017.
- Statoil intends to drill two more exploration wells in the Flemish Pass Basin.
- Brent crude prices (Department of Finance forecast) are expected to average US\$55.51 per barrel on a calendar year basis (US\$56.00 per barrel for fiscal year 2017/18).
- The value of mineral shipments is expected to rise as iron ore production increases more than offset lower nickel production at Voisey's Bay.
- Ramp-up of Vale's nickel processing plant at Long Harbour will continue as the company moves toward nameplate capacity.
- Construction on the underground mine at Voisey's Bay will continue.
- Development of the Iron Ore Company of Canada's Wabush 3 open pit mine is expected to commence.
- Production at Canada Fluorspar Inc.'s fluorspar mine in St. Lawrence is expected to begin.
- The value of manufacturing shipments is expected to increase reflecting the ramp-up of nickel production at Long Harbour and increased capacity at the North Atlantic refinery.
- Newsprint shipments are expected to be around 245,000 tonnes, up 2.8% from 2016.
- Lumber production is anticipated to increase to approximately 83 million board feet, reflecting mill improvements and increased capacity.
- Farmers and agricultural producers will now have almost double the amount of land available to them with approximately 64,000 hectares of additional Crown land now available for agricultural production.
- Total fish landings are expected to decline relative to 2016. An anticipated rise in groundfish will be offset by declines in both pelagics and shellfish.
- Expansion of existing infrastructure and new developments should facilitate further growth in the aquaculture industry.
- Housing starts are forecast to decrease by 3.4% to 1,350 units.
- The Canadian Real Estate Association forecasts sales to rise by 0.2% and the average residential resale price to fall by 0.8%.
- Infrastructure improvements, the lower Canadian dollar and continued marketing efforts will support tourism growth.
- The Province announced a five-year, \$3 billion plan for new and existing public infrastructure. Approximately \$570 million is expected to be spent during fiscal year 2017/18.
- \$35.7 billion in project spending is planned or underway in the province according to the *Inventory of Major Capital Projects* (see page 57).