

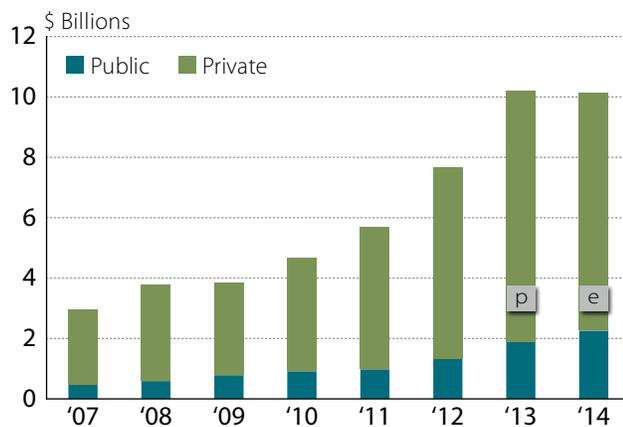
Construction

Activity in the construction industry remained historically high in 2014, capping off an unprecedented period of growth over the past decade. Overall, construction investment is estimated to have reached \$10.1 billion, just below record high spending in 2013 (see chart). Resource-based major project activity continued to dominate private sector spending. Public sector investment grew by 20.5% in 2014, reaching \$2.3 billion, primarily reflecting the development of the Muskrat Falls project but also construction of public infrastructure (e.g. Trans Labrador Highway).

Investment Expenditures

Non-residential investment expenditures accounted for the largest portion (85%) of construction investment in 2014. Expenditures in this sector grew 1.0% in 2014 to \$8.6 billion, a record high. Nearly 70% of non-residential expenditures were attributable to the mining and oil and gas extraction industries. Investment in mining and oil and gas last year included both the expansion of active 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 was

Construction Investment



p: preliminary; e: estimate

Source: Statistics Canada; Department of Finance

Residential Renovation Market

While residential investment declined in 2014 and the housing market slowed, spending in the renovation market in the province was at an all-time high. Renovation spending grew 9.1% compared to 2013, nearing \$885 million. Although it has varied historically, the renovation share of residential investment in Newfoundland and Labrador has consistently been larger than that of the rest of the country, 51.6% on average over the 2010-2014 period compared to a national average of 43.3%. This is attributable to a number of factors, in particular, the province's higher rates of home ownership, which produce a larger pool of property owners (and market for renovations). This demand has also been supported by considerable income growth in recent years and significant increases in equity in some areas because of rising house prices.

also significant, having increased 47.4% compared to 2013, reflecting work on the Muskrat Falls project.

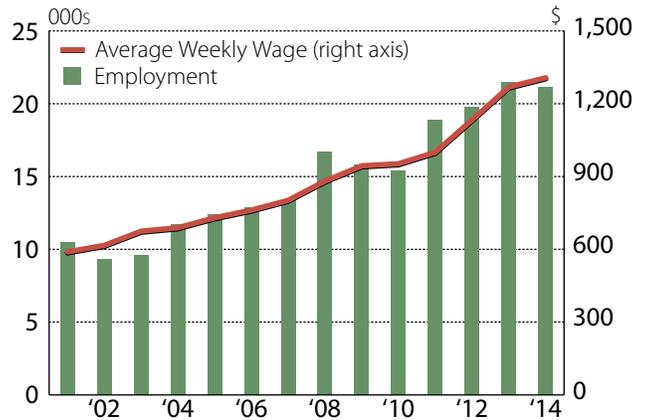
Investment in residential construction fell 9.3% in 2014, but remained high on a historical basis, at \$1.5 billion. Investment in new dwellings fell below \$600 million for the first time since 2009, representing a decline of 21.8% compared to 2013. Lower investment in new dwellings is consistent with fewer housing starts last year (see *Real Estate*). This decline was partially offset by significant growth in renovations (see box).

Employment and Wages

The surge in construction investment in the province is reflected in the industry's labour market indicators. Construction employment and wages have increased considerably over the past 10 years (see chart). Between 2004 and 2014, average weekly wages in the province's construction industry increased 89.7%. In 2014, the average weekly wage in the construction industry reached \$1,300. Amongst provinces, only Alberta recorded a higher wage level.

Construction industry employment also increased dramatically over the 2004 to 2014 period, increasing 80.6%. Average employment in the construction industry decreased by about 1% in 2014, compared to the same period in 2013, reflecting lower housing starts, and lower employment levels at Vale's nickel processing facility at Long Harbour as development of this project began to wind down. At around 20,000 people, construction employment in the province is still at one of the highest levels ever recorded. Ongoing major project developments, as well as a number of new commercial and industrial projects, are the primary drivers of historically high levels of construction employment in Newfoundland and Labrador. It should also be noted that the construction industry employment data for this province also includes inter-provincial employees (or people who reside in Newfoundland and Labrador but commute to construction work outside the province).

Construction Employment and Wages



Source: Statistics Canada

Outlook 2015

Construction

- Construction investment is expected to remain at \$10.1 billion in 2015, reflecting significant non-residential spending.
- Non-residential construction spending is expected to grow by 0.7% to \$8.6 billion, reflecting, in part, anticipated spending on the development of major projects.
- Residential construction spending is expected to decrease 3.4% to just under \$1.5 billion. Spending reductions are consistent with the decline anticipated in housing starts, although renovation activity is expected to remain high.
- Housing starts in 2015 are forecast at 1,915 units, this amounts to a 9.6% decrease compared to 2014 (See *Real Estate*).
- Over \$37 billion in project spending is planned or underway in the province according to the Inventory of Major Capital Projects (see page 72).

