



# 2022 Economic Update

# 2022 Economic Update

## International

According to an October update from the International Monetary Fund (IMF), the global economy is expected to expand by 3.2 per cent in 2022, down from 6.0 per cent growth in 2021. Although the impacts of the COVID-19 pandemic are lessening, supply chains continue to be strained by recent lockdowns in China and the war in Ukraine, slowing the recovery in advanced economies. Growth prospects in 2022 are 2.4 per cent for advanced economies and 3.7 per cent for developing economies, both lower than in 2021.

Higher inflation emerged in 2021, most noticeable in rising energy prices and higher prices for goods, such as food and automobiles. The rate of inflation accelerated during the first half of 2022, resulting from supply issues that were at first largely pandemic-induced, then considerably aggravated by the war in Ukraine. In response, most central banks have initiated interest rate increases to control inflation, in spite of limited economic growth.



Cargo Ship at the Corner Brook Port  
Photo courtesy of Corner Brook Port Corporation

The IMF forecasts a global economic growth rate of 2.7 per cent for 2023. Advanced economies are expected to grow 1.1 per cent, while developing economies are forecast to grow 3.7 per cent. These growth rates could be further impacted by tightening financial conditions, higher inflation, and additional downside risks stemming from the ongoing war in Ukraine.

## Provincial

The Newfoundland and Labrador economy has performed well so far in 2022, with most economic indicators showing moderate-to-strong growth through the first half of the year. Tourism sector performance continues to benefit from a pandemic rebound and the “Come Home 2022” campaign. Employment, household income, the value of retail sales and housing starts are stronger than anticipated. Additionally, the province’s population has grown in each of the last five quarters, aided by in-migration. Most indicators are on track to meet or exceed Budget 2022 growth forecasts.

### Gross Domestic Product (GDP)

The Department of Finance expects Newfoundland and Labrador’s nominal and real GDP to grow by 10.1 and 0.9 per cent, respectively, in 2022. Higher GDP growth relative to what was forecasted at budget is due to higher than expected oil prices and oil production (see Table 1).

### Consumer Spending

Most consumer spending indicators have been strong through the first half of 2022. Retail sales (which typically account for about 55 per cent of total consumer spending) increased 6.9 per cent in the first seven months of the year. Sales were up in most major categories, with ‘Gasoline stations’ (22.0 per cent), ‘Miscellaneous store retailers’ (18.0 per cent) and ‘Clothing stores’ (11.8 per cent) leading the way. Gains in the value of



Burin, Eastern Region  
Photo courtesy of Scott McClellan

retail sales are largely due to higher prices for goods. Through August, the year-to-date Consumer Price Index (CPI) for ‘All-items’ increased 6.4 per cent.

The number of new motor vehicles sold in Newfoundland and Labrador from January to August 2022 was 16,525, a decrease of 19.9 per cent compared to the same period in 2021. Sales across North America continue to be disrupted by inventory shortages.

In the service sector, sales at food services and drinking places increased 14.7 per cent through the first seven months of the year, reflecting a return to normal operations in the accommodation and food services sector, as well as increased tourism activity in the province.

For the year as a whole, the value of retail sales is forecast to increase 6.0 per cent over 2021.

## Inflation

Prices for consumer goods and services in the province increased by 6.4 per cent in the first eight months of the year, compared to the same period last year. The increases in prices for fuel oil (70.3 per cent) and gasoline (34.9 per cent) were the largest, reflecting a 59.6 per cent increase in crude oil prices over the same period. Prices for essentials such as food (8.6 per cent) and shelter (5.8 per cent) also saw significant increases. For the year as a whole, inflation in the province is forecast to average 6.5 per cent.

## Capital Investment

Capital investment is forecast to increase 4.7 per cent in 2022, as higher spending on oil projects will be mitigated by lower mining-related investment and the completion of construction at Muskrat Falls.

In terms of residential spending, housing starts have increased notably (44.4 per cent) through the first three quarters of 2022. For the year as a whole, total provincial housing starts are forecast to increase 18.1 per cent in 2022, while residential investment (which includes new houses and renovations) is forecast to increase 5.7 per cent.

## Labour Market

The labour market in Newfoundland and Labrador performed well through the first nine months of the year, with employment exceeding pre-pandemic levels and the unemployment rate falling to record lows.

Employment in the construction and tourism sectors, in particular, has increased notably in the past few months.

For January to September 2022, employment in the province increased by 3.9 per cent compared to the same period in 2021. The labour force increased 1.4 per cent, due to an increase in the labour force age population (those age 15 years and older) and higher labour force participation. These factors led to a 2.2 percentage point decrease in the unemployment rate, which fell to 8.2 per cent in September, the lowest monthly rate since consistent records began in 1976.

Employment is forecast to increase by 3.9 per cent in 2022, while the unemployment rate is forecast to decrease by 2.0 percentage points to average 10.9 per cent. If realized, this would be the lowest annual unemployment rate since consistent records began in 1976.



Vale's Open-Pit Mine and Concentrator at Voisey's Bay  
Photo courtesy of Department of Industry, Energy and Technology



West White Rose Extension Concrete Gravity Structure

Photo courtesy of Cenovus Energy Inc.

Average weekly earnings in the province increased by 4.4 per cent in the first seven months of the year, averaging \$1,139, as the low unemployment rate and high inflation resulted in higher wages.

Total labour compensation was up 8.6 per cent in the first six months of 2022 compared to the same period in 2021, reflecting higher wages and increased employment. Household income is forecast to grow by 7.2 per cent this year due to the higher labour compensation.

## Population

Newfoundland and Labrador's population was 525,972 as of July 1, 2022, an increase of 2,929 persons (or 0.6 per cent) from April 1, 2022. This marked the fifth consecutive quarter of population growth for the province, and the largest quarterly gain in

recent history. The population increase was the result of gains from both international and interprovincial migration, partly offset by natural losses (lower births than deaths). On an annual basis, the province's population increased by 5,520 persons (or 1.1 per cent) from July 1, 2021 to July 1, 2022, the largest annual increase since 1976.

## Economic Outlook

Economic activity is expected to remain strong in the province for the remainder of 2022. Major oil project investment and employment are expected to rebound, and there have been positive announcements concerning future energy development opportunities (e.g., wind and hydrogen). Additionally, the tourism industry is expected to see continued growth.

There are reasons for optimism in the medium-to-long term with opportunities in the oil and gas, mining, wind energy, groundfish, technology, and film and video industries expected to increase economic activity. Equinor's Bay du Nord project was released from Environmental Assessment earlier this year, and Cenovus Energy has announced plans to restart the West White Rose project. There is also potential in oil and gas exploration, including new discoveries and tieback opportunities for existing projects.

**Table 1: Economic Indicators Forecast (Calendar Year 2022)**

Budget 2022 vs. Fall Update 2022 (per cent change unless otherwise indicated)

	Budget 2022f	Fall Update 2022f	Difference (pp)
Nominal GDP	3.6	10.1	6.5
Real GDP	0.5	0.9	0.4
Household Income	3.2	7.2	4.0
Retail Sales	3.5	6.0	2.5
Consumer Price Index	3.9	6.5	2.6
Housing Starts	6.7	18.1	11.4
Capital Investment	4.8	4.7	-0.1
Population	0.4	1.1*	0.7
Employment	2.6	3.9	1.3
Unemployment Rate (%)	11.7	10.9	-0.8
Oil Production (millions of barrels)	82.3	85.2	2.9**

f: forecast

\*: actual

\*\*: millions of barrels

pp: percentage point difference

Source: Statistics Canada; Department of Finance

Department of Finance  
P.O. Box 8700, St. John's, NL A1B 4J6

[gov.nl.ca/finance](http://gov.nl.ca/finance)

