

A woman with her hair in a ponytail, wearing a white sweater, is seen from behind, framing a sunset over a rocky coastline with her hands. The sun is low on the horizon, creating a lens flare effect. The sky is a mix of blue and orange, and the water is a deep blue. The foreground shows mossy rocks.

Fiscal and Economic Update

The Economic Review 2019

The Economic Review is published by the Government of Newfoundland and Labrador under the authority of: The Honourable Tom Osborne, Minister of Finance and President of Treasury Board. Most data are current as of November 15, 2019. Readers should note that annual data referenced in this document are reported on a calendar year basis, unless stated otherwise.

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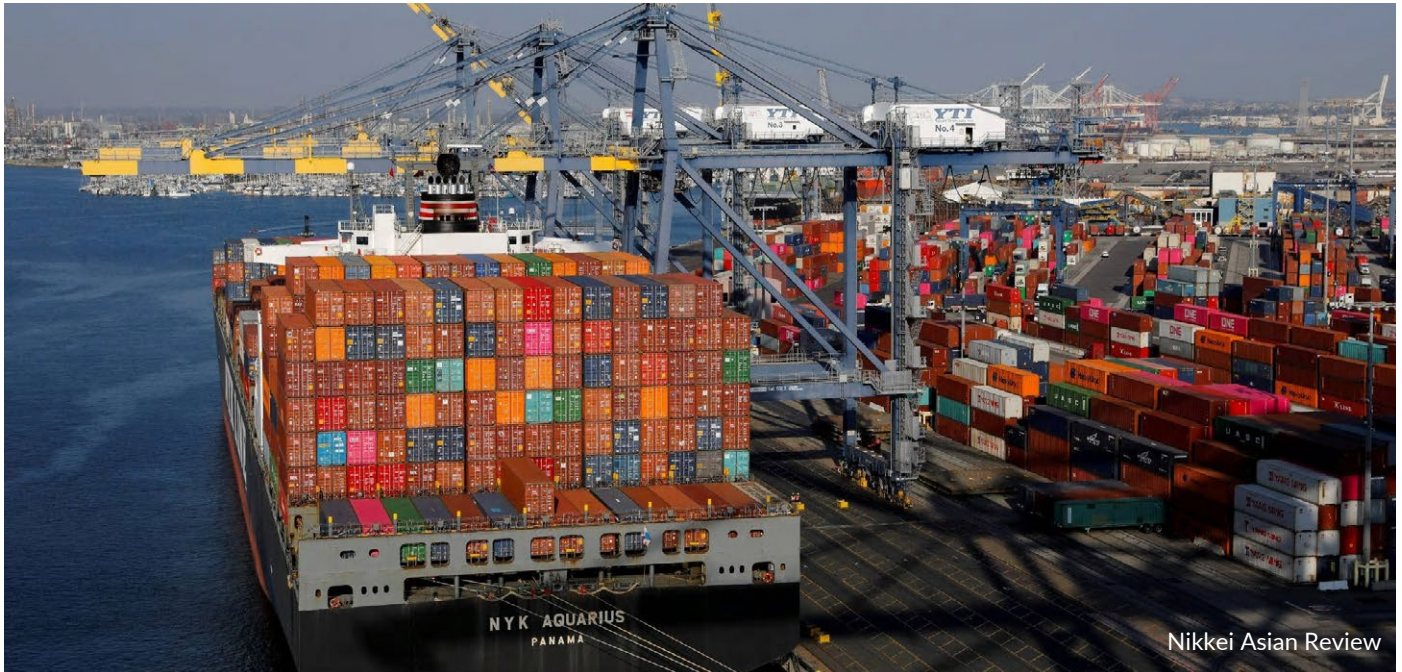
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Shipping containers in the Port of Los Angeles

Nikkei Asian Review

Global Economic Environment

The global economy is expected to expand by 3.0% in 2019 according to the International Monetary Fund (see table). This is the lowest growth since 2008-09 and a 0.5 percentage point downward revision from expectations earlier in the year. The slowdown in growth has been most pronounced in business investment and the manufacturing sector. Trade tensions throughout the year have resulted in tariff increases between the United States and China. This has hurt global business confidence and, as a result, global trade has contracted in recent months.

Global economic uncertainty remains, particularly pertaining to the near-term outlook for trade and commodity prices. As a result, many central banks have eased monetary policy by lowering interest rates. This should have a counterbalancing effect on world economic growth which is expected to improve to 3.4% in 2020.

Real GDP Growth (%)

	2018	2019f	2020f
World	3.6	3.0	3.4
China	6.6	6.1	5.8
United States	2.9	2.2	2.0
India	6.8	6.1	7.0
Japan	0.8	0.9	0.5
United Kingdom	1.4	1.2	1.4
Euro Area	1.9	1.2	1.4
Germany	1.5	0.5	1.2
France	1.7	1.2	1.3
Italy	0.9	0.0	0.5
Spain	2.6	2.2	1.8
Canada	1.9	1.6	1.7

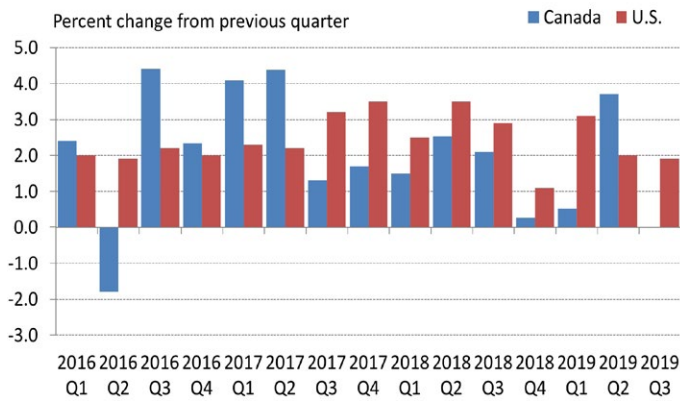
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Source: Various, available upon request

United States

The U.S. economy continued to expand moderately during the first three quarters of 2019, supported by healthy consumer spending, a strong labour market and solid wage gains. After growing by 3.1% and 2.0% at annualized rates in the first and second quarters respectively, real GDP expanded by a further 1.9% in the third quarter (see chart). Growth was relatively broad-based with gains in consumer spending, residential investment and government expenditures. However, a 3.0% decline in business investment was recorded in the third quarter, following a 1.0% decline in the second quarter, likely reflecting increased uncertainty in the business environment due to rising trade tensions.

Quarterly Annualized Real GDP Growth

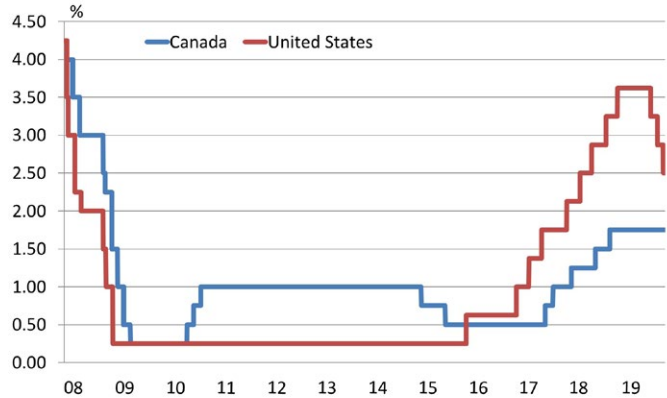


Source: U.S. Bureau of Economic Analysis; Statistics Canada

U.S. labour markets continue to improve—employment in October was 1.1% higher than at the end of 2018 and the unemployment rate declined to 3.6% in October, down from 3.9% at the end of 2018. Furthermore, average hourly earnings increased by 2.4% since December 2018.

Despite the strong U.S. economy, concerns over slowing future growth have become heightened. As a result, the U.S. Federal Reserve cut the target range for the federal funds rate three times in the past year amid muted inflation pressures, weakness in global economic growth and trade developments (see chart). The rate was last cut to 1.5-1.75 percent during its October meeting.

Central Bank Rates



Source: Bank of Canada; U.S. Federal Reserve

It is expected that U.S. economic growth will be 2.2% in 2019, but slow to 2.0% in 2020.

Canada

Canadian real GDP increased by 3.7% in the second quarter of 2019, following growth of 0.5% in the first quarter (annualized rates). Growth in the second quarter was led by exports, which grew by 13.4% after a 3.3% decline in the first quarter.

Investment negatively impacted GDP growth in the second quarter, with business investment declining by 13.6% compared to the first quarter. Similar to other countries, investment is being affected by uncertainty due to global trade tensions. Residential investment fared much better than business investment with growth of 5.5% in the second quarter. There are indications that the housing sector is rebounding after being negatively impacted by policy changes and higher interest rates over the last few years. Housing starts, while up just 0.2% in the first three quarters of the year, increased strongly (up 11.3%) in the third quarter of the year. As well, housing sales are up 4.2% in the first nine months of the year.

Consumer spending has been moderate so far in 2019 supported by employment and wage gains. Retail sales were up 1.8% in the first eight months of the year compared to the same period of 2018.

High household indebtedness, however, continues to constrain the outlook for consumer expenditure growth.

Canadian employment increased by 2.2% in the first 10 months of 2019 compared to the same period of 2018 with job gains in all provinces. The number of full-time jobs increased by 1.8% and the number of part-time jobs increased by 4.0%. Canada's unemployment rate averaged 5.7% during this period, down from 6.0% for the first 10 months of 2018. The seasonally adjusted unemployment rate stood at 5.5% in October 2019.

The Bank of Canada has kept interest rates steady since the beginning of the year. Early in the year, expectations were that the course of interest rate hikes initiated last year would continue into 2019. However, similar to many other countries, the central bank has paused its rate hikes amid fears

of a slowing world economy. Many analysts expect that the Bank of Canada may lower rates later this year to provide stimulus to the economy.

The latest average of forecasts by Canadian banks and the Conference Board of Canada expects real GDP growth to average 1.6% in 2019 (see table). All provinces are expected to post real GDP growth this year, with Newfoundland and Labrador and Québec leading the provinces with growth of 2.4%. Canada's GDP growth is expected to be 1.7% in 2020.

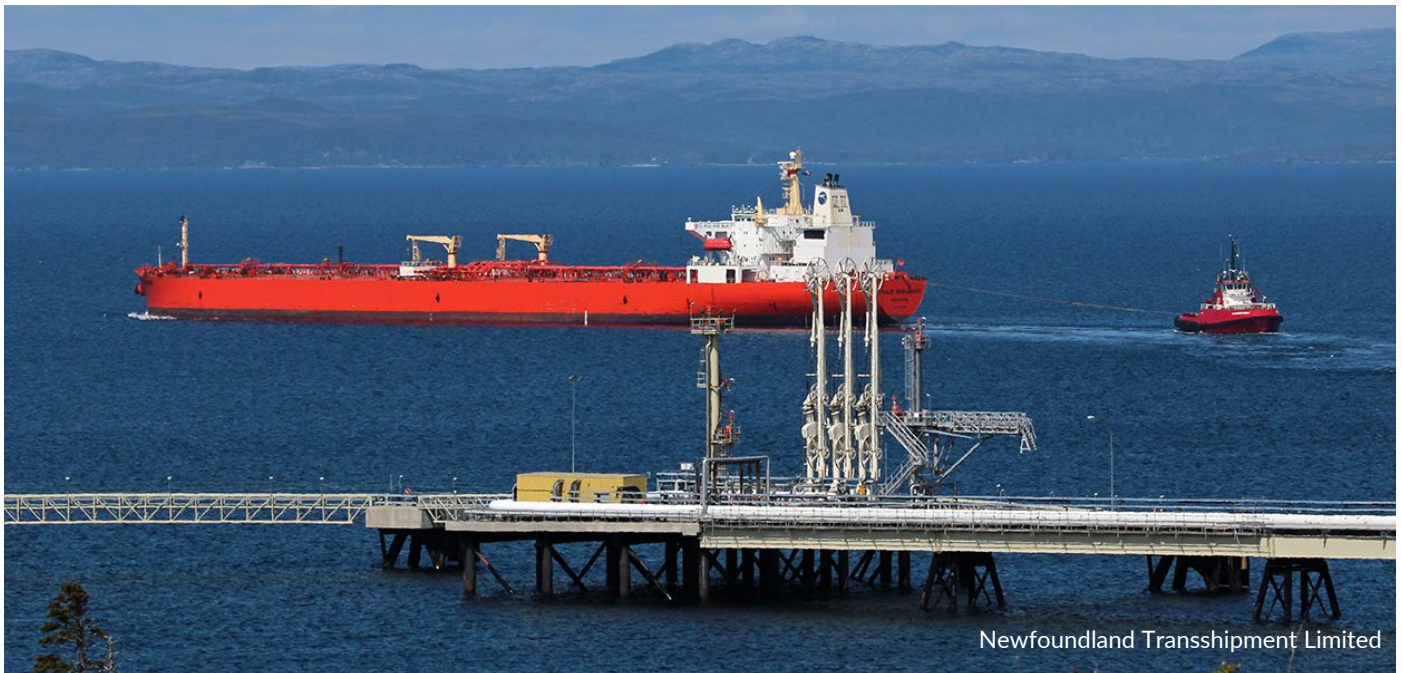
Real GDP Growth, by Province

	2019f	2020f
NL	2.4	0.5
PE	2.1	1.6
NS	1.2	1.0
NB	0.8	0.8
QC	2.4	1.6
ON	1.6	1.6
MB	1.3	1.4
SK	0.6	1.3
AB	0.5	2.0
BC	2.0	2.4
CA	1.6	1.7

f: forecast

Note: Growth rates in this table for NL may differ from the Department of Finance forecast outlined on page 6.

Source: Average of Canadian major banks and the Conference Board of Canada



Newfoundland Transshipment Limited Terminal in Whiffen Head, Placentia Bay

Provincial Economic Overview

The Department of Finance expects Newfoundland and Labrador's real GDP to grow by 3.1% in 2019 (see table). Economic growth will stem mainly from gains in mineral and oil production. The forecast for GDP growth has been revised downward by one percentage point from the Budget forecast in April 2019. The main reasons for the lower growth are the delay in the tow out of the West White Rose concrete gravity structure (CGS) wellhead platform (which shifts capital spending previously slated for 2019 out to 2020) and lower oil production at Hibernia due to recent unplanned shutdowns. Total oil production is now expected to increase by 10.5% this year compared to 12.1% growth expected earlier in the year.

Real exports are expected to increase by 8.4% this year, due mainly to higher oil and mineral shipments, which are forecast to grow by 9.8% and 28.7%, respectively. Higher oil production is due mainly to increased output from Hebron as that project continues to ramp up production. Higher

mineral exports are due to increased iron ore output as production from the Iron Ore Company of Canada rebounds after a two-month labour stoppage in 2018 and Tacora Resources begins operations.

Total consumer spending is expected to contract this year. Retail sales (which account for about 55% of consumer spending) totalled \$5.8 billion in the first eight months of 2019, a decline of 1.5% compared to the same period in 2018. The decrease in retail sales was concentrated in new car dealers, grocery stores and gasoline stations. Despite the fact that the value of sales at new car dealers is down so far in 2019, the number of new cars sold in the province in the first eight months of the year was roughly on par with the same period of 2018. Conversely, consumer spending on services is expected to increase slightly this year (0.5%). Spending on restaurants and bars (a subset of spending on services) totalled approximately

Provincial Economic Indicators

	2018e	2019f	2020f
GDP at Market Prices (\$M)	33,241	34,279	35,204
% Change	1.7	3.1	2.7
% Change, real	-3.5	3.1	2.6
Final Domestic Demand* (\$M)	35,036	35,325	36,118
% Change	-1.9	0.8	2.2
% Change, real	-3.3	-0.7	0.3
Household Income (\$M)	25,520	26,260	26,796
% Change	-0.3	2.9	2.0
% Change, real	-1.9	1.6	0.2
Household Disposable Income (\$M)	16,643	17,101	17,457
% Change	-1.2	2.8	2.1
% Change, real	-2.8	1.5	0.3
Retail Sales (\$M)	9,010	8,865	9,012
% Change	-2.3	-1.6	1.7
% Change, real	-3.3	-2.2	0.4
Consumer Price Index (2002=100)	137.9	139.6	142.1
% Change	1.6	1.2	1.8
Capital Investment (\$M)	9,096	9,377	9,840
% Change	-11.4	3.1	4.9
% Change, real	-13.5	0.7	2.5
Housing Starts	1,096	826	914
% Change	-21.7	-24.6	10.6
Employment ('000s)	225.3	226.8	225.6
% Change	0.5	0.7	-0.5
Labour Force ('000s)	261.4	257.3	256.6
% Change	-0.6	-1.6	-0.3
Unemployment Rate (%)	13.8	11.8	12.1
Participation Rate (%)	58.9	58.4	58.3
Population ('000s)	525.6	521.5	520.8
% Change	-0.5	-0.8	-0.1

* Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

e: estimate; f: forecast, Department of Finance, October 2019

Source: Statistics Canada; Department of Finance

\$575 million in the first eight months of 2019, an increase of 2.7% compared to the same period of 2018.

Capital investment is forecast to increase by 3.1% to \$9.4 billion in 2019. Higher non-residential spending is expected to offset a decline in residential spending. Non-residential spending—led by expenditures on major projects—is expected to grow by 6.3%. Residential spending is expected to decline due to lower housing starts, which were down by 29.3% in the first three quarters of 2019.

Prices

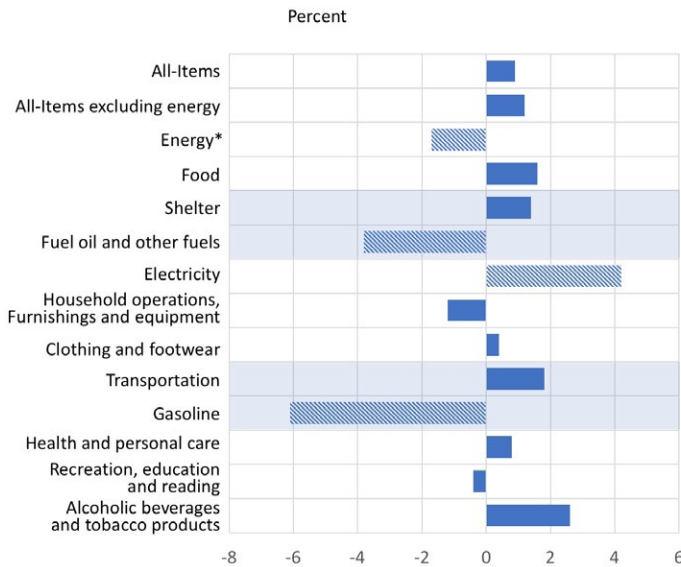
On a year-over-year basis, the Consumer Price Index (CPI) was 0.9% higher in the first nine months of 2019 (see chart). Lower prices for fuel oil (down 3.8%) and gasoline (down 6.1%) moderated the overall increase in the CPI. Both fuel oil and gasoline have been impacted by a decline in crude oil prices. Electricity prices were 4.2% higher on average in the January to September period as the Newfoundland and Labrador Board of Commissioners of Public Utilities approved an average increase in electricity rates of 6.8% effective July 1, 2018.

Labour Markets

Employment is currently forecast to increase by 0.7% to 226,800 in 2019. However, the labour force is projected to decline by 1.6%, due to out-migration and an aging population, leading to a decline in the unemployment rate. The unemployment rate is expected to average 11.8% in 2019, a 2.0 percentage point drop compared to 2018 and near the record low unemployment rate of 11.6% posted in 2013. During the first ten months of 2019, employment averaged 227,800, an increase of 1.1% compared to the same period in 2018. Employment growth was concentrated in full-time employment which rose by 2.7%. Part-time employment declined by 7.3%.

Consumer Price Index Growth by Component, Newfoundland and Labrador

January to September 2019 vs. January to September 2018



*: The special aggregate 'Energy' includes: electricity, natural gas, fuel oil and other fuels, gasoline, and fuel, parts and accessories for recreational vehicles.
Source: Statistics Canada; Department of Finance

Consistent with the increase in employment, there has been a decrease in the number of Employment Insurance (EI) beneficiaries this year. The average number of persons receiving regular EI benefits on a monthly basis declined by 8.8% in the first eight months of 2019 compared to the same period of 2018.

Wages increased at a solid pace throughout 2019. Average weekly earnings (including overtime) averaged \$1,056 in the first eight months of 2019, an increase of 2.2% compared to the same period of 2018. Newfoundland and Labrador's average weekly earnings continue to be the second highest among provinces after Alberta. Labour income totalled \$7.4 billion in the first half of the year, 4.2% higher than the same period of 2018. The increase in labour income reflects both the higher weekly earnings and higher employment. After adjusting for inflation, labour income grew by 3.2%. Total household income is forecast to grow by 2.9% this year (1.6% in real terms).

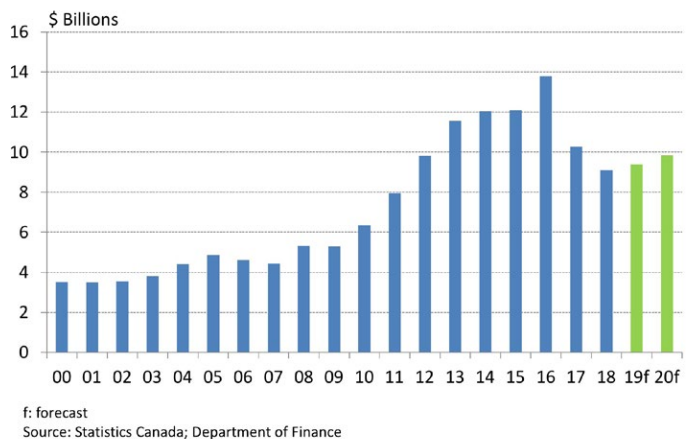
Population

Newfoundland and Labrador's population stood at 521,542 as of July 1, 2019, a decrease of 0.8% compared to July 1, 2018. Migration continued to be the primary factor influencing population change. Net out-migration totalled 2,668 persons in 2018-19 as a gain of 1,833 from international migration was offset by a loss of 4,501 from interprovincial migration. Most of those departing the province went to Alberta, Ontario and Nova Scotia. Natural change also reduced the population. Deaths outnumbered births, resulting in a natural population decline of 1,394.

Outlook

Economic growth is expected to continue in 2020 with real GDP forecast to increase by 2.6% due to both higher exports and increased capital investment. Exports are forecast to increase by 7.7% (in real terms) as a result of higher oil and mineral production. Capital investment is forecast to increase by 4.9% due largely to higher expenditures on the West White Rose project, which will offset lower spending on the Muskrat Falls project as it nears completion (see chart).

Capital Investment



Despite the increase in GDP, employment is expected to decline by 0.5% in 2020 as lower employment on the Muskrat Falls project constrains overall employment growth. Nevertheless, household income is expected to grow by 2.0% due to continued wage growth. Higher incomes are expected to support modest increases in both retail sales and housing starts.

The medium-term outlook beyond 2020 is expected to be impacted by declining construction activity on major projects and lower government spending. Employment is expected to decline over the next couple of years as construction of the West White Rose wellhead platform and Voisey's Bay underground mine are completed. Growth in income and retail sales is expected to moderate.

Despite these challenges, there is significant reason for optimism, particularly in the province's oil industry. Sanction of the province's fifth oil project, Bay du Nord, is expected in 2021. This development is expected to generate significant economic benefits for the province. Additionally, there is substantial oil and gas resource potential in offshore Newfoundland and Labrador. The fourth independent resource assessment conducted on nine parcels in the Carson-Bonnyton and Salar Basins was released in October 2019 and identified an additional three billion barrels of oil and 5.8 trillion cubic feet of gas potential. The combined resource potential of the four resource estimates released to date is 52.2 billion barrels of oil and 199.6 trillion cubic feet of gas in just nine percent of Newfoundland and Labrador's offshore area.

In addition, several companies have approved or proposed long-term exploration programs for various holdings in the Jeanne d'Arc, Flemish Pass, Orphan and Carson basins. These programs could

result in up to 133 exploration and delineation wells (42 approved, 91 proposed) by 2028 (see **Oil and Gas**). This demonstrates considerable commitment to the area. Investments in exploration and development hold significant opportunities for future growth in oil production and, by extension, the provincial economy.



Pynns Brook Research Station

The Way Forward: A Stronger Economic Foundation

In November 2016, the Government of Newfoundland and Labrador released **The Way Forward: A vision for sustainability and growth in Newfoundland and Labrador**. **The Way Forward** outlines actions the Provincial Government is taking in partnership with the business, culture, and community sectors to realize a shared vision of a strong and diversified province with a high standard of living.

To achieve this vision, **The Way Forward** identifies four key objectives:

- (1) A more efficient public sector;
- (2) A stronger economic foundation;
- (3) Better services; and,
- (4) Better outcomes.

This article focuses on the second objective, “a stronger economic foundation.” Several initiatives have been implemented to promote economic growth and entrepreneurship, with the goal of fostering conditions that support private sector job creation and economic sustainability.

Sector work plans are being implemented jointly with industry partners.

Agriculture

- From 2017 onward, an additional 184 hectares have been developed to-date for fruit and vegetable production, for a total of 774 hectares in-production. As a result, provincial food self-sufficiency for fruit and vegetables has increased from 10 per cent to 13.1 per cent.

- Since February 1, 2017, 2,002 hectares of land has been approved for agricultural purposes. This represents a 10 per cent increase in the area of land issued to farmers as agriculture leases/licences.
- A total of \$3,284,125 was expended or approved to fund 42 new entrants under the Canadian Agricultural Partnership and the Provincial Agrifoods Assistance Program in 2018-19 and 2019-20 (to date).
- The Canadian Agricultural Partnership (CAP) offers a program dedicated to supporting secondary processing projects. The “Agriculture, Processing and Value-Added” program expended \$1,184,130 in 2018-19 and committed \$162,127 in 2019-20.
- 1.7 million vegetable transplants were grown at the Centre for Agriculture and Forestry Development in Wooddale, and provided to 54 producers for the 2019 growing season. Crops included broccoli, kale, cabbage, rutabaga (turnip), cauliflower, leek, onion, kohlrabi and Brussels sprouts. It is estimated that these transplants resulted in 100 acres of vegetable land in-production, with a farm gate value of \$1.6 million. This is a marked increase from the 2018 growing season, where 255,800 transplants were grown and offered to 25 producers.
- Changes were made to the inactive site policy to ensure that unutilized and underutilized sites were not allowed to remain in the licensing system long-term.
- An updated Aquaculture Policy and Procedures Manual was released in September 2019 that outlines the procedures for all aquaculture operations. A review of the Aquaculture Act and Regulations is underway.
- Nine new licences, equal to over 3,200 hectares of new water scheduled for aquaculture development have been approved since September 2017. Provincial aquaculture production is expected to reach nearly 50,000 tonnes by 2022, according to the latest projections. Full production from the new sites is anticipated to be reached by 2026.

Forestry

- From 2016 to 2018, harvested commercial wood volume increased by 13 per cent. This figure does not include 2019 harvest volumes, which will not be available until the end of January 2020, when fourth quarter returns are due.
- From 2016 to 2019, commercial timber allocations increased by more than 20 per cent.

Immigration

- As of 2018 (most recent full year data available), Newfoundland and Labrador has achieved 90 per cent of its target to welcome 1,700 newcomers annually to the province. In 2018, 1,530 individuals became permanent residents in our province. This is a 25 per cent increase in immigration since 2017.

Aquaculture

- 460 hectares of marine area suitable for aquaculture was freed up by cancelling all inactive licence applications. A policy was developed to ensure that aquaculture applications remain active throughout the licensing process on a go forward basis. Applications that languish in the system are removed and the marine area made available to other interested parties.

Mining

- Tacora Resources Scully Mine and the Beaver Brook Antimony Mine were reactivated in the past year.
- Operational employment is forecasted at 5,200 for 2019; increased from 4,700 in 2018.
- Exploration expenditures are \$57.6 million in 2019; up from \$47.1 million in 2018.
- In 2019, annual mineral shipments are estimated to reach \$4.3 billion; up from \$2.9 billion in 2018.

Oil and Gas

- Since the launch of Advance 2030, there have been two new exploration wells drilled with potential for a further 133 by 2030.
- As of June 2019, average daily production was 291,667 barrels of oil; an increase of 24,550 barrels over February 2018.
- As of June 30, 2019, there were 5,189 individuals working in the province on operating projects; an increase of 541 persons since the end of Q1 2018.

Technology

- The Department of Tourism, Culture, Industry and Innovation (TCII) provides support for various accelerators and incubators throughout the province, with efforts driving entrepreneurship and new start-ups. Activity is consistently increasing at these various innovation and entrepreneurship hubs. For example, from an initial intake of 20 students, the Memorial Centre for Entrepreneurship now provides programming for over 300 students

interested in entrepreneurship, many focusing on technology start-ups.

- The Government of Newfoundland and Labrador has made it a priority to support accelerators and incubators. The Memorial Centre for Entrepreneurship was recently acknowledged by the Global Consortium of Entrepreneurship Centers as one of the top five emerging entrepreneurship centres in the world and was the only Canadian post-secondary institution to be recognized. Additionally Genesis, known to many as Newfoundland and Labrador's Innovation Hub, was recently named a 'Top Challenger in North America' by University Business Incubators Global at the World Incubation Summit.
- To date, in fiscal 2018-19 and 2019-20, through the High Growth Firms initiative, TCII has contributed approximately \$11.8 million to 30 companies to assist with product and market development
- Newfoundland and Labrador is a significant investor in Venture Newfoundland and Labrador LP, a venture capital fund focused on pre-seed technology startups in Newfoundland and Labrador. Venture Newfoundland and Labrador has led or been active in 24 financings in nine startups. Currently, the companies that have received Venture Newfoundland and Labrador investment collectively employ approximately 150 people, with average salaries of approximately \$68,000. Overall, employment by investee companies has increased 190 per cent since Venture Newfoundland and Labrador investment.



West White Rose – Construction of Concrete Gravity Structure in Argentina

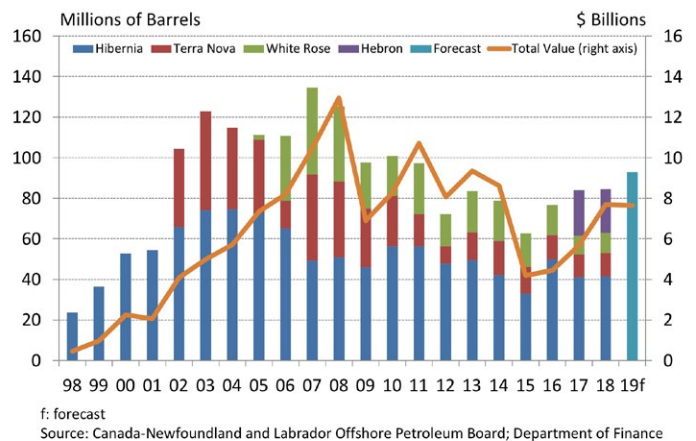
Oil and Gas

Newfoundland and Labrador’s oil and gas and related services industry contributed \$4.7 billion to nominal GDP in 2017, accounting for 15.6% of the provincial total. Direct employment in the industry was approximately 5,200 person years in 2018 and represented 2.3% of total employment in the province.

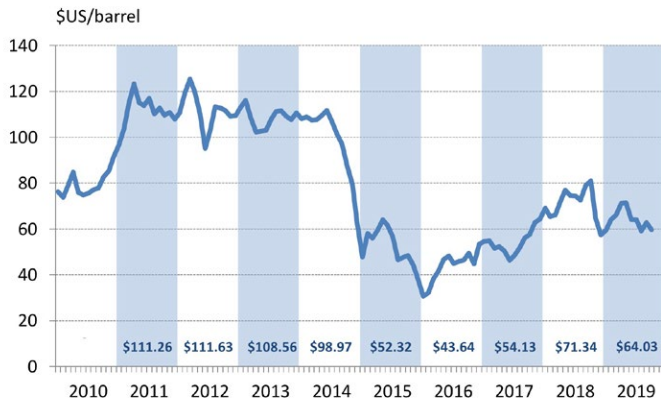
There are currently four projects producing oil in the province’s offshore area: Hibernia, Terra Nova, White Rose and Hebron. Oil production over the January to September period totalled 66.7 million barrels (MMbbls), representing growth of 3.2% or 2.0 MMbbls compared to the same period in 2018. For the year as a whole, oil production is expected to total 92.8 MMbbls, an increase of 10.5% or 8.8 MMbbls compared to 2018 as higher output from Hebron is expected to offset declines at Hibernia and White Rose (see chart). However, the estimated value of production is expected to fall by 0.5% to \$7.6 billion due to lower crude oil prices. The year-to-date price of Brent crude oil,

a benchmark for Newfoundland and Labrador oil, averaged US\$64.03/barrel (up to November 15), down 12.2% from an average of US\$72.93/barrel for a comparable period of 2018 (see chart). For the calendar year as a whole, the price of Brent crude oil is expected to average US\$63.20/barrel, representing a decrease of 11.4% from the average price of US\$71.34/barrel in 2018.

Offshore Oil Production and Value



Brent Crude Oil Prices, Monthly



Note: Average annual Brent crude prices included for each year. Price for 2019 is average up to November 15.

Source: U.S. Energy Information Administration

Hibernia

Hibernia production totalled 25.5 MMbbls in the first nine months of 2019, a decrease of 20.9% or 6.7 MMbbls relative to the same period in 2018. Production was negatively impacted by a shutdown in operations that began on July 17 because of an oil spill. There was also a discharge incident on August 17 that prolonged the shutdown. Subsequently, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) approved the restart of production on September 26. Since first oil in 1997, Hibernia production has expanded into two satellite areas south of the main field: the AA Blocks and the Hibernia Southern Extension (HSE) Unit. The Hibernia project had an estimated 522.9 MMbbls of recoverable reserves remaining at the end of September 2019, and is expected to continue producing beyond 2040. Future development opportunities exist to increase production and extend the field life. As of June 30, 2019, there were a total of 1,565 people working on the Hibernia project in the province, of which 1,432 (91.5%) were Newfoundland and Labrador residents.

Terra Nova

Terra Nova produced 9.3 MMbbls through the first three quarters of 2019, an increase of 2.3% or 0.2 MMbbls compared to the same period of 2018.

As of the end of September 2019, the remaining Terra Nova recoverable reserves were estimated at 83.0 MMbbls. There were a total of 1,110 people working on the Terra Nova project in the province as of June 30, 2019, of which 982 (88.5%) were Newfoundland and Labrador residents.

In May 2019, Suncor Energy Inc. and the Terra Nova joint venture owners sanctioned the Asset Life Extension (ALE) project that will extend the life of the Terra Nova Floating Production, Storage and Offloading (FPSO) vessel by 10 years to 2031. The project will take place in 2020 and is expected to allow the facility to capture approximately 80 million additional barrels of oil.

White Rose

White Rose and its satellite areas (North Amethyst, South White Rose and West White Rose) produced 3.6 MMbbls through the first nine months of 2019, a decrease of 53.7% or 4.2 MMbbls relative to the same period in 2018. Production in 2019 was impacted by a halt in operations that began in November 2018 due to an oil spill stemming from a failed flowline connector. The project returned to full production after the C-NLOPB approved a plan to resume production from the North Amethyst and South White Rose Extension drill centres on August 16, 2019, following the Board's approval to resume partial operations in January of this year. It is estimated that the recoverable reserves remaining for the White Rose project (including North Amethyst and extensions) were 170.4 MMbbls at the end of September 2019. As of June 30, 2019, there were a total of 3,955 people working in the province on the White Rose project (including the West White Rose development), of which 3,639 (92.0%) were Newfoundland and Labrador residents.

On May 29, 2017, the Province and Husky Energy announced that Husky was moving forward with the development of the West White Rose project. A pilot project for West White Rose began in

September 2011 and production has continued to date. The West White Rose project is estimated to cost \$3.2 billion and will use a fixed drilling platform tied back to the SeaRose FPSO. Construction began in late 2017 with a significant amount of the project work being completed in the province. In May 2018, construction of the concrete gravity structure began at the new graving dock in Argentia. This work is expected to continue into 2022. The accommodations module is being constructed in Marystown and is nearing completion. Furthermore, the Topsides Appurtenances (flare boom, helideck and lifeboat stations) will also be fabricated in Marystown as the contract was awarded to Kiewit Offshore Services (KOS) in August 2019. An estimated 5,000 person years of direct employment will be generated during the construction period. First oil is expected in the fourth quarter of 2022, with the tow-out and installation of the concrete gravity structure scheduled for earlier that year. The project will produce approximately 75,000 barrels of oil per day at peak production and create an estimated 250 permanent platform jobs once operational.

Since the White Rose field was discovered in 1984, there have been a number of new discoveries and satellite developments, including two new oil discoveries in recent years. These discoveries continue to be assessed. Potential developments could leverage the SeaRose FPSO, existing subsea infrastructure and the West White Rose drilling platform.

Hebron

Hebron production totalled 28.4 MMbbls in the first three quarters of 2019, an increase of 81.4% or 12.7 MMbbls relative to the same period in 2018. This is the second full year of production for Hebron and production levels continue to ramp up. The project had an estimated 655.3 MMbbls of recoverable reserves remaining at the end of September 2019. As of June 30, 2019, there were

a total of 1,348 people working on the Hebron project in the province, of which 1,236 (91.7%) were Newfoundland and Labrador residents.

Bay du Nord

On July 26, 2018, the Government of Newfoundland and Labrador, Equinor Canada (formerly Statoil Canada Ltd.) and Husky Energy announced a framework agreement for the development of the Bay du Nord project. Located in the Flemish Pass Basin (about 500 kilometres from St. John's) at approximately 1,170 metres of water depth, it represents the first remote, deepwater project in the province's offshore area. Bay du Nord will also be the first project to be regulated under Newfoundland and Labrador's generic oil royalty regulations implemented in 2017. The project is expected to be sanctioned in April 2021 and produce first oil in late 2025. Based on current reserve estimates of around 300 MMbbls of recoverable oil, the expected field life of the project is between 12 and 20 years; however, potential future subsea tie-back developments could extend the project's life. Similar to Terra Nova and White Rose, the Bay du Nord project will use an FPSO vessel. According to Equinor, the pre-development and development expenditures are estimated at \$6.8 billion. The project is estimated to generate 11,000 person years of employment in the province over the life of the field.

Equinor submitted a project description to the Canadian Environmental Assessment Agency (CEAA) in June 2018 that proposes developing the Bay du Nord field (which includes Bay du Nord, Bay de Verde, Bay de Verde East and the Baccalieu discovery). This would involve drilling between 10 and 30 wells over three exploration licences and three significant discovery licences in the Flemish Pass Basin.

Exploration

Project descriptions for a number of long-term exploration drilling programs in the offshore area have been submitted to the CEAA. Proponents of these projects include Husky Oil Operations Ltd., CNOOC International (formerly Nexen Energy ULC), BP Canada Energy Group ULC, Hess Canada Oil and Gas ULC, Noble Energy Canada LLC, ExxonMobil Canada Ltd., Chevron Canada Ltd., Occidental Petroleum Corporation, Suncor, BHP Petroleum (New Ventures) Corporation and Equinor. These projects include drilling up to 91 wells by 2028 within 17 exploration licences in the Jeanne d'Arc, Flemish Pass, Orphan and Carson Basins.

In addition to the proposed exploration drilling programs, environmental assessments for two exploration drilling programs were completed and approved earlier this year:

- Equinor's exploration drilling program in the Flemish Pass Basin: the project includes drilling up to 24 wells across four exploration licences by 2027. In July 2019, Equinor announced that it has contracted Transocean Barents to drill two new exploration wells in addition to plug and abandonment activities on a previous exploration well. The contract also includes an option to drill other wells.
- ExxonMobil Canada Ltd.'s exploration drilling program in the Jeanne d'Arc and Flemish Pass Basins: the project includes drilling up to 18 wells across three exploration licences by 2028.

Moreover, Husky's Jeanne d'Arc Delineation Exploration Drilling Program, in which up to 18 wells could be drilled, has been extended until 2020. The program has resulted in 13 wells being drilled so far.

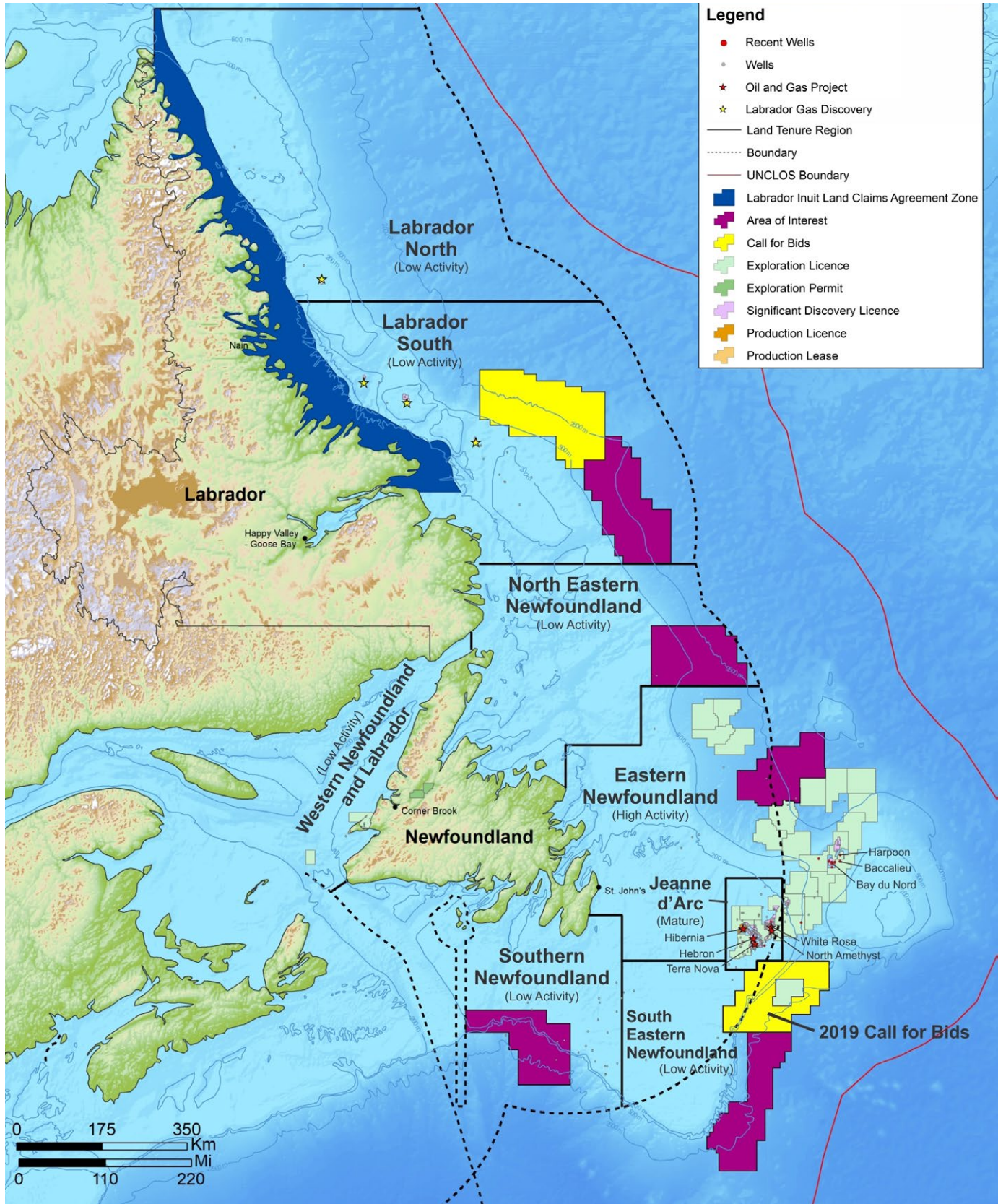
These exploration drilling programs have potential to create significant activity in the Newfoundland and Labrador offshore area and bode well for the

future of the industry in the province. Current potential exploration work commitments in the Newfoundland and Labrador offshore total \$4.1 billion.

In April 2019, the CEAA, along with the C-NLOPB, Natural Resources Canada and the Department of Natural Resources, announced an agreement to conduct a Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador. This assessment will focus on the effects of existing and anticipated offshore oil and gas exploratory drilling in the offshore area east of Newfoundland and Labrador. It will aim to improve the efficiency of the environmental assessment process as it applies to oil and gas exploration drilling, while at the same time ensuring the highest standards of environmental protection continue to be applied and maintained.

On August 28, 2019, the Impact Assessment Act (IAA) came into force, creating the new Impact Assessment Agency of Canada (IAAC) and repealing the Canadian Environmental Assessment Act, 2012. As a result, environmental assessments for future exploration programs in the Newfoundland and Labrador offshore area will be completed by the IAAC in cooperation with other regulatory bodies under the guidelines in the IAA. The Government of Canada made these changes to the environmental assessment process in an effort to improve protection of the environment and the rights of Indigenous communities while ensuring that appropriate resource projects receive approval in a predictable review process.

Newfoundland and Labrador Offshore Area



Note: This map is for illustrative and reference purposes only. The C-NLOPB makes no claims and no warranties express or implied concerning the accuracy or validity of the information provided. For legal descriptions of licences, please visit www.cnlopb.ca
 Source: Canada-Newfoundland and Labrador Offshore Petroleum Board; Department of Natural Resources

Land Issuance Rounds Timeline

Region	Call for Nominations (AOI)		Sector Identification	Call for Nominations (Parcels)	Call for Bids		Issuance of Licences
	Open	Close			Open	Close	
2019 Jeanne d'Arc Mature, 1-year cycle	NA	NA	NA	Aug-2019	Mar-2020	Nov-2020	Jan-2021
2018 Jeanne d'Arc Mature, 1-year cycle	NA	NA	NA	Aug-2018	Apr-2019	Nov-2019	Jan-2020
2018 Eastern Newfoundland High activity, 2-year cycle	Jan-2018	Apr-2018	Jul-2018	Aug-2019	Mar-2020	Nov-2020	Jan-2021
2017 Jeanne d'Arc Mature, 1-year cycle	NA	NA	NA	Sep-2017	Apr-2018	Nov-2018	Jan-2019
2017 South Eastern Newfoundland Low activity, 4-year cycle	Feb-2017	Apr-2017	Jun-2017	Aug-2020	Mar-2021	Nov-2021	Jan-2022
2016 Eastern Newfoundland High activity, 2-year cycle	Sep-2016	Nov-2016	Feb-2017	Sep-2017	Apr-2018	Nov-2018	Jan-2019
2016 Southern Newfoundland Low activity, 4-year cycle	Jan-2016	Apr-2016	Jul-2016	Aug-2021	Mar-2022	Nov-2022	Jan-2023
2016 North Eastern Newfoundland Low activity, 4-year cycle	Jan-2016	Apr-2016	Jul-2016	Aug-2023	Mar-2024	Nov-2024	Jan-2025
2015 South Eastern Newfoundland Low activity, 4-year cycle	Feb-2015	Apr-2015	Jun-2015	Aug-2018	Apr-2019	Nov-2019	Jan-2020
2015 Labrador South Low activity, 4-year cycle	Feb-2015	Apr-2015	Jun-2015	Aug-2022	Mar-2023	Nov-2023	Jan-2024
2013 Labrador South Low activity, 4-year cycle	Dec-2013	Mar-2014	May-2014	Jan-2016	Nov-2016	Nov-2021	Jan-2022

Offshore Exploration Initiatives

The Department of Natural Resources and Nalcor Energy continue to collaborate and invest in the acquisition of geoscientific data. These data are then used as an input to carry out independent resource assessments ahead of the closing of the bidding round in the scheduled land tenure system. This offers an opportunity for industry to learn more about the oil and gas potential of the blocks on offer and ensures a full evaluation of all the offshore basins. The data collected are available for licensing by industry. Data acquired during the 2019 season totalled 13,873 km² of 3D seismic, 24,612 km of 2D seismic, 28 km of seabed video surveys, and 39 geotechnical locations.

On October 3, 2019, Nalcor Energy – Oil and Gas and Beicip-Franlab, in partnership with the Government of Newfoundland and Labrador, released the 2019 Oil and Gas Resource Assessment for nine parcels within the 2019 South Eastern Newfoundland Call for Bids. This was the fourth independent resource assessment to be completed in the offshore area and it identified an additional three billion barrels of oil and 5.8 trillion cubic feet of gas potential. The four resource assessments completed to date indicate a combined resource potential of 52.2 billion barrels of oil and 199.6 trillion cubic feet of gas in about nine percent of the offshore area.

Calls for Nominations

Calls for Nominations (Parcels) for the Eastern Newfoundland and Jeanne d'Arc regions opened on August 29, 2019 and closed on November 13, 2019 (see timeline). These Calls for Nominations will assist the C-NLOPB in selecting parcels to be included in the subsequent 2020 Calls for Bids.

Calls for Bids and Results

Following the closing of the 2018 Calls for Bids, the Board issued five exploration licences on January 15, 2019 with successful bids totalling \$1,386,273,936, including a record single successful bid amount of \$621,021,200 by BHP Petroleum (New Venures) Corporation.

On February 5, 2019, the Board announced updates to the scheduled land tenure system, rescheduling Call for Bids in the Labrador South, North Eastern Newfoundland and Southern Newfoundland regions to allow sufficient time to update the Southern Newfoundland and Labrador Strategic Environmental Assessments (SEA). The Labrador SEA is ongoing and Calls for Bids for 10 parcels in the Labrador South region will close in November 2021.

On April 3, 2019, the C-NLOPB announced Calls for Bids for exploration licences for nine parcels in the South Eastern Newfoundland region and four parcels in the Jeanne d'Arc region. Bids on these parcels closed on November 6, 2019 and successful bids totalling \$38,608,444 were received on three of the parcels.



Tacora Resources Inc.

Tacora – First Ore Train

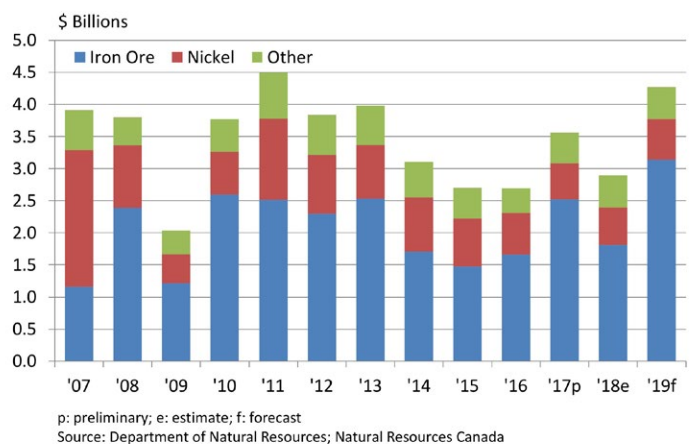
Mining

The value of Newfoundland and Labrador mineral shipments is expected to total \$4.3 billion in 2019, an increase of 47.8% from 2018 (see chart). This significant growth is due to an increase in iron ore prices and a rebound in iron ore production as the Iron Ore Company of Canada (IOC) returned to full production following a shutdown in 2018 stemming from a labour dispute. As well, Tacora Resources Inc. started producing iron ore from its Wabush mine this year. Total mining related employment (including employment associated with activities at Vale’s Long Harbour nickel processing facility) is expected to grow by around 17% to approximately 6,400 person years in 2019. This growth mainly reflects the ramp-up of construction on the Voisey’s Bay underground mine.

Market Conditions

Market conditions for the provincial mining industry have been largely positive in the first three quarters of 2019. Iron ore prices rose steadily in the first

Value of Mineral Shipments



half of the year, reaching almost US\$119/tonne in July. Since then, prices have receded somewhat, but remain at a significantly higher level than was seen in 2018 (see chart). Price growth in the first half of the year was driven by supply disruptions in Australia and a tailings dam disaster in Brazil. However, uncertainty surrounding the outlook for Chinese demand for steel caused prices to soften

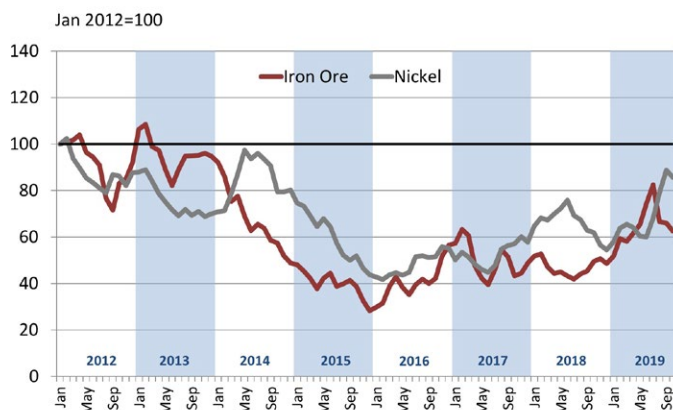
somewhat in the following months. Overall, iron ore prices averaged US\$92/tonne in the first ten months of 2019, up 38.4% from the 2018 average of US\$66/tonne.

Nickel prices remained relatively steady in the first half of the year, averaging US\$5.59/lb. More recently, prices have climbed to over US\$7.50/lb, a level not seen since 2014. The rapid price growth was a result of concerns about the supply of nickel, as Indonesia (a major producer of nickel ore) plans to ban unprocessed exports as of January 2020. Overall, nickel prices averaged US\$6.27/lb in the first ten months of 2019, up 5.4% from 2018.

Iron Ore Company of Canada

IOC, located near Labrador City, is the province’s oldest continually operating mine. The mine currently generates approximately 1,900 person years of employment.

Mineral Price Indices



Source: London Metal Exchange, MetalPrices.com

IOC shipped 8.1 million tonnes of iron ore in the first half of 2019, up 82.8% from the same period in 2018. This significant increase is a result of the mine returning to normal levels of production. Production in the first half of 2018 was significantly reduced by a work stoppage at the mine from March 27 to May 28 because of a labour dispute. For the year as a whole, production is expected to total between 18.2 and 19.2 million tonnes. If 19.2

million tonnes of production is achieved, it would represent a 27% increase from 2018.

Tata Steel Minerals Canada

Tata Steel Minerals Canada (TSMC) operates a high-grade iron ore project, which straddles the Québec-Labrador border. This operation is a joint-venture between Tata Steel of India, Ressources Québec and New Millennium Iron Corp. TSMC has deposits in both Labrador and Québec.

Until recently, TSMC had been operating as a direct shipping ore (DSO) project, but is now transitioning to the production of high grade concentrate to take advantage of market premiums. TSMC is in the final stages of completing the commissioning of its \$700 million wet processing plant that was put on hold in 2016 due to low commodity prices. Once fully operational, the plant will produce both concentrate and DSO. TSMC had been a seasonal operation, however, with the activation of the wet processing plant, TSMC will operate year round. The project is expected to generate approximately 250 person years of employment in the province in 2019.

In August, the provincial and federal governments announced funding to construct a new terminal station and a 27 kilometre transmission line connecting the TSMC site with the Menihek Hydroelectric Generating Station’s existing line. This project will enable the company to reduce the mine’s diesel consumption by up to 40%.

Tacora

Mining operations at Tacora Resources’ Scully Mine, located in Wabush, began in June 2019. The company acquired the mine and associated assets in 2017. On August 30, the company marked a significant achievement, shipping its first seaborne vessel shipment of iron ore concentrate to a customer in Europe.

Monthly production has grown steadily since the start of operations, reaching almost 160,000 tonnes in August 2019. It is expected to continue to ramp up until it reaches approximately 6 million tonnes per year (500,000 tonnes per month on average) in 2021. From January to August of this year, the company spent \$165.1 million on the mine, \$55 million of which was spent in Newfoundland and Labrador. The mine is expected to have a life of at least 26 years and provide long-term employment opportunities for almost 300 persons.

Vale

Vale Newfoundland and Labrador (VNL) operates the Voisey's Bay open pit nickel mine on the north coast of Labrador and the nickel processing facility in Long Harbour on the island portion of the province. Currently, all nickel mined at Voisey's Bay is shipped to Long Harbour for processing and the processing facility operates using 100% Voisey's Bay concentrate. The value of nickel shipped by VNL is expected to rise by 6.9% in 2019 as a result of both higher production and prices.

In August 2019, VNL announced that the Voisey's Bay underground development had reached 10% completion. The project, which will include two separate deposits (Reid Brook and Eastern Deeps), is expected to produce 45,000 to 50,000 tonnes of nickel-in-concentrate annually that will be processed into finished nickel at the Long Harbour processing plant. Mining operations will gradually transition from open pit to underground with first ore production from the underground mine targeted for 2021. Access to the underground ore is expected to increase operational employment at the Voisey's Bay mine from 500 person years to approximately 950 person years annually and is expected to extend the mine life to 2034.

Employment for all aspects of the Voisey's Bay project—current operations at the Voisey's Bay mine, the Long Harbour nickel processing facility and construction of the underground mine—is

expected to average about 2,600 in 2019, a 30% increase from 2018.

Other Producing Mines

Rambler Metals and Mining Canada Ltd. (RMM) extracts and processes ore from its copper-gold Ming Mine on the Baie Verte Peninsula. RMM began a mining process improvement program in 2018 aimed at improving production and increasing the average grade of ore produced in an effort to boost saleable production. In 2019, RMM has reaped the rewards of this program as production of copper and gold in the first three quarters of the year both increased by 33% over the same period in 2018. The mine currently generates approximately 200 person years of employment annually.

Anaconda Mining Inc. began gold production at its Point Rouse project near Baie Verte in 2008. Anaconda completed mining at the Pine Cove open pit in March 2018, after which operations transitioned to the Stog'er Tight Mine. Upon evaluation of the potential for continued operation following the completion of Stog'er Tight, Anaconda is mining pushbacks from the south and southwest areas of the Pine Cove pit. Anaconda has continued an aggressive drilling program to further delineate the resource estimates for a number of gold prospects in the area. One of these prospects, the Argyle deposit, was expected to begin development in 2019. However, the company has since focused its efforts on the continued expansion of Pine Cove and will defer the development of the Argyle mineral resource until 2020. Anaconda produced 11,770 ounces of gold in the first nine months of 2019, a decrease of around 16% from the same period in 2018. The operation currently generates around 80 person years of employment annually.

Canada Fluorspar Inc. (CFI) is operating a fluorspar mine and mill facility located in St. Lawrence. Construction of the project is complete and CFI made its first commercial shipment in August 2018. Production continues to ramp up and when the

mine and mill are both fully operational, the project is expected to produce up to 200,000 tonnes of fluorspar concentrate per year. CFI is expected to generate around 260 person years of employment in 2019.

Beaver Brook Antimony Mine restarted operations in March 2019 after attracting new investment from the Chinese state-owned China Minmetals Rare Earth Group. The mine is expected to produce approximately 160,000 tonnes of antimony per year over a three and a half year mine life. Employment on the project is expected to be around 100 person years in 2019.

The province's construction aggregate industry (i.e. producers of gravel, sand, crushed stone, and other mineral material that is used in the construction industry) is expected to ship approximately seven million metric tonnes of aggregate, sand and gravel valued at \$38.9 million in 2019. The sector includes operators such as Atlantic Minerals and Trinity Resources Ltd. and generates around 550 person years of employment.

Development

Marathon Gold is progressing with its Valentine Lake Gold Camp in central Newfoundland. Recent drilling results have continued to show significant resource potential. An updated mineral resource estimate is expected to be released in the fourth quarter of this year and work on a pre-feasibility study is underway. A preliminary economic assessment of the project indicates there is a potential for production of 225,000 ounces of gold per year with a mine life of 12 years. Should the project proceed, it is anticipated to begin construction in 2022.

Exploration

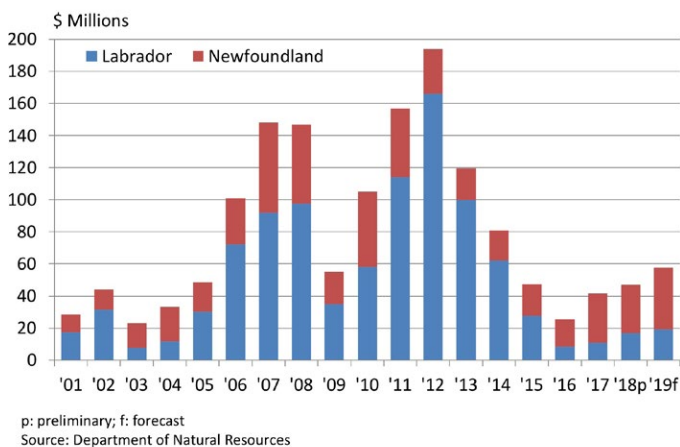
Mineral exploration activity has continued to recover after bottoming out at \$25 million in 2016. Despite a difficult investment climate in recent

years, where junior exploration companies have had difficulty raising capital, there is optimism that the sector is improving. Exploration expenditures are expected to rise to \$57.6 million in 2019 from \$47.1 million in 2018 (see chart). Favourable commodity markets, particularly for gold, have spurred a rebound in activity. In addition, a number of promising exploration developments have progressed in the past year.

Matador Mining is pursuing a gold exploration program at the Cape Ray Gold Project in the Isle aux Morts area. The company took over the project from Nordmin Resources and Industrial Engineering Ltd. in 2018 with the goal of developing a mine and mill processing operation. The project is currently under environmental assessment with plans to finish its environmental impact statement documentation before the end of 2020. Matador carried out extensive exploration in 2018 and 2019 totalling nearly \$4.3 million and 12,000 metres of drilling.

Search Minerals Inc. has continued to conduct an exploration program in the area of its proposed Foxtrot Rare Earth Element Mine in Labrador. The primary focus is on the Port Hope Simpson Critical Rare Earth Element District in South East Labrador. The project has been registered for environmental assessment and consultants have been engaged to conduct a preliminary economic assessment.

Mineral Exploration Expenditures





Fabrication Process

Manufacturing

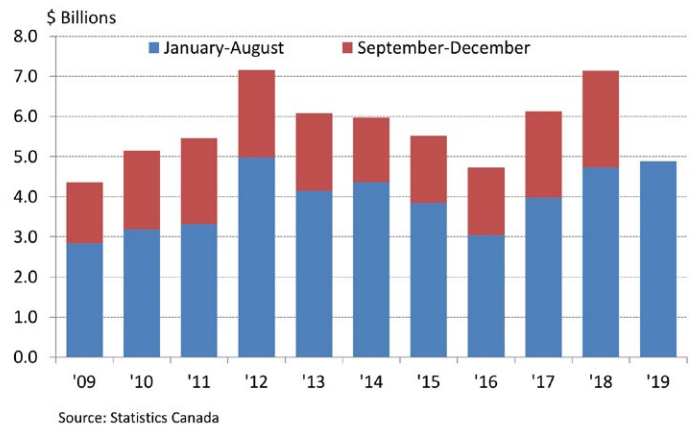
There are many manufacturers located in both rural and urban areas of the province, with the majority of output concentrated in refined petroleum, food processing (primarily fish), fabricated metal manufacturing, non-ferrous metal production and processing, and newsprint. The value of manufacturing shipments totalled \$4.9 billion in the first eight months of 2019, representing an increase of 3.3% compared to the same period last year (see chart). This growth was mainly due to increases in processed seafood products and non-ferrous metal.

Employment in the manufacturing industry averaged approximately 9,100 in the first ten months of 2019, on par with the same period in 2018. This represented 4.0% of total employment in the province. Labour income in the manufacturing industry increased 3.6% in the first half of 2019 compared to the first half of 2018, due to an increase in wages. Average weekly earnings in the manufacturing sector rose by 4.5% in the first

eight months of 2019 compared to the same period in 2018.

Locally manufactured products are shipped throughout the province, elsewhere in Canada and to international markets. The value of international manufacturing exports from Newfoundland and

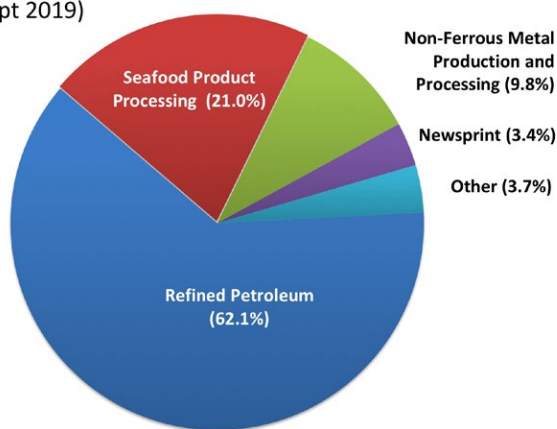
Manufacturing Shipments



Labrador was approximately \$3.5 billion in the first nine months of 2019, a decrease of 4.3% compared to the same period in 2018. This decrease was primarily due to lower shipments of refined petroleum products and newsprint. The U.S. remains the largest export market for Newfoundland and Labrador manufacturers, representing 78.0% of international exports during the January to September 2019 period.

Distribution of International Manufacturing Exports by Industry

(Jan to Sept 2019)



Source: Innovation, Science and Economic Development Canada

Refined petroleum products account for the largest portion of the value of provincial manufacturing output (see chart). The North Atlantic Refinery in Come by Chance is strategically located along Atlantic crude oil shipping routes. As such, it provides Silverpeak Strategic Partners (the owners of the refinery since November 2014) access to petroleum markets in Europe and the eastern U.S. seaboard. Silverpeak has committed to investing capital and improving operations at the refinery. Current daily refining capacity is around 130,000 barrels of oil – there are plans to grow that capacity to more than 165,000 barrels per day. Several proposed capital projects are in various stages of planning and the environmental assessment process. These include a crude efficiency/flexibility project; a crude oil pipeline connection between the refinery in Come By Chance and Newfoundland

Transshipment Limited's transshipment terminal in Whiffen Head; and a delayed coker project. The value of international refined petroleum exports from Newfoundland and Labrador totalled \$2.2 billion in the first nine months of 2019, representing a decrease of 7.9% compared to the same period in 2018. This decrease in value can be attributed to lower year-over-year prices for petroleum products. Typically, the company employs approximately 400 full-time employees and over 100 contract employees.

Fish processing plays a significant role in Newfoundland and Labrador's manufacturing industry. The value of international seafood product exports totalled approximately \$745 million in the first nine months of 2019, up 1.1% from the same period in 2018. The U.S. and China accounted for over 75% of export value for the province's seafood products (see **Fishery and Aquaculture** for details).

Fabricated metal manufacturing activity generally rises and falls with major project construction activity. For the first nine months of this year, fabricated metal manufacturing employment was up significantly, likely the result of development work on the West White Rose project.

Vale Newfoundland and Labrador (VNL) owns and operates the nickel processing plant in Long Harbour. The nickel concentrate processed at the facility is sourced exclusively from the Voisey's Bay mine in Labrador. While the primary output from the plant is nickel, cobalt and copper are also produced as by-products. In June 2018, Vale announced that it had secured a deal to sell 75% of its future production of cobalt. An upfront payment of US\$690 million was made, plus expected additional payments of an average of 20% of cobalt prices upon delivery. Prices for cobalt have increased substantially in the past several years and demand is expected to double by 2025. Payments from this deal are being used to help finance the development of the underground mine at Voisey's Bay (see **Mining**). Shipments of nickel from the

Long Harbour plant are expected to increase by 6.9% in 2019 as a result of higher production and prices. In the first nine months of 2019, the value of international exports of non-ferrous metal production and processed products from Newfoundland and Labrador increased by 6.4%. The nickel processing facility currently employs approximately 900 people.

The volume of newsprint shipped from Corner Brook Pulp and Paper Limited was down in the first nine months of 2019, decreasing 10.0% compared to the same period in 2018. The estimated value of shipments rose 1.0% on a year-over-year basis due to higher prices for newsprint.

Other developments in Newfoundland and Labrador's manufacturing industry included:

- Construction of the concrete gravity structure for the West White Rose project is underway at the new graving dock in Argentia, with work expected to continue into 2022. The accommodations module is being constructed in Marystown and is nearing completion. The Topsides Appurtenances (flare boom, helideck and lifeboat stations) will also be fabricated in Marystown as the contract was awarded to Kiewit Offshore Services in August 2019.
- In July 2019, it was announced that C & W Industrial Fabrication and Marine Limited in Bay Bulls was sub-contracted to build and install its newly designed fish processing production unit for groundfish onboard Ocean Choice International's new Arctic class vessel. The Government of Canada is providing a repayable contribution of \$3.5 million, matching Ocean Choice's investment of \$3.5 million. The new production unit will enable Ocean Choice to process its key groundfish stocks at sea using innovative, clean technology to maximize yield and quantity and deliver products ready for market. The energy efficiency components and technology being incorporated into the

design and build of the production line unit and vessel are expected to lead to a clean class designation, or Green Ship. This will be a first for a Canadian groundfish vessel.



Department of Fisheries and Land Resources

Crab Harvesting

Fishery and Aquaculture

The fish and seafood sector remains an important generator of economic activity and employment for the province, particularly in rural areas. The value of fish and seafood production in 2019 is on pace to exceed the one billion dollar mark for the fifth consecutive year. In 2018 (latest year available), there were approximately 15,800 people employed within the industry from over 400 communities across the province.

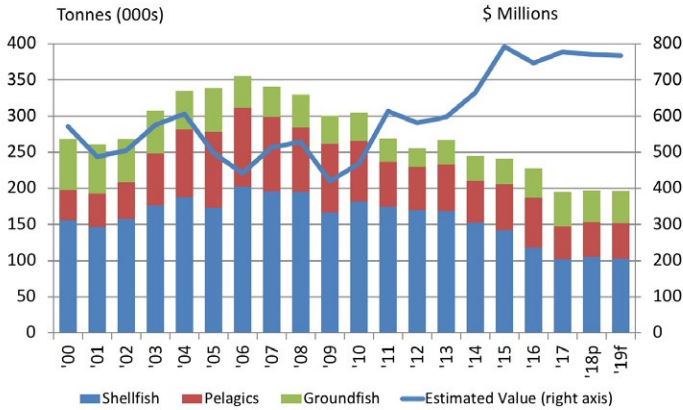
Capture Fisheries

Recent stock assessments indicate that some of the province's groundfish stocks continue to show signs of growth, which appears to be largely driven by increasing water temperatures. While the northern cod stock has not yet fully recovered, recent stock assessments indicate that the stock is still above levels observed during the 2000s. Other groundfish stocks, particularly redfish, are also continuing to grow in areas around Newfoundland and Labrador.

While warmer water temperatures appear to be more favourable for groundfish, it appears to be having a negative impact on the abundance of some key shellfish resources. Recent assessments indicate that the snow crab resource continues to decline around Newfoundland and Labrador. Northern shrimp stocks have declined off the east coast of the island and southern Labrador over the past decade, and recently in areas to the north.

Total fish landings are expected to decrease slightly to approximately 196,190 tonnes in 2019, representing a 0.7% decrease compared to 2018 (see chart). This projected decrease in landings is primarily driven by lower shrimp and snow crab catches. Total landed value is expected to decrease slightly to \$767 million in 2019, down 0.4% from 2018. This is mainly the result of lower catches.

Capture Fishery Landings



p: preliminary; f: forecast

Source: Fisheries and Oceans Canada; Department of Fisheries and Land Resources

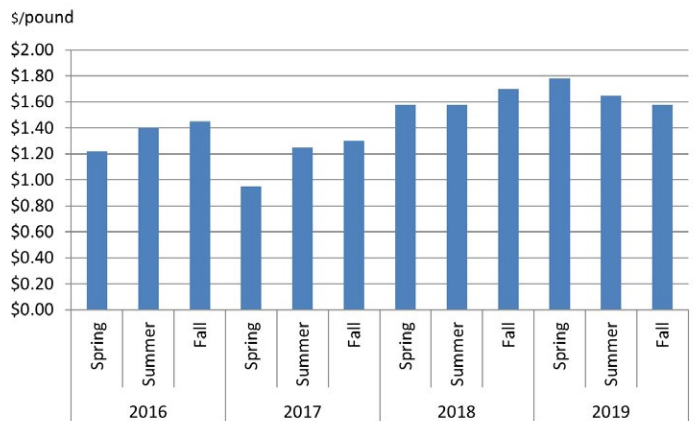
Shellfish

Shellfish landings are forecast to decline 2.9% this year to approximately 102,500 tonnes. This projected decrease is primarily driven by lower shrimp and snow crab catches, stemming from further reductions in the Total Allowable Catch (TAC) for each species. The corresponding landed value for shellfish, however, is expected to increase by 0.6% to over \$640.5 million due mainly to higher snow crab prices.

The shrimp fishery is expected to see landings decrease 8.1% in comparison to 2018 to approximately 39,900 tonnes, mainly due to reductions in the TAC. The TAC in Shrimp Fishing Areas (SFAs) 4 and 5 were reduced by 31.0% and 13.7%, respectively, this year, while the TAC in SFA 6 increased slightly (2.6%). The minimum landed price paid to harvesters for inshore shrimp in the 2019 spring and summer fisheries both increased this year, while the fall price decreased slightly (see chart).

The 2019 snow crab fishery is complete. Snow crab landings declined 4.1% to just under 27,000 tonnes, due to quota cuts. The TAC for the Newfoundland and Labrador region in 2019 was 26,894 tonnes, an overall quota level decrease of approximately 9% from 2018. The corresponding landed value of crab increased 3.6% due to higher raw material prices.

Minimum Landed Price Paid to Harvesters Inshore Shrimp



Source: Fish Food & Allied Workers Union

Groundfish

Groundfish landings are expected to remain on par with 2018 at around 45,000 tonnes. Landings for most species are forecast to remain at 2018 levels. Landed value is forecast to decline by almost 6% to \$105.7 million due to lower prices for redfish and halibut.

Pelagics

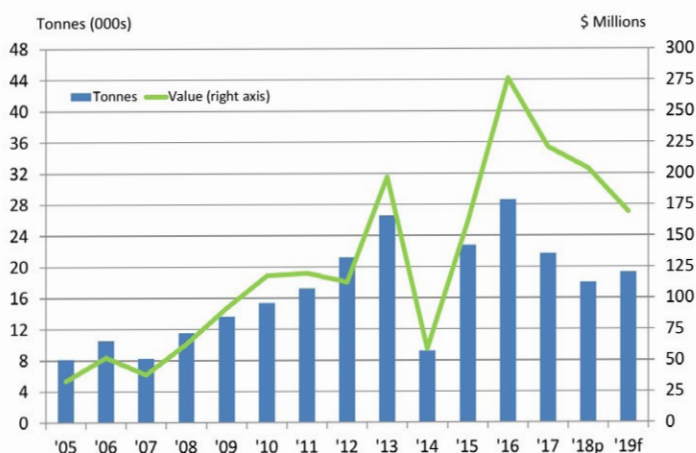
Pelagic landings are also expected to remain on par with 2018, as slightly higher herring landings are forecast to offset lower mackerel landings. Capelin landings are expected to remain stable. Landed value for pelagics was \$19.7 million in 2018. Negotiated raw material prices for capelin were higher in 2019, which may result in an increased landed value for pelagics overall.

Aquaculture

Preliminary data indicates that aquaculture production will increase in 2019 relative to 2018. Production volume is expected to be approximately 19,284 tonnes in 2019, up 7% from 17,978 tonnes last year, the result of higher production of both Atlantic salmon and mussels (see chart). The corresponding market value is anticipated to decrease 17% to \$170 million, down from \$204

million last year. The decrease in value is largely due to lower market prices for Atlantic salmon. The average market price between January and August 2019 for 8-10 pound wholefish Atlantic salmon was \$4.43 per pound, down 9% in comparison to the average price in 2018.

Aquaculture Production and Value (all species)



p: preliminary; f: forecast
Source: Department of Fisheries and Land Resources

Salmonid production in 2019 was impacted on the South Coast of the province as a result of the mass mortality events along with the changes in production levels as companies transitioned from one company to another. These events may have an impact on future production levels. Salmonid production is projected to reach approximately 15,800 tonnes in 2019 and be valued at \$154 million.

The province’s aquaculture shellfish production consists primarily of blue mussels. Production is anticipated to reach 3,500 tonnes in 2019, with a production value of \$15 million. Mussel prices have remained relatively stable, with small fluctuations due to changes in exchange rates. The average price between January and August 2019 was \$1.92 per pound, while the 2018 average for the same period was \$1.86 per pound.

Processing and Marketing

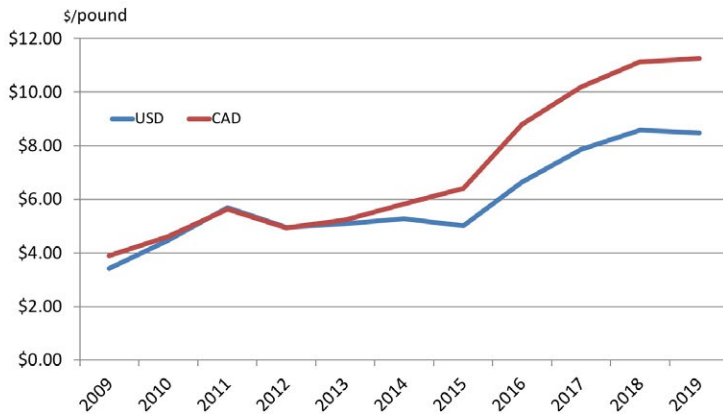
From January to August of this year, approximately 88,395 tonnes of seafood production has been reported. This compared to 87,316 tonnes in the same period of 2018. There are currently 90 active fish processing licences in the province, this includes primary processing, secondary processing, aquaculture processing and in-province retail fish establishments.

From January to September, the United States and China accounted for approximately 73% of the international export value of the province’s seafood products. The United States remains the largest market and represented 55.6% of total export value over the period (up from 50.6% in 2018), while China accounted for 17.2% (down from 24.3% in 2018). Other major markets include Denmark (5.0%), Japan (3.8%), Indonesia (3.8%) and United Kingdom (2.6%). From January to September of this year, Newfoundland and Labrador’s international seafood product exports were valued at approximately \$779 million, 1.0% higher than the same period in 2018.

A relatively low Canadian dollar and high market prices continued to benefit snow crab processors in the first part of 2019. High demand from Japan and the United States kept inventories low which put upward pressure on market prices. The year-to-date (January to August) average market price for 5-8 ounce snow crab sections was 3% higher than the same period in 2018 and has almost doubled since 2015 (see chart). Average market prices for inshore shrimp started the year on par with 2018, but have declined since. The price of 150-250 count shrimp averaged \$6.76 per pound over the January to September period, down 9.8% from the same period in 2018.

Newfoundland and Labrador seafood producers have benefitted from market access under the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) which came into

5-8 Ounce Snow Crab Market Prices



Note: Prices for 2019 are January through August
Source: Urner Barry; Bank of Canada

force on September 21, 2017. Under CETA, the majority of seafood tariff lines became duty free, and the remaining tariffs will be phased out over seven years. In the meantime, Newfoundland and Labrador producers have been able to avail of transitional tariff rate quotas (TRQs) for cooked and peeled shrimp (23,000 tonnes) and frozen cod fillets (1,000 tonnes).

There are a number of initiatives in place intended to help transform and drive innovation in the fish and seafood sector, the Atlantic Fisheries Fund (AFF) for example. The AFF is cost-shared between the Government of Canada and the Atlantic provinces. This fund spans a seven-year time frame and will support innovation in the fish and seafood sector in Atlantic Canada. The fund is already providing significant economic benefits for the province's fish harvesters, fish processors and aquaculture companies.



Harvested Area Replanted, Near Whitewash

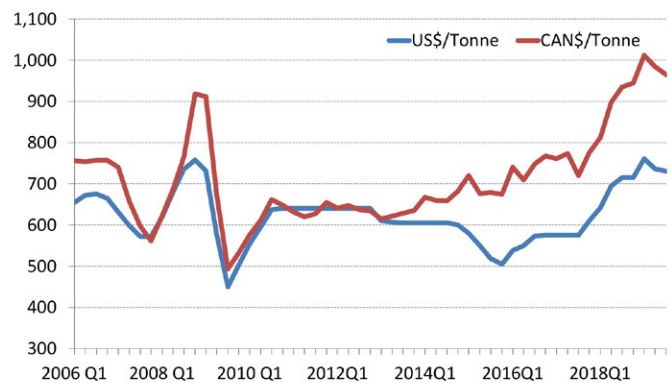
Forestry

Newsprint

Market Conditions

North American newsprint producers continue to deal with challenging market conditions in 2019. Demand has dropped by two-thirds since 2000, reflecting the growing popularity of digital media. Newsprint producers removed considerable capacity over this period to offset the declining demand, resulting in tighter supply and, therefore, higher market prices (see chart). As demand continues to decline, further decreases in supply will be necessary to maintain current prices. Capacity reductions in 2018 by Kruger at its Québec mills and Norpac’s shift to other grades of paper likely helped offset some of the impact of lower demand on prices. For the first three quarters of 2019, the price of newsprint averaged US\$743/tonne, 8.6% higher than the corresponding period in 2018.

North American Newsprint Prices



Source: TD Financial Group; Pulp and Paper Weekly; Bank of Canada; Department of Finance

Provincial Industry

Corner Brook Pulp and Paper Limited (CBPPL), a subsidiary of Kruger Inc., owns and operates the newsprint mill in Corner Brook. CBPPL employs close to 455 full-time and casual workers among the paper mill, power plants and forest operations. Provincial newsprint shipments in the first three quarters of 2019 declined by 10.0% to 159,527

tonnes, while the estimated value of shipments rose by 1.0%. Higher newsprint prices were more than enough to offset the decrease in output.

In terms of capital investment, CBPPL recently announced the replacement of a penstock at Deer Lake Power. This is in addition to ongoing infrastructure improvements, including the installation of two weigh scales, a transition to mass scaling and improvements to pulp chip screening and handling systems.

On August 30, 2019, the Federal Government announced an investment of \$5.5 million in the Port of Corner Brook, along with \$2.3 million from the Corner Brook Port Corporation, \$1.7 million from Logistec, \$850,000 from the Government of Newfoundland and Labrador, and \$625,000 from CBPPL. The project is to build a new warehouse to store goods and a new crane for loading and unloading container ships. This will improve the access to international markets for businesses in the region.

The mill in Corner Brook had been challenged by the tariffs imposed by the U.S. Department of Commerce in 2018. However, on August 28, 2018, the U.S. International Trade Commission voted to eliminate the tariffs that had been placed on import of Canadian newsprint and other uncoated mechanical papers. Its decision was based on their analysis that the U.S. industry was not adversely impacted by imports from Canada. Because of this decision, CBPPL was relieved from U.S. tariffs and duties and amounts paid were refunded.

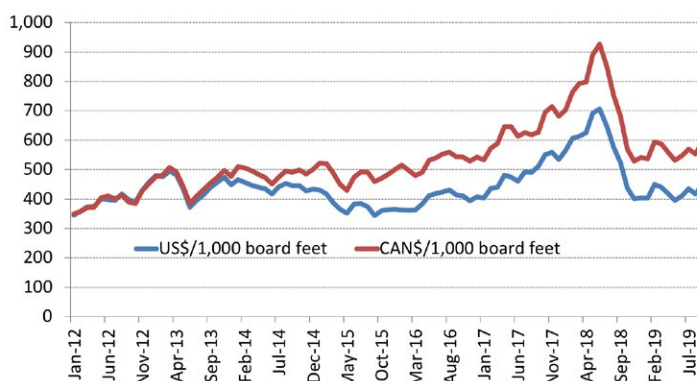
Newfoundland and Labrador international newsprint exports between January and September 2019 remained steady compared to the same period in 2018. Exports to the United States—which account for about half of newsprint exports—increased by 4.1%, while exports to India (second largest export market) declined by 27.9%. Exports to India more than tripled in 2018 as CBPPL sought to diversify its markets, but have recently decreased

as a result of a 10% tariff placed on imported newsprint by India.

Lumber

Lumber prices declined substantially over the past year, falling from an average of US\$567 per thousand board feet in 2018 to US\$448 in September 2019 (see chart). The decline occurred despite curtailed lumber production in North America over the same period. On the demand side, residential construction is a major driver for this sector. Growth in single-family housing starts have been slowing in the United States (down 2.1% in the first three quarters of 2019); however, there has been continued demand in home repair and remodelling. Housing starts in Canada during this period were 155,454 (up 0.2%).

Lumber Prices



Note: Price is for Kiln Dried Eastern Spruce-Pine-Fir # 1&2 2x4 R/L - Delivered Great Lakes
Source: Random Lengths Weekly Pricing; Department of Natural Resources; Bank of Canada; Department of Finance

Newfoundland and Labrador lumber production is expected to reach 97 million board feet in 2019, up from 94.6 million board feet in 2018. Increased output reflects capacity improvements and improved access to the U.S. market.

Sexton Lumber Co. Ltd., the largest sawmill in the province, recently installed a new finger jointing plant. This new addition allows the company to increase the variety of lumber lengths it produces. The industry is also exploring opportunities in

lumber by-products. For example, Burton's Cove Logging and Lumber Ltd. in Hampden installed a new storage facility to store processing residues. Those residues are used in energy applications and for animal bedding.

The Canada-U.S. softwood lumber trade dispute remains a source of concern for Canadian lumber exporters. However, Newfoundland and Labrador sawmills continue to benefit from the "Atlantic Exclusion." In November 2017, the U.S. Department of Commerce announced that lumber produced and originating from Nova Scotia, Prince Edward Island and Newfoundland and Labrador would be excluded from countervailing and anti-dumping duties. This decision has been positive for the provincial sawmill industry. Approximately \$12.5 million in lumber was exported from the province to the U.S. in the first three quarters of 2019.



Field of Cabbages

Agriculture

The agriculture industry in Newfoundland and Labrador is diverse, with operations ranging from small organic farms to large dairy and poultry farms. Livestock and livestock products account for approximately 85% of the total value of receipts with the remainder coming from crops and direct payments, such as crop insurance. The largest valued products include dairy, chicken, eggs, fur, and floriculture, nursery and sod.

Following last year's growth, provincial farm cash receipts or sales of farm products were up again in the first quarter of 2019. Total receipts were up 2.6% to \$34.4 million, helped by gains in egg production and program payments in the form of AgriStability, a voluntary program that provides support when farmers experience large margin declines. Livestock and livestock product receipts and program payments were up by \$0.1 million and \$1.0 million, respectively, while crop receipts were down \$0.2 million (see table).

Livestock production was led by a \$0.4 million or 7.6% gain in the value of egg production. This offset a decline of \$0.3 million or 2.8% in the value of poultry and hog production.

Data from the Chicken Farmers of Canada indicates that the volume of chicken produced in the province in the first nine months of 2019 was up 1.1% compared to the same period in 2018. However, CPI data suggest retail chicken prices are down so far this year. Lower prices likely more than offset the production volume gains, resulting in lower farm cash receipts.

Monthly data on milk production indicates that the volume of milk sold by farms declined by 1.5% during the first eight months of 2019 compared to the same period last year. However, the value of milk remained stable as lower production appears to have been offset by higher prices.

Vegetable Transplant Program

The Provincial Vegetable Transplant Program was initiated amid efforts to diversify the Province's crop profile, expand vegetable production areas and demonstrate the enhanced productivity that could be realized by utilizing transplants. This program is being facilitated through the production of high-quality vegetables for transplant at the Centre for Agriculture and Forestry Production in Wooddale.

2018 was the inaugural year for Newfoundland and Labrador's Vegetable Transplant Program which distributed 255,800 transplants to 25 farmers. Crops grown that year included Brussels sprouts, kale, leek, onion and kohlrabi. In 2019, the program grew to 54 applicants and distributed 1.7 million transplants. Crops offered included: broccoli, cabbage, onion, kohlrabi, Brussels sprouts, kale, leek, cauliflower and rutabaga. Farmers are currently harvesting and marketing vegetables from the 2019 program.

Farm Cash Receipts

Newfoundland and Labrador, \$Millions

	Actual			%
	2018 Q1	2019 Q1	Ch, \$M	Change
Crop Receipts	2.3	2.1	-0.2	-8.5%
Dairy	11.9	11.9	0.0	0.0%
Eggs	4.8	5.1	0.4	7.6%
Poultry and Hogs*	9.8	9.6	-0.3	-2.8%
Fur	3.7	3.7	0.0	0.0%
Other**	1.2	1.2	0.0	0.0%
Program Payments	-0.2	0.8	1.0	n.a.
Total Receipts	33.6	34.4	0.9	2.6%

* Value includes chicken for meat, chicks, turkey and hogs.

** Includes cattle, calves, sheep, lambs and misc. livestock.

Source: Statistics Canada. Table 32-10-0046-01 Farm Cash Receipts; Department of Finance



Construction of Long-Term Care Home in Grand Falls-Windsor

Construction

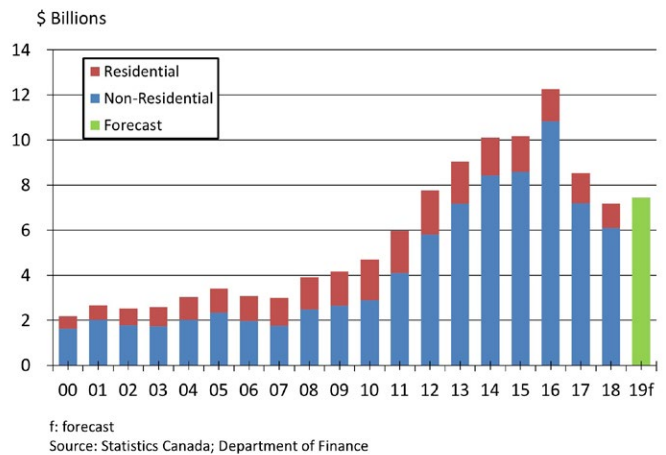
Newfoundland and Labrador has recorded a remarkable expansion in construction activity over the past 15 years, largely driven by high levels of investment in major project developments. More recently, completion of the Hebron offshore platform and the Long Harbour nickel processing facility, combined with the winding down of the Muskrat Falls hydroelectric development, have lowered construction employment from the peak in 2016.

Construction Related Investment

Construction related investment spending in the province is expected to total \$7.4 billion in 2019, up 3.5% from the previous year (see chart). An increase in non-residential expenditures is expected to more than offset a decrease in residential expenditures.

Non-residential investment, which accounts for the vast majority of construction related investment in the province, is expected to total \$6.5 billion in 2019, up 6.3% compared to 2018 levels. This

Construction Related Investment



is mainly due to higher expenditures on the development of the West White Rose project and the underground mine at Voisey's Bay.

Residential construction spending is down significantly thus far in 2019. In the first eight months of this year, investment in residential construction declined by 38.6% compared to the same period of 2018. Expenditures on new dwellings dropped 30.7% while expenditures on renovations fell by 42.5%. The decrease in

expenditures for new dwellings is consistent with the drop in housing starts this year (see **Real Estate**).

The construction industry continues to benefit from a five-year, nearly \$3 billion plan for new and existing public infrastructure (e.g. schools, roads, healthcare facilities) that was announced in March 2017. This plan is expected to generate an average of \$580 million in GDP and 5,100 person years of employment annually. In 2019-20, \$594.3 million is being invested in new and existing schools, health care facilities, roads and bridges, municipal infrastructure, and more.

Construction will start this year on:

- schools in Bay Roberts, Gander, Paradise and St. Alban's;
- two new 60-bed long term care homes in Gander and Grand Falls-Windsor;
- a 20-bed protective care unit for the Dr. Hugh Twomey Health Centre in Botwood; and
- a new 164-bed hospital to replace Western Memorial Regional Hospital in Corner Brook.

Procurement has also begun on a new correctional facility to replace Her Majesty's Penitentiary and a new adult mental health and addictions facility in St. John's.

Recent developments in the oil and gas industry also bode well for construction in Newfoundland and Labrador. In May 2017, Husky Energy confirmed plans to develop the West White Rose project with a fixed drilling platform. Construction began in late 2017 and the project is estimated to cost \$3.2 billion. Construction of the concrete gravity structure began at the new graving dock in Argentia in May 2018. The accommodations module is being fabricated at Kiewit Offshore Services (KOS) in Marystown and is nearing completion. As of June 30, 2019 there were

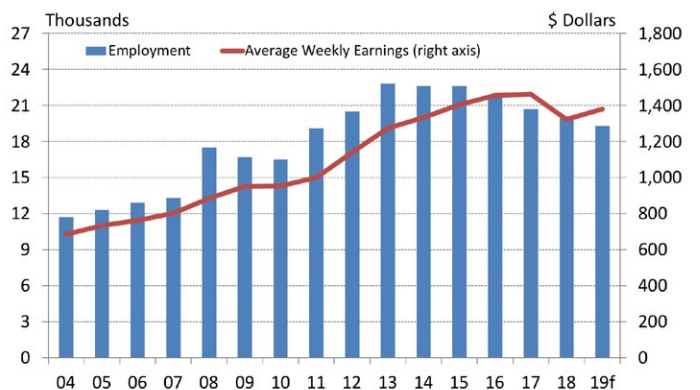
2,789 people working in the province on the West White Rose project, of which 2,627 (94.2%) were Newfoundland and Labrador residents. It is estimated that this work will take four years to complete. In August 2019, the contract for the Topsides Appurtenances (flare boom, helideck and lifeboat stations) was awarded to KOS in Marystown.

The construction industry is also benefiting from development work in the mining industry. In particular, from Vale Newfoundland and Labrador's (VNL's) development of the underground mine at Voisey's Bay. Work has been ongoing since VNL announced its plans to proceed with construction on June 11, 2018. Capital investment in the project is expected to be almost \$2 billion and approximately 650 jobs will be created during peak construction. Construction is expected to be completed in 2021.

Employment and Wages

Construction employment and wages have more than doubled over the past 15 years and remain at high levels (see chart). Although employment has declined from its peak of almost 23,000 over the 2013 to 2015 period, it is still expected to average around 19,300 this year. The trend of declining construction employment coincides with lower construction investment and reflects

Construction Employment and Wages



f: forecast
Source: Statistics Canada; Department of Finance

the winding down of major projects. Despite the drop in employment, data for the first seven months of 2019 indicate that the average weekly earnings (including overtime) in the construction industry grew by 5.4% compared to the same period in 2018. If this trend continues, average weekly earnings in the construction industry for Newfoundland and Labrador for 2019 will be \$1,394, the second highest among provinces after Alberta.



New Home Construction, St. John's

Real Estate

Provincial real estate activity remained subdued in the first three quarters of 2019. While the number of residential properties sold increased compared to the same period in 2018, housing starts and the average housing price continued to decline. In the commercial sector, office vacancy rates fell slightly but remained relatively high, reflecting an increase in supply and weak demand.

Housing Starts

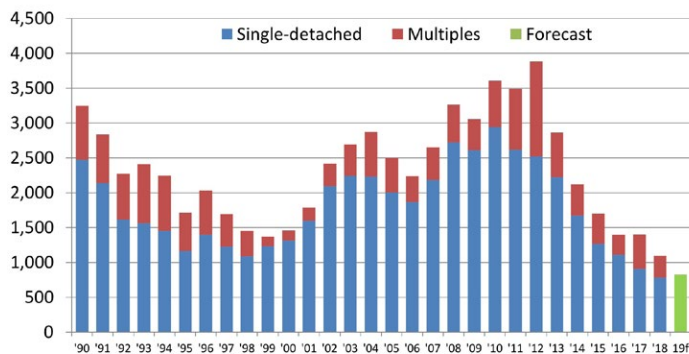
There were 590 housing starts in Newfoundland and Labrador during the first three quarters of 2019, a decrease of 29.3% compared to the same period in 2018. Single-detached housing starts (which typically account for the vast majority of total starts) declined by 23.7% from 578 to 441 units, while multiple starts (which include denser housing types such as row, semi-detached homes, apartments and condominiums) decreased by 42.0%, from 257 to 149 units.

Housing starts dropped in both urban and rural areas. Urban housing starts, which comprise approximately two-thirds of housing starts in the province, totalled 412 units during the first three quarters of the year, a 32.2% decrease from the 608 starts observed in the same period in 2018. Rural housing starts also fell in the first three quarters of 2019, down 21.6%, from 227 to 178 units.

In the St. John's Census Metropolitan Area (CMA), the single largest housing market in the province, housing starts fell by 34.7% during the first three quarters of 2019, from 472 to 308 units. Single-detached housing starts declined by 29.2% from 298 to 211 units, while multiple starts decreased by 44.3%, from 174 to 97 units.

For 2019 as a whole, total provincial housing starts are forecasted to be 826 units (see chart), a decrease of 24.6% compared to 2018.

Housing Starts



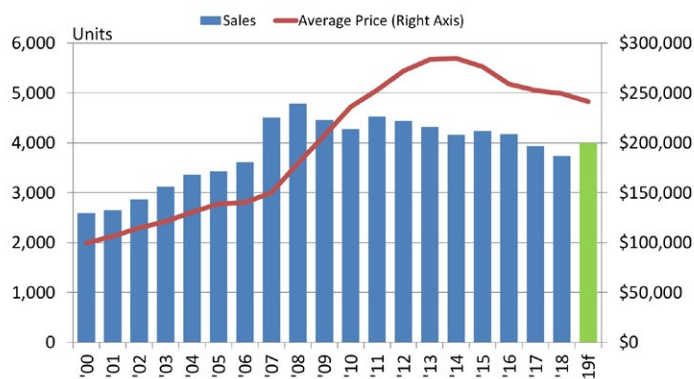
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Source: Statistics Canada; Department of Finance

Residential Sales and Prices

The number of residential properties sold in the province through the Canadian Real Estate Association’s Multiple Listing Service (MLS®) totalled 3,006 units over the first three quarters of 2019, a rise of 7.4% from the same period in 2018. The average MLS® residential price over the same period was \$241,214, 4.6% lower than the average price in the first three quarters of 2018.

According to the Canadian Real Estate Association’s most recent quarterly forecast, the number of residential units sold is expected to increase by 7.3% to 4,000 units in 2019, while the average price is expected to decline by 3.3% (see chart).

Residential MLS® Sales and Average Price



f: forecast
Source: Canadian Real Estate Association

In the St. John’s CMA, there were 1,676 residential units sold in the first three quarters of 2019, an increase of 6.7% compared to the same period in 2018. The average MLS® residential price in St. John’s over this period was \$289,681, a decrease of 2.6% compared to the first three quarters of 2018.

The decline in average sale price in the province over the past five years is partly due to a decline in the average resale price of existing homes and partly due to the changing composition of the new home market. New homes have transitioned from larger single-detached builds to smaller, more affordable homes or row houses, as homebuilders have targeted the preferences of first-time homebuyers, millennials and people looking to downsize. As a result, affordability has improved, with the affordability ratio, which equals the average price of a home divided by the average household income, steadily declining since 2012. In 2012, the average cost of a home in Newfoundland and Labrador was 4.6 times the average household income; in 2019, this average cost had fallen to 3.5 times the average household income. This was still higher than the affordability ratio of New Brunswick (2.6) and Prince Edward Island (3.4) but less than that of all other provinces in Canada. For comparison, in 2019, the average cost of a home was 7.1 times the average household income in Ontario and 8.4 times household income in British Columbia.

Declining home prices in the province may also be attributable to a supply/demand imbalance in the market as evidenced by months of inventory¹. There were 15.6 months of inventory in the residential market in the province at the end of September 2019, compared to the national average of 5.1 months of inventory. This abundant supply of homes for sale is also reflected in the sales-to-new listings ratio. The sales-to-new listings ratio,

¹ The number of months of inventory is the number of months it would take to sell current inventories at the current rate of sales activity.

which is the ratio between the number of homes sold and the number of new listings entering the market, is commonly used as an indicator of housing market conditions. A housing market is generally considered balanced when the sales-to-new listing ratio ranges from 40% to 60%. A ratio below 40% indicates a buyers' market, while a ratio above 60% indicates a sellers' market. Over the first three quarters of 2019, the sales-to-new listings ratio in the province averaged 32.4%, compared to 29.8% during the same period in 2018, clearly indicating a buyers' market.

First-Time Home Buyer Incentive

The Federal Government's new First-Time Home Buyer Incentive took effect on September 2, 2019. Under the program, eligible first-time homebuyers who have the minimum down payment for an insured mortgage can apply to finance a portion of their home purchase through a shared equity mortgage with the Government of Canada of 5% of the purchase price of a re-sale property, or 5% or 10% of the purchase price of a newly constructed home.

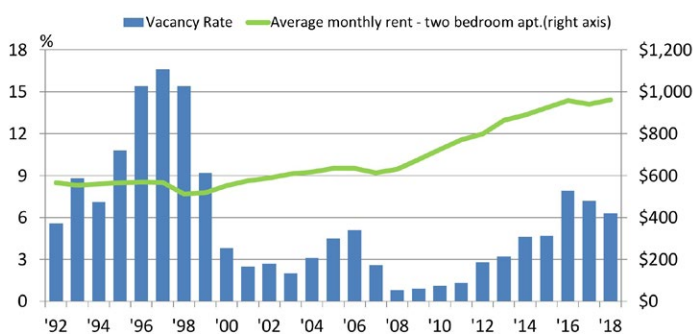
Rental Market

According to the Canada Mortgage and Housing Corporation's most recent Rental Market Survey in October 2018, the overall urban residential vacancy rate in Newfoundland and Labrador was 6.0%, down 0.6 percentage points (ppt) from the same survey in 2017². After reaching a high of 7.9% in 2016, the vacancy rate in the St. John's CMA dropped for the second year in a row, falling to 6.3% in 2018 (see chart). The average monthly rent for a two-bedroom apartment in St. John's increased from \$941 in 2017 to \$961 in 2018.

² The Rental Market Survey is conducted in urban areas with populations of at least 10,000 and targets the primary rental market, which only includes rental units in privately initiated apartment structures with at least three rental units.

St. John's Vacancy Rate and Average Rent

1992 to 2018



Source: CMHC Rental Market Survey

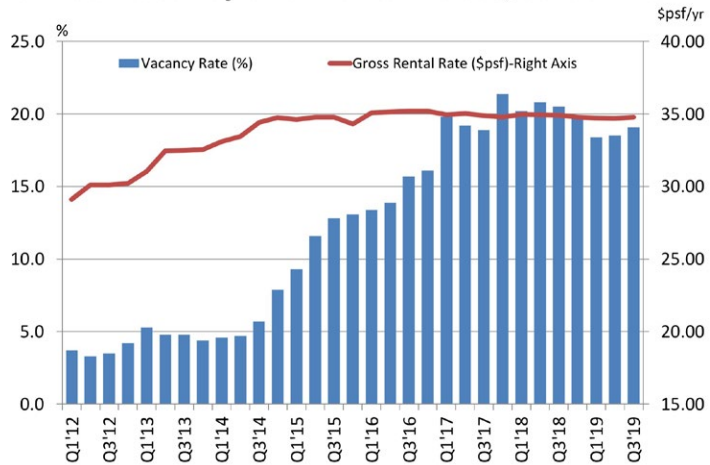
As for the other urban areas of the province in 2018, the residential vacancy rate was 4.1% in Corner Brook (up 0.3 ppt from October 2017), 6.6% in Gander (up 3.3 ppt), and 4.9% in Grand Falls-Windsor (down 2.8 ppt).

The average monthly rent for a two-bedroom apartment in the province in October 2018 was \$870, up from \$854 in October 2017. By comparison, the average rent for a two-bedroom apartment was higher in Nova Scotia (\$1,090) and Prince Edward Island (\$903), but lower in New Brunswick (\$801).

Commercial

The office vacancy rate for St. John's fell in the first three quarters of 2019, averaging 18.7%, a drop of 1.8 ppt compared to the same period in 2018 (see chart). The recent decline follows several years of significant increases that saw vacancy rates rise from less than 5.0% in 2014 to over 20.0% in 2018. The biggest impact on vacancy rates has been the increase in the supply of office space in St. John's. Economic growth, driven largely by high oil prices, fueled the construction of new and renovated office buildings that came on the market just as the slump in oil prices began. As a result, the absorption of office space into the market has slowed since 2014 leading to the current high vacancy rate.

Office Vacancy and Rental Rates, St. John's



psf: per square foot

Source: Cushman & Wakefield Atlantic

The vacancy rate was highest in the downtown area of St. John's where it stood at 25.1% in the third quarter of 2019. This higher rate was partly due to the departure of several major tenants from the downtown area to newly constructed office space in suburban areas.

The average rental rate for office space fell slightly to \$34.74 per square foot per year in the first three quarters of 2019 compared to \$34.95 during the same period in 2018. The average rental rate remains high as an increasing share of office space is in new "Class A" buildings, which generally commands a higher price than older buildings.



Trinity

Tourism

The tourism sector in Newfoundland and Labrador generates economic wealth throughout the province, making it an important contributor to the provincial economy. Tourism consists of residents engaging in tourist activities within the province and non-residents visiting the province. Visitors to the province arrive by airline, automobile via ferry and cruise ship. In recent years, tourism expenditures in the province (both resident and non-resident) have totalled over \$1 billion annually. Tourism activity in the province slowed in 2019 relative to 2018 due to increased travel costs, lower consumer confidence levels, and constraints in airline seat capacity due to the grounding of the Boeing Max 8 aircraft.

Air Visitors

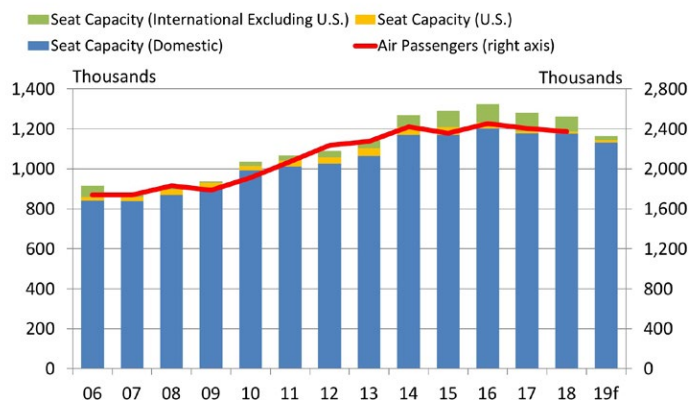
Air travel is the largest segment of provincial non-resident tourism, accounting for 77% of visitors and 81% of non-resident tourism spending in 2018. In the first eight months of 2019, approximately

273,237 non-resident visitors arrived by airplane, down 5.8% from the same period in 2018.

Boarding and deplaning traffic at the province's seven major airports was estimated at 1.6 million passengers for the first eight months of 2019, down 4% compared to the same period in 2018. A decline in activity was reported at the Gander, Deer Lake, Stephenville, St. John's and Goose Bay airports, while Wabush and St. Anthony experienced increased activity.

Inbound non-stop seat capacity is expected to decrease by 7.9% in 2019, the third year of declines following nine consecutive years of growth (see chart). A small inbound seat capacity decrease was expected in the province for 2019; however, the grounding of Boeing's 737 Max 8 airplanes amplified this decrease, affecting all major tourism source markets, including the suspension of Air Canada's direct service from St. John's to London Heathrow since April 2019.

Air Passengers and Seat Capacity Newfoundland and Labrador



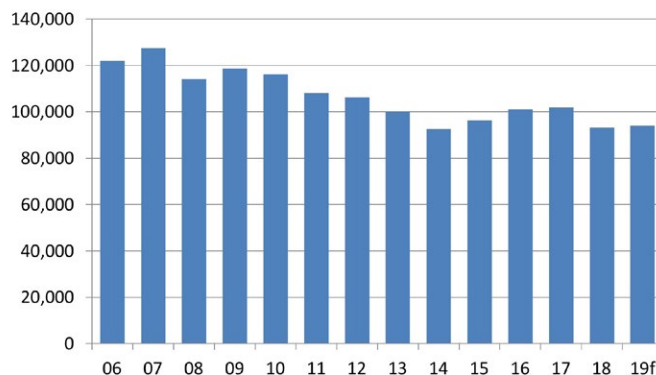
f: forecast Note: Passengers are boarding and deplaning; seat capacity is in-bound only.
Source: Department of Tourism, Culture, Industry and Innovation

The St. John's International Airport is the largest airport in the province and is the main gateway for non-resident visitors. Improvements at the airport are underway with a two-phase expansion of the terminal building. The first phase of the expansion, completed in July 2018, included an additional 145,000 square feet and triple the seating capacity in the departures area of the terminal building, a four-fold increase in pre-board screening space, 40% more check-in space and new concessions. The second phase began in July 2019 and is due to be completed in 2021, adding a further 100,000 square feet to the arrivals area. The total area of the airport terminal building will have doubled in size when complete and the airport will be capable of accommodating two million passengers annually, a milestone that is anticipated to be achieved during the airport's 10-year planning horizon.

Automobile Visitors

Non-resident automobile visitors on the Marine Atlantic ferries between North Sydney and Newfoundland increased 0.8% during the first eight months of 2019 compared to the same period in 2018. This is likely due to slightly lower gasoline prices in 2019 relative to 2018 levels, combined with Marine Atlantic's steady fares and discount pricing campaigns.

Non-Resident Automobile Visitors Newfoundland and Labrador



F: forecast
Source: Department of Tourism, Culture, Industry and Innovation

Cruise Visitors

Preliminary information suggests a stronger cruise season in 2019 for the province. A total of 115 tentative port calls (port stops) to 23 different ports were scheduled. This compares with 87 port calls to 21 different ports in 2018.

Accommodations

The preliminary provincial accommodation occupancy rate was 46.7% during the first eight months of 2019, an increase of 0.6 percentage points over the same period in 2018. Occupancy rates were up in the Eastern and Central regions while rates dropped in the Avalon, Western and Labrador regions. Despite the small increase in provincial occupancy levels, average daily room rates decreased to \$139, down 2.5% compared to the same period in 2018.

Connecting with Travellers

The Province has promoted tourism and engaged travellers through many channels, including award-winning marketing campaigns, advanced technologies and social media (e.g., Facebook, Twitter, YouTube) and Visitor Information Centres (VICs) located in all regions of the province. Visitation to the Province's VICs decreased 2.0%

to 98,111 for the period of May 17 to August 31, 2019.

Newfoundland and Labrador Tourism's multimedia campaign efforts continue to yield positive results, with total digital activity increasing 4.2% between January and September 2019. Increased mobile usage of the province's web properties as well as individual channels such as newfoundlandlabrador.com, icebergfinder.com and campaign pages all contributed to this success. Over 2.1 million sessions on newfoundlandlabrador.com (up 6.5%) as well as record levels of referrals to tourism operators in 2019 are evidence that interest in Newfoundland and Labrador as a travel destination remains high. Social media followers and subscribers year-to-date have increased 11.3% and engagement continues to be strong on Facebook and Instagram.

The Provincial Tourism Product Development Plan, which was released in the spring of last year, sets out the goal of guiding and supporting the development of high quality visitor focused Newfoundland and Labrador brand experiences. Tourism stakeholders, including businesses, municipalities, non-profit organizations and regional destination management organizations have been engaged in various initiatives across the province to implement the plan. These initiatives include local tourism opportunities and opportunity management sessions, the establishment of regional implementation committees, experience networks and task teams to implement regional priorities as well as the development of market readiness guidelines for various tourism products and experiences.

