

# Fiscal and Economic Update

**The Economic  
Review 2021**

  
**Newfoundland  
Labrador**

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# Global Economic Environment



The global economy is expected to expand by 5.9% in 2021, according to the International Monetary Fund (see table). This would constitute the highest annual growth rate in recent history. In 2020, the COVID-19 pandemic resulted in a slowdown in manufacturing, disrupted supply chains, and brought several service industries to a near halt, most notably tourism and travel. Growth so far in 2021 has been led by recovery from the pandemic-induced global recession.

Pearson International Airport  
Getty Images

## Real GDP Growth (%)

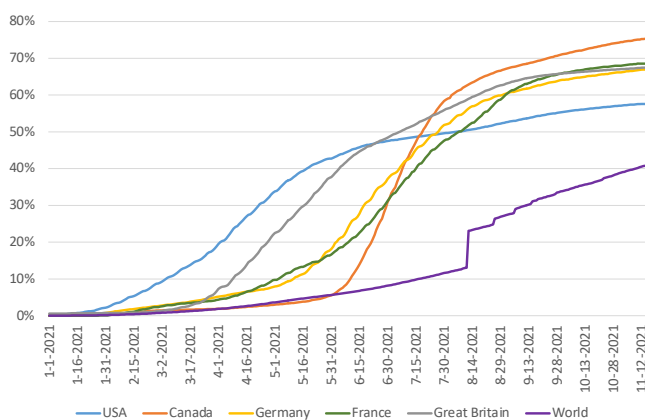
	2020e	2021f	2022f
World	-3.1	5.9	4.9
China	2.3	8.0	5.6
United States	-3.4	5.5	3.9
India	-7.3	9.5	8.5
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0
Euro Area	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
France	-8.0	6.3	3.9
Italy	-8.9	5.8	4.2
Spain	-10.8	5.7	6.4
Canada	-5.3	5.4	4.2

e: estimate; f: forecast

Source: International Monetary Fund (October 2021);  
others available upon request

Vaccine administration accelerated in 2021, notably in advanced economies. It was anticipated that rising vaccination rates would usher the return to pre-pandemic operations; however, vaccine rates plateaued in many countries and vaccine roll-out has been slow in other countries (see chart). In spite of elevated vaccination rates, the introduction of new, more transmissible variants of the virus, particularly the Delta variant, brought a new wave of infections. In addition to this, unexpected supply chain disruptions have also been slowing the pace of the economic recovery. Nonetheless, most countries have not re-introduced the severe restrictions imposed last year and global economic recovery continues even as the pandemic resurges. Looking forward to 2022, global vaccination rates are expected to continue to rise and the recovery of the world economy is expected to continue, with a projected 4.9% growth in real GDP. Growth is anticipated in all major advanced and developing economies in 2021 and 2022.

### Share of People Fully Vaccinated against COVID-19 (through November 14, 2021)

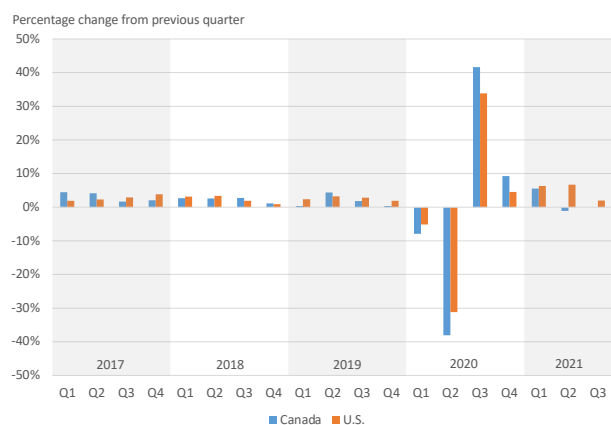


Source: Our World in Data

## United States

Real GDP for the U.S. declined in the first half of 2020 but has posted gains in every quarter since (see chart). Real GDP growth, at seasonally adjusted annual rates, was in excess of 6.0% in the first two quarters of 2021 before slowing to 2.0% in the third quarter. Consumption expenditures and investment led growth in the first two quarters, before a resurgence of COVID-19 cases due to the Delta variant slowed growth across most sectors of the economy in the third quarter. Residential investment experienced rapid gains in the second half of last year and the first quarter of 2021, but experienced declines in the last two quarters. These declines are likely the result of supply constraints in the face of unusually high construction activity since last year's pandemic restraints were eased. The U.S. housing sector remains buoyant with record breaking housing prices, despite the recent pullback.

### Quarterly Annualized Real GDP Growth



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

The U.S. unemployment rate fell to a historical low of 3.5% in February 2020, then jumped to 14.8% in April 2020, at the

peak of the pandemic shutdowns. It then gradually declined to 4.6% as of October 2021. Employment and the labour force participation rate have both rebounded from the sharp declines recorded during the spring of 2020, but have not yet fully recovered to pre-pandemic levels.

The U.S. inflation rate increased from nearly 2.0% at the start of the year to over 5.0% in recent months, the result of a sharp rebound in energy prices and pandemic-related supply constraints. It reached 6.2% in October 2021, the highest 12-month increase since 1990. The price of manufacturing inputs (e.g., crude oil, lumber and iron ore) rose substantially during the pandemic. The scarcity of certain goods has also been aggravated by ongoing supply chain issues with products such as micro-chips. The Federal Reserve expects these inflationary pressures to be transitory, with the inflation rate returning to near 2.0% in 2022. Consequently, the Federal Reserve has maintained its federal funds target rate between 0.0% and 0.25%, unchanged since March 2020, but has indicated plans to begin tapering its asset purchasing program later this year.

According to the Third Quarter 2021 Survey of Professional Forecasters from the Federal Reserve Bank of Philadelphia, the median forecast for real GDP growth in the U.S. in 2021 is 5.5%. Consumer sentiment regained ground but remains below pre-pandemic levels and has recently dipped, likely reflecting the latest wave of infections due to the Delta variant. As vaccination rates slowly increase, expectations remain optimistic for 2022, with

a median forecast of 3.9% real GDP growth and an unemployment rate of 4.1%.

## Canada

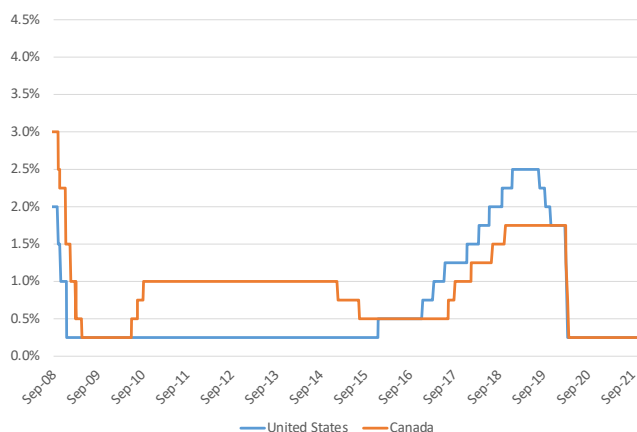
After falling dramatically in the second quarter of 2020, Canada's real GDP rebounded sharply in the second half of last year. Strong growth continued into the first quarter of 2021, but the economy faltered slightly in the second quarter, and real GDP experienced a decline of 1.1%. This decline was largely attributable to a slowdown in home resale activity, along with a dip in exports. Additionally, supply chain disruptions have impacted the production of motor vehicles.

Real GDP gains in the first half of 2021 were aided by gains in investment, government spending and household consumption expenditures. However, receipts for services only partially recovered, as consumers continued to save and shift money toward the purchase of goods. Overall, retail sales were up 13.6% in the January to September 2021 period compared to the same period in 2020.

Employment was up 4.9% in January to October 2021, with an increase in both the goods-producing sector (+3.6%) and services-producing sector (+5.2%). The seasonally adjusted unemployment rate reached a high of 13.7% in May 2020, but fell back to 6.7% in October 2021. Labour force participation was also depressed by the pandemic, but the latest seasonally adjusted rate for October shows it has recovered to what prevailed before the pandemic.

Similar to other central banks in advanced economies, the Bank of Canada decreased its overnight target interest rate several times in March 2020 in response to the weakening economy, and interest rates have remained at record lows ever since. The bank also initiated a quantitative easing (QE) program to purchase government securities to ease strain on government bond markets and increase market liquidity. The scale of QE continues to be reduced as the economy rebounds and inflation increases. In September 2021, the monthly inflation rate reached 4.4%, the highest in the last two decades. This is partly due to normal rebounds from depressed prices in 2020, and partly due to rising prices for commodities and manufacturing inputs. Energy prices have recovered and surpassed their pre-pandemic levels.

### Central Bank Rates



Note: U.S. rate is upper bound of the target range.  
Source: Bank of Canada; U.S. Federal Reserve

After several months of disruptions in the construction industry at the onset of the pandemic, recovery in Canada’s residential housing sector maintained momentum until recently. Year-to-date housing starts increased by 31.7% as of September 2021 compared

to the same period in 2020. Average selling prices for residential properties increased to record levels, especially in larger urban areas such as Toronto, Ottawa and Montréal, largely the result of historically low mortgage rates.

In 2020, a series of economic and social measures were initiated at the federal level to support household income and businesses throughout the pandemic. Direct fiscal support was concentrated in two temporary programs: the Canada Emergency Response Benefit (CERB) to supplement lost income to workers; and the Canada Emergency Wage Subsidy (CEWS) to subsidize payroll to aid businesses in the retention of employees. Due to this unprecedented level of support, the federal government’s debt-to-GDP ratio returned to that of the late 1990s, with a deficit of \$354.2 billion in the 2020/21 fiscal year. These pandemic related support programs are gradually being phased out throughout the 2021/22 fiscal year. At the same time, the rebound in employment and the resulting jump in wages and salaries is expected to more than offset the lost transfers and allow the economy to continue to expand.

Economic recovery in 2021 is expected to be broad-based from an industry perspective, but will vary across the country (see table). The latest average of forecasts by Canadian banks and the Conference Board of Canada expects Canadian real GDP to grow by 5.4% in 2021. Gains in real GDP are expected in every province, with lower growth rates in the Maritime Provinces. Due to more successful containment of the spread of the COVID-19



virus, the Atlantic Provinces faced fewer impediments to resume operations in various sectors and were less affected throughout the pandemic than elsewhere in Canada. Continued gains are projected for every province in 2022, with an average 4.2% for Canada.

### Real GDP Growth Rate (%), by Province

	2021f
Newfoundland and Labrador	5.8
Prince Edward Island	3.8
Nova Scotia	4.1
New Brunswick	3.9
Québec	6.3
Ontario	5.0
Manitoba	4.6
Saskatchewan	4.7
Alberta	6.2
British Columbia	5.7
Canada	5.4

f: forecast

Source: Department of Finance; Average of Canadian Major Banks; Conference Board of Canada

# Provincial Economic Overview



The Newfoundland and Labrador economy faced a challenging year in 2020 due to the COVID-19 pandemic, as most economic indicators posted declines for the year. So far in 2021, the provincial economy has shown encouraging signs of recovery. This is particularly evident in consumer spending, exports and real estate, which have surpassed pre-pandemic levels. Other indicators, such as the labour market, have shown significant improvement; however, they have not returned to levels recorded before the pandemic began.

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Voisey's Bay Mine  
Vale Newfoundland and Labrador

## Gross Domestic Product (GDP)

The Department of Finance expects Newfoundland and Labrador's real GDP to grow by 5.8% in 2021 (see table). Economic growth will stem mainly from gains in consumer spending and mineral production, but the ongoing recovery also extends to many private sector service industries which were severely impacted by the pandemic-related shutdowns in 2020. In addition, higher oil and mineral prices will boost the value of provincial nominal exports and profitability in both these industries. The updated forecast for real GDP growth for this year is slightly ahead of the 5.6% growth projected in the June 2021 Budget.

## Provincial Economic Indicators

	2017	2018	2019	2020	2021f
GDP at Market Prices (\$M)	33,690	34,589	35,383	31,580	38,422
% Change	6.9	2.7	2.3	-10.7	21.7
% Change, real	1.5	-2.6	3.3	-5.4	5.8
Final Domestic Demand* (\$M)	35,557	34,669	35,277	32,859	35,278
% Change	-7.9	-2.5	1.8	-6.9	7.4
% Change, real	-7.7	-3.7	1.1	-8.1	4.5
Household Income (\$M)	25,569	25,820	26,184	26,691	27,202
% Change	0.8	1.0	1.4	1.9	1.9
% Change, real	-2	-1	0	1.7	-1.4
Household Disposable Income (\$M)	16,863	17,142	17,270	18,015	18,296
% Change	1.0	1.7	0.7	4.3	1.6
% Change, real	-1.4	0.0	-0.3	4.1	-1.7
Retail Sales (\$M)	9,227	9,009	8,995	9,124	9,836
% Change	2.4	-2.4	-0.2	1.4	7.8
% Change, real	0.5	-2.6	-0.3	1.1	3.3
Consumer Price Index (2002=100)	135.7	137.9	139.3	139.6	144.3
% Change	2.4	1.6	1.0	0.2	3.4
Capital Investment (\$M)	10,258	8,909	9,143	7,236	7,402
% Change	-25.7	-13.2	2.6	-20.9	2.3
% Change, real	-23.1	-14.9	1.0	-21.6	-2.6
Housing Starts	1,400	1,096	945	763	954
% Change	0.1	-21.7	-13.8	-19.3	25.0
Employment ('000s)	223.1	224.4	227.0	214.0	220.0
% Change	-3.7	0.6	1.2	-5.7	2.8
Labour Force ('000s)	262.7	261.3	258.8	249.1	253.4
% Change	-2.5	-0.5	-1.0	-3.7	1.7
Unemployment Rate (%)	15.1	14.1	12.3	14.1	13.1
Participation Rate (%)	58.7	58.5	58.1	55.9	56.8
Population ('000s)	528.2	525.6	523.4	521.4	520.6
% Change	-0.2	-0.5	-0.4	-0.4	-0.2

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

f: forecast, Department of Finance, November 2021

Source: Statistics Canada; Department of Finance

## Consumer Spending

Indicators of consumer spending in the province have returned to pre-pandemic levels. Retail sales (which account for about 55% of consumer spending) totalled \$7.4 billion in the first nine months of the year, up 11.5% compared to the same period in 2020, as strong retail sales in the second half of 2020 continued into 2021. Compared to the same period in 2019, retail sales were up 11.9%. The increase in retail sales over 2020 was widespread across most store types, with Clothing and clothing accessories stores (+34.7%), Miscellaneous store retailers (+23.8%), and Gasoline stations (+21.3%) leading the way.<sup>1</sup> The number of new motor vehicles sold in the first nine months of 2021 was up 9.1% compared to the same period of 2020, largely due to lower sales in 2020 as a result of the pandemic. Compared to the first nine months of 2019, sales of new motor vehicles were 7.1% lower. In the service sector, sales at food services and drinking places were up 23.1% for the first nine months of 2021 compared to the same period in 2020, reflecting the loosening of COVID-19 health restrictions on travel and in-person dining. The most recent data show that sales in this sector have almost returned to pre-pandemic 2019 levels. For this year as a whole, total retail sales are expected to increase 7.8% over last year.

## Exports

The nominal value of exports from the province has increased so far this year and have essentially recovered to pre-pandemic levels. The total value of international exports was up approximately 40% in the first nine months of the year in comparison to the same period of 2020, mainly the result of higher commodity prices for oil, iron ore and nickel. The fishery sector has also experienced strong growth this year led by the value of crab exports, which more than doubled in the first nine months of 2021. The nominal value of oil production in the first nine months of 2021 was 42.8% higher than the same period in 2020, as higher oil prices more than offset lower production. Compared to the same period of 2019, the value of oil production was 5.1% higher. The value of manufacturing sales in the province increased 4.3% in the first nine months of 2021 compared to the same period of 2020; however, they are 39.5% lower than the same period in 2019. This largely reflects the continued shutdown of the Come By Chance oil refinery. The volume, or real value, of total exports is expected to decline 6.5% in 2021, reflecting the Come By Chance refinery shutdown and lower crude oil production.

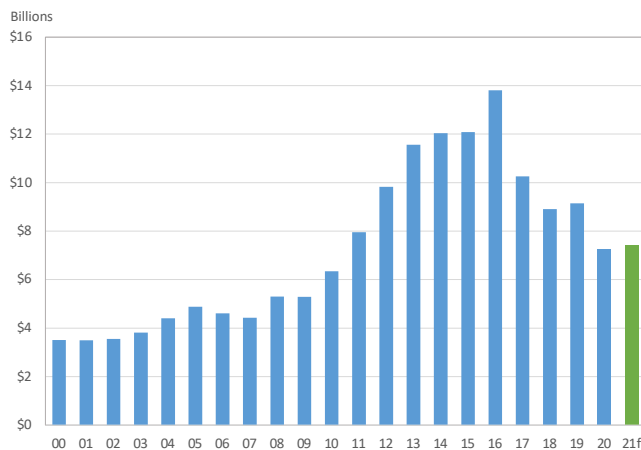
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<sup>1</sup> The Miscellaneous store retailers subsector comprises establishments primarily engaged in retailing a specialized line of merchandise in specialty stores, such as florists, office supplies stores, stationery stores, gift, novelty and souvenir stores, used merchandise stores, pet and pet supplies stores, cannabis stores, art dealers and manufactured (mobile) home dealers.

## Capital Investment

Capital investment is forecast to increase 2.3% to \$7.4 billion in 2021, largely the result of increased residential construction spending (see chart). After three consecutive years of decline, culminating in 2020 with pandemic restrictions and shutdowns, housing starts increased substantially in the first three quarters of 2021 (see **Real Estate** for more detail). For the year as a whole, total provincial housing starts are forecast to increase 25.0% over 2020 levels, with growth stemming from historically low mortgage rates and pent up demand.

### Capital Investment

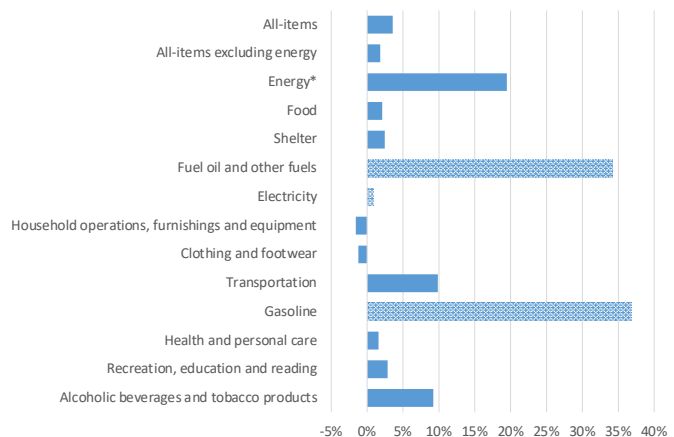


f: forecast  
Source: Statistics Canada; Department of Finance

## Inflation

On a year-over-year basis, the Consumer Price Index (CPI) averaged 3.6% higher in the first ten months of 2021 due mainly to higher prices for gasoline (up 36.8%) and fuel oil (up 34.2%). Prices for both gasoline and fuel oil have been impacted by higher crude oil prices. Excluding energy, prices averaged 1.8% higher for the first ten months of the year over the same period last year (see chart).

## Percent Change in Consumer Price Index January to October 2021 vs. January to October 2020



Note: The special aggregate 'Energy' includes: electricity, natural gas, fuel oil and other fuels, gasoline, and fuel, parts and accessories for recreational vehicles. Components in hatch pattern are subcomponents of the preceding component. Source: Statistics Canada; Department of Finance

## Labour Market

The labour market in Newfoundland and Labrador continues to rebound from the pandemic, showing signs of recovery in recent months. The labour force is expected to increase by 1.7% in 2021 due to increased participation, while employment is forecast to increase by 2.8% to approximately 220,000. The unemployment rate is forecast to be 1.0 percentage point lower, largely due to the anticipated increase in employment.

For the first ten months of the year, employment increased by 3.2% compared to the same period in 2020, when pandemic shutdowns led to significant employment losses. Compared to the same period last year, full-time employment was up 3.6%, while part-time employment was up 1.0% over the first ten months of the year. There has been steady growth in employment levels in recent months; however, levels are still 3.9% lower compared to the same period in 2019. In line with the increase in employment,

the unemployment rate was 1.1 percentage points lower in the first ten months of the year compared to the same period in 2020.

Average weekly wages decreased slightly in the first eight months of the year as a large share of employment gains were in lower paying service industries in the private sector, which were most impacted by the pandemic shutdowns in 2020. Average weekly earnings (including overtime) were \$1,093.12 over that period, a decrease of 0.7% compared to the same period in 2020. Newfoundland and Labrador's wages were the fifth highest among provinces after Alberta (\$1,225.06), Ontario (\$1,168.55), British Columbia (\$1,120.16), and Saskatchewan (\$1,102.20). For comparison, the Canadian average was \$1,128.87 per week.

Total labour compensation for the first six months of 2021 was up 7.2% compared to the same period in 2020, reflecting increased employment.<sup>2</sup> Compared to the same period in 2019, labour compensation was up 1.7%. Household income is forecast to grow by 1.9% this year as gains in labour compensation are partly offset by fewer pandemic related federal transfers to individuals.<sup>3</sup> In real terms, household income is anticipated to decline by 1.4%, reflecting high levels of inflation in 2021.

## Population

Newfoundland and Labrador's population was 520,553 as of July 1, 2021, a decrease of 811 persons from July 1, 2020. The population decrease was driven by natural population decline (lower births than deaths), partly offset by gains from net international and interprovincial migration.

Losses from natural population changes accelerated for the fifth consecutive year, reflecting the province's aging population and low fertility rates. As a result, natural population change was -1,933 persons between July 2020 and July 2021. The births to deaths ratio for Newfoundland and Labrador (0.6) was the lowest of all provinces. Of note, all Atlantic Canadian provinces were below 1.0.

Net in-migration totalled 1,122 persons this year as interprovincial (+785) and international (+337) migration both contributed positively to population gains. Net interprovincial in-migration was concentrated in residents moving to the province from Ontario and Alberta. This is the first year since 2016 that the province experienced population gains from net interprovincial in-migration.

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<sup>2</sup> Total labour compensation comprises wages and salaries as well as employers' social contributions. It is defined as all compensation paid to employees. Most of the earnings received by self-employed persons or working owners of unincorporated businesses are not included in compensation of employees.

<sup>3</sup> Household income refers to most of the monies received by all household members, before income taxes and deductions, during a specified reference period. It includes earnings such as wages and salaries as well as transfers such as employment insurance benefits and pension income.

## Economic Outlook

Economic recovery in the province should continue to gain momentum for the remainder of 2021 as any impact on activity in the near term is expected to be limited due to relatively low COVID-19 case counts, high vaccination rates and the provincial government's implementation of a vaccine passport system. Uncertainty remains concerning some major projects in the province (e.g., West White Rose, Bay du Nord); however, the development of these projects should resume in the near to medium term. Additionally, Suncor recently announced plans to extend the life of the Terra Nova floating production storage and offloading (FPSO) vessel and development of Vale's Voisey's Bay Underground Mine continues.

In 2022, the province's economy is expected to continue to expand as gains in hospitality and service sector output are partly offset by the end of construction activity on the Muskrat Falls hydro project and lower oil production. Employment is expected to show modest growth as the hospitality and service sectors continue to recover.

There are reasons for optimism in the longer term with opportunities in the oil and gas, mining, and aquaculture industries forecast to increase economic activity. Equinor is continuing with design work on the province's fifth offshore oil project, Bay du Nord, as recent additional discoveries in the area may increase both the size of the production facility and total recoverable resources. There is also substantial oil and gas exploration potential for new discoveries and tieback opportunities for existing projects in offshore Newfoundland and Labrador. Cresta Fund Management recently purchased a controlling stake of the idled Come By Chance oil refinery. The company has plans to convert the

refinery to produce renewable aviation fuel and diesel.

In the mining sector, Tacora continues to ramp up iron ore production at its recently re-opened Scully mine in western Labrador, the Beaver Brook Antimony Mine resumed mining operations in September, and Marathon Gold is progressing with its Valentine Lake gold project in central Newfoundland.

The province's abundant renewable and non-renewable resources are needed to drive technologies that people around the world increasingly rely upon. The province is working collectively with industry stakeholders to seize these opportunities to re-define the province's traditional industries for the future – including sustainable developments in the petroleum and mining industries.

The Government of Newfoundland and Labrador is committed to taking actions to address climate change, from actioning a climate change plan, developing a renewable energy action plan, achieving net-zero greenhouse gas emissions by 2050, establishing a Net-Zero Advisory Committee and advancing electrification and innovation to further the transition into more renewable energy sources.

In the aquaculture sector, MOWI Canada East and Grieg NL Ltd. continue to pursue aquaculture development opportunities that should lead to a considerable expansion in production over the next five years, and increase the total value of the seafood sector.

Government also continues to work proactively with the technology and film and television sectors to create more opportunities for and accelerate growth within those industries.

# Oil and Gas



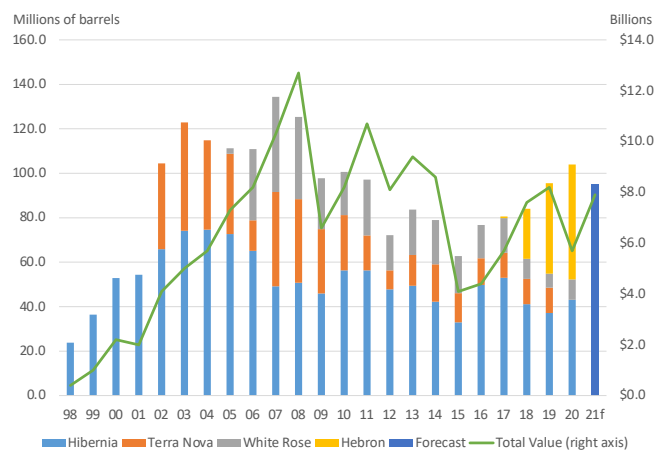
Newfoundland and Labrador’s oil and gas and related service industries contributed \$6.7 billion to nominal GDP in 2019 (most recent data available), accounting for 20.6% of the provincial total nominal GDP. Direct employment in the industry was approximately 4,000 person years and represented 1.9% of total employment in the province in 2020.

There are four projects in the province’s offshore area. Hibernia, White Rose and

Hibernia Production Platform and Supply Vessel Industry, Energy and Technology

Hebron are currently producing oil, while the Terra Nova project has been offline since December 2019. Oil production over the January to September 2021 period totalled approximately 73.3 million barrels (MMbbls), representing a decline of 7.4% or 5.9 MMbbls compared to the same period in 2020. This was mainly due to lower production at Hibernia. For the year as a whole, oil production is expected to total 95.1 MMbbls (see chart). This would represent a reduction of 8.6% or approximately 9.0 MMbbls compared to 2020.

## Offshore Oil Production

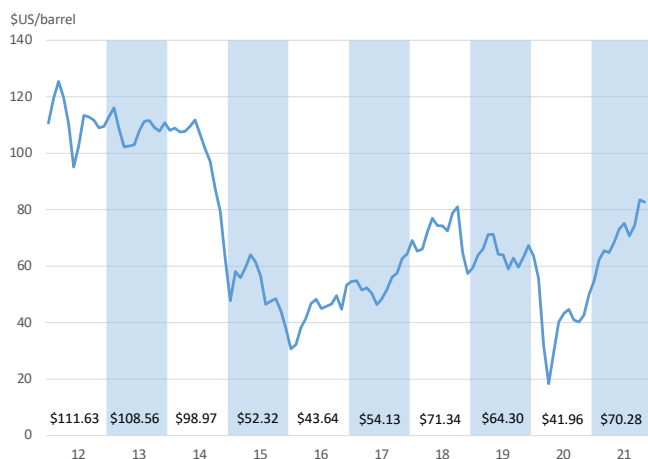


f: forecast  
Source: Canada-Newfoundland and Labrador Offshore Petroleum Board; Department of Finance



Despite lower production, the estimated value of oil production is expected to rise by 40.2% to \$7.9 billion due to significantly higher crude oil prices. As of November 18, 2021, the year-to-date price of Brent crude oil, a benchmark for Newfoundland and Labrador oil, averaged US\$70.28/barrel, up 71.3% from an average of US\$41.04/barrel for a comparable period of 2020 (see chart). For the calendar year, the price of Brent crude oil is forecast to average US\$70.40/barrel, which would represent an increase of 67.8% from the average price of US\$41.96/barrel in 2020.

### Brent Crude Oil Prices, Monthly



Note: Average annual Brent crude prices included for each year. Price for 2021 is the average from January 1 to November 18.  
Source: U.S. Energy Information Administration

## Hibernia

Hibernia oil production totaled 28.7 MMbbls for the first nine months of 2021, a decrease of 12.4% or 4.1 MMbbls relative to the same period in 2020. In response to the COVID-19 pandemic, the Hibernia Management Development Corporation stopped drilling at the end of May 2020, for up to a year and a half, and production relied on existing wells over that period. As such, there were no new wells planned for 2021. The Hibernia project

had an estimated 443 MMbbls of recoverable reserves remaining as of September 29, 2021, and is expected to continue producing until at least 2040. As of June 30, 2021, there were 942 people working on the Hibernia project in the province, of which 95.5% were Newfoundland and Labrador residents.

## Terra Nova

Oil production at Terra Nova has been halted since December 2019, when the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) issued the project a Notice of Non-Compliance and an Order to Suspend production related operations. No oil production is anticipated for Terra Nova in 2021. As of June 30, 2021, there were 422 people reported working on the Terra Nova project in the province, of which 93.3% were Newfoundland and Labrador residents.

On September 8, 2021, Suncor Energy announced that the Terra Nova project co-owners finalized an agreement to restructure ownership and move forward with the Terra Nova Asset Life Extension (ALE) project. The project proponents are now Suncor, Cenovus and Murphy Oil. The agreement includes government support of up to \$205 million from the Oil and Gas Industry Recovery Assistance Fund on a matching contribution basis, to support local work related to the ALE project, as well as royalty relief valued at \$300 million. Suncor Energy has indicated that the ALE development is expected to extend the life of the project by approximately 10 years, providing 70 MMbbls of production. The Terra

Nova FPSO will undergo maintenance work at the Bull Arm fabrication site prior to sailing to a dry dock in Ferrol, Spain later this year, and is anticipated to return to operations in offshore Newfoundland and Labrador before the end of 2022.

## White Rose

The White Rose field and its satellite areas (North Amethyst, South White Rose and West White Rose) produced 5.9 MMbbls for the first nine months of 2021, a decrease of 15.5% or approximately 1.1 MMbbls relative to the same period in 2020. It is estimated that the recoverable reserves remaining for the White Rose project (including North Amethyst and extensions) totalled 153 MMbbls as of September 29, 2021. As of June 30, 2021, there were 916 people working in the province on the White Rose project (including the West White Rose development), of which 95.1% were residents of Newfoundland and Labrador.

In May 2017, the Government of Newfoundland and Labrador and Husky Energy (now Cenovus Energy) announced that Husky would be moving forward with the development of the West White Rose project. This project was estimated to cost \$3.2 billion and was to be developed through a fixed drilling platform consisting of a concrete gravity structure (CGS) and an integrated topsides module tied back to the SeaRose FPSO. An estimated 5,000 person years of direct employment was expected to be generated during the construction period. In May 2018, construction of the CGS began at

the graving dock in Argentina. Fabrication of the accommodations module and Topsides Appurtenances (flare boom, helideck and lifeboat stations) took place in Marystown and were recently completed. The project is expected to produce approximately 75,000 barrels of oil per day at peak production and create an estimated 250 permanent platform jobs once operational.

On March 22, 2020, Husky suspended all construction activities related to the West White Rose project due to on-site safety concerns regarding COVID-19. Construction has not resumed; however, there have been a number of developments surrounding the project. On October 25, 2020, Husky and Cenovus Energy Inc. announced a transaction to merge into a combined company that will operate as Cenovus Energy. The merger closed on January 4, 2021, and the new company is headquartered in Calgary. On September 8, 2021, Cenovus and Suncor Energy announced that they have entered into a conditional agreement to increase Suncor's interest in White Rose, subject to a restart decision on the West White Rose project. Cenovus will complete an evaluation for the West White Rose project by mid-2022. Should the findings support a restart decision, Suncor has agreed to increase its interest in the White Rose offshore field by 12.5%.

## Hebron

For the first nine months of 2021, Hebron oil production totalled 38.6 MMbbls, down 1.8% or 712,000 barrels from the same period in 2020. Hebron continues to operate

near full production levels. The project had an estimated 557 MMbbls of recoverable reserves remaining as of September 29, 2021. As of June 30, 2021, there were 1,102 people working on the Hebron project in the province, of which 94.5% were Newfoundland and Labrador residents.

## Bay du Nord

In July 2018, the Government of Newfoundland and Labrador, Equinor Canada 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 and at approximately 1,170 metres of water depth, it would be the first deep-water project in the province's offshore area. Based on the original project configuration, Bay du Nord was reported to have a reserve estimate of 300 MMbbls of recoverable oil, and the expected field life of the project at the time was between 12 and 20 years. This does not include other discoveries including Baccalieu and Harpoon which could extend the project's life as tie-backs. In March 2020, Equinor announced a decision to defer the Bay du Nord project due to low oil prices and concerns surrounding the economic impact of the COVID-19 pandemic.

In October 2020, a Significant Discovery Licence was issued to Equinor and Husky following the successful Harpoon exploration well drilled in 2013. The recoverable oil volume from the Harpoon discovery is estimated to be 40 MMbbls and could be another potential tie-back opportunity to

the Bay du Nord field. Also in October 2020, Equinor confirmed separate discoveries at the Cambriol well and the Cappahayden well. Equinor has indicated that the new discoveries have changed their planned approach to the Bay du Nord project and the development concept is being redesigned to integrate the new discoveries into the project.

## Exploration

Exploration drilling programs have potential to create additional activity in the offshore area and bode well for the future of the oil and gas industry in the province. Exploration work commitments in the Newfoundland and Labrador offshore, including those not subject to an environmental assessment, totalled approximately \$4 billion as of October 1, 2021.

The provincial and federal governments have completed a Regional Assessment (RA) under the Impact Assessment Act, focused on the effects of existing and anticipated oil and gas exploratory drilling in the offshore area east of Newfoundland and Labrador. The RA builds upon the experience and knowledge gained in assessing previous projects, reduces duplication in processes and information, and will result in more efficient reviews of exploration projects. At the same time, the RA ensures the highest standards of environmental protection continue to be applied and maintained. The Ministerial Regulation under the RA, released on June 4, 2020, is one component of a broader federal and provincial undertaking to modernize Canada's offshore oil and gas regime to align

it with comparable offshore jurisdictions, strengthen environmental performance and operational safety, and improve sector competitiveness.

In late 2020, China National Offshore Oil Corporation (CNOOC) Petroleum North America announced that the drillship Stena Forth was contracted to complete one well in the Flemish Pass basin in 2021. The Pelles A71 well was spud in April and terminated in July. Based on CNOOC's federal environmental assessment application, the company had proposed an exploration drilling program in the Flemish Pass Basin that may include drilling up to 10 wells across two exploration licences by 2028. However, this does not mean that the company will drill all the wells proposed.

Project descriptions for a number of other future exploration drilling programs in the offshore area have been submitted to the Impact Assessment Agency of Canada (IAAC). The environmental assessments are active, but not yet complete. In addition, environmental assessments for the following exploration drilling programs were completed and approved since April 2019:

- ▶ Equinor's two exploration drilling programs in the Flemish Pass Basin include drilling up to 30 wells across six exploration licences by 2030. In 2020, Equinor drilled and abandoned one well with a sidetrack at the Cappahayden site and drilled and suspended wells at the Cambriol and Sitka sites. On October 29, 2020, Equinor announced two oil

discoveries at its Cappahayden and Cambriol prospects in the Flemish Pass Basin. The exploration licences for these prospects are owned by Equinor (60%) and its partner BP Canada Energy Group ULC (40%). Equinor hired the West Hercules rig with plans to carry out further delineation work on its Cappahayden and Cambriol discoveries and more exploration work at the Sitka and Cambriol Central locations in 2022.

- ▶ ExxonMobil Canada Ltd.'s exploration drilling program in the Jeanne d'Arc and Flemish Pass Basins include drilling up to 18 wells across three exploration licences by 2030.
  - ExxonMobil drilled the Harp L-42A and Hampden K-41 exploration wells in 2020. In June of 2021, ExxonMobil issued an expression of interest (EOI) for a rig to carry out further exploration work on its Hampden prospect in 2022. The EOI closed on July 9, 2021, but details of the contract have yet to be announced.
  - On October 24, 2021, ExxonMobil announced an agreement was signed with Qatar Energy, which will see Qatar Energy hold a 40% participating interest in exploration licence 1165A, where ExxonMobil plans to further drill the Hampden K-41 exploration well in 2022. ExxonMobil will hold the remaining 60% stake in the licence. This represents Qatar Energy's first entry into the Canadian offshore oil industry.

- ExxonMobil has a funding agreement in place with government, per the Offshore Exploration Initiative (OEI), as it relates to exploration drilling which could result in government funding of \$30 million for a second well and \$50 million for a third exploration well (see OEI explanation under **Offshore Exploration Initiatives** on page 21).
- ▶ BP Canada Energy Group ULC's exploration drilling program in the Orphan Basin proposed in its Canadian Environmental Assessment Agency (CEAA) application includes drilling up to 20 wells across four exploration licences by 2026. However, it is not expected that the company could practically pursue this exploration program in the current timeframe remaining under its exploration licences.
- ▶ Husky Oil Operations Ltd. and ExxonMobil Canada Ltd.'s exploration drilling program in the Jeanne d'Arc basin includes drilling up to 10 wells across four exploration licences by 2027.
- ▶ BHP Petroleum (New Ventures) Corporation's exploration drilling program in the Orphan Basin includes drilling up to 20 wells across two exploration licences.
- ▶ Chevron Canada Ltd.'s exploration drilling program in the Flemish Pass Basin proposed in its CEAA application includes drilling up to eight wells across one exploration licence by 2030, however, Period II expires in 2025 on the exploration licence.

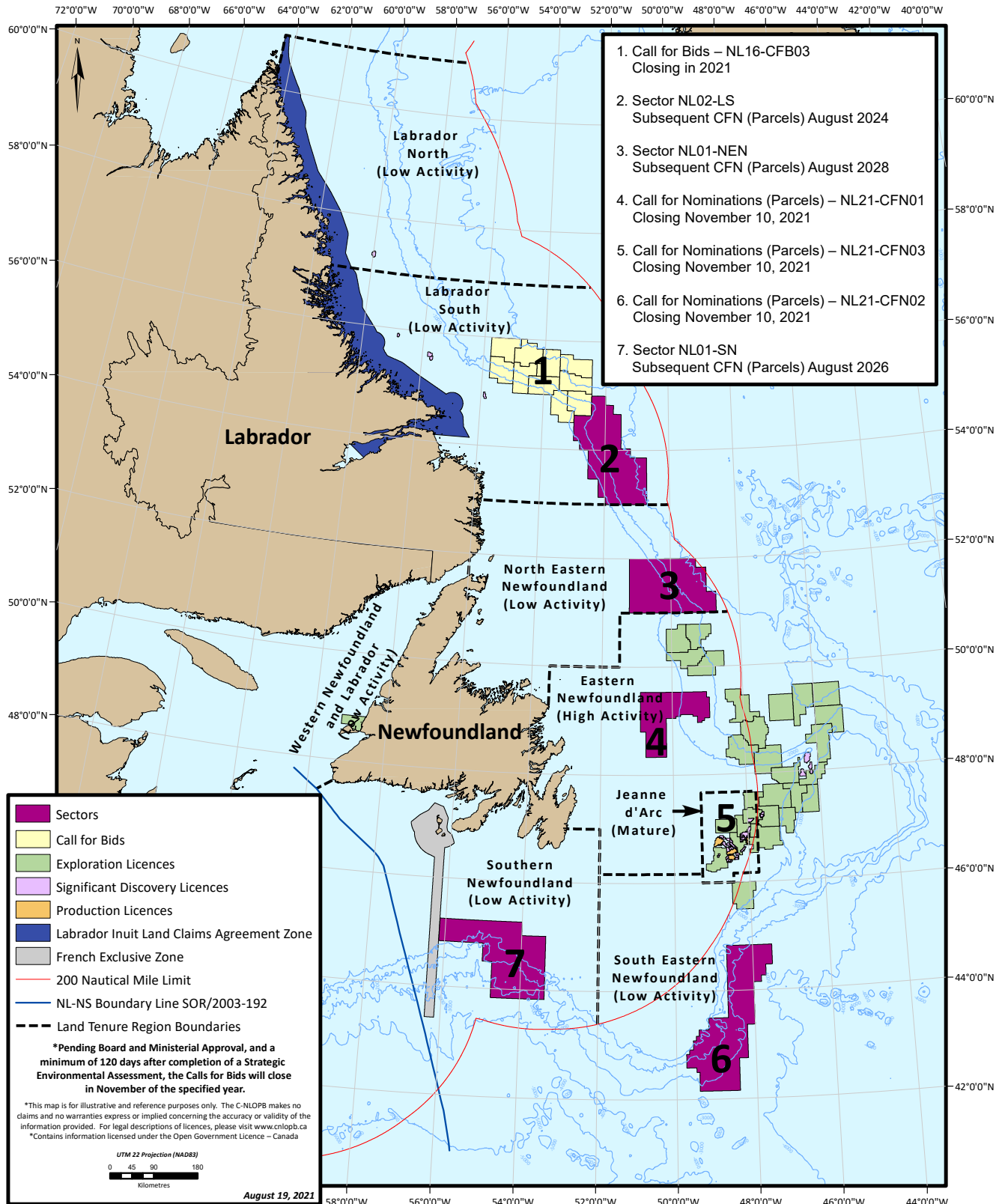
## Newfoundland and Labrador Offshore Oil and Gas Recovery Assistance

On September 25, 2020, the Government of Newfoundland and Labrador signed an agreement with the Government of Canada for \$320 million in federal funding for the Newfoundland and Labrador Offshore Oil and Gas Recovery Assistance Fund. The goals of the fund are to maximize employment for Newfoundland and Labrador residents and support the recovery of the provincial offshore oil and gas industry in response to the COVID-19 pandemic and last year's drop in global oil prices. Furthermore, to support the identified need and provide direct assistance for the local oil and gas sector value chain, a total of \$32 million has been committed to support oil and gas supply and service sector projects. The provincial government has made the following announcements regarding the remaining \$288 million:

1. West White Rose: On December 3, 2020, the Government of Newfoundland and Labrador announced \$41.5 million in funding to progress certain work scopes related to topsides fabrication, marine operation and subsea work to protect the option of restarting the West White Rose project in 2022. All of this work is to be completed in 2021 and will provide employment for 169 people in project management and engineering, as well as 162 tradespersons in Argentia and Marystown.

2. Hibernia: On December 23, 2020, the Government of Newfoundland and Labrador announced \$38 million in funding to resume well workover operations, upgrade the drilling rig and further their digital transformation over an estimated 18-month period. In addition to the funding, Hibernia Management and Development Company Ltd. will spend \$55.7 million. The total investment of \$93.7 million will result in 77 additional, full-time equivalent (FTE) positions in 2021, and maintain employment for 44 FTE positions in 2021 and 27 FTE positions in 2022.
  
3. Terra Nova: On September 8, 2021, Suncor Energy announced that the Terra Nova project co-owners have finalized the agreement to restructure ownership and move forward with the Asset Life Extension Project. The agreement hinges on government support of up to \$205 million from the Oil and Gas Industry Recovery Assistance Fund, on a matching contribution basis, to support local work related to the ALE project, as well as royalty relief valued at \$300 million.

# Status of Licensing Rounds



Any sector, parcel or licence depicted on this map beyond 200 nautical miles off the coast of Newfoundland and Labrador is not represented by the Board to reflect the full extent of Canada's continental shelf beyond 200 nautical miles. Canada has filed a submission regarding the limits of the Outer Continental Shelf in the Atlantic Ocean with the Commission on the Limits of the Continental Shelf, the review of which is pending. Any call for bids based on a sector or parcel identified in this map and any licences issued in those areas will be subject to approval as a Fundamental Decision under applicable legislation. The boundaries of sectors, parcels or licences in areas beyond 200 nautical miles may be revised to reflect the limits of the Outer Continental Shelf established by Canada. All interest holders of production licences containing areas beyond 200 nautical miles may be required, through legislation, regulation, licence terms and conditions, or otherwise, to make payments or contributions in order for Canada to satisfy obligations under Article 82 of the United Nations Convention on the Law of the Sea.

## 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	
2021 Jeanne d'Arc Mature, 1-year cycle	NA	NA	NA	Sep 2021	Mar 2022	Nov 2022	Jan 2023
2020 Eastern Newfoundland High activity, 2-year cycle	Jan 2020	Mar 2020	Sep 2020	Sep 2021	Mar 2022	Nov 2022	Jan 2023
2017 South Eastern Newfoundland Low activity, 4-year cycle	Feb 2017	Apr 2017	Jun 2017	Sep 2021	Mar 2022	Nov 2022	Jan 2023
2016 Southern Newfoundland Low activity, 4-year cycle	Jan 2016	Apr 2016	Jul 2016	Aug 2026	Mar 2027	Nov 2027	Jan 2028
2016 North Eastern Newfoundland Low activity, 4-year cycle	Jan 2016	Apr 2016	Jul 2016	Aug 2028	Mar 2029	Nov 2029	Jan 2030
2015 Labrador South Low activity, 4-year cycle	Feb 2015	Apr 2015	Jun 2015	Aug 2024	Mar 2025	Nov 2025	Jan 2026
2013 Labrador South Low activity, 4-year cycle	Dec 2013	Mar 2014	May 2014	Jan 2016	Nov 2016	Dec 2021	Jan 2022

Source: C-NLOPB



## Offshore Exploration Initiatives

The Department of Industry, Energy and Technology continues to support the acquisition and analysis of geoscience data for the province's offshore areas. This information is used as input to carry out independent resource assessments ahead of the closure 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 that are on offer and allows for a full evaluation of all the offshore basins. The data collected are available for licensing by industry.

On September 24, 2020, the Government of Newfoundland and Labrador announced the establishment of the OEI, which will allow all future bid deposit forfeitures to be reinvested, through cost reimbursement, resulting in an injection of potentially hundreds of millions of dollars in support of growth in the offshore petroleum industry. Under the OEI, there will be no cost reimbursement for an eligible exploration licence on the first well drilled. However, the second and third well will receive a maximum of \$30 and \$50 million respectively. This makes a third well more likely to occur and increases the chances of a discovery.

On October 5, 2021, the C-NLOPB announced the launch of a new map-based data and information hub, created and developed to modernize access to technical information housed by the C-NLOPB. Stakeholders will now be able to locate and download technical information from one location, increasing the

amount of technical information available and the speed with which it can be obtained.

On October 21, 2021, the 2021 Independent Resource Assessment results were released. These results showed a potential of 21.9 billion barrels of oil equivalent (P50 unrisks volumes) in the Labrador south region. This was the first exploration round for the newly imaged and defined Chidley Basin off the coast of Labrador.

## Calls for Nominations

On September 28, 2021, the C-NLOPB issued a Call for Nominations (Parcels) in the Eastern Newfoundland, South Eastern Newfoundland and Jeanne d'Arc regions. This Call for Nominations will assist the C-NLOPB in selecting parcels to be included in subsequent 2022 Calls for Bids, which are scheduled to be announced in spring 2022.

## Calls for Bids and Results

In August 2017, the C-NLOPB issued an update to advise that the close of the Call for Bids in the Labrador South region would be delayed until 120 days after the completion of the Labrador Shelf Offshore Area Strategic Environmental Assessment (SEA) Update being co-chaired by the C-NLOPB and the Nunatsiavut Government. On September 29, 2021, the C-NLOPB announced its intention to close the Call for Bids in the Labrador South region on December 22, 2021, conditional on completion and public release of the SEA Update this fall.

The C-NLOPB also announced updates to the Scheduled Land Tenure timing. The timing of four active Low Activity Sectors was delayed (see Land Issuance Rounds Timeline on page 20 for more details), and the Call for Bids in the Jeanne d'Arc and South Eastern regions will not proceed in 2021. The decision to proceed with future Call for Bids in the Jeanne d'Arc region will be assessed on an annual basis, per the C-NLOPB's Scheduled Land Tenure System.

# Mining

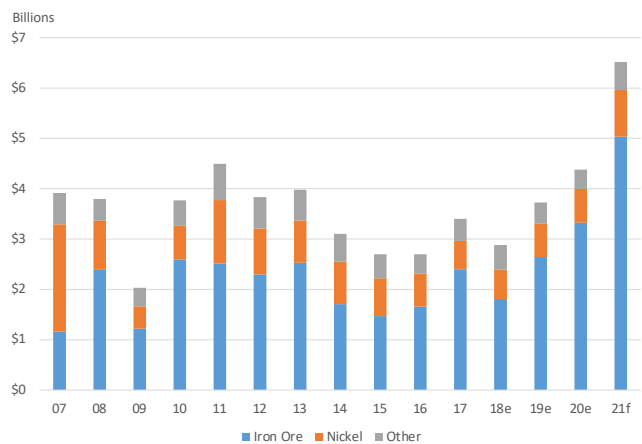


The value of mineral shipments from Newfoundland and Labrador is expected to total \$6.5 billion in 2021, an increase of 48.9% from 2020 (see chart). While this growth is largely due to an increase in the value of iron ore shipments, which are forecast to increase 51.5% to \$5.0 billion in 2021, the value of shipments is forecast to increase for most other commodities as well. Mining-related employment is anticipated to be 7,947 person years, an increase of 15.1% over 2020. Employment remains strong in the iron

Voisey's Bay Mine Expansion Project  
Vale Newfoundland and Labrador

ore sector, exploration and the continued construction at the Voisey's Bay Mine Expansion project.

## Value of Mineral Shipments



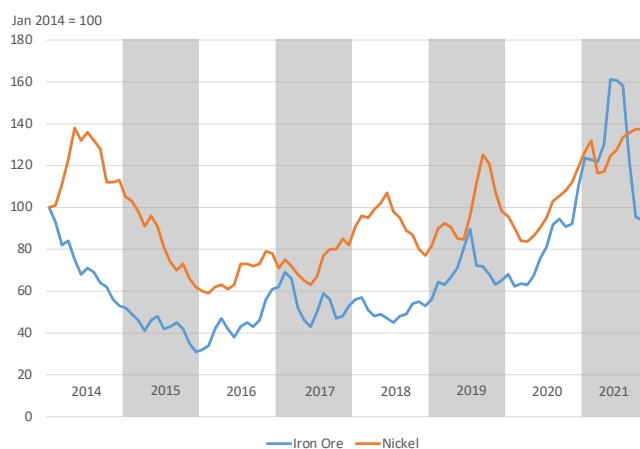
e: estimate, f: forecast  
Source: Department of Industry, Energy and Technology; Natural Resources Canada; Department of Finance

Prices for two of the province's key minerals increased notably in the first ten months of 2021 (see chart). Iron ore prices rose significantly in the second half of 2020 and this continued into 2021, reaching a peak of US\$210/tonne in May.<sup>4</sup> This is primarily due to record global demand for steel inputs and

<sup>4</sup> Iron ore prices listed in this document are for the product type containing 62% iron ore.

limited seaborne iron ore supply. Iron ore prices averaged US\$168/tonne in the first ten months of 2021, up 70.1% from an average of US\$99/tonne in the same period of 2020. Iron ore prices have recently declined due to reduced steel production in China. Nickel prices peaked at US\$8.79/lb in September 2021, driven by higher demand for stainless steel, particularly from China and Indonesia. Overall, nickel prices averaged US\$8.24/lb in the first ten months of 2021, up 36.8% from an average of US\$6.02/lb in the same period of 2020.

### Mineral Price Indices



Source: Bloomberg

## Iron Ore Company of Canada

The Iron Ore Company of Canada (IOC), located near Labrador City, is one of Canada's largest iron ore producers. IOC continued to safely and effectively operate its mining, processing, rail and shipping operations thus far in 2021, despite the ongoing COVID-19 pandemic. In the first nine months of 2021, IOC's total saleable production was 12.31 million tonnes. As a result of lower anticipated production to date, Rio Tinto lowered its

2021 estimated production for IOC's saleable production from a range of 17.9 to 20.4 million tonnes to 16.2 to 17.9 million tonnes. IOC employment in this province is forecast to be 2,093 person years in 2021, up 6.9% from 2020.

## Vale Newfoundland and Labrador

Vale Newfoundland and Labrador (VNL) operates the Voisey's Bay nickel-copper-cobalt mine on the northeast coast of Labrador and the related hydrometallurgical processing facility in Long Harbour. In the first half of 2021, VNL reported production of 24,000 tonnes of nickel, up 22.2% in comparison to the first half of 2020. The value of nickel is also expected to rise as a result of higher nickel prices. Employment for all aspects of the Voisey's Bay project is expected to be 3,490 person years in 2021, up 25.5% over 2020.

In 2021, Vale continued work on its Voisey's Bay Mine Expansion Project, which began in 2018. The project involves developing two underground mines, Reid Brook and Eastern Deeps, and is expected to produce 40,000 tonnes of nickel-in-concentrate annually by 2025, with about 20,000 tonnes of copper and 2,600 tonnes of cobalt produced as by-products. The Reid Brook deposit produced its first ore in June 2021, and in July, Vale announced that mine construction had reached 66% completion. The Eastern Deeps mine is anticipated to start up in 2022.

## Tata Steel Minerals Canada Ltd. Other Producing Mines

Tata Steel Minerals Canada Ltd. (TSMC) operates a high-grade iron ore project in the Menihek region of Labrador and is also developing two iron ore deposits on the Québec side of the provincial border. This operation is a partnership between Tata Steel and the Government of Québec.

TSMC has transitioned from a direct shipping ore (DSO) project to producing high grade iron ore concentrate. In 2020, the company's wet processing facility became operational, adding year-round production capability and improving the iron ore grades processed through the plant. The operation produces concentrate and DSO, and will process iron ore from the Québec side of the provincial border. The project is expected to generate approximately 275 person years of employment in 2021, up 36.1% from 2020.

### Tacora Resource Inc.

Tacora Resources Inc. is an iron ore mining and processing company that reactivated the Scully Mine near Wabush, Labrador in 2018. The company had its first shipment of iron ore concentrate in 2019, followed by a full year of production in 2020. Production capacity is expected to be 6.5 million tonnes per year at full operation, with a projected mine life of 26 years. It is anticipated that the operation will generate an estimated 357 person years of employment in 2021, up 12.3% over 2020.

Rambler Metals and Mining Canada Ltd. owns and operates the underground Ming copper-gold mine and the Nugget Pond Mill on the Baie Verte Peninsula, as well as a year-round bulk storage and shipping facility in Goodyear's Cove. The Ming mine and Nugget Pond processing facility remained operational throughout the COVID-19 pandemic. Production was at a reduced rate due to the implementation of policies and protocols for the safety of employees during the pandemic, but also due to the reduction in the price of copper. The mine is expected to generate an estimated 208 person years of employment in 2021, up 6.7% from 2020.

Anaconda Mining Inc. (Anaconda) began gold production at its Point Rouse project near Baie Verte in 2008. This project consists of the Pine Cove open pit mine, the Pine Cove mill and tailings facility, the Stog'er Tight mine, the Argyle deposit and approximately 11,000 hectares of prospective gold-bearing property. Mining at the Argyle deposit began in October 2020 and currently represents the remaining ore reserves for the Point Rouse project. The Point Rouse project was expected to produce 16,000-17,000 ounces of gold in 2021, but delays in mine development revised this guidance down to approximately 12,000 ounces for 2021. Over the next 14 months, gold production is expected to be approximately 29,500 ounces, setting Anaconda up for a record year of production in 2022. The company also anticipates announcing an expanded mineral resource for Stog'er Tight this fall. The mine is expected to

generate an estimated 105 person years of employment in 2021, up 10.5% over 2020.

Atlantic Minerals Limited (AML) is located in Lower Cove on the Port au Port Peninsula and is a leading producer of chemical grade high calcium limestone, dolomite and construction aggregates. AML's products meet a wide range of industrial and agricultural specifications and are distributed throughout Canada, the United States, South America and Europe. AML has over one billion metric tonnes of resources, including proven reserves of over 50 million tonnes of high calcium limestone and 70 million tonnes of dolomite, with remaining reserves suitable for construction aggregates. The site currently generates approximately 68 person years of employment per year.

The Canada Fluorspar Inc. (CFI) project consists of an open pit mine, mill facility, manufactured tailings facility and a marine shipping terminal in St. Lawrence. In 2021, CFI completed construction of the Blue Beach Marine Terminal, located at Blue Beach Cove near St. Lawrence. The shipment of concentrate from the terminal will significantly reduce transportation challenges, provide cost savings for the company and increase global market opportunities through the potential export of aggregates. At full operation, the project is expected to produce up to 200,000 tonnes of fluorspar concentrate per year. CFI operations are expected to generate an estimated 255 person years of employment in the province in 2021, down 26.3% from 2020.

BarCan (Barite Canada), formerly known as Barite Mud Services Inc., is a Newfoundland and Labrador based company that is recovering barite from tailings produced from the American Smelting and Refining Company's historic base metal mine in Buchans. The company completed a significant plant upgrade in 2020 to enhance recoveries, reliability, economics and safety. BarCan expects to employ 38 people in 2021, which includes seasonal and full-time employees.

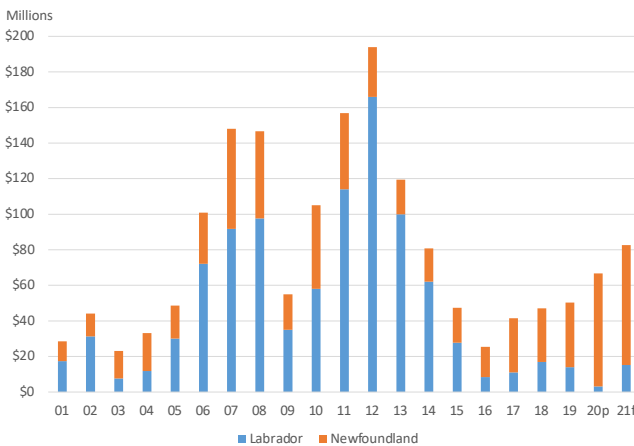
The Beaver Brook Antimony Mine, located near Glenwood, extracts antimony ore from an underground mine and produces antimony dry concentrate through the milling process. The company temporarily suspended operations in November 2020, due to the COVID-19 pandemic. Mining operations restarted on September 28, 2021, with full operations estimated to begin in November 2021. The company anticipates hiring over 100 personnel for on-site mining and milling activities. This mine generated an estimated 104 person years of employment in 2020.

The province's construction aggregate industry (i.e. producers of gravel, sand, stone and other mineral material that is used in the construction industry) is expected to ship approximately 6.3 million metric tonnes of aggregate this year, up 7.4% over 2020. This is anticipated to be valued at \$30.0 million, down 1.5% from 2020. The construction aggregate sector currently generates about 550 person years of employment annually.

## Mineral Exploration and Development

Exploration expenditures hit a seven-year high in 2020, reaching \$66.8 million, mainly driven by exploration for gold (see chart). In 2021, exploration expenditures are expected to rise to over \$82.6 million, up 23.8% from 2020.

### Mineral Exploration Expenditures



p: preliminary, f: forecast  
Source: Department of Industry, Energy and Technology

Marathon Gold Corporation is a mineral exploration and development company advancing its Valentine Gold project in central Newfoundland. The company released a new feasibility study in March 2021, estimating \$662 million in capital spending over a 13-year mine life. Construction is scheduled to commence in early 2022 and last 22 months, with first gold pour anticipated in October 2023, with production averaging 173,000 ounces of gold per year. This schedule is dependent upon provincial and federal environmental assessment approval. Marathon expects to employ an average of 404 persons during the project’s construction and 426 persons during operations.

Maritime Resources Corp. is an exploration and mining company with its key asset, the once producing Hammerdown gold mine, located in the Baie Verte mining district. It has additional deposits, Orion and Whisker Valley, in the same district. The Hammerdown Gold Project was released from environmental assessment in May 2021 and the completion of a feasibility study is expected by the end of 2021. Maritime anticipates construction in 2022. The project has an estimated mine life of nine years with production averaging 57,900 ounces of gold per year.

Matador Mining Ltd. is pursuing a gold exploration program at the Cape Ray Gold project located near Port aux Basques. The project is currently under environmental assessment and is required to submit an Environmental Impact Statement. Once fully permitted, the project is anticipated to have a seven-year mine life, averaging 88,000 ounces of gold during the first four years and 124,000 ounces of silver per year. Construction employment is estimated at 300 person years and operational employment is anticipated to be approximately 180 person years annually.

Search Minerals Inc. (Search) has continued to conduct exploration development of the Port Hope Simpson Critical Rare Earth Element district in southeastern Labrador. In June, Search was selected to participate in the Government of Canada’s Accelerated Growth Service initiative, which will provide the company with access to a team of experts to advance its project in Labrador and help establish a stable and secure rare earth element supply chain. Search has

commissioned a preliminary economic assessment on the combined Deep Fox/Fox Trot project with target completion of the study by the first quarter of 2022.

To encourage mineral exploration in Newfoundland and Labrador, the Government of Newfoundland and Labrador provides funding to the mineral exploration industry through the Mineral Exploration program. This program includes the Prospector Assistance and Junior Exploration Assistance programs, and provides funding for the Matty Mitchell Prospectors Resource Room. The 2020–21 Mineral Exploration program invested \$1.7 million into mineral exploration in the province.



# Manufacturing

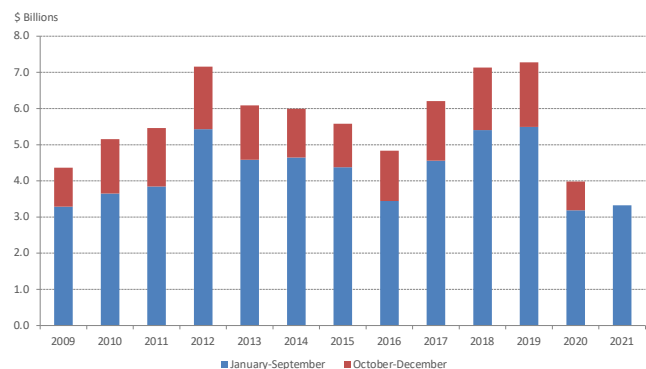


Newfoundland and Labrador’s manufacturing industry produces a wide variety of goods, with manufacturers located in both rural and urban areas of the province. The majority of manufacturing output is generally concentrated in refined petroleum, food processing (primarily seafood), fabricated metal manufacturing, non-ferrous metal production and processing, and newsprint. The value of manufacturing shipments totalled \$3.3 billion in the first nine months of 2021, representing an increase of 4.3% compared

Cooked and Peeled Shrimp Processing  
Department of Fisheries, Forestry and Agriculture

to the same period last year (see chart). This increase is mainly driven by a rise in the value of durable goods, which include fabricated metal products and non-ferrous refined metals such as nickel.

## Manufacturing Shipments



Source: Statistics Canada

Employment in the manufacturing industry averaged approximately 10,700 persons in the first ten months of 2021, up 22.5% compared to the same period in 2020, representing 4.9% of total employment in the province. Labour income in the industry increased 22.3% in the first half of 2021, compared to

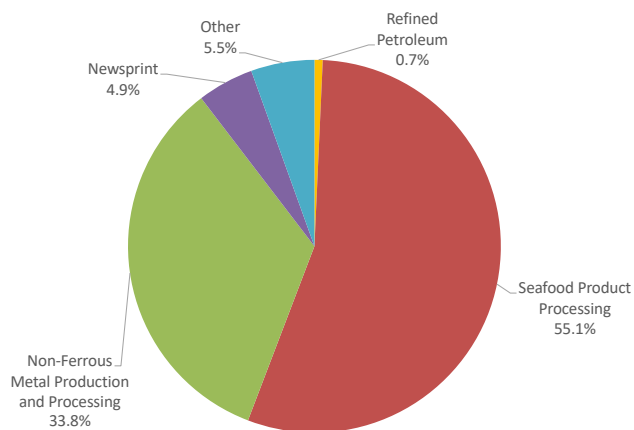
the first half of 2020, due to an increase in wages in the durable goods sector. Average weekly earnings in the manufacturing sector increased by 3.7% in the first eight months of 2021, compared to the same period in 2020.

Locally manufactured products are shipped throughout the province, elsewhere in Canada and to international markets. The value of international manufacturing exports from Newfoundland and Labrador was approximately \$2.2 billion in the first nine months of 2021, an increase of 9.0% compared to the same period in 2020. This increase was primarily due to gains in the value of non-ferrous metal production, stemming from higher nickel prices, in addition to higher values of seafood product exports, particularly snow crab. The U.S. remains the largest export market for Newfoundland and Labrador manufacturers, representing 55.6% of international manufacturing exports during the January to September 2021 period.

Refined petroleum products usually account for the largest portion of the province's manufacturing output. However, production at the oil refinery in Come By Chance has been suspended since March 30, 2020, and as a result, the value of international petroleum exports from Newfoundland and Labrador fell 97.7% to \$15.7 million in the first nine months of 2021, compared to the same period last year. The oil refinery in Come By Chance, operated by North Atlantic Refinery Limited (NARL), is strategically located along Atlantic crude oil shipping routes. As such, the refinery has access to petroleum markets in Europe and along the Eastern U.S. Seaboard.

To date, the refinery has not restarted crude oil processing, but has been supplying the local fuel market with available inventories and shipments from suppliers outside the province. On January 15, 2021, a funding arrangement was announced between the Government of Newfoundland and Labrador and NARL Refining to help keep the refinery in warm idle mode, mitigate restart costs and support employment until a future restart. Most recently, Cresta Fund Management purchased a controlling stake of the idled Come By Chance oil refinery. The company has plans to convert the refinery to produce renewable aviation fuel and diesel.

### Distribution of International Manufacturing Exports by Industry, January-September 2021



Source: Statistics Canada

Fish processing also plays a significant role in Newfoundland and Labrador's manufacturing industry. The value of international seafood product exports totalled approximately \$1.2 billion in the first eight months of 2021, up 66% from the same period in 2020 due to higher export values for key species, particularly snow crab. The value of snow crab

exports has more than doubled over the first eight months of the year due to record high prices. The U.S. and China destination markets accounted for 86.6% of export value for the province's seafood products in the January to August 2021 period.

estimated value of shipments rose 8.2% over the same period due to both higher shipments and higher prices, although gains were dampened by a stronger Canadian dollar. The COVID-19 pandemic did not interrupt normal operations.

In recent years, fabricated metal manufacturing in the province has fluctuated with major project construction activity. In the first eight months of 2021, fabricated metal manufacturing employment was up as some construction activity resumed after the suspension of several major projects in 2020, in response to the COVID-19 pandemic.

Vale Newfoundland and Labrador (VNL) owns and operates the processing plant in Long Harbour. The facility processes nickel concentrate that is sourced from the Voisey's Bay mine in Labrador. While the plant primarily processes nickel, it also produces cobalt and copper as by-products (see **Mining** for more details). In the first nine months of 2021, the value of international exports of non-ferrous metal production and processed products from Newfoundland and Labrador increased by 89.8% compared to the same period in 2020. This increase is the result of higher prices for nickel in addition to the continued ramp up in production at the nickel processing facility. Currently, the Long Harbour nickel processing facility employs just over 900 people.

The volume of newsprint shipped from Corner Brook Pulp and Paper Limited was up in the first three quarters of 2021, increasing 8.6% compared to the same period in 2020. The

# Fishery and Aquaculture



The Newfoundland and Labrador fishery is on pace to realize a record-breaking year in 2021, with the value of landings anticipated to peak at a historical high of just over \$1 billion, up more than 75% from 2020. This is largely the result of higher raw material prices for key species, particularly snow crab. As pandemic-related restrictions eased, increased retail demand and food-service recovery led to tighter supply for some seafood products in the world market. These factors have put upward pressure on prices. In 2020 (latest

data available), employment levels remained on par with 2019, with the fish and seafood sector employing approximately 15,800 persons in 2020, compared to just over 16,000 in 2019.

## Wild Fisheries

The wild fishery refers to the harvest of naturally occurring fish in marine environments. Recent stock assessments indicate that some of the province's groundfish stocks continue to show signs of growth, which appear to be largely driven by warmer water temperatures. While the northern cod stock has not fully recovered, recent stock assessments indicate that the stock is above levels observed during the 2000s. Other groundfish stocks, particularly redfish, also continue to grow in areas around Newfoundland and Labrador.

While warmer water temperatures seem to be more favourable for groundfish, this appears

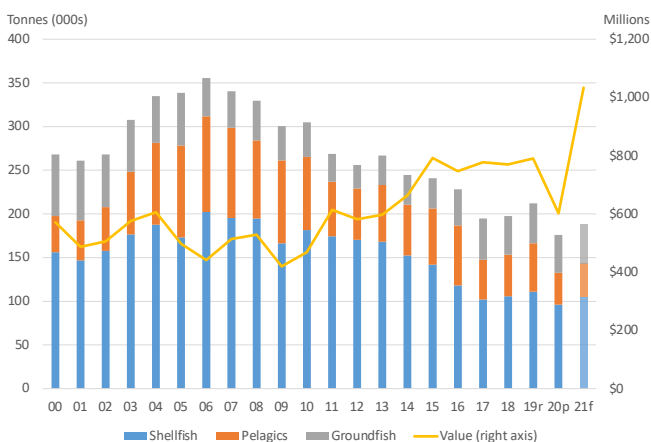
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Snow Crab  
Department of Fisheries, Forestry and Agriculture

to be having a negative impact on some key shellfish resources. Even though the snow crab resource is at historically low levels since the 1990s, recent stock assessments indicate that it is stable and is increasing in some areas. This resulted in an increase of the Total Allowable Catch (TAC) for snow crab to 38,186 tonnes in 2021, up from 29,551 tonnes in 2020. While northern shrimp stocks have declined off the east coast of the island and southern Labrador over the past decade, and more recently in areas to the north, northern shrimp stocks saw a small rise in the 2021 TAC, due to slight increases in spawning stock and fishable biomass in all areas.

Total fish landings are expected to increase 9.3% to approximately 188,800 tonnes in 2021. While landings for most species are anticipated to increase, the most significant rise in landings is very likely to be in the snow crab fishery, which has already ended for this year. The total landed value of all species is expected to increase 75.8% to approximately \$1.0 billion, resulting from higher raw material prices for key species, particularly snow crab (see chart).

### Wild Fishery Landings



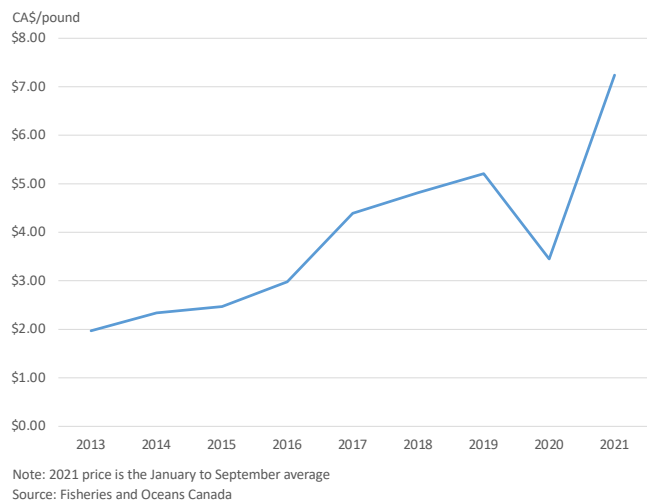
r: revised; p: preliminary; f: forecast  
 Source: Fisheries and Oceans Canada; Department of Fisheries, Forestry and Agriculture

### Shellfish

Shellfish landings are forecast to rise by 13.0% this year to approximately 105,200 tonnes, largely the result of increased snow crab landings. The corresponding landed value for shellfish is expected to increase by 93.7% to \$896 million, due mainly to an increase in the landed value of snow crab.

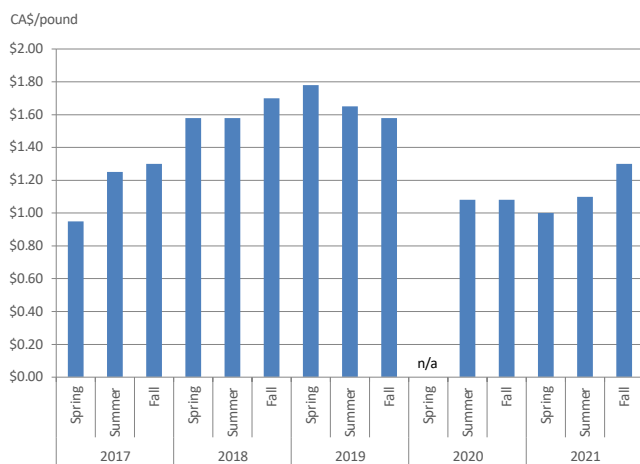
The seasonal snow crab fishery has ended for this year. Snow crab landings rose 30.8% to 38,410 tonnes in 2021, in line with an increase to the quota. The corresponding landed value of snow crab nearly tripled, reaching an all-time high of \$621 million, compared to \$223 million in 2020. The large increase was mainly due to a significantly higher raw material price for the species, which more than doubled in 2021. The landed price for snow crab averaged \$7.24/pound in the January to September 2021 period compared to an average of \$3.45/pound in 2020 (see chart).

### Snow Crab Average Landed Price



Shrimp landings are expected to increase by 4.2% in 2021 to approximately 34,300 tonnes. However, the value of shrimp landings is anticipated to decrease by 1.9% to \$140 million. This is due to a high volume of the shrimp quota being harvested in the spring and summer fishery when the minimum landed price paid for inshore shrimp was lower compared to the average price paid in 2020. In 2020, there was no spring fishery, so most of the shrimp quota was caught in the summer fishery. In 2021, the minimum landed price remained relatively on par in the summer fishery, while it increased somewhat in the fall (see chart).

### Minimum Landed Price Paid to Harvesters Inshore Shrimp



Source: Fish Food & Allied Workers Union

### Groundfish

Groundfish landings are expected to increase by 5.2% to 45,500 tonnes in 2021 due to anticipated higher catches for most groundfish species, particularly flounders and turbot. The corresponding landed value is forecast to rise by 3.7% to \$109 million.

### Pelagics

Pelagics landings are expected to increase by 4.5% to approximately 38,200 tonnes, mostly due to herring catches rebounding after lower catches were recorded in 2020. The corresponding landed value is forecast to rise by 41.2% to \$29 million, as a result of higher landed prices for capelin.

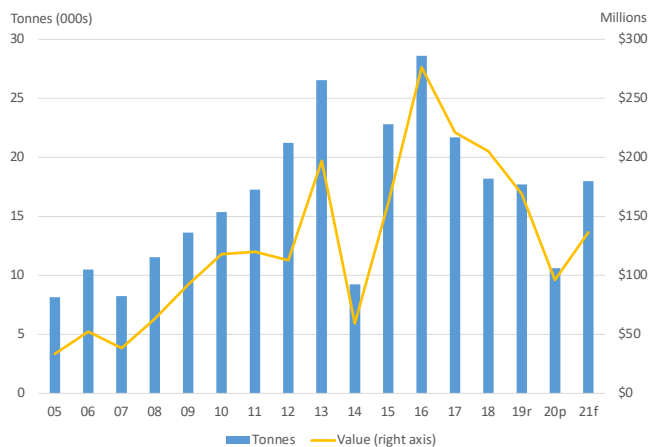
### Harp Seals

The harp seal fishery returned to pre-pandemic levels after the fishery did not open in 2020 due to COVID-19. The number of seals harvested in 2021 was 26,446 in comparison to 36,976 in 2019. The landed value of the seal harvest for 2021 was \$740,397 compared to \$893,446 in 2019.

## Aquaculture

Aquaculture production in the province comprises salmonids (Atlantic salmon and steelhead trout) and shellfish (blue mussels and oysters). In 2021, aquaculture production volume is anticipated to increase to 17,984 tonnes, up 69.3% over 2020. The corresponding market value is expected to increase 42.2% to \$137 million (see chart). Direct employment from aquaculture hatchery and grow-out activities is estimated to be 844 persons in 2020 (latest data available), up 53.5% from 2019.

## Aquaculture Production and Value (all species)



r: revised; p: preliminary; f: forecast  
Source: Department of Fisheries, Forestry and Agriculture

Preliminary data indicates that salmonid production will increase by approximately 34.4% to nearly 10,500 tonnes in 2021, as production of Atlantic salmon and steelhead trout is anticipated to increase. The value of salmonid production is estimated to reach \$105 million, an increase of 26.1%.

Newfoundland and Labrador aquaculture shellfish production consists primarily of blue mussels; however, commercial production of oysters began in December 2019. Shellfish production is estimated to reach 7,500 tonnes in 2021, nearly triple the volume produced in 2020. The major mussel producers in the province continue to work to expand operations through mergers, acquisitions and site expansions. The production value of shellfish is anticipated to be approximately \$31 million in 2021, more than double the value of 2020.

The construction phase of the Grieg NL SeaFarms’ land-based facility on the Burin Peninsula began in July 2020. Due to

COVID-19 impacts, the company announced in October 2020 that they were reducing the pace of investment and postponing some of the construction of the land-based operation, and stated that resumption of the operation is dependent on market developments. MOWI Canada East continued its operations with sites on the south coast while also expanding to the Bays West area of the region. Further expansion is expected to create additional employment and increase opportunities for the supply and service sector, processing, and marine site work.

In October 2020, the Department of Fisheries, Forestry and Agriculture released an Expression of Interest to establish a marine salmon farming operation in the Bays West region. This development could result in additional production of 15,000 to 20,000 tonnes of Atlantic salmon and create 100 to 150 jobs in the area. The successful applicant will be awarded at the end of the process, likely early in 2022.

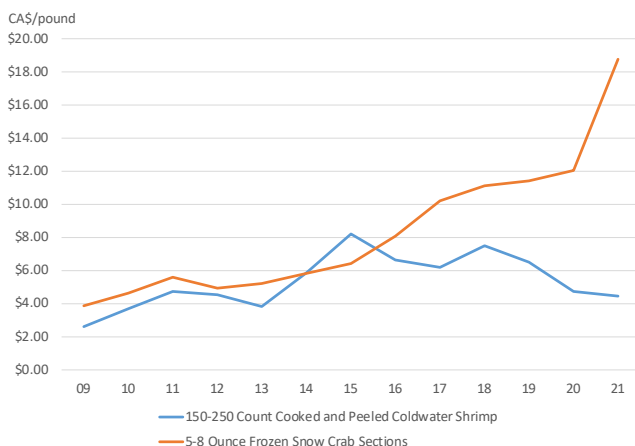
## Seafood Processing and Marketing

From January to August of 2021, seafood production (excluding aquaculture) was 80,442 tonnes, up 17.7% from 68,329 tonnes in the same period of 2020. There are currently 92 licensed fish processing plants in the province. Of these, 69 are primary, 5 are secondary, 5 are aquaculture, and 13 are in-province retail establishments. This compares to 91 licensed fish processing plants in 2020.

In the January to August 2021 period, the U.S. remained the largest export market representing 75.2% of total export value (up from 63.3% in 2020), while China accounted for 11.4% (down from 17.2% in 2020). Other markets include: the United Kingdom (2.6%), Japan (2.2%) and Vietnam (1.1%). In the January to August period, Newfoundland and Labrador’s international seafood product exports were valued at \$1.2 billion, up 66% from the same period in 2020.

Historically high market prices for snow crab increased further in 2021. A lower global supply of snow crab, increased consumer and retail demand, and the recovery of food-service markets, put upward pressure on market prices. The market price for 5-8 ounce snow crab sections averaged \$18.76/pound in the January to August 2021 period, up 62.4% from an average of \$11.55/pound in same period of 2020. The market price of cooked and peeled inshore shrimp averaged \$4.46/pound in the January to September 2021 period, down 5.3% over the same period of 2020 (see chart).

### Shrimp and Snow Crab Average Market Prices



Note: 2021 price for snow crab is the January to August average and for shrimp is January to September average.

Source: Urner Barry, Gemba Seafood Consulting A/S, Bank of Canada

There are several initiatives in place intended to help transform and drive innovation in the fish and seafood sector, including the Atlantic Fisheries Fund (AFF) which is cost-shared between the Government of Canada and the Atlantic provinces. The AFF spans a seven-year time frame and will support innovation in the fish and seafood sector in Atlantic Canada. The fund is already providing substantial economic benefits to the province’s fish harvesters, fish processors and aquaculture companies. Since the program began in 2017, 286 projects have been announced with investments of over \$65.6 million from federal and provincial governments.

On April 1, 2021, the Canada-United Kingdom Trade Continuity Agreement entered into force, preserving preferential market access for Canadian seafood producers that was gained through the Canada-European Union Comprehensive Economic and Trade Agreement. The market access includes duty free tariff lines for the majority of seafood products, with the remaining tariffs to be phased out by September 2024. It also includes transitional tariff rate quotas that are not subject to end-use restrictions such as product deemed for further processing, permitting Newfoundland and Labrador’s seafood producers to brand products.



# Forestry

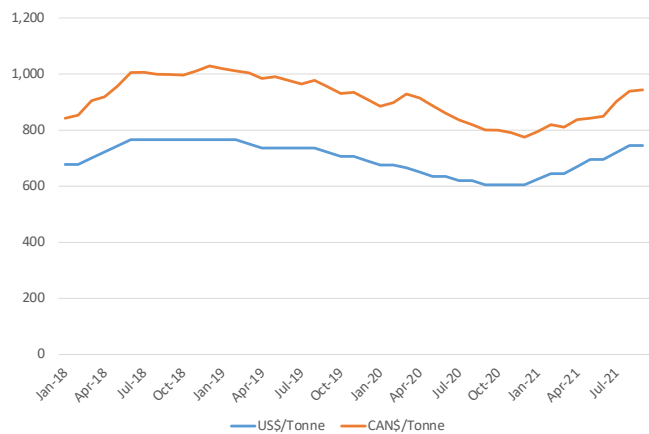


## Newsprint

North American newsprint producers continue to deal with a challenging horizon. Demand has dropped by more than two-thirds since 2000, reflecting the growing popularity of digital media. The price of newsprint averaged US\$687/tonne in the first three quarters of 2021, up from US\$643/tonne in the first three quarters of 2020 (see chart). Newsprint mills in North America increasingly rely on international exports, notably Latin

America and Asia, where the higher market prices help support stronger prices in the domestic market.

### North American Newsprint Prices



Source: PPI Pulp and Paper Week

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 400 full-time and casual workers at its paper mill, power plants and forest operations. Newsprint shipments increased by 8.6% to 183,585 tonnes in the first three quarters of 2021, while the

estimated value of shipments increased by 8.2%, due to a combination of higher prices and higher shipments. The stronger Canadian dollar eroded some of these gains. The COVID-19 pandemic did not interrupt normal operations. For the year as a whole, newsprint shipments are expected to reach 245,000 tonnes, an increase of 7.9% compared to 2020.

Enhancements to the Port of Corner Brook were completed in 2020, with the installation of a crane for loading and unloading container ships. This improved access to international markets for businesses in the region. In particular, the investment benefited CBPPL by reducing its dependence on ground transportation and lowering transportation costs to international markets.

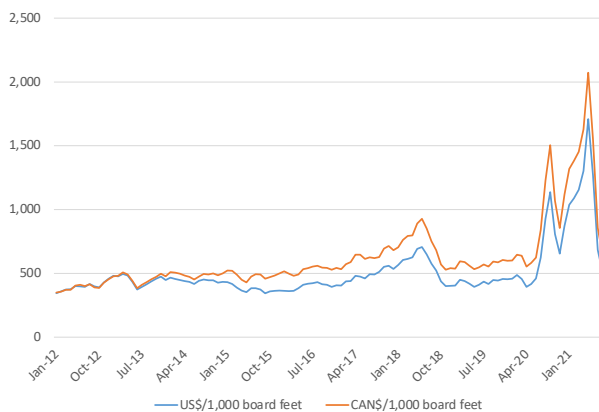
The value of Newfoundland and Labrador international newsprint exports were up 7.5% in the first eight months of 2021, compared to the same period of 2020. Lower exports to the U.S. were more than offset by higher exports to India and China. These three countries accounted for about two thirds of international shipments.

## Lumber

Market conditions were favourable to lumber producers in the province heading into 2021. Lumber prices increased markedly during the pandemic, from US\$459 per thousand board feet in January 2020 to a record-breaking US\$1,709 in May 2021. This was driven mainly by supply reductions in response to pandemic safety measures, as well as increased U.S. housing activity. Since May, however, prices

have quickly fallen to pre-pandemic levels, returning to US\$534 per thousand board feet in September 2021. On the supply side, some local sawmills paused or slowed down operations due to COVID-19 constraints. On the demand side, there was a considerable increase in home renovations and remodeling, reflecting a substitution of household expenditures from spending on services and travelling to home improvements since the pandemic began.

### 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 Industry, Energy and Technology; Bank of Canada  
Department of Finance

Newfoundland and Labrador lumber production is expected to reach 105 million board feet in 2021, up 5.0% from 2020. While national supply chains were interrupted by COVID-19, there were no interruptions to local supply. Output has increased annually over the last eight years, reflecting capacity improvements and better export opportunities. Local sawmills also benefitted from elevated lumber prices. The value of international exports of lumber increased by 142.0% between January and August 2021, compared to the same period of 2020.

While the ongoing Canada-U.S. softwood lumber trade dispute remains a concern for Canadian lumber exporters, Newfoundland and Labrador sawmills continue to benefit from the “Atlantic Exclusion”. The U.S. Department of Commerce announced in November 2017 that lumber produced and originating from Nova Scotia, Prince Edward Island and Newfoundland and Labrador would be excluded from paying duties. This decision has been positive for the provincial sawmill industry in gaining duty-free access to the U.S. market.

# 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—which includes dairy, eggs, fur, poultry, hogs, cattle and sheep products—account for over 80% of the total value of farm products. The remainder comes from crops and program payments, such as crop insurance.

In the first half of 2021, an increase in the value of farm cash receipts (sales of farm products) indicates that the provincial agriculture industry is trending upward. Total receipts were up 10.8% to \$67 million, helped by gains across the three main categories (see table). Crop receipts were up 24.5% to \$7.2 million likely due, in part, to local cannabis production entering the market. Livestock and livestock products were up 0.7% to \$55.1 million, likely from a gain in the value of chicken production. Fur sales are not included in farm cash receipts so far this year. Program payments increased by \$4.7 million due to the Dairy Direct Payment Program (\$2.95 million) and the AgriStability program (\$1.75 million). The Dairy Direct Payment Program provides support to dairy producers as a result of market access commitments made under recent international trade agreements, namely the Canada–European Union Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

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Locally Grown Kale from Pasadena  
Department of Fisheries, Forestry and Agriculture

(CPTPP). The AgriStability Program is a voluntary program that provides support when farmers experience large margin declines.

### Farm Cash Receipts Newfoundland and Labrador, \$Millions

	1H 2020	1H 2021	Change
Crop Receipts	5.8	7.2	1.4
Livestock and Livestock Products	54.7	55.1	0.4
Dairy	23.3	23.5	0.2
Eggs	8.8	8.1	-0.7
Other*	22.6	23.5	0.9
Program Payments	0.1	4.7	4.7
Total Receipts	60.5	67.0	6.5

1H: First half

\* Includes cattle, calves, hogs, sheep, lambs, chickens for meat, turkeys for meat, chicks and misc. livestock.

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

Data from the Chicken Farmers of Canada indicates that the volume of chicken produced in the province in the first half of 2021 was on par with 2020. Consumer Price Index data suggests that retail chicken prices are up so far this year, contributing to the increase in the value of farm cash receipts.

Monthly data on milk production indicates that the volume of milk sold by farms has held steady during the first half of the year when compared to the same period last year. The value of milk has also remained steady, as prices remained stable.

## Government Supports

In 2020, the Government of Newfoundland and Labrador announced nearly \$18 million in funding to create jobs in the agriculture sector and assist farmers and producers. The following highlights some of the ongoing initiatives to improve the provincial agriculture industry:

### Vegetable Transplant Program

This program was established in 2018 to provide eligible commercial farmers with high-quality vegetable transplants in an effort to diversify the current provincial crop profile, expand vegetable production area, and demonstrate the enhanced productivity realized by utilizing transplants. The program has been a success with demand increasing from 1.7 million transplants in 2019 to 4.7 million in 2021.

### Provincial Beef Industry Enhancement Initiative

There were 21 beef farmers in the province who received 10 registered female beef cattle each. As a result of the addition of these high quality animals to the province, farmers will use as breeding stock to produce more high-quality progeny, thus improving the production and quality within the provincial beef sector.

### Development of Regional Abattoirs

Three proponents received funding to develop regional abattoirs in western, central and eastern parts of the province. In order to market meat products, producers are required to process their livestock in a licensed facility. The facilities funded under this program

are strategically located to allow existing producers to conveniently access abattoir services.

### **Provincial Honey Bee Development Program**

The Newfoundland and Labrador Beekeeping Association (NLBKA) as well as 15 provincial beekeepers received funding under the Provincial Honey Bee Development Program. Beekeepers were funded for items and equipment to encourage sustainability and colony expansion of local honey bees. Furthermore, the NLBKA were provided funding to organize and offer several education workshops for provincial beekeepers on basic beekeeping, Varroa Action Plan and queen rearing and nucleus production.

### **Large-Scale Potato Development**

Three Agricultural Areas of Interest were developed and prepared for large-scale agriculture production. Three proponents were successful in obtaining these areas under a Request for Proposals process. The proponents are currently in the midst of their first growing season.

### **Development of Vegetable Cold Storage Facilities**

Two proponents received funding under the Regional Vegetable Cold Storage Program – one in Labrador and one on the island. Both facilities are complete, and will be utilized for the first time at harvest time this year. These cold storage facilities will significantly increase producer's ability to extend their market period and will also enable production expansion.

### **Modernization of the Centre for Agriculture and Forestry Development**

The Centre for Agriculture and Forestry Development in Wooddale purchased equipment to modernize the existing facility. Purchases included new equipment, as well as necessary equipment upgrades. This equipment has improved the Centre's ability to support ongoing and future activities for both the agriculture and forestry sectors, including the Provincial Seed Potato Program, the Vegetable Transplant Program and the Provincial Silviculture Program.

### **Regional Equipment Banks**

The purpose of this initiative is to support new farm entities during their development stage, by making basic farm equipment available for use on their farms until such a time that they are financially able to purchase their own equipment. Several new pieces of farm equipment were purchased for the equipment banks such as fertilizer spreaders, moldboard plows and disc harrows. Administrative planning is currently underway for this program, and it is anticipated that it will be operational for next growing season.

### **Agricultural Roads**

This initiative supports the construction of roads and bridges to provide access to Agricultural Areas of Interest that will be made available to new and existing farmers. In total, approximately 21 kilometres of roads and bridges have been constructed under this initiative.

### **Agricultural Virtual Market Opportunities**

This program provides support to assist farmers in selling directly to consumers via an online marketplace. In July 2021, the Western NL Food Hub was established with assistance from the Canadian Agricultural Partnership and currently brings together 24 local farms with 415 registered customers.

# Construction



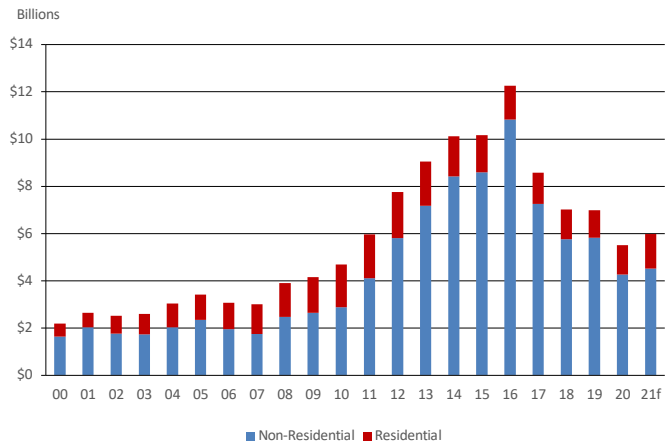
The Newfoundland and Labrador construction industry has performed well so far in 2021, with increased investment in both non-residential and residential construction. Activity in the industry, particularly the non-residential sector, is closely tied to major project development. As such, activity can fluctuate significantly from year-to-year depending on major project timelines.

Construction of Parking Garage, New Adult Mental Health and Addictions Facility  
Marco Group

## Investment

Construction-related investment spending in the province is expected to total \$6.0 billion in 2021, up 8.5% from the previous year (see chart). Non-residential investment—which accounts for the vast majority of construction related investment in the province—is expected to total \$4.5 billion in 2021, up 5.7% compared to 2020.

### Construction Related Investment



f: forecast  
Source: Statistics Canada; Department of Finance



Residential construction spending is also up in 2021. In the first seven months of this year, investment in residential construction increased by 18.4% compared to the same period of 2020. Expenditures on new dwellings rose by 55.3%, while expenditures on renovations increased by 10.6%. The increase in expenditures for new dwellings is consistent with the rise 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.

Examples of construction activity under this program include:

- ▶ A multi-year provincial road plan;
- ▶ The Corner Brook Acute Care Hospital, which will be connected to the existing 145-bed long-term care facility;
- ▶ A new Adult Mental Health and Addictions Facility in St. John's which will include a 102-bed hospital, a parking garage for 1,000 vehicles and a new 60-bed hostel; and
- ▶ New schools in Bay Roberts, Gander, Paradise and St. Alban's.

Developments in the oil and gas industry also have a substantial impact on construction activity in Newfoundland and Labrador. In

particular, Cenovus Energy (formerly Husky Energy) began development of its \$3.2 billion West White Rose project in late 2017, with a significant amount of work being carried out in Newfoundland and Labrador. While construction activities related to the West White Rose project were suspended in 2020, since then funding of \$41.5 million has been committed under the Oil and Gas Industry Recovery Assistance Fund to maintain jobs in the near term and protect the option of re-starting the project. Cenovus will complete an evaluation for the project by mid-2022. As of June 30, 2021, there were 273 people working in the province on the West White Rose project, of which 98.5% were Newfoundland and Labrador residents (see **Oil and Gas**).

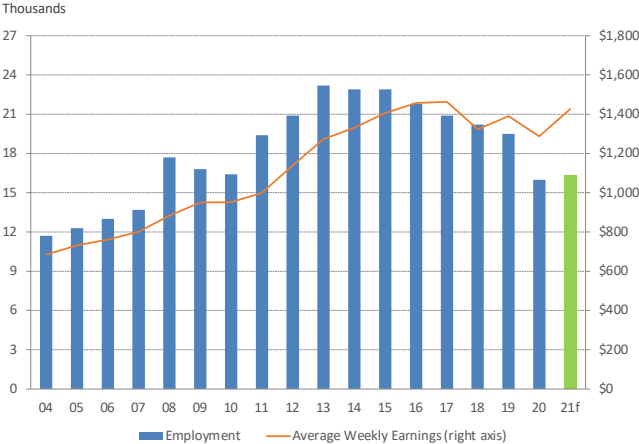
The construction industry also benefits significantly from developments in the mining industry. In particular, work on Vale Newfoundland and Labrador's \$2 billion underground mine developments at Voisey's Bay has been ongoing since the expansion project was announced in June 2018. In July 2021, Vale announced that construction was 66% completed (see **Mining** for details).

## Employment and Wages

In recent years, construction employment declined from a peak of almost 23,000 people over the 2013 to 2015 period due to lower construction investment and the winding down of major projects (see chart). However, employment in the construction industry is still expected to average around 16,300 people this year, an increase of 300 compared

to 2020. Despite the drop in employment in recent years, average wages remain relatively high. Data for the first eight months of 2021 indicates that average weekly earnings (including overtime) in the construction industry grew by 12.7% compared to the same period in 2020. If this trend persists, average weekly earnings in the construction industry for Newfoundland and Labrador will be \$1,447 in 2021.

### Construction Employment and Wages



f: forecast  
 Source: Statistics Canada; Department of Finance

# Real Estate



Provincial real estate activity has been strong so far in 2021. Like most sectors of the economy in 2020, the province's real estate market faced challenges due to the impacts of the COVID-19 pandemic. Activity rebounded in the last half of 2020 and growth continued through the first eight months of this year. The number of homes sold reached historically high levels, with July recording the highest number of sales of any month on record. House prices also increased during this time. New home construction also improved

in 2021, with the number of housing starts in the first two quarters of the year more than double the number recorded during the same period in 2020. In the commercial sector, however, office vacancy rates have increased, which has been the case across many jurisdictions largely because of COVID-19 impacts on businesses.

## Housing Starts

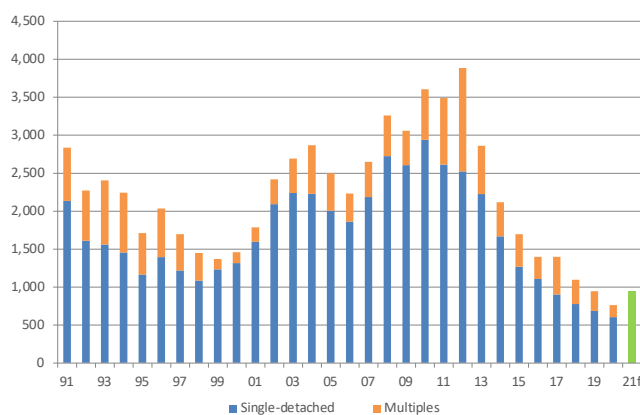
The downward trend of the past several years, coupled with pandemic restrictions and shutdowns, led to a record low of just 763 housing starts in the province in 2020. However, the construction of new homes rebounded in the first three quarters of 2021, greatly out-pacing levels recorded in 2020. There were 724 housing starts during the first three quarters of 2021, an increase of 51.8% compared to the same period in 2020. Single-detached housing starts (which typically account for the vast majority of total

starts in the province) increased by 57.5% from 369 to 581 units, while multiple starts (which include denser housing types such as row, semi-detached homes, apartments and condominiums) increased by 32.4%, from 108 to 143 units.

Housing starts increased in both urban and rural areas. Urban housing starts, which comprise approximately two-thirds of housing starts in the province, totalled 453 units during the first three quarters of the year, a 44.7% increase from the 313 starts observed in the same period in 2020. Rural housing starts also increased in the first three quarters of 2021, up 65.2% from 164 to 271 units. In the St. John's Census Metropolitan Area (CMA), the single largest housing market in the province, housing starts rose by 50.4% during the first three quarters of 2021, from 250 to 376 units. Single-detached housing starts in the St. John's CMA increased by 45.6% from 204 to 297 units, while multiple starts were up by 71.7%, from 46 to 79 units.

For 2021 as a whole, total provincial housing starts are forecast to be 954 units, an increase of 25.0% compared to 2020 (see chart).

### Housing Starts

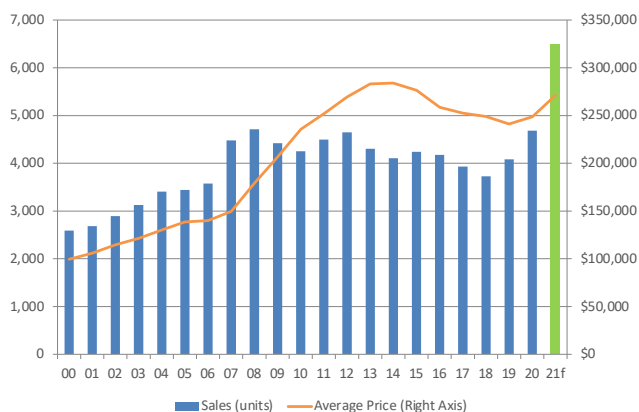


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Source: Canada Mortgage and Housing Corporation; Department of Finance

## Residential Sales and Prices

Real estate sales activity in the province also increased dramatically in the first three quarters of 2021, compared to 2020, as pent-up demand, increased in-migration and historically low interest rates continued to fuel the thriving home sales market. According to the Canadian Real Estate Association's Multiple Listing Service (MLS®) home sales totalled a record 5,007 units over the first nine months of the year. This was a sharp rise of 60.5% from the same period in 2020. Over 700 homes were sold each month during June, July, August and September of this year, making them the four highest monthly totals on record. The average MLS® residential price of a home over the first nine months was \$273,264, which was 11.6% higher than the average price during the same period of 2020.

### Residential MLS® Sales and Average Price



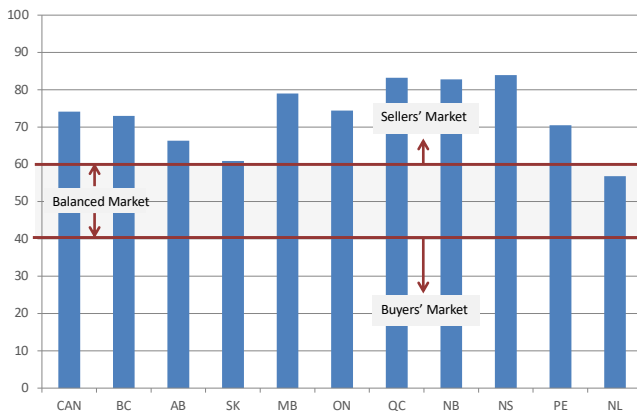
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Source: Canadian Real Estate Association; Department of Finance

According to the Canadian Real Estate Association's most recent quarterly forecast, the number of residential units sold is expected to increase by 38.5% to a historical high of 6,484 units in 2021, while the average price is expected to increase by 8.9% to \$271,050 (see chart).

The upturn in home sales that began in the latter half of 2020 occurred not only in the province, but across the country. This is reflected in the sharp rise in the sales-to-new listings ratio for each province. The sales-to-new listings ratio (the ratio of 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 falls in the range of 40% to 60%. A ratio below 40% indicates a buyers' market, while a ratio above 60% indicates a sellers' market. Over the first nine months of 2021, the sales-to-new listings ratio in the province averaged 56.8%, an increase of 15.9 percentage points (ppt) compared to 40.9% during the same period in 2020. While Newfoundland and Labrador was in balanced market territory for the first nine months of the year, the other provinces were all in the sellers' market range with sales-to-new listing ratios above 60% (see chart). Overall, the Canadian real estate market had a sales-to-new listings ratio of 74.1% during the first nine months of 2021, an increase of 9.2 ppt compared to the same period in 2020.

### Home Sales-to-New Listings Ratio

January - September 2021

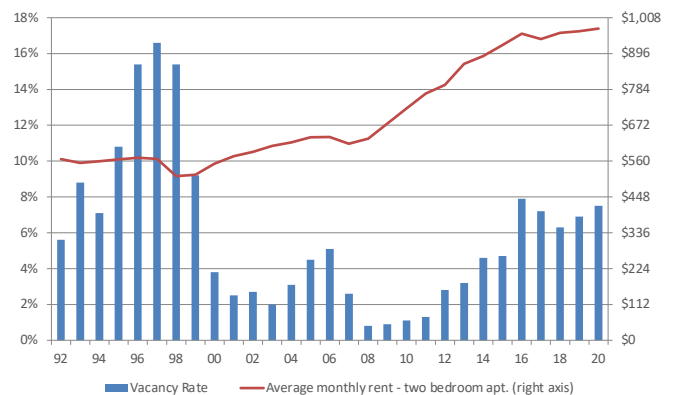


Source: Canadian Real Estate Association

## Residential Rental Market

According to the Canada Mortgage and Housing Corporation's most recent Rental Market Survey conducted in October 2020, the overall urban residential vacancy rate in Newfoundland and Labrador was 7.2%, up 0.2 ppt from the same survey in 2019. The vacancy rate in the St. John's CMA was 7.5%, an increase of 0.6 ppt from 2019. The average monthly rent for a two-bedroom apartment in the St. John's CMA increased from \$966 in 2019 to \$974 in 2020. As for the other urban areas of the province, the residential vacancy rate was 2.8% in Corner Brook (down 0.9 ppt from October 2019), 8.4% in Gander (down 0.7 ppt), and 9.9% in Grand Falls-Windsor (up 0.9 ppt) in 2020.

### St. John's Vacancy Rate and Average Rent 1992 to 2020



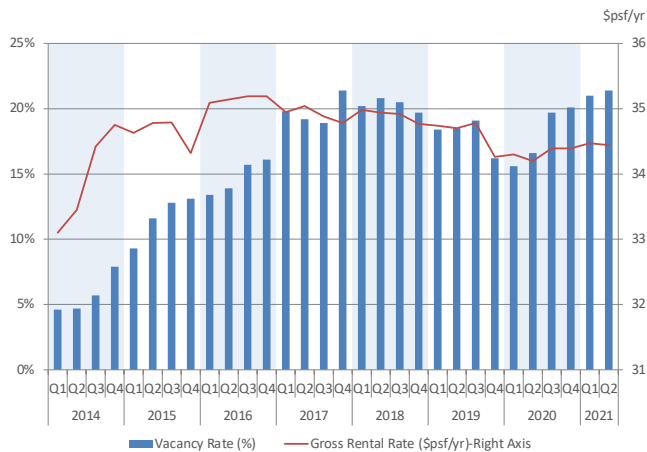
Source: CMHC Rental Market Survey

For the province as a whole, the average monthly rent for a two-bedroom apartment in October 2020 was \$891, up from \$880 in October 2019. By comparison, the average rent for a two bedroom apartment was higher in Nova Scotia (\$1,183), Prince Edward Island (\$959), and New Brunswick (\$892).

## Commercial Market

The office vacancy rate for St. John’s increased to 21.4% in the second quarter of 2021, the fifth straight quarter of growth since reaching a recent low of 15.6% in the second quarter of 2020 (see chart). The vacancy rate over the first two quarters of 2021 averaged 21.2%, a rise of 5.1 ppt compared to the same period in 2020. The vacancy rate was highest in the downtown area of St. John’s, where, in recent years, several major tenants have moved out of the area to newly constructed office spaces in suburban areas. In the second quarter of 2021 the vacancy rate in downtown St. John’s was 31.6%.

### Office Vacancy and Rental Rates, St. John’s



psf: per square foot  
Source: Cushman & Wakefield Atlantic

The average rental rate for office space was \$34.46 per square foot per year in the first two quarters of 2021. This represents only a slight increase from the average rate of \$34.25 recorded during the same period in 2020. The average rental rate remains high as an increasing share of office space is in new “Class A” buildings, which generally command a higher rate than older buildings.

# Tourism



The tourism sector in Newfoundland and Labrador generates economic wealth throughout the province, making it an important contributor to the economy. Tourism consists of both residents engaging in tourist activities within the province and non-resident visitors that arrive by airline, automobile via ferry, and cruise ship.

From 2011 to 2019, tourism expenditures in the province (both resident and non-resident) consistently totalled \$1 billion or more on an annual basis. The spread of the COVID-19

virus in early 2020 had a devastating impact on the global travel industry. Non-essential travel was strongly discouraged or prohibited, with many jurisdictions closing their borders to visitors, including Newfoundland and Labrador. As a result, tourism activity in the province was severely impacted, with the province remaining closed to most non-essential travel during the peak season in 2020 and the first half of 2021.

Tourism activity in the province was highly dependent on resident tourism in 2020 and the first half of 2021. After the success of the “Stay Home Year” tourism campaign in 2020, Newfoundland and Labrador Tourism launched the “Your Backyard Beckons” campaign in May 2021 to encourage residents to stay and explore the province during the summer. The campaign enjoyed high levels of awareness and 45% of residents surveyed indicated that they planned to take an overnight pleasure trip in the province between May and October 2021.

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Punts in Joe Batt’s Arm, Fogo Island  
© Barrett & MacKay Photo

Global travel activity improved in the first half of the year as jurisdictions eased travel restrictions and re-opened to travel with the rise in vaccination rates and the drop in COVID-19 cases. For Newfoundland and Labrador, domestic tourism is leading the recovery, with non-residents having a considerable impact starting in July as most travel restrictions lifted. Although the industry faces a difficult recovery and performance is still below 2019 pre-pandemic levels, tourism activity in the province has significantly improved so far in 2021 compared to 2020.

Despite travel restrictions to the province remaining in effect until June 2021, non-resident air and auto visitation increased 16% for the January to August period compared to the same period last year. With the re-opening of the province to non-essential travel from all of Canada, non-resident visitation nearly quadrupled in July (22,500 visitors) compared to June (6,000 visitors) and more than doubled in August to nearly 51,000 visitors compared to July. For 2021, it is estimated that air and auto visitation could reach 160,000, representing an increase in non-resident visitors of 38% compared to 2020. Non-resident spending could reach nearly \$185 million, representing an increase of 42% over 2020. However, with Delta-variant-driven cases on the rise again across much of Canada and to some extent within the province, travel to and from the province may be less than expected. On September 28, 2021, the province announced changes to travel restrictions, requiring any travellers who enter the province to be fully vaccinated. The province also suspended the “Atlantic

Bubble,” meaning travellers from Atlantic Provinces will have to follow the same rules as people arriving from other regions.

## Air Visitors

Air travel generally makes up the largest segment of provincial non-resident tourism, accounting for 72% of non-resident visitors and 80% of non-resident tourism spending in 2019. In the first eight months of 2021, approximately 59,000 non-resident visitors arrived by airplane, on par with the same period in 2020. Given the easing of travel restrictions in the second half of the year, it is estimated that non-resident visitors arriving by air could increase over 25% in 2021 compared to last year.

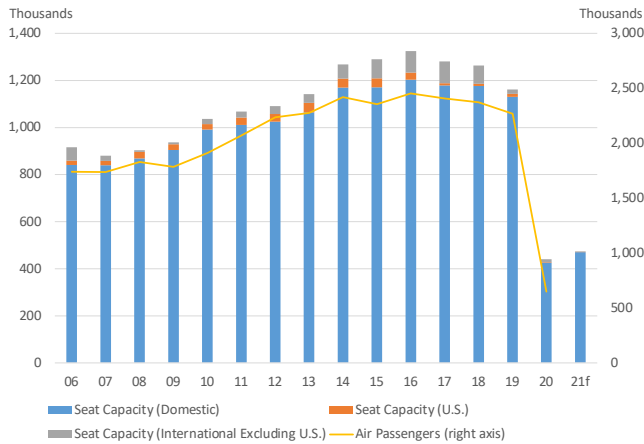
Boarding and deplaning traffic at the province’s seven major airports was estimated at 417,013 passengers for the first eight months of 2021, down 8% compared to the same period in 2020. However, the easing of travel restrictions, including allowing travel from other parts of Canada to the province, had a notable impact on air passenger movements in July and August 2021, with airport passenger traffic at the province’s seven major airports more than doubling for the two months combined (+130%) in comparison to the same two months in 2020.

Due to global travel restrictions put in place to curb the spread of COVID-19 and the associated drop in demand for air travel, airline and seat capacity has also been severely impacted (see chart). Inbound non-stop seat capacity is expected to increase by



12.7% in 2021 as many jurisdictions re-open, travel restrictions ease and major routes to the province resume. Since May, seat capacity to the province has increased every month compared to the same months in 2020, with August alone doubling over last August.

### Air Passengers and Seat Capacity Newfoundland and Labrador



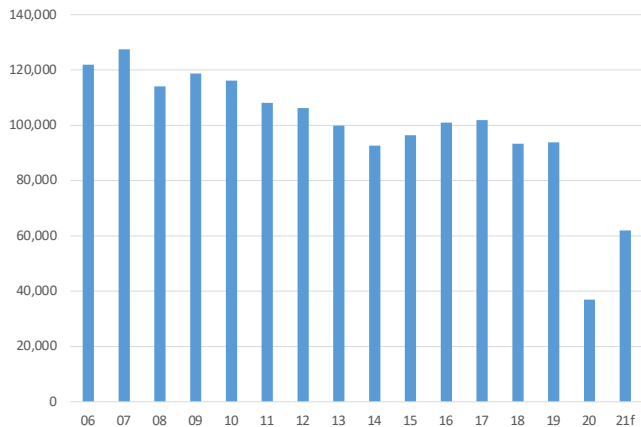
f: forecast  
 Note: Passengers are boarding and deplaning; seat capacity is in-bound only.  
 Source: Department of Tourism, Culture, Arts and Recreation; Department of Finance

## Automobile Visitors

Health and safety measures implemented by Marine Atlantic in 2020 in response to the pandemic, including reduced passenger capacity per crossing, began to ease in 2021. The Argentia ferry service, which normally operates between June and September, was suspended for the 2020 season but resumed in July 2021. As a result, passenger movements on Marine Atlantic ferries increased approximately 45% during the first eight months of 2021 compared to the same period in 2020. The number of non-resident automobile visitors travelling to the province is estimated to have increased 57% for the January to August 2021 period compared to the same period in 2020 (see chart). For

the year as a whole, it is estimated that non-resident auto visitor numbers could increase approximately 60%.

### Non-Resident Automobile Visitors Newfoundland and Labrador



f: forecast  
 Source: Department of Tourism, Culture, Arts and Recreation

## Cruise Ship Visitors

On March 13, 2020, Transport Canada announced that the Government of Canada would defer the start of the cruise ship season in Canada. Cruise ships were later prohibited for the remainder of the cruise season and this was ultimately extended to include the 2021 cruise season. As a result, there have been no cruise ship passenger visits to the province in 2020 or 2021. On July 15, 2021, it was announced that as of November 1, 2021, cruise ships are no longer prohibited in Canadian waters as long as operators are able to fully comply with public health requirements.

## Accommodations and Food Services

Industries in the tourism and hospitality sector, including accommodation and food services, were also severely impacted by the COVID-19 pandemic. As health measures and travel restrictions eased, the boost in tourist activity across the province led to improved accommodation and restaurant services sales. The preliminary provincial accommodation occupancy rate was 25% during the first seven months of 2021, an increase of 2.4 percentage points over the same period in 2020. The average daily room rate for January to July decreased to \$115, down 5% compared to the same period last year.

For the first seven months of 2021, the number of room nights sold increased 28% over the same period in 2020, while room revenues were up 22%. The number of room nights sold in July 2021 were up 50% over July 2020, while room revenues were up 52%. This information indicates that the re-opening to visitors from the rest of Canada is having a positive impact on tourism activity.

On the food services side, sales at food services and drinking places were up 23.1% for the first nine months of 2021 compared to the same period in 2020.

## Connecting with Travellers

The Government of Newfoundland and Labrador continued to promote tourism and engaged travellers through many channels, including award-winning marketing campaigns, social media (e.g., Facebook, Twitter, and YouTube) and Visitor Information Centres (VICs) located in all regions of the province. Visitation to the province's VICs nearly tripled in August 2021 over August 2020. Staff at the VICs observed that the majority of their visitors were residents of the province; however, there was a significant increase in the number of visitors from the Maritimes, Ontario, Quebec and Alberta after the province reopened in the second half of the year.

On November 15, 2021, the Come Home Year 2022 was officially launched by the Government of Newfoundland and Labrador. The campaign should complement ongoing marketing efforts to attract and expand non-resident visitation in addition to encouraging former residents now living away to return home for the celebrations and residents to explore what the province has to offer.



