

Budget 2021

CHANGE starts here



The Economy


Newfoundland
Labrador

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Highlights and Expectations



2020 Highlights

- ▶ Real gross domestic product (GDP) decreased by 5.3% compared to 2019, the result of impacts due to the COVID-19 pandemic.
- ▶ Capital investment declined by 21.3% as construction activity was brought to a standstill at several major project sites due to the COVID-19 health risks to workers.
- ▶ Real exports fell by an estimated 3.6% due mainly to the shutdown of the Come by Chance oil refinery in March which halted refined petroleum exports.
- ▶ Average weekly earnings increased by 3.5% and, at approximately \$1,096, were the third highest among provinces after Alberta and Ontario.
- ▶ Household income increased 2.9% as federal COVID-19 related transfers to persons offset lost wages resulting from lower employment levels.
- ▶ The population as of July 1, 2020 stood at 522,103, a decrease of 1,373 persons or 0.3% compared to July 1, 2019.
- ▶ The value of retail sales totalled \$9.1 billion, up 1.6% from 2019.

The Sub-Bottom Imager™ (SBI)
PanGeo Subsea Imaging

- ▶ The number of new motor vehicles sold was 27,309, a decrease of 10.5% compared to 2019.
- ▶ Consumer prices rose by 0.2%. Price increases for goods and services such as electricity, alcohol, tobacco and cannabis, health and personal care, and food offset declining energy prices.
- ▶ Employment decreased 5.7% to 214,000 due to job losses resulting from pandemic shutdowns. As a result, the unemployment rate increased to 14.1%, up from 12.3% in 2019.
- ▶ Oil production increased by 8.9% to 104 million barrels, as higher output from Hebron, Hibernia and White Rose offset declines from Terra Nova. The estimated value of production fell by 29.4% to \$5.8 billion, due to lower prices of oil.
- ▶ The price of Brent crude oil averaged US\$41.96/barrel in 2020, down 34.7% from an average of US\$64.30/barrel in 2019.
- ▶ The 2020 Calls for Bids in the eastern Newfoundland region resulted in a successful bid on one parcel of land totalling \$27 million.
- ▶ Mineral shipments were valued at \$4.4 billion in 2020, an increase of 17.3% over 2019. This growth was largely due to an increase in the value of iron ore shipments, which rose 25.7% to \$3.3 billion.
- ▶ Mineral exploration expenditures hit a seven year high, reaching \$66.8 million in 2020, up 32.7% from 2019, mainly driven by exploration for gold on the island portion of the province.
- ▶ The value of manufacturing shipments totalled \$3.9 billion in 2020, a decrease of 45.5% compared to 2019, largely the result of lower refined petroleum products.
- ▶ Total fish landings decreased 17.1% to approximately 174,900 tonnes last year, the result of lower landings in the majority of fisheries. The corresponding total landed value decreased 24.0% to approximately \$602 million.
- ▶ Aquaculture production volume totalled 10,600 tonnes in 2020, down 40.0% from 17,700 tonnes in 2019, due to market impacts resulting from the pandemic as well as salmonid mortality events. The corresponding market value decreased 43.2% to \$96 million.
- ▶ Provincial newsprint shipments increased by 3.2% to 226,280 tonnes in 2020, while the estimated value of shipments decreased by 10.1% due to lower market prices.
- ▶ Lumber production reached 100 million board feet, up approximately 2% from 2019. Increased output reflects capacity improvements and improved access to the United States (U.S.) market.

- ▶ Provincial farm cash receipts decreased by 8.6% to \$129.9 million.
- ▶ Chicken production totalled 15.8 million kilograms, down 5.2% from 2019.
- ▶ To minimize the impact of the pandemic on farmers, the Government of Newfoundland and Labrador announced nearly \$18 million in agriculture funding to support employment and help open new markets.
- ▶ Construction related investment spending in the province was estimated to be about \$5.6 billion in 2020, down 23.8% from the previous year.
- ▶ There were 763 housing starts in the province in 2020, a decrease of 19.3% compared to 2019.
- ▶ The number of residential properties sold in the province through MLS® increased by 14.7% to 4,682 units and the average price increased by 3.1% compared to 2019.
- ▶ Non-resident automobile and air visitors to the province are estimated at 113,966 in 2020, a decrease of 79% compared to 2019.

2021 Expectations

- ▶ The Newfoundland and Labrador economy is forecast to continue to adjust over the next few years as the global economy recovers from the COVID-19 pandemic, local service industries slowly rebound and major project investment timelines remain uncertain.
- ▶ With the rollout of vaccines, the outlook for 2021 is positive relative to 2020 as the tourism sector and other private sector services industries are expected to partly recover in the second half of the year.
- ▶ Increased iron ore production is expected to boost real mineral exports.
- ▶ Higher oil and mineral prices are expected to increase the provincial value of nominal exports in addition to the profitability in both of those industries.
- ▶ All of the above factors are expected to result in a 5.6% increase in real GDP and a 2.6% increase in employment in 2021.
- ▶ In addition to the gains in real GDP, higher oil and iron ore prices will further contribute to nominal GDP growth of 16.2%.
- ▶ Employment gains are expected to help reduce the unemployment rate from 14.1% in 2020 to 13.7% in 2021.

- ▶ Household income is expected to increase by 2.9% in 2021. A reduction in federal COVID-19 related transfers to persons are anticipated to be offset by higher wages and salaries from the rebound in employment.
- ▶ Retail sales are expected to increase by 5.6% due to pent-up demand from 2020. This will boost consumer spending this year.
- ▶ The rate of consumer inflation is expected to increase to 2.4% as a result of higher gasoline and heating fuel prices.
- ▶ The province's population is projected to decline by 0.3% to 520,700, due to continued natural losses (deaths greater than births) as net migration remains near zero for a second consecutive year.
- ▶ Capital investment is expected to decline 2.7%, as construction activity on Muskrat Falls is completed and work on the West White Rose and Terra Nova Asset Life Extension (ALE) projects remain suspended.
- ▶ Oil production is expected to decrease 5.0% to 98.8 million barrels due to lower output from Hibernia, White Rose and Hebron.
- ▶ Brent crude prices are expected to average US\$63.20 per barrel on a calendar year basis (US\$64.00 per barrel for fiscal year 2021/22).
- ▶ The 2021 Call for Bids is expected to close before the end of the year.
- ▶ Ongoing and approved exploration programs bode well for the future of the oil industry in the province.
- ▶ The resumption of typical mineral production volumes, combined with strong prices for some key commodities, will provide significant support for mineral shipments in 2021.
- ▶ Mineral exploration expenditures are anticipated to increase approximately 24% to \$82.6 million.
- ▶ The value of provincial manufacturing shipments is expected to remain lower due to a continued shutdown of operations at the Come by Chance oil refinery.
- ▶ Cannabis production should create employment opportunities and additional revenue.
- ▶ Fabricated metal manufacturing will continue to be negatively impacted by the suspension of construction activity on the West White Rose project.
- ▶ Total fish landings are expected to increase slightly as some Total Allowable Catches are more fully harvested.

- ▶ Aquaculture production is expected to increase, as development continues at newly licensed marine sites including those being developed by Grieg NL and MOWI.
- ▶ Newsprint shipments from Newfoundland and Labrador are expected to remain near 2020 levels.
- ▶ North American newsprint demand is anticipated to continue its decline, but as mill inventories decrease, newsprint prices are expected to increase and average US\$720 in the second half of 2021.
- ▶ Provincial lumber production is expected to increase around 5% to approximately 105 million board feet and the value of production will jump significantly due to record lumber prices.
- ▶ Farm cash receipts are expected to return to pre-COVID-19 levels.
- ▶ Total construction related capital spending is expected to increase by a modest 1.0% to \$5.6 billion.
- ▶ The construction industry will be continue to be depressed due to the suspension of activity on the West White Rose project.
- ▶ Housing starts are forecast to increase by 19.5% as pent-up demand and record low interest rates spur growth.
- ▶ The Canadian Real Estate Association forecasts residential sales in the province to rise 17.6% to 5,505 units and the average resale price to rise 6.5% to \$265,017.
- ▶ Resident travel will continue to play an important role in the tourism industry in 2021.

GDP and Employment by Industry

	GDP / 2019e		Employment / 2020	
	\$ Millions	% of Total	Person Years, 000s	% of Total
Goods-Producing Sector	14,606.3	44.7	41.3	19.3
Agriculture, Forestry & Logging	189.6	0.6	2.2	1.0
Fishing, Hunting & Trapping	473.2	1.4	3.2	1.5
Mining	2,347.6	7.2	4.6	2.1
Oil Extraction	6,339.5	19.4	2.2	1.0
Support Activities for Oil and Mining	375.7	1.2	1.8	0.8
Manufacturing	989.2	3.0	8.7	4.1
Fish Products	257.4	0.8	2.4	1.1
Other	731.8	2.2	6.3	2.9
Construction	3,192.9	9.8	16.0	7.5
Utilities	698.6	2.1	2.6	1.2

	GDP / 2019e		Employment / 2020	
	\$ Millions	% of Total	Person Years, 000s	% of Total
Services-Producing Sector	18,040.7	55.3	172.9	80.7
Wholesale Trade	649.7	2.0	4.7	2.2
Retail Trade	1,629.1	5.0	30.0	14.0
Transportation and Warehousing	1,061.0	3.3	9.8	4.6
Finance, Insurance, Real Estate & Business Support Services	4,609.8	14.1	13.8	6.4
Professional, Scientific, & Technical Services	1,132.9	3.5	9.5	4.4
Educational Services	1,762.9	5.4	16.3	7.6
Health Care & Social Assistance	2,804.4	8.6	40.1	18.7
Information, Culture & Recreation	790.1	2.4	5.9	2.8
Accommodation & Food Services	604.0	1.9	15.6	7.3
Public Administration	2,448.5	7.5	17.1	8.0
Other Services	548.5	1.7	10.1	4.7
Total, All Industries	32,647.0	100.0	214.2	100.0

e: estimate

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products and imports. Industry components may not sum to total due to independent rounding.

Source: Statistics Canada, Department of Finance

Global Economic Environment

Economic activity was negatively impacted across the globe in 2020 due to the COVID-19 pandemic. By March 2020, several countries and jurisdictions implemented public health containment and lockdown measures to limit the spread of the COVID-19 virus. This resulted in a slowdown of manufacturing, disruptions to supply chains, and brought several service industries to a halt, notably tourism and travel. There were some signs of recovery in advanced economies during the summer, however, any growth was interrupted in the fall with a general resurgence of the virus along with new variants. Several jurisdictions declared a “second wave” at that time and tightened public health measures once again to limit the spread of the virus.



The International Monetary Fund (IMF) estimates that global economic activity declined by 3.3% in 2020, representing the largest global contraction in the last four decades. Advanced economies were down 4.7% while emerging markets and developing economies were down 2.2%. China was the only G20 economy that did not experience a decline in annual gross domestic product (GDP) last year, posting 2.3% growth.

Vials of the Moderna COVID-19 vaccine
Anna Nolte and Zacharie Grossen, Wikimedia Commons

Real GDP Growth (%)

	2019	2020e	2021f	2022f
World	2.8	-3.3	6.0	4.4
China	5.8	2.3	8.4	5.6
United States	2.2	-3.5	6.3	4.3
India	4.0	-8.0	12.5	6.9
Japan	0.3	-4.8	3.3	2.5
United Kingdom	1.4	-9.9	5.3	5.1
Euro Area	1.3	-6.6	4.4	3.8
Germany	0.6	-4.9	3.6	3.4
France	1.5	-8.2	5.8	4.2
Italy	0.3	-8.9	4.2	3.6
Spain	2.0	-11.0	6.4	4.7
Canada	1.9	-5.4	5.6	4.1

e: estimate; f: forecast
Source: International Monetary Fund, and others available upon request.

The economic outlook hinges on continued government support and the timing and effectiveness of vaccination campaigns. The latest IMF forecast for 2021 (released in April) predicts global GDP will grow by 6.0%; 5.1% for advanced economies and 6.7% for emerging markets and developing economies (see table).

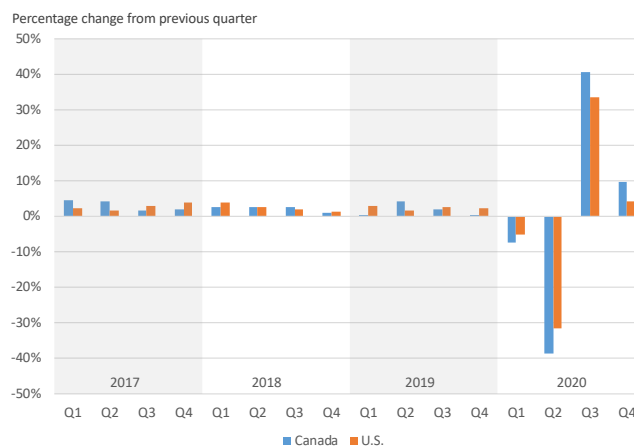
United States

Real GDP in the United States (U.S.) declined by 3.5% in 2020. At seasonally adjusted annual rates, real GDP declined by 31.4% in the second quarter of the year and rebounded by 33.4% in the third quarter. Although consumption declined by 3.9% for the year, some gains in spending on durable and nondurable goods were offset by a sharp decline in services. Investments in structures

and equipment decreased, while residential investments increased, reflecting record low mortgage rates and unexpected buoyancy in the residential market.

The U.S. unemployment rate was historically low at 3.5% in February 2020, then climbed to 14.8% in April at the peak of the pandemic shutdowns. It started to fall as the economy re-opened during the summer months. The unemployment rate was below 10% by August and continued to decrease to 6.1% in April 2021. Employment and the labour force participation rate both declined sharply during the spring of 2020 and then partially recovered. However, seasonally adjusted employment was still down 8.2 million or 5.4% in April of 2021 compared to February 2020.

Quarterly Annualized Real GDP Growth Rate



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

In spite of dire U.S. labour market results, personal savings increased considerably last year. This is explained by several factors: job losses were concentrated in lower wage jobs so economy wide wages dropped by less than employment; some consumer

demand was temporarily halted due to store closures and precautionary behavior; and several categories of services spending, such as in-person services and travel, were sharply suppressed. Additionally, enhanced U.S. government support to households also helped offset the negative impacts of the pandemic on employment income by boosting total incomes.

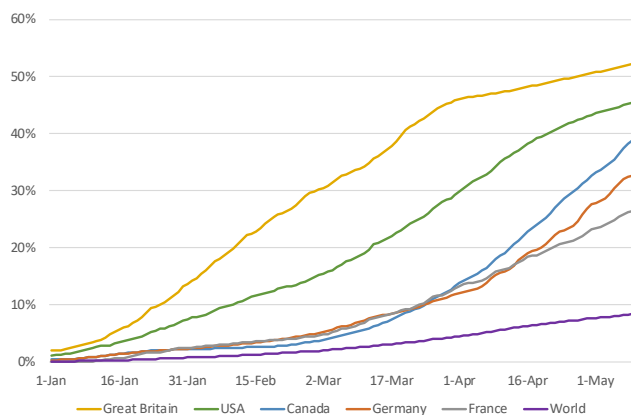
With the collapse of oil prices and lower consumer demand, the U.S. inflation rate weakened to near 0% in April 2020. In response to the declining economy and low inflation, the Federal Reserve quickly decreased its funds target range, reversing the gradual increase over the previous four years in a matter of weeks. Even with growth in goods consumption, recovery in crude oil prices, and low interest rates, inflation was still below 2% in early 2021. Nonetheless, recent bottlenecks in supply chains and a strong rebound in consumer spending, in conjunction with a broader re-opening of the economy, is expected to lead to higher inflation.

As remote work became a reality across several professions, U.S. demand for single family housing soared, aided by record-low mortgage rates. The supply of construction materials was already considered tenuous, however, the addition of a boom in home renovation and remodeling amid the pandemic led to increased shortages in construction materials and significant price hikes (see *Forestry* section).

In response to the pandemic, the U.S. federal government enacted several policies to support household income and businesses, as well as state and local governments. With a deficit estimated at US\$3.13 trillion for 2020, these measures led to the largest budget deficit (relative to GDP) in the post-World War II era.

Upon taking office, the Biden Administration pledged to deliver 100 million vaccines within its first 100 days, which was later increased to 200 million. As of early May 2021, nearly 60% of the adult population received at least one dose (see chart) and the U.S. government has set a new goal of increasing this to 70% by July 4th. This positive development should aid economic recovery in the U.S. in the second half of 2021.

Share of People Who Received at Least One Dose of Vaccine (through May 11, 2021)



Source: Our World in Data

According to the Q2 2021 Survey of Professional Forecasters from the Federal Reserve Bank of Philadelphia, the median forecast for U.S. GDP in 2021 is 6.3%, and a slightly lower unemployment rate of 5.5% is expected. Consumer sentiment remains

below its pre-pandemic level, but business confidence has regained ground. Equity prices fell sharply in the spring of 2020 when the pandemic first hit, but stock markets have since recovered to reach new record highs.

Canada

Canada's real GDP declined by 5.4% in 2020, far surpassing the 2.9% decline during the 2009 recession. A decline of 38.5% (annualized) was posted in the second quarter, followed by gains of 40.6% and 9.6% in the subsequent two quarters.

Household consumption expenditures fell 6.1% last year. Receipts for services bore the brunt of the decline, as consumers shifted spending away from personal services due to the potential health risks associated with those types of services amid the pandemic. Consumer goods, largely comprised of retail sales, declined by just 0.6% while services were down 10.3%.

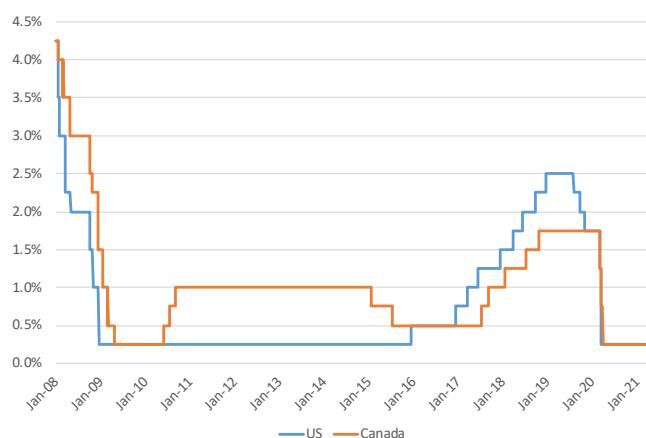
Investment decreased by 3.6% in 2020. Capital expenditures declined across most industries. Investments in Mining, quarrying, and oil and gas extraction were down 31.9%, partly reflecting the collapse in oil prices and uncertainty going forward. Health care and social assistance investment grew 19.7%, as health care facilities across the country ramped-up capacity and purchased equipment.

Employment declined by 5.2% in 2020, with noticeable losses in Accommodation and food services (down 22.1%), Mining, quarrying, and oil and gas extraction (down 11.4%), and Information, culture and recreation (down 10.6%). The unemployment rate reached a high of 13.8% in May but fell back to 8.0% by December. The labour force participation rate had also recovered to pre-pandemic levels by the end of the year.

Different segments of the labour market were impacted more than others. There appears to be a K-shaped recovery, presenting two trajectories: on the rise are the higher income workers, often able to work remotely, and on the downward trajectory are lower skilled workers in positions that require physical proximity. Even though employment decreased, average weekly earnings increased (up 6.6%), reflecting the disproportionate loss of low wage jobs.

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. Inflation briefly dipped below 0% in April and May of last year, and concluded the year with an average gain of 0.7%. Consumers benefited from lower gas prices (down 14.0%), while consumer prices, excluding energy, increased by 1.3%.

Central Bank Rates



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

The demand for residential housing in Canada increased last year. Despite disruptions experienced in construction as a result of the pandemic in the second quarter of 2020, recovery in the residential construction sector was strong enough in the last half of the year to see an annual increase of 4.4% in housing starts. Average selling prices for residential properties increased to record levels, especially in Toronto, Ottawa and Montréal, largely the result of low mortgage rates and some population movement from large urban centers to suburban areas and smaller communities.

A series of policies 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 2020/21. For the time being, debt charges remain somewhat unchanged due to historically low interest rates.

Economic recovery in 2021 is expected to be broad-based and vary across the country. The latest average of forecasts by Canadian banks and the Conference Board of Canada expect real Canadian GDP to grow by 5.6% in 2021. All provinces are expecting increases to their real GDP, with growth at a slower pace in the Atlantic Provinces. Due to more successful containment of the COVID-19 virus, the Atlantic Provinces faced fewer impediments to resume operations in various sectors and were less affected in 2020 than may have been expected.

Real GDP Growth Rate (%), by Province

	2020e	2021f
NL	-5.2	3.8
PE	-3.5	4.3
NS	-3.8	4.7
NB	-3.6	4.4
QC	-5.2	5.6
ON	-5.5	5.5
MB	-4.0	4.7
SK	-5.0	5.2
AB	-7.3	6.0
BC	-4.8	5.7
CA	-5.4	5.6

e: estimate; f: forecast

Note: Growth rates in this table for Newfoundland and Labrador may differ from the Department of Finance forecast outlined on page 14.

Source: Average of Canadian major banks; Conference Board of Canada; Statistics Canada

Provincial Economic Overview



Similar to other provinces in Canada, Newfoundland and Labrador faced a very challenging year in 2020 due to the global impacts of the COVID-19 pandemic. Most major economic indicators declined because of the mandated shutdown of large portions of the economy put in place to slow the spread of COVID-19. Private sector service industries, such as some retail outlets, hotels, bars, restaurants and recreation facilities, were severely impacted, particularly those tied to the

tourism industry. Additionally, the decline in global economic activity resulted in a sharp drop in oil demand and prices, negatively impacting the province's oil industry. The province did, however, show some signs of recovery in the second half of the year.

Gross Domestic Product (GDP)

Expenditure based GDP is comprised of all private and public consumption, investment, government spending, and the balance of exports and imports. Overall, Newfoundland and Labrador's real GDP decreased by 5.3% in 2020 (see table).

Couple dining, Avalon
Tourism, Culture, Arts and Recreation

Provincial Economic Indicators

	2019	2020e	2021f	2022f	2023f	2024f	2025f
GDP at Market Prices (\$ M)	35,349	31,494	36,584	37,220	38,154	38,279	38,825
% Change	4.1	-10.9	16.2	1.7	2.5	0.3	1.4
% Change, real	4.0	-5.3	5.6	2.6	3.1	0.1	0.1
Final Domestic Demand* (\$ M)	35,385	32,400	34,035	35,857	35,980	36,342	36,282
% Change	2.3	-8.4	5.0	5.4	0.3	1.0	-0.2
% Change, real	1.7	-9.5	3.2	3.6	-1.0	-0.5	-1.8
Household Income (\$ M)	26,405	27,177	27,956	28,489	28,831	29,335	29,932
% Change	2.6	2.9	2.9	1.9	1.2	1.7	2.0
% Change, real	1.5	2.7	0.4	0.1	-0.4	-0.1	0.0
Household Disposable Income (\$ M)	17,293	17,821	18,258	18,537	18,729	19,066	19,459
% Change	1.3	3.1	2.5	1.5	1.0	1.8	2.1
% Change, real	0.3	2.8	0.0	-0.3	-0.5	0.0	0.1
Retail Sales (\$ M)	8,995	9,124	9,639	9,906	10,004	10,127	10,302
% Change	-0.2	1.4	5.6	2.8	1.0	1.2	1.7
% Change, real	-0.3	1.1	4.5	1.5	-0.5	-0.2	0.2
Consumer Price Index (2002=100)	139.3	139.6	143.0	145.6	147.9	150.6	153.6
% Change	1.0	0.2	2.4	1.8	1.6	1.8	2.0
Capital Investment (\$ M)	9,167	7,216	7,019	7,817	7,914	8,041	7,744
% Change	3.8	-21.3	-2.7	11.4	1.2	1.6	-3.7
% Change, real	2.5	-22.8	-5.4	9.5	0.0	0.0	-5.4
Housing Starts	945	763	912	1,015	923	812	755
% Change	-13.8	-19.3	19.5	11.4	-9.1	-12.1	-7.0
Employment ('000s)	227.0	214.0	219.6	227.7	226.5	225.3	224.9
% Change	1.2	-5.7	2.6	3.7	-0.5	-0.5	-0.2
Labour Force ('000s)	258.8	249.1	254.4	256.2	255.0	254.5	254.7
% Change	-1.0	-3.7	2.1	0.7	-0.5	-0.2	0.1
Unemployment Rate (%)	12.3	14.1	13.7	11.1	11.2	11.5	11.7
Participation Rate (%)	58.1	55.9	57.1	57.5	57.2	56.9	56.7
Population ('000s)	523.5	522.1	520.7	519.7	519.3	520.0	520.9
% Change	-0.4	-0.3	-0.3	-0.2	-0.1	0.1	0.2

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

e: estimate; f: forecast, Department of Finance, May 2021

Source: Statistics Canada; Department of Finance

Real exports fell by an estimated 3.6% in 2020, mainly due to the shutdown of the Come by Chance oil refinery in March and the subsequent loss of refined petroleum exports, in addition to lower exports of fish products, resulting from lower global demand. Increased real exports of crude oil and mineral products helped offset some of these losses, growing by 22.9% and 9.0%, respectively. Higher oil production is due to the continued ramp up of production from Hebron and modest increases in output from Hibernia and White Rose. This was enough to offset no production from Terra Nova, which has been shut down since December of 2019. Higher mineral exports resulted from increased iron ore output from both the Iron Ore Company of Canada and Tacora Resources.

Consumer spending consists of the spending on all goods and services within the economy (see chart). Spending habits changed dramatically in 2020 due to the COVID-19 pandemic. Both consumers and retailers faced a rapidly changing retail environment as protective measures to curb the spread of COVID-19 resulted in the temporary closure of stores deemed non-essential and required essential retail establishments to operate at reduced capacity. This, in turn, changed the way consumers bought goods, as well as how they shopped.

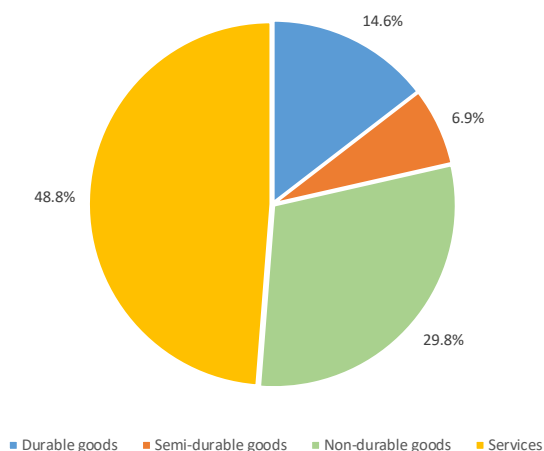
In real terms (adjusted for inflation), consumer spending decreased by 6.9% in Newfoundland and Labrador in 2020. Spending on goods decreased by 2.9%, as the initial decline in spending early in the

pandemic was partly offset by a rebound later in the year. Consumer spending on services is estimated to have decreased by 11.1%, as spending in tourism and hospitality related industries did not rebound as quickly from the initial lockdown. For instance, spending at restaurants and bars, a subset of spending on services, totalled \$684 million, a decrease of 19.2% compared to 2019.

Retail sales (which is spending on goods and typically account for about 55% of consumer spending) totalled \$9.1 billion last year, up 1.6% from 2019, as the rebound in sales from June to December was enough to offset the large year-over-year decreases experienced in March through May as a result of the initial pandemic shutdowns. Sales at general merchandise stores, many of which were deemed essential at the start of the pandemic, increased 10.5% in 2020. Sales at food and beverage stores – also deemed essential – increased 5.9%. Part of this increase was largely attributed to higher year-over-year sales in April (+18.7%) as a result of consumers “panic buying” non-perishable goods and essentials during the early stages of the pandemic. Conversely, sales at clothing and clothing accessories stores declined by 23.0% in 2020, while sporting goods, hobby, book and music stores were down 11.9%. Much of these declines were attributed to public health restrictions placed on in-store shopping. Sales at gasoline stations were down 8.2% mainly due to lower prices. Motor vehicle and parts dealers, typically the largest component of retail sales, remained on par as large increases in recreational vehicle sales in the second half of the year were almost

enough to offset declines in sales of new and used vehicles. The number of new motor vehicles sold in the province was 27,309 in 2020, a decrease of 10.5% compared to 2019.

Components of Consumer Spending, 2019



Source: Department of Finance

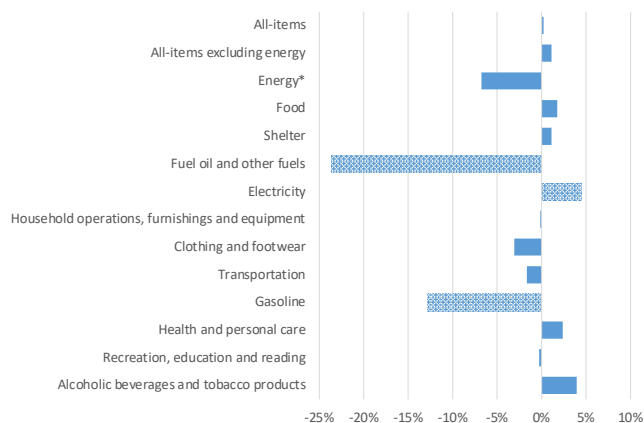
Capital investment in Newfoundland and Labrador was \$7.2 billion in 2020, down 21.3% from the previous year. Both residential and non-residential spending were down as construction activity was brought to a standstill early on in the pandemic due to containment measures. Residential spending was up 14.0% as fewer housing starts (-19.3%) were offset by increased spending on renovations. Non-residential spending declined by 26.5% as the status of several major projects were affected by the COVID-19 pandemic, resulting in either the suspension or deferral of investment spending on projects such as the West White Rose project and the Terra Nova Asset Life Extension (ALE) project, as well as the delay of plans for the development of the Bay du Nord deep-water oil project. The Muskrat Falls hydroelectric project and the Voisey's Bay underground mine project were also

adversely affected in the early stages of the pandemic; however, work resumed on these projects in subsequent months.

Inflation

Growth in the Consumer Price Index (CPI), a measure of inflation, was nearly unchanged (+0.2%) in 2020 (see chart). By comparison, Canada's inflation rate was 0.7%. Price increases for goods and services in the province such as electricity, alcohol, tobacco and cannabis, health and personal care, and food offset declining energy prices. Electricity prices were up 4.5% as an increase in the residential power rate of 6.4% was approved by the Public Utilities Board, effective October 1, 2019. Alcohol, tobacco and cannabis prices increased by 3.9% in 2020, while health and personal care and food prices increased by 2.4% and 1.8%, respectively. The energy index declined by 6.8%, with fuel oil and other fuels down 23.6% and gasoline down 12.8%, largely due to a substantial drop in crude oil prices (down 35.1% in 2020). Excluding energy, inflation remained relatively low at 1.1%.

Percent Change in Consumer Price Index



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 Markets

The COVID-19 pandemic had a significant impact on the labour market in Newfoundland and Labrador. As the virus began to spread around the world in early 2020, both the federal and provincial governments began to implement public health safety measures which included travel restrictions, closure of businesses deemed non-essential, and social distancing policies. The Newfoundland and Labrador government announced its first presumptive case on March 14, 2020 and declared a public health emergency on March 18. While the number of cases in the province remained relatively low throughout most of the year, there was a significant shock to the labour market. By April 2020, employment in the province was over 39,000 lower than April of 2019, a year-over-year decline of 17.5%. As restrictions began to ease in May, allowing some non-essential businesses to re-open, employment began to improve each month, returning to the previous year's level by November 2020.

For the year as a whole, total employment decreased 5.7% to 214,000 in 2020. Employment losses were concentrated in full-time employment, which declined 6.7%. Part-time employment increased modestly (+0.3%). On an industry basis, employment in the goods-producing sector declined by 5,900 or 12.5%, while the services-producing sector declined by 7,000 or 3.9%. The most impacted industries were Real estate and rental and leasing (-31.0%), Information, culture and recreation (-19.2%) and

Construction (-17.9%). Notable employment gains were seen in Finance and insurance (33.3%).

The province's labour force declined by 3.7% last year, partially attributed to the COVID-19 pandemic, but also the result of Newfoundland and Labrador's aging population. Since the decline in employment was larger than that of the labour force, the unemployment rate in 2020 increased to 14.1%, after declining to 12.3% in 2019. The average number of persons receiving regular Employment Insurance (EI) benefits on a monthly basis increased by 1.1% in 2020. Several of those who became unemployed at the onset of the pandemic were eligible to the new federal COVID-19 related support programs—the Canada Emergency Response Benefit (CERB) and/or the Canada Recovery Benefit (CRB)—which acted as temporary measures before receiving EI benefits. The CERB program was in place from mid-March to September 26, 2020, during which time 121,270 individuals in the province collected benefits from the program. The CRB, along with enhancements to the EI system, were implemented on September 27, 2020 and are still in place. From the start of the CRB until April 11, 2021, data indicates that 21,170 individuals from this province had accessed the program.

Wages increased at a solid pace during 2020. Many of the jobs lost as a result of the pandemic were lower paying jobs, which in turn increased the overall average weekly wage for the province. Average weekly earnings (including overtime) were \$1,096 in

2020, an increase of 3.5% compared to 2019. Newfoundland and Labrador's wages were the third highest among provinces, after Alberta and Ontario. Despite the significant loss of jobs, household income actually increased 2.9% in 2020 as federal COVID-19 related transfers to persons more than offset lost wages overall. Special COVID-19 federal support programs such as the CERB, CRB and others increased government transfers to Newfoundland and Labrador households by roughly \$1.2 billion last year.

Population

Newfoundland and Labrador's population stood at 522,103 as of July 1, 2020, a decrease of 1,373 persons or 0.3% compared to July 1, 2019. The population decrease was the result of losses from net interprovincial migration (-1,469) and natural population change (-1,608), which were partly offset by gains from net international migration (+1,704). Net interprovincial out-migration occurred to the Maritime Provinces, Québec and Alberta. The pace of net interprovincial out-migration slowed relative to the 2,600 in each of the previous two years. Losses from natural population change increased for the fifth consecutive year, reflecting the province's low fertility rates and aging population. The births to deaths ratio for Newfoundland and Labrador (0.7) is the lowest of all provinces.

Economic Outlook

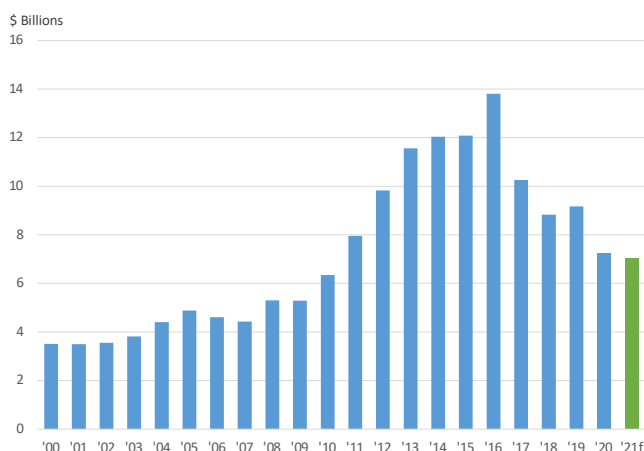
The Newfoundland and Labrador economy is forecast to continue to adjust over the next few years as the global economy recovers from the COVID-19 pandemic, local service industries rebound and major project investment timelines remain uncertain. With the rollout of vaccines, the outlook for 2021 is positive relative to 2020 as the tourism sector and other private sector industries are expected to partly recover in the second half of the year as travel and public health restrictions ease. Increased iron ore production by Tacora at the re-opened Wabush Mines site is expected to boost mineral exports. In addition, higher oil and mineral prices will boost the value of provincial nominal exports and profitability in both these industries. All of these factors are expected to result in a 5.6% increase in real GDP and a 2.6% increase in employment in 2021. Employment gains are expected to help reduce the unemployment rate from 14.1% in 2020 to 13.7% in 2021.

Household income is expected to increase by 2.9%, as lower federal COVID-19 related transfers to persons are offset by higher wages and salaries from the rebound in employment levels. This will help boost retail sales, which are expected to increase by 5.6% due to pent-up demand from 2020. The rate of consumer inflation is expected to return to a more normal 2.4%, boosted by higher gasoline and heating fuel prices. Housing starts are forecast to increase by 19.5% as near record low interest rates spur further increases to already pent-up demand.

The province's population is projected to decline by a further 0.3% to 520,700 due to continued natural losses (more deaths than births) as total net migration (inter-provincial and international combined) is expected to remain near zero for a second consecutive year.

Finally, capital investment is expected to remain weak in 2021 (down 2.7%) as construction activity on Muskrat Falls is completed and work on the West White Rose and Terra Nova ALE projects remain suspended (see chart). Capital investment is expected to rebound in 2022 when West White Rose re-starts and further recovery in tourism and private sector services leads to real GDP and employment growth of 2.6% and 3.7%, respectively.

Capital Investment



f: forecast
Source: Statistics Canada; Department of Finance

to proceed with the construction on the province's fifth oil project, Bay du Nord, are currently on hold, development is expected to begin in the medium-term. Additionally, there is substantial oil and gas exploration potential for new discoveries and tieback opportunities for existing projects in offshore Newfoundland and Labrador. In the mining sector, Tacora is continuing to ramp up iron ore production at its recently re-opened Scully mine in western Labrador, while Marathon Gold is progressing with its Valentine Lake gold project in central Newfoundland. Additionally, development of Vale Newfoundland and Labrador's underground nickel mine is continuing in Voisey's Bay, Labrador. 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. Finally, government will continue to work proactively with industry to continue to accelerate growth opportunities in the technology sector.

The medium-term outlook beyond 2022 is expected to remain challenging as government fiscal restraint and weak major project construction activity negatively impact growth. In the longer term, however, there is reason for optimism. While plans

Oil and Gas

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

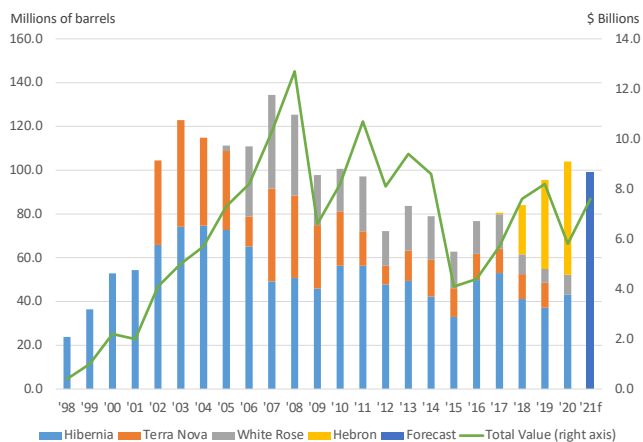


There are four projects in the province's offshore area: Hibernia, Terra Nova, White Rose and Hebron. Oil production increased by 8.9% in 2020 to 104.0 million barrels (MMbbls) as higher output from Hebron, Hibernia and White Rose offset declines from Terra Nova.

The estimated value of total production fell by 29.4% to \$5.8 billion. The price of Brent crude oil, a benchmark for Newfoundland and Labrador oil, averaged US\$41.96/barrel in 2020, down 34.7% from an average of US\$64.30/barrel in 2019 (see chart). As of May 7, 2021, Brent prices stood at US\$68.73/barrel.

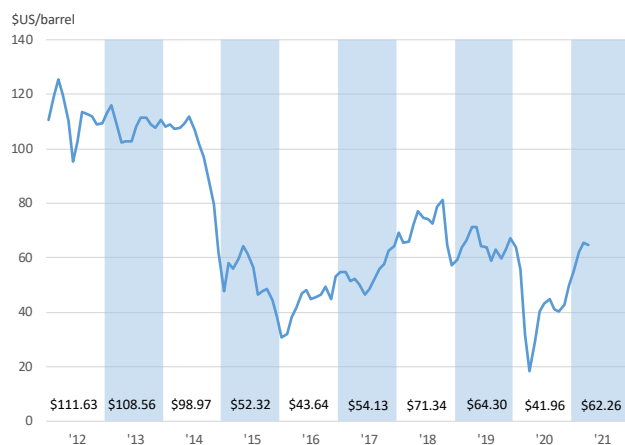
Hibernia Gravity Base Structure
Hibernia Management and Development Company Ltd.

Offshore Oil Production



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

Brent Crude Oil Prices, Monthly



Note: Average annual Brent crude prices included for each year. Price for 2021 is average up to May 7.
Source: U.S. Energy Information Administration

Hibernia

Hibernia production totalled 43.1 MMbbls in 2020, an increase of 15.9% or 5.9 MMbbls relative to 2019. In response to the COVID-19 pandemic, the Hibernia Management Development Corporation stopped drilling at the end of May, for up to a year and a half, and production will rely on existing wells over that period. Since first oil in 1997, Hibernia production has

expanded into two areas: the AA Blocks and the Hibernia Southern Extension Unit. The Hibernia project had an estimated 469 MMbbls of recoverable reserves remaining at the end of 2020, and is expected to continue producing until at least 2040. As of December 31, 2020, there were 870 people working on the Hibernia project in the province, of which 830 (95.4%) were Newfoundland and Labrador residents.

Terra Nova

Terra Nova produced 1,932 barrels of oil in 2020, a decrease of 11.3 MMbbls compared to 2019. In December 2019, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) issued a Notice of Non-Compliance and an Order to Suspend Terra Nova production operations due to safety concerns. The Terra Nova joint venture owners had sanctioned an Asset Life Extension (ALE) in May 2019 and was scheduled to take place in a shipyard in southern Spain from May to September of 2020; however, the shipyard was not able to accommodate the project because of the COVID-19 pandemic. The Terra Nova FPSO is currently docked shore-side in Bull Arm until there is a final decision on whether or not to proceed. As of the end of 2020, the remaining Terra Nova recoverable oil reserves were estimated at 81 MMbbls. There were 491 people working on the Terra Nova project in the province as of December 31, 2020, of which 450 (91.6%) were Newfoundland and Labrador residents.

White Rose

The White Rose field and its satellite areas (North Amethyst, South White Rose and West White Rose) produced 9.2 MMbbls in 2020, an increase of 45.9% or 2.9 MMbbls compared to 2019. Production in 2019 was negatively impacted by a halt in operations that began in November 2018 due to an oil spill stemming from a failed flowline connector. The project returned to full production on August 16, 2019, following the resumption of partial operations in January 2019. It is estimated that the recoverable reserves remaining for the entire White Rose project (including North Amethyst and extensions) totalled 158 MMbbls at the end of 2020. As of December 31, 2020, there were 972 people working in the province on the White Rose project (including the West White Rose development), of which 919 (94.5%) were Newfoundland and Labrador residents.

In May 2017, the Government of Newfoundland and Labrador and Husky Energy announced that Husky was moving forward with the development of the West White Rose project. A pilot project for West White Rose began in September 2011 and production has continued to date. The West White Rose project was estimated to cost \$3.2 billion and planned to use a fixed drilling platform 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 concrete gravity structure began at the new graving dock in

Argentina. The accommodations module was being constructed in Marystown and is near completion. The Topsides Appurtenances (flare boom, helideck and lifeboat stations) will also be fabricated in Marystown as the contract was awarded to Kiewit Offshore Services in August 2019. 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.

However, Husky suspended all construction activities related to the West White Rose project on March 22, 2020 to prevent the transmission of the COVID-19 virus among its employees, contractors and the community.

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. Cenovus Energy has yet to make a final decision as to whether or not the West White Rose project will resume.

A series of discoveries and satellite developments in the White Rose production area have improved the longevity of the original field since its discovery in 1984, including two new oil discoveries in recent years. These discoveries continue to be assessed. Potential developments could leverage the SeaRose FPSO, existing subsea infrastructure and the West White Rose drilling platform.

Hebron

Hebron oil production totalled 51.7 MMbbls in 2020, an increase of 26.9% or 10.9 MMbbls relative to 2019. The project had an estimated 591 MMbbls of recoverable reserves remaining at the end of 2020. As of December 31, 2020, there were 1,153 people working on the Hebron project in the province, of which 1,081 (93.8%) were Newfoundland and Labrador residents.

Bay du Nord

In July 2018, the Government of Newfoundland and Labrador, Equinor Canada and Husky Energy (now Cenovus Energy) announced a framework agreement for the development of the Bay du Nord project. Located in the Flemish Pass Basin, about 500 kilometers from St. John's, at approximately 1,170 metres of water depth, it could be the first deep-water project in the province's offshore area. Based on current reserve estimates of 300 MMbbls of recoverable oil, the expected field life of the project is between 12 and 20 years; however, potential subsea tie-back developments could extend the project's life.

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

On March 18, 2020, Equinor and Husky announced that plans for the Bay du Nord project were deferred and the project would be re-evaluated to make it more robust for low commodity prices. Planning based on an FPSO concept and ongoing evaluation of existing tenders continue, and Equinor is expected to develop an adjusted work program with new timelines.

In October 2020, a Significant Discovery Licence was also 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 million barrels and could be another tie-back opportunity to the Bay du Nord field.

Exploration

Exploration drilling programs have potential to create significant activity in the Newfoundland and Labrador offshore area and bode well for the future of the industry in the province. As of January 15, 2021, exploration work commitments in the Newfoundland and Labrador offshore, including those not going through the environmental assessment process, totalled \$4 billion.

The provincial and federal governments have completed a Regional Assessment (RA) under the Impact Assessment Act, focused on the effects of existing and anticipated offshore 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 project reviews for 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, to strengthen environmental performance and operational safety, and improve sector competitiveness.

CNOOC announced in late 2020 that the drillship Seadrill Stena Forth had been contracted to complete one well in the Flemish Pass basin in 2021. Drilling is expected to start in 2021. CNOOC International's exploration drilling program in the Flemish Pass Basin includes drilling up to 10 wells across two exploration licences by 2028.

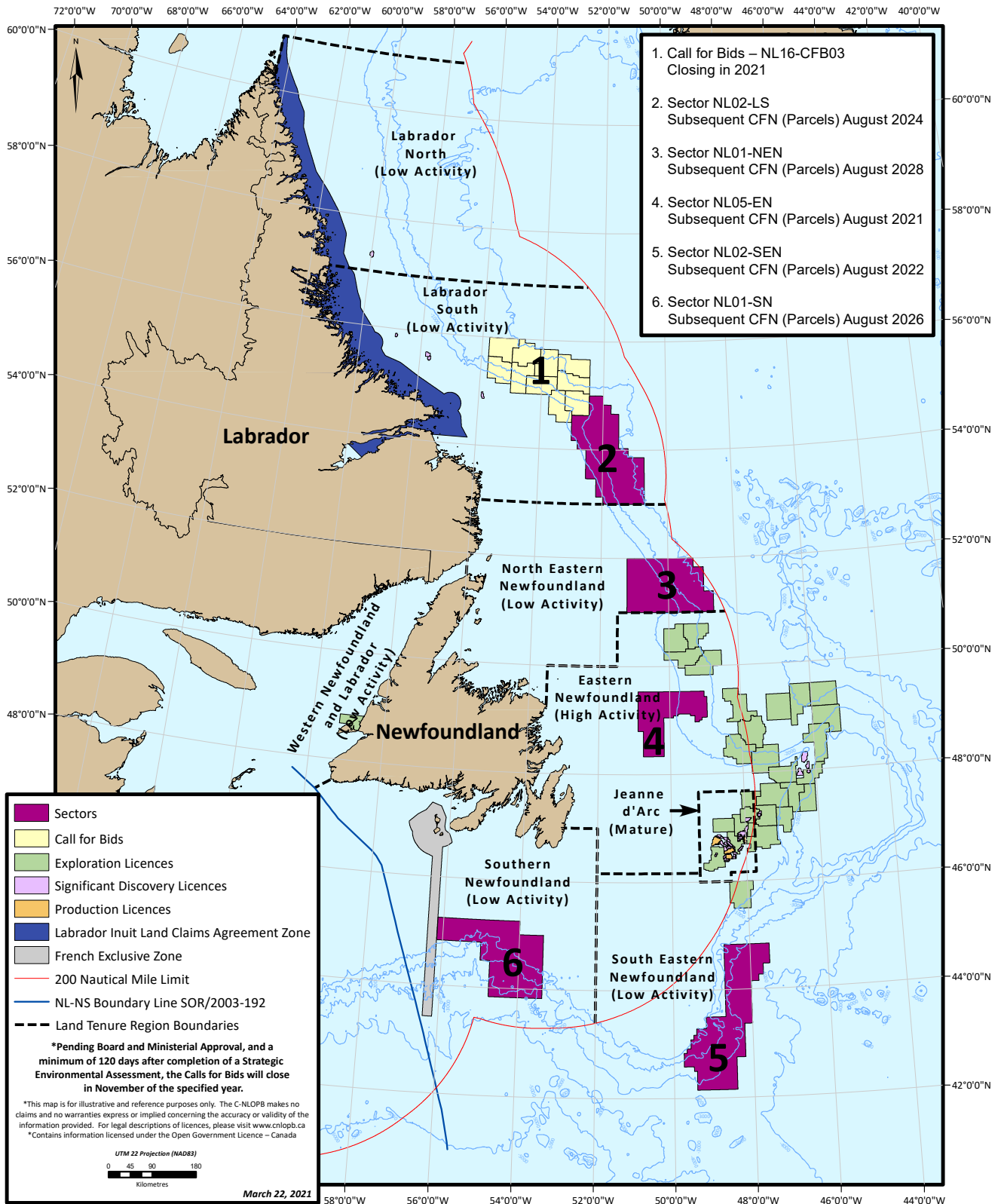
Project descriptions for a number of other future exploration drilling programs in the offshore area have been submitted to the IAAC. The environmental assessments are active, but not yet complete. Proponents of these programs include Equinor Canada Ltd., ExxonMobil Canada Ltd., Husky Oil Operations Limited and Suncor Energy. These projects include drilling up to 17 wells within two exploration licences in the Jeanne d'Arc and Carson basins.

In addition, environmental assessments for the following exploration drilling programs

were completed and approved with conditions 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. 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 (40%).
- ▶ ExxonMobil Canada Ltd.'s exploration drilling program in the Jeanne d'Arc and Flemish Pass Basin includes drilling up to 18 wells across three exploration licences by 2030. ExxonMobil secured a contract with the drill rig West Aquarius.
- ▶ BP Canada Energy Group ULC's exploration drilling program in the Orphan Basin includes drilling up to 20 wells across three exploration licences by 2026.
- ▶ 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 includes drilling up to 8 wells across one exploration licence by 2030.

Status of Licencing Rounds



Source: Canada-Newfoundland and Labrador Offshore Petroleum Board

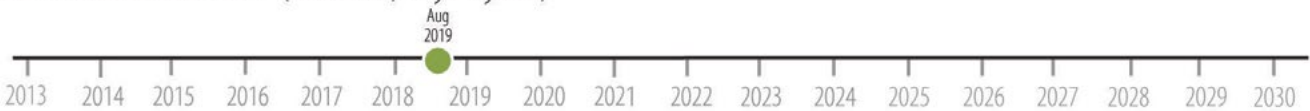
Land Issuance Rounds Timeline

- Call for Nominations (AOI) Open
- Call for Nominations (AOI) Close
- Sector Identification
- Call for Nominations (Parcels) Open for Six Weeks
- Call for Bids Open
- Call for Bids Close
- Issuance of Licences

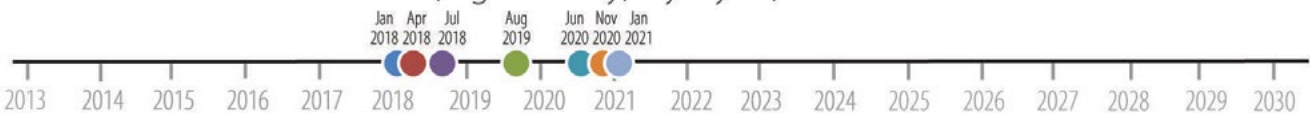
2020 Eastern Newfoundland (High Activity, 2-yr cycle)



2019 Jeanne d'Arc (Mature, 1-yr cycle)



2018 Eastern Newfoundland (High Activity, 2-yr cycle)



2017 South Eastern Newfoundland (Low Activity, 4-yr cycle)



2016 Southern Newfoundland (Low Activity, 4-yr cycle)



2016 North Eastern Newfoundland (Low Activity, 4-yr cycle)



2015 Labrador South (Low Activity, 4-yr cycle)



2013 Labrador South (Low Activity, 4-yr cycle)



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 support 50% of based costs related to suspension of the project, and progress certain work scopes related to topsides fabrication, marine operation and subsea work to protect the option of re-starting 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 January 14, 2021, the Government of Newfoundland and Labrador and the Terra Nova project owners announced an agreement on a non-binding Memorandum of Understanding (MOU). The Provincial Government made a financial commitment of up to \$175 million on a matching contribution basis in addition to agreeing to modifications to the royalty regime for the project pending a formal agreement. These items were also contingent on a commitment to

restart operations and finalize a plan for long-term production. While the MOU agreement expired on March 31, 2021, the Government of Newfoundland and Labrador is continuing to work with the Terra Nova owners on options for moving forward.

Offshore Exploration Initiatives

The Department of Industry, Energy and Technology and Oilco continue to collaborate and invest in the acquisition of seismic and related geoscience data for the province's offshore areas. This information is used as an input to carry out independent resource assessments ahead of the closing of the bidding round in the scheduled land tenure system. This offers an opportunity for industry to learn more about the oil and gas potential of the blocks on offer and allows for a full evaluation of all the offshore basins. The data collected are available for licensing by industry. Data acquired during the 2020 season totalled 9,882 km² of 3D seismic.

On September 24, 2020, the Government of Newfoundland and Labrador also announced the establishment of an offshore exploration initiative that will allow all future bid deposit forfeitures to be reinvested as received, that is expected to result in an injection of hundreds of millions of dollars in support of growth in the offshore oil and gas industry. This measure will provide near term drilling activity and employment, enhance global competitiveness at a critical time, and position the province to realize its significant resource potential. Commencing in 2021

and continuing until 2024, the initiative will reimburse operators for a portion of costs related to drilling exploration wells.

Oilco and Beicip-Franlab, in partnership with the Government of Newfoundland and Labrador, released the 2020 Oil and Gas Resource Assessment results for six parcels within the 2020 Eastern Newfoundland Calls for Bids on September 29, 2020. This resource assessment identified an additional 11.1 billion barrels of in-place oil and 24.5 trillion cubic feet of in-place gas potential. In total, there is a combined in-place resource potential of 63.6 billion barrels of oil and 224.1 trillion cubic feet of gas in just 10% of the offshore area.

Calls for Nominations

Following the Call for Nominations for Areas of Interest announced in January 2020, the C-NLOPB announced a new sector in the Eastern Newfoundland region under its Scheduled Land Tenure System on June 11, 2020. The Call for Nominations (Parcels) for this sector is planned for late summer 2021.

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 following the completion of the Labrador Shelf Offshore Area Strategic Environmental Assessment (SEA) Update being co-chaired by the C-NLOPB and the Nunatsiavut Government.

This SEA Update is expected to be complete in the summer of 2021. On April 8, 2021, the C-NLOPB confirmed the 2021 Call for Bids in the Labrador South region will proceed this year.

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 for more details), and the Call for Bids in the Jeanne d'Arc or South Eastern regions will not proceed in 2021. The Call for Bids in the Labrador South region will be the only one to 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.

On June 11, 2020, the C-NLOPB announced Call for Bids for exploration licences for 17 parcels in the Eastern Newfoundland region. Bids on these parcels closed on November 4, 2020 and a successful bid totalling \$27 million in work commitments from BP Canada Energy Group ULC was received on one of the parcels. The remaining 16 parcels may be re-posted in future Calls for Bids.

2021 Outlook

- ▶ Oil production is expected to decrease 5.0% to 98.8 MMbbls due to lower output from Hibernia, White Rose and Hebron.
- ▶ All construction activities related to the West White Rose project are suspended for 2021.
- ▶ The Department of Finance expects Brent crude prices to average US\$63.20 per barrel on a calendar year basis (US\$64.00 per barrel for fiscal year 2021/22).
- ▶ The 2021 Call for Bids in the Labrador Southern Region is expected to close before the end of the year.
- ▶ Ongoing and approved exploration programs bode well for the future of the industry in the province.

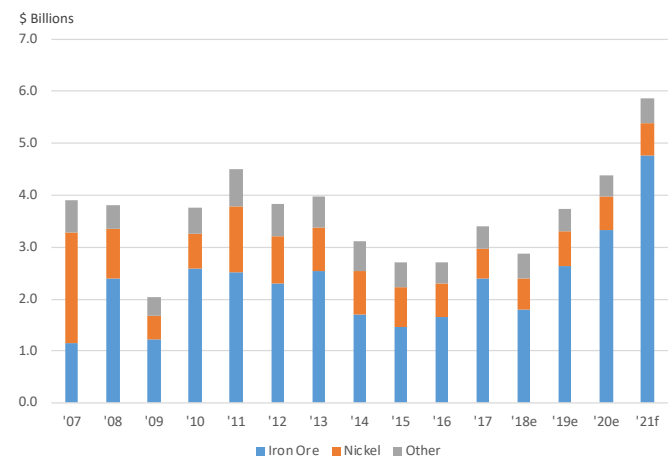
Mining

Mineral shipments from Newfoundland and Labrador were valued at \$4.4 billion in 2020, an increase of 17.3% from 2019 (see chart). This growth was largely due to an increase in the value of iron ore shipments, which rose 25.7% to \$3.3 billion. Total mining related employment increased 6.8% to 6,739 person years in 2020. This increase can be linked to construction employment at the Voisey’s Bay Mine Expansion project that continued to advance.

Prices for two of the province’s key minerals increased in 2020 (see chart). Iron ore prices rose significantly in the second half of the year, reaching a peak of US\$144/tonne in December.¹ This is primarily due to record demand for steel inputs from China coinciding with mining disruptions in Brazil, an area hit particularly hard by the COVID-19 pandemic. Overall, iron ore prices averaged US\$104/tonne in 2020, up 15.5% from the 2019 average of US\$90/



Value of Mineral Shipments



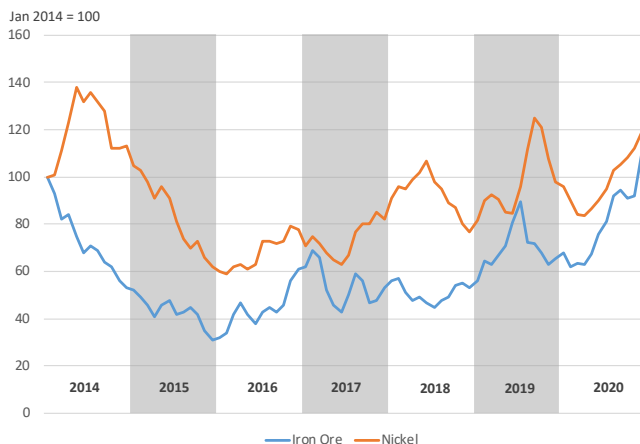
e: estimate, f: forecast
Source: Department of Industry, Energy and Technology; Natural Resources Canada; Department of Finance

1 Iron ore prices listed in this document are for the product type containing 62% iron ore.

Heavy equipment loading ore
Tacora Resources

tonne. Nickel prices increased steadily from April 2020 onward, peaking at US\$7.63/lb in December. This was driven by higher demand for stainless steel, particularly from China and Indonesia. Overall, nickel prices averaged US\$6.39/lb in 2020, up 1.2% from 2019.

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 in 2020 despite the COVID-19 pandemic, as production and sale volumes remained strong. During 2020, IOC experienced unplanned mechanical issues and power outages that affected the processing plant, and resulted in a longer than normal annual maintenance shutdown in September. IOC produced 18.6 million tonnes of concentrate and pellets in 2020, an increase of approximately 8% over 2019. Capital expenditures at IOC for 2020 were originally forecast to be approximately

\$350 million and are now estimated at approximately \$270 million. The \$80 million reduction in the capital expenditure forecast is due to the deferral of certain development projects due to COVID-19 risk mitigation. IOC employment in this province was 1,957, up 5.3% from 2019.

On December 3, 2020, IOC announced the signing of a Reconciliation and Collaboration Agreement with the Uashat mak Mani-utenam and Matimekush-Lac John Innu communities. This agreement lays the foundation for a mutually beneficial relationship based on dialogue, openness and trust between the company and the two communities over the coming decades. It will facilitate greater participation from the communities in IOC’s activities such as training and development, employment, collaboration on environmental projects, procurement partnerships and will provide the communities with financial benefits. The agreement also includes an apology to the Innu from IOC and provides for the withdrawal of all legal claims instituted by Uashat mak Mani-utenam and Matimekush-Lac John relating to IOC’s activities, securing current and future mining operations.

Vale Newfoundland and Labrador

Vale Newfoundland and Labrador (VNL) operates the Voisey’s Bay nickel mine on the northeast coast of Labrador and the nickel processing facility in Long Harbour. Currently, all nickel mined at Voisey’s Bay is shipped

to Long Harbour for hydrometallurgical processing. Due to the COVID-19 pandemic, operations at the Voisey's Bay mine were placed on care and maintenance in March 2020. The mine transitioned to a planned maintenance period and subsequently resumed operations in July. The Long Harbour nickel processing facility continued to operate through 2020 using stockpiled nickel concentrate during the mine shutdown period.

The volume of nickel produced by VNL in 2020 decreased about 3% from the previous year. The value of nickel shipped remained on par with the previous year as a result of higher nickel prices. Employment for all aspects of the Voisey's Bay project was estimated to be 2,781 person years in 2020, up 13.3% over 2019.

In 2020, Vale continued work on its Voisey's Bay Mine Expansion Project which began in late 2018. In the fourth quarter of 2020, the company announced that the project had reached 60% completion. Once completed, the mine expansion is expected to produce 45,000 tonnes of nickel-in-concentrate annually at peak production. Mining operations began transitioning from open pit to underground operations in 2020 which is expected to extend the mine life to 2034.

Tata Steel Minerals Canada Ltd.

Tata Steel Minerals Canada Ltd. (TSMC) operates a high-grade iron ore project in the Menihek region of Labrador and northern

Quebec with deposits in both provinces. This operation is a partnership between Tata Steel of India 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 completed its \$700 million wet processing facility and it became operational. The operation now produces both concentrate and DSO. TSMC was a seasonal operation; however, with the activation of the wet processing plant, they are able to operate year round. The project generated employment for 202 people in 2020, down 19.2% from 2019. The company went into care and maintenance from late March until May to protect employees and surrounding Indigenous communities from the spread of the COVID-19 virus.

Tacora Resource Inc.

Tacora Resources Inc. (Tacora) is a Canadian 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 and saw a full year of production in 2020. The mine remained open in 2020 despite the COVID-19 pandemic. Production capacity is 6 million tonnes per year. The mine life is projected to be 26 years and is anticipated to provide long-term employment opportunities for almost 300 workers. The operation generated an estimated 272 person years of employment in 2020, up 73.2% over 2019.

Other Mines

Rambler Metals and Mining Canada Ltd. (RMM) owns and operates the Ming copper-gold mine and the Nugget Pond Mill on the Baie Verte Peninsula, as well as a bulk storage and shipping facility in Goodyear's Cove. The Ming mine and Nugget Pond processing facility remained operational throughout 2020 at a reduced rate of production. This was due to the implementation of policies and protocols for the safety of employees during the pandemic and due to the reduction in the price of copper. The mine generated an estimated 160 person years of employment in 2020, down 15.3% from 2019.

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. Despite the uncertainty created by the COVID-19 pandemic, Anaconda reported that production activities were not significantly impacted last year. 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 produced 18,268 ounces of gold in 2020. Anaconda sold 17,918 ounces of this, which generated metal revenue of \$41.5 million. The mine generated an estimated 95 person years of employment in 2020, on par with 2019. In March 2021, Anaconda announced the initiation of a

4,000 meter diamond drill program to upgrade and define additional mineral resources and to test several priority targets.

Atlantic Minerals Limited (AML) is located at 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. There are currently 65 person years of employment generated at the site.

Canada Fluorspar Inc. (CFI) is developing and operating a fluorspar mine with three pits and a mill located in St. Lawrence. CFI made its first commercial shipment in August 2018. At full operation, the project is expected to produce up to 200,000 tonnes of fluorspar concentrate per year. CFI generated an estimated 273 person years of employment in 2020, down 7.8% from 2019. CFI is constructing the Blue Beach Marine Terminal development located at Blue Beach Cove near St. Lawrence, and will result in reduced concentrate trucking costs. The shipment of concentrate from the terminal will provide cost savings for the company and increase global market opportunities through the potential export of aggregates.

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 base metal mine in Buchans. The company completed a \$5 million plant upgrade in 2020 to enhance recoveries, reliability, economics and safety. The company plans to produce 20,000 tonnes of barite at the plant in 2021.

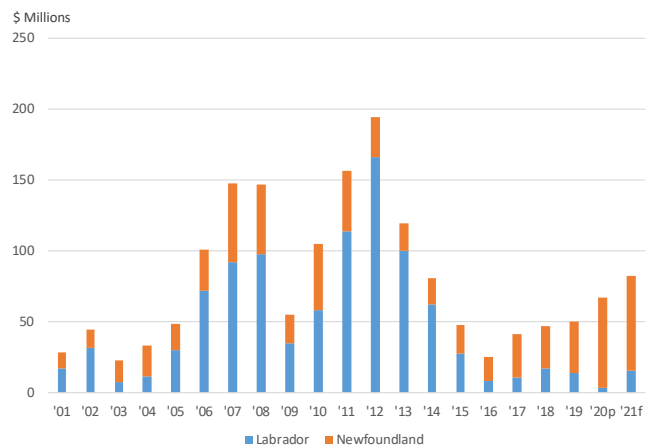
In November 2020, the Beaver Brook Antimony Mine announced that it was suspending operations, stating that it was not financially feasible to operate during the continuing COVID-19 pandemic. This mine is located near Glenwood and the project generated an estimated 104 person years of employment in 2020. The company has indicated that they will assess the reopening of the mine.

The province's construction aggregate industry (i.e. producers of gravel, sand, crushed stone, or other mineral material that is used in the construction industry) shipped approximately 5.8 million metric tonnes of aggregate valued at \$30.4 million in 2020, on par with 2019. The construction aggregate sector generated 557 person years of employment, also on par with 2019.

Mineral Exploration and Development

As the COVID-19 pandemic hit in early 2020, it was expected that the slowing economy, depressed commodity prices and difficulty in raising funding for exploration would lead to a decline in mineral exploration. Instead, exploration expenditures hit a seven year high, reaching \$66.8 million in 2020, up from \$50.3 million in 2019, mainly driven by exploration for gold (see chart).

Mineral Exploration Expenditures



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

Marathon Gold is a gold exploration and development company advancing its Valentine Gold project in central Newfoundland. The company released a new feasibility study on March 29, 2021, estimating \$662 million in capital spending over a 13 year mine life. Marathon Gold plans to raise financing for the Valentine gold project this year. Construction is anticipated to begin in January 2022 and first gold pour is expected in October 2023, with production averaging 173,000 ounces of gold per year. Marathon estimates peak

employment of over 400 persons during the development period and over 420 persons during operations.

Maritime Resources Corp. (Maritime) is a gold mining and exploration company with its key asset, the once producing Hammerdown gold mine, located in the Baie Verte mining district. The company plans to complete a feasibility study in Q4 2021. It estimates a nine year mine life 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 company acquired the project from Nordmin Resources and Industrial Engineering Ltd. in 2018 with the goal of developing a mine and mill processing operation. It is anticipated to have a seven year mine life, averaging 88,000 ounces of gold per year and 124,000 ounces of silver per year during the first four years, with employment of 140 persons when operational.

Search Minerals Inc. (Search) has continued to conduct an exploration program in the area of its proposed Foxtrot and Deep Fox rare element mine in southeastern Labrador. In 2021, Search plans to undergo exploration and initiate funding to build a demonstration plant in St. Lewis, Labrador, and anticipates construction in 2022. The 1/200 demonstration scale plant will process 10 tonnes per day of rare earth containing rock from Deep Fox.

2021 Outlook

- ▶ Fewer COVID-19 pandemic-related production disruptions are anticipated in 2021 as operational protocols are in place at mine sites and the rollout of vaccines continue. The resumption of typical production volumes, combined with strong prices for some key commodities, are expected to increase total mineral shipments in 2021.
- ▶ The price of iron ore averaged US\$170/lb in April 2021, the highest monthly price since September 2011, and peaked at US\$239/lb on May 10, 2021.
- ▶ The price of nickel reached an average of US\$8.43/lb in February 2021, the highest monthly price since September 2014, peaking at US\$8.92/lb on February 24, 2021.
- ▶ Chinese demand for iron ore remains strong; however, demand could be impacted by trade tensions between China and Australia, and the development of mining projects in Asia.
- ▶ The Voisey's Bay Mine Expansion project will continue, with production ramping up at the underground mine in 2021.
- ▶ It is expected that exploration activity will continue trending upward, with projects carrying over from last year and interest in staking remains high. Mineral exploration expenditures are anticipated to be \$82.6 million in 2021.

Manufacturing

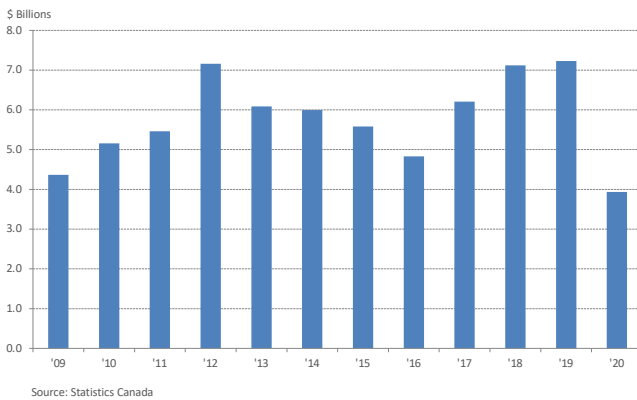
Newfoundland and Labrador's manufacturing industry produces a wide variety of products. In 2019 (most recent GDP data available), the province's manufacturing industry contributed an estimated \$1.0 billion to nominal GDP, representing 3.0% of total provincial GDP. The majority of manufacturing output

was concentrated in refined petroleum, food processing (primarily fish), fabricated metal manufacturing, non-ferrous metal production and processing, and newsprint. In 2020, a shift in demand spurred by the COVID-19 pandemic resulted in some manufacturers ramping up or pivoting their focus to produce more food, personal protective equipment and medical supplies. The value of manufacturing shipments totalled \$3.9 billion in 2020, a decrease of 45.5% compared to 2019 (see chart). This substantial decrease was largely the result of lower refined petroleum products, as operations at the Come By Chance oil refinery were suspended in March 2020 in response to the COVID-19 pandemic.



DF Barnes medical mask production line
DF Barnes

Manufacturing Shipments



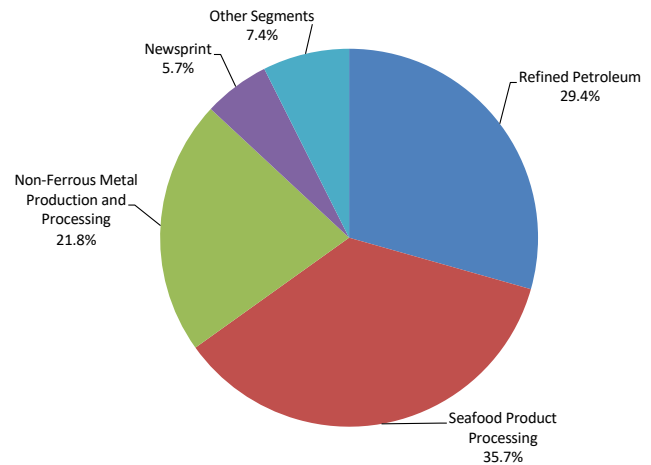
Employment in the manufacturing industry averaged approximately 8,600 person years in 2020, accounting for 4.0% of total employment in the province, compared to 3.9% in the previous year. Small employment gains in durable goods manufacturing were offset by losses in non-durable goods manufacturing. Despite the drop in employment, total wages and salaries paid in the manufacturing industry increased 1.1% in 2020 compared to 2019. Compensation gains reflect wage increases as the average weekly wage, including overtime, in the manufacturing industry increased by 3.2% compared to 2019.

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 \$2.4 billion in 2020, a 50.1% decline compared to 2019. This decrease was primarily due to a large drop in exports of refined petroleum products and lower exports of processed seafood. The United States remained the largest export market for Newfoundland and Labrador manufacturers,

representing 61.9% of international manufacturing exports in 2020.

Refined petroleum products usually account for the largest portion of the province's manufacturing output. North Atlantic Refinery Limited (NARL)'s oil refinery in Come by Chance is strategically located along Atlantic crude oil shipping routes. As such, the refinery has access to petroleum markets in Europe and the eastern U.S. seaboard. The value of international petroleum exports from Newfoundland and Labrador totalled \$0.7 billion in 2020, representing a decrease of 77.4% compared to 2019. This decrease can be attributed to the COVID-19 pandemic.

Distribution of International Manufacturing Exports by Industry, 2020



Source: Innovation, Science and Economic Development Canada

On March 30, 2020, as part of its response to COVID-19, NARL temporarily suspended production to protect employees and prevent the spread of the virus. 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. Since a purchase and sale agreement to acquire NARL and its Come By Chance oil refinery fell through between the owner of the refinery, Silverpeak, and Irving Oil, the Government of Newfoundland and Labrador has been focused on working with the company and other stakeholders to find buyers and/or investors that could help support restarting the refinery.

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 while the search continues for a buyer, and to provide more time as the ongoing global market recovery could also increase the value of this asset. Generally, the company employs approximately 390 full-time employees, including the use of contract and temporary workers. In 2020, the workforce at the refinery was reduced (to approximately 170) in the months immediately following the shutdown and was further reduced to 113 by the end of the year. This funding arrangement will not only help maintain and protect the refinery until a future restart, but will help mitigate restart costs and support increased employment levels of 200 full-time equivalent positions to the end of the agreement.

Fish processing plays a significant role in Newfoundland and Labrador's manufacturing industry. The highest valued products produced include snow crab, shrimp and lobster. The value of international seafood

product exports totalled approximately \$853 million in 2020, down 4.5% from 2019 as higher export values for snow crab were more than offset by losses in the value of shrimp exported. The U.S. and China accounted for about 74% of export value for the province's seafood products in 2020 (see Fishery and Aquaculture for details).

In recent years, fabricated metal manufacturing has fluctuated with major project construction activity. In 2020, fabricated metal manufacturing employment was down due to the suspension of construction activity on major projects in response to the COVID-19 pandemic, the West White Rose project in particular (see Oil and Gas for details).

Vale Newfoundland and Labrador (VNL) owns and operates the nickel 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 2020, the value of nickel shipped from the Long Harbour plant remained on par with the previous year as a result of higher nickel prices. The value of international exports of non-ferrous metal production and processed products from Newfoundland and Labrador increased by 15.3% in 2020 compared to 2019. The nickel processing facility currently generates approximately 900 person years of employment annually.

Lumber production in Newfoundland and Labrador reached an estimated 100 million board feet in 2020, up approximately 2% from 2019. Operations were mostly unaffected by the COVID-19 pandemic and the increase is a reflection of capacity improvements and improved access to the U.S. market. The volume of newsprint shipped from Corner Brook Pulp and Paper Limited decreased by 3.2% in 2020, while the estimated value of shipments decreased by 10.1% due to lower market prices (see Forestry for details).

Other notable developments in Newfoundland and Labrador's manufacturing industry include:

- ▶ Construction of the concrete gravity structure for the West White Rose project began in Argentina in May 2018. However, on March 22, 2020, Husky suspended all construction activities related to the West White Rose project to prevent the transmission of the COVID-19 virus, and in late April 2020, Husky suspended construction on the project for the rest of the year.
- ▶ Dynamic Air Shelters engineers and manufactures lightweight, rapidly deployable textile shelters designed to protect people and equipment from extreme hazards in harsh environments. The manufacturing facility is located in Grand Bank, on the Burin Peninsula, employing a full time staff of 55 persons. The company manufactures blast-resistant shelters that meet the stringent

safety needs of industries such as oil and gas, military, first response and more. On April 29, 2020, in support of the Government of Canada's response to the COVID-19 pandemic, Dynamic were awarded a contract to design, manufacture, deliver and install nine shelters for a field hospital in Pukatawagan, a First Nations community in northern Manitoba.

- ▶ The emerging cannabis industry presents growth opportunities for the province. Several Newfoundland and Labrador firms currently hold Health Canada licenses to cultivate and/or process cannabis in the province. Recent developments include:
 - BeeHigh Vital Elements Inc. (BeeHighVE) of Corner Brook became the first local company to receive a cultivation license from Health Canada to produce cannabis. In June 2020, BeeHighVE received approval from the Newfoundland & Labrador Liquor Corporation to sell cannabis in the province, becoming the first Newfoundland and Labrador company authorized to grow, process and sell its own cannabis in the province.
 - An agreement with Canopy Growth Corporation was terminated in December 2020 when Canopy decided not to proceed with a production facility in the province.

- Agreements with Atlantic Cultivation Limited and its partner Auxly Cannabis Group Inc., and Oceanic Releaf Inc. with its partner Delta 9 Cannabis Inc., are expected to secure a total supply of around 20,000 kilograms per year of cannabis and cannabis-related products by 2024 for the province. Direct employment associated with these two agreements is expected to reach 140 person years.
- Discussions continue with other firms who are pursuing cannabis production and processing in the province.

2021 Outlook

- ▶ The value of provincial manufacturing shipments is expected to remain low due to the continued shutdown of operations at the Come by Chance oil refinery.
- ▶ Provincial newsprint shipments are expected to remain at similar levels in 2021.
- ▶ Record lumber and crab prices should boost the value of production from both of these products.
- ▶ Cannabis production should create employment and additional revenue opportunities.
- ▶ Fabricated metal manufacturing will continue to be negatively impacted by the suspension of construction activity on the West White Rose project.

Fishery and Aquaculture



The Newfoundland and Labrador fishery performed relatively well in 2020, despite challenges presented by the COVID-19 pandemic. The fish harvesting, aquaculture and processing sectors successfully implemented safety protocols to protect workers and keep businesses operational during the pandemic; however, there was a delayed start to a number of fisheries. Although most markets for seafood products were affected by the pandemic, seafood production remained

relatively strong. Employment levels remained stable, with the fish and seafood sector employing approximately 15,800 persons in 2020 from over 400 communities in the province, compared to just over 16,000 in 2019.

Wild Fisheries

The wild fishery refers to the harvesting 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 appears 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

Landings and Landed Value by Species

Species	2019 Revised		2020 Preliminary		2019/2020 Comparison	
	Volume (tonnes)	Value (\$000s)	Volume (tonnes)	Value (\$000s)	% Volume	% Value
Shrimp	39,874	183,050	32,914	143,026	-17.5%	-21.9%
Snow Crab	26,896	308,684	29,372	223,254	9.2%	-27.7%
Other Shellfish	44,255	141,839	33,871	110,272	-23.5%	-22.3%
SHELLFISH	111,025	633,573	96,157	476,552	-13.4%	-24.8%
Turbot	10,397	59,375	9,527	51,283	-8.4%	-13.6%
Cod	14,454	23,507	12,753	18,744	-11.8%	-20.3%
Flounders	12,702	18,541	14,639	21,247	15.2%	14.6%
Redfish	5,875	10,538	4,361	6,604	-25.8%	-37.3%
Other Groundfish	2,553	13,689	1,928	7,118	-24.5%	-48.0%
GROUNDFISH	45,981	125,650	43,208	104,996	-6.0%	-16.4%
Capelin	28,003	16,551	23,986	14,753	-14.3%	-10.9%
Herring	22,318	10,578	8,449	2,942	-62.1%	-72.2%
Mackerel	4,814	2,536	4,015	2,487	-16.6%	-1.9%
Other Pelagics	99	679	63	340	-36.1%	-49.9%
PELAGICS	55,233	30,345	36,513	20,522	-33.9%	-32.4%
Harp Seals (Number)	32,073	862	395	11	-98.8%	-98.7%
TOTAL	212,239	790,430	175,878	602,070	-17.1%	-23.8%

Source: Fisheries and Oceans Canada and the Department of Fisheries, Forestry and Agriculture. Date: April 2021

Notes: Species components may not sum due to independent rounding
Total volume does not include the number of seals.

The values of flounders may be understated as they may not be representative of port prices.

Other Shellfish: Lobster, whelk, clams, sea cucumber, other crustaceans, other molluscs.

Other Groundfish: Pollock, hake, halibut, haddock, stake, monkfish, lumpfish roe and other miscellaneous groundfish.

Other Pelagics: Tuna, eels, and other miscellaneous pelagics.

redfish, also continue to grow in areas around Newfoundland and Labrador.

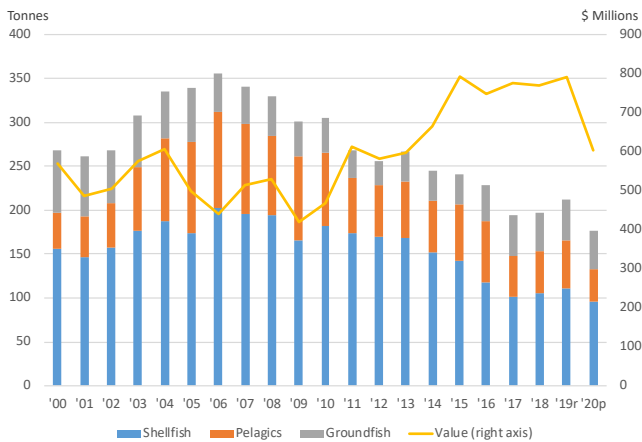
Warmer water temperatures seem to be more favourable for groundfish; however, this appears to be having a negative impact on the abundance of some key shellfish resources. On the one hand, stock assessments indicate that even though the snow crab resource is at historically low levels around Newfoundland and Labrador, snow crab stocks are showing some encouraging signs of growth in most

areas. On the other hand, northern shrimp stocks have declined off the east coast of the island and southern Labrador over the past decade, and in areas to the north more recently.

Total fish landings decreased 17.1% to approximately 175,900 tonnes last year, the result of lower landings in the majority of fisheries. The largest declines were in the herring fishery, where there was a delayed opening and less availability of fish, and the shrimp fishery, due to reduced

efforts by harvesters, likely as a result of market uncertainty for shrimp products. The corresponding total landed value of all species decreased 23.8% to approximately \$602 million, resulting from lower landings as well as lower prices for some key species, such as snow crab and shrimp (see chart and table).

Wild Fishery Landings



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

Shellfish

Shellfish accounted for the majority of both the volume of fish landings (55%) and landed value (79%) in the wild fishery in 2020. The volume of shellfish landings decreased by 13.4% as lower landings of shrimp and other shellfish were partially offset by higher landings of snow crab.² The corresponding landed value for shellfish decreased by 24.8% to \$477 million due to considerably lower prices for both shrimp and snow crab.

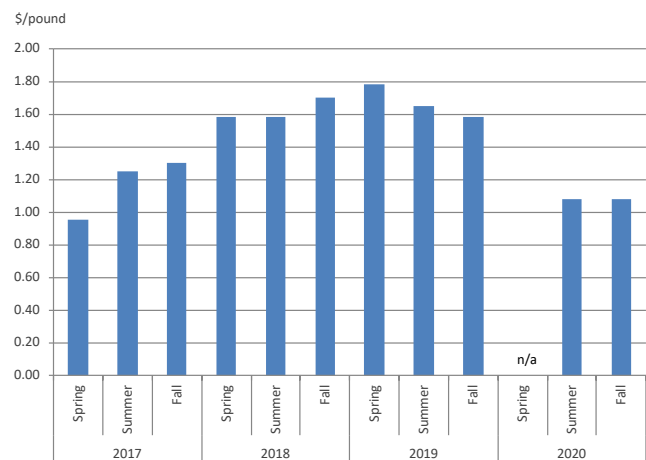
The snow crab resource was showing some declines in 2019; however, a recent stock assessment indicates that the snow crab

resource has stabilized and is showing early signs of growth in most crab fishing areas for 2020 and 2021.

The snow crab Total Allowable Catch (TAC) declined from 29,390 tonnes in 2018, to 26,894 tonnes in 2019, but increased to 29,551 tonnes in 2020. As a result, snow crab landings rose 9.2% to 29,372 tonnes in 2020. The corresponding landed value of snow crab, however, decreased 27.7% to \$223 million due to a significantly lower landed price which averaged \$3.45/pound in 2020 compared to \$5.21/pound in 2019.

Shrimp landings decreased 17.5% to approximately 32,900 tonnes in comparison to 2019, mainly due to a reduced effort by harvesters, likely the result of market uncertainty for shrimp products. The value of shrimp landings decreased by 21.9% to \$143 million. The minimum landed price paid to harvesters for inshore shrimp decreased considerably to \$1.08/pound in the summer and fall fisheries of 2020 (see chart). There was no spring shrimp fishery last year.

Minimum Landed Price Paid to Harvesters Inshore Shrimp



Source: Fish Food & Allied Workers Union

² Other shellfish includes clams, lobster, sea cucumber, other crustaceans, and other molluscs.

Groundfish

Groundfish accounted for around 25% of the total volume of fish landings and 17% of total landed value in the province last year. Total groundfish landings decreased 6.0% to 43,208 tonnes in 2020, as lower catches for most groundfish species were partially offset by higher flounder catches. The corresponding landed value decreased 16.4% due mainly to lower prices for cod, redfish and turbot.

Pelagics

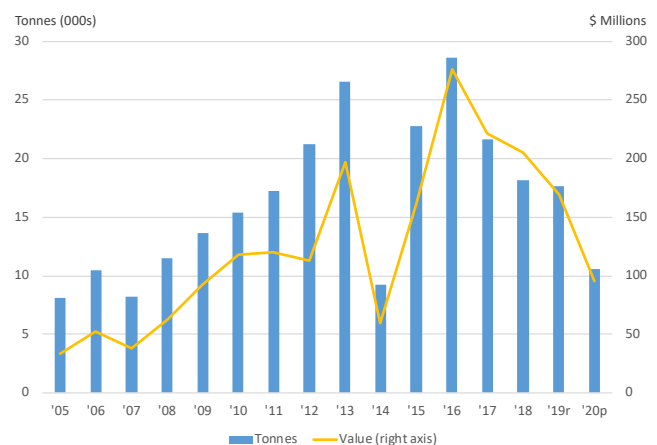
Pelagics accounted for approximately 21% of the volume total fish landings and 3% of total value in 2020. Pelagic landings decreased 33.9% mostly due to significantly lower herring catches (down 62.1% from 2019), while the corresponding landed value decreased 32.4%. There was a delayed opening for the herring fishery last year and less availability of fish. Capelin and mackerel landings were both down as well – 14.3% and 16.6%, respectively.

Aquaculture

Aquaculture production in the province is comprised of salmonids (Atlantic salmon and steelhead trout) and shellfish (blue mussels and oysters). Total aquaculture production volume totalled 10,600 tonnes in 2020, down 40.0% from 17,700 tonnes in 2019, due to market impacts resulting from the COVID-19 pandemic in addition to salmonid mortality events. The corresponding market value decreased 43.2% to \$96 million, down

from \$169 million in 2019 (see chart). Direct employment from aquaculture hatchery and grow-out activities is estimated to have been 844 persons in 2020, up 53.5% from 2019. This increase is largely the result of the Grieg NL SeaFarms' land-based aquaculture facility project on the Burin Peninsula which started operations in July.

Aquaculture Production Volume and Value (all species)



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

Salmonid production declined in 2020, due to mortality events and market impacts of COVID-19. Preliminary data indicates that salmonid production fell to around 7,800 tonnes, down approximately 45% from 2019. This production was valued at \$83.4 million, a decrease of around 46%. The average market price in 2020 for 8-10 pound wholefish Atlantic salmon was \$4.26/pound, essentially on par with the previous year.

Newfoundland and Labrador aquaculture shellfish production was primarily blue mussels; however, commercial production of oysters began in December 2019. Shellfish production in 2020 was 2,818 tonnes with a

production value of \$12.6 million, decreases of 19.5% and 14.9%, respectively, from the previous year. Mussel prices remained relatively stable over the past year, with fluctuations due to changes in exchange rates. The average price remained unchanged from 2019, at \$1.94 per pound in 2020.

In terms of aquaculture development in the province, the construction phase of the Grieg NL SeaFarms' land-based facility on the Burin Peninsula continued throughout 2020, with operations commencing in July. MOWI continued its operations with sites on the south coast while also expanding to the Bays West area of the region. The supply and service sector is experiencing significant investment as a result of the expansion of the salmonid aquaculture sector over the past three to five years. Consequently, companies have established operations across the province, such as the Gael Force Group and Scale AQ in Grand Falls-Windsor, Aqualine in Marystown, Hynes Holding in Harbour Breton, and Poseidon Engineering in St. John's. In Marystown, Marbase is in the process of reviving the shipyard as an aquaculture supply and service hub for Atlantic Canada which will offer many opportunities for the region. The company is working with regulators on securing permits and licenses for the facility.

In October 2020, the Department of Fisheries, Forestry and Agriculture released an Expression of Interest (EOI) to establish a marine salmon farming operation in the Bays West area of Bay d'Espoir towards Burgeo and Port aux Basques, to create employment

and economic development through production of 15,000 to 20,000 tonnes of Atlantic salmon. The successful applicant will be awarded at the end of the process, likely in the fall of 2021.

Processing and Marketing

In 2020, there were 91 licensed fish processing plants in the province. Of these, 69 were primary, 4 were secondary, 5 were aquaculture, and 13 were in-province retail establishments. This compares to 90 licensed fish processing plants in 2019. Preliminary data indicates that seafood production (excluding aquaculture) was 88,145 tonnes in 2020, down 7.8% from 95,552 tonnes in 2019, reflecting lower landings.

In 2020, the U.S. remained the largest export market representing 54.8% of total export value (up from 51% in 2019), while China accounted for 19.5% (down from 21% in 2019). Other markets include Japan (4.0%), Denmark (3.8%) and the United Kingdom (3.2%). Last year, Newfoundland and Labrador's international seafood product exports were valued at approximately \$857 million.

Market prices for snow crab remained historically high in 2020 in spite of the drop in prices paid to harvesters from the province. Similar to the past few years, a lower global supply of snow crab and increased consumer demand put upward pressure on market prices. The average market price for 5-8 ounce snow crab

sections was \$12.69/pound in 2020, up from \$11.42/pound in 2019. Market prices for inshore shrimp, however, decreased from the previous year. The price of cooked and peeled inshore shrimp averaged \$4.73/pound, down 27.4% from \$6.51/pound in 2019 (see chart).

Shrimp and Snow Crab Average Market Prices



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. 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 2018, 248 projects have been announced with investments of over \$52 million from federal and provincial governments.

Several programs to support fish harvesters and processors during the COVID-19 pandemic were initiated in 2020. The Canadian Seafood Stabilization Fund, announced by the Government of Canada in April 2020, provided \$62.5 million in new temporary funding to the Canadian fish and seafood processing sector. Investments targeted the following areas: increased storage to deal with excess inventory; ensuring the health and safety of workers and of the local food supply; adopting advanced manufacturing technologies, and; adapting to changing requirements and demand. The allocation for Newfoundland and Labrador was \$11.4 million. The program ended March 31, 2021. The Fish Harvester Benefit and The Fish Harvester Grant programs provided funding of up to \$469.4 million for fish harvesters across Canada. The Fish Harvester Benefit offers income support to self-employed fish harvesters and share persons. Information is currently not available on the amount of money that Newfoundland and Labrador fish harvesters have availed of under these programs. To further assist seafood companies identify, assess, target and develop new market opportunities in response to the COVID-19 pandemic, the Department of Fisheries, Forestry and Agriculture created the Seafood Marketing Support Program. Approximately \$400,000 has been provided to companies in Newfoundland and Labrador to reduce reliance on the traditional foodservice sector while capitalizing on opportunities in retail and direct sales channels.

2021 Outlook

- ▶ Record crab prices combined with higher quotas will provide a significant boost to this fishery.
- ▶ Total fish landings in Newfoundland and Labrador are expected to increase slightly in 2021 as crab quotas have increased and some of the other TACs are more fully harvested.
- ▶ Aquaculture production is expected to increase in 2021 as development continues at newly licensed marine sites including Grieg NL and MOWI.
- ▶ The new Canada-United States-Mexico Agreement (CUSMA) entered into force on July 1, 2020 and will continue to provide clarity for trade in all sectors including the seafood industry.
- ▶ As the United Kingdom (UK) departed from the European Union on January 1, 2021, Newfoundland and Labrador seafood exporting companies will no longer have market access to the UK through the Canada-European Union Comprehensive and Economic and Trade Agreement (CETA). On December 22, 2020, a Memorandum of Understanding between Canada and the UK was signed to ensure continued preferential tariff treatment for goods from the date CETA ceases to apply to the UK until a new trade agreement can be ratified and implemented.

Forestry

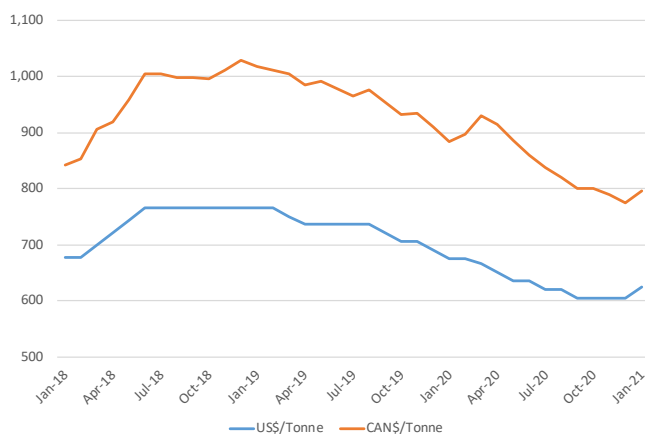
Newsprint

North American newsprint producers continued to deal with challenging market conditions in 2020. Demand has dropped by more than two-thirds since 2000, reflecting the growing popularity of digital media. The price of newsprint averaged US\$633/tonne in 2020, down from US\$732 in 2019 (see chart). The industry remains in over-capacity, and therefore, additional curtailments are expected. Two plants in Québec permanently shut down in 2020 and others in the country were on hold intermittently.

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 their paper mill, power plants and forest operations. Provincial newsprint shipments increased by 3.2% to 226,280 tonnes in 2020, while the estimated value of shipments decreased by 10.1% due



North American Newsprint Prices



Source: PPI Pulp and Paper Week

Lumber Harvesting
Fisheries, Forestry and Agriculture

to lower market prices. CBPPL initiated shutdowns from December 24, 2019 to January 6, 2020, and August 3 to 11, 2020, to reduce inventory and bring production in line with orders. The COVID-19 pandemic did not interrupt normal operations.

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

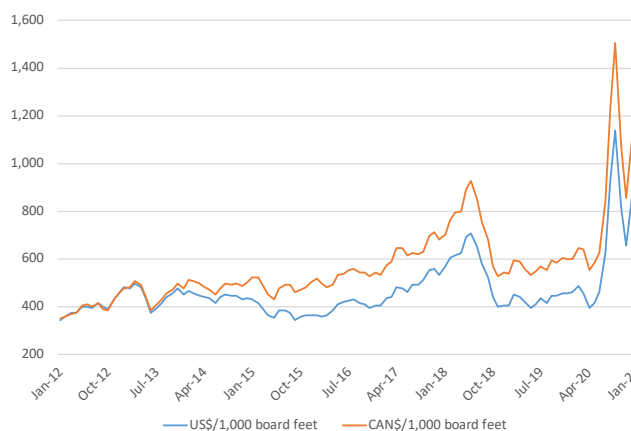
Newfoundland and Labrador international newsprint exports were down 13.7% in 2020. Exports to the U.S. and India—which together account for about half of the province’s newsprint exports—decreased by 39.3% and 34.0%, respectively. These losses were partially offset by a strong increase in shipments to several destinations, such as China, Hong Kong and Turkey.

Lumber

Market conditions in 2020 were favorable to lumber producers in the province. Lumber prices increased markedly, from US\$459 per thousand board feet in January 2020 to a record-breaking US\$1,138 in September, or an average of US\$837 for the second half of the year. On the supply side, some sawmills interrupted 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.

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 reached 100 million board feet in 2020, up 2% from 2019. While national supply chains were interrupted by COVID-19, there were no interruptions to local supply. Output increased in each of the last eight years, reflecting capacity improvements and better export opportunities.

While the ongoing Canada-U.S. softwood lumber trade dispute remains a source of 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 countervailing and anti-dumping duties. This decision has been positive for the provincial sawmill industry in gaining unrestricted access to the U.S. market.

The Government of Newfoundland and Labrador announced a forestry development fund of \$9.6 million in June 2020. The purpose of the fund is to support employment in rural communities and to help open new markets and products for renewable, resource-based businesses. Initiatives include: \$5.7 million for forestry industry development projects, \$3.5 million to establish forestry biomass market opportunities, and \$400,000 for secondary forestry processing innovation pilot projects.

2021 Outlook

- ▶ North American demand is expected to continue its decline, but as mill inventories continue to decrease, newsprint prices are expected to increase and average US\$720 for the second half of 2021.
- ▶ Newsprint shipments from Newfoundland and Labrador are expected to remain at similar levels to 2020.
- ▶ North American lumber prices are currently well over US\$1,000 per thousand board feet and are expected to average US\$950 this year.
- ▶ Provincial lumber production is anticipated to increase around 5% to approximately 105 million board feet and the value of production will jump significantly due to record lumber prices.

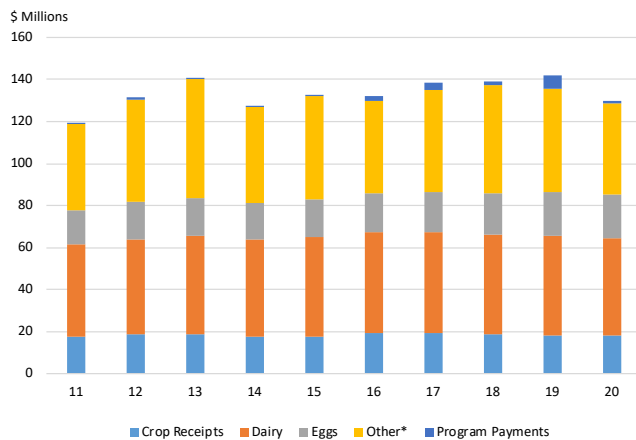
Agriculture



The agriculture industry in Newfoundland and Labrador is diverse, with over 500 different operations ranging from small organic farms to large dairy and poultry farms. Livestock and livestock products—which includes products such as dairy, eggs, fur, poultry, hogs, cattle and sheep—account for approximately 85% of the total value of farm products. The remainder comes from crops and program payments, such as crop insurance.

After increasing for three consecutive years, provincial farm cash receipts decreased by 8.6% to \$129.9 million in 2020 (see chart). Livestock and livestock product receipts were down by \$6.8 million, mainly due to fur sales not being included in 2020 receipts. COVID-19 prompted government control measures that caused business closures and reduced activity at international fur auction houses. Crop receipts remained on par, as gains in the production value of fresh fruit and vegetables helped offset the decline related to floriculture products, which were adversely impacted by restrictions related to the global pandemic. Program payments to farmers also decreased by \$5.4 million in 2020.

Farm Cash Receipts



* Value includes cattle, calves, hogs, sheep, lambs, chickens for meat, turkeys for meat, raw furs from mink and fox, chicks and misc. livestock.
Source: Statistics Canada; Department of Finance

The global fur industry is still suffering through one of the most painful downturns to hit the sector in decades. For a ten year period between 2003 and 2013, booming markets in countries like China and Russia resulted in soaring fur prices. That strong market inspired a surge in production, led by nations such as Denmark, resulting in a glut in supply. Meanwhile, Chinese markets softened because of a shift away from natural furs and the Russian markets weakened due to a slowing economy. Subsequently, fur prices crashed in 2013 and have been low ever since.

In November 2020, Danish public health authorities reported the detection of a mink-associated COVID-19 variant at the country’s fur farms. Millions of mink were culled in an effort to control the spread of the disease, thereby reducing global fur supply and partially correcting the existing glut. Industry experts believe this will lead to a stronger fur market, with increased prices as well as interest in other types of furs. Given that Newfoundland and Labrador mink producers

operate with relatively new infrastructure, have a competitive cost of production and meet all animal welfare and environmental standards, the province’s mink industry is well positioned to take advantage of expected future increases in fur prices.

The volume of chicken produced in the province in 2020 was down 5.2% compared to 2019. The farm product price index for Newfoundland and Labrador poultry shows prices were higher during the year, indicating that the impact on provincial farm cash receipts should be less than the impact on production volume.

The volume of milk sold by farms in the province declined by 1.7% during 2020 compared to 2019. Accompanied by lower prices, the value of milk production has decreased by 2.9% to \$46.4 million for the year.

The two largest components of program payments to farmers both decreased in 2020. AgriStability, which is a voluntary, margin based program designed to help producers manage large income declines, decreased to \$937,000. The “Other Payments” component decreased to \$18,000. This category contains the Dairy Direct Payments Program, which is a federal program to support dairy producers in response to market access commitments made under recent international trade agreements, namely the Canada-European Union Comprehensive Economic and Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Vegetable Transplant Program

The Provincial Vegetable Transplant Program, established in 2018, has provided eligible commercial farmers with high-quality vegetable transplants to help increase the production and variety of produce grown in Newfoundland and Labrador, and promote higher marketable yields, as well as earlier harvest and returns. This program is facilitated at the Centre for Agriculture and Forestry Production in Wooddale. In 2020, the Vegetable Transplant Program provided three million vegetable transplants to 65 commercial farmers, compared to 1.7 million vegetable transplants distributed to 54 commercial farmers in 2019. This program is expected to continue in 2021, pending applications.

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 funding, to be allocated over several initiatives, is part of a plan to support employment in rural communities and help open new markets and products for renewable resource-based businesses during the COVID-19 global pandemic. To date, progress has been made through several initiatives including Vegetable Cold Storage, Beef Industry Enhancement Initiative, Agricultural Roads and Large-Scale Potato Production Initiative.

Vegetable Cold Storage

On October 9, 2020, a nearly \$1.25 million investment was announced to help establish vegetable cold storage and packing facilities in Happy Valley-Goose Bay and Robinsons. Establishing cooperative cold storage facilities in these regions is intended to give producers the infrastructure they need to increase production and improve vegetable quality and food self-sufficiency in Newfoundland and Labrador.

Beef Industry Enhancement Initiative

Following a Call for Proposals to explore development of abattoirs in Newfoundland and Labrador, funds were awarded to three successful applicants in the amount of \$1.8 million. The lack of secondary processing in the province is viewed as an impediment to the development of the beef and sheep sectors.

In a separate Call for Proposals, 200 breeding cows were provided to 20 farmers in the province to improve the quality and number of animals produced. The \$1 million in funding supports industry expansion and increases food self-sufficiency.

Agricultural Roads

Since the initiative was announced, the Department of Fisheries, Forestry and Agriculture have funded \$1.4 million for road construction to improve access to Agricultural Areas of Interest. This included the construction and reconstruction of approximately 22 kilometers of agricultural

access roads, purchase and installation of steel panel bridges and culverts, and the completion of legal land surveys within areas of interest, ensuring more land is accessible to farmers.

Large-Scale Potato Production Initiative

Since the initiative was announced, the Department of Fisheries, Forestry and Agriculture have been preparing to put farm land into production by improving road access and clearing and developing 700 acres of land. With the preparation of the land complete, the initiative is expected to more than double current production of potato in the province.

2021 Outlook

- ▶ Farm cash receipts are expected to return to pre-COVID-19 pandemic levels.
- ▶ Anticipated higher prices of mink furs should bode well for the provincial industry and could increase the interest in other types of furs.
- ▶ The Government of Newfoundland and Labrador continues to be committed to advancing the province's agriculture industry through available funding opportunities.

Construction



The construction industry contributed an estimated \$3.2 billion to nominal GDP in 2019, accounting for 9.8% of the provincial total. Employment in the industry was 16,000 in 2020, representing 7.5% of total provincial employment.

Activity in the construction industry in Newfoundland and Labrador, particularly the non-residential sector, is closely tied to major project development. As such, activity

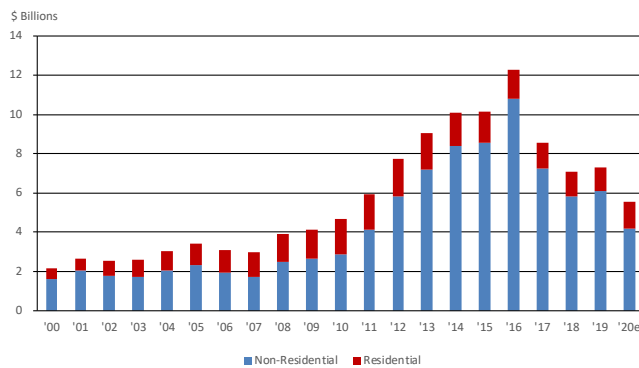
can fluctuate significantly from year to year depending on major project timelines. In March 2020, major project construction was impacted by the COVID-19 pandemic; in particular, construction activities on the West White Rose project were suspended and the Voisey's Bay Mine Expansion Project was delayed for several months.

Investment

Construction-related investment spending in the province was estimated to be about \$5.6 billion in 2020, down 23.8% from the previous year (see chart). Non-residential construction-related investment expenditures—which account for about 80% of construction-related investment in the province—totalled an estimated \$4.2 billion in 2020, a decrease of 31.2% compared to 2019 levels.

Construction of Corner Brook Acute Care Hospital
Transportation and Infrastructure

Construction Related Investment



e: estimate
Source: Statistics Canada; Department of Finance

The decrease in non-residential spending was only partially offset by investment in residential construction which increased by 14.0% in 2020. This increase in residential spending was due to an increase in expenditures on renovations which rose by 23.2%. One factor contributing to the increase was the provincial government’s \$30 million Residential Construction Rebate Program announced in June 2020. Under the program, homeowners could receive a 25% rebate on renovation projects for principal residences (up to a maximum of \$10,000). The program also offered a rebate of \$10,000 on new home construction for homes valued up to \$350,000. The rebate program received nearly 12,000 applications from homeowners. Although spending on renovations was up, expenditures on new dwellings dropped by 21.1%, which is consistent with the drop in housing starts in 2020 (see Real Estate).

The construction industry continues to benefit from the five-year, \$3 billion provincial plan for new and existing public infrastructure (e.g. roads, healthcare

facilities, schools, affordable housing) 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 five-year provincial road plan, updated annually;
- ▶ 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 such as the \$3.2 billion West White Rose project have a substantial impact on construction activity in Newfoundland and Labrador. As previously mentioned, on March 22, 2020, Husky suspended all construction activities related to the West White Rose project to prevent the transmission of the COVID-19 virus, and in late April 2020, Husky suspended construction on the project for the rest of this year. On December 3, 2020, the provincial government announced funding of \$41.5 million (under the \$320 million Oil and Gas Industry Recovery

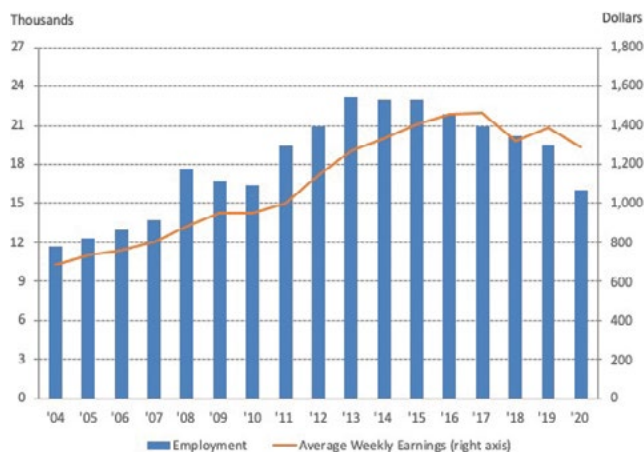
Assistance Fund) to maintain jobs in the near-term and protect the option of re-starting the West White Rose Project. As of the end of 2020, there were 380 people working in the province on the West White Rose project, of which 368 (96.8%) were Newfoundland and Labrador residents.

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 development at Voisey's Bay has been ongoing since the project was announced in June 2018. In the fourth quarter of 2020, the company announced that the project had reached 60% completion (see Mining for details).

Employment and Wages

Construction employment and wages have been declining in recent years after reaching a peak of around 23,000 over the 2013 to 2015 period (see chart). In 2020, the decline in construction employment intensified as a result of the restrictions put in place to contain the spread of COVID-19. Employment averaged 16,000 in 2020, a decline of 17.9% compared to 2019. Average weekly earnings for those working in the industry also declined, falling 7.4% from \$1,390 in 2019 to \$1,287 in 2020.

Construction Employment and Wages



Source: Statistics Canada; Department of Finance

2021 Outlook

- ▶ Total construction related capital spending is expected to increase by a modest 1.0% in 2021.
- ▶ The construction industry will be negatively impacted by the suspension of construction activity on the West White Rose project.
- ▶ The Province's five-year, \$3 billion infrastructure plan will continue to be an important contributor to the industry.
- ▶ About \$17.5 billion in project spending is planned or underway in the province according to the Inventory of Major Capital Projects (see page 66).

Real Estate

Like most sectors of the economy in 2020, the provincial real estate market faced challenges due to the effects of the COVID-19 pandemic. Despite the abrupt downturn during the second quarter, the real estate market rebounded in the last six months of 2020 as COVID-19 restrictions were eased. The number of house sales finished the year at a near record high. House prices also increased during the surge in home sales. On the new home construction side, however, the number of housing starts continued to decline in 2020 and reached a new record low. In the commercial sector, office vacancy rates rose, reflecting an abundance of supply and stagnant demand.



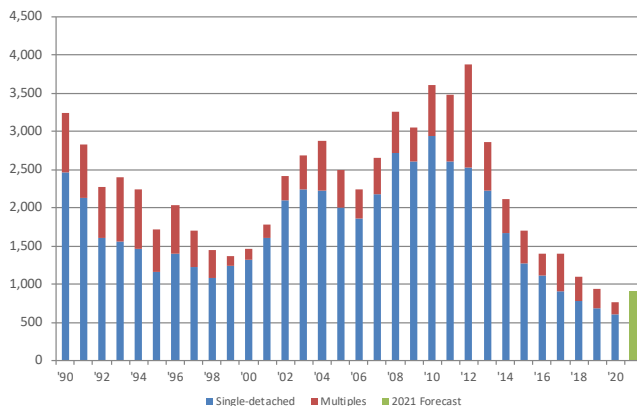
Housing Starts

There were 763 housing starts in the province in 2020, a decrease of 19.3% compared to 2019 and significantly less than the peak number of 3,885 starts in 2012. Single-detached housing starts, which typically account for the vast majority of total starts in the province, declined by 11.7% from 686 to 606 units, while multiple starts which include denser housing types such as row, semi-detached homes, apartments and condominiums decreased by 39.4%, from 259 units in 2019 to 157 units in 2020 (see chart).

New Home Construction, St. John's
Finance

Housing starts declined in both rural and urban areas of the province. Rural housing starts decreased by 17.5% in 2020, from 308 to 254 units, while urban housing starts declined by 20.1%, from 637 to 509 units. In the St. John's Census Metropolitan Area (CMA), the largest market in the province, housing starts fell from 480 units in 2019 to 418 units in 2020. Over the same period, single-detached housing starts declined from 339 to 332 units, while multiple starts decreased from 141 to 86 units.

Housing Starts



Source: Canada Mortgage and Housing Corporation; Department of Finance

Residential Sales and Prices

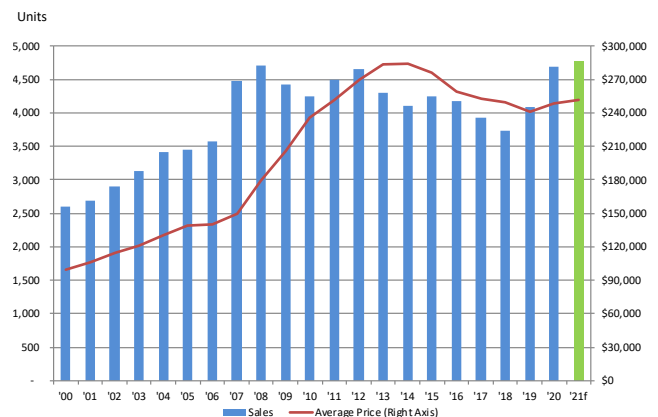
Despite the challenges of the pandemic, real estate sales activity in the province increased dramatically in the last six months of the year as pent-up demand and historically low interest rates fueled a surge in home sales. According to data obtained through the Canadian Real Estate Association's Multiple Listing Service (MLS®), home sales dropped by 14.9% during the first six months of 2020 compared to the same period in 2019; however, during the last six months of

2020, as COVID-19 restrictions eased, home sales increased by 34.8% compared to the same period in 2019. Overall, home sales increased by 14.7% to 4,682 units in 2020. This was the largest number of home sales recorded since 2008 (see chart). The average MLS® residential price in the province also increased in 2020 to \$248,783, rising by 3.1% compared to 2019.

In the St. John's CMA, the rebound in home sales that started in mid-2020 continued through to the end of the year. The number of home sales dropped by 24.7% in the first six months of 2020, but increased by 37.8% during the last six months for an overall increase of 11.9% to 2,551 units. The average MLS® residential price increased by 3.5% to \$299,933.

The upturn in home sales in the latter half of 2020 occurred not only locally but across the country. For six straight months, from July to December, sales activity was up in almost all Canadian housing markets compared to the same month in 2019.

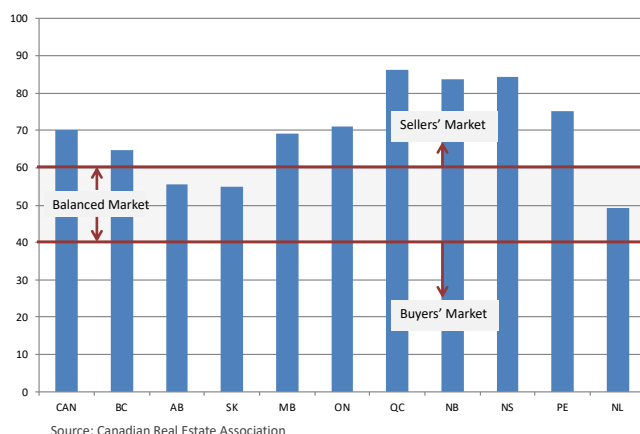
Residential MLS® Sales and Average Price



f: forecast
Source: Canadian Real Estate Association, Department of Finance

This is reflected in the sharp rise in the sales-to-new listings ratio for each province. The sales-to-new listings ratio is the ratio of the number of homes sold and the number of new listings entering the market. It is commonly used as an indicator of housing market conditions. A housing market is generally considered balanced when the sales-to-new listing ratio ranges from 40% to 60%. A ratio below 40% indicates a buyers' market, while a ratio above 60% indicates a sellers' market. In Newfoundland and Labrador, after years consistently in buyers' market range, the sales-to-new listings ratio rose from 36.7% in 2019 to 49.3% in 2020, indicating balanced market conditions. Alberta (55.7%) and Saskatchewan (54.9%), were the only other provinces in balanced market territory; the rest of the provinces were all in the sellers' market range with sales-to-new listing ratios above 60% (see chart). Overall, the Canadian real estate market ended 2020 with a sales-to-new listings ratio of 70.2%, an increase of 10.5 percentage points (ppt) compared to 2019.

Home Sales-to-New Listings Ratio, 2020



Rental Market

According to the Canada Mortgage and Housing Corporation's most recent Rental Market Survey 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 2019.³ 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 St. John's 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 in 2020 (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).

The average monthly rent for a two-bedroom apartment in the province 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).

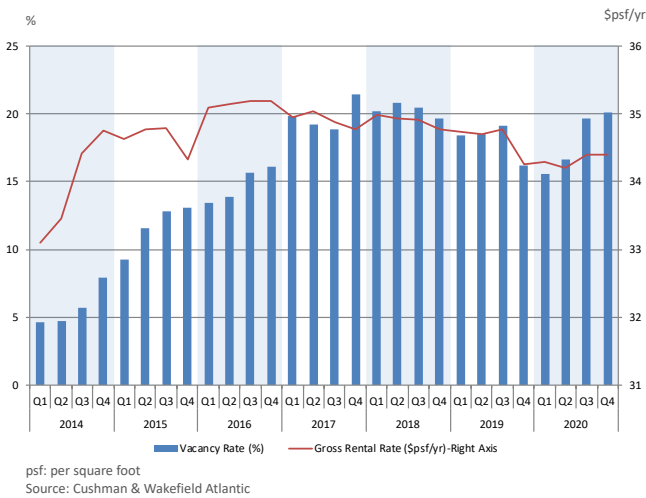
Commercial

The office vacancy rate for St. John's increased during 2020. After falling to 15.6% in the first quarter, the vacancy rate rose 4.5 ppt over the last three quarters, ending the year at 20.1% (see chart). The vacancy rate was highest in the downtown area of St. John's where, in recent years, several major

³ The Rental Market Survey is an annual survey conducted each October in urban areas with populations of at least 10,000 and targets the primary rental market, which only includes rental units in privately initiated apartment structures with at least three rental units.

tenants have moved out of the area to newly constructed office spaces in suburban areas. The vacancy rate in the downtown area rose from 21.4% in the first quarter of 2020 to 31.2% in the fourth quarter. Despite the rise in vacancy rates over the last three quarters, the overall office vacancy rate in St. John's averaged 18.0% in 2020, on par with 2019.

Office Vacancy and Rental Rates, St. John's



The average gross rental rate for office space fell slightly to \$34.32 per square foot per year in 2020, compared to \$34.62 during 2019. The average rental rate remains high as an increasing share of office space is in new “Class A” buildings, which generally command a higher price than older buildings.

2021 Outlook

- ▶ Housing starts are expected to rebound in 2021 as COVID-19 restrictions are eased and employment returns to pre-pandemic levels.
- ▶ Housing starts in 2021 are forecast at 912 units; this would represent a 19.5% increase from 2020.
- ▶ Home sales are expected to be robust as the surge in home sales that began during the latter half of 2020 is expected to continue into 2021.
- ▶ The Canadian Real Estate Association forecasts residential sales in the province to rise 17.6% to 5,505 units and the average resale price to rise 6.5% to \$265,017.
- ▶ The mass shift to working from home during the COVID-19 pandemic could also lower the demand for commercial office space and negatively affect office vacancy rates.

Tourism

The tourism sector in Newfoundland and Labrador generates economic wealth throughout the province, making it an important contributor to the provincial economy. Tourism consists of 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 in some cases, with many jurisdictions closing their borders to visitors, including Newfoundland and Labrador. As a result, tourism activity in the province was severely impacted. It is estimated that resident spending decreased between 40% and 50% last year, while non-resident spending fell by approximately 75%.⁴

As the year progressed and the number of COVID-19 cases declined, travel restrictions were eased in some jurisdictions. On June 25, 2020, the Atlantic Canada travel bubble, known as the “Atlantic Bubble,” was announced. This allowed residents within the four Atlantic Canadian

Battle Harbour, Labrador
Barrett & MacKay

⁴ Based on estimates calculated by the Department of Tourism, Culture, Arts and Recreation using various sources including Destination Canada and the Conference Board of Canada. Estimates are still under review due to the COVID-19 pandemic.

provinces (Newfoundland and Labrador, Nova Scotia, Prince Edward Island and New Brunswick) to travel within those provinces without the requirement to self-isolate upon arrival. Although this opened the province to some non-resident visitation, non-resident automobile and air visitors to the province in 2020 are estimated at 113,966, a decrease of 79% compared to 2019.

In 2020, tourism activity in the province was highly dependent on resident tourism. On June 24, 2020, Newfoundland and Labrador Tourism launched the Stay Home Year tourism campaign to encourage residents to travel throughout the province during the summer and fall seasons. The campaign enjoyed high levels of awareness and 43% of residents indicated that they travelled on an overnight pleasure trip in the province between May and October 2020.

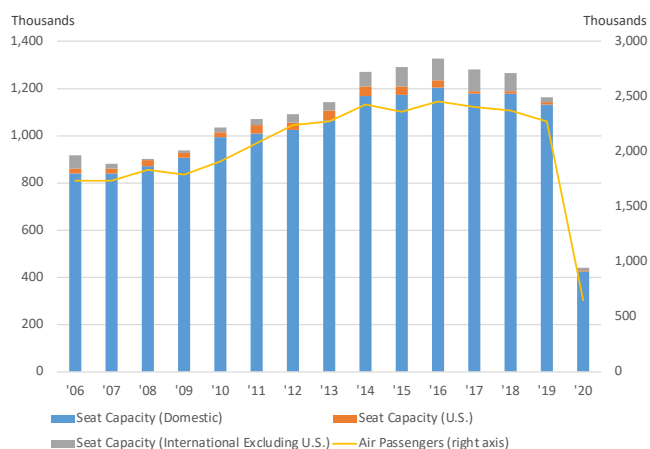
Air Visitors

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 2020, air travel made up about 68% of visitors to the province. Approximately 77,029 tourists arrived by airplane in 2020, down 80% over the previous year. This was the result of travel restrictions put in place in response to the global pandemic.

Boarding and deplaning traffic at the province’s seven major airports reached an estimated 648,929 passenger movements

in 2020, down 71% compared to the same period in 2019 (see chart). The St. John’s International Airport is the largest airport in the province and is the main gateway for non-resident visitors. In 2020, 356,141 passenger movements were recorded at the airport, down 75% from 2019.

Air Passengers and Seat Capacity, Newfoundland and Labrador



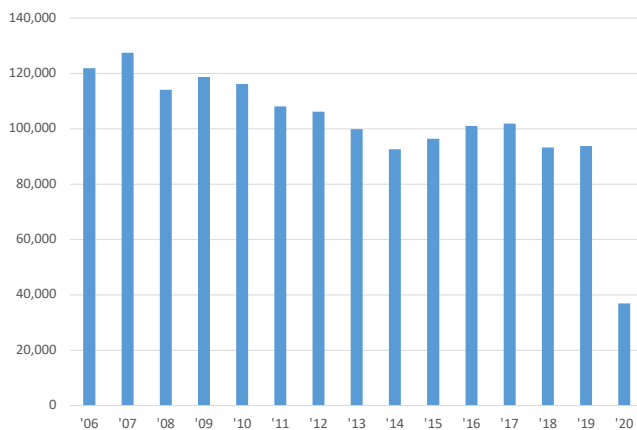
Note: Passengers are boarding and deplaning; seat capacity is in-bound only.
Source: Department of Tourism, Culture, Arts and Recreation; Department of Finance

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 was also severely impacted in 2020 (see chart). Inbound non-stop seat capacity decreased 62% in 2020, from 1,161,723 seats in 2019 to 440,058. Domestic seat capacity was down 62% in 2020. Additionally, international seat capacity (excluding the U.S.) decreased 41%, while seat capacity for flights from the U.S. decreased 81%.

Automobile Visitors

To meet health and safety requirements in response to the COVID-19 pandemic, Marine Atlantic operated with reduced passenger capacity for most of 2020. The Argentia ferry route, which normally operates between June and September, was suspended for the season. Passenger movements on the Marine Atlantic ferries between North Sydney and the island of Newfoundland in both directions was 149,836 in 2020, down 52% compared to the previous year. The opening of the “Atlantic Bubble” boosted these numbers and contributed to a notable increase in non-resident visitors, particularly in July, August and September. The total number of non-resident automobile visitors was estimated to be 36,938 in 2020, down 61% compared to 2019 (see chart).

Non-Resident Automobile Visitors, Newfoundland and Labrador



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. On May 29, it was announced that cruise ships were prohibited for the remainder of the cruise season. As a result, there were no cruise passenger visits to the province in 2020.

Attractions

After the best year on record for visitation in 2019, provincial and federal attractions saw a large decrease last year due to the COVID-19 pandemic. Provincial Historic Sites (PHS) in Newfoundland and Labrador welcomed 15,596 visitors for the 2020 operating season, a decrease of 85% compared to 2019. Staff at PHS reported mostly resident visitors, with some regional differences depending on the site's location. For example, sites in St. John's and Trinity had visitors mainly from St. John's and the surrounding area and staff in Bonavista reported a lot of visitors from the West Coast.

Accommodations

The preliminary provincial accommodation occupancy rate in 2020 was 26.3%, a decrease of 19.9 percentage points from the previous year. The average daily room rate decreased 14% in 2020 to \$119, compared to \$138 in 2019. The number of room nights sold by licensed accommodations in the province was down 54% in 2020 compared to 2019, while total room revenue declined 61%.

Connecting with Travellers

The Government of Newfoundland and Labrador continued to promote tourism and engaged travellers through many channels, including award-winning marketing campaigns, advanced technologies and 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 decreased 88% to 14,865 for the 2020 operating season. Staff at the VICs observed that the majority of their visitors were residents of the province, with a small share of visitors from the Atlantic Bubble.

2021 Outlook

- ▶ Resident travel will continue to play an important role in the tourism industry in 2021.
- ▶ With domestic and international travel restrictions still in place, there is uncertainty on when non-resident travel will resume in 2021.
- ▶ On February 4, 2021, the Government of Canada announced the cancellation of the 2021 cruise season, resulting in the province not able to welcome any cruise visitors again in 2021.

Inventory of Major Capital Projects

The inventory of major projects provides information on capital projects and spending programs in Newfoundland and Labrador valued at \$25 million or more.⁵ The list includes both public and private projects that are either continuing or beginning in the current year.⁶ In many cases, the capital spending figure quoted includes spending from previous years. Capital costs are estimates in most cases, based on anticipated spending and may vary from actual spending. Capital spending figures generally include construction costs and soft costs such as engineering, financing, legal, etc. The inventory was prepared between March and April of 2021. Please note that the pandemic has had an impact on the construction and development of some major projects such as West White Rose.



According to this year's inventory, about \$17.9 billion in major capital spending is planned or underway in the province. The utilities category tops the list at \$10.5 billion (see table). The

⁵ Note that while every effort has been made to identify projects and research information, this list is not exhaustive. The information was gathered at one point in time and, in some cases, protecting the requested confidentiality of information has prohibited the publishing of projects. Readers should not base investment or business decisions on the information provided.

⁶ In some project descriptions, government is identified as a source of funding. This reference, in most cases, is based on information provided by the project's proponent and should not be interpreted as an announcement by government of funding approval.

Planned One Churchill Park, Luxury Apartments
Powers Brown Architecture

Muskrat Falls hydroelectric project is the single largest item in the category with a total estimated cost of \$10.1 billion.

The listing on the following pages is organized by project type (e.g. commercial, health care/personal care, transportation). Key information is included, such as project name, capital cost, start date, end date and description. When possible, geographic information is also provided, including community and economic zone. A map of the economic zones can be found at: www.stats.gov.nl.ca/maps/PDFs/EZ_NL.pdf

An asterisk (*) by a project name denotes that the project has a start and end date on a fiscal year basis (e.g. start/end denoted as 2021/2021 refers to the project starting and ending in fiscal year 2021-22; start/ end denoted as 2021/2022 refers to the project starting in fiscal year 2021-22 and ending in fiscal year 2022-23). All other years are reported on a calendar year basis.

The inventory of major projects is also available in PDF form on the Economics Division's website: www.gov.nl.ca/fin/economics/mp-about

Major Projects (\$ Millions)

Utilities	10,492.9
Municipal Infrastructure	2,678.5
Mining and Oil & Gas	1,892.0
Health Care/Personal Care	1,000.0
Transportation	619.5
Education	404.7
Other Investment	206.2
Commercial	170.0
Residential	120.0
Total	17,583.8

Note: Some projects contain ranges for their capital cost. In these cases, the mid-point of the range was used in the summations above. Capital costs for some projects were not available. As a result, their cost is not reflected in the table above.

Source: Various; Department of Finance

Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Commercial				
Commercial/ Apartment Development	30.0	2020/2023	19	KMK Capital Inc. - construction of a six-storey building consisting of 69 residential units, with first floor retail space and two levels of underground parking. (St. John's)
Mall Redevelopment	112.0	2017/2021	19	Crombie REIT - capital investment program for the Avalon Mall. To date, construction of a new 875-stall parkade, a new realigned main mall access and partial demolition of the former Sears space have been completed. Work on mall common areas (including improvements to the food court area) and an expansion at the front of the mall on Kenmount Road have also been completed and a number of new international, national, and local tenants have moved in and/or are fixturing. Two new pad sites adjacent Kenmount Road will be constructed in 2021. (St. John's)
Office Building	28.0	2019/2021	19	55732 Newfoundland & Labrador Inc. - construction of a four-storey, approximately 80,000 sq. ft. office building and two-level parking structure on Sea Rose Avenue. (St. John's)

Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Education				
Animal Resource Centre*	39.1	2016/2021	19	Memorial University of Newfoundland - replacement of two animal research care facilities. This will improve biomedical research by providing state-of-the-art facilities supporting co-location of health sciences and biomedical researchers to enhance interdisciplinary collaboration. Total anticipated expenditures of \$3.5 million for the 2021/22 fiscal year. Partial federal funds. (St. John's)
Building Redevelopment*	TBD	2020/2026	19	Memorial University of Newfoundland - redevelopment of the Science, Chemistry-Physics and Biotech buildings as a result of the move of several departments to the new Core Science Building. (St. John's)
Core Science Facility*	325.0	2013/2021	19	Memorial University of Newfoundland - construction of the new Core Science Facility at the St. John's Campus. Total anticipated expenditures of \$23.3 million for the 2021/22 fiscal year based on current scheduling and forecasts. (St. John's)
School Construction and Renovations*	40.6	2021/2021	Various	Various activities including new school construction, renovations, extensions and major maintenance projects. Provincial funds. (Various)

Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Health Care/Personal Care				
Hospital*	650.0	2017/2023	8	Construction of a new acute care regional hospital through a design-build-finance-maintain arrangement with the private sector. (Corner Brook)
Hospital Redevelopment*	25.0	2020/2024	19	Redevelopment of the Emergency Department at the Health Sciences Centre. Provincial funds. (St. John's)
Long-Term Care Homes*	75.0	2017/2021	14, 12	Construction of two new 60-bed long-term care facilities through a design-build-finance-maintain arrangement with the private sector. (Gander, Grand Falls-Windsor)
Mental Health Infrastructure*	250.0	2018/2023	19	Construction of a new adult mental health and addictions facility through a design-build-finance-maintain arrangement with the private sector. (St. John's)
Mining and Oil & Gas				
Mine Development	57.2	2021/2022	11	Maritime Resources - development of an open pit and underground mine for the Hammerdown and Orion deposits. The project has an expected 9 year mine life. (Green Bay)
Mine Development/Expansion	52.1	2018/2022	11	Rambler Metals and Mining Canada Limited - five year capital plan for the Ming Mine Project. Includes development of the Lower Footwall Zone, which has a projected 20 year mine life. (Baie Verte Peninsula)

Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Mineral Exploration	82.7	2021/2021	Various	Forecasted expenditure prepared by the Department of Natural Resources for mineral exploration and deposit appraisal. Regional breakdown: \$15.2 million in Labrador and \$67.5 million for the island. (Various)
Underground Mine	US\$1,700.0	2018/2023	1	Vale Newfoundland and Labrador Limited - underground mine development at Voisey's Bay. (Voisey's Bay)
Municipal Infrastructure				
Federal Gas Tax Program*	559.0	2006/2023	Various	Funding agreement allocating federal funds to municipalities, cities, Inuit Community Governments and Regional Service Boards in NL for capital infrastructure projects that support the national objectives of productivity and economic growth, a clean environment and strong cities and communities. Federal funds. (Various)
Investing In Canada Plan*	1,286.3	2019/2027	Various	Program to provide funding to create long-term economic growth, build inclusive communities, and support a low carbon, green economy. Federal, provincial and municipal funds. (Various)
Multi-Year Municipal Capital Works*	279.0	2012/2025	Various	Program to assist municipalities in construction of local infrastructure. Cost-sharing varies with each project. Provincial and municipal funds. (Various)

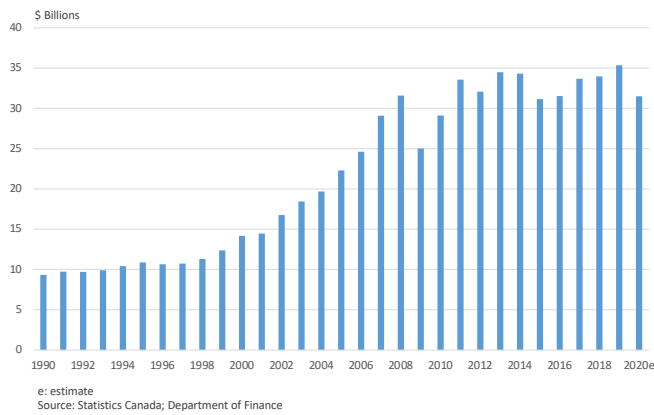
Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Municipal Capital Works Program*	98.9	2016/2025	Various	Program to assist municipalities in construction of local infrastructure. Cost-sharing varies with each project. Provincial and municipal funds. (Various)
New Building Canada Fund - Small Communities Fund / Provincial-Territorial Infrastructure Component*	140.3	2016/2024	Various	Funding for communities with fewer than 100,000 residents, ensuring that small communities can benefit from significant funding supporting economic prosperity. The Provincial-Territorial Infrastructure Component provides funding for projects that are nationally and regionally significant and are predominantly medium and large scale in nature. Federal, provincial and municipal funds. (Various)
Solid Waste Management Strategy*	315.0	2007/2025	Various	Program provides funding to support planning and infrastructure associated with the implementation of the Provincial Waste Management Strategy. Funding is sourced from direct provincial funding in addition to \$162.0M from the federal/provincial gas tax agreement. (Various)
Residential				
Condominium/ Apartment Development	120.0	2021/2024	19	KMK Capital Inc. - development of "Tiffany Towers," two 16-storey buildings consisting of a total of 283 residential units as well as a three-level underground parking garage. (St. John's)

Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Transportation				
Provincial Roads Improvement Program*	151.7	2021/2021	Various	Includes secondary road/bridge improvement projects in various parts of the province. Federal/provincial cost-shared. (Various)
Trans Labrador Highway Widening and Hard Surfacing*	467.8	2013/2021	3, 4, 5	Widening and hard surfacing of Phase II and III of Trans Labrador Highway between Red Bay and Happy Valley-Goose Bay. \$39.8 million to be spent in 2020/21. Federal/provincial cost-shared. (Various)
Utilities				
Electric Utility Capital Expenditures	76.1	2021/2021	2	Churchill Falls (Labrador) Corporation - capital expenditures for improvements and upgrades. (Churchill Falls)
Electric Utility Capital Program	128.5	2021/2021	Various	Newfoundland and Labrador Hydro - annual capital program (including carryovers from the previous year) aimed at upgrading the provincial power grid and meeting electricity demand. Includes several projects focused on improving reliability and upgrading and replacing aging infrastructure. (Various)
Electric Utility Capital Program	111.3	2021/2021	Various	Newfoundland Power Inc. - capital expenditures to refurbish and serve growth on the electricity system. (Various)

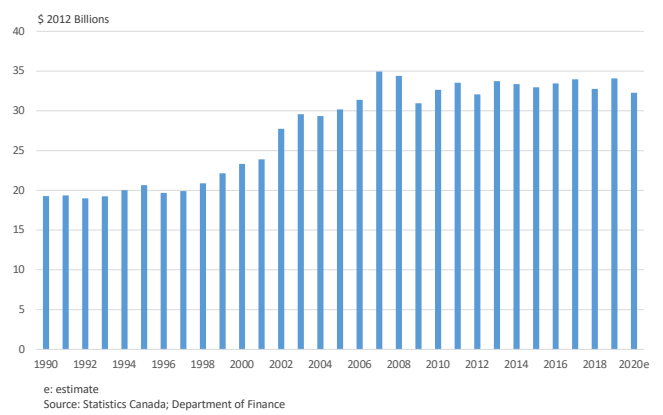
Project:	Capital Cost \$M:	Start/End:	Economic Zone:	Comments (Location):
Lower Churchill Project - Phase I (Muskrat Falls and Labrador-Island Link)	10,177.0	2012/2021	Various	Nalcor Energy - development of the Muskrat Falls Hydroelectric Generation Facility, the Labrador-Island Link (LIL), and the associated transmission assets in Newfoundland and Labrador between Muskrat Falls and Churchill Falls and Muskrat Falls and Soldiers Pond. The Newfoundland and Labrador portion of the project entails construction of an 824 megawatt hydroelectric generating facility at Muskrat Falls in Labrador and over 1,600 kilometres of associated transmission lines and related infrastructure in Newfoundland and Labrador. First power from the first of four generating units at Muskrat Falls was delivered to customers in September 2020. In December 2020, power was delivered from Muskrat Falls over the LIL to island electricity customers. Emera Inc. of Nova Scotia built the Maritime Link connecting the island of Newfoundland to Nova Scotia. The capital cost of Emera's Maritime Link is an additional \$1.57 billion. (Various)
Other Investment				
Justice Infrastructure*	206.2	2019/2029	Various	Build of Her Majesty's Penitentiary (HMP) Correctional Facility replacement and adult correctional facility in Labrador. Provincial Funds. (Various)

Statistical Indicators

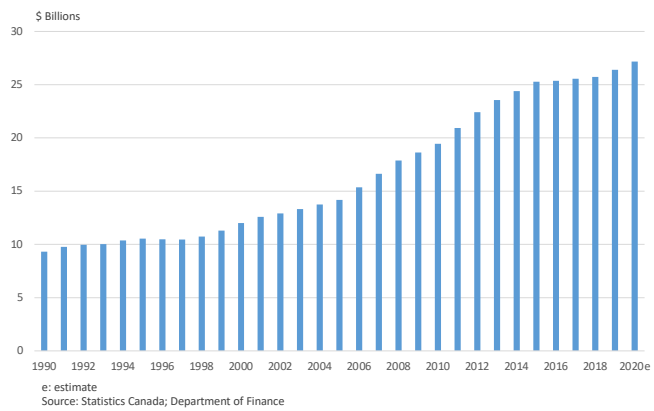
Nominal Gross Domestic Product



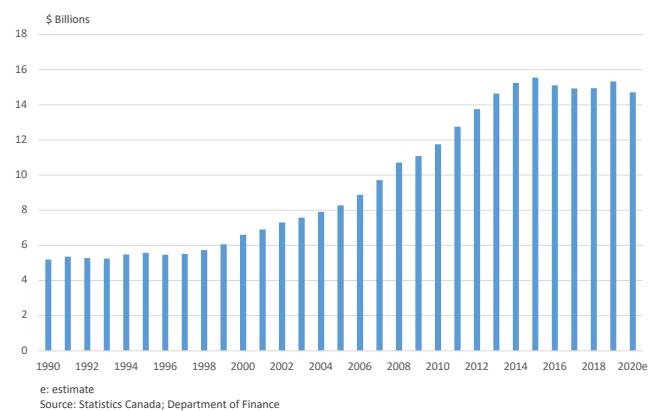
Real Gross Domestic Product



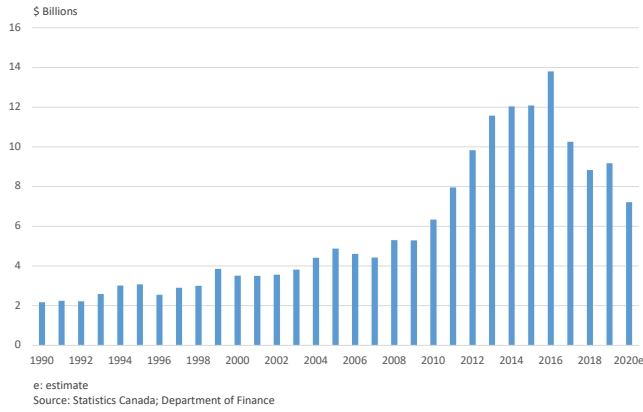
Household Income



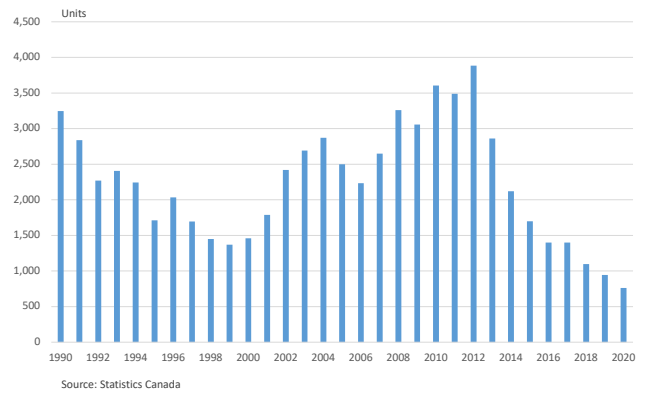
Compensation of Employees



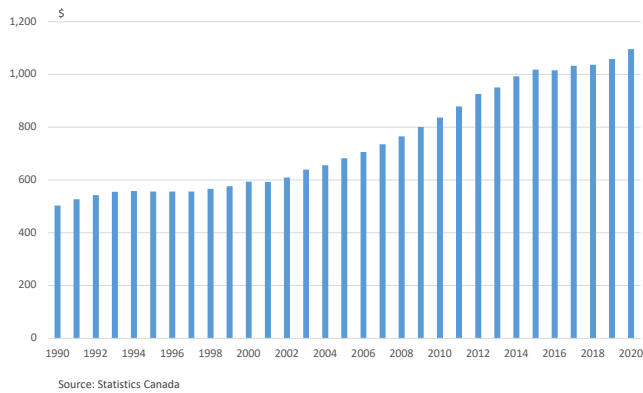
Capital Investment



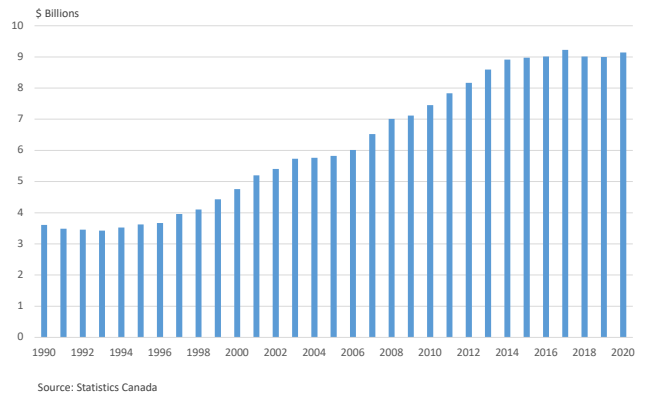
Housing Starts



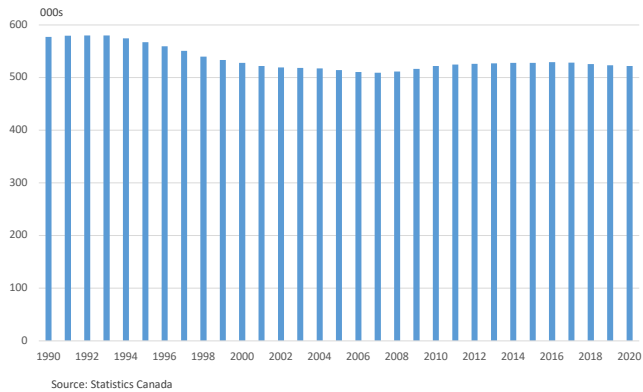
Average Weekly Earnings



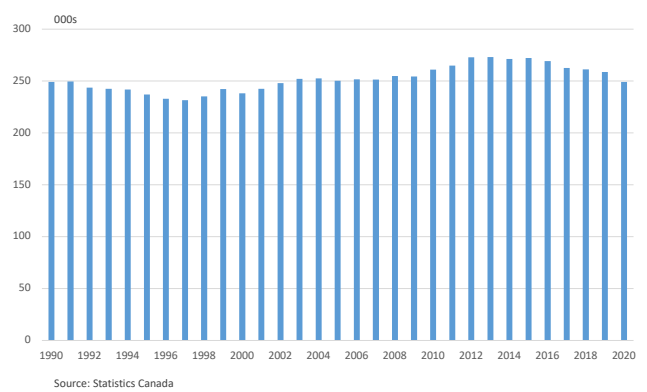
Retail Sales



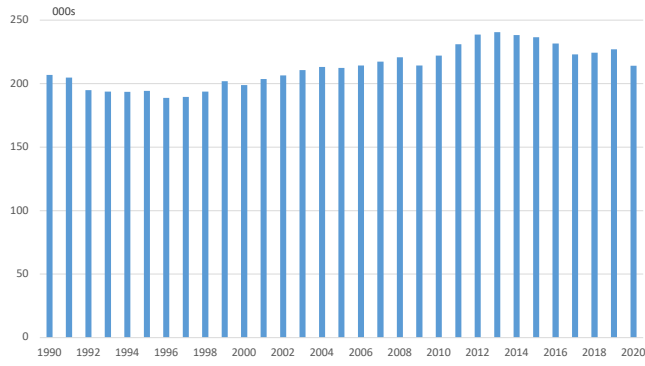
Population



Labour Force

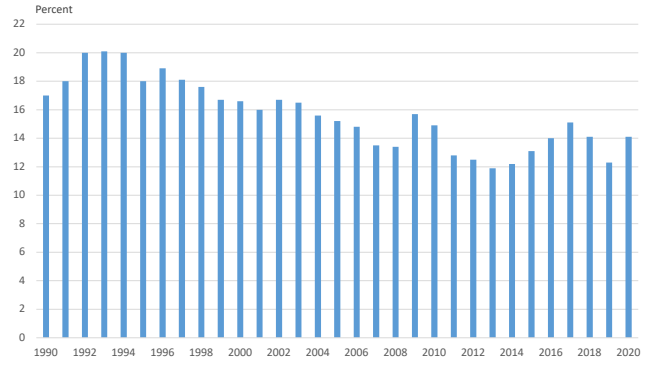


Employment



Source: Statistics Canada

Unemployment Rate



Source: Statistics Canada

