

Economic Outlook 2006

St. John's Metropolitan Area

2005 Performance

The economy of the St. John's Census Metropolitan Area (CMA) continued to expand in 2005. Real GDP is estimated to have grown by 0.9% to \$7.3 billion; employment increased by 0.9% to 90,300; and the unemployment rate declined by 0.1 percentage points to 8.9%.

Real GDP growth was driven by increases in service sector industries particularly finance, insurance, real estate and leasing; information, culture, and recreation; and public administration. However, economic growth was constrained by a reduction in housing starts and a slight decline in provincial offshore oil production. Employment gains were the result of increased employment in goods sector industries such as construction, utilities and manufacturing. Service sector employment remained close to 2004 levels.

The construction industry continued to perform well as strong growth in home renovation activity and non-residential investment more than offset a 16.4% decline in housing starts. On a provincial basis¹, home renovation expenditures—which account for around 50% of total housing investment—increased by 6.9% in 2005 to \$508 million. Investment in non-residential building construction in the CMA was up 28% in nominal terms (20% real) to a record level of \$232 million, due in large part to expansion of the retail sector.

Total housing starts in the CMA declined by 300 units to 1,534 starts in 2005, but remain well above the previous ten-year average of approximately 1,100 starts per year. In concert with the decline in housing starts, the value of residential building permits issued in the CMA in 2005 declined by 14.5% to total \$227 million, however, this is still the second highest level on record.

The population of the St. John's CMA increased for the seventh consecutive year in 2005 to a record level of 182,485, representing an increase of 1.0% over 2004. Employment and income gains continued to attract in-migrants from other areas of the province, which is the main contributing factor to population growth.

Outlook for 2006

GDP growth will increase substantially in 2006 as the White Rose oil project records its first full-year of production, public sector spending increases, and private sector services continue to expand. Real GDP in the St. John's CMA is forecast to increase by 6.5% in 2006, slightly faster than anticipated provincial growth of 6.2%. A substantial number of oil industry workers live and/or work in the CMA and as a result a large portion of oil-related GDP is allocated to the St. John's area. If oil production were excluded, CMA real GDP growth would be in the range of 2.0 to 3.0 percent.

Employment is expected to increase by 0.6% as a result of gains in the service sector and the unemployment rate is expected to decline by 0.1 percentage points to 8.8%. Personal income (the combined incomes of all persons in the CMA) is expected to increase by 5.3% due to a combination of public sector wage gains, employment growth, increases in general wages and salaries, and increases in the provincial minimum wage. Retail trade is expected to increase by 3.2% to \$2.6 billion in tandem with income gains. Housing starts are expected to decline by 4.8%, however, as pent up demand is now satisfied and interest rates edge upward.

Economic Indicators St. John's Metropolitan Area, 2005-2006f

Indicator	2005	2006f	% Change 2005-06
Real GDP (1997\$M)	7,271	7,747	6.5
Employment	90,300	90,800	0.6
Labour Force	99,100	99,600	0.5
Unemployment Rate	8.9%	8.8%	- 0.1 pts
Participation Rate	65.9%	66.0%	0.1 pts
Personal Income (\$M)	5,703	6,007	5.3
Retail Trade (\$M)	2,526	2,606	3.2
Housing Starts	1,534	1,460	- 4.8
CPI (1997=100)	116.5	119.1	2.2
Population	182,485	182,700	0.1

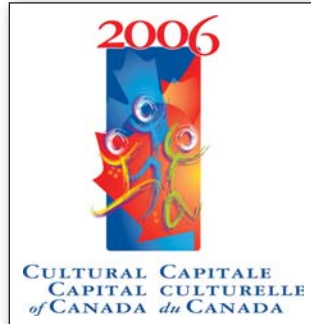
Source: Statistics Canada; CMHC; Department of Finance
Note: The St. John's Census Metropolitan Area is a Statistics Canada geographically defined area including St. John's and neighbouring communities.

¹ Housing investment data is not available on a sub-provincial basis, however, it is estimated that the St. John's CMA accounts for around 70% of the provincial total.

Cultural Capital of Canada

The City of St. John's has been recognized by the Government of Canada as a centre of excellence for the celebration of artistic and cultural activities. "Cultural Capitals of Canada" is a national program recognizing and supporting Canadian municipalities for special activities that harness the many benefits of arts and culture in community life. Along with the prestige of being designated a "Cultural Capital of Canada" for 2006, the City will receive a \$500,000 financial contribution which will enable it to invest more in arts and culture, increase and improve services, and profile our diverse culture through shared cultural experiences. Among the planned activities for 2006 are: the painting of a mural depicting the history of the St. John's Harbour; designation of a Poet Laureate; celebration of the 200th anniversary of the Benevolent Irish Society; a doubling of the City's art procurement budget; and a multitude of events throughout the year celebrating the City's multiculturalism.

St. John's vibrant cultural sector is also reflected in a recent report published by Hill Strategies Research Inc. According to the report, *Statistical Insights on the Arts*, St. John's has the highest artistic concentration among the five large Atlantic Canadian cities, with 1.3% of the local labour force employed in the arts.



Creative Newfoundland and Labrador

To strategically plan for the future of the Province's cultural sector, the provincial government is investing \$17.6 million over the next three years to implement the Province's first cultural plan, entitled *Creative Newfoundland and Labrador*.

Key areas include: support for professional artists; support for cultural industries; preserving and celebrating heritage; and strengthening key cultural infrastructure. Under this initiative, the provincial government will provide increased funding to the Newfoundland and Labrador Arts Council, doubling its existing budget within three years to \$1.8 million. Over \$3 million will be invested in 2006 to develop cultural industries in the province, including the fields of music, publishing, film and video and export development. In addition, \$760,000 is being committed this year to help fund heritage organizations, community museums and archives, as well as for research and development in the heritage sector. The provincial government will also invest \$3.8 million this year to improve and revitalize the province's arts and culture centres, provincial historic sites, regional museums, and other cultural institutions. The LSPU Hall in St. John's will also be renovated and expanded with matching contributions of \$500,000 each from the City and the Province.

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