

# Economic Outlook 2003

## St. John's Metropolitan Area

### Review of 2002

Real GDP expanded by 11.9% in 2002, outpacing overall provincial growth of 8.2%. This performance is consistent with recent years—over the 1998-2001 period, cumulative real GDP growth in the metro area totalled 15.2% versus overall provincial growth of 13.5%.

GDP growth was driven by the oil sector which accounted for 90% of GDP gains in 2002. Total oil production from Hibernia and Terra Nova grew by 92.1% to 104.3 million barrels last year.

Employment increased by 2.2% to 87,800, allowing the unemployment rate to fall to 8.9%, the lowest rate since 1975. This, coupled with personal income gains of 5.2%, resulted in retail sales growth of 3.3% and growth in housing starts of 31.2%. Housing starts reached 1,350, the highest level since 1990.

### Outlook for 2003

Real GDP is forecast to expand by 7.1% in 2003, again outpacing anticipated provincial growth of 5.4%. Like 2002, the oil sector is expected to be the main driver behind GDP gains, accounting for over 80% of metro area GDP growth. Total oil production is forecast to grow by 31% to 137 million barrels.

Employment is expected to grow by 1.6% to 89,200, led by continued expansion in the services sector. The labour force should increase somewhat as the participation rate, which currently exceeds the national rate, continues to rise.



*Credit: John Hearn Contemporary Architects Incorporated, courtesy of Voisey's Bay Nickel Company Limited*  
Architectural concept sketch of the proposed Inco Innovation Centre

### Economic Indicators

#### St. John's Metropolitan Area, 2001-2003f

Indicator	2001	2002	2003	% Change 2002-03
Real GDP (1997\$ M)	5,105	5,710	6,117	7.1
Personal Income	4,953	5,213	5,424	4.0
Retail Trade (\$M)	2,124	2,194	2,263	3.2
Housing Starts	1,029	1,350	1,350	0.0
CPI (1997=100)	105.9	108.5	110.9	2.2
Employment	85,900	87,800	89,200	1.6
Unemployment Rate	9.1%	8.9%	8.5%	-0.4pts
Participation Rate	66.6%	67.6%	67.8%	0.2pts
Population	176,373	177,235	177,775	0.3

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.

However, employment gains are expected to outpace labour force growth allowing the unemployment rate to decline to 8.5%. Personal income is expected to increase by 4.0%, facilitating retail sales growth of 3.2%.

Housing demand is expected to remain high with starts on par with 2002. Demand is being driven by job and income gains, historically low mortgage rates, strong consumer confidence, low vacancy rates and a shortage of homes available for resale. High levels of housing starts, coupled with condominium developments, new water and sewage infrastructure, engineering work related to White Rose, and completion of The Rooms and the Outer Ring Road, suggests construction activity will remain high in 2003.

The population is expected to grow by 0.3% in 2003 to 177,775, the highest since 1994. (A more detailed demographic overview is contained on the following page.)

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# Demographic Overview

## St. John's Metropolitan Area

St. John's metropolitan area population peaked in 1993 at about 178,600 persons. Net out-migration increased after 1993 and population declined to about 175,200 in 1998. Since that time, economic activity has improved and population levels began to rebound (expected to reach about 177,800 this year). In the context of continued economic growth, the Department of Finance projects continued population gains in the future, reaching over 183,000 by 2013.

While the metro area has experienced population growth in recent years, it has and will continue to be impacted by demographic change, in particular population aging. For example, those less than age 20, comprised over 28% of the population in 1993—by 2013, this share is expected to decline to about 19%. Over the same period, those over age 65 are expected to jump from 9.5% to 13.8% of the total population.

### Distribution of Population by Age St. John's Metropolitan Area

Age Cohort	1993	2003f	2013f
0-19	28.2%	23.2%	18.9%
20-44	44.2%	40.3%	36.7%
45-64	18.1%	26.0%	30.6%
65+	9.5%	10.5%	13.8%
<b>Total</b>	<b>178,581</b>	<b>177,775</b>	<b>183,140</b>

Source: Statistics Canada; Department of Finance

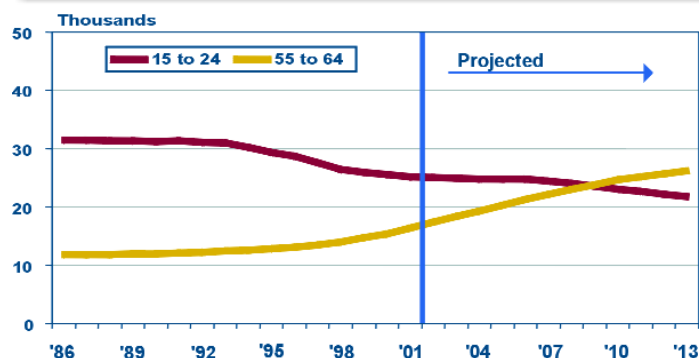
### Labour Markets

The labour force is growing older—almost 15% of the core labour force population (ages 15-64) will turn 65 within the next ten years, compared to 10% in 1993. At the same time, the number of young people entering the labour force, both to replace retiring baby boomers and to meet new labour demand, is declining. This implies tighter labour markets, which should reduce unemployment rates, and could cause higher wages and skills shortages for certain occupations. Labour markets should adjust to these changes through a combination of factors including higher labour market participation rates, increased productivity and continued in-migration.

### Consumer Spending

Demographic change will mean changes in spending patterns. For example, there will likely be reduced demand for goods and services targeted for young people, and increased

### Population 15 to 24 and 55 to 64 St. John's CMA



Source: Statistics Canada; Department of Finance

demand for goods and services for seniors. Population aging is also causing the average household size to decline. This, combined with continued population growth, means the number of households should continue to increase.

### Public Services

The demand for public services will also be impacted by demographic change. For example, there will likely be increased demand for health and seniors' services and less demand for education and other youth services. The population ages 65 and over in the metro area is expected to increase by 36% between 2003 and 2013. Conversely, the school age population (ages 5-18) is expected to fall by 20% by 2013.

Population aging and labour market trends in the metro area are similar to the country as a whole. These trends will present challenges and opportunities for policy makers, business owners and workers alike in the coming years.



Credit: Grand Concourse Authority  
Duck Pond at Bowring Park