

ECONOMIC OVERVIEW

ST. JOHN'S METROPOLITAN AREA

2004 ECONOMIC PERFORMANCE

After several years of rapid expansion, economic growth in the St. John's Census Metropolitan Area (CMA) slowed in 2004. Between 1997 and 2003, economic growth in the St. John's CMA increased by an unprecedented average of 8.4% per year driven by the emergence of the offshore oil and gas industry. In 2004, real GDP in the CMA is estimated to have increased by a marginal 0.7%, slightly slower than the estimated provincial growth of 1.4%. Growth in the CMA is more sensitive to changes in offshore oil production, since a substantial portion of provincial oil-related GDP is allocated to the CMA.

On an industry basis, GDP in Oil and Gas Extraction declined by 2.6% in 2004 as a result of lower production from the Terra Nova oil field. However, this decline was offset by increases in other industries, most notably Professional, Scientific and Technical Services (+7.3%); Manufacturing (+3.4%); and Information Culture and Recreation (+3.3%). Residential construction activity continued to outperform expectations in 2004 with housing starts up by 14.3%.

Employment in the CMA declined by 0.3% in 2004 to 90,100 as a result of reduced employment in the service sector, which accounts for close to 90% of total employment in the area. Service sector employment declined by 0.8% or 600 person years to 79,400. This decline was partially offset by a 2.9% or 300 person year increase in goods sector

employment to 10,700. The labour force declined by 1.3% to 98,900 persons and consequently the unemployment rate fell to 8.9%, its lowest level since 1975. In comparison, the national unemployment rate in 2004 was 7.2%.

Over the past decade, retail trade growth in the St. John's CMA repeatedly outpaced personal income growth. Between 1993 and 2003, retail trade grew by an average of 5.3% per year in comparison to personal income growth of 2.8% per year. In 2004, consumers took a breather—retail sales grew by a mere 0.4% while personal income growth continued on trend.

Economic Indicators St. John's Metropolitan Area, 2003-2005f

Indicator	2003	2004	2005f	% Change 2004-05
Real GDP (1997\$M)	7,312	7,360	7,466	1.4
Employment	90,400	90,100	91,800	1.9
Unemployment rate	9.8%	8.9%	8.3%	-0.6pts
Personal income (\$M)	5,230	5,380	5,535	2.9
Retail trade (\$M)	2,270	2,280	2,337	2.5
Housing starts	1,604	1,834	1,700	-7.3
CPI (1997=100)	111.6	113.6	115.5	1.7
Population	178,669	179,932	180,405	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.



2005 AND BEYOND

OUTLOOK FOR 2005

The rate of growth in the CMA's economy is expected to increase to 1.4% in 2005, but remain below the expected provincial growth of 2.1%. A general decline in the demand for new residential construction will dampen economic growth, however, this negative factor will be more than offset by a rebound in service sector activity and the start up of production related activity on the White Rose project.

Employment is now expected to increase by 1.9% in 2005, as previously anticipated provincial public sector job losses are no longer expected. Employment growth is expected to outpace labour force gains and as a result the unemployment rate is expected to decline to 8.3%, down 0.6 percentage points over 2004.

BROAD-BASED GROWTH

While a significant portion of St. John's recent economic growth is attributable to activity related to the emergence of the provincial oil and gas industry, this is by no means the only growth industry in the area. The residential construction and retail trade sectors have expanded rapidly in the CMA and St. John's is also the hub of provincial and regional activity for the emerging oceans technology industry, tourism and other service sector industries. It is also the largest provincial centre for the arts and entertainment sectors including sports and recreational activities.

"The Rooms", one of the most unique and exciting cultural centres in Canada, will be officially opened in St. John's on June 29, 2005. "The Rooms" will be a permanent home for provincial artifacts, archival materials and local art. With an annual operating budget of \$6 million, the facility will make a significant contribution to the area's tourism potential and overall economy.

There has also been substantial growth in the hotel/motel sector. Five new facilities came on stream in 2004, accounting for a total of 236 new rooms and five additional developments are either under construction or planned for this year making another 392 new rooms available in the area before year's end. In total, this represents a 37% increase in

St. John's accommodation capacity over the past two years alone.

The introduction of the Quebec Major Junior Hockey League (QMJHL) to St. John's will maintain the interest of local hockey fans and preserve the spin-off benefits for restaurants and bars in the downtown area. The St. John's Fog Devils will open their 2005-06 season at the Mile One Stadium this coming September.

As a result of broad-based growth throughout the CMA's economy construction activity in the area has been extremely robust in recent years. Housing starts have increased by an average of 16.3% per year since 1998. In addition, there has been significant activity in non-residential construction activity. Several major retail developments have sprung up throughout the area including those on Stavanger Drive, Ruby Line, and the recent Kenmount Road development.

For further information, please contact:

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The Rooms