

# 2024 Economic Update



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## International

According to the International Monetary Fund (IMF), the global economy is anticipated to expand by 3.2 per cent in 2024, following 3.3 per cent growth in 2023. Inflation in most countries appears to be on a downward path, and most central banks have started cutting interest rates. The Bank of Canada and the European Central Bank first cut rates in June and the Bank of England followed in August, while the United States Federal Reserve announced its first cut to its target rate in mid-September. This tight monetary policy was intended to slow down economic activity and dampen inflation, which partially explains limited growth in advanced economies this year.

Real gross domestic product (GDP) growth in advanced economies is expected to be 1.8 per cent in 2024, weighed down by slower growth in Europe but buoyed by better results in the United States. Emerging and developing economies are expected to grow by 4.2 per cent in 2024, with India once again expected to outpace China. In the first half of 2024, China posted mixed results and concern over its future economic performance has increased. The country remains mired in a real estate crisis, threatening financial stability and



Virtual Radiology  
Luxsonic Technologies Inc.

hampering consumer confidence. Additionally, the United States, Canada and the European Union recently imposed new tariffs on China, notably with respect to electric vehicles. This may spark additional trade barriers as China retaliates, further hindering economic growth.

The IMF forecasts a global economic growth rate of 3.2 per cent for 2025. Advanced economies are expected to grow by 1.8 per cent, while developing economies are forecast to grow by 4.2 per cent, led by India (6.5 per cent) and China (4.5 per cent). This outlook could be further impacted by a lack of progress in moderating inflation in services, or additional inflationary pressures from trade tensions and geopolitical conflicts.



## Provincial

The economy of Newfoundland and Labrador has performed well so far in 2024, as highlighted by several key economic indicators. The labour market has been strong through the first nine months of the year, with positive employment growth and near historically low unemployment rates. Consumer spending has remained resilient, with both retail sales and new motor vehicle sales increasing so far this year compared to last year. Housing starts are up significantly through the first three quarters of the year, and home sales are also above last year's levels through September. Recent decreases in the inflation rate and in the Bank of Canada target overnight interest rate bode well for continued economic growth for the remainder of the year. The province surpassed population targets, welcoming more than 5,400 permanent residents in 2023. Similar numbers are expected in 2024.

In the oil and gas sector, construction work on the West White Rose project continues to advance as the project reached a significant milestone this year with the completion of major construction on the Concrete Gravity Structure (CGS). The Terra Nova floating production, storage and offloading (FPSO) vessel returned to production in November 2023 and has been ramping up in 2024. Production at other offshore oil projects has remained relatively steady, albeit at slightly lower levels than the same period last year. The White Rose project began a shutdown in late December 2023, and the SeaRose FPSO vessel subsequently sailed to Belfast, Northern Ireland in 2024 to undergo a refit as part of the field's asset life extension project. It is expected that the SeaRose will return to production later this year. The price of



Atlantic Kestrel Offshore Oil Supply/Tug Vessel

Brent crude oil averaged US\$82.50 per barrel over the January to September 2024 period, approximately 0.5 per cent higher than the same period in 2023.

In the mining sector, iron ore production from the Iron Ore Company of Canada (IOC) was one per cent lower in the first three quarters of 2024 compared to the same period in 2023. Increased production in the first and second quarters was offset by an 11 per cent decline in the third quarter, due to an 11-day site-wide shutdown driven by forest fires in mid-July. This resulted in a reduction to IOC's full year production guidance to 15.5 to 16.3 million tonnes (previously 16.7 to 19.6 million tonnes). In terms of nickel, finished production from Voisey's Bay sourced ore increased 29.0 per cent in the first three quarters of 2024 compared to the same period last year. Production has increased in each quarter on a year-over-year basis, notably 41.2 per cent and 56.4 per cent in Q2 and Q3, as the underground mines continue to ramp up. The price of iron ore was 4.9 per cent lower in the first three quarters of 2024 compared to the same period last year, while the price of nickel was 25.4 per cent lower.



Snow Crab Processing at Beothic Fish Processors Ltd., New-Wes-Valley, NL

In the fishery and aquaculture sector, wild fishery landings and landed value are both expected to increase in 2024. A rise in the average raw material price for snow crab (+34.9 per cent) will have a significant impact on the total value of fish landings. The seasonal snow crab fishery has ended for this year and preliminary data indicate higher landings (+8.7 per cent) and a higher landed value (+46.7 per cent) compared to 2023. The volume and value of aquaculture production are both forecast to increase significantly in 2024, due to an anticipated higher production of Atlantic salmon and blue mussels.

## Consumer Spending

Consumer spending in the province has been strong so far in 2024, despite interest rates and prices remaining relatively high. Key indicators, such as retail sales, new motor vehicle sales, and some service sector measures, have posted growth in every month this year compared to the same period last year.

In the goods sector, retail sales totalled \$7.9 billion over the January to August 2024 period, a 5.7 per cent increase compared to \$7.5 billion over the same period in 2023. The 'Motor vehicle and parts dealers' category, which includes new and used cars, as well as parts and services labour, accounted for the largest growth over the period (+13.4 per cent). New motor vehicle sales have been particularly strong through the first eight months of the year, increasing 24.9 per cent compared to the same period last year. Notable retail sales growth was also seen in 'Gasoline stations and fuel vendors' (+14.5 per cent) and 'General merchandise retailers' (+7.1 per cent). The largest declines in retail sales were seen in 'Health and personal care retailers' (-3.8 per cent) and 'Grocery and convenience retailers' (-5.2 per cent).

In the service sector, sales at food services and drinking places totalled \$600.8 million over the January to July 2024 period, an increase of 4.0 per cent compared to the same period last year.

## Inflation and Interest Rates

According to the Consumer Price Index (CPI), inflation in the province averaged 2.1 per cent over the January to September 2024 period, which is significantly lower than the 3.5 per cent over the same period last year. Broad inflationary pressures have continued to ease throughout the year, with the inflation rate decreasing in each month since March, falling to 0.7 per cent in September. Food price inflation has moderated significantly, falling to a low of 2.9 per cent in July, the lowest year-over-year inflation rate for food prices since July 2021. Shelter price inflation has also been moderating but





Fishing Lodge, Eagle River, Labrador

remains higher than the overall inflation rate, largely due to rent and mortgage interest costs. Inflation remains elevated in services that are closely affected by wages, such as restaurants and personal care.

With respect to interest rates, after the national inflation rate hit the target two per cent mark in August, the Bank of Canada decided to reduce its policy interest rate by a further 50 basis points in October following three prior 25 basis point reductions in June, July, and September. The bank's target for the overnight interest rate is currently 3.75 per cent.

## Labour Market

The Newfoundland and Labrador labour market recorded year-over-year employment gains in each month so far in 2024. Employment averaged 243,500 persons over the January to September period, an increase of 7,300 persons, or 3.1 per cent, compared to the same period last year. The province's unemployment rate has been at or near

historical lows, averaging 10.1 per cent over the January to September period. The labour force has also been growing, increasing by 3.1 per cent over the same period.

Employment growth so far in 2024, on a per cent change basis, has been higher in the goods-producing sector (+3.4 per cent) than the services-producing sector (+3.0 per cent). However, given the larger relative size of the services-producing sector in the province, most of the employment gains have been in the services-producing sector (+5,700 persons vs +1,700 persons in the goods-producing sector). Employment gains in the goods-producing sector were concentrated in 'Construction' (+1,100 persons) and 'Forestry, fishing, mining, quarrying, oil and gas' (+900 persons), partly offset by losses in 'Utilities' (-400 persons). In the services-producing sector, the largest employment gains were in 'Educational services' (+3,300 persons) and 'Wholesale and retail trade' (+2,000 persons), partly offset by losses in 'Information, culture and recreation' (-1,200 persons).

Average weekly earnings in the province were \$1,233.36 over the January to July period, an increase of 3.9 per cent compared to the same period last year. This ranked fourth among provinces, just below the Canadian average of \$1,246.74.

## Population

Population growth has occurred in Newfoundland and Labrador in each of the last 14 quarters. The province's population stood at 545,247 as of July 1, 2024, the highest quarterly level since the first quarter of 1998. This represented an increase of 2,106 persons, or 0.4 per cent, from April 1, 2024.



Trinity, NL

On an annual basis, Newfoundland and Labrador's population increased by 6,340 persons, or 1.2 per cent, from July 1, 2023 to July 1, 2024. This marked the second largest annual increase since 1975, following last year's increase of 7,599 persons from July 1, 2022 to July 1, 2023. The annual increase this year was driven by gains of both international and interprovincial migration, mitigated by losses in natural population change (lower births than deaths). Net international migration reached the second highest annual level (+9,219) since consistent records began in 1971, largely due to a record number of immigrants (+5,353) and very close to a record number of net non-permanent residents (+3,973). Net interprovincial in-migration was positive for a fourth consecutive year (+598) and was dominated by net gains from Ontario (+1,108). The largest net loss was to Alberta

(-517). Losses from natural population change totalled 3,477. Natural population change losses have been accelerating for the last eight years, reflecting an aging population.

## Economic Outlook

The provincial economy is expected to show significant growth in 2024. Real GDP is expected to grow by 3.3 per cent, driven by strong consumer spending. Employment is forecast to increase by 2.8 per cent, while the annual unemployment rate is forecast to increase slightly to 10.5 per cent. Retail sales are expected to remain strong through the remainder of the year, increasing by 5.1 per cent. Inflation is expected to average 2.3 per cent for the year, down from 3.3 per cent in 2023. Other indicators, such as housing starts and capital investment, also are expected to show significant growth.



Elsewhere in the economy, the Provincial Government has established Crown land reserves for six companies in the wind-hydrogen sector. Of these, three have registered for environmental assessment, which is ongoing, and a fourth has been released from environmental assessment with conditions. In the oil and gas sector, Equinor continues to assess the project business case for its deepwater Bay du Nord oil project and continues to invest in exploration drilling in the associated offshore region. Construction continues on the West White Rose project as the CGS undergoes interior mechanical outfitting and other preparations before its tow to the offshore in 2025. In the mining sector, the Voisey's Bay Mine Expansion project is expected to wrap up this year, while opportunities exist for iron ore expansion in Labrador, with Champion Iron releasing a resource estimate study for the Kamistatusset (Kami) project earlier this year. Additional gold projects are advancing, with Calibre Mining nearing the completion of its gold mine in central Newfoundland. The Provincial Government is also working proactively with stakeholders in the technology and film and television sectors to create more opportunities and accelerate growth within those industries.



Filming for Hawco Productions' *"Saint-Pierre"*, St. John's, NL

**Table 1: Economic Indicators Forecast (Calendar Year 2024)**

	2023	Fall Update 2024f	Per cent change
Nominal GDP (\$M)	39,248	41,484	5.7
Real GDP (\$2017M)	31,486	32,529	3.3
Household Income (\$M)	30,508	32,363	6.1
Retail Sales (\$M)	11,433	12,015	5.1
Consumer Price Index (2002 = 100)	159.0	162.7	2.3
Housing Starts (units)	978	1,588	62.4
Capital Investment (\$M)	10,011	11,198	11.8
Population (thousands)	538.9	545.2*	1.2
Employment (thousands of PYs)	236.7	243.3	2.8

f: forecast

\*: actual

\$M: millions; PYs: person years

Source: Statistics Canada; Department of Finance



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