



**BUSINESS SECTOR PRODUCTIVITY
NEWFOUNDLAND AND LABRADOR**
1997 to 2024

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Department of Finance
Economics Division


**Newfoundland
&
Labrador**

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About the Economics Division

The Economics Division is one of two divisions in the Economics and Statistics Branch of the Department of Finance. The other division is the Newfoundland and Labrador Statistics Agency. The Economics Division provides comprehensive information and advice on the provincial economy, including research, analysis and monitoring of macroeconomic trends, industry developments, economic performance, government policies and development initiatives. The division is responsible for economic forecasting, economic impact analysis, demographic analysis, population projections, occupational projections and providing a range of economic inputs into the overall budget preparation process. In addition to research reports on a broad range of topics and issues relevant to the provincial economy, the division is also responsible for the publication of the budget document, The Economy and the midyear Economic Update. Economic data and reports can be found on the division's website: <https://www.gov.nl.ca/fin/economics>.

Contents

Introduction	1
Definitions and Data Sources.....	1
Historical Context.....	1
Comparison to Canada and other Canadian Provinces	2
Recent Developments.....	4
Summary	4
Appendix 1	6
Table 1: Productivity, Newfoundland and Labrador, by Industry.....	6
Table 2: Hours Worked, Newfoundland and Labrador, by Industry.....	7
Table 3: Real GDP, Chained (2017) Dollars, Newfoundland and Labrador, by Industry.....	8

Introduction

Business sector productivity is a key indicator of economic performance, usually measured as the average amount of goods and services produced for each hour worked by the labour force. The level of productivity in an economy is a fundamental driver of income, consumption and overall standard of living. For Newfoundland and Labrador, a province rich in natural resources, understanding productivity trends is essential for informed policy-making and strategic economic planning.

This report provides an analysis of business sector productivity in Newfoundland and Labrador, examining recent trends, sectoral performance, and the factors influencing productivity levels. By focusing on key metrics such as output per hour worked and sector-specific productivity variations, this report aims to offer valuable insights into the province's economic dynamics.

In the context of Newfoundland and Labrador, the productivity landscape is both multifaceted and evolving. The mining and oil and gas sectors have a large influence on the province's overall productivity levels. This analysis seeks to illuminate how these sectors contribute to overall productivity and identify areas with potential for growth and investment.

Definitions and Data Sources

Productivity is a measure of how efficiently goods and services are produced. There are several different measures of productivity: labour productivity, capital productivity and multifactor productivity. Fundamentally, productivity is the level of output per unit of input.

The measure of business sector productivity used for this analysis is labour productivity, defined as the amount of value added, or gross domestic product (GDP) per hour worked, expressed in real terms (chained 2017 dollars). Showing the data in real terms is especially important for Newfoundland and Labrador, as variations in commodity prices and inflation would otherwise distort the assessment.

The data used in the report are from Statistics Canada's annual 'Labour productivity and related measures by business sector industry and by non-commercial activity consistent with the industry accounts' dataset. Results for 2024 were published in May 2025. Revised data for 2024 will be released in February 2026.

In Statistics Canada's industry accounts, the business sector is defined as the group of establishments that produce goods and services for sale with the primary goal of generating profit. This sector encompasses a wide range of industries, as defined by the North American Industry Classification System (NAICS). Essentially, it includes most industries except those specifically categorized as non-business activities like government or non-profit organizations.

Historical Context

The 1997 to 2024 period highlights the transformative effect the offshore oil industry has had on the economy. In the business sector, productivity in Newfoundland and Labrador increased from \$49.4 per hour in 1997 to \$71.4 per hour by 2024, for a compound annual growth rate of 1.4% (see Figure 1 and Table 1). Over this period, the productivity of goods-producing businesses increased by 2.2%, compared to 1.1% for service-producing businesses. There is a natural tendency for goods-producing businesses to achieve higher productivity than service-producing businesses, as the former are generally more capital intensive. In recent years, the ratio of productivity in goods-producing businesses to service-producing businesses was about twice as high in Newfoundland and Labrador than in Canada overall. This can be mostly attributed to the relatively large size of the mining and oil and gas extraction industry in the province.

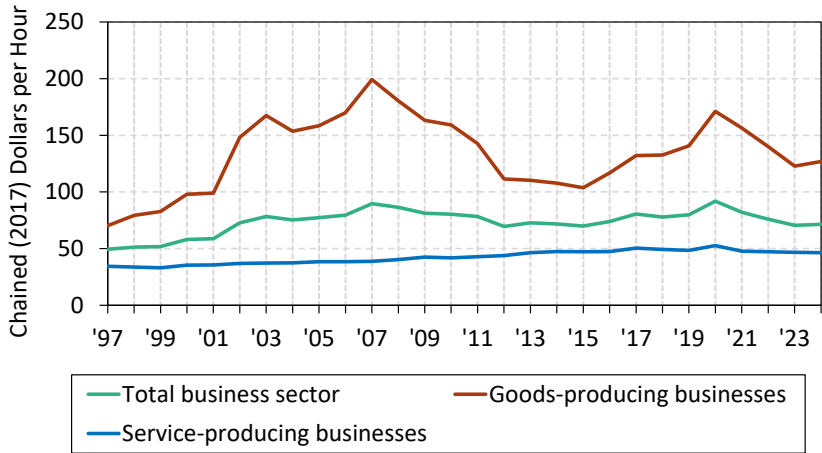
In 2024, on an industry basis, the highest level of business sector productivity in the province was in the ‘Mining and oil and gas extraction’ industry (see Figure 2). This was followed by ‘Information and cultural industries’, ‘Real estate, rental and leasing’, and ‘Utilities’. Over the 1997 to 2024 period, the industries with the highest level of productivity growth were ‘Information and cultural industries’ (+3.8%), ‘Agriculture, forestry, fishing and hunting’ (+3.4%), ‘Finance and insurance, and holding companies’ (+3.2%) and ‘Mining and oil and gas extraction’ (+2.8%). The sectors that had the highest levels of productivity declines over the same period were ‘Educational services’ (-1.6%) and ‘Health care and social assistance’ (-1.3%).

Two key points are noteworthy with respect to the overall trend. First, changes in business sector productivity in the province are largely correlated with the level of oil production. This is evident in the volatility in productivity in the goods-producing businesses. Second, productivity results for 2020 to 2022 were highly unusual due to the COVID-19 pandemic. These factors are examined in more detail in the subsequent sections.

Comparison to Canada and other Canadian Provinces

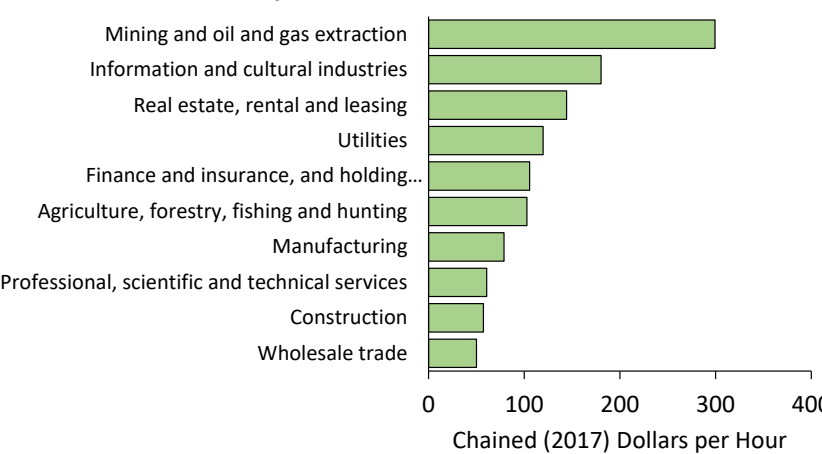
In 2024, Newfoundland and Labrador had the third highest level of business sector productivity among provinces, behind only Saskatchewan and Alberta (see Figure 3). All three provinces have natural resource extraction-based economies, with particularly high productivity levels in the ‘Mining and oil and gas extraction’ industry contributing to the high ranking. Newfoundland and Labrador had the highest of all provinces for that industry in 2024, which has been the case since 2001. Comparatively, across most other industries, Newfoundland and Labrador and Canada

**Figure 1: Business Sector Productivity
NL, 1997-2024**



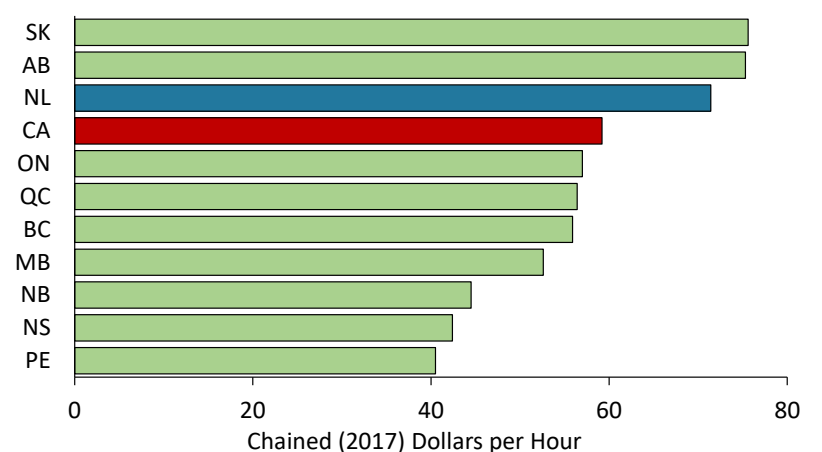
Source: Statistics Canada. Table 36-10-0480-01

**Figure 2: Business Sector Productivity
Top Ten Industries, NL, 2024**



Source: Statistics Canada. Table 36-10-0480-01

**Figure 3: Business Sector Productivity
Levels, by Province, 2024**



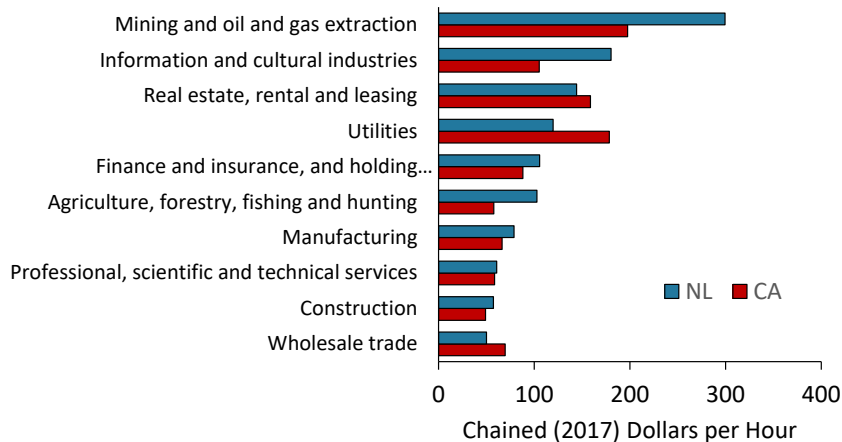
Source: Statistics Canada. Table 36-10-0480-01

had similar business sector productivity levels in 2024 (see Figure 4). Two notable exceptions are ‘Information and cultural industries’, where Newfoundland and Labrador’s productivity was higher than Canada’s in 2024, and ‘Utilities’, where it was lower.

Most of the overall increase (and volatility) in Newfoundland and Labrador’s business sector productivity over the period can be attributed to the ‘Mining and oil and gas extraction’ industry. Productivity within the industry has been highly correlated with crude oil output (see Figure 5).

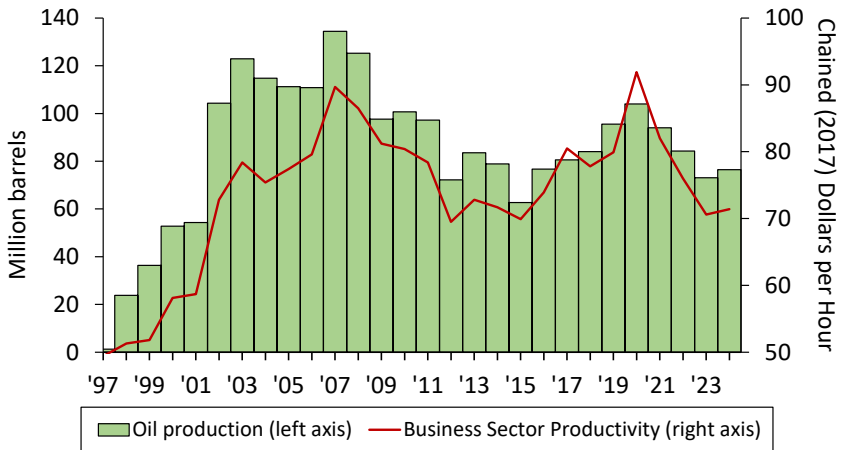
Business sector productivity in the province reached a high in 2007 when offshore crude oil production peaked, then slowly declined over the following years, in line with lower oil production. This trend began to reverse in 2016 as both oil and iron ore production rebounded from cyclical lows in the prior years, leading to increased productivity levels across the economy. The year 2018 marked the first full year of production for the Hebron project, providing a further boost to total oil production from the province’s offshore, which peaked at its highest level since 2008 in 2020. From 2020 to 2023, the industry faced operational challenges that were magnified by the pandemic. Operations were halted at the Terra Nova oil project in December 2019, as the Terra Nova FPSO began a planned comprehensive Asset Life Extension project. The FPSO was supposed to sail to Spain in early 2020 for extensive refit work, however, the onset of the pandemic led to significant delays, putting the refit work on hold while the FPSO remained docked in the province. The FPSO sailed to Spain in December 2021 and was reconnected offshore to resume production in late 2023. The pandemic also had negative impacts on other oil projects in the province over the period, as construction

Figure 4: Business Sector Productivity Levels
Top Ten Industries, NL and CA, 2024



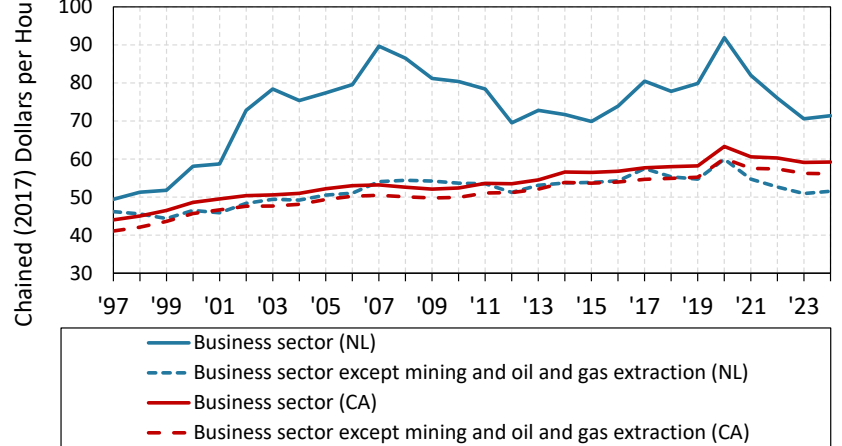
Source: Statistics Canada. Table 36-10-0480-01

Figure 5: Business Sector Productivity and Oil Production
NL, 1997-2024



Source: C-NLOPB; Statistics Canada. Table 36-10-0480-01

Figure 6: Business Sector Productivity
NL and Canada 1997-2024



Source: Statistics Canada. Table 36-10-0480-01

was halted at the West White Rose project in March 2020, delaying that project's timeline. As a result, total oil production declined in the province from 2021 to 2023, as did productivity. Construction resumed at the West White Rose project in early 2022, and 2024 marked the first full year of production from the newly refit Terra Nova FPSO. This led to an increase in oil production that year, and productivity followed suit with a 1.1% increase.

Excluding the 'Mining and oil and gas' industry, Newfoundland and Labrador's business sector productivity growth was slower, increasing from \$46.2 per hour in 1997 to \$51.5 per hour in 2024, or at a compound annual growth rate of 0.4% per year (see Figure 6). In comparison, business sector productivity for Canada, excluding the 'Mining and oil and gas' sector, increased from \$41.1 per hour in 1997 to \$56.2 per hour in 2024, or at a compound annual growth rate of 1.2% per year. Since the early 2000s, however, business sector productivity excluding the 'Mining and oil and gas' industry in Newfoundland and Labrador and Canada have been at similar levels and generally exhibited similar trends.

Recent Developments

The disruptions from the pandemic that began in 2020 resulted in atypical productivity growth that year, and in the following years. Business sector industries in the province experienced an increase in productivity growth in 2020 (up 15.0% over 2019 levels), followed by a decline in productivity growth in each of the following three years.

In 2020, due to the temporary closure and/or significant capacity restrictions of businesses, especially for customer-facing service-sector industries with below average productivity levels, hours worked declined (-18.1%) much more than total output, as measured by real GDP (-5.8%). This resulted in increased productivity. In 2021, there was the general recovery in employment and hours worked (+12.0%), in conjunction with limited changes in real GDP (-0.05%) which was largely due to lower production levels in the mining and oil and gas industry. Gains in hours worked continued in the following years, although slowing down (+1.6% in 2024) (see Table 2). Real GDP declined from 2000 to 2023, but increased in 2024 (+2.9%), largely reflecting changes in oil and mineral production in the province (see Table 3). Business sector productivity stood at \$71.4 per hour in 2024, which remains lower than any annual value between 2016 and 2019 (\$79.9 per hour in 2019). Year-over-year changes may be misleading, reflecting temporary situations rather than structural changes.

In 2024, there are signs of resumed productivity growth in business sector industries with a gain of 1.1%, but growth was not evenly spread across economic sectors. Productivity in goods-producing industries increased by 3.3% in 2024 compared to 2023, with contributions from 'Manufacturing' (+11.7%), 'Agriculture, forestry, fishing and hunting' (+7.4%), and 'Construction' (+5.7%). 'Mining and oil and gas' posted a decline (-5.1%) as the real GDP gain in the industry (+4.3%) was diluted by a greater gain in hours worked (+9.9%). Productivity in service-producing industries decreased by 0.9% in 2024, with considerable variation across industries. The largest decline was in 'Health care and social assistance' (-11.8%) and the largest gain was in 'Information and cultural industries' (+13.2%)¹. It should be noted that year-over-year changes may be misleading, reflecting temporary situations rather than structural changes.

Summary

Business sector productivity in Newfoundland and Labrador increased at a compound annual growth rate of 1.4% between 1997 and 2024 compared to a national growth rate of 1.1% for the same period. Excluding the 'Mining and oil and gas' sector, Newfoundland and Labrador's productivity growth for business sector industries was slower, increasing at a compound annual growth rate of 0.4% per year over the same period. Newfoundland and Labrador's productivity has declined overall in recent years, owing to fluctuations in hours worked

¹ 'Health care and social assistance' in this context refers to the business sector and excludes public/government services.

stemming from impacts of the pandemic, combined with declining GDP, which was largely due to slowing mineral and oil production. Recent declines were interrupted by a gain in real GDP and business sector productivity in 2024 while most provinces posted a decline in labour productivity.

Further information is provided on business sector labour productivity and hours worked in Newfoundland and Labrador in Appendix 1.

Appendix 1

Table 1: Productivity, Newfoundland and Labrador, by Industry

	2024 Levels (Chained 2017 Dollars per Hour)	1997-2024 CAGR (%)	2024 Change (%)
Business sector industries	71.4	1.4	1.1
Goods-producing businesses	126.8	2.2	3.3
Agriculture, forestry, fishing and hunting	102.8	3.4	7.4
Mining and oil and gas extraction	299.5	2.8	-5.1
Utilities	119.7	1.6	-12.4
Construction	57.4	0.1	5.7
Manufacturing	79.0	1.0	11.7
Service-producing businesses	46.4	1.1	-0.9
Wholesale trade	50.2	2.6	-1.2
Retail trade	38.6	2.3	-1.5
Transportation and warehousing	45.1	0.3	5.1
Information and cultural industries	180.4	3.8	13.2
Finance and insurance, and holding companies	105.6	3.2	5.5
Real estate, rental and leasing	144.4	1.1	-3.0
Professional, scientific and technical services	60.9	-0.6	-0.5
Admin. and support, waste and remediation services	30.6	-0.2	-1.9
Educational services	27.5	-1.6	6.2
Health care and social assistance	33.7	-1.3	-11.8
Arts, entertainment and recreation	24.8	-1.0	2.9
Accommodation and food services	21.5	0.5	0.5
Other private services	25.1	2.0	-3.5

CAGR: compound average growth rate.

Source: Statistics Canada. Table 36-10-0480-01

Table 2: Hours Worked, Newfoundland and Labrador, by Industry

	2024 Levels (millions)	1997-2024 CAGR (%)	2024 Change (%)
Business sector industries	286.3	0.8	1.6
Goods-producing businesses	91.7	0.7	0.8
Agriculture, forestry, fishing and hunting	5.8	-4.0	1.1
Mining and oil and gas extraction	22.9	4.1	9.9
Utilities	5.2	0.2	5.4
Construction	43.6	1.6	-4.0
Manufacturing	14.2	-0.9	0.8
Service-producing businesses	194.5	0.8	2.1
Wholesale trade	13.4	0.0	5.6
Retail trade	44.6	0.5	3.2
Transportation and warehousing	19.5	0.7	-1.0
Information and cultural industries	4.0	-1.1	-11.7
Finance and insurance, and holding companies	9.8	-2.5	-5.3
Real estate, rental and leasing	4.8	0.5	3.9
Professional, scientific and technical services	18.8	3.2	2.8
Admin. and support, waste and remediation services	12.8	2.7	0.5
Educational services	1.5	2.4	0.3
Health care and social assistance	23.7	3.5	13.6
Arts, entertainment and recreation	2.3	0.1	-11.8
Accommodation and food services	26.1	1.2	-0.1
Other private services	13.4	-0.1	-1.3

CAGR: compound average growth rate.

Source: Statistics Canada. Table 36-10-0480-01

Table 3: Real GDP, Chained (2017) Dollars, Newfoundland and Labrador, by Industry

	2024 Levels (millions)	Share of real GDP in 2024	1997-2024 CAGR (%)	2024 Change (%)
Business sector industries	20,444.6	69.0	2.1	2.9
Goods-producing businesses	11,631.4	39.2	2.9	4.0
Agriculture, forestry, fishing and hunting	591.6	2.0	-0.7	8.6
Mining and oil and gas extraction	6,871.1	23.2	7.0	4.3
Utilities	628.4	2.1	1.8	-7.6
Construction	2,502.6	8.4	1.6	1.6
Manufacturing	1,124.6	3.8	0.1	12.7
Service-producing businesses	9,032.7	30.5	1.9	1.3
Wholesale trade	669.9	2.3	2.6	4.3
Retail trade	1,722.1	5.8	2.8	1.7
Transportation and warehousing	878.7	3.0	1.0	4.1
Information and cultural industries	722.4	2.4	2.7	0.0
Finance and insurance, and holding companies	1,034.7	3.5	0.6	0.0
Real estate, rental and leasing	691.0	2.3	1.6	0.8
Professional, scientific and technical services	1,144.2	3.9	2.6	2.3
Admin. and support, waste and remediation services	390.7	1.3	2.4	-1.3
Educational services	41.3	0.1	0.9	6.6
Health care and social assistance	798.1	2.7	2.1	0.4
Arts, entertainment and recreation	56.7	0.2	-0.9	-9.0
Accommodation and food services	561.8	1.9	1.7	0.6
Other private services	337.2	1.1	1.9	-4.7

CAGR: compound average growth rate.

Note: Real value added is evaluated in 2017 chained dollars, the shares may therefore not be perfectly additive.

Source: Statistics Canada. Table 36-10-0480-01

