



The Rooms

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United States

The U.S. economy continued to expand at a solid pace during the first three quarters of 2005. Consumer confidence and labour markets were negatively impacted by energy price spikes and hurricanes which struck the Gulf Coast in August and September, but relatively strong momentum appears to have enabled the U.S. economy to weather these impacts largely unscathed. After growing by 3.8% and 3.3% at annualized rates in the first and second quarters respectively, real GDP expanded by a further 3.8% in the third quarter. Growth continued to be broad based with gains in consumer spending, M&E investment, exports, military spending and residential investment.

Labour markets continue to show signs of improvement—employment increased by 1.7% during the first nine months and the unemployment rate declined to 5.1% in September, down from 5.4% at the end of 2004.

With the U.S. economy expanding and labour markets improving, the Federal Reserve Board (Fed) continued to raise interest rates throughout the first three quarters 2005 in an attempt to slow future growth and head off potential inflationary pressures. Since June 2004, when interest rates were at historically low levels, the Fed has slowly raised the Federal funds rate with twelve successive 0.25 percentage point increases to its current rate of 4.00%. Forecasters are expecting the Federal Reserve Board to continue to raise rates throughout the remainder of 2005 and beyond, as inflationary pressures—due to high energy prices and a closing output gap—continue to be a concern.

The U.S. current account deficit is expected to rise to over 6% of GDP in 2005 driven by high oil prices and strong domestic demand. Despite the current account deficit, the U.S. dollar managed to rebound somewhat during the first three quarters of 2005. Capitalizing on widening interest rate differentials with Europe and Japan, the U.S. dollar has appreciated by 6.7% against major currencies since the start of the year on a trade weighted basis.

It is expected that hurricane Katrina will reduce real GDP growth in the final quarter of 2005, however, rebuilding efforts are expected to increase real GDP growth in the first two quarters of 2006. The Federal Reserve Board doesn't expect this particular disaster to have a negative impact on economic growth in the long-term.

It is expected that U.S. economic growth will be 3.5% in 2005 but slow to 3.3% in 2006 mainly due to

a projected cooling of consumer spending and housing markets as interest rates continue to rise.

Canada

The Canadian economy continued to grow into the first half of 2005—real GDP increased by 2.1% and 3.2% in the first and second quarters respectively. Economic growth was led by gains in net exports, consumer spending, and business investment.

Labour markets continued to improve with employment up by 1.4% during the first nine months of this year compared to the same time period in 2004. The seasonally adjusted unemployment rate was 6.7% in September 2005 down from 7.0% at the end of last year.

Canadian interest rates remained relatively stable in the first half of 2005 as the economy adjusted to the appreciation of the dollar and rising energy prices. In recent months, however, improvements in exports and manufacturing shipments indicate that the economy is adjusting well. With the unemployment rate near 30 year lows and the economy operating near full capacity, the Bank of Canada raised the overnight rate by 0.25 percentage points twice since September 1st. At the end of October the overnight rate stood at 3.00%.

Canadian Dollar



Bank of Canada

The Canadian dollar has out-performed all other major currencies so far this year. As of the end of October the Canadian dollar was hovering near 85 cents U.S., up from roughly 81 cents at the start of the year. Most forecasters think that the Canadian dollar will remain in the 85 to 90 cent U.S. range in the coming quarters, supported by rising interest rates.

Most forecasters expect average annual real GDP growth to be around 2.9% and 3.0% respectively in 2005 and 2006. However, a slowing expansion in the U.S. economy is likely to impact growth in Canada during the second half of next year.



Hydromet facility at Argentina

Real Gross Domestic Product (GDP) is expected to grow by 1.7% in 2005, down from the 2.1% forecast in March 2005. This is due to lower than expected oil production and weaker than expected labour market performance. Growth will stem primarily from gains in mineral production and higher consumer spending. However, the wrapping up of construction work on two major projects, White Rose and Voisey's Bay, and lower oil production will constrain growth this year.

Investment is forecast to grow by 1.9% to \$4.3 billion this year, spurred by gains in machinery and equipment investment. Machinery and equipment expenditures are forecast to increase by 21.9% due to equipment purchases for major projects. Construction investment, which generates significant local economic activity, is expected to decline from record levels set in 2004 but at \$2.7 billion, it is still one of the highest levels on record.

Consumer spending growth continued in 2005. Retail sales (which account for about 55% of consumer spending) totalled \$3.8 billion in the first eight months, an increase of 2.5% compared to the same period in 2004. Growth stemmed mostly from an increase in sales by new car dealers and gasoline stations. The number of new cars sold in the first eight months of 2005 totalled 18,166, an increase of 11.6% compared to the same period in 2004. The increase in new car sales is attributed to dealer incentives, consumer optimism and the lower level of car sales in 2004. The growth in gasoline stations' sales is largely price related.

Real exports are expected to rise by 2.3% this year due primarily to significantly higher mineral exports. Real exports of mineral products are forecast to increase by over 35% as production of iron ore recovers from strike-related downtime in 2004 and Voisey's Bay production begins. Smaller gains are also expected in newsprint and service exports.

Labour Markets

Employment is currently forecast to decline by 0.4% in 2005 to an average of 214,200. A larger decline in the provincial labour force is expected,

Economic Indicators (Annual % change unless otherwise indicated)

	2004	2005f	2006f	2007f	2008f
Gross Domestic Product					
Nominal	7.1	12.4	8.4	2.8	-5.7
Real	1.4	1.7	4.9	1.6	-2.5
Personal Income					
Nominal	3.4	1.8	2.7	2.2	2.1
Real	1.5	-0.9	0.4	0.4	0.1
Personal Disposable Income					
Nominal	3.5	1.9	2.7	2.1	1.9
Real	1.6	-0.9	0.4	0.2	0.0
Retail Sales					
Nominal	0.3	2.2	2.6	1.8	2.1
Real	-1.8	0.5	1.0	0.4	0.6
Housing Starts	6.6	-13.5	-9.2	-1.8	-1.4
Employment	1.3	-0.4	0.6	0.9	0.3
Labour Force	0.4	-0.8	0.4	0.4	0.0
Unemployment Rate (%)	15.6	15.3	15.1	14.7	14.5
Population	-0.2	-0.3	-0.3	-0.2	-0.3

f: forecast, Department of Finance, November 2005
Department of Finance, Statistics Canada

consequently, the unemployment rate is expected to fall by 0.3 percentage points to 15.3%.

Employment in the first nine months of 2005 averaged 215,300, 0.7% lower than in the same period of 2004. Most of the year-to-date losses were recorded in service sector industries, however, on an industry basis the single largest loss occurred in fish processing, a goods-producing industry. Employment in the goods sector, as a whole, was up marginally compared to the first nine months of 2004.

The provincial labour force also declined in the first nine months of the year, with the average number of persons either working or looking for work falling by 1.3%. Because the decline in the labour force was greater than the decline in provincial employment, the average unemployment rate for the first nine months of the year fell 0.5 percentage points to 15.4%.

Wages continue to increase this year. Average weekly earnings (including overtime) have increased by 1.1% in the first eight months of 2005. Labour income, a key component of personal income, totalled almost \$3.9 billion in the first six months of 2005, 4.3% higher than the same period in 2004. Last year, labour income was dampened by several significant labour disputes. After adjusting for inflation, labour income grew by 1.4% in the first half of 2005. Total personal income is forecast to grow in nominal dollar terms by 1.8%, but decline by 0.9% in real dollar terms as higher energy costs erode purchasing power.

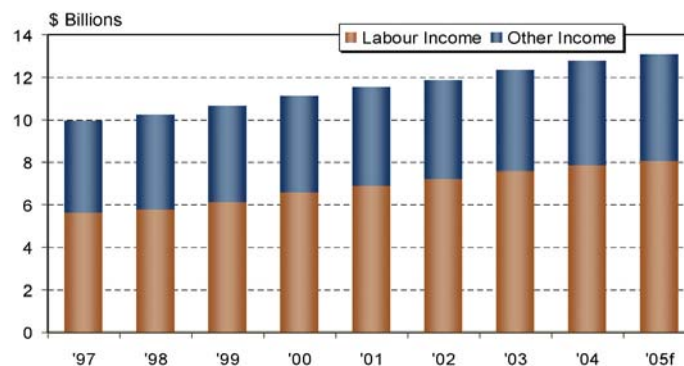
On a year-over-year basis, the CPI (Consumer Price Index) averaged 2.9% higher in the first nine months of 2005. Inflation this year is being driven by higher energy prices—energy prices increased by an average of 12.5% in the first nine months of this year. Growth in the all-items index excluding energy has been much lower than growth in the all-items index, as illustrated in the accompanying diagram, averaging only 1.5% so far this year.

2006 and Beyond

Production schedules of major projects will continue to have a significant influence on economic growth over the next several years. Real GDP is expected to post strong growth in 2006 as both White Rose and Voisey's Bay record a full year's production. In fact, Newfoundland and Labrador is expected to lead the country in growth next year. Growth is expected to continue into 2007, albeit at

a slower pace, supported by oil production gains from Terra Nova. In 2008, real GDP is expected to contract on the assumption of oil production declines at both Hibernia and Terra Nova. The commencement of development of other major projects (such as Hebron-Ben Nevis oil or Lower Churchill hydro) which are not currently included in the economic forecast could substantially improve the economic outlook.

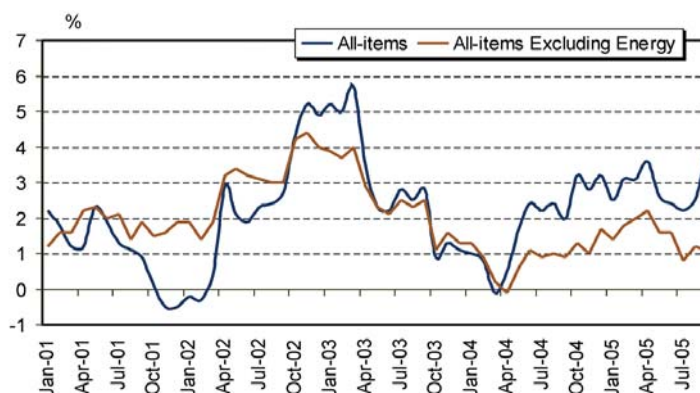
Personal Income



Department of Finance; Statistics Canada

Note: Other income includes investment income, income of self-employed, and transfer income.
f: forecast

Inflation Rate



Department of Finance; Statistics Canada

Note: Depicts percentage change from the same month of the previous year.



Fisherpersons - Petty Harbour

The fishing industry soldiered through some difficult times in 2005. In addition to a reduction in crab quotas, the crab fishery started four weeks later than usual due to a dispute over the Raw Material Sharing (RMS) system. While 2004 was among the best in recent memory in terms of landed value—primarily as a result of record high crab prices—returns to both harvesters and processors are likely to be lower in 2005. This reduction is primarily due to changing external factors, such as a strengthening Canadian dollar and difficult international market conditions. For example, average crab prices paid to fishermen fell to \$1.45 per pound in 2005 compared with the recent peak of \$2.45 in 2004.

Snow Crab Prices



DFO; Urner Barry Publications, Inc.

Total landings are expected to fall to about 310,000 tonnes in 2005, primarily due to a reduction in crab quotas. While this represents a drop of about 5% from 2004, it is nevertheless a reasonable performance in the context of the previous five-year average of about 282,000 tonnes. Crab landings for the

year are expected to be about 44,000 tonnes compared to 55,600 in 2004. Shrimp landings are anticipated to remain virtually unchanged at 100,000 tonnes as quotas are fully utilized. Pelagic, species like capelin, mackerel and herring, are expected to record only modest declines. Groundfish landings are expected to be 11% higher than last year as turbot and redfish landings increase. Cod landings are expected to be on par with 2004.

Based on Labour Force Survey data, employment related to fish processing declined considerably in 2005. To the end of September, fish processing employment was down by an estimated 20%, reflecting in part, the late start of the crab fishery due to the dispute over the RMS system and a reduction in fisheries throughput. The RMS project was designed to cap the level of crab production of each plant, based on a proportion of the available snow crab. Primary fishing employment showed no change from 2004 levels.

The sealing fishery turned in another solid year. While the number of seals taken is believed to have declined somewhat from 326,600 in 2004 to 319,000 this year, solid market conditions caused value to rise from \$15.4 million to an estimated \$22 million.

The aquaculture industry continues to provide opportunities in rural areas. Production of salmonids is poised to exceed 2004 levels and there has been a significant increase in smolt production. New markets for mussel products, plus a more diversified product line, continues to buoy local production—2005 is expected to be a strong year for the sector. New opportunities in cod aquaculture are being explored with both the private sector and government looking at options for long-term development.



Construction at the Duck Pond Mine

The value of mineral shipments is expected to total \$1.4 billion in 2005, more than double the value recorded in 2004. This increase stems from several factors: a full year of production at the Iron Ore Company of Canada (IOC) and Wabush mines following labour disputes at both mines last year; strong growth in iron ore prices; and first shipments from Voisey's Bay which commenced this fall.

Iron Ore

Iron ore currently comprises around 90% of the total value of provincial mineral shipments. Iron ore shipments are expected to total 20 million tonnes during 2005, an increase of almost 31% over 2004. Higher shipments are a result of the resolution of strikes at both IOC and Wabush Mines, which caused a prolonged period of downtime in 2004. The value of shipments is expected to almost double to about \$1.2 billion in 2005, as a result of greater volume and higher prices. Iron ore prices soared to record highs in 2005—the industry standard price increase as of April 1, 2005 was 71.5%.

There are indications that a major expansion at the IOC mine in Labrador City may be forthcoming. Company officials and representatives from the town are scheduled to meet in mid-November to discuss potential expansion plans. The expansion could involve capital expenditures in the range of \$0.75 to \$1.4 billion.

Voisey's Bay

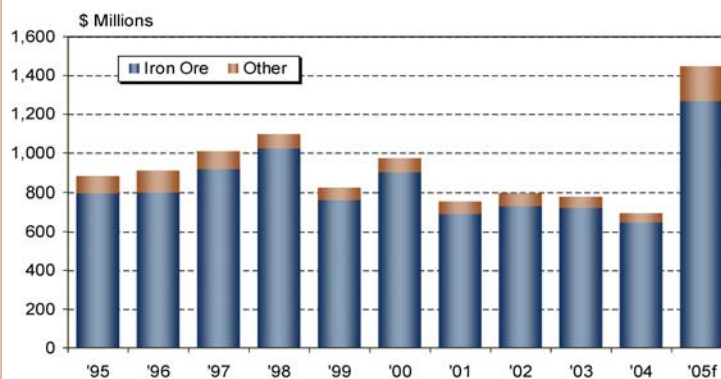
Open pit mining at Voisey's Bay commenced in April 2005 and the concentrator was commissioned in August. Testing of the concentrate at the demonstration hydrometallurgical facility in Argentia started in October. Direct employment with Voisey's Bay Nickel Company totalled approximately 2,100 people at the end of the third quarter. The company

expects to ship over \$100 million worth of ore from Voisey's Bay this year, with shipments commencing in November.

Exploration

Exploration expenditures are expected to approximate \$40 million in 2005, a 19% increase over 2004. The number of claims staked in the province is forecast to rise by about 30%. This increase is largely due to a renewed interest in nickel and other metals such as uranium and iron ore in Labrador and base metals and gold on the Island.

Value of Mineral Shipments



Department of Natural Resources; Department of Finance
f: forecast

New Developments

Aur Resources began development of its Duck Pond project, located in central Newfoundland, in January 2005. The company plans to mine 1,800 tonnes of ore per day and process the ore in a flotation mill, producing an average of 41 million pounds of copper, 76 million pounds of zinc, 536,000 ounces of silver and 4,100 ounces of gold annually over a seven-year mine life. The mine is scheduled to start production in the fourth quarter of 2006, and once operational, employ about 190 people annually.



SeaRose FPSO heads out to sea

Offshore Production

Oil production is expected to decline again this year due primarily to issues associated with the Terra Nova facility. Production in 2005 is now expected to be 113.5 million barrels, down 1.1% from 114.8 million barrels in 2004, and down 2.2% from the March forecast of 116.0 million barrels. Despite the decline in volume, the value of oil production is expected to be about \$7.5 billion, over 31% higher than the \$5.7 billion posted in 2004.

In the first eight months of 2005 production was down 6.8% to 75.1 million barrels. January to August production from Terra Nova was 27.1 million barrels, down 11.9% from the same period in 2004. Production at Terra Nova was negatively impacted by unscheduled equipment downtime; difficulties with the gas compression system and water injection pumps; and a delay in the commissioning of the facilities gas lift system. Hibernia production of 48.0 million barrels was down 3.6% from 49.8 million barrels produced in the first eight months of 2004.

The Terra Nova facility began a major maintenance turnaround in early September to address a maintenance backlog that was identified in late 2004. This maintenance included the replacement of equipment that had been impacted by corrosion and completion of work on the gas compression system in an effort to improve the facilities productivity. The maintenance shutdown was completed on October 11, 2005 and in total, about 40 days of production were lost. While a maintenance shutdown was factored into the 2005 March forecast, the shutdown was longer than anticipated.

White Rose

2005 marks a significant year for White Rose as the project moves from the construction phase into production. The White Rose project has the distinction of being the first major oil and gas project in Atlantic Canada to be completed on time and on budget. Approximately \$2 billion has been spent on the White Rose project to date and the project provided more than 5,000 person years of direct employment in Newfoundland and Labrador.

Production from White Rose is currently expected to begin in November. At peak production, White Rose will add almost 34 million barrels of oil to annual provincial output. The addition of White Rose oil will result in an increase of Newfoundland and Labrador's share of Canada's conventional light crude oil to almost 50%. White Rose is expected to create upwards of 500 production-related positions and generate an additional 1,000 spin-off jobs.

Significant potential is also associated with the development of White Rose's natural gas. It is currently estimated that White Rose contains up to 2.7 trillion cubic feet of natural gas. Husky Energy has received final reports from three groups on the pre-feasibility of developing White Rose natural gas with all the reports utilizing compressed natural gas options. Husky Energy is currently in the process of evaluating these reports and has yet to release any details. The company has indicated that the current timeline for the development of White Rose natural gas is in the range of 8-10 years.

Exploration

Offshore exploration activity this year was primarily related to the collection of seismic data. A record of over 350,000 CMP km of 3-D data and 13,000 km of 2-D data has been collected to date.

Four seismic vessels operated off the province's coast throughout the summer: two in the Orphan Basin; one in the Laurentian Sub-basin; and one off Labrador. The seismic programs in the Orphan Basin and the Laurentian Sub-basin involved the collection of 3-D data while the Labrador program collected 2-D data. In addition, Husky Energy has commenced a 3-D program in the Northern Jeanne d'Arc Basin. The fact that a significant amount of seismic data is being collected on an ongoing basis speaks volumes about the industry's optimism as it relates to the potential of the offshore region. This seismic data collection will lay the foundation for future exploration.

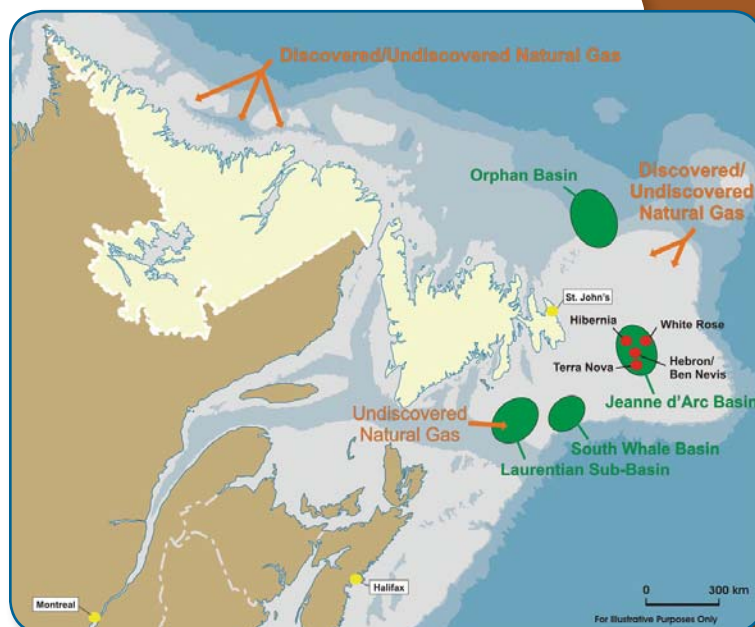
The only offshore exploration drilling program completed this year was conducted by Husky Energy on its Lewis Hill property in the South Whale Basin. Drilling began on July 11, 2005 and ended on August 18th. This well is currently under confidential status, however, Husky indicated as part of their 3rd quarter 2005 reporting that the well has been abandoned without testing.

Exploration drilling programs in both the Orphan Basin and the Laurentian Sub-basin are expected in the near future. Chevron Canada Resources and partners are planning a deep-water exploration program in the Orphan Basin, starting in either 2006 or 2007. ConocoPhillips and partners, depending on rig availability and results of their seismic programs, are planning to conduct a two well exploration program in 2007, in the Laurentian Sub-basin.

The fact that over \$826 million in outstanding work commitments must be met by January 2010 bodes well for future exploration. These commitments are associated with over 40 licences and, as a result, it is expected that an average of 2-3 exploration wells per year will be drilled over the next five years.

Natural Gas Development

Development of the province's substantial natural gas resources would be another significant step towards securing the long-term sustainability of the province's oil and gas industry. The Canada-Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) estimates a total of 9.6 trillion cubic feet (tcf) of discovered natural gas in the province's



offshore. In addition, it is estimated that more than 60 tcf of undiscovered natural gas (i.e., unconfirmed by drilling) could potentially be contained in the province's offshore. Seismic surveys ongoing in the Laurentian Sub-basin in 2005 and the current ongoing evaluation of various White Rose gas development proposals by Husky Energy (discussed previously) are signals that industry is interested in the development of offshore natural gas.

With natural gas prices currently at record levels (\$12.11 MMBtu in September, almost double the annual average price of \$6.18 MMBtu in 2004 and almost four times the price of \$3.36 MMBtu in 2002); the increasing demand from the U.S. market for a reliable natural gas supply; and the ongoing developments in production and transportation technology, it appears that development of the province's ample natural gas supply may be only a short time away.

Oil Prices

Oil prices continued to reach record levels in 2005, with prices eclipsing the previous highs recorded in 2004. In the first nine months of the year the price of Brent crude oil rose almost 48% to average US\$53.55. The price of Brent crude is now expected to average close to US\$55 for the year.

Exploration Commitments

Basin	Orphan	Jeanne d'Arc	Flemish Pass	Carson Bonniton	South Whale	West Coast	Total
Work Commitments (\$ Millions)	\$672.7	\$82.4	\$4.7	\$47.0	\$17.5	\$2.0	\$826.3



North Atlantic Oil Refinery

The manufacturing industry directly accounted for 6.9% of GDP and 8.0% of total employment in the province in 2004. Most of Newfoundland and Labrador's manufacturing sector stems from resource based industries, in particular fishing and forestry. The fabrication of metal products and refining of crude oil also contribute significantly to the manufacturing sector.

In 2005, the fish processing industry was negatively impacted by lower fish landings, lower prices for processed products in the U.S. market, and a higher Canadian dollar. However, the newsprint industry was buoyed by higher selling prices despite the rise in the dollar; the oil refining sector benefitted from higher oil prices; and metal fabrication benefitted from continued work on major projects in the oil and mining sectors.

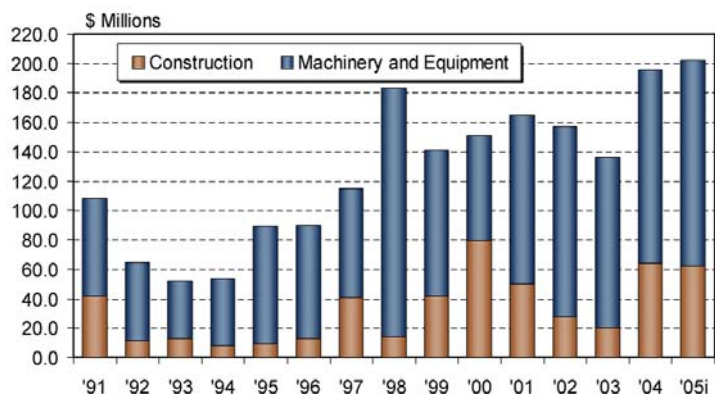
The value of manufacturing shipments totalled \$2.1 billion in the first eight months of 2005, an

increase of 1.5% compared to the same period in 2004. The value of non-durable goods (which includes both fish products and newsprint) increased by 2.9% to \$1,445 million while the value of durable goods shipments declined by 1.7% to \$625 million. Despite challenges in the fish processing industry during 2005, the value of seafood manufactured products increased by 1.3% in the first eight months as producers shipped product from inventory in the first quarter. The value of fabricated metal shipments rose by about 18% during the first eight months of 2005. Manufacturing shipment data from Statistics Canada for both newsprint and oil refining is confidential. However, other sources indicate that the value of newsprint shipments has recorded a significant increase and that the value of shipments of refined petroleum is also up.

Manufacturing employment declined by 7.2% or 1,300 person years in the first nine months of 2005, largely as a result of declines in fish processing employment as the delayed crab fishery negatively impacted employment. Manufacturing employment outside of fish processing actually increased marginally in the January to September period.

Relatively low interest rates and the strong Canadian dollar continue to provide a strong incentive for capital investment in the manufacturing sector. Manufacturing investment is expected to exceed \$200 million for the first time ever in 2005, besting the previous record high of \$195 million in 2004. Expenditures associated with machinery and equipment are expected to comprise the majority of spending in 2005 (69% of the total). This is consistent with spending in previous years, where spending on machinery and equipment has comprised more than 60% of total spending in all but one year since 1990.

Investment in Manufacturing



Statistics Canada; Department of Finance
i: Investment Intentions



The Star Princess at St. John's harbour

Tourism spending in the province is currently estimated at about \$800 million per year. Industry revenues have increased steadily in recent years, driven by growth in non-resident visits.

The most recent data indicates that 337,100 non-resident visitors travelled to the province in the January to August 2005 period. This represents growth of 1.5% over the same period in 2004, and an increase of 9.0% over the same period in 2003. Growth in non-resident visitation continues to be fueled primarily by tourists travelling by air and cruise ships.

Non-resident airline visits rose by about 1.5% during the first eight months of this year, relative to the same period in 2004. This growth was mainly due to a more competitive airline industry with consumers taking advantage of attractive seat sales and travel packages. It is also consistent with a busy convention year—the number of delegates travelling to conventions in the St. John's area is expected to be up by about 45% over 2004.

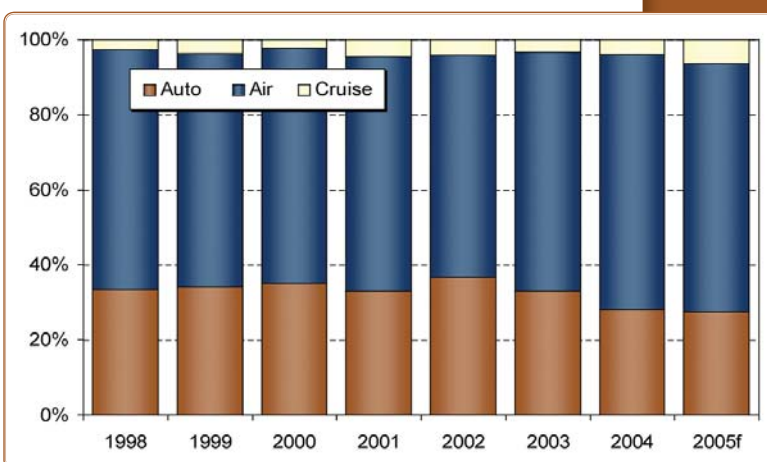
Cruise ship passenger visits are expected to increase to almost 40,000 in 2005, representing a 57% increase over 2004 levels and an increase of 95% relative to 2003. Approximately 87 port calls were made in the 2005 season.

A 1.4% gain was also recorded in the number of non-resident tourists travelling to the province by automobile in the January to August period. However, the share of total visitors travelling by car continued to decline. Non-resident tourists continue to make the shift away from automobile travel, choosing air travel instead. Auto visitors as a percent of total visitors have declined from roughly 37% in

2002 to 27% in 2005, as illustrated in the accompanying diagram. The shift from auto to air travel has been more evident in the past two to three years with improved travel options and availability of discount carriers. The recent hikes in gasoline prices provide a further disincentive for individuals to travel to the province via automobile.

For the year as a whole, provincial tourism appears to be up slightly from 2004 levels. Preliminary figures suggest that non-resident visitors could reach 435,800, representing a 1.0% increase over 2004. However, some rural areas have experienced a decrease in activity as the province experiences a lack of significant growth in non-resident automobile visits and a slowing in resident traffic.

Non-Resident Tourists
Tourists by mode as a share of total



Department of Tourism, Culture and Recreation; CANAL f: forecast



Construction of The Unique World of Princess Auto

Total construction investment is expected to decline by 6.8% to \$2.7 billion in 2005. This is still relatively high in historical terms, being the third highest level on record. The slowdown in investment this year is primarily due to the winding down of construction on major resource sector projects. White Rose construction work was completed in early-to-mid 2005. While peak activity related to Voisey's Bay development took place last year, construction is now winding down and will be complete by the end of this year.

Non-residential Construction

Non-residential construction investment is expected to total \$1.7 billion this year, down 11.6% over 2004. This decline stems primarily from a ratcheting down of construction work on both the White Rose and Voisey's Bay projects. Nevertheless, the mining and oil and gas sectors continue to be important contributors to new activity as these sectors combined are expected to account for ap-

proximately 40% of total non-residential construction expenditures in 2005.

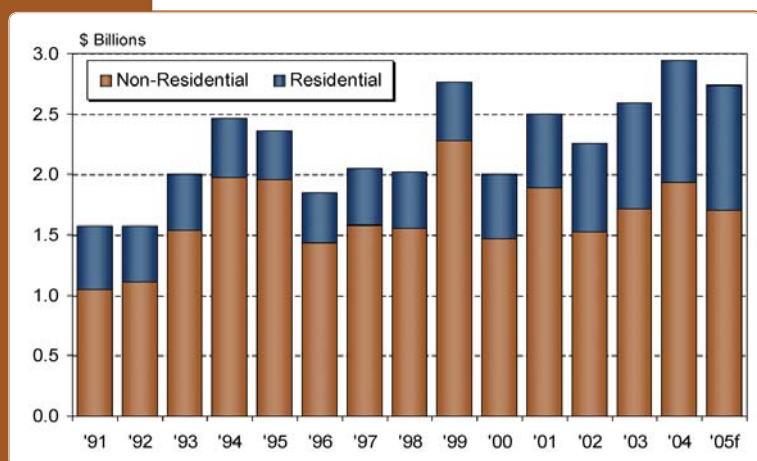
In addition to the mega-project activity, there are a number of other significant non-residential construction projects currently underway in the province including: the world class Humber Valley Resort located in Western Newfoundland; development of the Duck Pond mine; expansion of the Deer Lake airport; sewage and wastewater treatment facilities for St. John's, Mount Pearl, Paradise, Stephenville, and Gander; as well as numerous commercial developments throughout the province.

Residential Construction

Despite a decline in housing starts, growth in residential construction investment remains strong as renovation spending continues to grow and more expensive homes are being built. In the first six months of 2005, total residential investment increased to \$426.5 million, an increase of 11.3% over last year. Renovation expenditures, which account for more than 50% of total residential investment, increased by 15.5% while investment in new housing increased by 12.4%. Housing starts decreased by 11.2% in the January to September period to 1,840 units. Annual starts are expected to fall to 2,480, representing a decline of 13.6% from 2004. During the past few years, housing starts have been high as a result of pent-up demand, strong employment growth and record low interest rates.

Construction employment averaged 12,200 in the first nine months of 2005, an increase of 8.6% over the same period last year.

Construction Investment



Statistics Canada
f: forecast



The terms “baby boomers” and “aging workforce” are frequently used in conversation today. “Baby boom” generally refers to the high number of births which characterized most of the industrialized world during the 20 year period that followed World War II (i.e., 1946 to 1966). Baby boomers provided a tremendous source of labour supply and a sizeable market for goods and services, and allowed economies of the industrialized world to grow and prosper. The first wave of boomers are now approaching retirement age (i.e., 58-59 years old), the last group will turn 65 years old in 2031.

Over the next 15 years, 39% of the labour force will be in a position to retire. Over the past 15 years, only 22% of the labour force approached this milestone. By 2019 there could be two retirees for every new entrant into the labour force, over the past 25 years the ratio averaged roughly one retiree for every three new entrants. The implications of these changes vary across industries and occupations. Some industries face proportionally more workers retiring than others.

Two drivers of labour demand in the future will be economic growth and employee retirements. Key issues to be addressed will be: (1) ensuring an adequate supply of workers; and (2) ensuring a skills match between employers’ needs and workers’ training.

The Department of Finance has been involved in several initiatives to enhance the amount of information available to stakeholders. Population projections to 2019 by 5-year age groups are available online (www.economics.gov.nl.ca) for various regions including Economic Zones; Health Regions; School Districts and more, allowing businesses and organizations to take demographic trends into consideration when planning for the future.

As well, in partnership with several government departments, the Department is carrying out three labour market related surveys designed to obtain more detail on labour supply and demand. The table below contains details about each of these surveys.

Provincial Labour Market Surveys*	
Survey	Examples of Data Collected
Expatriate Survey	About 2,400 expatriates included. Topics include reasons for moving; education; income; occupation; intentions of returning; and more.
2004 Labour Activity Survey	About 5,200 residents surveyed. Topics include details on work activity in 2004; hours worked; occupation; wages; non-wage benefits; education; work history; and more.
Wage Rate and Employer Survey	Component I (Wage Rate Survey) collects information from private and public firms on occupations and wages of employees; training; non-wage benefits; retirements and vacancies. Component II (Employer Survey) collects data on skills gaps; productivity; competitiveness; recruitment; and more. To date, more than 5,000 private sector firms contacted.

* Surveys have been funded through partnerships with the following: Canada-Newfoundland Labrador Market Development Agreement; Department of Innovation, Trade and Rural Development; Department of Human Resources, Labour and Employment; Workplace Health, Safety and Compensation Commission; Rural Secretariat, Executive Council; Atlantic Canada Opportunities Agency; and Human Resources and Skills Development Canada.



Stephenville newsprint mill

Forestry

Newsprint

World Demand and Production

World demand for newsprint has been trending upward over the past three decades—increasing by just over 80% since 1975. However, growth trends have differed dramatically among regions, particularly over the past 15 years. Since 1990, North American newsprint demand has been declining while demand in other regions of the world has been increasing. Growth in demand has been particularly strong in Asia. Over this period, North American newsprint demand has declined by 17.1%, while European and Asian demand have increased by 17.4% and 80.1% respectively.

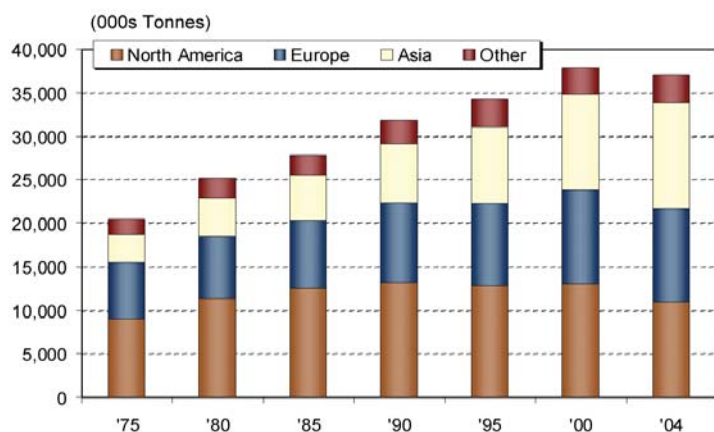
Under these circumstances, it is not surprising that world newsprint production has also shifted toward areas in which demand is increasing (e.g.,

Asia) and away from areas in which demand is declining (e.g., North America).

The decline in newsprint demand in North America has resulted from the proliferation of multi-channel cable/satellite television and the increased use of the internet as the preferred mediums for news and advertising. In the developed world, people have greater access to news media and it is therefore becoming less of a necessity to read newspapers in order to keep abreast of current events. On the other hand, newsprint demand in the developing world, (areas in which the internet and multi-channel television are not as prevalent) has been increasing rapidly.

The accompanying pie chart indicates world market shares of newsprint production for 1975 and 2004. The most significant changes over this period are that Canada's share of the world market declined 12.3 percentage points (from 34.4% to 22.1%) while Asia's share increased by 13.6 percentage points (from 13.2% to 26.8%).

World Newsprint Demand 1975-2004



Pulp and Paper Products Council

Provincial Newsprint Shipments

In 2004, 39% of the province's newsprint shipments were destined for the United States; 27% for Europe; 21% for Central and South America; 7% for Asia; and the remaining 6% for Africa and the Middle East.

Total newsprint shipments from the province's three mills are expected to increase by 2.1% in 2005 to 747,100 tonnes despite the temporary idling of the Stephenville mill.

Stephenville

On July 27, 2005, Abitibi-Consolidated announced its intention to permanently close its newsprint mill at Stephenville in late October as a result of energy and fibre supply challenges. On October 26th, however, the provincial government announced that it had successfully negotiated the framework of an agreement with the company, effectively reversing the closure decision. Instead, the company has agreed to temporarily idle the facility and although its reopening remains dependent on successful negotiations between the company and its workforce, this framework may result in the reopening of the mill within the next few months. If the mill were to permanently close, there would be an annual newsprint capacity reduction of 194,000 tonnes resulting in an annual loss (including spin-off activity) of about 900 full-year equivalent positions, \$37 million in employment income and \$110 million in GDP.

Grand Falls-Windsor

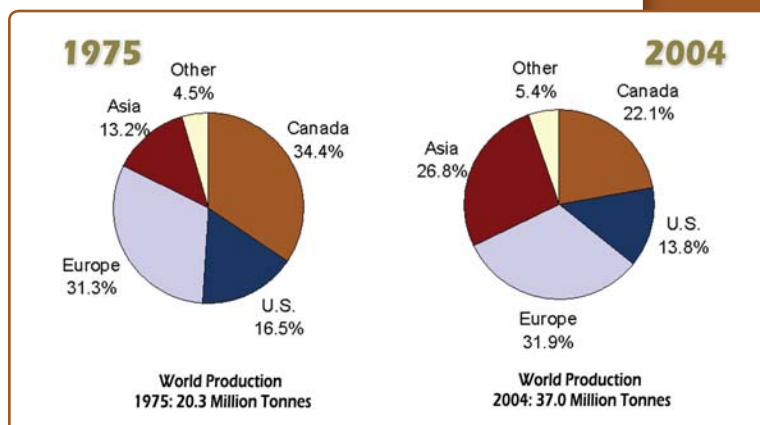
Abitibi-Consolidated had intended to permanently shutdown Paper Machine No. 7 at its Grand Falls-Windsor mill at the end of 2005, removing 60,000 tonnes of annual newsprint capacity from the mill. However on October 31st, the company announced that it will be postponing the shutdown of No. 7 machine for another two years.

Lumber

Lumber production is estimated to have increased by 26% in 2004-05 to 121 million board feet in conjunction with the re-opening of the province's two largest mills, which had shut down in 2003 due to poor market conditions. Provincial lumber production is expected to increase by another 16% in 2005-06 to 140 million board feet.

High levels of residential construction in both Canada and the U.S. have been keeping lumber prices high over the past two years. Lumber prices increased by 42% in 2004 to a peak of US\$394 per

World Newsprint Production Shares



Pulp and Paper Products Council

thousand board feet. While prices have retreated somewhat since last year's peak they remain relatively strong and are expected to average US\$353 per thousand board feet in 2005.

Agrifoods

Total farm cash receipts increased by 4.8% in the first six months of 2005 to \$42.8 million. The main contributors to growth were dairy products (up 10.5% to \$16.5 million); egg production (up 1.3% to \$6.8 million); and floriculture and nursery products (up 2.7% to \$5.4 million).

Two new dairy producers, Corner Stone Farm Ltd. in Cormack and John Wells in Robinsons, have been recently accepted into the dairy industry in Newfoundland and Labrador. With the addition of these new entrants, there are now 42 dairy farms in the province. The dairy industry has experienced significant growth in recent years and further growth is anticipated as a result of a substantial increase in the province's industrial milk quota. Currently, the province has an industrial milk quota of 15 million litres—up from seven million litres last year—and further increases will see this rise to 31 million litres by 2016.



Dairy farm