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Fuelled by the Oil Boom, Newfoundland and Labrador Lead Canadian Productivity Growth

The Centre for the Study of Living Standards today released a major study entitled “Newfoundland and Labrador’s Productivity Performance, 1997-2010: The Impact of the Oil Boom.” The study was funded by the Collaboration for Applied Research in Economics (CARE) initiative of the Department of Economics at Memorial University. Key findings from the study are highlighted below.

- Newfoundland and Labrador’s economy has experienced impressive growth in recent years. Real GDP in the province’s business sector increased at nearly twice the rate of Canada’s (4.55 per cent vs. 2.50 per cent per year) between 1997 and 2010, while the province’s labour productivity growth was three times greater than Canada’s (3.86 per cent vs. 1.29 per cent).
- In 2010, the province’s labour productivity level, at \$75.20 per hour, was 157.4 per cent of the national average of \$47.79 per hour.
- Nearly 70 per cent of the additional nominal output produced in Newfoundland and Labrador between 1997 and 2010 is attributable to an increase in the output of the mining and oil and gas extraction sector. In 2010, the output of this sector represented 50.4 per cent of Newfoundland and Labrador’s business sector (nominal) output, up from 8.2 per cent in 1997.
- Labour productivity in mining and oil and gas extraction grew at a compound annual rate of 11.34 per cent during the 1997-2010 period, much higher than any other sector in the province.
- The study found evidence of productivity spillover effects from the mining and oil and gas extraction sector to the non-oil sectors of the economy, as shown by the acceleration of labour and multifactor productivity growth outside the mining and oil and gas

extraction sector in the province after 1997. Mechanisms that would explain the existence of such spillover effects may include: the productivity-augmenting effects of increased government spending financed by oil revenues; a tighter labour market; a more dynamic and competitive economy; and knowledge spillovers from the oil sector.

- Since Newfoundland and Labrador's high productivity level reflects the high value added per hour worked produced in the mining and oil and gas sector, depletion of these natural resources, especially the offshore oil reserves, raises sustainability issues. In order for the province to maintain its current relative productivity level, it needs to invest substantially in reproducible capital, both human capital and physical capital.

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards and economic wellbeing in Canada through research.