


ECONOMIC OUTLOOK 2023

St. John's Census Metropolitan Area



The St. John's Census Metropolitan Area (CMA) economy is expected to grow by 0.8% in 2023, as construction-related activity associated with the West White Rose project ramps up and rising population levels benefit businesses in the region's service sector. The labour market in the St. John's CMA is expected to continue to grow this year, with employment forecast to increase 1.5% and the unemployment rate projected to reach a 49-year low. Housing starts are projected to decline slightly as higher interest rates are expected to limit the demand for new housing.

GDP 
\$17 Billion

In 2023, real GDP in the St. John's CMA is forecast to increase by 0.8% to \$17.0 billion (\$2012) as service sector gains are partly offset by lower oil production. Excluding the oil and gas sector, real GDP in the St. John's CMA is expected to increase 1.5% in 2023, driven mainly by industries related to tourism and trade, as local businesses benefit from the first full year without pandemic-related restrictions. Growth in 'Public administration' is expected to continue as local employment in the federal public service continues to rise.



Labour Market

Employment in the St. John's CMA is forecast to total 118,100 persons in 2023, up 1,700 persons (or 1.5%) from the previous year. Employment growth is expected to be concentrated in the service sector, particularly in 'Public administration,' 'Transportation and warehousing,' and 'Finance, insurance, real estate, rental and leasing.' Construction-related employment is also forecast to rise, as construction on the West White Rose project's concrete gravity structure ramps up. The participation rate in the St. John's CMA is expected to fall by 0.9 percentage points to 66.6%. The unemployment rate is projected to fall by 0.8 percentage points to 5.9%, as the labour market in the St. John's CMA continues to tighten.



Population

The population of the St. John's CMA is projected to increase by 2.2% to 224,000 persons in 2023. It is anticipated that the large inflow of international migrants to the province during the previous year, driven by Ukrainian newcomers and other non-permanent residents, will continue in 2023.



Household Income, Retail Sales, and Housing Starts

Household income is expected to increase by 6.0% to \$13.0 billion in 2023, mainly due to higher wages, as tight labour market conditions raises workers' bargaining power and high inflation rates increase workers' wage demands. Inflation in the St. John's CMA is expected to fall from 5.9% in 2022 to 3.7% in 2023 as lower oil prices and high interest rates enacted by the Bank of Canada slowly return inflation towards its 2% target. Year-to-date Consumer Price Index (CPI) data have already indicated a moderation of inflation for the region – year-over-year inflation so far this year fell from 5.5% in January to 3.8% in April. Retail sales growth, at 5.0%, is projected to continue in 2023, but at a lower rate than in 2022 as inflationary pressures ease. Housing starts are expected to total 724 units in 2023, down 1.2%, as higher interest rates are expected to limit the demand for new housing. The overall MLS® Housing Price Index (HPI) composite benchmark price for homes in St. John's averaged \$312,833 during the first three month of 2023, up 3.8% from the same period in 2022.

Economy

Real GDP in the St. John's CMA fell by 2.1% in 2022, mainly due to a 10.4% decline in oil production, as output fell at all operating fields and the Terra Nova FPSO remained out of production for the entire year. Excluding the oil and gas sector, real GDP in the St. John's CMA increased by 3.5% in 2022. Growth was driven by strong consumer spending, particularly in the 'Retail sales' and 'Accommodation and food services' industries, as the tourism sector continued its recovery from the COVID-19 pandemic and benefited from the "Come Home 2022" campaign.

Labour Market

The St. John's CMA experienced a red-hot labour market in 2022. Employment totalled 116.4 thousand in 2022, an increase of 9.0% (or 9,600 persons) compared to the previous year. Gains were recorded in both the goods-producing sector (+2.4%) and services-producing sector (+10.2%). Employment growth was especially strong in 'Accommodation and food services' (+2,700 persons), 'Public administration' (+1,800 persons), and 'Transportation and warehousing' (+1,500 persons). The labour force increased by 7.3% to 124,700 persons and the unemployment rate fell by 1.4 percentage points to 6.7%.

Household Income, Retail Sales, Housing Starts

Household income in the St. John's CMA totalled \$12.2 billion in 2022, up 12.2% compared to 2021, reflecting increased employment and strong wage growth. Retail sales totalled \$4.6 billion in 2022, up 12.4% from 2021, partly due to significantly higher consumer prices. Housing starts in the St. John's CMA increased by 34.7% in 2022, reaching 733 units, due to pent-up demand from the COVID-19 pandemic, increased in-migration, and relatively low interest rates early in the year. The demand for new housing weakened as the year progressed due to rising interest rates. Sales of single detached homes in the St. John's CMA totalled 888 units in 2022, down 9.8%, while sales of multi-family units totalled 484 in 2022, up 0.4%. The overall MLS® HPI composite benchmark price for homes in St. John's averaged \$312,858 in 2022, up 7.8%.

Population

The population of the St. John's CMA was 219,100 as of July 1, 2022, up 2.3% from 2021. The region experienced natural population loss in 2022 as the number of deaths, 1,948, exceeded the number of births, 1,859. However, this was offset by abnormally high gains in immigration (+2,170) and non-permanent residents (+1,977), such as Ukrainian newcomers. Also, for the first time since 2014, the St. John's CMA experienced positive net inter-provincial migration in 2022, equal to 408 persons.

Consumer Price Index

The CPI for the St. John's CMA increased 5.9% in 2022, compared with 3.3% in 2021. This was driven by rising prices for food and gasoline, which increased by 9.2% and 25.9%, respectively, for the province as a whole. Year-over-year inflation in the region began to moderate in the second half of the year, falling from 7.5% in June 2022 to 5.6% in December, as rising interest rates dampened consumer demand and oil prices started to fall.

Economic Indicators, St. John's Census Metropolitan Area, 2022-2023

	2022	2023f
Real GDP (\$2012, \$M)	16,841	16,978
% Change	-2.1%	0.8%
Real GDP (\$2012, \$M) excluding oil and gas	11,338	11,506
% Change	3.5%	1.5%
Employment (000s)	116.4	118.1
% Change	9.0%	1.5%
Labour Force (000s)	124.7	125.6
% Change	7.3%	0.7%
Unemployment Rate (%)	6.7	5.9
Change	-1.4	-0.8
Participation Rate (%)	67.5	66.6
Change	3.7	-0.9
Household Income (\$M)	12,223	12,959
% Change	12.2%	6.0%
Retail Trade (\$M)	4,568	4,797
% Change	12.4%	5.0%
Housing Starts (#)	733	724
% Change	34.7%	-1.2%
CPI (2002=100)	152.3	157.9
% Change	5.9%	3.7%
Population (000s)	219.1	224.0
% Change	2.3%	2.2%

Source: Statistics Canada; Economics Division, Dept. of Finance
f: forecast

