



St. John's
BOARD of TRADE

Leading Business Forward

Why Diversification Matters

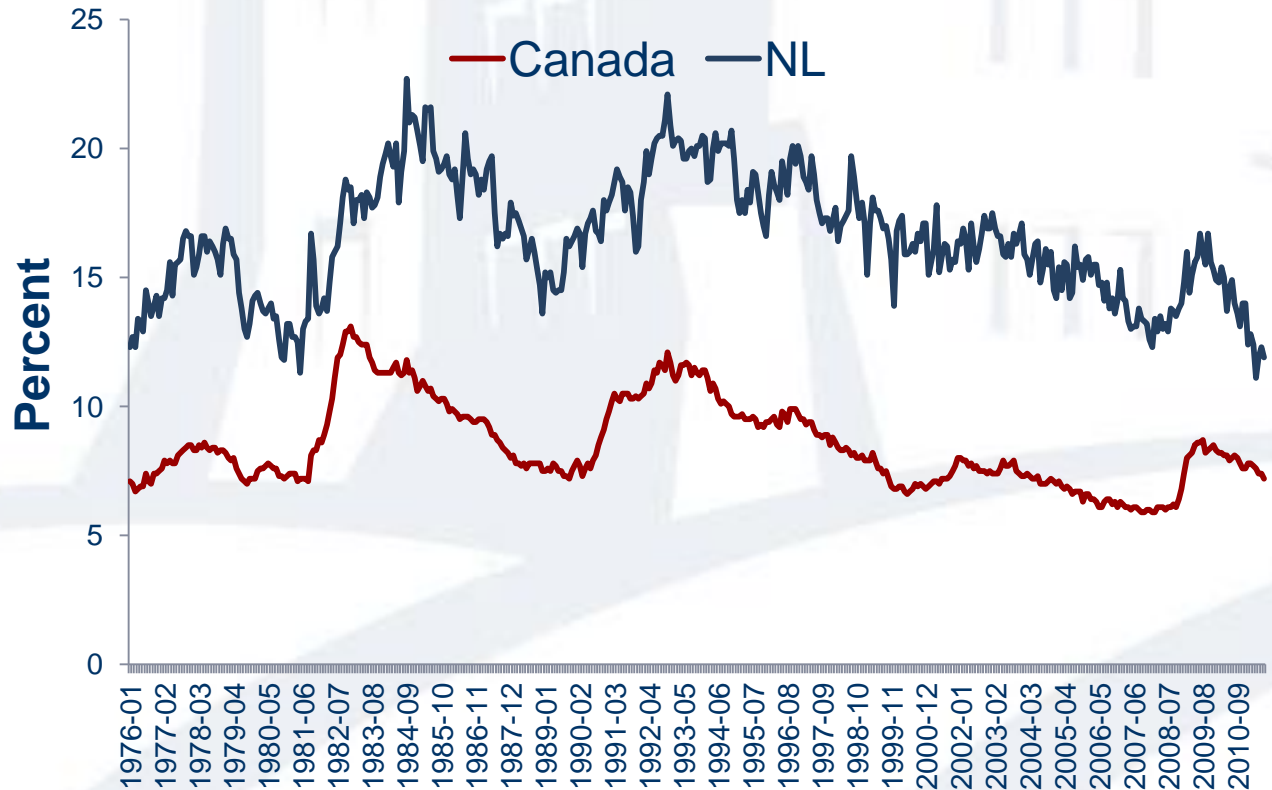


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Where we stand: Employment

The unemployment rate is currently 13.7% which is much higher than the Canadian average of 7.3%



Source: Statistics Canada



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Why It Matters

- Two Rationales for diversifying an economy rich in natural resources:
 1. Depletion of our non-renewable natural resources
 - Build up other sources of capital, employment opportunities and knowledge to ensure prosperity for future generations.
 2. Reducing risk
 - Reduce harmful effects of fluctuating oil prices
 - Reduce the risk associated with only a small number of profitable investments and assets i.e. Don't put all of your eggs in one basket



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Energy

Oil

- NL has produced 1.2 billion barrels of oil since 1997
- Oil will deliver revenues for the next three decades

Hydro

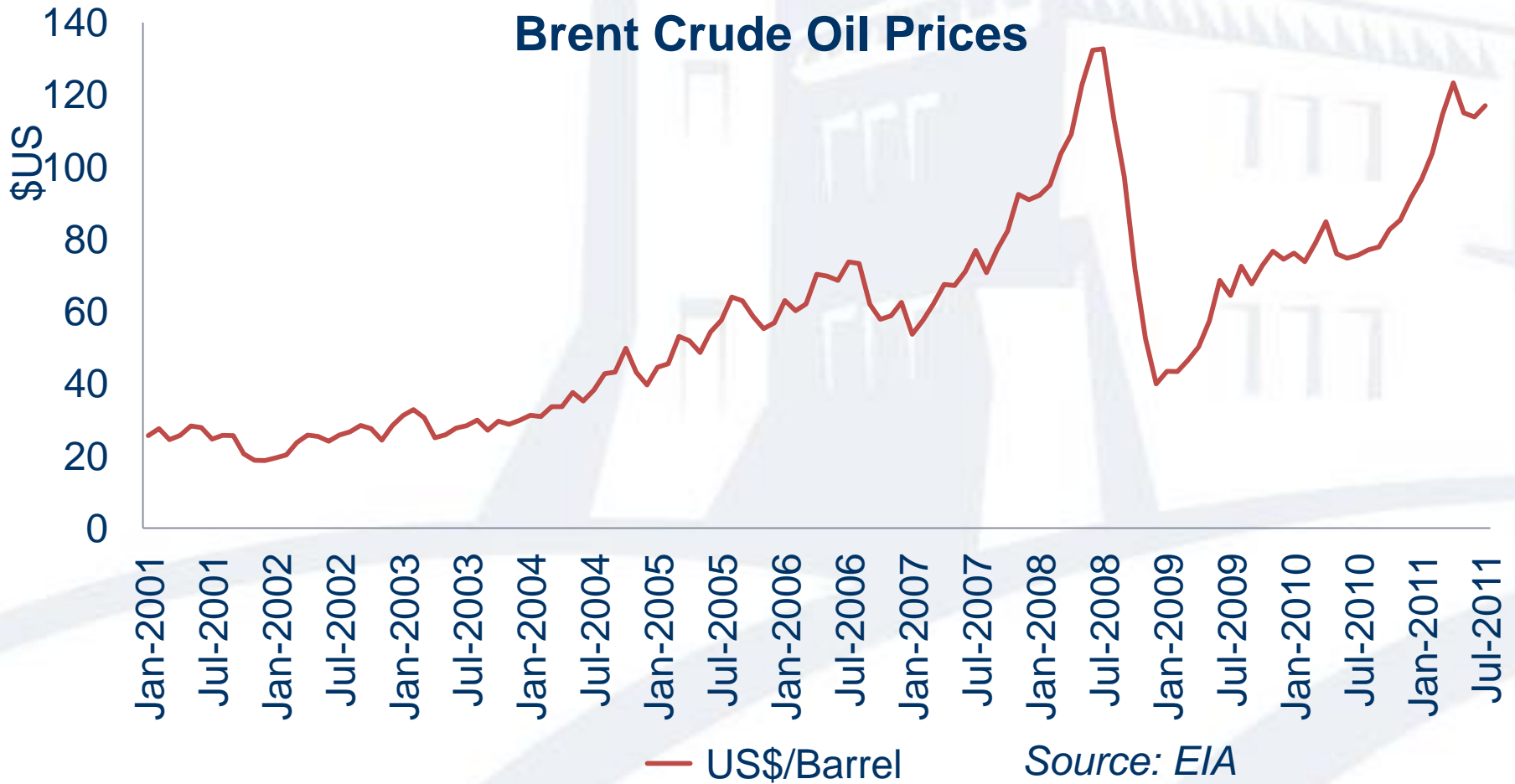
- Gull Island and Muskrat Falls have capacity of 3,074 MW and can provide 16.7 TW hours of electricity annually
- Hydro reduces greenhouse gas emissions



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Brent Crude Oil Prices

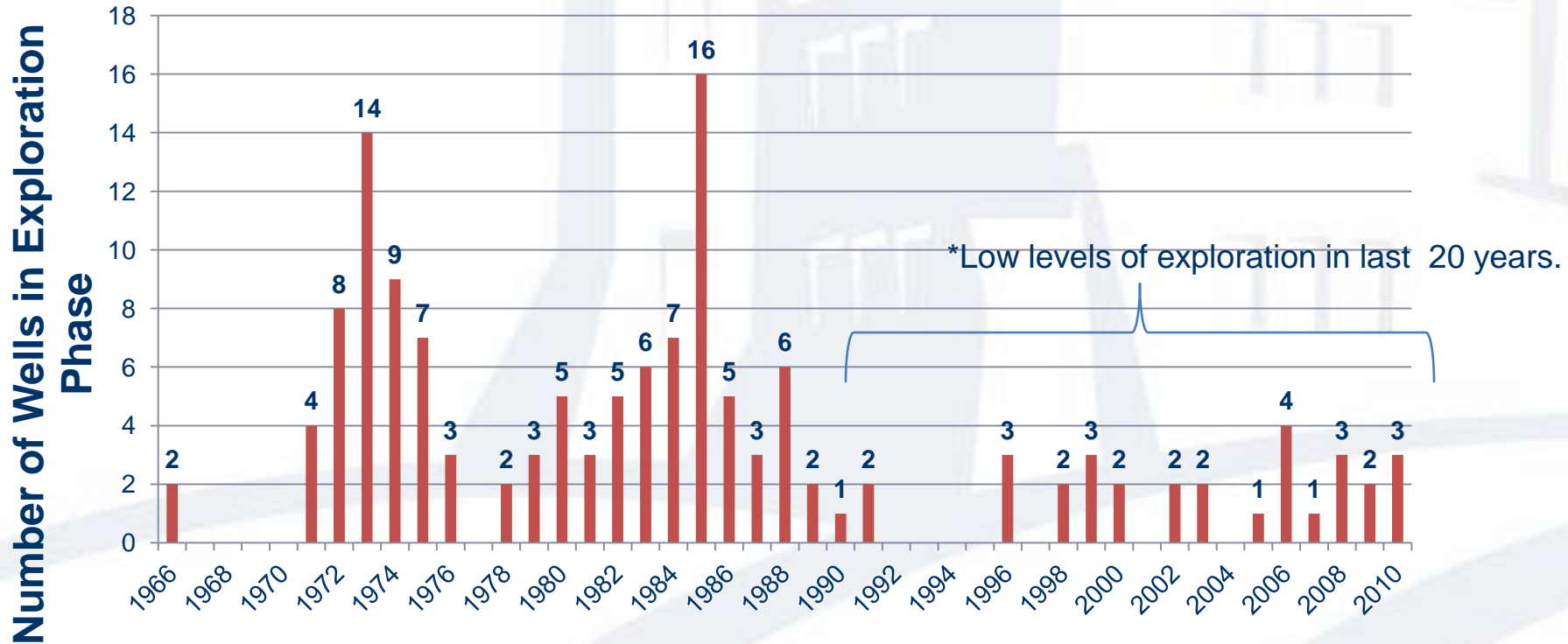




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Where we stand: Exploration



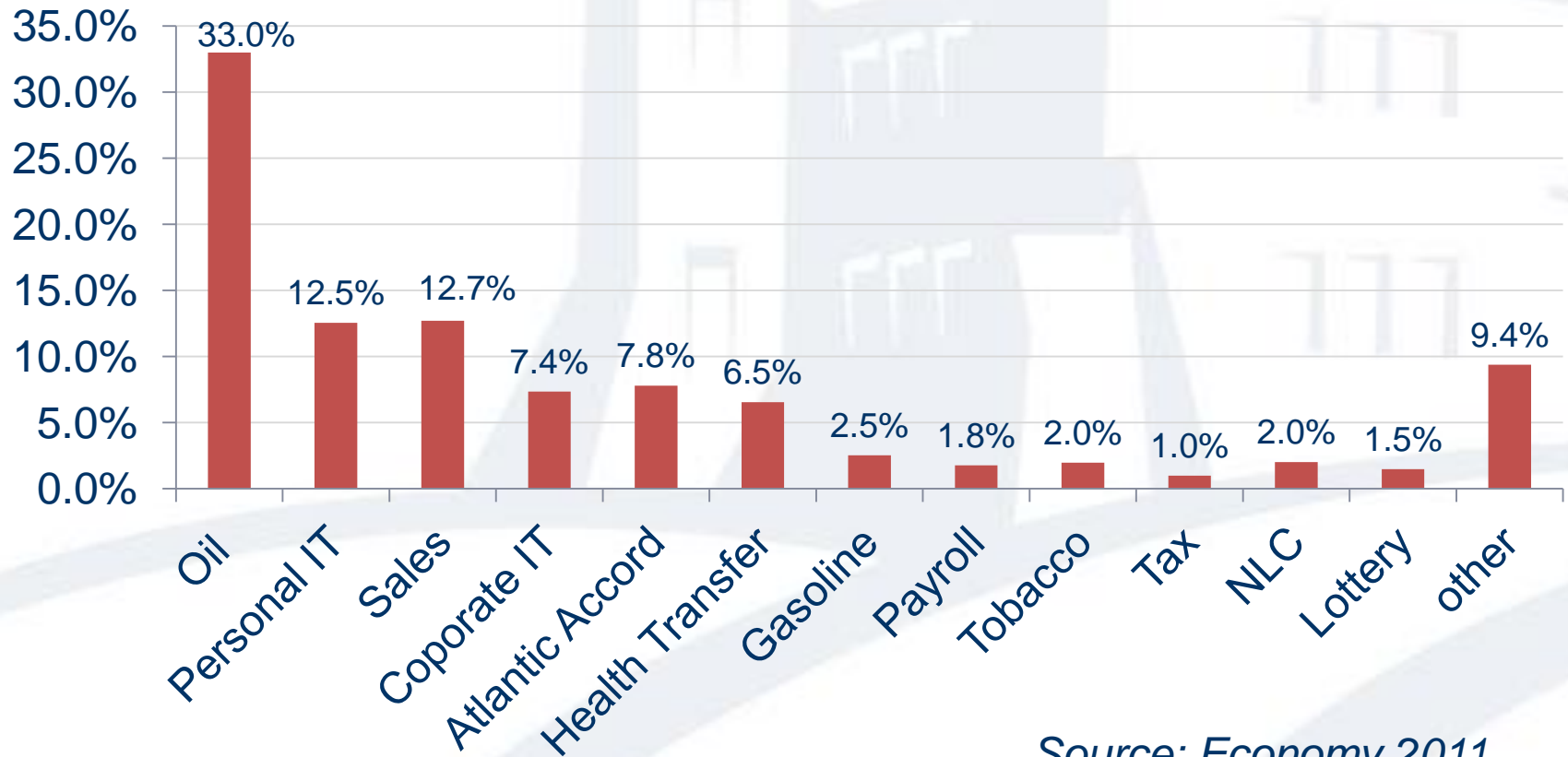
Source: CNLOPB, Locke



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Provincial Revenue by Source 2011-12e



Source: Economy 2011



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Is our economy diverse?

- The province's economy relies heavily of non-renewable resources such as oil and minerals
- Oil extraction and support activities accounted for 27.5% of the province's GDP and 2.4% of employment in 2009
 - Net Debt as a percentage of GDP is 26.7%
- Estimates for 2011-12 indicate that oil will be worth approximately 35% of the budget (royalties + Atlantic Accord)