

1 **Q. Reference: Dr. Cleary’s Evidence, Page 11, Line 7 to Page 12, Line 2**

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3 **Has Dr. Cleary analyzed the volatility of historical GDP growth in**
4 **Newfoundland and Labrador as compared with the volatility of historical GDP**
5 **growth in Canada? If yes, please provide a copy of that analysis.**

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7 **If not, does Dr. Cleary agree that if historical GDP growth in Newfoundland**
8 **and Labrador has been more volatile than in the remainder of Canada, it**
9 **suggests that the business environment in the Province would be perceived by**
10 **investors as more risky than Canada overall? Please explain.**

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12 **A.** Dr. Cleary provides such an analysis in “Attachment A – NP-CA-061.” The analysis
13 confirms that over the 1996-2017 period, real GDP growth in NL averaged 2.45%,
14 almost identical to the average for Canada of 2.48%. The standard deviation of real
15 GDP growth for NP was much higher than that for Canada, indicating higher
16 volatility in historical GDP growth.

17
18 Dr. Cleary would agree that investors would perceive Newfoundland and Labrador
19 as riskier than Canada, but the same could be said of all provinces, which tend to
20 have specific industry focuses. In addition, Dr. Cleary would note that his evidence
21 addresses the potential impact of slow or volatile economic growth on pages 17-18
22 of his evidence, where Figure 4 demonstrates the resilience that NP’s revenue has
23 displayed with respect to previous periods of negative or slow growth. He
24 summarizes this point on page 18 (lines 10-11): “In other words, the evidence
25 suggests that NP’s sales have been resilient to economic decline.”