



Northern Outlook *January 2010*



Economic Forecast



Northern Outlook: Economic Forecast
by *The Conference Board of Canada*

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Preface

The Northern Outlook (December 2009) was prepared by Marie-Christine Bernard, Associate Director, National and Provincial Forecast, under the general direction of Glen Hodgson, Senior Vice-President and Chief Economist. Contributors include Sabrina Browarski, Todd A. Crawford, Jacqueline Johnson, Alicia Macdonald, Prince Owusu, and Kris Shaw. The internal reviewers were Peter Wilson and Ashley Sisco.

The forecast for the three territories and the accompanying report will be prepared biannually. The report examines the economic and fiscal outlook for each of the territories, including output by industry, labour market conditions, and the demographic make-up of each territory.

The Northern Outlook is just one of the initiatives of the Centre for the North, a five-year, multimillion-dollar program of consultation, research, and dialogue, designed to provide insights into how Canada can best address the challenges and opportunities in its Northern regions. The Centre will help leaders from all sectors—Aboriginal communities, government, and industry—achieve a shared vision of sustainable prosperity in the North.

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CONTENTS

- Foreword** **i**
- Nunavut—Hot Mining Potential Drives Growth** **1**
 - Medium-Term Outlook 1
 - Long-Term Outlook 4
- Northwest Territories—Boom, Bust, and Boom** **11**
 - Medium-Term Outlook 11
 - Long-Term Outlook 14
- Yukon—Service Sector Sustains Growth** **21**
 - Medium-Term Outlook 22
 - Long-Term Outlook 24

Foreword

The Conference Board of Canada (CBoC) has developed an economic and fiscal forecasting model for the three Northern territories. The *Northern Outlook* report will be published biannually. The report examines the economic and fiscal outlook for each of the territories, including output by industry, labour market conditions, and the demographic make-up of each territory. The Northern Outlook project is just one of the initiatives spearheaded by the Centre for the North.

The CBoC has been producing medium-term (five-year) economic and industrial model-based forecasts for Canada and the provinces for almost 30 years. In addition, for the past 15 years, we have produced long-term (20-year) forecasts for macroeconomic and industrial data at the national and provincial levels.

The new annual Territorial Forecasting Model (TFM) consists of just over 300 equations of which about half are behavioural. The TFM disaggregates real territorial gross domestic product into roughly 25 categories, which are determined by an input-output structure. Labour productivity and the current level of industrial output determine employment by industry. Standard econometric techniques were employed to derive empirical relationships between variables. In some cases, data restrictions forced the CBoC to employ calibration techniques to estimate key relationships among economic variables in the model.

There are three ways to calculate the GDP for an economy—adding up expenditures, income earned, or the value-added of each industry sector. The TFM

model forecasts real value-added in the economy (referred to as GDP at basic prices) as well as all components of both expenditure and income. Real value-added GDP represents the volume of goods and services produced in the economy, added up using a common base year for prices, which has been set by Statistics Canada as 2002.

The TFM model was used to produce a 10-year economic outlook for Nunavut, Yukon, and the Northwest Territories (up to the year 2020). The model relies on a consistent set of assumptions formed from our World, Canadian, and Provincial forecasts, and ongoing monitoring of international, national, and territorial events. Various sources are utilized in the construction of the historical data, but the main data source is the annual Provincial and Territorial Economic Accounts (PEA) from Statistics Canada.

The *Northern Outlook* report can be accessed online at www.e-library.ca, and for clients subscribing to e-Data, at www.conferenceboard.ca/edata.htm. For more information, please contact our information specialist at 613-526-3280 or 1-866-711-2262, or e-mail contactcboc@conferenceboard.ca.



Glen Hodgson
Senior Vice-President and Chief Economist
The Conference Board of Canada

Hot Mining Potential Drives Growth

Chapter Summary

- ◆ Agnico-Eagle’s Meadowbank mine is on track to begin commercial production in the first quarter of 2010, reigniting the mining industry in Nunavut.
- ◆ Mineral exploration will recover in line with firmer commodity prices.
- ◆ Strong population growth will supply the economy with a larger pool of labour and create increased demand for goods and services.

MEDIUM-TERM OUTLOOK

MINING

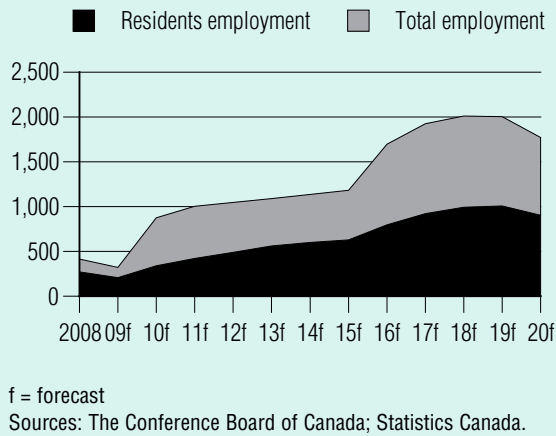
There were no mines in operation in 2009, but that situation is set to change. Agnico-Eagle’s Meadowbank mine outside of Baker Lake is on track to begin commercial production in the first quarter of 2010, reigniting the mining industry in Nunavut. Development of this project has provided jobs for many people in Nunavut and will continue to benefit the economy as gold, machinery, equipment, and workers are transported to and from the site. Indeed, this \$650-million project provided a strong boost to construction output in 2008.

The largely untapped mining resources provide much potential for the economy to expand.

Nunavut’s near-term economic outlook will be heavily influenced by mining developments. Nunavut’s economy is sensitive to projects starting up and finishing, and these fluctuations certainly explain the territory’s experiences this past year. Most of the \$650-million investment in the Meadowbank gold mine had been spent by the middle of 2009. According to Statistics Canada’s annual survey of private and public investment intentions, capital expenditure in the mining sector were cut by 62 per cent in 2009. The medium- and long-term outlook for Nunavut is much brighter. The largely untapped mining resources provide much potential for the economy to expand, and strong population growth will continue to supply workers and a healthy demand for goods and services. Meanwhile, the large public administration sector will continue to provide stability to the economy over the forecast.

Due to skills shortages among the local population, Nunavummiut account for only a fraction of the mining workforce in Nunavut. For instance, Agnico-Eagle’s aim is to use local workers to fill between 15 per cent and 20 per cent of the Meadowbank jobs. The rest will have to be filled by workers from outside the territory. Including mining services, Nunavummiut will make up 39 per cent of those employed in the mining industry next year. By 2020, more than half will be Nunavummiut. (See Chart 1.) This increase is partly due to non-resident workers taking up residency, but also to greater training opportunities in the mining sector for Nunavummiut, resulting in a more skilled local workforce. In the

Chart 1
Many New Jobs Will Go to Non-Residents
(mining jobs)



meantime, local employment in services and transportation will grow as the mine begins production, but mining companies will have to rely on workers from other areas of the country for the higher-skilled mining jobs.

Developing a mining project in Nunavut is not without its difficulties and unique challenges. Up until very recently, there was a lack of proper geological mapping, for instance. Also, mineral sites are not accessible by rail or road, and access by air or water requires airport and marine port construction before mines can be developed. On top of the already steep price of construction in the North, these factors push site development costs even higher. Furthermore, transporting all the equipment, the workers, and finally the mineral itself to and from markets in the South may deter developers completely.

Nonetheless, rising mineral prices in recent years boosted exploration across the territory. Between 2003 and 2008 (when activity reached its peak), exploration and deposit appraisal expenditures in Nunavut increased from just under \$100 million a year to \$432.6 million.¹ There are currently over half a dozen sites being seriously considered for development. However, the difficulty in

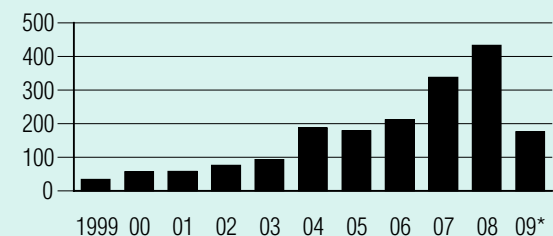
¹ Natural Resources Canada, federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal, and Mine Complex Development Expenditures. October 2009.

obtaining financing and the lower mineral prices have set development plans back—considerably in many cases. Companies spent just an estimated \$175.6 million in 2009 on exploration and deposit appraisals, according to Natural Resources Canada. (See Chart 2.) Access to funding has been a serious problem due, to a large degree, to low commodity prices. But this situation is already turning around. Copper, zinc, and silver prices have rebounded since the market bottomed out early in 2009. The price of gold took off when the recession hit, since people traditionally turn to gold as a store of wealth during times of economic upheaval. So while many of these projects have been downgraded or delayed, future prospects for development remain bright.

Copper, zinc, and silver prices have rebounded since the market bottomed out early in 2009.

While it is only a matter of time before more mines are developed, many of the projects that looked probable early in 2008 have faced major setbacks. Oz Minerals has postponed development and feasibility studies for both its Izok and High Lake sites. The \$4.1-billion Mary River project needs financiers. Newmont Mining has scaled back construction and is evaluating different options for its Hope Bay project. Although Comaplex Minerals has curbed spending at the Meliadine gold deposit, because of its sound financials and with gold prices high, it has been included in the mining forecast, with production assumed to start in 2016.

Chart 2
Spending on Exploration and Deposit Appraisal
(\$ millions)



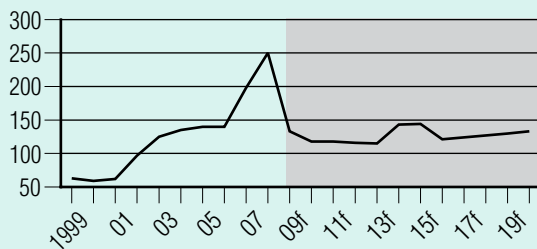
*Spending intentions as at October 2009.
Source: Natural Resources Canada.

CONSTRUCTION

Construction has been, and will continue to be, highly influenced by mine site development. Construction surged over 2007 and 2008 with the development of the Meadowbank mine. Additionally, the public sector allocated a lot of funds to new schools, hospitals, and public housing construction over the same period. With the completion of Meadowbank, construction will see a string of declines. The biggest drop will be in 2009, as construction is estimated to have dropped by 46.7 per cent. There is an upside risk to the construction outlook in 2009 as capital expenditures at the Meadowbank mine did not retreat significantly. Construction will surge again during the construction of the Meliadine mine starting in 2014. (See Chart 3.)

A severe housing shortage has gripped Nunavut for several years. In 2004, the Nunavut Housing Corporation estimated that 3,000 affordable housing units would need to be built in order to reduce overcrowding to levels on par with the rest of Canada.² There has been some effort to close the gap over the past five years. Since that 2004 report, residential investment has more than doubled, going from \$24 million to \$50 million in 2008. Because of strong population growth, however, this investment only

Chart 3
Mining Projects Bump Up Construction
(construction output, 2002 \$ millions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

² “Overcrowded” housing is defined as more than one person per room of a dwelling. Thirty-nine per cent of Inuit live in overcrowded housing, according to the 2006 Aboriginal Peoples Survey carried out by Statistics Canada.

maintains the status quo. Nominal residential investment is forecast to increase 3.2 per cent compounded annually over 2009 to 2020. There is upside risk to the construction outlook if more significant investment is made in the housing sector.

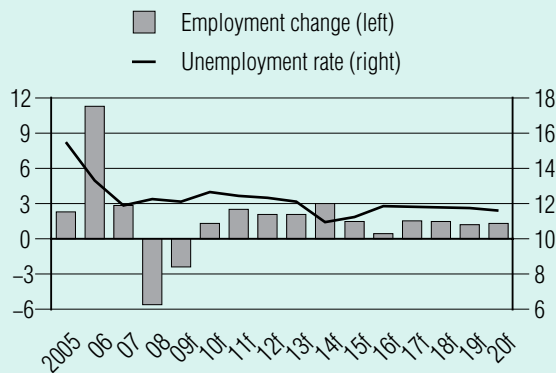
Labour markets in Nunavut were relatively isolated from the global downturn in 2009 compared with those in other regions in Canada.

SERVICE SECTOR

Public administration is currently the largest sector in Nunavut and is the largest employer for 2,442 Nunavummiut. After the territory was created back in 1999, the public sector experienced strong growth as the government built itself up to handle the demands of governing a territory. In 2009, with no mines in commercial operation and with construction at the Meadowbank property almost complete, the public sector (i.e., public administration and non-commercial services, such as social services, health care, and education) accounted for half of all economic activity in Nunavut. Public administration output will continue to provide stability to the economy, growing 3.5 per cent in 2009 and recording an average annual compound growth of 1.9 per cent over 2009–20. Non-commercial services output will benefit from strong population growth over the forecast and will expand at an average annual compound rate of 2.8 per cent. By 2020, 2,900 residents are expected to be employed in public administration.

Labour markets in Nunavut were relatively isolated from the global downturn in 2009 compared with those in other regions in Canada. Nonetheless, with completion of the Meadowbank mine, employment dropped by an estimated 2.4 per cent in 2009, led by the loss of 345 jobs in the construction industry. (See Chart 4.) In 2010 employment will grow in every sector except construction, and that will drive up real commercial services output by 1 per cent. The unemployment rate will remain in the double digits over the forecast as young people continue to enter the labour force.

Chart 4
Employment Set to Recover
(per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Retail sales were up 4.4 per cent year-to-date in September 2009, the strongest performance in Canada. Consumption of goods rose by an estimated 5.1 per cent in 2009, while consumption of services increased 3.7 per cent. Strong consumer demand will continue in the coming years due to the development of the mining industry and solid population growth.

LONG-TERM OUTLOOK

DEMOGRAPHIC OUTLOOK

Along with resource development, Nunavut's economic activity will also be driven by its strong population growth, which will supply the economy with a larger pool of labour and also create an increased demand for goods and services. Population will grow at an average compounded annual rate of 1.4 per cent between 2009 and 2020, compared with 1 per cent for Canada as a whole. The factors that influence Nunavut's population outlook include migration flows, high fertility rates, and its youthful population.

A steady stream of people will leave Nunavut for other provinces, territories, and countries over the forecast. This has been an ongoing trend over Nunavut's short history. Even with the development of the mining industry, there

will not be enough economic opportunities to keep Nunavummiut from leaving the territory. About 25 to 30 net residents will leave the country every year over the next 10 years. Interprovincial migration will result in a net average of 145 residents leaving the territory for other territories or provinces within Canada each year over 2009 to 2020.

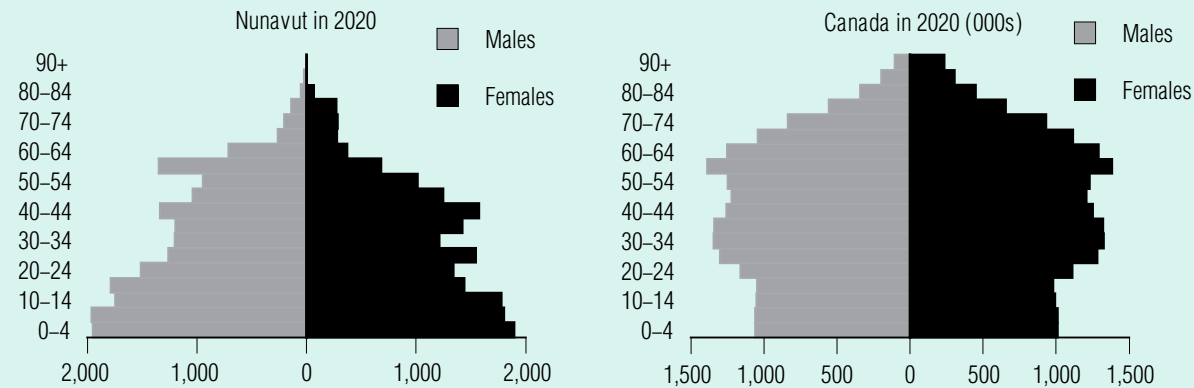
At 2.8 births per woman, Nunavut has the highest fertility rate of all provinces and territories in Canada. Furthermore, it is the only jurisdiction where the fertility rate exceeds the natural replacement rate of 2.1 births per woman. Despite the constant outflow of population to other parts of Canada and to other countries, the population will continue to grow, thanks to this high fertility rate.

Population will grow at an average compounded annual rate of 1.4 per cent between 2009 and 2020, compared with 1 per cent for Canada as a whole.

A striking difference between Nunavut's demographic structure and Canada's as a whole is age. (See Chart 5.) Canada is facing an aging population that will slow economic growth in two ways: as workers retire, they will no longer be contributing to economic growth; and as more people become dependent on social security and health-care services, the burden on existing workers to provide these services will increase. Nunavut will not have this problem. Canada's proportion of people aged 65 and over will climb from 14 per cent to 18 per cent over the forecast period. For Nunavut, that age cohort will see its share of the population rise from 3 per cent today to 4 per cent by 2020.

Rather than having to provide for a large elderly population, the working-age residents of Nunavut will instead have to support many children. Currently, over 40 per cent of Nunavummiut are younger than 15 years of age, compared with only 17 per cent in Canada as a whole—and these proportions will decline only slightly over the next 10 years. Combining the under-15 dependants with the over-65 dependants, Canada's dependency ratio grows over the forecast, while Nunavut's actually falls.

Chart 5
Nunavut's Population Will Remain Youthful
(population by age cohort)



Sources: The Conference Board of Canada; Statistics Canada.

INDUSTRY ANALYSIS

Construction of the Meliadine West gold mine is expected to start in 2014, with production beginning in 2016.³ Nunavut will have two mines in operation concurrently for about four or five years (until Meadowbank reaches its end of life), which will help boost income and mineral production for the territory. In 2019, GDP per capita will surge to \$41,500 (from its current \$31,700). Since non-resident workers will make up a sizable proportion of the mining workforce, much of the income will flow out of the territory; furthermore, the Government of Nunavut will not benefit from income taxes from these non-residents. Nonetheless, the government sector will benefit from higher corporate tax revenues.

Prospects for the mining industry are positive in the long term. Indeed, there are several projects in the works that were not included in the forecast but may begin production in the next 10 years. The financial crisis has forced all mining companies to re-evaluate their plans and many to hold back on major developments for the time being. There remains a tremendous amount of uncertainty in the mining industry. There is an upside risk from mining projects that have not been included in this forecast scenario reaching the construction or even the production stage over the next 10 years.

3 The timeline is an estimate on the part of the Conference Board.

PUBLIC ACCOUNTS

Nunavut is expected to post some improvement in terms of the financial health of its public purse over the forecast horizon. Between 2009–10 and 2020–21, the territory's budgetary balance is forecast to quadruple, rising from a \$20.4-million surplus in the current fiscal year to \$83 million by 2020–21. Cumulatively, a series of modest annual budgetary surpluses will contribute to a net negative territorial debt in excess of \$1.3 billion, providing options to territorial authorities in terms of spending and fiscal policy improvements over the forecast horizon.

Between 2009–10 and 2020–21, the territory's budgetary balance is forecast to nearly triple, rising from a \$20.4-million surplus in the current fiscal year to \$83 million by 2020–21.

Average annualized compound growth in total own-source revenues will be relatively moderate—only 4.6 per cent over the forecast (due to the fact that implicit personal and corporate tax rates have been kept low in order to make Nunavut competitive with other jurisdictions). Agnico-Eagle Mines Limited has invested \$620 million since 2006 in getting the Meadowbank gold mine up and running, and construction and development of the

The Importance of Nunavut's Mixed Economy

Many of the economic activities that take place in Nunavut are not captured by conventional economic data. Fishing, hunting, and trapping produces what is referred to as “country food” that is often traded, given away, or consumed without ever entering a formal marketplace. Sewing, arts, and crafts also go unaccounted for by conventional economic measures. But these activities are vitally important to Nunavummiut. The 2006 Aboriginal Peoples Survey reports that 65 per cent of Inuit lived in homes where at least half the meat and fish consumed was country food.¹ This implies that many Inuit are spending a lot of time generating land-based output (which is of course a form of employment) that is not being captured by the forecast. These activities are often referred to as land-based or non-wage economic activities. In a 2001 study, the Conference Board estimated the size of Nunavut's land-based economy in the range of \$40 million to \$60 million, which would have accounted for about 5.5 per cent to 8 per cent of GDP.²

Although these activities account for only a relatively small portion of GDP, they are critical to the social and physical well-being of most Nunavummiut. Participation in traditional economic activities can unite families and communities as they share their expertise and history, and can also empower youth as they provide food for their families and friends.³ The value of this type of social capital is generally not accounted for in economic models, but its importance to economic development is profound.

The Nunavut economy combines these traditional, non-wage activities with conventional wage-based activities into a complex mixed economy, where the two types of activities blend together. Cultural anthropologist David C. Natcher of the University of Saskatchewan describes the involvement in the wage and non-wage economies as a “continuum, with participation occurring at varying points on the scale.”⁴ Wages often facilitate hunting for country foods, which can then be sold at a grocery store or shared among family and friends.

The overall strength or weakness of the Nunavut economy as measured by the Conference Board's model is indirectly caused by, and has an influence on, the non-wage sector. Furthermore, while the consumption of (non-purchased) country foods is not captured in the Conference Board's Nunavut economic model and forecast, the integrated nature of wage and non-wage activities mean that the forecast can be a valuable tool to be used alongside non-wage activities. For example, if wages are lower or gasoline prices higher, hunting activities may be strained because supplies are more costly.

1 Statistics Canada, Aboriginal Peoples Survey 2006.

2 Stephen Vale and Graeme Clinton. *Nunavut Economic Outlook: An Examination of the Nunavut Economy*. (Ottawa: The Conference Board of Canada, 2001.)

3 Canadian CEDNet National Policy Council. *Social Economy Roundtable Consultation Briefing Notes*. (Ottawa: Author, 2005.)

4 David C. Natcher, 2008. *The Social Economy of Canada's Aboriginal North*. (Anchorage: Northern Research Forum, 2008.)

Meliadine West gold project—valued at \$300 million—will take place over 2014 to 2016. Transfers from the Government of Canada will account for 91 per cent of the increase in Nunavut's total territorial revenues over the forecast period. While this forecast did not include the possibility of devolution (the transfer of more powers and responsibilities from the federal to the territorial government), it can be reasonably expected that royalties from mines on non-Inuit-owned land would flow to the Government of Nunavut with such a regime change.

Nunavut's expenditures will grow in line with historical levels, at an average annualized compound rate of 5.7 per cent between 2009–10 and 2020–21. Spending on health care and social services will rise strongly throughout the forecast period, growing at an average annual compound rate of 5.8 per cent. Similarly, robust infrastructure spending will drive up other program spending, which will also grow at an average annual rate of 5.8 per cent. Due to Nunavut's youthful population, education spending will increase on average by 3 per cent per year. Since health care, social services, and infrastructure expenditures will be growing at a faster rate than education spending, education's share of total spending will fall from 18.2 per cent this fiscal year to 13.7 per cent by 2020–21, even though the school-aged population will be expanding.

Table 1
Key Economic Indicators: Nunavut
(forecast completed Nov. 27, 2009)

	2009f	2010f	2011f	2012f	2013f	2014f	2015f	2016f	2017f	2018f	2019f	2020f
GDP at basic prices (2002 \$ millions)	1,019.9	1,121.0	1,164.9	1,195.8	1,226.1	1,286.3	1,315.2	1,397.0	1,458.8	1,496.8	1,517.3	1,497.2
	-9.6	9.9	3.9	2.7	2.5	4.9	2.3	6.2	4.4	2.6	1.4	-1.3
GDP at market prices (\$ millions)	1,286.1	1,491.6	1,581.8	1,660.5	1,744.8	1,863.9	1,947.7	2,122.8	2,266.4	2,380.0	2,469.7	2,493.8
	-14.1	16.0	6.1	5.0	5.1	6.8	4.5	9.0	6.8	5.0	3.8	1.0
Consumer Price Index, Iqaluit (2002 = 1.00)	1.13	1.16	1.18	1.20	1.23	1.25	1.27	1.30	1.32	1.34	1.37	1.39
	2.2	2.3	2.2	2.0	1.8	1.9	1.8	1.8	1.8	1.9	1.9	1.9
Average weekly wage (\$, industrial composite)	687.0	701.5	723.4	747.8	775.2	808.5	836.0	862.1	893.8	924.9	955.4	983.6
	2.9	2.1	3.1	3.4	3.7	4.3	3.4	3.1	3.7	3.5	3.3	2.9
Personal income (\$ millions)	1,177.2	1,226.2	1,283.5	1,348.0	1,424.5	1,522.4	1,598.3	1,659.0	1,744.4	1,832.4	1,918.3	2,005.8
	1.7	4.2	4.7	5.0	5.7	6.9	5.0	3.8	5.1	5.0	4.7	4.6
Personal disposable income (\$ millions)	1,010.2	1,052.5	1,101.5	1,156.5	1,221.8	1,305.6	1,370.5	1,422.6	1,495.8	1,571.2	1,645.0	1,720.1
	1.9	4.2	4.7	5.0	5.6	6.9	5.0	3.8	5.1	5.0	4.7	4.6
Personal savings rate (per cent)	35.0	34.6	34.5	34.0	33.4	33.3	33.3	33.3	33.3	33.4	33.5	33.5
Population (000s)	31.9	32.4	32.9	33.4	33.9	34.4	34.8	35.3	35.7	36.2	36.6	37.0
	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.3	1.3	1.2	1.1	1.1
Labour force (000s)	11.2	11.4	11.7	11.9	12.1	12.3	12.6	12.7	12.9	13.1	13.2	13.4
	-2.6	1.9	2.2	2.0	1.8	1.6	1.9	1.1	1.5	1.4	1.2	1.2
Employment (000s)	9.9	10.0	10.2	10.5	10.7	11.0	11.2	11.2	11.4	11.5	11.7	11.8
	-2.4	1.3	2.5	2.1	2.1	3.0	1.5	0.4	1.5	1.5	1.2	1.3
Unemployment rate (per cent)	12.1	12.7	12.4	12.3	12.1	10.9	11.3	11.9	11.8	11.8	11.8	11.6
Retail sales (\$ millions)	322.3	336.7	353.8	376.2	401.8	428.6	448.2	462.9	483.4	503.8	523.3	542.7
	5.1	4.5	5.1	6.3	6.8	6.7	4.6	3.3	4.4	4.2	3.9	3.7

f = forecast; n.a. = not applicable

For each indicator, the first line is the level and the italicized second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2
Real Gross Domestic Product: Nunavut
(2002 \$ millions; forecast completed Nov. 27, 2009)

	2009f	2010f	2011f	2012f	2013f	2014f	2015f	2016f	2017f	2018f	2019f	2020f
Other primary	2.4	2.4	2.4	2.5	2.6	2.6	2.7	2.8	2.9	2.9	3.0	3.1
	-3.5	-0.5	1.8	2.5	2.6	3.1	2.9	2.8	2.5	2.3	2.4	2.3
Mining	7.2	97.3	116.7	122.6	129.0	135.5	142.2	226.0	262.8	276.1	273.2	232.4
	-47.2	1,256.7	19.9	5.1	5.2	5.0	5.0	58.9	16.3	5.0	-1.0	-14.9
Metal mining	0.0	89.5	107.2	112.6	118.2	124.1	130.3	213.5	249.7	262.2	258.3	215.8
	n.a.	n.a.	19.9	5.0	5.0	5.0	5.0	63.8	17.0	5.0	-1.5	-16.4
Non-metal mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	-100.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mineral fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mining services	7.2	7.9	9.5	10.1	10.8	11.3	11.9	12.5	13.1	13.8	14.9	16.6
	3.0	10.0	20.0	6.2	7.0	5.4	4.8	4.8	5.0	5.8	7.9	11.2
Manufacturing	1.2	1.2	1.3	1.4	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8
	-28.6	1.9	5.8	7.1	6.3	3.8	2.4	2.6	2.6	3.2	3.0	2.8
Construction	133.1	118.1	117.7	116.4	114.6	142.5	144.3	121.1	123.8	127.3	130.3	133.5
	-46.7	-11.3	-0.4	-1.0	-1.6	24.4	1.2	-16.1	2.3	2.8	2.4	2.4
Utilities	20.3	20.5	21.5	22.9	24.0	24.8	25.5	26.1	26.7	27.4	28.0	28.6
	0.4	0.8	5.3	6.1	5.0	3.4	2.8	2.4	2.3	2.5	2.3	2.1
Goods-producing industries	143.9	219.1	238.1	243.0	247.6	282.2	290.8	351.5	391.2	408.0	408.3	370.8
	-46.2	52.2	8.7	2.1	1.9	14.0	3.1	20.9	11.3	4.3	0.1	-9.2
Transportation, warehousing, information and cultural industries	57.0	60.6	62.4	63.3	64.3	67.2	68.4	72.0	74.7	76.2	76.8	75.7
	-3.2	6.3	3.0	1.6	1.5	4.5	1.7	5.4	3.7	2.0	0.9	-1.5
Wholesale and retail trade	75.8	78.3	81.5	85.7	90.2	95.2	98.5	100.6	104.0	107.3	110.3	113.0
	8.9	3.4	4.1	5.2	5.2	5.5	3.5	2.2	3.3	3.2	2.8	2.5
Finance, insurance, and real estate	181.7	185.0	188.9	193.7	197.7	200.8	203.6	206.9	209.8	212.5	215.6	218.6
	1.2	1.8	2.1	2.5	2.1	1.6	1.4	1.7	1.4	1.3	1.5	1.4
Commercial services	61.8	62.5	63.9	65.2	67.1	68.7	69.1	69.1	70.6	72.4	74.1	75.7
	-1.7	1.0	2.3	2.1	3.0	2.4	0.5	0.1	2.1	2.6	2.2	2.2
Non-commercial services	205.7	213.8	220.4	227.1	233.8	240.0	246.2	251.8	257.8	264.2	270.5	276.7
	1.8	3.9	3.1	3.0	3.0	2.7	2.6	2.3	2.4	2.5	2.4	2.3
Public administration and defence	278.4	285.9	292.9	299.5	305.9	311.9	317.8	323.4	328.6	333.5	338.2	342.8
	2.5	2.7	2.4	2.3	2.1	2.0	1.9	1.8	1.6	1.5	1.4	1.3
Service-producing industries	860.3	886.1	909.8	934.5	959.1	983.9	1,003.6	1,024.0	1,045.5	1,066.0	1,085.6	1,102.4
	1.8	3.0	2.7	2.7	2.6	2.6	2.0	2.0	2.1	2.0	1.8	1.6
All industries	1,019.9	1,121.0	1,164.9	1,195.8	1,226.1	1,286.3	1,315.2	1,397.0	1,458.8	1,496.8	1,517.3	1,497.2
	-9.6	9.9	3.9	2.7	2.5	4.9	2.3	6.2	4.4	2.6	1.4	-1.3

f = forecast; n.a. = not applicable
For each industry, the first line is the level and the italicized second line is the percentage change from the previous period.
Sources: The Conference Board of Canada; Statistics Canada.

Table 3
Nunavut Territorial Government Revenues
(\$ millions)

	2007-08	2008-09	2009-10f	2010-11f	2011-12f	2012-13f	2013-14f	2014-15f	2015-16f	2016-17f	2017-18f	2018-19f	2019-20f	2020-21f
Total revenues	1,102.5	1,169.5	1,252.2	1,318.8	1,393.6	1,474.3	1,557.1	1,632.9	1,709.3	1,789.9	1,870.8	1,952.7	2,036.2	2,124.1
	-10.0	6.1	7.1	5.3	5.7	5.8	5.6	4.9	4.7	4.7	4.5	4.4	4.3	4.3
Own-source revenues	127.9	106.0	121.6	129.3	135.9	143.0	149.6	156.4	162.7	171.4	179.0	186.5	193.5	199.3
	39.8	-17.1	14.8	6.3	5.1	5.2	4.6	4.5	4.0	5.3	4.4	4.2	3.8	3.0
Personal income taxes	12.5	12.8	13.5	14.0	15.0	16.0	17.1	18.6	19.7	20.6	21.9	23.2	24.4	25.7
	n.a.	2.5	5.2	4.2	6.8	6.7	7.0	8.9	6.0	4.3	6.3	6.0	5.5	5.2
Corporate taxes	6.6	7.4	7.1	10.4	11.8	13.7	15.0	15.6	16.5	20.2	22.0	23.6	24.8	24.6
	n.a.	12.5	-3.7	45.7	14.0	15.7	9.8	3.9	5.6	22.9	8.7	7.3	5.0	-0.6
Tobacco taxes	11.7	11.7	11.8	12.3	12.8	13.4	13.9	14.3	14.9	15.3	15.8	16.4	16.9	17.4
	n.a.	0.4	0.9	4.3	4.1	4.0	3.8	3.5	3.7	3.0	3.4	3.4	3.2	3.2
Payroll taxes	14.7	15.1	14.4	14.9	15.7	16.6	17.5	18.8	19.8	20.5	21.6	22.6	23.7	24.7
	n.a.	3.0	-5.0	3.5	5.7	5.6	5.8	7.4	5.0	3.6	5.3	5.0	4.6	4.3
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other own-source revenues	82.5	59.0	74.9	77.7	80.6	83.4	86.1	89.0	91.9	94.8	97.7	100.7	103.8	106.9
	n.a.	-28.5	27.0	3.8	3.7	3.5	3.2	3.3	3.2	3.2	3.1	3.1	3.0	3.0
Transfers from Government of Canada	974.6	1,063.6	1,130.6	1,189.5	1,257.6	1,331.3	1,407.5	1,476.5	1,546.6	1,618.6	1,691.8	1,766.2	1,842.7	1,924.7
	-14.1	9.1	6.3	5.2	5.7	5.9	5.7	4.9	4.7	4.7	4.5	4.4	4.3	4.5
CHT	25.1	26.3	27.2	29.3	31.9	34.6	37.4	40.0	42.9	46.0	49.0	52.2	55.6	59.2
	8.0	4.6	3.5	7.8	8.6	8.7	8.1	6.8	7.2	7.4	6.6	6.5	6.5	6.5
CST	10.6	10.6	10.6	11.4	12.2	13.0	13.7	14.3	15.1	15.9	16.6	17.3	18.1	18.9
	0.1	0.0	0.0	7.3	6.4	6.6	5.9	4.3	5.1	5.5	4.4	4.4	4.5	4.6
Other transfers from Government of Canada	46.0	82.6	70.7	71.7	72.8	73.9	74.9	76.0	77.0	78.1	79.1	80.0	80.9	81.8
	-82.0	79.7	-14.4	1.5	1.5	1.5	1.5	1.4	1.4	1.3	1.3	1.2	1.1	1.1
Territorial Formula Financing	892.9	944.0	1,022.1	1,077.0	1,140.8	1,209.9	1,281.4	1,346.2	1,411.7	1,478.6	1,547.1	1,616.7	1,688.0	1,764.7
	5.8	5.7	8.3	5.4	5.9	6.1	5.9	5.1	4.9	4.7	4.6	4.5	4.4	4.5
Expenditure base	n.a.	n.a.	1,138.0	1,200.8	1,266.8	1,336.3	1,407.4	1,476.8	1,546.4	1,617.3	1,689.6	1,763.4	1,839.2	1,920.5
	n.a.	n.a.	n.a.	5.5	5.5	5.5	5.3	4.9	4.7	4.6	4.5	4.4	4.3	4.4
Fiscal capacity	n.a.	n.a.	116.0	123.8	126.0	126.4	126.0	130.6	134.7	138.7	142.5	146.8	151.2	155.8
	n.a.	n.a.	n.a.	6.7	1.7	0.4	-0.4	3.7	3.2	3.0	2.7	3.0	3.0	3.0
Residual*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

f = forecast; n.a. = not available

* Calculated as the historical difference between territorial notional allocation of CST and CHT cash transfers and the same variables as calculated by Federal Finance.

Note: Unless otherwise indicated, the first line represents the level at the end of the period, and the second line the annual percentage change.

Sources: The Conference Board of Canada; Nunavut Finance Public Accounts; Finance Canada.

Table 4
Nunavut Territorial Government Expenditures, Budgetary Balance, and Net Debt
(\$ millions)

	2007-08	2008-09	2009-10f	2010-11f	2011-12f	2012-13f	2013-14f	2014-15f	2015-16f	2016-17f	2017-18f	2018-19f	2019-20f	2020-21f
Total expenditures	1,061.8	1,194.6	1,155.9	1,252.1	1,318.1	1,391.4	1,467.3	1,548.3	1,632.4	1,720.1	1,812.6	1,909.2	2,011.1	2,117.0
	-1.7	12.5	-3.2	8.3	5.3	5.6	5.5	5.5	5.4	5.4	5.4	5.3	5.3	5.3
Program spending	1,121.7	1,317.9	1,196.7	1,252.1	1,318.1	1,391.4	1,467.3	1,548.3	1,632.4	1,720.1	1,812.6	1,909.2	2,011.1	2,117.0
	-0.5	17.5	-9.3	4.7	5.3	5.6	5.5	5.5	5.4	5.4	5.4	5.3	5.3	5.3
Health*	263.3	275.6	262.9	277.9	294.6	313.6	331.9	351.7	371.3	391.9	414.1	437.0	462.5	488.5
	-5.3	4.7	-4.6	5.7	6.0	6.4	5.8	6.0	5.6	5.6	5.7	5.5	5.9	5.6
Share of total spending (%)	24.8	23.1	22.7	22.2	22.4	22.5	22.6	22.7	22.7	22.8	22.8	22.9	23.0	23.1
Education	197.0	232.3	209.9	214.6	219.6	225.7	232.2	238.9	246.3	254.0	262.5	271.9	281.2	290.5
	-0.7	18.0	-9.7	2.2	2.4	2.8	2.8	2.9	3.1	3.1	3.3	3.6	3.4	3.3
Share of total spending (%)	18.6	19.4	18.2	17.1	16.7	16.2	15.8	15.4	15.1	14.8	14.5	14.2	14.0	13.7
Other program spending	661.4	809.9	723.0	759.6	803.9	852.1	903.3	957.8	1,014.8	1,074.2	1,136.0	1,200.4	1,267.4	1,338.0
	1.6	22.5	-10.7	5.1	5.8	6.0	6.0	6.0	6.0	5.9	5.8	5.7	5.6	5.6
Debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary balance	40.7	-60.4	20.4	142.6	151.4	158.8	165.7	160.5	152.8	145.7	134.1	119.4	101.0	83.0
	-72.0	-248.5	-133.8	597.8	6.1	4.9	4.3	-3.2	-4.8	-4.6	-8.0	-11.0	-15.4	-17.9
Net debt	-62.9	120.8	140.2	-2.4	-153.7	-312.5	-478.2	-638.7	-791.6	-937.3	-1,071.4	-1,190.8	-1,291.8	-1,374.7
	-23.2	-292.0	16.1	-101.7	6,360.7	103.3	53.0	33.6	23.9	18.4	14.3	11.1	8.5	6.4

f = forecast; n.a. = not available

*Includes both health and social services expenditures.

Note: Unless otherwise indicated, the first line represents the level at the end of the period, and the second line the annual percentage change.

Sources: The Conference Board of Canada; Nunavut Finance Public Accounts; Finance Canada.

Boom, Bust, and Boom

Chapter Summary

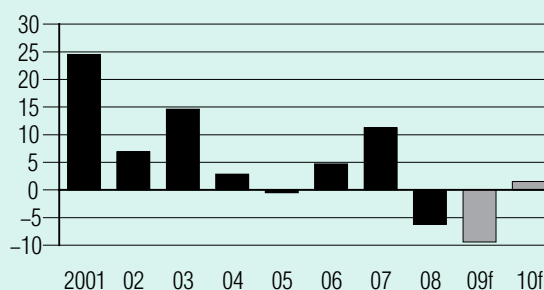
- ◆ GDP is expected to bounce back in 2010 with a gain of 1.5 per cent.
- ◆ With a large proportion of GDP attributable to the high value-added mining industry, the N.W.T. has Canada's highest GDP per capita.
- ◆ Investment in the territory fell by an estimated 20.6 per cent in 2009 and is expected to drop by 19.1 per cent in 2010.

The economy of the Northwest Territories is heavily dependent on natural resources. Not surprisingly the economy boomed during the recent surge in commodity prices. Unfortunately, as commodity prices plunged over the second half of 2008 and the early part of 2009, the outlook for the N.W.T. quickly deteriorated. While the near-term prospects are bleak, a sizable reserve of untapped natural gas and minerals will ensure that the N.W.T. economy soon reaps the benefits of its plentiful resource base once again.

After contracting in 2008, real gross domestic product in the territory fell by an estimated 9.4 per cent in 2009. Conditions in the mining sector started to improve over the second half of the year, and that trend is expected to continue into 2010. GDP is expected to bounce back in 2010, posting a gain of 1.5 per cent. (See Chart 1.)

Chart 1

Real GDP Growth Contracts Sharply in 2009
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

MEDIUM-TERM OUTLOOK

MINING

The mining industry is king in the Northwest Territories, directly accounting for roughly 35 per cent of total real GDP in 2008. Since 1999, real mining output in the N.W.T. has almost tripled thanks to the development of the territory's diamond resources. This strong resource development has propelled average annual compound GDP growth of 6.7 per cent in the territory from 2000 to 2008, more than double the 2.6 per cent average annual growth for Canada as a whole. Mining—and, in particular, diamond mining—is a very high value-added activity with relatively few workers required to produce large amounts of output. With a large proportion of GDP attributable to the high value-added mining industry, the N.W.T.

has by far the highest GDP per capita in the country. In 2008, real GDP per capita in the territory was \$86,280—well above Alberta’s \$50,007, and more than double the national average of \$39,727.

While the territory does produce tungsten, oil, and natural gas, its largest mining industry by far is diamonds. The diamond industry influences most aspects of the N.W.T.’s economy. Manufacturing in the territory is largely involved with the cutting and polishing of diamonds. The construction sector thrives on putting infrastructure in place at the diamond mines. And bringing equipment and supplies to the diamond mining camps is one of the key roles of the transportation sector. The service sector also relies on the diamond industry. Wholesalers do business with the mines directly. Businesses in the territory provide services to the mines; and of course, the service sector benefits from the high wages paid to the mines’ workers.

The global economic downturn has led to lower prices and less demand for jewellery-quality diamonds, prompting diamond producers in the N.W.T. to scale back mining activities.

Real GDP in the mining sector fell by an estimated 16.3 per cent in 2009 led by declines in diamond mining. A turnaround in global economic performance will precipitate a rise in commodity prices, which in turn will help boost mining sector output by 11 per cent in 2010.

The global economic downturn has led to lower prices and less demand for jewellery-quality diamonds, prompting diamond producers in the N.W.T. to scale back mining activities. Construction at Snap Lake was completed in 2008, and initially a full year of production was expected at the operation in 2009. Early in 2009, however, De Beer’s—the owner of Snap Lake—announced that it was laying off 128 workers and would suspend operations at the mine for a period of 10 weeks. More significant were the two separate six-week work stoppages planned at the larger Diavik mine site. However, the operators of Diavik announced in mid-September 2009 that due to improving market conditions they had cancelled the

second shutdown planned to begin late in 2009. Harry Winston Diamond Corp.—part owner of the Diavik mine—recently noted that while demand is still slumping in the United States, strong demand from India and Asia has been boosting prices and sales. Nonetheless, the summer shutdown at Diavik and the 10-week shutdown at Snap Lake resulted in an estimated decline of 18.6 per cent in non-metal mining output in the territory in 2009, with the ripple effect felt throughout the entire economy. In 2010, Diavik will concurrently operate its open pit and new underground mining operations at the site. This fact, coupled with improving conditions in the diamond market, will push non-metal mining up by 14.6 per cent in 2010.

The only metal mine currently operating in the N.W.T. is North American Tungsten’s Cantung tungsten mine. Metal mining is set to drop as the Cantung mine was put on “care and maintenance” in October 2009, with production not expected to resume until mid-2010. As a result, output in the metal mining sector dropped by an estimated 12.5 per cent in 2009 and is forecast to plunge by another 21.8 per cent in 2010.

Oil and gas extraction has been on a downward trend in the territory over the past few years. Oil production has been dropping steadily since 1997 while natural gas production peaked in 2001 and has been on a steady decline ever since. This trend is expected to continue over the forecast period, with mineral fuel mining contracting by 0.4 per cent in 2010.

CONSTRUCTION

The construction sector is set to contract significantly over the near term due to the completion of the Snap Lake mine and the wrapping up of work on the Diavik underground expansion. Work at the Snap Lake project was completed in early 2008, and the subsequent decline in construction expenditures at that mine site is reflected in declining private investment. Construction is almost complete at Diavik’s \$565-million underground expansion. Overall, private investment—which includes non-government expenditures on structures and machinery and equipment—dropped by an estimated 25.5 per cent in 2009 and is expected to fall 24.4 per cent in 2010.

The territorial government is working to stimulate the economy through infrastructure investment. The government's 2009–10 infrastructure budget was approved last October and involves spending over \$700 million during the next five years. Including federal contributions, the territorial government expects to spend a record \$484 million on infrastructure in fiscal 2009–10. In total, government investment increased by an estimated 27.1 per cent in 2009 and is forecast to rise by 11.1 per cent in 2010.

Home renovation and new home construction will also prop up investment expenditures in the territory, with 2009's estimated growth of 10.4 per cent expected to be followed by a 2.4 per cent increase in 2010. But the staggering decline in private business investment will more than offset the strength in government and residential investment. As such, total investment in the territory will fall by 19.1 per cent in 2010. Declining investment will push output in the construction industry down by 20.4 per cent in 2010.

SERVICE SECTOR

When the Snap Lake diamond mine was under construction, large amounts of materials and equipment needed to be shipped to the mine site, boosting transportation activity. With construction activity now complete, transportation requirements have fallen. Similarly, reduced mining activity will mean that fewer supplies will need to be delivered to mine sites and that less finished product will be shipped from the mines. Overall, real output in the transportation sector fell by an estimated 4.4 per cent in 2009. Despite another contraction expected in the construction industry in 2010, transportation and warehousing is expected to increase by 0.4 per cent thanks to a rebound in the mining sector.

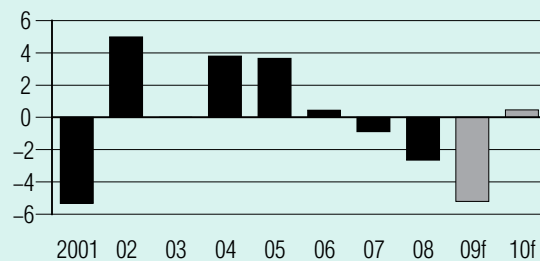
While service sector companies have certainly been affected by declining output in the diamond and construction industry, they have also been affected by a large drop-off in mining exploration activity in the territory. The surge in commodity prices sent companies rushing to the N.W.T. in search of untapped metal, diamond, oil, and

natural gas deposits. The drop-off in commodity prices, coupled with the credit crunch that inhibited junior mining companies from raising the funds they need to undertake exploration, has led to a decline in drilling and exploration activity in the territory. With only one company conducting exploratory drilling in 2009, and with mineral exploration expenditures expected to drop from \$133 million in 2008 to just \$28 million in 2009, businesses that rely on these expenditures were greatly affected.

The government's 2009–10 infrastructure budget was approved last October and involves spending over \$700 million during the next five years.

As of September 2009, year-to-date retail sales were down 3.7 per cent. Weak labour markets curtailed consumer demand. (See Chart 2.) Wholesalers also struggled due to the declines in mining and construction output. Year-to-date wholesale sales were down 12.2 per cent as of September. In 2010, a recovery in the goods-producing side of the economy will benefit the service sector, leading to an expected increase of 0.4 per cent in commercial services and growth of 1.5 per cent for retail and wholesale trade output.

Chart 2
Downturn Hits Labour Market Hard
(percentage change, employment)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

LONG-TERM OUTLOOK

DEMOGRAPHIC OUTLOOK

Long-term economic forecasts are largely determined by demographic projections, as it is a population's demographic structure that determines the labour input available for production in an economy. While the future demography of the territory certainly influences its long-term outlook, an examination of the N.W.T.'s long-term prospects must include an analysis of its mineral development. Since the N.W.T. has a relatively small economy and huge deposits of undeveloped resources, the commercialization of its resource base will result in a much different forecast than a demographic projection alone would suggest. While there are a host of projects in the developmental stages, most are not at an advanced enough stage to be incorporated into the forecast. This forecast assumes that Fortune Mineral's NICO project and the Mackenzie gas pipeline (MGP) project will proceed during the forecast's time frame.¹

Migration flows are expected to detract from population growth until 2017 when the MGP begins construction.

There are many factors that influence the long-term demographic projection for the N.W.T., including an aging population, a decelerating natural increase in the population, and a continuation of the past trend of negative net migration. Population aging is an issue facing most jurisdictions across the country, and while the territory's population will age over the forecast period, the problem is much less acute here than it is for the country as a whole. In 2008, just 5.1 per cent of the N.W.T.'s population was over 65. This number will gradually increase over the forecast period; and by 2020, the share of the population aged 65 and over will reach 10.4 per cent. Nationally, 13.7 per cent of the population was over the age of 65 in 2008; and by 2020, that proportion is expected to increase to 17.9 per cent.

An aging population means that over the forecast period the territory's natural rate of increase (defined as the number of births minus the number of deaths) will decelerate.

Though advances in medical technology should extend life expectancy, a steady increase in the seniors' share of the population will ultimately increase the death rate. The annual number of deaths in the territory is expected to jump by approximately 73 per cent over the long term, from 172 in 2008–09 to 297 in 2020–21. With the number of births in the territory expected to increase by only 13.4 per cent over the same period—from 696 to 789—the natural rate of increase will decelerate.

The fertility rate in the N.W.T. is 2.08—just marginally below the standard replacement rate of 2.1. However, the gradual aging of the population means that a smaller cohort will replace the women currently in their prime childbearing years. While the fertility rate is close to the standard replacement rate, the smaller cohort of women who are of prime childbearing age will also result in a deceleration in the natural rate of population increase. The annual natural rate of increase in the population is expected to drop from 524 in 2008–09 to 492 in 2020–21. This slowdown in the natural rate of increase will be compounded by negative net migration.

The N.W.T. has, for the most part, enjoyed positive net international migration. However, the number of people leaving the territory for other parts of Canada continues to outpace those migrating from other parts of the country and from around the world. As a result the territory loses population every year due to migration flows. (There are, however, occasional exceptions to the pattern. During the construction of the Diavik mine, for example, the territory experienced positive migration as the large-scale construction project attracted workers.)

Over the forecast, migration flows are expected to detract from population growth until 2017 when the MGP begins construction. This massive project is expected to draw hundreds of new residents to the territory. The territorial government has recognized the need to attract more migrants. In August 2009, it launched a nominee program similar to those in other jurisdictions, including Yukon. Applications under the nominee program will be given priority by Citizenship and Immigration Canada, and applicants can be nominated for permanent residency under the following four categories: skilled worker, critical impact worker (service and hospitality sector occupations), entrepreneur business, and self-employed

¹ Assuming that remaining land claim issues are resolved.

business. Nominee programs have been successful in other parts of the country, and if the N.W.T. program is able to mirror some of those successes, it may be able to boost international migration by more than currently forecast.

INDUSTRY ANALYSIS

This outlook assumes that construction of Fortune Minerals' NICO gold-cobalt-bismuth project will begin in 2011 and wrap up in 2012. The project is expected to cost \$125 million, which will help push up construction output in the territory by 4.3 per cent in 2011 and 1.5 per cent in 2012. Estimated capital costs were initially much higher, but the company now plans to build the hydro-metallurgical processing plant at a site in southern Canada. When the mine begins producing in 2013, it will add significantly to metal mining output in the territory, with growth of 159 per cent expected that year.

Discussions around the construction of the MGP have been going on for decades. It is uncertain exactly when or if this project will begin. Regulatory approval is still pending, costs are escalating, and natural gas prices are currently below the level that would make the project viable. However, the Conference Board believes that by 2017, natural gas prices will be high enough to make it an attractive project and that construction will begin on the MGP. (See box "Finding the Time: When Will the Market Support Arctic Gas Development?")

It is estimated that the MGP will cost \$16.2 billion and will be constructed over a four-year period from 2017 to 2020. To put the size of this project into perspective, nominal GDP in the N.W.T. was \$5.4 billion in 2008—meaning that the cost of the MGP is three times the entire current GDP of the territory. Obviously, the development of this project will have massive implications for the economy. Staffing requirements for the construction phase of the project are considerable. Indeed, employment among the territory's residents is expected to increase by 3,340 between 2017 and 2019. Because the N.W.T. does not have a labour force large enough to accommodate such massive increases in employment, the high-paying construction jobs will attract migrants to the territory to fill the jobs, helping to boost population growth during the development phase. However, not

Finding the Time: When Will the Market Support Arctic Gas Development?

During the recent economic boom, which saw natural gas prices hit record highs, companies were lured to the N.W.T. by the prospect of finding massive gas reserves. In 2008, BP Energy paid a record \$1.18 billion for the rights to explore 202,380 hectares in the Beaufort Sea. But the market for natural gas has changed a lot since then. The AECO spot price was over \$11 per thousand cubic feet (mcf) in mid-2008 but by the end of the year had dropped to \$6 per mcf due to lower demand and high natural gas inventories. By this past summer, the price had fallen below \$3 per mcf. In this climate, exploration for Arctic gas was no longer an attractive prospect. When Indian and Northern Affairs Canada posted a call in December 2008 for nominations for parcels of land to drill for oil and gas in the Central Mackenzie Valley and Beaufort Sea–Mackenzie Delta regions, not a single company placed a bid by the required date.

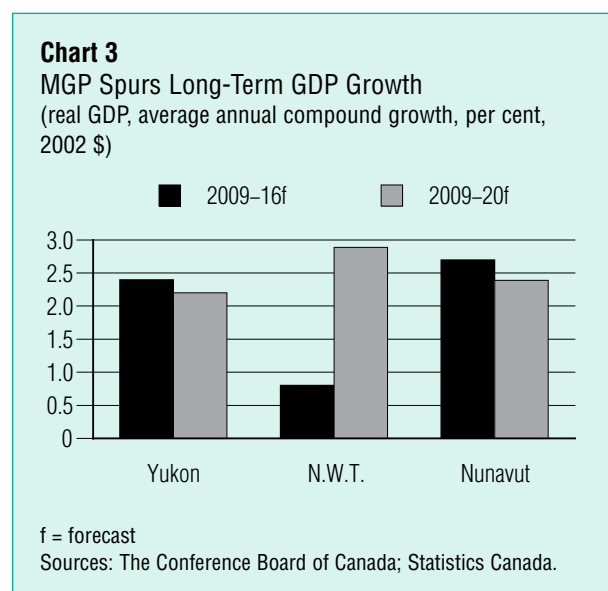
Currently, low natural gas prices make the construction of the MGP seem unattractive—at \$16.2 billion, the project is simply not worth undertaking as long as natural gas prices are hovering around \$4 per mcf. What matters to the MGP partners is not where prices are now but where they will be when gas starts flowing through the pipeline. As industrial production begins to accelerate across North America, demand for natural gas will pick up and inventories will be depleted, putting upward pressure on prices. Additionally, natural gas is a substitute for oil in many cases, and firms are expected to take advantage of relatively low natural gas prices and switch from oil to natural gas, lending further upward pressure to natural gas prices.

The Mackenzie–Beaufort region has huge potential, with estimated prospective resources of approximately 1.7 trillion cubic metres of natural gas. Long-term demand for natural gas suggests that development of reserves in the North will eventually be exploited. Natural gas prices are expected to be in the double-digit range again by 2016, making the Mackenzie Gas Project feasible from an investment standpoint. However, there are many factors that make the development of the MGP an uncertain proposition. Agreements with all the Aboriginal groups have yet to be reached, and as of this writing, stakeholders were still waiting for the much-delayed assessment from the Joint Review Panel on the Mackenzie Gas Project (now due in December 2009). Perhaps most importantly, the potential to extract enormous quantities of natural gas from huge shale deposits that were previously untapped due to technological constraints will exert uncertain pressure on prices in the future.

all the workers employed on the project will permanently reside in the territory—so the figure of 3,340 new jobs created in the N.W.T. actually significantly understates the project's employment impact. When including those employees who will maintain residences elsewhere, the number of jobs created in the territory between 2017 and 2019 jumps to 9,270! Of these new jobs, almost 7,000 are expected to be in the well-paying construction industry.

The strong employment and population growth will propel gains in the service side of the economy as the territory's new residents boost local demand for services. Particularly large jumps will be observed in transportation, wholesale and retail trade, and commercial services. All together the output growth in the service, construction, and transportation sectors due to the MGP will help push real GDP growth in the territory up by more than 15 per cent in both 2017 and 2018.

Thanks to the construction of the MGP, average annual compound growth in real GDP is expected to be higher in the N.W.T. than in the other territories. From 2009 to 2020, average annual compound growth in GDP is expected to be 2.9 per cent, compared with 2.4 per cent in Nunavut and 2.2 per cent in Yukon over the same period. However, if the time frame is restricted to 2009 through 2016 so as to exclude growth generated by the MGP project, the N.W.T. has the weakest average annual compound growth in GDP amongst the three territories. (See Chart 3.)



PUBLIC ACCOUNTS

The N.W.T. government is poised to experience a substantial improvement in its financial position over the next 11 fiscal years. Territorial surpluses are forecast to grow rapidly after 2009–10, expanding from \$57.6 million in the current fiscal year to \$312 million by 2020–21. This will allow the N.W.T. government to achieve a net negative fiscal debt of \$2.26 billion by the end of the forecast period, offering the territory significant fiscal manoeuvring room to either implement new policies or to broaden the scope of public services under a balanced budget framework.

Income tax and payroll tax collections will approximately double in nominal value over the forecast period.

Total own-source revenues in the N.W.T. will grow at an average annualized compound rate of 11.1 per cent between 2009–10 and 2020–21, raising total corporate tax collections from \$82.2 million this fiscal year to \$263.5 million by the final year of the forecast. Personal income tax and payroll tax collections will approximately double in nominal value over the forecast period, reflecting the influx of workers required to develop the Diavik Diamond Mine's \$563-million underground expansion in 2008–09, the \$125-million NICO gold, cobalt, and bismuth mine in 2011–12, and the \$16.2-billion extension of the Mackenzie Valley Natural Gas Pipeline between 2017 and 2020.

Cash transfers from the federal government will rise by an average annual compound rate of 3.3 per cent between 2009–10 and 2020–21 to meet growing demand for public services in the territory. However, as much of the population influx will be adult employees of the expansionary mining and construction projects, total territorial expenses will increase at a slower pace than revenue generation, prompting only a \$385.6 million increase in total Territorial Formula Financing (TFF) funding from the federal government over the forecast period. Health spending as a share of total government expenditures will rise only modestly, going from 25.2 per cent to 28.8 per cent by 2020–21, while education will account for an increasingly smaller portion of total funds.

Table 1
Key Economic Indicators: Northwest Territories
(forecast completed Nov. 27, 2009)

	2009f	2010f	2011f	2012f	2013f	2014f	2015f	2016f	2017f	2018f	2019f	2020f
GDP at basic prices (2002 \$ millions)	3,382.2	3,434.5	3,688.8	3,474.9	3,684.7	3,769.8	3,858.5	3,969.3	4,567.3	5,274.0	5,363.5	5,253.2
	-9.4	1.5	7.4	-5.8	6.0	2.3	2.4	2.9	15.1	15.5	1.7	-2.1
GDP at market prices (\$ millions)	4,782.8	4,970.4	5,469.8	5,289.7	5,757.2	6,037.4	6,318.8	6,645.1	7,808.0	9,212.6	9,585.0	9,605.0
	-11.7	3.9	10.0	-3.3	8.8	4.9	4.7	5.2	17.5	18.0	4.0	0.2
Consumer Price Index, Yellowknife (2002 = 1.00)	1.15	1.18	1.21	1.24	1.27	1.29	1.32	1.35	1.37	1.40	1.43	1.46
	0.2	2.6	2.5	2.3	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Average weekly wage (\$ industrial composite)	817.5	831.2	856.7	887.2	919.4	953.3	987.2	1,022.4	1,076.3	1,134.5	1,182.8	1,217.0
	4.3	1.7	3.1	3.6	3.6	3.7	3.6	3.6	5.3	5.4	4.3	2.9
Personal income (\$ millions)	2,355.8	2,420.5	2,517.9	2,592.0	2,703.5	2,809.7	2,916.1	3,065.3	3,384.1	3,761.7	3,980.6	4,005.3
	-0.5	2.7	4.0	2.9	4.3	3.9	3.8	5.1	10.4	11.2	5.8	0.6
Personal disposable income (\$ millions)	1,873.1	1,925.8	2,002.9	2,061.0	2,149.1	2,233.5	2,317.8	2,436.6	2,690.9	2,992.3	3,166.4	3,185.9
	-0.2	2.8	4.0	2.9	4.3	3.9	3.8	5.1	10.4	11.2	5.8	0.6
Personal savings rate (per cent)	25.9	25.9	25.6	24.9	24.3	24.2	24.2	24.3	24.4	24.7	24.7	24.8
Population (000s)	43.2	43.2	43.1	43.1	43.1	43.0	42.9	42.8	43.4	44.5	44.3	43.7
	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	1.6	2.4	-0.4	-1.4
Labour force (000s)	22.4	22.5	22.5	22.5	22.4	22.4	22.3	22.6	23.9	25.5	26.1	25.6
	-4.3	0.5	0.0	-0.1	-0.3	-0.3	-0.2	1.1	5.8	6.8	2.5	-2.0
Employment (000s)	20.9	21.0	21.2	21.0	21.2	21.2	21.2	21.6	22.9	24.5	24.9	24.2
	-5.2	0.5	1.3	-0.8	0.6	0.2	0.1	1.6	6.2	6.8	1.7	-2.9
Unemployment rate (per cent)	7.0	7.0	5.8	6.5	5.7	5.2	4.9	4.4	4.0	4.0	4.7	5.6
Retail sales (\$ millions)	663.1	683.5	713.3	742.7	782.8	811.9	839.3	877.7	962.1	1,060.9	1,115.3	1,112.3
	-6.3	3.1	4.4	4.1	5.4	3.7	3.4	4.6	9.6	10.3	5.1	-0.3

f = forecast; n.a. = not applicable

For each indicator, the first line is the level and the italicized second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2
Real Gross Domestic Product: Northwest Territories
(2002 \$ millions; forecast completed Nov. 27, 2009)

	2009f	2010f	2011f	2012f	2013f	2014f	2015f	2016f	2017f	2018f	2019f	2020f
Other primary	16.1	16.0	16.3	16.7	17.1	17.7	18.2	18.7	19.2	19.6	20.1	20.6
	-3.5	-0.5	1.8	2.5	2.6	3.1	2.9	2.8	2.5	2.3	2.4	2.3
Mining	1,072.2	1,189.6	1,375.8	1,143.6	1,309.1	1,357.9	1,408.6	1,461.7	1,517.3	1,576.4	1,640.5	1,709.0
	-16.3	11.0	15.6	-16.9	14.5	3.7	3.7	3.8	3.8	3.9	4.1	4.2
Metal mining	27.3	21.4	30.4	31.2	80.6	82.5	84.5	86.5	88.6	90.7	92.9	95.1
	-12.5	-21.8	42.4	2.4	158.7	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Non-metal mining	841.3	964.1	1,139.6	905.2	1,018.4	1,064.2	1,112.1	1,162.2	1,214.5	1,269.1	1,326.2	1,385.9
	-18.6	14.6	18.2	-20.6	12.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Mineral fuels	188.4	187.6	186.9	186.1	185.2	184.3	183.3	182.4	181.5	180.6	179.7	178.8
	-3.5	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Mining services	15.2	16.5	18.9	21.1	24.9	26.9	28.7	30.5	32.7	35.9	41.6	49.1
	-28.0	9.0	14.0	12.0	18.0	8.0	6.5	6.5	7.0	9.9	16.0	18.0
Manufacturing	4.3	5.4	6.4	6.8	7.1	7.3	7.4	7.6	8.2	9.0	9.8	10.6
	-37.6	25.1	19.5	5.1	4.6	2.8	1.8	2.0	7.9	9.7	9.2	8.9
Construction	424.8	338.3	352.8	357.9	352.2	357.0	364.4	373.7	783.7	1,297.7	1,290.4	1,122.0
	-18.9	-20.4	4.3	1.5	-1.6	1.4	2.1	2.5	109.7	65.6	-0.6	-13.1
Utilities	60.0	59.9	61.0	63.7	65.8	67.0	67.8	68.3	70.1	72.7	73.2	72.9
	-0.1	0.0	1.7	4.5	3.3	1.8	1.2	0.8	2.6	3.8	0.7	-0.4
Goods-producing industries	1,517.4	1,549.4	1,751.3	1,525.0	1,685.6	1,739.9	1,798.7	1,861.6	2,328.3	2,902.7	2,960.8	2,862.2
	-17.0	2.1	13.0	-12.9	10.5	3.2	3.4	3.5	25.1	24.7	2.0	-3.3
Transportation, warehousing, information and cultural industries	336.3	337.6	357.8	335.7	351.9	357.0	362.2	367.6	415.8	472.2	477.2	467.2
	-4.4	0.4	6.0	-6.2	4.8	1.4	1.5	1.5	13.1	13.6	1.1	-2.1
Wholesale and retail trade	200.6	203.5	211.1	217.8	226.1	232.1	237.4	245.5	266.3	290.7	302.4	298.1
	-6.8	1.5	3.7	3.2	3.8	2.6	2.3	3.4	8.5	9.2	4.0	-1.4
Finance, insurance, and real estate	406.6	414.1	422.7	433.4	442.4	449.4	455.5	463.1	469.5	475.6	482.6	489.2
	1.2	1.8	2.1	2.5	2.1	1.6	1.4	1.7	1.4	1.3	1.5	1.4
Commercial services	245.9	246.8	254.4	259.7	265.3	269.9	275.8	297.3	332.1	348.3	348.6	346.2
	-2.3	0.4	3.1	2.1	2.1	1.7	2.2	7.8	11.7	4.9	0.1	-0.7
Non-commercial services	325.9	331.0	335.4	341.4	346.8	351.6	355.9	359.2	369.1	382.2	387.3	388.6
	-0.4	1.6	1.3	1.8	1.6	1.4	1.2	0.9	2.8	3.5	1.3	0.4
Public administration and defence	389.5	392.0	394.9	398.0	400.5	402.8	405.0	406.4	415.9	429.3	431.1	428.6
	-2.3	0.6	0.7	0.8	0.6	0.6	0.5	0.3	2.3	3.2	0.4	-0.6
Service-producing industries	1,904.7	1,925.0	1,976.3	1,986.0	2,033.1	2,062.7	2,091.8	2,139.1	2,268.7	2,398.4	2,429.2	2,417.9
	-2.1	1.1	2.7	0.5	2.4	1.5	1.4	2.3	6.1	5.7	1.3	-0.5
All industries	3,382.2	3,434.5	3,688.8	3,474.9	3,684.7	3,769.8	3,858.5	3,969.3	4,567.3	5,274.0	5,363.5	5,253.2
	-9.4	1.5	7.4	-5.8	6.0	2.3	2.4	2.9	15.1	15.5	1.7	-2.1

f = forecast; n.a. = not applicable

For each industry, the first line is the level and the italicized second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

Table 3
Northwest Territories Territorial Government Revenues
(\$ millions)

	2007-08	2008-09	2009-10†	2010-11†	2011-12†	2012-13†	2013-14†	2014-15†	2015-16†	2016-17†	2017-18†	2018-19†	2019-20†	2020-21†
Total revenues	1,305.7	1,258.6	1,300.8	1,386.5	1,423.8	1,477.4	1,549.3	1,601.2	1,647.8	1,699.2	1,815.4	1,967.8	2,020.4	2,028.9
	8.5	-3.6	3.4	6.6	2.7	3.8	4.9	3.4	2.9	3.1	6.8	8.4	2.7	0.4
Own-source revenues	346.4	350.6	344.4	370.0	398.7	408.7	436.8	456.3	472.6	492.9	552.4	629.1	655.1	658.1
	6.8	1.2	-1.8	7.4	7.8	2.5	6.9	4.5	3.6	4.3	12.1	13.9	4.1	0.5
Personal income taxes	50.0	74.8	65.9	67.6	71.1	73.4	77.0	80.6	84.1	89.4	102.1	117.5	126.0	125.8
	-38.7	49.6	-11.9	2.6	5.1	3.2	5.0	4.6	4.4	6.3	14.2	15.1	7.2	-0.2
Corporate taxes	104.9	68.8	82.2	101.5	121.1	124.1	143.6	154.3	162.2	171.5	205.8	251.4	261.7	263.5
	111.7	-34.4	19.5	23.4	19.4	2.4	15.7	7.5	5.1	5.7	20.0	22.1	4.1	0.7
Tobacco taxes	14.6	14.6	14.7	15.0	15.5	15.8	16.1	16.5	16.8	17.1	17.7	18.5	18.9	19.0
	n.a.	0.0	0.2	2.7	2.8	2.5	1.9	2.1	1.9	1.9	3.6	4.6	1.8	0.8
Payroll taxes	36.7	38.4	39.0	39.8	41.5	42.6	44.4	46.1	47.8	50.3	56.2	63.3	67.1	67.1
	n.a.	4.5	1.5	2.1	4.3	2.7	4.2	3.9	3.6	5.2	11.8	12.6	6.0	-0.1
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other own-source revenues	140.1	154.0	142.6	146.1	149.5	152.8	155.7	158.8	161.7	164.6	170.6	178.3	181.4	182.7
	n.a.	9.9	-7.4	2.4	2.3	2.2	1.9	2.0	1.8	1.8	3.6	4.5	1.7	0.7
Transfers from Government of Canada	959.3	908.0	956.4	1,016.5	1,025.1	1,068.7	1,112.5	1,145.0	1,175.2	1,206.3	1,263.0	1,338.7	1,365.2	1,370.8
	9.1	-5.4	5.3	6.3	0.8	4.2	4.1	2.9	2.6	2.6	4.7	6.0	2.0	0.4
CHT	25.5	26.8	26.8	28.8	30.8	33.3	35.4	37.4	39.4	40.7	41.3	42.0	42.7	45.6
	11.7	5.1	0.0	7.5	6.6	8.4	6.2	5.7	5.2	3.4	1.3	1.6	1.7	6.7
CST	12.5	13.8	14.0	14.8	15.1	15.7	16.0	16.3	16.5	16.3	15.5	14.4	13.7	14.4
	40.3	10.7	1.1	5.7	2.1	4.1	2.0	1.6	1.3	-0.9	-5.4	-6.6	-4.7	4.4
Other transfers from Government of Canada	76.7	55.5	52.0	81.1	50.0	51.1	52.0	53.1	54.0	55.0	57.0	59.6	60.6	61.1
	-18.5	-27.7	-6.2	55.8	-38.4	2.2	1.9	2.0	1.8	1.8	3.6	4.5	1.7	0.7
Territorial Formula Financing	842.8	804.9	864.2	891.8	929.3	968.6	1,009.0	1,038.2	1,065.3	1,094.2	1,149.2	1,222.7	1,248.2	1,249.8
	11.9	-4.5	7.4	3.2	4.2	4.2	4.2	2.9	2.6	2.7	5.0	6.4	2.1	0.1
Expenditure base	n.a.	n.a.	1,106.0	1,148.6	1,192.7	1,238.8	1,284.3	1,326.7	1,367.1	1,407.0	1,474.0	1,557.3	1,599.8	1,629.0
	n.a.	n.a.	n.a.	3.9	3.8	3.9	3.7	3.3	3.0	2.9	4.8	5.7	2.7	1.8
Fiscal capacity	n.a.	n.a.	242.0	256.8	263.4	270.2	275.3	288.5	301.8	312.7	324.8	334.6	351.6	379.2
	n.a.	n.a.	n.a.	6.1	2.6	2.6	1.9	4.8	4.6	3.6	3.9	3.0	5.1	7.8
Residual*	1.9	7.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

f = forecast; n.a. = not available

* Calculated as the historical difference between territorial notional allocation of CST and CHT cash transfers and the same variables as calculated by Federal Finance.

Note: Unless otherwise indicated, the first line represents the level at the end of the period, and the second line the annual percentage change.

Sources: The Conference Board of Canada; N.W.T. Finance Public Accounts; Finance Canada.

Table 4
Northwest Territories Territorial Government Expenditures, Budgetary Balance, and Net Debt
(\$ millions)

	2007-08	2008-09	2009-10f	2010-11f	2011-12f	2012-13f	2013-14f	2014-15f	2015-16f	2016-17f	2017-18f	2018-19f	2019-20f	2020-21f
Total expenditures	1,211.5	1,243.4	1,243.2	1,268.9	1,300.8	1,335.4	1,370.4	1,407.5	1,443.7	1,479.5	1,552.0	1,643.9	1,689.4	1,716.9
	8.6	2.6	0.0	2.1	2.5	2.7	2.6	2.7	2.6	2.5	4.9	5.9	2.8	1.6
Program spending	1,211.5	1,243.4	1,243.2	1,268.9	1,300.8	1,335.4	1,370.4	1,407.5	1,443.7	1,479.5	1,552.0	1,643.9	1,689.4	1,716.9
	8.6	2.6	0.0	2.1	2.5	2.7	2.6	2.7	2.6	2.5	4.9	5.9	2.8	1.6
Health*	312.9	308.9	313.0	325.9	339.2	353.0	367.2	381.7	396.5	411.6	434.8	463.3	480.5	493.7
	11.2	-1.3	1.3	4.1	4.1	4.1	4.0	4.0	3.9	3.8	5.7	6.5	3.7	2.7
Share of total spending (%)	25.8	24.8	25.2	25.7	26.1	26.4	26.8	27.1	27.5	27.8	28.0	28.2	28.4	28.8
Education	284.4	293.9	299.6	301.9	306.1	310.8	315.6	321.4	326.5	331.1	346.1	364.6	375.1	382.2
	6.2	3.3	2.0	0.8	1.4	1.5	1.6	1.8	1.6	1.4	4.5	5.3	2.9	1.9
Share of total spending (%)	23.5	23.6	24.1	23.8	23.5	23.3	23.0	22.8	22.6	22.4	22.3	22.2	22.2	22.3
Other program spending	614.2	640.7	630.5	641.1	655.6	671.5	687.6	704.4	720.7	736.9	771.2	816.1	833.8	841.0
	8.4	4.3	-1.6	1.7	2.3	2.4	2.4	2.4	2.3	2.2	4.6	5.8	2.2	0.9
Debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary balance	94.2	15.2	57.6	117.6	123.0	142.0	178.9	193.7	204.1	219.7	263.4	323.9	330.9	312.0
	7.4	-83.9	280.0	104.1	4.6	15.5	25.9	8.3	5.3	7.6	19.9	23.0	2.2	-5.7
Net debt	54.2	100.0	147.4	29.8	-93.2	-235.2	-414.1	-607.8	-811.9	-1,031.6	-1,294.9	-1,618.9	-1,949.8	-2,261.8
	25.0	-8.5	-19.2	-18.6	-6.8	10.4	25.8	28.9	28.5	27.0	25.1	23.1	21.2	19.8

f = forecast; n.a. = not available

* includes both health and social services expenditures.

Note: Unless otherwise indicated, for each indicator, the first line represents the level at the end of the period, and the second line the annual percentage change.

Sources: The Conference Board of Canada; N.W.T. Finance Public Accounts; Finance Canada.

Service Sector Sustains Growth

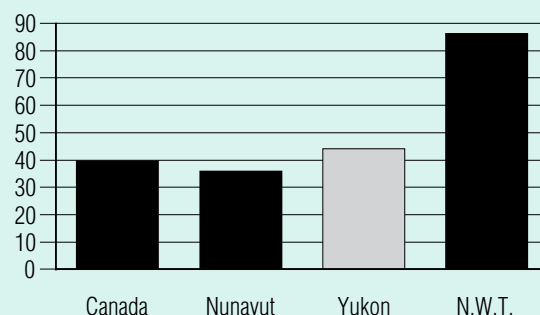
Chapter Summary

- ◆ Yukon’s well-diversified economy has enabled the territory to post solid gains during the last few years.
- ◆ Metal mining output is expected to grow by 34.3 per cent in 2010.
- ◆ An aging population will put upward pressure on health-care spending over the next 10 years.

Yukon did not fall into recession in 2009. There are a number of factors that enabled Yukon to post positive real gross domestic product growth. The largest economic sector in Yukon is the public sector—where large fluctuations are not the norm. Furthermore, the goods side of Yukon’s economy is more diversified than in the other territories. Finally, the Yukon economy is very dependent on the relatively stable service sector for growth, and service sector activity accounted for about 79 per cent of total GDP in 2009. These factors have helped to stabilize growth in Yukon in 2009, with GDP gaining an estimated 1.5 per cent. Growth is expected to accelerate to 4 per cent in 2010 as production begins at the Wolverine mine.

Yukon’s well-diversified economy has enabled the territory to post solid gains during the last few years, with annual compound growth in real GDP averaging 3.1 per cent from 2000 to 2008. While this is lower than the average annual gains posted by the other territories (which benefited from large gains in their mining industries), it compares favourably to the national level of 2.6 per cent growth over the same period. Real GDP per capita in Yukon is below that of its diamond-rich neighbour, the Northwest Territories—but it is higher than that in Nunavut and higher than the national average. In 2008, real GDP per capita in Yukon was \$44,111 compared with the national average of \$39,727. (See Chart 1.)

Chart 1
Yukon Per Capita GDP Above National Average
(\$ 000s, real GDP per capita, 2008)



Source: Statistics Canada.

MEDIUM-TERM OUTLOOK

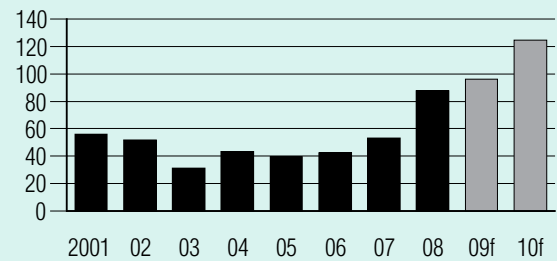
MINING

The mining industry has a long history of bringing prosperity to Yukon. Starting with the gold rush late in the 19th century and continuing to this day, the Yukon economy has been subject to the boom and bust conditions common in the mining sector. Depressed commodity prices throughout most of the 1980s and 1990s hit Yukon's mining sector hard. Some mines were closed during the period due to depressed prices, while others were shut down due to the depletion of their recoverable resources. Spending on exploration was at a low level during much of this time (although there was a small blip in the mid-1990s, which corresponded with higher metal prices). With little exploration activity taking place, there were few large deposits found and none that were economically viable given the low commodity prices of the late 1990s and early 2000s. A run-up in commodity prices earlier this decade renewed interest in Yukon's mineral potential, and exploration expenditures soared in the territory, jumping from just \$7.4 million in 2002 to \$129.1 million in 2007.

Manufacturing is expected to benefit from a rebound in global demand and will post a gain of 4 per cent in 2010.

The Minto copper mine—the first new mine developed in the territory in over a decade—came into production in mid-2007. This boosted metal mining in the territory significantly in 2007 and again in 2008 with the first full year of production. Phase three of Minto's expansion was completed in the fourth quarter of 2008 and production is estimated to have come in higher once again in 2009, with metal mining output growing by 11 per cent. Further boosting the near-term outlook for the metal mining sector is the anticipated opening of Yukon Zinc Corporation's Wolverine mine, which is expected to begin production mid-2010. With the Wolverine mine expected to process 1,700 tonnes of raw ore per day, metal mining output is expected to grow by 34.3 per cent in 2010. (See Chart 2.)

Chart 2
Mining Sector Takes Off
(2002 \$ millions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

In mid-November 2009, the territorial government issued a mining licence to the Alexco Resource Corporation for its Bellekeno silver-lead-zinc mine in the Keno Hill district. The company plans to start site development immediately so that operations can begin by the third quarter of 2010. Production over the project's five-year life is expected to peak at 400 tonnes of ore per day. This mine, which is not included in the forecast, provides an upside risk over the short and medium term.

MANUFACTURING

The manufacturing industry in Yukon has posted double-digit growth over the last few years but had a subpar performance in 2009. A breakdown of the manufacturing industry in Yukon by subsector is not available from Statistics Canada, due to confidentiality requirements. However, it is possible to glean information on the territory's manufacturing sector by examining the detailed export information available from Industry Canada. According to the export data, important manufacturing industries in Yukon include mining equipment, computer and peripheral equipment, aerospace products and parts, as well as a variety of wood-based products. The vast majority of Yukon's international exports are headed to the United States, and given the sharp decline in demand in the U.S., Yukon manufacturing companies have gone through a difficult period. However, manufacturing is expected to benefit from a rebound in global demand and will post a gain of 4 per cent in 2010.

CONSTRUCTION

Work on the Minto mine wrapped up in 2007, leading to a drop in construction the following year. The construction sector did not recover strongly in 2009 as declining residential investment offset strength in non-residential investment (which fared better here than in the rest of the country). The revised public and private investment intentions survey published by Statistics Canada in July 2009 shows a 5.2 per cent increase in investment. This compares with a projected decline of 10.4 per cent for Canada as a whole. The only other jurisdictions in Canada where investment did not falter were Saskatchewan and Newfoundland and Labrador.

Public capital expenditures are expected to grow by 6.1 per cent in 2010.

Helping to push non-residential investment higher in Yukon are the construction of the Wolverine mine and government investment in infrastructure. The Wolverine mine began construction in 2008, but capital expenditures intensified in 2009. The development should be completed in 2010. Overall, private investment—which includes non-government expenditures on structures and machinery and equipment—is expected to increase by 2.8 per cent in 2010.

The government is also helping to boost construction. Public capital expenditures are expected to grow by 6.1 per cent in 2010. There are a number of government-funded projects planned, including major transportation infrastructure initiatives, the new Whitehorse Correction Centre, and an expansion at the Erik Nielsen Whitehorse International Airport.

Investment will also receive a boost from Yukon's share of the \$2-billion-plus investment in social housing construction and renovation announced as part of the federal government's economic action plan. In total, almost \$60 million is expected to be spent in the territory over the next two years on construction of new housing and the renovating of existing social housing.

On the negative side, residential investment is expected to retreat. Residential permit data show that as of September 2009, the year-to-date value of building permits was down 16.2 per cent. Overall, it is expected that residential investment will grow moderately by 3.5 per cent in 2010.

Taken together, the nominal value of investment is expected to increase at a rate of 4.2 per cent in 2010, pushing real construction output up by 3.1 per cent.

SERVICE SECTOR

The service sector will expand at a decent pace of 2.1 per cent in 2010. The opening of the Wolverine mine will boost output in the goods-producing sectors by 12.9 per cent in 2010, and this increase in activity will help propel gains of 2.4 per cent in transportation, warehousing, and information.

As of September 2009, retail sales in the territory had fallen by 3.7 per cent year-to-date. Retail sales were negatively affected by job losses, and wholesale activities were pulled down by stalling momentum in both the goods and service sector industries. Output in the wholesale and retail trade sector retreated by an estimated 6 per cent in 2009; a bounce back in growth (4.1 per cent) is expected in 2010.

After losing momentum in the early months of 2009, the housing resale market in Yukon picked up steam in the second half of the year. The finance, insurance, and real estate sector grew by a modest 1.2 per cent in 2009. A stronger 1.8 per cent increase is expected in 2010 as income prospects improve.

Output in the wholesale and retail trade sector retreated by an estimated 6 per cent in 2009. A bounce-back in growth (4.1 per cent) is expected in 2010.

Labour demand retreated in 2009. Employment losses limited growth in labour income to just 0.5 per cent in 2009, which in turn capped gains in commercial services to just 1.4 per cent. In 2010, employment and labour income are expected to bounce back with growth of

2.5 per cent and 4.8 per cent respectively. Stronger income growth will help propel commercial services output up by 2 per cent in 2010.

Non-commercial services—which consist of health and education services—will continue to expand at a decent pace over the near term, with growth averaging 2.2 per cent over 2009–10. Output in public administration and defence will also continue to post steady growth, with the sector expanding by 1.6 per cent in 2010.

LONG-TERM OUTLOOK

DEMOGRAPHIC OUTLOOK

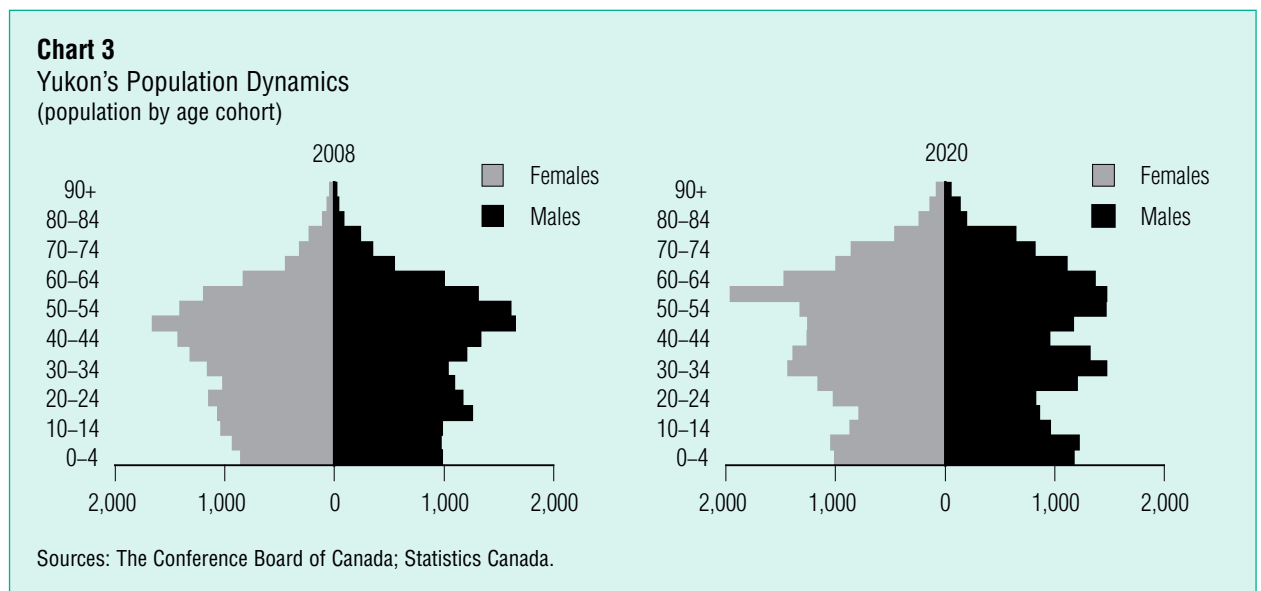
The demographic outlook drives the forecast for economic growth over the long term, as it is a population’s demographic structure that determines the labour input available for production in an economy. There are many factors that determine the long-term demographic projection for Yukon, including an aging population, a decelerating natural increase, and migration flows.

Population aging is an issue facing most jurisdictions across the country. Compared with the country as a whole, Yukon currently has a lower share of its population

over the age of 65. However, its population will age much faster over the forecast period, resulting in significant changes to its age structure. (See Chart 3.) In 2008, just 7.7 per cent of Yukon’s population was over 65, compared with the national average of 13.7 per cent. But by 2020, the proportion of the population over 65 in Yukon will rise to 15.4 per cent—a gain of 7.7 percentage points. Nationally, the share of the population aged 65 and older will increase by just 4.2 percentage points over that period to reach 17.9 per cent.

Employment losses limited growth in labour income to just 0.5 per cent in 2009.

An aging population means that over the forecast period the territory’s natural rate of increase (defined as the number of births minus the number of deaths) will decelerate. Though advances in medical technology should extend life expectancy, an increasingly large senior population will ultimately raise the death rate. The annual number of deaths in the territory is expected to increase by approximately 37 per cent over the long term, from 174 in 2008–09 to 239 in 2020–21. At the same time, the number of births in the territory is



expected to decline by roughly 34 per cent, going from 344 in 2008–09 to 228 in 2020–21. As such, the natural rate of increase will decelerate. By 2020–21, deaths in the territory will outnumber births.

The fertility rate in Yukon is 1.59—well below that in the two other territories and, more importantly, well below the standard replacement rate of 2.1. Furthermore, the aging of the population means that a smaller cohort will replace the women currently in their prime childbearing years. The low fertility rate, combined with a smaller cohort of women who are of prime childbearing age, will work to slow the natural rate of population increase. The annual natural increase in the population is expected to drop from 170 in 2008–09 to negative-11 in 2020–21. However, positive international and net interprovincial migration will compensate for the rapid decline in the territory's natural rate of increase.

Yukon has experienced positive net international migration over the past few decades.

With the exception of a small dip in 1997, Yukon has experienced positive net international migration over the past few decades. Net international migration jumped to 107 in 2008 but is expected to retreat from that high level to an average of 67 migrants per year from 2009 to 2020. Save for 2005, net interprovincial migration to the territory has been positive since 2002 and reached 126 in 2008. Net interprovincial migration is expected to average 136 per year from 2009 to 2020.

Despite a significant deceleration in the natural increase, strong migration will sustain population growth over the long term (although growth will decelerate relative to the pace of recent years). From 2002 to 2008, average annual growth in Yukon's population was 1.4 per cent, and from 2009 to 2020, average annual compound growth is expected to be 1 per cent.

Slowing growth in the population means that growth in the labour input available for economic production will decelerate. As such, real GDP growth is expected to slow. Average annual growth of 2.2 per cent is forecast from 2009 to 2020—slightly below the 2.4 per cent growth expected in Nunavut during the same period, and lower than the 2.9 per cent annual compound growth forecast in the N.W.T. (which will benefit enormously from the construction on the Mackenzie Gas Pipeline).

INDUSTRY ANALYSIS

While the demographic outlook drives the economic forecast over the long term, there are some large projects slated for development in the territory that will boost output above trend for a few years. The \$152-million Carmacks copper project is expected to be constructed in 2011–12. Once the mine begins production in 2013, mining output is projected to increase by 18 per cent.

The Mayo B project involves expanding the existing Mayo hydroelectric facility and completing the Carmacks-Stewart transmission line. In May 2009, the federal government announced that the Mayo B project would be eligible for up to \$71 million in funding from the new \$1-billion Green Infrastructure Plan, making it the first project in the country to receive funding under this initiative. The Mayo B project is expected to be constructed over 2011 and 2012.

The Casino copper-gold-molybdenum project is currently not included in the forecast, since it is still in the preliminary phase of the permitting process, but it provides huge upside potential to the forecast. The total capital costs of this project are pegged at \$2.1 billion, and the project could begin construction in just a few years. Western Copper Corporation—the owner of the Casino project—estimates that during peak construction 1,400 people would be employed, and during peak production 650 employees would be required. To put this in perspective, in 2008 only 380 people were employed in mining in Yukon, and even after Wolverine reaches full

production levels in 2011, there will still be fewer than 650 people working in Yukon's mining industry. The Casino project would obviously provide a significant boost to construction and mining output, and that would have spillover effects throughout the entire economy. Furthermore, it is unlikely that the labour requirements during the construction phase could be met solely by the territory's current labour force. As such, migration to the province would be temporarily higher than currently forecast.

A more than 150 per cent increase in own-source revenues between 2009–10 and 2020–21 will ensure that the territory posts a budgetary surplus just shy of \$100 million by 2020–21.

PUBLIC ACCOUNTS

In contrast to the Northwest Territories and Nunavut, new commercialization prospects in Yukon Territory are expected to be relatively sparse, and this is reflected in a modest long-term improvement in territorial financing. Although Yukon is expected to post budgetary deficits in 2010–11 and 2011–12, a more than 150 per cent increase in own-source revenues between 2009–10 and 2020–21 will ensure that the territory posts a budgetary surplus

just shy of \$100 million by 2020–21. Ultimately, this will result in a net negative territorial debt of over \$600 million. Corporate income tax collections will more than triple, rising from \$11.2 million in 2009–10 to \$33.9 million by 2020–21.

Although both corporate and personal income tax collections will be favourably affected by the \$208-million Wolverine zinc mining project, the \$152-million Carmacks copper mining operation, and by the \$160-million expansion of the Mayo B dam, the bulk of territorial own-source revenues will stem from other sources, such as recoveries and levies. Cash transfers from the Government of Canada will account for three-quarters of the total forecast increase in Yukon's total revenues, with a projected increase in territorial formula financing remittances of more than 160 per cent driving the increase.

Territorial expenditures will grow in line with demographic requirements, rising at an average annualized compound rate of 3.3 per cent over the forecast horizon. An aging population will cause health spending as a share of total territorial expenditures to rise from 23.7 per cent in 2009–10 to 28.5 per cent by 2020–21. By contrast, this demographic shift will lower the share of education expenditures in total spending from 12.8 per cent in 2009–10 to 10.8 per cent by 2020–21.

Table 1
Key Economic Indicators: Yukon
(forecast completed Nov. 27, 2009)

	2009f	2010f	2011f	2012f	2013f	2014f	2015f	2016f	2017f	2018f	2019f	2020f
GDP at basic prices (2002 \$ millions)	1,483.3	1,542.1	1,617.0	1,639.8	1,683.2	1,708.5	1,743.2	1,776.3	1,808.9	1,842.8	1,876.9	1,911.2
	1.5	4.0	4.9	1.4	2.7	1.5	2.0	1.9	1.8	1.9	1.9	1.8
GDP at market prices (\$ millions)	2,004.9	2,193.5	2,364.3	2,391.8	2,508.9	2,688.0	2,825.2	2,965.6	3,112.4	3,268.3	3,431.6	3,601.9
	0.2	9.4	7.8	1.2	4.9	7.1	5.1	5.0	5.0	5.0	5.0	5.0
Consumer Price Index, Whitehorse (2002 = 1.00)	1.14	1.17	1.19	1.22	1.24	1.26	1.29	1.31	1.34	1.36	1.39	1.42
	0.4	2.4	2.3	2.1	1.8	2.0	1.9	1.9	1.9	1.9	1.9	1.9
Average weekly wage (\$ industrial composite)	654.5	669.4	690.9	713.2	740.1	766.3	791.4	816.4	842.5	869.4	897.0	925.8
	3.2	2.3	3.2	3.2	3.8	3.5	3.3	3.2	3.2	3.2	3.2	3.2
Personal income (\$ millions)	1,552.0	1,631.7	1,702.5	1,768.3	1,847.8	1,928.1	2,015.6	2,094.7	2,183.1	2,271.7	2,362.7	2,455.5
	1.4	5.1	4.3	3.9	4.5	4.3	4.5	3.9	4.2	4.1	4.0	3.9
Personal disposable income (\$ millions)	1,292.8	1,359.8	1,418.4	1,472.3	1,538.0	1,604.8	1,677.5	1,743.3	1,816.8	1,890.8	1,966.8	2,044.2
	1.6	5.2	4.3	3.8	4.5	4.3	4.5	3.9	4.2	4.1	4.0	3.9
Personal savings rate (per cent)	18.2	17.8	17.8	16.8	16.0	16.0	15.9	15.8	15.9	15.9	15.9	16.0
Population (000s)	33.5	33.9	34.3	34.6	35.0	35.3	35.7	36.0	36.3	36.6	36.9	37.1
	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.8	0.7	0.7
Labour force (000s)	17.8	18.1	18.5	18.7	18.7	18.9	19.1	19.2	19.3	19.4	19.5	19.6
	-0.5	1.9	1.8	1.1	0.4	1.1	0.9	0.6	0.6	0.4	0.4	0.3
Employment (000s)	16.6	17.1	17.4	17.5	17.6	17.7	17.9	18.0	18.2	18.3	18.4	18.5
	-2.7	2.5	1.9	0.5	0.7	0.8	1.1	0.5	0.9	0.6	0.5	0.4
Unemployment rate (per cent)	6.5	5.9	5.8	6.4	6.1	6.3	6.1	6.2	6.0	5.8	5.7	5.6
Retail sales (\$ millions)	498.1	524.3	549.2	580.1	612.7	637.6	664.3	687.0	711.2	734.4	758.0	781.4
	-6.0	5.3	4.8	5.6	5.6	4.1	4.2	3.4	3.5	3.3	3.2	3.1

f = forecast; n.a. = not applicable

For each indicator, the first line is the level and the italicized second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2
Real Gross Domestic Product: Yukon
(2002 \$ millions; forecast completed Nov. 27, 2009)

	2009f	2010f	2011f	2012f	2013f	2014f	2015f	2016f	2017f	2018f	2019f	2020f
Other primary	2.8	2.8	2.8	2.9	3.0	3.1	3.2	3.3	3.3	3.4	3.5	3.6
	-3.5	-0.5	1.8	2.5	2.6	3.1	2.9	2.8	2.5	2.3	2.4	2.3
Mining	95.9	124.4	167.8	173.9	205.2	212.4	219.8	227.4	235.3	243.8	253.1	263.8
	9.1	29.7	34.8	3.7	18.0	3.5	3.5	3.5	3.5	3.6	3.8	4.2
Metal mining	78.6	105.7	145.8	150.6	180.5	186.6	192.9	199.3	206.0	212.9	220.1	227.4
	11.0	34.3	38.0	3.4	19.8	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Non-metal mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mineral fuels	2.9	3.0	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
	-5.0	2.6	2.1	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mining services	14.4	15.8	19.0	20.1	21.6	22.7	23.8	25.0	26.2	27.7	29.9	33.3
	3.0	10.0	20.0	6.2	7.0	5.4	4.8	4.8	5.0	5.8	7.9	11.2
Manufacturing	14.7	15.3	16.2	17.0	17.1	16.1	16.5	17.0	17.4	17.9	18.4	18.8
	-11.7	4.0	5.4	5.4	0.3	-6.0	2.8	2.7	2.7	2.7	2.6	2.5
Construction	147.7	152.2	152.2	137.5	122.5	121.5	123.0	124.9	127.0	129.2	131.1	133.0
	2.6	3.1	0.0	-9.7	-10.9	-0.9	1.3	1.6	1.6	1.7	1.5	1.5
Utilities	29.3	29.5	30.7	32.4	33.9	34.9	35.7	36.4	37.1	37.9	38.6	39.2
	0.7	0.6	4.0	5.6	4.6	3.0	2.4	2.1	1.9	2.1	1.8	1.7
Goods-producing industries	261.1	294.8	339.0	331.4	347.8	353.0	362.5	372.6	383.1	394.2	406.1	419.2
	3.9	12.9	15.0	-2.3	5.0	1.5	2.7	2.8	2.8	2.9	3.0	3.2
Transportation, warehousing, information and cultural industries	91.0	93.2	98.3	100.2	102.8	102.9	104.4	106.0	107.6	109.1	110.6	112.3
	0.2	2.4	5.5	1.9	2.6	0.2	1.5	1.5	1.4	1.4	1.4	1.5
Wholesale and retail trade	110.6	115.2	119.5	124.9	129.9	133.8	137.9	141.1	144.5	147.7	150.9	153.7
	-6.0	4.1	3.8	4.5	4.0	3.0	3.1	2.3	2.4	2.2	2.1	1.9
Finance, insurance, and real estate	262.9	267.8	273.4	280.3	286.1	290.6	294.6	299.5	303.6	307.6	312.1	316.4
	1.2	1.8	2.1	2.5	2.1	1.6	1.4	1.7	1.4	1.3	1.5	1.4
Commercial services	175.8	179.3	182.8	185.8	186.5	186.3	190.0	192.6	195.3	198.8	201.7	204.5
	1.4	2.0	1.9	1.7	0.4	-0.1	2.0	1.4	1.4	1.8	1.5	1.4
Non-commercial services	210.8	215.6	220.9	226.5	232.1	237.4	242.8	247.7	252.6	257.8	263.1	268.2
	2.1	2.3	2.5	2.5	2.5	2.3	2.3	2.0	2.0	2.1	2.0	1.9
Public administration and defence	314.4	319.5	325.2	331.1	336.8	342.3	347.9	353.0	357.8	362.4	366.6	370.4
	2.7	1.6	1.8	1.8	1.7	1.6	1.6	1.5	1.3	1.3	1.2	1.0
Service-producing industries	1,165.6	1,190.5	1,220.0	1,248.7	1,274.3	1,293.3	1,317.7	1,339.9	1,361.4	1,383.4	1,404.9	1,425.4
	1.0	2.1	2.5	2.4	2.0	1.5	1.9	1.7	1.6	1.6	1.6	1.5
All industries	1,483.3	1,542.1	1,617.0	1,639.8	1,683.2	1,708.5	1,743.2	1,776.3	1,808.9	1,842.8	1,876.9	1,911.2
	1.5	4.0	4.9	1.4	2.7	1.5	2.0	1.9	1.8	1.9	1.9	1.8

f = forecast; n.a. = not applicable

For each industry, the first line is the level and the italicized second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

Table 3
Yukon Territorial Government Revenues
(\$ millions)

	2007-08	2008-09	2009-10f	2010-11f	2011-12f	2012-13f	2013-14f	2014-15f	2015-16f	2016-17f	2017-18f	2018-19f	2019-20f	2020-21f
Total revenues	803.1	913.7	962.1	1,009.6	1,058.7	1,110.1	1,164.3	1,214.6	1,265.1	1,316.9	1,369.5	1,423.6	1,478.3	1,535.8
Own-source revenues	2.4	13.8	5.3	4.9	4.9	4.9	4.9	4.3	4.2	4.1	4.0	3.9	3.8	3.9
Personal income taxes	190.4	273.9	279.2	293.0	306.2	319.3	332.2	344.4	356.8	369.3	381.9	395.2	408.7	422.1
Corporate taxes	9.0	43.9	1.9	4.9	4.5	4.3	4.1	3.7	3.6	3.5	3.4	3.5	3.4	3.3
Tobacco taxes	44.6	50.8	51.3	54.0	57.4	60.6	63.8	67.1	70.8	73.9	77.6	81.2	84.8	88.6
Payroll taxes	1.3	13.8	1.0	5.4	6.3	5.4	5.4	5.1	5.4	4.5	4.9	4.6	4.5	4.4
Royalties	12.8	13.3	11.2	14.3	16.3	18.9	21.4	22.8	24.2	26.0	27.4	29.6	31.8	33.9
Other own-source revenues	191.1	4.3	-15.7	28.0	13.4	16.3	12.9	6.9	6.2	7.2	5.6	7.8	7.4	6.6
Transfers from Government of Canada	7.2	11.1	11.6	12.1	12.5	12.9	13.3	13.7	14.1	14.5	14.9	15.2	15.6	16.0
GHT	n.a.	53.0	4.8	3.9	3.6	3.3	3.0	3.1	2.9	2.7	2.7	2.6	2.6	2.5
CST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transfers from Government of Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Territorial Formula Financing	1.7	1.2	0.9	1.2	1.6	1.7	2.0	2.1	2.2	2.2	2.3	2.4	2.5	2.5
Expenditure base	n.a.	-33.3	-24.7	34.3	38.0	3.4	19.8	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Fiscal capacity	124.0	197.6	204.2	211.4	218.4	225.2	231.7	238.7	245.6	252.6	259.8	266.9	273.9	281.1
Residual*	n.a.	59.3	3.3	3.5	3.3	3.1	2.9	3.0	2.9	2.9	2.8	2.7	2.7	2.6
	613.0	639.8	682.9	716.6	752.5	790.9	832.1	870.2	908.3	947.6	987.6	1,028.3	1,069.7	1,113.6
	0.5	4.4	6.7	4.9	5.0	5.1	5.2	4.6	4.4	4.3	4.2	4.1	4.0	4.1
	23.2	24.6	26.5	28.7	31.0	33.6	36.3	38.9	41.6	44.4	47.3	50.3	53.4	56.6
	4.7	6.1	7.3	8.3	8.1	8.4	7.9	7.4	6.8	6.8	6.5	6.3	6.2	6.1
	9.4	10.5	10.8	12.2	12.8	13.5	14.1	14.8	15.3	16.0	16.6	17.2	17.8	18.5
	-4.0	11.6	3.0	13.0	4.7	5.3	5.0	4.5	3.8	4.2	3.7	3.7	3.6	3.6
	37.5	35.5	34.0	34.4	34.7	35.1	35.5	35.8	36.2	36.5	36.9	37.2	37.4	37.7
	-38.4	-5.3	-4.3	1.1	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.8	0.7	0.7
	543.6	564.0	611.7	641.4	674.0	708.7	746.3	780.7	815.2	850.7	886.9	923.7	961.1	1,000.8
	5.2	3.8	8.5	4.8	5.1	5.2	5.3	4.6	4.4	4.4	4.3	4.2	4.0	4.1
	0.0	0.0	727.0	764.2	802.7	842.9	884.0	924.0	963.9	1,004.6	1,045.6	1,087.0	1,128.9	1,173.4
	0.0	0.0	n.a.	5.1	5.0	5.0	4.9	4.5	4.3	4.2	4.1	4.0	3.9	3.9
	0.0	0.0	115.0	122.8	128.7	134.2	137.8	143.4	148.7	153.9	158.7	163.3	167.8	172.5
	0.0	0.0	n.a.	6.8	4.8	4.3	2.7	4.1	3.7	3.4	3.1	2.9	2.8	2.8
	-0.8	5.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

f = forecast; n.a. = not available

* Calculated as the historical difference between territorial notional allocation of CST and CHT cash transfers and the same variables as calculated by Federal Finance. Note: Unless otherwise indicated, the first line represents the level at the end of the period, and the second line the annual percentage change.

Sources: The Conference Board of Canada; Yukon Finance Public Accounts; Finance Canada.

Table 4
Yukon Territorial Government Expenditures, Budgetary Balance, and Net Debt
(\$ millions)

	2007-08	2008-09	2009-10f	2010-11f	2011-12f	2012-13f	2013-14f	2014-15f	2015-16f	2016-17f	2017-18f	2018-19f	2019-20f	2020-21f
Total expenditures	779.3	960.9	1,003.2	1,032.4	1,065.4	1,100.5	1,137.9	1,177.4	1,217.8	1,259.4	1,301.8	1,345.4	1,390.1	1,435.8
	7.1	23.3	4.4	2.9	3.2	3.3	3.4	3.5	3.4	3.4	3.4	3.4	3.3	3.3
Program spending	779.3	960.9	1,003.2	1,032.4	1,065.4	1,100.5	1,137.9	1,177.4	1,217.8	1,259.4	1,301.8	1,345.4	1,390.1	1,435.8
	7.2	23.3	4.4	2.9	3.2	3.3	3.4	3.5	3.4	3.4	3.4	3.4	3.3	3.3
Health*	210.0	234.0	238.0	250.7	263.8	277.4	291.8	306.8	322.5	338.8	355.7	373.1	391.1	409.8
	3.8	11.4	1.7	5.3	5.2	5.2	5.2	5.2	5.1	5.1	5.0	4.9	4.8	4.8
Share of total spending (%)	26.9	24.4	23.7	24.3	24.8	25.2	25.6	26.1	26.5	26.9	27.3	27.7	28.1	28.5
Education	135.0	127.8	128.2	128.7	129.8	131.3	133.5	136.2	138.8	141.4	144.2	147.7	151.5	155.6
	7.0	-5.3	0.3	0.4	0.8	1.2	1.7	2.0	1.9	1.9	2.0	2.4	2.6	2.7
Share of total spending (%)	17.3	13.3	12.8	12.5	12.2	11.9	11.7	11.6	11.4	11.2	11.1	11.0	10.9	10.8
Other program spending	434.3	598.8	637.0	653.0	671.9	691.8	712.6	734.4	756.6	779.2	801.9	824.6	847.4	870.4
	9.0	37.9	6.4	2.5	2.9	3.0	3.0	3.1	3.0	3.0	2.9	2.8	2.8	2.7
Debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary balance	34.6	2.6	19.4	-22.7	-6.7	9.6	26.4	37.2	47.3	57.5	67.8	78.1	88.3	99.9
	-39.9	-92.4	639.7	-217.3	-70.5	-243.3	174.7	40.9	27.1	21.7	17.8	15.3	13.0	13.2
Net debt	-165.1	-151.0	-122.0	-99.3	-92.6	-102.2	-128.5	-165.7	-213.0	-270.6	-338.3	-416.5	-504.7	-604.7
	25.0	-8.5	-19.2	-18.6	-6.8	10.4	25.8	28.9	28.5	27.0	25.1	23.1	21.2	19.8

f = forecast; n.a. = not available

*Includes both health and social services expenditures.

Note: Unless otherwise indicated, for each indicator, the first line represents the level at the end of the period, and the second line the annual percentage change.

Sources: The Conference Board of Canada; Yukon Finance Public Accounts; Finance Canada.

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