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Territorial Outlook Winter 2013

Economic Forecast

Centre for the North

ECONOMIC PERFORMANCE AND TRENDS

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

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Preface

The *Territorial Outlook* (Winter 2013) 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 Alicia Macdonald, Justin Cooke, Prince Owusu, and Jacqueline Palladini.

The forecast for the three territories and the accompanying report is 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 *Territorial 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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Foreword

The Conference Board of Canada (CBoC) has developed an economic and fiscal forecasting model for the three Northern territories. The *Territorial Outlook* report is 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 Territorial 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 15-year economic outlook for Nunavut, the Northwest Territories, and Yukon (up to the year 2025). 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 *Territorial 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 by e-mail at contactcboc@conferenceboard.ca.

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

Territorial Outlook

At a Glance

- Difficulty in obtaining financing has led to plans to develop the Mary River iron ore mine in Nunavut being revised downward. Nevertheless, new mining developments will propel real GDP growth in that territory over the next few years.
- Real economic growth will remain depressed in the Northwest Territories this year as diamond production declines.
- New mines are expected to be developed in Yukon, leading to at least five mines producing during the mid and later part of the decade.
- New mine developments will provide a solid foundation for job creation and income growth over the forecast period.

Canada's economy advanced in low gear in 2012, with real gross domestic product (GDP) gaining just 1.8 per cent. Still, in the current global environment, this is a performance envied by many developed economies. Moreover, a number of economic indicators have been showing strength. For example, employment was up by more than 100,000 since November; retail sales strengthened through November, bolstered by solid vehicle sales; and, in the same month, manufacturing sales were up while inventories were drawn down, a positive indication for near-term production. But, despite these positives, it is unlikely that economic growth will pick up much speed in 2013. Canadian households are stretched; the public sector is in restraint mode; and, as business investment has mostly recovered to pre-recession levels, more moderate growth is forecast for this component over the next few years. Overall, real GDP growth of 2.2 per cent is forecast for this year. In 2014, a more robust recovery in the United States should help lift exports and ratchet Canadian economic growth up another gear, to 2.7 per cent.

GLOBAL RISKS ON THE FOREFRONT

The United States managed to avoid tumbling over the fiscal cliff in January, but President Barack Obama and Congress could not reach agreement to avoid the spending sequester that kicked in on March 1. As a result, $85 billion in cuts to government spending will take place this fiscal year. Also, a decision to lift the debt ceiling must be addressed by the end of March. The U.S. outlook calls for growth of a tepid 2.3 per cent this year.

While the U.S. economy is building strength, the situation in Europe remains risky. True, the European Union and European Central Bank have been persuasive in their defence of the euro, but the fiscal and economic situation for many of the eurozone's troubled nations continues to decay. Deep recessions are affecting Greece, Portugal, Spain, and Italy, suggesting that the risks surrounding defaults on sovereign debt are bound to resurface. Moreover, even if France and Germany continue to eke out positive economic growth, the eurozone as a whole is still in recession. Within the wider European Union, Britain is weakening as well. Overall, our forecast rests on the assumption that the economic unions (European Union and eurozone) and the euro will hold together, at least long enough to see the U.S. and global economies gain momentum. Stronger U.S and global demand will go a long way toward helping to re-establish more normal business and consumer confidence, as well as helping European countries work their way out of the current vicious spiral of fiscal austerity and declining economic growth.

CENTRAL BANKERS DELAY RATE HIKES

The federal funds rate—the U.S. Federal Reserve's principal policy lever—has been effectively at zero for over four years now. In an effort to bolster a lethargic economy, the Fed has employed numerous creative techniques to stimulate economic activity. Recall "Operation Twist"—several rounds of quantitative easing (which is still ongoing); and making public, for the first time, the Fed's forecast of when rates will rise. Last September, the Fed extended its outlook for interest rates, suggesting that short-term rates would remain at near zero until mid-2015. And, in December, it announced that it would tie interest rate hikes to the unemployment rate. This latest policy suggests that interest rates will remain where they are until the unemployment rate falls below 6.5 per cent, as long as inflation is contained. While the Fed expects that this will happen in 2015, our expectation is that the U.S. unemployment rate will not get below 6.5 per cent until early in 2016. In either case, it is highly likely that U.S. monetary policy will remain very accomodative for the next two years.

The Fed's signalling had been putting upward pressure on the Canadian dollar vis-à-vis the greenback over past months, up until the Bank of Canada released its January 2013 *Monetary Policy Report*, downgrading the near-term outlook for Canada. In this report, the Bank of Canada suggested that the "withdrawal [of monetary stimulus] is less imminent than previously anticipated,"[1] and this helped to take roughly US$0.015 from the loonie, bringing it back closer to parity. Still, the Bank of Canada anticipates that the output gap will close in the second half of 2014, implying that rate hikes will likely occur in Canada well ahead of those in the United States. Markets will likely anticipate this move and will begin to bid up the value of the loonie throughout the coming months and into next year. Additional pressure will come from solidifying resource prices—China's economy has apparently managed a soft landing, a factor that will support commodity prices. Overall, Canadian 90-day Treasury bill rates are forecast to remain flat until late this year and then to rise steadily in 2014. This course of action, coupled with strengthening global demand for commodities, will help lift the loonie to average US$1.03 this year and to strengthen further in 2014.

ON THE LONG ROAD OF FISCAL RESTRAINT

The latest round of federal and provincial budget updates has, in most cases, been disappointing. Economic conditions have generally been weaker than expected through most of 2012, suggesting that revenue targets will likely come in below what was planned this year for the federal government and most provinces. Heavy price discounts for Alberta's oil, for example, have recently forced that province's finance officials to downgrade their budget situation. Currently, Alberta expects to post a deficit of $1.9 billion in 2012–13. Moreover, the impact on energy sector profits—with the result being downward pressure on corporate income tax collections—will also be felt by the federal government. In its November update, federal finance officials updated planning assumptions without altering the plan for spending restraint. This resulted in a $5-billion deterioration (to $26 billion) in the federal deficit for 2012–13 and the federal government's pushing back the closure of the budget deficit by one year to 2016–17. Overall, though, total federal debt

1 Bank of Canada, *Monetary Policy Report Summary* (Ottawa: Bank of Canada, January 2013). www.bankofcanada.ca/publications-research/periodicals/mpr/.

is not expected to rise significantly as a share of GDP over the forecast horizon, and the cost of debt financing is not burdensome because of very low financing rates.

Adding to the fiscal restraint in federal/provincial public administration spending are the continued cutbacks in infrastructure investment. Since peaking in 2009, about $7 billion in real public infrastructure spending has been taken out of the economy and another $1.8-billion reduction is expected this year and into 2014. Overall, the public sector will contribute very little to economic growth over the medium-term forecast.

THE TERRITORIES

The economic performance of the territories is not immune to the moderate growth in the global economy, the easing of base metal prices last year, and tight financial markets. Some mining companies have faced difficulties in raising financing. Early this year, proponents of the Nunavut Mary River iron ore project revised mining development plans downward, at the same time postponing indefinitely the development of a railway and the Steensby Inlet port. Nevertheless, the economic outlook remains very positive for Canada's territories over the next few years. Base metal prices are firming up and mining will be one of the most important economic drivers in Northern Canada in the years ahead. Several new mines are slated to open before the end of the decade in Nunavut, Yukon, and the Northwest Territories.

Economic growth in the Northwest Territories will, however, be limited this year. With dwindling diamond production, real GDP in the N.W.T. has been on a declining trend over the past two years and another difficult production year is foreseen. Luckily, the fortunes of the N.W.T. are not all tied to the diamond industry as several metal ore mines will be developed and explored over the next few years. As well, exploration for oil and natural gas has taken off in the Sahtu region near Norman Wells and Tulita. All in all, real economic growth in the N.W.T. is expected to rise by just 0.2 per cent this year while a stronger 2.6 per cent is forecast for 2014. Economic growth will be much stronger in Yukon and Nunavut, where construction of new major mining projects is set to get under way. No fewer than two new mines are expected to enter the construction phase over the next few years in Yukon, while two new mines will boost the Nunavut economy over the forecast period.

While there are never complete guarantees that a mining project will proceed, favourable long-term global demand conditions for metals suggest that the potential for mining in Canada is bright over the next decade, particularly in the North. Recruitment of labour to work on remote construction and mining sites will remain a challenge for the active development of the resource industry in the North. The territories will be competing with other regions in Canada (that are also in need of this labour) to successfully bring online new metal ore, mineral fuels, and non-metallic production over the next 10 years. In addition, the regulatory process and infrastructure (or the lack of it) will play a pivotal role in the development of the mining industry in the territories over the long term.

Favourable long-term global demand conditions for metals suggest that the potential for mining in Canada is bright over the next decade.

Despite the economic vulnerability of the world economy, especially in the still-fragile eurozone, real GDP in the territories as a whole is forecast to advance at a rapid pace by 2.8 per cent in 2013[2] and by 5.4 per cent in 2014. These growth rates easily outpace the Canadian average and the solid growth prospects for resource-rich Saskatchewan and Alberta. On the fiscal side, all three territories will show some spending restraint over the near term, and all are expected to post balanced budgets in fiscal 2012–13.

2 The combined real GDP growth for the territories takes into account the scaled-down Mary River iron ore project in Nunavut.

Demographics will also play a key role in shaping the North's economic future. In Nunavut, a relatively youthful demography will generate strong labour force growth over 2013–25. Yukon's population will grow somewhat more slowly than the national average. And the Northwest Territories will post weak population growth, as interprovincial migration is expected to remain negative. The dissimilar demographic outlooks across the North will result in different underlying growth profiles for services industries, such as retail, commercial services, education, and health care. These factors also affect our longer-term public accounts forecast for each territory.

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Justin Cooke

Mining's Future Still Bright

Chapter Summary

- The Meadowbank mine had a bounce-back year, with gold production far exceeding initial predictions, and production at the mine is expected to remain elevated for the next three years.
- The Mary River iron ore project has been scaled down to a much smaller version that will produce less iron ore and not include a rail line. However, the project will still have a large impact on Nunavut's economy.
- The construction industry will be busy over the 2014–17 period with projects in both the public and private sectors.
- Strong exploration spending will benefit the economy in the short term and will give mining an upside in the long term, as many potential mines are being explored in Nunavut.

After booming in 2010 and 2011, Nunavut's economy advanced at a more temperate, but still strong, pace last year. This was due mainly to the pace of public and private investment, the primary factor being the less frenzied (but still strong) mining exploration season. While there was less investment, mineral production accelerated at Agnico-Eagle's Meadowbank mine; 2012 was a bounce-back year for this mine after operational difficulties hampered production and boosted costs in 2011. With record production in the third quarter of 2012, mining output drove economic growth in Nunavut last year. Rising production at Meadowbank is expected this year, while the construction industry is expected to recover. Another construction boom in the territory is forecast over the 2014–17 period, as both public (such as the Iqaluit airport upgrade) and private (the Meliadine mine) projects enter their construction phases.

Growth in the goods sector will be accompanied by a solid performance in the services sector that will act as a stabilizing force compared with the ups and downs of construction and mining. Industries such as transportation, warehousing, and information will perform well, along with commercial services. Near-term growth in the public sector will be held back by a more restrained capital budget this year. Demographics will determine the future of government program spending, with a higher proportion being spent on health care as the population ages. Overall, economic growth is forecast to be 3.4 per cent in 2013 and 8.8 per in 2014.[1]

1 The Mary River mine, initially a $4-billion project, was scaled down to a $740-million project—for now. The smaller version of the Mary River mine was used to create the Winter 2013 Nunavut economic forecast.

ECONOMIC OUTLOOK

MINING

The year 2012 was good for the Meadowbank mine. After a tough 2011, when the mine produced 270,801 ounces of gold, Meadowbank produced 366,030 ounces in 2012. This included a record 110,988 ounces in the third quarter of last year. As operational hiccups were smoothed out during the year, Agnico-Eagle was able to reduce cash costs per ounce from $1,000 to $913. The current plan calls for the mine to close sometime in 2017, but production is now expected to reach partially into 2018. However, if costs continue to be contained, the company could plausibly extend the mine closure date beyond that currently planned. From 2013 through 2015, Meadowbank is expected to produce every year, on average, about the same amount of gold as in 2012.[2]

Meliadine is considered a "cornerstone" asset for Agnico-Eagle and operations at the mine are expected to be easier than at Meadowbank. Meliadine is close to Rankin Inlet and will be accessible via a 24-kilometre access road, compared with the 110-kilometre road connecting the Meadowbank mine to Baker Lake. Meliadine has indicated resources of 1.7 million ounces of gold, with 12.6 million tonnes of ore having a grade of 4.1 grams of gold per tonne.[3] The mine has the potential to be Agnico-Eagle's most productive mine when it reaches full production and has an expected life of 13 years. In 2012, the company carried out a $40-million exploration program that included 115,000 metres of drilling at grassroots and known deposits, with a focus on their Tiriganiaq zone. Inferred resources at the Wesmeg and Normeg deposits also expanded in 2012 and are now, combined, at more than 700,000 ounces of gold. Meliadine is currently in the permitting process, and the company submitted a draft environmental impact statement to the Nunavut Impact Review Board (NIRB) in January. Moving toward next year, the company plans to continue exploration and development spending and to release a feasibility study in early 2014. Currently, the mine is scheduled to begin operations in 2018 and to operate for at least 13 years.

Meliadine has the potential to be Agnico-Eagle's most productive mine when it reaches full production and has an expected life of 13 years.

Baffinland Iron Mines' Mary River iron ore project on Baffin Island provides both challenges and opportunities for Nunavut's mining sector. This project has the potential to be one of the world's largest iron ore mines and, for the past few years, Baffinland has been working on developing what would be the largest infrastructure project in the history of the territories. This included a mine capable of producing over 18 million tonnes of iron ore a year, a 22-megawatt power generating station to supply power to the mine, a 149-kilometre railway to ship the ore to the coast, and a port at Steensby Inlet to allow large shipping vessels to dock. The ore was then to be shipped to steel refineries in Europe. The deposit itself has high-grade iron content, at about 65 per cent iron (a common benchmark is 62 per cent). The NIRB approved the project in September 2012, and the federal government gave its approval a few months later.

The economics of the project, however, rely on global factors that determine the price of iron ore and the demand for steel—factors such as industrial output and urbanization in China as well as the fiscal and economic difficulties in Western Europe. Iron ore prices had been dropping for most of 2012 and bottomed out in September at $87 per tonne (with 62 per cent iron content). Prices have since rebounded, averaging just over $150 per tonne in January but have not reached the highs of 2011 when prices rose to more than $190 per tonne. Many are skeptical of the recent run-up in prices, predicting that the recent price recovery will not last.

2 Agnico-Eagle Mines, *Agnico-Eagle Reports Fourth Quarter and Full Year 2012 Results; Record Annual Production and Operating Cash Flows; Provides Three Year Production Guidance and Reserve and Resource Update*, news release, February 13, 2013. www.agnico-eagle.com/English/Investor-Centre/PressReleases/Details/2013/-CORRECTED-COPY-from-CNW---Agnico-Eagle-Reports-Fourth-Quarter-and-Full-Year-2012-Results-Record-Annual-Production-and-Operating-Cash-Flows-Provides-Three-Year-Production-Guidance-and-Reserve-and-Resource-Update-/default.aspx (accessed February 15, 2013).

3 Agnico-Eagle Mines, *Corporate Update* (Toronto: Agnico-Eagle, January 2013). www.agnico-eagle.com/files/Presentations/corp_update/2013/January%202013%20Corporate%20Update.pdf (accessed February 12, 2013).

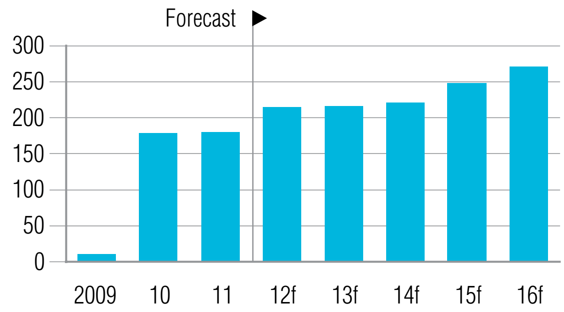
ArcelorMittal, the European steel company that owned 70 per cent of Baffinland in late 2012, had its credit rating downgraded in November by Moody's—the rating agency citing a collapse in world steel demand. A month later, ArcelorMittal sold 20 per cent of its stake in Mary River to its partner, Nunavut Iron Ore. And in January, Baffinland sent a letter to NIRB saying that it was scaling back the scope of project sharply.

The new plan proposed by Baffinland is a version that was once considered an "early revenue stage." It will involve the production of 3.5 million tonnes of iron ore per year, transported by truck north to Milne Inlet, and then shipped by vessel (but only between July and October).[4] The cost will be substantially less than the larger project, coming in at an estimated $740 million for development cost rather than over $4 billion. NIRB recently announced that, in light of the new plans, much of the review process will have to be redone, including a new section of the project's environmental impact statement plus more community consultations. This makes it unlikely that the project will begin construction in 2013. Baffinland hopes to have the necessary permits by 2014 and expects to be able to ship ore in 2015, at least two years earlier than under the larger initial plan.

Our territorial economic forecast includes the smaller version of the Mary River project, with initial production in 2015. However, if the world economy finds a more stable footing in the coming years, it is not unreasonable to expect Baffinland to transition from the "early revenue stage" plan to the larger mine plan at some point in the future.

Overall, the forecast calls for low growth in the mining industry over the short term, averaging growth of 1.5 per cent per year in 2013 and 2014. (See Chart 1.) Growth will be boosted from 2015–17 as Mary River begins production, but will dip in 2018 due to the closure of Meadowbank. Beyond 2018, growth in the mining sector will continue as Meliadine ramps up production.

Chart 1
Mining Stable over the Medium Term
(output, 2002 $ millions)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

EXPLORATION

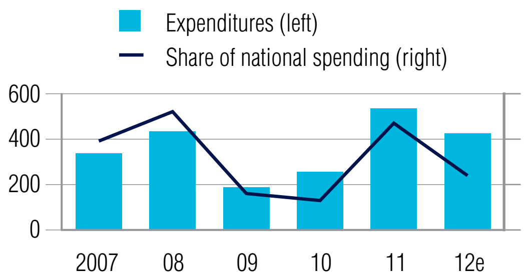
After a record year in 2011, during which $536 million in exploration was spent in the territory, prospects for 2012 looked bright. But, as commodity prices dipped during the year, companies scaled back their exploration plans to a more modest level. Still, with an estimated $426.5 million spent on exploration and deposit appraisals, 2012 was a very good year for Nunavut's prospective mining companies.[5] (See Chart 2.) Fewer companies were involved in exploration than in 2011, so it is likely that much of the spending was more focused on developing known deposits through later stages of the development process. This is opposed to greenfields exploration, which is an earlier stage and was likely more common in 2011. Exploration spending followed a similar pattern in the Yukon in 2011 and 2012.

Worldwide, uranium made a comeback in 2012, recovering from the lows experienced after the Fukushima nuclear disaster in Japan in 2011. AREVA Resources continued drilling at its Kiggavik project, a uranium deposit 80 kilometres west of Baker Lake. In 2012, the company submitted a revised Draft Environmental Impact Statement, and the permitting process is expected to continue for the next three years. If the project goes ahead, $2.1 billion

4 Nunatsiaq Online, *Baffinland Slashes Scope of Nunavut's Mary River Project*, January 10, 2013. www.nunatsiaqonline.ca/stories/article/65674baffinland_slashes_scope_of_nunavuts_mary_river_project/ (accessed February 19, 2013).

5 Natural Resources Canada, *Exploration and Deposit Appraisal Expenditures, by Province and Territory, 2007–2012*. http://mmsd.mms.nrcan.gc.ca/stat-stat/expl-expl/1-eng.aspx (accessed January 23, 2013).

Chart 2
Mineral Exploration Moderated in 2012
(expenditures, $ millions; share of national spending, percentage)



e = estimate
Source: Natural Resources Canada.

would be spent developing the mine over four years, and the mine would be in operation for 14 years.[6] It is unlikely that the company will be able to begin construction before 2017.

Gold, base metals, and iron ore continued to make up the bulk of Nunavut's exploration projects. Agnico-Eagle spent $40 million developing the Meliadine site in 2012, and this level of spending is expected to continue as the mine moves through the permitting process. Sabina Gold & Silver Corp. spent $65 million developing its Back River and Wishbone projects.[7] Advanced Explorations Inc. continued work on its Roche Bay project—it currently has resources of over 500 million tonnes of 26 per cent iron ore. And MMG Resources continued work on its Izok Lake and High Lake projects, where the focus is as much on transportation infrastructure as it is on mining.

Looking to 2013 and 2014, mining companies are expected to continue to spend on developing known deposits as they produce environmental impact statements, technical reports, and feasibility studies. Early-stage mineral exploration is expected to be strong and could pick up from 2012 levels if world commodity prices can build on their recent strength. In this forecast, the only new mines included are the Meliadine and Mary River mines.

CONSTRUCTION

After a rapid expansion in 2011, led by ongoing exploration and development expenditures in the mining industry, construction activity slowed in 2012, contracting by an estimated 6.5 per cent. The pullback was led mostly by the private non-residential sector as mining exploration and deposit appraisals cooled compared with 2011. (See "Exploration" section above.) In 2012, Agnico-Eagle began a $52-million infrastructure spending process at Meliadine that included an all-weather access road to Rankin Inlet. The road is expected to be completed in spring 2013.[8]

The two major private sector projects to be completed during the forecast period are the Meliadine and Mary River mines. Meliadine is forecast to begin construction in 2015 and finish in 2017, with an estimated $675 million to be spent on structures, machinery, and equipment. This estimate will likely be updated in the company's feasibility study, which will be released in early 2014.

The $4-billion version of the Mary River project was forecast to continue pre-construction expenditure and engineering in 2013, ramp up construction expenditures in 2014, and complete major infrastructure spending in 2017. The revised version of the project is expected to cost $740 million, begin construction in 2014, and finish in 2015, with ongoing expenditures likely if the company considers scaling up the project.

Nunavut's housing market also contracted in 2012, as public housing expenditures fell from $47 million in 2011–12 to an estimated $16 million in 2012–13. Moving forward, new housing in the territory will continue to be

6 Nunatsiaq Online, *Areva Touts Proposed Kiggavik Uranium Mine on Eve of Nunavut Mining Symposium*, April 16, 2012. www.nunatsiaqonline.ca/stories/article/65674areva_touts_proposed_kiggavik_uranium_mine_project_on_eve_of_nunavut_m (accessed January 23, 2013).

7 NWT & Nunavut Chamber of Mines, *Mining North* (Yellowknife: NWT & Nunavut Chamber of Mines, 2013).

8 Agnico-Eagle Mines, *Agnico-Eagle Announces Significant Resource Growth in Meliadine's Wesmeg and Normeg Zones, New Positive Results at Depth in Rimpi Zone at Kittila, and Progress at La India and Tarachi*, news release, November 19, 2012. www.agnico-eagle.com/English/Investor-Centre/PressReleases/Details/2012/Agnico-Eagle-Announces-Significant-Resource-Growth-in-Meliadines-Wesmeg-and-Normeg-Zones-New-Positive-Results-at-Depth-in-Rim/default.aspx (accessed January 30, 2013).

more restrained than in 2011–12. The sum budgeted for new housing in 2013–14 is $28 million, and the minister responsible for the Nunavut Housing Corporation said an additional 3,580 new housing units are needed immediately. At current prices, housing demand will continue to be unmet for another 20 years.[9]

Public infrastructure projects will be an important source of growth for the construction industry in the territory. The Canadian High Arctic Research Station is expected to cost $143 million over the 2014–2017 period. Also expected to be in construction over the same time frame is the $300-million Iqaluit airport upgrade. The project will be a public-private partnership, with half the money coming from the private sector, one quarter from the Government of Nunavut, and one quarter from the federal government.

Nunavut's mining and construction industries are prone to cyclical fluctuations, so its public sector serves as a welcome measure of economic stability.

Overall, our forecast calls for a bounce-back in construction spending in 2013. With the recent announcement from Baffinland about the Mary River project, construction growth will be more muted, but still strong. The industry is forecast to grow in 2014 and 2015 as a number of projects are under construction. Activity is expected to slow after 2016 as major projects begin to wrap up. However, the potential for growth in the construction industry is high in the latter half of the forecast, particularly from mining projects currently in the exploration phase.

SERVICES SECTOR

Despite an expanding mining sector, government remains the primary economic engine in Nunavut. The public sector (which includes health and social services, education, and public administration) accounts for over 40 per cent of Nunavut's economy, but this number is declining. Public administration alone employs a quarter of the workforce. With a fast-growing population, more public services are needed—in particular, more medical care, social assistance, and education. Because Nunavut's population will continue to increase very rapidly compared with the rest of Canada, Nunavut's public sector will also continue to expand at an average compound rate of 2.4 per cent per year until 2025. However, the government's contribution to GDP will not increase as mineral resource developments like Meadowbank and Meliadine boost the private sector contribution. But, because Nunavut's mining and construction industries are prone to cyclical fluctuations, the territory's public sector serves as a welcome measure of economic stability.

The outlook for other services industries is robust over the medium term. The wholesale and retail sector, which benefits from the resource sector's demand for equipment and supplies as well as from demand for consumer goods, is forecast to grow at an annual rate of 7 per cent over 2013–16. The finance, insurance, and real estate industry is expected to post a gain of 4.4 per cent this year, thanks largely to higher activity in the construction industry. The transportation, warehousing, and information industries are also forecast to fare very well over the medium term. A new and improved Iqaluit airport will help boost growth in the industry beyond 2017.

LABOUR MARKETS

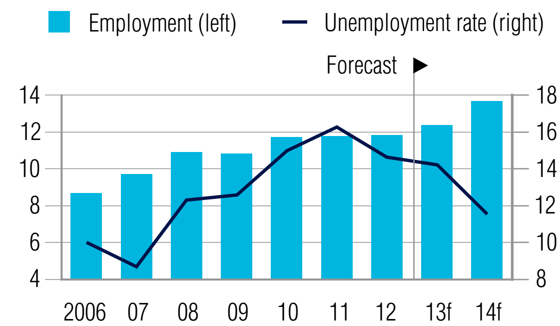
There was virtually no employment growth last year but increasing exploration and deposit appraisal expenditures in the mining industry will help boost job creation in the near term. Construction employment is expected to rise strongly as new mines are under development. With a new gold mine such as Meliadine, many benefits will accrue to local communities—primarily in the form of employment and business opportunities—with many of these benefits going to Rankin Inlet. For example, in 2010, Meadowbank generated 425 mining and related jobs, of which about 250 were filled by Nunavummiut. The Meliadine mine will be a steady source of income for northern workers for the next decade. Thanks to strong wage growth and expanding employment opportunities,

9 Nunatsiaq Online, *Cash-poor Nunavut Housing Corp. Faces Tough Future: Taptuna*, October 29, 2012. www.nunatsiaqonline.ca/stories/article/65674cash-poor_nunavut_housing_corp._faces_tough_future_taptuna/ (accessed February 11, 2013).

labour income from mining will accelerate from $45 million in 2011 to $103 million in 2018. Overall, the territory's residents will fill well over two-thirds of the mining jobs in Nunavut. This share is expected to increase as more Nunavummiut are able to complete mining training programs. However, with two new mines coming online before the decade is finished, the demand for miners will expand rapidly, and the territory will continue to look for workers from the South. In addition, only about 40 per cent of construction jobs are filled by workers from within Nunavut, as companies tend to fly in large numbers of southerners, the majority of whom will not take up residence in the territory.

Government payrolls will also rise steadily in the near term due to robust demand for health care, education, and other public services. Supply constraints, however, will limit the expansion. Recruiting qualified staff will continue to be a challenge for many public sector employers. On the whole, employment in Nunavut is forecast to grow by an average of 2 per cent per year until 2025. But, because more Nunavummiut are participating in the labour force, the unemployment rate will remain high, averaging 13.1 per cent over 2012–20. (See Chart 3.) Labour force participation will be helped by the Government of Nunavut's new policy on public housing rent. Previously, Nunavummiut on income support who had found a job saw their rents increase dramatically, sometimes giving an incentive to leave the new jobs. The new policy addresses this problem and will attempt to reduce rent increases for those who begin new employment.

Chart 3
Employment Gains on the Horizon
(employment, 000s; unemployment rate, per cent)



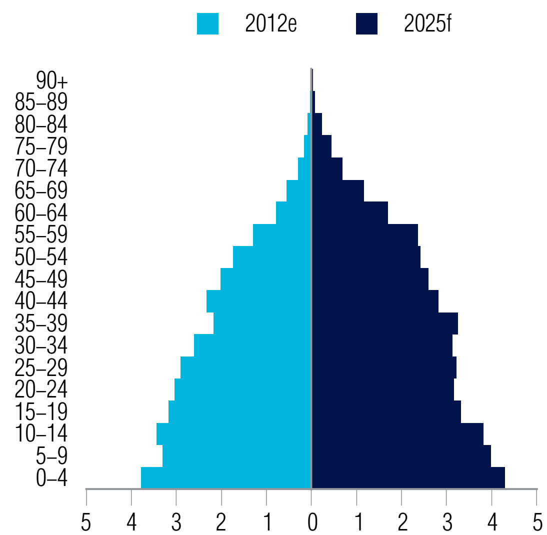
f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

DEMOGRAPHICS

Mining is the major driver of economic growth in Nunvaut, but strong population growth will increase the labour pool and propel the demand for goods and services. Nunavut's population will grow at a compound rate of 1.8 per cent per year between 2012 and 2025, far more rapid than Canada's rate of 1.1 per cent. Although accelerating economic development will not lead to positive net migration, a high fertility rate and a young population will augment the demand for health and education services while its labour force grows.

The age structure in Nunavut is very different from that of Canada as a whole and, in many ways, benefits the territory. In Canada, as the population ages, there will be more people over 65 who will require a greater amount of health care and social services. Unfortunately, Canada has had a fertility rate below the replacement rate of 2.1 births per woman, so the workforce and tax base will be eroded as the demand on governments is increasing. Nunavut's situation, however, is the complete opposite. At 3 births per woman, Nunavut is the only jurisdiction with a fertility rate above the replacement rate. The population is also relatively young—over 35 per cent of Nunavummiut are under the age of 15. (See Chart 4.) So, while Canada's population as a whole is aging and straining government budgets, Nunavut will have a growing labour force and a far younger population. Although there will still be a large number of young dependents in Nunavut, the dependency ratio in Nunavut (the percentage of people older than 65 or younger than 15) is expected to fall over the next 10 years, reducing the strain on government coffers for health care and social security relative to the working population. With the working-age cohort (ages 15 through 64) on pace to expand at a slightly slower pace than the labour force, participation in the labour force is expected to increase, from about 64 per cent in 2012 to over 68 per cent by 2016.

Chart 4
Nunavut's Youthful Population
(population by age cohort, 000s)



e = estimate
f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

PUBLIC ACCOUNTS

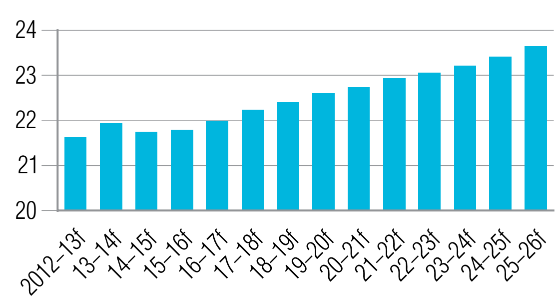
The 2012–13 Nunavut budget listed a return to surplus for the territory after running a deficit the previous fiscal year. The surplus was forecast to be $37.7 million, after setting aside $78 million for contingencies.[10] This surplus is still expected to be on track, and the territory anticipates a budget surplus of $21.9 million in 2013–14.

With the release of the 2012 consolidated public accounts, the net debt of the territory reached $219 million, up from an estimated $145 million in the last budget release. In the fall, Moody's assigned a credit rating of Aa1 (a good score; Ontario is one level below at Aa2), which will help keep borrowing costs down. This will allow the government to contribute to infrastructure projects such as the Iqaluit airport upgrade without running up against the debt ceiling, which has been raised to $400 million.

Recent capital estimates for 2013–14 suggest capital expenditures will fall to $153 million this fiscal year. Total expenditures are expected to grow by an average of 5.3 per cent between fiscal 2013–14 and 2025–26. Nunavut's relatively strong population growth will lead to increased demands for government services, especially health care. Between the 2012–2013 and 2025–2026 fiscal years, health care spending as a percentage of total expenditures will rise from 21.6 to 23.6 per cent. (See Chart 5.) The share of education spending will fall from 16.6 to 13.1 per cent. In the long run, a slightly smaller percentage of the budget is expected to be devoted to other programs and capital expenditures.

Revenues, overall, should grow at a slightly slower pace—5.1 per cent annually—than expenditures. Transfers from the federal government will continue to make up the bulk of the territory's revenue for the entire forecast. Nunavut's own share of government revenues is expected to remain below 15 per cent over the forecast period without major increases to personal and corporate taxes or devolution of taxing responsibilities to the Nunavut government.

Chart 5
Health Care Expenditures to Grow in Importance
(health care and social services spending as a percentage of total spending)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

10 This estimate is on a consolidated or Main Estimates basis. The surplus/deficits reported in Table 4 are on a non-consolidated, or Public Accounts basis. For more information, consult Nunavut Finance's Budget 2013–14, *Fiscal and Economic Indicators*, available at www.finance.gov.nu.ca.

Table 1
Key Economic Indicators: Nunavut
(forecast completed January 20, 2013)

	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
GDP at basic prices	983	1,026	1,163	1,068	1,188	1,280	1,318	1,362	1,483	1,559
(2002 $ millions)	*n.a.*	*4.4*	*13.4*	*–8.2*	*11.3*	*7.7*	*2.9*	*3.4*	*8.8*	*5.1*
GDP at market prices	1,226	1,343	1,565	1,525	1,755	1,966	2,065	2,193	2,452	2,651
($ millions)	*n.a.*	*9.5*	*16.5*	*–2.6*	*15.1*	*12.0*	*5.1*	*6.2*	*11.8*	*8.1*
Consumer Price Index, Iqaluit	1.05	1.08	1.10	1.13	1.12	1.13	1.15	1.18	1.20	1.23
(2002 = 1.00)	*n.a.*	*3.2*	*2.3*	*2.0*	*–0.7*	*1.4*	*1.7*	*2.2*	*2.1*	*2.0*
Average weekly wage	872	978	964	932	922	983	1,013	1,052	1,099	1,147
($, industrial composite)	*n.a.*	*12.1*	*–1.4*	*–3.3*	*–1.2*	*6.7*	*3.0*	*3.8*	*4.5*	*4.3*
Personal income	1,037	1,032	1,152	1,181	1,249	1,315	1,368	1,455	1,597	1,718
($ millions)	*n.a.*	*–0.5*	*11.6*	*2.5*	*5.8*	*5.3*	*4.0*	*6.4*	*9.7*	*7.6*
Personal disposable income	891	840	1,009	1,002	1,065	1,117	1,160	1,232	1,350	1,452
($ millions)	*n.a.*	*–5.7*	*20.1*	*–0.7*	*6.3*	*4.9*	*3.8*	*6.2*	*9.5*	*7.6*
Personal savings rate										
(per cent)	39.3	30.8	37.9	35.0	35.6	35.0	34.5	33.4	33.1	33.4
Population	30.8	31.3	31.6	32.2	32.8	33.6	33.7	34.4	35.2	36.0
(000s)	*n.a.*	*1.5*	*1.1*	*1.8*	2.0	*2.2*	*0.4*	*2.2*	*2.2*	*2.2*
Labour force	9.7	10.6	12.3	12.4	13.7	14.1	13.9	14.2	14.9	15.4
(000s)	*n.a.*	*9.3*	*16.2*	*0.3*	*10.7*	*3.0*	*–1.6*	*2.3*	*5.4*	*3.1*
Employment	8.7	9.7	10.9	10.8	11.7	11.8	11.8	12.2	13.0	13.5
(000s)	*n.a.*	*11.5*	*12.4*	*–0.9*	*8.3*	*0.9*	*0.0*	*3.2*	*6.7*	*4.1*
Unemployment rate (per cent)	10.0	8.7	12.3	12.6	15.0	16.3	14.9	14.1	13.0	12.2
Retail sales	260	278	309	324	341	359	373	402	443	474
($ millions)	*n.a.*	*6.8*	*11.0*	*5.0*	*5.2*	*5.1*	*3.9*	*7.8*	*10.2*	*7.0*

f = forecast; n.a. = not available
Note: 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.

(continued . . .)

Table 1 cont'd
Key Economic Indicators: Nunavut
(forecast completed January 20, 2013)

	2016f	2017f	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
GDP at basic prices	1,612	1,634	1,636	1,669	1,712	1,760	1,804	1,856	1,906	1,958
(2002 $ millions)	*3.4*	*1.4*	*0.1*	*2.0*	*2.5*	*2.8*	*2.5*	*2.8*	*2.7*	*2.7*
GDP at market prices	2,818	2,930	3,007	3,143	3,300	3,476	3,652	3,850	4,055	4,270
($ millions)	*6.3*	*4.0*	*2.6*	*4.5*	*5.0*	*5.3*	*5.1*	*5.4*	*5.3*	*5.3*
Consumer Price Index, Iqaluit	1.25	1.28	1.30	1.33	1.35	1.38	1.41	1.44	1.47	1.49
(2002 = 1.00)	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Average weekly wage	1,190	1,233	1,273	1,325	1,380	1,439	1,500	1,561	1,619	1,681
($, industrial composite)	*3.8*	*3.6*	*3.3*	*4.1*	*4.2*	*4.3*	*4.2*	*4.1*	*3.8*	*3.8*
Personal income	1,826	1,926	1,999	2,079	2,176	2,291	2,405	2,528	2,655	2,787
($ millions)	*6.3*	*5.5*	*3.8*	*4.0*	*4.7*	*5.3*	*5.0*	*5.1*	*5.0*	*5.0*
Personal disposable income	1,542	1,626	1,687	1,754	1,835	1,932	2,028	2,131	2,237	2,348
($ millions)	*6.2*	*5.5*	*3.7*	*4.0*	*4.6*	*5.3*	*4.9*	*5.1*	*5.0*	*5.0*
Personal savings rate										
(per cent)	34.1	34.6	34.2	33.9	33.6	33.4	33.3	33.2	33.2	33.5
Population	36.7	37.4	38.1	38.8	39.4	40.1	40.7	41.4	42.0	42.6
(000s)	*2.2*	*1.9*	*1.9*	*1.7*	1.7	*1.7*	*1.6*	*1.5*	*1.5*	*1.5*
Labour force	15.8	16.0	15.9	16.2	16.5	16.8	17.1	17.3	17.5	17.7
(000s)	*2.7*	*0.8*	*–0.5*	*1.9*	*1.9*	*1.8*	*1.7*	*1.3*	*1.2*	*1.2*
Employment	13.9	14.1	14.1	14.1	14.2	14.5	14.7	14.9	15.1	15.3
(000s)	*2.4*	*1.4*	*0.1*	*0.3*	*1.0*	*1.8*	*1.4*	*1.6*	*1.4*	*1.3*
Unemployment rate (per cent)	12.4	11.9	11.5	12.9	13.6	13.6	13.8	13.5	13.4	13.3
Retail sales	498	520	542	566	594	626	657	690	722	752
($ millions)	*5.0*	*4.5*	*4.2*	*4.4*	*5.0*	*5.4*	*4.9*	*5.0*	*4.7*	*4.2*

f = forecast; n.a. = not available
Note: 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 January 20, 2013)

	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
Other primary	0.50	0.60	0.60	0.60	0.60	0.60	0.62	0.63	0.64	0.65
	n.a.	*20.0*	*0.0*	*0.0*	*0.0*	*0.0*	*2.8*	*2.4*	*1.3*	*0.9*
Mining	20	22	22	11	179	181	215	216	222	248
	n.a.	*12.6*	*0.0*	*–52.9*	*1603.8*	*1.1*	*19.1*	*0.3*	*2.7*	*11.9*
Metal mining	0	0	0	0	163	165	199	199	203	228
	n.a.	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*1.2*	*20.5*	*–0.1*	*2.5*	*12.1*
Non-metal mining	14	22	5	0	0	0	0	0	0	0
	n.a.	*61.4*	*–76.8*	*–100.0*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Mineral fuels	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.*
Mining services	6	0	17	11	16	16	17	17	18	20
	n.a.	*–100.0*	*n.a.*	*–38.7*	*50.5*	*0.0*	*5.0*	*5.0*	*6.0*	*10.0*
Manufacturing	2	2	1	1	0	0	0	0	0	0
	n.a.	*–18.2*	*–61.1*	*14.3*	*–50.0*	*–50.0*	*3.8*	*4.4*	*3.9*	*3.6*
Construction	137	172	264	189	175	227	212	226	304	318
	n.a.	*26.1*	*53.5*	*–28.7*	*–6.9*	*29.2*	*–6.5*	*6.5*	*34.5*	*4.7*
Utilities	19	20	23	23	25	26	27	28	29	30
	n.a.	*3.7*	*16.3*	*0.0*	*9.6*	*5.2*	*2.7*	*2.5*	*3.1*	*5.2*
Goods-producing industries	178	217	311	223	380	435	455	470	555	597
	n.a.	*21.6*	*43.5*	*–28.2*	*70.4*	*14.3*	*4.8*	*3.3*	*18.0*	*7.6*
Transportation, warehousing, information, and cultural industries	58	56	58	59	61	62	62	65	71	76
	n.a.	*–2.8*	*3.4*	*1.0*	*3.4*	*3.0*	*–0.3*	*4.5*	*9.5*	*6.3*
Wholesale and retail trade	62	61	67	65	69	71	73	78	88	95
	n.a.	*–1.1*	*9.2*	*–2.2*	*5.7*	*3.6*	*2.1*	*7.4*	*12.2*	*7.8*
Finance, insurance, and real estate	160	162	167	171	176	181	182	190	198	205
	n.a.	*1.6*	*3.2*	*2.1*	*2.9*	*3.1*	*0.5*	*4.3*	*4.1*	*3.9*
Commercial services	59	62	65	66	65	67	68	71	75	77
	n.a.	*5.2*	*4.2*	*1.2*	*–0.5*	*2.9*	*1.1*	*4.8*	*4.8*	*3.7*
Non-commercial services	194	197	207	210	213	217	224	230	235	242
	n.a.	*1.6*	*5.1*	*1.7*	*1.2*	*1.9*	*3.3*	*2.6*	*2.4*	*2.7*
Public administration and defence	280	280	289	286	281	285	290	294	297	303
	n.a.	*0.1*	*3.3*	*–1.2*	*–1.8*	*1.6*	*1.5*	*1.4*	*1.2*	*1.9*
Services-producing industries	811	818	853	856	864	884	899	928	964	997
	n.a.	*0.8*	*4.2*	*0.4*	*0.9*	*2.4*	*1.6*	*3.3*	*3.9*	*3.5*
All industries	983	1,026	1,163	1,068	1,188	1,280	1,318	1,362	1,483	1,559
	n.a.	*4.4*	*13.4*	*–8.2*	*11.3*	*7.7*	*2.9*	*3.4*	*8.8*	*5.1*

f = forecast; n.a. = not available
Note: 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.

(continued . . .)

Table 2 cont'd
Real Gross Domestic Product: Nunavut
(2002 $ millions; forecast completed January 20, 2013)

	2016f	2017f	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
Other primary	0.65	0.66	0.67	0.68	0.69	0.70	0.70	0.71	0.72	0.73
	1.1	*1.4*	*1.3*	*1.2*	*1.2*	*1.3*	*1.2*	*1.1*	*1.2*	*1.2*
Mining	271	327	305	313	321	329	337	345	353	362
	9.1	*20.7*	*–6.6*	*2.6*	*2.5*	*2.4*	*2.4*	*2.4*	*2.4*	*2.4*
Metal mining	248	301	277	283	290	297	304	310	318	325
	8.9	*21.2*	*–7.9*	*2.3*	*2.3*	*2.3*	*2.3*	*2.3*	*2.3*	*2.3*
Non-metal mining	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.*
Mineral fuels	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.*
Mining services	23	26	28	30	31	32	33	34	36	37
	11.5	*15.0*	*8.0*	*6.0*	*4.9*	*3.1*	*3.4*	*3.3*	*3.5*	*3.2*
Manufacturing	0	0	0	0	0	0	0	0	0	0
	3.4	*2.9*	*2.7*	*2.4*	*2.3*	*2.1*	*2.4*	*2.2*	*2.3*	*2.3*
Construction	319	257	254	249	249	253	253	260	266	273
	0.3	*–19.3*	*–1.4*	*–2.0*	*0.1*	*1.7*	*0.1*	*2.5*	*2.5*	*2.5*
Utilities	31	33	33	33	34	34	35	35	36	36
	3.7	*5.7*	*–0.7*	*1.5*	*1.4*	*1.4*	*1.4*	*1.3*	*1.3*	*1.4*
Goods-producing industries	622	618	593	596	605	617	626	641	656	672
	4.1	*–0.6*	*–4.1*	*0.6*	*1.5*	*2.1*	*1.4*	*2.4*	*2.4*	*2.4*
Transportation, warehousing, information, and cultural industries	79	85	88	87	88	91	94	98	101	105
	5.0	*6.7*	*3.5*	*–0.9*	*1.7*	*3.6*	*3.3*	*3.6*	*3.6*	*3.6*
Wholesale and retail trade	96	96	96	100	105	111	118	123	127	131
	1.5	*–0.4*	*0.0*	*4.3*	*5.2*	*6.1*	*5.6*	*4.9*	*3.3*	*2.9*
Finance, insurance, and real estate	213	221	229	237	245	254	262	271	279	289
	3.9	*3.4*	*3.6*	*3.6*	*3.5*	*3.4*	*3.3*	*3.3*	*3.3*	*3.3*
Commercial services	79	80	82	84	86	88	90	92	93	95
	2.6	*1.1*	*2.4*	*2.3*	*2.3*	*2.2*	*2.1*	*2.0*	*2.0*	*2.0*
Non-commercial services	248	254	261	268	275	282	290	298	306	314
	2.7	*2.4*	*2.6*	*2.8*	*2.7*	*2.5*	*2.6*	*2.7*	*2.7*	*2.7*
Public administration and defence	310	317	325	334	343	352	361	370	379	389
	2.4	*2.2*	*2.5*	*2.8*	*2.7*	*2.6*	*2.6*	*2.5*	*2.4*	*2.6*
Services-producing industries	1,026	1,052	1,079	1,109	1,143	1,178	1,214	1,251	1,286	1,322
	2.9	*2.5*	*2.6*	*2.8*	*3.0*	*3.1*	*3.1*	*3.0*	*2.8*	*2.8*
All industries	1,612	1,634	1,636	1,669	1,712	1,760	1,804	1,856	1,906	1,958
	3.4	*1.4*	*0.1*	*2.0*	*2.5*	*2.8*	*2.5*	*2.8*	*2.7*	*2.7*

f = forecast; n.a. = not available
Note: 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)

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13f	2013–14f	2014–15f	2015–16f
Total revenues	1,270.4	1,176.7	1,259.9	1,346.4	1,444.0	1,468.0	1,606.9	1,678.3	1,766.9	1,867.2
	17.8	*–7.4*	*7.1*	*6.9*	*7.3*	*1.7*	*9.5*	*4.4*	*5.3*	*5.7*
Own-source revenues	91.4	120.9	140.2	141.9	162.7	115.8	120.2	133.3	149.8	165.5
	–5.6	*32.2*	*16.0*	*1.2*	*14.6*	*–28.8*	*3.8*	*10.8*	*12.4*	*10.5*
Personal income taxes	9.2	12.5	13.0	13.2	19.8	17.0	18.4	20.4	23.6	26.5
	–9.7	*35.1*	*4.0*	*1.8*	*50.1*	*–14.2*	*8.2*	*10.7*	*16.0*	*12.3*
Corporate taxes	4.9	6.6	7.2	5.2	9.0	7.5	8.4	8.8	9.9	10.6
	–9.7	*35.1*	*9.3*	*–27.5*	*73.7*	*–17.0*	*12.0*	*4.3*	*12.8*	*7.7*
Tobacco taxes	0.0	11.7	12.0	11.8	13.1	13.8	14.6	15.3	16.0	16.8
	0.0	*0.0*	*2.5*	*–1.3*	*11.0*	*5.3*	*5.8*	*4.5*	*5.0*	*4.9*
Payroll taxes	0.0	14.7	17.1	17.0	19.8	21.3	22.3	23.9	26.4	28.6
	0.0	*0.0*	*16.5*	*–0.5*	*16.5*	*7.6*	*4.7*	*7.1*	*10.7*	*8.2*
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*
Other own-source revenues	0.0	75.6	91.1	94.7	101.0	56.2	56.5	65.0	73.8	82.9
	0.0	*0.0*	*20.5*	*4.0*	*6.6*	*–44.4*	*0.6*	*15.0*	*13.6*	*12.3*
Transfers from Government of Canada	1,134.0	993.9	1,048.0	1,102.3	1,165.2	1,250.8	1,356.1	1,435.8	1,510.3	1,587.4
	19.9	*–12.4*	*5.4*	*5.2*	*5.7*	*7.3*	*8.4*	*5.9*	*5.2*	*5.1*
CHT	23.3	25.1	26.3	27.2	28.0	30.0	31.0	32.4	34.5	36.5
	2.3	*8.0*	*4.6*	*3.5*	*2.9*	*7.1*	*3.3*	*4.5*	*6.4*	*5.8*
CST	10.6	10.6	10.6	10.6	11.0	11.0	11.0	13.8	14.4	15.1
	4.7	*0.1*	*0.0*	*0.0*	*3.3*	*0.0*	*0.0*	*25.4*	*4.4*	*5.1*
Other transfers from Government of Canada	256.1	65.3	67.0	42.4	35.6	34.5	40.6	41.5	42.4	43.3
	149.0	*–74.5*	*2.6*	*–36.6*	*–16.1*	*–3.1*	*17.7*	*2.2*	*2.2*	*2.2*
Territorial Formula Financing	844.0	892.9	944.1	1,022.1	1,090.6	1,175.3	1,273.5	1,348.1	1,419.1	1,492.5
	4.2	*5.8*	*5.7*	*8.3*	*6.7*	*7.8*	*8.4*	*5.9*	*5.3*	*5.2*
Expenditure base	0.0	0.0	0.0	1,138.0	1,211.0	1,238.9	1,400.2	1,460.2	1,535.0	1,613.4
	n.a.	*n.a.*	*n.a.*	*n.a.*	*6.4*	*2.3*	*13.0*	*4.3*	*5.1*	*5.1*
Fiscal capacity	0.0	0.0	0.0	116.0	120.0	63.9	126.8	112.1	116.0	120.9
	n.a.	*n.a.*	*n.a.*	*n.a.*	*3.4*	*–46.7*	*98.4*	*–11.6*	*3.5*	*4.3*
Residual*	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 Finance Canada
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; Nunavut Finance Public Accounts; Finance Canada.

(continued . . .)

Table 3 cont'd
Nunavut Territorial Government Revenues
($ millions)

	2016–17f	2017–18f	2018–19f	2019–20f	2020–21f	2021–22f	2022–23f	2023–24f	2024–25f	2025–26f
Total revenues	1,971.2	2,068.3	2,176.8	2,287.0	2,389.6	2,506.8	2,631.9	2,764.4	2,904.5	3,052.8
	5.6	*4.9*	*5.2*	*5.1*	*4.5*	*4.9*	*5.0*	*5.0*	*5.1*	*5.1*
Own-source revenues	180.8	195.3	209.4	224.3	240.3	257.6	275.3	294.0	313.5	333.8
	9.2	*8.0*	*7.2*	*7.1*	*7.1*	*7.2*	*6.9*	*6.8*	*6.6*	*6.5*
Personal income taxes	29.2	31.7	33.6	35.7	38.2	41.3	44.5	48.0	51.7	55.7
	10.1	*8.6*	*6.0*	*6.1*	*7.1*	*8.2*	*7.6*	*7.9*	*7.8*	*7.7*
Corporate taxes	11.0	11.0	11.2	11.9	12.5	13.1	13.8	14.6	15.6	16.5
	3.8	*–0.5*	*2.2*	*5.6*	*5.4*	*4.6*	*5.5*	*6.1*	*6.4*	*6.1*
Tobacco taxes	17.6	18.3	19.0	19.8	20.6	21.3	22.1	22.9	23.8	24.6
	4.7	*4.0*	*4.1*	*4.1*	*3.9*	*3.6*	*3.7*	*3.8*	*3.7*	*3.7*
Payroll taxes	30.5	32.3	33.6	34.9	36.6	38.6	40.5	42.7	44.9	47.2
	6.7	*5.7*	*4.0*	*4.0*	*4.7*	*5.4*	*5.1*	*5.2*	*5.2*	*5.1*
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*
Other own-source revenues	92.4	102.0	111.9	122.0	132.5	143.3	154.4	165.8	177.6	189.8
	11.4	*10.4*	*9.7*	*9.1*	*8.5*	*8.2*	*7.7*	*7.4*	*7.1*	*6.9*
Transfers from Government of Canada	1,668.7	1,744.7	1,815.9	1,884.5	1,961.6	2,051.9	2,149.8	2,253.7	2,363.9	2,481.0
	5.1	*4.6*	*4.1*	*3.8*	*4.1*	*4.6*	*4.8*	*4.8*	*4.9*	*5.0*
CHT	38.7	41.0	43.7	46.4	49.1	51.9	54.8	57.8	61.0	64.4
	6.2	*6.0*	*6.4*	*6.2*	*5.9*	*5.7*	*5.7*	*5.5*	*5.5*	*5.6*
CST	16.0	16.8	17.8	18.7	19.6	20.5	21.5	22.3	23.3	24.2
	5.5	*5.2*	*5.8*	*5.4*	*4.9*	*4.5*	*4.5*	*4.2*	*4.2*	*4.1*
Other transfers from Government of Canada	44.3	45.1	46.0	46.8	47.5	48.3	49.1	49.8	50.6	51.3
	2.2	*1.9*	*1.9*	*1.7*	*1.7*	*1.7*	*1.6*	*1.5*	*1.5*	*1.5*
Territorial Formula Financing	1,569.7	1,641.8	1,708.5	1,772.6	1,845.3	1,931.2	2,024.5	2,123.7	2,229.0	2,341.1
	5.2	*4.6*	*4.1*	*3.8*	*4.1*	*4.7*	*4.8*	*4.9*	*5.0*	*5.0*
Expenditure base	1,697.0	1,775.7	1,853.1	1,931.7	2,017.4	2,112.0	2,212.5	2,321.2	2,436.0	2,554.6
	5.2	*4.6*	*4.4*	*4.2*	*4.4*	*4.7*	*4.8*	*4.9*	*4.9*	*4.9*
Fiscal capacity	127.2	134.0	144.6	159.1	172.0	180.8	188.0	197.5	207.0	213.5
	5.2	*5.3*	*8.0*	*10.0*	*8.1*	*5.1*	*4.0*	*5.0*	*4.8*	*3.2*
Residual*	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 Finance Canada
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; Nunavut Finance Public Accounts; Finance Canada.

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

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13f	2013–14f	2014–15f	2015–16f
Total expenditures	1,124.2	1,155.2	1,282.5	1,283.3	1,424.0	1,491.5	1,513.6	1,597.7	1,717.5	1,827.1
	16.0	*2.8*	*11.0*	*0.1*	*11.0*	*4.7*	*1.5*	*5.6*	*7.5*	*6.4*
Program spending	1,127.3	1,133.2	1,240.2	1,202.4	1,309.9	1,454.7	1,341.6	1,477.7	1,591.0	1,694.1
	18.7	*0.5*	*9.4*	*–3.0*	*8.9*	*11.1*	*–7.8*	*10.1*	*7.7*	*6.5*
Health*	278.2	285.0	295.3	292.9	306.0	348.0	327.2	350.9	374.2	400.0
	22.9	*2.4*	*3.6*	*–0.8*	*4.5*	*13.7*	*–6.0*	*7.2*	*6.6*	*6.9*
Share of total spending (%)	24.7	24.7	23.0	22.8	21.5	23.3	21.6	22.0	21.8	21.9
Education	198.4	211.7	239.9	232.8	230.9	244.8	250.7	259.5	267.8	276.7
	4.5	*6.7*	*13.3*	*–2.9*	*–0.8*	*6.0*	*2.4*	*3.5*	*3.2*	*3.3*
Share of total spending (%)	17.7	18.3	18.7	18.1	16.2	16.4	16.6	16.2	15.6	15.1
Other program spending	650.7	636.5	705.0	676.6	773.0	861.9	763.7	867.2	949.0	1,017.4
	21.9	*–2.2*	*10.8*	*–4.0*	*14.3*	*11.5*	*–11.4*	*13.6*	*9.4*	*7.2*
Budgetary balance	146.2	21.5	–22.6	63.1	20.0	–52.5	14.7	62.2	30.9	21.6
Increase (decrease) of capital assets, net of amortization	–46.8	–34.0	–35.7	–77.9	–60.9	–42.9	–25.4	0.0	0.0	0.0
Net debt	–87.6	–75.1	–16.7	–1.8	39.0	134.4	145.0	82.8	51.9	30.3

f = forecast
*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.
Supplementary Requirements 2010–11 and 2011–12 not added to program expenditure.
Sources: The Conference Board of Canada; Nunavut Finance Public Accounts; Finance Canada.

(continued . . .)

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

	2016–17f	2017–18f	2018–19f	2019–20f	2020–21f	2021–22f	2022–23f	2023–24f	2024–25f	2025–26f
Total expenditures	1,945.3	2,058.9	2,158.0	2,265.9	2,376.2	2,495.5	2,613.0	2,742.6	2,884.5	3,034.9
	6.5	*5.8*	*4.8*	*5.0*	*4.9*	*5.0*	*4.7*	*5.0*	*5.2*	*5.2*
Program spending	1,805.9	1,913.8	2,006.7	2,107.1	2,209.4	2,320.3	2,429.6	2,550.6	2,683.6	2,824.6
	6.6	*6.0*	*4.9*	*5.0*	*4.9*	*5.0*	*4.7*	*5.0*	*5.2*	*5.3*
Health*	427.9	454.3	481.1	509.9	538.2	570.8	602.6	637.3	675.1	716.5
	7.0	*6.2*	*5.9*	*6.0*	*5.5*	*6.1*	*5.6*	*5.7*	*5.9*	*6.1*
Share of total spending (%)	22.0	22.1	22.3	22.5	22.6	22.9	23.1	23.2	23.4	23.6
Education	286.6	296.7	307.7	318.7	330.2	342.8	356.2	369.4	382.8	396.7
	3.6	*3.5*	*3.7*	*3.6*	*3.6*	*3.8*	*3.9*	*3.7*	*3.6*	*3.6*
Share of total spending (%)	14.7	14.4	14.3	14.1	13.9	13.7	13.6	13.5	13.3	13.1
Other program spending	1,091.4	1,162.8	1,217.9	1,278.5	1,341.0	1,406.7	1,470.7	1,543.9	1,625.7	1,711.4
	7.3	*6.5*	*4.7*	*5.0*	*4.9*	*4.9*	*4.6*	*5.0*	*5.3*	*5.3*
Budgetary balance	7.4	–9.1	0.3	2.7	–5.2	–7.2	0.4	3.4	1.5	–0.6
Increase (decrease) of capital assets, net of amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	22.9	32.0	31.7	29.0	34.2	41.4	40.9	37.6	36.1	36.6

f = forecast
*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.
Supplementary Requirements 2010–11 and 2011–12 not added to program expenditure.
Sources: The Conference Board of Canada; Nunavut Finance Public Accounts; Finance Canada.

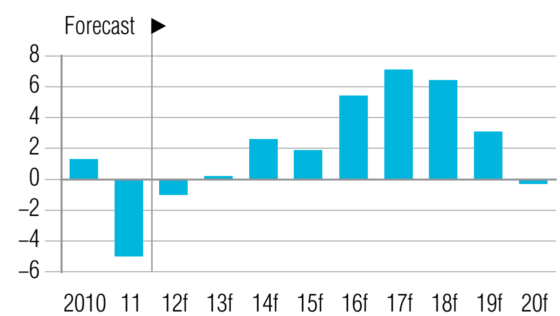
Jacqueline Palladini

Metals Outshine Diamonds—Almost

Chapter Summary

- Real GDP will stagnate this year but will increase 2.6 per cent in 2014.
- The metal mining industry will embark on a significant expansion, while diamond mining will mature and decline over the long term.
- There will be a substantial decrease in the population of young workers, which will impact the mines' abilities to recruit new labour.

Chart 1
GDP Growth Restrained in the Near Term
(real GDP in 2002 $; percentage change)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Economic growth in the Northwest Territories will stagnate this year as diamond production continues to decline. This year's 0.2 per cent growth in real gross domestic product is still a welcome improvement over the declines experienced in 2011 and 2012. (See Chart 1.) Construction activity will surge this year and next as several new mines are developed. This will bring many jobs and increased demand for services to the territory this year; personal income will rise 4.8 per cent. Employment will increase by 400 jobs and inspire many jobless to look for work. As a result, the unemployment rate will increase to 8.8 per cent in 2013—the highest in more than a decade.

The employment and economic situations improve significantly next year as the demand for diamonds returns, and as four new mines—Nechalacho, Gahcho Kué, NICO, and Yellowknife—begin construction. Real GDP will advance 2.6 per cent in 2014 (the best performance since 2007), and labour markets will add an additional 600 jobs for N.W.T. residents, lowering the unemployment rate to 7.9 per cent.

The economy will continue to expand over the medium term with the development of and production at five new mines. However, real GDP growth will begin to weaken when Diavik and Ekati diamond mines wind down production and ultimately close. Employment and real GDP will start a modest decline in 2020 that will continue afterwards. However, by 2025, the size of the economy will still be larger than it is today. But, due to productivity gains and large-scale job losses at Diavik and Ekati, the territory will employ 300 fewer people in 2025 than it did in 2012.

ECONOMIC OUTLOOK

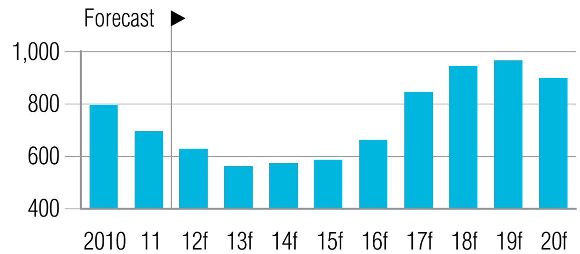
MINING

Diamond Mining

Diamond prices declined 12.5 per cent in 2012 and will struggle to make gains in 2013 and 2014. The price drop was led by global economic weakness that caused growth in the demand for diamonds to stall in China and to decline in India. Meanwhile, demand for diamonds was steady in the United States last year but, with economic growth still modest south of the border, diamond demand could easily lose momentum. However, there is limited additional downside risk to diamond price forecasts this year and next because of the price drop in 2012.

The long-term outlook is much different—a rising Asian middle class and increased preferences for diamond jewellery in China will result in a robust demand for diamonds.[1] There is also the potential for increased investment demand for diamonds. The World Gold Council and Anglo American estimate that investors account for 44 per cent of gold demand[2] but less than 1 per cent of diamond demand.[3] Thus there is an upside for diamonds as the inflationary effects of loose monetary policies cause investors to worry.

Chart 2
Diamond Production Will Continue to Struggle
(non-metallic mineral mining output, 2002 $ millions)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

On the supply side, there has been minimal new diamond exploration. Moreover, it takes several years to bring a world-class diamond mine into production, so no significant boost to global diamond supply is expected in the next 10 years. As a result, analysts claim demand is set to outstrip supply from 2015 onward,[4] and prices are expected to climb.

Diamond production in the N.W.T. will continue to mirror global demand (both intentionally and coincidentally). Diamond production dropped an estimated 9.5 per cent in 2012 in light of falling prices. In addition, Diavik closed its open pit mine in September and lower-grade diamonds were extracted at Ekati as it shifted to more underground operations. Meanwhile, Snap Lake continued to ramp up production following a closure in 2009. This year, diamond production will continue to decline due to weak market conditions, decreased production guidance from Diavik, and a gradual winding-down of production at Ekati. As a result, non-metallic mineral mining and quarrying (non-metal mining) is expected to fall another 10.5 per cent in 2013. Non-metal mining output will see a slight improvement in 2014 as prices begin to increase. (See Chart 2.)

1 ETF Strategy Ltd. *PureFunds' Diamond ETF Looks Ready to Sparkle*, January 18, 2013. www.etfstrategy.co.uk/purefunds-diamond-etf-gems-looks-ready-to-sparkle-on-positive-outlook-for-diamond-fundamentals-97315/ (accessed January 25, 2013).

2 World Gold Council, *Gold Demand Trends: Third Quarter 2012* (London: World Gold Council, November 2012). www.gold.org/download/pub_archive/pdf/GDT_Q3_2012.pdf (accessed January 25, 2013).

3 Anglo American plc, "Investor & Analyst Diamond Briefing," presentation in London, November 30, 2012. www.angloamerican.com/investors/presentations/2012pres/ (accessed January 25, 2013).

4 Professional Jeweller, *Rapaport: Diamond Buyers Must Say No to High Prices*, January 7, 2013. www.professionaljeweller.com/article-12413-rapaportdiamond-buyers-must-say-no-to-high-prices/ (accessed January 25, 2013).

In 2015, global demand is set to outstrip supply, prices are expected to increase, and production is expected to begin at the Gahcho Kué mine and at Ekati's Misery Pit. Diamond production in the territory will pick up speed as Gahcho Kué ramps up to full production and Diavik opens its A-21 pipe in 2017. Non-metal mining will peak in Ekati's last year of production; in 2019, output will be more than 50 per cent higher than in 2012. But diamond production will start its significant decline in 2020. Diavik and Ekati wind down operations. Diavik will finish producing by 2024. By 2025, non-metal mining will be $150 million lower (in 2002 $) than it was last year. Real output in non-metal mining will decline by 2.7 per cent on average (compounded annually) over 2012–2025.

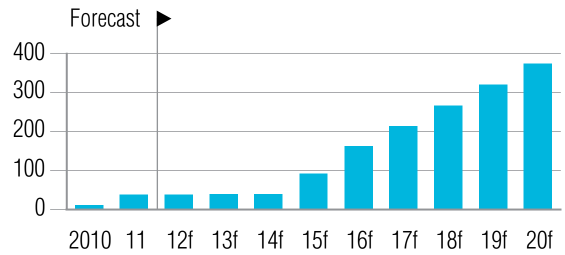
In 2015, global diamond demand is set to outstrip supply, prices are expected to increase, and production expected to begin at Gahcho Kué and Ekati's Misery Pit.

Harry Winston—now Dominion Diamond Corp.—plans to buy a controlling stake in the Ekati mine. It recently sold its retail arm of the business to Swatch for $1 billion (including $250 million in assumed net debt). Analysts speculate that Dominion Diamond Corp. will use its cash to buy the remaining 60 per cent stake in the Diavik mine, of which it already owns 40 per cent.[5] There is not much risk to the forecast, whether these deals go ahead or not. Since the assets are nearing their end of life, it is unlikely that the new owners will deviate much from the plans currently in place for the life of the mine.

Metal Mining

With metal prices at historical highs, it is no wonder that several metal ore mines are being developed and explored in the N.W.T. Metal ore mining will see very solid growth over the forecast period with an annual average compound growth rate of 18.7 per cent over the 2012–2025 period. (See Chart 3.)

Chart 3
Metal Mining To Expand Substantially
(metal mining output, 2002 $ millions)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

The year 2015 will likely see production at two new mines—NICO and Yellowknife—and production restart at the mothballed Prairie Creek mine. The Nechalacho mine will follow within the next two years, beginning production at the end of 2016 and subsequently ramping up to full production. By 2025, metal ore mining output will have expanded tenfold, reaching almost the same levels of GDP output as non-metallic mineral mining and quarrying (which will be much lower than it is today).

This year will be critical for Canadian Zinc's zinc-lead-silver project at Prairie Creek. The company is trying to acquire a Type-A water licence and two Type-A land use permits. It is also planning ahead to acquire all the supplies that it will have to bring in via winter roads in early 2014. The company's aim is to have the mine in production in 2015.

Fortune Minerals' NICO gold-cobalt-bismuth-copper project is moving along in the regulatory process. The company completed the public registry for its environmental assessment, purchased the land in Saskatchewan for its proposed processing plant, and is currently seeking a financing partner.

Tyhee's Yellowknife Gold Project is also moving closer to development, with the release of a positive feasibility study in 2012. Tyhee will continue with the permitting and engineering phases this year and begin construction in 2014; production is expected in the second half of 2015.

5 Bloomberg, *Harry Winston CEO Interested in Buying Rio's Diavik Stake*, January 14, 2013. www.bloomberg.com/news/2013-01-14/harry-winston-ceo-interested-in-buying-rio-s-diavik-stake.html (accessed January 25, 2013).

Avalon Rare Metals Inc. has continued to add to its reserves at the Nechalacho rare earth elements project. This year will be an important one for the project as the company aims to release a feasibility study and acquire financing and permitting. Construction is due to start next year with production in late 2016.

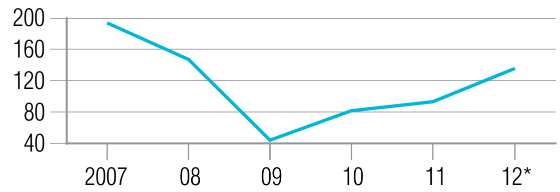
Exploration and Prospective Mines

Exploration and deposit appraisal expenditures have grown strongly over the past few years and are now almost at their pre-recessionary levels. Nominal spending intentions for 2012 were $135.5 million, up 44 per cent from 2011[6] (see Chart 4), but the figures still lag behind those of the other two territories.

Exploration and deposit appraisal expenditures have grown strongly over the past few years and are now almost at their pre-recessionary levels.

There were five sites in the N.W.T. that made Natural Resources Canada's top 100 exploration projects in Canada in 2011: Gahcho Kué, Courageous Lake, Nechalacho, Pine Point, and NICO.[7] Gahcho Kué, Nechalacho, and NICO are included in our mining production forecast. The Courageous Lake project has the potential to go ahead over our forecast time period; the company released a positive prefeasibility study in July, although development costs were quite high. Since then, the company discovered a high-grade gold occurrence that will add to its reserves. Tamerlane's Pine Point project has met a financing roadblock. The company is currently struggling to meet its debt obligations, so the project has been removed from the mining outlook until the company gets financing. These two projects provide upside risk to the outlook if they go ahead.

Chart 4
Mineral Exploration Heats Up
(exploration and deposit appraisal expenditures, $ millions)



*revised spending intentions as of September 2012
Source: Natural Resources Canada's Survey of Mineral Exploration, Deposit Appraisal Expenditures.

Exploration for oil and gas has taken off, but interest has turned away from the Mackenzie Gas Project in the Beaufort Delta region. Instead, Husky Energy, ConocoPhillipps, and others are planning a combined $100-million investment in exploration work in the Sahtu region near Norman Wells and Tulita.[8] Shale oil is thought to be trapped under a rock formation; horizontal drilling and hydraulic fracturing would likely be necessary to uncover the oil. At this stage, it is too early to include any additional mineral fuels production in the forecast, as the exploration plans are still in the very early phases. But the Canol Formation shale oil represents an upside potential to the oil and gas industry in the territory.

CONSTRUCTION

Strong construction activity will help sustain the overall economy this year and next, as it did in 2012. Construction output will experience double-digit growth this year and in 2014. However, it is expected to decline for the remainder of the forecast with the closure of mining assets at Ekati and Diavik, which will no longer contribute to ongoing construction and maintenance activity in the territory. The performance of the construction industry is expected to fluctuate over the forecast period. There is upside risk to the forecast if other major projects go ahead, such as oil drilling in the Sahtu region.

6 Natural Resources Canada, *Exploration and Deposit Appraisal Expenditures, by Province and Territory, 2007–2012*, September 2012. http://mmsd.mms.nrcan.gc.ca/stat-stat/expl-expl/1-eng.aspx (accessed January 26, 2013).

7 Natural Resources Canada, *Map of Top 100 Exploration and Deposit Appraisal Projects of 2011*. www.nrcan.gc.ca/minerals-metals/4437 (accessed January 26, 2013).

8 Guy Quenneville, "State of the Economies — NWT," *Up Here Business*, January 4, 2013. http://upherebusiness.tumblr.com/post/39663540961 (accessed January 26, 2013).

Prairie Creek is set to begin construction this year. Like the NICO project, Prairie Creek has been acquiring its permits, including a water licence and an operational permit for the winter road it will build. Capital costs will be $193 million over two years of development. Also included in the forecast this year is Diavik's construction of its $250-million A-21 pipe.

The NICO mining project will begin construction next year, with production set to start in 2016. The project costs are estimated to be $230 million and it is advanced enough in the pre-development phase that we have included it in our forecast.[9] The Mackenzie Valley Environmental Impact Review Board just recommended that the NICO mining project go ahead; federal and Tlicho governments will provide the final approval.

Three other mines are expected to begin construction next year. The two largest are Nechalacho and Gahcho Kué, with capital costs between $650 million and $700 million each. Avalon Rare Metals Inc. (Nechalacho) has retained a financial advisor to build relationships with potential financing partners. It has signed memorandums of understanding with several First Nations in the area and is on track to get the necessary permits to start construction next year. The Gahcho Kué construction plans include accommodation for 380 employees, an administration complex, a process plant, a maintenance and warehouse facility, an airstrip, and a 120-kilometre-long winter road. Finally, the Yellowknife Gold Project will be the smallest of the three projects beginning construction next year, with capital costs estimated at $193 million.

SERVICES

The services side of the economy will benefit greatly from the new developments in the mining industry. Finance, real estate, and insurance is the largest services category in the N.W.T. and it will also see the most growth over the forecast, 2.4 per cent compounded annually over the 2012–2025 period. Staking new land for mining exploration plus permitting and licensing for mining projects going ahead will bring a lot of business opportunities to this industry.

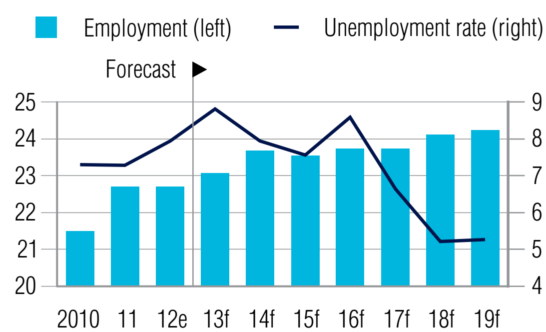
Non-commercial services, which include education, health care, and social services, will post growth over the forecast: 1.5 per cent compounded annually over 2012–2025. Although the population will decline slightly over the forecast, increased demand for services in these areas—in particular for health care—is anticipated as the population ages.

The transportation, warehousing, and information services category will be hurt by the closure of the two largest diamond mines but will benefit greatly from the new mines coming on-stream and also from the increased exploration activity. The wholesale and retail trade will be similarly affected; the closure of the two mines will decrease wholesaling activities and the loss of employment will impact retailers. But the opening of the new mines will mitigate some of these negative impacts.

LABOUR MARKETS

Labour markets are expected to perform well over the near term, thanks to the construction and production of new mines. Over 2012–2019, the territory will add 1,538 jobs. (See Chart 5.) However, after 2019, the N.W.T. will lose a significant number of workers with the closures of the Diavik and Ekati mines. The net effect will be a loss of 289 jobs by 2025 compared with 2012.

Chart 5
Employment to Improve
(employment, 000s; unemployment rate, per cent)



e = estimated
f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

9 Note that the cost of the metal processing plant to be built in Saskatchewan as part of the project has not been factored into these costs, since the investment is outside the Northwest Territories.

The surge in mine construction activity will add 370 jobs this year and another 606 in 2014. The majority of these jobs will be directly related to construction, but wholesale and retail trade; finance, real estate, and insurance; and business commercial services industries will all see gains. Non-commercial services will start to add jobs this year and will continue throughout the forecast in line with stronger demographic demands for health care services. The labour force will increase as well; subsequently, the unemployment rate will increase to 8.8 per cent this year and drop back down to 7.9 per cent in 2014. The unemployment rate has been on an upward trend over the past few years.

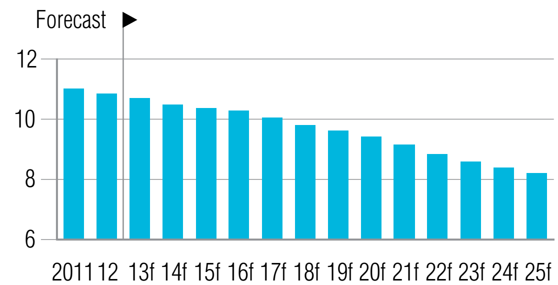
The mining industry will lose workers this year in the face of dwindling diamond demand and shifting operational plans. But when the new metal ore mines begin to operate in 2015, employment in the industry will begin to grow. Mining employment will peak in 2019 at 1,587 and then decrease to 1,151 by 2025 after the Ekati and Diavik mines have closed. Public administration is the largest employer in the territory and it will lose 147 jobs in the next two years before stabilizing.

DEMOGRAPHICS

The Northwest Territories has 43,349 residents and is generally growing. However, the population is aging rapidly and the natural rate of change (births minus deaths) will slow as the population ages. Net negative migration will become a determining factor of population growth over the long term. The population growth will peak in 2018 at 43,481 residents. By 2025, there will be 43,168 residents—fewer than there are today.

There will be significant aging of the population and this can lead to a larger onus on governments and families to provide social security, health services, housing, and transportation. The population aged 65+ will more than double over the forecast, accounting for 13.3 per cent of the population by 2025 compared with 6 per cent in 2012. Meanwhile, the young working-age population (ages 15 to 29) will shrink considerably—by 25 per

Chart 6
Population of Young Workers To Decline
(population aged 15–29, 000s)



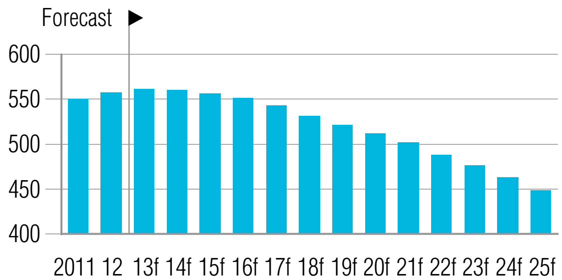
f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

cent. (See Chart 6.) Therefore, it may be challenging for firms to recruit the workers they need for economic growth to occur. The transfer of skills from experienced workers to new entrants will be hindered by the fact that there are so few new entrants.

The total fertility rate—the average number of children a woman bears over her lifetime—stands at 2.1. This rate is second only to Nunavut as the highest in Canada (the national average is 1.67 births per woman). The N.W.T.'s total fertility rate is the same as the standard replacement rate—that is, the rate at which a population is sustained, not including net migration. Therefore, if the territory can stem negative net migration, it can maintain its population size.

The natural rate of change will remain positive over the forecast, meaning that there will be more births than deaths. However, the population will age and births will decrease while deaths will increase. So the natural rate of change will shrink in magnitude and have less of an influence on population change. (See Chart 7.) Meanwhile, net interprovincial migration will be stable with about 590 people leaving the N.W.T. every year for different regions of Canada. This loss of population used to be outnumbered by the gains from natural change, but now the rate of natural change is shrinking and negative net migration will cause the population to shrink.

Chart 7
Natural Change To Have Less of an Impact
(natural change = births minus deaths)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

PUBLIC ACCOUNTS

The Northwest Territories is expected to run a string of surpluses over the forecast. The latest budget is projecting a $113-million surplus in 2013–14.

Spending on health and social services currently takes the largest share of expenditures, and this share will increase over the forecast. Population aging will result in health and social services making up 29.9 per cent of all expenditures by 2025–26, compared with 24.1 per cent in 2012–13. Education's share of spending will decrease over the same period (from 19.9 per cent to 16.2 per cent) due to the decreasing number of young people.

The N.W.T. is making encouraging progress on a devolution deal with the federal government. Currently, transfers from the federal government make up 76.6 per cent of the $1.52 billion in total revenues. Personal income taxes, at $90.4 million, are the largest own-source revenue. This is expected to expand significantly in the next few years with the addition of construction jobs and miners. Corporate tax revenues will have a mixed trend due to the closure of Diavik and Ekati mines, and the opening of five other mines. Net debt is expected to decrease to $290.6 million by 2025–26 compared with a net debt of $655.9 million in 2012–13.

Table 1
Key Economic Indicators: Northwest Territories
(forecast completed January 20, 2013)

	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
GDP at basic prices	3,436	3,829	3,491	2,999	3,038	2,887	2,856	2,861	2,936	2,992
(2002 $ millions)	*n.a.*	*11.4*	*–8.8*	*–14.1*	*1.3*	*–5.0*	*–1.0*	*0.2*	*2.6*	*1.9*
GDP at market prices	4,282	4,598	5,005	4,067	4,696	4,630	4,658	4,773	5,012	5,231
($ millions)	*n.a.*	*7.4*	*8.9*	*–18.7*	*15.5*	*–1.4*	*0.6*	*2.5*	*5.0*	*4.4*
Consumer Price Index, Yellowknife	1.08	1.11	1.15	1.16	1.18	1.21	1.24	1.26	1.29	1.32
(2002 = 1.00)	*n.a.*	*2.9*	*4.0*	*0.6*	*1.8*	*2.9*	*1.9*	*2.3*	*2.2*	*2.1*
Average weekly wage	907	973	1,019	1,067	1,100	1,157	1,185	1,226	1,276	1,310
($, industrial composite)	*n.a.*	*7.3*	*4.7*	*4.7*	*3.0*	*5.2*	*2.4*	*3.5*	*4.1*	*2.6*
Personal income	2,094	2,357	2,442	2,292	2,392	2,506	2,553	2,675	2,829	2,891
($ millions)	*n.a.*	*12.6*	*3.6*	*–6.1*	*4.4*	*4.8*	*1.9*	*4.8*	*5.7*	*2.2*
Personal disposable income	1,675	1,899	1,974	1,841	1,940	2,028	2,057	2,149	2,273	2,320
($ millions)	*n.a.*	*13.4*	*3.9*	*–6.7*	*5.4*	*4.5*	*1.4*	*4.5*	*5.8*	*2.1*
Personal savings rate (per cent)	23.8	28.6	28.1	23.0	24.9	25.1	23.9	23.1	23.0	23.0
Population	43.2	43.6	43.7	43.6	43.9	44.2	43.3	43.4	43.4	43.4
(000s)	*n.a.*	*0.8*	*0.3*	*–0.1*	0.5	*0.8*	*–2.0*	*0.1*	*0.1*	*0.1*
Labour force	24.4	24.8	24.1	22.8	23.2	24.5	24.7	25.3	25.7	25.5
(000s)	*n.a.*	*1.5*	*–2.8*	*–5.5*	*1.8*	*5.6*	*0.7*	*2.6*	*1.7*	*–1.0*
Employment	23.1	23.4	22.7	21.3	21.5	22.7	22.7	23.1	23.7	23.5
(000s)	*n.a.*	*1.3*	*–3.0*	*–6.2*	*0.9*	*5.6*	*0.0*	*1.6*	*2.6*	*–0.6*
Unemployment rate (per cent)	5.3	5.6	5.8	6.1	7.3	7.3	8.0	8.8	7.9	7.6
Retail sales	599	678	706	693	709	727	752	792	841	857
($ millions)	*n.a.*	*13.2*	*4.0*	*–1.8*	*2.3*	*2.5*	*3.5*	*5.3*	*6.2*	*1.9*

f = forecast; n.a. = not available
Note: 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.

(*continued . . .*)

Table 1 cont'd
Key Economic Indicators: Northwest Territories
(forecast completed January 20, 2013)

	2016f	2017f	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
GDP at basic prices	3,153	3,378	3,593	3,705	3,695	3,692	3,728	3,800	3,339	3,387
(2002 $ millions)	*5.4*	*7.1*	*6.4*	*3.1*	*–0.3*	*–0.1*	*1.0*	*1.9*	*–12.1*	*1.4*
GDP at market prices	5,631	6,147	6,655	6,992	7,109	7,245	7,460	7,754	6,983	7,225
($ millions)	*7.6*	*9.2*	*8.3*	*5.1*	*1.7*	*1.9*	*3.0*	*3.9*	*–10.0*	*3.5*
Consumer Price Index, Yellowknife	1.35	1.37	1.40	1.43	1.46	1.49	1.52	1.55	1.58	1.62
(2002 = 1.00)	*2.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.1*	*2.0*	*2.1*	*2.0*	*2.0*
Average weekly wage	1,355	1,400	1,456	1,504	1,539	1,576	1,620	1,669	1,664	1,712
($, industrial composite)	*3.5*	*3.3*	*4.0*	*3.3*	*2.3*	*2.4*	*2.8*	*3.1*	*–0.3*	*2.9*
Personal income	3,005	3,102	3,270	3,391	3,429	3,465	3,558	3,671	3,594	3,704
($ millions)	*3.9*	*3.2*	*5.4*	*3.7*	*1.1*	*1.1*	*2.7*	*3.2*	*–2.1*	*3.0*
Personal disposable income	2,416	2,498	2,632	2,731	2,765	2,803	2,876	2,966	2,867	2,950
($ millions)	*4.1*	*3.4*	*5.4*	*3.8*	*1.2*	*1.4*	*2.6*	*3.1*	*–3.3*	*2.9*
Personal savings rate										
(per cent)	23.3	23.5	23.5	23.5	23.5	23.6	23.5	23.4	22.7	22.9
Population	43.5	43.5	43.5	43.5	43.4	43.4	43.4	43.3	43.2	43.2
(000s)	*0.0*	*0.1*	*0.0*	*0.0*	–0.1	*–0.1*	*–0.1*	*–0.1*	*–0.2*	*–0.2*
Labour force	26.0	25.4	25.4	25.6	25.4	25.1	25.0	24.8	24.5	24.4
(000s)	*1.9*	*–2.1*	*0.1*	*0.6*	*–0.8*	*–1.1*	*–0.3*	*–0.8*	*–1.5*	*–0.2*
Employment	23.7	23.7	24.1	24.2	23.9	23.6	23.5	23.5	22.5	22.4
(000s)	*0.8*	*0.0*	*1.6*	*0.5*	*–1.4*	*–1.3*	*–0.4*	*0.0*	*–4.5*	*–0.1*
Unemployment rate										
(per cent)	8.6	6.6	5.2	5.3	5.8	6.0	6.1	5.4	8.3	8.2
Retail sales	887	913	961	996	1,007	1,018	1,043	1,075	1,044	1,068
($ millions)	*3.5*	*2.9*	*5.3*	*3.7*	*1.1*	*1.1*	*2.4*	*3.0*	*–2.9*	*2.3*

f = forecast; n.a. = not available
Note: 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 January 20, 2013)

	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
Other primary	18	19	25	24	25	31	31	30	29	30
	n.a.	*5.0*	*29.5*	*–2.4*	*4.2*	*24.4*	*–1.4*	*–1.8*	*–2.9*	*1.7*
Mining	1,233	1,570	1,310	1,011	1,027	911	840	767	769	829
	n.a.	*27.3*	*–16.5*	*–22.9*	*1.6*	*–11.3*	*–7.8*	*–8.7*	*0.3*	*7.8*
Metal mining	13	14	15	14	12	37	38	38	39	91
	n.a.	*7.6*	*4.2*	*–7.4*	*–12.4*	*208.3*	*1.9*	*1.9*	*1.9*	*133.6*
Non-metal mining	926	1,262	1,021	775	797	695	629	563	572	587
	n.a.	*36.3*	*–19.1*	*–24.1*	*2.8*	*–12.7*	*–9.5*	*–10.5*	*1.6*	*2.6*
Mineral fuels	229	189	172	167	160	132	124	117	110	103
	n.a.	*–17.6*	*–9.1*	*–2.6*	*–4.4*	*–17.5*	*–6.0*	*–5.4*	*–6.2*	*–6.2*
Mining services	65	104	103	55	59	71	73	72	72	71
	n.a.	*61.1*	*–1.5*	*–46.3*	*6.4*	*21.2*	*3.2*	*–1.2*	*–0.7*	*–0.6*
Manufacturing	12	10	9	6	6	7	7	7	6	7
	n.a.	*–21.8*	*–12.4*	*–25.9*	*–6.3*	*20.3*	*2.7*	*–7.0*	*–6.2*	*5.6*
Construction	368	380	302	161	167	158	181	230	272	240
	n.a.	*3.3*	*–20.5*	*–46.5*	*3.5*	*–5.3*	*14.5*	*27.2*	*17.9*	*–11.8*
Utilities	54	59	59	59	62	61	58	58	58	59
	n.a.	*9.1*	*–0.3*	*1.0*	*5.6*	*–1.9*	*–5.7*	*–0.2*	*1.2*	*2.1*
Goods-producing industries	1,685	2,037	1,704	1,262	1,288	1,169	1,117	1,092	1,135	1,165
	n.a.	*20.9*	*–16.3*	*–26.0*	*2.1*	*–9.2*	*–4.5*	*–2.2*	*3.9*	*2.7*
Transportation, warehousing, information, and cultural industries	301	305	301	288	288	280	276	277	284	290
	n.a.	*1.2*	*–1.3*	*–4.4*	*0.1*	*–3.1*	*–1.4*	*0.4*	*2.6*	*2.1*
Wholesale and retail trade	179	196	196	180	182	184	188	195	204	205
	n.a.	*9.6*	*–0.2*	*–8.1*	*1.2*	*0.7*	*2.4*	*3.7*	*4.6*	*0.5*
Finance, insurance, and real estate	388	386	392	407	409	413	426	439	451	461
	n.a.	*–0.3*	*1.5*	*3.8*	*0.4*	*0.9*	*3.2*	*3.0*	*2.6*	*2.4*
Commercial services	239	246	250	245	247	248	250	257	265	268
	n.a.	*3.1*	*1.3*	*–2.0*	*1.1*	*0.1*	*1.1*	*2.9*	*3.1*	*0.9*
Non-commercial services	302	310	318	320	323	326	331	334	336	340
	n.a.	*2.8*	*2.5*	*0.8*	*0.9*	*0.8*	*1.6*	*0.9*	*0.7*	*1.2*
Public administration and defence	394	396	401	409	413	410	410	409	407	408
	n.a.	*0.5*	*1.2*	*2.0*	*0.9*	*–0.6*	*–0.2*	*–0.2*	*–0.5*	*0.4*
Services-producing industries	1,803	1,840	1,858	1,849	1,863	1,859	1,880	1,911	1,947	1,973
	n.a.	*2.1*	*0.9*	*–0.5*	*0.7*	*–0.2*	*1.1*	*1.6*	*1.9*	*1.3*
All industries	3,436	3,829	3,491	2,999	3,038	2,887	2,856	2,861	2,936	2,992
	n.a.	*11.4*	*–8.8*	*–14.1*	*1.3*	*–5.0*	*–1.0*	*0.2*	*2.6*	*1.9*

f = forecast; n.a. = not available
Note: 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.

(continued . . .)

Table 2 cont'd
Real Gross Domestic Product: Northwest Territories
(2002 $ millions; forecast completed January 20, 2013)

	2016f	2017f	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
Other primary	30	31	32	32	33	34	34	35	36	36
	1.9	*2.2*	*2.1*	*2.0*	*2.0*	*2.1*	*2.0*	*1.9*	*2.0*	*2.0*
Mining	973	1,204	1,357	1,427	1,409	1,406	1,409	1,444	989	1,000
	17.3	*23.7*	*12.7*	*5.2*	*–1.3*	*–0.3*	*0.2*	*2.5*	*–31.5*	*1.1*
Metal mining	162	213	266	319	373	380	388	395	402	410
	77.2	*31.7*	*24.5*	*20.1*	*17.0*	*1.9*	*1.9*	*1.9*	*1.9*	*1.9*
Non-metal mining	664	846	946	966	900	898	897	927	468	473
	13.1	*27.4*	*11.8*	*2.1*	*–6.8*	*–0.2*	*–0.1*	*3.3*	*–49.5*	*1.1*
Mineral fuels	98	93	89	85	82	79	77	74	72	69
	–5.2	*–5.2*	*–4.2*	*–4.2*	*–3.4*	*–3.4*	*–3.4*	*–3.4*	*–3.4*	*–3.4*
Mining services	73	75	80	81	77	72	71	72	71	72
	1.7	*3.7*	*6.7*	*0.6*	*–4.2*	*–7.6*	*–0.2*	*0.9*	*–1.1*	*0.9*
Manufacturing	8	11	13	14	13	13	13	13	9	9
	22.9	*29.7*	*20.1*	*5.9*	*–2.2*	*–2.6*	*0.8*	*3.2*	*–31.0*	*2.1*
Construction	217	167	171	170	154	136	135	134	134	134
	–9.5	*–22.8*	*2.0*	*–0.2*	*–9.7*	*–11.7*	*–1.0*	*–0.2*	*–0.1*	*0.0*
Utilities	61	63	64	65	65	65	65	65	62	62
	2.8	*3.4*	*2.0*	*0.8*	*–0.2*	*–0.1*	*0.0*	*0.3*	*–4.8*	*0.1*
Goods-producing industries	1,289	1,476	1,637	1,708	1,674	1,653	1,656	1,692	1,230	1,242
	10.7	*14.5*	*10.9*	*4.4*	*–2.0*	*–1.3*	*0.2*	*2.2*	*–27.3*	*1.0*
Transportation, warehousing, information, and cultural industries	302	318	333	341	342	344	347	353	326	330
	4.2	*5.2*	*4.6*	*2.4*	*0.4*	*0.5*	*1.0*	*1.6*	*–7.5*	*1.2*
Wholesale and retail trade	209	212	221	226	225	224	226	230	221	223
	2.0	*1.3*	*4.2*	*2.3*	*–0.4*	*–0.4*	*1.1*	*1.6*	*–4.1*	*1.2*
Finance, insurance, and real estate	472	484	496	508	521	532	544	556	567	579
	2.4	*2.4*	*2.4*	*2.5*	*2.5*	*2.2*	*2.2*	*2.1*	*2.1*	*2.1*
Commercial services	269	268	272	275	275	275	276	278	277	278
	0.6	*–0.5*	*1.5*	*1.0*	*0.0*	*0.0*	*0.6*	*0.6*	*–0.5*	*0.6*
Non-commercial services	345	350	356	362	369	375	381	388	395	403
	1.3	*1.4*	*1.8*	*1.9*	*1.8*	*1.6*	*1.7*	*1.8*	*1.8*	*1.9*
Public administration and defence	413	418	425	432	440	448	455	462	469	477
	1.1	*1.3*	*1.6*	*1.8*	*1.8*	*1.7*	*1.7*	*1.6*	*1.6*	*1.7*
Services-producing industries	2,010	2,049	2,102	2,144	2,171	2,197	2,230	2,267	2,255	2,291
	1.9	*1.9*	*2.6*	*2.0*	*1.3*	*1.2*	*1.5*	*1.6*	*–0.5*	*1.6*
All industries	3,153	3,378	3,593	3,705	3,695	3,692	3,728	3,800	3,339	3,387
	5.4	*7.1*	*6.4*	*3.1*	*–0.3*	*–0.1*	*1.0*	*1.9*	*–12.1*	*1.4*

f = forecast; n.a. = not available
Note: 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)

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13f	2013–14f	2014–15f	2015–16f
Total revenues	1,203.8	1,305.7	1,255.7	1,293.5	1,351.6	1,392.1	1,524.1	1,578.2	1,625.7	1,677.3
	9.3	*8.5*	*–3.8*	*3.0*	*4.5*	*3.0*	*9.5*	*3.6*	*3.0*	*3.2*
Own-source revenues	324.5	346.4	336.7	308.2	326.6	298.0	357.2	349.0	366.6	377.6
	45.1	*6.8*	*–2.8*	*–8.5*	*6.0*	*–8.8*	*19.9*	*–2.3*	*5.1*	*3.0*
Personal income taxes	81.6	50.0	78.8	62.7	63.0	89.6	90.4	97.5	107.2	110.6
	99.0	*–38.7*	*57.6*	*–20.5*	*0.4*	*42.3*	*0.9*	*7.8*	*9.9*	*3.1*
Corporate taxes	49.5	104.9	61.1	54.1	56.8	20.3	75.0	54.0	55.6	58.8
	191.7	*111.7*	*–41.7*	*–11.5*	*5.0*	*–64.3*	*269.1*	*–28.0*	*2.9*	*5.9*
Tobacco taxes	0.0	14.6	13.9	16.4	17.0	16.9	17.4	17.8	18.2	18.6
	n.a.	*n.a.*	*–4.7*	*18.0*	*3.6*	*–0.6*	*2.6*	*2.4*	*2.3*	*2.2*
Payroll taxes	0.0	36.7	38.3	37.4	37.0	39.6	41.5	43.7	46.5	47.5
	n.a.	*n.a.*	*4.2*	*–2.3*	*–1.2*	*7.1*	*4.8*	*5.2*	*6.6*	*2.1*
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*
Other own-source revenues	0.0	140.1	144.5	137.5	152.8	131.6	133.0	136.1	139.2	142.2
	n.a.	*n.a.*	*3.1*	*–4.8*	*11.1*	*–13.9*	*1.1*	*2.3*	*2.3*	*2.2*
Transfers from	879.3	959.3	919.0	985.3	1,025.0	1,094.1	1,166.9	1,229.2	1,259.0	1,299.6
Government of Canada	*0.2*	*9.1*	*–4.2*	*7.2*	*4.0*	*6.7*	*6.7*	*5.3*	*2.4*	*3.2*
CHT	22.9	25.5	26.8	26.8	25.4	26.0	30.0	31.6	39.6	42.5
	6.0	*11.7*	*5.1*	*0.0*	*–5.3*	*2.4*	*15.4*	*5.2*	*25.6*	*7.2*
CST	12.5	15.0	13.8	14.0	14.0	15.0	15.0	16.2	16.1	16.7
	40.3	*19.6*	*–7.5*	*1.1*	*0.0*	*7.1*	*0.0*	*8.2*	*–0.7*	*3.7*
Other transfers from	0.0	0.0	0.0	0.0	50.1	54.5	55.6	56.9	58.2	59.4
Government of Canada	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*9.0*	*1.9*	*2.3*	*2.3*	*2.2*
Territorial Formula Financing	753.4	842.8	804.9	864.2	919.9	996.1	1,070.0	1,117.4	1,144.6	1,180.4
	3.6	*11.9*	*–4.5*	*7.4*	*6.4*	*8.3*	*7.4*	*4.4*	*2.4*	*3.1*
Expenditure base	0.0	0.0	0.0	1,106.0	1,163.0	1,216.0	1,240.5	1,267.1	1,304.1	1,342.6
	n.a.	*n.a.*	*n.a.*	*n.a.*	*5.2*	*4.6*	*2.0*	*2.1*	*2.9*	*3.0*
Fiscal capacity	0.0	0.0	0.0	242.0	243.0	240.4	242.3	240.6	250.5	253.2
	n.a.	*n.a.*	*n.a.*	*n.a.*	*0.4*	*–1.1*	*0.8*	*–0.7*	*4.1*	*1.1*
Residual*	1.9	7.0	–0.6	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 Finance Canada
Notes: Some data not available for 2006–07. Unless otherwise indicated, for each indicator, the first line represents the level at the end of the period, and the italicized second line the annual percentage change.
Sources: The Conference Board of Canada; N.W.T. Finance Public Accounts; Finance Canada.

(continued . . .)

Table 3 cont'd
Northwest Territories Territorial Government Revenues
($ millions)

	2016–17f	2017–18f	2018–19f	2019–20f	2020–21f	2021–22f	2022–23f	2023–24f	2024–25f	2025–26f
Total revenues	1,735.0	1,789.8	1,846.1	1,896.0	1,939.4	1,987.7	2,047.0	2,115.3	2,152.7	2,222.1
	3.4	*3.2*	*3.1*	*2.7*	*2.3*	*2.5*	*3.0*	*3.3*	*1.8*	*3.2*
Own-source revenues	395.2	413.4	438.6	456.8	464.1	471.3	484.6	501.3	479.8	494.9
	4.6	*4.6*	*6.1*	*4.2*	*1.6*	*1.6*	*2.8*	*3.4*	*–4.3*	*3.1*
Personal income taxes	117.6	123.4	134.0	141.6	143.1	144.8	150.0	156.8	147.0	153.2
	6.4	*4.9*	*8.6*	*5.7*	*1.1*	*1.2*	*3.6*	*4.5*	*–6.2*	*4.2*
Corporate taxes	63.9	71.3	79.6	84.7	86.6	88.1	91.3	95.8	83.1	86.8
	8.6	*11.6*	*11.6*	*6.4*	*2.2*	*1.8*	*3.6*	*4.9*	*–13.3*	*4.4*
Tobacco taxes	19.0	19.4	19.7	20.1	20.6	21.0	21.4	21.8	22.2	22.6
	2.2	*2.0*	*1.9*	*2.0*	*2.1*	*2.0*	*1.8*	*1.9*	*1.8*	*1.9*
Payroll taxes	49.5	51.1	54.1	56.1	56.5	57.0	58.3	60.1	57.6	59.2
	4.2	*3.3*	*5.7*	*3.8*	*0.7*	*0.8*	*2.4*	*3.0*	*–4.1*	*2.8*
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*
Other own-source revenues	145.2	148.2	151.2	154.3	157.3	160.5	163.6	166.8	169.9	173.1
	2.1	*2.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*1.9*	*1.9*	*1.9*
Transfers from Government of Canada	1,339.8	1,376.5	1,407.5	1,439.2	1,475.3	1,516.4	1,562.3	1,614.0	1,672.9	1,727.2
	3.1	*2.7*	*2.3*	*2.2*	*2.5*	*2.8*	*3.0*	*3.3*	*3.6*	*3.2*
CHT	44.7	47.1	48.7	51.0	54.6	58.3	61.6	64.6	70.7	74.2
	5.1	*5.5*	*3.4*	*4.7*	*7.0*	*6.8*	*5.5*	*4.9*	*9.5*	*4.9*
CST	16.9	17.2	17.0	17.2	17.9	18.7	19.2	19.5	21.4	21.8
	1.2	*1.9*	*–1.2*	*0.8*	*4.5*	*4.4*	*2.4*	*1.5*	*10.1*	*1.8*
Other transfers from Government of Canada	60.7	61.9	63.2	64.5	65.8	67.1	68.4	69.7	71.0	72.3
	2.1	*2.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*1.9*	*1.9*	*1.9*
Territorial Formula Financing	1,217.0	1,249.5	1,277.9	1,305.8	1,336.2	1,371.5	1,412.3	1,459.3	1,508.7	1,557.8
	3.1	*2.7*	*2.3*	*2.2*	*2.3*	*2.6*	*3.0*	*3.3*	*3.4*	*3.3*
Expenditure base	1,382.3	1,419.8	1,454.7	1,490.2	1,530.0	1,574.5	1,622.7	1,674.8	1,728.5	1,782.9
	3.0	*2.7*	*2.5*	*2.4*	*2.7*	*2.9*	*3.1*	*3.2*	*3.2*	*3.1*
Fiscal capacity	256.3	261.4	267.8	275.4	284.8	294.0	301.4	306.4	310.8	316.1
	1.2	*2.0*	*2.5*	*2.8*	*3.4*	*3.3*	*2.5*	*1.7*	*1.4*	*1.7*
Residual*	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 Finance Canada
Notes: Some data not available for 2006–07. Unless otherwise indicated, for each indicator, the first line represents the level at the end of the period, and the italicized 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)

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13f	2013–14f	2014–15f	2015–16f
Total expenditures	1,116.1	1,211.5	1,297.1	1,337.8	1,352.4	1,425.7	1,450.0	1,536.4	1,591.5	1,649.2
	4.8	*8.6*	*7.1*	*3.1*	*1.1*	*5.4*	*1.7*	*6.0*	*3.6*	*3.6*
Program spending	1,116.0	1,211.5	1,297.1	1,336.8	1,338.1	1,411.4	1,435.7	1,536.4	1,591.5	1,649.2
	4.8	*8.6*	*7.1*	*3.1*	*0.1*	*5.5*	*1.7*	*7.0*	*3.6*	*3.6*
Health*	281.4	312.9	319.1	349.7	336.3	358.8	349.9	366.4	384.5	404.3
	7.4	*11.2*	*2.0*	*9.6*	*–3.9*	*6.7*	*–2.5*	*4.7*	*5.0*	*5.1*
Share of total spending (%)	25.2	25.8	24.6	26.1	24.9	25.2	24.1	23.8	24.2	24.5
Education	267.9	284.4	294.0	324.4	283.0	288.2	289.1	292.6	296.3	299.2
	4.0	*6.2*	*3.4*	*10.3*	*–12.8*	*1.8*	*0.3*	*1.2*	*1.2*	*1.0*
Share of total spending (%)	24.0	23.5	22.7	24.2	20.9	20.2	19.9	19.0	18.6	18.1
Other program spending	566.8	614.2	684.0	662.7	718.9	764.4	796.6	877.4	910.7	945.7
	4.0	*8.4*	*11.4*	*–3.1*	*8.5*	*6.3*	*4.2*	*10.1*	*3.8*	*3.8*
Budgetary balance	87.7	94.2	–41.4	–44.3	–0.9	–33.7	74.1	41.9	34.2	28.1
Increase (decrease) of capital assets, net of amortization	*–68.7*	*–43.0*	*–36.5*	*–68.5*	*–184.6*	*–154.4*	*–111.6*	*0.0*	*0.0*	*0.0*
Net debt	105.3	54.2	132.1	244.9	430.3	618.4	655.9	614.0	579.8	551.8

f = forecast
*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 italicized second line the annual percentage change.
Sources: The Conference Board of Canada; N.W.T. Finance Public Accounts; Finance Canada.

(continued . . .)

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

	2016–17f	2017–18f	2018–19f	2019–20f	2020–21f	2021–22f	2022–23f	2023–24f	2024–25f	2025–26f
Total expenditures	1,707.2	1,767.5	1,814.6	1,863.1	1,913.6	1,965.2	2,019.3	2,077.8	2,138.6	2,202.9
	3.5	*3.5*	*2.7*	*2.7*	*2.7*	*2.7*	*2.8*	*2.9*	*2.9*	*3.0*
Program spending	1,707.2	1,767.5	1,814.6	1,863.1	1,913.6	1,965.2	2,019.3	2,077.8	2,138.6	2,202.9
	3.5	*3.5*	*2.7*	*2.7*	*2.7*	*2.7*	*2.8*	*2.9*	*2.9*	*3.0*
Health*	423.5	445.8	468.0	490.3	513.8	538.0	565.8	594.8	625.9	659.7
	4.7	*5.3*	*5.0*	*4.8*	*4.8*	*4.7*	*5.2*	*5.1*	*5.2*	*5.4*
Share of total spending (%)	24.8	25.2	25.8	26.3	26.8	27.4	28.0	28.6	29.3	29.9
Education	300.9	303.6	307.0	311.6	316.8	321.7	329.0	338.0	347.0	355.9
	0.6	*0.9*	*1.1*	*1.5*	*1.7*	*1.5*	*2.3*	*2.7*	*2.7*	*2.6*
Share of total spending (%)	17.6	17.2	16.9	16.7	16.6	16.4	16.3	16.3	16.2	16.2
Other program spending	982.8	1,018.1	1,039.6	1,061.1	1,083.1	1,105.6	1,124.5	1,145.0	1,165.7	1,187.3
	3.9	*3.6*	*2.1*	*2.1*	*2.1*	*2.1*	*1.7*	*1.8*	*1.8*	*1.9*
Budgetary balance	27.8	22.3	31.5	32.9	25.8	22.5	27.6	37.5	14.1	19.2
Increase (decrease) of capital assets, net of amortization	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Net debt	524.0	501.6	470.2	437.3	411.5	389.0	361.3	323.9	309.8	290.6

f = forecast
*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 italicized second line the annual percentage change.
Sources: The Conference Board of Canada; N.W.T. Finance Public Accounts; Finance Canada.

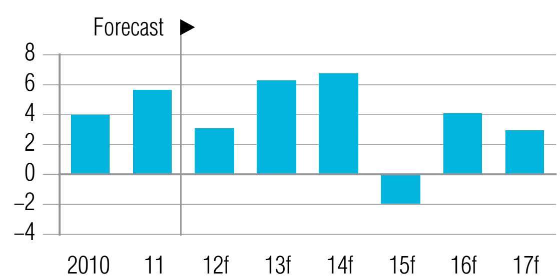
Justin Cooke

Yukon's Economy Builds Momentum

Chapter Summary

- Real GDP will increase strongly by 6.3 per cent in 2013 as mineral production continues to climb and construction gets a lift from mineral development. There is, however, a downside risk to the outlook as the timing and possible development of Golden Predator's Brewery Creek mine is now unclear.
- The services sector will continue to be a stabilizing force for the territory.
- Tight labour markets and the need to fill several new jobs in the construction and mining industry will challenge the development of the resource industry.

Chart 1
Strong GDP Growth to Continue
(percentage change*)



f = forecast
*based on 2002 $
Sources: The Conference Board of Canada; Statistics Canada.

After a record year in 2011 in mineral exploration and development in Yukon, 2012 opened with a bright outlook. But, as the year progressed, world prices for minerals began to fall and financing became much harder to obtain for many in the mining industry. However, the territory's economy showed resiliency, stabilized by the services side of the economy in both the private and public sectors. Yukon's three existing mines provided the boost to growth that was needed to keep the economy moving forward in the face of weaker investment. Overall, real gross domestic product in the Yukon gained an estimated 3.1 per cent in 2012.[1] (See Chart 1.)

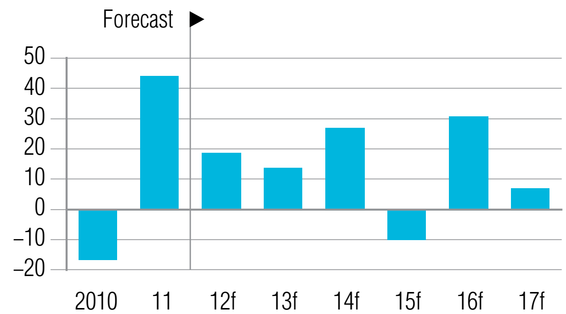
Looking forward, robust economic growth will continue to be driven by mining developments. In 2013, mining exploration activities are not expected to be as great as in 2011, but the beginning of construction of Victoria Gold's Eagle Gold mine will provide a lift for the economy. In addition, higher production is expected from Yukon Zinc, Alexco, and Capstone Mining this year. Looking toward the medium term, Copper North

1 Real GDP data for the Yukon in 2012 remain an estimate; Statistics Canada will release the actual data in November 2013.

Mining Corp. is expected to begin construction in 2014, and this will eventually lead to five producing mines in Yukon during the mid and later part of the decade. Growth in the mining and construction industries will benefit the services side of the economy, in particular the transportation, and retail and wholesale trade sectors. Government budgets will benefit as well from increased corporate tax collections and resource royalties.

Looking forward to the next decade, economic growth in Yukon is forecast to slow, due to a shrinking labour force and the wrapping-up of operations at current producing mines. However, considerable upside risk exists in the mining industry as there are a number of mines with the potential to begin operations late this decade or in the early 2020s.

Chart 2
Mining an Economic Driver of Growth
(percentage change*)



f = forecast
*based on 2002 $
Sources: The Conference Board of Canada; Statistics Canada.

ECONOMIC OUTLOOK

MINING

Yukon's three operating mines are ramping up production. In 2012, production expanded at an estimated 18.7 per cent and was the main driver of growth for the economy, even if production was not as high as first expected at the start of 2012. Combined output of the operating mines will continue to grow in 2013, expanding by 13.7 per cent. (See Chart 2.) Added production at Capstone's Minto mine will boost production for a fourth straight year in 2014, as the metal mining industry is scheduled to grow by 27 per cent. After a dip in 2015, the opening of the Eagle Gold and the Carmacks mines will increase growth by a further 30 per cent in 2016. In the later part of the forecast, production is scheduled to fall. However, the industry could see new mines being constructed later in the decade, providing an upside risk to the industry in the 2020s.

Capstone Mining's Minto mine produced 35.9 million pounds of copper concentrate in 2012, down from 37.1 million in 2011, and below its 2012 target.[2] After mining at their main pit ended in 2011, they have been mining from Area 2 in Phase 4 of their mining plan, generally considered a transition phase. The process of obtaining permits for phases 5 and 6 is under way; these phases will expand the life of the mine to 2022, with an average of 40 million pounds of copper per year.

Alexco Resources' Bellekeno mine closed out 2012 on a high note, producing 16 per cent more silver in the last three months than in the third quarter.[3] The mine hit its 2012 target, producing 2.15 million ounces of silver, up from 2.02 million ounces in 2011. For the year ahead, Bellekeno's silver and lead production is expected to be similar to that in 2012, and the mine is scheduled to increase zinc production. Mining of Alexco's Onek and Lucky Queen deposits is expected this year, which will further increase production, given all permits are awarded.

Though production was slightly below early-year projections, Yukon Zinc's Wolverine mine reached commercial production in the first quarter of 2012, hitting 1,020 ore tonnes per day (tpd), and ramped up production through the year, producing as much as 1,800 tpd

2 Capstone Mining Corp., *Capstone 2012 Fourth Quarter and Full Year Production Results Meet Guidance*, news release, January 10, 2013. http://capstonemining.com/s/NewsReleases.asp?ReportID=564989&_Type=News-Releases&_Title=Capstone-2012-Fourth-Quarter-and-Full-Year-Production-Results-Meet-Guidance (accessed January 21, 2013).

3 Alexco Resource Corp., *Alexco Reports 16% Increase in Silver Production for Fourth Quarter 2012; Produces Approximately 2.2 Million Oz Silver for the Year*, news release, January 17, 2013. www.alexcoresource.com/s/news.asp?ReportID=566812 (accessed January 23, 2013).

in October.[4] In 2013, the mine is expected to increase output further, as it should be producing at a high level year round. The life of the mine is estimated at 10 years.

A recent decision by the Yukon Environmental and Socio-economic Board (YESAB) to put Golden Predator's Brewery Creek gold mine project through a full assessment—requiring a more extensive period of review at the executive committee level—will likely delay development of the project. The gold mine was owned and operated by Viceroy Resource and was mined from 1996 to 2002, but production was halted due to low gold prices. Golden Predator has been working on obtaining the necessary approvals on the route to production, including its quartz mining and water licences and a socio-economic accord with the Tr'ondëk Hwëch'in First Nation. It was anticipated that this process would be completed this summer and construction would soon follow in the fall. However, the YESAB's decision to put the project through an executive committee review means that development will not start in the near term.[5]

The Carmacks deposit, owned by Copper North Mining Corp. and located about 200 kilometres north of Whitehorse, is a copper and gold mine that is forecast to open in 2016. The company updated its feasibility study in late 2012, which plans for the production of about 30 million pounds of copper per year for the eight years of mine life. Copper North is now awaiting YESAB approval and its water use licence, both of which are expected by the end of 2013. Construction is scheduled to start in 2014, and mining operations in 2016.[6]

4 Yukon Zinc Corp., "Wolverine Mine Operations Update," *Newsletter*, November 18, 2012. www.yukonzinc.com/documents/Yukon_Zinc_Newsletter_November_18_2012_web.pdf (accessed January 22, 2013).

5 Jacqueline Ronson, "YESAB Denies Lower-Level Assessment for Brewery Creek," *Yukon News*, February 20, 2013. www.yukon-news.com/news/32343/ (accessed February 22, 2013).

6 Copper North Mining Corp., *Copper North Completes 2012 Feasibility Study Update for Carmacks*, news release, November 1, 2012. www.newswire.ca/en/story/1062929/copper-north-completes-2012-feasibility-study-update-for-carmacks (accessed January 22, 2013).

Victoria Gold, owners of the Dublin Gulch property, has been moving successfully through the necessary steps to begin construction at its Eagle Gold deposit. Early in 2012, the company released a feasibility study that outlined its construction and mining plans.[7] YESAB is expected to finalize its environmental assessment in the first quarter of this year. Currently, the company has no debt and will be arranging for financing this spring. After the company receives its quartz mining licence, construction would be able to begin in April, and production is anticipated in 2015. Eagle Gold would produce an average of 192,000 ounces of gold per year over a mining life of 10 years.

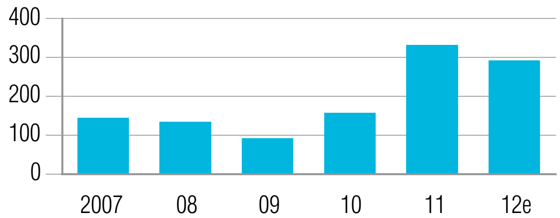
Victoria Gold, owners of the Dublin Gulch property, has been moving successfully through the necessary steps to begin construction at its Eagle Gold deposit.

Yukon has much upside potential for more mines to be developed in the territory. Projects that could have an impact on the economy are Selwyn-Chihong's Selwyn project and Western Copper's major Casino project. Western Copper released a feasibility study at the beginning of 2013, outlining a massive mine that would produce an average of 399,000 ounces of gold and 245 million pounds of copper per year during the first four years of production.[8] The life of the mine is expected to be 22 years, and initial capital expenditures would be almost $2.5 billion. Selwyn Resources is planning to release an updated feasibility study in March 2013, based on a 3,500 tonne per day mining rate. North American Tungsten's Mactung mine also represents a considerable upside to this forecast. North American Tungsten is awaiting its quartz mining and water licences.

7 Victoria Gold Corp., *Developing Yukon's Next New Gold Mine* (Toronto and Whitehorse: Victoria Gold Corp., January 2013). www.vitgoldcorp.com/i/pdf/ppt/VIT_presentation_jan2013.pdf (accessed January 24, 2013).

8 Western Copper and Gold, *Western Copper And Gold Announces Positive Feasibility Study On Casino*, news release, January 7, 2013. www.westerncopperandgold.com/s/news.asp?ReportID=564587 (accessed January 24, 2013).

Chart 3
Exploration Expenditures Dropped in 2012
($ millions)



e = estimate
Source: Natural Resources Canada.

EXPLORATION

After a mineral exploration boom during the past few years—culminating with a record $332 million in exploration and deposit-appraisal spending in 2011—total exploration expenditure cooled off in 2012 as the commodities market fell over the greater part of the year. Natural Resources Canada estimates that $291 million was spent on exploration and deposit appraisals in 2012.[9] (See Chart 3.) Yukon's miners showed resiliency in 2012 as they continued developing their properties in the face of declining commodity prices. Furthermore, spring came late in 2012 in Yukon, so snow levels remained high for longer than normal, forcing companies to adjust their exploration plans.

Claim staking in Yukon fell off sharply in 2012 compared with 2011. A record 114,587 claims were staked in 2011 while, for 2012, the number fell to 11,733.[10] While this is a large drop, the number of claims in good standing remains at an all-time high, covering 11 per cent of Yukon's land mass. The lower number of claims staked in 2012 is the result of a much heavier focus in that year on later-stage work, for example, definition drilling that concentrates on creating feasibility studies, as opposed to earlier-stage exploration activities. The Yukon Geological Survey estimates that, when counting just exploration spending, $146 million was spent in 2012 compared with $300 million in 2011. The majority of exploration was for gold deposits, followed by zinc-lead, silver, and copper. A number of potential mines are in the exploration stage. One of the largest spenders was ATAC Resources, which spent $19 million at their Selwyn basin deposits in 2012. Victoria Gold, Strategic Metals, Ryan Gold, and Kaminak Gold all had exploration programs that spent less than $10 million.

CONSTRUCTION

The construction industry did not make any gains in 2012 as the pace of mineral exploration spending weakened, new housing construction slowed, and some government infrastructure projects finished in 2011. Overall, activity in the construction industry is estimated to have dropped by 15.5 per cent in 2012 and was the major factor holding back real economic growth last year.

However, the outlook is bright for Yukon's construction industry. Over the next two years, it will be focused on bringing new mines into production, and expanding operations at existing mines. Capstone Mining intends to spend $49.4 million on developing phases 5 and 6 of its mining plan, with almost no exploration capital expenditures on new deposits. Over the course of those two phases, capital expenditures are estimated to total $178.7 million.

The largest construction project in the territory over the medium term will be Victoria Gold's Eagle Gold mine. Total capital expenditures for this project (including a contingency) are $400 million. The company plans to begin construction in April 2013, and production in 2015. As well, Copper North Mining Corp. will incur construction costs of $178 million over 2014 and 2015 in order to begin operations in 2016.

Overall, the construction industry will grow by 22.8 per cent in 2013 and 17.2 per cent in 2014, but the sector is expected to drop by 15.8 per cent in 2015. After the medium term, the construction industry will slow as no mines are forecast to be in construction after 2016; in addition, housing demand is expected to ease. A considerable upside exists for the construction industry if more mines are developed later in the decade.

9 Natural Resources Canada, *Exploration and Deposit Appraisal Expenditures, by Province and Territory.* http://mmsd.mms.nrcan.gc.ca/stat-stat/expl-expl/1-eng.aspx (accessed January 23, 2013).

10 L. Pigage and others, "Yukon Hardrock Mining, Development and Exploration Overview 2012," in *Yukon Exploration & Geology Overview 2012* (Whitehorse: Yukon Geological Survey, 2013).

SERVICES

The services sector as a whole tends to benefit from the developments in the mining industry. Overall, the sector did not perform strongly last year, growing by an estimated 1.3 per cent; however, it will pick up speed over the next two years as will the goods sector, growing by 4.2 per cent and 3.4 per cent in 2013 and 2014 respectively. Moving forward, the industry will be a stabilizing force in the economy, growing at an average rate of 2.3 per cent per year over the forecast period. While the mining and construction industries tend to get most of the attention, the services side of the economy still makes up about 72 per cent of real GDP.

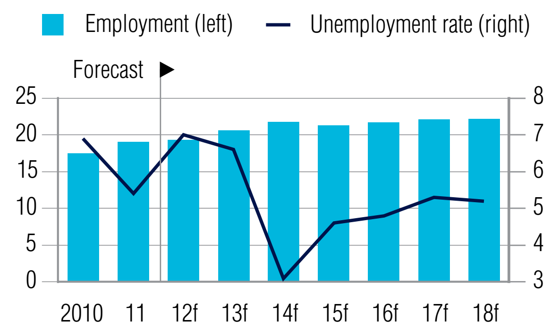
The services sector will be a stabilizing force in the economy, growing at an average rate of 2.3 per cent per year over the forecast period.

One services industry that tends to show a more volatile performance is the transportation, warehousing, and information industry, as it is closely linked to the goods-producing sector as material, mineral products, and workers are transported to and from the mining sites. In 2013, with a project such as Victoria Gold's moving ahead, the industry is forecast to grow by 9.4 per cent, followed by 11 per cent in 2014 as new mines will be under construction.

Weak construction activity held back wholesale trade in 2012 but solid growth of 9.1 and 7 per cent is forecast in 2013 and 2014. Yukon's finance, insurance, and real estate industry is benefiting from strong population growth and new construction and exploration projects. Commercial services, dampened by a weaker construction profile last year, grew by just 1 per cent.

Non-commercial services and public administration and defence represent the direct contributions of the government sector to the economy and are generally a stabilizing force in the Yukon economy. Public administration will be held back by restrained public spending in the near term, rising by only 0.4 per cent per year over the next three years. Spending on non-commercial services—such as education, health care, and social services—will fare a little better, growing by an average of 1.5 per cent

Chart 4
Yukon Will Require More Workers Over the Medium Term
(employment, 000s; unemployment rate, per cent)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

per year from now until 2015. As the population ages, health care spending will advance at a more rapid pace; from 2016 to 2025, non-commercial services will grow at an average of 2.1 per cent per year.

LABOUR MARKETS

Yukon's unemployment rate reached 6.6 per cent in January 2013, down from 8.3 per cent in May.[11] Overall for the year, the unemployment rate averaged 6.9 per cent in 2012, up from 5.4 per cent in 2011. (See Chart 4.) Employment declined slightly in 2012 to 19,300 and the labour force expanded. Employment expanded at the Wolverine mine from under 200 in January 2012 to a high of 363 workers on-site in the summer. However, the mine reported that only 26 per cent of those workers (permanent employees and contractors) were Yukon residents. Bellekeno employs about 150 full-time workers, over half of whom are Yukon residents.

The mining sector will be an important employer over the forecast period. At its peak, over 2,400 workers will be working in that industry: 1,400 will be Yukon residents and the balance of the labour will not be permanent residents of Yukon. The construction industry will create

11 Yukon Bureau of Statistics, *Yukon Monthly Statistical Review, January 2013* (Whitehorse: Yukon Bureau of Statistics, 2013). www.eco.gov.yk.ca/stats/pdf/mr_jan2013.pdf.

over 1,000 jobs over the next three years, with just slightly fewer than half of these jobs going to Yukon residents. And, while employment in public services will remain mostly constant over the medium term, the private services sector will add almost 800 jobs over the next five years, with the majority going to Yukon residents.

Solid job growth among Yukon residents will go toward increasing wages and salaries. Due to the difficulties in filling jobs in the construction and mining industry in Yukon, wages will grow at an average of 3.8 per cent between now and 2025, with growth above 4 per cent per year until 2017. Disposable income—which grew by an estimated 6.3 per cent per year from 2007 to 2012—will continue rising rapidly by 6 per cent per year until 2017 and then will slow down in the second half of the forecast.

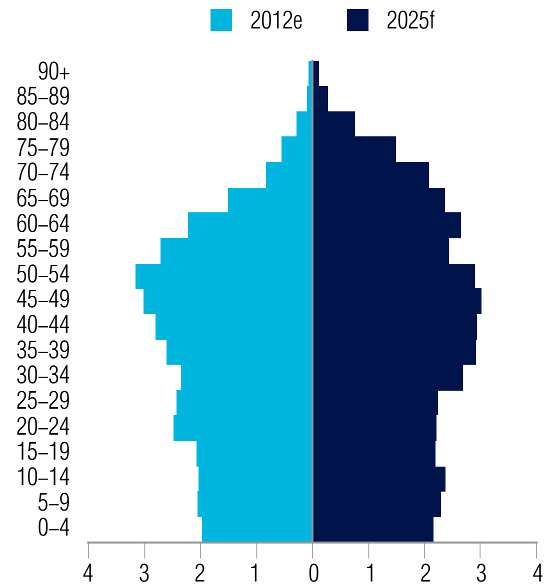
DEMOGRAPHICS

Population trends play a major role in determining consumer and government spending, so demographic projections are key components of any long-term economic forecast. The demographic structure of the territory will determine the labour that is available as an input to production. Over the forecast period, Yukon faces an aging population, a decelerating birth rate, and changing migration flows.

An aging population is a problem faced by many regions in Canada. Compared with Canada as a whole, Yukon has a lower proportion of its population aged 65 and over. But the territory's population is aging much more quickly than Canada's, and the demographic structure of Yukon will change over the forecast. (See Chart 5.) Currently, the age of the average Yukoner is 37.4 years (arithmetic mean); by 2025, the average age will be 42.2.

One of the consequences of an aging population is a declining rate of natural increase (births minus deaths); with fewer women of child-bearing age, the birth rate will be lower. In addition, Yukon's fertility rate is 1.61, well below the replacement rate of 2.1 births per woman (the Canadian average is 1.67). Meanwhile, an older

Chart 5
Yukon's Population Dynamics
(population by age cohort, 000s)



Sources: The Conference Board of Canada; Statistics Canada.

population will result in more deaths per year. Today, Statistics Canada estimates the natural rate of increase (births minus deaths) to be 202, but that number will fall to just 130 by 2025.

Making up for a weak rate of natural increase will be population growth due to immigration. Both net interprovincial and net international migration will perform better than their historical trends. High wage growth, caused by the rising demand for labour in the construction and mining industries, will attract workers from the rest of Canada and abroad. Combined net interprovincial and international migration will be over 500 people in 2013 and almost 300 people in 2014 but then in-migration will slow to fewer than 100 per year by 2025. The final result will be a territory that should see increases in population as the mining industry expands but then population growth will slow to well below the national average in the later part of the forecast. By 2025, we expect Yukon's population to be 41,200, averaging 0.8 per cent growth per year. In comparison, Canada is expected to grow at 1.1 per cent and Nunavut at 1.8 per cent.

PUBLIC ACCOUNTS

The 2012–13 budget update released this fall includes an $87-million surplus (up from $80 million in the spring budget release), the third straight year with a surplus since the recession. The government has a $270-million capital spending plan that includes over $90 million for highways and public works, and $117 million for capital investment in community services. Infrastructure investment is an important step in developing the mining industry and attracting private investment expenditures.

In March 2012, the federal government decided to increase the limit on the amount of debt the territories could hold. Yukon's debt limit was raised from $300 million to $400 million, but the change will not affect Yukon's public infrastructure forecast as much as that of, for example, Nunavut. Unlike the Northwest Territories and Nunavut, Yukon holds a negative balance of net debt. By running a string of surpluses, including 8 of the past 10 years, the territorial government is actually a net lender of capital. This gives the territory more flexibility to run budget balances without becoming net borrowers, such as in 2009–10.

Public finances in the Yukon will remain in good shape over the long term. Own-source revenues—which currently represent 28.7 per cent of total revenues and include personal income and corporate tax collections—will rise over the next decade as the economy expands. By 2019–20, own-source revenues will comprise 29.5 per cent of total revenues. This portion will fall back to its current level by 2025–26, however, as the mining sector slows down, and as Canada's health transfers from the federal government accelerate as the population ages.

Quartz mining royalties will be a welcome source of revenue for the territory. Yukon recently renegotiated its resource revenue offset arrangements with the federal government—the Yukon arrangements will now be comparable to those of the Northwest Territories and the provinces. And Yukon will realize a greater net share of its resource revenues.

The territorial formula financing (TFF) will continue to be Yukon's primary source of revenues for the foreseeable future. Over the forecast period (2012–13 to 2025–26), we expect the TFF to grow at just over 4 per cent at an annual compound rate. This is slightly slower than in the previous decade during which transfers grew since 2003–04 at over 6 per cent per year.

Table 1
Key Economic Indicators: Yukon
(forecast completed January 20, 2013)

	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
GDP at basic prices	1,332	1,406	1,529	1,617	1,681	1,776	1,831	1,946	2,078	2,037
(2002 $ millions)	*n.a.*	*5.6*	*8.7*	*5.7*	*4.0*	*5.6*	*3.1*	*6.3*	*6.8*	*–1.9*
GDP at market prices	1,634	1,812	2,026	2,134	2,330	2,558	2,691	2,934	3,217	3,249
($ millions)	*n.a.*	*10.9*	*11.8*	*5.3*	*9.2*	*9.8*	*5.2*	*9.0*	*9.6*	*1.0*
Consumer Price Index, Whitehorse	1.07	1.09	1.13	1.14	1.15	1.18	1.21	1.23	1.26	1.29
(2002 = 1.00)	*n.a.*	*2.5*	*3.5*	*0.4*	*0.8*	*2.9*	*2.2*	*2.2*	*2.2*	*2.1*
Average weekly wage	724	760	763	773	808	860	896	932	975	1,009
($, industrial composite)	*n.a.*	*4.9*	*0.4*	*1.3*	*4.5*	*6.5*	*4.2*	*4.0*	*4.6*	*3.5*
Personal income	1,358	1,526	1,572	1,642	1,747	1,868	1,957	2,145	2,327	2,358
($ millions)	*n.a.*	*12.4*	*3.0*	*4.5*	*6.4*	*7.0*	*4.7*	*9.6*	*8.5*	*1.3*
Personal disposable income	1,115	1,250	1,278	1,353	1,449	1,549	1,619	1,772	1,922	1,943
($ millions)	*n.a.*	*12.1*	*2.2*	*5.9*	*7.1*	*6.9*	*4.5*	*9.5*	*8.4*	*1.1*
Personal savings rate										
(per cent)	16.0	18.9	14.7	16.3	17.7	16.0	16.2	15.1	15.2	15.1
Population	32.3	32.6	33.1	33.7	34.6	35.4	36.1	37.0	37.6	37.9
(000s)	*n.a.*	*0.9*	*1.7*	*2.0*	2.6	*2.2*	*2.0*	*2.4*	*1.7*	*0.9*
Labour force	18.2	18.1	18.9	18.7	18.9	20.2	20.8	22.1	22.5	22.4
(000s)	*n.a.*	*–0.5*	*4.4*	*–1.1*	*1.1*	*6.8*	*2.8*	*6.6*	*1.9*	*–0.8*
Employment	17.4	17.2	18.0	17.3	17.5	19.1	19.3	20.6	21.8	21.3
(000s)	*n.a.*	*–1.1*	*4.7*	*–3.9*	*1.2*	*9.1*	*1.0*	*7.0*	*5.8*	*–2.4*
Unemployment rate										
(per cent)	4.4	5.0	4.8	7.0	6.9	5.4	7.0	6.6	3.1	4.6
Retail sales	453	503	534	527	599	662	677	749	813	822
($ millions)	*n.a.*	*11.1*	*6.3*	*–1.5*	*13.7*	*10.5*	*2.2*	*10.7*	*8.6*	*1.1*

f = forecast; n.a. = not applicable
Note: 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.

(continued . . .)

Table 1 cont'd
Key Economic Indicators: Yukon
(forecast completed January 20, 2013)

	2016f	2017f	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
GDP at basic prices	2,120	2,183	2,221	2,265	2,288	2,263	2,218	2,236	2,283	2,332
(2002 $ millions)	*4.1*	*3.0*	*1.8*	*2.0*	*1.0*	*–1.1*	*–2.0*	*0.8*	*2.1*	*2.1*
GDP at market prices	3,471	3,663	3,818	3,985	4,123	4,180	4,200	4,340	4,543	4,754
($ millions)	*6.8*	*5.5*	*4.2*	*4.4*	*3.4*	*1.4*	*0.5*	*3.3*	*4.7*	*4.7*
Consumer Price Index, Whitehorse	1.31	1.34	1.37	1.39	1.42	1.45	1.48	1.51	1.54	1.57
(2002 = 1.00)	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Average weekly wage	1,055	1,098	1,140	1,184	1,226	1,265	1,299	1,345	1,396	1,449
($, industrial composite)	*4.6*	*4.1*	*3.8*	*3.8*	*3.6*	*3.1*	*2.8*	*3.5*	*3.8*	*3.8*
Personal income	2,491	2,630	2,739	2,854	2,954	3,014	3,057	3,164	3,301	3,443
($ millions)	*5.7*	*5.6*	*4.2*	*4.2*	*3.5*	*2.0*	*1.5*	*3.5*	*4.3*	*4.3*
Personal disposable income	2,051	2,163	2,251	2,345	2,426	2,473	2,504	2,589	2,700	2,815
($ millions)	*5.6*	*5.5*	*4.0*	*4.2*	*3.4*	*1.9*	*1.3*	*3.4*	*4.3*	*4.3*
Personal savings rate										
(per cent)	15.6	15.5	15.3	15.2	15.1	15.0	14.5	14.3	14.3	14.6
Population	38.4	38.7	39.0	39.4	39.7	40.0	40.3	40.6	40.9	41.2
(000s)	*1.1*	*0.9*	*0.9*	*0.9*	0.8	*0.7*	*0.8*	*0.6*	*0.7*	*0.7*
Labour force	22.8	23.3	23.4	23.4	23.5	22.9	23.0	23.0	23.0	23.0
(000s)	*1.8*	*2.4*	*0.2*	*0.2*	*0.1*	*–2.2*	*0.2*	*0.1*	*0.1*	*0.0*
Employment	21.7	22.1	22.2	22.3	22.3	21.9	21.5	21.4	21.6	21.7
(000s)	*1.7*	*1.8*	*0.4*	*0.6*	*–0.2*	*–1.4*	*–2.1*	*–0.2*	*0.7*	*0.6*
Unemployment rate										
(per cent)	4.8	5.3	5.2	4.8	5.1	4.3	6.5	6.8	6.3	5.7
Retail sales	862	907	945	984	1,018	1,036	1,053	1,088	1,131	1,171
($ millions)	*4.9*	*5.3*	*4.1*	*4.2*	*3.4*	*1.7*	*1.7*	*3.3*	*4.0*	*3.6*

f = forecast; n.a. = not applicable
Note: 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 January 20, 2013)

	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
Other primary	2.60	2.60	2.70	2.70	2.80	2.60	2.69	2.78	2.84	2.89
	n.a.	*0.0*	*3.8*	*0.0*	*3.7*	*–7.1*	*3.6*	*3.2*	*2.1*	*1.7*
Mining	44	60	116	157	148	202	227	249	298	277
	n.a.	*35.5*	*93.8*	*35.9*	*–5.7*	*36.3*	*12.5*	*9.6*	*19.7*	*–7.1*
Metal mining	16	18	67	99	83	119	141	161	204	184
	n.a.	*13.4*	*269.8*	*48.9*	*–16.8*	*44.1*	*18.7*	*13.7*	*27.0*	*–9.9*
Non-metal mining	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.*
Mineral fuels	7	4	4	4	2	2	2	1	1	1
	n.a.	*–39.6*	*–0.5*	*–2.4*	*–47.5*	*–14.4*	*–12.0*	*–11.0*	*–12.3*	*–10.2*
Mining services	21	37	44	53	63	81	84	87	92	92
	n.a.	*78.1*	*19.5*	*20.2*	*18.2*	*28.0*	*4.0*	*3.0*	*6.7*	*–0.7*
Manufacturing	13	13	16	15	15	15	14	16	18	17
	n.a.	*7.2*	*18.7*	*–6.3*	*2.0*	*–3.9*	*–4.9*	*14.6*	*11.6*	*–5.1*
Construction	123	136	116	116	147	178	151	185	217	182
	n.a.	*10.9*	*–14.9*	*–0.1*	*27.6*	*21.0*	*–15.5*	*22.8*	*17.2*	*–15.8*
Utilities	32	31	32	34	36	38	39	40	43	43
	n.a.	*–1.3*	*2.9*	*5.9*	*3.8*	*5.9*	*2.9*	*4.6*	*6.5*	*–0.2*
Goods-producing industries	213	243	282	324	349	435	433	493	578	522
	n.a.	*13.8*	*16.1*	*15.0*	*7.6*	*24.6*	*–0.4*	*13.8*	*17.3*	*–9.7*
Transportation, warehousing, information, and cultural industries	87	89	96	94	96	98	100	110	122	122
	n.a.	*1.7*	*8.1*	*–2.5*	*2.9*	*2.0*	*2.0*	*9.4*	*11.0*	*–0.1*
Wholesale and retail trade	118	126	128	124	135	144	145	158	169	169
	n.a.	*6.7*	*2.2*	*–3.1*	*8.3*	*7.0*	*0.7*	*9.1*	*7.0*	*–0.3*
Finance, insurance, and real estate	245	250	260	269	279	292	298	311	323	332
	n.a.	*1.9*	*4.2*	*3.2*	*3.9*	*4.7*	*2.0*	*4.4*	*3.7*	*3.1*
Commercial services	173	180	183	182	187	192	194	208	216	216
	n.a.	*4.3*	*1.7*	*–0.6*	*2.5*	*2.7*	*1.0*	*7.2*	*4.1*	*0.0*
Non-commercial services	194	197	203	212	218	221	226	229	232	236
	n.a.	*1.3*	*2.8*	*4.4*	*3.2*	*1.2*	*2.2*	*1.6*	*1.2*	*1.7*
Public administration and defence	310	319	327	337	343	345	347	348	349	351
	n.a.	*2.7*	*2.5*	*3.0*	*2.0*	*0.6*	*0.4*	*0.5*	*0.0*	*0.8*
Services-producing industries	1,128	1,160	1,197	1,217	1,258	1,292	1,309	1,364	1,411	1,426
	n.a.	*2.9*	*3.2*	*1.7*	*3.4*	*2.7*	*1.3*	*4.2*	*3.4*	*1.1*
All industries	1,332	1,406	1,529	1,617	1,681	1,776	1,831	1,946	2,078	2,037
	n.a.	*5.6*	*8.7*	*5.7*	*4.0*	*5.6*	*3.1*	*6.3*	*6.8*	*–1.9*

f = forecast; n.a. = not applicable
Note: 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.

(continued . . .)

Table 2 cont'd
Real Gross Domestic Product: Yukon
(2002 $ millions; forecast completed January 20, 2013)

	2016f	2017f	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
Other primary	2.94	3.01	3.07	3.13	3.19	3.26	3.32	3.39	3.46	3.52
	1.9	*2.2*	*2.1*	*2.0*	*2.0*	*2.1*	*2.0*	*1.9*	*2.0*	*2.0*
Mining	339	360	358	360	347	297	228	211	216	222
	22.5	*6.0*	*–0.5*	*0.6*	*–3.8*	*–14.2*	*–23.3*	*–7.5*	*2.5*	*2.5*
Metal mining	240	257	253	255	241	195	129	111	115	119
	30.8	*6.8*	*–1.5*	*0.6*	*–5.5*	*–18.9*	*–34.0*	*–13.9*	*3.6*	*3.6*
Non-metal mining	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.*
Mineral fuels	1	1	1	1	1	1	1	1	1	1
	–10.0	*–10.0*	*–10.0*	*–5.0*	*–5.0*	*–5.0*	*–5.0*	*–5.0*	*–5.0*	*–5.0*
Mining services	98	102	104	105	105	101	98	99	101	102
	6.5	*4.2*	*2.2*	*0.8*	*0.2*	*–3.6*	*–2.9*	*0.7*	*1.5*	*1.4*
Manufacturing	17	17	18	18	19	19	20	20	21	22
	–1.3	*3.9*	*3.4*	*3.0*	*2.9*	*2.3*	*2.6*	*2.9*	*3.0*	*3.0*
Construction	168	173	176	179	182	183	184	187	190	194
	–7.9	*2.9*	*2.1*	*1.7*	*1.5*	*0.5*	*0.8*	*1.6*	*1.6*	*1.7*
Utilities	45	46	46	47	46	45	43	42	43	43
	5.7	*1.6*	*0.5*	*0.6*	*–0.5*	*–2.8*	*–4.7*	*–1.4*	*0.9*	*1.0*
Goods-producing industries	572	599	602	608	597	548	479	464	474	484
	9.6	*4.7*	*0.5*	*1.0*	*–1.8*	*–8.2*	*–12.6*	*–3.0*	*2.0*	*2.1*
Transportation, warehousing, information, and cultural industries	126	132	135	138	140	137	132	132	136	140
	4.0	*4.2*	*2.5*	*2.6*	*1.1*	*–2.2*	*–3.9*	*0.5*	*2.8*	*2.8*
Wholesale and retail trade	174	181	186	191	195	196	196	200	205	210
	3.4	*3.7*	*3.0*	*2.7*	*1.9*	*0.3*	*0.4*	*1.8*	*2.6*	*2.4*
Finance, insurance, and real estate	343	354	365	376	388	399	410	422	434	446
	3.2	*3.1*	*3.1*	*3.1*	*3.1*	*2.9*	*2.9*	*2.8*	*2.8*	*2.8*
Commercial services	218	222	226	230	234	237	240	243	247	251
	0.8	*1.8*	*1.9*	*1.8*	*1.6*	*1.4*	*1.3*	*1.3*	*1.5*	*1.5*
Non-commercial services	240	244	249	255	260	265	271	277	283	289
	1.7	*1.7*	*2.1*	*2.2*	*2.1*	*1.9*	*2.1*	*2.2*	*2.2*	*2.2*
Public administration and defence	357	362	369	377	385	393	401	408	416	424
	1.5	*1.6*	*1.9*	*2.1*	*2.1*	*2.1*	*2.0*	*1.9*	*1.9*	*2.0*
Services-producing industries	1,459	1,495	1,531	1,568	1,602	1,626	1,650	1,682	1,721	1,760
	2.3	*2.5*	*2.4*	*2.5*	*2.1*	*1.5*	*1.4*	*2.0*	*2.3*	*2.3*
All industries	2,120	2,183	2,221	2,265	2,288	2,263	2,218	2,236	2,283	2,332
	4.1	*3.0*	*1.8*	*2.0*	*1.0*	*–1.1*	*–2.0*	*0.8*	*2.1*	*2.1*

f = forecast; n.a. = not applicable
Note: 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)

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13f	2013–14f	2014–15f	2015–16f
Total revenues	784.4	777.8	882.2	934.7	970.7	1,042.8	1,128.1	1,193.0	1,259.0	1,305.4
	5.7	*–0.8*	*13.4*	*6.0*	*3.8*	*7.4*	*8.2*	*5.8*	*5.5*	*3.7*
Own-source revenues	174.7	128.3	249.9	278.9	280.3	299.0	319.1	341.7	368.4	378.9
	10.5	*–26.6*	*94.9*	*11.6*	*0.5*	*6.7*	*6.7*	*7.1*	*7.8*	*2.8*
Personal income taxes	44.0	44.6	60.0	57.9	52.8	60.8	60.6	70.5	81.7	83.2
	6.8	*1.3*	*34.4*	*–3.4*	*–8.8*	*15.1*	*–0.3*	*16.4*	*15.9*	*1.8*
Corporate taxes	4.4	12.8	6.4	5.5	9.0	19.1	20.7	22.1	24.0	24.1
	120.6	*191.1*	*–50.0*	*–13.1*	*63.0*	*111.9*	*8.2*	*6.9*	*8.5*	*0.2*
Tobacco taxes	0.0	7.2	10.1	11.6	11.4	11.0	11.1	11.6	12.0	12.4
	0.0	*0.0*	*39.2*	*15.1*	*–1.5*	*–3.8*	*0.7*	*4.7*	*3.7*	*3.1*
Payroll taxes	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*
Royalties	1.8	1.2	1.2	0.5	0.2	0.2	0.6	0.7	4.8	6.1
	0.0	*–33.3*	*0.0*	*–58.3*	*–60.0*	*0.0*	*200.0*	*18.7*	*575.3*	*27.0*
Other own-source revenues	0.0	62.5	172.3	203.3	206.9	207.8	226.1	236.7	245.8	253.1
	0.0	*0.0*	*175.8*	*18.0*	*1.7*	*0.5*	*8.8*	*4.7*	*3.8*	*3.0*
Transfers from Government of Canada	609.7	649.5	632.2	655.9	690.4	743.9	809.0	851.3	890.6	926.5
	4.4	*6.5*	*–2.7*	*3.7*	*5.3*	*7.7*	*8.8*	*5.2*	*4.6*	*4.0*
CHT	22.2	23.2	24.6	26.5	26.5	28.0	30.0	31.3	32.4	34.7
	0.0	*4.7*	*6.1*	*7.3*	*0.1*	*5.7*	*7.1*	*4.3*	*3.7*	*7.1*
CST	9.8	9.4	10.5	10.8	11.1	12.0	12.0	15.1	15.3	16.2
	2.2	*–4.0*	*11.6*	*3.0*	*2.7*	*8.1*	*0.0*	*25.4*	*1.6*	*6.1*
Other transfers from Government of Canada	60.9	37.5	28.2	7.9	8.2	0.2	0.3	0.3	0.3	0.3
	4.6	*–38.4*	*–24.8*	*–71.9*	*3.1*	*–97.0*	*2.0*	*2.4*	*1.7*	*0.9*
Territorial Formula Financing	516.8	543.6	564.0	611.7	653.1	704.7	767.2	804.7	842.6	875.3
	4.6	*5.2*	*3.8*	*8.5*	*6.8*	*7.9*	*8.9*	*4.9*	*4.7*	*3.9*
Expenditure base	0.0	0.0	0.0	727.0	773.0	831.3	893.5	934.1	976.8	1,013.9
	0.0	*n.a.*	*0.0*	*n.a.*	*6.3*	*7.5*	*7.5*	*4.5*	*4.6*	*3.8*
Fiscal capacity	0.0	0.0	0.0	115.0	120.0	126.3	124.6	129.3	134.1	138.5
	0.0	*n.a.*	*0.0*	*n.a.*	*4.3*	*5.2*	*–1.3*	*3.8*	*3.7*	*3.2*
Residual*	0.0	35.7	0.0	–1.0	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 Finance Canada
Notes: Some data not available for 2006–07. Unless otherwise indicated, for each indicator, the first line represents the level at the end of the period, and the italicized second line the annual percentage change.
Sources: The Conference Board of Canada; Yukon Finance Public Accounts; Finance Canada.

(continued . . .)

Table 3 cont'd
Yukon Territorial Government Revenues
($ millions)

	2016–17f	2017–18f	2018–19f	2019–20f	2020–21f	2021–22f	2022–23f	2023–24f	2024–25f	2025–26f
Total revenues	1,361.9	1,416.5	1,467.4	1,521.5	1,577.5	1,634.7	1,697.1	1,765.0	1,840.2	1,917.0
	4.3	*4.0*	*3.6*	*3.7*	*3.7*	*3.6*	*3.8*	*4.0*	*4.3*	*4.2*
Own-source revenues	395.8	414.6	432.3	449.1	464.3	475.6	484.8	498.8	518.0	538.4
	4.5	*4.7*	*4.3*	*3.9*	*3.4*	*2.4*	*1.9*	*2.9*	*3.8*	*3.9*
Personal income taxes	91.1	99.4	105.7	112.8	118.7	121.7	123.1	129.2	138.0	147.2
	9.5	*9.1*	*6.4*	*6.7*	*5.2*	*2.6*	*1.2*	*5.0*	*6.7*	*6.7*
Corporate taxes	25.3	26.0	27.5	28.8	29.8	29.9	30.0	31.2	33.0	34.7
	5.3	*2.7*	*5.5*	*4.8*	*3.4*	*0.4*	*0.5*	*3.8*	*5.7*	*5.3*
Tobacco taxes	12.8	13.2	13.6	14.0	14.3	14.8	15.2	15.6	16.0	16.5
	3.0	*3.0*	*2.9*	*2.9*	*2.8*	*2.8*	*2.8*	*2.8*	*2.8*	*2.8*
Payroll taxes	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*
Royalties	5.5	7.2	9.0	8.9	8.9	8.5	7.1	5.2	4.6	4.7
	–9.9	*30.8*	*24.9*	*–1.3*	*0.5*	*–4.7*	*–16.0*	*–27.8*	*–10.4*	*2.6*
Other own-source revenues	261.1	268.8	276.5	284.6	292.6	300.7	309.3	317.7	326.4	335.3
	3.1	*3.0*	*2.9*	*2.9*	*2.8*	*2.8*	*2.9*	*2.7*	*2.8*	*2.7*
Transfers from Government of Canada	966.1	1,001.9	1,035.1	1,072.4	1,113.2	1,159.2	1,212.3	1,266.2	1,322.2	1,378.6
	4.3	*3.7*	*3.3*	*3.6*	*3.8*	*4.1*	*4.6*	*4.4*	*4.4*	*4.3*
CHT	36.3	37.9	39.7	41.7	43.9	46.6	49.7	52.2	54.7	57.2
	4.6	*4.3*	*4.9*	*4.9*	*5.3*	*6.1*	*6.7*	*5.1*	*4.7*	*4.7*
CST	16.7	17.1	17.6	18.1	18.8	19.7	20.8	21.5	22.1	22.6
	2.8	*2.3*	*3.1*	*3.0*	*3.6*	*4.8*	*5.7*	*3.4*	*2.7*	*2.6*
Other transfers from Government of Canada	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	1.1	*0.9*	*0.9*	*0.9*	*0.8*	*0.7*	*0.8*	*0.6*	*0.7*	*0.7*
Territorial Formula Financing	912.8	946.7	977.5	1,012.3	1,050.3	1,092.7	1,141.5	1,192.2	1,245.2	1,298.5
	4.3	*3.7*	*3.3*	*3.6*	*3.7*	*4.0*	*4.5*	*4.4*	*4.4*	*4.3*
Expenditure base	1,055.1	1,093.5	1,129.9	1,168.2	1,209.6	1,254.7	1,305.1	1,357.5	1,413.8	1,470.7
	4.1	*3.6*	*3.3*	*3.4*	*3.5*	*3.7*	*4.0*	*4.0*	*4.1*	*4.0*
Fiscal capacity	142.3	145.7	149.4	153.0	156.4	159.6	162.4	165.3	168.6	172.3
	2.8	*2.4*	*2.5*	*2.4*	*2.2*	*2.0*	*1.8*	*1.8*	*2.0*	*2.2*
Residual*	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 Finance Canada
Notes: Some data not available for 2006–07. Unless otherwise indicated, for each indicator, the first line represents the level at the end of the period, and the italicized 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)

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13f	2013–14f	2014–15f	2015–16f
Total expenditures	727.5	769.2	890.1	1,006.6	1,068.4	1,131.0	1,156.8	1,236.7	1,314.5	1,384.3
	8.8	*5.7*	*15.7*	*13.1*	*6.1*	*5.9*	*2.3*	*6.9*	*6.3*	*5.3*
Program spending	727.1	769.2	890.1	1,006.6	1,068.4	1,131.0	1,156.8	1,236.7	1,314.5	1,384.3
	8.8	*5.8*	*15.7*	*13.1*	*6.1*	*5.9*	*2.3*	*6.9*	*6.3*	*5.3*
Health*	202.3	210.0	233.8	267.4	273.0	273.0	300.6	319.0	340.1	358.7
	10.5	*3.8*	*11.3*	*14.4*	*2.1*	*0.0*	*10.1*	*6.1*	*6.6*	*5.5*
Share of total spending (%)	27.8	27.3	26.3	26.6	25.6	24.1	26.0	25.8	25.9	25.9
Education	126.2	126.4	130.4	130.3	144.6	149.7	145.8	151.2	155.8	159.2
	5.2	*0.1*	*3.2*	*–0.1*	*11.0*	*3.6*	*–2.6*	*3.7*	*3.0*	*2.2*
Share of total spending (%)	17.3	16.4	14.6	12.9	13.5	13.2	12.6	12.2	11.9	11.5
Other program spending	398.6	432.8	525.9	608.9	650.8	708.3	710.3	766.4	818.7	866.4
	9.2	*8.6*	*21.5*	*15.8*	*6.9*	*8.8*	*0.3*	*7.9*	*6.8*	*5.8*
Budgetary balance	57.5	9.8	–7.1	–25.7	15.1	37.8	80.0	65.4	53.5	30.1
Increase (decrease) of capital assets, net of amortization	–25.0	–1.8	2.5	–42.4	–55.8	–15.2	–28.4	0.0	–18.0	–19.1
Net debt	–132.0	–140.1	–135.5	–67.5	–26.8	–49.5	–101.1	–166.4	–201.9	–212.9

f = forecast
*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 italicized second line the annual percentage change.
Sources: The Conference Board of Canada; Yukon Finance Public Accounts; Finance Canada.

(continued . . .)

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

	2016–17f	2017–18f	2018–19f	2019–20f	2020–21f	2021–22f	2022–23f	2023–24f	2024–25f	2025–26f
Total expenditures	1,444.2	1,500.5	1,555.3	1,615.6	1,672.6	1,731.3	1,798.8	1,865.1	1,937.5	2,013.1
	4.3	*3.9*	*3.7*	*3.9*	*3.5*	*3.5*	*3.9*	*3.7*	*3.9*	*3.9*
Program spending	1,444.2	1,500.5	1,555.3	1,615.6	1,672.6	1,731.3	1,798.8	1,865.1	1,937.5	2,013.1
	4.3	*3.9*	*3.7*	*3.9*	*3.5*	*3.5*	*3.9*	*3.7*	*3.9*	*3.9*
Health*	383.5	409.2	434.6	463.3	492.5	522.0	556.9	590.6	628.3	668.7
	6.9	*6.7*	*6.2*	*6.6*	*6.3*	*6.0*	*6.7*	*6.1*	*6.4*	*6.4*
Share of total spending (%)	26.6	27.3	27.9	28.7	29.4	30.2	31.0	31.7	32.4	33.2
Education	162.3	166.2	170.4	175.9	180.7	186.9	193.6	200.6	207.8	215.3
	1.9	*2.4*	*2.6*	*3.2*	*2.8*	*3.4*	*3.6*	*3.6*	*3.6*	*3.6*
Share of total spending (%)	11.2	11.1	11.0	10.9	10.8	10.8	10.8	10.8	10.7	10.7
Other program spending	898.5	925.1	950.2	976.4	999.4	1,022.4	1,048.3	1,073.9	1,101.4	1,129.1
	3.7	*3.0*	*2.7*	*2.8*	*2.3*	*2.3*	*2.5*	*2.4*	*2.6*	*2.5*
Budgetary balance	26.7	25.0	21.1	14.9	13.9	12.5	7.3	8.9	11.8	12.9
Increase (decrease) of capital assets, net of amortization	–20.2	–21.4	–22.7	–24.1	–25.5	–26.0	–26.6	–27.1	–27.6	–28.2
Net debt	–219.4	–223.0	–221.4	–212.2	–200.6	–187.0	–167.7	–149.5	–133.6	–118.3

f = forecast
*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 italicized second line the annual percentage change.
Sources: The Conference Board of Canada; Yukon Finance Public Accounts; Finance Canada.

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255 Smyth Road, Ottawa ON K1H 8M7 Canada
Tel. 613-526-3280 • *Fax* 613-526-4857 • *Inquiries* 1-866-711-2262

The Conference Board, Inc. 845 Third Avenue, New York NY 10022-6679 USA *Tel.* 212-759-0900 • *Fax* 212-980-7014 • www.conference-board.org
The Conference Board Europe Chaussée de La Hulpe 130, Box 11, B-1000 Brussels, Belgium *Tel.* +32 2 675 54 05 • *Fax* +32 2 675 03 95
The Conference Board Asia-Pacific 2802 Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty Hong Kong SAR *Tel.* +852 2511 1630 • *Fax* +852 2869 1403

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