

Budget Address

2008 - 2009

NORTHWEST TERRITORIES

BUDGET PAPERS

A♦Economic Review

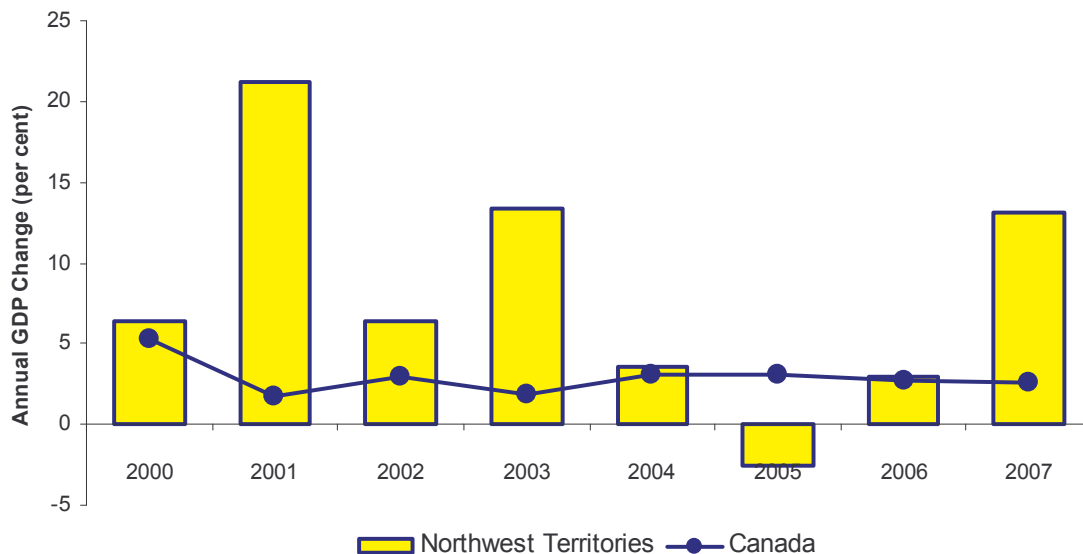
May 22, 2008

Northwest Territories Economic Outlook

2007 Gross Domestic Product

The economy of the Northwest Territories grew by 13.1 per cent in 2007, well above the national rate of 2.3 per cent and returning to its post-division levels of performance after a three-year pause from 2004 to 2006.

Growth in Real GDP chained (2002) dollars



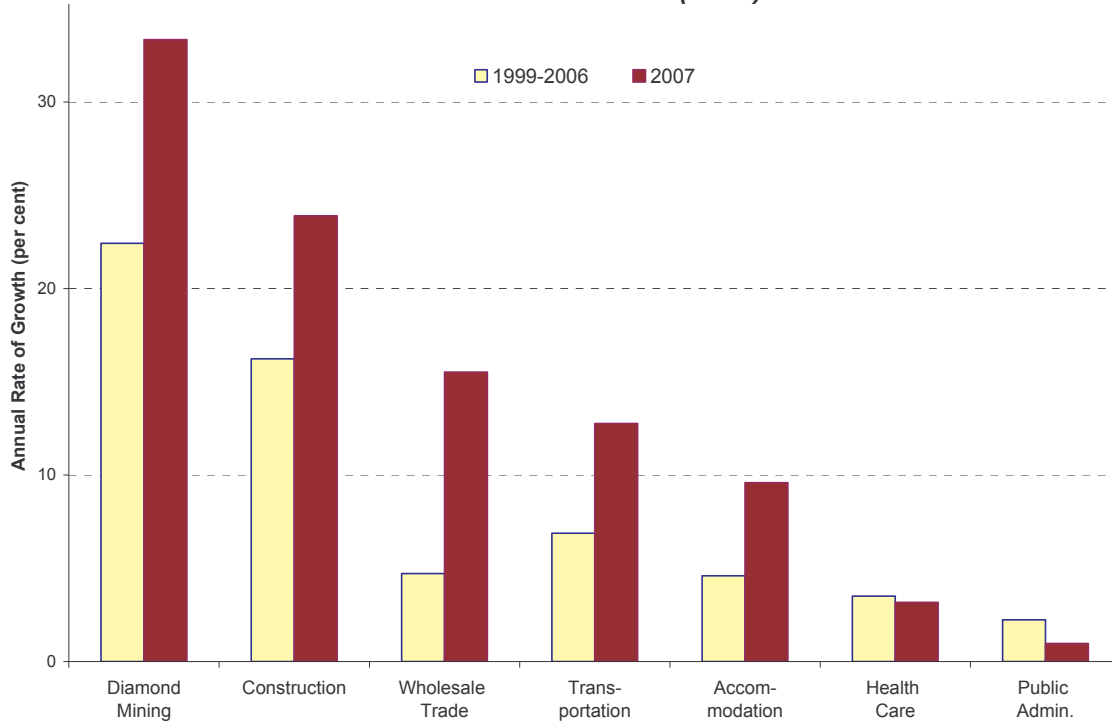
Source: Statistics Canada

Since the development of the first diamond mine at the end of the 1990s, the main economic driver of the NWT economy has been the diamond mining industry. In 2007 the value shipments by the NWT diamond mining industry increased by 33.3 per cent over 2006, well above its average rate of growth between 1999 and 2006 of 22.4 per cent. Even though diamond prices were down, volumes were up significantly at the Ekati and Diavik mines. Snap Lake, the NWT's third diamond mine, also began production late in the year.

The construction industry also put in a strong performance during the year. It increased its contribution to the NWT GDP by 23.9 per cent over 2006, and, like the diamond mining industry, growing at a much faster pace than its 1999-2006 average rate of 16.2 per cent.

The wholesale trade and transportation industries also put in strong performances with increases to the NWT GDP of 15.5 per cent and 12.8 per cent respectively. Performance by these industries is strongly influenced by the diamond industry. Health care contribution to the NWT GDP increased by 3.2 per cent in 2007, slightly below its 1999-2006 average rate of 3.5 per cent. Public administration, which includes local, territorial and federal governments, grew at 1.0 per cent, less than one-half of its 1999-2006 growth rate of 2.2 per cent.

Growth Rate of Selected NWT Industries chained (2002) dollars



Source: Statistics Canada

Economic trade between the NWT and the rest of the world continued to grow in 2007, but at a reduced rate from recent historical levels. Exports to other countries increased by 9.3 per cent, below the seven-year average growth rate of 13.6 per cent. Growth in imported goods and services stayed roughly the same, at 11.4 per cent in 2007 compared to 12.1 per cent from 1999 to 2006. The net effect was continued growth in the NWT's balance of trade with the rest of the world, but at a decreasing rate, from \$762 million in 2006 to \$812 million in 2007.

The NWT imports more goods and services from the rest of Canada than it exports to the provinces. The trade balance with the rest of Canada declined slightly, by 3.5 per cent in 2007. Nevertheless, this represents a slowing in the growth of the trade imbalance with Canada. The trade imbalance grew at an average rate of 11.5 per cent from 1999 to 2006.

Consumer and government expenditures continued to increase at levels in line with recent historical growth rates. However, business investment in machinery and equipment fell 18.2 per cent in 2007, well below its average growth rate of 12.7 per cent from 1999 to 2006. This decline is largely due to the completion of the Snap Lake diamond mine in 2007.

On average, corporate profits and wages and salaries account for just over two-thirds of the NWT economy. Between 1999 and 2007, wages and salaries increased at a fairly stable rate of 7.4 per cent per year. However corporate profits have been very volatile, with annual changes ranging from a decline of 24.1 per cent in 2005 to an increase of 75.6 per cent in 2003. Corporate profits are very sensitive to the value of gross sales from the diamond mines. In turn, the value of gross sales depends on the quality of diamonds recovered, the international selling price of diamonds, and the exchange rate of the Canadian dollar in terms of the US dollar. Diamond prices are quoted in US dollars. Exchange rate movements between the Canadian dollar and the US dollar therefore affect corporate profits from NWT diamond mines and the selling margin must absorb the entire exchange rate movement, contributing to the volatility of corporate profits.

The health of the international economy is of immediate importance to a commodity-based economy such as the NWT's economy. Over the last year the international economy has come under stress.

The International Monetary Fund projects global economic growth to slow to 3.7 per cent in 2008: 1.25 percentage points lower than the growth recorded in 2007. Moreover, growth is projected to remain broadly unchanged in 2009. The U.S. economy is expected to tip into a mild recession in 2008 as the result of mutually reinforcing cycles in the housing and financial markets, before starting a modest recovery in 2009. By contrast, growth in emerging and developing economies has been less affected by financial market developments and has continued to grow at a rapid pace, led by China and India, and, it is expected to remain robust in both 2008 and 2009.

After years of strong economic performance, Canada's growth is expected to slow this year as the slowdown in the U.S. economy outweighs solid domestic demand supported by strong commodity prices. Slumping real net exports pulled real GDP growth down to (annualized) 0.8 percent in the fourth quarter of 2007 despite buoyant domestic spending. A sharp spike in cross-border shopping by Canadians contributed to the weaker external picture. This was a response to the Canadian dollar reaching parity with the U.S. dollar, making price comparisons easier and putting downward pressure on consumer-price inflation. Overall, growth is projected to decelerate to 1.3 per cent in 2008 and pick up only slowly to 1.9 per cent in 2009.

Economic Outlook 2008

NWT 2008 GDP is expected to decline to 2006 levels in concert with the expected performance of the diamond mining industry. The 2008 outlook for the NWT diamond mining industry is affected by a number of factors. Costs are expected to increase as more production is shifted from open pit to the more expensive underground extraction process. These higher costs will be offset to some extent if the Canadian dollar maintains or improves on its near-parity level with the American dollar and the Canadian dollar cost of imported equipment and machinery is reduced.

The strengthening Canadian dollar will reduce the net balance between costs and revenues and therefore will reduce forecast corporate profits and/or capital cost allowances. Reduced corporate profits and capital cost allowances directly reduce NWT GDP.

Completion of construction of the Snap Lake diamond mine will also contribute to the slowing economy. No new capital investments of a similar size are being undertaken in 2008, reducing the construction industry's level of activity compared to last year. Lower construction activity will be partly, but not wholly, offset by the new production from the mine itself.

Lower consumer demand for diamonds in the United States may lead to lower prices for rough diamonds. The U.S. currently accounts for almost one-half of the world market for polished diamonds. However, new consumers from emerging countries such as China and India are creating new demand for diamonds.

Over the medium term, the prospects for continued economic growth in the NWT are substantial. If the proposed Mackenzie Gas Project is approved and constructed, the resulting economic impacts would be significant for the NWT and for Canada as a whole. The NWT economy would receive a further boost, after the initial construction phase of the project, through further exploration and development of the Territory's substantial oil and gas resources. Between 2002 and 2040 it is estimated that Mackenzie Delta field and pipeline development will increase NWT GDP by between \$34 billion and \$126 billion in 2007 dollars. Over the same period, employment opportunities in the NWT will increase between 30,805 person-years and 68,177 person-years. A fourth diamond mine is in the environmental assessment phase and mining exploration is being maintained at high levels.

Employment of NWT residents fell from 22,800 in 2006 to 22,600 in 2007 and is projected to decline by 4.9 per cent to 21,500 in 2008.

Average weekly earnings increased 3.2 per cent from \$973 in 2006 to \$1,005 in 2007, and are forecast to grow 3.2 per cent to \$1,037 in 2008.

Consumer price inflation in Yellowknife (NWT-wide figures are not available), which has averaged about 2 per cent annually in recent years, has accelerated modestly. Consumer prices increased 2.9 per cent in 2007, and are forecast to grow by 2.8 per cent in 2008.

The 2008 NWT Budget is mildly stimulatory with a modest increase in spending largely reflected in increased capital investment. The total impact on the NWT economy is expected to be 250 more jobs, and an additional \$36 million in NWT GDP.

These impacts include the direct effects of new program spending and capital investment and the increased business for companies providing support services to the government's programs. They also include and the increased business for the consumer wholesale and retail sectors that benefit because of the increased wages and salaries. The increased employment will be shared by public and private sectors.

Northwest Territories Economic Indicators

INDICATOR	2005	2006	2007	2008 ^(F)
Gross Domestic Product, chained 2002 (\$) millions	3,473.0	3,575.0	4,045.0	3,518.0
% change	(2.5)	2.9	13.1	(13.0)
Total Investment, chained 2002 \$ millions	1,485.0	1,733.0	1,959.0	1,543.0
% change	17.3	16.7	13.0	(21.0)
Consumer Expenditures, chained 2002 \$ millions	1,130.0	1,173.0	1,223.0	1,268.0
% change	2.9	3.8	4.3	3.7
Government Expenditures, chained 2002 \$ millions	1,144.0	1,140.0	1,168.0	1,132.0
% change	0.0	(0.3)	2.5	(3.1)
Exports, chained 2002 \$ millions	2,430.0	2,396.0	2,751.0	2,315.0
% change	(5.6)	(1.4)	14.8	15.8
Imports, chained 2002 \$ millions	2,706.0	2,838.0	3,003.0	2,773.0
% change	11.9	8.0	18.6	(7.7)
Employment, number of persons	23,022.0	22,283.0	23,360.0	21,500.0
% change	3.3	(3.2)	4.8	(4.9)
Average Weekly Earnings, dollars	961.0	974.0	1,004.0	1,037.0
% change	3.7	1.3	3.2	3.2
CPI All-Items (Yellowknife, 2001 = 100)	107.7	110.8	112.3	113.9
% change	2.3	1.3	2.9	2.8

Sources: Statistics Canada
 NWT Department of Finance
 (F) Forecast

Commodity Prices and Exchange Rates

Commodity markets have continued to be strong despite slowing global activity. Strong demand from emerging economies, which has accounted for much of the increase in commodity consumption in recent years, has been a driving force in the price increases. At the same time, supply adjustments to higher prices have lagged, notably for oil, and inventory levels in many markets have declined to medium to long-term lows. The recent run-up in commodity prices also seems to have been at least partly due to financial factors, as commodities have increasingly emerged as an alternative asset class.

Increased demand for base metals, in particular from China, has lifted prices for those commodities to their highest levels in many years. Because metals prices were so low for so long, investment was neglected, and this has allowed prices to increase further in the face of increasing demand as metals stockpiles were reduced to their lowest levels in decades. Although new investment has subsequently been undertaken to meet current demand, it is not expected to lead to additional supply for several years.

Canada, as a major exporter of commodities, has benefited from a terms-of-trade improvement (an improvement in the ratio of export to import prices). This has led to an increase in Canadians' real incomes and a large increase in the value of the Canadian dollar relative to the US dollar and also to many other major international currencies.

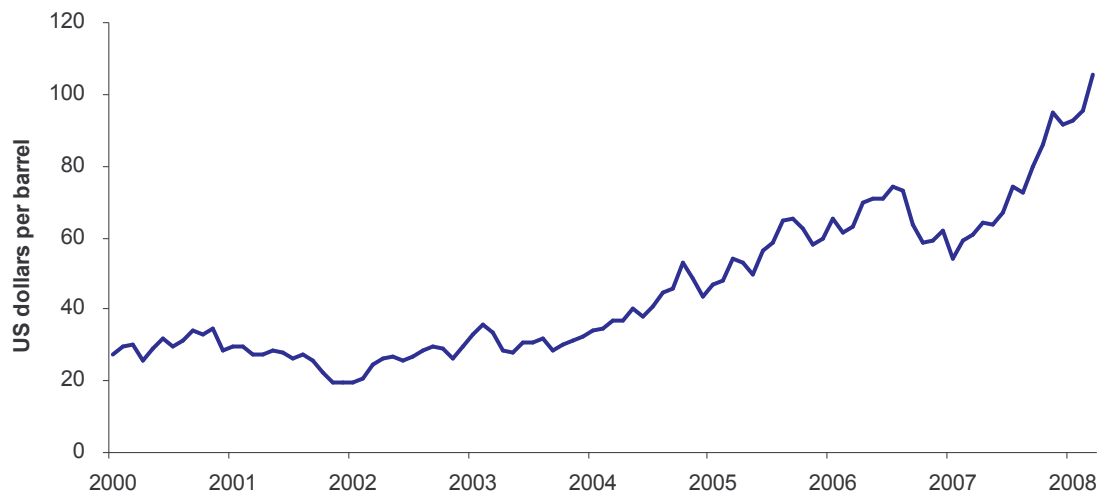
The outlook for commodity prices in 2008, and therefore in large measure the Canadian dollar, depends on whether demand for energy and metals holds up under increased prices and the slowdown of the American economy. The current commodities cycle was driven by strong economic growth in Asia, particularly the Chinese and Indian economies, and what had been, until very recently, a resilient American economy. A number of serious challenges to the American economy emerged by the end of 2007 causing the U.S. Federal Reserve to take dramatic and historic actions to avoid serious economic disruption. Success of these actions for the American market, and the ability of the Asian economies to grow independent of the U.S. market, will have impacts on commodity prices going forward.

Oil Prices

After a pause at the beginning of 2007 oil prices continued their climb to record highs. Prices ended 2007 crossing the US\$90.00 per barrel threshold for West Texas Intermediate (WTI), a 50 per cent increase from December 2006. During the first quarter of 2008, oil prices reached \$125.00 per barrel.

Oil prices are being driven by increased demand from developing countries as well as a chronic lack of new investment in oil infrastructure. At its April 2008 meeting, the Organization of Petroleum Exporting Countries (OPEC) rejected calls to increase production levels in order to reduce prices.

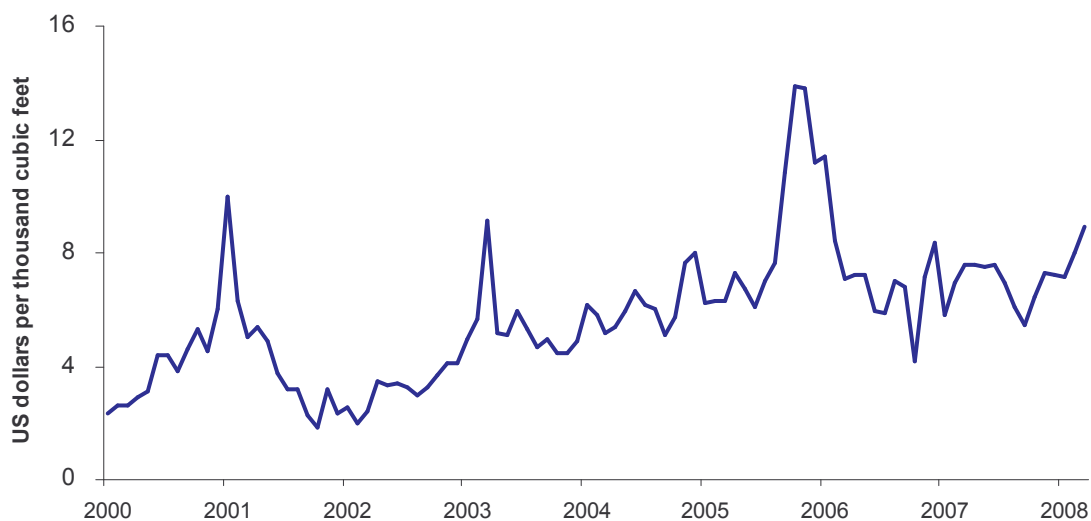
As the following graph shows, oil prices remain much higher than over the recent past, which has led to continued oil booms in oil-producing countries, including Canada.

Price of Oil, West Texas Intermediate

Source: Sproule Associates Limited

Natural Gas Prices

In the last quarter of 2007, natural gas prices surpassed the US\$8.00 per million British thermal units (MMBtu) range price threshold at Henry Hub, Louisiana. Natural gas prices broke through the US\$10.00 barrier in early April 2008. This is an improvement from the US\$3.00 to \$4.00 trading range during the late 1990s and early 2000s. The record high levels in 2006 spurred increased investment in natural gas developments that decreased as price levels declined in 2007.

Price of Natural Gas: Henry Hub NYMEX

Source: Sproule Associates Limited

Diamond Prices

Because each diamond is unique, it is difficult to track the prices of rough diamonds. DeBeers, the world's largest diamond producer, with 40 per cent of the market, announced that early 2008 prices for rough diamonds increased by 8.5 per cent. The price increase is a turn-around from lower prices in early 2007 that had fallen 9.6 per cent from early 2006.

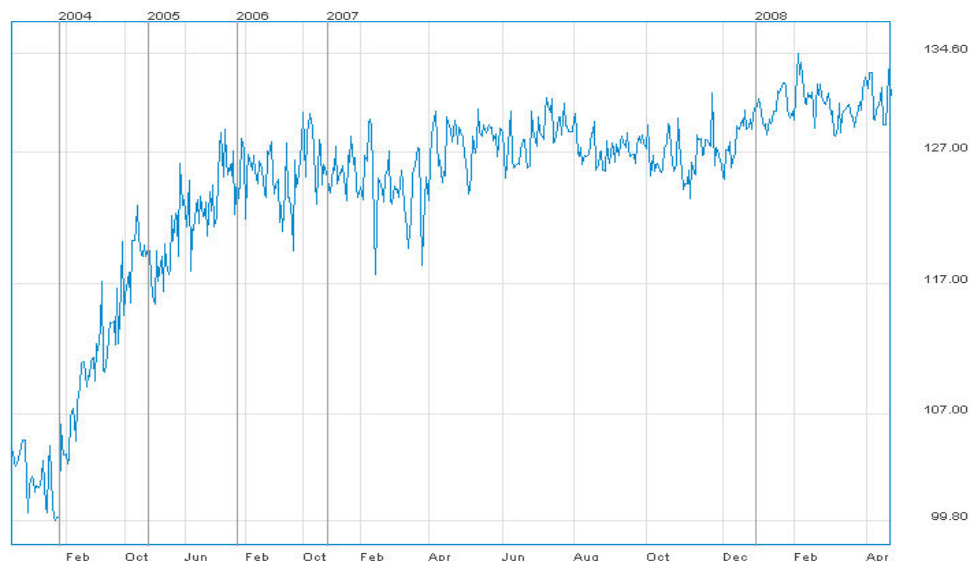
Supply shortages expected to put upward pressure on rough diamond prices in 2008 may be partially offset by reduced American demand. Currently the United States accounts for 55 per cent of the global market for polished diamonds, but growing demand from China and India is becoming increasingly important.

A diamond's value hinges on four characteristics, known as the "four Cs": colour, clarity, carat (weight) and cut. By controlling for these factors, it is possible to derive indices that approximate prices for diamonds of a certain quality, and to then derive an overall index that tracks movements in the prices of polished diamonds. PolishedPrices.com publishes a price index on its website using this approach.

The PolishedPrices.com website explains its methodology for the calculation of its polished price index as follows: "The PolishedPrices Indices are created by weighting each of the individual prices of transactions reported to PolishedPrices.com by an estimate of the total world production of polished prices over the ranges covered."

In the two years to January 2004, the index fell, but has since risen and is currently about 24 per cent higher than its low in January 2004.

Polished Diamond Price Index: Overall Index, January 2002 - January 2007



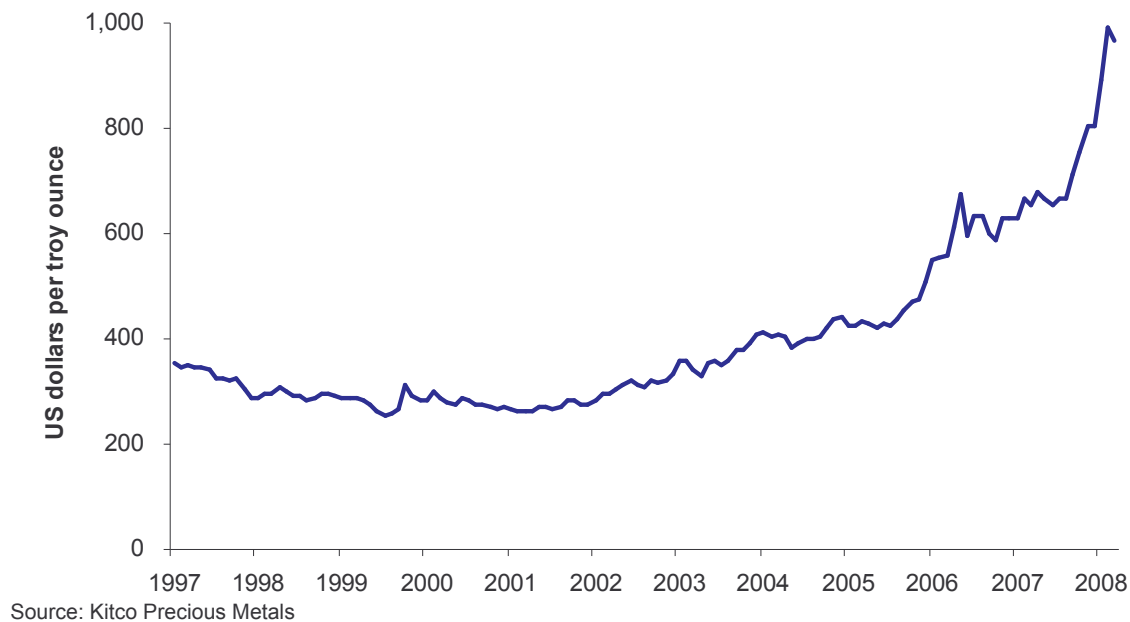
Source: PolishedPrices.com (reprinted with permission)

Gold Prices

Gold prices reached a new peak on March 17, 2008, closing at US\$1,011 on the London market. The current run-up in the price of gold started in 2004 when it crossed the US\$300 an ounce threshold. The price has continued to rise, ending 2006 at US\$630 then closing 2007 at US\$803. Gold prices have settled back from their March 2008 peaks, closing at US\$879 on May 15, 2008.

The gold market is influenced by financial uncertainty and geopolitical conflicts. The weakening American domestic economy and ongoing dislocations in global financial markets are contributing to investors' uncertainty.

Price of Gold, 1997-April 2008



The Canadian Dollar

The value of the Canadian dollar directly affects the competitiveness of Canadian exporters and businesses that import equipment and material inputs to support their production of goods and services. Prices for internationally traded commodities are generally quoted in American dollars. Movements of the exchange rate will impact the value of sales for exporting companies. As the American dollar decreases in value the value of exports declines in terms of Canadian dollars, placing pressure on Canadian costs.

The value of the Canadian dollar peaked on November 6, 2007 at US\$1.085/CAD\$ culminating a dramatic rise through 2007, well above its average value of 88.2 cents in 2006. The dollar has since settled in a trading range around parity with the American dollar.

US-Canada Exchange Rate (US\$/C\$) Since 1995



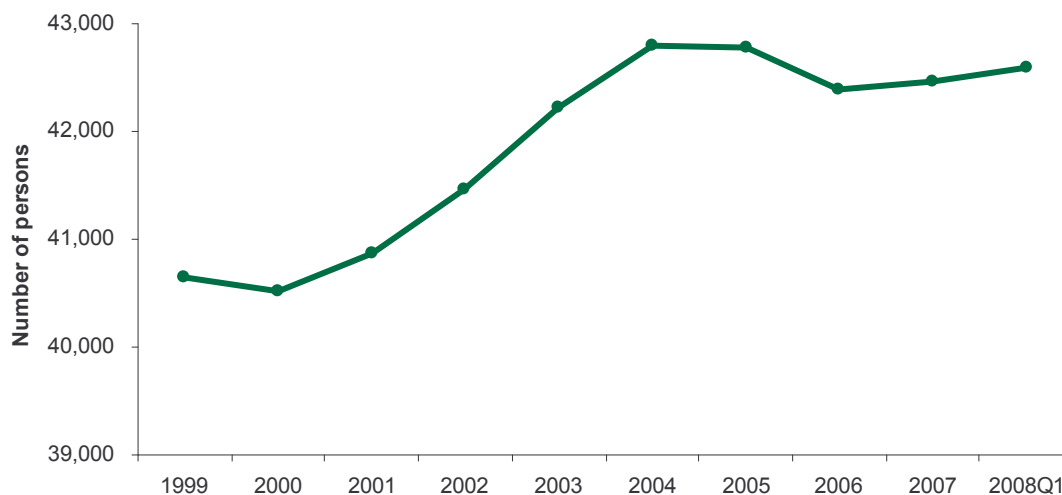
Source: Bank of Canada

The Economy

Population

The NWT population was estimated to be 42,594 in the first quarter of 2008. This represents an increase of 4.8 per cent since 1999. The population reached 42,800 in 2004, settled back to 42,397 in 2006 then recovered to 42,637 in 2007. The average annual rate of population increase since 1999 has been 0.5 per cent per annum.

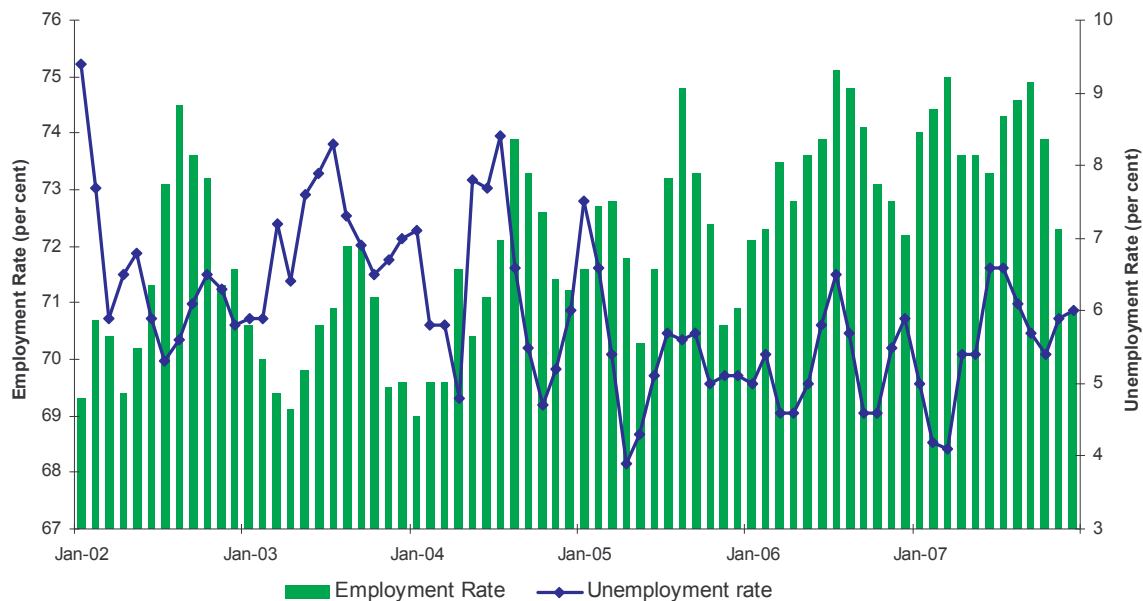
NWT Total Population



Source: Statistics Canada

Labour

NWT Labour Market



Source: Statistics Canada

Total employment in the NWT declined by 0.9 per cent in 2007, compared with increases of 3.7 per cent and 0.4 per cent in 2005 and 2006, respectively. The number of employed persons was 22,600 in 2007, an increase of 1,500 since 2002.

Other labour market indicators showed mixed results in 2007. The Territory's unemployment rate increased while the employment rate (the share of the working-age population with jobs) and the participation rate (the share of the working-age population who are in the labour market, either as employed or unemployed individuals) both rose.

The NWT's unemployment rate averaged 5.4 per cent in 2007, unchanged from the previous two years. The employment rate increased narrowly, rising to 73.6 per cent in 2007, compared to 73.5 per cent in 2006 and 72.2 per cent in 2005. The participation rate averaged 77.9 per cent last year, up from 77.4 per cent and 76.1 per cent in 2006 and 2005, respectively.

The NWT continues to compare favourably with the national employment market. The 2007 participation and employment rates were over 10 percentage points higher than the corresponding Canadian rates. The NWT's 2007 participation rate of 77.9 per cent compared to 67.6 per cent nationally, and the employment rate of 73.6 per cent compared to 63.5 per cent for Canada. The NWT's unemployment rate was 0.6 percentage points below the national average of 6.0 per cent.

Within the NWT, however, differences continue to exist between Yellowknife, other larger centres (Fort Simpson, Fort Smith, Hay River, Inuvik, Norman Wells), and smaller communities. According to the NWT Bureau of Statistics 2007 Summary of NWT Community Statistics, the unemployment rate in Yellowknife was 5.0 per cent. The unemployment rate in other larger centres was 8.6 per cent, compared to 22.4 per cent in the smaller communities. There were similar differences between community types for

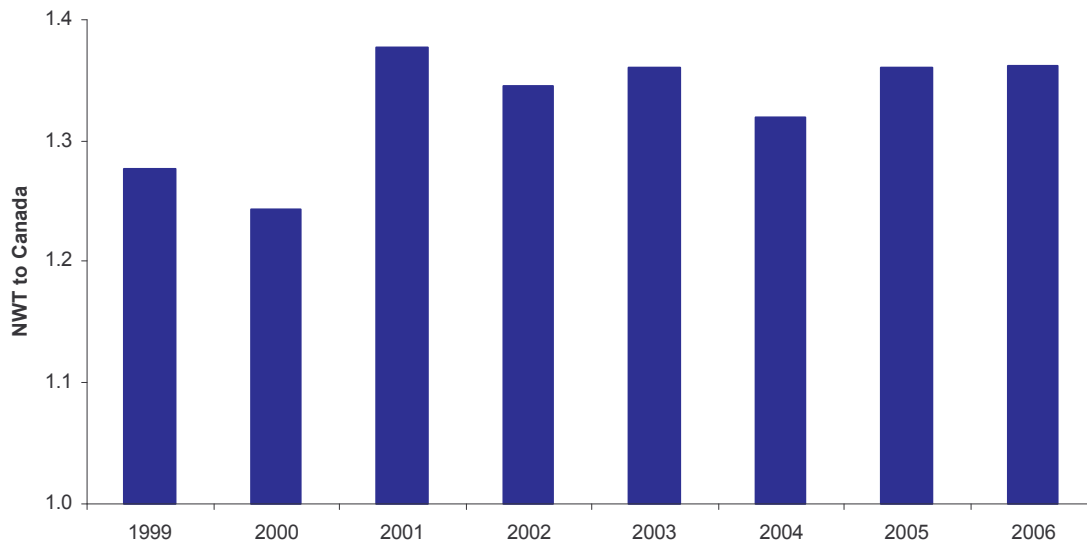
participation and employment rates. The participation rate in Yellowknife was 84.0 per cent, for the other larger communities 76.2 per cent, and for the smaller communities the participation rate was 62.9 per cent. Employment rates were 79.7 per cent, 69.6 per cent and 48.8 per cent respectively, for Yellowknife, the other larger communities and the smaller communities.

Productivity

Productivity is a key economic performance indicator. It is related to increasing value added and economic sustainability. One measure of labour productivity is the value of total compensation paid per hour actually worked. It includes earnings received by self-employed persons or working owners of unincorporated businesses, wages, salaries, overtime, and income-in-kind, as well as other sources of income.

Since 2001, NWT labour productivity has averaged 1.35 times the national average.

Ratio of NWT Labour Productivity to National Labour Productivity



Source: Statistics Canada

Investment

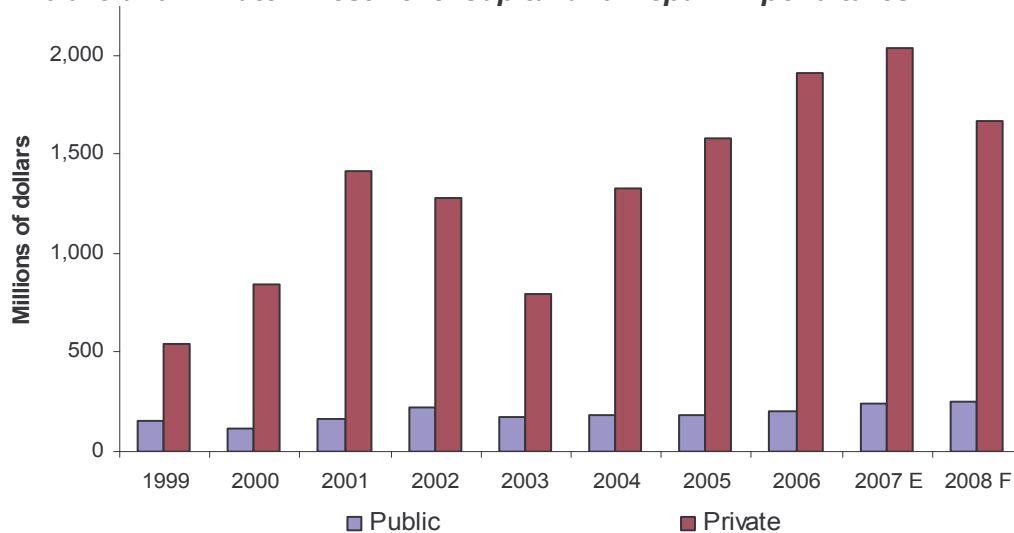
Capital and Repair Expenditures in the Public and Private Sectors

Total capital and repair expenditures in the NWT are forecast to decrease by an estimated 15.6 per cent in 2008, from an estimated \$2,277 million in 2007 to \$1,921 million. The private sector is forecast to expend \$1,668 million, or 87 per cent of 2008 capital and repair expenditures, with the remaining 13 per cent coming from the public sector; up 2.5 percentage points from 2007. Since 1999, private capital and repair expenditures, primarily relating to construction activity in the diamond-mining sector, have ranged from 77 per cent to 90 per cent of total capital expenditures, consistently outpacing those from the public sector.

According to the 2008 Statistics Canada Survey of Investment Intentions of Public and Private Sector Organizations, 2008 capital investment decline is due to the completion of major investment projects in the mining sector.

Rapid large-scale non-renewable resource activity continues to put pressure on public infrastructure. Ongoing public sector investment will be required to address these strains on the Territory's infrastructure.

NWT Public and Private Investment: Capital and Repair Expenditures

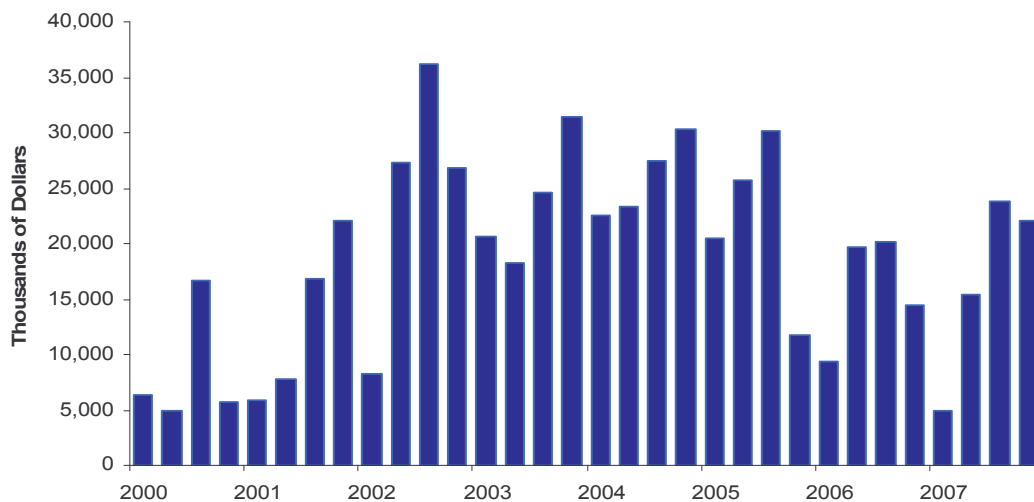


Source: Statistics Canada and GNWT (Note: F = Forecast; E = Estimate)

Housing Investment

Housing investment grew 3.6 per cent in 2007, to \$66 million, following a 28 per cent decline in 2006 and a decline of 15 per cent in 2005. However, because of very strong growth in 2001 and 2002, when housing investment grew by 57 per cent and 88 per cent, respectively, the level of housing investment in 2007 was much higher than in 2000 and 2001. A strong economy, low interest rates, growing personal incomes and low vacancy rates have all supported housing activity in the NWT.

NWT Housing Investment, by Quarter



Source: Statistics Canada

Mineral, Oil and Gas Exploration and Production

The non-renewable resource sector is the main driver of the NWT economy. The diamond industry accounts for the majority of activity in this sector.

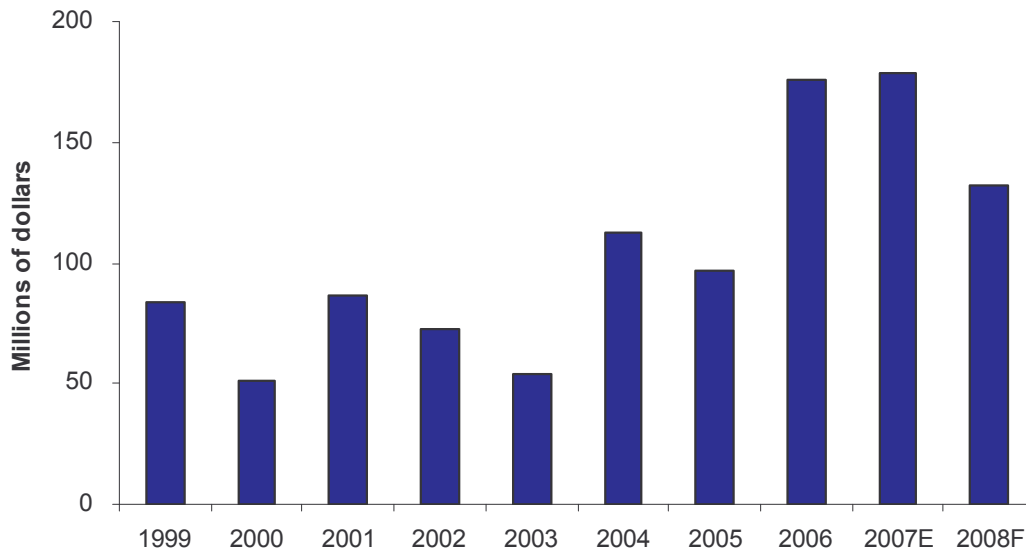
High commodity prices have spurred interest in mineral exploration across the Territory, not just for diamonds but other minerals as well, such as gold. Even if some commodity prices soften, prices are likely to remain elevated by historical standards. The high prices, in turn, should continue to benefit the NWT, which has enormous untapped potential for future growth in the non-renewable sector.

Exploration and Deposit Appraisal

Exploration and deposit appraisal expenditures included work at the four operating NWT mines (three diamond and one tungsten) and a number of grassroots and advanced exploration projects. The Gahcho Kue diamond project is currently undergoing Environmental Impact Review and four grassroots and advanced exploration projects are undergoing Environmental Assessment. Expenditures on mineral exploration and deposit appraisal in the NWT are expected to decrease 26.1 per cent in 2008 from the record high levels of 2007.

Almost two thirds of 2007 exploration and deposit appraisal expenditures were for diamonds. Base and precious metals accounted for most of the remaining expenditures.

NWT Exploration and Deposit Appraisal Expenditures



Source: Natural Resources Canada

The Diamond Sector

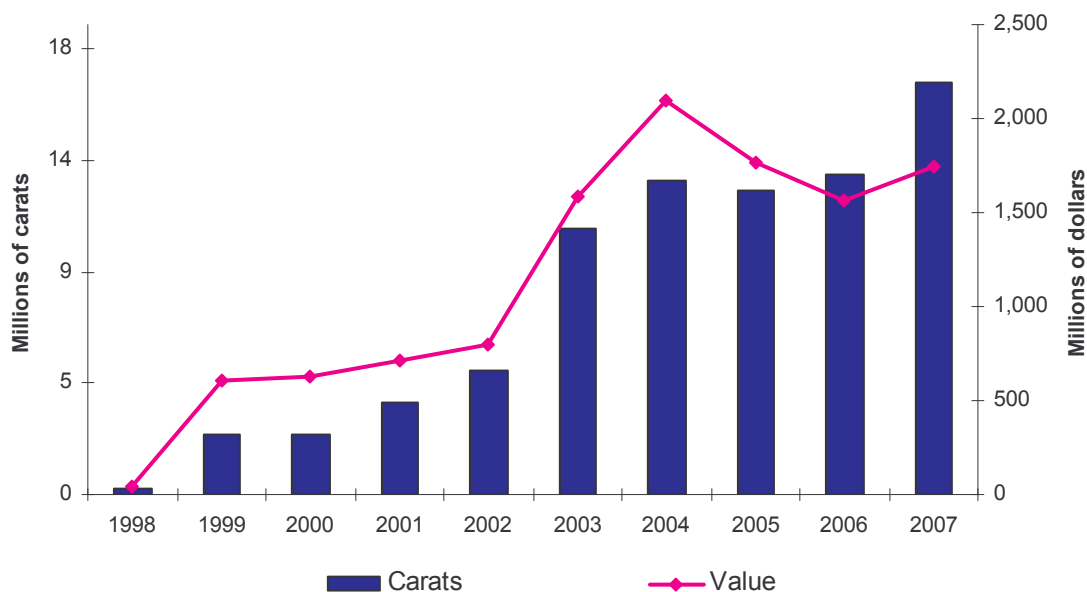
Diamond shipments increased in 2007 in both volume of shipments as well as value. Shipment volume was 16.6 million carats, up 28 per cent from 2006's record level. Shipment value increased 11.4 per cent, from \$1,567 million in 2006 to \$1,745 million in 2007. However, the average value per carat continued to decline for the fourth year in a row. The average carat value of shipped diamonds fell from \$121 in 2006 to \$105 in 2007. Carat values of NWT diamond shipments peaked in 2000 at \$257.

The producing mines in the NWT are Ekati (1998), Diavik (2003) and Snap Lake (2007). The beginning of Diavik's production can be seen in the graph shown below.

Canada remains the world's third-largest diamond producer by value, behind Botswana and Russia. Until the 2006 opening of Nunavut's Jericho mine, the NWT was solely responsible for Canada's status as a major diamond producer. Tahera Diamond Corp., operator of the Jericho mine, ceased operations in 2008 and sought protection from creditors. DeBeers' Victor diamond mine in Ontario began production in March 2008.

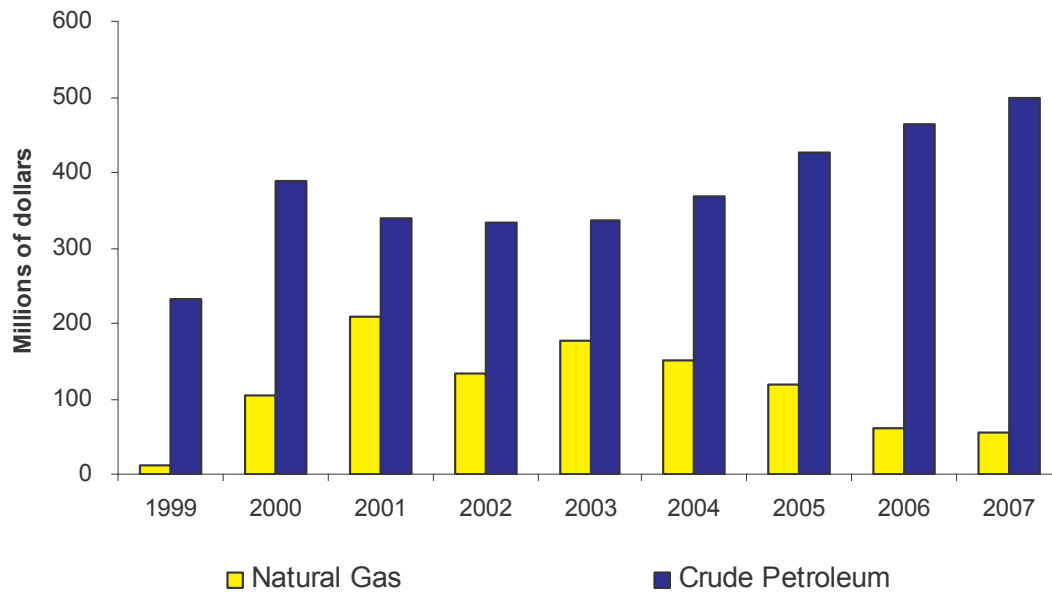
Diamonds increase in value as they move through the supply chain to the point of sale as jewellery at the retail level. The tasks of sorting, polishing, manufacturing and marketing diamonds add much value beyond that of the rough stones. The GNWT has encouraged the development of a home-grown cutting and polishing industry in order to capture some of this value added. Various diamond polishing enterprises operating in the NWT help to ensure that some of these downstream benefits remain in Canada's North. However, currently only a small portion of the NWT's diamond production remains in Canada to be cut and polished.

NWT Diamond Shipments: Weight and Value



Source: Natural Resources Canada

Value of Shipments, NWT Natural Gas and Crude Petroleum



Source: NWT Bureau of Statistics

The Oil and Gas Sector

Expenditures on oil and gas activities in the NWT in recent years have been sustained at high levels. These costs include expenditures on exploration and development drilling, well completion and abandonment, and geophysical and geological programs. Exploratory drilling levels were sustained in the Mackenzie Delta and in the central Mackenzie Valley.

Oil and natural gas production in the NWT has been gradually decreasing due to the depletion of reserves. Growth in production requires new discoveries and new field developments to replace depleting wells.

Should the Mackenzie Gas Project go ahead, substantial oil and gas exploration and production is likely to take place in the Mackenzie Delta and Beaufort Sea areas, making the NWT a major exporter of energy.

Gold Mining

After many decades of gold mining in the NWT, the territory's two remaining mines shut down because of resource depletion; the Con mine closed in November 2003 and the Giant mine ceased operations in 2004. There was no gold production in 2005, compared to production of approximately \$9 million in 2004 and between \$40 and \$50 million in each of the prior five years.

However, since the Con and Giant mine closures, gold prices have increased substantially, encouraging new exploration for gold and other minerals in the NWT. As a result, more mining companies came to the NWT searching for gold; and total gold exploration expenditures increased almost four times, from \$3 million in 2003 to an estimated \$13 million in 2007.

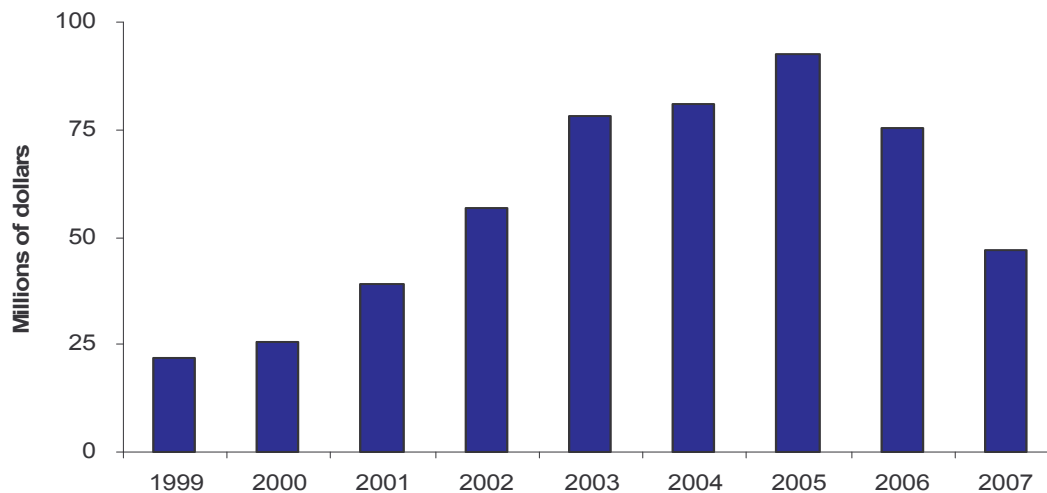
Manufacturing

Manufacturing Shipments

The NWT's manufacturing sector includes a variety of businesses including food processors, cement and concrete producers, printers, wood products and diamond processors. NWT manufacturing and trade benefited from the strong economic growth prior to 2005, primarily because of the NWT diamond industry. Much of the NWT's manufacturing shipments consist of cut and polished diamonds. As the number of raw diamonds available for processing in the NWT increased from 1999 to 2005, the NWT's manufacturing shipments also increased.

After peaking in 2005, manufacturing shipments declined by 18.4 per cent in 2006 and 37.7 per cent in 2007. The decline is continuing into the first two months of 2008 as the value of manufactured shipments declined 22.0 per cent from the same period of 2007. This decline is primarily attributable to manufacturing in areas other than cut diamonds.

NWT Manufacturing Shipments, All Industries



Source: Statistics Canada

Wholesale Trade

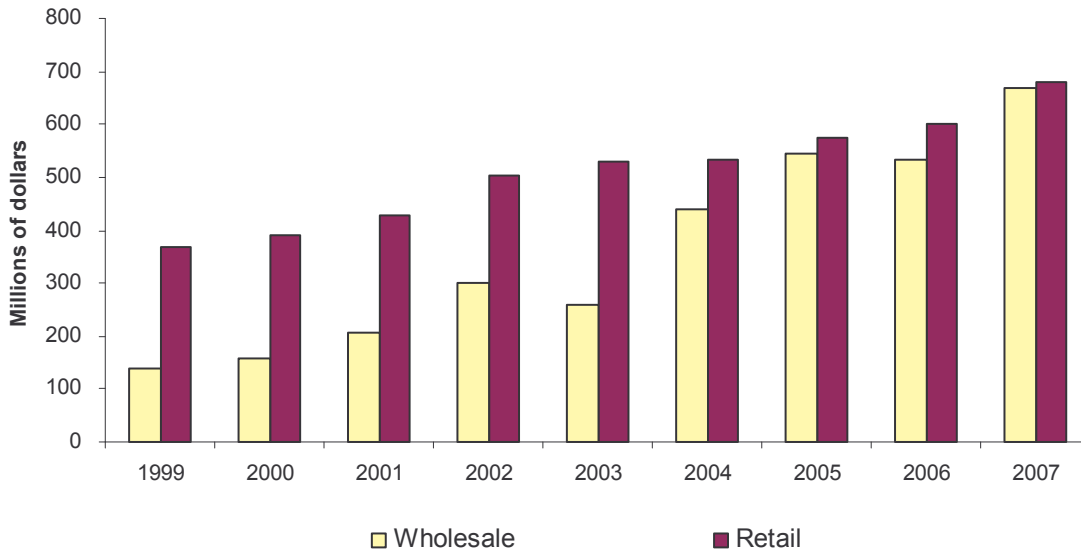
Wholesale trade increased 25.2 per cent in 2007 to \$677.0 million, recovering from a decline of 2.2 per cent in 2006. Wholesale trade continued its upward trend into the first two months of 2008 with an increase of 13.1 per cent over the same period last year. Between 1999 and 2007, wholesale trade increased from \$367.3 million to \$679.1 million, an average annual growth rate of 21.7 per cent.

Retail Trade

Retail trade increased by 13.3 per cent in 2007 to \$679.1 million. This is a continuation of the eight-year trend of increasing retail sales in the Territory. Initial indications are that the trend will continue. For the first two months of 2008, retail sales were up 18.5 per cent over the same period last year. Since 1999, retail trade has increased at an annual

average rate of 8.0 per cent, in line with the average annual growth rate of the wages, salaries and supplemental income component of NWT GDP that has grown at an average rate of 7.4 per cent since Division in 1999.

NWT Retail and Wholesale Trade, Seasonally Adjusted



Source: Statistics Canada

Renewable Resource Sector

The renewable resource sector is an important part of the NWT economy and provides valuable employment opportunities to many residents.

Tourism

Tourism is an important part of the NWT's economy with untapped potential, including niche categories such as cultural tourism, diamond-based tourism and the international tourist market. There are three components to the NWT's tourist trade: eco-tourism, leisure travel and business travel.

The accommodation and food services industries are an important component of the NWT tourist business. The industry includes a broad range of companies providing short-term accommodation to business travellers and vacationers, including hunting and fishing lodges. It also includes restaurants and nightclubs. Between 1999 and 2007, the accommodation and food services industry's contribution to GDP has increased from \$50.2 million to \$75.4 million, growing at an average annual rate of 5.2 per cent.

In 2006, the GNWT announced *Tourism 2010: A Tourism Plan for the Northwest Territories*, a long-term plan to further develop the Territory's tourism industry. This initiative seeks to build upon existing strengths with further funding support in product development, infrastructure, human resource training, marketing, research and planning. The Plan's objective is to expand the NWT tourism industry from \$100 million in 2006 to \$145 million annually by 2010.

Commercial Fishery

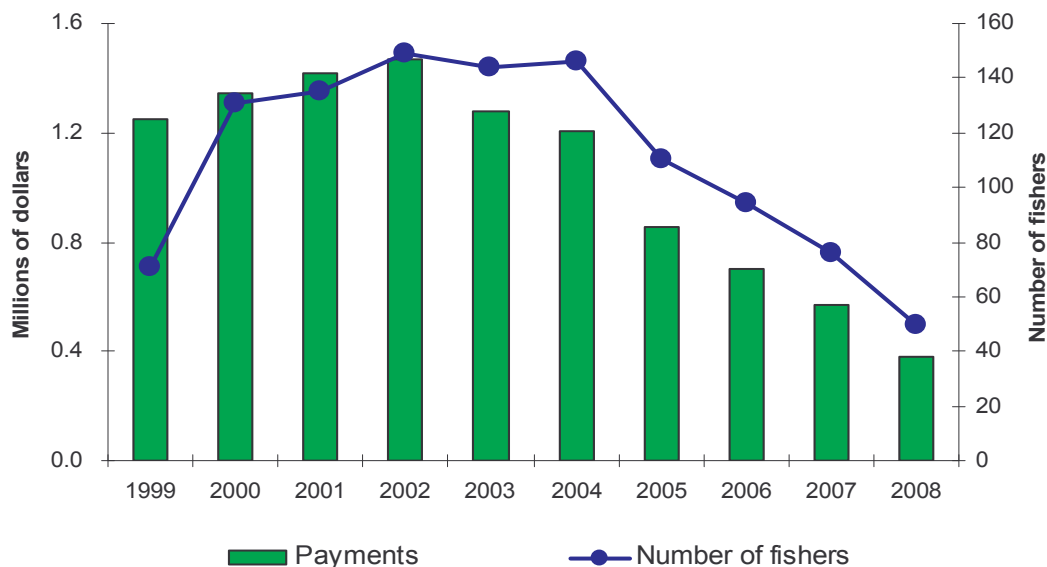
The NWT's commercial fishery is a small but valued part of the territory's economy. Data from the Freshwater Fish Marketing Corporation (FFMC) – a self-sustaining federal Crown corporation which functions as the buyer, processor and marketer of freshwater fish from Alberta, Saskatchewan, Manitoba, the NWT and part of north-western Ontario – demonstrates that the NWT commercial fishery has declined in recent years.

Continuing the downward trend, the FFMC reports that initial payments to NWT fishers – on a delivery-point, net-of-freight basis – fell in fiscal 2008 (the year ended April 30, 2008). Payments have fallen to \$380,000, down 33 per cent from 2007.

The number of fishers peaked at 149 in 2002 and has declined to 50 in 2008. Delivered weight has declined continuously since 1999, dropping by over 70 per cent from 1.0 million kilograms in 1999 to 0.3 million in 2008.

The increase in the value of the Canadian dollar since 2002 has hurt the freshwater fishery in Canada. Lower fish volumes in the NWT indicate a lower participation in the NWT commercial fishery due, at least partly, to unfavourable pricing because the US is the major market for Canada's freshwater fish and sales are transacted in US dollars.

NWT Commercial Fishery Activity, Fiscal Years ending April 30th



Source: Freshwater Fish Marketing Corporation

Fur Harvest

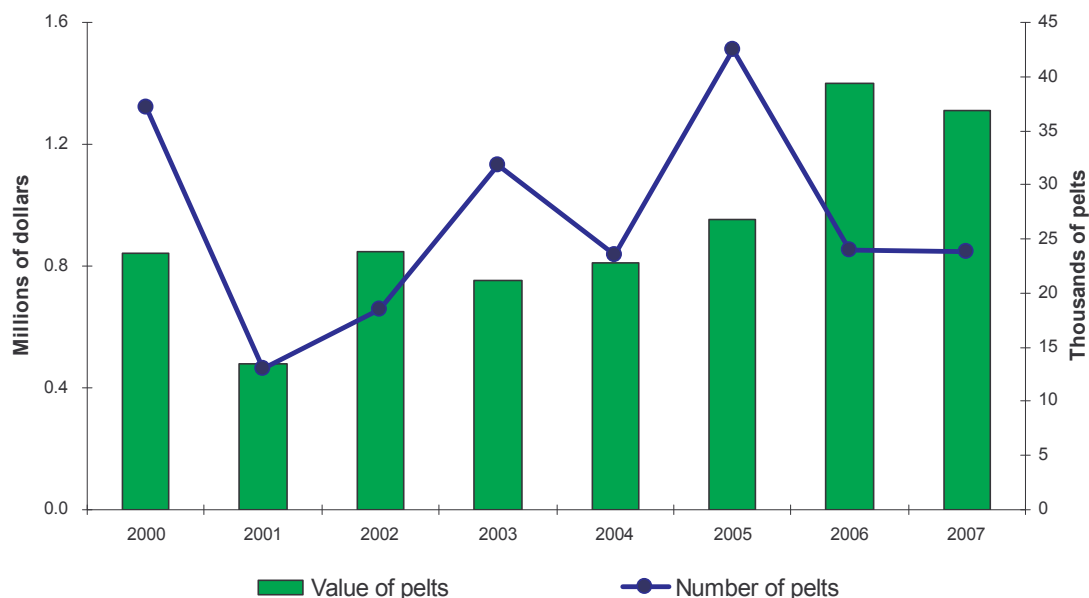
Trapping remains an important source of cash income for many people in the NWT, especially in the smaller communities, and allows for a connection with the land that is not possible in most other occupations. In the fiscal year ending June 30, 2007 (the international furriers' standard fiscal year), there were 782 full-time and part-time trappers throughout the NWT. Pelts were harvested from a total of 22 separate species.

Total harvest decreased slightly from 23,967 pelts in fiscal 2006 to 23,868 pelts in fiscal 2007. However, average prices per pelt fell for some important species, resulting in a 6.6 per cent reduction of the total value of pelts. The total value of the harvest declined from \$1.4 million in 2006 to \$1.3 million in 2007. Nevertheless, this is the second highest revenue since at least Division in 1999.

Marten pelts accounted for three quarters of the total value of the fur harvest in 2007, a share almost unchanged from the previous year. The number of marten pelts sold increased by 38.5 per cent but the average value per pelt fell by 29.6 per cent.

Lynx, which accounted for 22 per cent of the harvest by value, experienced a decline of 4.5 per cent in average number of pelts marketed and a small drop in price per pelt to \$144.35. None of the remaining species accounted for more than 3 per cent of the value of the harvest.

Number and Value of Pelts Harvested



Source: GNWT Department of Industry, Tourism and Investment