

Budget Address

2014 - 2015

NORTHWEST TERRITORIES

BUDGET PAPERS

A ♦ Economic Review

February 6, 2014

ECONOMIC REVIEW

Outlook

The Northwest Territories (NWT) economy has moved into a period of consolidation, setting the foundation for future economic growth.

The transfer of responsibility for lands, water and non-renewable resources from Canada to the Government of the Northwest Territories (GNWT) on April 1, 2014 will open a new era in northern development. In addition to the transfer of existing NWT-based jobs from the federal government to the GNWT, new employment opportunities will be created with the transfer of Ottawa-based jobs to the NWT. The GNWT is carefully evaluating these new positions to match employment decentralization objectives, spreading the benefits of devolution over many communities.

The GNWT took advantage of the economic slowdown to accelerate its capital plan and now, having made these investments, the GNWT is looking for partnerships with the federal government and private sector to build and strengthen this strategic infrastructure and open up new economic opportunities. For example, the federal/GNWT partnership to build the Inuvik-Tuktoyaktuk highway will provide employment and business opportunities for the region. As well, private/public partnerships such as the Mackenzie Valley Fibre Link project will provide other economic opportunities.

Mining and oil and gas exploration expenditures have increased 45 per cent from 2012 to 2013, indicating that private sector confidence in the NWT investment environment has improved. Oil and gas exploration in the Sahtu continues at the 2010-11 bid rates and mining exploration expenditures have increased. Exploration expenditures are an investment in the mining sector's future and make identified potential projects more promising. The Gahcho Kué diamond mine has a permit to start pre-construction of the mine site. After the two-year construction period, the mine will employ 400 people over its 11-year life. The Ekati diamond mine is pursuing development of its Jay and Cardinal kimberlites pipes with the expectation that it would extend the project life 10 to 20 years beyond the scheduled closure of the mine in 2019.

Public sector infrastructure investments and strengthened mining activity are expected to spill over to other sectors. The construction and wholesale sectors will be the most immediate beneficiaries of increased investment and economic activity. While employment is not expected to increase substantially in 2014, the renewed economic activity will protect current employment levels and build the base for more employment.

Economic Outlook

Indicator	2008	2009	2010	2011	2012	2013e	2014f
Gross Domestic Product, Chained (2007\$) millions	4,195	3,649	3,733	3,462	3,520	3,546	3,657
<i>Per cent change</i>	-9.6	-13.0	2.3	-7.3	1.7	0.7	3.1
Total Investment, Chained (2007\$) millions	1,577	1,084	1,158	993	1,178	1,224	1,497
<i>Per cent change</i>	-20.2	-31.3	6.8	-14.2	18.6	3.9	22.3
Household Expenditure, Chained (2007\$) millions	1,295	1,286	1,305	1,324	1,342	1,352	1,369
<i>Per cent change</i>	2.5	-0.7	1.5	1.5	1.4	0.7	1.3
Government Expenditure, Chained (2007\$) millions	1,535	1,656	1,717	1,737	1,728	1,784	1,835
<i>Per cent change</i>	0.0	7.9	3.7	1.2	-0.5	3.2	2.9
Exports, Chained (2007\$) millions	2,743	2,466	2,608	2,526	2,302	2,312	2,297
<i>Per cent change</i>	-12.4	-10.1	5.8	-3.1	-8.9	0.4	-0.7
Imports, Chained (2007\$) millions	2,949	2,854	3,153	3,251	3,239	3,322	3,537
<i>Per cent change</i>	-8.0	-3.2	10.5	3.1	-0.4	2.6	6.5
Employment (resident), number of persons	22,700	21,300	21,500	22,700	22,700	22,500	22,900
<i>Per cent change</i>	-3.0	-6.2	0.9	5.6	0.0	-0.9	1.8
Average Weekly Earnings, Dollars	1,089	1,145	1,191	1,245	1,290	1,306	1,346
<i>Per cent change</i>	4.0	5.1	4.1	4.5	3.6	1.3	3.0
CPI (All Items), Yellowknife, 2002=100	115.2	115.9	117.9	121.6	124.3	126.2	128.5
<i>Per cent change</i>	4.0	0.6	1.7	3.1	2.2	1.5	1.8

e: estimate

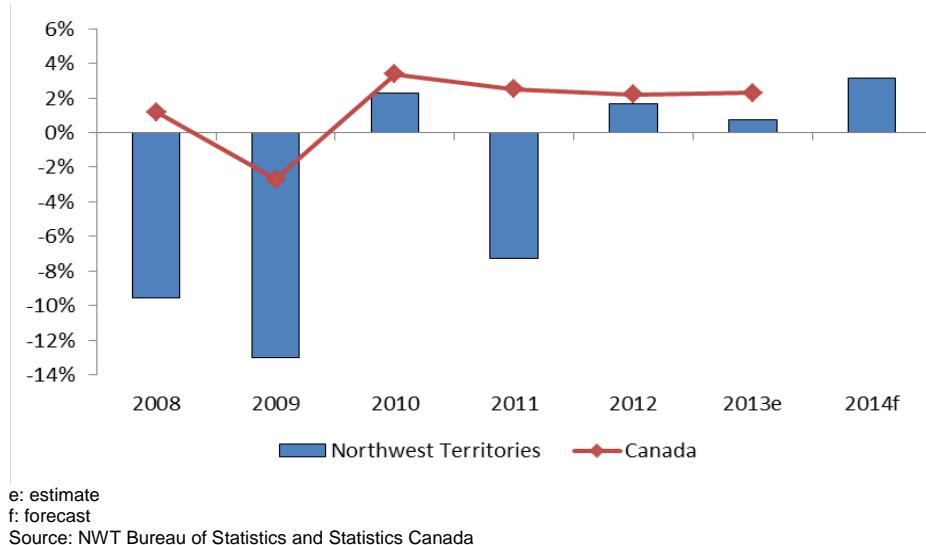
f: forecast

Source: Statistics Canada and the NWT Bureau of Statistics

2013 Economic Performance

The NWT economy has shrunk from its 2007 high when diamond mines were producing better quality diamonds and commodity prices were higher. Real GDP (the inflation-adjusted value of all goods and services produced) is estimated to have fallen by 24.1 per cent from its pre-recession level in 2007 to 2012. Real GDP increased by 1.7 per cent in 2012 and recent estimates indicate a modest increase of 0.7 per cent in 2013. Driven by private sector investment, most notably in mine construction, real GDP is forecast to increase 3.1 per cent in 2014.

Real Gross Domestic Product, Annual Change, NWT and Canada



The drop in real GDP from 2007 was caused mainly by a 42.3 per cent decline in diamond carat production from 2007 to 2012, which reflects the move to higher cost underground mine operations and lower grade ore. A new diamond mine, Gahcho Kué, could begin production as early as December 2015. The mine is expected to employ 700 people during its 2-year construction phase. Industries linked to the diamond mines, such as transportation and wholesale industries, had large declines in their growth rates between 2007 and 2009 before stabilizing by 2011. Annual growth rates for service industries went from 4 per cent before 2007 to less than 2 per cent after 2007.

Events in the national and global economies drive the NWT economy because of its dependence on the non-renewable resource sector where prices are established in world markets. The main markets for NWT diamonds are United States, China and India where the economies are growing slightly. European economies continue to struggle with no growth in 2013 and minimal growth expected in 2014.

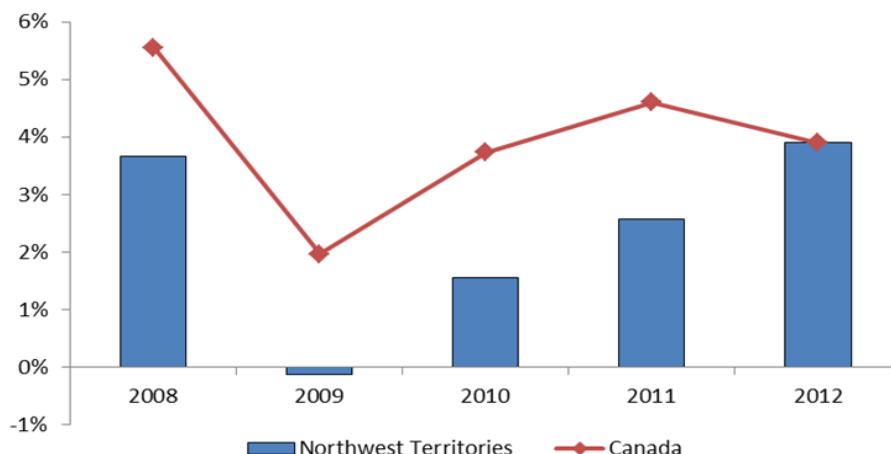
The national economy influences NWT wages and costs for domestically supplied goods and services. The Bank of Canada is projecting Canadian real GDP growth of 1.8 per cent in 2013, followed by growth of 2.5 per cent in 2014 and 2015. Household spending is expected to remain solid and slower growth of household credit and higher mortgage interest rates point to a gradual lowering of household debt. The pickup in the economy is projected to be driven by net exports and business fixed investment.

Residential investment is projected to remain flat and government spending is expected to contribute a very small amount to real GDP growth as all levels of government reduce current spending to pay down deficits.

NWT Personal Income

Personal disposable income is the after-tax income earned from all sources. It supports consumer expenditures which account for about 30 per cent of the territory's GDP. NWT disposable income increased 3.9 per cent from 2011 to 2012. Labour income, a large component of personal income, increased 2.2 per cent in the first nine months of 2013 over the same period of 2012, indicating that personal income likely also grew modestly in 2013. At the national level, where consumer expenditures account for over 55 per cent of GDP, personal disposable income also increased 3.9 per cent in 2012.

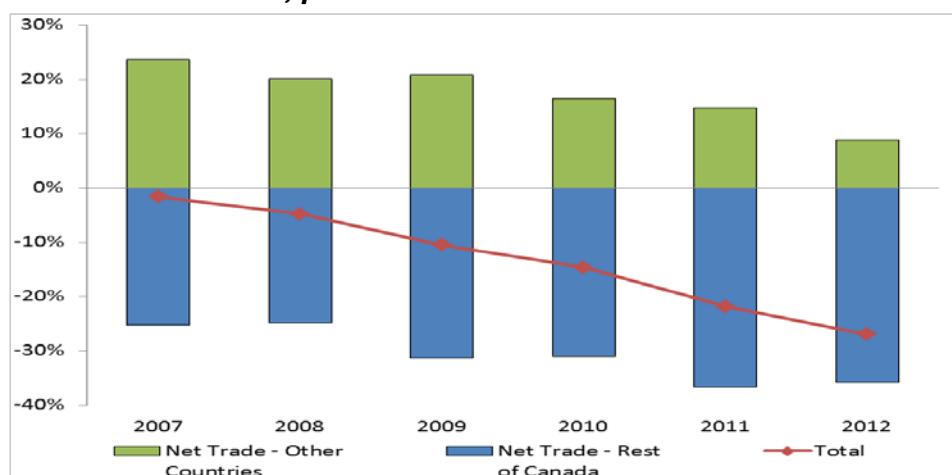
Annual Percentage Change in Personal Disposable Income, NWT and Canada



Source: Statistics Canada and NWT Finance

Trade

The NWT economy depends on trade with other countries and with the rest of Canada. The NWT exports mainly diamonds to international markets and imports goods and services, mainly from southern Canada, to support industry and personal consumption. The NWT trade surplus with other countries, relative to real GDP, has been declining since 2007. Over the same time the NWT's trade deficit with the rest of Canada has been growing, resulting in an increasing trade deficit. In 2007, the NWT's trade deficit was 1.7 per cent of GDP; the trade surplus to other countries was 23.5 per cent of GDP and the trade deficit with the rest of Canada was 25.2 per cent of GDP. By 2012 NWT's trade deficit had grown to 26.5 per cent of GDP; the NWT trade surplus with other countries decreased by 72.2 per cent from 2007 and the NWT trade deficit with the rest of Canada rose 5.9 per cent.

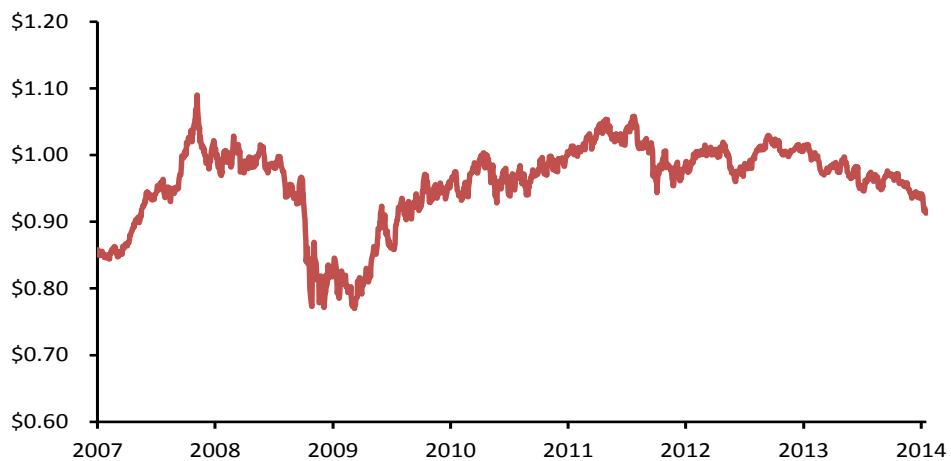
NWT Trade Balance, per cent of GDP

Source: Statistics Canada and NWT Finance

Exchange Rate

The value of the Canadian dollar in international exchange markets has a direct effect on the health of the NWT economy. A strengthening Canadian dollar means that territorial businesses that export their production get paid less after currency conversion. This is offset to the extent that equipment and other capital goods are imported from outside Canada. The effects are reversed when the Canadian dollar declines: businesses get paid more for their products after currency conversion while foreign imports cost more.

The Canadian dollar averaged US\$0.97 in 2013, a 2.9 per cent decrease from the 2012 average of US\$1.00.

US/Canada Exchange Rate

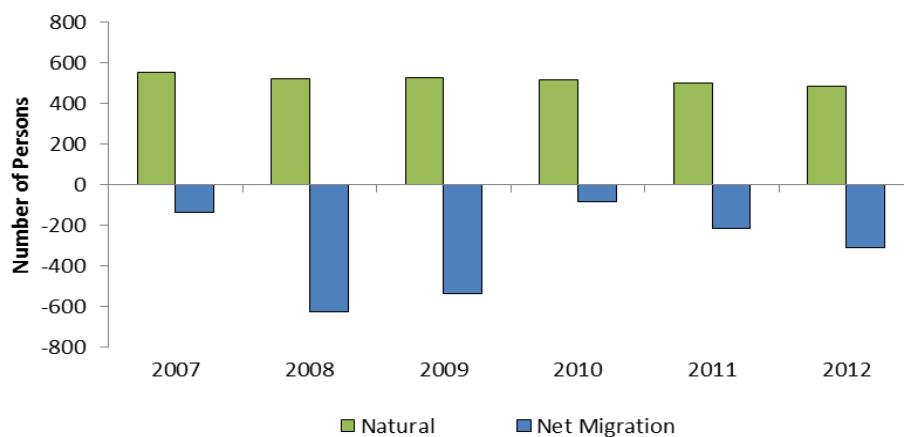
Source: Bank of Canada

Population

The NWT population was estimated to be 43,537 persons on July 1, 2013, a decrease of 83 persons, or 0.2 per cent, from July 1, 2012. Three factors account for population change: natural change (births minus deaths), interprovincial migration and international migration. Between July 1, 2012 and July 1, 2013 natural population change consisted of 677 births and 195 deaths, resulting in a net increase of 482 persons. Inter-provincial migration accounted for 2,104 persons moving into the NWT from the rest of Canada, while 2,847 persons moved out, leaving a net loss of 743 persons. Internationally, there was a net in-migration of 178 persons.

The devolution of responsibility for land, water and resource management from the federal to territorial government in 2014 is expected to have a positive effect on net inter-provincial migration. Some specialized positions will move to the NWT and NWT residents will have the opportunity to fill other positions and increase the NWT labour retention rate.

Change in the NWT Population



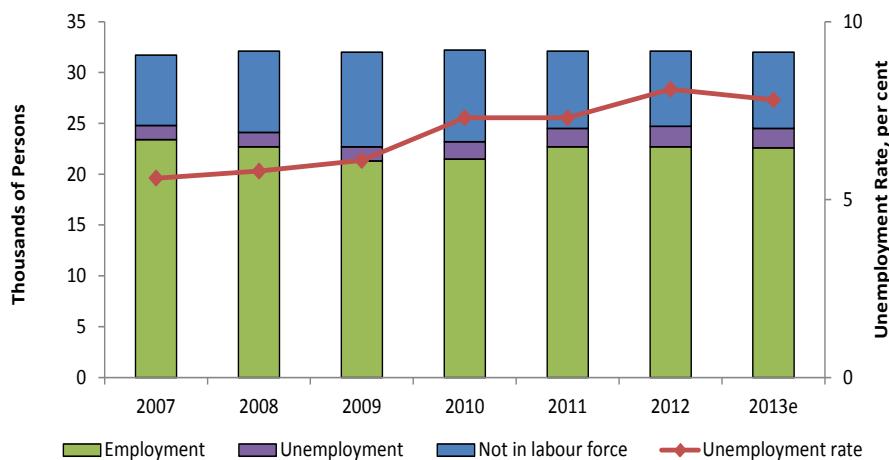
Source: NWT Bureau of Statistics

Labour

NWT employment in 2013 was estimated at 22,500 persons, a decrease of 200 from 2012, and 900 persons below the 2007 pre-recession high. Employment is projected to increase almost 2 per cent in 2014, mainly because of mine construction activities and the new jobs created by the transfer of program responsibility for lands and resource management to the GNWT. The labour force participation rate (the share of the population 15 years of age and older currently employed or actively seeking employment) was 76.6 per cent in 2013, a slight decrease from 76.9 per cent in 2012 and still below the 2007 participation rate of 78.3 per cent.

The decrease in the participation rate from 2012 to 2013 led to a corresponding increase in the unemployment rate from 8.1 per cent in 2012 to 8.2 per cent in 2013 as more people left the labour market. The average 2007 unemployment rate was 5.6 per cent.

NWT Labour Force Characteristics

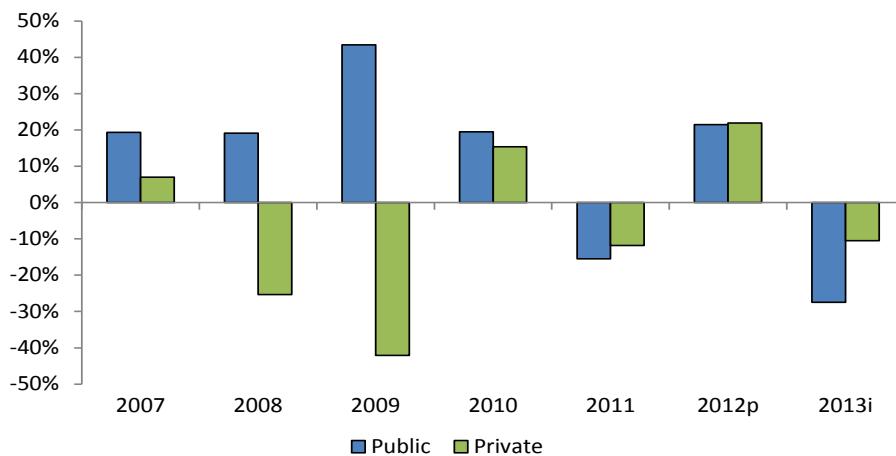


e: estimate
Source: Statistics Canada

Investment

Total capital expenditure intentions for 2013 are 15 per cent below estimated 2012 capital expenditures. Private sector capital expenditures are expected to decrease 10.5 per cent from \$983 million in 2012 to \$880 million in 2013, mainly because of a 14.1 per cent decrease in mining and oil & gas extraction industries expenditures from \$728 million in 2012 to \$625 million in 2013. Capital expenditures by the public sector, after having ramped up during the recession as an element of the GNWT's economic stimulus program, are estimated to fall 27.5 per cent from \$341 million in 2012 to \$248 million in 2013. However, investments in mines and the Inuvik-Tuktoyaktuk highway are expected to contribute to increased investment in 2014.

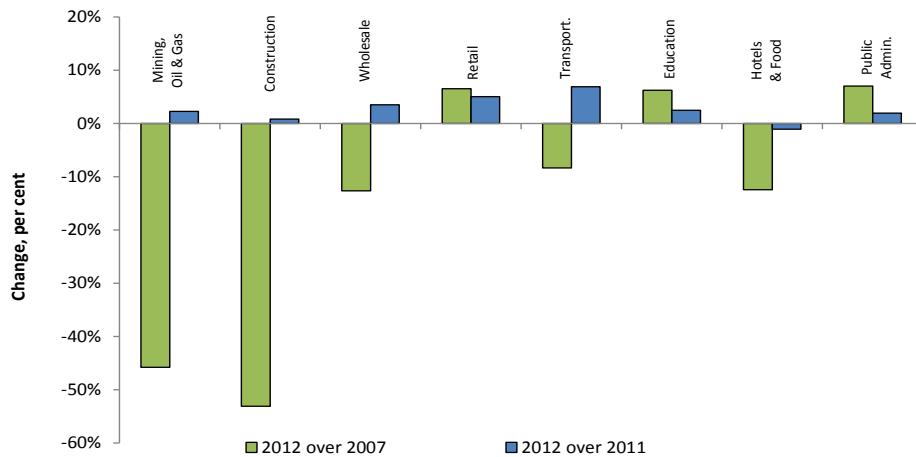
Annual Percentage Change in NWT Public and Private Capital Expenditures



i: intentions
p: preliminary
Source: NWT Bureau of Statistics and Statistics Canada

Economic Performance by Sector

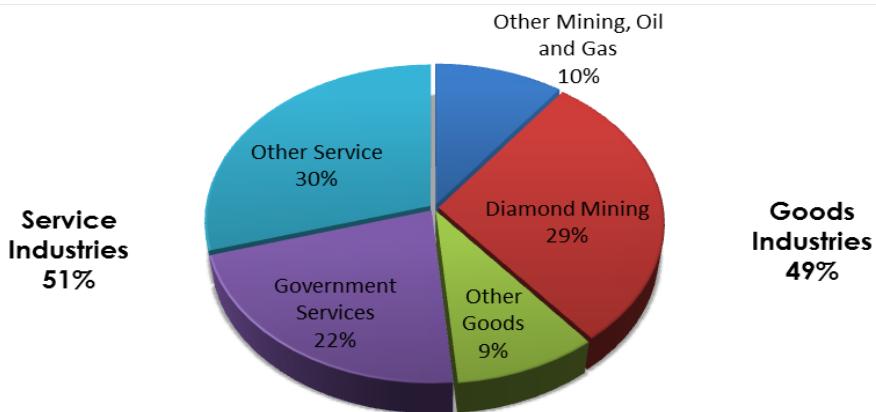
Real Growth Rates of Selected NWT Industries



Source: Statistics Canada and NWT Finance

From 2007 to 2012 the mining, oil and gas industry sector declined 45 per cent, the construction industry declined 53 per cent and the smaller wholesale trade and accommodation sectors both decreased 12 per cent. As a result, the structure of the NWT economy changed - in 2007, goods-producing industries accounted for 51 per cent of the NWT economy but by 2009 that share had fallen to 41 per cent before recovering to 49 per cent in 2010. This reflects the business cycle in goods-producing industries, as a result of the global economic downturn.

Structure of the NWT Economy, 2010



Source: Statistics Canada. The latest available data is 2010.

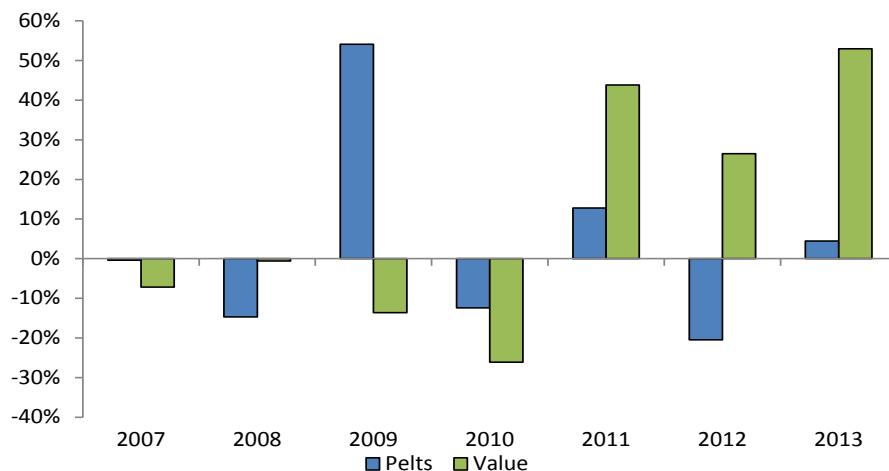
Goods-Producing Industries

The goods-producing sector accounted for 49 per cent of NWT GDP in 2010, compared to 29 per cent of Canada's economy. Resource extraction industries dominate the goods-producing sector in the NWT. Diamond mining was responsible for 29 per cent of 2010 GDP, while other mining, oil and gas accounted for 10 per cent. The remainder is comprised of renewable resources, construction, utilities and manufacturing activities.

Fur Harvest

Trapping remains an important source of income for many people in the NWT, especially in smaller communities. For the year ended June 30, 2013, nearly 26,000 NWT pelts were sold, an increase of 4 per cent from the previous year; however, higher fur prices increased the value of fur sales 53 per cent from the previous year to \$2.31 million.

Annual Percentage Change in the Number and Value of NWT Pelts



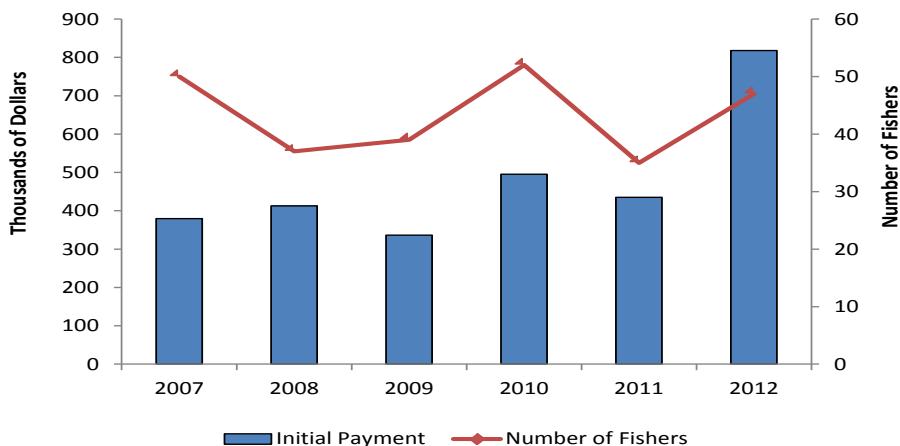
Source: NWT Bureau of Statistics

Commercial Fishing

The commercial fishery in the territory is a small but valued part of the economy. Fish exported from the NWT are marketed through the Freshwater Fish Marketing Corporation, a federal Crown corporation mandated to market fish harvested in Northwestern Ontario, the three Prairie Provinces and the NWT.

Initial payments to NWT fishers – on a delivery-point, net-of-freight basis – increased 88 per cent from \$435,000 in 2011 to \$817,800 in 2012, while the weight delivered increased 17 per cent from 360,000 kilograms in 2011 to 419,700 kilograms in 2012.

NWT Export Fishery: Sales and Number of Fishers



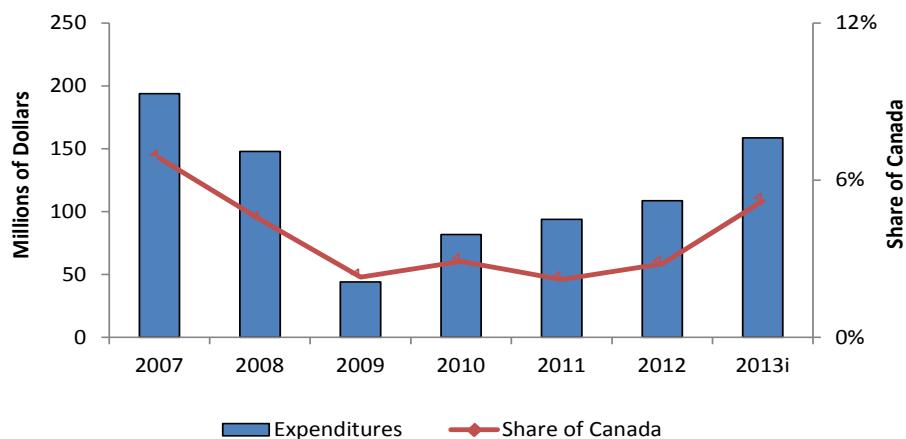
Source: Freshwater Fish Marketing Corporation

Exploration and Deposit Appraisal

Exploration expenditures include a range of mineral exploration activities, including field work, overhead costs, engineering, economic and pre-construction feasibility studies, and environmental and land access costs. Revised spending intentions for 2013 indicate that exploration and deposit appraisal expenditures increased to an estimated \$158.6 million, up 45.9 per cent from 2012. NWT exploration and deposit appraisal expenditures shares of the Canadian total are estimated to have increased from 2.8 per cent in 2012 to 5.2 per cent in 2013.

Based on revised 2013 intentions, NWT mineral exploration and deposit appraisal expenditures have exceeded 2008 levels.

NWT Mineral Exploration Expenditures



i: revised intentions
Source: Natural Resources Canada

Precious Metals and Rare Earths

Precious metals include gold and silver. Rare earths are a group of 17 elements used in the high-tech sector for computer hardware. There have been no operating gold mines in the NWT since 2004. However, increasing prices have led to new exploration activity. The global demand for rare earths has resulted in new exploration activity in the NWT, including Avalon Rare Metals Inc.'s Nechalacho rare earths deposit at Thor Lake.

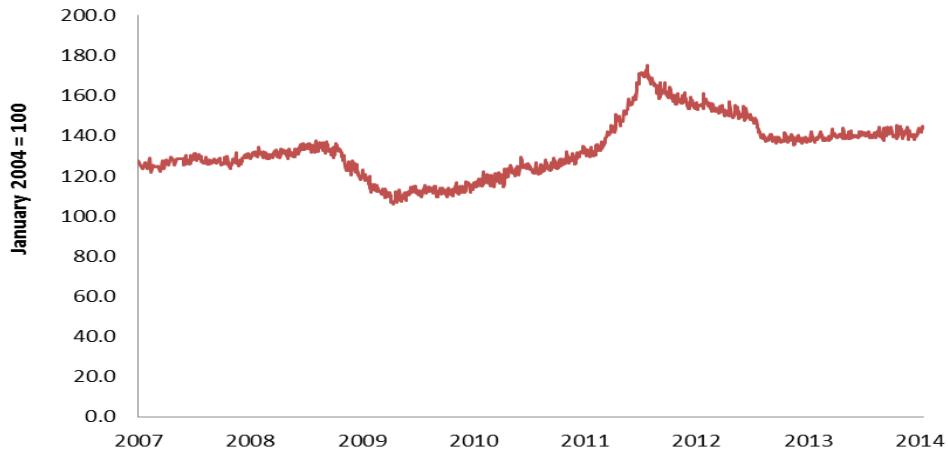
Diamond Mining

The main driver of the NWT economy is the diamond mining industry, with three producing diamond mines: Ekati opened in 1998; Diavik opened in 2003; and Snap Lake opened in 2008.

In November 2013 Dominion Diamond Corporation filed an application with the Wek'eezhii Land and Water Board requesting a new land use permit and a Class A Water Licence for extension of the Ekati Diamond Mine to include the Jay and Cardinal kimberlite pipes. The Jay-Cardinal Project has the potential to extend the operating life of the mine between 10 to 20 years beyond the currently scheduled closure in 2019.

In December 2013, de Beers and Mountain Province Diamonds received approval from the Mackenzie Valley Land and Water Board for a pioneer Land Use Permit for their joint Gahcho Kué diamond mine. The permit allows land-based site work to begin in preparation for the 2014 winter road season. The mine will employ 700 people during the 2-year construction phase and 400 people in its operation phase.

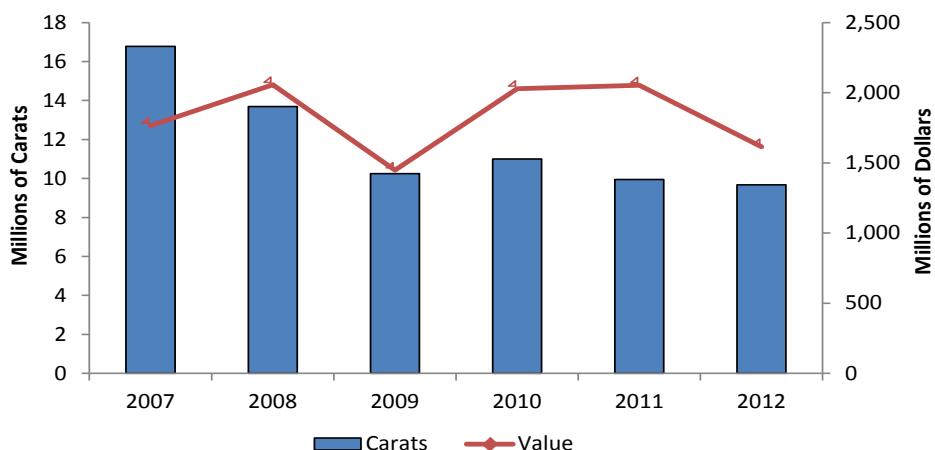
Polished Diamond Price Index



Source: PolishedPrices.com

Carat production at NWT diamond mines declined by 2.8 per cent from 2011 to 2012 and the value of diamond production decreased 23.8 per cent from \$2.1 billion in 2011 to \$1.6 billion in 2012.

NWT Diamond Shipments: Weight and Value



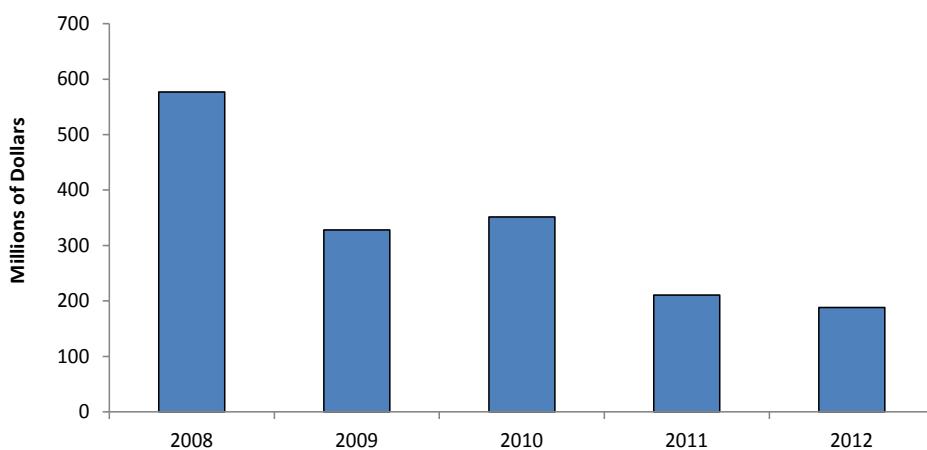
Source: NWT Bureau of Statistics and NWT Finance

Oil and Gas

Oil and gas production in the NWT is in decline due to the depletion of active reserves. Growth in production requires new discoveries and new field development. Expenditures on oil and gas activities in the NWT decreased from \$210 million in 2011 to \$188 million in 2012, a decline of 11 per cent.

Despite the recent declines in expenditures on oil and gas production, exploration activity in the NWT is expected to increase in the near-term. The Canol shale formation, in the Sahtu region, is currently under exploration by multiple energy companies and is estimated to hold more than two billion barrels of oil.

Net Cash Expenditures by the Petroleum Industry: NWT and the Arctic Islands



Source: Canadian Association of Petroleum Producers

Oil prices were relatively stable in 2013, with the average price rising only 5 per cent from 2012 to 2013.

Price of Oil: US Dollars per Barrel



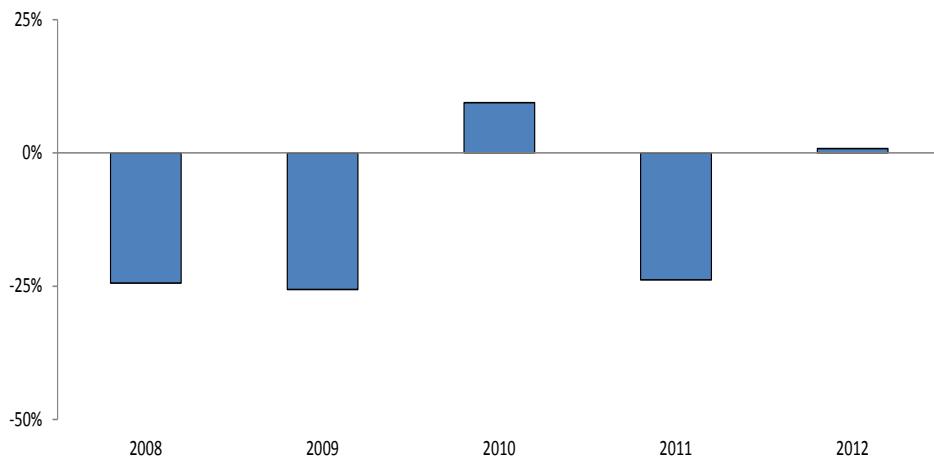
Cushing West Texas Intermediate Spot Price
Source: U.S. Energy Information Administration

Construction

The construction industry includes residential construction, non-residential construction, and engineering services. The construction sector accounted for about 7 per cent of the territory's GDP.

Construction activity increased 0.8 per cent from 2011 to 2012 but remains 52.8 per cent below 2007 levels, mainly because of the decrease in mine construction. From 2011 to 2012 residential construction stabilized with modest growth of 1.4 per cent, non-residential building construction (includes mine construction) decreased 74.6 per cent and oil and gas engineering construction increased by 22.3 per cent. Construction activity is expected to have grown slightly in 2013 and is expected to increase in 2014 with a new mine and the Inuvik-Tuktoyaktuk Highway construction.

Annual Percentage Change in the Value of Construction Activity, chained (2007) dollars

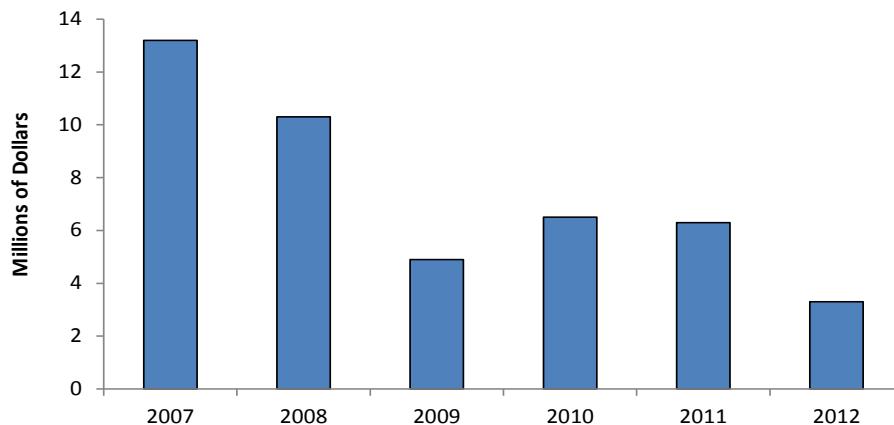


Source: NWT Bureau of Statistics and Statistics Canada

Manufacturing

The NWT manufacturing sector value of sales, in chained (2007) dollars, decreased 47.6 per cent from 2011 to 2012.

Value of NWT Shipments by Manufacturers, chained (2007) dollars



Source: NWT Bureau of Statistics

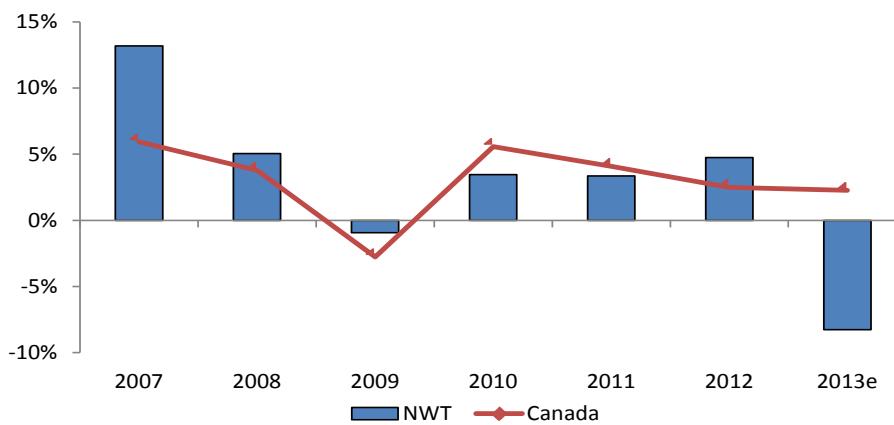
Service Industries

Service industries accounted for 51.4 per cent of NWT GDP in 2010, compared to 70.8 per cent nationally. The service sector includes industries such as wholesalers, banks, retailers, hotels and the public sector (schools, hospitals, police and fire services, federal and territorial governments, and local and Aboriginal governments).

Retail Trade

NWT retail trade sales increased 4.7 per cent from 2011 to 2012 but are expected to decrease 8.3 per cent from 2012 to 2013, compared to a 2.3 per cent increase in national retail sales. Competition from online retailers may be a contributing factor to the decline in NWT retail sales and work is underway to better understand the reason for the decrease.

Annual Percentage Change in the Nominal Value of Retail Trade, NWT and Canada



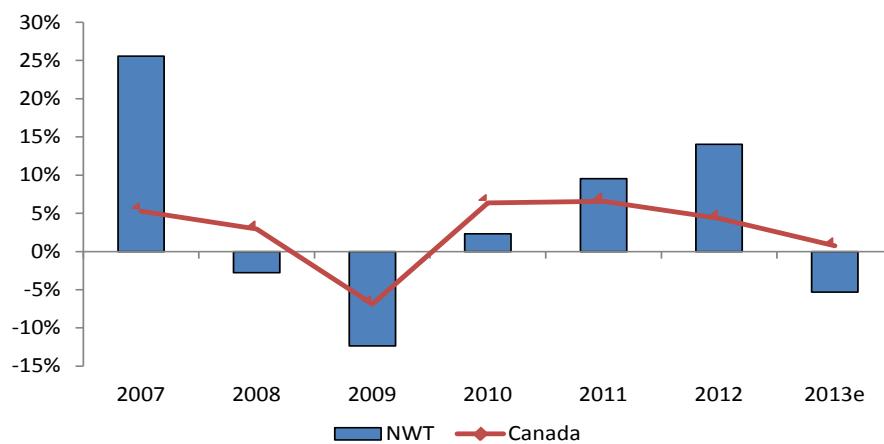
e: 2013 estimate based on January - September 2013
 Source: NWT Bureau of Statistics and Statistics Canada

Wholesale Trade

Wholesalers distribute merchandise to retailers, businesses, and institutional customers, including the supply of equipment and capital goods. The sector is strongly influenced by capital investment and business activity.

Wholesale trade in the NWT decreased 5.3 per cent from 2012 to 2013, reflecting the drop in non-residential construction. By comparison, wholesale trade in Canada increased by 0.7 per cent.

Annual Percentage Change in the Nominal Value of Wholesale Trade, NWT and Canada



e: 2013 estimate based on January - September 2013
 Source: NWT Bureau of Statistics and Statistics Canada

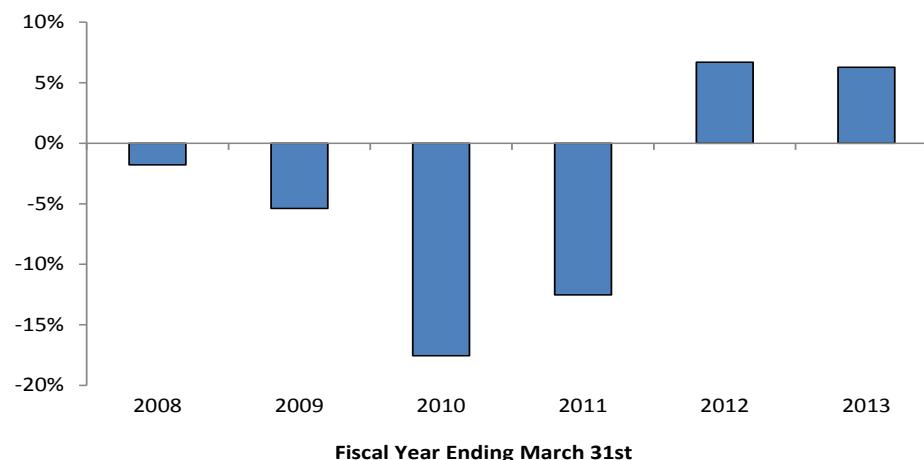
Tourism

Tourism is an important part of the territory's economy with large untapped potential. Total spending by visitors reached \$106.7 million during the fiscal year ended March 31, 2013, an increase of 6.3 per cent from the previous year.

Total spending by leisure visitors increased 13 per cent from \$51.9 million in the year ending March 31, 2012 to \$58.6 million in the year ending March 31, 2013. The increase of expenditures by leisure visitors was led by aurora viewing which attracted more than double the number of visitors over the previous year, increasing from 7,000 for the year ending March 31, 2012 to 16,000 in the year ending March 31, 2013. The aurora viewing increase is partly attributed to solar storms causing better aurora displays. Outdoor adventure and hunting visitors also contributed to increased tourist expenditures.

Total spending by business travellers declined less than one per cent in the year ending March 31, 2013 and was attributed to a small decline in the number of business travellers, from 24,300 in 2012 to 24,100 in 2013.

Annual Percentage Change in Total Expenditures by All Travellers to the NWT



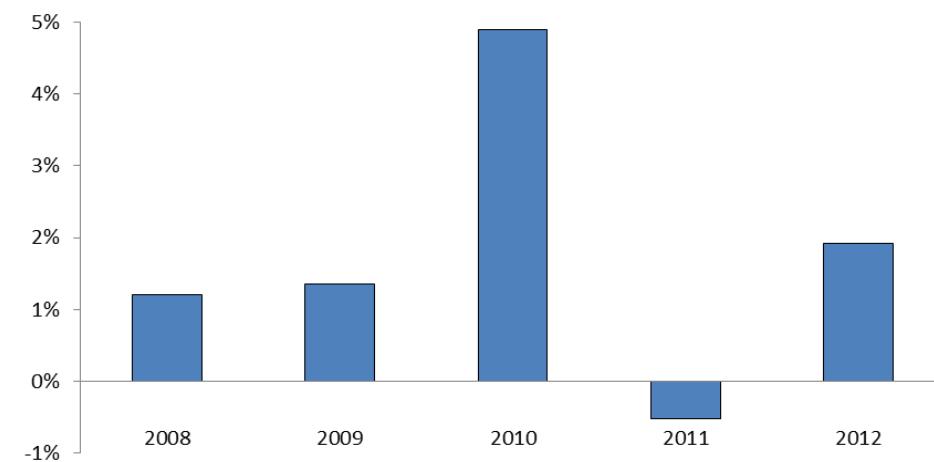
Source: NWT Industry, Tourism and Investment

Public Administration

Public administration includes all levels of government in the NWT: federal, territorial, local, and Aboriginal. This includes the courts, policing and correction services, fire protection, defence and public administration but excludes the health, social services and education sectors.

Public administration expenditures increased 1.9 per cent from 2011 to 2012 and 9.1 per cent between 2007 and 2012.

Annual Percentage Change in Public Sector Expenditures, chained (2007) dollars



Source: Statistics Canada

Macroeconomic Performance Indicators

The GNWT's *Macroeconomic Policy Framework*, designed to guide its investment and policy decisions, includes performance indicators that monitor the health of the economy over time. These indicators were designed to go beyond typical measurements of economic performance or growth by capturing broader measures of economic well-being such as improvements in the quality of life, the capacity of communities, and the protection of the environment.

The performance indicators are intended to be measured against a baseline value, which is the average value of the indicator from 2005 to 2007. However, due to revisions made to Statistics Canada data, some pre-2007 data is not currently available; therefore, the majority of performance indicators are being measured against 2007 rather than the baseline average for the years 2005 to 2007. These differences are noted.

After the development of the framework, the global economy underwent an intense financial and economic shock. The NWT economy, with its critical linkages to the world trade system, was particularly vulnerable to the global economic downturn. The NWT economic recovery has been unbalanced and sluggish, as measured by the performance indicators.

Indicator 1 – The size and growth of the total economy

Real GDP is the most comprehensive measure of the economy. However, it does not measure the non-money economy and cannot measure social well-being.

In 2012 NWT real GDP was 24.1 per cent below the 2007 level.

Indicator 2 – Productivity

Productivity is a key performance measure. It is related to increased profitability, lower costs and sustained competitiveness. Increasing productivity can promote economic growth. Productivity can be increased through labour force training, technological change and changing the labour/capital mix. Higher levels of productivity can provide higher wages and salaries and higher profits.

In 2012 productivity was 19.7 per cent below the 2007 value.

Indicator 3 – New investment

New investment is a leading indicator of economic growth that measures how well the economy can be expected to do in the future. New investment undertaken by the private sector focuses on direct spending on buildings, equipment and machinery with the expectation of a positive return on the investment. Public sector investment largely focuses on health, education and infrastructure; these investments seek to achieve beneficial social and economic outcomes.

In 2012 new investment was 33.6 per cent below the 2007 value.

Indicator 4 – Income

Income growth provides evidence that people are benefitting from economic growth and is an important element in realizing the vision of self-reliant people in the NWT. Two similar, but distinct measures of income are identified for measurement:

Indicator 4a – Employment income

Employment income measures the sum of all income earned through employment by NWT residents and is directly tied to jobs.

In 2012 employment income was 11.0 per cent above the 2007 value.

Indicator 4b – Average household income

Average household income provides information about the quality and distribution of jobs among NWT residents. In 2009, average household income was 5.5 per cent above its 2005 to 2007 average value.

Indicator 5 – Employment rate

The employment rate measures the extent to which NWT residents are directly participating and benefiting from economic growth. It measures the share of people 15 years of age and older who are employed.

In 2012 the employment rate, at 70.7 per cent, was 2.7 percentage points below the 2005 to 2007 average value of 73.5 per cent.

Indicator 6 – Population growth

Population growth measures a response to economic growth and provides a base for further growth through diversification. Population changes reflect the health of the population, the robustness of the medical support system, and the economic or lifestyle incentives for people to immigrate to the NWT or to emigrate from the NWT. A growing population serves as a growing consumer market for local businesses.

The NWT's 2012 population was 0.7 per cent below the 2007 value.

Indicator 7 – Economic Linkages

Developing linkages between different industries contributes to economic growth and diversification. Four measures of strength of economic linkages are considered.

Indicator 7a – Level of imports

Imports of goods and services reflect the size of existing NWT markets for consumer goods and for business equipment and services.

In 2012 the inflation-adjusted value of imports was 6.7 per cent above the 2007 value.

Indicator 7b – Wholesale and retail sales

Wholesale sales are an indicator of linkages at the production level, where producers purchase inputs from NWT suppliers or where they purchase post-production services such as transportation and communication services from NWT companies. Higher retail sales can support linkages to higher construction and transportation activity and create opportunities for more retail businesses.

The estimated value of 2012 wholesale sales, in nominal dollars, was 25.2 per cent above the 2005 to 2007 average value.

The estimated value of 2012 retail sales, in nominal dollars, was 29.5 per cent above the 2005 to 2007 average value.

Indicator 7c – Fly-in/Fly-out labour

Measuring the dependence on fly-in labour highlights the capacity of the NWT resident labour force to meet the demand for workers. The amount of fly-in labour depends on the number of resident workers with the required skills available at the employment location. It also represents a leakage of potential consumer expenditures from the NWT economy.

In 2010 non-resident NWT labour earnings rose from the 2005 to 2007 average of \$319 million to \$362 million, which represents an increased loss to the NWT economy of \$43 million, less the \$860,000 retained in payroll tax.

Indicator 7d – Growth of resource sector service industries

Specialized service sectors providing support to NWT resource industries are a principal engine of growth and diversification for the economy. Two service industries are measured.

1. Support activities for agriculture and forestry: in 2012 the value of support activities for agriculture and forestry was 76.6 per cent above the 2007 value.
2. Oil & gas engineering construction: in 2012 the value of oil & gas engineering construction was 52.5 per cent below the 2008 value (2007 data are suppressed by Statistics Canada to meet the confidentiality requirements of the *Statistics Act*).

Indicator 8 – Diversification

Economic diversification is measured by industry GDP, growth by sector and employment by industry. Previously, data available to measure NWT economic diversification was through Census employment data, but this has been discontinued. Work is on-going to find new data sources.

Indicator 9 – Environmental status and trends

See the *NWT State of the Environment Report*.

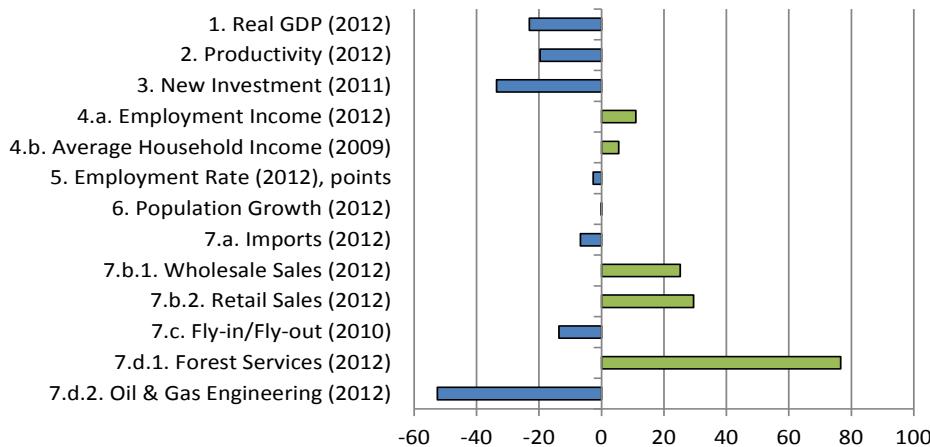
Summary of Findings

Of the thirteen primary and sub-indicators measured currently, five indicators increased in value, while the remaining indicators have decreased. While the declines in indicators can be attributed mainly to the financial crisis and economic downturn in 2008 and 2009, separating the effects of the 2008 global recession from general trends in the overall NWT economy requires a separate comprehensive analysis. However, the NWT economy has demonstrated a low level of resiliency in responding to the recession given that many indicators have not yet returned to their pre-recession levels and the pace of recovery has been slower than in other provinces and territories.

One contributing factor to the low level of resiliency is the composition and openness of the NWT economy, with people and capital free to move to more favourable provinces when faced with economic challenges at home.

The challenge for the GNWT is to identify and advance investment opportunities that will generate sustainable benefits in the context of the global economic environment in which NWT businesses compete.

Macroeconomic Indicators of Progress, per cent change from the base year to the most recent year



Source: Statistics Canada, NWT Bureau of Statistics and NWT Finance