

Budget Address

2015 – 2016

NORTHWEST TERRITORIES

BUDGET PAPERS

A ♦ Economic Review

February 5, 2015

ECONOMIC REVIEW

Outlook

The economic outlook for the Northwest Territories (NWT) is mixed. Real GDP increased by an estimated 5.2 per cent in 2014 and is forecast to grow by 3.7 per cent in 2015. However this short term increase is driven by capital investment in the mining industry, which means that although the economic activity is attributed to the NWT, most of the increased activity is experienced in southern Canada where the equipment and supplies originate.

Public sector infrastructure investments and strengthened mining activity are expected to spill over to other sectors of the economy. The construction and wholesale sectors will benefit the most, although increased investment and economic activity will help create jobs as well. Employment is expected to increase by 1.4 per cent in 2015, and this, in turn, should support incomes. Average weekly earnings are projected to rise by 1.7 per cent in 2015. Wage growth, combined with increased economic opportunities, will help the Government of the Northwest Territories (GNWT) achieve its goal of growing the population by 2,000 people by 2019.

Over the medium term, the economic outlook is less certain and the long term, for the most part, is unknown. Operators at the two largest diamond mines are pursuing development of additional kimberlite pipes, which if realized, will extend the life of these mines beyond their currently scheduled closure dates. If these projects are extended, they will maintain current economic activity levels. The NWT's fourth diamond mine, Gahcho Kué mine, has begun construction, and once operational, is expected employ 400 people annually over its 12-year life. No diamond mine plan extends beyond 2028.

As 2015 begins, signs of greater uncertainty in the global financial and currency exchange markets are emerging. Since the economic growth projected for the NWT over the next few years is driven by investment, these uncertainties are a challenge for the NWT economy. A weak global economy will dampen demand for NWT products, and low resource prices will hurt the overall NWT economy. Oil and gas activity in the territory has declined significantly, and new drilling and exploration projects in the Beaufort Sea and Sahtu have been put on hold.

Economic Outlook

Indicator	2009	2010	2011	2012	2013	2014e	2015f
Gross Domestic Product, Chained (2007\$) millions	3,649	3,733	3,432	3,508	3,632	3,822	3,963
<i>Per cent change</i>	-13.0	2.3	-8.1	2.2	3.5	5.2	3.7
Total Investment, Chained (2007\$) millions	1,084	1,158	996	1,161	1,362	1,319	1,537
<i>Per cent change</i>	-31.3	6.8	-14.0	16.6	17.3	-3.2	16.6
Household Expenditure, Chained (2007\$) millions	1,286	1,305	1,323	1,340	1,363	1,378	1,399
<i>Per cent change</i>	-0.7	1.5	1.4	1.3	1.7	1.1	1.5
Government Expenditure, Chained (2007\$) millions	1,656	1,717	1,732	1,729	1,728	1,819	1,787
<i>Per cent change</i>	7.9	3.7	0.9	-0.2	-0.1	5.3	-1.7
Exports, Chained (2007\$) millions	2,466	2,608	2,459	2,406	2,509	2,726	2,755
<i>Per cent change</i>	-10.1	5.8	-5.7	-2.2	4.3	8.7	1.0
Imports, Chained (2007\$) millions	2,854	3,153	3,365	3,297	3,404	3,480	3,571
<i>Per cent change</i>	-3.2	10.5	6.7	-2.0	3.2	2.2	2.6
Employment (resident), number of persons	21,300	21,500	22,700	22,700	22,500	21,700	22,000
<i>Per cent change</i>	-6.2	0.9	5.6	0.0	-0.9	-3.6	1.4
Average Weekly Earnings, Dollars	1,145	1,191	1,244	1,289	1,303	1,365	1,389
<i>Per cent change</i>	5.1	4.0	4.5	3.6	1.1	4.8	1.7
CPI (All Items), Yellowknife, 2002=100	115.9	117.9	121.6	124.3	126.2	128.5	130.1
<i>Per cent change</i>	0.6	1.7	3.1	2.2	1.5	1.8	1.2

e: estimate

f: forecast

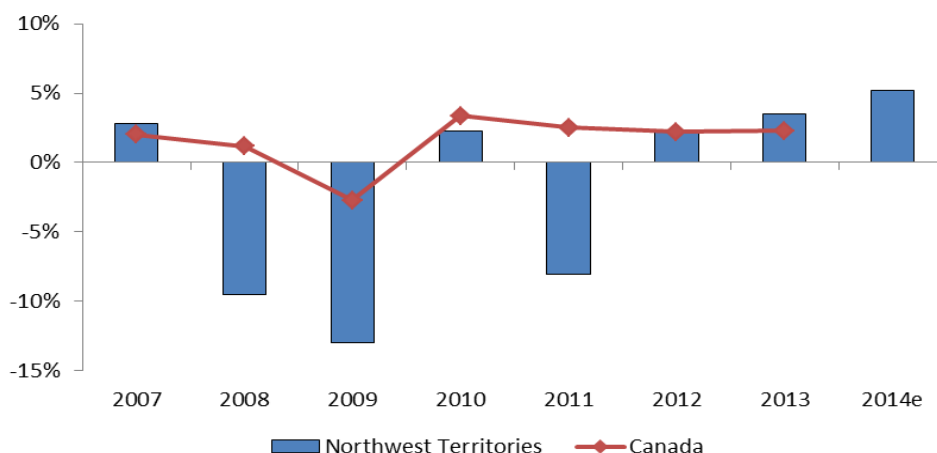
Source: Statistics Canada and the NWT Bureau of Statistics

2013 Economic Performance

Economic Growth

The NWT experienced economic growth in 2013. Real GDP (the inflation-adjusted value of all goods and services produced) increased by 3.5 per cent in 2013 and recent estimates indicate an even stronger rise of 5.7 per cent in 2014. The economic growth in 2013 reflected increased business investment and sustained spending by households and governments, while gains in trade supported growth in 2014.

Real Gross Domestic Product, Annual Change, NWT and Canada

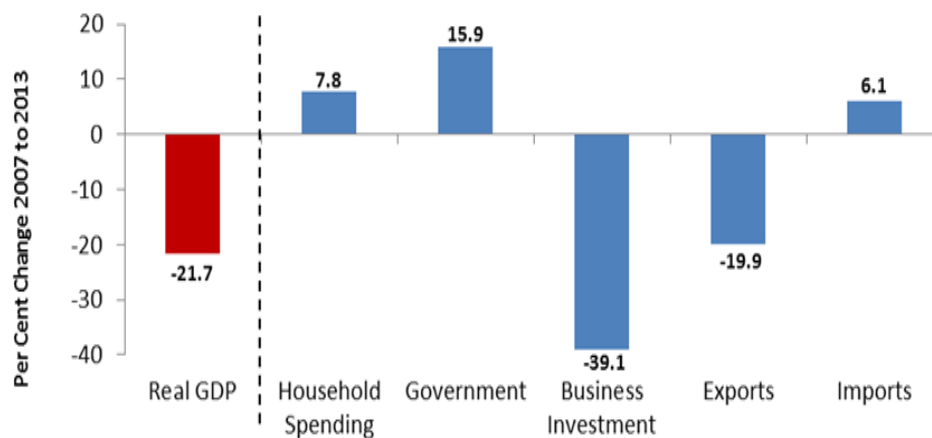


e: estimate

Source: NWT Bureau of Statistics and Statistics Canada

However, despite three consecutive years of economic growth, the NWT economy remains smaller than it was in 2007. Real GDP fell by nearly 22 per cent in 2013 compared to its pre-recession peak in 2007, when diamond mines were producing more quality diamonds and commodity prices were higher.

Real GDP Remains Below Pre-Recession Levels



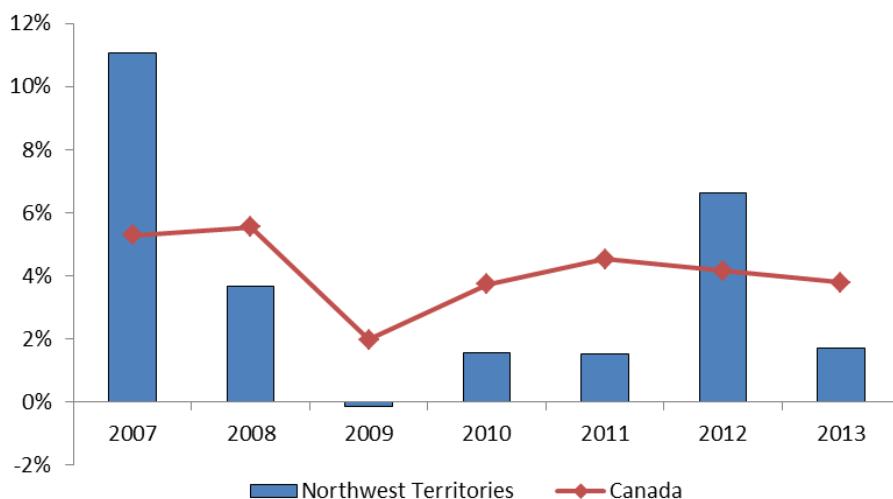
Source: NWT Bureau of Statistics and Statistics Canada

The drop in GDP was largely caused by a 41 per cent decline in diamond carat production over the period, which reflected the move to higher cost underground mine operations and lower grade ore. This affected industries linked to the diamond mines, such as transportation and wholesale industries, which had large growth rate declines between 2007 and 2009 before stabilizing by 2011. Similarly, average annual growth rates for service industries went from 4 per cent before 2007 to less than 1 per cent after 2007.

Personal Income

Personal disposable income is the after-tax income earned by households from all sources. It supports consumer expenditures, which account for about a third of the territory's GDP. NWT disposable income increased 1.7 per cent from 2012 to 2013. Labour income, a large component of personal income, increased 2.4 per cent in the first nine months of 2014 over the same period of 2013, indicating that personal income likely also grew modestly in 2014. At the national level, where consumer expenditures account for about 55 per cent of GDP, personal disposable income increased 3.8 per cent in 2013.

Annual Percentage Change in Household Disposable Income, NWT and Canada

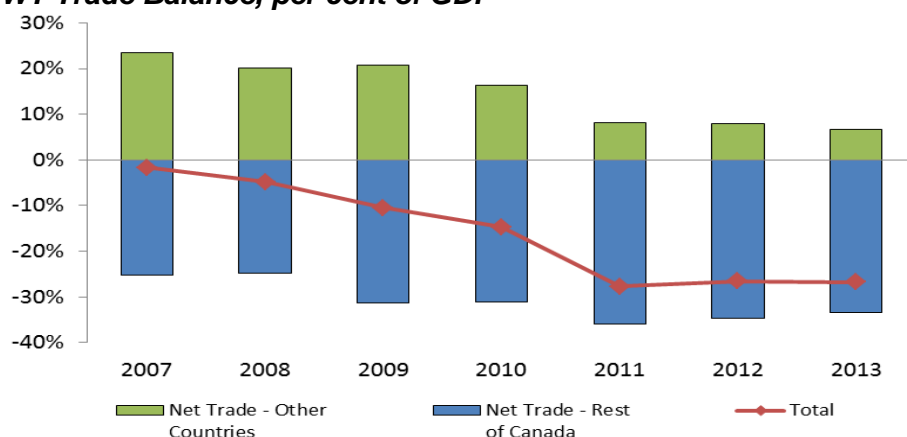


Source: Statistics Canada and NWT Finance

Trade

The NWT is a small, open economy, dependant on trade with other countries and the rest of Canada. The NWT exports diamonds and other natural resources to international markets, and imports goods and services from southern Canada to support industry and personal consumption. As a result, the NWT has a trade surplus with other countries, but a trade deficit with the rest of Canada.

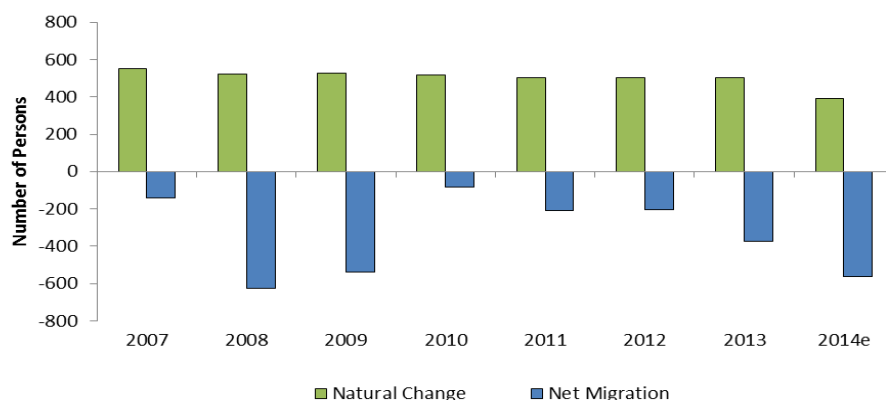
The NWT trade surplus with other countries, relative to real GDP, has been declining since 2007 due to weak commodity and mineral prices and soft global demand. Over the same period, the NWT's trade deficit with the rest of Canada has grown. This caused the overall NWT trade deficit to widen from 1.7 per cent of GDP in 2007 to 26.7 per cent of GDP in 2013.

NWT Trade Balance, per cent of GDP

Source: Statistics Canada and NWT Finance

Population

The NWT population has been relatively stable over the past decade. However, weak economic growth and a lack of new mining activity have contributed to people moving out of the territory. As of July 1, 2014, the NWT population was estimated to be 43,623 persons, a decrease of 218 persons, or 0.5 per cent, from July 1, 2013.

Change in the NWT Population

e: 2014 estimate based on January to September 2014 for Natural Change, and January to June 2014 for Net Migration
Source: NWT Bureau of Statistics

Three factors account for population change: natural change (births minus deaths), inter-provincial migration, and international migration. Between July 1, 2013 and July 1, 2014 there was a net natural population increase of 501 persons (due to 698 births and 197 deaths), while inter-provincial migration resulted in a net loss of 781 person (1,974 persons moved into the NWT from the rest of Canada and 2,755 persons moved out). International net in-migration was 62 persons.

Population growth is important for the economic and fiscal health of the NWT. By providing labour to NWT businesses, demand for local goods and services, and personal income and consumption taxes, a rising population helps to promote economic activity and sustainable government revenues. For this reason, the GNWT has set a target to increase the NWT population by 2,000 persons by 2019.

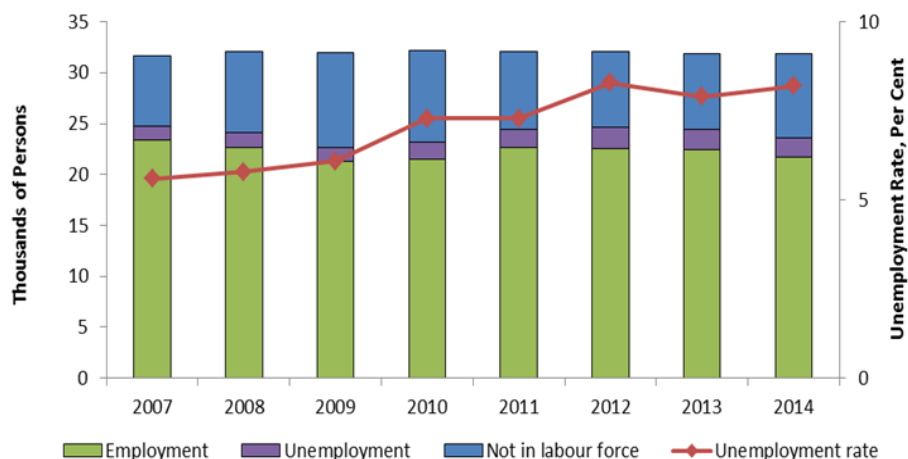
Labour

Despite economic growth over the past three years, the NWT labour market has remained weak.

In 2014, NWT employment was estimated at 21,700 persons, a decrease of 800 persons from 2013, and 1,800 persons below the 2007 pre-recession high. This caused NWT residents to leave the workforce. As a result, the labour force participation rate (the share of the working age population currently employed or actively seeking employment) declined to 74.1 per cent in 2014. This was a decrease from 76.5 per cent in 2013 and well below the 2007 participation rate of 78.4 per cent.

The NWT unemployment rate increased to 8.2 per cent in 2014, up from 7.9 per cent in 2013, and well above the 2007 pre-recession unemployment rate of 5.6 per cent.

NWT Labour Force Characteristics



Source: Statistics Canada

Employment has recovered from its recessionary low. Between 2009 and 2011, over one thousand net new jobs were created for NWT residents, mostly in full-time positions in the private sector. However, these gains have been eroded in recent years, with resident employment declining by 900 persons between 2011 and 2014.

Employment is projected to increase by 1.4 per cent in 2015, mainly because of mine construction activities and the new jobs created by the transfer of program responsibility for lands and resource management from Canada to the GNWT. This will help support incomes and household spending in the territory.

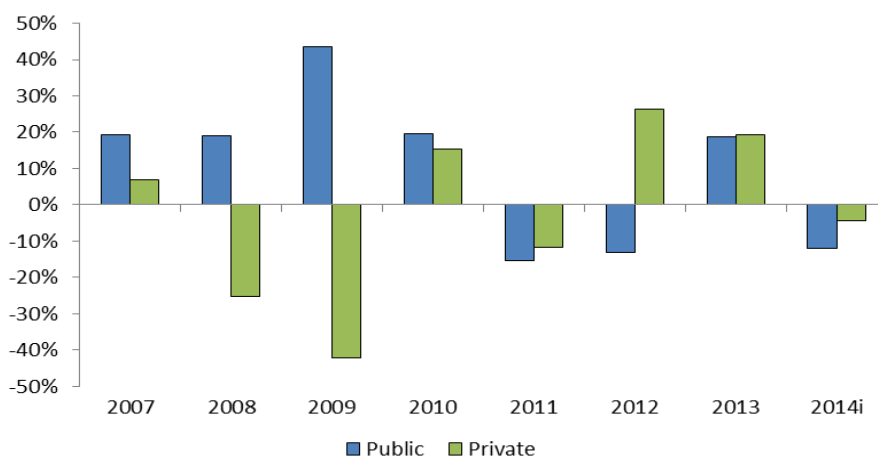
Investment

Total capital spending intentions for 2014 are 5.9 per cent below estimated 2013 capital expenditures.

Private sector capital expenditures are expected to decrease 4.5 per cent from \$1,214 million in 2013 to \$1,159 million in 2014, mainly because of a 6.1 per cent decrease in overall mining and oil and gas extraction industries expenditures from \$905 million in 2013 to \$850 million in 2014.

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 have fallen 12.0 per cent from \$290 million in 2013 to \$255 million in 2014. However, investments in a number of projects, including the Mackenzie Valley Fibre Link and Inuvik-Tuktoyaktuk Highway are expected to contribute to increased investment in the next several years.

Annual Percentage Change in NWT Public and Private Capital Expenditures



i: intentions

Source: NWT Bureau of Statistics and Statistics Canada

International Prices

Exchange Rate

The Canadian dollar averaged US\$0.91 in 2014, a 6.7 per cent decrease from US\$0.97 in 2013 and parity in 2012. This depreciation was due to a combination of softer commodity prices, which caused the Canadian dollar to weaken, as well as a stronger US economy and decreased US monetary stimulus, which caused the US dollar to strengthen.

US/Canada Exchange Rate



Source: Bank of Canada

The value of the Canadian dollar vis-à-vis the US dollar has a direct effect on the health of the NWT economy. This is because the majority of goods and services bought and sold internationally are paid for in US dollars.

The lower Canadian dollar means that NWT businesses that export their production internationally will get paid more for their products after currency conversion. This will help NWT businesses compete globally and boost NWT exports. However, a lower Canadian dollar will make machinery and equipment imported from outside the territory more expensive.

Oil Prices

Oil prices fell sharply in the second half of 2014 due to softer global demand, rising US oil and gas supplies, restricted OPEC production and on-going geopolitical conflicts in Ukraine and the Middle East. In less than six months, global oil prices dropped over 40 per cent and benchmark West Texas Intermediate crude oil is currently trading below \$50 per barrel.

Because the NWT exports oil to international markets, the drop in oil prices will negatively affect NWT trade and economic growth. However, this impact will be offset by lower fuel costs for many businesses, increased consumer spending as consumers save on fuel, and a stronger US economy which, as a net oil importer, will benefit from lower oil prices.

Price of Oil: US Dollars per Barrel



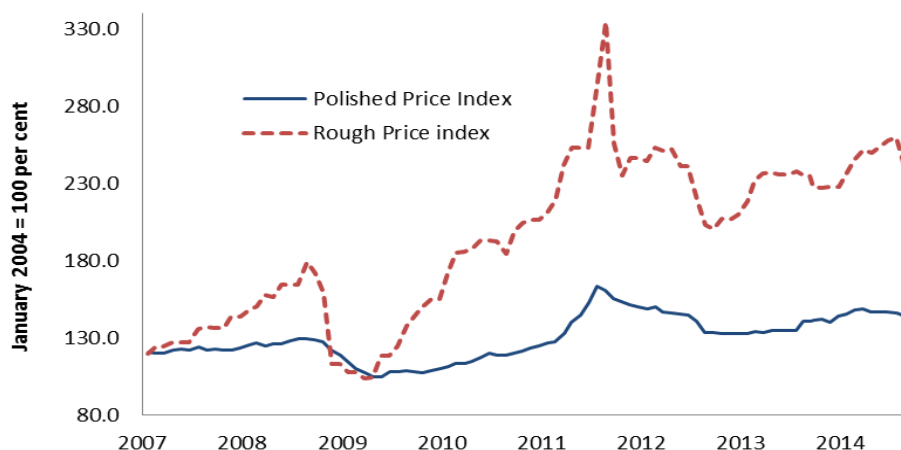
Cushing West Texas Intermediate Spot Price
Source: U.S. Energy Information Administration

Diamond Prices

Index diamond prices for both rough and polished stones rose in 2014, increasing approximately 6 per cent and 8 per cent, respectively. However, prices remain well below peaks reached in 2011.

Global prices for rough and polished diamonds have diverged. The NWT mines and exports rough diamonds and prices for these rough stones have increased at a significantly faster pace than polished diamonds, driven largely by concerns over global supply constraints. Polished diamond prices, which reflect demand from jewellers, have been flat and much less volatile.

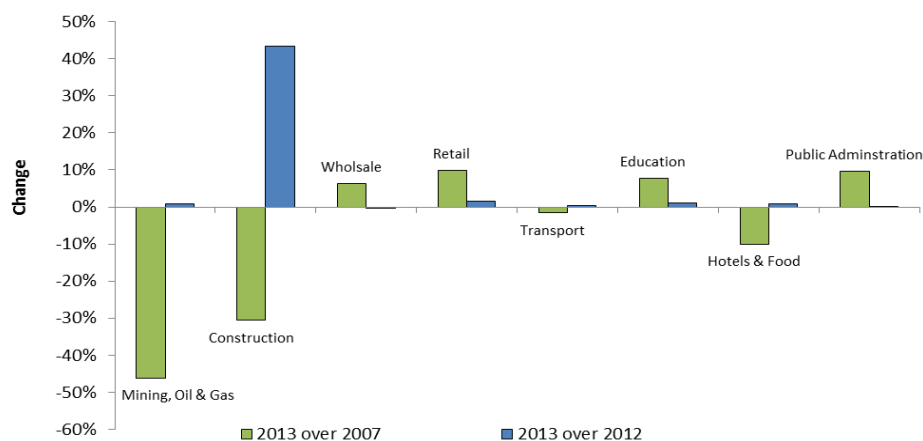
Diamond Prices



Sources: PolishedPrices.com and WWW Overall Rough Diamonds.

Economic Performance by Sector

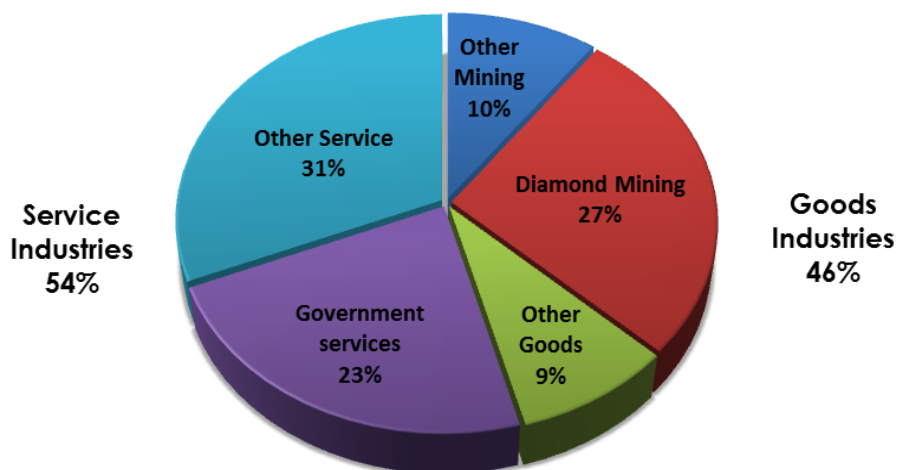
Real Growth Rates of Selected NWT Industries



Source: Statistics Canada and NWT Finance

From 2007 to 2013 the mining, oil and gas industry sector declined 46 per cent, the construction industry declined 31 per cent and the smaller food and accommodation sector decreased 10 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 46 per cent in 2011. This reflects the business cycle in goods-producing industries that is a result of the global economic downturn.

Structure of the NWT Economy, 2011



Source: Statistics Canada. The latest available data is 2011.

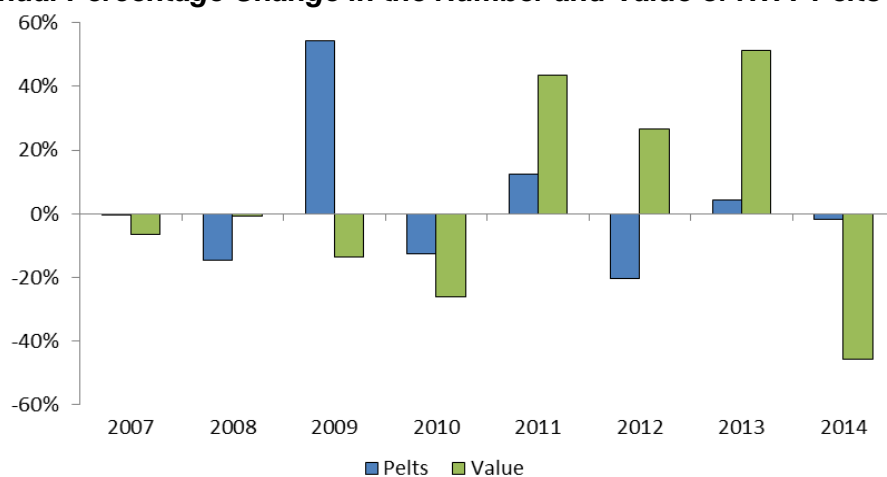
Goods-Producing Industries

The goods-producing sector accounted for 46 per cent of NWT GDP in 2011, compared to 30 per cent of Canada's economy. Resource extraction industries dominate the goods-producing sector in the NWT. Diamond mining was responsible for 27 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, roughly 25,000 NWT pelts were sold, a decrease of 2 per cent from the previous year; however, lower fur prices reduced the value of fur sales by 46 per cent from the previous year to \$1.2 million.

Annual Percentage Change in the Number and Value of NWT Pelts

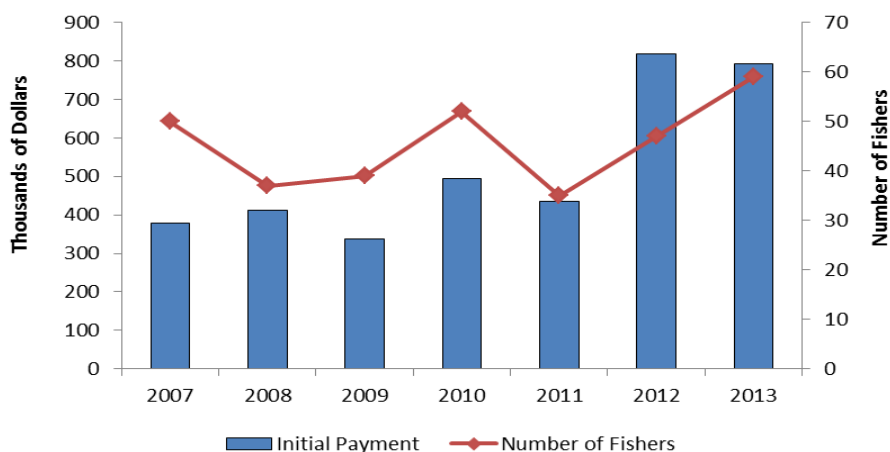


Source: NWT Bureau of Statistics

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 – decreased 3 per cent from \$818,000 in 2012 to \$792,000 in 2013, while the weight delivered decreased 31 per cent from 420,000 kilograms in 2012 to 288,000 kilograms in 2013.

NWT Export Fishery: Sales and Number of Fishers

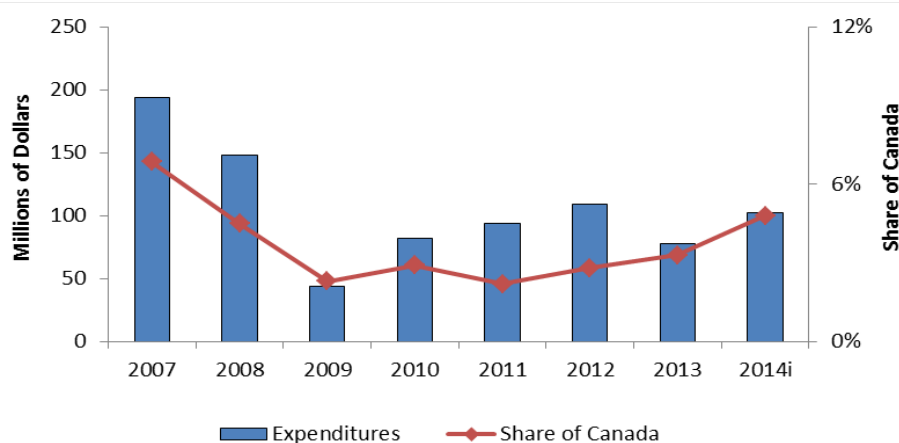


Source: Freshwater Fish Marketing Corporation

Exploration and Deposit Appraisal

NWT mineral exploration and deposit appraisal expenditures have fallen in recent years, and remain well below pre-recession levels. Spending intentions for 2014 indicate that exploration and deposit appraisal expenditures were an estimated \$102.6 million, up 31.7 per cent from 2013.

NWT Mineral Exploration Expenditures



i: intentions

Source: Natural Resources Canada

Over half of these expenditures were spent on deposit appraisal and developing already discovered projects, while a smaller share was spent on a range of mineral exploration activities, including field work, overhead costs, engineering, economic and pre-construction feasibility studies, and environmental and land access costs. NWT exploration and deposit appraisal expenditures shares of the Canadian total are estimated to have increased from 3.3 per cent in 2013 to 4.8 per cent in 2014.

Precious Metals and Rare Earths

Though once a key driver of the NWT economy, there have been no operating gold mines in the NWT since 2004. Gold and silver prices declined this year but remain elevated compared to prices a decade ago, which has led to new exploration activity. Several precious metals mines, including Fortune Mineral's NICO gold, cobalt and bismuth deposit, and Canadian Zinc's Prairie Creek silver, zinc and lead deposit, could become operational mines over the next two years. However, financing issues prevent many projects from moving forward.

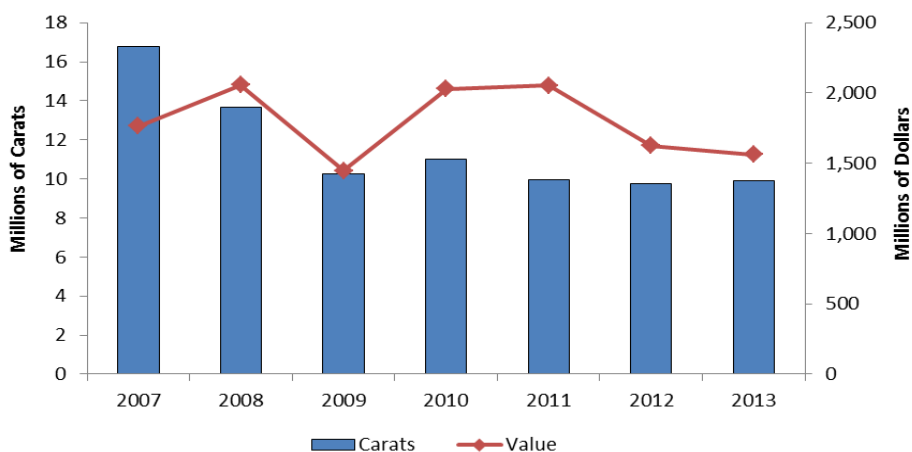
Rare earths are a group of 17 elements used in the high-tech sector for computer hardware. Although prices have declined in recent years, global demand for rare earths is expected to rise and this has resulted in new exploration activity in the NWT, including Avalon Rare Metals' Nechalacho deposit at Thor Lake.

Diamond Mining

The main driver of the NWT economy is the diamond mining industry. There are three producing diamond mines: Ekati, which opened in 1998; Diavik, which opened in 2003; and Snap Lake, which opened in 2008. According to current mine plans, and barring new discoveries, all three mines are slated to close by 2029. The closure of these diamond mines will have a significant and adverse impact on the NWT economy.

Carat production at NWT diamond mines declined by 1.4 per cent from 2012 to 2013 and the value of diamond production decreased 4.0 per cent to \$1.6 billion in 2013.

NWT Diamond Shipments: Weight and Value



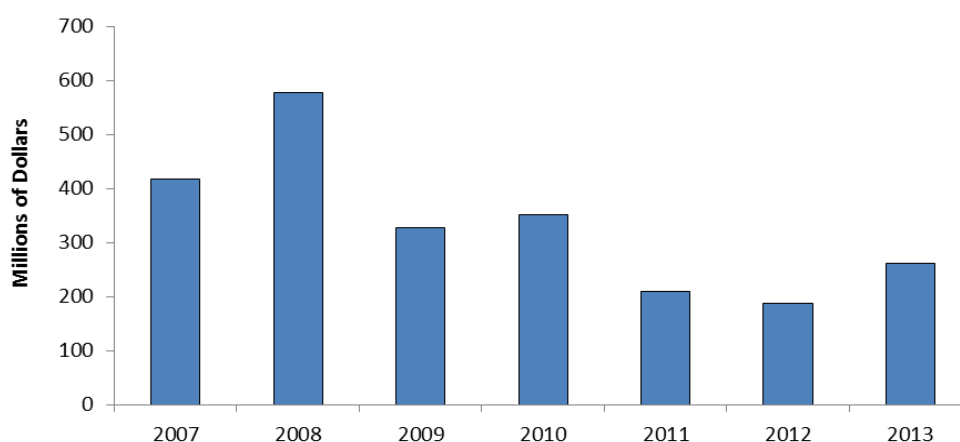
Source: NWT Bureau of Statistics and NWT Finance

Construction is currently underway on a fourth diamond mine: Gahcho Kué. The Gahcho Kué mine, a joint venture between De Beers and Mountain Province Diamonds, is scheduled to begin operations in 2016 with an expected mine life of twelve years. In addition, a fourth kimberlite pipe at the Diavik diamond mine has been approved by Rio Tinto and Dominion Diamond Corporation is seeking approval for an extension of the Ekati Diamond Mine to include the Jay kimberlite pipe. The Jay Project has the potential to extend the operating life of the Ekati mine by ten years beyond the currently scheduled closure in 2020.

Oil and Gas

Oil and gas production in the NWT is in decline due to the depletion of active reserves. However, after falling for several consecutive years, expenditures on oil and gas activities in the NWT and Arctic Islands increased 39 per cent from \$188 million in 2012 to \$261 million in 2013.

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



Source: Canadian Association of Petroleum Producers

Growth in oil and gas production requires new discoveries and new field development; increased expenditures on oil and gas activities may therefore lead to increased production in the near-term. However, a number of drilling and exploration projects planned for the Beaufort Sea and Sahtu region have been delayed recently. Despite this, the NWT holds potential for future production increases; the Canol shale formation, in the Sahtu region, is estimated to hold more than two billion barrels of oil.

Construction

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

Construction activity increased 43 per cent from 2012 to 2013 but remains 31 per cent below 2007 levels, mainly because of the decrease in mine construction. The sharp rise in real construction activity in 2013 was primarily due to non-residential construction (including mines and roads), which increased 133 per cent, as work got underway for the new Gahcho Kué diamond mine and the Inuvik-Tuktoyaktuk Highway. Residential construction and oil and gas engineering construction also increased, growing 33.6 per cent and 43.6 per cent from 2012 to 2013, respectively.

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

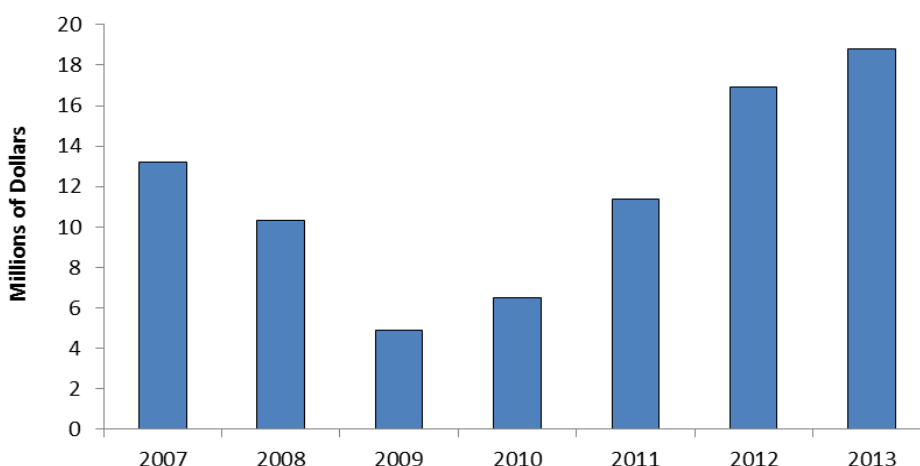


Source: NWT Bureau of Statistics and Statistics Canada

Manufacturing

The NWT manufacturing sector accounts for less than one per cent of the territory's economy. Although small, this sector of the economy has been performing well over the past several years. The real value (adjusted for inflation) of NWT manufacturing sales increased 11.2 per cent from 2012 to 2013.

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



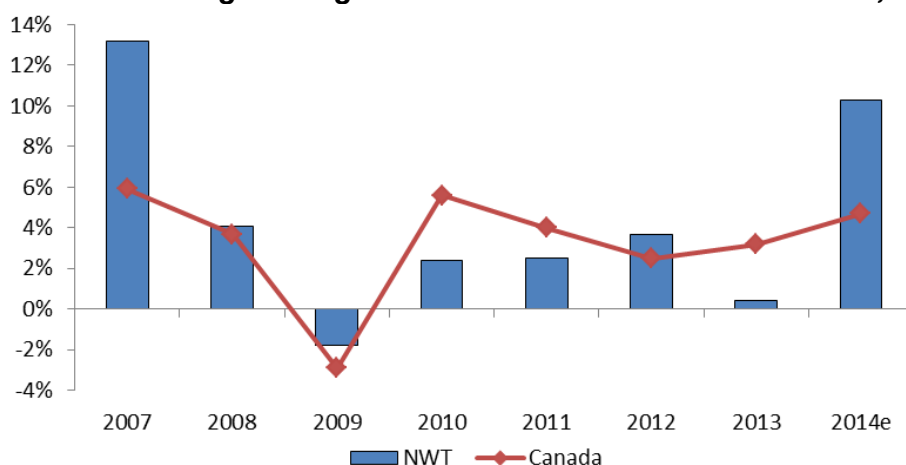
Source: NWT Bureau of Statistics

Service Industries

Service industries accounted for 54.2 per cent of NWT GDP in 2011, compared to 69.7 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 just 0.4 per cent from 2012 to 2013 but are expected to increase 9.5 per cent in 2014, compared to a 3.2 per cent increase in national retail sales.

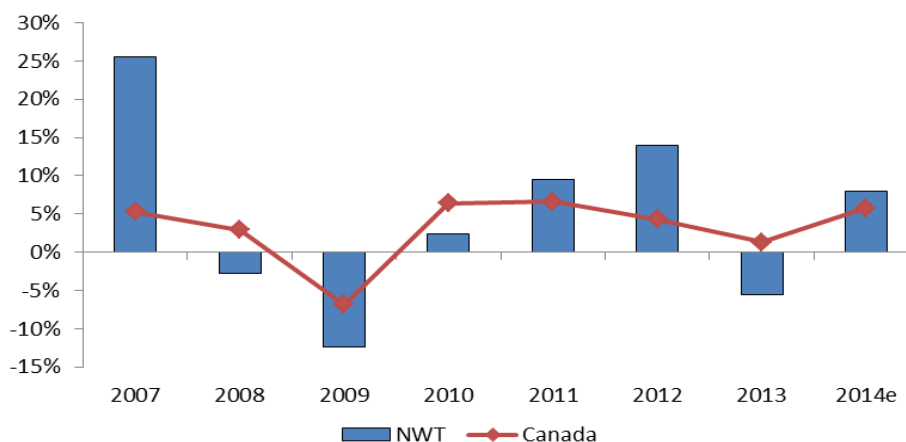
Annual Percentage Change in the Nominal Value of Retail Trade, NWT and Canada

e: 2014 estimate based on January - October 2014

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 increased 7.0 per cent from 2013 to 2014, reflecting the rise in construction. By comparison, wholesale trade in Canada increased by 5.6 per cent.

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

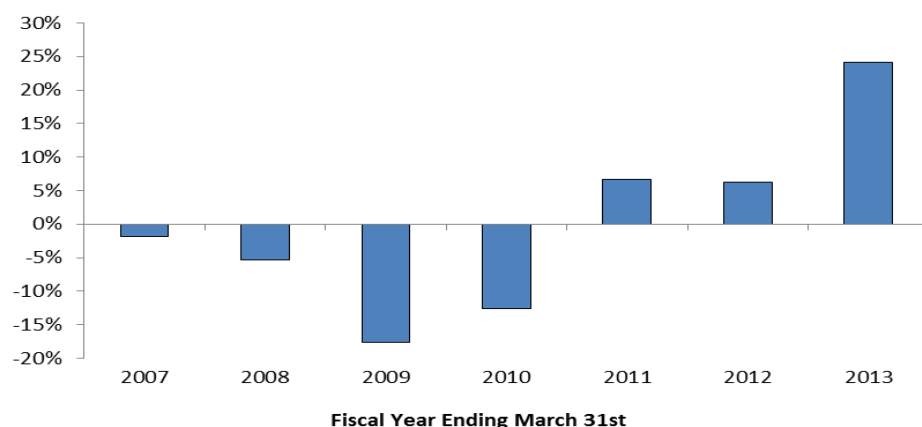
e: 2014 estimate based on January - October 2014

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 \$132.5 million during the fiscal year ended March 31, 2014, an increase of 24.2 per cent from the previous year.

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



Source: NWT Industry, Tourism and Investment

Total spending by leisure visitors increased 6 per cent from \$58.6 million in the year ending March 31, 2013 to \$62.0 million in the year ending March 31, 2014. The increase of expenditures by leisure visitors was led by aurora viewing which attracted nearly 40 per cent more visitors over the previous year, increasing from 15,700 for the year ending March 31, 2013 to 21,700 in the year ending March 31, 2014. 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.

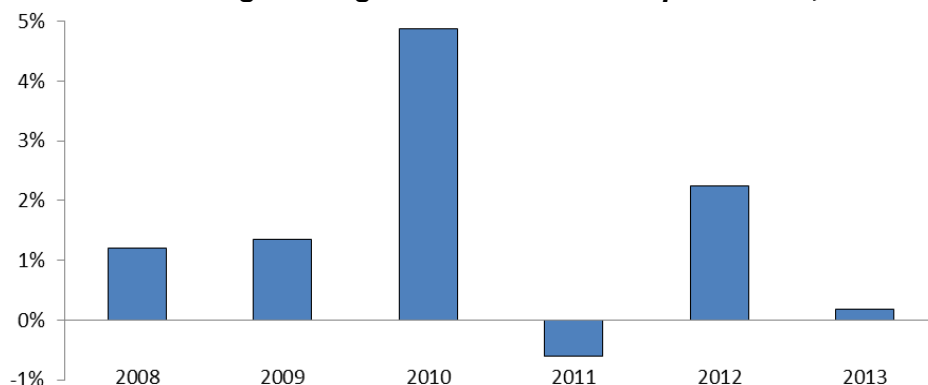
Total spending by business travellers was strong last year, increasing 48.1 per cent in the year ending March 31, 2014, which was attributable to a nearly 50 per cent increase in the number of business travellers, from 24,100 in 2013 to 35,300 in 2014.

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 remained relatively flat, increasing just 0.2 per cent from 2012 to 2013 and 9.6 per cent between 2007 and 2013.

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 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 2013 NWT real GDP was 21.7 per cent below the 2007 level.

Indicator 2 – Productivity

Productivity is a key performance measure 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 2013 productivity was 21.3 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 2013 new investment was 21.9 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 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.

In 2012 employment income was 12.9 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 2012, average family income was 18.9 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 benefitting from economic growth. It measures the share of people 15 years of age and older who are employed.

In 2013 the employment rate of 70.3 per cent was 3.1 percentage points below the 2005 to 2007 average value.

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 2013 population was 1.1 per cent above 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 2013 the inflation-adjusted value of imports was 7.2 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 2013 wholesale sales, in nominal dollars, was 18.2 per cent above the 2005 to 2007 average value.

The estimated value of 2013 retail sales, in nominal dollars, was 22.7 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 2013 non-resident NWT labour earnings rose from the 2005 to 2007 average of \$358 million to \$367 million, which represents an increased loss to the NWT economy of \$9 million.

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 2013 the value of support activities for agriculture and forestry was 115 per cent above the 2007 value.
2. Oil and gas engineering construction: in 2012 the value of oil and gas engineering construction was 52.5 per cent below the 2008 value (2007 data are suppressed by Statistics Canada to comply with 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 to measure NWT economic diversification was available 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*.

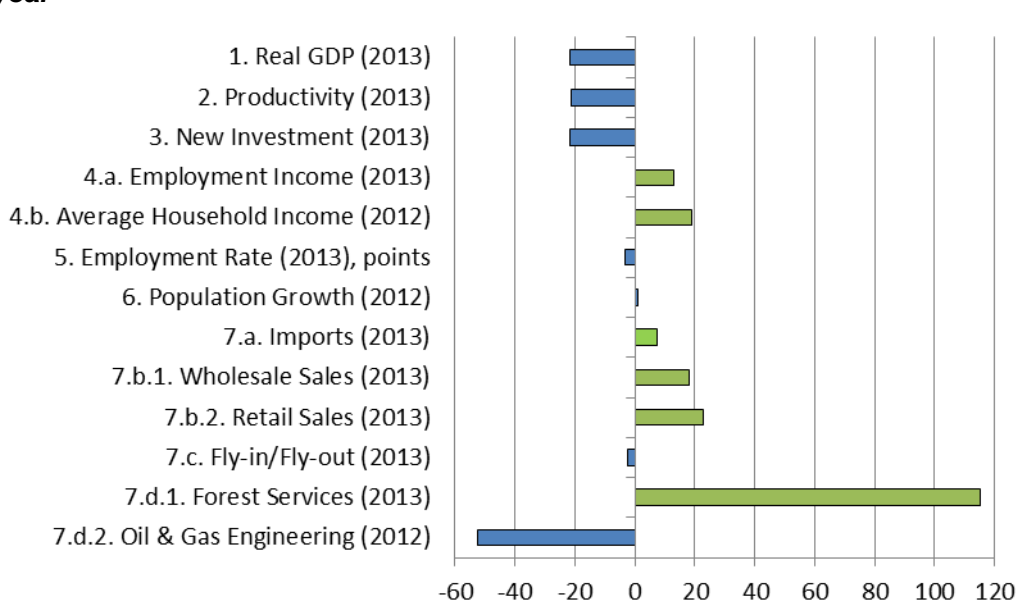
Summary of Findings

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, isolating 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.

Two contributing factors to the low level of resiliency are the dependence on the extractive resource industry, and are the 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