

Budget Address

2016 – 2017

NORTHWEST TERRITORIES

BUDGET PAPERS

A Economic Review

June 1, 2016

ECONOMIC REVIEW

Outlook

The economic outlook for the NWT is uncertain. Real GDP was flat in 2015, growing just 0.7 per cent over 2014 but is forecast to increase 2.6 per cent in 2016. This forecast growth is driven by improved diamond exports, which will offset declines in private-sector investments and reduced government spending.

Diamond exports are expected to increase in 2016, as the Gahcho Kué diamond mine begins production at the end of this year, and two new diamond pipes at Ekati diamond mine come on stream in 2016. New production at these mines will more than compensate for the placement of Snap Lake diamond mine on care and maintenance in December 2015, and this overall increase in carat production is projected to boost real NWT exports by 7.2 per cent in 2016. Carat production may increase further in the near term, as production at Gahcho Kué ramps up, but over the long term, the outlook for the NWT diamond industry is uncertain. All NWT diamond mines, existing and planned, are set to close by 2031, with the Diavik diamond mine scheduled to operate until 2023 and Ekati could also stop production in 2023 if the proposed Jay Pipe is not developed.

While diamond mine production is increasing, total investment is projected to decline 13.3 per cent in 2016, largely due to the completion of the Gahcho Kué diamond mine construction. Although public sector investments in projects such as Stanton Territorial Hospital and infrastructure linked to the federal Building Canada Funds will increase in 2016, these government investments will be dwarfed by a steep decline in the mining industry investments, which in turn have a negative impact on the construction and wholesale sectors.

Despite the drop in investment spending, the overall economic activity is expected to increase because of the start of operations at the Gahcho Kué mine. The projected increase in economic activity is forecast to increase resident employment by 0.9 per cent in 2016, an improvement after two consecutive declines in 2014 and 2015. However, risks to the forecast do exist.

NWT Economic Outlook

Indicator		2012	2013	2014	2015e	2016f
Gross Domestic Product	chained (2007) millions of dollars	3,511	3,639	3,849	3,877	3,978
	<i>per cent change</i>	<i>(0.4)</i>	<i>3.6</i>	<i>5.8</i>	<i>0.7</i>	<i>2.6</i>
Total Investment	chained (2007) millions of dollars	1,172	1,244	1,283	1,471	1,276
	<i>per cent change</i>	<i>17.3</i>	<i>6.1</i>	<i>3.1</i>	<i>14.7</i>	<i>(13.3)</i>
Household Expenditure	chained (2007) millions of dollars	1,349	1,371	1,387	1,405	1,424
	<i>per cent change</i>	<i>1.1</i>	<i>1.6</i>	<i>1.2</i>	<i>1.3</i>	<i>1.3</i>
Government Expenditure	chained (2007) millions of dollars	1,652	1,693	1,706	1,685	1,624
	<i>per cent change</i>	<i>(0.9)</i>	<i>2.5</i>	<i>0.8</i>	<i>(1.2)</i>	<i>(3.6)</i>
Exports	chained (2007) millions of dollars	2,450	2,574	2,742	2,694	2,888
	<i>per cent change</i>	<i>(0.4)</i>	<i>5.1</i>	<i>6.5</i>	<i>(1.8)</i>	<i>7.2</i>
Imports	chained (2007) millions of dollars	3,229	3,348	3,400	3,489	3,356
	<i>per cent change</i>	<i>3.1</i>	<i>3.7</i>	<i>1.6</i>	<i>2.6</i>	<i>(3.8)</i>
Employment (Resident)	number of persons	23,100	23,200	22,100	21,900	22,100
	<i>per cent change</i>	<i>0.4</i>	<i>0.4</i>	<i>(4.7)</i>	<i>(0.9)</i>	<i>0.9</i>
Average Weekly Earnings	dollars	1,320	1,340	1,398	1,421	1,450
	<i>per cent change</i>	<i>3.9</i>	<i>1.6</i>	<i>4.3</i>	<i>1.7</i>	<i>2.0</i>
CPI (All-Items), Yellowknife	2002=100	124.3	126.2	128.4	130.4	132.4
	<i>per cent change</i>	<i>2.2</i>	<i>1.5</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>

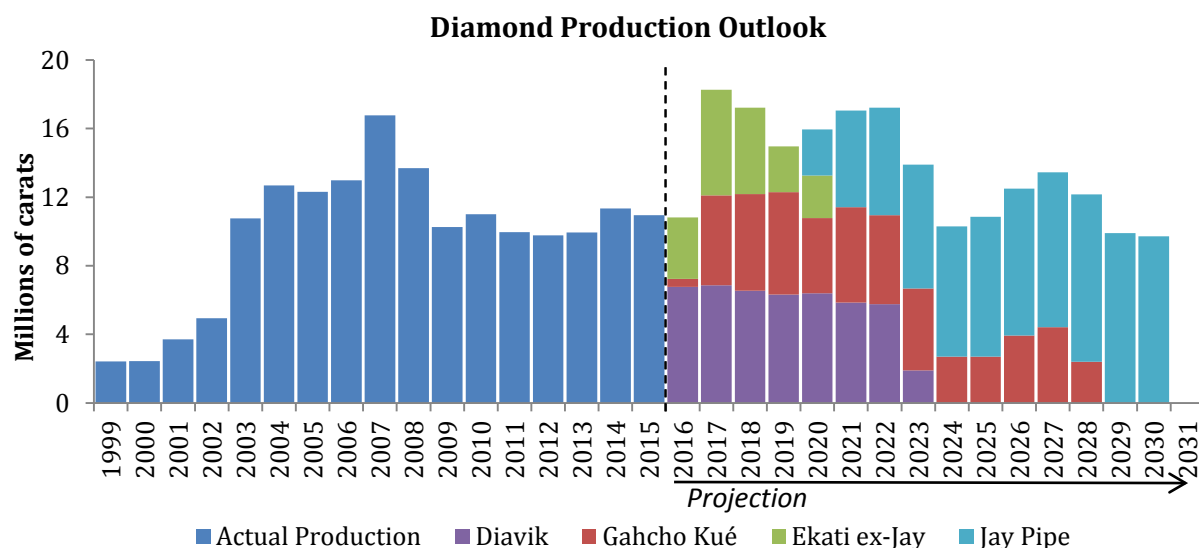
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Source: Statistics Canada and NWT Bureau of Statistics

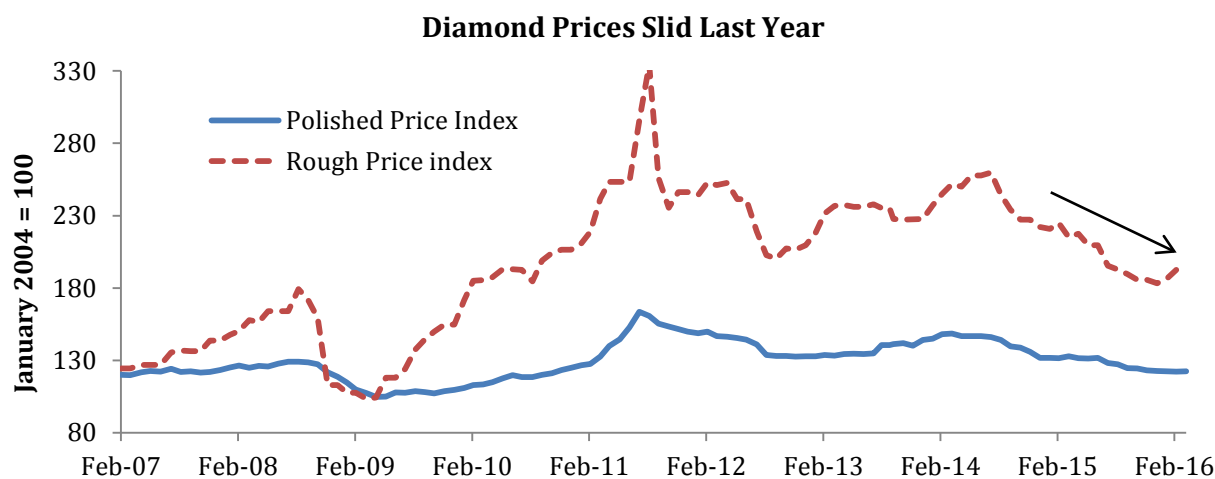
OUTLOOK – *Risks to the Forecast: Diamonds*

The NWT economic outlook is based on future mineral development and the opening of new mines. Diamond mining drives the NWT economy, but mine plans for currently producing mines, those under construction, and those expected to be submitted for environmental review and permitting, are all set to end production by 2031. Expansion of the mining industry depends on successful exploration programs to identify potential new mine projects, as well as the deposit appraisal and environmental review process to identify which potential new mine projects can be developed.



Source: Natural Resources Canada, mining plans and technical reports, NWT Finance

The final decision to construct new mines depends on a range of economic and financial factors, including global capital credit conditions, currencies, and prices. Indexed diamond prices for both rough and polished stones declined in 2015, falling approximately 18 per cent and 9 per cent, respectively. These low prices factored into the decision to put the Snap Lake diamond mine on care and maintenance in December 2015, and are likely to affect future construction decisions.



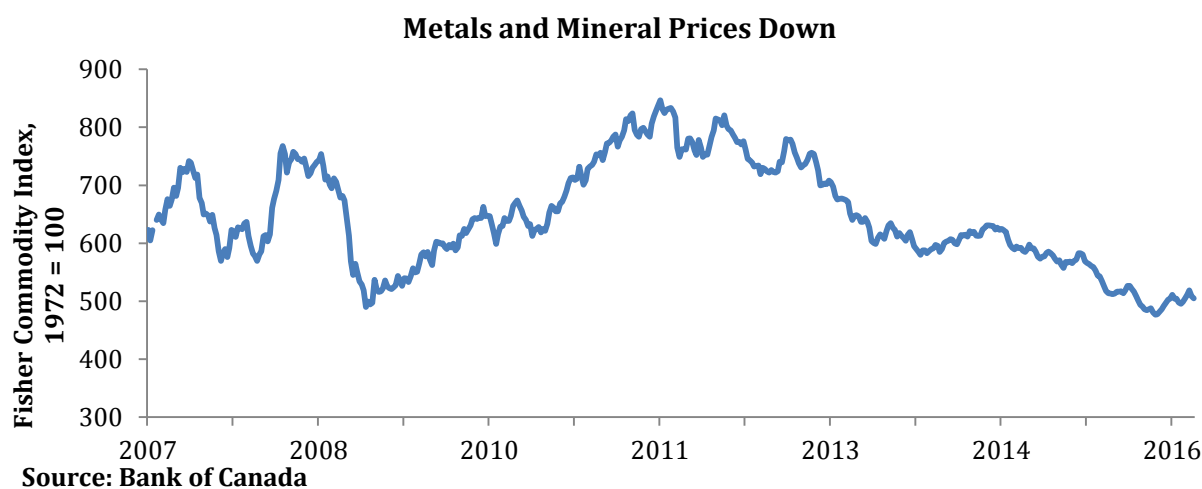
Source: PolishedPrices.com and WWW Overall Rough Diamonds

The slump in prices reflects an oversupply of rough diamonds worldwide and declining global demand for luxury goods as China, which is the biggest market for diamond jewelry after the United States, continues to undergo an economic slowdown and restructuring.

Despite the slide in prices last year, rough diamonds remain expensive relative to polished stones. This is because rough diamond prices have increased significantly faster over than past decade than polished diamond prices. The spread between rough and polished stones has squeezed the profit margins of manufacturers, and point to potential future price pressures because many manufacturers have been forced out of business. NWT diamond mines produce rough diamonds, exporting them to manufacturers who cut, polish, and clean the stones, making the price spread a key risk to the NWT economic outlook.

OUTLOOK – *Risks to the Forecast: Mineral and Metal Prices*

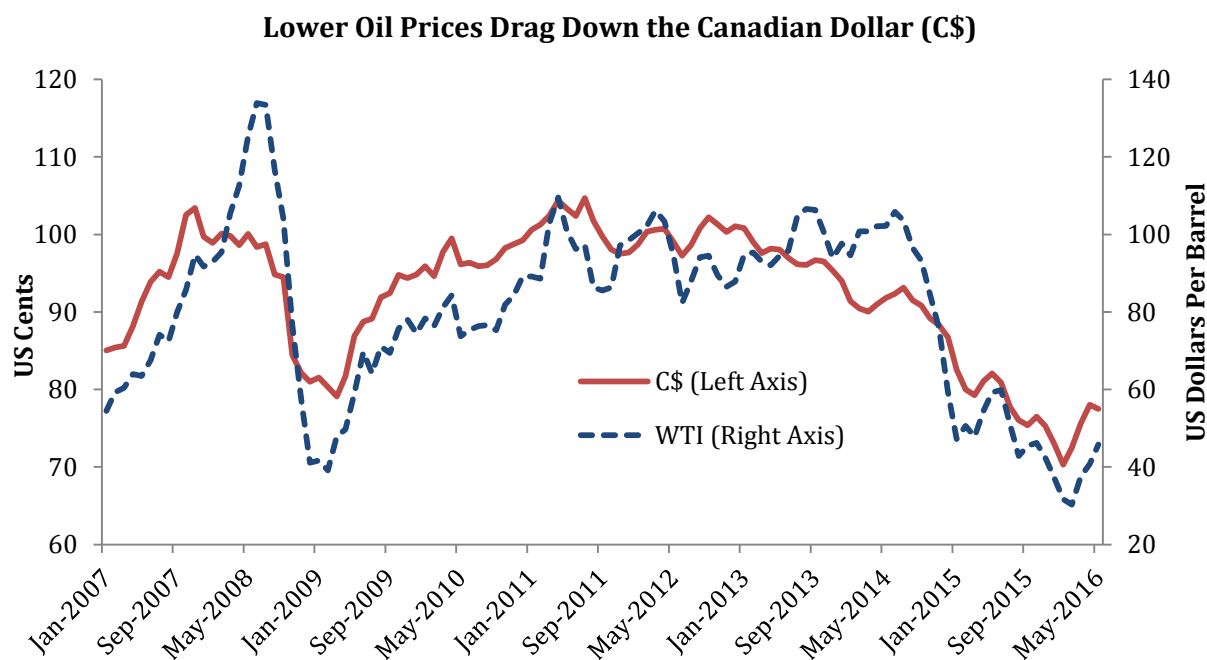
Global prices for other resource commodities, including many metals and minerals found in the NWT, have also declined. Indexed metals and minerals prices fell about 10 per cent from 2014 to 2015. In 2016, prices for some commodities are showing a slight rebound; for example, gold prices fell 8.4 per cent in 2015 but in recent months have strengthened. As of April 2016, the price of gold was \$1,242 per ounce. Despite this, continued overall flat growth in the global economy, and an economic slowdown in many emerging markets, suggest that metals and minerals prices may remain soft over the near term.



Low commodity prices have repercussions for the NWT economy, as exploration and development expenditures by the mining industry are driven by the expected value of future mine developments, which in turn is influenced by the expected price of the mineral or metal to be mined.

OUTLOOK – *Risks to the Forecast: Oil Prices and the Exchange Rate*

Oil prices fell sharply in the second half of 2014, falling over 40 per cent in less than six months. This trend continued throughout the first quarter of 2016, but has since reversed. As of May 2016, benchmark West Texas Intermediate (WTI) crude oil was trading around \$46 per barrel. Because the NWT exports a small amount of oil to international markets, the drop in oil prices will have a slight negative impact on NWT trade and economic growth but has a serious negative effect on exploration activity in the Sahtu and Beaufort-Delta regions of the NWT. However, this impact will be offset by lower fuels costs for many businesses and households. A rebound in WTI is not projected as increased global supply and slowing global demand over the near term are expected to continue putting downward pressure on oil prices.



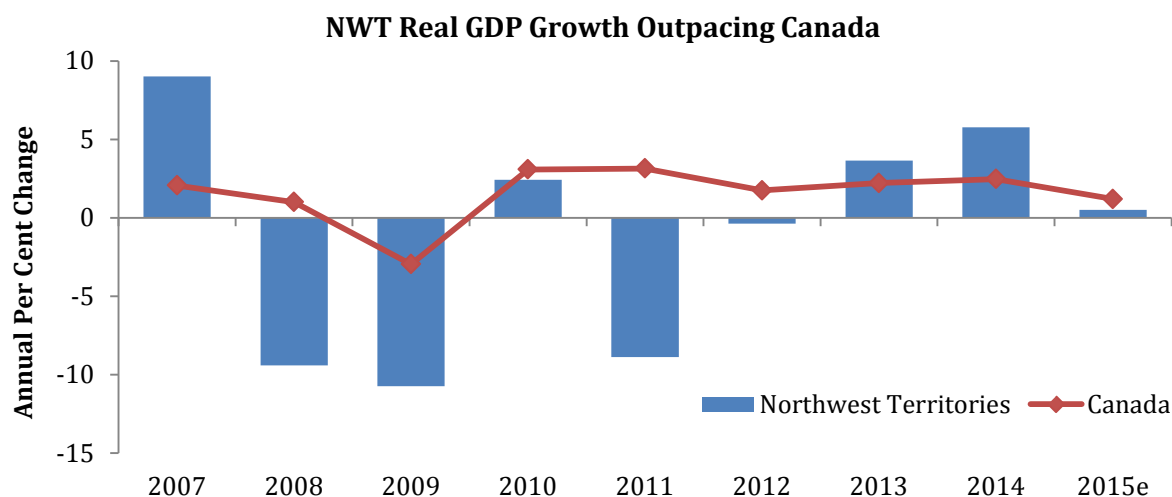
Source: US Energy Information Administration and Bank of Canada

As an oil-exporting country, the drop in global oil prices has lowered the Canadian dollar vis-à-vis the US dollar. The Canadian dollar averaged 78 US cents in 2015, down 13.5 per cent from 91 US cents in 2014. With oil prices expected to remain low, the Canadian dollar is likely to also remain low. As of May 2016, the Canadian currency was trading at 78 US cents.

The value of the Canadian dollar against its US counterpart 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, which will help NWT companies compete globally, and boost exports. However, a lower Canadian dollar will also make machinery and equipment imported from outside the territory more expensive, putting a strain on many NWT businesses. In addition, the low Canadian dollar has boosted the cost of imported food and other goods, having a negative impact on many NWT households.

RECENT ECONOMIC PERFORMANCE – *Real GDP*

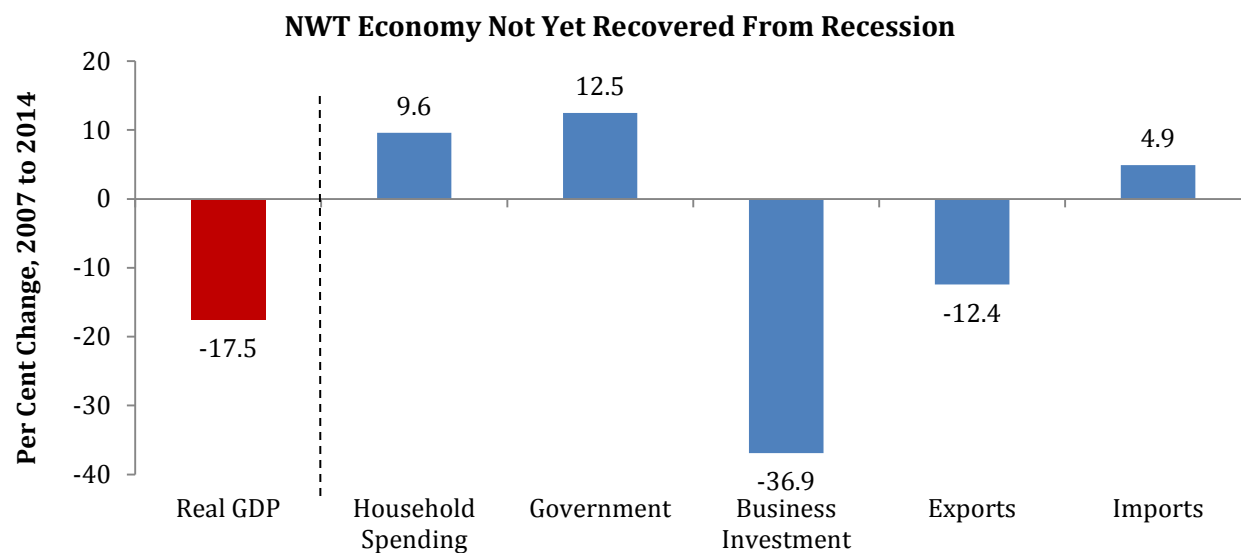
Following two consecutive years of solid economic growth, the NWT economy stalled in 2015. Real GDP increased just 0.7 per cent last year after rising 3.6 per cent in 2013 and 5.8 per cent in 2014. Flat growth in 2015 reflected declines in trade and government spending which offset strong investment and household expenditures.



e: estimate

Source: NWT Bureau of Statistics and NWT Finance

The NWT economy remains smaller than it was in 2007 before the global financial crisis occurred. In 2014 (2015 real GDP not yet available), real GDP was 17.5 per cent below what it was in 2007 when diamond mines were producing higher quality diamonds and commodity prices were higher.

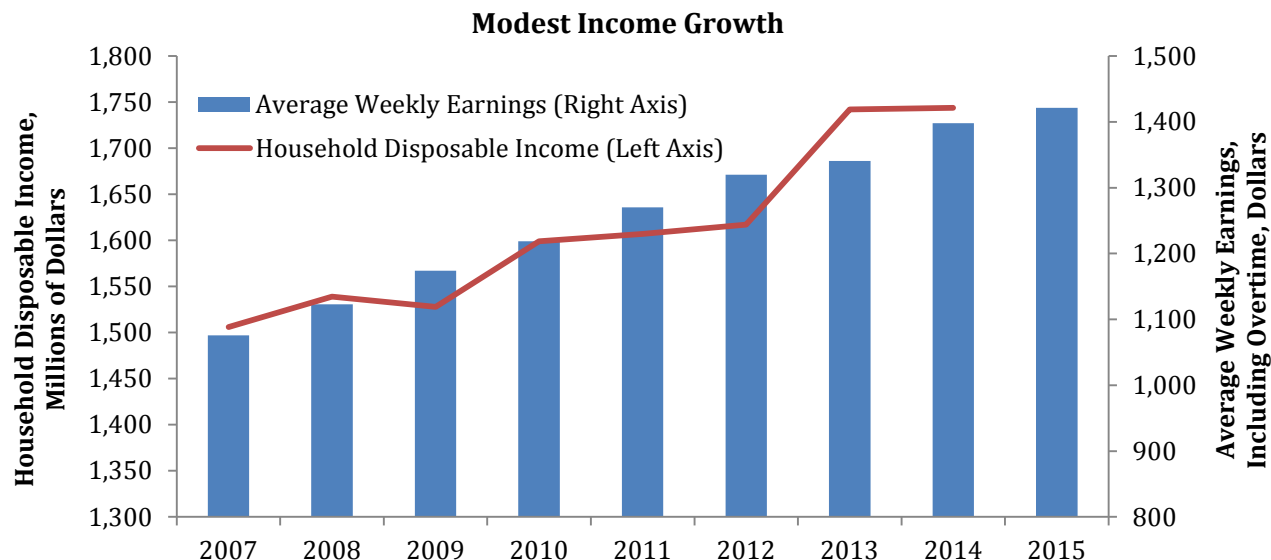


Note: Pre-recession peak is 2007. Recession trough was 2009.

Source: NWT Bureau of Statistics and NWT Finance

RECENT ECONOMIC PERFORMANCE – *Households*

Personal disposable income is the after-tax income earned by households from all income sources. It supports consumer expenditures, which account for over a third of the territory's GDP. NWT disposable income growth grew 0.1 per cent from 2013 to 2014 (2015 not yet available). This suggests consumer spending was also subdued last year. However, labour income, a large component of personal income, increased strongly in 2015, growing by 4.5 per cent compared to 2014. This indicates that personal disposable income likely also grew solidly last year.



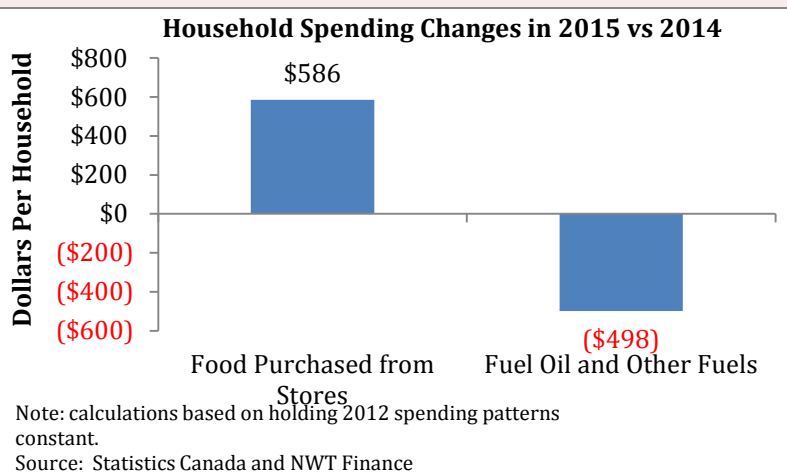
Source: NWT Bureau of Statistics and Statistics Canada

Wages and salaries earned by employees in the NWT are well above the national average. In 2015, average weekly earnings, including overtime, grew 1.7 per cent, rising from \$1,398 in 2014 to \$1,421 in 2015. This weekly rate was the second highest in the country, falling below only Alberta.

Box 1: Significant changes in exchange rates and prices have affected household spending.

A lower Canadian dollar has led to higher prices for imported food, while falling oil prices have lowered the price of heating fuel.

As a result, in 2015 the average NWT household paid \$586 more for food bought in stores and saved \$498 on heating fuel.

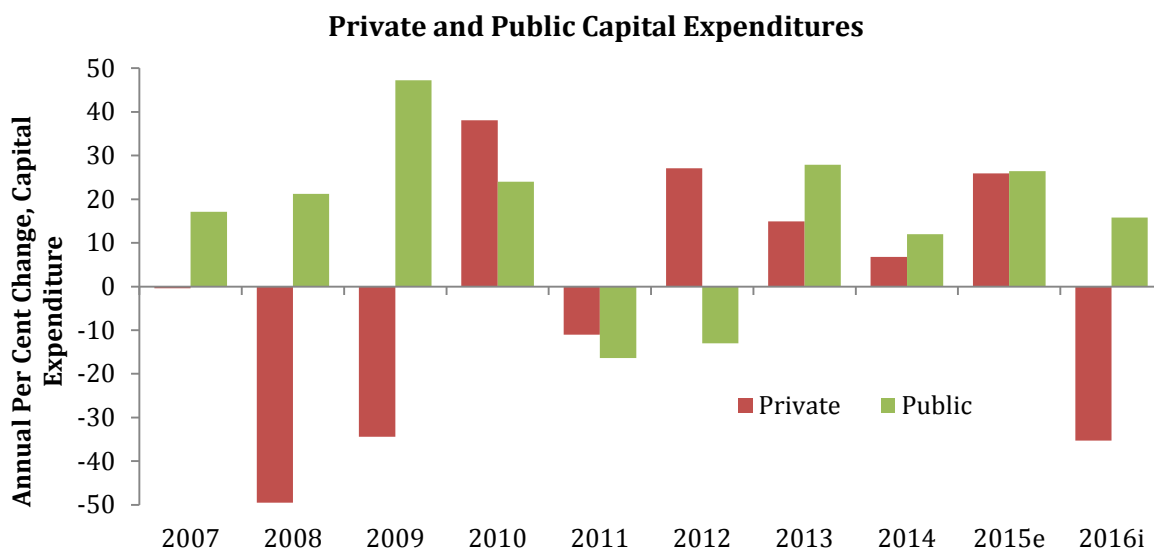


RECENT ECONOMIC PERFORMANCE – *Investment*

Total capital expenditures in 2015 were estimated at \$1,413 million, a 26.0 per cent increase over 2014 capital expenditures. This represents the largest annual increase since 2010. The ramp up in capital spending seen in 2015 will decline by 20.3 per cent this year, as total capital spending intentions for 2016 are \$1,126 million.

Public sector capital expenditures grew by 26.4 per cent in 2015, rising from \$328 million in 2014 to \$414 million in 2015. Total public sector capital spending is expected to grow by a further 15.8 per cent this year, rising from \$414 million in 2015 to \$480 million in 2016, while capital expenditures in federal, territorial, and local public administration is expected to rise from \$279 million in 2015 to \$331 million in 2016. Ongoing investments in a number of projects, including the Stanton Territorial Hospital Renewal Project, completion of the Inuvik-Tuktoyaktuk Highway and Mackenzie Valley Fibre Optic Link, and new Building Canada Plan funds are expected to continue to contribute to increased investment over the next couple of years.

Private sector capital expenditures increased by 25.9 per cent per cent from \$793 million in 2014 to \$999 million in 2015, driven largely by a 40.0 per cent increase in capital spending in the mining, and oil and gas extraction sector. Investment spending in these industries is expected to drop this year though, as construction of the Gahcho Kué diamond mine is completed. As a result of this pullback in the mining, and oil and gas extraction sector, overall capital expenditure by the private sector is expected to fall 35.3 per cent in 2016 to \$647 million.



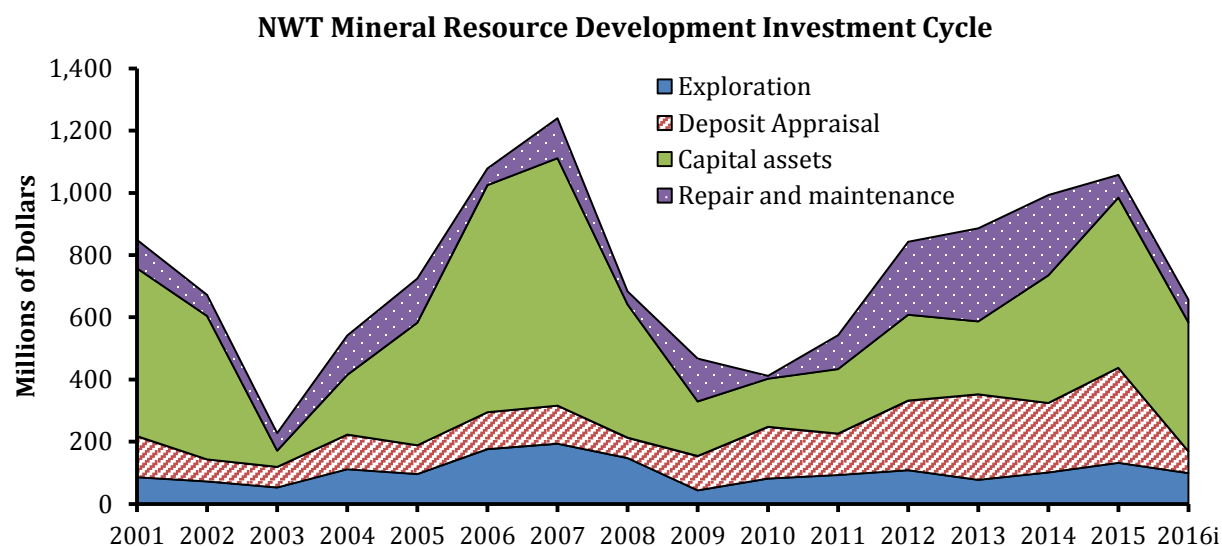
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Source: NWT Bureau of Statistics and Statistics Canada

The mining industry has a major impact on the NWT economy. Total investment by the mining industry increased from \$993 million in 2014 to \$1,026 in 2015, but spending intentions for 2016 indicate investment spending in this sector will decline by 36 per cent this year to \$657 million.

The NWT mining industry sustains itself through an investment cycle starting with exploration to identify mineral deposits. Exploration expenditures are expected to decline by 0.9 per cent in 2016, falling from \$100.2 million in 2015 to \$99.3 million in 2016.



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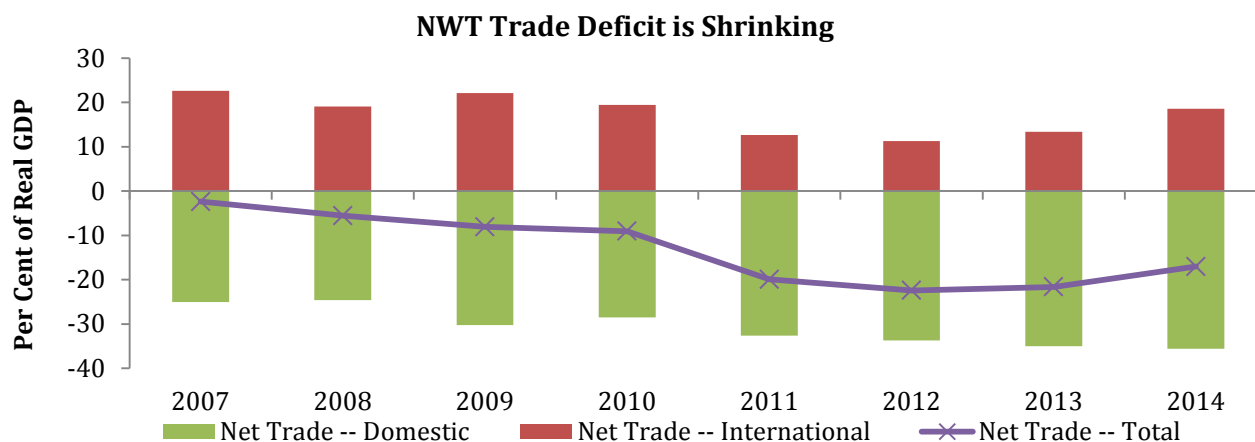
Source: Natural Resources Canada and NWT Finance

Deposit appraisal expenditures are undertaken to assess the commercial potential of the deposit including the cost of extraction and complying with environmental protection requirements. Deposit appraisal expenditures are expected to decline by almost three quarters, from \$305 million in 2015 to \$70 million in 2016.

Investment in capital assets began to increase in 2014 with the start of construction of the Gahcho Kué diamond mine. In 2015, investment expenditures in capital assets peaked at \$548 million. During 2016 and with the completion of construction of Gahcho Kué, investment expenditures in capital assets is expected to fall to \$415 million, a 25 per cent decrease from 2015. Repair and maintenance expenditures for the industry are expected to remain unchanged at \$73 million.

RECENT ECONOMIC PERFORMANCE – *Trade*

The NWT is a small, open economy, dependent on trade with other jurisdictions. The NWT exports diamonds and other natural resources to global 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.

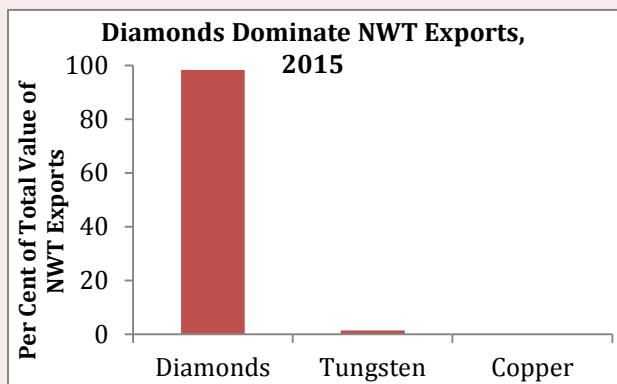
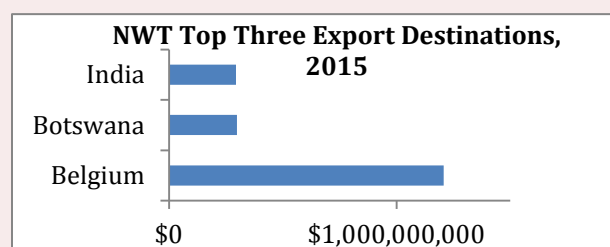


Source: Statistics Canada and NWT Finance

The NWT trade surplus with other countries, relative to real GDP, has improved over the past few years; increasing from 13.4 per cent of GDP in 2013 to 18.6 per cent in 2014. Exports have shrunk the overall NWT trade deficit from 21.6 per cent of GDP in 2013 to 17.0 per cent in 2014. Despite the improvement in the trade deficit, the imports from the rest of Canada remain high because of mine construction.

BOX 2: Diamonds are the NWT's main export.

Diamonds represent 98 per cent of the value of all exports flowing from the NWT to global markets. Because of this, the top three export destinations for NWT exports are: Belgium, the world's largest diamond processing and trade centre; Botswana, where De Beers conducts its sorting and trading

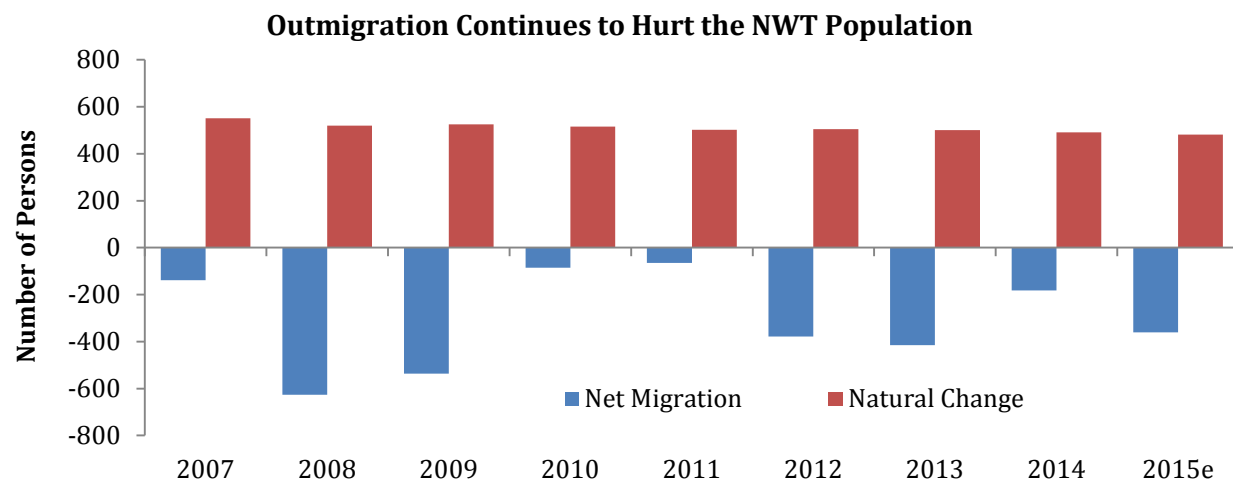


operations; and India, where 90 per cent of the world's diamonds are cut and polished.

Source: Industry Canada and NWT Finance

RECENT ECONOMIC PERFORMANCE – *Population*

Population growth is a strong indicator of economic health. By providing labour to NWT businesses, demand for local goods and services, and personal income and consumption taxes, population growth helps support economic activity and sustainable government revenues. The NWT population has been relatively stable over the past decade. As of January 1, 2016, the NWT population was estimated to be 44,291 people, an increase of 122 persons, or 0.3 per cent, from January 1, 2015.



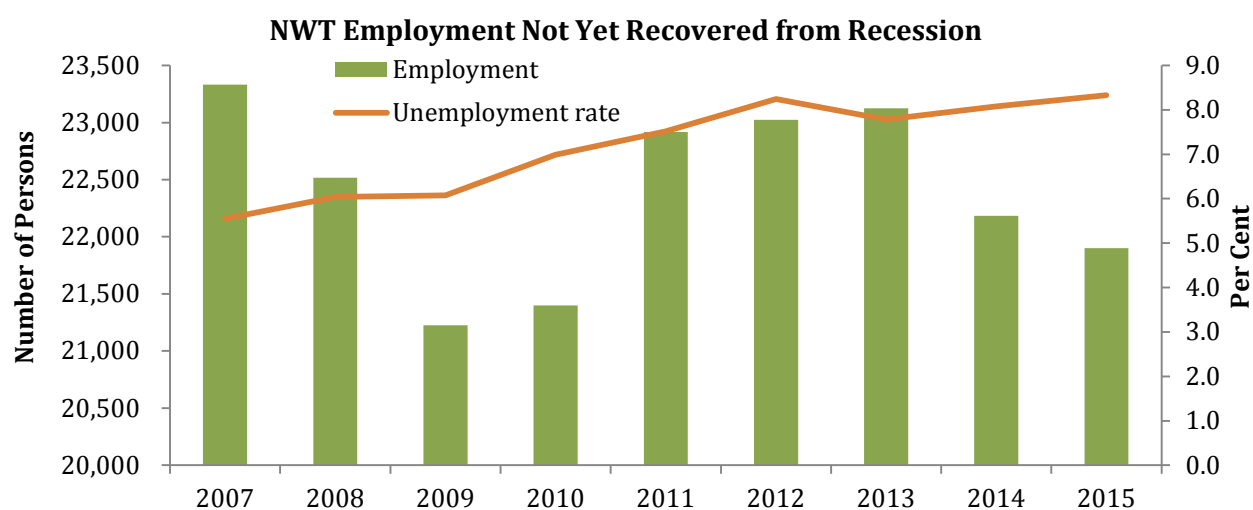
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Source: NWT Bureau of Statistics

Three factors account for this slight population rise: natural change (births minus deaths), interprovincial migration, and international migration. Between January 1, 2015 and January 1, 2016 there was a net natural increase of 482 persons (due to 689 births and 207 deaths), while interprovincial migration resulted in a net loss of 509 persons (as 2,303 persons moved into the NWT from the rest of Canada and 2,812 persons moved out). Internationally, there was net immigration of 149 persons.

RECENT ECONOMIC PERFORMANCE – *Labour*

Despite economic growth over the past several years, the NWT labour market has remained weak. In 2015, NWT resident employment was estimated at 21,900, a decrease of 280 persons from 2014 and 1,430 persons below the 2007 pre-recession high. This decline caused the size of the NWT labour force to shrink, and the unemployment rate to rise. In 2015 the NWT jobless rate (the share of the labour force that is unemployed) was 8.3 per cent, up from 8.1 per cent in 2014, and well above the 2007 pre-recession unemployment rate of 5.6 per cent.

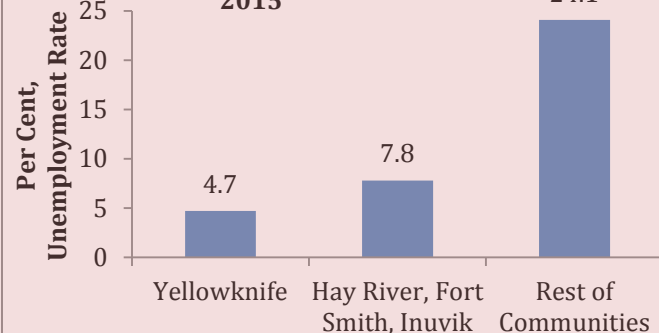


Note: Recession was 2009.

Source: NWT Bureau of Statistics and Statistics Canada

Box 3: The NWT unemployment rate was 8.3 per cent in 2015.

Joblessness is High in the Communities, 2015



The NWT-wide unemployment rate hides significant regional variation.

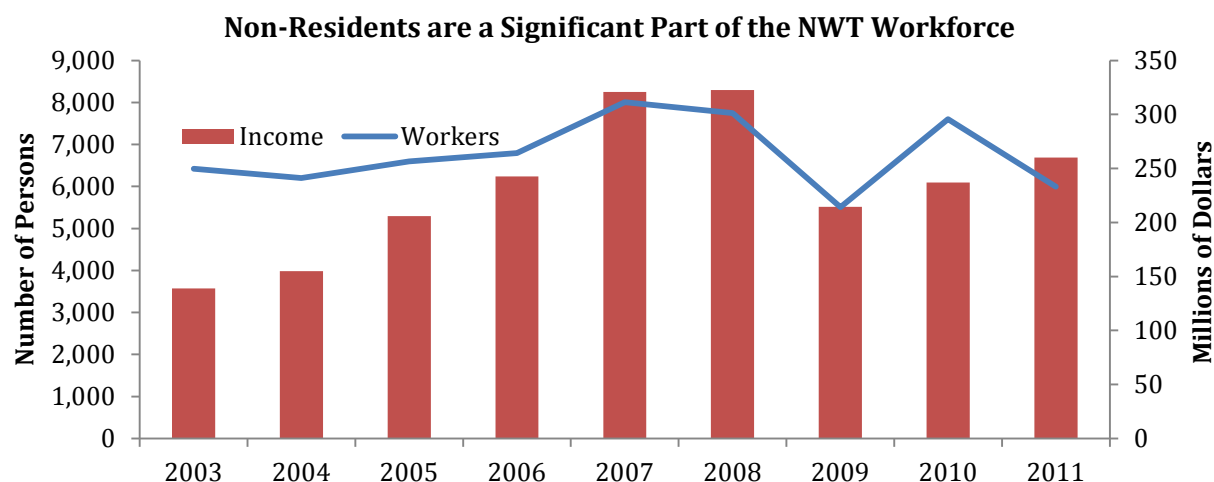
While unemployment is relatively low in the larger centres of Yellowknife, Hay River, Fort Smith and Inuvik, unemployment in the other smaller, more isolated communities is high.

On average, nearly a quarter of the population of smaller communities is unemployed.

Source: NWT Bureau of Statistics

The NWT is characterized by a significant non-resident work force. This is largely due to the small size of the NWT population, and reflects the employment needs of the NWT economy that cannot be met by the domestic workforce, most commonly in the NWT's mining industry.

Between 2003 and 2011, non-resident workers accounted for about one third of the NWT workforce; the second highest rate (after Nunavut) in the country and significantly higher than in all provinces.

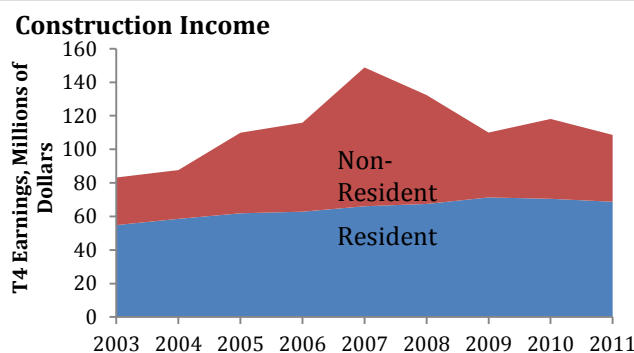
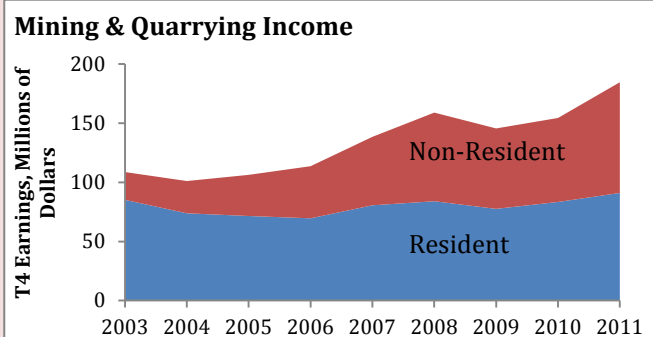


Source: Statistics Canada and NWT Finance

Each year between 5,700 and 8,600 non-residents fill jobs in the NWT. These jobs include seasonal, rotational, temporary and special projects that fill gaps that are not met by the resident workforce. Total aggregate earnings paid to non-resident workers from these jobs ranged from \$139 million and \$323 million between 2003 and 2011. This represents approximately 18 per cent of all employment income generated in the NWT.

Box 4: Non-resident workers are concentrated in specific sectors.

In 2011, roughly 51 per cent of employment income in the NWT mining industry and 37 per cent of employment income in the construction sector was paid to non-resident workers.



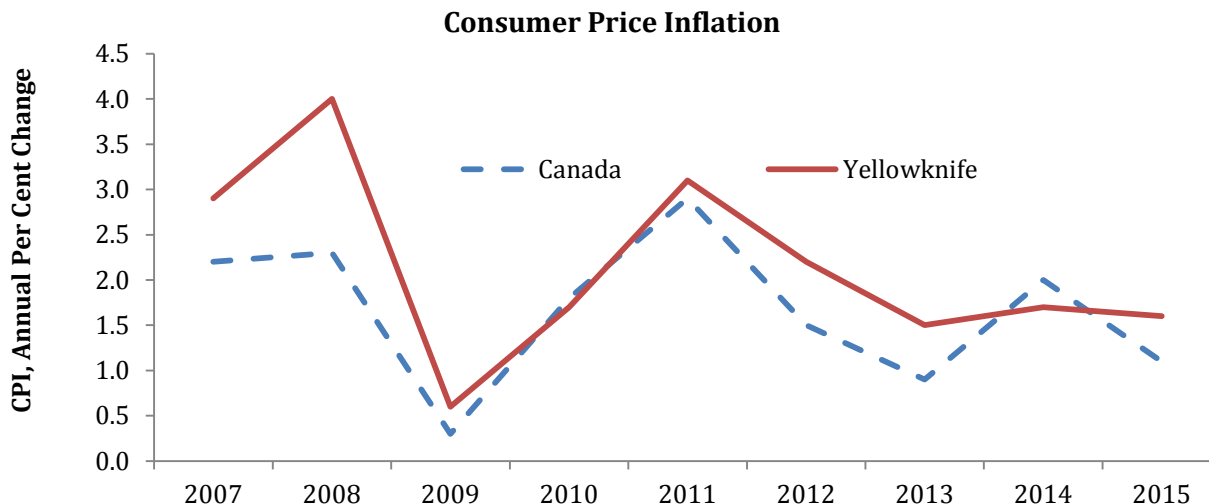
3 per cent of employment income generated in NWT public administration was earned by non-residents.

Source: Statistics Canada and NWT Finance

Non-resident workers who are employed in the NWT but live outside of the territory provide skills needed by NWT businesses. The NWT's reliance on out-of-territory workers means lost business from consumer spending that could occur in the NWT, and lost revenue for the GNWT. Policies aimed at addressing this issue must consider the reasons why people move to, and leave, the NWT. The greatest contributor to strong population growth is in-migration caused by better job opportunities in the NWT compared to the rest of Canada; or, in other words, when the NWT economy is doing well and provincial economies are not. Because the NWT is competing for skilled labour, NWT population growth strategies will depend on the ability to quickly response to changing economic conditions in other regions to quickly shift recruitment opportunities to regions where the NWT has a comparative advantage. These strategies include GNWT Recruitment and Retention Strategies, and Socio Economic Agreements, which formalize commitments made by large companies with respect to employment, training and business opportunities for NWT residents. The GNWT is also committed to addressing the other underlying factors contributing to non-resident workers, in particular, the high cost of living.

RECENT ECONOMIC PERFORMANCE – *Cost of Living*

The cost of living is high in the NWT relative to other jurisdictions. Issues of remoteness, climate, and a sparsely populated large territory mean that NWT residents, both residents and businesses, often pay more for goods and services than in neighbouring provinces. For this reason, inflation – an increase in the overall price level, resulting in reduced purchasing power – is of particular concern to NWT residents.



Source: Statistics Canada

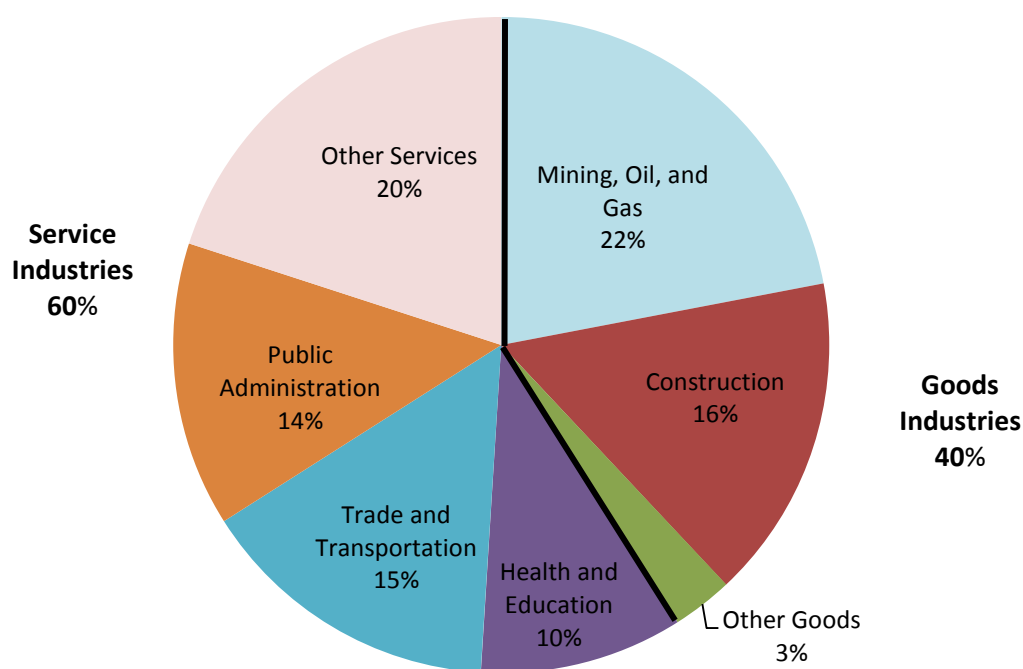
The Yellowknife Consumer Price Index (CPI) increased by 1.6 per cent in 2015, slowing slightly from a 1.7 per cent increase in 2014, largely due to lower energy and shelter costs, reflecting the decline in global oil prices. This fuel price decline was offset by higher import prices for items such as food resulting from the lower Canadian dollar. Because the NWT imports a greater portion of its consumer goods than other Canadian jurisdictions, consumer price inflation in Yellowknife was slightly higher last year than in Canada as a whole. In 2015, the change in Canada's CPI slowed from a 2.0 per cent increase in 2014 to a 1.1 per cent rise.

KEY SECTORS – *Composition of the Economy*

The NWT economy relies heavily on the extractive, non-renewable resource sector. In particular, the economy is heavily concentrated in the diamond mining industry. In 2015, the mining, oil, and gas extraction sector accounted for over a fifth of NWT GDP and almost one-third if the linkages with other sectors are considered. No other single sector dominates the NWT economy in this way. This places the NWT in a precarious position.

Economic diversity provides more stable and balanced growth by spreading risk more evenly across a number of sectors, making the economy more resilient to business cycles and external shocks. Diversification acts as insurance that reduces the sensitivity of the economy to the ups and downs associated with any single industry, market, or region. For example, more diversified economies experience lower unemployment during cyclical economic downturns.

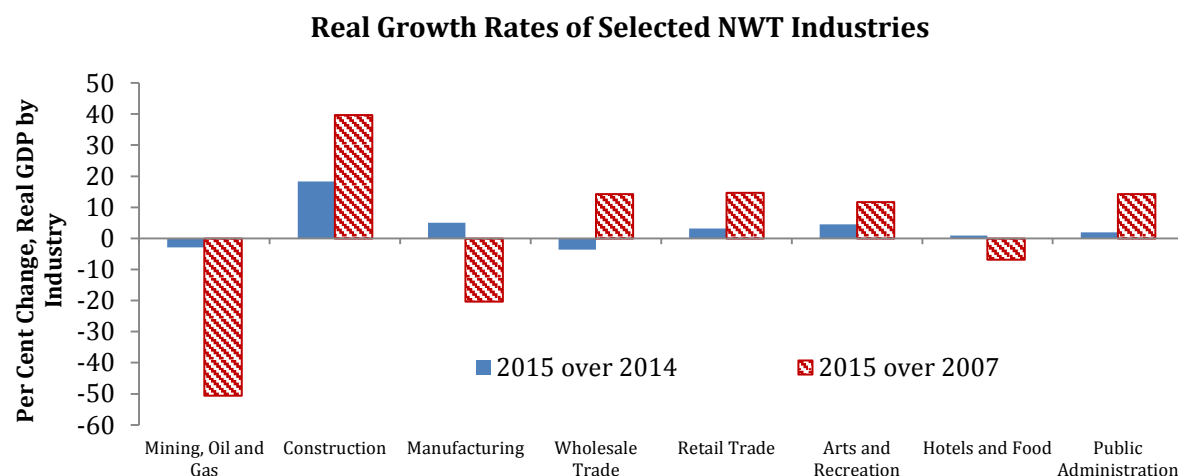
Mining Dominates the NWT Economy, 2015



Source: Statistics Canada

The goods-producing sector accounted for 40 per cent of NWT GDP in 2015. Resource extraction industries dominate this sector in the NWT, although the share has declined over the past several years. Construction is the second biggest industry in the goods-producing sector, accounting for 16 per cent of NWT GDP in 2015. The remainder of the goods-producing sector accounted for 3 per cent of GDP and was comprised of renewable resources, utilities, and manufacturing industries.

The combined services-producing industries accounted for 60 per cent of NWT GDP in 2015. Public sector activities dominate this sector, with public administration, education, health and social services accounting for 26 per cent of NWT GDP in 2015. The remainder of this sector is comprised of industries such as wholesalers, retailers, banks, hotels, and tour operators.

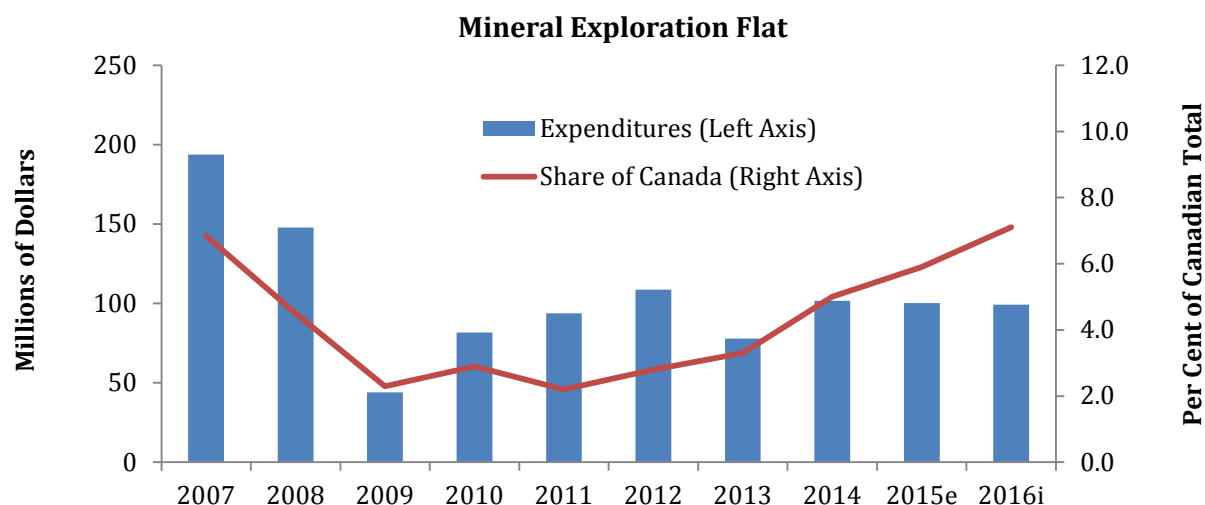


Source: Statistics Canada and NWT Finance

From 2007 to 2015, the mining, oil and gas industries shrunk by over 50 per cent, the manufacturing sector declined 20 per cent, and hotels and restaurants dropped 7 per cent. As a result, the structure of the NWT economy changed: in 2007, the goods-producing sector accounted for 51 per cent of the NWT economy, but by 2013 that share had fallen to 39 per cent before recovering to 40 per cent in 2015. This reflects the business cycle in the goods-producing industries and the global economic recession, as well specific initiatives taken by the GNWT to diversify the economy.

KEY SECTORS – *Large Industries: Mining, Oil and Gas (22% of GDP or 33% if include linkages to other sectors)*

The mining, oil and gas sector is 22 per cent of GDP but comprises closer to one-third of the economy if linkages with other sectors are taken into account. NWT mineral exploration and deposit appraisal expenditures were flat last year, decreasing just slightly from \$102 million in 2014 to an estimated \$100 million in 2015. Similarly, spending intentions for 2016 are expected to remain relatively unchanged at \$99 million. Despite this stability, exploration and appraisal expenditures remain well below pre-recession levels. As a share of the Canadian total, NWT exploration and appraisal expenditures increased from 5.0 per cent in 2014 to 5.9 per cent in 2015, and are expected to reach 7.1 per cent in 2016 as low commodity prices continue to impact resource development in Canada.



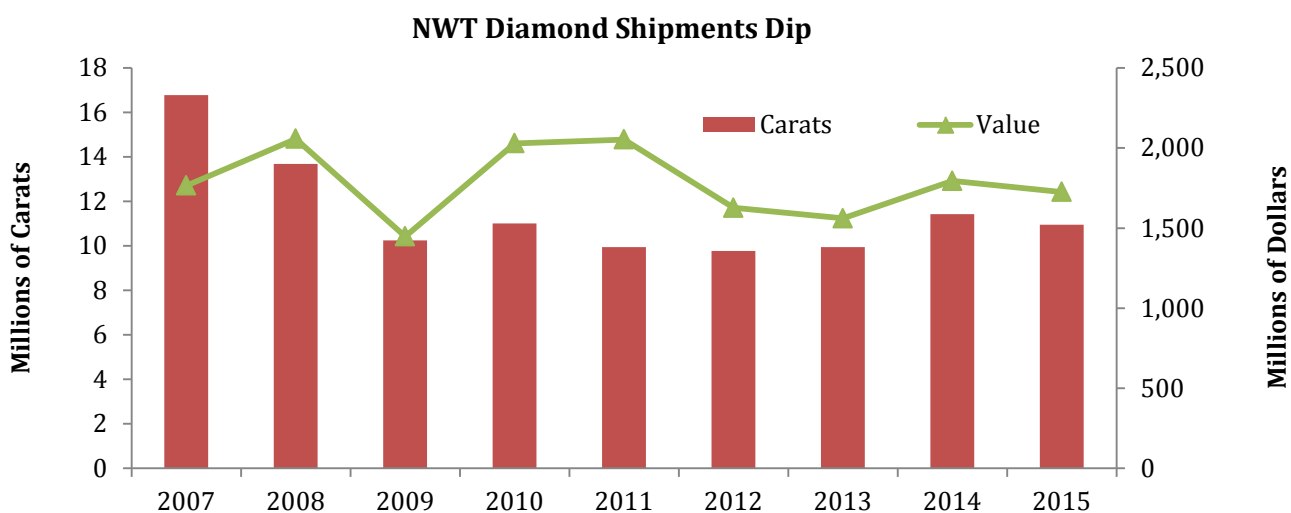
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Source: Natural Resources Canada

Over half of the expenditures in 2015 were spent on mineral exploration activities related to the discovery and delimitation of mineral deposits in the NWT (both new deposits and the re-evaluation of previously discovered deposits). The remaining expenditures were spent on deposit appraisal and developing already discovered projects. Nearly 86 per cent of these expenditures went towards exploration for, and appraisal of, diamonds.

The NWT currently has two producing diamond mines: Ekati and Diavik. A third mine, Gahcho Kué, will begin production at the end of 2016. The Snap Lake mine was put on care and maintenance in December 2015.

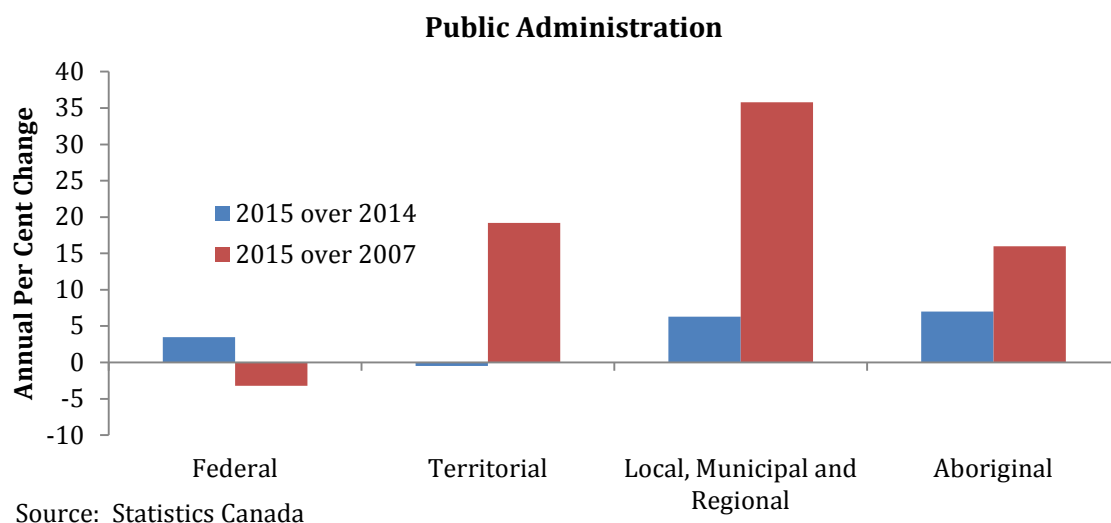


Source: NWT Bureau of Statistics and NWT Finance

Carat production at NWT diamond mines declined 4.2 per cent from 11.4 million carats in 2014 to 11.0 million carats in 2015, and the value of diamond shipments fell 3.8 per cent from \$1.8 billion in 2014 to \$1.7 billion in 2015.

KEY SECTORS – *Large Industries: Public Administration (14 % of GDP)*

Public administration at all levels of government (federal, territorial, municipal, and Aboriginal) is the second largest industry in the NWT, accounting for 14 per cent of GDP and contributing significantly to jobs and income creation. NWT public administration includes courts, policing, corrections services, firefighting services, defence, and government administrative work. It excludes however, the health, social services and education sectors. In addition, public administration forms a large portion of overall government expenditures, which help grow the economy and account for over half of NWT real GDP.



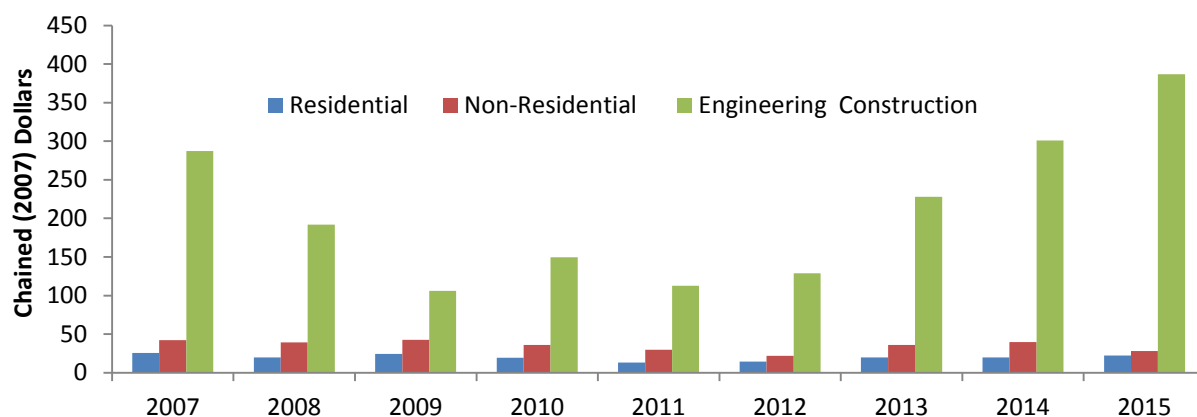
Public administration expenditures rose 1.9 per cent in 2015 compared to 2014. Since 2007, all levels of government experienced solid increases in public administration except for the federal government which declined 3.2 per cent between 2007 and 2015, partly due to devolution of the management of lands, waters and non-renewable resources to the GNWT.

KEY SECTORS – *Large Industries: Construction (16% of GDP)*

The construction sector includes residential construction, non-residential construction, and engineering services, as well as repair construction and support activities. Unlike many other jurisdictions, engineering services dominate the value of NWT construction activity, accounting for nearly 70 per cent of real construction expenditure in 2015.

Overall construction activity increased 18 per cent from 2014 to 2015, and is now 40 per cent above its pre-recession level. Work on projects such as constructing the Gahcho Kué diamond mine (total cost \$1 billion), the Inuvik-Tuktoyaktuk Highway (total cost \$300 million), and Mackenzie Valley Fibre Link (total cost \$91 million) support increased real engineering construction spending by 28.4 per cent between 2014 and 2015, while residential construction increased by a more modest 10.5 per cent, and non-residential construction declined by 29 per cent.

Engineering Construction Dominates Construction Activity

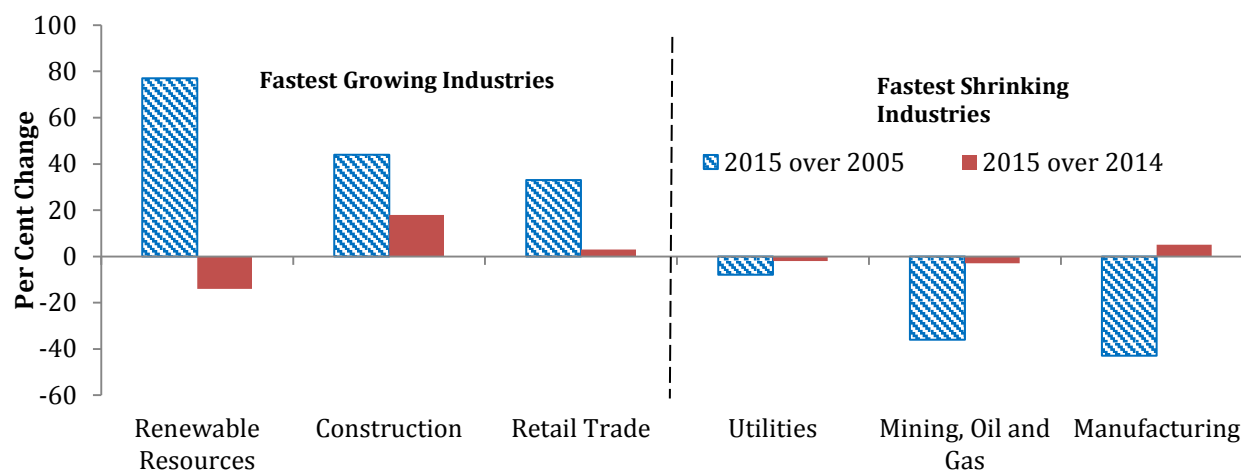


Source: Statistics Canada

KEY SECTORS – *Growth Industries*

Growth sectors are those groups of industries experiencing above average economic growth. While some of these industries may be small relative to other industries, they offer the opportunity for job creation and income growth. Over the past decade, the three industries to experience the fastest real growth are: renewable resources (fishing, hunting and trapping, agriculture, and forestry), construction, and retail trade. On the other side of the equation, industries that have experienced negative growth over the past decade include manufacturing, utilities, and mining, oil and gas.

Real GDP Growth by Industry

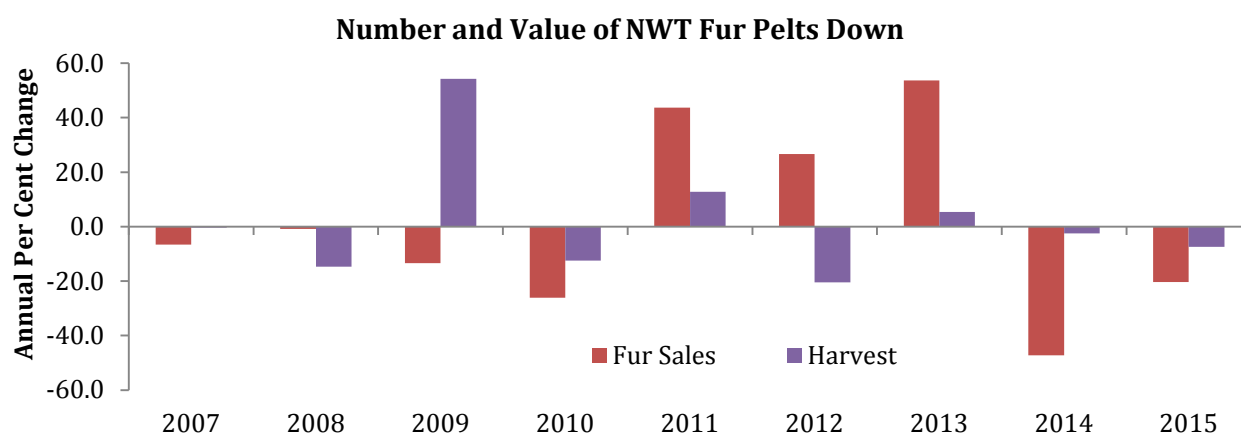


Source: Statistics Canada and NWT Finance

The renewable resource sector includes the agricultural, forestry, hunting and trapping, and fishing industries. Many NWT residents regularly engage in these activities on a recreational basis or as part of the “traditional”, non-market economy. However, at a commercial level, the renewable resource sector is very small, comprising just 0.7 per cent of NWT GDP in 2015. Despite its small base, renewable resources is the fastest growing sector of the economy, nearly doubling in size in real terms over the past decade, rising from \$14 million in 2005 to \$25 million in 2015 (in 2007 chained dollars).

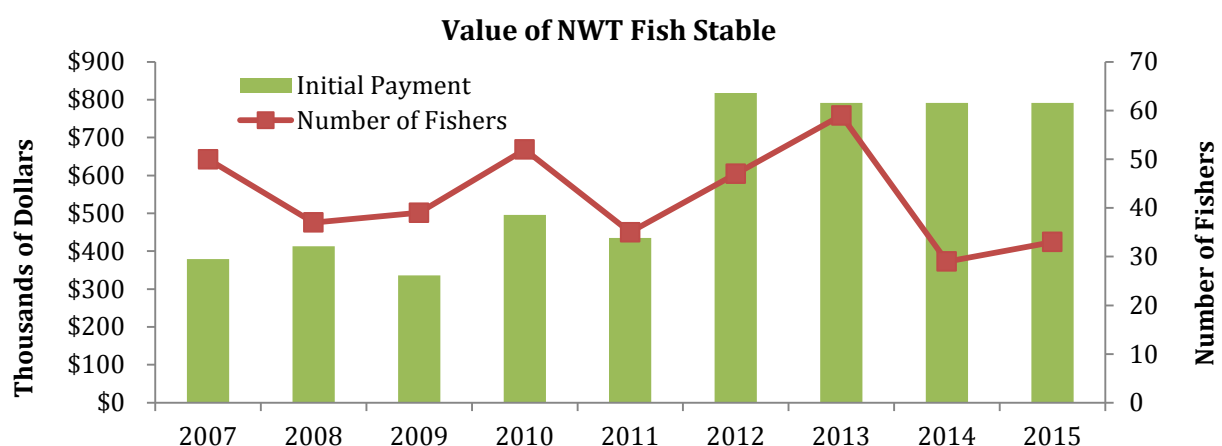
KEY SECTORS – *Growth Industries: Trapping & Fishing*

Trapping remains an important component of the renewable resource sector, and remains an important source of income for many people in the NWT, especially in smaller communities. For the year ended June 30, 2015, roughly 23,400 NWT pelts were sold, a decrease of 7.6 per cent from the previous year, while the value of fur sales decreased 21.4 per cent from the previous year to \$973,800. The number of commercial trappers in the NWT declined 6.7 per cent to 654.



Source: NWT Investment, Tourism and Trade and NWT Finance

The commercial fishery in the NWT is small with room for growth. Initial payments to NWT fishers – on delivery-point, net-of-freight basis – were unchanged in 2015, decreasing 0.1 per cent from 2014 to \$791,650, while the weight delivered increased 50 per cent from 288,000 kilograms in 2014 to 432,000 kilograms in 2015.

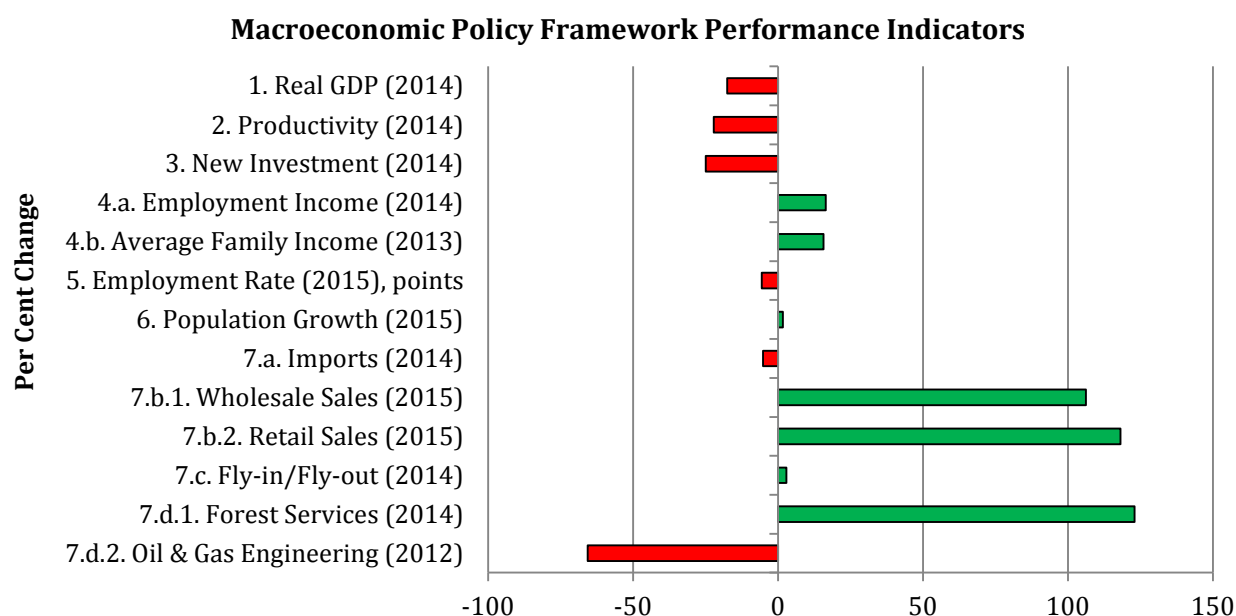


Source: Freshwater Fish Marketing Corporation

ECONOMIC PERFORMANCE INDICATORS - *MACROECONOMIC POLICY FRAMEWORK*

The GNWT's *Macroeconomic Policy Framework* is used to guide investment and policy decisions. The *Framework* includes 13 performance indicators to measure the performance of the NWT economy over time by comparing indicators to a baseline average value from 2005 to 2007. These indicators were designed to capture broad measures of economic wellbeing and provide an indication of the effectiveness of the GNWT's investments to grow and diversify the economy.

Seven of the 13 indicators have moved in a positive direction, but the key drivers of increased GDP, productivity and new investment, are in negative territory and continue to hold back growth.



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

The NWT economy has demonstrated a low level of resiliency since the global financial crisis, and subsequent recession that hit the territory in 2009. This is evidenced by the fact that many indicators have not yet returned to their pre-recession levels. 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.