

Budget Address

2017 – 2018

NORTHWEST TERRITORIES

BUDGET PAPERS

A ♦ Economic Review

February 1, 2017

ECONOMIC REVIEW

Outlook

The economic outlook for the Northwest Territories (NWT) is mixed. Real GDP was flat in 2016, growing only 0.2 per cent over 2015 but is forecast to increase 13.7 per cent in 2017. This forecast growth is driven largely by the first full year of commercial production at the Gahcho Kué diamond mine as well as increased carat production by the industry. These increases will offset declines in private-sector investments and reduced government spending.

The outlook for the NWT diamond industry is also mixed. All existing NWT diamond mines are set to close by 2034. The Diavik diamond mine is expected to close first with operations scheduled to stop in 2023. The Ekati diamond mine, with its investment in the Jay Pipe, is expected to extend its production life until 2034. Gahcho Kué has a planned mine life to 2030.

While diamond mine production is increasing in the immediate future, mineral exploration investments fell by one half from 2015 to 2016, putting into question the discovery and development of the next generation of NWT mines.

Public sector investments in projects such as Stanton Territorial Hospital and infrastructure linked to the federal Building Canada Funds will increase in the near term, contributing to a more diversified economic base. However, government investments will be dwarfed by a steep decline in mining industry investments, which in turn will have a negative impact on the construction and wholesale sectors.

The NWT economy competes in the global market, whether it is marketing diamonds or attracting tourists. Global financial conditions, currency movements, and global economic stability can directly impact the NWT economic outlook.

NWT Economic Outlook

| Indicator | | 2013 | 2014 | 2015 | 2016e | 2017f |
|------------------------------|---------------------------------------|-------------|--------------|--------------|--------------|---------------|
| Gross Domestic Product | chained (2007) millions of dollars | 3,612 | 3,803 | 3,854 | 3,861 | 4,389 |
| | <i>per cent change</i> | <i>2.9</i> | <i>5.3</i> | <i>1.3</i> | <i>0.2</i> | <i>13.7</i> |
| Total Investment | chained (2007) millions of dollars | 1,255 | 1,300 | 1,523 | 1,403 | 1,140 |
| | <i>per cent change</i> | <i>7.1</i> | <i>3.6</i> | <i>17.2</i> | <i>(7.9)</i> | <i>(18.7)</i> |
| Household Expenditure | chained (2007) millions of dollars | 1,372 | 1,392 | 1,418 | 1,431 | 1,450 |
| | <i>per cent change</i> | <i>1.7</i> | <i>1.5</i> | <i>1.9</i> | <i>0.9</i> | <i>1.3</i> |
| Government Expenditure | chained (2007) millions of dollars | 1,673 | 1,765 | 1,826 | 1,810 | 1,748 |
| | <i>per cent change</i> | <i>1.3</i> | <i>5.5</i> | <i>3.5</i> | <i>(0.9)</i> | <i>(3.4)</i> |
| Exports | chained (2007) millions of dollars | 2,519 | 2,672 | 2,616 | 2,678 | 3,345 |
| | <i>per cent change</i> | <i>2.8</i> | <i>6.1</i> | <i>(2.1)</i> | <i>2.4</i> | <i>24.9</i> |
| Imports | chained (2007) millions of dollars | 3,319 | 3,457 | 3,635 | 3,571 | 3,407 |
| | <i>per cent change</i> | <i>2.8</i> | <i>4.2</i> | <i>5.1</i> | <i>(1.8)</i> | <i>(4.6)</i> |
| Employment (Resident) | number of persons | 23,200 | 22,100 | 21,900 | 22,500 | 22,800 |
| | <i>per cent change</i> | <i>0.4</i> | <i>(4.7)</i> | <i>(0.9)</i> | <i>2.7</i> | <i>1.3</i> |
| Average Weekly Earnings | dollars | 1,340 | 1,398 | 1,421 | 1,405 | 1,441 |
| | <i>per cent change</i> | <i>1.6</i> | <i>4.3</i> | <i>1.7</i> | <i>(1.2)</i> | <i>2.6</i> |
| CPI (All-Items), Yellowknife | 2002=100 | 126.2 | 128.4 | 130.4 | 132.0 | 134.5 |
| | <i>per cent change</i> | <i>1.5</i> | <i>1.7</i> | <i>1.6</i> | <i>1.2</i> | <i>1.9</i> |

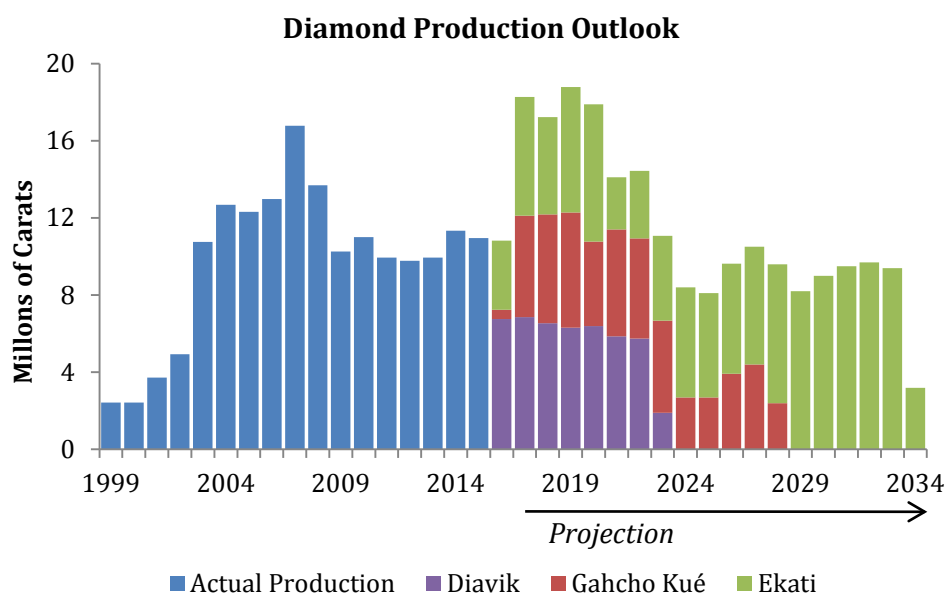
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f: forecast

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, and those expected to be submitted for environmental review and permitting, are all set to end production by 2034. 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 by between 5 and 10 percent from 2015 to 2016. Part of the decrease in rough diamond prices is because of the increase in the supply of diamonds as three new mines, Gahcho Kué in the Northwest Territories, Victor in Ontario and one in Lesotho, began production. Rough diamond prices are also declining because of lower polished diamond prices. The businesses selling polished diamonds are making reduced profits because of increased financing costs, currency volatility, and weak demand. As a result, the demand for rough diamonds has decreased, which also reduces the price for rough diamonds. The demand for polished diamonds is expected to increase as the economies of China and India improve, which should improve polished diamond prices.

Responding to the slump in prices, diamond companies took steps to rebalance the supply and demand for rough diamonds. The supply of rough diamonds delivered to the market was reduced through lower mine production and higher rough diamond inventories. Market demand for rough diamonds was stimulated by reducing prices. For example, DeBeers reduced its prices by 17 per cent over the last two years.

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

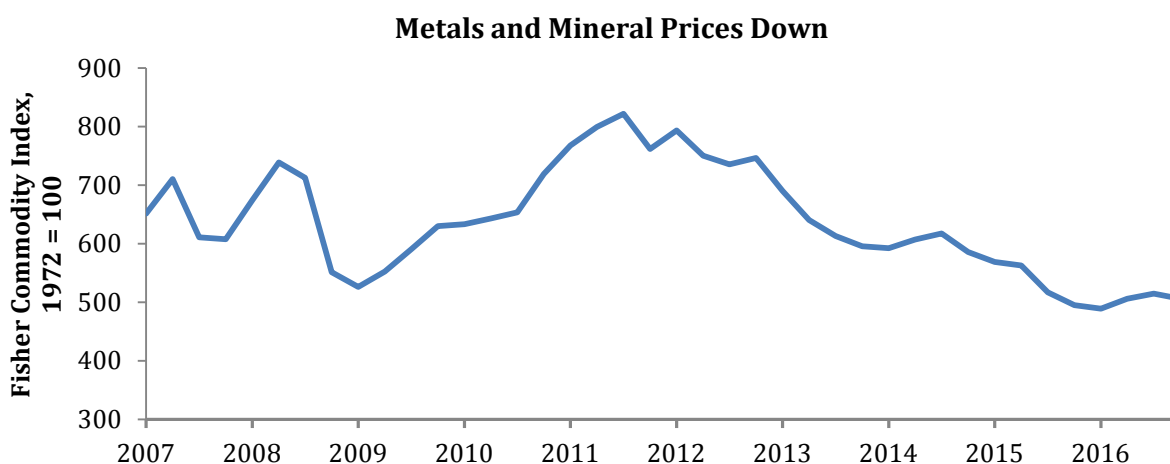
polished diamond prices. The spread between rough and polished stones has squeezed the profit margins of manufacturers, and point to potential future price pressures because many manufacturers have closed their businesses. NWT diamond mines produce rough diamonds, exporting them to manufacturers who cut, polish, and clean the stones, making the price spread a key risk to the NWT economic outlook.



Source: PolishedPrices.com and WWT Overall Rough Diamonds

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. 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.

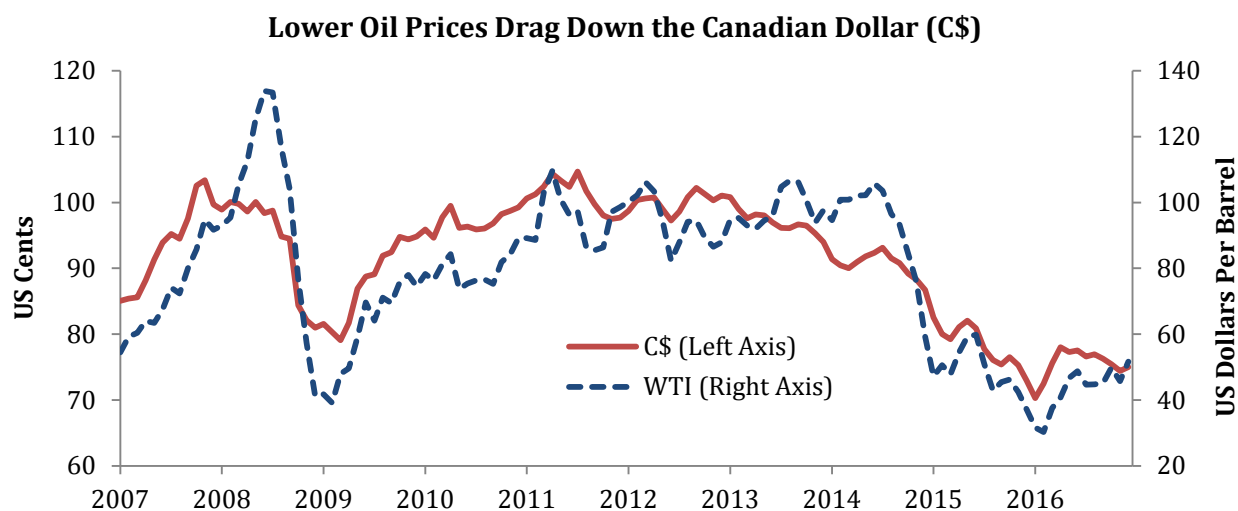


Source: Bank of Canada

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. The benchmark West Texas Intermediate (WTI) crude oil price fell over 40 per cent in less than six months. This trend reached a bottom of \$26.19US on February 11, 2016, and now appears to be reversing. By the end of 2016 WTI was trading above \$50US per barrel. Because the NWT exports a small amount of oil to international markets, the drop in oil prices will have a slight negative effect on NWT trade 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 fuel costs for many businesses and households. A rebound in WTI price 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.



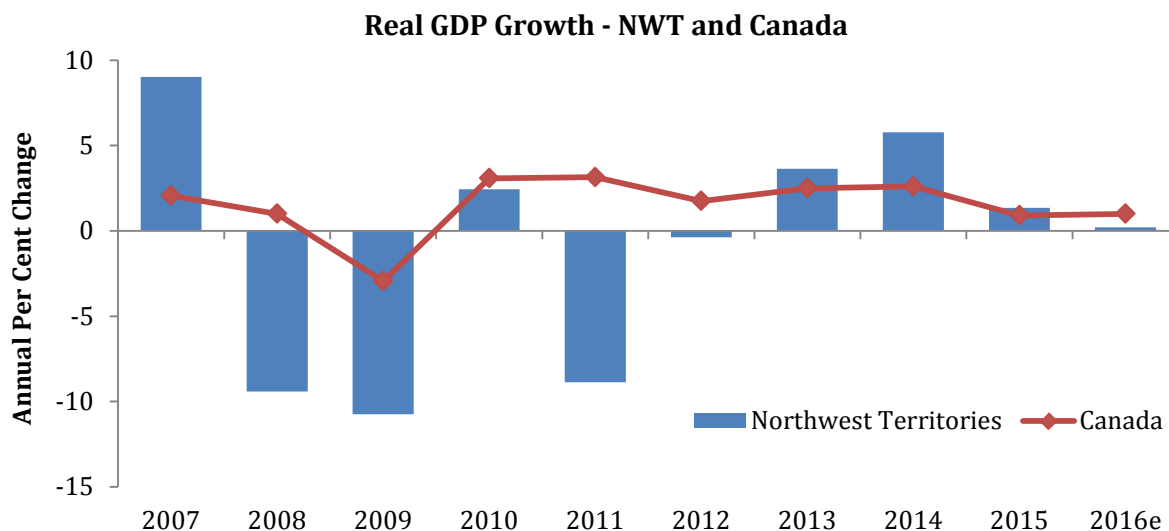
Source: US Energy Information Administration and Bank of Canada

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 75 US cents in 2016, down 4 per cent from 78 US cents in 2015 and down 17 per cent from 91 US cents in 2014. With oil prices expected to remain low, the Canadian dollar is likely to also remain low. At the beginning of 2017 the Canadian currency was trading at 75 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*

The NWT economy slowed in 2016. Real GDP increased just 0.2 per cent in 2016 after rising 1.3 per cent in 2015. Flat growth reflected declines in private investment by diamond mines with the completion of major construction activities at Gahcho Kué and reduced government expenditures.



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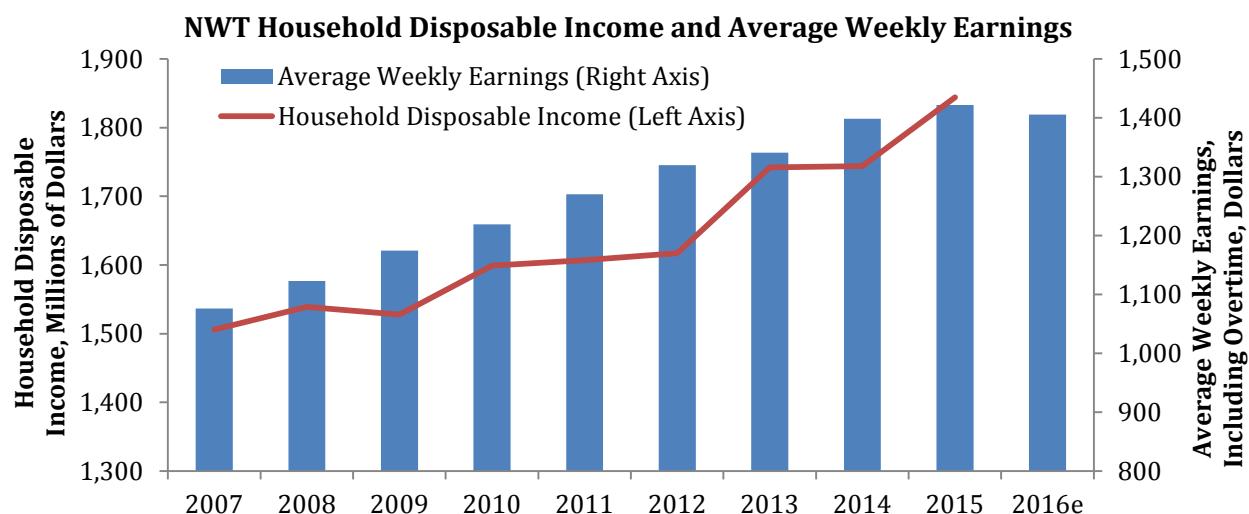
Source: NWT Bureau of Statistics and NWT Finance

The NWT economy remains smaller than it was in 2007 before the global financial crisis occurred and when the diamond mines were investing in mine construction. In 2016 real GDP was 17.3 per cent below what it was in 2007 when diamond mines were producing higher quality diamonds, commodity prices were higher, and mine construction was underway.

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 5.7 per cent from 2014 to 2015. However, during the first nine months of 2016, labour income, a large component of personal income, decreased by 0.3 per cent compared to the same period in 2015.

Wages and salaries earned by employees in the NWT are well above the national average. In 2015, average weekly earnings, including overtime, declined 1.1 per cent, from \$1,422 in 2015 to \$1,405 in 2016. This weekly rate was the second highest in the country, below only Alberta.



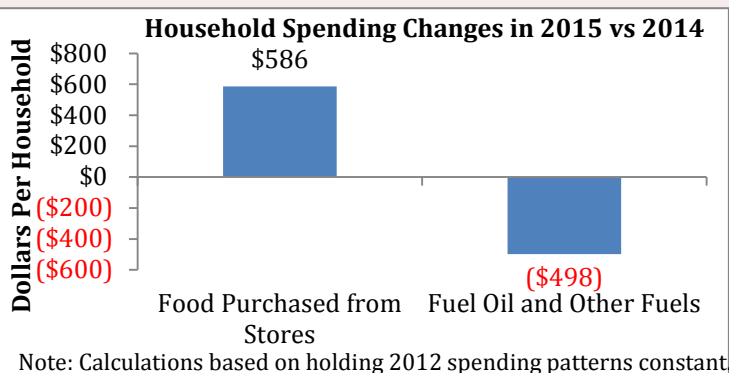
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Source: NWT Bureau of Statistics and Statistics Canada

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.



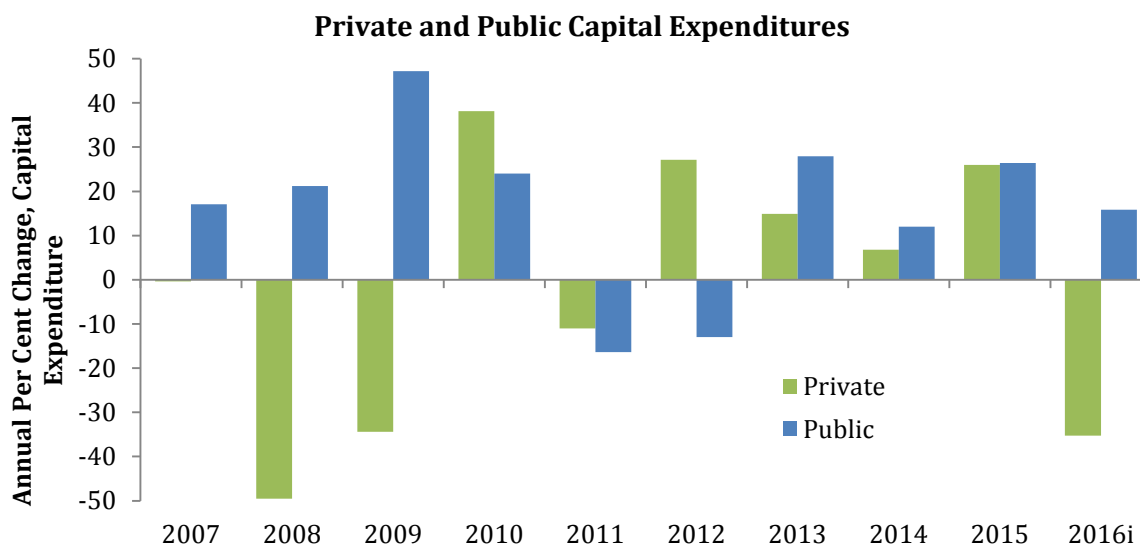
Recent Economic Performance – Investment

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 in 2016, as indicated by reduced total capital spending intentions of \$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 projects 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 per cent increase in capital spending in the mining, and oil and gas extraction sector. Much of this investment spending in these industries was for the

construction of the Gahcho Kué diamond mine and now that this construction is completed, overall capital expenditure by the private sector is expected to fall 35 per cent in 2016 to \$647 million.



i = intentions

Source: NWT Bureau of Statistics and Statistics Canada

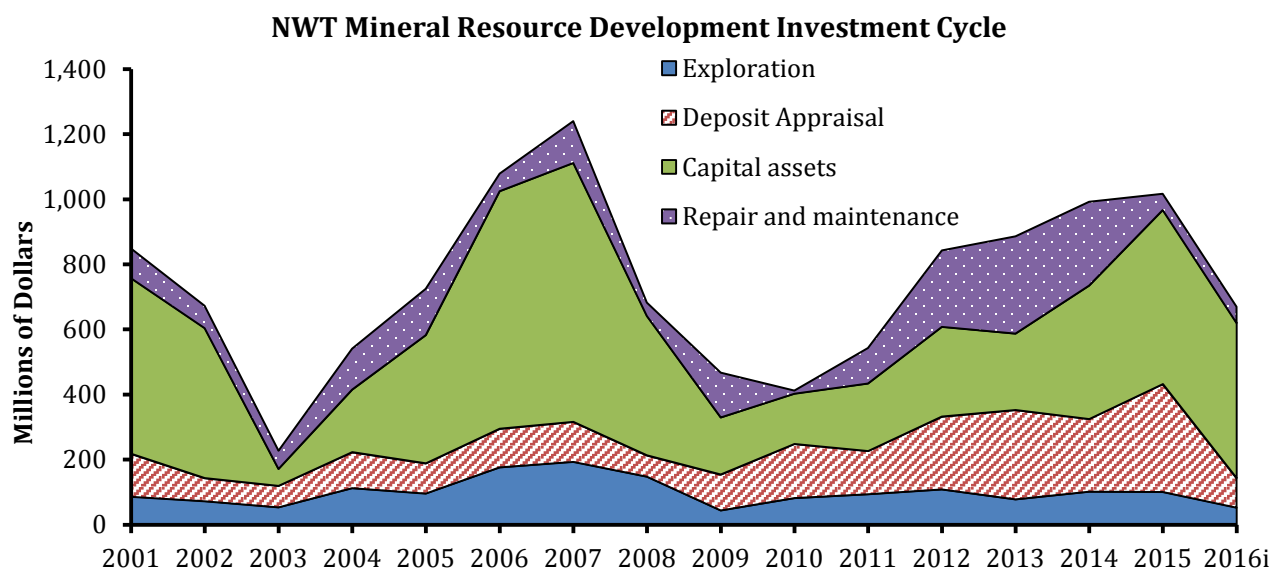
The mining industry has a major impact on the NWT economy. A single diamond mine may involve capital expenditures of over a billion dollars and, in an economy where the GDP hovers between four and five billion dollars, the economy will show a large increase with the start of construction. When the mine construction ends and commercial operation begins, the GDP will drop because of the lower construction investment but will remain higher than the pre-construction GDP level because of the value of the annual production. When a mine stops production, the absolute level of the NWT GDP will be lower. The investment cycle is very pronounced.

Total investment by the mining industry increased from \$993 million in 2014 to \$1,026 in 2015, reflecting major construction expenditures from the Gahcho Kué diamond mine. 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 47.5 per cent in 2016, falling from \$101 million in 2015 to \$53 million in 2016.

Deposit appraisal expenditures are undertaken to assess the commercial potential of the deposit including the costs of extraction and complying with environmental protection requirements. Deposit appraisal expenditures are expected to decline by almost three quarters, from \$331 million in 2015 to \$90 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 \$535 million. During 2016 and with the completion of construction of Gahcho Kué, investment expenditures in capital assets is expected to fall to \$477 million, an 11 per cent decrease from 2015. Repair and maintenance expenditures for the industry are expected to remain unchanged at \$50 million.



Source: Natural Resources Canada and NWT Finance

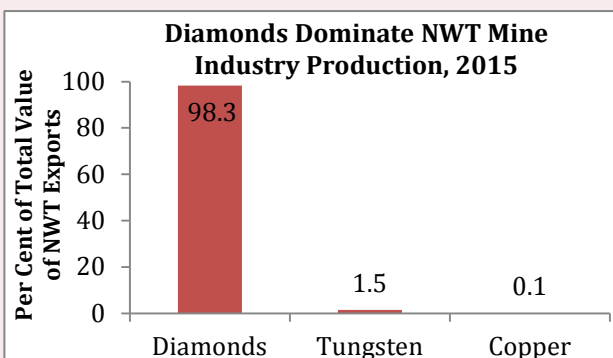
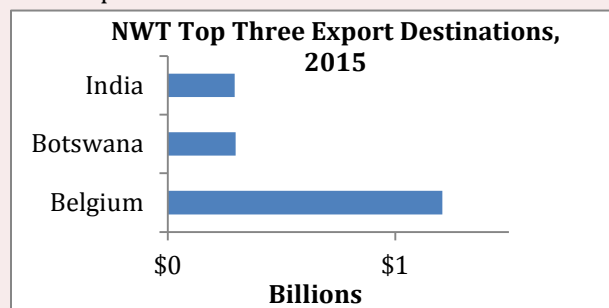
Recent Economic Performance – Trade

The small, open NWT economy depends on trade with other jurisdictions. The NWT exports natural resources (mainly diamonds) 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.

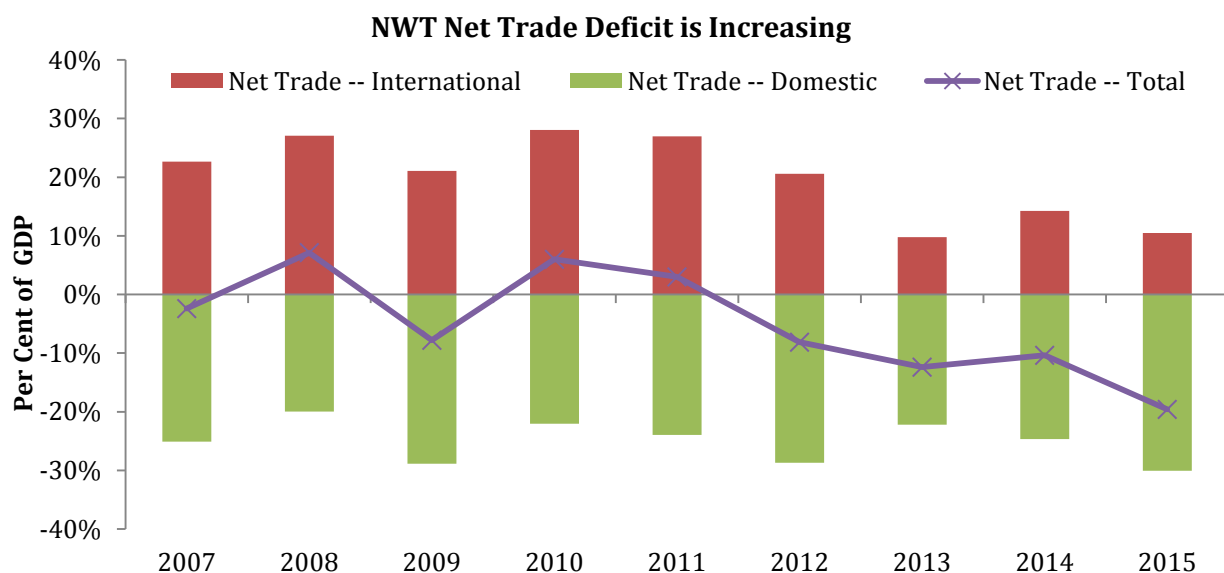
The NWT trade surplus with other countries, relative to real GDP, has declined over the past few years; decreasing from 14.3 per cent of GDP in 2014 to 10.5 per cent in 2015. Imports have increased the overall NWT trade deficit from 10.3 per cent of GDP in 2014 to 19.6 per cent in 2015.

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

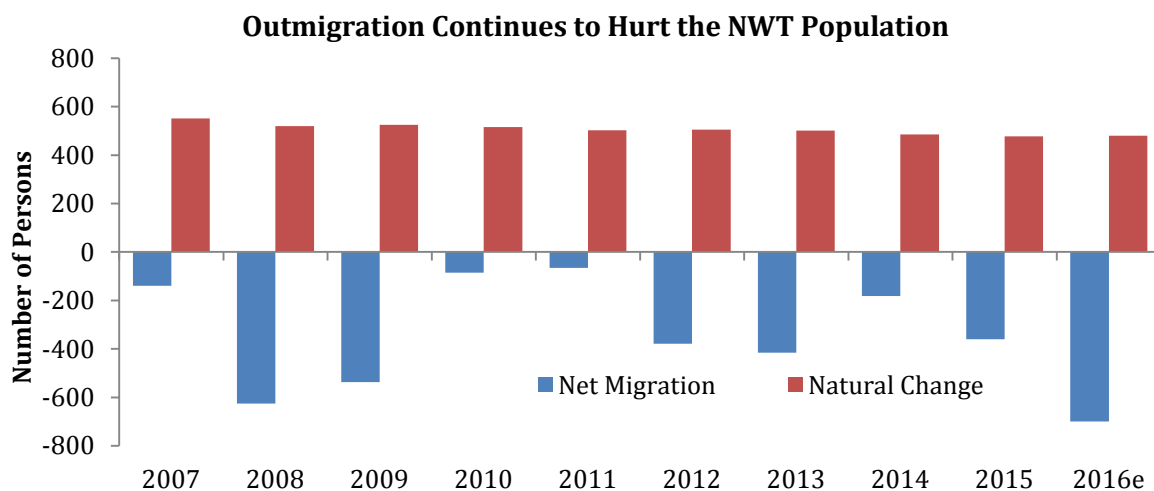


Source: Statistics Canada and NWT Finance

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's population has been relatively stable over the past decade. As of July 1, 2016, the NWT population was estimated to be 44,469 people, an increase of 225 persons, or 0.5 per cent, from July 1, 2015.

Three factors account for this population increase of 225: natural change (births minus deaths), interprovincial migration, and international migration. Between July 1, 2015 and July 1, 2016 there was a net natural increase of 452 persons (685 births minus 233 deaths), while interprovincial migration resulted in a net loss of 421 persons (2,323 persons moved into the NWT from the rest of Canada and 2,744 persons moved out). Internationally, there was net in-migration of 194 persons.

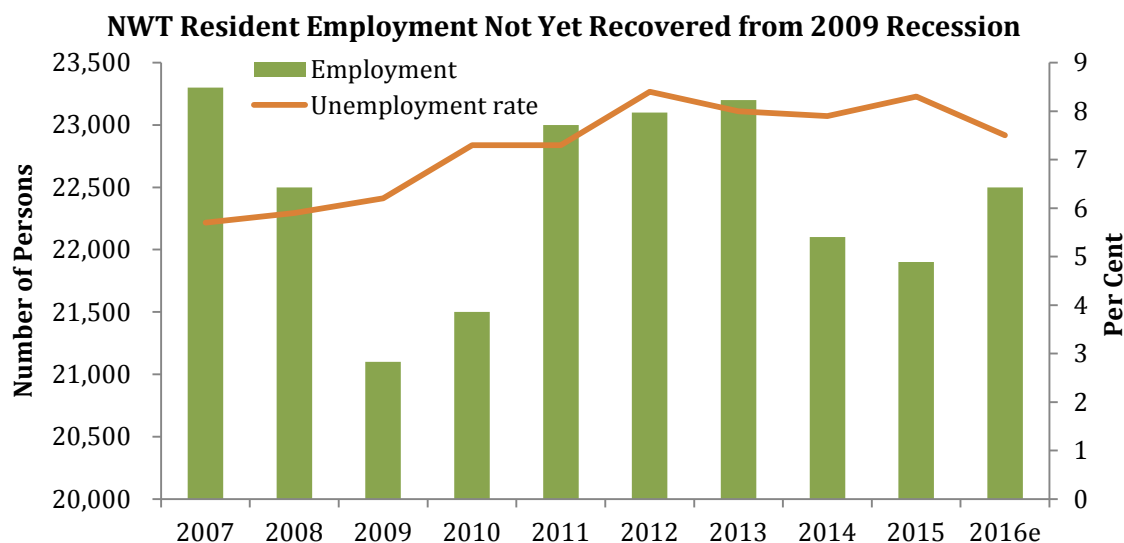


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Source: NWT Bureau of Statistics

Recent Economic Performance – Labour

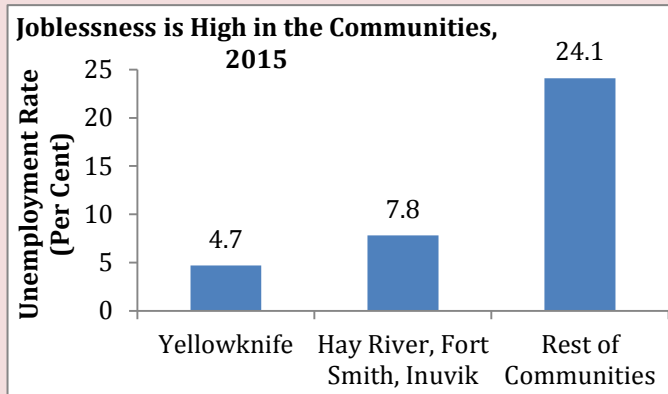
In 2016, NWT resident employment was estimated at 22,700, an increase of 800 persons from 2015 and 600 persons below the 2007 pre-recession high. This increase reflected an increase in the size of the NWT labour force and a reduction of the unemployment rate from 8.3 per cent in 2015 to 7.5 per cent in 2016. In 2016, the NWT employment rate (the share of the labour force that is employed) was 69.8 per cent, up from 68.5 per cent in 2015, but well below the 2007 pre-recession employment rate of 74.0 per cent.



e: estimate

Source: NWT Bureau of Statistics and Statistics Canada

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



The NWT-wide unemployment rate hides significant regional variation.

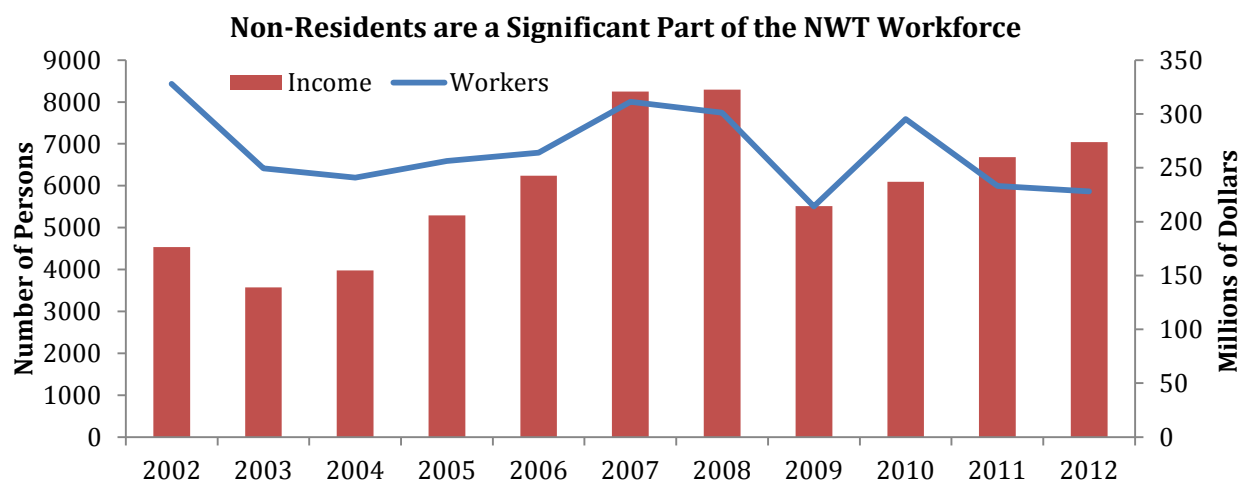
While unemployment is relatively low in the larger centres of Yellowknife, Hay River, Fort Smith and Inuvik, unemployment in the other smaller, more isolated communities is high.

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 2002 and 2012, non-resident workers accounted for about one third of the NWT workforce.



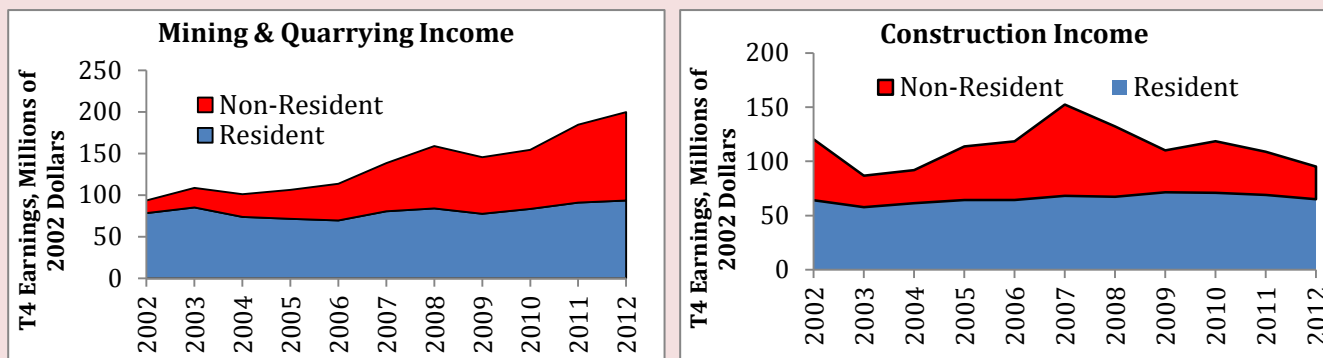
Source: Statistics Canada and NWT Finance

Each year 5,000 to 8,000 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 2002 and 2012. This represents approximately 18 per cent of all employment income generated in the NWT.

Non-resident workers who are employed in the NWT provide skills needed by NWT businesses but this reliance on out-of-territory workers means lost NWT business from consumer spending 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 immigration 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 respond to changing economic conditions in other regions in order to shift recruitment opportunities to 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.

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

In 2012, 53 per cent of employment income in the NWT mining industry and 32 per cent of employment income in the construction sector was paid to non-resident workers.

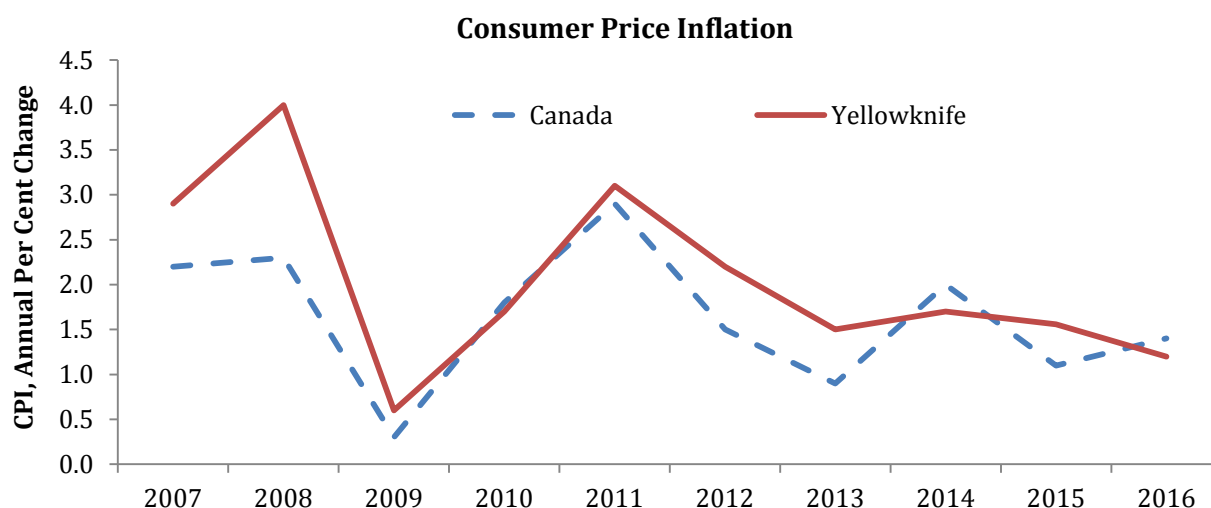


Source: Statistics Canada and NWT Finance

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 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.

The Yellowknife Consumer Price Index (CPI) increased by 1.2 per cent in 2016, slowing slightly from a 1.6 per cent increase in 2015, 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 lower last year than in Canada as a whole.



Source: Statistics Canada

Key Sectors – *Composition of the Economy*

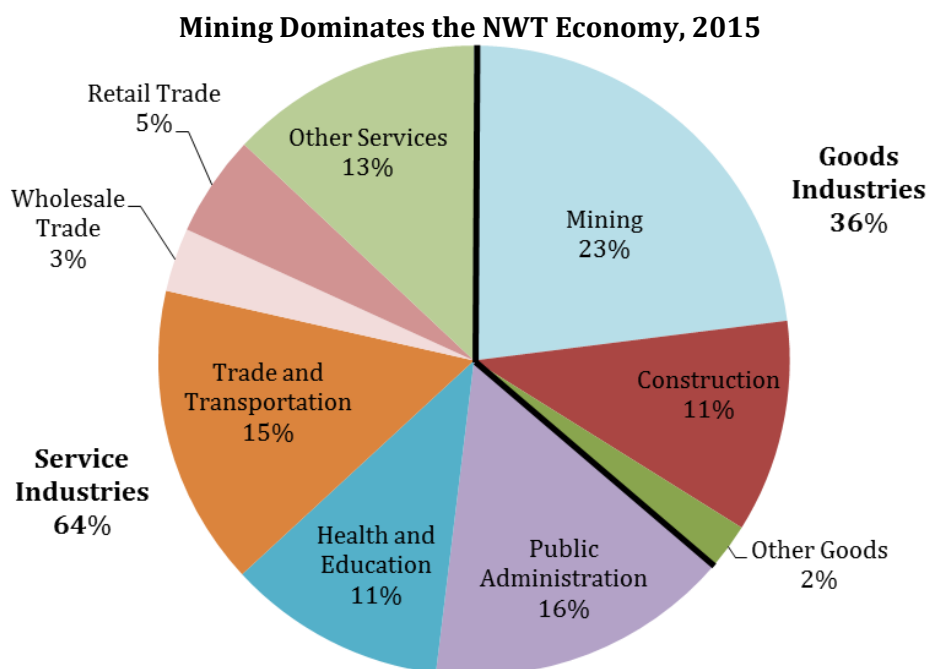
The NWT economy relies heavily on the extractive, non-renewable resource sector, especially the diamond mining industry. In 2015, the mining, oil, and gas extraction sector accounted for over a fifth of NWT GDP if linkages with other sectors are considered. No other single sector dominates the NWT economy 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.

The goods-producing sector accounted for 36 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

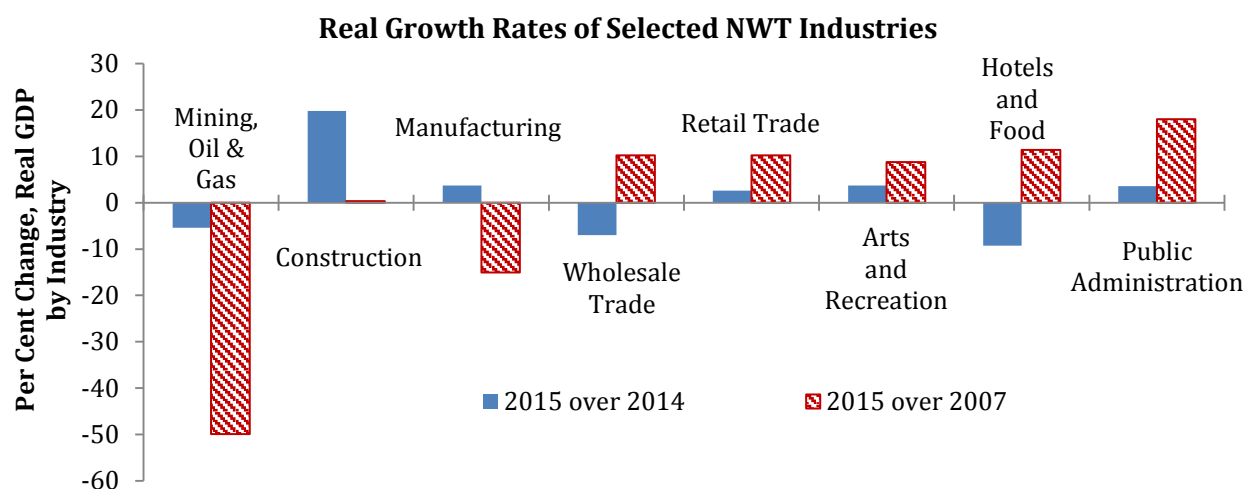
11 per cent of NWT GDP in 2015. The remainder of the goods-producing sector accounted for 2 per cent of GDP and was comprised of renewable resources, utilities, and manufacturing industries.

The combined services-producing industries accounted for 64 per cent of NWT GDP in 2015. Public sector activities dominate this sector, with public administration, education, health and social services accounting for 27 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

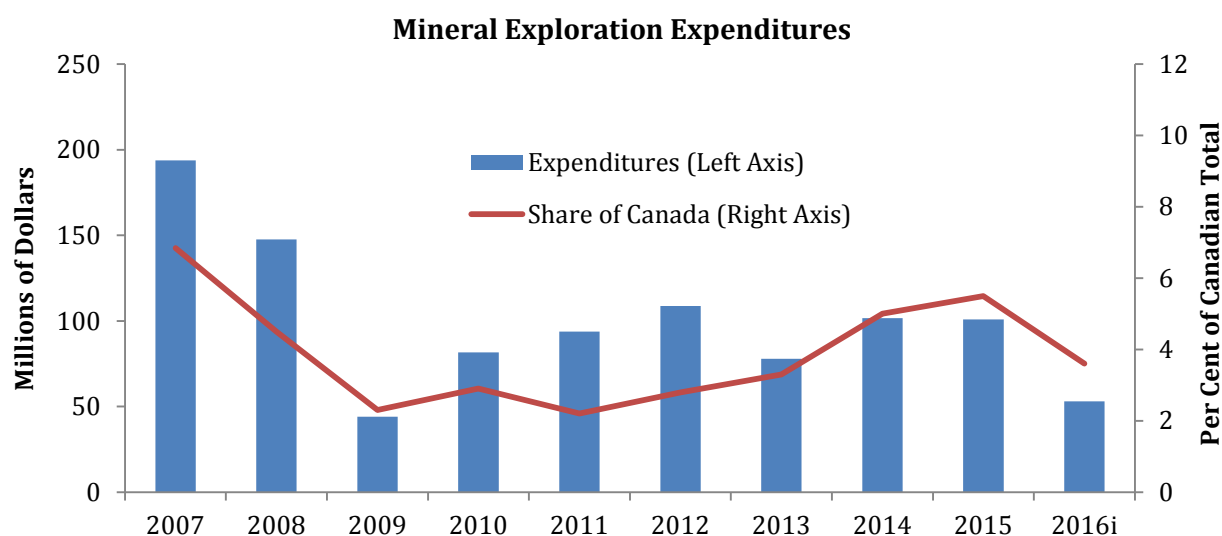
From 2007 to 2015, the mining, oil and gas industries shrunk by 50 per cent, the manufacturing sector declined 15 per cent, but hotels and restaurants grew 11 per cent. This has meant that the structure of the NWT economy has changed: in 2007, the goods-producing sector accounted for 51 per cent of the NWT economy, but by 2015 that share had fallen to 36 per cent. This reflects the business cycle in the goods-producing industries and the global economic recession.



Source: Statistics Canada and NWT Finance

Key Sectors – Large Industries: Mining, Oil and Gas (23 % of GDP)

The mining, oil and gas sector accounts for 23 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 slightly from \$102 million in 2014 to an estimated \$100 million in 2015. However spending intentions for 2016 are expected to fall to \$53 million. Exploration expenditures are increasingly focussing on diamonds, which account for over three-quarters of intended expenditures in 2016 compared to just over one-quarter between 2010 and 2012. 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, falling to a 3.6 per cent share in 2016. Low commodity prices continue to impact resource development in Canada.



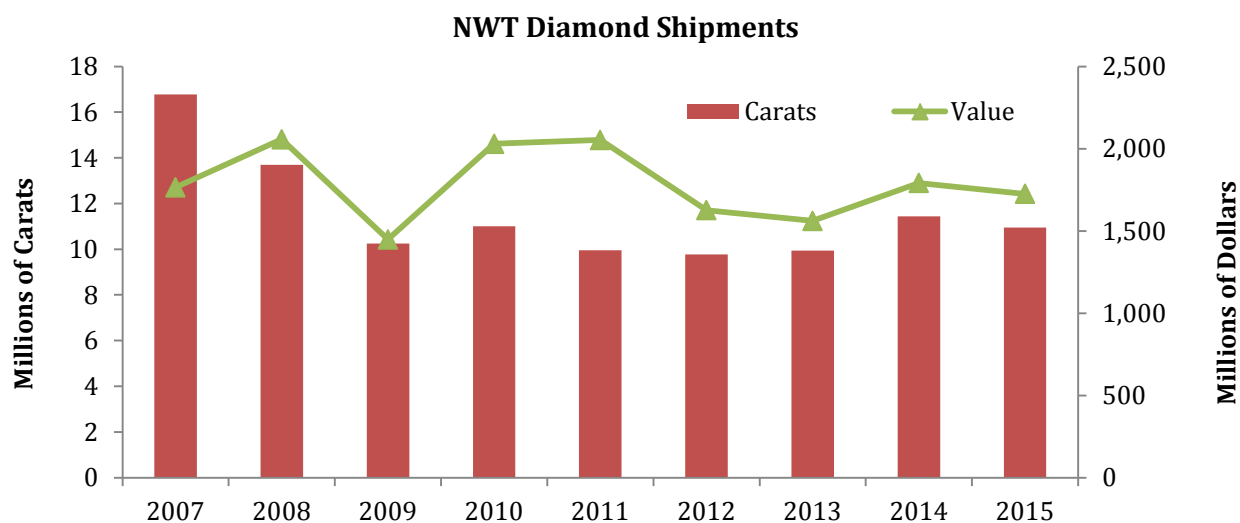
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Source: Natural Resources Canada

Over half of 2015 expenditures were spent on mineral exploration activities related to the discovery and re-evaluation of mineral deposits in the NWT. 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 has three producing diamond mines: Ekati, Diavik and Gahcho Kué, which started commercial production in early January 2017. The Snap Lake mine was put on care and maintenance in December 2015 and will be flooded in early 2017.

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.

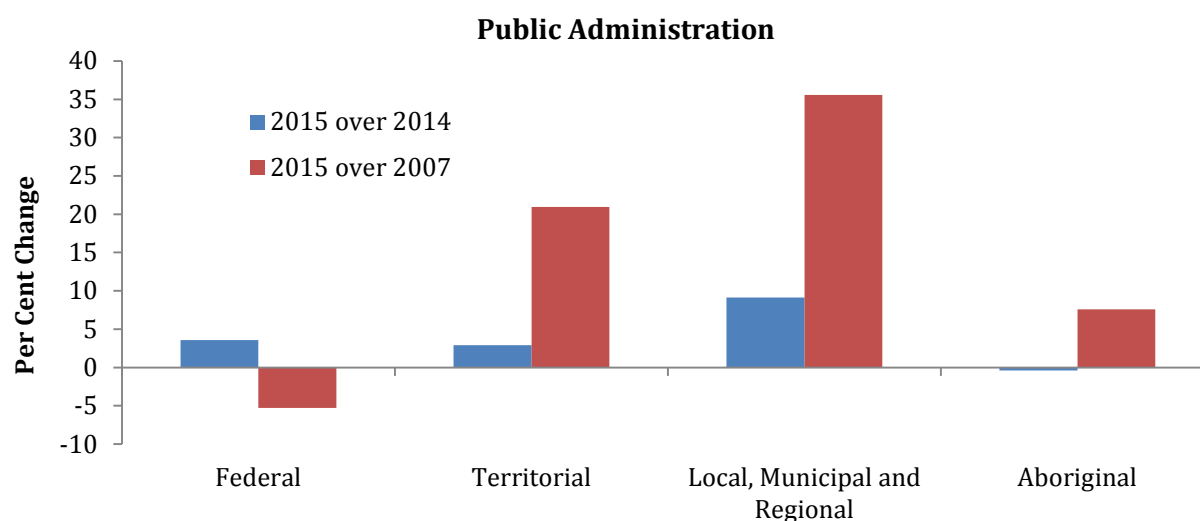


Source: NWT Bureau of Statistics and NWT Finance

Key Sectors – Large Industries: Public Administration (16% of GDP)

Public administration at all levels of government (federal, territorial, municipal, and Aboriginal) is the second largest industry in the NWT, accounting for 16 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 but excludes however, the health, social services and education sectors.

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 on April 1, 2014.

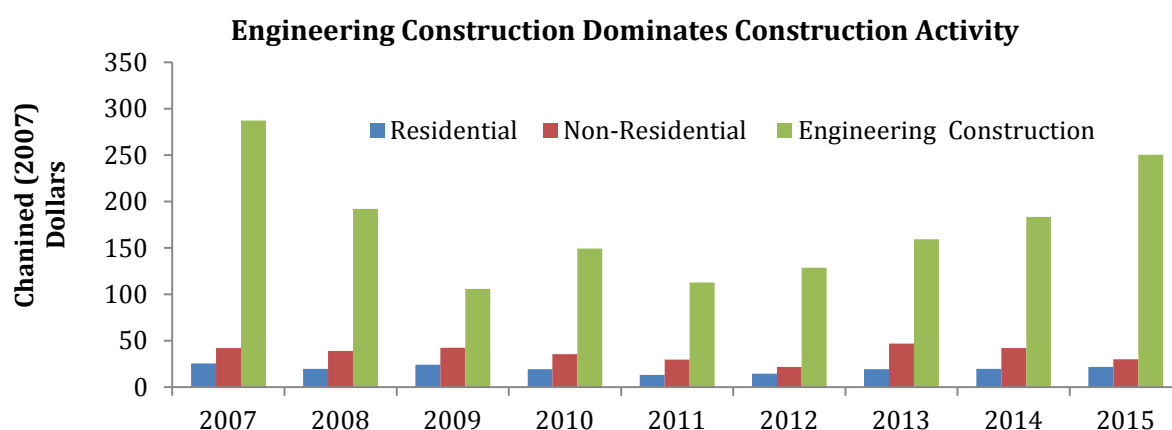


Source: Statistics Canada

Key Sectors – Large Industries: Construction (11% 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 two-thirds of real construction expenditure in 2015.

Overall construction activity increased 20 per cent from 2014 to 2015, and is now recovered to its pre-recession level. Work on projects such as constructing the Gahcho Kué diamond mine (cost \$1 billion), the Inuvik-Tuktoyaktuk Highway (cost \$300 million), and Mackenzie Valley Fibre Link (cost \$91 million) support increased engineering construction spending by over one third between 2014 and 2015, while residential construction increased by a more modest 10 per cent, and non-residential construction declined by 29 per cent.

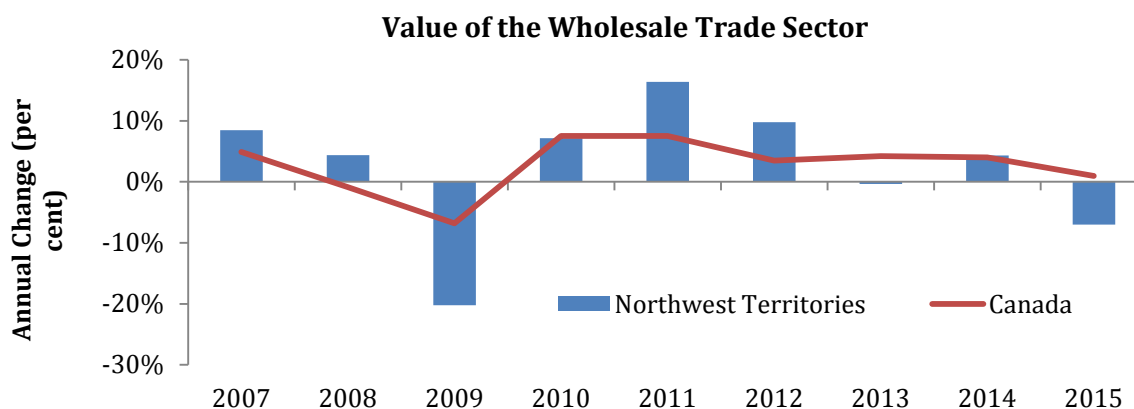


Source: Statistics Canada

Other Sectors

Wholesale Trade (3% of GDP)

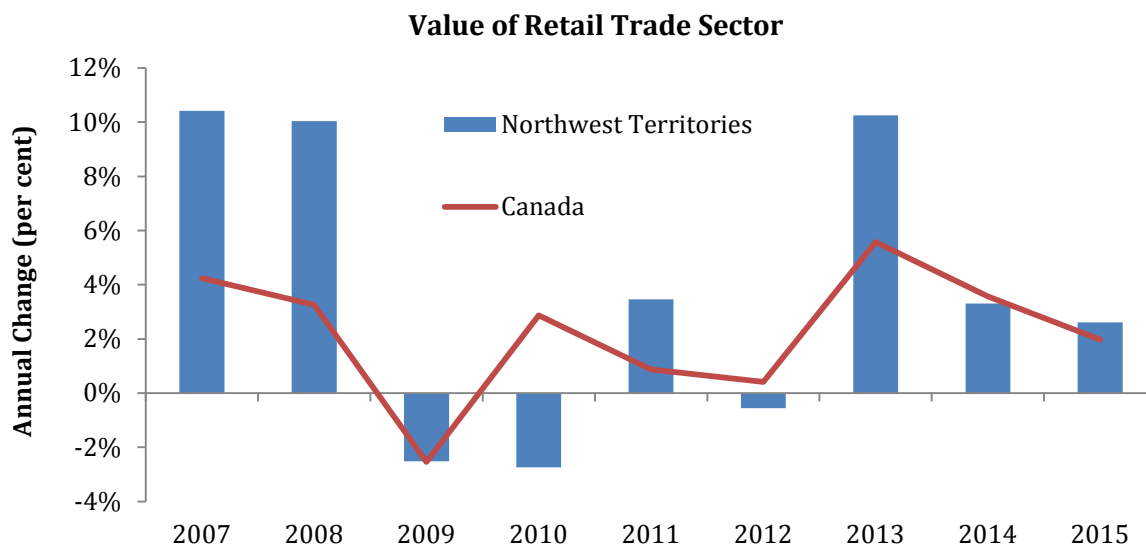
The NWT wholesale trade sector fell from \$141 million in 2014 to \$131 million in 2015, a decline of 7.0 per cent. The national wholesale trade industry recorded a small annual increase of 0.9 per cent over the same period.



Source: Statistics Canada

Retail Trade (5% of GDP)

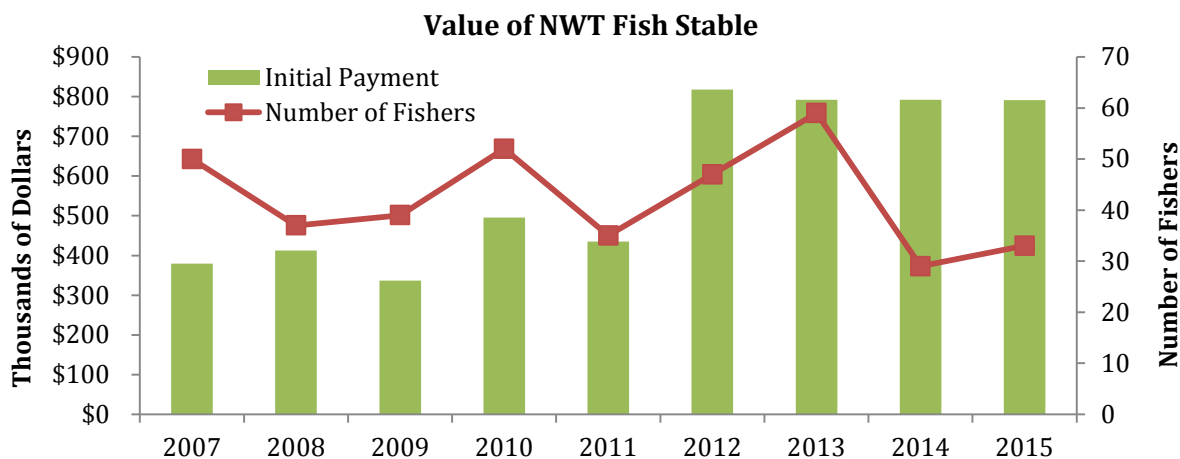
In 2015 the NWT retail trade sector increased from \$203 million in 2014 to \$209 million, an increase of 2.6 per cent. The national retail trade industry recorded increased by 2 per cent over the same period.



Source: Statistics Canada

Commercial Fisheries

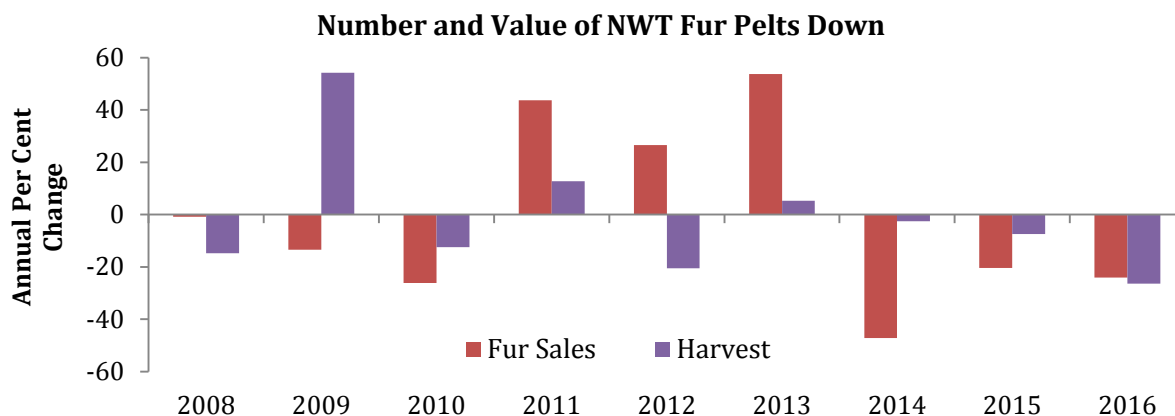
The commercial fishery in the NWT is small with room for growth. Initial payments to NWT fishers – on delivery-point, net-of-freight basis – were unchanged in 2015, decreasing 0.1 per cent from 2014 to \$791,650, while the quantity increased 50 per cent from 288,000 kilograms in 2014 to 432,000 kilograms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



Source: Freshwater Fish Marketing Corporation

Trapping and Hunting

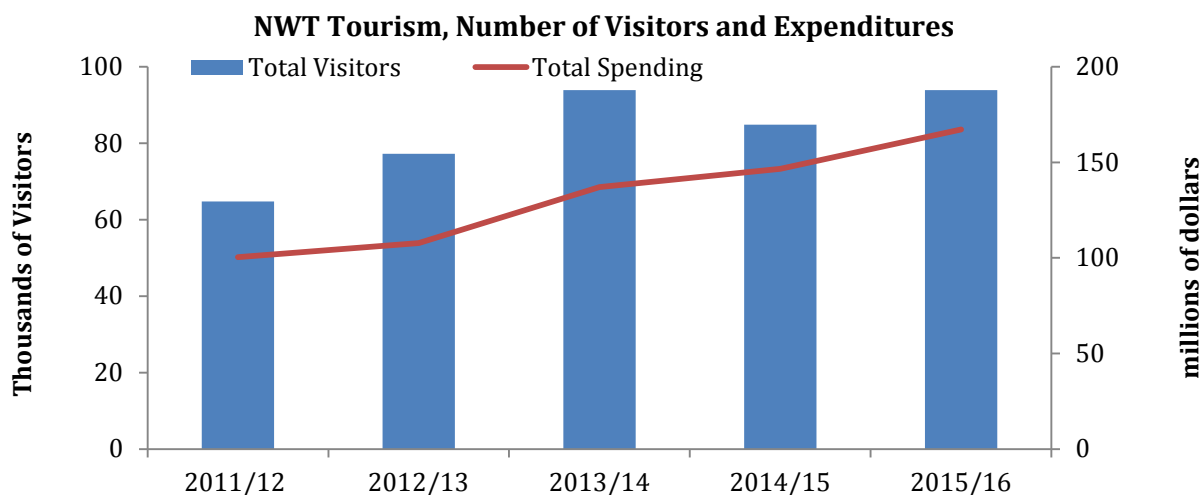
Trapping is a component of the renewable resource sector, and is important to many NWT residents for food, especially in smaller communities. For the year ended June 30, 2016, roughly 17,250 NWT pelts were sold, a decrease of 26 per cent from the previous year, while the value of fur sales decreased 24 per cent to \$742,200. The number of commercial trappers in the NWT increased 3.5 per cent to 677. Although there is a continued decline in total sales which reflects current market conditions, the Genuine Mackenzie Valley Fur program continues to perform as intended by stabilizing the market for NWT trappers, thereby providing financial support.



Source: NWT Industry, Trade and Investment and NWT Finance

Tourism

Tourism is not formally defined as an industry in the NWT GDP data. However, the tourism industry has direct implications for measured components of GDP such as travel services, accommodations, retail trade industries, and other supporting industries. From 2014-15 to 2015-16, the number of visitors increased 10.7 per cent from 84,800 to 93,900. Over the same period, visitor expenditures rose by 14.0 per cent, increasing from \$147 million to \$167 million.



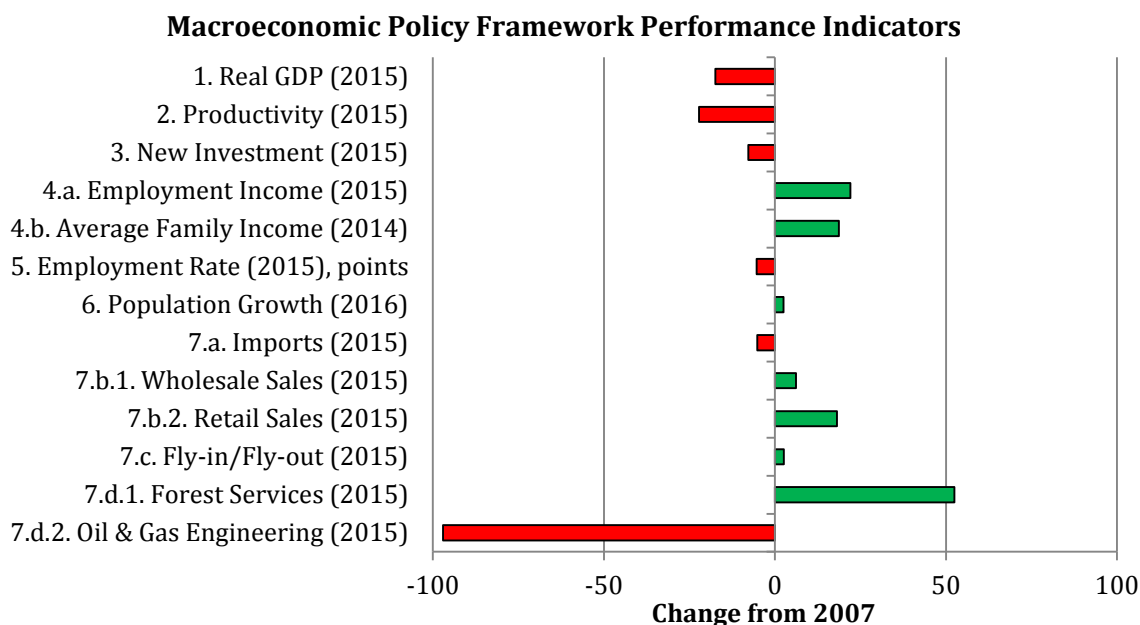
Source: Department of Industry, Trade and Investment

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 change in the performance of the NWT economy over time by comparing indicators to their baseline values in 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 economic growth. In the following figure, the indicators with red bars show the percentage decrease in their values and the indicators with green bars show the percentage increase in their values since the baseline year.

The NWT economy has demonstrated a low level of resiliency since the 2008 global financial crisis and the subsequent recession that hit the territory in 2009. This is shown by the many indicators that have not yet returned to their pre-recession levels. Two contributing factors to the low level of resiliency is the economic dependence on the extractive (mainly diamonds) resource industry, and 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.



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