

Budget Address

2019-2020

Northwest Territories

Budget Papers

A ♦ Economic Review

February 6, 2019

ECONOMIC REVIEW

Outlook

The Northwest Territories (NWT) economy in 2018 held onto 2017 gains with real Gross Domestic Product (GDP) estimated to be about level with the previous year. Economic activity is projected to increase 2.1 per cent in 2019, mainly due to the restart of oil extraction with the repair of the Norman Wells pipeline. In recent years the economy has been supported by construction of the Gahcho Kue diamond mine and large public infrastructure investments including construction of the Inuvik-Tuktoyatuk highway and Stanton Territorial Hospital. Although these projects are complete, public investments will continue to support the 2019 economy with significant infrastructure investments.

The economic growth projected for 2019 is based on maintaining existing economic activity levels. Diamond mine activity is maintaining its 2018 levels, oil extraction activity in Norman Wells has restarted and public investment continues with new projects such as construction of the Tlicho All Season Road, other public infrastructure to support government program delivery, and investments in low-carbon economy capital projects. However, this growth masks the fact that there remains no oil and gas activity in the Beaufort Delta and mineral exploration is expected to be lower than 2018, adding uncertainty for the next generation of mines to replace the world-class, but maturing, diamond mines. The resident labour force is nearing full employment but partly because fewer NWT residents are looking for work.

The medium-term economic outlook remains uncertain because of the NWT economy's dependence on the non-renewable resource industry for its high paying jobs and local business opportunities. Although the resource sector is expected to continue to perform reasonably well over the next five to ten years, none of the existing diamond mines plan production past 2034 and the Diavik mine is scheduled to close in 2025. The lead time for a deposit discovery to become an active mine is measured in decades and, therefore, future resource developments depend on current mineral exploration.

Strengthening the sustainability of the NWT economy requires economic diversification. Current economic diversification strategies have produced no measurable results at the territorial level, leaving the longer term forecast in uncertainty. Growing the population and expanding the pool of skilled resident labour remains a key challenge facing the economy.

The NWT economy competes in the global market, whether it is marketing diamonds, auctioning furs or attracting tourists. Rising protectionist trade barriers, uncertain monetary policy, natural disasters and political unrest can disrupt the world economy. Changes in the global economy are directly transmitted to the territorial economy through resource prices and the demand for the NWT products and add uncertainty to the economic outlook.

NWT Economic Outlook

(chained (2012) dollars unless otherwise specified)

	2015	2016	2017	2018e	2019f
Gross Domestic Product	4,775	4,827	5,004	5,021	5,128
<i>per cent change</i>	0.9	1.1	3.7	0.3	2.1
Total Investment	1,676	1,541	1,126	919	926
<i>per cent change</i>	14.6	-8.1	-26.9	-18.3	0.7
Household Expenditure	1,563	1,575	1,596	1,607	1,629
<i>per cent change</i>	1.6	0.8	1.3	0.7	1.3
Government Expenditure	2,060	2,087	2,116	2,102	2,179
<i>per cent change</i>	-1.0	1.3	1.4	-0.7	3.6
Exports	3,213	3,138	3,494	3,566	3,646
<i>per cent change</i>	-4.7	-2.3	11.3	2.1	2.3
Imports	3,811	3,554	3,394	3,238	3,312
<i>per cent change</i>	2.0	-6.7	-4.5	-4.6	2.3
Employment (Number of Resident)	21,900	22,500	21,300	21,300	21,500
<i>per cent change</i>	-0.9	2.7	-5.3	0.0	0.9
Average Weekly Earnings (dollar)	1,421	1,404	1,400	1,416	1,441
<i>per cent change</i>	1.7	-1.2	-0.3	1.2	1.8
CPI (All-Items), Yellowknife (2002=100)	130.4	131.9	133.5	136.5	139.4
<i>per cent change</i>	1.6	1.2	1.2	2.3	2.1

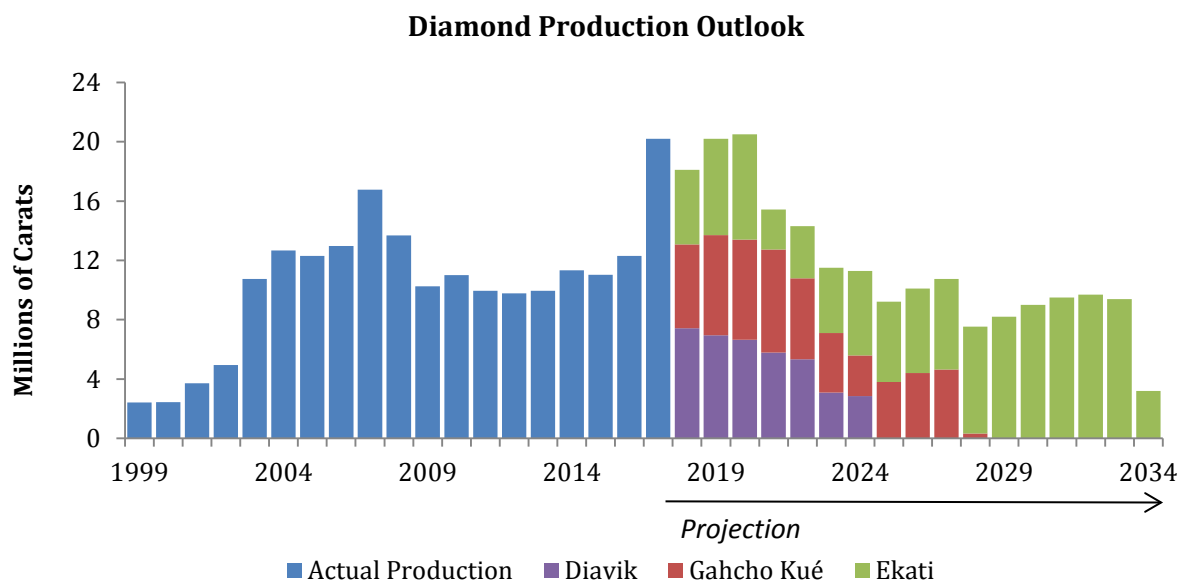
e: estimate

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 economy, but mine plans for operating 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 determine which potential new mine projects can be developed.

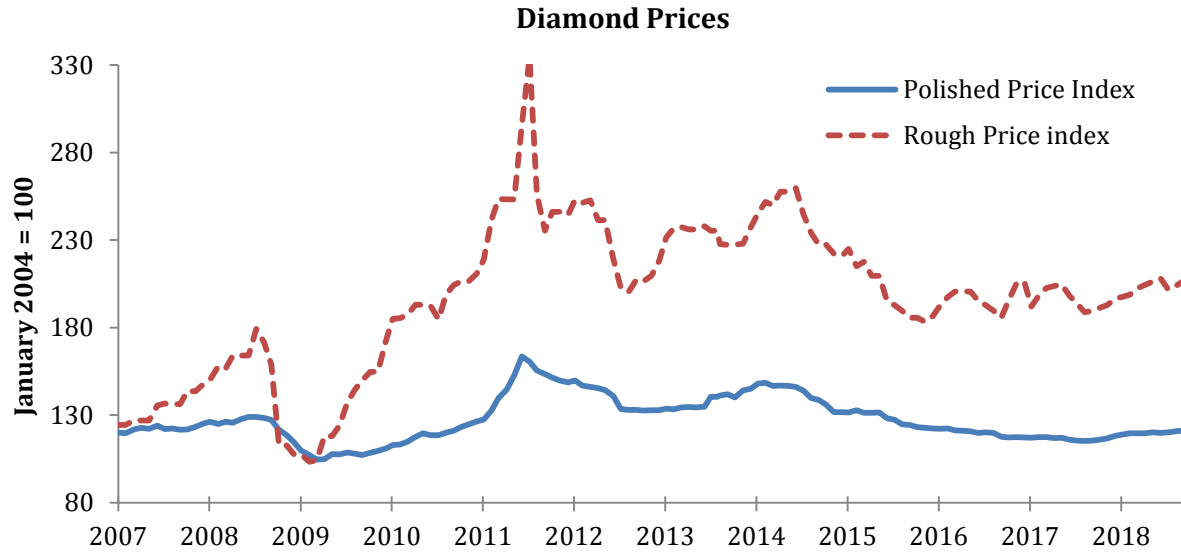


Source: Natural Resources Canada, mining plans and technical reports, NWT Finance

The final decision to construct a new mine depends on a range of economic and financial factors, including global capital credit conditions, currency markets, and commodity prices. Indexed diamond prices for polished stones increased 2.6 per cent from 2017 to 2018, while indexed prices for rough stones rose 1.6 per cent. This caused the price spread between rough and polished stones to narrow slightly.

Although polished stone prices increased more than rough diamond prices over the past year, rough diamonds remain expensive relative to polished stones because over the past decade rough diamond prices increased significantly faster than polished diamond prices. The spread between rough and polished stones has squeezed the profit margins of manufacturers and is a main contributor to the closure of many manufacturers’ businesses. NWT diamond mines export rough diamonds to manufacturers who cut, polish, and clean the stones, making the price spread a key risk to the NWT economic outlook.

Demand for diamonds, combined with a decreasing supply of rough diamonds, is projected to create a supply gap within two years. Complicating the industry outlook is the acceptance of synthetic diamonds in the commercial small diamond market. Synthetic diamonds are becoming increasingly competitive in the small diamond market industry but have limited impact on prices for larger diamonds.

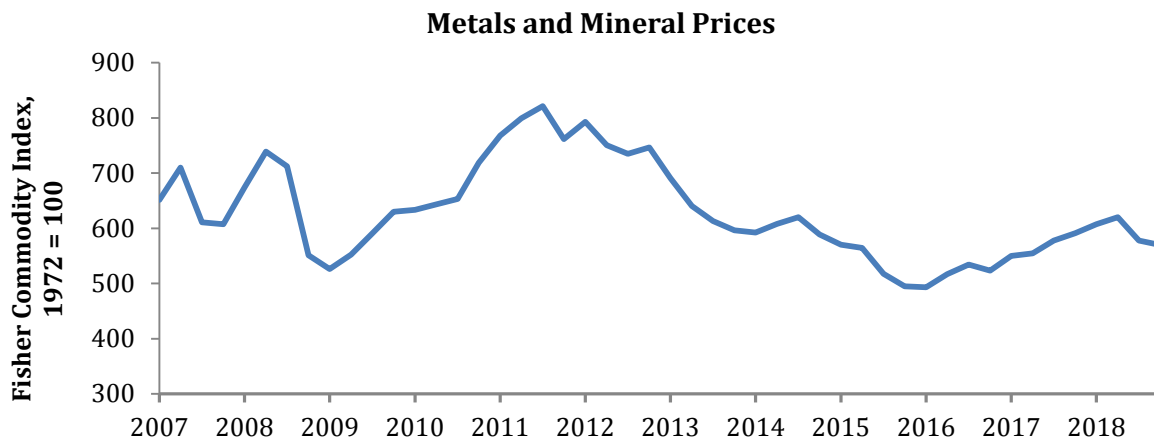


Source: PolishedPrices.com and WWT Overall Rough Diamonds

OUTLOOK – Risks to the Forecast: Mineral and Metal Prices

Global prices for resource commodities, including many metals and minerals found in the NWT, rose modestly in 2018, consolidating the price gains of the previous year. Indexed metals and minerals prices rose by 4.5 per cent from 2017 to 2018, following a strong price recovery in 2017. Gold prices were flat in 2018, rising just 1.1 per cent during the first 11 months of the year over the same period in 2017. This rise in prices corresponds with moderate growth in the global economy and a stabilisation in many emerging markets, including China and India. Improving global growth suggests that metals and minerals prices may rebound further over the near term.

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



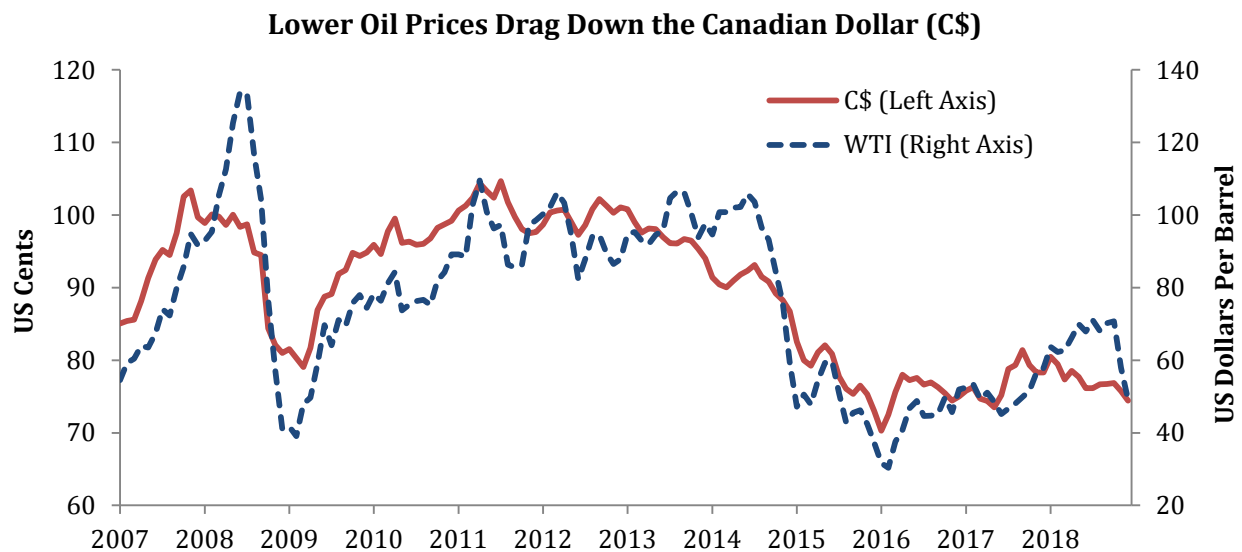
Source: Bank of Canada

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

The benchmark West Texas Intermediate (WTI) crude oil price rose steadily through 2018 from \$57.88US at the end of 2017, to around \$70US by the early autumn before falling to under \$50US by the end of 2018. Supply from hydraulic fracturing shale oil, which can react to changing demand quickly, and global economic uncertainty have contributed to volatility in crude oil prices.

Because the NWT exports a small amount of oil to international markets, low oil prices have had a slight negative effect on NWT trade. More concerning, low oil prices have had a serious negative effect on oil exploration activity in the Sahtu and Beaufort Delta regions of the NWT. A rebound in WTI price is not projected as increased global supply over the near term is expected to continue putting downward pressure on oil prices.

Lower oil prices have positive implications for other parts of the NWT economy by lowering the cost of energy for consumers, business and the energy-intensive mining industry.



Sources: US Energy Information Administration and Bank of Canada

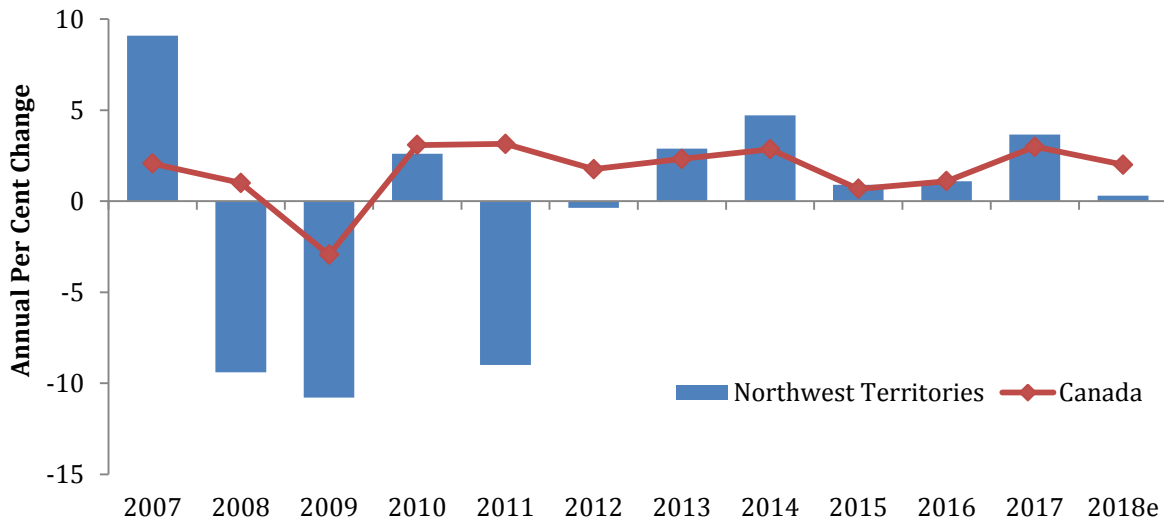
As an oil-exporting country, the drop in global oil prices has lowered the Canadian dollar vis-à-vis the US dollar. Despite modest monthly volatility, the Canadian dollar averaged 77 US cents in 2018, unchanged from 2017. During 2018 there was steady downward pressure on the Canadian dollar in terms of the US dollar, falling from 80.5 cents in January to 74.4 cents by December. With oil prices expected to remain low, the Canadian dollar is also expected to remain low.

The value of the Canadian dollar against its United States 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 them compete globally, and boost exports. However, a lower Canadian dollar will also make imported machinery and equipment 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 weak growth, real GDP increased 3.7 per cent from 2016 to 2017, reflecting an 11.3 per cent rise in real exports, driven by increased diamond production due to the first full year of production at the Gahcho Kué diamond mine. The NWT economy is expected to retain the gains made in 2017 with real GDP growth estimated at 0.3 per cent in 2018.

Real GDP Growth - NWT and Canada

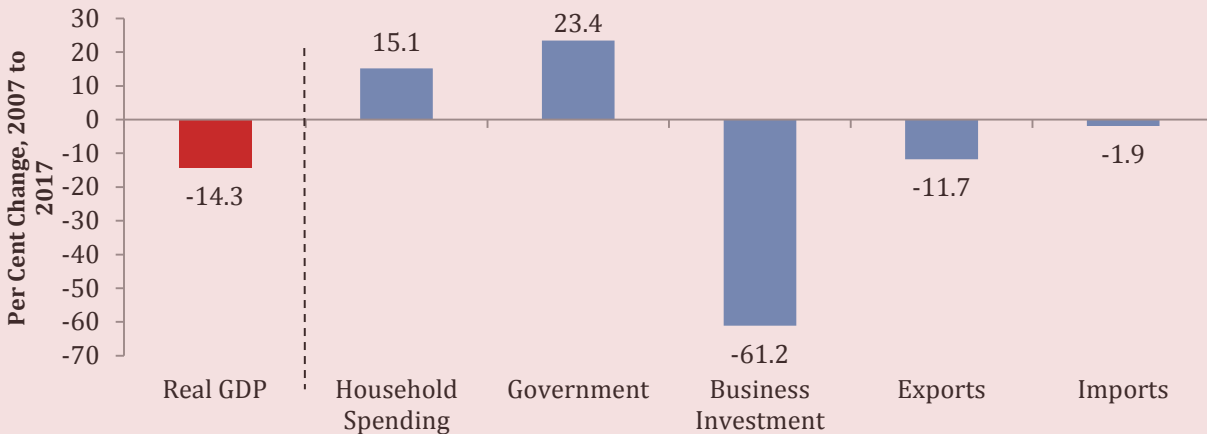


e=estimate

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

Despite solid economic growth in 2017, the NWT economy remains 14.3 per cent smaller than it was in 2007, before the global financial crisis occurred and when diamond mines were producing higher quality diamonds, commodity prices were high, and mine construction was underway.

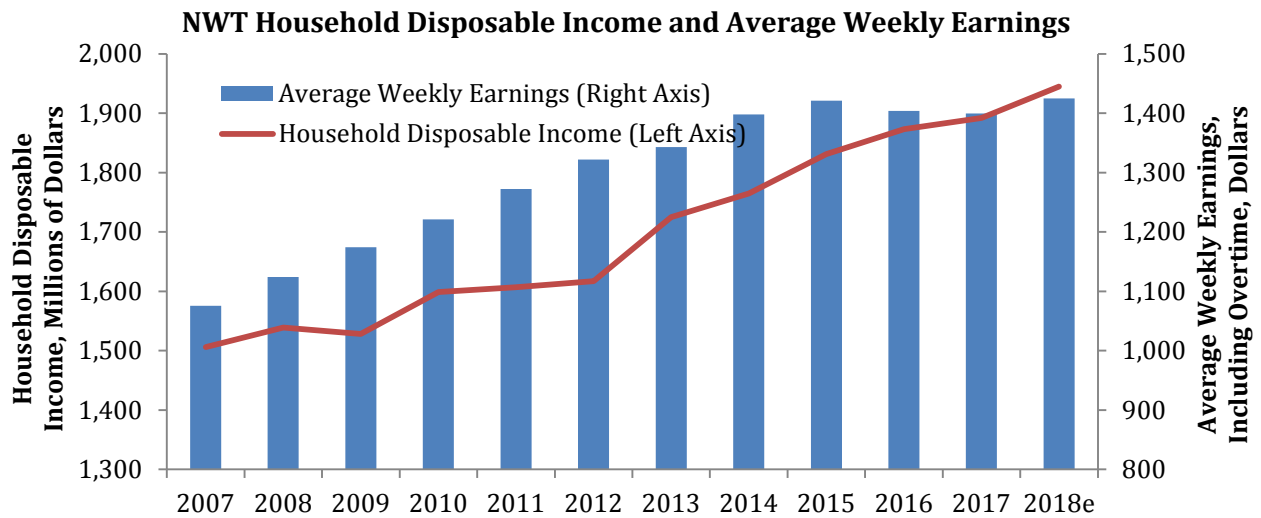
Box 1: The NWT economy remains smaller than it was before the 2008 Recession.



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 almost a third of the territory’s GDP. NWT disposable income grew 1.0 per cent from 2016 to 2017. During the first nine months of 2018, the growth of labour income, which is a large component of personal income, increased 2.8 per cent compared to the same period in 2017.

Wages and salaries earned by employees in the NWT are well above the national average. Average weekly earnings, including overtime, increased an estimated 1.8 per cent in 2018 from \$1,400 in 2017 to \$1,425 in 2018.



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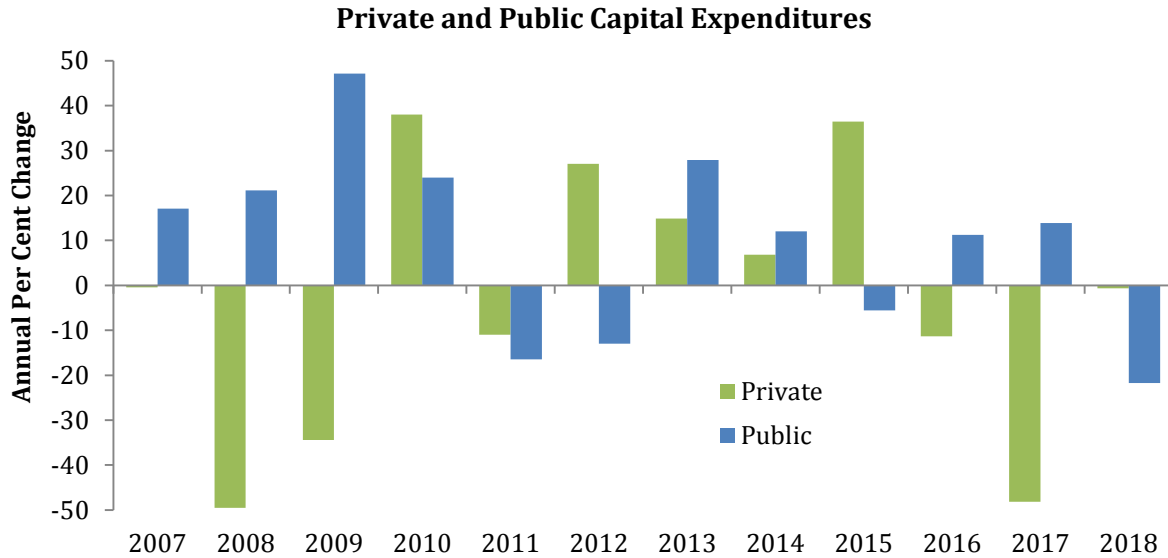
Source: NWT Bureau of Statistics and Statistics Canada

RECENT ECONOMIC PERFORMANCE – *Investment*

Total capital expenditures in 2018 are expected to be \$802 million, a 10 per cent decrease from 2017. This represents the third consecutive year of decline in capital expenditures and is due mainly to large declines in private sector investment following completion of the Gahcho Kué diamond mine.

Public sector capital expenditures are expected to decrease 21.7 per cent in 2018, declining from \$392 million in 2017 to an estimated \$307 million in 2018. The decline in public sector investment reflects completion of the Inuvik-Tuktoyaktuk Highway in 2017.

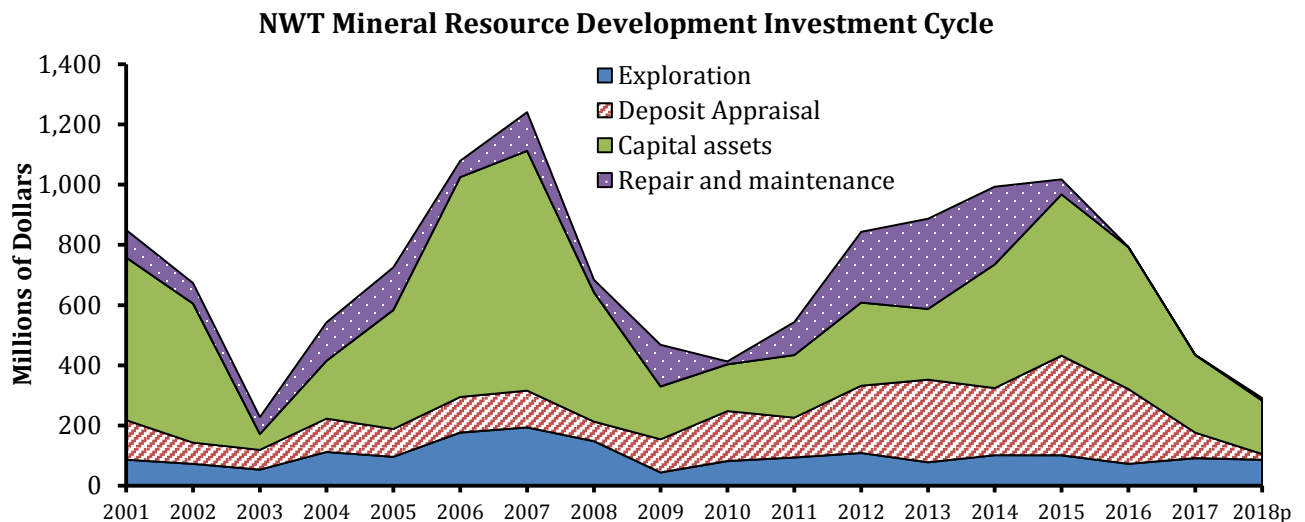
Private sector capital expenditures decreased by 0.7 per cent per cent in 2018, falling from \$498 million in 2017 to \$495 million in 2018. Private investment is driven largely by the resource sector. During the mining industry’s most recent investment cycle, total investment by the mining industry peaked at \$1.2 billion in 2015 and has fallen to \$284 million in 2018, reflecting the completion of the Gahcho Kué diamond mine. No new private sector investment projects of similar magnitude have been announced.



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 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, GDP will drop because of the lower construction investment but will remain higher than the pre-construction GDP level because of the value of annual production. When a mine stops production, the absolute level of the NWT GDP will be lower. The investment cycle is very pronounced.

The NWT mining industry sustains itself through an investment cycle starting with exploration to identify mineral deposits. Exploration expenditures are expected to be relatively stable in 2018, falling slightly from \$92 million in 2017 to \$86 million.



p = preliminary

Source: Natural Resources Canada and NWT Finance

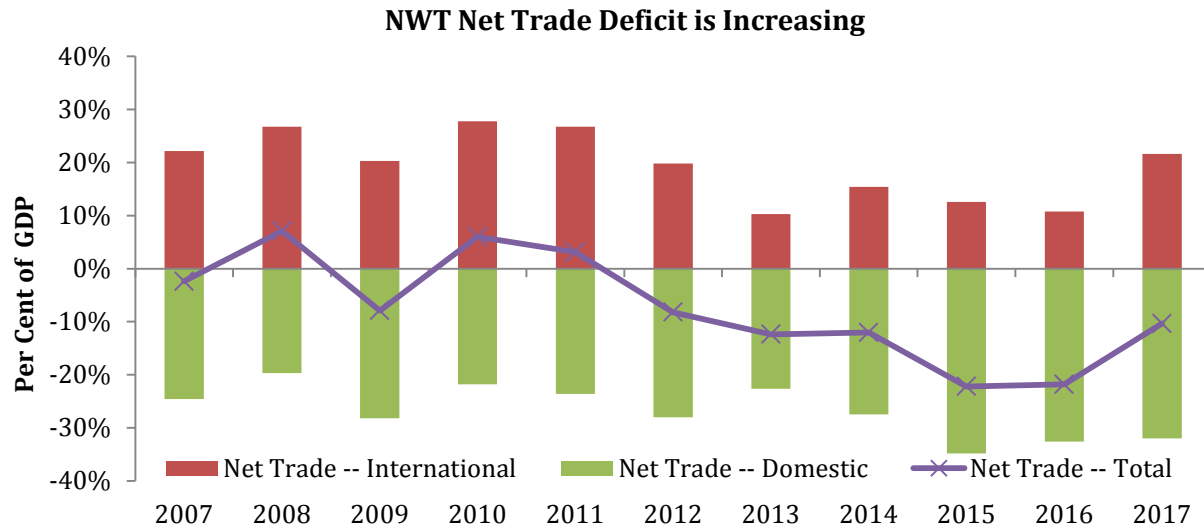
Deposit appraisal expenditures are undertaken to assess the commercial potential of the deposit including the costs of extraction and complying with environmental protection requirements. Deposit appraisal expenditures are expected to decline by 77 per cent, from \$85.4 million in 2017 to \$19.5 million in 2018.

Investment in capital assets began to increase in 2014 with the start of construction of the Gahcho Kué diamond mine, peaking in 2015 at \$535 million. After the completion of construction of the Gahcho Kué mine, investment expenditures in capital assets fell to \$177 million in 2018, a 31 per cent decrease from 2017.

Repair and maintenance expenditures for the industry collapsed after 2016, falling from \$50 million in 2015 to \$0.4 million in 2016, reflecting the end of operations at the Snap Lake diamond mine. Repair and maintenance expenditures in the sector are expected to be \$9 million in 2018.

RECENT ECONOMIC PERFORMANCE – Trade

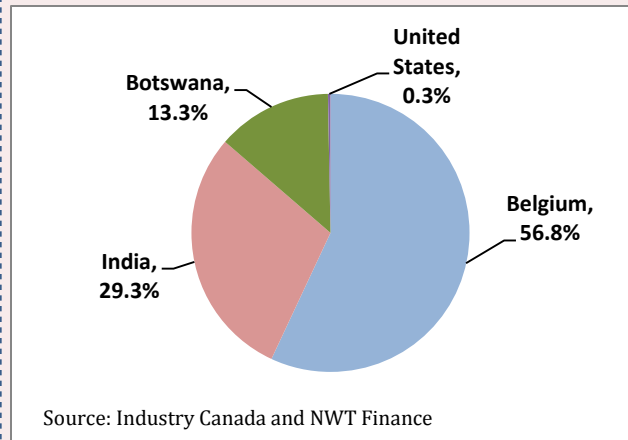
The small, open NWT economy depends on trade with other jurisdictions. The NWT exports natural resources (mainly diamonds) to global markets, and imports goods and services from southern Canada to support industry and personal consumption. As a result, the NWT has a trade surplus with other countries,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



Source: Statistics Canada and NWT Finance

The NWT trade surplus with other countries increased from 10.8 per cent of GDP in 2016 to 21.6 per cent in 2017. This improvement was attributed to a 30 per cent increase in the value of exports to other countries from 2016 to 2017. The NWT trade deficit with the rest of Canada remains stable at 32 per cent of GDP in 2017 despite a 20.6 per cent decline in the value of exports to other provinces.

Box 2: Top destinations for diamonds –the NWT’s main export.



Diamonds represent 98 per cent of the value of all exports flowing from the NWT to global markets.

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.

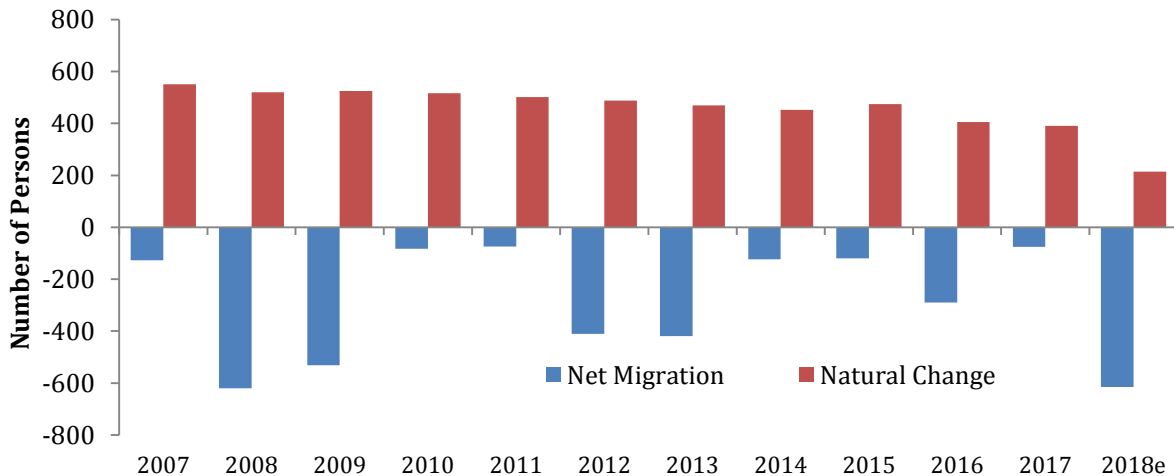
While the United States is an important trading partner for the rest of Canada, less than one per cent of NWT goods and services are exported to the United States.

RECENT ECONOMIC PERFORMANCE – *Population*

Population growth is a strong indicator of economic health. By providing labour for local 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, 2018, the population was estimated to be 44,541 people, a decrease of 395 persons, or 0.9 per cent, from July 1, 2017.

Three factors account for this population decrease: natural change (births minus deaths), interprovincial migration, and international migration. Between July 1, 2017 and July 1, 2018 there was a net natural increase of 383 persons (632 births minus 249 deaths), while interprovincial migration resulted in a net loss of 911 persons (1,931 persons moved into the NWT from the rest of Canada and 2,842 persons moved out). Internationally, there was net in-migration of 133 persons.

Outmigration Continues to Hamper NWT Population Growth

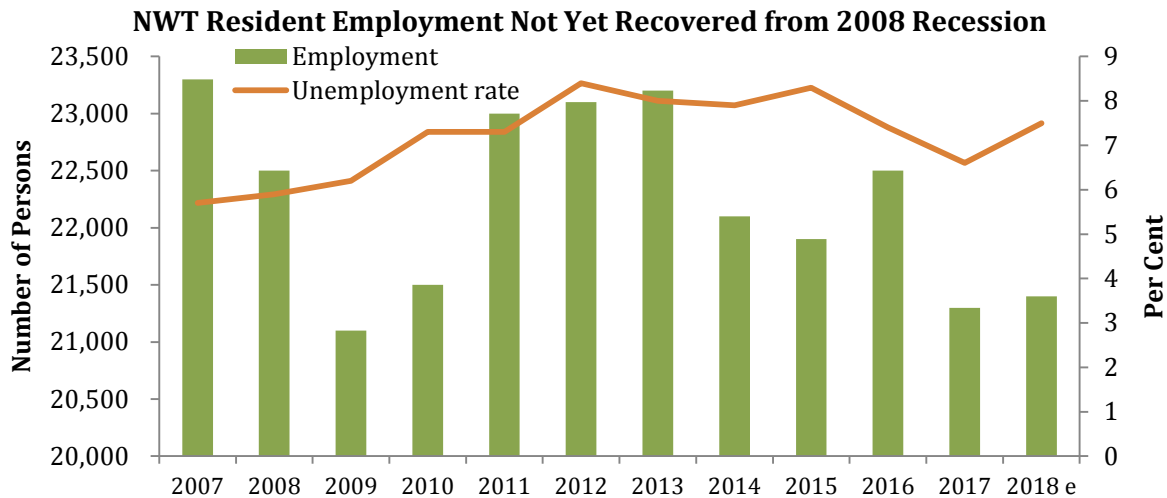


e=estimate
Source: NWT Bureau of Statistics

RECENT ECONOMIC PERFORMANCE – Labour

In 2018, NWT resident employment was estimated at 21,400, an increase of 100 persons from 2017 and 1,900 persons below the 2007 pre-recession high.

Although there was an increase in total employment, the unemployment rate also increased in 2018 from 6.6 per cent in 2017 to 7.5 per cent in 2018 because 300 more people entered the labour force (the labour force is all people either employed or looking for work). The size of the labour force rose from 22,800 persons in 2017 to 23,100 persons in 2018.



e: estimate

Source: NWT Bureau of Statistics and Statistics Canada

Part-time employment 12%

Full-time employment 88%

Source: NWT Bureau of Statistics

Box 3: Full-time Positions Increased in 2018.

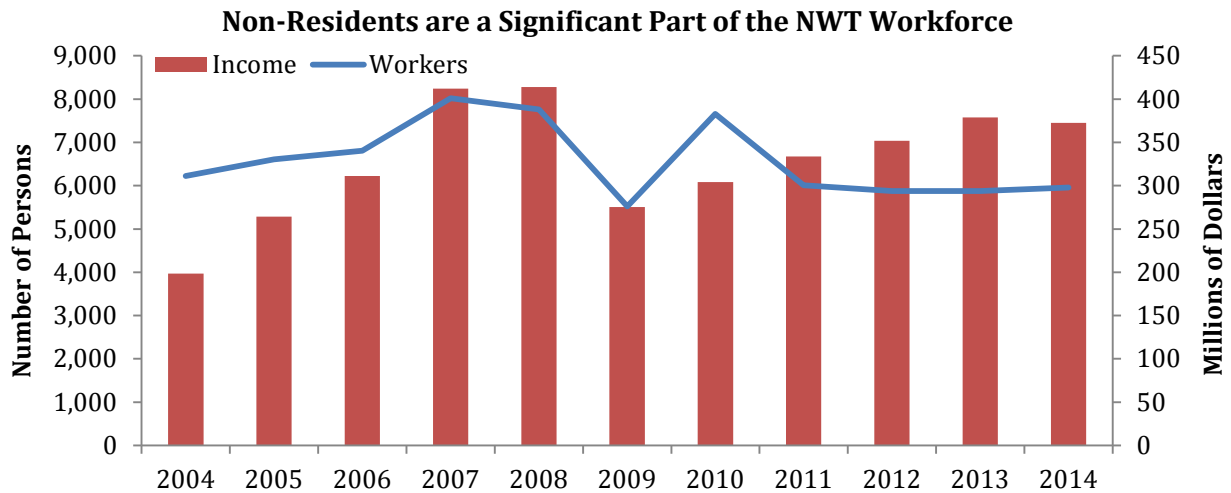
Between 2017 and 2018, full-time resident employment rose 1.6 per cent, while part-time positions decreased 7.1 per cent. Full-time jobs typically command higher salaries than part-time work and an increase in full-time positions should increase NWT income.

About 88 per cent of NWT resident employment is full-time. However, full-time jobs remain 11 per cent below 2007 pre-recession levels, while part-time positions have increased 18 per cent.

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 mining industry.

Between 2002 and 2014, non-resident workers accounted for about one-third of the NWT workforce, which represented 18 per cent of all employment income generated in the territory. Non-resident workers provide skills needed by businesses but this reliance on out-of-territory workers means lost NWT business from consumer spending and lost revenue for the GNWT.

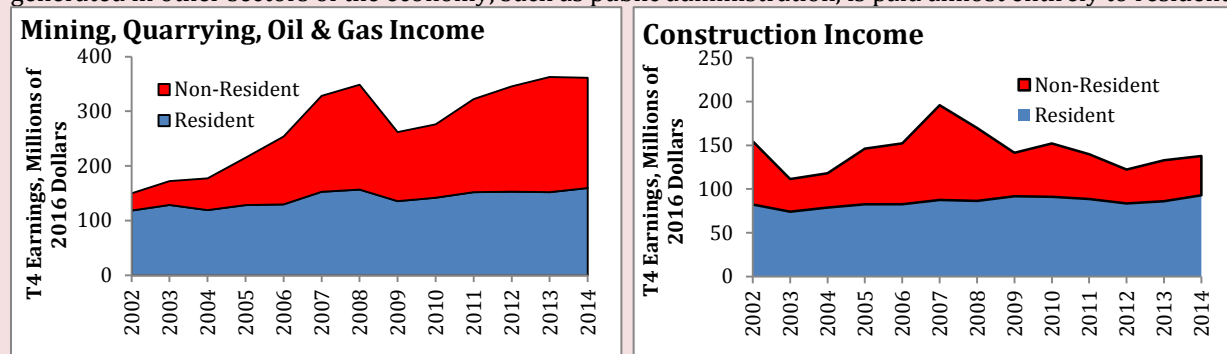
Each year 5,000 to 8,000 non-residents fill NWT jobs. These jobs include seasonal, rotational, temporary and special projects that fill gaps that are not met by the resident workforce. Total aggregate earnings paid to non-resident workers represent approximately 18 per cent of all employment income generated in the NWT.



Source: Statistics Canada and NWT Finance

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

In 2014, 56 per cent of employment income in the NWT mining, oil and gas industry and 33 per cent of employment income in the construction sector was paid to non-resident workers. Employment income generated in other sectors of the economy, such as public administration, is paid almost entirely to residents.



Source: Statistics Canada and NWT Finance

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

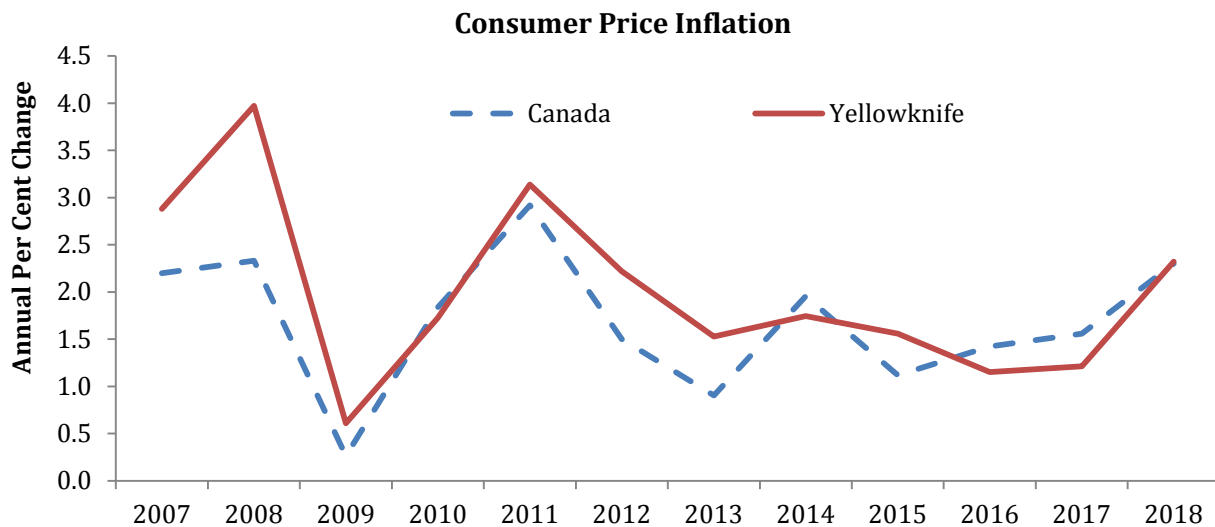
labour, NWT population growth strategies will depend on the ability to quickly respond to changing economic conditions in other regions in order to shift recruitment opportunities to where the NWT has a comparative advantage. These strategies include GNWT recruitment and retention strategies, and Socio 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.

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 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 an estimated 2.3 per cent from 2017 to 2018, largely due to higher transportation and shelter costs. The inflation rate for transportation and shelter was over 4 per cent, while food and household operations & furnishings were the only components to decline in price.

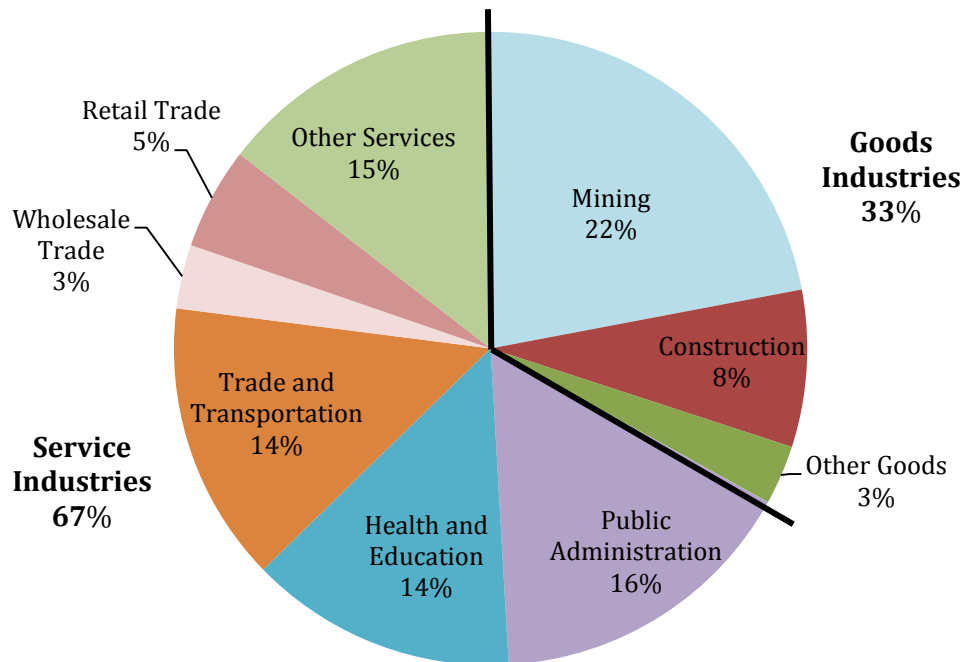
The main reason for the increase in shelter prices was due to fuel price increases from 2017 to 2018. In contrast, food prices have been relatively stable since January 2017.



Source: Statistics Canada

KEY SECTORS – *Composition of the Economy*

Mining Dominates the NWT Economy, 2017



Source: Statistics Canada

The NWT economy relies heavily on the extractive, non-renewable resource sector, especially the diamond mining industry. In 2017, the mining, oil, and gas extraction sector accounted for over a fifth of direct NWT GDP. While the share of the economy directly generated by the mining, oil and gas sector has declined from 40 per cent in 2007, it remains the single most dominant sector in the NWT economy, demonstrating a lack of diversity in the economy.

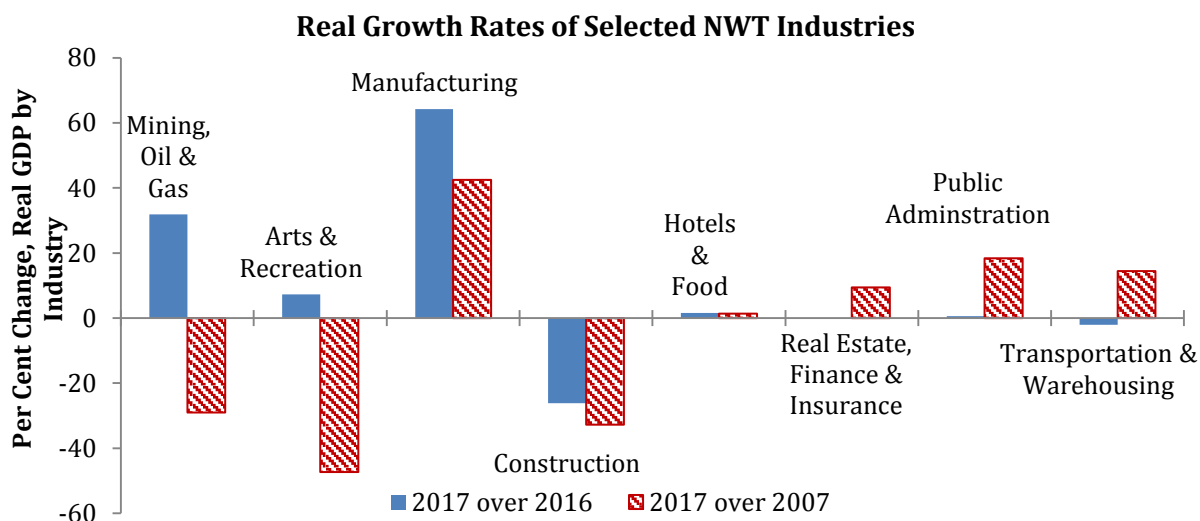
Economic diversity provides more stable and balanced growth by spreading risk more evenly across a number of sectors, making the economy more resilient to business cycles and external shocks. Diversification acts as insurance that reduces the sensitivity of the economy to the ups and downs associated 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 33 per cent of 2017 NWT GDP. Resource extraction industries dominate this sector. Construction is the second biggest industry in the goods-producing sector, accounting for 8 per cent of GDP in 2017. 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 67 per cent of 2017 GDP. Public sector activities dominate this sector, with public administration, education, health and social services

accounting for 30 per cent of GDP in 2017. The remainder of this sector is comprised of industries such as wholesalers, retailers, banks, hotels, and tour operators.

From 2007 to 2017, the construction industry shrunk by 33 per cent and the mining, oil and gas industries declined 29 per cent. Over the same period the manufacturing sector increased 42 per cent (although from a small starting position), finance and insurance industries grew by 17 per cent, retail trade increased by 18 per cent, and wholesale grew by 16 per cent. This has meant that the structure of the economy has changed: in 2007, the goods-producing sector accounted for 51 per cent of the economy, but by 2016 that share had fallen to 33 per cent. This re-structuring is mainly a product of the business cycle in the goods-producing industries and the effects of the global economic recession.



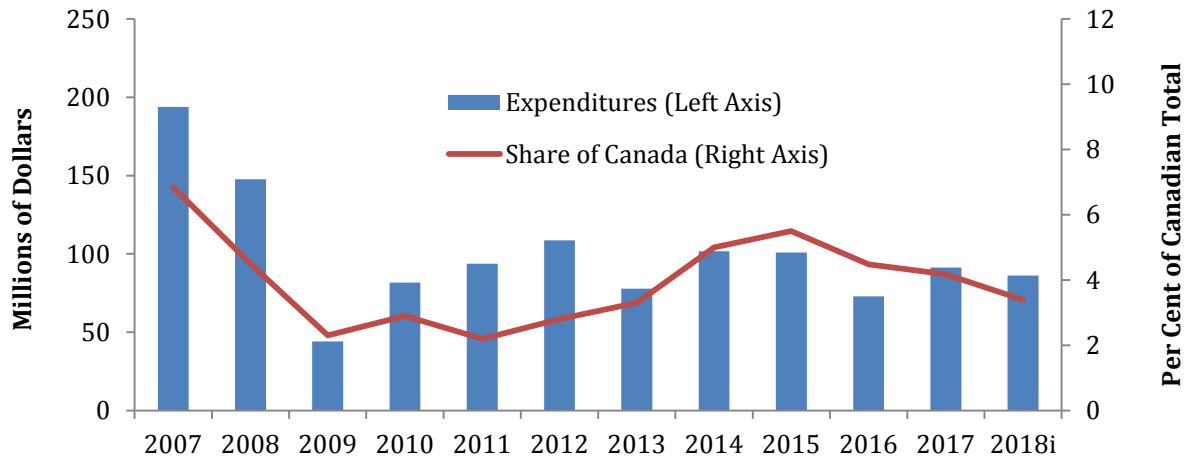
Source: Statistics Canada and NWT Finance

KEY SECTORS – Large Industries: Mining, Oil and Gas (22 % of GDP)

The mining, oil and gas sector accounts for 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 expenditure intentions declined in 2018, decreasing from \$91 million in 2017 to an estimated \$86 million in 2018. Exploration and appraisal expenditures are focussed on diamonds, which account for nearly half of intended expenditures in 2018. The NWT exploration and appraisal expenditures share of the Canadian total is declining over time: from 5.5 per cent in 2015, 4.5 per cent in 2016, 3.7 per cent in 2017 to 3.5 per cent in 2018. Low commodity prices continue to influence resource development in Canada.

Over 83 per cent of 2018 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 projects from already discovered deposits. Nearly one half of these expenditures went towards diamond exploration and appraisal.

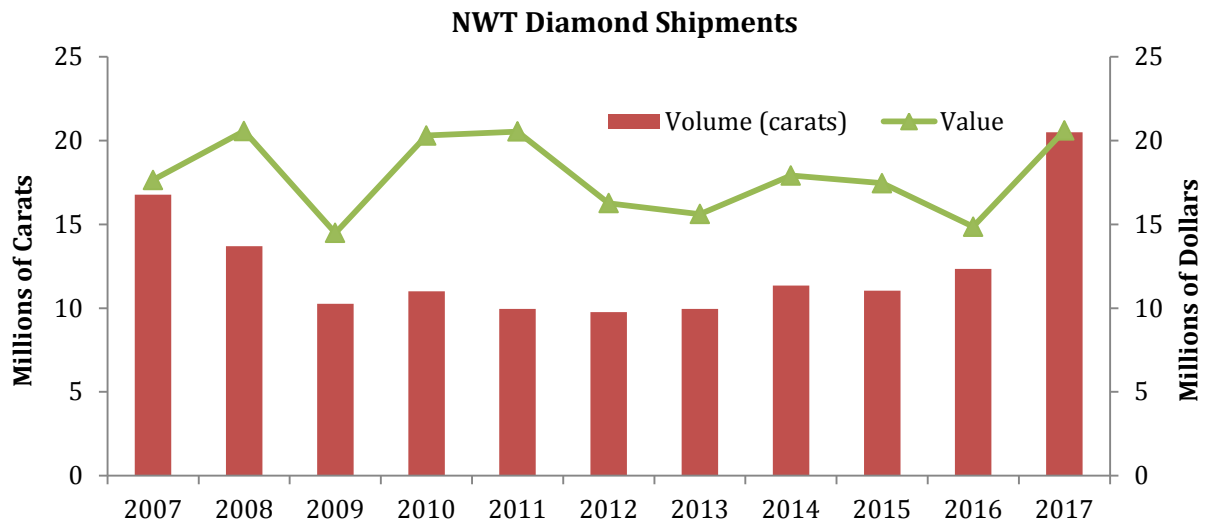
Mineral Exploration and Appraisal Expenditures



i: intentions

Source: Natural Resources Canada

The NWT has three producing diamond mines: Ekati, Diavik and Gahcho Kué. Carat production at the diamond mines (excluding pre-commercial production at Gahcho Kué) increased 82.7 per cent from 11.4 million carats in 2016 to 20.8 million carats in 2017, and the value of diamond shipments rose 38.6 per cent from \$1.5 billion in 2016 to \$2.1 billion in 2017, largely due to increased production from Gahcho Kué.

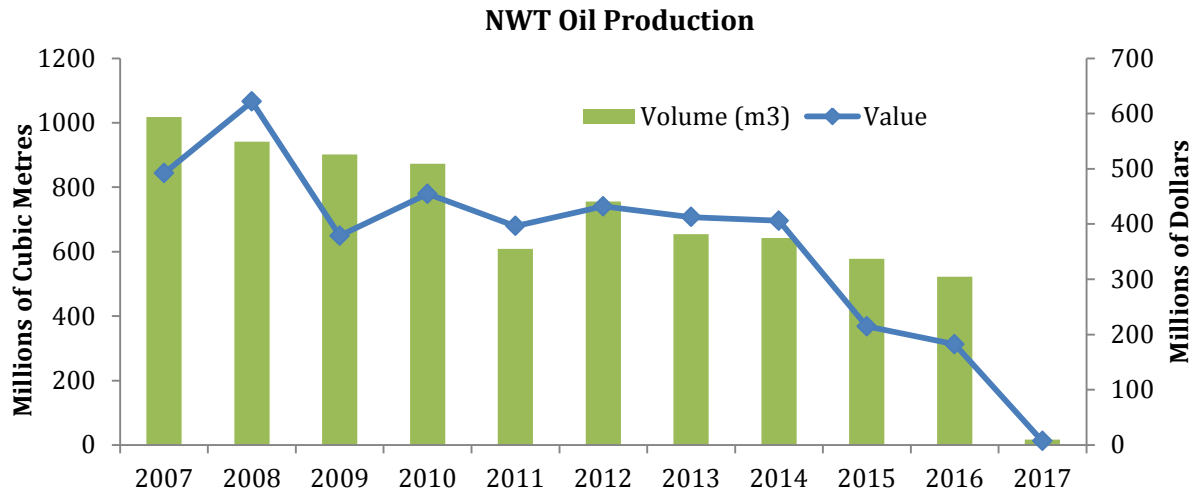


Note: 2016 does not include pre-commercial production at Gahcho Kué

Source: NWT Bureau of Statistics and NWT Finance

Oil and gas production in the NWT has declined dramatically in recent years, falling, on average, 11 per cent per year over the past decade. In 2016, oil and gas production fell 3.8 per cent from 87 million cubic metres in 2015 to 84 million cubic metres, putting production 69 per cent lower than pre-recession production in 2007. The value of oil and gas fell by 17.7 per cent in 2016 from \$223 million in 2015 to \$183 million dollars.

Oil and gas production in Norman Wells was suspended in early 2017 after shutdown of the pipeline because of slope instability near the Mackenzie River crossing. After remediation, pipeline service was restarted in September 2018. The Ikhil gas field in Inuvik produced 1.9 million cubic metres through the first ten months of 2018, down 44 per cent from the same period in 2017. In December 2017, the long-delayed Mackenzie Gas Project was officially cancelled.

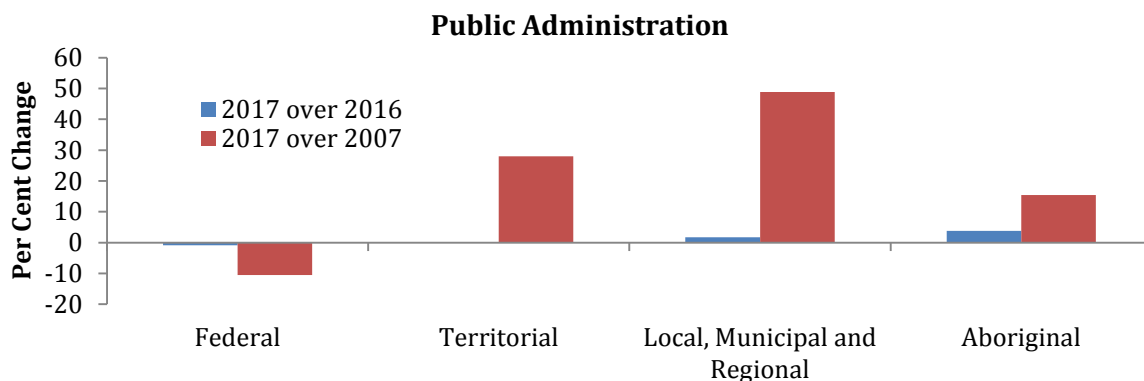


Source: NWT Bureau of Statistics and NWT Finance

KEY SECTORS – Large Industries: Public Administration (16% of GDP)

Public administration at all levels of government (federal, territorial, municipal, and Indigenous) is the second largest industry in the NWT, accounting for 16 per cent of GDP and contributing significantly to jobs. Public administration includes courts, policing, corrections services, firefighting services, defence, and government administrative work but excludes the health, social services and education sectors.

Public administration expenditures rose 0.5 per cent from 2016 to 2017. Since 2007, all levels of government experienced increases in public administration expenditures except for the federal government which declined 10.5 per cent between 2007 and 2017, partly due to devolution of the management of lands, waters and non-renewable resources to the GNWT on April 1, 2014.



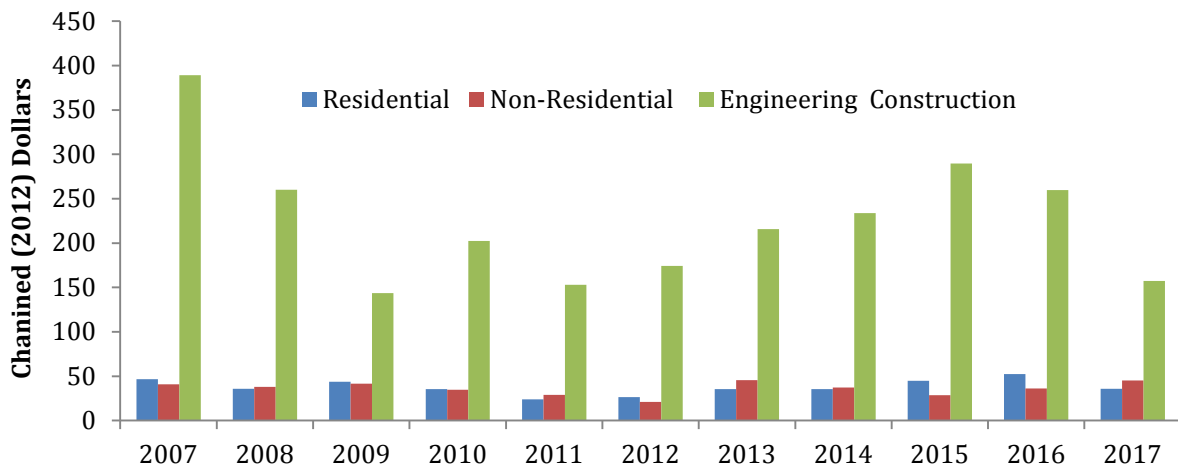
Source: Statistics Canada

KEY SECTORS – *Large Industries: Construction (8% 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, residential construction makes up only a small portion of the value of NWT construction activity, accounting for just 10.6 per cent of real construction expenditure in 2017. In other Canadian provinces and territories residential construction comprises, on average, over one-third of inflation-adjusted construction expenditures in 2017.

Overall construction activity declined 26 per cent from 2016 to 2017, and remains at cyclical low levels. Construction on several large infrastructure projects was completed in 2017, including work on the Gahcho Kué diamond mine (cost \$1 billion), the Inuvik-Tuktoyaktuk Highway (cost \$300 million), and Mackenzie Valley Fibre Link (cost \$91 million), leading to a 39.4 per cent decline in real engineering construction spending in 2017 compared to 2016. This decline was partially offset by increased non-residential activity as work on the Stanton Territorial Hospital (cost \$350 million) helped increase real non-residential construction expenditures from \$36 million in 2016 to \$45 million in 2017. Residential construction decreased by almost one-third in 2017 from the year earlier.

Engineering Construction Dominates Construction Activity



Source: Statistics Canada

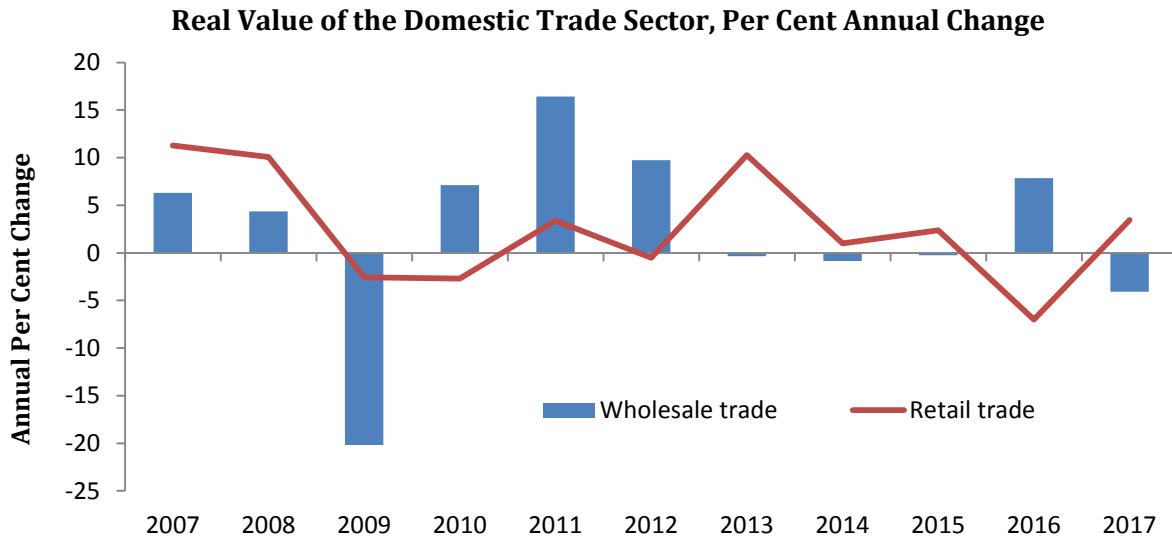
OTHER SECTORS – *Wholesale and Retail Trade (8% of GDP)*

Domestic trade, both retail and wholesale, facilitates the exchange of goods and services making domestic trade key to the health of the economy.

The value of NWT real wholesale trade fell 4.1 per cent from \$125 million in 2016 to \$120 million in 2017, while the value of NWT real retail trade increased 3.5 per cent from \$165 million in 2016 to \$171 million in 2017.

Wholesale trade is an intermediate step in the distribution of goods and services, connecting buyers and vendors with raw materials, merchandise and services related to the sale merchandise, while

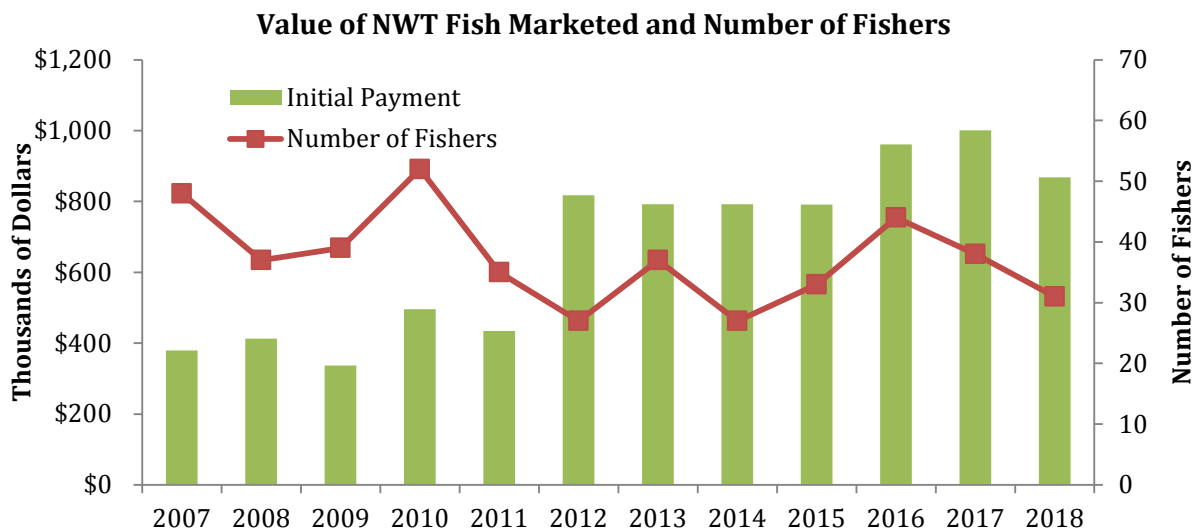
retail trade delivers final products directly to consumers. Wholesale and retail trade supports economic growth by ensuring that goods and services are effectively distributed in the economy.



Source: Statistics Canada

OTHER SECTORS – *Commercial Fisheries*

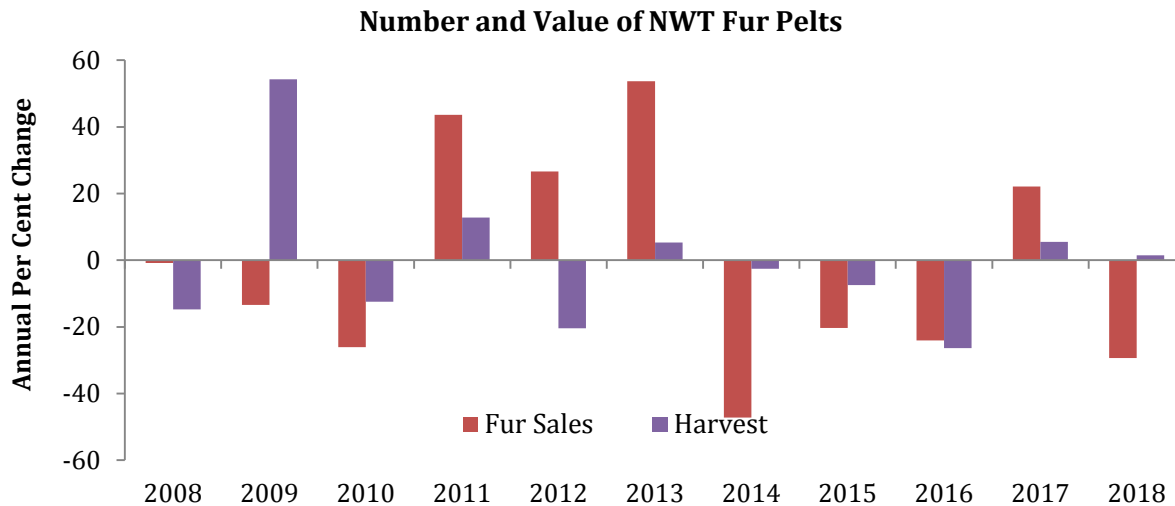
The NWT commercial fishery is small with room for growth. Initial payments to NWT fishers – on delivery-point, net-of-freight basis – decreased 13.3 per cent from 2017 to \$868,000 in 2018. The delivered weight of fish received by the Freshwater Fish Marketing Corporation decreased from 514,436 kilograms in 2017 to 490,545 kilograms in 2018, a decline of 4.6 per cent. The majority of fish (by weight) delivered in 2018 was whitefish. In 2018 there were 31 fishers, a decrease of seven fishers from 2017 and six fishers below the average of 37 fishers over the period 2007 to 2018.



Source: Freshwater Fish Marketing Corporation

OTHER SECTORS – *Trapping and Hunting*

Trapping is a component of the renewable resource sector and is important to many residents for food, especially in smaller communities. For the year ended June 30, 2018, 18,487 NWT pelts were sold, an increase of 1.4 per cent from the previous year, while the value of fur sales fell 29.3 per cent to \$640,500. The number of commercial trappers decreased 2.8 per cent to 600 in 2018. The fur market is cyclical, and though last year's sales were modest, 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

OTHER SECTORS – *Tourism*

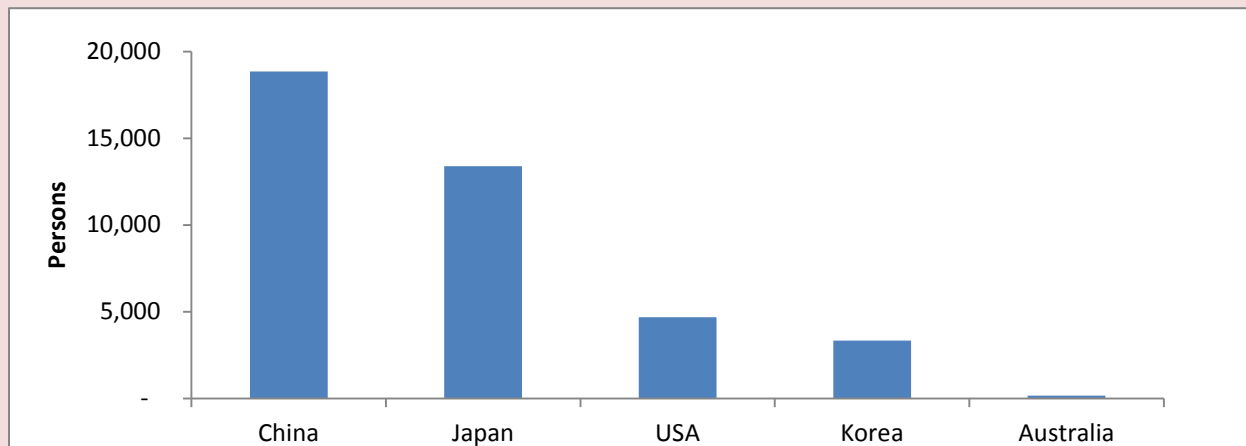
Tourism is not formally defined as an industry in the GDP data. However, the tourism industry has direct implications for measured components of GDP such as travel services, accommodations, retail trade, and other supporting industries. From 2016-17 to 2017-18, the number of visitors increased 2.9 per cent from 108,480 to 111,631. Over the same period, visitor expenditures rose by 0.9 per cent, increasing from \$201 million to \$203 million.

Leisure travel represented over half of visitor expenditures in 2017-18, with one quarter of total visitor spending associated with Aurora viewing.



Source: Department of Industry, Trade and Investment

Box 5: International Visitors 2017-18



Most visitors to the NWT are Canadian but international travellers are also an important contributor to NWT tourism with good growth potential.

The majority of international visitors arriving by air were from China, Japan, the United States, and Korea. The number of Chinese tourists has grown from less than a thousand in 2012-13 to almost 19,000 in 2017-18. Korean tourist numbers have also increased dramatically, from 134 visitors in 2012-13 to 3,300 visitors in 2017-18. Japanese tourists have long considered the NWT a favourable destination, with 13,000 in 2017-18.

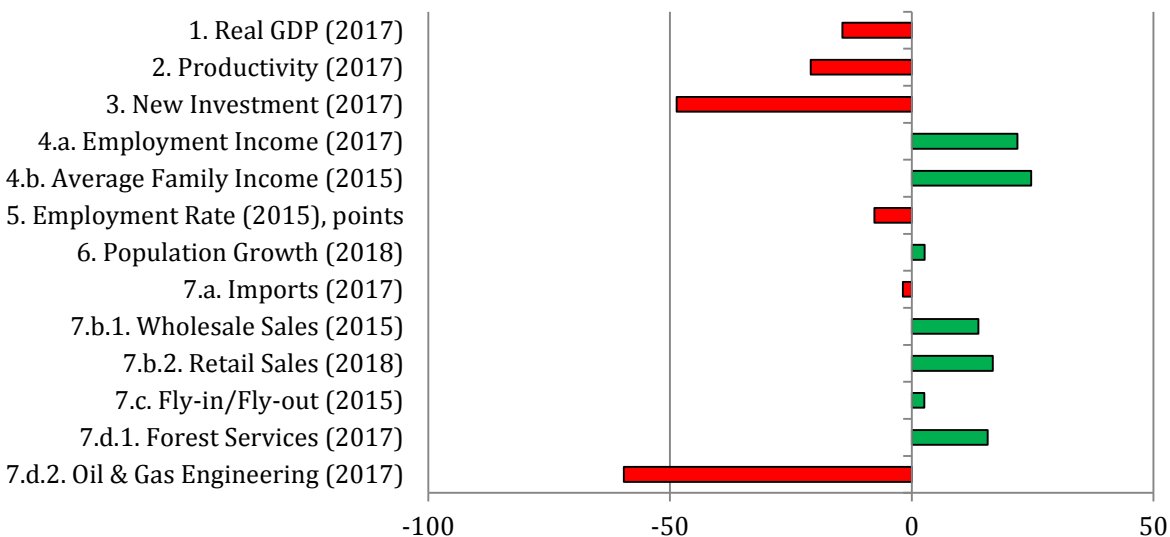
ECONOMIC PERFORMANCE INDICATORS - *MACROECONOMIC POLICY FRAMEWORK*

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 negative 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. Data to support one indicator, fly-in/fly-out labour, is only available to 2015.

The 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.

Macroeconomic Policy Framework Performance Indicators



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