

# **Economic Review**

## **2025-2026**

***NORTHWEST TERRITORIES***

**February 6, 2025**



## Overview

The Northwest Territories economy is shrinking. The large-scale, world-class diamond mines -- the primary driver of economic activity over the past three decades -- are reaching their end of life and beginning to close. This is having a profound effect on the territory's economy. As the diamond mines wind down, the Northwest Territories economy is facing falling output, fewer exports, declining private-sector investment, and reduced government revenues. Despite this, household and consumer spending is projected to increase due to strong resident employment, falling inflation and continuing rises in wages and salaries.

Although the transition away from these large resource extraction projects will reduce the size of the Northwest Territories economy it will not lead to a collapse in economic opportunities or activity. Smaller mining and exploration projects, a rebounding tourism sector and commercial fishing industry, a multitude of local, private businesses, and the stability of the government sector will ensure that the Northwest Territories economy continues to provide jobs, opportunities, and the goods and services needed to live and work in the territory.

## Current State of the Economy

Indicators from the *Macroeconomic Policy Framework*<sup>1</sup> have been used to measure the current state and performance of the Northwest Territories economy.

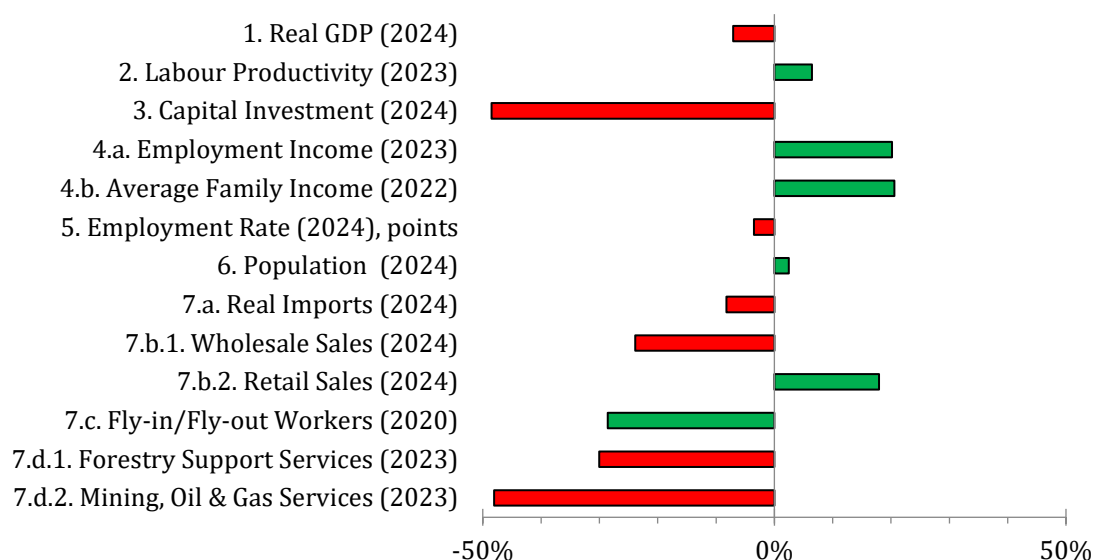
The *Framework* was developed in 2007 following a consultation with Northwest Territories residents that resulted in a consensus that the future economic growth should be balanced, diversified, and sustainable. The *Framework* provides a broad measure of the effects of policy, government spending, and investment decisions that support economic development. These performance indicators compare current indicator values to their 2014 baseline level. The year 2014 was chosen as the baseline because it reflects the year that significant responsibilities for land, water and non-renewable resource management were devolved from Canada to the Northwest Territories.

In the following figure, the performance indicators with red bars show a worsening change in their values and the indicators with green bars show an improvement in their values since the 2014 benchmark. All performance indicators reflect the most current data available.

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<sup>1</sup> <https://www.fin.gov.nt.ca/en/resources/macro-economic-policy-framework>

### Macroeconomic Policy Framework Performance Indicators



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

Five of the 13 indicators have meaningfully improved over the past decade, primarily in indicators that measure living standards rather than economic activity. Productivity, employment income, family incomes, and retail sales are higher now than in 2014, while the number of non-resident, fly-in/fly-out workers is lower (fewer non-resident workers is an improvement). The most notable improvement is a modest increase in labour productivity, a positive advancement for the Northwest Territories because productivity drives long-term economic growth, efficiency, and increased wages.

Two of the 13 indicators are relatively unchanged from 2014. The Northwest Territories population and employment rate are virtually identical to what they were a decade ago, despite falling GDP and economic output. While this suggests stability in the underlying economy, it also may indicate a lack of dynamism and entrepreneurial activity.

Six of the 13 indicators have worsened since 2014. Real GDP, imports and wholesale purchases have declined. Forestry support services decreased significantly from 2014 but are a small component of the overall economy. The two most significant declines were in capital investment, and mining, oil and gas services. Capital investment and the resource extraction industry are linked and their decline is largely due to the impending closure of the territory's operating diamond mines.

## Economic Outlook

The Northwest Territories is transitioning away from an economy dominated by large-scale diamond mines. This transition is causing the economy to shrink and the economic outlook projects continued contraction over the medium term. Economic output, exports, investment, employment, and government expenditures declined in 2024 and are expected to either shrink further or remain stagnant in 2025. However, household expenditures increased in 2024 and are forecast to remain strong in 2025 due to stable employment, rising weekly earnings, and a continued decline in consumer price inflation (CPI).

### Northwest Territories Economic Outlook

Chained (2017) millions of dollars unless otherwise stated.

	2019	2020	2021	2022	2023	2024e	2025f
Gross Domestic Product	4,502	4,097	4,238	4,352	4,330	4,180	3,982
<i>Percent Change</i>	<i>(3.9)</i>	<i>(9.0)</i>	<i>3.4</i>	<i>2.7</i>	<i>(0.5)</i>	<i>(3.5)</i>	<i>(4.7)</i>
Total Investment	923	684	743	829	891	824	779
<i>Percent Change</i>	<i>(17.2)</i>	<i>(25.9)</i>	<i>8.6</i>	<i>11.6</i>	<i>7.5</i>	<i>(7.6)</i>	<i>(5.5)</i>
Household Expenditure	1,762	1,745	1,826	1,781	1,769	1,865	1,870
<i>Percent Change</i>	<i>0.5</i>	<i>(1.0)</i>	<i>4.6</i>	<i>(2.5)</i>	<i>(0.7)</i>	<i>5.4</i>	<i>0.2</i>
Government Expenditure	2,451	2,542	2,619	2,744	2,834	2,778	2,716
<i>Percent Change</i>	<i>2.2</i>	<i>3.7</i>	<i>3.0</i>	<i>4.8</i>	<i>3.3</i>	<i>(2.0)</i>	<i>(2.2)</i>
Exports	2,675	2,126	2,201	2,264	2,240	2,096	1,931
<i>Percent Change</i>	<i>(8.9)</i>	<i>(20.5)</i>	<i>3.5</i>	<i>2.9</i>	<i>(1.1)</i>	<i>(6.4)</i>	<i>(7.9)</i>
Imports	3,378	3,131	3,198	3,378	3,593	3,572	3,506
<i>Percent Change</i>	<i>(6.6)</i>	<i>(7.3)</i>	<i>2.1</i>	<i>5.6</i>	<i>6.4</i>	<i>(0.6)</i>	<i>(1.9)</i>
Employment (Number of Residents)	23,000	21,800	23,500	24,700	23,900	22,900	23,100
<i>Percent Change</i>	<i>1.3</i>	<i>(5.2)</i>	<i>7.8</i>	<i>5.1</i>	<i>(3.2)</i>	<i>(4.2)</i>	<i>0.9</i>
Average Weekly Earnings (\$)	1,457	1,511	1,527	1,565	1,594	1,686	1,719
<i>Percent Change</i>	<i>2.4</i>	<i>3.7</i>	<i>1.1</i>	<i>2.5</i>	<i>1.9</i>	<i>5.8</i>	<i>1.9</i>
CPI (All-Items), Yellowknife	138.8	138.9	142.0	151.9	156.9	159.9	162.7
<i>Percent Change</i>	<i>1.6</i>	<i>0.1</i>	<i>2.2</i>	<i>7.0</i>	<i>3.3</i>	<i>1.9</i>	<i>1.7</i>

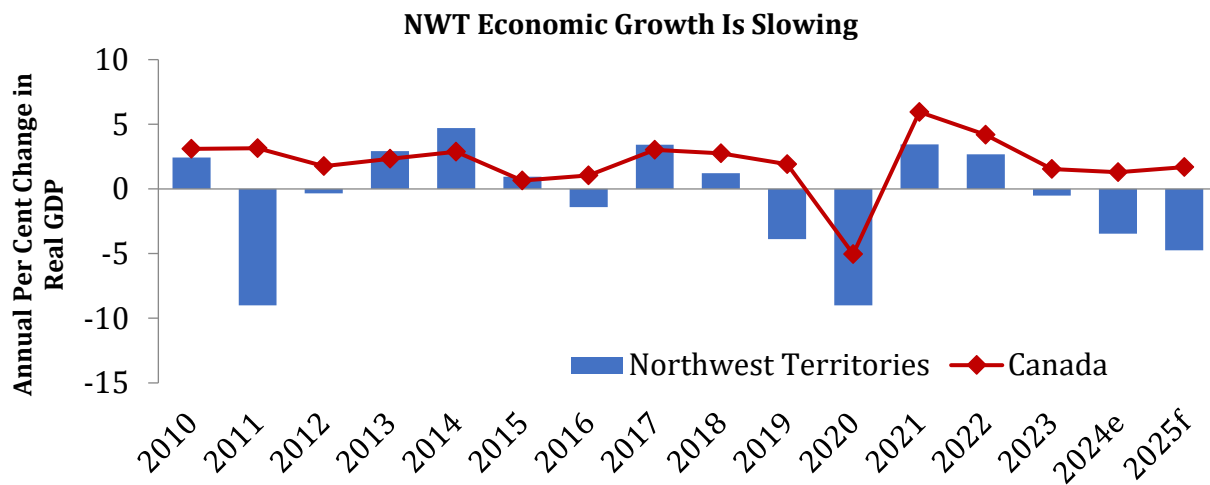
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Source: Statistics Canada and NWT Bureau of Statistics

## Economic Outlook – Real GDP

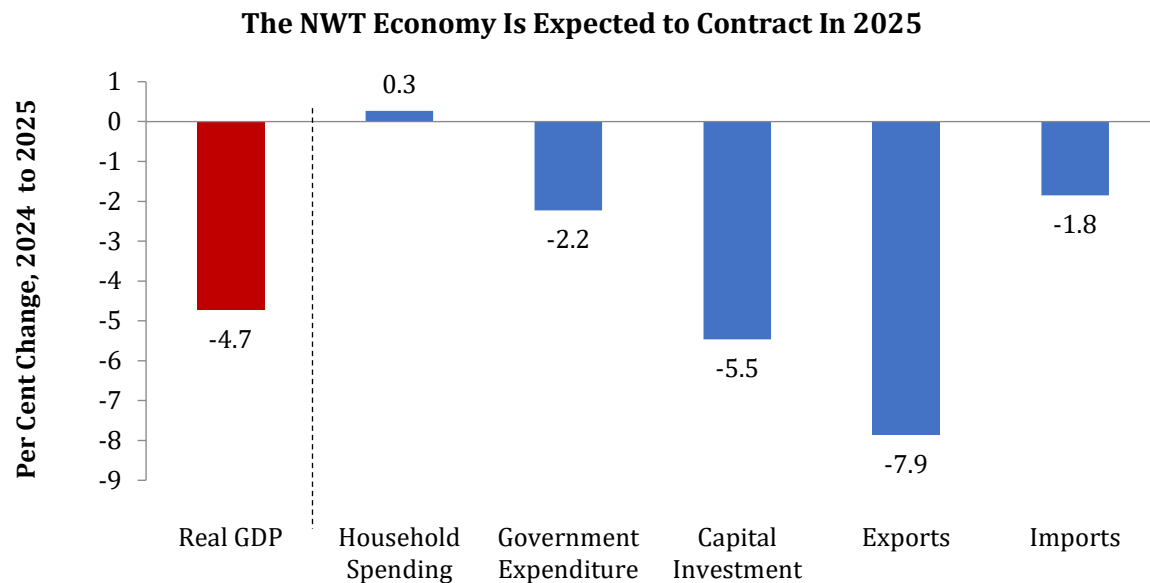
Real GDP is projected to shrink 4.7 per cent in 2025, the third consecutive year of decline, primarily due to a 5.5 per cent drop in total investment and a 7.9 per cent fall in exports owing to lower diamond mine and oil and gas production. Government spending is also projected to slow in 2025 as pandemic-related supports continue to unwind and with a focus on reducing government expenditure. This decline will be offset by solid employment, a 1.9 per cent increase in weekly earnings and a fall in consumer price inflation to 1.7 per cent, which is expected to support a minor increase in household spending.



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Source: Statistics Canada and NWT Bureau of Statistics

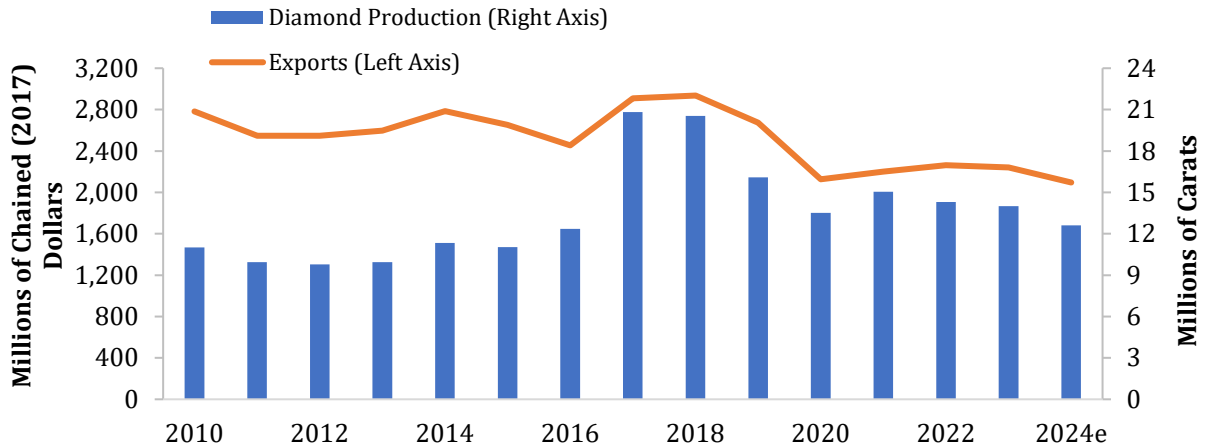


Source: NWT Bureau of Statistics

## Economic Outlook – Exports

Exports in real dollars are projected to decline 7.9 per cent in 2025, the third consecutive annual decline. The reason for this decline is slowing diamond mine production, especially from the Diavik mine as it nears its projected 2026 closure. Since 2017, diamonds have represented over two-thirds of all Northwest Territories exports, reflecting declines in oil and gas production.

**NWT Exports Facing Continued Decline**

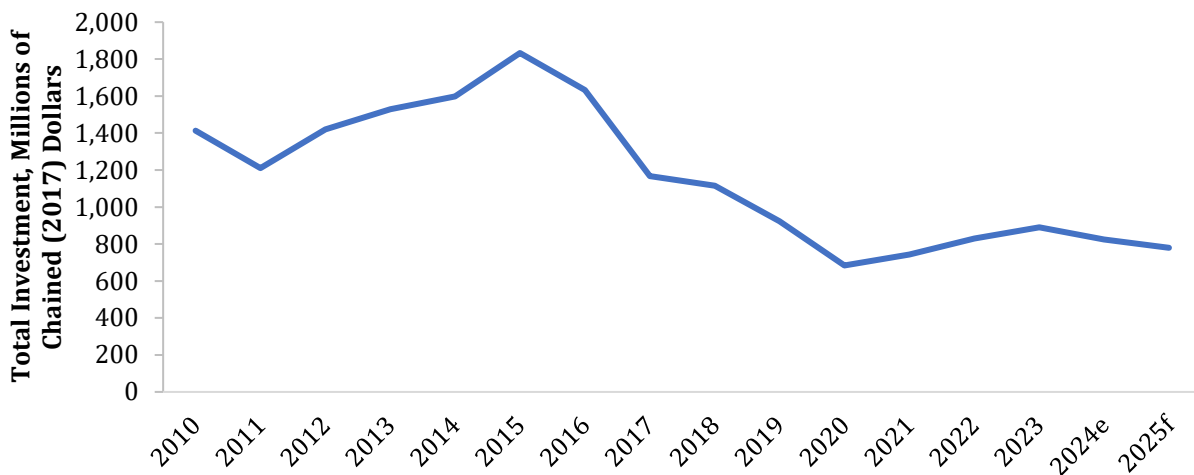


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 Source: Statistics Canada and NWT Bureau of Statistics

## Economic Outlook – Investments

Total investment measured in inflation-adjusted dollars is forecast to fall 4.7 per cent in 2025, the third consecutive annual decline, bringing real investment to its lowest level since the pandemic. Usually most capital investment flows to industrial engineering construction projects like bridges, mines, and roads. However, as the diamond mines reach their end of life, industrial engineering construction has declined, dampening overall investment in the territory.

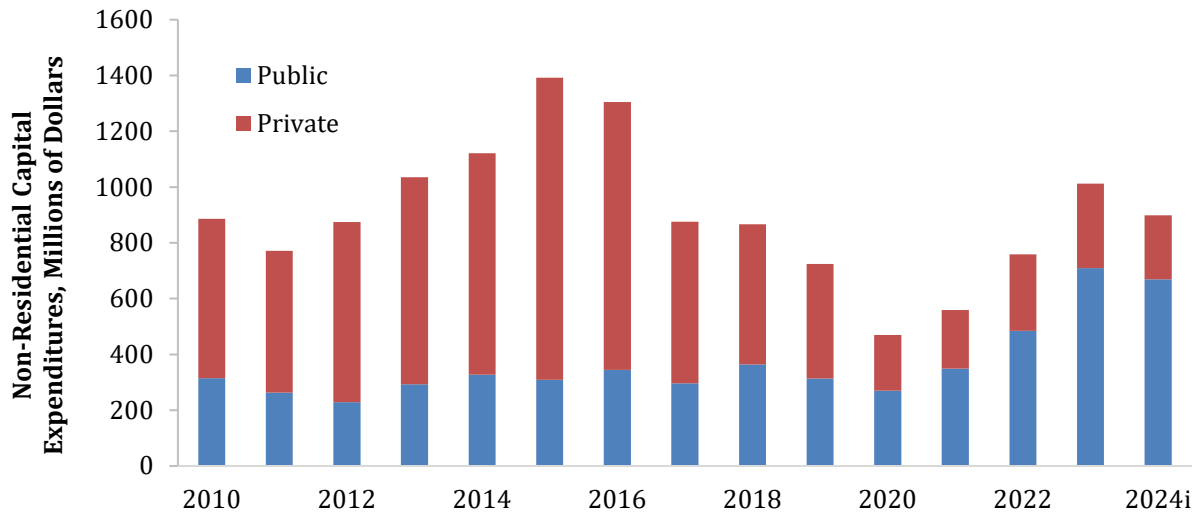
**Northwest Territories Investment Continues to Decline**



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 Source: Statistics Canada and NWT Bureau of Statistics

Fewer new large-scale industrial developments in the territory over the past decade have resulted in declining private-sector investment. Public investment now represents 75 per cent of total investment, an increase from 30 per cent in 2010. Should new large-scale mining or construction projects occur, the ratio could shift back towards the private sector. This is because private sector investment in the Northwest Territories tends to be “lumpy,” where large investments occur during the beginning phases of new development and then decrease rapidly when initial construction is finished.

### Northwest Territories Public Investment Now Dominates Capital Investment



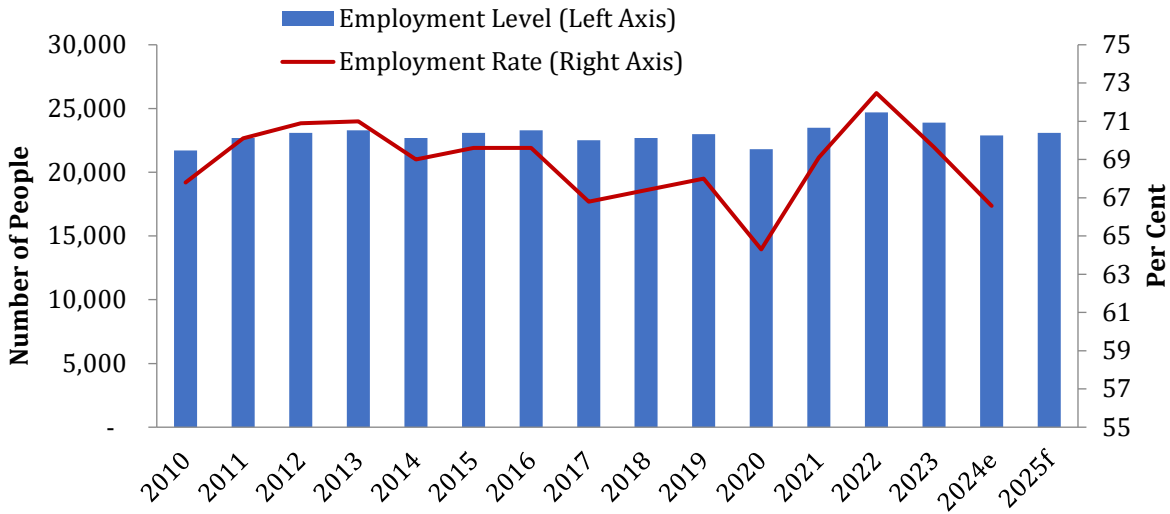
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Source: Statistics Canada and NWT Bureau of Statistics

## Economic Outlook – *Employment*

Resident employment is projected to decrease by 1 per cent in 2025 (or 200 people) after falling 4.2 per cent in 2024. Resident employment is expected to remain above late 2010s levels and the territorial employment rate, which measures the share of the working-age population that is actively employed, is expected to remain unchanged from 2024 at 66 per cent. The employment rate varies significantly by geography and demographic though, and while the overall employment rate is near historic lows, the share of working-age adults (residents aged 25 years and older) remains high at 71 per cent.

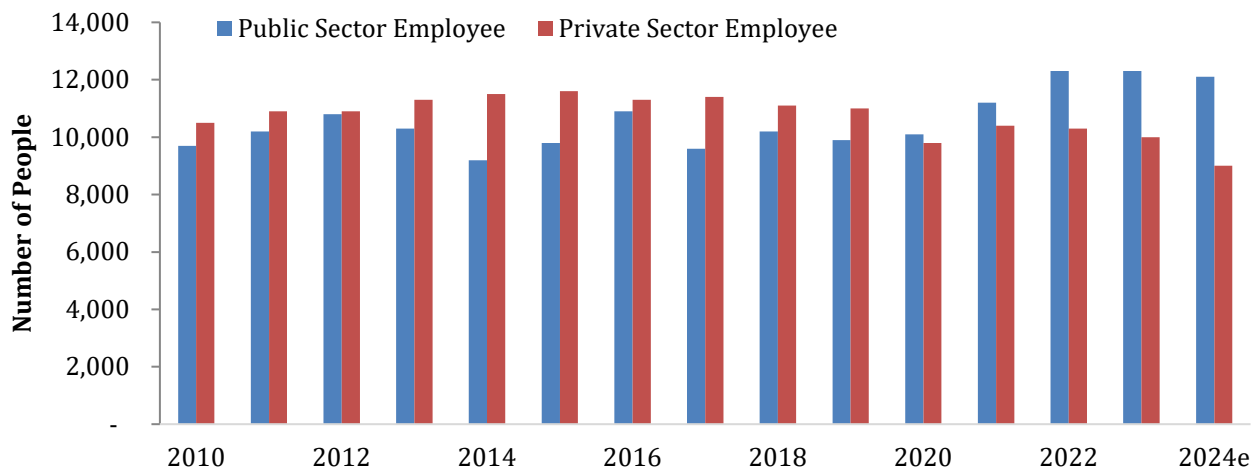
### Northwest Territories Resident Employment Remains Elevated



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 Source: Statistics Canada and NWT Bureau of Statistics

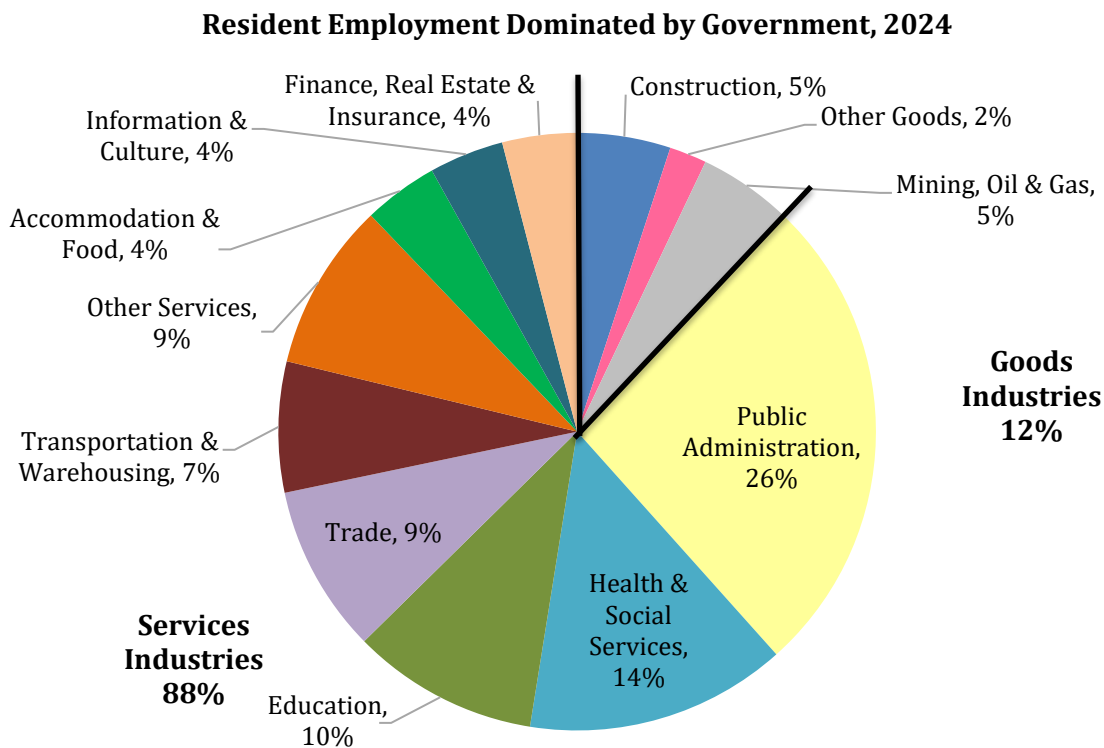
Declines in diamond mining and oil and gas operations have resulted in lower private sector employment while an expansion of government services since the pandemic has resulted in large increases in public sector employment, particularly in health, the territorial government, and Indigenous governments. As a result of these concurrent trends, more Northwest Territories residents are now employed in the public sector than in the private sector, with over half of employed residents (12,100 people) working in the public sector and less than 40 per cent (9,000 people) working for private businesses. This trend is expected to persist over the near term.

### More Residents Are Employed in the Public Sector Than in the Private Sector



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 Source: Statistics Canada and NWT Bureau of Statistics

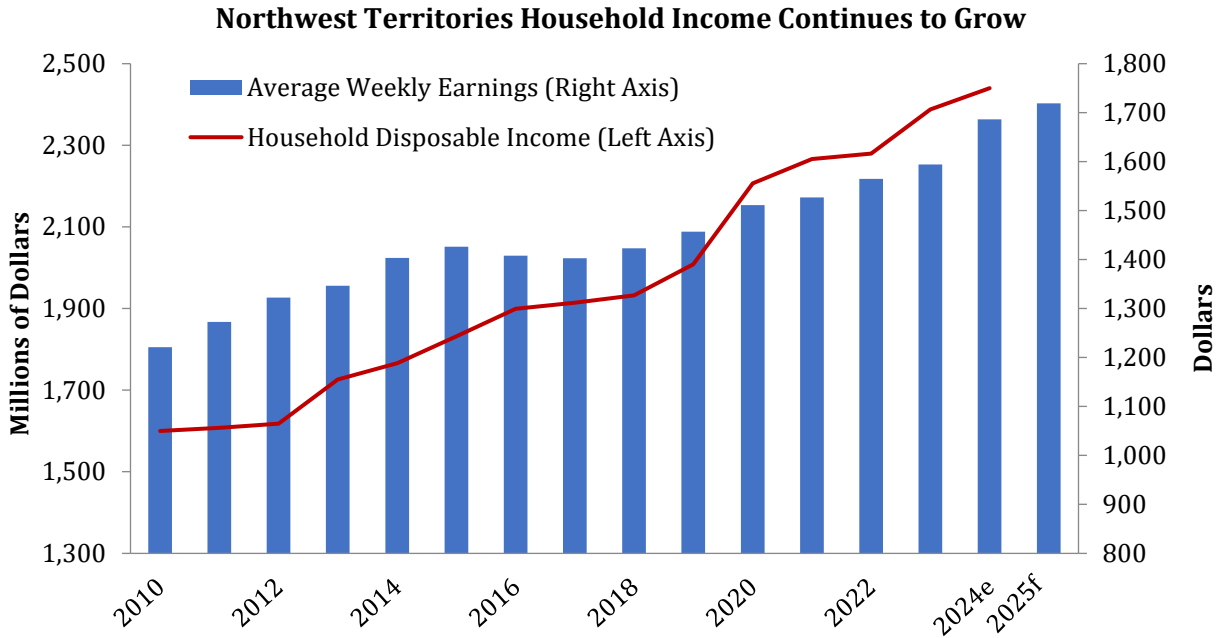
Although an economy increasingly dependent on government could lead to a hollowing out of the private sector, the large public sector also acts as an economic stabilizer. This stability is particularly important in the Northwest Territories because government employment is not prone to the boom-and-bust cycles of the resource industry. As a result, it is able to offer relatively high incomes and steady employment during economic shocks such as pandemics and wildfires. Unlike in more densely populated jurisdictions, a large public sector, which includes health providers and educators in addition to public servants, is needed to provide high-quality public programs and services across a vast territory of 33 communities with widely varying populations and limited infrastructure. As a result, the vast majority of residents who live and work in the Northwest Territories are employed in services-providing industries, with over 50 per cent directly working in the public sector.



Source: Statistics Canada and NWT Bureau of Statistics

## Economic Outlook – Average Weekly Earnings

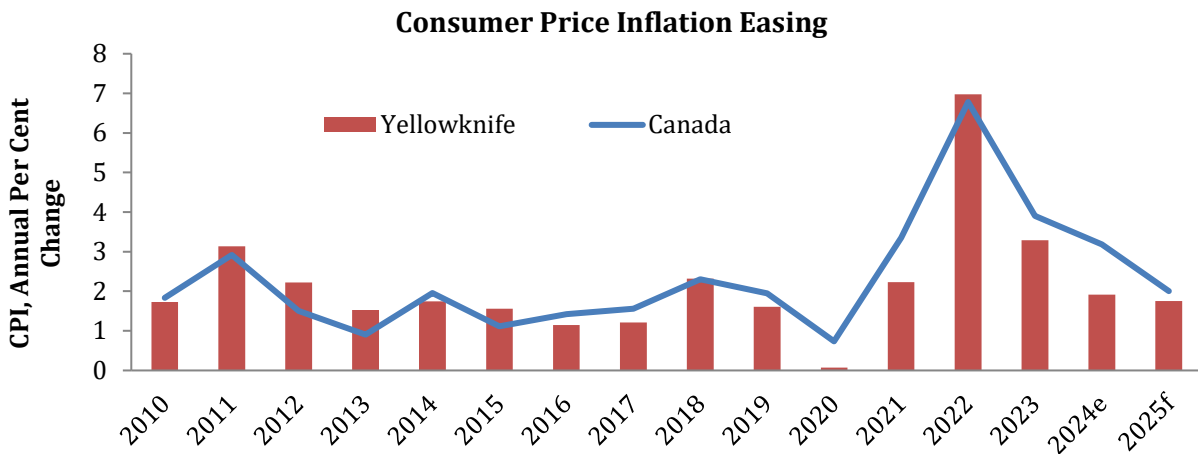
Wages are projected to grow over the near term. Northwest Territories average weekly earnings, currently the highest in Canada after Nunavut, are projected to increase 1.9 per cent in 2025 after rising an estimated 5.8 per cent in 2024. The significant increase in earnings last year was due to the October 2024 ratification of a new collective agreement between the Government of the Northwest Territories (GNWT) and the Union of Northern Workers that resulted in GNWT employee salary increases in November 2024 and retroactive pay in December 2024.



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 Source: Statistics Canada and NWT Bureau of Statistics

## Economic Outlook – Consumer Prices

Consumer price inflation is projected to ease further in 2025, continuing the slowing of the inflation rate seen in 2024. Yellowknife CPI is forecast to increase 1.7 per cent in 2025, well within the normal range of inflation and a smaller increase than in the rest of Canada.



e: estimate  
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 Source: Statistics Canada, the Bank of Canada and NWT Bureau of Statistics

## Risks to the Outlook

Near-term risks to the Northwest Territories economy include the uncertainty being created by the newly inaugurated American President's threat to impose sweeping tariffs on goods from Canada. If implemented, the tariffs and potential retaliatory trade measures by Canada will have significant negative effects on the Canadian economy directly and the territorial economy indirectly.

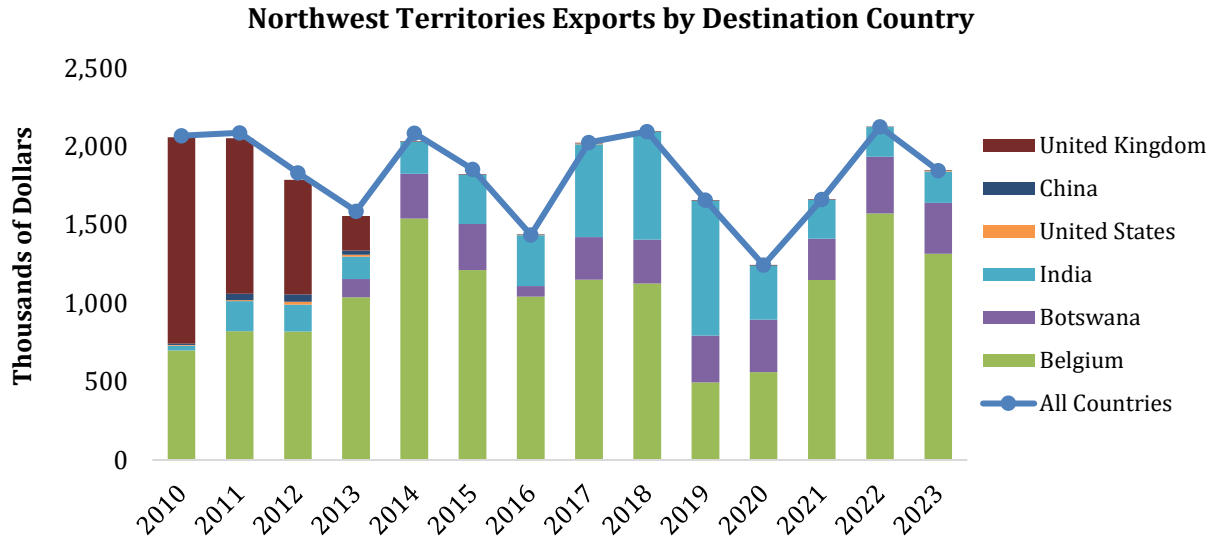
Long-term, structural risks to the Northwest Territories economy are principally related to the impending diamond mine closures. Connected to this is the continued lack of new large-scale industry, which makes transitioning to an economy without the diamond mines more challenging. Ongoing shortages for skilled and unskilled labour, especially in smaller communities, also pose a risk to economic growth. These structural challenges must be addressed to support a smoother transition from the economic contributions of the diamond mines.

Positive risks to the Northwest Territories economy include increased mineral exploration investments that may lead to new mining operations, including critical mineral projects. Growth in small sectors like trapping, fishing, and tourism also bodes well for increased economic diversification and job growth, especially in smaller communities.

### Risks to the Outlook – *United States Tariffs*

Tariffs proposed by the new United States administration would have negative effects on the Canadian and Northwest Territories economies. The Northwest Territories economy is not a major exporter to the United States but is still likely to be indirectly affected by United States tariffs, particularly if the Canadian economy falls into a recession. Tariffs are expected to weaken the Canadian dollar, which would increase the cost of imports and raise the overall price of goods and services, especially if Canada introduces retaliatory trade measures. Tariffs could also have a chilling effect on investment, and key Northwest Territories industries like mining (including critical minerals), could reduce capital investment, leading to fewer future resource developments.

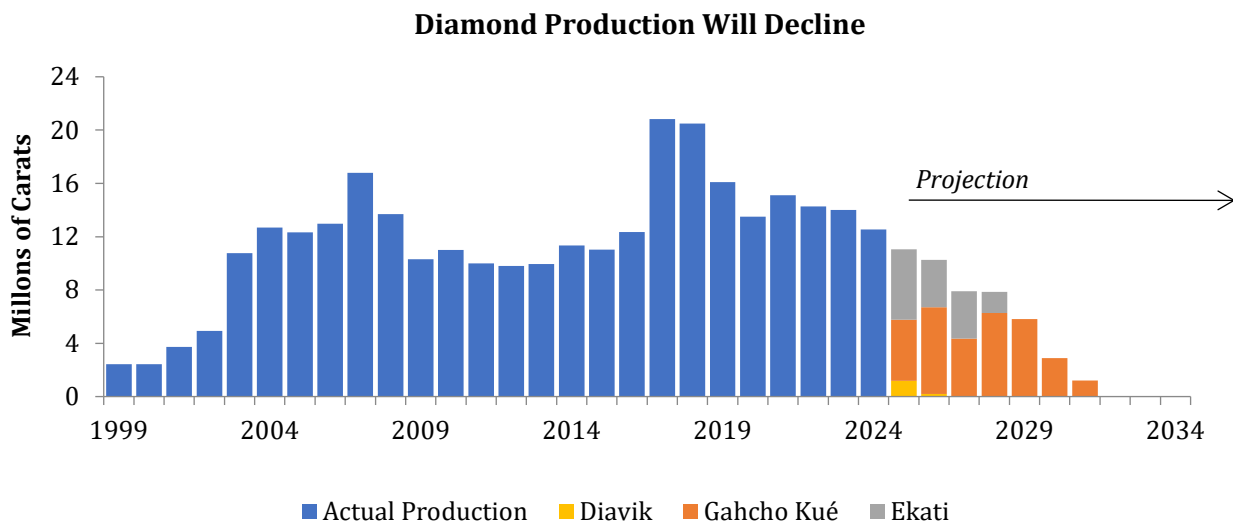
However, immediate effects are likely to be small for the Northwest Territories because it exports little directly to the United States. The main export product is rough diamonds and in 2023 over 70 per cent of Northwest Territories exports (\$1.3 billion) went to Belgium, the largest diamond centre in the world. By contrast, less than one per cent of Northwest Territories exports (\$5.6 million) went to the United States. A more concrete concern is that Northwest Territories exports have been steadily declining over time, reflecting the maturing of the diamond mines.



Source: NWT Bureau of Statistics

## Risks to the Outlook – *Diamond Mine Closures*

Maturing diamond mines are a significant risk to the territory’s economic outlook because they are a primary driver of the Northwest Territories economy. All currently producing mines are set to end production by 2030. Diavik is scheduled to close in 2026, followed by the Ekati in 2029 and Gahcho Kué in 2030. Ekati could operate for an additional decade if underwater mining is successful and kimberlite expansions proceed. Decisions to expand existing diamond mines and develop new kimberlite pipes depend on a range of economic and financial factors including global capital credit conditions, consumer demand, and rough diamond prices. An extension of Ekati’s mine life would be a significant positive development for the territory.

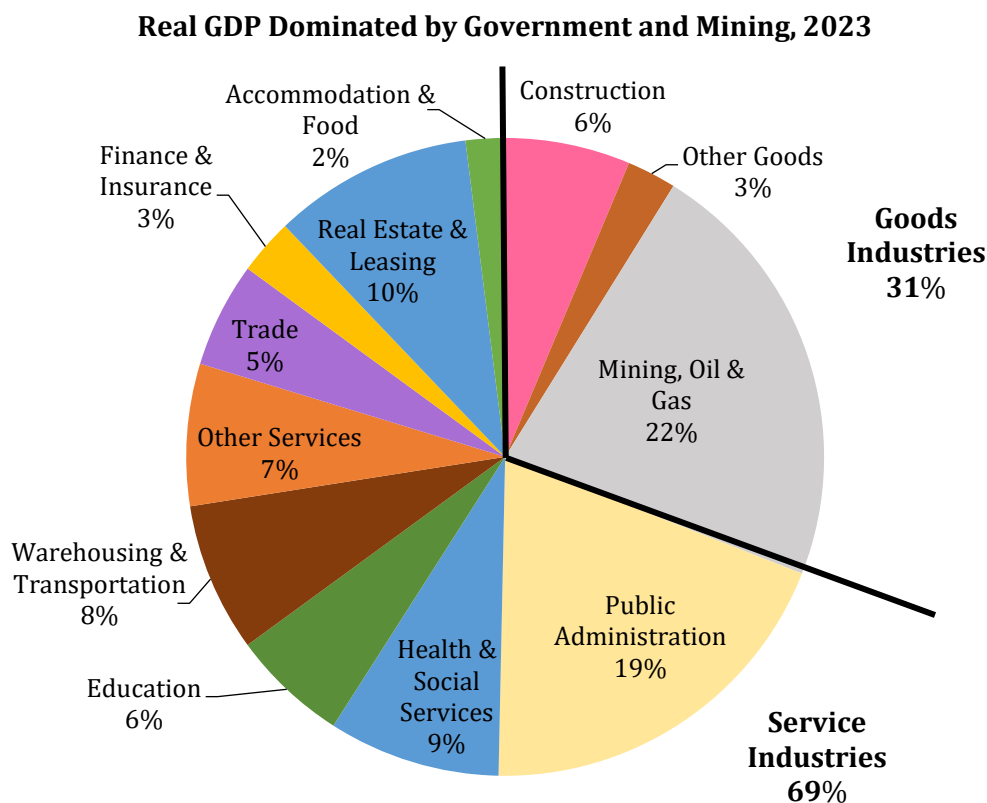


Note: Projections are subject to change based on mine plan revisions.

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

## Risks to the Outlook – *Undiversified Economy*

The Northwest Territories economy currently depends on two industries: government and mining. Together, these sectors account for approximately 41 per cent of the territory's GDP and high-paying employment. This reliance creates structural challenges for achieving long-term stable growth. Multiple strong economic sectors are crucial for fostering stable and balanced growth by distributing risk across many industries so that the economy's vulnerability to fluctuations in any single sector or market is reduced. A more diversified economy also encourages job creation, entrepreneurship, and innovation, which also can drive sustainable development over time.



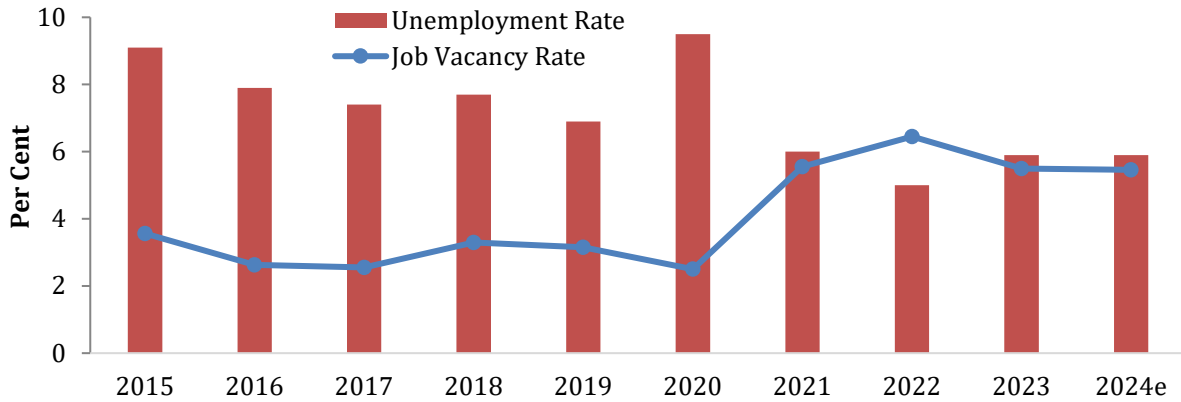
Source: Statistics Canada and NWT Finance

## Risks to the Outlook – *Labour Shortages*

Labour shortages are an ongoing challenge given the small size of the Northwest Territories population and resident workforce. In 2024, the job vacancy rate (the share of job openings that go unfilled) was 5.5 per cent, a slight improvement from the previous year, but well above the average between 2015 and 2020. The unemployment rate (the share of workers who are out of work but are actively looking for a job) was 5.9 per cent in 2024, a slight increase from 2023, but much lower than the 7.9 per cent average between 2015-2020. Low unemployment despite elevated job

vacancies poses a risk to the economic outlook as an inability to fill vacant positions prevents businesses from maintaining or expanding their operations and diminishes the quality of life for territorial residents by reducing the variety and availability of public services.

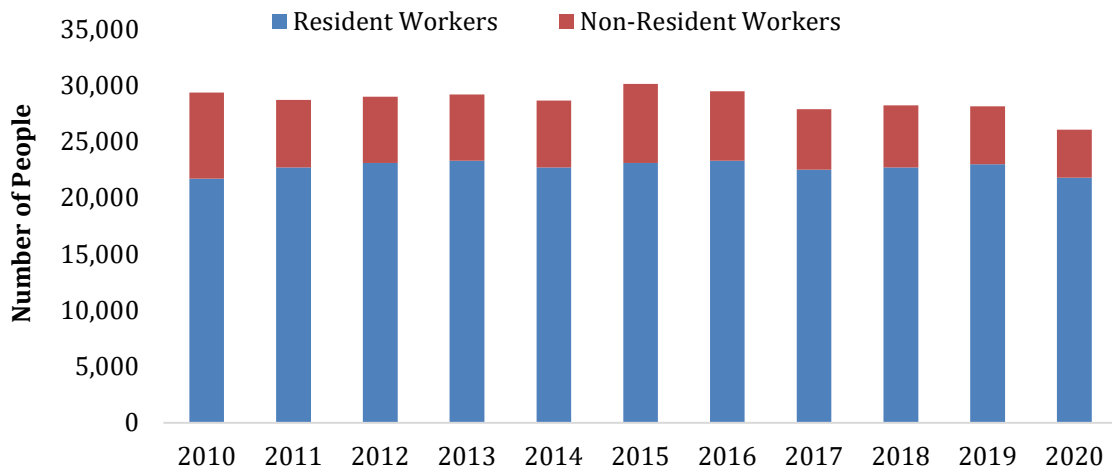
### Labour Shortages Are a Continuing Problem



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Source: NWT Bureau of Statistics and NWT Finance

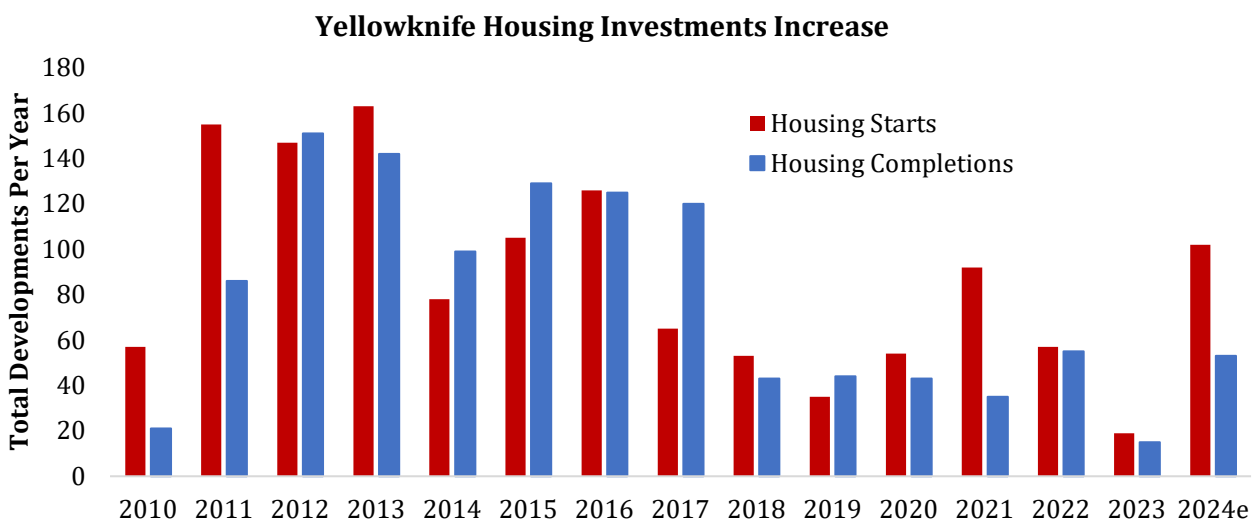
Labour shortages are a major reason for the territory’s high rate of non-resident workers. The number of non-resident workers employed in the Northwest Territories averaged 6,000 between 2008 and 2020, about one-fifth of all workers. These jobs include seasonal, rotational, temporary, and special projects that fill employment gaps that are not met by the resident workforce.

### Non-Residents Are a Significant Part of the Northwest Territories Workforce



Source: Statistics Canada and NWT Finance

A lack of housing may also be contributing to labour shortages and a high share of non-resident workers if difficulty finding adequate or affordable housing deters skilled workers from moving to the territory. Between 2018 and 2023, construction of new residential units declined significantly, exacerbating housing challenges. Fortunately, this lack of housing is beginning to be addressed by a strong increase in residential construction in Yellowknife and other communities. In 2024, there has been an estimated 102 housing starts, 31 building permits, and 50 housing completions. A large portion of these increases come from the start of a new apartment complex in Yellowknife.



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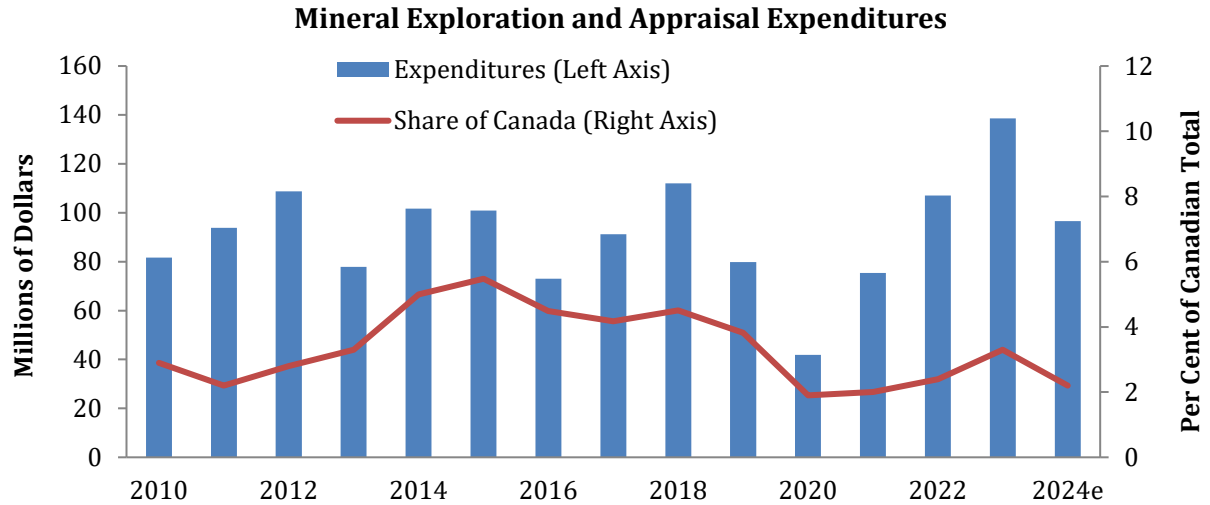
Source: Statistics Canada

## Risks to the Outlook –*Future Resource Development*

Diamond mines currently dominate the mining industry and the private sector. However, several other new, smaller resource development projects exist in the territory. While none of these new projects are large enough to offset the economic loss that will accompany the closure of the diamond mines, they do present an opportunity for future mining growth.

Further evidence of this potential is indicated by mineral exploration and appraisal spending, a requirement for discovering and developing new mines. Mineral exploration and appraisal spending has more than doubled since the pandemic and spending intentions are expected to remain elevated in 2025 due to renewed demand for critical minerals and metals, like lithium, that may result in new mine developments in the Northwest Territories. While in past years roughly one-half of all exploration and appraisal expenditures were for diamonds, since 2021 diamond exploration has declined to less than one-fifth of spending intentions.

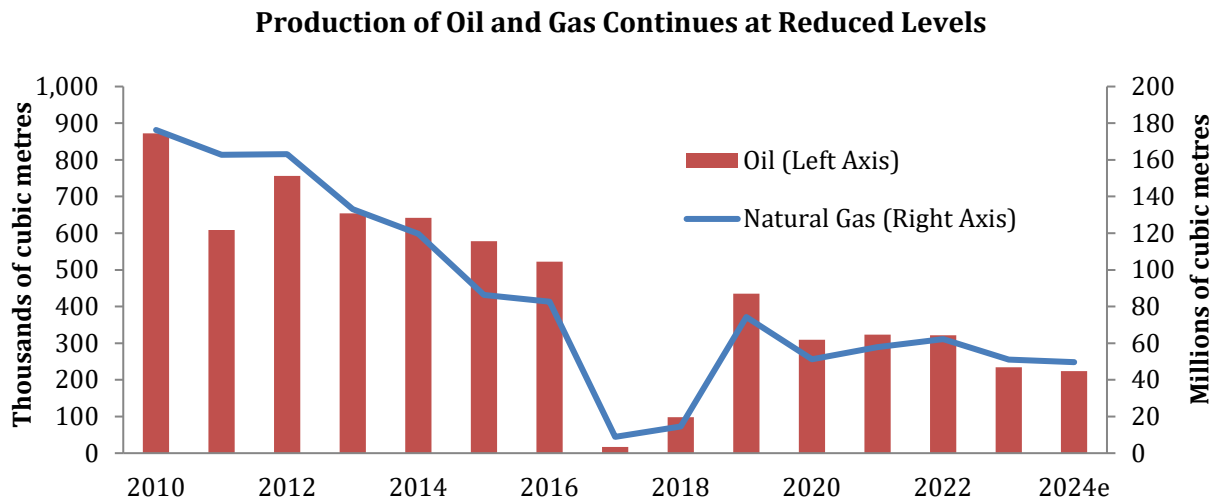
Even if new mining projects do not replace the diamond mines, they can help stabilize the economy with high paying jobs and business opportunities. Smaller mines may also be able to operate using local labour and local contractors rather than relying on non-resident workers as the diamond mines currently do. However, there is also the possibility that new mines will not materialize soon and preparation for a different sort of economy will be crucial.



e: revised estimate  
Source: Natural Resources Canada

The higher demand and prices for minerals critical for clean energy projects could spur investment in new developments in the Northwest Territories, creating jobs and boosting economic output. However, unlike diamonds, these minerals are more likely to be traded with the United States, and while critical minerals are essential to American strategic interests, their protectionist policies create uncertainty for development.

The future of mining in the Northwest Territories is likely to be smaller-scale mines rather than the large-scale operations like the gold mines of the past and the diamond mines operating today. Similarly, large-scale oil and gas production, which once dominated the territory’s resource extraction sector and contributed significantly to employment, GDP, and exports, is declining in both output and economic importance. Despite steady output, oil and gas production is unlikely to return to levels seen a decade ago.



e: estimate  
Source: NWT Bureau of Statistics and NWT Finance

## Risks to the Outlook – Growth in Other Sectors

Attempts to diversify the Northwest Territories economy away from mining and public administration have largely been unsuccessful although growth has resulted in a few small sectors.

Tourism is highlighted as having potential to inject private sector employment opportunities into smaller communities. While three years of pandemic related policies had a damaging effect on Northwest Territories tourism, the sector has largely recovered. Aircraft movement data, used as a proxy to measure out-of-territory tourist activity, suggests a good recovery, as does a rebound in the number of tourism-related businesses. In 2024, over 52,500 separate aircraft movements occurred in Yellowknife, comparable to the 2014 to 2019 period, and there were about 135 active businesses in the NWT tourism sector in 2024, eleven more than in 2020.

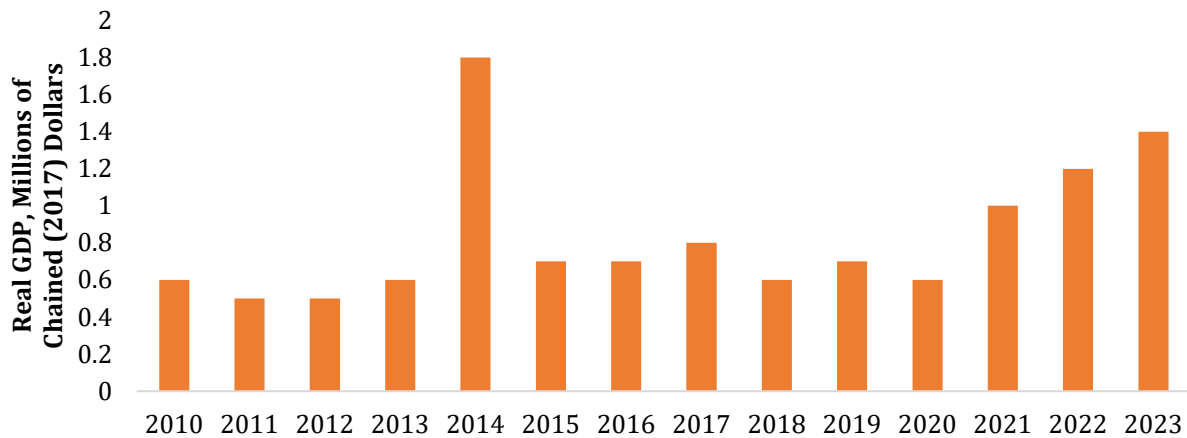


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Source: Statistics Canada

Aurora viewing and outdoor adventure are the primary reasons that tourists visit the Northwest Territories, though while here many also enjoy the rich arts and culture of the region. The arts and culture sector contributes to the economy by enhancing the quality of life, promoting the territory abroad, and providing employment in all regions of the territory. The overall arts and culture sector has been declining over the past decade. However, this sector is made up of several disparate industries and one of these industries has experienced consistent growth: the motion picture and sound recording sector. Although the motion picture and sound recording sector accounts for less than \$2.0 million of real GDP and fewer than 150 employees, it has potential to grow. Between 2010 and 2023, the economic output of this industry more than doubled, and the ongoing implementation of the GNWT's *Rolling, Action! The Next 5 Years: NWT Film and Media Sector Strategy and Action Plan 2021-2026* will help to spur further growth in this industry.

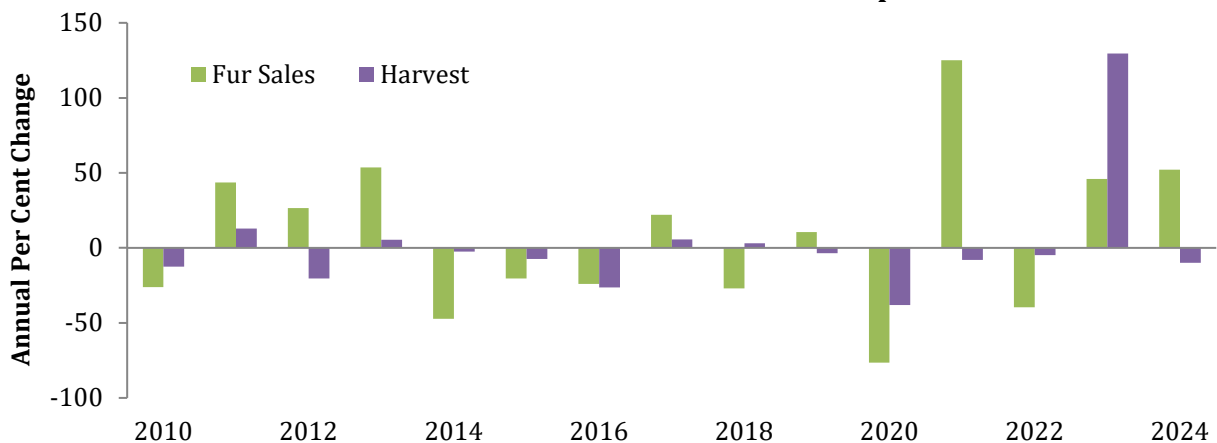
### Growth in the NWT Motion Picture and Sound Recording Industry



Source: Statistics Canada

Trapping is another sector that, while a small contributor to the overall territorial economy, is traditionally important to many residents for food and clothing as well as incomes, especially in smaller communities. The rebound in trapping has continued into 2024, with a 52 per cent increase in fur sales at auction. The number of pelts sold at auction rose from 40 per cent in 2023 to 86 per cent in 2024. This presents a positive risk to the outlook as it could mean increased employment and incomes in communities outside Yellowknife.

### Number And Value of NWT Fur Pelts Up

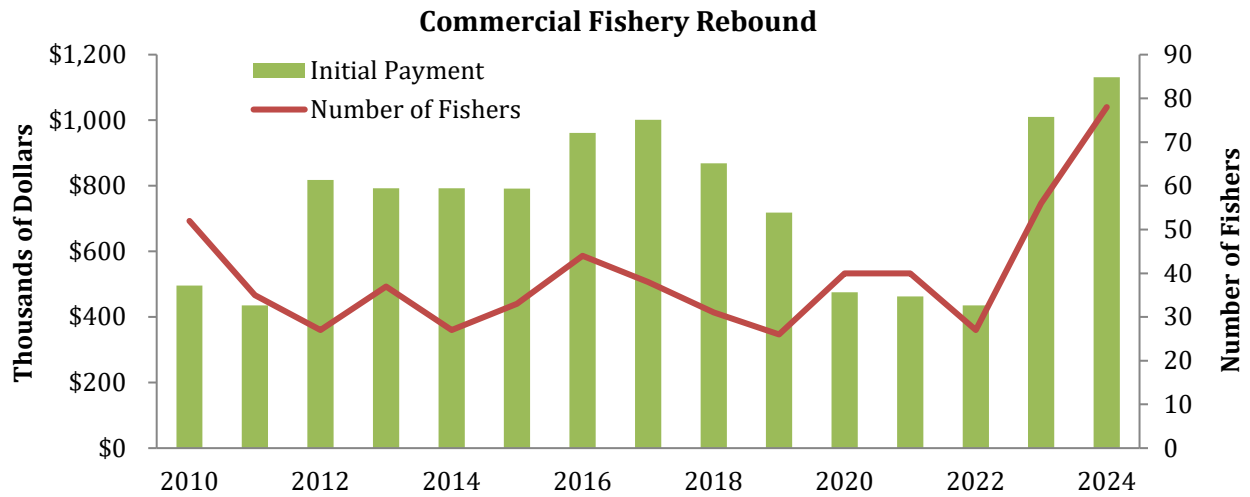


Source: NWT Environment and Natural Resources, NWT Finance and NWT Industry, Trade and Investment

The commercial fishery industry in the Northwest Territories is small but represents an opportunity for economic diversification and regional employment because fish are an abundant, renewable resource. The GNWT has made several commercial fishing investments identified in the

*Strategy for Revitalizing the Great Slave Lake Commercial Fishery.* Key among these is the opening of the new Hay River fish processing plant in June 2023. These investments appear to be working, as after five years of decline, initial payments (an on-delivery point, net-of-freight basis) to Northwest Territories fishers exporting through the Freshwater Fish Marketing Corporation (FFMC) increased 132 per cent in 2023 to just over \$1 million and a further 12 per cent to \$1.13 million in 2024.

The number of active commercial fishers exporting fish through the FFMC in 2024 was 78, the highest number of commercial fishers on record since 2006. Less disrupted trade and higher fish prices led to increased participation and production, indicating that the Northwest Territories fishing industry is expanding, which is a positive risk for the outlook.



Source: Freshwater Fish Marketing Corporation