Government of
Northwest Territories

Standing Committee on Accountability and Oversight
Economic Outlook and Fiscal Update

September 15 2021

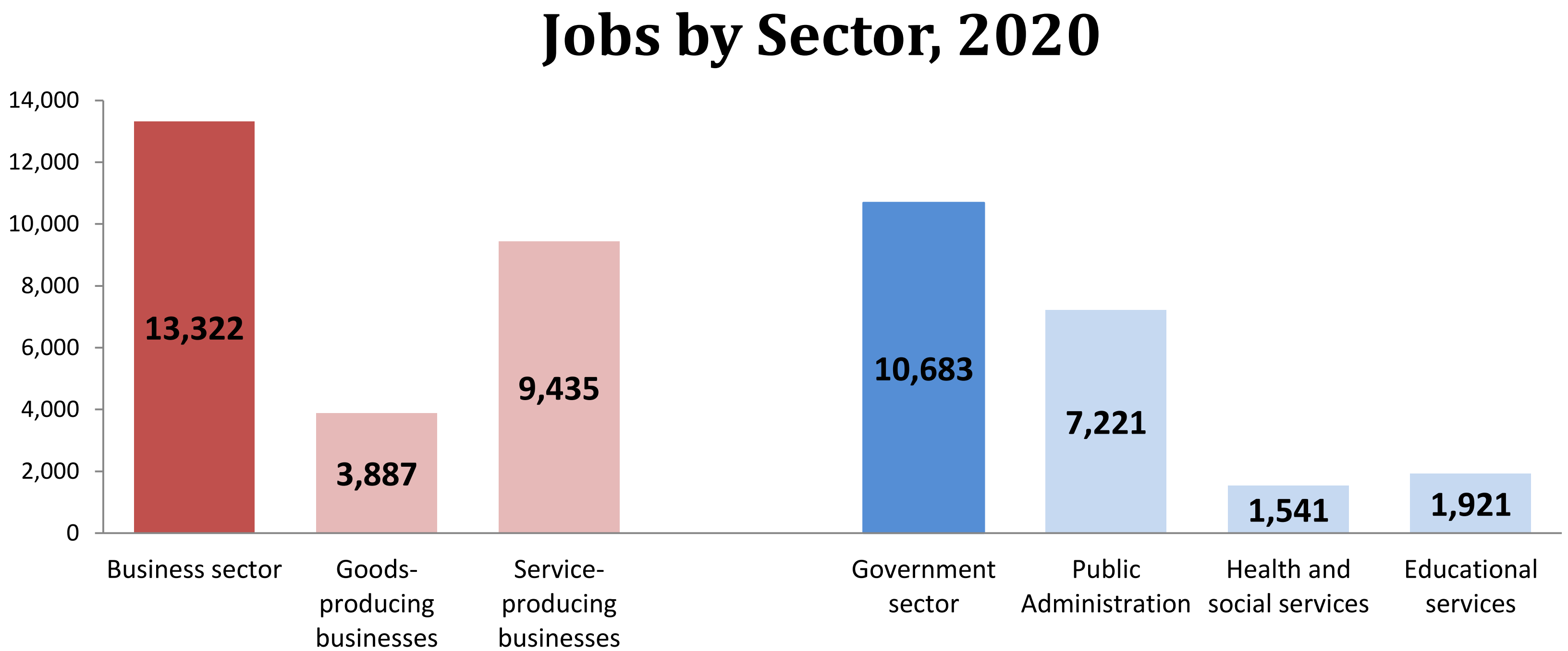
ECONOMIC OUTLOOK

NWT Economic Structure

The economy is small and open. Separate activities can cause big shifts in the economic landscape:

- The economic footprint of a single mine is large and able to support multiple local businesses
- The government sector (federal, territorial and Indigenous and local) provides a stable economic base mainly funded by the federal government
- The tourist industry was expanding before the pandemic, bringing in international tourists

The Government Sector is a Large Employer



Goods-producing businesses include mining and construction.

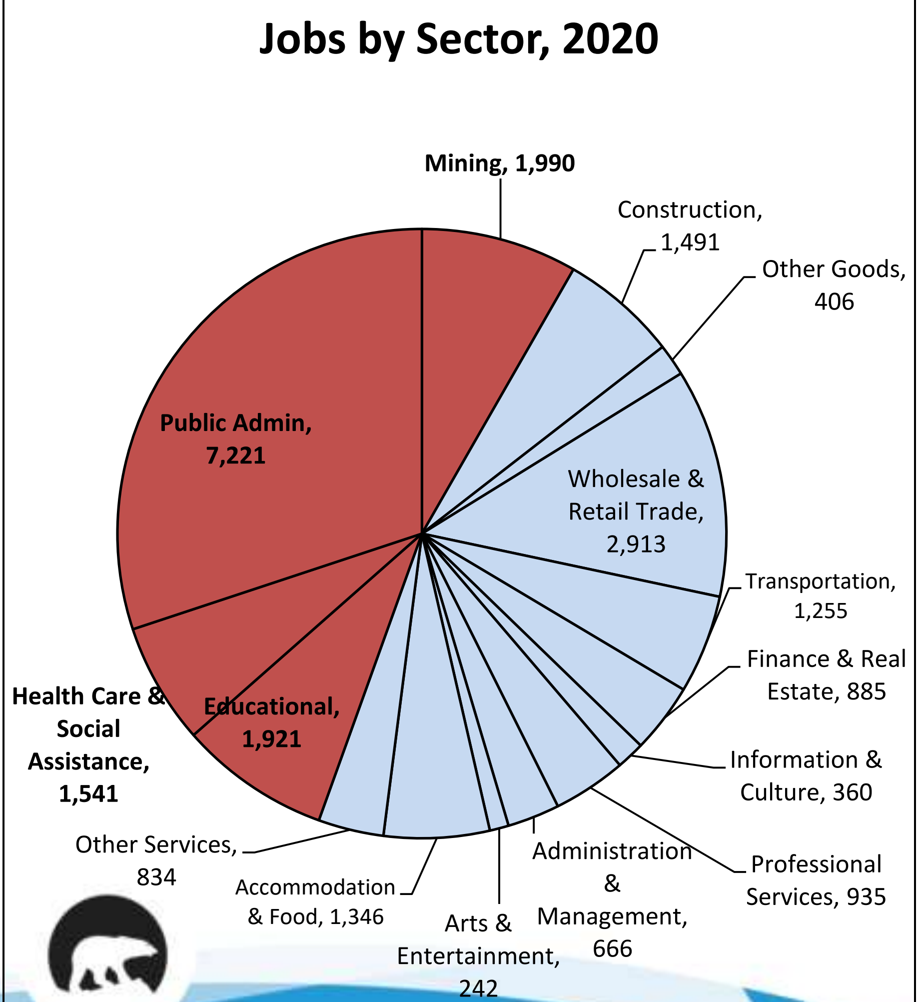
Services-producing businesses include wholesale and retail trade, transportation and warehousing, finance and real estate, professional services, accommodations and restaurants, and other services.

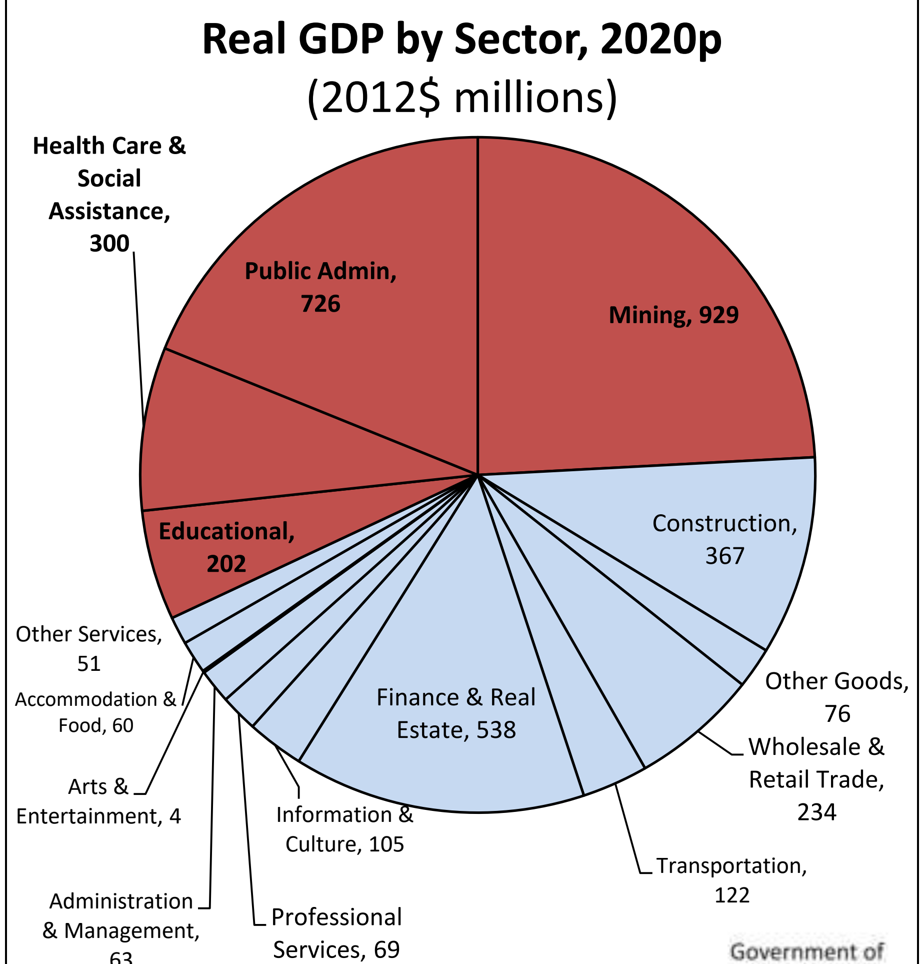
Government sector includes public administration as well as school teachers, doctors, postal workers, and other public sector employees.

Government of Northwest Territories

Source: Statistics Canada (Survey of Employment, Payroll and Hours)

NWT Economy Dominated by Public Sector and Mining industries (measured by Jobs and GDP)

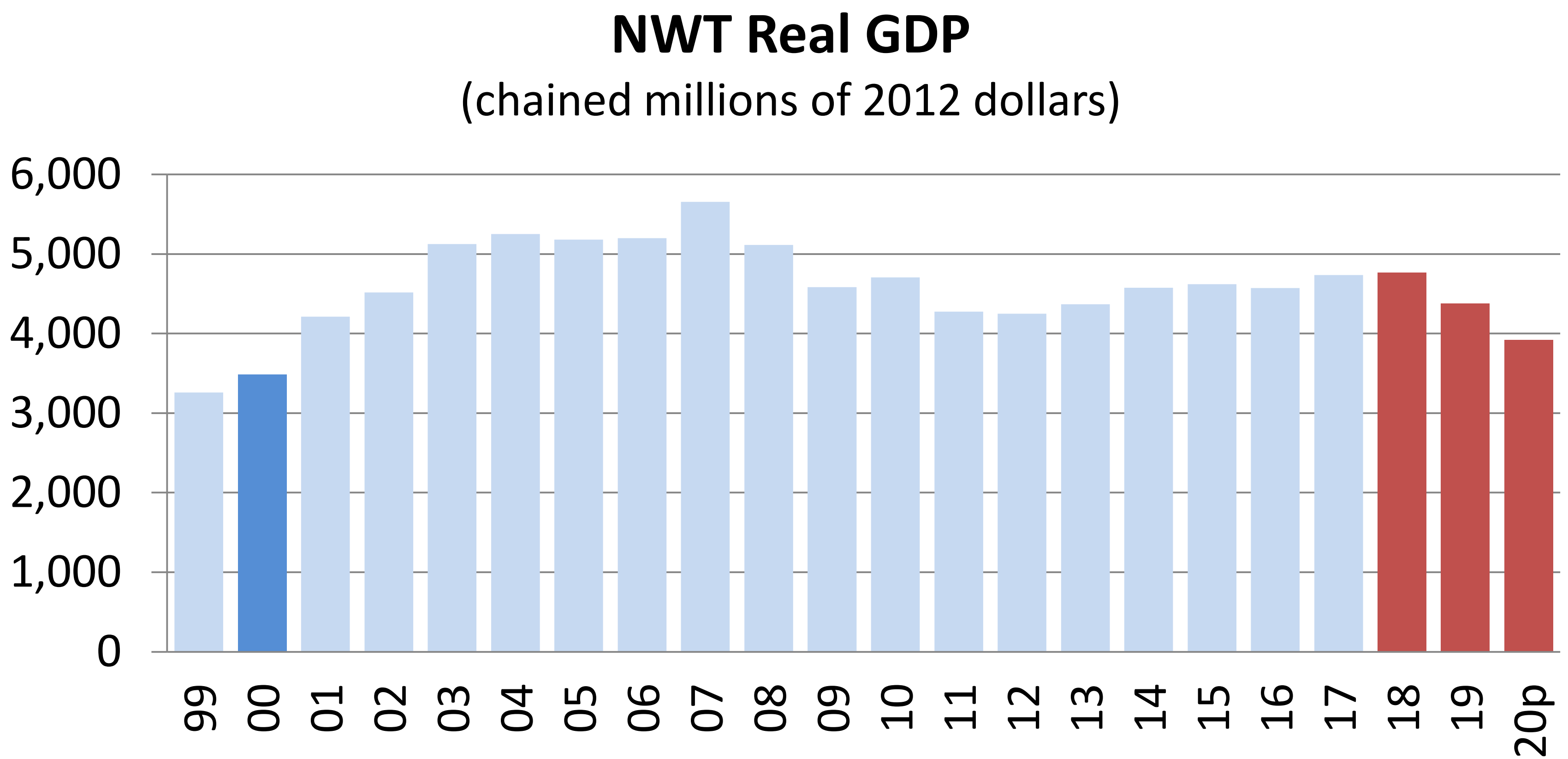




Government of Northwest Territories

Source: Statistics Canada (p - Preliminary)

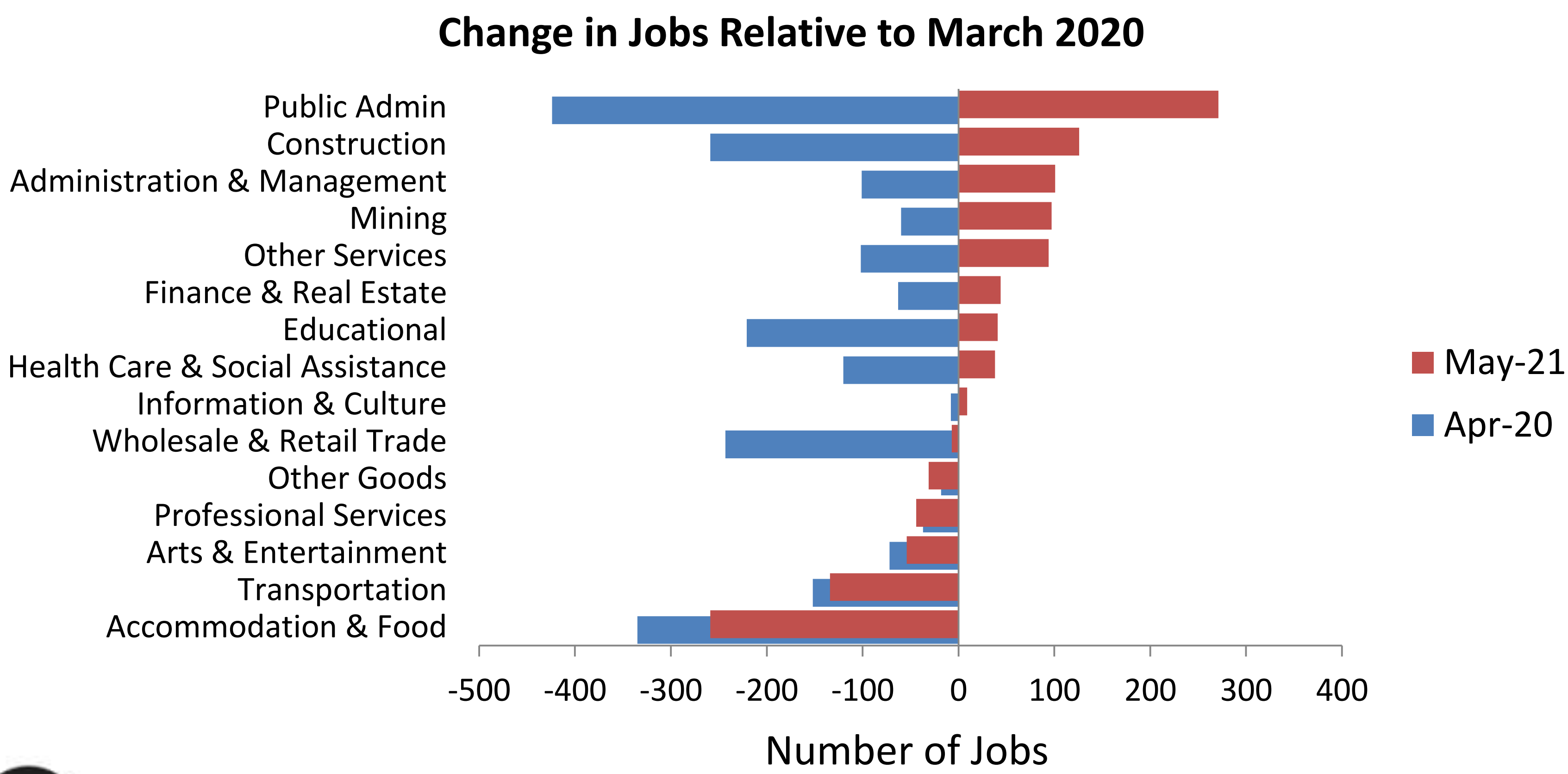
The NWT Economic Decline Began Before the Pandemic



Source: Statistics Canada (p - Preliminary)

Government of
Northwest Territories

101% NWT Job Recovery;
Some Sectors Remain Depressed as Jobs Shift

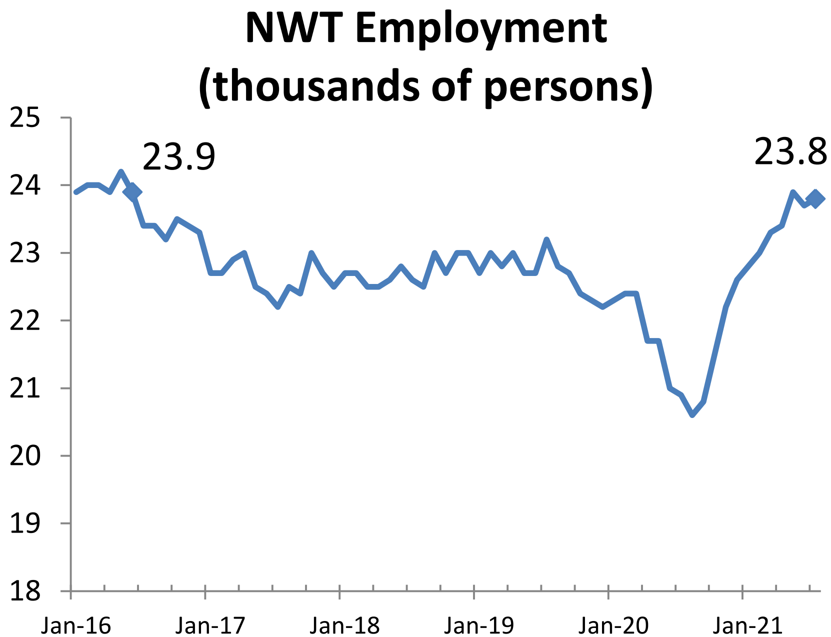


Source: Statistics Canada (Survey of Employment, Payroll and Hours)

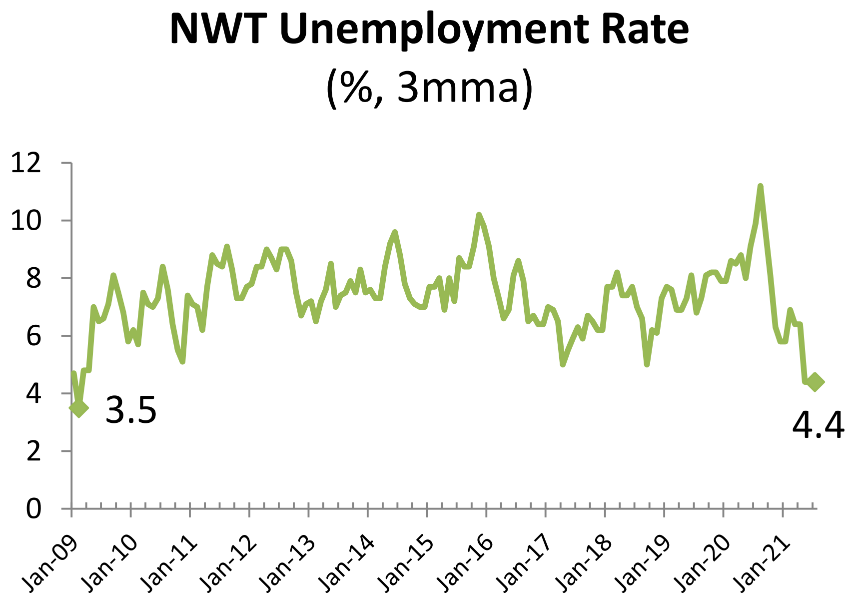
Government of Northwest Territories

NWT Job Recovery Continues

Second highest since February 2016



Lowest since February 2009



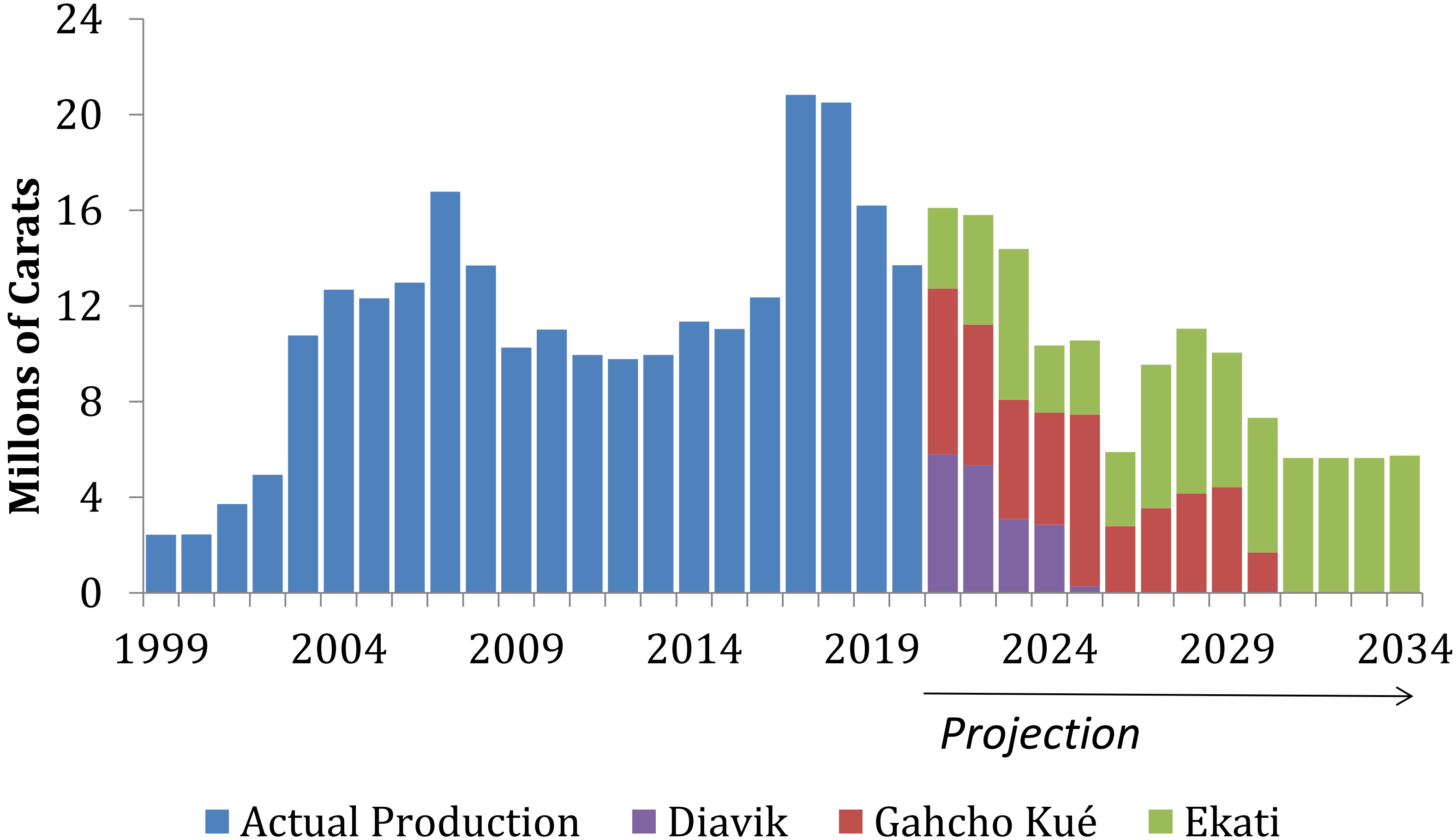
Source: Statistics Canada (Labour Force Survey)

Government of Northwest Territories

Risks to the Economy

- The NWT economy is open and global risks are NWT risks.
- Global economic growth: supply chain disruptions, and international demand declines for NWT goods and services
- Business sentiment: paralyzes economic activity
- COVID-19: Community spread of the coronavirus or its variants
- Inflation: seeing manufacturing disruptions are causing material and supply costs to increase but economic slack in the overall national economy is expected to keep inflation down.
- Labour market: Labour shortages in the provinces often mean population declines in the NWT.
- Diamond mines maturing…

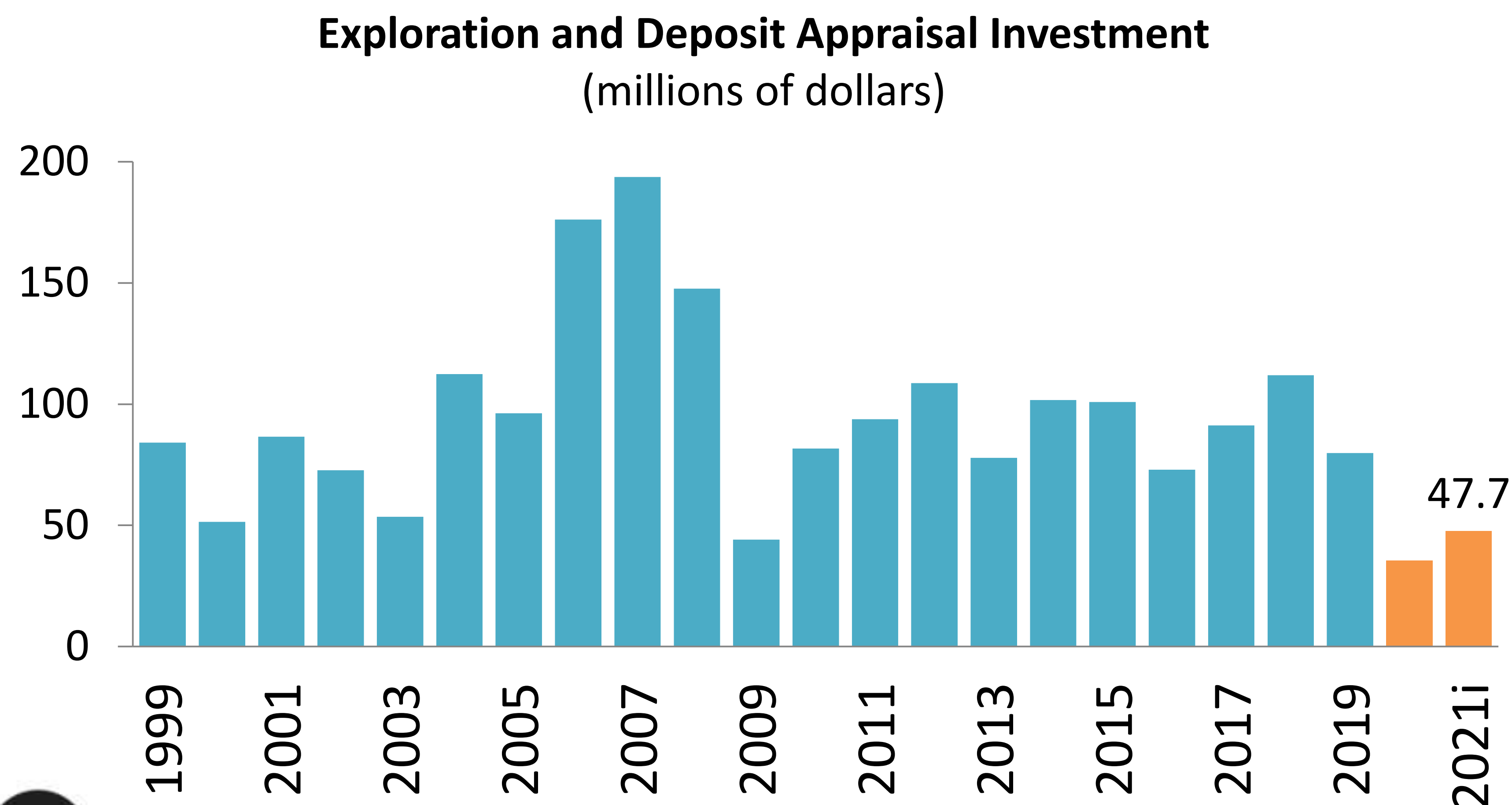
Diamond Mines Maturing



Note: Projection numbers are subject to change based on mine plan revisions by the private mining companies.

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

Mineral Investment Spending at Low Levels

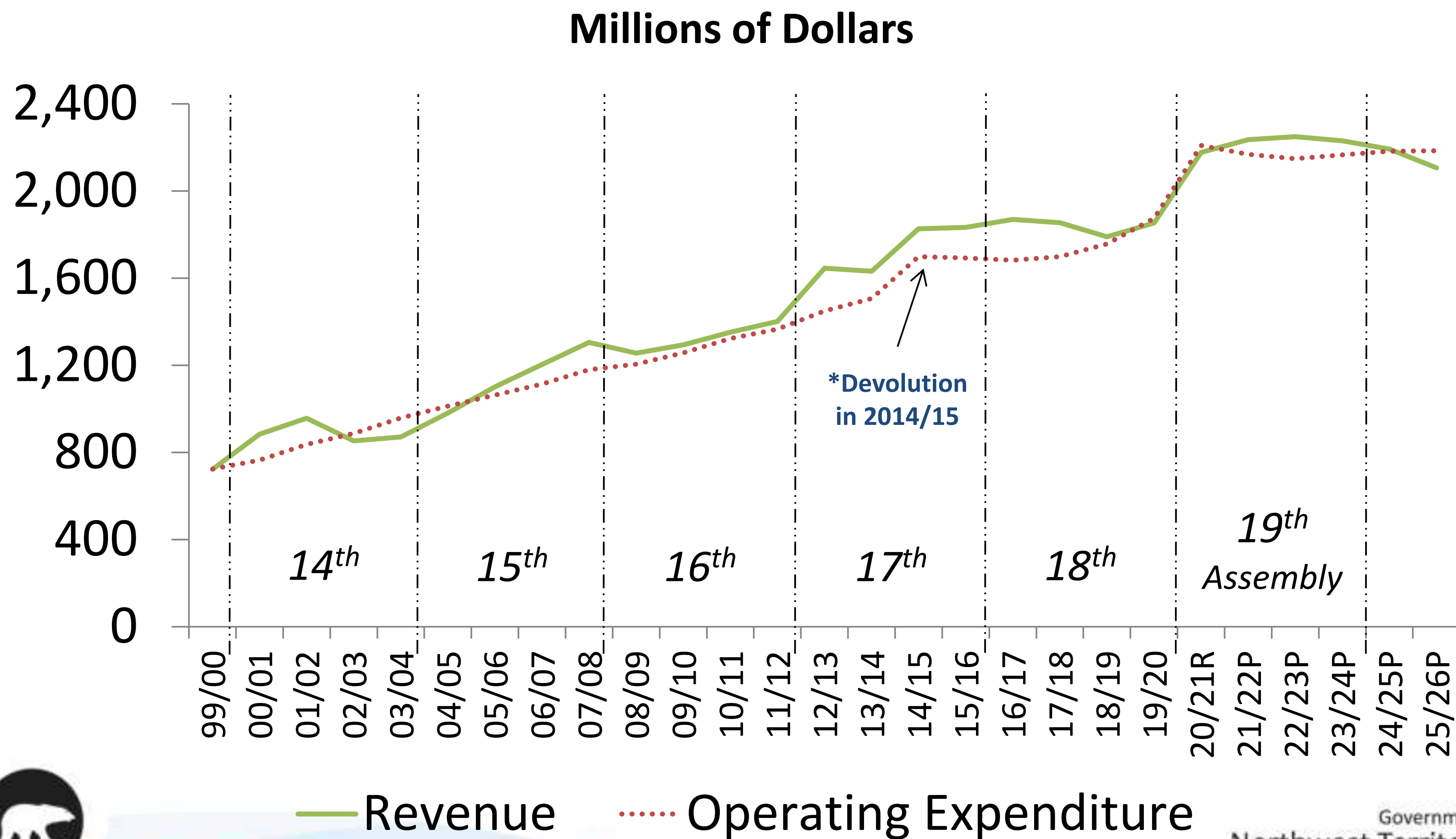


Source: Natural Resources Canada
2020: Preliminary, 2021i: Intentions

Government of Northwest Territories

FISCAL UPDATE

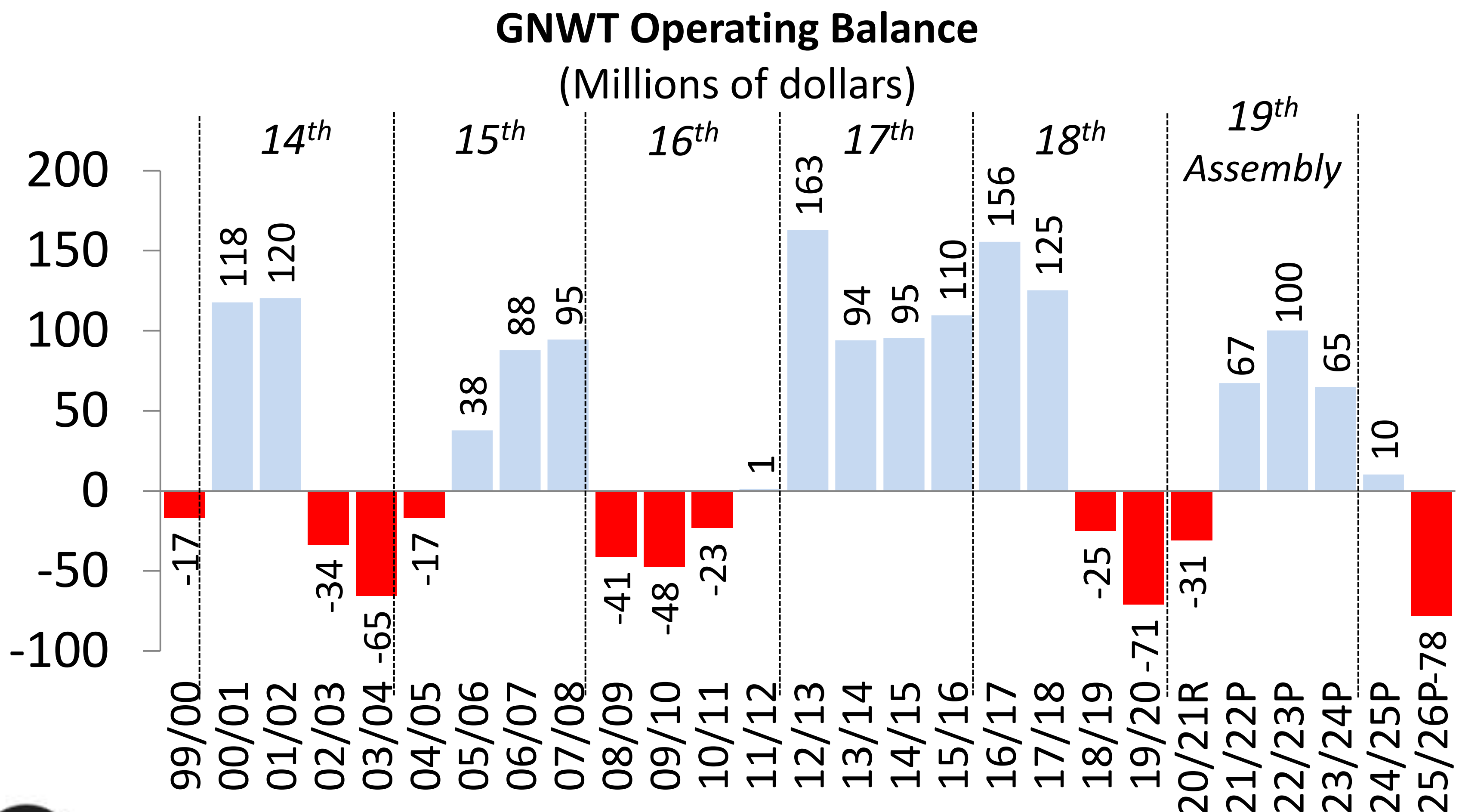
Revenue and Expenditure Growth



Government of Northwest Territories

R: Revised, P: Projection

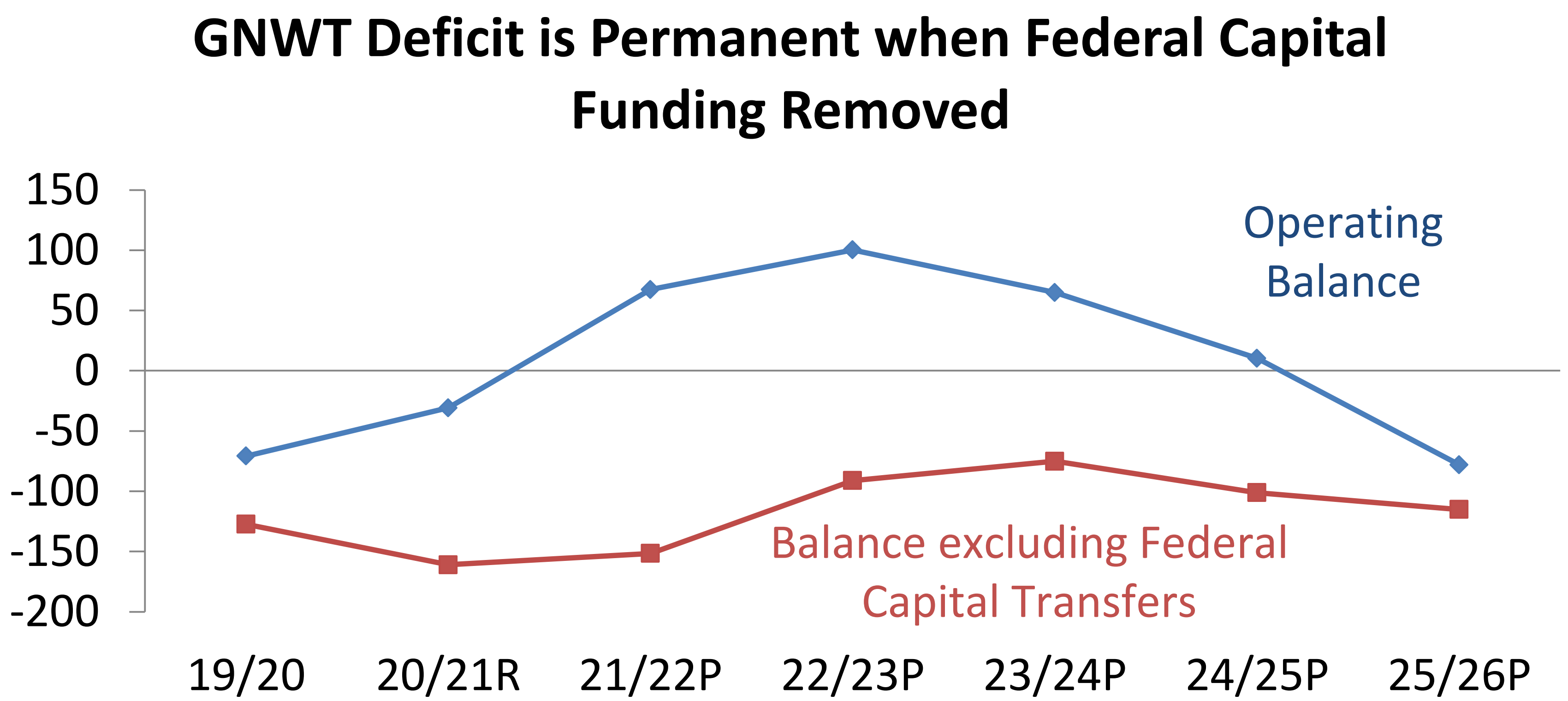
Need Larger Operating Surpluses



R: Revised, P: Projection

Government of
Northwest Territories

Surplus Boosted by Temporary Capital Funding from Federal Government

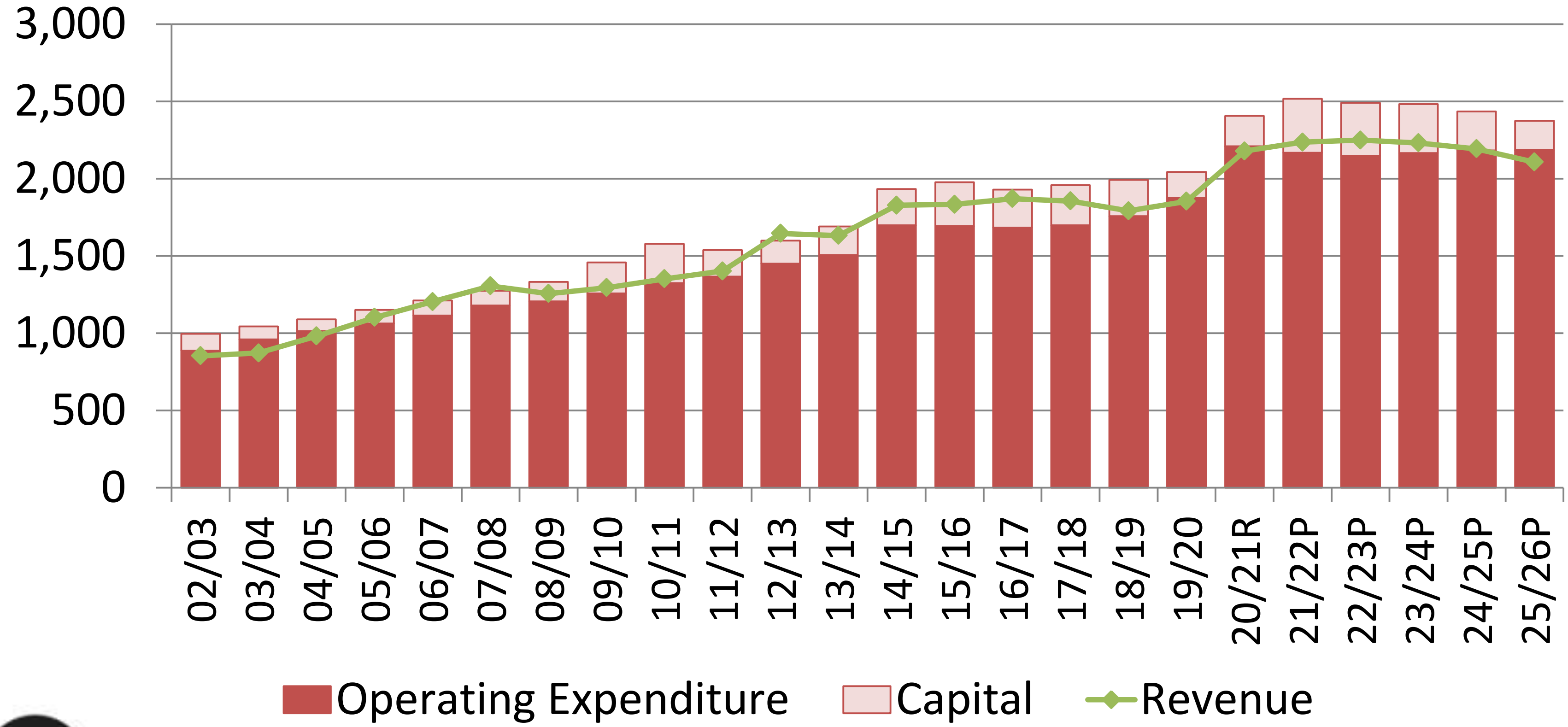


R: Revised, P: Projection

Government of Northwest Territories

Operating and Capital Expenses Outpace Total Revenue

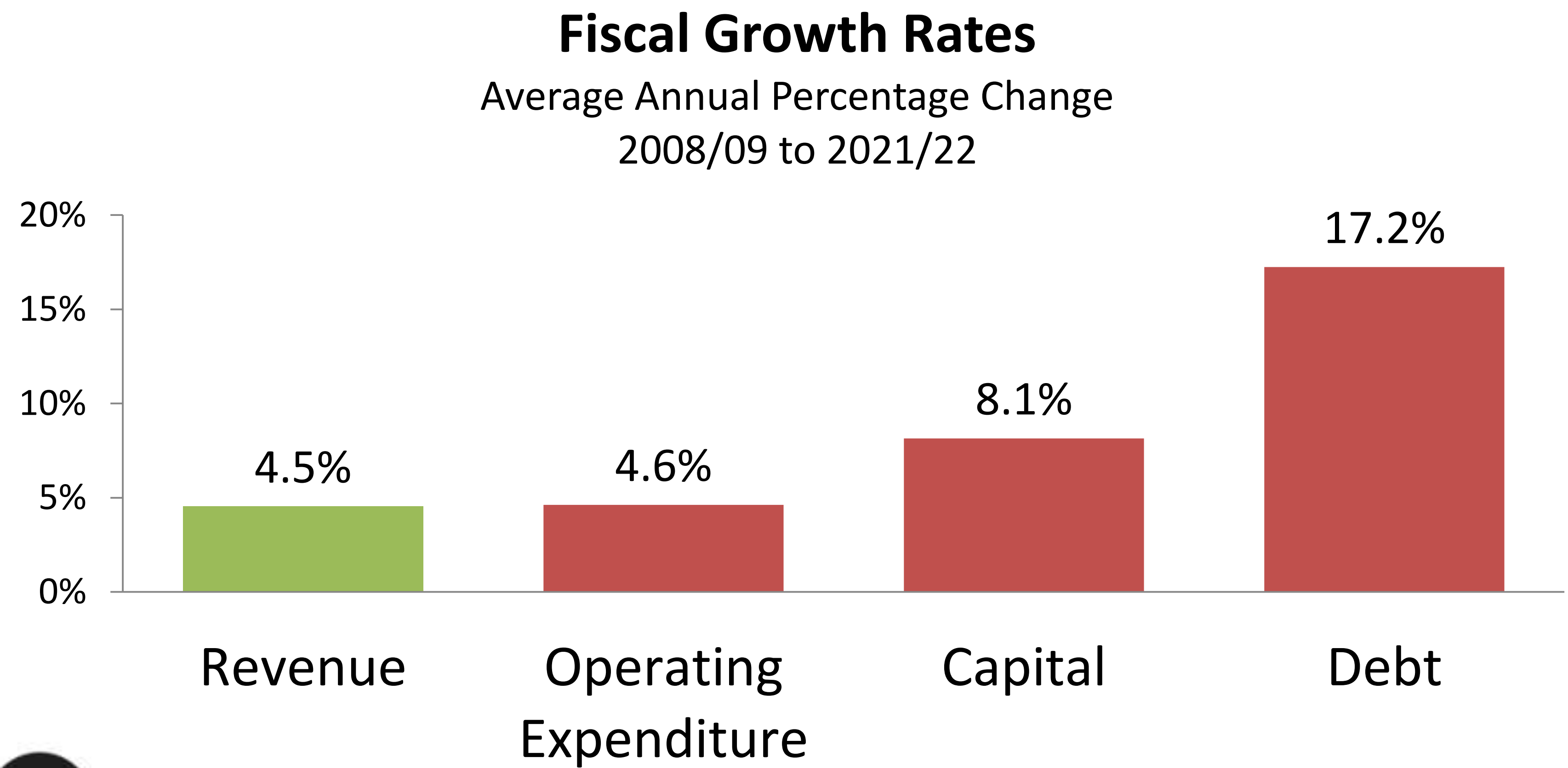
(millions of dollars)



R: Revised, P: Projection

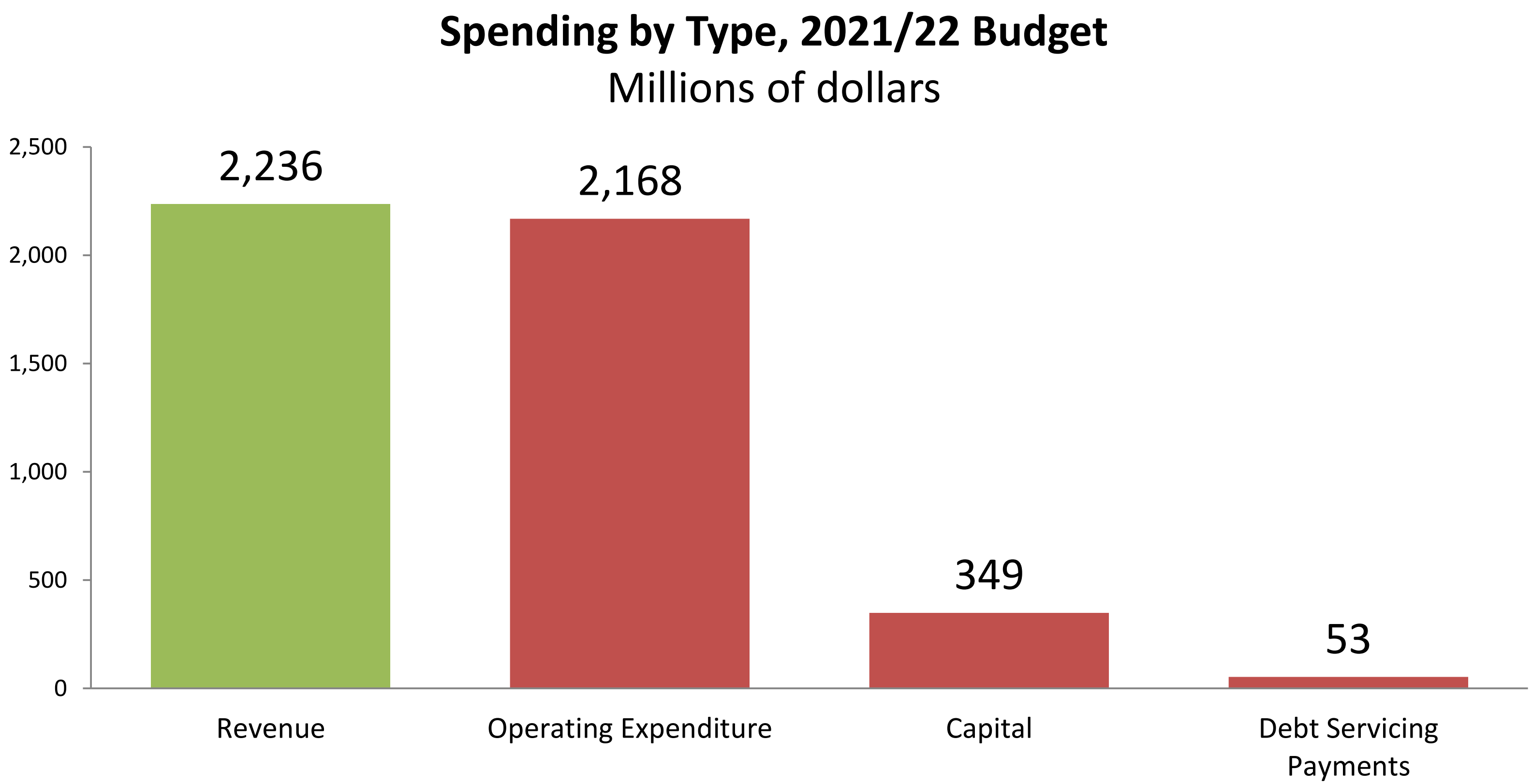
Note: Amortization is removed from Operating Expenditure to avoid double counting capital

And Growth in Debt is Outpacing Everything

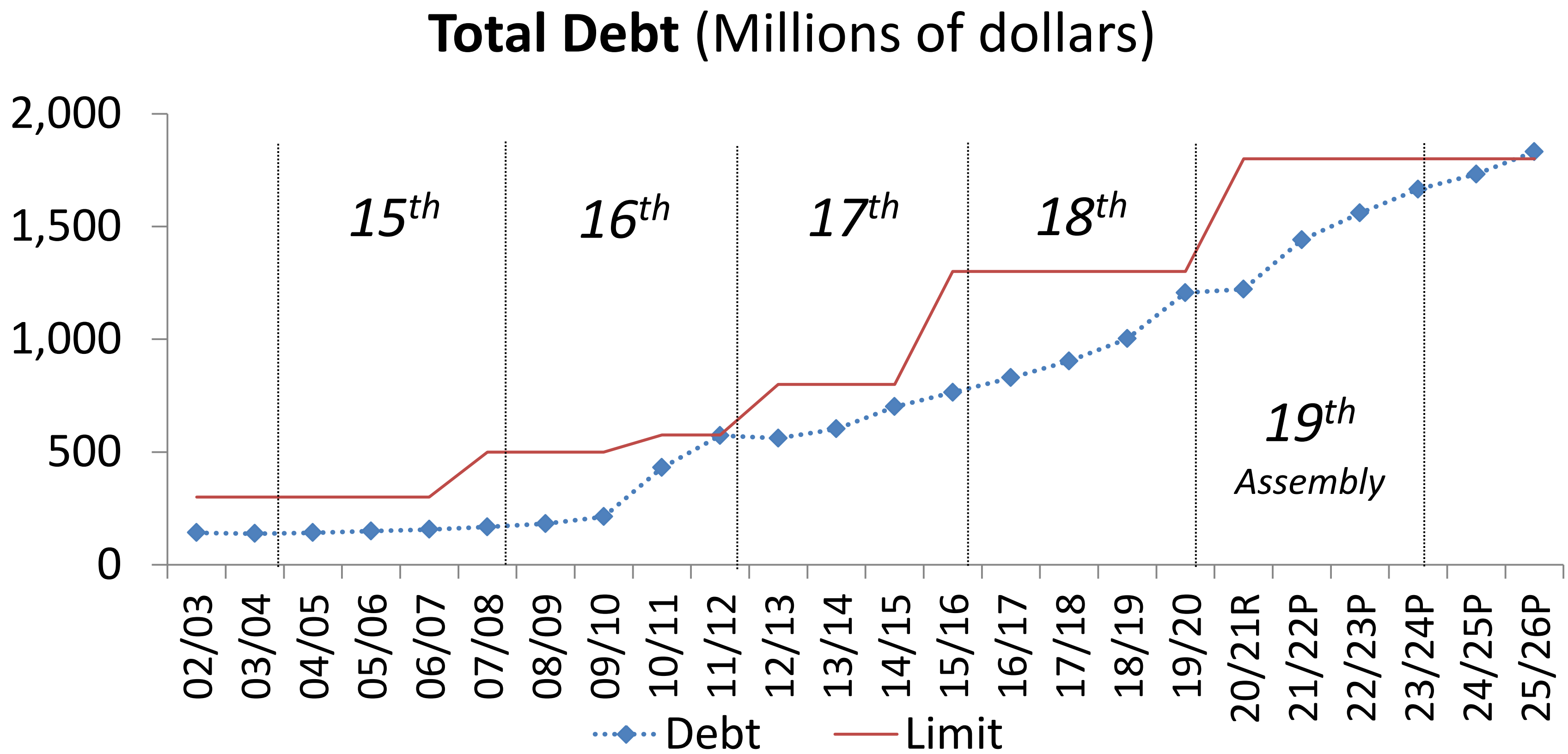


Government of Northwest Territories

Size of Revenue, Operating Expenditure, Capital Investment and Debt Payments



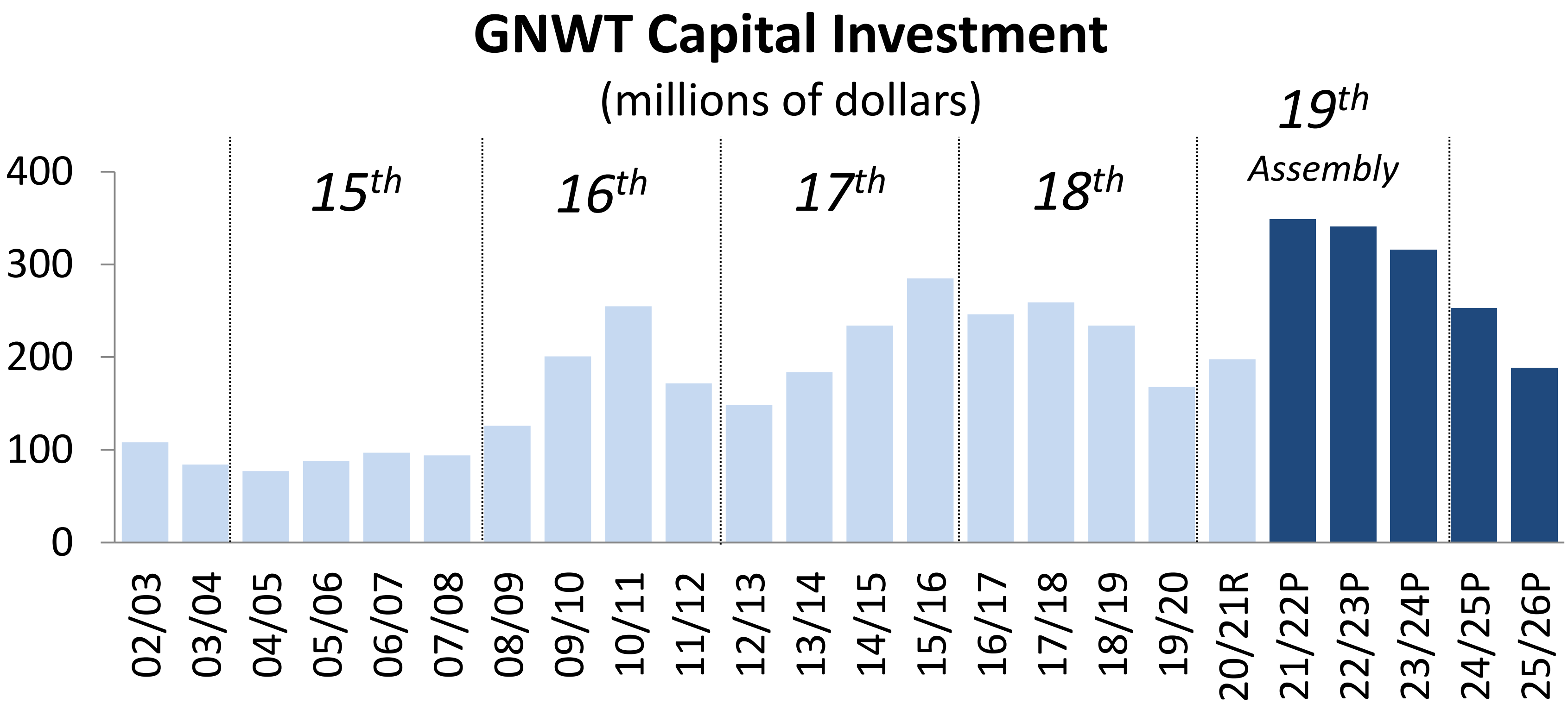
Growing Debt Forecast to Exceed Limit



R: Revised, P: Projection

Government of Northwest Territories

Capital Investment Plan will require increases in cash from operating surpluses



R: Revised, P: Projection

Government of Northwest Territories

Additional Fiscal Pressures

- NWT Flooding
  - Total estimated costs of $41.5 million
  - A claim will be submitted to Canada however reimbursement does take several years
- Fire Season
- Health care costs associated with ongoing COVID-19 measures
- RCMP Collective Agreement

So what needs to happen?

- The next two budgets will require larger operating surpluses or the 20th Legislative Assembly will face difficult choices in its first budget.
- To achieve this, some or all of the following will have to happen:
    - Reallocate money from elsewhere to fund new programs.
    - Make current programs more efficient.
    - Continue reviewing current programs to evaluate whether they are effective.
    - Raise more own source revenues.
    - Need to be strategic in infrastructure investment, while supporting economic recovery and balancing fiscal realities.

Government of
Northwest Territories