Budget Address 2019 - 2020

NORTHWEST TERRITORIES

The Honourable Robert C. McLeod
Minister of Finance

**Third Session of the
Eighteenth Legislative Assembly**

February 6, 2019

If you would like this information in another official language, call us.
English

Si vous voulez ces informations en français, contactez-nous.
French

Kīspin ki nitawihtīn ē nīhīyawihk ōma ācimōwin, tipwāsinān.
Cree

Tłı̨chǫ yatı k'ę̀ę̀. Dı wegodı newǫ dè, gots'o gonede.
Tłı̨chǫ

Ɂerıhtł'ís Dëne Sųłıné yatı t'a huts'elkër xa beyáyatı theɂą ɂat'e, nuwe ts'ën yółtı.
Chipewyan

Edı gondı dehgáh got'ı̨e zhatıé k'ę́ę́ edatł'éh enahddhę nıde naxets'ę́ edahłí.
South Slavey

K'áhshó got'ı̨ne xədə k'é hederı ɂedı̨htl'é yerınıwę nídé dúle.
North Slavey

Jii gwandak izhii ginjìk vat'atr'ijąhch'uu zhit yinohthan jì', diits'àt ginohkhìi.
Gwich'in

Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqluta.
Inuvialuktun

ᑖᒃᑯᐊ ᑎᑎᕐᒃᑲᐃᑦ ᐱᔪᒪᒍᕕᒋᑦ ᐃᓄᒃᑎᑐᓕᕐᒃᓯᒪᓗᑎᒃ, ᐅᕙᑦᑎᓐᓄᑦ ᐅᖄᓚᔪᓐᓇᖅᑐᑎᑦ.
Inuktitut

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.
Inuinnaqtun

Fiscal Policy: (867) 767-9158
Department of Finance

Introduction

Mr. Speaker, I rise today to present the 2019-20 Budget for the Government of the Northwest Territories. This Budget continues to invest in our people and our territory to achieve, as set out in the very first sentence of the 18th Legislative Assembly mandate, our vision of a territory where all our people, communities and regions share in the benefits of a healthy, just, sustainable and prosperous society.

In presenting the final budget of the 18th Legislative Assembly, I want to thank Members for their collective efforts over the last four years to address the mandate priorities within a less than ideal fiscal situation. Our choices haven't always been easy, and we haven't always agreed, but together we are all trying to do what is in the best interest of the residents.

At the start of this Assembly, we knew we had an unsustainable fiscal situation. Our revenue growth was slowing, our operating expenditures were continuing to grow at a high rate, and our short-term debt was accumulating rapidly. It was clear that if we wanted to invest in our priorities we would have to do a better job managing our existing expenditures. We rose to this challenge with a fiscal plan that required accepting difficult, but necessary, steps to manage expenditures and find savings while also protecting our existing programs and services so that we could invest in our other priorities in support of this Assembly's Mandate.

The fiscal plan we have followed over the past three budgets has allowed us to achieve substantial progress on the Assembly's priorities and make inroads into our long list of infrastructure needs. Our measures to re-allocate resources and find savings have let us build for the future, even with the $81 million decline in our revenue over the last two years.

Fiscal Strategy and Budget Highlights

Each budget talks about our fiscal strategy, which simply put, is to not spend beyond what we can afford. Today's programs and services must be paid for by the revenues that we have today and we should borrow responsibly for infrastructure that delivers benefits for our residents today and tomorrow, with a clear plan to repay that debt.

Aligning our revenue growth with expenditure growth has been particularly challenging over the past two years where revenue has declined by $81 million. Managing this type of decline required taking a longer term view of our fiscal plan because if we were to have taken more drastic steps it would have compromised our ability to maintain existing programs and services. However, even careful expenditure management was not enough to prevent the decline in our operating surpluses and increases in our short-term debt over the life of the 18th Legislative Assembly.

This Assembly has met our Fiscal Responsibility Policy's guidelines to ensure that we are borrowing wisely while we start to address our infrastructure gap. We have the oldest infrastructure in the country and a significant infrastructure deficit that creates challenges for economic growth and contributes to our high cost of living. Our careful financial management has provided the means to partner with the federal government on cost-shared opportunities. By the end of this Assembly we will have invested $1.1 billion in the territory's infrastructure to help deliver government programs and services, support the economy and leave a legacy for future generations.

Expenditures

Mr. Speaker, in 2019-20 we propose to invest $70 million for new initiatives and $17 million to enhance or maintain existing programs. The new spending will be offset through $20 million in savings and $30 million in new revenue from federal sources and the new carbon tax.

We propose in this Budget to spend a total of $1.873 billion in 2019-20, of which $1.1 billion is directly invested in our people through education, health care, social services, housing, policing and corrections. We will pay for our operating budget with an estimated $1.933 billion in revenues, leaving a projected $60 million operating surplus to directly fund a portion of the 2019-20 infrastructure budget approved last October.

Community Wellness and Safety

In the first three years of this Assembly we have invested almost $64 million in the health of our residents and to enhance safety in our communities.

We have to do better to support children and families and this Budget proposes to accelerate plans already in place to improve the Child and Family Services program by investing an additional $3.3 million to add 21 new positions. This investment will improve our children and family services program's ability to meet our responsibilities by reducing caseloads and improving capacity to provide better support for children and their families.

We propose to continue our efforts to reduce poverty and address its consequences by adding $4.9 million targeted for our people that need help. This includes $2.6 million to establish a day shelter and sobering program, to hire more support personnel, and to increase emergency shelter funding across the territory. We propose to strengthen Income Assistance with an additional $1.7 million and to provide $615,000 in additional support for low-cost housing.

Non-governmental organizations are important partners in the delivery of services to residents of the Northwest Territories. Funding of $350,000 proposed in this Budget will double this Assembly's support for the NGO Stabilization Fund and will bolster non-governmental organizations' ability to serve our communities.

We are including $15.2 million in this Budget to operate the new Stanton Territorial Hospital that will open in May of this year. This new hospital will better serve today's residents with modern, state-of-the-art health care and diagnostic services and it is intended to meet the demands of our health care needs for the next thirty years.

We propose to invest a further $5.9 million for other health services to support NWT residents and their families. These new investments will further enhance rehabilitation services for children, enhance support for children with autism, expand the midwifery program, and improve chemotherapy service delivery at the Stanton Territorial Hospital. This investment will also provide increased funding for benefit programs, diagnostic laboratory services, and medical supplies and will cover increases in the standard physician contract for 2016 to 2021.

Strong communities look after their elders and disabled residents. This Budget includes $2 million to better fund long-term care facilities and to increase income support for disabled and aged residents, including $1 million to operate the new health centre and long-term care facility in Norman Wells. Following the first review of maximum allowances since 2002, the Budget provides for increasing the allowance rates for disabled and aged residents from $300 to $405.

Addressing mental health issues is one of our territory's biggest public health tasks. To better meet this challenge, we propose investing $1 million to continue implementation of the *Mental Health Act* and provide increased contribution funding to Indigenous governments for mobile addictions and substance abuse treatment and aftercare for individuals and families through the On-The-Land Healing Fund. This collaborative effort helps support Indigenous governments to deliver culturally relevant and safe healing programs to their residents.

Work to support our children's mental health is more effective when tied to education programs and services. The $2.1 million proposed in this Budget to implement the second phase of the NWT School and Community Child and Youth Care Counsellors initiative will add more counsellors and mental health support services to support mental wellness for children, youth and their families in the Beaufort Delta and Sahtu regions. A further $379,000 is recommended in this Budget to establish a Specialized Territorial Support Team to help teachers and school administrators use clinical assessment information to create learning supports for students with complex needs from conditions such as autism and fetal alcohol spectrum disorder.

This Budget proposes to continue investing in initiatives that have demonstrated their effectiveness, including $432,000 to further expand the Northern Distance Learning Program, which has proven successful in helping students to gain more credits and achieve academic success. The Budget also enhances the Northern Studies program with a $315,000 investment in a made-in-the-NWT curriculum to broaden grade 10 studies and develop the program for grades 11 and 12.

Building on work started in 2017-18 to implement a territory-wide 911 service, this Budget proposes a $1.3 million investment to complete its rollout in 2019.

The Budget proposes to shore up its support to the RCMP to continue to deliver quality protection services to our communities with an additional $1.4 million for mandatory training and to cover unavoidable administrative cost increases.

Economic Growth, Labour Development and Land Management

Over the last three years, in order to develop the economy in an environmentally sustainable way, the 18th Legislative Assembly has made diversifying our economy and supporting new industry that provide good jobs a priority with over $29 million in new investments. This Assembly has also made labour development a key long-term mandate priority with $22 million in new investments over the last three years towards early childhood development, post-secondary opportunities, cultural and Indigenous languages programming, and skills capacity building in our youth. Over the past three years of this Assembly we have protected our economy by investing $21 million to reduce the cost of living and avoiding major tax increases.

Budget 2019 looks to continue this investment with another $14 million to support the economy, labour, and land management.

Recognizing that resource development leads to opportunities for well-paying employment and supports local businesses, we will be investing $1.7 million in new funds to encourage increased investment by the resource sector. This investment includes $1.2 million to increase our knowledge of the mineral potential in the Slave Geological Province through new high-resolution airborne magnetic data and funding geophysical studies. These funds also include $375,000 to take action under the NWT Petroleum Resources Strategy to sustainably revitalize the petroleum sector. The Mining Recorder's Office will receive more support to help mining prospectors and developers with information on mineral rights, maps, and legislation and regulations.

We are continuing our efforts to diversify the economy and reduce our reliance on the non-renewable resource sector by proposing an additional $375,000 to support activities related to the knowledge economy. We must make better use of the incredible amount of knowledge and expertise that resides in the Northwest Territories to transform our economy into one that relies on its people, rather than non-renewable resources, to provide a good quality of life and healthy communities. Funds in this Budget will help develop a knowledge economy strategy and explore the feasibility of building a centre of excellence for northern research and development that generates revenue and jobs through production, distribution and use of knowledge and information.

Building our economy also requires a strong commitment to developing our workforce and this Budget includes $3.6 million in investment for labour market development. This includes the support related to the Canada-Northwest Territories Workforce Development Agreement, including improving literacy and work-related skills, providing a suite of needs-based services to maximize the effect of training, working with employers and other stakeholders to promote job opportunities, and tailoring skills development programs to employer demands. We are continuing our support for our post-secondary students by increasing the Student Financial Assistance course reimbursement rate from $500 to $800 and increasing the lifetime limit on course reimbursements from $5,000 to $8,800.

The growth in the number of visitors to our spectacular territory over the past five years has been an outstanding testament to the efforts of our tour operators, tourism associations and local governments. Building on these efforts, we propose to add $1.2 million to support our tourism industry, including an $800,000 increase for large-scale tourism marketing and resources for the Northwest Territories Film Commission to market and promote our territory's stunning scenery to film and video producers and $208,000 to maintain the quality of our territorial parks.

We propose to continue our support for the arts and culture sector with $689,000 in maintenance funding for the Prince of Wales Heritage Centre and $200,000 in ongoing funding for the NWT Arts Council to promote creative artistic projects.

A total of $1.3 million in operating expenditures is proposed to support the Investing in Canada Infrastructure Plan in 2019-20. The GNWT has a long list of capital projects of all sizes across the territory and this additional funding will ensure that we have the right information to put our infrastructure dollars where they will provide the most benefit and will also help expedite the opportunities to take advantage of federal funding.

We have to ensure that we have the resources to maintain our new infrastructure so it lasts as long as possible. To that end, this Budget includes an additional $2.1 million to protect new capital projects that are coming into service this year, to increase maintenance and dust control measures for roads, and to add funding for ferries on the Mackenzie, Peel, and Liard rivers.

Uncertainty over land use rules is a major obstacle to getting anything done and is hindering economic development. We propose to support land management with a further investment of $2.6 million. This investment includes $753,000 to support a government-to-government Wek'èezhìi Land Use Planning Committee that will lay the groundwork for a land use planning process for public lands in Wek'èezhìi. This investment will also support other land use planning, including increased geomatics analysis, and increased capacity to manage equity leases and address untenured and unauthorized occupancy.

Environment and Climate Change

Mr. Speaker, we are seeking to turn the rapid changes to our environment caused by climate change into economic development opportunities as we help guide the territory to a high-tech, low-carbon future with a diversified economy and healthy environment. Budget 2019 provides $21 million in spending to support our efforts to transition to a low-carbon economy. This support reflects our commitments under the *Pan-Canadian Framework on Clean Growth and Climate Change* and continues the work of this Assembly to address our Mandate obligations.

Last July, we released our proposal to participate in national carbon pricing with a carbon tax starting July 1, 2019 on all petroleum and natural gas fuels except aviation fuel. This carbon tax is intended to provide a price incentive to reduce the use of carbon-based fuels and not necessarily to raise revenues for government programs. Therefore, our carbon tax proposal includes returning most of the carbon tax revenue into the economy in an approach that attempts to encourage carbon conservation and substitution to reduce greenhouse gas emissions while minimizing the effect on the local cost of living or creating additional barriers to economic development.

Of the $16.2 million in carbon tax revenue expected in 2019-20, this Budget proposes to return almost $7 million to residents and business through a 100 per cent rebate of the tax paid on heating fuel and fuel used to generate electricity and Cost of Living Offsets for individuals and families. Large emitters will receive about $5 million in carbon tax rebates and through individualized trusts that can be used to make investments that reduce greenhouse gas emissions. Administration of the tax and benefits will cost about $600,000, leaving $3.7 million for greenhouse gas emission reduction investments, which in 2019-20 is proposed to be used to support the Inuvik Wind project.

Carbon pricing is not expected to significantly reduce greenhouse gas emissions in the NWT over the short to medium term because the incentive to limit fuel use already exists due to high energy costs. As the carbon tax rate increases over time, further reductions will be increasingly difficult without considerable technological improvements that allow economically viable reductions in fuel use. Through the *2030 Energy Strategy*, the GNWT will continue to make investments in alternative energy options for territorial residents and businesses a priority. The 2019-20 Capital Estimates includes more than $40 million in funding for energy-related capital projects.

We expect to continue to work closely with the federal government in efforts to provide reliable, affordable alternatives to carbon-intensive fuels for communities and businesses. The majority of the $8.7 million proposed in this Budget for lowering emissions comes from the federal Low Carbon Economy Leadership Fund. Of this, the Budget proposes to further support the Arctic Energy Alliance with an additional $2.5 million for new and enhanced programs and services to improve energy conservation in commercial and residential buildings. Another $3.8 million is allocated in this Budget for large-scale commercial, industrial and government organizations to support larger energy efficiency retrofits. Other investments support actively trapping carbon in our trees through forest regeneration actions and improving energy efficiency and substituting heating fuel in public housing through retrofit upgrades.

This Budget proposes an additional $555,000 to implement the *2030 NWT Climate Change Strategic Framework.* These funds will be used to support data management, reporting and outreach so that the GNWT can build its understanding of climate change within the territory, build resilience and adaptation, and transition to a low-carbon economy by 2030. This Budget also provides $381,000 for an environmental assessment of the Inuvik Tuktoyaktuk Highway that will provide further information to improve our knowledge of the effect of climate change occurring in the Northwest Territories.

Governance

Mr. Speaker, over the past three years, members of this Assembly have worked hard to strengthen our consensus government and we have actively pursued fostering collaborative government-to-government relations with Indigenous and community governments including much work to support the negotiation of self-government agreements and settle land claims. In the first three budgets of this Assembly we have invested $22 million in new funding for governance priorities as we strive for better transparency and accountability and strengthened communication.

Budget 2019 proposes to continue this work by investing a further $2.1 million to improve overall service delivery. These funds will be used to strengthen on-line service delivery, establish the Ombudsman Office, create an Access to Information and Protection of Privacy unit, and strengthen the Legal Aid Commission.

This Budget continues to close the funding gap for community government with an additional $1.9 million for their operations, maintenance, water, and sewer expenses. This investment is in addition to $2 million in incremental infrastructure contributions. We recognize the funding gap and over the four years of the 18th Assembly we will have added a total of $8.2 million in additional community government funding.

The GNWT and Indigenous governments work closely together to support human resource development and build capacity in their organizations by providing temporary work opportunities for each other's employees. To support and enhance this capacity-building through temporary work assignments, this Budget proposes a $400,000 investment to directly offset expenses, such as travel, accommodation and compensation.

Our Mandate calls for advancing self-government agreements and promoting women in politics. Budget 2019 proposes $288,000 to support self-government implementation negotiations and to continue promoting women in politics through continued development of a communications campaign by the Women's Advisory Unit.

We are committed to our public servants and propose to invest $5.1 million, including an additional $2.0 million for medical travel and dental programs, for GNWT employees and $3.1 million to pay for the collective bargaining increases for teachers and for pay increases for non-unionized GNWT employees that were set in 2018-19.

Mr. Speaker, we are all aware that we are continuing to negotiate with the Union of Northern Workers for a new collective agreement that will cover the majority of our employees. These negotiations are being undertaken with a backdrop of a particularly challenging fiscal environment. Total revenues, once we adjust for increases in federal funding for targeted projects and the new NWT Carbon Tax, have increased by 2.7 per cent over the four years of the 18th Assembly, for an annual average of 0.7 per cent to pay for all our expenditure increases. Every year sees new fiscal pressures as program costs increase for reasons beyond our control, such as rising health care costs caused by an aging population. This 0.7 per cent annual increase must pay for these pressures, as well as support investment in the Assembly's priorities, and resources to maintain our existing programs and services, including Collective Agreements.

The balance between these various demands can't be ignored. We value the public service that delivers our government programs and services. All of us in this Assembly have friends and family that are part of our public service and no one wants to see job action. However, our fiscal reality can't be ignored. Increasing spending beyond our revenue growth would mean we would need to reduce spending in other areas, increase our revenues through additional taxes, or increase our debt that future generations will have to pay. There are no other choices.

To our residents, I commit to you that this government will do everything within our power to reach a fair Collective Agreement without abandoning the needs of our residents or compromising the future of the Northwest Territories. This is a difficult balance, but one we must achieve.

Revenue

Mr. Speaker, total revenue is forecast to increase to $1.933 billion in 2019-20 following a two-year revenue decline of $81 million. The 2019-20 increase is largely driven by federal transfers for infrastructure projects and targeted programs and by the introduction of the NWT Carbon Tax. Excluding the impact of this revenue, the government is left with $50 million in increased revenue over the four year period, or an average of $12.5 million per year.

As announced last July, we are honouring our commitments to carbon pricing under the *Pan-Canadian Framework on Clean Growth and Climate Change* by proposing a made-in-the NWT carbon tax at $20 per tonne starting July 1 of this year. The legislation to levy the carbon tax and provide offsets to mitigate its effects on the cost of living and doing business will be introduced in this Session. The NWT Carbon Tax is expected to come into effect on July 1, 2019 and will generate $16.2 million in revenue in 2019-20.

With cannabis legalization in October of last year, we are projecting $747,000 in additional revenues from the Northwest Territories share of the federal cannabis excise tax in 2019-20 and expect some revenue from cannabis sales. Supply shortages are impacting cannabis sales and revenues, and we are hopeful that the national supply issues get resolved over the next few months.

This Budget does not contain any increases in our existing tax rates.

Economic Outlook

Mr. Speaker, our overall economy held its own in 2018 and we expect economic activity to increase 2.1 per cent in 2019 because of good news last year such as the restart of oil extraction in Norman Wells and steady diamond production.

In recent years, the NWT economy has been supported by diamond mine construction and over $786 million in public infrastructure investments, including large projects such as building the Inuvik Tuktoyaktuk Highway and Stanton Territorial Hospital. We are continuing to build the territory with $343 million in infrastructure investments, including new projects such as construction of the Tłı̨chǫ All-Season Road, public infrastructure to support program delivery to NWT residents, and low-carbon economy capital projects.

We are continuing to use public investment to support local economies and to set the foundation for future economic development. At the same time we also need to have a frank evaluation of our various economic strategies to pave the way to a more sustainable and robust economy. Despite years of trying to diversify, we remain dependent on the non-renewable resource industry for its high-paying jobs and local business opportunities.

We expect the resource sector to continue to perform reasonably well over the next five to ten years. However, there remains no oil and gas activity in the Beaufort Delta and 2019 mineral exploration is expected to be lower than 2018, adding uncertainty for developing the next generation of mines. None of our existing diamond mines plan production past 2034 and one mine is scheduled to close in six years. The lead time for a deposit discovery to become an active mine is measured in decades and we need mineral exploration now if we want to have replacements for the maturing diamond mines.

Ultimately, we need economic diversification to strengthen the sustainability of our economy. We compete in a global market, whether it is exporting resources or attracting tourists. Changes in the global economy are directly transmitted to ours through resource prices and the demand for our products. To be clear, just because overall things are not so bad, does not mean that there are not cracks in the foundation.

Conclusion

Mr. Speaker, our final Budget puts the finishing touches on a Mandate that has built a solid platform for the next Assembly and a legacy that will provide positive returns to the people of the Northwest Territories for generations.

The 19th Assembly will have a new territorial hospital and improved long-term health facilities to provide better quality health care for residents. We have expanded transportation infrastructure by connecting Tuktoyaktuk to the rest of Canada by road and are furthering this expansion by building an all-season road to Whatì. These new roads open up these regions to new economic opportunities. We have started to close the gap between what community governments need to provide community services and their ability to fund these services. The next Assembly will be able to build on our investments in new and innovative programs in education, including junior kindergarten and Northern Distance Learning, which are already helping more children achieve academic success.

I believe that we have provided the foundation that will allow a transition to even more quality public services for Northwest Territories residents while revenues recover sufficiently to start to reduce our short-term borrowing.

I believe Members of this Assembly should be proud of the work we have done to invest in our priorities in a fiscally responsible manner. The choices and decisions of this Assembly will be our legacy in support of a vision for this territory where people can thrive in a strong economy that provides jobs and opportunities in safe and vibrant communities.

Thank you, Mr. Speaker.

Budget Address 2019-2020

Northwest Territories

Budget Papers

A ◆ Economic Review

B ◆ Fiscal 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)

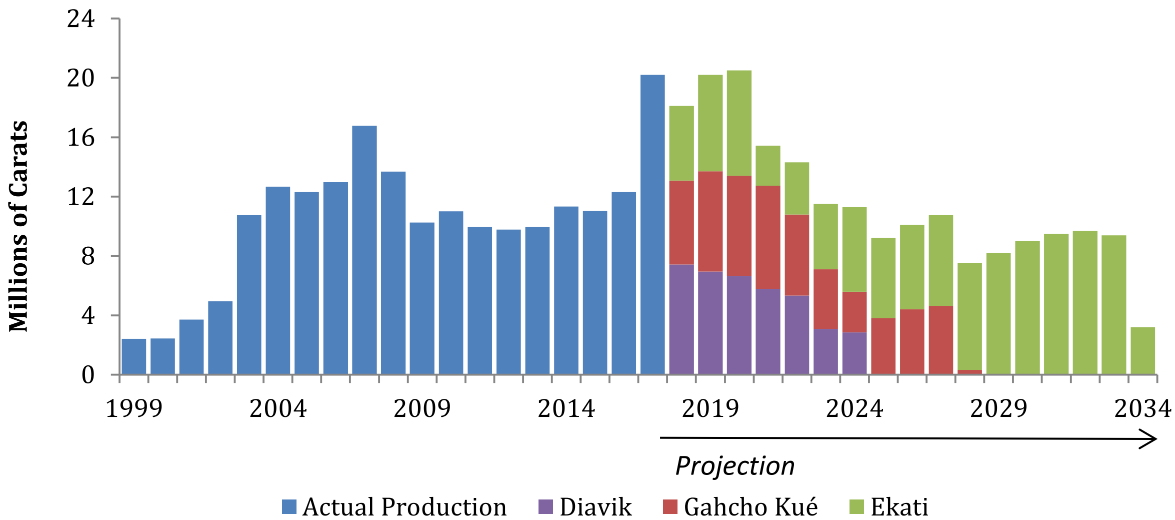
	2015	2016	2017	2018e	2019f
Gross Domestic Product	4,775	4,827	5,004	5,021	5,128
per cent change	*0.9*	*1.1*	*3.7*	*0.3*	*2.1*
Total Investment	1,676	1,541	1,126	919	926
per cent change	*14.6*	*-8.1*	*-26.9*	*-18.3*	*0.7*
Household Expenditure	1,563	1,575	1,596	1,607	1,629
per cent change	*1.6*	*0.8*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

Diamond Production Outlook

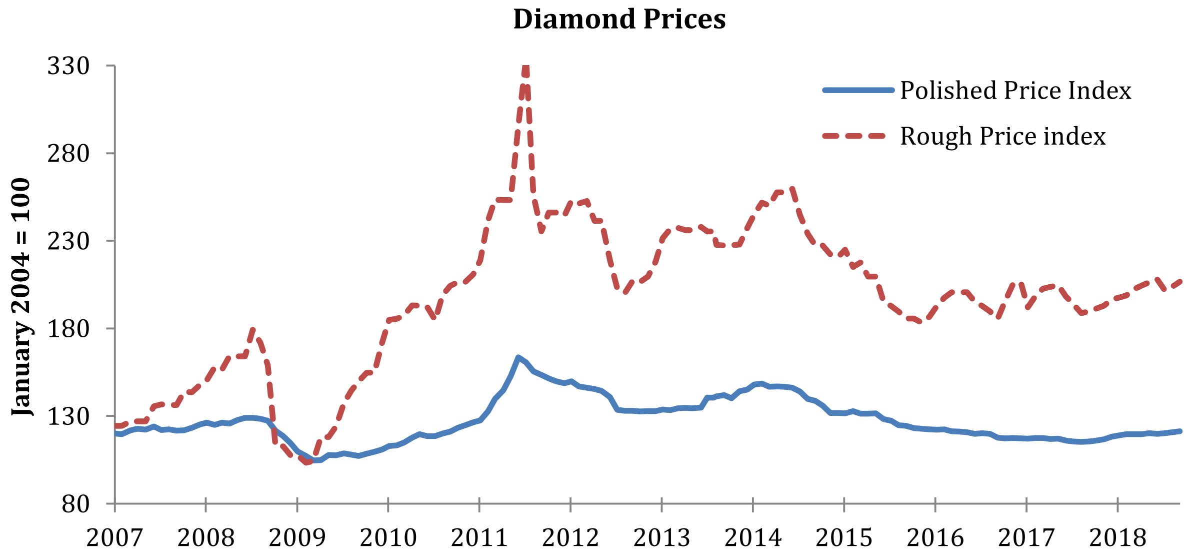


Source: Natural Resources Canada, mining plans and technical reports, NWT Finance

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.

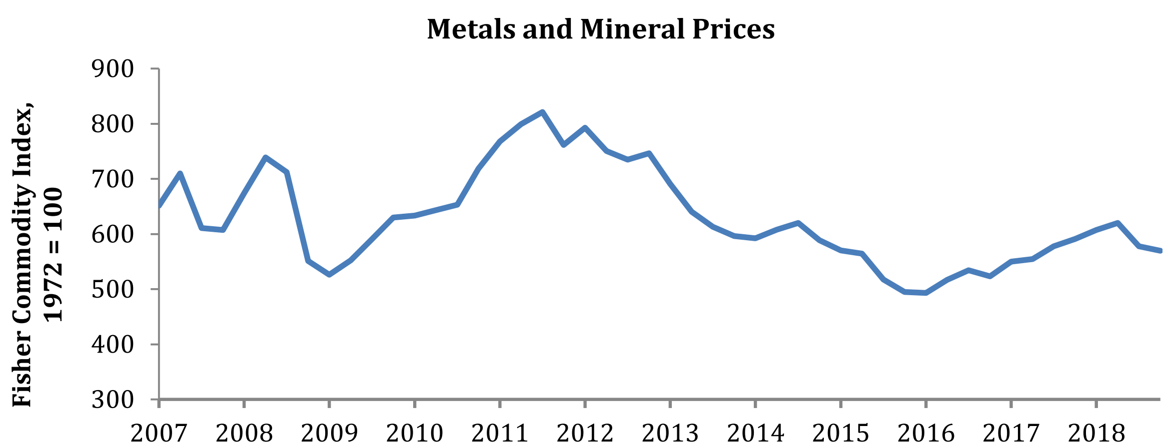


Source: PolishedPrices.com and WWW Overall Rough Diamonds

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

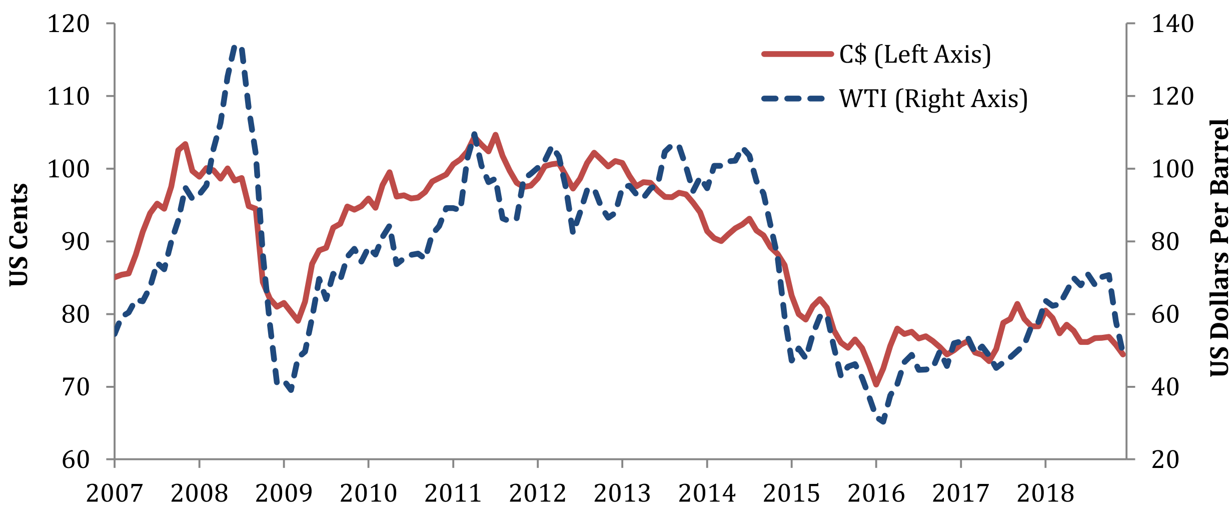
OUTLOOK – *Risks to the Forecast: Oil Prices and the Exchange Rate*

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.

Lower Oil Prices Drag Down the Canadian Dollar (C$)



Sources: US Energy Information Administration and Bank of Canada

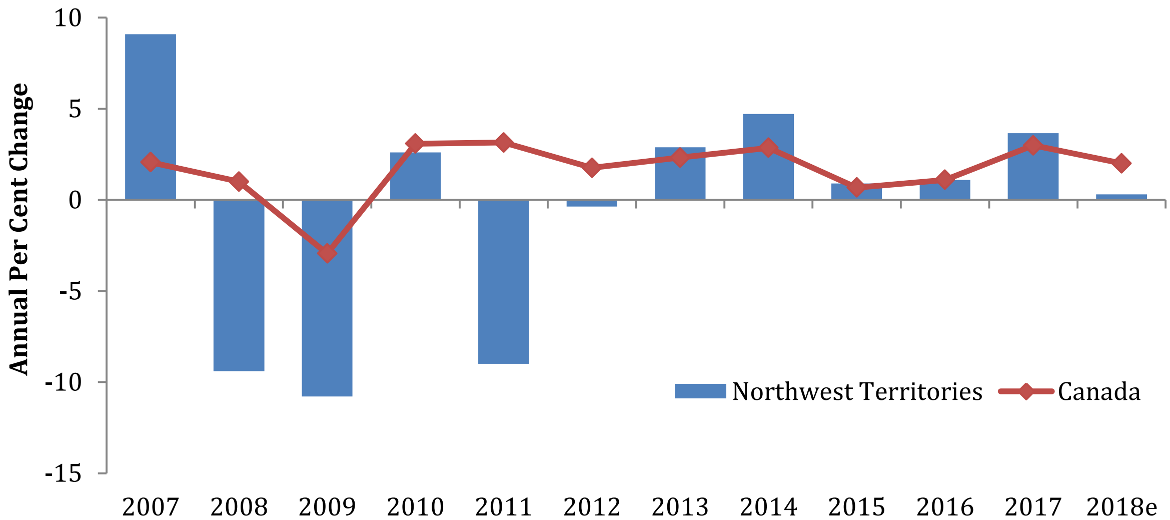
As an oil-exporting country, the drop in global oil prices has lowered the Canadian dollar vis-à-vis the US dollar. Despite modest monthly volatility, the Canadian dollar averaged 77 US cents in 2018, unchanged from 2017. During 2018 there was steady downward pressure on the Canadian dollar in terms 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.

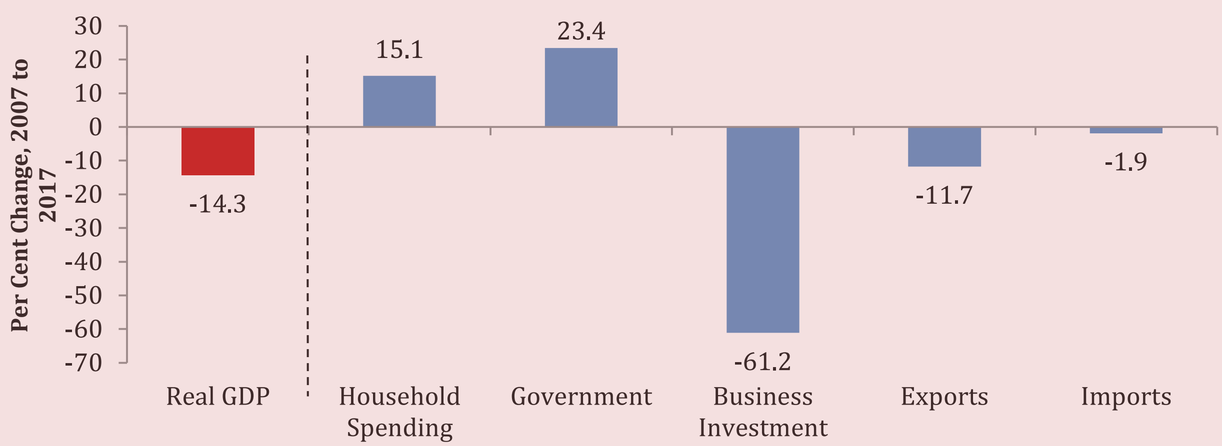
Real GDP Growth - NWT and Canada



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.

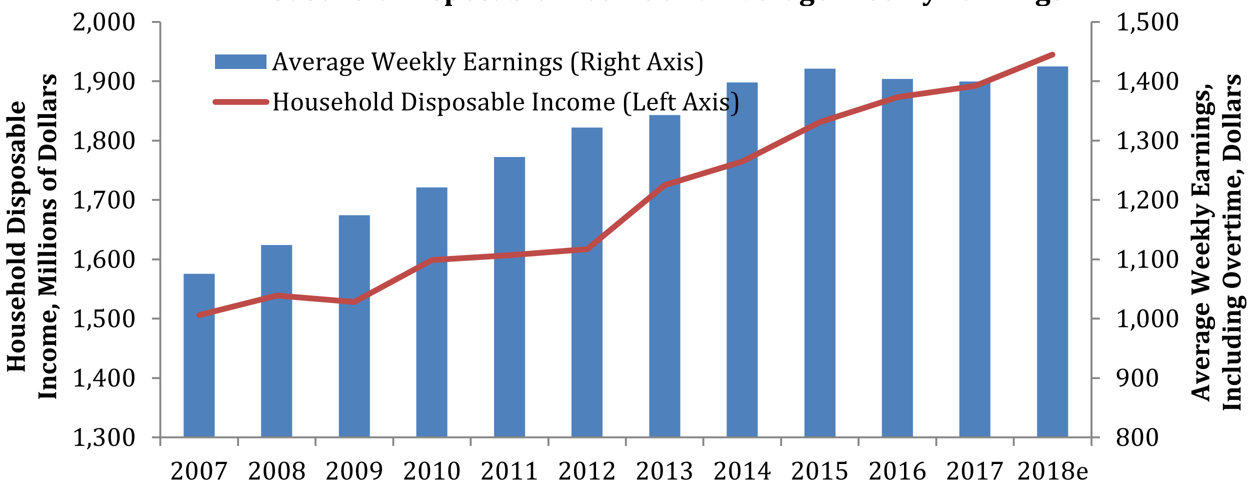


RECENT ECONOMIC PERFORMANCE – *Households*

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.

NWT Household Disposable Income and Average Weekly Earnings



e=estimate
Source: NWT Bureau of Statistics and Statistics Canada

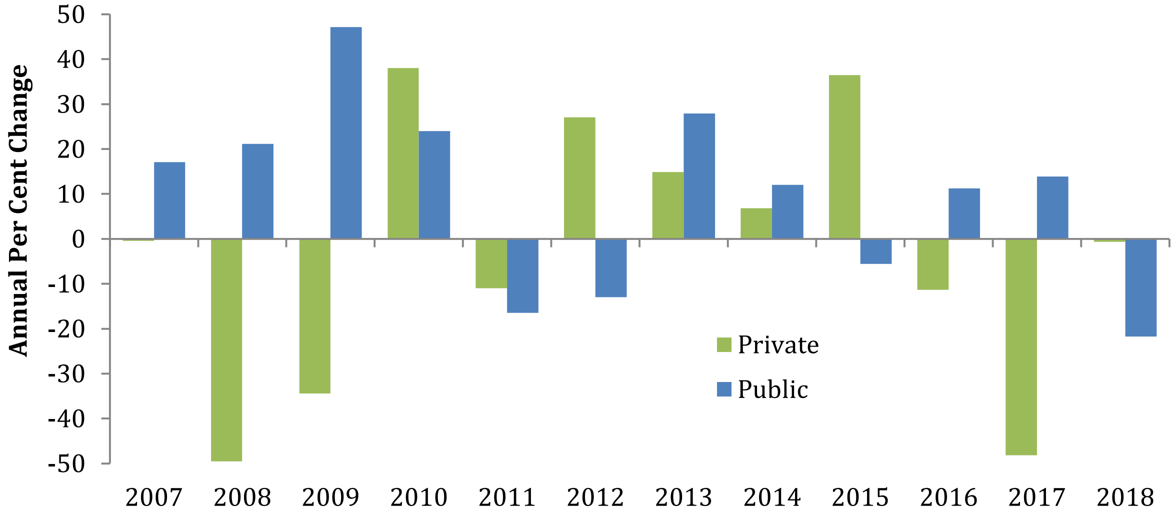
RECENT ECONOMIC PERFORMANCE – *Investment*

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.

Private and Public Capital Expenditures

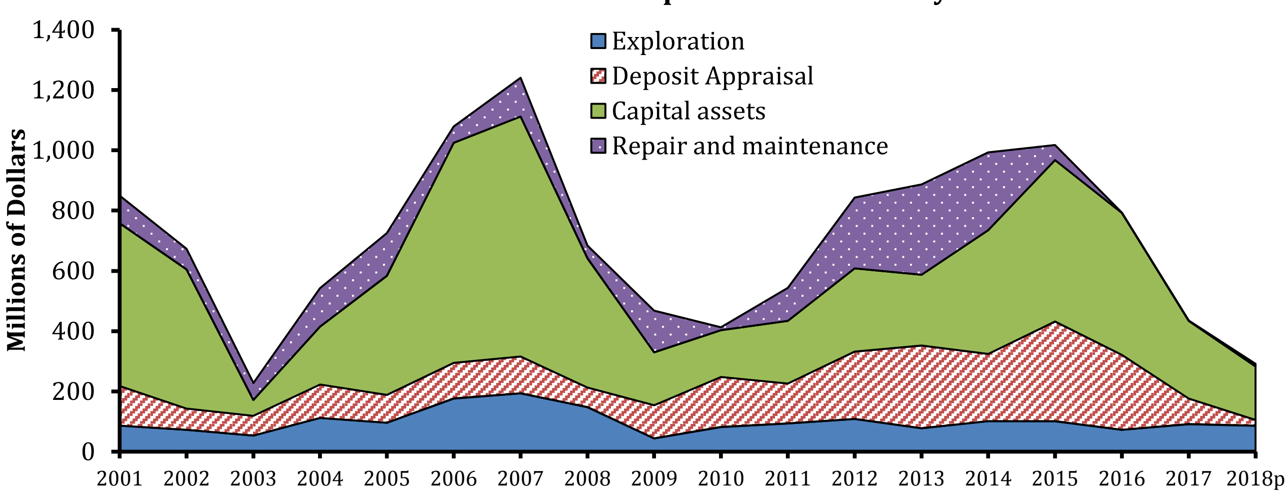


Source: NWT Bureau of Statistics and Statistics Canada

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.

NWT Mineral Resource Development Investment Cycle



p = preliminary
Source: Natural Resources Canada and NWT Finance

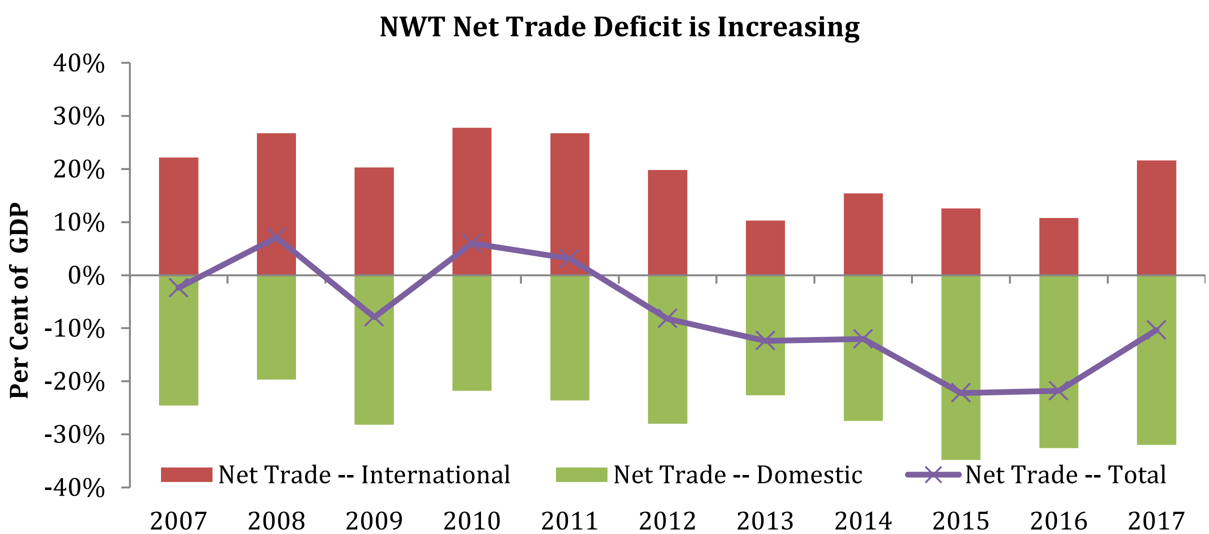
Deposit appraisal expenditures are undertaken to assess the commercial potential of the deposit including the costs of extraction and complying with environmental protection requirements. Deposit appraisal expenditures are expected to decline by 77 per cent, from $85.4 million in 2017 to $19.5 million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

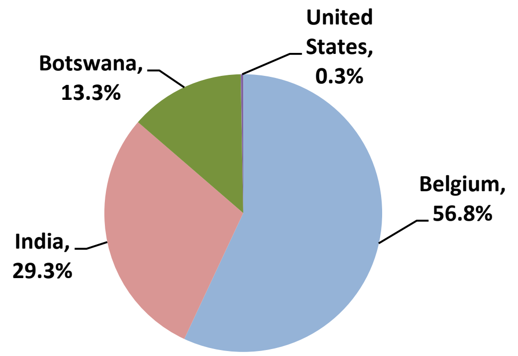
The small, open NWT economy depends on trade with other jurisdictions. The NWT exports natural resources (mainly diamonds) to global markets, and imports goods and services from southern Canada to support industry and personal consumption. As a result, the NWT has a trade surplus with other countries,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



Source: Industry Canada and NWT Finance

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.

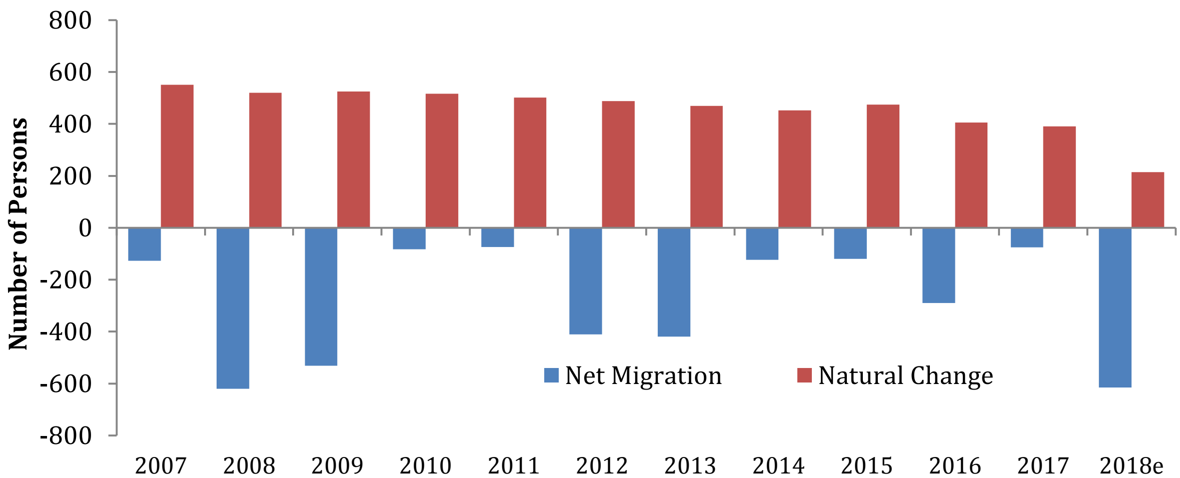
While the United States is an important trading partner for the rest of Canada, less than one per cent of NWT goods and services are exported to the United States.

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

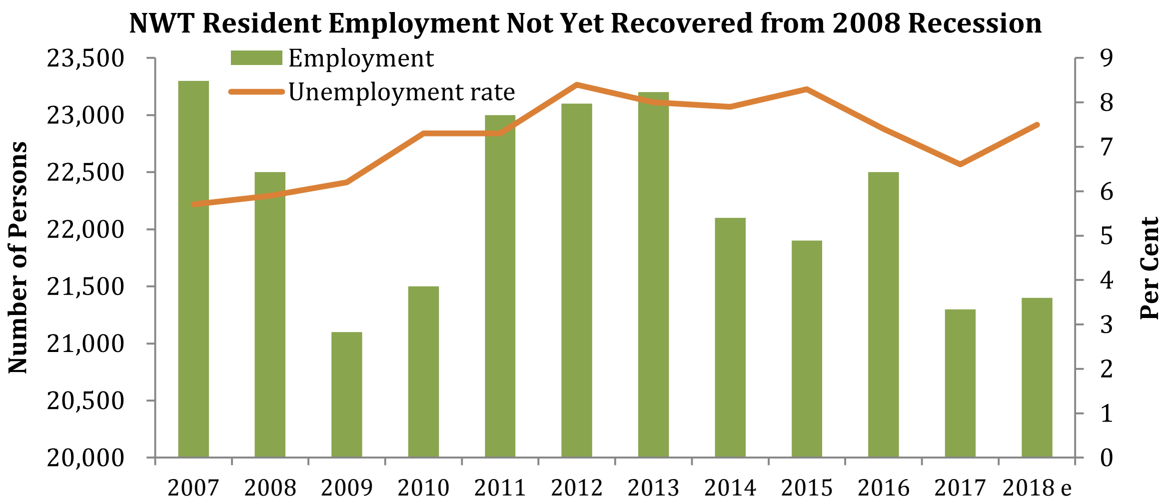


e=estimate
Source: NWT Bureau of Statistics

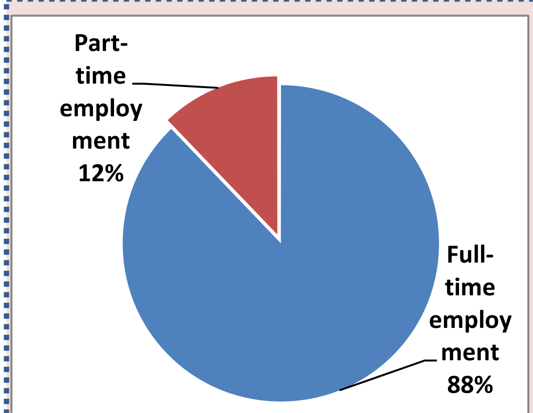
RECENT ECONOMIC PERFORMANCE – *Labour*

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



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.

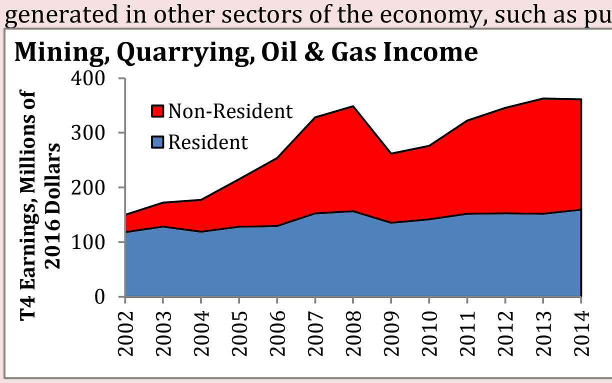
Each year 5,000 to 8,000 non-residents fill NWT jobs. These jobs include seasonal, rotational, temporary and special projects that fill gaps that are not met by the resident workforce. Total aggregate earnings paid to non-resident workers represent approximately 18 per cent of all employment income generated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

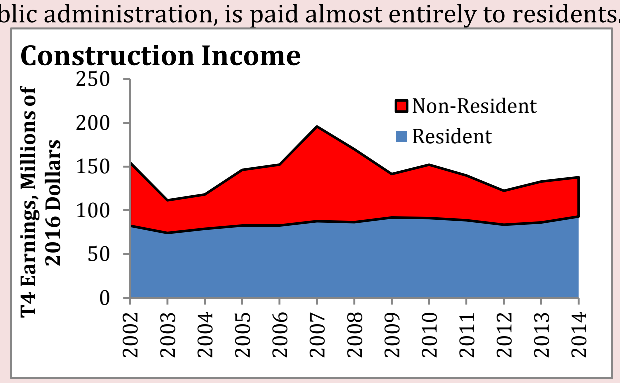
Non-Residents are a Significant Part of the NWT Workforce

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.

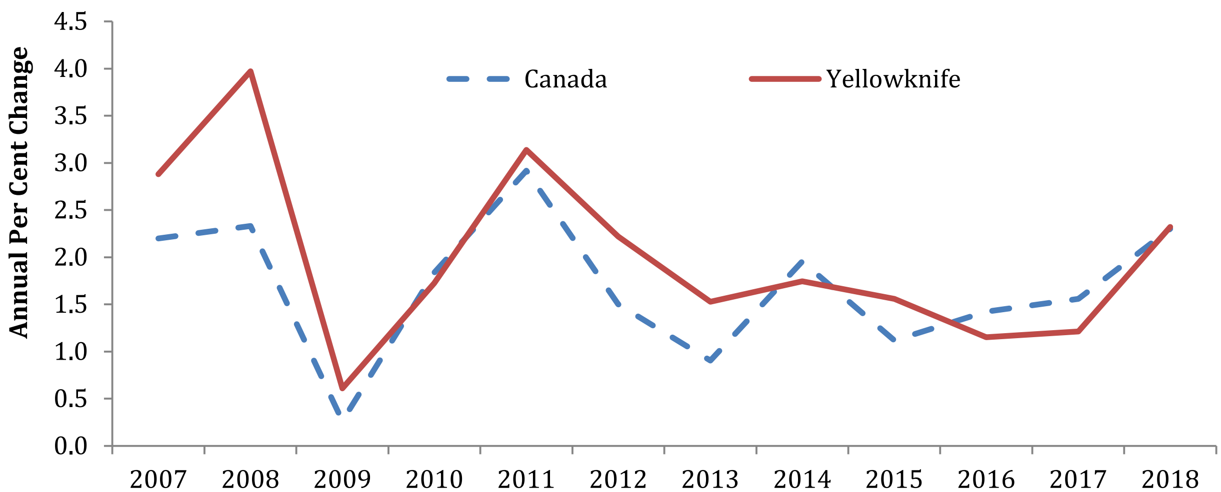
RECENT ECONOMIC PERFORMANCE – *Cost of Living*

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.

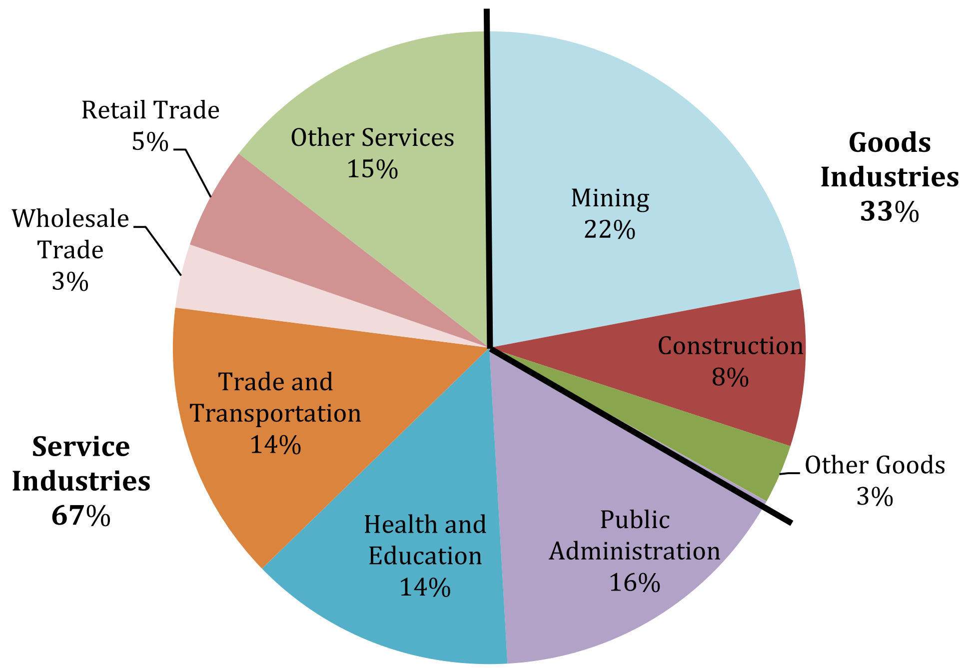
Consumer Price Inflation



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.

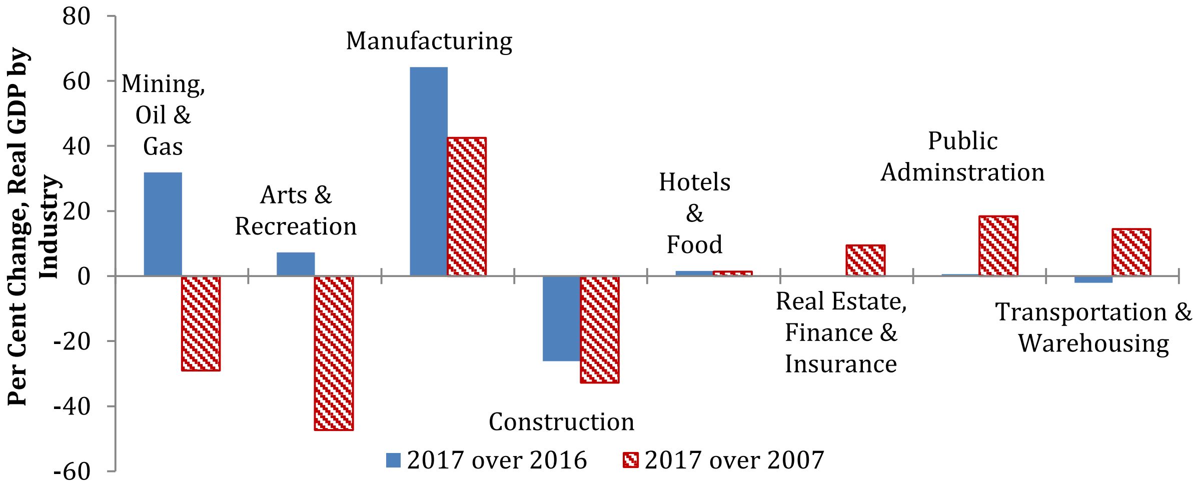
Economic diversity provides more stable and balanced growth by spreading risk more evenly across a number of sectors, making the economy more resilient to business cycles and external shocks. Diversification acts as insurance that reduces the sensitivity of the economy to the ups and downs associated 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.

Real Growth Rates of Selected NWT Industries

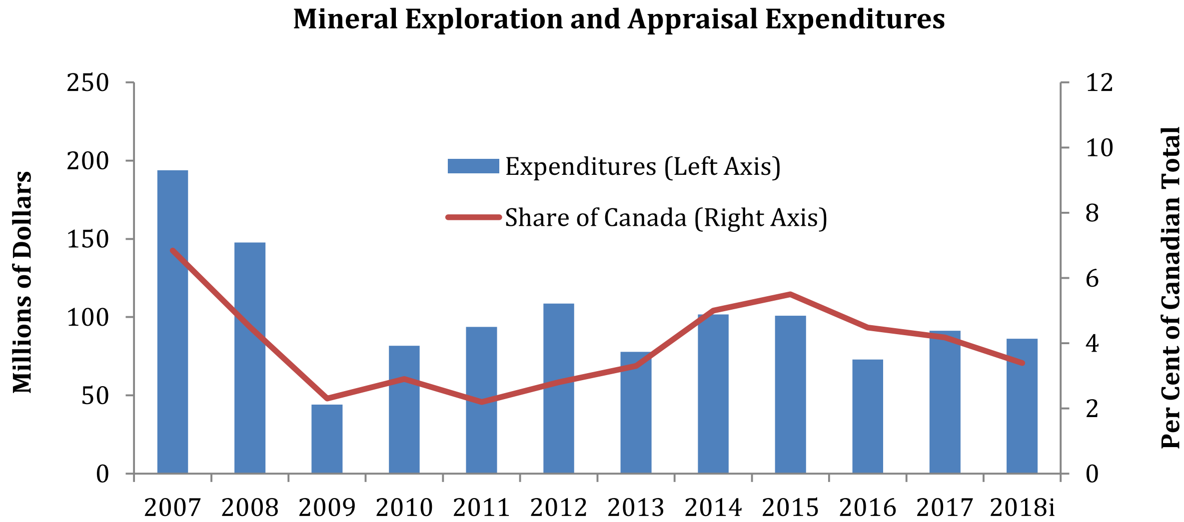


Source: Statistics Canada and NWT Finance

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

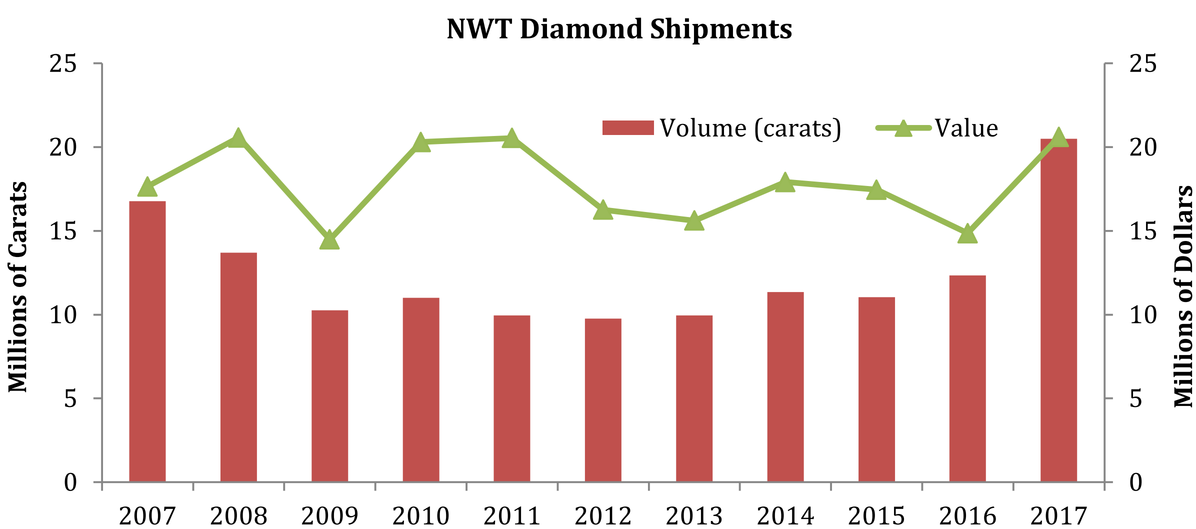
The mining, oil and gas sector accounts for 22 per cent of GDP but comprises closer to one-third of the economy if linkages with other sectors are taken into account. NWT mineral exploration and deposit appraisal expenditure intentions declined in 2018, decreasing from $91 million in 2017 to an estimated $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.



i: intentions
Source: Natural Resources Canada

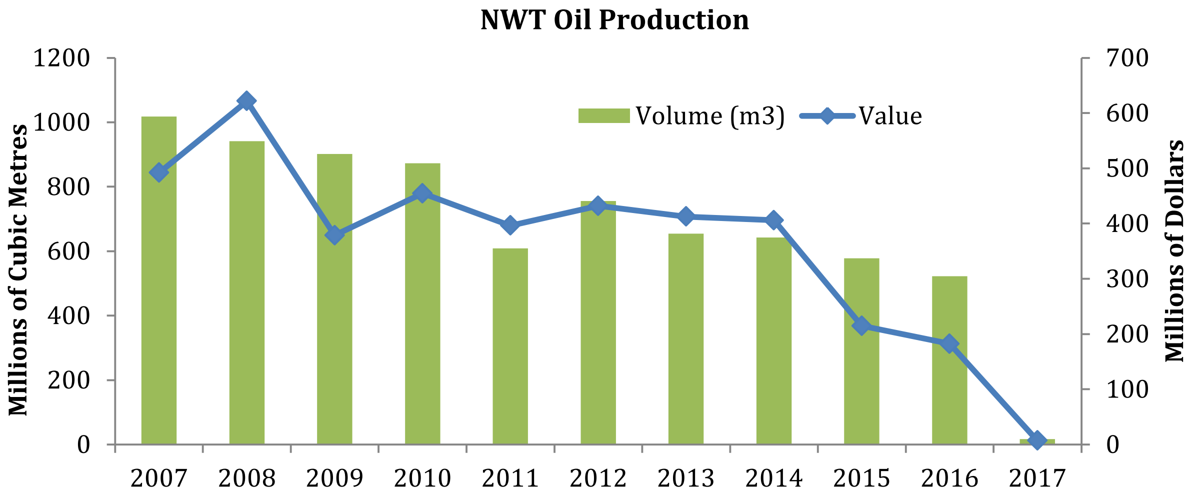
The NWT has three producing diamond mines: Ekati, Diavik and Gahcho Kué. Carat production at the diamond mines (excluding pre-commercial production at Gahcho Kué) increased 82.7 per cent from 11.4 million carats in 2016 to 20.8 million carats in 2017, and the value of diamond shipments rose 38.6 per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

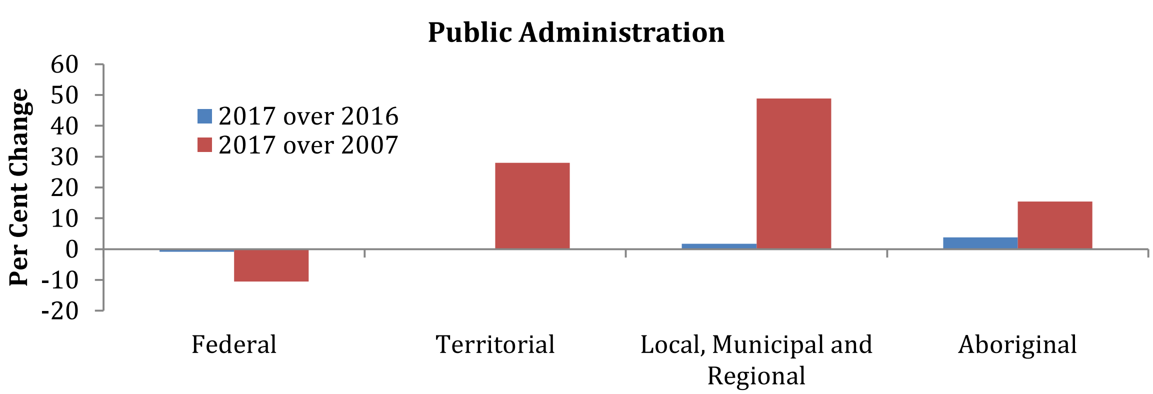


Source: NWT Bureau of Statistics and NWT Finance

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.



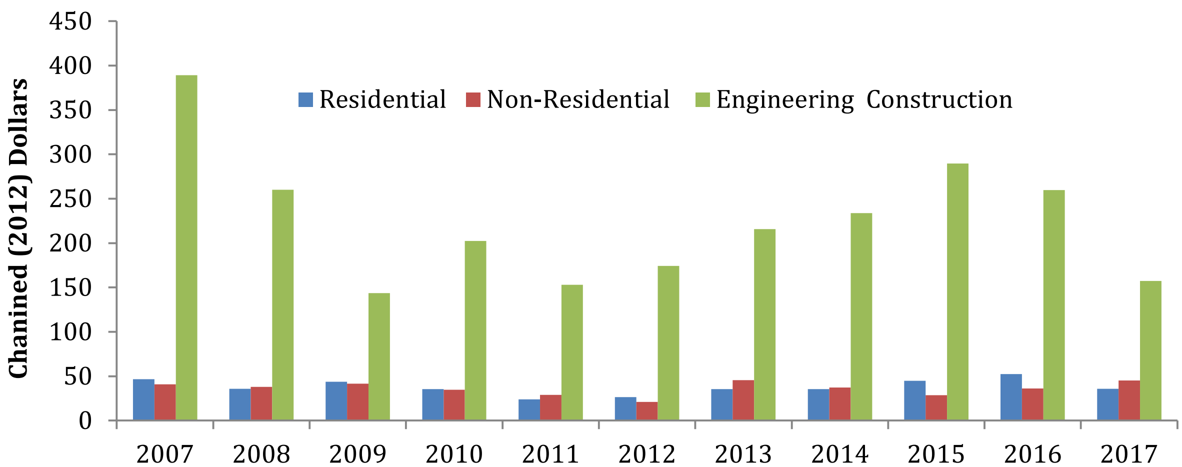
Source: Statistics Canada

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 percent 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

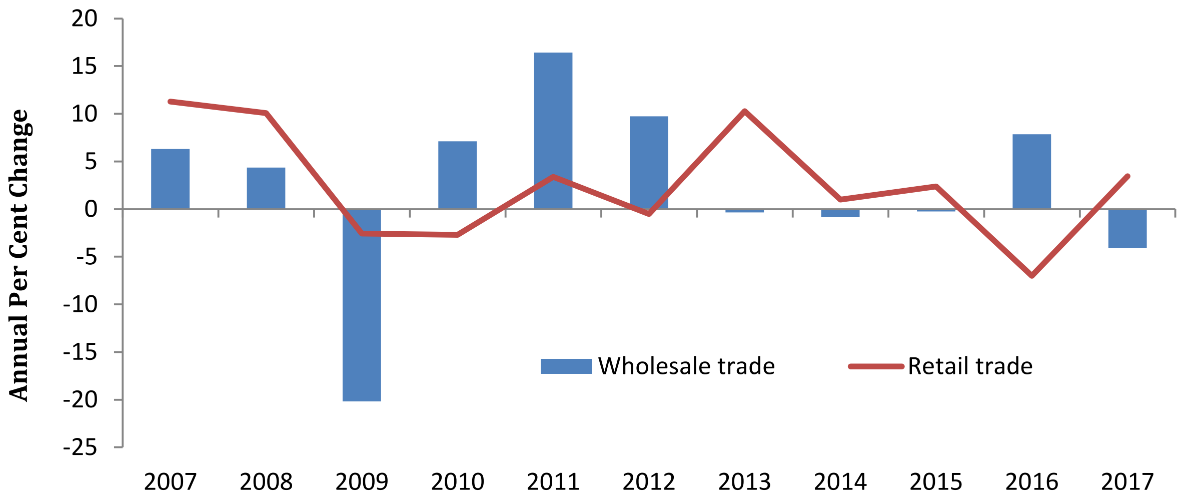
OTHER SECTORS – *Wholesale and Retail Trade (8% of GDP)*

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.

Real Value of the Domestic Trade Sector, Per Cent Annual Change

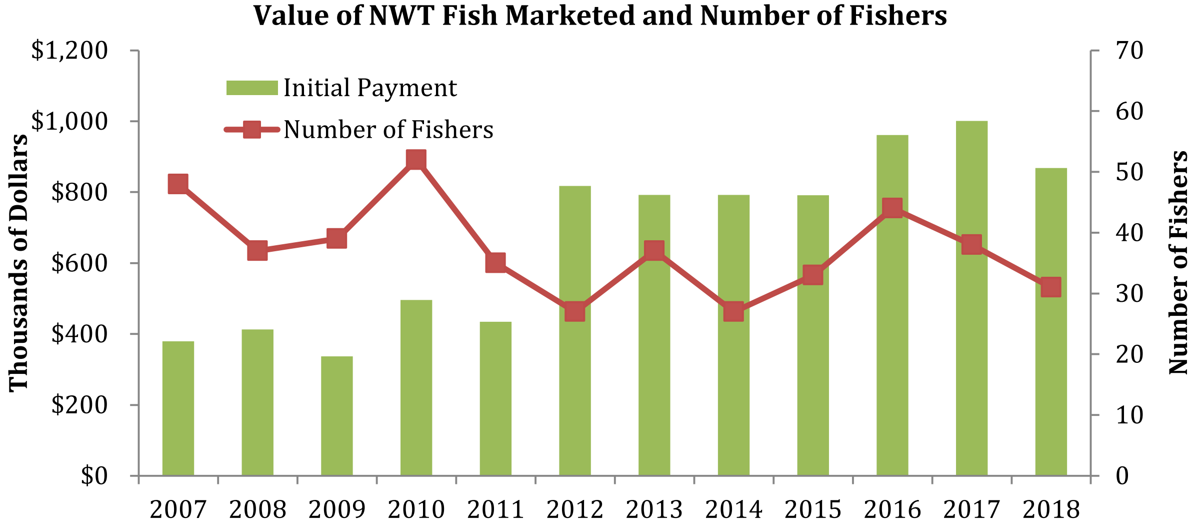


Source: Statistics Canada

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.

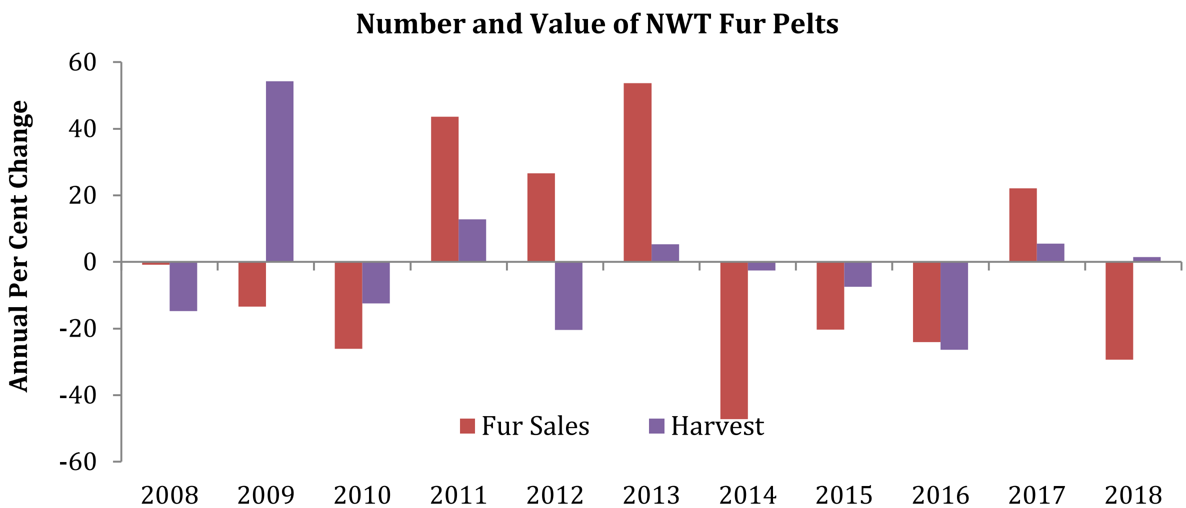
Value of NWT Fish Marketed and Number of Fishers



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.



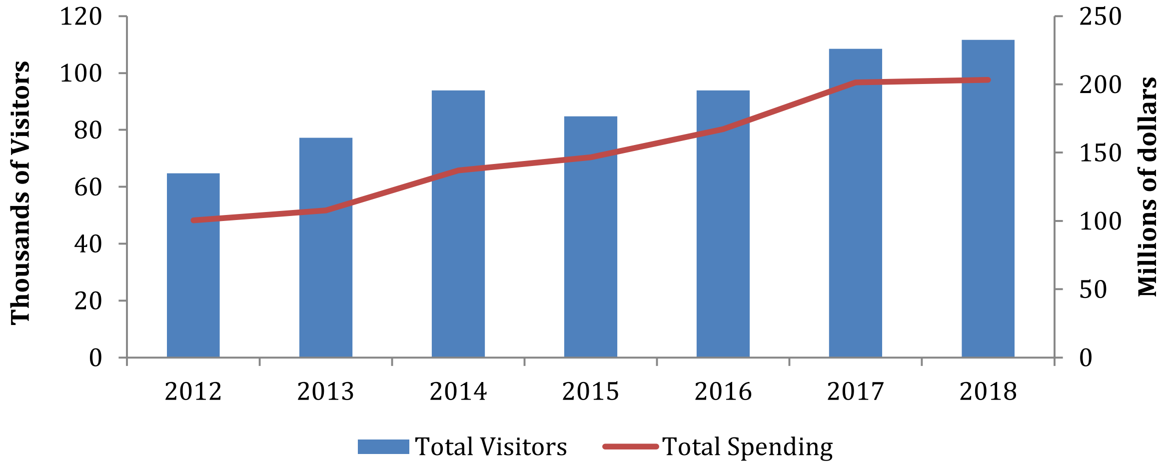
Source: NWT Industry, Trade and Investment and NWT Finance

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.

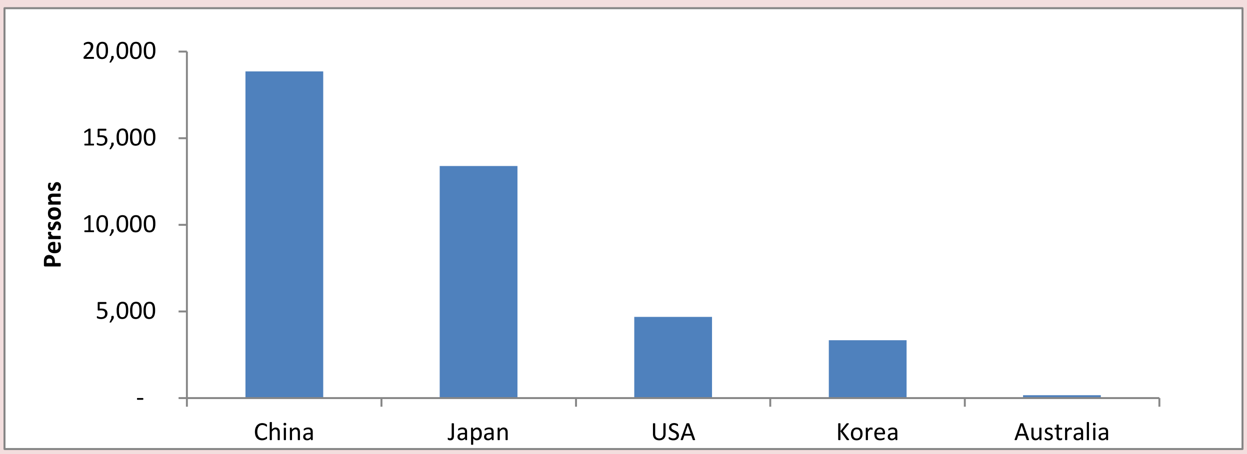
Leisure travel represented over half of visitor expenditures in 2017-18, with one quarter of total visitor spending associated with Aurora viewing.

NWT Tourism, Number of Visitors and Expenditures



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.

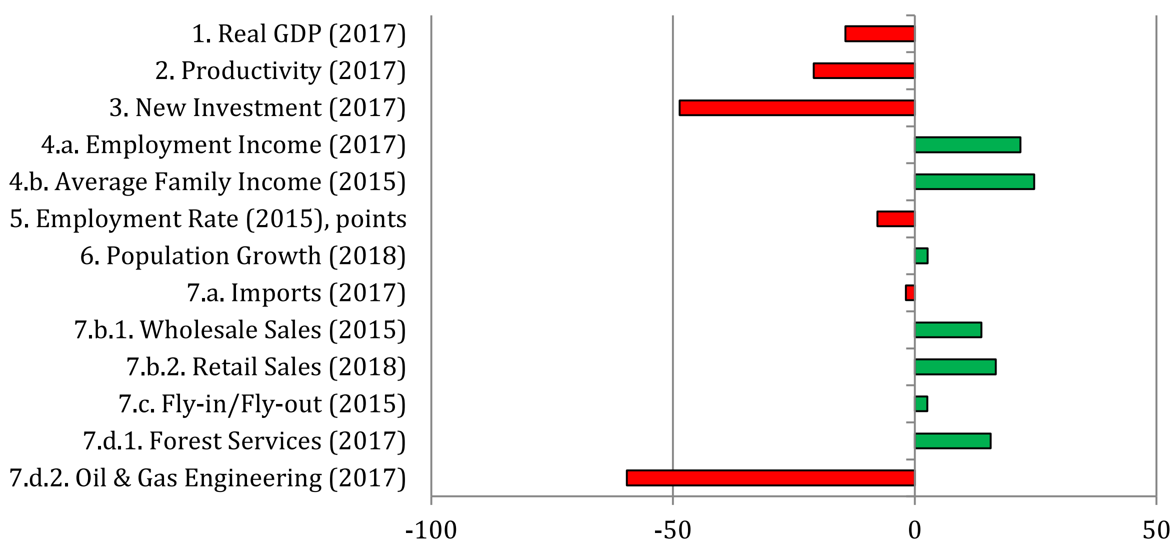
ECONOMIC PERFORMANCE INDICATORS - *MACROECONOMIC POLICY FRAMEWORK*

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

FISCAL REVIEW

Budget 2019-20, the last budget of the 18th Legislative Assembly, continues the fiscal plan to carefully manage increases in spending for existing programs and services so that other priority investments to support the Assembly's Mandate are possible. This prudent management of expenditures has sustained the Government of the Northwest Territories' (GNWT) efforts throughout the 18th Legislative Assembly to improve its fiscal position despite $81 million in revenue declines from 2016-17 to 2018-19.

Even with the revenue challenges, measures taken to re-allocate resources and find savings have allowed the government to advance its mandate and invest in the Assembly's priorities, while leaving the overall fiscal situation no worse than when the Assembly started.

Fiscal Strategy

The fiscal strategy adopted early in the 18th Legislative Assembly has three main objectives:

- **Limit spending growth to revenue growth** to ensure program spending is fiscally sustainable;
- **Expand operating surpluses** by reducing operating expenditures and increasing revenues so that there are funds available to invest in the territory's infrastructure deficit and make other strategic investments in the Assembly's priorities; and
- **Establish a solid fiscal position for the next Assembly** by returning the GNWT to a small cash surplus position by the end of the life of the 18th Assembly.

Progress towards greater fiscal sustainability was made in the first three budgets of this Assembly as expenditure growth was held to 0.5 per cent annually over the first three years. This achievement was overshadowed by economic conditions which caused a revenue decrease of 0.8 per cent over the same period. The two years of revenue declines mean that significant progress on the three objectives of the fiscal strategy is unlikely to be achieved during the life of this Assembly.

Although operating expenditure growth is below historical averages, the average 2.1 per cent forecast growth over the 18th Assembly is greater than revenue growth of 1.3 per cent.

As noted, the government has been able to able to invest in the Assembly's priorities. With growth in operating expenditures exceeding revenues, the operating surplus has declined.

The objective to return the GNWT to a small cash surplus position will not be met. By no coincidence, the revenue decline of $81 million over two years is the same amount as the cash deficit increased over the same period. The 19th Assembly will begin its term with a higher short-term borrowing amount than originally projected in the 2016-17 Budget. However, the projection for the medium term is for revenue growth to outpace expenditure growth and which should lead to improvements in the cash deficit.

About the GNWT Budget

The GNWT has two spending budgets: an operating budget to pay for the delivery of government programs and services, and a capital budget to fund infrastructure. Total revenues must pay for both budgets, or the government must borrow and increase its debt. Borrowing is limited by the federally-imposed borrowing limit of $1.3 billion and the GNWT's own debt management guidelines described in the *Fiscal Responsibility Policy*.

Under the *Fiscal Responsibility Policy*, the GNWT requires operating surpluses to fund at least half of the annual infrastructure budget that provides the housing, health centres, schools, roads and airports that serve Northwest Territories residents and economy. Therefore, the GNWT may only borrow to pay for a maximum of 50 per cent of the annual infrastructure budget.

Following the fiscal strategy requires fiscal discipline, particularly on the expenditure side because most of the GNWT's budget is funded through federal transfers. Approximately 80 per cent of total GNWT revenues come from federal transfers, which are beyond the control of the GNWT to directly influence. Moreover, the Northwest Territories has a small, resource-based economy and a small population and this limits the practicality of increasing revenues through increased taxes or other own-source revenues.

Revenue actions could be part of a longer-term fiscal strategy for the GNWT. However, because of the relatively small portion of the budget that is funded through own-source revenues, new taxes or increased rates alone would not generate significant new revenues, unless they were very large. Major tax increases would have potentially significant implications for the cost of living and doing business in the Northwest Territories, which in turn could negatively affect the economy. The adoption of new own-source revenues would need to be based on several principles: revenue-raising potential; the principles of sound tax policy, including predictability, fairness, efficiency and ease of administration; and potential impact on the economy.

Fiscal Situation and Outlook

Total revenue is estimated to be $1.933 billion in 2019-20, an increase of $144 million from 2018-19, following two years of revenue declines. This revenue increase is due, in part, to specific project or program investments by the federal government and introduction of the NWT Carbon Tax. The revenue declines have put pressure on the GNWT's fiscal plan, but expenditure management throughout the lifetime of the 18th Assembly and an expected increase in revenue in 2019-20 will prevent a more serious deterioration.

While the fiscal strategy aimed to reduce short-term borrowing over the course of the Assembly, the reduced operating surpluses means that the GNWT will end up increasing short-term borrowing by $81 million over the length of this Assembly. As noted, this increase corresponds with the two years of revenue decline. While the overall increase in short-term debt is lower than the previous two Assemblies, the 18th Assembly will transition to the next government with continued challenges related to short-term debt.

The GNWT's continuing fiscal prudence is recognized by Moody's Investors Service, which has assigned the GNWT a credit rating of Aa1 continuously since 2006 – one of the highest ratings available. As a result, the GNWT is able to borrow on favourable terms.

Medium-Term Outlook

The Government's medium-term outlook (2019-20 to 2023-24) projects operating surpluses increasing until 2021-22, but total borrowing will also increase and is projected to be within $57 million of the borrowing limit in 2021-22 before starting to decline.

Revenue growth is forecast to be moderate over the medium term, with a forecast increase of 2.7 per cent annually from 2019-20 to 2023-24. Revenue growth in the coming years will continue to be impacted by federal funding of specific projects and programs and the full implementation of the NWT Carbon Tax. The medium-term outlook forecasts expenditures to grow an average 2.5 per cent annually, below revenue growth, which will increase operating surpluses in the years ahead and help the GNWT reduce its short-term borrowing. The expenditure growth projections assume costs for existing programs and services and new initiatives will be modest, but does not incorporate any reductions.

The GNWT will remain below the federally-imposed borrowing limit of $1.3 billion throughout the forecast period, and total debt-servicing payments will remain below the 5 per cent limit required under the *Fiscal Responsibility Policy*. Adherence to the *Fiscal Responsibility Policy* also requires annual operating surpluses to fund at least half of infrastructure investment. The outlook maintains core infrastructure spending at a generally steady pace. Large infrastructure projects such as the Inuvik-Tuktoyaktuk Highway and the Stanton Territorial Hospital Renewal Project are either complete or are nearing completion. Other projects such as the Tłı̨chǫ All-Season Road, Mackenzie Valley Highway, and green energy projects, are included in the 2019-20 Capital Estimates. Some additional long-term debt, especially by NWT Hydro Corporation, will be required. Total debt is expected to peak in 2021-22.

Over two-thirds of GNWT total revenues come from Territorial Formula Financing and are outside the ability of the GNWT to influence. The Territorial Formula Financing entitlement is projected to increase 2.6 per cent annually over the medium-term outlook based on provincial/local government spending and Northwest Territories population growth relative to national growth projections, which are the main variables that determine its growth. Expenditure restraint measures by provincial governments and persistently low growth in the territorial population have contributed to relatively weak growth in Territorial Formula Financing and, therefore, total revenues.

The GNWT has put in place a number of strategies to help create the environment for a more robust and vibrant economy. In addition, the GNWT has the fiscal capacity to make strategic infrastructure investments, while adhering to its *Fiscal Responsibility Policy* and the federally-imposed borrowing limit. In time, these steps should help diversify the economy and broaden the economic and employment bases from their current reliance on government and mining.

Risks to Fiscal Outlook

The GNWT is subject to a number of fiscal risks, including:

- *The Northwest Territories economy's dependence on resource industries* – Resource sector activity can fluctuate significantly and results in the territory having the highest variability in economic growth in Canada. Resource sector activity has implications for long-term economic growth and creates significant volatility in GNWT own-source revenues.

- *Revenue volatility* – Historically, corporate income tax has been the GNWT's most volatile own-source revenue but the Territorial Formula Financing Grant is responsive over time to changes in corporate income tax revenues. Resource revenues are volatile and their variability will not be offset through Territorial Formula Financing, because resource revenues are outside of the formula. Resource revenues are sensitive to commodity price swings, exchange rate fluctuations, and operational decisions made by the resource developers, which makes resource revenue forecasting challenging. The risk to the operating budget of large resource revenue shocks is largely neutralized by the GNWT's commitment not to spend resource revenues on operations, but rather only on contributions to the Heritage Fund, debt repayment and infrastructure.

- *Increased interest rates* – Debt risk is currently considered to be low because debt servicing costs are expected to absorb less than two per cent of total revenues over the outlook. A relatively low overall debt burden provides protection against the risk of rising interest rates. If rates increase, more interest will be paid on the current stock of debt, increasing debt service payments and decreasing the amount of money available for programs, services, and infrastructure investment.

- *Slow revenue growth* – Territorial Formula Financing is almost 70 per cent of total revenues, affording considerable year-to-year stability to the budget. However, growth in Territorial Formula Financing relies heavily on Northwest Territories population growth relative to Canada's and provincial/local government spending. Flat population growth (or declines) or further provincial and local government fiscal austerity measures would reduce growth in the Territorial Formula Financing Grant.

- *On-going operating expenditure pressures* – Constant pressure exists to enhance current programs and to implement initiatives while not reducing existing program and service expenditures. Although the GNWT has made steady progress in reducing the rate of growth in program spending, continued efforts will be necessary to ensure that expenditure growth matches revenue growth, or the budgetary position could deteriorate.

- *Unexpected expenditures and capital project cost overruns* – Typical operating expenditure shocks are extraordinary fire suppression needs or other natural disasters. With the undertaking of large capital projects, the risk of capital cost overruns that may have an impact on the fiscal framework is heightened.

Fiscal Review

2018-19 Revised Estimates

The 2018-19 operating surplus is projected to be $40 million; $17 million higher than projected at the time of the 2018-19 Main Estimates, due to additional revenue of $40 million, partially offset by $18 million in increased expenditures and $5 million in other adjustments. The revised 2018-19 revenue forecast is $1.789 billion. Transfers are expected to increase $55 million from the 2018-19 Main Estimates, mainly because of additional federal specific-purpose transfers for infrastructure, education and climate change. Own-source revenue projections are revised downward by $15 million due mainly to a decline in estimated corporate income tax of $37 million, partially offset by a $7 million projected increase in personal income tax and a $13 million increase in the resource revenue forecast.

Operating expenses are expected to increase to $1.731 billion in 2018-19, up 1.1 per cent from the 2018-19 Main Estimates. Careful expenditure management continues, with revised 2018-19 operating expenditures 1.9 per cent higher than 2017-18 actual expenditures.

Total borrowing at March 31, 2019 is forecast to be $1 billion, leaving $300 million in borrowing room available from the federally-imposed borrowing limit of $1.3 billion.

2019-20 Budget

The 2019-20 Budget forecasts revenues of $1.933 billion and projects operating expenditures after adjustments of $1.873 billion, which will result in an operating surplus of $60 million.

Total revenues are forecast to rise $144 million from the 2018-19 Revised Estimates to the 2019-20 Main Estimates. The Territorial Formula Financing Grant will increase $53 million, in 2019-20. Other transfers are forecast to increase $31 million, from $203 million to $234 million, as a result of $28 million in additional specific-purpose transfers from the federal government for infrastructure.

GNWT own-source revenues are expected to account for 20 per cent of total revenues in 2019-20. Tax revenues are expected to increase $41 million, mainly because of a $29 million increase in corporate income tax and $16 million for the first year of carbon tax revenue, partially offset by a

$6 million forecast decrease in personal income tax. Resource revenues are expected to increase $17 million in 2019-20 to $47 million.

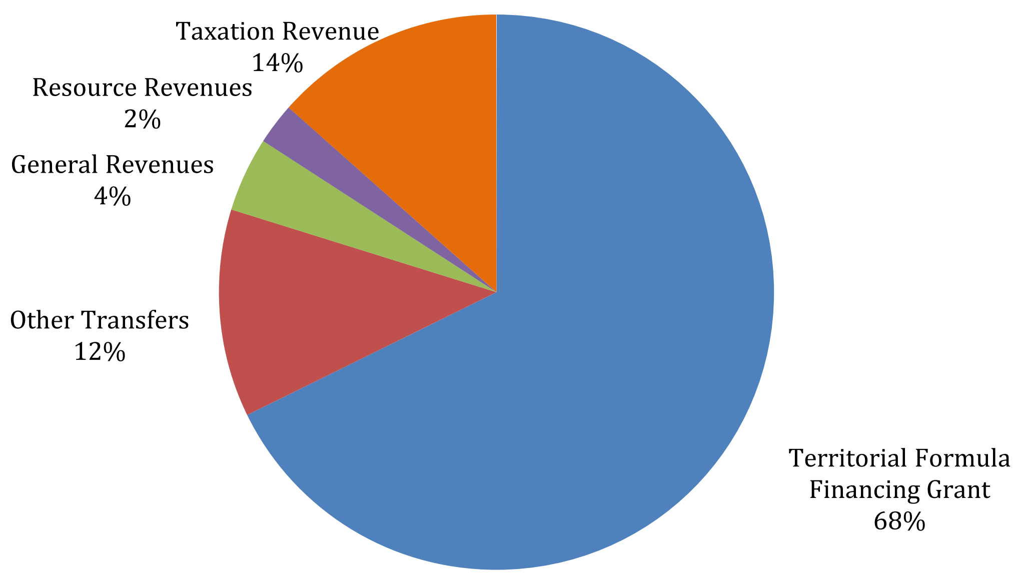
Total 2019-20 operating expenditures are expected to increase $89 million, or 5.2 per cent, from the 2018-19 Main Estimates. These are driven primarily by departmental spending in Health and Social Services (an increase of $34 million or 7.4 per cent), Infrastructure ($25 million or 10.5 per cent) and Education, Culture and Employment ($10 million or 3 per cent).

Budget 2019-20 forecasts that the GNWT's short-term debt will increase to $325 million at March 31, 2020. Total debt, which includes the NWT Hydro Corporation and other public agencies, is expected to increase to $1,113 million at March 31, 2020, leaving $187 million in available borrowing capacity.

BUDGET 2019-20

Revenue Initiatives

Projected 2019-20 Revenues by Source



Budget 2019-20 does not contain any tax rate increases, other than the annual adjustment of property tax mill rates for inflation, effective April 1, 2019. These increases result from the GNWT's ongoing policy of indexing property tax rates, liquor mark-ups, and fees, where practicable.

On July 11, 2018 the GNWT announced its plans for a carbon tax in response to its commitment under the *Pan-Canadian Framework on Clean Growth and Climate Change* to introduce carbon pricing. Under the proposed plan, the GNWT will introduce a carbon tax on fuels effective July 1, 2019 at $20 per tonne of greenhouse gas emissions. The tax rate would be increased by $10 per tonne each year until it reaches $50 per tonne in 2022. The revenues from the carbon tax will be recycled through rebates, offsets and initiatives to reduce greenhouse gas emissions.

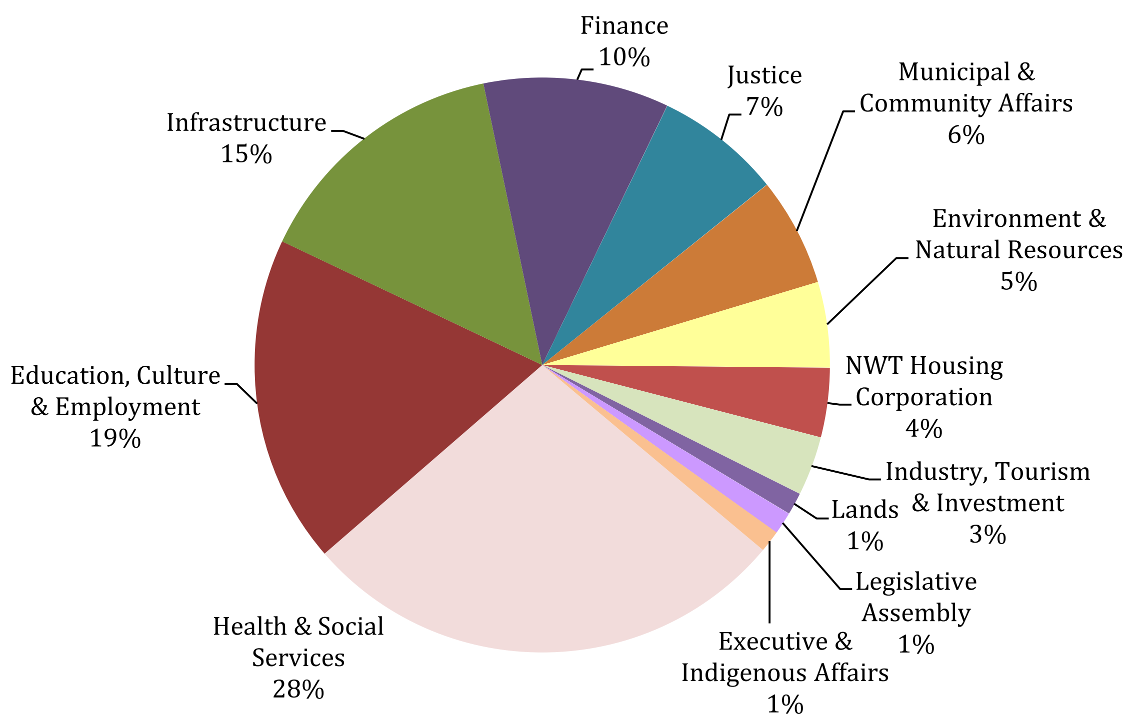
In Budget 2017-18 the government committed to investigating the possibility of introducing a sugary drinks tax with the objective to discourage the consumption of sugary drinks, in the expectation that reduced sugar consumption will reduce certain health problems including obesity and diabetes and improve oral health. A sugar-sweetened drinks tax proposal is being developed with public engagement planned in early 2019. A report detailing the findings will be released to the public later in the year.

Operating Expenditures

The 2019-20 Budget proposes $1.802 billion in departmental operating expenditures, of which $1.1 billion, or 60 per cent, is budgeted for social programs such as education, health care, social services, housing, policing and corrections.

Operating expenditures are budgeted to increase $89 million from the 2018-19 Main Estimates, with $70 million in proposed initiatives, $17 million for increased costs within existing programs, and $22 million in amortization. New initiatives have been partially offset with $20 million in savings and expiring programs and $30 million in new federal transfers and carbon tax revenue.

2019-20 Operations Expenditures by Department



Budget Highlights

The new spending proposed in the 2019-20 Budget is focused on four priorities: community wellness and safety; economic growth, labour force development and land management; environment and climate change; and governance.

Community Wellness and Safety

Budget 2019-20 proposes $31.1 million in new community wellness and safety funding, focused mainly on building positive health outcomes for residents of the Northwest Territories, including:

- $15.179 million for the Stanton Territorial Hospital, including an annual service payment and to commission the hospital for use;
- $3.279 million to increase the capacity of Child and Family Services, including hiring more social workers across the territory and adding support positions at the Health Authority and department level to ensure consistency and sufficient oversight;
- $2.064 million for additional school and community child and youth care counsellors in the Beaufort Delta and Sahtu regions and to improve the delivery of mental health support to the smallest communities in these regions;
- $1.734 million to establish a combined day shelter and sobering centre program;
- $1.608 million for health services for standard physician contracts for 2016 to 2021;
- $1.348 million to establish a NWT-wide 911 Service;
- $998,000 to increase the Income Assistance disability and aged allowance rates;
- $782,000 to commission the Sahtú Got'iné Regional Health and Social Services Centre and Sahtú Dene Nechá Kǫ́ Long Term Care Facility in Norman Wells;
- $500,000 in additional contribution funding to be distributed among a number of family violence shelters across the NWT;
- $432,000 for the continued expansion of the Northern Distance Learning program;
- $401,000 to enhance rehabilitation services for children, comprising three new positions – Speech Language Therapist, Occupational Health Therapist, and Audiologist;
- $400,000 for land-based mobile addictions treatment and aftercare;
- $397,000 in funding for five emergency shelters to hire additional support personnel;
- $379,000 to establish a Specialized Territorial Support Team consisting of three new positions – an Educational Psychologist, a Behavioural Specialist, and an Occupational Therapist – along with funding to develop resources for students and teachers;

- $373,000 for Territorial Midwifery Program enhancements, including a clinical specialist and two midwives;
- $352,000 for chemotherapy program service delivery improvements at Stanton Territorial Hospital, including an additional nurse and clerk;
- $350,000 in increased funding to stabilize non-government organization operations;
- $315,000 to expand Northern Studies by enhancing the Northern Studies 10 curriculum, and developing new Northern Studies 20 (grade 11) and 30 (grade 12) curricula;
- $120,000 to create a new program coordinator position at Stanton Hospital to enhance support for children with suspected or diagnosed autism; and
- $100,000 per year for three years as a contribution to an affordable housing partnership with Habitat for Humanity to build up to two affordable housing units per year (total of up to six over three years) in the Northwest Territories with priority given to units outside of Yellowknife.

Economic Growth, Labour Force Development and Land Management

Budget 2019-20 proposes $9.8 million in new expenditures to assist in economic and workforce development and land management, including:

- $2.992 million for the Canada-Northwest Territories Workforce Development Agreement to train labour, support workforce development, and build employment partnerships;
- $1.2 million for the Slave Geological Province Exploration Development Initiative, which NWT Geological Survey cost-shares for geoscience activities;
- $1.013 million to deliver Investing in Canada Infrastructure Plan resources, supporting six new positions for the GNWT;
- $800,000 in additional funding to support annual large-scale tourism marketing campaigns;
- $674,000 to enforce land tenure and develop an approach to address unauthorized and rights-based occupancy;
- $753,000 for a Wek'èezhìi public land-use planning committee and Behchokǫ̀ office;
- $563,000 to address equity lease issues over a shortened three-year time frame including adding two lands specialist positions;
- $375,000 to implement the *NWT Petroleum Resources Strategy*;
- $329,000 for a new geotechnical advisor position to support management of public land and a new geomatics analyst position for territorial land administration;

- $250,000 to establish a new director position for major projects in the Department of Infrastructure to lead the advancement of various large capital commitments with federal funding;

- $225,000 to develop and implement a knowledge economy strategy, including a new senior knowledge economy advisor position for three years;

- $200,000 to increase funding for the NWT Arts Council;

- $181,000 to create a new film officer position, market the NWT Film Rebate Program, and expand the capacity of the NWT Film Commission;

- $150,000 to determine the feasibility of building the Centre for Northern Sustainability and Community Resilience, intended to be a northern centre of excellence for the knowledge economy; and

- $104,000 to increase the Student Financial Assistance course reimbursement rate from $500 to $800, and to increase the lifetime limit on course reimbursements from $5,000 to $8,800.

Environment and Climate Change

Budget 2019-20 proposes an additional $20.8 million for actions that support reducing greenhouse gas emissions including:

- $12.5 million for NWT Carbon Tax rebates and benefits, including heating fuel tax rebates for all but large emitters, transfers to individuals to offset the impact of carbon pricing, NTPC rebates for tax paid on fuel used to generate electricity for non-large emitters, annual rebates to large emitters of 75 per cent of the carbon tax paid on non-motive fuel with the remaining 25 per cent put into individual industrial trusts for large emitters to invest in emission reduction, and administration costs;

- $7.746 million under the Low Carbon Economy Leadership Fund Agreement for incremental Arctic Energy Alliance programs and services, the greenhouse gas grant funds for government, commercial and industrial organizations, active forestry carbon sequestration, and funding under the NWT Housing Corporation; and

- $555,000 to implement the *2030 NWT Climate Change Strategic Framework*, including additional funds for data management, reporting and outreach.

Governance

Budget 2019-20 proposes $9.2 million in new funding and enhancements to support the 18th Legislative Assembly's priority for more effective governance including:

- $3.078 million for public service compensation after a two-year wage freeze, including $1.772 million for collective bargaining increases for teachers for 2016 to 2020 and $1.306 million for a one per cent increase for non-unionized GNWT employees that were implemented in 2018-19;

- $1.899 million for several departments to address their responsibilities under the federal initiative to legalize non-medicinal cannabis;

- $750,000 in additional funding for community government operations and maintenance;

- $650,000 to further support community governments in providing water and sewer services;

- $407,000 to support the Enterprise Licensing and Permitting Service and Support Model, comprising three new positions and related operating expenses;

- $400,000 to establish a new program to provide contributions to offset the costs of secondment agreements for Indigenous Governments;

- $400,000 to create a new Information Systems Shared Services unit;

- $389,000 to adjust funding provided under the Déline̜ Financing Agreement pursuant to the agreement's funding formula;

- $300,000 for two new Government Services Officer positions for each Jean Marie River and Sambaa K'e;

- $269,000 to establish an Access To Information and Protection of Privacy shared-services unit;

- $250,000 for travel and contract services as part of self-government implementation;

- $234,000 to fund incremental Technology Service Centre chargeback costs relating to the establishment of an Information Systems Shared Services unit;

- $124,000 for a Legal Aid Commission program support manager to better organize the division in response to rising demand for services and a larger staff complement; and

- $38,000 for the Women's Advisory Council to advance the objectives of the Women in Politics initiative by developing a communications plan and undertaking an awareness campaign.

Infrastructure

The 2019-20 capital budget approved in October 2018 is $88 million higher than in the 2018-19 capital budget. Total budgeted spending is $325 million, including $199 million for the GNWT's own capital plans, $29 million for community infrastructure investments, $45 million for energy and other infrastructure contributions, and $50 million for public/private partnerships (primarily the Tłı̨chǫ All-Season Road). If the NWT Housing Corporation's $18 million in housing investment is included, total planned infrastructure investment in 2019-20 will be $343 million.

Highlights of the 2019-20 Capital Estimates include:

- $118 million for highways, winter roads, bridges, and culverts across the NWT. This includes funding of $47 million for the Tłı̨chǫ All-Season Road project, $22 million under the National Trades Corridors Fund, and $34 million for Building Canada Plan projects;
- $42 million towards energy projects under the Investing in Canada Plan, which includes $18 million for the Inuvik Wind Project;
- $62 million for health facility replacements, renovations, and equipment, which includes funding of $25 million for long-term care facilities in Hay River and Inuvik;
- $29 million to continue to provide funding to community governments for their infrastructure needs;
- $17 million for new education facilities and renovations to existing facilities, which includes $12 million for the major retrofit of the Mangilaluk School in Tuktoyaktuk and $3 million for the replacement of J.H. Sissons in Yellowknife;
- $9 million for deferred maintenance and energy upgrades to existing GNWT assets; and
- $8 million for new and enhanced information technology functionality and upgrades.

By the end of the 18th Legislative Assembly the GNWT will have invested $1.1 billion to meet the territory's infrastructure requirements. This investment involves maintaining existing assets, improving the housing stock, investing to encourage economic growth, and investing to meet legislative requirements to deliver government programs and services. Investments in strategic infrastructure will better position the Northwest Territories to take advantage of economic opportunities and support solutions to problems caused by climate change. The discipline exercised in the operating budget has allowed the GNWT to partner with the federal government in infrastructure initiatives such as the Investing in Canada Infrastructure Plan, the Building Canada Plan and the Low Carbon Economy Leadership Fund, which has helped make this significant investment possible.

Summary of Operations

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017-2018 Actuals
REVENUES	**1,933,297**	1,789,417	1,749,337	1,853,794
OPERATIONS EXPENSE				
Compensation and Benefits	**372,208**	363,180	360,039	361,733
Grants, Contributions and Transfers	**846,293**	826,885	815,408	794,855
Amortization	**123,014**	100,790	100,790	95,052
Chargebacks	**21,909**	21,610	21,523	23,819
Computer Hardware and Software	**5,729**	5,729	5,700	6,710
Contract Services	**219,691**	205,900	203,999	186,724
Controllable Assets	**3,226**	3,170	3,126	5,189
Fees and Payments	**106,076**	101,055	100,646	112,260
Interest	**11,246**	11,434	11,434	17,374
Loss on Sale of Assets	**-**	-	-	1,582
Materials and Supplies	**19,684**	19,427	19,214	23,961
Purchased Services	**14,151**	14,172	14,021	14,378
Travel	**19,863**	19,779	19,277	16,343
Utilities	**36,294**	35,502	35,437	36,373
Valuation Allowances	**2,419**	2,419	2,419	2,595
TOTAL OPERATIONS EXPENSE TO BE VOTED	**1,801,803**	1,731,052	1,713,033	1,698,948
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	**131,494**	58,365	36,304	154,846
Infrastructure Contributions	**(74,275)**	(29,339)	(27,748)	(5,000)
Deferred Maintenance	**(2,000)**	(2,838)	(2,000)	-
Petroleum Products Stabilization Fund net profit (loss)	**(200)**	(1,000)	(150)	(510)
Supplementary Reserve	**(20,000)**	(15,000)	(20,000)	-
Estimated Appropriation Lapses	**25,000**	30,000	37,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	**99,256**	129,219	109,806	105,497
Expenditures	**(99,256)**	(129,219)	(109,806)	(105,497)
OPERATING SURPLUS FOR THE YEAR	**60,019**	40,188	23,406	149,336
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**1,876,621**	1,836,433	1,761,880	1,687,097
ACCUMULATED SURPLUS, END OF YEAR	**1,936,640**	1,876,621	1,785,286	1,836,433

Summary of Revenues

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017-2018 Actuals
GRANT FROM CANADA	**1,309,300**	1,256,289	1,256,289	1,232,439
TRANSFER PAYMENTS	**233,595**	202,900	148,247	185,654
TAXATION REVENUE				
Personal Income Tax	**104,369**	110,172	103,076	87,530
Corporate Income Tax	**23,331**	(5,469)	31,299	60,006
Cannabis Excise Tax	**747**	373	-	-
Carbon Tax	**16,190**	-	-	-
Tobacco Tax	**15,100**	15,332	16,087	15,598
Fuel Tax	**21,062**	20,993	21,684	20,925
Payroll Tax	**44,355**	43,486	44,866	42,633
Property Taxes and School Levies	**29,750**	29,211	29,235	28,744
Insurance Premium Taxes	**5,100**	4,850	4,850	5,169
	260,004	218,948	251,097	260,605
Non-renewable Resource Revenue				
Licences, Rental and Other Fees	**2,532**	3,832	2,432	26,184
Minerals, Oil and Gas Royalties	**43,822**	25,456	13,460	39,862
Quarry Fees	**180**	180	180	122
	46,534	29,468	16,072	66,168
GENERAL REVENUES				
Revolving Funds Net Revenue	**32,482**	31,153	28,410	30,614
Regulatory Revenues	**25,404**	24,247	23,154	26,745
Interest	**280**	325	325	335
Investment Income	**480**	480	480	3,730
Lease	**3,580**	3,815	3,815	4,913
Program	**16,757**	17,290	16,946	19,861
Grants in kind	**140**	214	214	443
Service and miscellaneous	**1,741**	1,288	1,288	6,893
Recovery of Prior Years' Expenditures	**3,000**	3,000	3,000	15,394
	83,864	81,812	77,632	108,928
TOTAL REVENUES	**1,933,297**	1,789,417	1,749,337	1,853,794

Summary of Operations Expenditures

(thousands of dollars)

	2019-2020 Main Estimates	2018-2019 Revised Estimates	2018-2019 Main Estimates	2017-2018 Actuals
Department				
Legislative Assembly	**22,443**	20,849	20,790	18,376
Education, Culture and Employment	**332,121**	327,058	322,310	322,912
Environment and Natural Resources	**86,693**	88,059	88,022	95,463
Executive and Indigenous Affairs	**22,103**	21,869	21,388	18,941
Finance	**258,202**	252,543	250,745	247,230
Health and Social Services	**495,934**	463,773	461,563	445,642
Industry, Tourism and Investment	**59,974**	57,283	57,112	58,314
Infrastructure	**264,013**	245,492	238,906	243,997
Justice	**127,617**	124,959	124,577	123,683
Lands	**22,584**	21,348	20,737	18,213
Municipal and Community Affairs	**110,119**	107,819	106,883	106,177
	1,801,803	1,731,052	1,713,033	1,698,948
Expenditure Category				
Compensation and Benefits	**372,208**	363,180	360,039	361,733
Grants, Contributions and Transfers	**846,293**	826,885	815,408	794,855
Amortization	**123,014**	100,790	100,790	95,052
Chargebacks	**21,909**	21,610	21,523	23,819
Computer Hardware and Software	**5,729**	5,729	5,700	6,710
Contract Services	**219,691**	205,900	203,999	186,724
Controllable Assets	**3,226**	3,170	3,126	5,189
Fees and Payments	**106,076**	101,055	100,646	112,260
Interest	**11,246**	11,434	11,434	17,374
Loss on Sale of Assets	**-**	-	-	1,582
Materials and Supplies	**19,684**	19,427	19,214	23,961
Purchased Services	**14,151**	14,172	14,021	14,378
Travel	**19,863**	19,779	19,277	16,343
Utilities	**36,294**	35,502	35,437	36,373
Valuation Allowances	**2,419**	2,419	2,419	2,595
	1,801,803	1,731,052	1,713,033	1,698,948

Summary of Infrastructure Investment

(thousands of dollars)

	2019-2020 Capital Estimates	2018-2019 Revised Estimates	2018-2019 Capital Estimates	2017-2018 Actuals
Tangible Capital Assets				
Legislative Assembly	**-**	390	390	47
Education, Culture and Employment	**14,658**	19,791	11,208	22,748
Environment and Natural Resources	**2,423**	7,709	2,974	5,840
Finance	**1,630**	7,130	7,130	2,135
Health and Social Services	**59,624**	31,932	13,975	18,497
Industry, Tourism and Investment	**11,530**	10,499	3,773	2,819
Infrastructure	**103,806**	138,182	64,102	103,446
Justice	**4,341**	23,329	4,892	9,418
Lands	**932**	1,692	1,623	683
Municipal and Community Affairs	**-**	115	115	-
	198,944	240,769	110,182	165,633
Infrastructure Contributions				
Education, Culture and Employment	**3,000**	1,827	300	559
Finance	**-**	255	255	-
Infrastructure	**42,275**	-	-	-
Municipal and Community Affairs	**29,000**	27,257	27,193	28,086
	74,275	29,339	27,748	28,645
Deferred Maintenance (non-capital)				
Education, Culture and Employment	**-**	-	-	75
Health and Social Services	**-**	-	-	40
Infrastructure	**2,000**	2,838	2,000	264
	2,000	2,838	2,000	379
Public Private Partnerships				
Health and Social Services	**2,954**	62,063	30,112	91,964
Infrastructure	**46,800**	67,000	67,000	-
	49,754	129,063	97,112	91,964
Total Capital Estimates	**324,973**	402,009	237,042	286,621

Summary of Debt and Estimated Borrowing Capacity

	(thousands of dollars)			
	2019-2020 Main Estimates	**2018-2019 Revised Estimates**	**2018-2019 Main Estimates**	**2017-2018 Actuals**
SHORT TERM DEBT				
Government of the Northwest Territories	**325,000**	318,000	301,000	297,076
Hay River Health and Social Services Authority	**1,000**	1,000	1,000	-
NWT Hydro Corporation	**135,911**	25,567	19,671	-
	461,911	344,567	321,671	297,076
LONG TERM DEBT				
Government of the Northwest Territories:				
Deh Cho Bridge - Real Return Bonds	**175,850**	177,759	176,607	177,209
Mackenzie Valley Fibre Optic Link, P3 debt	**75,300**	77,700	75,000	79,900
Stanton Territorial Hospital, P3 debt	**135,700**	138,500	135,700	86,581
Tłı̨chǫ All-Season Road, P3 debt	**19,560**	8,160	50,100	-
Canada Mortgage and Housing Corporation	**366**	444	444	521
Public Agencies:				
NWT Hydro Corporation	**209,168**	213,515	253,088	226,393
NWT Housing Corporation	**5,946**	6,553	6,456	8,256
Yellowknife Catholic Schools	**-**	-	-	663
TOTAL DEBT	**1,083,801**	967,198	1,019,066	876,599
OBLIGATIONS UNDER CAPITAL LEASES				
Government of the Northwest Territories	**-**	337	337	949
NWT Hydro Corporation	**16,802**	17,256	17,255	17,671
LOAN GUARANTEES				
NWT Business Development and Investment Corp.	**2,100**	2,500	2,500	2,101
NWT Housing Corporation	**10,522**	12,510	12,684	15,166
TOTAL GROSS BORROWING PER BORROWING REGULATIONS	**1,113,225**	999,801	1,051,842	912,486
LESS:				
EXTERNALLY RESTRICTED SINKING FUNDS				
NWT Hydro Corporation	**-**	-	-	(6,278)
TERRITORIAL BORROWING	**1,113,225**	999,801	1,051,842	906,208
TERRITORIAL BORROWING LIMIT	**1,300,000**	1,300,000	1,300,000	1,300,000
AVAILABLE BORROWING AUTHORITY FOR FISCAL PLANNING PURPOSES	**186,775**	300,199	248,158	393,792

Provincial/Territorial Tax Rates at January 1, 2019

	Combined Top Marginal Personal Income Tax (a) (%)	Retail Sales Tax (%)	Fuel Tax (b) Gasoline (¢/litre)	Fuel Tax (b) Diesel (¢/litre)	Tobacco Tax (c) ($/carton)	Payroll Tax (d) (%)	Corporate Income Tax Small (%)	Corporate Income Tax Large (%)	Capital Tax on Financial Institutions(e) (%)
Northwest Territories	47.05	-	10.7	9.1	60.80	2.00	4.0	11.5	-
Nunavut	44.50	-	6.4	9.1	60.00	2.00	4.0	12.0	-
Yukon	48.00	-	6.2	7.2	60.00	-	2.0	12.0	-
British Columbia	49.80	7.0	22.28	23.95	55.00	-	2.0	12.0	-
Alberta	48.00	-	19.73	21.03	50.00	-	2.0	12.0	-
Saskatchewan	47.50	6.0	15.0	15.0	54.00	-	2.0	12.0	4.0
Manitoba	50.40	8.0	14.0	14.0	59.00	2.15	0.0	12.0	6.0
Ontario	53.53	8.0	14.7	14.3	36.95	1.95	3.5	11.5	1.25
Quebec	53.31	9.975	19.2	20.2	29.80	4.26	6.0	11.6	1.25
New Brunswick	53.30	10.0	15.5	21.5	51.04	-	2.5	14.0	5.0
Nova Scotia	54.00	10.0	15.5	15.4	55.04	-	3.0	16.0	4.0
Prince Edward Island	51.37	10.0	9.68	15.83	50.00	-	3.5	16.0	5.0
Newfoundland & Labrador(f)	51.30	10.0	16.5	16.5	49.00	2.00	3.0	15.0	6.0
Weighted average(g)	51.97	7.3	17.3	17.9	41.68	1.83	3.5	11.9	1.42

Notes:

(a) Combined federal-provincial/ territorial highest 2019 personal income tax rate and surtax.

(b) The NWT's off-highway gasoline tax rate is 6.4 cents/litre. British Columbia fuel tax rates include carbon tax, which are uniform across the province, but does not include surtaxes that apply only in Victoria and the Lower Mainland. Quebec fuel tax rates also vary regionally. Alberta's fuel tax rate includes carbon tax.

(c) Manitoba and Saskatchewan apply provincial sales tax to tobacco product sales. Harmonized sales tax is applied to tobacco product sales in Ontario, New Brunswick, Prince Edward Island, Newfoundland & Labrador, and Nova Scotia. BC's provincial sales tax does not apply to tobacco products. Quebec does not apply the Quebec sales tax to sales of tobacco products.

(d) NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or rates vary depending on payroll size.

(e) Ontario and Quebec levy capital taxes on life insurance institutions. Saskatchewan and Manitoba also levy capital tax on provincial crown corporations.

(f) Newfoundland & Labrador taxpayers pay a temporary deficit reduction levy of up to $1,800.

(g) Average weighted by provincial/ territorial populations at July 1, 2018.