

## **NORTHWEST TERRITORIES ECONOMIC OUTLOOK**

Non-renewable resource development continues to drive the Northwest Territories economy. In 2001, the NWT led Canada in economic growth for the second consecutive year, with a 19.2 per cent increase in real gross domestic product (GDP). The construction of the NWT's second diamond mine and oil and gas exploration activity were the main contributors to the high growth.

While this growth will not be repeated in 2002, the NWT economy is buoyed by mining sector activity and remains strong. Real GDP in 2002 is forecast to grow only 1.4 per cent and remain relatively level at 0.8 per cent in 2003. This levelling off reflects the drop in business investment from the high levels of 2001 due to the completion of the NWT's first two diamond mines and is not an indication of a slowing economy.

Proof of the robust NWT economy is demonstrated by the fact that real GDP is not expected to decline in 2003 despite a large decrease in business investment. Strong growth in exports, in particular diamond exports, is expected to compensate for the drop in investment. Prices are up for non-renewable resources, providing good news for the resource sector. Export values are expected to increase 2.9 per cent in 2002 and 10 per cent in 2003. By 2004, real GDP is expected to be 11 per cent higher than 2001 levels.

While mining developments are the big story in 2002, other sectors of the economy are also healthy and continuing to grow. Oil and gas exploration and related activity are making a significant contribution to the growth in the NWT economy. Although the 2002 results of the GNWT's annual road tourism survey are not finalized, preliminary results show highway tourism grew 22 per cent from 2001. In 2001-02, more than 32,000 people visited the NWT and injected \$34 million into the economy.

Investment in the housing sector has more than doubled in 2002 without appearing to have lessened the demand for housing. Housing investment is not expected to slow in the near future.

Strong economic activity has kept the NWT employment rate at the highest in Canada for the second year in a row. The NWT unemployment was 6.5 per cent in 2002, the fourth lowest provincial/territorial rate.

The statistics describe a strong and dynamic economy. The momentum exhibited in the economy promises a bright future for the NWT.

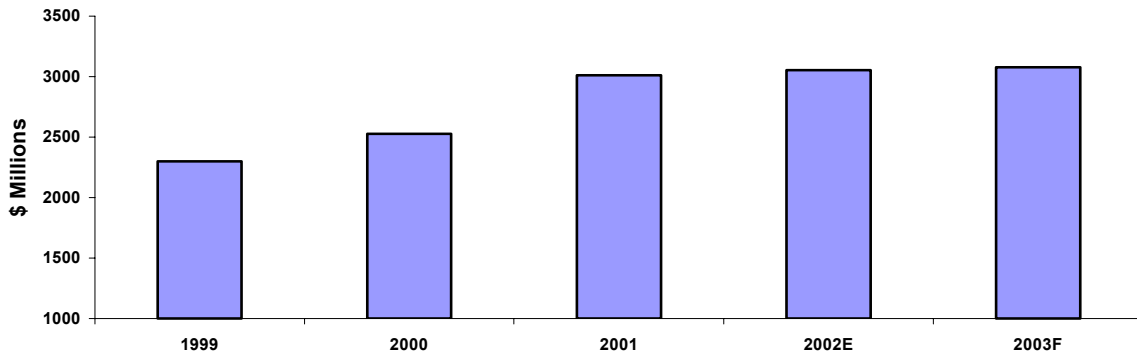
### **Northwest Territories Economic Indicators**

INDICATOR	2000(A)	2001(A)	2002(E)	2003(P)
Gross Domestic Product Chained (1997) Dollars	2,527	3,011	3,053	3,078
(% Change)	10.0	19.2	1.4	0.8
Total Investment Chained (1997) Dollars	885	1,489	1,337	707
(% Change)	39.8	68.2	-10.2	-47.1
Consumer Expenditures Chained (1997) Dollars	896	923	955	1,005
(% Change)	3.1	3.0	3.5	5.2
Government Expenditures Chained (1997) Dollars	928	985	1,045	1,087
(% Change)	-4.0	6.1	6.1	4.0
Exports Chained (1997) Dollars	1,417	1,581	1,627	1,790
(% Change)	15.9	11.6	2.9	10.0
Imports Chained (1997) Dollars	1,531	1,855	1,805	1,489
(% Change)	12.5	21.2	-2.7	-17.5
Employment (Number of Persons)	n/a	20,700	21,000	21,500
(% Change)	n/a	n/a	1.4	2.4
Avg. Weekly Earnings (\$)	822	860	880	925
(% Change)	n/a	4.6	2.3	5.2
CPI (Yellowknife, 1992 = 100)	111.2	113.0	116.3	119.3
(% Change)	1.7	1.6	2.9	2.6

Sources: Statistics Canada (E) Estimated by NWT Department of Finance  
 NWT Department of Finance (P) Projected by NWT Department of Finance  
 NWT Bureau of Statistics (A) Actual per Statistics Canada

Note: Average weekly earnings in 2000 and 2001 represent combined data for the Northwest Territories and Nunavut.

### Real Gross Domestic Product (Chained, 1997)



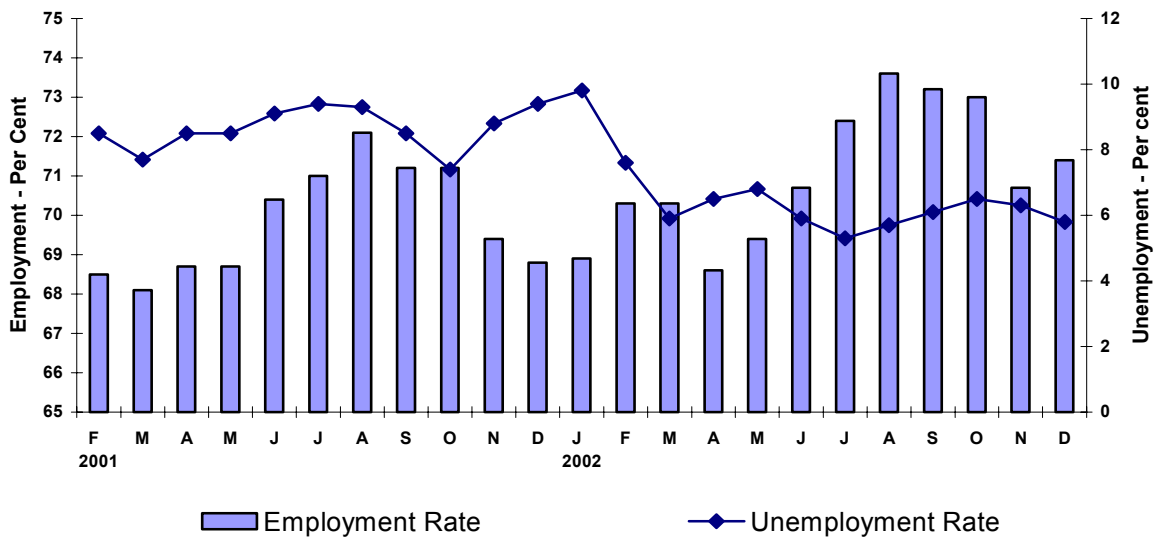
Source: 1999, 2000 and 2001 are from Statistics Canada. 2002E and 2003F are from NWT Finance

### EMPLOYMENT

On average in 2002, of the 29,500 NWT residents 15 years of age and older, 21,000 persons were employed, representing an overall employment rate of 71.2 per cent.

There were 700 less people unemployed in 2002 compared to 2001. The Northwest Territories unemployment rate has remained consistently below the national average since February 2002. The Northwest Territories ended 2002 with an unemployment rate of 5.8 per cent for December compared with an average unemployment rate of 7.1 per cent for Canada for the same month.

### Labour Market



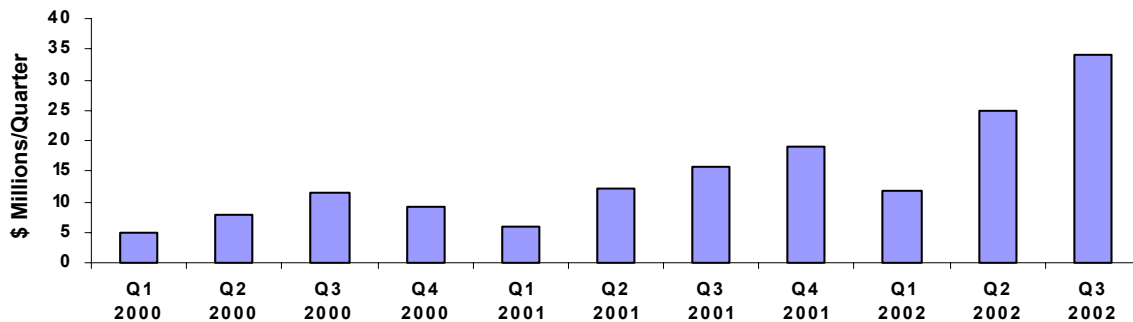
Source: Statistics Canada Labour Force Survey

## INVESTMENT

The increase in expenditures for housing construction in 2002 was dramatic. \$70.7 million was spent in the housing sector in the first three quarters of 2002, compared to \$33.5 million for the first nine months of 2001. This represents an increase of approximately 111 per cent.

Most of the housing construction activity was centred in Yellowknife. The value of NWT residential building permits increased over 92 percent from 2001 to 2002. The value of residential building permits in Yellowknife increased 200 per cent and the Yellowknife share of the total residential permits increased from 44 per cent in 2001 to 69 per cent in 2002. Investment in the housing sector is expected to remain strong in 2003.

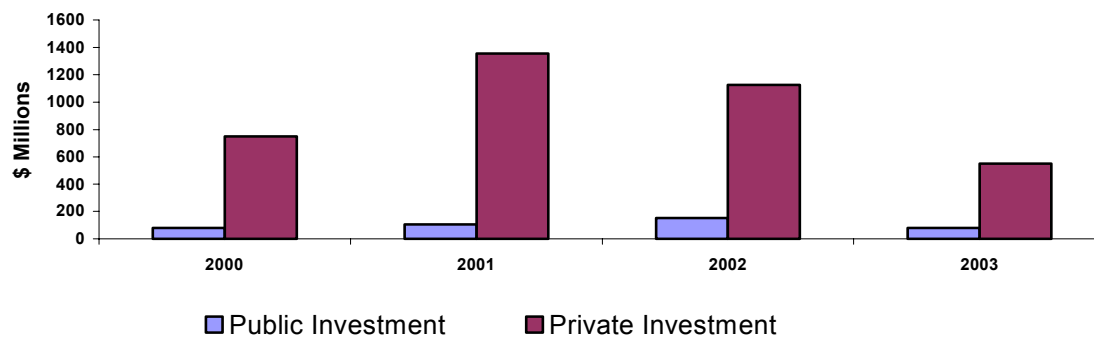
### *Housing Investment*



Source: Statistics Canada

Private investment increased 81 per cent from 2000 to 2001 but is expected to decrease 17 per cent in 2002 as construction of the NWT's second diamond mine is completed early. Private investment is forecast to decrease 51 per cent in 2003 as it comes off the high levels created by large-scale resource developments, including diamond mine construction.

### *Public and Private Investment*



Source: Statistics Canada, NWT Finance

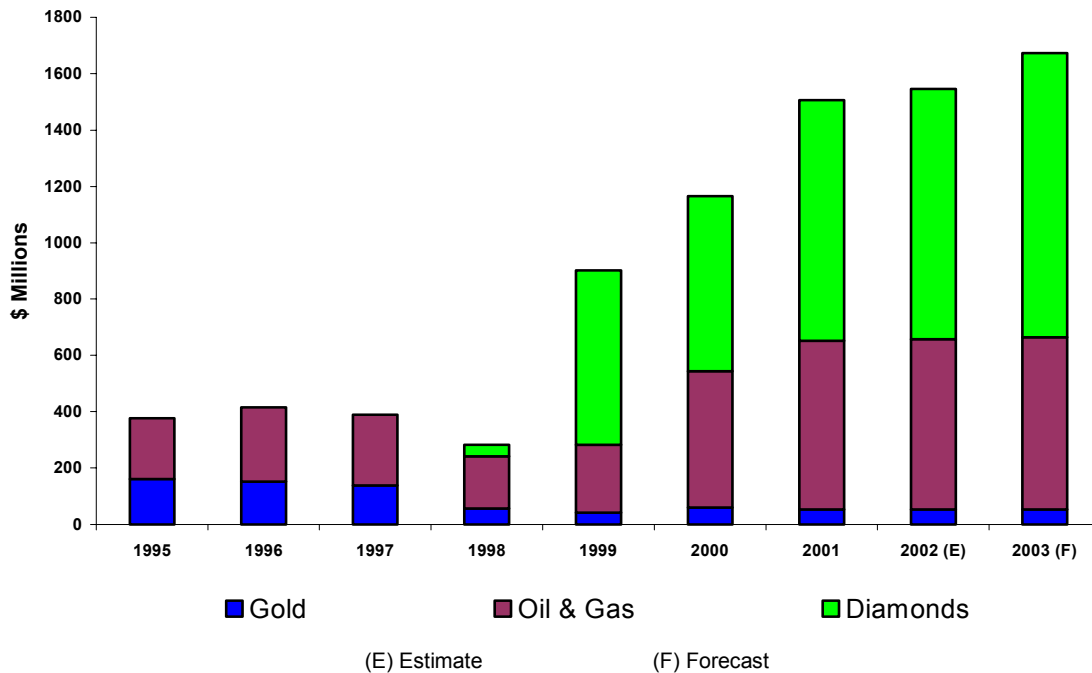
Note: 2000 and 2001 figures are actuals, 2002 amounts are based on Statistics Canada's survey of intentions and 2003 is a NWT Finance forecast.

Government investment increased 17 per cent from 2000 to 2001 and 46 per cent from 2001 to 2002, primarily due to increases in GNWT capital investments. The GNWT increased capital investment by \$53 million in 2001 and another \$45 million in 2002. Seventy-one per cent of the 2001 increase in GNWT capital investment was for hospitals and correctional facilities, in particular investment in the Inuvik hospital. This share of the increase was reduced to 29 per cent in 2002 as construction of the hospital in Inuvik was completed. Twenty-three per cent of the 2001 increase and 37 per cent of the 2002 increase was for investment in transportation infrastructure. The GNWT's capital investment will decrease 48 per cent to \$74 million in 2003-04.

**MINING AND OIL AND GAS EXPLORATION**

The mining and oil and gas extraction sector is the dominant force in the NWT economy. Diamond production is the big story in the NWT mining sector with a 57 per cent share of the value of total NWT mining and oil and gas extraction. Two diamond mines are now completed and producing over 6 per cent of the world's diamonds in value. Diamond production increased 46 per cent from 2000 to 2001 and a further 11 per cent increase is expected in 2002. However, the value of the diamond production increased only 37 per cent from 2000 to 2001 and is expected to increase 4 per cent in 2002.

**Value of Gold, Diamonds, Oil and Gas Production**



Source: Statistics Canada, NWT Resources, Wildlife and Economic Development

Note: Data excludes Nunavut for all years.

Oil and gas extraction activities are approximately 40 per cent of the value of the NWT total mining and resource extraction sector. Natural gas production decreased 18 per cent from the first 11 months of 2001 to the first 11 months of 2002. However, it is important to note that production by the end of November 2002 still remains 70 per cent higher than by the same time in 2000. Oil production decreased 3.4 per cent from the first 11 months of 2001 to the first 11 months of 2002.

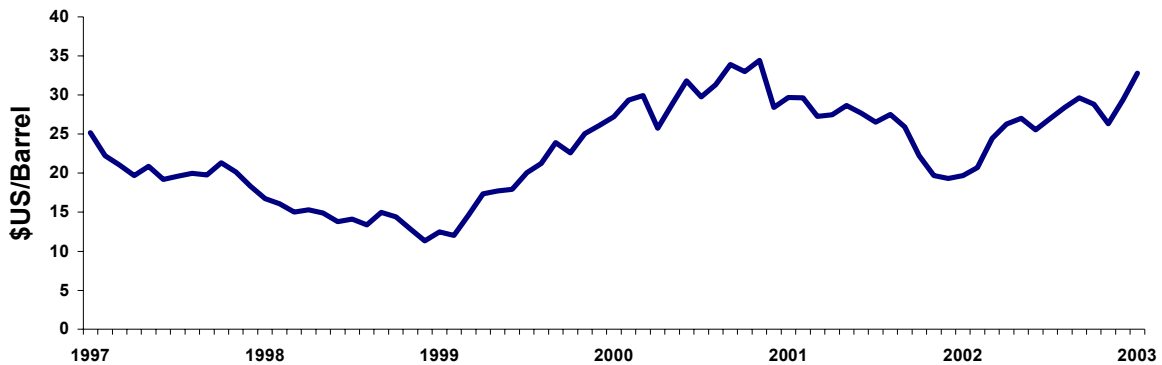
Oil and gas exploration has been steadily increasing. However, total exploration expenditures are expected to decline in the winter of 2002-03, primarily as exploration in the Mackenzie Delta is postponed until closer to a time when the natural gas can get to market. In other areas, exploration levels are unchanged, and in the Fort Liard region, where there is access to southern markets, activity is high.

Gold mining represents 4 per cent of the value of the NWT mining and oil and gas extraction sector.

## COMMODITY PRICES AND EXCHANGE RATES

Commodity prices in general have picked up since the low prices experienced in late 2001. The price of crude oil has dropped more than \$5.00 since its high of November 2000 but is \$10.00 higher than the December 2001 low. The average price for December 2002 was 29.35 \$US/bbl compared to 19.32 \$US/bbl for December 2001. Prices are expected to remain strong entering 2003 due to the current geopolitical instability in major oil producing countries.

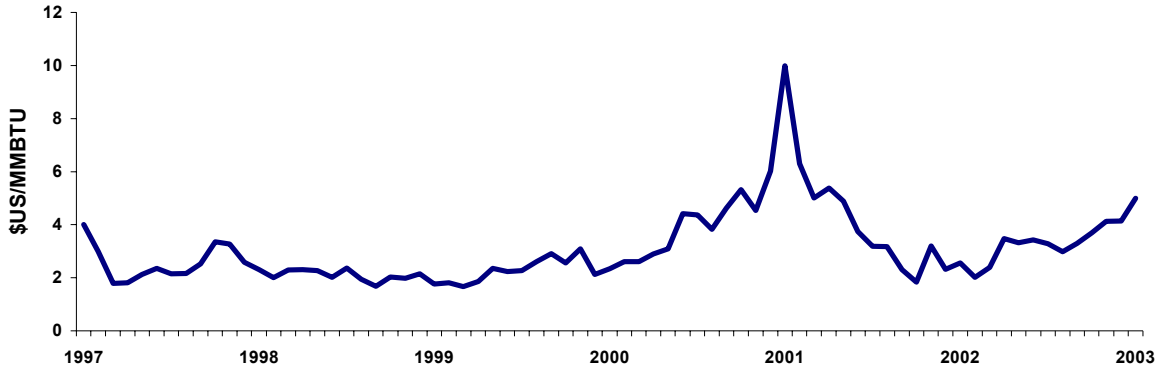
### **West Texas Intermediate Crude Oil Price**



Source: Sproule Associates Limited

Natural gas prices continued to increase throughout 2002 rising from the low prices seen at the end of 2001. Natural gas finished the year with an average price of 3.22 \$US/MMbtu, a \$1.39 increase from the 2001 low of \$1.83 but a decline from the average 4.27 \$US/MMbtu for 2001.

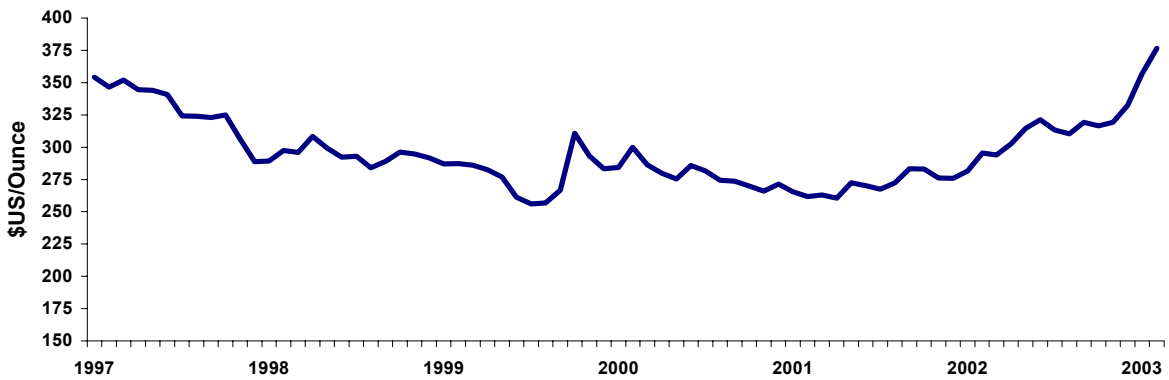
**Natural Gas Prices  
Henry Hub NYMEX**



Source: Sproule Associates Limited

Gold prices are their highest since 1996 at US\$376.55 per ounce as of February 4, 2003. Prices continue to remain strong into 2003 as speculators invest in the security of gold as tension builds in the Middle East.

**Gold Prices**

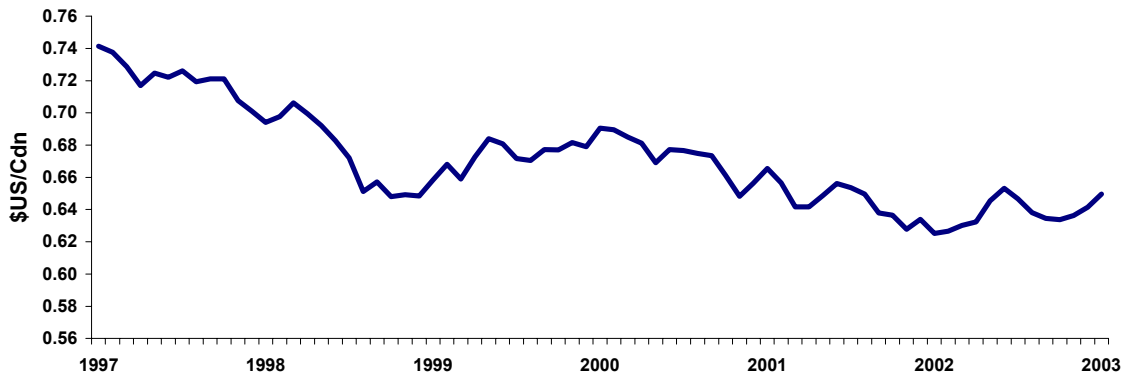


Source: Kitco Precious Metals

Note: The last 2003 data point is from February 4, 2003. All other data points are monthly averages.

The Canadian dollar has increased from its all time low of US\$0.618 on January 21, 2002. The average value of the Canadian dollar in 2002 was US\$0.637. This low value relative to the United States dollar has maintained the strength of the Canadian dollar export value.

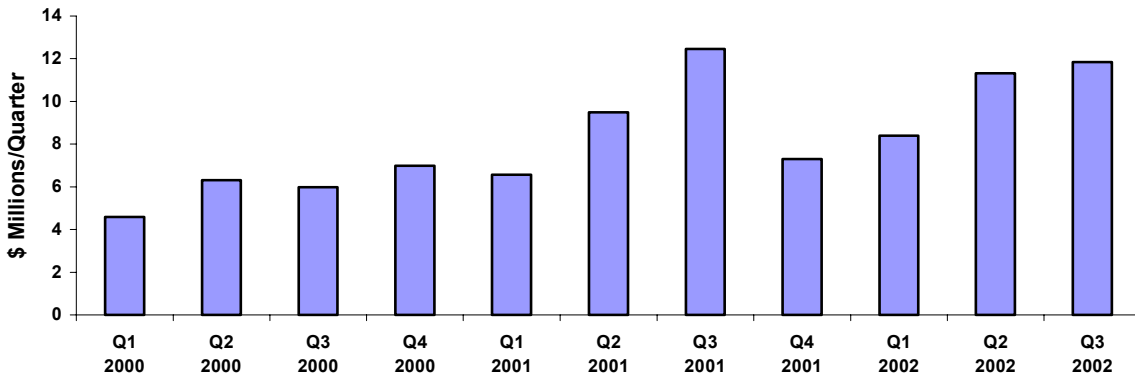
**U.S.- Canada Exchange Rate**



Source: Sproule Associates Limited

As the value-added industry for diamonds continues to expand in the Northwest Territories, manufacturing shipments' share of export values grow. Shipments were up 9.6 per cent in the first three quarters of 2002 compared with the same time period of 2001.

**Manufacturing Shipments**



Source: Statistics Canada



**RENEWABLE RESOURCE SECTOR**

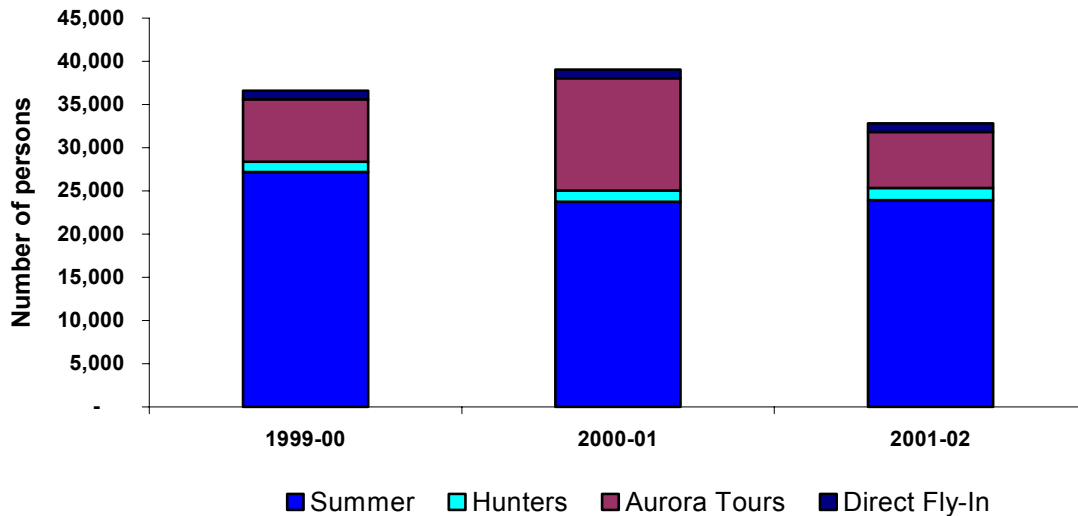
*Tourism*

The total number of visitors to the Northwest Territories dropped 16 per cent from 39,044 in 2000 to 32,833 in 2001. The drop in visitors was the result of a 50 per cent decrease in visitors participating in Aurora tours. This decrease was primarily a reaction to the September 11, 2001 terrorist attacks in the United States.

The value of tourism to the Northwest Territories economy is estimated to have decreased \$11 million or 25 per cent from 2000 to 2001, mainly due to the decline in Aurora tour visitors, but also due to a decline in spending by hunters.

The Department of Resources, Wildlife and Economic Development’s 2002-03 visitor survey is not complete. However, preliminary results show road-based tourism is up 22 per cent from 2001. In addition, the number of Aurora tour Japanese visitors has increased, suggesting that the tourism industry will provide a strong performance in 2002-03.

**Visitors to the Northwest Territories**

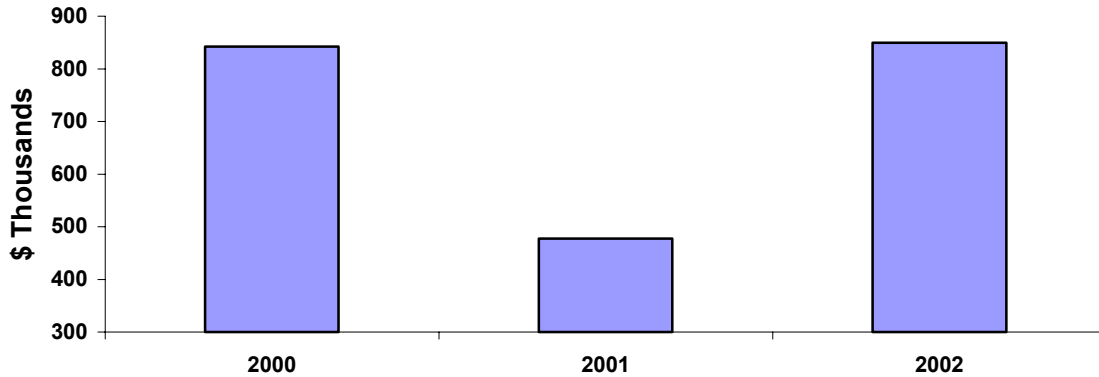


Source: NWT Resources, Wildlife, and Economic Development

*Fur*

The total number of pelts produced increased 41 per cent from 2000 to 2001. Higher prices for furs meant the value of the pelts produced increased 78 percent to almost \$850,000. The pelts with the greatest market share in 2001 were marten, seal, lynx, wolf, white fox and beaver.

**Total Value of Pelts, for Year Ending June 30**



Source: NWT Resources, Wildlife, and Economic Development

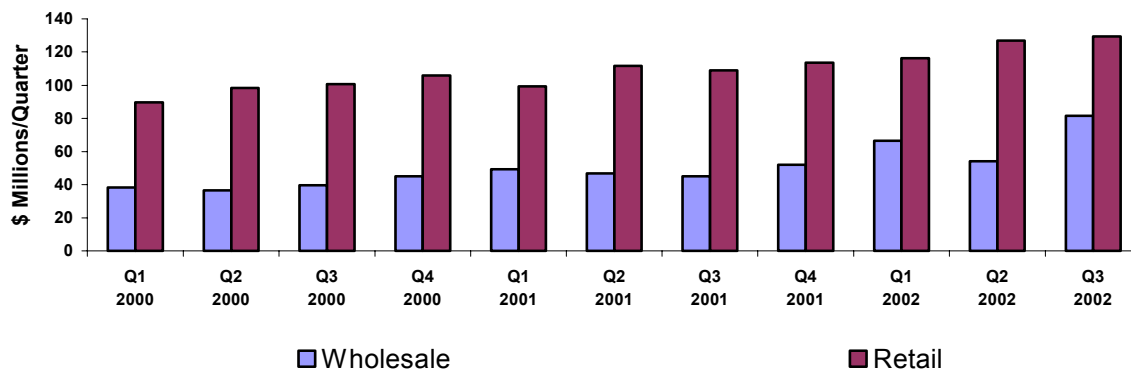
**Commercial Fishery**

The latest data available from the federal Department of Fisheries and Oceans shows the Northwest Territories caught 1,273 tonnes of freshwater fish commercially in 1999, 3.1 per cent of the freshwater total. The total value of the 1999 NWT commercial fishery was over \$1.3 million, or 1.6 per cent of the Canadian total.

**TRADE**

The level of retail and wholesale trade has increased significantly over the last year as consumers have been provided with additional spending power through higher average employment earnings. The first nine months of 2002 saw an increase of 16.8 per cent in retail trade when compared with the first nine months of 2001. Wholesale trade grew an impressive 43.3 per cent over the first three quarters of 2002 in comparison to the same period of 2001.

**Retail and Wholesale Trade (Seasonally Adjusted)**



Source: Statistics Canada