



**About this document**

*The GN Department of Finance's Fiscal Policy team prepares this document using the latest data available to us at the time of writing, generally a few weeks ahead of the official release of the GN's Budget. Some information may be revised during this period. If you have any questions regarding the data we use, please contact us.*

# Key Fiscal Indicators

The following indicators help describe the GN's fiscal situation. We express figures in millions (\$M) of dollars, and include calculations of year-over-year change measured in percent (%) or percentage points (p.p.). Change is measured relative to the most recent estimate of the indicator for the previous fiscal year, not relative to last year's estimate. Each of the GN's main fiscal documents--the Main Estimates (MEs) and the Public Accounts (PAs)--plays a different role, and presents information differently. These indicators help readers understand how the two documents relate.

## Revenues

**Revenues (ME)** **\$1,722.1**  
 2015-16 Main Estimates +3.6%

The GN is budgeting to receive \$1,722.1 M in 2015-16, through federal transfers (\$1,535.3 M), taxes (\$107.3 M), and other own-source revenues (\$39.9 M). Other revenues include amounts earned by the Liquor Commission and Petroleum Products Division (the 'revolving funds'), which we anticipate will reach \$39.6 M. Overall, the GN expects \$59.3 M more in revenue (+3.6%) in 2015-16 than in 2014-15, mostly due to growth in Territorial Formula Financing (+45.1 M).

**Third Party Revenues** **\$89.6**  
 2015-16 Main Estimates -27.8%

The GN anticipates funding from outside, third-party organizations ('vote 4/5 funding') of \$89.6 M in 2015-16. Most will go to Health (\$60.0 M), for programs including First Nation and Inuit Health Insurance Benefits. Environment will see the largest number of projects, though most are relatively small in value. Funding for the Aquatic Monitoring Program, for example, will total \$100,000 for 2015-16.

	Main Estimates 2015-16	Revised Estimates 2014-15	Main Estimates 2014-15	Actual 2013-14
<b>Revenues</b>				
Federal Transfers	1,535.3	1,490.2	1,481.1	1,437.9
Own-Source Revenues	186.8	172.5	158.5	168.3
Taxes	107.3	100.8	89.7	92.4
Revolving Funds (net CoGS)*	39.6	32.4	32.9	25.3
Other own-source	39.9	39.3	35.9	50.6
<b>Revenues</b>	<b>1,722.1</b>	<b>1,662.7</b>	<b>1,639.6</b>	<b>1,606.2**</b>
Revenues from third-party agreements	89.6	124.2	75.7	138.7
Prior-Year Recoveries	12.0	12.0	12.0	9.3
<b>Revenues (Public Accounts basis)</b>	<b>1,823.7</b>	<b>1,798.9</b>	<b>1,727.3</b>	<b>1,754.2</b>

\*Note: CoGS (Cost of goods sold)

\*\*Presented in 2015-16 ME as \$1,615.5 due to included \$9.3M for recoveries

Given the steady emergence of new projects throughout the year, Third-Party Revenues are difficult to predict. We expect the final total will be higher when we report end-of-year figures in the Public Accounts. Appendix IV of the Main Estimates details the full list of projects.

**Prior Year Recoveries** **\$12.0**  
 2015-16; GN Finance -

When the GN spends money but recovers some or all of it (e.g. if we purchase something and then return it for a refund), we report it in our financial statements as revenue. According to Nunavut's *Financial Administration Act*, we may not use these recovered amounts to increase what we appropriate, and so do not estimate recoveries in the Main Estimates. This creates a difference between the revenues we appropriate (and publish in the Main Estimates) and what we will eventually record in the Public Accounts. Recoveries over the last five years have averaged just under \$12 M. We expect to report roughly this amount for 2015-16.

**Revenues, Public Accounts basis** **\$1,823.7**  
 2015-16 Main Estimates +1.4%

Each fall, the GN reports revenues it receives from federal transfers, taxes, revolving funds, other own-source revenues and third-party agreements in its annual financial statements. Revenues reported in these Public Accounts are more comprehensive than those presented in the Main Estimates because they include revenues from third-party agreements and prior-year recoveries. On this basis, we expect to receive \$1,823.7 M in 2015-16.

**Share of Federal Transfers** **84.2%**  
 2015-16; % of Revenues (Public Accounts basis) +1.8 p.p.

Federal transfers (\$1,535.3 M) will make up about 84% of total GN revenues in 2015-16. The largest of these transfers, the Territorial Formula Financing (TFF) arrangement, will provide \$1,454.2 M. Other important federal transfers include the Canada Health Transfer (\$35.3 M), the Canada Social Transfer (\$13.5 M), and the Physicians' and Hospital Services Fund (\$23.3 M). The \$5.5 M Medical Travel Fund is currently being drawn down to zero, and will be exhausted by 2017-18. In its 2014 Budget, the Government of Canada announced \$70 M over three years to the three territories for a replacement program, though details—including how much will flow to Nunavut each year—are still unavailable.

**The TFF:** Territorial Formula Financing (TFF) is an annual unconditional transfer payment from the federal government to the three territories. It aims to enable territorial governments to provide their residents with a range of public services comparable to those offered by provincial governments, at comparable rates of taxation. It is based on the difference between a proxy of the territory's expenditure needs (known as the 'Gross Expenditure Base') and its capacity to generate revenues (a territory's fiscal capacity or 'eligible revenues'). This figure is adjusted each year so territorial spending grows in line with relative population growth and changes in provincial and local spending across Canada.

**Tax Revenues** **\$107.3**  
 2015-16 Main Estimates +6.4%

The GN is budgeting to raise \$107.3 M in taxes in 2015-16, up over 6% from what we currently expect in 2014-15. Personal income tax (\$31.2 M) and payroll tax (\$26.2 M) are the largest contributors. Both have grown steadily in recent years, thanks in part to relatively robust mineral development. We expect tobacco tax (\$16.4 M) revenues to remain steady. Corporate income tax (\$18.0 M) fluctuates more widely, but is expected to grow modestly in the years ahead. It is important to note that mining firms themselves will likely not pay much income tax in the short term, as Canadian law provides significant flexibility in terms of when and where mining companies pay taxes. However, as the sector continues to develop we expect the firms in Nunavut that support mining (construction, logistics, transportation, etc.) will generate higher profits and tax revenues.

**Territorial Tax / GDP** **4.0%**  
 2015-16; GN Finance -0.1 p.p.

One way to measure the maturity of an economy is the government's tax take as a share of total gross domestic product (GDP). In Nunavut the share is just 4%, a low figure (Ontario's ratio, by comparison, is a little under 20%) that reflects the territory's small tax base and consequent need for federal transfers to sustain government operations.

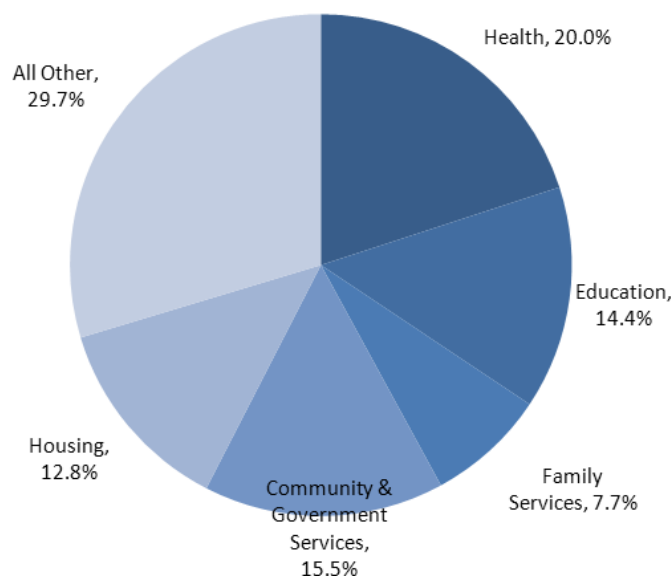
Tax (\$ millions)	Main Estimates 2015-16	Revised Estimates 2014-15	Main Estimates 2014-15	Actual 2013-14
	Personal income tax	31.2	29.8	27.8
Corporate income tax	18.0	17.1	12.5	14.1
Payroll tax	26.2	24.8	24.2	23.5
Tobacco tax	16.4	16.3	16.3	16.1
Fuel tax	9.6	7.1	4.0	4.7
Property tax	4.4	4.3	3.1	3.0
Insurance premiums tax	1.5	1.4	1.8	1.3
<b>Total</b>	<b>107.3</b>	<b>100.8</b>	<b>89.7</b>	<b>92.4</b>

## Expenditures

**Expenditures, Departmental** **\$1,673.4**  
 2015-16 Main Estimates -3.0%

The GN is budgeting to spend \$1,673.4 M in 2015-16 through its departments. Most will go towards operations and maintenance (O&M, \$1,467.8 M) while the rest is for investment in capital infrastructure (\$205.6 M). Most spending will be for Health (\$334.6 M), Community and Government Services (\$258.8 M), Education (\$240.5 M), Housing (\$213.9 M) and Family Services (\$129.1 M). Regionally, about \$589.6 M will go towards central operations, while \$440.0 M will support O&M in the Qikiqtaaluk, \$254.7 M will support operations in the Kivalliq, and \$183.4 M will support O&M in the Kitikmeot region.

**Appropriated Spending by Main Policy Area**  
 2015-16 Main Estimates



## Expenditures

	Main Estimates 2015-16	Revised Estimates 2014-15	Main Estimates 2014-15	Actual 2013-14
O&M Expenditures	1,467.8	1,390.3	1,383.0	1,349.5
Capital Expenditures	205.6	334.0	150.0	183.6
<b>Departmental Expenditures</b>	<b>1,673.4</b>	<b>1,724.3</b>	<b>1,533.0</b>	<b>1,533.1</b>
Net change in capital assets	(29.9)	(152.5)	28.4	(79.6)
Expenses related to revolving funds	25.8	28.6	29.7	27.9
<b>Operations Expenses</b>	<b>1,669.2</b>	<b>1,600.4</b>	<b>1,591.1</b>	<b>1,481.4</b>
Supplementary Requirements	30.0	26.6	38.0	-
Expenses related to third-party agreements	89.6	124.2	75.7	124.0
<b>Total Projected Expenses</b>	<b>1,788.9</b>	<b>1,751.2</b>	<b>1,704.8</b>	<b>1,605.5</b>

Notes: Projected values for net change in capital assets and expenses related to revolving funds are based on internal calculations and not published elsewhere. We publish final figures each year as part of Schedules B.1 and B.3 of the GN's non-consolidated financial statements.

### Revolving Funds Expenses

2015-16; GN Finance

**\$25.8**

-9.9%

Revolving funds use revenues they raise during normal operations to fund future activities. For example, the Liquor Commission uses the money it raises by selling alcohol to purchase inventory for future alcohol sales (hence the term 'revolving'). The GN expects expenses related to revolving funds will be about \$26 M in 2015-16. Of this, about \$5 M is for compensation and benefits. Most of the remaining expenses are related to the operations of the Petroleum Products Division within the Department of Community and Government Services (\$18.6 M).

### Total Projected Expenses

2015-16 Main Estimates

**\$1,788.9**

+2.1%

The Main Estimates' Summary of Total Expenditures includes spending by departments. We make three adjustments to express spending on the same basis as we do in Schedule B of our non-consolidated financial statements in the Public Accounts. First, we adjust for expenses related to amortization and transfers to capital assets, accounting measures that help match the GN's spending on capital to the period in which we use the capital. We estimate that in 2015-16 this adjustment will impact the GN's expenses by (\$29.9 M). Second, we add \$25.8 M for expenses related to revolving funds. Third, we add spending related to the revenues we receive from third-party organizations \$89.6 M. Added to the \$1,673.4 M appropriated to departments through the Main Estimates, total expenses in 2015-16 on a non-consolidated Public Accounts basis will be an estimated \$1,758.9 M. Assuming we spend all \$30 M set aside for supplementary requirements, our total projected expenses will be \$1,788.9 M.

## Financial Performance and Debt

### Projected Surplus, Summary of Operations

2015-16; GN Finance

**\$22.8**

The GN expects revenues of \$1,722.1 M and projects total operations expenses will be \$1,669.2 M. Assuming the GN fully spends the \$30.0 M we have set aside for contingencies and supplementary appropriations, and adjusting for the revenues and expenses related to third-party agreements (which have no net effect on surplus) we expect an operating surplus of \$22.8 M in 2015-16, as reported in the Summary of Operations. Under the *Financial Administration Act*, the GN is not allowed to increase appropriations to account for prior-year recoveries. When we include our estimates of recoveries (\$12.0 M) the GN expects the surplus it will publish in the 2015-16 public accounts will be closer to \$34.8 M.

Summary of Operations	Main Estimates 2015-16	Main Estimates 2014-15	Actual 2013-14
<b>Revenues (Summary of Revenues)</b>	1,722.1	1,662.7	1,615.5
<i>less:</i> Operations Expenses	(1,669.2)	(1,600.4)	(1,481.5)
<i>less:</i> Supplementary Requirements	(30.0)	(26.6)	(0)
<i>less:</i> Vote 4 Expenses	(89.6)	(124.2)	(124.0)
<i>add:</i> Vote 5 Revenues	89.6	124.2	138.7
<b>Operating Surplus (as reported in ME Summary of Operations)</b>	<b>22.8</b>	<b>35.7</b>	<b>148.7</b>
<i>add:</i> Adjustment for Prior-Year Recoveries	12.0	12.0	*
<b>Surplus/(deficit), Public Accounts basis</b>	<b>34.8</b>	<b>47.7</b>	<b>148.7</b>

*Note: Surplus/deficit figures assume we spend all supplementary requirements. As noted elsewhere, we report recoveries as revenues in our Public Accounts but do not include them in current-year Main Estimates appropriations. To link the surplus we publish in the ME Summary of Operations with the we one eventually record in the Public Accounts, we need to add our estimates of prior-year recoveries (\$12M in 2014-15 and 2015-16).*

**Public Accounts surplus/(deficit) to GDP 1.3%**  
2015-16; GN Finance -0.6 p.p.

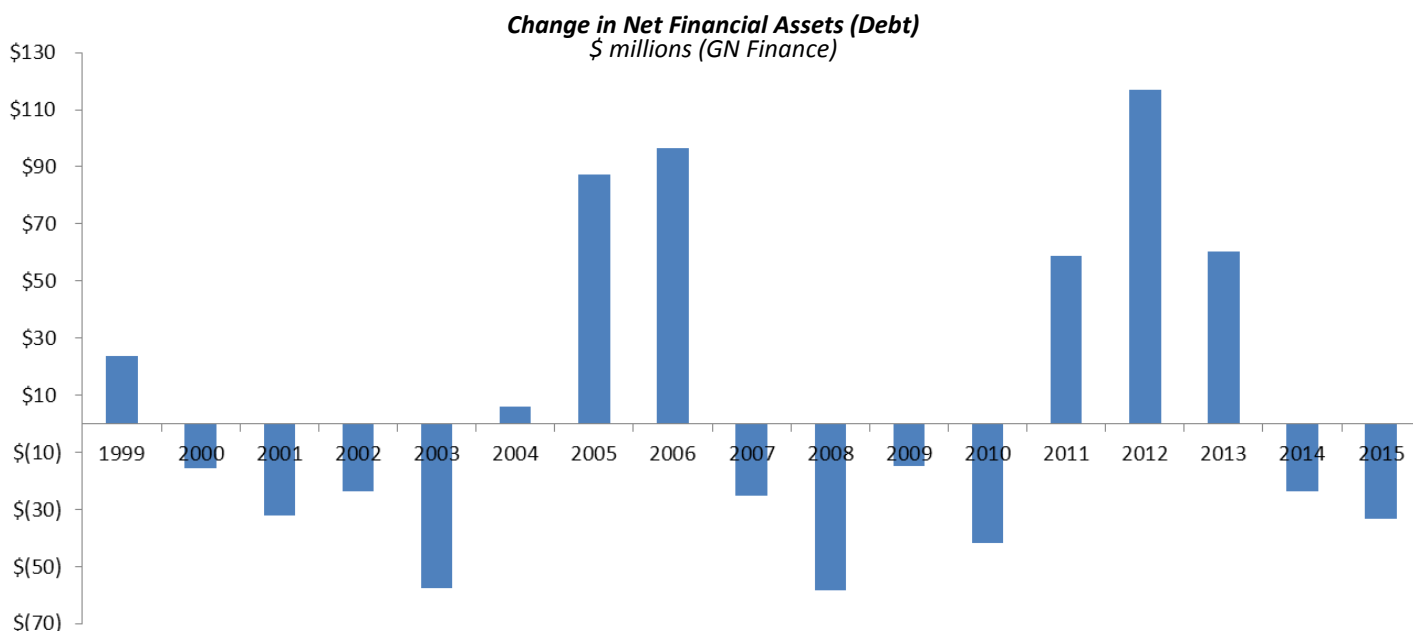
We compare the size of the GN's surplus (measured on a Public Accounts basis) to the size of the economy (measured by nominal GDP) to help understand the government's fiscal performance. Generally, the larger the ratio, the better the government's fiscal position. Based on current projections, the GN's non-consolidated surplus-to-GDP ratio will be just over 1% in 2015-16, a figure down slightly from last year.

**Net financial assets (debt)/ GDP (%) 8.1%**  
2015-16; GN Finance -2.1 p.p.

Net assets (debt) measures the difference between how much the GN owes (our liabilities) and how much we have on hand to pay off these debts (our financial assets). Net debt

increases in a year when the GN runs deficits, and decreases when we run surpluses. It is also affected by adjustments to the value of the GN's non-financial assets, like buildings and machinery.

As published in our Main Estimates' Summary of Changes in Net Financial Assets / (Debt), we expect these adjustments will together increase the GN's net debt by \$33.2 M in 2015-16. When we include estimates of recoveries, we expect net financial debt will increase by \$21.2 M. As we expect to start the fiscal year in a net financial asset position (we estimate that at the end of 2014-15 the GN owned \$252.2 M in assets more than it owed), we expect to end 2015-16 with net assets of \$219.0 M on a non-consolidated basis, which is the equivalent of 8.1% of GDP.



**Economic uncertainty and fiscal concerns:** *Provinces and territories across Canada face continued economic uncertainty, which poses a serious risk to their fiscal situation. Most provinces are already expected to remain in deficit in 2015, and growth prospects in natural resource producing provinces may be trimmed if commodity prices—particularly oil—continue their downward slide. Nunavut is fortunate that, unlike many other jurisdictions, it has not run persistent deficits and has kept debt levels relatively low.*

**Borrowing under the Debt Cap** **\$305.0**  
*At Dec 31 2014 (% change since March 31, 2014)* **+4.6%**

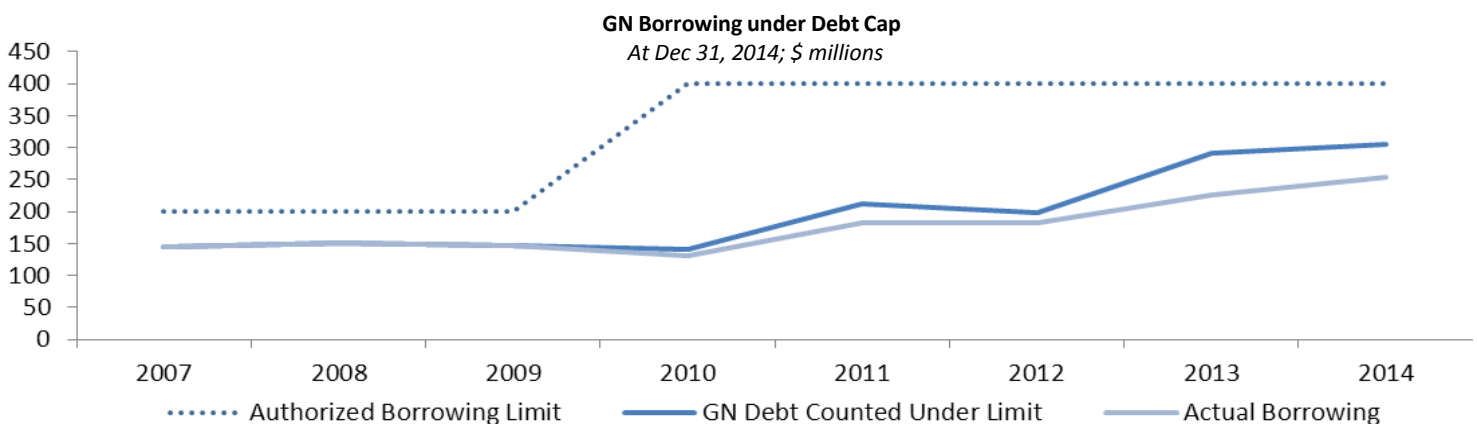
The federal government limits the amount of money the GN is able to borrow to \$400 M. As of December 31, 2014, the GN had used up \$305.0 M under this debt cap, leaving about \$95.0 M in available borrowing room. The GN uses most of the borrowing room to guarantee loans by the Qulliq Energy Corporation (\$177.0 M) and the Nunavut Housing Corporation (\$14.1 M). Much of the rest is to account for the GN's obligations related to capital leases (\$52.3 M) and the Iqaluit airport (\$58.1). While this represents the full amount counted against the debt cap, the QEC has only actually used about \$125.6 M of their available room, meaning actual GN debt is closer to \$253 M. Looking ahead, we expect further airport borrowing will continue to push the GN towards its debt cap.

**Credit Rating** **Aa1 (stable)**  
*Moody's Investor Services* *January 2014*

In July 2014 Moody's reissued its Aa1 stable credit rating for Nunavut. This strong rating--at the upper end of investment grade and in line with other Canadian provinces--means our financial obligations are of high quality and subject to very low credit risk. The stable outlook means the GN should expect to keep this rating as long as we maintain fiscal discipline, and assuming other factors do not change. Nunavut's first credit rating was issued in August 2012. We expect another credit opinion in the next few weeks.

Province/Territory	Moody's Credit Rating
BC	Aaa
Alberta	Aaa
Saskatchewan	Aaa <sup>+</sup>
Manitoba	Aa1
Ontario	Aa2
Quebec	Aa2
New Brunswick	Aa2
Nova Scotia	Aa2
PEI	Aa2
Newfoundland	Aa2
Yukon*	Aa2
NWT	Aa1
Nunavut	Aa1

\*Issued by Standard & Poor's, but converted to the Moody's methodology.  
<sup>+</sup>Change since previous FEI.





# Key Economic Indicators

Economic indicators help us understand what is happening in certain areas of the economy, and allow us to measure changes over time. Each indicator tells a story, and has its own strengths and weaknesses. The following indicators are compared to their most recent estimates, generally on a year-over-year (yoy) basis, helping paint a dynamic picture of Nunavut's economy.

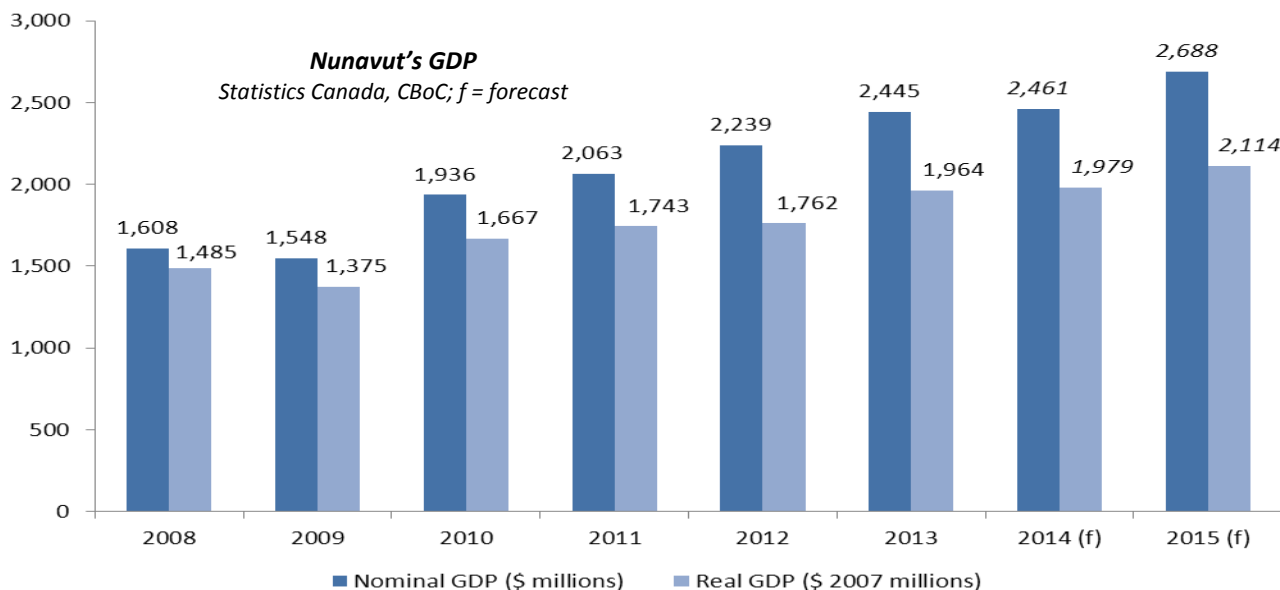
## Nunavut's Economy

**Nominal GDP** **\$2,688**  
2015 estimate; \$ millions (CBoC) **+9.2%**

Nominal gross domestic product (GDP) measures the total market value of all goods and services produced in a region. It is the broadest measure of economic activity. In November 2014, the Conference Board of Canada (CBoC) projected Nunavut's nominal GDP could reach \$2,688 M in 2015, about \$227 M (+9.2%) higher than 2014. This forecast assumes Baffinland's Mary River mine, already under construction, will begin exporting iron ore this shipping season. The CBoC also expects construction to ramp up at the Iqaluit airport and Canadian High Arctic Research Station (CHARS) in Cambridge Bay.

**Real GDP** **\$2,114**  
2015 estimate; \$ 2007 (CBoC) **+6.8%**

The CBoC expects Nunavut's real GDP to grow by 6.8% (+\$135 M) in 2015, reaching \$2,114 M. Real GDP adjusts for inflation by reducing nominal GDP growth by the rate at which prices for goods and services grow from one year to the next, leaving prices 'constant' and therefore making the territory's actual production or 'real income' comparable over time.



**Real GDP / person** **\$56,992**  
2015 estimate; \$ 2007 (CBoC, GN) **+5.4%**

Under current population and economic forecasts, we expect real GDP in Nunavut to rise by 5% per person in 2015, to \$56,992. This is higher than our estimate for 2014 (\$54,089), partly because Nunavut's economy appears to be weathering the slowdown in global commodity prices better than anticipated. Still, we caution that many important commodities continue their downward slide. This may affect actual GDP results in the short to medium term.

**Government Share of GDP** **32.8%**  
2015 estimate; % share (CBoC) **-1.3 p.p.**

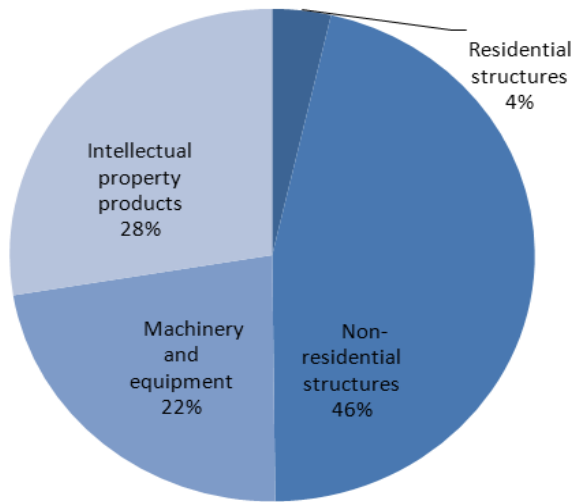
The public sector (public administration, education, health care, and social assistance) plays a large role in the Nunavut economy. The CBoC expects it to account for 32.8% of all goods and services produced in 2015, down slightly (-1.3 p.p.) from 2014. By comparison, operations of the federal government generally constitute just under 20% of the Canadian economy. Nunavut's share is large, not only because of the high cost of providing public services in the far north, but also because the territory's private sector is so small. It is positive news that the government's share of GDP is falling, as our private sector takes on a more prominent role in the economy.

**Business Investment in Capital** **\$829 M**  
2013 (\$ 2007) **+35.0%**  
Statistics Canada CANSIM 384-0038

Businesses invested \$829 M in Nunavut in 2013 (the latest year with available data), about \$215 M more (+35%) than in 2012. Much of this was due to large investments in non-residential structures (+164%) and machinery and equipment (+203%) in the natural resources sector. Future business investment will suffer as the effects of declining mineral exploration budgets begin to take hold. On the other hand, further site development at the Mary River and Meliadine mining projects may prop up the sector.



**Share of Business Investment in Nunavut, 2013**  
(Statistics Canada)



**Labour and Income**

**Population (July 1)** **36,585**  
2014; Statistics Canada CANSIM 051-0001 +3.2%

Nunavut’s population grew by over 1,150 people between 2013 and 2014, due largely to high birth rates (Nunavummiut women have 3.0 children over their lifetime on average, the highest rate in the country and almost double the national average) and stronger-than-expected inter-provincial migration (Nunavut gained a net 440 people in 2014). Nunavut remains Canada’s youngest region, with about half its residents under 25 (Canada’s median age is 40) and almost a third—roughly 11,000—under 15. Looking ahead, we expect total population will exceed 37,000 by July 2015.

**Employment** **12,300**  
2014; Statistics Canada CANSIM 281-0123 -3.1%

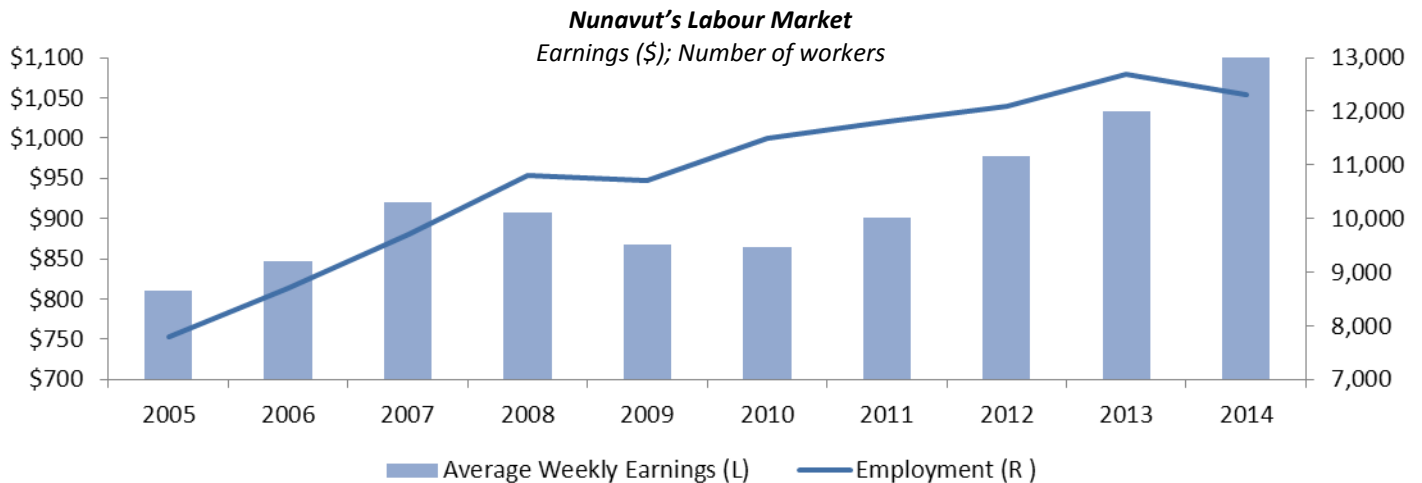
The number of employed Nunavummiut fell by 400 in 2014, to 12,300. This is in contrast to the national trend of modest employment growth (+0.6%). Nunavut’s employment rate (the share of population aged 15 and over who found at least some employment during the year) also dropped slightly, falling 3.4 p.p. yoy to 53.1% (nationally the rate is 61.4%). According to the latest monthly figures from Statistics Canada, Inuit workers were most affected, accounting for the majority of job losses between December 2013 and December 2014. The gap between Inuit (43.2%) and non-Inuit (87.3%) in employment rates remains wide.

**Unemployment Rate** **13.8%**  
2014; Statistics Canada CANSIM 281-0123 -0.2 p.p.

Nunavut’s unemployment rate improved in 2014, falling to 13.8% from 14.0% the previous year. Although lower unemployment rates are often a good sign, the decline here appears largely due to Nunavummiut giving up the search for work and leaving the workforce entirely. Nunavut’s participation rate (the share of Nunavummiut aged 15 and over who actively sought employment in 2014) fell by 4.3 p.p., a significant decline affecting both the Inuit and non-Inuit portions of our young and rapidly expanding labour pool.

**Average Weekly Earnings** **\$1,119.27**  
2014 (Jan-Oct); Industrial Ag’ate Statistics Canada +8.3%

According to the latest figures, average weekly earnings in Nunavut increased by about \$85 per week in 2014, following similarly strong wage growth in 2013. Average wages in goods-producing industries, like construction (\$1,623/week) still outstrip wages in services (\$1,051/week), though the latter broke through \$1,000 for the first time. Wage growth continues to outpace inflation, meaning the purchasing power of an average paycheque continues to rise. Nunavut wages remain above the Canadian average of \$932 (+2.4% from 2013) per week. This difference is the result of both a shortage of skilled labour and the high cost of living in the north.



**Total Income (tax filers) \$952 M**  
 2013 T1 Preliminary; GN Finance +3.2%

Total income is made up of all income that tax filers in Nunavut report, including employment, social assistance, pensions, investments, and small business profits. Tracking total income gives us a sense of how much money is flowing to Nunavummiut. Total income has increased steadily in recent years, and is up almost \$300 M from 2006. As of October 2014, the CRA had received 19,830 tax returns from Nunavummiut, who together report total income of about \$952 M for 2013. We expect this represents roughly 95% of all tax returns we will receive for 2013. If so, we expect total income for 2013 will be closer to \$1 billion once we receive returns from late filers.

**Median Income (tax filers) \$25,900**  
 2013 T1 Preliminary; GN Finance -1.7%

Median total income is the dollar amount that divides Nunavut taxpayers in two; half of all Nunavummiut reported earning less than this amount, and half reported earning more. It shows how much a 'typical' resident makes in a year, and—unlike an average or mean calculation—is not influenced by extremely high or low salaries. According to early tax data, median total income in Nunavut fell slightly in 2013 to \$25,900 (-1.7%), even as total income grew. This suggests income gains are going largely to higher-income earners.

**Share of Total Income By Highest 10% 34.8%**  
 2013 T1 Preliminary; GN Finance +0.03 p.p.

In 2013, the top 10% of income earners in Nunavut reported earning close to \$119,000 each (up 1.6% from 2012). Together, these individuals reported earning roughly \$331 M, which is about one third (34.8%) of all income reported in the territory. In comparison, the lowest-earning 10% of tax filers reported total incomes of less than \$2,850 each. Together, these individuals reported earning \$2.4 M (+4%)

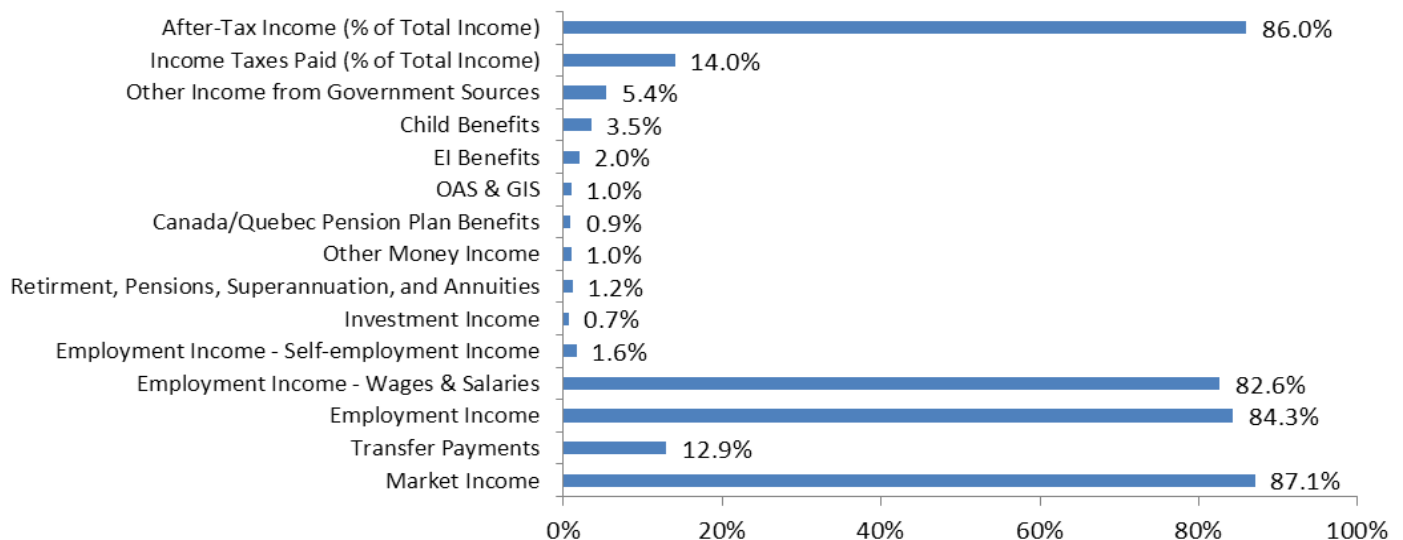
from 2012), which is less than 1% of all income earned in the territory that year. This data shows income is distributed unequally—not uncommon in Canada. However, there are some important equalizers. First, Nunavut's progressive tax system means higher income earners pay more taxes: the top 10% of income earners made up 52% of Nunavut's total assessed personal income taxes in 2013. Also, these figures do not include substantial non-income benefits for low earners, like subsidized social housing.

**Strong Economic Headwinds.** *The Canadian economy has received some harsh news over the past several months, even as growth in its largest trading partner, the United States, begins to accelerate. Oil prices, an important driver of the national economy, have faced a stunning collapse in recent weeks, falling to their lowest point in over 5 years. Target Canada also recently announced the closing of 133 stores and 17,600 layoffs. The TSX Composite Index has declined over 5% since its September 2014 high. Given these weakening conditions, the International Monetary Fund (IMF) and other economic forecasters have slightly downgraded their estimates of Canada's final national 2014 GDP figures.*

**Aggregate Total Income \$858.7 M**  
 2010 (Statistics Canada, NHS) *new*

Every five years Statistics Canada conducts the *National Household Survey* (NHS). Although the data is somewhat dated (collected in 2011, for the 2010 year), it provides a deep dive into the characteristics of income and other trends in Nunavut. We find, for example, Nunavummiut pay 14% of their total income in income taxes, and receive almost 13% of their income in transfer payments. Investment (0.7%) and retirement (3.1%) income forms only a small portion of total income. The chart below summarizes the NHS findings.

**Income Composition of Private Households, 2010**  
 Statistics Canada National Housing Survey



## Other

**Bank of Canada Overnight Rate** **0.75%**  
2013; Bank of Canada -0.25 p.p.

The Bank of Canada uses its Overnight Rate to influence interest rates for mortgages, lines of credit and business loans. The average of this 'benchmark' rate for 2014 was 1%. In January 2015 the Bank cut the rate to 0.75, surprising many observers. The Bank's Governor, Stephen Poloz, has expressed concerns over the country's high housing prices and personal debt levels, as well as the potential impact of falling oil prices on the country's fiscal and economic performance. The Bank has cut rates aggressively, in an attempt to boost household and corporate spending and protect the country's somewhat fragile economic situation.

**Consumer Price Index, Iqaluit** **118.1**  
2014; Statistics Canada (2002 = 100) +1.3%

CPI measures inflation, the change in price of a standard 'basket' of consumer goods and services over time. Inflation in Iqaluit remains low, with average prices increasing just over 1% in 2014, a rate lower than the rest of Canada (2%). Some of this discrepancy is because government social programs help dampen the impact of price increases for consumers. CPI data exists only for Iqaluit, so we do not know how quickly prices are rising in other communities. Also, note that the CPI does not measure price levels, just how quickly they change. Prices for many goods are already extremely high in Nunavut relative to the rest of the country, given the territory's high energy and transportation costs, as well as limited market competition.

**CAD-USD Exchange Rate** **\$0.91**  
2014; Bank of Canada (annual average) -7.2%

The Canadian dollar fell steeply in 2014, down 6 cents from the year before. This makes imports of foreign goods much more expensive, yet at the same time means Canadian exports are more attractive to global markets. This is helpful to a natural resources-producing territory like Nunavut.

**Commodity Price Index: Metals & Minerals** **602.91**  
2014; Bank of Canada -5.2%

According to the Bank of Canada's Metals & Minerals Index, global metal and mineral prices declined by 5% in 2014. This is not as steep a decline as in 2013 (-16%), but still points to weakness in a sector very important to Nunavut. Prices may also stay low for the medium-term, as Europe's economy remains stagnant and Chinese growth shifts away from industry to less metals-dependent services. Over the same period, more minerals are being produced in Australia and elsewhere, increasing the available global supply and keeping prices low. This may mean much of Nunavut's resources remain in the ground for some time.

**Gold Price** **\$1,265.58 USD**  
2014; USD/troy oz (IndexMundi) -10.1%

The price of gold averaged almost \$1,300 USD per troy ounce in 2014, down over 10% from 2013's average. Gold ended the year at \$1,200 USD, its lowest annual close since 2009. Subsiding inflation fears in the US drove much of this decline—investors are feeling more optimistic about market conditions, and so are moving away from 'safe' gold investments. However, political instability in Ukraine and the Middle East, as well as an aggressive European bond-buying program aimed at sparking inflation, may keep further declines limited.

**Iron Ore Price** **\$96.84 USD**  
2013; USD/dry ton (IndexMundi) -28.5%

The price of iron ore averaged \$97 per dry ton in 2014, down -29% from 2013. Note that this average masks an even worse collapse in the fourth quarter, which saw prices plunge to \$68.80 to close out the year. It appears the expected weakening of Chinese demand, alongside a surge of new production in Australia and Brazil, has finally led to the sharp price declines that many analysts predicted. This may affect the viability of extracting iron ore deposits in Nunavut, which are relatively high cost projects.

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**Commodity Prices** have continued their downward trend as higher global supply worsens the 2015 price outlook. Gold, iron and oil prices have been the big story in 2014 and the early part of 2015. As a result of lower prices, exploration spending in Nunavut for 2014 was \$148 M, down from the \$257.6 M in 2013. Except for the lower price the GN will pay for its annual resupply of fuel, commodity prices have no direct effect on the Government of Nunavut. However, less activity in the industries that rely on healthy commodity prices will indirectly lower tax revenues, wages, and employment in the territory.

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**Uranium Price** **\$32.43 USD**  
2014; USD/pound (IndexMundi) -16.0%

Uranium closed out 2014 at an average price of \$32 USD per pound. This represents a 16% decline from 2013, a further significant drop in a commodity that has fallen steadily since the 2011 Fukushima nuclear disaster in Japan. We track uranium prices given Nunavut's substantial deposits in the Kivalliq region.

## Key Fiscal Indicators

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15(r)	2015-16(f)
<b>Revenues</b>								
<b>Federal transfers</b>	<b>1,048.0</b>	<b>1,102.3</b>	<b>1,165.2</b>	<b>1,251.6</b>	<b>1,353.1</b>	<b>1,437.9</b>	<b>1,490.2</b>	<b>1,535.3</b>
Territorial Formula Financing	944.1	1,022.1	1,090.6	1,175.3	1,273.5	1,350.4	1,409.1	1,454.2
Other federal transfers	103.9	80.3	74.6	76.3	79.6	87.5	81.1	81.1
<b>Own-source revenues</b>	<b>128.4</b>	<b>128.3</b>	<b>151.9</b>	<b>138.9</b>	<b>141.5</b>	<b>168.4</b>	<b>172.5</b>	<b>186.8</b>
Taxes	65.9	61.3	70.7	77.8	84.2	92.4	100.8	107.3
Revolving Funds (net CoGS)	26.2	38.4	49.3	27.0	20.1	25.3	32.4	39.6
Other own-source	36.3	28.6	31.9	34.2	37.2	50.6	39.3	39.9
<b>Revenues</b>	<b>1,176.4</b>	<b>1,230.6</b>	<b>1,317.0</b>	<b>1,390.5</b>	<b>1,494.6</b>	<b>1,606.2</b>	<b>1,662.7</b>	<b>1,722.1</b>
Revenues from third-party agreements	71.7	102.1	116.2	111.5	112.1	138.7	124.2	89.6
Recovery of Prior Years' Expenditures	11.8	13.7	10.8	11.1	13.3	9.3	12.0	12.0
<b>Revenues, Public Accounts Basis</b>	<b>1,259.9</b>	<b>1,346.4</b>	<b>1,444.0</b>	<b>1,513.1</b>	<b>1,620.1</b>	<b>1,754.2</b>	<b>1,798.9</b>	<b>1,823.7</b>
Share of Federal Transfers (%)	83.2%	81.9%	80.7%	82.7%	83.5%	82.0%	82.8%	84.2%
Territorial Tax / GDP (%)	4.1%	4.0%	3.7%	3.8%	3.8%	3.9%	4.1%	4.0%
<b>Expenditures</b>								
O&M	1,058.0	1,079.1	1,133.7	1,202.0	1,273.2	1,349.5	1,390.3	1,467.8
Capital	182.2	123.3	181.7	128.4	90.9	183.6	334.0	205.6
<b>Expenditures, Departmental</b>	<b>1,240.2</b>	<b>1,202.4</b>	<b>1,315.4</b>	<b>1,330.4</b>	<b>1,364.1</b>	<b>1,533.1</b>	<b>1,724.3</b>	<b>1,673.4</b>
Net transfer to capital assets	-33.3	-44.7	-29.3	-9.2	-8.9	-79.6	-152.5	-29.9
Expenses for revolving funds and other	0.0	23.5	21.8	25.5	33.5	27.9	28.6	25.8
Expenses related to third-party agreements	71.7	102.1	116.2	111.5	109.3	124.0	124.2	89.6
<b>Expenses, Public Accounts Basis</b>	<b>1,282.5</b>	<b>1,283.3</b>	<b>1,424.0</b>	<b>1,458.2</b>	<b>1,498.0</b>	<b>1,605.5</b>	<b>1,724.6</b>	<b>1,758.9</b>
Supplementary Requirements & Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	26.6	30.0
<b>Surplus (deficit) for the year, Public Accounts basis</b>	<b>-22.6</b>	<b>63.1</b>	<b>20.0</b>	<b>54.9</b>	<b>122.1</b>	<b>148.7</b>	<b>47.7</b>	<b>34.8</b>
Expenditures / person (\$)	40,215	39,365	42,694	42,641	43,134	45,310	47,140	47,418
Expenditures / GDP (%)	79.8%	82.9%	73.6%	70.7%	66.9%	67.5%	71.1%	66.6%
Capital spending as share of total (%)	14.2%	9.6%	12.8%	8.8%	6.1%	11.4%	19.4%	11.7%
Health spending as share of total (%) *	23.0%	22.8%	21.5%	22.8%	24.2%	20.6%	20.9%	19.0%
Surplus/(deficit) / GDP (Public Accounts basis)	-1.4%	4.1%	1.0%	2.7%	5.5%	6.1%	1.9%	1.3%
Net Assets (Debt) (end of year)	16.7	1.8	-36.9	21.9	215.3	275.8	252.2	219.0
Net Assets (Debt) (end of year) / GDP	1.0%	0.1%	-1.9%	1.1%	9.6%	11.6%	10.2%	8.1%
Borrowing under the Debt Cap	150.6	146.3	141.3	212.5	198.5	291.7	305.0	
Credit Rating	-	-	-	-	Aa1 stable	Aa1 stable	Aa1 stable	

Notes: Changes to GN departments in 2013-14, notably the creation of the Dept. of Family Services, mean that health spending as a share of total spending is not strictly comparable between 2012-13 & later, and 2011-12 & prior; numbers in italics indicate forecast; empty cells indicate no data or forecast for that year.

## Key Economic Indicators

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Gross Domestic Product</b>								
Nominal GDP (expenditure-based, \$ M)	1,608	1,548	1,936	2,063	2,239	2,445	2,461	2,688
Real GDP (basic prices, \$ 2007 M)	1,485	1,375	1,667	1,743	1,762	1,964	1,979	2,114
Real GDP per person (basic prices, \$ 2007)	46,576	42,172	49,966	50,959	50,727	55,413	54,089	56,992
Government Share of GDP (actual, %)	39.8	43.0	36.6	36.7	36.8	34.7	34.1	32.8
Business Investment in Capital (\$ 2007 M)	1,070	504	603	746	614	829		
<b>Population &amp; Labour</b>								
Population, July 1 (# of people)	31,892	32,600	33,353	34,196	34,729	35,434	36,585	37,093
Employment (# of people employed)	10,800	10,700	11,500	11,800	12,100	12,700	12,300	
Unemployment Rate (%)	12.7	13.0	15.5	17.1	15.6	14.0	13.8	
Employment rate (% of people aged 15+)	54.1	52.4	54.6	54.8	54.8	56.5	53.1	
Participation Rate (%)	62.0	60.2	64.6	66.1	65.0	65.8	61.5	
Average Weekly Earnings (\$)	908.09	868.02	864.62	901.35	977.66	1,033.38	1,119.27	
Total Income (\$ millions)	774.8	822.8	878.2	875.0	966.4			
Median Total Income (\$)	24,728	25,070	26,162	26,005	26,587			
Share of Total Income by Top 10% (%)			33.0	33.7	33.7			
<b>Monetary Trends</b>								
Bank of Canada Overnight Interest Rate (%)	3.0	0.4	0.6	1.0	1.0	1.0	1.0	0.8
Consumer Price Index, Iqaluit (2002=100)	110.4	112.6	111.8	113.4	115.3	116.6	118.1	
CAD-USD Exchange Rate	0.94	0.88	0.97	1.01	1	0.97	0.91	
<b>Commodities</b>								
Bank of Canada Metals & Minerals Index	668.78	575.99	662.45	787.68	758.42	636.15	602.91	
Gold Price (USD/troy oz; annual avg)	871.71	973.00	1,227.34	1,568.58	1,688.53	1,411.03	1,265.58	
Iron Price (CFR Tianjin port; USD/dry ton; annual avg)	66.22	79.87	146.9	167.79	128.53	135.36	96.84	
Rapaport Diamond Trade Index (USD annual avg)				9,203.63	8,269.00	7,896.90		
Uranium Price (USD/pound; annual avg)	64.18	45.10	45.96	56.24	48.90	38.57	32.42	