



**About This Document**

*The GN Department of Finance prepares this document using the latest data available at the time of writing, a few weeks ahead of the official release of the GN's Budget. Some information may change during the intervening period. If you have questions about the data we use, please contact us at [info@gov.nu.cg](mailto:info@gov.nu.cg).*

# Key Fiscal Indicators

The following indicators describe the fiscal situation of the Government of Nunavut (GN). Unless otherwise specified, we express figures in millions of dollars (\$M) and include calculations of year-over-year change measured in percent (%) or percentage points (p.p.). Unless otherwise noted, we measure change against the Revised Estimates for last year, not last year's Main Estimates.

## Revenues

**Total Revenues** **\$1,981.1**  
2017-18; Non-consolidated +5.1%

Total revenues are the total financial resources the GN raises and receives to fund its operations, investments, and other costs. The GN expects to generate \$1,981.1 M in 2017-18 through federal transfers, revenues from third-party agreements, taxes, and other own-source revenues, including revolving funds and prior-year recoveries. This marks a 5.1% or \$95.9 M increase from the \$1,885.2 M we currently forecast for 2016-17.

**Federal Transfers** **\$1,625.6**  
2017-18; GN Finance +3.4%

The GN receives fiscal transfers from the Government of Canada through various funding agreements and legislated arrangements. The largest of these, Territorial Formula Financing (TFF), will provide \$1,529.9 M in 2017-18, about 2.8% more than last year. The TFF is an annual unconditional ("no strings attached") payment that recognizes territories, with our small economies and tax bases, are not able to raise enough taxes on our own to provide public services comparable to elsewhere in Canada. Other federal transfers include the Canada Health Transfer (\$38.1 M), the Canada Social Transfer (\$14.1 M), and a number of other arrangements through Health, Justice, and Family Services. Together, TFF and other federal transfers make up 82.1% of total GN revenues, 1.3 p.p. less than last year.

**Other Recoveries:** The GN may receive additional federal revenue in 2017-18 related to past spending towards the Iqaluit Airport. The GN will need to apply for this funding once the airport is up and running.

**Revenues From Third-Party Agreements** **\$144.0**  
2017-18; GN Finance +30.2%

The GN receives revenues from the federal government and other organizations through many agreements that set out specific requirements about how the GN must spend the money. These "strings attached" revenues are different from revenues over which we have full control and can spend freely (e.g. transfers, taxes, etc.). The GN is budgeting to receive \$144.0 M through third-party agreements in 2017-18. However, third-party revenues tend to be difficult to predict as they are based on funding choices, budgets and timelines of outside funding organizations. The Main Estimates and Capital Estimates include appendices that set out the list of expected third-party funding agreements.

**Taxes** **\$112.5**  
2017-18; GN Finance +5.8%

The GN expects to raise \$112.5 M in taxes in 2017-18, about \$6.2 M higher than what we currently expect in 2016-17. Personal income (\$32.1 M) and payroll (\$27.1 M) taxes will be the largest contributors, both depending on jobs and wages in the territory. We expect tobacco tax revenue to grow slightly in 2017-18 (\$17.5 M), as should taxes on property (\$6.3 M) and fuel (\$12.0 M). The GN earns corporate income tax based on company profits, which in turn are mostly based on national economic performance, which we expect will remain weak for the near-term. Together, taxes are expected to make up 5.7% of the GN's total revenues in 2017-18.

	2017-18	2016-17(r)	2016-17	2015-16
Personal Income Tax	32.1	30.4	31.8	30.1
Corporate Income Tax	15.2	15.1	17.9	19.0
Payroll Tax	27.1	26.6	26.8	25.5
Tobacco Tax	17.5	17.3	17.1	16.8
Fuel Tax	12.0	9.0	6.8	9.0
Property Tax	6.3	5.9	6.3	5.5
Insurance Tax	2.3	2.0	1.8	1.8
<b>Total</b>	<b>112.5</b>	<b>106.3</b>	<b>108.5</b>	<b>107.8</b>

## Revenues

	Main Estimates 2017-18	Revised Estimates 2016-17	Main Estimates 2016-17	Actual 2015-16
TFF and Other Federal Transfers	1,625.6	1,572.4	1,547.5	1,537.5
Revenues From Third-Party Agreements	144.0	110.6	91.0	122.2
Tax Revenues	112.5	106.3	108.5	107.8
Revolving Funds	42.0	38.2	39.2	33.1
Other Own-Source Revenues	44.0	44.6	42.8	45.4
Prior-Year Recoveries	13.0	13.0	0.0	15.9
<b>Total Revenues</b>	<b>1,981.1</b>	<b>1,885.2</b>	<b>1,829.0</b>	<b>1,862.0</b>

**Territorial Tax-to-GDP Ratio** **4.1%**  
2017-18; GN Finance -0.1 p.p.

One way to measure both the sophistication of an economy and the relative burden of a tax regime is the government’s tax take as a share of total gross domestic product (GDP). In Nunavut we forecast the 2017-18 share at just over 4%, a low figure (Ontario’s ratio, by comparison, is a little under 10%, while PEI is roughly 12% and Alberta 5%; nationally the ratio is 10%) that reflects the territory’s small tax base and the high level of federal transfers that sustain government operations.

**Fighting climate change:** In November 2016, Nunavut signed on to the Pan-Canadian Framework for Climate Change, which recognizes carbon tax as an effective and efficient tool to help lower greenhouse gases. However, with no roads or electrical grid, Nunavut’s isolated communities rely year-round on flights for food, medical supplies, and other necessary cargo, and depend on diesel for heat and electricity. The GN—along with the other territorial governments—have approached Canada to find ways to support the national goal of fighting climate change in ways that work for Nunavummiut and other Northerners.

**Other Own-Source Revenues** **\$86.0**  
2017-18; GN Finance +3.8%

Aside from taxes, the GN generates revenues in a number of other ways. In 2017-18, for example, we expect to collect about \$19 M in rent from GN employees in staff housing, and expect to collect another \$25 M from a wide variety of miscellaneous revenues. Examples of revenues in this “other” category include money collected from licensing and service fees, penalties and fines, insurance proceeds, and interest revenues.

The GN also raises revenue through its revolving funds, and in particular the Petroleum Products Division (\$37.3 M, net cost of goods sold) and Liquor Commission (\$4.6 M net cost of goods sold). Revolving funds operate outside the GN’s core operations, and—within certain limits set in law—keep the revenues they earn in one year to fund their own operations in the next. The GN includes these revenues in the Main Estimates, and reports them each year in our year-end financial statements. However, because of their unique nature, the GN generally excludes them for planning purposes.

In total, the GN expects to generate \$86.0 M in other own-source revenues in 2017-18, a 3.8% increase from 2016-17.

**Prior-Year Recoveries** **\$13.0**  
2017-18; GN Finance -

The GN expects to report about \$13 M in prior-year recoveries in 2017-18. These recoveries are due to accounting adjustments and to money the GN recovers after spending it—for example, money related to refunds for purchases the GN returns. The GN

has expected these recoveries in past years, but did not predict them in our Main Estimates. This is the first year the GN is formally budgeting for this small but stable revenue stream.

**Expenditures**

**Departmental Expenditures** **\$1,766.3**  
2017-18; GN Finance +1.8% (ME)

The GN is currently budgeting to spend \$1,766.3 M in 2017-18. In more formal terms, this is the total amount the GN is seeking to appropriate through its Capital and Main Estimates. Of this, \$1,565.7 M will go to departmental operations and maintenance (O&M) and \$200.6 M will go to new capital projects.

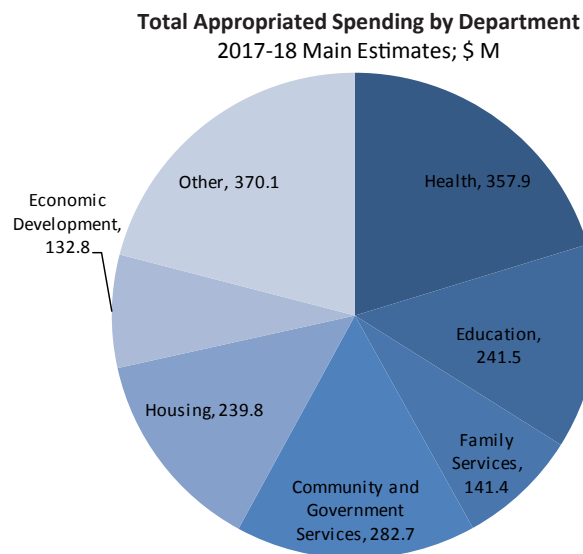
**O&M Spending by Region (\$ M)**

Headquarters	646.5
Qikiqtaaluk	458.2
Kivalliq	266.9
Kitikmeot	194.2

Operations wise, the GN is appropriating roughly \$27.7 M more for O&M than the \$1,538.0 M included in the 2016-17 Main Estimates, an increase of just 1.8%.

In dollar terms, the largest increase to departmental O&M budgets is for Health, which is seeking \$353.4 M in 2017-18, \$8.2 M (almost 2.4%) more than through last year’s budget (\$345.2 M). Percentage wise, the largest budget increase is to the Nunavut Arctic College (NAC), for which the GN is budgeting \$37.6 M in 2017-18, about 9.4% (\$3.2M) more than in 2016-17. Half of the increase to NAC is to support the new law program. Most departments will receive year-over-year O&M increases of less than 1%, or are budgeting within the same amounts as last year.

Five departments will spend more than 70% of total expenditures: Health (\$357.9 M), Community and Government Services (\$282.7 M), Education (\$241.5 M), the Nunavut Housing Corporation (\$239.8 M), and Family Services (\$141.4 M).



## Expenditures

	Main Estimates 2017-18	Revised Estimates 2016-17	Main Estimates 2016-17	Actual 2015-16
O&M Expenditures	1,565.7	1,542.8	1,538.0	1,481.6
Capital Expenditures	200.6	338.8	196.6	223.9
<b>Departmental Expenditures</b>	<b>1,766.3</b>	<b>1,881.5</b>	<b>1,734.6</b>	<b>1,705.5</b>
Net Change in Capital Assets	(25.9)	(152.1)	(46.5)	(81.5)
Expenses Related To Revolving Funds	33.9	31.3	31.0	30.4
Expenses Under Third-Party Agreements	144.0	110.6	91.0	115.4
<b>Operations Expenses</b>	<b>1,918.4</b>	<b>1,871.3</b>	<b>1,810.1</b>	<b>1,763.0</b>
Supplementary Requirements	40.0	9.7	30.0	0
<b>Total Projected Expenses</b>	<b>1,958.4</b>	<b>1,881.0</b>	<b>1,840.1</b>	<b>1,763.0</b>

Notes: Projected values for net change in capital assets and expenses related to revolving funds are 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.

### Operations Expenses

2017-18; Non-consolidated

**\$1,918.4**

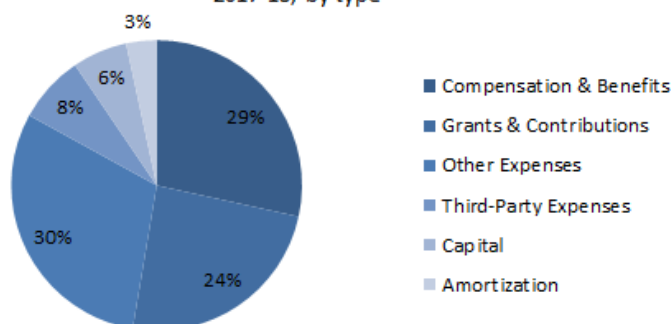
+2.5%

Operations expenses build on the core departmental expenditures for O&M and capital by adding other expenses that are not part of the GN's core appropriations to departments. These extra expenses include those related to operating the revolving funds (\$33.9 M) and those made under third-party agreements (\$144 M). As we spend this money on behalf of outside organizations we do not appropriate it in the same way as other spending. We also consider the net change in capital assets, an adjustment related to how the GN accounts for capital assets, repayments on capital leases, and amortization. This adjustment fluctuates depending on plans for capital appropriations. As the GN often "carries over" capital appropriations from one fiscal year to the next (recognizing that approval for multi-year capital projects extends until the project is complete, even if we do not spend money in a year as planned), this adjustment solidifies only as we prepare year-end financial statements.

On this basis, the GN expects operations expenses to total \$1,918.4 M in 2017-18. The Summary of Operations in the Main Estimates publishes this same figure, but presents the breakdown slightly differently in terms of what components make up these expenses.

### Operations Expenses

2017-18, by type



### Supplementary Requirements

2017-18; GN Finance

**\$40.0**

+\$10.0 M

The GN has set aside an additional \$40 M for contingencies in 2017-18. This provides the GN with some fiscal flexibility to increase funding within the year without having to reduce departments' budgets. The GN also uses these contingencies to help cover spending shortfalls by departments, and to add some "cushion" in case of revenue shortfalls, unforeseen events and emergencies. Assuming the GN spends all \$40 M in contingencies, we are projecting total expenses as coming to \$1,958.3 M in 2017-18.

## Financial Performance and Debt

### Core Planning Surplus

2017-18; GN Finance

**\$2.1**

The GN is currently projecting a surplus of about \$2.1 M in 2017-18. This surplus figure considers the "core" aspects of GN fiscal planning by setting aside revenues and expenses related to revolving funds, which operate separately from the GN's consolidated revenue fund. Similarly, this figure does not consider the expected adjustments related to changing net capital assets, mostly as these happen according to Canadian accounting rules rather than because of specific GN planning. We do incorporate a \$13.3 M adjustment (a reduction in capital spending) related to airport financing.

Total Revenues, 2017-18	\$1,981.1
Subtract: Revenues from revolving funds	(\$42.0)
Subtract: O&M appropriations	(\$1,565.7)
Subtract: Capital appropriations	(\$200.6)
Plus: Airport Financing	\$13.3
Subtract: Spending under third-party agreements	(\$144.0)
Subtract: Supplementary Requirements	(\$40.0)

### Core Planning Surplus

**\$2.1**

# Operating Surplus (Deficit)

## Summary of Operations

	Main Estimates 2017-18	Revised Estimates 2016-17	Actual 2015-16
Total Revenues	1,981.1	1,885.2	1,862.0
<i>subtract:</i> Operations Expenses	(1,918.4)	(1,871.3)	(1,763.0)
<i>subtract:</i> Supplementary Requirements	(40.0)	(9.7)	-
<b>Projected Operating Surplus/(Deficit)</b>	<b>22.7</b>	<b>4.2</b>	<b>99.0</b>

### Operating Surplus

2017-18; Non-consolidated

**\$22.7**

+18.5 M

As noted, the core planning surplus of \$2.1 M excludes revolving funds and certain accounting adjustments. When we include these, the GN currently projects an operating surplus of about \$22.7 M in 2017-18. This is the total amount the GN expects to spend under (or, in the case of a deficit, over) its projected revenues. The final figure will depend on how much of the contingency funding remains unused by the end of March 2018 and how much money departments have left to lapse or carry over at the end of the year.

assets). This is why this measure is often called a government's 'future revenue requirements.'

Although the GN expects an operating surplus of \$22.7 M, we expect to report a downward change to tangible capital assets of about \$39.1 M, based on our plans for capital acquisition (\$103.9 M) and amortization (\$64.8 M). As a result of these and a few other smaller adjustments, the GN expects to reduce our net financial asset position by about \$16.9 M.

Even though net financial assets are declining, we still expect to end 2017-18 with net assets of \$231.1 M on a non-consolidated basis, which is about 8.5% of GDP.

### Projected Surplus-to-GDP Ratio

2017-18; Non-consolidated

**0.8%**

+0.6 p.p.

We compare the size of the GN's projected operating surplus to the size of the economy (measured by nominal GDP) to help understand the government's fiscal health. Generally, the larger the ratio, the better the government's fiscal position. Assuming the GN spends its \$40 M contingency and economic growth occurs as forecast, we expect the GN's non-consolidated surplus-to-GDP ratio will be just under 1% in 2017-18, up slightly from our latest assessment of last year's results.

### Net Assets

2017-18; Non-consolidated

**\$1,607.2**

+1.4%

Net assets ('accumulated surplus') is the total value of the GN's recognized economic resources. This figure considers the value of all GN assets, both financial (like cash) and tangible non-financial (like buildings, furniture, and vehicles), and then subtracts the GN's total liabilities. This figure changes over time, and reflects all past operating surpluses and deficits, as well as all adjustments due to re-measurement. We expect the GN's net assets to grow by \$22.7 M in 2017-18 because of our operating surplus. We currently expect to end 2016-17 with net assets of about \$1,584 M, so are projecting these could reach \$1,607 M by the end of next year. Most of this value is from the GN's tangible non-financial assets (from hospitals and health centres to schools and tank farms), which means that while they provide real value to the GN, we would need to first sell them to use this value elsewhere.

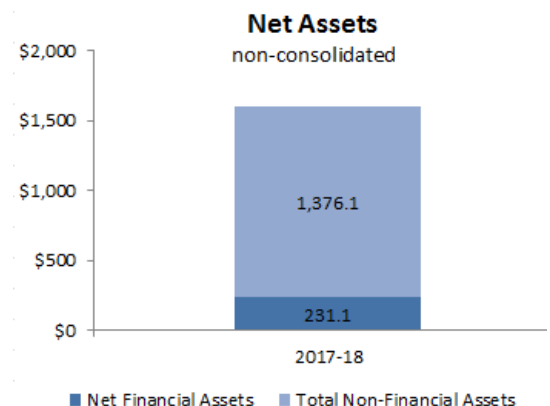
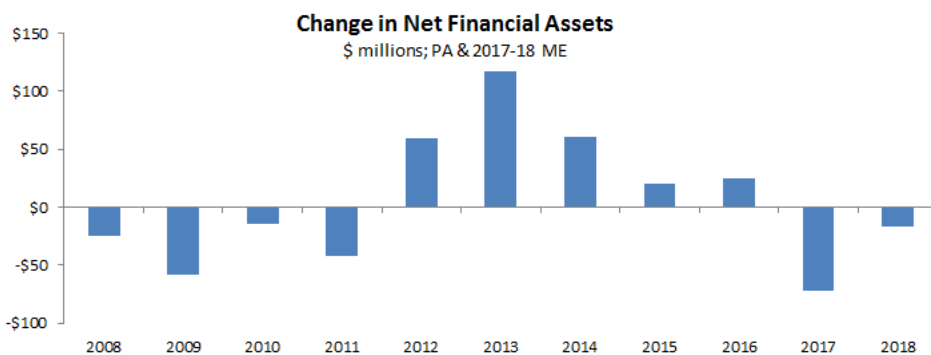
### Net Financial Assets

2017-18; Non-consolidated

**\$231.1**

-6.8%

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





**Continued Fiscal Uncertainty:** The slow stabilization of global commodity prices have brought some relief to Canada’s fiscal policymakers. Resilient household spending and healthy job growth outside the energy-producing provinces, alongside relative fiscal constraint by provincial and territorial governments, are expected to bring several governments (namely SK, ON, and PEI, joining BC, and QC) back into surplus in 2017-18. The federal government projects that it will remain in deficit for the medium-term. The Bank of Canada expects federal spending measures to raise national GDP by 1% in 2017-18, but also warns potential shocks to the international trading order may lower growth.

NDC \$0 of their \$0.8 M—which means actual GN debt is just \$339.1 M. Looking ahead, we expect borrowing related to the airport project to peak in 2017-18. This should slow the GN’s need for further borrowing.

**Credit Rating**

April 2016; Moody’s Investor Services

**Aa1**  
stable

A government’s credit rating is an evaluation of its credit risk, or how likely will be able to pay back its debt in the future. Moody’s Investors Service provides a yearly credit rating for the GN (and other governments within and outside of Canada). In April 2016 the GN was reissued a stable Aa1 credit rating, the second highest rating within Moody’s scale. This reflects the GN’s low risk of default and, assuming credit conditions do not change, suggests that the GN should expect to keep this rating as long as we maintain fiscal discipline. Nunavut’s first credit rating was issued in August 2012.

**Interest-to-Revenue Ratio (%)** **0.2%**

2017-18, non-consolidated; GN Finance -

The interest-to-revenue ratio, also known as ‘interest bite’, measures how much of GN’s revenues are taken up by servicing the government’s non-consolidated (that is, not including QEC or the Iqaluit airport project) debt. The combination of legislated debt restrictions, a history of low borrowing levels, a relatively high level of tied or third-party funding, and historically low interest rates keep Nunavut’s ratio at just 0.2% (based on \$3.1 M in spending on capital lease and mortgage interest), unchanged from 2016-17. Federally, the figure is an estimated 8.1%.

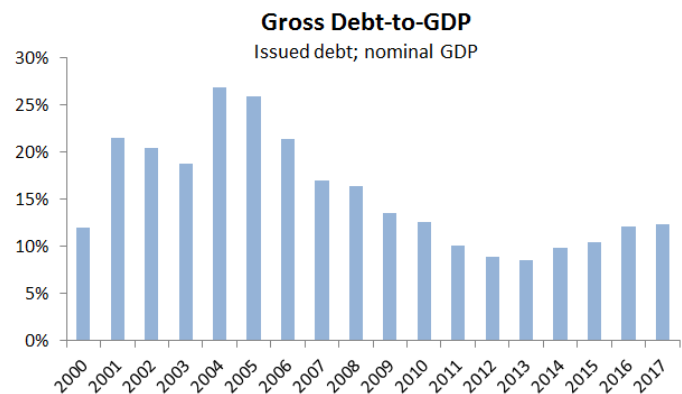
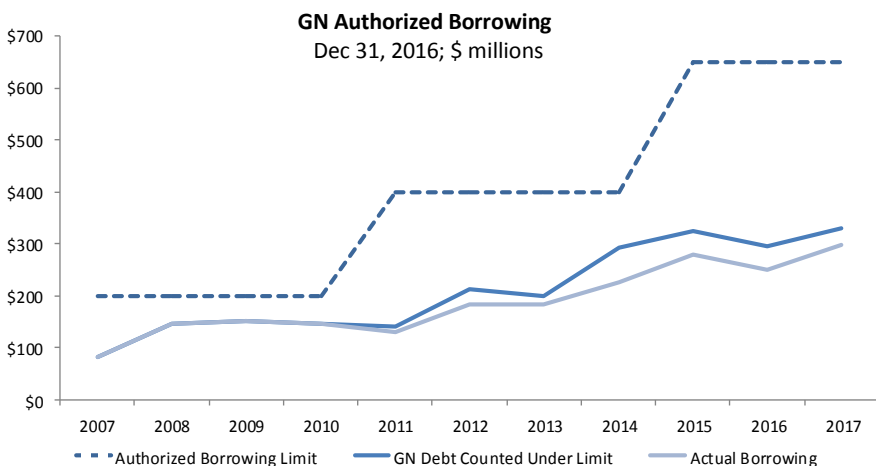
**Authorized Borrowing Counted Under Limit \$379.8**

The Government of Canada limits how much debt the three territories can take on, including both actual borrowing and contingent liabilities. The GN’s current debt cap is legislated at \$650 M. As of December 31, 2016, total authorized borrowing counted under the limit was \$379.8 M, leaving \$270.2 M in available room. The GN uses most of its borrowing room to guarantee loans and credit facilities extended to the Qulliq Energy Corporation (\$195.8 M) and the Nunavut Housing Corporation (\$14.3 M). Much of the rest is to account for the GN’s obligations related to capital leases (\$32.7 M) and mortgages (\$1.9 M), and the Iqaluit airport expansion (\$134.3 M). While the \$379.8 M represent the full amount counted against the debt cap, the QEC has used only \$155.9 M of their available room—and the

Province/Territory	Moody's Credit Rating
BC	Aaa
Saskatchewan	Aaa
Alberta	Aa1 <sup>+</sup>
NWT	Aa1
Nunavut	Aa1
Manitoba	Aa2
Ontario	Aa2
Quebec	Aa2
New Brunswick	Aa2
Nova Scotia	Aa2
PEI	Aa2
Yukon*	Aa2
Newfoundland	Aa3 <sup>-</sup>

\*Issued by Standard & Poor’s, but converted to Moody’s scoring.

<sup>+</sup> or <sup>-</sup> indicate change (including outlook) since previous FEI.



# Key Economic Indicators

The following indicators provide insight into the current state of Nunavut's economy and illustrate how it has evolved over time. We look to these trends in order to evaluate policy and to forecast future economic developments. Careful interpretation of the figures is required, however, as each indicator is accompanied by both strengths and weaknesses. All figures are also subject to frequent revision by Statistics Canada and other agencies.

## Nunavut's Economy

**Nominal GDP** **\$2,718**  
 2017 estimate; \$ millions (CBoC) +6.1%

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 2015, the Conference Board of Canada (CBoC) projected Nunavut's nominal GDP will reach \$2,718 M in 2017, about \$157 M (+6.1%) higher than their forecast for 2016. This forecast assumes Baffinland's Mary River iron mine continues to benefit from relatively buoyant ore prices and that TMAC Resources' Hope Bay gold mine successfully enters into commercial production. Also expected in 2017 are the completion of the \$300 M Iqaluit airport and the \$142 M Canadian High Arctic Research Station (CHARS) in Cambridge Bay, to go alongside the \$40.0 M Iqaluit Aquatic Centre, which opened in January 2017. Work at the \$116 M Nanisivik summer-use naval facility broke ground in July 2015, and the facility is slated to open in 2018. The \$84.9 M Iqaluit Port project also commenced in 2016, with completion expected by 2020.

**Real GDP** **\$2,082**  
 2017 estimate; \$ 2007 (CBoC) +4.9%

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.' Taking price changes out of GDP estimates provides a more accurate pic-

ture of how a territory's actual production or 'real income' evolves over time. The CBoC estimates that Nunavut's real GDP will grow by 4.9% (+\$98.0 M) in 2017, coming in at \$2,082 M.

**Real GDP Per Capita** **\$56,049**  
 2017 estimate; \$ 2007 (CBoC, GN) +4.8%

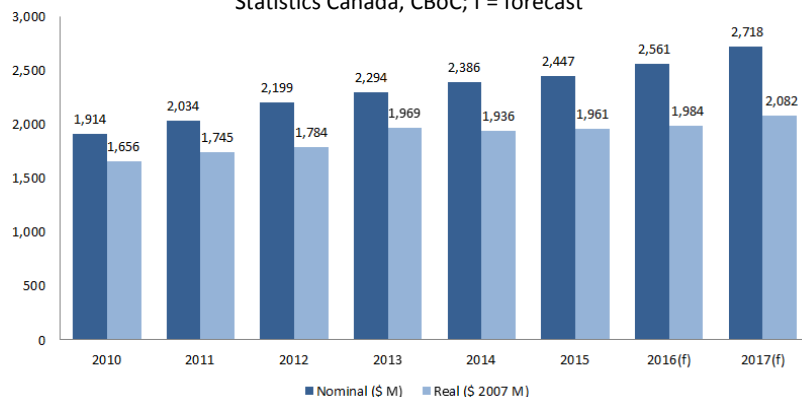
Real GDP per capita is calculated by dividing the real GDP of a given jurisdiction by its total population. We track output per person because average wealth is a good guide to overall living standards (though it does not speak to how wealth is *distributed* amongst the population). Under current population and GDP forecasts, we expect real GDP per capita to rise by almost 5% (or roughly \$2,500 per person) in 2017.

**Government Share of GDP** **30.6%**  
 2017 estimate; % share (CBoC) -1.3 p.p.

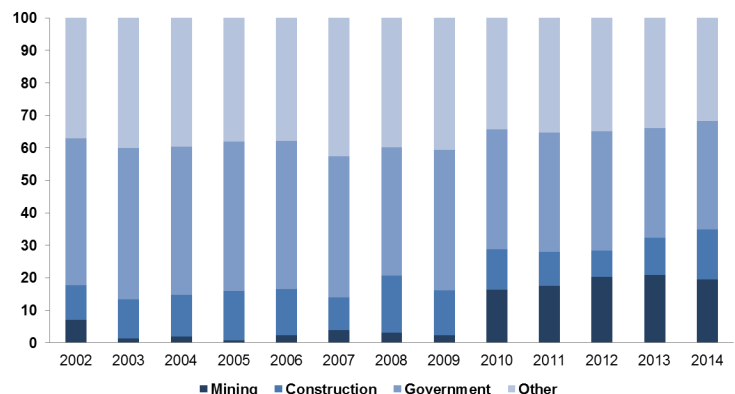
Government share of GDP is the total economic activity of a government (incorporating the public administration, education, health care, and social assistance GDP sub-sectors) divided by the GDP of the area it governs. The public sector plays a large role in Nunavut's economy: the CBoC expects it to account for just under 31% of all goods and services produced in 2017, down 1.3 percentage points from 2016. By comparison, the economic activity of the federal government generally constitutes just under 20% of the national economy. Nunavut's share is high 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.

**The Canadian Economy in 2017.** National real GDP growth is expected to remain under 2% in 2017, at just 1.9%. This International Monetary Fund (IMF) forecast is 0.2 p.p. lower than its previous Canadian estimate. Although commodity prices have generally stabilized (oil, for example, now holds at roughly \$50 per barrel), this new, lower, equilibrium will hinder growth for at least another year. Provinces and...

**Nunavut GDP**  
 Statistics Canada, CBoC; f = forecast



**GDP by Sector**  
 % of total; CANSIM 379-0028





...territories reliant on the minerals and energy sector will be negatively affected, particularly if business investment remains weak. That said, the service sector performed well in 2016, with exports continuing their upward trend. Manufacturing exports performed more poorly than expected, but the lower Canadian dollar offers some hope of at least a partial rebound. Globally, real GDP growth is expected to reach 3.4% in 2017 (down slightly from the IMF's earlier forecast of 3.6%).

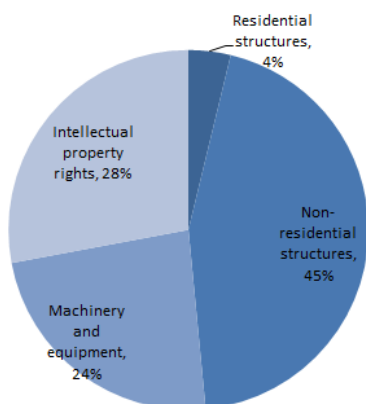
## Business Investment in Capital **\$612.0**

2015 (\$ 2007) **+3.0%**  
 Statistics Canada CANSIM 384-0038

Business investment in capital refers to the total amount of private-sector capital investment in a given year. Businesses invested \$612 M in Nunavut in 2015 (the latest year with available data). This is up 3% from 2014, recognizing the 2014 figure was revised heavily downwards. Most of the 2015 spending went to large investments in non-residential structures (up 2.2%, to \$277 M), machinery and equipment (up 29%, to \$145.0 M), and intellectual property (up 28%, 172.0 M). Much of this was driven by continued exploration and construction in the natural resources sector, including bringing the Mary River mine online. Investments in residential structures declined substantially (down -51% from 2014, to \$23.0 M). On top of this business investment, several large public projects continued in 2015—including the Iqaluit Airport and CHARS. Total public capital spending reached \$230.0 M, a figure down -7.6% from 2014.

### Share of Business Investment in Nunavut, 2015

(Statistics Canada)



## Labour and Income

### Population (July 1) **37,082**

2016; Statistics Canada CANSIM 051-0001 **+1.5%**

Population measures the total number of people residing in a given jurisdiction as of July 1 in a given year. Nunavut's population grew by roughly 552 people between 2015 and 2016, due

largely to high birth rates (Nunavummiut women have on average three children over their lifetime, the highest rate in Canada and almost double the national average) offsetting negative inter-provincial migration. Nunavut remains Canada's youngest region, with about half its residents under 26 (the national median age is 41) and almost a third—roughly 11,500—under 15. Looking ahead, we expect total population will reach 37,400 by July 2017.

### Employment **13,500**

2016; Statistics Canada CANSIM 282-0123 (LFS) **+6.3%**

Employment refers to the annual average of people holding a steady job. In 2016 there were 13,500 people employed in Nunavut, 800 more than last year (+6.3%). This growth was significantly stronger than the national trend (0.7%, or 5.2 p.p. slower than Nunavut). However, Nunavut's employment rate (the share of population aged 15 and over who found at least some employment during the year) remained stuck at 55.9% (nationally the rate is 61.1%). Looking at the latest year-over-year monthly figures, we find Inuit workers were particularly successful in entering the workforce, accounting for almost the entirety of the net 800 worker gain between December 2015 and December 2016. Despite these gains, the gap in the Inuit (49.1%) and Non-Inuit (86.4%) employment rates remains wide. Further employment growth will be crucial as Nunavut's relatively large school-age population enters the workforce. We also estimate an additional 1,300 fly-in, fly-out workers.

### Unemployment Rate **14.9%**

2016; Statistics Canada CANSIM 282-0123 (LFS) **-1.0 p.p.**

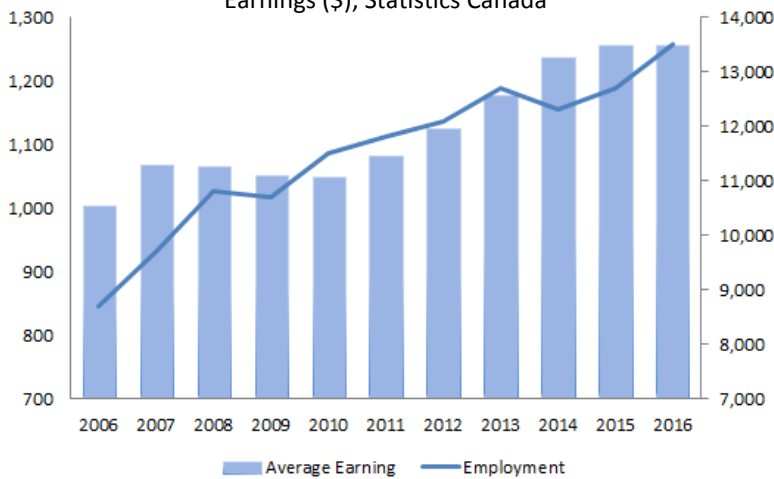
The unemployment rate is the percentage of the labour force that is unemployed but actively seeking employment. In 2016 Nunavut's unemployment rate was 14.9%, down a full percentage point from 2015. Nunavut's participation rate (the share of Nunavummiut aged 15 and over actively seeking employment) grew by 2.4 p.p. in 2016 to 65.6%, which is a similarly good sign. This suggests Nunavut's economy is growing fast and broadly enough to induce Nunavummiut to enter the wage economy, and yet still find enough employment for the newcomers.

### Average Weekly Earnings **\$1,257.70**

2016 Industrial Aggregate (Jan-Oct); Statistics Canada **+0.8%**

According to the latest figures, average weekly earnings in Nunavut increased by roughly \$10 per week (+0.8%) in 2016, which is slower growth than seen in previous years. Average wages in goods-producing industries like construction (\$1,422.0/week) still outstrip wages in services (\$1,220.0/week), though the gap has narrowed. The combination of slow wage growth and higher inflation means that real earnings declined by 1.7%. As a result, the same pay check brought home slightly fewer goods in 2016. Wages in Nunavut do, however, remain above the Canadian average of \$954.20 per week. This +31.8% differential is the result of a shortage of skilled labour and the high cost of living in the north.

**Nunavut's Labour Market**  
Earnings (\$); Statistics Canada



**Total Income (tax filers)** **\$1,040.1 M**  
2015 T1 Preliminary; GN Finance +5.1%

Total income comprises 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, now up over \$350.0 M from 2006. As of October 2016, the CRA had received 20,870 tax returns (+2.0% over the same period the year before) from Nunavummiut, who together report total income of about \$1,040.1 M for 2015. We expect that this represents roughly 95.0% of all tax returns for 2015 and that once all late returns are filed total income for the year will equal roughly \$1.1 B.

**Median Income (tax filers)** **\$26,798**  
2015 T1 Preliminary; GN Finance +2.7%

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 the average calculation—is not influenced by extremely high or low salaries. According to early tax data, median total income in Nunavut grew slightly in 2015 to roughly \$26,800 (+2.7%). With total income growing at a faster rate than the median, we can infer that income gains are going disproportionately to higher-income earners.

**Share of Total Income By Highest 10%** **34.0%**  
2015 T1 Preliminary; GN Finance -

In 2015, the top 10% of income earners in Nunavut reported earning in excess of \$122,699 each (no change from 2014). Together, these individuals reported earning roughly \$353.0 M, which is about one third of all income reported in the territory. By comparison, the lowest-earning 10% of tax filers reported total income of less than \$3,805 each. Together, these individuals reported earning \$3.7 M, which is less than 1% of all income

earned in the territory in 2015. This data shows that income in Nunavut is distributed unequally—a situation that is not uncommon elsewhere 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 paid 52.0% of Nunavut's total assessed personal income taxes in 2015 (+3.0 p.p. from 2014). Also, these figures do not include substantial non-income benefits for low earners, like subsidized social housing.

**Nunavut Income Distribution**  
Per person, all sources; \$ nominal



**Income Assistance Recipients** **14,428**  
2015; GN Family Services n/a

Income assistance consists of a variety of benefit programs (including social assistance, the senior citizens supplementary benefit and fuel subsidy, daycare subsidy, and the Nunavut Child Benefit) that provide various levels of financial assistance to people aged 18 or over and their dependents. In 2015, the latest year available, almost 14,500 Nunavummiut (or roughly 39% of the territory's population) received a payment through this program. Total payments equaled \$35.5 M, with an average payment per family of \$5,376.

## Other

**Bank of Canada's Overnight Rate** **0.5%**  
Jan 2017; Bank of Canada -

The Bank of Canada's overnight rate is the rate at which it lends to large banks and other key financial institutions. It affects the interest rates for mortgages, lines of credit, and business loans. The head of The Bank of Canada, Stephen Poloz, has repeatedly expressed concerns over the country's high housing prices and personal debt levels, as well as the continued impact of falling oil prices on fiscal and economic performance. The Bank has therefore maintained its aggressively low overnight rate, hoping to boost household and corporate spending. We expect interest rates to remain low until the recent oil shock has been digested by the economy, and growth rebounds to healthier levels.

**Consumer Price Index, Iqaluit** **123.4**  
 2016; Statistics Canada (2002 = 100) **+2.5%**

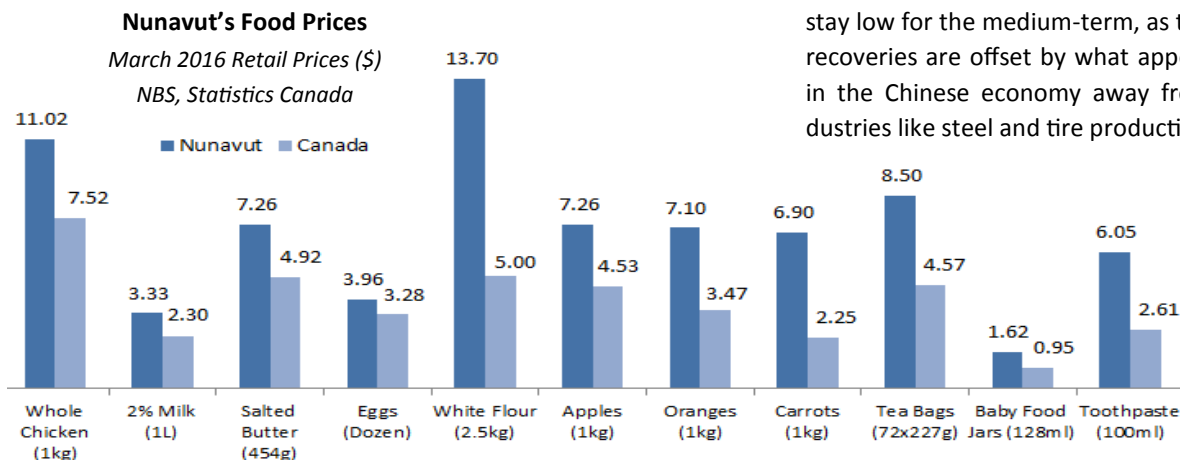
The consumer price index (CPI) measures inflation, the change in price of a standard 'basket' of consumer goods and services over time. Prices grew slightly faster in 2016, increasing by 2.5% (up from 1.9% in 2015). For the second consecutive year, Iqaluit prices grew faster than the national average (1.4%). As CPI data exist only for Iqaluit, we do not know how quickly prices are changing in other communities. Also note that 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 steep energy and transportation costs, as well as limited market competition.

**Nunavut Food Price Basket** **172.9**  
 2016; NBS, Statistics Canada CANSIM 326-0012 **+4.6%**

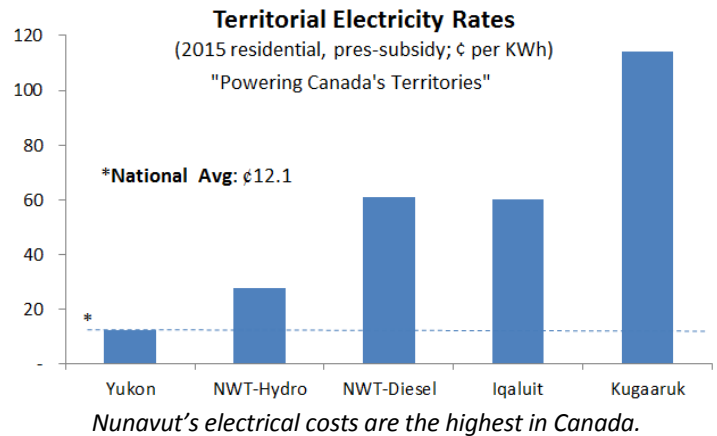
The Nunavut food price basket, developed by the Nunavut Bureau of Statistics (NBS), measures the price of 24 select food items across the territory. While CPI is a useful measure of how prices change over time it does not measure the cost difference between goods sold in Nunavut and those in southern Canada. With the Nunavut food price basket, the prices of key goods in the territory can be compared with other jurisdictions. As an example of price differences between Nunavut and the rest of Canada, Nunavummiut pay roughly twice the Canadian average for apples and oranges, and three times the Canadian average for carrots and flour.

**Average Monthly Rent, Iqaluit** **\$2,511**  
 2015, Social housing excluded; CMHC **+2.0%**

Average monthly rent refers to the average cost of renting housing in a given jurisdiction. The Canada Mortgage Housing Corporation (CMHC) found that monthly rent rose by 2% in 2015 to \$2,511 (excluding social housing). Broken down by unit size, average rent was \$2,172 for a one-bedroom, \$2,554 for a two-bedroom, \$3,005 for a three-bedroom, and \$3,556 for a four-plus bedroom apartment. The total universe of rented units grew to 2,058 (+0.6%). The median residential sale



price reached \$529,000 (+8.8%) with a drop in the price of single-detached units to \$475,000 in 2015 and a sharp increase to \$577,396 for condo/row/semi-detached units. Some 65 construction permits were issued in 2015: 4 single-family (43% drop from 2014) and 61 multifamily (41% drop from 2014). Residential transactions included 41 single-detached sales (+10 units) and 20 condo/row/semi (-4 units).



**CAD-USD Exchange Rate** **\$0.75**  
 2016; Bank of Canada (annual average) **-3 cents**

The CAD-USD exchange rate is the amount in American dollars that one can buy with one Canadian dollar. Exchange rates reflect trade and, just as importantly, volatile capital flows that seek out the best return from one country to the next. The CAD has in recent years closely tracked the price of oil, and as oil prices stabilized in 2016, so too did the Canadian dollar. Overall, the CAD averaged \$0.75 US in 2016, down 3 cents from 2015. This makes imports more expensive, but does make Nunavut's mineral commodities, which are denominated in USD, more attractive to international buyers.

**Commodity Price Index: Metals & Minerals** **503.9**  
 2016; Bank of Canada **-5.8%**

The Bank of Canada's Metals & Minerals Index is an aggregate measure of global prices for these commodities. The index's value declined by almost 6% in 2016, continuing a steady five-year run of price declines (down 36.0% since 2011). Even harder hit was the energy sector, which saw the Bank's energy index fall another -12.4%. Commodity prices are expected to stay low for the medium-term, as the modest European and US recoveries are offset by what appears to be a substantial shift in the Chinese economy away from commodity-intensive industries like steel and tire production.

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**Commodity Prices.** *Extraordinary monetary measures to stimulate growth have largely proven unsuccessful, and global capital flows and trade volumes are expected to continue below trend levels. This will continue to dampen price growth in the commodity sector, with import spillover effects for the Nunavut economy. We have already seen sharp declines in mineral exploration: 2016's preliminary estimate fell 43% to \$122.1 M. That said, 124 exploration permits were issued in 2015, down just 6% from the previous year, and Nunavut remains home to several world-class mineral finds that are economically competitive even in difficult market conditions. Lower energy costs and a falling Canadian dollar have also helped cushion the blow of retreating global prices for Nunavut's producers. Going forward, we expect most mineral prices to remain flat or to continue their downward trend over the balance of the decade, with zinc (due to closing mines) and gold (due to low interest rates and weak global growth) as important exceptions.*

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**Gold Price** **\$1,248.97 USD**  
2016; USD/troy oz (IndexMundi) +7.7%

The price of gold averaged \$1,249 US per troy ounce in 2016, up by 7.7% from 2015. This recovery follows three years' decline induced by a stronger USD and easing inflation fears. The gold market has been caught in a tug-of-war between an improving US economy (reducing the demand for gold as investors flock to the US dollar as an alternate investment vehicle to bullion) and worsening economic fears in China combined with persistent geopolitical instability in the Ukraine and the Middle East (increasing the demand for gold as an inflation-proof 'safe haven'). Gold is currently mined in Nunavut at AEM's Meadowbank and TMAC's Hope Bay, and there is further potential near-term projects at AEM's Meliadine and Sabina's Back River—though the Nunavut Impact Review Board (NIRB) has recently rejected the latter, citing disturbance to local caribou calving grounds. Across Canada there are 40 primary gold mines employing 13,025 workers.

**Iron Ore Price** **\$58.54 USD**  
2016; USD/dry ton (IndexMundi) +4.3%

The price of iron ore averaged \$58 per dry ton in 2016, a 4% rise from 2015. Although 2016 closed at \$79.43, this remains well below the February 2011 peak of almost \$190 USD, and over-supply will likely weigh down the commodity for the medium-term. A global downturn could also lead to protracted low prices. Producers across Canada have attempted to remain competitive by reducing costs, including in Nunavut. Internationally, producers have been shuttering excess capacity: 2016 saw a reduction in global ore production by 50 M tonnes. More broadly, average production growth for 2016-2020 (driven primarily by new mines in Australia and Brazil) is projected at 0.1%, compared to 4.8% between 2011-2015. Baffinland's Mary River mine itself is producing at less than full capacity.

**Uranium Price** **\$26.31 USD**  
2016; USD/pound (IndexMundi) -28.4%

After positive growth in 2015, the price of uranium declined in 2016, closing out the year with an average price of \$26 USD per pound (-28.4%). This is the worst price decline since the 2011, when prices fell following the Fukushima reactor disaster in Japan. Despite aggressive plans to build nuclear facilities in China and India (110 plants by 2030 in China alone), uranium prices have continued to slide. In fact, the mining firm Areva stated in 2015 that uranium prices are so low that it could be up to two decades before construction at its Kiggavik site in the Kivalliq region begin.

**Diamond Prices** **105.0**  
2016; FRED Export Price (Dec 2013 = 100) -1.0%

Diamond prices continue to decline from their 2014 peak, a trend expected to remain as producers try to keep pace with falling demand in China, Japan, and parts of Europe. Additionally, the structure of the diamond market has shifted from a monopoly dominated by De Beers to an oligopoly with more players, leaving supply less tightly controlled and placing downward pressure on prices. Growth in synthetic diamonds is a further challenge, as are changing consumer preferences amongst those aged 18-34. Peregrine Diamond's Chidliak project, with an inferred mineral resource of 8.57 million carats, is located 120km from Iqaluit. We expect exploration there to continue, given the positive results of a 2016 preliminary assessment.

**Total Mineral Production** **\$567.2**  
2015 preliminary (\$ M); Natural Resources Canada -10.9%

Total mineral production is the total value generated by mineral extraction in Nunavut in a given year. The 2015 preliminary value was \$567.2 M, down by almost 11% from 2014. Of this, \$562.5 M came from gold production (11,781 kilograms produced, down 16.3%) and \$4.6 M from silver (7 tones produced, up 75.0%). Across Canada total mineral production fell slightly in value by -2.6%, to \$42.8 B (giving Nunavut a 1.3% national share). This partially reflects the heightened cost consciousness of producers and the consequent slowing of projects at both the development and exploration stages.

**High School Graduation Rate** **33.7%**  
2015, Gross figure; NBS +2.1 p.p.

The high school graduation rate is calculated by dividing the number of high school graduates in a given year by the number of all students eligible to graduate. Low high school retention is one of the biggest challenges faced by the Nunavut economy. The share of 17-18 year-old Nunavummiut graduating from high school increased by 2.1 p.p. However, the total rate (33.7%) still remains low compared to the 2010 rate of 36.2%. For a rough comparison: the national high school completion rate is 88%.



## Key Fiscal Indicators

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17(r)	2017-18(f)
<b>Revenues</b>								
<b>Federal Transfers</b>	<b>1,281.4</b>	<b>1,363.1</b>	<b>1,465.2</b>	<b>1,576.6</b>	<b>1,618.2</b>	<b>1,659.7</b>	<b>1,683.0</b>	<b>1,769.6</b>
Territorial Formula Financing	1,090.6	1,175.3	1,273.5	1,350.4	1,409.1	1,454.2	1,488.6	1,529.9
Transfers Under Third-Party Funding Arrangements*	116.2	111.5	112.1	138.7	126.8	122.2	110.6	144.0
Other Federal Transfers	74.6	76.3	79.6	87.5	82.3	83.3	83.8	95.7
<b>Own-Source Revenues</b>	<b>162.7</b>	<b>150.1</b>	<b>154.8</b>	<b>177.6</b>	<b>177</b>	<b>202.2</b>	<b>202.1</b>	<b>211.5</b>
Taxes	70.7	77.8	84.2	92.4	96.4	107.8	106.3	112.5
Revolving Funds (Net CoGS)	49.3	27.0	20.1	25.3	26.3	33.1	38.2	42.0
Other Own-Source	31.9	34.2	37.2	50.6	41.5	45.4	44.6	44.0
Recovery of Prior Years' Expenditures	10.8	11.1	13.3	9.3	12.8	15.9	13.0	13.0
<b>Total Revenues</b>	<b>1,444.0</b>	<b>1,513.1</b>	<b>1,620.1</b>	<b>1,754.2</b>	<b>1,795.3</b>	<b>1,862.0</b>	<b>1,885.2</b>	<b>1,981.1</b>
Share of Federal Transfers (%)	80.7	82.7	83.5	82.0	83.1	82.6	83.4	82.1
Tax-to-GDP Ratio (%)	3.7	3.8	3.8	4.0	3.9	4.2	4.2	4.1
<b>Expenditures</b>								
O&M	1,133.7	1,202.0	1,273.2	1,349.5	1,397.2	1,481.6	1,542.8	1,565.7
Capital	181.7	128.4	90.9	183.6	231.4	223.9	338.8	200.6
<b>Departmental Expenditures</b>	<b>1,315.4</b>	<b>1,330.4</b>	<b>1,364.1</b>	<b>1,533.1</b>	<b>1,628.5</b>	<b>1,705.5</b>	<b>1,881.5</b>	<b>1,766.3</b>
Net transfer to capital assets	-29.3	-9.2	-8.9	-79.6	-99.0	-88.4	-152.1	-25.9
Expenses for revolving funds and other	21.8	25.5	33.5	27.9	27.1	30.4	31.3	33.9
Expenses related to third-party agreements	116.2	111.5	109.3	124.0	129.8	115.4	110.6	144.0
Supplementary Requirements & Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	9.7	40.0
<b>Total Projected Expenses</b>	<b>1,424.0</b>	<b>1,458.2</b>	<b>1,498.0</b>	<b>1,605.5</b>	<b>1,686.4</b>	<b>1,762.9</b>	<b>1,881.0</b>	<b>1,958.3</b>
<b>Yearly Surplus (Deficit), Public Accounts Basis</b>	<b>20.0</b>	<b>54.9</b>	<b>122.1</b>	<b>148.7</b>	<b>108.9</b>	<b>108.9</b>	<b>4.2</b>	<b>22.7</b>
Expenditures / person (\$)	42,720	42,641	43,161	45,352	46,815	48,258	50,725	52,721
Expenditures / GDP (%)	74.4	71.7	68.1	68.6	67.8	68.3	74.6	72.1
Capital spending as share of total (%)	12.8	8.8	6.1	11.4	13.7	12.7	18.0	10.2
Health spending as share of total (%)**	21.5	22.8	24.2	20.6	21.0	20.7	19.8	18.3
Education spending as share of total (%)	16.2	15.8	16.2	12.9	12.7	12.9	13.7	12.3
Projected Surplus / GDP (%)	1.0	2.7	5.6	6.5	4.4	3.8	0.2	0.8
Net Financial Assets (end of year)	-36.9	21.9	215.3	275.8	295.4	320.5	248.0	231.1
Net Financial Assets (end of year) / GDP (%)	-1.9	1.1	9.8	12.0	11.9	12.4	9.7	8.5
Interest Costs / Total Revenues (%)	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2
Authorized Borrowing	146.3	141.3	212.5	198.5	291.7	294.6	316.5	-
Credit Rating	-	-	-	Aa1 stable	Aa1 stable	Aa1 stable	Aa1 stable	Aa1 stable

Notes: \*The GN receives a small share of third-party revenues (less than 2% in 2015-16) from parties other than the Government of Canada. While we report these non-federal amounts separately in the year-end financial statements, we combine them here for budgeting presentation purposes.

\*\*Changes to GN departments in 2013-14, notably the creation of the Dept. of Family Services, mean that health 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

	2010	2011	2012	2013	2014	2015	2016r	2017f
<b>Gross Domestic Product</b>								
Nominal GDP (expenditure-based, \$ millions)	1,914	2,034	2,199	2,294	2,386	2,447	2,561	2,718
Real GDP (basic prices, \$ 2007 millions)	1,656	1,745	1,784	1,969	1,936	1,961	1,984	2,082
Real GDP per person (basic prices, \$ 2007)	49,651	51,029	51,402	55,620	53,743	53,679	53,503	56,049
Government Share of GDP (actual, %)	37.0	36.8	36.6	33.8	33.3	32.3	31.9	30.6
Business Investment in Capital (\$ 2007)	604	743	640	877	594	612	-	-
<b>Population &amp; Labour</b>								
Population, July 1 (# of people)	33,353	34,196	34,707	35,401	36,023	36,532	37,082	37,400
Employment (# of people employed)	11,500	11,800	12,100	12,700	12,300	12,700	13,500	-
Unemployment Rate (%)	15.5	17.1	15.6	14.0	13.8	15.9	14.9	-
Employment rate (% of people aged 15+)	54.6	54.8	54.8	56.5	53.1	53.2	55.9	-
Participation Rate (%)	64.6	66.1	65.0	65.8	61.5	63.2	65.6	-
Average Weekly Earnings (\$)	1,049.42	1,081.47	1,125.37	1,177.07	1,236.90	1,255.78	1,257.71	-
Total Income (\$ millions)	878.2	934.7	974.4	1,020.6	989.3	1,040.1	-	-
Median Total Income (\$)	26,162	26,566	26,576	26,145	26,098	26,798	-	-
Share of Total Income by Top 10% (%)	33.0	33.5	33.7	34.7	34.0	34.0	-	-
Income Assistance Recipients	13,716	13,197	13,797	14,578	-	14,428	-	-
High School Gross Graduation Rate (%)	36.2	33.9	34.9	32.5	31.6	33.7	-	-
<b>Monetary Trends</b>								
Bank of Canada Overnight Interest Rate (%)	0.6	1.0	1.0	1.0	1.0	0.5	0.5	-
Consumer Price Index, Iqaluit (2002=100)	111.8	113.4	115.3	116.6	118.1	120.4	123.4	-
Nunavut Food Price Basket (24 items)	-	-	-	155.66	157.35	165.31	172.90	-
Average Monthly Rent, Iqaluit (Excl. Social)	2,268	2,324	2,335	2,417	2,462	2,511	-	-
CAD-USD Exchange Rate	0.97	1.01	1.00	0.97	0.91	0.78	0.75	-
<b>Commodities</b>								
Bank of Canada Metals & Minerals Index	662.49	787.30	756.59	633.23	600.58	535.12	503.92	-
Gold Price (USD/troy oz; annual avg)	1,227.34	1,568.58	1,668.82	1,411.03	1,265.58	1,160.04	1,248.97	-
Iron Price (CFR Tianjin port; USD/dry ton; annual avg)	146.90	167.79	128.53	135.36	96.84	56.14	58.54	-
FRED Diamond Export Price Index (Dec 2013 = 100)	-	-	-	100.0	108.4	106.1	105.0	-
Uranium Price (USD/pound; annual avg)	45.96	56.24	48.90	38.57	33.49	36.76	26.31	-
Total Mineral Production (\$'000s)	317,140	427,322	614,441	629,041	636,424	567,188	-	-