



**About This Document**

*The Department of Finance prepares the Fiscal and Economic Indicators using the latest data available at the time of writing, a few weeks ahead of the official release of the GN 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 describe the fiscal situation of the Government of Nunavut (GN). Figures are generally expressed in millions (\$ M) and billions (\$ B) of dollars, and include calculations of year-over-year change measured in percent (%) or percentage points (p.p.). Totals are subject to rounding. Unless otherwise noted, we measure change against last year's Revised Estimates rather than Main Estimates. Similarly, this document presents only figures from core or 'non-consolidated' government operations, unless otherwise described.

## Revenues

**Total Revenues** **\$2,387.4**  
2021-22; Non-consolidated -5.7%

Total revenues are the sum of all financial resources the GN raises and receives to fund its operations, investments, and other expenses. The GN expects to generate \$2.39 B in 2021-22 through federal transfers, revenues from third-party agreements, taxes, and other own-source revenues, including revolving funds and prior-year recoveries. This marks a -6% or \$145.0 M decrease from the \$2.53 B we forecast for 2020-21. While we still expect taxes and most transfers to grow in 2021-22, overall funding should fall due to the extraordinary nature of the various one-time, third-party payments received from the federal government for COVID-relief in 2020-21.

**Federal Transfers** **\$1,892.7**  
2021-22; GN Finance +3.7%

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 \$1,782.1 M in 2021-22, up 4% from last year. The TFF is an annual unconditional 'no strings attached' payment that recognizes territories, with our small economies and narrow tax bases, are not able to raise enough revenue on our own to provide public services comparable to elsewhere in Canada. Other federal transfers include the Canada Health Transfer (\$44.6 M), Canada Social Transfer (\$16.0 M), carbon levy (\$13.9 M), and a number of other arrangements through Health, Justice, and Family Services. Together, TFF and other federal transfers make up 80% of total GN revenues (for comparison, in New Brunswick this number is around 36% and BC 16%).

**Revenues From Third-Party Agreements** **\$239.6**  
2021-22; GN Finance -47.4%

The GN receives revenues from the federal government (~98%) and other organizations (~2%) through 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 roughly \$240 M from third-party sources in 2021-22, almost 70% of which will go to O&M deliverables and 30% to capital projects. Third-party spending will be down almost 50% from last year, largely due to the expiration of one-time 2020-21 measures implemented by the federal government to fight the COVID-19 pandemic. The Main Estimates and Capital Estimates include appendices that list the latest agreements, though some of the largest include Non-Insured Health Benefits (\$72.1 M), the Nunavut Health Wellness Agreement (\$24.0 M), Official Languages Agreement (\$9.6 M), and the Ecole des trois soleil school expansion (\$9.1 M). Third-party revenues tend to be difficult to predict, as they are based on the funding choices, budgets, and timelines of external funding organizations. Additional agreements may be signed later in the year.

**Taxes** **\$157.6**  
2021-22; GN Finance +5.0%

The GN expects to raise almost \$160 M in taxes in 2021-22, or \$7.5 M more than what we currently expect in 2020-21 (+5%, versus +4% the year before). Personal income (\$32 M, a total slowed supported by the federal government's COVID-related income support measures such as the Canada Emergency Response Benefit, or CERB) and payroll (\$36 M) taxes will be the largest contributors, both of which depend on the quantity and quality of jobs and wages in the territory. Fuel tax (\$25 M) may be up slightly, given the economy continued to grow even with the pandemic. Taxes on tobacco (\$27 M, which includes \$0.1 M in cannabis tax revenues) and property (\$12 M) should remain near their 2020-21 values. So too should corporate income tax (\$23 M), which depends on the profits of locally-based firms. Together, taxes are expected to make up 7% of the GN's total revenues, roughly the same figure as last year (6%). According to DBRS, tax revenue across provinces and territories grew by 2% in 2019-20, the most recent pre-COVID year. How well revenues across Canada recover in 2021-22 will depend on how quickly the COVID-19 virus is brought under control.

Revenues	Main Estimates	Revised Estimates	Main Estimates	Actual
	2021-22	2020-21	2020-21	2019-20
TFF and Other Federal Transfers	1,892.7	1,825.2	1,837.0	1,741.3
Revenues From Third-Party Agreements	239.6	455.7	262.2	191.7
Taxes	157.6	150.1	144.9	147.1
Revolving Funds	34.7	42.2	42.2	28.3
Other Own-Source Revenues	51.8	51.1	48.7	59.5
Prior-Year Recoveries	11.0	11.0	13.0	8.6
<b>Total Revenues</b>	<b>2,387.4</b>	<b>2,535.3</b>	<b>2,348.0</b>	<b>2,176.5</b>

	2021-22	2020-21(r)	2020-21	2019-20
Personal Income Tax	32.2	29.8	30.8	31.4
Corporate Income Tax	23.0	22.0	20.9	23.6
Payroll Tax	36.3	35.1	35.5	35.3
Tobacco Tax	27.2	26.7	23.8	22.6
Fuel Tax	24.6	23.0	22.3	23.5
Property Tax	11.6	11.0	8.8	8.4
Insurance Tax	2.7	2.5	2.8	2.3
<b>Total</b>	<b>157.6</b>	<b>150.1</b>	<b>144.9</b>	<b>147.1</b>

### Territorial Tax-to-GDP Ratio

**3.7%**

2021-22; GN Finance

-0.2 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 2020-21 share will decrease to slightly below 4%, a low figure (Ontario's ratio is about 10%, while PEI is roughly 15% and Alberta 7%; federally the ratio is 10%) that reflects the territory's small tax base and the high level of federal transfers that sustain government operations.

### Revolving & Other Own-Source Revenues

**\$86.5**

2021-22; GN Finance

-7.3%

The GN generates revenue in a number of ways aside from taxes. In 2021-22, for example, we expect to collect \$21.8 M in rent from GN employees in staff housing, and expect to collect another \$30.0 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, in particular the Petroleum Products Division (PPD; \$23.0 M, net cost of goods sold worth \$173.4 M; PPD's revenues are expected to fall \$8.5 M, constituting the bulk of the decline in this revenue category) and Liquor and Cannabis Commission (NULC; \$11.7 M net cost of goods sold worth \$10.4 M). Revolving funds hold money collected from user charges (such as fuel or liquor sales), up to a limit specified in law (\$15 M in net assets for the NULC, for example). Profits in excess of this cap are paid into the Consolidated Revenue Fund (CRF), much like a dividend.

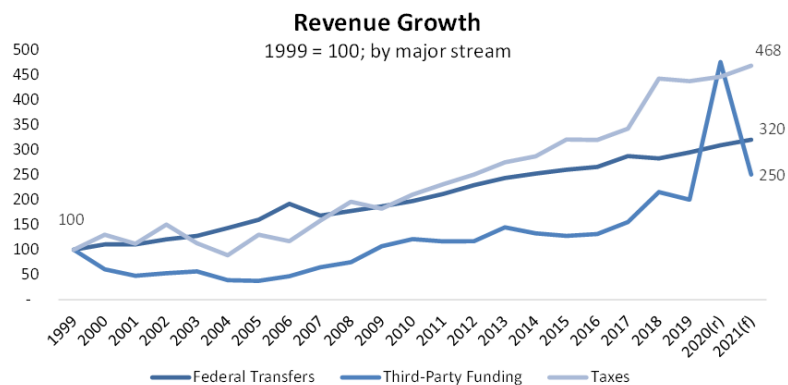
### Prior-Year Recoveries

**\$11.0**

2021-22; GN Finance

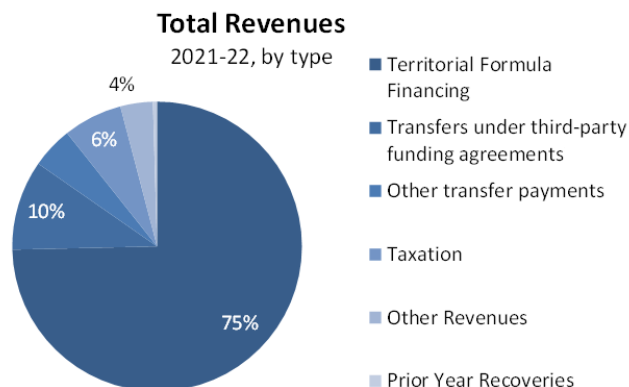
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The GN expects to report roughly \$11 M in prior-year recoveries in 2021-22. These revenues are earned when the GN recovers money after spending it; for example, when the GN is provided a refund for the purchase of goods subsequently returned.



**Cannabis:** We expect cannabis revenues—collected on Nunavut's behalf by the Canada Revenue Agency (CRA)—to remain modest, at roughly \$0.1 M. Like the rest of Canada, Nunavut continues to face steep competition from the illegal market—including sophisticated online sales—whose established distribution networks and price competitiveness have proven difficult to undermine, particularly in the absence of walk-in stores. Cannabis can be legally purchased in Nunavut through agents licensed by the Nunavut Liquor and Cannabis Commission (NULC). A list of these can be found at [www.nulc.ca](http://www.nulc.ca).

**Carbon Pricing:** The CRA began collecting the federal carbon levy in Nunavut on July 1, 2019. This revenue is, with a lag, remitted to the GN and distributed to Nunavummiut through the at-the-pump Nunavut Carbon Rebate (NCR; currently worth 50% of the tax paid by consumers) and a series of personal tax credit enhancements (increases to the Basic Personal Amount and the Cost of Living Tax Credit), as well as a reduction in the small business corporate income tax rate from 4% to 3%. In April 2021 the levy will increase from \$30 per tonne of CO<sub>2</sub>e emitted to \$40. In December 2020 the federal government announced that levy rates will continue increasing until they reach \$170 in 2030.



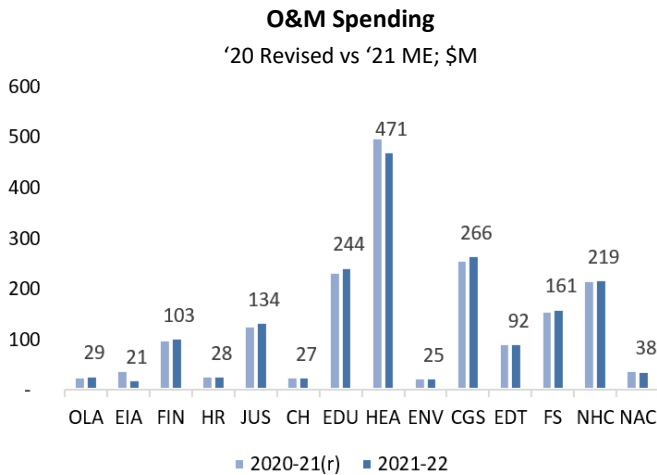
# Expenditures

## Departmental Expenditures **\$2,021.9**

2021-22; GN Finance **-6.3%**

The GN is budgeting \$2.02 B worth of departmental spending in 2021-22, down 6% from the year before. This is the total amount the GN seeks to appropriate through the Capital Estimates and Main Estimates. Of this, \$1,857.9 M will go to operations and maintenance (O&M) and \$164.0 M to new capital projects.

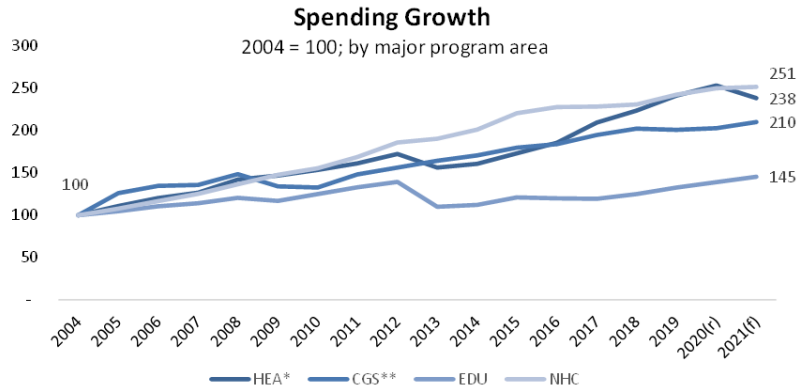
For **operations and maintenance (O&M)**, the GN is appropriating \$11.0 M less for O&M than the \$1,868.8 M included in the 2020-21 Revised Estimates (-1%). Most of this net decrease will come because of lower COVID-related spending by the Departments of Health (-\$29 M) and Executive and Intergovernmental Affairs (-\$19 M). Even so, both health and education spending will remain key drivers going forward (nationally, health has been growing at 3.5% and education at 2.6% each year; in Nunavut, with our high total dependency ratio, has seen even greater cost pressures). Of the departments receiving increased appropriations, Education (+11 M or +5%), Community and Government Service (+\$9 M or +4%), and Family Services (+\$5 M or +3%) will see the biggest increase. For all non-Health and Education spending, we expect total O&M growth of just under 1%.



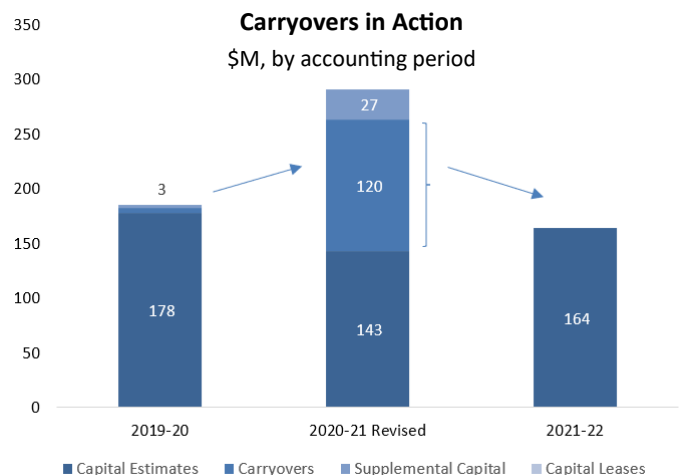
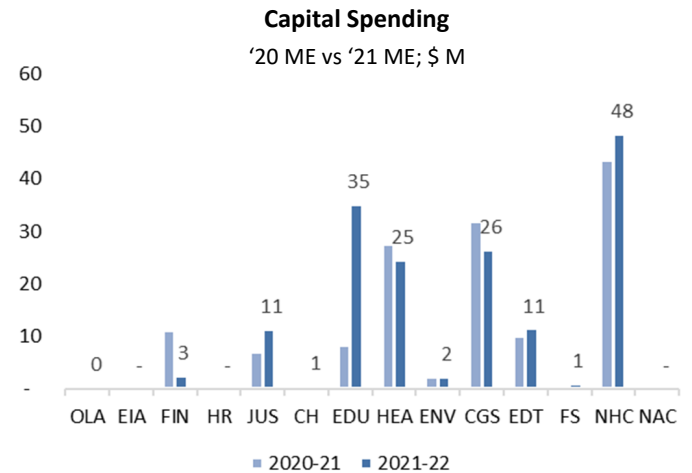
\*NHC nets out public rental recoveries and CMHC housing contributions from its O&M total.

### COVID and GN Spending

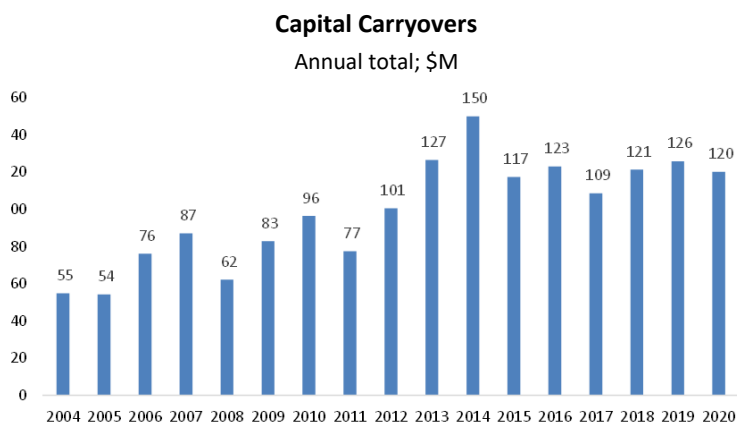
The COVID-19 pandemic has necessitated a massive fiscal response by governments worldwide. Nunavut is no exception, with emergency programs including a mandatory 14-day southern quarantine; support for northern airlines, schools, daycares, and other vulnerable populations; the Nunavut Essential Workers Wage Premium (NEWWP); and the purchase of personal protection, virus testing, and vaccine delivery equipment, as well as other necessary public health measures. Together these commitments equal \$129.4 M. Fortunately, most of this cost has been borne by the federal government through COVID-specific third party agreements.



In terms of **capital**, we forecast \$164 M in new spending in 2021-22 (up 15% from what was appropriated in the 2020-21 Capital Estimates). While this figure appears to be a sharp decline from the \$289 M ultimately appropriated through the Capital Estimates and Supplementary Appropriations in 2020-21 (Revised Estimates, -43%), capital carryovers—capital spending that is pushed to future years, largely due to construction delays associated with the difficulty of building in the Arctic—mean these two numbers are not strictly comparable. The revised 2020-21 figure, for example, includes not only the \$143 M appropriated for new capital in the 2020-21 Capital Estimates, but also \$120.2 M ‘carried over’ from uncompleted 2019-20 projects. The remaining \$27.3 M went to supplementary (that is, projects approved after the Capital Estimates were introduced) capital projects. We expect a similar amount for capital carryovers in 2021-22.



Carryovers are authorized through supplementary appropriations, generally early in the new fiscal year.



### 2021-22 Capital Plan

Each year, the GN asks the Legislative Assembly for funds to build public infrastructure (appropriations made through the Capital Estimates), but plans its capital spending needs over many years, in a document known as the Capital Plan.

This plan includes funding allocations for planning (preparatory activities like sites visits, consultations, and geotechnical surveys to identify whether a proposed project is necessary or even feasible; the money is paid from a general funding envelope administered by CGS), design (architectural drawings and other plans), construction (building materials and labour), and other capital spending (including housing, small/minor capital, lifecycle repairs and maintenance, IT equipment, fire trucks and other vehicles, etc.). A typical project requires 1 year to design, 2 years to build, and 1 year of warranty work.

Note that the plan does not address any extraordinary COVID-related incremental costs—such as the cost of operating isolation hubs for construction workers—due to uncertainty regarding the duration, severity, and necessary cost measures associated with the pandemic. Such costs would come in addition to the numbers discussed below.

### 2021-22 to 2025-26 Capital Plan

Approved November 5, 2020

**Capital approved 2021-22:** \$164.0 M in capital projects for the first year of the plan.

**Capital planned until 2025-26:** \$671.5 M in capital projects proposed over the five years of the plan.

**Total value of projects in plan:** \$988.2 M in total capital projects linked to the plan (including all prior and future spending outside the five-year plan).

**Projects under construction:** 20.

**% devoted to housing:** 30% of the 2021-22 capital appropriation (\$48.5 M) is to support housing and related programs.

## New Projects

2021-22 Capital Estimates; GN Finance

The Plan includes \$8.3 M in 2021-22 to bring 4 new major projects into the design stage. The total capital cost of these new projects is estimated at nearly \$74.5 M.

- **Taloyoak High School**  
(\$1.9 M to EDU in 2021-22; \$34.2 M total)
- **Arivat Bulk Fuel Capacity Upgrade**  
(\$1.5 M to CGS in 2021-22; \$27.3 M total)
- **Ilavut Centre Renovations in Kugluktuk**  
(\$0.4 M to JUS in 2021-22; \$4.6 M total)
- **Sanikiluaq Hamlet Office**  
(\$4.5 M to CGS in 2021-22; \$8.2 M total)

## Current Projects

2021-22 Capital Estimates; GN Finance

The GN continues its work on building a 24-bed **long-term care** facility in **Rankin Inlet**. \$17 M was approved for 2021-22, the first year of major construction. The facility is expected to open in 2024.

The **Kinngait Health Centre** will require \$0.3 M of warranty work in 2021-22 to complete the \$33.3 M project.

Last year's plan anticipated the need to spend \$11.5 M on building a **fibre optic** telecommunications line in 2021-2022. However, with the route being revised construction will not begin this year, meaning no 2021-22 appropriation is required.

The NHC will receive \$48.5 M in 2021-22 to support its capital **housing** activities, including the building and improvement of public and staff housing; mold remediation; local housing organizational support; and homeowner maintenance and purchase programs. The NHC combines these territorial investments with additional federal support.

## Operations Expenses

**\$2,401.6**

2021-22; Non-consolidated

-6.1%

Operations expenses build on core departmental expenditures (O&M + capital) by adding other expenses not part of the GN's appropriations to departments. These include expenses related to operating the liquor, petroleum, student, and public stores revolving funds (\$41.6 M), as well as spending incurred under third-party agreements (\$239.6 M). As we spend this money on behalf of external organizations, we do not appropriate it in precisely the same way as departmental spending.

Operations expenses also include the net change in capital assets, an adjustment related to how the GN accounts for the acquisition and consumption of capital assets, repayments on capital leases, and amortization. This adjustment fluctuates depending on capital appropriation plans and how quickly projects are completed. As the GN often carries over capital



## Expenditures

	Main Estimates 2021-22	Revised Estimates 2020-21	Main Estimates 2020-21	Actual 2019-20
O&M Expenditures	1,857.9	1,868.8	1,816.7	1,779.3
Capital Expenditures	164.0	**289.1	143.0	180.2
<b>Departmental Expenditures</b>	<b>2,021.9</b>	<b>2,157.9</b>	<b>1,959.7</b>	<b>1,959.5</b>
Net Change in Capital Assets*	23.6	(103.0)	61.3	(18.0)
Expenses Related to Revolving Funds*	41.6	46.1	45.2	39.3
Expenses Under Third-Party Agreements	239.6	455.7	262.2	156.1
<b>Operations Expenses</b>	<b>2,326.6</b>	<b>2,556.7</b>	<b>2,328.5</b>	<b>2,136.9</b>
Supplementary Requirements	75.0	-	50.0	-
<b>Total Projected Expenses</b>	<b>2,401.6</b>	<b>2,556.7</b>	<b>2,378.5</b>	<b>2,136.9</b>

\*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. Net Change in Capital Assets is equal to capital spending minus current-year carryovers minus net transfers to capital assets plus amortization.

\*\*This includes \$120 M in uncompleted capital projects 'carried over' from 2019-20, increasing the 2020-21 Main Estimates number through a supplementary appropriation. We can expect a similar amount to be carried into 2021-22 from 2020-21. In this way the Revised 2020-21 figure includes much more appropriated capital than will actually be spent.

...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 is finalized only when we prepare year-end financial statements.

On this basis, the GN expects (assuming no additional third party agreements) operations expenses to total \$2.40 B in 2021-22, a year-over-year decrease of 6%—again largely the result of an expected decline in spending requirements related to COVID. By comparison, DBRS estimates in recent (non-COVID) years total provincial spending growth has varied from 1.7% to 6.4%.

### Supplementary Requirements

2021-22; GN Finance

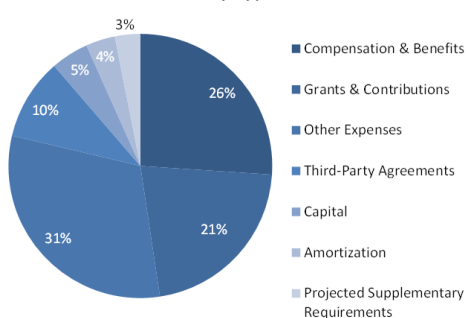
**\$75.0**

+50.0%

The GN is setting aside \$75 M for contingencies and unallocated funding in 2021-22. This funding is used to help cover spending overruns by departments, and to add some fiscal cushion in case of revenue shortfalls, unforeseen events, and emergencies. Negative numbers indicate funding was lapsed by departments and therefore went unspent. Assuming the GN spends all \$75 M in contingencies (a number up \$25 M this year due to further fiscal uncertainty surrounding COVID), we are projecting total expenses will come to \$2,401.6 M in 2021-22, down 6% from the revised figure of \$2,557 M in 2020-21.

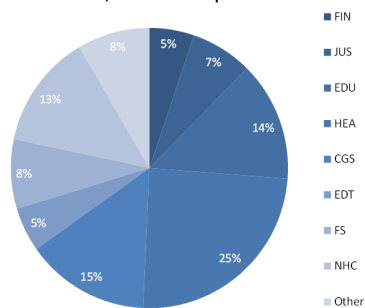
### Total Expenses

2021-22, by type



### Departmental Expenditures

2021-22, O&M + capital



### Total Spending per Capita

2021-22; GN Finance

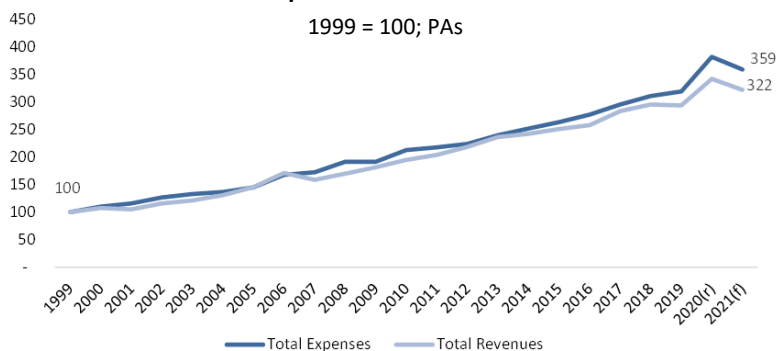
**\$59,882**

-7.8%

Climate, geographic remoteness, and a small, monopolistic commercial market make the provision of public services in Nunavut more costly than in the rest of Canada. Even so, we track spending carefully, to ensure the GN does not spend beyond its means. One measure is to divide total spending by the territory's population. We expect this *per capita* figure to shrink (due largely to lower projected COVID-related spending) almost 8% in the upcoming fiscal year, to just under \$60,000 (in comparison, the figure in a typical province like Manitoba is \$13,000). Also worth measuring is public spending as a percentage of GDP. We expect its share of the total economy will hit 57% in 2021-22 (against 24% in, for example, pre-pandemic Manitoba, according to DBRS).

### Expenses vs Revenues

1999 = 100; PAs



# Operating Surplus (Deficit)

## Summary of Operations

	Main Estimates 2021-22	Revised Estimates 2020-21	Main Estimates 2020-21
Total Revenues	2,387.4	2,535.3	2,348.0
<i>subtract:</i> Operations Expenses	(2,326.6)	(2,556.7)	(2,328.5)
<i>subtract:</i> Supplementary Requirements	(75.0)	-	(50.0)
<b>Projected Operating Surplus/(Deficit)</b>	<b>(14.3)</b>	<b>(21.4)</b>	<b>(30.5)</b>

## Financial Performance

**Operating Deficit** **(\$14.3)**  
2021-22; GN Finance *+\$7.1*

The GN currently projects an operating deficit of \$14 M in 2021-22, equal to 0.6% of revenues. This is the total amount the GN expects to overspend, though the final figure will depend on how much of the contingency fund remains unused at the end of March 2022, how much money departments have left to lapse or capital to carry over at the end of the year (which may be higher than normal because of COVID-related disruptions to departmental travel and other services), and the closing accounting charge related to capital assets. The final number will be made available in the 2022 Public Accounts.

**Projected Deficit-to-GDP Ratio** **-0.3%**  
2021-22; Non-consolidated *+0.2 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. A positive number indicates the government is in surplus, while a negative number indicates the government is spending more than its revenues. Assuming the GN fully spends its \$75 M contingency and revenues grow as forecast, we expect the GN's non-consolidated deficit-to-GDP ratio will be just under 0% in 2021-22, roughly the same as the results expected for 2020-21. Federally, the Parliamentary Budget Officer projects a 2021-22 deficit equal to -3.2% of GDP (after -15.0% in 2020-21), again largely due to extraordinary COVID-related spending.

**Consolidated Deficit** **(\$13.5)**  
2021-22; GN Finance *-\$31.0*

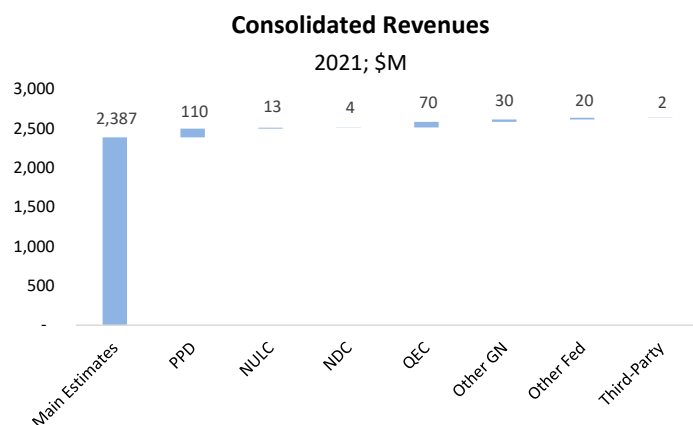
The Main Estimates present figures on a non-consolidated basis, as some public operations—such as those of QEC, the Nunavut Business Credit Corporation, and the District Education Authorities—are not voted on by the Assembly and therefore remain outside the appropriations process used by core government departments and funds. Even so, these activities are reported at the end of the year in the consolidated Public Accounts, which include adjustments to eliminate double-counting from budget transactions across government entities.

In addition to the Main Estimates, this year the GN will again submit a Consolidated Budget during the winter legislative session. This document will provide a comprehensive financial look at all government and government-controlled entities,

and will more accurately forecast the numbers ultimately presented in the consolidated end-of-year Public Accounts.

Our early forecast is for the following consolidated totals:

<b>Revenues</b>	\$2,636 M	<b>Net Assets</b>	\$2,903 M
<b>Expenses</b>	\$2,650 M	<b>Net Fin Assets</b>	\$316 M
<b>Deficit</b>	-\$13.5 M	<b>Amortization</b>	\$145 M



**Net Financial Assets** **\$224.7**  
2021-22; Non-consolidated *+4.6%*

Net financial assets (or debt, when negative) 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 assets). This is why the measure is often called a government's 'future revenue requirements' (any debt will need at least an equal amount of revenue if it is to be paid off in the future).

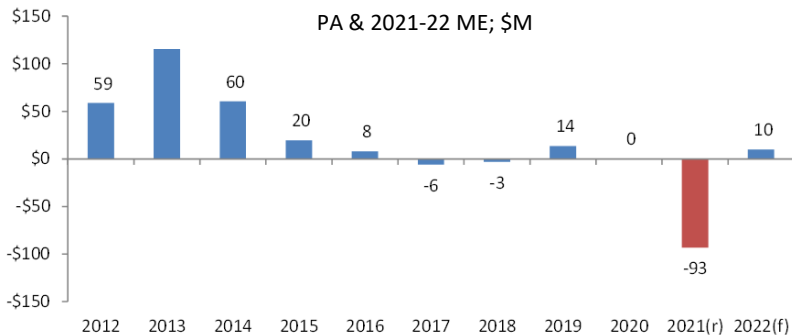
Changes in net financial assets are tracked in the Main Estimates. This statement records write-downs and net gains from the sale of capital assets. It also backs out accounting allocations, so the total reflects a cash rather than accrual position.

On top of the GN's operating deficit of -\$14.3 M, we expect to report an upward change to tangible capital assets worth \$23.6 M, based on accounting adjustments for capital acquisition (-\$62.7 M), write-downs (\$0), and amortization (\$86.0 M). As a result of these and a few other smaller adjustments, the GN expects to increase our net financial asset position by \$9.9 M. This will leave us with net assets at the end of the year worth \$225 M, equal to 5.3% of GDP.



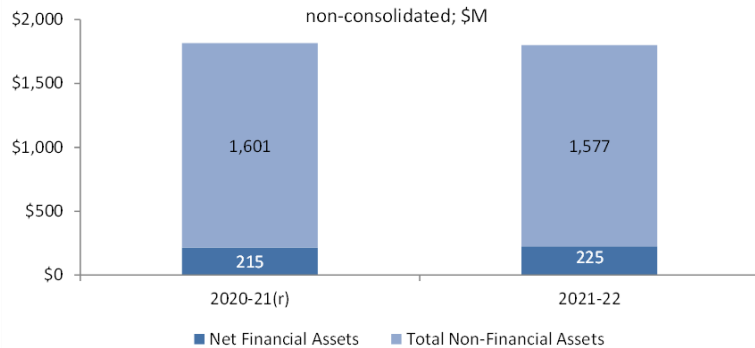
### Change in Net Financial Assets

PA & 2021-22 ME; \$M



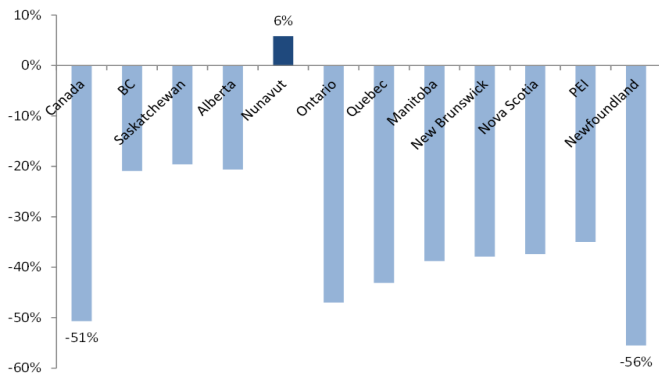
### Net Assets

non-consolidated; \$M



### Net Financial Assets-to-GDP

2021-22(f); nominal GDP



**Canadian Fiscal Conditions:** The COVID-19 coronavirus has imposed massive disruption on families and businesses.

This in turn places unprecedented demand on governments, including Nunavut's, for policy support. The result is record or near-record financial pressure across the country. RBC estimates provinces alone could face a combined 2020-21 deficit of \$93 B. Even before the pandemic, Canadian governments faced fiscal challenges that ranged from low oil prices to an aging population. Spending need associated with combating the virus will only further ensure that fiscal sustainability concerns will be with us for a long time. Going forward, successful virus containment will translate into better economic (and therefore fiscal) prospects. We have already seen the lockdowns brought on by a second virus wave in hard-hit Ontario and Quebec continue to hurt government finances, while in the Atlantic provinces—where the virus has been much better managed—employment has returned to near pre-crisis level and revenues are more stable.

### Net Assets ('Accumulated Surplus')

2021-22; Non-consolidated

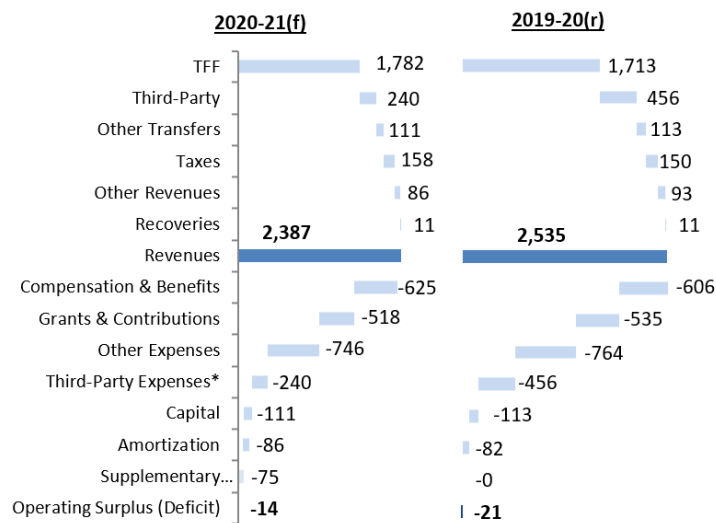
**\$1,801.6**

-0.8%

Net assets is the total value of the GN's recognized economic resources. This figure considers the worth of all GN assets, both financial (like cash) and tangible non-financial (such as buildings, equipment, and vehicles), then subtracts the GN's total liabilities. The total reflects all past operating surpluses and deficits, as well as any adjustments due to re-measurement. We forecast the GN's net assets to decrease by \$14 M in 2021-22, in line with our operating deficit. We currently expect to end 2020-21 with net assets of \$1,816 M, and so project a decrease to \$1,802 M in total assets by the end of 2021-22 (equal to 43% of GDP). Most of this net value comes from the GN's tangible non-financial assets like health centres, schools, and tank farms, which means that while these assets make the GN's delivery of services possible, it would be difficult to realize this value through sale on an open market.

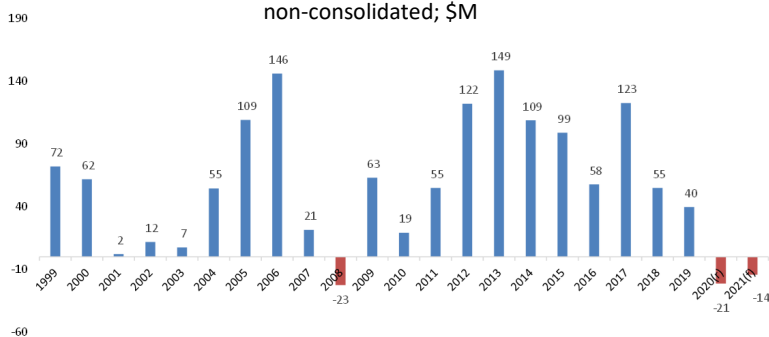
### GN Financial Statements—Waterfall

non-consolidated; \$M



### GN Surplus/Deficit

non-consolidated; \$M



# Debt

## Interest-to-Revenue Ratio (%)

2020-21, Non-consolidated; GN Finance

**0.5%**

no change

The interest-to-revenue ratio, also known as the debt service cost ratio or ‘interest bite’, measures how much of GN revenues are taken up by servicing the government’s non-consolidated debt (including the Nunavut Energy Savings Program). The combination of legislated debt restrictions, a history of low borrowing levels, a relatively high level of tied or third-party funding, and still-low interest rates will keep Nunavut’s ratio under 1% (based on \$12.2 M in spending on interest and financing activities), no change from 2020-21. Nationally, the latest (pre-pandemic) figure is 7%—though this varies from 3% in BC to 12% in Newfoundland.

## Total Government Borrowing

Dec 31, 2020; GN Finance

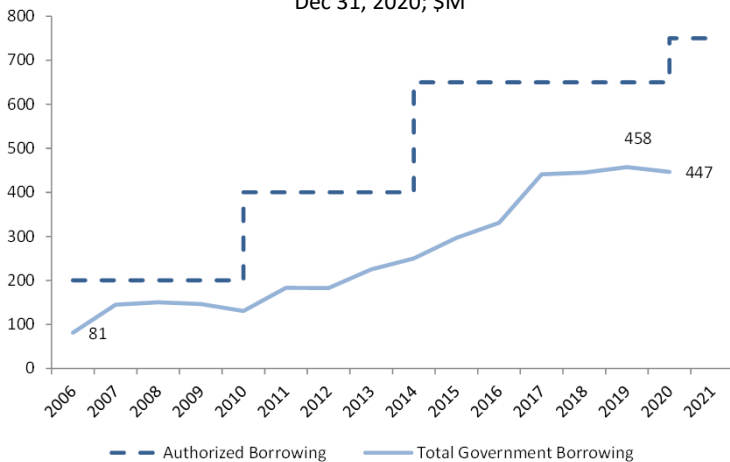
**\$446.6**

-2.4%

The Government of Canada limits how much debt the three territories can take on, including both actual borrowing and contingent liabilities. The GN’s legislated borrowing limit was increased by \$100 M in summer 2020 to \$750 M. As of December 31, 2020, total government borrowing was \$447 M (equal to 11% of GDP), leaving \$303 M in available borrowing room. The GN uses most of its borrowing room to guarantee loans and credit facilities extended to the Qulliq Energy Corporation (QEC, \$209.7 M), the Iqaluit airport project (\$152.3 M), and the Nunavut Housing Corporation (\$8.8 M). The rest is made up of GN obligations related to capital leases (\$54.0 M) and mortgages (\$0.4 M), and the Nunavut Energy Management Program (NEMP, \$23.1 M). Total borrowing decreased slightly from March 31, 2019 (-2%), down \$10.9 M.

### GN Authorized Borrowing

Dec 31, 2020; \$M

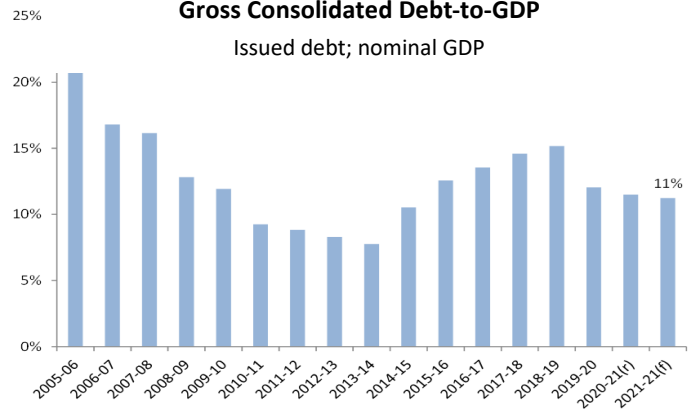


The debt decline was driven by a modest reduction in QEC borrowing and the NEMP, as well as the continuing reduction of capital lease and airport debt. Going forward, the GN expects to spend \$7.9 M on principal and interest repayments for capital leases and make no payments for mortgages in 2021-22. Another \$1.9 M will be paid for the Iqaluit airport and \$1.1 M for the

NEMP. Nationally, borrowing has increased dramatically as governments seek to manage the pandemic. The federal government, with its \$300 B in incremental 2020-21 borrowing, has seen its net debt-to-GDP ratio jump from 31% to 49%.

### Gross Consolidated Debt-to-GDP

Issued debt; nominal GDP



## Credit Rating

Nov 2020; DBRS

**AA low**

no change

A government’s credit rating is an evaluation of its credit risk, or how likely it will be able to pay back its debt in the future. DBRS Morningstar provides a yearly credit rating for the GN (as well as other governments within and outside of Canada). In December 2018 the GN was issued a AA low (with a stable trend) credit rating by DBRS, a rating subsequently confirmed each year since. This high score reflects the GN’s low risk of default. Assuming credit conditions do not change, 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 by Moody’s; the rating they issued was Aa1.

Province/Territory	DBRS Credit Rating
Canada	AAA
BC	AA high
Saskatchewan	AA low <sup>~</sup>
Alberta	AA low <sup>~</sup>
Nunavut	AA low
Yukon*	AA low
NWT*	AA low <sup>+</sup>
Ontario	AA low
Quebec	AA low <sup>+</sup>
Manitoba	A high
New Brunswick	A high
Nova Scotia	A high
PEI	A
Newfoundland	A low

\*Issued by other rating agencies, but converted to DBRS-type 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 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 subject to frequent revision by Statistics Canada (StatsCan) and other agencies.

## Nunavut's Economy

**Nominal GDP** **\$4,234**  
 2021 estimate; \$ M (GN Finance) **+11.7%**

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. Our latest forecast is that Nunavut's nominal GDP may reach \$4.2 B in 2021, up 12% from 2020 (which we expect grew less than 3%). This figure reflects in part a modest base year in 2020, where interrupted transportation links and extensive lockdowns curtailed economic activity. It also relies on continued mineral production amidst high commodity prices. AEM's Meadowbank and Meliadine mines, for example, overcame severe COVID disruptions and produced a combined 364,804 ounces of gold in the first three quarters of 2020. With this success Nunavut's gold mines (including Hope Bay, in the Kitikmeot) may exceed 1 M ounces of annual production by 2022. For the rest of the private sector, however, the results have been much more concerning. The virus has been extremely hard on the airline, tourism, and food establishment sectors. How well they recover in 2021 remains to be seen.

**Real GDP** **\$3,623**  
 2021 estimate; \$ 2012 (CBoC Nov 2020) **+11.6%**

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 picture of how a territory's actual production or 'real income' evolves over time. The CBoC estimates that Nunavut's real GDP will grow by 12% in 2021 (up from under 3% in 2020),

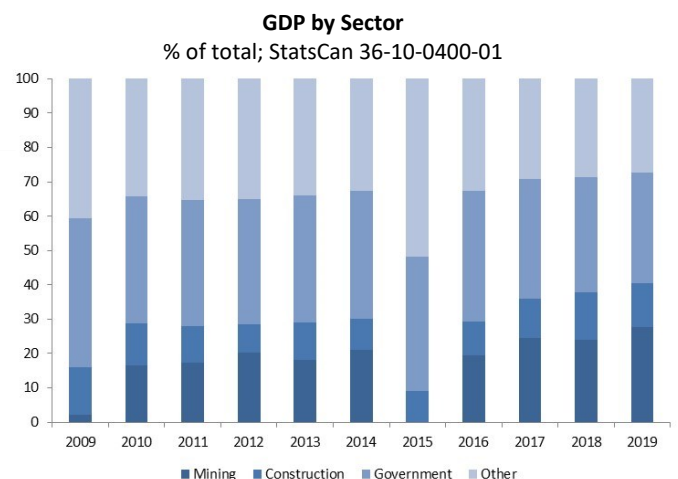
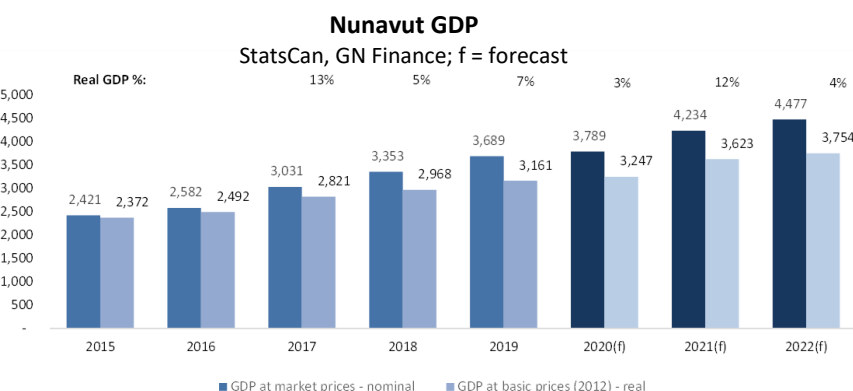
...coming in at roughly \$3.6 B. Nunavut's long-term economic prospects remain tied to both the territory's vast mineral potential—and its accompanying dependence on global commodity prices—and workforce education and skill development.

**Real GDP Per Capita** **\$90,336**  
 2021 estimate; \$ 2012 (CBoC, GN Finance) **9.5%**

Real GDP per capita is calculated by dividing price-adjusted output by total population. We track output per person because average wealth can be a useful guide to living standards (though it does not speak to how wealth is distributed amongst the population; nor, as in the case of mining, does it mean all of the wealth being produced stays in the territory). It is also a strong indication of whether economic growth is keeping pace with Nunavut's rapid population growth. Under current population and GDP forecasts, we expect real GDP per capita to grow by almost 10% in 2021.

**Government Share of GDP** **30.2%**  
 2021 estimate; % share (GN Finance) **-0.2 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 real GDP of the area it governs. The public sector plays a large role in Nunavut's economy: the CBoC expects it to account for more than 30% of all goods and services produced in 2021. This figure is slightly lower than the estimate for 2020 and Nunavut remains above the national figure. The economic activity of the federal government, for example, generally constitutes less than 20% of the national 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 generally quite small. One exception is mining, which accounts for roughly 1/3 of the economy—the industry's highest share in Canada. This means that as current mines reach peak production—and with few new mines ready to take their place—it will be difficult for the Nunavut economy to maintain its recent trend of rapid growth.



**The Canadian Economy in 2021:** Statistics Canada estimates that real GDP declined by 2.1% in Q1 2020 and a stunning 11.5% in Q2. In January 2021 the International Monetary Fund (IMF) forecast that as the economy slowly recovers from the COVID-19 pandemic, Canadian real GDP will grow by 3.6% in 2021, up from -5.5% the year before (globally, the expectation is for 5.5% in 2021, up from -3.5% in 2020). This growth will depend, however, on how quickly Canada—and the world—can distribute the vaccines necessary to end lockdowns and resume normal life. In the meantime, the tourism and food and accommodation sectors will continue to bear the brunt of the pandemic and face the hardest prospects. Remote work-capable services and sectors deemed essential will continue to be less impacted, but the virus' spread will remain the dominant risk for some time. Border closures and travel restrictions have reduced immigration by 60%. How well this and employment bounce back from April 2020 lows remains a crucial question.

**Business Investment in Capital \$1,298.0**

2019 (\$ 2012); StatsCan 36-10-0222-01 -11.2%

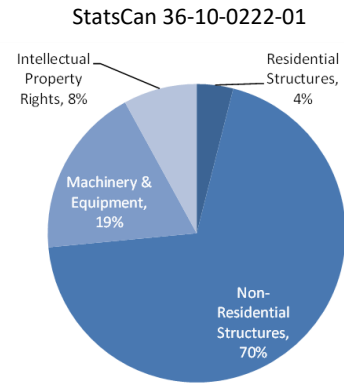
Business investment in capital refers to the total amount of private-sector capital investment in a given year. Firms invested \$1.3 B in Nunavut in 2019 (the latest year with available data). Most of this went to large investments in non-residential structures (down 3%, to \$897 M), machinery and equipment (down 31%, to \$239 M), and intellectual property (down 26%, to \$103 M), most of which were in the natural resources sector. Investment in residential structures increased significantly (up 38% from 2018, to \$51 M), improving the territory's tight housing supply. On top of this business investment, \$398 M was spent on government and non-profit projects in 2019, bringing total capital spending in the territory to \$1,698 M.

We expect the capital investment figures for 2020 will reflect minor construction delays in the spring due to the first COVID lockdown and subsequent public health measures (an estimated 1,000 southern workers were quarantined on their way into Nunavut during the 2020 construction season), and for projects to have run behind schedule more generally.

**Major Projects**

- **Grays Bay Road & Port:** \$21.5 M in federal support was set to get the project—a key piece of unlocking the copper, lead, zinc, and silver of the Izok Corridor—'shovel ready' in 2020. But COVID delays mean this preparatory fieldwork will be delayed until 2021 at the earliest.
- **Nanisivik Deep-water Port:** Workers arrived only in August, pushing back expected completion to 2022.
- **Back River:** Although work was delayed, the gold site was fully permitted by July 2020 and ready for an expanded drilling program. Commercial production is expected to begin by 2023.

**Share of Business Investment in Nunavut, 2019**



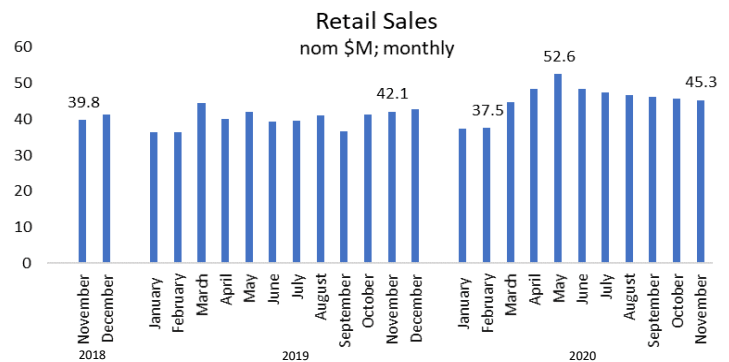
**Retail Sales (monthly)**

November 2020; StatsCan & NBS

**\$45.3**

7.7%

Retail sales is an important measure because it provides timely and important insight into the economic health of consumers. We compare retail sales year-over-year to avoid confusing results with regular or 'seasonal' patterns that repeat themselves every year, such as how heating oil sales go up in the winter and down in the summer. The latest available data compares November 2020 to November 2019 and shows a remarkable 8% increase (to \$45 M in monthly sales). Of this total, \$36.5 M went to grocery stores and \$8.7 M to other retail, including convenience stores.



**Tourism Operators**

2020; Travel Nunavut, CBoC

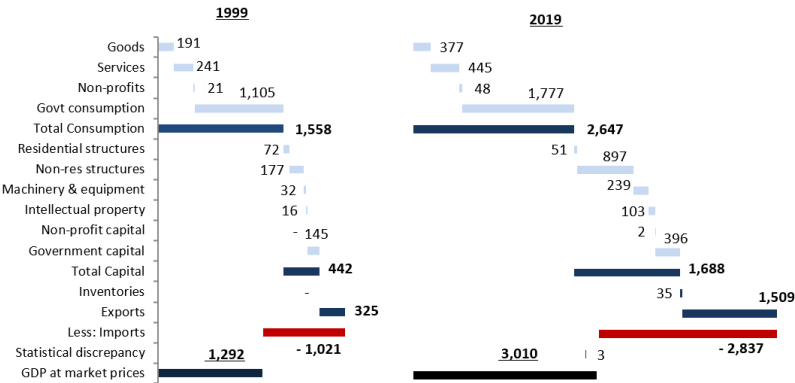
**140**

new

Travel Nunavut has roughly 140 member tourism operators, three quarters of which are headquartered in Nunavut and 66 of which are Inuit-owned. An estimated 50,000 visitors made their way to the territory in 2019, providing income for 3,000 people. About half these travelers came for business, most of whom originated in the rest of Canada—though the territory did receive 7,800 international visitors, the majority of who arrived as one of the 4,000 cruise tourists. With the pandemic, however, Nunavut adopted in March the most stringent travel ban in Canada, cutting off most tourist travel. That same month Transport Canada cancelled the year's Arctic cruise ship season and Parks Canada closed its sites for the year. Operators almost immediately began to report revenue declines in excess of 50% and layoffs amongst staff. Average hotel occupancy fell from 90-100% to 10%. How well the industry recovers in 2021 will depend on how quickly the virus can be brought under control.

## GDP Composition

StatsCan 36-10-0222-01; chained 2012 \$



...felt by Inuit workers (who endured roughly 90% of all losses). This stark difference drove the gap in employment rates between Inuit (now 39%, down from 45% in 2019) and non-Inuit (unchanged at 89%) even wider. The main concern now is how many of these unemployed workers will be too discouraged to re-enter the workforce when the economy recovers.

## Unemployment Rate

**14.0%**

2020; StatsCan 14-10-0090-01 (LFS)

+0.6 p.p.

The unemployment rate is the percentage of the labour force that is unemployed but still actively seeking employment. In 2020 Nunavut's unemployment rate increased to 14%, more than half a percentage point from 2019 (nationally the rate is 9.5%). Nunavut's labour force participation rate (the share of Nunavummiut aged 15 and over actively seeking employment) performed even worse, falling 5 p.p. in 2020 to 57% (Canada-wide the figure is 64%). Here again the long-term concern is how many Nunavummiut return to the labour force post-pandemic.

## Labour and Income

### Population (July 1)

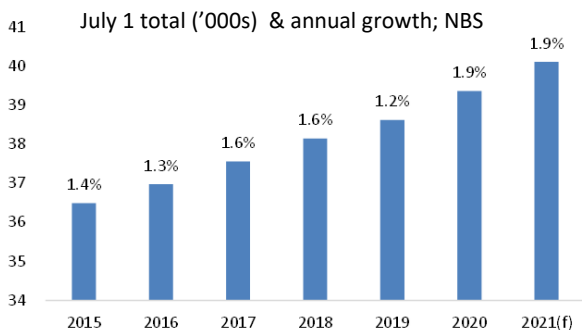
**39,353**

2020; StatsCan 17-10-0005-01

+1.9%

We measure total population as of July 1 in a given year. Nunavut's population grew by an estimated 739 people between 2019 and 2020, 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). Early estimates have inter-provincial migration at +77, which may in part be a function of how well the territory has managed the pandemic. Nunavut remains Canada's youngest region, with about half of residents under 26 (the national median age is 41) and almost a third—or 12,340 Nunavummiut—under 15. Looking ahead, we expect total population to reach 40,216 by July 2021, and for most of this growth to take place in Iqaluit, Arviat, and Rankin Inlet.

### Nunavut Population



### Employment

**13,000**

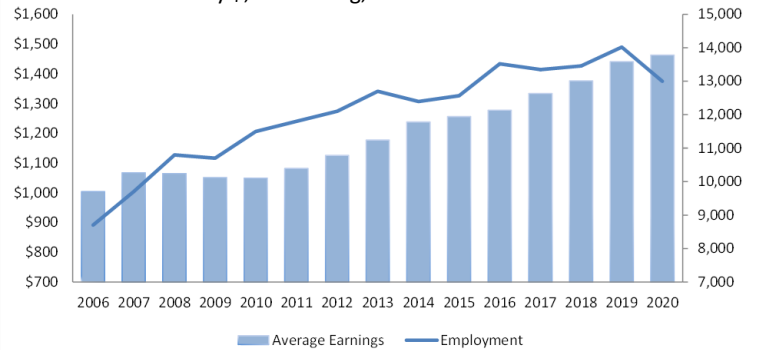
2020; NBS & StatsCan 14-10-0090-01 (LFS)

-7.3%

Employment refers to the annual average of people holding a steady job. COVID badly hurt the Nunavut labour force in 2020, as the latest average of 13,000 people employed is down 1,000 year-over-year—a loss rate (-7%) even worse than the national one (-5.2%). Nunavut's employment rate (the share of population aged 15 and over who found at least some employment during the year) declined in a similarly worrying fashion, from 53% to 49% (nationally the rate is 59%). The Nunavut Bureau of Statistics (NBS) found the largest number of job losses were

### Nunavut's Labour Market

Weekly \$, annual avg; Statistics Canada & NBS



### Average Weekly Earnings

**\$1,463**

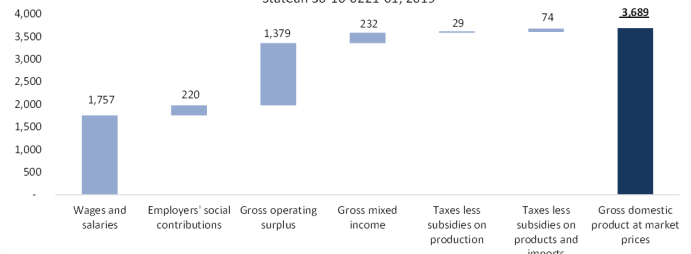
2020 (Jan-Oct) Industrial Agg; 14-10-0203

+1.6%

According to the latest figures, average weekly earnings in Nunavut increased by just \$22 (+2%) in 2020. Average wages in goods-producing industries like construction grew modestly (\$1,992/week, up only 0.4% from 2019), though the services sector (which is proportionately dependent on fewer fly-in, fly-out workers) did nothing to close the gap (\$1,328/week, up 1.0%). Fortunately, the near-absence of inflation meant most gains went to workers ('real earnings' at 1.6% against 0.8% in 2019). Nunavut wages remain well above the Canadian average of \$1,094 per week. This +33% differential (up 5.5 p.p. from 2019) is the result of a growing economy, a shortage of skilled labour, and the high cost of living in the north.

### GDP, Income-based

StatCan 36-10-0221-01; 2019





**Nunavut's Labour Context**  
2020; 14-10-0090-01



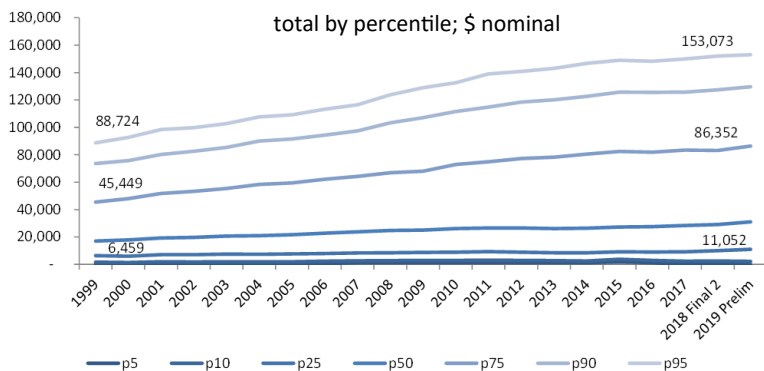
**Total Personal Income (tax filers)** **\$1,131.9 M**  
2019 T1 Preliminary; GN Finance **+4.0%**

Total income comprises all income that tax filers in Nunavut report, including employment, social assistance, pensions, investments, and the profits of sole proprietorships and business partnerships. Tracking total income gives us a sense of how much money is flowing to Nunavummiut. Total income grew more slowly last year (+4% vs +7% the year before, according to the latest preliminary figures), although this will be partly due to COVID-related delays in submitting and processing income tax returns. As of January 2021, the CRA had processed 21,240 tax returns (-1% compared to the same period in 2018) from Nunavummiut, who together report total income of about \$1.13 B for 2019. We expect this represents roughly 90% of all tax returns for 2019 and that once all late returns are filed total income will exceed \$1.25 B (roughly 85% of which coming from employment).

**Median Income (tax filers)** **\$31,087**  
2019 T1 Prelim; NBS & GN Finance **10.3%**

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 calculation—is not influenced by extremely high or low earnings. According to early tax data, median total income in Nunavut rose in 2019, to \$31,100 (up 10% from the same period in 2018). With the median income growing even faster than total income, we can infer that income gains in 2019 went predominately to middle-to-low-income earners.

**Nunavut Income Distribution**  
total by percentile; \$ nominal



**Share of Total Income By Highest 10%** **33.0%**  
2019 T1 Preliminary; GN Finance **+0.5p.p.**

In 2019, the top 10% of income earners in Nunavut reported earning in excess of \$129,656 each (up roughly 2% from 2018), according to our January 2021 results. Together, these individuals reported earning roughly \$373 M, which is one-third of all income reported in the territory. This data shows that income in Nunavut is distributed highly unequally—a situation not entirely uncommon elsewhere in Canada. We also expect high income earners to be somewhat protected in the pandemic, since they are more able to maintain employment by working from home or in the goods producing sector. Some may even accumulate savings from cancelled vacations and other services spending. However, there are some important equalizers to this inequality. First, Nunavut's progressive tax system means higher income earners pay more taxes: the top 10% of income earners paid an estimated 51% of Nunavut's total assessed personal income taxes in 2019. Also, these figures do not include the substantial non-income benefits for low earners, such as subsidized public housing.

**Low Income Families** **3,710**  
2018, all types; NBS & StatsCan 11-10-0020-01 **+2.2%**

The Low Income Measure (LIM) is a relative measure of low income, set at 50% of median after-tax household income (\$19,590 for all families in 2018). The measure is categorized according to the number of persons present in the household: couple families (1,120 families earning less than \$33,090 after tax; up 40 from the 2017 measure), lone-parent families (1,400 families under a \$21,890 threshold; down 30), and non-family persons (1,190 under \$9,650; up 60). NBS publishes this measure at the community level. The most recent data, from 2018, shows a 2% increase in the number of families living below the threshold. Nunavut's total number of households is roughly 12,000.

**Income Assistance Recipients** **12,684**  
2020; NBS & GN Family Services **-10.3%**

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 2020, almost 13,000 Nunavummiut in 5,700 households (or just over 30% of the territory's population) received a payment through this means-tested program. This number is down noticeably from 2019 (-10%), which likely reflects many Nunavummiut enrolling in federal COVID income benefits (such as the Canada Emergency Response Benefit, or CERB) instead. Total payments equaled \$47.9 M (up from \$44.9 M in 2019), an increase owing primarily to higher average payments per family (\$8,463, up from \$7,341 in 2019).



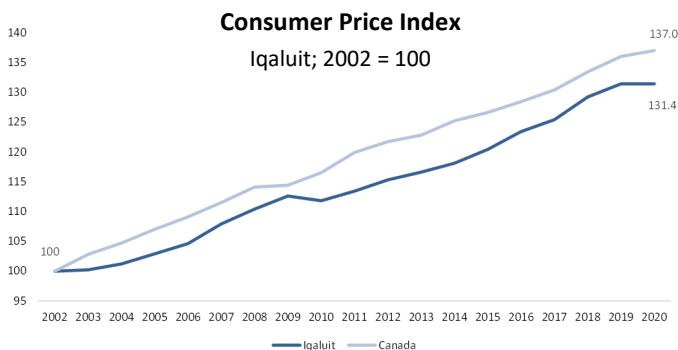
## Prices and Financial Markets

**Bank of Canada's Overnight Rate** **0.25%**  
*Jan 2021; Bank of Canada* *-1.50 p.p.*

The Bank of Canada's overnight or 'policy' interest rate is the rate at which it lends to large banks and other key financial institutions. Updated eight times per year, this rate affects the interest rates for mortgages, lines of credit, and business loans. Prior to the pandemic, the Bank was concerned about overleveraged Canadian borrowers and sought to slowly raise rates to discourage further loans. However, with economic production well below potential in 2020—and likely for much of 2021—the Bank has cut rates and can be expected to keep them low, even as prices increase as the post-COVID economy tightens as it works to meet pent-up demand.

**Consumer Price Index, Iqaluit** **131.4**  
*2020 (2002 = 100), annual avg; 18-010-0005-01* *+0.1%*

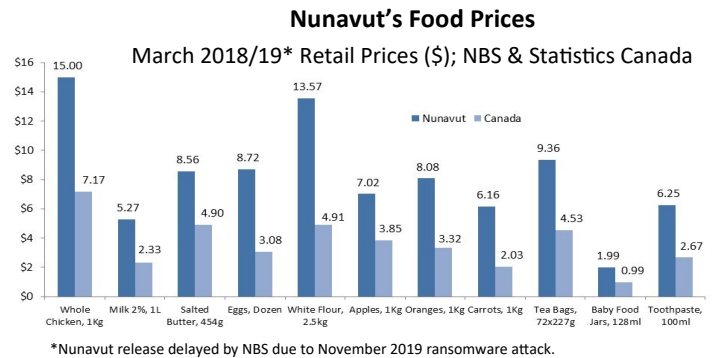
The consumer price index (CPI) measures inflation, the change in price of a standard 'basket' of consumer goods and services over time. Prices remained unchanged in 2020—compared to average Canadian price growth of 0.7% (for reference, the Bank of Canada's inflation target is 2%). Since 2003, annual all-item CPI growth in Iqaluit has averaged 1.7% (against 1.8% nationally). As CPI data exists only for Iqaluit, we do not know how quickly prices are changing in other communities. Also note that CPI does not measure price levels, only 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** **174.1**  
*2018/20; NBS, StatsCan 18-10-0002-01* *+1.8%*

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. Despite lower fuel prices—making the transport of goods to

the high arctic more affordable—and federal subsidies, the cost of basic necessities in Nunavut rose in 2018 (the latest year with available data) by almost 2%. While this growth is comparable with the rest of Canada, the price gap remains high: as an example, 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** **\$2,668**  
*2019, Social housing excluded; CMHC* *+2.0%*

The Canada Mortgage Housing Corporation (CMHC) found that monthly average rent in Iqaluit—the only community in Nunavut with available data—rose just 2% in 2019 to \$2,668 (social housing excluded; CMHC estimates 22% of units are rented by the NHC for social housing, 41% by the GN and Canada for staff housing, and 13% by private companies). Broken down by unit size, average rent was \$2,341 for a one-bedroom, \$2,736 for a two-bedroom, \$3,158 for a three-bedroom, and \$3,647 for a four-plus bedroom apartment. No new data on the total universe of rented units was released (2,126 in 2018). On the ownership side, Iqaluit's median residential sale price increased to \$550,000 (up 5%), likely due to a land shortage that continues to limit construction activity. Total residential building permits continue to be low, 26 permits in 2019 and just one permit in 2020, while residential sales increased slightly, from 36 to 39 (of which 23 were single-detached, 13 row homes, and 3 condo apartment units). Statistics Canada estimates 36.5% of Nunavummiut live in 'core housing need', double compared to other jurisdictions.

**CAD-USD Exchange Rate** **\$0.75**  
*2020; Bank of Canada (annual average)* *no change*

The CAD-USD exchange rate is the amount in American dollars (USD) that a person can buy with one Canadian dollar (CAD). 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 typically tracks commodity prices, particularly oil. However, with the global pandemic driving central banks to cut rates and increase the supply of money, the 'safe haven' status of Canada's currency has become more important to investors. Lower rates in the United States may also continue to prop up the CAD's value. While the CAD finished the year on a three-year high against the USD (\$0.79), overall it averaged \$0.75 USD in 2020, the same as in 2019.

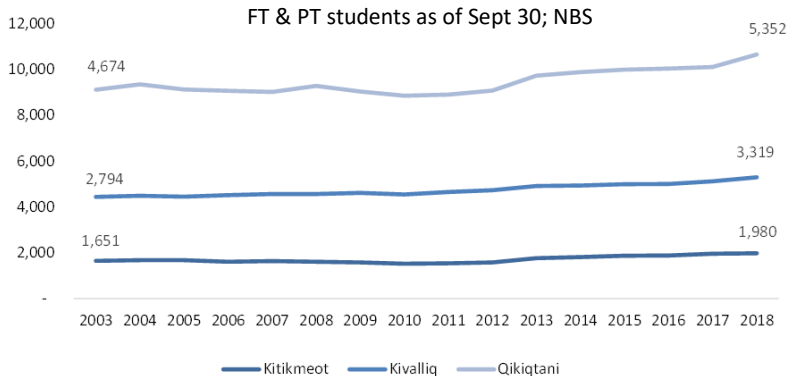
## Social Measures

**High School Graduation Rate** **48.5%**  
2017/19, Gross figure; NBS

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. In the latest proportion data available (2017), the share of 17-18 year-old Nunavummiut graduating from high school is less than half. Even more concerning is the 2019 data showing that total graduates have decreased significantly from 2017, falling from 297 to 262 (-12%). These figures indicate much work remains to be done. For comparison, the national high school completion rate is 88%.

### Public School Enrollment

FT & PT students as of Sept 30; NBS

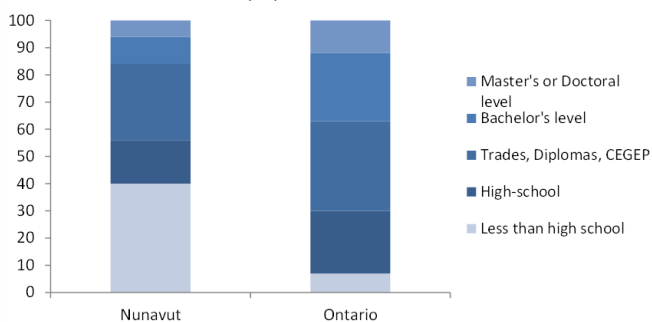


**Registered Apprentices** **156**  
2019, Major trades; StatsCan 37-10-0023 -7.1%

Registered apprenticeships are jobs with training that help workers gain recognized qualifications and skills while earning a living. With Nunavut's economy facing a shortage of skilled tradespeople, the GN—through Nunavut Arctic College and the Department of Family Services—is working hard to increase the number of registered apprentices. In 2019, the latest year with available data, the total dropped to 156, down 7% from the year prior. Electricians (27 apprentices), carpenters (24), heavy duty mechanics (27), plumbers (15), and automotive services (6) led the way as the most popular trade categories. Note that the current total is well below the 2010 peak of 255—and Nunavut lags the other two territories considerably (609 in Yukon and 423 in NWT).

### Education Composition

% of population 25-64, 2019



## COVID Cases (Confirmed)

285

January 28, 2021; GN Department of Health

On March 18, 2020 the Chief Public Health Officer (CPHO) declared a public health emergency in Nunavut due to the COVID-19 coronavirus. A series of strict measures were introduced, including the limitation of retail and closure of public facilities, as well as a mandatory two-week quarantine in southern 'isolation hubs' for travelers entering the territory. The GN instituted work-from-home for all non-essential staff until June 8th, with most businesses similarly reopening by June 15th. No cases were reported in this time.

This changed in the summer, when July 22nd saw the first of 25 cases at 3 of Nunavut's 4 operating mines (Hope Bay: 10 positive, 6 presumptive; Meliadine: 7 positive; Mary River: 2 positive), though since the infections were limited to fly-in/fly-out workers, they were ascribed to their home jurisdictions.

COVID spread to Nunavut's communities on November 6th, arriving first in Sanikiluaq, followed by Rankin Inlet, Arviat, and Whale Cove. Arviat was hit hardest, reaching 116 cases in just two weeks. The territory entered a two-week lockdown on November 18th, followed by community-specific lockdowns that, in Arviat, have yet to end. As of writing there have been 285 confirmed cases.

A 70-year old Iqaluit resident was Nunavut's first recipient of the vaccine, manufactured by Moderna. Mass immunization began on January 6th and the CPHO hopes to have 3/4 of the eligible population (19,000 adults) vaccinated by the end of March.

**Crime Severity Index** **361.3**

2019, per 100,000 residents; StatsCan 252-0052

11.0%

The Crime Severity Index (CSI) is a measurement of the seriousness of police-reported crime. The index is weighted by the seriousness of the crime (as measured by average incarceration time) and is expressed as a rate per 100,000 residents to facilitate comparison across jurisdictions. In 2019, Nunavut's CSI value increased almost 11%, to roughly 360—the second highest rate in Canada. Nationally, the figure is 79. Two other crime tracking statistics also worsened in 2018. The number of police-reported crimes in Nunavut grew 8%, to 38,119 per 100,000 residents (nationally the rate is 5,488 crimes), while the territory's homicide rate was down 14% (from 8 incidents to 7). This is equal to 18.0 homicides per 100,000 residents, a figure well above the national rate of just 1.8 (down 1% from the year before).

## Mining

**Commodity Price Index: Metals & Minerals** **611.8**

2020; Bank of Canada

+6.0%

The Bank of Canada tracks the USD spot or transaction prices of commodities produced in Canada and sold on world markets. The value of the Bank's Metals and Minerals Index in-

-creased almost 6% in 2020, a remarkable jump given the COVID-19 pandemic's disruption to industrial and consumer activity. This continues an upward trend that started in 2017 and helped keep Nunavut's mines running even as public health measures increased labour costs significantly. One exception to this upswing was energy prices, which dropped 28% amid dramatically lower demand due to widespread lockdowns, and a brief production war. Agricultural (-2%) and fisheries (-3%) products faced more modest declines.

**Commodity Prices:** *Despite the massive disruption COVID-19 inflicted on the global economy, the effect on commodity prices—outside oil, which hit a low of \$21 per barrel in April and which is only now slowly recovering—has in the end been much more muted than expected. Steep drops last spring in the metals sector, for example, have been almost entirely erased; most metals are in fact now above their pre-pandemic price. Preliminary 2020 figures show mineral exploration spending in Nunavut fell by 6%, to \$115.7 M. These number may be even worse when the final numbers are released, as the COVID-related travel restrictions imposed in March mean most exploration planned for the summer season was deferred, restricting the pipeline of future projects even beyond the pre-pandemic slowdown in exploration spending. Looking ahead, the World Bank forecasts further gains for metals and agricultural goods in 2021, a modest 2% and 1%, respectively. For crude the outlook is less optimistic, with prices expected to remain near their fall price (\$41), at \$44.*

**Total Mineral Production** **\$1.32 B**  
 2019 preliminary (\$ B); Natural Resources Canada +27%

Total mineral production is the value generated by all minerals extracted in Nunavut in a given year. The 2019 preliminary value—a snapshot of production taken from before the pandemic—was \$1.3 B, up almost 30% from 2018. Of this, \$851 M came from gold production (14,473 kg produced, up 28%) and \$463 M from iron (5,205 tonnes produced, up 5%). Across Canada total mineral production fell slightly, down 2% in value to \$48 B (giving Nunavut a nearly 3% national share, down 0.1 p.p.). Production in 2020 will be heavily impacted by the pandemic, with 800-900 local workers at Nunavut's mines furloughed in mid-March. These facilities were sustained by fly-in, fly-out workers exempted from quarantine requirements, but operations were negatively affected.

**Gold Price** **\$1,762 USD**  
 2020; USD/troy oz (World Bank) +27.0%

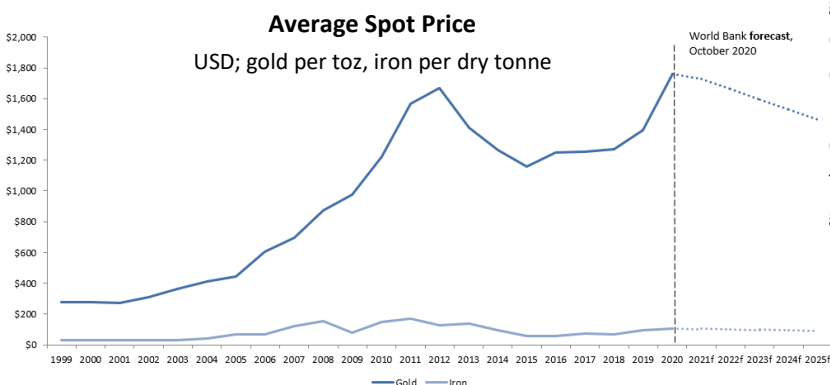
The price of gold averaged almost \$1,800 US per troy ounce in 2020, up 30% from 2019. Economic uncertainty and aggressive central bank action (even more so than during the 2008-09 financial crash) drove the price to almost \$2,100 in August 2020. Continued pandemic-inspired economic risk mean high prices are here to stay, at least for the medium-term. The precious metal is currently mined in Nunavut at AEM's Meadowbank (including the Amaruq satellite deposit, which extended expected mine life from 2019 to 2025) and Meliadine (270,000 annual ounce life until 2034) sites, as well as Hope Bay (200,000 ounces until 2036). Sabina's Back River, currently in development, could produce 200,000 ounces for 11 years. Of note, AEM announced in January 2021 it would acquire Hope Bay from TMAC for \$286 M, after an earlier bid from Shandong Gold, a Chinese firm, was rejected by federal regulators on national security grounds.

**Iron Ore Price** **\$105 USD**  
 2020; USD/dry ton (World Bank) +12.0%

Iron ore averaged \$105 per dry ton in 2020, an \$11 increase from 2019 that took most analysts by surprise. This is due in part to China's robust demand for steel production, particularly as it recovers from COVID and its associated economic disruption. Similarly important was the mismanagement of the virus by Brazilian authorities, leading to serious production shortages at Vale, the world's largest producer. Cooling diplomatic relations between China and its largest iron supplier, Australia, has added even more uncertainty to the market. In Nunavut, controversy continues to surround Baffinland's Mary River expansion plans. The recent high prices encouraged the company to apply to the Nunavut Impact Review Board (NIRB) to increase production from 6 M to 12 M tonnes per year and to construct a 110 km railway to Milne Inlet. However, the Qikiqtani Inuit Association (QIA), who manages most of the land occupied by the mine, refuses to support the company's proposal, citing caribou migration and other hunting concerns.

**Diamond Price** **96.1**  
 2019; FRED Export Price (Dec 2013 = 100) -5%

Diamond prices fell in 2020, according to the US Federal Reserve's index of export prices, largely because the pandemic ground much of the diamond industry to a halt. Global lockdowns closed jewelry shops and public health restrictions disrupted both production and trade. NWT's Gahcho Kué, Diavik, and Ekati mines, for example, all suffered substantial disruption due to COVID outbreaks. Going forward, we expect this constraint on supply to cause prices to rebound when global demand returns post-pandemic. De Beers' Chidliak project near Iqaluit holds an estimated 18.0 M carats.



## Key Fiscal Indicators

	Trend	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21(f)	2021-22(f)
<b>Revenues</b>											
<b>Federal Funding</b>											
Territorial Formula Financing		1,465.2	1,576.6	1,618.2	1,659.7	1,694.3	1,846.9	1,880.0	1,933.0	2,280.9	2,132.3
Transfers Under Third-Party Funding Arrangements*		1,273.5	1,350.4	1,409.1	1,454.2	1,488.6	1,529.9	1,578.8	1,641.7	1,712.5	1,782.1
Other Federal Transfers		112.1	138.7	126.8	122.2	125.8	148.5	203.6	191.7	455.7	239.6
<b>Own-Source Revenues</b>											
Taxes		154.8	177.7	177.1	202.2	218.6	252.7	253.9	243.5	254.4	255.1
Revolving Funds (Net CoGS)		84.2	92.4	96.4	107.8	107.5	115.2	148.8	147.1	150.1	157.6
Other Own-Source		20.1	25.3	26.3	33.1	52.8	39.2	35.3	28.3	42.2	34.7
Recovery of Prior Years' Expenditures		37.2	50.6	41.5	45.4	43.5	87.7	57.2	59.5	51.1	51.8
<b>Total Revenues</b>		13.3	9.3	12.8	15.9	14.8	10.6	12.6	8.6	11.0	11.0
		<b>1,620.1</b>	<b>1,754.2</b>	<b>1,795.3</b>	<b>1,862.0</b>	<b>1,912.9</b>	<b>2,099.6</b>	<b>2,133.9</b>	<b>2,176.5</b>	<b>2,535.3</b>	<b>2,387.4</b>
Share of Federal Transfers (%)		83.5	82.0	83.1	82.6	82.0	80.9	78.6	80.0	72.0	79.3
Tax-to-GDP Ratio (%)		3.8	4.0	4.0	4.5	4.2	3.8	4.4	4.0	4.0	3.7
<b>Expenditures</b>											
O&M		1,273.2	1,349.5	1,397.2	1,481.6	1,547.9	1,621.3	1,712.9	1,779.3	1,868.8	1,857.9
Capital		90.9	183.6	231.4	223.9	221.5	301.4	191.7	180.2	289.1	164.0
<b>Departmental Expenditures</b>											
		<b>1,364.1</b>	<b>1,533.1</b>	<b>1,628.5</b>	<b>1,705.5</b>	<b>1,769.4</b>	<b>1,922.7</b>	<b>1,904.6</b>	<b>1,959.5</b>	<b>2,157.9</b>	<b>2,021.9</b>
Net Transfer to Capital Assets		-8.9	-79.6	-99.0	-88.4	-66.1	-123.0	-17.1	-18.0	-103.0	23.6
Expenses for Revolving Funds & Other		33.5	28.0	27.1	30.4	31.8	45.5	34.1	39.3	46.1	41.6
Expenses Related to Third-Party Agreements		109.3	124.0	129.8	115.4	120.0	131.9	157.5	156.1	455.7	239.6
Supplementary Requirements & Contingencies		0	0	0	0	0	0	0	0	0	75.0
<b>Total Projected Expenses</b>		<b>1,498.0</b>	<b>1,605.5</b>	<b>1,686.4</b>	<b>1,763.0</b>	<b>1,855.1</b>	<b>1,977.0</b>	<b>2,079.1</b>	<b>2,136.9</b>	<b>2,556.7</b>	<b>2,401.7</b>
<b>Yearly Surplus (Deficit), Public Accounts Basis</b>											
Expenditures / person (\$)		122.1	148.7	108.9	99.0	57.8	122.6	54.8	39.6	-21.4	-14.3
Expenditures / GDP (%)		43,205	45,434	46,882	48,316	50,172	52,637	54,509	55,340	64,968	59,883
Capital spending as share of total (%)		68.1	70.0	70.8	72.8	71.8	65.2	62.0	57.9	67.5	56.7
Health spending as share of total (%)**		6.1	11.4	13.7	12.7	11.9	15.2	9.2	8.4	11.3	6.8
Education spending as share of total (%)		22.7	19.2	18.8	19.4	19.8	20.9	21.3	22.3	19.6	19.6
Projected Surplus / GDP (%)		13.2	13.0	12.8	12.9	12.5	12.5	12.3	11.9	10.0	11.1
Net Financial Assets (end of year)		5.6	6.5	4.6	4.1	2.2	4.0	1.6	1.1	-0.6	-0.3
Net Financial Assets (end of year) / GDP (%)		215.3	275.8	295.4	303.5	297.4	294.2	307.8	308.1	214.8	224.7
Interest Costs / Total Revenues (%)***		9.8	12.0	12.4	12.5	11.5	9.7	9.2	8.4	5.7	5.3
Government Borrowing		0.7	0.6	0.6	0.7	0.7	1.2	0.9	1.3	0.5	0.5
Credit Rating		187.1	225.0	250.8	301.1	331.2	440.9	445.2	457.5	446.6	-
		-	Aa1	Aa1	Aa1	Aa1	Aa1	Aa low	Aa low	Aa low	Aa low

Notes: \*The GN receives a small share of third-party revenues (<2%) 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 as a share of total spending is not strictly comparable with 2012-13 and earlier. Numbers in italics indicate forecast; empty cells indicate no data or forecast for that year. \*\*\*Note that the interest figure in the main text includes principal repayments. Interest-only figures are not broken out in the Main Estimates, though they are reported in the Public Accounts at year end.



## Key Economic Indicators

	Trend	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021(f)
<b>Gross Domestic Product</b>											
Nominal GDP (expenditure-based, \$ M)		2,200	2,295	2,383	2,421	2,582	3,031	3,353	3,689	3,789	4,234
Real GDP (basic prices, \$ 2012 M)		2,199	2,410	2,379	2,372	2,492	2,821	2,968	3,161	3,247	3,623
Real GDP per person (basic prices, \$ 2012)		63,423	68,200	66,137	65,008	67,397	75,108	77,812	81,862	82,510	90,336
Government Share of GDP (actual, %)		35.3	32.5	35.1	36.6	35.5	32.7	31.4	30.6	30.2	27.5
Business Investment in Capital (\$ 2012)		738	1,013	668	687	704	1,071	1,453	1,290	-	-
<b>Population &amp; Labour</b>											
Population, July 1 (# of people)		34,672	35,337	35,971	36,488	36,975	37,559	38,143	38,614	39,353	40,106
Employment (# of people employed)		12,100	12,700	12,392	12,567	13,517	13,350	13,458	14,017	13,000	-
Unemployment Rate (%)		15.6	14.0	13.8	15.9	14.9	14.6	14.1	13.4	14.0	-
Employment rate (% of people aged 15+)		54.8	56.5	53.4	53	55.8	54.9	53.9	53.9	49.2	-
Participation Rate (%)		65	65.8	61.5	63.2	65.6	64.3	62.9	61.8	56.8	-
Average Weekly Earnings (\$)		1,125	1,177	1,238	1,256	1,277	1,333	1,376	1,441	1,463	-
Total Income (taxfiler, \$ M)		974	1,020.6	989.3	1,040	1,046	1,095	1,199	1,132	-	-
Median Total Income (taxfiler, \$)		26,576	26,145	26,475	27,243	27,614	28,424	29,080	31,087	-	-
Share of Total Income by Top 10% (%)		33.7	34.7	34.0	34.0	33.4	33.2	34.2	33.0	-	-
Income Assistance Recipients		13,797	14,578	-	14,428	14,337	14,952	14,488	14,142	12,684	-
High School Gross Graduation Rate (%)		35.1	32.1	32.1	34	41.7	47.7	48.5	-	-	-
<b>Monetary Trends</b>											
Bank of Canada Overnight Interest Rate (%)		0.9	0.9	0.9	0.6	0.5	0.7	1.75	1.75	0.25	-
Consumer Price Index, Iqaluit (2002=100)		115.3	116.6	118.1	120.4	123.4	125.4	129.2	131.4	131.4	-
Nunavut Food Price Basket (24 items)		-	155.66	157.4	165.3	172.9	171	174.1	-	-	-
Average Monthly Rent, Iqaluit (Excl. Social)		2,335	2,417	2,462	2,511	2,542	2,604	2,610	2,668	-	-
CAD-USD Exchange Rate		1	0.97	0.91	0.78	0.75	0.77	0.77	0.75	-	-
<b>Commodities</b>											
Bank of Canada Metals & Minerals Index		722.8	609.6	576.5	510.8	496.9	536.0	560.6	570.3	575.5	-
Total Mineral Production (\$'000s)		614,441	629,041	636,424	644,165	700,094	1,100,366	1,036,595	1,315,978	-	-
Gold Price (USD/troy oz; annual avg)		1,669	1,411	1,266	1,160	1,249	1,258	1,269	1,393	1,762	-
Iron Price (CFR Tianjin port; USD/dry ton; annual avg)		129	135	97	56	59	72	69	94	105	-
Uranium Price (USD/pound; annual avg)		49	39	33	37	26	22	30	26	30	-
FRED Diamond Export Price Index (Dec 2013 = 100)		-	100	108.4	106.1	105	100.1	101.5	101.5	96.1	-