

About this document

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

Key Fiscal Indicators

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

Revenues

Revenues, Main Estimates basis **\$1,639.6**
2014-15; Main Estimates +3.9%

The GN is budgeting to receive \$1,639.6 M in 2014-15, through federal transfers (\$1,481.1 M), taxes (\$89.7 M), and other own-source revenues (\$68.8 M). Other revenues include amounts earned by the Liquor Commission and Petroleum Products Division (the 'revolving funds'), which we anticipate will reach \$32.9 M. The GN expects \$62.1 M more (+3.9%) in 2014-15 than in 2013-14, mostly due to growth in federal transfers (+48.2 M).

Third-party Revenues **\$75.7**
2014-15; Main Estimates -38.6%

The GN had confirmed \$75.7 M from outside, third-party organizations ('vote 4/5 funding') before finalizing the 2014-15 Main Estimates. We have since signed an agreement with the federal government to extend the Gas Tax Fund, and expect to confirm further funding through the

federal Building Canada Fund. Together, we anticipate these two agreements could provide an additional \$40.6 million in 2014-15 for infrastructure projects across the territory, increasing our projections of third-party funding in the upcoming year to about \$116 M (-5.8%).

Prior-Year Recoveries **\$12.0**
2014-15; GN Finance -

When the GN spends money but recovers some or all of it (e.g. if we purchase something and then return it for a refund), we report it in our financial statements as revenue. According to Nunavut's *Financial Administration Act*, we may not use these recovered amounts to increase what we appropriate, and so do not estimate these recoveries in the Main Estimates. This creates a difference between the revenues we appropriate and what we will eventually report in our Public Accounts. Recoveries in 2012-13 were \$13.3 million, and were roughly \$11 million in previous years. As recoveries are generally stable, we expect to report about \$12 million for 2014-15.

Revenues, Public Accounts basis **\$1,727.3**
2014-15; GN Finance +0.8%

Each fall, the GN reports revenues it receives from federal transfers, taxes, revolving funds, other own-source revenues and third-party agreements in its non-consolidated financial statements. Revenues reported in these Public Accounts are more comprehensive than those presented in the Main Estimates because they include revenues from third-party agreements and prior-year recoveries. On this basis, we expect to receive \$1,727.3 M in 2014-15.

	Main Estimates 2014-15	Revised Estimates 2013-14	Main Estimates 2013-14	Actual 2012-13
Federal Transfers	1,481.1	1,432.9	1,430.3	1,353.1
Own-Source Revenues	158.5	144.6	134.0	141.6
Taxes	89.7	89.0	84.1	84.2
Revolving Funds (net CoGS)	32.9	19.7	18.8	20.1
Other own-source	35.9	35.9	31.1	37.2
Revenues (Main Estimates basis)	1,639.6	1,577.5	1,564.3	1,494.7
Revenues from third-party agreements	75.7	123.2	115.2	112.1
Prior-Year Recoveries	12.0	12.0	12.0	13.3
Revenues (Public Accounts basis)	1,727.3	1,712.7	1,691.5	1,620.1

Note: The 2014-15 MEs Summary of Revenues includes, in the 2012-13 actuals column, \$15.722M under 'Recovery of Prior-years' Expenditures / Others.' This amount consists of \$13.3 M in recoveries and \$2.407 M in non-federal vote 4/5 funding. To keep this document's presentation consistent across years, we remove these amounts from Revenues (Main Estimates' basis) and include them when calculating Revenues (Public Accounts basis).

Share of Federal Transfers **85.7%**
 2014-15; % of Revenues (Public Accounts basis) +2.1 p.p.

Federal transfers (\$1,481.1 M) will make up 85.7% of total GN revenues in 2014-15. The largest of these transfers, the Territorial Formula Financing (TFF) arrangement, will provide \$1,409.1 M. Other important federal transfers include the Canada Health Transfer (\$33 M), the Canada Social Transfer (\$13 M), and the Physicians' and Hospital Services Fund (\$23 M). The \$10 M Medical Travel Fund, available in previous years, expired March 31, 2014. In its 2014 Budget, the Government of Canada announced \$70 M in total over three years to the three territories for a replacement program, though details—including how much will flow to Nunavut each year—are still unavailable.

Update: Starting in 2014-15, the federal government is using a new formula to calculate payments under the TFF. Changes to the formula were largely technical, and related to estimating how much revenue territories can reasonably raise on their own. The new TFF formula will continue until March 31, 2019, at which point we fully expect the federal government will renew it again. The GN is still assessing the likely fiscal impacts of the new formula over the next five years.

Tax Revenues **\$89.7**
 2014-15; Main Estimates +0.8%

The GN is budgeting to raise \$89.7 M in taxes, slightly more than what we currently expect in 2013-14. Personal income tax (\$27.8 M) and payroll tax (\$24.2 M) are the largest contributors. Tobacco tax (\$16.3 M) is still significant, but has slowed recently due to lower tobacco sales. Corporate income tax (\$12.5 M) fluctuates, but is likely to increase over time as mines begin to open. Mining firms themselves will likely not pay income tax in the short term, as Canadian law provides significant flexibility in terms of when and where mining companies pay taxes. However, as mines begin development and operation we expect other firms in Nunavut that support mining (construction, logistics, transportation, etc.) will generate profit and tax.

Territorial Tax / GDP **3.9%**
 2014-15; GN Finance +0.1 p.p.

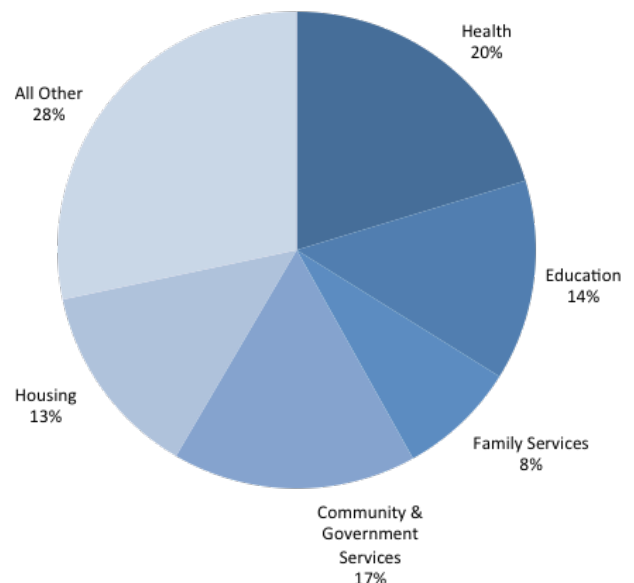
As taxes are related to a region's economic activity, it is useful to compare the revenues we expect to raise through taxes to the size of our economy. In Nunavut, this share is quite small (3.9%). Nunavut's economy does not contribute much tax revenue to local government operations, mostly because the private sector itself is so small. This is the key reason why the GN relies so heavily on federal transfers for its revenues. Over time, as our private sector grows, this indicator will increase.

Tax (\$ millions)	Main Estimates 2014-15	Revised Estimates 2013-14	Main Estimates 2013-14	Actual 2012-13
Personal income tax	27.8	26.7	25.2	27.2
Corporate income tax	12.5	11.8	9.5	9.5
Payroll tax	24.2	23.6	24.3	21.7
Tobacco tax	16.3	16.2	17.6	16.7
Fuel tax	4.0	6.0	4.0	5.3
Property tax	3.1	3.0	2.8	2.7
Insurance premiums tax	1.8	1.7	0.7	1.3
Total	89.7	89.0	84.1	84.2

Expenditures

Expenditures, Main Estimates basis **\$1,533.0**
 2014-15; Main Estimates -7.9%

The GN is budgeting to spend \$1,533.0 M in 2014-15 through its departments. Most will go towards operations and maintenance (\$1,383.0 M) while the rest is for investments in capital infrastructure (\$150.0 M)—about the same allocation as last year. Most spending is to go towards health (\$311.4 M), community and government services (\$253.4 M), education (\$208.0 M), housing (\$203.1 M) and family services (\$123.0 M). Regionally, about \$553 M will go towards central operations, while \$417 M will support activities in the eastern Qikiqtaaluk, \$246 M will support activities in the central Kivalliq, and \$167 M will support activities in the western Kitikmeot region.



Appropriated Spending by Department
 2014-15 Main Estimates

Expenditures

	Main Estimates 2014-15	Revised Estimates 2013-14	Main Estimates 2013-14	Actual 2012-13
O&M Expenditures	1,383.0	1,358.3	1,325.1	1,273.2
Capital Expenditures	150.0	305.9	152.9	90.9
Expenditures (Main Estimates basis)	1,533.0	1,664.2	1,477.9	1,364.0
Net change in capital assets	28.4	(153.5)	28.1	23.0
Expenses related to revolving funds	29.7	23.1	26.9	33.5
Expenses related to third-party agreements	75.7	123.2	115.2	83.6
Other adjustments	-	-	-	(6.2)
Expenses (Public Accounts basis)	1,666.8	1,657.1	1,648.1	1,498.0

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

Revolving Funds Expenses

2014-15; GN Finance

\$29.7

+28.6%

Revolving funds use revenues they raise during normal operations to fund future activities. For example, the Liquor Commission uses the money it raises by selling alcohol to purchase inventory for future alcohol sales (hence the term 'revolving'). The GN expects expenses related to revolving funds will be about \$29.7 M in 2014-15. Of this, about \$5 M will support compensation and benefits. Most of the remaining expenses are related to the operations of the Petroleum Products Division within the Department of Community and Government Services (\$22.1 M).

Expenses, Public Accounts basis

2014-15; GN Finance

\$1,666.8

+0.6%

The Main Estimates' Summary of Total Expenditures includes spending by departments. We make three adjustments to express spending on the same basis as we do in Schedule B of our non-consolidated financial statements in our Public Accounts. First, we adjust for expenses related to amortization and transfers to capital assets, accounting measures that help match the GN's spending on capital to the period in which we use the capital. We estimate that in 2014-15 this adjustment will add \$28.4 M to the GN's expenses. Second, we add \$29.7 M for expenses related to revolving funds. Third, we add spending related to the revenues we receive from third-party organizations (\$75.7 M). Added to the \$1,533.0 M appropriated to departments through the Main Estimates, total expenses in 2014-15 on a non-consolidated Public Accounts basis will be about \$1,666.8 M.

Financial Performance and Debt

Projected Surplus, Main Estimates basis **\$35.7**

2014-15; GN Finance

The GN expects revenues of \$1,639.6 M and is budgeting to spend \$1,533.0 M on departments' programs and capital in 2014-15. After subtracting \$32.9 M in net revenues related to revolving funds (which are included in the above revenues, but not expenditures, so need to be taken out), and prudently setting aside \$38.0 M for contingencies and supplementary appropriations, the GN projects a Main Estimates basis surplus of \$35.7 M for 2014-15. The surplus will depend on three related factors: how much money departments seek through supplementary appropriations before the end of the year, how much of the contingency funding remains unused at the end of March, and how much money departments have left to lapse or carry over at the end of the year.

Projected Surplus, Public Accounts basis **\$10.5**

2014-15; GN Finance

The GN expects revenues of \$1,727.3 M and projects total expenses will be \$1,666.8 M. Assuming the GN spends the \$38.0 M we have set aside for contingencies and supplementary appropriations, we can expect a small surplus of \$22.5 M in 2014-15. Under the *Financial Administration Act*, the GN is not allowed to increase appropriations to account for prior-year recoveries. To link the Projected Surplus (Public Accounts basis) to the projected surplus published in the Main Estimates' Summary of Operations, we reduce the amount by our estimate of prior-year recoveries (\$12 M in 2013-14 and 2014-15). As a result, we publish a projected surplus of \$10.5 M in the 2014-15 Main Estimates.

Surplus/(deficit)

Main Estimates basis	Main Estimates	Main Estimates
	2014-15	2013-14
Revenues	1,639.6	1,564.3
less: Expenditures	(1,533.0)	(1,477.9)
less: Revenues from revolving funds	(32.9)	(18.8)
less: Supplementary Requirements	(38.0)	(45.6)
Surplus/(deficit), Main Estimates basis	35.7	21.9

Public Accounts basis (non-consolidated)	Main Estimates	Revised Estimates	Actual
	2014-15	2013-14	2012-13
Revenues	1,727.3	1,712.7	1,620.1
less: Expenses	(1,666.8)	(1,657.1)	(1,498.0)
less: Supplementary Requirements	(38.0)	-	-
Surplus/(deficit), Public Accounts basis	22.5	55.6	122.1
less: Adjustment for Prior-Year Recoveries	(12.0)	(12.0)	*
As reported in ME 2014-15 Summary of Operations	10.5	43.6	122.1

Note: Surplus/deficit figures assume we spend all supplementary requirements. As noted elsewhere, we report recoveries as revenues in our Public Accounts but do not include them in current-year Main Estimates appropriations. * To link the surplus on the Public Accounts basis to what we publish in the ME Summary of Operations, we need to subtract our estimates of prior-year recoveries (\$12M in 2013-14 and 2014-15).

Public Accounts surplus/(deficit) to GDP

2014-15; GN Finance

0.5%

-1.5 p.p.

Net financial assets (debt)/ GDP (%)

2014-15; GN Finance

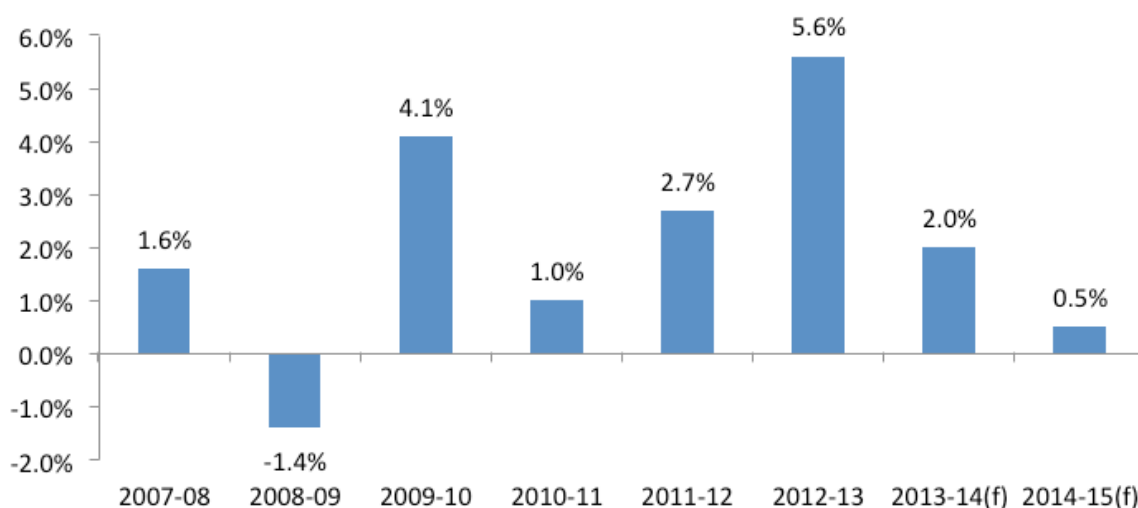
6.3%

-3.2 p.p.

We compare the size of the GN's surplus (measured on a public accounts basis) to the size of the economy (measured by nominal GDP) to help understand the government's fiscal performance. Generally, the larger the ratio, the better the government's fiscal position. Based on current projections, the GN's non-consolidated surplus-to-GDP ratio will be about 1% in 2014-15, a figure unchanged from last year.

Net assets (debt) measures the difference between how much the GN owes (our liabilities) and how much we have on hand to pay off these debts (our financial assets). Net debt increases in a year when the GN runs deficits, and decreases when we run surpluses. It is also affected by adjustments to the value of the GN's non-financial assets, like buildings and machinery. It is different than what we

Surplus/(Deficit) as share of nominal GDP
Public Accounts Basis



include under our debt cap.

As published in our Main Estimates' Summary of Changes in Net Financial Assets / (Debt), we expect these adjustments will together increase the GN's net debt by \$63.1 M in 2014-15. When we include estimates of recoveries, we expect net financial debt will increase by \$51.1 M. As we expect to start the fiscal year in a net financial asset position (we estimate that at the end of 2013-14 the GN owned \$207.5 M in assets more than it owed), we expect to end 2014-15 with net assets of \$156.4 M on a non-consolidated basis, which is the equivalent of 6.9% of GDP.

Iqaluit Airport. The GN has entered into a public private partnership (P3) with Arctic Infrastructure LP, a group of four equity partners. Together, this group will upgrade and, for 30 years, manage Iqaluit's airport. Construction is scheduled to begin this summer and to finish in late 2018, at a total expected capital cost of \$280 million. The GN has committed about \$30 million towards the airport in 2014-15, and anticipates spending a total of \$107.4 M on the project by 2019.

Borrowing under the Debt Cap **\$209.8**
 At March 31, 2014 (% change since March 31, 2013) **+5.7%**

The federal government limits the amount of money the GN is able to borrow to \$400 M. As of March 31, 2014, the GN had used up \$209.8 M under this debt cap, leaving \$190.2 M in available borrowing room. The GN has guaranteed borrowing by the Qulliq Energy Corporation (\$132.8 M) and the Nunavut Housing Corporation (\$14.3 M). The balance is mostly accounted for by the GN's obligations related to capital leases (\$59.0 M). While this represents the full amount counted against the debt cap, the QEC has only actually used about \$112 M of their available room, which means actual GN debt is closer to \$188 M. Looking ahead, the GN expects to use up most of the remaining room to support the expansion of the Iqaluit Airport, a long-term infrastructure project.

Credit Rating
 Moody's Investors Services

Aa1 (stable)
 March 2014

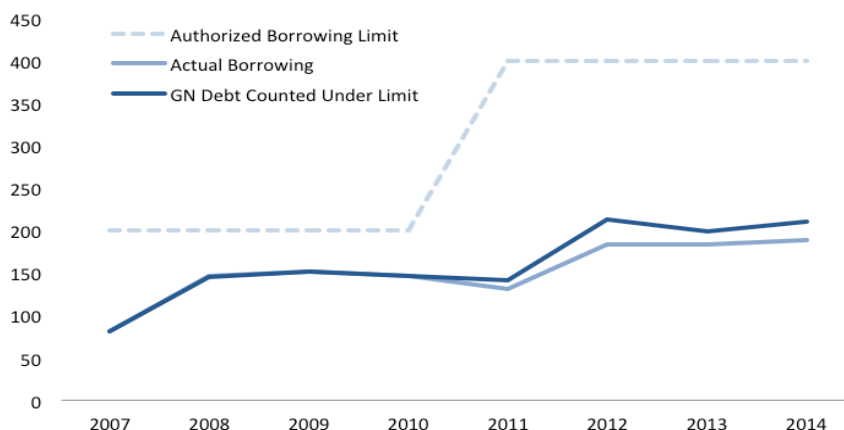
In March 2014 Moody's reissued its Aa1 Stable credit rating for Nunavut. This strong rating--at the upper end of investment grade and in line with other Canadian provinces--means our financial obligations are of high quality and subject to very low credit risk. The stable outlook means the GN should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

Provincial Credit Ratings
 April 2014

Province/Territory	Moody's Credit Rating
BC	Aaa
AB	Aaa
SK	Aa1
MB	Aa1
ON	Aa2
QC	Aa2
NB	Aa2
NS	Aa2
PEI	Aa2
NL	Aa2
NWT	Aa1
NU	Aa1
YK*	Aa2*

Note: The Yukon is not rated by Moody's Investors Services. While the rating published here is considered similar, it is not directly comparable.

GN Borrowing under Debt Cap
 At March 31: \$ millions



Key Economic Indicators

There are different ways to describe an economy. Economic indicators help us understand what is happening in certain areas of the economy, and allow us to measure changes over time. Each indicator tells a story, and has its own strengths and weaknesses. The following indicators help paint a picture of Nunavut's economy.

Nunavut's Economy

Nominal GDP

2014 estimate; \$ millions

\$2,275

+4.7%

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. In January 2014, the Conference Board of Canada (CBoC) projected that Nunavut's nominal GDP could reach \$2,275 M in 2014, about \$100 M (+4.7%) higher than 2013. This forecast assumes work on Baffinland's Mary River iron mine will begin in earnest this year, which is likely. The firm announced in October that 100,000m³ of construction cargo had left Valleyfield, Quebec, bound for the mine's Milne Inlet staging site. According to company statements, the mine may begin producing as early as Q3 2014.

Real GDP

2014 estimate; \$ 2007

\$1,855

+4.2%

The CBoC expects Nunavut's real GDP to grow by 4.2% (+\$75 M) in 2014, reaching \$1,855 M. Real GDP growth measures the change in a region's economic output in constant prices. This adjustment for inflation removes any GDP growth driven only by price changes, and so provides a more accurate picture of how a territory's actual production or 'real income' evolves over time.

Real GDP / person

2014 estimate (\$ 2007)

\$51,514

+3.0%

Under current population and economic forecasts, we expect real income in Nunavut to rise by 3% per person in 2014, to just over \$51,500. This is lower than what we projected in last year's Budget (\$53,819), mostly because Nunavut's population grew faster and our economy grew slower than expected. The general trend, however, is that average living standards in Nunavut are going up. This is good news, but is not the whole story. For example, this indicator does not show how wealth is distributed, an important characteristic of an economy (see our discussion below).

Government Share of GDP

2014 estimate; % share

37.0%

-0.9 p.p.

The public sector (public administration, education, health care, and social assistance) plays a large role in the Nunavut economy. The CBoC expects it to account for 37% of all goods and services produced in 2014, down slightly (-0.9 p.p.) from 2013. For comparison, the share of government across Canada is 19% of GDP. While government is an important sector, it is not likely to drive significant new job creation or growth. It is a positive sign that Nunavut's private sector continues to grow, driving government's share of GDP steadily downward.

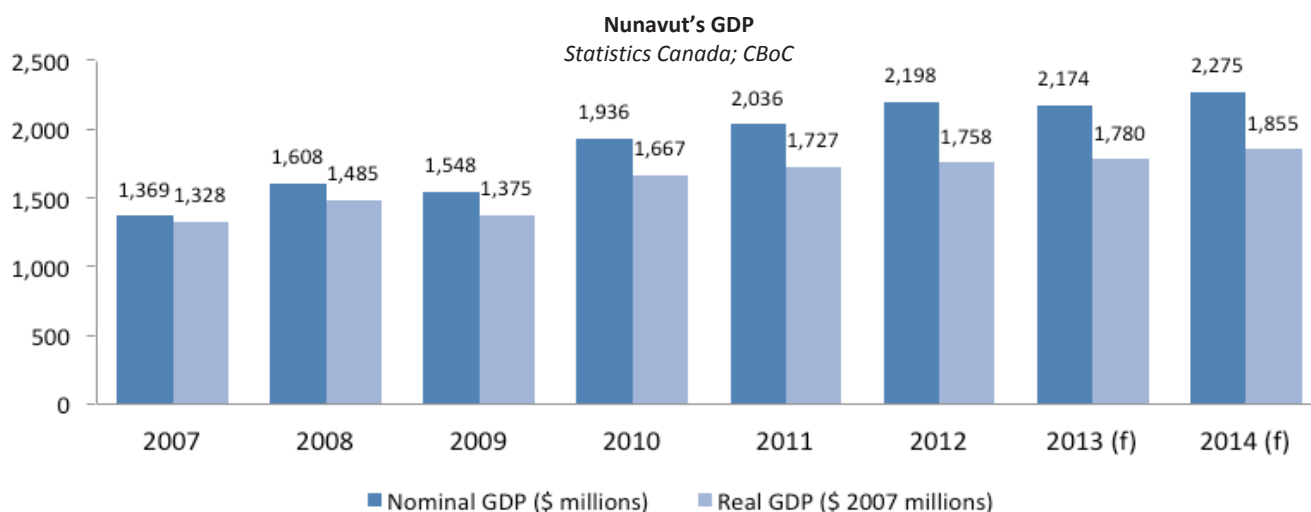
Business Investment in Capital

2012 (\$ 2007)

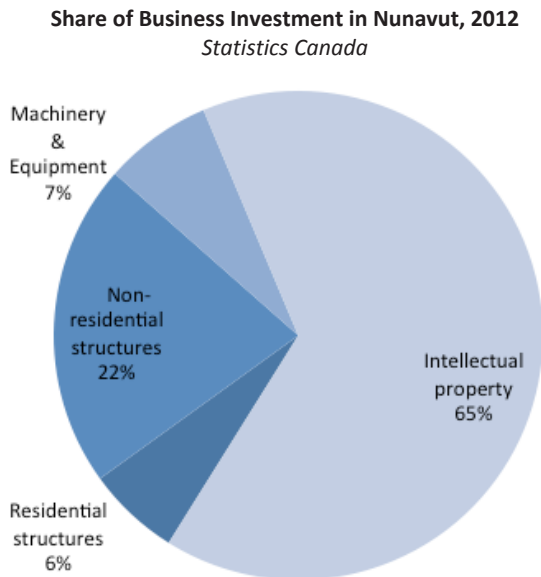
\$605 million

-16.9% YoY

Businesses invested \$605 M in Nunavut in 2012 (the latest year with available data), about \$123 M less (-16.9%) than in 2011. Much of this drop was due to smaller mineral exploration budgets, particularly among small- and medium-sized firms. Specifically, investment in intellectual property (which in Nunavut is mostly related to exploration data) dropped \$77 M, to \$392 M. Other types of business investment included residential buildings (\$37 M),



non-residential structures (\$129 M), and machinery and equipment (\$43 M). Generally, we want to see steady and growing levels of business investment, as this tends to lead to higher productivity, job creation, and economic growth.



Labour and Income

Population (July 1) **35,591**
2013; Statistics Canada CANSIM 051-0001 *+2.6%*

Nunavut's population grew by almost 900 people between 2012 and 2013, due largely to high birth rates (Nunavummiut women have 3.0 children over their lifetime on average, the highest rate in the country) and positive inter-provincial migration (958 people moved to Nunavut in 2013, while 840 moved away). Nunavut remains Canada's youngest region, with about half its residents under 25 (Canada's median age is 40) and almost a third—roughly 11,000—under 15. Looking ahead, we expect total population will reach roughly 36,000 by July 2014.

Employment **12,500**
2013; Statistics Canada, CBOC *+5.9%*

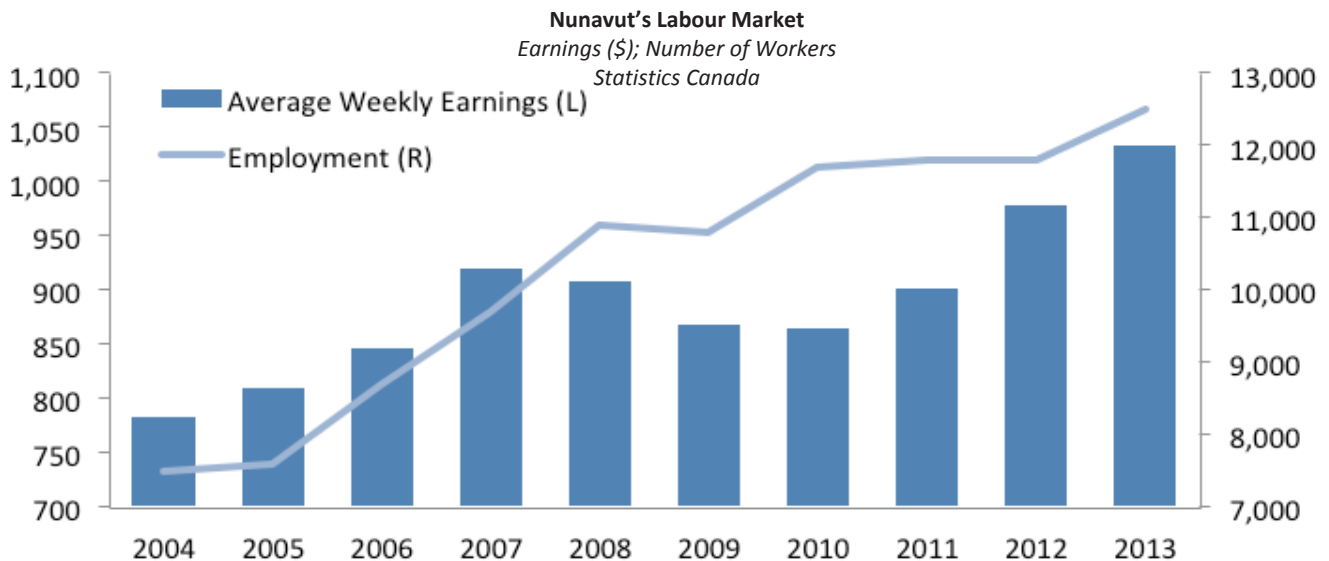
The number of employed Nunavummiut grew almost 6% in 2013, to 12,500. Most found full-time employment. Growth in government (+21%) and construction (+17%) employment drove the territory's overall gains. Mining jobs remained flat, at about 500 workers. Nunavut's employment rate (the share of population aged 15 and over who found at least some employment during the year) reached 57.5%, up 1.6 p.p. from 2012.

Unemployment Rate **13.5%**
2013; Statistics Canada *-1.5p.p.*

Nunavut's unemployment rate improved in 2013, falling to 13.5% from 15% in 2012. This is a positive development, especially as the participation rate (the share of Nunavummiut aged 15 and over who actively sought employment in 2013) actually grew to 66.5%. So, not only did more Nunavummiut enter the workforce in 2013, they had an easier time finding employment. That said, an unemployment rate of 13.5% is still almost double the national rate of 7.1%. Nunavut has a long ways to go in terms of improving worker skills and labour market flexibility.

Average Weekly Earnings **\$1,021.78**
2013; Industrial Aggregate, Statistics Canada *+6.3%*

Average weekly earnings in Nunavut increased by about \$70 per week in 2013, breaking \$1,000 for the first time. Average wages in goods-producing industries, like construction (\$1,485/week) still outstrip wages in services (\$968/week), though the gap narrowed in 2013. Wage growth continues to outpace inflation, which means the purchasing power of an average paycheque continues to rise. Nunavut wages remain above the Canadian average of \$914 (+2.0% from 2012) per week. This difference is the result of a shortage of skilled labour and the high cost of living in the north.



Total Income (tax filers)

2012 T1 Preliminary; GN Finance

\$919.5 million

+5.1%

Total income is made up of all income that tax filers in Nunavut report, including employment, social assistance, pensions, investments, and small business profits. Tracking total income gives us a sense of how much money is flowing to Nunavummiut. Total income has increased steadily in recent years, and is up almost \$250 M from 2006. As of October 2013, the CRA had received 19,532 tax returns from Nunavummiut, who together report total income of about \$920 M for 2012. We expect this represents roughly 95% of all tax returns we will receive for 2012. If so, we expect total income for 2012 will be closer to \$970 M once we receive returns from late filers.

Median Income (tax filers)

2012 T1 Preliminary; GN Finance

\$26,356

+1.3%

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 the 'average' calculation—is not influenced by extremely high or low salaries. According to early tax data, median total income in Nunavut rose slightly in 2012 to \$26,356 (+1.3%). This continues a small yet relatively steady trend; the median has risen from \$22,800 in 2006.

Share of Total Income By Highest 10%

2012 T1 Preliminary; GN Finance

34.5%

+0.8 p.p.

In 2012, the top 10% of income earners in Nunavut reported earning more than \$117,000 each (up 3.2% from 2011). Together, these individuals reported earning roughly \$317 million, which is about one third (34.5%) of all income

reported in the territory. In comparison, the lowest-earning 10% of tax filers reported total incomes of less than \$2,900 each. Together, these individuals reported earning \$2.3 million (-8% from 2011), which is less than 1% of all income earned in the territory that year. These data show income is distributed unequally—not uncommon in Canada. However, there are some important equalizers. First, Nunavut's progressive tax system means higher income earners pay more taxes: the top 10% of income earners comprised 48% of Nunavut's total assessed personal income taxes in 2012. Also, these figures do not include substantial non-income benefits, like subsidized social housing.

National Household Survey. In 2013, Statistics Canada released data from the 2011 National Household Survey (NHS). Controversially, Statistics Canada replaced the mandatory long form census (held every five years) with the voluntary NHS. As many expected, this led to a significant decline in responses across Canada, and raises questions about data quality. Statistics Canada has indicated that Nunavut's non-response rate of 24.8% is lower than the national average (leading to more reliable data), and is still high enough to provide confidence in the survey's findings. Still, we urge caution when interpreting data from the new survey. What follows is a collection of some of the key findings on income distribution in Nunavut.

Median Income (households)

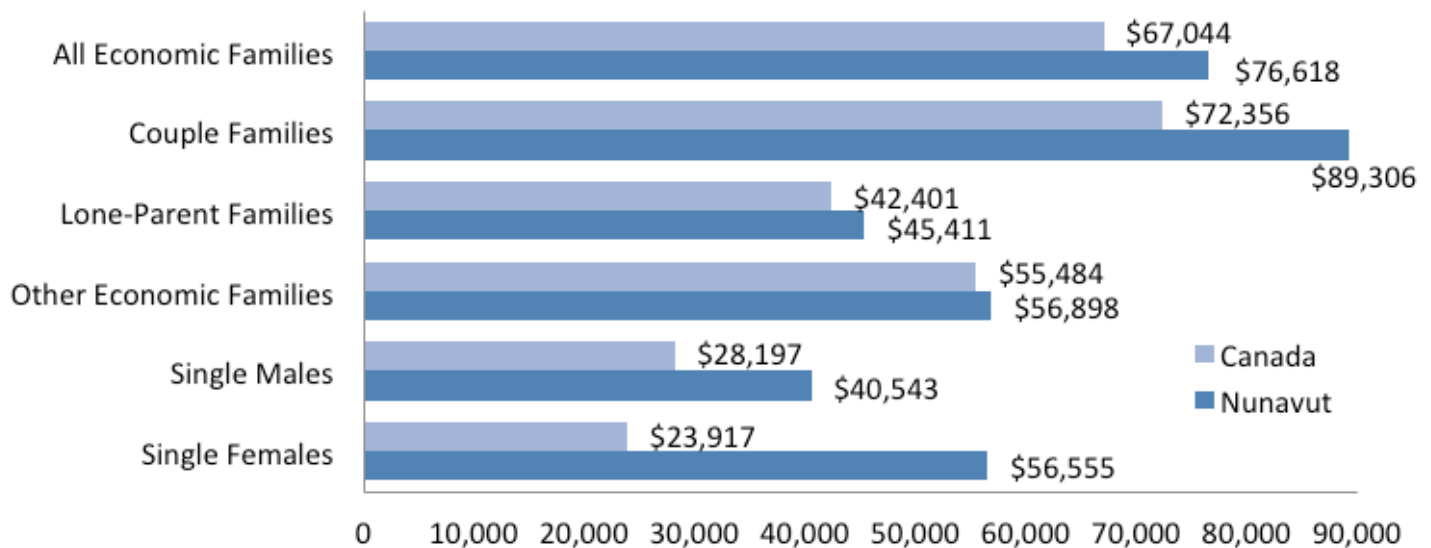
2010 (Statistics Canada, NHS)

\$76,618

+14.3% from national median

Using data collected from the National Household Survey (see info box), Statistics Canada estimates median income for all economic families in Nunavut was \$76,618 in 2010,

Median Income by Family Type, 2010
Statistics Canada National Housing Survey



about 14% higher than Canada's median household income of \$67,000. While couples in Nunavut earn substantially (23.4%) more than couples across Canada, single-parent families earn only 7% more. With Nunavut's high cost of living, this means that while working couples can be in generally good shape, Nunavut's single moms and dads have a tougher time than the Canadian norm. Of particular interest, single men tend to out-earn single women across Canada, but in Nunavut the tables are dramatically reversed. Here, single women reported, on average, earning almost 40% more than single men did in 2010.

Other

Bank of Canada Target Rate **1.0%**
2013; Bank of Canada +0.3 p.p.

The Bank of Canada uses its overnight rate to influence interest rates for mortgages, lines of credit and business loans. The average target for 2013 was 1%, up slightly from 2012, but still low enough to signal the Bank's wish to encourage spending and investment. The new head of the Bank, Stephen Poloz, has indicated he is willing to keep rates low, even at the risk of higher inflation. We do not expect rates to rise much—if at all—over the next 12 months.

Consumer Price Index, Iqaluit **115.3**
Statistics Canada; 2012 (2002=100) +1.9 p.p.

CPI measures inflation, the change in price of a standard 'basket' of consumer goods and services over time. Inflation in Iqaluit remains low, with average prices rising just 1% between 2012 and 2013, in line with the rest of Canada. CPI data exists only for Iqaluit, so we do not know how quickly prices are rising in other communities. Also, note that the CPI does not measure price levels, just how quickly they change. Prices for many goods are 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.

Commodity Price Index: Metals & Minerals **634.48**
2013; Bank of Canada -16.0%

According to the Bank of Canada's Metals & Minerals Index, global metal and mineral prices declined by 16% in 2013. The Index has not performed this poorly since 2009, following the 'Great Recession.' Prices are low due to global uncertainty (especially in Europe) and excess supply generated from the recent global expansion in mining (the largest increase in world-wide mine capacity in history). In part because of these lower prices, the world's leading mining firms have taken a staggering US\$60 billion in write-downs over the past two years. While Nunavut's mineral resources are vast, global economic forces—which we cannot influence—mean much of Nunavut's resources will remain in the ground for some time.

Income Distribution (Households) **12.9% 1st Decile**
2010; Statistics Canada NHS, GN Finance **15.6% 10th Decile**

The NHS also illustrates how concentrated family income is in Nunavut compared with the rest of Canada. To show this we grouped Canadian households into 10% blocks by income, then looked at what share of Nunavut's families fit into each category. If household incomes in Nunavut were distributed exactly as they were in the rest of Canada, we would see 10% of Nunavut families fall into each category. However, in Nunavut wealth is highly concentrated at the two extremes (15.6% in the highest decile, and 12.9% in the lowest).

Gold Price **\$1,411.03 USD**
2013; USD/troy oz (UNCTADstat) -16.4%

The price of gold averaged \$1,400 USD per troy ounce in 2013, down over 16% from 2012's average. Gold ended the year at \$1,220 USD, the lowest price since August 2010. Subsiding inflation fears in the US drove much of this decline—investors are feeling optimistic, and so are moving away from 'safe' gold investments. Long-term expectations of gold price matter to Nunavut because they impact the economic viability of local projects.

Iron Ore Price **\$135.36 USD**
2013; USD/dry ton (UNCTADstat) +5.3%

The price of iron ore was roughly \$135 per dry ton in 2013, up 5% from 2012. Despite continued uncertainty in the US and consistently poor results in Europe, China's appetite for iron—accounting for 67% of the world market in 2013—proved remarkably resilient. For prices to rise, the global economy will need to rebound strongly. With new supplies of iron coming online shortly in Australia, analysts predict substantial surpluses for the commodity, which could push prices down. The viability of iron deposits at Mary River and Roche Bay depend in part on high prices, needed to pay for their relatively high costs of production.

Uranium Price **\$38.59 USD**
2013; USD/pound (IndexMundi.com) -21.1%

Uranium closed out 2013 at an average price of \$39 USD per pound. This represents a 20% decline from 2012, a further significant drop in a commodity that has fallen steadily since the 2011 Fukushima nuclear disaster in Japan. According to the International Atomic Energy Agency, there are currently 68 civil nuclear power reactors under construction in 15 countries (28 in China alone). Despite this expansion, uranium is still declining. In fact, following the Fukushima disaster the International Energy Agency halved its estimate of additional nuclear generating capacity to be built by 2035. We track uranium prices given Nunavut's substantial deposits in the Kivalliq region.

Key Fiscal Indicators

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14(r)	2014-15(f)
Revenues							
<i>(\$ millions unless otherwise noted)</i>							
Federal transfers	1,048.0	1,102.3	1,165.2	1,251.6	1,353.1	1,432.9	1,481.1
Territorial Formula Financing	944.1	1,022.1	1,090.6	1,175.3	1,273.5	1,350.4	1,409.1
Other federal transfers	103.9	80.3	74.6	76.3	79.6	82.5	72.0
Own-source revenues	128.4	128.3	151.9	138.9	141.5	144.6	158.5
Taxes	65.9	61.3	70.7	77.8	84.2	89.0	89.7
Revolving Funds (net CoGS)	26.2	38.4	49.3	27.0	20.1	19.7	32.9
Other own-source	36.3	28.6	31.9	34.2	37.2	35.9	35.9
Revenues, Main Estimates Basis	1,176.4	1,230.6	1,317.0	1,390.5	1,494.6	1,577.5	1,639.6
Revenues from third-party agreements	71.7	102.1	116.2	111.5	112.1	123.2	75.7
Recovery of Prior Years' Expenditures	11.8	13.7	10.8	11.1	13.3	12.0	12.0
Revenues, Public Accounts Basis	1,259.9	1,346.4	1,444.0	1,513.1	1,620.1	1,712.7	1,727.3
Share of Federal Transfers (%)	83.2%	81.9%	80.7%	82.7%	83.5%	83.7%	85.7%
Territorial Tax / GDP (%)	4.1%	4.0%	3.7%	3.8%	3.8%	4.1%	3.9%
Expenditures							
O&M	1,058.0	1,079.1	1,133.7	1,202.0	1,273.2	1,358.3	1,383.0
Capital	182.2	123.3	181.7	128.4	90.9	305.9	150.0
Expenditures, Main Estimates Basis	1,240.2	1,202.4	1,315.4	1,330.4	1,364.1	1,664.2	1,533.0
Net transfer to capital assets	-33.3	-44.7	-29.3	-9.2	-8.9	-152.1	28.4
Expenses for revolving funds and other	0.0	23.5	21.8	25.5	33.5	21.8	29.7
Expenses related to third-party agreements	71.7	102.1	116.2	111.5	109.3	123.2	75.7
Expenses, Public Accounts Basis	1,282.5	1,283.3	1,424.0	1,458.2	1,498.0	1,657.0	1,666.8
Supplementary Requirements & Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	38.0
Surplus (deficit) for the year, Main Estimates basis	-90.0	-10.1	-47.6	33.0	110.5	-106.4	35.7
Surplus (deficit) for the year, Public Accounts basis	-22.6	63.1	20.0	54.9	122.1	43.6	10.5
Expenditures / person (\$)	40215.0	39365.0	42694.0	42641.0	43166.0	46559.0	46283.0
Expenditures / GDP (%)	77.1	77.7	67.9	65.3	62.1	76.6	67.4
Capital spending as share of total (%)	14.7	10.3	13.8	9.7	6.7	18.4	9.8
Health spending as share of total (%) *	23.8	24.4	23.3	25.0	26.6	22.0	20.3
Surplus/(deficit) / GDP (Public Accounts basis)	-1.4	4.1	1.0	2.7	5.6	2.0	0.5
Net Assets (Debt) (end of year)	16.7	1.8	-36.9	21.9	215.3	207.5	144.4
Net Assets (Debt) (end of year) / GDP	1.0	0.1	-1.9	1.1	9.8	9.5	6.3
Borrowing under the Debt Cap	150.6	146.3	141.3	212.5	198.5	209.8	
Credit Rating	-	-	-	-	Aa1 stable	Aa1 stable	Aa1 stable

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

Key Economic Indicators

Gross Domestic Product

	2007	2008	2009	2010	2011	2012	2013	2014
Nominal GDP (expenditure-based, \$ millions)	1,369	1,608	1,548	1,936	2,036	2,198	2,174	2,275
Real GDP (basic prices, \$ 2007 millions)	1,328	1,485	1,375	1,667	1,727	1,758	1,780	1,855
Real GDP per person (basic prices, \$ 2007)	42,297	46,576	42,172	49,966	50,500	50,647	50,013	51,514
Government Share of GDP (actual, %)	44.2	39.8	43.0	36.6	31.9	31.9		
Business Investment in Capital (\$ 2007)	659	1,070	504	603	728	605		

Population & Labour

Population, July 1 (# of people)	31,395	31,892	32,600	33,353	34,196	34,703	35,591	36,013
Unemployment Rate (%)	8.7	12.3	12.6	15.0	16.5	15.0	13.5	
Employment (# of people employed)	9,700	10,900	10,800	11,700	11,800	11,800	12,500	
Average Weekly Earnings (\$)	919.93	908.09	868.02	864.62	901.35	977.66	1,033.38	
Total Income (\$ millions)	717.1	774.8	822.8	878.2	875.0	919.5		
Median Total Income (\$)	23,774	24,728	25,070	26,162	26,005	26,356		
Share of Total Income by Top 10% (%)				33.0	33.7	34.5		

Monetary Trends

Consumer Price Index, Iqaluit (2002=100)	107.9	110.4	112.6	111.8	113.4	115.3	116.6	
Bank of Canada Target Rate (%)	2.2	0.3	0.4	0.7	0.7	0.7	1	

Commodities

Bank of Canada Metals & Minerals Index	644.36	668.78	576.11	662.46	787.79	755.39	634.48	
Gold Price (USD/troy oz; annual avg)	696.66	871.71	973.00	1227.34	1568.58	1688.53	1,411.03	
Iron Price (CFR Tianjin port; USD/dry ton; annual avg)		66.22	79.87	146.9	167.79	128.53	135.36	
Rapaport Diamond Trade Index (USD annual avg)					9,203.63	8,269.00	7,896.90	
Uranium Price (USD/pound; annual avg)		64.18	46.67	45.96	56.24	48.90	38.59	