

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

IN BRIEF

Yukon's economy continues to show signs of strength, with continued expansion expected in 2017 and beyond, supported by a pickup in mining expenditures, robust construction activity driven in part by government investments in infrastructure, and a resilient labour market with low levels of unemployment. A favourable exchange rate, strong commodity prices, and recovering Canadian and world economies contribute to a positive outlook for Yukon's economy, while an uptick in interest rates is not expected to have any significant detrimental effect.

The government's fiscal outlook remains on track for a modest surplus in 2017-18, but continued attention to sound financial management will be necessary to avoid a worsening fiscal situation in future years.

YUKON'S FINANCES

Fiscal outlook on track for 2017-18

The 2017-18 Budget tabled in April 2017 was developed as a more comprehensive view of Yukon's finances, and endeavoured to capture more realistic plans for government spending. As a result, the

2017-18 Supplementary Estimates recently approved do not reflect as much of a change as may have been seen in the past.

Changes on both operating and capital expenses are relatively minor, as most costs were built into the 2017-18 Budget, with new, unanticipated costs generally being managed within departments' existing budgets. There is no material change to government revenue projections for 2017-18.

At the completion of the 2016-17 fiscal year, Health and Social Service's operation and maintenance (O&M) expenses were \$3.1 million dollars over vote. This resulted from higher than expected out-of-territory physician and hospital costs, and led to the tabling of a Second Supplementary Estimates 2016-17. For 2017-18, this means that estimated opening net financial assets are \$3.1 million less than the Main Estimates. This figure will be adjusted again, once the Government's Public Accounts are completed and the actual results of 2016-17 are known.

As for other changes in the 2017-18 fiscal year, revenues are up slightly (\$57K). Anticipated expenditures, net of recoveries, are expected to be lower by \$3.9 million. The forecasted annual surplus has been revised from \$6.5 million to about \$3.1 million. Net financial assets at the end of the year will be up slightly by \$1.7 million to \$11.3 million.

TABLE 1: GOVERNMENT OF YUKON FINANCIAL FRAMEWORK

<i>(All figures \$000s)</i>	2016-17 Supp Est #2	2017-18 Budget	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Revenue	1,095,663	1,121,417	1,121,474	1,156,191	1,190,707	1,220,101
Expense	(1,205,910)	(1,247,072)	(1,243,176)	(1,280,875)	(1,299,675)	(1,322,137)
Effect of Change in Tangible Capital Assets and Other Adjustments	98,861	132,191	124,831	75,742	50,958	59,663
Annual Surplus / (Deficit)	(11,386)	6,536	3,129	(48,942)	(58,010)	(42,373)
Accumulated Surplus, end of year	1,355,012	1,364,665	1,358,141	1,309,199	1,251,189	1,208,816

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

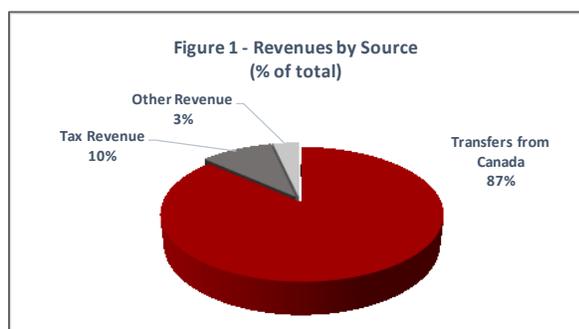
<i>(All figures \$000s)</i>	2016-17 Supp Est #2	2017-18 Budget	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Net financial assets, beginning of year	153,352	93,386	90,269	11,261	(75,555)	(146,791)
Surplus/Deficit for year	(11,386)	6,536	3,129	(48,942)	(58,010)	(42,373)
Effect of change in non-financial assets	(51,697)	(90,401)	(82,137)	(37,874)	(13,226)	(25,353)
Net financial assets, end of year	90,269	9,521	11,261	(75,555)	(146,791)	(214,517)

Revenues holding steady compared with 2017-18 Budget

Revenues do not include recoveries from Canada or from third parties. Those are included in the “Expenditure and Recoveries” section.

There are two amendments to revenues since the Main Estimates:

- 1) Balance of trust accounts, previously set up for use by individual schools, are being collapsed and re-profiled to support the department’s School Growth Planning; this results in an increase to revenue and expenses of \$67K.
- 2) Decrease in loan interest of \$10K, as a result of loans due to Yukon Government being paid earlier than expected.



Operation and Maintenance (O&M) generally on track

Gross expenditures (before recoveries) are forecast to increase by \$3.9 million, while recoveries are expected to decrease by about \$0.1 million. As a result, net spending is expected to be up about \$4.0 million.

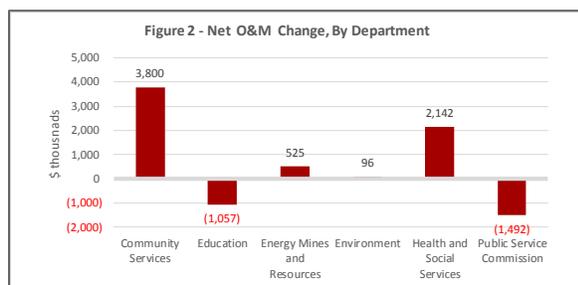
Projected net spending is up slightly as a result of changes such as:

- Higher than expected wildland fire expenses, as a result of fire activity in the Dawson and Old Crow regions (+\$3.8 million);
- Increased spending for Residential Youth Treatment Services, staff hiring at the new WhistleBend Continuing Care Facility, higher insured health costs and ratification of the Yukon Medical Association agreement (+\$2.3 million);
- Funding to pursue consultation on project agreements with impacted First Nations under the Yukon Resource Gateway Project. (+\$0.2 million).
- Reductions to cost recoveries from the federal government related to the Yukon Child Benefit to First Nations Children, which will not now be recovered from Indigenous and Northern Affairs (INAC) as originally expected (+\$1.0 million);
- Lower than anticipated costs for employee future benefits as a result of the latest actuarial valuation (-\$1.5 million);
- Changes to pension regulations which decreased cash requirements related to the pension solvency deficit at Yukon Hospital Corporation and Yukon College (-\$2.3 million).

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

Most other adjustments across departments are offset by a similar change to recoveries, resulting in no change to the government's bottom line.



Slight delays to capital plan

Like the operation and maintenance budget, changes to the capital forecast for 2017-18 are relatively minor as the 2017-18 Budget presented a comprehensive picture of capital plans.

Overall, gross capital spending is now expected to be about \$3.6 million less than planned, with an increase in recoveries of \$4.3 million.

Most of this change results from the Education capital plan, as the environmental cleanup at the F.H. Collins site has resulted in delays to the F.H. Collins Secondary School Replacement, the Francophone Secondary School Planning and Construction, as well as the F.H. Collins Secondary School Track and Field/Recreation Site. Recoveries from Canada are also expected to be about \$0.5 million against expenses to date on the Francophone Secondary School.

Changes also result from the revised Health and Social Services capital forecast, which includes some projects brought forward to this fiscal year that could not be completed last fiscal year:

- The Electronic Health Record System;
- The Salvation Army Redevelopment Project; and
- Removal of hazardous material from the old McDonald Lodge in Dawson City.

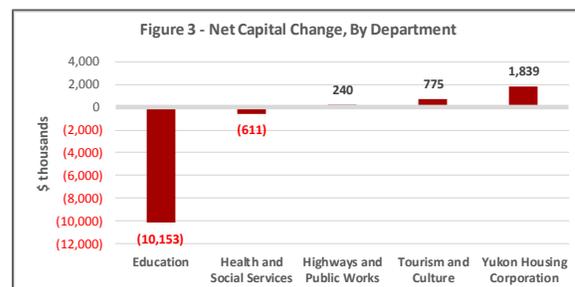
The cost this fiscal year to complete all these projects and for some smaller, fully recoverable projects is \$1.6 million. Cost recovery for the Salvation Army project and others is expected to total \$2.3 million.

In addition, the capital forecast includes the expansion of the Yukon Archives Vault project. This project was also scheduled for completion last fiscal year, but is now forecast to be complete in 2017-18.

Highways and Public Works have been provided new planning funding for future Gateway Projects totaling \$0.2 million net of recoveries.

Increases totaling a net \$1.8M are forecast for Yukon Housing Corporation's programs, such as the rental quality and accessibility enhancement programs; the housing action plan and the municipal matching program.

Government spending on infrastructure will continue to be a significant driver of the construction industry in Yukon, as noted in the section on Yukon's economy.



YUKON'S ECONOMY

A word of caution

As with all forecasts, projections discussed here are dependent on the information available at the time of completion and the key assumptions incorporated. Changes in assumptions or factors in the external environment can have a significant impact on actual results, particularly for an economy as small as Yukon's. While best efforts to reasonably predict Yukon's economic performance in the near-term, there is always a degree of risk and uncertainty associated with any forecast.

World recovery continues

The International Monetary Fund (IMF) released an update to its World Economic Outlook in July 2017, forecasting improved growth in the near-term in

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

some economies¹. Overall projections are unchanged from its April 2017 Outlook (discussed in the Yukon Economic Outlook released with the 2017-18 Budget), but the contributors to growth have changed, with projections for the U.S. revised downward and growth for Japan, China and the euro area revised upward.

Growth in emerging markets and developing economies² are expected to continue to drive global growth, with China and India continuing to lead the pack for these economies and outpace overall growth.

For advanced economies, the near-term outlook for advanced economies is little changed from earlier in the year, with 2017 unchanged and 2018 revised downward by 0.1 percentage points, reflecting in part changing expectations about the Trump administration's ability to deliver fully on policies to lower taxes and increase investment spending.

Performance of other advanced economies is expected to be mixed, with expectations for the United Kingdom revised downward but an improved outlook for a number of Euro zone countries including Italy, Spain, Germany and France.

For Canada, both the IMF and the Bank of Canada³ are projecting strong growth in 2017, supported by increased foreign demand, fiscal stimulus and accommodative monetary and financial conditions. Higher levels of exports and investment should contribute to a broadening of demand, sustaining economic expansion as both residential investment and household consumption slow.

The Bank of Canada's rate decisions in July and September 2017 – ultimately raising its target overnight rate for the first time in seven years to 1% – signalled the Bank's confidence in a stronger than expected economic picture. This increase is not expected to be a drag on Yukon's economy.

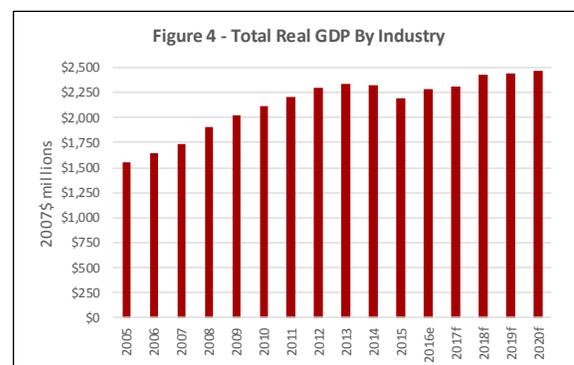
A closer look at Yukon

Lower mineral production weighs on forecast

While an imperfect measure of economic progress, an increase in real Gross Domestic Product (GDP)⁴ is generally interpreted as a sign that the economy is

doing well. In many jurisdictions, gains in real GDP are accompanied by gains in employment, population, and retail sales. For Yukon, correlation is weaker between GDP changes and other key indicators of performance.

Preliminary data released by Statistics Canada in May 2017 estimates that Yukon's real GDP by industry in 2016 grew by 8.2%, on the heels of an estimated decline of 6.0% in 2015. This was the highest among all provinces and territories, and well ahead of the overall Canadian growth (about 1.5%). Strong Yukon data was driven by higher mineral production. However, history shows that preliminary GDP figures for Yukon are often amended when Statistics Canada releases revised GDP estimates later in the year.



Source: Department of Finance; Statistics Canada

Looking forward, the government's economic outlook has been revised upward from its April 2017 outlook, with +1.2% growth anticipated for 2017, up from the April 2017 forecast of +0.1%. Further gains are expected in 2018, with real GDP growing by +5.2% (up from +0.2%). The improved outlook is related in part to expectations for the mining sector, with the beginning of development of the Eagle Gold mine in August to increase spending in the near-term.

The 2019 forecast of +0.6% is boosted by development spending on the Eagle Gold project and the start of mine production, with an additional gains in 2020 (+1.0%) as development of the Coffee mine begins.

GOVERNMENT OF YUKON

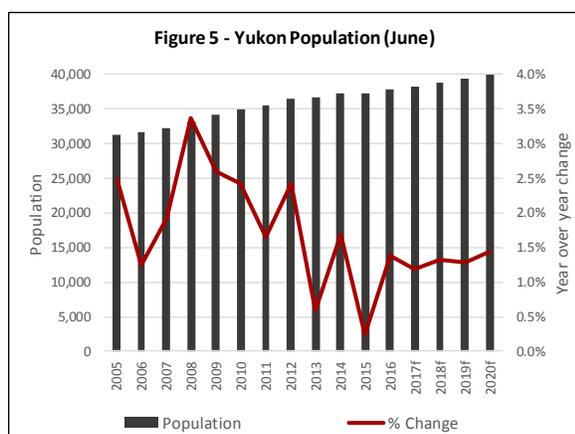
2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

Population continues to grow

Population gains in Whitehorse have accounted for the majority of recent population gains, and that trend is expected to continue.

Yukon's overall population is expected to continue its slow and steady growth, gaining +1.2% to over 38,300 in 2017, +1.3% in both 2018 and 2019, and +1.4% in 2020, reaching almost 40,000 in 2020.

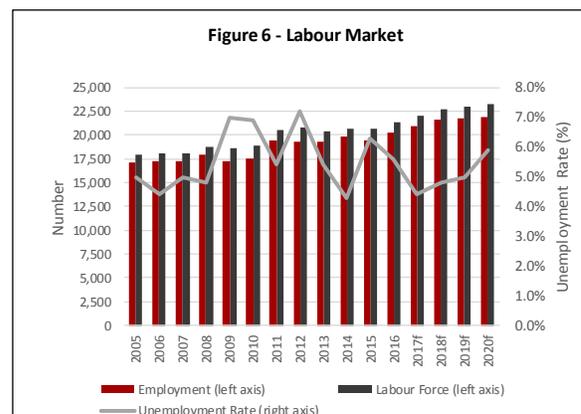
Whitehorse is likely to exceed 30,000 residents by that time.



Labour market performing well

Yukon's labour market continues to perform well in 2017, with the first eight months recording growth in both the number of employed and the size of the labour force. Total employment averaged 21,100, up 7.0%, and the labour force averaged 22,000, for an increase of 4.8% over the same period of 2016. With employment growth outpacing labour force growth, Yukon's unemployment rate for that period has averaged 4.0%, well below both the 5.9% average of the first eight months of 2016 and the national average.

The current forecast for 2017 expects employment to average 21,000, up 4.0% from 20,200 in 2016. Yukon's labour force is also expected to continue to gain, expanding by 2.8% to 22,000. This strength has put downward pressure on the unemployment rate, projected to average 4.4% for the year.



Source: Department of Finance, Statistics Canada

Beyond 2017, the medium-term outlook is positive, with further gains in employment and the labour force. Employment is forecast to reach 21,900 by 2020, with the labour force also gaining every year out to 2020, averaging 23,300 by the end of the forecast horizon. While the unemployment rate is forecast to increase from current historic lows, the rate would remain low at 5.2% over 2018-2020.

CPI to increase for a second straight year

Year-to-date, growth in Whitehorse's Consumer Price Index (CPI) has been stronger than 2016. In the first eight months of 2017, CPI averaged 1.7% higher than the first eight months of 2016. Gains have been seen in a number of areas, including gasoline (9.0%), transportation (3.6%), recreation, education and reading (3.2%), and alcoholic beverages and tobacco products (2.4%). A 0.8% decline in food prices in the first eight months countered some of the growth.

The current forecast calls for Whitehorse CPI to increase by 1.9% in 2017, higher than the Bank of Canada's projected 1.6% growth for Canada's CPI in 2017⁵, as inflation has softened recently as a result of lower food, electricity and automobile prices. However, the Bank does expect inflation to pick up later in 2017 and return to 2% by mid-2018.

Whitehorse CPI is expected to grow on average by 2.1% over the 2018 to 2020 period. The Bank of Canada forecasts Canadian CPI to gain strength in the next couple of years with gains of 1.8% and 2.1% for 2018 and 2019 respectively.

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

Most sectors looking strong

Most sectors of Yukon's economy are showing signs of strength, and are projected to continue to expand in 2017 and beyond. Some key sectors are discussed in more detail below.

Mining activities ramping up

Mining continues to drive Yukon's GDP growth, and this is expected to remain the case in the medium term.

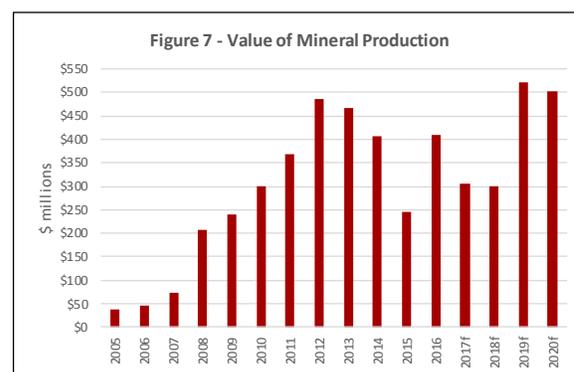
After a mixed performance for much of 2017, an August run-up in the price of gold is fueling optimism for exploration activity in the territory. After averaging US\$1,244 per troy ounce in the first eight months of 2017, down 0.5% from the same period of 2016, the price of gold was much stronger in August, reaching its highest level in eleven months and surpassing US\$1,300 per troy ounce. Much of the gain is attributable to heightened geopolitical risk, including concerns about the possibility of a North Korea conflict. The recent performance of gold prices could mean that exploration spending could exceed the current public forecast from NRCAN, which projected spending to increase by 7.1% over 2016 (as noted in the April 2017 outlook).

In the absence of construction activities related to new mines, development spending has been modest in recent years, averaging less than \$20 million over the last three years. However, 2017 looks more positive, and Victoria Gold Corp's decision to proceed with construction of the Eagle Project means that NRCAN's current projection for development spending (\$28 million) may be an underestimate. Development of the Eagle Gold project is expected to cost about \$370 million over 2017 to 2019. First ground was broken on phase 1⁶ of construction on August 18th, with this first phase estimated to cost \$40 million⁷. This decision to advance the project could mean that development spending nears \$60 million in 2017, about double the current public estimate from NRCAN. However, they are expected to revise the 2017 estimate upward when revised spending figures are released in the fall.

For the Coffee Gold project, however, timelines are not as advanced. The Yukon Environmental and

Socio-economic Assessment Board (YESAB) issued a determination on July 12th that GoldCorp Inc. did not meet its obligations to adequately consult First Nations, which could push back timing for development as GoldCorp has been directed to resubmit the project for review. For The October economic outlook for Yukon anticipates that the start of the development of the project will be delayed by one year, with development spending now beginning in 2020.

Mineral production is expected to continue to show strength, with the value of mineral production totalling just over \$300 million in 2017, but this does represent a decrease from 2016 as a result of lower production from the Minto mine. However, prices for gold, silver and copper are all up year-to-date and are expected to be post annual gains, which could support production higher than the company's 2017 guidance.



Source: Department of Finance; Natural Resources Canada

After hitting its highest level since 2004 last year, placer gold production is projected to make further gains, reaching more than 75,000 crude ounces in 2017. Gains are expected to continue, albeit at a slower pace in 2018, 2019 and 2020.

New since the April 2017 forecast, Capstone Mining has announced⁸ that production at its Minto mine will continue into 2020, rather than ceasing operations in late 2017, and possibly beyond based on evaluation of further deposits. The forecast also includes first production from the Eagle Gold project in 2019. The addition of this production will see Yukon's total mineral production at over \$500 million in both 2019 and 2020.

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

Looking forward, the announcement⁹ of over \$360 million in combined federal and territorial funding for the purposes of improving road access in the Dawson Range and the Nahanni Range Road bodes well for the outlook for Yukon's mining sector. Improved access in these mineral-rich regions of Yukon could lead to increased exploration and development, boosting local employment and opportunities for local businesses. This initiative could open up key areas of the territory and is an upside risk to the economic outlook for Yukon.

Energy potential abounds

A growing population, a desire for less reliance on imported fuels, and interest in exploring options to provide energy to potential mining projects are all contributing to the ongoing exploration of local options for energy production.

There is significant hydrocarbon potential in the territory, both onshore and offshore. No significant activity, however, is built into projections for 2017 to 2020. In September 2017, following a review of affected First Nations and departmental responses, Yukon discontinued the fall 2016 disposition process. Efforts are underway to work with Yukon First Nations on oil and gas exploration and development in North Yukon.

Yukon's offshore resources in the Beaufort Sea remain off limits to oil and gas licensing, to be reviewed every five years through a climate and marine science-based life-cycle assessment.

Interest in local production of natural gas continues, as LNG could help provide power for future mining projects; however, no significant development is built into these projections.

On the renewable energy front, Yukon continues to investigate options for renewable power, including biofuel projects currently underway and ongoing work with the communities of Mayo and Haines Junction to harness some of Yukon's significant geothermal potential.

Expansion of hydroelectric capacity is expected to continue in partnership with First Nations, along with consideration of smaller hydroelectric sites, and the community of Old Crow has a number of small-

scale solar installations in place with plans to expand¹⁰.

Tourism an important contributor to local economic activity

By all indications, tourism¹¹ continues to pick up steam and make an important contribution to Yukon's economy.

Year-to-date visitation data¹² for the first six months of 2017 shows a modest increase, with international border crossings to June 2017 up 0.5% from the same period of 2016 to 157,792; this is 5% higher than the five-year average (2012-2016) for the first six months of the year.

Year-to-date data (January to June) tracked by the Department of Tourism and Culture¹³ also indicate that 2017 is shaping up as another positive year for Yukon tourism operators:

- Air arrivals in Whitehorse were up 5%, the second quarter of 2017 alone is 19% higher than the five-year average (2012-2016) for that quarter.
- Average occupancy of 67.8% in the second quarter of 2017 for Select Fixed Roof Accommodations¹⁴, places Yukon occupancy rates on par with Canada (67%). Year-to-date the average occupancy rate is up 2.3 percentage point from the same period of 2016.

As the Canadian Tourism Research Institute's (CTRI's) spring outlook was not available at the time of writing, the CTRI Outlook remains unchanged from the April 2017 Economic Outlook, with growth projected in all areas but with the strongest gains in overseas visitation, expected to increase 5.1% to 56,000. This may be fuelled in part by uncertainty regarding policy direction in the U.S. Looking beyond 2017, CTRI is forecasting higher overnight visitation and associated expenditures in every year out to 2020.

Public sector investments supporting construction

In Yukon's relatively small economy, investment in public infrastructure such as schools, hospitals, or highways, or private sector development of a new retail store or mine development activities can have a large impact on the territory's GDP.

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

While not all construction activity requires a building permit¹⁵, permit value can provide valuable insight into the sector and is a commonly used indicator.

Public sector investment has historically been a driver of construction activity in Yukon. Capital spending¹⁶ identified in the 2017-18 Government of Yukon budget (\$309.4 million) is supporting much of 2017 construction activity, and as noted in the preceding fiscal outlook, the government's planned capital spending remains largely on track from the 2017-18 Budget. Since the April 2017 outlook, development activities at the Eagle Gold mine project began in August, a positive impact for the construction sector in 2017 and beyond.

However, while there is an expectation that construction activities in 2017 will remain strong, supported in large part by public spending, year-to-date building permits are down significantly from 2016. Overall, building permit value in the first seven months of 2017 totaled \$52.4 million, down 27.9% from \$72.7 million in the same period of 2016. With year-to-date growth noted in residential permits (up 15.9% to \$30.6 million), commercial permits (up 132.3% to almost \$15.0 million) and industrial permits (increasing to \$2.0 million from \$0 million in 2016), the entirety of the decline has been in government/institutional permits, totaling only \$4.7 million in the first seven months of 2017, versus \$39.8 million in the same period of 2016. Government/institutional permits were quite high in 2016, as notable permits related to work on the Whistlebend Continuing Care Facility, the Whitehorse General Hospital expansion and the new Salvation Army building were noted.

Some larger permit values could show up in later in 2017. There is significant work happening this year on the Whistlebend Continuing Care Facility which has not yet been reflected in 2017 permit value. As well, relocation of the Toyota dealership in Whitehorse has also yet to be reflected in building permits.

As noted in the April 2017 outlook, investments are also being made in community infrastructure outside Whitehorse, such as \$6.5 million for the Ross River suspension bridge and \$2.9 million for the Watson Lake reservoir currently under construction.

Looking ahead, recently announced plans to improve road access in the Dawson Range and the Nahanni Range Road could have significant positive ramifications for Yukon construction activity over the longer term. In addition to construction activities related to developing these resource-access roads, this initiative boosts potential for the future development of additional mining properties. Any mines developed because of improved road access would contribute to Yukon's mining sector, supporting local employment, local contractors and local goods and services providers.

Retail sector booming

Benefitting from a growing population, a healthy labour market and increasing household incomes, Yukon retail sales data for the first seven months suggest that 2017 is shaping up to be another strong year. Reported sales of \$444.9 million, are up 5.9% from the first seven months of 2016, with much of the increase from Motor Vehicle and Parts Dealers and Gasoline Stations, accounting for 31% (\$7.5 million) and 24% (\$5.8 million) of the increase, respectively. In the first half of 2017, Motor Vehicle and Parts Dealers and Gasoline Stations have both posted strong gains, increasing 9.6% and 8.5%, respectively.

The retail sector is expected to continue to perform well in the medium term. Retail sales are forecast to grow to about \$800 million in 2017, and to continue growing out to 2020 to more than \$900 million.

IN THE SPOTLIGHT

There are some initiatives currently underway that may have an impact on Yukon's fiscal and economic outlook. Current fiscal and economic projections do not include any assumptions related to the outcomes of these initiatives.

First, the independent Yukon Financial Advisory Panel has completed its research into the Yukon government's fiscal situation and has developed a series of options and considerations for returning Yukon's finances to a healthy position. The Panel is currently undertaking a second round of public engagement, with panel members visiting 15 Yukon

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

communities until October 6th. Yukoners can provide feedback on the Panel's options, by attending a meeting in their community, by filling out the survey, by submitting written or video comments, or by participating on the online forum at www.yukonplans.ca. Options developed by the Panel will help inform government decision-making for 2018-19 and beyond.

Secondly, the federal government has committed to the implementation of a carbon levy in 2018. A joint federal/Yukon study is currently underway to assess the implications of carbon pricing in the territory. The Yukon government has also committed to returning all revenues received through a carbon levy back to Yukoners and businesses through a rebate mechanism. As it becomes clearer what the levy and the rebate mechanism will ultimately look like, the outlook for Yukon's economy can be developed with considerations for these impacts.

RISKS AND ASSUMPTIONS

There is always a degree of risk and uncertainty associated with the assumptions used to derive the economic forecast results, and unanticipated changes to the external environment can also have an impact on year-end results. Forecasts are dependent on the information available at the time of production and the assumptions incorporated into the forecast. Assumptions such as the level and timing of mining developments, estimates of annual mineral production and estimates of construction spending, can all impact the forecast results, particularly for an economy as small as Yukon's. Worth noting for Yukon are some of the key factors discussed below.

Global Economic Performance

Yukon's economic performance is tied to the performance of other key economies, such as the U.S., China, Canada, and the global economy as a whole. Demand for Yukon goods and services, including minerals and local tourism activities, is dependent on what is happening elsewhere.

Commodity Prices

A key driver of mining activity (exploration, development and production), metal prices determined on the global market. During the last global downturn, prices for minerals, particularly gold, saw a rapid increase and record highs which spurred interest in Yukon resources and led to record levels of exploration spending and substantial development spending (including three mines brought into production). More recently, weaker prices have contributed to the closure of two mines and significantly lower levels of exploration and development spending.

The price of oil can also influence local economic activity, including mining sector activity (fuel for project operations and equipment) and tourism (fuel for travelers' vehicles) as the price of oil has an impact on fuel prices. Fuel prices also influence the cost of Yukon construction activities and the cost of goods purchased locally, as most goods are transported in from outside Yukon.

Forecasts for commodity prices are developed with reference to credible external forecasters.

Exchange Rates

The value of the Canadian dollar can impact spending decisions by tourists and also investment decisions by resource-based companies. Forecasted exchange rates are developed through a consensus of external forecasts, such as those of the major Canadian banks.

Interest Rates

Lower interest rates can contribute to increased investment as the cost of borrowing is reduced. Alternatively, higher interest rates increase the cost of borrowing and can dampen investment spending. The cost of borrowing in Canada has been low for a prolonged period, with the Bank of Canada's target overnight rate not exceeding 1.0 per cent since 2009. Recent and projected interest rate increases are not expected to create a significant drag on Yukon's economic performance.

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

KEY ECONOMIC INDICATORS

<i>Indicator</i>	<i>2017f</i>	<i>2018f</i>	<i>2019f</i>	<i>2020f</i>
Economic Output (Real GDP)				
Annual percent change	1.2%	5.2%	0.6%	1.0%
Population				
Population	38,305	38,815	39,315	39,883
Annual percent change	1.2%	1.3%	1.3%	1.4%
Labour market†				
Labour force	22,000	22,700	23,000	23,300
Employment	21,000	21,600	21,800	21,900
Unemployment rate	4.4%	4.8%	5.0%	5.9%
CPI (Annual percent change)	1.9%	2.1%	2.1%	2.0%
Commodity Prices~				
Gold (\$US/troy ounce)	\$1,229	\$1,257	\$1,237	\$1,218
Silver (\$US/troy ounce)	\$17.10	\$18.00	\$17.90	\$17.80
Copper (\$US/pound)	\$2.58	\$2.61	\$2.65	\$2.69
Zinc (\$US/pound)	\$1.25	\$1.29	\$1.28	\$1.27
Oil – WTI (\$US/barrel)	\$51.48	\$55.27	\$62.17	\$67.27
Natural Gas – Henry Hub (\$US/MMBTU)	\$3.04	\$3.20	\$3.54	\$3.86
Key Rates				
Three month Treasury Bill rate	0.91%	1.50%	1.5%	1.5%
Canada/U.S. exchange rate	\$0.79	\$0.79	\$0.80	\$0.81
Mining				
Mineral production (\$ millions)	\$305.0	\$300.0	\$520.0	\$500.0
Exploration expenditures (\$ millions)	\$94.1	--	--	--
Development expenditures (\$ millions)	\$60.0	\$290.0	\$70.0	\$110.0
Retail Trade				
Value of retail sales (\$ millions)	\$800.0	\$835.0	\$870.0	\$905.0

f = forecast; -- = not available

^CPI increase for Whitehorse only

† = Annual averages rounded to the nearest 100. Totals may not add due to rounding.

~Annual averages

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

DATA SOURCES

<i>Indicator</i>	<i>Source</i>
Economic Output (Real GDP)	Statistics Canada, Yukon Department of Finance
Population	Yukon Bureau of Statistics
Labour Force Indicators	Statistics Canada, Yukon Labour Force Survey, Yukon Department of Finance
Commodity Prices	Average of Public Forecasts, Yukon Department of Finance
Interest Rates	Average of Public Forecasts, Yukon Department of Finance
Exchange Rates	Average of Public Forecasts, Yukon Department of Finance
Value of Mineral Production	Natural Resources Canada, Yukon Department of Finance
Mineral Exploration Expenditures	Natural Resources Canada
Mineral Development Expenditures	Natural Resources Canada, Yukon Department of Finance
Permitted Building Construction	Yukon Bureau of Statistics, Yukon Department of Finance
Retail Trade	Statistics Canada, Yukon Department of Finance

GOVERNMENT OF YUKON

2017-18 INTERIM FISCAL AND ECONOMIC UPDATE

ENDNOTES

¹ World Economic Outlook - Update. (July 2017). International Monetary Fund.

<http://www.imf.org/en/Publications/WEO/Issues/2017/07/07/world-economic-outlook-update-july-2017>

² Caribbean countries, Latin America, Africa, rest of Asia, parts of Eastern Europe (including Baltic states, Russia, and Turkey), Middle Eastern countries excluding Israel, Oceania excluding Australia and New Zealand.

³ Monetary Policy Report (July 2017). Bank of Canada. <http://www.bankofcanada.ca/wp-content/uploads/2017/07/mpr-2017-07-12.pdf>

⁴ Gross Domestic Product (GDP) is a widely used measurement of the economic performance of a region. GDP represents the market value of final goods and services produced within a defined region (e.g., country, province, territory) over a specified period of time (usually over the course of a year).

⁵ Monetary Policy Report (July 2017). Bank of Canada. <http://www.bankofcanada.ca/wp-content/uploads/2017/07/mpr-2017-07-12.pdf>

⁶ Phase 1 of construction of the Eagle Gold mine involves preparation of the mine site for construction in 2018, including upgrade of roads, expansion of the camp and detailed engineering work, along with earthworks related to leach facility and crusher foundation.

⁷ *Victoria Gold breaks ground at Eagle Gold mine (August 23, 2017)*. Yukon News. <http://www.yukon-news.com/news/victoria-gold-breaks-ground-at-eagle-gold-mine/>

⁸ Capstone Mining First Quarter 2017 Financial Results. <http://capstonemining.com/news/news-details/2017/Capstone-Mining-First-Quarter-2017-Financial-Results/default.aspx>

⁹ <http://pm.gc.ca/eng/news/2017/09/02/new-road-access-improvements-help-grow-yukons-natural-resources-sector>

¹⁰ <https://www.desmog.ca/2017/03/28/meet-first-nation-above-arctic-circle-just-went-solar>

¹¹ Tourism activities overlap a number of industries, making it difficult to calculate the overall economic contribution of tourism. Accommodations & Food Services, Retail Trade and Transportation & Warehousing are three industry classifications where tourism activities are reflected strongly.

¹² Cansim Table 427-0001. Statistics Canada.

¹³ The Department of Tourism and Culture has moved to quarterly reporting for its Yukon Tourism Visitation Report. At the time of writing, the most recent report available was for the first quarter of 2017.

¹⁴ The Department of Tourism and Culture notes that these figures represent approximately 500 rooms in Yukon and should not be generalized to the whole accommodation market.

¹⁵ The value of building permits is an imperfect indicator of the level of construction activity for a jurisdiction in a given year. Not all construction activities require a building permit. There is also a timing consideration when looking at building permits, as the actual spending and activities noted by the building permit may not coincide with when the building permit was issued.

¹⁶ Spending figures rounded to the nearest one decimal.