



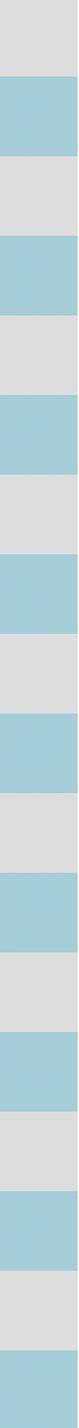
Northwest
Territories Bureau of Statistics

Digging into the NWT Resource Boom: Separating Economic Measures from Economic Benefit

NWT Bureau of Statistics
June 2008

Presentation Overview

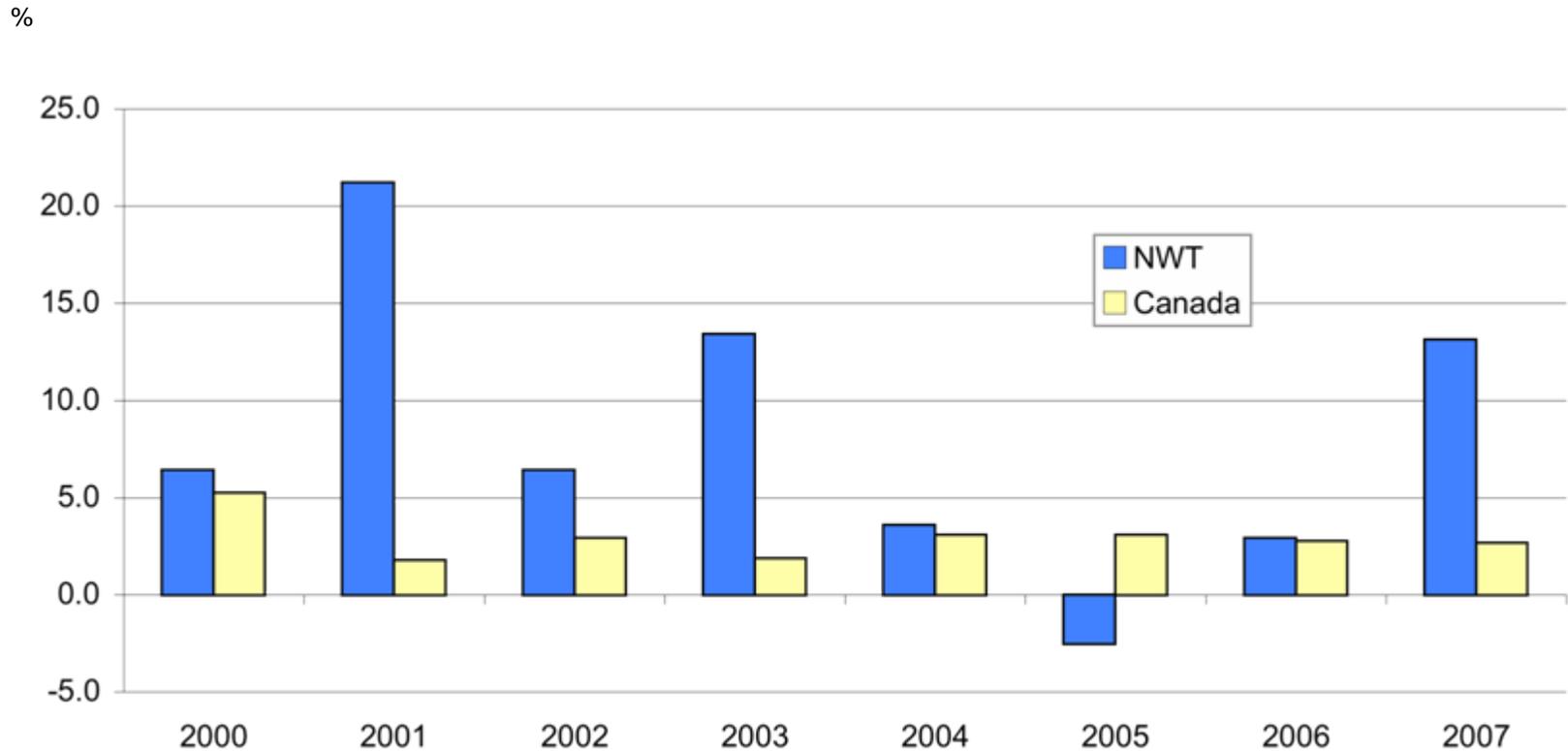
- Looks at NWT economic performance over the last eight years (1999-2007) and how the NWT has led the country in growth over this period. Discuss growth across a variety of measures that have fed territorial Gross Domestic Product (GDP).
- Dissects NWT economic performance (i.e., GDP) to examine where the growth has taken place and how much stays in the NWT.
- Looks at measures such as resident labour income and employment to quantify the extent of benefits accruing to the NWT and its residents.



Signs of an Economic Boom

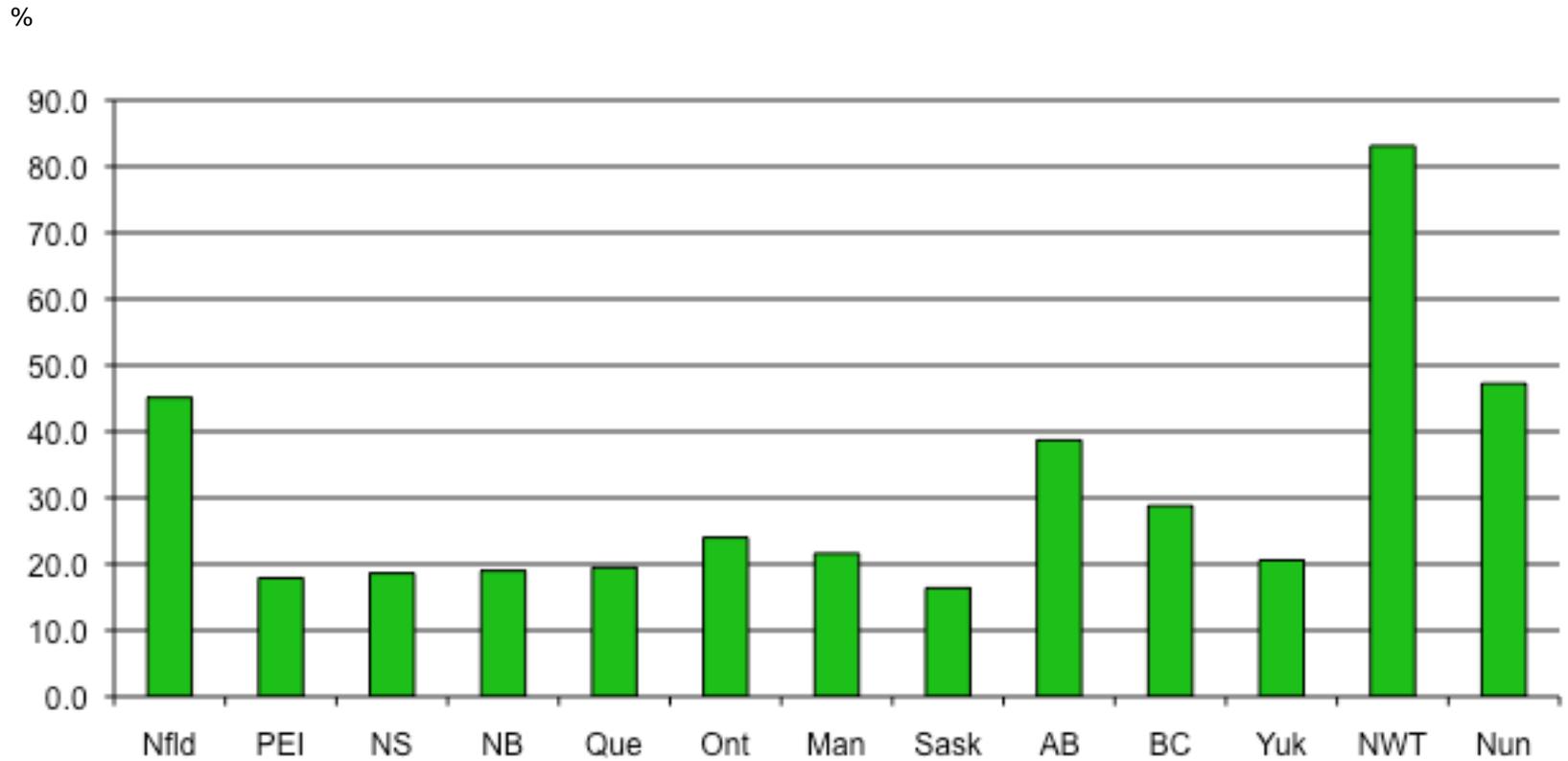


GDP (\$constant) Growth: 1999-2007



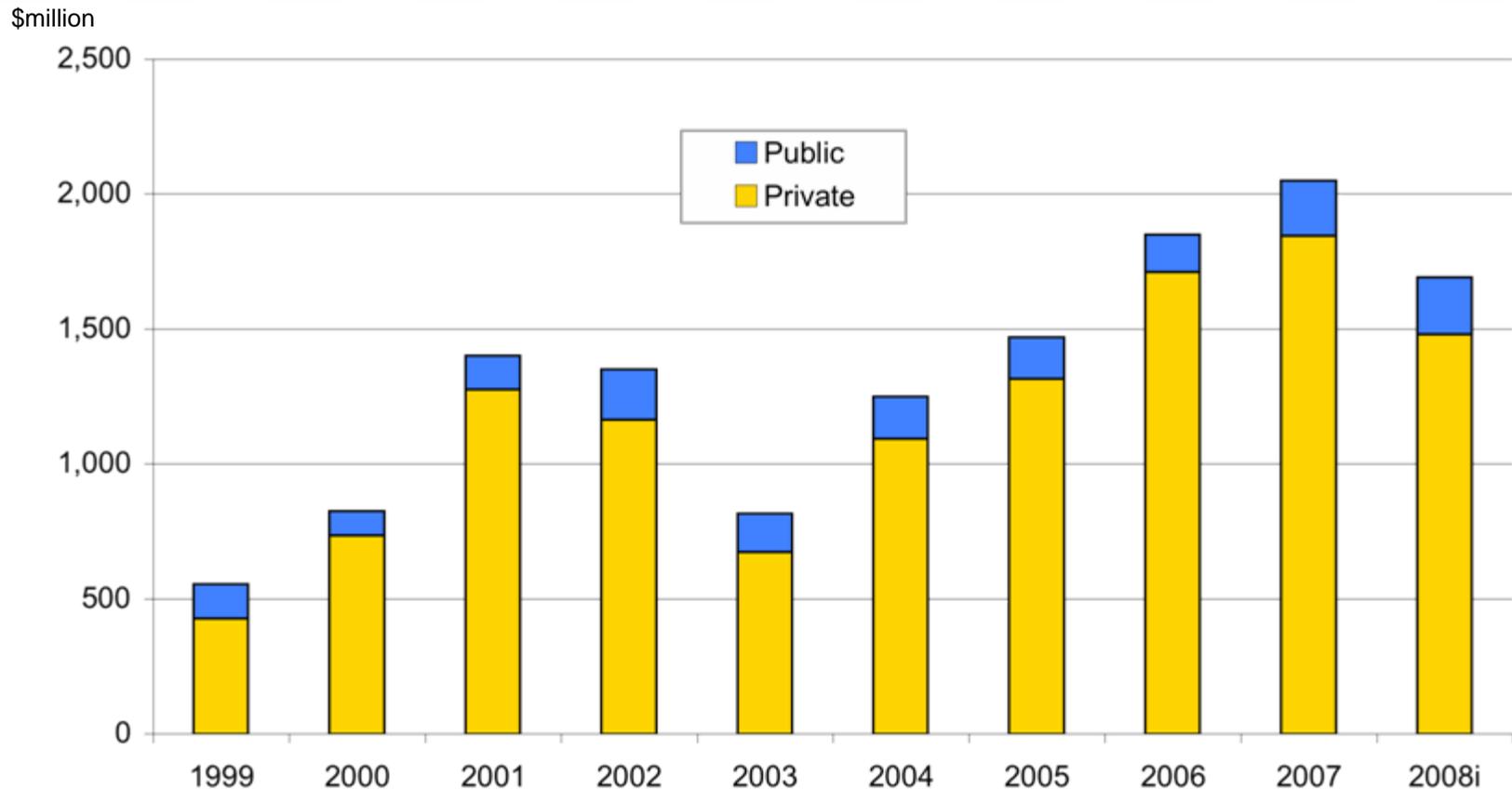
- Average annual Gross Domestic Product (GDP) growth over the period 1999 and 2007 was 7.9% for the NWT, reaching \$4,045 million in 2007, while the Canadian average growth over this period was 2.9%.

Cumulative GDP Growth: 1999-2007



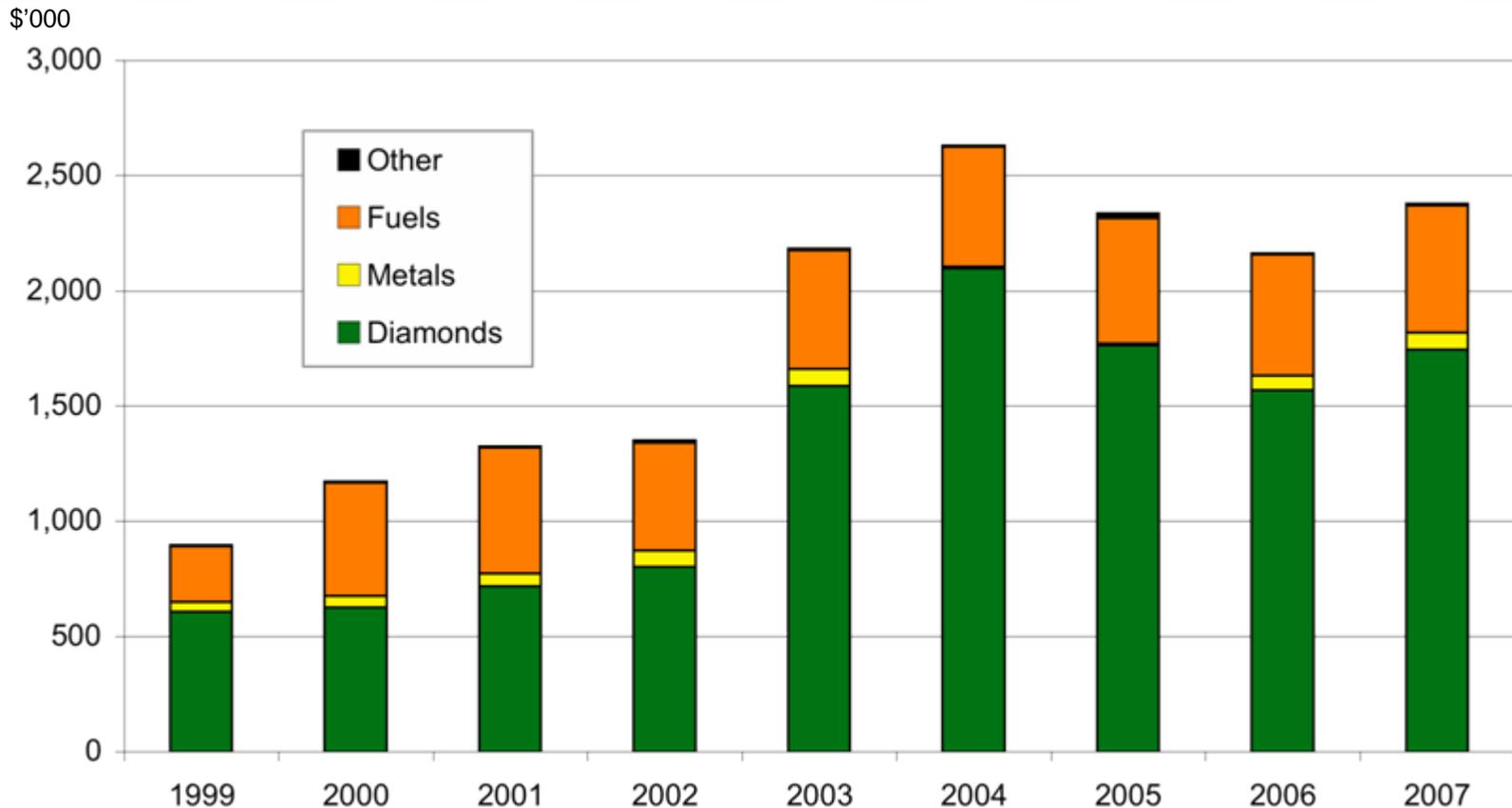
- NWT cumulative growth in real GDP over the period 1999-2007 was approximately twice that of Newfoundland or Alberta.

Capital Investment: 1999-2008



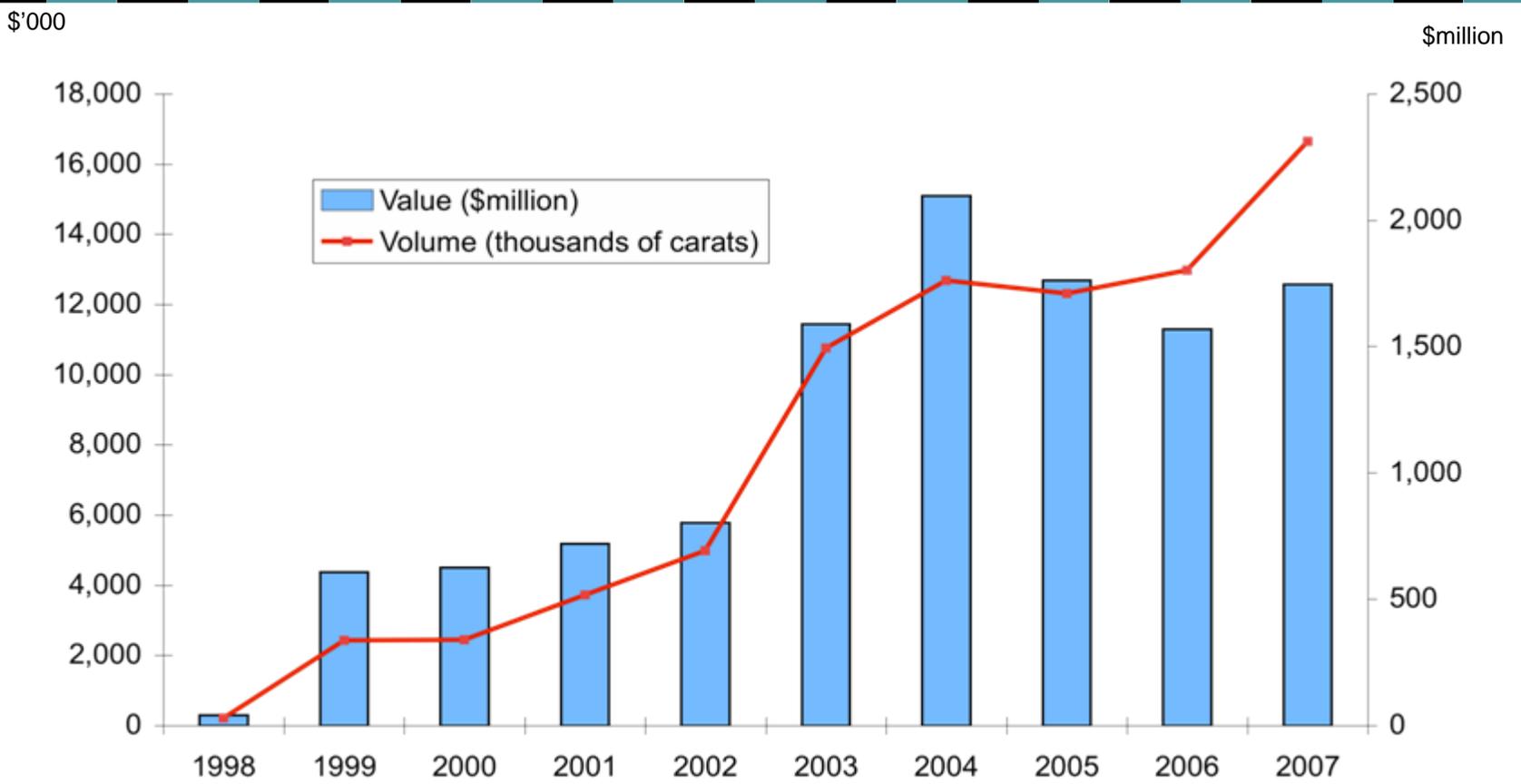
- Capital investment is expected to reach \$1.7 billion in 2008, with the NWT surpassing the level of PEI, Yukon and Nunavut combined.

Mineral Production: 1999-2007



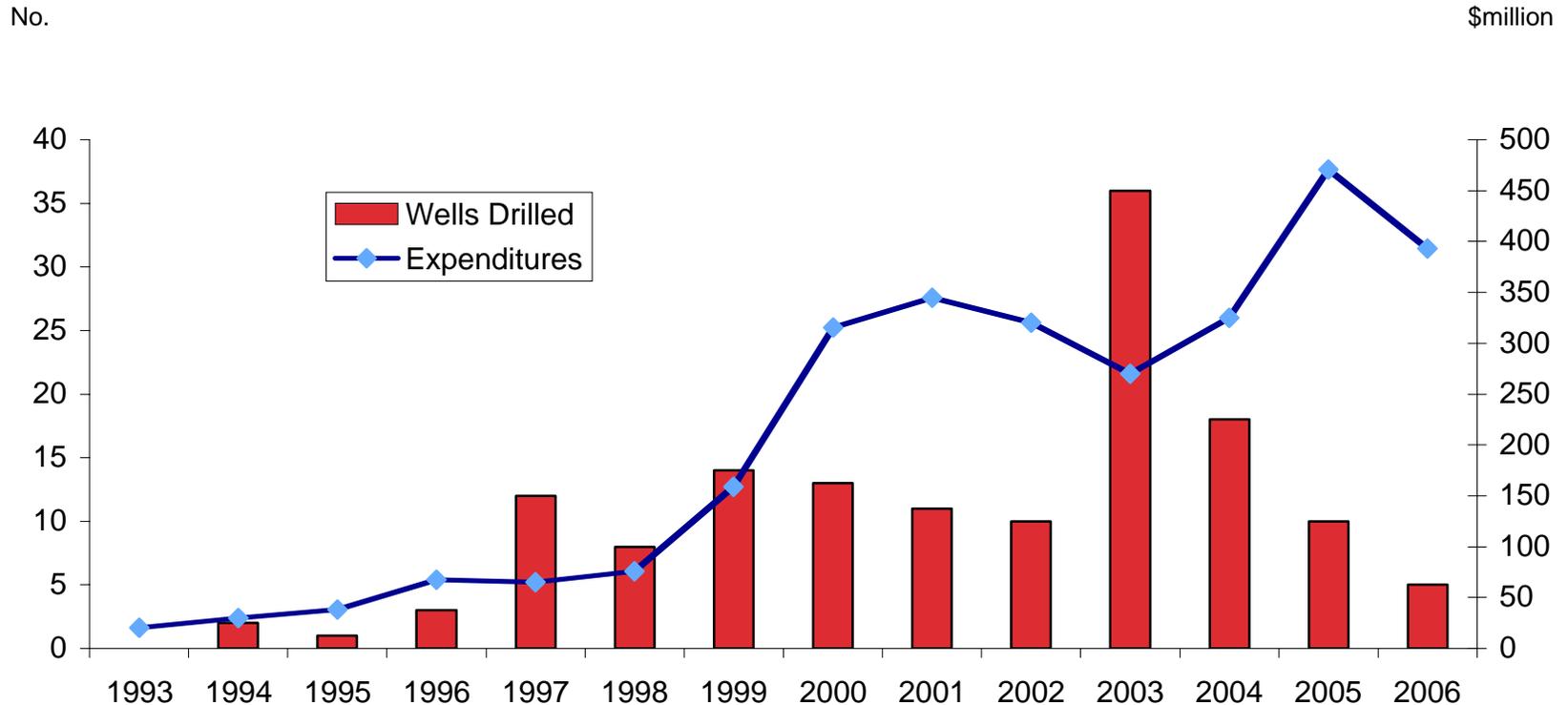
- The value of mineral production reached \$2.4 billion in 2007, with diamonds accounting for 73%, and fuel production accounting for 23% of total.

Diamond Production: 1998-2007



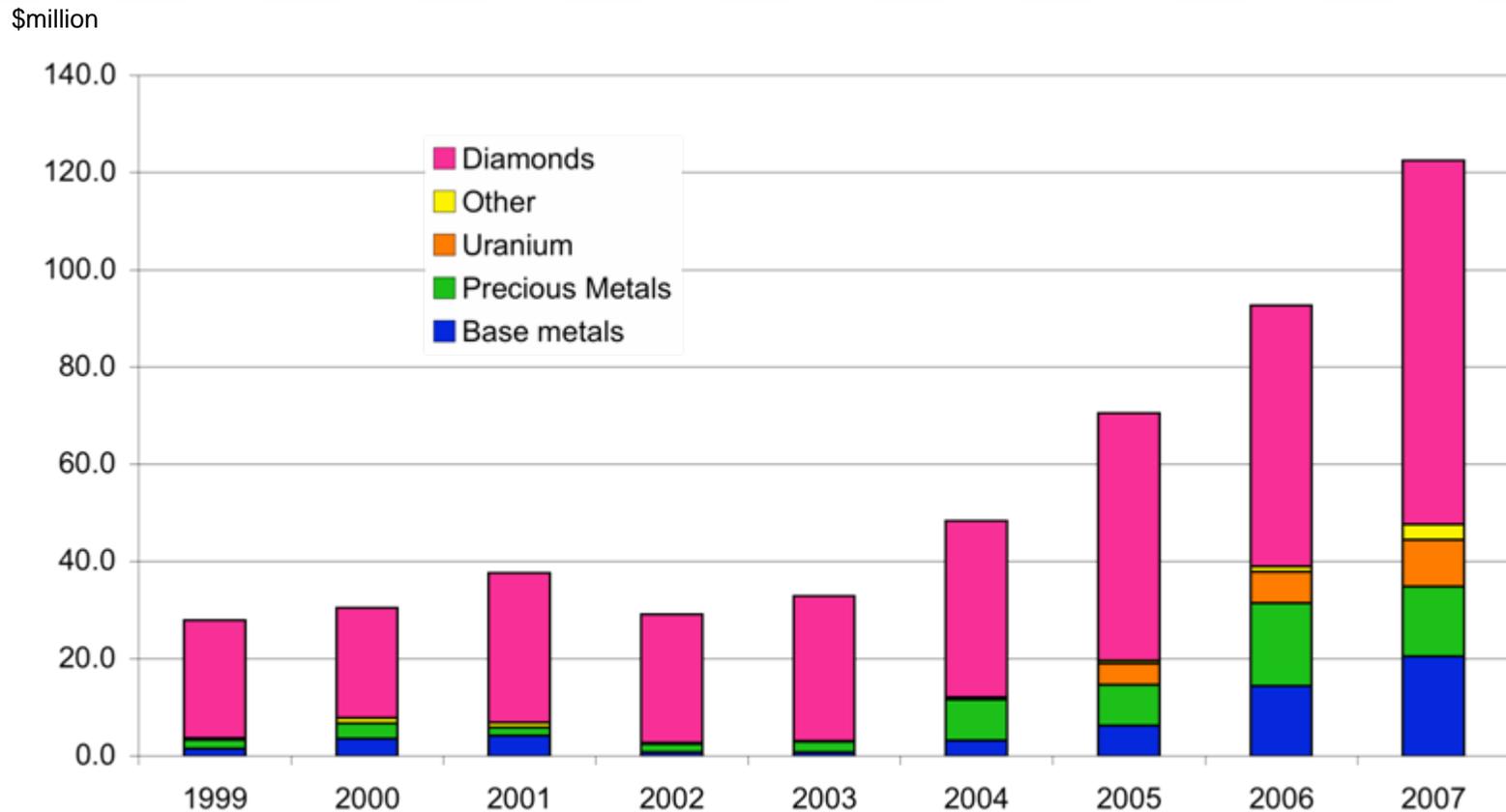
- Since diamond production started in the NWT in late 1998, over 79 million carats, valued at over \$11.3 billion, has been extracted.

Oil & Gas Exploration Activity: 1999-2006



- Oil and gas exploration activity has trended upwards over the last decade. Activity is expected to increase as the Mackenzie Gas Project opens the basin and encourages exploration activity.

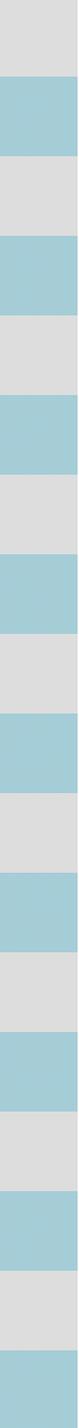
Exploration for Other Minerals: 1999-2007



- While diamond exploration still dominates (\$24.2 and \$74.9 million in 1999 and 2007 respectively), exploration expenditures for other commodities has increased by a factor of 13 since 1999.

I do believe it's an Economic Boom

- All of the preceding metrics point to a significant resource-based economic boom in the NWT over the period 1999-2007.
- The boom has been 'Fueled' by:
 - Investment – new mines
 - Mineral production
 - Mineral exploration and development
- Growth in GDP, in particular, highlights the significant economic growth (the boom) in the NWT over the last eight years relative to the rest of Canada.
- The question now is: To what extent do the impacts of this economic boom remain in the NWT and benefit territorial residents?



Dissecting GDP Growth

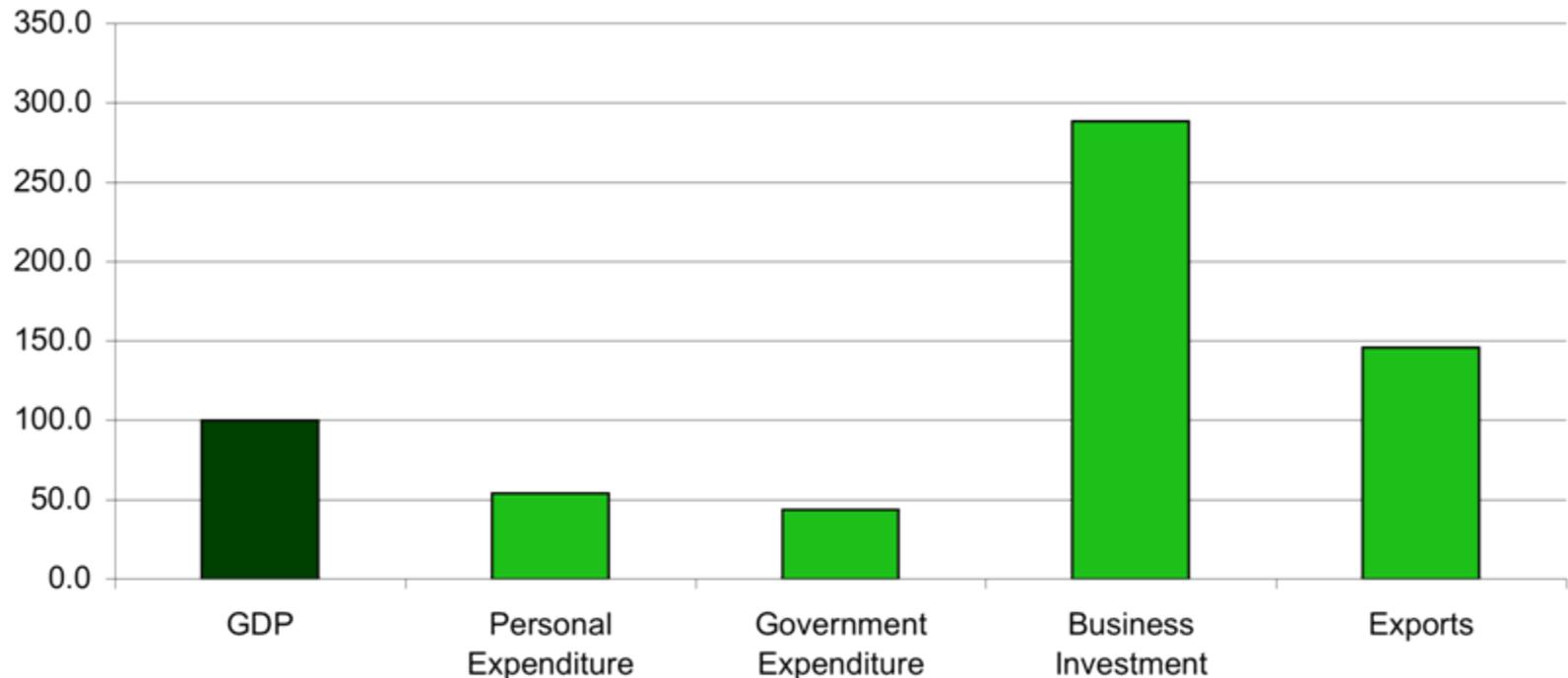


GDP Explained

- For the NWT, Gross Domestic Product (GDP) represents the total unduplicated value of goods and services produced within the territory, regardless of whether the factors of production (labour and capital) involved are resident or non-resident.
- GDP is typically measured two ways:
 - Expenditure-basis: Total final demand (expenditure) on current production
 - Personal Expenditure + Government Expenditure + Investment + (Exports - Imports)
 - Income-basis: Total incomes earned in current production
 - Labour Income + Profits + Capital Consumption Allowance + Taxes
- Both measures result in the same estimate of GDP

GDP Component Growth, Expenditure-Side: 1999-2007

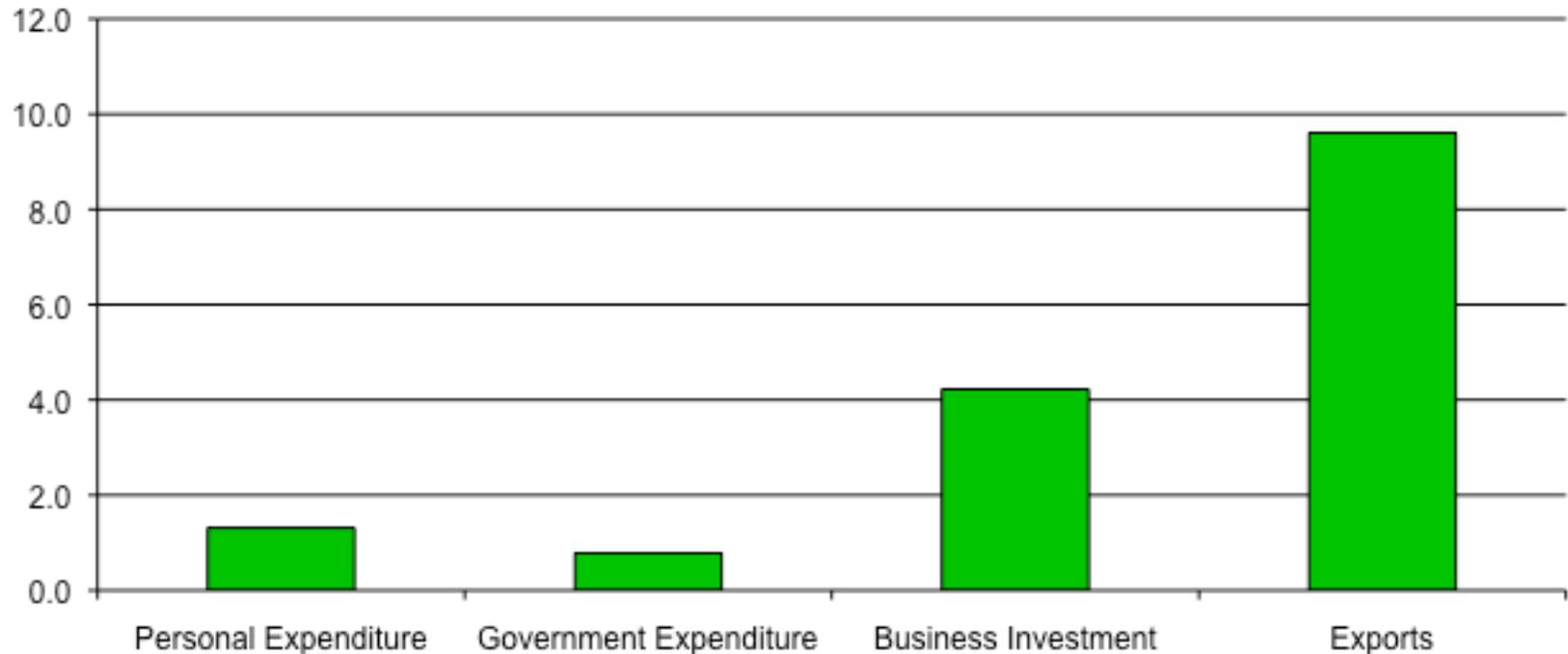
%



- Examining the component drivers of GDP (expenditure-side) growth over the period 1999-2007 reveals that the largest contributors to GDP growth were components that involve investment (mine construction) and exports (mineral production).

GDP Expenditure Component Contribution Growth: 2007

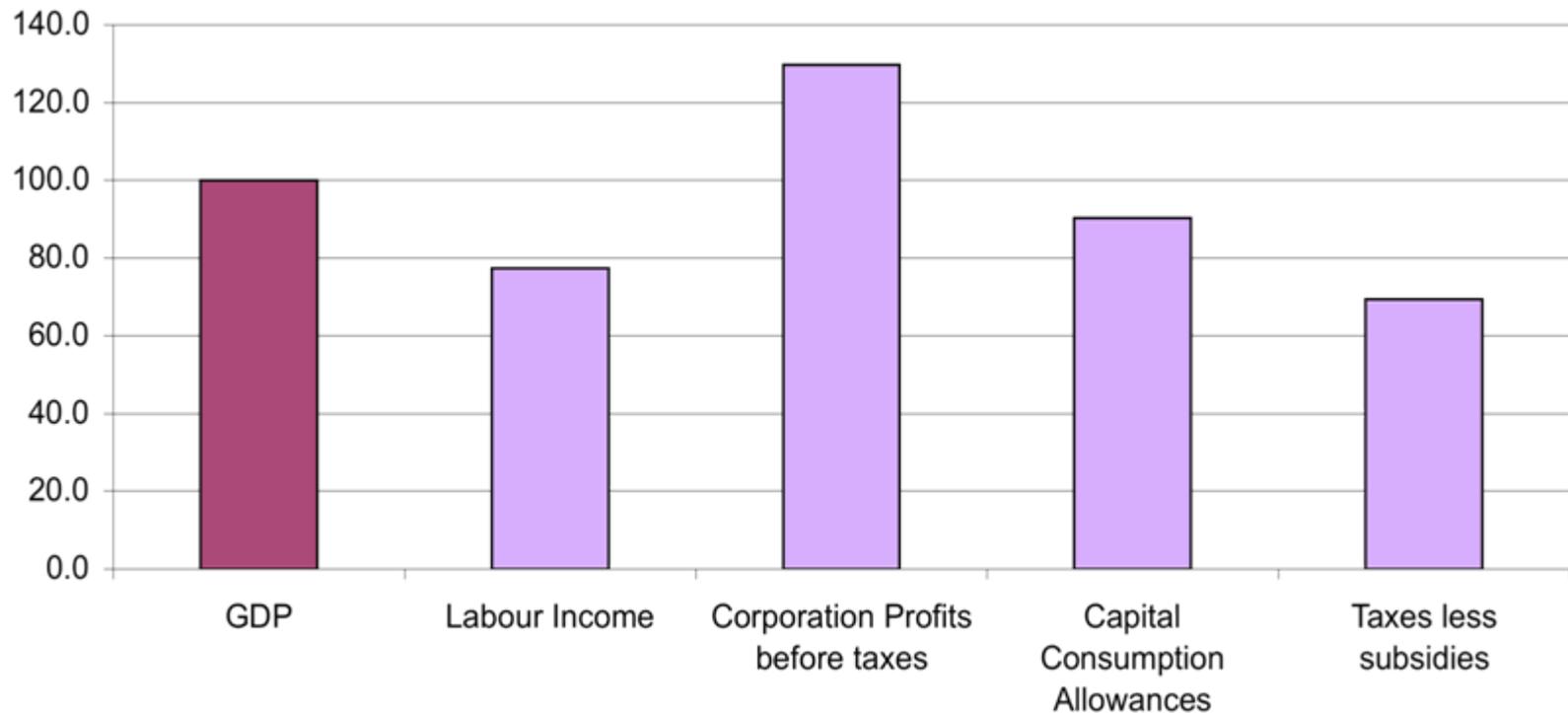
%



- Of the 2007 current dollar GDP growth of 13.1%, 1.3% was contributed by personal expenditure growth, 0.8% from government expenditure, 4.2% from Business Investment and 9.6% from growth in exports.

GDP Component Growth, Income-Side: 1999-2007

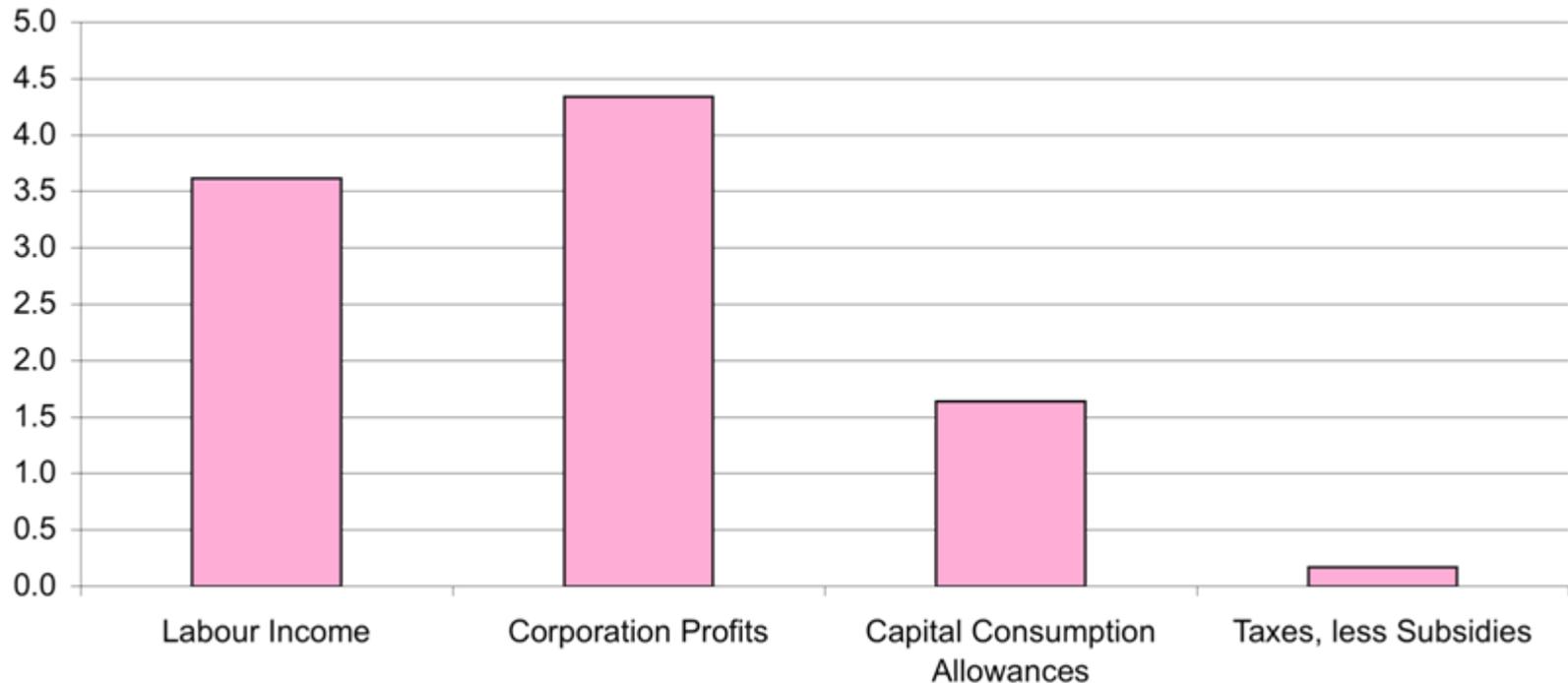
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- On the income-side, profits, labour income, and the depreciation of assets were the leading contributors to GDP growth over the period 1999-2007.

GDP Income Component Contribution Growth: 2007

%

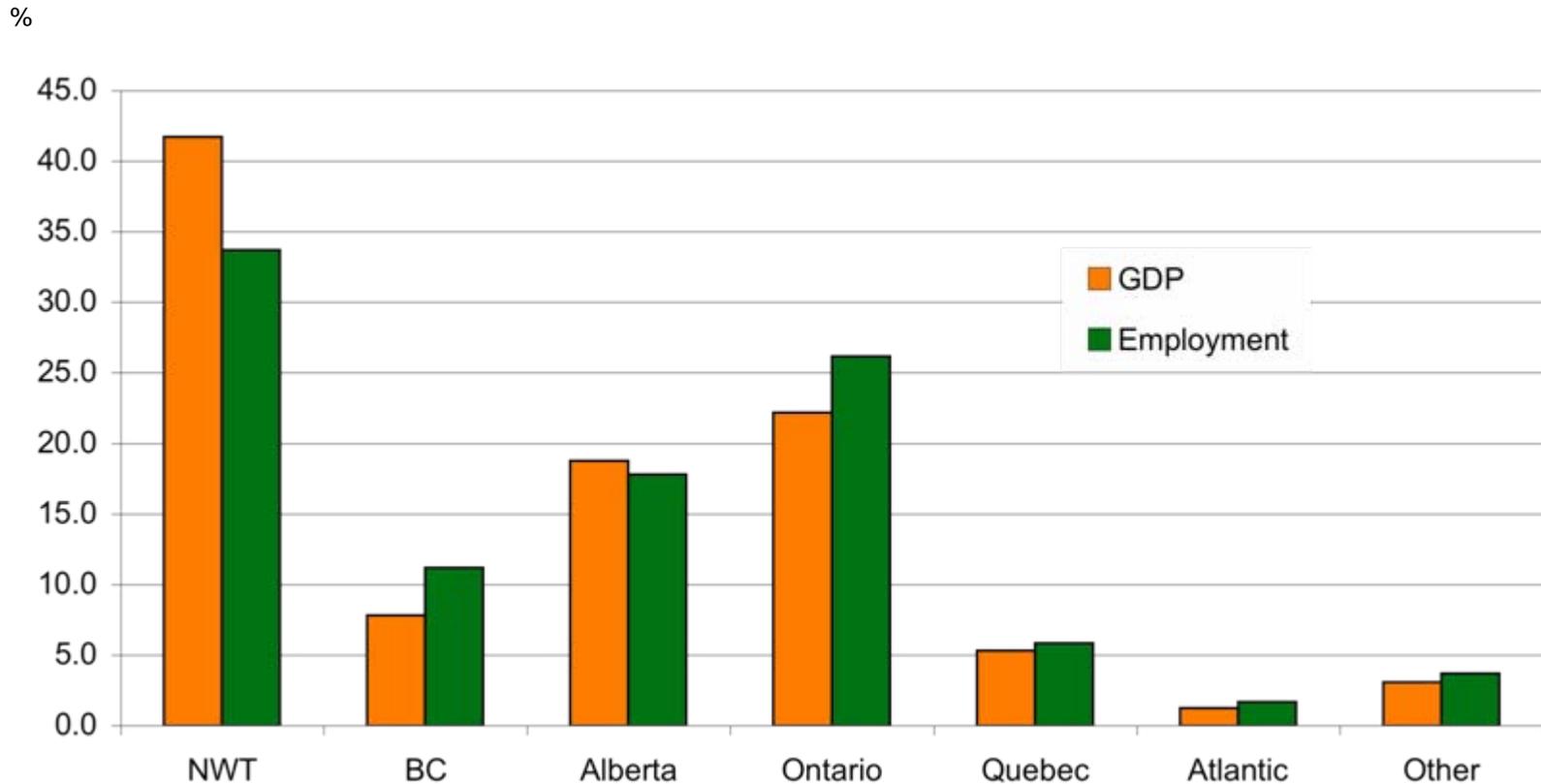


- Of the 10.4% current dollar GDP growth in 2007, 3.6% was contributed by labour income growth, 4.3% from corporation profits, 1.6% from CCA and 0.2% from growth in taxes less subsidies.

Economic Leakages

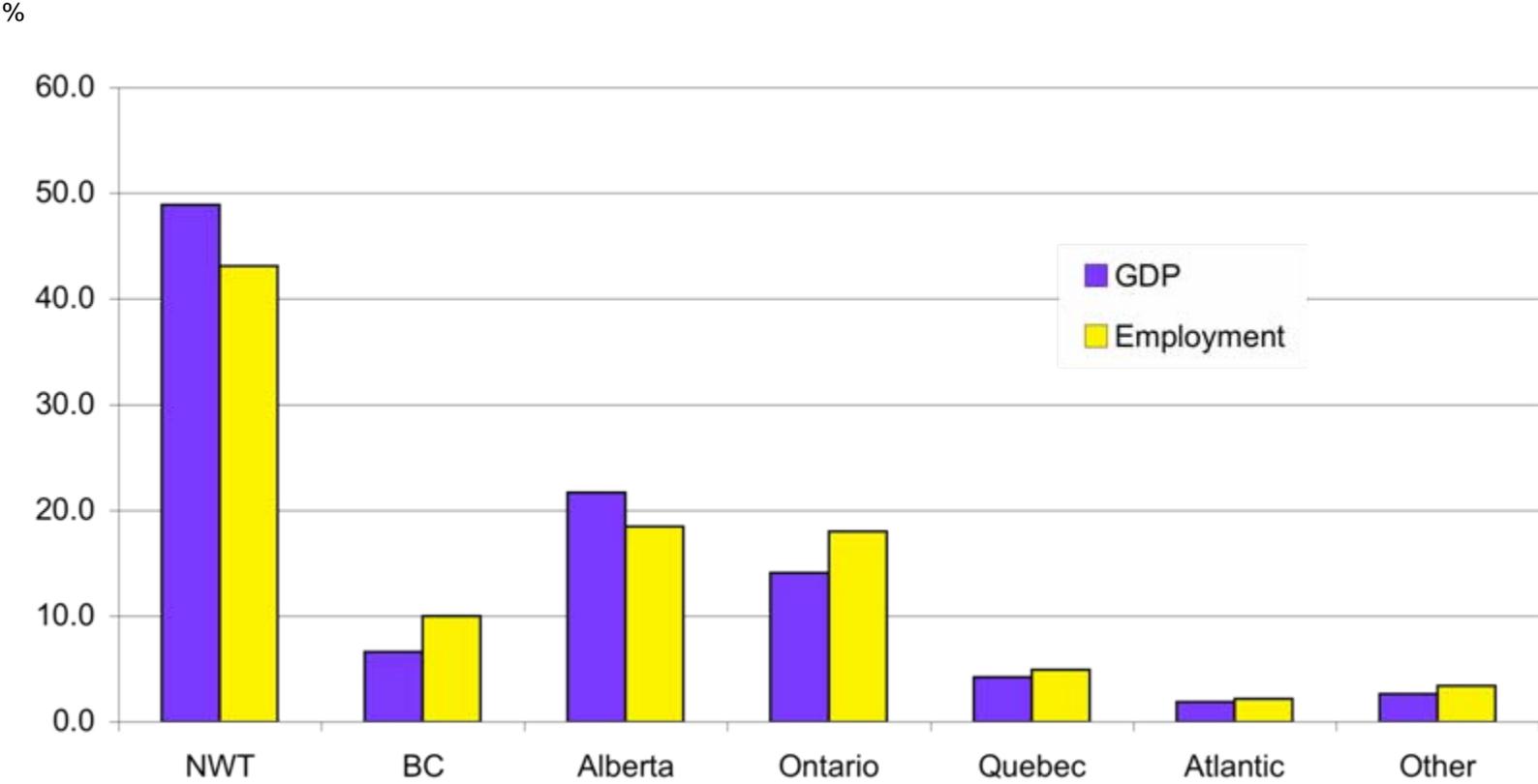
- Overall, a significant portion of GDP growth in the NWT “leaks” to the rest of Canada through:
 - Export of natural resources
 - Import of labour, materials and equipment
 - Profits accruing to national and multinational corporations
- The impact of economic leakage from the NWT economy is best demonstrated by examining the inter-provincial/territorial distribution of direct and indirect economic impacts
- The diamond industry experience makes for a good example of the leakages involved in the construction and operations...

Distribution of Direct and Indirect Impacts, Diamond industry: Construction Phase

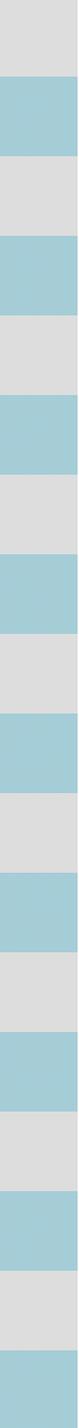


- While the impact of diamond mine construction on territorial economic measures has been significant, the majority of the economic impact “leaked” outside the NWT.

Distribution of Direct and Indirect Impacts, Diamond industry: Operations Phase



- A significant share of the economic impacts associated with diamond mine operations also “leaks” outside the NWT.



Economic Benefits



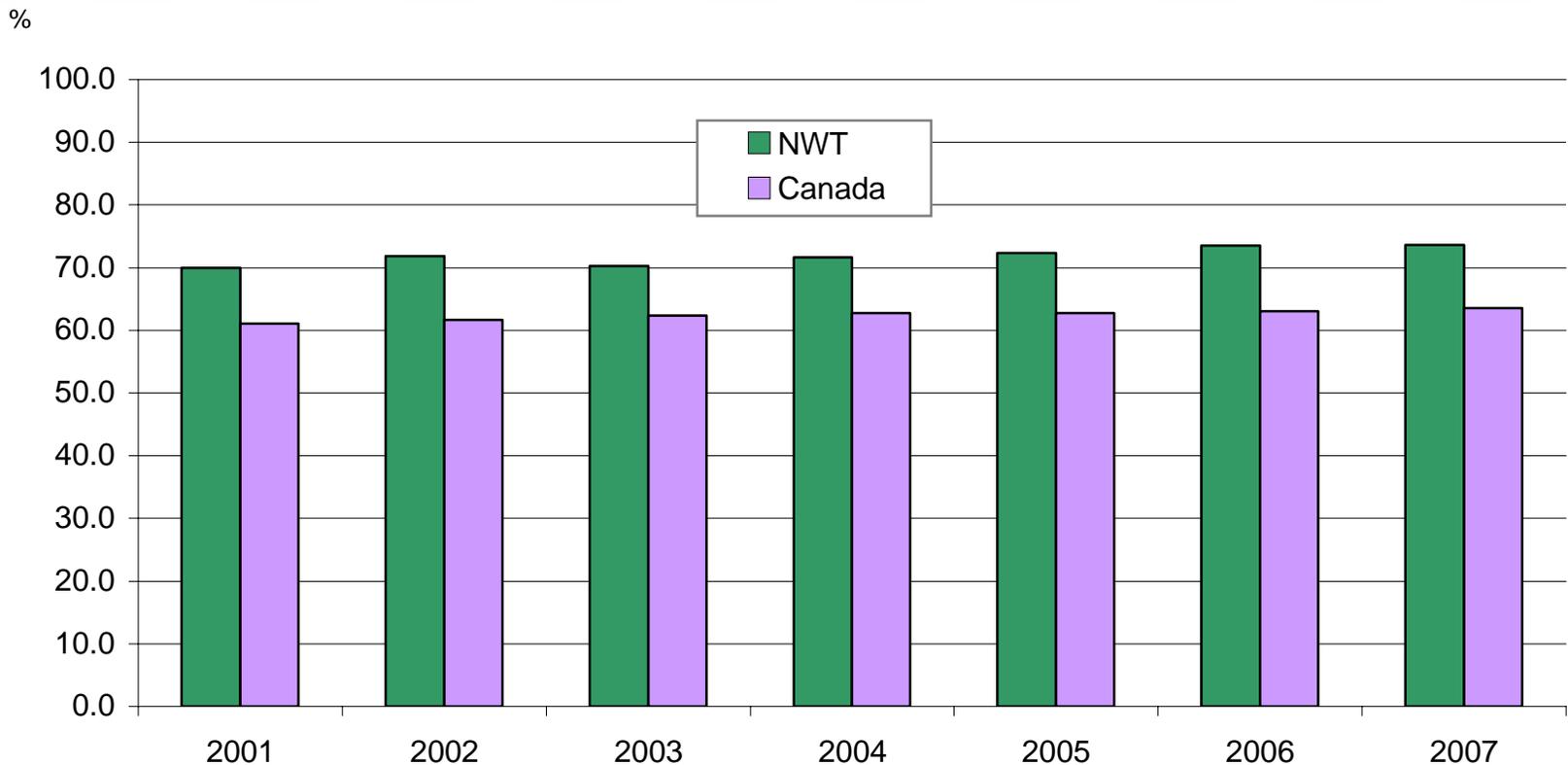
Where are those Benefits?

- The relatively small size of the NWT economy is the main reason for the significant economic leakage from the territory.
- However, investment and mineral production activities also directly benefit the people of the NWT through provision of employment opportunities and associated labour income.
- Also, resource based economic activity in the NWT spurs growth in the goods and service sector, growth that further adds to local employment and income, but also increases the NWT economic base.

Employment and Income

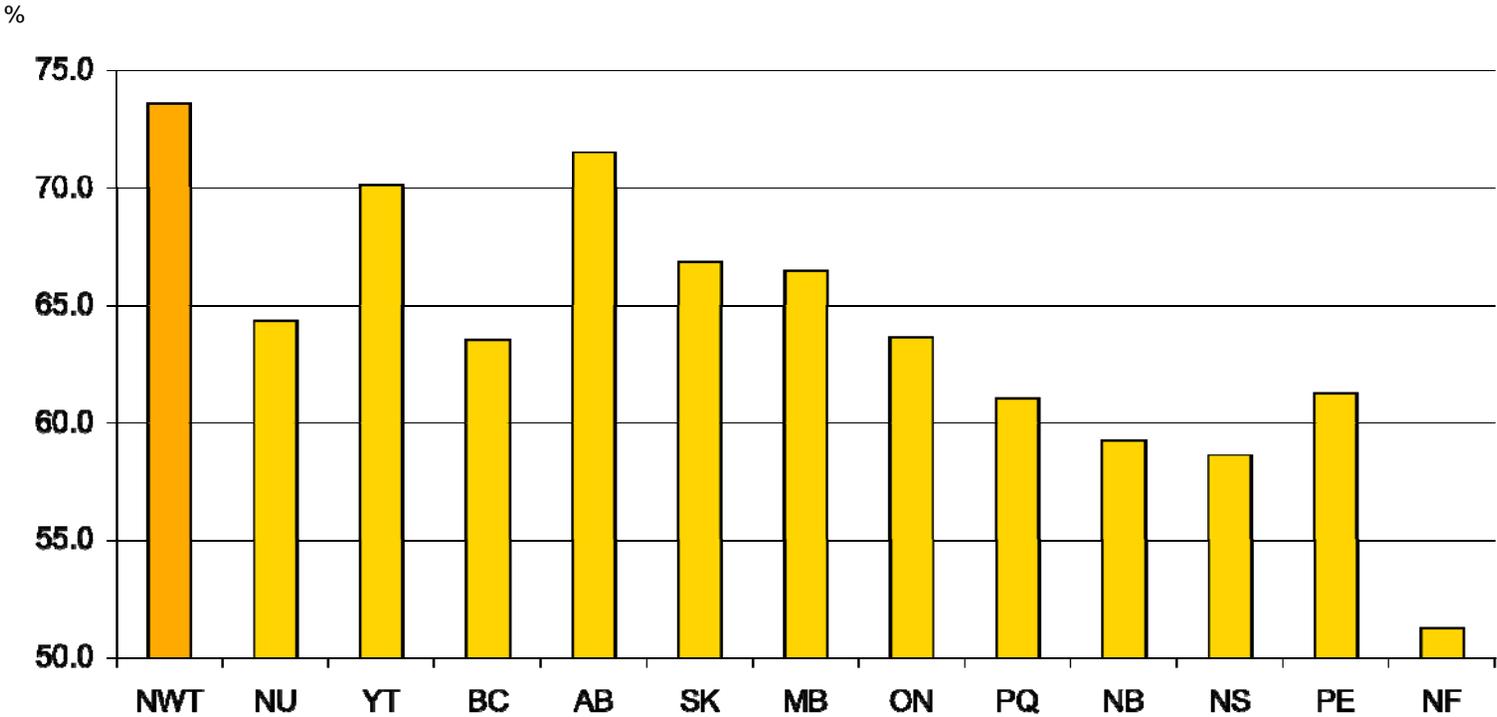
- Employment Rate
- NWT Labour Income
- Community-Level Labour Income

Employment Rates - NWT and Canada: 2001 to 2007



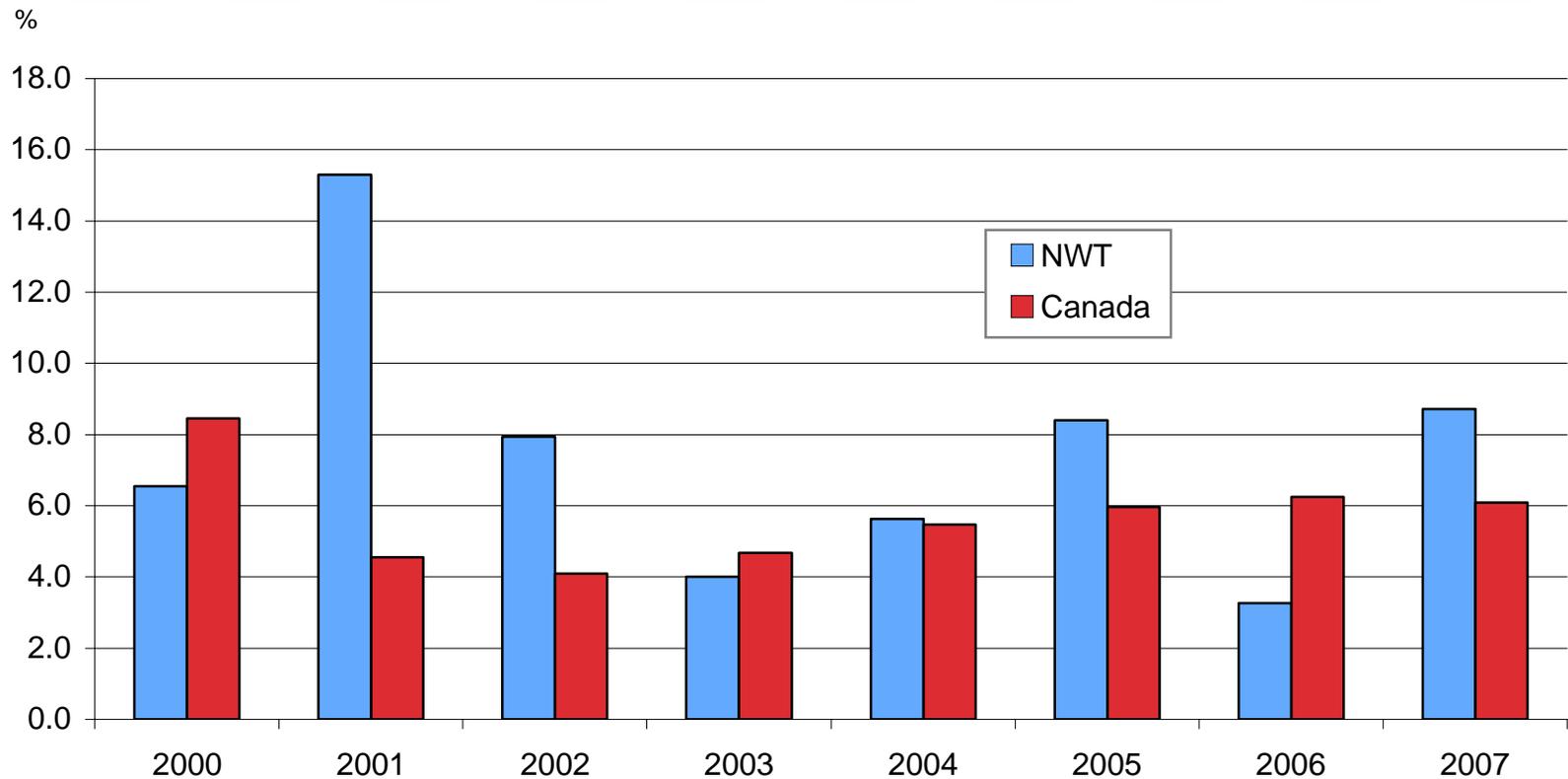
- During the past six years, the NWT employment rate has been significantly higher than the Canadian average, and is generally the highest in Canada - i.e., in the NWT, a greater percentage of those 15 years of age and older are employed.

Employment Rate, by Prov-Terr: 2007



- Almost 74% of the working-age population in the NWT was employed in 2007, compared to 51% in Newfoundland

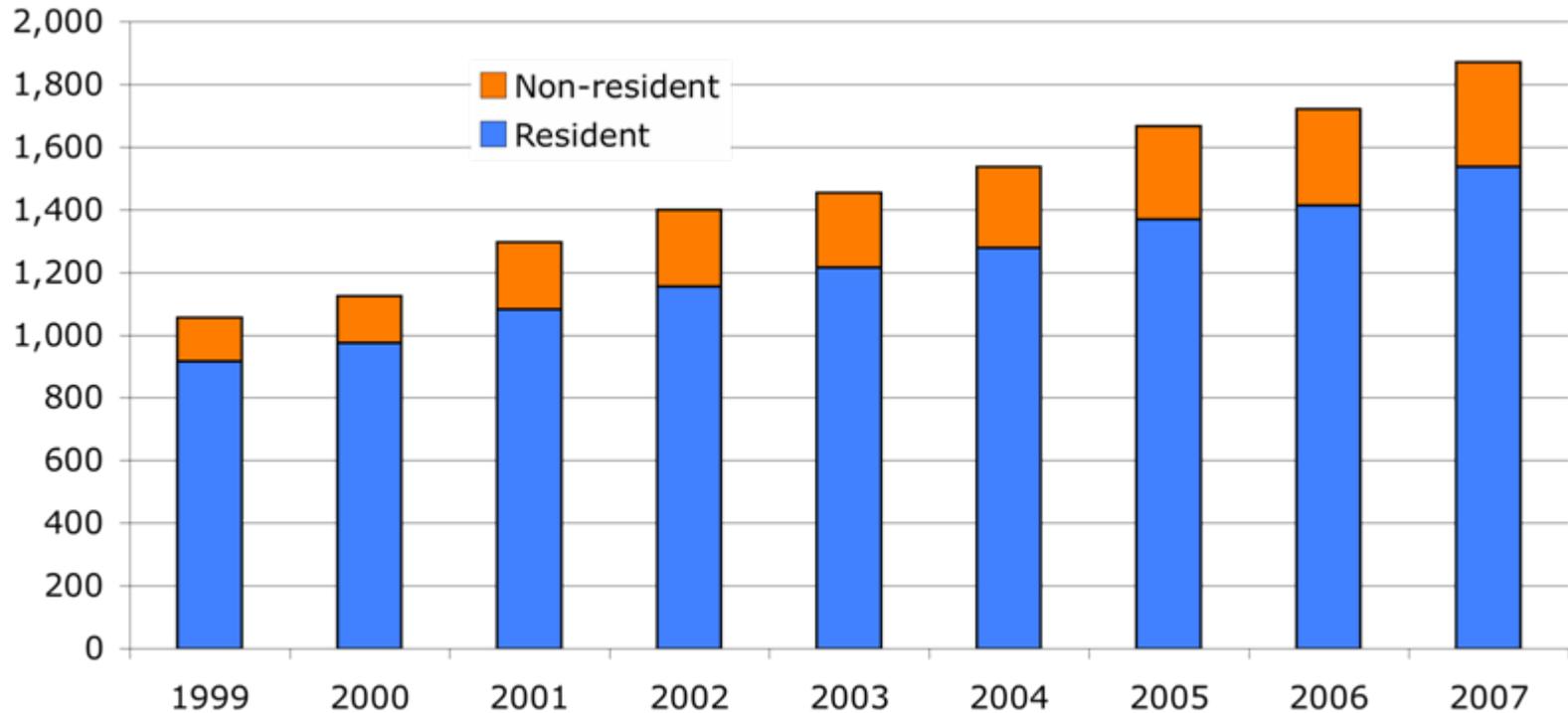
Growth in Labour Income: 1999-2007



- Average annual labour income growth over the period 1999 and 2007 was 7.4% for the NWT, reaching \$1.87 billion in 2007, while the Canadian average over this period was 5.7%.

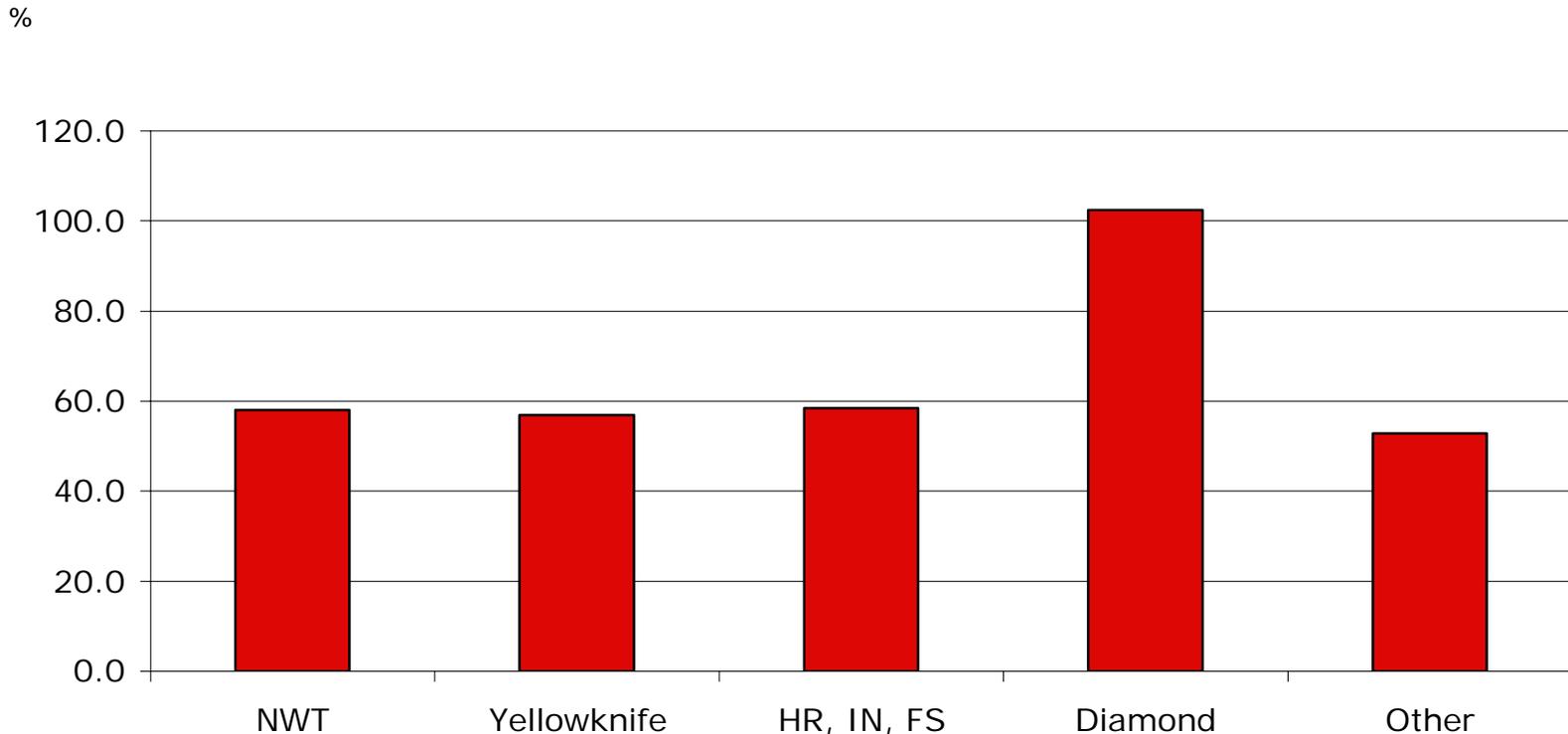
Labour Income: Resident and Non-Resident

\$million



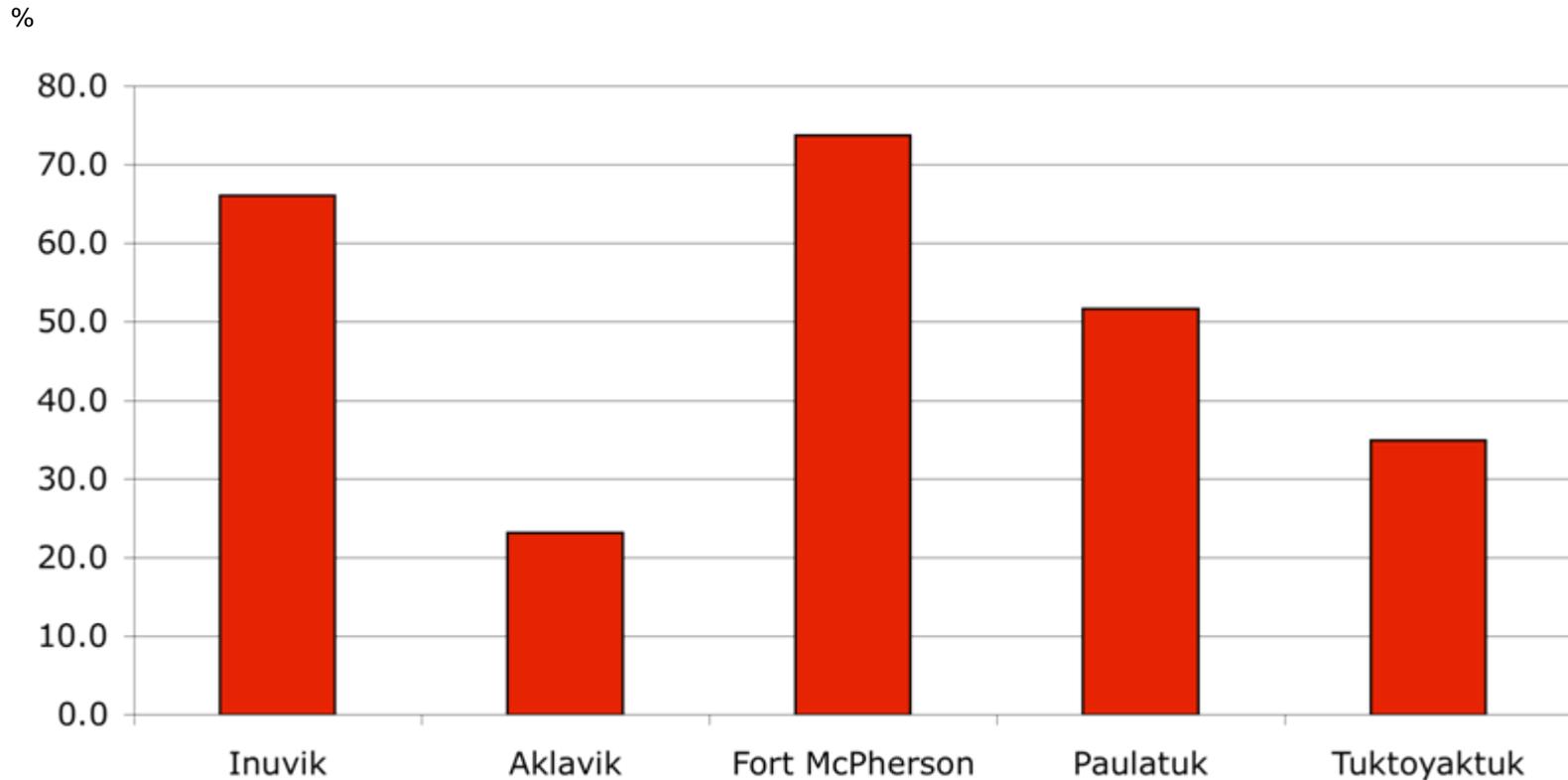
- While the share of income earned in the NWT by non-residents has increased between 1999 and 2007, going from \$134 to \$334 million respectively, most labour income growth stays in the NWT.

Growth in Resident Employment Income: 1998 to 2005



- While diamond impacted communities (Lutsek'e, Gamètì, Behchokö, and Whatì) saw the largest increase in employment income between 1998 and 2005, income growth is evident across all regions.

Beaufort-Delta Communities - Growth in Employment Income: 1998-2005

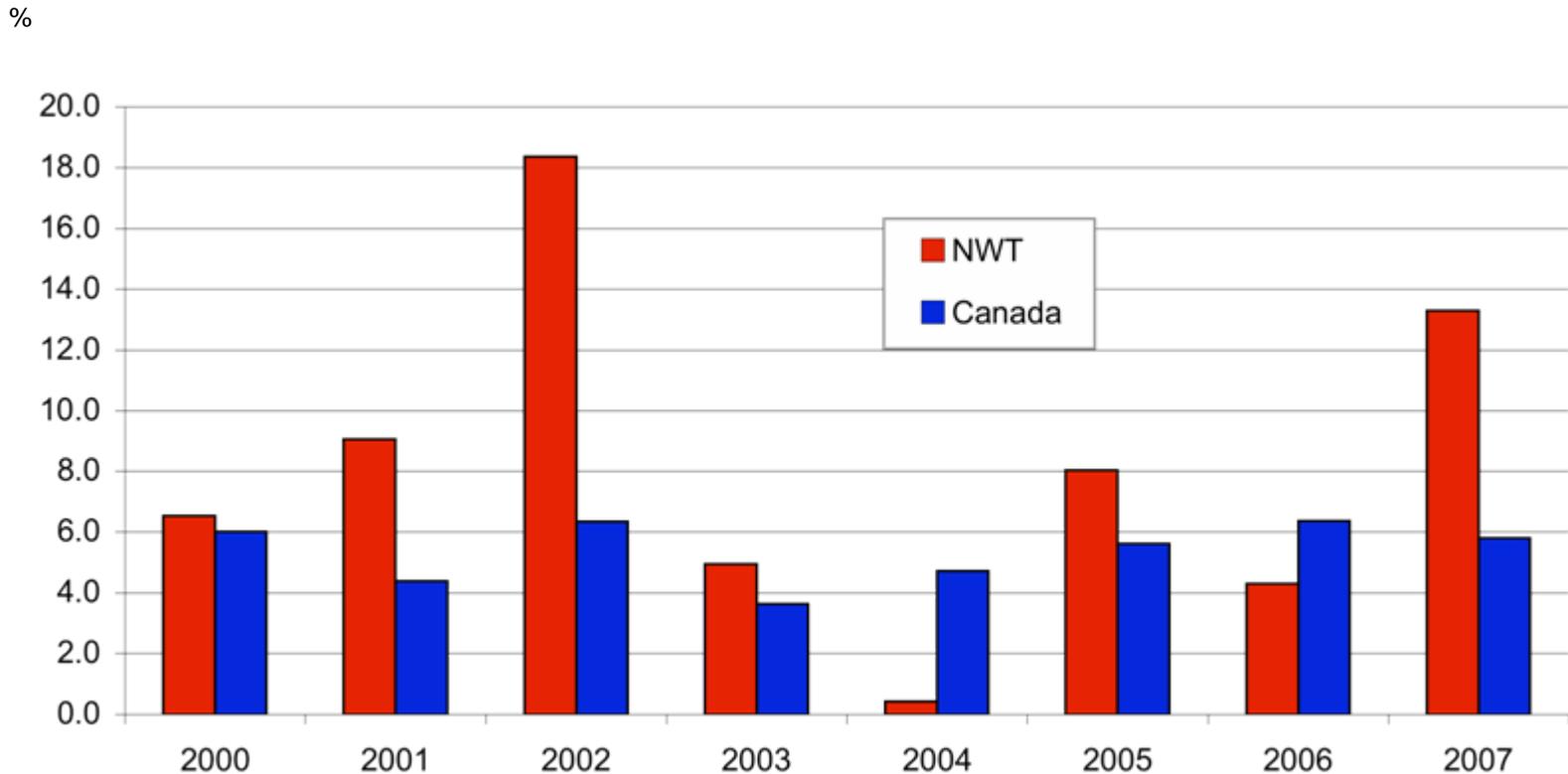


- Many Beaufort-Delta communities have seen substantial increases in employment income over the seven years between 1998-2005.

Industrial Development

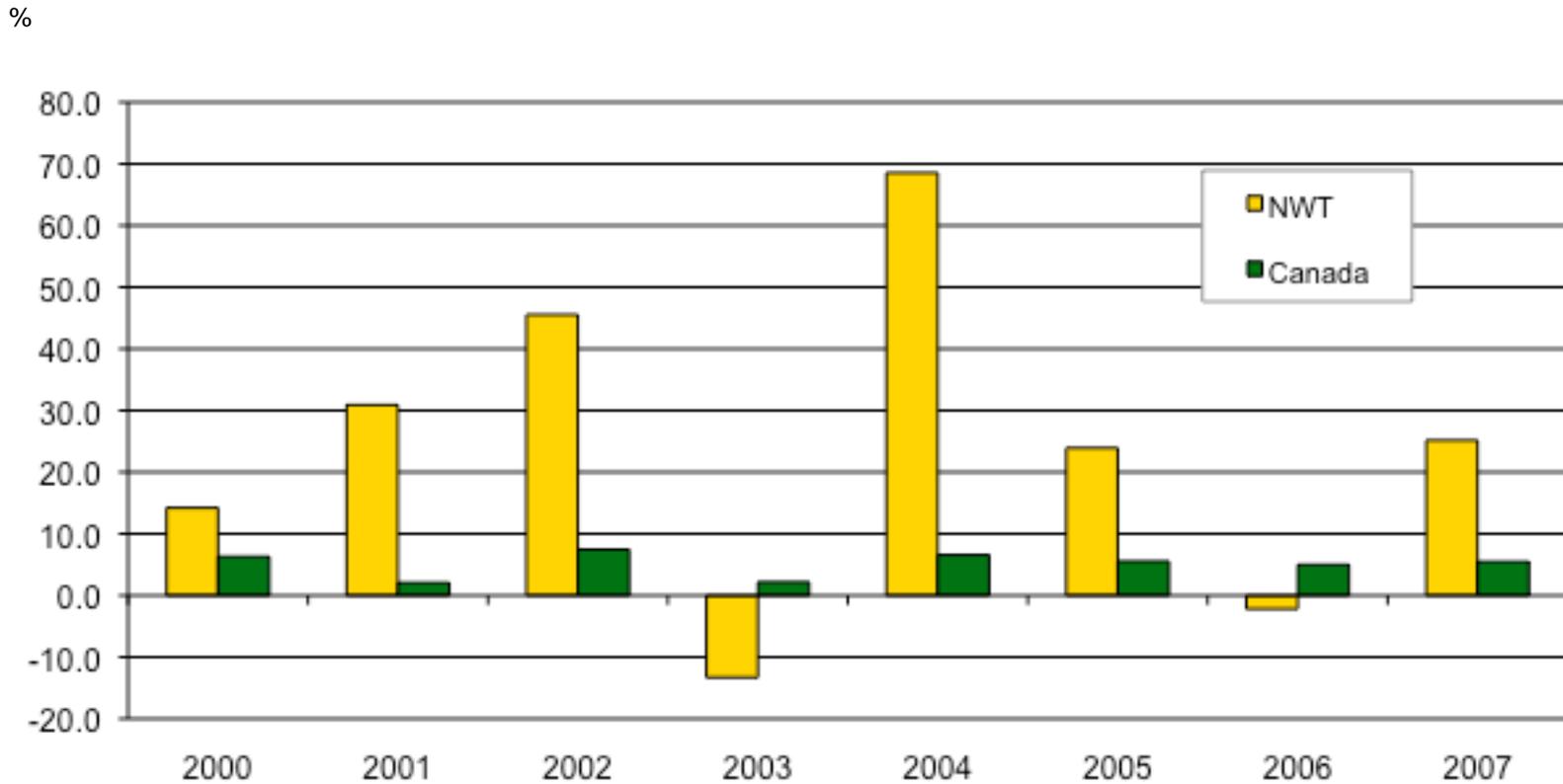
- Retail Trade
- Wholesale Trade
- Manufacturing

Retail Trade Growth: 1999-2007



- The retail sector in the NWT has benefited significantly from a booming economy
- NWT average annual retail trade growth was 8% over the last seven years, reaching \$679 million in 2007. For Canada, average growth over this period was 5.4%.

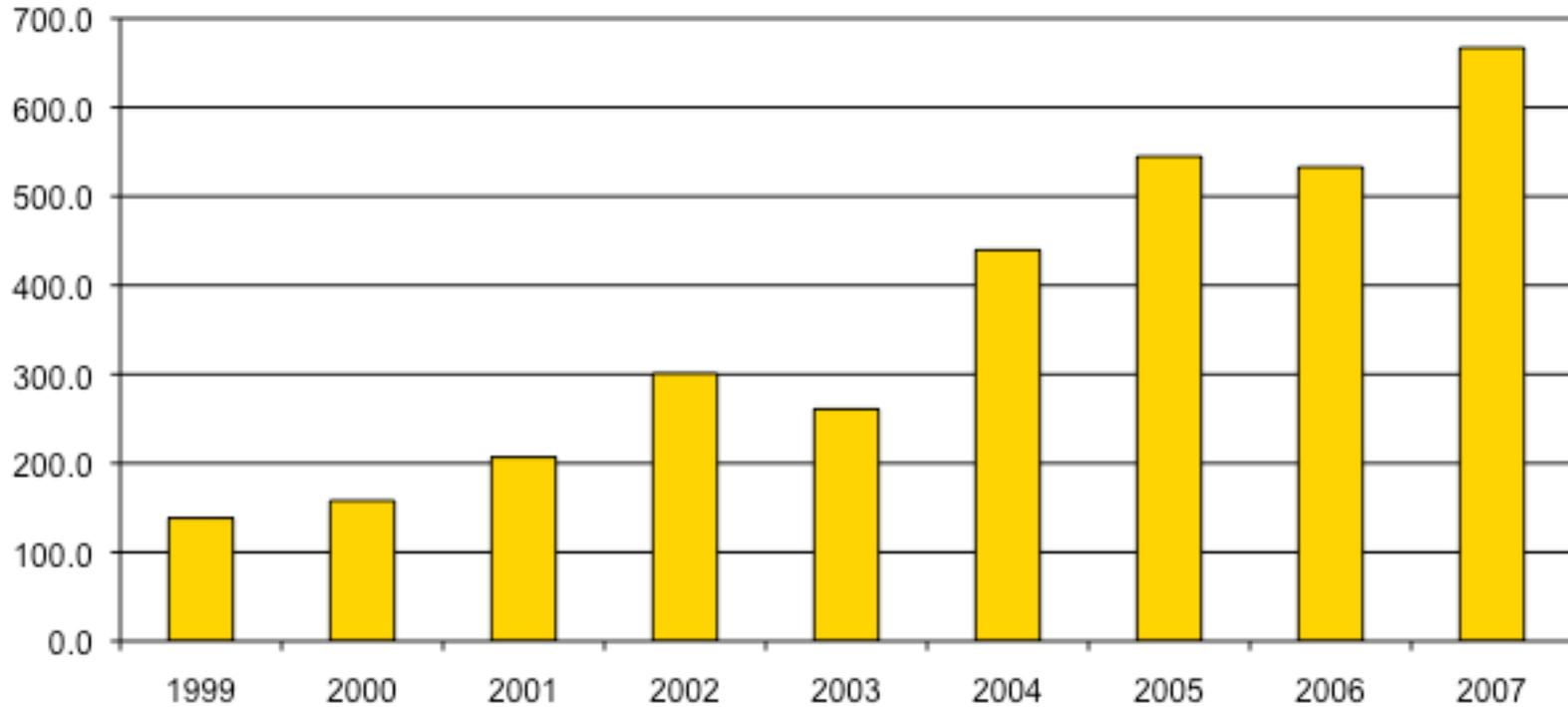
Wholesale Trade Growth: 1999-2007



- Wholesale trade activity in the NWT is closely tied to the non-renewable resource development sector.
- NWT average annual wholesale trade growth was 21.7% over the last eight years, reaching \$667 million in 2007.

Wholesale Trade: 1999-2007

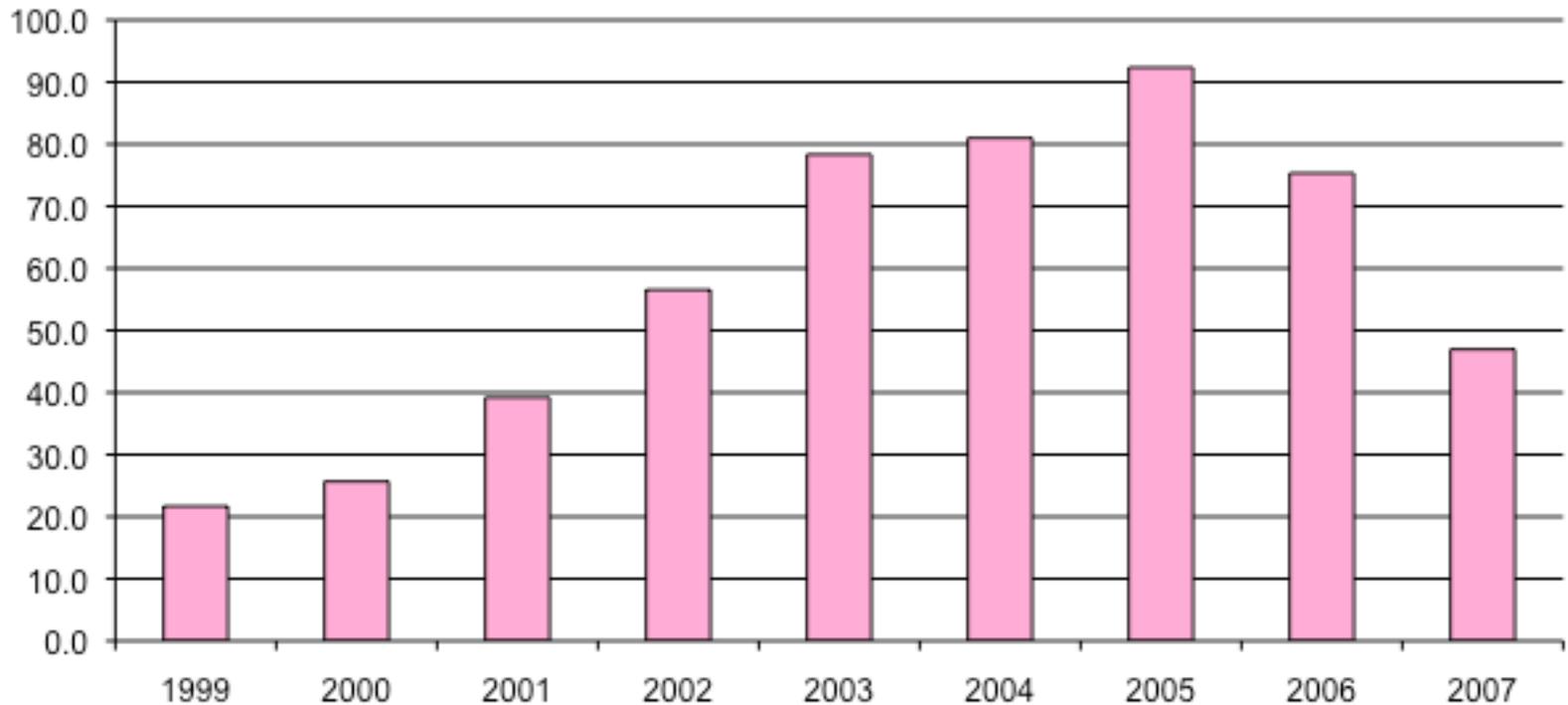
\$million



- Wholesale trade in the NWT has increased by 382% over the period 1999 to 2007, reaching \$667 million in 2007.

Manufacturing Output: 1999-2007

\$million



- The secondary (cutting and polishing) diamond industry propelled manufacturing to over \$92 million in output in 2005; output declined to \$47 million in 2007, but remains well above levels seen prior to 1999.

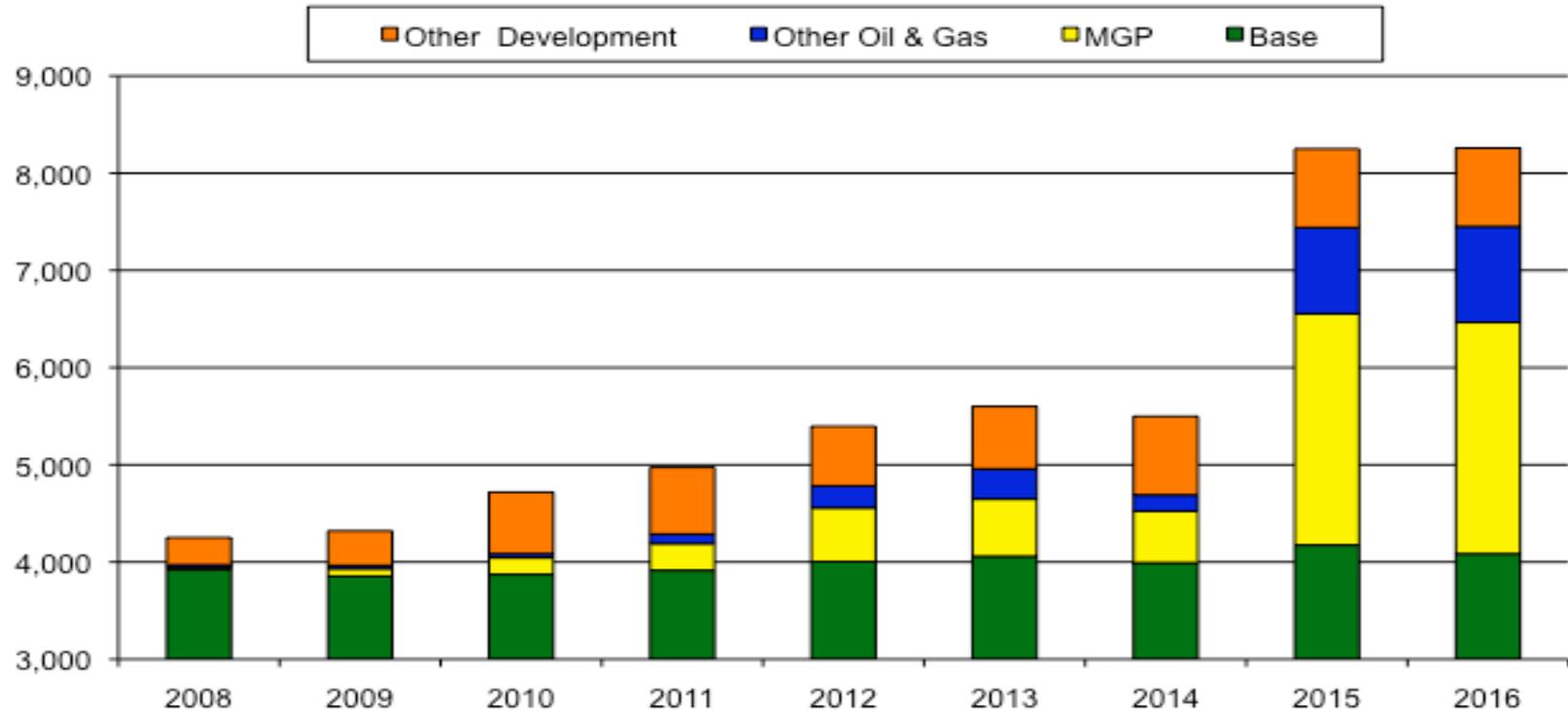


Future Resource Development Impacts



GDP Growth: 2008-2016

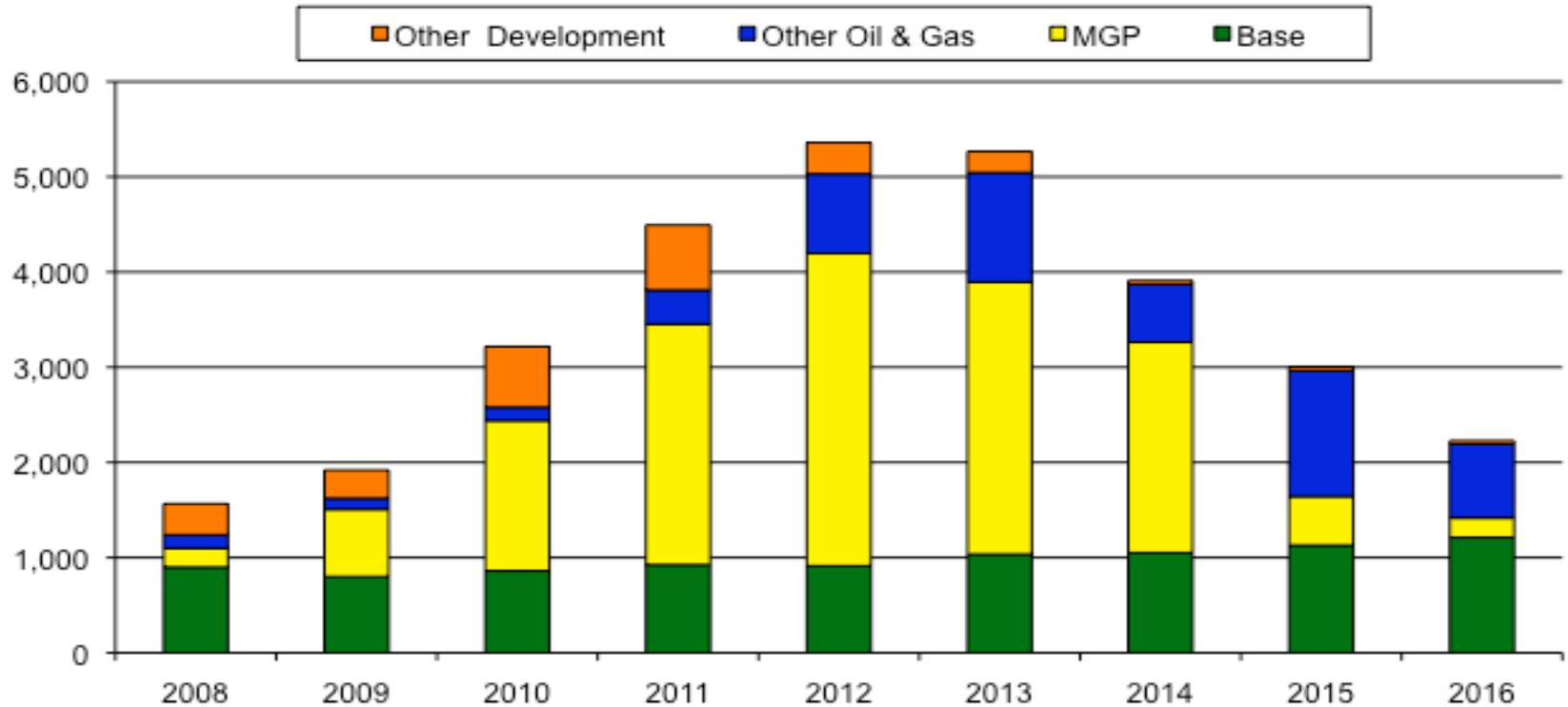
\$million



- GDP growth will be significantly impacted by upcoming developments. It is estimated that in 2015 GDP will rise above \$8 billion.

Capital Investment: 2008-2016

\$million



- Pipeline construction is expected to dominate investment over the period 2011-2014.

Looking Forward1

- Looking forward, over the next eight years, significant activity and investment is expected to occur in the NWT.
- It is anticipated that the proposed Mackenzie Gas Project (MGP) will further enhance and extend the economic boom started by the diamond industry.
- Much of the investment associated with the MGP will be supplied through the import of labour, material and equipment.
- A forecast GDP level of over \$8 billion by 2016, twice the current level, will be heavily impacted by the export of natural gas and other mineral commodities from the NWT.
- With an employment rate of almost 74%, the highest in Canada, non-residents will take an increasing share of the growing employment opportunities in the NWT.

Looking Forward2

- Many employment opportunities in pipeline construction and gas field development will be available to NWT residents.
- The MGP is seen as a necessary requirement to opening the 'basin' to exploration and development activity. It is anticipated that the long-term economic impacts of the basin opening will dwarf that of the MGP.
- An expanded natural gas exploration and development sector will help to further enhance NWT resident business interests in the goods and service producing sectors.

Contact Information

NWT Bureau of Statistics
(867) 873 7147
angelo_cocco@gov.nt.ca

www.stats.gov.nt.ca