Yukon Economic Overview and Outlook

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Presentation Overview

> About Forecasting

> Economic Overview

> Key Indicators

> Sector Perspective
About Forecasting
Risks: Economic Forecasting

> Forecast ≠ Prediction
  – Each forecast is based on a series of assumptions
  – Small economies, like Yukon, can be impacted rapidly

> Risks to the forecast
  – global trends
  – metal prices
  – energy prices
  – exchange rates

> Mitigation strategy
  – Twice annual economic forecast
Economic Overview
Yukon Real GDP by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2014</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>0.2%</td>
<td></td>
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<tr>
<td>Public administration</td>
<td>21.6%</td>
<td></td>
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<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>0.2%</td>
<td></td>
<td></td>
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<tr>
<td>Real estate and rental and leasing</td>
<td>13.2%</td>
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<tr>
<td>Finance and insurance</td>
<td>3.3%</td>
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<tr>
<td>Transportation and warehousing</td>
<td>2.9%</td>
<td></td>
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<tr>
<td>Information and cultural industries</td>
<td>2.7%</td>
<td></td>
<td></td>
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<tr>
<td>Construction</td>
<td>7.6%</td>
<td></td>
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<tr>
<td>Wholesale trade</td>
<td>1.3%</td>
<td></td>
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<tr>
<td>Retail trade</td>
<td>4.8%</td>
<td></td>
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<tr>
<td>Professional, scientific and technical services</td>
<td>2.6%</td>
<td></td>
<td></td>
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<tr>
<td>Administrative and support, waste management and</td>
<td>1.3%</td>
<td></td>
<td></td>
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<tr>
<td>remediation services</td>
<td></td>
<td></td>
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<tr>
<td>Health care and social assistance</td>
<td>7.5%</td>
<td></td>
<td></td>
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<tr>
<td>Arts, entertainment and recreation</td>
<td>0.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Services (except public administration)</td>
<td>1.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>1.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP (Chained 2007$)</td>
<td>$2.26 billion</td>
<td>$2.28 billion</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>
Yukon Real GDP by Industry

2014 Revised
Statistics Canada

Agriculture, forestry, fishing and hunting, 0.2%
Mining, quarrying, and oil and gas extraction, 19.3%
Utilities, 1.7%
Construction, 7.6%
Manufacturing, 0.6%
Wholesale trade, 1.3%
Retail trade, 4.8%
Transportation and warehousing, 2.9%
Information and cultural industries, 2.7%
Finance and insurance, 3.3%
Real estate and rental and leasing, 13.2%
Professional, scientific and technical services, 2.6%
Accommodation and food services, 3.0%
Arts, entertainment and recreation, 0.4%
Other Services (except public administration), 1.5%
‘Public Sector’, 34.4%

Real GDP (Chained 2007$) | 2014 | 2013 | % Change
------------------------|------|------|---------
Real GDP (Chained 2007$) | $2.26 billion | $2.28 billion | -0.8%
Recent Performance

> 2013: Contraction in real GDP (-0.8%)
  – Lowest performance in the country; first decline in 10 years

> 2014: Further contraction (-0.8%) to $2.26 billion (2007$)
  – Other key indicators
    – Population growth for the 11th consecutive year
    – Strong employment and labour force growth (lower unemployment rate)
    – Return to growth in retail sales

> Recent performance primarily defined by struggles in the mining sector:
  – Softening prices for key minerals
  – Challenges with access to financing
    – Mine closures and layoffs
    – Decrease in development and exploration expenditures
2015 Forecast

> Real GDP growth: -6.1%
  – Third consecutive year of contraction and the lowest in recent history

> Forecast driver: Lower mineral production
  – Substantial decline in mineral production
    – Suspension of operations from the Wolverine mine in January 2015
    – Current prices make it highly unlikely Bellekeno returns to production in 2015
    – Value of mineral production expected to be about half of the 2014 figure

> Other key indicators
  – Population expected to post modest growth of 0.6%
  – Employment expected to decline in 2015, contributing to an increase in the unemployment rate to 6.7%
  – Retail sales are expected to fall to $644 million, down 2.6% from $661 million in 2014
  – A return to growth for border crossings is expected
2016 Forecast

> Real GDP growth: 3.5%

> Forecast driver: Increased mineral production
  – Increase in Minto production as stripping of the Minto North pit is expected to begin in mid-2016

> Other key indicators
  – Population expected to post growth of 1.0%
  – Unemployment rate to increase to 7.5%
  – Retail sales are expected to return to the 2014 level, growing to $662 million
  – Increase in border crossings to about 352,000
Key Indicators
Return to Growth
Expected in 2016

2015: Upside risk – capital spending and strong tourism performance could partially mitigate contraction.

2016: Upside risk – stronger than expected capital spending and tourism performance could contribute to stronger growth.

Source: Statistics Canada; Department of Economic Development; International Monetary Fund
Even With Recent Struggles, Notable Real GDP Gains Since 2003

Source: Statistics Canada; Department of Economic Development
Steady Population Growth to Continue

2015: Modest population growth expected even in light of a weakened economy.

2016: Further population growth expected (1.0%).

Source: Yukon Bureau of Statistics; Department of Economic Development
Weakened Economy Impacting the Labour Market

Source: Statistics Canada; Department of Economic Development
Sector Perspective
Private Sector Growth Driven by Mining

Source: Statistics Canada; Department of Economic Development

Public Sector – Includes ‘Public Administration’, ‘Educational Services’ and Health Care & Social Assistance’
Metal Prices Continue to be Weak (Au, Ag)

Source: Metalprices.com
Metal Prices Continue to be Weak (Cu, Zn)

Source: Metalprices.com

Copper US$/lb

Zinc US$/lb

Source: Metalprices.com
Weaker Canadian Dollar Softening the Blow

Source: Metalprices.com
Mineral Prices Key to Future Exploration and Development Spending

Outlook: While interest in Yukon resources depends on a number of factors, mineral prices will remain the most important factor for future exploration and development spending.

Source: Natural Resources Canada; Department of Energy, Mines & Resources; Department of Economic Development
Mineral Production to Decline Significantly in 2015

Outlook: The shutdown of the Wolverine mine will significantly impact mineral production value in 2015 – less than half the value of 2014.

Higher production from the Minto mine is expected to contribute to strong growth in 2016.

Source: Natural Resources Canada; Department of Economic Development
Healthy Construction
Activity Expected

Key Construction Projects
- Whistlebend Subdivision
- F.H. Collins school replacement
- Replacement of Salvation Army building
- Hospital expansion and addition of MRI
- Continuing care facilities
  - New build in WH
  - Replacement of McDonald Lodge
- City of Whitehorse Building Consolidation
- Whitehorse Corridor Redevelopment
- Rec centre in Dawson City
- Replacement of Carcross fire hall

Mine Construction
- Minto Mine
  - Minto North
- Keno Hill Silver District
  - Flame & Moth deposit

Source: Yukon Bureau of Statistics; Department of Economic Development
Tourism Activity Continues to Support the Economy

Return to growth expected in 2015
- Border crossings to increase to 347,000
- Weaker Canadian dollar and weak oil prices persisting in 2015
  - Could positively impact tourism numbers
- Expectation for growth to continue in 2016 with total border crossings exceeding 350,000

Source: Department of Tourism and Culture; Department of Economic Development
Following a Period of Growth
Recent Retail Sales more Variable

Mining Sector Activity
- Recent retail sales growth tied to mining sector performance and the growth of Yukon’s economy

Higher Population
- Growing population contributing to retail sales growth

Higher employment
- Recent strong labour market performance has contributed to growth in retail sales

Source: Statistics Canada; Department of Economic Development
Oil & Gas – Opportunities Exist

- Potential mining projects with significant energy demands
- Development depends on performance of natural gas prices
- Ongoing discussion on fracking
- Exploration work ongoing:
  - Kotanelee: EFL Overseas Inc.
  - Eagle Plain Basin: Northern Cross

Source: Department of Energy, Mines & Resources
The Path Forward

> Commodity Prices…

> Exchange Rates…

> Global Recovery…

> Mining Outlook…
  – Bellekeno
  – Wolverine
  – Minto
  – Eagle Gold
  – Casino
  – Selwyn
  – Kaminak