



2024–25
INTERIM FISCAL AND
ECONOMIC UPDATE



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Introduction

In March 2024, the Government of Yukon published the 2024–25 *Fiscal and Economic Outlook* (FEO) outlining the territory’s fiscal and economic position and expectations for medium-term performance. Since the release of the outlook and the tabling of Budget 2024–25, inflation in the territory has continued its downward trend and interest rates have been on the decline. Both are providing some cost of living relief for the Yukon. Demand for workers and earnings growth remains strong, and the Yukon continues to be among the leaders in Canada in retail sales growth. However, the territory is also facing fiscal pressures in areas such as the continued response to challenges relating to climate change, housing needs and the delivery of health care, as well as unexpected expenditures associated with the Eagle Gold Mine heap leach failure.

Mining remains a critical component of the Yukon’s economy, both as an employer and as a contributor to the public resources that benefit all Yukoners. Recent events transpiring at significant mining operations are impacting the broader economy, as well as the government’s fiscal picture. Responding to acute challenges within the mining industry will be a major focus for the remainder of the fiscal year and into the future. While these events are of significant concern for Yukoners and the government, they are unfolding when the Yukon’s economy is relatively strong, highlighted by employment gains and an unemployment rate that continues to be the lowest in the country. Despite these ongoing challenges, the government continues to prioritize spending to preserve and enhance health, safety and wellness, affordability, and a high quality of life for everyone who calls the Yukon home. This work will be done through the strategic use of public resources that is in line with the priorities of Yukoners.

Part 1: The Yukon's finances

Since presenting the government's 2024–25 budget, multiple challenges have emerged that have led the government to focus on pressures that are critical to the health and safety of people and the environment. The expense forecast for 2024–25 has increased by \$133.3 million, or 7.7 per cent, after accounting for recoveries.¹ There is also \$50 million that is being advanced to the receiver for the Eagle Gold Mine to fund remediation efforts. This will have a net zero impact on the government's surplus and net debt position. As in previous years, the government's fiscal planning considered some potential impacts of unforeseen challenges by including a \$50 million contingency in Budget 2024–25. The projected surplus has decreased by \$43.6 million compared to Budget 2024–25. This decrease accounts for the contingency fund, the advance to the Eagle Gold Mine receiver, necessary accounting adjustments, and an anticipated reduction in revenues.

Table 1. Fiscal summary

(\$ millions)	2023–24 Supplementary Estimates No.2	2024–25 Main Estimates	2024–25 Supplementary Estimates No. 1
Revenue ^{2,3}	1,579.2	1,691.3	1,682.5
Expense ⁴	(1,786.2)	(1,724.3)	(1,857.6)
Contingency for anticipated expenses ⁵	0.0	(50.0)	0.0
Accounting adjustments ⁶	208.7	202.0	250.5
Surplus (deficit) ⁷	1.7	119.0	75.4
Net debt, end of year	(444.5)	(488.8)	(530.4)

Source: Department of Finance

The government continues to forecast a surplus of \$75.4 million. Net debt is projected to increase by \$41.6 million to \$530.4 million by the end of the 2024–25 fiscal year.

1. A recovery is a type of government revenue that reflects transfers from other levels of government and third parties as part of an agreement to cost-share, up to 100 per cent, of the costs to deliver an initiative, program or project. Unlike expenditures, recoveries, along with other types of revenue, are not voted by the Legislative Assembly and are presented in the budget separate from the associated expenditure.

2. To align with the presentation in the Yukon Public Accounts, revenues and recoveries do not include those collected by Yukon Housing Corporation, which are included in the "accounting adjustments" in this table.

3. Revenue is the sum of "Transfers from Canada", "Tax Revenue", and "Other Revenue" as found on Pages S-4 of the 2024–25 Supplementary Estimates No. 1, and equivalent pages of budget documents for other periods.

4. Expense is the sum of "Total Appropriated Amounts" minus "Recoveries from Canada" and "Third-Party Recoveries" as found on Pages S-5 of the 2024–25 Supplementary Estimates No. 1.

5. Found on Page S-5 of the 2024–25 Supplementary Estimates No. 1.

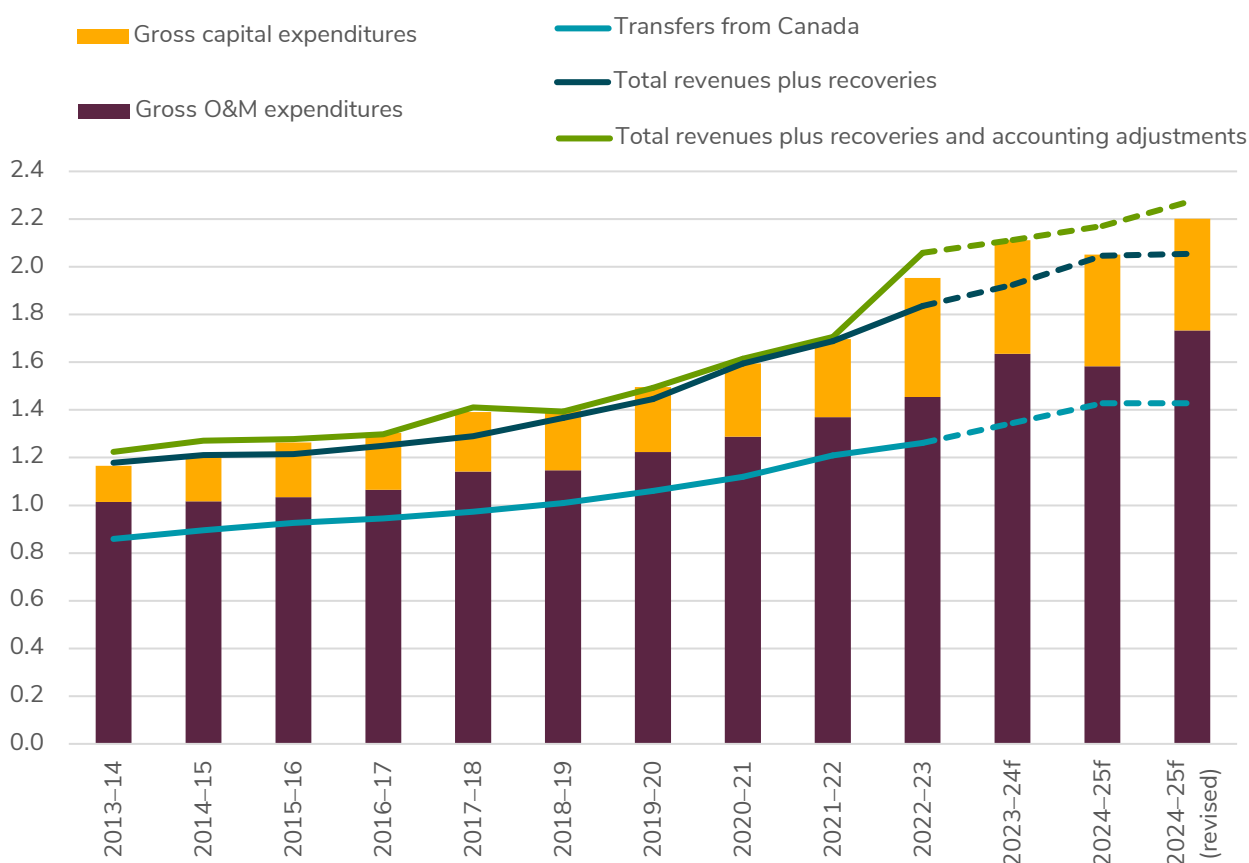
6. "Accounting adjustments" are the sum of "Tangible Capital Assets (net)", "Investment in Land Development", "Expenditures on Loan Programs", and "Other Adjustments (net)", on Page S-5 of the 2024–25 Supplementary Estimates No. 1, and equivalent pages of budget documents for other periods.

7. "Surplus (deficit)" is the sum of "revenue", "expense", "contingency for anticipated expenses", and "accounting adjustments".

Chart 1 compares historical spending, as reported in the Yukon Public Accounts, with the spending planned in Budget 2024–25 and the 2024–25 Supplementary Estimates No. 1. From 2013–14 to 2022–23, gross expenditures grew by an average of 6.2 per cent annually, which is higher than revenues, at 4.9 per cent annually. For 2024–25, expenditures are projected to increase by 4.3 per cent over the 2023–24 forecast, which is lower than the expected 6.7 per cent increase in revenues. Higher expenditure growth forecasts in 2023–24 and 2024–25 include the impacts of emergency management, health care, and the response to the heap leach failure at the Eagle Gold Mine.

Chart 1. Government of Yukon fiscal indicators^{8,9}

Expenditures and revenues (\$ billions)



Source: Department of Finance

f = forecast

8. Fiscal years 2013–14 to 2022–23 represent actuals as reported in the Yukon Public Accounts. For comparability, forecasts for fiscal years 2023–24 to 2024–25 use the same methodology, which differs from the presentation in Table 1.

9. To align with the presentation in the Yukon Public Accounts, revenues and recoveries do not include those collected by Yukon Housing Corporation, which are netted-out of the gross expenditures presented in this chart.

Revenue

Total government revenue, excluding recoveries, is forecast to decrease to \$1.68 billion in 2024–25, as shown in Table 2. This is a decrease of \$8.8 million, or 0.5 per cent, compared to Budget 2024–25, primarily reflecting changes from corporate income tax and mining royalty revenue (captured under “other revenue”). Transfers from Canada are projected to remain unchanged at \$1.43 billion.

Table 2. Revenue by type^{10,11}

(\$ millions)	2023–24 Supplementary Estimates No. 2	2024–25 Main Estimates	2024–25 Supplementary Estimates No. 1
Personal income tax	104.6	106.7	106.7
Corporate income tax	19.0	41.1	34.5
Property tax	7.2	7.6	7.6
Fuel oil tax	8.8	9.4	9.4
Tobacco and alcohol taxes	16.0	15.2	15.2
Other taxes	9.0	10.2	10.2
Other revenue	70.3	72.4	70.2
Total own-source revenue	234.9	262.6	253.9
Federal transfers	1,344.4	1,428.6	1,428.6
Total revenue	1,579.3	1,691.3	1,682.5

Source: Department of Finance

Numbers may not add due to rounding.

Taxation revenue

The forecast for revenue from corporate income tax has been reduced by \$6.7 million to \$34.4 million. Lower corporate profitability and lower than anticipated non-recurring adjustments from the prior year are contributing to the expectation of decreased national corporate tax revenue. Impacts stemming from the suspension of operations at Victoria Gold’s Eagle Gold Mine are still being assessed and the full extent of the impact is not yet known.

Other revenue

There is a \$2.2 million decrease in other revenue sources. This includes a \$2.5 million decrease to revenue in mining royalties on account of the suspension of production at the Eagle Gold Mine. It also includes a \$350,000 increase to fee revenues for new driver’s licences to reflect the fee for a five-year driver’s licence card changing from \$50 to \$100. This fee covers the costs of new licences, introduced on June 1, 2024, for upgraded security and design features. This is the first time the fee structure for driver’s licences has been updated since 2002.

10. All revenue figures are found on Pages S-8 and S-9 of the 2024–25 Supplementary Estimates No. 1, and equivalent pages of budget documents for other periods.

11. To align with the presentation in Yukon’s Public Accounts, revenues do not include those collected by Yukon Housing Corporation.

Operations and maintenance expenses

Gross operations and maintenance (O&M) expenditures are set to rise by \$150.1 million, or 9.4 per cent, from Budget 2024–25 to \$1.7 billion. Net O&M expenditures, after accounting for recoveries, are projected to increase by \$129.4 million, or 9.2 per cent, from Budget 2024–25. The increases are primarily due to unavoidable costs requiring immediate government action, including managing flood and wildfire emergencies; ensuring our health care system continues to meet the needs of all Yukoners; and responding to the Eagle Gold Mine heap leach failure.

There is a focus on limiting growth in program spending while ensuring the necessary funding is in place to respond to unanticipated costs and pressures for the services that Yukoners depend upon. Additional spending required outside of major unavoidable costs is intended to maximize the use of recoverable funding. Approximately \$20.7 million, or 13.8 per cent, of this spending is recoverable. The \$50 million contingency fund included in Budget 2024–25 reduces the impact of the cost pressures associated with the emergency response for fires and floods, as well as health care. Additional funding amounts noted below also reflect efforts across all of government to set priorities and offset rising costs.

\$52.8 million will be allocated to support the **health and wellbeing of Yukoners**. Across Canada, health care systems are experiencing higher than anticipated pressures resulting from shifting demographics. It is critical to address these pressures and to ensure funding supports the increased demand in acute and long-term care. The Government of Yukon will continue to work in partnership with the Yukon Hospital Corporation to provide high-quality, accessible care. Addressing these pressures, in partnership with the Yukon Hospital Corporation, and ensuring funding supports the increased demand in acute and long-term care are critical. There is additional funding for Insured Health Services to address pressures primarily related to increasing patient volumes and acuity. The funding ensures the Yukon Hospital Corporation has the financial resources it needs for the delivery of services that Yukoners expect and deserve.

\$52.1 million in costs are related to **remediation, reclamation and closure activities**. This includes \$50 million to respond to the failure of the heap leach facility at the Eagle Gold Mine. This funding is being advanced to the court-appointed receiver for immediate needs to remediate the site. The funding will have a neutral impact on the government's overall financial position as funds advanced to the court-appointed receiver for remediation and reclamation activities are secured by a court-ordered priority charge over the assets of Victoria Gold – currently in the amount of \$50 million. This amount also includes costs for remediation, reclamation and closure activities of the Minto Mine, which are 100 per cent recoverable. There are also adjustments for other mine sites that have lower-than-expected activity for remediation and closure. The government will continue to remediate abandoned mines in a way that prioritizes the safety of people and the environment, while guided by engagement with Yukon First Nations governments.

\$24.5 million will be used for **emergency management**. This reflects the costs for significant efforts undertaken to protect Yukoners from fire activity, wildfire response support in other jurisdictions and the response to flood events in Old Crow in May. It also includes support for the First Nations Fire Smart program, preventative measures to improve the fire resiliency of Yukon communities, flood hazard mapping and activities to support flood-prone communities across the Yukon.

\$10.4 million will be used for **corporate funding requirements**. This includes funding for employee future benefit obligations based on updated actuarial valuations and Workers' Safety and Compensation Board premiums for government employees. Corporate interest expenses in the 2024-25 Supplementary Estimates No. 1 are higher than projected due to increased pressures. The Government of Yukon makes use of its line of credit as it supplements its cash flow process in order to meet financial obligations during the period between expenses incurred and revenues received.

\$6.9 million will be used to **support Yukon learners**. This includes significant funding received through the Government of Canada's Early Learning and Child Care Infrastructure Fund to help increase the number of early learning spaces across the Yukon. Funding will also be used to hire more teachers at Yukon schools and support staff for the new Whistle Bend Elementary School, which welcomed its first students in August 2024. Other changes include an increase to legislated post-secondary student grants, such as the Yukon Grant, to reflect higher student costs and more Yukon students taking advantage of this financial assistance.

\$2.5 million will be used for **public safety and community supports**. This includes resources to meet the current salaries of the RCMP and funding for two new RCMP officers. It also includes resources to support the Downtown Whitehorse Safety Response Action Plan to further advance initiatives in partnership with community organizations, Yukon First Nations and local businesses to create a vibrant, inclusive and safe downtown Whitehorse.

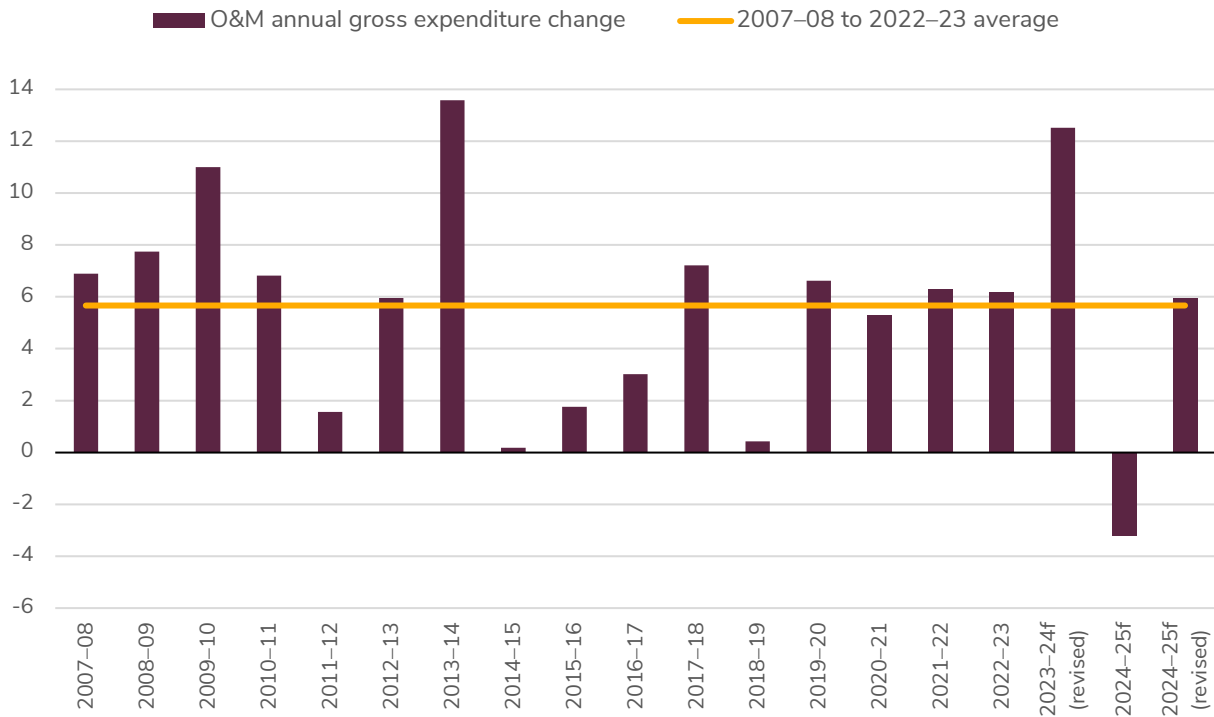
\$2.5 million will be used for the Government of Yukon's **First Nations relations commitments**. This includes First Nations capacity funding for consultation and engagement, bilateral negotiations, and implementation of Final and Self-Government Agreements. As well, the funding will further major Yukon projects in partnership with First Nations governments, such as supporting First Nations participation in the Coffee Gold Monitoring Program. This also includes funding to the Council of Yukon First Nations to advance the Yukon Residential Schools Missing Children Project.

Other commitments in the 2024–25 Supplementary Estimates No. 1 include funding from Canada for environment and climate change, labour market, and French language initiatives. Also included are adjustments to the agreement with Yukon Lotteries Corporation to enhance funding for sports and arts initiatives across the territory.

Chart 2 shows the annual growth in O&M spending of the Government of Yukon from 2007–08 to the forecasts for the 2023–24 and 2024–25 fiscal years. As a result of the spending pressures previously noted, O&M spending in 2024–25 is projected to grow 6 per cent from the 2023–24 forecast.

Chart 2: Annual growth in O&M spending

Change in Government of Yukon gross O&M spending (per cent)



Source: Department of Finance

f = forecast

Five-Year Capital Plan update

The Government of Yukon has revised its forecast for gross capital spending as outlined in the 2024–25 *Five-Year Capital Plan*. The anticipated gross capital expenditure in 2024–25 is forecast to be reduced by \$299,000 to \$483.7 million. Additionally, some capital recoveries have been deferred to a future fiscal year, reducing the forecast for capital recoveries in 2024–25 by \$4.2 million to \$167.1 million.

The Government of Yukon routinely evaluates capital budget allocations to ensure capital spending remains aligned with the territory's capital infrastructure requirements and fiscal objectives. By closely managing all identified capital pressures, the government strives to maintain responsible spending while keeping the needs and priorities of Yukoners at the forefront, including investments in infrastructure, health care, greenhouse gas emission reductions, and housing.

The *Five-Year Capital Plan* update provides an opportunity for the government to keep the public informed on the progress of critical infrastructure projects:

- The Dempster Fibre Line project has reached a significant milestone with construction now complete. Testing, commissioning and operationalizing of the line is expected by December 2024. The new network line will provide a backup in the event of a service disruption and provide more reliable internet and cellphone services.
- The construction of a new grid-scale battery remains on track for completion by the end of this year. With a budget of \$35 million, this project is set to significantly boost energy storage and improve grid stability. The Yukon Development Corporation has committed \$16.5 million to this effort, funded through the Investing in Canada Infrastructure Program.
- Major reconstruction and upgrades at Erik Neilson Whitehorse International Airport are underway with reconstruction of the north half of the runway surface expected for fall 2024 and the south half for fall 2025.
- Since the tabling of Budget 2024–25, the government has tendered the Ryder Apartment complex project in Whitehorse, which aims to bring up to 45 new affordable housing units online.

This update to the FEO is also used to highlight the government's response to emerging budgetary pressures and evolving projects. In the 2024–25 Supplementary Estimates No. 1, the government has approved additional capital investments at Whitehorse General Hospital and the Thomson Centre to alleviate pressure on hospital bed capacity. Additionally, further funding has been allocated to the Yukon Hospital Corporation for the completion of the new Mental Wellness Unit at Whitehorse General Hospital. This funding addresses project delays experienced last fiscal year with the overall project budget remaining unchanged. Some infrastructure projects in the capital budget reflect updated funding timelines to better align cashflows with when the project takes place, such as the recently awarded Kets'ádań Kù (Burwash Landing) School project. The completion date on these projects, however, has not changed.

Financing considerations

The Yukon is a growing and dynamic territory, with an increasing population, expanding communities and increasing demands for essential services. It is important for the Government of Yukon to have the financial flexibility to support the sustainable development and growth that Yukoners expect. To date, the government has operated under a strong financial plan that did not require significant borrowing. Recent unforeseen challenges, such as urgent environmental responses and pressures on the health care system, have highlighted the importance of having increased flexibility to manage cashflows throughout the year and make use of tools beyond the government's line of credit.

Borrowing remains one of the tools available to the government to help meet immediate financial obligations while having the flexibility to continue to invest in essential infrastructure and services that benefit the entire Yukon and address critical responses that are becoming more common. The Yukon government is currently working closely with the federal government to secure an increase to the territory's borrowing limit. This does not mean the government will take on significant debt but is necessary to provide the flexibility to manage peaks and valleys in the government's cashflows. The Yukon remains in a strong financial position, which was reaffirmed by the recent reissuance of the government's 'AA' credit rating with S&P Global Ratings.¹² The government will continue to update Yukoners as it works with the federal government to seek an increase to the Yukon's borrowing limit.

12. News release – S&P Global Ratings reaffirms 'AA Stable' credit rating for 15th consecutive year. (July 15, 2024). [Government of Yukon](#).

Part 2: Economic overview

Since the release of the 2024–25 *Fiscal and Economic Outlook* in March, various factors, both anticipated and unforeseen, are impacting the Yukon's economy and medium-term outlook. Most notably, the June suspension of operations at the Eagle Gold Mine is weighing on the outlook for the territory's real gross domestic product (GDP). Near-term impacts related to the suspension of the mine include job losses and effects on local goods and services providers. Individuals who worked directly for the mine, along with those employed by contractors working with the mine operator, experienced disruptions to employment, even if they readily found other employment in the Yukon's tight labour market. Many goods and services providers were impacted by the loss of a major customer, and some have been left with outstanding payments for goods or services already provided. Less localized factors, such as shifting expectations for overnight interest rates, evolving consumer behaviors, and a resurgence in travel, are being reflected in the improved performance of some key economic indicators and sectors.

Despite recent events, the territory's economy remains in a favourable position and the outlook remains promising. Demand for workers continues to be strong, which is contributing to earnings gains and an unemployment rate that is expected to remain among the lowest in the country. The tourism sector has rebounded from the height of the pandemic and data suggests that 2024 visitation numbers will approach record levels. In addition, inflation continues to trend downward towards historic norms, and consumer spending and retail sales remain strong, with further growth anticipated over the medium-term.

Suspension of operations at the Eagle Gold Mine to take steam out of GDP

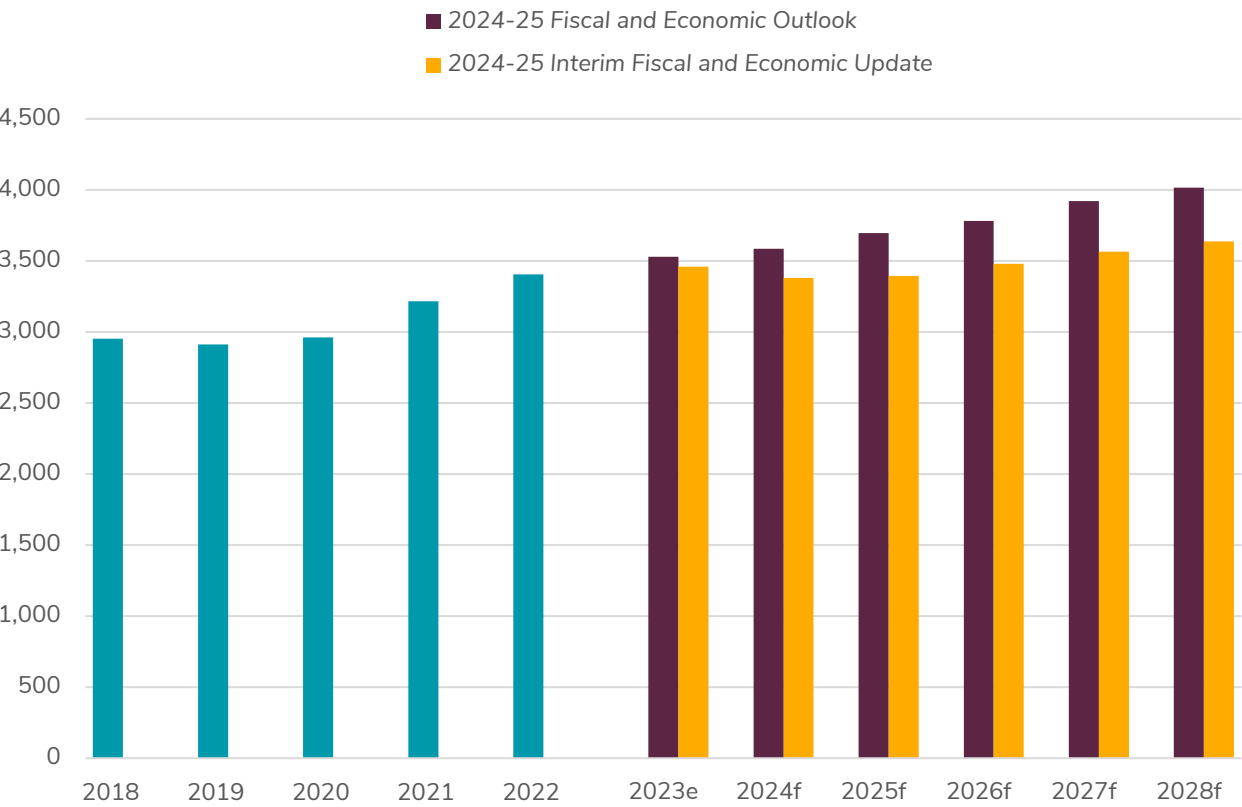
A prominent driver of the economic forecast released in March was higher gold production from the Eagle Gold Mine. The failure of the mine's heap leach pad on June 24, and the subsequent appointment of PricewaterhouseCoopers Inc. as the receiver on August 14¹³, has resulted in a material change in the outlook for the territory's mineral production.

13. News release – Statement from Minister of Justice and Attorney General on the Government of Yukon's application for a receiver to be appointed over the assets of Victoria Gold Corporation. (August 14, 2024). [Government of Yukon](#).

At the time of the current forecast, remediation of the failure was in the early stages and the timeline for when the mine might resume operations was uncertain. The current forecast includes a prudent and conservative assumption that the Eagle Gold Mine does not produce over the five-year outlook; however, it is noted that an earlier restart is not precluded.¹⁴ Not surprisingly, the loss of production from this mine results in a substantial downward revision in the outlook for real GDP.

Chart 3. Notable downgrade to real GDP outlook

Real GDP (\$ millions)



Source: Statistics Canada, Department of Finance

e = estimate

f = forecast

14. Similarly, the current conservative five-year forecast does not include production of either of the two mine projects currently in the licensing process, Kudz Ze Kayah and Coffee Gold.

Removing Eagle Gold Mine production equates to a reduction in the Yukon's real GDP of over \$1.5 billion over the five-year forecast compared to the previous forecast. With an expected contraction of 2.3 per cent in 2024, it would be the first year that the Yukon's real GDP contracted since falling 1.4 per cent in 2019. After marginal growth in 2025, stronger gains are expected over the final three years of the forecast, with growth averaging 2.3 per cent.

Costs to fully remedy the situation at the mine have been noted in the range of \$100 to \$150 million.¹⁵ Some of the spending for mine cleanup would be reflected in the territory's real GDP, offsetting some of the impact from the loss of the mine's production. The Government of Yukon has stated a goal to bring the mine site and surrounding environment back to where it was prior to the failure of the heap leach pad and to see a resumption of production rather than closure of the mine. This offers some possible upside to the economic outlook, as activities associated with returning the mine to production, and subsequently any production within the five-year forecast horizon, would be reflected in future forecast updates.

Growth in the out years of the forecast is supported by the expectation of increased production from the Keno Hill mine as it ramps up to full production. Tourism activity is expected to continue to be strong throughout the forecast horizon and to be a positive contributor to economic growth.

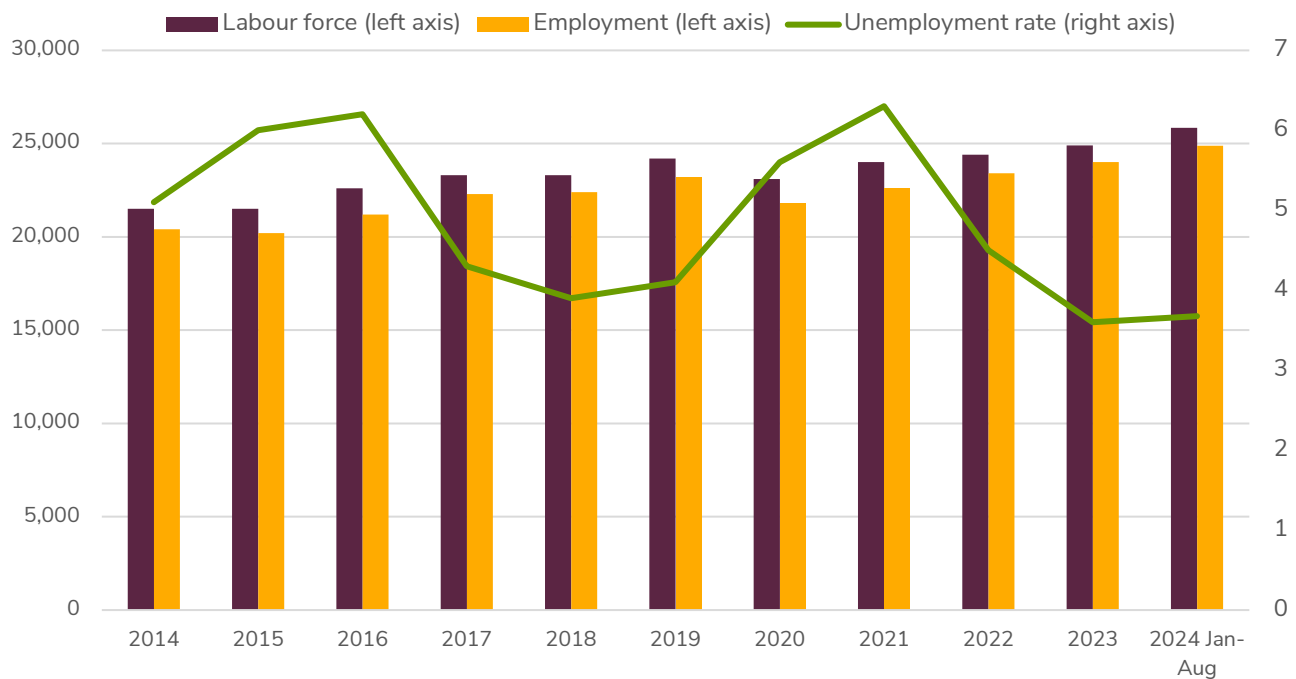
Further gains in employment and labour force expected over the medium-term

Demand for workers, especially in the service sector, has remained strong in 2024, contributing to robust growth in the number of people employed and the Yukon's labour force. The Yukon's unemployment rate has been low throughout 2024, and August's unemployment rate of 4.2 per cent marked the seventh consecutive month that the Yukon had the lowest rate in the country. The positive year-to-date performance has employment and the labour force tracking towards growth for a fourth straight year.

15. Court filing – Ontario Superior Court of Justice. Government of Yukon v. Victoria Gold Corp. (August 14, 2024).

Chart 4. Labour market has remained strong in 2024

Labour force (persons), employment (persons), unemployment (per cent)



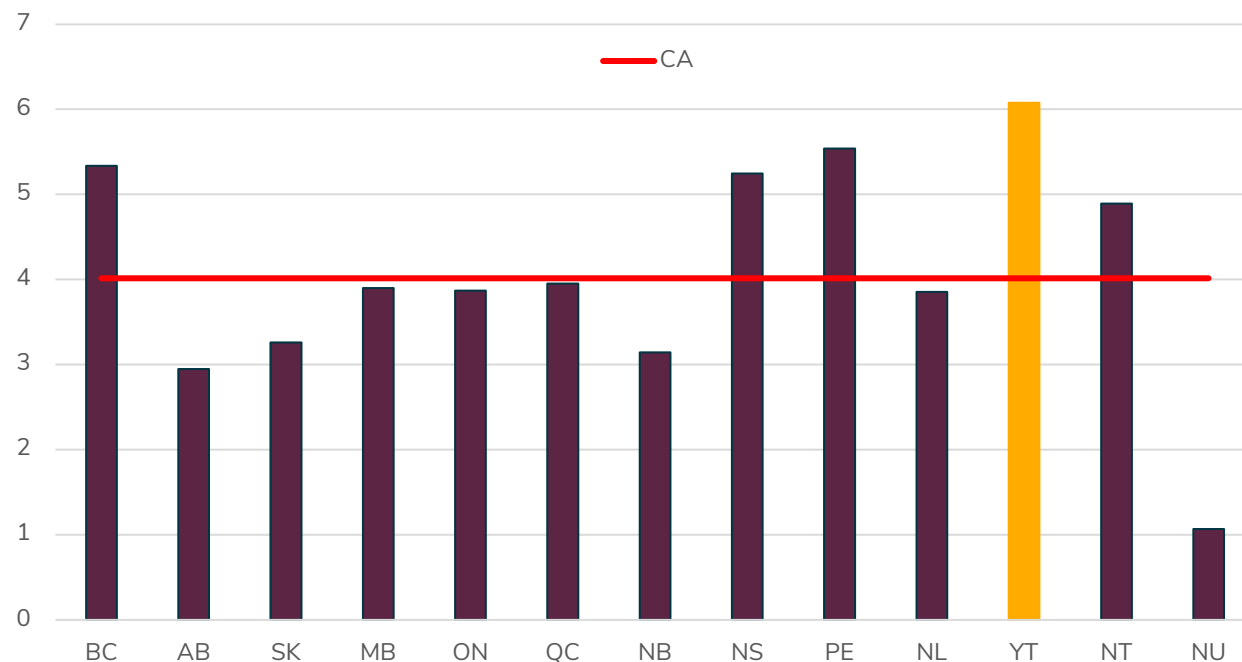
Source: Statistics Canada, Yukon Bureau of Statistics

Job vacancy rates have generally remained higher than the territory's unemployment rate, which suggests continued tightness in the local labour market. The Yukon's job vacancy rate has been among the highest in Canada for some time, exceeding the national rate every month in 2024, and in all but four months since the beginning of 2021.

Elevated demand for workers continues to be reflected in earnings gains. With average weekly earnings reported at \$1,448 per employee in June, the Yukon was third in the country behind only the other two territories, and well above the Canadian figure of \$1,253 per employee. Data for the first six months of 2024 show the Yukon leading the country in earnings growth.

Chart 5. Strongest earnings growth in the country

Average weekly earnings, seasonally adjusted, Jan – Jun 2024 change from Jan – Jun 2023 (per cent)



Source: Statistics Canada

Prior to the suspension of operations at the Eagle Gold Mine, local employment at the mine was estimated at around 200 people.¹⁶ The full extent of the employment impact from the end of operations is not yet known, as some former employees were retained to assist in efforts to contain any environmental damage and to stabilize the heap leach pad. A portion of those workers would be Yukoners. Additionally, many displaced workers have skills that are in demand and are likely to be absorbed elsewhere in the current tight labour market.

Over the course of the forecast, demand for workers is expected to remain elevated across most industries, with growth in employment and the labour force projected in all years. The Yukon's unemployment rate is expected to remain low over the entirety of the forecast.

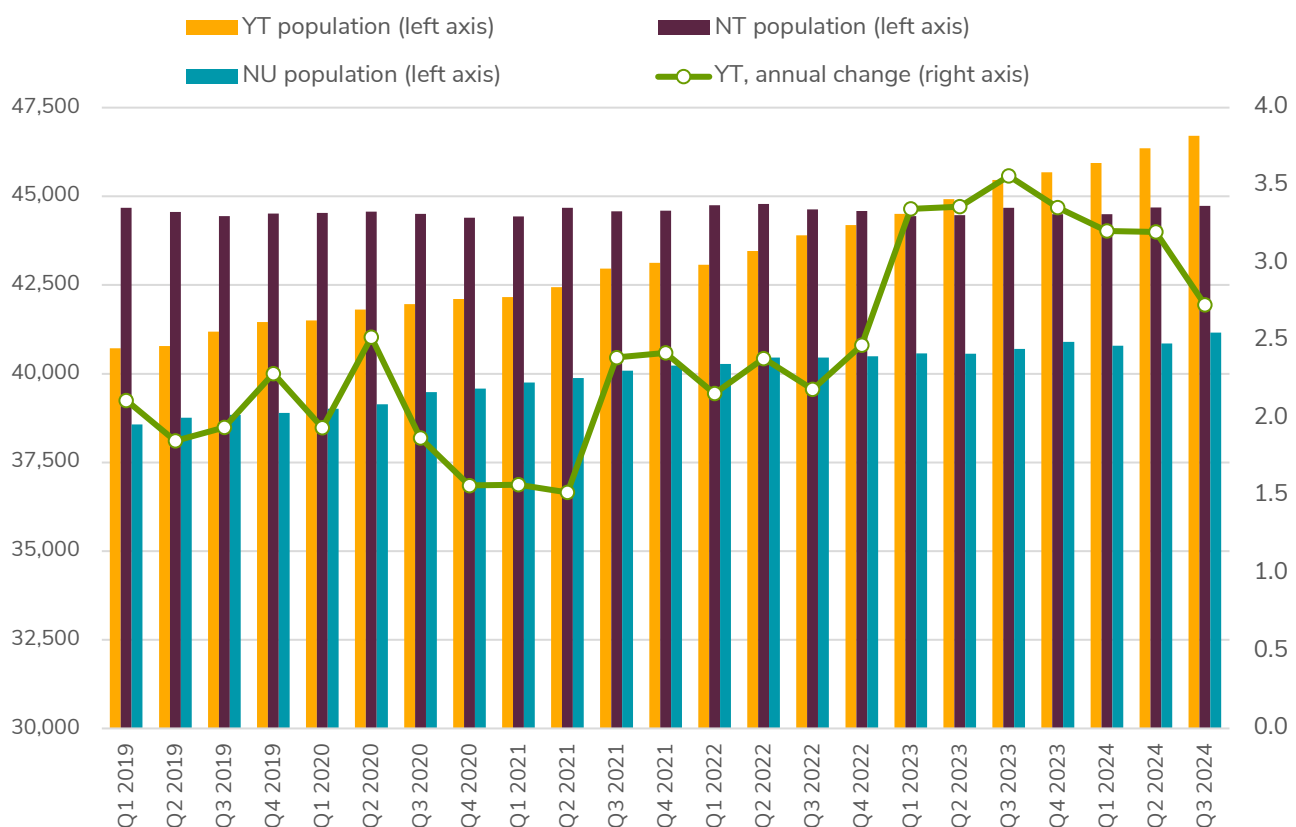
16. 2023 Annual Sustainability Report. Victoria Gold Corp. (March 2024).

The Yukon remains the highest populated territory

The Yukon moved ahead of the Northwest Territories in the third quarter of last year to become the most populous territory. The Yukon's estimated population of 46,704 in the third quarter of 2024 is ahead of both the Northwest Territories' population of 44,731 and Nunavut's population of 41,159.¹⁷ Estimates show the population gaps between the Yukon and the other two territories widening in recent quarters.

Chart 6. Stronger growth in the Yukon has seen the population gap with the other territories increase

Population (persons), annual change (per cent)



Source: Statistics Canada

17. Canada's population estimates, third quarter 2024. Statistics Canada. (September 25, 2024).

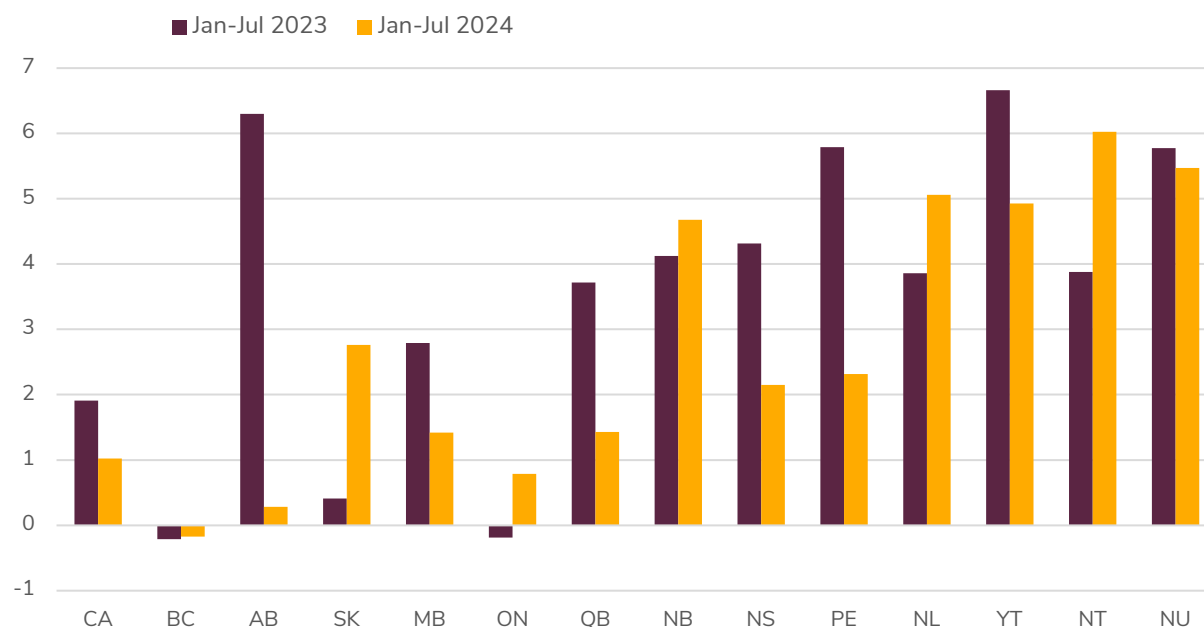
The forecast for population is unchanged from the March budget forecast. Demand for workers is expected to continue to draw people to the Yukon, with population growth averaging 1.9 per cent over the five-year forecast. It is unclear if there will be lasting impacts on the local mining sector stemming from the evolving Eagle Gold Mine situation, but a shift in expectations for future mining activity could have ramifications for the population outlook. This will be a consideration for the forecast in the upcoming Fiscal and Economic Outlook, published in spring 2025.

Retail sales have continued to grow in 2024

Retail sales have remained strong in 2024. Like 2023, growth in the value of retail sales has largely been driven by higher sales volume, with growth of 4.9 per cent in the first seven months of the year, well ahead of inflation that sat at 2.1 per cent over the same period. After leading the country in growth in 2023, local retail sales continue to perform well in the Canadian context, with year-to-date growth remaining among the highest in the country.

Chart 7. Retail sales growth in 2024 remains among the best in the country

Retail sales, year-over-year change (per cent)



Source: Statistics Canada

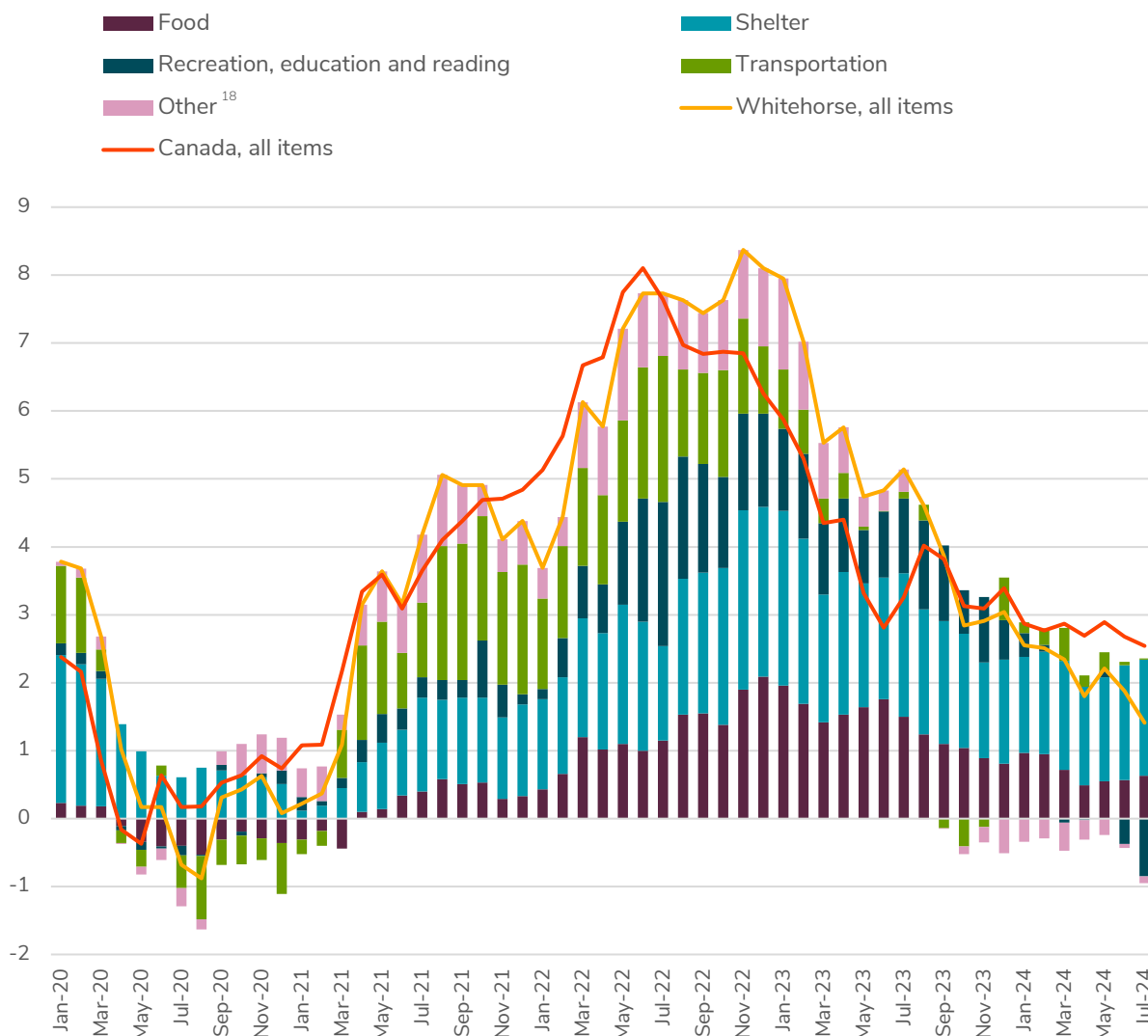
The latest forecast shows retail sales gains in every year with growth projected to average 5.9 per cent out to 2028, far surpassing expectations of overall price growth.

Inflation situation is much improved

The moderation of inflationary pressures that started to take hold late last year has continued into 2024. Growth in the Whitehorse Consumer Price Index (CPI) is much lower in every month of 2024, and inflation in recent months has been near or below 2 per cent.

Chart 8. Local inflation is much improved and is now well below the national figure

Whitehorse CPI, contribution to year-over-year change (per cent)



Source: Statistics Canada

18. Other represents the combined contributions of health and personal care, household operations, furnishings and equipment, clothing and footwear, and alcoholic beverages, tobacco products and recreational cannabis.

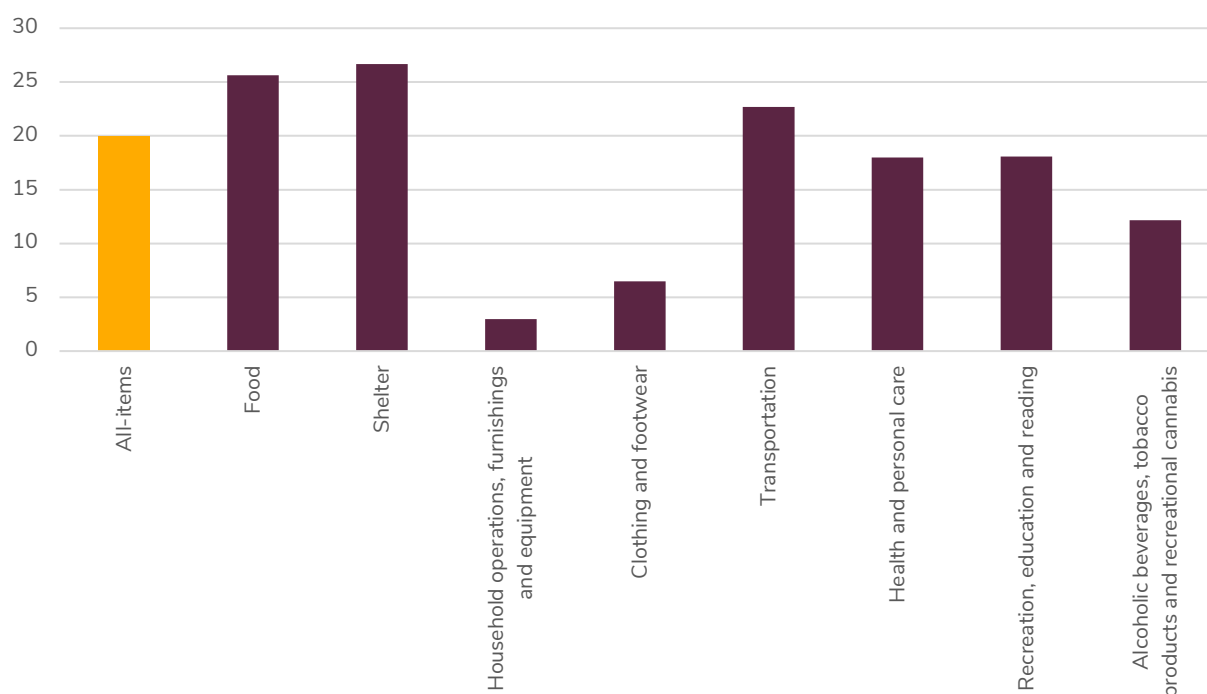
After exceeding the national figure for much of 2023, year-over-year growth in the Whitehorse CPI has been below growth in the overall Canadian CPI for 11 consecutive months. Chart 8 shows that the gap between national inflation and the inflation measure for Whitehorse has been larger in recent months.

Like 2023, price pressures for ‘shelter’ and ‘food’ continue to be prominent contributors to overall price growth. Higher ‘mortgage interest costs’, ‘rent’ and ‘homeowner’s replacement costs’¹⁹ continue to drive shelter costs, with all these areas among the major drivers of inflation in every month of 2024. While the ‘food’ component of the Whitehorse CPI continues to run at levels above historic norms, growth in food prices has been much weaker so far this year, which has taken steam out of the overall growth in prices.

Recent moderation in price growth is welcome news, but after a lengthy period of strong inflationary pressures, households are navigating the impacts of prices that are still above levels from just a few years ago.

Chart 9. A prolonged period of strong price gains adds up²⁰

Whitehorse CPI change since August 2020 (per cent)



Source: Statistics Canada

Chart 9 shows that overall, prices are up about 20 per cent from August 2020. Prices for food, shelter and transportation, key areas of every household’s budget, have seen growth that exceeds overall inflation since August 2020.

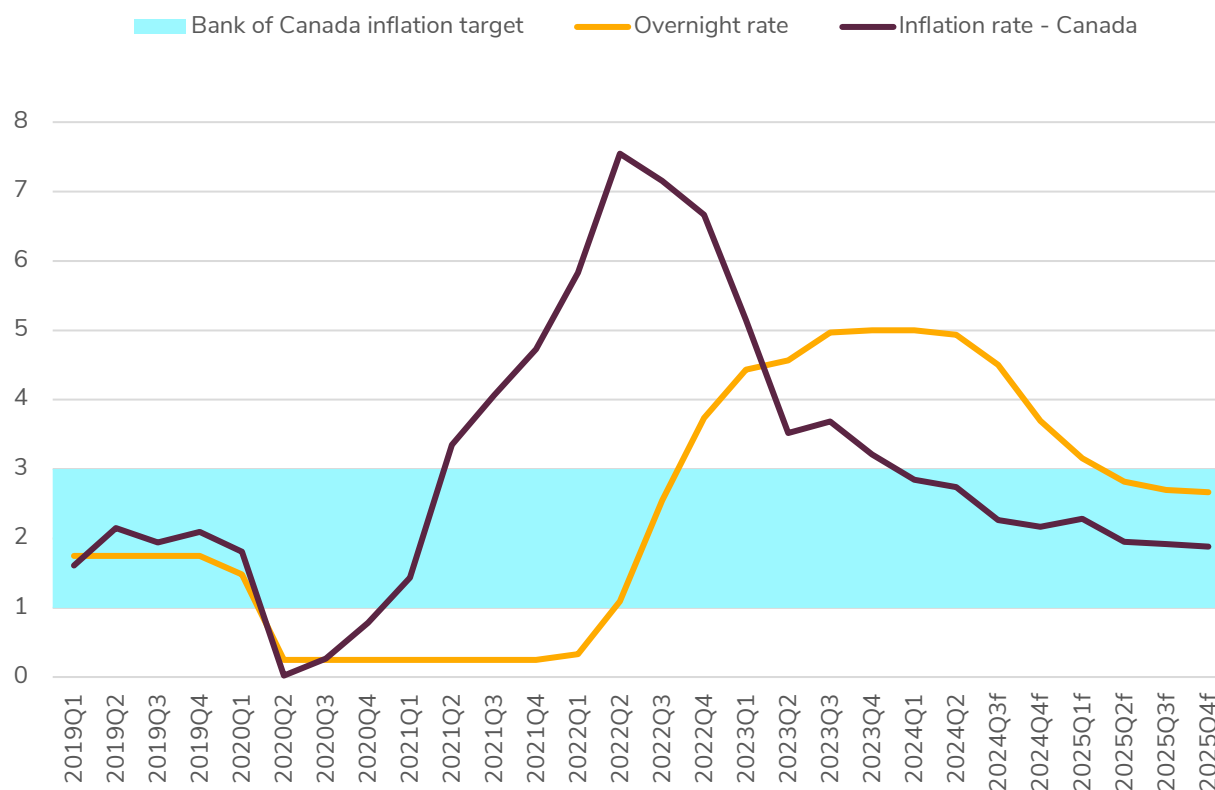
19. Replacement costs reflect an imputed value for the depreciation costs faced by households that own their home. Essentially, it is a cost attributed to the amount a homeowner would spend to maintain the home’s market value.

20. August 2020 represents the low point for year-over-year growth in the Whitehorse CPI before inflation started to increase.

Lower interest rates in 2024 are providing some relief in terms of price pressures on the shelter side. After starting the year at 5 per cent, the Bank of Canada has made three 25 basis point cuts, lowering the target for the overnight interest rate to 4.25 per cent at the September rate announcement.

Chart 10. Improving inflation outlook supports further interest rate cuts

Canada CPI change (per cent), Overnight interest rate (per cent)



Source: Statistics Canada, Bank of Canada, public forecasts²¹

f = forecast

Recent interest rate reductions have seen mortgage providers follow suit by lowering some mortgage rates. Considering easing inflation and a softening Canadian economy, expectations are for additional rate cuts this year and into 2025, which could further ease pressure on shelter prices. Some of the benefits of lower rates on the cost of shelter may be tempered by higher home prices, as lower interest rates could fuel further demand for housing.

The current outlook for the Whitehorse CPI reflects expectations of a return to normal levels of inflation, with inflation of 2 per cent in 2024. This is much improved from 4.9 per cent in 2023 and 6.8 per cent in 2022. Annual inflation is expected to remain at 2 per cent for the remainder of the forecast.

21. Forecasts for the overnight rate are informed by various public forecasts, including Canada's major banks.

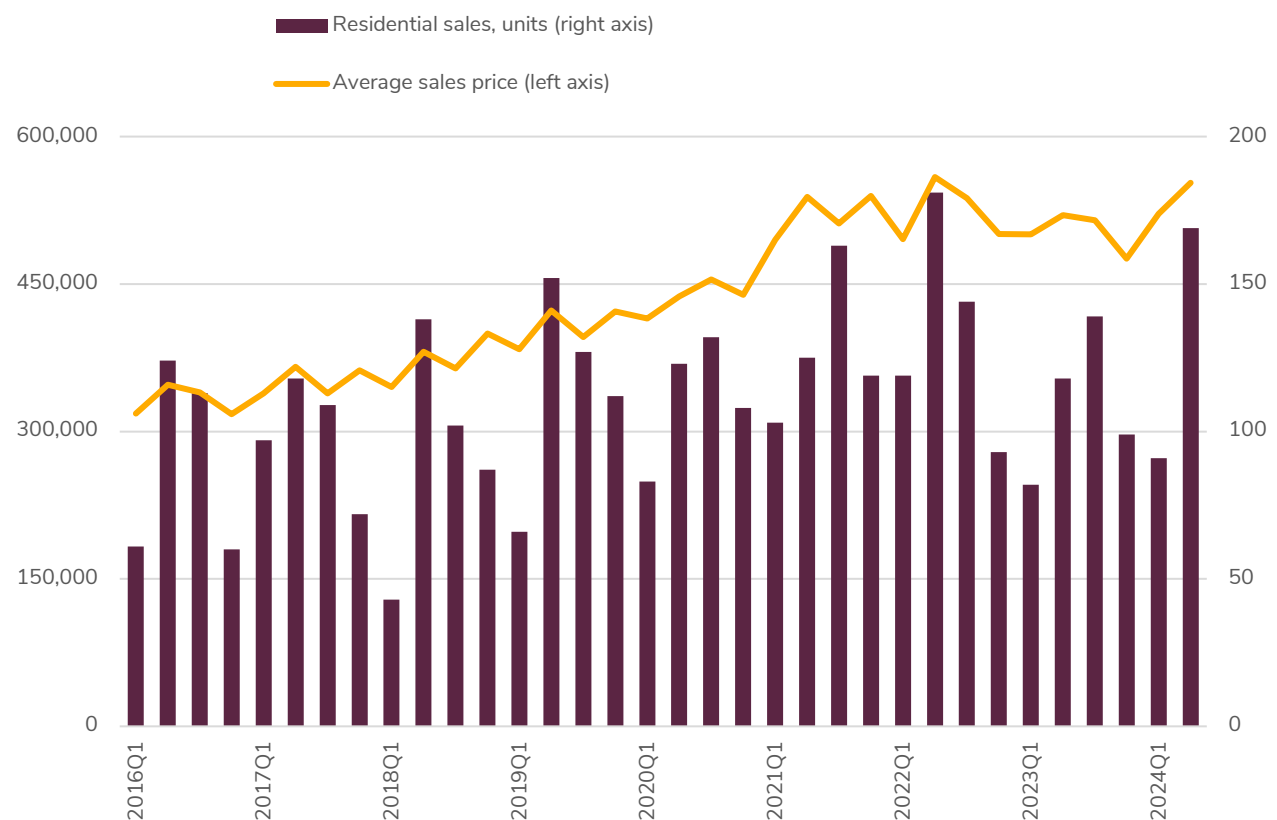
Recent moderation in the housing market may be over

As interest rates increased in the latter half of 2022 and throughout most of 2023, the impacts of higher home financing costs were undeniable, with declines in the number of residential sales and the average sale price.

Data for 2024 suggests that the territory's housing market may again be picking up steam. Residential sales of 260 units in the first half of the year are 30 per cent higher than the 200 units reported in the first half of last year. Prices are also up from 2023, with the average sale price of \$535,500 over the first six months up 5.7 per cent from the same period of 2023.²²

Chart 11. More sales and higher prices in the first two quarters of 2024

Average residential sales price, Yukon (\$), Residential sales, Yukon (units)



Source: The Canadian Real Estate Association, Haver Analytics

22. The Canadian Real Estate Association via Haver Analytics.

Recent data for Whitehorse also suggests that momentum may be picking up. After six straight year-over-year declines in the average selling price of a single detached house, the average price of \$668,000 in the second quarter of 2024 was up 6.2 per cent compared to the second quarter of 2023. Strong gains were also noted in row houses and condominiums apartments, with prices in the second quarter up 10.2 per cent and 11.0 per cent, respectively.²³

With the expectation of further interest rate drops coming, it could contribute to increased demand for housing in the near-term. Recent concerns raised by some local home builders about delays in securing approvals for Whitehorse building permits²⁴ are also a consideration for near-term prices, as delays in adding housing supply to the market could fuel higher home prices.

The inflation discussion highlighted rent as a prominent driver of local inflation in every month of 2024. The local rental market remains one of limited supply and increasing rents. The latest data from the Yukon Rent Survey also shows a tight Whitehorse rental market with rising rents and vacancy rates that remain below the historic average. The median rent in buildings with three or more units reached a new all-time high of almost \$1,300 per month in April. While edging up in consecutive rent surveys, the vacancy rate of 1.5 per cent remains very low.²⁵

23. Yukon Real Estate Report Second Quarter 2024. Yukon Bureau of Statistics. (September 2024).

24. Building permit delays concern Whitehorse construction industry. Yukon News. (July 24, 2024).

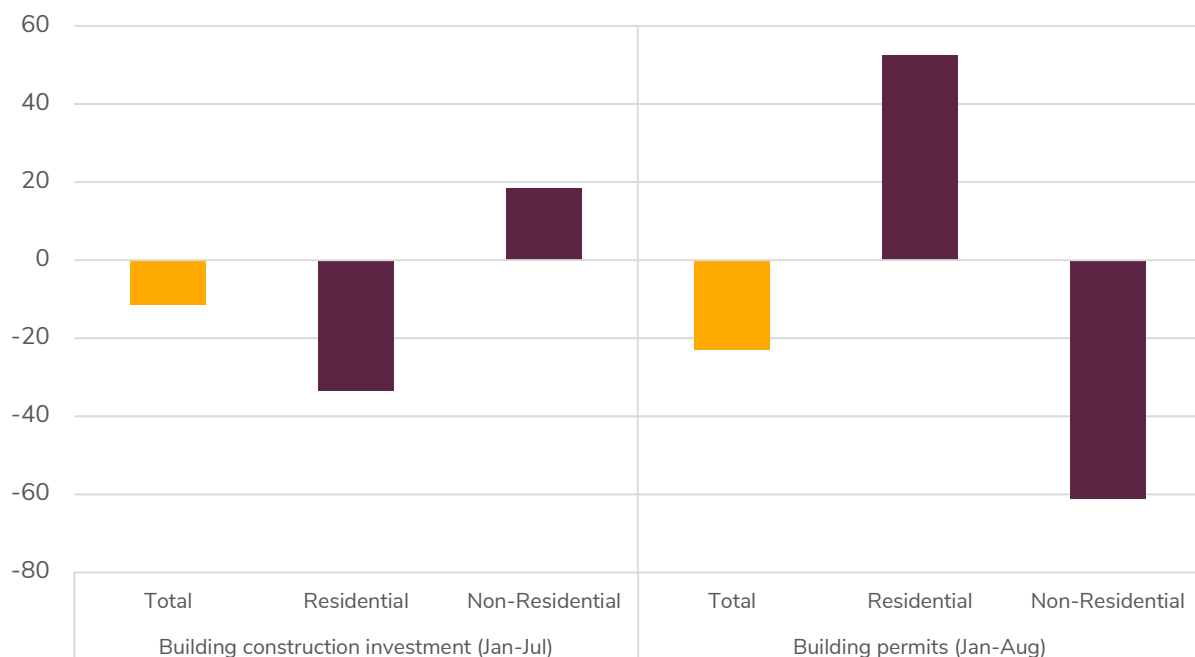
25. Yukon Rent Survey April 2024. Yukon Bureau of Statistics. (July 2024).

Building construction investment remains elevated

Last year saw a record level of investment in building construction, with revised figures from Statistics Canada showing total spending of almost \$413 million.

It appears unlikely that 2023's record level of investment will be surpassed this year, but overall spending over the first seven months of the year remains above the historic average. Investment in non-residential spending has been particularly strong so far in 2024, with spending of \$108.6 million, about 18 per cent stronger than in the same period of 2023. Strong growth in commercial-related spending is driving non-residential investment.

Chart 12. Key measures of construction activity behind last year's record pace²⁶
Year-over-year change (per cent)



Source: Statistics Canada, Yukon Bureau of Statistics

As noted in Chart 12, weaker investment on the residential side accounts for the overall year-over-year drop in building construction investment. A notable decline in investment in multi-dwelling buildings was reported in the first seven months, more than counteracting a slight increase in investment in single-detached housing. Some of this decline is attributable to a high level of investment in multi-dwelling structures in the same period of 2023, driven in part by construction of a 10-plex in Old Crow and a 10-unit Housing First project in Watson Lake.²⁷

26. This chart reflects the latest data available as of September 25, 2024. Building construction investment includes figures up to July 2024. Value of building permits includes figures up to August 2024.

27. News release – Housing First complex under construction in Watson Lake. (August 25, 2023). [Government of Yukon](#).

To date, the value of building permits in 2024 is also down, but the story differs from what is coming out of the investment numbers.²⁸ Building permits of about \$158 million over the first eight months of the year are down from the same period of 2023. Where the investment numbers showed growth in commercial activity, permit data shows a large decline. While residential investment was reported as decreasing, residential permit data is noted as being up approximately 52 per cent.

Prior to reporting for July, residential permits had also been down. Permitting of \$20 million related to the construction of a 34-unit multi-family residence in Dawson City in July resulted in a large jump in the value of building permits. As noted, local homebuilders have raised the issue of a backlog of building permits with the City of Whitehorse that are waiting for approval and the negative impact this is having on home construction this year.

The City of Whitehorse has noted that 2024 has been one of their busiest years ever for building permit applications with 407 applications reported as received at the end of August – compared to the 401 applications reported for all of 2023. The departure of key staff, changes to permit requirements that now require more information and land lottery building applications for both 2023 and 2024 being received at the same time have been highlighted as contributing to the slow approval process. The City of Whitehorse took steps to address the backlog, including redeploying staff and leveraging external help, resulting in the effective elimination of the backlog by mid-August. Reporting by the city shows that permits for complete building permit applications for single-family and townhouses are now being issued within two to three weeks and complete building permit applications for renovations and commercial permit applications are now being issued in three to four weeks, both within seasonal norms.²⁹

Loss of Eagle Gold Mine is a significant hit to the outlook for mineral production

Before the June suspension of operations at the Eagle Gold Mine, this project was positioned to be a major contributor to the mining sector, well beyond the end of the current forecast.

The Eagle Gold Mine produced nearly 167,000 ounces of gold in 2023. Prior to the failure of the heap leach pad, the operator, Victoria Gold Corp., had estimated that gold production in 2024 would be between 165,000 – 185,000 ounces.³⁰ With the operator making efforts to increase production, the five-year forecast released in March 2024 had production averaging just over 200,000 ounces for the years beyond 2024. With no current indication of when the mine might resume operations, the five-year forecast conservatively assumes no further production. The result is a downward revision of about 900,000 total ounces from the previous forecast.

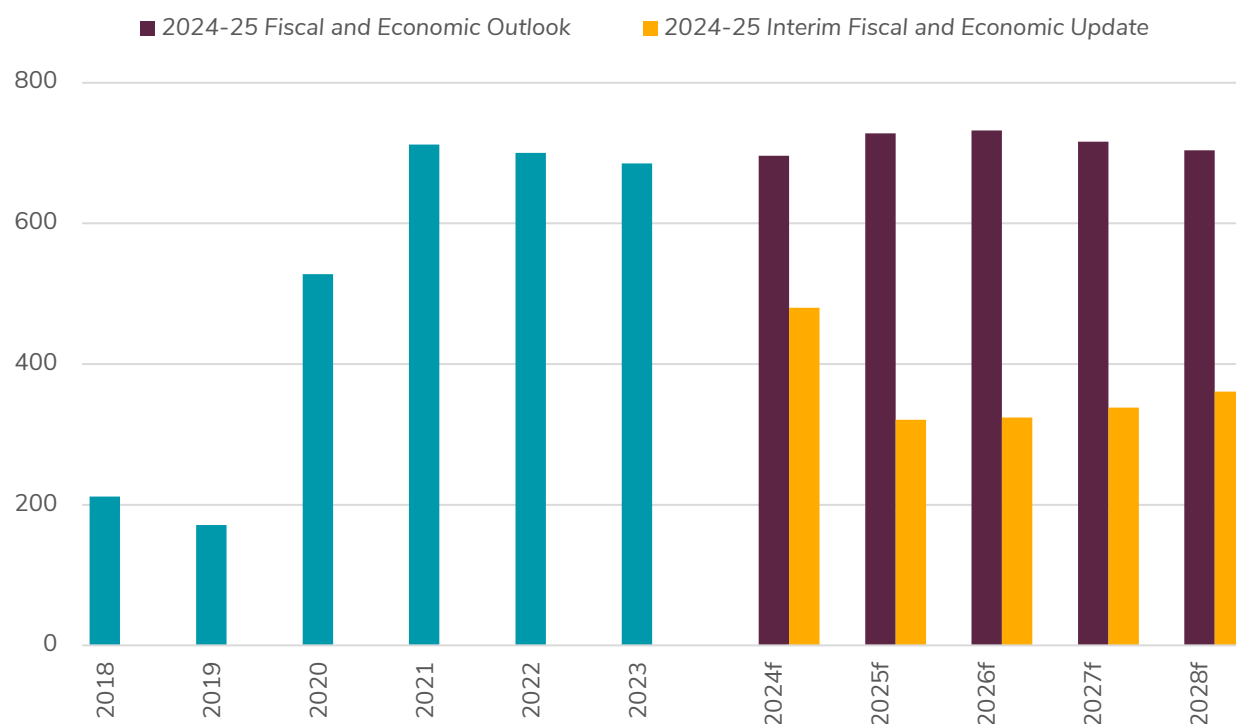
28. Building permits reflect spending intentions at the start of a project, and while the value can be significant, it is not spent all at once. In the case of larger projects, spending can be spread over several years.

29. Information compiled from the Building Permit Updates section on the Engage Whitehorse website.

30. News release – Victoria Gold: 2023 Fourth Quarter and Full Year Results (February 20, 2024). [Victoria Gold Corporation](#).

Chart 13. Notable downward revision in the outlook for mineral production³¹

Value of production (\$ millions)



Source: Department of Finance

f = forecast

The performance of the Keno Hill Silver Project does provide some positive news. In the first six months of 2024, the mine produced 1.546 million ounces of silver³², already exceeding last year's total production of just over 1.5 million ounces. Given the strong first half performance, silver production in 2024 may come closer to the higher end of Hecla Mining Company's production guidance of 2.7 to 3.0 million ounces.³³ Keno Hill production is projected to continue to increase, with growth in every year of the forecast.

The placer gold industry remains a key component of the Yukon's mining sector. Placer gold production in 2024 is expected to be similar to last year's production of about 59,000 fine ounces³⁴, but higher gold prices in 2024 could see the production value reach a record level.³⁵ Projected production value is nearly \$180 million, well above 2023's value of \$158 million and the record \$173 million reported for 2020.

31. Due to data suppression, data presented for 2019–2022 are based on internal estimates.

32. News release – Hecla Announces Second Quarter Production (July 10, 2024). [Hecla Mining Company](#).

33. News release – Hecla Reports Fourth Quarter and Full Year 2023 Results (February 14, 2024). [Hecla Mining Company](#).

34. Placer gold is a natural alloy of gold and silver containing minor amounts of other metals. The purity of the gold is measured by its fitness, which is the number of parts of gold in one thousand parts of alloy. Placer gold is often reported in crude ounces, which is the weight inclusive of the other metals. Fine ounces are a measure of the gold content only.

35. The figures noted are nominal dollars and are unadjusted for price changes over time.

Mineral exploration is vital to the long-term success of the local mining sector. Exploration activities have a long history of contributing to the local economy, particularly in rural areas. Preliminary estimates from Natural Resources Canada have exploration spending at about \$147 million in 2024, down from an estimated \$164 million in 2023. Exploration efforts in the Yukon continue to be focused on the search for precious metals such as gold and silver, as well as critical minerals, such as copper. Prices for all three metals have performed well in 2024, with gold and copper touching new record levels. If the past is an indication for future spending, a positive price environment is good news for exploration activity going forward.

The mining sector has long been a prominent contributor to the Yukon's economy³⁶, but recent events cloud the near-term outlook for mining. With mining often happening in rural parts of the territory, the potential for less activity and spending is a concern for rural goods and services providers. Mining activity also supports employment in rural areas, where opportunities for employment are often more limited. As the situation at the Eagle Gold Mine unfolds over the coming months, a better understanding of the impacts on the local mining sector and what it could mean for the territorial economy will be better known. In the short-term, the heap leach failure at the Eagle Gold Mine has highlighted the need to further prioritize ongoing efforts to develop new minerals legislation and new public lands legislation. This work, being done in collaboration with Yukon First Nations governments, should help create the conditions for a viable and responsible industry.

In early September, there was news that Selkirk First Nation was pursuing an opportunity to undertake exploration at the Minto Mine site with the objective of restarting the mine.³⁷ On September 5, the Yukon Supreme Court approved the mine receiver's application to sell substantially all the tangible mine assets, subject to the Yukon government's ongoing right to use the equipment and facilities it requires for closure and reclamation activities. Reclamation and closure work at the mine site is ongoing, with the Government of Yukon using funds from the financial security furnished by Minto Metals Corp. The next step for Selkirk First Nation in its efforts to reopen the mine is to negotiate the purchase of Minto's mining claims, mineral leases, and an arrangement for some or all of Minto's authorizations to be assigned over time. This second agreement would also have to be approved by the Yukon Supreme Court.

36. Estimates have the mining sector accounting for almost 14 per cent of the territory's real GDP since 2020, and the 2023 Yukon Business Survey notes that mining businesses made up nearly 5 per cent of all businesses in 2023.

37. *Selkirk First Nation clears 1st hurdle to buy Yukon's abandoned Minto mine*. CBC News. (September 7, 2024).

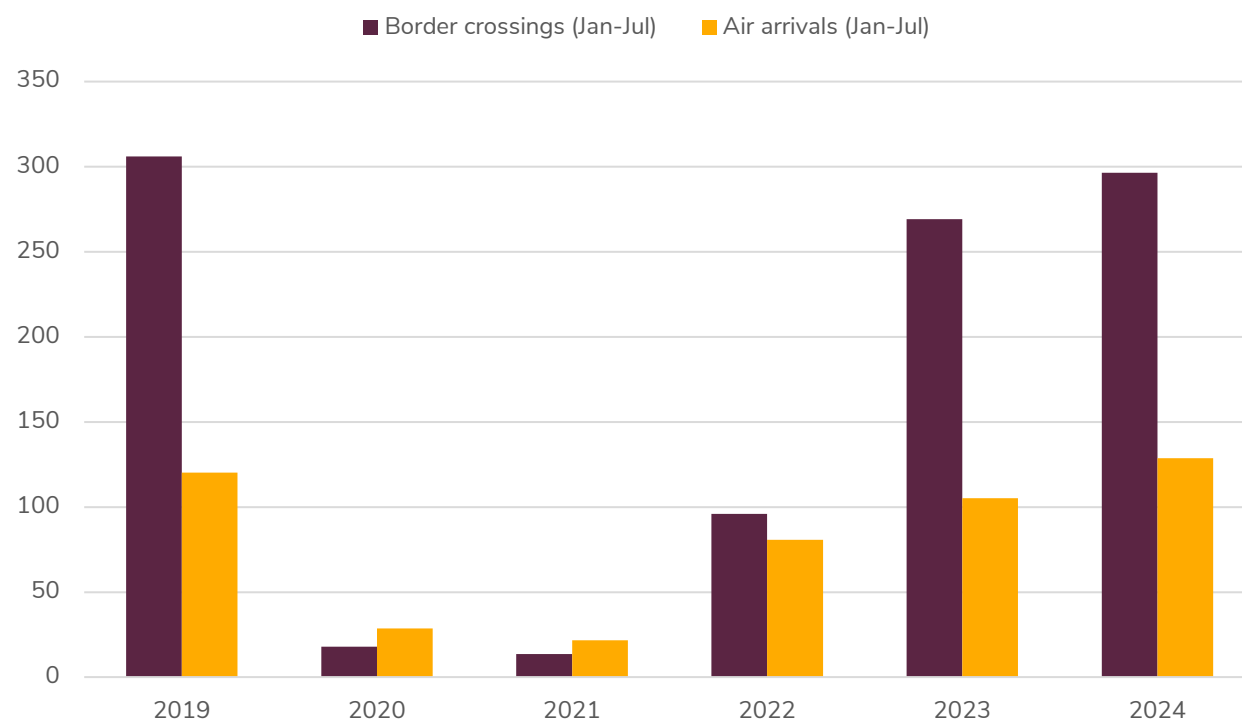
Tourism sector continues to gain momentum

Key indicators of tourism sector performance for 2024 are tracking towards their best year since the height of the pandemic. This is welcome news to the local economy, as the benefits of tourism activities are felt across many goods and services providers in the territory.

After gaining momentum in 2023, border crossings have continued to grow in 2024. Crossings of 296,553 in the first seven months of 2024 are up 10.2 per cent from the year prior. Crossings are the third highest ever reported for the first seven months of the year, behind only 2018 and 2019, with the latter representing a record year for total visitation.

Chart 14. Strong visitation and air arrivals so far in 2024

International land border crossings (thousands), air arrivals (deplaning passengers, thousands) at Erik Nielsen Whitehorse International Airport



Source: Statistics Canada, Highways and Public Works, Tourism and Culture

Air arrivals in 2024 have also been strong, with 128,625 arrivals in the first seven months above the previous high of 120,347 for the same period of 2019, a year that saw a record 206,177 air arrivals at the Erik Nielsen Whitehorse International Airport.

The overall value of receipts from food services and drinking places is up nearly 13 per cent in the first seven months of 2024 versus the same period of 2023. While only a portion of the increase is attributable to the activities of visitors, stronger visitation numbers in 2024 are likely a contributing factor to the increase in value of receipts.

Many of the prominent metrics of performance show 2024 to be a good year for tourism, but some operators have highlighted challenges stemming from a tight labour market and higher costs.

The struggle to find workers is a familiar theme for the local labour market, and the tourism sector is no different. 'Help wanted' signs for businesses in accommodation and food services have become commonplace in the territory. Some tourism operators have also noted difficulty in finding skilled labour and technical positions.³⁸

On the cost side, elevated demand for labour has been a contributing factor to earnings gains in the accommodation and food services industry. Average weekly earnings over the first half of the year are up nearly eight per cent compared to the first six months of 2023. While overall inflation has moderated, growth in food prices also continues to run above normal levels of growth. This, coupled with higher demand, is reflected in the cost of food purchased from restaurants, up nearly seven per cent over the first eight months of 2024 and a top five contributor to growth in every month this year. Some operators have also highlighted rising insurance costs.³⁹ This is in line with current trends in insurance in general, with higher claims costs putting upward pressure on insurance premiums.⁴⁰

Overall, 2024 is shaping up to be a good year for tourism and the sector is well positioned for further gains over the medium-term. Year-to-date growth in visitation is in line with the Conference Board of Canada's projection of almost 12 per cent growth in 2024, and the Conference Board is projecting further growth of nearly 10 per cent in 2025.⁴¹ It has also been a very busy year in terms of air traffic, and the number of arrivals so far in 2024 bodes well for a new annual high. The recent additions of two Boeing 737-800s to the Air North fleet is good news for the local tourism sector.⁴² Beyond improving air access to the Yukon, the investment in the two aircraft, along with the construction of a new hanger, is the largest capital investment in Air North history.

38. Yukon tourism operators see demand but also cost pressures. Yukon News. (April 20, 2024).

39. Yukon tourism operators see demand but also cost pressures. Yukon News. (April 20, 2024).

40. Rising cost of insurance 'very difficult' some Yukoners say. CBC News. (August 9, 2024).

41. Reliance on International Visitors Keeps Recovery at a Distance – Yukon's Travel Markets Outlook to 2027. The Conference Board of Canada. (February 8, 2024).

42. News release – Inaugural Air North, Yukon's Airline Boeing 737-800 Flight Takes Off. (July 25, 2024). [Air North](#).

Appendix:

Key economic indicators

	2022	2023	2024f	2025f	2026f	2027f	2028f
Gross Domestic Product (GDP)							
Real GDP (2017 \$ millions)	3,405	3,459 (e)	3,380	3,393	3,479	3,565	3,637
Per cent change	5.9	1.6	-2.3	0.4	2.5	2.5	2.0
Nominal GDP (\$ millions)	3,930	4,189 (e)	4,174	4,275	4,469	4,672	4,861
Per cent change	9.4	6.6	-0.3	2.4	4.5	4.5	4.0
Mineral production							
Metal production (\$ millions)	700	690	480	320	320	340	360
Labour market							
Labour force*	24,400	24,900	26,100	26,500	26,900	27,400	27,900
Employment*	23,400	24,000	25,000	25,300	25,800	26,400	26,800
Unemployment rate (per cent)	4.1	3.6	4.3	4.5	4.1	3.9	4.0
Participation rate (per cent)	73.1	73.2	74.8	74.2	73.9	73.9	73.9
Income							
Household income (\$ millions)	2,560	2,799	3,018	3,187	3,404	3,637	3,870
Per cent change	7.2	9.3	7.8	5.6	6.8	6.8	6.4
Consumers							
Consumer price inflation (per cent)^	6.8	4.9	2.0	2.0	2.0	2.0	2.0
Retail sales (\$ millions)*	1,085	1,162	1,220	1,280	1,360	1,450	1,550
Population							
Population*	43,964	45,169	46,100	47,000	47,900	48,800	49,700
Per cent change	1.8	2.7	2.1	2.0	1.9	1.9	1.9
Key assumptions							
Gold (USD/t oz)	1,802	1,943	2,241	2,227	2,150	2,100	2,000
Silver (USD/t oz)	21.79	23.40	27.20	27.17	27.00	27.00	27.00
Copper (USD/lb)	4.00	3.85	4.32	4.45	4.25	4.00	4.00
Zinc (USD/lb)	1.54	1.20	1.24	1.27	1.25	1.20	1.20
Lead (USD/lb)	0.98	0.97	0.95	0.95	0.98	1.00	1.01
CAD/USD exchange rate	0.77	0.74	0.73	0.74	0.75	0.75	0.75

e = estimate

f = forecast

^ = CPI available only for Whitehorse, annual average

* = Forecasts rounded. Annual per cent change based on unrounded figures.

Source: Statistics Canada, Bank of Canada, Yukon Bureau of Statistics

Population projections are produced by Yukon Bureau of Statistics. Metal prices forecasts are informed by various public forecasts, including Canada's major banks, the World Bank and the International Monetary Fund. All other forecasts are produced by the Department of Finance's Economic Research Branch based on data available as of September 25, 2024.