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# Introduction

The 2023–24 Fiscal and Economic Outlook presents the territory's current fiscal and economic position and expectations for the medium term. The Government of Yukon is moving the territory toward a sustainable and prosperous future while ensuring responsible fiscal management across all government programs and services. The Yukon is recovering from the impacts of the pandemic and the economic outlook is positive.

Despite the recent challenges created by higher rates of inflation, expectations are that the Yukon will build on 2022's robust economic growth, with further real Gross Domestic Product (GDP) gains and an outlook highlighted by a strong labour market and additional population growth. The government remains committed to working closely with partners in the public and private sectors, including First Nations governments, to ensure a strong, diversified and sustainable economy for all Yukoners. Overall, the territory's economy is well-positioned to address the challenges ahead and continue growing in the coming years.

# Part 1: The Yukon's finances

In the 2023–24 Budget, the Yukon government is delivering on its longstanding commitment to growing the economy while ensuring strong, sustainable fiscal management. The government projects a surplus of \$48.2 million in 2023–24 and projects to remain in a surplus position throughout the duration of this fiscal outlook. A surplus of 2-3 per cent of the total budget is a prudent fiscal management tool and demonstrates the ability of the government to address unforeseen events without going into deficit. Maintaining a surplus position lessens the government's potential need to borrow funds and reduces the net debt position. The expected fiscal position in 2023–24 reflects a focus on strategically allocating resources to the ongoing priorities of Yukoners.

**Table 1. Fiscal summary**

(\$ millions)	2022–23 Main Estimates	2022–23 Supplementary Estimates #2	2023–24 Main Estimates	2024–25 Plan	2025–26 Plan
Revenue <sup>1,2</sup>	1,460.2	1,504.5	1,575.4	1,663.5	1,719.2
Expense <sup>3</sup>	(1,644.6)	(1,683.8)	(1,642.4)	(1,716.5)	(1,769.1)
Contingency for Anticipated Expenses	(10.0)	(10.0)	(50.0)	(50.0)	(50.0)
Accounting Adjustments <sup>4</sup>	233.9	233.2	165.2	161.7	144.9
Surplus/(Deficit) <sup>5</sup>	39.5	43.9	48.2	58.8	45.1
Net Financial Assets/(Debt), end of year <sup>6</sup>	(207.5)	(298.5)	(374.8)	(453.0)	(528.0)

Source: Department of Finance. Numbers may not add due to rounding.

1. To align with the presentation in the Yukon's Public Accounts, revenues and recoveries do not include those collected by the Yukon Housing Corporation, which are included in the Accounting Adjustments in this table.

2. Figures for revenue, contingency for anticipated expenses and surplus (deficit) are found on Pages S-8 of the 2023–24 Main Estimates, and equivalent pages of budget documents for other periods.

3. Figures for expense and accounting adjustments are found on Pages S-18 of the 2023–24 Main Estimates and equivalent pages of budget documents for other periods.

4. 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-9 of the 2023–24 Main Estimates, and equivalent pages of budget documents for other periods.

5. Surplus/(Deficit) is the sum of Revenue, Expense, Contingency for Anticipated Expenses, and Accounting Adjustments.

6. Found on Page S-9 of the 2023–24 Main Estimates.

Net financial debt, or net debt as it is often known, is expected to increase by \$76.3 million in 2023–24 to a total of \$374.8 million. Recent increases to the government's net financial debt position were incurred to fund ongoing maintenance of the territory's infrastructure and to invest in new projects that will benefit Yukoners now and well into the future. In standard accounting, net financial debt is a measure of how much the government would need to pay if all of its liabilities were due immediately. It does not mean government needs to borrow those funds. Most of the government's net debt position is for long-term liabilities that will not be realized all at once.

Part of the changes to net debt reflect a new accounting standard that came into effect in April 2022. These new rules require the government to record and measure future financial obligations to retire government assets from service, such as buildings or equipment, once they are no longer of productive use. The estimated future costs to retire an asset are then recognized over an asset's productive life. The increase to net debt from 2022–23 includes an additional \$54.3 million to reflect accounting changes to align with the new standard. The new standard is also expected to increase net debt by approximately \$1.6 million annually.

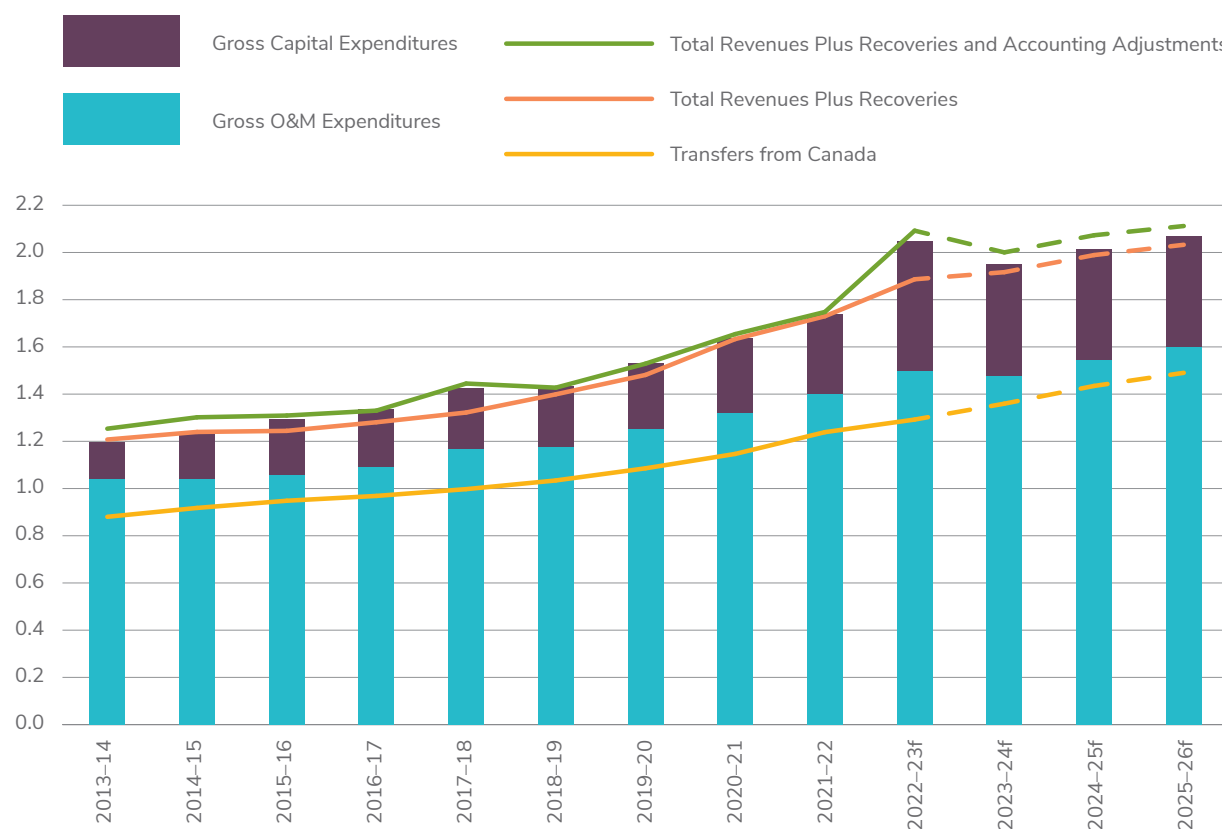
The government is committed to maintaining fiscal sustainability. To achieve this, the government has reviewed spending commitments to ensure expenditures are effectively being used within the framework of expected revenues. These measures will help to ensure that the government is able to meet its spending commitments while maintaining a healthy fiscal position. Capital expenditures are forecast to decrease by \$35.2 million or 9.9 per cent, net of recoveries, from the 2022–23 Main Estimates to preserve the government's strong fiscal standing and address increasing inflation while continuing to invest in priority areas. The decrease to capital spending is partially offset by an increase to the forecast for Operations and Maintenance (O&M) expenditures of \$33.0 million or 2.6 per cent, net of recoveries, from the 2022–23 Main Estimates.

The government's fiscal summary for 2023–24 also includes a \$50 million contingency for areas of expected, but presently undefined, expenditures. The government has benefitted from this realistic approach to budgeting in recent years for COVID-19 spending and we are continuing this approach for expected cost pressures. These costs are not presented in departmental budgets in the coming fiscal year as the expenditures are not yet known. They are included in the overall financial framework so that they will not affect the Yukon's forecast fiscal position, should they be needed. This allows the government to remain transparent about potential pressures and would require legislative authority.

In Chart 1, forecast spending and revenue for the Yukon, including recoveries, from 2022–23 through 2025–26, are compared to historical spending as reported in the Yukon's Public Accounts. In recent fiscal years, growth in government spending has increased in line with revenue growth. For the fiscal years between 2013–14 and 2022–23, O&M expenditures have grown by 5.1 per cent annually and revenues have grown by 5.0 per cent annually, on average. For 2023–24 to 2025–26, expenditures and revenues are expected to change at a similar pace, with expenditures growing by an annual average of 2.3 per cent, while government revenues are expected to grow at an average of 2.5 per cent annually.

**Chart 1. Government of Yukon fiscal indicators<sup>7,8</sup>**

Expenditures and revenues (\$ billions)



Source: Department of Finance

f = forecast

7. Fiscal years 2013–14 to 2021–22 represent actuals as reported in the Yukon's Public Accounts. For comparability, forecasts for fiscal years 2022–23 to 2025–26 use the same methodology, which differs from the presentation in Table 1 above.

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

# Revenue

Government revenues rely heavily on transfers from the Government of Canada, supplemented by own-source revenues that are mostly driven by economic activity. The Yukon government's revenue is critical to ensuring that the government has the resources needed to meet its spending commitments. As shown in Table 2, total revenue, excluding recoveries, is expected to be \$1.58 billion in 2023–24. This represents an increase of \$70.9 million, or 4.7 per cent, from the most recent estimates in the 2022–23 Supplementary Estimates #2. This increase is primarily driven by the territory's economic position and a changing fiscal situation across Canada, which affects federal transfers.

**Table 2. Revenue by type<sup>9,10</sup>**

(\$ millions)	2022–23 Main Estimates	2022–23 Supplementary Estimates #2	2023–24 Main Estimates	2024–25 Plan	2025–26 Plan
<b>Transfers from Canada</b>	<b>1,244.4</b>	<b>1,261.4</b>	<b>1,327.0</b>	<b>1,400.3</b>	<b>1,454.7</b>
<b>Tax revenue</b>	<b>157.7</b>	<b>175.0</b>	<b>170.9</b>	<b>177.2</b>	<b>182.2</b>
Personal income tax	89.9	100.7	98.4	102.4	105.6
Corporate income tax	24.4	32.0	27.4	27.8	28.4
Property tax	7.0	7.0	7.2	7.6	7.7
Fuel oil tax	9.7	8.7	8.8	8.8	8.9
Tobacco and alcohol taxes	18.6	18.4	20.0	20.7	21.1
Insurance premium tax	8.1	8.2	9.0	9.9	10.6
<b>Other revenue</b>	<b>58.1</b>	<b>68.1</b>	<b>77.5</b>	<b>85.9</b>	<b>82.3</b>
Liquor profit	9.4	7.5	8.8	8.8	9.1
Licenses, fees, registrations and permits	17.6	17.1	18.3	18.7	19.2
Sale of land	19.2	20.8	32.3	34.2	31.3
Other revenue	12.0	22.8	18.1	24.2	22.6
<b>Total revenue</b>	<b>1,460.2</b>	<b>1,504.5</b>	<b>1,575.4</b>	<b>1,663.5</b>	<b>1,719.2</b>

Source: Department of Finance. Numbers may not add due to rounding.

9. All revenue figures are found on Pages S-14 and S-15 of the 2023–24 Main Estimates, and equivalent pages of budget documents for other periods.

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

## Transfers from Canada

Transfers from Canada, which includes the Territorial Formula Financing grant, represent about 84 per cent of the Yukon's total revenue in 2023–24. Territorial formula financing helps to reduce the gap between the Yukon's ability to raise revenue and its spending needs for core services.

The grant is responsive to changing economic and demographic circumstances in the territory compared to the rest of the country. This includes changes in public spending across the country, which are increasing due to the high inflationary environment and associated inflation relief programs. The growth in spending for other provinces and territories have an upward impact on the Yukon's Territorial Formula Financing grant. However, the improved outlook on the grant is being offset somewhat by growth in resource revenues. Resource revenues in the territory are expected to increase as royalties increase, which would have a downward impact on revenue from the Territorial Formula Financing grant. Under the Devolution Transfer Agreement with Canada, the Yukon's grant is reduced dollar for dollar of resource revenues in excess of \$6 million in any given year. Resource revenues subject to offset were \$10.2 million in 2021–22, meaning the grant in 2023–24 will be reduced by \$4.2 million.

At the time that the 2023–24 Main Estimates were prepared, the Yukon government, along with other provinces and territories, were discussing increases to the Canada Health Transfer that could strengthen the healthcare system for the benefit of all Canadians. The Canada Health Transfer forms part of the overall transfers from Canada. Increases to the Canada Health Transfer have not yet been included in expected revenues for 2023–24.

## Taxation revenue

The Yukon's own-source revenue from taxation is forecast to decrease in 2023–24 from the 2022–23 Supplementary Estimates #2. Personal and corporate taxation revenues are expected to be strong in 2023–24, but are forecast to be lower than current estimates for 2022–23 primarily due to a non-recurring adjustment for the 2021 tax year in 2022–23. Adjustments for prior tax years are common due to the timing of final reconciliations of tax assessment information. Corporate income tax projections for 2022–23 have been revised upward from stronger than expected corporate profits but are expected to return to trend in 2023–24.

Personal income tax revenues are expected to continue to be strong due to high inflation and the territory's strong labour market performance, which is increasing individual taxable incomes. Business performance continues to be strong in the territory, but corporate income tax revenue can see large variations from year-to-year. The outlook for corporate taxation, while still expected to increase, has also been reduced from projections in previous years due to a change in federal tax provisions that increases the scope of businesses eligible for the small business tax rate. In the Yukon, the small business tax rate is zero per cent.



The forecast for tax revenue from tobacco products has increased. The *Tobacco Tax Act* links changes to the tax rate to changes in the Consumer Price Index (CPI), so the tax rate increased from 31 cents to 32 cents per cigarette as of January 1, 2023. Under the current outlook for inflation, the tax rate for tobacco products is expected to increase to 37 cents per cigarette by the end of 2027.

Expectations for fuel tax revenue in 2023–24 are lower than in the 2022–23 Main Estimates. Fuel tax revenues have not returned to pre-pandemic levels, which could be partly explained by the tourism industry continuing to operate below levels experienced prior to the start of the pandemic. The ongoing outlook for fuel taxes is expected to be mostly flat as more Yukoners adopt electric vehicles and make other transportation choices that are consistent with the Yukon's *Our Clean Future* strategy.

Aside from changes to the tobacco tax, there are no changes to tax rates proposed as part of the 2023–24 budget.

## Other revenue

In addition to transfers from Canada and taxation revenue, the government also generates revenue from other sources. These include liquor profit, licenses, fees, registrations, permits and proceeds from land sales. Revenue from these sources are expected to exceed recent levels, in part due to elevated revenue from land sales.

## Operations and maintenance expense

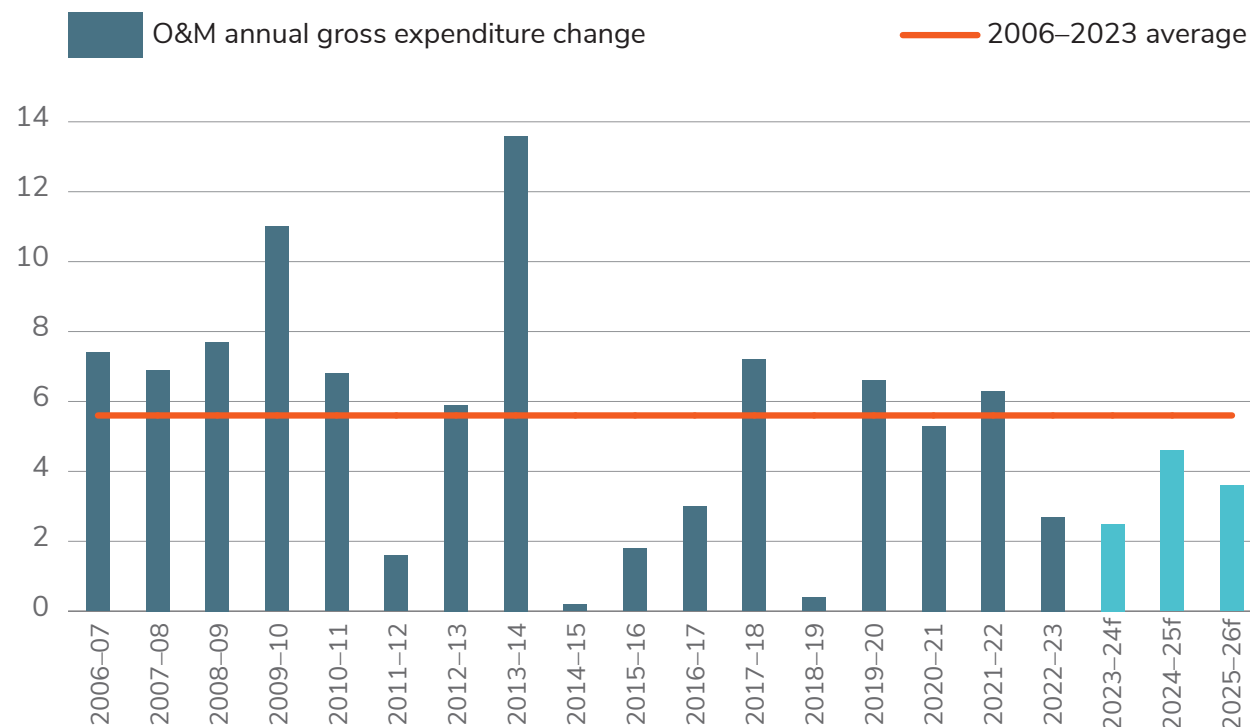
O&M spending for 2023–24 is budgeted at \$1.45 billion, which reflects a \$35 million, or 2.5 per cent, increase over the previous year's Main Estimates. The increase in spending is primarily for:

- making day-to-day life more affordable for Yukoners;
- investing in the Yukon's health and social system;
- addressing the substance use health emergency;
- improving sustainability and preserving the territory's environment;
- investing in housing and related services, particularly for the most vulnerable; and
- continuing to build relationships and foster reconciliation with Yukon First Nations.

Chart 2 compares forecast gross O&M spending from 2022–23 through 2025–26 to actual historical O&M spending as reported in the Yukon’s Public Accounts. The average annual growth in O&M spending between 2006–07 and 2022–23 was 5.6 per cent. Forecast O&M spending growth in 2024–25 and 2025–26 is anticipated to remain below the average at approximately 4.5 per cent and 3.5 per cent, respectively.

## Chart 2. Annual growth in O&M budgets

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



Source: Department of Finance

f = forecast

Higher rates of inflation continue to be the reality for Yukoners, and family budgets are becoming tighter. The government continues to take steps to provide targeted inflationary relief to families, especially the most vulnerable. The government continues to assess how inflation is impacting Yukoners. In 2023–24, the government is extending the Inflation Relief Rebate Program, which provides a \$50 per month rebate on ATCO Electric and Yukon Energy utility bills for the April and May billing periods, along with an additional three months later in the year. Other measures in the 2023–24 Budget to help make life more affordable for Yukoners include funding for food in Yukon schools, the timber harvesting incentive to boost fuelwood supply, a quarterly top-up of \$150 to eligible recipients of the Yukon Senior Income Supplement and a \$100 monthly increase to eligible Social Assistance recipients.

With the COVID-19 State of Emergency coming to an end in March 2022, the Yukon is now adapting to living with the risks from COVID-19 while continuing to support Yukoners' well-being. However, healthcare systems across Canada, including the Yukon, continue to be strained following the pandemic. Healthcare workers are experiencing stress and burnout, and people seeking health services are experiencing long wait times due to staff shortages. The 2023–24 Budget includes funding to improve supports for critical staff, including recruitment and retention bonuses for nurses, negotiated increases with the Yukon Medical Association, a human resources strategy to improve health care worker recruitment and adding nursing positions in rural locations. The government also continues to act on the recommendations from the *Putting People First* report. This includes funding for the territory's dental plan, early learning and childcare.

In 2023–24, the government will continue to support the needs of individuals and communities impacted by the substance use health emergency. This includes additional funding to address the harms of substance use, combat the supply of harmful substances through additional RCMP supports, and help youth with substance use challenges. Together, these initiatives support people who are struggling with addiction and mental health issues and help to reduce the harm caused by substance use in communities.

Many areas across Canada are facing housing shortages and challenges with housing affordability. In 2023–24, the government will continue working to meet the housing needs of Yukoners, including partnering with the private sector on lease costs and supportive services for seniors at the new Normandy Living facility in Whitehorse. The Budget also includes funding to ensure the Yukon Housing Corporation's housing stock remains safe and well maintained.

The government remains fully committed to supporting reconciliation and respectful partnerships with Yukon First Nations governments. The government is working in partnership with Yukon First Nations on key priorities in 2023–24. This includes funding for Community Safety Officers and policing initiatives in communities, and support for the community safety planning priorities of Yukon First Nations governments in their communities.

The government continues to make progress on the implementation of *Our Clean Future* and protect the environment. The Yukon government is working in partnership with the Government of Canada to advance land use planning and species-at-risk protection in the Yukon through the *Bilateral Nature Agreement*. Through this, government will advance work towards the federal government's mandate to conserve and protect 25 per cent of land by 2025, and 30 per cent by 2030.

# Five-Year Capital Plan update

With the 2023–24 Main Estimates, the Yukon government is publishing its sixth annual plan for its capital investment priorities over the next five years. The plan helps drive transparency, certainty and coordination with businesses, First Nations governments and municipalities.

**Table 3. Five-Year Capital Plan gross expenditures by category**

(\$millions)	2023–24	2024–25	2025–26	2026–27	2027–28	Totals
Climate change, energy and green economy	36	43	47	42	29	197
Land development, housing, education and health	133	84	78	81	93	470
Community and First Nations infrastructure	78	75	75	60	65	352
Transportation infrastructure	160	177	197	123	123	779
Real property and asset management	33	46	46	51	35	211
Information technology	45	51	18	17	14	146
Totals	484	475	462	374	359	2,155

Source: Capital Planning Office. Numbers may not add due to rounding.

The 2023–24 *Five-Year Capital Plan* includes approximately \$2.15 billion in capital spending over the next five years. These investments will focus on improving access to stable and affordable housing, increasing accessibility to healthcare services, providing modern school facilities and advancing the territory's climate change goals. The government continues to leverage funding from the federal government and other partners to find offsets for over one-third of the capital spending in the plan.

The capital budget for 2023–24 is projected to be \$483.8 million, a modest decrease from the 2022–23 Main Estimates. The government remains committed to robust and steady investments in the territory's infrastructure. However, it is prudent for the government to carefully consider how it is investing in capital projects to address increasing inflation by reducing previously planned capital spending in its *Five-Year Capital Plan*. The government has reviewed planned projects in the Plan to ensure it is maintaining its current assets while delivering on the new critical infrastructure that Yukoners need. For certain capital projects, the government is exploring innovative ways to deliver these projects, including partnering with municipalities or First Nations governments in the development of new infrastructure. This approach has resulted in a lower total spend in the next few years compared to earlier projections, while creating a more stable outlook for capital spending.

## The government remains committed to robust and steady investments in the territory's infrastructure.

The government is making priority capital investments across six main areas in the 2023–24 Five-Year Capital Plan:

- \$197 million for climate change, energy and green economy projects to continue to advance the *Our Clean Future* strategy and invest in sustainable jobs in the territory. In 2023–24, this includes investing in renewable energy projects, such as solar installations and biomass, through the Green Infrastructure Program; and helping Yukoners increase the energy efficiency of their homes and businesses through the Better Buildings energy retrofit loans program.
- \$470 million for land development, housing, education and health projects to ensure the territory can meet the housing, educational and healthcare needs of a growing population and economy. In 2023–24, this includes completing the Old Crow 10-unit mixed-use housing project and work on the Kêts'ádań Kù School in Burwash Landing.
- \$352 million for community and First Nations infrastructure to meet infrastructure needs in communities across the territory, including working in partnership with Yukon First Nations and municipal governments on their priorities. In 2023–24, this includes work on a new Fire Hall building in Carmacks; upgrades to the existing Public Works building in Carmacks; and upgrades to the Teslin Tlingit Council community hub.
- \$779 million for transportation infrastructure to invest in the territory's transportation system to keep Yukoners and the economy moving and advance the sustainability of supply chains critical to the Yukon. In 2023–24, this includes ongoing work on critical components of the Yukon's transportation infrastructure like the Nisutlin Bay Bridge project, Erik Nielsen Whitehorse International Airport runways and upgrades to the North Klondike Highway.
- \$211 million for real property and asset management projects to build and maintain assets that are essential to the delivery of government services. In 2023–24, this includes continuing to retrofit the Old Territorial Administration Building in Dawson City and work on conceptual designs for potential expansions and recreational activities at several campgrounds across the territory.
- \$146 million for information technology projects to enhance the territory's vital technological links to Canada and the world. In 2023–24, work will continue on the Dempster Fibre project, which will provide redundancy, increase reliability and reduce the risk of outages in the territory's critical telecommunications infrastructure.

In recent years, the government has made substantial capital investments to help sustain and build upon critical infrastructure for the benefit of Yukoners now and for generations to come.

Some important recently-completed projects include:

- \$22 million, along with funding from Canada, for the Mayo to McQuesten Transmission Line replacement project, which came online in 2021 and is improving the quality and reliability of electricity infrastructure in the area;
- \$22 million, in partnership with Canada, for the Faro Public Works & Fire Hall Building and the Watson Lake Municipal Services Building, which combine public works and fire services into a single shared space, saving money on both construction and long-term operating costs; and
- \$21 million for the 47-unit residential housing complex at 401 Jeckell Street, completed in January 2023 in partnership with the Canada Mortgage and Housing Corporation. It is providing affordable homes of various sizes for low-income and vulnerable families, seniors and individuals.

In recent years, the government has made substantial capital investments to help sustain and build upon critical infrastructure for the benefit of Yukoners now and for generations to come.



# Part 2: Economic overview

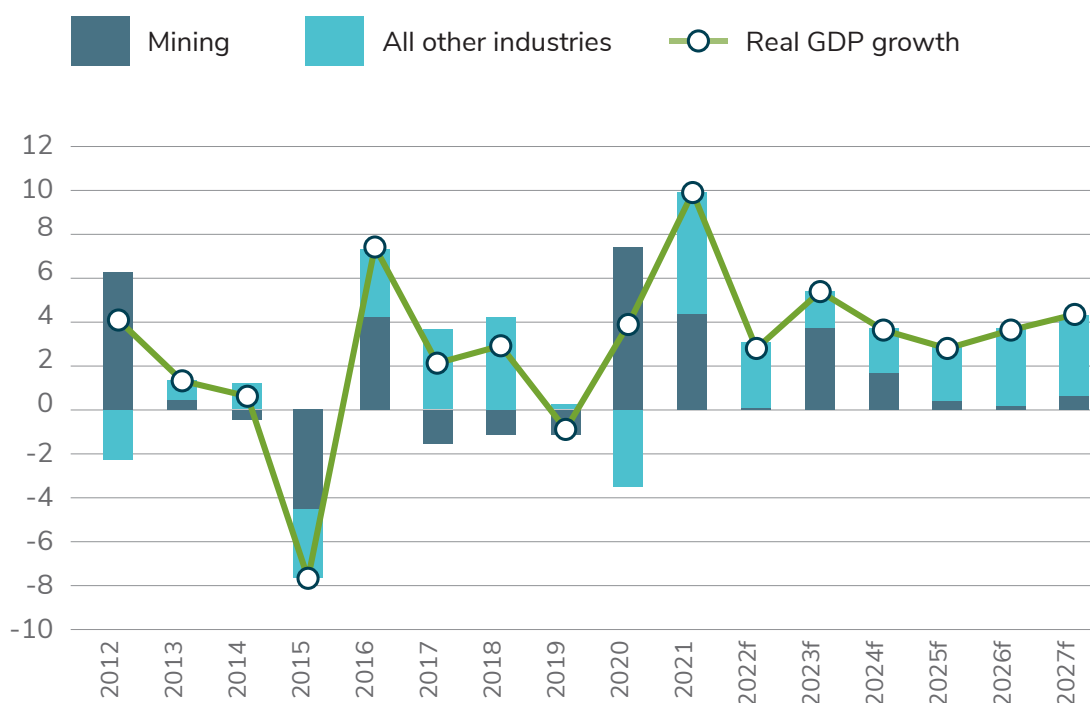
## Positive outlook for real GDP growth

The outlook for the Yukon's economy remains positive. A strong labour market is leading to job growth and low unemployment. Tourism is coming back to the territory and the construction sector is busy. Inflation remains higher than anticipated but is expected to moderate with the stabilization of energy prices, improvements to global supply chains and an increase in interest rates that is beginning to absorb excess demand in the Canadian economy.

The Yukon's real GDP is expected to continue to expand. The Yukon led the country in real GDP growth in both 2020 and 2021, with 2021's increase of 10 per cent being the strongest in 13 years. The pace of this expansion returned to more normal levels in 2022 with estimated real GDP growth of 3.1 per cent, close to the Canadian growth estimate of 3.5 per cent. Last year's performance was impacted primarily by the mining sector with disruptions at the Eagle Gold mine and a temporary suspension of operations at the Keno Hill mine.

**Chart 3. Further gains in real GDP expected in all years of the forecast**

Contribution to real GDP growth (percentage points)



Source: Statistics Canada, Department of Finance

f = forecast

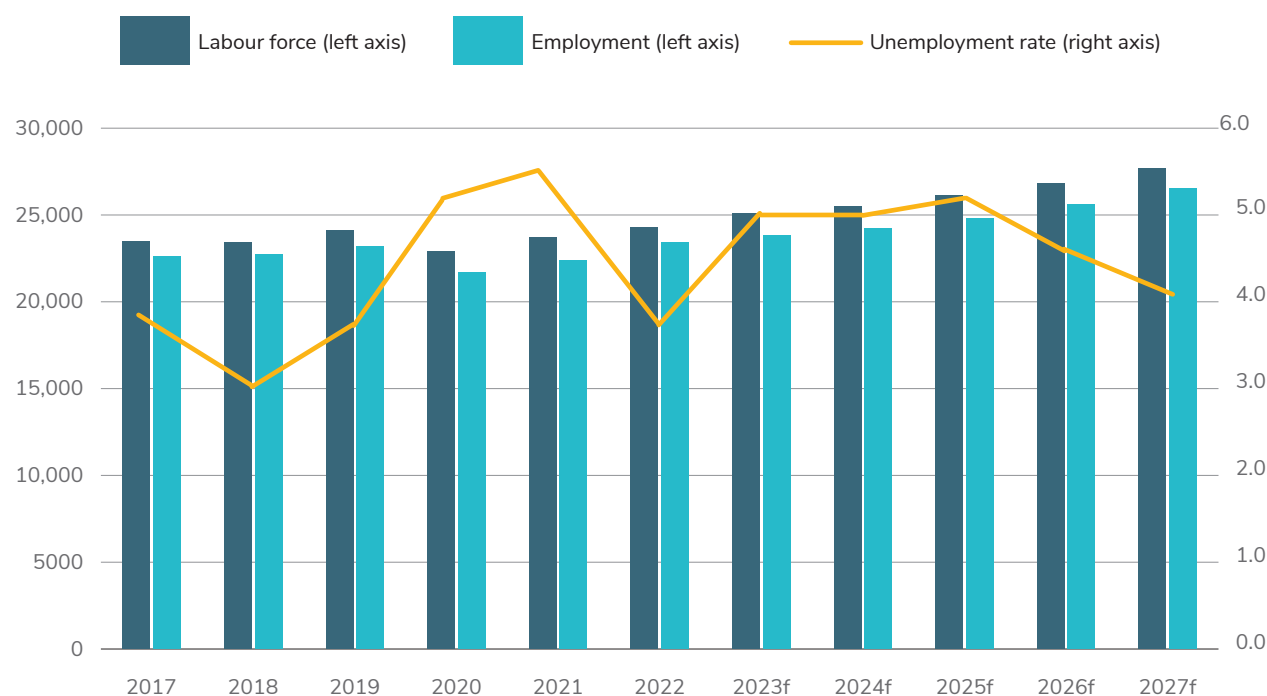
Production at Eagle Gold is expected to ramp up this year and operations at the Keno Hill mine are expected to resume in the third quarter. Higher mineral production and continued recovery of the tourism sector are expected to result in real GDP growth of 5.4 per cent in 2023 followed by 3.7 per cent growth in 2024. Further growth is projected throughout the remainder of the forecast, averaging 3.7 per cent growth through 2025 to 2027.

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

Strong demand for labour and increased economic activity spurred growth in the size of the labour force and employment as both reached record highs in 2022. Employment growth of 4.5 per cent last year outpaced the increase in the labour force and translated into a substantial decline in the territory's unemployment rate. At 3.7 per cent for the year, the Yukon's unemployment rate matched 2019's level and was the lowest in Canada.

### Chart 4. Growth in employment and the labour force

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



Source: Statistics Canada, Department of Finance

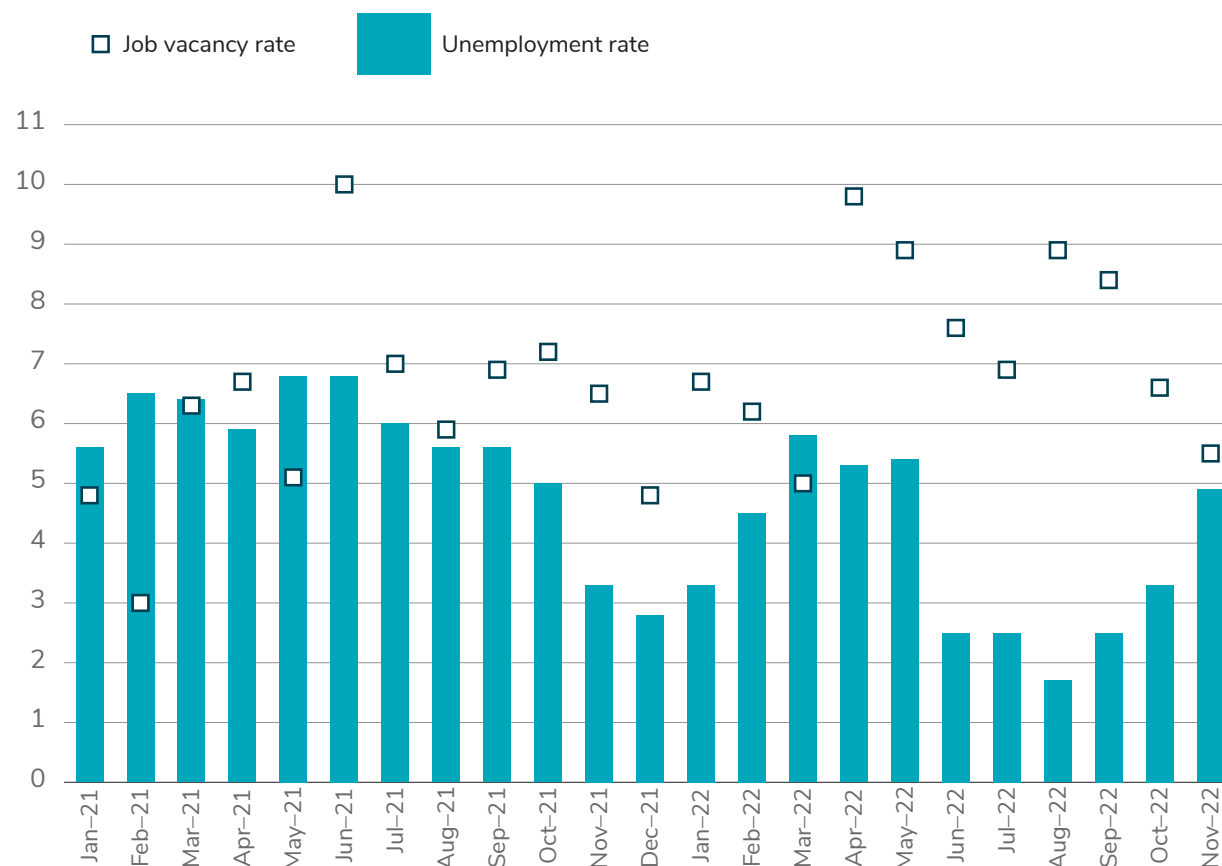
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Many employers in the Yukon and across the country have had difficulty finding workers. Job vacancies have been elevated in the territory throughout 2022, with the Yukon's job vacancy rate<sup>11</sup> among the top two highest rates in the country for all but one month. Like the experience of many jurisdictions in Canada, the job vacancy rate for the Yukon has recently been higher than the unemployment rate<sup>12</sup>, further evidence of a tight labour market (Chart 5).

**Chart 5. 2022 has seen tightness in the labour market return**

Labour market indicators (per cent)



Source: Statistics Canada

11. The job vacancy rate is the number of job vacancies expressed as a percentage of labour demand, defined as all occupied and vacant jobs.

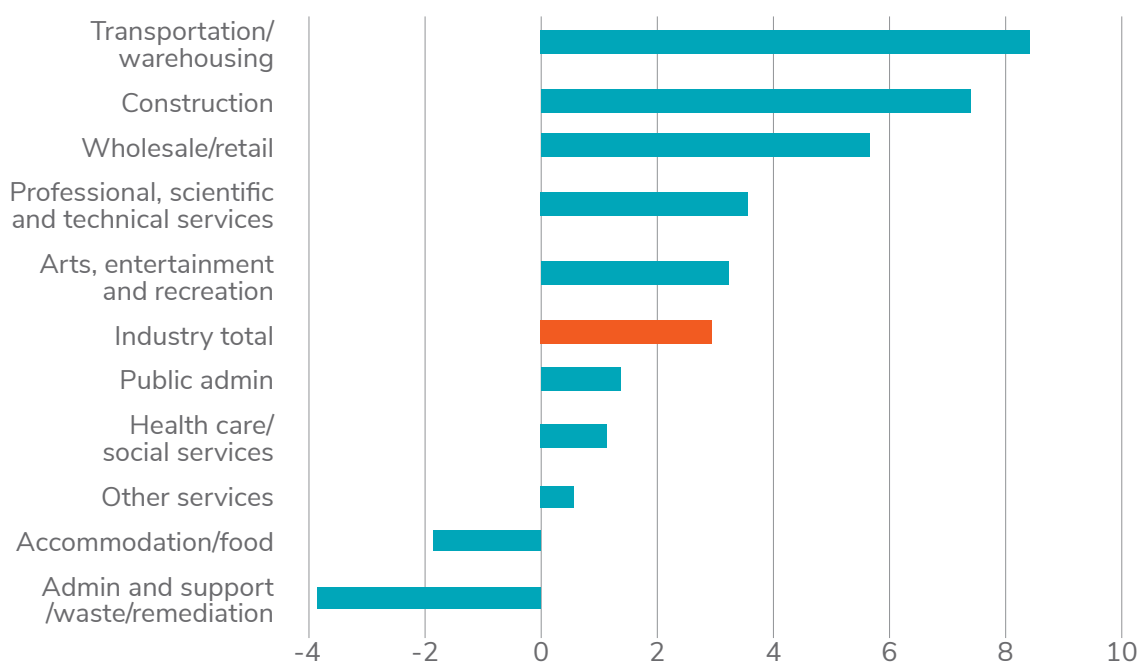
12. When the job vacancy rate exceeds the unemployment rate, this means there are proportionally more jobs seeking workers than workers seeking jobs.

Strong demand for workers at a time when supply is tight is placing upward pressure on wages and earnings. The average offered wage for vacant positions in the Yukon was the third highest in the country at \$26.20 per hour in the third quarter of 2022<sup>13</sup>, well above the national average of \$24.20 per hour and up almost 10 per cent from 2021.

The recent increase in weekly earnings was not as pronounced as the increase in offered wages, but earnings are up across most industries (Chart 6). The average worker in the territory earned \$1,334 per week through the first eleven months of 2022, up 2.9 per cent from the same period in 2021. Average weekly earnings for the Yukon ranked third in the country, behind only Nunavut and the Northwest Territories, and were well above the national average of \$1,166 per week. While in some cases wages are not keeping pace with inflation, rising incomes have helped to mitigate the inflationary impacts being felt.

### Chart 6. Wage pressures reflected in higher earnings across most industries

Average weekly earnings, seasonally adjusted, Jan–Nov 2022 change from Jan–Nov 2021 (per cent)



Source: Statistics Canada

Over the medium term, higher earnings are expected to draw more people into the labour force. The Yukon's labour force is projected to grow slightly faster than employment over the forecast period. This results in a higher projected unemployment rate in the neighbourhood of five per cent. While up from historic lows in recent years, the unemployment rate is projected to remain relatively low, and continue to be one of the lowest in Canada.

13. Average offered wage data is from Statistics Canada table 14-10-0325-01 and is available on a quarterly basis starting with the first quarter of 2015.

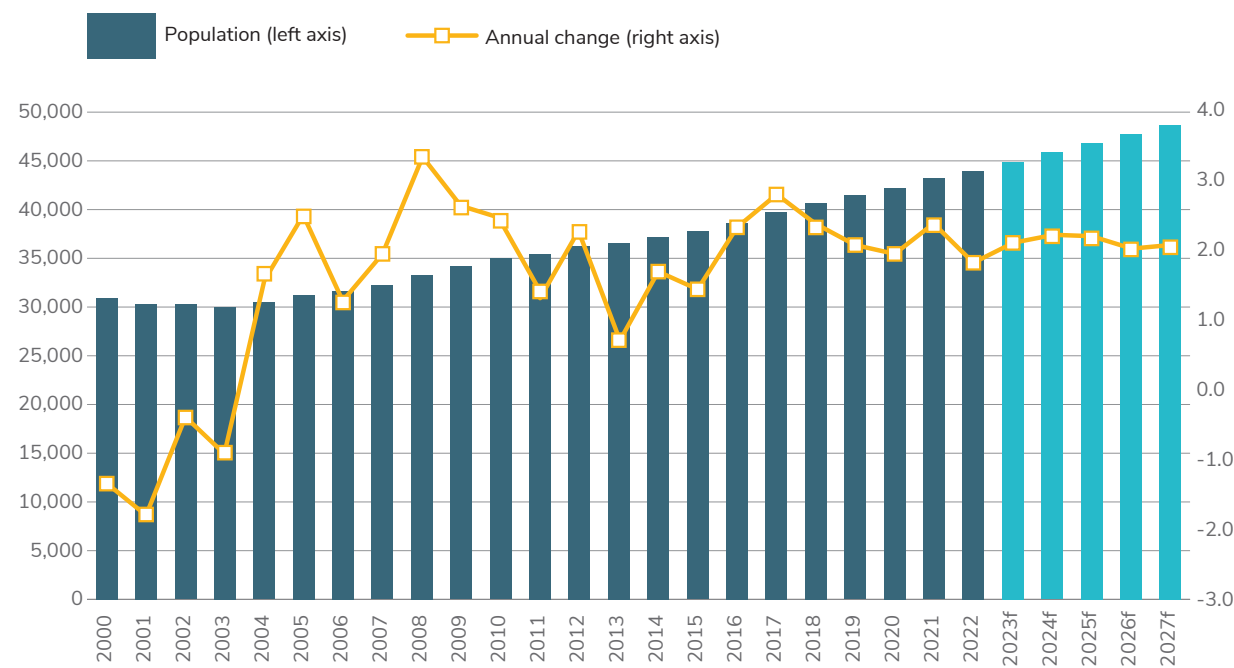
## Further population gains anticipated in 2023

At 43,964 on June 30, 2022, the Yukon's population was up 1.8 per cent from 2021.<sup>14</sup> Growth in 2022 was driven primarily by net international migration of 550, which was the highest ever reported.<sup>15</sup> Over the last 20 years, the Yukon's population has grown just over 44 per cent. This growth was second only to Alberta (45.2 per cent) among all provinces and territories and was well ahead of the national growth of 24 per cent. A positive outlook for the territory's economy and labour market is expected to support strong migration into the Yukon and population growth over the medium term.

The federal government is targeting nearly 1.5 million new permanent residents over the 2023 to 2025 period.<sup>16</sup> High levels of immigration should increase the local supply of labour and help alleviate some of the tightness in the labour market. While helping on the labour front, more people moving to the territory has the potential to place further strain on the Yukon housing market, as supply has struggled to keep pace with demand in recent years.

**Chart 7. Population is forecast to approach 49,000 by 2027**

Population (persons), annual change (per cent)



Source: Yukon Bureau of Statistics

f = forecast

14. June 30 estimates are considered annual estimates.

15. Statistics Canada's table 17-10-0005-01 reports data for population estimates by age and sex as of July 1.

16. Government of Canada's *Immigration Levels Plan for 2023–2025*. Immigration, Refugees and Citizenship Canada (November 1, 2022).

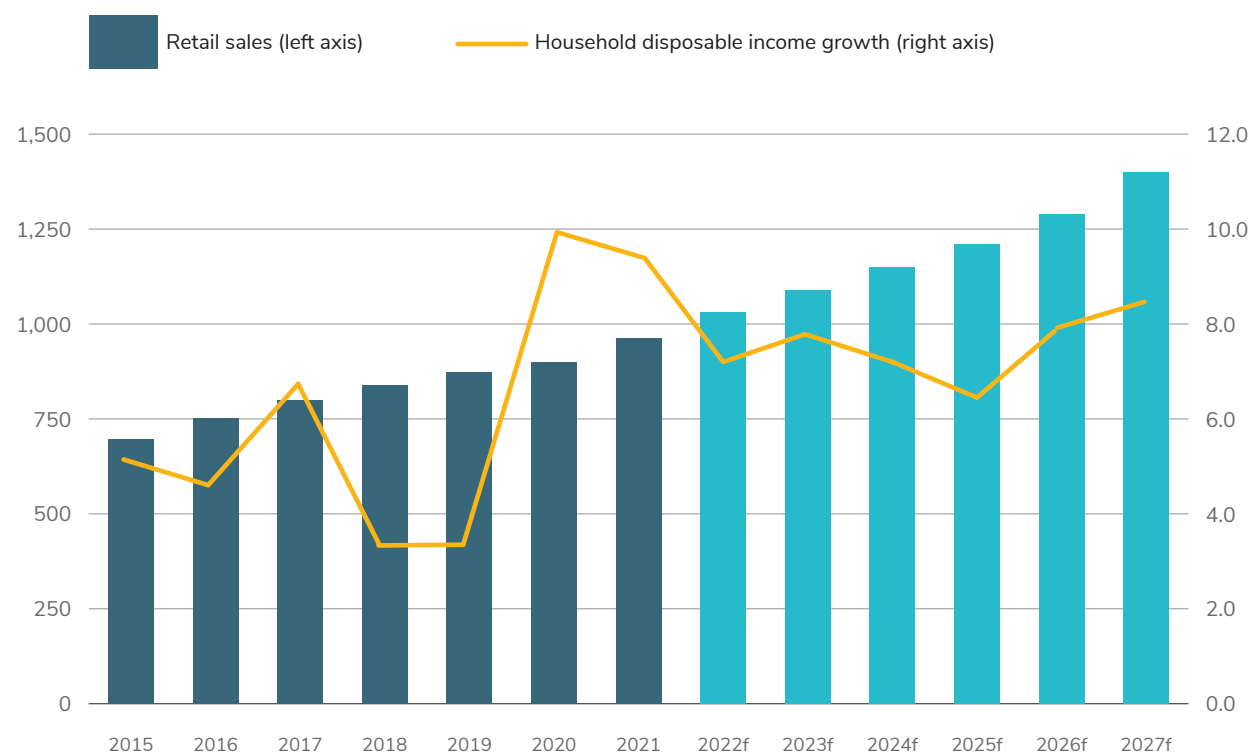
Countering some of the gains in international migration in 2022 was a net outflow of interprovincial migration resulting in 83 fewer residents. This was the first time net interprovincial migration was negative since 2013. Population is projected to increase in every year of the current forecast with growth averaging 2.1 per cent per year. By 2027, the last year of the forecast, the Yukon's population is expected to be near 49,000.

## Retail sales exceeded \$1 billion in 2022

Retail sales exceeded one billion dollars for the first time in 2022. Estimated growth of 6.8 per cent in 2022 is more than double the growth rate from the previous year. Prices were the primary driver of last year's growth in retail sales, with the estimated percentage increase in retail sales equivalent to the 6.8 per cent increase noted in the Whitehorse CPI. The current forecast has retail sales growing every year by an average of 6.3 per cent per year, significantly higher than the projected CPI increases over the same time span.


### Chart 8. Income growth a key driver of retail sales growth

Retail sales (\$ millions), Household disposable income growth (per cent)



Source: Statistics Canada, Department of Finance f = forecast

By 2027, the last year of the forecast, the Yukon's population is expected to be near 49,000.



## Inflation has increased globally

Global supply chain disruptions and the war in Ukraine contributed to higher food and energy prices in 2022 and added to inflationary pressures noted all over the world. In Canada, domestic factors, including excess demand for labour and other inputs, have also fueled price growth, with the national inflation rate touching levels in 2022 not seen since the early 1980s.

Rapid appreciation of prices for a large variety of consumer goods and services has also been the reality for Yukoners. The inflation rate in Whitehorse<sup>17</sup> averaged 6.8 per cent in 2022, the highest rate for the Whitehorse CPI since records began in 1982. Prices were up across most categories.

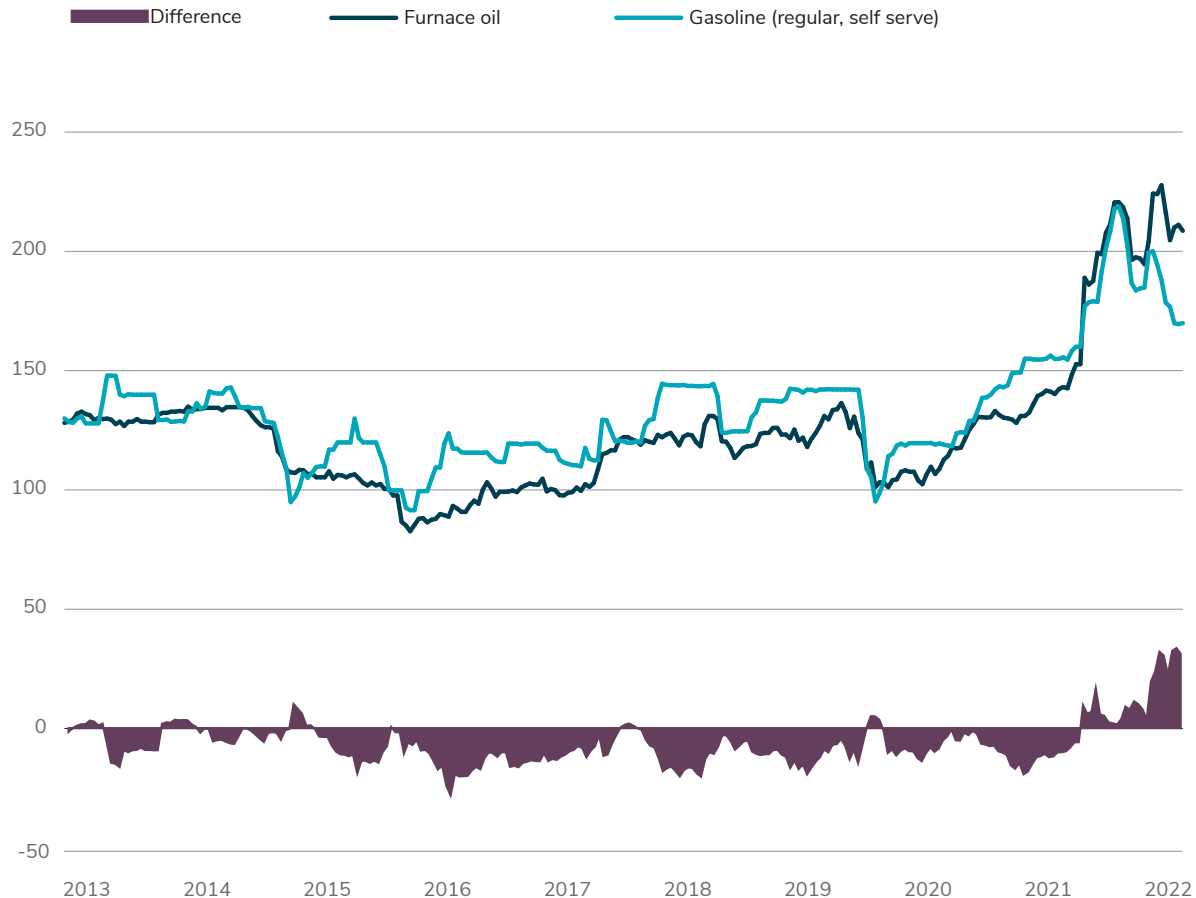
Higher fuel prices in 2022 were a prominent driver of overall inflation, with the price of gasoline up 29 per cent, and the price of fuel oil up 47 per cent compared to 2021. While gasoline prices have fallen by over 20 per cent from the peak in June, the price of fuel oil has remained elevated (Chart 9). This reflects global trends. US inventories of distillate fuels, including home heating oil and diesel, are at multi-year lows. Sanctions on Russia have led to Europe shifting towards non-Russian imports. While prices have stabilized, futures prices suggest that diesel and fuel oil prices are likely to remain at a hefty premium to gasoline in the near term.

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17. Data are not available for the Yukon, only Whitehorse.

Chart 9. Gap between gasoline and other fuels has widened due to distillate shortage

Whitehorse fuel prices (cents per litre)



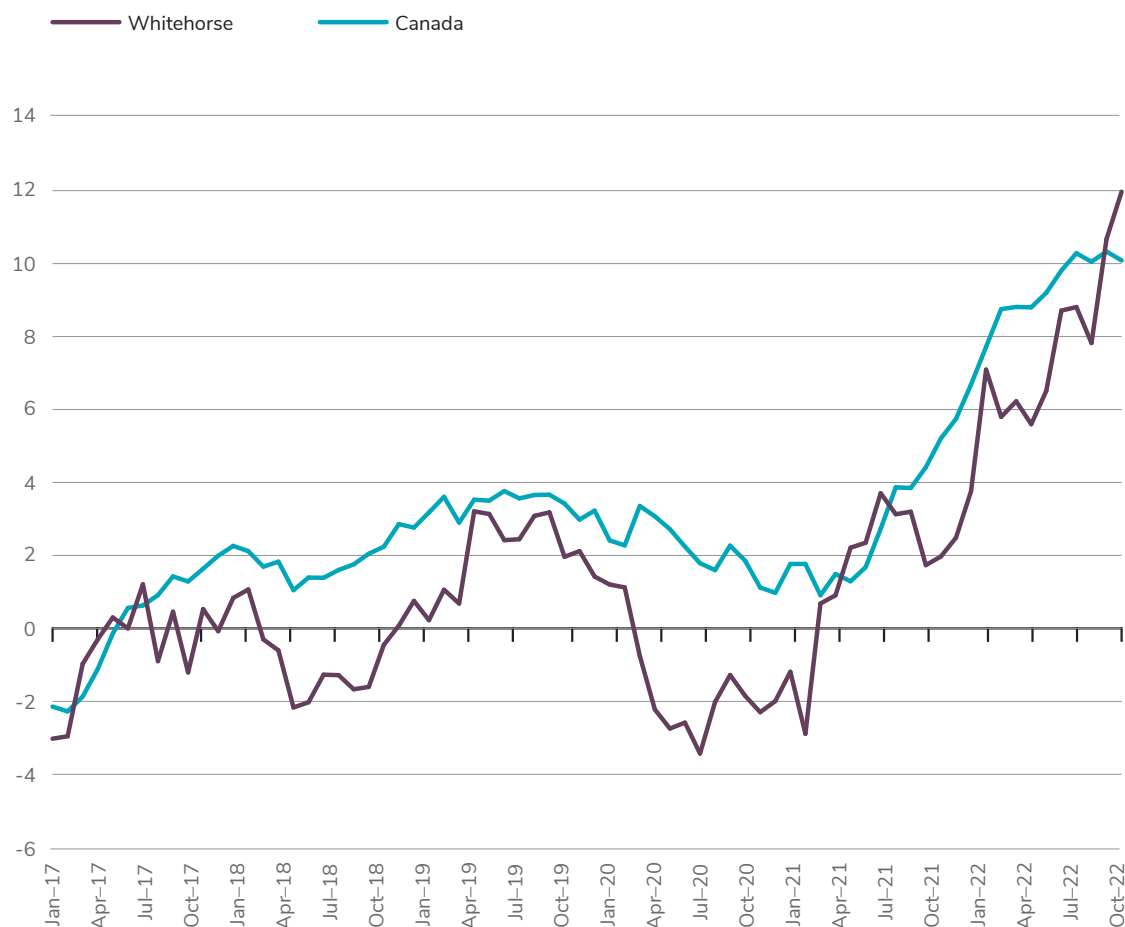
Source: Yukon Bureau of Statistics

Fuel oil is weighted heavier in the Whitehorse CPI than in the national index, because a substantially higher share of Yukoners use fuel oil for heat. This higher weighting is one of the reasons why inflation of 8.1 per cent in Whitehorse as of December was higher than the national rate of 6.3 per cent.

Another factor is that price pressures on food were slower to materialize in the Yukon than in the rest of Canada (Chart 10). Food prices in Canada rose throughout the pandemic, whereas in Whitehorse, they did not start to increase in earnest until later. Ultimately, prices in Whitehorse follow national trends closely and food prices have started to catch up. Inflation in Whitehorse was lower at the beginning of the year and higher at the end, averaging out over the course of the year with annual inflation for both Canada and Whitehorse coming in at 6.8 per cent.

Chart 10. Food price inflation was slower to materialize in Whitehorse

Year-over-year per cent change in the food component of CPI



Source: Statistics Canada

On January 25, 2023, the Bank of Canada increased its policy interest rate to 4.5 per cent to try to reduce the excess demand in the economy. The Bank signaled that it expects to “hold the policy rate at its current level while it assesses the impact of the cumulative interest rate increases.”<sup>18</sup> The Bank has increased the policy rate by 4.25 percentage points since last March, the most in such a short span since the Bank began targeting interest rates in the early 1990s.

18. News release – Bank of Canada increases policy interest rate by 25 basis points, continues quantitative tightening. Bank of Canada. (January 25, 2023).

Most forecasters expect inflation in Canada will move towards historic norms over the next couple of years as supply chain problems subside and the effect of higher interest rates move through the economy. Canadian inflation is expected to decline from near 7 per cent in 2022, to between 3.5-4.0 per cent in 2023, and many forecasts are calling for inflation in 2024 to approach the midpoint of the Bank of Canada's target range of 1-3 per cent. Similarly, the average annual rate of inflation for Whitehorse is projected to fall from 6.8 per cent in 2022 to 3.8 per cent in 2023 and 2.5 per cent in 2024.

## The housing market remains relatively strong but there are signs of cooling

Locally, housing prices have been strong for several years, driven in part by high demand. A generally strong economy has drawn people to the territory. Housing supply has struggled to keep pace with demand, and this has been reflected in upward pressure on housing prices. Prices in Whitehorse across all housing types have seen notable growth in recent years. The average weighted price of single detached homes, duplexes and mobile homes all reached record highs in 2022. Condominium prices in 2022 were down slightly from the 2021 record high.

Even during an extended period of very low interest rates and growing household earnings, housing affordability has been eroding due to higher prices. More recently, rapid growth in interest rates has increased borrowing costs for new homebuyers and those on variable rate mortgages. Higher costs will filter through to fixed rate mortgages as they come up for renewal.

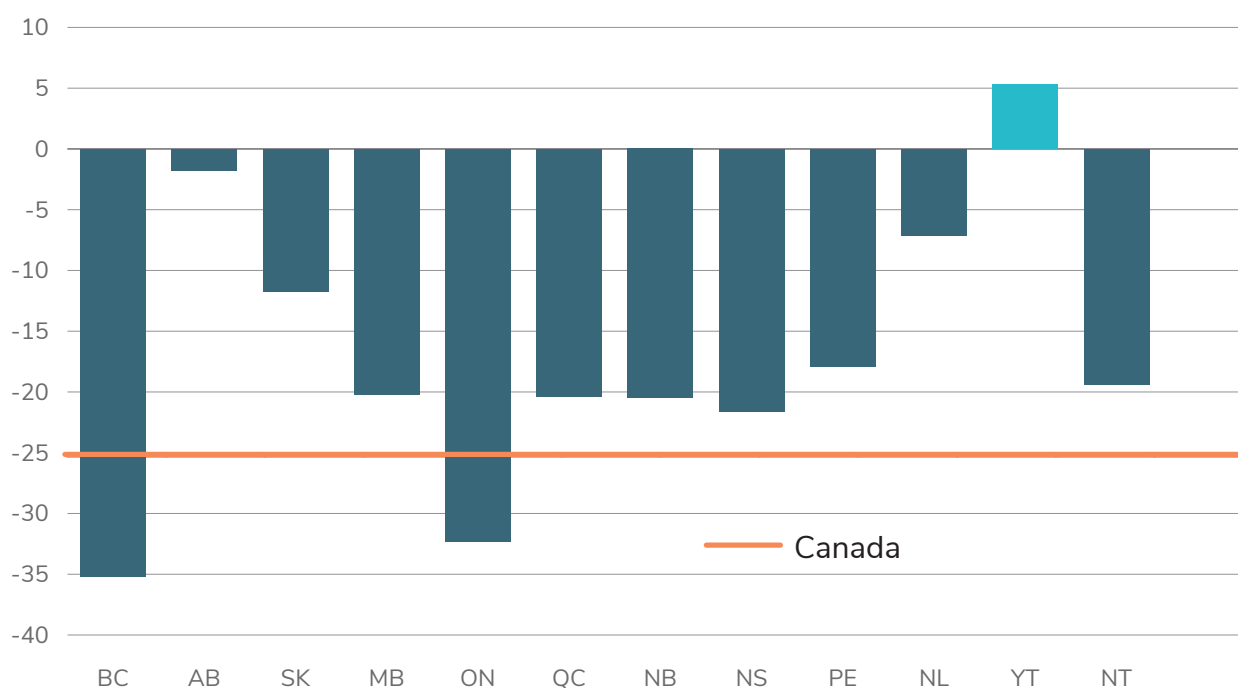




Higher interest rates took steam out of housing markets across the country. Average home prices in most Canadian markets fell over the second half of 2022. This effect was slower to materialize in the Yukon, which was the only jurisdiction that saw higher home sales in 2022 than in 2021 (Chart 11). It wasn't until the fourth quarter that signs of cooling showed in the Yukon data.<sup>19</sup> While increasing on average in 2022, average sales prices were down in the fourth quarter of last year across all housing types. Compared to the fourth quarter of 2021, prices were down by 1.2 per cent for single-detached, 3.9 per cent for duplexes, 11.4 per cent for condominiums and 1.6 per cent for mobile homes.

**Chart 11. The Yukon experienced growth in the number of residential sales in 2022<sup>20</sup>**

Residential sales, 2022 change from 2021 (per cent)



Source: The Canadian Real Estate Association

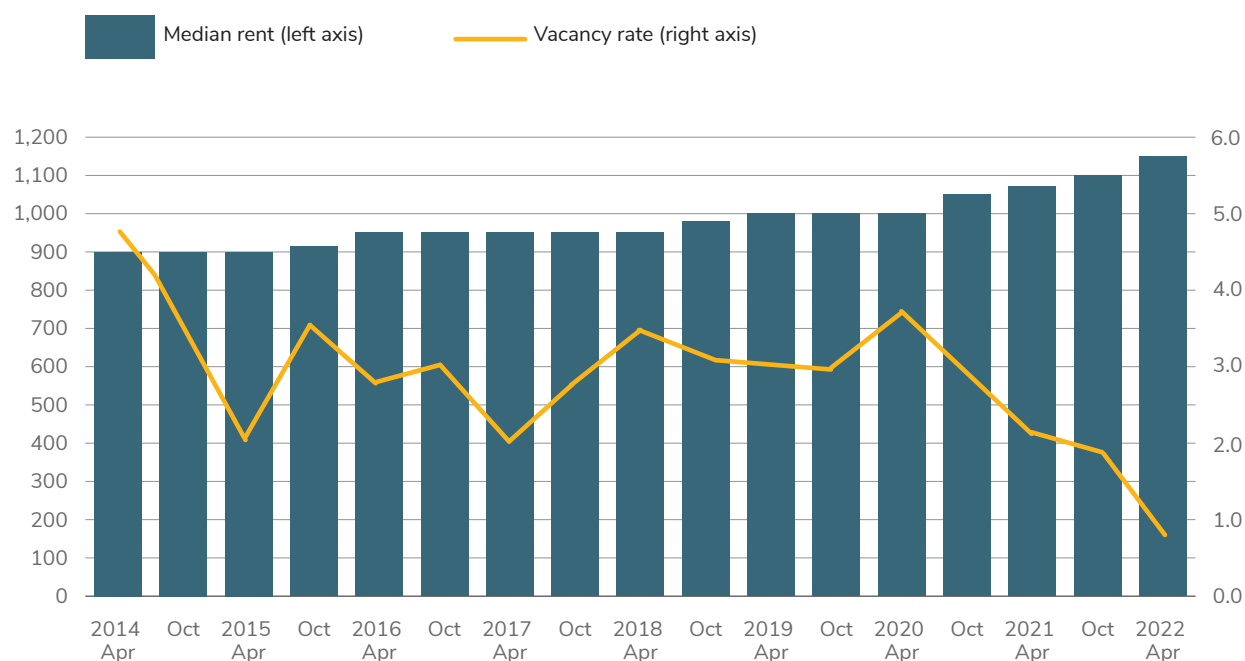
19. Yukon Real Estate Report Fourth Quarter, 2022. Yukon Bureau of Statistics. (February 2023).

20. The Canadian Real Estate Association does not publish data for Nunavut.

On the rental side, the market in recent years has been one of limited supply and increasing rents. The vacancy rate in buildings with three-or-more units fell to 0.8 per cent in April 2022, well below the 1.9 per cent reported in October 2021.<sup>21</sup> High demand and a lack of vacant units has translated into higher rents, with a median rent of \$1,150 in April of last year, up 4.5 per cent from the October 2021 figure and 7.4 per cent higher than the April 2021 figure.

### Chart 12. Recent history of rental market is one of few vacancies and increasing rents

Whitehorse median rent (\$) and vacancy rate (per cent), units in buildings with 3+ rental units



Source: Yukon Bureau of Statistics

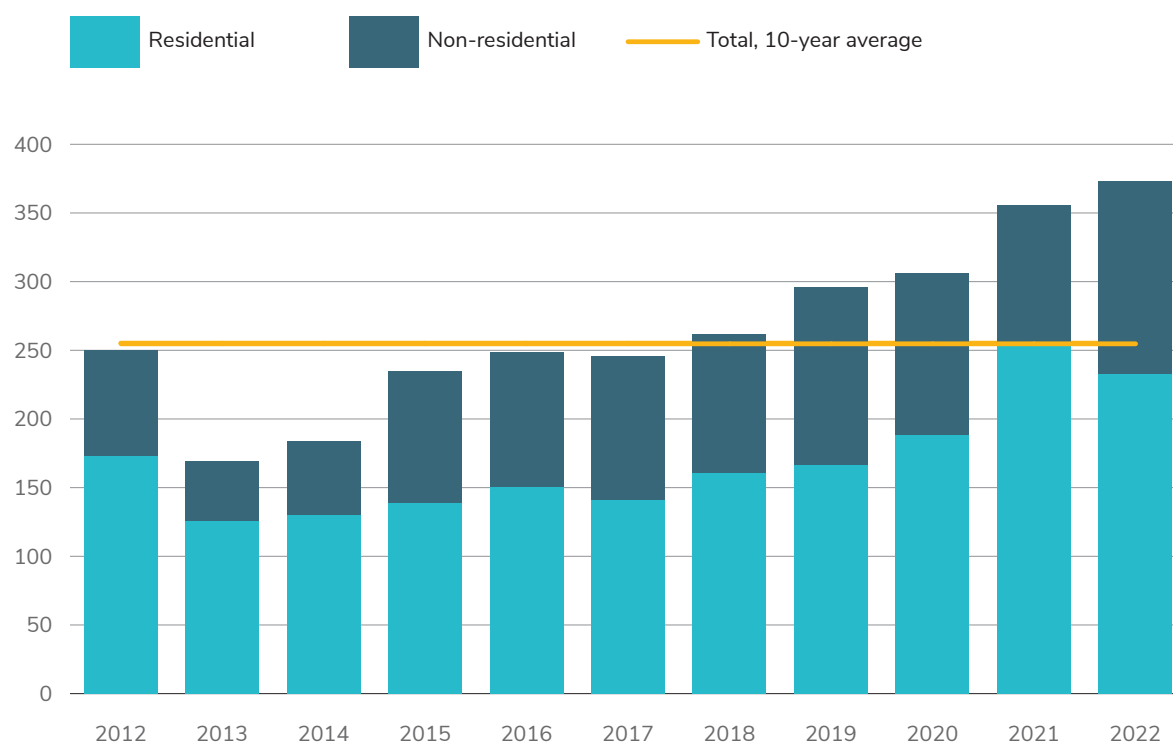
21. Yukon Rent Survey April 2022. Yukon Bureau of Statistics. (August 2022).

## Residential investment remained strong in 2022

While below 2021's record level, investment in residential construction in 2022 continued to exceed investment on the non-residential side. Residential construction investment totalled \$232.6 million in 2022, 62 per cent of the total \$373.2 million in building construction reported for the period, and well above the ten-year average of \$163 million for residential construction (Chart 13). The recent approval of phases 10 to 13 of the Whistle Bend subdivision will contribute to housing supply going forward.<sup>22</sup>

**Chart 13. 2022 was another strong year for building construction**

Investment in building construction (\$ millions)



Source: Statistics Canada

22. More phases of Whistle Bend subdivision approved (January 19, 2023). [Whitehorse Star](#).

## Construction sector supported by commercial and government projects

The decline in residential spending from record highs was more than offset by increased non-residential spending. Investment in non-residential building construction totalled \$140.6 million in 2022 and was up nearly 39 per cent from 2021 (Chart 13). Similarly, building permits for non-residential work were up substantially in 2022, growing 61 per cent to \$150.7 million.

Government-related activities continue to be a primary driver of activity on the non-residential side. Growth was noted in both investment in building construction and building permits associated with institutional and governmental projects, up 83 per cent and 13 per cent, respectively. On the building permits side, construction of a new elementary school in Whitehorse's Whistle Bend subdivision and renovation of the Elijah Smith School were prominent contributors to last year's gains. Commercial permits also showed strong growth in 2022, more than doubling from \$44.1 million to \$97.0 million. Permit value was supported by construction of a three-storey office building in Whitehorse, renovation of the Old Territorial Administration building in Dawson City and work related to the Whitehorse Battery Energy Storage project.

Higher input and labour costs continue to factor into some of the recent gains in building construction investment, due in part to supply chain constraints and stiff competition for tradespeople. Nationally, residential construction costs, on average, were 19 per cent higher and non-residential costs 13 per cent higher in 2022 compared to 2021.<sup>23</sup>

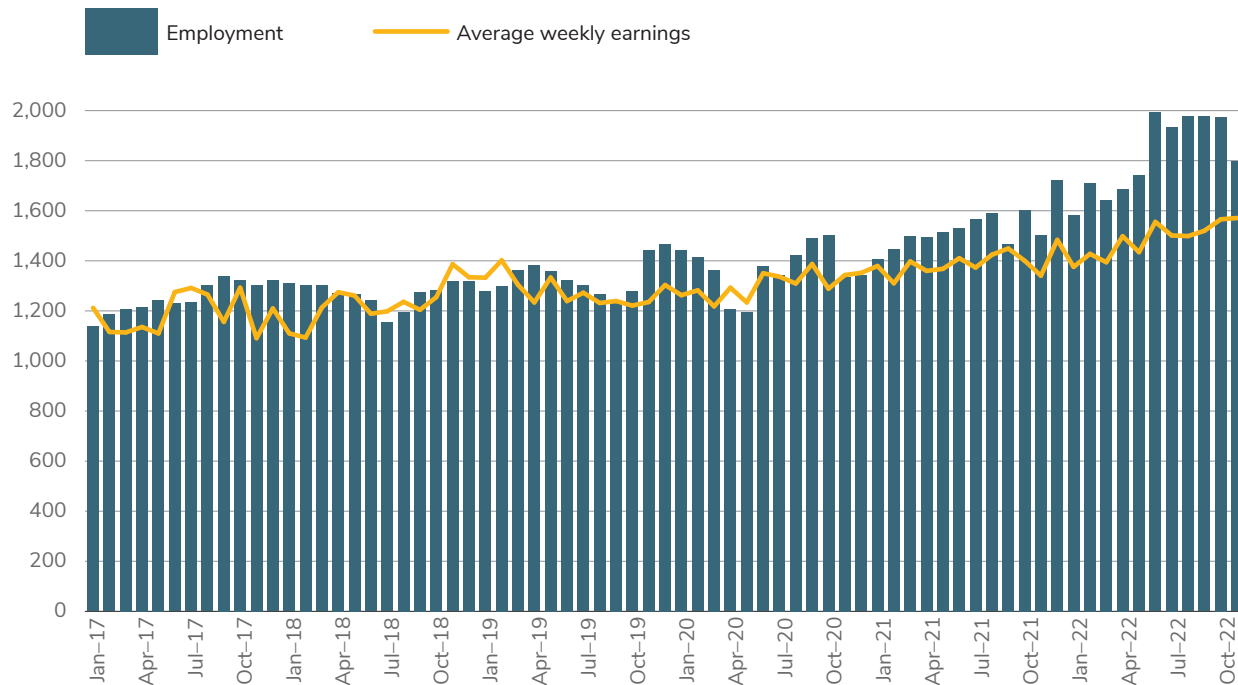
Increased activity created jobs in the construction sector and boosted wages. Construction employment reached an all-time high of 1,993 in June 2022 (Chart 14), up more than 50 per cent versus June 2019. Through the first eleven months of 2022, construction workers earned \$1,486 per week on average, an increase of 7.4 per cent from 2021.

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23. National figures are based on a composite of 11 census metropolitan areas.

**Chart 14. Busy construction sector reflected in growth in construction employment and earnings**

Employment (persons), Average weekly earnings (\$)



Source: Statistics Canada

The Government of Yukon's *Five-Year Capital Plan* outlines spending to the end of fiscal year 2027–28 of \$2.15 billion and includes significant spending in several priority areas such as 'transportation infrastructure', 'land development, housing, education and health' and 'community and First Nations infrastructure'. Projects such as the Nisutlin Bay Bridge, the Dempster Fibre project and the new elementary school in Whistle Bend are examples of investment in critical infrastructure included in the latest Capital Plan. In addition to Government of Yukon projects, the City of Whitehorse also factors into expectations of construction activity with over \$130 million in planned spending on capital projects over 2023 to 2026.<sup>24</sup>

24. Spending figure is from the City of Whitehorse's *Capital Expenditure Program 2023–2026* released on November 14, 2022. Figure includes all approved spending, including spending of approximately \$75 million that is subject to external funding approval.

# Mineral production forecast to be strong over the medium term

The Yukon's mining industry has remained resilient in the face of major headwinds in 2022. High winter precipitation resulted in a heavy spring thaw that hindered mineral production, as both the Eagle Gold and Minto mines lost a month of operations and the sluicing season for placer miners was delayed. The sector has been facing a shortage of workers coming out of the pandemic, hampering some operations. High fuel prices and supply chain issues also presented challenges in 2022.

In addition to disruptions during the spring thaw, operation at Eagle Gold was stalled for three weeks in the third quarter due to the failure of the belt on the overland conveyor. These operational issues caused gold production to fall to 150,182 ounces in 2022, below the previous year's production of 164,222 ounces. With production from Keno Hill underperforming expectations, Alexco Resource Corporation halted operations in June 2022 to focus on mine development. Operations remained suspended following the acquisition of Alexco by Hecla Mining Company in September.

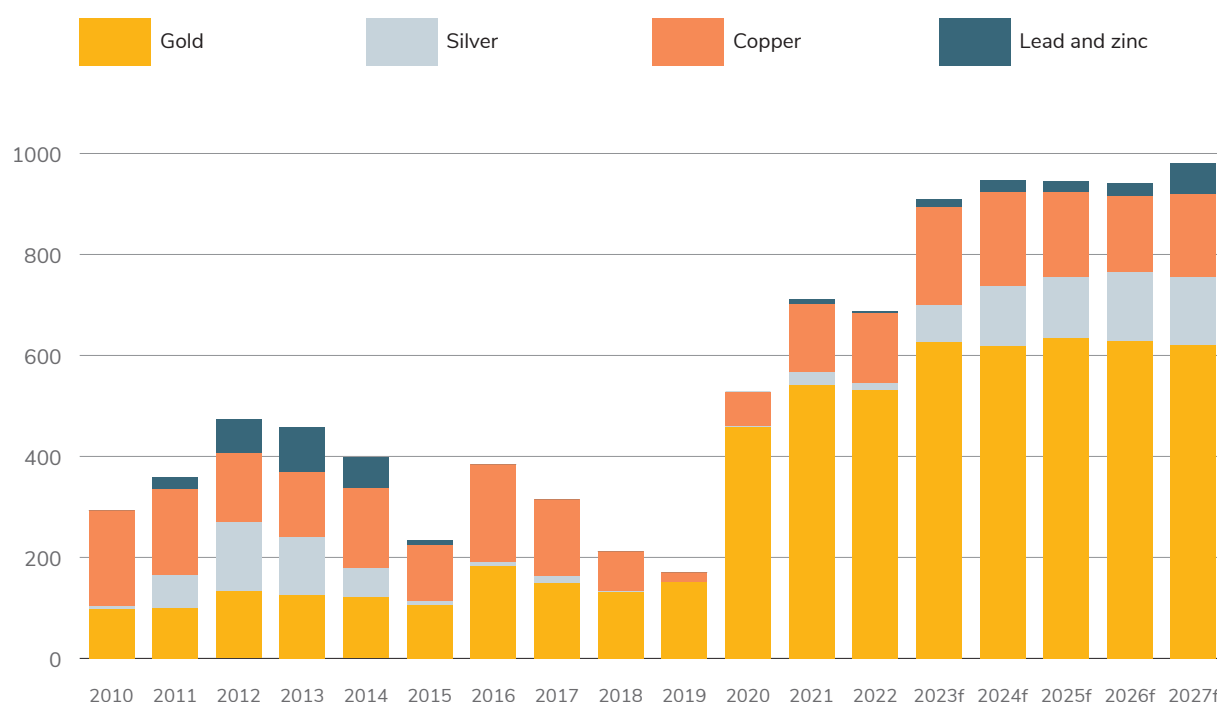
Production for the fourth quarter for the Minto mine was unavailable at the time of writing, but public statements from the President of Minto Metals Corporation in November 2022 noted that the expectation was that annual production would fall within their 2022 production guidance of 28-31 million pounds of copper.<sup>25</sup>

Placer miners also saw higher production. Placer gold production, according to export tax reporting, was 82,420 crude ounces (65,936 fine ounces), up from production of 80,484 crude ounces (64,387 fine ounces) in the previous year. At \$154 million, the value of placer gold production accounted for about 22 per cent of 2022's total estimated mineral production.

25. News release – Minto Metals announces 2022 third quarter results, revenue increased by 17% over the same quarter in previous year. Minto Metals Corporation (November 17, 2022).

Chart 15. Mineral production value forecast to approach \$1 billion<sup>26</sup>

Value of metal production in the Yukon (\$ millions)



Source: Natural Resources Canada, Department of Energy, Mines and Resources, Department of Finance

f = forecast

The Yukon's quartz miners expect to recover from the various setbacks that hindered 2022 production. Victoria Gold expects production at Eagle Gold to rebound in 2023 with production well above 2022's output as the project operator continues to work towards its annual target of 250,000 ounces. Hecla Mining Company announced earlier this year that mine development is ahead of schedule and that they plan to resume operations at Keno Hill in the third quarter of 2023. This, along with anticipated higher production at the Minto mine and sustained placer production, is expected to lead mineral production to rebound to \$910 million in 2023 and exceed \$900 million in all subsequent years of the forecast (Chart 15).

26. Due to data suppression of Statistic Canada's estimates, data presented for 2019, 2020 and 2021 are based on internal estimates.

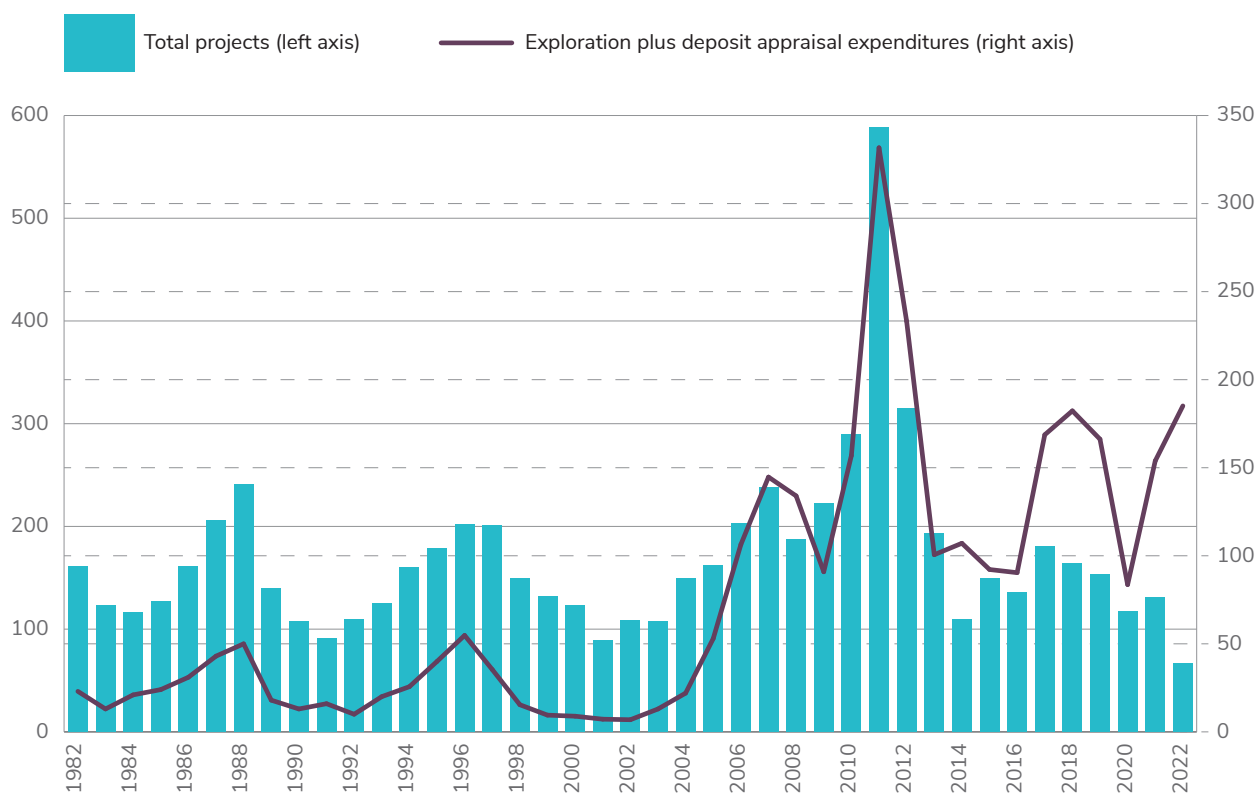
# Mineral prices remain supportive of future development

Metals prices rallied to close out 2022 and, though down from earlier highs, remain well above pre-pandemic levels. This could spur development over the medium term for projects such as BMC Minerals Limited's Kudz Ze Kayah mine, Newmont Corporation's Coffee Gold project and Sabre Gold Mine Corporation's Brewery Creek project. Over the longer term, the advancing of the Casino project, a major global copper resource, may attract interest due to the pivotal role copper will play in the green economy and global electrification.

Higher metal prices offer investors the potential of better returns from the discovery of new deposits and exploration activities on current mining plays. Exploration spending has rebounded from pandemic lows. Revised spending intentions from Natural Resources Canada noted exploration spending in 2022 of about \$185 million, up 20 per cent from \$154 million in 2021 (Chart 16).

**Chart 16. Number of active exploration projects trending down even as overall exploration spending has rebounded**

Number of active projects, Exploration expenditures (\$ millions)



Source: Department of Energy, Mines and Resources, Natural Resources Canada



Recent spending has been increasingly concentrated in a smaller set of mature projects, rather than early-stage projects. The number of exploration projects has fallen over the last several years to a 40-year low in 2022, despite overall spending rebounding.

Spending on exploration for precious metals accounted for 70 per cent of exploration spending in 2022, with the remainder on exploration for base metals. Precious metals are expected to continue to draw most of the interest in exploration activity over the forecast. This mix may eventually be impacted by Canada's critical minerals strategy (see Box 1), which seeks to increase the output of minerals deemed critical to the transition to green energy.

### **Box 1: Critical minerals a potential opportunity for the local mining industry and for the Yukon's energy goals**

The release of *The Canadian Critical Minerals Strategy* in December 2022, along with an almost \$4 billion commitment in Budget 2022, is a clear signal of the interest the federal government has in developing the country's critical minerals.

Ultimately, minerals noted as 'critical' reflect societal needs and values at a point in time. Canada's critical minerals strategy notes critical minerals as the building blocks of the green and digital economies, highlighting that "there is no energy transition without critical minerals: no batteries, no electric cars, no wind turbines and no solar panels."

Most of the 31 minerals that the Canadian government has published as being "critical" to Canada have known deposits or documented occurrences in the Yukon. While the territory's current production of critical minerals is quite modest, limited to copper production from the Minto mine and recent production of zinc and indium as a by-product at the Keno Hill mine, there is potential for production from existing identified deposits. Critical minerals are identified as prominent outputs of several potential mines including, Kudz Ze Kayah (zinc, copper); Casino (copper, molybdenum); Nickel Shāw (nickel, cobalt, platinum, palladium, copper) and Mactung (tungsten).

Given commitments by Canada and the Yukon to reduce carbon emissions, as well as the need to ensure future energy security, there is clear motivation to develop a reliable supply of critical minerals. With climate change and economic opportunity acting as strong motivators for development, critical minerals have the potential to be a prominent contributor to the local mining industry and the broader economy over the coming years.

## Signs of a solid rebound in tourism activity, but a return to pre-pandemic levels will take time

The tourism sector has proven to be resilient in the face of what was an historic disruption to global travel.

Several key tourism metrics for the territory show significant improvement from the worst of the pandemic. The number of international border crossings into the Yukon totalled just over 168,000 in the first eleven months of 2022, almost five and a half times the number of crossings in the same period of 2021, and well above the 63,657 crossings reported for all of 2020 and 2021 combined when COVID-19 related travel restrictions weighed on visitation.

The tourism sector has proven to be resilient in the face of what was an historic disruption to global travel.

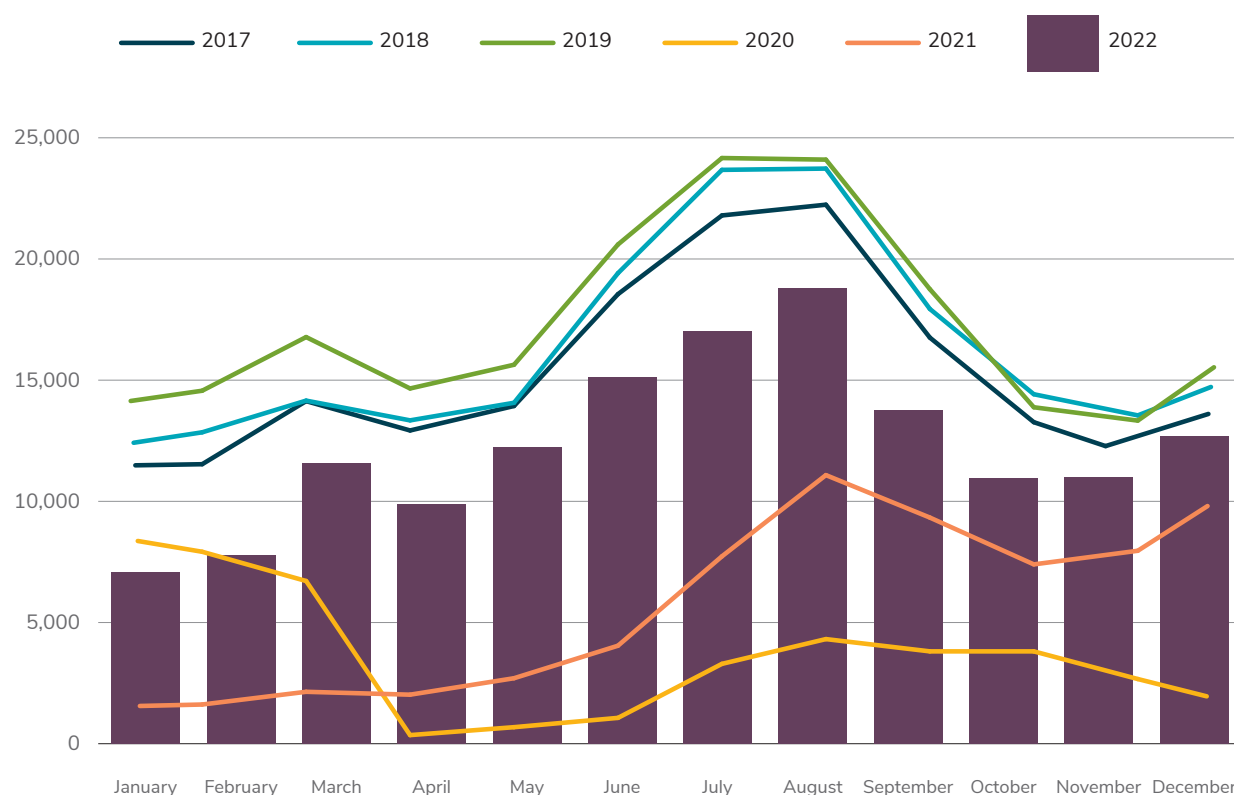


Like international border crossings, other indicators of performance are much improved from recent lows but continue to underperform pre-pandemic levels. Data for the first nine months of 2022 show international overnight visitation to be more than double the same period of 2021, but nearly 30 per cent lower than the five-year average.<sup>27</sup> Increased visitation is also reflected in increased hotel occupancy in 2022,<sup>28,29</sup> with data published by CBRE Hotels showing much higher occupancy rates in every month from January to November with the average of 56 per cent over this period, well ahead of the 41 per cent reported for the same period of 2021.<sup>30</sup>

An increased number of air arrivals in 2022 are another sign of the return of travel. Arrivals at Erik Nielsen Whitehorse International Airport were 2.2 times the number of arrivals from 2021 (Chart 17).

### Chart 17. Air arrivals much improved from the last two years

Arrivals (deplaning passengers, thousands) at Erik Nielsen Whitehorse International Airport



Source: Statistics Canada

27. Yukon Tourism Visitation Report, January to September 2022. Department of Tourism and Culture. (December 22, 2022).

28. Occupancy rate is the percentage of occupied rooms expressed as percentage of the total available rooms at a given time.

29. Figures for the occupancy rate do not capture all hotel rooms in the Yukon, with about 600 rooms captured in this calculation.

30. Data taken from various CBRE Hotels monthly reports: Trends in the Canadian Hotel Industry – National Market Report.

Even with strong growth in 2022, air arrivals came in at only 72 per cent of arrivals in 2019, suggesting that there is still more room for recovery from the COVID-19 pandemic.

Tourism activity is increasing, but a variety of headwinds are slowing the recovery. Inflation is running at, or near, many decade highs, and is expected to remain elevated throughout much of 2023. Higher fuel costs have eaten into the bottom-lines of some service providers, particularly those that are fuel intensive such as providers of charter flights and tours.<sup>31</sup> Local tourism-service providers also continue to struggle with finding staff. Labour shortages in the accommodation and food services sector are more severe in the Yukon than they are in the rest of the country. Demand could also be impacted as higher interest rates lead to less discretionary spending.

Further improvement in key tourism metrics is expected. The Conference Board of Canada's latest Travel Markets Outlook supports this improving outlook for tourism, noting an expectation that visitation to the territory will reach pre-pandemic levels by 2024 or 2025, and that overnight visits will recover by 2024.<sup>32</sup> In addition, positive news, like White Pass Railroad's resumption of service to Canada in the summer of 2023, provides further evidence of a return to normalcy for the tourism sector.<sup>33</sup>

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31. *Travel Exclusive Winter 2022/23 Travel Intentions Survey*. Canadian Tourism Research Institute. The Conference Board of Canada (December 2022).

32. *Emerging from the Wilderness – Yukon's Travel Markets Outlook to 2026*. The Conference Board of Canada. (January 24, 2023).

33. *White Pass Railroad to resume service to Canada this summer* (January 13, 2023). KHNS FM.

# Appendix:

## Key economic indicators

	2021	2022	2023f	2024f	2025f	2026f	2027f
<b>Gross Domestic Product (GDP)</b>							
Real GDP by Industry (2012\$ millions)	3,045	3,138 (f)	3,308	3,431	3,534	3,666	3,831
Per cent change	10.0	3.1	5.4	3.7	3.0	3.7	4.5
Nominal GDP (\$ millions)	3,704	4,049 (f)	4,432	4,795	5,093	5,480	5,948
Per cent change	14.3	9.3	9.4	8.2	6.2	7.6	8.5
<b>Mineral Production *</b>							
Metal production (\$ millions)	710	690 (f)	910	950	950	940	980
<b>Labour market</b>							
Labour force *	23,700	24,300	25,100	25,500	26,100	26,800	27,700
Employment *	22,400	23,400	23,800	24,200	24,800	25,600	26,500
Unemployment rate	5.5	3.7	5.0	5.0	5.1	4.5	4.1
Participation rate	72.3	72.8	73.0	72.4	72.1	72.2	72.6
<b>Income</b>							
Household income (\$ millions)	2,440	2,664	2,849	3,029	3,210	3,463	3,760
Per cent change	11.4	9.2	6.9	6.3	6.0	7.9	8.6
<b>Consumers</b>							
Consumer price inflation <sup>^</sup>	3.3	6.8	3.8	2.5	2.0	2.0	2.0
Retail sales (\$ millions) *	963	1,030 (f)	1,090	1,150	1,210	1,290	1,400
<b>Population</b>							
Population*	43,190	43,964	44,900	45,900	46,800	47,700	48,700
Per cent change	2.3	1.8	2.1	2.2	2.1	1.9	2.0
<b>Key Assumptions</b>							
Gold (USD/t oz)	1,800	1,809	1,760	1,670	1,650	1,650	1,650
Silver (USD/t oz)	25.15	22.16	21.85	21.68	22.00	22.00	22.00
Copper (USD/lb.)	4.23	3.99	3.48	3.71	3.55	3.55	3.55
Zinc (USD/lb.)	1.36	1.58	1.33	1.25	1.23	1.15	1.15
Lead (USD/lb.)	1.00	0.97	0.91	0.91	0.93	0.93	0.93
Can/US exchange rate	0.80	0.77	0.75	0.77	0.78	0.78	0.78

f = forecast

<sup>^</sup> = CPI available only for Whitehorse, annual average.

\* = Forecasts are 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 prominent forecasters. All other forecasts are produced by the Department of Finance's Economic Research branch based on data available as of February 13, 2023.

