

## Contents

<b>Part 1: The Yukon's finances</b> .....	<b>2</b>
Table 1. Fiscal summary .....	2
Chart 1. Government of Yukon's fiscal indicators.....	3
Revenue .....	4
Table 2. Revenue by type.....	4
Five-Year Capital Plan update .....	5
Table 3. <i>Five-Year Capital Plan</i> gross expenditures by category.....	5
Operations and maintenance expense.....	6
Chart 2. Annual growth in O&M spending.....	7
Chart 3. COVID-19 budget allocations over the 2020–21 to 2022–23 fiscal years .....	8
Continued enhancements to evaluation and performance measurement .....	8
<b>Part 2: Economic overview</b> .....	<b>9</b>
Promising outlook for real GDP growth.....	9
Labour market continues to recover from the worst of the COVID-19 disruption .....	9
Chart 4. Jobs recovery continues, but 'tourism-reliant' industries are still catching up.....	10
Increased competition for workers is spurring growth in earnings.....	10
Chart 5. Record job vacancies across Canada.....	11
Chart 6. Wage pressures reflected in higher year-to-date earnings.....	11
Population continues to expand with further growth anticipated.....	12
Chart 7. Robust population growth expected to continue .....	12
Income growth reflected in higher consumer spending .....	13
Inflation pressures expected to persist beyond 2021 .....	13
Chart 8. Prices in 2021 rose in the majority of major components of CPI.....	13
Chart 9. Transportation and shelter driving overall inflation.....	14
House prices are rising in Whitehorse as in the rest of Canada.....	15
Chart 10. Notable housing price growth in most jurisdictions over the last two years .....	15
Chart 11. Strong growth in prices negatively influencing housing affordability.....	16
Chart 12. Record building has started to restore balance in the housing market.....	17
Residential activity continues to drive local construction activity.....	17
Chart 13. Construction costs elevated in 2021, particularly on the residential side.....	18
Government investment remains a prominent driver of construction activity .....	18
Mining sector poised to build on recent strong performance .....	18
Chart 14. Mineral prices remain elevated nearly two years after COVID-19's arrival.....	19
Production expected to post further gains in 2022.....	19
Chart 15. Mineral production value forecast to be north of \$1 billion .....	20
Strong mineral prices helped fuel stronger exploration spending in 2021 .....	20
Chart 16. Exploration spending in 2021 improved, but remained below the ten-year average .....	21
Tourism sector's recovery continues but activity remains below pre-pandemic levels .....	21
Chart 17. While up in 2021, international border crossings are far below pre-pandemic levels.....	22
Chart 18. Restaurant and bar sales nearing pre-pandemic levels, with employment catching up....	23
The economic outlook is positive but concerns over COVID-19 linger.....	23
Appendix: Key economic indicators .....	24

## Part 1: The Yukon's finances

The 2022–23 Budget demonstrates how the Government of Yukon is continuing to invest in the health and well-being of Yukoners in response to COVID-19 while supporting individuals, families, businesses and the needs of communities across the territory. Following a return to surplus in the 2021–22 Supplementary Estimates #2, the fiscal summary in Table 1 continues to forecast a surplus in 2022–23 of \$39.5 million. This is an improvement of \$46.1 million in the fiscal position from the 2021–22 Main Estimates, when the government was projecting a deficit.

Spending increases in 2022–23 will allow the government to continue to navigate the uncertainty caused by the COVID-19 pandemic, to take action on the Substance Use Health Emergency, and to make strategic investments in the Yukon's infrastructure. The government continues to effectively leverage funding from all available sources to mitigate impacts on the Yukon's financial position.

**Table 1. Fiscal summary**

(\$millions)	2021–22 Main Estimates	2021–22 Supplementary Estimates #2	2022–23 Main Estimates	2023–24 Plan	2024–25 Plan
Revenue <sup>1,2</sup>	1,374.3	1,422.4	1,460.2	1,537.2	1,608.8
Expense <sup>3</sup>	(1,519.7)	(1,566.4)	(1,644.6)	(1,720.7)	(1,804.9)
COVID-19 Contingency <sup>4</sup>	(15.0)	(1.5)	(10.0)	0.0	0.0
Accounting Adjustments <sup>5</sup>	153.8	171.0	233.9	257.0	259.3
Surplus/(Deficit) <sup>6</sup>	(6.6)	25.5	39.5	73.5	63.3
Net Financial Assets/(Debt), end of year	(169.6)	(96.6)	(207.5)	(316.9)	(434.2)

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

At \$207.5 million, net financial debt is forecast to increase compared to the 2021–22 Main Estimates, although it is more than \$40 million less than was previously projected for 2022–23. Projected increases in the government's net debt position over the next three years reflect the Government of Yukon's significant investments in infrastructure across the territory for the benefit of current and future Yukoners.

The continued focus of the 2022–23 Budget is on supporting Yukoners and the Yukon's economy during the COVID-19 pandemic, and addressing the short and long-term health and wellness needs of Yukoners. This includes \$17.4 million for new or enhanced health and public health responses, pandemic supports for industry and the extension of the Yukon's Paid Sick Leave program. There is also an additional \$10 million in 2022–23 set aside for unexpected expenses in recognition of the potential for changing circumstances amid the ongoing pandemic. It is included in the fiscal plan so that if there are unexpected expenses, they will not affect the Yukon's forecast fiscal position.

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. Revenue is the sum of "Transfers from Canada," "Tax Revenue," and "Other Revenue" as found on Pages S-14 and S-15 of the 2022–23 Main Estimates, and equivalent pages of budget documents for other periods.

3. Expense is the sum of "Total Appropriated Amounts" minus "Third Party Recoveries" and "Recoveries from Canada" as found on page S-8 and S-9, respectively, of the 2022–23 Main Estimates, and equivalent pages of budget documents for other periods.

4. Found on Page S-9 of the 2022–23 Main Estimates.

5. 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 2022–23 Main Estimates, and equivalent pages of budget documents for other periods.

6. Surplus/(Deficit) is the sum of Revenue, Expense, COVID-19 Contingency, and Accounting Adjustments.

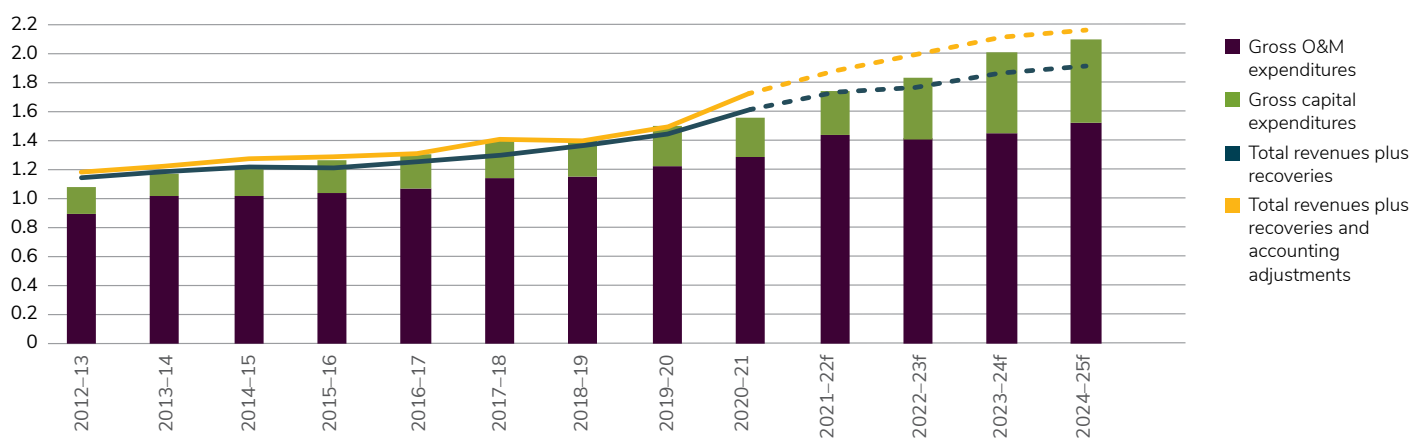
A continued priority for 2022–23 will also be the implementation of many of the recommendations of the *Putting People First* report to transform the Yukon’s health and social services system into a more integrated, collaborative and person-centred system that will better meet the needs of Yukoners. In 2022–23, \$20.7 million will be invested in initiatives such as replacing the Old Crow Health and Wellness Centre; health systems upgrades, including 1Health to provide better services and supports to Yukoners; and a new Bilingual Health and Wellness Centre. Responding to the declaration of a Substance Use Health Emergency in January 2022, a range of additional harm-reduction initiatives will be advanced with \$5.5 million in new spending. This includes funding for further enhancement of the supervised consumption site in Whitehorse and the expansion of safe supply services in the territory.

As our territory and economy grow, it remains imperative that the government continues to support mitigation and adaptation towards a greener future. The 2022–23 Budget includes record-breaking spending on initiatives to support a growing economy and \$80.3 million towards the *Our Clean Future* strategy, including funding for green infrastructure and mitigating the effects of climate change.

In Chart 1, forecast spending and revenue for the Yukon, including recoveries, from 2021–22 through 2024–25, are compared to historical spending as reported in the Yukon’s Public Accounts. For the fiscal years between 2012–13 and 2021–22, gross expenditures have grown by 6.3 per cent annually and revenues have grown by 4.8 per cent annually, on average. For 2022–23 to 2024–25, similar growth in expenditures and revenues are anticipated, with an annual average of 5.6 per cent and 5.0 per cent, respectively.

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

Expenditures and revenues (\$billions)



Source: Department of Finance. f = forecast

7. Fiscal years 2012–13 to 2020–21 represent actuals as reported in the Yukon’s Public Accounts. For comparability, forecasts for fiscal years 2021–22 to 2024–25 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

Total government revenue, excluding recoveries, is expected to be \$1.46 billion in 2022–23 as shown in Table 2. This is an increase of \$85.9 million, or 6.3 per cent, from the 2021–22 Main Estimates. Steady growth is also forecast for 2023–24 and 2024–25 of 5.3 per cent and 4.7 per cent, respectively, based on population growth and economic development.

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

(\$millions)	2021–22 Main Estimates	2021–22 Supplementary Estimates #2	2022–23 Main Estimates	2023–24 Plan	2024–25 Plan
<b>Transfers from Canada</b>	<b>1,183.3</b>	<b>1,208.5<sup>11</sup></b>	<b>1,244.4</b>	<b>1,307.1</b>	<b>1,365.5</b>
<b>Tax revenue</b>	<b>134.2</b>	<b>167.3</b>	<b>157.7</b>	<b>164.1</b>	<b>171.0</b>
Personal income tax	76.4	96.1	89.9	92.6	95.9
Corporate income tax	17.6	30.5	24.4	26.9	30.0
Property tax	6.9	6.9	7.0	7.5	7.6
Fuel oil tax	8.6	8.3	9.7	9.6	9.6
Tobacco and alcohol taxes	18.3	18.3	18.6	18.9	19.0
Insurance premium tax	6.4	7.3	8.1	8.5	8.9
<b>Other revenue</b>	<b>56.8</b>	<b>46.5</b>	<b>58.1</b>	<b>66.1</b>	<b>72.4</b>
Liquor profit	9.2	8.6	9.4	9.6	9.8
Licenses, fees, registrations and permits	17.3	16.3	17.6	19.3	19.5
Sale of land	21.8	13.3	19.2	19.4	19.3
Other revenue	8.4	8.4	12.0	17.7	23.8
<b>Total revenue</b>	<b>1,374.3</b>	<b>1,422.4</b>	<b>1,460.2</b>	<b>1,537.2</b>	<b>1,608.8</b>

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

### Transfers from Canada

The increase in government revenue in 2022–23 is mainly based on Transfers from Canada, which are expected to increase by \$61.1 million or 5.2 per cent, compared to the 2021–22 Main Estimates.

The Grant from Canada, which includes the Territorial Formula Financing program, represents approximately 80 per cent of the Yukon's total revenue in 2022–23. The grant 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 economic circumstances in the territory and is expected to continue to grow as the Yukon's population increases and as the fiscal circumstances across Canada change. However, the grant is expected to be impacted in future years once resource revenues are above a certain limit<sup>12</sup>. This is expected to slow the growth of the grant starting in 2025–26.

9. All revenue figures found on Pages S-14 and S-15 of the 2022–23 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.

11. Includes a one-time \$25 million grant from Crown-Indigenous Relations and Northern Affairs Canada to support Our Clean Future initiatives.

12. For resource revenues up to \$6 million, the Yukon faces no offset against the territory's Territorial Formula Financing (TFF) grant. For resource revenues in excess of \$6 million, the offset is 100 per cent. Essentially, for every dollar earned in resource revenue above the \$6 million threshold, a dollar is deducted from the Yukon's TFF grant.

## Taxation revenue

The Yukon's own-source revenue from taxation is forecast to increase in 2022–23 from the 2021–22 Main Estimates. This is primarily driven by the increase in personal and corporate tax revenues as the Yukon's economy recovers from the COVID-19 pandemic. Personal and corporate income taxes for 2022–23 are lower than the current forecast in the 2021–22 fiscal year due to a one-time positive adjustment for prior years expected in 2021–22.

Personal income tax projections for 2022–23 have increased as the pandemic has had a lower than expected impact on taxable incomes, on average. Taxable income remained higher than expected partly due to temporary emergency federal income supports and because of a strong rebound in the labour market. The Yukon's strong labour market is expected to persist into future years, and is reflected in growth in personal income tax in future years.

Likewise, business performance has demonstrated resilience during the pandemic and corporate profits are anticipated to be higher than previous projections. As the economic recovery continues to take hold, the outlook for corporate profits remains strong.

Fuel oil tax is one of the only revenue sources that is not expected to increase in future years. This is because initiatives in the *Our Clean Future* strategy are expected to reduce the consumption of taxable fuels and increase the share of electric and other renewable energy sources in the territory.

## Five-Year Capital Plan update

This is the fifth year that the Government of Yukon is presenting a *Five-Year Capital Plan*. It provides transparency into the government's investment priorities and allows for ongoing coordination with businesses, First Nations governments and municipalities on upcoming and ongoing capital projects.

The 2022–23 *Five-Year Capital Plan* will see approximately \$2.6 billion in capital spending over the next five years. Investments will be made to improve access to stable and affordable housing, increase accessibility to healthcare services as part of the *Putting People First* plan and move towards the Yukon's climate change goals with energy-focused projects as part of the *Our Clean Future* strategy. This includes projected capital spending of \$547 million in 2022–23. Where possible, the Government of Yukon is leveraging federal and other sources of funding to invest in the territory's infrastructure. Over one-third of capital spending in the *Five-Year Capital Plan* is anticipated to be offset by Canada and other funding partners.

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

(\$millions)	2022–23	2023–24	2024–25	2025–26	2026–27	Totals
Climate change, energy and green economy	63	61	30	21	15	190
Land development, social development, education and health	150	139	139	114	81	623
Community and First Nations infrastructure	93	97	91	88	55	424
Transportation infrastructure	154	161	210	202	150	877
Real property and asset management	38	60	79	72	74	323
Information technology	49	54	19	18	18	158
Totals	547	572	568	515	393	2,595

Source: Capital Planning Office.

Table 3 identifies the Government of Yukon's capital spending over the next five years in six areas that impact Yukoners. Capital investments over the next five years will include:

- \$877 million over five years for **Transportation infrastructure** projects to ensure the safety and efficiency of the Yukon's transportation network. In 2022–23, this includes a multi-year project for the reconstruction of the North Klondike Highway and improving infrastructure at Erik Nielsen Whitehorse International Airport.
- \$623 million over five years for **Land development, social development, education and health** to continue to meet the needs of the Yukon's growing population and economy. In 2022–23, this includes projects to implement the *Putting People First* report across the territory, investments in new affordable housing options to support the construction of hundreds of new affordable units and school projects to support improved education opportunities and outcomes for all students.
- \$424 million over five years for **Community and First Nations infrastructure** projects as the Government of Yukon builds a prosperous territory with infrastructure in communities across the Yukon and in collaboration with First Nations governments. In 2022–23, this includes a new White River Community Centre in Beaver Creek and water upgrade projects in various communities.
- \$323 million over five years for **Real property and asset management** projects to develop welcoming and accessible facilities for all Yukoners and maintain the government's existing buildings across the territory. In 2022–23, this includes supporting work on an Arts and Heritage Resource Centre in Whitehorse and retrofits to the Old Territorial Administration Building in Dawson City.
- \$190 million over five years for **Climate change, energy and green economy** projects that include investments to move forward the Yukon's *Our Clean Future* strategy. In 2022–23, this includes partnering with the Taku River Tlingit First Nation owned Tlingit Homeland Energy Limited to tie power from the Atlin Hydro Expansion project into the Yukon's grid and bring the territory's electricity grid closer towards being 97 per cent powered by renewable energy.
- \$158 million over five years for **Information technology** projects to enhance Yukoners' access to the information they need while maintaining security and allowing for the continued flexibility in the delivery of government services. In 2022–23, this will include continued work on the Dempster Fibre project and upgrades to the 1Health system.

## Operations and maintenance expense

Operations and maintenance (O&M) spending of \$1.42 billion in 2022–23 reflects a 4.6 per cent increase over the 2021–22 Main Estimates. The spending increase is driven by investments in new and expanded health services including responding to the Substance Use Health Emergency, funding early learning and child care, and supporting *Our Clean Future* initiatives. The higher spending also includes required increases such as core hospital funding, and collective agreement increases for the Yukon Association of Education Professionals, RCMP and Yukon University.

Compared to spending in the 2021–22 Supplementary Estimates #2, O&M spending in 2022–23 is expected to decrease by a modest 1.3 per cent. This reflects substantial funding in 2021–22 for

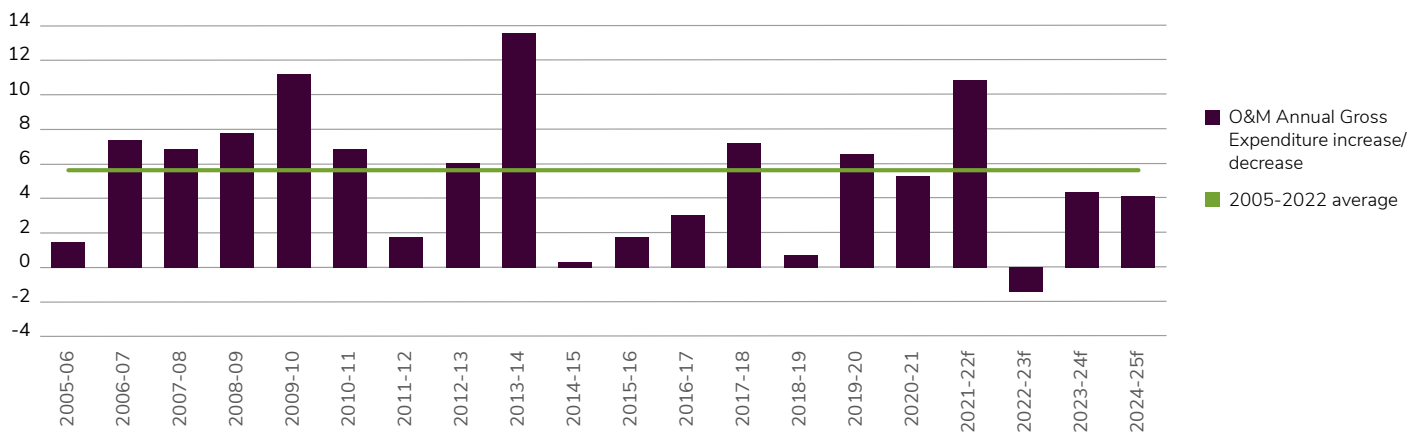
sector-specific economic supports, universal child care, and one-time pandemic and flood response supports that were added in the 2021–22 Supplementary Estimates #1.

In 2022–23, the government will be acting to make our communities safer and healthier in the face of the Substance Use Health Emergency. This will include funding for a mental health walk-in/call-in clinic, mental health and wellness supports for First Nations citizens and in schools, the safe consumption site and the safe supply of opioids. This fiscal year will see the implementation of a variety of new and expanded projects recommended by the *Putting People First* report on health and social services in the Yukon. The government will continue to invest in early learning and childcare to provide rich early learning experiences and environments for Yukon children. O&M spending will also focus on reducing the Yukon’s greenhouse gas emissions and building resiliency against the effects of climate change as part of the *Our Clean Future* strategy.

Chart 2 compares forecast O&M spending from 2021–22 (including supplementary estimates) through 2024–25 to actual historical O&M spending as reported in the Yukon’s Public Accounts. The average annual growth in O&M spending between 2005–06 and 2021–22 was 5.8 per cent. Forecast O&M spending growth in 2023–24 and 2024–25 is anticipated to be stable but will remain below the average at approximately 4 per cent in each fiscal year.

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

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



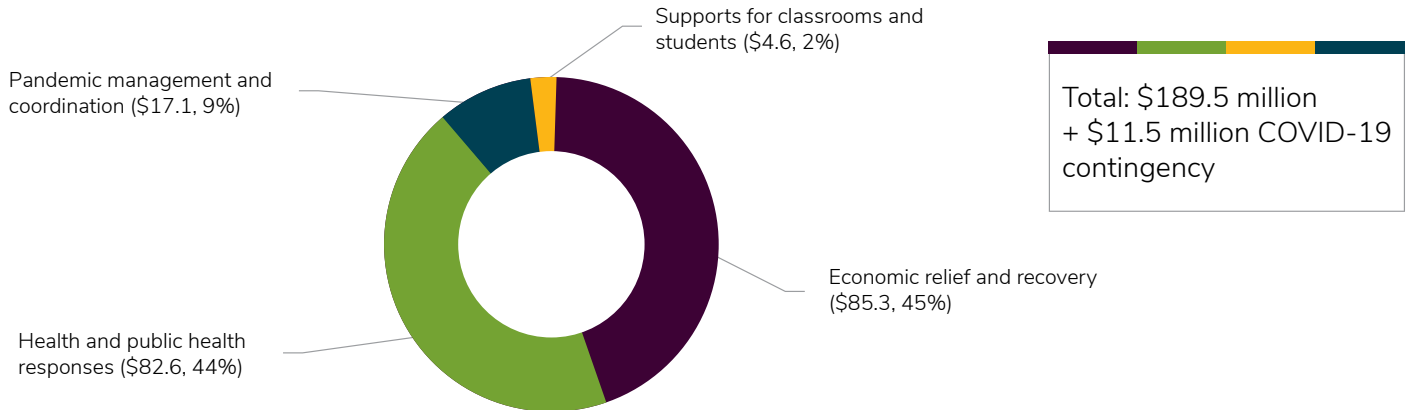
Source: Department of Finance. f = forecast

The Government of Yukon continues to support individuals, families and businesses through challenges related to the pandemic with further supports in 2022–23. This includes health supports to address both acute care and public health responses, funding for the tourism industry and other business supports, and extending the paid sick leave rebate program.

Chart 3 shows the Yukon’s COVID-19 budget allocations from 2020–21 to 2022–23. A total of \$201 million in O&M funding has been allocated to the pandemic response, including \$11.5 million in COVID-19 contingency. Over half, or \$102.4 million, of the allocated supports has been recoverable from Canada. The Government of Yukon has maintained a balanced approach in its pandemic response. Of the \$189.5 million included in departmental budgets, 45 per cent has been allocated to economic relief and recovery, 44 per cent to healthcare and public health responses, 9 per cent to pandemic management and coordination of emergency responses, and 2 per cent to supporting classrooms and students.

### Chart 3. COVID-19 budget allocations over the 2020–21 to 2022–23 fiscal years

Categories of budget allocations in response to COVID-19 (\$millions and per cent)



Source: Department of Finance.

#### Continued enhancements to evaluation and performance measurement

The Government of Yukon continues to make progress on its evaluation program and associated policies. As we move into the 2022–23 fiscal year, the Performance Measurement and Evaluation Framework (PMEF) will be implemented on a multi-step basis throughout the year. The PMEF will build on the existing ways in which departments actively manage and improve their programs. It aims to improve how we compile data to more comprehensively understand and, in turn, enhance how government expenditures translate into real benefits for Yukoners.

Since 2020, the Government of Yukon's Evaluation Unit has been developing and delivering training material on core performance measurement and evaluation concepts. The unit provides resources and guidance services to internal departmental clients to support sound evaluation practices.

The development of the PMEF and associated frameworks build on the existing evaluation products and programs offered by government to achieve better value for money for Yukoners. Over time, these enhancements will not only address core performance and evaluation content, but will also align with data technologies that help collect, analyze and use investment, performance and evaluation information effectively.

This phased approach is being taken to support short-term continuity, long-term success and to ensure that all government departments are supported in continuing to improve the efficiency and effectiveness of government programs and services.



## Part 2: Economic overview

### Promising outlook for real GDP growth

The Yukon's economy has performed better than many might have expected given the significant challenges of the last two years.

The territory's estimated real Gross Domestic Product (GDP) growth rate of 5.2 per cent in 2020<sup>13</sup> was the highest in the country. Strong mineral production growth was the primary driver, as the rest of the Yukon's economy contracted, largely the result of the impacts of the pandemic. This decline in the domestic economy was mitigated by financial support from various levels of government.

While the emergence of COVID-19 variants – and Omicron in particular – weighs on the medium-term outlook, the stage is set for further economic growth. The widespread roll-out of vaccinations and booster shots for adults and youth in the territory has positioned the Yukon's economy to better withstand future waves of COVID-19. Even if we see prolonged disruptions to supply chains as a result of the pandemic, expectations remain optimistic for a gradual return to normal.

The Yukon's real GDP is expected to post robust growth of 9.6 per cent in 2022 followed by growth of 2.4 per cent in 2023. Like 2021, annual growth in mineral production is the driver of the anticipated real GDP growth in both years. Overall, real GDP growth is noted in every year of the forecast.

### Labour market continues to recover from the worst of the COVID-19 disruption

Overall, the labour market has all but recovered following strong performance in the second half of 2021. Employment of 23,800 in December 2021<sup>14</sup> was the highest monthly figure reported since before the onset of the pandemic and up 1,000 from December 2019. The unemployment rate has also returned to pre-pandemic levels after a brief uptick over the summer.

Results from the Survey of Employment, Payroll and Hours also show a labour market recovery with gains reported in every industry since employment losses peaked in May 2020 (Chart 4). Many industries have fully recovered, or are well on the way to recovery, with growth pronounced in goods producing sectors such as mining and construction. One notable exception is transportation and warehousing, which has only recovered 20 per cent of the pandemic job losses, at least partly due to reduced air traffic.

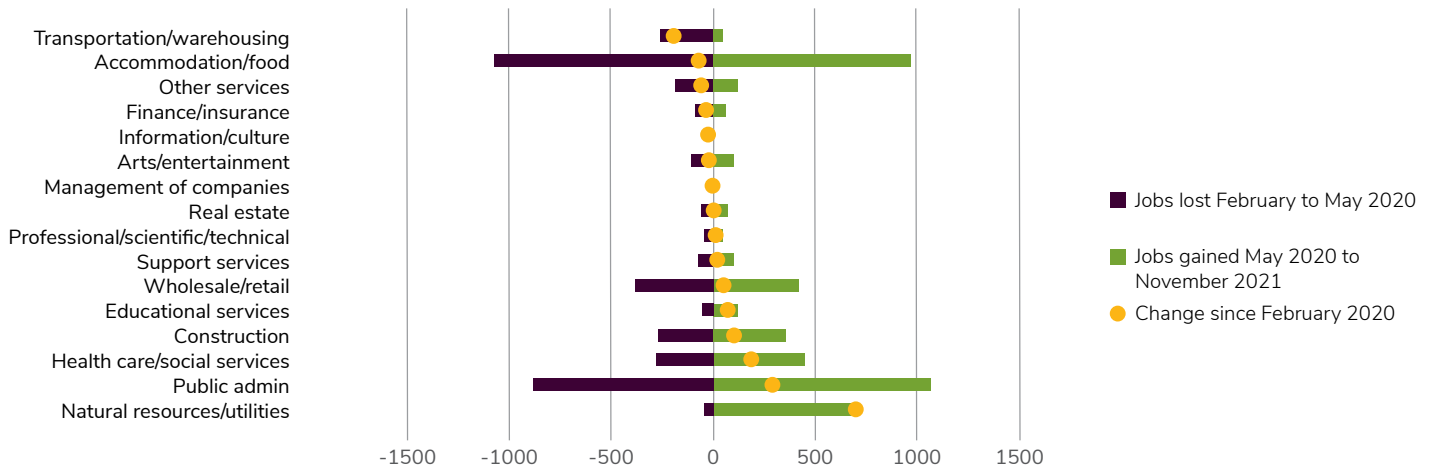
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13. Based on revised real GDP data released by Statistics Canada on November 9, 2021.

14. Based on annual Labour Force Survey data reported by Statistics Canada.

## Chart 4. Jobs recovery continues, but 'tourism-reliant' industries are still catching up

### Change in employment by industrial classification



Source: Statistics Canada.

The Yukon's labour market should continue to improve over the forecast. The outlook for employment shows strong growth in both 2022 and 2023 as industries most impacted by the pandemic continue to recover. An improved outlook for global travel next year should contribute to employment gains in tourism-reliant industries and help to support further employment growth in 2023.

A positive outlook for employment bodes well for the territory's unemployment rate. The momentum noted in late 2021 is expected to persist into this year with the annual unemployment rate forecast to fall to 4.9 per cent in 2022. It will likely tick up over the summer due to weakness in the tourism sector before falling again in September as was the case in 2021. Over the medium term, annual unemployment rates are expected to remain near 5 per cent.

### Increased competition for workers is spurring growth in earnings

Heading into the pandemic, the job vacancy rate for the Yukon had been among the highest in Canada for three-straight years. Recent data suggest the labour market has grown even tighter as the recovery from the pandemic is taking root. In the third quarter of 2021 the job vacancy rate<sup>15</sup> was 6.6 per cent. This is down from the second quarter, but higher than all previous quarters, though the data only go back to the beginning of 2015.<sup>16,17</sup>

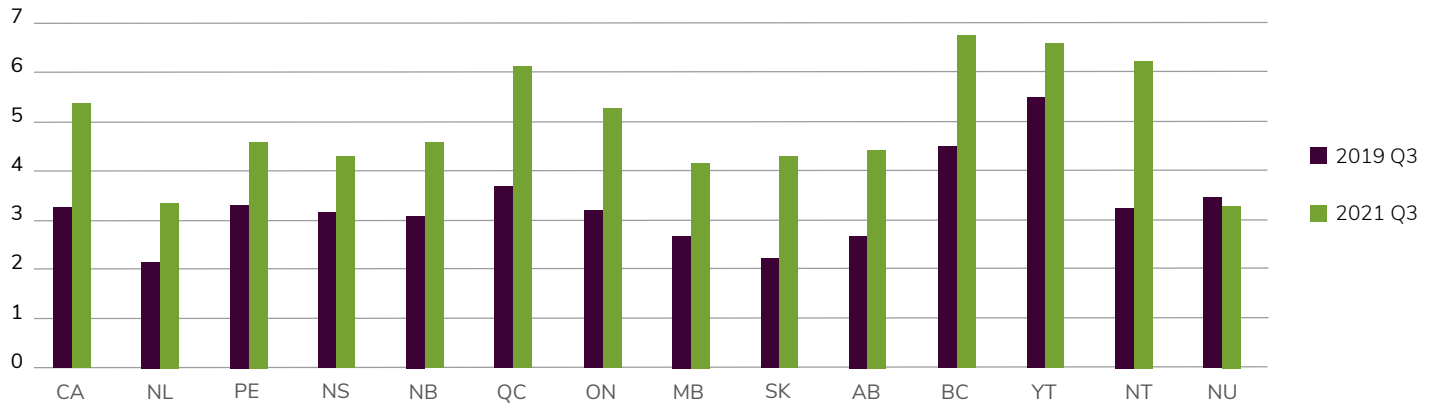
15. The job vacancy rate is the number of job vacancies expressed as a percentage of labour demand, defined as all occupied and vacant jobs.

16. Statistics Canada table 14-10-0326-01 provides job vacancy data back to the first quarter of 2015.

17. Due to concerns about the quality of job vacancy data during the significant labour market disruption early in the pandemic, values for the second and third quarters of 2020 are unavailable.

### Chart 5. Record job vacancies across Canada

Job vacancy rate, unadjusted for seasonality (per cent)



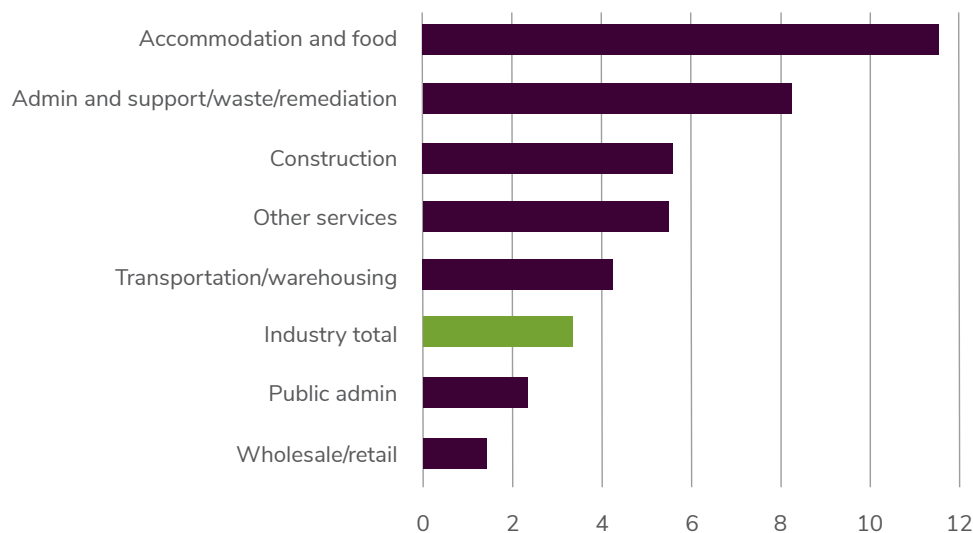
Source: Statistics Canada.

Growth in the job vacancy rate suggests that many employers are struggling to find staff. This is the case nationally as well, with Canada's third quarter 2021 job vacancy rate of 5.4 per cent representing a record high (Chart 5). Numerous local help-wanted ads and statements from the local business community also suggest a tight local labour market. This has prompted employers to offer higher wages. The average offered wage was \$24.00 per hour in the third quarter, up from \$20.40 per hour in the third quarter of 2019.

Increased wage competition has contributed to rising average weekly earnings. The average Yukon worker earned \$1,327 per week in November, up 3.8 per cent from 12 months earlier. Through the first eleven months of 2021, earnings were up 3.4 per cent from 2020 levels.

### Chart 6. Wage pressures reflected in higher year-to-date earnings

Average weekly earnings, seasonally adjusted, Jan-Nov 2021 change from Jan-Nov 2020 (per cent)



Source: Statistics Canada.

Earnings growth was strong in several industries over the first eleven months of 2021, especially in industries that were hardest hit by the pandemic. Robust growth of almost 12 per cent was noted in average weekly earnings for accommodations and food services where job vacancies were the highest.

Several other industries also outpaced the all-industry growth of 3.4 per cent in 2021 (Chart 6), notably 'Other services', which includes a variety of personal service providers, barber shops, beauty salons and massage therapy clinics. 'Transportation and warehousing' also saw above average growth in earnings. Meanwhile, an active building season fueled earnings growth in construction.

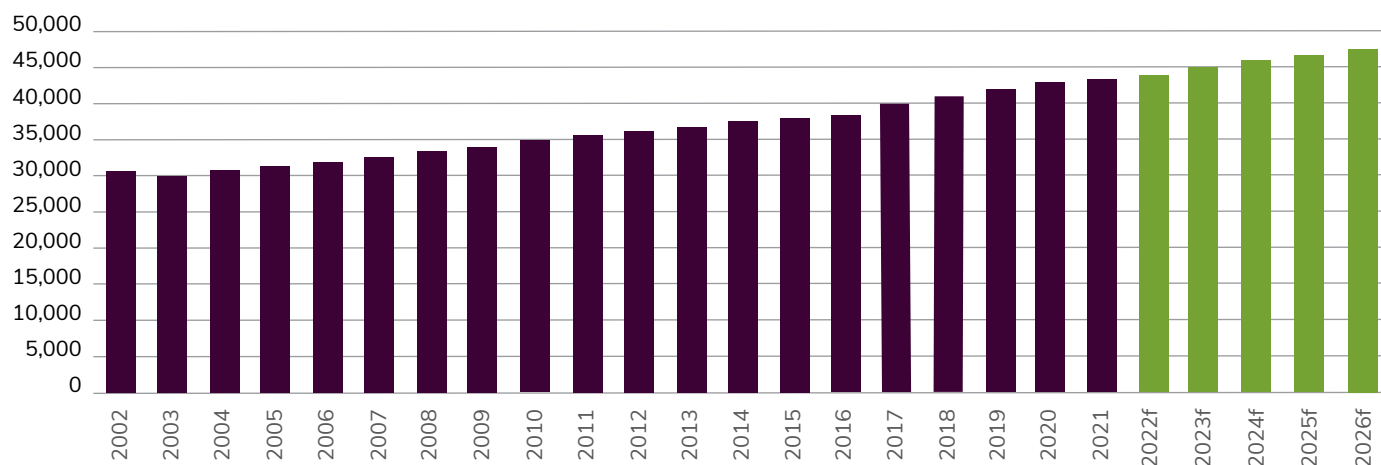
Further wage appreciation is expected in the near term, as higher wages are required to attract people back to the labour force, particularly in sectors highly impacted by the pandemic. Continued strength in international migration could help to alleviate some of the labour supply issues.

### Population continues to expand with further growth anticipated

The Yukon's population in 2021 was 43,118,<sup>18</sup> up 2.2 per cent from 2020 (Chart 7). The better part of the uptick came from stronger net international migration, which was the second highest in the last 20 years<sup>19</sup>, with the highest being 2018. This was partially offset by a moderation in net interprovincial migration, which fell back towards the 10-year average of 270 after a banner year in 2020.

#### Chart 7. Robust population growth expected to continue

The Yukon's population (persons)



Source: Yukon Bureau of Statistics. f = forecast

The draw of a relatively strong labour market should support population growth over the forecast. Immigration is expected to contribute to population gains in the territory going forward. The federal government surpassed its target of 401,000 immigrants in 2021, with over 405,000 new permanent residents. This was only the second time in history that annual immigration has exceeded 400,000, and Canada is now targeting total immigration of 1,329,700 for 2022 to 2025.<sup>20</sup> The Yukon's population is expected to rise to 47,200 by 2026 at an average annual growth rate of 1.8 per cent, over the five-year forecast.

18. June 30 estimates are considered annual estimates.

19. Net international migration was also reported at 408 in 2010.

20. Canada Immigration Levels Plan 2022-2024. Canada.visa.com (February 16, 2022).

## Income growth reflected in higher consumer spending

Consumer spending saw significant growth last year. A recovery in employment and higher incomes contributed in part, along with the relaxing of pandemic restrictions. Retail sales were up 7.3 per cent to almost \$865 million in the first eleven months, and for the year are forecast at \$950 million, up from 2020's record of \$885 million. Overall growth reflects higher sales as well as higher prices, particularly at gasoline stations.

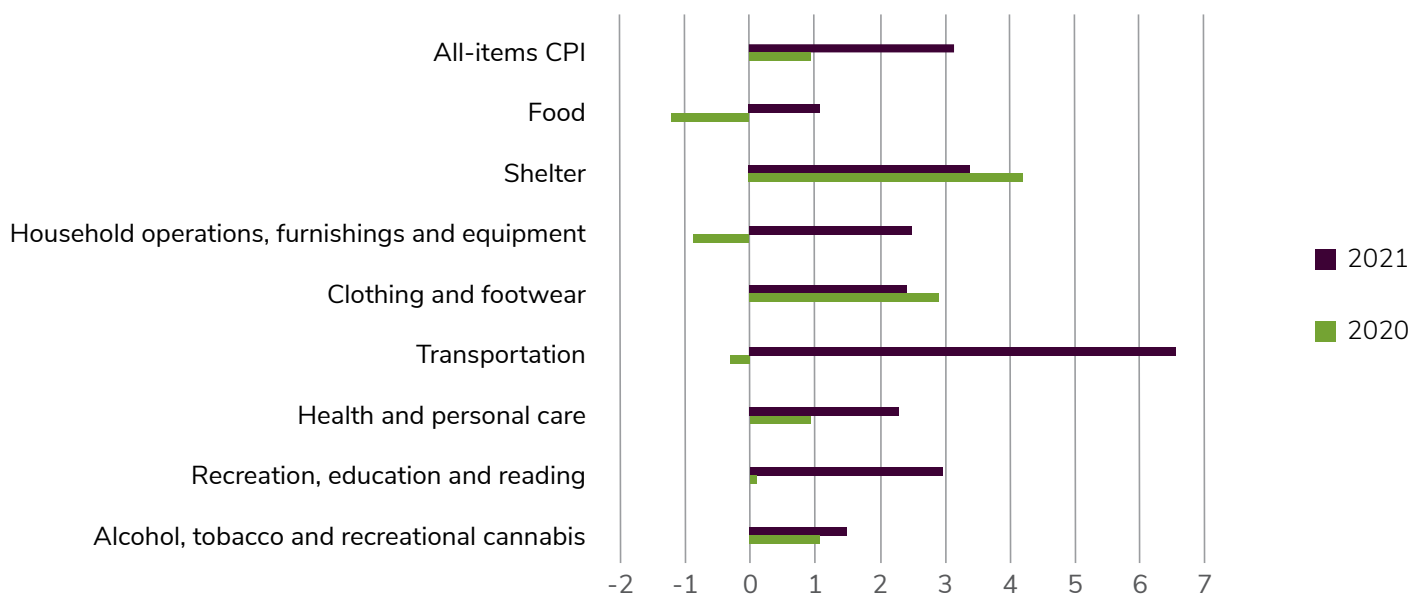
Consumer spending in the territory is expected to remain strong and the outlook for retail sales remains positive. Sales in 2022 are expected to grow 5.3 per cent to \$1 billion. Gains are forecast in all years of the current outlook with annual growth to average 5.8 per cent over 2022–2026.

## Inflation pressures expected to persist beyond 2021

Inflation touched historic highs in 2021 and is projected to remain elevated in 2022. Overall, annual inflation for Canada of 3.4 per cent in 2021 was the highest since 1991. This was in line with inflation in the Yukon. Growth in the Whitehorse Consumer Price Index of 3.3 per cent in 2021 was the highest figure reported since 3.6 per cent in 2008. Prices in Whitehorse increased across a wide swath of goods in 2021, with increases in every major category (Chart 8).

### Chart 8. Prices in 2021 rose in the majority of major components of CPI

CPI, annual change (per cent)



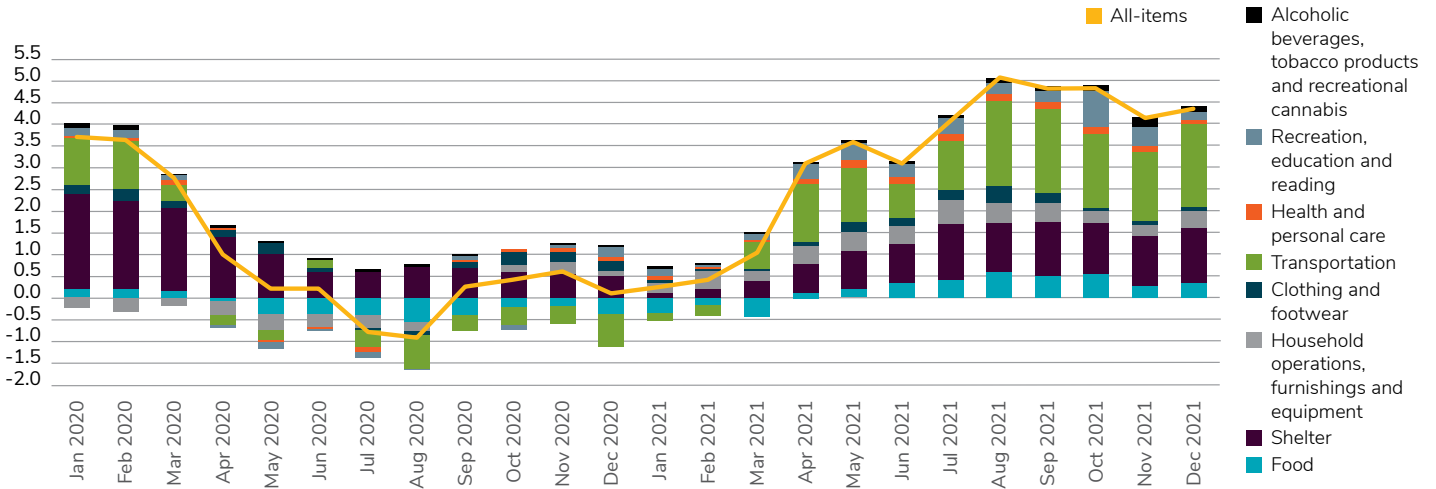
Source: Statistics Canada.

Much of the elevated inflation in 2021 resulted from catch-up growth after weak inflation in 2020. This is particularly true for fuel. Gasoline prices, a major component of the transportation component of CPI, were hit hard by lower demand in 2020, but bounced back strongly in 2021. Gasoline prices made the largest contribution to inflation in every month from April onward. Similarly fuel oils used for heating have been contributing to rising shelter costs. Energy prices will likely continue to contribute to inflation in 2022 with global oil prices at the highest level since 2014.

Supply chain problems globally are also a major factor in higher consumer prices. The pandemic saw spending on services fall dramatically because of cancelled vacations and fewer visits to bars and restaurants. Some of the reduced spending on services was diverted to consumer goods and home improvements. The shift in spending patterns and the faster than expected rebound in economic activity caught producers flat-footed and they had to scramble to fill orders. This led to bottlenecks at ports and shortages of key inputs, pushing up the price of goods at the fastest rate in decades.

### Chart 9. Transportation and shelter driving overall inflation

Whitehorse CPI, Contribution to 12-month change (per cent)



Source: Statistics Canada.

Food prices in 2021 rose significantly as stronger demand coincided with supply side constraints. Global crop production and inventories have been hurt by poor weather and staffing challenges. Input prices have also been increasing due to the rising cost of transportation and energy. Nationally, slower growth of wholesale prices for meat, fish and dairy in the latter months of 2021 suggest that price increases may have begun to moderate.

Stressed supply chains are having an impact on more than just prices. Manufacturers are struggling to fill orders on time. There are delays in shipments and retailers can't keep enough inventory to prevent selling out in some items. The Omicron variant has also added disruption through increased worker absences and added uncertainty.

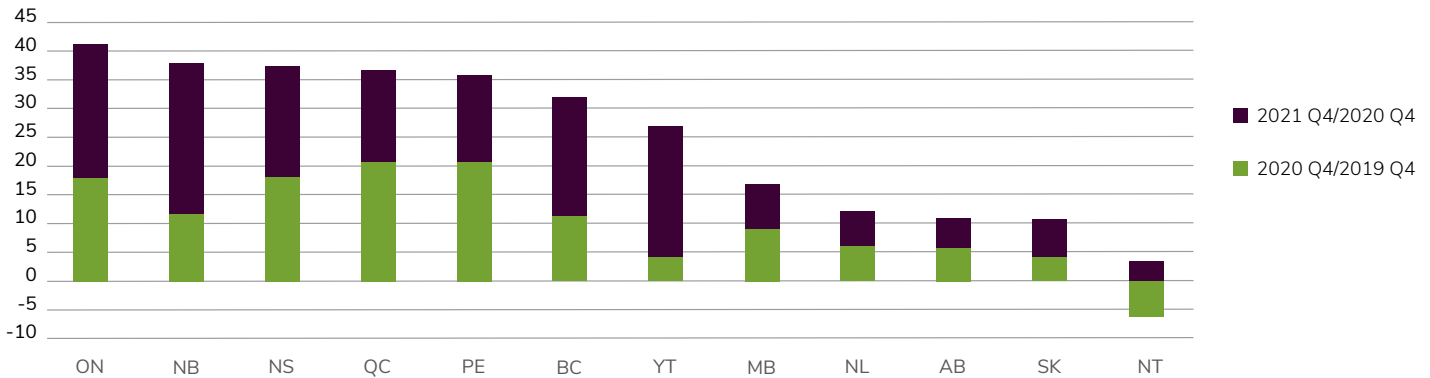
Prices in Canada are expected to remain elevated throughout 2022, as private sector forecasts have Canadian CPI growing close to 4 per cent in 2022. While this is lower than the monthly highs of near 5 per cent in 2021, it would be the first time since 1991 that average annual inflation was over 3 per cent for two consecutive years. The major components of the Whitehorse CPI should follow the national figures. Inflation is expected to come in at 3.8 per cent in 2022, before falling to 2.5 per cent in 2023. Inflation over the last three years of the forecast averages 2 per cent, returning to the Bank of Canada's target level.

## House prices are rising in Whitehorse as in the rest of Canada

Housing affordability is a challenge across the country. Historically low interest rates and increased household savings have recently added fuel to housing demand. Canada's housing market saw a record year in 2021, with sales up 21 per cent from the previous year's record. Strong demand for housing contributed to an escalation in prices of almost 21 per cent, or nearly \$121,000<sup>21</sup>. Price growth over the pandemic has been widespread throughout the country (Chart 10).

**Chart 10. Notable housing price growth in most jurisdictions over the last two years<sup>22</sup>**

Year-over-year increase in average home resale price (per cent)



Source: The Canadian Real Estate Association.

These same factors have pushed up prices in Whitehorse. Consecutive records for the price of a single detached house in Whitehorse were reported for the second and third quarters of 2021, with an average sale price in the third quarter of nearly \$657,000, up almost \$88,000 from the third quarter of 2020. There was strong year-over-year growth across all types of housing with condos, mobile homes and duplexes also reporting strong gains in the third quarter of last year.

While housing prices have seen notable appreciation during the pandemic, prices were trending up well before. For example, the average price of a single-detached house in the third quarter of last year was over \$272,000 higher than in the first quarter of 2015. While prices have increased \$110,000 since the second quarter of 2020, the remaining \$162,000, or 60 per cent, occurred prior to the start of the pandemic and is mostly attributed to local supply and demand factors.

Over the last ten years, the Yukon has led all Canadian jurisdictions in population growth at around 20 per cent. A generally positive economic performance, and relatively minimal disruption in many areas of the territory's labour market through the pandemic, have attracted new migrants. Despite record residential investment in recent years, the supply of housing in the territory has been playing catch-up, particularly in Whitehorse. On a quarterly basis, the sales-to-new listings ratio, a measure of resale market tightness, has been above 60 since the second quarter of 2016 indicating a seller's market, where homes are sold soon after being listed.

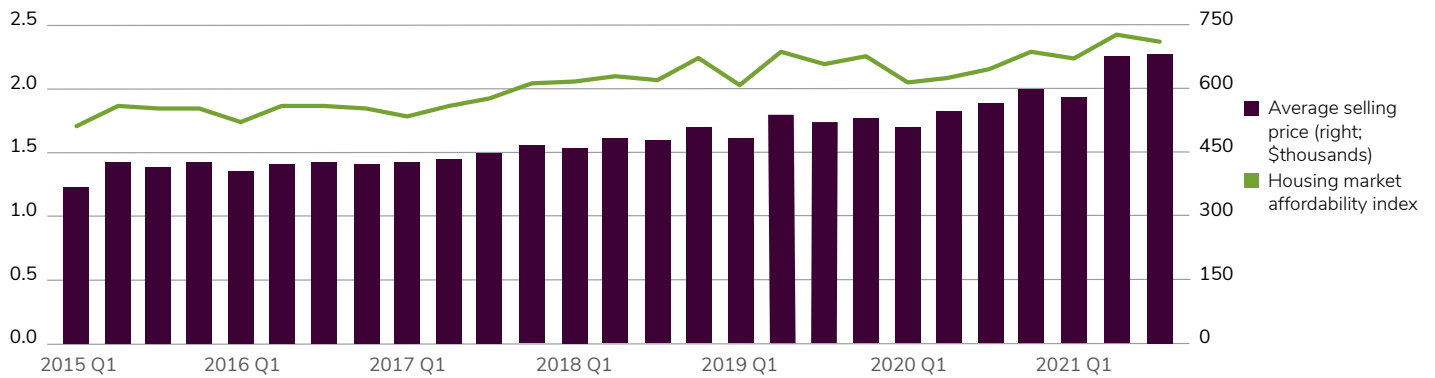
21. The Canadian Real Estate Association.

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

The increase in prices has made owning a single detached home out of reach for many Yukoners. Chart 11 shows how affordability of single-detached housing in Whitehorse has changed in recent years. The housing market affordability index represents the multiple of average Yukon earnings a household must earn to responsibly finance the purchase of an average single-family home in Whitehorse.

### Chart 11. Strong growth in prices negatively influencing housing affordability

Affordability index, single-detached homes, Whitehorse



Source: Department of Finance.

As of the third quarter of 2021, a household would need to earn 2.3 times more than the average Yukon worker to responsibly finance the mortgage on a \$657,000 home at the posted five-year fixed mortgage rate. This is up from 1.7 times average weekly earnings in the first quarter of 2015, when the average resale price of a single-detached home was just \$384,500. Higher home prices have been partially offset by a prolonged period of low interest rates and an over 20 per cent increase in earnings.<sup>23</sup>

This is roughly on par with the average deterioration in affordability nationally, with the index for the Yukon and Canada both increasing by around 36 per cent. However, there was considerable variation among regions, with homes in Saskatchewan and Newfoundland and Labrador becoming more affordable. The Yukon saw the fourth-highest decrease in affordability behind PEI, Ontario and Nova Scotia.

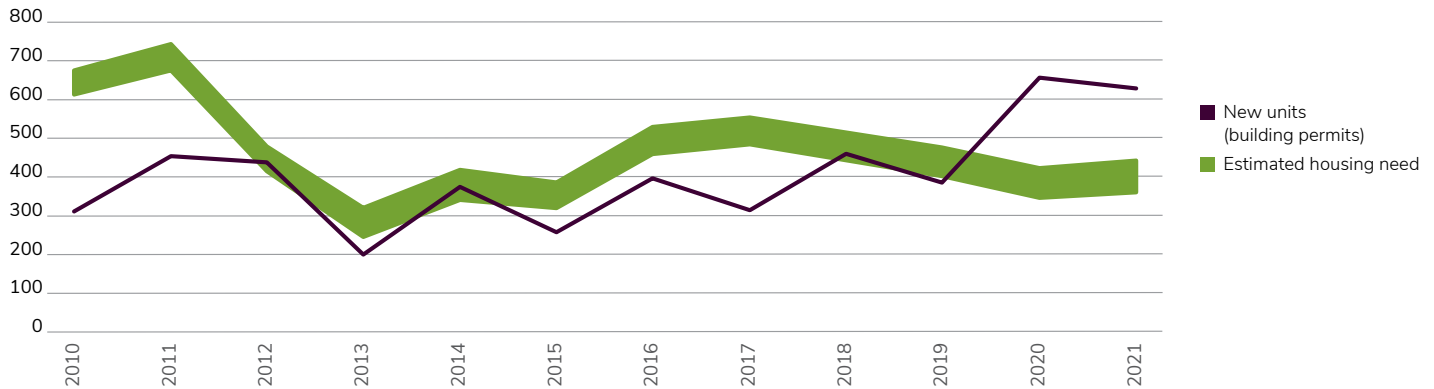
Making inroads in terms of housing supply will be important in addressing affordability issues. The demand for new housing outstripped new building for several years prior to 2020 (Chart 12) resulting in the current housing shortage.

23. Average weekly earnings in the Yukon increased from \$1,052 in the first quarter of 2015 to \$1,320 in the third quarter of 2021.



## Chart 12. Record building has started to restore balance in the housing market

The Yukon building permits for new units created and estimated housing need<sup>24</sup>



Source: Statistics Canada, Yukon Department of Finance.

### Residential activity continues to drive local construction activity

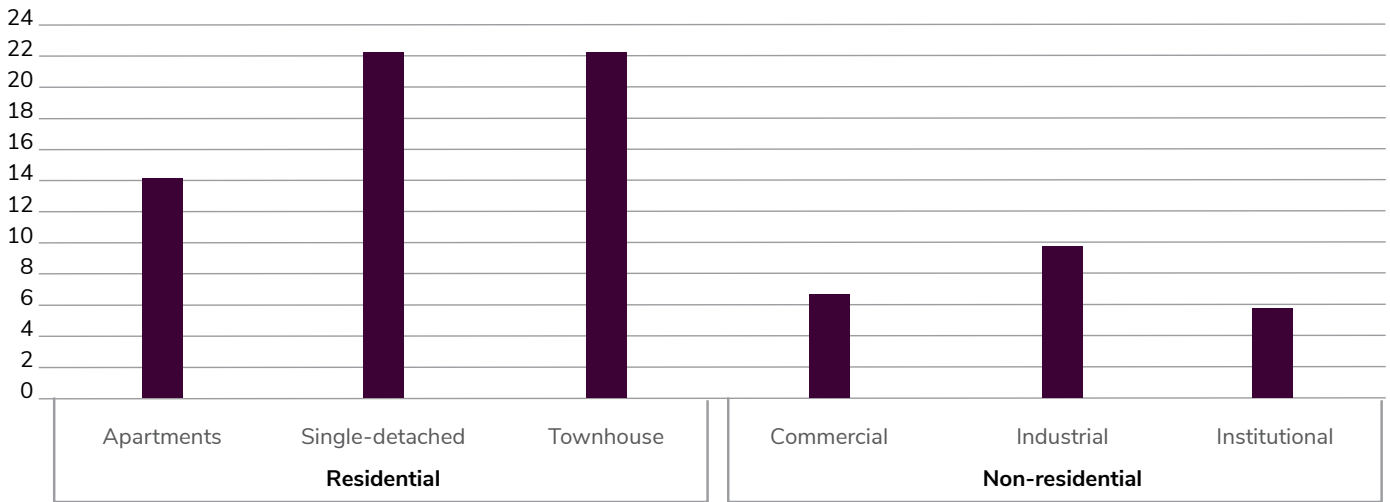
Fortunately, 2020 and 2021 saw record numbers of building permits issued for new units. The Government of Yukon is targeting 1,000 new residential lots for development over the next five years. If residential investment remains elevated, as expected, it should go a long way to restoring balance in the housing market.

Investment in residential construction of \$266.8 million in 2021 shattered 2020's record of \$191.7 million. Spending on new construction accounted for almost 60 per cent of this residential spending. Higher building material and labour costs were behind some of the increased spending on investment, as there has been a surge in home building across North America. Issues with supply chains related to the pandemic have also contributed to growth in the cost of building materials in Canada (Chart 13). As manufacturing and resource extraction capacity is restored and inventories are rebuilt, prices of construction inputs should start to trend towards historical norms.

24. Estimated housing need is the number of new units that would need to be created to accommodate population growth (bottom of the range) and replace depreciation (top of the range).

### Chart 13. Construction costs elevated in 2021, particularly on the residential side

Canadian building construction costs Jan-Dec 2021 change from Jan-Dec 2020 (per cent)



Source: Statistics Canada, composite of 11-census metropolitan areas.

### Government investment remains a prominent driver of construction activity

Government investment is expected to help drive construction activity in the territory over the coming years. The Government of Yukon's *Five-Year Capital Plan*<sup>25</sup> includes spending of almost \$2.6 billion, or average annual spending of \$519 million. The latest plan notes significant capital spending over the five-year period for 'Transportation infrastructure', which accounts for \$877 million, or one-third of total planned spending to the end of fiscal year 2026–27.

The City of Whitehorse's latest Capital Expenditure Program<sup>26</sup> identifies nearly \$131 million in spending on capital projects over 2022 to 2025. Proposed spending captures approved spending by the city's reserves, with the majority of the total subject to external funding approval from federal and territorial funds. With proposed spending of almost \$79 million, 'engineering services' represents about 60 per cent of total spending, driven largely by construction and reconstruction activities in several Whitehorse neighbourhoods. This includes \$13.5 million for the Hillcrest neighbourhood and over \$7 million for construction of a town square in the Whistle Bend neighbourhood.

### Mining sector poised to build on recent strong performance

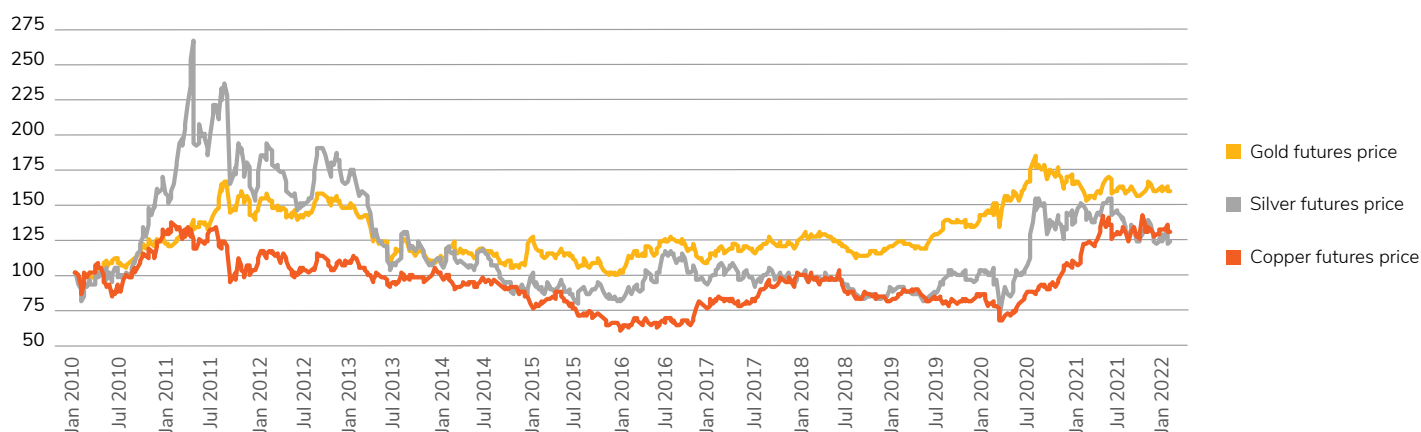
Nearly two years after COVID-19 arrived on the scene, mineral prices remain elevated. While below recent peaks, prices for gold, silver and copper all remain well above levels reported at the beginning of 2020 (Chart 14). Copper has seen the strongest gains, with prices 60 per cent higher than at the start of 2020. Gold and silver prices are also both well above pre-pandemic levels, up 23 per cent and 33 per cent from the start of 2020, respectively.

25. For more details on the *Five-Year Capital Plan*, please refer to the fiscal discussion of this report or the *Five-Year Capital Plan*.

26. Capital Expenditure Program 2022–2025 (November 29, 2021). City of Whitehorse.

## Chart 14. Mineral prices remain elevated nearly two years after COVID-19's arrival

Metal prices (Index; January 1, 2020 = 100)



Source: Investing.com, Department of Finance.

Prices of key metals are forecast to remain elevated in 2022 and continue to be relatively strong over the remainder of the forecast horizon. Prices for gold, silver and copper are all expected to remain above pre-pandemic levels. High prices could spur development of new operations and increased exploration activity.

### Production expected to post further gains in 2022

Continued efforts to ramp up production at the Eagle Gold Mine should be a prominent driver of mineral production growth in 2022, with gold production expected to be up more than 40 per cent from 2021. Annual production currently exceeds 220,000 ounces in each year of the forecast. There is upside potential to the production forecast from Victoria Gold Corp's 'Project 250'<sup>27</sup> initiative, which aims to increase annual production to 250,000 ounces of gold by 2023.

The forecast also includes increased production from both Minto Metals Corp's<sup>28</sup> Minto mine and Alexco Resource Corp's Keno Hill project. A positive preliminary economic assessment released in May 2021, saw a doubling of the remaining life of the Minto mine out to 2028 and an improved near-term production outlook. Increased production from the Keno Hill project is expected after operations resumed last year. The operator is expected to approach its target of milling 400 tonnes per day, well above the estimated average of 154 tonnes reported over the first nine months of 2021.<sup>29</sup>

Following strong gains in 2019 and 2020, placer gold production fell 7 per cent to just above 64,000 ounces in 2021. While down, production was well ahead of the average of just under 53,000 over the previous ten years. Annual production is expected to remain near the 2021 level in all years of the forecast.

27. News Release - Victoria Gold Provides Update on 'Project 250' (January 17, 2022). [Victoria Gold Corp.](#)

28. The reverse takeover announced earlier in 2021 was completed as of November 24, 2021, with the newly formed Minto Metals Corp. now the owner and operator of the Minto mine.

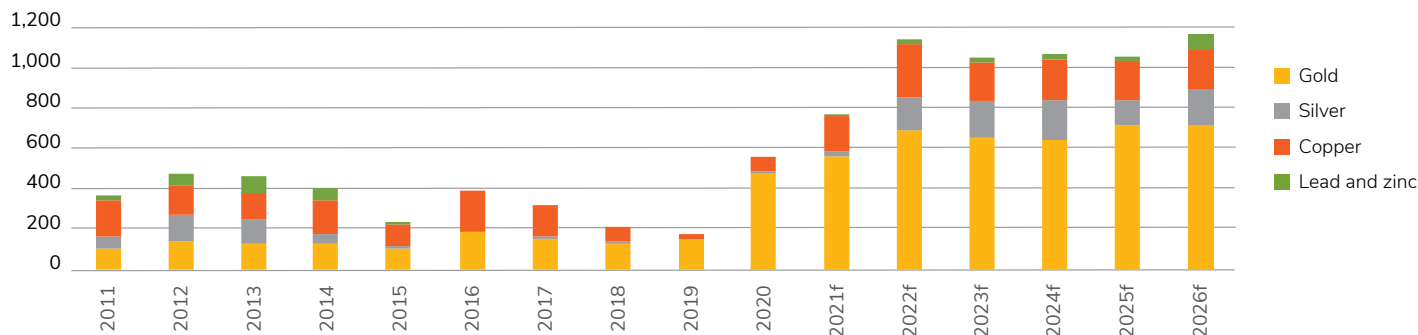
29. News Release - Alexco Announces Third Quarter 2021 Results (November 9, 2021). [Alexco Resource Corp.](#)

In the short term, there is the potential that the recent surge in Omicron cases could affect operations. An Alexco Resource Corp. news release from January 18, 2022 noted an expectation of a reduction in staffing in the first quarter of 2022 due to isolation and travel protocols.<sup>30</sup> Major operators have been largely successful in navigating the pandemic without significant disruptions to operations, as evidenced by sustained production levels. The current forecast assumes that this will continue to be the case.

The current medium-term outlook for the value of mineral production is supported by strong production and relatively high prices. Following an estimated value of \$770 million in 2021, mineral revenues are expected to increase to over \$1.1 billion in 2022. Beyond 2022, the outlook for mineral production value remains strong with annual levels expected to exceed \$1 billion in all years out to 2026 (Chart 15).

**Chart 15. Mineral production value forecast to be north of \$1 billion<sup>31</sup>**

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



Source: Natural Resources Canada, Department of Finance. f = forecast

### Strong mineral prices helped fuel stronger exploration spending in 2021

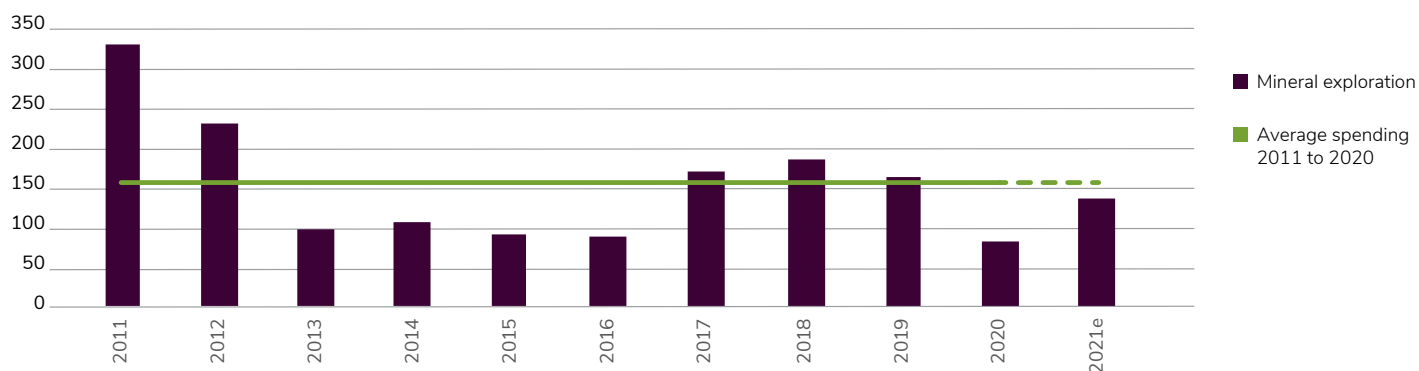
Strong prices helped drive exploration activity in the Yukon last year. Natural Resources Canada’s (NRCan) revised estimate of \$139 million in exploration spending was up 66 per cent from 2020’s 15-year low of \$83.6 million (Chart 16). Spending on exploration for precious metals made up the majority of exploration expenditures last year, accounting for over 78 per cent of the total, with the remainder related to exploration for base metals. Expectations are for exploration spending this year to build on activity in 2021.

30. News Release – Alexco Reports 43% Expansion of Bermingham Indicated Resource to 47 million Ounces of Silver at 939 Grams per Tonne; Remains Open (January 18, 2022). [Alexco Resource Corp.](#)

31. Internal estimates have been substituted for the official statistics from Statistics Canada for 2019 and 2020 due to concerns about data quality issues with the official estimates.

## Chart 16. Exploration spending in 2021 improved, but remained below the ten-year average

Value of mineral exploration and deposit appraisal (\$millions)



Source: Natural Resources Canada. e = estimate

## Tourism sector’s recovery continues but activity remains below pre-pandemic levels

There has been a modest increase in tourism, but activity continues to be limited by ongoing restrictions on travel and uncertainty caused by variant-related increases in cases. According to Destination Canada<sup>32</sup>, almost 900,000 tourism jobs (43 per cent of all tourism employment) were lost at the height of the crisis, and while overall employment in the Canadian economy had recovered to pre-pandemic levels by October 2021, tourism employment remained 21 per cent below 2019 levels.<sup>33</sup>

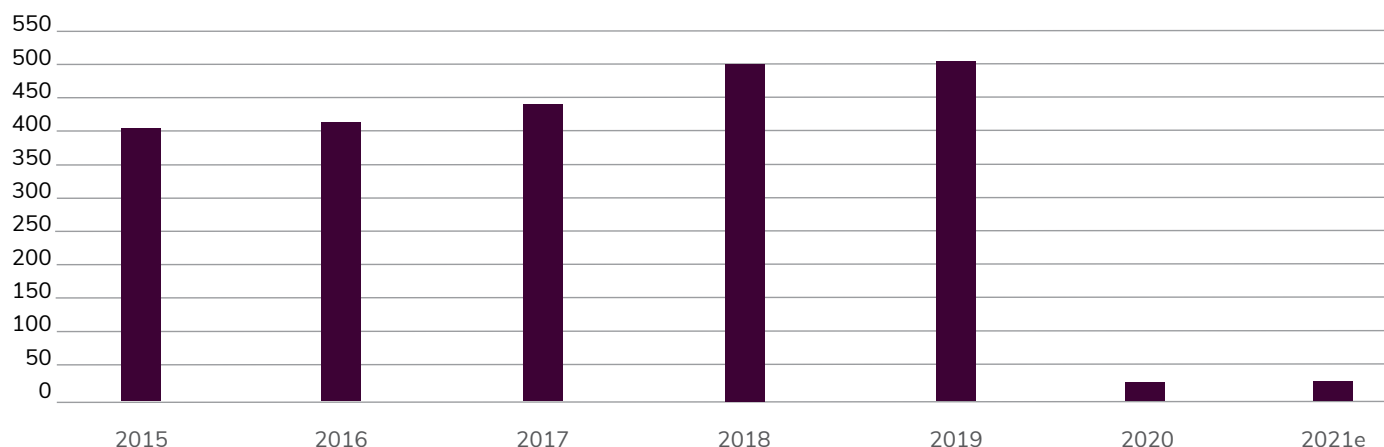
Many travel-related restrictions were lifted or loosened in 2021 as vaccines became readily available and global vaccination rates improved. There are some early signs of recovery that began to emerge in 2021. International border crossings in the first eleven months of 2021 totalled almost 31,800, up from 29,902 in the same period of 2020. September in particular showed a promising uptick before winter brought an end to the primary tourism season.

32. Destination Canada is a Crown corporation created to promote tourism in Canada. It is wholly owned by the Government of Canada, which reports to the Minister of Small Business and Tourism and the Minister of Innovation, Science and Economic Development.

33. Tourism’s Big Shift: Key Trends Shaping the Future of Canada’s Tourism Industry (November 2021). [Destination Canada](#).

## Chart 17. While up in 2021, international border crossings are far below pre-pandemic levels

Number of international border crossings (thousands)



Source: Statistics Canada. e = estimate

A return to travel in 2021 saw increased demand for air transportation but activity remains depressed. Air arrivals at Erik Nielsen Whitehorse International Airport were up 52.1 per cent in 2021 compared to 2020, but still represent only 33 per cent of 2019 arrivals for the same period. Year-to-date departures have also grown in 2021, up 54.5 per cent. Like arrivals, departures in 2021 remained well below pre-pandemic levels, only making up just over 34 per cent of the 2019 figure for the same period.

While fewer restrictions are in place, many jurisdictions have at times had to revert to some of the stricter measures seen earlier in the pandemic. Most recently, the emergence of the Omicron variant in the fourth quarter of 2021 precipitated the temporary return of some travel restrictions, and stricter rules for business operations. Spending<sup>34</sup> related to December holiday travel in Canada fell dramatically, coming in 60 per cent below 2019 levels.<sup>35</sup> Producing proof of vaccination and a negative test result has made international travel more complicated, and planning is difficult because of uncertainty around pandemic rules and the potential for new waves. It could take several years for the tourism sector to fully recover if travellers remain reluctant to risk exposure to COVID-19 even after restrictions are lifted.

Nevertheless, the Yukon's tourism sector should improve further in 2022 and 2023 as tourists become more comfortable with international travel. The Conference Board of Canada, in its *Yukon Travel Markets Outlook* from September<sup>36</sup>, projects that tourism expenditures and visitation in the Yukon will return to 2019 levels in 2024. This is one year later than the outlook presented in the *2021–22 Interim Fiscal and Economic Update*. A positive for the local tourism sector is the recent news that Condor is resuming weekly direct flights from Frankfurt, Germany to Whitehorse this summer.

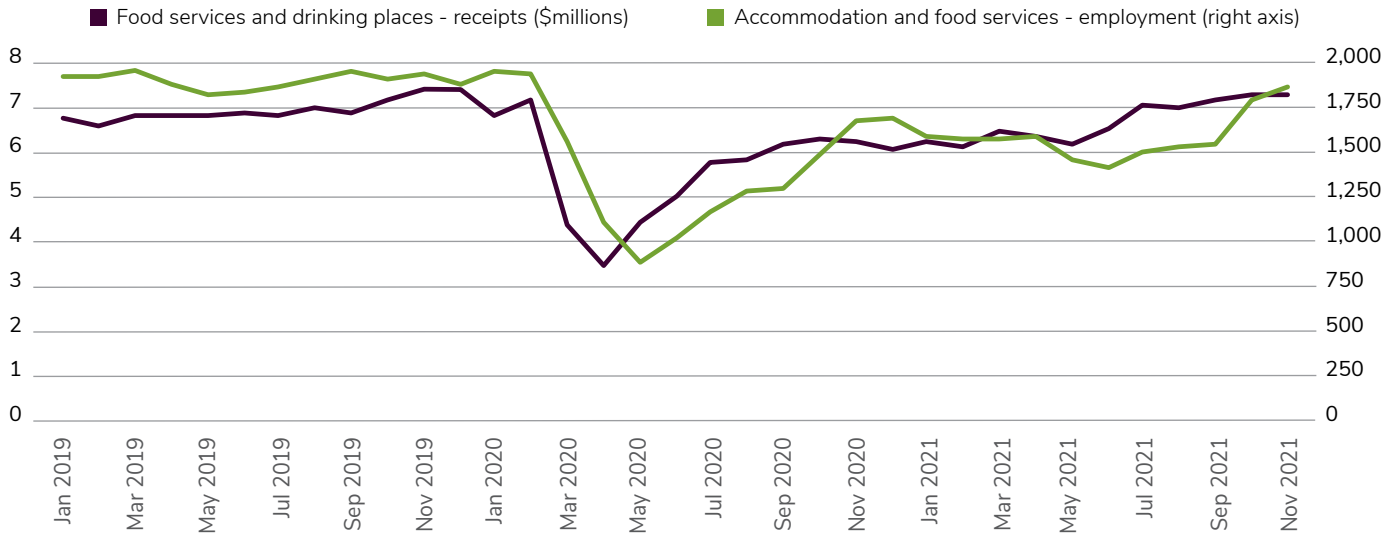
34. RBC Consumer Spending Tracker (January 11, 2022). [RBC Economics](#).

35. RBC's consumer spending tracking report uses RBC Data & Analytics' proprietary database of anonymized card transactions by Canadian clients. The data are an accounting of merchant transactions that are divided into various spending categories covering tens of millions of weekly card transactions worth billions of dollars each week.

36. *Northern Lights at the End of the Tunnel*. (September 21, 2021). [The Conference Board of Canada](#).

### Chart 18. Restaurant and bar sales nearing pre-pandemic levels, with employment catching up

Receipts (\$millions) and employment (persons)



Source: Statistics Canada.

As restrictions were loosened throughout 2021, there was a marked increase in activity in bars and restaurants. Sales from food services and drinking places in the second half of the year improved, with sales approaching pre-pandemic levels late in 2021 (Chart 18). This led to an increase in hiring, with employment levels nearly fully recovering by November. Data do not yet show the impact of Omicron, but the recovery in the second half bodes well for improved strength in 2022 assuming cases continue to improve and restrictions on capacity can be relaxed.

### The economic outlook is positive but concerns over COVID-19 linger

The Yukon economy is gathering momentum. The labour market has largely recovered and there is increased competition for labour, bidding up earnings. With the Canadian economy also heating up and supply chains under stress, inflationary pressures have emerged. Home prices and gasoline in particular have been on the rise. The tourism sector is expected to continue recovering this year, but will likely take until 2024 to reach pre-pandemic levels. The potential emergence of new variants continues to sew uncertainty into the outlook, especially after the recent experience with the Omicron variant, which necessitated some tightening of restrictions throughout Canada.

## Appendix: Key economic indicators

	2020	2021	2022f	2023f	2024f	2025f	2026f
<b>Gross Domestic Product (GDP)</b>							
Real GDP by Industry (2012 \$ million)	2,782	2,915 (f)	3,195	3,271	3,341	3,416	3,548
Per cent change	5.2	4.8	9.6	2.4	2.1	2.2	3.9
Nominal GDP (\$ millions)	3,182	3,530 (f)	4,036	4,297	4,549	4,795	5,128
Per cent change	6.0	10.9	14.3	6.5	5.9	5.4	6.9
<b>Mineral production</b>							
Metal production (\$ millions)	540	770 (f)	1,120	1,050	1,060	1,050	1,160
<b>Labour market†</b>							
Labour force	22,900	23,700	24,300	24,900	25,500	26,000	26,600
Employment	21,700	22,400	23,100	23,600	24,200	24,700	25,300
Unemployment rate	5.2	5.5	4.9	5.0	5.0	5.0	5.0
Participation rate	70.9	72.3	72.7	72.9	72.9	72.9	72.8
<b>Income</b>							
Household income (\$ millions)	2,214	2,390	2,617	2,761	2,910	3,085	3,285
Per cent change	2.5	8.0	9.5	5.5	5.4	6.0	6.5
<b>Consumers</b>							
Consumer price inflation^	0.9	3.3	3.8	2.5	2.0	2.0	2.0
Retail sales (\$ millions)	885	950 (f)	1,000	1,050	1,120	1,180	1,260
<b>Population*</b>							
Population	42,198	43,118	44,000	44,900	45,600	46,400	47,200
Per cent change	1.9	2.2	2.1	2.0	1.6	1.7	1.8
<b>Key assumptions</b>							
Gold (\$US/toz)	1,770	1,800	1,771	1,670	1,650	1,650	1,650
Silver (\$US/toz)	20.50	25.15	23.31	22.13	22.00	22.00	22.00
Copper (\$US/lb)	2.80	4.23	4.21	3.73	3.75	3.75	3.75
Zinc (\$US/lb)	1.03	1.36	1.38	1.25	1.25	1.25	1.25
Lead (\$US/lb)	0.83	1.00	0.99	0.96	0.95	0.95	0.95
Can/US exchange rate	0.75	0.80	0.80	0.79	0.79	0.78	0.78

f = forecast      ^ = CPI available only for Whitehorse, annual average

† = Rounded to the nearest 100. Totals may not add due to rounding.

\* = Forecasts rounded to the nearest 100. Annual per cent change based on unrounded figures.

Source: Statistics Canada, Bank of Canada, Yukon Bureau of Statistics, International Monetary Fund, Major Canadian banks.

Population projections are produced by Yukon Bureau of Statistics. All other forecasts are produced by the Department of Finance's Economic Research branch based on data available as of February 14, 2022.