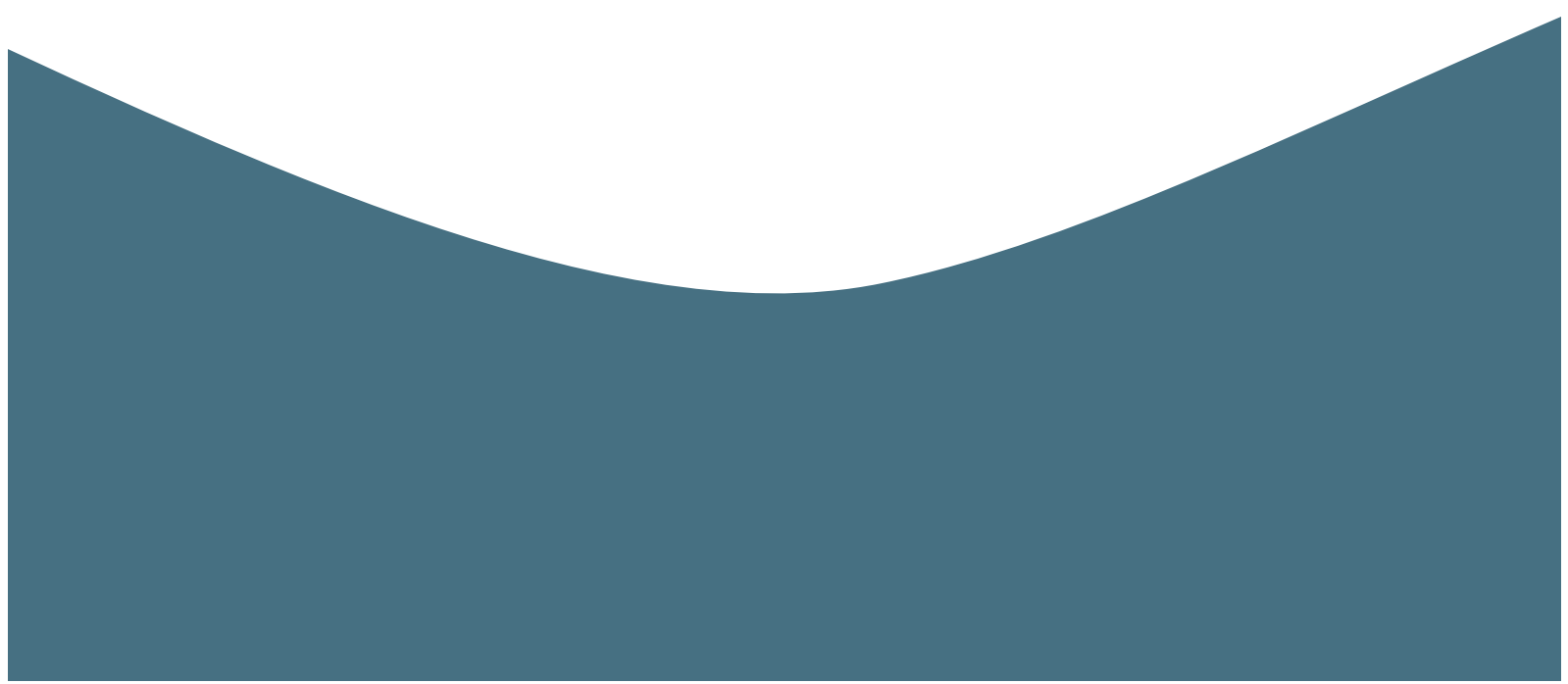




2023–24
INTERIM FISCAL
AND ECONOMIC UPDATE



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Introduction

In March 2023, the Government of Yukon presented its forecast for short- and medium-term fiscal and economic performance in the 2023–24 Fiscal and Economic Outlook (FEO). The Outlook described the plan for sustainable growth and responsible fiscal management contained in Budget 2023–24, also known as the Main Estimates.

The Yukon has faced several unanticipated challenges since tabling Budget 2023–24. Emergency response, environmental mitigation measures, the rising cost of living, and pressures in the healthcare system required immediate action to ensure the health and wellbeing of Yukoners. Thanks to prudent fiscal planning, the Government of Yukon had capacity to respond to these challenges and take advantage of new opportunities while still maintaining its strong financial position.

Part 1: The Yukon's finances

The Government of Yukon continues to forecast a modest surplus for 2023–24, despite significant spending pressures throughout the late spring and summer. The expense forecast for 2023–24 has increased by \$111.7 million after accounting for recoveries. The \$50 million contingency fund included in Budget 2023–24 for emergency costs reduced the impact of this increase.

After exhausting this contingency fund, and after including accounting adjustments, as well as a moderate increase in the revenue forecast, the projected surplus has decreased by \$44.7 million compared to Budget 2023–24. Despite higher costs, the Government of Yukon's initial planning for potential fiscal challenges allows it to remain in a \$3.6 million surplus position. The forecast for net debt is expected to increase by \$49 million to \$423.8 million in 2023–24.

Table 1. Fiscal summary

(\$ millions)	2022–23 Supplementary Estimates No. 3	2023–24 Main Estimates	2023–24 Supplementary Estimates No. 1
Revenue ^{1,2}	1,504.5	1,575.4	1,594.1
Expense ³	(1,699.2)	(1,642.4)	(1,754.1)
Contingency for anticipated expenses ⁴	(10.0)	(50.0)	0.0
Accounting adjustments ⁵	233.2	165.2	163.6
Surplus/(deficit) ⁶	28.6	48.2	3.6
Net debt (end of year)	(313.8)	(374.8)	(423.8)

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

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

2. Revenue is the sum of "Transfers from Canada", "Tax Revenue" and "Other Revenue" as found on pages S-4 of the 2023–24 Supplementary Estimates No. 1, and equivalent pages of budget documents for other periods.

3. Expense is the sum of "Total Appropriated Amounts" minus "Recoveries from Canada" and "Third-Part Recoveries" as found on Pages S-5 of the of the 2023–24 Supplementary Estimates No. 1.

4. Found on Page S-5 of the 2023–24 Supplementary Estimates No. 1.

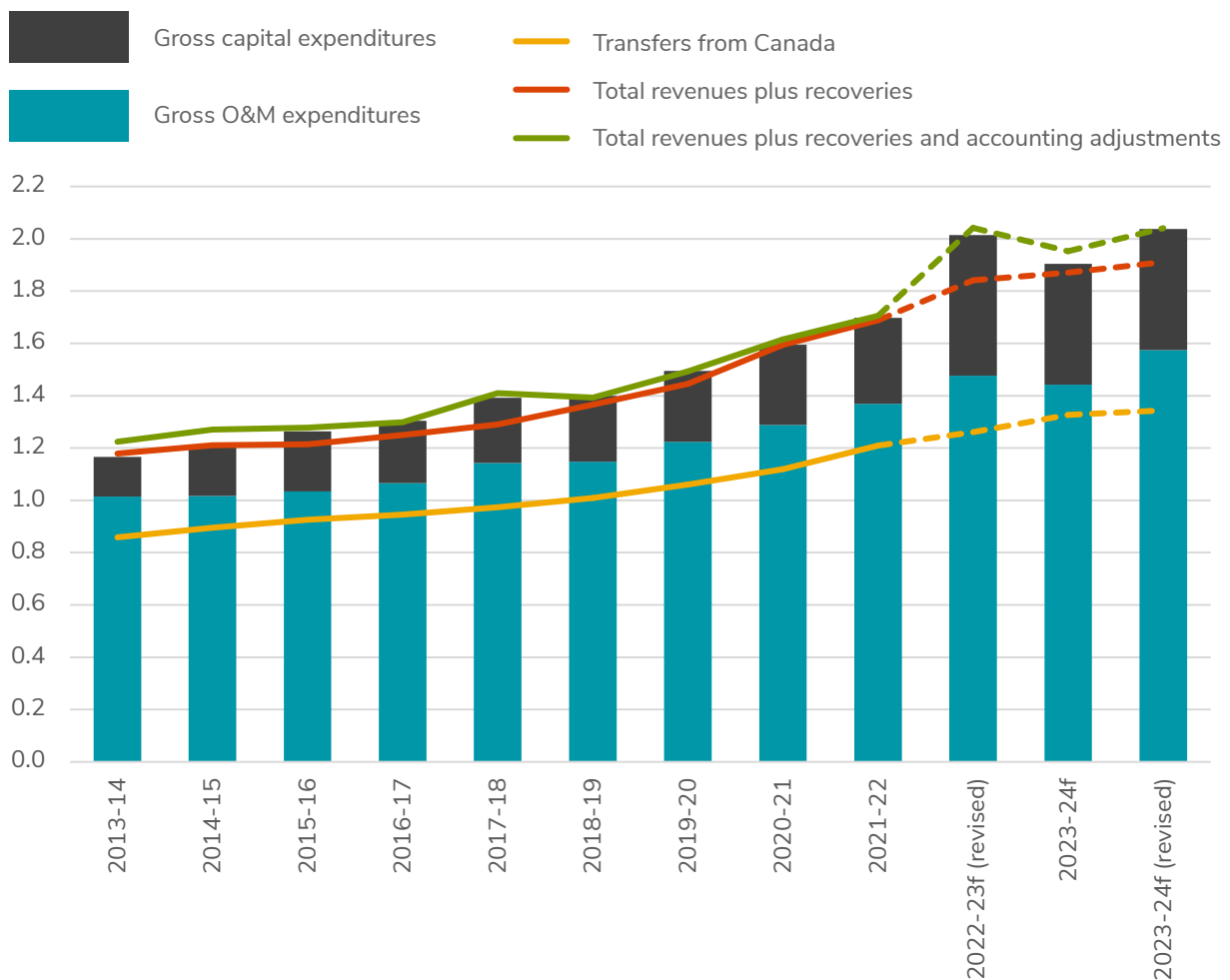
5. Accounting Adjustments are the sum of "Tangible Capital Assets (net)", "Investment in Land Development", "Expenditures on Loan Programs" and "Other Adjustments (net)" on Page S-5 of the 2023–24 Supplementary Estimates No. 1, and equivalent pages of budget documents for other periods.

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

Chart 1 compares historical spending, as reported in the Yukon Public Accounts, with the spending planned in Budget 2023–24 and the 2023–24 Supplementary Estimates No. 1. From 2013–14 to 2021–22, gross expenditures grew by an average of 5.2 per cent annually, which is slightly higher than revenues at 4.5 per cent annually. For 2023–24, the expenditure forecast is expected to increase by 1.2 per cent over the 2022–23 forecast, which is lower than the expected 3.8 per cent increase in revenues. Higher expenditure growth forecasts in 2022–23 and 2023–24 are partly due to the impacts from the new Collective Agreement included in these fiscal years.

Chart 1. Government of Yukon fiscal indicators^{7,8,9}

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 Public Accounts. For comparability, forecasts for fiscal years 2022–23 to 2023–24 use the same methodology, which differs from the presentation in Table 1.
 8. To align with the presentation in the Yukon Public Accounts, revenues and recoveries do not include those collected by Yukon Housing Corporation, which are netted-out of the gross expenditures presented in this chart.
 9. 2022–23f (revised) includes Supplementary Estimates No. 3.

Revenue

Total government revenue, excluding recoveries, is forecast to reach \$1.59 billion in 2023–24 as shown in Table 2. This is an increase of \$18.7 million, or 1.2 per cent, compared to Budget 2023–24, reflecting changes in expected federal transfers and territorial taxes.

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

(\$ millions)	2022–23 Supplementary Estimates No. 3	2023–24 Main Estimates	2023–24 Supplementary Estimates No. 1
Income tax	132.6	125.8	129.1
Property tax	7.0	7.2	7.2
Fuel oil tax	8.7	8.8	8.8
Tobacco and alcohol taxes	18.4	20.0	18.2
Other taxes	8.2	9.0	9.0
Other revenues	68.1	77.5	77.5
Total own-source revenue	243.2	248.4	249.8
Federal transfers	1,261.4	1,327.0	1,344.3
Total revenue	1,504.5	1,575.4	1,594.1

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

Federal transfers

Transfers from Canada are forecast to increase by \$17.3 million compared to Budget 2023–24. The increase in federal transfers is primarily from the \$15 million grant from Crown-Indigenous Relations and Northern Affairs Canada to support affordable housing and housing-related infrastructure in the Yukon. This is the second installment of a \$30 million grant announced in the Government of Canada's 2022 Budget. The Government of Yukon received the first \$15 million installment in 2022–23.

There is also an additional \$2.3 million in federal transfers due to a one-time increase in the Canada Health Transfer. The top-up was part of the overall \$2 billion federal commitment to address urgent pressures experienced in emergency and operating rooms, as well as pediatric hospitals across Canada.

As the largest federal transfer, Territorial Formula Financing is an important part of the Yukon's overall revenue forecast. The Territorial Formula Financing grant is a legislated federal transfer that is renewed every five years. It was extended in June 2023 for the period from 2024–25 to 2028–29 with similar terms as the previous five years.

10. All revenue figures are found on Pages S-8 and S-9 of the 2023–24 Supplementary Estimates No. 1, and equivalent pages of budget documents for other periods.

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

Other revenue

The personal income tax revenue forecast has increased by \$3.2 million compared to Budget 2023–24. This change reflects an expected increase in personal taxable income from the new Collective Agreement with the Yukon Employees' Union (YEU). The agreement included a retroactive payment for wages-earned dating back to January 1, 2022.

This increase is partially offset by a \$1.8 million reduction in the tobacco tax revenue forecast, based on lower-than-anticipated sales of tobacco products. There are ongoing efforts by the Government of Yukon to reduce rates of tobacco use to benefit the health and wellbeing of Yukoners.

Operations and maintenance expenses

Gross Operations and Maintenance (O&M) expenditures are up by \$132.7 million to \$1.59 billion, reflecting a 9.1 per cent increase from Budget 2023–24. Net O&M expenditures, after accounting for recoveries, are projected to increase by \$105.9 million, or 8 per cent, higher than in Budget 2023–24. These cost increases are primarily driven by higher costs of labour, increased healthcare spending, the shutdown of the Minto Mine, and emergency management responses. While some of these additional costs reflect shifting priorities to take advantage of opportunities, in many cases they reflect unavoidable or unanticipated costs.

Approximately \$21.9 million is related to the costs to **mitigate environmental damage and manage emergency responses**. This increase reflects the significant responses required to address major wildfires, floods, and road washouts in the territory. This includes support the Government of Yukon provided to evacuees in Mayo and Old Crow and firefighting assistance provided to other provinces and territories who faced unprecedented fire seasons.

Following the announcement of the suspension of operations at the Minto Mine in May 2023, \$25 million will be allocated for **costs associated with the abandonment of the Minto Mine**. This work includes water management and monitoring, as well as planning and execution of initial remediation actions. This work is being done in close collaboration with Selkirk First Nation and is critical to ensure ongoing human health and safety and environmental protection of the site. The Government of Yukon holds a financial security for the Minto Mine. Further work is underway to determine how it will be applied to the expenditures incurred by government.

In June 2023, the Government of Yukon and the YEU signed a new three-year **Collective Agreement**, that covers the period from January 1, 2022 to December 31, 2024. These negotiations were made more challenging by higher-than-normal inflation in the territory, across the country and around the world. Along with wage increases, the new agreement includes new pay grids for nurses and midwives; retention allowances for paramedics and community nurses; and shift premium increases that will benefit home care workers, continuing care practitioners, and firefighters. The new agreement covers a significant portion of the government's workforce, which leads to noteworthy financial implications. Nearly \$37 million will be allocated for this agreement,

accounting for 28 per cent of the total increase in O&M in 2023–24. The agreement recognizes the value public service employees provide to Yukoners, while ensuring the responsible management of public funds.

About \$35.6 million of the increase will support **Health and Social Services and the wellbeing of Yukoners**. Jurisdictions across the country are facing the challenge of rising costs associated with the delivery of healthcare. Healthcare delivery is a priority for the Government of Yukon. Ensuring Yukoners have access to a healthy and sustainable insured health system contributes to the overall health and wellbeing of the territory's population. This funding will be used to support core funding for the Yukon Hospital Corporation to ensure Yukoners have access to the services they require. The government is addressing growth in areas such as medical travel and increased spending requirements to deliver programs under Insured Health. Additionally, the funding includes \$4.6 million to support the implementation of actions under the *Substance Use Health Emergency Strategy* and for initiatives under the *National Action Plan to End Gender-Based Violence*, the latter of which is 100 per cent recoverable from the Government of Canada. Lastly, these increases will help cover funding for various social support programs and supported living services, which will benefit vulnerable groups who are amongst the most impacted by the increased cost of living.

Approximately \$7.5 million will be used for **environment and climate change action**. This includes 100 per cent recoverable funding from the Government of Canada to build knowledge of flood hazards, support climate adaptation projects, and survey and monitor wildlife populations.

The government continues to advance **education** and its commitments to re-imagine inclusive and special education in Yukon schools. For the 2023–24 school year, the Government of Yukon is allocating 40 new positions to support student learning and wellbeing, including wellness counsellors, education assistants and learning assistance teachers. The government will also invest almost \$1.7 million to improve language and cultural programs in the Yukon. This includes support for French second language learning that is 100 per cent recoverable from the Government of Canada. It will also include enhanced French first language learning programming in Dawson City in partnership with la Commission scolaire francophone du Yukon.

Around \$1.4 million will provide funding for multiple **reconciliation commitments** with Yukon First Nations governments. This includes \$1 million for consultation and engagement, bilateral negotiations, and implementation of agreements. It also includes \$330,000 for the Council of Yukon First Nations to commemorate the 50th anniversary of *Together Today for Our Children Tomorrow*.¹²

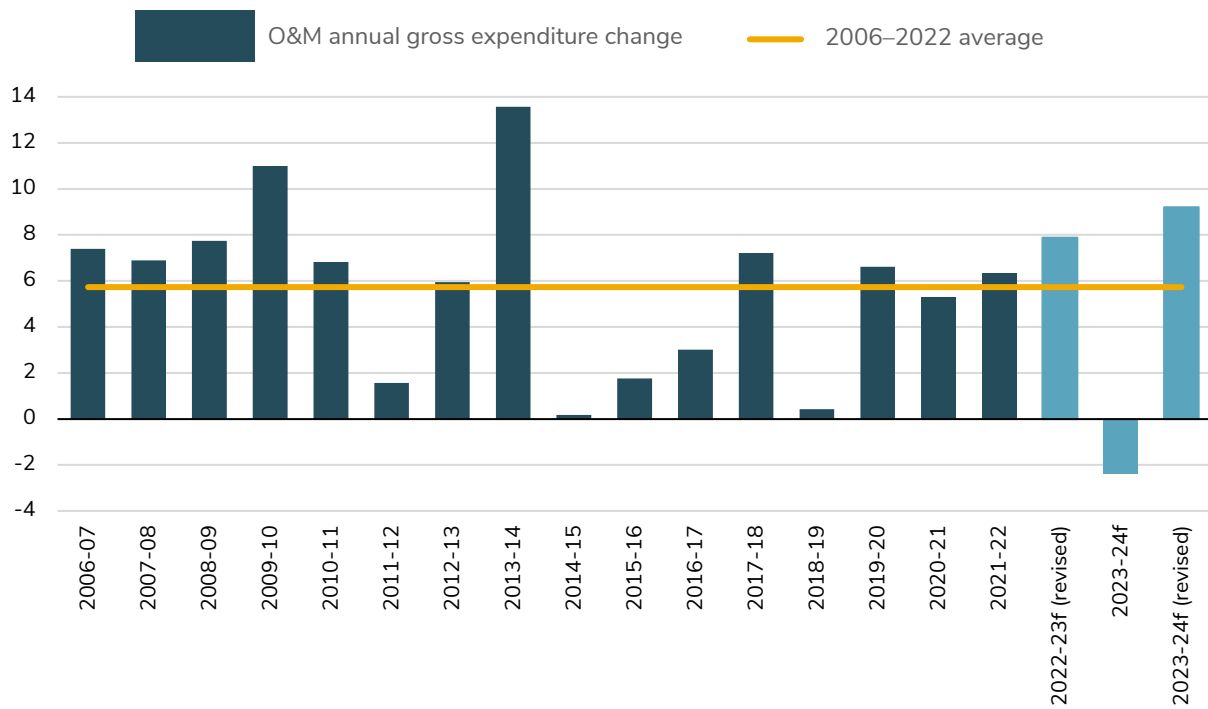
Other commitments in the 2023–24 Supplementary Estimates No. 1 include a temporary assistance program for Yukon landlords to support a stable supply of rental units and 100 per cent recoverable funding from the federal government for initiatives related to COVID-19.

12. *Together Today for Our Children Tomorrow* was the policy paper that paved the way for negotiation of the Yukon Final and Self-Government Agreements. A delegation of Yukon First Nations Chiefs presented it to the federal government in 1973.

Chart 2 shows the annual growth in O&M spending of the Government of Yukon from 2006–07 to the forecast for the 2022–23 and 2023–24 fiscal years. O&M spending growth in 2023–24 is projected to be 3.5 percentage points above the historical average growth of 5.7 per cent.

Chart 2. Annual growth in O&M spending

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



Source: Department of Finance f = forecast

Five-Year Capital Plan update

The Government of Yukon's forecast for gross capital spending remains unchanged from the 2023–24 Five-Year Capital Plan. The total anticipated expenditure in 2023–24 continues to be \$483.8 million. The forecast for project costs that are recoverable across various investment categories has changed from 34 per cent in the 2023–24 Five Year Capital Plan to 33 per cent in the 2023–24 Supplementary Estimates No. 1.

The Government of Yukon evaluates capital budgets on an ongoing basis to improve the efficiency of capital spending in alignment with the territory's capital infrastructure needs. Ongoing global and national trends, including inflation, and supply chain disruptions, are shifting labour and construction material costs for important capital projects. The government continues to monitor and manage these pressures to ensure responsible spending while prioritizing the needs of Yukoners. These adjustments are reflected periodically and in the latest Five-Year Capital Plan.

The supplementary estimates provide a chance to respond to new and emerging opportunities. The government is currently engaging with the municipality of Skagway on the construction of an ore export facility for Yukon mining companies as part of the municipality's Port Redevelopment Project. This is an important project to secure long-term tidewater access for the Yukon's mining industry. It also helps the Yukon contribute to Canada's supply chain security, green energy targets and critical minerals goals. As part of the supplementary estimates, the Government of Yukon will adapt its capital program to take advantage of this dynamic opportunity. This project will cost approximately \$21.4 million in 2023–24 capital funding. The Government of Yukon has made other adjustments in the plan to reflect updated timelines and progress of various capital projects in order to accommodate this new project without any gross changes to capital spending.

Part 2: Economic overview

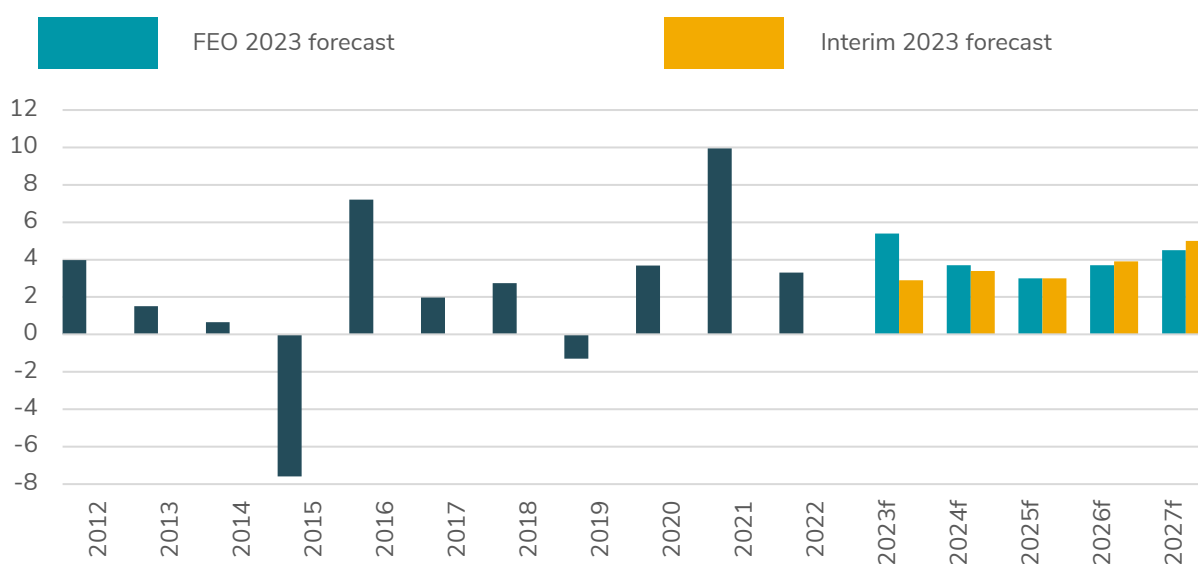
Strong economy continues to grow despite Minto Mine abandonment

The Yukon's economy remains healthy. Tourists have returned in numbers not seen since 2019. There are lots of opportunities for employment, as demand for workers remains strong. The unemployment rate remains the lowest in the country, and employers have had to increase offered wages to fill vacancies. The construction sector has seen record activity as it responds to continued population growth in the territory.

Because of the strength in the rest of the economy, the Yukon is expected to still see growth in real Gross Domestic Product (GDP) in 2023 despite the abandonment of the Minto Mine. Nevertheless, the outlook for real GDP growth in 2023 has been revised down from the 2023–24 Fiscal and Economic Outlook. The revised forecast has Minto's suspension equating to a loss of about \$240 million in mineral production value and \$71 million in real GDP in 2023.

Chart 3. Continued GDP growth despite mine abandonment

Real GDP growth (per cent)



Source: Statistics Canada, Department of Finance

f = forecast

While annual levels are lower over the forecast, the outlook for real GDP remains positive, with annual growth still projected in all years. A resurgence in tourism activity in 2023, and expectations of further gains, is a key driver of the positive forecast.

The Yukon's labour market remains tight

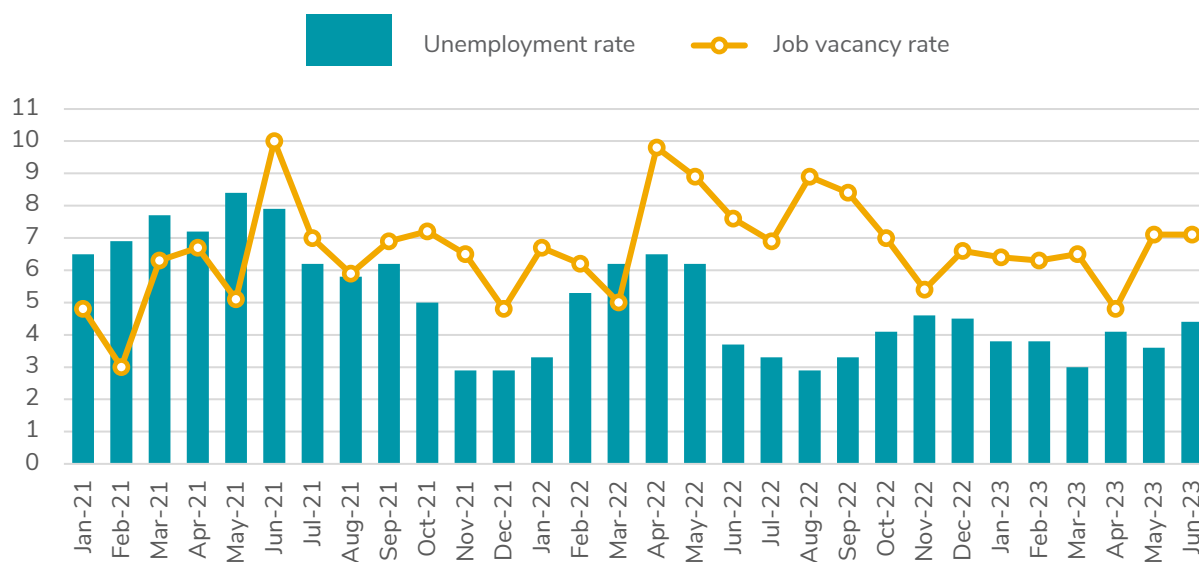
A strong labour market is expected to persist over the medium-term, with further growth in the size of the labour force and employment, along with unemployment rates that will remain among the lowest in the country.

The forecast for 2023 has both the number of employed and the labour force surpassing 2022's record levels, and the unemployment rate coming in at 4 per cent, down from 4.5 per cent in 2022.¹³ Labour market performance over the first nine months supports the positive outlook for 2023, with the Yukon's unemployment rate being the lowest in the country over that period.

Further gains in employment and the persistence of low unemployment rates have been accompanied by high job vacancy rates. This indicates a tight labour market. Job vacancy rates¹⁴ have exceeded the unemployment rate since April 2022, as proportionally more jobs lack workers than workers lack jobs.

Chart 4. Persistent tightness in the local labour market

Labour market indicators (per cent)



Source: Statistics Canada

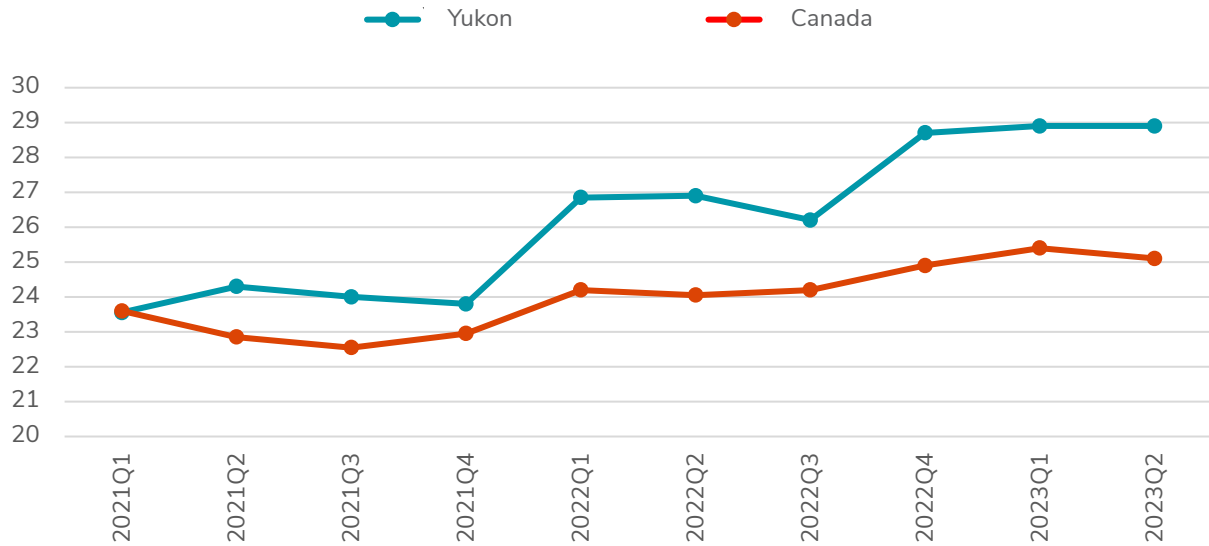
13. On January 30, 2023, Statistics Canada released revisions for the labour force survey for the period 1987 to 2022. As a result, historical data presented in this report may differ from values presented in previous Fiscal and Economic Outlook reports.

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

Competition for limited labour resources is translating into higher wages. The average offered wage for the Yukon in the second quarter of 2023 was \$28.90 per hour. This was the third highest in Canada, and 7.4 per cent higher than the second quarter of 2022.¹⁵

Chart 5. Recent wage growth in the Yukon outpacing national gains

Average offered hourly wage (\$)



Source: Statistics Canada

While earnings for current employees are up in 2023, they have not increased as much as wages offered for new vacancies. Through the first six months of the year, average weekly earnings are up 1.9 per cent.

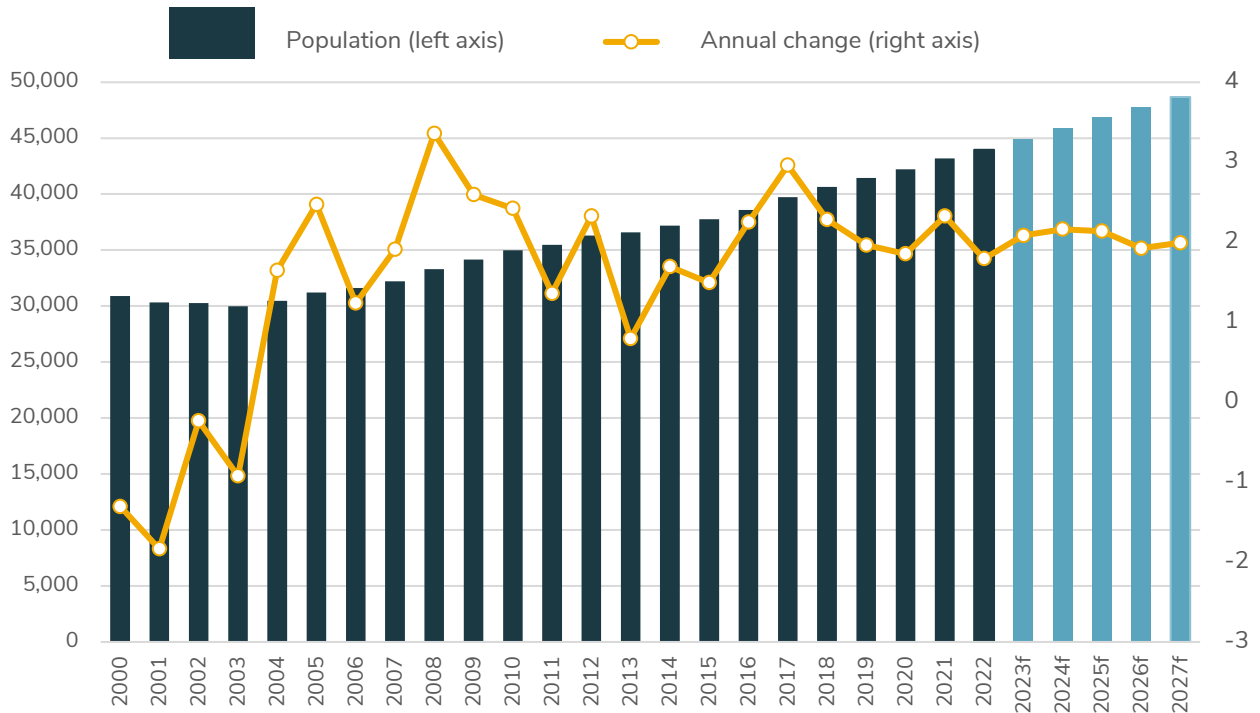
15. Average offered wage data is from Statistics Canada and is available on a quarterly basis starting with the first quarter of 2015. Data for the second quarter of 2023 was the most recent available at the time of writing.

Population gains expected every year of forecast

The population outlook remains unchanged from the budget forecast, with projected growth of 2.1 per cent to bring the Yukon's population to nearly 45,000 in 2023.¹⁶ Continued demand for workers in a tight labour market is expected to draw people to the territory, resulting in average population growth of 2.1 per cent over the forecast.

Chart 6. Population growth to continue over the medium term

Population (persons), annual change (per cent)



Source: Yukon Bureau of Statistics f = forecast

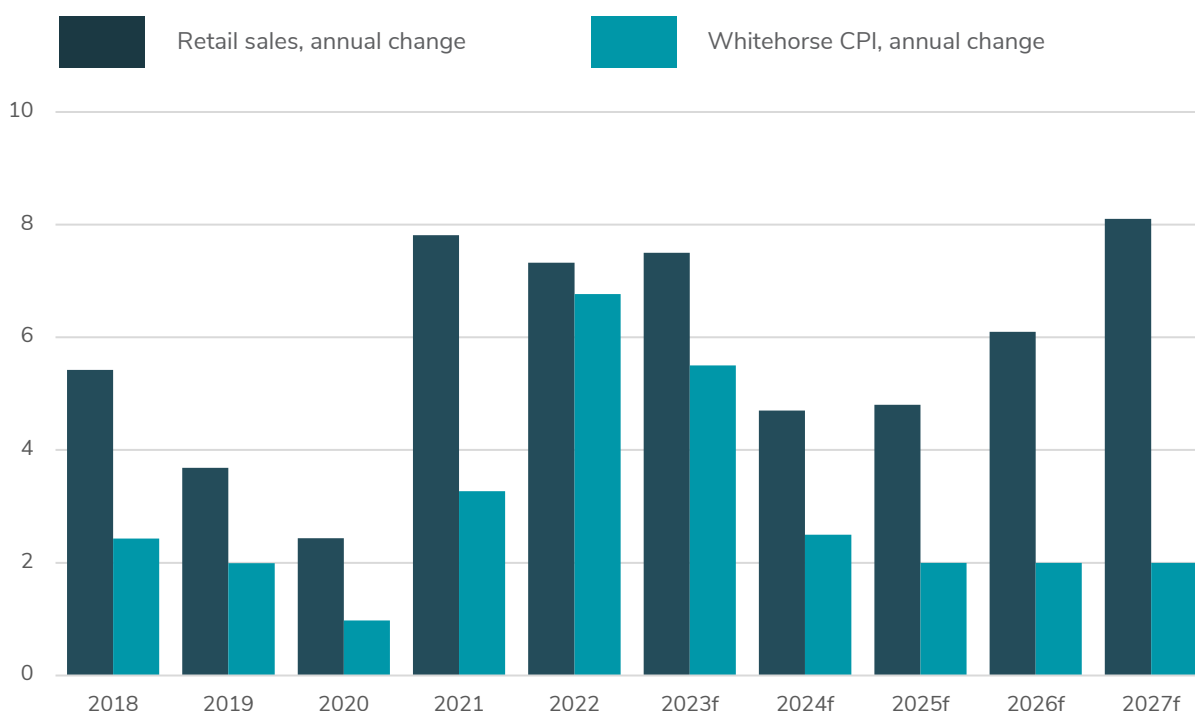
16. June 30 estimates are considered annual estimates.

Higher prices driving recent retail sales growth

Retail sales in the Yukon exceeded \$1 billion in both 2021 and 2022, with sales growing 7.3 per cent to almost \$1.1 billion last year. Growth in 2022 was largely driven by higher prices, and a similar story is playing out to date in 2023. Sales over the first seven months of the year are reported at \$662.3 million, up 7.6 per cent from the same period last year. Over this same timeframe, inflation averaged 5.8 per cent. Prices are expected to be less of a factor in retail sales growth over the forecast period, with retail sales forecast to grow an average of 6.2 per cent per year, ahead of the projected average increase of 2.8 per cent for the Whitehorse Consumer Price Index (CPI).

Chart 7. Retail sales continue to grow, but higher prices supporting recent gains

Retail sales change (per cent), Whitehorse CPI change (per cent)



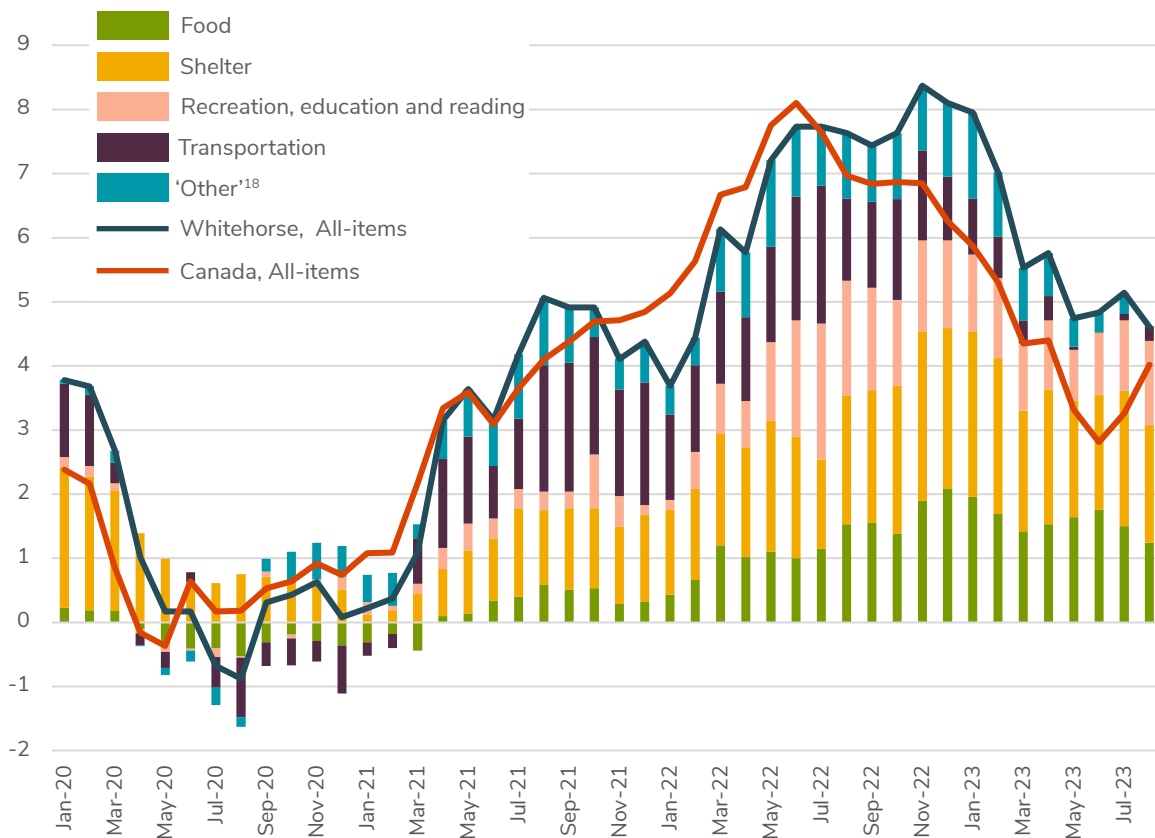
Source: Statistics Canada, Department of Finance f = forecast

Inflationary pressures have remained persistent throughout 2023

Inflation has moderated in 2023, but not as quickly as anticipated at the tabling of Budget 2023–24. Inflation for Whitehorse¹⁷ is now projected to come in at 5.5 per cent in 2023. This is higher than the 3.8 per cent projected in the 2023–24 Fiscal and Economic Outlook.

Chart 8. Local inflation has fallen from the peak in late 2022, but remains elevated

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



Source: Statistics Canada

Robust price growth in the CPI components of ‘food’, ‘shelter’ and ‘recreation, education and reading’ have been prominent drivers of inflation in recent months, and stronger growth in these areas account for much of the difference between the inflation rates reported for Whitehorse and Canada in recent months. As of August 2023, food prices were up 7.2 per cent from August 2022, with price increases affecting food purchased from both grocery stores and restaurants. Various components of shelter costs have been consistently among the top five contributors to inflation

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

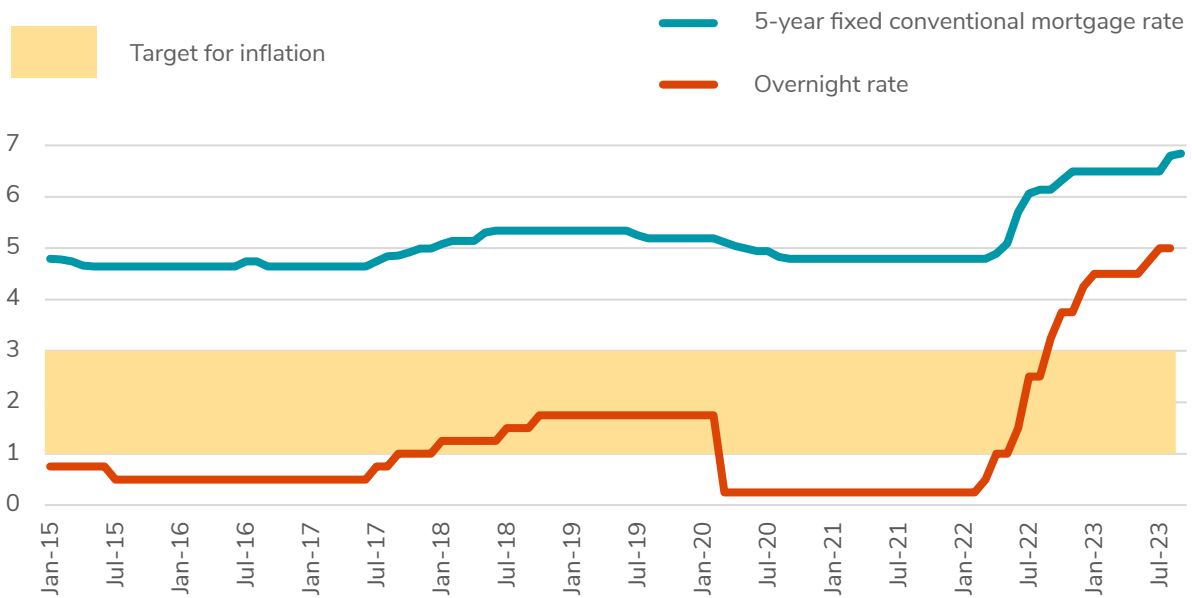
18. ‘Other’ represents the combined contributions of Health and personal care, Household operations, furnishings and equipment, Clothing and footwear and Alcoholic beverages, tobacco products and recreational cannabis.

throughout 2023. In particular ‘rent’, ‘mortgage interest costs’ and ‘homeowner’s replacement costs’.¹⁹ The increase in the ‘recreation, education and reading’ component of CPI was fuelled by demand for traveller accommodations²⁰ due to the resurgence of travel coming out of the pandemic.

Though the increase in consumer costs has been broad-based, there was a notable reduction in the cost of child care in 2023. The child care component of the Whitehorse CPI is down nearly 50 per cent from 2022 due to the Government of Yukon’s Universal Child Care Program, which has seen child care fees fall to less than \$10 per day, on average.

Chart 9. Bank of Canada focused on taming inflation

Select interest rates (per cent)



Source: Bank of Canada

A contraction in Canadian GDP in the second quarter of 2023 and signs that the labour market is cooling prompted the Bank of Canada to maintain the overnight rate at 5 per cent at its September rate announcement. A softening economy should help to release some of the inflationary pressure over the coming months and move the inflation rate back towards historic norms. The Bank’s most recent forecast has Canadian inflation averaging 3.7 per cent in 2023, before declining to 2.5 per cent in 2024.²¹

Inflation in Whitehorse is expected to follow a similar moderation as inflation nationally. The current forecast has inflation averaging 5.5 per cent in 2023, before it further declines to 2.5 per cent in 2024 and 2 per cent in 2025.

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

20. As of 2016, adjustments to account for the fact that a portion of consumer expenditures on accommodations services take place out of the consumer’s province or territory are no longer made.

21. Monetary Policy Report – July 2023. Bank of Canada. (July 12, 2023).

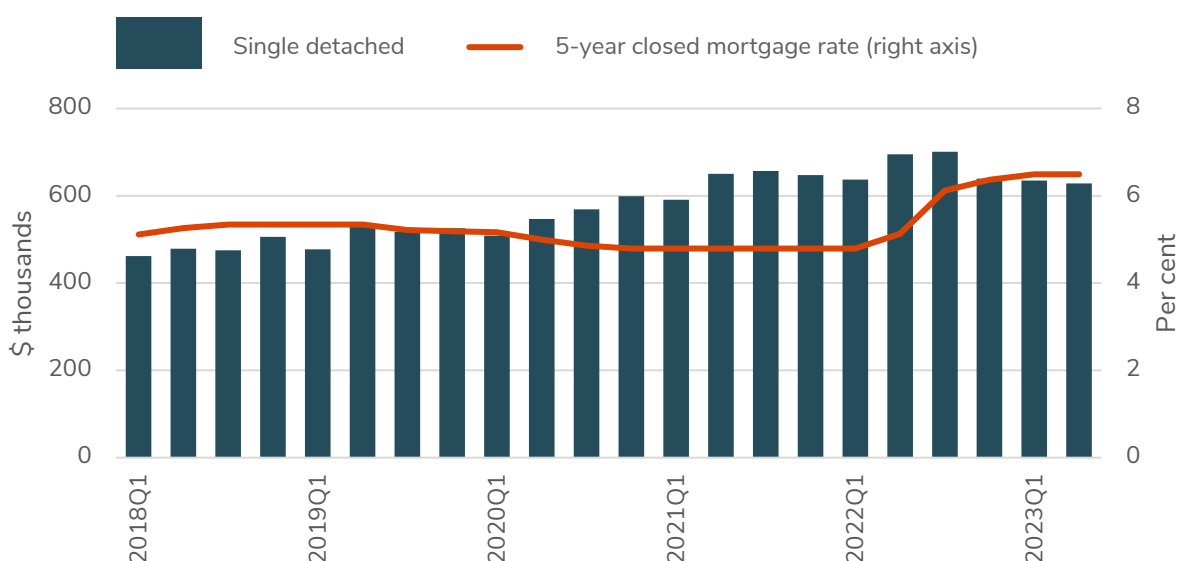
House prices have moderated, but interest rates are increasing financing costs

The average selling price for a single detached house in Whitehorse in the second quarter of 2023 was \$628,700, down 9.6 per cent from the second quarter of 2022. This decline represented the third straight quarter of year-over-year declines in the average sale price. Prior to the contraction in the fourth quarter of 2022, the average price of a single detached home had increased on a year-over-year basis for 23 consecutive quarters.

Recent softening in prices is in response to increasing mortgage rates, which have reached levels not seen since late 2008. For some time, increasing home prices both in Whitehorse, and in larger urban areas in Canada, contributed to declining affordability. More recently, it is increasing mortgage rates that are adding the most to the cost of home ownership.

Chart 10. Recent moderation, but housing prices remain high

Single detached home (average selling price), 5-year closed mortgage rate



Source: Yukon Bureau of Statistics, Bank of Canada

On the rental market side, strong demand and limited supply of vacant units have contributed to upward pressure on rents. The median rent for units in buildings with three-or-more units was \$1,234 in April 2023,²² up 7.3 per cent from April of last year. Vacancy rates also continue to run at near historic lows, with the vacancy rate in buildings with three-or-more units falling to 1 per cent in April 2023, only slightly higher than the record low of 0.8 per cent in April 2022.

22. Yukon Rent Survey April 2023. Yukon Bureau of Statistics. (August 2023).

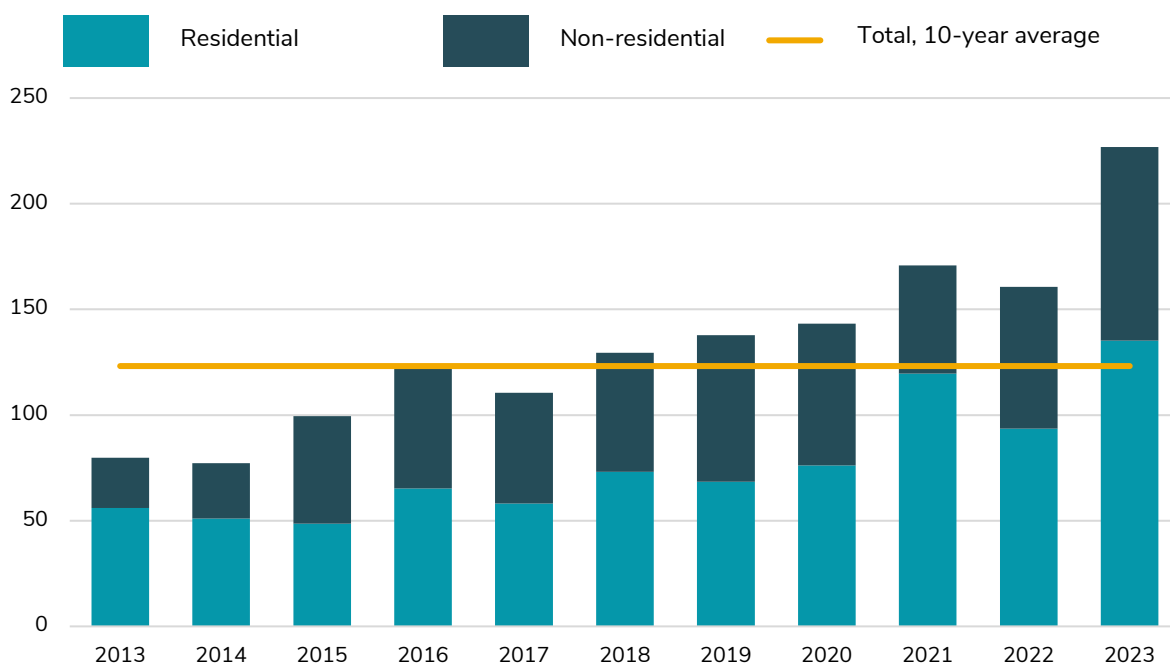
2023 shaping up to be another strong year for construction activity

The market continues to respond to high home prices with increased investment in residential buildings.

Residential investment was strong in the first seven months of the year, up 44 per cent from the same period in 2022. Similarly, residential building permits through the first eight months of the year were up over 19 per cent. Lot development in Whistle Bend took a major step forward this year, after 103 new residential lots were released in the second quarter. This will help to facilitate further residential development over the coming years.

Chart 11. Record building investment in the first seven months of 2023

Investment in building construction, Jan-Jul (\$ millions)



Source: Statistics Canada

Non-residential construction has also been strong in 2023. The value of permits for non-residential buildings issued in the first eight months of 2023 is up 96 per cent from the same period last year. Permits for commercial buildings have fuelled gains, with commercial permits up nearly 112 per cent and accounting for 56 per cent of non-residential permits so far in 2023. Government-related building permits through August came in at \$93.9 million, representing nearly 44 per cent of the value of all non-residential building permits.

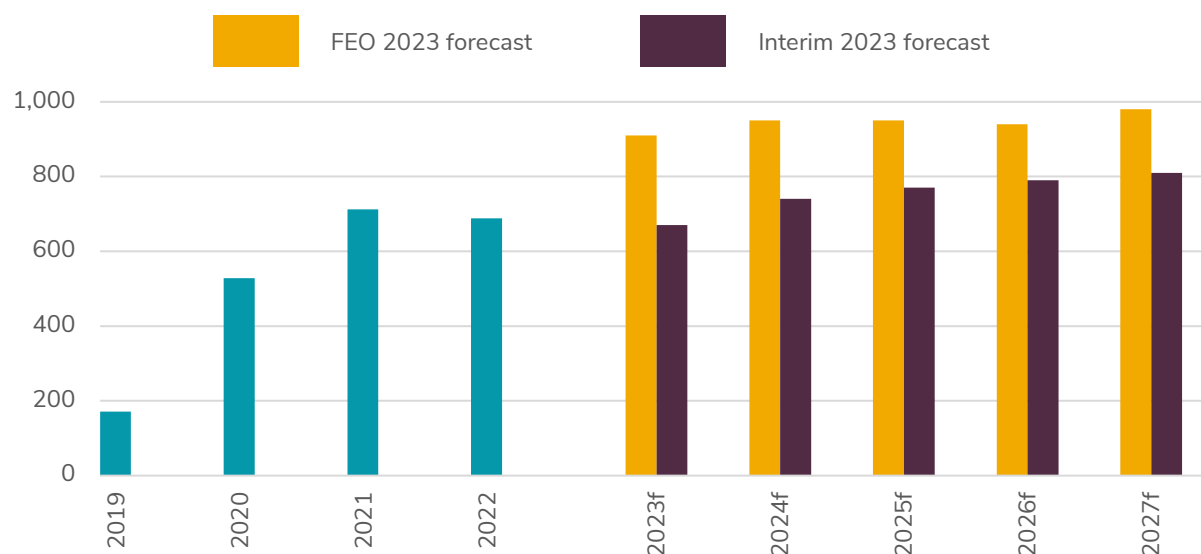
Higher input and labour costs remain a factor driving some of the gains in construction spending, but recent data suggests that growth is slowing. Following a string of quarters of double-digit, year-over-year growth, the national building construction price index for residential buildings grew 7.5 per cent in the second quarter of 2023.²³ Similar growth in the same quarter was noted on the non-residential building side, which was up 7 per cent.

Minto Mine suspension to weigh on mineral production over the medium-term

The abandonment of the Minto Mine in mid-May resulted in the suspension of operations of a mine that had made notable contributions to the territory’s mineral production since it began producing in September 2007. The suspension of operations represents a major change in the mining sector outlook since the 2023–24 Fiscal and Economic Outlook (FEO) was released in March. The loss of Minto is expected to equate to a \$950 million loss in mineral production value over the forecast.

Chart 12. Minto suspension a significant drag on the mineral production forecast²⁴

Value of production (\$ millions)



Source: Department of Finance

f = forecast

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

24. Due to data suppression of Statistic Canada’s estimates, data presented for 2019–2022 are based on internal estimates.

The impacts of Minto's suspension on employment are likely to be limited. At the time operations ceased, the mine supported approximately 180 positions. JDS Mining was initially contracted under a short-term contract to continue with water treatment, environmental management and to secure critical resources and subcontractors, including retaining a portion of the mine's staff for ongoing care and maintenance.²⁵ This contract ended on July 27, 2023, when Boreal Engineering took over as the site operator. Given the Yukon's strong labour market, it is likely many former employees of Minto were quickly absorbed back into the workforce.

Positive news for the local mining sector came with the resumption of production at the Keno Hill mine in the second quarter of 2023. Hecla Mining Company reported production of over 184,000 ounces of silver in the second quarter as the operation began efforts to ramp up to full production. Hecla expects to reach full production of 440 tonnes per day by the end of the year, with total silver production forecast at 2.5 million ounces in 2023.²⁶ This is well above the 272,655 ounces produced in 2022, when production was suspended for much of the year.

Further good news comes from the Eagle Gold project, with Victoria Gold Corp. reporting production of 83,188 ounces of gold in the first six months of the year, much higher than the 56,413 ounces produced in the same period of 2022. Higher production in 2023 is attributed to a move to year-round stacking, improved heap leach pad operations over the winter period in 2023, and higher gold inventory on the heap leach pad. The strong first half production offset the effect of wildfire evacuations in late July and early August.²⁷

The outlook for gold prices has improved markedly, with prices in 2023 now expected to average well over \$1,900 USD per ounce, approximately \$170 USD per ounce more than when the last forecast was completed. Silver and copper have also seen improved expectations for 2023 and beyond. Chart 13 shows a more bullish outlook for all metals in question, with higher prices now expected in every year over the forecast horizon.

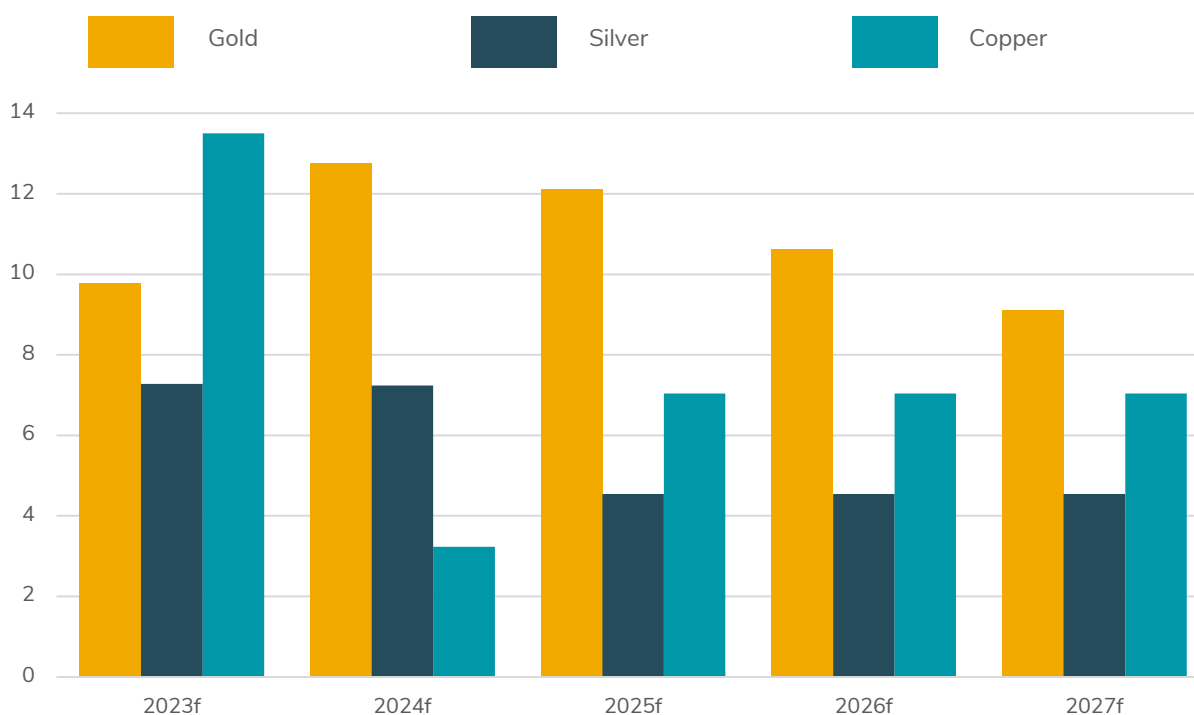
25. Mining company that abandoned Minto mine owes \$18M in securities to Yukon Government (May 19, 2023). [Whitehorse Star](#).

26. News release – Hecla Announces Second Quarter Production (July 13, 2023). [Hecla Mining Company](#).

27. News release – Victoria Gold: 2023 Second Quarter Results (August 9, 2023). [Victoria Gold Corp.](#)

Chart 13. Assumptions for key metals prices have improved since last forecast²⁸

Metal price assumptions, change since March 2023 FEO (per cent)



Source: Department of Finance f=forecast

An improved outlook for prices of prominent metals produced locally counters some of the losses in production value due to the Minto Mine ceasing operations. Even with a substantial decrease in mineral production, production values are projected to grow over the final four years of the forecast.

On the exploration side, recent estimates from Natural Resources Canada suggest that spending has fallen after two years of growth. Spending intentions for mineral exploration of near \$145 million in 2023, are below estimated spending of \$163.1 million in 2022. Wildfire activity in 2023 may have an impact on overall exploration spending this year.

28. Metal prices forecasts are informed by various public forecasts, including Canada's major banks, the World Bank and the International Monetary Fund.

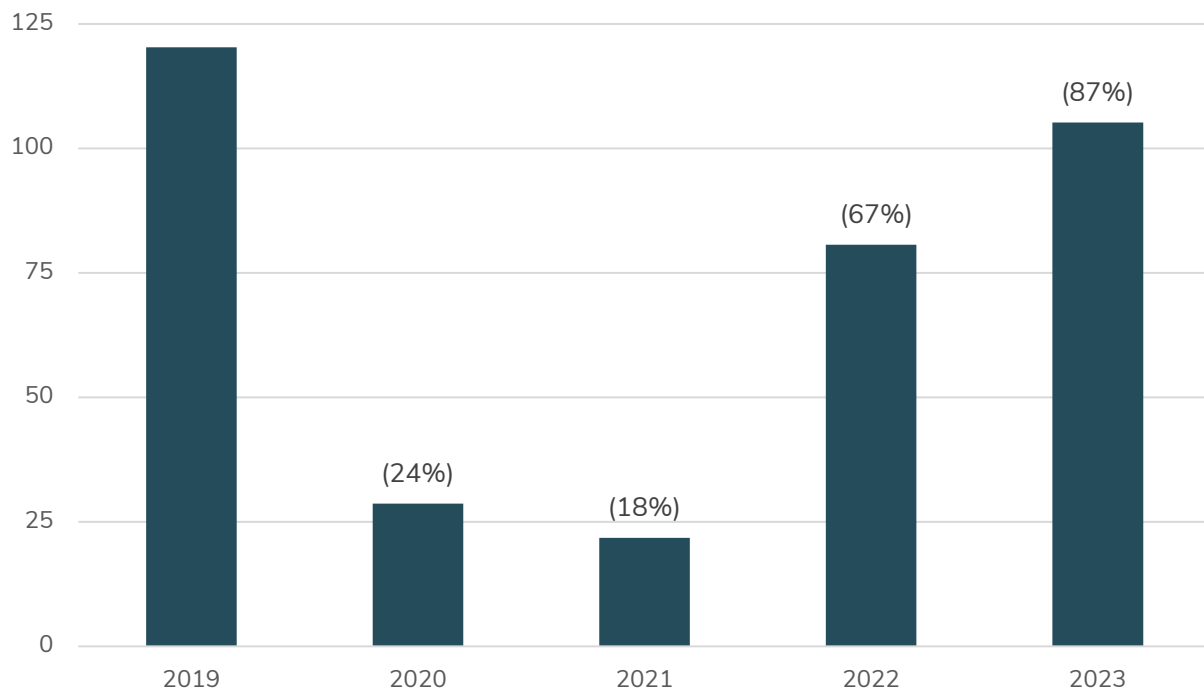
Tourism sector recovery is well underway

Tourism continues to recover from the historic travel disruption experienced during the worst of the pandemic, as demonstrated by improvements in key measurements of performance.

Air arrivals at the Erik Nielson Whitehorse International Airport are much improved in 2023, with a strong uptick in the first seven months of the year.

Chart 14. Air arrivals in 2023 moving towards pre-pandemic levels

Arrivals (deplaning passengers, thousands), Jan-Jul



Source: Highways and Public Works, Tourism and Culture

Figures in parenthesis represent the percentage of 2019 Jan-Jul arrivals for the years in question.

The more than 105,000 arrivals noted so far this year reflect an increase of 30 per cent from the same period of last year and represents over 87 per cent of the pre-pandemic arrivals noted in the same period in 2019. In addition to being much stronger than 2022, arrivals in the first seven months of the year are also the third highest on record.

Much like air arrivals, year-to-date border crossings are stacking up well with pre-pandemic performance. After a five-fold increase in 2022, the number of international border crossings into the territory has seen further growth in the first seven months of 2023, with over 255,000 crossings. This is about 2.7 times the number of crossings reported for the same period of last year, and while still trailing pre-pandemic levels, year-to-date border crossings in 2023 represent over 83 per cent of crossings noted in the same period of 2019, and dwarf the levels of visitation noted in the three previous years when pandemic restrictions were in place.

The improvement in border crossings and air arrivals are signs of recovery in tourism activity. A much busier cruise ship season in Skagway, Alaska, and the White Pass Railroad's resumption of service to Canada this summer, are also evidence of a return to normalcy for the tourism sector.

Further gains in tourism are expected over the near term. The July 2023 Yukon Travel Markets Outlook from the Conference Board of Canada notes much-improved visitation this year, as well as improved projections for 2024 and 2025. The return of international visitation, a prominent driver of overall visitation, is expected to continue over the next two years. The Conference Board of Canada is projecting a return to same-day visits from the US to reach pre-pandemic levels next year, with overnight visitation from both US and overseas to return to 2019 levels by 2025.²⁹

29. *International Visitors Heading North Again – Yukon's Travel Markets Outlook to 2027*. The Conference Board of Canada. (July 27, 2023).

Appendix:

Key economic indicators

	2021	2022	2023f	2024f	2025f	2026f	2027f
Gross Domestic Product (GDP)							
Real GDP (2012\$ millions)	3,045	3,146 (f)	3,237	3,346	3,445	3,581	3,761
Per cent change	10.0	3.3	2.9	3.4	3.0	3.9	5.0
Nominal GDP (\$ millions)	3,704	4,078 (f)	4,421	4,681	4,916	5,206	5,570
Per cent change	14.3	10.1	8.4	5.9	5.0	5.9	7.0
Mineral production							
Metal production (\$ millions)	710	690	670	740	770	790	810
Labour market							
Labour force*	24,000	24,400	24,900	25,500	25,900	26,400	27,200
Employment*	22,600	23,400	24,000	24,100	24,500	25,200	26,000
Unemployment rate	6.3	4.5	4.0	5.3	5.4	4.8	4.3
Participation rate	73.2	73.1	72.9	72.9	72.5	72.4	72.7
Income							
Household income (\$ millions)	2,440	2,672	2,881	3,028	3,179	3,408	3,695
Per cent change	11.4	9.5	7.9	5.1	5.0	7.2	8.4
Consumers							
Consumer price inflation [^]	3.3	6.8	5.5	2.5	2.0	2.0	2.0
Retail sales (\$ millions)*	1,010	1,090	1,170	1,220	1,280	1,360	1,470
Population							
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
Key assumptions							
Gold (USD/t oz)	1,800	1,809	1,932	1,883	1,850	1,825	1,800
Silver (USD/t oz)	25.15	22.16	23.44	23.25	23.00	23.00	23.00
Copper (USD/lb)	4.23	3.99	3.95	3.83	3.80	3.80	3.80
Zinc (USD/lb)	1.36	1.58	1.20	1.20	1.20	1.20	1.20
Lead (USD/lb)	1.00	0.97	0.95	0.94	0.98	0.98	0.98
Can/US exchange rate	0.80	0.77	0.75	0.77	0.78	0.78	0.78

f = forecast

[^] = 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 various public forecasts, including Canada's major banks, the World Bank and the International Monetary Fund. All other forecasts are produced by the Department of Finance's Economic Research branch based on data available as of September 22, 2023.