2004
Investment and Economic Analysis
Resources Wildlife and Economic Development

NWT Economic Trends

Community Employment

issue 4 third | quarter

Based on the 2004 Labor Force Survey, the NWT has created 1320 net new jobs since 1999. The table below highlights employment changes by economic region.

Employment declined significantly in the Sahtu region, and to a lesser extent in the South Slave. In the South Slave, there were large employment gains in Lutselk'e and Fort Resolution.

In the Sahtu, only Colville Lake had large employment growth over the 1999-2004 period. Employment increased from 29 in 1999 to 39 in 2004. There were declines in Deline, Fort Good Hope and Norman Wells employment.

There was employment growth in the Beaufort Delta/Inuvik region. The largest percentage gain was in Tsiigehtchic. The largest decline was in Fort McPherson.

Yellowknife, North Slave and the Deh Cho regions had the largest employment gains. Of these, Yellowknife created 1,030 new jobs or 78% of the NWT total.

In the North Slave region, employment grew significantly in Rae-Edzo, Rae Lakes and Wha Ti. The only community with an employment decline in this region was Detah, which may indicate a labour force movement to Yellowknife.

In the Deh Cho, employment gains were most evident in Fort Simpson, Fort Liard and the Hay River Reserve.

As shown in the table, labour force growth over the 1999-2004 period was 605, less than half of total employment growth. In the Sahtu and South Slave regions the labour force declined.

These trends seem to indicate significant positive impacts from diamond mine employment and investment in the North Slave and Yellowknife regions. These two regions accounted for almost 90% of the Territory's employment growth over the past five years.

Region	1999	2004	Net Jobs	Regional Growth	Share of NWT Job Growth	Share of NWT Jobs 2004	Labour Force Growth 2004-1999
Yellowknife	10,440	11,470	1,030	9.9%	78.0%	54.0%	748
South Slave Area	3,499	3,475	-24	-0.7%	-1.8%	16.4%	-118
Beaufort-Delta Area	2,897	3,019	122	4.2%	9.2%	14.2%	28
Deh Cho Area	1,252	1,378	126	10.1%	9.5%	6.5%	93
Sahtu Area	1,194	1,114	-80	-6.7%	-6.1%	5.2%	-199
North Slave Area	640	786	146	22.8%	11.1%	3.7%	53
Total	**19,922**	**21,242**	**1,320**	**6.6%**	**100.0%**	**100.0%**	**605**

Source: NWT Bureau of Statistics

Day Care Costs in the NWT

Costs in Yellowknife are average for Canadian cities

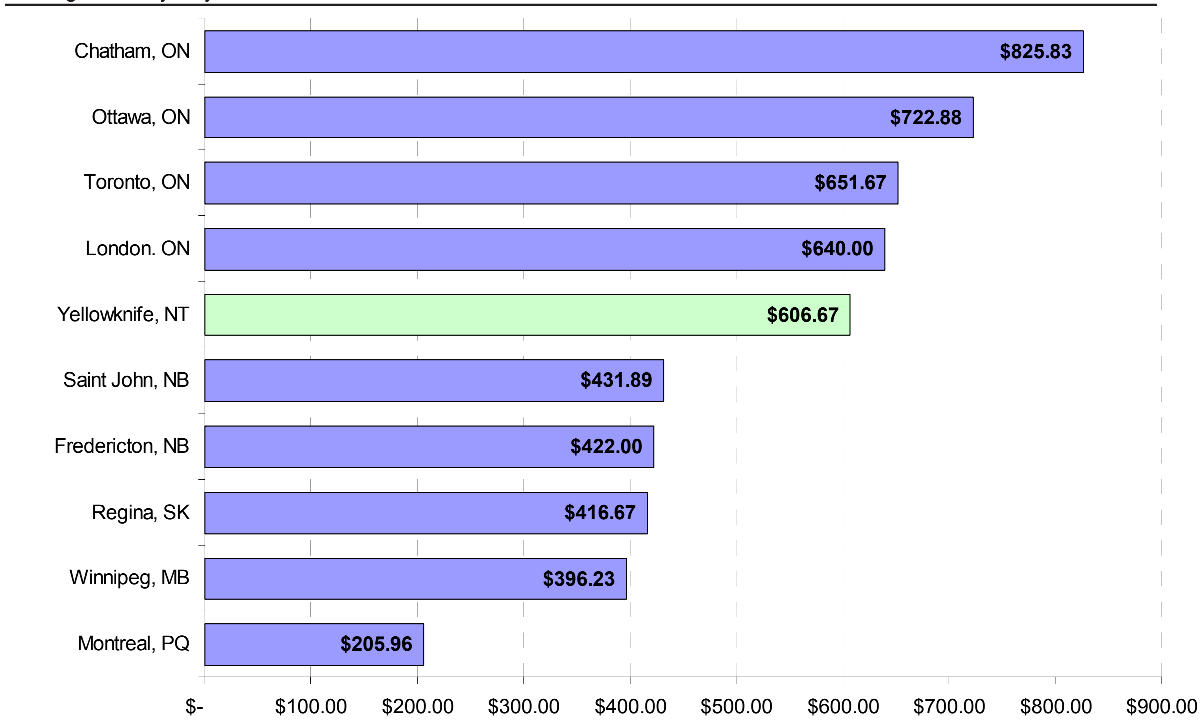
Management-consulting firm, Runzheimer Canada Inc., specializes in national and international cost comparisons. Their statistics are used by large companies and governments when assessing differentials for employee relocation, site selection, moving, vehicle purchases, management, etc.

Stemming from their research in Canada, Runzheimer released a short report in the first quarter of 2004 that indicated day care costs could more than quadruple their lowest findings depending on where you live. The research was based on the need for full-time day care (five days a week, for eight hours a day, for one month) for a three-year-old child at a profit seeking daycare centre.

Montreal appeared to be an exception to the daunting expense associated with childcare, offering the lowest rate for the set criterion at approximately $206 for the month. Ontario was found to be the highest in the country, with a rate three or four times higher than Montreal.

Closer to home, the analysis shows the daycare costs in Yellowknife are in the middle of the cost range and average approximately $607 for the month. Although there is some comfort in knowing Yellowknife is not subject to paying the highest rates, its rates are considered to be in the higher range. This is a concern where more than one child in a household requires childcare, or where single parent-single income households are concerned.

Average Monthly Day Care Costs in Canada



Source: Runzheimer International. http://www.runzheimer.com/corpc/news/scripts/011604c.asp

Population Distribution

Yellowknife's share of the population is increasing

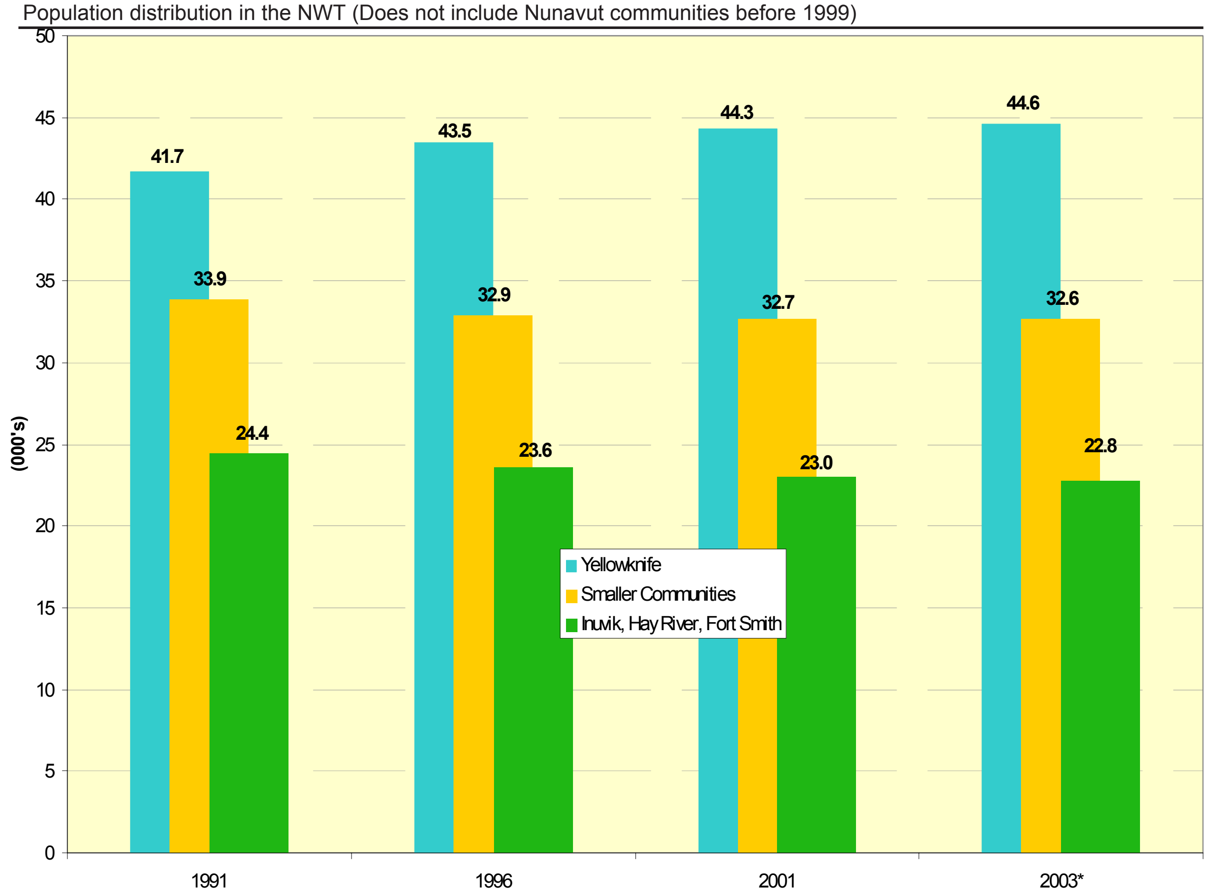
On April 1, 2004, Statistics Canada estimated the population of the Northwest Territories to be 42,274. This shows an annual growth rate for the Northwest Territories at 1.3% compared to 0.9% for Canada.

Between April 1, 2003 and April 1, 2004, the population of the Northwest Territories increased by 555 persons, from 41,719 to 42,274. This growth resulted from a natural increase of 463 persons, augmented by an increase of 92 persons through migration.

There is significant mobility in the NWT population. Within Canada, 2,781 persons moved into the Northwest Territories, 2,868 persons moved away, for a net loss of 87 residents. However, this was offset by an a net gain of 179 persons from other countries.

The chart below shows the population between 1991 and 2003. Like other regions of Canada, the NWT is becoming more urbanized. However, the relative shift is small. In fact, Yellowknife's population is the only one increasing. There has been a overall slight decline in both regional and in smaller communities. The declines in smaller community population has been relatively minor. It is likely the growth in Yellowknife is linked to the development of diamond mining and subsequent growth in the business community.

Population distribution in the NWT (Does not include Nunavut communities before 1999)



Manufacturing

2004 survey of manufacturing businesses by RWED highlights concerns over wages, cost of goods and taxes

In the May 2002 report for RWED, the Conference Board of Canada describes the NWT's manufacturing sector as:

"…underdeveloped, with almost all manufactured goods being imported from the south. Indeed, the fact that a manufacturing sector exists in the NWT is a tribute to the skills of local entrepreneurs in overcoming barriers posed by distance from markets and high transportation costs."

"The sector's output of $7 million represented just 0.3% of the Territory's GDP in 2001. This contribution, though small, is important in that the manufacturing sector is one that contributes more in net inflows to the economy as a basic industry or primary economic generator, than would a support industry."

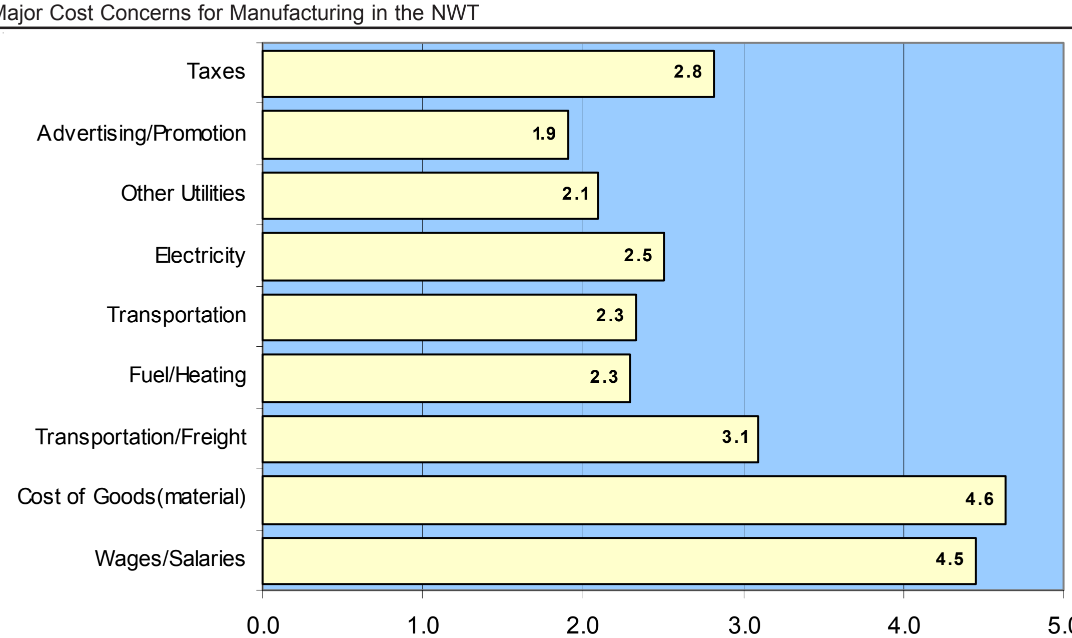
In some cases, large retail or wholesale companies whose core business is the distribution of southern goods will manufacture one or two products to meet a very specific demand. For example, one building supply store in Yellowknife (Johnson's) manufactures core boxes and stakes for the mining industry. Overall it is estimated 5% of all NWT firms are engaged in some form of manufacturing.

Manufacturers range in size from a small one person shop to major diamond polishing facilities with more than 40 employees.

NWT manufacturing is also relatively diverse; the range of products includes diamonds, tents, roof trusses, concrete, kitchen cabinets, herbal teas and prints.

In June 2004, a survey of manufacturing businesses was undertaken to gain a better understanding of industry challenges. More than 30 NWT firms were asked to participate with a 37% response rate. Manufacturers were provided with a list of eight costs or expenses and asked to rank the relative importance of each. The chart below summarizes the results. As shown, the three primary concerns are cost of goods, wages/salaries and transportation costs.

Major Cost Concerns for Manufacturing in the NWT



Manufacturing
survey results continued

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"The ability to hold onto good employees with the ups and downs of our type of business is difficult. Without long-term contracts it is difficult to pay competitive wages causing employees to "shop around" for slightly higher wages and making it very difficult to complete jobs on time and budget.

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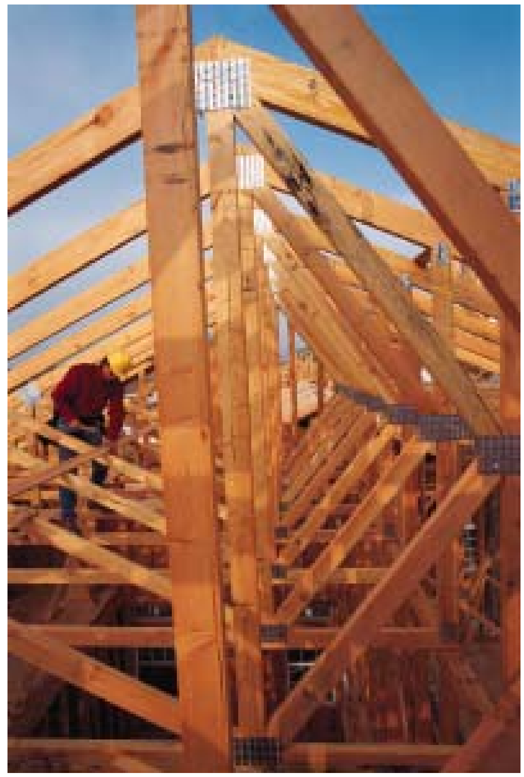


Trusses manufactured in the NWT

Manufacturers Collective Response to Questions on Expenses

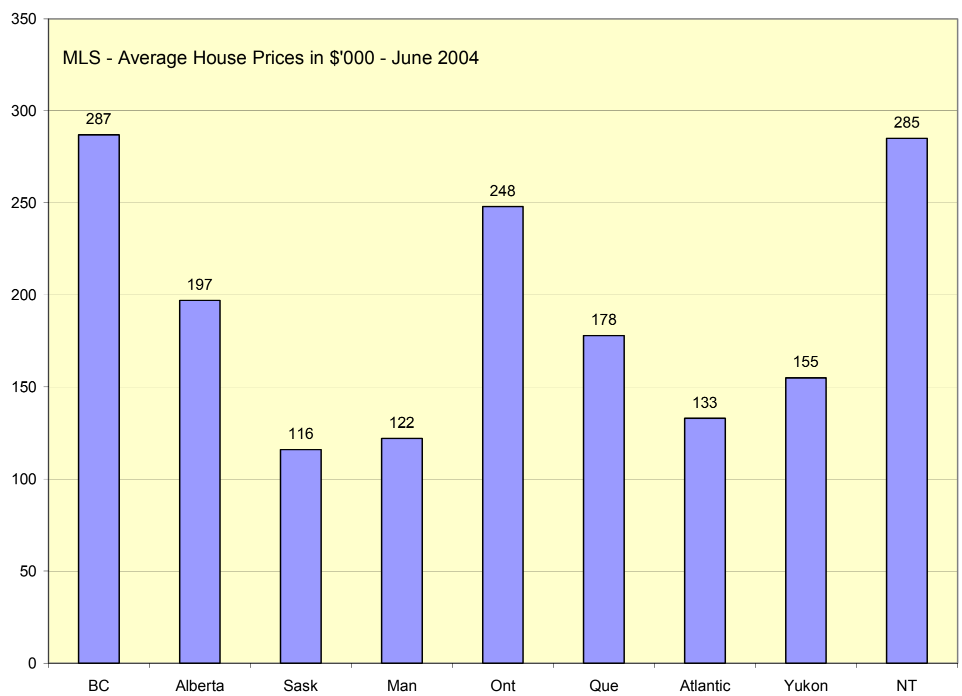
Expense	SCALE				
	5	4	3	2	1
Wages/Salaries	64%	18%	18%	0%	0%
Cost of Goods(material)	73%	18%	9%	0%	0%
Transportation/Freight	27%	18%	36%	9%	9%
Fuel/Heating	10%	10%	20%	20%	40%
Transportation	0%	11%	33%	33%	22%
Electricity	20%	0%	30%	10%	40%
Other Utilities	10%	0%	30%	10%	50%
Advertising/Promotion	9%	0%	27%	0%	64%
Taxes	27%	0%	36%	0%	36%

Increasing NWT House Prices

Data from MLS indicates strong NWT housing demand

Each month, the Canadian Real Estate Association compiles the statistics of homes and properties sold through the Multiple Listing Service ® system. This provides an overview of the housing market in Canada, and tracks market trends for prices and properties. Across Canada, real estate prices are setting new records. This is partly the product of improving economic conditions and low interest rates. As of June 2004, prices in the NWT averaged $285,000, the second highest in Canada. (In the NWT, MLS listings are largely limited to Yellowknife and Hay River)

Between June 2003 and June 2004, prices in NWT increased, on average, by 38%, far higher than any other province or territory. At the same time, the volume and availability of housing for sale (under MLS) declined; the average number of units for sale under MLS declined from 23 in June 2003 to 5 in June 2004.



Distribution of Income

Increased resource employment opportunities are improving income distribution patterns in the NWT

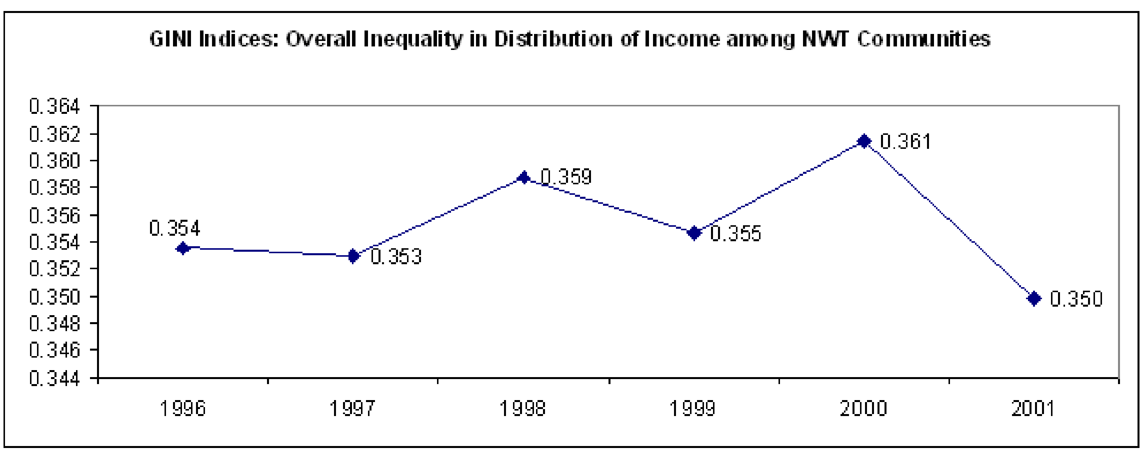
Income distribution is an important economic and social indicator. High levels of income inequality can indicate economic, educational, social and other problems.

The Lorenz curve is used to calculate a Gini coefficient, which is a numerical interpretation of the level of distribution of wealth. A Gini Coefficient is a number between zero and one that measures the degree of inequality in the distribution of income. The coefficient would register zero (0.0 = perfect equality) for an area in which each member received exactly the same income. It would register a coefficient of one (1.0 = maximum inequality) if one member got all the income and the rest got nothing.

With the information available from the 2001 census, it was possible to chart a Lorenz curve for each year (1994-2001) and compute a corresponding Gini coefficient to view the overall level of distribution of wealth among communities. It was observed that, during this period, the overall distribution varied quite dramatically. The Gini ranged from 32.5-34.9 with an average coefficient of 33.5. This can be viewed as dramatic variation as a 0.1% change in a Canadian Gini Index is to be considered statistically significant.

Illustrated in the chart below we are able to see that until roughly 2000, the NWT had been experiencing an increase in disparity of income, which means fewer communities were receiving a relatively large proportion of overall income.

This started to change in 2000 when there was a shift in the direction of the Gini. This, for the most part, can be attributed to the increased exploration of natural resources in the NWT, along with the construction and ongoing production of the Diavik Diamond mine.



Exploration Expected to Increase

The NWT is poised for another record year of exploration.

In 2003, according to preliminary estimates, the NWT ranked fifth in Canada in exploration and deposit appraisal expenditures. As shown in the table below, only Ontario, Quebec, Nunavut and British Columbia had higher expenditures. Exploration and deposit appraisal expenditures includes both on-mine-site and off-mine-site costs. These costs include field work, overhead costs, engineering, economic and pre- or production feasibility studies, environmental, and land access costs that are incurred by the private sector.

These investments were declining from 2001, when the Northwest Territories was ranked third in Canada in exploration and deposit appraisal expenditures. Since 2001, Nunavut and BC have surpassed the NWT in these expenditures. But, in 2004, the Northwest Territories is expected to once again surpass Nunavut and BC with a growth rate of 122%, seeing expenditures increase to $110.4 million in 2004 from $49.8 million in 2003. This dramatic increase is due to the Snap Lake diamond project resuming major spending on off-mine-site deposit appraisal (a pre-production trial mining program) in 2004.

Mineral Investment Intentions in $millions

EXPLORATION AND DEPOSIT APPRAISAL EXPENDITRES,[1] BY PROVINCE AND TERRITORY, 2001-2004

Province / Territory	2001 ($ millions)	2001 (%)	2002 ($ millions)	2002 (%)	2003[a] ($ millions)	2003[a] (%)	2004[b] ($ millions)	2004[b] (%)
Labrador	28.4	5.5	44.2	7.7	21	3.3	30.9	3.9
Nova Scotia	2.8	0.5	3.4	0.6	6.6	1	11.3	1.4
New Brunswick	9.5	1.8	3.2	0.6	2.4	0.4	18.8	2.4
Quebec	102.9	20.1	111.2	19.4	150	23.4	164.2	20.7
Ontario	113.6	22.2	139	24.2	190.8	29.8	201.9	25.4
Manitoba	28.7	5.6	29.8	5.2	25.9	4	30.2	3.8
Saskatchewan	37.5	7.3	41.4	7.2	42.4	6.6	51	6.4
Alberta	4.5	0.9	5.6	1	4.8	0.7	5.1	0.6
British Columbia	29.1	5.7	39.2	6.8	49.9	7.8	54.2	6.8
Yukon Territory	7.8	1.5	7.8	1.4	12.3	1.9	19.4	2.4
Northwest Territories	86.6	16.9	72.7	12.7	49.8	7.8	110.4	13.9
Nunavut	61.3	12	75.9	13.2	85.4	13.3	97.8	12.3
Total	**512.9**	**100**	**573.4**	**100**	**641.3**	**100**	**795.2**	**100**

Source: Natural Resources Canada, from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures.

a Preliminary estimates

b Spending intentions

Notes: Numbers may not add to totals due to rounding. Exploration and deposit appraisal activities include only the search for and appraisal of deposits and do not include work for extensions of known reserves.

Key Contacts

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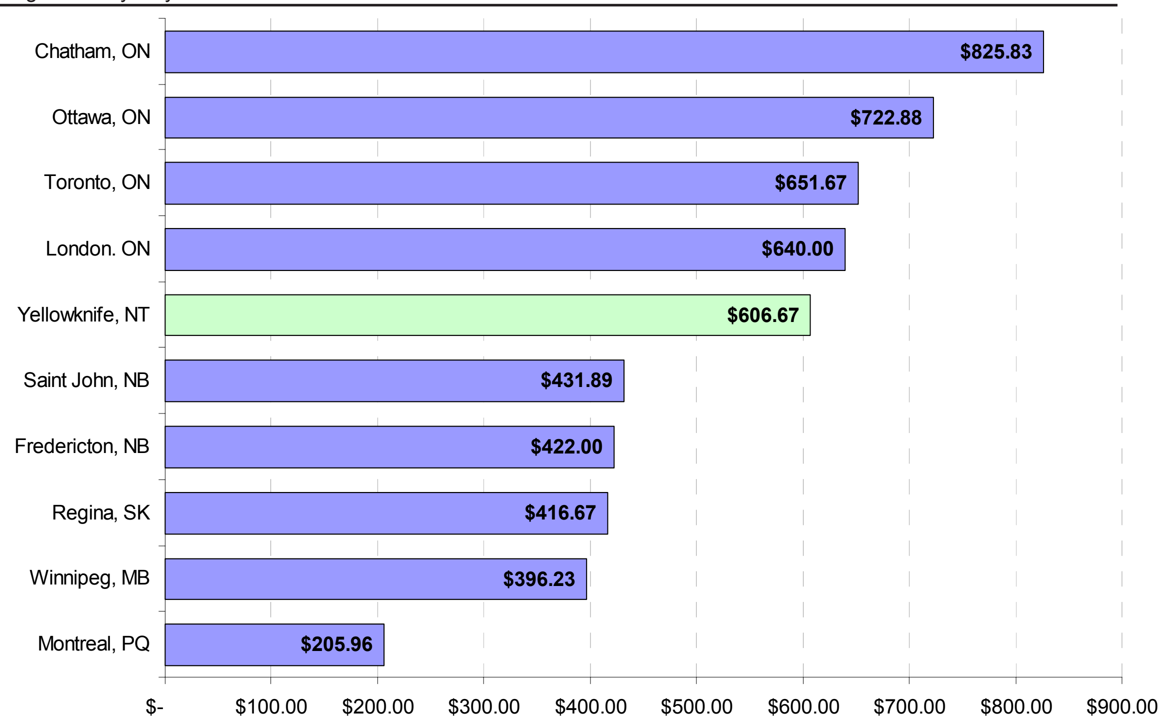

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Yellowknife's share of the population is increasing

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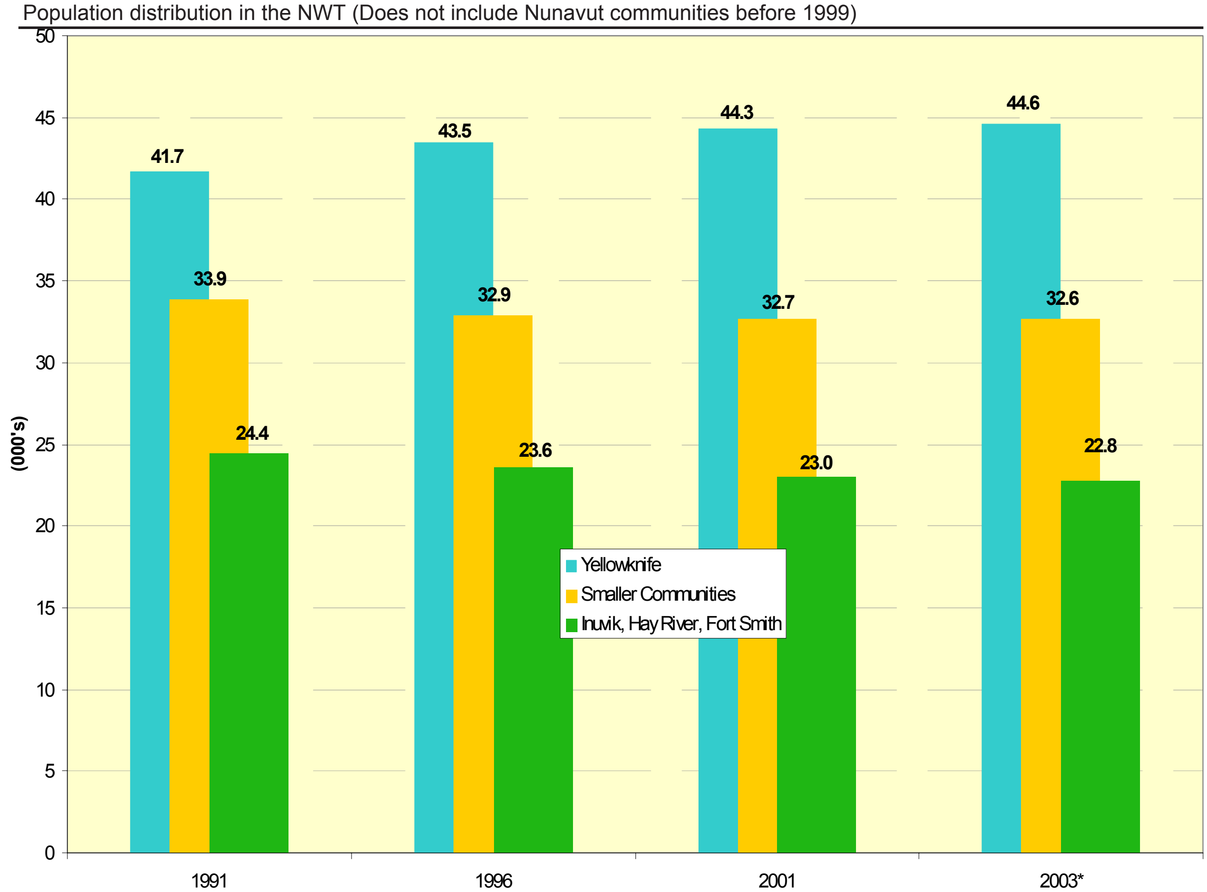

Manufacturing

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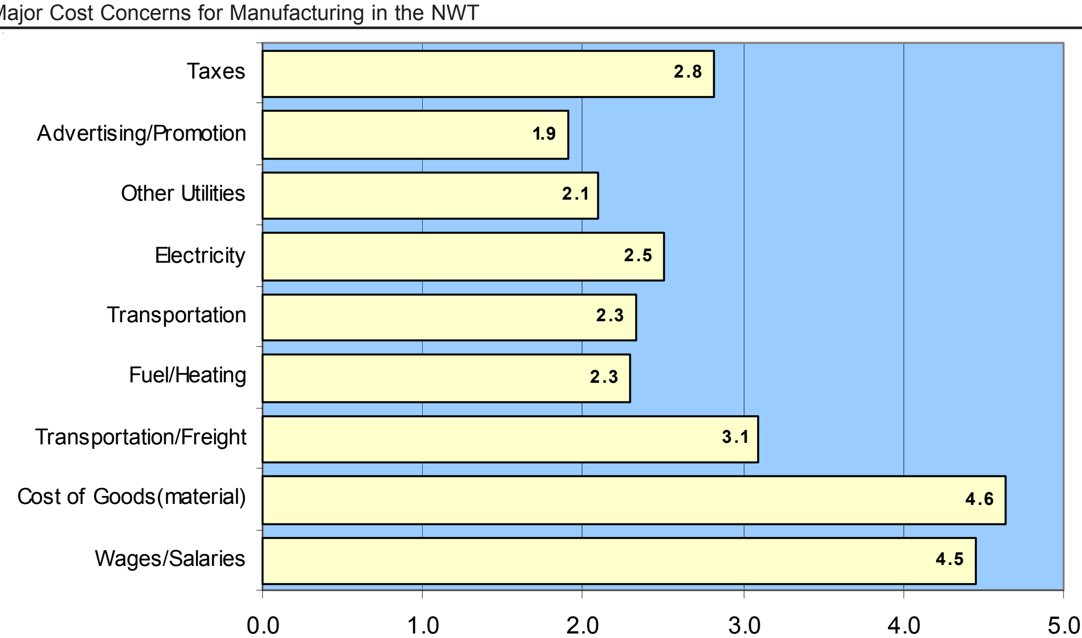

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survey results continued

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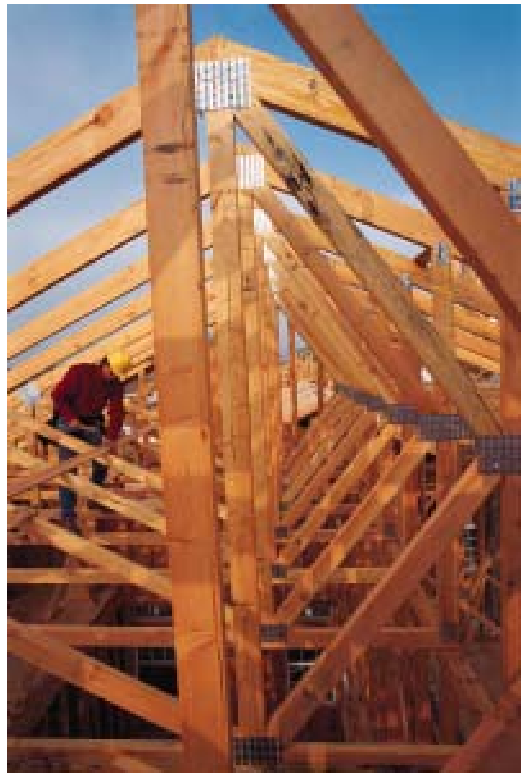

Trusses manufactured in the NWT

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Data from MLS indicates strong NWT housing demand

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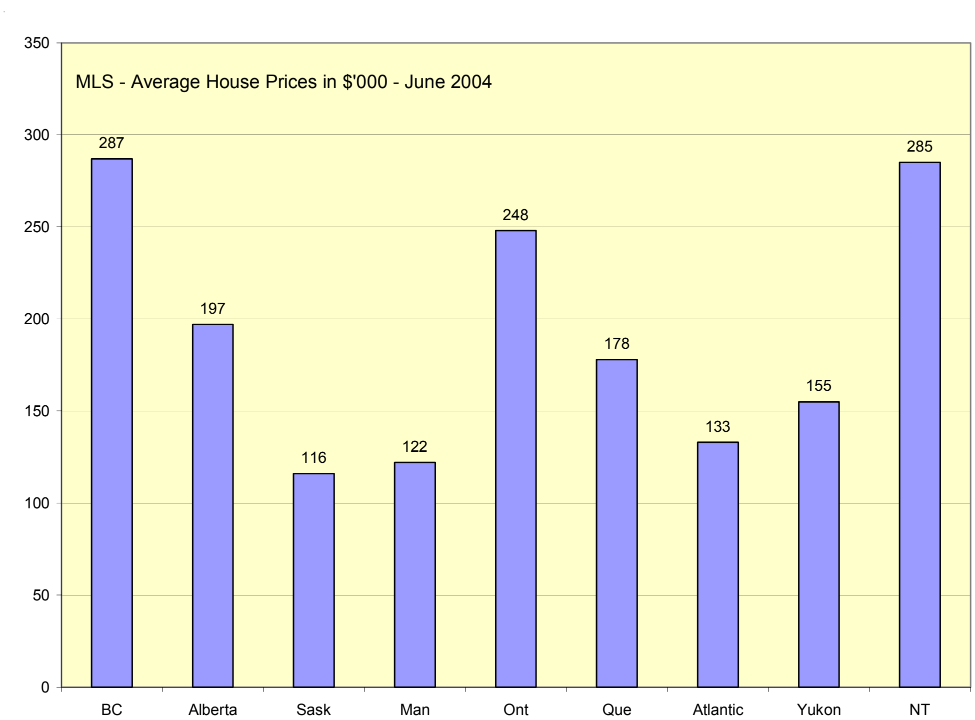

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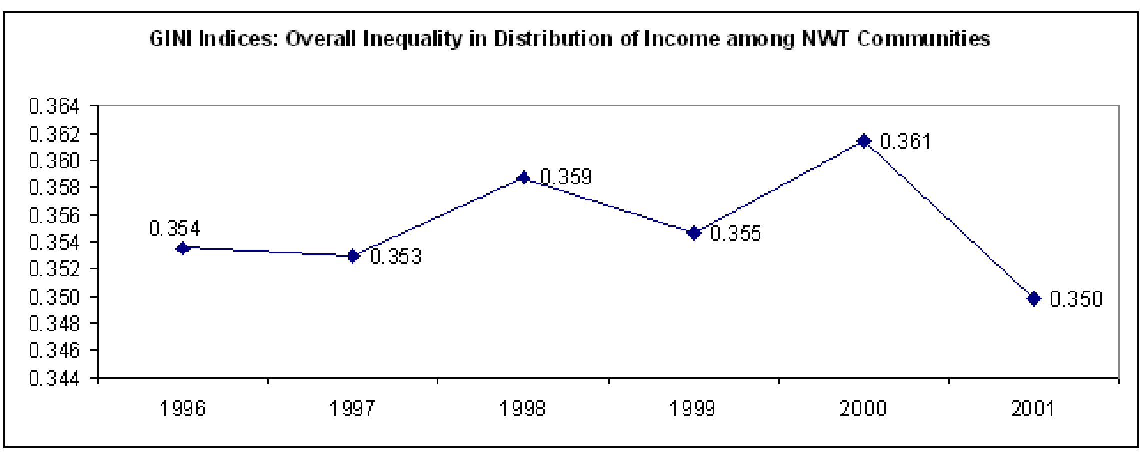

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Mineral Investment Intentions in $millions

EXPLORATION AND DEPOSIT APPRAISAL EXPENDITRES,[1] BY PROVINCE AND TERRITORY, 2001-2004

	2001		2002		2003[a]		2004[b]	
Province / Territory	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)
Labrador	28.4	5.5	44.2	7.7	21	3.3	30.9	3.9
Nova Scotia	2.8	0.5	3.4	0.6	6.6	1	11.3	1.4
New Brunswick	9.5	1.8	3.2	0.6	2.4	0.4	18.8	2.4
Quebec	102.9	20.1	111.2	19.4	150	23.4	164.2	20.7
Ontario	113.6	22.2	139	24.2	190.8	29.8	201.9	25.4
Manitoba	28.7	5.6	29.8	5.2	25.9	4	30.2	3.8
Saskatchewan	37.5	7.3	41.4	7.2	42.4	6.6	51	6.4
Alberta	4.5	0.9	5.6	1	4.8	0.7	5.1	0.6
British Columbia	29.1	5.7	39.2	6.8	49.9	7.8	54.2	6.8
Yukon Territory	7.8	1.5	7.8	1.4	12.3	1.9	19.4	2.4
Northwest Territories	86.6	16.9	72.7	12.7	49.8	7.8	110.4	13.9
Nunavut	61.3	12	75.9	13.2	85.4	13.3	97.8	12.3
Total	**512.9**	**100**	**573.4**	**100**	**641.3**	**100**	**795.2**	**100**

Source: Natural Resources Canada, from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures.

a Preliminary estimates

b Spending intentions

Notes: Numbers may not add to totals due to rounding. Exploration and deposit appraisal activities include only the search for and appraisal of deposits and do not include work for extensions of known reserves.

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2004
Investment and Economic Analysis
Resources Wildlife and Economic Development

NWT

Economic Trends

Community Employment

issue 4 third | quarter

Based on the 2004 Labor Force Survey, the NWT has created 1320 net new jobs since 1999. The table below highlights employment changes by economic region.

Employment declined significantly in the Sahtu region, and to a lesser extent in the South Slave. In the South Slave, there were large employment gains in Lutselk'e and Fort Resolution.

In the Sahtu, only Colville Lake had large employment growth over the 1999-2004 period. Employment increased from 29 in 1999 to 39 in 2004. There were declines in Deline, Fort Good Hope and Norman Wells employment.

There was employment growth in the Beaufort Delta/Inuvik region. The largest percentage gain was in Tsiigehtchic. The largest decline was in Fort McPherson.

Yellowknife, North Slave and the Deh Cho regions had the largest employment gains. Of these, Yellowknife created 1,030 new jobs or 78% of the NWT total.

In the North Slave region, employment grew significantly in Rae-Edzo, Rae Lakes and Wha Ti. The only community with an employment decline in this region was Detah, which may indicate a labour force movement to Yellowknife.

In the Deh Cho, employment gains were most evident in Fort Simpson, Fort Liard and the Hay River Reserve.

As shown in the table, labour force growth over the 1999-2004 period was 605, less than half of total employment growth. In the Sahtu and South Slave regions the labour force declined.

These trends seem to indicate significant positive impacts from diamond mine employment and investment in the North Slave and Yellowknife regions. These two regions accounted for almost 90% of the Territory's employment growth over the past five years.

Region	1999	2004	Net Jobs	Regional Growth	Share of NWT Job Growth	Share of NWT Jobs 2004	Labour Force Growth 2004-1999
Yellowknife	10,440	11,470	1,030	9.9%	78.0%	54.0%	748
South Slave Area	3,499	3,475	-24	-0.7%	-1.8%	16.4%	-118
Beaufort-Delta Area	2,897	3,019	122	4.2%	9.2%	14.2%	28
Deh Cho Area	1,252	1,378	126	10.1%	9.5%	6.5%	93
Sahtu Area	1,194	1,114	-80	-6.7%	-6.1%	5.2%	-199
North Slave Area	640	786	146	22.8%	11.1%	3.7%	53
Total	**19,922**	**21,242**	**1,320**	**6.6%**	**100.0%**	**100.0%**	**605**

Source: NWT Bureau of Statistics

Day Care Costs in the NWT

Costs in Yellowknife are average for Canadian cities

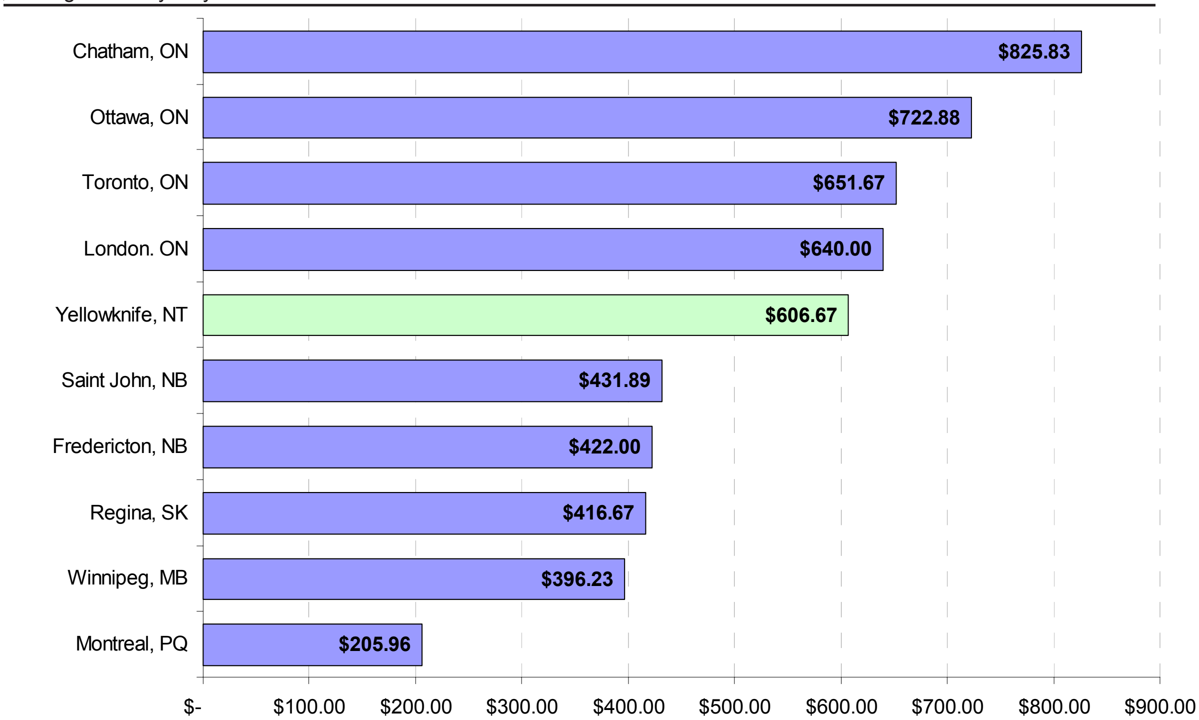
Management-consulting firm, Runzheimer Canada Inc., specializes in national and international cost comparisons. Their statistics are used by large companies and governments when assessing differentials for employee relocation, site selection, moving, vehicle purchases, management, etc.

Stemming from their research in Canada, Runzheimer released a short report in the first quarter of 2004 that indicated day care costs could more than quadruple their lowest findings depending on where you live. The research was based on the need for full-time day care (five days a week, for eight hours a day, for one month) for a three-year-old child at a profit seeking daycare centre.

Montreal appeared to be an exception to the daunting expense associated with childcare, offering the lowest rate for the set criterion at approximately $206 for the month. Ontario was found to be the highest in the country, with a rate three or four times higher than Montreal.

Closer to home, the analysis shows the daycare costs in Yellowknife are in the middle of the cost range and average approximately $607 for the month. Although there is some comfort in knowing Yellowknife is not subject to paying the highest rates, its rates are considered to be in the higher range. This is a concern where more than one child in a household requires childcare, or where single parent-single income households are concerned.

Average Monthly Day Care Costs in Canada



Source: Runzheimer International. http://www.runzheimer.com/corpc/news/scripts/011604c.asp

Population Distribution

Yellowknife's share of the population is increasing

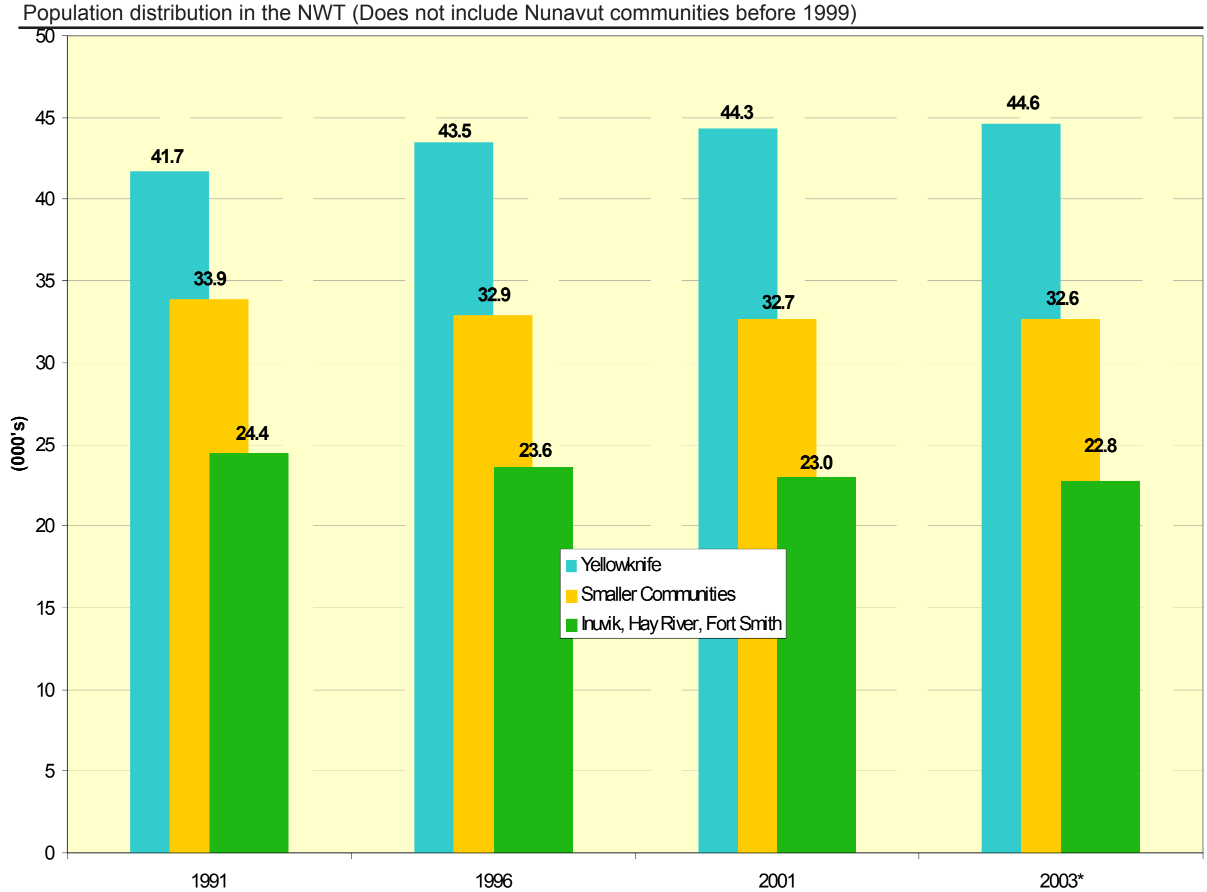
On April 1, 2004, Statistics Canada estimated the population of the Northwest Territories to be 42,274. This shows an annual growth rate for the Northwest Territories at 1.3% compared to 0.9% for Canada.

Between April 1, 2003 and April 1, 2004, the population of the Northwest Territories increased by 555 persons, from 41,719 to 42,274. This growth resulted from a natural increase of 463 persons, augmented by an increase of 92 persons through migration.

There is significant mobility in the NWT population. Within Canada, 2,781 persons moved into the Northwest Territories, 2,868 persons moved away, for a net loss of 87 residents. However, this was offset by an a net gain of 179 persons from other countries.

The chart below shows the population between 1991 and 2003. Like other regions of Canada, the NWT is becoming more urbanized. However, the relative shift is small. In fact, Yellowknife's population is the only one increasing. There has been a overall slight decline in both regional and in smaller communities. The declines in smaller community population has been relatively minor. It is likely the growth in Yellowknife is linked to the development of diamond mining and subsequent growth in the business community.

Population distribution in the NWT (Does not include Nunavut communities before 1999)



Manufacturing

2004 survey of manufacturing businesses by RWED highlights concerns over wages, cost of goods and taxes

In the May 2002 report for RWED, the Conference Board of Canada describes the NWT's manufacturing sector as:

"…underdeveloped, with almost all manufactured goods being imported from the south. Indeed, the fact that a manufacturing sector exists in the NWT is a tribute to the skills of local entrepreneurs in overcoming barriers posed by distance from markets and high transportation costs."

"The sector's output of $7 million represented just 0.3% of the Territory's GDP in 2001. This contribution, though small, is important in that the manufacturing sector is one that contributes more in net inflows to the economy as a basic industry or primary economic generator, than would a support industry."

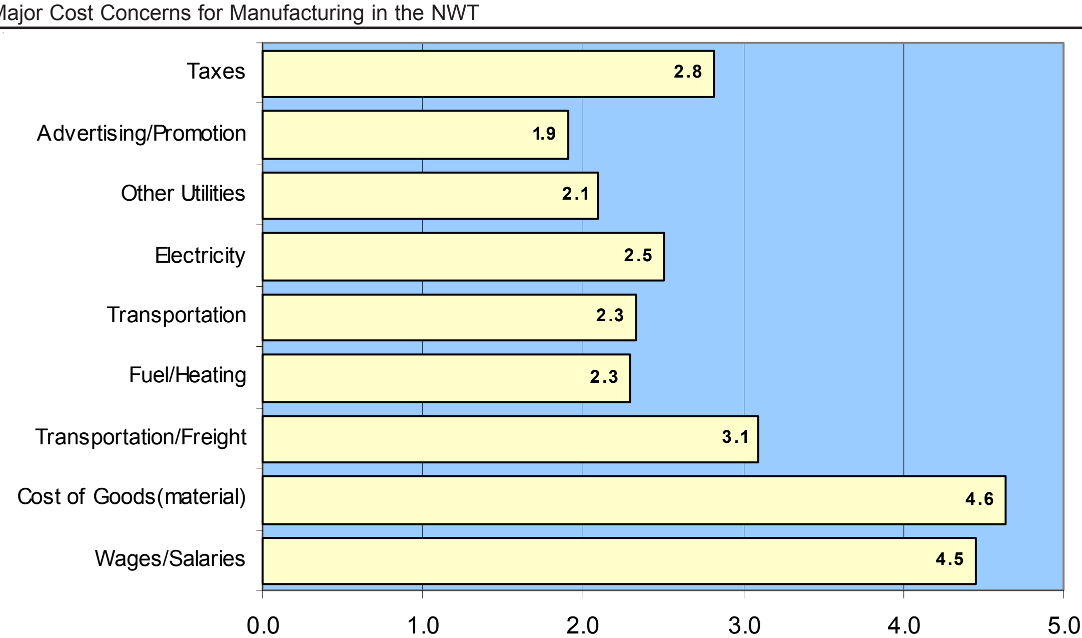
In some cases, large retail or wholesale companies whose core business is the distribution of southern goods will manufacture one or two products to meet a very specific demand. For example, one building supply store in Yellowknife (Johnson's) manufactures core boxes and stakes for the mining industry. Overall it is estimated 5% of all NWT firms are engaged in some form of manufacturing.

Manufacturers range in size from a small one person shop to major diamond polishing facilities with more than 40 employees.

NWT manufacturing is also relatively diverse; the range of products includes diamonds, tents, roof trusses, concrete, kitchen cabinets, herbal teas and prints.

In June 2004, a survey of manufacturing businesses was undertaken to gain a better understanding of industry challenges. More than 30 NWT firms were asked to participate with a 37% response rate. Manufacturers were provided with a list of eight costs or expenses and asked to rank the relative importance of each. The chart below summarizes the results. As shown, the three primary concerns are cost of goods, wages/salaries and transportation costs.

Major Cost Concerns for Manufacturing in the NWT



Manufacturing
survey results continued

The survey asked manufacturers to list economic or other changes for improving manufacturing in the NWT. Suggestions included:

"The ability to hold onto good employees with the ups and downs of our type of business is difficult. Without long-term contracts it is difficult to pay competitive wages causing employees to "shop around" for slightly higher wages and making it very difficult to complete jobs on time and budget.

"Electrical fluctuation between 595 and 600khz is extremely unstable for laser use (polishing)"

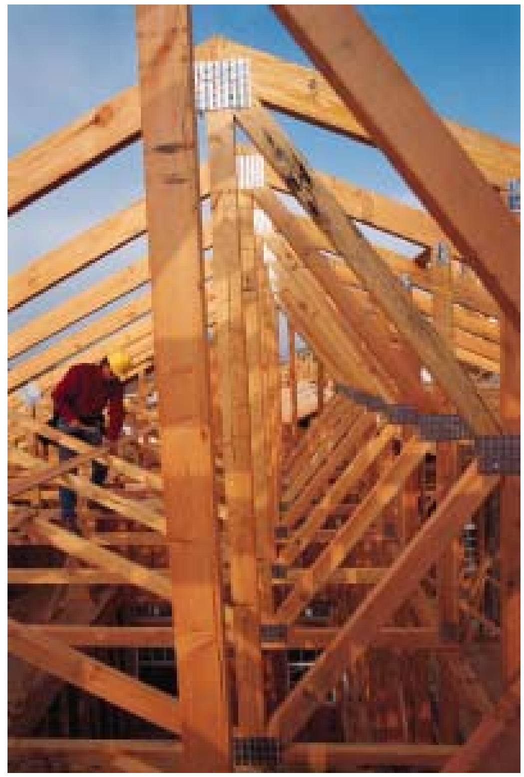
"Ensuring that all GNWT tenders are broken down into appropriate commodities, so that manufacturing and construction are kept separate."

"Trades' training for employees is difficult to due to the lack of academic education. The Department of Education needs to partner with private sector to focus on the occupational trades necessary to work in the NWT manufacturing sector. "

"Obtaining operating capital from financial institutions i.e. commercial banks is extremely difficult when you are talking about manufacturing in the NWT as there is no track record"

"Reduced cost for interruptible hydro from Taltson"

"Tax credit for capital investment for manufacturing, plant& equipment"


Trusses manufactured in the NWT

Manufacturers Collective Response to Questions on Expenses

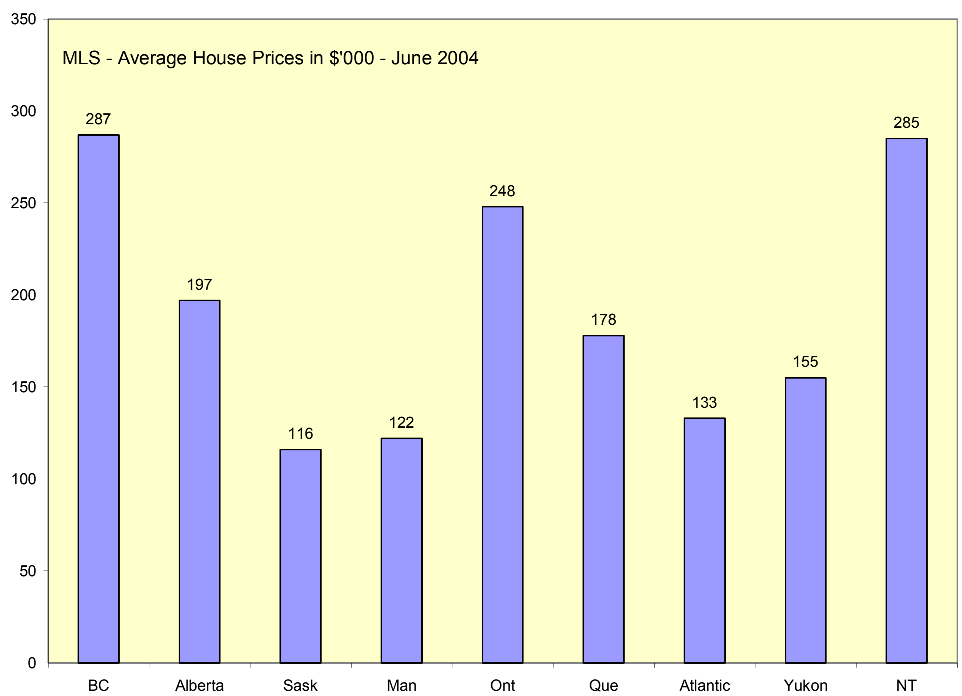
Expense	SCALE				
	5	4	3	2	1
Wages/Salaries	64%	18%	18%	0%	0%
Cost of Goods(material)	73%	18%	9%	0%	0%
Transportation/Freight	27%	18%	36%	9%	9%
Fuel/Heating	10%	10%	20%	20%	40%
Transportation	0%	11%	33%	33%	22%
Electricity	20%	0%	30%	10%	40%
Other Utilities	10%	0%	30%	10%	50%
Advertising/Promotion	9%	0%	27%	0%	64%
Taxes	27%	0%	36%	0%	36%

Increasing NWT House Prices

Data from MLS indicates strong NWT housing demand

Each month, the Canadian Real Estate Association compiles the statistics of homes and properties sold through the Multiple Listing Service ® system. This provides an overview of the housing market in Canada, and tracks market trends for prices and properties. Across Canada, real estate prices are setting new records. This is partly the product of improving economic conditions and low interest rates. As of June 2004, prices in the NWT averaged $285,000, the second highest in Canada. (In the NWT, MLS listings are largely limited to Yellowknife and Hay River)

Between June 2003 and June 2004, prices in NWT increased, on average, by 38%, far higher than any other province or territory. At the same time, the volume and availability of housing for sale (under MLS) declined; the average number of units for sale under MLS declined from 23 in June 2003 to 5 in June 2004.



Distribution of Income

Increased resource employment opportunities are improving income distribution patterns in the NWT

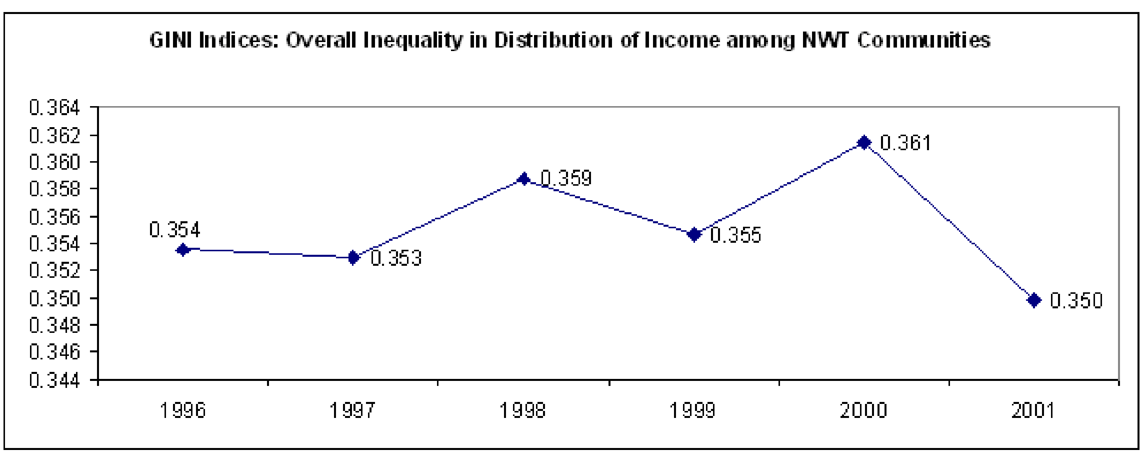
Income distribution is an important economic and social indicator. High levels of income inequality can indicate economic, educational, social and other problems.

The Lorenz curve is used to calculate a Gini coefficient, which is a numerical interpretation of the level of distribution of wealth. A Gini Coefficient is a number between zero and one that measures the degree of inequality in the distribution of income. The coefficient would register zero (0.0 = perfect equality) for an area in which each member received exactly the same income. It would register a coefficient of one (1.0 = maximum inequality) if one member got all the income and the rest got nothing.

With the information available from the 2001 census, it was possible to chart a Lorenz curve for each year (1994-2001) and compute a corresponding Gini coefficient to view the overall level of distribution of wealth among communities. It was observed that, during this period, the overall distribution varied quite dramatically. The Gini ranged from 32.5-34.9 with an average coefficient of 33.5. This can be viewed as dramatic variation as a 0.1% change in a Canadian Gini Index is to be considered statistically significant.

Illustrated in the chart below we are able to see that until roughly 2000, the NWT had been experiencing an increase in disparity of income, which means fewer communities were receiving a relatively large proportion of overall income.

This started to change in 2000 when there was a shift in the direction of the Gini. This, for the most part, can be attributed to the increased exploration of natural resources in the NWT, along with the construction and ongoing production of the Diavik Diamond mine.



Exploration Expected to Increase

The NWT is poised for another record year of exploration.

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