

Yukon Economic Outlook 2010

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Highlights for 2009

Current as of May 28, 2010

- It is estimated that Yukon's real GDP in 2009 was \$1.445 billion, up 1.4% from \$1.425 billion in 2008, representing the highest level of GDP growth in the country. The value of real GDP for Canada in total is reported to have declined by 2.9% in 2009.
- Yukon's average unemployment rate of 6.8% for 2009 was up from 5.0% in 2008. The 2009 average unemployment rate was well below the national average of 8.5% and among the lowest of all the provinces and territories.
- Yukon's average annual population increased by 2.2% in 2009 to 34,124. Increasing population in 2009 marked the sixth consecutive year of growth.
- Estimated mineral exploration expenditures remained high at \$90 million in 2009 compared to an estimated \$110 million in 2008.
- Minto Mine copper production in 2009 totaled 53.7 million pounds of concentrate, up 12.6% from 47.7 million pounds in 2008.
- International border crossings into Yukon fell 5.7% to 282,874 in 2009, impacted by the global economic downturn and in particular, the weakness in the U.S. economy.
- The value of Yukon building permits in 2009 was \$158.3 million, more than double the \$71.5 million recorded in 2008. Permit value was driven primarily by a number of construction projects supported by substantial public funding as well as new mine development.
- The value of retail sales in Yukon totaled almost \$527 million in 2009, down 1.5% from \$534 million in 2008. The decline in retail sales was mainly attributed to lower fuel prices.

Forecast for 2010

- Yukon real GDP is expected to increase in the range of 3% to 4% in 2010. Growth is expected to stem primarily from spending on construction projects, mineral exploration, mine development expenditures and increased mineral production.
- Resource development activities and numerous construction projects are expected to contribute to employment gains in 2010.
- Yukon's population is expected to grow by about 1% in 2010.
- Mine development expenditures are expected to be \$150 million in 2010, driven by work associated with bringing the Wolverine and BelleKeno mines into production.
- Mineral exploration expenditures for 2010 are expected to approach the 2007 record of \$140 million.
- The value of mineral production is expected to total approximately \$320 million with Minto Mine production supplemented by first production from the Wolverine and BelleKeno projects expected later in 2010.
- International border crossings into Yukon are expected to be generally flat in 2010, within the range of 280,000 to 285,000.
- The total value of new building permits issued is expected to decline from \$158.3 million in 2009 to \$130 million in 2010, but overall construction spending is forecast to increase on the strength of carryover projects from 2009 and from new utility projects.
- Retail sales are expected to increase to \$550 million, up from \$527 million in 2009.

Global, U.S. and Canadian Economic Outlook – 2010/2011

Many global economies struggled in 2009, impacted by the economic downturn which began in late 2008. The most recent World Economic Outlook Update, published by the International Monetary Fund (IMF), estimates that economic growth in the global economy declined by 0.6% in 2009.¹ The IMF also noted declines in GDP for the U.S. and Canada, with estimated contraction of GDP in 2009 of 2.4% and 2.6% respectively.

The IMF is currently forecasting GDP growth for the global economy of 4.2% and 4.3% for 2010 and 2011 respectively. The IMF notes that growth in emerging and developing economies will generally be stronger than growth in developed economies. Higher than normal unemployment, increased public debt and continued issues with financial systems are expected to negatively impact growth of some developed countries in the near-term. The IMF has also suggested that stronger economic frameworks and swift policy responses in some emerging countries allowed the economies of these countries to better withstand the economic downturn and quickly re-attract capital flows.

Growth resumed in the U.S. economy in the second half of 2009. The IMF forecasts that the U.S. will continue to grow with a forecast of 3.1% for 2010, and a forecast of 2.6% for 2011. It is expected that U.S. job growth will be strong in 2010 and 2011, which is key to the near-term GDP growth forecast. Gains in employment are expected to contribute to recovery in personal consumption and residential investment, two areas identified as important for a sustained U.S. economic recovery.

The IMF also forecasts a rebound in the Canadian economy with growth of 3.1% and 3.2% in 2010 and 2011 respectively. Growth in 2010 is expected to be driven by consumer spending and residential construction with many Canadians benefitting from low interest rates, recovery in financial asset and housing wealth and a strengthening labour market. Near-term growth is also expected to come from increasing demand for Canadian oil and mineral exports, primarily from developing countries.

While growth in Canadian GDP is expected in the near-term, a number of factors could affect growth. Exports of Canadian goods could be negatively impacted by a strong Canadian dollar and also lower demand from the European Union. Possible interest rate increases by the Bank of Canada could also impact housing sales and impact households, as higher interest rates result in higher debt servicing costs. Recent increases in the interest rate forecasts by many forecasting agencies indicate expectations for interest rate increases in the short term.

Canadian growth could also be negatively impacted by a slowing global economic recovery, which is being threatened by the debt issues faced by several European countries, including Greece and Spain. The ability of these countries to service their high debt loads could dampen economic growth prospects in Europe and globally. The European Union and the International Monetary Fund agreed in early May to create a nearly \$1 trillion rescue fund to support European nations burdened by heavy debt. The effectiveness of these measures is

¹ <http://www.imf.org/external/pubs/ft/weo/2010/01/pdf/text.pdf>

still being assessed, but the European debt issue presents a clear risk to growth in the global economy.

Outlook for Global, U.S. and Canadian Economies

- The IMF expects:
 - The global economy to grow in excess of 4% in both 2010 and 2011.
 - The U.S. economy to grow by 3.1% in 2010 and 2.6% in 2011.
 - The Canadian economy to grow by slightly greater than 3% in both 2010 and 2011.

Yukon Outlook

Mining

Despite the global economic downturn, Yukon's mining sector continued its recent strong performance in 2009. Current expectations for 2010 are for continued growth in the mining sector.

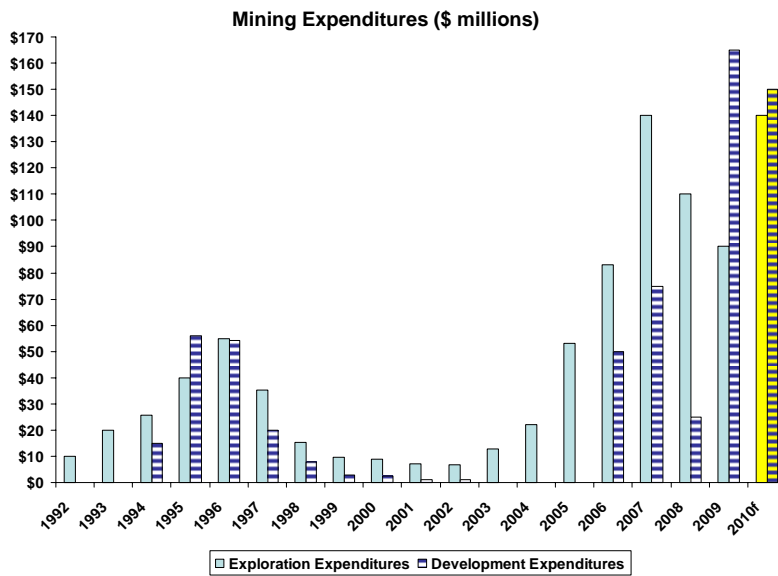
The value of mineral exploration in 2009 was impacted by exploration work associated with the significant gold discoveries in the White Gold area, which is in the vicinity of Dawson City. The release of positive results from the Underworld Resources spring 2009 drill program sparked the interest in the White Gold area and led to over 8,000 new claims staked in the surrounding area in 2009. White Gold exploration also increased placer gold staking activity in the nearby Lower Stewart area.

Looking forward to 2010, continued interest in the White Gold area, along with mine development and mineral exploration activity associated with the Minto, Wolverine, Bellekeno, Rau, Casino, Brewery Creek and Selwyn projects, are expected to drive mineral exploration expenditures higher than the 2009 level. Present expectations for 2010 have mineral exploration expenditures approaching the previous high of \$140 million recorded in 2007.

Mine development expenditures are also expected to be up in 2010 with the Department of Energy, Mines & Resources estimating mine development-related expenditures of \$150 million, down slightly from the estimated \$165 million in 2009. Development expenditures are expected to be driven primarily by work associated with Yukon Zinc's Wolverine Mine, a zinc and lead mine, located in southeast Yukon. Current estimates have Yukon Zinc spending \$100 million on development in 2010. Production from the Wolverine mine is anticipated to begin in the latter portion of 2010.

Current estimated expenditures for 2010 for Alexco Resource Corp.'s Bellekeno development expenditures are \$35 million. First production from Bellekeno is expected to occur in the second half of 2010.

Expenditures of approximately \$13 million by Capstone Mining Corp. on the currently producing Minto mine will also contribute to development expenditures in 2010.



Source: Department of Energy, Mines & Resources

The value of mineral production is expected to increase to \$320 million, up from the estimated \$251 million recorded in 2009. Following production of 53.7 million pounds of concentrate in 2009 for Capstone’s Minto production, production in 2010 is forecast to be 50-55 million pounds². Total mineral production value will also benefit from a forecast increase in the value of placer gold and expected first production from the Wolverine and Bellekeno projects.

Placer gold production in 2010 is expected to total approximately 65,000 raw ounces, up from 54,478 raw ounces in 2009. Gold prices, which gained strength throughout the recent economic downturn, are expected to remain relatively high throughout 2010. The current forecast from TD Economics³ for 2010 has the value of gold averaging US\$1,060.99 per ounce in 2010, 9.1% higher than the annual average of US\$972.39 per ounce recorded in 2009. The value of placer gold production is expected to increase from approximately \$45 million in 2009 to approximately \$60 million in 2010.

Prices for other minerals of interest to the Yukon mining sector are also forecast to increase in 2010. Silver prices are expected to rise in 2010 with TD Economics predicting silver to grow 15.5% and average US\$16.98 per ounce. After falling in 2009, prices for copper and zinc are also expected to increase in 2010, with both minerals expected to post annual average prices that exceed prices recorded just prior to the economic downturn. Current forecasts by TD Economics currently have copper and zinc prices increasing to US\$3.3076 per pound and US\$1.0098 per pound respectively in 2010. These forecasts represent 41.6% and 34.5% growth in the annual average of copper and zinc respectively.

² Capstone Mining Corp. forecast for copper concentrate is publically available at http://capstonemining.com/i/pdf/2010-05-12_CS_Presentation.pdf

³ Commodity price forecasts taken from the April 28, 2010 *Quarterly Commodity Price Report*. This document can be accessed online at <http://www.td.com/economics/commodity/cpr0410.pdf>

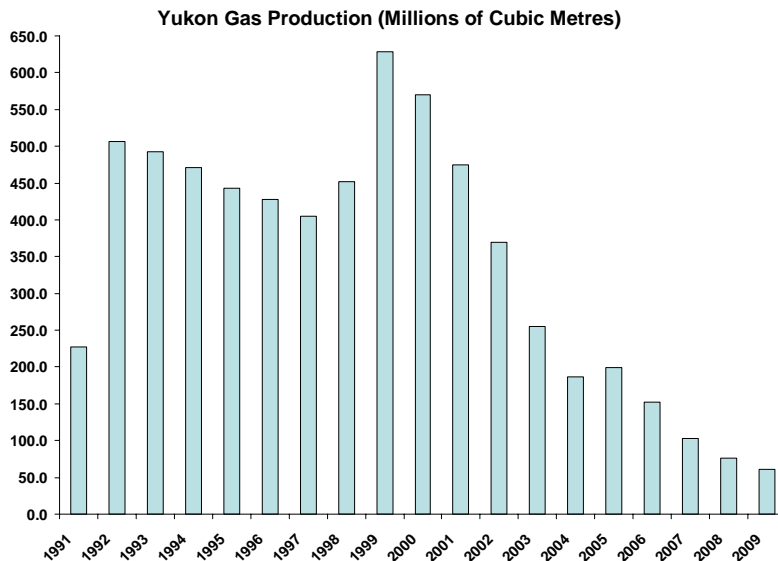
Outlook for Mining

- Mineral exploration expenditures for 2010 are expected to approach the 2007 record of \$140 million. New discoveries such as White Gold and Rau will greatly influence exploration activity in 2010 and beyond.
- Mining development expenditures for 2010 are expected to be approximately \$150 million, primarily driven by work associated with Yukon Zinc's Wolverine mining development and Alexco Resource Corp.'s Bellekeno project.
- The value of mineral production is expected to total approximately \$320 million with Minto Mine production supplemented by first production from the Wolverine and Bellekeno projects expected later in 2010.
- Strong prices for key minerals should benefit local producers and help maintain interest for further exploration and development of Yukon mineral resources.

Oil and Gas

Current estimates of Yukon oil and gas potential indicate onshore estimates of 17 trillion cubic feet of conventional natural gas and 790 million barrels of oil. Current estimates of offshore potential for the Beaufort Sea include 40 trillion cubic feet of conventional natural gas and 4.5 billion barrels of oil.

Production at Kotaneelee, Yukon's only producing natural gas field, continued to decline in 2009, dropping to 60.9 million cubic metres from 75.9 million cubic metres in 2008. Production from Kotaneelee has generally been on the decline since 1999 which is normal for a field that is reaching the end of its productive life.



Source: Department of Energy, Mines & Resources

The Government of Yukon undertakes a disposition of oil and gas rights twice annually. The Spring 2010 Request for Postings (RFP) closed on January 20, 2010, with one RFP received for a location in the Eagle Plain basin. A second RFP is scheduled to close July 15, 2010. There are two Call for Bids planned for 2010. The first Call for Bids was out for invitation at

the time of writing, with a closing date of June 9, 2010. The second Call for Bids is scheduled for mid-October to mid-December.

Natural gas pipeline development remains a focus for the Government of Yukon with two projects, the Alaska Highway Pipeline Project and the Mackenzie Gas Project having the potential for development in the medium term. Two proponents, TransCanada PipeLines Limited (ExxonMobil) and Denali (BP and ConocoPhillips), are advancing the Alaska Highway Pipeline Project through 'open seasons' in 2010. An open season allows a pipeline company to identify gas producers and shippers interested in seeking carrier capacity on the line if built and those willing to commit their product at an economically feasible carrier price.

TransCanada filed its open season plan with the Federal Energy Regulatory Commission (FERC) on January 29, 2010. The plan included two pipeline options, one which would deliver gas to Alberta and an alternative approach which would see a liquefied natural gas (LNG) terminal in Valdez, Alaska and the product shipped out via LNG tankers. TransCanada currently estimates the cost of the pipeline option through Canada at between US\$31-42 billion and the LNG option at US\$20-26 billion. TransCanada's open season is expected to close by July 30, 2010.

The Denali partners, ConocoPhillips and BP, filed papers with FERC on April 7, 2010, requesting that Denali be permitted to move forward with an open season. Denali has indicated that they would like to pursue an open season beginning on July 6, 2010, and ending on October 4, 2010.

The Joint Review Panel for the Mackenzie Gas Project released *Foundation for a Sustainable Northern Future, Report of the Joint Review Panel for the Mackenzie Gas Project*⁴ on December 30, 2009. The panel concluded that if the project was built and operated consistent with the 176 recommendations included in the panel report, the project would provide valuable and lasting benefits and should avoid significant adverse environmental impacts.

The National Energy Board completed final hearings related to the project on April 22, 2010, and the Board is expected to issue its Reasons for Decision this September, after which the project will require Federal Approval to move forward.

Presently the cost of developing the Mackenzie Gas Project is estimated at approximately CDN\$16 billion.

Outlook for Oil and Gas

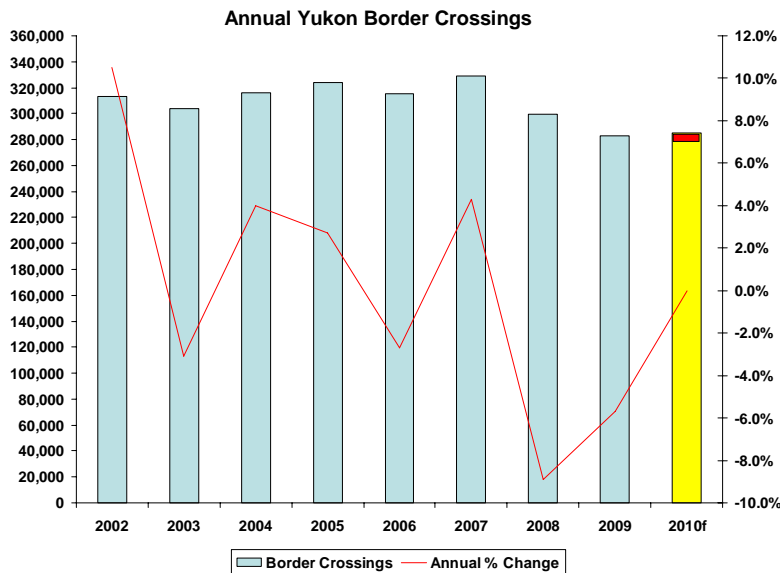
- Continued decline in production from the Kotaneelee field.
- Continuation of pre-development work related to the Alaska Highway Pipeline project, with completion of TransCanada's open season expected by July 30, 2010.
- The National Energy Board's issuance of Reasons for Decision on Mackenzie Gas Project is expected in September 2010.

⁴ http://www.ngps.nt.ca/PDFs/JRP_report_Intro.pdf

Tourism

In 2009, the Department of Tourism & Culture reported 282,874 travelers⁵ visited Yukon as measured through international border crossings. This represented a 5.7% decline in visitation over 2008. A total of 16,986 fewer visitors were reported in 2009 marking the second consecutive year of declining visitation. Notably lower visitation via motorcoach (down 18,709 visitors) was the major contributing factor to the total decline. Conversely, private vehicle visitation was actually up by 1,723 in 2009.

Visitation from the U.S., Yukon's largest contributor to total visitors, was down 15,733 visitors, representing a 7.6% decline. Visitation from other countries was down 3,497 visitors, representing a decline of 11.3% from 2009. Visitation from other parts of Canada increased by 3,176 visitors (+12.6%).



Source: Department of Tourism & Culture; Department of Economic Development

Visitation in 2009 was impacted by the global economic downturn, with economic conditions in the U.S. being the primary contributor to the 2009 decline. The strength of the Canadian dollar versus the U.S. dollar throughout 2009 may have also contributed to some of the weakness in U.S. visitation. The value of the Canadian dollar increased against the U.S. dollar throughout 2009, from US\$0.8226 on January 2, 2009 to US\$0.9515 on December 31, 2009.

At the Erik Nielson Whitehorse International Airport, the total number of passengers arriving and departing increased by 1%, or 2,642 to 228,693. This increase brought the

⁵ Border crossing data only provides a limited amount of information on the level of tourism activity for Yukon, but is often used in the description of Yukon tourism because it is one of the few tourism related statistics that is readily and consistently available.

annual air passenger total to a level exceeding the previous high recorded in 2007 when Whitehorse was the host of the Canada Winter Games.

Uncertainty around U.S. visitation to Yukon remains a concern for 2010 primarily due to expected weakness in Alaska cruise ship visitation. The Alaskan Department of Labor & Workforce Development's January 2010 Alaska Economic Trends publication notes that several cruise ships have been moved out of the Alaska market and the number of cruise visitors to Alaska is expected to drop by about 15% from the preliminary 2009 figure of just under 1 million. Reduced cruise ship capacity into Alaskan ports of call are expected to contribute to a decline in the number of same-day shore excursion visitors to Yukon. A portion of the decline in visitation from the U.S. is anticipated to be countered by modest increases in the number of Canadian and Overseas visitors and also an increase in the number of multi-day cruise ship visits.

While expected weakness in Alaskan cruise ship visitation could have negative impacts on visitation to Yukon in 2010, continued economic recovery in the U.S. and increased U.S. consumer confidence could help offset some of the negative impacts. Growth in visitation from other parts of Canada and from other countries (not including the U.S.) could also help offset declining cruise ship visitation.

The value of the Canadian dollar may have impacts on 2010 visitation to Yukon but the nature and degree of any such impacts remains uncertain. While it is the case that the value of the dollar has increased against the Euro in the first five months of the year, increasing 15.2% (to May 28, 2010), current expectations are for visitation from Europe to increase in 2010. While the Canadian dollar increased against the US dollar for much of the first five months of 2010, it has seen increasing variability. Going forward the department will monitor the value of the Canadian dollar and examine any potential impacts on 2010 visitation to Yukon.

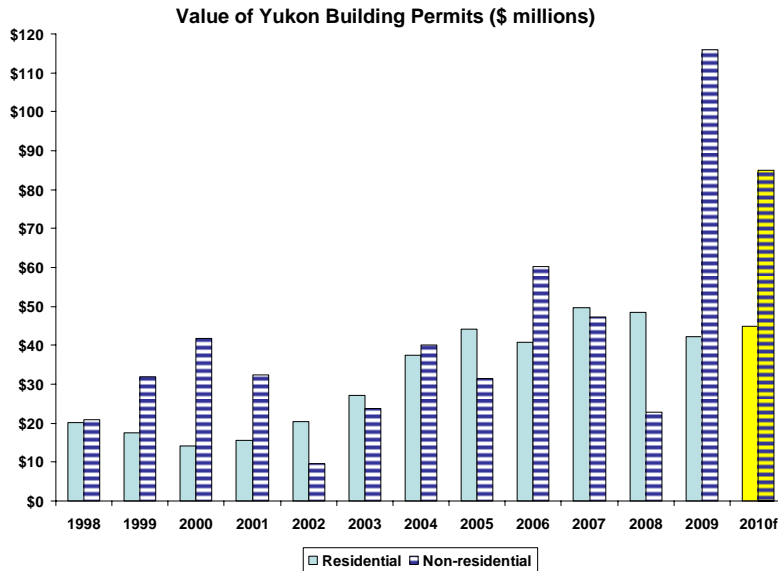
Based on current expectations for 2010, visitation to Yukon, as measured by international border crossings, is currently forecast to be flat in 2010.

Outlook for Tourism

- Border crossings are expected to be generally flat in 2010, with crossings in the range of 280,000-285,000.

Construction

The Yukon building construction industry experienced a strong year in 2009, with \$158.3 million in permitted building construction exceeding the \$71.5 million recorded in 2008. The increase was driven primarily by a number of institutional construction projects due to increased capital spending by the Government of Yukon and the Government of Canada. This resulted in a number of large project start-ups including the Whitehorse Correctional Centre, the Yukon Hospital Corp. Residence and Health Services Building and the City of Whitehorse Public Safety Building. As well, new construction at both the Wolverine and Bellekeno mine projects boosted the value of construction in 2009.



Source: Yukon Bureau of Statistics; Department of Economic Development

The value of residential building permits fell 12.9% to \$42.3 million in 2009, from almost \$48.6 million in 2008. Industrial building permits increased from \$3.9 million to \$17.3 million due to mine development and commercial building permits increased 16.1% to \$12.8 million.

Looking ahead to 2010, construction activity will consist of continued work on projects initiated in 2009, new building construction, and new utility and capital works projects.

Continued work on many of the publicly funded projects started in 2009 include the Whitehorse Correctional Centre, the Yukon Hospital Corp.'s Staff Residence and Health Services building, the Erik Nielsen International Airport Expansion and the Whitehorse Public Safety Building. As well, the \$50 million Affordable Housing Initiative from the Governments of Canada and Yukon to construct new housing and to renovate affordable housing will continue throughout 2010. These projects include a 30-unit family oriented development for single parent families in Whitehorse, a 12-unit seniors building in Watson Lake, an 8-unit seniors building in Teslin, a 6-unit seniors building in Faro, and the replacement of the children's receiving home in Whitehorse.

The development work initiated at the Bellekeno and Wolverine mine projects in 2009 will be on-going through to the commencement of production for the projects expected later in 2010.

Planned new major building projects for 2010 include:

- Replacement of the Alexander Street Residence (\$11.25 million) in Whitehorse and the Korbo Apartments (\$7 million) in Dawson City, under the Affordable Housing Initiative.
- A number of projects totaling over \$12 million, under the Arctic Research Infrastructure Fund, including upgrades to the Kluane Research Station,

development of a new drill core library in Whitehorse, a new research station at Old Crow and a Cold Storage facility at Yukon College.

- Commencement of construction of new \$25 million health facilities in each of Watson Lake and Dawson City.
- Development of the \$22.4 million Kwanlin Dun Cultural Centre in Whitehorse and the \$12 million Champagne Aishihik Cultural Centre in Haines Junction.
- Upgrades to Yukon border crossing facilities at Little Gold, Pleasant Camp and Beaver Creek totaling over \$7 million in 2010.
- Planning work on the \$44 million replacement of F.H. Collins High School in Whitehorse, with construction slated to begin in 2011.

Utilities construction will significantly boost construction activities in 2010. The Yukon Energy Corporation will proceed with development of the \$120 million Mayo B generation project, the \$40 million second stage of the Carmacks to Stewart transmission line, and completion of work on the new \$8.5 million third turbine at the Aishihik Lake Hydro facility. As well, the Yukon Government will proceed with construction of the \$34.3 million new wastewater treatment facility and district heating system in Dawson City, and the City of Whitehorse will continue utilities construction and road-work in the Takhini North sub-division.

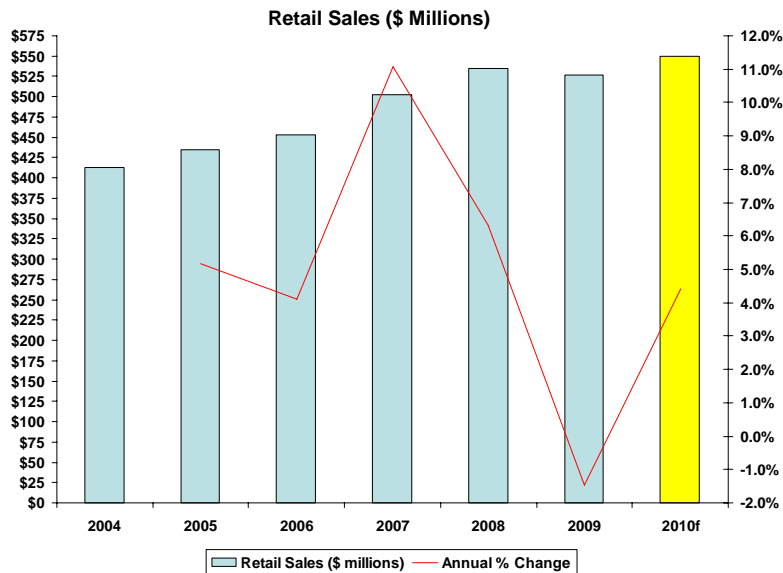
The current forecast for the value of building permits issued for 2010 is \$130 million, down from the \$158.3 million recorded in 2009. However, Yukon's construction sector will benefit from continued work on projects initiated in 2009, new building construction, and new utility and capital works projects.

Outlook for Construction

- The total value of permitted building construction is expected to decline from \$158.3 million in 2009 to \$130 million in 2010, but overall construction spending is forecast to increase on the strength of carryover projects from 2009 and from new utility projects.

Trade

The value of retail sales in Yukon totaled close to \$527 million in 2009, down 1.5%, or about \$8 million from \$534 million in 2008. The decline in Yukon retail sales was attributed primarily to lower fuel prices.



Source: Yukon Bureau of Statistics; Statistics Canada; Department of Economic Development

Based on the data that is available by industry for retail sales, the value of retail sales for the 'food and beverage stores' category increased 8.7% to \$168.3 million in 2009, up from \$154.8 million in 2008. The value of 'furniture and home furnishing stores' increased by 7.7% to \$12.4 million. 'Clothing and clothing accessories stores' fell to \$15.8 million in 2009, from \$16.2 million in 2008.

Statistics Canada has recently changed its methodology for reporting trade data, which has resulted in the suppression of detailed information on retail trade activity.⁶ Prior to the change in the retail sales methodology, retail sales data had shown declines in the value of sales from gasoline stations and automotive dealers likely related to significantly lower prices for key consumer products such as gasoline and vehicles in 2009. Sales from gasoline stations and automotive dealers are significant components to the total value of retail sales, and with lower gasoline and automotive prices in 2009 it appears that much of the total decline in 2009 retail sales were associated with these components.

Looking forward, retail sales in 2010 are expected to rise as gasoline and automotive prices are expected to record year over year increases. Continued recovery in the global, U.S. and

⁶ The April 23rd retail sales release by Statistics Canada was the first release to incorporate a new methodology of categorizing retail trade data. As part of this change, data for retail trade was revised back to 2004. Also as of the April release, year over year change is currently not available for detailed industries under the North American Industry Classification System (NAICS).

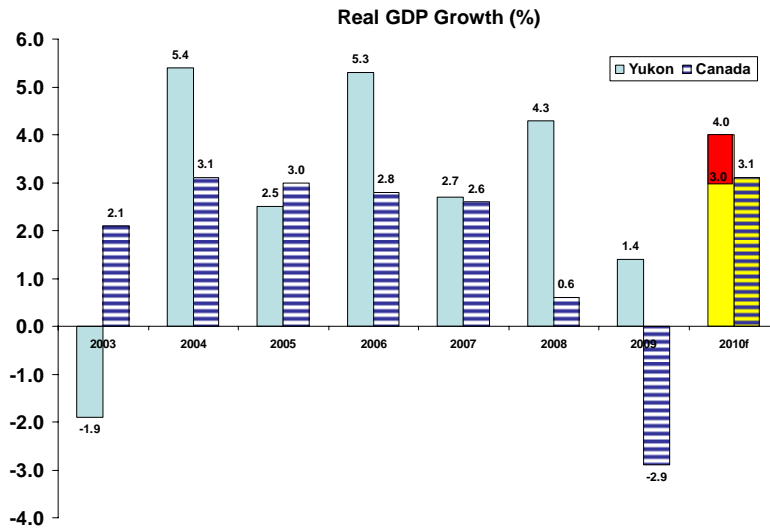
Canadian economies could also positively impact Yukon retail sales in 2010. Overall, it is expected that retail sales will grow 4.4%, to approximately \$550 million.

Outlook for Retail Sales

- Retail sales are expected to be approximately \$550 million in 2010, a 4.4% increase from 2009.

Economic Growth (Gross Domestic Product)

On April 28, 2010, Statistics Canada released preliminary GDP data by industry for all the provinces and territories for 2009. It is estimated that Yukon’s real GDP in 2009 was \$1.445 billion, up 1.4% from \$1.425 billion in 2008, representing the highest level of provincial/territorial GDP growth in the country. Nationally, the value of real GDP is estimated to have declined by 2.9% in 2009.



Source: Yukon Bureau of Statistics; Statistics Canada; Department of Economic Development

With growth in real GDP in 2009, the Yukon economy has recorded six consecutive years of positive GDP gains. Exploration and development expenditures related to mining have factored into recent real GDP growth. Production from the Minto mine, which opened in October 2007, has contributed to Yukon exports, which has also positively impacted Yukon real GDP. Construction spending, both residential and non-residential, has also been a positive contributor to GDP growth in recent years. Expenditures related to the construction of the currently producing Minto mine, as well as spending on the soon to be producing Wolverine and Bellekeno mines, have all positively impacted Yukon’s real GDP.

Yukon real GDP is expected to increase for a seventh consecutive year in 2010, within a range of 3% to 4%.

Increased activity will be a primary contributor to growth in 2010. Initial production from the Wolverine and Bellekeno mines, combined with continued production from the Minto

Mine and placer gold mining is expected to push the value of mineral production to about \$320 million, significantly higher than the 2009 value of \$251 million. This significant increase in production value will have positive impacts on Yukon's real GDP. Beyond an increase in the value of mineral production, activity related to mineral exploration and mining development will also contribute to GDP growth in 2010. Spending associated with continued construction of elements of the Wolverine and Bellekeno mines, as well as, high levels of mineral exploration expenditures in Yukon are expected to have positive impacts on economic growth in the coming year.

As discussed in the Construction section of this document, construction activity on several large, non-mining projects will be a major contributor to economic growth in 2010. A number of the large projects, including the Whitehorse Correctional Centre, the Yukon Hospital Corp. Residence and Health Services building and the City of Whitehorse Public Safety Building, all of which began development in 2009, have significant work remaining to be completed in 2010.

Construction on the Mayo B hydroelectric project is expected to begin in the summer of 2010. The project cost is currently estimated at \$120 million, and it is anticipated that construction will take approximately two years to complete. Construction of the second phase of the Carmacks to Stewart transmission line commenced in 2009 and is expected to be completed in 2010, at a total cost of \$40 million.

The GDP forecast is predicated on timely completion of construction projects, commencement of production from the Wolverine and Bellekeno mines, and a cautiously optimistic tourism season.

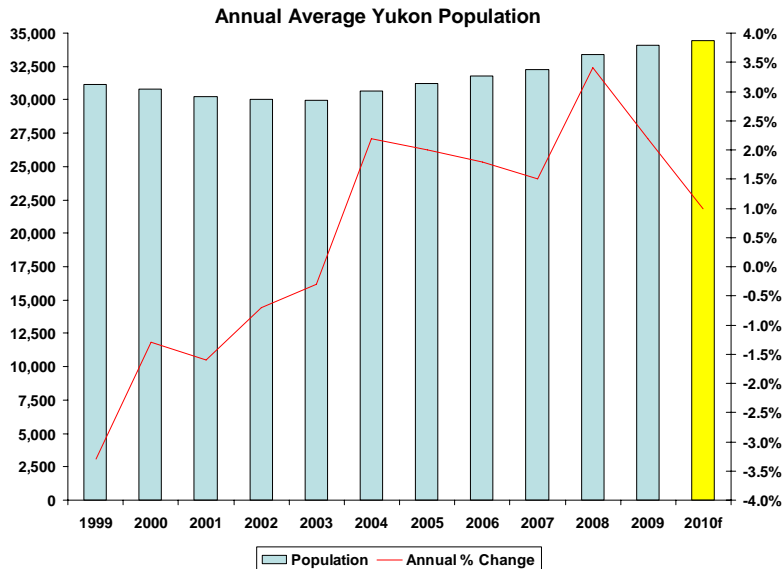
The Conference Board of Canada has released a 10-year economic forecast for all three Canadian territories. The first release of this forecast was in January 2010, with 2010 economic growth for Yukon estimated at 4.0%. The Conference Board of Canada is currently in the process of revising its territorial forecasts for the next 10 years with revised forecasts expected to be made public in late May or June 2010.

Outlook for GDP

- Yukon real GDP is expected to increase in the range of 3% to 4% in 2010. Growth is expected to stem primarily from spending on construction projects, mineral exploration and development expenditures, and increased mineral production.

Population

Yukon's annual average population grew by 746 to 34,124 in 2009, representing a 2.2% increase over the previous year. This is the sixth straight year of population growth recorded in Yukon.



Source: Yukon Bureau of Statistics; Yukon Department of Health & Social Services

Comparing December 2009 to December 2008, Yukon's population grew 229 to 34,157, up 0.7% from 33,928. Growth was concentrated in Whitehorse, where the population increased by 287 (1.1%). Overall, population growth was recorded in seven communities: Whitehorse, Teslin, Marsh Lake, Faro, Carmacks, Tagish and Beaver Creek. The remaining communities posted population declines totaling 146, with Dawson City and Watson Lake accounting for 60 and 39 of the total decline respectively.

Review of the population data by age cohort reveals that Yukon, like many jurisdictions in Canada, has an aging population. The population of children (14 and younger) in December 2009, was down 1.5% from December 2008 to 5,638. In contrast, there was growth of 1.5% recorded in the population of mid-to-retirement aged Yukoners. These individuals, aged 45-64, totaled 11,131 in December 2009, almost double the 14 and younger group. The number of post-retirement age Yukon residents (65 and older) also increased by 7.8%, to 2,930 in December 2009.

The population of Yukoners in the 15-44 age group declined slightly (-0.5%) in December 2009 versus December 2008. Noticeable declines were recorded in the 15-19 range (-2.1%) and the 40-44 range (-4.1%). The 25-29 age group saw an increase of 3.9% from December 2008. The remaining age groups recorded little change from December with the age groups 20-24, 30-34 and 35-39 recording changes of -0.5%, 0.5% and -0.2% respectively.

On average, the population of Yukon is expecting to approach 34,500 in 2010, representing a 1% increase over 2009, marking the seventh straight year of population increase.

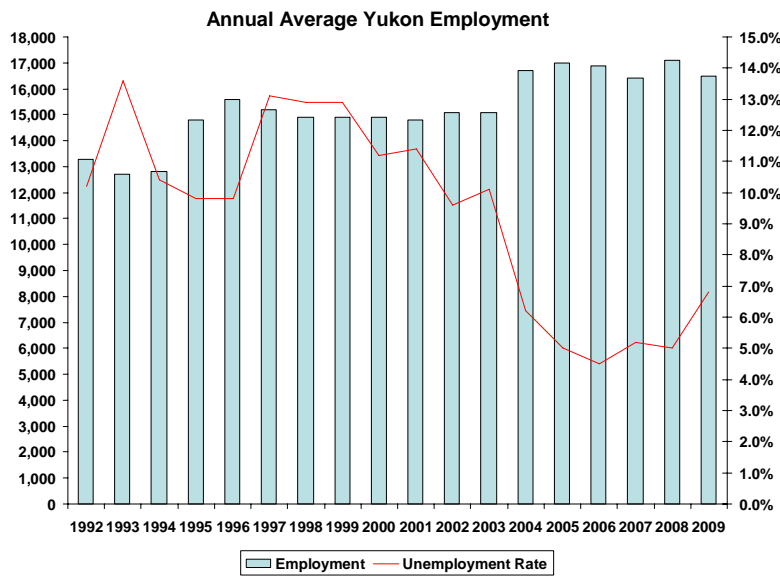
Outlook for Population

- Yukon’s population is expected to increase by 1%, to almost 34,500, in 2010.

Labour Force

The Yukon Labour Force Survey as conducted by Statistics Canada reported the average Yukon labour force at 17,700 in 2009, down 200 from the average of 17,900 recorded in 2008. Statistics Canada also noted that the average number of employed in Yukon also declined in 2009, falling by 600 to 16,500 over the last year. The survey also reported an increase in unemployment in 2009 with average unemployment of 1,200, up from the 900 recorded in 2008.

The Yukon Labour Force Survey indicated that the average unemployment rate in Yukon in 2009 was 6.8%, up from 5.0% in 2008. While up, the average unemployment rate for Yukon in 2009 was well below the national average of 8.5% and among the lowest of all the provinces and territories. The 2009 unemployment rate was also still well below the almost 10% average reported by Statistics Canada for the 1992 to 2003 period.



Source: Yukon Bureau of Statistics; Statistics Canada; Yukon Labour Force Survey

While the Yukon economy performed relatively well in 2009, the global economic downturn of late 2008 and early 2009 may have had some impact on the Yukon labour market. Some of the weakness in employment in 2009 may have come from some Yukoners who became unemployed from jobs in other jurisdictions. Lower visitation to Yukon in 2009 may have also contributed to lower employment in tourism-related activities and employment in businesses that service the tourism-related activities.

Statistics Canada Yukon Labour Force data for the first four months of 2010 has reported the Yukon unemployment rate trending steeply upwards, which counters other indicators showing a generally positive economic climate. The rising trend of reported unemployment is believed to be explained in large part by how the survey is conducted in the North. Statistics Canada has committed to revised methodology for the Labour Force Surveys in all three territories commencing in the January 2011 reporting period. The Government of Yukon continues to monitor the issue and is working with Statistics Canada to develop Labour Force Survey data that provides representative employment figures for Yukon.

Looking forward to 2010, opportunities associated with resource development activities and numerous construction projects are expected to contribute to employment gains. The Conference Board of Canada in its January 2010 *Northern Outlook* publication forecast a 2.5% increase in employment and an unemployment rate of 5.9% for Yukon in 2010.

The current concerns about the 2009 data and the impending change to the Statistics Canada methodology of the Yukon Labour Force Survey make a forecast for employment and the unemployment rate for 2010 counter productive.

Outlook for Labour Force

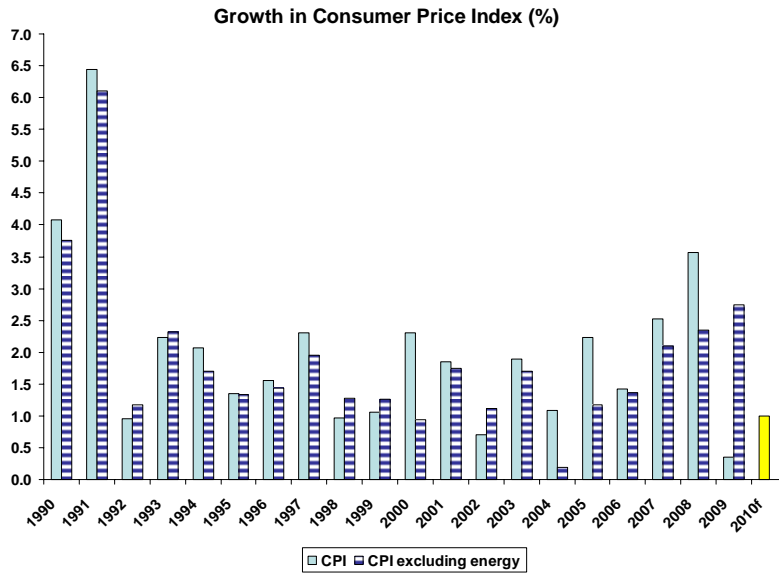
- Resource development activities and numerous construction projects are expected to contribute to employment gains in 2010.

Consumer Prices

The Whitehorse Consumer Price Index (CPI)⁷ for 2009 increased by an annual average of 0.4% which was the lowest annual rate of inflation recorded since the CPI survey began for Whitehorse in 1982.

Review of the monthly CPI for Whitehorse for 2009 reveals that the year ended with six consecutive months of deflation versus the same months in 2008. Lower energy prices were the primary contributor to the low overall increase in the CPI in 2009. The annual average for the Energy component of CPI was down 18.4% from 2008. This decline is primarily the result of lower prices for oil and gas products which were impacted by falling demand due to the global economic downturn that took hold in late 2008. Excluding the energy component from the measure of the CPI, overall prices in Whitehorse increased by 2.7% in 2009.

⁷ Consumer Price Index data is only available in Yukon for Whitehorse.



Lower energy costs impacted several areas of the CPI in 2009. Shelter costs fell by 0.1% with much of the decline due to a 24.7% annual drop in the fuel oil and other fuels component of shelter costs. Costs associated with the operation of passenger vehicles decreased by 7.6%, with a 20.0% year-over-year drop in gasoline prices accounting for much of the change.

The purchase, leasing and rental of passenger vehicles component of the CPI was also down in 2009, recording a 6.1% decline from prices in 2008. Declines of 5.0% were recorded for the purchase of passenger vehicles and also for the leasing of passenger vehicles in 2009. Lower prices in these areas were related to the economic downturn which persisted through much of 2009, as many automobile manufacturers lowered prices and offered significant incentives to entice consumers to purchase new vehicles to counter declining sales.

While energy prices helped to dampen the overall increase in the CPI in 2009, price increases were recorded in a number of other areas. Overall, food prices in 2009 increased 4.2% versus 2008 with a gain of 6.8% in the prices of fresh fruits and vegetables accounting for much of the rise. Health care costs also rose 4.2% in 2009, with medicinal and pharmaceutical products increasing by 5.1%. As well, cigarette prices increased by 12.5% in 2009, which helped contribute to a 6.8% increase in the alcoholic beverages and tobacco products component of the CPI.

Growth in prices in 2010 is expected to be stronger than what was recorded in 2009, but remain historically low. The current forecast of 1% for CPI growth for 2010 reflects expectations of general price increases associated with a recovering global economy and likely higher prices for gasoline and home heating fuel.

Outlook for the Consumer Price Index

- Inflation in 2010 is expected to average 1%, higher than the 0.4% recorded in 2009.

Key Economic Indicators Summary Table

<i>Indicator</i>	<i>2009</i>	<i>2010</i>
Population, Prices, Rates		
Population	34,124	34,500
Inflation Rate [^]	0.4%	1%
Overnight Rate	0.43%	0.60%
Canada/U.S. Exchange Rate	\$0.8757	\$0.9760
Employment [†]		
Labour Force	17,700	--
Employment	16,500	--
Unemployed	1,200	--
Unemployment Rate	6.8%	--
Economic Output		
Real Gross Domestic Product (millions of chained 2002 dollars)	\$1,445 (p)	\$1,490-\$1,505
Real GDP Growth Rate	1.4%	3-4%
Commodity Prices [‡]		
Gold (\$US/oz)	\$972.39	\$1,060.99
Silver (\$US/oz)	\$14.70	\$16.98
Zinc (\$US/lb)	\$0.7509	\$1.0098
Copper (\$US/lb)	\$2.3365	\$3.3076
Uranium (\$US/lb)	\$46.70	\$45.61
Oil - WTI (\$US/bbl)	\$61.72	\$79.67
Natural Gas (\$US/MMBTU)	\$3.95	\$4.77
NYMEX		
Lumber (\$US/mbf)	\$221.10	\$326.41
West SPF 2x4		
Mining		
Value of Mineral Production	\$251.0 million (p)	\$320 million
Exploration Expenditures	\$90 million (e)	\$140 million
Development Expenditures	\$165 million (e)	\$150 million
Oil and Gas		
Natural Gas Prod'n Volume - m3	60,877,200	--
Government		
Gross GY Expenditures* - millions	\$1,075.4	\$1,084.1
Construction		
Permitted Building Construction	\$158.3 million	\$130 million
Trade		
Value of Retail Sales	\$526.7 million	\$550 million
Tourism		
Non-resident Border Crossings ⁺	282,874	280,000-285,000

[^] - CPI increase for Whitehorse Only

f = forecast, e = estimate, p = preliminary, r = revised, -- = not available

[†] = annual averages – totals may not add due to rounding

* 2008 = 2008/2009 Actual, 2009 = 2009/2010 Forecast

+ as reported by the department of Tourism and Culture

Data Sources for Key Economic Indicators Summary Table

<i>Indicator</i>	<i>Source</i>
Population	Yukon Bureau of Statistics, Yukon Population Estimates
Inflation (Consumer Price Index)	Statistics Canada, Consumer Price Index
Overnight Rate	Bank of Canada (average daily rate)
Canada/U.S. Exchange Rate	Bank of Canada (average daily noon rate)
Labour Force Indicators	Statistics Canada, Yukon Labour Force Survey
Economic Output (GDP)	Statistics Canada, Provincial Economic Accounts
Commodity Prices	TD Canada Trust Economics
Value of Mineral Production	Natural Resources Canada Minerals and Mining Statistics Division
Mineral Exploration & Mine Development	Yukon Energy, Mines & Resources
Natural Gas Production Volume	Yukon Energy, Mines & Resources, Oil & Gas Branch
Tourism Visitation	Yukon Tourism & Culture
YG Expenditures	Yukon Finance, <i>2010-11 Financial Estimates</i>
Permitted Building Construction	Yukon Bureau of Statistics
Retail Trade	Statistics Canada