

## **Economic Review 2008**

*Economic Review 2008* provides a final review of the year that was for the Yukon economy. While this document does provide some discussion of expectations for 2009, the primary function of this economic review is to revisit 2008. Development of a Yukon economic growth forecast for 2009 is ongoing, with the forecast for 2009 slated to be made public in April/May following the release of the 2009 Government of Yukon Budget.

### **Introduction**

The Yukon economy has experienced significant growth in recent years. The preliminary estimate for 2008 economic growth predicted that Yukon Real Gross Domestic Product (GDP) would approach or equal the preliminary growth estimate of 3.8% for 2007. This forecast was based on a full year of production from the Minto mine, continuation of high mineral exploration and development expenditures, utility construction and continued growth in consumer spending

Recent events in the global economy, primarily occurring since the August 2008 update of the Economic Outlook, have tempered the 2008 growth estimate. Solvency issues of many countries' larger banking institutions, associated credit tightening, significant decline in stock markets, falling commodity prices and a global economic slowdown provided numerous negative economic headlines in late 2008.

The fourth quarter of 2008 saw large multinational corporations shed thousands of jobs in the United States, Canada and around the world, poor retail sales performance in some sectors, substantial financial losses for many corporations, collapsing housing markets in many regions, and a request for government financial assistance from auto manufacturers. These events, among others, provided clear indication that the global economy was in the midst of a significant economic downturn that was impacting all of the world's economic powers, and one that would continue to do so into 2009 and likely beyond.

The events associated with the global economic downturn happened very late in 2008 and did not have a significant impact on 2008 economic performance indicators for Yukon. With that said Yukon Real GDP growth for 2008 is now estimated in the lower end of the forecast range of 3% to 4%.

The impact of the economic downturn will only be revealed over time. The following points note areas of interest for the Yukon that are related to the ongoing economic downturn:

- Declining world demand has seen oil prices fall, resulting in lower gasoline prices and lower energy costs. Lower prices for gasoline and fuel oil lowers the burden on households and can free up income for spending elsewhere in the economy. Reduced fuel costs could lower the cost of consumer goods as the cost of transporting goods into the territory is lower. Lower fuel costs also lower the cost of development and production in the mining sector potentially stimulating activity in the mineral sector. Goods producers who ship outside of Yukon would also benefit from lower fuel costs.

- The Canada/US Exchange rate has fallen by about 20% from the high posted in February 2008 and approximately 15% from the values posted in September 2008. A lower Canadian dollar decreases the cost of mining expenditures within Yukon for US based firms which could stimulate local mining activity. Unfortunately, a lower Canadian dollar increases the cost of machinery and equipment purchases as these materials are often priced in US dollars. Yukon, and Canadian mineral producers in general, are benefiting from the declining Canadian dollar which is counterbalancing some of the losses in metal and mineral prices.
- Many countries and other areas of Canada have already experienced significant job losses with the potential for more losses in 2009 and beyond. Employment levels in Yukon in 2009 will be sensitive to general economic performance and the stimulus associated with initiatives included in the Federal Budget 2009/2010 and the upcoming Government of Yukon Budget for 2009/2010.
- The prevalence of negative economic headlines and stories in all forms of media continues to generate and sustain negative feelings that are impacting consumer confidence.
- The global economic downturn is negatively impacting the disposable income of many people in Canada, the United States and around the world. Retail sales in some regions will be depressed in the coming year in many areas as individuals spend less on non-essentials and big-ticket items. The value of sales could also be negatively impacted from continued weakness in automobile fuel prices and the expectation of lower automobile sales. Yukon retail sales will be dependent on the pace of economic activity and market psychology.
- Many individuals saw large portions of their investment wealth eroded with the recent downturn in the economy. Of particular concern are pensioners who are dependent on investments for their income and who are less likely to be able to generate wage-based income.

A major concern for the Yukon economy is the potential impact of the current economic downturn on future local mining activity. In the near-term, falling metal and mineral prices will likely contribute to lower mineral exploration expenditures in Yukon. Access to capital for junior mining companies has been affected in the short-term and this in turn will impact mineral exploration spending in 2009. Mining companies that have not already secured funding may not move forward with development due to issues accessing affordable capital.

The global economic situation also remains a concern for tourism visitation and spending in Yukon. Given the economic difficulties in the United States, Yukon's primary source of tourists, it is reasonable to assume that travel to Yukon may be negatively impacted. Declining economic growth in other regions of Canada and in some countries overseas could also impact tourism in Yukon.

Offsetting factors such as a lower Canadian dollar and lower fuel prices will help to reduce some of the negative tourism impacts associated with the economic difficulties in the United States and around the world. Ultimately, the impact on Yukon tourism will depend very much on the duration and severity of the US and global economic downturn.

Given the current market volatility, there is much uncertainty among analysts on the severity and duration of the global downturn. Overall, a short downturn would likely have limited impact on the Yukon economy. In terms of two of Yukon's more significant sectors, mining and tourism, a short downturn would likely amount to a postponement of spending. Individuals that were planning travel that included Yukon prior to the downturn would likely still visit Yukon but at a later date. Impacted by lower metal prices and lessened access to affordable capital from lending institutions some mining companies could also delay Yukon mineral development and exploration projects.

In its *Provincial Economic Outlook* document released on December 23, 2008, TD Economics noted that they expected a US recession similar in magnitude to that experienced in 1981-82. A longer and deeper downturn could have more significant impacts for Yukon. Tourism could be more severely impacted if the US economy is slow to recover. Fewer visits from US residents would reduce tourism spending. A prolonged global downturn would probably also impact the mining sector by postponing exploration and development activities, lessening the momentum that has been building in Yukon in recent years.

Even in light of the current global economic and financial situation, there are measurable upsides for the Yukon economy in the short-term resulting from declining oil prices and exchange rates.

### **Falling Oil Prices**

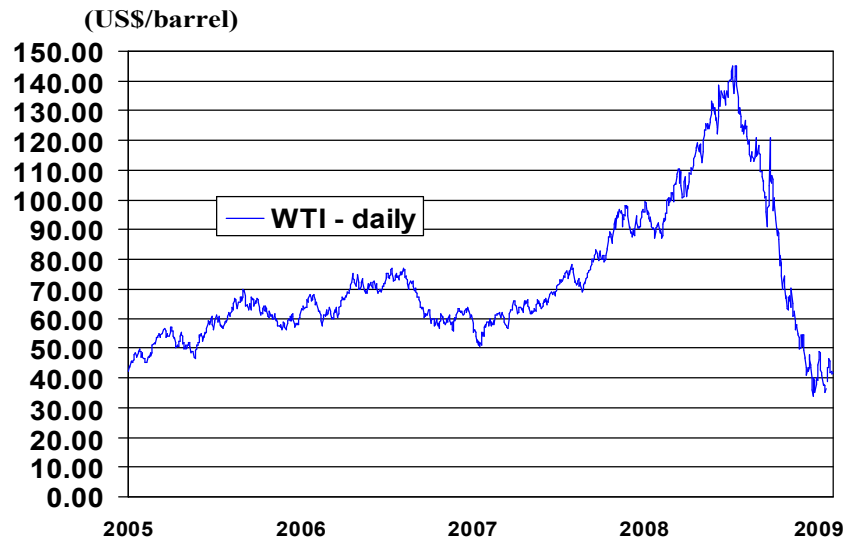
Coming into 2008 and through the majority of year, few commodities had been outperforming oil. The price of West Texas Intermediate Oil reached a record high of \$US145.29 per barrel on July 3, 2008 more than double the price of \$US71.21 posted on the same day in the previous year. The annual average price of WTI had grown in every year since 2001 increasing from \$US25.95 per barrel in 2001 to just under \$US100 per barrel in 2008. At \$US145.29 per barrel, the price of oil was more than ten times the average annual price of \$US14.41 recorded only ten years prior in 1998.

The fourth quarter of 2008 saw a significant decline in oil prices. Monthly averages in the first nine months of the year exceeded \$US90 in every month and \$US100 for the period March to September. The realization of a global slowdown and the resulting impact on demand saw oil prices fall sharply. Prices in December fell to early 2003 levels when the annual average for WTI was less than \$US31 per barrel. The current price (January 30, 2009) for West Texas Intermediate of \$US41.68 is only 42% of the price of \$US99.62 recorded at the start of 2008 and only 29% of the high of \$US145.29 posted on July 3, 2008.

Many forecasters are expecting that weakness in fuel demand to persist in the near-term. Review of futures contracts for WTI indicate that oil will likely be in the low-to-mid \$US40 per barrel in 2009 and in the low-to-mid \$US50 per barrel in 2010. These averages compare quite favourably with the forecasts of the US Energy Information Administration which has oil at \$US43.25 per barrel and \$US54.50 per barrel in 2009 and 2010 respectively. Lower oil prices will have positive ramifications for the Yukon economy as Yukon is a consumer of energy (oil) rather than a producer. Lower fuel costs are of particular importance to the local mining sector as fuel costs are a significant component of total mining related costs. The fuel

component of mineral development is significant with fuel costs for transportation of product out of Yukon often substantial. With lower prices for oil the cost of mineral development activities in Yukon are reduced and therefore there may be greater incentive for proponents to move forward with developments.

Lower fuel costs will also benefit Yukon consumers directly. The costs of heating homes and filling the tanks of household vehicles are reduced with lower fuel prices. Savings in these areas of household costs will allow families additional disposable income to spend on other goods and services. The re-distribution of spending within the economy can have significant impacts, with households reaping the benefits of greater disposable income.

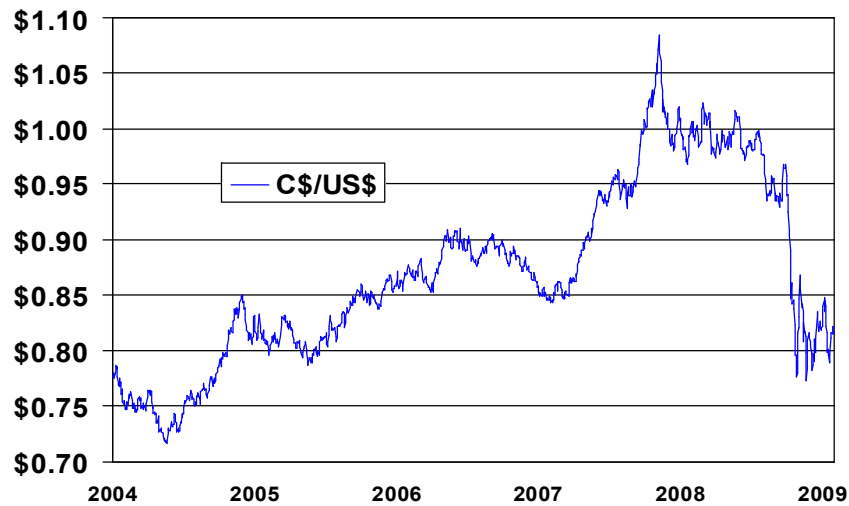


Source: U.S. Energy Information Administration; Futures Contract 1 for Light Sweet Crude - West Texas Intermediate (Daily Data – January 3, 2005 to January 30, 2009)

### Impact of Depreciating Canadian Dollar

Until recently, the Canadian dollar had enjoyed a prolonged period of strength. For the period December 2005 until September 2008, the monthly average for the Canadian dollar did not fall below US\$0.85. As recently as February 2008, the Canadian dollar was valued higher than the US dollar with an annual daily high of \$1.0241 versus the US dollar recorded on February 28, 2008.

Impacted by the economic downturn, the Canadian dollar experienced a significant decline in value beginning in late September 2008, which saw the value of the Canadian dollar fall from \$0.9682 on September 26, 2008 to close at \$0.7731 on November 20, 2008, the lowest value since September 20, 2004. The Canadian dollar closed at \$0.8153 on January 30, 2009.



Source: Central Bank of Canada; Daily Closing Value (January 2, 2004 to January 30, 2009)

A depreciated Canadian dollar could have positive ramifications for the Yukon economy, especially for the mining and tourism sectors.

A lower Canadian dollar means a lower cost of doing business in Yukon for firms whose currency has increased relative to the Canadian dollar. This is of particular importance in the mining sector where costs are a major factor in decisions related to exploration, development, and production activities. Lower costs for transportation, labour and goods sourced in Canada all improve the feasibility of exploration and development projects. With mining a key driver for future economic growth, any circumstances that facilitate development of this sector are of significant importance to Yukon.

Tourism could also benefit from a lower Canadian dollar as the relative cost of accommodations and other tourism related goods and services declines for American tourists. A lower Canadian dollar coupled with the continuation of declining fuel costs provides an environment that could stimulate American visits to Yukon and act as an offsetting factor to the generally weak economic conditions in the US. As well, the increased cost of travel to the US could see Yukoners partake in tourism related activities within Yukon as opposed to spending their vacation dollars elsewhere or not at all.

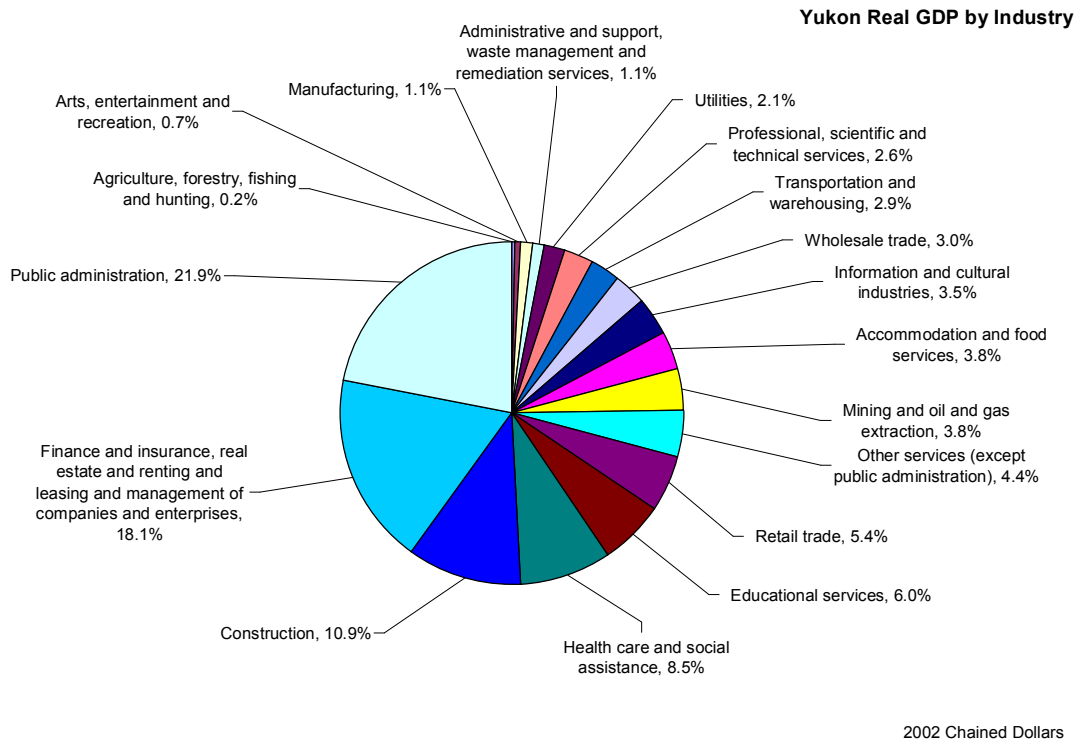
While manufacturing is not a major component of Yukon economic activity, it is important to recognize the impact of a lower Canadian dollar on local goods producers, especially those that may need to import inputs for production. On the other hand, goods exported to countries whose currency has appreciated relative to the Canadian dollar may become more attractive as the relative costs of these good has now declined.

While both the Canadian dollar and oil prices have been trending down in the current economic environment, considerable market volatility persists. It may be too early to

determine with certainty what exchange rate and oil price trends will prevail throughout 2009.

## Economic Growth (Gross Domestic Product)

Economic growth in Yukon outpaced the national average of 2.7% in 2007, the most recent year available for GDP by industry. The Yukon economy grew by 3.3% in 2007, following growth of 3.8% in 2006 and 4.9% in 2005. Yukon's real GDP growth in 2007 was fourth highest in Canada, behind the Northwest Territories (11.5%), Newfoundland and Labrador (9.1%) and Nunavut (9.0%).



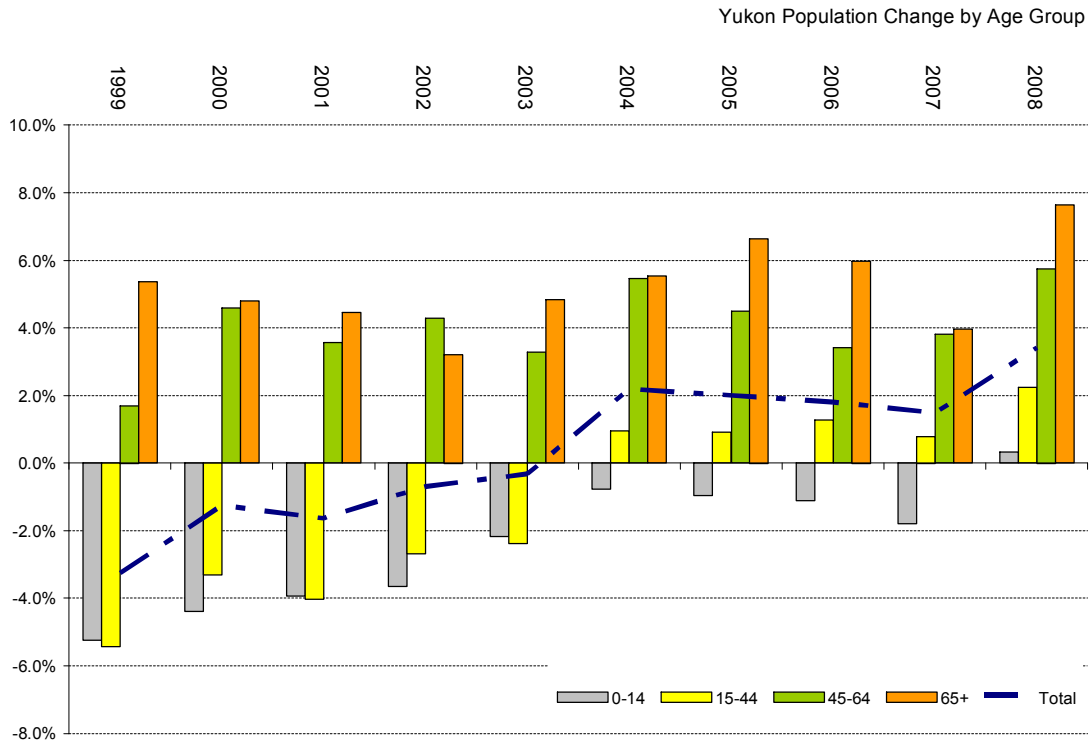
Construction, including residential, non-residential, and transportation engineering construction and the opening of the Sherwood Copper Minto Mine, were key drivers of growth in 2007. Although growth in net government current expenditures on goods and services decelerated, personal expenditures on goods and services increased in 2007 (4.5%), which was aided by visitor spending during the hosting of the 2007 Canada Winter Games in Whitehorse.

Corporation profits were up strongly, reflecting the new mining activity. Support activities for mining, including exploration, continued to increase.

Economic growth in Yukon is expected to slow slightly from previous forecasts in the last half of 2008 and will likely fall within the lower part of the preliminary 3% to 4% forecast range. A forecast for 2009 has not yet been developed and the implications of the global economic situation for the Yukon economy will need careful consideration going forward.

## Population

Yukon's annual average population grew by 1,102 to 33,378 in 2008, representing a 3.4% increase over the previous year. This is the fifth straight year of population growth recorded in Yukon following six consecutive years of decline.



Population growth was focused in Whitehorse where the population increased by 844 (3.5%) between December 2007 and December 2008. While growth was recorded in all but three of the communities in Yukon, growth in Whitehorse accounted for almost 77% of total population growth in 2008.

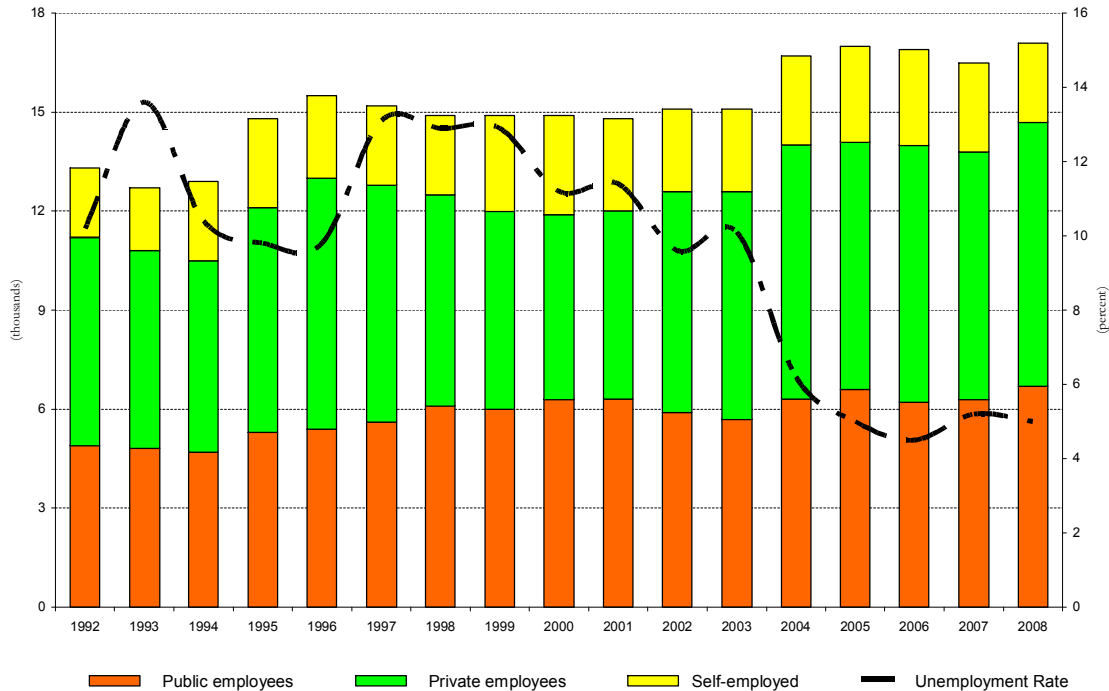
The number of children (14 and younger) in December 2008, 5,723, was on par with December 2007 following a decrease of 1.7% in 2007. There was 5.5% growth in the number of mid-to-retirement aged Yukoners (45-64), following growth of 4.0% in 2007. Individuals aged 45-64 totaled 10,958 in December 2008, almost double the 14 and younger group. The number of post-retirement age Yukon residents (65 and older) also increased by 8.2%, to 2,718 in 2008.

The number of Yukoners in the 15-44 age group increased by 3.1% in 2008. Increases were noted in 25-29 range (10.3%), 35-39 range (5.5%), 20-24 range (4.0%), and 30-34 range (2.7%). Some of the growth was countered by declines in the 40-44 range (-1.7%) and 15-19 range (-0.7%).

## Labour Force

Preliminary numbers for 2008 from the Yukon Labour Force Survey have the Yukon labour force increasing by 600 from 2007 average levels, to 17,900. In addition, the number of employed increased by 700, to 17,100 and the number of unemployed remained unchanged at 900 in 2008.

Yukon Employment by Class and Unemployment Rate



Overall, the average unemployment rate in Yukon was reported as 5.0% in 2008, down from 5.2% in 2007. Recent unemployment rate levels are substantially lower than the almost 10.0% average observed over the previous 16 years driven by several years of double-digit unemployment rate.

The labour force participation rate, which is the labour force as a percentage of population, averaged 75.5% in 2008 up from the historic low of 73.9% recorded in 2007. Activity and prospects related to the mining sector may account for the increase in the number of individuals participating in the labour force.

Given the current economic climate, the Department of Economic Development will continue to monitor the labour market closely over the coming months.

## Consumer Prices

The run up in the price of crude oil in 2008 contributed to the Consumer Price Index (CPI) for Whitehorse increasing at a higher than expected rate last year. With the energy index jumping by 14.5% in 2008, the overall CPI increased by 3.6%.



The CPI, with the energy excluded, increased at a more leisurely 2.3% over 2007 figures.

For the average consumer, increased costs for fuel oil (22.8%) and electricity (9.5%) led to shelter costs increasing by 8.4% in 2008. The cost of food purchased from stores increased by 3.7% last year with the highest increase seen in bakery and cereal products (7.6%). The price of meat, on the other hand, decreased by 0.2%.

Although the cost of purchasing or leasing a vehicle in 2008 decreased by 7.2% in 2008, a 12.1% rise in the price of gasoline and a 9.6% rise in insurance premiums contributed to a 9.1% increase in total cost of operating of passenger vehicles.

Recreation, education and reading did show a price decrease in the last year, 0.9%. The price of recreational equipment and services (not including recreational vehicles) purchases decreased by 6.1% and the price of reading material declined by 4.8%.

## **Mining**

Preliminary estimates for mineral exploration expenditures for 2008 show spending at approximately \$110 million. This is down from the estimated record of \$140 million posted in 2007 but remains significantly higher than the annual expenditures recorded prior to 2007.

The estimated development expenditures of approximately \$25 million in 2008 were well below the value of \$75 million recorded in 2007. Less spending associated with the Minto Mine accounted for much of the fall in development expenditures. Going forward, pre-production activities of the Carmacks Copper, Belle Keno, and Wolverine projects may have significant impacts on development expenditures.

Mineral production in 2008 benefited from the first full-year of production at the Minto Mine. Production in 2008 from this mine included 47.7 million lbs of copper, 30,758 oz of gold and 259,824 oz silver. Value of production of placer gold was down slightly in compared to 2007 values from \$38 million to an estimated \$34 million.

What the current economic situation will mean in 2009 and further out is of significant concern to the global mining sector. Producing mines will be less affected by tightening credit conditions than junior mining and exploration related companies. Producers typically have financing in place and have pre-sold portions of their output. Should the economic slowdown continue, mining companies, and in particular junior mining companies, will cut-back on 2009 mineral exploration programs.

As the severity of the financial and economic difficulties became clearer, impacts in commodity markets began to show in 2008. The prices of a number of prominent metals declined steeply in response to the realization of slowing demand and the likelihood of recession for many of the globe's prominent markets. Gold was highly variable during the fourth quarter of 2008. Following a period of considerable strength gold prices dipped below the \$US800 per oz mark on September 4, 2008; the first time since December 17, 2007. Weakness in prices continued through October and November with the price falling to \$US704.90 per oz on November 13, 2008, the lowest value posted since September 10, 2007.

At the time of publication gold prices had recovered somewhat from the recent lows, with gold trading for \$US927 per oz (January 30, 2008), but still lower than the yearly high of over \$US1,003 posted on March 18, 2008. Even with the price weakness in the fourth quarter the average price of gold for the year was the highest ever recorded.

For Canadian producers recent declines in gold prices have been off-set by the depreciation of the Canadian dollar versus the US dollar. When gold peaked in March 2008, the Canadian dollar and the US dollar were essentially on par with each other. At the time of publication the Canadian dollar was trading at about \$US0.82 (January 30, 2008) translating into approximately CDN\$1,140 per oz for a US dollar price of \$927 per oz. So while the value of gold at publication declined 7.6% in US dollar value relative to the March peak, the price of gold in Canadian dollar terms actually increased by almost 14%.

Other metal prices have also been negatively impacted by the global economic slowdown. Metals of interest to Yukon; copper, lead, zinc are all well below recent highs. Prolonged weakness in metal prices could impact development activities in Yukon and in other areas around the world.

## **Tourism**

In 2007, 329,203 travelers visited Yukon, according to the Canada Border Services Agency. This figure represents a 4% increase in visitation over 2006, totaling 13,699 additional visitors. Visitation in 2007 marked the second highest annual total since 1994.

Year-to-date data for 2008 indicates that visitation to Yukon has declined. American private vehicle traffic and motorcoach traffic have been negatively affected by the high price of fuel, the high value of the Canadian dollar and an economic slowdown in the United States. This downturn is part of a Canada-wide trend affecting most other jurisdictions. However, the year-to-date decrease in American traffic has been partly offset by increased visitation by overseas travelers.

Year-to-date border crossings (January to November 2008) indicate a decrease in visitation over the same time period last year. Overall visitation has decreased by 9% (28,334 fewer visitors) to 297,182 visitors from January to November 2008. Declines were noted from both US and Canada with 13% (31,344 fewer crossings) and 17% (5,208 fewer crossings) declines from each destination respectively. Some of these declines were offset by an increase in border crossings from Yukon residents and from foreign travelers of 6,867 and 1,351 more crossings respectively. Over the same period, the Whitehorse International Airport recorded 210,998 travellers enplaning and/or deplaning in Yukon, a decrease of 1% (1,252 fewer).

Despite this decline in border crossings, many Yukon operators reported that they were satisfied with the 2008 season and that revenues were on par with 2007.

Going forward the global economic situation remains a concern as it is uncertain how it might impact on tourism activities in Yukon. Given the economic difficulties of Yukon's primary source of border crossings, the United States, it is reasonable to assume that travel

to Yukon may be negatively impacted if individuals reduce non-essential expenditures, such as vacations. The magnitude of the impact on tourism in Yukon will depend very much on the duration of the economic downturn in the United States. Declining economic growth in other regions of Canada and in some countries overseas could also impact tourism in Yukon.

Competing factors such as a lower Canadian dollar and lower fuel prices could help to mitigate some of the negative tourism impacts associated with the economic difficulties in the United States and around the world. A lower Canadian dollar means that the relative cost of goods and services in Canada have declined, making Yukon a desirable location for travel. A weakened dollar also means that it is more expensive for Yukon residents to travel outside the country which could result in more local tourism activity.

Despite these potential drivers of travel to Yukon the reality is that American consumers are cutting back. In the third quarter of 2008, US consumer spending declined by 3.1% on an annualized basis. This was the first quarterly decline in US consumer spending in 17 years. Results for the fourth quarter indicated continued weakness with spending declining in all three months of the fourth quarter as well.

Ultimately, the sustainability of a weakened dollar and lower fuel costs will be a major factor on what impact these conditions will have on tourism in Yukon. If the economic downturn is relatively short in nature, the impact on tourism in Yukon will likely be minor and short-term. If the global recession is prolonged and deep, the impact on local tourism could be more substantial.

## **Oil and Gas**

Production at Kotaneelee, Yukon's only producing gas field, continued to decline in 2007, dropping to 102.6 million cubic metres from 152.7 million cubic metres in 2006. Data available for the January-October period 2008 shows a production decline of 25.7% versus the same period in 2007.

Exploration in Liard Plateau and Eagle Plain has taken the form of seismic, aeromagnetic, geologic and geochemical surveys. Northern Cross Yukon has acquired exploration permits in Eagle Plain and has submitted proposals for five new wells and workover and flow testing on four existing wells.

TransCanada Alaska recently received a license from the State of Alaska, allowing it to access up to \$500 million in state assistance to offset the estimated \$1 billion cost of applying for US regulatory approval to build and operate the Alaska Highway Pipeline Project (AHPP). As a condition of the license, TransCanada will hold an open season (limited window created by a pipeline company to identify gas producers and shippers interested in seeking carrier capacity on the line if built – and willing to commit their product at an economically feasible carrier price) within the next 18 months. British Petroleum and ConocoPhillips have created a joint venture pipeline company called 'Denali' which intends, in turn, to file a competing application with the US Federal Energy Regulatory Commission and the National Energy Board in Canada. It will also hold an open season in 18-24 months.

In late 2007, the Joint Review Panel concluded public hearings on the Mackenzie Gas Project (MGP). A final report has been twice delayed and is expected to be released in late 2009. The \$16-\$20 billion project could see startup in 2014.

Construction of either, or both, of these projects would be beneficial to Yukon's oil and gas industry by providing potential access to infrastructure to get Yukon natural gas to markets in the south. They would also provide employment, business opportunities and access to energy for Yukon use. There is renewed optimism for development of the Alaska pipeline associated with comments from President Barack Obama stating that the construction of the Alaska pipeline is a priority for his Energy and the Environment agenda.

The Yukon government's 2008 call for bids for the issuance of oil and gas rights yielded no bids. This result is likely due to lack of pipeline infrastructure, along with a tightening of financial markets. The Yukon government undertakes rights dispositions twice a year and the Spring 2009 Request for Postings (RFP) closed on January 14, 2009 yielding one RFP for the Eagle Plains region. A RFP review will take place during February and March 2009. The Fall 2009 RFP closes on July 15, 2009.

## **Trade**

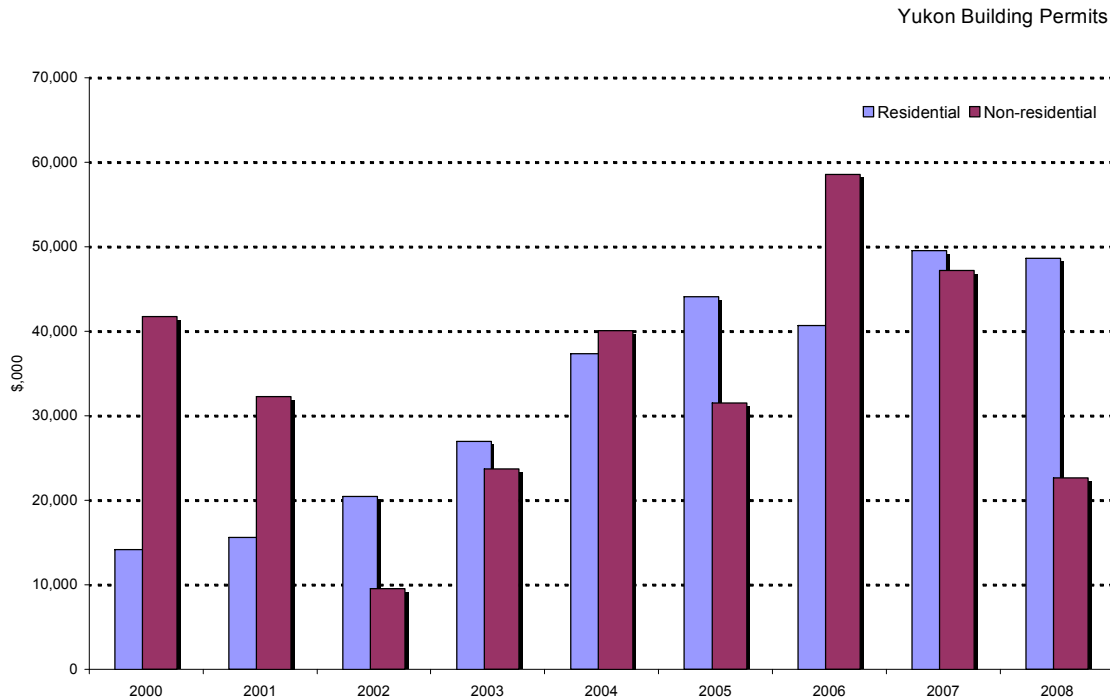
Retail trade in Yukon has shown strong growth over the first eleven months of 2008 and is 7.3% above the same period in 2007. An increase of 8.1% in sales in the automotive category helped contribute to the year-to-date growth, along with growth of 7.4% for both the 'other' and food and beverage categories. The "other" category includes a wide range of retail operators including furniture, home furnishings and electronics stores; building and outdoor home supplies stores; pharmacies and personal care stores; and general merchandise stores and miscellaneous retailers. Declining sales in clothing and accessories stores resulted in a 3.4% decline in this category in the first eleven months of 2008 versus the same period in 2007, countering some of the sales growth elsewhere. It should be noted that wholesale trade was also up in the first eleven months of 2008 increasing by 5.0% versus the same period in 2007.

While strong for the year, preliminary retail sales figures (not seasonally adjusted) for November 2008 decreased to \$39.6 million: 1.4% below the level in November 2007. The largest decrease in retail trade was recorded in automotive sales which decreased by 10.7% from the same month in the previous year. (automotive sales also include service stations this drop can be partially attributed to the drop in gasoline prices in the previous year). In addition, clothing and accessories store sales dropped by 14.9% to \$1.3 million.

Sales from food and beverages stores, however, increased by 6.5% from November 2007 and 'other retail store sales' increased by 1.5%

## Construction

The value of Yukon building permits in 2008 was substantially lower (-26.2%) than the value recorded in 2007, largely due to the fact that permitting at the Minto mine raised values in the first half of 2007.



The 2008 decline in building permit value was focused entirely in Non-residential construction with industrial, commercial and institutional construction down 76.2%, 25.9% and 51.7% respectively. The value of residential building permits posted a decrease of 1.9% over 2007. Residential building permits account for 68.1%, or \$48.6 million, of total building permits in 2008.

Construction activity is affected by several factors. For one, interest rates impact the level of activity for both residential and non-residential construction. Favourable interest rates can help to stimulate construction activity as individuals and business people take advantage of the lower rates offered. Recently, Canadian lending rates have been relatively low resulting in significant borrowing of funds for construction of homes and non-residential structures. At time of publication the overnight rate was 1.00%, the lowest level in the history of the Bank of Canada. If this low overnight rate is passed along to consumers in the form of lower mortgage rates, it could provide significant stimulus to the construction sector.

Recent construction activity in Yukon, both residential and non-residential, is being driven in part by population growth. Yukon's growing population has required more housing. Housing trends in Whitehorse, due to number of demographic and market factors, are keeping the demand for multi-residential (condominium) housing high. The vacancy rates for rental accommodation in Whitehorse and some communities have declined over 2008. Some parts of Whitehorse, as well as Dawson City and Watson Lake, have minimal vacancy

rates which are helping to drive the demand for additional housing. Non-residential construction, especially for goods and services providers, is also impacted by population growth as there is a need to service the growing population.

The growing economy is also resulting in industrial construction activity in Yukon with the Minto mine being the first new mine constructed in over a decade. Beyond Minto there are several other mining projects nearing production decisions, with further permitting anticipated within the next one to two years.

The City of Whitehorse has a number of projects that are outlined in the Capital Plan 2009-2012. Some of the capital projects that are expected to commence in 2009 include residential re-construction in Takhini North, Hamilton Boulevard extension, Canadian Strategic Infrastructure Fund work on the riverfront, well water supply and pump facility development, treated sewage outfall construction, and construction of a new Public Safety Building. Takhini North (\$10.1 million), Hamilton Boulevard (\$1.75 million), well water supply and pump facility (\$10.89 million) and the Public Safety Building (\$10.59 million) are all multi-year projects. The Canadian Strategic Infrastructure Fund riverfront project (\$1.8 million) and the treated sewage outfall construction project (\$4.3 million) are projects that are anticipated to be completed in their entirety in 2009.

The 2009/10 Government of Canada Budget made public on January 27, 2009 outlines a number of spending measures that will provide additional funding to Yukon. This additional federal budget funding will be complimentary to the Federal Government's stimulus package, helping to contribute to a 2009/10 Government of Yukon Budget that will be the largest in the territory's history. The territorial budget will benefit from an additional \$48 million in its annual transfer payment and another \$50 million for repairs and construction of social housing. The Government of Yukon budget will also reflect the more than \$4 billion allocated for northern infrastructure in the latest Federal Government budget, with a portion of this money slated to be directed towards enhancement of hydro capacity, investment in roads and highways, expansion of the Whitehorse airport, and construction and renovation of schools, health centres and hospitals. Spending in the Government of Yukon's budget for 2009/10 will be directed towards initiatives that provide significant benefits to Yukoners, and provide the greatest opportunity for continued development of the territory.

## Key Economic Indicators Summary Table

<i>Indicator</i>	<i>2007</i>	<i>2008</i>
Population, Prices, Rates		
Population	32,276	33,378
Inflation Rate <sup>^</sup>	2.5%	3.6%
Overnight Rate	4.35%	3.04%
U.S./Canada Exchange Rate	\$0.930	\$0.938
Employment <sup>†</sup>		
Labour Force	17,300	17,900
Employment	16,400	17,100
Unemployed	900	900
Unemployment Rate	5.2%	5.0%
Economic Output		
Real Gross Domestic Product (millions of chained 2002 dollars)	\$1,452 (r)	\$1,495 - \$1,510 (e)
Real GDP Growth Rate	3.3%	3-4%
Commodity Prices <sup>†</sup>		
Gold (\$US/oz)	\$699.01	\$872.43
Silver (\$US/oz)	\$13.44	\$15.05
Zinc (\$US/lb)	\$1.4682	\$0.8533
Copper (\$US/lb)	\$3.2297	\$3.1694
Uranium (\$US/lb)	\$98.72	\$63.76
Oil - WTI (\$US/bbl)	\$72.74	\$100.15
Natural Gas (\$US/MMBTU)	\$6.98	\$8.88
NYMEX		
Lumber (\$US/mbf)	\$283.79	\$253.33
West SPF 2x4		
Mining		
Value of Mineral Production	\$47.4 million <sup>#</sup>	--
Exploration Expenditures	\$140 million	\$110 million (r)
Development Expenditures	\$75 million	\$25 million (r)
Oil and Gas		
Natural Gas Prod'n Volume - m3	102,558,400	73,000,000
Government		
Gross GY Expenditures* - millions	\$907.9	\$954.4
Construction		
Permitted Building Construction	\$96.9 million	\$71.5 million
Trade		
Value of Retail Sales	\$500.3 million	\$486.1 million (Jan-Nov)
Tourism		
Non-resident Border Crossings <sup>+</sup>	329,203	297,182 (Jan-Nov)

<sup>^</sup> - CPI increase for Whitehorse Only

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

<sup>†</sup> = annual averages - totals may not add due to rounding

\* 2006 = 2006/2007 actual; 2007 = 2007/2008 forecast; 2008 = 2008/2009 estimate

+ as reported by the department of Tourism and Culture

# - (p) - does not include copper or gold production from Minto mine.

## 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 and Resources
Natural Gas Production Volume	Yukon Energy, Mines and Resources, Oil and Gas Branch
Tourism Visitation	Yukon Department of Tourism and Culture
GY Expenditures	2007: Yukon Finance, <i>2008-09 Financial Information</i> 2008: Yukon Finance, <i>2008-09 Supplementary Estimates No. 1</i>
Permitted Building Construction	Yukon Bureau of Statistics
Retail Trade	Statistics Canada