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## Introduction

Yukon has weathered the COVID-19 crisis better than most jurisdictions in Canada, both in terms of public health and the economy. Support from various levels of government has helped keep Yukon COVID-19 cases low and provide assistance to individuals, businesses and key industries.

The rollout of vaccinations offers hope for an eventual return to normal. When we reach high population vaccination rates, some of the public health measures that have weighed on economic activity for almost a year could start to be lifted. However, travel restrictions may still be needed as long as COVID-19 activity remains high in neighbouring jurisdictions.

While the impacts of the pandemic will cast a shadow over the medium term, Yukon's outlook has improved and is less uncertain than when the October *Interim Fiscal and Economic Update* was developed, largely due to ongoing vaccination efforts in the territory and around the world. The Government of Yukon remains ready to continue to support Yukoners so that the economy is well positioned for further growth.

## Part 1: Yukon's finances

The 2021–22 Budget presents a plan for investing in the future of a growing territory while meeting the challenges of a global pandemic. The fiscal summary in Table 1 shows a forecast deficit of \$12.7 million in 2021–22. This is a change of \$16.8 million in the fiscal position from the 2020–21 Main Estimates. Leveraging funding from all available sources has allowed Yukon to continue investing in Yukoners' well-being as well as key infrastructure, while mitigating impacts on the fiscal position.

Net financial debt is forecast to increase over the next three years. This is driven primarily by two factors – forecast deficit spending in response to COVID-19 in 2020–21 and 2021–22 as well as major investments in needed infrastructure.

The 2021–22 Budget represents a significant increase in spending as Yukon continues to support businesses, families, and individuals through COVID-19 while also delivering on significant government commitments, including a universal child care program. Increased spending is partially offset by increased transfers from Canada. The impact of record capital spending on the fiscal position is also mitigated by the fact that much of these costs are spread out over the entire life of these assets. Revenue is expected to continue to increase over the following two years and this, combined with an assumption of fewer COVID-19 responses and supports being required, is forecast to help Yukon return to surplus in 2022–23.

Table 1. Fiscal summary<sup>1</sup>

(\$millions)	2020–21 Main Estimates	2020–21 Supplementary Estimates #2	2021–22 Main Estimates	2022–23 Plan	2023–24 Plan
Revenue <sup>2</sup>	1,307.2	1,305.7	1,374.3	1,453.3	1,506.1
Expense <sup>3</sup>	(1,405.9)	(1,440.8)	(1,525.8)	(1,575.6)	(1,637.6)
COVID-19 Contingency <sup>4</sup>	-	-	(15.0)	(10.0)	-
Accounting Adjustments <sup>5</sup>	102.7	128.3	153.8	198.1	180.6
Surplus/(Deficit) <sup>6</sup>	4.1	(6.7)	(12.7)	65.8	49.0
Net Financial Assets/(Debt), end of year	(81.5)	(88.2)	(175.4)	(255.3)	(330.5)

Source: Department of Finance

Spending in the amount of \$33.9 million is included in the 2021–22 Main Estimates for COVID-19 supports and responses. There is also additional room in the fiscal plan in recognition of the potential for changing circumstances amid the ongoing pandemic. In 2021–22, \$15 million is set-aside for unexpected expenses and \$10 million is set aside in 2022–23. These COVID-19 contingencies are not included in departmental budgets, and would still need to be presented to the legislative assembly for approval to spend. They are included in the fiscal plan so that if there are unexpected expenses, they will not affect Yukon’s forecast fiscal position.

In 2019–20 and 2020–21, Yukon received significant funding from Canada for COVID-19 responses and supports. Yukon continues to work with the federal government on ongoing collaboration in response to the global pandemic. However, no assumptions of additional federal recoveries are made in the government’s fiscal planning. If Yukon receives additional federal funding for COVID-19 measures, if COVID-19 expenditures are lower than anticipated, or if the COVID-19 contingencies are not required, this will improve Yukon’s forecast fiscal position.

Growth in spending has generally kept pace with the growth in total revenue. Chart 1 shows forecast spending and revenue for Yukon from 2020–21 through 2023–24 as compared to actual historical spending and revenue as reported in Yukon’s Public Accounts. Between 2011–12 and 2020–21, annual growth in spending was generally in line with the annual growth in total revenues, with spending growing at an average of 6 per cent per year and total revenue growing at an average of 5.4 per cent per year. Spending and revenue growth are expected to stay in line over the next three years, however, revenue is forecast to grow at a higher rate than spending.

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

2. Revenue is the sum of “Transfers from Canada,” “Tax Revenue,” and “Other Revenue” as found on Pages S-14 and S-15 of the 2021–22 Main Estimates, and equivalent pages of budget documents for other periods.

3. Expense is “Total Appropriated Amounts” minus “Recoveries from Canada” and “Third-Party Recoveries” as found on Pages S-9 and S-8, respectively, of the 2021–22 Main Estimates, and equivalent pages of budget documents for other periods.

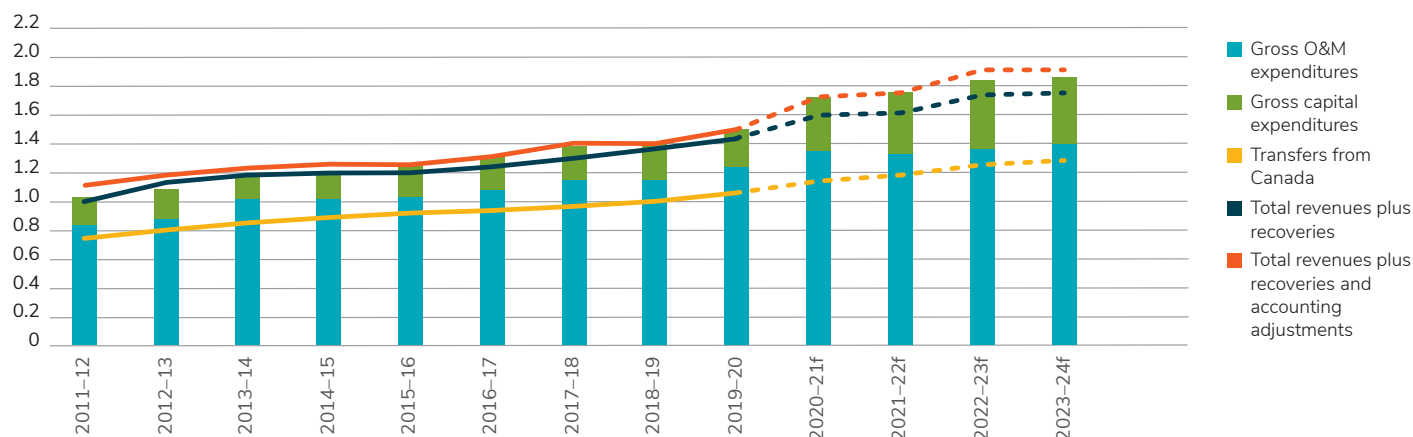
4. Found on Page S-9 of the 2021–22 Main Estimates.

5. Accounting Adjustments are the sum of “Tangible Capital Assets (net),” “Investment in Land Development,” “Expenditures on Loan Programs,” and “Other Adjustments (net),” as found on Page S-9 of the 2021–22 Main Estimates, and equivalent pages of budget documents for other periods.

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

## Chart 1. Government of Yukon's fiscal indicators<sup>7,8,9</sup>

Expenditures and revenues (\$billions)



Source: Department of Finance

## Revenue

Total government revenue is forecast to be \$1.37 billion in 2021–22, as shown in Table 2. This is an increase of 5.1 per cent from the 2020–21 Main Estimates—primarily the result of economic and demographic growth. Total revenue is also expected to increase over the following two years, at 5.8 per cent in 2022–23 and 3.6 per cent in 2023–24.

Table 2. Revenue by type<sup>10,11</sup>

(\$millions)	2020–21 Main Estimates	2020–21 Supplementary Estimates #2	2021–22 Main Estimates	2022–23 Plan	2023–24 Plan
<b>Transfers from Canada</b>	<b>1,116.7</b>	<b>1,116.7</b>	<b>1,183.3</b>	<b>1,252.4</b>	<b>1,293.5</b>
<b>Tax revenue</b>	<b>131.5</b>	<b>136.0</b>	<b>134.2</b>	<b>142.3</b>	<b>146.7</b>
Personal income tax	80.3	78.5	76.4	77.8	79.7
Corporate income tax	13.7	22.5	17.6	21.6	23.4
Property tax	6.0	6.0	6.9	6.7	7.1
Fuel oil tax	9.6	7.4	8.6	9.8	9.4
Tobacco and alcohol taxes	17.9	17.7	18.3	19.5	19.9
Insurance premium tax	4.0	3.8	6.4	6.8	7.2

7. Fiscal years 2011–12 to 2019–20 represent actuals as reported in Yukon's Public Accounts. For comparability, forecasts for fiscal years 2020–21 to 2023–24 use the same methodology, which differs from the presentation in Table 1 above.

8. To align with the presentation in Yukon's Public Accounts, revenues and recoveries do not include those collected by Yukon Housing Corporation, which are netted out of the gross expenditures presented in this chart.

9. For years 2020–21 through 2023–24 an 'f' denotes a forecast.

10. All revenue figures are found on Pages S-14 and S-15 of the 2021–22 Main Estimates, and equivalent pages of budget documents for other periods.

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

(\$millions)	2020–21 Main Estimates	2020–21 Supplementary Estimates #2	2021–22 Main Estimates	2022–23 Plan	2023–24 Plan
<b>Other revenue</b>	<b>59.0</b>	<b>53.0</b>	<b>56.8</b>	<b>58.7</b>	<b>65.9</b>
Liquor profit	8.9	7.2	9.2	9.3	9.5
Licenses, fees, registrations and permits	16.6	16.1	17.3	18.6	18.6
Sale of land	22.5	22.5	21.8	18.2	15.7
Other revenue	11.0	7.2	8.4	12.5	22.2
<b>Total revenue</b>	<b>1,307.2</b>	<b>1,305.7</b>	<b>1,374.3</b>	<b>1,453.3</b>	<b>1,506.1</b>

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

## Transfers from Canada

Total revenue growth is primarily driven by transfers from Canada, including the Grant from Canada, the Canada Social Transfer (CST) and the Canada Health Transfer (CHT).

The Grant from Canada, which includes the Territorial Formula Financing program, represents more than 80 per cent of Yukon's total revenue in 2021–22. The grant is responsive to changes in economic circumstances and helps reduce the gap between Yukon's ability to collect revenue and its spending needs for core services. The grant also contains a reduction in its formula for Yukon's revenues from forestry, oil and gas, land, minerals and water. Beginning in 2023–24, the growth in the Grant from Canada is forecast to slow, mainly due to projected royalties from Victoria Gold's Eagle Gold mine that are expected to begin in 2022–23. No other changes to transfers from Canada are forecast other than those driven by economic and demographic growth.

The COVID-19 pandemic is not expected to have a material impact on major transfers from Canada in 2021–22 as the Grant from Canada is not calculated each year, but rather, using a two-year lag period. As well, growth in the CST and CHT are guaranteed at an annual minimum rate of 3 per cent. Despite this minimum threshold, Yukon's CST and CHT grants are expected to grow at a higher annual rate than 3 per cent as a result of faster population growth in the territory compared to the rest of Canada.

## Own-source revenue

Income tax revenue forecasts are currently subject to a higher degree of uncertainty as a result of COVID-19. The impact of the pandemic on personal earnings, corporate profits and tax-filing behaviours is difficult to predict. In addition, tax deferral provisions implemented in response to COVID-19 have delayed the receipt of 2019 income tax assessment data, which is the main input for income tax revenue forecasts.

Yukon's total own-source revenue is still expected to remain steady overall, despite some negative impacts from the global pandemic. Personal income tax revenue is expected to decline slightly in 2021–22 as a result of a planned increase in the basic personal amount in 2021 and lingering impacts of COVID-19. Earnings are expected to recover in 2022–23 and 2023–24, but growth in personal income tax revenue will be slower due to additional increases in the basic personal amount.

Conversely, corporate income tax revenue is expected to increase slightly in 2021–22 from the 2020–21 Main Estimates. Corporate income tax revenue forecasts in Yukon are tied to a number of factors, including local economic conditions and, more so, prior-year tax revenue. Higher revenue in 2019, combined with the impacts of federal and territorial economic relief and recovery supports during the pandemic, is offsetting reduced revenue as a result of the small business tax rate moving from 2 per cent to zero on January 1,

2021. This is driving the forecast for modest growth in corporate income tax revenue from the 2020–21 Main Estimates through 2023–24.

The 2020–21 Supplementary Estimates #2 forecast includes additional corporate income tax revenue as a result of a prior-year adjustment that reflects stronger than anticipated 2019 revenue. These prior-year adjustments are common and are due to the timing of final reconciliations of tax assessment information.

COVID-19 negatively impacted fuel oil tax revenue in 2020–21 as travel restrictions meant fewer travellers to the territory and less fuel usage. This is expected to continue through 2021–22. Assumed easing of public health measures will help fuel oil tax revenue recover to pre-pandemic levels in 2022–23, however, this remains uncertain. As Yukon begins to meet targets set under the *Our Clean Future* strategy, taxable fuel consumption is expected to decline. We anticipate noticeable changes beginning in 2023–24, though these should be offset by positive impacts of returning vehicle travel through the territory.

Tax revenue from tobacco products is expected to increase in 2021–22 as a result of tax changes. On January 1, 2021, the tax rate increased by one cent per cigarette and one cent per gram of loose tobacco. Tobacco tax revenue is expected to remain stable as the decline in smoking rates is offset by more people, and potentially more tobacco users, moving to the territory. Likewise, the tax rate on insurance premiums increased on January 1, 2021, bringing it in line with tax rates in other jurisdictions. Starting in 2022–23, insurance premiums are expected to keep pace with inflation and economic growth.

There are also anticipated fluctuations in other revenues over the next three years. Revenue from the sale of land is expected to remain strong in 2021–22 as residential lots in Whistle Bend go to market, tapering off in the following years. This aligns with demand for housing that has remained strong amid current economic conditions. Investment income is forecast to be lower than 2020–21 due in part to lower interest rates. Mining royalties are forecast to increase starting in 2022–23, when government expects to start receiving royalties from the Eagle Gold mine.

## Five-Year Capital Plan

The fourth iteration of the Five-Year Capital Plan continues to prioritize the needs of Yukoners through the capital projects that government procures, manages, delivers and funds in partnership with Canada, municipalities, Yukon First Nations, and non-governmental organizations. The 2021–22 Five-Year Capital Plan forecasts an investment of \$2.25 billion over the next five years, as shown in Table 3. Over one-third of these investments are anticipated to be recoverable from Canada and third parties.

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

(\$millions)	2021–22	2022–23	2023–24	2024–25	2025–26	Totals
Climate change, energy and green economy	50	48	29	26	26	178
Land development, social development, education and health	111	105	102	113	92	523
Community and First Nations infrastructure	97	93	100	100	98	488
Transportation infrastructure	101	159	161	155	116	692
Real property and asset management	37	40	45	57	31	210
Information technology	39	59	28	16	15	159
<b>Totals</b>	<b>435</b>	<b>504</b>	<b>465</b>	<b>466</b>	<b>379</b>	<b>2,249</b>

Source: Capital Planning Office. Numbers may not add due to rounding.

Planned capital investments total \$434.7 million in 2021–22. This is an increase of \$65 million or 17.6 per cent from the 2020–21 capital plan. The Five-Year capital plan is intended to be flexible to respond to evolving needs and emerging opportunities. In the 2021–22 capital plan, additional investments are planned in the areas of health, education, and climate change, including renewable energy and green infrastructure. Emerging projects include the creation of a network of electric vehicle rapid charging stations, and protecting patients and staff at the Whitehorse General Hospital with a secure medical unit.

As with previous years, the Five-Year Capital Plan focuses on six categories to illustrate how government investments are impacting Yukoners:

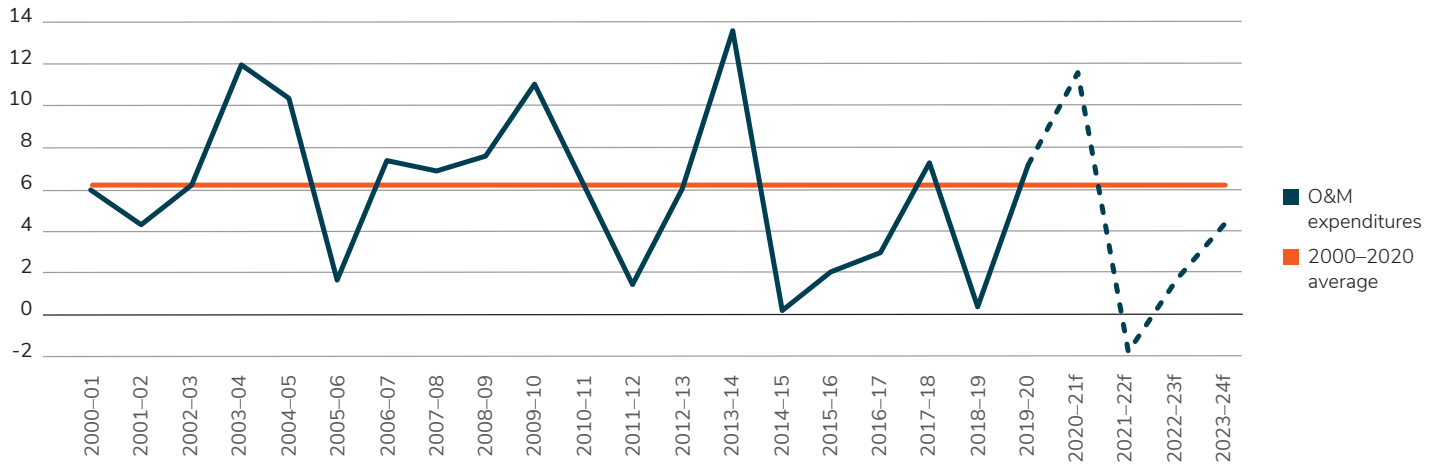
- \$178 million over five years for **climate change, energy and green economy** investments to help achieve the goals of the *Our Clean Future* strategy and reduce Yukon’s carbon footprint. In 2021–22 this includes green energy building retrofits for Yukon government and First Nations buildings.
- \$523 million over five years for **land development, social development, education, and health** to meet the needs of a growing and aging population. In 2021–22 this includes investments in the Whistle Bend elementary school, Old Crow Health and Wellness Centre and continued development of residential lots.
- \$488 million over five years for investments in **community and First Nations infrastructure** to ensure our communities are healthy and vibrant. In 2021–22 this includes investments in recreational and civic buildings such as the Tr’ondëk Hwëch’in Youth Centre, Pelly Crossing pool and Teslin fire hall.
- \$692 million over five years for investments in our **transportation infrastructure** to support safety and economic growth. In 2021–22 work will begin on the Nitsulin Bay Bridge replacement and continue on the Resource Gateway network and North Klondike Highway.
- \$210 million over five years for investments in **real property and asset management** to ensure Yukoners can access services and enjoy Yukon’s natural, cultural, and historical elements for generations. In 2021–22 this includes historic sites maintenance and campground infrastructure as well as retrofitting the Old Territorial Administration Building in Dawson City.
- \$159 million over five years for **information technology** investments to increase the ease, efficiency, and transparency with which Yukoners access services and agencies deliver services. In 2021–22 this includes health systems expansion and the Dempster Fibre project.

## Operations and maintenance expense

Operations and maintenance (O&M) spending in 2021–22 is expected to be lower than the amount currently forecast for 2020–21 in the Supplementary Estimates #2, showing a 1.8 per cent decrease. This is because 2020–21 is expected to be an outlier year, with significantly higher spending in response to COVID-19 than what is anticipated for 2021–22. Chart 2 shows forecast O&M spending from 2020–21 (including supplementary estimates) through 2023–24 compared to actual historical O&M spending as reported in Yukon’s Public Accounts. Future years assume lower growth in O&M spending, largely based on the assumption that the need for COVID-19 supports and responses will decrease.

## Chart 2. Annual growth in O&M spending<sup>12,13</sup>

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



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

The average annual growth in O&M spending between 2000–01 and 2020–21 was 6.3 per cent. Compared to the 2020–21 Main Estimates, O&M spending is forecast to be 7.7 per cent higher in 2021–22. However, when COVID-19 spending is removed, 2021–22 O&M spending is an increase of 5 per cent over the 2020–21 Main Estimates.

Increases in O&M spending over the 2020–21 Main Estimates unrelated to COVID-19 are driven by a number of significant initiatives. These include a universal child care program and expanded pre-kindergarten programming, as well as new and continuing actions in response to the *Putting People First* final report on health and social services in the territory, the *Our Clean Future* strategy and the Yukon Parks Strategy. Spending increases are also driven by growing demand and inflationary increases for core services. These allocations show that, despite the pandemic, government is continuing to deliver on its key commitments as well as core services.

Yukon was quick to respond to the effects of the global pandemic, mobilizing existing and new resources for health care and public health responses, emergency management and coordination, and economic relief initiatives. Chart 3 shows the total O&M budget allocations in response to COVID-19 in 2020–21 and 2021–22. Over these two fiscal years, Yukon has allocated \$154.8 million towards the COVID-19 response—\$139.8 in department O&M budgets and \$15 million set-aside as a COVID-19 contingency. This response has been enhanced by significant funding from the federal government. Of these budget allocations, \$77 million or 55.1 per cent is recoverable from Canada.

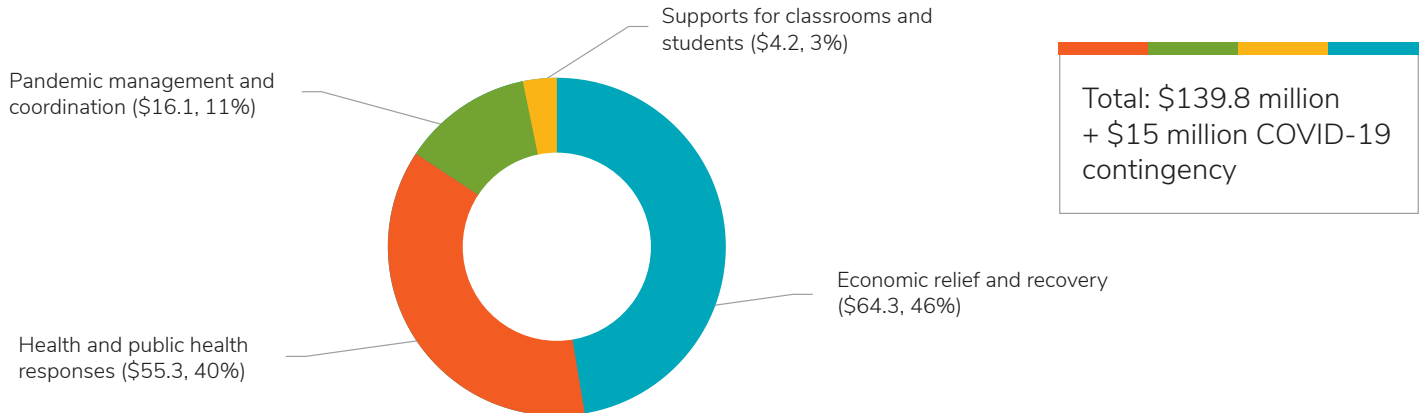
12. Fiscal years 2000–01 to 2019–20 represent actuals as reported in Yukon's Public Accounts. For comparability, forecasts for fiscal years 2020–21 to 2023–24 use the same methodology, which differs from the presentation in Table 1 above.

13. For years 2020–21 through 2023–24 an 'f' denotes a forecast.



### Chart 3. COVID-19 budget allocations over the 2020–21 and 2021–22 fiscal years

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



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

For the 2021–22 fiscal year, Yukon is allocating \$48.9 million in response to COVID-19—\$33.9 million in department O&M budgets and \$15 million set-aside as a COVID-19 contingency. Of the amounts included in departmental budgets, 46 per cent is dedicated to health care and public health responses, 34 per cent is dedicated to economic relief and recovery, 15 per cent is for management and coordination of emergency responses, and 5 per cent is supporting classrooms and students.

## Part 2: Economic overview

### COVID-19 to weigh on performance, but economic outlook remains positive

The global pandemic has worsened since the October interim update, with record levels of daily cases and deaths prompting renewed lockdowns. In Canada, the second wave has partially reversed the economic recovery that had started to take root in the second half of 2020. As with the first wave, Yukon has had a more positive experience than in the provinces. Yukon also saw cases rise late in 2020, but was able to suppress infection with only modest new measures including mandating masks in indoor public spaces and re-introducing self-isolation after travel from British Columbia or the territories. As a result, the estimate for real GDP growth in 2020 of 0.9 per cent is a modest improvement from the October forecast of 0.8 per cent.

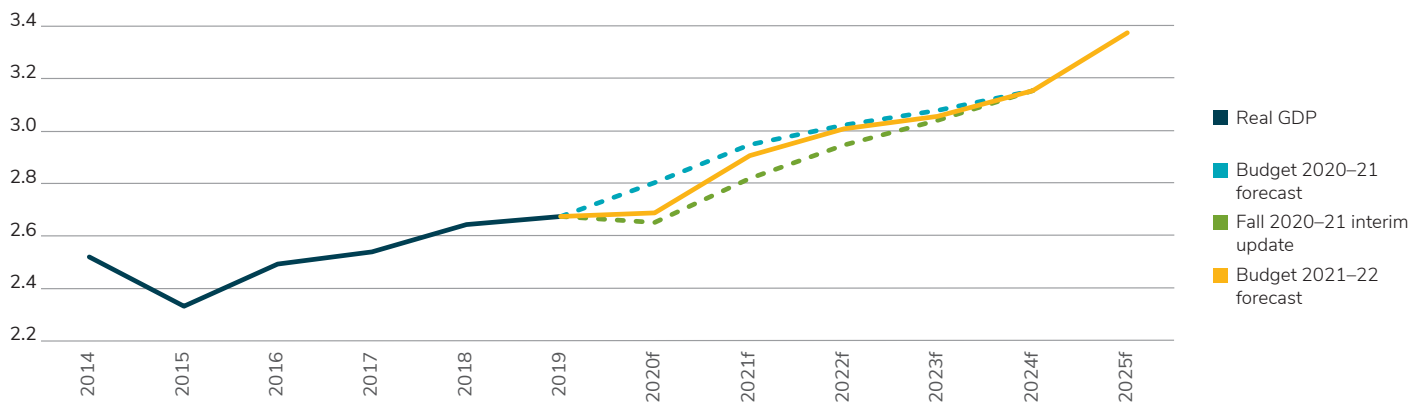
The timely development of vaccines is a key factor that drives the latest economic forecast. Roll-out of vaccines around the world has created optimism about the pandemic's end and has strengthened the outlook for growth in Yukon in 2021 (Chart 4). Under the current economic forecast, the assumption is that the vaccine distribution that started in late 2020 will become more widespread throughout 2021.

The outlook for the rest of the country remains uncertain. The federal government has committed to securing enough supply to provide vaccines to everyone by September 2021. However, it is unclear what impact global vaccine production challenges may have on scaling up the administration of vaccines. Early vaccination in Yukon could lead to a gradual lifting of health measures, but travel restrictions are expected to remain in place at least until late 2021.

The earlier-than-anticipated rollout of vaccines, especially for Yukon, has bolstered the mid-term outlook (Chart 4). Real GDP is expected to grow by 7.9 per cent this year, due mostly to a strong mineral production forecast with the Eagle Gold mine operating at capacity and the newly restarted Keno Hill mine ramping up. The hospitality industry will start to improve in 2021 with recovery beginning in earnest in 2022. This will push the economy back to the pre-COVID trajectory by the end of the forecast. Growth is expected in all years of the outlook, averaging 4.7 per cent out to 2025.

**Chart 4. COVID-19 is taking a bite out of GDP, but outlook has improved<sup>14</sup>**

Yukon real GDP (2012 \$billions)



Source: Department of Finance

**2021 to be another difficult tourism season, but outlook gets rosier further out**

2020 was a year unlike any other for Yukon’s tourism sector. International border closures, fewer flights, and mandatory 14-day self-isolation made travel to the territory difficult. The US border closure to non-essential travel was especially impactful. A record decline in the number of people clearing customs was reported in the first 11 months of 2020, with the 29,902 crossings well below the almost 501,000 crossings recorded in the same period of 2019. Foreign travelers to Yukon are critical for the tourism industry, accounting for almost three-quarters (73 per cent) of non-resident spending in Yukon in 2019<sup>15</sup>.

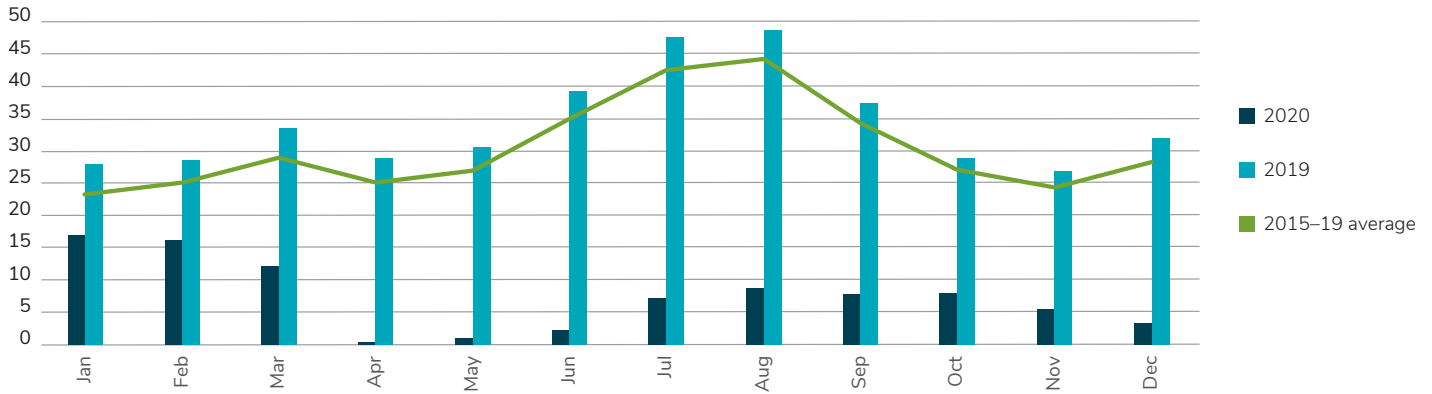
Airlines continue to operate well below historic capacity with many routes remaining out of the rotation, and others with flight frequencies well below pre-pandemic levels. 2020 air passenger movements at the Whitehorse International Airport were down more than 78 per cent from 2019.

14. For years 2020 through 2025 an ‘f’ denotes a forecast.

15. Detailed Household Final Consumption Expenditure – Yukon. [Statistics Canada](#).

## Chart 5. Travel restrictions weighing on passenger movements

Number of air passenger movements at Whitehorse airport (thousands)



Source: Department of Highways and Public Works

The Government of Yukon has taken steps to help local operators survive until conditions improve and operations are once again economically viable. Maintaining existing skilled human capital, entrepreneurship, and key infrastructure is vitally important for when the tourism sector emerges from this monumental disruption. The *Tourism Relief and Recovery Plan* released in mid-December 2020 outlines a plan to support the sector. As part of this plan the Government of Yukon has committed \$15 million to the tourism industry from 2020 to 2022.

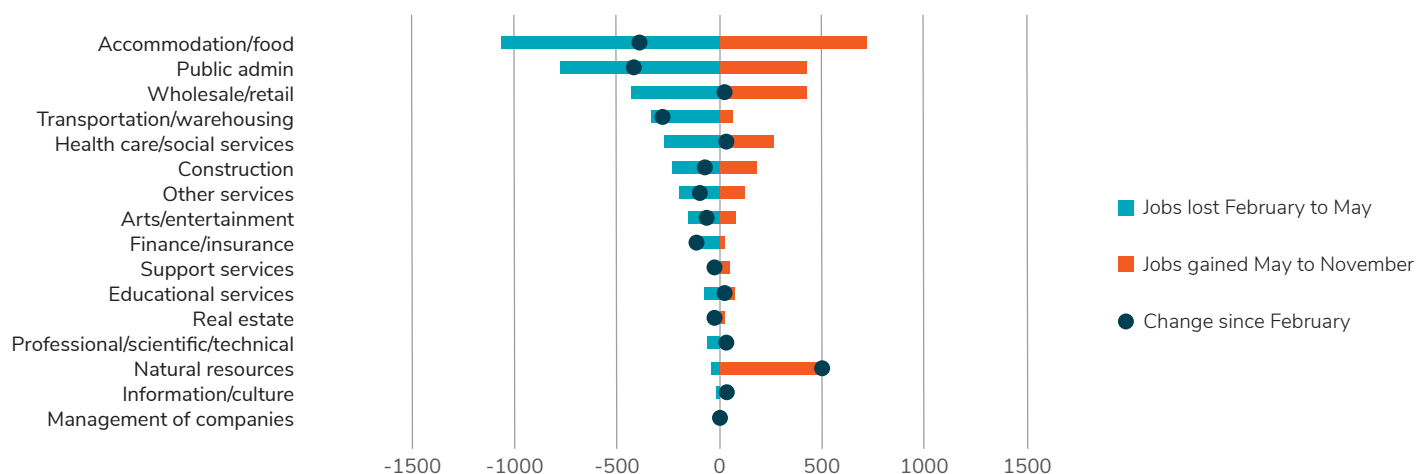
The outlook improves in 2022—the first tourism season expected to be unfettered by travel and business restrictions. There is also substantial pent-up demand for tourism. Reduced vacation spending has fueled household savings in both the US and Canada. Consumers will be looking to 2022 to use banked vacation days and spend airline and hotel credits accrued when vacations were cancelled last year. Though 2022 will be a notable improvement, visitation and tourism activity are not expected to recover to pre-pandemic levels until 2023, as some customers are expected to remain risk-averse to travel.

### Labour market continues to recover

As workplaces adapted to new operating regulations, and governments stepped up with historic support, many of the early pandemic job losses have been reversed. The number of people on employee payrolls had recovered over 80 per cent of pandemic losses as of November. The impacts of COVID-19 have been uneven, however (Chart 6). Some places of work were able to adapt to new regulations, but businesses that rely heavily on travellers and those that need people to gather faced difficulties. There were large job losses in accommodations and food services and in transportation and warehousing (Chart 6).

## Chart 6. Jobs recovery has been uneven

Number of jobs by industrial classification



Source: Statistics Canada

While the outlook has improved since the previous forecast, efforts to deal with COVID-19 will hang over Yukon's labour market. There is ongoing weakness in some segments of the economy, particularly tourism, which is tempering the labour market outlook for 2021 and beyond. Employment does not return to 2019 levels until 2022.

Yukon's unemployment rate was the lowest in the country, and was coming off of two consecutive record annual lows before the pandemic sent the unemployment rate to a five-year high in August 2020 of 8.3 per cent. Yukon's unemployment rate was much improved in the latter months of the year and as of January was again the lowest in Canada. While remaining relatively low, Yukon's unemployment rate is expected to remain above pre-pandemic levels, averaging 4.9 per cent over 2021–2025.

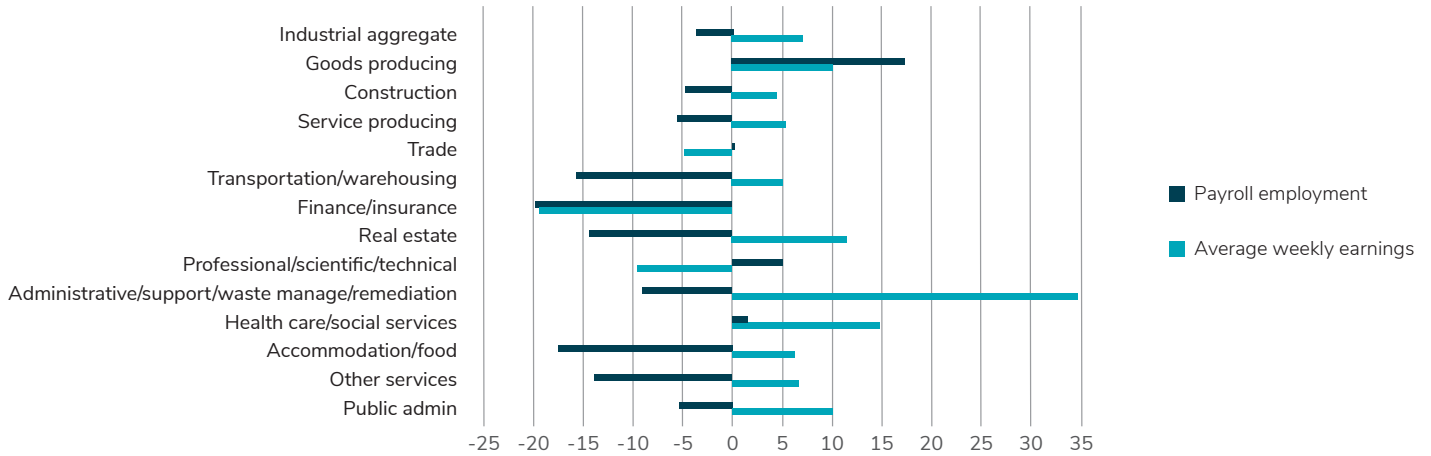
### Average earnings increase, as job losses are concentrated in low-earning industries

Even with notable job losses in recent months, average earnings have continued to grow (Chart 7). Yukon's average weekly earnings in November were up 10 per cent from November 2019. The increase in earnings is a misleading indicator of the strength of the labour market. A larger proportion of employment losses have occurred in low paying industries, bringing up the average for weekly earnings. Job losses in accommodations and food services represent nearly half of the total net jobs lost to November. This industry is among the lowest paid at \$546 per week<sup>16</sup>, representing only 44 per cent of the all-industry average of \$1,254 per week.

16. Figures represent an average of monthly average weekly earnings for the period January to November 2020.

## Chart 7. Lower employment, but higher earnings

Change in payroll employment and average weekly earnings, February to November (per cent)



Source: Statistics Canada; Due to data suppression in the Yukon data for the Survey of Employment Payroll & Hours, not all industries of interest can be presented.

Impacts on the labour market and the local economy have been buffered by Yukon's large public sector presence. About 43 per cent of working Yukoners were employed by one of the four levels of government in 2020, almost twice the national average. Many of these employees have weathered the recent labour market disruption without significant loss of income.

## Unprecedented public spending contains economic impact

Extraordinary levels of public funding helped to lessen the economic impacts of COVID-19. As of mid-December 2020, the federal government is projecting more than \$300 billion will be spent on its economic response to COVID-19<sup>17</sup>. The Canada Emergency Response Benefit ended on September 26 and was replaced in early October by an expanded Employment Insurance (EI) program and new benefits for the self-employed and caregivers. As of January 2021, Yukoners are estimated to have received more than \$100 million through these programs. As a result, even though labour incomes in the territory are estimated to have declined by 4.6 per cent, disposable income increased by an estimated 2.4 per cent.

As of mid-December the federal government has allocated \$23 billion in direct support for businesses and \$191 billion for individuals, as well as over \$25 billion for measures to protect Canadians' health and safety<sup>18</sup>. There has also been more than \$85 billion in tax liquidity support for businesses and individuals, primarily through tax payment deferrals. Yukon businesses have taken out \$35 million in loans from the Canada Emergency Business Account and received \$63 million through the Canada Emergency Wage Subsidy. The end date for the wage subsidy has been extended several times and is currently set to expire at the end of June.

The Government of Yukon allocated \$107.5 million towards its COVID-19 response in 2020–21. The vast majority of this total, \$105.8 million, was departmental O&M funding dedicated to health care and public health responses, economic relief and recovery, management and coordination of emergency responses

17. Fall Economic Statement 2020. [Government of Canada, Department of Finance](#).

18. Canada's COVID-19 Economic Response Plan – Overview. Fiscal Summary Table. [Government of Canada, Department of Finance](#).

and support of school classrooms and students. Prominent among this support was the Yukon Business Relief Program which paid fixed costs for some impacted businesses. The deferral of property taxes also gave businesses access to liquidity and maintained cash flows. While not included in the above figure for pandemic response, the Rent Assist Program helped tenants pay their landlords, so landlords could meet their mortgage obligations<sup>19</sup>. The federally-funded Essential Worker Income Support Program topped-up the wages of low-wage essential workers. Together with federal programs, these measures have prevented losses in COVID-19 impacted industries from having cascading effects on the rest of the economy.

A further \$48.9 million is allocated in 2021–22, with \$33.9 million for department O&M budgets and \$15 million set-aside as a COVID-19 contingency. Of the O&M spending, 46 per cent is for health care and public health responses, 34 per cent for economic relief and recovery, with the remaining funds to be directed towards emergency responses and support for classrooms and students.

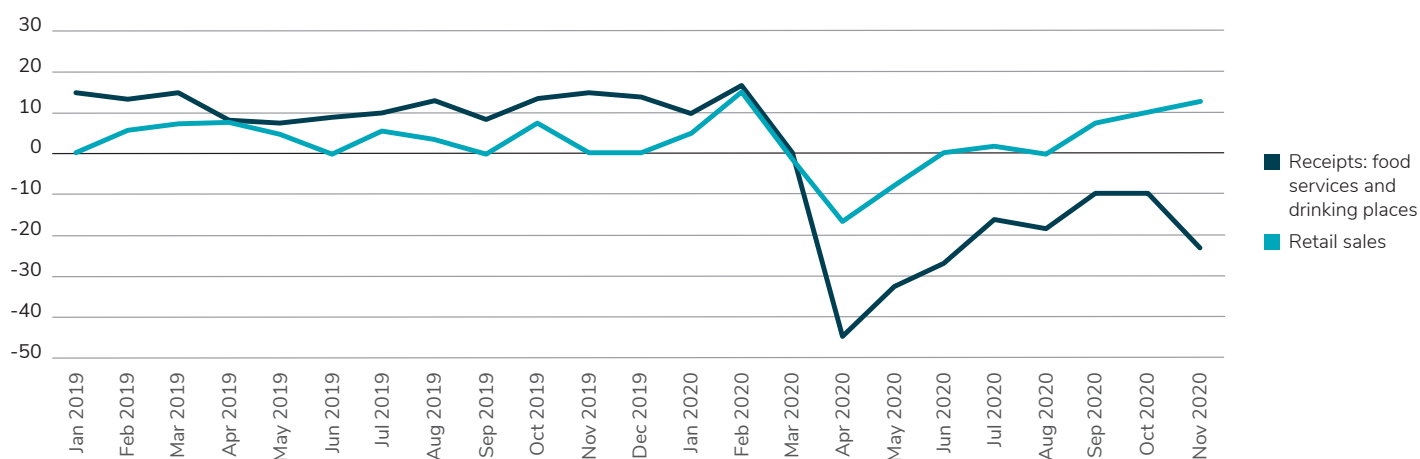
### Retail sales remained resilient in 2020

Steps taken to limit COVID-19 transmission constrained Yukon’s economic activity in early 2020 and contributed to large declines in retail sales in March, April and May. As some regulations lifted and people became more comfortable with the “new normal” of commerce, sales improved with impressive growth starting in September. Overall, retail sales performed better than expected early in the pandemic, with sales of \$810.7 million in the first 11 months of 2020 exceeding \$796.0 million in the same period of 2019.

Business practices within the retail sector allowed for more rapid and successful adaptation to social distancing rules than other customer-facing businesses. Bars were ordered closed from March 22 to May 15<sup>20</sup>, contributing to a significant drop in revenues. While improving from the precipitous decline in April (see Chart 8), receipts from restaurants and bars remain well below the levels of 2019.

**Chart 8. Healthy rebound in retail sales, but restaurant and bar revenues lag**

Year-over-year change (per cent)



Source: Statistics Canada

19. Funding for the Rent Assist Program was absorbed in the existing budget of the Yukon Housing Corporation.

20. A Path Forward: Yukon’s plan for lifting COVID-19 restrictions. [Government of Yukon](#).

At the time of writing, bars and restaurants can serve people on the premises, but regulations requiring physical distancing continue to limit capacity and will likely impact operations until widespread vaccination occurs. Hotels and other venues face the same operating constraints due to social distancing, which is compounded by travel restrictions.

Ongoing vaccine roll-outs are expected to see many of the pandemic-driven shifts in consumption revert back towards historic norms. The current forecast has the total value of Yukon retail sales posting gains in every year of the forecast, with the value approaching \$1 billion in 2023.

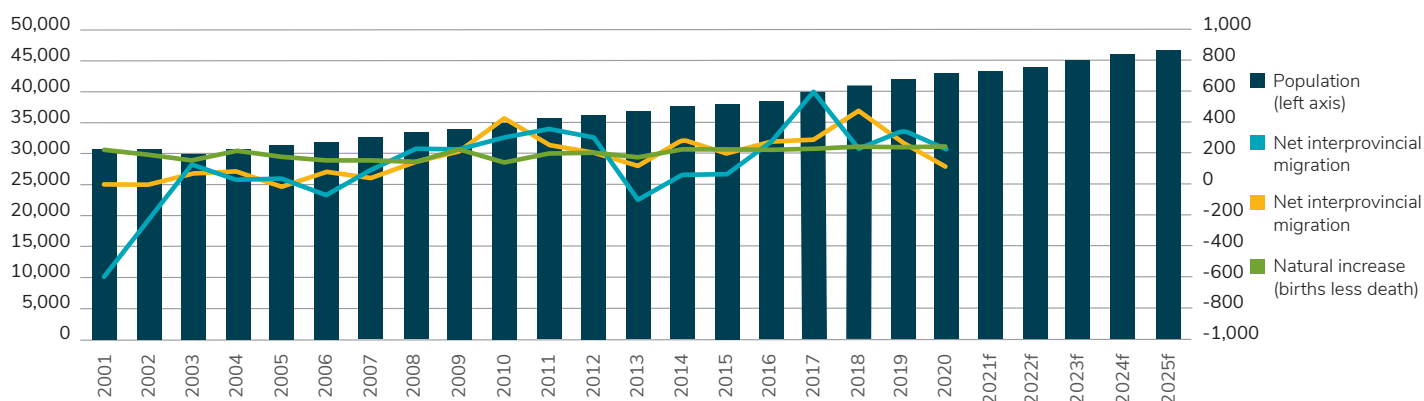
### Population gains in 2021 to slow with reduced immigration

The estimate for June 30, 2020 shows Yukon’s population increasing for a 17<sup>th</sup> consecutive year in 2020, up 1.9 per cent to 42,230<sup>21</sup>. Yukon’s population has increased nearly 21 per cent over the last ten years.

Weaker international immigration in the first months of the pandemic as a result of strict travel restrictions took some steam out of 2020 growth. Net international immigration of 123 in 2020<sup>22</sup> represents the lowest level reported since 2007 and is well below the average of 300 noted over the previous five years.

**Chart 9. Travel restrictions not expected to have a lasting impact on population<sup>23</sup>**

Yukon annual population and components of annual change (persons)



Source: Yukon Bureau of Statistics

International migration will likely continue to be soft in the first half of 2021, but as vaccine distribution occurs around the world and international travel resumes, migration is expected to ramp up. The federal government has targeted more than 1.2 million immigrant arrivals over the next three years<sup>24</sup>, an ambitious plan given that Canada has welcomed over 400,000 immigrants in a year only once (1913). Increased immigration is expected to support further annual gains, with Yukon’s population forecast to exceed 46,000 in 2025.

21. June estimates represent annual figures.

22. Population Report Second Quarter, 2020. [Yukon Bureau of Statistics](#).

23. For years 2021 through 2025 an ‘f’ denotes a forecast.

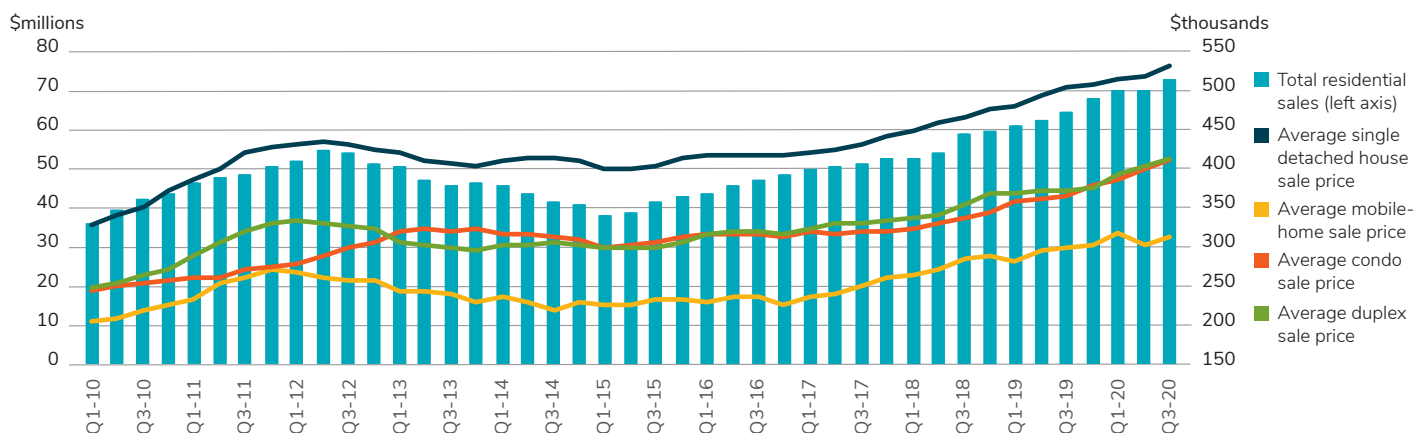
24. Notice – Supplementary Information for the 2021–2023 Immigration Levels Plan (October 30, 2020). [Immigration, Refugees and Citizenship Canada](#).

## Housing market activity has remained robust during pandemic

Interest in housing remained strong in the face of local COVID-19 cases and dampened economic activity. Fears that the pandemic might negatively impact housing sales have not materialized. The 373 residential transactions recorded from April to September were on par with the same period in 2019, and third quarter sales for all types of residential transactions, except for mobile homes, were above average. The average sale price of a single-detached house reached a new record of \$568,900 in the third quarter, up substantially from \$517,500 in the third quarter of 2019. This is not a phenomenon unique to Yukon. Average home prices are up in almost every Canadian housing market, supported by record low borrowing rates.

### Chart 10. Whitehorse housing prices continued to appreciate in 2020

Whitehorse housing market indicators (4-quarter moving average)



Source: Yukon Bureau of Statistics

Investment in residential construction has been resilient during the pandemic. A record \$95.6 million in residential permits were issued in 2020<sup>25</sup>, and residential investment grew 44 per cent to over \$238 million<sup>26</sup>. Gains were supported by record investment in new residential construction and on residential renovations. In a year where travel was taken off the table for most people, home improvement projects were quite popular<sup>27</sup>. Investment in renovations totaled \$128.2 million in 2020, 73 per cent higher than in 2019.

25. Yukon Monthly Statistical Review December 2020. [Yukon Bureau of Statistics](#).

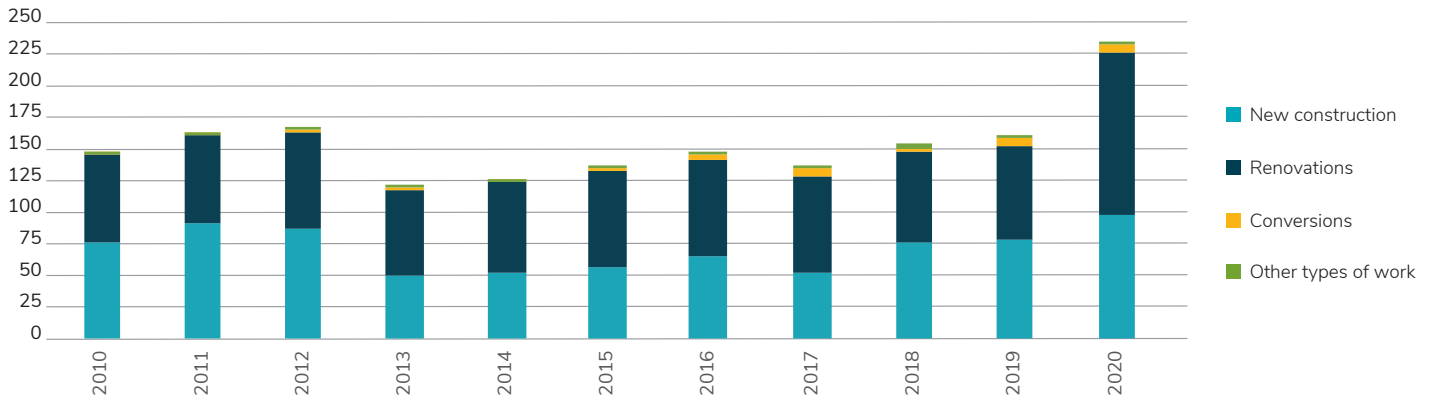
26. Investment in Building Construction. [Statistics Canada](#).

27. Decks, fences and other pandemic projects lead to local lumber shortage (July 19, 2020). [CBC News](#).



## Chart 11. Record level of residential renovations investment in 2020

Investment in residential building construction (\$millions)



Source: Statistics Canada

The cost of building materials has increased, partly due to increased demand, but also because supply chains in 2020 were disrupted. Some lumber producers in Quebec and Ontario were directed to shutter operations early in the pandemic. Supply was also constrained in the summer as sawmills in British Columbia and Alberta reduced output<sup>28</sup>. The supply of building materials sourced outside Canada has also been impacted by the pandemic.

The outlook for Yukon's housing market remains positive, supported by continued population gains, a generally positive labour market and expectations that accommodative mortgage rates will persist over the medium term. To meet some of the demand for housing the Government of Yukon held a land lottery in January 2021 for 257 lots in the Whistle Bend subdivision. This land lottery was the largest in Whitehorse's history, with 249 of the lots zoned for residential, 133 of these zoned for single-family homes<sup>29</sup>.

### Government and residential investment is boosting construction

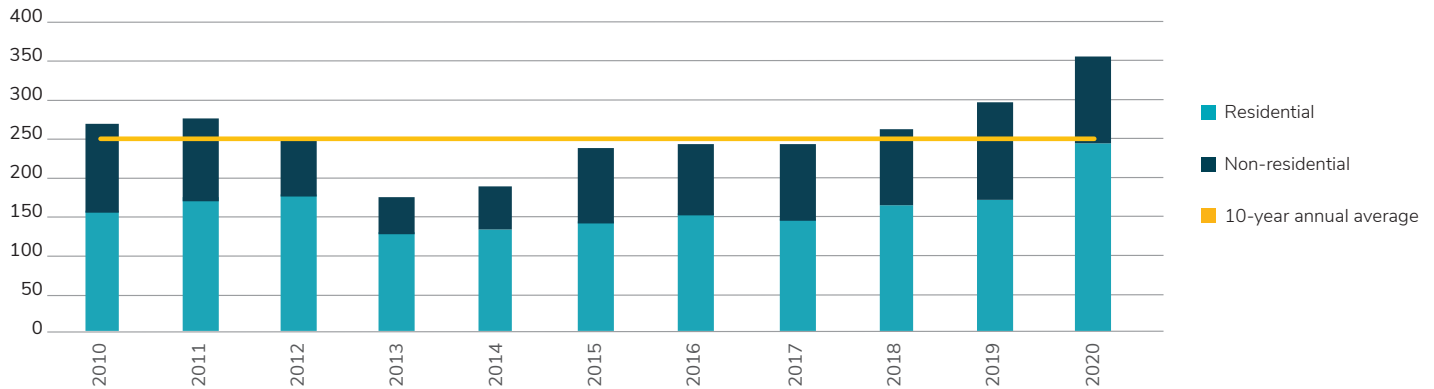
In addition to the uncertainty COVID-19 created for the housing market, there was concern that the virus could seriously disrupt construction activity. Fortunately, Yukon's construction industry has done well to adapt to COVID-19 operational regulations. A move by the Government of Yukon to deem the majority of construction-related activities as essential early in the pandemic also helped to provide assurances that construction activities could continue. Investment in building construction of \$356 million came in well above the previous record of \$296.8 million in 2019.

28. Yukon builders see 'through the roof' increase in lumber costs. (August 18, 2020). [CBC News](#).

29. Whistle Bend single-family lots priced up to \$150,000. (November 27, 2020). [Whitehorse Star](#).

## Chart 12. Record investment in building construction

Investment in building construction (\$millions)



Source: Statistics Canada

Construction activity is expected to remain solid in 2021, supported primarily by continued residential development and notable government investment.

The Five-Year Capital Plan<sup>30</sup> projects average annual spending of \$450 million, or \$2.25 billion over five years that will support construction and other sectoral activity over the coming years. Territorial investment in transportation infrastructure is on par with investments in the land development, social development, health and education category, however, with additional federal supports included, transportation spending accounts for 31 per cent of total Government of Yukon planned investments to the end of fiscal 2025–26. Major transportation projects include reconstruction of the North Klondike Highway, Yukon Resource Gateway road developments targeted at improving access to promising mineral deposits and mine sites, replacing the Nisutlin Bay Bridge, and the Whitehorse runway reconstruction. Additional highlights include \$488 million invested in community and First Nations infrastructure and \$178 million invested in climate change, energy and green economy. The latter reflects the territorial government's commitment to meet the objectives set out in *Our Clean Future*, which includes the installation of a network of electric vehicle charging stations, the development of renewable energy projects, green construction and retrofitting existing buildings to reduce greenhouse gas emissions.

The City of Whitehorse's Capital Expenditure Program 2021–2024 includes spending of nearly \$31 million in 2021, with spending of almost \$55 million over the next four years. Building and Fleet Maintenance at \$30.0 million comprises more than half of all planned expenditures. The City plans to invest \$16.3 million in the Services Building Project in 2021 with this work including the demolition of Fire Hall #1 on Second Avenue and the construction of the new Services Building in its place, the development of a new cenotaph on Steele Street, and exterior retrofit plus energy upgrades to the City Hall building<sup>31</sup>.

30. For more details on the five-year capital plan, please refer to the Five-Year Capital Plan section.

31. Capital Expenditure Program 2021-2024. [City of Whitehorse](#).

## Mining sector has done well during the pandemic

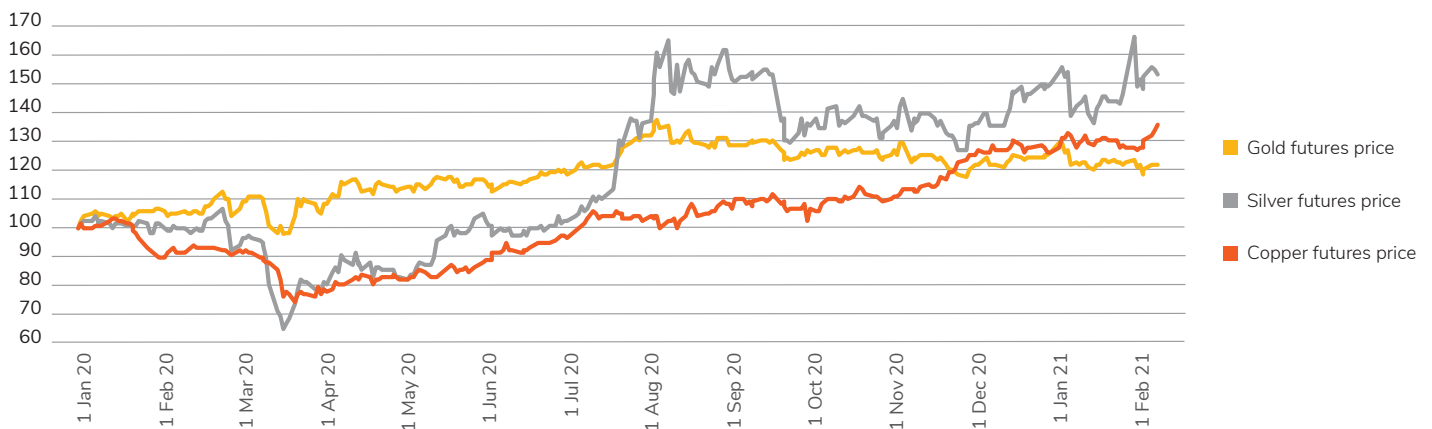
The mining sector in Yukon has, so far, avoided disruption of operations at the larger mines due to COVID-19 outbreaks. Labour costs have increased as fly-in workers are required to self isolate before they can begin working. While this has increased production costs, it has prevented outbreaks at work camps that could have disrupted production. A third quartz mine also began operations late in 2020 when the virus was still very much a concern.

The pricing environment for metals is the strongest it has been in years. Gold and silver prices are down from the summer 2020 peak, but remain strong. Though gold prices fell back below the US\$2,000/toz mark, gold remained above US\$1,840/toz in early February 2021, up 24 per cent from the March 2020 low. This pattern was even more pronounced for the price of silver, peaking at over US\$29/toz in August 2020. At just over US\$27/toz, prices in early February 2021 remained more than double the 2020 low of US\$11.81/toz in March.

In recent years, copper prices have been sensitive to manufacturing activity in China and a faster-than-expected Chinese recovery has helped spur copper demand. Since falling to US\$2.10/lb in March 2020, copper prices have trended upward, picking up steam in early November. Copper demand has remained strong into 2021, with prices reaching US\$3.77/lb in early February, the highest level since February 2013<sup>32</sup>.

### Chart 13. Growth in metal prices a positive for the mining sector

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



Source: Investing.com, Department of Finance

The strong pricing environment benefits current operators, and sets the stage for potential future exploration and development. There has been increased financial activity in the mining sector<sup>33</sup>. Both the volume and value of deals grew between April 2020 and January 2021, as mining companies are finding success in raising investment dollars<sup>34</sup>.

32. Metal prices sourced from Investing.com.

33. Oreninc (January 26, 2021). [Oreninc Deal Log](#).

34. Mining Journal (January 26, 2021). [World Risk Report 2020](#).

## Production is ramping up

Yukon's value of mineral production is estimated to have grown to about \$550 million in 2020, up from about \$170 million in 2019. The increase reflects both higher prices and increased production.

With the commissioning of Alexco Resource Corp.'s Keno Hill project in late November, Yukon has three producing mines for the first time since 2013. Plans are for Keno Hill production to ramp up in 2021 with the project expected to produce about 4 million ounces of silver annually, along with lead and zinc. After operational bottlenecks earlier in 2020, Eagle Gold finished the year strong, with fourth quarter production exceeding the operator's expectations. Over 200,000 ounces are expected annually from 2021 to the end of the forecast. Operations at the Minto mine were officially restarted by Pembridge Resources in October 2019. Production in 2020 totalled 24,646 wet metric tonnes of concentrate up from 7,167 wet tonnes in the partial 2019 operating season<sup>35</sup>. Pembridge is seeking regulatory approval to develop an underground access portal to deliver additional ore to the crusher up to the mill's capacity of 4,000 tonnes per day.

2020 was a banner year for Yukon placer miners who benefitted from high gold prices and low diesel prices. Annual production was over 86,300 crude ounces with an associated value of \$173 million<sup>36</sup>, well above the 77,800 crude ounces and \$120 million reported for the entirety of 2019<sup>37</sup>. With gold prices expected to remain robust, production in 2021 is forecast to remain above 80,000 crude ounces.

## Kudz Ze Kayah expected to push forward despite regulatory uncertainty

A fourth mine, BMC Minerals' Kudz Ze Kayah, could see development in the medium term. The project is a proposed open pit and underground zinc, silver, copper, gold and lead mine. The project feasibility study updated in November 2020 outlined a 20-month construction period, with pre-production costs of almost US\$250 million<sup>38</sup>. The feasibility study has first production slated for late 2023 and notes a project life of up to nine years<sup>39</sup>.

The Yukon Environmental and Socio-economic Assessment Board (YESAB) recommended to the Decision Bodies (Governments of Yukon and Canada) that Kudz Ze Kayah proceed to permitting. On January 22, 2021, the Government of Canada referred the project screening report back to the YESAB for further consideration, delaying the project's move to the permitting phase. The Government of Canada has indicated that a decision could be made by early May 2021 based on the Yukon Environmental and Socio-economic Assessment Act's legislated timelines<sup>40</sup>.

The addition of Kudz Ze Kayah production is expected to contribute to growth in mineral revenues in later years of the forecast, increasing to almost \$1.5 billion in 2025.

35. The Minto mine only operated for a portion of 2019, with production restarting in early October 2019.

36. Based on reporting for 2020 up to February 2, 2021.

37. High gold prices help prop up Yukon mining industry during pandemic. (November 26, 2020). [CBC News](#).

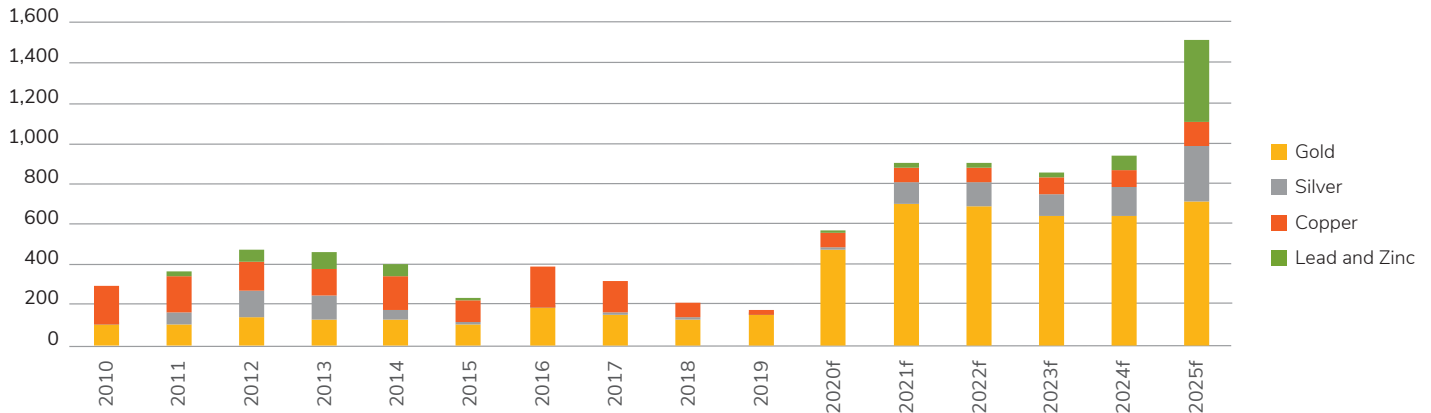
38. Pre-production costs excluding owners and indirect costs and contingency costs.

39. Kudz Ze Kayah silver/zinc project positive results for updated feasibility study – News Release (November 5, 2020). [BMC Minerals](#).

40. Letter from Federal Decision Bodies RE KZK Referral (January 22, 2021) to YESAB Executive Committee. Letter available on YESAB's online public registry.

## Chart 14. After a strong 2020, the outlook for metal production remains positive<sup>41</sup>

Value of metal production (\$millions)



Source: Natural Resources Canada, Department of Finance

### Exploration activity outperformed the worst pandemic expectations

After 2019 spending for exploration and deposit appraisal topped \$166 million, concerns about the ability to stake and undertake exploration work due to travel and work restrictions saw some early estimates for exploration investment as low as \$10 million<sup>42</sup>. Relief from assessment work requirements granted to claim holders on April 24, 2020 for a period of one year<sup>43</sup> likely helped to limit the number of lapses. Surging gold and silver prices also helped the exploration sector avoid a dismal season, as investment began to flow to exploration companies. Estimates for exploration spending from Natural Resource Canada (NRCAN) show a notable decline in 2020, with spending of \$76.9 million, less than half of the 2019 figure. Though falling, NRCAN estimates are better than expected and the highest of the three territories.

Many of the projects that have been in the spotlight in recent years are at a mature stage, so it is difficult to speculate on how much exploration work will be undertaken in 2021 as these projects prepare for advanced permitting. In addition to high metals prices, support from the Yukon Mineral Exploration Program helped support exploration in 2020, and contributed to a number of new, early-stage discoveries which could help spur further exploration work and new project development.

## Conclusion

In what has been a very challenging time for many Yukoners, Yukon's economy has performed reasonably well. Strong economic fundamentals and extensive fiscal supports will aid in the recovery efforts. While fallout from COVID-19 and the steps taken to deal with the virus have potential ramifications for Yukon's economy and the fiscal outlook going forward, ongoing vaccination efforts offer the chance for a return to normalcy, which is good news for the medium-term economic outlook.

41. For years 2020 through 2025 an 'f' denotes a forecast.

42. High gold prices help prop up Yukon mining industry during pandemic. (November 26, 2020). [CBC News](#).

43. A Path Forward: Yukon's plan for lifting COVID-19 restrictions. [Government of Yukon](#).

## Appendix A. Risks to the outlook

Much of the risk going forward relates to how quickly a critical mass of individuals can safely be vaccinated. Even after a wide distribution of vaccines, it remains to be seen how much the “new normal” resembles the pre-pandemic world. How the future unfolds remains uncertain, but there is no doubt that the pandemic will impact the economic and fiscal outlook for many years.

The following discussion presents a range of possible outcomes for Yukon GDP and employment. To illustrate this range two scenarios have been constructed, one optimistic the other pessimistic. In particular, different assumptions are made for mine development, the annual level of mineral production, annual tourism-related activity and annual construction.

Optimistic scenario (upper bound):

- Mineral production for Eagle Gold and Keno Hill is unchanged, but Minto produces into 2025 and placer gold production is higher than the base case over the forecast horizon;
- Kudz Ze Kayah project assumptions are unchanged;
- The Coffee project is developed over 2022 and 2023, with first production in 2024;
- Owing to faster wide-spread vaccination globally, tourism activity is quicker to return than under the base case; and
- Construction spending is stronger than the base case, related to the potential for increased federal funding in light of the recent pandemic induced economic downturn.

Pessimistic scenario (lower bound):

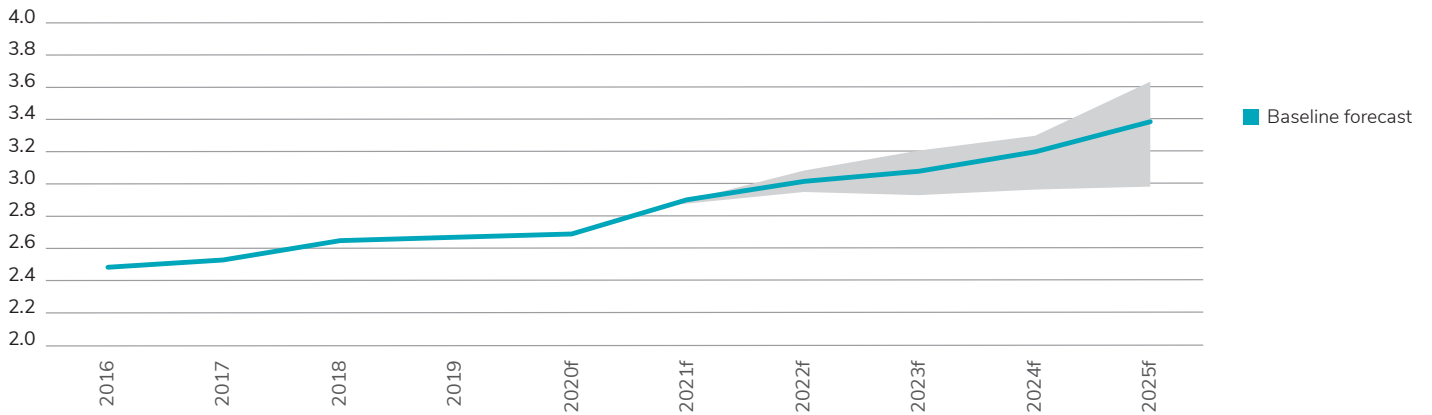
- Mineral production for all three current producers, as well as production from placer gold producers, falls below the base case;
- The Kudz Ze Kayah project does not move forward;
- The border remains closed until fall of 2022 because of slow vaccination globally or new variants of COVID;
- Construction spending is weaker than the base case, related to the potential for federal fiscal tightening due to the higher spending related to the pandemic.

Chart A1 provides a range of results for Yukon’s real GDP for 2021–25 based on the two scenarios, as compared to the budget (baseline) forecast. Chart A2 presents the same scenarios for employment.

Considerations for longer-term performance are the possible legacy impacts of the pandemic. It remains to be seen if the major disruption in travel will have any permanent scarring on demand for travel, the supply of tourism-related options, or on the costs of travel and tourism. Also, with the need to limit interactions and to physical distance changing the manner in which individuals and businesses exchange goods and services, there is the potential for lasting impacts on consumer behavior. Given the extraordinary steps taken by central banks and governments to avoid a financial crisis and an even worse economic downturn, there are concerns that the financial system may be more vulnerable going forward. The future impacts of unprecedented levels of public spending seen in 2020 and into 2021, are also a consideration for the availability of future federal government funding.

### Chart A1. Elevated uncertainty to the real GDP outlook due to COVID-19<sup>44</sup>

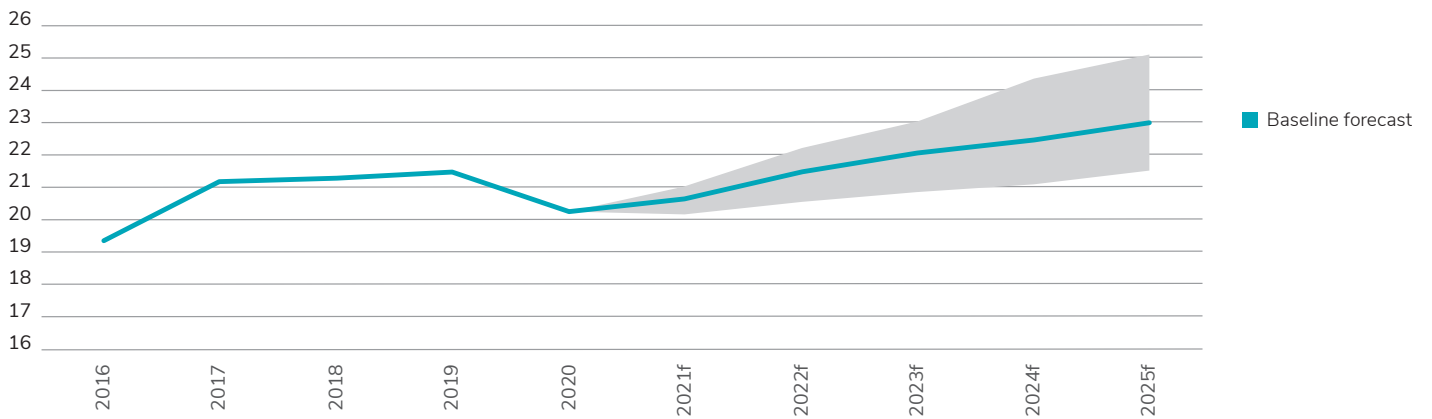
Real GDP (2012\$ billions)



Source: Statistics Canada, Department of Finance

### Chart A2. Elevated uncertainty to the employment outlook due to COVID-19<sup>45</sup>

Employment (thousands)



Source: Statistics Canada, Department of Finance

44. For years 2020 through 2025 an 'f' denotes a forecast.

45. For years 2021 through 2025 an 'f' denotes a forecast.

## Appendix B: Key economic indicators

	2019	2020	2021f	2022f	2023f	2024f	2025f
<b>Gross Domestic Product (GDP)</b>							
Real GDP by Industry (\$2012 million)	2,651	2,676 (f)	2,886	3,009	3,081	3,192	3,367
Per cent change	0.7	0.9 (f)	7.9	4.2	2.4	3.6	5.5
Nominal GDP (\$ millions)	3,157	3,250 (f)	3,436	3,646	3,805	3,992	4,053
Per cent change	3.3	3.0	5.7	6.1	4.4	4.9	1.5
<b>Mineral production</b>							
Metal production (\$ millions)	170	550 (f)	900	900	850	930	1,500
<b>Labour market†</b>							
Labour force	22,300	21,300	21,900	22,600	23,100	23,700	24,100
Employment	21,500	20,200	20,700	21,500	22,000	22,400	23,100
Unemployment rate	3.6	5.2	5.7	4.6	4.8	5.2	4.4
Participation rate	74.8	70.5	71.4	71.9	72.2	72.5	72.8
<b>Income</b>							
Household income (\$ millions)	2,204	2,136	2,256	2,418	2,521	2,637	2,784
Per cent change	6.3	-3.1	5.6	7.2	4.3	4.6	5.6
<b>Consumers</b>							
Consumer price inflation (per cent) ^	2.0	1.0	1.5	2.0	2.0	2.0	2.0
Retail sales (\$ millions)	865	880 (f)	900	950	990	1,040	1,090
<b>Population*</b>							
Population	41,436	42,230	43,000	43,900	44,800	45,700	46,400
Per cent change	2.0	1.9	1.8	2.2	1.9	2.0	1.6
<b>Key assumptions</b>							
Gold (\$US/toz)	1,392	1,771	1,835	1,796	1,658	1,618	1,580
Silver (\$US/toz)	16.21	20.64	22.37	21.24	18.10	18.10	18.10
Copper (\$US/lb)	2.73	2.78	3.16	3.05	2.96	2.99	3.01
Zinc (\$US/lb)	1.16	1.02	1.15	1.09	1.11	1.11	1.12
Lead (\$US/lb)	0.91	0.83	0.88	0.89	0.90	0.91	0.92
Three month T-bill rate	1.6	0.4	0.1	0.2	0.5	1.0	1.2
Can/US exchange rate	0.75	0.75	0.79	0.78	0.78	0.78	0.78

f = forecast † = annual averages rounded to the nearest 100. Totals may appear not to add due to rounding

^ = CPI available only for Whitehorse, annual average \* = population forecasts rounded to nearest 100

Source: Real GDP; Population; Labour Market and Consumers are from Statistics Canada. Exchange Rates and Interest Rates are from the Bank of Canada. Commodity prices sourced from a variety of private-sector forecasts.

Forecasts are based on data available as of February 5, 2021. The Yukon Bureau of Statistics produces the population projections. All other forecasts produced by the Economic Research Branch.