

CHARTING THE NEXT COURSE

Macroeconomic Policy Framework

August 2007

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Message from the Minister

Exciting things are happening in the Northwest Territories. The dream of the Northwest Territories becoming self-reliant and strong, with a thriving economy, and opportunities for our people is becoming a reality.



We need to decide what kind of economy we want to see in the Northwest Territories and, given the resources available, to take the necessary actions and investments to achieve our vision. In Budget 2007 I made a commitment to develop a policy framework to help us make the right investments and the best choices in the years ahead. The Macroeconomic Policy Framework can help us make the right decisions.

The Macroeconomic Policy Framework was developed following a broad consultation with Northerners. That consultation resulted in a clear consensus that the future economy for the Northwest Territories should be balanced, diversified and sustainable. It should build on the traditional economy in the North, and provide opportunities for big and small businesses, and large and small communities. Northwest Territories residents have four priorities: education, community capacity, infrastructure, and protection of the environment

The Framework includes criteria to evaluate investment and policy choices. These criteria focus on the impact of a decision on the Northwest Territories economy and its regions and communities; the depth and duration of its contribution to economic and employment diversification and sustainability; and its fiscal impact.

The Macroeconomic Policy Framework provides a comprehensive policy and planning framework to guide and support future decisions.

This is an exciting time in the Northwest Territories. A time of hope and optimism about the future. A time when our dreams for the Territory, for communities, and for our children can be realized. Now it's time to get to work.

A handwritten signature in blue ink, appearing to read 'Floyd K. Roland'. The signature is fluid and cursive.

Floyd K. Roland
Minister of Finance

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Introduction

The Northwest Territories (NWT) is on the brink of tremendous economic opportunities with the potential to transform the territory into a key economic driver for Canada. Since 1999 the NWT economy has been growing at a rate faster than any other province or territory in Canada.

The NWT's abundant natural resources and current global economic conditions have combined to make the goal of a strong, thriving economy with jobs and opportunities for NWT residents, a reality.

However, a growing economy can create as many challenges as it does opportunities. The NWT has experienced shortages of skilled labour, rapidly rising construction costs, and pressures on social programs, on the territory's infrastructure and on the environment. In addition, the direction of economic growth and development in the NWT is driven to a large extent by national and international markets beyond the control of the Government of the Northwest Territories (GNWT). Finally, there are limitations on the Government's fiscal resources and legislative authority to manage this growth.

In the face of these opportunities and challenges, the GNWT has important choices to make: What kind of economy do NWT residents want? What principles should guide the choices government makes? What are the most important actions and investments the GNWT can make towards achieving the goal of a strong, sustainable economy?

As economic opportunities arise, the Government will need to assess the policy initiatives and investment choices open to it. As these initiatives and strategies are developed, each will likely include a number of actions that will influence the territorial economy and the GNWT's fiscal situation. Some actions will have a direct impact as a result of program spending or capital investment, others will impact on human resources and how they are developed. Some actions in a specific area with apparent benefits may be at the expense of other actions which, upon further analysis, may have had even greater benefit.

This Macroeconomic Policy Framework is intended to provide a reference point to assess the individual and combined impacts of different policy options, to help co-ordinate policy development, and to guide overall fiscal and other policy decisions. The Framework is built on the considerable economic research and analysis conducted over the last decade in the NWT and on the extensive consultation conducted by the Minister of Finance in late 2006 and early 2007 on an economic roadmap for the NWT.

Macroeconomic Policy

Macroeconomic policy concerns itself with the big picture of economics – economic growth, inflation and employment. Some of the tools of economic policy are solely within the powers of the federal government; for example, monetary policy, which relies on changes to the money supply and interest rates.

The federal and territorial governments share responsibility for the second major instrument of macroeconomic policy – fiscal policy. Fiscal policy uses the revenue generating and spending capacity of governments to influence the economy.

Economic growth, as measured by Gross Domestic Product (GDP), affects employment levels, migration patterns, government revenues, and the opportunity for businesses to be established and to grow. But economic growth can cause regional inflationary pressures on housing and wages. It can lead to dramatic demographic shifts – bringing in people from outside the NWT, or shifting where people live within the territory – which if not accompanied by growing revenues, result in strains on the GNWT’s operating and capital budgets as the government tries to respond to demands for schools, social programs, transportation infrastructure, and the need to mitigate environmental impacts.

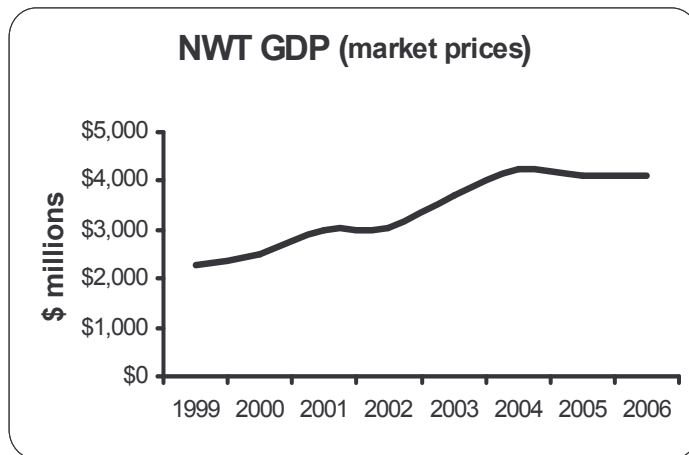
These impacts will be influenced by the direction of economic growth – boom or bust, by its speed, its geographic distribution across the NWT and between communities, and by the timing and sequencing of major projects.

The pattern of economic growth can affect the degree to which economic activity stays within the NWT. The engine of growth – a mine, a pipeline, a tourism development – will employ labour directly in the project. Some projects have more ties to local (NWT) businesses than other projects. Moreover, the employees directly employed by the project and those indirectly employed by local suppliers spend some portion of their income locally, thereby creating additional economic and employment opportunities in the consumer services sector. The degree to which economic activity can be retained within the NWT will not only affect growth as measured by GDP, it will also affect regional inflationary pressures, and government revenues and expenditures.

THE NORTHWEST TERRITORIES’ ECONOMY

Since 1999, the NWT has had the fastest growing economy in Canada, with an average annual growth rate of 8.8 per cent, almost three times faster than Canada as a whole. Growth in the mining sector has been very strong, accounting for almost two-thirds of the increase. By 2006 the NWT economy had undergone major structural changes – services, including the public sector, declined from about 50 per cent to 40 per cent of the economy over the period 1999 to 2006. Mining, which represented 30 per cent of the economy in 1999, had risen to half of the territory’s GDP by 2006. The size of

government itself dropped from 41 per cent to 26 per cent over the period. Other industries, such as manufacturing, construction, utilities and the resource harvesting sector, have held relatively constant at between 10 and 12 per cent.



Growth in the mining sector has been driven by the dramatic growth in diamond mining, which throughout this period has accounted for over 90 per cent of the value of mining production in the NWT.

The relatively limited extent of linkages in the territorial economy means that much of the effect of the growth in diamond mining is being felt

elsewhere in Canada through economic leakages. Since most goods and services are imported from outside the NWT, suppliers in other provinces benefit directly from the NWT's dynamic economic performance. For example, every \$1 million worth of production in the NWT diamond industry yields 1.1 person years of direct and indirect employment in the NWT out of a total 2.9 person years' of employment in all of Canada. The Mackenzie Gas Project proponents estimate that each direct job outside the NWT will create 4.8 spin-off jobs, but each direct job within the NWT will create only 0.5 spin-off jobs. In the oil and gas extraction sector about 84 per cent of labour income generated in Alberta stays in Alberta. For the NWT, only about 50 per cent of labour income stays in the NWT, even before adjusting for the greater use of fly-in/fly-out labour in the NWT.

However, the rapid increase in the size of the economy has positively affected income levels in the NWT. Total personal income in the NWT increased 41 per cent between 1999 and 2004, compared to 27 per cent for Canada. The proportion of high-income earners has increased and the proportion of low-income earners in most communities is decreasing. Between 1996 and 2005, the proportion of the population on income support in smaller communities has declined from 18.4 per cent to 7.8 per cent.

Price levels in the NWT remain significantly higher than in southern Canada, with spatial price indices indicating retail prices in NWT communities between 18 and 68 per cent higher than in Edmonton. These high costs are driven by distance, climate, a small and dispersed population, and a lack of transportation and communications infrastructure. These higher price levels continue to pose a roadblock to economic growth and development in the NWT, particularly in the highest cost communities. They also are a significant reason for the large fly-in/fly-out component of the NWT labour force.

Inflationary pressures, however, are in line with the national situation. The Consumer Price Index (CPI) increased by 14.6 per cent in Yellowknife between 1999 and 2006,

compared to 17.4 per cent nationally. Over the same period, the shelter component of the CPI increased by 23.3 per cent in Yellowknife, and 25.5 per cent Canada-wide. Between 2001 and 2006, average weekly earnings grew by an annual average of 2.5 per cent in the NWT, compared to 2.3 per cent nationally. One sector that is seeing rapid price increases is the construction industry. Although NWT specific figures are not available, the territory has been experiencing rapid cost increases similar to those seen in other parts of western Canada. The non-residential building construction price index has increased much more rapidly in the West than in Canada as a whole, and is expected to continue its approximately 14 per cent per year increase until 2009.

The NWT labour market is currently operating at close to full capacity and employers must compete with the strong western Canadian economy for labour. The employment rate in smaller communities has been improving, although it is still lower than in Yellowknife or the regional centres. The employment rate for persons with high school or more as their highest level of schooling is 87 per cent compared to 71 per cent for Canada. Much of the available labour supply in the NWT has less than high school as their highest level of education.

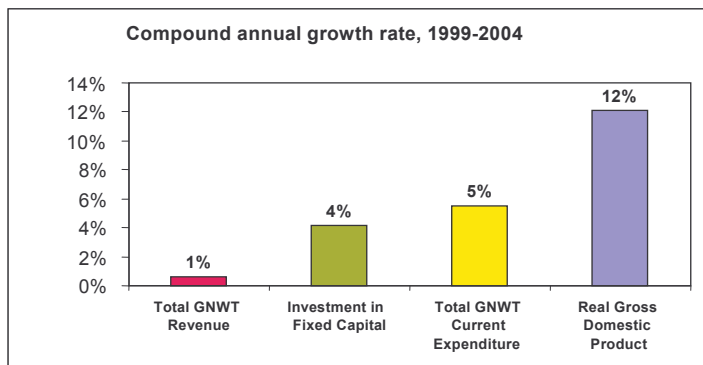
Looking ahead, the NWT will see the completion of the third diamond mine at Snap Lake in 2007 and additional investment at Diavik and Ekati mines. A fourth mine is under assessment. These developments will result in continued strong growth in the NWT economy, placing increased pressure on an already tight labour market and the NWT's industrial and social infrastructure. Should the much anticipated Mackenzie Valley Pipeline proceed, with an expected start-up date no sooner than 2014, significant economic benefits would be realized, although pressure on the territorial economy would intensify, possibly leading to wage inflation and crowding out other opportunities. Finally, other opportunities for the NWT economy include expansion in mining, tourism, forestry, fishing, fur harvesting and hydro-electricity.

The rapid economic growth experienced by the NWT in recent years has not been reflected in its population figures. The population grew by only 3 per cent between 1999 and 2006. In addition, the NWT population has aged since 1996, with the proportion of children under the age of 14 declining by 11 per cent and the proportion of those over 60 increasing by 43 per cent.

THE FISCAL ENVIRONMENT

GNWT revenues come from two principal sources: transfer payments from the federal government and own-source revenues such as taxes. The rapid economic growth experienced since 1999 has not translated into significantly higher tax revenues for the GNWT. The structural characteristics of the resource boom – namely major leakages from the NWT economy to southern Canada – and the resource royalty legal framework – constrain the GNWT's ability to maintain revenue growth in line with the rate of growth in the economy.

The GNWT's fiscal strategy is to create a financial environment that will ensure adequate resources to support program and service delivery on a sustainable basis. But the NWT's high cost environment, small population, and large geographic area mean that the GNWT's tax bases are too small by themselves to fund territorial government program and service responsibilities. Therefore, the GNWT depends on federal transfers, in particular Territorial Formula Financing (TFF) to provide adequate government revenues.



GNWT revenues have remained flat over the period from 1999 to 2004, while total spending has grown by 5 per cent per year. The 2007 GNWT Budget forecasts total revenues to increase by 4.3 per cent, to \$1.25 billion, in 2007-08. Total GNWT operating expenditures are budgeted at \$1.187 billion, a 4.7 per cent increase from 2006-07. In addition, the

Budget announced plans for \$109 million in direct capital infrastructure investments.

The federal government has recently announced new, long-term TFF arrangements that will replace the interim arrangements put in place in 2004. This will provide the GNWT more predictability and stability in its fiscal arrangements and allow for longer-term fiscal planning, including tax policy, than has been the case in recent years.

The TFF Grant from Canada alone represents 62 per cent of total GNWT revenues, with other federal transfers accounting for a further 8 per cent. Own-source revenues, such as taxes and fees, account for 30 per cent of total revenues. TFF arrangements are designed to cover the gap between GNWT own-source revenues and expenditure needs. Consequently, growth in own-source revenues leads to a formula-driven decrease in the TFF Grant, although this decrease is not dollar for dollar. Funding under the TFF responds well to population-driven growth in expenditure needs, but it responds less well to needs, such as the requirement for significant investment in infrastructure, driven by resource development.

Federal royalties from the NWT have grown 18 per cent annually from 1999 to 2005, from \$84 million to \$224 million. While the federal government receives the fiscal benefits from resource development in the NWT, the GNWT shoulders much of the expenditure responsibility, making the necessary investments to build and sustain the economy, protect the environment, and prepare people for jobs and business opportunities, without the fiscal resources to do so effectively to support the current boom and for the next growth period.

The GNWT attempts to maintain a fair and competitive tax structure, one that generates revenues to fund programs and services, but which also encourages people to live in and

business to invest in the NWT. New TFF arrangements continue to encourage the GNWT to maintain tax rates that are comparable with provincial rates. If the GNWT chooses to impose higher or lower rates, the benefit or cost is borne by the GNWT.

In 2005 the GNWT adopted the *Fiscal Responsibility Policy* which sets guidelines and limits on what the government will borrow for, and how much it can borrow. In recognition of this policy, Moody's Investors Service has established an Aa1 credit rating for the GNWT and the 2007 Federal Budget increased the GNWT's federally imposed borrowing limit from \$300 million to \$500 million.

The GNWT does not have unlimited fiscal resources and must make choices about where and how much to invest in economic growth and development.

A Vision for the NWT Economy

The first step in setting an economic course for the NWT is determining the kind of economy that NWT residents want. There are several paths that could be taken. At the extremes, there is the path of wide-open development with limited or no planning and a minimum of regulation or alternatively, the path of cautious planning: where development is only allowed once it is proven that there will be no negative impacts. The first extreme would lead to a break-neck pace of economic growth that could burn out quickly, leaving the NWT depleted of its most valuable natural resources and its environment degraded. It may also mean that there is no time to ensure that NWT residents have the skills and capacity to maximize the benefits from that development. The other extreme may delay economic growth such that the NWT misses opportunities, or they are delayed such that residents, and in particular young people, must either leave in search of a sustainable living or rely on government for social supports.

The consultations undertaken in 2006 and 2007 on the economic roadmap resulted in a clear vision of the future of the NWT economy.

The future economy for the NWT should be balanced, diversified and sustainable.

This vision builds on the broader vision of the Legislative Assembly of a self-reliant territory, with a strong, thriving economy, one that creates jobs and opportunities for NWT residents.

The vision contains three important elements:

Balanced - Elements of balance in the economy should consider a variety of factors. The GNWT's *Sustainable Development Policy* speaks to the balance between economic opportunities and environmental protection. Balance in the economy is also associated

with regional disparities. Actions and initiatives may not have the same impact across all regions.

In addition to regional differences, balance between communities should also be considered. There is little doubt about differences in socio-economic circumstances between large and small communities in the NWT. A balanced economy would build on the strengths of smaller communities while recognizing the benefits of encouraging larger communities to thrive as focal points for development. Economic strategies need to be considered within the context of the impacts on each type of community and the operating environments within these communities.

Finally, balance relates to the size of the sectors of the economy. A sector that is new or emerging and involves a number of small businesses may have different needs than a large industry with international players. These differing needs and the way in which each sector can contribute to the economy need to be part of the balance in the economy.

Diversified – A vision of a diversified economy speaks mainly to the need for a variety of sectors to contribute to the overall economy of the NWT. This diversification could be related to not relying on one industry, like mining or tourism, but also to diversification within industries or not relying too heavily on one mineral or one type of tourism activity. Lack of diversification in an economy can lead to potential problems as resources are exhausted or as external factors like markets and commodity prices change.

Diversification needs to not only consider contribution to the overall economy including industry linkages, but also employment diversification. While some industries may contribute significantly to overall economic growth, their impact on employment may be substantially different. Other industries may have a much smaller total economic impact, but may have greater employment impacts, especially in smaller communities. This also speaks to the element of the vision of a diversified economy that provides opportunities that reflect the skills and interests within a variety of groups in the NWT.

Sustainable – The final element of the economic vision is sustainability. The *Sustainable Development Policy* defines this as development of natural resources in a manner that ensures economic, social and cultural needs are met while maintaining ecosystem integrity and biological diversity and without compromising the ability of future generations to meet their needs. This view of sustainability focuses on the relationship between the environment and resource development.

Sustainability can also refer to avoiding the pitfalls of boom and bust economic activity and ensuring that booms in the economy are managed in a way that enhances sustainability by lowering the impact of a possible bust cycle. In a similar vein, sustainability could include consideration of ensuring maximum participation of Northerners to benefit from economic activity. This element speaks to the need to enhance linkages within the economy to maximize the overall impact of economic activity and to minimize leakages, which can also occur when relying too heavily on a non-resident workforce to achieve economic growth.

Sustainability in the context of the economic vision also needs to consider the nature of economic growth. Sustainability requires that a general economic goal should be that the overall size of the economy continues to grow. Without economic growth, it is difficult for labour markets to expand to accommodate new entrants to the workforce, for businesses to increase their revenues and profitability, or for new businesses to be established within the territorial economy. Further, without growth in the economy it is difficult to see how government revenues will change to provide for the needed investments to address the social issues that the territory faces.

Achieving the Vision

THE TOOLS AVAILABLE

Government actions to influence economic growth and activity can take a number of forms and directions. The GNWT has a number of tools available that it can choose to use. Compared to the federal government, the GNWT has a relatively modest influence over macroeconomic policy as it impacts the NWT. But it does have influence. The GNWT spends in excess of \$1 billion annually to deliver programs and services. With the exception of resource royalties, it has the jurisdiction to levy all the same taxes as a provincial government. And it employs over 20 per cent of the territory's workforce.

The fundamental purpose of tax and expenditure programs is to raise revenues and deliver essential government programs and services. However, the level and direction of both can affect the economy.

Spending - The government can use the way it spends and invests to influence economic performance. Increasing the overall level of spending is a direct stimulant to the economy: it can be targeted to specific industries, to specific regions, or to specific factors of production. For example, investment in education can have the effect of increasing the skill level of the labour force. Spending can also be used to influence behaviour or lower costs through the provision of subsidies. However, these can also distort economic decision making. The government's procurement policies can impact the development of local business. Government hiring or downsizing have very direct impacts on the NWT economy. The use of spending as a tool is limited by the size of government revenues and/or the government's willingness and capacity to borrow.

Investment/Borrowing/Guarantees – Although GNWT capital investment now represents a much smaller proportion of total investment in the NWT than in past decades, it can make a very important economic contribution, not just in terms of the dollars laid out, but also in terms of the specific infrastructure provided, which can lead to further economic development (roads and airports, hydro facilities) or the development of the territory's population (schools, health care facilities, community infrastructure).

The GNWT can also lever additional infrastructure through partnerships with industry, other governments, or aboriginal organizations. Again, the limits on investment relate to the government's fiscal capacity.

Taxation – Taxes can be targeted to specific goods or services to encourage or discourage their use or the general level of taxation can be changed to stimulate or slow down economic activity. The GNWT currently levies taxes on incomes (including a payroll tax), on commodities such as fuel and tobacco, on property, and on services such as insurance premiums, and collects revenues from the sale of liquor and from numerous permits and licenses. Constraints on the use of tax policy include the need to raise sufficient revenues to pay for program delivery and the need to remain competitive with other jurisdictions.

Policy – The GNWT can influence economic activity through the policies it pursues in a wide range of areas such as the environment, social security and income support, and housing, by providing a cushion in times of economic downturn or by affecting incentives to enter the workforce.

Regulatory requirements – The GNWT establishes regulations in many areas in order to protect public health and safety, the environment, consumers and investors. These regulations can also add significant costs for businesses. It is important that government ensure that regulations are adequate to meet their objectives, but do not unnecessarily burden the economy.

Tools still to come – Currently, the responsibility for managing the NWT's non-renewable resources (including the levying and collection of royalties) lies with the federal government. In view of the importance of non-renewable resource development in the NWT, the absence of NWT authority over the orderly development of this sector and over the fiscal regime that applies to it is one of the main tools missing for the implementation of macroeconomic policy.

WORKING WITH OUR PARTNERS

Other governments in the NWT also impact economic activity in the territory. Aboriginal governments and land claim organizations wield significant economic influence. As the largest private landowners in the NWT, land claimant organizations have control over large portions of both the NWT's surface and subsurface. They also control large investment portfolios which they invest in the NWT and, with the conclusion of self-government agreements, will have certain taxation powers and jurisdiction in key areas such as education. Partnerships with Aboriginal governments will continue to be key to implementing successful economic strategies in the NWT.

In addition, as the GNWT, Aboriginal governments and Canada make progress in critical areas such as the settlement of land claims and self government agreements, land use planning, and the regulatory framework, greater clarity will be provided to those who want to access to the NWT's resources.

The NWT is made up of 33 diverse communities ranging in population size from fewer than 100 residents to more than 19,000 persons. The median size of a NWT community is about 550. These diverse communities experience different levels of economic activity. Community governments are affected very directly by economic development. Larger communities feel the stresses of increased activity - smaller communities face the prospect of their traditional economies becoming less viable. In addition, communities may be in a position to identify and take advantage of opportunities at a local level. Providing communities with the capacity to cope with the impacts of development and to build on opportunities will help ensure that growth occurs in a more balanced way.

Participants in the macroeconomic consultations identified four key priorities for government action and investment: education; community capacity; infrastructure and the environment. Participants said that education is the key to ensuring NWT residents can benefit directly from the jobs and business opportunities created by development. Communities – especially smaller communities – need the capacity to plan, address issues, and make decisions about economic development. Improving and expanding infrastructure, especially transportation infrastructure, is essential so people can get to jobs in other locations, the cost of living and doing business can be reduced, and economies in smaller communities can grow. Protecting the NWT’s environment means paying attention to the special features of the NWT, including its natural beauty and diverse ecosystems. The priorities identify the linkage of economic policy to social and environmental policy and the need to continue to develop people, communities and infrastructure within the context of the externally driven development opportunities.

Evaluating Choices and Setting Priorities

In order to achieve the vision of a balanced, diversified, and sustainable territorial economy, the GNWT will continue to make choices and investments that impact our economy. To encourage a transparent and orderly decision-making process the following criteria are proposed for evaluating investment and policy choices:

1. What is the overall impact on the economy and how does the initiative contribute to NWT economic growth?
2. How will this initiative impact on all regions of the NWT? Quantify expected impacts at a regional level.
3. How will the initiative impact on different sized communities? Which communities are likely to be most affected by the initiative? Does the initiative improve communities’ capacity to respond to, or take advantage of, development?
4. Are there different impacts expected by size of business of this initiative? Is the initiative targeted at small or large businesses or on existing or new businesses?

5. How will the initiative contribute to overall economic diversification in the NWT?
6. Does the initiative strengthen economic linkages within the NWT?
7. How will the initiative contribute to employment diversification within the NWT?
8. Is the initiative likely to add to employment opportunities in the NWT? Can that impact be quantified and impact on skills requirement at a territorial level be described?
9. How long is the initiative expected to benefit the NWT?
10. Will the initiative have any impact on the environment? What factors should be considered in terms of the balance of environmental protection and economic growth?
11. Is government involvement or action necessary? Are there more effective alternatives?
12. What are the direct and indirect costs of the initiative to the GNWT?
13. What are the net tax revenues that will be generated by the initiative?
14. Will the initiative lead to lower costs for NWT residents or businesses? Does the initiative lower other GNWT costs or reduce dependency on subsidies?

The answers to these questions will help guide decisions. By using these criteria, decision-makers will have objective information that will help with the understanding of how decisions contribute to the overall vision of the economy of the NWT.

How the Framework Will Be Used

The GNWT receives many requests to provide support – in the form of spending, subsidies, tax incentives, guarantees, investment, and so on. In addition, many government policies have economic implications: industrial, labour, or economic development. There is merit in subjecting government decisions to a common method of assessing their impacts. Application of the Framework is intended to ensure that the GNWT receives the maximum economic benefit from its fiscal and other decisions.

This Framework is intended to:

- guide policy and budget development in the GNWT, particularly in prioritizing government support for development projects and strategic investments in other areas of government spending, including investments in sectors, programs and services, and infrastructure;
- guide the development of GNWT tax policy;

- identify and evaluate the existing government policy Framework, and identify interactions, gaps and inconsistencies between objectives and policy instruments used to achieve those objectives;
- analyze the potential of various sectors of the economy and the factors required to develop the economy;
- help identify the linkages between existing sector development strategies (e.g. tourism) and strategies aimed at developing economic inputs (e.g. skill development) in order to coordinate the objectives and policy instruments used in these strategies; and
- provide a set of measures to evaluate the effectiveness and efficiency of the GNWT's strategic policy choices.

The Framework will be used in the Government's Business Planning process.

Finally, the Framework can also be used to assess, where relevant and possible, the impacts of proposed or announced Federal Budget and policy measures on the NWT economy, to help determine the impact these will have on the NWT economy.

The Framework can be used to help the legislators and policymakers establish economic goals, strategies and actions. However, no economic plan can be static. The Framework will need to be updated regularly to take into account changes in circumstances. Even if the goals do not change, the strategies and actions to achieve the goals must evolve.

Indicators of Progress

The Macroeconomic Policy Framework is designed to help improve the economic impact of government decisions. As such, it is important to monitor and report on the performance of the economy, particularly progress towards the vision of the economy.

The indicator areas below are a broad suite of indicators that will help describe progress towards an economy that is balanced, diversified and sustainable.

Taking these factors into account the proposed performance measures include:

- *The size and growth of the total economy*
 - GDP can measure this. This measure is the most comprehensive measure of the economy. However, it is recognized that this measure has its shortcomings, and that tracking other quality of life measures is equally important.

- *Productivity*
 - Productivity is a key performance benchmark for governments. Rising productivity is related to increased profitability, lower costs and sustained competitiveness. A productivity measure will be established that is appropriate to an economy dominated by capital-intensive industries such as mining.
- *New investment*
 - New investment is a leading indicator of economic growth that measures how well the economy can be expected to do in the future.
- *Income*
 - Overall employment income provides information about changes in the economy impact specific communities in the NWT.
 - Average household income provides information about the quality of jobs of NWT residents and how much they are benefiting from economic growth.
- *Employment rate*
 - The employment rate measures how well NWT residents are benefiting from economic growth, and provides some insight into the benefits for communities without mines.
- *Population Growth*
 - People migrate to the NWT when its economy is doing well. Population growth measures a response to economic growth and provides a base for further growth through diversification.
- *The strength of economic linkages within the NWT economy.*
 - Linkages can be measured by the level of imports, wholesale and retail sales, fly-in/fly-out labour, and the growth of resource sector service industries.
- *Diversification*
 - Diversification of the economy across sectors can be measured by GDP by industry and growth by sector as well as by employment by industry. Diversification within a sector, like decreased dependence on one mineral activity, can also be measured.
- *Environmental Status and Trends*
 - Pressures on the environment can be measured by monitoring changes in environmental indicators such as depletion of natural resources, changes in forested area biomass and structure, land use changes and habitat fragmentation, greenhouse gas emissions, contaminant levels, abundance, distribution and harvest rates on key species, and biodiversity.

Indicators in these broad areas will be developed and reported on an on-going basis. Often changes in the economy take time and trends will need to be examined over longer time periods. Monitoring and reporting on these indicators will not only demonstrate progress towards the economic vision, but also identify areas for further action.

Conclusion

In the face of rapid economic growth and development in the NWT, it is important to be prepared and to have a clear vision of the economic future NWT residents want to achieve: for the territory as a whole, for its communities, and for individuals and their families.

This Macroeconomic Policy Framework is meant to improve the economic impact of government decisions. It sets out a vision for a future economy that is balanced, diversified and sustainable. It provides the criteria for assessing options and making choices for action and investment. Finally, it lays out indicators of progress so that policies can be assessed against overall economic results.

