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Fall 2025 Economic and Fiscal Update

NORTHWEST TERRITORIES

The Honourable Caroline Wawzonek
Minister of Finance

October 10, 2025

Le présent document contient la traduction française de l’introduction

K’áhshó got’ı̨ne xǝdǝ k’é hederı ɂedı̨htl’é yerınıwę nı dé dúle.
Dene Kǝdǝ́

ʔerıhtł’ís Dëne Sųłıné yatı t’a huts’elkër xa beyáyatı theʔą ʔat’e, nuwe ts’ën yółtı.
Dëne Sųłıné

Edı gondı dehgáh got’ı̨e zhatıé k’ę́ę́ edatł’éh enahddhę nıde naxets’é edahłí.
Dene Zhatıé

Jii gwandak izhii ginjìk vat’atr’ijąhch’uu zhit yinohthan jì’, diits’àt ginohkhìi.
Dinjii Zhu’ Ginjik

Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqluta.
Inuvialuktun

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Inuktitut

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.
Inuinnaqtun

kīspin ki nitawihtīn ē nīhīyawihk ōma ācimōwin, tipwāsinān.
nēhiyawēwin

Tłı̨chǫ yatı k’ę̀ę̀. Dı wegodı newǫ dè, gots’o gonede.
Tłı̨chǫ

Indigenous Languages
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Economic Update Overview

This review updates the Northwest Territories' economic performance since the release of the 2025-26 Budget and describes key risks that may influence the economic outlook for the remainder of the year. The review relies on publicly available year-to-date data, which varies depending on the indicator.

The economic landscape of the Northwest Territories continues to be shaped by its geographic isolation, reliance on resource extraction, and vulnerability to external market forces. The territory remains in a period of economic transition, with the anticipated closure of major diamond mines to contribute to a broader contraction in private sector activity. While government spending and public sector employment offers stability, the private sector continues to face headwinds.

Recent months have seen the emergence of new challenges. Import tariffs introduced by the United States have increased uncertainty for many industries, particularly mining and resource development. In response to mounting pressures, including low global diamond prices, inflation, and supply chain disruptions, the Government of the Northwest Territories (GNWT) unveiled targeted support measures for the diamond sector. These include temporary tax relief and operational supports aimed at preserving employment and stabilizing local economies.

Housing remains a central concern. Federal and territorial governments have announced new investments to accelerate housing development and repair aging stock, with a focus on supporting small communities. These initiatives are expected to improve housing stability and contribute to community resilience.

Labour market conditions remain mixed. Public and private sector employment has remained steady, while the self-employed saw a notable decline. Wage growth is also divided, with mining and public sector already above yearly expectations, while several other key sectors remain flat. Inflation has eased from previous highs, helping to stabilize household purchasing power. Business activity has shown signs of recovery with a modest increase in the number of active enterprises, though levels remain below pre-pandemic norms.

Overall, the Northwest Territories economy continues to face structural challenges and a projected contraction in GDP. However, a resilient labour force, rising earnings, and strategic investments in housing and potential large federally supported infrastructure projects provide cautious optimism for stability. The territory's economic outlook will depend on its ability to navigate external risks, support diversification, and foster inclusive growth.

Le point sur les perspectives économiques

Le présent document fait le point sur le résultat économique des Territoires du Nord-Ouest (TNO) depuis la publication du budget de 2025-2026 et décrit les principaux risques susceptibles d'avoir une incidence sur les perspectives économiques pour le reste de l'exercice. Cet examen s'appuie sur des données publiques collectées depuis le début de l'année, qui varient en fonction de l'indicateur.

Le contexte économique des TNO continue d'être façonné par l'isolement géographique, la dépendance à l'égard de l'extraction des ressources et la vulnérabilité aux forces externes du marché. Le territoire reste dans une période de transition économique : la fermeture prévue d'importantes mines de diamants contribue à une contraction plus générale de l'activité du secteur privé. Bien que les dépenses du gouvernement et l'emploi dans la fonction publique procurent de la stabilité, le secteur privé demeure confronté à des difficultés considérables.

De nouveaux défis se sont posés au cours des derniers mois. Les droits de douane imposés aux importations par les États-Unis sont source d'incertitude pour de nombreuses industries, en particulier les secteurs de l'exploitation minière et de la mise en valeur des ressources. En réponse aux pressions croissantes, notamment la faiblesse du cours mondial du diamant, l'inflation et les perturbations à la chaîne d'approvisionnement, le gouvernement des Territoires du Nord-Ouest (GTNO) a dévoilé des mesures de soutien ciblant le secteur diamantaire. Ces mesures comprennent des allègements fiscaux temporaires et des mesures de soutien opérationnel visant à préserver les emplois et à stabiliser les économies locales.

Le logement se trouve toujours au cœur des préoccupations. Les gouvernements fédéral et territorial ont annoncé de nouveaux investissements pour accélérer la construction de logements et la réparation du parc de logements vieillissants, en soutenant plus particulièrement les petites collectivités. Ces initiatives devraient améliorer la stabilité dans le secteur du logement et contribuer à accroître la résilience des collectivités.

Les conditions du marché du travail restent mitigées. L'emploi dans les secteurs public et privé est demeuré stable, alors que le travail autonome a connu une baisse importante. L'augmentation des salaires ne touche pas tous les secteurs non plus; l'industrie minière et la fonction publique ont déjà dépassé les attentes annuelles, tandis que plusieurs autres secteurs clés n'ont pas observé de changement. L'inflation a ralenti par rapport aux sommets enregistrés précédemment, ce qui a contribué à stabiliser le pouvoir d'achat des ménages. On a pu observer des signes de reprise pour ce qui est de l'activité commerciale, avec une légère augmentation du nombre d'entreprises actives, bien que les niveaux restent inférieurs aux normes d'avant la pandémie.

Dans l'ensemble, l'économie ténoise reste confrontée à des défis structurels et à une contraction prévue du produit intérieur brut. Cependant, la résilience de la main-d'œuvre, la hausse des revenus et les investissements stratégiques dans le logement et dans de potentiels grands projets d'infrastructure grâce à des programmes fédéraux suscitent un optimisme prudent quant à la stabilité. Les perspectives économiques du territoire dépendront de sa capacité à composer avec les risques externes, à appuyer la diversification et à favoriser la croissance inclusive.

Economic Update Since Budget 2025-26

Northwest Territories' Economic Outlook Budget 2025-26

(chained (2017) dollars unless otherwise specified)

	2021	2022	2024e	2025f	2025 YTD
Gross Domestic Product ($ Millions)	4,352	4,330	4,180	3,982	On Track
Percent Change	*2.7*	*(0.5)*	*(3.5)*	*(4.7)*	
Total Investment ($ Millions)	829	891	824	779	Higher
Percent Change	*11.6*	*7.5*	*(7.6)*	*(5.5)*	
Household Expenditure ($ Millions)	1,781	1,769	1,865	1,870	Higher
Percent Change	*(2.5)*	*(0.7)*	*5.4*	*0.2*	
Government Expenditure ($ Millions)	2,744	2,834	2,778	2,716	Higher
Percent Change	*4.8*	*3.3*	*(2.0)*	*(2.2)*	
Exports ($ Millions)	2,264	2,240	2,096	1,931	On Track
Percent Change	*2.9*	*(1.1)*	*(6.4)*	*(7.9)*	
Imports ($ Millions)	3,378	3,593	3,572	3,506	On Track
Percent Change	*5.6*	*6.4*	*(0.6)*	*(1.9)*	
Employment (Number of Residents)	24,700	23,900	22,900	23,100	On Track
Percent Change	*5.1*	*(3.2)*	*(4.2)*	*0.9*	
Average Weekly Earnings ($)	1,565	1,594	1,686	1,719	Higher
Percent Change	*2.5*	*1.9*	*5.8*	*1.9*	
Consumer Price Index, Yellowknife	151.9	156.9	159.9	162.7	Higher
Percent Change	*7.0*	*3.3*	*1.9*	*1.7*	

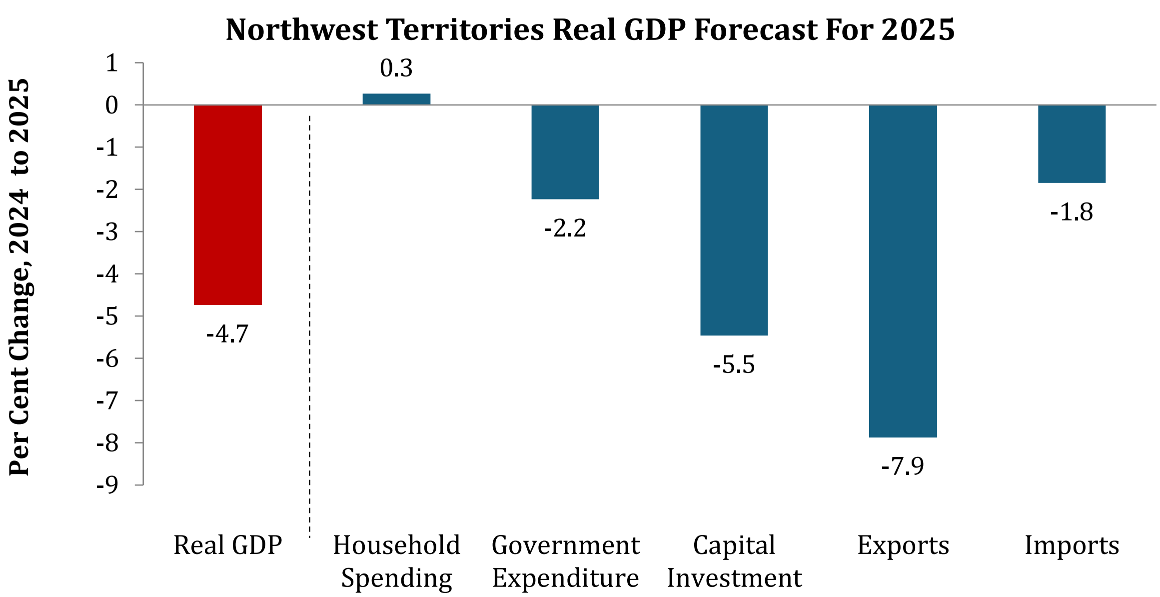
YTD: year-to-date
e: estimate
f: forecast
Sources: Statistics Canada, NWT Bureau of Statistics and NWT Finance.

Expectations for an economic contraction in 2025, which was projected in Budget 2025-26, remain unchanged.

The Northwest Territories' economy has seen changes since the 2025–26 Budget. While public and private sector employment have remained relatively steady, self-employment has declined. Wage growth has been uneven, strong in mining and public administration, but flat in other key sectors, highlighting the territory's sectoral imbalances. Inflation has eased in some sectors, offering relief to households, and business activity has shown modest recovery, though overall levels remain below pre-pandemic norms. Despite these signs of resilience, structural challenges persist. Declining diamond production, reduced private investment, and housing shortages continue to weigh on the economic outlook. New risks have also emerged, including trade uncertainty linked to US tariffs, which led to targeted corporate supports in key industries. These factors reinforce expectations of a GDP contraction and underscore the importance of continued strategic investment and diversification efforts.

GDP Outlook

Budget 2025-26 forecast a real 2025 GDP decline of 4.7 per cent, continuing the declining trend that began in 2024. This forecasted contraction in economic output reflects an expected 5.5 per cent drop in total investment combined with a 7.9 per cent fall in exports due to waning activity in the extraction industries and expected government reductions in expenditures. These declines were expected to be partially offset by a minor rise in household spending and lower import levels.



Sources: Budget 2025-26 and NWT Bureau of Statistics.

Evaluating the GDP Outlook

The considerations underlying the Budget 2025-26 GDP forecast remain unchanged. Year-to-date data indicates that the Northwest Territories economy is on track to be above the forecast for several GDP components, which may result in a smaller decline in the economy in 2025 than was otherwise expected.

Investment

Budget 2025-26 projected a 5.5 per cent decline in real investment in 2025. Year-to-date data does not confirm this projection.

Non-residential capital investment

In the first half of 2025, real investment in non-residential capital increased 2.4 per cent compared to the first half of 2024, rising to $389 million in constant dollar terms. Real investment growth occurred solely in public investment (up 4.8 per cent), while total private investment for the first two quarters of 2025 and 2024 were identical. Public investment is slightly more than half of total non-residential investments. Since the pandemic the public sector has consistently outspent the private sector on non-residential investments; prior to the pandemic, the reverse was true.

Real investment in engineering construction assets, which accounts for nearly one-half of all non-residential investment, increased 4.3 per cent in the first half of 2025 compared to the first half of 2024 while real investment spending on machinery and equipment declined 1.3 per cent. Engineering construction represents the largest investment category in the Northwest Territories with 63.4 per cent coming from the public sector.

Residential capital investment

Residential capital investment in the first half of 2025 declined 10 per cent compared to the same period in 2024. This decline corresponds to a 4 per cent drop in the number of housing units under construction, falling from 150 units in the first half of 2024 to 144 units in the first half of 2025.

Residential investment accounts for only a small portion of total Northwest Territories investment expenditures because of the territory’s small population and the dominance of the mining sector. As a result, large declines in residential investment are unlikely to have a significant impact on overall investment. However, the residential sector is important, particularly given chronic underinvestment and ongoing housing shortages. Residential construction remains intermittent, as there were only eight new housing starts in the first half of 2025. This is far below the 93 housing starts in the first half of 2024 but still above the three housing starts in the first half 2023.

Investment Indicators Update

	2014-20 Average	2021	2022	2023	2024	2025 YTD
Non-Residential Capital Investment (Millions, 2017 Constant $)	**1157**	**624**	**736**	**830**	**847**	**389**
Government Sector	325	321	370	406	432	195
Business Sector	822	297	360	417	408	190
Non-Residential Buildings	135	101	87	77	84	42
Engineering Construction	625	288	340	425	441	194
Machinery and equipment	241	127	176	158	157	78
Intellectual Property	157	109	132	170	166	75
Residential Building Investment (Millions, 2017 Constant $)	**136**	**150**	**92**	**124**	**125**	**40**
Single Dwelling	87	60	26	16	55	16
Multiple Dwelling	49	90	67	109	71	24
Yellowknife Housing (Units)						
Housing Starts	94	92	57	19	107	8
Under Construction	66	70	83	71	87	72
Completions	91	35	55	15	77	35

YTD: year-to-date
Sources: Statistics Canada and NWT Finance.

Exports

Budget 2025-26 forecast a 7.9 per cent decline in 2025 real exports. The year-to-date key export products data suggest that real exports will decline in 2025 as projected in the Budget.

Exports are a major component of GDP and an important part of the territory's economy. Exports of Northwest Territories goods and services into interprovincial and international markets bring new money into the territory, increasing business revenues, worker incomes, government tax revenues, and economic activity.

Diamonds

Rough diamonds are the Northwest Territories' highest value export, accounting for 60 per cent of total exports (international and interprovincial) and nearly 90 per cent of international exports. Changes in the production, sale, and value of rough diamonds have a significant influence on total Northwest Territories exports.

Data from the three operating diamond mines indicates that diamond production and diamond sale values are down compared to the same time last year. In the first half of 2025, the diamond mines produced approximately 5.2 million carats, a 17.8 per cent decline from the first half of 2024. Declines were not experienced uniformly across the three diamond mines. While diamond production is up so far this year at Diavik, production is down at Ekati and Gahcho Kué, with the most severe drop occurring at Gahcho Kué (down 43 per cent) because most diamonds recovered were from lower-grade stockpiled ore. Fewer diamonds to sell, combined with global trade instability and softening global diamond prices, has led to a 28 per cent drop in the value of Northwest Territories diamonds sold, from $480 million in the first half of 2024 to $344 million in the first half of 2025.

Oil and Gas

Oil and gas production, accounted for around 7 per cent of total Northwest Territories exports and has declined so far this year. In the first quarter of 2025, the Northwest Territories produced 51,300 cubic metres of crude oil, a 7.7 per cent decline from the first quarter of 2024. Natural gas production declined 11.5 per cent to 11.2 million cubic metres over the same period.

Transportation and Wholesale Trade

Transportation and wholesale trade services are the second largest territorial export at roughly one-fifth of total exports and nearly one-half of interprovincial exports. In-year transportation data is not available but wholesale trade fell 10.8 per cent to $186 million in the first six months ending June 2025 compared to the same period in 2024.

Export Indicators Update

	2014-20 Average	2021	2022	2023	2024	2025 YTD
Diamond Production (Millions, Carats)	**15.1**	**15.2**	**14.3**	**14.1**	**13.3**	**5.22**
Diamond Shipments (Millions, $)	1,745	1,692	1,996	1,847	1,471	-
Natural Gas (Millions, Cubic Metres)	**62**	**58**	**62**	**51**	**50**	**11.2**
Natural Gas Shipments (Millions, $)	8.3	22.2	34.0	4.6	2.2	-
Crude Oil (Thousands, Cubic Metres)	**370**	**324**	**321**	**234**	**224**	**51**
Oil Shipments (Millions, $)	159	179	280	170	162	-
Wholesale Trade (Millions, $)	**614**	**286**	**403**	**371**	**395**	**186**

YTD: year-to-date
Sources: Statistics Canada, NWT Finance, Burgundy Diamond Mines, De Beers Canada, Mountain Province Diamonds, and Rio Tinto.

Household Spending

Household spending accounts for over 40 per cent of real GDP, making it the second largest contributor to economic output after government spending.

The 2025-26 Budget forecast a minor 0.2 per cent increase in real household expenditures; however so far this year, key household spending indicators such as income, consumption, retail sales, and household savings have increased. This suggests that the growth in household expenditures may have been underestimated in the 2025-26 Budget forecast.

Income and Consumption

In the first quarter of 2025, household disposable income rose by 6.0 per cent compared to the first quarter of 2024. Employee compensation, a key driver of household spending, rose 9.1 per cent in the first half of 2025, and final consumption expenditures rose 7.5 per cent in the first quarter of 2025, compared to the previous year. Household consumption expenditures increased most strongly for housing, utilities and fuel expenses (up 8.1 per cent to $187 million in the first quarter of 2025 compared to the first quarter of 2024), and transportation (up 6.6 per cent to $65 million).

Savings

Net household savings, a key indicator of financial health and the ability of households to meet expenses, rose 6.7 per cent to $254 million in the first quarter of 2025 compared to the first quarter of 2024. This suggests households have increased their savings compared to the low point of $88 million in the first quarter of 2023. Net savings remain significantly above the Canadian average. In the first quarter of 2025, Northwest Territories households had average net savings of $15,569 while Canadian households had average net savings of $1,394.

Sales

Retail sales, a key component of household spending and an indicator of consumer demand and expenditure, are also up to date. In the six months ending June 2025, the value of Northwest Territories retail sales rose 3.4 per cent compared to the same period in 2024 and core retail sales, which excludes gasoline stations and fuel vendors, increased 2.5 per cent.

Household Consumption Indicators Update

	2014-20 Average	2021	2022	2023	2024	2025 YTD
Compensation of Employees (Millions, $)	**2,455**	**2,729**	**2,873**	**3,187**	**3,142**	**1,542**
Wages and Salaries (Millions, $)	**2,138**	**2,303**	**2,411**	**2,539**	**2,711**	**1,330**
Goods-Producing Industries	605	607	659	679	677	318
Services-Providing Industries	1,539	1,697	1,752	1,860	2,033	1,012
Household Disposable Income (Millions, $)	**1,892**	**2,266**	**2,279**	**2,387**	**3,236**	**773**
Household Final Consumption (Millions, $)	**1,722**	**1,925**	**1,992**	**2,043**	**2,157**	**530**
Housing, Utilities and Fuel	557	624	679	704	694	187
Transportation	205	223	245	245	276	65
Food	193	236	234	228	247	61
Hotels and Restaurants	131	119	135	150	177	40
Recreation	127	139	131	128	163	35
Household Net Savings (Millions, $)	**301**	**396**	**344**	**402**	**1,152**	**254**
Retail Sales (Millions, $)	**825**	**931**	**916**	**925**	**1,007**	**521**

YTD: year-to-date
Sources: Statistics Canada and NWT Finance.

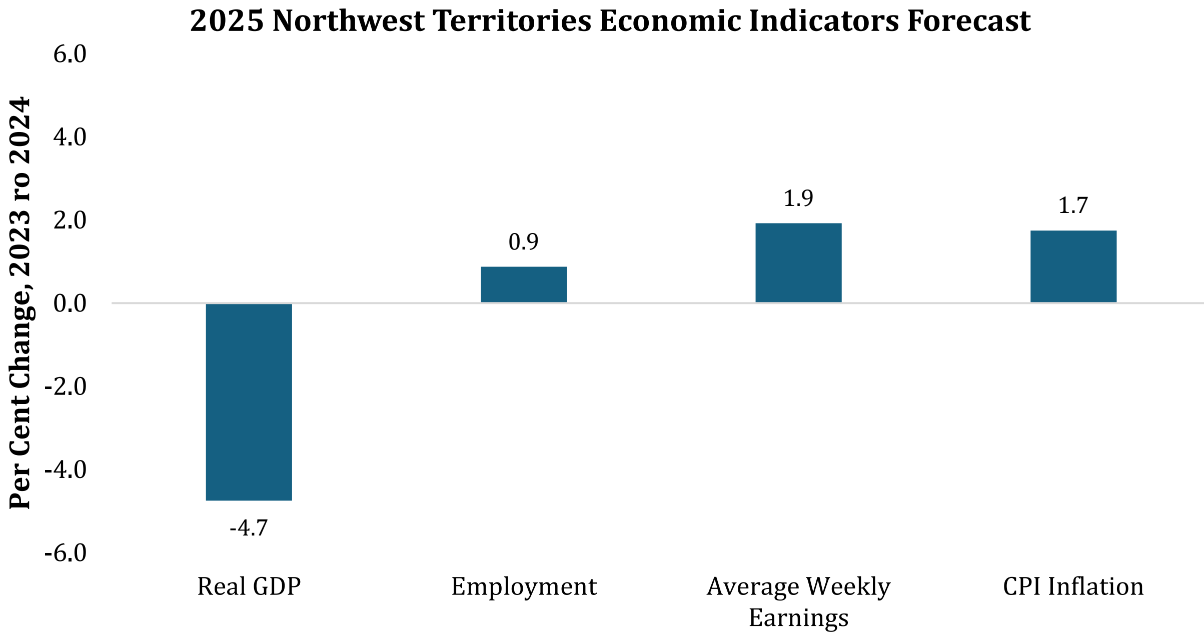
Government Expenditure

Government spending is the largest contributor to real GDP in the Northwest Territories. The GNWT accounts for approximately three-quarters of total government spending in the territory.

Several developments since Budget 2025-26 have resulted in $193 million of additional 2025-26 GNWT capital spending, including $42 million in new housing investments, and $134 million of additional 2025-26 GNWT operational spending, including $40 million for fire suppression, and $14 million to address changes in federal Jordan's Principle funding. Other operating supplementary expenditures were also made for health care, education, and to address low water issues that will further increase government spending in 2025.

Economic Assumptions Outlook

Underlying the 2025 real GDP forecast is a set of assumptions for the trajectory of other economic indicators, including labour markets, wages, and prices. At the time of Budget 2025-26, residential employment was forecast to increase 0.9 per cent in 2025, as the labour market reaches a new steady level below the post-pandemic historic highs. Average weekly earnings were forecast to rise by 1.9 per cent in 2025, in line with past increases, and consumer price inflation was forecast to remain steady and below 2.0 per cent in 2025 as global supply chain issues were resolved.



Sources: Budget 2025-26 and NWT Bureau of Statistics.

The economic considerations underpinning the Budget 2025-26 forecast remain largely unchanged; however, due to geopolitical events, volatility in economic indicators is heightened and may affect year-to-date numbers more than the 2025 annual figures that will appear in the 2026-27 economic review. As a result, budget forecasts for rising wages and declines in employment and inflation are still expected.

Labour Market

The Budget 2025-26 forecast for resident employment to increase 0.9 per cent in 2025 remains unchanged.

Employment

As of August 2025, Northwest Territories resident employment is almost equal to the first seven months of 2024. Resident employment declines were concentrated in the public sector and self–employment. By August 2025, private sector employment increased by 5.7 per cent (or 500 employees) compared to the first seven months in 2024. Self-employed workers decreased 15.3 per cent in the same period. This large per cent decrease represents 250 fewer self-employed workers. However, these 2025 self-employed numbers are comparable to 2023 numbers, highlighting that 2024 may have been a spike in self-employed compared to normal levels.

Over the longer term, private sector employment is expected to continue to decline, widening the gap between the number of people working in the private sector relative to the public sector. There were 9,800 private sector workers reported in August 2025, down 10.3 percent compared to the ten-year average. The share of Northwest Territories residents employed in the public sector is 52 per cent of total employed residents compared to the Canadian average of 22 per cent.

Employment Rate

The employment rate, which measures the share of working-age residents who are actively employed, has declined slightly so far this year, falling to 66 per cent in the first half of 2025 compared to 67 per cent last year.

Yellowknife's employment rate fell slightly from 76 per cent in the half of 2024 to 75 per cent in the first half of 2025. In contrast, the rest of the territory's communities saw a minor first half increase of just over 0.5 per cent to 56 per cent in first half of 2025. The employment rate gap between Yellowknife and the rest of the territory are due to a combination of factors, including that Yellowknife attracts southern hires who are predominantly non-Indigenous, and in smaller communities there are fewer job opportunities and higher participation in activities outside the market economy.

Regional differences are expected to continue, particularly as diamond mining and oil and gas activities, which are large employers of local labour in communities outside Yellowknife, wind down. Yellowknife has the largest share of government employment, which is not prone to the boom-and-bust cycles of the resource industry, offers relatively high incomes, and remains a steady source of employment during economic shocks such as pandemics and wildfires. Public administration alone employs over 7,500 Northwest Territories residents, or 28 per cent, of all territorial employees at all levels of government (Indigenous, federal, territorial and municipal) including courts, policing, corrections services, firefighting services, defence, and government administration but excluding the health, social assistance, and education sectors.

Population

Population growth is a key driver of employment and labour market activity. The Northwest Territories has not kept pace with Canada's significant population growth over the past few years. Overall growth has been flat, increasing by 5,000 persons over the past 25 years, which is a yearly population growth rate of 0.005 per cent. By contrast, Canada's average annual population growth rate over this period was 1.5 per cent.

The Northwest Territories population is not projected to increase significantly over the near term. This may put pressure on the labour market due to fewer available workers, particularly as the population is aging, and limit the territory's ability to attract new businesses and promote economic activity.

Labour Market Indicators Update

	2014-20 Average	2021	2022	2023	2024	2025 YTD
NWT Population	**44,409**	**44,579**	**44,631**	**44,614**	**45,257**	**45,950**
Resident Employment	**22,600**	**23,200**	**24,400**	**23,700**	**22,900**	**23,100**
Public Sector	9,700	11,100	11,600	12,200	12,100	12,200
Private Sector	11,100	10,100	10,500	9,900	9,100	9,500
Self-Employed	1,800	2,000	2,400	1,500	1,700	1,400
Full-Time	19,900	20,200	21,300	21,100	20,700	20,700
Part-time	2,700	3,000	3,100	2,600	2,200	2,400
Employment Rate (%)	**67.8**	**69.0**	**72.2**	**69.9**	**66.6**	**66.4**
Yellowknife	78.1	75.1	76.7	79.4	75.5	74.9
Communities	57.1	62.6	67.9	58.8	56.9	56.4
Indigenous	51.9	58.3	60.9	53.6	51.9	51.8
Non-Indigenous	80.8	76.0	80.4	82.5	79.3	78.7
Females	67.3	71.3	72.7	69.9	65.5	63.8
Males	68.0	66.9	71.7	69.9	67.6	65.4
Adults	74.4	67.8	73.2	73.6	71.1	68.9
Youth	46.7	53.7	51.9	50.9	44.4	45.9
Participation Rate (%)	**73.7**	**73.5**	**76.3**	**74.3**	**70.6**	**69.8**
Unemployment Rate (%)	**8.1**	**6.1**	**5.0**	**6.0**	**5.8**	**4.7**
Job Vacancy Rate (%)	**3.0**	**5.0**	**6.6**	**5.3**	**5.3**	**3.7**

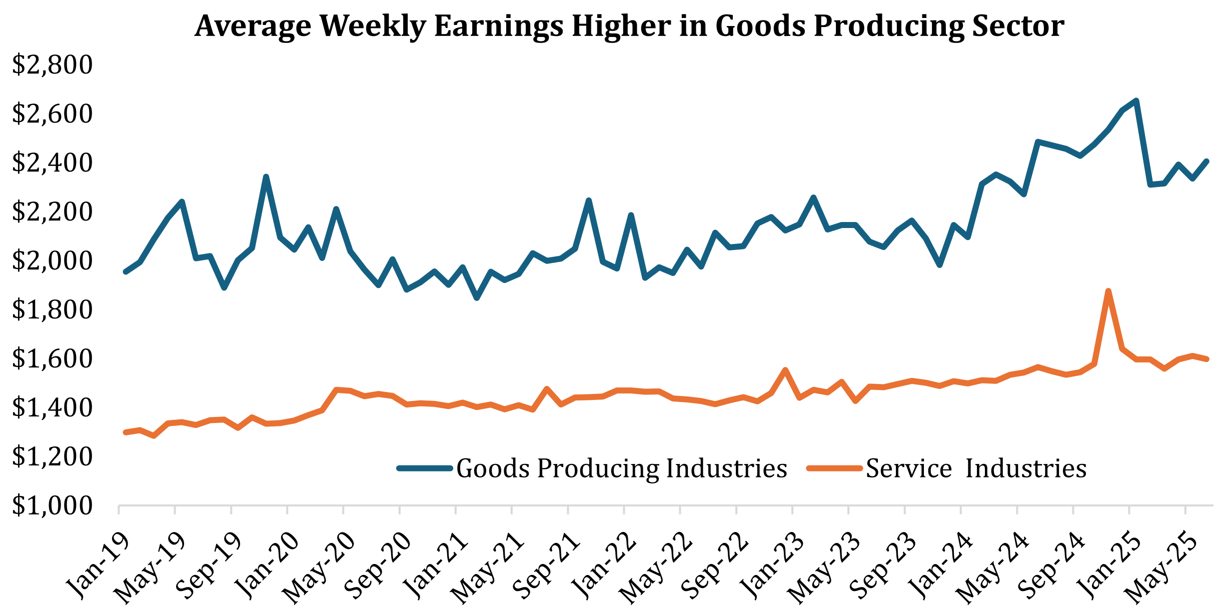
YTD: year-to-date
Sources: Statistics Canada and NWT Finance.

Earnings

Budget 2025-26 forecast a 1.9 per cent increase in 2025 average weekly earnings. Weekly earnings have increased at a higher pace so far this year and as a result, 2025 average weekly earnings are expected to be higher than the Budget projection.

Average Weekly Earnings

Average weekly earnings for all Northwest Territories industries rose to $1,680 in the six months ending in June 2025, a 3.7 per cent increase compared to the same period in 2024. Wage growth was strongest in mining, education and health care, while other key employment industries saw stagnation in the first half of the year (construction and public administration) or saw a decline (accommodation and food).



Source: Statistics Canada, and NWT Finance.

The mining, oil and gas industry experienced the strongest wage growth over the last six months with weekly earnings climbing 8.2 per cent to $3,009, reflecting the industry's high productivity and pay. Health care, education, and public administration also saw noticeable wage growth in the first six months of 2025 compared to their first six months of 2024, growing 7.3 per cent, 6.2 per cent, and 5.2 per cent respectively. Meanwhile, weekly earnings in accommodations and food services saw a 3.2 per cent decline to $662. Construction saw a small wage growth of 1.3 per cent in 2025 compared to the first half of 2024.

Business Activity

Before the pandemic, the Northwest Territories was experiencing a slow decline in the number of local businesses. However, post-pandemic recovery efforts have reversed this trend with a steady increase in business activity since 2021.

Weekly Earnings Update

	2014-20 Average	2021	2022	2023	2024	2025 YTD
Average Weekly Earnings ($)	**1,438**	**1,527**	**1,565**	**1,595**	**1,724**	**1,736**
Goods-Producing Sector	1,962	1,994	2,061	2,121	2,401	2,418
Services-Providing Sector	1,319	1,426	1,451	1,481	1,573	1,592
Mining, Oil, Gas	2,376	2,251	2,442	2,439	2,691	3,009
Construction	1,491	1,696	1,721	1,804	1,818	1,799
Retail trade	722	775	776	742	792	820
Education	1,669	1,748	1,740	1,742	1,814	1,883
Healthcare	1,407	1,319	1,490	1,583	1,832	1,909
Accommodation and food	602	647	626	617	691	663
Public administration	1,708	1,831	1,822	1,859	1,958	1,963
Number of Active Businesses	**982**	**949**	**956**	**959**	**975**	**979**

YTD: year-to-date
Sources: Statistics Canada and NWT Finance.

Inflation

Budget 2025-26 forecast consumer price inflation to ease to 1.7 per cent in 2025, returning to an annual inflation rate within the Bank of Canada's one to three per cent inflation target range. However, 2025 consumer price growth is expected to be more volatile and likely higher, depending on the CPI category, compared to what was projected in the Budget.

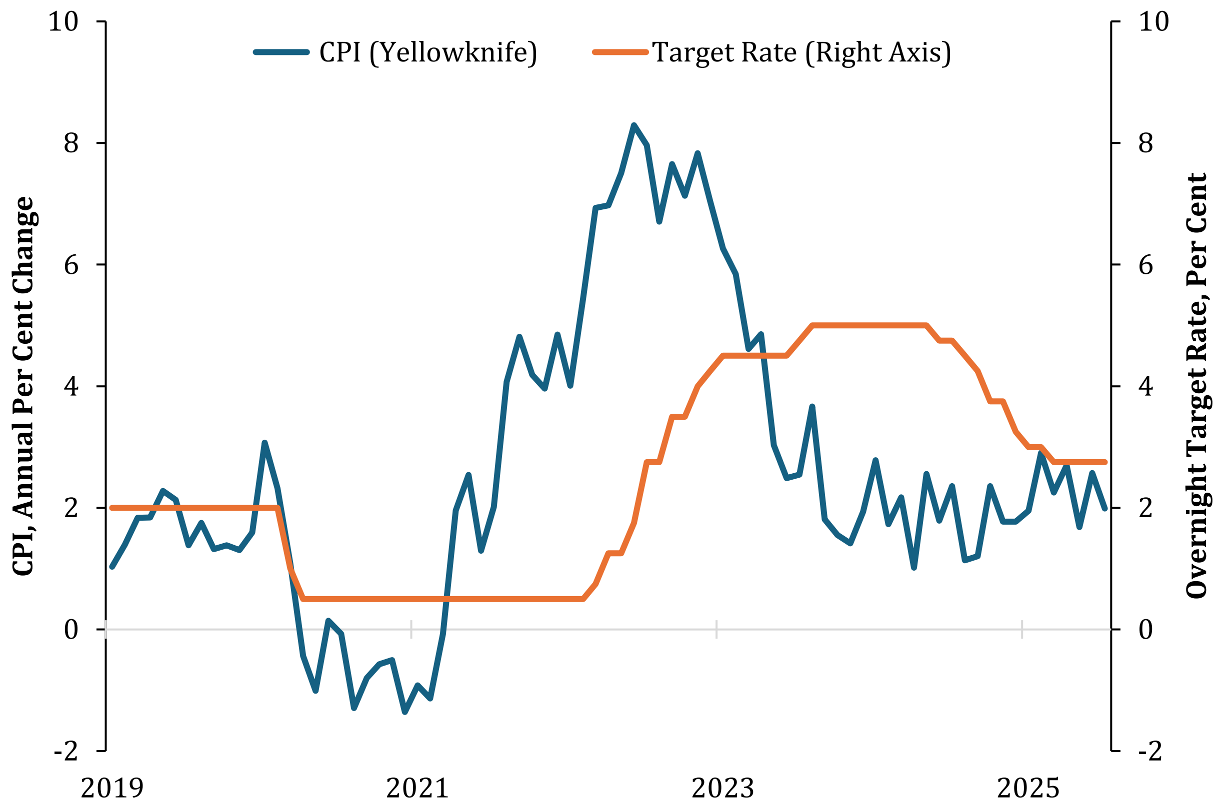
Consumer Price Index

The Northwest Territories has experienced considerable variation in inflation over the past few years. After a period of low inflation to no inflation in 2020, inflation surged to 7.0 per cent in 2022, driven by global supply chain issues, rising commodity prices, and government responses to the pandemic. Inflation began to settle in 2024, falling to 1.9 per cent, but recent geopolitical and economic turmoil has put upward pressure on prices and has raised inflation measured by the Yellowknife consumer price index (CPI) to 2.6 per cent as of July 2025 compared to 2024 yearly average.

While inflation for some CPI components are elevated, deflation has occurred in other segments: as of July 2025, energy and gasoline CPIs are down 5.4 per cent and 10.3 per cent, respectively, primarily due to the removal of the carbon tax.

The inflation rate will likely be different in communities outside of Yellowknife. The Yellowknife CPI is Statistics Canada's only Northwest Territories inflation measure, making it difficult to assess the rate of consumer price changes in the rest of the territory. Because the cost of living in remote Northwest Territories communities is often higher than in Yellowknife, especially for those without all-season road access, retail prices in outlying communities can remain elevated even when inflation slows for most household goods in larger communities.

Inflation and Interest Rates Have Declined



Sources: Bank of Canada, Statistics Canada and NWT Finance.

Interest Rates

With Canadian CPI inflation within targeted levels, the Bank of Canada has cut its benchmark interest rate twice since Budget 2025-26. Lower interest rates will increase household disposable income by reducing the amount of household income required for debt servicing, and encourage increased spending and investment by households, businesses, and industry as new debt becomes less expensive and the risk of loan defaults declines. The Bank of Canada has signaled that they are less likely to make any further cuts until market volatility has calmed.

Inflation Indicators Update

	2014-20 Average	2021	2022	2023	2024	July 2025
Total CPI Inflation Rate (%)	1.3	2.2	7.0	3.3	1.9	2.6
Food	1.8	0.8	8.1	10.7	3.3	4.0
Shelter	1.1	2.1	7.7	4.1	4.3	3.7
Household Operation	0.2	-0.3	5.0	-6.4	-2.5	1.2
Clothing	1.1	0.8	3.2	3.0	-1.8	1.0
Transportation	2.3	6.4	10.4	2.0	0.2	1.6
Health and personal care	0.9	0.2	4.4	5.0	2.8	0.6
Recreation and education	1.2	1.7	6.5	0.7	0.5	-0.3
Alcohol, tobacco, cannabis	1.8	0.4	2.5	4.3	2.9	2.5
Energy	-1.7	13.5	25.0	0.6	1.9	-5.4
Gasoline	-2.5	23.2	24.7	-6.4	-2.2	-10.3
Interest Rate (%)	**1.2**	**0.5**	**2.3**	**5.0**	**4.7**	**2.8**

YTD: year-to-date
Sources: Bank of Canada, Statistics Canada, and NWT Finance.

Future Northwest Territories Economy

As projected in Budget 2025-26, the Northwest Territories economy is expected to contract this year. Large declines in exports and diamond production will put a drag on 2025 economic growth despite gains in wages, household spending, and total investment. Government expenditures are higher this year than originally forecast, which will also cushion the decline in real output.

The economy is undergoing a structural transformation as current diamond activity winds down. Also, what were once considered rare ecological shocks are becoming consistent features of both the environment and the economy. These events will need to be integrated into planning and projections to ensure capacity and sustainable development. The evolving conditions present both challenges and opportunities for innovation, investment, and long-term stability in the Northwest Territories.

Fall 2025 Fiscal Update

The Government of the Northwest Territories (GNWT) introduced *Restoring Balance: A Fiscal Sustainability Strategy for the 20th Legislative Assembly* with the sole purpose to help restore long-term sustainability in annual budgets. The fiscal pressures since the start of the 20th Legislative Assembly have meant that the *Restoring Balance* fiscal targets cannot be met without cutting jobs, programs and service delivery, or capital investment, which would add to the rising fiscal and economic challenges facing the NWT. The GNWT has realigned the fiscal strategy to better reflect the expectations and intentions for the remainder of the Government's mandate.

Long-term fiscal sustainability and prudent debt management remain the core parts of the fiscal strategy and the following fiscal policy principles continue to guide decision-making:

- expenditure growth should be aligned with revenue growth;
- prudent expenditure management is necessary since there are limited options to influence revenue;
- public debt should be maintained at fiscally sustainable levels to ensure the delivery of programs and services is not adversely affected;
- financial risks should be accounted for and managed prudently; and
- a fiscal decision-making system should be maintained that is objective, efficient, credible, transparent, and accountable.

The GNWT continues its focus on increasing budget surpluses while recognizing that the significant growth in healthcare costs is not going to be stabilized quickly. Taxpayer-funded debt to pay for the capital budget will continue for the rest of the 20th Legislative Assembly and total debt will increase. However, through the revised fiscal strategy, the GNWT remains committed to the debt management guidelines in the *Fiscal Responsibility Policy* and total GNWT debt servicing costs (principal and interest) will not exceed five per cent of total revenues.

2024-25 Interim Results

Revenue was $2.74 billion in 2024-25, up $77.4 million or 2.9 per cent relative to budgeted projections. This was driven by transfer payments increasing $65 million and general revenues increasing by $79.4 million compared to budget, partially offset by resource revenues declining by $35.5 million and carbon tax declining by $48.6 million compared to budget.

Total expenditures were $2.70 billion, a $361.6 million or 15.5 per cent increase from the 2024-25 budget. Different accounting treatment between the budget and the public accounts results in a reduction of $28.5 million in expenditures related to the carbon tax.

The main reasons for the increase in departmental unbudgeted spending were:

- $164.2 million in the Department of Health and Social Services expenses,
- $68.1 million in the Department of Infrastructure,
- $52.3 million in Department of Environment and Climate Change spending mainly for wildfire suppression activities, and,
- $36.9 million in the Department of Finance.

The $39.7 million operating surplus for 2024-25 is a decline of $284.2 million from the operating surplus of $323.9 million projected in the 2024-25 main estimates. The operating deficit contributed to net debt increasing by 21.2 per cent, or $215.6 million, from budgeted projections, to $1.24 billion as of March 31, 2024.

2025-26 Budget Update

Expenditure projections since the 2025-26 budget have reduced the operating surplus from $170 million to $16 million. The expenditure increases include funding for cost-shared agreements for Health and Social Services and Environment and Climate Change, a subsidy for the Northwest Territories Power Corporation to ensure rates remain affordable, and resources for fire suppression and disaster response and recovery programs.

Revenue is projected to be $2.67 billion in 2025-26, a $9.1-million increase from the revenue projection presented in the 2025-26 budget, resulting from increases of $53 million in revenue offsets associated with supplementary spending measures, $44 million in operating transfers, and $3.6 million from revised Canada Health Transfer and Social Transfer estimates. This is largely offset by a $98-million reduction in tax revenues. This decrease is largely driven by the elimination of the consumer carbon tax and there is also a reduction in expenditures related to carbon tax offsets. Property tax decreased by $11.7 million due to the tax relief provided to the diamond mines.

Total expenditures are expected to be $2.65 billion, an increase of $163.4 million, or 6.6 per cent compared to Budget 2025-26. The expenditure increases include the $134.0 million for the first and second Supplementary Appropriation for 2025-26, including $53.2 million that is offset by federal funding.

The extra borrowing is projected to bring total debt to $1.86 billion, leaving $1.12 billion available for borrowing capacity under the federally imposed borrowing limit, accounting for the borrowing cushion provision in the *Fiscal Responsibility Policy* (FRP).

2025-26 Fiscal Outlook

(Millions of dollars)	2024-25 Interim	2025-26 Main Estimates	2025-26 Update	Change since Main Estimates
Total Revenue	2,736	2,658	2,667	9
Operating Expenditures	2,696	2,488	2,651	163
Operating Surplus/(Deficit)	40	170	16	(154)
Capital Investment	207	200	256	56
Total Debt at March 31				
Short-Term Debt	700	750	840	90
Long-Term and Guaranteed Debt	1,041	1,022	1,022	-
Total Debt	1,741	1,772	1,862	90
Borrowing Limit	1,800	1,800	3,100	1,300
FRP Borrowing Limit Trigger	120	120	120	-
Available Borrowing Capacity	(61)	28	1,118	1,090

2025-26 Proposed Additional Spending

Infrastructure Expenditures – Supplementary Appropriations

In the May 2025 Session of the 20th Legislative Assembly, the first supplementary appropriation of $179 million for the capital budget was approved, and $113 million was offset in either federal revenue or changes in the cash flow from previous year carryovers.

The second supplementary infrastructure appropriation includes $14.3 million to be added to the 2025-26 capital budget. The amounts by department are described below.

Infrastructure

- $13.4 million to address the increased costs associated with the Frank Channel Bridge.

Environment and Climate Change

- $850,000 to purchase two parcels of land.

Operations Expenditures - Supplementary Appropriation

The first supplemental appropriation for the 2025-26 operating budget had $47 million in spending approved by the Assembly, including $21 million to support Health and Social Services cost share agreements and $8 million for funding to various Environment and Climate Change cost share agreements. The total supplemental appropriation request is partially offset by $38.5 million in federal funding.

The second supplemental appropriation for 2025-26 includes $87 million in spending, which is partially offset by almost $15 million in federal funding. The following provides a description of additional spending in 2025-26.

Education, Culture and Employment

- $14.0 million to provide funding for educational support assistants.
- $1.70 million to support activities under the *Canada-Northwest Territories National School Fund Program Agreement 2024 to 2027.* Funding is fully offset by revenues from the Government of Canada.
- $110,000 to provide funding to cover the costs associated with the Ministers' Council of the Canadian Francophonie meeting in Yellowknife. Funding is fully offset by revenues from the Government of Canada.

Environment and Climate Change

- $35.51 million for fire suppression costs above the budget amount.
- $5.43 million for obligations under the *Canada-Northwest Territories Nature Agreement.* Funding is fully offset by revenues from the Government of Canada.
- $1.55 million to provide funding for the Barren Ground Caribou Conservation in the NWT, Peary Caribou Movement and Habitat Use, and the Wood Bison Conservation in the NWT agreements. This is fully offset by Government of Canada revenues.
- $363,000 for funding to complete requirements of the Alberta-Northwest Territories and the British Columbia-Northwest Territories bilateral water management agreements. This is fully offset by revenues from the Government of Alberta and the Government of British Columbia.

Executive and Indigenous Affairs

- $373,000 to fund the NWT Wraparound Service Project. This is fully offset by revenues from the Government of Canada.

Finance

- $12.0 million to subsidize the Northwest Territories Power Corporation.

Health and Social Services

- $2.83 million to provide funding for the *National Strategy for Drugs for Rare Diseases Initiative Canada-Northwest Territories Funding Agreement.* This is fully offset by revenues from the Government of Canada.

- $300,000 for obligations of the *Lawson Foundation Grant Agreement*. This is fully offset by a grant provided by the Lawson Foundation.

- $263,000 for the National Strategy for Drugs and Rare Diseases initiative and the Surveillance of Evaluation Capacity Building for Substance related Harms and Mental Wellness Needs. Fully offset by revenues from the Government of Canada.

- $127,000 for the *Surveillance and Evaluation Capacity Building for Substance-related Harms and Mental Wellness Needs Memorandum of Agreement*. This is fully offset by revenues from the Government of Canada.

Industry, Tourism and Investment

- $2.48 million for operating costs of the Hay River Fish Plant. This is partially offset by revenues from the Freshwater Fish Marketing Corporation.

- $227,000 to continue with the high-resolution airborne geophysical survey for critical minerals. This is fully offset by revenues from the Government of Canada.

- $115,000 to fulfill activities under the *Mineral Resources Act Regulations Change Management Capacity Development Agreement*. This is fully offset by revenues from the Government of Canada.

- $50,000 to host the Northern Economic Development Practitioners Conference. This is fully offset by the Government of Canada.

Municipal and Community Affairs

- $3.53 million for disaster response and recovery operations related to the 2025 wildfire season. This may be offset under the Government of Canada's Disaster Financial Assistance Arrangement Program.

- $1.93 million for funding for disaster financial assistance and related services for all emergency response events prior to the 2025 wildfire season. The costs may be offset under the Government of Canada's Disaster Financial Assistance Arrangement Program

Debt

The debt-to-revenue ratio is a principal comparison used by credit rating agencies to gauge a jurisdiction's ability to repay financial obligations. The GNWT's debt to revenue for the 2025-26 is estimated at 69.8 per cent and projected to increase to 73.8 per cent by the end of the medium term.

Under the *Fiscal Responsibility Policy*, one measure of affordable debt is maintaining non-consolidated debt servicing payments under five per cent of total non-consolidated annual revenues. Current projections show that debt servicing payments, which includes both principal and interest payments, are staying steady at two percent.

The concern of rapidly growing short-term debt is that the GNWT is exposing itself to heightened interest rate risk. In 2021-22, the year prior to the last interest rate hike cycle, the GNWT paid $27 million in interest (not principal repayment). In 2023-24, the peak of the rate hikes, $50 million was paid in interest.

Fiscal Responsibility Policy

The GNWT maintains its commitment to adhere to the *Fiscal Responsibility Policy*, which provides the following guidelines for sustainable borrowing and debt management:

- borrowing for the operating budget is prohibited;
- limit GNWT infrastructure investments to a minimum of 50 per cent from operating cash surpluses and a maximum of 50 per cent from government debt;
- limit GNWT debt servicing payments (principal and interest) to five per cent of total revenues; and
- maintain a $120-million debt cushion below the federally imposed borrowing limit.

Fiscal Responsibility Policy Compliance

	$ Million 2024/25	$ Million 2025/26
Provision 6(3)(a) - Infrastructure Financing		
Capital Acquisitions	207	256
Less: P3 Items - Out of Scope	-	-
Projected Cash Required for Infrastructure Investment Expenditures	207	256
Projected Cash Operating Surplus Required		
Minimum cash required from operating surplus	104	128
Projected Cash Operating Surplus Available		
Projected Operating Surplus	40	16
Add: Non-Cash Item - Amortization	136	140
Total Projected Cash Operating Surplus Available	176	156
Coverage (Shortfall) in Cash Generated by Operations	**72**	**28**
Provision 6(5)(a) - Debt Servicing Payments		
Revenues	2,736	2,667
Maximum Debt Servicing Payments - 5% of revenues	137	133
Projected Debt Servicing Payments		
Short-term Interest Expense	20	20
Government bonds	8	8
Deh Cho Bridge	9	9
P3 Debt Servicing	16	16
Total Debt Servicing Payments	53	53
Projected Debt Servicing Payments as a % of Revenues	**1.9%**	**2.0%**
Provision 6(5)(c) – Borrowing Cushion		
Total Debt	1,741	1,862
Borrowing Limit	1,800	3,100
Debt Cushion	120	120
Available Borrowing Capacity	**(61)**	**1,118**
Summary Compliance Table		
6(3)(a) Infrastructure Financing (minimum 50% funded by surplus)	**Yes**	**Yes**
6(5)(a) Affordable Debt (not to exceed 5% of revenue)	**Yes**	**Yes**
6(5)(c) Debt Cushion ($120-million under limit)	**No**	**Yes**

2026-27 Capital Estimates

The 2026-27 Capital Estimates are tabled in the October 2025 Session so that once approved, departments can start the planning process to ensure projects can begin in spring 2026. The capital budget calls for a total planned infrastructure investment of $436 million, of which $161 million, is for projects that are partially or completely funded by the federal government.

The proposed 2026-27 Capital Estimates includes $286 million for departmental capital, $98 million in infrastructure contributions, $50 million for Housing NWT and almost $2 million for deferred maintenance. These strategic investments connect communities, reduce the cost of living and increase the number of homes to meet core housing needs.

The GNWT's capital investments also help support the territorial economy. The NWT Bureau of Statistics estimates that the proposed 2026-27 capital plan will add $175 million to the territory's gross domestic product, with an estimated 808 full-time job equivalents and $102 million in labour income.

Highlights of the 2026-27 Capital Estimates include:

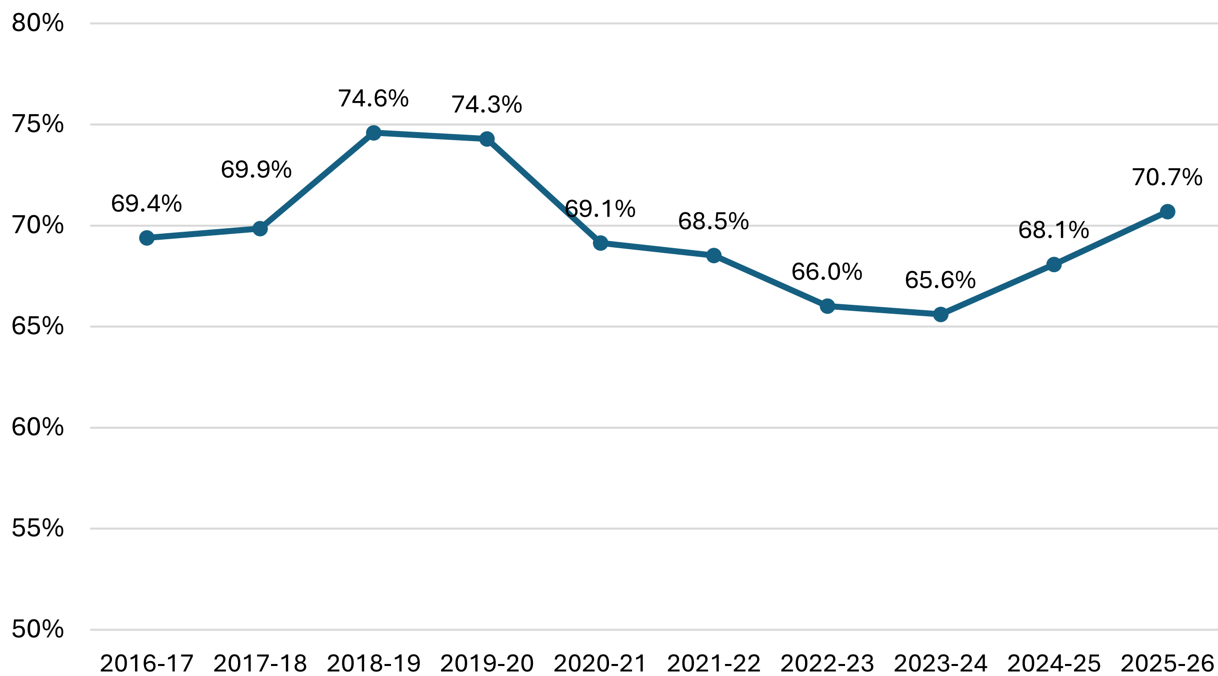
- $129 million for highways and roads,
- $69 million for renewable energy,
- $68 million for community government infrastructure,
- $50 million for housing;
- $37 million for health care facilities, services, and equipment,
- $21 million for new education facilities and renovations for existing facilities.
- $20 million for airports and runways, and
- $10 million for technology.

Fiscal Dependency

GNWT revenue growth is stable and predictable largely because of federal fiscal support. The territory depends on federal transfers to cover the difference between the funds needed to deliver services that are reasonably comparable to the rest of Canada and the revenue the territory could raise at comparable levels of taxation. The territory's small, undeveloped tax base does not generate enough own-source revenue to be provide the same level of services as provinces without the stability and size of federal transfers, especially from the major block funding provided by Territorial Formula Financing, Canada Health Transfer and Canada Social Transfer.

Over the last ten years, the GNWT's fiscal dependency on federal transfers has remained constant with major federal transfers making up on average 70 per cent of GNWT revenues. Over the ten-year period dependency peaked in 2018-19 where transfers accounted for 75 per cent of revenues, declined to 66 per cent in 2023-24, and 2025-26 is estimated to be in line with the ten-year average of 71 per cent. By comparison, the weighted average dependence on federal funding for the provinces, which includes Equalization, is 15 per cent.

Federal Transfers as a Percentage of GNWT Revenue



Source: NWT Finance

Revised Fiscal Strategy and Next Steps

The GNWT has pivoted away from *Restoring Balance: A Fiscal Sustainability Strategy for the 20th Legislative Assembly*, which focussed on actions required to reduced short-term debt by the end of the Assembly. The revised fiscal strategy does not focus on rigid fiscal targets but considers the fiscal realities of the GNWT, retaining flexibility to adapt as circumstances evolve and make investments where they are most needed.

The GNWT is committed to remaining within the *Fiscal Responsibility Policy's* parameters where a minimum of half of capital investment will be funded with the cash operating surplus. This keeps debt affordable relative to the GNWT's ability to pay and maintains a buffer to the federal borrowing limit.

Short-term debt is projected to increase under the new fiscal strategy but remain affordable. GNWT debt payments (principal and interest) are two per cent of revenue over the medium-term outlook.

The GNWT has a range of ongoing efforts that continue to contribute to fiscal sustainability, including the work of the Healthcare System Sustainability Unit, infrastructure lease reviews, efforts to reduce technology cost growth, and improving fleet management.

While the new fiscal strategy transitions away from the short-term debt repayment objective to making more investments now that will provide lasting economic benefits, the GNWT remains committed to long-term fiscal sustainability.