

**THE HONOURABLE CAROLINE WAWZONEK
MINISTER OF FINANCE**

COVID-19 Spending Impacts

Madam Speaker, I have a Return to Written Question asked by the Member for Kam Lake on October 15, 2020, regarding COVID-19 spending impacts.

As of September 30, 2020, the Government of the Northwest Territories has spent approximately \$61 million on COVID-19 related expenditures.

As with all government spending, these COVID-19 related expenditures will directly contribute to NWT gross domestic product. Government of the Northwest Territories' expenditures account for between 50 and 60 per cent of NWT nominal gross domestic product.

Madam Speaker, the GNWT is projecting expenditures and foregone revenues to be approximately \$175 million for 2020-2021. There has been total support announced by the Government of Canada of just over \$92 million, which results in a potential impact on the GNWT of \$83 million.

The COVID-19 related expenditure shocks will reduce the operating surplus that is needed to fund the capital budget.

Madam Speaker, COVID-19 related spending has helped NWT businesses retain staff, make rent and mortgage payments, and has provided other financial relief.

Efforts to understand the needs of the NWT's business community and the effectiveness of the Government of the Northwest Territories' COVID-19 economic support programs cannot be determined without polling businesses directly. While government support has helped numerous NWT businesses, businesses have also

shown their own ingenuity in finding ways to keep their doors open. Business innovations like curbside pickup, “stay-cations” targeting local tourists, and phone or video appointments, have allowed NWT businesses that would otherwise have been forced to close, to continue to operate during the pandemic.

NWT businesses most severely affected by the pandemic, and those that were most at risk when the coronavirus pandemic hit in March 2020, are concentrated in four areas of the economy: hospitality, retail, air transportation, and personal services. The Government of the Northwest Territories’ and the Government of Canada have provided financial support targeted towards these severely affected and at-risk economic sectors.

COVID-19 related spending has directly aided NWT aviation companies and prevented them from closing despite severe drops in air passengers. To date, not a single NWT aviation company has been forced to close their business, which in turn has supported other businesses that rely on aviation services to transport goods and the government that needed air transport in response to the health crisis.

The Government of the Northwest Territories’ has supported NWT businesses through Business Development and Investment Corporation Loan Payment deferment or reduction, and Business Development and Investment Corporation working capital loans. To date:

- 162 Business Development and Investment Corporation accounts representing 126 NWT businesses were approved payment deferment or reduction.
- Of these 162 accounts, 107 were approved extensions through the end of the fiscal year, bringing the total deferment/reduction savings from April 2020 to

March 2021 to \$3.3 million. This total consists of \$3.1 million in deferments for 145 accounts and \$183,208 in loan payment reductions for 17 accounts.

- 89 Business Development and Investment Corporation accounts representing 88 NWT businesses were approved working capital loans of \$2.3 million. A further seven accounts were withdrawn after approval.

As of October 23, 2020, the Support for Entrepreneur and Economic Development Policy program has supported NWT businesses as follows:

- 187 grants have been approved, totally nearly \$2.1 million.
- 59 of these approved grants, totaling \$319,588, are directly related to providing support due to the effects of COVID-19. These grants have helped NWT businesses purchase personal protective equipment, and supplement their operations in order to operate under the Chief Public Health Officer restrictions.

Madam Speaker, the NWT lost roughly 4,000 jobs during the coronavirus pandemic. Between February 2020 at the pre-COVID employment peak and May 2020, the COVID-19 trough, the number of jobs in Canada declined 18%, while the number of jobs in the NWT fell by 14%. Since then, the number of jobs has begun to recover and as of July 2020 which is our most recent month of data, NWT jobs were 12.7 per cent lower than what they were a year ago.

By December 2020, it is projected that NWT jobs will have recovered to 90 per cent of January 2020.

The NWT jobs decline was less severe than the national average due to a combination of the following measures:

- Innovation by NWT businesses, which allowed many companies to find new markets and ways of delivering products and services;
- Large public sector, which acted as a stabilizer in the economy, allowing nearly 8,000 employees to work from home with regular income which was then spent at local NWT businesses, keeping consumer demand for NWT goods and services strong; and
- Active GNWT and federal government support programs, which supported both businesses and employees directly through such programs as Aviation Sector Supports and the Wage Top-Up Program.

In May 2020, the hardest hit month of the pandemic, there were 820 Active Businesses in the NWT. For context, an active business is a business with at least one employee. This number was 79 fewer than in May 2019, and 66 fewer than in January 2020.

Of the 79 fewer NWT active businesses between May 2019 and May 2020, 85 per cent were in the Services sector.

Industries with the largest decline in NWT active businesses between May 2020 and May 2019 were:

- Retail Trade with 24 fewer active businesses;
- Accommodation and Food Services with 18 fewer active businesses;
- Other Services with eight fewer active businesses; and
- Construction with seven fewer active businesses.

Industries with the largest declines in active businesses were not necessarily the industries with the largest concentration of job losses. Compared to a year earlier, industries with the largest job losses in May 2020 were:

- Mining & Utilities with 830 fewer jobs;
- Accommodation and Food Services with 800 fewer jobs;
- Construction with 375 fewer jobs; and
- Retail with 330 fewer jobs.

The discrepancy between declines in active businesses and declines in jobs reflects the capital-use intensity of different industries, and the distribution of large, medium, and small businesses across different industries.

The decline in active businesses has been less severe in the NWT than in Canada as a whole. Between May 2019 and May 2020, there were 13 per cent fewer Active Businesses in Canada, compared to but just eight per cent fewer in the NWT.

Thank you, Madam Speaker.