

Northwest Territories Fiscal Update

Mr. Speaker, thank you for the opportunity to update the Legislative Assembly on the Government of the Northwest Territories' fiscal situation since the tabling of the 2023-2024 Budget. It goes without saying that this has been an extraordinarily difficult financial year not only for the government but for many Northwest Territories' residents and businesses.

Despite the challenges, our actions to address fiscal pressures combined with federal disaster assistance means that our fiscal outlook remains stable over the medium term.

We will end 2022-2023 with an operating surplus, despite last year's expenditure shocks of floods and high inflation.

Unfortunately, this year's expenditure shocks are even more significant. The wildfire season will cost approximately \$100 million for fire suppression. Low water levels have forced significant additional costs for transporting goods to many communities, and caused increased pressure on electrical systems, which are pushed backed to diesel, another a high-cost item. High inflation continues affecting Northwest Territories supply chains, which in turn impacts our capital budget.

As of now, these natural disasters have reduced our projected operating surplus in 2023-2024 from \$178 million to approximately \$5 million. By the time we know the final actual costs of a prolonged firefighting season, there is risk the Government of the Northwest Territories could realize an operating deficit this fiscal year.

Operating surpluses are used to fund the capital budget. Without a larger operating surplus, we will likely need to incur more debt in order to invest in the much-needed infrastructure outlined in this year's capital budget.

Part of what is helping to keep our medium-term outlook stable is that federal disaster assistance programs should help us recover the majority of emergency expenses related to the wildfires and last spring's flooding. As a result of the anticipated federal recoveries, and our actions to defer some expenditures, we are confident that the Government of the Northwest Territories will remain in compliance with the *Fiscal Responsibility Policy* in this fiscal year. While short-term borrowing is expected to increase this year, the Government of the Northwest Territories is projected to be \$192 million below the federally imposed \$1.8 billion limit at March 31, 2024.

Although the unplanned response to this summer's wildfire season has challenged the 2023-2024 budget, actions we have taken during the 19th Legislative Assembly should return operating surpluses to more robust and sustainable levels by 2025-2026 and provide the fiscal flexibility to take steps to reduce our short-term borrowing and total debt.

This stable medium-term forecast is mainly due to right-sizing the capital budget this year, which now better reflects the Northwest Territories' capacity to complete infrastructure projects, which improves the cash balance and debt outlook. We also strengthened the *Fiscal Responsibility Policy* so that the government's total borrowing is more closely linked to the federally imposed \$1.8 billion borrowing limit and establishes our own internal monitoring threshold \$120 million below the federal limit.

The mineral resource industry, which accounts for almost one-fifth of the Northwest Territories' economy, is in a position to benefit from strategies happening at the national level, like the focus on Canada's critical minerals action plan. This in turn would boost prospects for other Northwest Territories businesses and employment. That said, our economy is also precarious with diamond mines having set closure dates and other industries experiencing their own financial shocks as a result of the wildfires, evacuations, low water levels, seasonal resupply challenges and lack of labour supply. A strong public sector across all levels of government mitigates some of this risk on a territory-wide level by providing employment across the territory and contributing income to the territorial economy. Adopting proactive approaches to issues such as climate change, supply chain

disruptions, or cybersecurity, to name a few, will allow us to confront and wisely manage strategic risks.

As we move into 2024, the 20th Legislative Assembly will benefit from the fiscal decisions made in this 19th Legislative Assembly. That said, Mr. Speaker, we are not ending the 19th Legislative Assembly in a fiscal position that allows the 20th Legislative Assembly to relax on fiscal discipline.

Going forward it will be important to consider that if revenue growth is forecasted to be limited to 3.8 per cent growth per year, expenditure growth will need to be capped at an amount lower than this to remain fiscally sustainable over the long term. As well, the current medium-term outlook assumes capital investment continues to be restricted to \$260 million annually. Further, our projections are also subject to changes in interest rates because short-term debt will need to be used until the Government of the Northwest Territories starts recovering its cash resources from the federal government under federal disaster relief programs.

Clearly, prudent management of the government's fiscal health must continue to be a priority. By this path, the Government of the Northwest Territories can start to reduce its short-term borrowing and free up more space between its ability to borrow and the federally imposed borrowing limit. This approach will allow us to continue to address our significant capital requirements without compromising much needed programs and services. That in turn can help stimulate the economic potential we have throughout the NWT and make it more accessible to the private sector. I believe we have overcome many critical challenges during the 19th Legislative Assembly, establishing a good foundation for the 20th Legislative Assembly to confidently address future challenges and help build opportunities on behalf of Northwest Territories residents.

Thank you, Mr. Speaker.