

The Impact of COVID-19 on Canada's Territorial Economies



As of the end of October 2020, the health impacts of COVID-19 in the territories have been minimal. The economic impacts, however, have been severe.



Mining

Most northern mines are operating, staffed with southern fly-in/fly-out (FIFO) workers. Local workers from vulnerable communities have been sent home.



Construction

Most planned infrastructure projects are proceeding. But southern FIFO construction workers are spending a lot of time in isolation centres.



Tourism

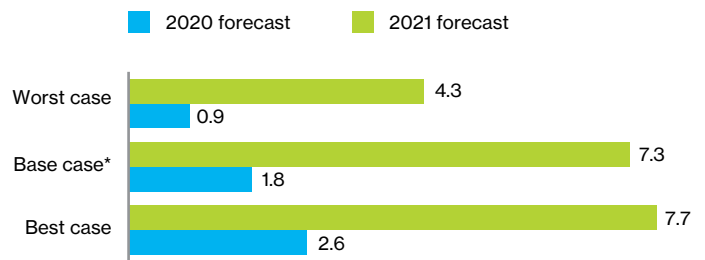
Territorial isolation requirements are deterring Canadian tourists. And international travel restrictions have brought Northern tourism to a near standstill.



Yukon

(Real GDP, percentage change)

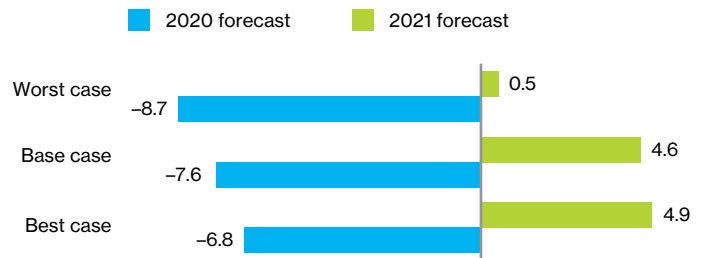
*the base case is the most likely scenario as of early October 2020



Sources: Statistics Canada; The Conference Board of Canada.

Northwest Territories

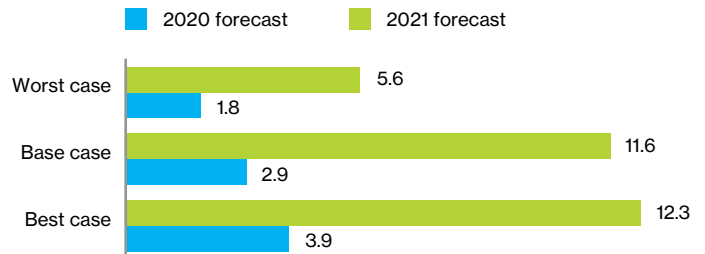
(Real GDP, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.

Nunavut

(Real GDP, percentage change)



Sources: Statistics Canada; The Conference Board of Canada.



Impacts on key sectors

Mining

- Companies have sent home local workers from vulnerable communities to protect workers and their families from COVID transmission. Most of these local workers are being paid, but they are losing valuable work experience.
- Mines have been operating with southern FIFO workers. But cases of COVID-19 among them were increasing in the fall.
- Commodity prices are up for gold, copper and iron ore, and government revenues may follow. Diamond markets, however, are not doing as well.
- Safety protocols prevent in-person meetings between mine staff and community members. While restrictions are designed to protect the local populations, long periods without meeting may erode the trust carefully built between companies and communities.
- Exploration, down over the past decade, has been set back further by a lost summer in 2020. The narrow pipeline of projects is being further crimped.

Construction

- Some projects have been delayed or postponed, but most are moving ahead.
- Quarantine requirements for FIFO construction workers have raised costs and complicated scheduling.
- Local sub-contractors, who don't need to quarantine, have picked up more work.
- Building materials have become more expensive due to disrupted supply chains.

Tourism

- The summer of 2020 season was a write-off. The upcoming winter season also looks bleak.
- International tourism has ceased and is unlikely to resume before late 2021.
- Long distances and quarantine requirements make it difficult for Northern tourism operators to compete with other Canadian regions for domestic tourists.
- Insolvency figures suggest that government supports have helped Northern businesses stay afloat up to August. But how long operators can last without tourists is an open question.

Employment forecast

- In 2020, employment in the territories will contract between 2.4 per cent and 3.8 per cent.
- Optimistically, employment could fully recover in 2021. However, in the more likely scenario employment will take two to three years to fully rebound.

The way forward

- Business leaders in all three sectors say they would rather survive this crisis by continuing their work than by taking loans or grants.
- Governments will need to be flexible and creative to support safe ways to restart and/or continue business operations.

Recommendations

- **Plan ahead.** Northern businesses will still need support when the federal wage subsidy (CEWS) ends in summer 2021.
- **Monitor labour markets.** Workers in the territories may need more support than workers in the rest of Canada, with the end of Canada Emergency Response Benefit (CERB).
- **Invest in critical infrastructure.** Telecommunications and broadband will be key drivers of growth as remote work and remote learning are expanded by the pandemic.
- **Broaden economic diversification.** The tourism sector's vulnerability has been exposed. Directing more support to sectors like clean energy and the conservation economy can help build a more stable economic foundation.
- **Replace southern FIFO workers.** The FIFO model brings significant risks in a pandemic. Focus more on developing the skills of local workers to reduce reliance on FIFO workers in all sectors.
- **Teach financial management.** Many small business owners, particularly in tourism, lack the financial records needed to apply for government subsidies.
- **Streamline permitting.** Support investments by streamlining permitting processes. But not at the expense of Indigenous rights or environmental standards.

To request a copy of the full report, email INC@conferenceboard.ca.

