

MEMBERS STATEMENT – OCTOBER 15, 2008

IMPACT OF MARKET VOLATILITY ON NWT ECONOMIC OUTLOOK

Today I will quote some sentences and phrases from *The North American Outlook*, which is an economic activity newsletter and is prepared by Nesbitt Burns at the BMO. This edition of the newsletter was released last week.

1. *“The outlook for the North American economy is lowered in response to the watershed events that have re-shaped Wall Street and roiled the global credit markets”*
2. *“...the near term growth outlook has worsened.”*
3. *...”minimal recovery in 09.”*
4. *“The higher borrowing costs, tighter lending standards and equity sell-off will prolong the slump in consumer and business spending.”*
5. *“For Canada, the pullback in commodity prices will slow the Western provinces.”*

I am not intending to be an alarmist here. I know that Canadian banks are sound, with sufficient resources and better lending practices than many banks in other countries. I know that the Canadian mortgage system is strong, and our mortgages are a smaller percentage of our home values and our disposable incomes than the averages for American mortgages.

However, I am very interested in the views of the Minister of Finance of how the changed North American outlook has affected the short and long term fiscal outlook of this government. How is the Mackenzie Gas Project affected by lower natural gas prices and by reduced share prices for the

producers? How are the diamond mines affected by the huge sell-off in equities that has occurred? Is the borrowing of the Government of the NWT affected by the freeze-up of bank-to-bank borrowing? Is the Minister of Finance now facing higher interest changes? How does the slow-down in the Canadian economy affect our fiscal forecasts?

I listened to the CBC interview last Tuesday with a local mortgage broker, who explained that there was a slow-down in Yellowknife housing sales, which he had not seen since the '90's. There was another CBC interview last week about the sharply declining share prices of Aber Resources and MGM Energy. Both companies have seen an approximately 65 percent decline of share values in the last six months. MGM is an energy corporation working on exploration in the Mackenzie Delta. If the companies that we have counted on to lead economic development have been hit hard by the market declines, what is the affect on the GNWT?

The Minister of Finance advised the Members of this House in his fiscal strategy statement that he was counting on economic growth and population growth for the longer term. How realistic is this now?

I would expect that the Minister of Finance has had to take some of these realities into consideration during the preparation of the Government's business plan. At the appropriate time, I will ask the Minister of Finance to share his views on the changed fiscal outlook of the GNWT.