

# FISCAL AND ECONOMIC OUTLOOK

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DEPARTMENT OF FINANCE  
MARCH 2007

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## Fiscal Outlook

For the fiscal year 2007-08, the Government is projecting an operating deficit of \$6.6 million compared to the revised \$6.8 million estimated for the fiscal year 2006-07.

Revenues are projected to be \$1.05 billion in 2007-08 compared to \$1.02 billion estimated in Budget 2006. This \$30 million increase is due to the increases in federal transfers and projected increases in own-source revenues resulting from payroll and tobacco tax rates changes introduced in 2006.

Overall Government expenditures are projected to increase by \$28.9 million for the fiscal year 2007-08. Government Operations and Maintenance (O&M) expenditures are projected to increase by \$22.1 million. This is mainly due to \$9.3 million departmental base adjustments to reflect the increase of both fuel and power rates during 2006-07, \$4.5 million for projects funded from the Northern Strategy Fund and \$4.6 million to strengthen both the bilingual education strategy and financial management practices across the government.

Capital expenditures are projected at \$91.8 million. The Government will be constructing a trade school in Rankin Inlet, which will partly be funded from the \$40.0 million Northern Strategy Funding received from the federal government.

At the same time, the allocation for contingencies will increase by \$18.5 million. This includes \$21 million of Northern Strategy Funding which will be allocated for capital expenditures during fiscal 2007-08.

Table 1

<b>Fiscal Forecast</b>		
	<b>2006-07 Main Estimates</b>	<b>2007-08 Projected</b>
	<b>(\$ Millions)</b>	<b>(\$ Millions)</b>
<b>Revenues</b>	<b>1020.8</b>	<b>1050.6</b>
<b>Expenditures</b>		
O & M	873.3	895.3
Capital	103.5	91.8
Contingencies	51.6	70.1
<b>Total Expenditures</b>	<b>1028.4</b>	<b>1057.2</b>
<b>Surplus (Deficit)</b>	<b>(7.60)</b>	<b>(6.60)</b>

The Territorial Formula Financing (TFF) is the largest source of revenues for Nunavut (see Table 2). Until the federal government's 2007 budget is tabled and approved, the 2007-08 projection for the TFF grant is based on the parameters of the current arrangement which provides for a 3.5 percent escalator adjustment.

Table 2

<b>Summary of Revenues (2007-08)</b>	
<b><u>Federal Transfers</u></b>	<b><u>\$Millions</u></b>
Territorial Formula Financing	855.4
Other Federal Transfers	90.4
Northern Strategy	21
<b>Total Transfers</b>	<b>966.8</b>
<b><u>Own Source Revenues</u></b>	
Taxes	50.8
Other	33
<b>Total Own Source Revenue</b>	<b>83.8</b>
<b>Total Revenues</b>	<b>1050.6</b>

Currently, no additional information is available regarding TFF funding. However, the federal government has indicated that the outcome of TFF will be announced as part of the 2007 budget. If the federal budget bill does not pass, the GN may well have to live with the existing "fixed envelope" TFF, increased by 3.5 percent over the 2006-07 entitlement.

## The Government of Nunavut's Debt Limit

In 1999, Nunavut's borrowing authority was set at \$200 million by the federal government. As of December 31, 2006 the Nunavut debt totaled \$141.4 million (see Table 3).

**Table 3**

<b>Long Term Debt</b>		
<b>Borrowing Authority</b>		
<b>The Governor General in Council, pursuant to subsection 27(2) of the Nunavut Act, has approved Government borrowing up to \$200 million.</b>		
	<b>2006</b>	<b>2005</b>
	<b>(thousands of dollars)</b>	
<b>Government of Nunavut Bank Overdraft liability</b>	\$ -	\$ 25,193
<b>Qulliq Energy Corporation Credit Facilities</b>	\$ 28,000	\$ 12,000
<b>Nunavut Development Corporation Bank Overdraft Facilities</b>	\$ 1,125	\$ 1,125
<b>Mortgage Payable</b>	\$ 4,959	\$ 5,315
<b>Qulliq Energy Corporation, long term debt</b>	\$ 58,439	\$ 77,000
<b>Nunavut Housing Corporation, long term debt</b>	\$ 48,881	\$ 50,446
<b>Total debt</b>	<b>\$ 141,404</b>	<b>\$ 171,079</b>
<b>Authorized borrowing limit</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>
	<b>\$ 58,596</b>	<b>\$ 28,921</b>
<p>The various debt instruments of the Nunavut Development Corporation (NDC), Nunavut Housing Corporation (NHC) and Qulliq Energy Corporation (QEC) is guaranteed by the Government of Nunavut</p> <p>In 2005 &amp; previous years the full amount of the QEC Credit Facilities were drawn down and included as long term debt.</p>		

In 1999, GN debt as a percentage of GN revenues was 9 percent. In contrast current long term debt as a percentage of revenues is 13.8 percent. However, the Government of Nunavut is not facing any debt crisis and current long term debt obligations are being met.

## **Outlook for the Nunavut Economy**

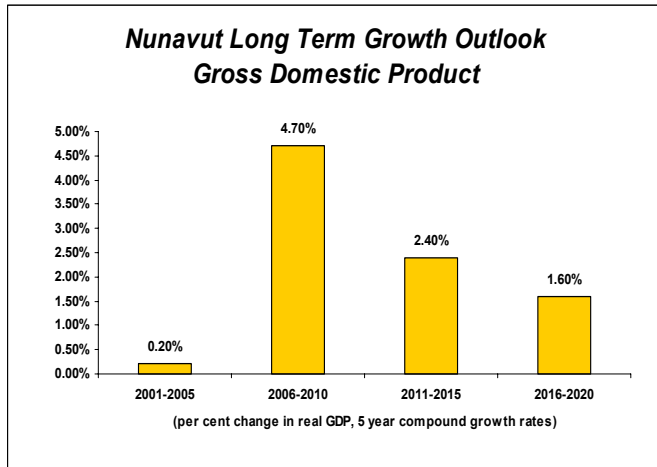
2006 showed strong growth in both residential and non-residential construction over 2005. Comparing the total value of Nunavut building permits (both residential and non-residential) issued in the eleven month period from January to November, the 2006 figure of \$52.9 million was \$40 million or 318.9 percent higher than the figure for 2005 (\$12.6 million) . For Canada the same comparison saw an increase of 12.1 percent.

In the first 11 months of 2006 (January to November 2006) the value of residential permits in Nunavut increased to \$29.6 million from \$10.4 million in the same period for 2005. Non-residential permits increased to \$23.3 million from \$2.3 million. Continuation of this growth is expected for 2007-08 as a result of the Federal Government's \$200 million contribution towards housing in Nunavut.

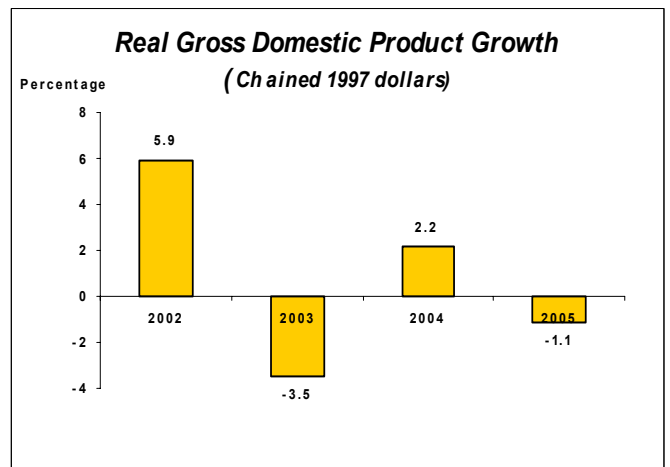
Retail sales posted an increase of 7.5 percent from November 2005 to November 2006 while wholesale trade posted a 6.3 percent decrease in that same period.

Statistics Canada has released The Labour Force Survey (LFS). LFS is a monthly survey involving around 50,000 Canadian households. The goal of the survey is to provide a detailed, current picture of the labour market across the country. The survey shows that the annual average unemployment rate in the 10 largest communities in Nunavut was 12.5% in 2005 and 10.3% in 2006. The 10 largest communities are Iqaluit, Cambridge Bay, Baker Lake, Arviat, Rankin Inlet, Kugluktuk, Pond Inlet, Cape Dorset, Pangnirtung and Igloolik.

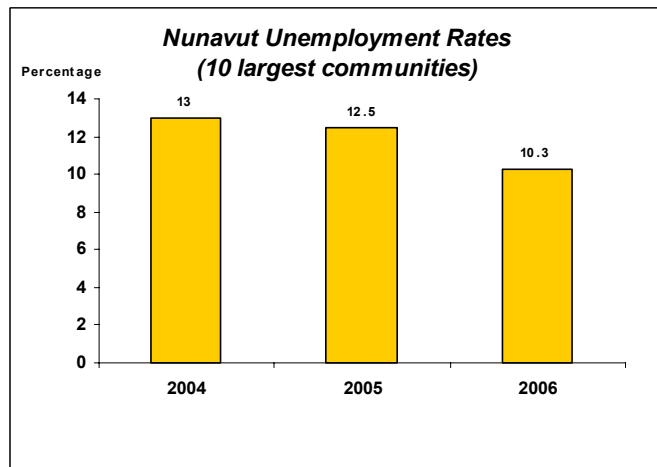
**Selected Economic Indicators for Nunavut**  
**Table 4**



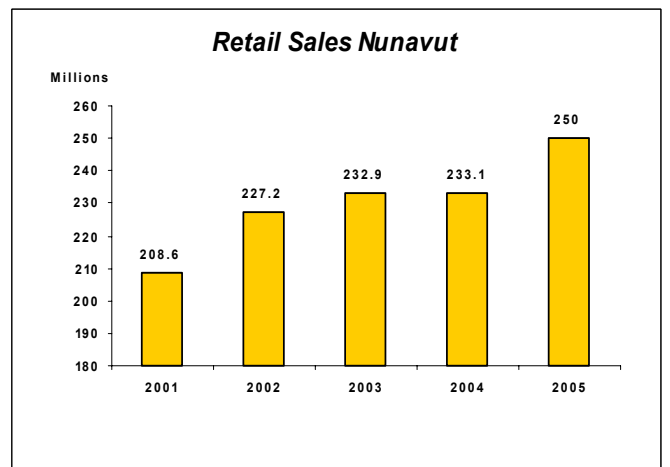
Source: 2005 Nunavut Economic Outlook Update on Five Years Progress



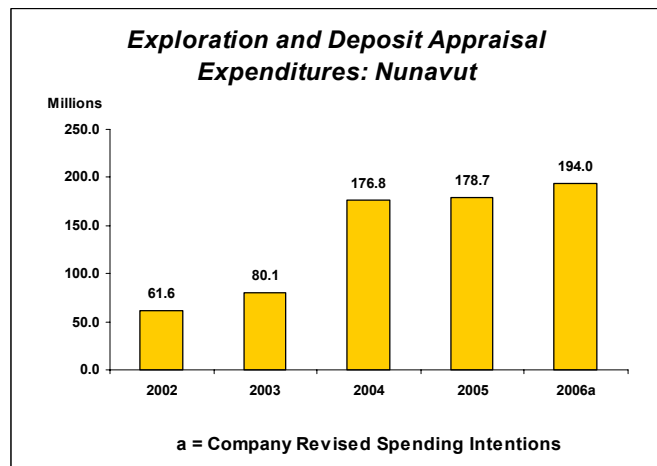
Source: Stats Canada, Provincial and Territorial Economic Accounts Review, 2005 Estimates.



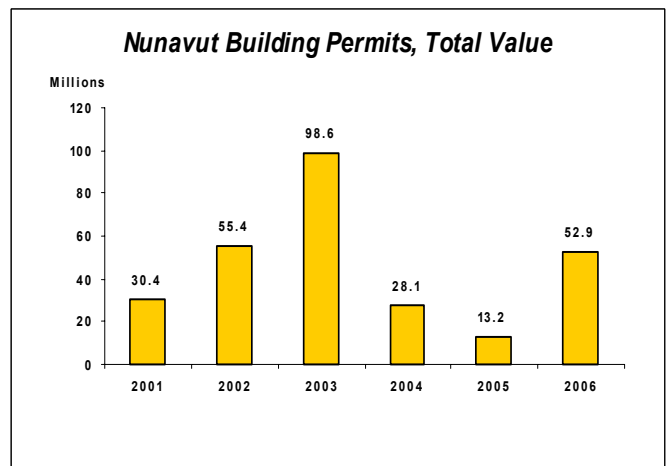
Source: Stats Canada Labour Force Study Since 2004, the Labour force survey has been administered in Nunavut, using an alternative methodology that accommodates some of the operational difficulties inherent to remote locales. These estimates are not included in national totals. The 10 largest communities are Iqaluit, Cambridge Bay, Baker Lake, Arviat, Rankin Inlet, Kugluktuk, Pond Inlet, Cape Dorset, Pangnirtung, Igloodik.



Source: Stats Canada 2001-2005



Source: Natural Resources Canada, from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures. Includes on-mine-site and off-mine-site activities; field work, overhead costs, engineering, economic and pre-production feasibility studies, environment, and land access costs. Exploration and deposit appraisal activities include only the search for and appraisal of deposits and do not include work for extensions of known reserves. Note: Numbers may not add to totals due to rounding.



Source: Stats Canada  
 \*Comparing the total value of Nunavut building permits (both residential and non-residential) issued the eleven month period from January to November 2006.

Table 5

<b>Economic Indicators</b>							
	1999	2000	2001	2002	2003	2004	2005
Population (thousands)	27	28	28	29	29	30	30
Personal income (millions of dollars)	701	758	816	882	940	988	1,041
Personal income per person (dollars)	26,135	27,564	29,017	30,690	32,230	33,296	34,709
Personal disposable income (millions of dollars)	616	656	697	747	793	839	882
Personal disposable income per person (dollars)	22,966	23,855	24,786	25,993	27,190	28,275	29,408
Personal saving rate (percent)	44.6	44.4	43.5	43.1	41.9	42	41.6
Gross Domestic Product, implicit price index (1997=100)	101.1	104.3	103.4	106	114.5	121.2	127.2
Gross Domestic Product (millions of dollars)	747	834	876	951	992	1,073	1,113
Gross Domestic Product per person (dollars)	27,850	30,327	31,151	33,091	34,013	36,161	37,110
Gross Domestic Product (millions of chained 1997 dollars)	739	800	847	897	866	885	875
Gross Domestic Product per person (chained 1997 dollars)	27,552	29,091	30,120	31,212	29,693	29,825	29,174
Retail sales (millions of dollars)	191	202	209	227	233	233	250
Manufacturing shipments (millions of dollars)	5	4	4	5	3	5	6
Mineral production (millions of dollars)	349	385	321	272	35	35	4

Source: Statistic Canada  
Release date: November 8, 2006

Table 6

<b>Nunavut Total Exports For All Industries 1999-2005 (millions of Dollars)</b>							
	1999	2000	2001	2002	2003	2004	2005
Exports of goods and services	255	332	293	283	163	171	164
Exports to other countries	186	261	222	200	60	67	42
Exports of goods to other countries	168	242	202	177	33	36	12
Exports of services to other countries	18	19	20	23	27	31	30
Exports to other provinces	69	71	71	83	103	104	122
Exports of goods to other provinces	5	6	5	5	7	6	7
Exports of services to other provinces	64	65	66	78	96	98	115

Value in Canadian Dollars  
Source of Data: Statistics Canada  
Release Date: 2006-11-8

## Impact of Higher Oil Prices

In late 2003 after the completion of Nunavut's sealift re-supply, world oil prices started to rise significantly. Continual price increases through 2004, 2005 and 2006 culminated with a price per barrel of oil over \$70, putting the GN under tremendous fiscal strain. Although world oil prices have since moderated, the impact on the GN continues to be significant.

In the last three fiscal years (see Tables 7 and 8), Nunavut's cost to acquire fuel has increased significantly as a result of these world crude oil prices. The impact of these increases for 2006-07 represents an increase of \$60 million over and above the 2003 fuel re-supply. Moreover, total energy costs will consume 11% or \$116.5 million of the GN total expenditure base for 2006-07.

The GN is going to use an appropriate hedging policy to limit the exposure to high volatility of the spot market price of fuel. The provisions of this policy will govern the use of financial hedging transactions according to the philosophy of active risk management.

Various financial hedging instruments, such as futures and forward contracts, swaps and exchange-traded options may be used to prudently limit the impact of adverse price movements as well as to capture the benefit of favourable movements. The mechanics of hedging transactions will be guided by the annual projected fuel volumes, considerations of working capital requirements, and concerns regarding the cost of fuel.

Table 7

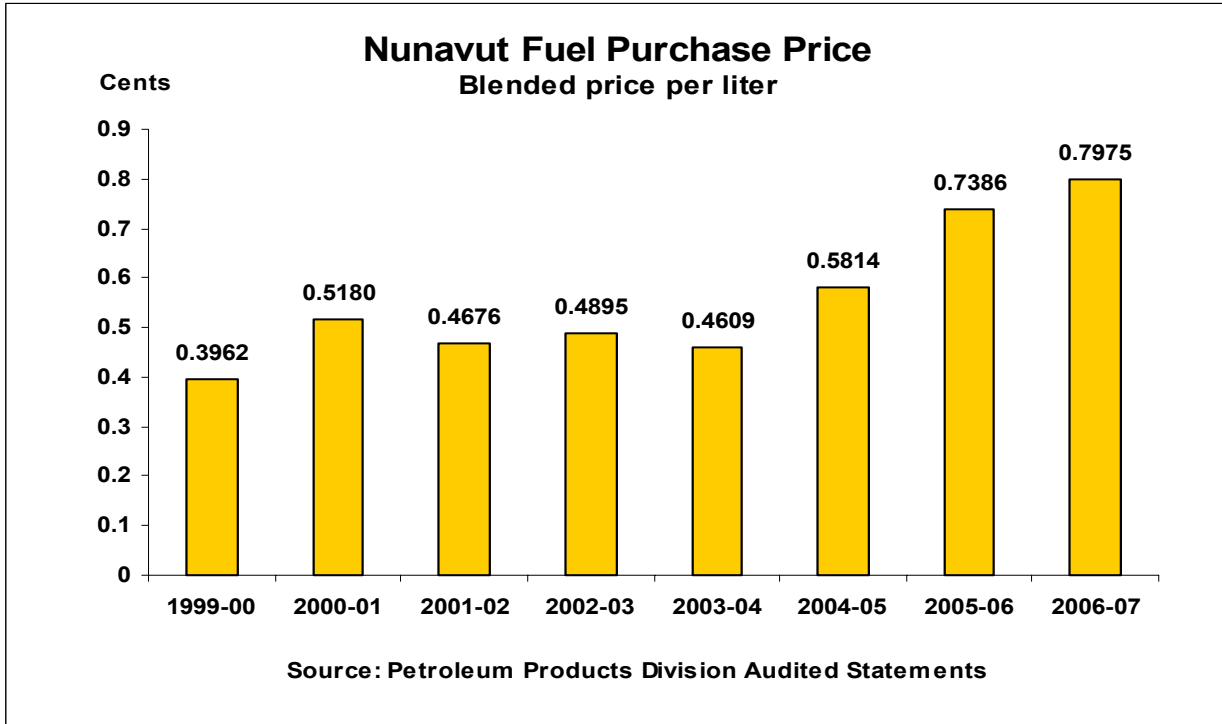
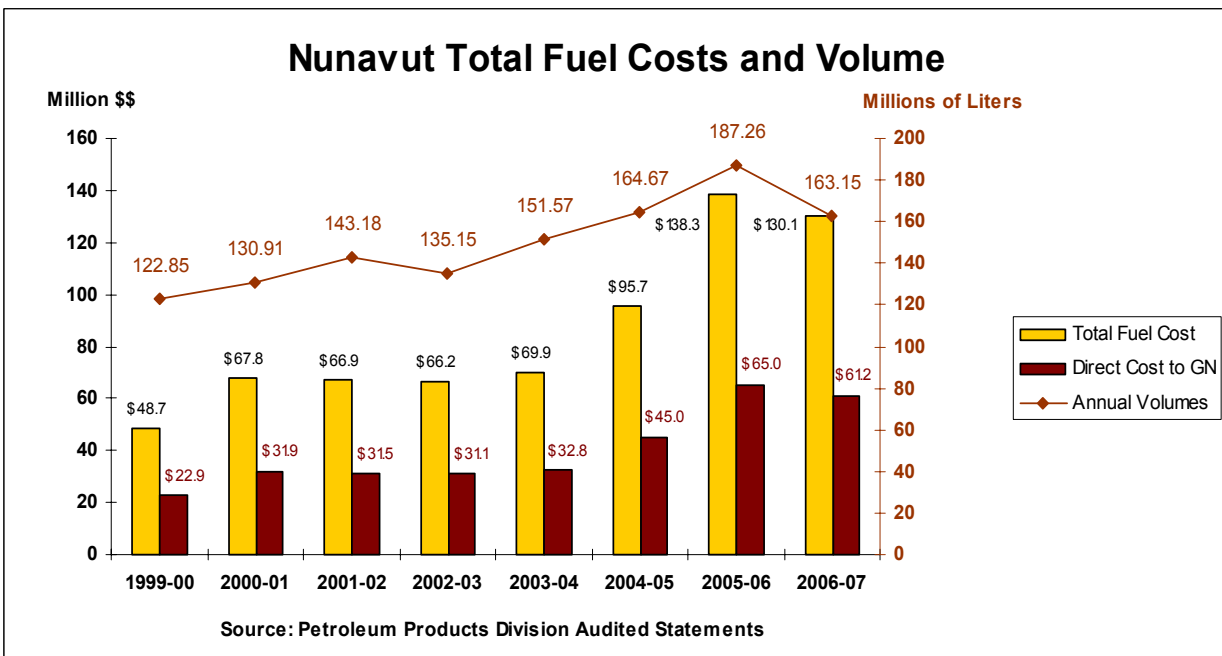


Table 8



## Key Sectors

### Mining

Mining exploration continues to be strong with the value of exploration exceeding \$150 million annually for the last three years. Natural Resources Canada reported that \$256 million was invested in mineral exploration and development in 2005. This impressive level of activity continued in 2006 with over 65 exploration companies active in Nunavut, many of which have holdings in more than one project. Three advanced exploration projects are expected to become operating mines in Nunavut over the next three to five years, and many other projects have prospects of becoming mines over the next ten years. The now closed Lupin, Polaris and Nanisivik mines are in their reclamation phase, which will proceed for the next few years.

Ongoing geological mapping by the Canada-Nunavut Geoscience Office continues to identify promising geological potential. New exploration techniques have expanded exploration targets from diamonds and gold to iron, copper, nickel, zinc, and precious gems. Increasing investor awareness of Nunavut's mineral potential has been leading to increased exploration and increased potential for future discoveries. In November 2006, the Federal Government announced a \$6 million investment in two Nunavut geoscience projects under the Targeted Investment Program.

**Table 9**

<b>Existing and near-term Potential Mining Projects</b>			
<b>Project</b>	<b>Operations Stage</b>	<b>Commodity</b>	<b>Duration</b>
<b>Mining Projects</b>			
Jericho	Producing mine	Diamonds	2006 - 2014
Hope Bay (Doris North)	Mobilization of materials for construction could begin in 2007	Gold	2007 - 2009+
Meadowbank	Mobilization of materials for construction could begin in 2007	Gold	2008 - 2015+
High Lake/Ulu	Preparing to submit application to NIRB to engage Review Process	Copper, gold	2009 - 2020+
<b>Major Exploration Projects</b>			
Mary River	Pre-feasibility completed	Iron ore	up to 34 years
George Lake-Goose Lake		Gold	
Hackett River		Gold, silver, zinc, copper	
Coppermine		Diamonds, uranium	
Victoria Island Kimberlites		Diamonds	
Ferguson Lake		Nickel, copper, PGMs	
Committee Bay		Gold	
Meliadine		Gold	
Churchill Diamonds		Diamonds	
Aviat JV		Diamonds	
North Baffin		Diamonds	
Qimmiq		Gold	
Beluga		Sapphires	

The official opening of the Jericho mine on August 17<sup>th</sup> 2006 marked the first new mine opening in Nunavut in the past 25 years. The project is owned by Tahera Diamond Corporation which is Canada's newest diamond producer. The peak economic impact was felt in 2005 when \$100 million in capital expenses were incurred to construct the mine. Production in the second and third quarter of 2006 was 98,600 carats and 96,500 respectively. Thus far, average diamond values have met or exceeded expectations. The value per carat increased to approximately \$107 CAD for the third quarter compared with \$105 CAD for the second quarter. A 59 carat gemstone valued at over \$400,000 USD was recovered during the second quarter. The production is estimated to be 4.7 million carats over the mine life. The company opened the winter road to the mine site in February of 2007 and plans to move about 500 loads to the site this year.

The Meadowbank gold project is located 70 kilometres north of Baker Lake and is forecast to produce an average of 330,000 ounces of gold per year over an eight year mine life. The production decision was made following a positive development recommendation by the Nunavut Impact Review Board to the Federal Minister of Indian Affairs and Northern Development in late August 2006. On November 20, 2006 Indian Affairs and Northern Development gave approval to Cumberland Resources Ltd. for the Meadowbank gold project. Production is expected to commence in late 2008 or early 2009 creating over 300 full-time jobs during eight years of operation.

Wolfden Resources Inc. has filed a comprehensive project proposal with the Nunavut Impact Review Board for the High Lake project which contains copper, zinc, gold and silver and is located about 50 km from the Coronation Gulf. Wolfden estimates the mine would operate for 14 years.

In September 2006, the Miramar Mining Corporation announced that it received the Doris North project certificate from the Nunavut Impact Review Board and that the first phase of proposed production at Doris North officially moved into the regulatory process. Miramar is a Canadian gold company that controls Doris North and other gold deposits within the Hope Bay Belt, which extends over 1,000 sq. km and is one of the most prospective greenstone belts in Canada. Depending on receipt of all final licences, permits and authorizations, Miramar hopes to commence mining at Doris North in mid 2008.

In support of this increased mining activity, the Department of Economic Development and Transportation has completed the Nunavut Mineral Exploration and Mining Strategy, currently scheduled to be available in March 2007. The strategy will guide the development of a strong and sustainable industry while ensuring protection of the environment.

### *Fishing and Sealing*

In recent years the fishing sector of Nunavut's economy has grown tremendously with significant expansion of the offshore shrimp and turbot fisheries in particular.

The Nunavut Fisheries Strategy addresses the primary challenges in building a sustainable fishery and obtaining maximum benefits for Nunavummiut. It focuses on providing economic development opportunities in the offshore and inshore fisheries as well as in the traditional arctic char fishery.

The six core objectives outlined in the strategy include: Science and Conservation; Organization Capacity and Governance; Access and Allocation; Labour and Market Development and Training; Infrastructure; and Funding and Revenue Generation.

In 2005 a joint federal-territorial-industry initiative invested in both fisheries infrastructure and training. The Nunavut Fisheries Training Consortium (NFTC) began in 2005 in an effort to provide long term fisheries training to Inuit. The total budget for this initiative is estimated at \$5.1 million, of which \$3.2 million is available from Human Resources and Skills Development Canada (HRSDC) over a three year period through a contribution agreement. Funding is also provided by the Government of Nunavut (\$500,000), the Baffin Fisheries Coalition (\$984,515), the Kakivak Association (\$333,702) and the Hunters and Trappers Association (\$100,000).

While the current value of direct income from fisheries is estimated at \$7.5 to \$10.5 million annually, the potential value is more if the catch is caught by Inuit on Nunavut-owned ships and landed in Nunavut for processing. It is recognized, however, that there will be logistical and economic challenges in achieving the upper end of these potential values.

Total turbot quota available to Nunavut is 8,500 metric tonnes (mt) (60 percent of total Canadian quota in Northwest Atlantic Fisheries Organization (NAFO) area 0A + 0B Nunavut adjacent waters). Shrimp available to Nunavut is 5,971 mt (31 percent of the total Canadian quota). Canada received a 2,500 mt turbot quota increase in NAFO area 0A in 2006 bringing the total quota in area 0A to 6,500 mt of which Nunavut has 100% of the quota.

The estimated landed value of Nunavut turbot for the 2006 season was \$35.2 million, an increase of \$11.6 million from \$23.6 million in 2005. The almost 50% increase in landed value was due to increases in quotas and strong turbot markets. The landed value of shrimp was up slightly from the \$2.9 million recorded in 2005.

Sealing in Nunavut is a good example of the contemporary mixed economy that continues to support the cultural and social fabric of Nunavut while helping to sustain first-hand knowledge of the land and ecosystems. The food value of ringed seals is estimated at \$5 million and the associated value-added products have an estimated value of \$1.5 million. The cash proceeds help to sustain the subsistence hunt. Nunavut ringed seal skin prices at auction over the last three years have been at their highest level in over 15 years, with an average price of about \$60 per skin. Recent prices are up significantly from those of the 1980's when prices averaged less than \$15 per skin.

### *Oil and Gas*

Nunavut has significant petroleum potential. There are 11 major sedimentary basin areas within Nunavut located in the High Arctic, Arctic Stable Platform, Eastern Arctic and Low Arctic. These basins have the potential to hold significant petroleum resources. Petroleum potential has been noted in 18 basins offshore of Nunavut within Canada's Economic Zone.

Current estimates place the petroleum potential of the Sverdrup Basin alone, equal to about 11% of Canada's total crude oil resources, and 20% of Canada's natural gas resources. At current prices, the Sverdrup Basin's natural gas potential of 100 Trillion Cubic Feet (TCF) is estimated to be worth about \$750 billion. It is speculated that new understanding of natural gas hydrates may increase this estimate to 600 TCF. As additional resources are discovered, and development technology continues to improve, the territory should start to realize the tremendous benefits associated with oil and gas development.

Only the Sverdrup, Franklin, and Davis Strait basins have been explored. Exploration took place between 1962 and 1986 drilling 195 wells in Nunavut. The Geological Survey of Canada states 176 wells were drilled in the High Arctic area of Arctic Islands with exploration in the Sverdrup and Franklin basins resulting in 20 significant petroleum discoveries.

Beyond the Sverdrup and Franklin basins one additional significant petroleum discovery was identified in the Davis Strait located in the Eastern Arctic. The Low Arctic area Foxe Basin is also thought to contain significant petroleum resources. As well, significant petroleum resources have been identified on the Greenland side of Baffin Bay. At present, exploration work has not extended into Nunavut internal waters but positive results from the adjacent Greenland waters bode well for the existence of petroleum resources in Nunavut owned waters in the area.

The Canadian Energy Research Institute completed a favorable pre-feasibility study on the economics of producing natural gas from the Sverdrup basin. In spite of this endorsement of Nunavut's petroleum potential, the existence of complicated regulatory regimes within Nunavut serves as a serious impediment to petroleum development. These ownership issues have been a major contributor to why the territory has gone over 20 years without petroleum exploration or development.

The Government of Nunavut feels that development under the current structure is unlikely given the complexity of the current ownership structures. These resources are federally managed and have languished undeveloped since 1986. During this time a number of significant petroleum projects have been developed in other parts of the country with Alberta establishing itself as one of the world leaders in the production of petroleum products.

Even with the existing hurdles to oil and gas development the petroleum potential of Nunavut is substantial and the future is bright. There are likely substantial fields that remain to be discovered. The majority of seismic data available for review is dated and previous well testing encountered significant technical difficulties. During the 1960's to 1980's, arctic exploration only included 2-D seismic programs and any testing of structures was at the extreme edge of the seismic profile to reduce the possibility of a blowout. Some of these structures appeared to be quite large with significant petroleum potential. The application of more modern exploration methods applied to the middle of these seismic structures may prove the existence of large quantities of oil and/or gas and which could be very profitable to industry and the territory. It is also possible that petroleum reservoir structures exist that were missed during the seismic survey of the 1960s. Seismic technology has developed tremendously since the bulk of the survey work was done in and around Nunavut thus, further testing may yield additional discoveries.

### *Alternative Energy*

There are both short term measures needed and longer term steps which can be taken to advance energy self-sufficiency in Nunavut. Based on the objectives of Qulliq Energy Corporation (QEC) and the priorities of the Government of Nunavut, and taking into consideration increases in the territory's energy costs, the QEC has identified the assessment of hydroelectric generation options as part of its capital plans.

Currently, Nunavut consumes approximately 40 million liters of diesel fuel each year for electricity generation and nearly one-third of this is used to meet Iqaluit's demand for electricity. As such, a major hydroelectricity project could conceivably reduce the territory's need for diesel fuel by up to one-third. By introducing some form of diversity in meeting Nunavut's growing energy needs, the territory's dependence on fossil fuels and the associated exposure to world oil price fluctuations would be lessened.

In order to reduce fossil fuel dependency and diesel generation, QEC is looking for economically viable alternatives for electrical generation. Initial efforts to develop options for hydro-electric power have focused on sites around Iqaluit. Iqaluit consumes 31% of the diesel fuel used in Nunavut for electricity generation and appears to have the greatest likelihood of economic return for hydro-electric development.

Studies have continued in 2006 with a focus on the 5 most viable sites: Annamaria Port, Armshow River, Cantley Bay, Jaynes Inlet, and the McKeand River. Feasibility study of one of these options will begin in 2007. Total investment is about \$4 million leading up to this project.

### *Tourism*

In 2005, the latest year of annual data that is available; tourism was estimated to have contributed \$26 million to the Nunavut economy. An estimated 13,000 people visited Nunavut in 2005; of those numbers almost three-quarters were business visitors. Almost 40 percent of tourists visit either national or territorial parks while in Nunavut.

The range of tourism activities includes eco-tourism, sport hunting and fishing, cultural activities, adventure related activities, educational activities, park visits and business travel.

The cruise ship industry is an area of growth in the tourism sector. For the 2006 cruise ship season there were a total of 26 sailings that visited communities such as Qikiqtarjuaq, Pond Inlet, Pangnirtung, Iqaluit, Kimmirut and various other communities. These visits result in substantial influx of money in a very short period of time.

The availability of deep water ports within Nunavut would have a considerable effect on the tourism sector, arts and crafts, fishing, mining and the economy in whole. It would increase the amount of cruise ship activity and the ability to accommodate larger vessels.

With the increased focus on global warming, ice shelves melting and local wildlife it is believed that many more tourists will choose Nunavut as a destination when it comes to planning their vacations and eco-tours. Nunavut is home to some of Canada's most exquisite and undisturbed parks.

Nunavut Tourism will receive \$1.11 million from the Government of Canada over next three years to expand domestic and international tourism in the territory. Projects include a Nunavut tourism advertising campaign, new marketing publications, and targeted participation at trade and consumer shows. The Department of Economic Development and Transportation will implement the Memorandum of Understanding with Nunavut Tourism, including the research components and the initiation of a review of the *Travel and Tourism Act* and the *Visitor Exit Survey* in 2006-2007. This survey was conducted in 2006 between June 10 and October 30. Surveys were distributed to individuals on several airline flights and cruise ships. In all, over 1,200 visitors completed the survey. The results are scheduled to be released in the first quarter of 2007.

### *Arts and Crafts*

Participation in Nunavut's arts sector is multi-faceted – the artists, the Government of Nunavut, Canada's federal government, Inuit organizations, the Nunavut Arts and Crafts Association, wholesalers, galleries and gift shops all make significant contributions.

While accurate numbers are difficult to track for the arts and crafts sector, it is an integral part of Nunavut's economy. It is estimated that this sector generated more than \$30 million in sales in 2003 and sales are expected to grow to \$50 million by the year 2013. According to the 2004/05 Nunavut Household Survey, 30% of respondents stated that they were involved in making arts and crafts in 2003. In Spring 2006, Cape Dorset was identified by Statistics Canada as the most artistic community in Canada with 24% of the population involved in the visual arts.

There continues to be growing activity in film, television and new media production in Nunavut. In 2006-07, a total of \$475,000 was committed through the GN Film Policy funding program to 18 individual projects proposed by 11 successful applicants. Several projects focused on workshops for youth and professional development for film makers, an indication of the dedication to training new and established industry participants.

During the Canada Winter Games in Whitehorse in spring 2007, seven Nunavut artists represented the territory in a Pan North Cultural Festival. Representing all three regions, these artists provided on-site demonstrations of their art forms – carving, drawing, jewelry, ceramics and sewing. There was also a retail display of Nunavut sealskin products to promote the talents of Nunavut fur fashion designers and seamstresses.

In the coming fiscal year, the Department of Economic Development and Transportation will proceed with the implementation of the *Nunavut Arts Strategy*, which focuses on increasing artists' economic success through improved access to quality materials, development of local, national, international and virtual market opportunities, communication about copyright and intellectual property issues, and education and training in artistic techniques and business skills.