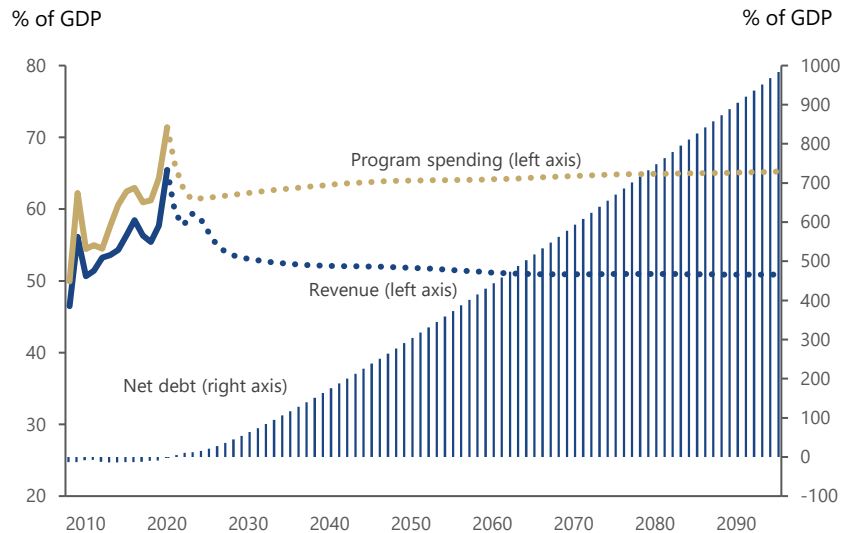


# The Territories

- The Territories are projected to have a younger population than any province over the long term, significantly younger than the national average.
- Roughly 75 per cent of the Territories' revenues come from federal transfers – most notably Territorial Formula Financing (TFF). The TFF is an unconditional transfer to the three territorial governments to enable them to provide their residents with a range of public services comparable to those offered by provincial governments, at comparable levels of taxation.
- The Territories' transfers are adjusted annually to ensure that territorial spending can grow in-line with changes in relative population growth between the territories and Canada and changes in provincial-local government spending.
- Because provincial-local government spending is growing more slowly in provinces than in the Territories in our projection, the TFF does not keep pace with territorial program spending. We thus project long-term revenue declines (as a share of the economy) under the current formula.



- The Territories spend more on health than any province (as a share of the economy), so despite a comparatively young population, long term demographic trends create meaningful health spending pressures.
- **Current fiscal policy is not sustainable over the long term.** Permanent revenue increases or spending reductions amounting to 12.1 per cent of GDP (\$1.3 billion in current dollars, growing in line with GDP thereafter) would be required to stabilize government net debt (as a share of the economy) in the long term.

	The Territories			vs. national average		
	2025	2050	2075	2025	2050	2075
<b>Demographics (%)</b>						
Population growth	1.5	0.8	0.7	0.5	0.1	0.0
Senior dependency ratio	16.7	22.9	25.6	-14.9	-16.5	-18.3
<b>Economics (%)</b>						
Real GDP growth	2.3	1.9	1.9	0.9	0.2	0.2
Employment growth	1.5	0.5	0.6	0.6	0.0	0.0
Labour productivity growth	1.0	1.3	1.3	0.2	0.2	0.2
Nominal GDP growth	4.5	3.9	4.0	0.9	0.2	0.2
Effective interest rate	2.7	3.7	3.7	-0.3	0.0	0.0
<b>Fiscal (% of GDP)</b>						
Revenue	23.6	21.0	20.7	-1.1	-3.2	-3.2
Program spending	24.2	24.8	25.3	0.2	0.1	0.5
Primary balance	-0.7	-3.8	-4.6	-1.3	-3.3	-3.6
Debt interest charges	1.3	3.6	7.0	-0.2	1.8	4.5
Net debt	21.9	95.4	196.3	-8.7	52.1	130.3