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Research Update:

Territory of Yukon 'AA' Issuer Credit Rating Affirmed; Outlook Stable

July 9, 2025

Overview

- The Territory of Yukon will increase its nominal debt substantially in the next few years in the face of growing infrastructure needs.
- However, as a proportion of operating revenues, the territory's debt burden will remain very manageable and low relative to that of provincial peers.
- As a result, S&P Global Ratings affirmed its 'AA' long-term issuer credit and senior unsecured debt ratings, and its 'A-1+' short-term rating on the territory.
- The stable outlook reflects our expectation that Yukon will maintain largely stable budgetary performance in the next two years, as well as adequate liquidity to cover debt service requirements, despite the expected increase in borrowing.

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Rating Action

On July 9, 2025, S&P Global Ratings affirmed its 'AA' long-term issuer credit rating on the Territory of Yukon. The outlook is stable. At the same time, S&P Global Ratings affirmed its 'AA' issue-level rating on the senior unsecured debt of Yukon Development Corp. (YDC), the territory's wholly owned electric utility.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that in the next two years, Yukon will maintain stable budgetary performance. We also expect that it will hold sufficient liquidity to meet its debt service in the next 12 months, and that its tax-supported debt burden will not materially exceed 30% of consolidated operating revenues.

Downside scenario

We could lower the ratings if, in the next two years, Yukon demonstrated weak financial discipline leading to significantly deteriorated budgetary performance and materially depleted free cash levels.

Upside scenario

We could raise the ratings if Yukon's economy experienced consistent growth and broadening, improving the territory's financial flexibility and budgetary performance and mitigating the need for material additional debt beyond current expectations.

Rationale

Yukon's steady population growth will continue to increase demand on the territory's services and infrastructure. To meet these challenges, the government has broadened its financing strategy to include greater use of borrowing, and we expect that total debt will increase substantially in the next few years. However, as a proportion of operating revenue, the debt and interest burdens will remain very manageable and low relative to those of provincial peers. As well, the extremely predictable and supportive institutional framework, along with strong direct support from the federal government, will continue to underpin Yukon's credit profile and help to offset the volatility related to economic concentration in the mining sector.

Economic exposure to U.S. tariffs is limited but concentration in mining sector remains.

Yukon, in northwestern Canada, is one of the country's three territories and represents a very small proportion of the nation's overall population and economic output (less than 1% of each). Yukon expects its population to reach 50,000 in the next several years through stable annual growth of close to 2%. Its nominal GDP per capita is higher than the national level of about US$54,800, given high income levels and high-value mining production in the territory; however, the economy remains exposed to concentration and volatility risks related to the mining sector.

Although concentrated, Yukon's economy is also the least exposed to trade with the U.S. relative to that of Canadian provinces, with the territory estimating that international goods exports accounted for only 4% of its GDP in 2023. Accordingly, we do not believe that Yukon is as exposed to U.S. tariffs as the rest of Canada's economy. Real GDP contracted 3.3% in 2024, and the government has forecast a further 0.3% decline in 2025, in large part due to the suspension of activity and heap leach failure at the Eagle Gold Mine in June 2024. The decrease in GDP is despite growth in other sectors, in particular, the expanding tourism sector. The territory has forecast positive real GDP growth to resume in 2026 at 1.0%, compared with our forecast of 1.5% for Canada in 2025 and 2026 (see "Economic Outlook Canada Q3 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum," June 24, 2025).

Yukon's financial management is sound, in our view, and the overall strategic direction of the territory has been largely stable despite several changes in leadership in the past few years. The current premier, Mike Pemberton, was sworn in on June 27, 2025, following Ranj Pillai's announcement in May that he was resigning as leader of the Yukon Liberal Party and would not seek reelection. Pillai himself was acclaimed as premier in January 2023 following the early resignation of Sandy Silver. In accordance with the territory's fixed election legislation, the next general election will be held on or before Nov. 3, 2025.

The government has a track record of solid financial results supported by stable federal funding.

Yukon's consolidated budgets use realistic assumptions and provide good prospective visibility but are detailed for only one year. In December 2024, the federal government agreed to increase Yukon's borrowing limit to C$1.2 billion from C$800 million, in part to provide the territory with greater financial flexibility to pursue its growth-focused capital plans. We believe that the territory's cash and debt management policies remain prudent, with balances outstanding forecast to be well within legislated limits. Yukon has only one significant government-related entity, YDC, which has a strong policy rationale and operates with appropriate oversight mechanisms.

We believe that the institutional framework in which Canadian territories operate is extremely predictable and supportive and has demonstrated a high degree of institutional stability. Yukon benefits from significant revenue support from the federal government, primarily through the Territorial Formula Financing (TFF) grant, along with Canada Health Transfer and Canada Social Transfer payments. We expect total federal transfers will increase modestly in the next two years in line with growth in population and associated service demands and will account for about 83% of the territory's total revenues.

Yukon's debt is set to rise significantly in the near term, but the debt burden will remain very manageable.

We expect that Yukon's operating surpluses will improve in the next several years, largely due to increasing federal transfers and moderating operating expenses as costs related to remediation efforts at the Eagle mine wind down. We anticipate that operating surpluses will average 4.6% of operating revenues in fiscal years 2024-2028, although spending pressures associated with ongoing population growth, particularly in health care, education, and housing will remain.

Transfers from the federal government, largely provided as unconditional grants through the TFF, supply a considerable source of stable and predictable revenue for the territory. However, in our view, the relatively small proportion of revenues from sources under direct territorial control (only 13% of total revenues come from taxes) limits its budgetary flexibility relative to that of peers.

The territory's updated five-year capital plan has moderated slightly but remains a substantial C$1.9 billion, with much of the spending front-loaded. We expect that annual capital spending will be about C$200 million in the next few years and that Yukon will record deficits after capital accounts averaging about 2.3% of total revenue in fiscal years 2024-2028. More than a third of capital spending will be directed to transportation infrastructure, with significant investments also in housing and land development, community and First Nations infrastructure, and education.

Higher capital spending in response to growth pressures, in addition to the extraordinary mine remediation costs, led the Yukon government to seek an increase to its borrowing limit and it now expects to borrow up to C$400 million in long-term debt in fiscal 2026 (ended March 31). Much of the proceeds will be used to convert draws on the government's credit facilities, which are estimated to have increased to C$300 million at the end of fiscal 2025, to long-term debt. In addition, the Eagle mine recently was put up for sale and the government hopes to recoup a significant portion of the remediation costs it has incurred.

Our measure of total tax-supported debt includes the debt of YDC, which also anticipates its net borrowings to increase in the near term. We expect total tax-supported debt to reach more than C$820 million by the end of fiscal 2026, up from C$231 million outstanding at the end of fiscal 2023. Although this is a significant increase in nominal terms, Yukon's debt burden remains very moderate relative to that of provinces, at slightly greater than 30% of consolidated operating revenues in the next few years, while the interest burden of direct debt will remain very low at less than 1% of operating revenues. Risks stemming from contingent liabilities, primarily consisting of vested sick leave and vacation, severances, and known environmental liabilities, are low and neutral to the territory's credit profile.

We believe that improving after-capital balances over our base-case scenario will help to offset increased debt service costs. Excluding the planned repayment of C$250 million of outstanding credit facility draws, which will occur only upon issuance of long-term debt, we expect that the territory's free cash and liquid assets will be sufficient to cover almost 17x the next 12 months' debt service requirements. In addition, our assessment of Yukon's liquidity is bolstered by our view that the territory has strong access to Canada's well-developed capital markets.

Key Statistics

Table 1

Territory of Yukon--Selected indicators

	--Budget year*--					
(Mil. C$)	2022	2023	2024bc	2025bc	2026bc	2027bc
Operating revenues	1,802	1,914	2,056	2,176	2,323	2,452
Operating expenditures	1,712	1,925	1,972	2,056	2,161	2,283
Operating balance	90	(11)	84	120	163	169
Operating balance (% of operating revenues)	5.0	(0.6)	4.1	5.5	7.0	6.9
Capital revenues	101	86	85	78	62	64
Capital expenditures	280	276	240	230	184	191
Balance after capital accounts	(90)	(202)	(71)	(32)	40	42
Balance after capital accounts (% of total revenues)	(4.7)	(10.1)	(3.3)	(1.4)	1.7	1.7
Debt repaid	6	6	7	255	35	25
Gross borrowings	5	105	195	400	0	0
Balance after borrowings	(91)	(103)	117	113	4	16
Direct debt (outstanding at year-end)	26	126	315	460	424	399
Direct debt (% of operating revenues)	1.5	6.6	15.3	21.1	18.3	16.3
Tax-supported debt (outstanding at year-end)	231	373	631	822	782	753
Tax-supported debt (% of consolidated operating revenues)	12.3	18.7	29.5	36.3	32.5	29.6
Interest (% of operating revenues)	0.1	0.2	0.5	0.6	1.0	0.9
Local GDP per capita ($)	92,756	95,242	91,500	91,484	92,289	94,598
National GDP per capita ($)	73,221	73,192	74,411	76,949	79,611	81,950

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. *Budget year 2024 equals fiscal year 2025.

Ratings Score Snapshot

Table 2

Territory of Yukon--Rating component scores

Key rating factors	Scores
Institutional framework	1
Economy	3
Financial management	2
Budgetary performance	4
Liquidity	1
Debt burden	2
Stand-alone credit profile	aa
Issuer credit rating	AA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the Methodology For Rating Local And Regional Governments Outside Of The U.S., published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, July 7, 2025. An interactive version can be found at https://disclosure.spglobal.com/sri/.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Canada Q3 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum, June 24, 2025
- For Canadian Provinces, The Current Credit Complexities Are Not Just About Tariffs, March 5, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Yukon (Territory of)	
Issuer Credit Rating	AA/Stable/--
Yukon Development Corp.	
Senior Unsecured	AA