



SASKATCHEWAN - Recovering Step by Step

The outlook for Saskatchewan is brightening by the day as the reopening of the province gathers speed. The process began in May, and a quick succession of easing steps will lift most restrictions by the end of July. This, along with strong commodity markets and robust levels of capital expenditure will support a sharp economic recovery this year. We forecast growth to return at an impressive rate of 5.7%. This would be more than enough to offset the 5.2% contraction suffered in 2020.

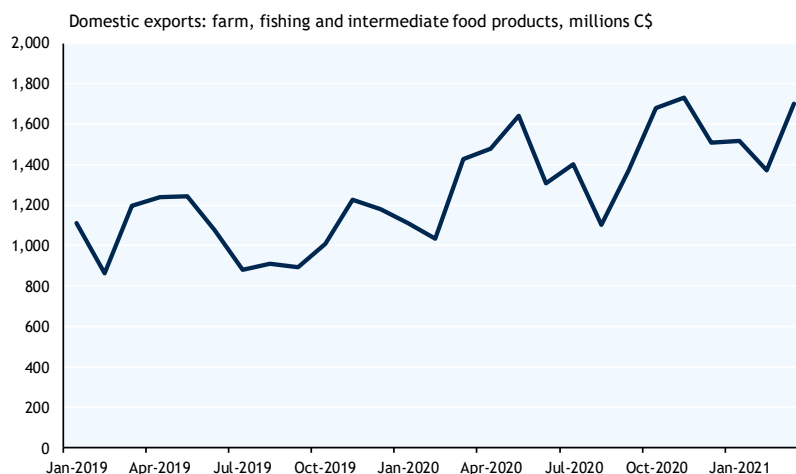
The province's agri-food sector is on an upswing. Food product exports are standing 14% above pre-pandemic levels so far this year. Wheat and canola prices increased significantly over the past year, driven higher by strong global demand and poor crop conditions in other regions of the world. Legume exports have also been strong, with green lentil shortages providing some upside to prices this year. Overall, farmers' incomes are off to a very strong start with farm cash receipts up 24% year-to-date. Weather is the main factor casting a shadow over the sector. While plantings generally went well this spring, severe drought conditions in Saskatchewan's southern region pose a definite risk for the fall's crop (threatening both the quantity and quality).

The provincial energy sector is starting to recover, thanks in large part to more favourable prices, which are providing much-needed cash to producers. The outlook for potash—Saskatchewan's second biggest export commodity—is also poised to improve. Potash exports fell in 2020 amid weak prices and slumping global demand. However, current strong agricultural commodity prices bode well for a rebound in global fertilizer demand this year. Potash capacity could increase in the future if proponents give the nod to a new proposed potash mine this year.

Saskatchewan's housing market is feeling the heat that has been engulfing the country since last summer. By April, home resales had surged 68% above pre-pandemic levels in the province. Soaring demand propped up property values for the first time in five or six years (depending on the market). We expect prices to trend higher over the remainder of this year even as activity moderates from recent unsustainably high levels. The housing market's vigour will keep homebuilders super busy. We expect housing starts to surge nearly 50% in 2021 to 4,600 units.

The provincial government will provide material support to the economic recovery. In the 2021 budget, it announced a 12% increase in its capital plan for FY 2021-22 to \$3.1 billion. More broadly, Saskatchewan will devote the equivalent of 4.6% of provincial GDP to fight the pandemic and boost the recovery over two years (slightly more than the national average of 3.9%). One-third of this pandemic allocation is earmarked for infrastructure investment, which usually generates stronger economic returns in both the short and longer terms. Saskatchewan is in a solid fiscal position to cover these additional investments, carrying the lowest debt level relative to the size of its economy among the provinces.

Saskatchewan's agri-food sector on an upswing



Source: Statistics Canada, RBC Economics

Saskatchewan forecast at a glance

% change unless otherwise specified

	2018	2019	2020F	2021F	2022F
Real GDP	1.2	-0.7	-5.2	5.7	4.0
Nominal GDP	3.2	0.1	-7.6	21.6	5.4
Employment	0.5	1.9	-4.7	3.9	2.2
Unemployment Rate (%)	6.2	5.6	8.4	6.5	5.9
Retail Sales	-0.5	0.3	-1.3	8.0	2.9
Housing Starts (Thousands of Units)	3.6	2.4	3.1	4.6	3.2
Consumer Price Index	2.3	1.7	0.6	2.6	2.3