Growth in the Saskatchewan economy is expected to remain above the national average this year and next rising to 2.4% and 2.8%, respectively. This above-average strength results from a number of key natural resource sectors showing solid growth over the next two years. However, indications of continued weakness in employment imply some downside risk as the sizeable job losses through 2016 have been slow to reverse.

The solid growth in 2017 was driven in large part by a recovery in the mining sector with activity up almost 8% after a 4% decline in 2016. This in part reflected crude oil production turning higher with the slight improvement in oil prices last year. However, it is of note that Saskatchewan’s energy sector did not rebound as quickly as Alberta’s. The mining sector was also helped in 2017 by a strong rebound in potash production. With oil prices projected to trend modestly higher in the period ahead, our forecast assumes that oil production will continue to rise at a solid rate this year and next. As well, we are assuming that potash production will strengthen further with demand being abetted by current low prices and an expected modest strengthening in agricultural production globally.

The solid increase in 2017 GDP occurred despite a decline in agricultural production with dry growing conditions weighing on last year’s harvest. Our forecast for 2018 and 2019 assumes more normal growing conditions that allow the agricultural sector to return to positive growth. That said, reports of dry conditions at the start of the crop year have resulted in our forecast assuming less of a rebound than what was assumed last quarter. This was a key factor contributing to our projected 2018 growth forecast being lowered from a 2.9% rate assumed last quarter.

An additional factor contributing to a slightly lower 2018 GDP growth outlook are indications of flat to declining employment growth. The pace of decline slowed last year to just 0.2% though it implies no reversal of any of the almost 1% drop recorded in 2016 where labour markets were buffeted by weakness in the energy sector. Despite the recovery in oil production in 2017, labour markets failed to reverse any of those job losses with this pattern continuing into early 2018. However our forecast assumes that the sustained strength in the mining sector should start to contribute to increased hiring with employment for all of 2018 expected to eke out a 0.3% gain. The increase is expected to strengthen further in 2019 with employment rising 0.8%. A failure of labour markets to show greater strength would imply a downside risk to our forecasted GDP growth outlook.