SASKATCHEWAN - Weak growth expected

Struggling energy sector, trade issues hampering agriculture spell for slower growth ahead. Yet labour market is hanging in.

The Saskatchewan economy continued to recover in 2018, with GDP growing for the second-straight year (1.4%). Goods-producing industries led the way with crop production rebounding modestly, oil and gas extraction advancing further (despite substantial volatility in energy prices in the latter part of the year) and manufacturing activity growing strongly for a second-straight year. Indicators are mixed so far in 2019. Our outlook for the Saskatchewan economy calls for slower growth (1.2%) in 2019, in part due to the indefinite shutdown of the McArthur River uranium mine. Trade uncertainties and dry weather conditions pose downside risks, having affected crop planting intentions. We expect some of these pressures to lessen and project the provincial economy to grow by 2.2% in 2020.

The Saskatchewan labour market is finally picking up after a disappointing 0.4% rise in 2018. Employment rose an impressive 1.8% so far in 2019 and the unemployment rate fell sharply to 4.9% in March leaving the average year-to-date rate at 5.4%. Wages kept pace with the national average at 2.0% in Q1 2019.

The agriculture sector seems to have had a mixed start. While farm cash receipts are up 4.5% in the first quarter of 2019, exports of crops are down 6.6%. China has restricted access to its canola market in the last two months, by revoking import licenses of the two largest exporters, ostensibly due to concerns regarding pest infestations. This poses a risk to Saskatchewan farmers. The 2019 March Field Crop Survey by Statistics Canada expects farmers to plan 11.7 million acres of canola in 2019 – down 5.6% from 2018. Seeding of lentils has likewise fallen 8% as a result of an ongoing tariff on exports to India.

The demographic situation in the province isn’t much to write home about. Population growth slowed slightly to 1% in Q1, from 1.2% a year ago. Saskatchewan has been losing people to other provinces since 2012, with the largest out migration recorded last year since 2004.

Another sector weighing on growth is housing. Residential construction investment fell 5% in the first quarter of 2019 with all of this decline in multi-unit dwellings, due to high unsold inventories. Housing starts fell significantly as well, with year to date numbers suggesting a 10 year low.

The outlook for the energy and non-energy mining sectors is mixed. Mineral sales were up this year rising 39% in Q1 2019, thanks to a surge in potash sales. Uranium sales, however, fell 19.6% and a positive outlook is bleak due to the indefinite shutdown of the major uranium producer in the province. The outlook for oil drilling activity is expected to be lower this year with oil production in the region still bumping up against stretched pipeline transportation capacity.

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