SASKATCHEWAN - Bumpy road ahead

The outlook for the Saskatchewan economy turns cloudy with the mining sector under pressure on a number of fronts.

A more pessimistic outlook for mining has prompted a downward revision to growth in 2019 of more than a percentage point to 1.6% following a slightly stronger 1.7% increase in 2018. As these pressures ease further into the forecast, growth is expected to rise to 2.2% in 2020. The extent of the downward revision next year is expected to be limited by some recovery in the agricultural sector though such is dependent on more favourable growing conditions emerging relative to 2018.

The recent weakness in oil price has resulted in a more cautious outlook for the Saskatchewan energy sector. Our forecast does assume some recovery in oil prices going forward though our expectation is that the current bout of weakness will have a greater dampening effect on production and investment than what we had previously assumed. Greater weakness in oil production was already evident in data to date in 2018 which caused us to trim our 2018 GDP growth forecast for the province to 1.7% from 2.2% previously.

Non-energy mining presents a mixed picture. The outlook for uranium remains bleak with the major uranium producer in the province indefinitely suspending production at its major production facilities. The sector continues to both struggle from the fallout from the Japanese nuclear disaster in 2011 and fail to benefit from the low level of carbon emissions from nuclear power. Some offset to the weak uranium outlook has been provided by potash production that has continued to grow to date in 2018, albeit at a slower pace relative to 2017. Given our expectation that the global economy will continue to expand, demand for potash should remain sufficiently strong to keep potash production expanding albeit at a slowing rate through the forecast.

There had been concerns that dry growing conditions would limit the 2018 grain and oilseed harvest. However, late rains managed to secure a small overall increase in crop volumes. However, those late rains reportedly weighed on the quality of the crop particularly for canola. As a result, farm cash receipts in the province over the first three quarters of this year were down 4.2%. Looking ahead to the upcoming crop years, the assumption is for both 'normal' growing conditions to prevail and continued productivity gains in the sector. This is expected to be reflected in both agricultural production and farm cash receipts rising modestly through the forecast though with this assumption clearly dependent on the weather cooperating.

The modest GDP growth next year is expected to be mirrored in continuing limited employment growth. Data to date in 2018 are indicative of employment growth this year of a minimal 0.3% which is expected to be largely matched in 2019. The projected improvement in GDP growth in 2020 is expected to contribute to employment growth rising to 0.6%. This slight increase in hiring is expected to send the unemployment rate down slightly to 6.0% in 2019 and 2020 from the 6.1% expected this year.