



## DIMMING OUTLOOK FOR POTASH TO SLOW SASKATCHEWAN'S ECONOMIC GROWTH: RBC ECONOMICS

**TORONTO, September 17, 2013** — Saskatchewan's economy is expected to slow into 2014 due to significant changes in the potash sector, according to the latest [RBC Economics Provincial Outlook](#) released today. A downward revision to the outlook for potash production prompted RBC to lower its forecast for Saskatchewan's real GDP growth in 2013 and 2014 to 2.7 per cent for both years (down from 2.9 per cent and 3.7 per cent respectively).

Up to mid-2013, Saskatchewan's potash production had been rising roughly 13 per cent following a number of purchase agreements with various overseas customers in late 2012 and early this year, RBC says. However, in July, a major overseas producer, OAO Uralkali, announced their intention to sharply increase potash production with the objective of capturing a greater share of the global potash market.

"The key question mark hanging over the outlook for Saskatchewan is the near-term direction for production of, and investment in, potash in the province in the wake of these developments," said Craig Wright, senior vice-president and chief economist, RBC. "There is still considerable uncertainty around the response by potash producers in the province; however, we have assumed a sharp cutback in provincial potash production relative to the first part of 2013, resulting in much slower production growth in 2013 and 2014 of 6.5 per cent and 4.5 per cent, respectively."

The slowdown in potash production translates to mining sector output this year and next being largely halved relative to the 5.0 per cent gains projected for both years in the June edition of the Provincial Outlook.

RBC notes that increased potash production overseas and an anticipated drop in potash prices also present a clear risk of capital spending cutbacks in the sector for Saskatchewan. Tempering these concerns, BHP Billiton indicated it plans to spend an additional \$2.6 billion – on top of the \$1.2 billion already spent – in work for its Jansen potash mine over the next couple of years. RBC conservatively expects overall construction spending to increase by 1.5 per cent this year and 3 per cent in 2014.

"Our projection for modest construction spending largely reflects the heightened uncertainty in the global potash market and the expected weakness in capital spending based on the results of Statistics Canada's survey of business investment intentions conducted earlier this year," added Wright.

Offsetting these negative factors impacting the provincial economy, RBC expects historically high oil prices to support production and investment in the energy sector in the period ahead. As well, preliminary agricultural production estimates for 2013 suggest a 16 per cent increase in output of Saskatchewan's three major crops: wheat, barley and canola.

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The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at [rbc.com/economics/economic-reports/provincial-economic-forecasts.html](http://rbc.com/economics/economic-reports/provincial-economic-forecasts.html).

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