



SASKATCHEWAN'S ECONOMIC GROWTH TO SLOW FURTHER IN 2014: RBC ECONOMICS

TORONTO, September 11, 2014 — Saskatchewan's economy is expected to weaken in 2014, but the slowdown will be short-lived, according to the latest [RBC Economics Provincial Outlook](#) released today. RBC projects real GDP growth to moderate substantially to 1.3 per cent this year, relative to the 4.5 per cent surge estimated for 2013.

“We expect this slowing activity in Saskatchewan to be mirrored in employment growth with the rate expected to be halved this year from the outsized 3.4 per cent gain in 2013,” said Craig Wright, senior vice-president and chief economist, RBC. “Weakening activity is largely thanks to the drop in agriculture from last year when unusually favourable growing conditions, produced a bumper crop that boosted agricultural output by a remarkable 34 per cent.”

RBC says that a damp spring and flooding in some regions hampered seeding for 2014 crop and that although these weather-related issues eased with warmer and drier conditions this summer, rainy weather returned in the fall which is expected to weigh on yields this year. Preliminary production numbers from Statistics Canada indicated that production of Saskatchewan's three main crops will drop 28 per cent in 2014 compared to a 42 per cent gain in 2013. This estimate is in line with RBC's previous assumption that overall agricultural production will drop by nearly 10 per cent this year.

There is also downward pressure expected from the mining sector, particularly in potash, RBC says. The announcement that a major Russian potash producer, Uralkali, plans to increase production to try and secure a greater share of the global market had negative implications for potash producers in Saskatchewan. In fact, after 10 per cent growth in provincial potash production in 2013, activity during the first six months of this year was down 2.0 per cent relative to levels a year ago.

The report indicates that a modest strengthening in global demand later this year and through 2015 should offset declines in potash production going forward. Still, RBC has lowered the outlook for potash production to 1.0 per cent this year from the previous estimate of a 3.0 per cent gain.

“A wildcard to our potash outlook is the impact of potential trade sanctions being announced by both Russia and major Western economies in the wake of the geopolitical conflict in Ukraine,” said Wright.

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RBC is forecasting a rebound in GDP growth rate to 3.0 per cent in 2015 largely based on a cessation of declining activity in agriculture and some further recovery in potash production. With the energy sector expected to continue to benefit from historically high prices, RBC anticipates that business investment should start playing a more supportive role for growth in 2015.

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.

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