



Saskatchewan's economic growth to be impacted by moderating construction spending: RBC Economics

TORONTO, March 19, 2013 — Weaker-than-anticipated construction spending intentions for 2013 have prompted RBC to downgrade Saskatchewan's real GDP forecast from 3.5 per cent to 2.9 per cent, according to the latest [RBC Economics Provincial Outlook](#) released today. The provincial economy will, however, benefit from a modest uptick in agricultural output, and an expected recovery in mining activity.

Statistics Canada's recently released Public and Private Investment survey indicated that capital spending intentions in Saskatchewan for 2013 are disappointing; spending is expected to grow by only two per cent, down from 6.5 per cent in 2012 and 11.9 per cent in 2011.

The RBC report indicates that, in part, this pullback likely reflected increased caution from potash producers in the face of decreased demand in the past year. As a result, RBC expects overall construction spending to remain modest in 2013, rising only one per cent following an expected 4.5 per cent rise in 2012.

"A slump in potash sales last year led to increased inventories in the province; however, some large sales agreements have been reached early this year with key overseas customers," stated Craig Wright, senior vice-president and chief economist, RBC. "Stronger demand overseas, along with increased demand from U.S. producers who are looking to aggressively recover from the disastrous drought-ravaged 2012 harvest in the mid-west, should rekindle demand and production of potash in Saskatchewan this year."

Higher demand for potash is expected to drive mining output between 4.5 per cent and five per cent higher this year and next, up from an estimated two per cent gain in 2012. Growth in this sector will also be helped by increased production and demand for uranium.

"We anticipate that strength in mining activity will provide a greater lift to construction spending in 2014, which will be the main factor behind the projected further increase in GDP growth to 3.6 per cent next year," said Wright.

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The RBC forecast also assumes some modest strengthening in agricultural output in 2013 relative to 2012. However, this is predicated on the assumption that heavy winter snowfall and risk of flooding does not materially delay spring planting.

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 of 8 a.m. ET today at rbc.com/economics/market/pdf/provfcst.pdf.

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For more information, please contact:

[Craig Wright](#), RBC Economics Research, 416 974-7457

[Paul Ferley](#), RBC Economics Research, 416 974-7231

[Elyse Lalonde](#), Corporate Communications, RBC Capital Markets, 416 842-5635