



## **SASKATCHEWAN SAGS UNDER WEIGHT OF RECESSION, BUT RAPID REBOUND EXPECTED IN 2010: RBC ECONOMICS**

**TORONTO, September 16, 2009** — The Saskatchewan economy has finally felt the impact of the recession and is no longer expected to achieve positive growth in 2009, according to a new report by RBC Economics.

“Three key areas in Saskatchewan have shown greater than expected weakness so far this year – agricultural output, non-metallic mineral production and residential investment,” said Craig Wright, senior vice-president and chief economist, RBC. “As a result, our growth outlook for the province has been significantly revised down to -1.3 per cent, from our previous positive growth forecast of 0.7 per cent.”

Projections for this fall’s harvest have been sharply reduced due to cooler than normal spring weather, combined with drought conditions in the western part of the province. The latest field crop estimates from Statistics Canada indicate that production will tumble by almost 12 per cent for wheat, about 18 per cent for canola and more than 20 per cent for barley. Non-metallic mineral production has been dragged down by the steep drop in potash production, which declined 59 per cent through May from levels a year ago – the result of lower global demand for fertilizers due to the recession. In addition, residential investment shrank by 7.5 per cent during the first half of this year, reflecting the effects of the considerable increase in homeownership costs in markets like Saskatoon and Regina during the 2006-early 2008 housing boom.

“While the downward revision to Saskatoon’s projected GDP growth this year is disappointing, the silver lining is that many of the weaker elements in the province likely will be reversed in 2010,” added Wright. “A stronger global economy will mean increased demand for agricultural products, which bodes well for potash. The global recovery also is expected to push up prices for other key Saskatchewan-produced commodities, such as oil and uranium.”

RBC has revised its 2010 growth forecast for the province up to 3.6 per cent from the 2.8 per cent projected in the June outlook, which means Saskatchewan – Canada's growth leader in 2008 – will once again lead the country in terms of provincial growth.

The main theme of the RBC Provincial Outlook is that, while the collective performance in Canada has largely unfolded as anticipated, recent developments on the provincial side indicate that the contraction in activity is more widespread than previously thought. In response, RBC has adjusted its forecast and is projecting that nine provinces will post negative growth in 2009, leaving Manitoba as the sole province expected to show positive, if modest, growth this year. RBC is forecasting that the economies of all ten provinces will expand in 2010, with western Canada leading the way. Saskatchewan and Nova Scotia are now expected to contract (due primarily to poor summer crop conditions and weakened capital spending, respectively). On the other hand, Ontario has shown encouraging signs that a rebound will emerge during the second half of this year, prompting a reduced rate of decline overall in 2009.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.

According to the report, available online as of 8 a.m. EDT today at [www.rbc.com/economics/market/pdf/provfcst.pdf](http://www.rbc.com/economics/market/pdf/provfcst.pdf), provincial forecast details are as follows:

	Real GDP			Housing starts			Retail sales			Employment			Unemployment rate		
	Y/Y % Change			Thousands			Y/Y % Change			Y/Y % Change			%		
	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>
N.&L.	-0.1	-3.5	2.0	3.2	3.1	3.0	7.6	0.9	4.3	1.5	-2.4	1.1	13.2	15.4	15.5
P.E.I.	0.9	-0.1	2.0	0.7	0.6	0.7	5.6	-1.0	4.0	1.3	-2.0	1.2	10.7	12.7	12.9
N.S.	2.0	-0.4	2.6	4.3	3.3	3.5	4.2	-1.7	4.4	1.2	-0.1	1.0	7.7	9.3	9.6
N.B.	0.0	-0.8	2.7	4.2	3.6	3.5	5.9	-1.6	4.1	0.9	-0.2	0.7	8.6	9.3	9.8
QUE.	1.0	-1.9	2.2	47.9	40.5	39.0	5.1	-1.4	4.6	0.8	-1.0	1.1	7.2	8.8	9.4
ONT.	-0.4	-3.1	2.6	75.6	51.9	65.0	3.5	-3.1	4.1	1.4	-2.4	1.0	6.5	9.3	9.9
MAN.	2.4	0.1	3.0	5.6	4.2	5.3	7.2	-1.7	5.1	1.7	0.2	1.3	4.1	5.2	5.6
SASK.	4.4	-1.3	3.6	6.8	3.2	3.7	10.6	-1.3	5.8	2.2	1.5	1.0	4.1	4.9	5.3
ALTA.	-0.2	-2.8	3.0	29.0	17.1	28.0	-0.1	-7.3	5.6	2.7	-1.1	1.1	3.6	6.6	7.1
B.C.	-0.3	-2.6	3.2	34.3	14.8	24.0	0.3	-6.4	6.0	2.1	-2.5	2.1	4.6	7.7	7.6
CANADA	0.4	-2.4	2.6	211	142	176	3.4	-3.5	4.8	1.5	-1.6	1.2	6.1	8.5	9.0

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