



SREDA

SASKATOON REGION QUARTERLY ECONOMIC UPDATE

Fourth Quarter 2015

January 29, 2016

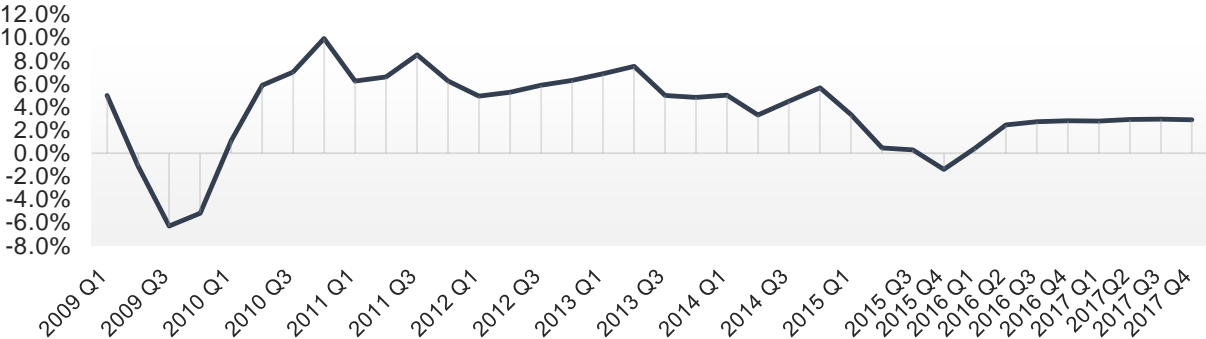
SREDA, Department of Economic Forecasting & Analysis

SREDA's Economic Rating for the Saskatoon Region



Q4 2015 confirmed that the Saskatoon Region has entered a new era of more moderate and steady economic growth, especially when compared to the recent years of extraordinary growth (2010-2014). Looking forward to 2016, there are reasons for cautious optimism for the region's economy as we continue along this path of sustainable growth of around 2% by 2016 year end.

% change in Real GDP



Based on Q4 2015 economic indicators, SREDA maintains its B- rating for the Saskatoon Region's economy - despite the continued slowdown in the energy sector. Key economic indicators for Q4 2015, although down in some areas, remained relatively positive. The Saskatoon Region did see a drop in GDP in the first two quarters of 2015, but the second half of the year showed signs of encouragement with limited Q4 GDP quarter-over-quarter growth in all major sectors. Positively, we are also seeing an increase in population, labour force and employment numbers. The City of Saskatoon business permits were up 16.2% year-over-year and the city issued 1,236 new business licences. This is an increase of 11.25% over 2014.

Although 2015 was a modestly positive year for the Saskatoon Region - coming off several years of extraordinary growth - reality did not meet expectations. This was in large part due to the challenges in the energy sector, reduced commodity prices and a slowdown in the construction industry.

Throughout 2015, one area of concern was the significant drop in housing starts. This was mainly due to excess inventory that was working its way through the market. By year-end this inventory was down from its mid-year peak. Average home sale prices continuing to remain relatively consistent throughout the year and ended the year at approximately \$352,000.



Forecast

SREDA's remains **cautiously optimistic**. Our forecast is for moderate yet steady growth over the longer term. Our assumption is that the negative energy sector impact is currently working its way through the business community and adjustments are being made, leading to our expectation of minimal growth in early 2016 (0.2%- 0.6%) but a pick up in the second half of the year as GDP moves into the 2% range. In addition, our expectation is for increases in population and employment and expect the unemployment rate to remain in the 5% to 6% range.

To summarize, the Saskatoon Region's diverse economy, continued demand for our natural resources, ongoing and new infrastructure projects combined with increased entrepreneurialism gives us optimism, albeit somewhat cautious optimism, for 2016-2017.

The region remains an excellent place to live, work and invest - and enjoys a quality of life that is unmatched in many parts of the North America, and the world.



A handwritten signature in black ink, appearing to read 'A. Fallon', with a stylized flourish at the end.

*Alex L. Fallon
President & CEO
Saskatoon Regional Economic Development Authority Inc.*



SREDA'S ECONOMIC RATING

B⁻

FOR THE SASKATOON REGION

“ Q4 2015 confirmed that the Saskatoon Region has entered a new era of more moderate and steady growth, especially when compared to the recent years of extraordinary growth (2010-2014). Looking forward to 2016, there are plenty of reasons for cautious optimism for the region’s economy as we continue along this path of sustainable growth of around 2% by 2016 year end.”

Alex Fallon, President & CEO, SREDA



GROSS DOMESTIC PRODUCT

GROSS DOMESTIC PRODUCT

\$17.7 B

▲ 0.6% Change from Q3 2015

CMA POPULATION

310,000

▲ 0.4% Change from Q3 2015

WORKING AGE POPULATION

254,333

▲ 0.6% Change from Q3 2015

“SREDA is forecasting GDP growth of approximately 2% in 2016, with the majority of the growth happening in the second half of the year.” - Alex Fallon, President & CEO, SREDA



EMPLOYMENT

UNEMPLOYMENT RATE

6.2%

▲ 0.4% Change from Q3 2015

EMPLOYMENT GROWTH

2.0%

▼ -1.6% Change from Q4 2014

LABOUR FORCE

183,667

▲ 3.1% Change from Q3 2015

PARTICIPATION RATE

72.2%

▲ 2.4% Change from Q3 2015

“The growth drivers for the Saskatoon economy are changing quickly as sources of growth are in a race to supplant areas of our economy being hit by dropping commodity prices. 2015 Employment growth was positive, albeit at a much slower pace than the previous 5 years. We expect a similar slow growth result for 2016 as businesses selling into the U.S. regain their footing after a number of years of slow growth in the states. This investment and employment growth base will continue to push our population numbers higher, which will in turn help stabilize the elements of our economy that have scaled down their business to the slower activity level..” - Kent Smith-Windsor, Executive Director



HOUSING

HOUSING STARTS (YTD)

2,293

▼ -35.1% Change from Q4 2014

BUILDING PERMITS (Q4)

324.9M

▲ 122.9% Change from Q4 2014

EXISTING HOME SALES (YTD)

1,059

▼ -11.1% Change from Q4 2014

AVERAGE HOME PRICE

\$355,631

▼ -.2% Change from Q4 2014

“At year-end, overall inventory was down 22% from its June peak of 2,081 units. Although the 2015 sales activity was down 13% from 2014, it was comparable to the five year average. Saskatoon’s diverse economy has been essential in weathering recent economic challenges and cushioning the impact on the real estate market.” - Jason Yochim, Chief Executive Officer



Saskatoon

Saskatchewan (October YTD)

BUSINESS LICENSES (Q4) 279 ▲ 11.2% Change from Q4 2014	YXE PASSENGERS (YTD) 1.443M ▼ -2.8% Change from Q4 2014	WHOLESALE TRADE \$23.4B ▲ 10.1% Year-Over-Year	NEW CAR SALES \$1.88B ▼ -4.7% Year-Over-Year	RETAIL SALES \$15.5B ▼ -3.4% Year-Over-Year
---	--	---	---	--

“Room supply jumped 13.3 % in 2015, with two new properties opening in the fall. This, coupled with decreased business travel, resulted in important declines in occupancies and room revenues in Q4. Overall tourism volumes and expenditures are still growing, a trend that we expect to continue through 2016.” - Todd Brandt, President and CEO



Q3 2015

SECTOR OVERVIEW



CONSTRUCTION

2015 Saskatoon Housing Starts down 1,238 (35%).

Construction industry shifting focus from residential to non-residential.

Federal Government Infrastructure spending expected for Saskatchewan.



MANUFACTURING

Sask manufacturing sales were down by 12% year-over-year at the end of October from \$13.4 billion in 2014 to 11.8 billion in 2015.

The decline in 2015 was mainly due to declines in chemical, fabricated metal product and machinery manufacturing.

Manufacturing 2025 Action Plan released November 2015.



WHOLESALE AND RETAIL TRADE

Saskatchewan October wholesale trade up 10% year-year-over; highest monthly percentage increases in farm product wholesale; declines in personal & household goods and building material & supplies.

Saskatchewan October retail sales down 3.4% year-over-year; biggest decline (17%) in gasoline retail.

“We believe Saskatoon’s diverse economy, continued demand for our natural resources, ongoing and new infrastructure projects and a growing entrepreneurial spirit leave use well positioned for growth in 2016 and into the future.” - Alex Fallon, President & CEO, SREDA



ENERGY

WCS (US\$13.25) trading at a 50% discount to WTI (US\$27.00); lowest price since 2004.

Disappointing news regarding Canadian pipelines: U.S. President Barack Obama rejected Keystone XL pipeline. B.C. rejected the proposed Trans Mountain pipeline expansion.

Sector Consolidation begins with Suncor’s takeover of Canadian Oil Sands in a \$6.6 Billion all-stock deal.



MINING

Low potash price leads to layoffs.

Vale Potash puts its Kronau mine project on hold.

Fussion and Denison called off a \$483-million merger agreement.

China’s CGN Mining Co. Ltd. buys 20% stake (\$82.2 million) in Fission Uranium Corp.

Claude Resources set a new gold production record in 2015 of 75,748 ounces.



AGRICULTURE

2015 Sask wheat production declined 7.9%; canola increased 10.4%.

U.S. COOL repealed in late December.

South Korea reopened its borders to Canadian beef exports.

Q4 2015

TOP NEWS

SASKATOON

Saskatoon residential construction experienced a significant slowdown in 2015 with housing starts down and inventory up compared to 2014.

The city reached a deal with Graham Commuter Partners to replace the downtown Traffic Bridge and build a new north commuter bridge for \$497.7 million. Price includes 30 year maintenance.

The city is exploring the feasibility of a 22nd street underpass. Costs are expected to be between \$30 and \$50 million, depending on requirement to move underground utilities.

SASKATCHEWAN

Saskatchewan energy to be 50 per cent renewable by 2030.

Saskatchewan projecting \$262M deficit as lower oil prices hit revenue.

The Saskatchewan government introduced Bill 188, The Best Value in Procurement Act 2015. This will change the governments procurement decision making to be based on best value.

CANADA

Canada's 'value-added' exports present a good-news story for 2016.

Canadian dollar weakens to 12-year low as global uncertainty mounts, oil prices continue to drop and expectations increase for further divergence between Fed and BoFC monetary policy.

Canada's annual inflation rate rose to 1.4% as costs for food and shelter increased.

INTERNATIONAL

U.S. repealed its country of origin labelling (COOL) for cattle and hogs. (Dec 18)




China scraps one-child policy. (Oct 29)

OECD warns of global trade slowdown and trims growth outlook to 2.9%, 3.3% and 3.6% for 2015, 2016 and 2017 respectively. (Nov9)



Suite 103, 202 Fourth Avenue North
Saskatoon, Saskatchewan
S7K 0K1

Phone: 306.664.0720
Toll-free: 1.800.706.1977
Fax: 306.244.5033

 SREDA.com
 SREDA_SK
 SREDASask

Key Results

	Quarterly				Annual		
	2015Q4	2015Q3	Difference	% Change	2014Q4	Difference	% Change
Real GDP, Saskatoon CMA *(\$ millions)	17,651	17,551	101	0.6%	17,904	-253	-1.4%
Population, Saskatoon CMA (000s)	309.8	308.5	1.4	0.4%	304	6	1.9%
Working Age Population (000s)	254.3	252.8	1.6	0.6%	247.7	6.6	2.7%
Unemployment Rate	6.2%	5.8%	0.4%	6.9%	3.7%	2.5%	67.6%
Building Permits - city (\$000s)	324,886	251,660	73,226	29.1%	145,782	179,104	122.9%
Existing Home Sales	1,059	1,499	-440	-29.4%	1,191	-132	-11.1%
Average Existing Home Price (\$)	355,631	349,805	5,826	1.7%	356,462	-831	-0.2%
New Business Licences	279	294	-15	-5.1%	251	28	11.2%

Gross Domestic Product (GDP) in Millions - Saskatoon CMA

	Quarterly				Annual		
	2015Q4	2015Q3	Difference	% Change	2014Q4	Difference	% Change
Primary and Utilities	4,003	3,983	20	0.5%	3,916	87	2.2%
Construction	1,680	1,672	8	0.5%	1,962	-282	-14.4%
Manufacturing	1,370	1,359	11	0.8%	1,473	-104	-7.0%
Goods Producing Industries	7,053	7,014	39	0.6%	7,352	-299	-4.1%
Transportation and Warehousing	995	988	7	0.7%	1,056	-61	-5.8%
Information and Cultural Industries	334	333	1	0.4%	330	4	1.3%
Wholesale and Retail Trade	2,157	2,140	17	0.8%	2,210	-53	-2.4%
Finance, Insurance and real Estate	2,605	2,583	22	0.8%	2,480	124	5.0%
Business Services	861	857	4	0.5%	894	-33	-3.7%
Personal Services	821	821	0	0.0%	819	2	0.3%
Public Administration and Defence	837	832	4	0.5%	810	27	3.3%
Non-Commercial Services	1,989	1,983	6	0.3%	1,953	36	1.8%
Service-Producing Industries	10,599	10,537	62	0.6%	10,552	46	0.4%
Total GDP (\$ millions)	17,651	17,551	101	0.6%	17,904	-253	-1.4%

Source: Conference Board of Canada (CBoFC)

Labour Force Statistics - Saskatoon CMA

	Quarterly				Annual		
	2015Q4	2015Q3	Difference	% Change	2014Q4	Difference	% Change
Employment (000s) <i>(Stats Canada - Table 282-0135)</i>	172.2	167.8	4.4	2.6%	170.5	1.7	1.0%
Unemployment (000s)	11.4	10.4	1.0	9.9%	6.5	4.9	75.9%
Labour Force (000s)	183.7	178.2	5.5	3.1%	177.0	6.7	3.8%
Not in Labour Force (000s)	70.7	74.5	-3.8	-5.1%	70.6	0.1	0.1%
Working Age Population (000s)	254.3	252.8	1.6	0.6%	247.7	6.6	2.7%
Unemployment Rate (%)	6.2%	5.8%	0.4%	6.9%	3.7%	2.5%	2.5%
Participation Rate (%)	72.2%	70.5%	1.7%	2.4%	71.5%	0.7%	1.0%
Employment Rate (%)	67.7%	66.4%	1.3%	2.0%	68.8%	-1.1%	-1.6%
Employment by Industry (000s) (CBoFC Estimates)							
Primary and Utilities	8.7	8.3	0.4	5.1%	12.0	-3.3	-27.4%
Construction	20.2	20.1	0.0	0.2%	20.7	-0.6	-2.9%
Manufacturing	9.2	8.9	0.3	3.1%	11.2	-2.0	-18.0%
Goods Producing Industries	38.1	37.3	0.7	2.0%	44.0	-5.9	-13.4%
Transportation and Warehousing	8.8	8.7	0.1	1.2%	10.2	-1.4	-13.3%
Information and Cultural Industries	2.9	3.1	-0.1	-4.8%	1.2	1.8	150.8%
Wholesale and Retail Trade	25.3	25.2	0.1	0.4%	25.2	0.1	0.3%
Finance, Insurance and real Estate	8.5	8.4	0.1	1.2%	8.9	-0.4	-4.8%
Business Services	14.7	14.6	0.1	0.7%	15.0	-0.3	-1.8%
Personal Services	25.0	25.0	0.1	0.3%	22.1	2.9	13.3%
Public Administration and Defence	7.2	7.1	0.1	1.6%	8.5	-1.3	-15.2%
Non-Commercial Services	39.5	39.6	-0.1	-0.3%	36.9	2.6	7.0%
Service-Producing Industries	132.0	131.7	0.3	0.3%	127.9	4.0	3.2%
Employment by Industry (000s) CBoFC	170.1	169.0	1.1	0.6%	171.9	-1.9	-1.1%

Source: Statistics Canada - Table 282-0116: 3-month moving average, unadjusted; Conference Board of Canada (CBoFC)

Building Permits (\$000)- City of Saskatoon - Quarterly

	Quarterly				Annual		
	2015Q4	2015Q3	Difference	% Change	2014Q4	Difference	% Change
Commercial	28,740	31,868	-3,128	-9.8%	15,924	12,816	80%
Institutional	169,713	4,761	164,952	3464.7%	100	169,613	169613%
Industrial	28,336	104,695	-76,359	-72.9%	14,203	14,133	100%
Assembly	21,815	8,609	13,206	153.4%	3,663	18,152	496%
Misc./Temp	0	1,689	-1,689	-100.0%	2,543	-2,543	-100%
Subtotal Non-Residential	248,604	151,622	96,982	64.0%	36,433	212,171	582%
Subtotal Residential	76,282	100,038	-23,756	-23.7%	109,349	-33,067	-30%
Total Building Permits Quarterly (\$000)	324,886	251,660	73,226	29.1%	145,782	179,104	123%

Source: City of Saskatoon

Building Permits (\$000)- City of Saskatoon - Year to Date

	Annual				Two Year		
	2015Q4	2014Q4	Difference	% Change	2013Q4	Difference	% Change
Commercial	121,431	131,953	-10,522	-8.0%	165,322	-43,891	-26.5%
Institutional	208,338	14,881	193,457	1300.0%	17,287	191,051	1105.2%
Industrial	187,563	75,881	111,682	147.2%	111,120	76,443	68.8%
Assembly	40,716	43,952	-3,236	-7.4%	160,032	-119,316	-74.6%
Misc./Temp	11,610	6,859	4,751	69.3%	12,136	-526	-4.3%
Subtotal Non-Residential	569,658	273,526	296,132	108.3%	465,897	103,761	22.3%
Subtotal Residential	447,484	602,588	-155,104	-25.7%	619,515	-172,031	-27.8%
Total Building Permits Year -to-Date (\$000)	1,017,142	876,114	141,028	16.1%	1,085,412	-68,270	-6.3%

Source: City of Saskatoon

Housing Starts - Year to Date

	Annual				Two Year		
	2015Q4	2014Q4	Difference	% Change	2013Q4	Difference	% Change
City of Saskatoon							
Single Detached	688	1078	-390	-36.2%	1208	-520	-43.0%
Multiple Family	1223	1742	-519	-29.8%	1190	33	2.8%
Surrounding Areas							
Single Detached	312	499	-187	-37.5%	450	-138	-30.7%
Multiple Family	70	212	-142	-67.0%	132	-62	-47.0%
Saskatoon CMA							
Single Detached	1000	1577	-577	-36.6%	1,658	-658	-39.7%
Multiple Family	1293	1954	-661	-33.8%	1,322	-29	-2.2%
Total Housing Starts	2293	3531	-1238	-35.1%	2,980	-687	-23.1%

Source: CMHC

MLS Statistics - City of Saskatoon

	Quarterly				Annual		
	2015Q4	2015Q3	Difference	% Change	2014Q4	Difference	% Change
Sales	1,059	1,499	-440	-29.4%	1,191	-132	-11.1%
New Listings	2,618	3,877	-1,259	-32.5%	2,508	110	4.4%
Average Sale Price	\$355,631	\$349,805	\$5,826	1.7%	\$356,462	-\$831	-0.2%

Source: Saskatoon Region Association of Realtors

New Business Licenses

	Quarterly				Annual		
	2015Q4	2015Q3	Difference	% Change	2014Q4	Difference	% Change
Commercial	108	113	-5	-4.4%	97	11	11.3%
Home Based Business	171	181	-10	-5.5%	154	17	11.0%
Total New business Licenses	279	294	-15	-5.1%	251	28	11.2%

Source: City of Saskatoon

YXE Airport Statistics - Year to Date

	Annual				Two Year		
	2015Q4	2014Q4	Difference	% Change	2013Q4	Difference	% Change
Total Passenger Traffic	1,443,469	1,484,615	-41,146	-2.8%	1,389,437	54,032	3.9%