



Saskatchewan's economic growth restraint caused by recent uncertainties in the mining sector

Released: July 31, 2018

SREDA's Q3 Consensus Forecast Survey¹ shows economists have slightly trimmed their outlook for the Saskatchewan economy this year, but expect growth to normalize in 2019. **Real GDP growth is now forecast to come in at 1.8%** (0.2 percentage point lower than projected in March), before climbing to **top spot (2.1%) in 2019 for the province.**

- The 2018 revision reflects a reduction in expected rebound in agricultural output due to dry conditions at the start of the crop year. Additional factors include sluggish job growth (down 0.3% in the first six months of the year), slow retail and construction activity, fiscal restraint and increased uncertainty in some commodity markets (e.g. uranium).
- On the upside, Saskatchewan's near-term growth will be powered by renewed activity in the oil patch (supported by rising crude prices), healthy demand for key agriculture commodities such as wheat, canola and potash, strong manufacturing activity and continued growth in the tech sector.

Key Economic Indicators

- The consensus outlook for jobs is unchanged for 2018. The province is expected to fully recover the 2016-17 job losses by 2019, which will help bring down the unemployment rate from a record high of 6.3% to 5.7% in 2019.
- Retail sales is now forecast to increase 2.5% and 3.5% this year and next, a downward revision, reflecting the impact of rising interest rates and sluggish job growth.
- As inventory glut and softening demand continue to weigh on residential construction, housing starts are expected to average 25% below 2017 levels in 2018 before rebounding next year.

Table 1: Key indicators of the Saskatchewan economy

| | 2015 | 2016 | 2017 | 2018f | 2019f |
|---------------------------|------|------|-------|-------|-------|
| Real GDP growth (%) | -1.0 | -0.5 | 2.9 ↑ | 1.8 ↓ | 2.1 ↑ |
| Employment (y/y % chg.) | 0.5 | -0.9 | -0.2 | 0.2 ≈ | 0.8 ↑ |
| Unemployment rate (%) | 5.0 | 6.3 | 6.3 | 5.9 ↓ | 5.7 ↓ |
| Retail sales (y/y % chg.) | -3.3 | 1.5 | 4.1 | 2.5 ↓ | 3.5 ↓ |
| Inflation (y/y % chg.) | 1.6 | 1.1 | 1.7 | 2.4 ↑ | 2.1 ≈ |
| Housing starts (000) | 5.1 | 4.8 | 5.0 | 3.8 ↓ | 6.3 ↑ |

Revision from Mar. 2018 consensus forecast ↑ revised up ≈ unchanged ↓ revised down

Table 2: Consensus growth forecasts for Saskatchewan

| | 2016 | 2017e | 2018f | 2019f |
|---------------------------------|------|-------|-------|-------|
| TD (Mar 15, 2018) | -0.5 | 2.9 ↑ | 1.6 ≈ | 1.8 ↑ |
| RBC (Mar 12, 2018) | -0.5 | 2.8 ↑ | 2.4 ↓ | 2.8 ↑ |
| BMO (Mar 16, 2018) | -0.5 | 2.9 ↑ | 1.5 ↓ | 1.9 ↑ |
| Scotiabank (Mar 6, 2018) | -0.5 | 2.9 ↑ | 1.6 ↓ | 2.0 ↑ |
| Conference Board (Feb 13, 2018) | -0.5 | 2.9 ↑ | 1.3 ≈ | 2.2 ↑ |
| Consensus growth forecasts, SK | -0.5 | 2.9 ↑ | 1.8 ↓ | 2.1 ↑ |
| SREDA growth forecast, SK | -0.5 | 2.9 ↑ | 1.5 ↓ | 1.8 ↓ |

Source: StatCan Table 384-0038 & SREDA survey of prominent financial and economic forecasters

1. SREDA's quarterly consensus economic forecasts are created by taking the mean average of a panel of five prominent independent forecasts (TD, RBC, BMO, Scotiabank and the Conference Board of Canada). Empirical studies show that pooling forecasts increases forecast accuracy, especially because of high degree of uncertainty in recent times.

“Although the leading banks have forecasted an average GDP of 1.8% for Saskatchewan, given the recent local developments in the mining sector, SREDA has revised down our 2018 growth outlook for the province from 2.0% to 1.5%,”

Alex Fallon, President and CEO, SREDA