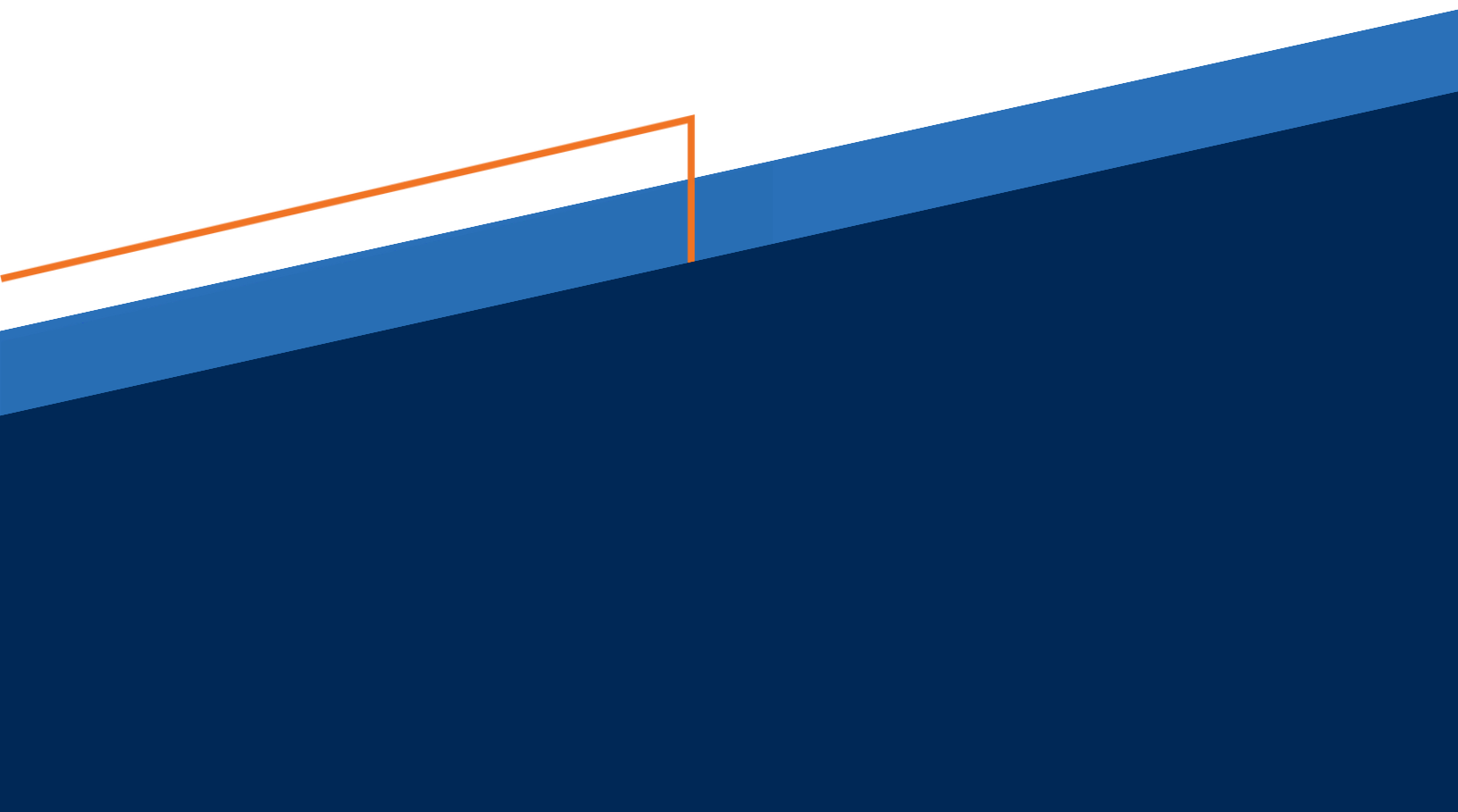




**SREDA**

**Saskatoon Region  
2024 Mid-Year  
Economic Outlook**



## Executive Summary

As we find ourselves in the midst of 2024, the economic landscape of the Saskatoon Region paints a picture of growth and promise. This narrative is propelled by the anticipation of lower interest rates, heightened commodity prices, strong population growth and significant investment from governments, institutions and industry stakeholders. At the same time, deliberate measures and strategic initiatives are being implemented to address challenges in critical areas such as climate change, trade uncertainty, and labour demand.

The 2024 Mid-Year Economic Outlook Report projects modest economic growth, despite persistent inflationary pressures, supply chain disruptions, and geopolitical uncertainties. The Region's robust GDP growth, driven by diverse economic sectors including agriculture, mining, manufacturing and technology, provides a foundation for cautious optimism. Initiatives such as the Federal government's housing accelerator fund aim to stimulate the housing market, while significant investments from public and private sectors in infrastructure projects signal opportunities for sustained development.

Fluctuations in commodity prices, particularly in sectors such as potash, uranium, and grains, pose both challenges and opportunities for the region. While geopolitical tensions contribute to market volatility, growing global demand for our key commodities offers stability and growth. Addressing external risks, including supply chain disruptions and extreme weather events, remains imperative for maintaining economic stability and resilience. Collaborative efforts between stakeholders are essential in navigating uncertainties and seizing opportunities in an evolving economic landscape.

Strategic investments in public infrastructure underscore a commitment to long-term economic sustainability. Efforts to diversify revenue sources and bolster key sectors such as education, healthcare, and transportation signal a proactive approach to economic growth, positioning the Region for a fast-growing population and economy. Navigating uncertainties while fostering collaboration between government, businesses, and communities will be critical in shaping a thriving future for the Saskatoon Region.

# Table of Contents

<b>Executive Summary</b>	<b>2</b>
<b>Macroeconomic Indicators</b>	<b>4</b>
Gross Domestic Product (GDP)	4
Canada	4
Saskatchewan	4
Saskatoon Region	4
Unemployment Rate	5
Inflation Rate	5
Interest Rates	6
<b>Sector Analysis</b>	<b>7</b>
Opportunities & Trends	7
Housing Market	7
Public and Private Capital Investment	7
Provincial Government	7
Municipal Government	8
Industry	8
Commodity Price Index	8
Potash	9
Uranium	9
Canola and Wheat	10
<b>Risks &amp; Challenges</b>	<b>11</b>
External Risks & Uncertainties Affecting	11
Labour Market Dynamics	11
Supply Chain Disruptions	11
Weather Challenges	11
Geopolitical Tensions & Conflicts	12
Ukraine Russia Conflict	12
Middle East Instability	12
Trade Uncertainty & Market Access	12
<b>Conclusion</b>	<b>13</b>
<b>Sources</b>	<b>14</b>

# Macroeconomic Indicators

## Gross Domestic Product (GDP)

### Canada

Canada's five largest banks project an average economic growth of 0.7% in 2024, slightly lower than last year. This outlook reflects the impact of high interest rates and inflation, influencing economic decisions. Policymakers and businesses are balancing the need to sustain growth while managing inflation risks. Fortunately, 2024 is expected to offer a more stable environment as interest rates are likely to decrease further in the second half of the year.

Weaker demand is expected to continue, keeping real GDP growth below its potential as inflation remains above the 2% target. Despite this, the Bank of Canada is cautiously approaching interest rate cuts, with the first reduction in June. As interest rates decline, debt servicing costs will ease, boosting household spending and business investment, which will drive economic growth. Additionally, strong population growth is expected to increase consumer spending, further supporting economic growth.

### Saskatchewan

An average of Canada's five largest banks and the Conference Board of Canada is forecasting Saskatchewan's economic growth to rise by 1.2% in 2024. Firmer conditions and strong global demand for potash will help stabilize prices and improve production volumes. Additionally, nuclear energy continues to see robust global demand as it transitions to a clean and reliable power source, driving uranium prices to record levels.

The agriculture sector, especially crops and livestock, faces concerns over volatile weather driven by increasing wildfires and warmer temperatures. However, the rain and moisture in May and June provided some relief, raising expectations of improved output compared to previous years impacted by drought and other weather-related issues.

### Saskatoon Region

Saskatoon CMA has historically exhibited resilient GDP growth, supported by its diverse economic sectors, including agriculture, mining, manufacturing, and technology. In the last five years, the Region has consistently outperformed provincial and national averages, maintaining steady annual growth rates of approximately 2.7%. In early 2024, the Region's GDP growth remains robust, reflecting moderate expansion propelled by global demand for natural resources, increased consumer spending, population growth, infrastructure investments, and heightened industry activity.

Finishing out 2024, the Conference of Board of Canada is projecting total economic growth to grow at a rate of 3.5%, albeit slightly slower than 2023, with emerging opportunities in research and innovation, critical minerals, advanced manufacturing, and technology sectors. However, potential risks, such as elevated interest rates, supply chain disruptions, geopolitical tensions, and weather-related challenges, could influence the Region's economic trajectory.

## Unemployment Rate

### Saskatoon Region

Over the past few years, unemployment rates have fluctuated due to economic dynamics and external factors. Record low levels were observed over the last three years, driven by robust growth and job creation in commodity sectors led by high prices. However, recent data for 2024 indicates a steady increase, with the unemployment rate standing at 5.3%, up from a low of 4.3% in 2022.

Looking ahead, unemployment rates are projected to rise in the coming year, reflecting elevated population growth that has outpaced the economy's ability to create more jobs. However, stabilization is expected once interest rates decline, spurred by higher consumer spending and investments. Additionally, the province's Labour Market Strategy, "Building the Workforce for a Growing Economy," aims to foster collaboration between government, businesses, and community stakeholders to address structural unemployment challenges, promote inclusive growth, and ensure a resilient labour market in the Saskatoon Region.

### Historical Unemployment Rates in the Saskatoon Region (2006 – April YTD 2024)



Source: Statistics Canada

## Inflation Rate

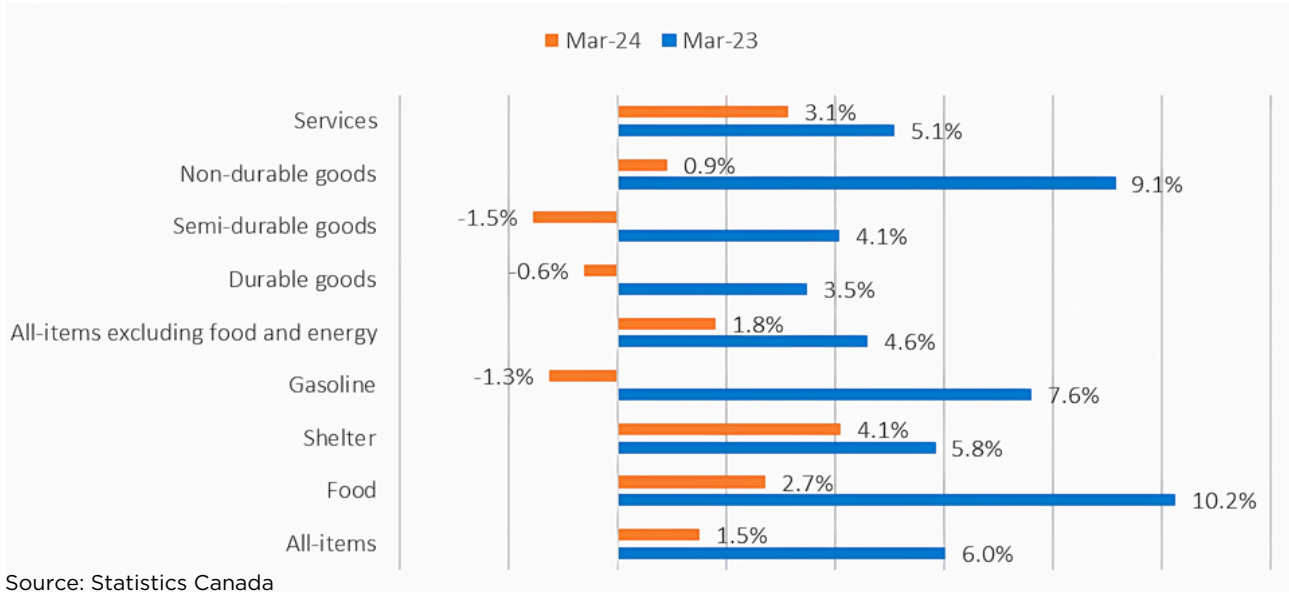
### Saskatoon Region

Inflation has emerged as a significant concern globally, impacting the cost of living for all. In the Saskatoon Region, the Consumer Price Index (CPI) recorded a modest inflation rate of 1.8% in March 2024, a notable decrease from the previous year's 5.3%, and remains below the targeted 2% annual inflation rate. However, certain inflation items, notably food and housing, are expected to sustain upward price pressures, influencing the region's cost of living and consumer's spending patterns.

According to the latest Canada's Food Price Report, total food prices are forecasted to rise by 2.5% to 4.5% in 2024. Moreover, prices for food purchases from restaurants are anticipated to increase by 3% to 5%, reflecting the ongoing challenge and rise in operational costs faced by the restaurant industry.

Shelter prices, while experiencing a decline, remain above the target range. Housing-related expenses, particularly rent and mortgage interest costs, are projected to continue their upward trajectory, indicating sustained pressure on the housing market.

### Inflation by category over the last 12 months in Saskatchewan

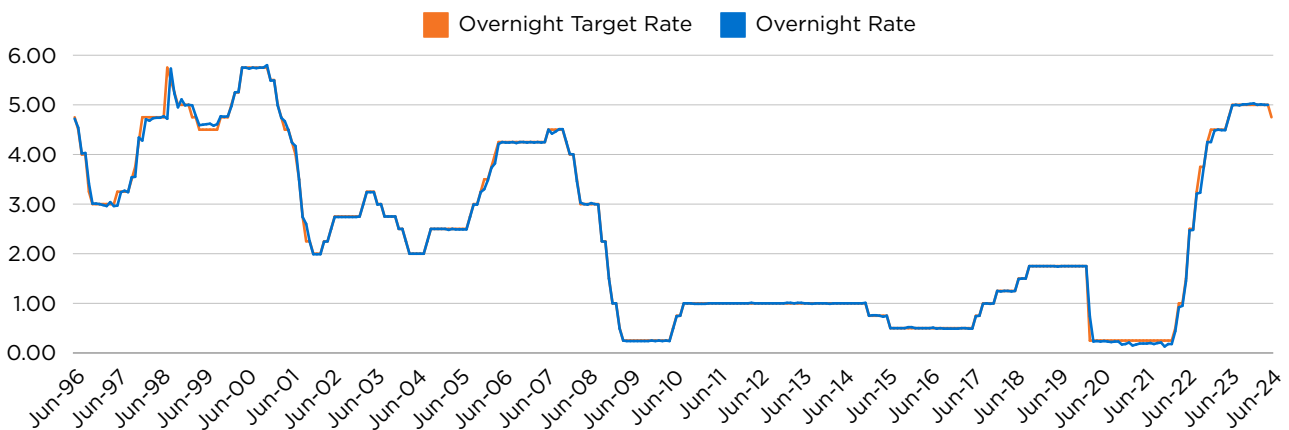


### Interest Rates

As of June 2024, the overnight rate in Canada dropped to 4.75%, signaling the start of further rate cuts. This move brings increased certainty and stability to the Saskatoon Region, improving business and household confidence for informed planning and investment decisions.

However, it's unlikely that the rate will return to a neutral level before 2025, which will continue to weigh on growth and consumer spending compared to what Canadians experienced over the past 15 years.

### Bank of Canada's Overnight and Target Rate (1996 - 2024)



Source: Bank of Canada

# Sector Analysis

## Opportunities & Trends

### Housing Market

Heading into 2024, the Saskatoon Region housing market faces challenges brought on by strong population growth and low construction investment activity, exacerbated by high interest rates, higher material costs, and a construction labor shortage. However, with expectations of lower interest rates, the housing market in the Region is anticipated to see increased activity to meet the demand of a growing population, supported by a \$41.3 million housing accelerator fund from the federal government. Notably, the CPI inflation for rented accommodation has accelerated significantly while most other major spending categories have declined, indicating rising demand amid low housing supply and increasing home prices.

According to Canada Mortgage Housing Corporation's (CMHC) latest housing market outlook, four key trends are expected:

1. Increasing home prices, driven by the nation's most attractive and affordable housing market.
2. Intense competition for housing, fueled by low inventory and anticipated lower interest rates.
3. Growing residential construction investment and housing starts, particularly in multi-unit dwellings, to meet strong population growth and address affordable housing needs.
4. Tight rental markets until 2026, as supply is not anticipated to meet rising demand.

Looking ahead, the housing market is positioned for moderate growth in 2024, driven by low inventory and sustained demand for affordable segments, particularly condominium apartments and ground-oriented multi-unit dwellings. Despite higher interest rates limiting borrowing capacity, first-time homebuyers and downsizing families will continue to drive demand. Additionally, the rental market is expected to remain tight, with vacancy rates forecasted to drop further due to rapid population growth. These tight market conditions will likely lead to continued rent growth, mirroring the previous year's trend.

### Public and Private Capital Investment

Capital investments are a significant driver of growth for any economy, as the Saskatoon Region is province's largest city and center of economic activity, both public and private sector investments are the accelerants to economic growth. In 2024, the Saskatoon Region can anticipate the following investments:

### Provincial Government

In the fiscal year 2024-25, the Government of Saskatchewan is committing \$4.4 billion to infrastructure projects, focusing on education, healthcare, and transportation to support the province's expanding population.

## Municipal Government

The City of Saskatoon plans to invest \$383.2 million in 2024 and \$405.9 million in 2025 across various capital projects. Notable spending includes \$161.6 million for land development, \$151.1 million for the Transit Implementation Plan (including Bus Rapid Transit), \$51.3 million for Saskatoon Transit bus replacement, \$4.1 million for parks upgrades, enhancement, and repairs, and \$2.0 million for the design of a new White Buffalo Youth Lodge.

## Industry

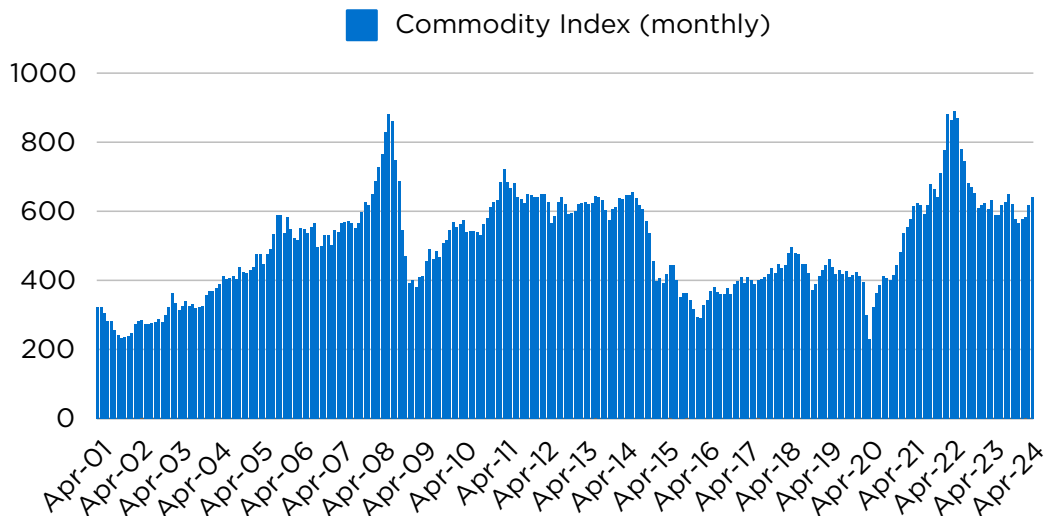
According to Statistics Canada's Capital Expenditure Survey, private sector companies in Saskatchewan are planning to invest over \$14.1 billion in capital projects in 2024. This includes \$8.9 billion for construction projects, a 21.6% increase from the previous year, and \$5.2 billion for investments in machinery and equipment. The public sector is set to invest \$5.4 billion, with 83.8% allocated to capital construction projects. Notably, the mining, quarrying, and oil and gas sectors are expected to receive almost \$9.3 billion in combined investment, a substantial growth of \$1.7 billion (22.5%) from the previous year.

Looking forward, growth will be characterized by investment activities from government, institutions and industry, focusing on projects that address global food security, the clean energy transition, and a growing population.

## Commodity Price Index

As the major hub in the province for agriculture and mining activities, fluctuations in commodity prices have a significant impact on the Saskatoon Region's economic performance. In this context, the Bank of Canada's Commodity Price Index serves as a crucial barometer, encapsulating the collective performance of Canada's major commodities, reflecting the broader trends shaping the Saskatoon Region's economy.

### Bank of Canada Commodity Price Index (April 2001 - March 2024)



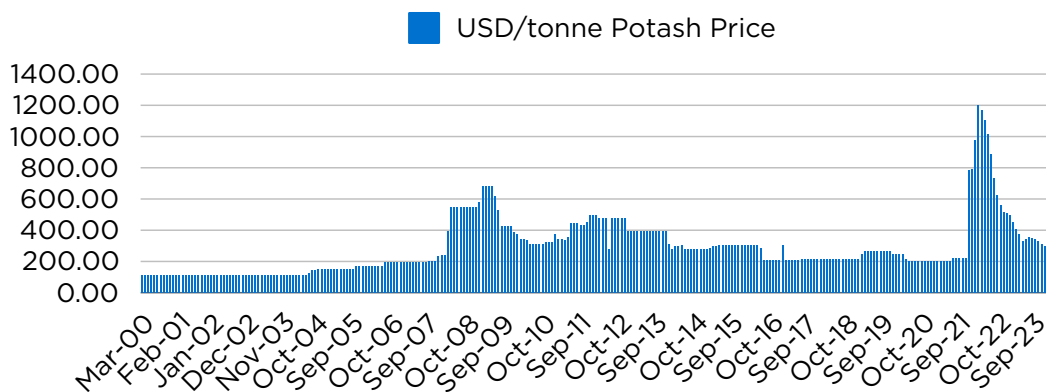


## Potash

Potash prices have since declined from their peak in April 2022, stabilizing to US\$300 per metric tonne. An oversupply in the global potash market, driven by increased production capacity from major producers like Belarus and Russia, is contributing to this downturn. Additionally, key markets such as Brazil, India, and China have lowered their demand for potash, including reduced fertilizer applications in Brazil, India's lowered potash fertilizer budget for 2024, and China's restrictions on major fertilizer trading firms limiting exports to 944,000 metric tons in 2024.

Despite these challenges, the potash sector anticipates stability and gradual growth in 2024, supported by steady demand from markets including Europe, North America, and Southeast Asia, along with ongoing investments in production efficiency and innovation within the Saskatoon Region.

### Historical Potash Prices (March 2000 - March 2024)



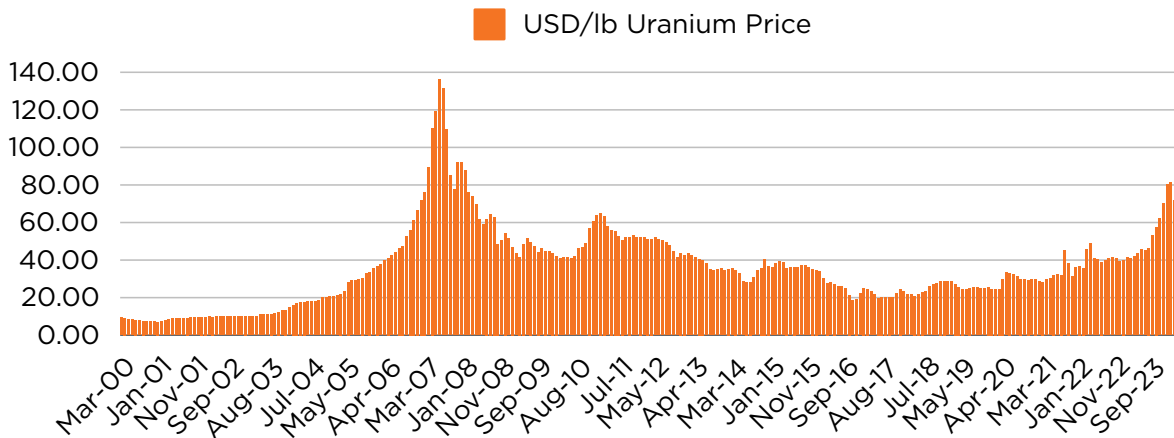
Source: Trending Economics

## Uranium

Uranium prices have surged significantly, exceeding CAD\$100 per pound in early 2024, a level not seen in the last 15 years. This surge is driven by strong global demand for nuclear power, particularly from markets like China, India, South Korea, and Europe, which are expanding their nuclear energy capacity as part of the transition to cleaner energy sources.

Supply constraints from major uranium-producing regions such as Canada, Kazakhstan, and Australia have further tightened the market, intensifying price pressures. Geopolitical tensions and concerns over energy security have also fueled market uncertainties, pushing uranium prices to record levels.

## Historical Uranium Prices (March 2000 – March 2024)



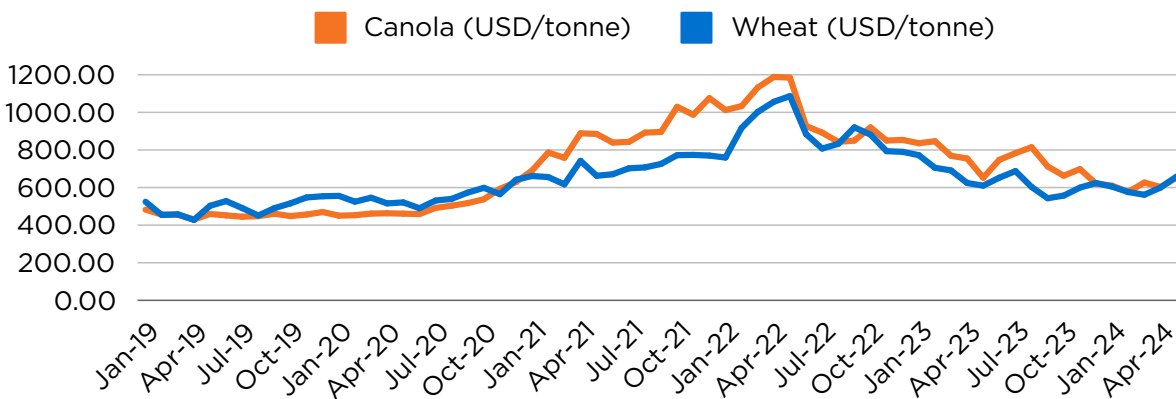
Source: Trending Economics

## Canola and Wheat

Both canola and wheat prices have decreased from their recent peaks of USD\$1,087.50 per bushel for wheat and CAD\$1,184.30 for canola. However, prices remain elevated compared to historical averages due to ongoing market dynamics, including the loss of crop production from Ukraine contributing to tight global grain markets.

Expectations for marginal increases in crop production in 2024 may be impacted by the El Niño weather pattern, which poses a potential threat to crop yields. Despite this, early indicators suggest a rebound in 2024 crop output following a decline in the previous year due to unfavorable growing conditions. Lower fertilizer prices are expected to benefit producers and support overall crop production.

## Canola & Wheat Prices (USD/tonne)



Source: Trending Economics

# Risks & Challenges

## External Risks & Uncertainties Affecting Economic Growth & Stability

The economic outlook for the Saskatoon Region is subject to various external risks and challenges that could impact growth and stability. Understanding and mitigating these factors are essential for navigating uncertainties.

### Labour Market Dynamics

The Saskatoon Region faces unique labour market challenges, including an aging workforce, a widening skills gap, and persistent labour shortages. With a large portion of the population nearing retirement age, there's a growing gap between the skills required by employers in growing sectors like manufacturing and mining and those available in the local workforce, thus impacting productivity and competitiveness.

These challenges are compounded by acute labour shortages across industries such as agriculture, construction, manufacturing, mining and healthcare. Consequently, businesses in the Saskatoon Region struggling to recruit and retain skilled workers can lead to production bottlenecks and project delays.

### Supply Chain Disruptions

The Saskatoon Region has faced significant economic challenges in previous years due to ongoing supply chain disruptions caused by extreme weather events, labour shortages and strikes in the trucking and rail industries, and port congestions, all of which have contributed to export delays and increased shipping costs.

Wildfires and flooding have disrupted transportation networks, impacting the timely movement of goods. Labour shortages and strikes in the trucking and rail sectors have led to slower transportation times and higher costs as companies compete for limited resources. Additionally, port congestion at major Canadian ports has caused delays in exports.

Overall, any additional interruptions could impact the economic performance of the Saskatoon Region, adding to inflation and higher prices for consumers.

### Weather Challenges

Heading into 2024 with reduced winter moisture conditions, Saskatchewan recently benefited from much-needed rain. Heavy rainfall has significantly boosted farmers, particularly in areas affected by consecutive drought years, with some regions receiving more rain in May and June than in the last two of the three years combined. This steady rainfall has improved soil moisture levels across various agricultural regions. The increased rainfall has reduced wildfire risks, previously exacerbated by prolonged dryness. However, the National Oceanic and Atmospheric Association predicts continued warmer-than-normal temperatures this summer, posing challenges to supply chain stability and agricultural yields, affecting local and international markets for the year.

## **Geopolitical Tensions & Conflicts**

### **Ukraine-Russia Conflict**

The ongoing Ukraine-Russia War continues to have an impact on the Saskatchewan economy. The conflict has disrupted international grain markets, driving up global grain prices and benefiting Saskatchewan's grain producers with higher revenues. However, the increased market volatility and supply chain uncertainties pose significant risks for exporters in the province.

Beyond agriculture, the war has also influenced markets for critical commodities such as uranium and potash. Sanctions on Russia have increased demand for potash and uranium from more stable sources as the world grapples with drought and transitions to cleaner energy sources. The conflict has also affected energy markets, impacting oil and gas prices, which can increase the province's oil sector revenues but raise costs for local industries and consumers.

### **Middle East Instability**

Instability in the Middle East, including Red Sea attacks, disrupt maritime routes like the Bab el-Mandeb Strait, causing oil price fluctuations. While this can benefit Saskatchewan's oil sector, it raises production costs and hampers economic activity. Geopolitical tensions disrupt global supply chains, increasing shipping costs and delays for Saskatchewan's key exports like potash, uranium, wheat, and canola. Higher transportation costs also inflate prices of imported goods critical to the province's manufacturing, agriculture and mining sectors. These challenges highlight the need for strategies like diversifying export markets, investing in renewable energy, and enhancing supply chain resilience.

## **Trade Uncertainty & Market Access**

Trade uncertainty and market access challenge Saskatchewan's export-driven economy across agriculture, mining, and manufacturing. The year 2023-24 saw intensified tensions between major economies, prominently the US-China disputes, exacerbated by protectionist policies and geopolitical shifts, heightening uncertainty for Saskatchewan's exports. Concurrently, fluctuations in India's agricultural import policies, especially towards pulses and lentils, introduced additional complexity.

Such trade uncertainties underscore the need for Saskatchewan to diversify its export markets, ensuring resilience amidst evolving global trade dynamics.

## Conclusion

The majority of the expected economic slowdown, driven by higher interest rates and inflation, has already been absorbed. Looking ahead, we anticipate better economic conditions in the second half of 2024. This improvement will be fueled by expectations of lower interest rates, which are likely to spur greater investments and higher consumer spending.

Overall, the economic outlook for the Saskatoon Region in 2024 presents a mix of opportunities and challenges. Despite projections of modest growth, uncertainties persist related to inflation, escalating trade tensions, potential supply chain disruptions and labour challenges.

In response to these dynamics, businesses and stakeholders have the opportunity to position themselves favourably in the economy by taking proactive measures. These include diversifying export markets, investing in supply chain infrastructure, collaborating on labour market strategies, and monitoring commodity trends. By doing so, they can better mitigate challenges and capitalize on future growth opportunities. Ultimately, strategic planning and adaptability will be key to navigating the economic landscape in 2024 and the years to come.

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