

Saskatchewan

TRADE AND INVESTMENT HEADWINDS ABOUND

Saskatchewan's near-term economic prospects remain dominated by a generally weak investment environment concentrated in the oil and gas sector. Last year, multi-year plans for reduced capital spending on steam-powered oil projects—fundamentally reflecting shortfalls with respect to pipeline transportation capacity—were announced. And with sustainable supply-demand balance in the Western Canadian oil market still at least a few years off, investment appetite is unlikely to recover this year.

Outside the oil and gas industry, investment activity is also expected to remain muted. Work related to the \$680 mn Chinook Power Station and \$1.9 bn Regina Bypass ended last year and will no longer assist the province's growth in 2020. Expansion plans by the provincial utility, a \$300 mn Saskatoon residential and commercial complex, and a diminished drag from infrastructure spending should provide a partial offset.

The province's trade prognosis is also muted. Saskatchewan is highly susceptible to protectionist Chinese policy given its strong trading relationship with the country and agriculture-oriented external sector. Temporary Chinese potash import bans may also subvert the benefits of stepped-up production. Mining output and shipments will continue to be dampened in the first full year of production stoppage at the McArthur River uranium mine. And while US metals tariffs will not go ahead, a 12.5% duty still in effect for large diameter welded pipe is bad news for one of the province's niche industries.

Prospects for consumers are more promising. After a prolonged recovery from the last commodity price downturn, full-time employment rose 1.5% last year—the best gain since 2013—but retail sales were held back by persistently weak motor vehicle purchases. On the margin, continued but more moderate hiring over 2020–21 should eventually incite households to loosen the purse strings.

Moderate tightening in labour markets is expected to spur some wage gains and stable home sales activity this year and next. That should help to absorb some of the overhang of unsold dwelling units accrued since 2014–15, but sustainable supply-demand balance remains at least a few years off.

The recently released 2020–2030 Growth Plan laid out Saskatchewan's long-run economic development plans. Export market expansion—especially for agriculture and related manufacturing industries—was front-and-centre, but the signature objective was a pledge to raise the provincial population to 1.4 mn by 2030. That is a worthy goal in light of the province's slowing headcount gains and steady interprovincial out-migration. But the target—which amounts to 1.6% average advances per year—looks ambitious when compared to the province's history (chart), especially given that population growth has eased to below 1.0% y/y in each of the last two quarters.

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Economic Outlook

annual % change except where noted

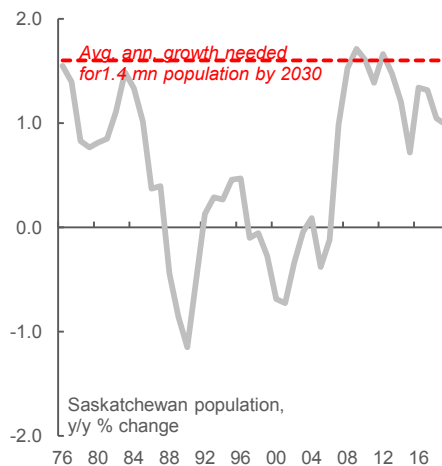
| | 18 | 19e | 20f | 21f |
|----------------------|-----|-----|-----|-----|
| Real GDP | 1.3 | 1.0 | 1.2 | 1.6 |
| Nominal GDP | 1.4 | 2.6 | 2.9 | 4.1 |
| Employment | 0.4 | 1.8 | 0.7 | 0.6 |
| Unemployment Rate, % | 6.1 | 5.4 | 5.4 | 5.4 |
| Housing Starts, 000s | 3.6 | 2.4 | 3.3 | 3.7 |

Fiscal Situation

% of nominal GDP*

| | FY19 | FY20 | FY21 |
|----------------|------|------|------|
| Budget Balance | -0.3 | 0.0 | 0.1 |
| Net Debt | 14.7 | 14.5 | —** |

Ambitious Population Growth Target



* Nominal GDP forecast: Scotiabank Economics. ** Data not available.

Sources for chart and tables: Scotiabank Economics, Statistics Canada, CMHC, SK Finance.

| Provincial Forecast Summary | | | | | | | | | | | |
|---|---------|------|------|-----|------|-------|--------|------|------|--------|-------|
| (annual % change except where noted) | | | | | | | | | | | |
| Real GDP | CA | NL | PE | NS | NB | QC | ON | MB | SK | AB | BC |
| 2010–18 | 2.2 | 0.5 | 2.0 | 0.9 | 0.6 | 1.7 | 2.2 | 2.2 | 2.5 | 2.8 | 2.8 |
| 2018 | 2.0 | -3.5 | 2.6 | 1.5 | 0.8 | 2.5 | 2.2 | 1.3 | 1.3 | 1.6 | 2.6 |
| 2019e | 1.6 | 2.1 | 2.7 | 1.7 | 0.6 | 2.5 | 1.7 | 1.3 | 1.0 | 0.5 | 2.1 |
| 2020f | 1.5 | 1.1 | 2.0 | 1.3 | 0.7 | 1.8 | 1.5 | 1.1 | 1.2 | 1.6 | 2.1 |
| 2021f | 2.0 | 0.5 | 2.0 | 1.3 | 0.7 | 1.7 | 1.8 | 1.4 | 1.6 | 2.5 | 2.4 |
| Nominal GDP | | | | | | | | | | | |
| 2010–18 | 3.9 | 3.2 | 3.9 | 2.7 | 2.8 | 3.7 | 4.1 | 4.0 | 3.3 | 3.8 | 4.5 |
| 2018 | 3.9 | 1.7 | 4.2 | 3.3 | 3.2 | 4.8 | 3.7 | 2.2 | 1.4 | 3.8 | 4.5 |
| 2019e | 3.2 | 3.6 | 4.6 | 3.4 | 2.2 | 4.1 | 3.3 | 3.0 | 2.6 | 2.0 | 4.2 |
| 2020f | 3.3 | 3.0 | 3.9 | 3.2 | 2.3 | 3.5 | 3.2 | 3.0 | 2.9 | 3.3 | 4.4 |
| 2021f | 4.2 | 3.0 | 4.0 | 3.1 | 2.1 | 3.6 | 4.0 | 3.2 | 4.1 | 5.2 | 5.1 |
| Employment | | | | | | | | | | | |
| 2010–18 | 1.2 | 0.5 | 1.2 | 0.2 | -0.2 | 1.1 | 1.3 | 0.8 | 0.9 | 1.5 | 1.4 |
| 2018 | 1.3 | 0.5 | 3.0 | 1.5 | 0.3 | 0.9 | 1.6 | 0.6 | 0.4 | 1.9 | 1.1 |
| 2019e | 2.1 | 0.6 | 2.7 | 2.2 | 0.8 | 1.8 | 2.9 | 0.9 | 1.8 | 0.5 | 2.6 |
| 2020f | 0.9 | -0.1 | 0.8 | 0.3 | 0.2 | 0.9 | 1.2 | 0.6 | 0.7 | 1.0 | 1.3 |
| 2021f | 1.0 | 0.0 | 0.6 | 0.1 | 0.2 | 0.8 | 1.0 | 0.6 | 0.6 | 1.2 | 1.3 |
| Unemployment Rate (%) | | | | | | | | | | | |
| 2010–18 | 7.0 | 13.3 | 10.8 | 8.8 | 9.3 | 7.4 | 7.3 | 5.5 | 5.2 | 6.1 | 6.4 |
| 2018 | 5.8 | 13.8 | 9.4 | 7.6 | 8.0 | 5.5 | 5.6 | 6.0 | 6.1 | 6.6 | 4.7 |
| 2019e | 5.7 | 11.9 | 8.8 | 7.2 | 8.0 | 5.1 | 5.6 | 5.3 | 5.4 | 6.9 | 4.7 |
| 2020f | 5.8 | 12.0 | 8.8 | 7.2 | 8.0 | 5.2 | 5.7 | 5.4 | 5.4 | 7.0 | 4.9 |
| 2021f | 5.8 | 11.8 | 9.0 | 7.3 | 7.9 | 5.3 | 5.7 | 5.5 | 5.4 | 6.9 | 5.0 |
| Housing Starts (units, 000s) | | | | | | | | | | | |
| 2010–18 | 200 | 2.4 | 0.8 | 4.1 | 2.7 | 44 | 70 | 6.5 | 6.4 | 31 | 33 |
| 2018 | 213 | 1.1 | 1.1 | 4.8 | 2.3 | 47 | 79 | 7.4 | 3.6 | 26 | 41 |
| 2019e | 209 | 0.9 | 1.3 | 4.7 | 2.9 | 48 | 69 | 7.0 | 2.4 | 27 | 45 |
| 2020f | 205 | 1.2 | 1.1 | 4.3 | 2.4 | 46 | 75 | 6.0 | 3.3 | 30 | 37 |
| 2021f | 203 | 1.1 | 1.0 | 4.2 | 2.4 | 44 | 77 | 5.9 | 3.7 | 31 | 33 |
| Motor Vehicle Sales (units, 000s) | | | | | | | | | | | |
| 2010–18 | 1,847 | 33 | 7 | 52 | 42 | 439 | 725 | 56 | 54 | 241 | 197 |
| 2018 | 1,983 | 28 | 8 | 51 | 38 | 449 | 853 | 67 | 47 | 226 | 217 |
| 2019e | 1,922 | 31 | 9 | 51 | 40 | 442 | 820 | 57 | 48 | 218 | 207 |
| 2020f | 1,915 | 28 | 8 | 50 | 40 | 430 | 815 | 52 | 49 | 227 | 213 |
| 2021f | 1,915 | 25 | 8 | 50 | 40 | 430 | 815 | 50 | 50 | 232 | 218 |
| Budget Balances, Fiscal Year Ending March 31 (CAD mn) | | | | | | | | | | | |
| 2019 | -14,000 | -552 | 57 | 120 | 73 | 4,803 | -7,435 | -163 | -268 | -6,711 | 1,535 |
| 2020f* | -26,600 | -944 | 1 | 37 | 88 | 1,400 | -9,023 | -350 | 37 | -8,704 | 148 |
| 2021f | -28,100 | -796 | 7 | 52 | 33 | 100 | -6,800 | -234 | 49 | -5,883 | 291 |

* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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