

Saskatchewan

BENEFITING FROM BROAD-BASED COMMODITY PRICE GAINS

- Saskatchewan's oil production remained stubbornly weak in the first quarter of 2021, but we anticipate stronger gains as the year progresses.
- Other commodities and fiscal stimulus should bolster the recovery.

At the time of writing, Saskatchewan had the second-highest per-capita COVID-19 caseload of any province. We are encouraged by the downward trend in infection rates and rising pace of vaccination, though risks remain on this front.

Saskatchewan's staple oil and gas industry has also gotten off to a somewhat soft start to the year. Crude production was down by 13.5% y/y ytd as of March 2021, though it did see a significant month-over-month improvement between February and March. While we expect output to rally as producers respond to stronger oil prices, the soft start should weigh on the annual growth rate—we assume a modest increase of about 3% this calendar year, in line with provincial government projections. Improving industry conditions to begin 2021 may have helped manufacturing and construction employment and hours, with robust homebuilding.

Yet the province's other commodities still look set to contribute handsomely to the expansion this year. From January to April 2021, potash production was up over 11% versus the same period last year, and major producer Nutrien has revised H2-2021 potash output guidance by 500 kt, particularly at its Vanscoy mine. The Cigar Lake uranium mine restarted in April after two COVID-19-related work stoppages during the past year; output should ramp up more materially as we near 2022. Finally, prices for key crops wheat, canola, and soybeans are at multi-year highs—anchored by Chinese demand—and helped drive nominal Saskatchewan exports 15% higher than year-earlier levels as of April.

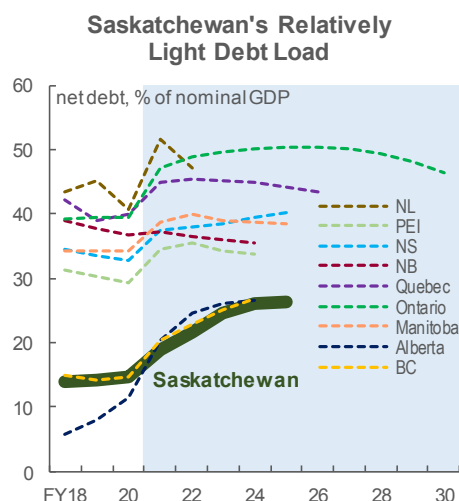
Eventual safe resumption of immigration flows is important for Saskatchewan just as in other provinces. For one, population outflows to other provinces had been steadily increasing before the pandemic, raising the need for an offset. As well, newcomers to Saskatchewan have historically had some of the highest employment rates among immigrants in Canada. Immigration to Saskatchewan has been helped by granting permanent resident status to workers already in the province, but overall admissions were still down 7% y/y ytd as of April 2021.

While Moody's recently downgraded its rating of Saskatchewan's debt from the vaunted AAA level, we still assess the province's finances to be among the healthiest of any subnational jurisdiction in Canada. According to the latest government budget (read our take [here](#)), Saskatchewan's net debt-to-GDP ratio is on track to be the lowest of any region through at least FY24. With low debt servicing costs relative to other provinces, this suggests debt levels are sustainable and leaves room for more fiscal policy intervention if needed. But more intervention may not be needed. Capital outlays across Crowns and government agencies are expected to rise by 12% and account for almost 4% of provincial output in FY22. Those figures are among the largest in Canada and should lend meaningful support to the recovery.

CONTACTS

Marc Desormeaux, Senior Economist
416.866.4733
Scotiabank Economics
marc.desormeaux@scotiabank.com

Key Economic Indicators			
annual % change except where noted			
	20E	21F	22F
Real GDP	-5.2	5.5	3.6
Nominal GDP	-7.5	12.9	7.0
Employment	-4.7	3.3	2.9
Unemployment Rate, %	8.4	6.2	4.9
Housing Starts, 000s	3.1	4.8	3.5
Total CPI	0.6	3.0	2.6



Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC, Finance Canada, Budget Documents, Industry Canada.

Provincial Forecast Summary

The Provinces	(annual % change except where noted)										
Real GDP*	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
Motor Vehicle Sales (units, 000s)											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
Budget Balances, (CAD mn)											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. ** NL budget balance in 2019 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 and Stabilization Reserve transfers.

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