

Economic Snapshot

Saskatchewan should outpace the rest of the country through 2013

Against the background of the European sovereign debt/currency crisis and the sub-par pattern of growth in the United States, the Saskatchewan economy appears to be growing at a healthy pace, as it approaches 2013.

Probably the clearest evidence of the province's economic health is that since the beginning of the year, total employment in the province has increased by 14,000, in sharp contrast to the net loss of 1,500 jobs recorded in the first eight months of 2011.

Moreover, the majority of jobs (13,600) created year to date are full time and in the private sector. Across major industrial groups, significant job gains occurred in public administration, education services, information services, forestry and mining, construction and agriculture.

Probably the most profound impact of the strong growth of full-time employment and an accompanying very strong gain in net migration has been on Saskatchewan's housing market. Despite a deterioration in affordability reported by the RBC report on Housing Trends and Affordability, sales of existing houses in the province are up by 26.6% year to date in 2012, just over three times the 8.7% increase during the same period in 2011.

This very solid increase in demand for ownership accommodation, driven by the strong pattern of full-time employment, has contributed to a significant strengthening in starts of single family dwelling units which are up 27.2% year to date in July compared to a cumulative gain of 0.7% during the first seven months of 2011.

Looking ahead, despite the already noted deterioration in affordability, the outlook for residential construction remains quite strong, given that the inventory of completed and unoccupied dwellings in mid-2012 is approximately 30% lower than it was at this time last year. This view is reinforced by a 30% increase



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in the value of residential building permits issued in the province in the past three months due primarily to a 35.5% increase in single-family building intentions.

In addition to helping drive housing demand, the solid year-to-date growth of full-time employment should also sustain growth of consumer spending through the remainder of 2012 and into 2013, particularly on house-related durable goods and services.

Following a strong gain in 2011, a number of indicators suggest that the pace of non-residential building will moderate over the next several quarters.

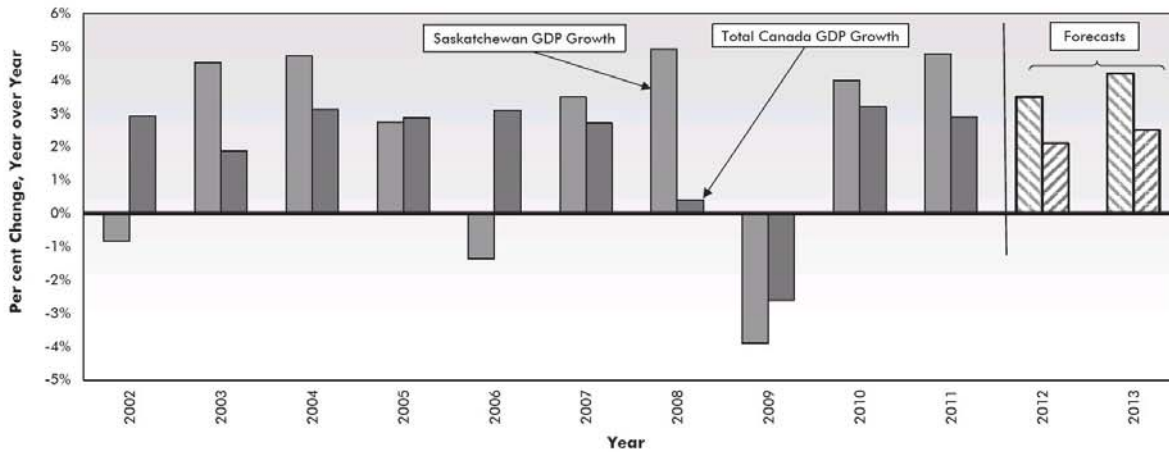
First, Statistics Canada's Survey of Investment Intentions carried out late in 2011 and early 2012 indicated that the total value of public and private investment would increase by 4.2% year-over-year in 2012 following a gain of 10.3% in 2011.

Further, although the most recent Enterprise Saskatchewan's Major Project Inventory indicated the total value of major projects in planning, design or construction phases increased by 4.6% percent in 2012, largely due to increased spending on mining projects, the impact of weakening global demand appears to have caused a number of companies to scale back their capital spending plans.

However, despite this moderation in business investment, the effects of sustained growth of consumer spending, residential construction and merchandise exports should cause the Saskatchewan economy to grow by an estimated 3.2% to 3.7% in 2012 and by 4% to 4.5% in 2013.

John Clinkard has over 30 years' experience as an economist in international, national and regional research and analysis with leading financial institutions and media outlets in Canada.

Gross Domestic Product (GDP) Growth – Saskatchewan vs Total Canada



Data Source (actuals): Statistics Canada; Forecasts - CanaData/Chart: Reed Construction Data, CanaData