

SASKATOON & REGION ECONOMIC REVIEW & OUTLOOK



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*check against delivery

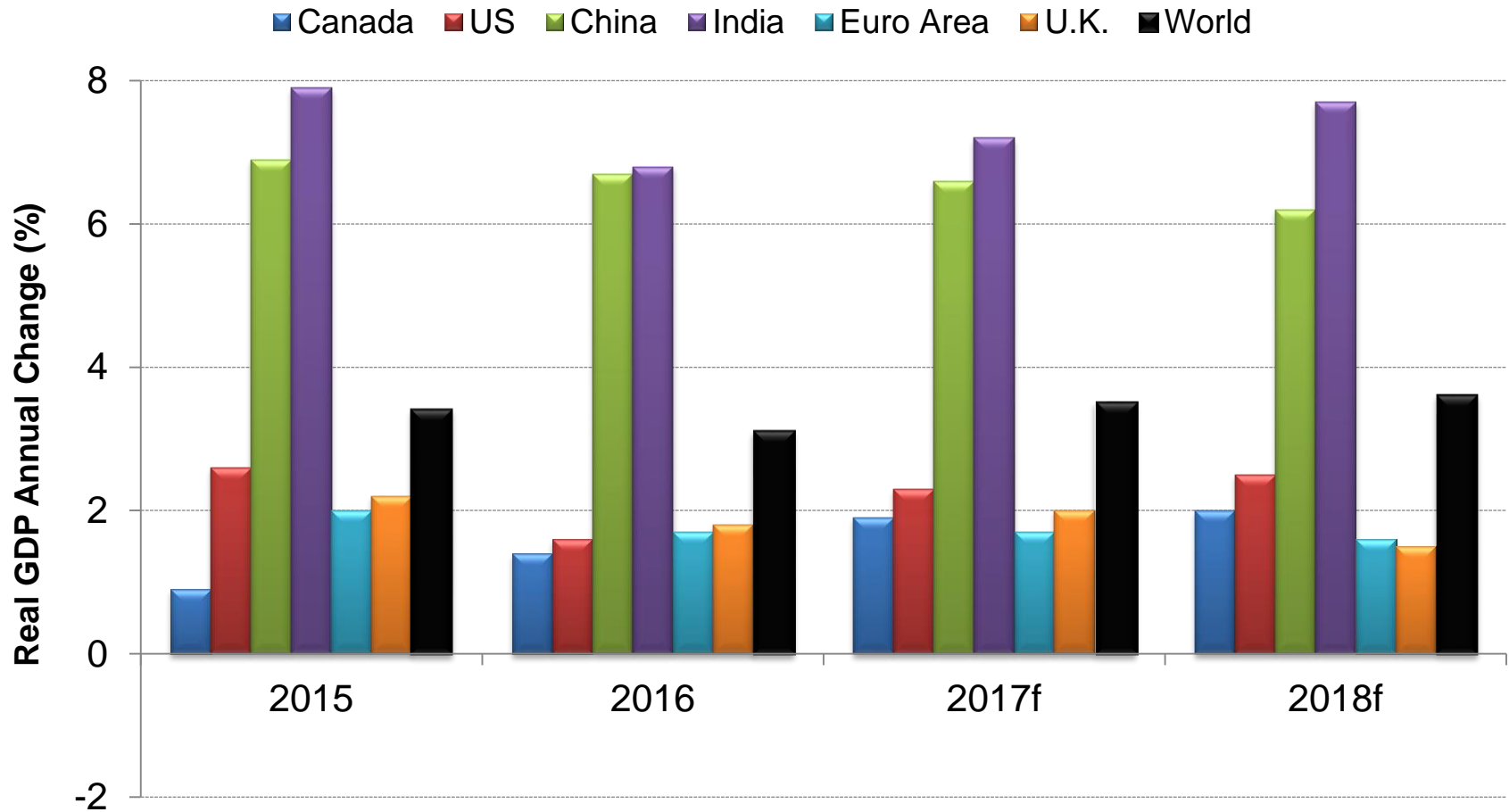


OVERVIEW

- Global & United States Growth
- Canadian Review & Outlook
- Saskatchewan Review & Outlook
- Saskatoon Review & Outlook 2016-17
 - Employment
 - Income
 - Consumer Spending
 - Housing
 - Demographics
 - Output

GLOBAL TRENDS

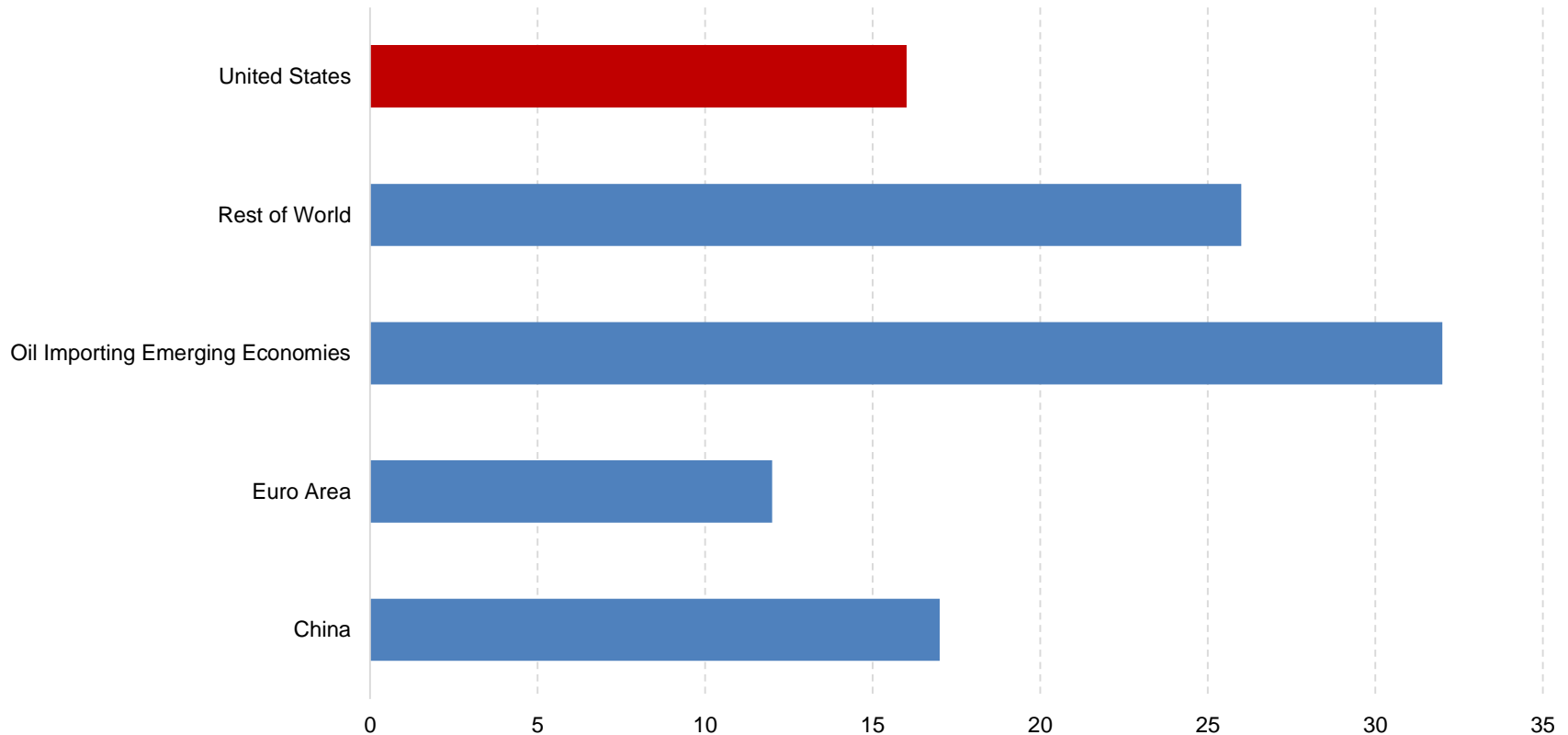
Global growth to pick up after slow recovery from economic downturn.



Source: International Monetary Fund, World Economic Outlook, April 2017

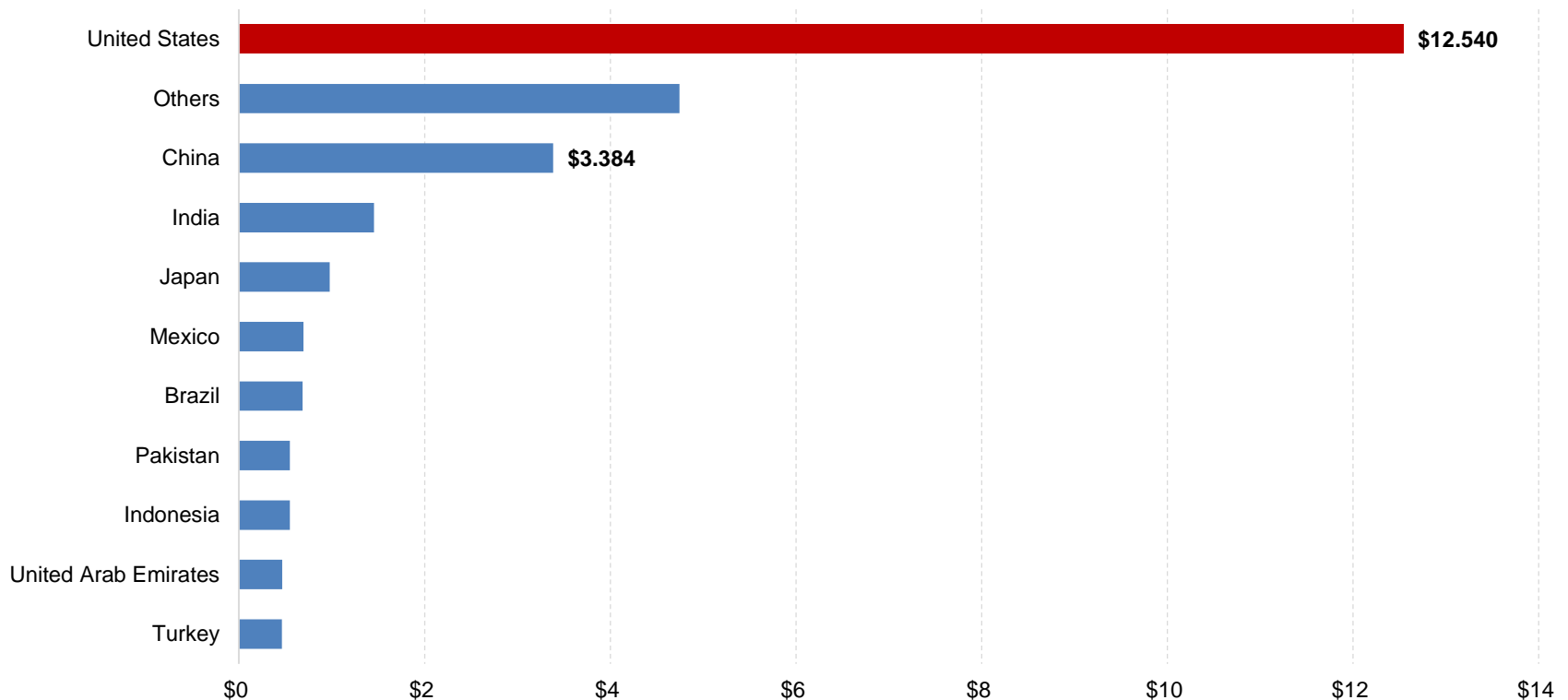
China and the United States represent 33% of Global GDP

Share of Global GDP, 2016 (%)
Source: Bank of Canada, International Monetary Fund



About 30% of Saskatchewan Exports, or \$16 Billion, goes to the US and China.

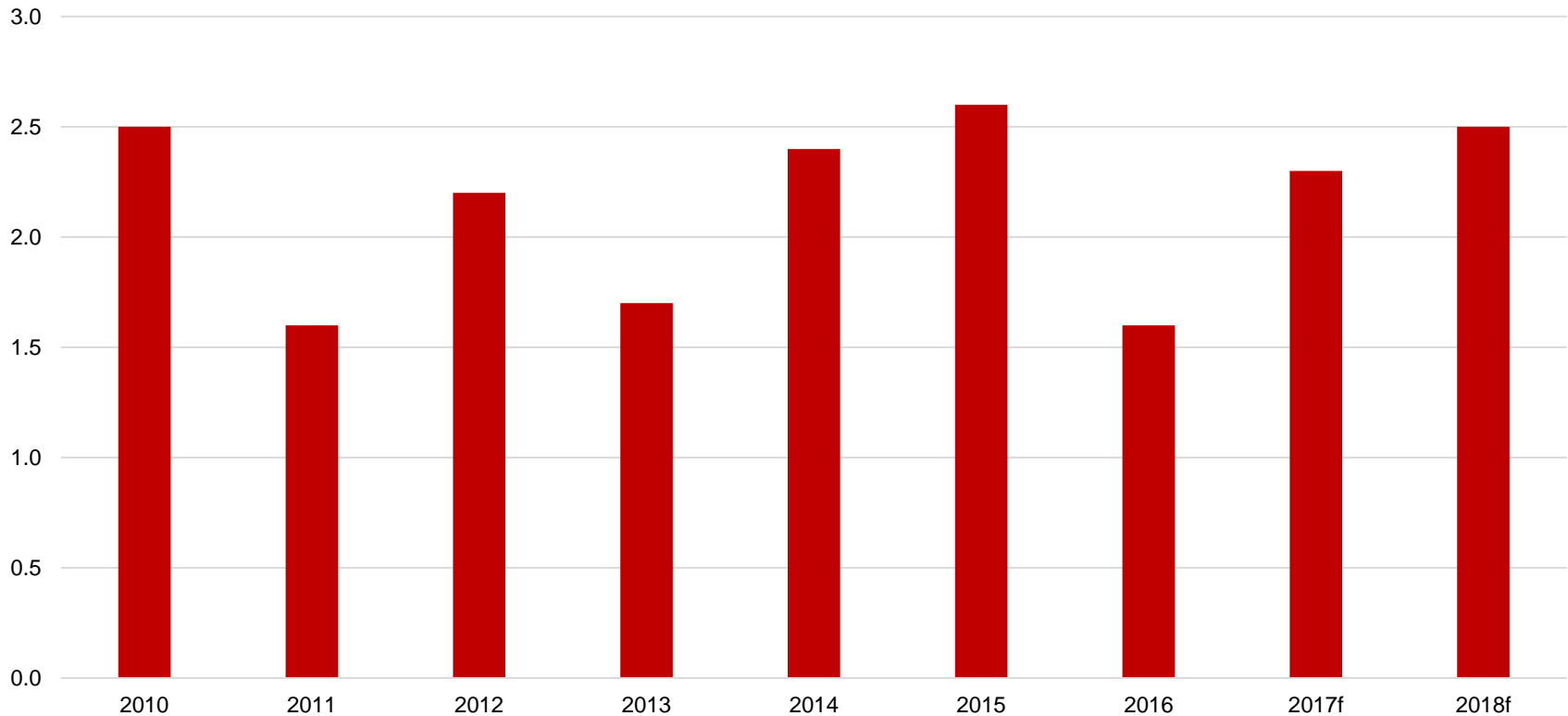
Saskatchewan Exports 2016: Top 10 Countries
C\$ Billions Total = \$26.5 Billion
Source: Industry Canada, Trade Data Online



THE US OUTLOOK

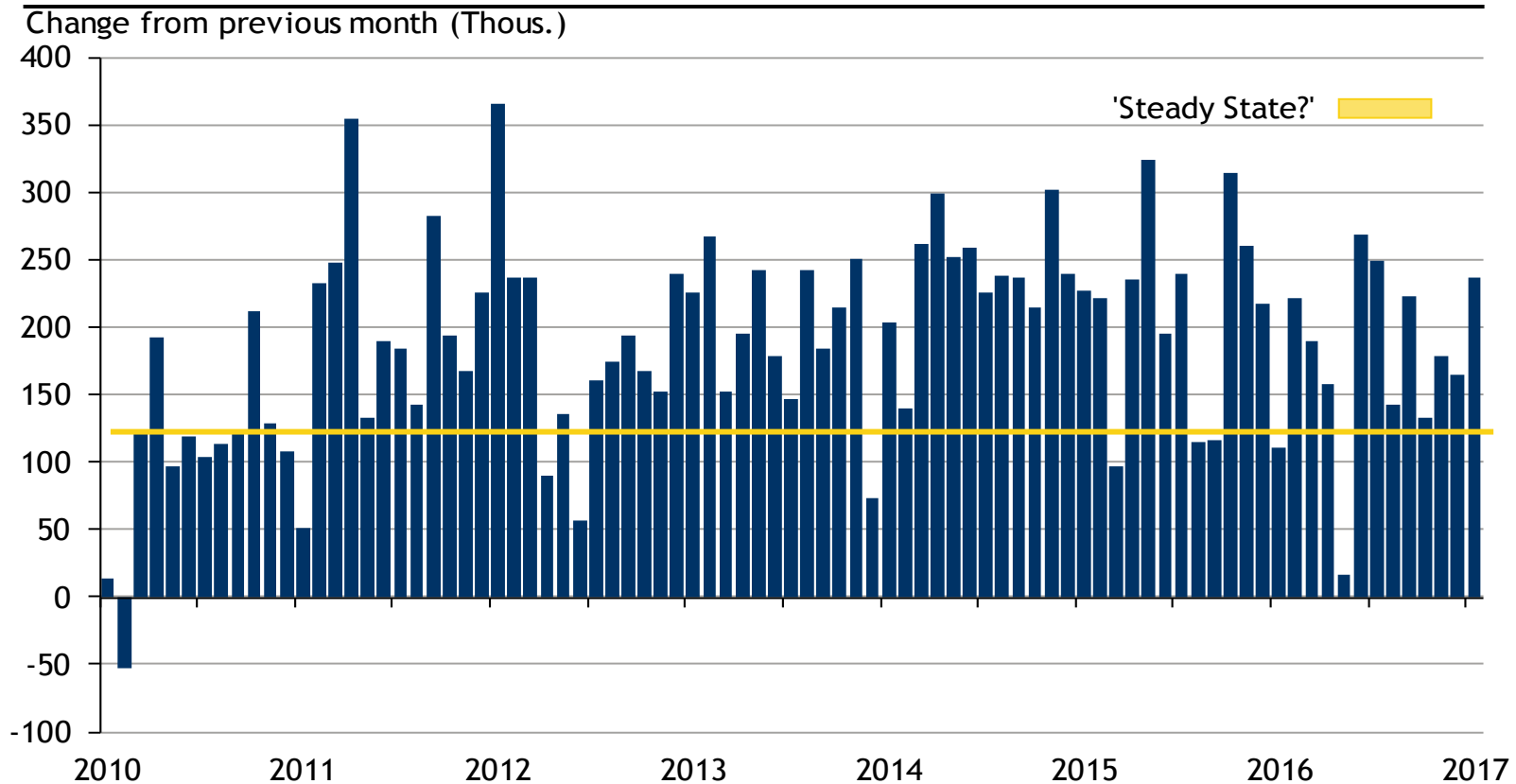
US Real GDP Growth is expected to grow at an above average pace due to monetary policy and expansionary fiscal policy.

US Real GDP Growth (%)
Source: Bureau of Economic Analysis & RBC Economics



Strong Employment growth suggests positive momentum

U.S. payroll employment growth

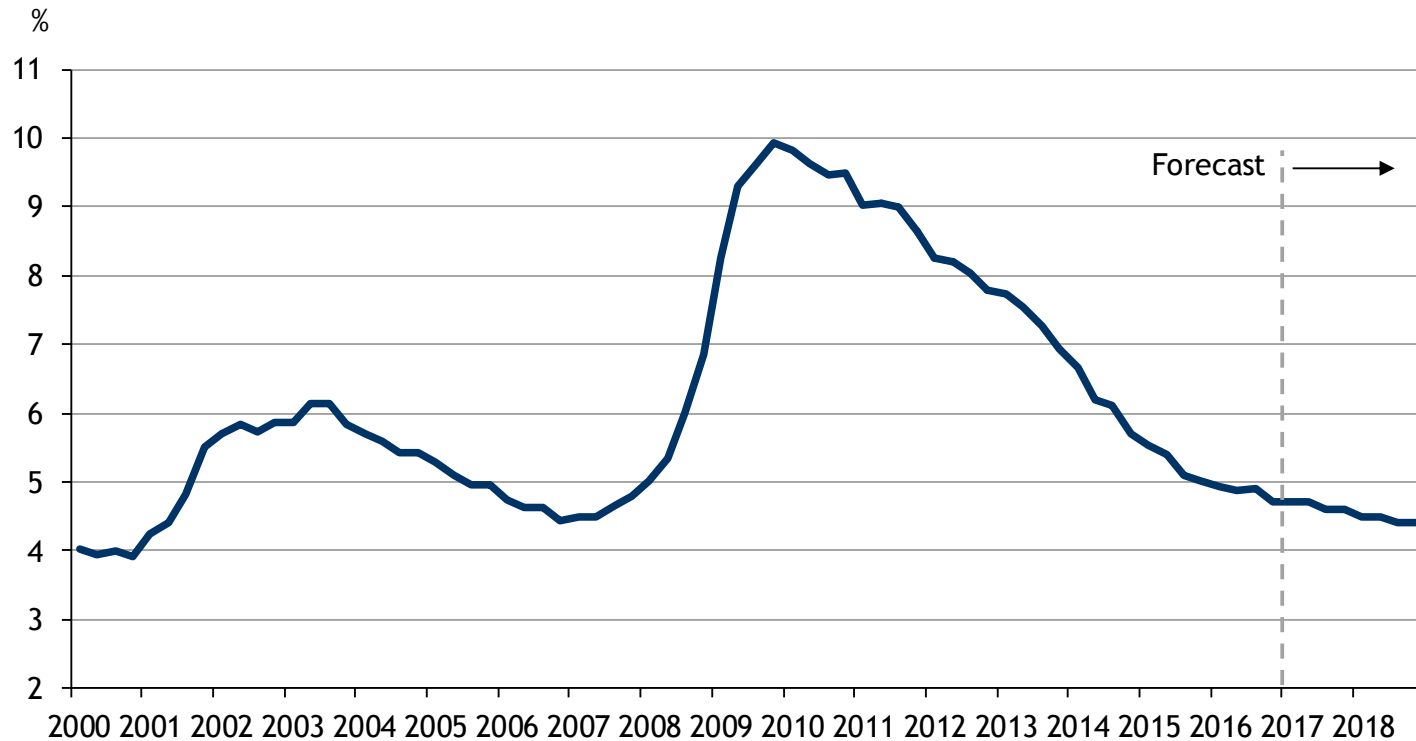


Source: Bureau of Labor Statistics, RBC Economics Research

Courtesy: RBC Economics

US Growth will drive down the Unemployment Rate.

Unemployment rate: U.S.

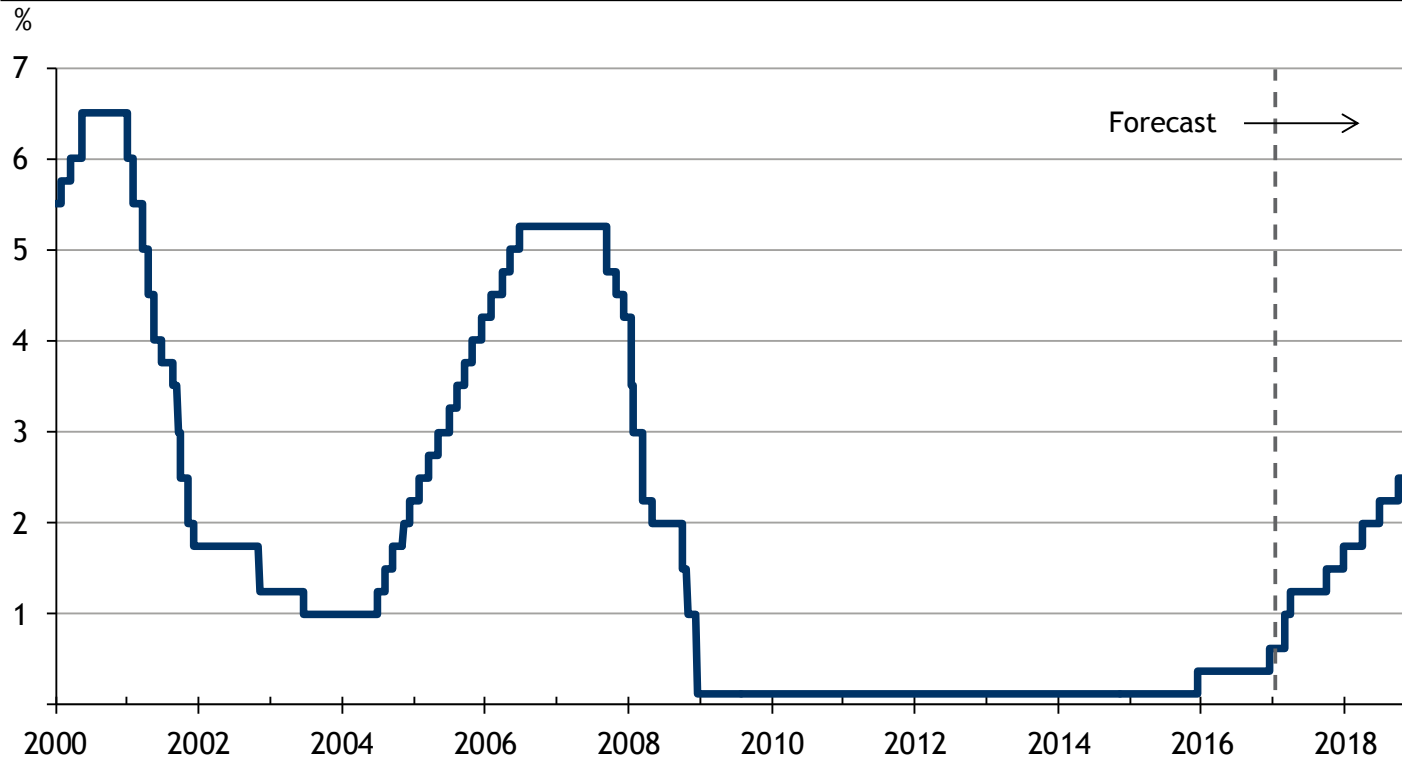


Source: Bureau of Labor Statistics, RBC Economics Research

Courtesy: RBC Economics

The Federal Reserve Board will tighten rate policy due to economic growth.

Fed Funds Rate



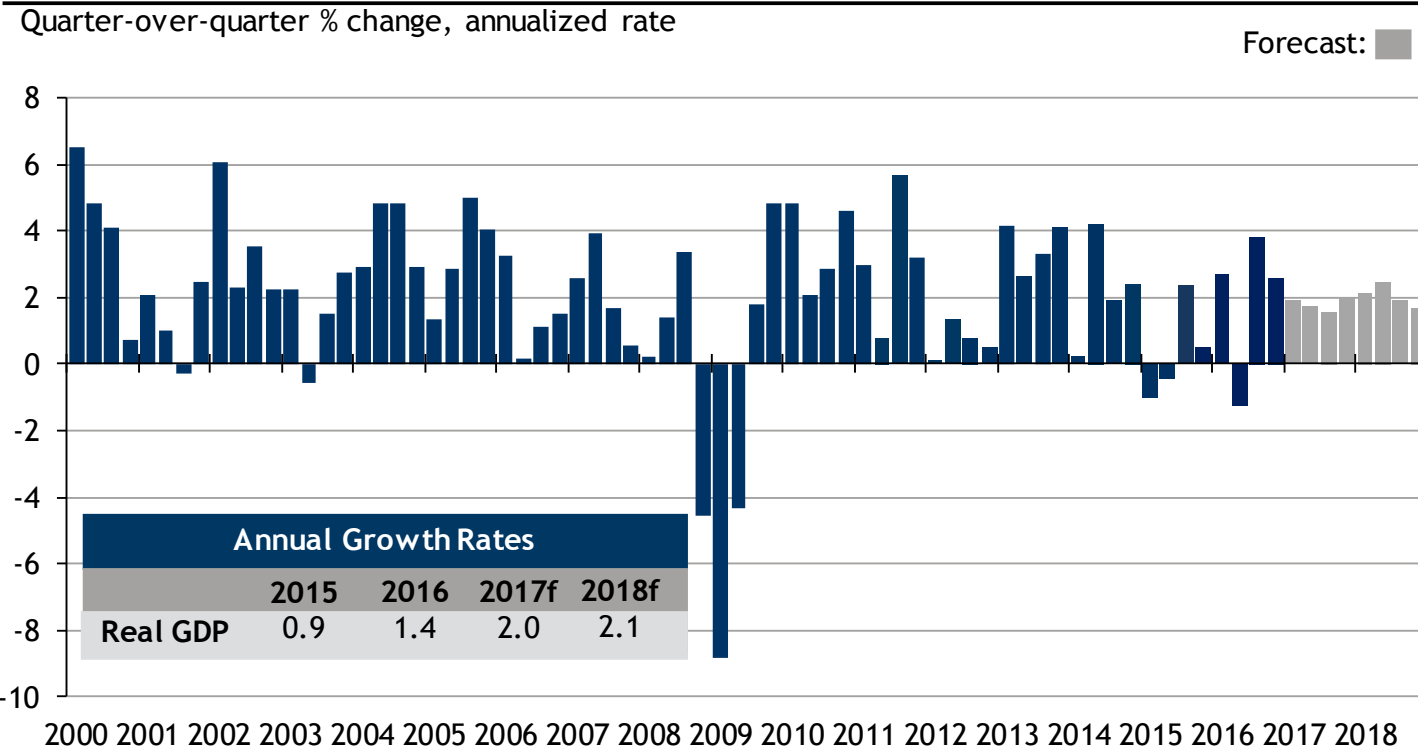
Source: Federal Reserve Board, RBC Economics Research

Courtesy: RBC Economics

CANADIAN OUTLOOK

Increased exports and energy investment will improve GDP growth for Canada.

Canada's real GDP growth



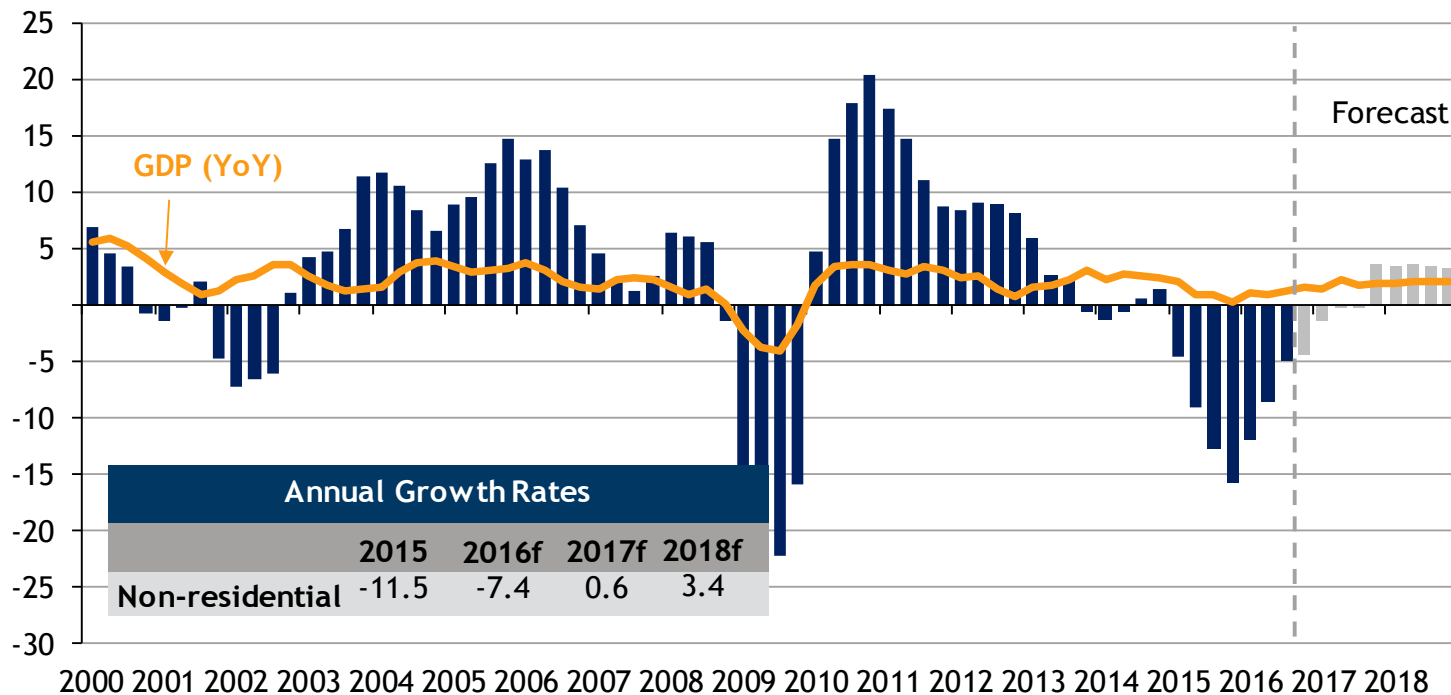
Source: Statistics Canada, RBC Economics Research

Courtesy: RBC Economics

Business investment is expected to return to positive territory in 2018.

Non-residential investment in Canada

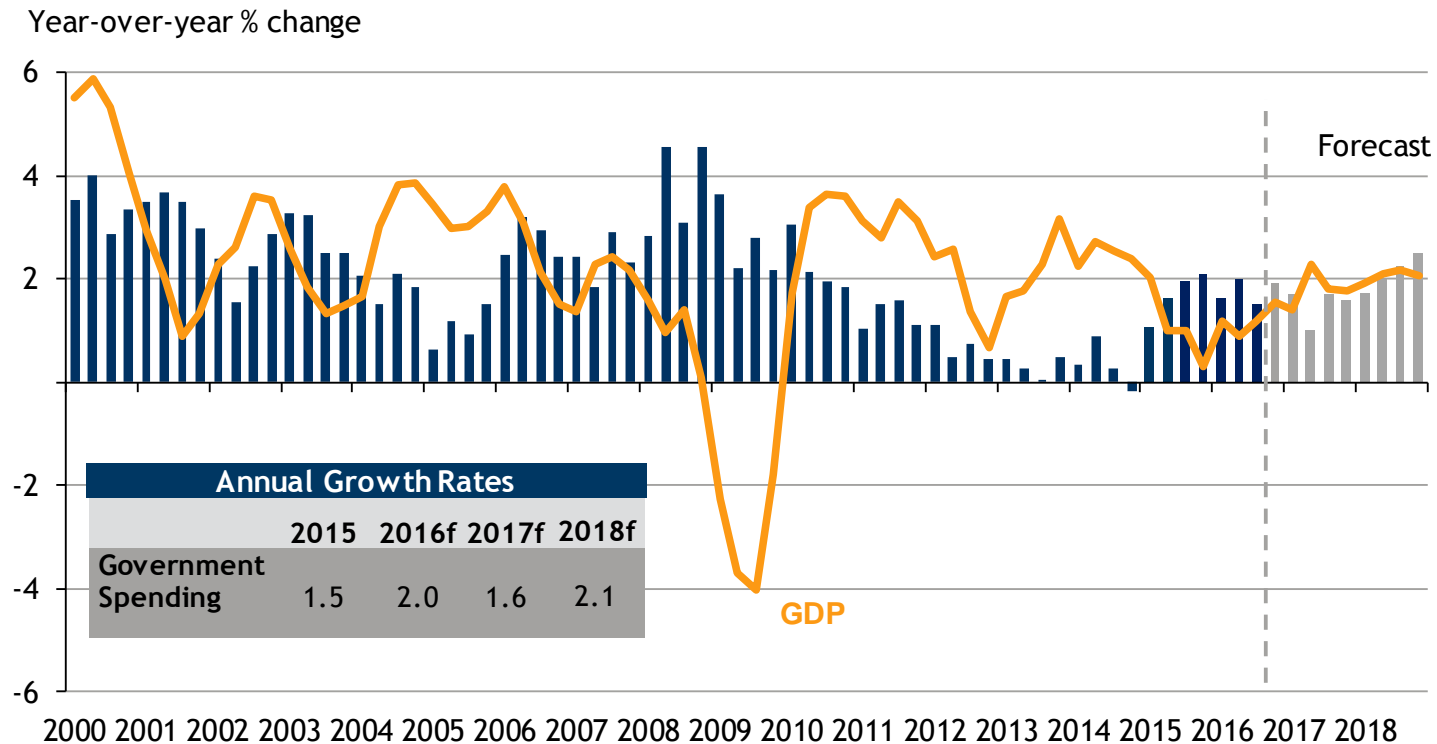
Year-over-year % change



Source: Statistics Canada, RBC Economics Research

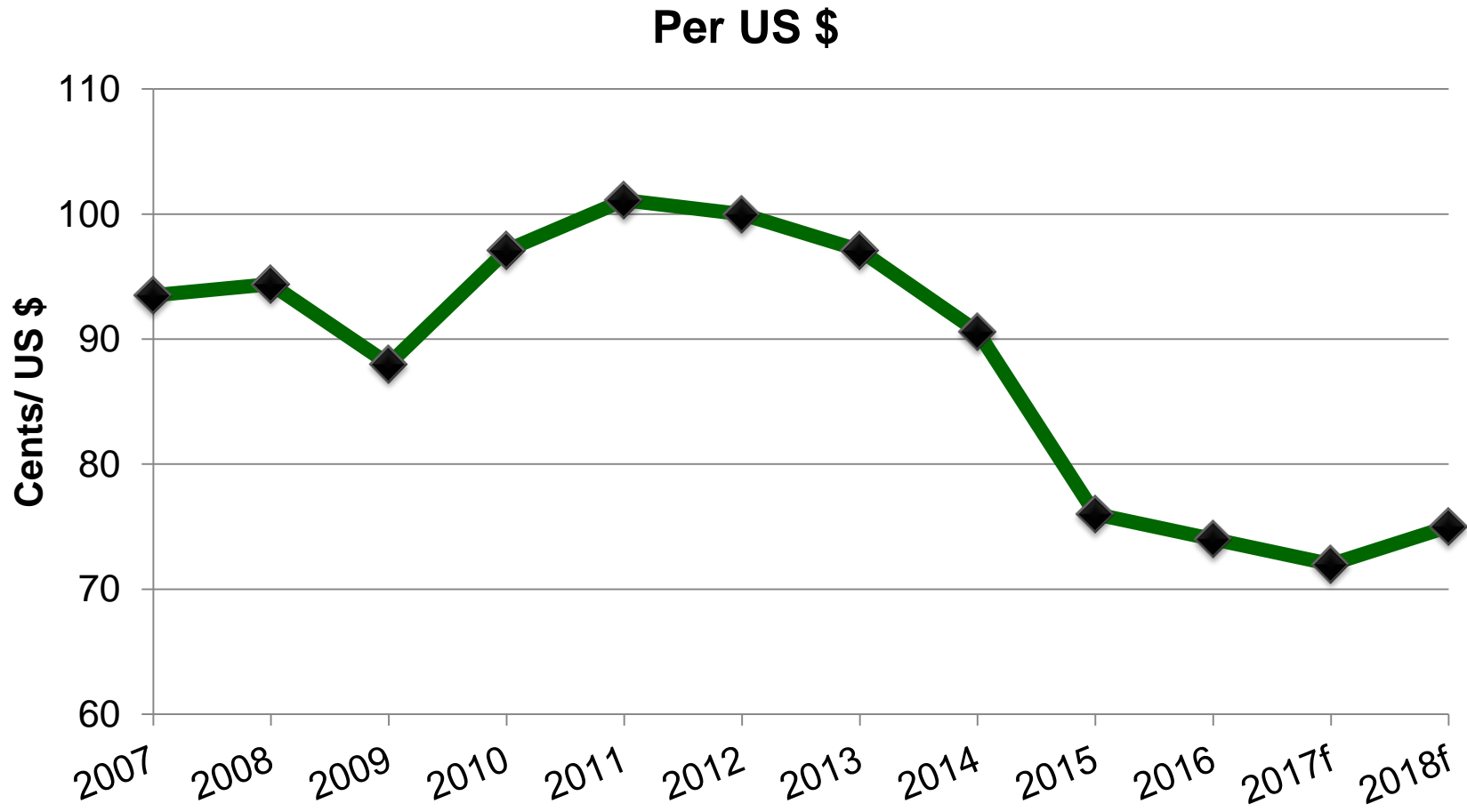
Federal fiscal policy decisions will increase government spending and growth in 2017 and 18.

Government Spending and GDP



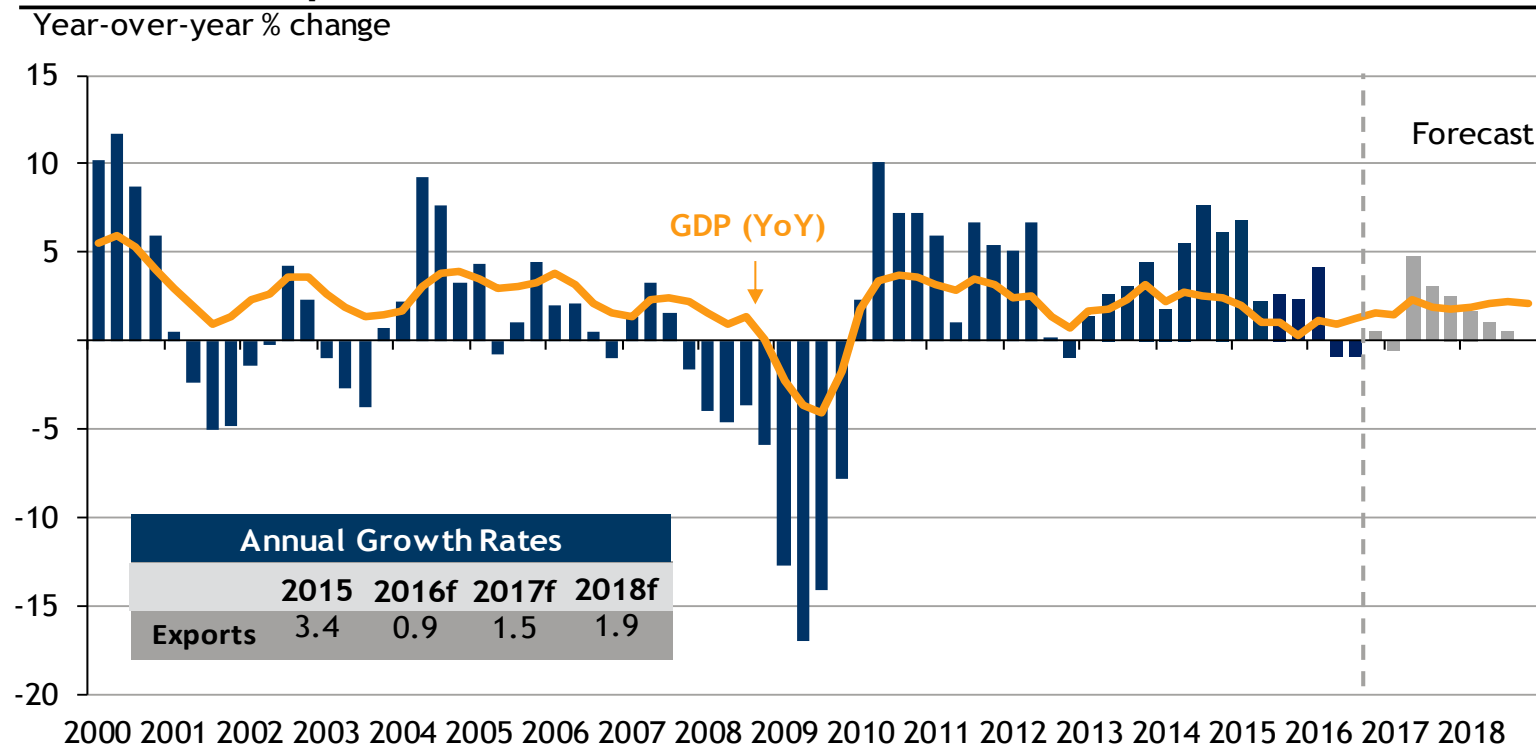
Source: Statistics Canada, RBC Economics Research

The Canadian Dollar is expected to remain relatively weak compared to the US Dollar.



A weak Canadian dollar will help to improve Canadian exports. However, potential US trade policy changes provide a risk.

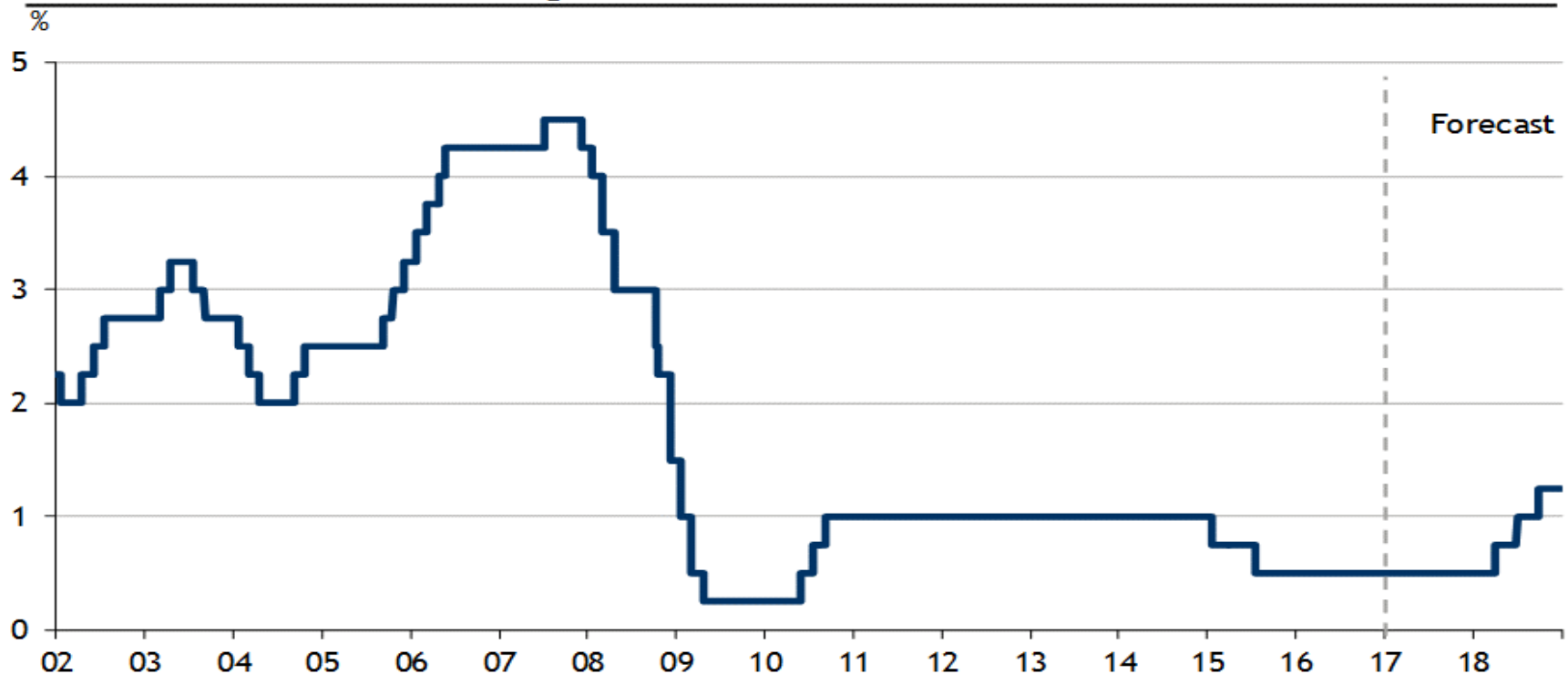
Canadian Exports and GDP



Source: Statistics Canada, RBC Economics Research

Bank of Canada will keep rate policy steady through 2017, but will tighten in 2018

Bank of Canada overnight rate



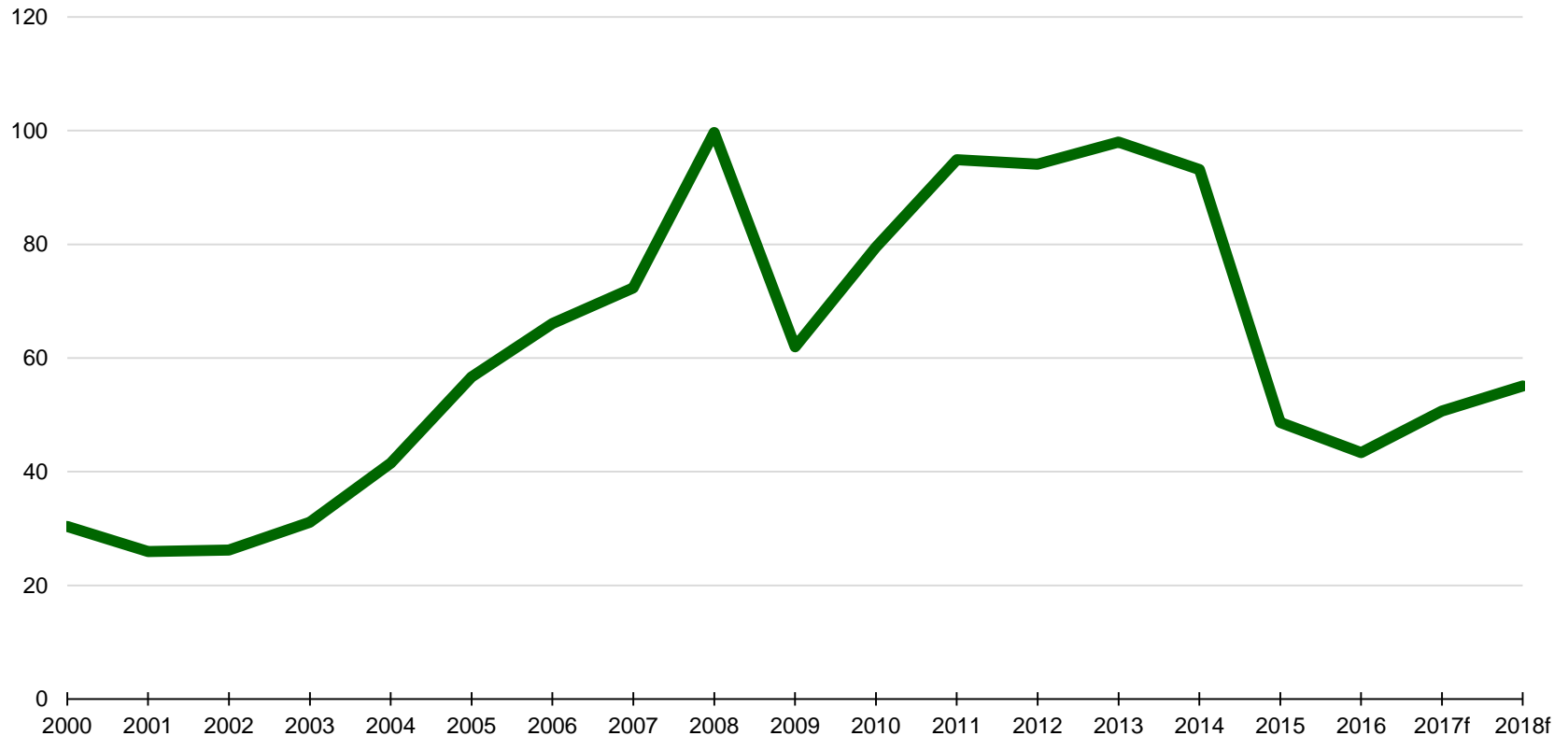
Source: Bank of Canada, RBC Economics Research

Courtesy: RBC Economics

SASKATCHEWAN OUTLOOK

Higher oil prices are expected to be a key factor for returning the Saskatchewan economy to positive growth.

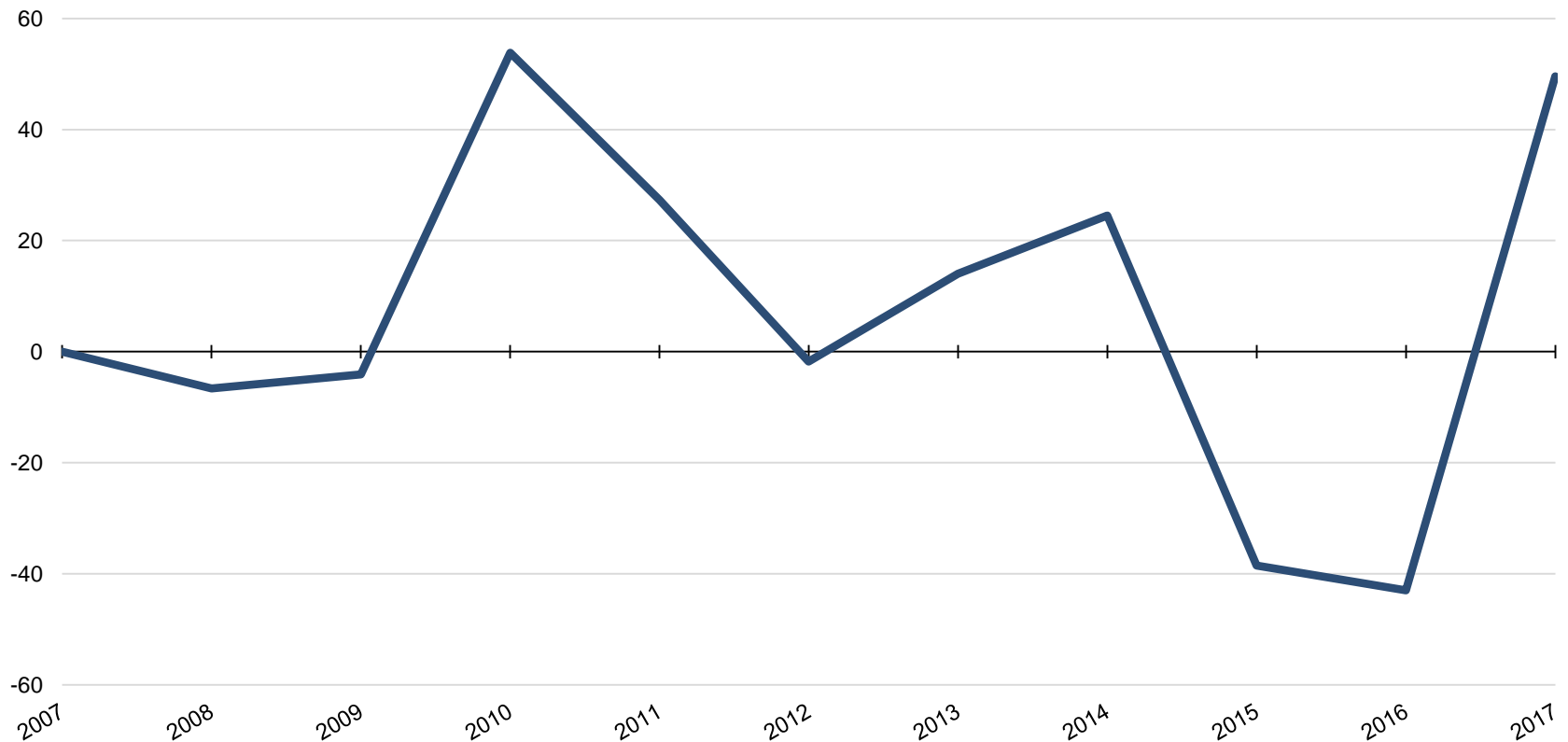
West Texas Intermediate Crude Oil Price
US dollars per barrel



Source: US Energy Information Administration

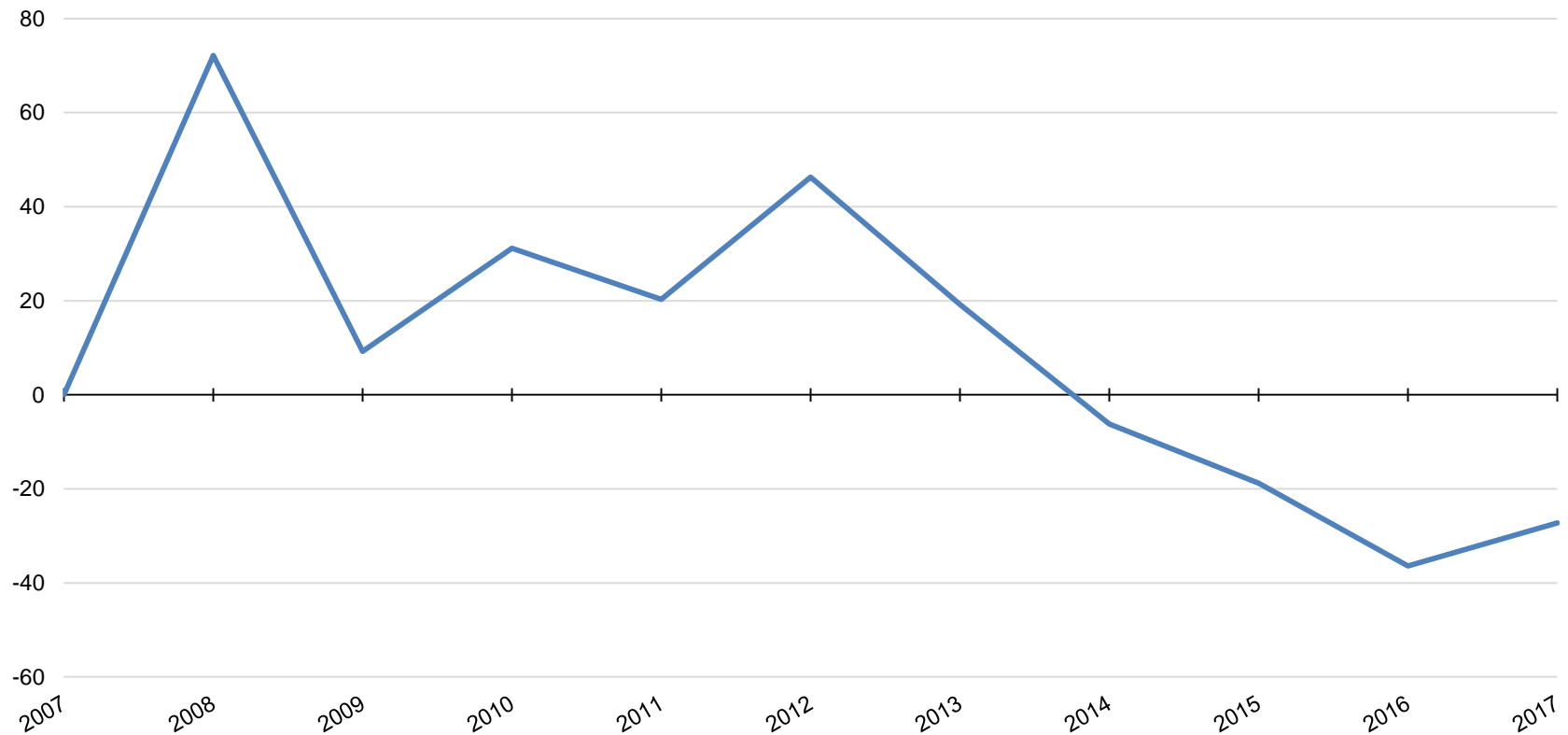
As a result, after two years of decline, the Oil & Gas Sector is intending to increase investment in 2017.

Oil & Gas Sector Capital Expenditure in Saskatchewan
Year over Year Change %
Source: CANSIM 029-0045



However, the same can't be said of the Mining Sector.

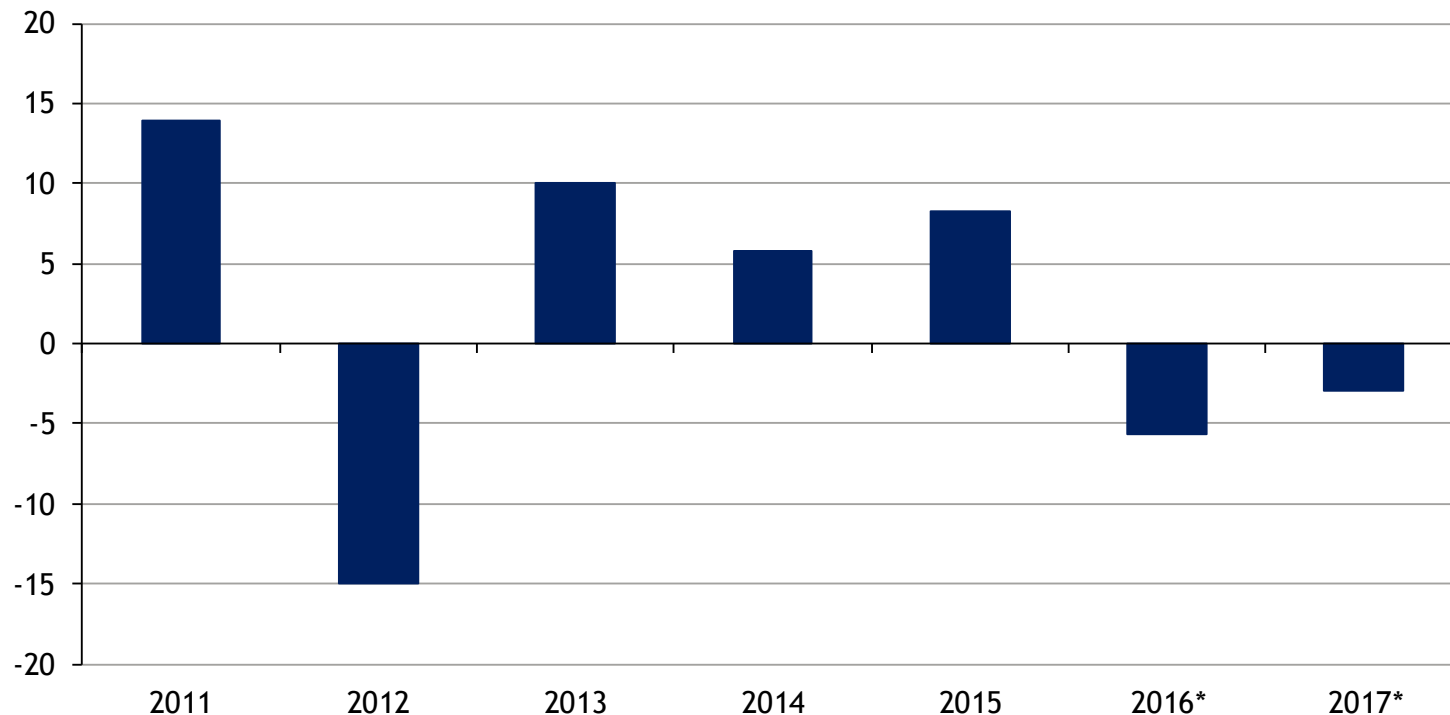
Mining Sector Capital Expenditure in Saskatchewan
Year over Year Change (%)
Source: CANSIM 029-0045



Given the weak demand and low prices, potash production is anticipated to remain under pressure.

Potash production: Saskatchewan

% change, year-over-year



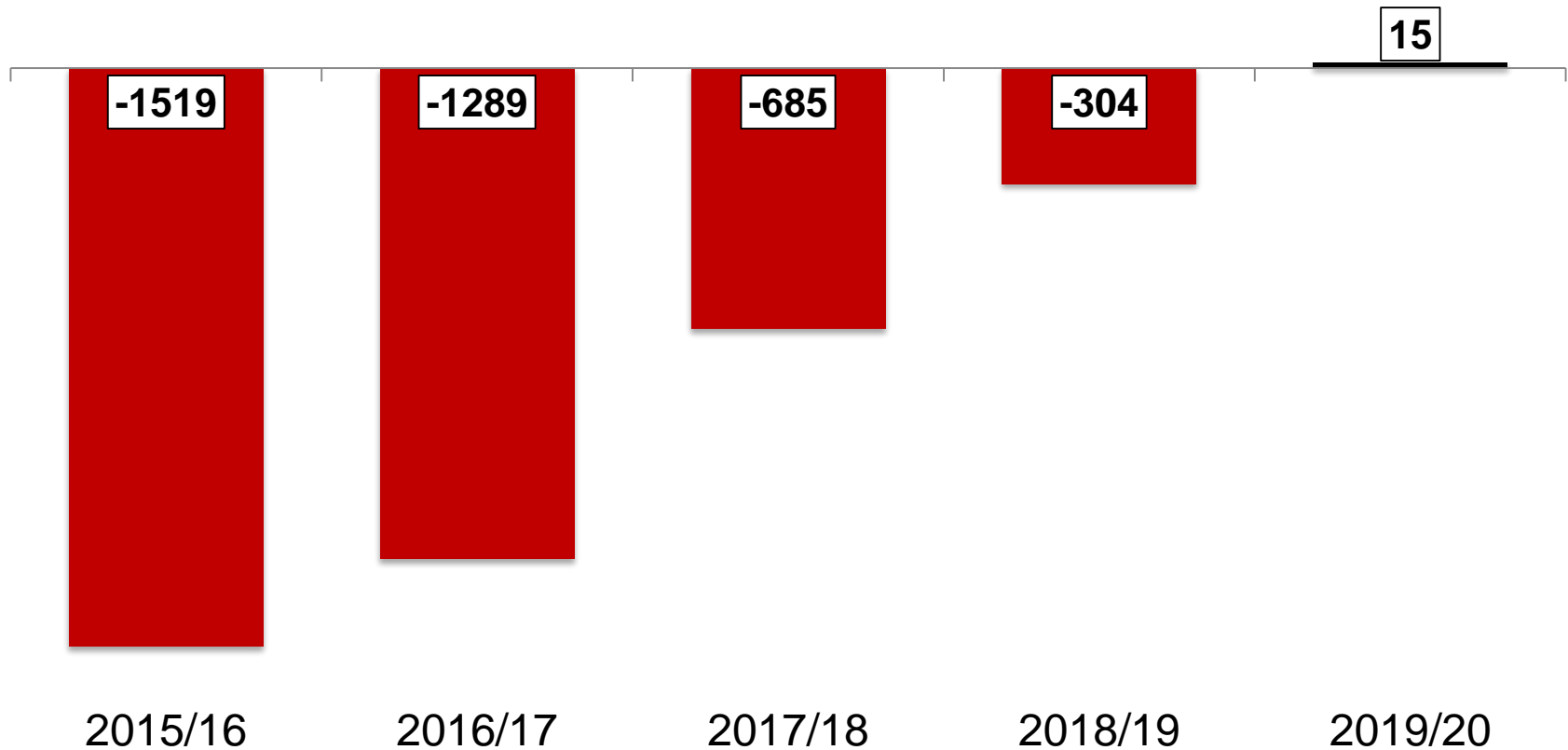
*2016 and 2017 are estimates

Source: Saskatchewan Industry and Resources, RBC Economics Research

Courtesy: RBC Economics

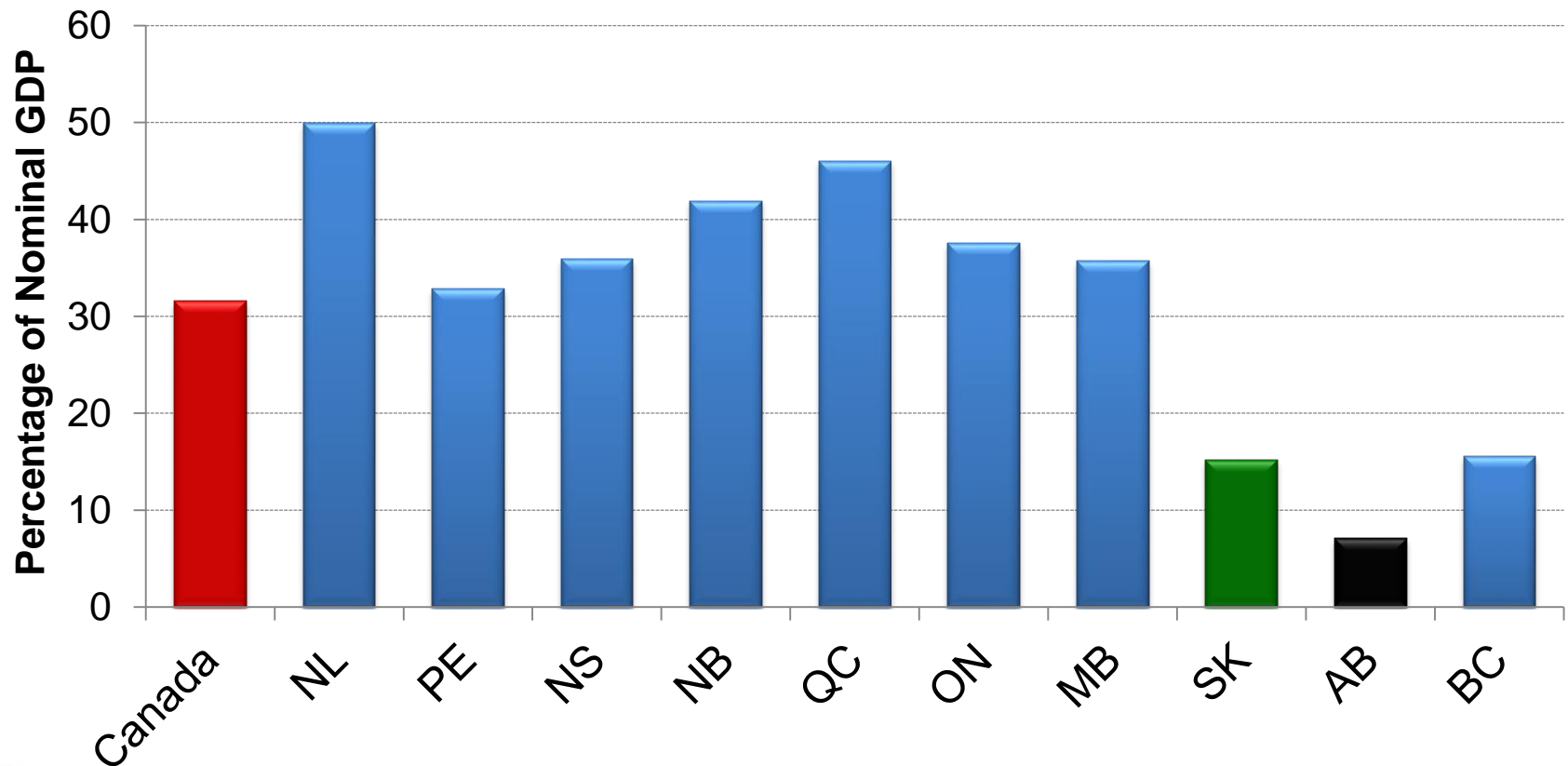
The decline in resource prices and lower investment has impacted the governments balance sheet

Budget Balance Millions \$



However, Saskatchewan still has one of the lowest Net Debt to GDP Ratios in Canada

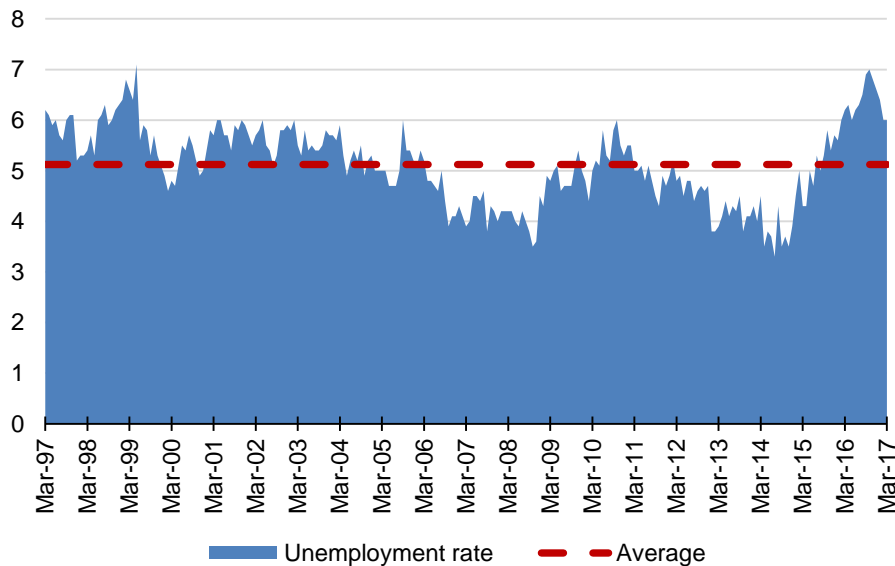
FY: 2017/18



Source: RBC Economics, Fiscal Reference Tables

Lower resource investment has also impacted employment.
The Unemployment Rate is about 1% higher than 20 year average, while Employment Rate is at 20 year average.

Saskatchewan Unemployment Rate (%)
Seasonally Adjusted
Source: CANSIM 282-0087

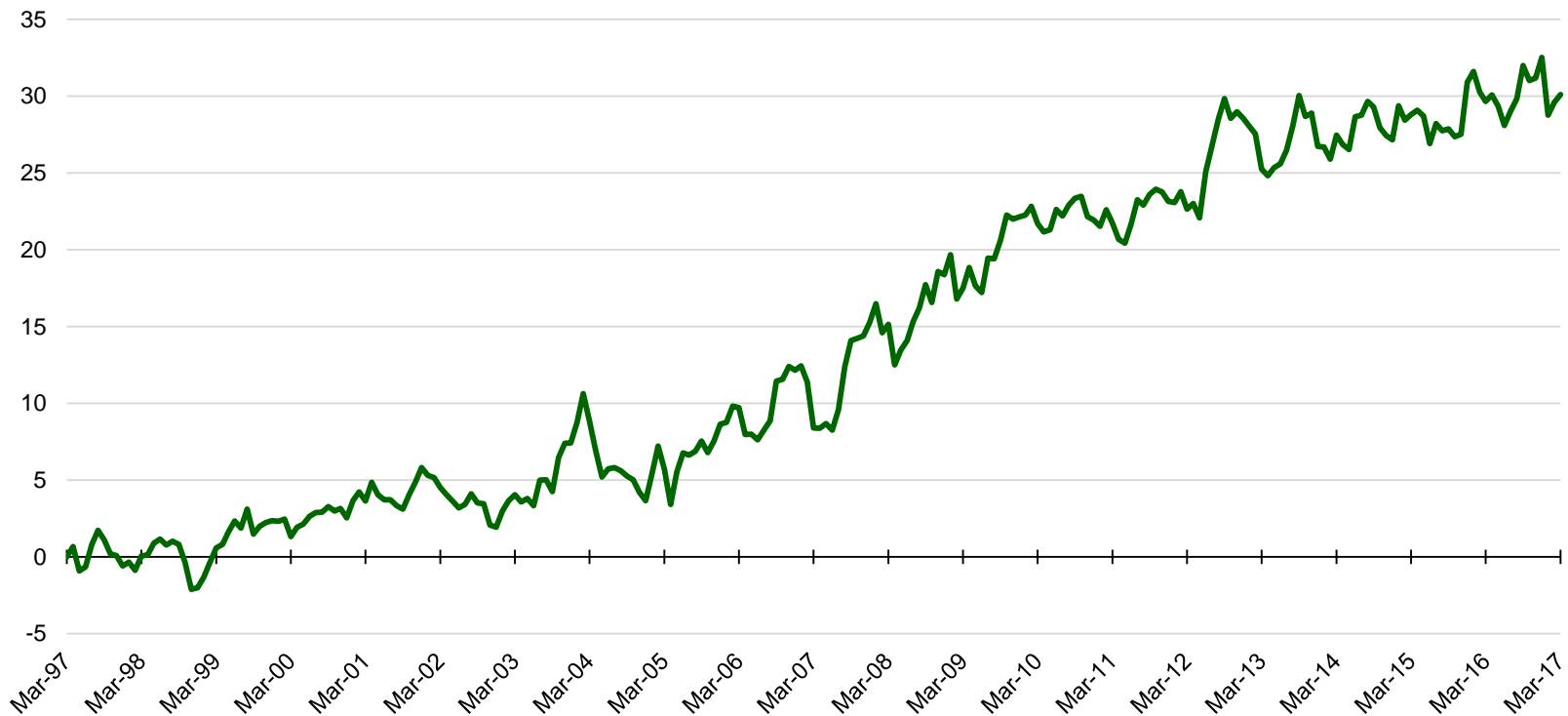


Saskatchewan Employment Rate (%)
Seasonally Adjusted
Source: CANSIM 282-0087



In 20 years, real (inflation adjusted) average weekly wages grew by 30 percent in Saskatchewan. This means on average, consumer purchasing power grew by about 1.5% per year.

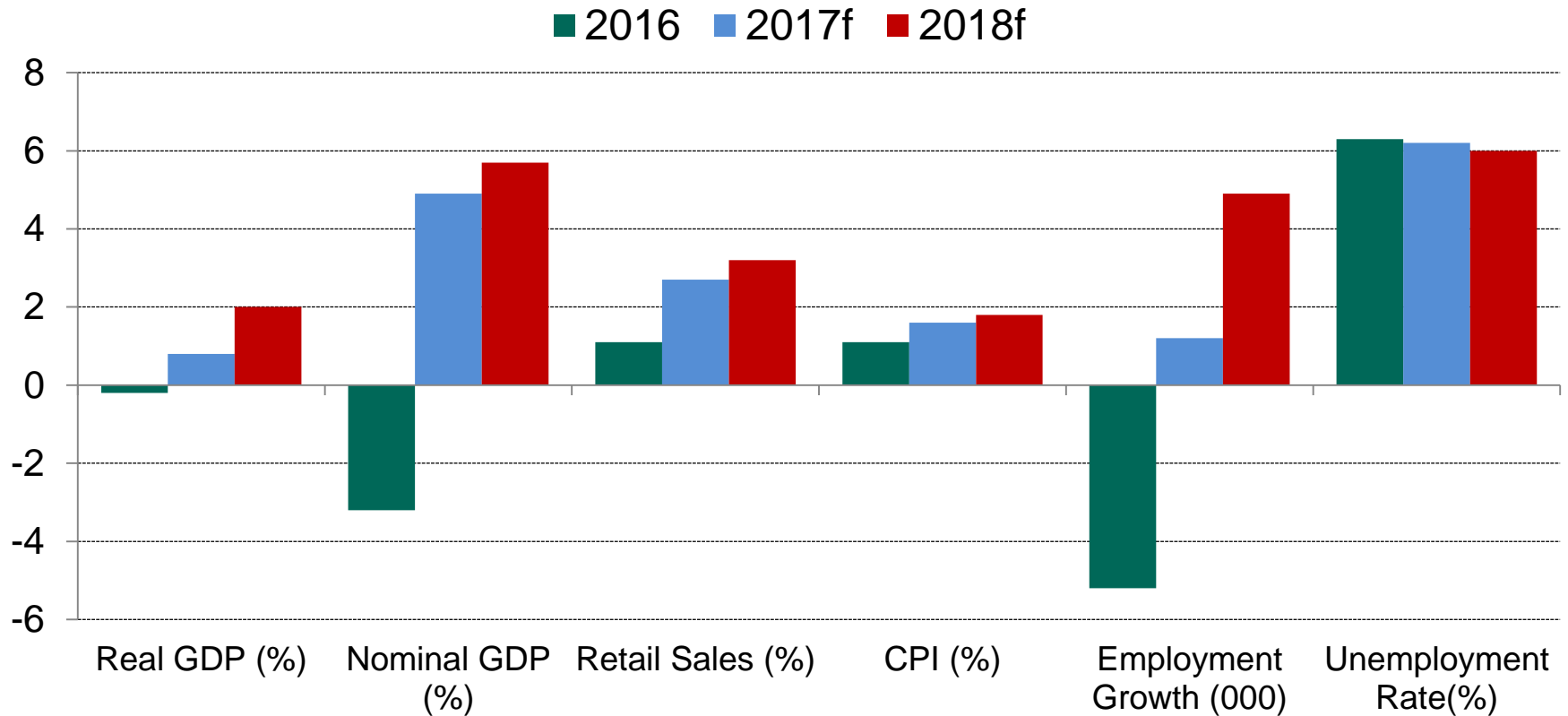
Saskatchewan Real Average Weekly Wages (Mar 2017\$)
Cumulative Change (%)
Sources: CANSIM 282-0071; 326-0020



Saskatchewan

Key Economic Indicators Forecast

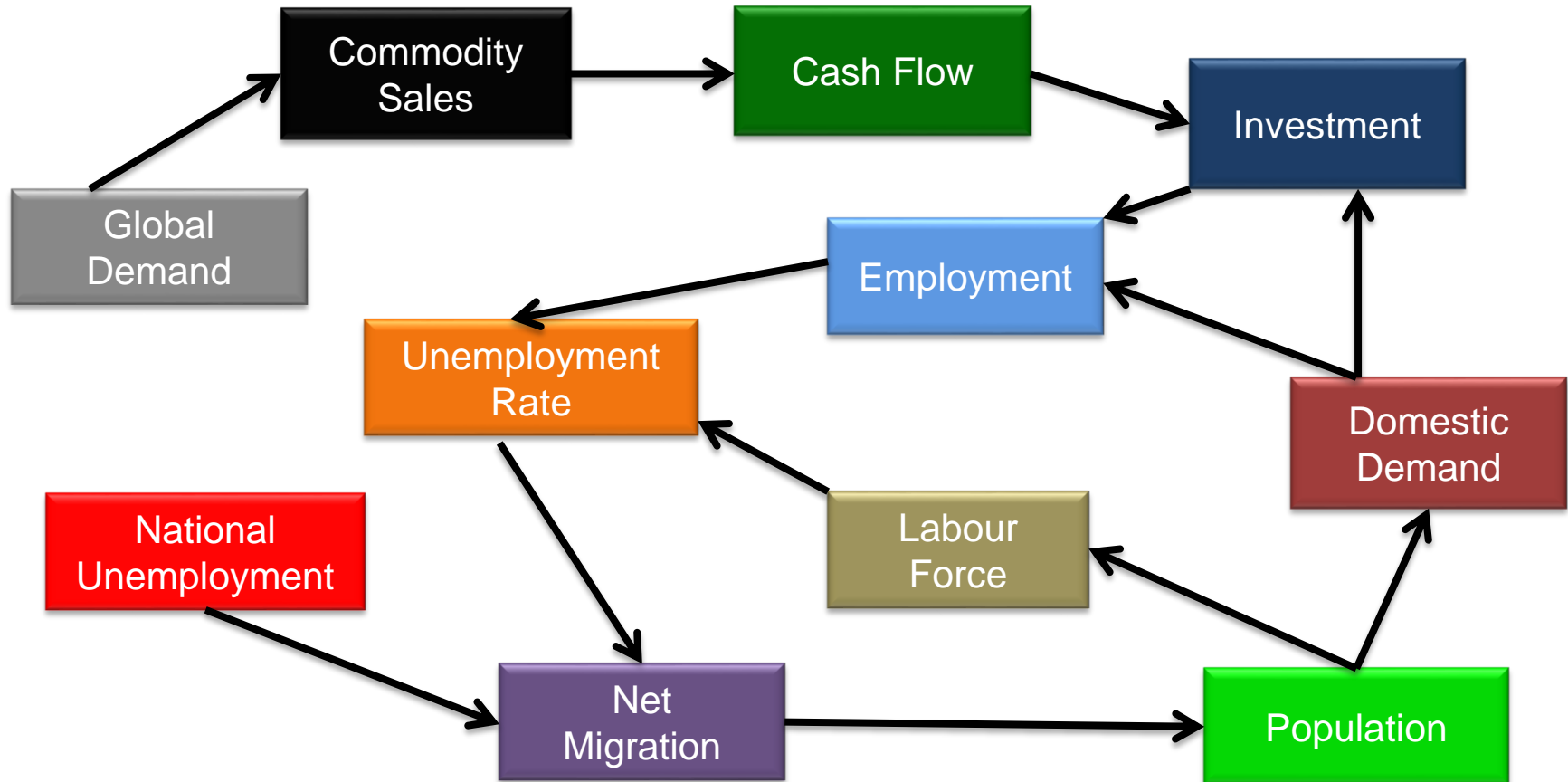
Percentage Change (Unless Indicated)



Source: Saskatchewan 2017-18 Budget; Private Sector Forecasts

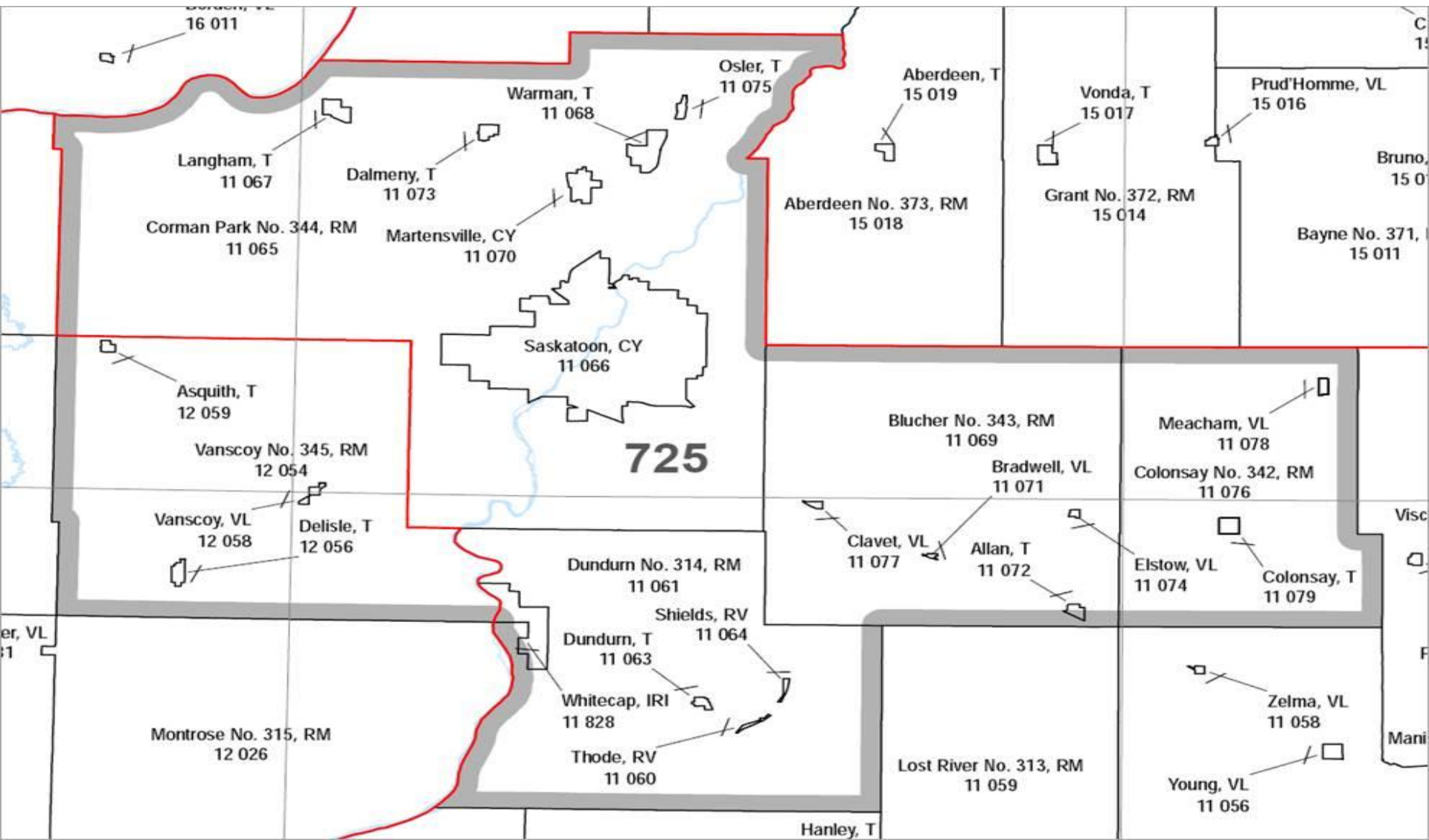
SASKATOON & REGION ECONOMIC OUTLOOK 2017- 18

REGIONAL GROWTH FACTORS



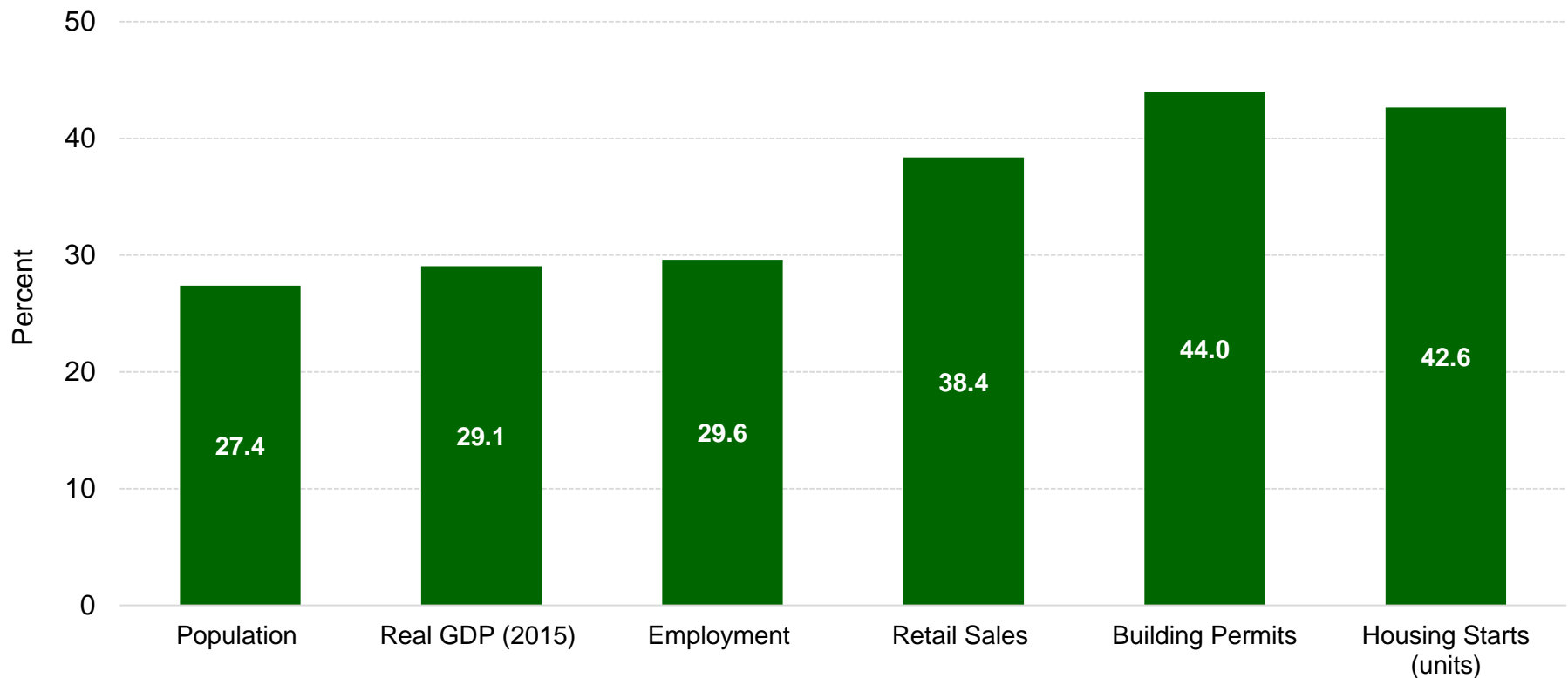
Source: Adapted from City of Calgary, Corporate Economics

MAP OF THE SASKATOON CENSUS METROPOLITAN AREA (CMA)

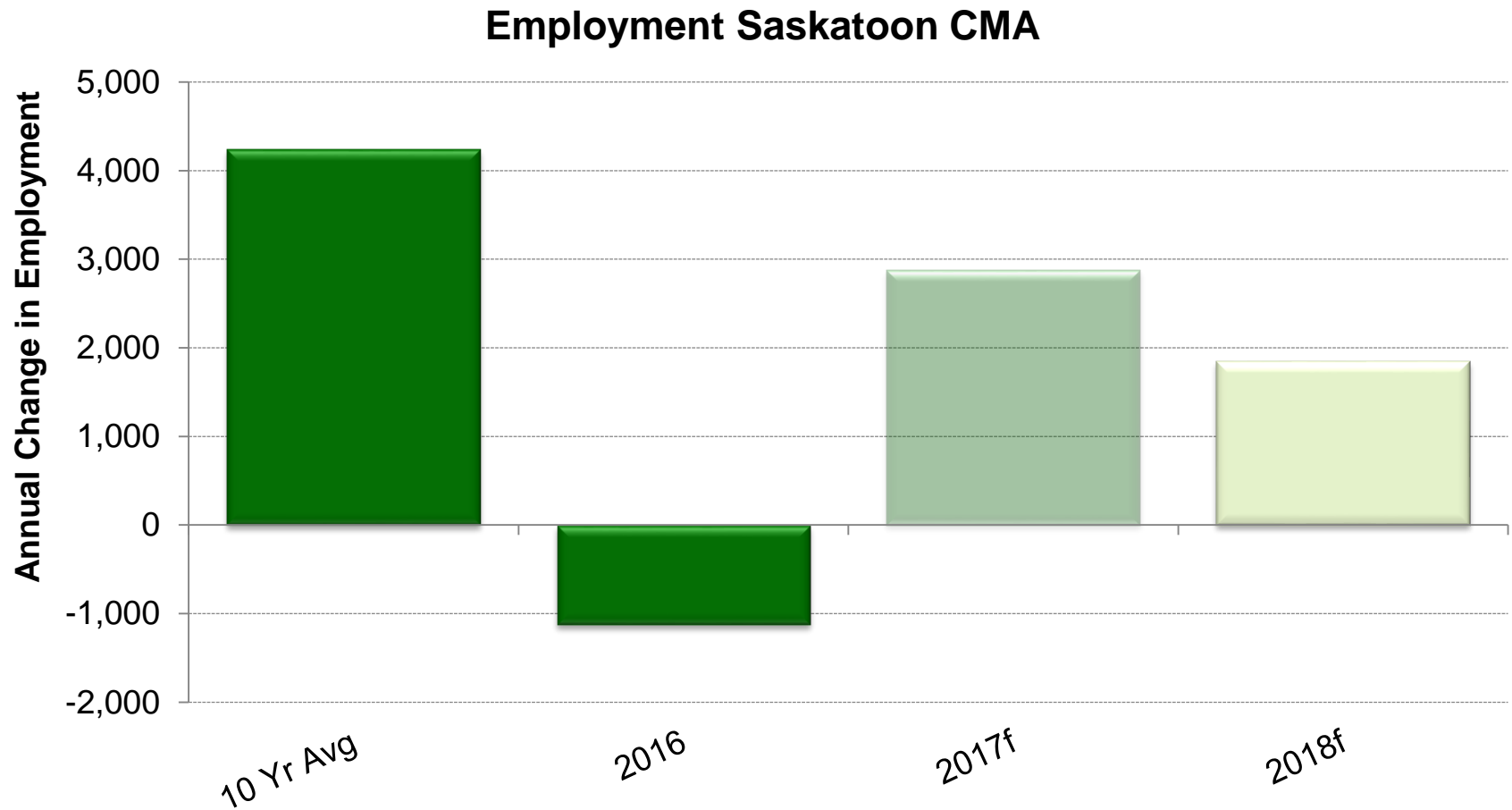


According to leading indicators, Saskatoon is the engine of the Saskatchewan economy.

Saskatoon Region
Share (%) of 2016 Provincial Economic Indicators
Sources: Statistics Canada; Conference Board of Canada



After significant job losses in 2016, employment is expected to recover in 2017, but won't reach long run average.



Sources: Statistics Canada, Conference Board of Canada

The composition of Saskatoon's Labour Market has changed in 20 years, with the largest gains coming in the Construction industry.

Employment Share By Industry	1996 Share of Employment (%)	2016 Share of Employment (%)	Change
Professional, Scientific and Management Services	8.1	9.5	↑ 1.4
Construction	4.8	10.6	↑ 5.8
Finance, Insurance, Real Estate	6.3	4.8	↓ -1.5
Information & Culture Industries	2.4	1.5	↓ -0.9
Manufacturing Industries	8.8	5.4	↓ -3.3
Education, Health Care, & Social Services	21.2	23.5	↑ 2.2
Accommodation, Food, Arts, & Entertainment Services	15.9	13.8	↓ -2.1
Primary & Utility Industries	6.0	5.4	↓ -0.6
Public Administration	5.2	4.6	↓ -0.6
Transportation and Warehousing Services	5.1	5.0	↓ -0.1
Wholesale and Retail Trade	16.2	16.0	↓ -0.2
Total	100.0	100.0	

Sources: Statistics Canada, Conference Board of Canada

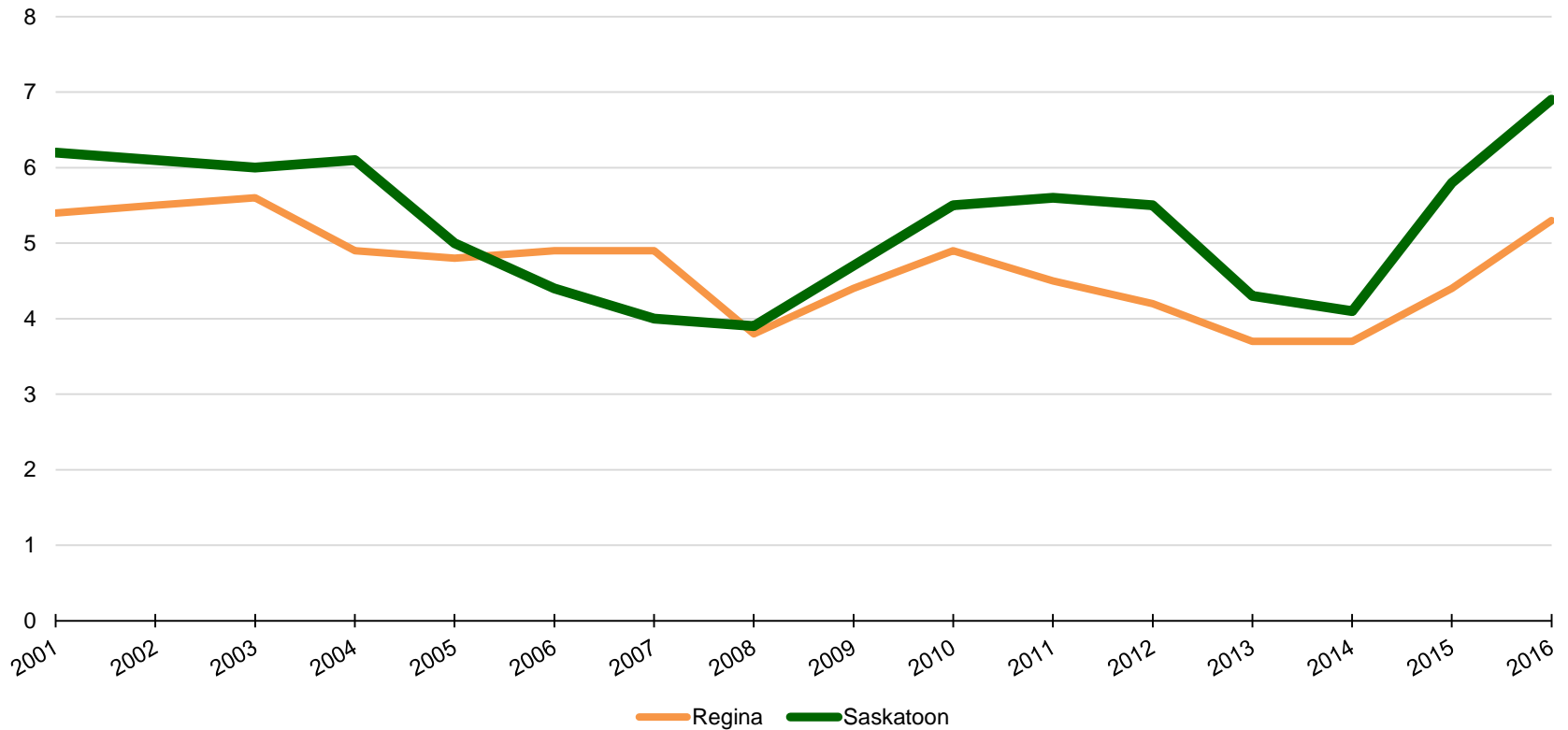
Saskatoon's Unemployment Rate has reached its highest levels in 2016, but is expected to remain steady over the forecast period.



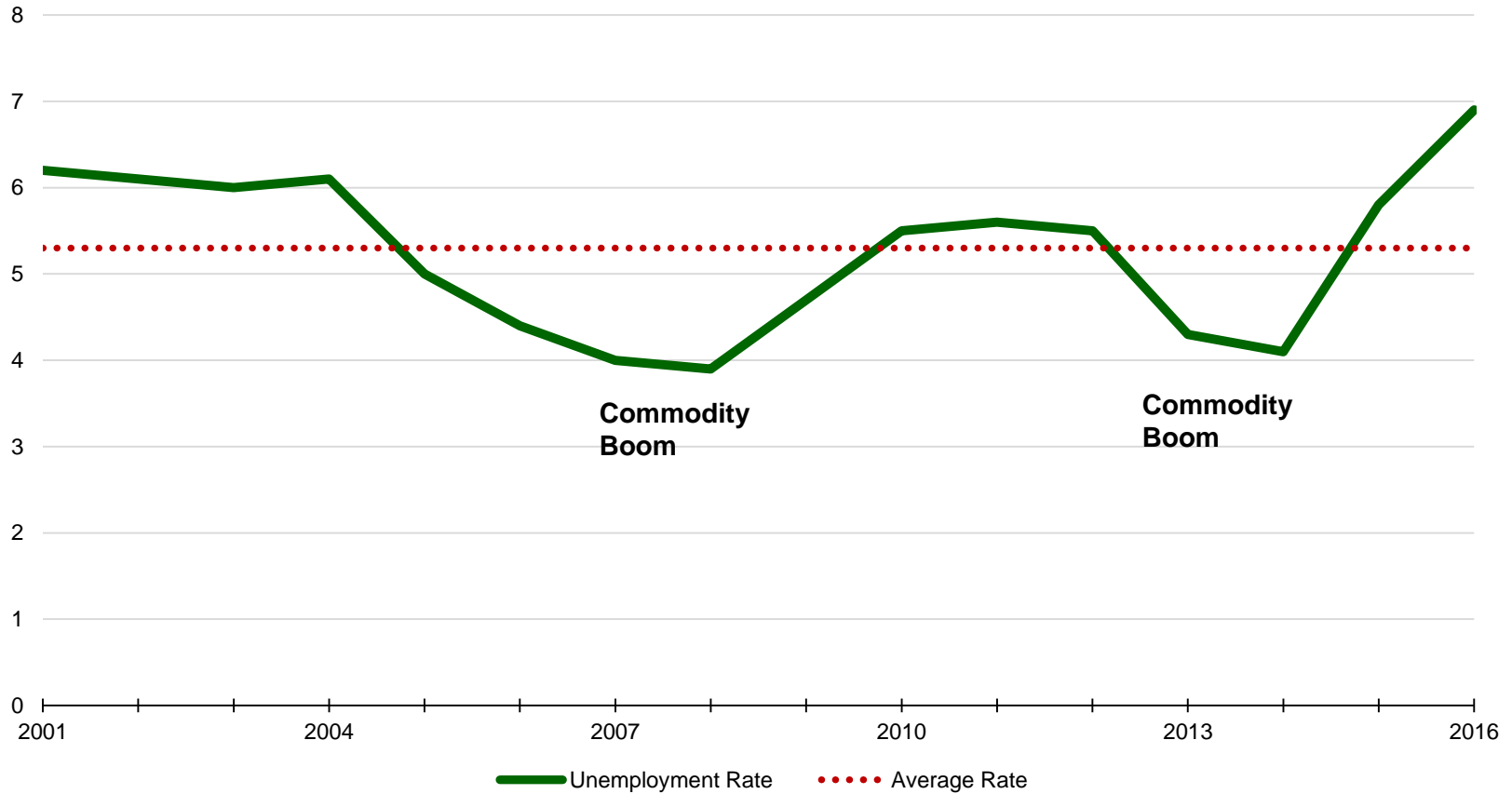
Sources: Statistics Canada, Conference Board of Canada

Saskatoon's employment is more reliant on the resource sector and commodity prices than say Regina's.

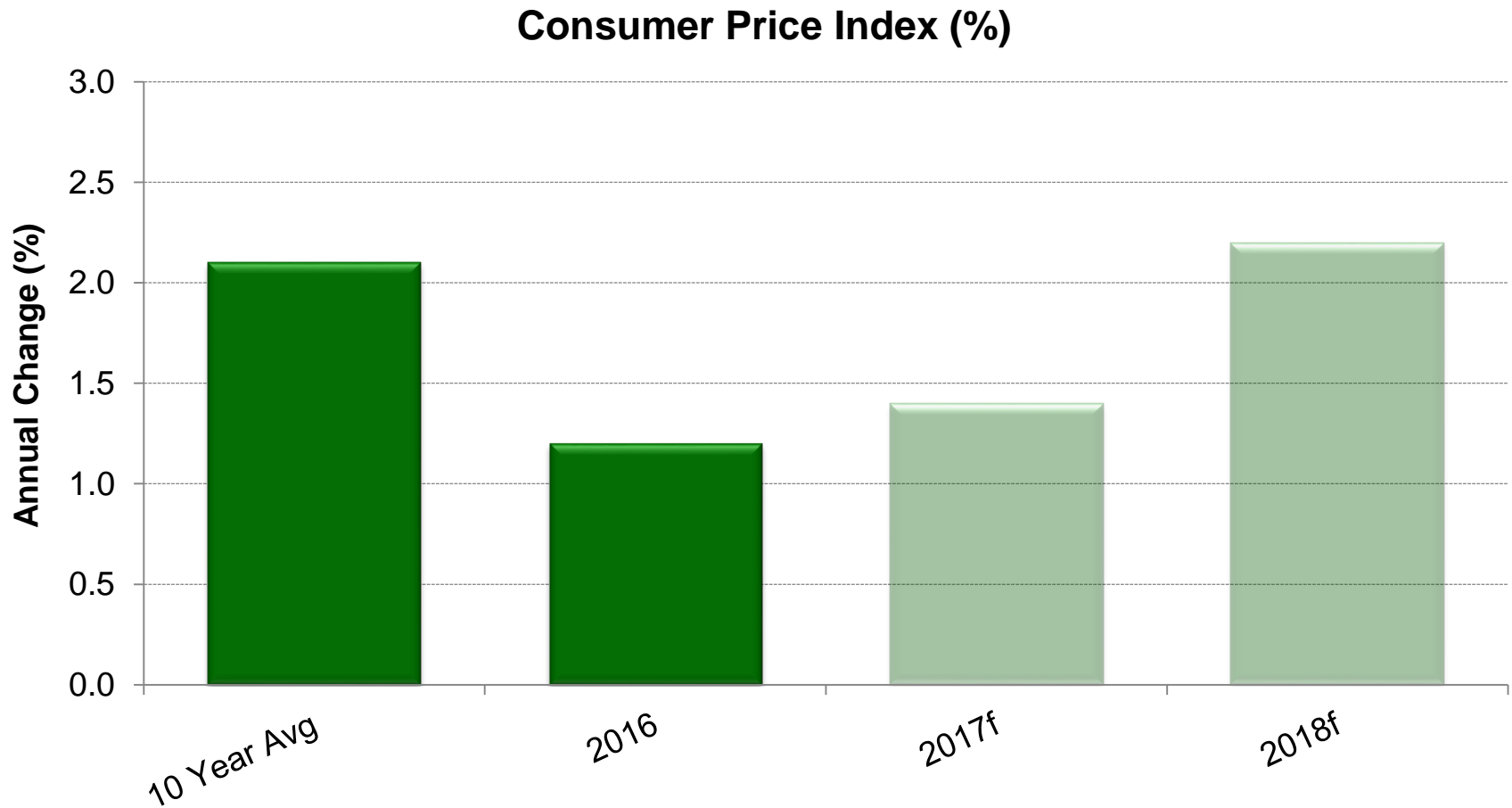
**Trends in the Unemployment Rate
Saskatchewan CMAs
Source: CANSIM 282-0129**



Saskatoon Unemployment Rates
Annual vs Average (%)
Source: CANSIM 282-0129

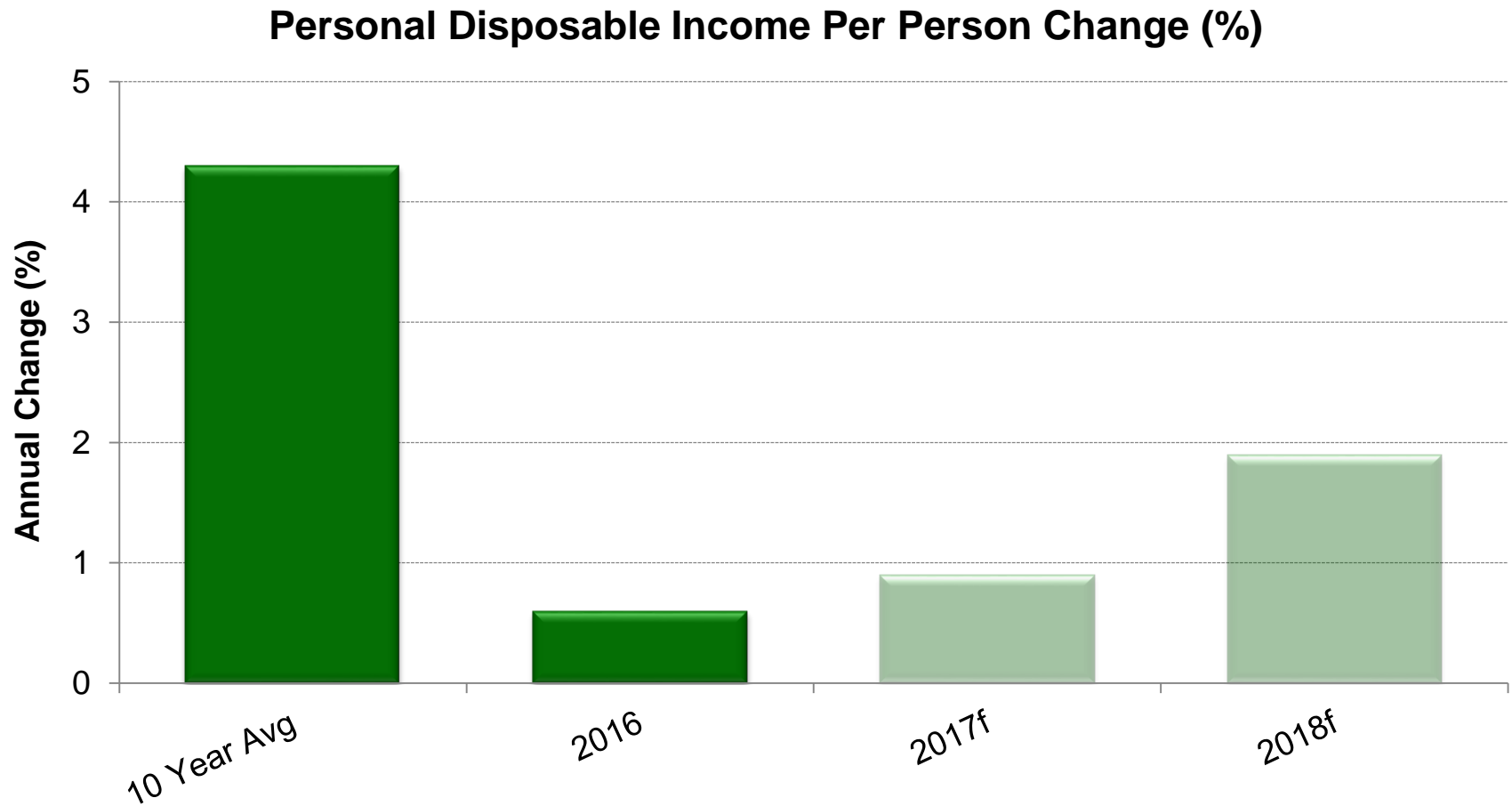


Consumer prices will remain relatively low in 2017 but will rise in 2018 above average due to increased economic activity.



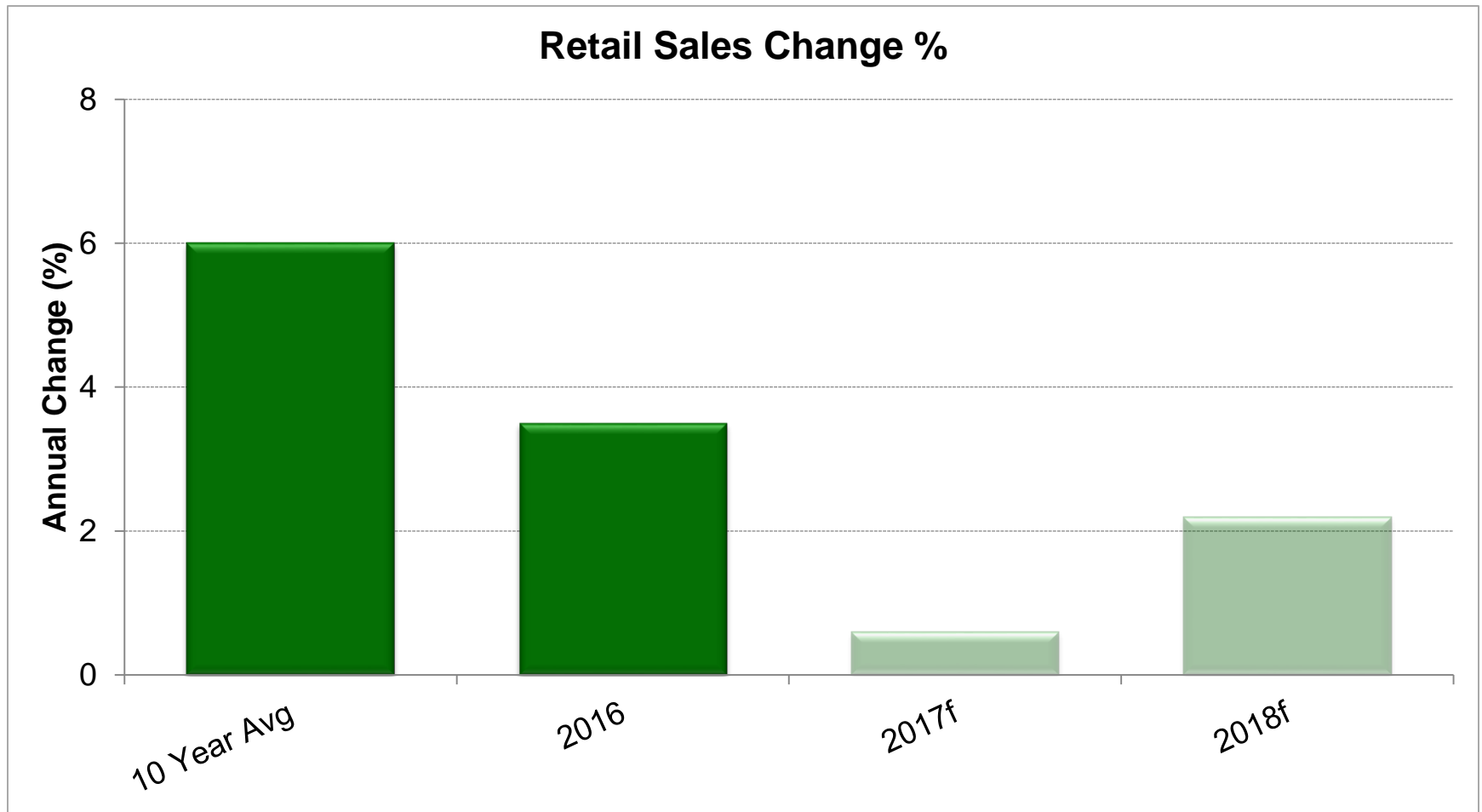
Sources: Statistics Canada, Conference Board of Canada

Personal Disposable income per capita is expected to rise by 2 % in 2018, albeit lower than the 10 year average...



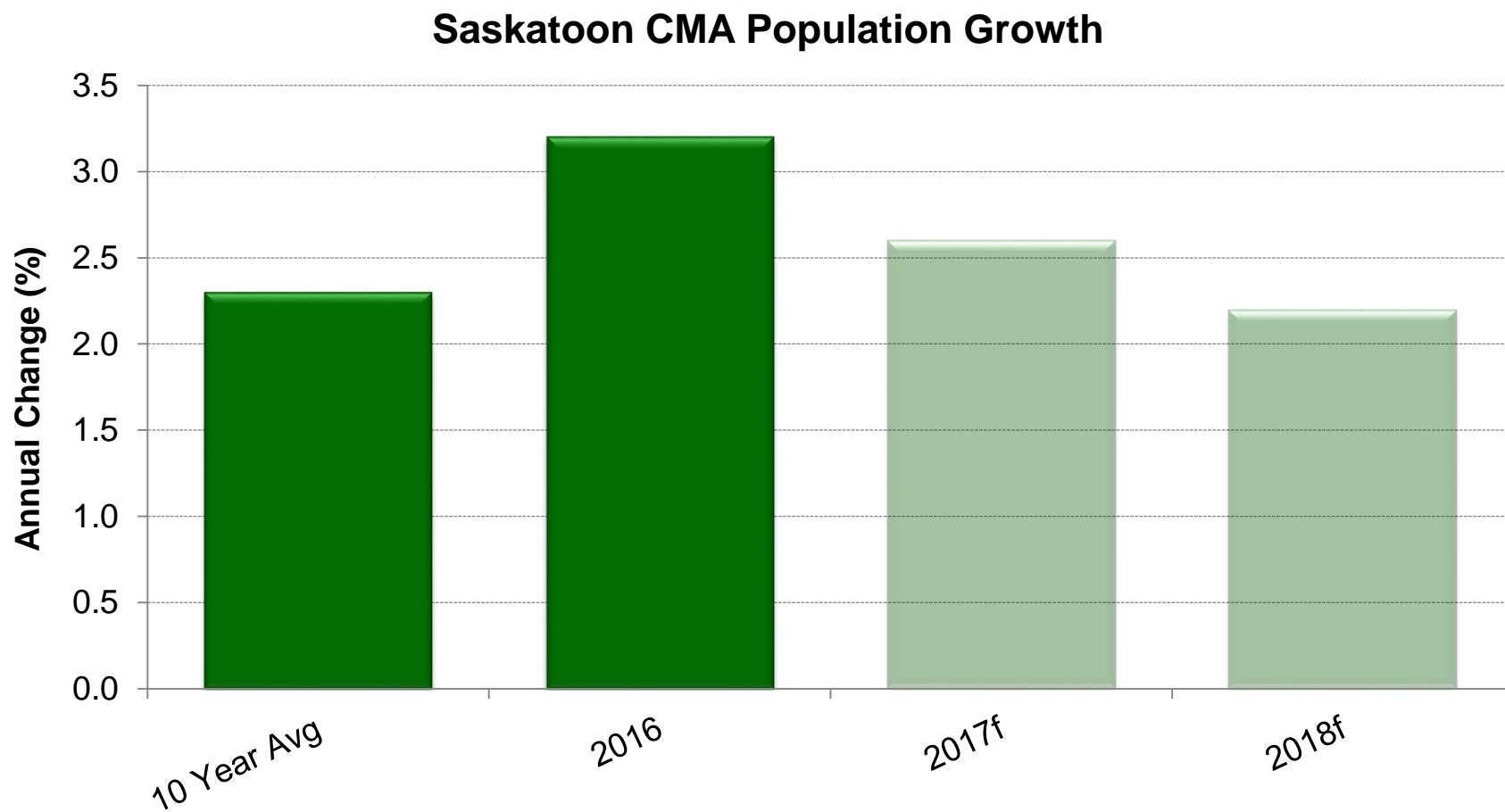
Sources: Canada Revenue Agency, Conference Board of Canada. Statistics Canada

which is good for consumer spending & retail sales. After declining by 6% in 2015 retail sales will see solid growth in 2018.



Sources: Conference Board of Canada

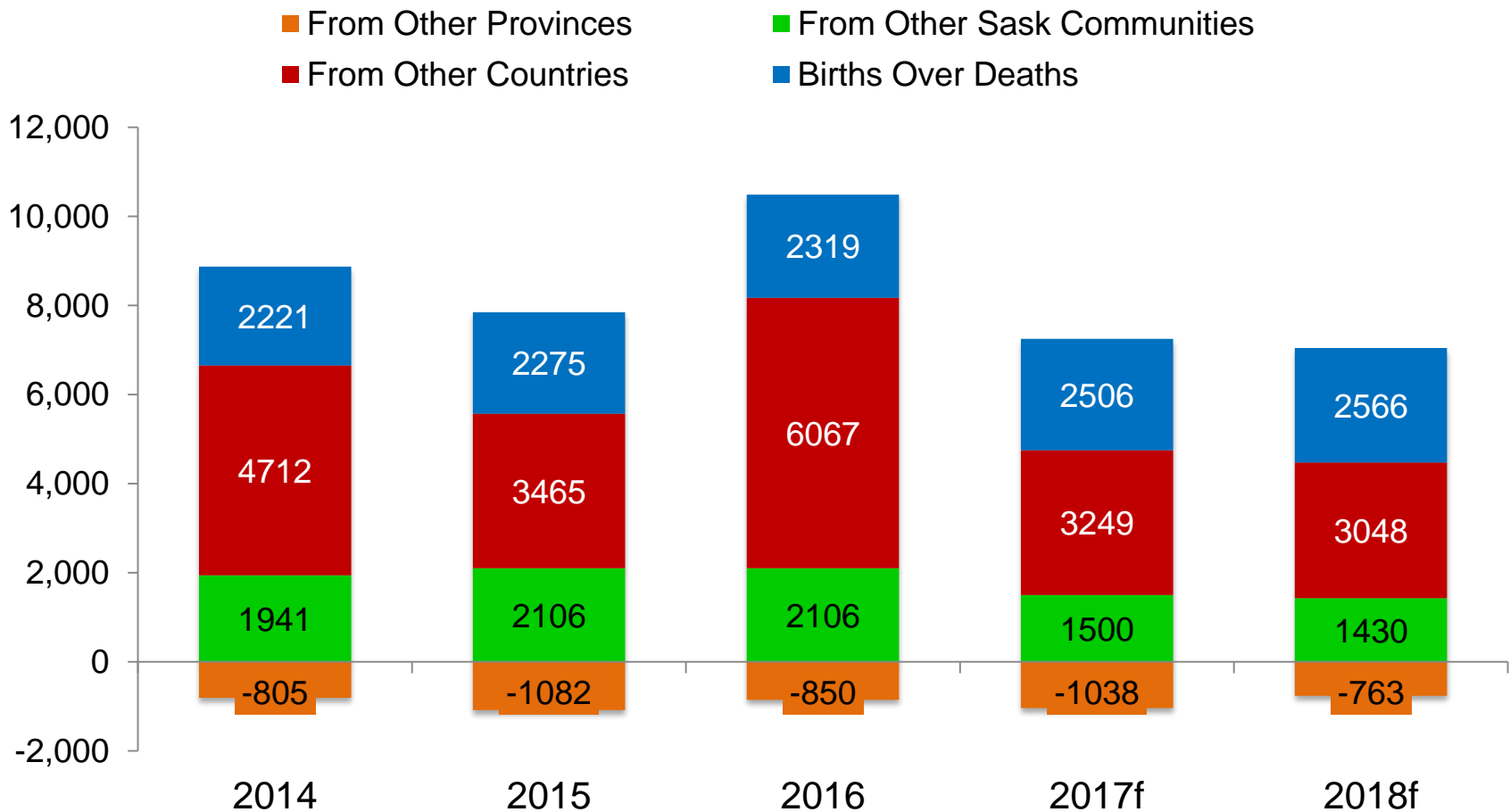
Despite economic pressures, population growth in the Saskatoon region remains steady, largely due to international immigration.



*At July 1st

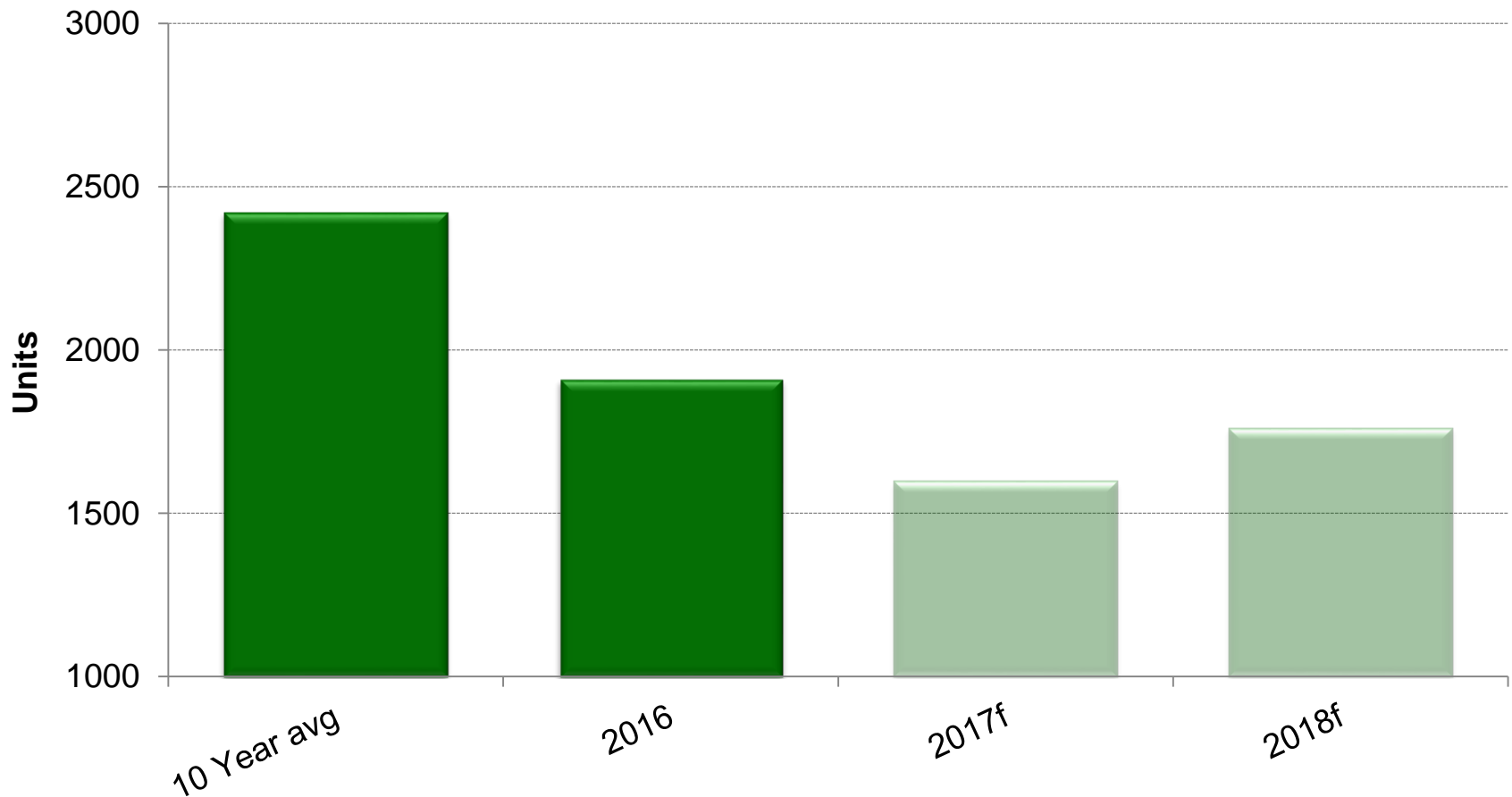
Sources: Statistics Canada, Conference Board of Canada

International Immigration and new births will continue drive Saskatoon's population growth.



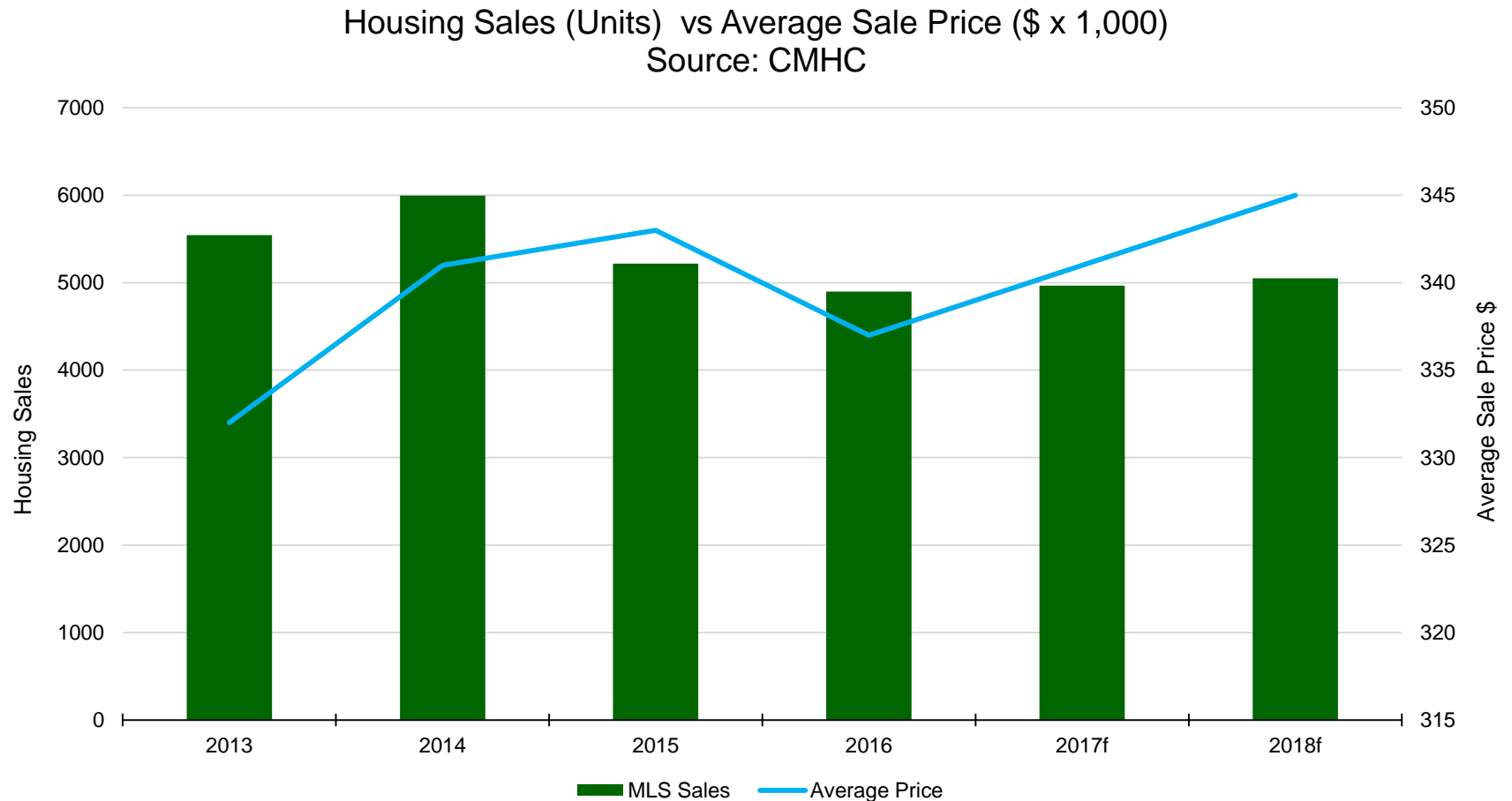
Sources: Statistics Canada, Conference Board of Canada

Housing Starts are expected to fall in 2017 due to soft demand and oversupply, but will pick up in 2018.



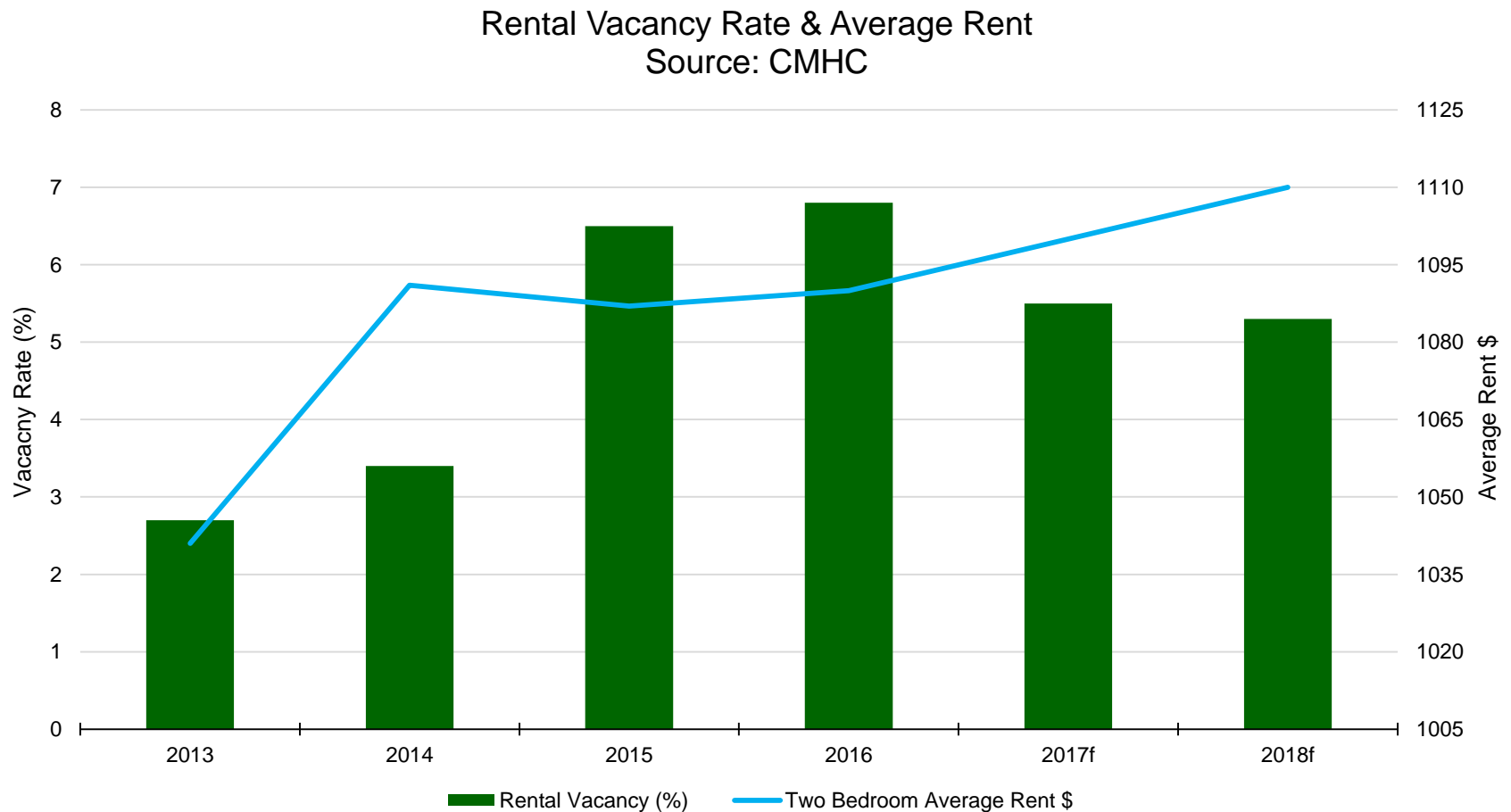
Sources: Canada Mortgage and Housing Corporation, Conference Board of Canada

Housing Sales are anticipated to remain steady over the forecast period, while average prices will rise slightly



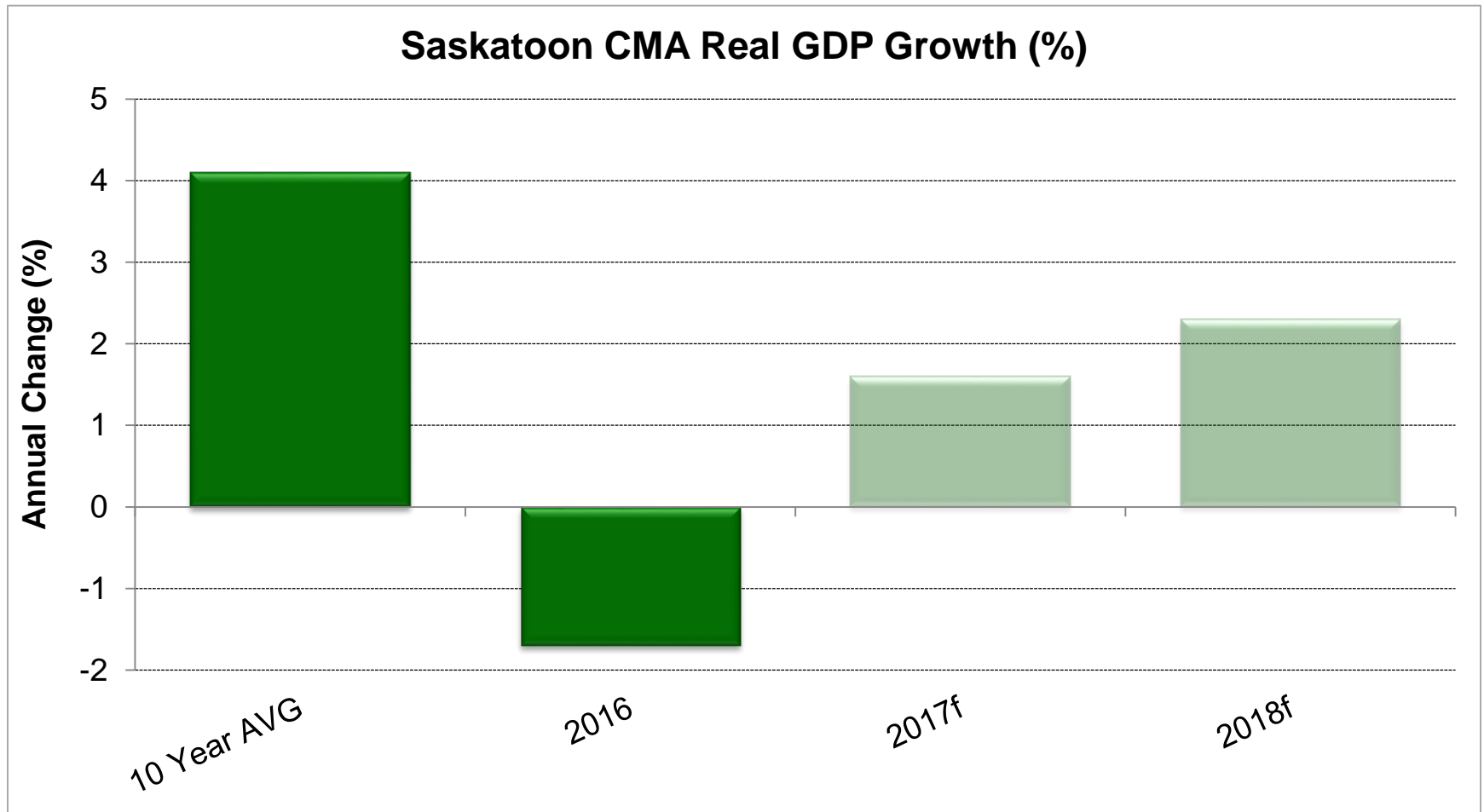
Source: Canada Mortgage and Housing Corporation

However, in the rental market vacancy rates will stay above long run levels, while average prices for two bedroom rentals will remain steady.



Source: Canada Mortgage and Housing Corporation

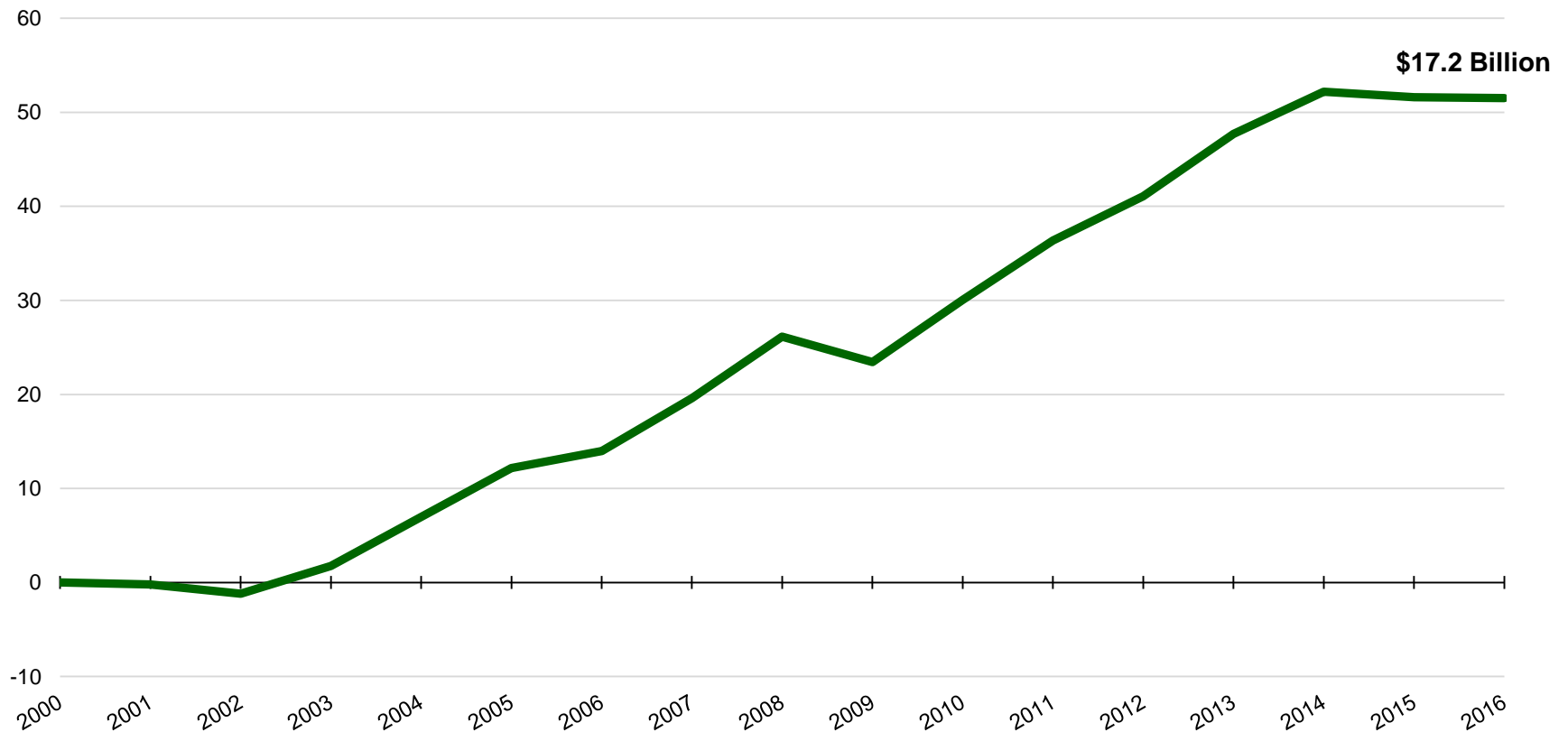
Given these inputs, after two years of negative growth Saskatoon's economy is expected to return to positive growth.



Source: Conference Board of Canada

Despite a couple of challenging years, Saskatoon's economy has doubled in size 20 years

Saskatoon GDP Growth: Cumulative Change (%)
Source: Conference Board of Canada



FORECAST RISKS

- **Commodity Prices**
- **US Trade & Monetary Policies**
- **Federal Infrastructure Investments**
- **Provincial Fiscal Policy**
- **Business Investment**

THANK YOU FOR YOUR TIME

