

Saskatchewan's Economy: Overview and Outlook

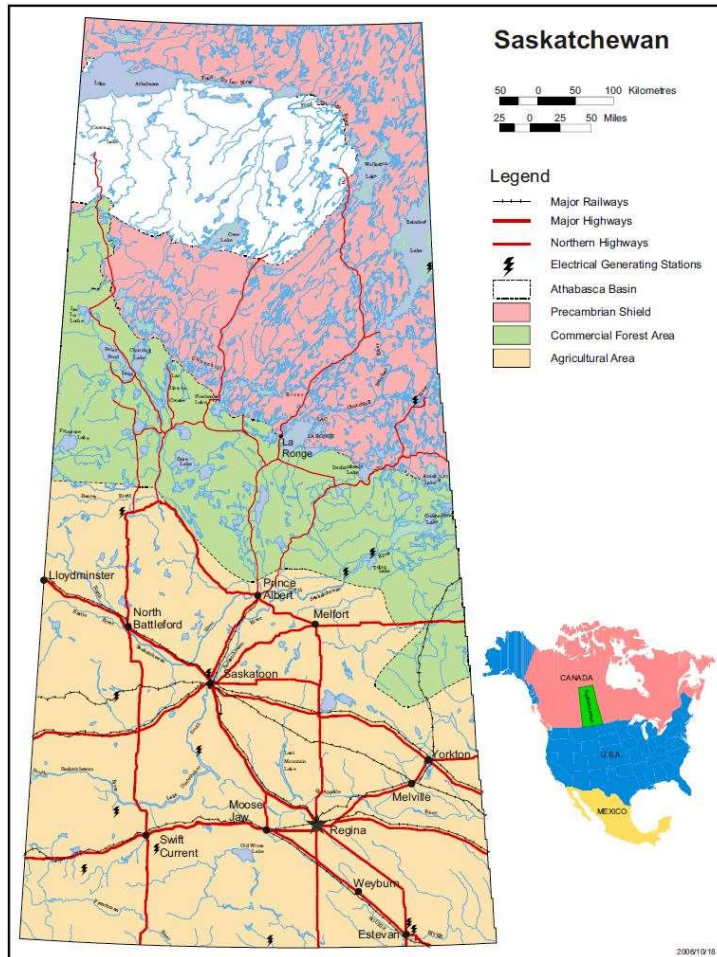
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Regina Chapter
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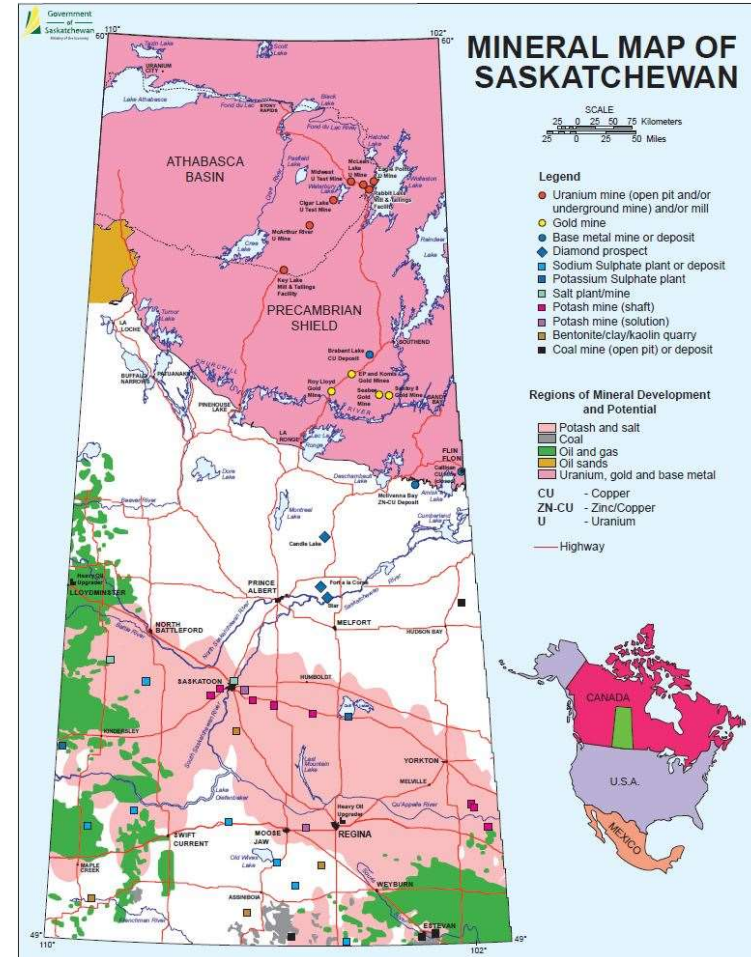
Presentation Overview

- What does Saskatchewan have?
- Where are our markets?
- Saskatchewan economic activity
 - Focus on resource exports (history and outlook)
- Other aspects of Saskatchewan's economy
 - Population, employment
 - Volatility
- Risks to the outlook

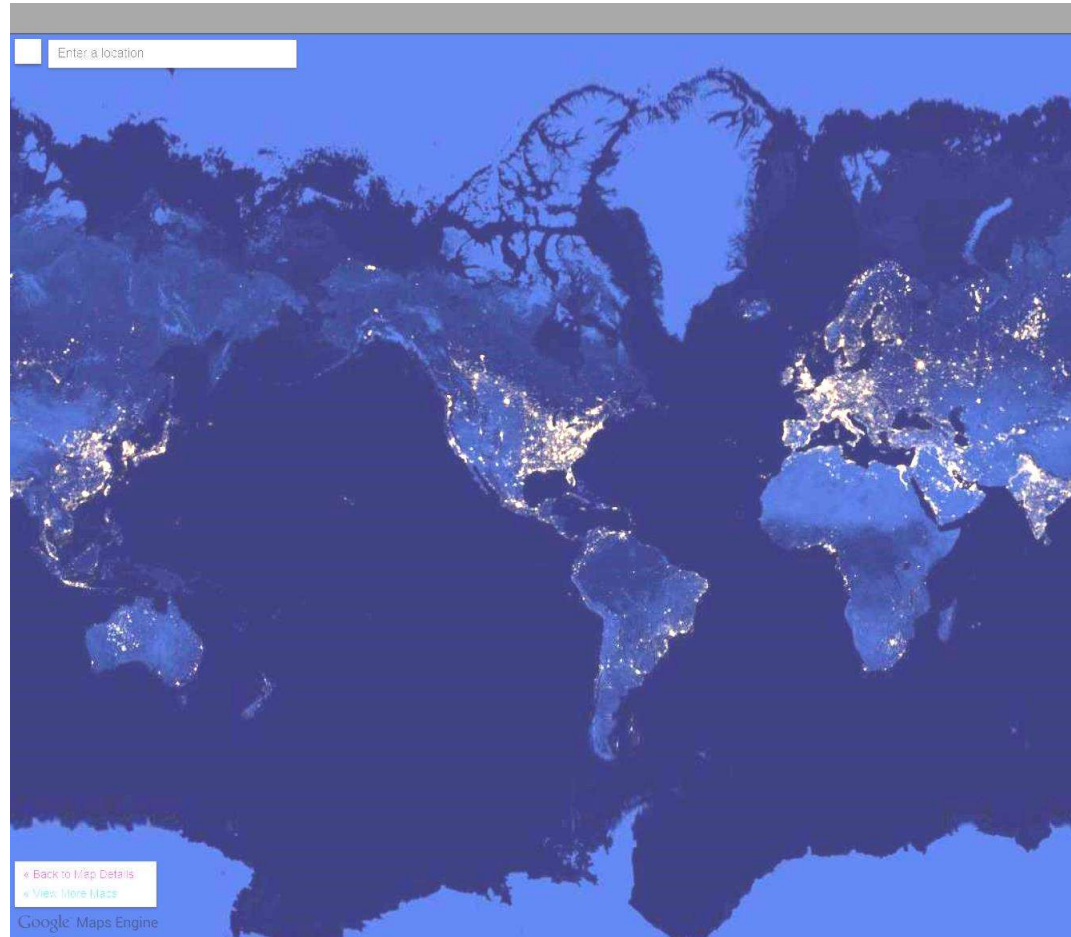
Saskatchewan Geography and Geology



Source: Saskatchewan Form 18-K, 2013



Saskatchewan in the World



Source: Google Maps, Earth at Night 2012 <http://maps.google.com/gallery/details?id=z4f-ZuCLmiKg.kMYhgyflNjJQ&hl=en>

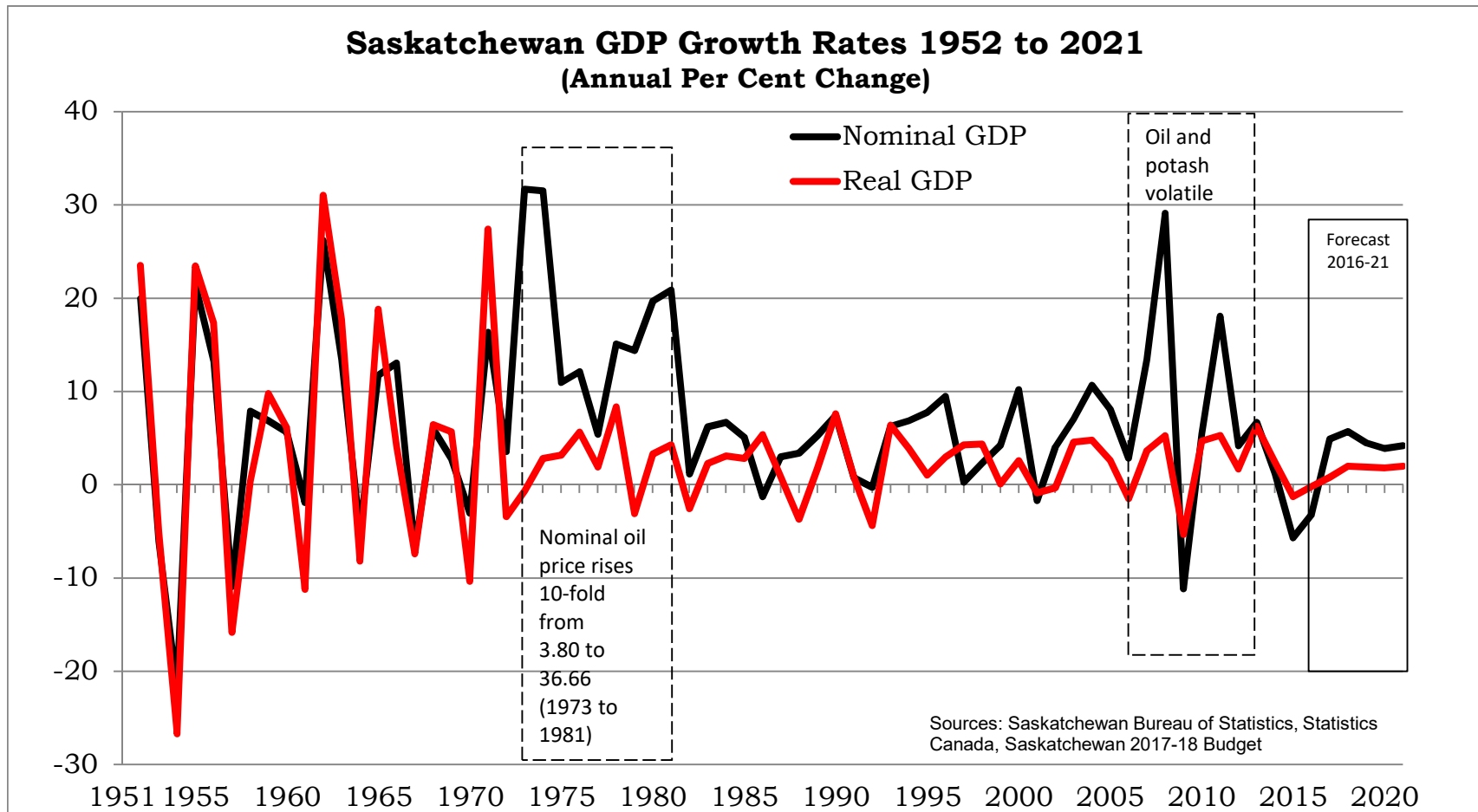
Saskatchewan's Economic Characteristics

- Economy is small and open
 - small: price-taker in exports and imports
 - open: exports and imports are a large share of the economy (2015: EX=64%; IM=56%)
- Geographic location: centre of North America
 - North American major markets are on the east and west coasts
 - World markets are across major oceans (Pacific to Asia; Atlantic to Europe)

Saskatchewan's Economic Characteristics

- Consequences:
 - Economy is subject to effects of changes in prices and quantities of traded goods (EX: oil, potash, wheat, etc.; IM: machinery, consumer goods, etc.)
 - Foreign exchange rate changes can have large economic effects (particularly $\$C/\US)
 - Transportation networks are important to economic activity (road, pipelines, rail, air, water, communications)
 - All of the above are exogenous (no local control)

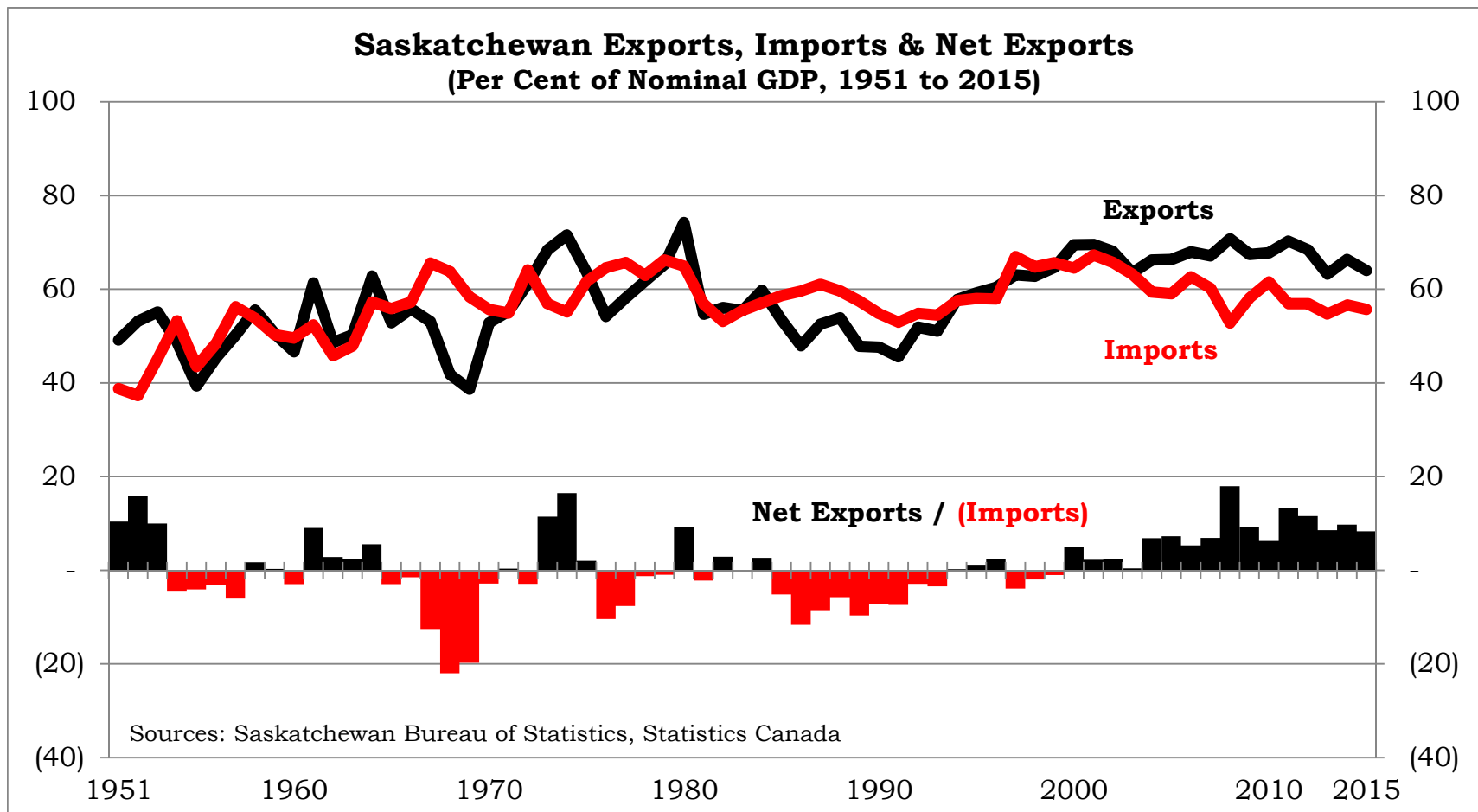
GDP History in Saskatchewan



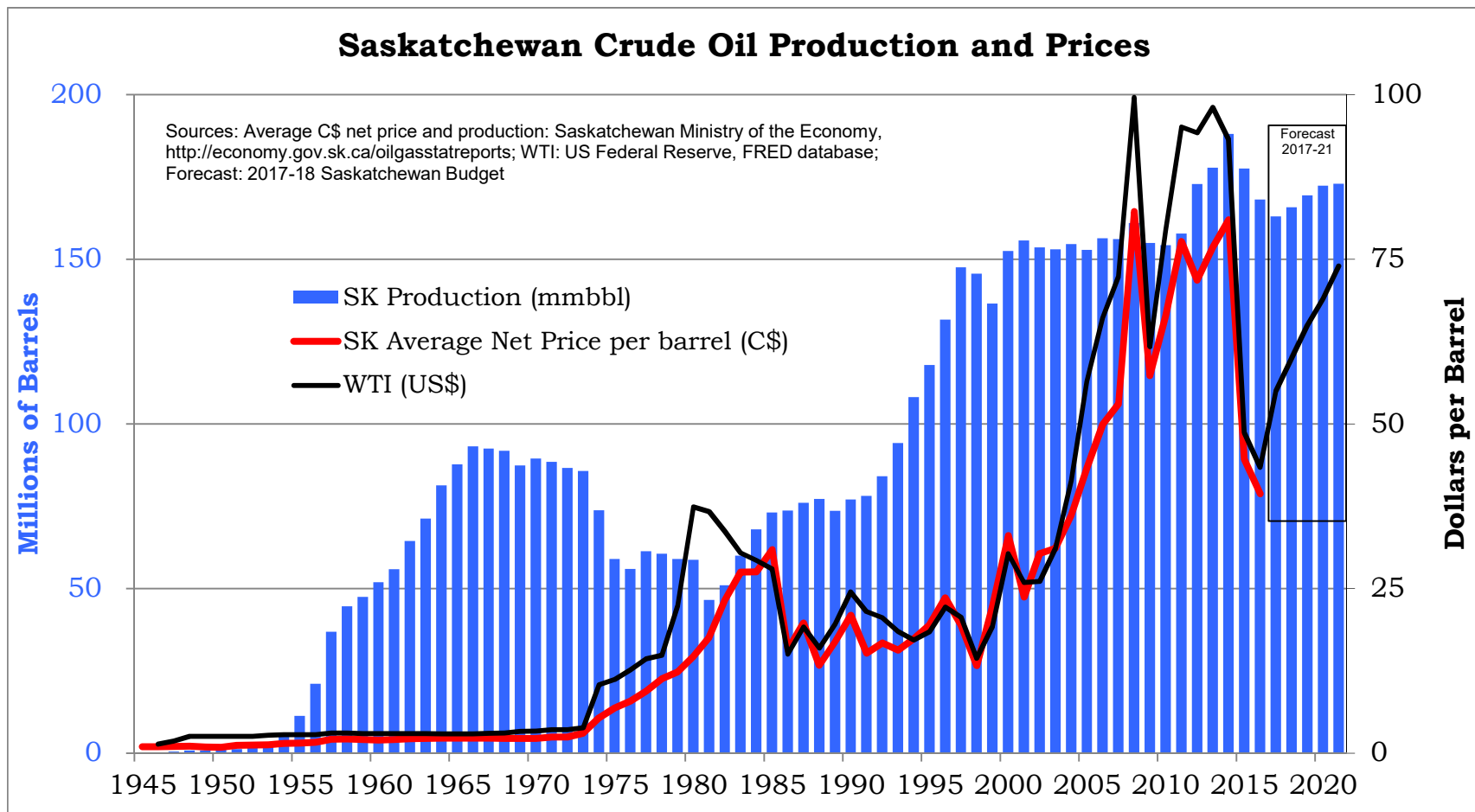
Net Exports drive GDP growth & volatility

- Exports add to GDP, but imports subtracted
 - $GDP = C + I + G + (X - M)$
 - Exports > Imports → higher GDP (and vice versa)
- Saskatchewan exports and imports related
 - Commodities exported; production goods imported
 - Demand for exports drives import demand
- Recent trend to persistent net exports
 - Break from historical net export/import cycle

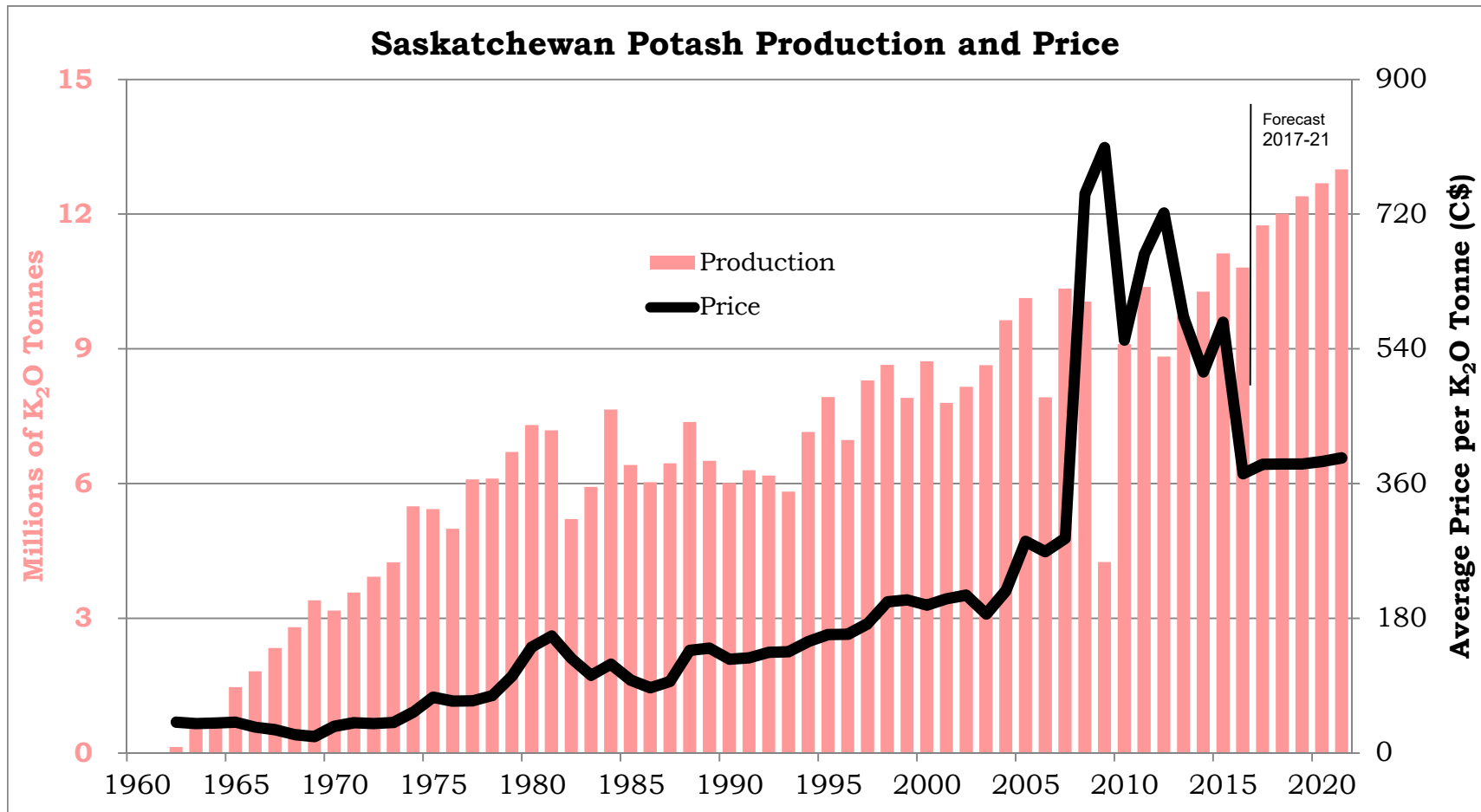
SK: Net Exporter from 2000 to 2015



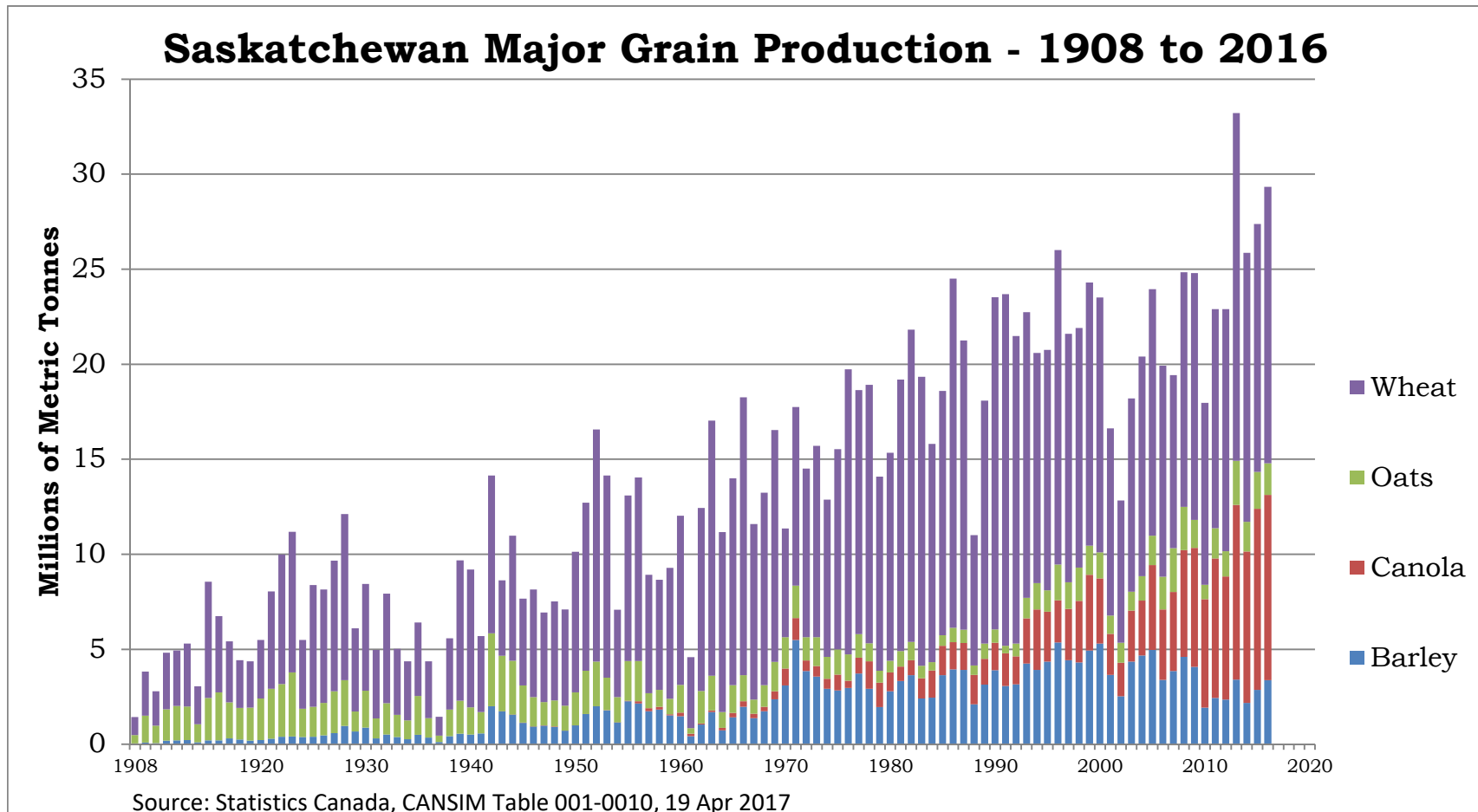
Oil: WTI benchmark shows volatility



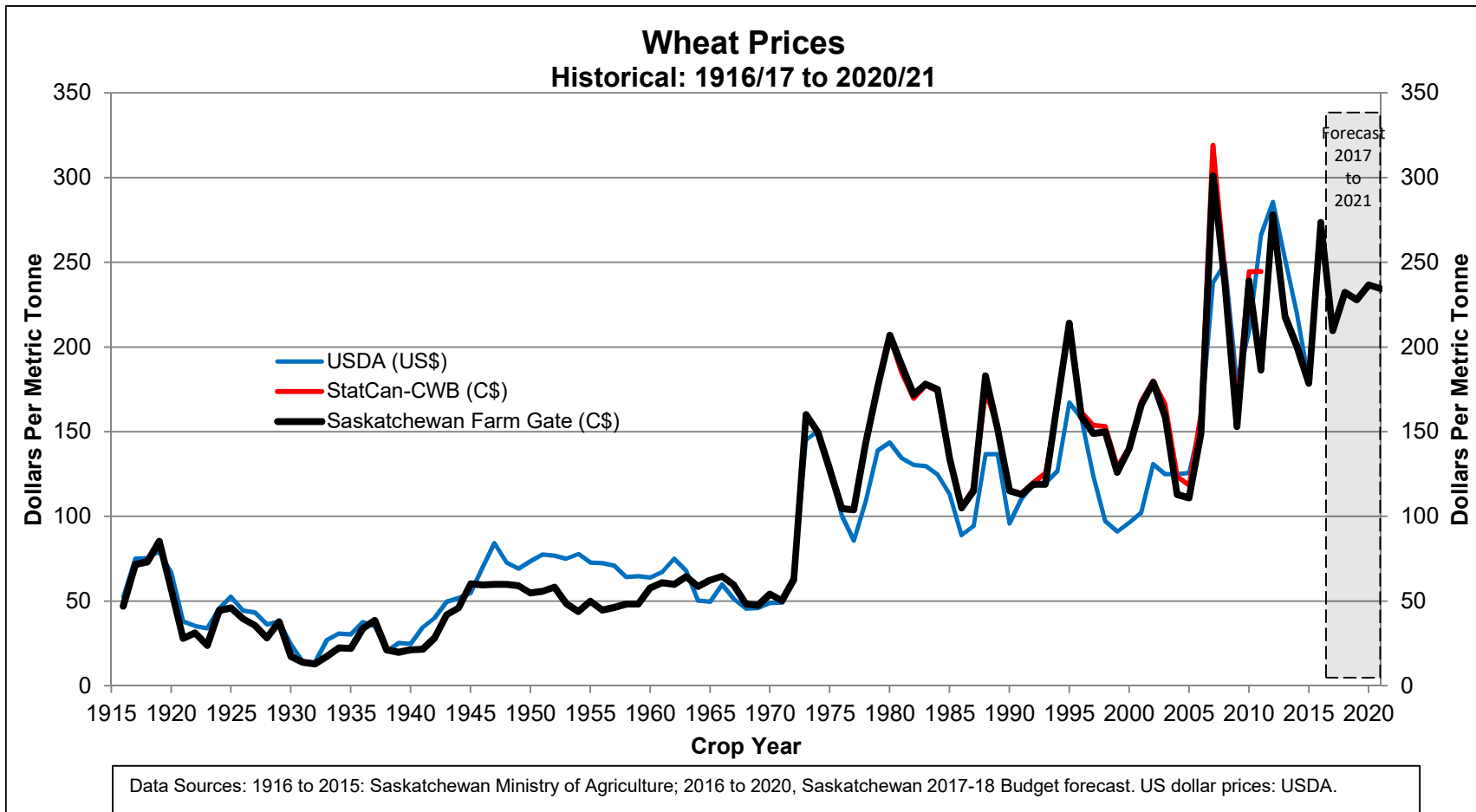
Potash prices also volatile



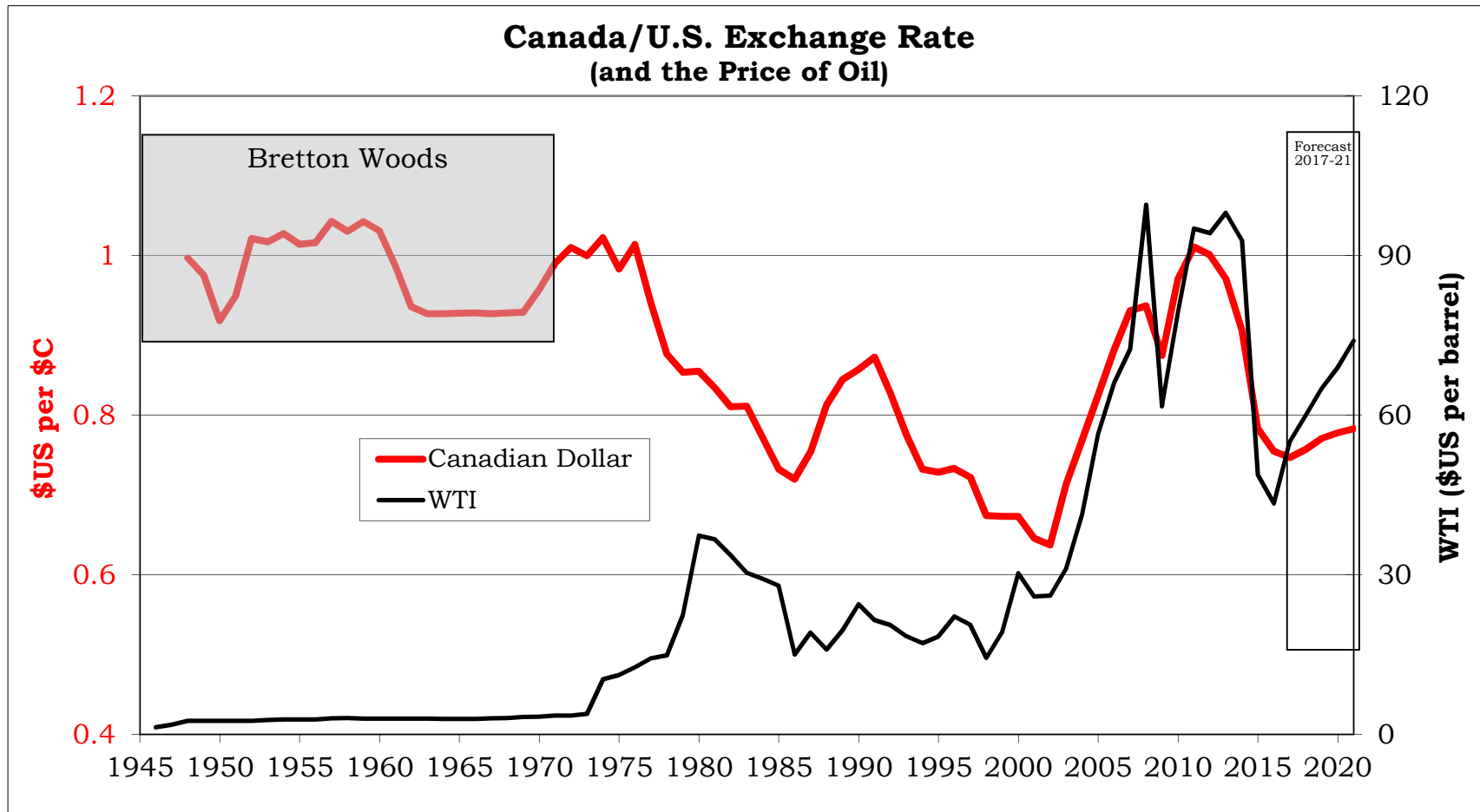
Grain: production can be volatile ... (weather is a significant factor)



... and grain prices add to the volatility.
(world market influences)



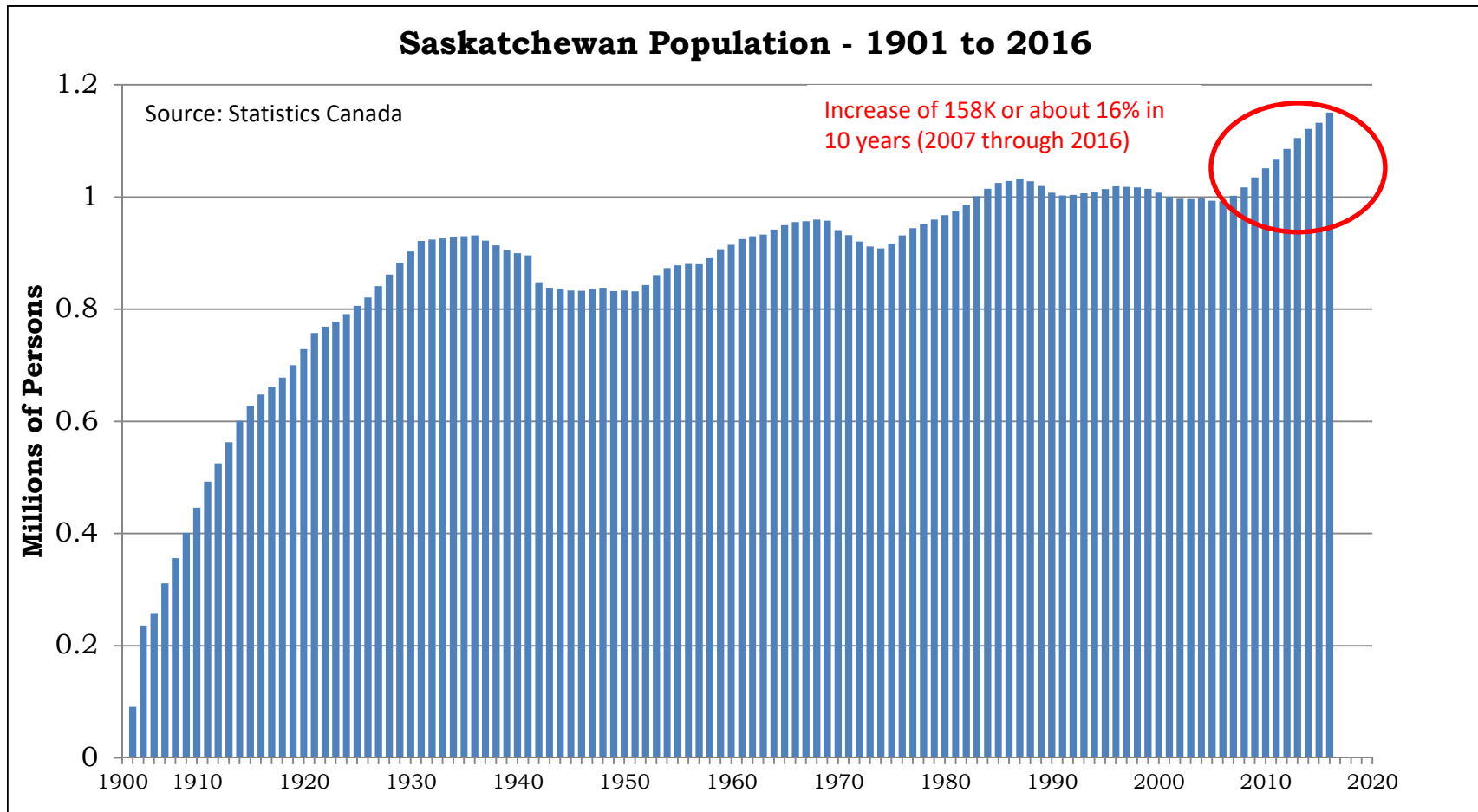
Canada/U.S. Fx rate: strongly related to oil price movements



Population and Employment

- Population growth
 - Saskatchewan's population is at an all-time high
 - Rapid recent growth (2007-2016)
- Employment growth generally positive
 - Slowdown in 2016
 - Return to growth in 2017

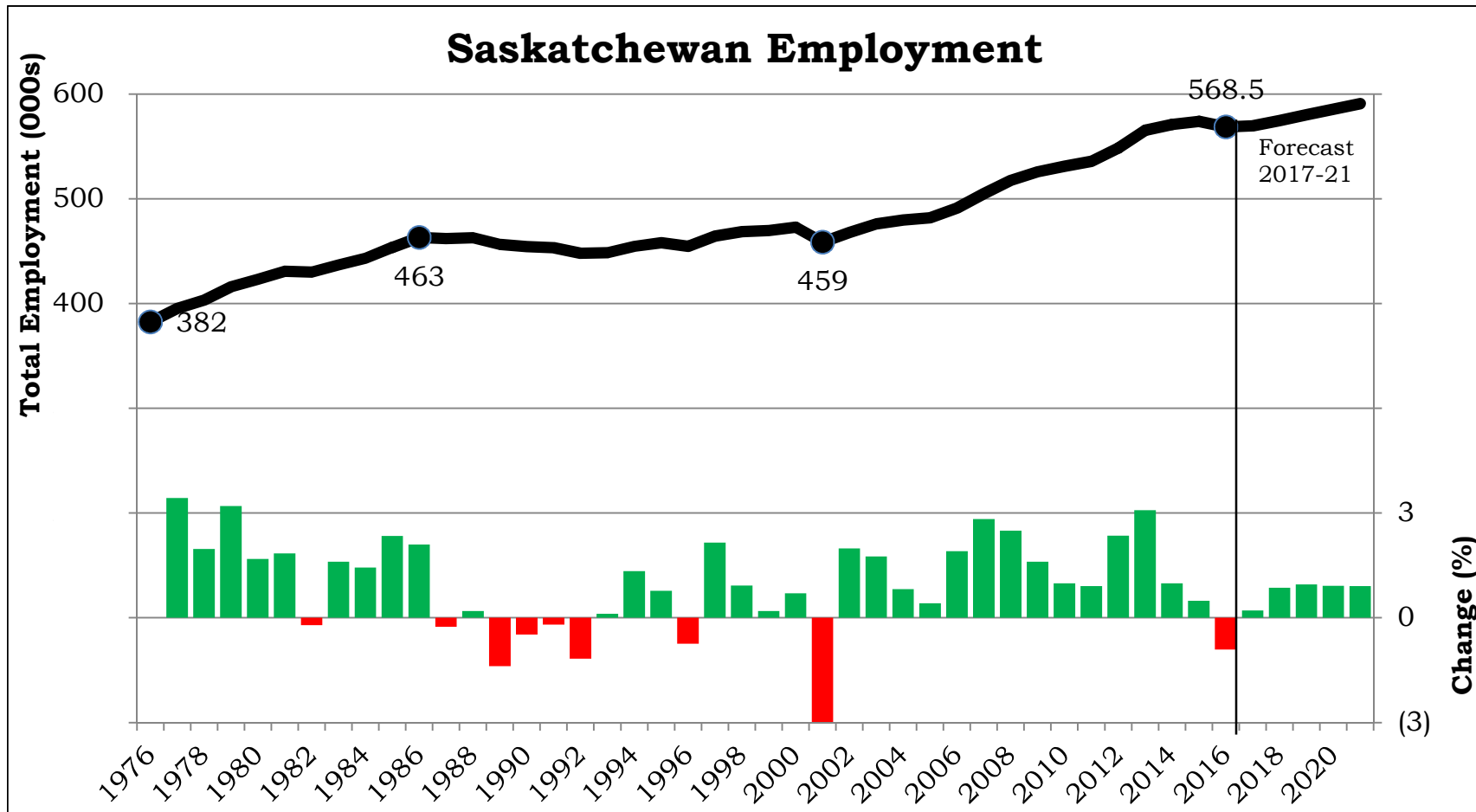
SK Population at all-time high



Saskatchewan Employment in 2016

- Total employment in 2016: 568,500
- Largest industries by employment: (% of total)
 - Retail and wholesale trade: 15.5%
 - Health care and social assistance: 13.8%
 - Construction: 9.0%
 - Educational Services: 7.2%
 - Agriculture: 7.2%
 - Accommodation and Food Services: 6.7%

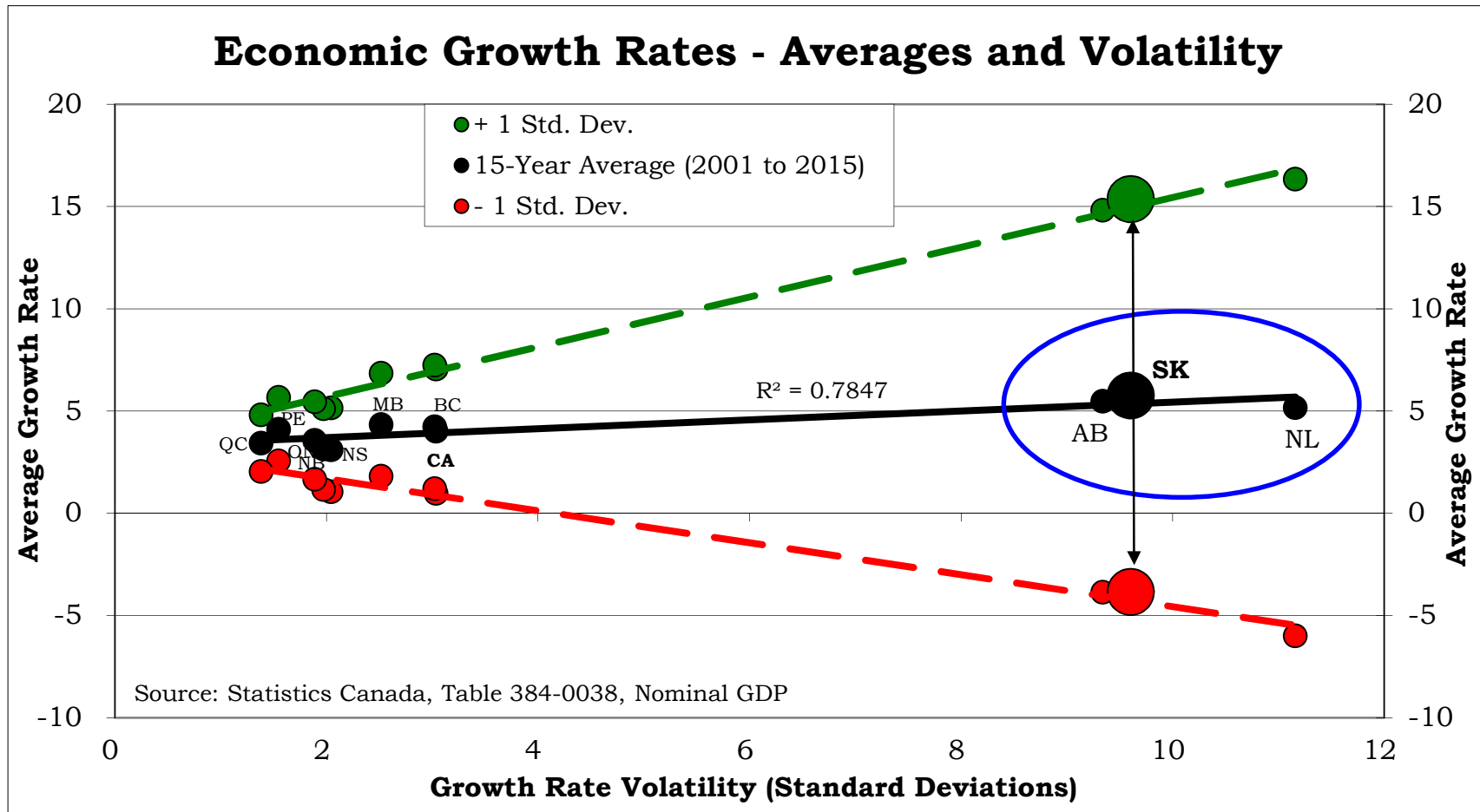
Employment History and Forecast



Economic Growth and Volatility

- Saskatchewan's average nominal GDP growth rate above most provinces over last 15 years
- NRR and agricultural sectors large in SK, but they are volatile year-to-year
- SK, AB and NL share high growth in GDP value and volatility over last decade
 - All three provinces export significant quantities of oil, natural gas or other commodities.

More Growth = More Volatility



External Sources of Risk

- Financial: exchange rates (U.S); interest rates (how far/fast will they go up?), China (“shadow” banking system, property market), household debt.
- Fiscal: government debt, tax/spending policies.
- Geopolitical: Middle/Far East; UK/EU.
- Climate (flood, drought, frost, etc.).
- Economic: U.S. economy; commodity prices; China’s economy; income distribution, trade.

External Sources of Risk



Thank You

Questions?