



Sask. poised to escape recession

Scotiabank economist expects province's economy to grow by 1.5 per cent in 2009

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North America's sweet spot is Saskatchewan, which is uniquely poised to escape recession and weather an economic downturn, says Scotiabank's chief economist.

Warren Jestin expects Saskatchewan's economy to grow by 1.5 per cent in 2009 and better than that to perhaps 2.5 per cent in 2010.

Those forecasts are down from earlier estimates, but the province's economic performance will be better than most "on a relative basis," Jestin said in an interview Tuesday during a visit to Saskatoon.

"You've got a global environment that's very challenging. You have a very good chance that the U.S. economy will be showing a decline in economic activity next year," Jestin said.

"If you come closer to home and to Canada, Ontario and perhaps Quebec will be showing a decline.

"Western Canada continues to lead in performance but given the global realities we face, that economic growth will be a lot slower than it has been in the past."

Saskatchewan even compares favourably to Alberta, where the Calgary and Edmonton housing markets have turned and the economy has slowed from very rapid to "quite modest" growth, said Jestin.

"Saskatchewan really has gone through something pretty fundamental recently. The demographics have changed. The demographics used to be very negative on a long-term basis; now they've turned positive."

In addition, potash has been an exception to the downward rule in commodities. The province also has a diversified resource base including natural gas, agriculture and oil.

"Oil, we think, is going to be weak as long as the emerging markets are downshifting.

"But still, the balance here is better (than in most regions)."

Jestin credits the Saskatchewan government for setting aside some of the funds that have poured in due to high commodity prices and for investing in infrastructure -- something Alberta likely wishes it would have done in the very good times, he said.

Skilled labour is an issue in both provinces, as it is globally. Because of that,

governments should invest in infrastructure and education to both employ and train skilled people.

"The commodities have come down but are still an important cushion. I think you will find in general, the money the government can utilize to cushion the economy -- the tax cuts, the infrastructure spending -- (and) the fact that the housing market hasn't gotten into the kind of correction you see in other hot markets -- is positive as well."

Jestin does expect a correction in the housing market in 2009 and says a drop in prices is almost inevitable early next year.

"The rapid escalation in prices is over, but the demographics are much more positive here."

But Jestin says the Saskatchewan market is not overbuilt to the extent of other markets and the relatively strong economy will allow the current high inventory to be absorbed.

In general, the picture begins to look quite a bit better in 2010.

"If you look out beyond the middle of next year, you should be seeing an economic revival in the U.S., although it's going to be a very slow recuperation south of the border.

"Consumers aren't going to be in a position to really get back into the type of borrowing and spending activity they've done in the past. Governments will be more hamstrung because of the big deficits that are being racked up.

"You're going to get probably in 2010 a stronger commodity market. Governments that will be in better financial shape to deal with expansion plans . . . as revenues pick up, that will help the government achieve what it wants to do."

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