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Canadian prairie province dodges recession bullet

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- * Saskatchewan expected to lead Canada in economic growth
- * Provincial government promises balanced budget
- * C\$2.8-billion mine project under way

By Rod Nickel

SASKATOON, Saskatchewan, March 6 (Reuters) - The world recession has so far stopped short of Saskatchewan, the cold Canadian province that has historically repelled prosperity and young people.

The prairie province, dominated by farming and mining, is in the black, and provincial debt is shrinking.

In its largest city of Saskatoon, a C\$200 million riverfront development is moving ahead, along with a plan to build the province's tallest building. Its economy is set to grow, while much of the rest of Canada faces painful declines.

"For a Saskatchewan guy like me, it's the most gratifying news I could receive," Lyle Stewart, 57, a farmer and the province's minister of enterprise and innovation, told Reuters in a telephone interview.

"Man, it's been a long time in coming."

Saskatchewan, rich in uranium, oil and potash, should see growth of 1.6 percent this year, the strongest in Canada, the Conference Board of Canada said this week.

The board expects Saskatchewan to add 8,000 jobs this year, helped by a strong construction industry, mine expansions, a C\$500-million provincial government stimulus, provincial income tax cuts and general momentum in the local economy.

"They're floating better in a very troubled sea," said Pedro Antunes, director of national and provincial forecasting for the Conference Board, an independent research firm.

The Saskatchewan Party government delivers its budget on March 18 and has promised it will be balanced, making it a rarity among Canadian

provinces.

Stewart said part of any surplus will help pay off Saskatchewan's long-term debt, which the government has already whittled down 38 percent in two years to \$4.2 billion.

"They win the race, but it's not much of a victory," said Don Drummond, chief economist of Toronto-Dominion Bank. The bank expects the Saskatchewan economy to grow by 0.5 percent this year -- the only Canadian province that will see growth.

Saskatchewan has long been known as Canada's wheat-growing breadbasket. But declining farm fortunes over decades prompted young people to move elsewhere, and the population shrank.

All that changed when sharp rises in prices of oil and potash flooded the provincial treasury with royalties and created new jobs.

Premier Brad Wall this week staged a welcome for 86 Ontario families who have moved to the province, part of a migration from the hard-hit auto industry, which is centered in Ontario.

The population -- just over one million -- showed a 1.5 percent increase in the year to October 2008, the highest year-over-year increase in a generation.

"Something happened that made Saskatchewan a sexy place to move to," said Doug Elliott, publisher of the Sask Trends Monitor newsletter.

The province's diversity also helps. Crashing oil prices have hurt Saskatchewan's economy, but it relies more on the price of potash, which proportionately has fared better, Drummond said.

But the global economic crisis has still inflicted damage on Saskatchewan, which grew a strong 5.4 percent in 2008.

The housing market has cooled. The major potash companies, Potash Corp. of Saskatchewan (POT.TO: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Mosaic (MOS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Agrium (AGU.TO: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) have laid off workers as they curb production.

The layoffs are scheduled to last only weeks, however, and all three companies are proceeding with mine expansions. Work is already under way on the C\$2.8-billion expansion of the Potash Corp. mine at Rocanville.

"It's going to have a real insulating effect on the province as a whole," said company spokesman Bill Johnson.

Saskatchewan's performance hinges partly on consumer confidence, Antunes said. The provincial income tax cut will only boost the economy if people spend the money. (Editing by Janet Guttsman)

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