



Q1 Economic Update

January - March 2024

Introduction

SREDA's Quarterly Economic Update series delves into various factors of the local economy, analyzing trends in inflation, employment, housing, business activity, and other critical areas that shape the economic landscape of the Saskatoon Region.

In the first quarter of 2024, the Saskatoon Region economy demonstrated resilience and growth, with an estimated GDP growth of 3.1%, surpassing the national average.

In analyzing the Q1 2024 data, several key takeaways are seen:

- 1. GDP growth outpaces the national average, despite inflation challenges.**
- 2. Job creation continues to grow, with a steady unemployment rate.**
- 3. Housing prices reach new heights amidst tight inventory.**
- 4. Business and consumer sentiments show signs of improvement.**
- 5. Commodity trends creating mixed challenges and opportunities.**

Total Real GDP \$24.942B 3.1% change from Q4 2023	Employment 202,600 5.6% change from Q1 2023	Unemployment Rate 5.4% 1.1 PP change from Q1 2023
Median Sales Price \$372,500 4.3% change from Q1 2023	Home Inventory 732 23.2% change from Q1 2023	Commodity Price Index 591.6 3.9% change from Q1 2023

In this update, you will find a detailed analysis of the economic performance and significant indicators impacting the Region in Q1 2024.

1. GDP growth outpaces the national average, despite inflation challenges.

- **Inflation:** For the fifth consecutive quarter inflation has declined from a high of 7.3% in Q4 2022, to 1.8% in Q1 2024. To assess what's driving the decline, we analyze provincial CPI data by item, which shows:
 - **Food:** Although inflation in food costs is on a steady decline, falling to 3.5% in Q1 2024, it remains above the Central Bank's 2% inflation target. Moreover, food purchases from restaurants remain high, at 5.6%.
 - **Shelter:** Overall shelter costs is declining but remains elevated. Water, fuel and electricity costs contributed the most to the drop, declining sharply, to -4.7%. Owned accommodation has slowed to 5.9%, trending lower for three consecutive quarters. Whereas, rented accommodation is on an upward trend, rising to 7.9%.
 - **Gasoline:** Oil prices have been rising in March and April; however, gasoline prices continue to experience a notable decrease in inflation rates, falling -5.5%.
- **Exports:** The Saskatoon Region's economy continues to be bolstered by strong commodity demand and prices, with exports accounting for a significant share of provincial trade. Year-to-date exports in February 2024 totaled \$7.1 billion, although 21.6% lower than 2023 levels, they remain 14.4% higher than in 2022. Despite this decrease, the region maintains a substantial net trade surplus of approximately \$4.5 billion, reflecting a resilient economic performance.

2. Job creation continues to grow, with a steady unemployment rate.

- **Population Growth:** The working-age population in the Saskatoon Region has demonstrated substantial growth, expanding by 4.5% from Q1 2023 to Q1 2024. This growth has been largely propelled by immigration, as newcomers are attracted to the Region's strong economy, appealing employment prospects, and relatively affordable housing market.
- **Employment Growth:** Employment growth in the Saskatoon Region has been robust over the past year, with a significant increase of 5.6% from Q1 2023 to Q1 2024. This growth outpaces the national average and reflects a thriving job market.
- **Unemployment Rate:** The Saskatoon Region has maintained a relatively steady unemployment rate of 5.4% in Q1 while experiencing robust population and employment growth, highlighting stability.

3. Housing prices reach new heights amidst tight inventory.

- **Median Sales Price:** The median sales price in the Saskatoon Region was approximately \$374,800 in Q1, showing a slight decrease of 1.0% from the previous quarter. However, compared to one year and five years ago, median home prices increased by 4.8% and 18.6% respectively, from \$367,355 and \$324,440. This significant price growth reflects substantial market demand and inventory pressures.
- **Homes Sales:** In Q1, the Saskatoon Region saw 1,064 homes sold, representing a 0.8% increase from the previous quarter. Comparatively, home sales rose by 8.5% and 34.5% one year and five years ago, respectively, indicating sustained and robust demand in the housing market.
- **Inventory:** In Q1, inventory levels in the Saskatoon Region stood at 914, marking a 14.5% decrease from the previous quarter and declines of 22.7% and 53.8% compared to one year and five years ago, respectively. This significant drop in inventory reflects the ongoing impacts of current interest rates and high inflation, discouraging new construction investments.
- **Housing Starts:** In Q1, total housing starts in the Saskatoon Region declined sharply by 19.6% year-over-year, driven by apartments declining 65.6%. Whereas, single dwellings increased by 30.2%.
- **Total Construction Investment:** In Q1 2024, total investment in residential and non-residential building construction reached \$370.5 million, an increase of 10.4% compared to the previous year.

The growth in total investment was mainly fueled by a 16.1% increase in residential construction, particularly in multi-dwelling buildings, growing 54.7%. However, non-residential investments declined by 6.3%, largely due to a 33.2% decrease in commercial investments. However, this decline was partially offset by increased investments in industrial projects (+91.9%) and institutional and government projects (+38.6%).

4. Business and consumer sentiments show signs of improvement.

- **Business Outlook:** In Q1 2024, according to the Bank of Canada's Business Outlook Survey, business sentiment and sales growth expectations stabilized following a decline, despite subdued demand leading to easing price pressures and labor market conditions.

Fewer firms are planning significant price increases over the next 12 months due to weak demand. However, signs of returning optimism in business conditions, sales outlooks, and employment intentions are emerging, driven by factors such as population growth, market expansion efforts, and expectations of lower interest rates.

- **Consumer Expectations:** In Q1 2024, Canadian consumers perceived a decline in the current inflation rate compared to previous periods. Ongoing concerns about inflation attributed to factors such as increased government spending, elevated home prices, and rising rent costs, sentiment has improved due to expectations of lower interest rates.

Despite ongoing concerns about inflation attributed to factors such as increased government spending, elevated home prices, and rising rent costs, sentiment has improved due to expectations of lower interest rates.

This evolving perception of inflation and interest rates can influence consumer behavior and their outlook on economic conditions, ultimately impacting spending patterns and demand for goods and services in the Saskatoon CMA.

5. Commodity trends creating mixed challenges and opportunities.

- **Potash:** Potash prices have since declined from their peak in April 2022, stabilizing to US\$300 per metric tonne. An oversupply in the global potash market, driven by increased production capacity from major producers like Belarus and Russia, is contributing to this downturn. Additionally, key markets such as Brazil, India, and China have lowered their demand for potash, including reduced fertilizer applications in Brazil, India's lowered potash fertilizer budget for 2024, and China's restrictions on major fertilizer trading firms limiting exports to 944,000 metric tons in 2024.

Despite these challenges, the potash sector anticipates stability and gradual growth in 2024, supported by steady demand from markets including Europe, North America, and Southeast Asia, along with ongoing investments in production efficiency and innovation within the Saskatoon Region

- **Uranium:** Uranium prices have surged significantly, exceeding CAD\$100 per pound in early 2024, a level not seen in the last 15 years. This surge is driven by strong global demand for nuclear power, particularly from markets like China, India, South Korea, and Europe, which are expanding their nuclear energy capacity as part of the transition to cleaner energy sources.

Supply constraints from major uranium-producing regions such as Canada, Kazakhstan, and Australia have further tightened the market, intensifying price pressures. Geopolitical tensions and concerns over energy security have also fueled market uncertainties, pushing uranium prices to record levels.

- **Canola & Wheat:** Both canola and wheat prices have decreased from their recent peaks of USD\$1,087.50 per bushel for wheat and CAD\$1,184.30 for canola. However, prices remain elevated compared to historical averages due to ongoing market dynamics, including the loss of crop production from Ukraine contributing to tight global grain markets

Despite a decline in the previous year, early indicators suggest a rebound in crop production for 2024. However, potential impacts from an El Niño weather pattern poses a threat to this year's yields.

Methodology

Our analysis is based on a combination of Statistics Canada data, the Conference Board of Canada data, national bank forecasts, industry reports, surveys, and expert commentary. We strive to present an objective and informative snapshot of the Saskatoon Region economy.

Glossary

Real GDP measures the value of the goods and services produced by an economy in a specific period, adjusted for inflation.

Population measures all the inhabitants of a particular town, area, or country.

Unemployment Rate is the number of unemployed persons expressed as a percentage of the labour force.

Employment is the number of persons who, worked for pay or profit, or performed unpaid family work or had a job but were not at work due to own illness or disability, personal or family responsibilities, labour dispute, vacation, or other reason.

Labour Force is the number of persons 15 years of age and over who were employed or unemployed.

Participation Rate is the the number of labour force participants expressed as a percentage of the population 15 years of age and over.

Housing Starts reflects the number of privately owned new houses (technically housing units) on which construction has been started in a given period.

Existing Home Sales reflects the number of housing units on the market and the number of housing units sold in a given period.

Median Sales Price reflects the middle value of homes sold within a specified area or dataset.

Inflation Rate is the rate of increase or decrease in prices for goods and services, in a given period of time.



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