



Q3 Economic Update

July - September 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 third quarter of 2024, the Saskatoon Region's economy demonstrated continued strength, with an estimated GDP growth of 3.1%, surpassing the national average. In analyzing the Q3 2024 market data, several key takeaways are seen:

- 1. The Saskatoon Region's economy experienced robust growth, driven by primary industries, housing, and employment, with easing inflation and stable commodity prices supporting expansion.**
- 2. Housing demand in the Saskatoon Region remains strong due to population growth, affordability, and declining interest rates, however, the supply-demand imbalance continues to present challenges.**
- 3. Canada's slowing economy has led the Bank of Canada to cut interest rates, enhancing the Region's strong economic position. Lower rates and declining inflation are expected to boost investment and spending, improving affordability.**
- 4. The Saskatoon Region's labour market shows strong growth with employment gains in key sectors, more full-time jobs, and high participation rates, despite a tight market and wage pressures.**
- 5. The Region's capital investment rose notably, with total values up 14.0% and building permits up 21.6%, driven by demand for single-family housing, industrial growth, and commercial construction.**

Total Real GDP \$25.997B 3.1% change from Q3 2023	Employment 207,167 4.5% change from Q3 2023	Unemployment Rate 5.3% 1.1 PP change from Q3 2023
Median Sales Price \$391,733 10.9% change from Q3 2023	Home Inventory 1,095 19.9% change from Q3 2023	Interest Rate 3.75% 100 BP change from Q3 2024

1. The Saskatoon Region's economy experienced robust growth, driven by primary industries, housing, and employment, with easing inflation and stable commodity prices supporting expansion.

- After strong economic performance in the first half of the year, GDP growth in the Saskatoon Region is projected to be moderate for the remainder of 2024. In Q3, GDP growth is estimated at 3.1%, placing the Saskatoon Region among the top-performing major Canadian CMAs.
- The third quarter's economic growth was predominantly driven by the primary industries, particularly agriculture, mining, and quarrying, which expanded by 9.0%. These sectors benefitted from robust global demand and solid commodity prices. Additional support came from Health Care and Social Assistance (+5.5%), Food and Accommodation (+4.6%), and Transportation and Warehousing.
- While commodity prices have softened from earlier highs, they remain elevated enough to generate strong revenues for the Saskatoon Region's natural resource sector. Key commodities such as potash, uranium, canola, wheat, and lentils continue to be vital economic drivers. The global demand for potash and uranium—bolstered by fertilizer needs, geopolitical factors, and energy transitions—sustains strong mining output. Favourable agricultural harvests have also enhanced agricultural exports, reinforcing the Region's competitive position on the global stage.

Overall, easing inflation, stable commodity markets, and stronger employment growth have bolstered housing demand and consumer spending, supporting optimistic economic growth forecasts. Despite the challenges posed by higher costs, consumer confidence continues to rebound, driven by falling interest rates. Additionally increasing levels of investment in non-residential construction and infrastructure projects are set to support the Saskatoon Region's economic resilience heading into the final quarter of 2024.

2. Housing demand in the Saskatoon Region remains strong due to population growth, affordability, and declining interest rates, however, the supply-demand imbalance continues to present challenges.

- The Saskatoon Region is experiencing robust population growth. In Q3, the working-age population increased by 4.6%, largely due to high immigration levels. This influx has enhanced local consumption and intensified pressure on the housing market.
- The housing market in the Saskatoon Region remains a seller's market, with demand consistently outpacing supply. In Q3, the region recorded 1,606 home sales, a slight decrease of 1.1% from the previous year but still 14.2% above long-term averages. Inventory levels are near record lows, averaging just 1,095 homes on the market—a 19.9% decline from the previous year and 47.8% below long-term trends.
- Housing starts increased 31.2% from last year, totaling 1,064 starts, surging to levels not seen since the peak of the pandemic and 2014, and is driven by both single and multi-dwelling homes – particularly from apartments, accounting for 60.8% of all new starts.
- The Saskatoon Region reported record median sales price of \$391,733, marking a 10.9% increase from last year and a 22.3% increase from long-term price trends.

Rising home prices and limited inventory are challenging for prospective buyers, especially in affordable segments. This pressure is increasing demand in the rental market, raising rents and reducing vacancies. In the Saskatoon Region, shelter costs, alongside food and gas, drive inflation and impact affordability. More purpose-built rental construction is emerging to meet demand, but continued housing investment is essential to support population growth and the regional economy.

3. Canada's slowing economy has led the Bank of Canada to cut interest rates, enhancing the Region's strong economic position. Lower rates and declining inflation are expected to boost investment and spending, improving affordability.

- The Bank of Canada has cut interest rates a total of 100 basis points in cuts over the past few months—25 basis points in July, and September, and an additional 50 basis points in October—bringing the rate down to 3.75%. These reductions aim to make borrowing more accessible and stimulate investments.
- Inflation in the Saskatoon Region has continued to decline, reaching 1.4% in Q3. A closer look at provincial CPI data reveals trends in rising and falling prices contributing to this decline:
 - Food inflation decreased to 3.2%. Within this category, grocery store prices rose by 3.1%, while restaurant food prices experienced a more significant decline of 3.5%, indicating shifting consumer demand and market pressures.
 - The cost of shelter also trended lower, now at 3.3%, primarily due to decreasing utility costs. Water, fuel, and electricity prices fell -6.0%. While owned and rented accommodation costs remain relatively high, they have slightly declined to 5.0% and 7.5%, respectively. Notably, this quarter marks the first instance of falling inflation for rented accommodation since last year.
 - Other categories contributing to lower overall inflation include household operations (-2.4%), clothing and footwear (-5.4%), and public transportation (-3.5%).

Lower interest rates and easing inflation have provided some relief, yet The Saskatoon Region's cost of living remains high due to sustained demand in essential areas like food, shelter, and utilities. While prices in some categories, such as household operations and transportation, have declined, core living expenses continue to put pressure on household budgets, maintaining an elevated cost of living in the Region.

4. The Saskatoon Region's labour market shows strong growth with employment gains in key sectors, more full-time jobs, and high participation rates, despite a tight market and wage pressures.

- In SREDA's Q3 2024 Labour Force Analysis, the Saskatoon Region added 5,700 jobs, marking a 4.5% year-over-year increase. This growth outpaced most major CMAs in Western Canada, with the services sector—particularly Information, Culture and Recreation (+25.1%) and Education (+22.8%)—leading the surge.
- Full-time employment surged by 9.0%, accounting for the entirety of the Region's job growth, while part-time employment contracted by 8.5%.
- Despite a 6.1% expansion in the labour force, the Region maintained Canada's highest employment rate at 67.8. This underscores the Region's strong capacity to generate jobs and absorb a growing population. However, this elevated employment rate also points to a tightening labour market, reflecting reduced availability of workers.
- The Saskatoon Region continued to lead the country in labour force participation, with a rate of 71.6%. This high level of workforce engagement underscores the Region's active labour market, also contributing to a more competitive hiring environment.
- While the Canadian labour market is softening in line with prior recessions, the Saskatoon Region remains strong. However, Saskatchewan's minimum wage and relatively slow wage growth pose potential risks to long-term competitiveness, potentially hindering the Region's ability to retain talent amid heightened national competition for skilled workers.

The Saskatoon Region's labour market shows strong growth, adding 5,700 jobs in Q3 2024, primarily in full-time roles and key sectors like services and education. With Canada's highest employment rate and labour force participation rate, the Region demonstrates robust job creation and workforce engagement. However, a tight labour market and slow wage growth may impact competitiveness and talent retention amidst national competition.

5. The Region's capital investment rose notably, with total values up 14.0% and building permits up 21.6%, driven by demand for single-family housing, industrial growth, and commercial construction.

- In Q3 2024, the Saskatoon Region's capital investment landscape showed solid growth, with total investment values across both residential and non-residential sectors increasing by 14.0% year-over-year. Building permits surged by 21.6%, reflecting strong confidence in the economic outlook.
- Residential investments grew by 13.5%, driven primarily by a significant rise in single-family home investments:
 - Single-dwelling investments surged 43.2%, highlighting strong demand for single-family housing, while multiple dwelling investments dropped 22.9%, including a 38.0% decline in apartment investments. This contrast may indicate a shift toward smaller or lower-cost apartment projects, a timing lag in construction starts, or changing developer priorities based on market dynamics.
- Non-residential investment continued to support regional growth, increasing by 15.5%, with notable sector-specific gains:
 - Industrial construction surged 44.1%, driven by expansions in manufacturing, warehousing, logistics, and mining, as noted in Colliers' Q3 2024 Industrial Market Report. Commercial construction grew 7.3%, reflecting increased demand for retail and office space, bolstered by Class B and C property absorption and mining-related business needs. Institutional and governmental construction also rose 14.8%, fueled by investments in public infrastructure, healthcare, and education.

The Saskatoon Region's strong economic momentum is fueled by key industries, a robust housing market, and employment growth, bolstered by capital investments and easing inflation. With interest rates expected to continue falling, improved borrowing conditions should drive further investment and spending, positioning the Region for sustained growth.

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.

Inventory is the total number of active listings available for sale in a particular market at a given time. This includes all types of properties listed for sale through the Multiple Listing Service (MLS) system.

Investment in Building Construction is the investment in residential and non-residential building construction, representing the spending value of building construction by households, enterprises and governments for buildings, excluding the value of land. The value of construction investment for a given month will be a function of the work done on units started in that month, in addition to the work done on all the other units from preceding months for which the construction would not yet be completed.

Sources

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