

## Rollin' right along: Saskatoon's economy poised for further growth in '07

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Momentum is a big thing in the world of sports.

When a team is on a roll, there seems to be no stopping it.

In the world of business, companies can get on a roll where nothing seems to slow them down.

In the year just past, Potash Corporation of Saskatchewan Inc. seemed unstoppable. Weak overseas potash sales through the first half of the year, due to the Chinese balking on price, didn't stop the company from posting high earnings from its nitrogen and phosphate sales quarter after quarter. Did I mention the soaring share price? Revenues and the share price at Cameco Corp. seem relatively unaffected by the Cigar Lake debacle, and most people who follow the company seem to buy into its view that engineering can overcome scary geology and deliver billions of dollars worth of uranium from that deposit.

As with sports teams and companies, local economies can gather momentum over time. Such appears to be the case here and the Saskatoon success story is being told nationally.

One influential person who is bullish on Saskatoon's prospects is Mario Lefebvre, the gregarious economist -- not an oxymoron in his case -- with the Conference Board of Canada.

Writing from Ottawa, his mid-December metropolitan outlook predicts 2.9 per cent GDP growth in 2007 for our city. This would rank Saskatoon as the eighth-fastest growing urban economy among the 20 biggest census market areas in Canada that the Conference Board surveys.

It is hard not to think that Saskatoon and region could do better than that in the coming year. It would not be a surprise for many local observers if the city matches or exceeds the 3.3 per cent GDP growth the Conference Board predicts will be our final number for 2006. That could put us back in the top five for growth.

For Lefebvre to do his reports, he has to have a cut-off for his numbers so that all cities can be compared apples to apples. In this case, his data set for the 20 urban markets in his study was current as of mid-November.

At that point, he had numbers that suggested the labour force in Saskatoon was static, stuck at 126,000 people. However, a few weeks after his cut-off period, Statistics Canada released the November job figures. For Saskatoon, they were astounding and caused Kent Smith-Windsor of the Greater Saskatoon



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Agrium is assessing second expansion to its Vanscoy-area potash mine, one of several expansion projects within the Saskatchewan potash sector

Chamber of Commerce to pump out the most optimistic press release he has ever written in 10 years on the job.

The numbers showed the Saskatoon area had 131,600 people employed in its labour force, a full 8,200 higher than in November 2005. The seasonally unadjusted unemployment rate in Saskatoon last month now sits at a rate of 3.8 per cent.

The labour force and unemployment numbers are perhaps irrelevant on one level if the local economy has, as many suspect, hundreds of jobs that are going begging, ranging from entry level retail and service jobs to a multitude of trades.

Making sure the workforce has the capacity to expand, through training the existing population plus introducing hundreds of new skilled workers to the local market through in-migration, is the challenge facing every sector.

An economist in Ottawa can only deal with the information that his team can gather. Even the one negative headline on jobs in Lefebvre's report from the Saskatoon market looks different from this vantage point than it does from the nation's capital.

Of course, winding down Mitchell's Gourmet Foods kill plant will put a dent in the city's manufacturing output, as Lefebvre writes. But what if the province's hog producers find a way to finance their own plant in conjunction with another partner? That's one negative turned into a positive.

And who will be right on housing starts: Lefebvre, with his prediction that housing starts have to fall back because the 1,400 to 1,500-plus units recorded in Saskatoon this year aren't sustainable; or the local home builders, who argue the market here could sustain 2,000 new units annually? Remember, Lefebvre based his number on the labour force growing next year to 128,000. But we're already nearly 4,000 working people beyond that. That growth, plus the rise in real wages throughout many employment sectors, could have already created a pent-up demand for housing that hasn't yet been met.

Lefebvre has identified potash as a continual growth story in our area. The headlines won't dispute that. Engineering firms are assessing how to get Agrium's Vanscoy mine into a second expansion. Meanwhile, PotashCorp is looking at ways of boosting output at both the Cory and Patience Lake mines, now that projects to expand PCS Lanigan and PCS Allan are nearing completion.

A recent Scotiabank report looked at how science jobs, highly paid by almost anyone's standards, have definitely been on the upswing as time goes on. Saskatoon now exceeds the national average for the percentage of its workforce in the natural and applied sciences.

And that will increase if there is an early decision to build VIDO's Level 3 International Vaccine Centre at a cost of \$111 million. Writing from Ottawa, Lefebvre says it will happen.

There are always global and national forces that can't be predicted that could throw a spanner in the works, but there appears to be no reason for whine to go with our Canadian sparkling white wine this New Year's Eve.

With our economy going so well locally, it wouldn't be a surprise if our liquor stores run out of the real champagne this weekend.

Apparently, we can afford it.

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CLOSE WINDOW