South Central Enterprise Region 5 Year Economic Highlights

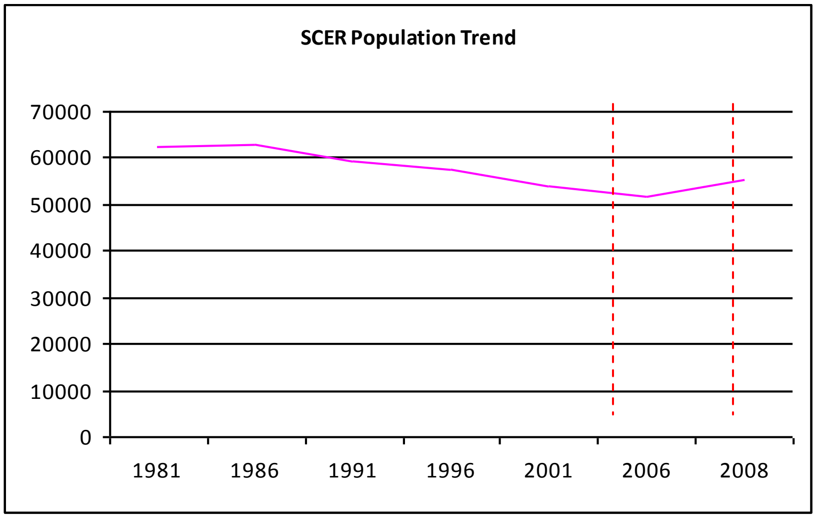
The Economic Highlights Report is a statistical overview of South Central Enterprise Region's (SCER) economic performance. It explores the contributing factors to growth or decline within the context of business enterprises, labour market and lifestyle.

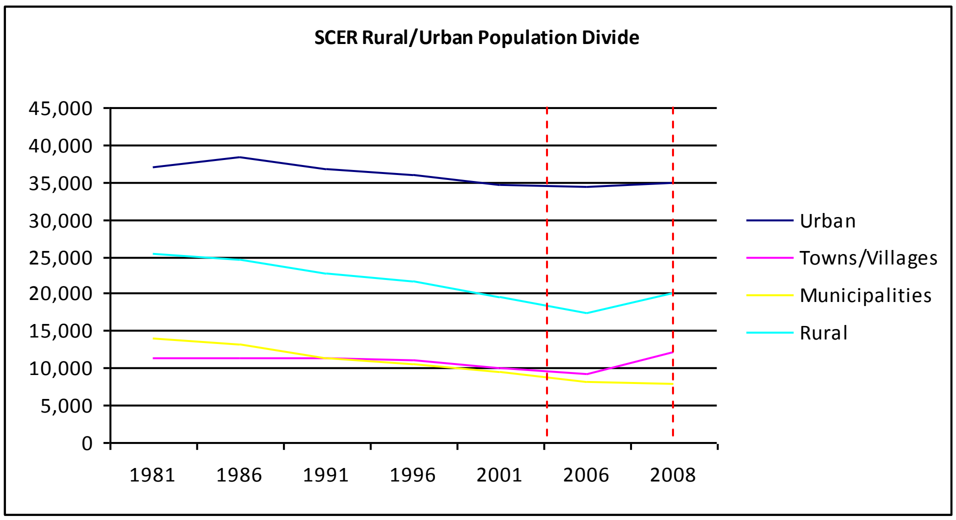
- The population of SCER had an upward trend with growth at 6.3%. Changes in population were more distinct for rural communities compared to urban ones.
- The upward trend in population was more evident among the age cohort 20-64 years
- A net growth of 71 businesses with most in sectors such as Information, Culture & Recreation, Construction and Manufacturing. The total growth consisted of 70 new small businesses and 1 mid-sized company.
- Most of the growth in businesses was concentrated in Moose Jaw.
- Prices of agricultural commodities generally declined from 2008 levels but are expected to rebound gradually in the years ahead.
- Prices of energy commodities have declined from their highest points in 2008. A strong price rally is not expected for the energy market in the immediate future.
- Mill rates for the agricultural and commercial businesses have decreased in recent years.
- Average sale prices for commercial real estate property are generally on the increase, although they will likely do so in a gradual way in upcoming years.

Population

The population of SCER was on a gradual decline from 63,000 in the mid 80's to 51,800 in 2006. From 2006 to 2008, there was an upswing in population by 6.3% to a count of approximately 55,000. The distinction between urban and rural[1] communities in terms population size is a 64% to 36% respectively. Over the past five years, similar trends have occurred within rural and urban communities with the exception of a few subtle differences. Population for the City of Moose Jaw was relatively unchanged from 2001 to 2008 at approximately 34,000, while population within rural communities had more evident fluctuations, a decline of 11% from 2001 to 2006 and an increase of 15% from 2006 to 2008 for a net increase of 4%. A closer look at the rural population composition shows that towns and villages had more of an upward trend during 2006 and 2008 as opposed to regional municipalities. It appears that there were differences in population sensitivity to economic conditions, which likely explains the variations in trends.

[1] Rural population figures comprise those for towns and villages as well as regional municipalities.

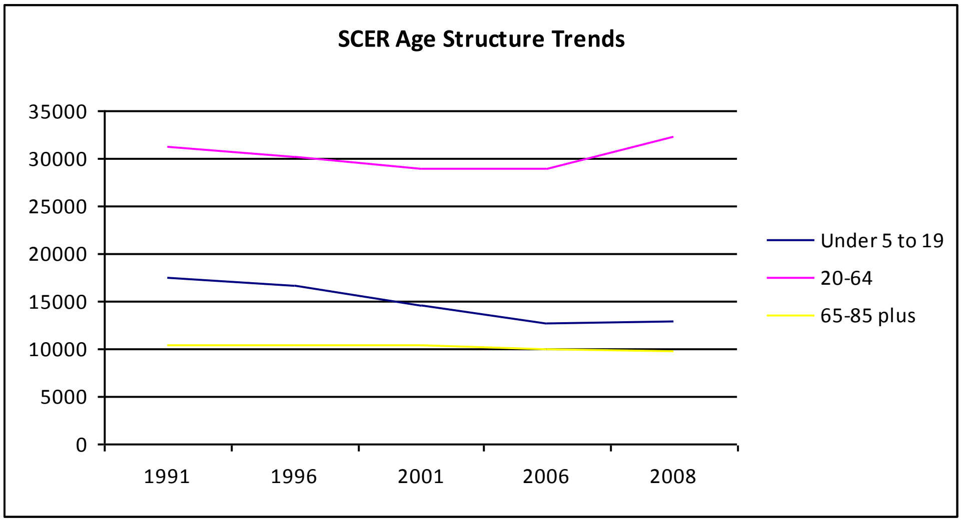




Source: Statistics Canada

Age Structure

The age structure for various cohorts (i.e. children, working age and mature residents) shows that the population of children in SCER gradually leveled off at approximately 12,000 within the past 5 years. There was also a steady decline in the population of mature residents. The only group with an increase was the working age population which increased 11% during each period (2001 to 2006 and 2006 to 2008). This upward trend was likely caused by the attraction of residents that fall within the working age population, some of whom do not belong to large families, which would also create a corresponding magnitude of expansion within the cohort 5 to 19.



Source: Statistics Canada

Business Enterprises

Business counts from Statistics Canada show that SCER added a total of 71 businesses between 2001 and 2008. The table below shows that most of these gains were concentrated in the City of Moose Jaw. Other communities with strong gains were Avonlea and Belle Plaine. By contrast, most of the losses were concentrated in Assiniboia. However, other communities that experienced some losses were Gravelbourg, Mossbank, Ogema, Bengough and Lafleche.

Sectors that lost the highest number of businesses were Primary Industries & Utilities while those with the highest star-ups were Information, Culture & Recreation, Construction and Manufacturing. There were also significant gains in the number of small businesses over the period, most of which were created in the City of Moose Jaw. Although there were also a number of new mid-sized firms that started in Moose Jaw, the total across the entire region did not change over the period. The same outcome was evident for large businesses. Refer to the notes column within the spreadsheet to obtain further details on changes in mid to large businesses by sector across selected communities.

	Overall change	Industries with greatest changes		Changes in small/mid/large sized firms			Notes (mid to large sized establishments)
		-	+	Small (1-49)	Mid (50 - 199)	Large (200+)	
Assiniboia	-47	Primary Industries & Utilities; Trade	Other services; Health Care & Social Assistance	-44	-3	0	Lost mid sized establishments in Education, Health Care & Social Assistance, Manufacturing and Finance, Insurance, Real Estate & Leasing . Gained a mid sized Trade establishment
Avonlea	10	N/A	Trade	9	1	0	Gained a mid sized establishment in Trade
Belle Plaine	10	N/A	Primary Industries & Utilities, Manufacturing	7	2	1	Gained a mid-sized establishment in Manufacturing and a large sized one in Primary Industries & Utilities
Bengough	-15	Primary Industries and Utilities; Trade	Information, Culture & Recreation	-14	-1	0	Lost a mid-sized establishment in Health Care & Social Services
Briercrest	-7	Primary Industries & Utilities	Construction; Manufacturing	-7	0	0	
Caronport	0	Construction; Trade	Other services; Transportation & Warehousing	0	0	0	
Chaplin	-1	Primary Industries & Utilities; Trade	Manufacturing; Other Services	0	-1	0	Lost a mid sized establishment in Primary Industries & Utilities
Coderre	-2	Accommodation & Food Services; Finance, Insurance, Real Estate & Leasing	Primary Industries & Utilities	-2	0	0	
Coronach	-4	Trade; Primary Industries and Utilities	Construction	-4	0	0	
Drinkwater	-1	Manufacturing	Primary Industries & Utilities	0	-1	0	Lost a mid-sized establishment in Manufacturing
Gravelbourg	-21	Trade; Primary Industries and Utilities	Other Services	-22	1	0	Gained a mid-sized establishment in Health Care & Social Assistance
Keeler	2	N/A	Trade; Public Administration	2	0	0	
LaFleche	-12	Primary Industries & Utilities	Information, Culture & Recreation	-12	0	0	Lost a mid-sized Education Service establishment and gained one mid sized Health Care & Social Assistance
Limerick	-8	Primary Industries & Utilities	Construction	-8	0	0	
Marquis	-1	N/A	Transportation & Warehousing; Other services	-1	0	0	
Moose Jaw	211	Finance, Insurance, Real Estate & Leasing ; Information, Culture & Recreation	Construction; Primary Industries and Utilities; Trade	208	4	-1	Lost mid to large sized firms in Manufacturing, Finance, Insurance, Real Estate & Leasing and Transportation establishments. Gained in large sized Educational Services and Health Care & Social Assistance, mid sized Trade, Accommodation & Food Services and Other Services.
Mortlach	2	Primary Industries & Utilities	Accommodation & Food Services; Manufacturing	2	0	0	
Mossbank	-15	Primary Industries & Utilities	Trade	-15	0	0	
Ogema	-14	Primary Industries & Utilities	Information, Culture & Recreation	-14	0	0	
Pense	-3	Primary Industries & Utilities; Trade	Construction; Management, Administrative & Other Support	-3	0	0	
Rockglen	-9	Primary Industries & Utilities; Educational Services	N/A	-9	0	0	Lost a mid sized establishment in Educational Services and gained one in Health Care & Social Assistance
Rouleau	-3	Primary Industries & Utilities	Information, Culture & Recreation	-3	0	0	
Shamrock	-3	Primary Industries & Utilities	Accommodation & Food Services	-3	0	0	
Tuxford	0	Transportation & Warehousing; Primary Industries & Utilities	Construction	1	-1	0	Lost a mid sized establishment in Construction
Willow Bunch	2	Accommodation & Food Services	Information, Culture & Recreation	2	0	0	
Wood Mountain	N/A	N/A	N/A	N/A	N/A	N/A	
SCER Total	**71**	**Primary Industries & Utilities**	Information, Culture & Recreation; Construction	**70**	**1**	**0**	

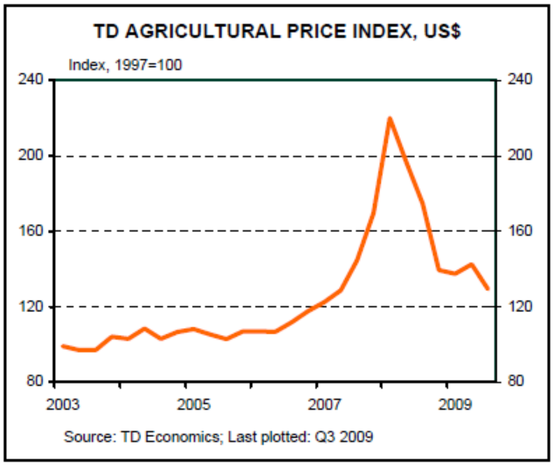
Legend
Primary industries consist of Agriculture, Forestry, Fishing, Hunting etc.
Trade consists of Retail and Wholesale and Distribution
Other services consist of repair and maintenance, personal services, religious and civic establishments

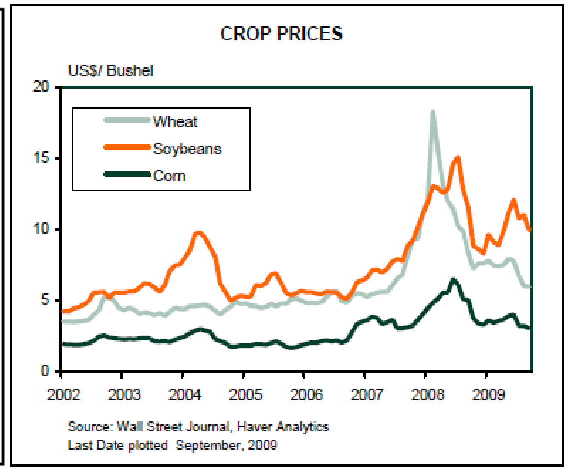
Source: Statistics Canada

Commodities

Agriculture

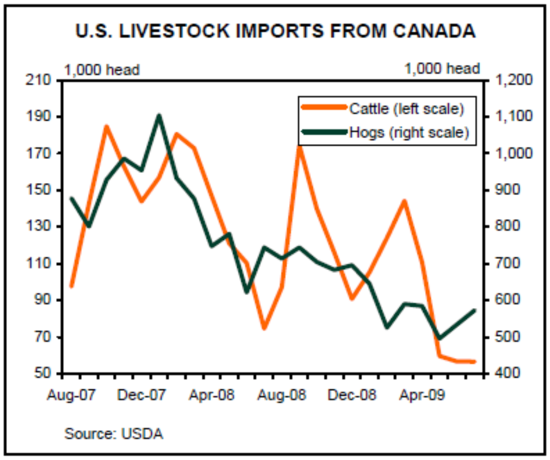
According to a 2009 report by TD Economics, 2009 was marked by a period of relative calm for the agricultural sector. Agricultural commodity prices were relatively stable from 2003 to 2008 with a significant peak just before the effect of the global recession, which seems to have put a downward pressure on prices. It is likely from the analysis on business counts that sectors within the primary industry within SCER such as agriculture and livestock felt the pinch of the economic downturn.

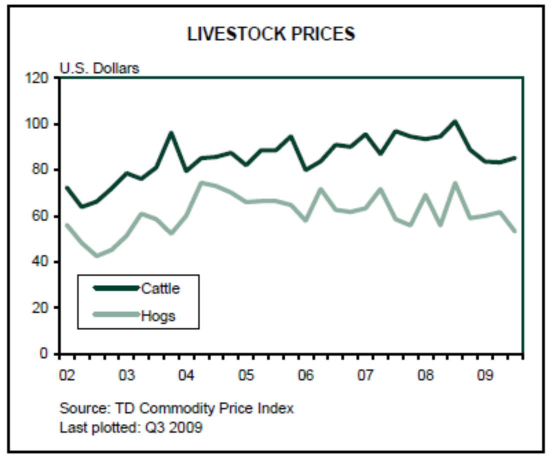




Prior to the global recession, gains in soybean and wheat prices were significant. However, the wheat market suffered from the largest global supply glut, as evidenced by the sharp drop in prices. Carryover stocks of wheat, corn, soybean and barley were expected to be higher at the end of the 2009-10 year. The demand side for crops within SCER will likely pick up significantly in the near term because stocks have already been replenished in prior years when supply was tight, livestock herd sizes continue to decline, thereby reducing feed use. Consumption from the ethanol and biofuels industry is soaking up some of the excesses in the corn and soybean markets, but not enough to offset the growing gap between production and consumption.

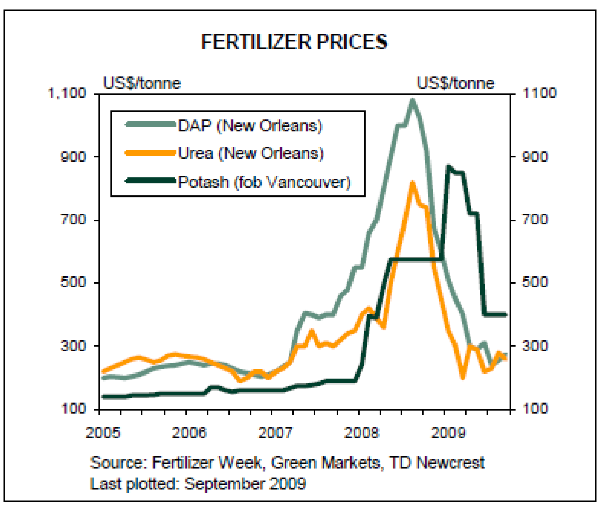
The livestock market has also been facing several challenges. XL Beef is one example of the growing challenges within the hog industry. In addition to the slump in demand brought on by the recession, Canadian livestock producers have been faced with a slew of other challenges. The final rule of the Country of Origin Labeling (COOL) legislation in the U.S. came into effect in March. And in addition to abiding by this rule, packers in the U.S. were asked to take on further voluntary measures when dealing with foreign meat. As a result, Canadian exports to the U.S. have dropped considerably. Making matters worse for the hog market was the spread of the H1N1 flu, which was originally named the ‘swine’ flu, even though it could not be transmitted through pork consumption. Still, the name sent consumers in the other direction, depressing demand even more. The Cull Breeding Swine program designed by the federal government is also being used as a mechanism to help farmers cut herd sizes even more by helping struggling producers transition smoothly out of the industry through incentives.





TD Economics predicts that now that the global economic recovery appears to have gained some traction, the recent downward pressure on prices will continue in the near term and only modestly in 2010 as excess supply persists across major agricultural commodities. In the long term, the outlook for the agricultural sector in SCER remains quite bright. Demand for crops from the ethanol and biofuels industries is expected to remain strong with the recent increase in funding for Terra Gain Fuels. Emerging markets are also expected to accentuate the demand for agricultural products as incomes and populations continue to grow rapidly, increasing the desire for high quality foods – particularly meat. The emerging markets provide enormous opportunities for local farmers to diversify away from the U.S. Improving quality and food traceability is one way to help producers become attractive and expand into foreign markets.

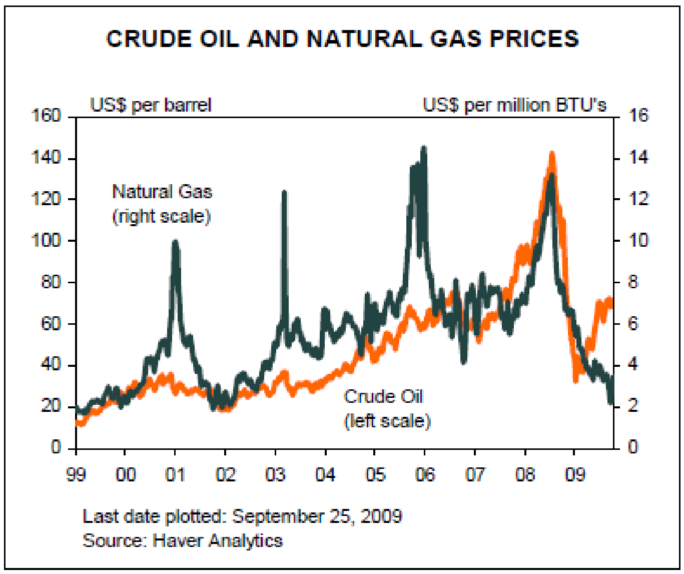
Minerals, Gas and Petroleum Products



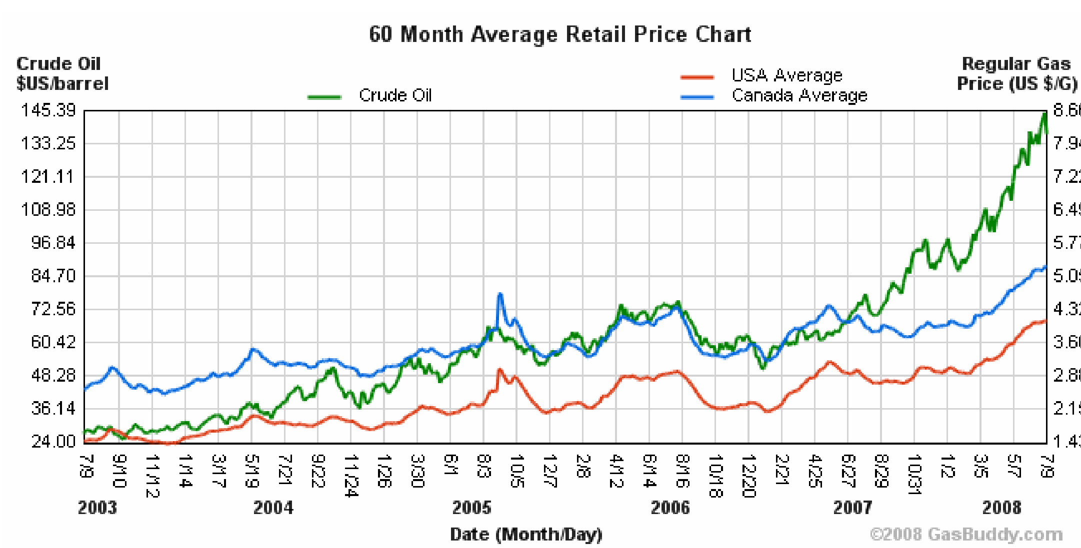
Recent trends for fertilizer and potash prices have had a negative impact on major producers within SCER such as Mosaic and YaraCanada. Fertilizer prices sunk from the heights seen 2008, though potash prices managed to remain elevated for a much longer period than nitrogen or phosphate based fertilizer prices. But, high potash prices just resulted in lower potash applications, ultimately driving potash prices down.

TD predicts fertilizer prices will likely to edge up this year. Although some farmers may decide to go another year with reduced fertilizer usage, others will begin to replenish the soil so that yields aren't compromised, thereby increasing demand. But while fertilizer prices will likely return to levels above the averages seen in the years prior to the massive surge, TD Economics predicts that it doesn't expect them to rise anywhere close to the highs seen in 2008.

Canada has been the incremental supplier of the vast U.S. market, accounting for as much as one-seventh of the natural gas consumed south of the border. However, a boom in U.S. domestic output since 2004 has allowed the U.S. to meet an increasing share of its needs. Based on these recent trends, there has been some speculation that the U.S. might one day join the small list of countries no longer relying on net imports of natural gas. The slide in natural gas prices to 7-year lows in 2009 was driven by a combination of the recession, falling North American industrial demand and resilient U.S. production. Natural gas is a major feedstock for the production of ammonia for the use of fertilizer production. The decline in the price of natural gas certainly reduced production costs for fertilizer manufacturers who were already getting their profits squeezed by slow demand.

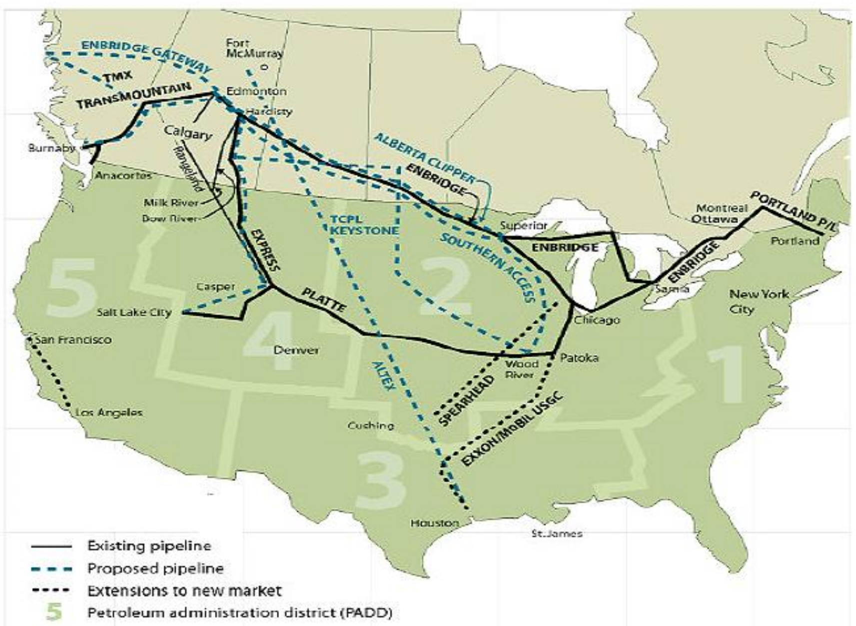


TD Economics predicts that given concerns surrounding recent technological advancements that have improved the economics of developing shale gas and the United States meeting an increasing share of its needs, the industry is unlikely to return to its former prominence. However, lower production and a rebound in industrial demand should help to improve the market balance, though with plenty of supply to go around, the recovery in natural gas process will be slow.

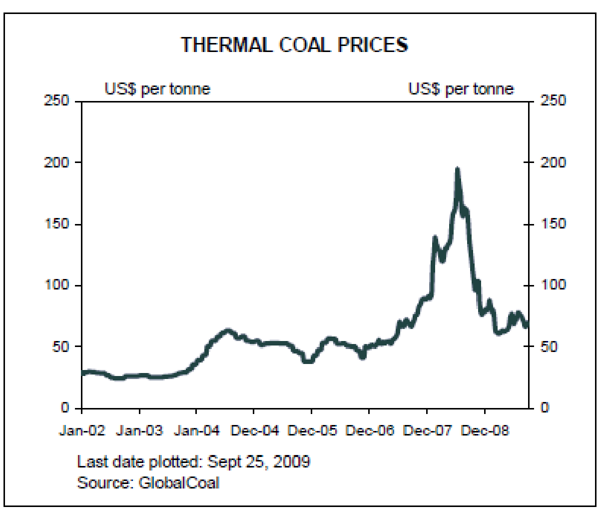


High oil prices generally have a large negative impact on a region's economic growth, especially if it is a net importer. Recent geopolitical events like the disruption in Nigeria's oil supply, fears that a war in Lebanon could spread through the Middle East, the ongoing conflict in Iraq and concern that Iranian oil exports would be reduced because of a confrontation over its nuclear program and increased commodity speculation contributed to rising energy prices. Speculation that the oil supply disruptions would result from Hurricanes Katrina and Rita in the Gulf Coast also led to an increase in crude oil prices. United States total refinery demand for western Canadian crude oil is projected to increase. Demand for heavy crude oil is by far the largest of the crude types. Expected growth in western Canadian crude oil supply will require additional pipeline capacity to meet demand from existing and new markets. Without additional pipeline capacity, the resources will be stranded with no economic value. The map below shows current and proposed pipeline development across Canada and the U.S. The proposed extensions to new market in the U.S. from Fort McMurray through areas of SCER will likely create a positive economic impact in terms of ease of access to the resource, tax revenues and employment.

Current and Proposed Crude Oil Pipelines

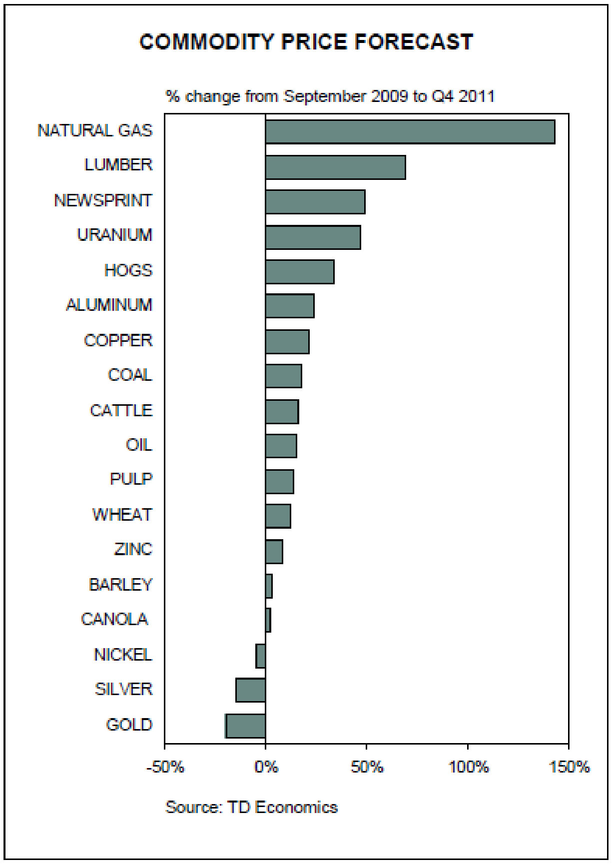


Source: Natural Resources Canada, Canadian Energy Pipeline Association



Thermal coal prices have lost some steam, falling back during the recession. This price trend possibly affected plans for major investments in technologies for clean coal production within the SCER. Since Luscar Mining supplies fuel for the Poplar River Power Station, which takes the total coal production from the mine, the level of demand and production is likely not prone to major price fluctuations.

Looking ahead to 2010, the development and implementation of new technologies such as carbon capture and storage and clean coal could help sustain the use of coal for electricity generation in a carbon-constrained future. This means that business spin-offs are likely to occur in SCER as evidenced by the recent developments around NuCoal's coal drilling program to confirm coal reserves that were identified in the 70's and 80's.



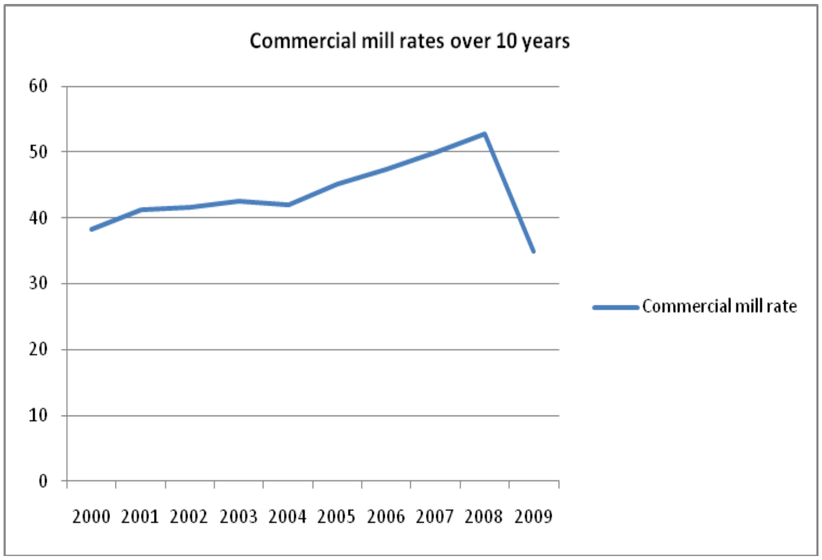
The following table is a forecast of TD Economics growth/decline of various commodities from Q4 of 2009 to Q4 2011. TD Economics reports that there is a considerable amount of excess capacity within most commodity areas. So as demand revs up, production can easily be increased. But, as demand picks up and prices begin a sustainable recovery, producers will be tempted to ramp up output in order to capitalize on the higher prices. As such, it will take a great deal of producer discipline to work down the excesses and balance the market.

Commodities such as canola, barley and wheat will likely have little growth in prices while cattle, coal and hogs are expected to have fairly modest increases in prices. In essence, the producers of major commodities within SCER will see minimal to modest price increases as the stock of surpluses diminishes and demand ramps up. The demand for commodities in 2010, however, will be gradual as the global economy eases out of the recent recession. If 2010 proves to be a net positive for commodity prices, it is foreseeable that 2011 will see prices pushed up even further compared to 2010. Refer to the table **Saskatchewan Economic Indicators** for historic prices of commodities.

Mill Rates

Commercial Mill Rate over 5, 10 years

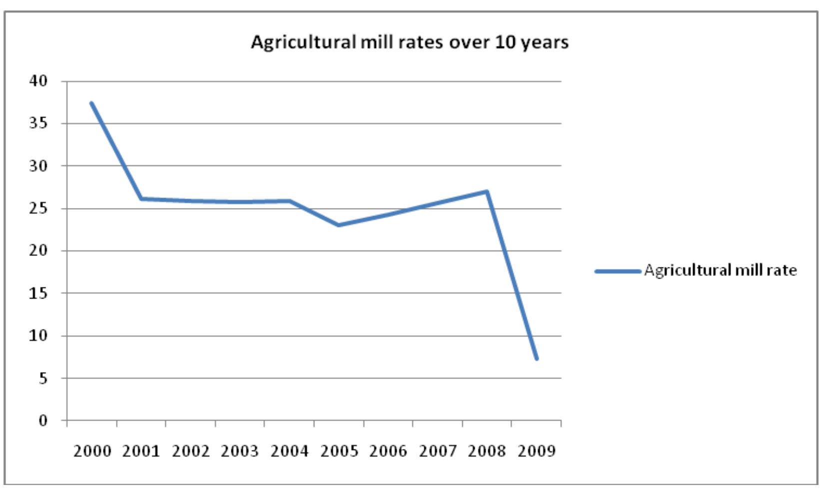
The commercial mill rate in SCER was rising until it's highest point in the 10 year timeframe in 2008. However, in 2009, the mill rate was susbstantially lowered due to education taxation changes.



Source: City of Moose Jaw Tax Assessment Dept.

Agricultural Mill Rate over 5, 10 years

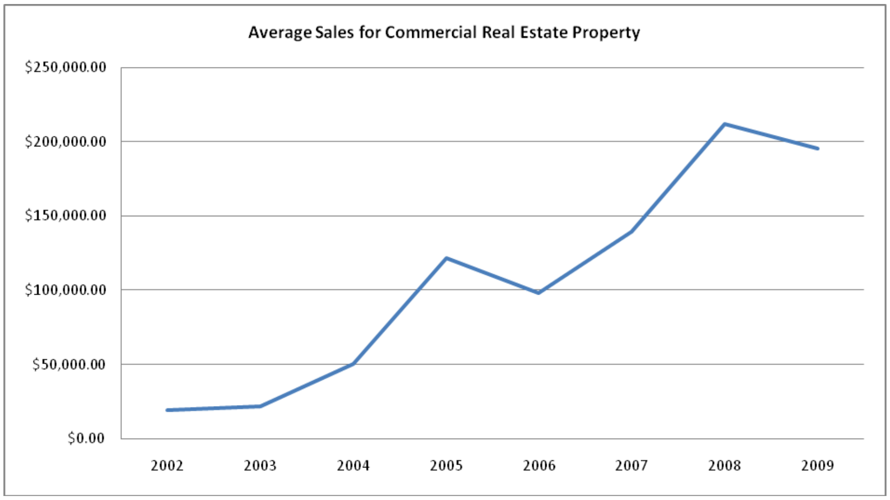
The agricultural mill rate in the City of Moose Jaw, however, was unchanged between 2001 and 2004 but gradually increased from that time to a peak of 26% in 2008. Since that time, mill rates have fallen drastically since a larger portion of education tax included in the total tax has been taken over by the govenment.



Source: City of Moose Jaw Tax Assessment Dept.

Commercial Real Estate Sales

Commercial real estate prices in SCER is generally on the increase as they're becoming scarce. Prices dropped in 2006 and 2009 possibly because the market cooled off. The steep price increases from 2004 to 2005 and 2007 to 2008 were possibly exacerbated by an increase in the supply of new or vacant properties on the market.



Source: Moose Jaw Real Estate Board

Saskatchewan Economic Indicators

INDICATOR	Unit of Measurement	Annual 2006	Annual 2007	Annual 2008	Year-over-Year Last Year Same Period	Year-over-Year Latest Period	Year-over-Year % Change	Year-over-Year Rank	Year-to-Date (YTD) 2008	Year-to-Date (YTD) 2009	Year-to-Date (YTD) % Change	Year-to-Date (YTD) Rank	Date of Most Recent Data	Next Release Date
Economic Growth and Forecasts														
REAL GDP GROWTH	$M	38,520	39,896	41,583	39,896	41,583	4.2%	1	41,583	-			2008	Apr 2010
FORECAST GDP GROWTH*	%	-1.0	3.6	4.2					4.2	-1.1		5	2009	
Commodity Prices†														
WHEAT	$/mt	216.58	302.78	455.65	322.13	289.01	-10.3%		461.96	301.09	-34.8%		Nov 2009	Dec 21
CRUDE OIL	$US/barrel	66.12	72.74	100.15	56.95	77.93	36.8%		104.95	60.40	-42.5%		Nov 2009	Dec 21
NATURAL GAS	$US/mmbtu	6.74	6.98	8.88	6.68	3.66	-45.3%		9.14	3.82	-58.2%		Nov 2009	Dec 21
Labour Market														
EMPLOYMENT	000s	182.2	182.2	182.2	520.7	521.6	0.2%	4	512.4	520.7	1.6%	1	Nov 2009	Jan 08
UNEMPLOYMENT	000s	15.6	15.6	15.6	17.4	24.6	41.4%		22.0	26.6	20.6%		Nov 2009	Jan 08
LABOUR FORCE	000s	417.8	417.8	417.8	538.1	546.2	1.5%		534.5	547.3	2.4%		Nov 2009	Jan 08
UNEMPLOYMENT RATE	%	3.7	3.7	3.7	3.2	4.5	1.3	1	4.1	4.9	0.7	1	Nov 2009	Jan 08
Production and Exports														
MANUFACTURING SHIPMENTS	$M	9,865	10,305	12,248	1,025	854	-16.7%	4	10,520	9,328	-11.3%	3	Oct 2009	Jan 20
POTASH (K2O)	000S tonnes	7,912	10,341	9,341	855	534	-37.5%		7,824	3,423	-56.3%		Oct 2009	Dec 21
CRUDE OIL	000 m3	24,787	24,780	25,574	2,194	2,067	-5.8%		16,816	16,388	-2.5%		Aug 2009	Dec 21
NATURAL GAS	000,000 m3	9,574	8,822	8,284	702	654	-6.8%		5,571	5,200	-6.7%		Aug 2009	Dec 21
URANIUM (U3O8)	000 kgs	12,072	11,076	10,504	846	1,141	34.9%		7,395	8,367	13.1%		Sep 2009	Dec 21
FARM CASH RECEIPTS	$M	6,627	7,730	9,433	2,157	1,723	-20.1%	10	7,045	6,746	-4.3%	6	Q3 2009	Feb 24
INTERNATIONAL EXPORTS	$M	16,398	19,744	31,159	2,682	1,759	-34.4%	8	21,815	15,956	-26.9%	7	Sep 2009	Dec 21
Investment and Construction														
PUBLIC & PRIVATE INVESTMENT	$M	10,273	11,710	14,024	11,710	14,024	19.8%	1	14,024	14,167	1.0%	3	2009**	Feb 2010
NON-RESIDENTIAL INVESTMENT	$M	988	967	1,193	307	398	29.7%	2	851	1,106	29.8%	2	Q3 2009	Jan 15
RESIDENTIAL INVESTMENT	$M	1,540	2,028	2,507	733.9	520.9	-29.0%	10	1,859.2	1,577.7	-15.1%	8	Q3 2009	Mar 01
BUILDING PERMITS	$M	1,139	1,646	2,186	140	280	99.2%	1	1,944	1,647	-15.2%	6	Oct 2009	Jan 11
URBAN HOUSING STARTS	units	2,917	4,783	4,432	411	525	27.7%	2	4,494	2,715	-39.6%	9	Nov 2009	Jan 11
Other Indicators														
RETAIL SALES	$M	11,495	12,984	14,360	1,220.0	1,186.9	-2.7%	8	10,679	10,334	-3.2%	7	Sep 2009	Dec 21
WHOLESALE TRADE	$M	12,322	14,453	20,372	1,789.6	1,281.7	-28.4%	10	15,816	12,627	-20.2%	10	Sep 2009	Dec 18
NEW MOTOR VEHICLE SALES	units	39,915	45,546	49,480	4,056	4,158	2.5%	2	39,683	37,880	-4.5%	1	Oct 2009	Jan 15
AVERAGE WEEKLY EARNINGS	$	710.91	749.61	785.59	798.18	821.07	2.9%	7	782.30	801.10	2.4%	7	Sep 2009	Dec 22
POPULATION	000s	992.1	1000.1	1,013.6	1,013.6	1,030.1	1.6%	2					Jul 2009	Dec 21
BANKRUPTCY		2,086	1,667	1,577	127	214	68.5%		1,196	1,557	30.2%		Sep 2009	Dec 21
VISITORS	000s	138.2	135.5	129.8	15.1	14.5	-4.0%		85.4	83.5	-2.2%		Aug 2009	Dec 21

* - Average based on nine forecasts   ** - Intentions

† from TD Bank Economics