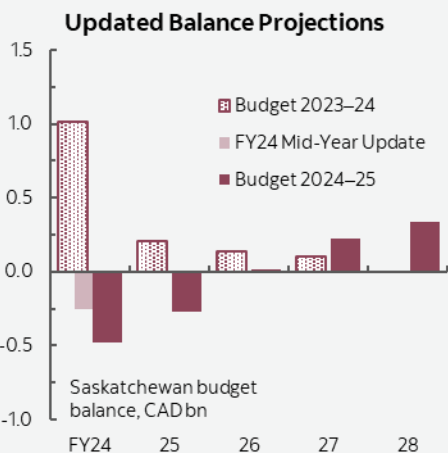


Contributors

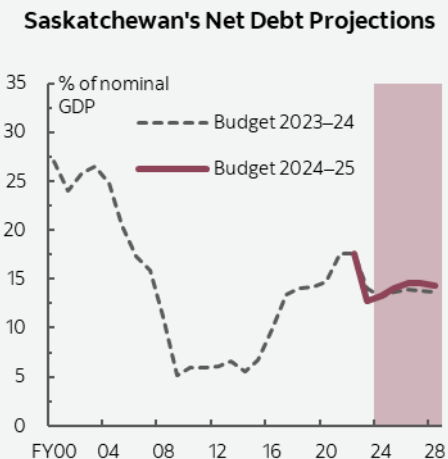
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Chart 1



Sources: Scotiabank Economics, Saskatchewan Finance.

Chart 2



Sources: Scotiabank Economics, Finance Canada, SK Finance.

## Saskatchewan: 2024–25 Budget

### DIPPING INTO DEFICIT

- **Budget balance forecasts:** **-\$483 mn (-0.4% of nominal GDP) in FY24, -\$273 mn (-0.2%) in FY25, \$18 mn (0.0%) in FY26; \$225 mn (0.2%) in FY27; \$340 mn (0.3%) in FY28**—a slight near-term deterioration from previous multi-year projections of continuous surpluses (chart 1).
- **Net debt:** edging up from **13.3% of nominal GDP in FY24 to 14% in FY25, then stabilize around 14.6% GDP in each of the next two years**—a slightly higher trajectory than in the last budget but still among the lowest in Canada (chart 2).
- **Real GDP growth forecast:** **1.4% last year, 1.0% this year, 1.8% next year.**
- **WTI price projection nudged down to US\$77.33/bbl in FY24 from US\$80.22/bbl projected in mid-year update, and is expected to average US\$77/bbl in FY25.**
- **Borrowing requirements:** **\$2.7 bn forecast for FY24, \$4.4 bn in FY25.**
- **The fiscal outlook remains largely realistic, with a slew of targeted new spending measures introduced ahead of the upcoming election to meet growing demands and foster long-term prosperity. Facing softening economic conditions and pressure on the commodity market, the province anticipates another year in the red.**

### OUR TAKE

**As heightened costs from last year’s severe droughts and subdued commodity prices erode Saskatchewan’s once-substantial surplus, the province now expects deficits to persist into the upcoming fiscal year.** Despite higher projected tax revenues, a slightly deeper deficit of -0.4% of GDP is pencilled in for FY24, driven by increased spending in agriculture and healthcare. Revenue is expected to remain subdued in FY25 due to slowing economic activity and soft commodity prices, but a normalization in agriculture spending should narrow the shortfall to -0.2% of GDP. In the medium term, strong revenue growth is expected to absorb spending growth and restore fiscal balance in FY26. The province’s balance sheet remains healthy nonetheless, with net debt-to-GDP ratio on a slight upward trend peaking at 14.6% in FY26—well below all jurisdictions except Alberta—and resuming its downward trajectory over medium-term.

**Total revenue is projected to dip -2.6% in FY25 due to the persistent impact of weaker commodity prices on resource revenues and corporate profits, partially mitigated by robust economic momentum.** Taxation and other own-source revenues are set to decline by -6%, while resource revenue is expected to recover slightly alongside largely flat oil price and production, as well as a tighter light-heavy differential. Non-renewable resource revenues is expected to account for 13.3% of total revenue in FY25, slightly higher than in FY24 but still under the targeted ceiling of 15% share. Federal transfers are expected to come in \$225 mn (6.3%) higher than in last budget, driven by funds under the cost-sharing agreement for the remediation of the Gunnar uranium mine site.

**The budget incorporated some tax adjustments to support long-term growth, particularly in the clean energy sector.** The provincial Output-Based Performance Standards (OBPS) program now includes the electricity sector, replacing the federal carbon tax, with payments directed to investment funds supporting small modular reactors and clean electricity transition. The budget also introduced or extended tax incentives to spur investment, with a focus on innovation in key sectors like petroleum, critical minerals, and technology commercialization.

Chart 3

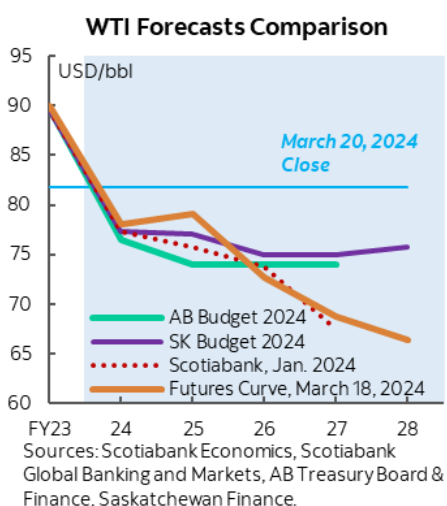


Chart 4

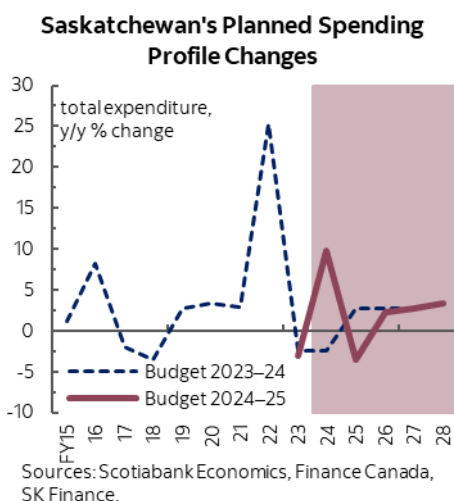
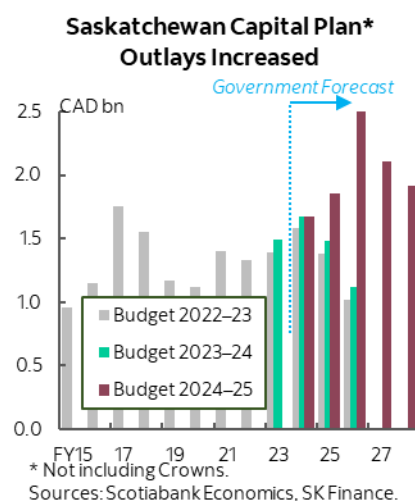


Chart 5



**Economic assumptions underpinning the budget appear reasonable, although headwinds on commodity prices and economic uncertainty pose downside risks.** Saskatchewan’s economic growth is expected to moderate this year but remains above the national average, with real GDP projected to grow by 1.0% this year and 1.8% next year, largely consistent with our forecasts of 1.2% and 1.6%, respectively. The projected WTI price of USD 77/bbl in FY25 is less prudent than Alberta’s US\$74/bbl (chart 3) but the current oil price environment remain conducive to this forecast thanks to a tight supply-demand dynamic.

**Increased fundings aimed at enhancing and expanding healthcare and education capacities has led to sustained elevated spending levels.** FY25 spending is expected to come in \$1.5 bn (7.9%) higher than projected in last year’s budget with increases anticipated in all categories—a projected decline of -4.1% from FY24 entirely due to the normalization of agriculture spending (chart 4). Program spending outside agriculture continues to grow by 1.2% in FY25, with new spending concentrated in health (\$584 mn), education (\$379 mn), and social services (\$100 mn). Key initiatives include allocating \$248 mn additional funding to support pre-kindergarten to Grade 12 education, \$248 mn to the Saskatchewan Health Authority, and \$42 mn to boost municipal revenue sharing. Additionally, the government allocated extra funding for agricultural stability and irrigation development.

Outer-Year Fiscal Projections										
\$ millions except where noted										
	FY24			FY25		FY26		FY27		FY28
	Bud. '23	Fall '23	Bud. '24	Bud. '23	Bud. '24	Bud. '23	Bud. '24	Bud. '23	Bud. '24	Bud. '24
Total Revenue	19,678	19,713	20,383	19,372	19,862	19,816	20,617	20,314	21,400	22,213
% change	-4.5	-4.3	-1.0	-1.6	-2.6	2.3	3.8	2.5	3.8	3.8
Total Expenditure	18,660	19,964	20,866	19,164	20,135	19,681	20,598	20,213	21,175	21,874
% change	-1.9	5.0	9.7	2.7	-3.5	2.7	2.3	2.7	2.8	3.3
<b>Budget Balance</b>	<b>1,017</b>	<b>-251</b>	<b>-483</b>	<b>208</b>	<b>-273</b>	<b>134</b>	<b>18</b>	<b>101</b>	<b>225</b>	<b>340</b>
% of GDP	0.9	-0.2	-0.4	0.2	-0.2	0.1	0.0	0.1	0.2	0.3
<b>Net Debt</b>										
% of GDP	13.2	13.3	13.3	13.7	14.0	13.9	14.6	13.8	14.6	14.3

Sources: Scotiabank Economics, Saskatchewan Finance.

The budget unveiled a record-breaking capital spending plan (chart 5) aimed at bolstering school, healthcare, and transportation infrastructure. The upgraded Saskatchewan Capital Plan totals \$17.9 bn over the next four years, jointly funded by the government and commercial crowns. Investment climbs to a record level of \$4.4 bn in FY25 and peaks at \$5.2 bn in FY26, primarily directed towards hospitals and schools. Increased infrastructure outlays should help support the province’s growth outlook.

Consistent with projected deficits and enhanced capital spending, borrowing program is expected to expand to \$4.4 bn in the upcoming fiscal year, up from the \$2.7 bn completed this fiscal year. The government is planning to pay down up to \$949 mn in taxpayer-supported debt this fiscal year. The province’s sinking fund—designated for repaying taxpayer-supported debt—is projected to reach \$4.8 bn (26% of net debt) by FY28.

Current-Year Fiscal Forecast			
\$ millions except where noted			
	FY24		FY25
	Nov. '23	Mar. '24	Mar. '24
Total Revenue	19,713	20,383	19,862
Non-Renewable Resources	2,627	2,393	2,686
Other Own-Source	13,521	14,255	13,396
Federal Transfers	3,566	3,735	3,780
Total Spending	19,964	20,866	20,135
Program Spending	19,141	20,041	19,224
Agriculture	2,303	2,564	1,532
Health	7,056	7,544	7,640
Education	4,306	4,290	4,415
Social Services	1,686	1,699	1,765
Other	3,789	3,945	3,873
Debt Service	823	824	912
% of Revenue	4.2	4.0	4.6
<b>Budget Balance</b>	<b>-251</b>	<b>-483</b>	<b>-273</b>
% of GDP	-0.2	-0.4	-0.2
<b>Net Debt</b>	<b>15,046</b>	<b>15,169</b>	<b>16,347</b>
% of GDP	13.3	13.3	14.0

Sources: Scotiabank Economics, Saskatchewan Finance.

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