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Chart 1

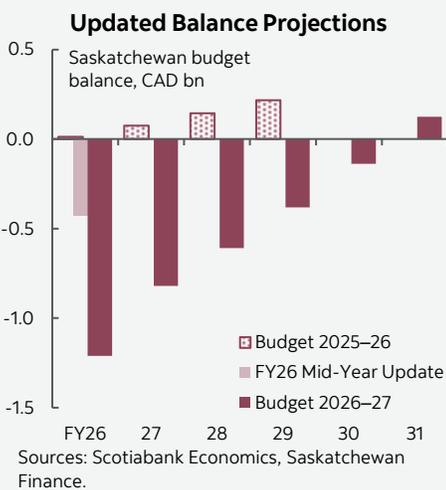
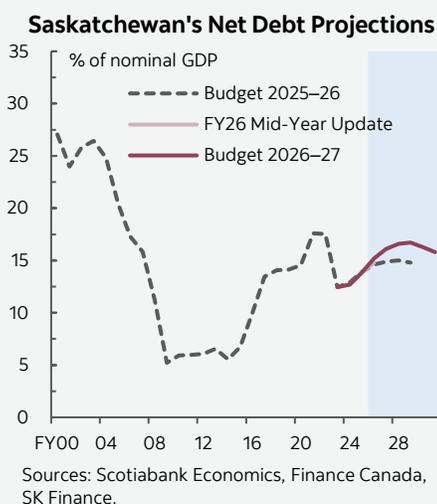


Chart 2



Saskatchewan: 2026–27 Budget

ECONOMIC HEADWINDS AND HIGHER SPENDING LEAD TO LARGER AND ONGOING DEFICITS

- Bottom line:** Weaker revenues and higher spending on health and other areas have led Saskatchewan deeper into the red for the current year, and to several more years of (relatively modest) projected deficits—despite planned reductions in the public service. Higher oil prices could help revenues over-perform on the new fiscal projections (especially in the near-term), though the province may find it difficult to keep health spending from increasing only 0.3% next year over the latest estimate for this year. Despite the projected deficits, Saskatchewan is slated to continue to maintain a low debt burden.
- Budget balance:** the deficit is projected to be \$1.2 bn (1% of nominal GDP) in FY26, up from \$0.4 bn (0.4%) in the mid-year fiscal update, with the deficit gradually shrinking over the outlook from \$0.8 bn (0.7%) in FY27 to a small surplus (\$0.1 bn, 0.1%) by FY31 (chart 1).
- Economic assumptions:** real GDP growth is assumed to slow from an estimated 2.2% in 2025 to 1.6% in 2026 before increasing 2% in 2027, while the oil price assumptions do not take into account the recent spike in WTI which presents a potential upside risk to revenue projections.
- Net debt:** projected to increase from 15.2% in FY26 to a peak of 16.7% in FY29 before declining to 15.8% in FY31 (chart 2).
- Borrowing requirements:** \$5.3 bn in borrowing planned for FY27, down from \$5.8 bn in FY26.

OUR TAKE

Saskatchewan's 2026–27 Budget projects a higher deficit that gradually returns to balance over the next five years. The deficit for fiscal year 2025–26 (FY26) ending March 31st is estimated to be \$1.2 bn (1% of nominal GDP), more than double the \$0.4 bn deficit (0.4%) projected in the mid-year fiscal update. Higher spending along with lower revenue compared to last year's budget is pushing the budget into the red over much of the forecast horizon. The deficit is projected to be \$0.8 bn (0.7% of GDP) in FY27 and gradually shrink each year, as total spending is projected to rise slower than revenue, reaching a small surplus (\$0.1 bn, 0.1%) by FY31.

Total expenditure was revised higher across the outlook. The latest budget adds an additional \$1.2 bn in spending across FY27 through FY29 relative to last year's budget. In the upcoming FY27, the province's spending is projected to increase 1% year-over-year to \$22.2 bn owing largely to additional spending of \$0.37 bn in agriculture, \$0.15 bn in debt servicing, and \$0.1 bn in education, which is partly offset by \$0.2 bn less spending on environment and natural resources and \$0.3 bn in protection of persons and property. The government is also taking measures in order to limit further increases in costs, including the aim to reduce its workforce by 3% over the next two years through attrition, as well as reviewing program spending and other initiatives.

Total revenue was revised lower compared to last year's budget as the government follows through on campaign-promised tax cuts. Total revenue is projected to increase 2.9% to \$21.4 bn in FY27 as higher income and sales tax revenue is partially offset by lower resource revenue that faces large uncertainty. Personal income tax is projected to be \$3.4 bn in FY27, up \$50 mn compared to last year's budget as stronger employment and wage growth is offset by the second increase in personal income tax credits out of the four-year plan, which is estimated to save residents up to \$200 mn in the upcoming fiscal year.

Total revenue is projected to increase 4.1% per year from FY28 onward, outpacing spending growth which is a key component of the declining deficit.

Recent geopolitical developments add greater uncertainty around the economic and resource forecast assumptions that underpin the budget. The province’s real GDP is assumed to grow 1.6% in 2026 and 2% in 2027, down from an estimated 2.2% in 2025. The province’s natural resources and relatively limited exposure to US tariffs should support above-average growth amongst the provinces. Meanwhile, higher and more volatile global oil prices owing to the conflict in the Middle East could provide a surprise revenue windfall to the province. The budget assumes WTI oil prices average \$59.75 USD/bbl in FY27, well below the recent oil price that has spiked towards \$100 USD/bbl. Using the budget’s sensitivities of a \$1 change in the price of oil affecting oil revenue by \$16 mn, an average oil price of \$70 in FY27 would result in an additional \$164 mn in revenue, assuming all else equal.

Net debt projections were revised up, now expected to peak one percentage point higher and one year later, before declining thereafter. Saskatchewan’s level of net debt is projected to increase from \$18.1 bn at the end of FY26 to \$19.7 bn by the end of FY27, rising from 15.2% to 16.1% of nominal GDP over the coming fiscal year. This should keep the net debt burden among the lowest of the provinces and within their fiscal target of the top-three provinces with the lowest net debt-to-GDP ratios. The trajectory of net debt as a share of GDP was revised higher over the outlook, now expected to peak at 16.7% of GDP in FY29 versus the previous plan of 15% in FY28, before declining to 15.8% by the end of FY31.

Total borrowing requirements of \$5.3 bn planned for FY27, of which \$0.5 bn is short-term and \$4.8 bn is long-term borrowing. Planned borrowing is down from \$5.8 bn in FY26, which was more than the \$4.0 bn projected in last year’s budget owing to the higher deficit and changes in the timing of capital project spending. The latest capital plan includes \$17.5 bn in infrastructure spending over the next four years, allocated roughly evenly across FY27 through FY30.

Updated Fiscal Forecast										
\$ millions except where noted										
	FY26		FY27		FY28		FY29		FY30	FY31
	Bud.'25	Bud.'26	Bud.'25	Bud.'26	Bud.'25	Bud.'26	Bud.'25	Bud.'26	Bud.'26	Bud.'26
Total Revenue	21,056	20,804	21,835	21,417	22,643	22,295	23,481	23,209	24,161	25,151
Total Expenses	21,044	22,014	21,759	22,236	22,499	22,903	23,264	23,591	24,298	25,027
Budget Balance	12	(1,211)	76	(819)	144	(608)	217	(381)	(138)	124
<i>% of GDP</i>	0.0	(1.0)	0.1	(0.7)	0.1	(0.5)	0.2	(0.3)	(0.1)	0.1
Net Debt	17,327	18,068		19,723						
<i>% of GDP</i>	14.6	15.2	14.9	16.1	15.0	16.6	14.8	16.7	16.3	15.8
Debt Service	1,059	1,065		1,219						
<i>% of Revenue</i>	5.0	5.1		5.7						

Sources: Scotiabank Economics, Saskatchewan Finance.

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