

Contributors

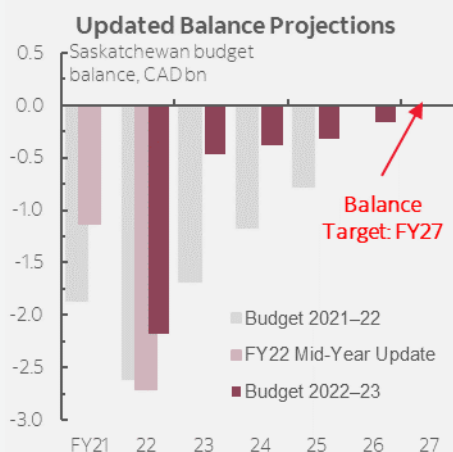
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Current-Year Fiscal Forecast \$ millions except where noted

	FY22		FY23
	Nov. '21	Mar. '22	Mar. '22
Total Revenue	16,869	17,496	17,158
Non-Renewable Resource	1,997	2,437	2,910
Other Own-Source	11,421	11,653	11,028
Federal Transfers	3,451	3,406	3,220
Total Spending	19,577	19,681	17,621
Program Spending	18,822	18,956	16,809
Agriculture	3,023	3,189	1,040
Health	6,785	6,820	6,824
Education	3,790	3,715	3,800
Social Services	1,508	1,489	1,624
Other	3,716	3,743	3,521
Debt Service	755	725	812
% of Revenue	4.5	4.1	4.7
Budget Balance	-2,708	-2,185	-463
% of GDP	-3.1	-2.5	-0.5
Net Debt	16,714	16,280	17,540
% of GDP	19.4	19.0	18.8

Sources: Scotiabank Economics, Saskatchewan Finance.

Chart 1



Sources: Scotiabank Economics, Saskatchewan Finance.

Saskatchewan: 2022-23 Budget

ALL HANDS ON DECK, BACK ON TRACK

- Budget balance forecasts:** -\$2.2 bn (-2.5% of nominal GDP) in FY22, -\$463 mn (-0.5%) in FY23, -\$384 mn (-0.4%) in FY24; -\$321 mn (-0.3%) in FY25; -\$165 mn (-0.2%) in FY26; return to balance targeted for FY27 (chart 1).
- Net debt:** expected to edge up from 19% of nominal GDP in FY22 to 20.1% by FY27—a much lower trajectory than the prior forecast (chart 2).
- Real GDP growth forecasts:** after an estimated +3.5% in calendar year 2021, +3.7% in 2022, +2.5% in 2023.
- Borrowing requirements forecasts:** \$4.3 bn for FY22, \$3.5 bn for FY23.
- Though slightly relaxed, spending control continues to anchor Saskatchewan's consolidation plan.** The province's positive economic outlook supported by a lift in commodity prices, along with continued prudent fiscal planning should be well received.

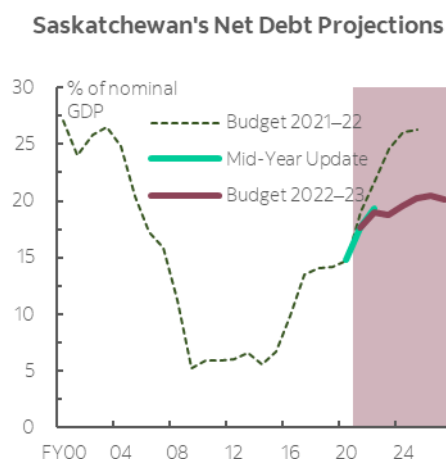
OUR TAKE

Saskatchewan's 2022 budget is an ambitious plan of finding its way back to balance, featuring a positive revenue outlook and incremental new policy measures.

Saskatchewan's return to balance was derailed by the pandemic and again by the unexpected drought conditions last summer, but as commodity prices continue to soar, Saskatchewan finds itself on a much stronger fiscal footing. After projecting a record-level deficit in FY22, the province pencilled in narrowing shortfalls of under 0.5% of GDP from FY23 to FY26. Fiscal anchors are unchanged from the last budget, with plans to eliminate deficits by FY27.

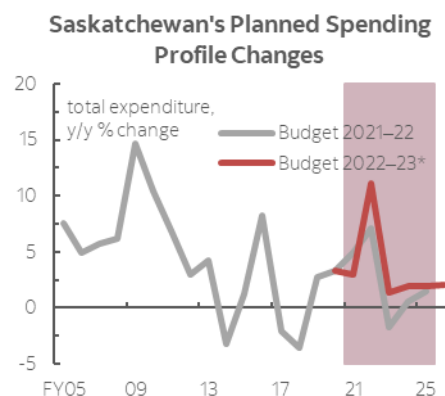
Rising oil prices and roaring potash production contribute to the bulk of revenue gains in FY22. The government lifted its projection of non-renewable resource revenue by 22% in FY22 versus the mid-year update, and expect it to grow by another 19% in FY23. Other revenue categories are set to drop, bringing FY23's total revenue down by 1.9% relative to FY22. In outer years, Saskatchewan expects solid tax revenue growth of an annual average of 3.6% from FY23 to FY26, supported by a diversified economy and some tax measures announced in the budget, including added PST charges on certain entertainment activities. These tax gains more than offset the 2% yearly decline anticipated for non-renewable resource revenues pencilled in through FY26.

Chart 2



Sources: Scotiabank Economics, Finance Canada, SK Finance.

Chart 3



* Excludes crop insurance indemnities and AgriRecovery program costs.
Sources: Scotiabank Economics, Finance Canada, SK Finance.

March 23, 2022

Program spending is expected to decline by 11.3% in FY23, mainly due to the crop insurance indemnities and drought recovery program costs that made up 12% of FY22's program spending. Absent the drought-related agricultural payments, program spending planned for FY23 would be 0.9% higher than in FY22 (chart 3). The government relaxed the spending restraint that dominated the province's last budget and revised up total expenditure by 3.1% for FY23 to include some new policy supports: health spending gets a 4.4% boost, along with 4.3% in social services, 18.3% increases in agriculture, and a sprinkle in other categories. Expenditure forecasts in outer years were also raised modestly from levels in the province's last fiscal blueprint, with total expenditure set to increase by 2% each year from FY24 to FY26.

The updated capital plan added \$143.4 mn more spending to FY22–25, with most increases added to FY24. Infrastructure outlays are now estimated at nearly \$3 bn per year from FY23 to FY26. The bulk of funds is concentrated in projects like highways, schools and healthcare facilities and municipal infrastructure. Production from some major projects is anticipated to bolster the province's nominal GDP growth in FY24.

Continued prudence in this Budget leaves room for upside to the province's bottom line. WTI is assumed to average 79 USD/bbl in 2022—over 20 USD/bbl below our latest forecast after the Russia-Ukraine conflict-led spike in oil price—and gradually drop to 68 USD/bbl by 2024. According to the province's own sensitivity estimates, this suggests more than \$280 mn upside in potential royalties alone in the upcoming fiscal year. Real GDP is projected to grow 3.7% in 2022, 2.5% next year, and at an annual average of 2.1% through 2026—lower than the average of private-sector forecasts except for in 2024 (taking into account additional capital spending). All of these assumptions look reasonably conservative.

Against narrowing deficits and elevated capital spending profile, net debt-to-GDP ratio is expected to edge up from 19% in FY22 to 20.4% in FY26 and stabilize thereafter. Still, this represents a significant downward revision from the last budget and Saskatchewan's debt burden is set to remain low among the provinces.

Mirroring much narrower deficits, Saskatchewan anticipates reducing borrowing requirements in FY23, planning to finance \$3.5 bn through the General Revenue Fund. That follows a forecast of \$4.3 bn in FY22. In FY23, \$665 mn is allocated to refinancing maturing debt, \$500 mn to improve liquidity, and the rest expected to finance the provincial deficit and infrastructure plans.

Though on a much more solid footing, the updated fiscal plan continues to err on the cautious side.

The combination of narrower deficits versus the last budget and continued prudence in fiscal planning should provide a buffer against potential uncertainty ahead while leaving room for potential upside against the plan.

Outer-Year Fiscal Projections \$ millions except where noted					
	FY22	FY23	FY24	FY25	FY26
Total Revenue	17,496	17,158	17,589	18,011	18,534
% change	20.5	-1.9	2.5	2.4	2.9
Total Expenditure	19,681	17,621	17,973	18,332	18,699
% change	25.7	-10.5	2.0	2.0	2.0
Budget Balance	-2,185	-463	-384	-321	-165
% of GDP	-2.5	-0.5	-0.4	-0.3	-0.2
Net Debt					
% of GDP	19.0	18.8	19.6	20.2	20.4

Sources: Scotiabank Economics, Saskatchewan Finance.

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