

Contributors

Laura Gu
Economist
Scotiabank Economics
416.866.4202
laura.gu@scotiabank.com

Updated Fiscal Forecast \$ millions except where noted

	FY22		FY23	
	Mar. '22	Final	Mar. '22	Nov. '22
Total Revenue	17,496	18,136	17,158	19,509
Non-Renewable Resources	2,437	2,920	2,910	4,306
Other Own-Source	11,653	11,757	11,028	11,829
Federal Transfers	3,406	3,459	3,220	3,375
Total Spending	19,681	19,604	17,621	18,416
Program Spending	18,956	18,886	16,809	17,603
Agriculture	3,189	3,194	1,040	1,244
Health	6,820	6,883	6,824	6,885
Education	3,715	3,685	3,800	3,796
Social Services	1,489	1,458	1,624	1,624
Other	3,743	3,665	3,521	4,054
Debt Service	725	718	812	812
% of Revenue	4.1	4.0	4.7	4.2
Budget Balance	-2,185	-1,468	-463	1,094
% of GDP	-2.5	-1.7	-0.5	1.1
Net Debt	16,280	15,488	17,540	15,171
% of GDP	19.0	17.5	18.8	14.6

Sources: Scotiabank Economics, Saskatchewan Finance.

Saskatchewan: 2022–23 Mid-Year Update

A MUCH-ANTICIPATED BUDGET TURNAROUND BACKS FISCAL RELIEF

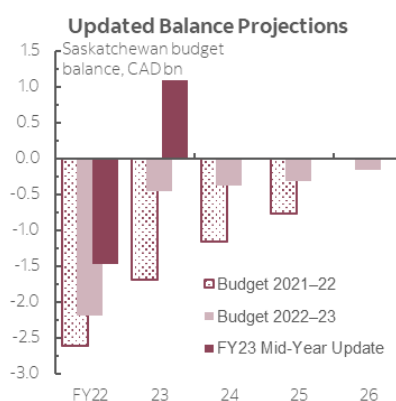
- **Budget balance forecasts:** \$1.1 bn (1.1% of nominal GDP) in FY23, a turnaround from the -\$463 mn (-0.5%) deficit projected in Budget 2022 (chart 1), while the FY22 shortfall came in more than \$700 mn less than budgeted.
- **Net debt:** lowered by \$2.4 bn versus Budget to \$15.2 bn for FY23 (chart 2); as a share of nominal output, net debt is now expected to decline from 17.5% in FY22 to 14.6% in FY23.
- **Real GDP growth forecast:** increased from 3.7% to 4.7% for 2022 but nudged down from 2.5% to 1.4% for 2023; nominal GDP projection raised from 9.0% to 17.5% for 2022 but reduced from 3.7% to 1.1% for 2023.
- **WTI price projections** lifted to US\$91.0/bbl in FY23 from US\$75.75/bbl projected in Budget 2022.
- The improvements in the province's bottom line seem reasonable with economic assumptions on the conservative side. Although the surplus this year does not guarantee improvements over the longer term as deteriorating economic outlook weighs on revenues and adds to spending pressure, Saskatchewan's strengthened fiscal position gives the province plenty of advantage over its peers in weathering the upcoming downturn.

OUR TAKE

As widely anticipated, Saskatchewan is on track to achieve a hefty surplus of \$1.1 bn (1.1% of nominal GDP) in FY23 instead of the -\$463 mn (-0.5%) deficit projected in Budget 2022—a fast turnaround from the deep shortfall of -\$1.5 bn posted last fiscal year. With the bulk of the surplus designated for debt repayment, the net debt-to-GDP ratio projection fell to 14.6%, the second lowest among the provinces that have released mid-year updates, exceeding only that of Alberta.

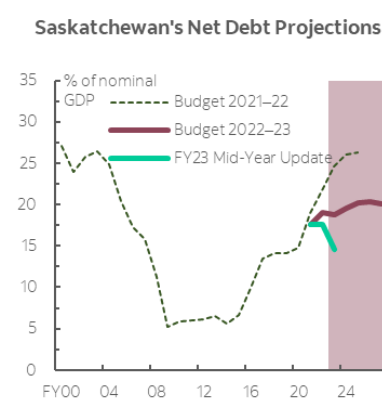
Revenues are expected to come in \$2.4 bn (13.7%) stronger than projected in March with increases anticipated in all categories. Although non-renewable resource revenues drove the upward revision versus the Budget (\$1.4 bn, 48%) on the back of higher oil and potash prices, it was revised down by -\$462 mn since the first quarter update due to the slight softening in commodity price outlook. WTI prices are now expected to average US\$91.0/bbl in FY23, slightly below levels suggested by the forward curve (around US\$93.0/bbl). Potash price assumption is US\$571/KCI tonne, up US\$164/KCI tonne from Budget. Forecast for other own-source revenues was lifted by \$801 mn (7.3%) as nominal

Chart 1



Sources: Scotiabank Economics, Saskatchewan Finance.

Chart 2



Sources: Scotiabank Economics, Finance Canada, SK Finance.

November 30, 2022

GDP projection jumped from 9.0% to 17.5% for 2022—still conservative compared to our latest forecast of 20% nominal growth. The prudence built into this update should provide some offset to potential downside risks in commodity prices stemmed from a slowing global growth and geopolitical developments.

Program spending forecast was lifted by \$794 mn (4.7%) versus the Budget due to Affordability measures and increases in agriculture spending. The Update incorporates the one-time Saskatchewan Affordability Tax Credit (SATC) payments announced in August. The broad-based measure offers sizable relief with an estimated cost of \$450 mn (0.4% of nominal GDP) in the near term, but the fiscal impact should wane quickly. Agriculture spending also adds to higher expenses with \$204.3 mn increases in Saskatchewan Crop Insurance indemnities as a result of the lingering impact of last year's drought.

Borrowing projections were not updated, but with close to \$1.6 bn improvement in the budget balance, the program will be much lower than the \$3.5 bn forecast for FY23 at Budget time.

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