

The Honourable Donna Harpauer  
Minister of Finance



SASKATCHEWAN BUDGET UPDATE

19-20

THE RIGHT BALANCE

MID-YEAR REPORT

2019-20 Mid-Year Report  
Government of Saskatchewan  
November 28, 2019

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# INTRODUCTION

## 2019-20 Mid-Year Report

The economic and financial outlook for Saskatchewan remains positive through the first half of 2019-20.

At mid-year, the surplus is forecast at \$37.4 million, an increase of \$3.0 million from the \$34.4 million budget surplus.

Revenue is projected to be \$329.3 million higher than budget, with increases across all major revenue categories. The increase at mid-year reflects higher federal transfers, non-renewable resource revenue and net income from Government Business Enterprises, as well as smaller increases in taxation and other own-source revenue.

Expense is projected to be \$326.3 million higher than budget. A \$285.2 million non-cash increase in pension expense accounts for nearly 90 per cent of the increase. The remaining increase largely reflects utilization pressures in the health system, partially offset by lower debt-servicing costs.

Public debt on March 31, 2020 is forecast to be \$302.1 million lower than budget. The decrease is primarily due to lower debt levels for Government Business Enterprises.

Despite challenges in certain sectors of the economy related to global trade tensions and slowing global growth, the outlook

for the Saskatchewan economy remains positive.

Employment in the first ten months of 2019 increased by over 11,000 and 2019 stands to be one of the strongest years ever for Saskatchewan employment growth.

Saskatchewan's population continues to grow. Between July 1, 2018 and July 1, 2019, Saskatchewan's population increased by 11,484 persons to 1,174,462 persons.

This year's crop production is estimated to be the second largest in Saskatchewan's history, despite a challenging year in terms of moisture conditions.

Finally, while year-to-date performance in retail sales, residential investment and potash production has been weaker than expected, growth in wholesale trade, average weekly earnings and non-residential investment are positive signs.

Overall, real GDP is currently forecast to increase 0.6 per cent in 2019, followed by growth of 1.7 per cent in 2020.

At mid-year, Saskatchewan's economic and financial performance remains on track, with positive economic growth and a budgetary surplus expected this year.

# ECONOMIC UPDATE

## INTRODUCTION

The outlook for the Saskatchewan economy is positive.

While challenges remain in some sectors, certain indicators are up. Between July 1, 2018 and July 1, 2019, population increased by 11,484 persons. As of July 1, 2019, Saskatchewan's population was estimated to be 1,174,462.

Furthermore, employment is up by over 11,000 so far this year, based on Statistics Canada estimates. Right now, 2019 stands to be one of the strongest years ever for Saskatchewan in terms of employment growth. Service industries have been the main driver of growth this year.

Overall, real GDP in 2019 is forecast to increase 0.6 per cent.

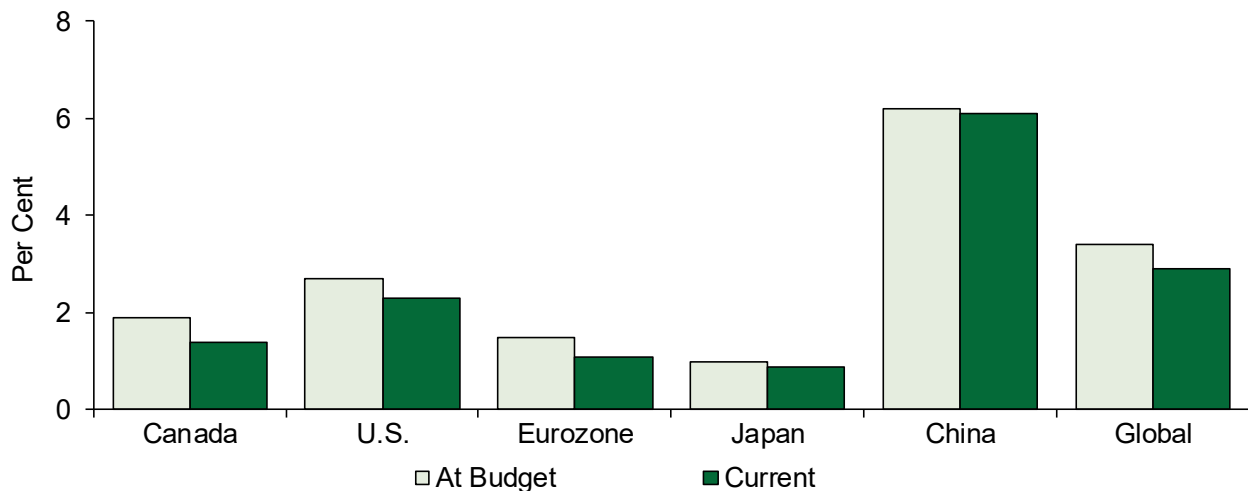
For 2020, growth is forecast to improve. A rebound in potash production and further increases in crop production are expected to boost real GDP growth to 1.7 per cent.

## GLOBAL ECONOMIC OUTLOOK

Trade disputes between the U.S. and China and uncertainty over Brexit continue to weigh on global economic performance in 2019. Business investment, global demand and trade have all been affected.

Buoyed by monetary policy easing, fiscal stimulus and a pickup in some emerging-

### GLOBAL REAL GDP GROWTH IN 2019



Sources: Bank of Canada (October 2019) and IHS Markit (September 2019)

market economies, global economic growth is expected to improve in 2020. Overall, global economic growth is forecast to strengthen modestly from 2.9 per cent in 2019 to 3.1 per cent in 2020.

Clouded by trade tensions with China, the U.S. economy has showed signs of slowing. With business investment and exports affected, consumer spending became the main driving force for economic growth.

Overall, the U.S. economy is expected to grow by 2.3 per cent in 2019 and 2.1 per cent in 2020.

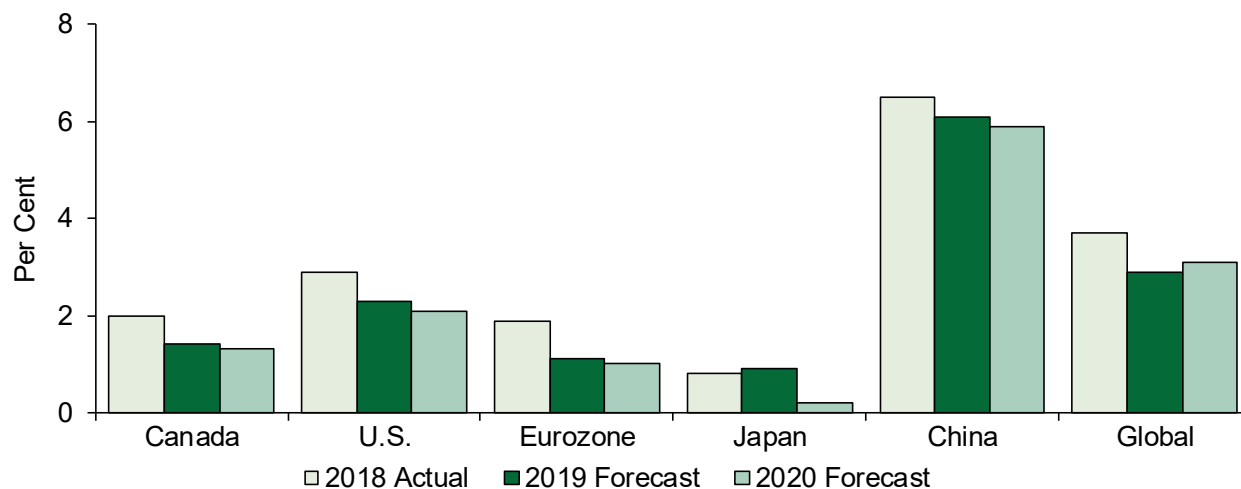
China's economy is also slowing as a result of trade conflicts with the U.S. and weakening domestic demand. The Chinese economy is forecast to grow by 6.1 per cent in 2019. Growth is forecast to ease to 5.9 per cent in 2020.

While Japan's exports are being impacted by cooling global demand and trade tensions, solid domestic consumption provided some offset to these external pressures. Overall, Japan's economy is forecast to grow by 0.9 per cent in 2019 and 0.2 per cent in 2020.

After strong growth of 1.9 per cent in 2018, there are signs of weakening in the Eurozone economy. The auto sector, for example, has been impacted by declines in global trade and uncertainty over Brexit.

The European Central Bank set new quantitative easing measures and cut its bank deposit rate to support economic growth in its region. The Eurozone is expected to have slow growth of 1.1 per cent in 2019 and 1.0 per cent in 2020.

### GLOBAL REAL GDP GROWTH



Sources: Bank of Canada (October 2019) and IHS Markit (September 2019)

## CANADIAN ECONOMIC OUTLOOK

Canadian economic growth accelerated strongly in the second quarter, going from a 0.5 per cent annualized rate in the first quarter to 3.7 per cent.

After declining by 3.3 per cent in the first quarter, total exports rebounded strongly and grew by 13.4 per cent in the second quarter. On the other hand, business investment declined by 6.4 per cent in the second quarter, following 4.9 per cent growth in the first quarter.

Weak exports and declines in business investment, especially in the energy sector, are expected to pull down growth in the second half of 2019.

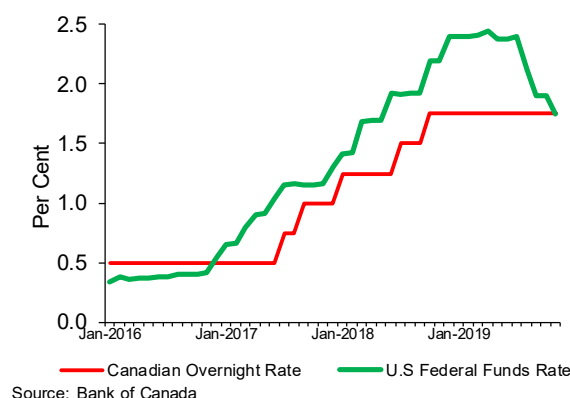
Overall, Canada's real GDP is now expected to grow by 1.4 per cent in 2019. The 2019-20 Budget had assumed growth of 1.9 per cent for the Canadian economy in 2019. The growth outlook for 2020 has also been revised down, from 2.1 per cent to 1.3 per cent.

## Canadian Interest Rates

While most advanced economies are responding to the global economic weakening by easing their monetary policy, the Bank of Canada has kept its overnight rate at 1.75 per cent.

The spread between the U.S. federal funds rate and the Canadian overnight rate has narrowed from 65 basis points in the early part of 2019 to zero basis points in November.

**CANADIAN AND U.S. INTEREST RATES**



## CANADIAN AND U.S. GROWTH ASSUMPTIONS

	Actual	2019-20 Budget			2019-20 Mid-Year		
	2018	2019	2020	2021	2019	2020	2021
Canadian real GDP growth (%)	2.0	1.9	2.1	1.7	1.4	1.3	1.6
U.S. real GDP growth (%)	2.9	2.7	2.3	2.3	2.3	2.1	1.9
Canadian short-term interest rate (%)	1.39	2.03	2.67	2.96	1.59	1.46	1.81
10-yr Government of Canada bond (%)	2.28	3.20	3.80	3.84	1.51	1.76	2.38
Canadian dollar (US cents)	77.19	76.60	78.60	79.50	75.69	76.05	76.47



## Canadian Dollar

The value of the Canadian dollar has been relatively stable this year. It is forecast to average 75.69 U.S. cents in 2019 before strengthening to 76.05 U.S. cents in 2020.

### CANADIAN DOLLAR



Source: Bank of Canada

## SASKATCHEWAN ECONOMIC PERFORMANCE AND OUTLOOK

Although the provincial economy has faced some challenges in 2019, the outlook remains positive.

After declines in 2017 and 2018, total non-residential building construction in the first nine months of 2019 was up 2.1 per cent. The industrial and commercial components went up 41.0 per cent and 9.2 per cent, respectively.

While China's restrictions on canola earlier this year had some impact on seeding intentions of canola and thus production, recent estimates show that production of certain other crops went up. As a result, total crop production in 2019 is estimated to be 37.3 million tonnes. This would be the second-largest crop in the province's history and represents a significant improvement from the budget assumption of 35.2 million tonnes.

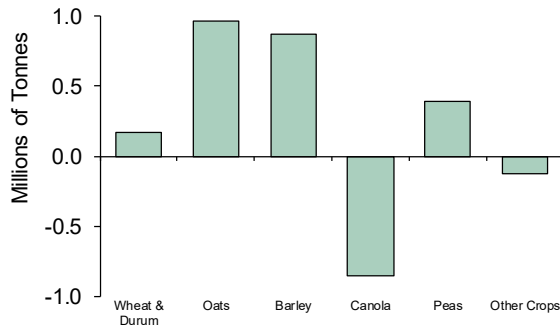
## SASKATCHEWAN ECONOMIC INDICATORS

	2018 Actual	2019 Estimate*	2019 YTD	2019 (YTD) % Change	2019 (YTD) Rank Among Provinces
Population at July 1 (000s)	1,163.0	1,174.5	1,174.5	1.0	8
Employment (000s)	570.0	581.4	580.3	2.0	5
Unemployment Rate (%)	6.2	5.4	5.4	5.4	7
Consumer Price Index (2002=100)	137.5	139.9	139.8	1.7	5
Average Weekly Earnings (\$)	1,014.1	1,037.3	1,034.1	2.3	7
Retail Sales (\$B)	19.5	19.4	14.5	(0.7)	9
Wholesale Trade (\$B)	26.9	28.3	20.9	5.3	4
New Motor Vehicle Sales (# of Units)	50,224	49,181	38,098	(2.1)	4
Manufacturing Sales (\$B)	17.9	16.4	12.5	(8.4)	9
International Exports (\$B)	30.7	30.2	22.4	(1.6)	8
Building Permits (\$B)	1.8	1.7	1.3	(7.9)	8
Housing Starts (# of Units)	3,610	2,396	1,756	(33.6)	10
Investment in Residential Building Construction (\$B)	2.5	2.3	1.6	(10.2)	8
Investment in Non-residential Building Construction (\$B)	1.5	1.5	1.1	2.1	6

Source: Statistics Canada

\* Estimates based on 2019 year-to-date growth and 2018 actual, except for the unemployment rate which is the year-to-date average.

**CHANGES IN CROP PRODUCTION IN 2019 (up 1.42 Million Tonnes from 2018)**



Sources: Statistics Canada, September 2019 Estimates and Ministry of Agriculture

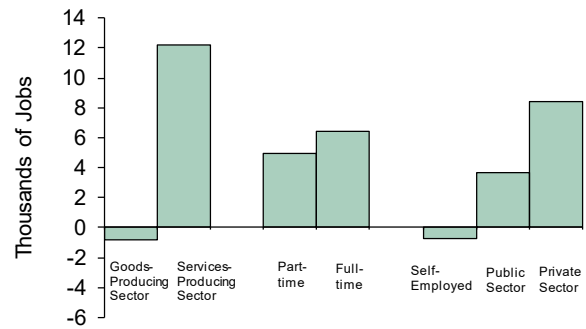
Still, China's restrictions have impacted canola sales volumes and prices. Increased exports to other countries have helped to offset some of this impact. Overall, total crop cash receipts in 2019 are expected to decline from \$11.2 billion in 2018 to \$10.9 billion in 2019.

Wholesale trade increased 5.3 per cent in the first nine months of 2019 over the same period in 2018.

Saskatchewan's population continues to grow. Between July 1, 2018 and July 1, 2019, Saskatchewan's population increased by 11,484 persons.

Employment growth in Saskatchewan this year has been strong. In the first ten months of 2019, employment was up by 11,380 over the same period last year, according to Statistics Canada's Labour Force Survey. The main sources of growth were in service industries. Furthermore, Saskatchewan's unemployment rate averaged 5.4 per cent through the first ten months of this year.

**TOTAL EMPLOYMENT UP 11,380 IN 2019 (January - October)**



Source: Statistics Canada

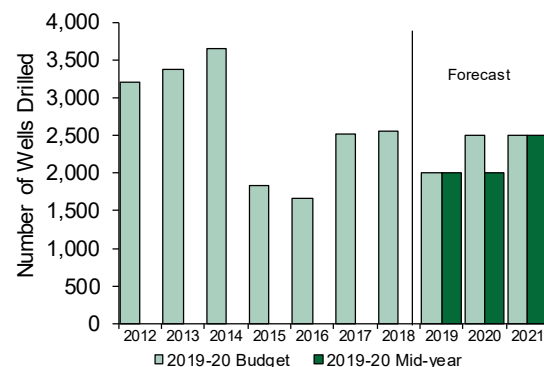
Some areas of the economy have faced challenges this year.

Housing starts were down 33.6 per cent in the first three quarters of 2019 over the same period in 2018.

In addition, building permits fell 7.9 per cent in the first nine months of this year over the same period in 2018.

The number of new oil wells drilled in the first eight months of this year was down 24.4 per cent over the same period last year.

**SASKATCHEWAN OIL WELLS DRILLED**



Source: Ministry of Energy and Resources

For all of 2019, 2,000 new oil wells are expected to be drilled, down from 2,551 in 2018.

Growth in retail sales this year has been weaker than expected. In the first nine months of 2019, retail sales were down 0.7 per cent.

Saskatchewan potash production this year is projected to decline from 13.9 million K<sub>2</sub>O tonnes in 2018 to 12.9 million K<sub>2</sub>O tonnes, due to decreases in global demand. In particular, sales to the U.S. are forecast to decline significantly as decreases in seeded area of certain crops and weather-related issues reduced demand by U.S. crop producers.

Overall, the Ministry of Finance is currently forecasting real GDP growth of 0.6 per cent for the Saskatchewan economy in 2019.

Nominal GDP is projected to increase by 3.3 per cent. The nominal growth forecast for 2019 has improved from budget due to higher oil and potash price assumptions.

For 2020, the outlook remains positive. However, continued uncertainty over market access and relatively low oil prices continue to impact investor sentiment.

Oil investment in 2020 has been revised down from budget. Drilling is now anticipated to remain at about 2,000 wells, the same as in 2019.

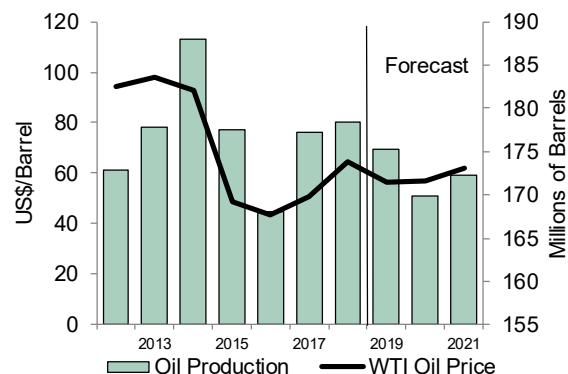
Oil production is expected to fall by 3.0 per cent, from 175.2 million barrels in 2019 to 169.9 million barrels.

#### COMMODITY PRICE ASSUMPTIONS - CALENDAR YEAR

	Actual	2019-20 Budget			2019-20 Mid-Year		
	2018	2019	2020	2021	2019	2020	2021
WTI Oil (US\$ per barrel)	64.78	58.00	61.00	63.00	56.50	57.00	62.00
Average Well-Head Price (C\$ per barrel)	53.62	54.67	56.11	58.56	57.98	56.01	61.64
Natural Gas (C\$ per GJ)	1.51	1.70	1.90	1.95	1.40	1.85	1.95
Potash (C\$ per K <sub>2</sub> O tonne) <sup>1</sup>	452.34	470.10	467.99	471.69	507.36	492.49	498.41
Potash (US\$ per KCl tonne) <sup>1</sup>	212.98	219.66	224.27	228.69	234.25	228.47	232.49
Wheat (C\$ per tonne)	239.29	246.23	251.51	248.14	245.51	245.79	245.97
Canola (C\$ per tonne)	499.82	499.44	521.49	511.99	469.58	465.00	482.91

<sup>1</sup> The potash industry quotes prices in US dollars per KCl tonne. Provincial royalty calculations, however, are based on the Canadian dollar price per K<sub>2</sub>O tonne.

Sources: Ministry of Energy and Resources, Ministry of Agriculture

**WTI OIL PRICE AND OIL PRODUCTION**

Source: Ministry of Energy and Resources

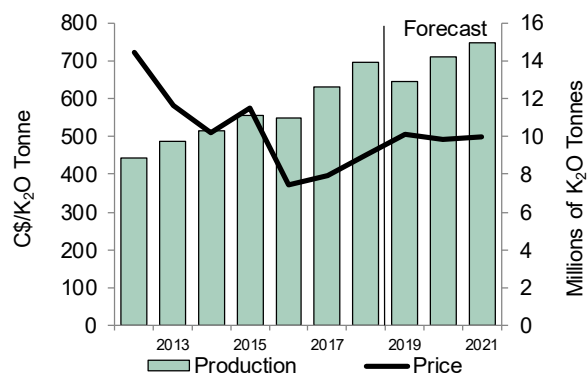
The Saskatchewan well-head price of oil is expected to average \$56.01 per barrel in 2020, \$1.97 less than in 2019.

The suspension of operations at the McArthur River uranium mine continues to weigh on the growth outlook.

The outlook for certain other resource industries remains upbeat.

Crop production is expected to continue to grow at an average pace.

In addition, potash production is expected to rebound in 2020 as global demand improves.

**POTASH PRICE AND PRODUCTION**

Source: Ministry of Energy and Resources

Potash production is projected to increase to 14.2 million K<sub>2</sub>O tonnes in 2020.

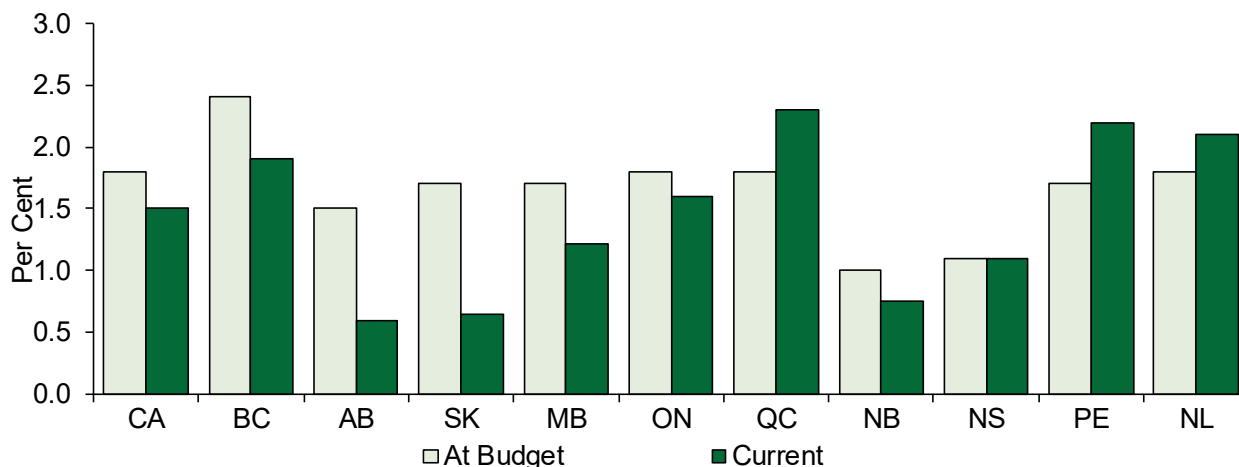
The price of potash is expected to average \$492.49 per K<sub>2</sub>O tonne in 2020.

Growth in employment is anticipated to continue in 2020. Job growth in the mining and oil and gas industries will be limited due to relatively low oil prices and the suspension of the McArthur River mine.

**SASKATCHEWAN FORECAST AT A GLANCE***(Per Cent Change Unless Otherwise Noted)*

	Actual	2019-20 Budget			2019-20 Mid-Year		
	2018	2019	2020	2021	2019	2020	2021
Real GDP	1.3	1.2	2.4	1.7	0.6	1.7	2.6
Nominal GDP	1.4	2.0	3.7	3.4	3.3	2.3	5.0
CPI	2.3	2.1	2.2	2.0	1.7	1.8	1.8
Employment growth (000s)	2.4	3.5	4.3	4.9	11.5	5.0	5.2
Unemployment rate (%)	6.2	6.0	6.0	5.9	5.6	5.3	4.9
Retail sales	(0.3)	1.6	2.9	2.7	(0.1)	2.3	3.1

### PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE IN 2019\*



Sources: Major Canadian banks, IHS Markit, Conference Board of Canada

\* As of November 15, 2019

### FORECAST COMPARISON

Overall, Saskatchewan real GDP is projected to increase by 1.7 per cent in 2020. Nominal GDP is currently forecast to grow by 2.3 per cent.

Private sector forecasters have revised down their growth forecasts for many provinces over the course of this year. For Saskatchewan, the private sector, on average, is now forecasting 0.6 per cent real GDP growth in 2019.

### PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE

(Per Cent Change)

	2018					
	Actual*	Rank	2019**	Rank	2020**	Rank
British Columbia	2.6	2	1.9	4	2.2	1
Alberta	1.6	5	0.6	10	1.8	2
<b>Saskatchewan</b>	<b>1.3</b>	<b>7</b>	<b>0.6</b>	<b>9</b>	<b>1.4</b>	<b>6</b>
Manitoba	1.3	8	1.2	6	1.3	7
Ontario	2.2	4	1.6	5	1.6	5
Quebec	2.5	3	2.3	1	1.6	4
New Brunswick	0.8	9	0.8	8	0.9	10
Nova Scotia	1.5	6	1.1	7	1.0	9
Prince Edward Island	2.6	1	2.2	2	1.7	3
Newfoundland and Labrador	(3.5)	10	2.1	3	1.2	8
<b>Canada</b>	<b>2.0</b>		<b>1.5</b>		<b>1.6</b>	

\* Statistics Canada, Provincial Economic Accounts, November 7, 2019

\*\* Average of private sector forecasts, including major Canadian banks, IHS Markit, Conference Board of Canada, as of November 15, 2019

**PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR SASKATCHEWAN**  
(Per Cent Change)

	2019	2020	Cumulative Growth	Release Date
IHS Markit	0.5	1.3	1.8	Nov-19
Conference Board of Canada	(0.1)	1.2	1.1	Aug-19
TD Bank	0.7	1.2	1.9	Sep-19
RBC	0.6	1.9	2.5	Sep-19
BMO	0.9	1.2	2.1	Sep-19
CIBC	0.2	1.3	1.5	Oct-19
Scotiabank	1.3	1.5	2.8	Oct-19
National Bank	0.5	1.2	1.7	Oct-19
Laurentian Bank	1.0	1.5	2.5	Sep-19
Average of Private Sector Forecasts	<b>0.6</b>	<b>1.4</b>	<b>2.0</b>	
<b>2019-20 Mid-year</b>	<b>0.6</b>	<b>1.7</b>	<b>2.3</b>	

For 2020, the private sector, on average, expects Saskatchewan real GDP to grow by 1.4 per cent.

## CONCLUSION

While there have been challenges in some areas of the economy in 2019, overall growth this year is forecast to be positive.

Employment growth has been strong while crop production is expected to total 37.3 million tonnes based on recent estimates. If realized, this year's crop would be the second-largest crop in the province's history.

A decrease in potash production and sales and weak growth in business investment have weighed on the outlook, resulting in a lower growth forecast for 2019 as compared to budget.

Growth in 2020 is expected to benefit from a strong rebound in potash production and sales.

Real GDP is forecast to grow by 0.6 per cent in 2019.

For 2020, real GDP is forecast to increase by 1.7 per cent.

# 2019-20 BUDGET UPDATE

## Mid-Year

### OVERVIEW

At mid-year, a surplus of \$37.4 million is forecast – a \$3.0 million improvement from budget.

Revenue is projected to increase \$329.3 million from budget and expense is projected to increase \$326.3 million.

Relative to first quarter, revenue is projected to decrease \$26.0 million, while expense is projected to decrease \$37.6 million.

As a result, the surplus is forecast to increase \$11.6 million from first quarter.

### 2019-20 BUDGET UPDATE - MID-YEAR (Millions of Dollars)

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
<b>Revenue</b>					
Taxation	7,588.5	7,588.5	<b>7,605.1</b>	16.6	16.6
Non-renewable resources	1,826.8	1,972.5	<b>1,895.9</b>	69.1	(76.6)
Net income from government business enterprises	1,080.5	1,098.3	<b>1,148.4</b>	67.9	50.1
Other own-source revenue	2,062.1	2,083.9	<b>2,067.8</b>	5.7	(16.1)
Transfers from the federal government	2,467.2	2,637.2	<b>2,637.2</b>	170.0	-
<b>Total Revenue</b>	<b>15,025.1</b>	<b>15,380.4</b>	<b>15,354.4</b>	<b>329.3</b>	<b>(26.0)</b>
<b>Expense</b>					
Agriculture	841.5	841.5	<b>841.5</b>	-	-
Community development	681.2	742.9	<b>681.2</b>	-	(61.7)
Economic development	227.3	244.3	<b>240.1</b>	12.8	(4.2)
Education	3,282.5	3,510.5	<b>3,510.5</b>	228.0	-
Environment and natural resources	263.9	263.9	<b>263.9</b>	-	-
Financing charges	694.4	676.0	<b>669.3</b>	(25.1)	(6.7)
Health	5,888.2	5,888.2	<b>5,923.2</b>	35.0	35.0
Other	445.8	521.4	<b>521.4</b>	75.6	-
Protection of persons and property	701.1	701.1	<b>701.1</b>	-	-
Social services and assistance	1,432.7	1,432.7	<b>1,432.7</b>	-	-
Transportation	532.1	532.1	<b>532.1</b>	-	-
<b>Total Expense</b>	<b>14,990.7</b>	<b>15,354.6</b>	<b>15,317.0</b>	<b>326.3</b>	<b>(37.6)</b>
<b>Surplus</b>	<b>34.4</b>	<b>25.8</b>	<b>37.4</b>	<b>3.0</b>	<b>11.6</b>

## REVENUE UPDATE

At mid-year, revenue is forecast to be \$15.4 billion, an increase of \$329.3 million (2.2 per cent) from budget. The increase is due to higher federal transfers, non-renewable resource revenue and net income from Government Business Enterprises (GBEs), combined with smaller increases in taxation and other own-source revenue.

Significant changes from budget are described below.

**Taxation revenue** is forecast to increase \$16.6 million from budget.

Personal and corporate income taxes in the mid-year forecast are up \$27.6 million and \$15.8 million from budget, respectively, primarily due to stronger-than-anticipated 2018 assessments that resulted in an increase in prior-year reconciliation adjustments.

Tobacco Tax is down \$26.0 million, reflecting lower-than-expected consumption.

Property Tax is down \$7.0 million due to lower-than-expected assessment growth.

Other Taxes are up \$6.2 million due to increases in Cannabis Excise Tax (\$3.8 million) as a result of higher-than-anticipated consumption and Mineral Rights Tax (\$2.4 million) due to prior-year audit adjustments.

**Non-renewable resources revenue** is forecast to increase \$69.1 million from budget.

At mid-year, oil and natural gas revenue is forecast to be \$45.9 million higher than budget. The increase is primarily due to a narrower light-heavy oil differential and a decrease in the average exchange rate, partially offset by a decrease in West Texas Intermediate (WTI) oil prices.

### 2019-20 NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
WTI Oil Price (US\$/barrel)	59.75	59.27	57.03	(2.72)	(2.24)
Light-Heavy Differential (% of WTI)	24.8	17.9	16.4	(8.4)	(1.5)
Well-head Oil Price (C\$/barrel) <sup>1</sup>	55.46	59.73	57.97	2.51	(1.76)
Oil Production (million barrels)	173.1	176.4	173.6	0.5	(2.8)
Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>	221	231	233	12	2
Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup>	470	500	504	34	4
Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>	14.1	14.2	13.3	(0.8)	(0.9)
Canadian Dollar (US cents)	77.19	75.54	75.90	(1.29)	0.36

<sup>1</sup> The average price per barrel of Saskatchewan light, medium and heavy oil.

<sup>2</sup> Ministry of Finance calculations derived from calendar-year forecasts.



The mid-year forecast assumes the light-heavy differential (as a per cent of WTI) will average 16.4 per cent in 2019-20, a decrease of 8.4 percentage points from the budget assumption of 24.8 per cent. A narrower light-heavy oil differential results in higher well-head prices in Saskatchewan and higher oil revenue, all else equal.

Through the end of October, the light-heavy differential averaged 15.1 per cent.

The value of the Canadian dollar is now expected to average 75.9 U.S. cents in 2019-20, down 1.3 U.S. cents from the budget assumption of 77.2 U.S. cents. A lower Canadian dollar results in higher well-head prices in Canadian dollars and higher oil revenue.

Through the end of October, the Canadian dollar averaged 75.3 U.S. cents.

While movements in the exchange rate and the light-heavy oil differential have benefitted the outlook for oil revenue this year, WTI oil prices have been weaker than expected thus far in 2019-20.

Through the first seven months of the fiscal year, WTI oil prices averaged US\$57.55 per barrel compared to the budget assumption of US\$59.75. As a result, the mid-year update assumes WTI oil prices will now average US\$57.03 in 2019-20, a decrease of US\$2.72 from budget.

Overall, the result of these forecast changes is a mid-year well-head price

forecast, in Canadian dollars, of \$57.97 per barrel, up \$2.51 from the budget forecast of \$55.46.

In addition, oil production is forecast to increase from 173.1 million barrels at budget to 173.6 million barrels at mid-year.

Resource Surcharge revenue is forecast to increase \$28.5 million, reflecting higher forecasts for oil and potash sales values.

Potash royalties are forecast to increase \$18.2 million from budget, primarily due to higher prices, partially offset by a lower sales volume forecast. Prices are now forecast to average US\$233 per KCl tonne (C\$504 per K<sub>2</sub>O tonne), up from the budget assumption of US\$221 (C\$470).

However, potash sales are now forecast at 13.3 million K<sub>2</sub>O tonnes in 2019-20, down from the budget estimate of 14.1 million K<sub>2</sub>O tonnes.

Crown land sales revenue is forecast to decrease \$17.6 million from budget, reflecting lower-than-expected year-to-date sales.

Finally, other non-renewable resources revenue is forecast to decrease \$5.9 million from budget, largely due to lower-than-budgeted uranium prices and sales.

**Government Business Enterprise (GBE) net income** is forecast to increase \$67.9 million from budget.

This increase in GBE net income reflects:

- an \$86.7 million increase in Workers' Compensation Board net income, primarily reflecting higher investment income and lower claims costs; and,
- a \$28.4 million increase in Saskatchewan Auto Fund net income, primarily reflecting lower damage and injury claims.

These increases are partially offset by:

- a \$30.1 million decrease in SaskPower net income, mostly due to lower Saskatchewan electricity sales from commercial, residential, reseller and farm customers, combined with lower exported electricity sales; and,
- a \$17.3 million decrease in SaskEnergy net income, mainly reflecting an unrealized loss on natural gas purchase and sales contracts due to a change in market prices, partially offset by better-than-expected operating results.

All other GBEs are reporting little or no change from budget.

**Other own-source revenue** is forecast to increase \$5.7 million from budget.

Miscellaneous revenue is up \$20.0 million, primarily reflecting higher expected refunds and casual revenue.

Transfers from other governments is up \$1.8 million, mainly reflecting recoveries for forest fire-fighting activities billed to other jurisdictions.

These increases are partially offset by a \$16.1 million decrease in insurance revenue at the Saskatchewan Crop Insurance Corporation (SCIC) for lower crop insurance producer premiums, as producers shifted their crop mix towards crops with lower premium costs and selected lower coverage.

**Transfers from the federal government** are forecast to increase \$170.0 million from budget.

The mid-year forecast includes:

- a \$68.8 million increase in federal funding for Saskatchewan's claim related to fiscal year 2016-17 under the federal Fiscal Stabilization Program;
- a \$61.9 million increase in one-time funding for the Gas Tax Program;
- a \$24.9 million increase in disaster assistance cost-sharing contributions; and,
- a \$26.7 million increase in federal Investing in Canada Infrastructure Program funding (up \$9.7 million from first quarter).

These increases are partially offset by a lower federal portion of crop insurance premiums of \$14.7 million received at SCIC corresponding to the reduction in producer premiums, as well as slightly lower health and social transfers, reflecting revised population estimates.

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## EXPENSE UPDATE

At mid-year, expense is forecast to be \$15.3 billion, an increase of \$326.3 million (2.2 per cent) from budget, most of which is a non-cash increase in pension expense reported at first quarter.

**Pension expense** is up \$285.2 million from budget, primarily for the Teachers' Superannuation Plan and the Public Service Superannuation Plan, as a result of actuarial assumptions and a 40-basis point decrease in the discount rate used to value the pension liability on March 31, 2019.

This increase is a non-cash item and results in a \$228.0 million increase in **Education** and a \$75.6 million increase in **Other** theme expense, partially offset by an \$18.4 million decrease in **Financing Charges**.

Other significant changes from budget are described below.

**Health** is up \$35.0 million from budget, reflecting higher use of health services across the system.

**Economic Development** is up \$12.8 million, reflecting federal flow-through funding received under the Green Infrastructure Stream of the Investing in Canada Infrastructure Program that will support the Meadow Lake Tribal Council bioenergy project. This is a \$4.2 million reduction from first quarter as a result of a more accurate forecast of requirements for the project this fiscal year.

**Financing Charges** theme expense is down \$25.1 million, reflecting the \$18.4 million decrease in pension expense and a \$6.7 million reduction in other financing costs, primarily due to lower realized interest rates on new borrowing.

**Community Development** is projected to be on budget at mid-year. At first quarter, expense was forecast to increase \$61.7 million as a result of a one-time increase in federal flow-through funding for the Gas Tax Program. At mid-year, lower requirements for other municipal infrastructure programs associated with changes in project timelines have been identified and offset the increase included in the first quarter financial update. As such, no change from budget is projected in this expense category at mid-year.

**All other expense themes** are unchanged from budget.

## PUBLIC DEBT UPDATE

The Province's public debt consists of:

- Government Service Organization Debt – all debt of government entities other than government business enterprises; and,
- Government Business Enterprise Debt – amounts borrowed by self-sufficient government entities.

Government business enterprises have the financial and operating authority to sell goods and services to individuals and organizations outside government as their principal activity. Amounts borrowed by these entities are classified separately because they are expected to be repaid from cash flows generated by these business enterprises.

In other words, this debt has been incurred to finance the business activities of Crown corporations, and it is supported by revenue from those Crown business activities.

Public debt is comprised of:

- Gross Debt – the amount of money owed to lenders; less,
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Public debt at March 31, 2020 is forecast to be \$302.1 million lower than budgeted, primarily due to decreased debt for SaskPower.

### 2019-20 PUBLIC DEBT UPDATE - MID-YEAR

*As at March 31*

*(Millions of Dollars)*

	Budget	Mid-Year Projection	Change
General Revenue Fund			
- Operating	6,150.0	<b>6,150.0</b>	-
- Saskatchewan Builds Capital Plan	5,404.0	<b>5,404.0</b>	-
Other Government Service Organizations	380.1	<b>404.7</b>	24.6
<b>Government Service Organization Debt</b>	11,934.1	<b>11,958.7</b>	24.6
<b>Government Business Enterprise Debt</b>	9,757.8	<b>9,431.1</b>	(326.7)
<b>Public Debt</b>	21,691.9	<b>21,389.8</b>	(302.1)
<b>Guaranteed Debt</b>	19.7	<b>6.6</b>	(13.1)

## NET DEBT UPDATE

Another measure of the Province's financial position is "net debt". Net debt aggregates all of a province's liabilities, and subtracts the financial assets that it has at its disposal to repay these obligations.

Credit rating agencies and other users of public sector financial information typically consider both public debt and

net debt in their assessment of a province's financial condition.

Net debt at March 31, 2020 is forecast to be \$12.0 billion. This is \$370.3 million lower than budgeted, primarily due to actual 2018-19 results, specifically a smaller deficit and lower-than-expected capital spending.

At March 31, 2020, the Province's net debt is forecast to be second lowest among provinces as a percentage of GDP.

### 2019-20 NET DEBT UPDATE - MID-YEAR

As at March 31

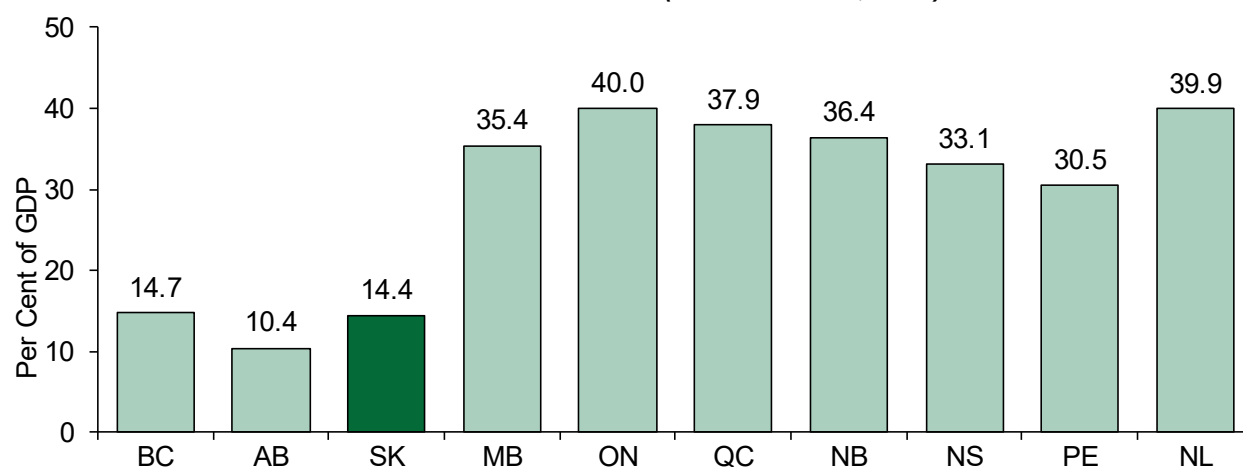
(Millions of Dollars)

	Budget	Mid-Year Projection	Change
Surplus	34.4	37.4	3.0
Acquisition of government service organization capital assets	(920.3)	(853.0)	67.3
Amortization of government service organization capital assets <sup>1</sup>	655.3	657.7	2.4
<b>Increase in Net Debt</b>	<b>(230.6)</b>	<b>(157.9)</b>	<b>72.7</b>
Net debt, beginning of year	(12,131.5)	(11,833.9) <sup>2</sup>	297.6
<b>Net Debt, End of Year</b>	<b>(12,362.1)</b>	<b>(11,991.8)</b>	<b>370.3</b>

<sup>1</sup> Includes disposals and adjustments.

<sup>2</sup> Net debt as at March 31, 2019, as reported in the 2018-19 Summary Financial Statements.

### PROJECTED NET DEBT AS A PER CENT OF GDP (as at March 31, 2020)



Sources: Most recent data of other jurisdictions as of Nov. 15, 2019, Statistics Canada, Conference Board of Canada

**2019-20 SCHEDULE OF REVENUE***(Millions of Dollars)*

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
<b>Taxation</b>					
Corporation Income	729.2	729.2	745.0	15.8	15.8
Fuel	568.7	568.7	568.7	-	-
Individual Income	2,555.7	2,555.7	2,583.3	27.6	27.6
Property	768.0	768.0	761.0	(7.0)	(7.0)
Provincial Sales	2,304.7	2,304.7	2,304.7	-	-
Tobacco	234.5	234.5	208.5	(26.0)	(26.0)
Other	427.7	427.7	433.9	6.2	6.2
<b>Total Taxation</b>	<b>7,588.5</b>	<b>7,588.5</b>	<b>7,605.1</b>	<b>16.6</b>	<b>16.6</b>
<b>Non-Renewable Resources</b>					
Crown Land Sales	46.6	36.4	29.0	(17.6)	(7.4)
Oil and Natural Gas	691.1	756.9	737.0	45.9	(19.9)
Potash	618.6	689.9	636.8	18.2	(53.1)
Resource Surcharge	385.0	413.5	413.5	28.5	-
Other	85.5	75.8	79.6	(5.9)	3.8
<b>Total Non-Renewable Resources</b>	<b>1,826.8</b>	<b>1,972.5</b>	<b>1,895.9</b>	<b>69.1</b>	<b>(76.6)</b>
<b>Net Income from Government Business Enterprises</b>					
Municipal Financing Corporation	1.0	1.0	1.0	-	-
Saskatchewan Auto Fund	66.9	86.5	95.3	28.4	8.8
Saskatchewan Gaming Corporation	21.8	21.8	22.2	0.4	0.4
Saskatchewan Government Insurance	59.1	62.4	60.3	1.2	(2.1)
Saskatchewan Liquor and Gaming Authority	477.9	477.9	476.4	(1.5)	(1.5)
Saskatchewan Power Corporation	255.2	250.1	225.1	(30.1)	(25.0)
Saskatchewan Telecommunications Holding Corporation	129.5	129.5	129.5	-	-
Saskatchewan Water Corporation	6.7	6.8	7.0	0.3	0.2
SaskEnergy Incorporated	63.8	63.8	46.5	(17.3)	(17.3)
Saskatchewan Workers' Compensation Board	(10.7)	(10.7)	76.0	86.7	86.7
Consolidation Adjustments	9.3	9.2	9.1	(0.2)	(0.1)
<b>Total Net Income from Government Business Enterprises</b>	<b>1,080.5</b>	<b>1,098.3</b>	<b>1,148.4</b>	<b>67.9</b>	<b>50.1</b>
<b>Other Own-Source Revenue</b>					
Fees	1,132.2	1,132.2	1,132.2	-	-
Insurance	302.6	302.6	286.5	(16.1)	(16.1)
Investment Income	102.9	102.9	102.9	-	-
Transfers from Other Governments	92.3	94.1	94.1	1.8	-
Miscellaneous	432.1	452.1	452.1	20.0	-
<b>Total Other Own-Source Revenue</b>	<b>2,062.1</b>	<b>2,083.9</b>	<b>2,067.8</b>	<b>5.7</b>	<b>(16.1)</b>
<b>Total Own-Source</b>	<b>12,557.9</b>	<b>12,743.2</b>	<b>12,717.2</b>	<b>159.3</b>	<b>(26.0)</b>
<b>Transfers from the Federal Government</b>					
Canada Health Transfer	1,263.8	1,263.8	1,262.7	(1.1)	(1.1)
Canada Social Transfer	456.6	456.6	456.2	(0.4)	(0.4)
Other	746.8	916.8	918.3	171.5	1.5
<b>Total Transfers from the Federal Government</b>	<b>2,467.2</b>	<b>2,637.2</b>	<b>2,637.2</b>	<b>170.0</b>	<b>(0.0)</b>
<b>Total Revenue</b>	<b>15,025.1</b>	<b>15,380.4</b>	<b>15,354.4</b>	<b>329.3</b>	<b>(26.0)</b>

## 2019-20 SCHEDULE OF PUBLIC DEBT

As at March 31

(Millions of Dollars)

	Budget	Mid-Year Projection	Change
<b>Government Service Organization Debt</b>			
General Revenue Fund			
- Operating	6,150.0	<b>6,150.0</b>	-
- Saskatchewan Builds Capital Plan <sup>1</sup>	5,404.0	<b>5,404.0</b>	-
Boards of Education	151.2	<b>151.2</b>	-
Global Transportation Hub Authority	40.2	<b>40.2</b>	-
Saskatchewan Health Authority	99.3	<b>124.7</b>	25.4
Saskatchewan Housing Corporation	4.8	<b>4.8</b>	-
Saskatchewan Immigrant Investor Fund Inc.	2.6	<b>2.9</b>	0.3
Saskatchewan Opportunities Corporation	51.6	<b>51.8</b>	0.2
Water Security Agency	25.9	<b>25.9</b>	-
Other	4.5	<b>3.2</b>	(1.3)
<b>Government Service Organization Debt</b>	<b>11,934.1</b>	<b>11,958.7</b>	<b>24.6</b>
<b>Government Business Enterprise Debt</b>			
Municipal Financing Corporation of Saskatchewan	205.6	<b>205.6</b>	-
Saskatchewan Gaming Corporation	5.0	<b>5.0</b>	-
Saskatchewan Liquor and Gaming Authority	95.0	<b>94.0</b>	(1.0)
Saskatchewan Power Corporation	6,695.5	<b>6,379.7</b>	(315.8)
Saskatchewan Telecommunications Holding Corporation	1,138.0	<b>1,138.0</b>	-
Saskatchewan Water Corporation	86.0	<b>76.1</b>	(9.9)
SaskEnergy Incorporated	1,532.7	<b>1,532.7</b>	-
<b>Government Business Enterprise Debt<sup>2</sup></b>	<b>9,757.8</b>	<b>9,431.1</b>	<b>(326.7)</b>
<b>Public Debt<sup>3</sup></b>	<b>21,691.9</b>	<b>21,389.8</b>	<b>(302.1)</b>
<b>Guaranteed Debt</b>	<b>19.7</b>	<b>6.6</b>	<b>(13.1)</b>

<sup>1</sup> General Revenue Fund - Saskatchewan Builds Capital Plan consists of amounts borrowed by the General Revenue Fund to finance investment in infrastructure assets.

<sup>2</sup> GBE debt includes both general debt and GBE-specific debt. General debt of GBEs is the amount transferred from the General Revenue Fund to a GBE and recorded as a loan receivable in the Summary Financial Statements. GBE-specific debt is debt issued by, or specifically on behalf of, GBEs. GBE-specific debt is included in "Investment in government business enterprises" in the Summary Financial Statements.

<sup>3</sup> Public debt is shown net of sinking funds.

