

The Honourable Donna Harpauer
Minister of Finance



SASKATCHEWAN BUDGET UPDATE

20-21

**FIRST QUARTER BUDGET UPDATE
AND MEDIUM-TERM OUTLOOK**

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INTRODUCTION

In early 2020, Saskatchewan's economic and fiscal outlook abruptly changed. The COVID-19 virus and resulting public health measures to contain its spread resulted in the closure of large parts of the global economy. This, coupled with a collapse in global oil prices, dramatically reduced the outlook for provincial revenues. Emergency COVID-19 related spending measures also dramatically increased provincial expense.

As a result, the 2020-21 Budget forecast a significant 6.3 per cent contraction in real GDP in 2020 and a \$2.4 billion deficit.

The fiscal outlook has improved since the 2020-21 Budget. Economies around the world have continued to re-open. West Texas Intermediate (WTI) oil prices have been above US\$40 on average since early July, and Phase 4 of the Saskatchewan Re-Open Plan was fully implemented on July 21. However, the global recovery is far from complete as travel restrictions remain in place and social-distancing measures mean that capacity is still reduced even in the parts of the economy that have been permitted to re-open.

Saskatchewan real GDP is now forecast to decrease by 5.5 per cent in 2020, an improvement from the 6.3 per cent contraction forecast in the 2020-21 Budget. Similarly, nominal GDP is now forecast to decline by 9.8 per cent this year compared to the budget forecast of a 12.8 per cent decline. Higher-than-expected oil prices and production, along with the positive impact of federal and provincial support measures, including provincial capital stimulus, are the primary reasons for the improved outlook.

The economy is expected to rebound in 2021, with real GDP growth of 4.6 per cent and nominal GDP growth of 7.2 per cent. However, the economy does not return to its pre-crisis (2019) level until 2022

in the current outlook. Normal levels of growth are forecast over the remainder of the forecast horizon.

With respect to the Province's finances, the 2020-21 first quarter financial update includes a deficit forecast of \$2.1 billion, a \$296 million improvement from budget.

Revenue is forecast to be up \$398 million, largely due to \$338 million of federal funding under the federal-provincial Safe Restart Agreement. A modest \$56 million increase in resource revenue is also forecast at first quarter, partially offset by a \$23 million decline in net income of Government Business Enterprises. The forecasts for taxation and other own-source revenues are unchanged from budget.

Expense is forecast to be \$103 million higher than budget. The forecast includes increases of \$72 million for the health system, \$70 million for municipalities and \$35 million for new supports for the tourism industry. As well, \$40 million of the budgeted \$200 million contingency will be used to support the safe re-opening of the K-12 education system. A \$160.0 million contingency remains in place at first quarter. A \$62 million decrease in pension expense is also incorporated at first quarter.

Next year, revenue is expected to increase by 5.1 per cent, followed by average annual growth of 4.8 per cent over the subsequent three years. Revenue will not return to its pre-crisis level until 2022-23.

Expense in 2021-22 is expected to be virtually unchanged, as planned growth of 1.5 per cent is anticipated to be largely offset by the fall-off of this year's COVID-19 related expenses. After that, average annual growth of 1.5 per cent is included in the outlook.

Deficits of \$1.4 billion, \$855 million and \$340 million are projected over the next three years before a \$125 million surplus in 2024-25.

Public debt is projected to increase over the forecast horizon, due primarily to investment in provincial infrastructure. Net debt as a percentage of GDP will increase sharply this year and next year due to the COVID-19 pandemic, however it is expected to level off shortly thereafter. It is expected that Saskatchewan's net debt-to-GDP ratio will remain as one of the lowest in Canada throughout the forecast period.

The current fiscal outlook is based on a set of underlying assumptions of future economic performance. And while all forecasts are subject to uncertainty, today's environment is unique in the sense that future economic performance is largely dependent on the success of global public health measures.

The path to fiscal balance laid out in this report is based on the assumption that public health efforts around the world continue at the current pace and are successful in limiting the economic impact of future COVID-19 resurgences, and that the provincial economy returns to its pre-crisis level in 2022.

Any variation from this expected path of recovery – either to the upside or downside – will alter fiscal balances over the medium term.

MEDIUM-TERM ECONOMIC AND FISCAL OVERVIEW

(Millions of Dollars)	2019-20 Actual	2020-21 Budget	2020-21 First Quarter	2021-22 Outlook	2022-23 Outlook	2023-24 Outlook	2024-25 Outlook
Revenue	14,887	13,649	14,047	14,761	15,495	16,255	16,968
Expense	15,206	16,075	16,177	16,111	16,350	16,595	16,843
Surplus (Deficit)	(319)	(2,426)	(2,130)	(1,350)	(855)	(340)	125
Debt:							
Public Debt	21,332	24,369	23,914	27,346	30,124	32,233	33,641
Net Debt	12,289	15,122	14,827	17,035	18,453	19,361	19,464
Net Debt as % of GDP	14.7	20.8	19.7	21.1	21.7	21.6	20.7
Economic Forecast:	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Real GDP growth (%)	0.4	(6.3)	(5.5)	4.6	2.6	2.4	2.0
Nominal GDP growth (%)	3.3	(12.8)	(9.8)	7.2	5.3	5.2	4.6

ECONOMIC OUTLOOK

INTRODUCTION

COVID-19 and the measures to contain its spread have affected jurisdictions all over the world, including Saskatchewan. Saskatchewan has also been affected this year by the fall in the price of oil.

In recent months, however, activity has picked up, in part due to easing of measures to contain the virus. Ongoing recovery from here will depend in part on how well the virus can be contained, not just here in Canada but in other jurisdictions as well.

Overall, Saskatchewan real GDP is forecast to fall by 5.5 per cent in 2020 while nominal GDP is anticipated to decline by 9.8 per cent. In 2021, real GDP is forecast to rise by 4.6 per cent while nominal GDP is anticipated to rise by 7.2 per cent.

CANADIAN ECONOMIC PERFORMANCE

The global economy has been heavily impacted by the COVID-19 pandemic over the past few months. As economies gradually re-open, together with governments' fiscal stimulative measures and central banks' quantitative easing, there are signs of global economic recovery, including in Canada.

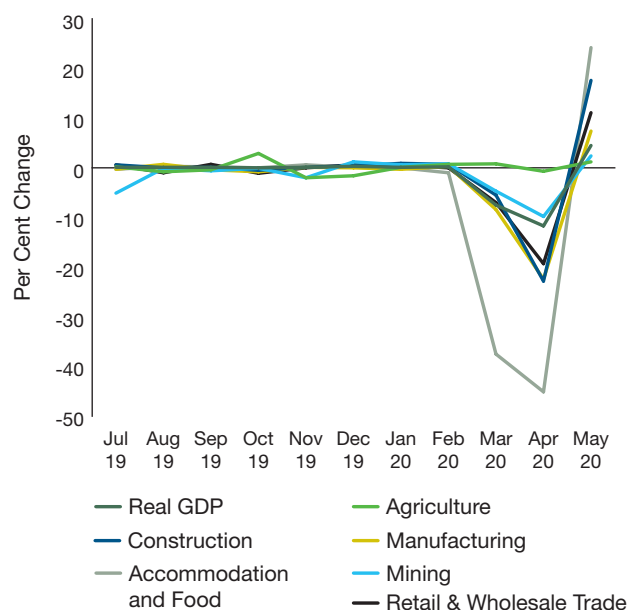
According to the Bank of Canada's July Monetary Policy Report, the global economy is expected to fall

by 5.2 per cent in 2020 and grow by 5.2 per cent in 2021.

Current economic indicators suggest that there has been a sharp rebound in Canadian economic activity.

Canadian real GDP grew by 4.5 per cent in May, following two months of unprecedented declines of 7.5 per cent in March and 11.7 per cent in April. The pace of economic recovery, however, has been uneven across sectors.

CANADIAN REAL GDP BY INDUSTRY – ON THE WAY TO RECOVERY



Source: Statistics Canada

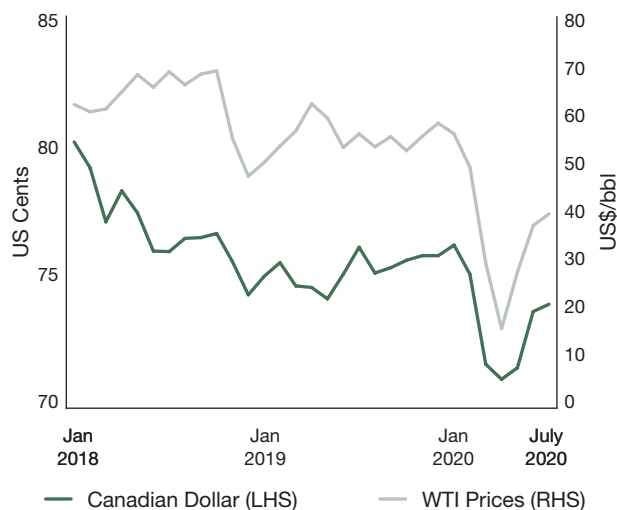
CANADIAN AND U.S. ECONOMIC ASSUMPTIONS

	Actual 2019	2020	2021	2022	2023	2024
Can. Real GDP Growth (%)	1.7	(7.8)	3.9	4.8	2.6	2.4
U.S. Real GDP Growth (%)	2.3	(8.1)	5.2	4.7	3.4	2.4
Short-term Interest Rate (%)	1.65	0.47	0.25	0.28	0.55	0.92
10-year Government of Canada Bond (%)	1.58	0.79	0.71	0.85	1.07	1.31
Canadian Dollar (US cents)	75.37	73.06	73.25	74.52	74.85	74.64

Sources: Statistics Canada, IHS Markit, Ministry of Finance

The price of West Texas Intermediate (WTI) oil has picked up after the unprecedented global demand shock due to the economic lockdown. The price of WTI oil bounced back from an average of US\$16.70 per barrel in April to US\$40.77 per barrel in July. The value of the Canadian dollar has also strengthened from an average low of 71.10 U.S. cents in April to 74.09 U.S. cents in July 2020.

CANADIAN DOLLAR AND WTI PRICES



Sources: Bank of Canada, US Energy Information Administration

Overall, the Canadian economy is expected to decline by 7.8 per cent in 2020, but to have stronger-than-average growth of 3.9 per cent in 2021 and 4.8 per cent in 2022.

SASKATCHEWAN ECONOMIC PERFORMANCE AND OUTLOOK

The magnitude of the decline in employment in Canada earlier this year was unprecedented. In Saskatchewan, total employment fell by approximately 71,000 between February and April. Jobs lost in just the accommodation and food services industry alone totaled roughly 17,000.

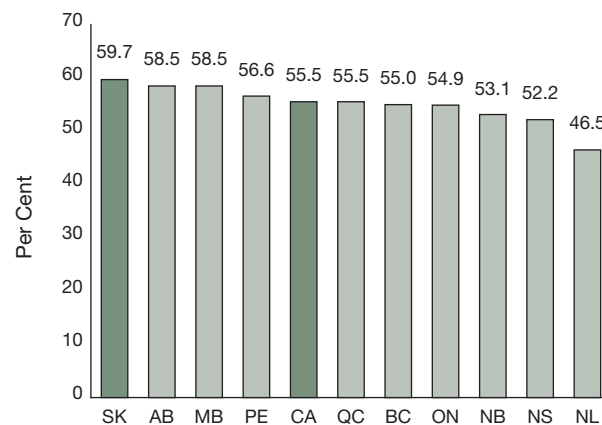
Unprecedented household income supports put in place early on helped mitigate the decline in wages and salaries.

In May, as provinces started to re-open their economies, economic indicators began to improve. To date, total employment in Saskatchewan has recovered by about 56,000.

Still, jobs in some industries have been slow to return. Employment in accommodation and food services in July, for example, was still just 71.5 per cent of what it was in February.

Despite the job losses, Saskatchewan had the highest employment rate in the country during the March to July period.

AVERAGE EMPLOYMENT RATE DURING THE PANDEMIC (March to July 2020)

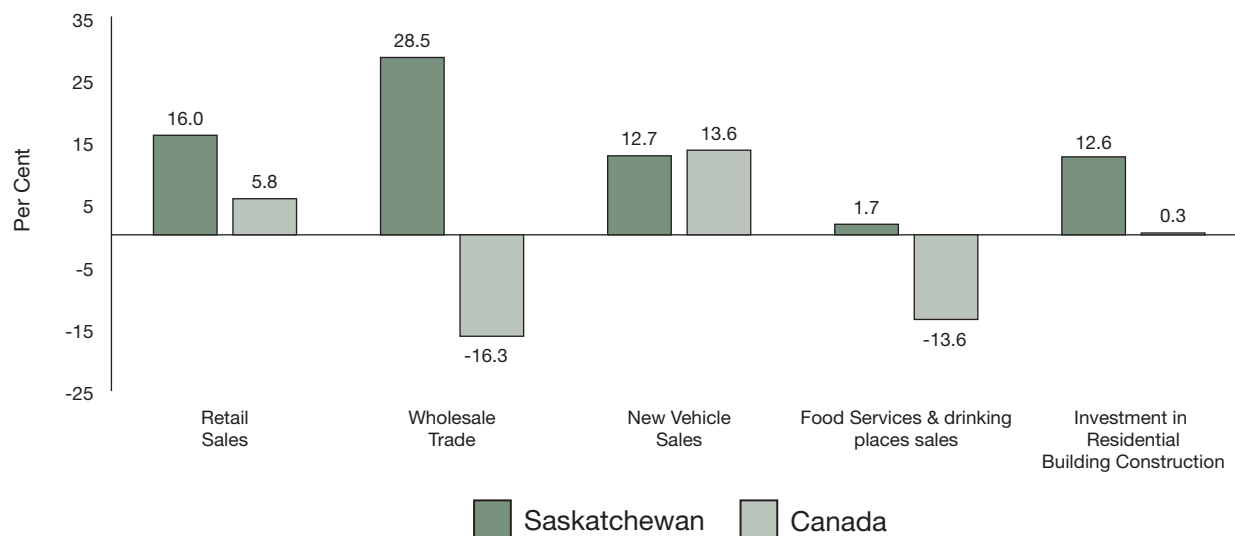


Source: Statistics Canada

Other indicators such as retail sales, wholesale trade, new vehicle sales as well as investment in residential building construction are all up significantly since March.

Saskatchewan has outperformed the national average in many of these areas. Retail sales in Saskatchewan, for example, increased 16.0 per cent between March and May, whereas in Canada overall sales were up by just 5.8 per cent.

GROWTH IN INDICATORS – MAY OVER MARCH



Source: Statistics Canada, seasonally unadjusted

SASKATCHEWAN ECONOMIC INDICATORS*

	2020 YTD	2020 (YTD) % Change	2020(YTD) Rank	Growth from March 2020		
				Saskatchewan % Change	Saskatchewan Rank	Canada % Change
Population at April 1 (000s)	1,182.0	0.9	8th			
Employment (000s)	544.1	(5.7)	4	0.7	7	1.2
Unemployment Rate (%)	9.3	n.a.	9	1.5	6	2.8
Employment Rate (%)	60.9	n.a.	1	0.5	6	0.5
Consumer Price Index (2002=100)	140.3	0.6	7	0.9	1	0.4
Average Weekly Earnings (\$)	1,091.3	5.1	7	6.9	7	7.7
Retail Sales (\$B)	7.1	(9.0)	6	16.0	4	5.8
Wholesale Trade (\$B)	11.1	(7.3)	7	28.5	2	(16.3)
New Motor Vehicle Sales (# of Units)	13,672	(31.8)	1	12.7	6	13.6
Food Services & Drinking Places						
Sales (\$000s)	582	(24.6)	3	1.7	2	(13.6)
Manufacturing Sales (\$B)	7.1	(17.8)	7	(18.4)	10	(0.9)
International Exports (\$B)	15.1	(3.4)	3	(17.6)	8	(15.7)
Building Permits (\$B)	0.6	(30.1)	9	(10.3)	8	50.6
Housing Starts (# of Units)	1,108	15.5	1	n.a.	n.a.	n.a.
Investment in Building Construction (\$B)	1.1	(23.2)	9	5.2	4	0.3
Investment in Residential Building Construction (\$B)	0.5	(34.9)	9	12.6	4	0.3
Investment in Non-residential Building Construction (\$B)	0.6	(7.7)	6	(2.8)	7	0.3

* As of August 14, 2020

Source: Statistics Canada

COMMODITY PRICE ASSUMPTIONS - CALENDAR YEAR

	2019	2020	2021	2022	2023	2024
WTI Oil (US\$ per barrel)	57.04	38.00	44.00	49.00	57.00	59.00
Average Well-Head Price (C\$ per barrel)	57.95	32.88	40.60	47.02	56.44	59.37
Natural Gas (C\$ per GJ)	1.64	2.05	2.40	2.45	2.60	2.65
Potash (C\$ per K ₂ O tonne) ¹	511.03	402.39	410.51	410.13	417.17	428.98
Potash (US\$ per KCl tonne) ¹	234.95	179.43	183.30	186.38	190.35	195.21
Wheat (C\$ per tonne) ²	231.08	226.00	234.62	232.87	233.47	235.99
Canola (C\$ per tonne) ²	451.09	454.30	472.57	463.91	468.23	472.92

¹ The potash industry quotes prices in US dollars per KCl tonne. Provincial royalty calculations, however, are based on the Canadian dollar price per K₂O tonne.

² Crop year prices.

Sources: Ministry of Energy and Resources, Ministry of Agriculture

In addition, wholesale trade advanced 28.5 per cent in this same period, whereas in Canada overall wholesale trade fell by 16.3 per cent.

Despite the global pandemic and its impact on economies all over the world, sales of certain Saskatchewan commodities this year have been strong. Agricultural exports outside of Canada were up 23.1 per cent in the first half of this year, while sales of potash in the first four months of 2020 were up 9.0 per cent.

Potash sales are anticipated to rise by 12 per cent this year to 13.8 million K₂O tonnes, due to higher sales in both offshore and domestic markets.

The planned restart of the Cigar Lake uranium mine in northern Saskatchewan in September is another positive sign. Earlier this year, operations at the

Cigar Lake mine were suspended due to COVID-19.

The GDP growth outlook for 2020 has improved since budget, due mainly to the inclusion of federal and provincial stimulus measures, offset in part by weaker oil investment. Retail sales are also turning out to be less negative than previously expected.

The July jobs report from Statistics Canada showed that while the employment recovery continues in Canada, the pace has slowed. As a result, the employment forecast for this year in Saskatchewan has been revised down to be more in line with recent data. Average employment is now anticipated to fall by 24,900.

Overall, Saskatchewan real GDP is forecast to decline by 5.5 per cent this year while nominal GDP is projected to fall by 9.8 per cent.

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

	2019	2020	2021	2022	2023	2024
Real GDP	0.4	(5.5)	4.6	2.6	2.4	2.0
Nominal GDP	3.3	(9.8)	7.2	5.3	5.2	4.6
CPI*	1.7	1.0	1.5	2.2	2.0	2.1
Employment growth (000s)*	10.4	(24.9)	13.6	6.4	5.8	6.5
Unemployment rate (%)*	5.4	8.9	7.4	6.8	6.5	6.3
Retail sales*	(0.5)	(9.0)	3.3	4.3	3.5	3.6

* 2019 Actual

Sources: Statistics Canada and Ministry of Finance

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

	2020	2021	Cumulative Growth	Release Date
IHS Markit	(7.9)	3.4	(4.8)	Jul-20
Conference Board of Canada	(6.2)	6.3	(0.3)	May-20
TD Bank	(6.2)	4.7	(1.8)	Jun-20
RBC	(6.2)	3.8	(2.6)	Jun-20
BMO	(6.2)	5.3	(1.2)	Jul-20
CIBC	(6.7)	5.5	(1.6)	Jun-20
Scotiabank	(6.8)	5.7	(1.5)	Aug-20
National Bank	(6.9)	4.7	(2.5)	Jul-20
Laurentian Bank	(7.0)	5.8	(1.6)	Aug-20
Average of Private Sector Forecasts	(6.7)	5.0	(2.0)	
2020-21 Current Forecast	(5.5)	4.6	(1.2)	

* As of August 4, 2020

Looking ahead into 2021, commodity prices and global demand are expected to continue to recover. The price of WTI oil, for example, is anticipated to rise 16 per cent to US\$44.00 per barrel in 2021.

Oil investment is expected to pick up as a result. In 2021, the number of new oil wells drilled in Saskatchewan is expected to rise by 90 per cent to 1,900.

The \$2.0 billion economic stimulus booster, announced in the 2020-21 Budget, will provide additional support to the provincial economy next year.

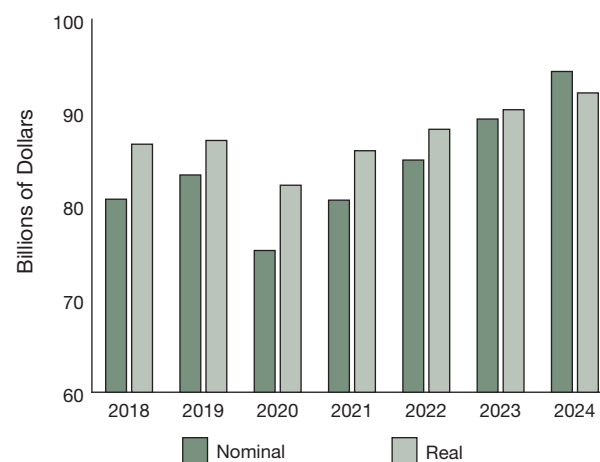
Overall, real GDP is forecast to rise by 4.6 per cent in 2021. Nominal GDP is projected to grow by 7.2 per cent. As well, employment is expected to rise by 13,600.

Normal levels of growth are forecast over the remainder of the forecast period.

Based on the current outlook, nominal and real GDP do not return to pre-pandemic levels until 2022. In that year, nominal GDP is forecast to be \$84.9 billion and real GDP is forecast to be \$88.2 billion. This is roughly the same trajectory that was projected in the June budget.

According to the current average of private sector forecasts, Saskatchewan real GDP is forecast to fall by 6.7 per cent in 2020. In 2021, however, real GDP is forecast to increase by 5.0 per cent. Private sector forecasts for 2021 range from a low of 3.4 per cent (IHS Market) to a high of 6.3 per cent (CBOC).

SASKATCHEWAN GDP



Sources: Statistics Canada, Ministry of Finance

CONCLUSION

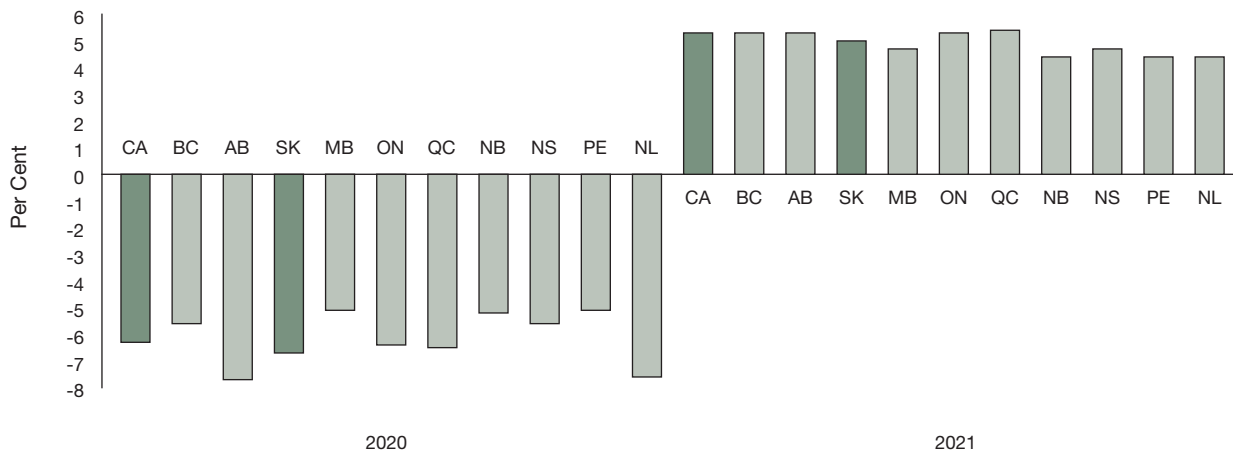
Following the initial shock to the provincial economy earlier this year from COVID-19 and the falling price of oil, there are signs that the Saskatchewan economy is picking up.

Total employment has now recovered by about 56,000 as of July, while May indicators for retail sales, wholesale trade, new vehicle sales and investment in residential building construction are all up significantly since March.

Ongoing recovery from here will depend in part on how well the virus can be contained, not just in Canada but in other jurisdictions as well.

The current outlook for 2021 sees Saskatchewan real GDP growing by 4.6 per cent, following a contraction of 5.5 per cent in 2020.

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE



Sources: Major Canadian banks, IHS Markit and Conference Board of Canada
Private sector forecast average as at August 4, 2020.

2020-21 FIRST QUARTER BUDGET UPDATE

OVERVIEW

At first quarter, a deficit of \$2.1 billion is forecast – an improvement of \$295.6 million from budget.

Revenue is forecast to increase \$398.2 million from budget, while expense is forecast to increase \$102.6 million. As well, \$40.0 million of the budgeted

\$200.0 million contingency has been allocated to the education sector to support the safe re-opening of K-12 schools. A \$160.0 million contingency remains in place at first quarter.

Finally, public debt is forecast to decrease \$454.8 million from budget at first quarter.

2020-21 BUDGET UPDATE – FIRST QUARTER

(Millions of Dollars)	Budget	First Quarter Forecast	Change
Revenue			
Taxation	7,202.8	7,202.8	-
Non-renewable resources	997.4	1,053.8	56.4
Net income from government business enterprises	728.8	705.6	(23.2)
Other own-source revenue	1,933.1	1,933.1	-
Transfers from the federal government	2,786.6	3,151.6	365.0
Total Revenue	13,648.7	14,046.9	398.2
Expense			
Agriculture	798.8	798.8	-
Community development	762.8	833.1	70.3
Economic development	389.8	406.8	17.0
Education	3,361.9	3,364.5	2.6
Environment and natural resources	362.4	362.4	-
Financing charges	718.2	724.6	6.4
Health	6,176.3	6,248.3	72.0
Other	421.9	396.2	(25.7)
Protection of persons and property	806.5	806.5	-
Social services and assistance	1,490.3	1,490.3	-
Transportation	585.8	585.8	-
Health and public safety contingency	200.0	160.0	(40.0)
Total Expense	16,074.7	16,177.3	102.6
Deficit	(2,426.0)	(2,130.4)	295.6

REVENUE UPDATE

At first quarter, revenue is forecast to be \$14.0 billion, an increase of \$398.2 million (2.9 per cent) from budget – the majority of which is federal funding under the Safe Restart Agreement.

Non-renewable resource revenue is forecast to increase \$56.4 million from budget, as a better-than-expected rebound in the oil industry has been partially offset by lower-than-budgeted forecasts for potash prices and uranium prices and sales.

Oil and natural gas revenue is forecast to increase \$147.0 million from budget. The increase is primarily due to higher West Texas Intermediate (WTI) oil prices, a narrower light-heavy oil price differential and a forecast increase in production, partially offset by a higher average exchange rate forecast.

WTI oil prices are now forecast to average US\$37.45 per barrel in 2020-21, an increase of US\$7.45 from budget. WTI oil averaged US\$31.08 per barrel from April to the end of July, however prices have been trending upward from an average of US\$16.70 in April to US\$40.77 in July.

The light-heavy oil price differential assumption has decreased from 40.0 per cent at budget to the current forecast of 24.3 per cent, reflecting Western Canadian heavy crude shut-ins and increased demand from U.S. refineries.

The value of the Canadian dollar is now expected to average 72.8 U.S. cents in 2020-21, up 1.8 U.S. cents from the budget assumption of 71.0 U.S. cents. The exchange rate averaged 72.7 U.S. cents from April to the end of July. All else being equal, a higher Canadian dollar results in lower well-head prices in Canadian dollars and lower oil revenue.

As a result of these forecast changes, the first quarter well-head price forecast in Canadian dollars has increased by more than 60 per cent to \$34.20 per barrel, up from the budget assumption of \$21.00.

Finally, oil production in the 2020-21 fiscal year is forecast to increase from 146.0 million barrels at budget to 158.9 million barrels at first quarter.

2020-21 NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

	2019-20 Actual	2020-21 Budget	2020-21 First Quarter	2020-21 Change from Budget
WTI Oil Price (US\$/bbl)	54.80	30.00	37.45	7.45
Differential (% of WTI)	20.9	40.0	24.3	(15.7)
Well-head Oil Price (C\$/bbl) ¹	52.54	21.00	34.20	13.20
Production (million barrels)	178.9	146.0	158.9	12.9
Potash Price (US\$/KCl tonne) ²	223	188	180	(8)
Potash Price (C\$/K ₂ O tonne) ²	490	434	404	(30)
Potash Sales (million K ₂ O tonnes) ²	12.7	13.9	13.8	(0.1)
Uranium Price (C\$/kg) ²	94	110	98	(12)
Uranium Sales (million kgs) ²	7.6	8.0	4.5	(3.5)
Canadian Dollar (US cents)	75.19	71.00	72.78	1.78

¹ The average price per barrel of Saskatchewan light, medium and heavy oil.

² Ministry of Finance calculations derived from calendar-year forecasts.

Potash royalties are forecast to decrease \$59.5 million from budget, primarily due to lower average realized prices. Prices are now forecast to average US\$180 per KCl tonne (C\$404 per K₂O tonne), down from the budget assumption of US\$188 (C\$434).

Finally, other non-renewable resources revenue, including uranium, coal and other minerals, is forecast to decrease \$29.6 million from budget. The decrease largely reflects a lower uranium price forecast and a larger-than-budgeted impact of the Cigar Lake mine closure on royalties, despite the planned restart of the mine in the fall.

Government Business Enterprise (GBE) net income is forecast to decrease \$23.2 million from budget.

The decrease in GBE net income reflects a reduction of \$121.8 million in Workers' Compensation Board net income, primarily due to a lower outlook for investment earnings and a higher estimate for future claims costs.

This decrease is partially offset by higher net income forecasts of \$42.7 million at the Saskatchewan Auto Fund, \$38.2 million at the Saskatchewan Liquor and Gaming Authority and \$13.4 million at the Saskatchewan Gaming Corporation, largely due to a quicker-than-expected recovery from COVID-19 related shut-downs.

Other net changes across the sector amount to an increase of \$4.3 million.

Transfers from the federal government are forecast to increase \$365.0 million from budget.

The change is primarily due to a \$338.1 million increase for Saskatchewan's share of the federal Safe Restart Agreement (provincial obligations related to the funding are expected to be managed within the existing budget).

In addition, the finalization of Saskatchewan's claim related to fiscal year 2016-17 under the federal Fiscal Stabilization Program results in an \$18.6 million increase at first quarter, and other net changes across all other federal-provincial agreements amount to a net \$8.3 million increase.

Taxation and other own-source revenues are unchanged from budget at first quarter. Through the end of the first quarter, consumption tax receipts and updated forecasts for miscellaneous fees and charges are in line with budget assumptions. Forecasts for personal and corporate income taxes will be updated at mid-year once more complete assessment data for the 2019 tax year is available.

EXPENSE UPDATE

At first quarter, expense is forecast to be \$16.2 billion, an increase of \$102.6 million (0.6 per cent) from budget.

Health is up \$72.0 million from budget, reflecting COVID-19 related pressures. This increase is fully offset by the receipt of federal funding under the Safe Restart Agreement.

Community Development is up \$70.3 million from budget for the municipal portion of the federal-provincial Safe Restart Agreement (fully offset by revenue).

Economic Development is up a net \$17.0 million from budget, reflecting \$35.0 million for new support programs for the tourism, accommodation and events sectors, partially offset by \$18.0 million in savings related to lower-than-budgeted utilization of the Small Business Emergency Payment Program.

Financing Charges are up \$6.4 million from budget, primarily due to a higher-than-budgeted interest rate used to value the Teachers' Superannuation Plan (TSP) on March 31, 2020.

Education is up \$2.6 million from budget. This reflects a \$40.0 million allocation from the budgeted contingency to support the safe re-opening of Saskatchewan's K-12 system. This increase is almost entirely offset by a \$37.4 million decrease in pension expense due to actuarial gains as a result of a higher-than-expected interest rate used to value the TSP.

Other theme expense is down \$25.7 million from budget. The decrease reflects lower pension expense due to changes in actuarial assumptions, partially offset by a \$5.5 million increase for the Chief Electoral Officer for fall provincial election.

A \$160.0 million **health and public safety contingency** remains in place at first quarter as a measure of prudence in the event of a possible resurgence of the virus later this fiscal year.

DEBT UPDATE

The Province's debt consists of:

- General Debt – all debt of government entities other than Government Business Enterprise (GBE) Specific Debt; and,
- Government Business Enterprise Specific Debt – amounts borrowed by, or specifically on behalf of self-sufficient government organizations.

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, or specifically for 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, 2021 is forecast to be \$454.8 million lower-than-budgeted, primarily due to the improvement in the deficit forecast and reduced GBE debt.

2020-21 PUBLIC DEBT UPDATE – FIRST QUARTER As at March 31

(Millions of Dollars)	Budget	First Quarter Forecast	Change
General Revenue Fund			
- Operating	7,300.0	7,000.0	(300.0)
- Saskatchewan Capital Plan	6,691.4	6,691.4	-
Other Government Service Organizations	345.2	344.8	(0.4)
Government Service Organization Debt	14,336.6	14,036.2	(300.4)
Government Business Enterprise Debt	10,032.6	9,878.2	(154.4)
Public Debt	24,369.2	23,914.4	(454.8)
Guaranteed Debt	0.8	0.2	(0.6)

MEDIUM-TERM FISCAL OUTLOOK

The medium-term fiscal outlook incorporates the impact of all measures announced in this year's budget. The outlook is consistent with the provincial economic forecast and its underlying assumptions, in particular the assumption that the gradual re-opening of the economy continues at its current pace and any potential COVID-19 resurgence can be successfully mitigated without further emergency measures.

Under these assumptions, a sustained improvement in the deficit is projected each year until 2024-25, when a surplus of \$125 million is achieved.

A strong rebound in the economy in 2021 is projected to drive a revenue increase of 5.1 per cent in the 2021-22 fiscal year. Over the remainder of the medium term, total revenue is projected to grow by 4.8 per cent annually, on average, slightly below the average annual increase of 5.0 per cent in nominal GDP over the period. Despite the strong rebound

in revenue in 2021-22, total revenue is not expected to exceed 2019-20 levels until 2022-23, consistent with the current economic outlook.

The largest component of provincial revenue, representing approximately half its total, is tax revenue. Growth in this revenue source is largely dependent on growth in nominal GDP and, as such, is subject to considerable uncertainty and risk over the forecast period. After a 4.6 per cent decline in 2020-21, tax revenue is not projected to fully recover to its pre-crisis level until the 2022-23 fiscal year. In 2024-25, tax revenue as a share of GDP is forecast at 9.0 per cent, equal to its most recent pre-crisis, two-year average.

Non-renewable resource revenue is projected to grow significantly over the medium term due to a projected recovery in resource prices and production. However, resource revenue will not recover to its 2019-20 pre-crisis level until 2023-24.

MEDIUM-TERM NON-RENEWABLE RESOURCE FORECAST ASSUMPTIONS

	2019-20 Actual	2020-21 Budget	2020-21				
			First Quarter	2021-22 Outlook	2022-23 Outlook	2023-24 Outlook	2024-25 Outlook
WTI Oil Price (US\$/bbl)	54.80	30.00	37.45	45.25	51.00	57.50	59.50
Differential (% of WTI)	20.9	40.0	24.3	23.9	20.7	19.7	19.0
Well-head Oil Price (C\$/bbl) ¹	52.54	21.00	34.20	42.22	49.40	57.18	59.98
Production (million barrels)	178.9	146.0	158.9	165.3	167.5	170.3	171.4
Potash Price (US\$/KCl tonne) ²	223	188	180	184	187	192	196
Potash Price (C\$/K ₂ O tonne) ²	490	434	404	410	412	420	432
Potash Sales (million K ₂ O tonnes) ²	12.7	13.9	13.8	14.2	14.7	15.3	15.4
Uranium Price (C\$/kg) ²	94	110	98	100	99	101	105
Uranium Sales (million kgs) ²	7.6	8.0	4.5	7.9	7.9	8.0	10.3
Canadian Dollar (US cents)	75.19	71.00	72.78	73.53	74.58	74.75	74.58

¹ The average price per barrel of Saskatchewan light, medium and heavy oil.

² Ministry of Finance calculations derived from calendar-year forecasts.

WTI oil prices are not projected to return to 2019-20 levels until 2023-24. Oil production is still below 2019-20 levels by the end of the forecast horizon, and potash prices are forecast to be 12 per cent lower in 2024-25 compared to 2019-20. As well, an expected increase in the value of the Canadian dollar reduces the outlook for revenue growth over the medium term.

Non-renewable resource revenue is forecast to account for roughly 10 per cent of total revenue over the medium term, on average.

GBE net income is projected to rebound significantly in 2021-22, then grow more gradually over the remainder of the medium term, driven by growth in the economy and increased profitability. However, similar to non-renewable resource revenue, GBE net income is not projected to recover to its pre-crisis level until 2023-24.

Other own-source revenue is projected to grow in line with nominal GDP growth over the forecast period, maintaining its 10-year historical share of GDP over the medium term.

Federal transfers are projected to decrease over the next two years as federal funding related to COVID-19 expires. Over the remainder of the period, the category is projected to grow by 3.1 per cent annually, largely reflecting increases in the Canada Health Transfer and the Canada Social Transfer. As a share of total revenue, federal transfers are projected to account for 17.2 per cent in 2024-25, slightly less than its 17.4 per cent share over the 2018-19 to 2019-20 period.

Expense growth is planned at 1.5 per cent annually over the medium term. This level of growth reflects an expectation of continued prudent fiscal management over the forecast horizon.

However, with the anticipated winding down of COVID-19 emergency support measures, total expense is projected to remain relatively flat in 2021-22. After that, growth of 1.5 per cent per year is incorporated into the outlook.

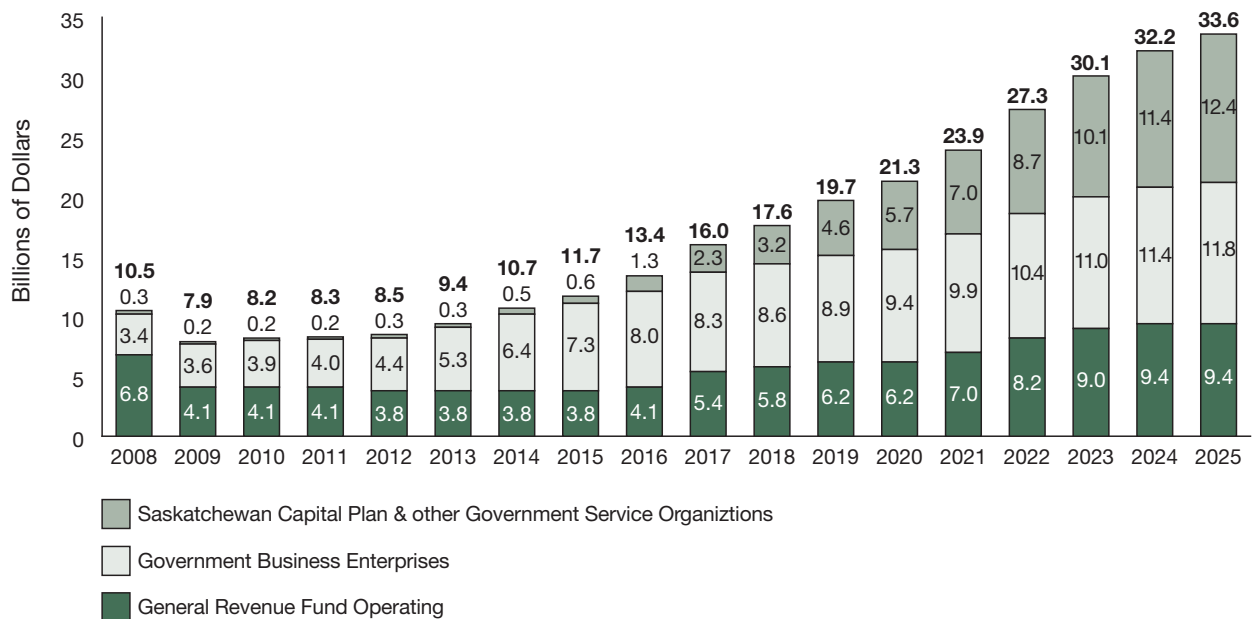
Deficits of \$1.4 billion, \$855 million and \$340 million are projected over the next three years before a \$125 million surplus in 2024-25.

MEDIUM-TERM FINANCIAL OUTLOOK

(Millions of Dollars)	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue	14,047	14,761	15,495	16,255	16,968
Expense	16,177	16,111	16,350	16,595	16,843
Surplus (Deficit)	(2,130)	(1,350)	(855)	(340)	125

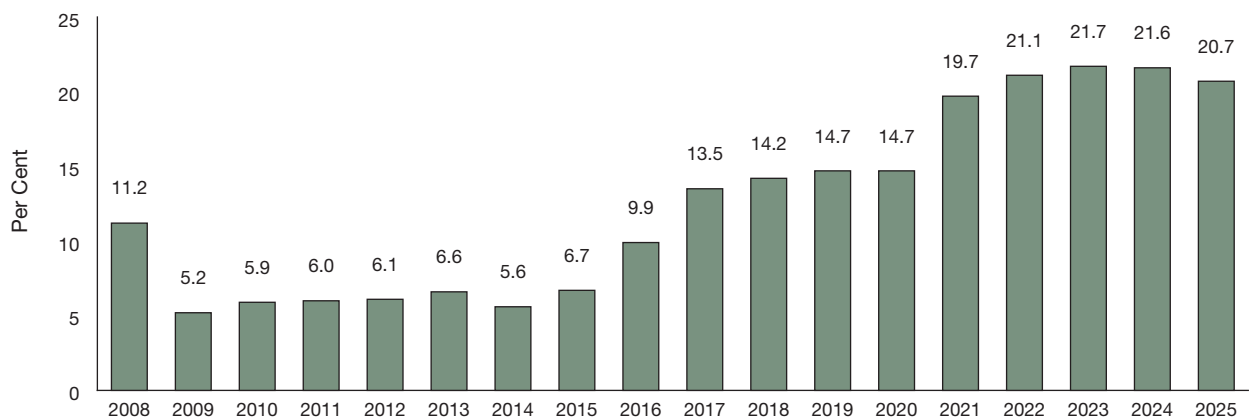
Over the next few years, public debt is forecast to rise, due primarily to the ongoing need for infrastructure renewal and growth. Public debt is the amount of money owed to lenders, less amounts that have been set aside in sinking funds.

**PUBLIC DEBT
As at March 31**



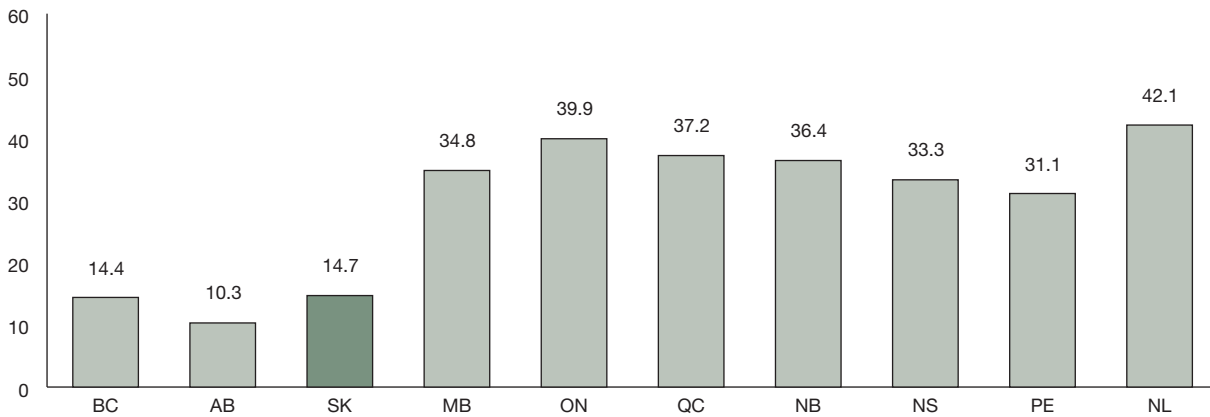
Another measure of a province's financial position is net debt. Net debt aggregates all of a province's liabilities and subtracts the financial assets at its disposal to repay these obligations. As a percentage of GDP, net debt will increase sharply in 2020-21 due to the COVID-19 pandemic, however it is expected to level off shortly thereafter.

**NET DEBT AS A % OF GDP
As at March 31**



At March 31, 2020, it is expected that Saskatchewan had the third-lowest net debt-to-GDP ratio among Canadian provinces. It is expected that Saskatchewan's net debt-to-GDP ratio will remain one of the lowest in Canada throughout the forecast period.

**PROJECTED NET DEBT AS A % OF GDP
As at March 31, 2020**



Sources: Net Debt: jurisdictions most recent data (as of August 14, 2020)

GDP: SK: Saskatchewan Ministry of Finance; All others: Statistics Canada, Conference Board of Canada



SASKATCHEWAN BUDGET UPDATE

20-21

SUPPLEMENTARY INFORMATION

2020-21 SCHEDULE OF REVENUE

(Millions of Dollars)	Budget	First Quarter Forecast	Change
Taxation			
Corporation Income	780.9	780.9	–
Fuel	444.0	444.0	–
Individual Income	2,605.4	2,605.4	–
Property	767.1	767.1	–
Provincial Sales	1,996.0	1,996.0	–
Tobacco	187.7	187.7	–
Other	421.7	421.7	–
Total Taxation	7,202.8	7,202.8	–
Non-Renewable Resources			
Crown Land Sales	12.5	11.0	(1.5)
Oil and Natural Gas	175.1	322.1	147.0
Potash	469.4	409.9	(59.5)
Resource Surcharge	252.4	252.4	–
Other	88.0	58.4	(29.6)
Total Non-Renewable Resources	997.4	1,053.8	56.4
GBE Net Income			
Municipal Financing Corporation	1.0	1.0	–
Saskatchewan Auto Fund	121.2	163.9	42.7
Saskatchewan Gaming Corporation	(22.4)	(9.0)	13.4
Saskatchewan Government Insurance	81.2	90.2	9.0
Saskatchewan Liquor and Gaming Authority	263.6	301.8	38.2
Saskatchewan Power Corporation	72.3	66.5	(5.8)
Saskatchewan Telecommunications Holding Corporation	81.8	79.8	(2.0)
Saskatchewan Water Corporation	6.2	6.2	–
SaskEnergy Incorporated	20.0	30.2	10.2
Saskatchewan Workers' Compensation Board	102.4	(19.4)	(121.8)
Consolidation Adjustments	1.5	(5.6)	(7.1)
Total GBE Net Income	728.8	705.6	(23.2)
Other Own-Source Revenue			
Fees	1,043.0	1,043.0	–
Insurance	277.6	277.6	–
Investment Income	105.7	105.7	–
Transfers from Other Governments	72.2	72.2	–
Miscellaneous	434.6	434.6	–
Total Other Own-Source Revenue	1,933.1	1,933.1	–
Transfers from the Federal Government			
Canada Health Transfer	1,301.9	1,301.9	–
Canada Social Transfer	467.1	467.1	–
Other	1,017.6	1,382.6	365.0
Total Transfers from the Federal Government	2,786.6	3,151.6	365.0
Total Revenue	13,648.7	14,046.9	398.2

2020-21 SCHEDULE OF PUBLIC DEBT

(Millions of Dollars)	Budget	First Quarter Forecast	Change
Government Service Organization Debt			
General Revenue Fund			
– operating	7,300.0	7,000.0	(300.0)
– Saskatchewan Capital Plan ¹	6,691.4	6,691.4	–
Boards of Education	144.1	144.1	–
Global Transportation Hub Authority	39.8	39.8	–
Health Sector Affiliates	9.6	9.6	–
Saskatchewan Health Authority	75.5	75.5	–
Saskatchewan Opportunities Corporation	52.3	51.9	(0.4)
Water Security Agency	20.0	20.0	–
Other	3.9	3.9	–
Government Service Organization Debt	14,336.6	14,036.2	(300.4)
Government Business Enterprise Debt (GBE)			
Municipal Financing Corporation of Saskatchewan	201.4	211.4	10.0
Saskatchewan Gaming Corporation	15.0	11.0	(4.0)
Saskatchewan Liquor and Gaming Authority	94.2	94.2	–
Saskatchewan Power Corporation	6,652.8	6,578.1	(74.7)
Saskatchewan Telecommunications Holding Corporation	1,275.1	1,279.9	4.8
Saskatchewan Water Corporation	79.4	79.4	–
SaskEnergy Incorporated	1,714.7	1,624.2	(90.5)
Government Business Enterprise Debt²	10,032.6	9,878.2	(154.4)
Public Debt³	24,369.2	23,914.4	(454.8)
Guaranteed Debt	0.8	0.2	(0.6)

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

² 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.

³ Public debt is shown net of sinking funds.