

The Honourable Donna Harpauer
Deputy Premier and Minister of Finance



21-22

PROTECT. BUILD. GROW.

MID-YEAR REPORT

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2021-22 MID-YEAR HIGHLIGHTS

Overview

At mid-year, much of Saskatchewan's economy is performing well.

Higher commodity prices, particularly for oil and potash, have increased non-renewable resource revenue. Individual and Corporate Income Tax and Provincial Sales Tax revenue have also improved, underscoring the province's economic resilience and strength in the construction, retail and service sectors.

However, the drought that hit Saskatchewan this summer was widespread and has substantially increased crop insurance and drought-relief expenses needed to help producers. Higher costs related to fighting wildfires through a dry spring and summer and health care pressures due to the persistence of the global COVID-19 pandemic also contributed to increased expense.

A deficit of \$2.7 billion is forecast at mid-year, \$97 million higher than at budget, but a \$29 million improvement from the first quarter forecast.

Economy

Saskatchewan real GDP is expected to grow by 3.6 per cent in 2021, slightly higher than the Government of Saskatchewan's Budget forecast of 3.4 per cent growth. This expected growth is in part due to the lifting of pandemic-related restrictions in July, which helped the labour market recover, strong investments in residential housing and strong commodity prices, particularly potash and oil.

Saskatchewan's economy is expected to continue to grow by 3.8 per cent in 2022, slightly higher than the 3.2 per cent growth projected in the Budget. This growth is a reflection of the expectation of continued strength in the Saskatchewan economy.

Employment is currently forecast to increase by 15,900 jobs in 2021 and the unemployment rate is forecast to average 7.0 per cent.

2021-22 ECONOMIC AND FISCAL OVERVIEW

<i>(Millions of Dollars)</i>	2020-21	2021-22	First Quarter	Mid-Year	Change From	
	Actual	Budget	Forecast	Projection	Budget	First Quarter
Revenue	14,524	14,478	15,236	16,869	2,391	1,633
Expense	15,651	17,089	17,973	19,577	2,488	1,604
Deficit	(1,127)	(2,611)	(2,737)	(2,708)	(97)	29
Key Metrics						
Public Debt (\$M)	23,583	27,766	27,857	27,833	66	(25)
Net Debt (\$M)	13,683	17,585	n/a	16,714	(871)	n/a
Net Debt as % of GDP	17.6	21.7	n/a	19.4	(2.3)	n/a
Economic Forecast						
	2020	2021	2021	2021		
Real GDP growth (%)	(4.9)	3.4	3.4	3.6	0.2	0.2
Nominal GDP growth (%)	(6.6)	5.9	5.9	11.0	5.1	5.1

Totals may not add due to rounding.



Revenue

Revenue is forecast to increase \$2.4 billion from budget, (16.5 per cent), with significant increases in all major categories.

\$668.8 million of this revenue increase is from non-renewable resources, mainly due to higher potash and oil prices. Taxation revenue is up \$616.7 million from budget reflecting higher 2020 personal and corporate income tax assessments.

Federal transfers are up \$542.6 million from budget, mostly due to drought, pandemic, childcare and municipal infrastructure federal funding. Other own source revenue is up \$347.1 million, largely due to crop insurance recoveries through private reinsurance purchased by the Saskatchewan Crop Insurance Corporation. Government Business Enterprise net income is forecast to be up \$215.4 million at mid-year, due mainly to higher investment earnings.

Expense

Expense is forecast to be up \$2.5 billion from budget (14.6 per cent).

The most significant increase over budget at mid-year is in Agriculture expense, which is up \$2.1 billion. This includes \$1.8 billion for crop insurance claims, bringing the total indemnity forecast to \$2.4 billion, and \$292.5 million in relief for livestock producers hit with higher costs due to the widespread drought that impacted Saskatchewan.

In addition, there is a \$250.0 million increase in Health expense due to pandemic pressures and drug plan increases. Protection of Persons and Property expense is up \$100.9 million at mid-year largely due to the pandemic and wildfires which emerged during a very dry spring and summer.

2021-22 BUDGET UPDATE - MID-YEAR

<i>(Millions of Dollars)</i>	Budget	First Quarter Forecast	Mid-Year Projection	Change From	
				Budget	First Quarter
Revenue					
Taxation	7,238.0	7,238.0	7,854.7	616.7	616.7
Non-renewable resources	1,328.5	1,688.4	1,997.3	668.8	308.9
Net income from government business enterprises	899.2	850.9	1,114.6	215.4	263.7
Other own-source revenue	2,104.1	2,148.7	2,451.2	347.1	302.5
Transfers from the federal government	2,908.5	3,309.6	3,451.1	542.6	141.5
Total Revenue	14,478.3	15,235.6	16,868.9	2,390.6	1,633.3
Expense					
Agriculture	879.3	1,585.9	3,022.8	2,143.5	1,436.9
Community development	690.4	753.0	742.3	51.9	(10.7)
Economic development	527.0	540.3	541.2	14.2	0.9
Education	3,753.2	3,867.1	3,789.9	36.7	(77.2)
Environment and natural resources	414.9	414.9	378.2	(36.7)	(36.7)
Financing charges	755.0	755.0	755.0	-	-
General government	524.6	499.9	500.6	(24.0)	0.7
Health	6,535.3	6,535.3	6,785.3	250.0	250.0
Protection of persons and property	845.1	857.2	946.0	100.9	88.8
Social services and assistance	1,556.7	1,556.7	1,508.0	(48.7)	(48.7)
Transportation	607.7	607.7	607.7	-	-
Total Expense	17,089.2	17,973.0	19,577.0	2,487.8	1,604.0
Deficit	(2,610.9)	(2,737.4)	(2,708.1)	(97.2)	29.3

Totals may not add due to rounding.



Public Debt

Public debt is forecast to be \$66.2 million higher than at budget, due to a higher deficit, increased borrowing requirements for SaskTel infrastructure, and additional cash requirements related to the payment of crop insurance indemnity claims, offset partly by a decrease in borrowing for the Saskatchewan Capital Plan and for SaskPower.

Net Debt

At mid-year, net debt is projected to be \$16.7 billion at March 31, 2022, \$871 million lower than forecast at budget. This reflects improved results for 2020-21 and a lower capital spending forecast.

Saskatchewan is positioned to have one of the lowest net debt to GDP percentages among the provinces.

Economic Update

Saskatchewan's economy is forecast to rebound by 3.6 per cent in 2021, a substantial turnaround from a 4.9 per cent decline in 2020, a drop predicated by the economic fallout from the global pandemic and low oil prices.

This improvement from the budget forecast, where real GDP in 2021 was forecast to increase by 3.4 per cent, is attributable to a number of factors, including the lifting in July of restrictions related to the pandemic, which allowed for a strong labour market rebound.

In addition, there was higher investment in the residential housing market and strong commodity prices emerged, most notably for potash and oil. While uncertainty remains with respect to the COVID-19 pandemic, and while the drought has impacted the agriculture sector, many aspects of the economy continue to perform well.

CANADA AND U.S ECONOMIC ASSUMPTIONS

	Actual	2021-22 Budget			2021-22 Mid-Year		
	2020	2021	2022	2023	2021	2022	2023
Canadian real GDP growth, %	(5.3)	3.7	3.6	2.2	5.1	4.4	1.6
U.S. real GDP growth, %	(3.4)	3.1	2.5	2.5	5.9	4.1	2.5
Canada CPI growth, %	0.7	1.3	1.9	2.0	3.3	2.7	2.0
Canada GDP deflator growth, %	0.7	2.4	1.9	2.3	6.9	1.0	1.4
Canadian short-term interest rate, %	0.42	0.17	0.20	0.50	0.14	0.29	0.85
10-yr Government of Canada bond, %	0.72	0.81	1.08	1.30	1.27	1.30	1.81
Canadian dollar, U.S. cents	74.60	78.80	80.00	81.20	79.88	79.98	80.63

Source: Statistics Canada, IHS Markit, Ministry of Finance.

Saskatchewan Economic Performance and Outlook

The province's economy is showing signs of strength as it recovers from the pandemic. Total employment increased year-to-date by 2.5 per cent compared to the same period in 2020, reaching 562,800 people employed in October 2021.

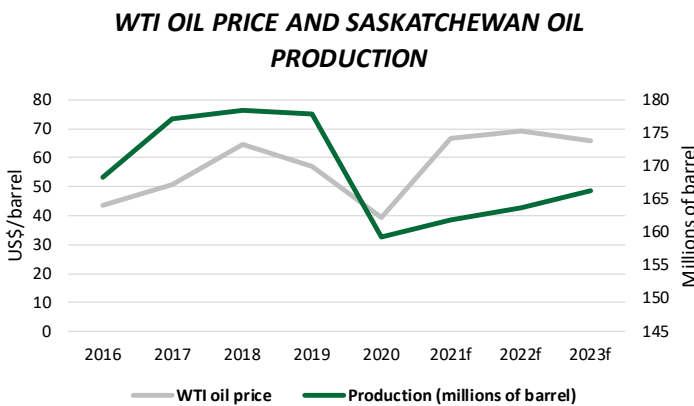
Employment is forecast to increase by 15,900 in 2021 and by another 12,000 jobs in 2022. While unemployment is expected to average 7 per cent in 2021, total employment is up about 13,730 jobs (January to October 2021) compared to the same time period in 2020. Retail and wholesale trade account for 10,170 of the increase in jobs.



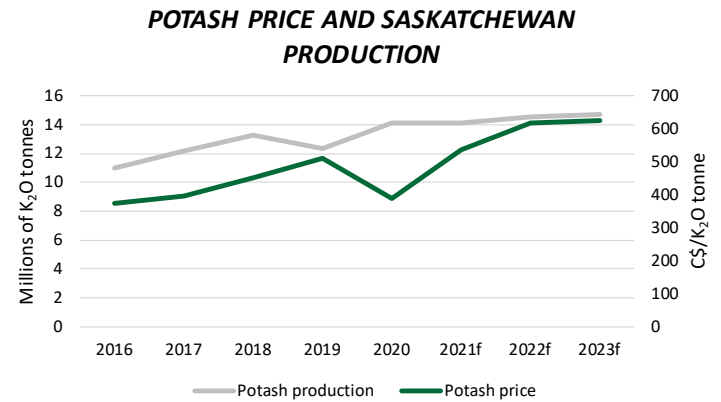
Oil prices have strengthened this year due to increased demand driven by the reopening of major economies globally. Natural gas prices have also increased due to recent shortages.

The average West Texas Intermediate (WTI) oil price has increased, to about \$US66.47 from January through the end of October 2021, compared to an average of \$US38.44 through the same period in 2020. The average well-head oil price in Canadian dollars is expected to increase from \$34.85 per barrel in 2020 to \$65.74 per barrel in 2021.

Oil production is up by 1.2 per cent from January through September 2021, while drilling is down by about 24.7 per cent over same time frame in 2020.



Potash production in the first nine months of 2021 remains at the same level compared to the same time frame in 2020, while prices have surged. Uranium production is up 2.9 per cent January through September in 2021, compared to the same period in 2020 and sales have increased by 32.9 per cent this year.



Crop production, due to widespread drought conditions in the province, fell by approximately 40.6 per cent. This year's crop size of roughly 22.3 million tonnes is well below the 10-year average of approximately 33.0 million tonnes.

COMMODITY PRICE ASSUMPTIONS

	2020 Actual	2021-22 Budget			2021-22 Mid-Year		
		2021	2022	2023	2021	2022	2023
WTI Oil Price (US\$/barrel)	39.39	55.00	55.00	56.00	66.50	69.00	66.00
Average well-head Oil Price (C\$/barrel)	34.83	50.00	49.30	49.60	65.74	67.93	62.96
Natural gas, (C\$ per GJ)	2.32	2.32	2.32	2.32	3.50	3.60	3.10
Potash (C\$/K ₂ O tonne) ¹	387.32	396.50	396.20	398.30	537.98	616.98	624.54
Potash (US\$/KCl tonne) ¹	176.50	190.60	193.40	197.30	262.14	301.01	307.18

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

Sources: Ministry of Energy and Resources



Year-to-date manufacturing sales are up by 42.2 per cent (January through September) compared to the same period in 2020, the highest growth among provinces. Sales in food services and dining increased significantly from January through August, and are up 19.7 per cent compared to the same period in 2020.

Other major economic indicators such as retail sales, wholesale trade, sales of new motor vehicles, investment in residential building construction, building permits and housing starts have all experienced significant year-to-date growth, compared to the same time period in 2020.

SASKATCHEWAN 2021 YEAR-TO-DATE (YTD) ECONOMIC INDICATORS ¹

(per cent change from same period last year)	SK % Change	SK Ranking Among Provinces	CAN
Employment (Oct.)	2.5	10	4.9
Unemployment Rate (Oct.)	6.9	4th lowest	7.9
Employment Rate (Oct.)	62.6	2	60.0
Consumer Price Index (Oct.)	2.4	lowest	3.1
Average Weekly Earnings (Aug.)	1.1	8	3.5
Retail Sales (Aug.)	13.5	8	15.1
Wholesale Trade (Sept.)	10.6	9	15.2
New Motor Vehicle Sales (Sept.)	6.6	10	11.7
Food Services & Drinking Places Sales (Aug.)	19.7	4	12.6
Manufacturing Sales (Sept.)	42.2	1	18.0
International Goods Exports (Sept.)	22.5	5	21.5
Building Permits (Sept.)	32.3	4	27.2
Housing Starts (Q3)	42.8	2	31.7
Investment in Building Construction (Sept.)	14.6	7	24.4
Residential (Sept.)	36.4	6	35.1
Non-residential (Sept.)	(26.9)	10	(4.0)

As of November 18, 2021

¹For the unemployment rate and employment rate, figures represent the YTD average. All other figures represent % change from YTD value [or YTD average, in the case of employment, consumer price index, and average weekly earnings] in 2020 to YTD value [or YTD average] in 2021.

Source: Statistics Canada

Overall, real GDP is forecast by the Government of Saskatchewan to grow by 3.6 per cent in 2021, and nominal GDP is expected to rise 11.0 per cent. In 2022 real GDP is expected to rise 3.8 per cent and nominal GDP is expected to grow by 5.0 per cent.



Private Sector Forecasts

The view of private sector forecasters is that Saskatchewan's economy is expected to show substantial growth in 2021 compared to 2020.

Based on the latest average of private sector forecasts, Saskatchewan's real GDP is expected to increase 4.3 per cent in 2021, sixth highest among Canadian provinces. Continued growth is expected in 2022 and the average of private sector forecasts expects Saskatchewan's real GDP to increase by 4.0 per cent, fourth highest among the provinces.

PRIVATE SECTOR FORECASTS OF SASKATCHEWAN REAL GDP GROWTH ¹

(per cent change from same period last year)

	2021	2022	Release Date
IHS Markit	4.0	4.5	21-Nov
CBOC	3.6	4.6	21-Nov
TD Bank	4.0	3.4	21-Sep
Royal Bank of Canada	3.8	5.9	21-Sep
Bank of Montreal	3.5	3.4	21-Nov
CIBC	5.6	3.4	21-Jul
Scotiabank	4.4	3.6	21-Oct
National Bank	4.6	3.9	21-Nov
Laurentian Bank	5.6	3.5	21-Jul
Average	4.3	4.0	
2021-22 Mid-Year Forecast	3.6	3.8	

¹As of Nov. 18, 2021.

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

PRIVATE SECTOR FORECASTS OF REAL GDP BY PROVINCE ¹

(per cent change from same period last year)

	2021	Rank	2022	Rank
BC	5.6	3	4.2	3
AB	6.0	2	4.6	1
SK	4.3	6	4.0	4
MB	4.5	5	3.9	5
ON	4.8	4	4.5	2
QC	6.2	1	3.6	6
NB	4.0	8	2.9	9
NS	4.1	7	3.0	8
PE	3.9	9	3.4	7
NL	3.5	10	2.6	10
CA	5.2	--	4.2	--

¹As of Nov. 18, 2021.

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



Revenue Update

At mid-year, revenue is forecast to be \$16.9 billion, an increase of \$2.4 billion (16.5 per cent) from budget and \$1.6 billion (10.7 per cent) from first quarter, with higher revenue forecast across all major categories.

Taxation

Taxation revenue is forecast to increase \$616.7 million from budget.

Individual and Corporate Income Tax are forecast to be up \$439.6 million and \$90.4 million from budget, respectively, primarily due to stronger-than-anticipated 2020 assessments that resulted in an increase in prior-year reconciliation adjustments in 2021-22.

Provincial Sales Tax revenue is projected to increase by \$80.8 million, reflecting stronger-than-budgeted economic activity, particularly in the construction, retail and service sectors.

Higher-than-budgeted cannabis consumption has led to a \$5.9 million increase in other taxes revenue, while Fuel Tax, Property Tax and Tobacco Tax are in line with budget expectations at mid-year.

Non-Renewable Resources

At mid-year, revenue from non-renewable resources is forecast to increase \$668.8 million from budget.

Potash revenue is expected to be \$402.5 million higher than budget, primarily due to higher average prices (US\$272 per KCl tonne, up US\$81 from budget), partly offset by a higher exchange rate forecast.

Oil and natural gas revenue is expected to be \$240.4 million higher mainly due to higher West Texas Intermediate (WTI) oil prices, a narrower light-heavy oil price differential and an increase in oil production, partially offset by a higher exchange rate.

The Mid-Year Report also includes a forecast increase of \$18.9 million in resource surcharge revenue, due to strength in the potash and oil sectors, while Crown land sales are forecast to increase \$6.6 million due to higher-than-expected April and August subsurface mineral rights sales.

Key Assumptions

- **WTI**

On a fiscal year basis, WTI is now forecast to average US\$69.29 per barrel in 2021-22, up from US\$54.33 at budget. WTI Averaged US\$68.32 through the second quarter of the fiscal year. A US\$1 per barrel change in the fiscal-year average WTI oil price results in an estimated \$14 million change in 2021-22 oil royalties (all else being equal).

- **Oil Differential**

The light-heavy oil differential forecast at mid-year is 12.7 per cent, down from 19.7 per cent at budget, reflecting higher-than-expected Western Canadian heavy crude oil demand from U.S. refiners. A lower differential results in higher oil revenue for Saskatchewan (all else being equal).

- **Oil Production**

Oil production is forecast to be 162.7 million barrels at mid-year, up from 160.0 million barrels at budget.

- **Exchange Rate**

The exchange rate is forecast, at mid-year, to average 80.1 U.S. cents in 2021-22, up from 79.1 U.S. cents at budget. Through the second quarter of the fiscal year, the Canadian dollar averaged 80.4 U.S. cents.

A 1 U.S. cent change in the fiscal-year average exchange rate results in an estimated \$33 million change in 2021-22 non-renewable resource revenue (all else being equal).

A lower exchange rate results in higher revenue and a higher exchange rate results in lower revenue, as resource exports are priced in U.S. dollars.



KEY RESOURCE ASSUMPTIONS

	2020-21 Actual	2021-22 Budget	2021-22		Change From	
			First Quarter	2021-22 Mid-Year	Budget	First Quarter
WTI Oil Price (US\$/barrel)	42.32	54.33	68.04	69.29	14.96	1.25
Light-Heavy Differential (% of WTI)	16.9	19.7	13.3	12.7	(7.0)	(0.6)
Well-head Oil Price (C\$/barrel) ¹	36.54	49.31	65.41	68.85	19.54	3.44
Oil Production (million barrels)	152.5	160.0	163.1	162.7	2.7	(0.4)
Potash Price (mine netback, US\$/KCl tonne) ²	180	191	231	272	81	41
Potash Price (mine netback, C\$/K ₂ O tonne) ²	390	396	465	558	162	93
Potash Sales (million K ₂ O tonnes) ²	14.1	14.3	14.1	14.2	(0.1)	0.1
Canadian Dollar (US cents)	75.75	79.12	82.17	80.13	1.01	(2.04)

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

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

Government Business Enterprises (GBE) Net Income

Net income from GBEs is forecast to be up \$215.4 million from budget, primarily reflecting the following changes:

- increased earnings for Saskatchewan Government Insurance (\$81.1 million), the Auto Fund (\$76.5 million) and Workers Compensation Board (\$70.1 million) primarily from lower claims and increased investment earnings; and,
- increased earnings from Saskatchewan Liquor and Gaming Authority (\$17.7 million) and SaskEnergy (\$9.0 million), due to higher sales revenues.

Partially offset by,

- decreased earnings at SaskPower (\$36.7 million) due to higher natural gas fuel costs; and,
- other net changes across the GBE sector amount to a decrease of \$8.0 million.

Other Own Source Revenue

Other own-source revenue is up \$347.1 million from budget, largely due to:

- \$442.0 million increase in insurance revenue, mainly due to recoveries from private reinsurance purchased by the Saskatchewan Crop Insurance Corporation along with higher Crop Insurance producer premiums as a result of an increase in insured acres and higher prices; and,
- \$25.4 million increase in fees revenue, primarily reflecting higher forestry fee revenue.

Partially offset by,

- \$120.3 million decrease in miscellaneous revenue primarily reflecting the continued impact of the pandemic on some sources of revenue across the government.

Federal Transfers

Transfers from the federal government are forecast to increase \$542.6 million from budget, largely due to:

- \$171.0 million for the Saskatchewan Agricultural Stabilization Fund, related to the Canada-Saskatchewan Drought Response Initiative;
- \$131.6 million for Saskatchewan's share of the Canada wide Early Learning and Child Care Agreement and the Early Learning and Child Care one-time workforce investment;
- \$124.1 million for Saskatchewan's share of the Helping Our Health Systems Recover program;
- \$62.6 million in one-time top-up funding for the Canada Community-Building Fund;
- \$31.0 million due to a higher federal portion of Crop Insurance premiums as a result of an increase in insured acres and higher prices; and
- \$31.0 million for Saskatchewan's share of Canada's COVID-19 Immunization Plan.

Partially offset by,

- \$41.5 million decrease in funding for the Accelerated Site Closure Program, consistent with expected activity under the program.



2021-22 SCHEDULE OF REVENUE

<i>(Millions of Dollars)</i>	Budget	First Quarter Forecast	Mid-Year Projection	Change From	
				Budget	First Quarter
Taxation					
Corporation income	754.6	754.6	845.0	90.4	90.4
Fuel	477.9	477.9	477.9	-	-
Individual income	2,420.8	2,420.8	2,860.4	439.6	439.6
Property	784.8	784.8	784.8	-	-
Provincial sales	2,144.0	2,144.0	2,224.8	80.8	80.8
Tobacco	201.8	201.8	201.8	-	-
Other	454.1	454.1	460.0	5.9	5.9
Total Taxation	7,238.0	7,238.0	7,854.7	616.7	616.7
Non-Renewable Resources					
Crown land sales	9.2	12.1	15.8	6.6	3.7
Oil and natural gas	505.1	710.0	745.5	240.4	35.5
Potash	431.8	581.1	834.3	402.5	253.2
Resource surcharge	302.6	312.6	321.5	18.9	8.9
Other	79.8	72.6	80.2	0.4	7.6
Total Non-Renewable Resources	1,328.5	1,688.4	1,997.3	668.8	308.9
Net Income from Government Business Enterprises					
Municipal Financing Corporation of Saskatchewan	1.1	1.1	1.1	-	-
Saskatchewan Auto Fund	192.1	192.1	268.6	76.5	76.5
Saskatchewan Gaming Corporation	11.5	6.0	3.5	(8.0)	(2.5)
Saskatchewan Government Insurance	40.0	40.0	121.1	81.1	81.1
Saskatchewan Liquor and Gaming Authority	423.4	428.9	441.1	17.7	12.2
Saskatchewan Power Corporation	16.7	(1.5)	(20.0)	(36.7)	(18.5)
Saskatchewan Telecommunications Holding Corporation	100.0	100.0	100.0	-	-
Saskatchewan Water Corporation	7.0	7.1	7.6	0.6	0.5
SaskEnergy Incorporated	49.7	35.0	58.7	9.0	23.7
Saskatchewan Workers' Compensation Board	(1.3)	(12.5)	68.8	70.1	81.3
Consolidation adjustments	59.0	54.7	64.1	5.1	9.4
Total Net Income from Government Business Enterprises	899.2	850.9	1,114.6	215.4	263.7
Other Own-Source Revenue					
Fees	1,170.0	1,180.0	1,195.4	25.4	15.4
Insurance	282.7	317.3	724.7	442.0	407.4
Investment income	88.4	88.4	88.4	-	-
Transfers from other governments	73.2	73.2	73.2	-	-
Miscellaneous	489.8	489.8	369.5	(120.3)	(120.3)
Total Other Own-Source Revenue	2,104.1	2,148.7	2,451.2	347.1	302.5
Transfers from the Federal Government					
Canada Health Transfer	1,330.4	1,330.4	1,331.7	1.3	1.3
Canada Social Transfer	477.4	477.4	477.8	0.4	0.4
Other	1,100.7	1,501.8	1,641.6	540.9	139.8
Total Transfers from the Federal Government	2,908.5	3,309.6	3,451.1	542.6	141.5
Total Revenue	14,478.3	15,235.6	16,868.9	2,390.6	1,633.3

Totals may not add due to rounding.



Expense Update

At mid-year, expense is forecast to be \$19.6 billion, an increase of \$2.5 billion (14.6 per cent) from budget and \$1.6 billion from first quarter. The increase is primarily due to higher expense for Crop Insurance indemnities resulting from drought conditions across much of the province as well as funding to livestock producers for drought relief. There is also additional health expense primarily for COVID response.

Agriculture is up \$2.1 billion from budget primarily due to \$1.8 billion for Crop Insurance indemnities resulting from the widespread drought experienced in much of Saskatchewan, bringing the total indemnity forecast for the year to \$2.4 billion. It also includes \$292.5 million through the AgriRecovery program, to help producers maintain breeding stock and address the high costs they face due to the drought.

Health increased \$250.0 million from budget reflecting \$220.0 million for the Saskatchewan Health Authority, due to pandemic response pressures; and \$30.0 million for the Ministry of Health for pharmacy vaccine delivery and utilization pressures in the Saskatchewan Prescription Drug Plan.

Protection of Persons and Property expense is up \$100.9 million from budget, including \$83.3 million for the Saskatchewan Public Safety Agency due to a high wildfire season and pandemic response activities. There is also an increase of \$7.6 million from budget for custody, supervision and rehabilitation services primarily due to operational issues related to the pandemic. There is \$5.3 million for Courts and Civil Justice primarily attributed to operational pressures due to the pandemic.

Community Development is up \$51.9 million from budget primarily due to \$62.6 million for the top-up amount for the Canada Community-Building Fund announced in March 2021 by the federal government. This increase will be fully offset by revenue received by the federal government.

Education expense is forecast to increase a net \$36.7 million from budget reflecting a \$131.6 million increase related to the new child care agreement with the federal government. This is partially offset by \$60.0 million lower-than-budgeted spending by the Boards of Education, a \$16.3 million decrease to pension expense, \$9.4 million lower spending by regional colleges due to reduced operations during the pandemic, and \$5.8 million lower-than-budgeted utilization of the Provincial Training Allowance program.

Economic Development is up \$14.2 million from budget primarily due to a \$10.8 million increase for COVID-19 support programs. The increase also includes \$9.5 million for the Saskatchewan Economic Recovery Rebate, due to the timing of program payments over two years, and \$6.3 million for SaskBuilds due to increased progress on projects such as the Meadow Lake Tribal Council Bioenergy Project, under the federally—funded Investing in Canada Infrastructure Program.

General Government expense is down \$24.0 million from budget due to a \$27.1 million decrease in pension expense as a result of changes in interest rates and plan experience, partially offset by \$2.0 million to support the Federation of Sovereign Indigenous Nations (FSIN) to research into undocumented deaths and burials on formerly federally operated schools in the province.

Environment and Natural Resources is down \$36.7 million from budget due mainly to \$41.5 million for the Saskatchewan Research Council because of lower than budgeted program uptake for the Accelerated Site Closure Program, offset by smaller net increases across the theme.

Social Services and Assistance expense is down \$48.7 million from budget as the result of lower-than-budgeted utilization of financial assistance programs.

Transportation expense and **Financing Charges** are unchanged from budget.



Public Debt Update

At mid-year, public debt is now forecast to be \$27.8 billion at March 31, 2022, which is \$66.2 million higher than at budget.

The increase in forecast public debt is primarily attributable to \$275.0 million of higher General Revenue Fund (GRF) operating debt, partially offset by a \$100.0 million decrease in GRF – Saskatchewan Capital Plan debt due to a deferral of capital spending to future years due to the timing of projects.

The reduction in capital spending includes \$68.0 million less to the education sector for various school projects, \$64.0 million less to the corrections and justice sector related to the remand centre and \$35.0 million less related to highways projects. The province has received a \$62.6

million federal transfer for the municipal sector, doubling the Canada Community-Building Fund, which partly offsets these reductions.

Also offsetting the increase in GRF debt is a \$105.3 million decrease in GBE debt, including \$142.5 million of lower debt at SaskPower due to lower-than-expected cash operating needs arising from the elimination of its budgeted equity repayment to CIC and other improvements to operating cash flow.

The decreases in GBE debt are partially offset by \$58.6 million of higher debt at SaskTel due to obligations arising from the recently completed 5G spectrum action.

Debt Charges are unchanged from budget at \$755.0 million.

2021-22 SCHEDULE OF PUBLIC DEBT

As at March 31, 2022 (Millions of Dollars)

	Budget	Mid-Year Projection	Change from Budget
Government Service Organization Debt			
General Revenue Fund -Operating	9,400.0	9,675.0	275.0
General Revenue Fund -Saskatchewan Capital Plan ¹	8,142.0	8,042.0	(100.0)
Boards of Education	136.9	134.4	(2.5)
Global Transportation Hub Authority	40.2	40.2	-
Health Sector Affiliates	9.6	9.6	-
Saskatchewan Health Authority	59.7	59.7	-
Saskatchewan Opportunities Corporation	49.3	48.3	(1.0)
Water Security Agency	14.3	14.3	-
Other	3.4	3.4	-
Government Service Organization Debt	17,855.4	18,026.9	171.5
Government Business Enterprise Debt			
Municipal Financing Corporation of Saskatchewan	243.8	237.6	(6.2)
Saskatchewan Gaming Corporation	5.0	5.0	-
Saskatchewan Liquor and Gaming Authority	89.8	89.8	-
Saskatchewan Power Corporation	6,413.2	6,270.7	(142.5)
Saskatchewan Telecommunications Holding Corporation	1,335.3	1,393.9	58.6
Saskatchewan Water Corporation	80.9	80.9	-
SaskEnergy Incorporated	1,742.9	1,727.7	(15.2)
Government Business Enterprise Debt²	9,910.9	9,805.6	(105.3)
Public Debt³	27,766.3	27,832.5	66.2
Guaranteed Debt	0.1	0.1	-

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

²GBE 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.

³Public debt is shown net of sinking funds.



Net Debt Update

Net debt is an important measure of the Province's financial position. Net debt provides a measure of the future revenue that is required to pay for past transactions and events.

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.

At mid-year, net debt is forecast to be \$16.7 billion at March 31, 2022, representing a decrease, or improvement, of \$870.6 million from budget. The improvement is primarily due to positive adjustments for the 2020-21 fiscal year-end

actual results and a reduction in forecasted government capital spending for 2021-22, partly offset by a larger forecast deficit, compared to budget.

Net debt as a percentage of GDP is projected to be 19.4 per cent at March 31, 2022, an improvement compared to the budget estimate of 21.7 per cent and is expected to remain one of the lowest ratios among provinces.

2021-22 NET DEBT UPDATE MID-YEAR

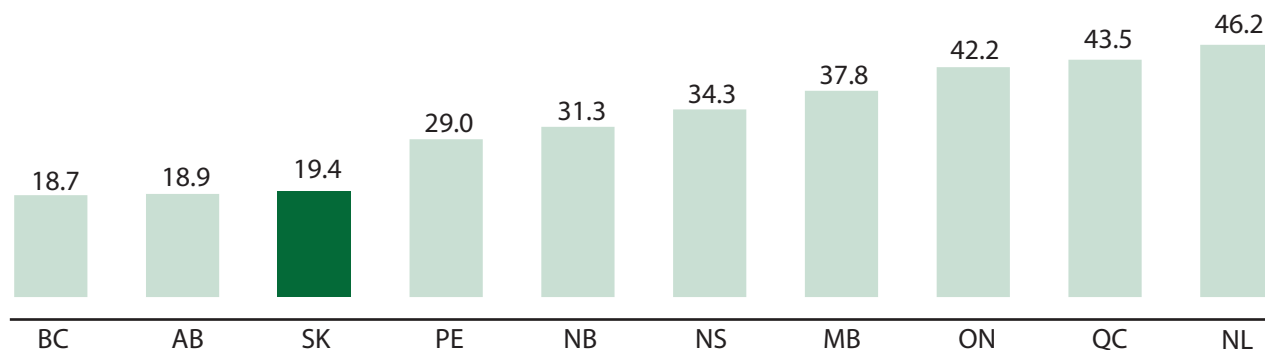
As at March 31, 2022

(Millions of Dollars)

	Budget	Mid-Year Projection	Change From Budget
Deficit	(2,610.9)	(2,708.1)	(97.2)
Acquisition of government service organization capital assets	(1,089.9)	(958.2)	131.7
Amortization of government service organization capital assets	628.1	634.6	6.5
Increase in Net Debt	(3,072.7)	(3,031.7)	41.0
Net debt, beginning of year	(14,512.3)	(13,682.7)	829.6
Net Debt, End of Year	(17,585.0)	(16,714.4)	870.6

PROJECTED NET DEBT AS A PER CENT OF GDP

As at March 31, 2022



Sources: Net Debt. Jurisdictions most recent data (as of November 18, 2021)

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

