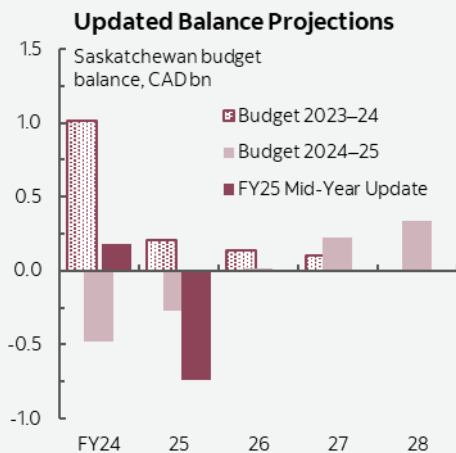


Contributors

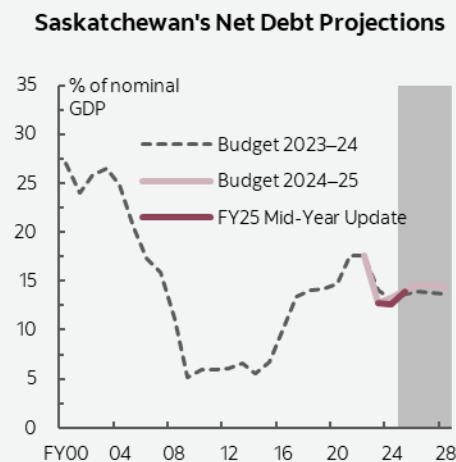
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Chart 1



Sources: Scotiabank Economics, Saskatchewan Finance.

Chart 2



Sources: Scotiabank Economics, Finance Canada, SK Finance.

Saskatchewan: 2024–25 Mid-Year Update

WEATHER WOES DRIVE DEFICIT SURGE

- **Budget balance forecasts:** **-\$744 mn (-0.6% of nominal GDP) in FY25**, a deeper deficit than the **-\$273 bn (-0.2%)** projected in Budget 2024 (chart 1), while the FY24 budget balance came in **\$665 mn better than estimated in March (\$182 mn, 0.2%)**.
- **Net debt:** decreased by **\$379 mn** versus Budget to **\$16.0 bn** for FY25 (chart 2); as a share of nominal output, net debt is now expected to rise from **12.6% in FY24** to **13.9% in FY25**.
- **Real GDP growth forecast:** incrementally lifted from **1.0% to 1.4% for 2024** but nudged down from **1.8% to 1.7% for 2025**; nominal GDP projection raised over the horizon from **2.1% to 3.7% for 2024** and from **3.2% to 3.4% for 2025**.
- **WTI price projections** revised down slightly to **US\$76.5/bbl in FY25** from **US\$77.0/bbl** projected in Budget 2024; light-heavy differential projection narrowed from **US\$14.5/bbl** to **US\$12.3/bbl**.
- **Borrowing requirements:** estimated at **\$4.7 bn for FY25**—up **\$333 mn** from Budget 2024.
- **Saskatchewan is grappling with another year of weather-related fiscal challenges**, as adverse conditions have led to an overshoot in agriculture expenses, tripling the size of the deficit projected in March. Despite these headwinds, the province remains resilient, benefiting from a low debt burden, strong credit ratings, and disciplined spending. Robust growth momentum should continue supporting these fiscal advantages, however, a soft commodity price outlook could pose downside risks to Saskatchewan's fiscal stance.

OUR TAKE

Despite last year's surprise surplus, Saskatchewan faces significant spending pressure, leading to a projected deeper deficit of \$744 million (-0.6% of GDP) for FY25. The impact of dry growing conditions over the summer, albeit milder than last year, adds \$385 mn to crop insurance claims, straining the province's finances. Non-renewable resource revenue is down by \$102 mn, primarily due to potash price pressures, partially offset by an increase in revenue from the oil and gas and uranium sectors. With the deeper projected deficit, the province's net debt is expected to increase as a share of GDP to 13.9%, albeit from a lower starting point due to last year's better-than-expected results—the second lowest among provinces, exceeding only that of Alberta.

Saskatchewan's revenue has been bolstered by a strong handoff from last year, though weaker potash revenue has tempered overall gains. Total revenue is forecast to increase by \$275 mn (1.4%) above budget, driven by a \$236 mn rise in Other Own-Source revenue, thanks to improvements in investment and insurance income. Taxation revenue is expected to come in \$133 mn above budget, primarily due to higher corporate income taxes from strong 2023 tax assessments. As potash drove the downward revision in non-renewable resource revenue versus the Budget (-\$102 mn, -3.8%), oil and gas projection remained largely intact with slight improvement linked to a tighter light-heavy differential. Despite weaker potash prices, non-renewable resource revenue is projected to rise by 5.5% compared to last year, while total revenue is expected to decline by -4.1%.

Near-term economic assumptions underpinning the update appear realistic, although headwinds on commodity prices pose significant downside risks. Real growth is projected at a robust 1.4% in 2024, slightly above our latest forecast. With stronger heavy oil prices, nominal output is set to grow by 3.7% this year—well above the 2.1% growth pencilled in at budget time. WTI prices are now expected to average US\$76.5/bbl in FY25,

over US\$2/bbl above the current market pricing and Scotiabank GBM's October forecasts. Compared to Alberta's more conservative forecast of US\$74/bbl in its mid-year update, Saskatchewan's projection offers little buffer against potential downside risks amid increasing uncertainty. As a rule of thumb, US\$1/bbl is linked with a fiscal impact of \$18 mn in oil revenue.

Spending is expected to be \$746 mn (3.7%) higher than projected in March, with half of this increase due to a rise in agriculture spending.

This surge is due to dry summer conditions impacting crop yields and leading to higher insurance claims, which have added \$385 mn to agriculture spending, 25% above what was projected at the beginning of the fiscal year. Other significant cost increases include a \$128 mn rise in Protection of Persons and Property expenses, driven by correctional facility operations and wildfire responses. Health expenses increased by \$100 mn due to heightened service and volume pressures. Additionally, employee compensation expenses from the new collective bargaining agreement are now embedded within several expense themes, further straining the budget. While the province no longer expects a -4.1% decline in program spending as initially budgeted, spending restraint remains crucial in the updated plan—excluding agriculture expenditures, program spending is projected to grow by a moderate 3.1% in FY25.

Borrowing requirements were estimated at \$4.7 bn for FY25 at the time of the first-quarter update—up \$333 mn from Budget 2024 due to higher borrowing needs from Government Business Enterprises.

Updated Fiscal Forecast				
\$ millions except where noted				
	FY24		FY25	
	Mar. '24	Final	Mar. '24	Nov. '24
Total Revenue	20,383	20,993	19,862	20,137
Non-Renewable Resources	2,393	2,449	2,686	2,584
Other Own-Source	14,255	14,910	13,396	13,740
Federal Transfers	3,735	3,634	3,780	3,813
Total Spending	20,866	20,811	20,135	20,881
Program Spending	20,041	19,971	19,224	19,930
Agriculture	2,564	2,504	1,532	1,917
Health	7,544	7,677	7,640	7,740
Education	4,290	4,243	4,415	4,415
Social Services	1,699	1,685	1,765	1,765
Other	3,945	3,862	3,873	4,095
Debt Service	824	840	912	950
% of Revenue	4.0	4.0	4.6	4.7
Budget Balance	-483	182	-273	-744
% of GDP	-0.4	0.2	-0.2	-0.6
Net Debt	15,169	14,347	16,347	15,969
% of GDP	13.3	12.6	14.0	13.9

Sources: Scotiabank Economics, Saskatchewan Finance.

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