

Deficit revised down slightly despite lower revenue

- Halfway through fiscal 2017-18, Saskatchewan has revised its deficit for the year down \$5.7 million (0.4%) to \$679 million. Lower-than-budgeted revenue (-\$53.2 million) is offset by lower-than-budgeted expenses (-\$8.9 million) and full use of the \$300-million contingency reserve to compensate for the lower revenue and for \$250 million in unrealized wage savings (see tables on page 3).
- The assumed average price of WTI crude over the current fiscal year is revised down US\$6 a barrel to US\$49.75. This reduction is somewhat offset by a lower-than-expected light-heavy differential (revised to 15.7% from 19.5%). But since the assumed exchange value of the CAD is revised up to 78.05 cents US from 74.95, the wellhead price is revised down to C\$48.86 from C\$55.30. The effect of the downward price revision on government revenue is mitigated by an upward revision of production, to 180.7 from 163.8 million barrels.
- Potash prices are revised up slightly from budget, to C\$388 from C\$386 per tonne of K₂O, with forecast sales unchanged at 11.8 million tonnes. However, the price of uranium is revised down to C\$108 per kilogram from C\$124.
- Real GDP growth for 2017 is revised up to 1.5% from the 0.8% assumed in the budget. Outlooks for subsequent years are revised up as well, to 2.2% from 2.0% for 2018 and to 2.0% from 1.9% for 2019. Nominal GDP growth is now assumed at 5.1% in 2017 versus 4.9% in the budget. For 2018, however, it is revised down to 4.2% from 5.7%. For 2019, it is revised up to 5.6% from 4.5%.
- Though employment is now projected to be flat in 2017 (in the budget it was assumed to grow 1.2%) and the unemployment rate is accordingly revised up to 6.5% from 6.2%, retail sales are now expected to grow 4.0% rather than 2.7% as assumed in the budget.
- Public debt is now projected at \$17.9 billion as of March 31, 2018, down \$323 million from the budget, mainly because of a \$287-million reduction in the debt of government business enterprises.
- Borrowing requirements are revised down \$232 million to \$2.5 billion to meet lower requirements of Crown corporations.

A slightly smaller deficit

Halfway through fiscal 2017-18, Saskatchewan has revised its deficit for the year down \$5.7 million (0.4%) to \$679 million¹. Lower-than-budgeted revenue (-\$53.2 million) is offset by lower-than-budgeted expenses (-\$8.9 million) and full use of the \$300-million contingency reserve to compensate for the lower revenue and for \$250 million in unrealized wage savings (see tables on page 3).

Taxation revenue for the year is reduced \$181 million, with both personal and corporate income tax revenue down from budget as a result of lower assessments for the 2016 taxation year. Provincial sales tax revenue is also down from budget.

Revenue from non-renewable resources is forecast to come in \$24.1 million below budget. The decrease reflects mainly an exchange rate higher and oil and uranium prices lower than assumed in the budget, partly offset by higher-than-expected potash prices, resource surcharges and Crown land sales.

Other own-source revenue is forecast to come in \$62.7 million above budget. Investment income is up \$27.1 million, mainly because of a one-time gain from restructuring of sinking-fund assets. Insurance revenue is up \$15.9 million, mainly because of higher producer premiums for increased acreage covered by government crop insurance. Miscellaneous revenue is up \$24.2 million, primarily because of refunds of prior-year expenses and higher revenue received by the Regional Health Authorities.

Federal transfers are forecast to come in \$48.4 million over budget and net income from government business enterprises \$40.8 million over budget.

Expense is forecast at mid-year to be \$14.8 billion, down \$8.9 million (0.1 %) from budget.

The budget provision for savings in compensation of human resources is removed since it is unlikely any savings will be realized in 2017-18. The contingency reserve is fully utilized to compensate for lower revenue and the unrealized savings.

Economic assumptions and sensitivity

The Saskatchewan economy is expected to expand in 2017 for the first time since 2014, led by a recovery in oil and potash. However, bad weather is expected to keep the 2017 crop harvest well below that assumed in the spring budget.

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The reduced WTI price is forecast to reduce oil revenue by approximately \$102 million from budget. A one-cent-US increase in the average exchange value of the CAD reduces resource revenue by about \$24 million. The higher exchange rate is forecast to reduce total non-renewable resource revenue by approximately \$74 million from budget. A US\$1 per barrel change in the average WTI oil price over the fiscal year results in about a \$17 million change in oil revenue.

Debt and borrowings

Public debt is now projected at \$17.9 billion as of March 31, 2018, down \$323 million from budget, mainly because of a \$287-million reduction in the debt of government business enterprises.

Borrowing requirements are revised down \$232 million to \$2.5 billion because of lower requirements of Crown corporations.

Marc Pinsonneault

¹ Prior to an adjustment to account for pensions on an accrual basis, which is not included in expense.

BUDGET UPDATE - MID-YEAR

Millions of Dollars

	Budget	Mid-Year Projection	Mid-Year Change From Budget
Revenue			
Taxation	7,286.6	7,105.6	(181.0)
Non-renewable resources	1,406.4	1,382.3	(24.1)
Other own-source revenue	1,964.9	2,027.6	62.7
Transfers from the federal government	2,453.5	2,501.9	48.4
Net income from government business enterprises	1,053.7	1,094.5	40.8
Total Revenue	14,165.1	14,111.9	(53.2)
Expense			
Agriculture	800.5	709.6	(90.9)
Community development	700.6	702.1	1.5
Debt charges ¹	380.9	380.2	(0.7)
Economic development	246.0	244.3	(1.7)
Education ¹	3,643.3	3,655.6	12.3
Environment and natural resources	247.9	262.3	14.4
Health ¹	5,627.4	5,663.9	36.5
Protection of persons and property	643.7	654.0	10.3
Social services and assistance	1,356.7	1,385.7	29.0
Transportation	567.4	546.7	(20.7)
Other ¹	585.4	586.5	1.1
Total Expense before Adjustments	14,799.8	14,790.9	(8.9)
Adjustments			
Human resources compensation measures	250.0	-	(250.0)
Contingency	(300.0)	-	300.0
Deficit ¹	(684.7)	(679.0)	5.7

Totals may not add due to rounding.

¹ Before adjustment to account for pensions on an accrual basis.

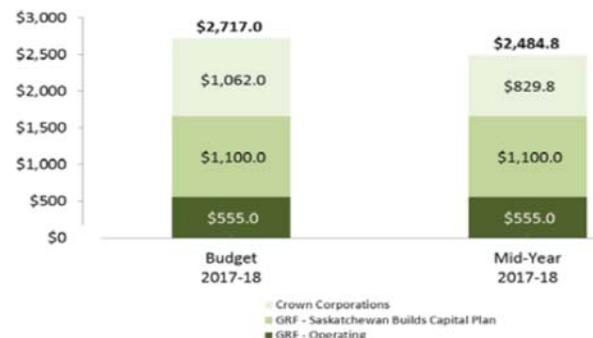
SCHEDULE OF PUBLIC DEBT

(As at March 31)

(millions of dollars)	Budget 2017-18	Mid-Year Projection	Change
General Revenue Fund (GRF)			
- Operating	5,750.0	5,750.0	-
- Saskatchewan Builds Capital Plan	2,755.6	2,755.6	-
Other Government Service Organizations	556.9	520.8	(36.1)
Government Service Organization Debt	9,062.5	9,026.4	(36.1)
Government Business Enterprise Debt	9,137.5	8,850.3	(287.2)
Public Debt	18,200.0	17,876.7	(323.3)

BORROWING REQUIREMENTS

(Millions)



Source: 2017-18 Mid-Year Financial Update (Green Sheet), Province of Saskatchewan.

Saskatchewan - 2017 Fiscal Update

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