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Aiming for balance amidst heightened trade risks

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Highlights

If there is one thing that Saskatchewan's budget, titled “Deliver for you,” delivers, it is budget surpluses. While the deficit for the 2024-25 fiscal year will be greater than initially forecast ($660.6 million vs. $273.2 million), the budget plan suggests that the years up to 2028-29 will be in the black. Indeed, the province is expected to record a small surplus of $12.2 million in 2025-26, which should then grow steadily to $216.7 million in 2028-29. However, the budget highlights elevated uncertainty on the geopolitical/trade front which could have sizeable impacts on the province’s fiscal results (the province cites a potential $1.4 billion revenue hit in a trade war scenario). Despite the anticipated surpluses in the four-year fiscal plan, net debt is expected to be on an upward trend in the coming years due to higher capital spending, although it will remain the second lowest among the Canadian provinces. Specifically, it is expected to rise from 13.9% in the fiscal year soon ending to 14.6% in 2025-26 and reach 15.0% in 2027-28. For its part, interest charges as a share of revenue should increase from 4.6% in 2024-25 to a still very manageable 5.0% in 2025-26. After borrowing about $5.0 billion in 2024-25, or nearly $650 million more than originally anticipated in the previous budget, Saskatchewan's borrowing requirements are expected to decrease to $4.0 billion in 2025-26.

- **Economic outlook** — As was the case in 2023, it is estimated that Saskatchewan's output grew slightly faster than the national average in 2024, with real GDP growth of 1.6%. This was supported by the second-fastest population growth ever recorded (after an all-time high the previous year), solid commercial and residential construction, and the third-highest value of goods exports in provincial history. Although job creation has not been able to keep pace with population growth, the unemployment rate at 5.4% in Saskatchewan was the second lowest in the Confederation (after Quebec) and it is also the province that has seen the least deterioration in its labour market, with the unemployment rate having increased by only 0.3% compared to February 2024 (Canada: +0.7%). After being heavily impacted by a fall in commodity prices in 2023, nominal GDP, which has a greater impact on public finances, rebounded 4.2% in 2024 after a 4.8% decline the previous year. Looking ahead, the Budget is based on the average private sector forecast which at the time of the survey did not incorporate directly the impact of tariffs and only partially the impact of the uncertainty surrounding the trade war. The Budget forecasts real GDP growth of 1.8% in 2025, which is a stronger increase than the previous year. From 2026 to 2029, real GDP is expected to grow at an average rate of 2.2% per year. Nominal GDP is expected to increase by 2.6% in 2025, which is slower than in 2024, notably due to lower commodity prices. From 2026 to 2029, nominal GDP is then expected to rebound and grow at an average rate of 4.2% per year. As for the labour market, employment growth is expected to slow significantly and more significantly than the working-age population. That would push the unemployment rate from an average of 5.4% in 2024 to 5.6% in 2025, before edging down to 5.4% in 2026. Finally, the Budget presents a (very) brief and high-level analysis of the potential impact of the introduction of tariffs on all Canadian products and the implementation of retaliatory measures by Canada. Such a scenario would result in a decrease of $8.2 billion in the province's exports (-30.4%), a decrease of $4.9 billion in real GDP (-5.8%) and a shortfall of $1.4 billion in state government revenues.
- **Energy price assumptions & related sensitivities** – When it comes to planning assumptions, the budget assumes WTI will average US$71/bbl during fiscal 2025-26. On budget day, the front WTI contract was below the projection level, trading slightly above US$67. Medium-term thinking sees WTI gradually rising through 2026-27 before picking up steam and reaching US$78.25/bbl in 2029-30, the end of the forecast horizon. As for the light-heavy oil price differential, it is expected to average 15.0% of WTI in 2025-26. That gap is currently hovering around there today and is expected to stay there due to reduced supply in the North American market from other heavy crude sources and pipeline capacity improvements since the Trans Mountain Expansion came online last spring. Official sensitivities imply each US$1/bbl change in WTI is worth $17.9 million in revenue to the province, all else equal. Meanwhile, oil production is forecast to come in at 166.9 million barrels, a level slightly higher than the outgoing fiscal year. Elsewhere, potash is assumed to average US$239/KCl tonne in the coming fiscal year. That’s up a bit from the US$223 averaged in the outgoing fiscal year but still well below the 2023-24 average of US$289. Finally, the budget expects the Canadian dollar to average 70.39 US cents in 2025-26, with each US cent worth $46.6 million in resource revenue.
- **Outgoing year budget balance (2024-25)** — In the Q1 update and subsequent mid-year update, Saskatchewan had been guiding towards increasingly larger budgetary shortfalls for the 2024-25 fiscal year. Indeed, the latest official read the deficit pegged at $744 million compared to the $241 million (0.2% of GDP) telegraphed in last year’s budget. Today’s latest (but unofficial) reading technically shows a modest improvement from the most recent guidance as the province now sees a shortfall of $661 million materializing (0.6% of GDP). The deterioration from the plan laid out a year ago can be traced to spending pressures, as expenses were $934 million (+4.6%) higher than the budget. That was primarily a function of the healthcare, agriculture and protection of persons and property envelopes. Revenues also came in hotter (via personal and corporate income tax and GBE income), but the additional $547 million relative to the budget plan (+2.8%) was not enough to offset marginal spending.
- **Medium-term fiscal outlook (2025-26 & beyond)** — Saskatchewan’s return to deficit in 2024-25 may be short-lived as the province is seen balancing the budget in the coming fiscal year, a very small $12 million surplus officially estimated. On the revenue side, healthy increases in taxation revenue, federal transfers and non-renewable resource revenues will more than offset an expected decline in GBE income. That would leave overall revenue up 3.2% year-on-year. Really, though, fiscal consolidation is a function of tightly contained expenses as the province

envisions no overall spending growth in the fiscal year ahead (technically expenses will fall 0.1%). That will involve slightly lower expenditures on the province's largest envelopes (health and education) but the biggest source of spending relief comes from agriculture, as 2024-25 saw larger-than-expected crop insurance indemnities.

Beyond 2025-26, the province sees itself remaining in the black throughout the forecast horizon (i.e., out to 2028-29) with expected surpluses growing each year. Specifically, we're talking about a $76 million surplus (0.1% of GDP) in 2026-27, a $144 million surplus (0.1% of GDP) in 2027-28 and a $217 million surplus (0.2% of GDP) in 2028-29. In these outer years of the fiscal plan, revenue is expected to grow by 3.7% annually, while spending is seen advancing by 3.4% per year. Outer-year expense growth is meant to match the average private sector forecast for the province's combined population and inflation growth rates. (It's also a much faster rate of growth than the -0.1% decline in spending expected in 2025-26).

Note that while Saskatchewan has not adopted a full-fledged "trade war" economic outlook (it is based on the private sector forecast as of February 19th), they do offer some guidance on what a "worst case scenario" could look like (i.e., 25% tariffs with Canadian retaliation). This scenario might involve a revenue hit of $1.4 billion, easily wiping out the thin surplus currently planned for 2025-26.

- **New initiatives** – Dubbed 'Delivering for You!', Saskatchewan's 2025 Budget aims to deliver on several (six specified) fronts. These include a focus on affordability, K-12 education, healthcare, provincial communities, as well as infrastructure and economic development. Introduced this budget on the affordability front, Saskatchewan will deliver over $250 million in resident and small business tax savings. The indexation of the personal income tax system will save Saskatchewan taxpayers $41 million on their 2025 taxes compared to 2024. $8.1 billion will be allocated to deliver better patient access and more responsive / effective healthcare to Saskatchewan residents. In education investment, $3.5 billion will go towards increased opportunity and support for K-12 students and teachers across Saskatchewan, while ~$788 million in funding will be provided for post-secondary education tailored to the needs of the provincial labour force and economy. Lastly, Saskatchewan highlights that $2 billion will be invested into community safety between the outgoing fiscal year and 2025-26.
- **Debt burden & interest bite** – Net debt is set on a slightly upward trajectory (albeit from a relatively low starting point), as $1.04 billion is slated to be tacked on for the coming fiscal year. At $17.33 billion, the projected level of net debt forecast as of March 2026 would be equivalent to 14.6% of GDP, set to rise from the outgoing year (13.9%). As per the fresh medium-term outlook, net debt-to-GDP is seen edging up slightly and peaking at 15.0% in 2027-28. Notwithstanding a rising debt load, Saskatchewan's debt burden would remain below the pandemic-related peak of 17.5% and would continue to reside at the lower end of the provincial spectrum. Financing charges in 2025-26 are expected to increase from the outgoing fiscal year, due to interest on new Saskatchewan Capital Plan debt and higher rates on refinanced debt. In Saskatchewan's case, a double-digit percentage increase (vs. 2024-25) would see financing charges consuming a still manageable 5.0% of total revenue in 2025-26. Again, that's relatively low by provincial standards, even as the 'interest bite' will rise from 4.6% last fiscal year.
- **Borrowing requirement** — Saskatchewan was a more active bond issuer in 2024-25, the roughly $5.0 billion of gross term funding up some $2 billion vs. the prior fiscal year and nearly $650 million above the original budget plan. The outgoing year's larger-than-planned bond crop reflected the prudent decision to pre-fund a portion of 2025-26's capital plan and also captured incremental needs for GBEs. For 2024-25, less than 30% of completed issuance was steered to the domestic market via four benchmark trades (1x10Y, 3x30Y) totalling $1.4 billion. The lion's share of 2024-25 bond issuance went instead to international markets: EUR 38%, USD 30%, CHF 3%. Given the baseline economic/fiscal outlook, Saskatchewan projects a total borrowing requirement of $4 billion comprised as follows: refinancing $1.5 billion; new taxpayer-supported debt $1.8 billion; net self-supported debt $0.8 billion. Controlling for the planned increase in short-term outstandings, the resulting gross bond requirement stands a snick above $3.9 billion—signalling a potential deceleration in the issuance tempo vs. 2024-25 (before undertaking any prospective pre-funding). Saskatchewan is committed to developing/maintaining domestic benchmarks, the target size set at $1.25-1.5 billion in 10-year sector and $2-2.5 billion in the long end. Beyond the projected deceleration in gross supply and the demonstrated access to debt capital markets at home and abroad, Saskatchewan's per capita funding requirement is likely to be below the weighted provincial average based on our current operating assumptions (with one half of the 2025 provincial budgets still to come).
- **Current long-term credit ratings** — S&P: AA, Stable | Moody's: Aa1, Stable | DBRS: AA(L), Stable
  *[Refer to our **Provincial Ratings Snapshot** for additional colour on specific credit rating drivers/considerations]*

Saskatchewan

$000 000	Budget 2024-25	Forecast 2024-25	Budget 2025-26	Plan 2026-27	Plan 2027-28	Plan 2028-29
Consolidated Budget						
Total revenues	**19,861.9**	**20,408.4**	**21,056.1**	**21,835**	**22,643**	**23,481**
Taxes	9,723.3	10,082.8	10,449.5			
of which provincial sales tax	3,196.4	3,071.4	3,331.3			
Non-renewable resources	2,686.3	2,502.6	2,699.4			
Net income from Government Business Enterprises	657.0	874.9	705.2			
Other revenue	3,015.6	3,229.0	3,265.0			
Transfers from the Government of Canada	3,779.7	3,719.1	3,937.0			
Total spending	**20,135.1**	**21,069.0**	**21,043.9**	**21,759**	**22,499**	**23,264**
Program expenditure	19,223.6	20,121.4	19,985.4			
As of Health	7,639.8	8,022.0	8,004.9			
As of Education	4,414.5	4,454.8	4,428.1			
As of Other	7,169.3	7,644.6	7,552.4			
Debt servicing	911.5	947.6	1,058.5			
Surplus (deficit)	**(273.2)**	**(660.6)**	**12.2**	**75.8**	**143.9**	**216.7**

Public debt (end of year - net of sinking funds)

General Revenue Fund and Gov. Service organizations	21,063.1	21,711.8	23,458.8
Government Business Enterprises	13,749.4	14,127.0	14,873.3
Total: Public Debt	**34,812.5**	**35,838.8**	**38,332.1**

Net Debt

Beginning of year	15,168.8	14,346.7	15,988.3			
Summary deficit (surplus)	273.2	660.6	(12.2)			
Acquisition of Government Service Organization Capital Assets	1,597.1	1,748.9	1,832.9			
Amorization, disposal and adjustments	(691.8)	(767.9)	(777.2)			
Other	-	-	295.5			
End of year	**16,347.3**	**15,988.3**	**17,327.3**			
As a % of GDP	14.0%	13.9%	14.6%	14.9%	15.0%	14.8%

Borrowing requirements	**4,364.0**	**5,002.8**	**4,043.4**
Government Service Organizations	2,827.4	3,458.1	2,849.3
Government Business Enterprises	1,536.6	1,544.7	1,194.1

Pension liabilities

Beginning of year	**6,110.4**	**6,109.0**	**5,939.5**
Adjustment to account for pension costs on an accrual basis	(135.4)	(169.5)	(361.9)
End of year	**5,975.0**	**5,939.5**	**5,577.6**

Source: Budget documents, Saskatchewan Ministry of Finance.

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