The Honourable Kevin Doherty
Minister of Finance

SASKATCHEWAN BUDGET UPDATE 15-16

KEEPING SASKATCHEWAN STRONG

BUDGET UPDATE AND FOUR YEAR FORECAST

Budget Update and Four Year Forecast
Government of Saskatchewan
February 29, 2016

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INTRODUCTION
Budget Update

Faced with challenges posed by weak oil prices, economic and financial market uncertainty and slower growth in China, Saskatchewan's economy has remained solid.

- Saskatchewan's population and employment continue to grow.

- Saskatchewan continues to have the lowest unemployment rate among provinces.

- The province posted the strongest growth in wholesale trade in Canada through the first eleven months of 2015.

Nonetheless, the impact of these global economic challenges (particularly on the oil sector), combined with an unusually high number of fires in 2015 following significant flooding in 2014, underpin an erosion in the Province's fiscal position in 2015-16.

Since mid-year:

- revenue has declined $158 million, largely reflecting a $229 million deterioration in resource revenue and an $86 million reduction in federal transfers, partially offset by an increase in net income from Government Business Enterprises; and,

- expense is up less than $7 million.

As a result of the further in-year revenue deterioration, the deficit has increased from a projected $262 million at mid-year to a forecast of $427 million at third quarter.

Total public debt is forecast to increase $366 million from budget.

ECONOMIC UPDATE
Budget Update

The slumping price of oil and weaker-than-expected growth in some of the province's major trading partners presented challenges for the Saskatchewan economy in 2015. Oil investment in Saskatchewan in particular fell by 49.9 per cent while international goods exports were down 8.1 per cent.

Yet despite these challenges, several Saskatchewan economic indicators remained strong.

Saskatchewan's population and employment, for example, continued to grow.

- Between October 1, 2014 and October 1, 2015, Saskatchewan's population increased by 1.1 per cent, the second-best percentage increase among provinces.

- Total employment increased by 2,800.

Further, for the third year in a row, Saskatchewan had the lowest unemployment rate among provinces.

Average weekly earnings in Saskatchewan were up, averaging $980.40 through the first eleven months of 2015. This was higher than the national average of $950.40.

The province also posted the third-strongest growth in building permits in 2015 and the strongest growth in wholesale trade through the first eleven months of the year.

SASKATCHEWAN ECONOMIC INDICATORS

	2014 Actual	2015 Actual	2015 (YTD) % Change	2009 to 2015 Saskatchewan % Change	2009 to 2015 Saskatchewan Rank	2009 to 2015 Canada % Change
Population at July 1 (000s)	1,122.3	1,133.6	1.0	9.6	2	6.6
Employment (000s)	570.9	573.7	0.5	9.1	3	7.3
Unemployment Rate (%)	3.8	5.0	5.0	4.7	Lowest	7.4
Consumer Price Index (2002=100)	128.7	130.8	1.6	11.6	4	10.6
Average Weekly Earnings* ($)	975.2	981.9	0.7	22.5	2	15.7
Retail Sales* ($B)	19.1	18.5	(3.1)	27.0	3	24.1
Wholesale Trade* ($B)	26.1	28.4	8.9	77.0	1	33.2
New Motor Vehicle Sales (# of Units)	58,434	55,273	(5.4)	23.1	7	30.6
Manufacturing Sales ($B)	15.9	14.1	(11.4)	25.7	4	24.7
International Exports ($B)	35.3	32.4	(8.1)	49.0	3	43.4
Building Permits ($B)	2.7	2.9	7.3	51.5	2	39.0
Housing Starts (# of Units)	8,257	5,149	(37.6)	33.2	4	31.2
Investment in New Housing Construction* ($B)	1.9	1.4	(25.1)	59.9	3	45.7
Investment in Non-residential Building Construction ($B)	1.8	1.7	(6.6)	13.2	5	17.7

Source: Statistics Canada, as of February 16, 2016.
* 2015 estimates based on year-to-date growth and previous years' actuals, except for the unemployment rate which is the year-to-date average.

Total crop production in 2015 was 2.0 per cent higher than the level in 2014 and 12.9 per cent higher than the 10-year average. This represents the second-largest crop on record.

Saskatchewan's economy remains resilient despite the challenges in the energy sector. Over the period 2009 to 2015, Saskatchewan had:

- the lowest unemployment rate;
- the highest growth in wholesale trade;
- the second-highest growth in population, average weekly earnings and building permits; and,
- the third-highest growth in employment, retail sales, international goods exports and investment in new housing construction.

Overall, 2015 was a challenging year for the Saskatchewan economy. Most private sector forecasters expect 2015 real GDP growth for Saskatchewan to be slightly negative.

For 2016, the private sector is forecasting (on average) 1.1 per cent real GDP growth, then 1.9 per cent in 2017.

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

	2015			2016		
	Budget	**Current**	**Rank**	**Current**	**Rank**	**Release Date**
IHS Global Insight	1.8	(0.6)	7	0.8	8	Jan-2016
Conference Board of Canada	0.8	(1.1)	8	2.0	6	Dec-2015
The Centre for Spatial Economics	1.4	(0.3)	8	1.0	7	Feb-2016
TD Bank	1.3	(0.9)	8	0.9	6	Jan-2016
RBC	2.2	(0.6)	8	2.5	2	Dec-2015
BMO	1.9	(0.1)	7	1.7	5	Dec-2015
CIBC	0.8	(0.5)	7	(0.5)	8	Jan-2016
Scotiabank	1.0	(0.5)	7	(0.3)	7	Feb-2016
Laurentian Bank	1.0	0.4	7	1.6	4	Sep-2015
Average of Private Sector Forecasts	**1.4**	**(0.5)**	**7**	**1.1**	**6**	

Private sector forecasts as of February 16, 2016.

2015-16 THIRD QUARTER FINANCIAL UPDATE
Budget Update

OVERVIEW

At third quarter, a deficit of $427.2 million is forecast. This is a $165.0 million decline from mid-year, and a $534.0 million decline from budget.

The third quarter update includes further reductions in non-renewable resources and taxation revenue since mid-year. In addition, federal transfer revenue has declined since mid-year.

These declines have been partially offset by prudent expense management initiatives, increased net income from Government Business Enterprises and increased other own-source revenue.

2015-16 BUDGET UPDATE - THIRD QUARTER
(Millions of Dollars)

	Budget	Mid-Year Projection	Third Quarter Forecast	Third Quarter Change from Budget	Third Quarter Change from Mid-Year
Revenue					
Taxation	6,808.1	**6,710.5**	**6,703.7**	(104.4)	(6.8)
Non-Renewable Resources	2,453.2	**2,064.9**	**1,836.4**	(616.8)	(228.5)
Other Own-Source Revenue	1,890.8	**1,914.1**	**1,943.9**	53.1	29.8
Transfers from the Federal Government	2,223.0	**2,314.9**	**2,228.6**	5.6	(86.3)
Net Income from Government Business Enterprises	904.9	**1,005.9**	**1,139.3**	234.4	133.4
Total Revenue	**14,280.0**	**14,010.3**	**13,851.9**	**(428.1)**	**(158.4)**
Expense					
Agriculture	721.6	**683.2**	**638.1**	(83.5)	(45.1)
Community Development	531.9	**531.9**	**531.9**	-	-
Debt Charges	305.1	**295.9**	**290.9**	(14.2)	(5.0)
Economic Development	256.6	**261.8**	**261.8**	5.2	-
Education	3,661.0	**3,626.1**	**3,609.7**	(51.3)	(16.4)
Environment and Natural Resources	242.1	**318.6**	**318.6**	76.5	-
Health	5,507.0	**5,527.0**	**5,587.0**	80.0	60.0
Protection of Persons and Property	625.7	**673.7**	**686.8**	61.1	13.1
Social Services and Assistance	1,209.9	**1,256.5**	**1,256.5**	46.6	-
Transportation	544.1	**535.9**	**535.9**	(8.2)	-
Other	568.2	**561.9**	**561.9**	(6.3)	-
Total Expense*	**14,173.2**	**14,272.5**	**14,279.1**	**105.9**	**6.6**
Surplus (Deficit)*	**106.8**	**(262.2)**	**(427.2)**	**(534.0)**	**(165.0)**

* Before adjustment to account for pension costs on an accrual basis.

Relative to mid-year:

- revenue is down $158.4 million; and,
- expense is up $6.6 million.

In total, changes from budget include:

- a $428.1 million, or 3.0 per cent, decrease in revenue; and,
- a $105.9 million, or 0.7 per cent, increase in expense.

REVENUE UPDATE

Third quarter revenue is forecast to be $13.9 billion.

2015-16 REVENUE RECONCILIATION

(Millions of Dollars)

2015-16 Mid-Year Projection	**14,010.3**
Forecast Changes from Mid-Year:	
Non-Renewable Resources	(228.5)
Taxation	(6.8)
GBE Net Income	133.4
Federal Transfers	(86.3)
Other	29.8
Total Change from Mid-Year	**(158.4)**
2015-16 Third Quarter Forecast	**13,851.9**

Non-renewable resources revenue is forecast to decrease by $228.5 million from the mid-year projection, primarily reflecting lower-than-expected commodity prices, partially offset by a lower exchange rate forecast.

Oil revenue is forecast to decrease $143.5 million, primarily due to a lower average West Texas Intermediate (WTI) oil price forecast and a larger light-heavy differential, partially offset by a decrease in the average exchange rate forecast.

At third quarter, the average 2015-16 WTI oil price is forecast at US$44.78 per barrel, down from the mid-year projection of US$49.50 per barrel.

The light-heavy differential is now forecast at 21.8 per cent, up from 18.6 per cent at mid-year.

The Canadian dollar is forecast to average 76.0 U.S. cents, down from the mid-year projection of 77.0 U.S. cents.

Potash revenue is forecast to decrease by $81.7 million primarily due to a decrease in average prices, partially offset by a slight increase in sales volume. On a fiscal year basis, prices are forecast to

2015-16 NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS

	Budget	Mid-Year Projection	Third Quarter Forecast	Third Quarter Change from Budget	Third Quarter Change from Mid-Year
WTI Oil Price (US$/barrel)	57.15	49.50	44.78	(12.37)	(4.72)
Light-Heavy Differential (% of WTI)	19.1	18.6	21.8	2.7	3.2
Oil Production (million barrels)	178.7	173.4	173.4	(5.3)	-
Potash Price (mine netback, US$/KCl tonne)[1]	297	282	267	(30)	(15)
Potash Price (mine netback, C$/$K_2O$ tonne)[1]	612	595	570	(42)	(25)
Potash Sales (million K_2O tonnes)[1]	11.0	10.7	10.8	(0.2)	0.1
Uranium Price (C$/Kg)[1]	141	126	127	(14)	1
Canadian Dollar (US cents)	79.2	77.0	76.0	(3.2)	(1.0)

[1] Ministry of Finance calculations derived from calendar-year forecasts.

2015-16 WTI AND EXCHANGE RATES

	WTI Oil Price (US$/barrel)	Canadian Dollar (US cents)
April to December - Actual	48.83	77.59
January - Actual	31.78	70.31
February - (as of the 24th)	30.16	72.29
March - Assumption	33.00	71.50

average US$267 per KCl tonne (C$570 per K_2O tonne), down from the mid-year projection of US$282 (C$595). Sales volumes in 2015-16 are currently forecast at 10.8 million K_2O tonnes, up from the mid-year projection of 10.7 million K_2O tonnes.

Crown land sales revenue is $3.9 million higher than the mid-year projection, reflecting stronger-than-expected actual results from the final two sales of the fiscal-year.

Other non-renewable resources revenue, including uranium, coal and other minerals, is forecast to decrease by $4.4 million. The decrease is largely due to lower uranium sales volume, partially offset by a lower exchange rate.

Taxation revenue is forecast to decrease by $6.8 million from mid-year.

Corporation Income Tax revenue is forecast to increase $83.9 million from mid-year, primarily reflecting a higher-than-expected prior-year adjustment, partially offset by downward revisions to the federal Corporate Taxable Income base forecast for 2015 and 2016.

Provincial Sales Tax and Fuel Tax revenue are forecast to decrease by $50.0 million and $20.0 million, respectively. These decreases reflect lower-than-expected oil prices, oil-sector-related activity and economic growth in 2015.

Tobacco Tax revenue is forecast to decrease $9.0 million from mid-year, reflecting lower-than-expected consumption levels.

Individual Income Tax revenue is forecast to decrease $7.6 million from mid-year, primarily due to small changes in the prior-year adjustment as final 2014 tax assessment data became available.

Property Tax revenue is forecast to decline slightly by $4.1 million from mid-year.

Other own-source revenue is forecast to increase $29.8 million from mid-year, largely reflecting modest own-source revenue increases in Regional Health Authorities and Boards of Education.

Transfers from the federal government are forecast to decrease $86.3 million from mid-year, primarily related to lower revenue for the Water Security Agency (WSA).

The budget initially estimated federal compensation of $108.3 million for the transfer of dams to the WSA. At third quarter, it is estimated the WSA will receive approximately $20.0 million this fiscal year to assume responsibility for ownership and operation of one of the nine dams to be transferred.

Government Business Enterprise (GBE) net income is forecast to increase $133.4 million from mid-year.

Workers' Compensation Board net income is forecast to increase by $45.4 million from mid-year mainly due to lower claims costs.

As indicated at mid-year, the next step of Summary budgeting, forecasting and reporting is being implemented – with the Crown Investments Corporation entities' year-ends being moved from December 31, 2015 to March 31, 2016 – aligning the operating years of the two major components of the Summary entity. As a result of this alignment, GBE net income was projected to increase $140.0 million at mid-year due to an additional quarter of Crown earnings. At third quarter, the forecast for the three additional months of income is lower-than-expected, primarily as a result of lower investment earnings forecasts at SGI due to weak investment markets to start the 2016 calendar year.

Auto Fund 2015-16 net earnings are now forecast to be $108.0 million higher than the mid-year forecast, mainly the result of less-than-expected settlement of prior year outstanding claims and strong investment returns. However, declining market conditions since December have eroded investment return expectations from January 1 to March 31. Earnings were further enhanced by lower-than-expected Auto Claims as driving conditions have been better-than-expected due to warmer-than-normal winter weather.

SGI 2015-16 net earnings are now forecast to be $48.4 million higher than mid-year mainly due to net income from the extra quarter, strong premium growth, less-than-expected settlement of outstanding claims and strong investment returns to December 31. However, declining market conditions since December have eroded investment return expectations from January 1 to March 31.

SaskEnergy and SaskPower 2015-16 net earnings are now forecast to be $26.9 million and $15.4 million higher than mid-year, respectively, mainly due to income from the extra quarter. This is forecast to be partially offset by unrealized non-cash losses on natural gas contracts as a result of declines in natural gas prices in 2015.

SaskTel, Saskatchewan Gaming Corporation and SaskWater net earnings are now forecast to be higher than mid-year mainly due to net income from the extra quarter.

EXPENSE UPDATE

Expense in the third quarter update is consistent with the 2015-16 Budget presentation and is presented before the adjustment to account for pension costs on an accrual basis. Government's current cash pension payment requirements are included in the expense budget and forecasts.

At third quarter, expense is forecast to be $14.3 billion, an increase of $6.6 million from mid-year. This includes some additional savings as a result of expense management initiatives across the Government Reporting Entity. Significant savings were previously identified at mid-year across all expense categories, including those categories that show net increases from budget.

2015-16 EXPENSE RECONCILIATION

(Millions of Dollars)

2015-16 Mid-Year Projection	**14,272.5**
Forecast Changes from Mid-Year:	
Health	60.0
Protection of Persons and Property	13.1
Agriculture	(45.1)
Education	(16.4)
Debt Charges	(5.0)
Total Change from Mid-Year	**6.6**
2015-16 Third Quarter Forecast	**14,279.1**

Significant changes from mid-year are detailed below.

Health expense is forecast to be up $60.0 million from mid-year as a result of further cost pressures in the Regional Health Authorities.

Protection of Persons and Property expense is forecast to be up $13.1 million from mid-year. The increase largely reflects increases for the Provincial Disaster Assistance Program for additional 2015 and prior-year claims.

Agriculture expense is forecast to be down $45.1 million from mid-year, mainly as a result of lower claims at Saskatchewan Crop Insurance Corporation.

Education expense is forecast to be down $16.4 million from mid-year. The decrease largely reflects additional operational savings at the ministries of Education and Economy and a greater amount of preventive maintenance being capitalized rather than expensed.

Debt Charges expense is forecast to be down $5.0 million from mid-year mainly reflecting lower borrowing rates on public debt.

The adjustment to account for pension costs on an accrual basis is estimated at $834.2 million, an increase of $7.7 million from mid-year.

DEBT UPDATE

The Province's public debt consists of:

- Government Service Organization Debt – all debt of government entities other than government business enterprises; and,
- Government Business Enterprise Debt – amounts borrowed by 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 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, 2016 is forecast to be $365.5 million higher than budgeted, due primarily to increased operating debt for the General Revenue Fund (GRF).

For 2015-16, public debt is expected to increase by nearly $1.9 billion from the March 31, 2015 balance. This is primarily due to increased debt for the utility Crown corporations, a $300.0 million rise in GRF operating debt and $700.0 million to enable the GRF to finance infrastructure assets.

2015-16 PUBLIC DEBT UPDATE - THIRD QUARTER
As at March 31
(Millions of Dollars)

		2015-16		2015-16 Third Quarter Change from	
	2014-15 Actual	Budget[1]	Third Quarter Forecast	2015-16 Budget[1]	2014-15 Actual
General Revenue Fund					
- Operating	3,800.0	3,800.0	**4,100.0**	300.0	300.0
- Saskatchewan Builds Capital Plan	-	700.0	**700.0**	-	700.0
Other Government Service Organizations	588.8	601.4	**633.9**	32.5	45.1
Government Service Organization Debt	4,388.8	5,101.4	**5,433.9**	332.5	1,045.1
Government Business Enterprise Debt	7,296.4	8,081.2	**8,114.2**	33.0	817.8
Public Debt	11,685.2	13,182.6	**13,548.1**	365.5	1,862.9
Guaranteed Debt	18.0	24.5	**19.5**	(5.0)	1.5

[1] The 2015-16 Budget information reflects balances as at March 31, 2015 as reported in the 2014-15 Public Accounts, adjusted by budgeted changes shown in the 2015-16 Budget.

SCHEDULE OF PUBLIC DEBT
As at March 31
(Millions of Dollars)

	2014-15 Actual	2015-16 Budget[1]	2015-16 Third Quarter Forecast	2015-16 Change from Budget[1]
Government Service Organization Debt				
General Revenue Fund				
- Operating	3,800.0	3,800.0	**4,100.0**	300.0
- Saskatchewan Builds Capital Plan[2]	-	700.0	**700.0**	-
Boards of Education	179.4	188.4	**195.3**	6.9
Global Transportation Hub Authority	17.0	25.0	**26.9**	1.9
Regional Health Authorities	99.6	98.2	**126.7**	28.5
Saskatchewan Housing Corporation	24.7	21.9	**21.9**	-
Saskatchewan Immigrant Investor Fund Inc.	198.3	185.2	**177.2**	(8.0)
Saskatchewan Opportunities Corporation	34.3	33.9	**35.9**	2.0
Water Security Agency	33.2	46.6	**47.6**	1.0
Other	2.3	2.2	**2.4**	0.2
Government Service Organization Debt	4,388.8	5,101.4	**5,433.9**	332.5
Government Business Enterprise Debt				
Municipal Financing Corporation of Saskatchewan	236.7	255.4	**230.4**	(25.0)
Saskatchewan Liquor and Gaming Authority	119.5	119.5	**119.5**	-
Saskatchewan Power Corporation	4,941.3	5,537.6	**5,599.4**	61.8
Saskatchewan Telecommunications Holding Corporation	833.0	902.4	**926.7**	24.3
Saskatchewan Water Corporation	44.6	51.2	**51.9**	0.7
SaskEnergy Incorporated	1,118.4	1,213.8	**1,185.0**	(28.8)
Other	2.9	1.3	**1.3**	-
Government Business Enterprise Debt[3]	7,296.4	8,081.2	**8,114.2**	33.0
Public Debt[4]	11,685.2	13,182.6	**13,548.1**	365.5
Guaranteed Debt	18.0	24.5	**19.5**	(5.0)

[1] The 2016 Budget information reflects balances as at March 31, 2015, as reported in the 2014-15 Public Accounts, adjusted by budgeted changes shown in the 2015-16 Budget.

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

[3] 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.

[4] Public debt is shown net of sinking funds. Debt repayable in foreign currency is restated in equivalent Canadian dollars.

2015-16 SCHEDULE OF REVENUE
(Millions of Dollars)

	Budget	Mid-Year Projection	Third Quarter Forecast	Third Quarter Change from	
				Budget	Mid-Year
Taxation					
Corporation Income	917.9	**917.9**	**1,001.8**	83.9	83.9
Fuel	544.1	**498.6**	**478.6**	(65.5)	(20.0)
Individual Income	2,625.4	**2,644.7**	**2,637.1**	11.7	(7.6)
Property	664.0	**664.0**	**659.9**	(4.1)	(4.1)
Provincial Sales	1,420.8	**1,349.4**	**1,299.4**	(121.4)	(50.0)
Tobacco	270.3	**270.3**	**261.3**	(9.0)	(9.0)
Other	365.6	**365.6**	**365.6**	-	-
Total Taxation	6,808.1	**6,710.5**	**6,703.7**	(104.4)	(6.8)
Non-Renewable Resources					
Crown Land Sales	112.6	**40.1**	**44.0**	(68.6)	3.9
Natural Gas	11.3	**13.3**	**10.5**	(0.8)	(2.8)
Oil	902.7	**698.3**	**554.8**	(347.9)	(143.5)
Potash	796.0	**733.5**	**651.8**	(144.2)	(81.7)
Resource Surcharge	386.7	**386.7**	**386.7**	-	-
Other	243.9	**193.0**	**188.6**	(55.3)	(4.4)
Total Non-Renewable Resources	2,453.2	**2,064.9**	**1,836.4**	(616.8)	(228.5)
Other Own-Source Revenue					
Fees	1,049.5	**1,053.5**	**1,072.2**	22.7	18.7
Insurance	241.6	**243.9**	**247.8**	6.2	3.9
Investment Income	131.4	**129.2**	**129.2**	(2.2)	-
Transfers from Other Governments	68.2	**68.2**	**70.0**	1.8	1.8
Other	400.1	**419.3**	**424.7**	24.6	5.4
Total Other Own-Source Revenue	1,890.8	**1,914.1**	**1,943.9**	53.1	29.8
Transfers from the Federal Government					
Canada Health Transfer	1,092.8	**1,080.7**	**1,080.7**	(12.1)	-
Canada Social Transfer	412.6	**408.7**	**408.7**	(3.9)	-
Other	717.6	**825.5**	**739.2**	21.6	(86.3)
Total Transfers from the Federal Government	2,223.0	**2,314.9**	**2,228.6**	5.6	(86.3)
Net Income from Government Business Enterprises					
Municipal Financing Corporation	1.0	**0.7**	**0.7**	(0.3)	-
Saskatchewan Auto Fund	33.1	**45.6**	**153.6**	120.5	108.0
Saskatchewan Gaming Corporation	25.9	**25.4**	**31.2**	5.3	5.8
Saskatchewan Government Insurance	36.6	**39.0**	**87.4**	50.8	48.4
Saskatchewan Liquor and Gaming Authority	499.8	**500.0**	**500.0**	0.2	-
Saskatchewan Power Corporation	82.1	**64.2**	**79.6**	(2.5)	15.4
Saskatchewan Telecommunications Holding Corporation	76.8	**97.0**	**121.1**	44.3	24.1
Saskatchewan Water Corporation	4.7	**5.4**	**6.2**	1.5	0.8
SaskEnergy Incorporated	77.5	**87.1**	**114.0**	36.5	26.9
Saskatchewan Workers' Compensation Board	72.8	**7.1**	**52.5**	(20.3)	45.4
Consolidation Adjustments	(5.4)	**134.4**	**(7.0)**	(1.6)	(141.4)
Total Net Income from Government Business Enterprises	904.9	**1,005.9**	**1,139.3**	234.4	133.4
Total Revenue	14,280.0	**14,010.3**	**13,851.9**	(428.1)	(158.4)

FOUR YEAR FORECAST
2016-17 to 2019-20

INTRODUCTION

The 2015-16 Budget recognized it would be a difficult year for both the economy and the Province's finances as a result of falling oil prices and a mixed global economic outlook.

At the time, expectations that oil prices would rebound over the medium term supported projections of normalized levels of Saskatchewan economic performance in both volume and value terms beginning in 2016.

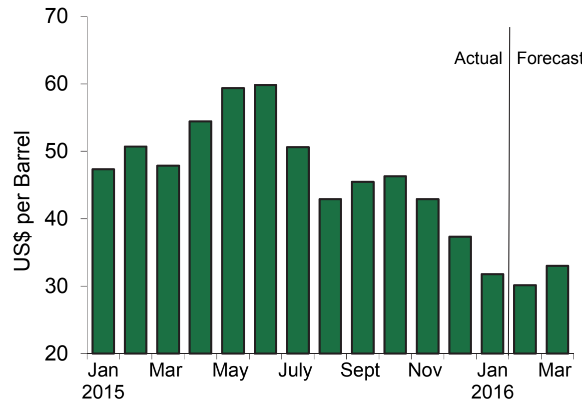
- Real GDP was projected to grow 2.4 per cent in 2016, following growth of 0.8 per cent in 2015, and then grow at an average rate of 2.0 per cent per year thereafter.

- Nominal GDP was projected to grow 5.0 per cent in 2016, following a decline of 3.9 per cent in 2015, and then grow at an average annual rate of 4.8 per cent thereafter.

Aligned with the forecast for strong economic performance, revenue was expected to grow at an average annual rate of 3.1 per cent over the medium term.

Oil prices did rebound as anticipated through the first half of 2015 before beginning to decline again to levels not seen since 2003 and 2004.

WEST TEXAS INTERMEDIATE OIL PRICE 2015-16



At the same time, expectations of global economic performance have been weakening, resulting in an economic recovery that stalls a bit in 2015 and 2016.

However, a rebounding global economy and strengthening commodity prices facilitate an economic recovery that begins to take hold in 2017.

- Real GDP is now expected to be at the same level in 2015 as in 2014 and grow a modest 1.5 per cent in 2016 followed by growth of 2.5 per cent in 2017.

- Nominal GDP is now expected to decline 6.3 per cent in 2015 and grow a modest 0.3 per cent in 2016 before normalizing at 6.0 per cent in 2017.

This economic recovery, in turn, exerts a stabilizing effect on provincial revenue in 2016-17, before recovery takes hold in 2017-18.

ECONOMIC OUTLOOK

Global economic activity was generally weaker than expected in 2015, and expectations for 2016 remain modest. The U.S. economy does appear to be gradually moving to higher and more sustained growth levels, driven by consumer spending and housing activity.

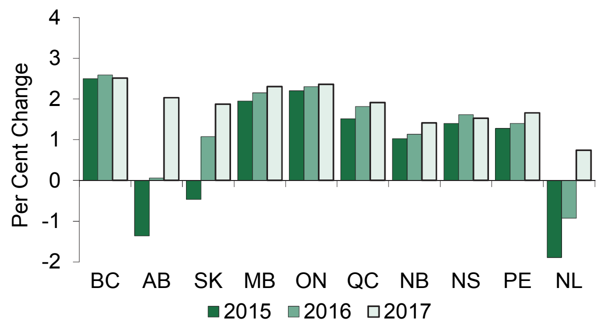
Canada's economy, which sputtered through the first half of 2015, also appears to be normalizing, assisted by interest rate cuts and a lower Canadian dollar.

The weaker Canadian dollar partially offsets the effects of lower commodity prices, resulting in modest economic growth for Saskatchewan in 2016.

A rebound in commodity prices, combined with a moderately strengthening currency and continued strength in the agriculture sector "normalize" growth expectations for Saskatchewan's economy, in both real and nominal terms, in the out-years.

This view of the medium term economic outlook for Saskatchewan is consistent with that of private sector forecasters, which also see relatively low real growth in 2016, followed by a return to real growth in the 2 per cent range in 2017.

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE



Sources: Major Canadian banks, IHS Global Insight, CBOC, C_4SE.
Private sector forecast average as at February 16, 2016.

MACROECONOMIC ASSUMPTIONS - CALENDAR YEAR

	2015	2016	2017	2018	2019	2020
Canadian Real GDP Growth (%)	1.2	2.0	2.2	2.2	2.0	2.0
U.S. Real GDP Growth (%)	2.6	2.9	2.9	2.7	2.6	2.5
Short-term Interest Rate (%)	0.48	0.40	0.86	1.79	2.79	3.44
Long-term Interest Rate* (%)	1.44	1.71	3.21	4.23	4.56	4.60
Canadian Dollar (US cents)	78.3	71.5	75.0	76.0	77.0	78.0
WTI (US$ per Barrel)	48.79	40.00	49.00	56.00	63.00	68.00

Sources: Federal Economic and Fiscal Update, November 20, 2015; private sector forecasts; Ministry of the Economy.
* 10-year Government of Canada bond.

SASKATCHEWAN ECONOMIC FORECAST SUMMARY - CALENDAR YEAR

	2015	2016	2017	2018	2019	2020
Real GDP Growth (%)	0.0	1.5	2.5	2.8	2.5	2.1
Nominal GDP Growth (%)	(6.3)	0.3	6.0	6.5	6.0	5.5
CPI Growth (%)	1.6	2.0	2.0	2.0	2.0	2.0
Employment Growth (# of jobs)	2,800	2,500	5,100	5,400	5,600	5,200
Unemployment Rate (%)	5.0	5.3	5.2	5.0	4.8	4.7
Retail Sales Growth (%)	(3.2)	2.8	4.9	5.3	5.3	5.5

REVENUE OUTLOOK

The four-year revenue forecast is based on 2015-16 in-year experience combined with revised resource assumptions and the current medium term economic forecast.

At third quarter, 2015-16 revenue is down $428 million from budget largely reflecting:

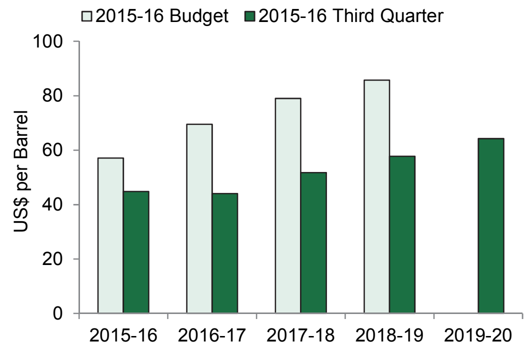
- lower non-renewable resource revenue, largely due to lower commodity prices, particularly oil prices, and corresponding reductions in production levels; and,

- lower Provincial Sales Tax and Fuel Tax revenue, largely due to reduced activity in the oil and gas sector; partially offset by,

- higher Corporate Income Tax revenue, own-source revenue and net income of GBEs, combined with the positive impact of aligning the Crown Investments Corporation entities' year-ends with Core Government operations' fiscal year.

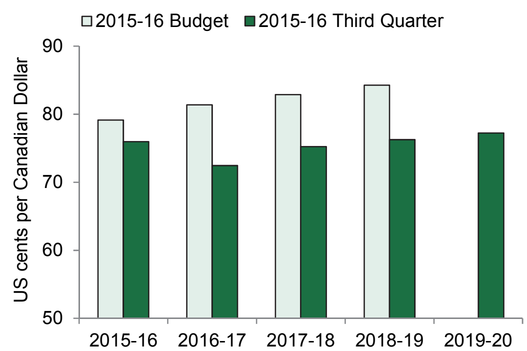
Lower commodity prices are assumed to persist throughout the medium term. Current WTI oil price assumptions average about US$25 per barrel below previous assumptions.

WTI OIL PRICE ASSUMPTIONS



Current exchange rate assumptions are also lower than those in the previous forecast, averaging about 9 U.S. cents less.

EXCHANGE RATE ASSUMPTIONS



MEDIUM TERM KEY RESOURCE ASSUMPTIONS

	2015-16	2016-17	2017-18	2018-19	2019-20
Canadian Dollar (US cents)	75.97	72.46	75.25	76.25	77.25
WTI Oil Price (US$/barrel)	44.78	44.10	51.75	57.75	64.25
Light-Heavy Differential (% of WTI)	21.8	21.3	18.7	17.4	16.0
Oil Production (million barrels)	173.4	165.1	165.7	168.0	171.7
New Wells Drilled (# per calendar year)	1,831	1,600	1,900	2,300	2,700
Average Royalty Rate (%)	7.1	6.9	6.9	7.1	6.8
Well-head Price (C$ per barrel)	41.30	42.18	49.87	62.06	72.05
Potash Price (mine netback, US$/KCl tonne)	267	241	245	249	253
Potash Price (mine netback, C$/$K_2O$ tonne)	570	546	533	534	536
Potash Sales (million K_2O tonnes)	10.8	11.4	11.8	12.3	12.4

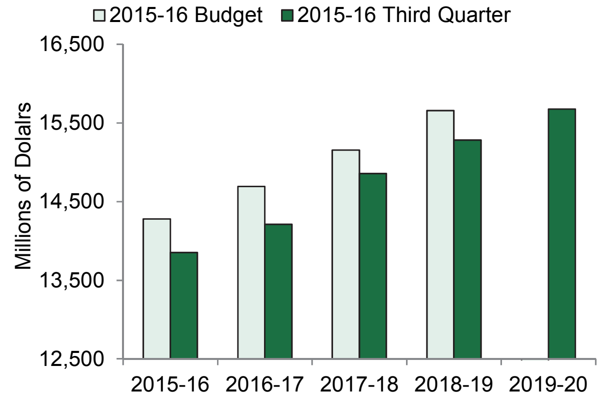
The net impact of the revised oil price and exchange rates is to reduce revenue by between $300 million and $350 million each year over the medium term.

Lower oil production and potash prices contribute to a further decline in revenue in 2016-17. Both stabilize and gradually increase thereafter, contributing positively to year-over-year revenue increases beginning in 2017-18.

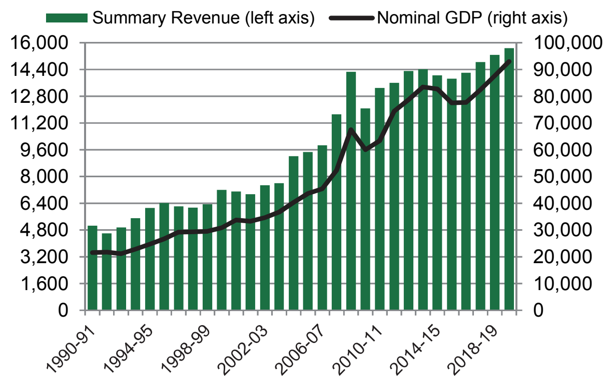
After a significant base adjustment in 2015-16, consumption tax revenue resumes modest growth in 2016-17. Overall, tax revenue grows at a rate consistent with economic growth (as measured by nominal GDP) over the forecast period, as do own-source revenue and the net income of GBEs.

Revenue is expected to grow at an average annual rate of 3.3 per cent over the medium term -- consistent with, but at a lower rate than, the economy which is expected to average 5.5 per cent growth over the same period.

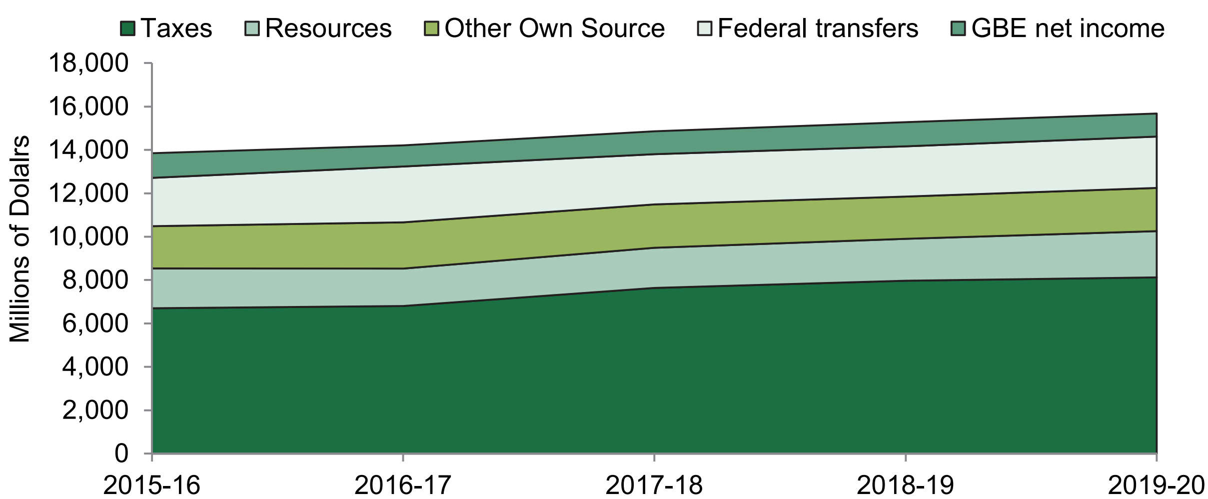
FOUR-YEAR REVENUE FORECAST



REVENUE AND GDP
(Millions of Dollars)



FOUR-YEAR REVENUE FORECAST

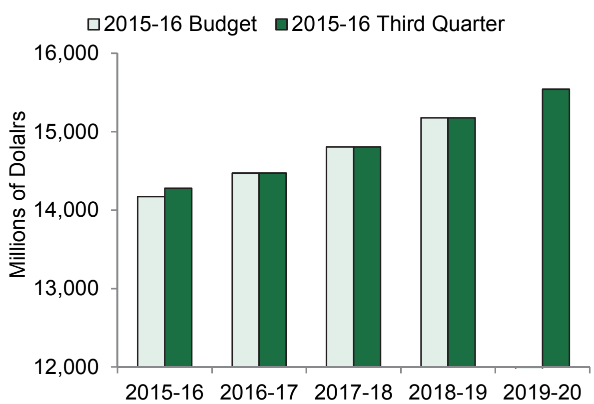


EXPENSE OUTLOOK

The expense targets established in the 2015-16 Budget medium term financial outlook reflected an affordable goal, embodying continuing fiscal management.

At third quarter, 2015-16 expense is up $105.9 million from budget, largely reflecting the $100 million in costs associated with this past summer's unprecedented wildfires. All other increases and decreases essentially offset.

FOUR-YEAR EXPENSE TARGETS



The current four-year forecast uses the same expense targets as the 2015-16 Budget medium term forecast.

Expense growth averages 2.3 per cent per year from the 2015-16 Budget to 2019-20. This is consistent with expense growth over the previous five years. From 2010-11 to 2014-15, expense grew at an average annual rate of 2.3 per cent.

FINANCIAL OUTLOOK

The current four-year financial outlook projects a deficit of $427 million in 2015-16 followed by a deficit of $259 million in 2016-17.

Balance is expected to be restored in 2017-18 as commodity prices begin to recover and the Saskatchewan economy normalizes.

Modest surpluses are projected in the out-years of the forecast period, after a contingency allocation in the latter two years.

FOUR-YEAR FISCAL FORECAST
(Millions of Dollars)

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue	13,852	14,212	14,856	15,282	15,677
Expense	14,279	14,471	14,806	15,176	15,525
Contingency	-	-	-	50	75
Surplus (Deficit)	**(427)**	**(259)**	**50**	**56**	**77**

The Honourable Kevin Doherty
Minister of Finance

SASKATCHEWAN BUDGET UPDATE

15-16

KEEPING
SASKATCHEWAN
STRONG

BUDGET UPDATE AND
FOUR YEAR FORECAST